



LODGING NOTES

AND RANDOM THOUGHTS



September 2012
Vol. #4 Issue #9



BRUSH &
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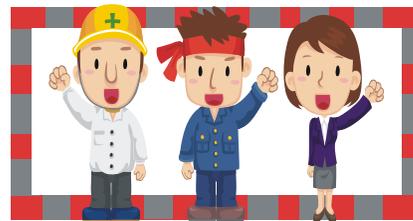
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Labor Day, football, tailgating – September often seems like the “start” of the year – probably a leftover from our early days when school didn’t start until after Labor Day. It is, however, when the hotel industry starts to look towards next year’s 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 their estimates for both this year and next more than once.



STATE OF THE LODGING ECONOMY

Smith Travel Research (STRglobal.com) announced that July 2012 broke US hotel demand records with 1.06 million room nights versus the former record of 1.05 million room nights in July 2011 and expects that continued record levels of demand will stimulate ADR growth. Further, STR indicates that transient and group demand segments are fueling the recovery with transient demand in June 2012 up 5.2% over the same month last year and group demand up 5.9% June over June. The US Commerce Department on August 21, 2012 says that the travel industry is on track for another record-setting year with international visitation up 11% this year after a 4% increase in 2011. PricewaterhouseCoopers (PwC) has just upped its estimate for RevPAR gains to 7.2% in 2012 and 5.6% in 2013 and PKF estimates demand this year will exceed demand in 2007..

While room demand is up, STR’s HotelNewsNow.com reports that “US hotel deal flow shows slowdown”. A report from STR Analytics (Hotel Transaction Almanac Midyear 2012 Update) indicates that the deal flow has tapered since 2011 with fewer distressed sales (only 13% of the total versus almost one-third last year) and less activity by REITs (on 16% this year versus 35% of the deals last year). The room revenue multiplier was 3.9, down from 4.2 in 2011 while the cap rate declined to 9.2% from 10.5% in 2011. At the same time, Deloitte is reporting that UK hotel transactions doubled in the first half of 2012 according to Hotel Investment News (www.hotelmanagement.net)

A couple of articles – one in www.travelweekly.com and one in www.hotelinteractive.com, focused on a trend I’ve brought up in the past. That is, the connection between healthcare and hospitality. Travel Weekly’s article said “Hospital-adjacent hotels get built amid development standstill” and used examples from both Concord Hospitality and Benchmark Development Corp. from the ALIS Summer Update in Dallas. I’ve advocated for a number of years targeting healthcare, educational and military institutions as potential major demand generators even in tough economic times. Hotel Interactive reported on the first ever BITAC Spa & Health held in August and although focusing on “senior housing”, many of the lessons can educate professionals in both the healthcare and hospitality fields to maximize profits by adopting some of the other industry’s best practices.

HOTEL DEVELOPMENT

Smith Travel Research statistics, reported in www.hotelnewsnow.com www.travelpulse.com and www.hotelmag.com (and probably elsewhere) indicated another decrease in the hotel development pipeline – down 6.9% at the end of July 2012 compared to the end of July 2011. HOWEVER, not all segments are created equal. By chain scale, the year over year change in the total active pipeline ranges from +93.1% in the Luxury sector to -26.9% in Upper Upscale. Upscale was down 7.2%, Upper Midscale -4.3%, Midscale -6.1%, Economy +12.2% and Unaffiliated -9.4%.

FLORIDA INTERNATIONAL UNIVERSITY

Three items this month: First the opportunity – the School of Hospitality and Tourism Management is hosting the 3rd Annual Online Auction with a variety of travel packages, unique dining experiences, entertainment and culinary opportunities on: www.biddingforgood.com/fiuhtm from September 3rd through the 30th. Your support will benefit students with scholarships and funding for student teaching assistantships.

Next is an even larger opportunity. FIU is growing, substantially. The new \$7 million restaurant, food labs and entry is almost complete. The next step is adding additional classrooms and labs and adding the faculty necessary to the growing student population (over 200 additional full-time students between the 2010-11 and 2011-12 school years and even more expected this year). This creates openings for funding endowed faculty, naming of buildings or rooms, scholarships and various other ways to positively enhance the next generation of the industry. Not to mention the need for employment opportunities.

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.



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