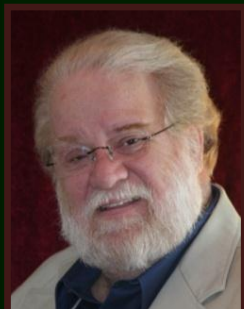




LODGING NOTES

AND RANDOM THOUGHTS

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BRUSH & COMPANY

A LODGING INDUSTRY
CONSULTANCY

Founded 1993

16410 SW 77TH COURT
MIAMI, FL 33157

TEL. 305.253.7415

SKYPE. SCOTT.BRUSH

EMAIL. SCOTTBRUSH@

BRUSH-AND-COMPANY.COM

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STATE OF THE LODGING ECONOMY

A strong summer is being forecast by Smith Travel Research (www.str.com) as reported recently in Hotels magazine (www.hotelsmag.com). Comparing the forecasted summer (June/July/August) 2012 to actual 2011, STR predicts occupancy to increase 1.8% to 69.0%, ADR to increase 3.9% to \$106.64 and RevPAR to increase 5.7% to \$73.59. Part of the improvement is due to the continued lack of supply growth (estimated at 0.4%) while demand continues to increase (estimated at 2.1%). As always, this is an average some areas and individual properties will do better and some worse.

As reported in various media, including the Los Angeles Times (www.latimes.com) the U.S. Travel Association is launching the first coordinated campaign to promote the US to travelers worldwide at an estimated cost of \$150 million. The campaign is to be financed by a \$14 fee charged to visa applicants supplemented by donations from private business such as hotels and theme parks. But some experts think that the short-term response from the Eurozone will be limited, and that results from South American and Asia will be better.

DEVELOPMENT/ACQUISITION/INVESTMENT

The latest input from various industry meetings indicates that SOME new construction projects are moving forward, but that each project needs the right facility in the right location, in the right market, with the right brand, the right management and the right developer, along with the "right" equity – as much as 40 or 50% real cash equity. The only way to interest a lender at this point is to have all your documentation in order, and the information provided needs to have solid backup, not a document put together by the positive thinkers in your marketing department.

Things must be improving . . . I'm getting notice of hotel development sites for sale. A recent one is for a 3-acre site at a turnpike exit proximate to Fort Lauderdale Airport as well as the Hard Rock Casino. It is already designed as a 120-room property with all the environmental permits and mitigation credits included. Contact is Jeff Spear at 954.868.5337 or jeff@thespeargroup.com.

OPERATIONS

Are you operating at peak efficiency? Could your property or company stand a little "fine-tuning"? McKinsey & Company introduced an idea in the 1970's that might bear a little reflection with respect to your hospitality operation. The Yul Brynner school of management (as Pharaoh in *The Ten Commandments* - "So let it be written. So let it be done!") isn't really acceptable in polite company anymore. The McKinsey 7-S framework from the 1970's addresses coordination rather than structure by recommending alignment of seven key points: **strategy, structure, systems, staff, skills, style** and **shared values** throughout the organization. Coordinating these factors within the hotel or the hospitality company can significantly improve operating results in both the short and long-term.

PERSONAL PEEVES

Not sure how many of your guests get irritated by it, but I certainly do. Almost every hotel I check into does not have something that I rely on at home. The flat panel TV is there (maybe not as big, but mostly adequate for the space) and there's a pretty good variety of stations available via cable or satellite. However, at home I can go to an online program guide that outlines both the name of the program and a short synopsis of the content. As I go to a station it automatically lists the program and channel so even if a commercial is currently showing I know the program. Why can't I get the same service in my hotel room? Why do I have to constantly flip stations to see what's available? Is it that much more expensive to include the guide?

THE NEW "NORMAL" - TOP TRENDS

The world is changing and you (and your property) need to change with it or become irrelevant in today's (hopefully improving) hospitality market. This is nowhere more apparent than in the technology arena. Some of us are old enough to remember when motels advertised air conditioning and color TV along non-Interstate roads. Why did properties advertise these amenities? Because much of the traveling public didn't have them at home. What can you promote today that your potential guest doesn't already have at home? And, in many instances, he/she has newer, larger, better versions than you are offering. It is no longer the room with the biggest TV that has a "point of difference" to promote, it is the property without the best offering that suffers the "point of difference" in the wrong direction.

In my Asset Management class at Florida International University, during the last class session of the semester, students bring in articles from current trade publications highlighting the latest trends in the industry and 80% of the articles focus on technology. Update or fade away!