



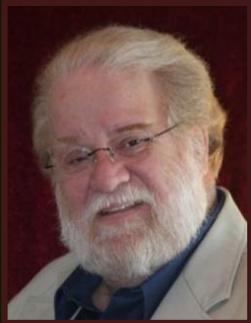
LODGING NOTES



AND RANDOM THOUGHTS

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Did I miss something? Between all the hype for Halloween and an early arrival of the Christmas/Hanukkah displays I was afraid I might have missed Columbus Day and the fall foliage! It seems the year just started and here we are in both the "Budget Season" and the "Conference Season". The pundits are providing their opinions, but is your pumpkin smiling at you or sneering at their inability to predict the future or even register some agreement?



STATE OF THE LODGING ECONOMY

Scott Berman of PricewaterhouseCoopers was the first to say: "Recovery! or Recovery?" The idea being that "we" all agree the recovery is underway, but disagree on (or are unsure of) the strength of that recovery. I suppose we can all agree that we have been in the "weeds" for quite a while and while the industry as a whole is seeing improvement, not all locations/properties/owners share in the "a rising tide lifts all boats" theory, but the tide does seem to be rising according to the estimates by Pannell Kerr Forster Hospitality Research (PKF), Pricewaterhouse Coopers (PwC) and Smith Travel Research (STR).

According to the reports out of last month's "The Lodging Conference" in Phoenix the experts seem positive that things are improving, they just disagree on how slowly. Even the statisticians disagree how this year will end. PKF's recently revised forecast indicates a 7.2% annual growth in RevPAR for 2011 while PwC says 7.3% and STR opines a 7.8% increase. All three of these firms see less growth in 2012 with PwC the stingiest at a 6.2% increase in RevPAR while STR estimates +7.0% and PKF is highest at +7.3%.

Occupancy growth is estimated to moderate in 2012 by all three with PwC estimating the biggest slowdown, from 3.8% growth in 2011 to only a 1.0% rise in 2012. PKF was a little more optimistic with occupancy rising 3.9% in 2011 and 2.4% in 2012. STR agrees with the 3.9% increase in 2011 but drops to growth of only 2.0% in 2012. All three also agree that ADR growth will improve in 2012 with PKF the most conservative forecasting ADR increases of 3.2% in 2011 followed by 4.8% in 2012. PwC had a moderate 3.6% increase projected for 2011 but a "best of group" estimate of a 5.1% increase in 2012. STR had the highest estimate for 2011 at 3.7% but was in the middle for 2012 at 4.9%.

PKF - www.pkfc.com PwC - www.pwc.com STR - www.str.com

HOTEL ACQUISITIONS

STR's HotelNewsNow.com had a recent article by David Sangree of Hotel & Leisure Advisors listing the average sales prices on a per room basis for the industry's "Top Ten" brands over the period 2007 through 2011. Unsurprisingly the arithmetic "mean" is pretty much in line with the quality ranking of the chain. Hilton took the top position with a mean of \$221,512 and a median of \$158,020 for the 40 sales in the period. Marriott (67 sales) was second at \$166,484 (mean) and \$136,409 (median). Hampton came in third \$125,352 (mean) \$100,510 (median) for its 107 sales. Sheraton (55 sales) was fourth at a mean of \$109,429 and a median of \$95,763. Holiday Inn Express with 64 sales was next at \$88,560 (mean) and \$69,318 (median). Best Western (69 sales) came in sixth at a mean of \$77,562 and a media of \$51,304. Comfort Inn (85 sales) had a mean of \$70,001 and a media of \$57,459 while Holiday Inn, with the most sales at 118, saw a mean of \$66,775 and a median of \$37,119. These sales prices do not reflect the cost of renovations undertaken by the buyer which, with many older properties, may be substantial just to meet the brand's required PIP.

FLORIDA INTERNATIONAL UNIVERSITY

Guest speakers are being actively sought for my graduate seminar course - **Hospitality Asset Management** for Monday afternoons starting in January 2012. Owners, developers, chain executives, management companies, real estate brokers, debt/equity experts, 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 both home-grown and international students most with industry experience, in one hour segments. If you think you may have some interest, email me for more information - scottbrush@brush-and-company.com.

THE NEW "NORMAL"

The article "What does 'value' mean to your guests?" by Jason Freed on STR's HotelNewsNow.com last Wednesday brings up a subject that I've been preaching about for years - value. He indicates that while value can mean different things to different people, the important perspective is that of the hotel guest. It is suggested that developing a "value package" or packages may help a property meet guest expectations. Do you have a variety of demand segments? You might assemble different packages for each segment. The commercial value package - offered at a price less than the sum of the parts - might contain an upgraded room, a complementary cocktail along with free wi-fi while a leisure guest package - also at a cost saving - might contain complimentary resort fees, a bottle of wine and a souvenir of the stay. Creativity could make these packages memorable and the cost savings help the guest's perception of your "value".