Lodging Notes
AND RANDOM THOUGHTS

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BRUSH & COMPANY

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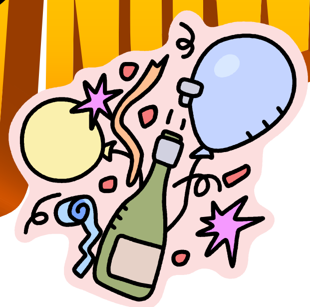
Happy New Year! 2012



STATE OF THE LODGING ECONOMY

Hotel performance estimates are only moderate for 2012 according to Travel Weekly (www.travelweekly.com) . Bjorn Hanson (Dean, NYU School of Tourism and Hospitality Management) estimates a 2% increase in rooms demand, down from 2011's 5% growth. PKF Hospitality Research (www.pkfc.com) estimates a 6.1% RevPAR increase in 2012 while STR (www.str.com) is more conservative at a revised 3.9% increase (from a former +7.0% estimate) and PriceWaterhouse Coopers (www.pwc.com) moderated its estimate to 6.5% growth from an earlier 7.0% increase. Much of the increase is expected in Average Daily Rates (ADR) as the industry's growth in supply (or lack thereof) continues to be stymied by a general lack of financing for development and demand growth lessens in line with Bjorn Hanson's estimate.

Although some pundits are projecting more available debt most agree that it will be on the basis of tighter underwriting requirements – strong brand, strong management, strong owner balance sheet – and lots of cash equity. We may never see 80/20 debt equity ratios again although 50/50 ratios probably won't last forever either.

DEVELOPMENT/ACQUISITION/INVESTMENT

Jones Lang LaSalle LaSalle (www.joneslanglasalle.com) says worldwide hotel deals in 2012 to be flat compared to 2011 at about $30 billion, but good buying opportunities exist in the US, Japan, Britain, and others. Bloomberg (www.bloomberg.com/news) points out that $17.5 billion in securitized hotel loans are coming due in 2012 and 2013 but special servicers aren't sure what to do with them. ("Hotel Lenders Shun Foreclosures as $17.5 Billion in U.S. Loans Come Due") Our industry is not as straightforward as offices, apartments, or industrial buildings and that makes "them" uncomfortable.

This year, 2012, may end up as the "Great Year of Renovations". If you can't build new, fix up the old. Property owners indicate that the brands are becoming more insistent about property improvements although debt financing for renovations still seems "difficult". A recent www.HotelNewsNow.com article (12/28/11) indicates that options are limited as franchisors are pushing PIP's and other upgrades despite the lack of funding. Owners are facing deadlines with limited options – sell or cut the check. There are some buyers out there willing to purchase and put in the necessary funds to upgrade the hotel, but they're looking for bargains. Those properties than can afford it, are putting money into renovations knowing that improving ADR's means providing the guest with an improved product.

FLORIDA INTERNATIONAL UNIVERSITY

January 2012 begins my ninth presentation of a course on Asset Management in the Hotel Industry at the Chaplin School of Hospitality & Tourism Management at Florida International University's Biscayne Bay Campus in northern Miami-Dade County. University programs are always looking for ways to make themselves more crucial to industry and in that vein, I'd like to ask readers of Lodging Notes for suggestions to improve the quality of college graduates and/or ideas for research that could be done at the University level to improve the industry's knowledge base. Not promising any breakthroughs, but you never know when an idea with spark a "revolution".

THE NEW "NORMAL" - Crystal balling in the 21st Century

Mobile Technology – more apps for more companies to do more things, but security concerns.
Cloud Computing – seems to be gaining adherents and practicality
Social Media – if you're not participating, it's even money your competition is. Activity will continue to increase up and down the food chain.
Security – no one wants to talk about it, but both physical security and electronic security will be prime topics.

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