



# LODGING NOTES

AND RANDOM THOUGHTS



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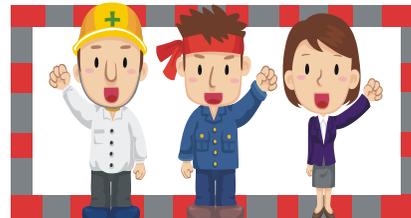
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*Labor Day, football, tailgating – September often seems like the “start” of the year – probably a leftover from our early days when school didn’t start until after Labor Day. It is, however, when the hotel industry starts to look towards next year’s budget and while not as foggy as last year, the crystal balls still don’t seem to be fully focused since most of the pundits have revised (downward) their estimates for both this year and next more than once.*



## STATE OF THE LODGING ECONOMY

Through July, occupancy is still the primary “driver” in the ongoing, steady – but slower than everyone wants – recovery in hotel performance (RevPAR +8.2% nationally and +9.7% in the top 25 markets), but rates are also beginning to show some life. Through July 2011 ADR is up 3.5 % nationally (+4.5% in the top 25 markets) according to the STR Monthly Hotel Review ([www.str.com](http://www.str.com)) compared to a 1.4% decline in the first seven months of 2010. Though not all markets are created equal - of the Top 25, twelve markets have double digit YTD RevPAR increases but only two with increases over 10 percent in Occupancy (Detroit and Tampa/St. Petersburg) and a different two in ADR (Oahu Island and San Francisco/San Mateo).

Now is the time – if you haven’t already - in most markets to gather a little backbone and raise those rates, maybe not your rack rates but certainly stop that “discounts for all” attitude that seems to have pervaded the industry. Especially as negotiations are starting on 2012 rates for groups or preferred corporate customers, take the opportunity to use those revenue management programs and don’t lock your property into “too low” rates for a full calendar year. Now is the time to work under the motto “Value for Money” – a motto I first saw in the UK in the early 1970’s and have been preaching ever since.

Last year I quoted an unknown (at least to me) pundit that “the hotel industry isn’t overbuilt, it is under-demolished”. Despite the ongoing slowdown in supply growth – STR Available Rooms up less than 1% nationally YTD versus 2.4% at this time last year (even though New York has seen over a 7% increase so far this year on top of a 4.6% increase at this time last year) that statement may be as true as it ever was. The general recession and continuing lack of debt availability is at least partly to blame – there just aren’t many economic alternatives for lodging operations that would be “better-off-gone”.

## HOTEL OPERATIONS - RENOVATIONS

Peter Yesawich, well-known expert on hospitality industry trends, says “No one wants to overpay. To the consumer, value is in vogue” (more of my “value for money” mantra). Guests have gotten more demanding. If you want to keep up with your competition, you’ll need to make sure your facilities fit your customer. The brands see this and are pressuring owners to make the necessary improvements. In an article in Hotel Interactive ([www.hotelinteractive.com](http://www.hotelinteractive.com)) Glenn Haussman indicated that there are 10 times the numbers of room being renovated than are being constructed. You don’t have to worry as much about new rooms being added to your market as you do about formerly non-competitive or marginally competitive properties updating to “line new” status while you just maintain your hotel’s “status quo”.

## FLORIDA INTERNATIONAL UNIVERSITY

Two items this month: a warning and an opportunity. First the opportunity – the School of Hospitality and Tourism Management is hosting the 2<sup>nd</sup> Annual Online Auction with a variety of travel packages, unique dining experiences, entertainment and culinary opportunities on: [www.biddingforgood.com/fiuhtm](http://www.biddingforgood.com/fiuhtm) from September 5th through October 2<sup>nd</sup>. Your support will benefit students with scholarships and funding for student teach assistantships.

Then the warning – My graduate seminar in **Hospitality Asset Management** begins again in January and I’m starting the hunt for guest speakers. Owners, developers, management companies, real estate brokers, debt/equity sources, legal experts and other stakeholders in the hospitality industry help to make the course more pertinent and provide differing perspectives to a class (usually less than 24) of students both domestic and international in one hour segments on Monday afternoons. If you think you may have some interest, email me for more information – [scottbrush@brush-and-company.com](mailto:scottbrush@brush-and-company.com).

## HEALTH ALERT!

The Internet is wonderful. The things you can learn. Just got an email from my computer guru - “When you drink Vodka over ice, it can give you kidney failure; when you drink Rum over ice, it can give you liver failure; when you drink whiskey over ice, it can give you heart problems; when you drink Gin over ice, it can give you brain problems. Warn all your friends - - Apparently, ice is really bad for you.”

*However, “they” are now saying that chocolate is good for you.*