LODGING NOTES
AND RANDOM THOUGHTS

October 2012
Vol. #4 Issue #10

BRUSH & COMPANY

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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" as well as the Holiday Season. The pundits are providing their opinions on 2013, but is your pumpkin smiling at you or sneering at your "guesses" for next year?

STATE OF THE LODGING ECONOMY

Pannell Kerr Forster's research arm, PKF Hospitality Research, LLC recently released a report on 2011 budgets that indicates that *"US Hotel Managers Nailed Their Budgets in 2011"*. Using operating statements from more than 600 properties, they compared actual and budgeted data for 2011 and concluded that *"the 2011 US hotel budgets were the most precise we have seen since PKF Hospitality Research, LLC began tracking budget accuracy in 2001."* The overall estimated 8.6% increase in rooms revenue was closely matched by the actual 8.2% increase. Expenses were kept to a 5.4% increase versus a budgeted 5.8% increase resulting in a 16.1% increase in NOI, 0.9 percentage points greater than the budgeted growth rate. Hopefully this bodes well for your 2013 budget.

All of the pundits are in agreement! They all agree that nationally RevPAR in 2013 will show positive growth in keeping with 2010, 2011, and 2012 and they also agree that the growth in 2013 will not be as great as it will be for the full year 2012. Pannell Kerr Forster (PKF) is looking at a 6.2% growth in 2013 (highest of all three companies) down half a point from their 6.7% estimate for 2012. PricewaterhouseCoopers (PwC) is estimating 5.6% growth in 2013 down a full 1.2 percentage points from their 7.2% estimate for the full year 2012. Smith Travel Research (STR) is the most conservative with a 5.4% RevPAR growth estimate for 2013 down only 0.1 points from their 2012 estimate of 5.5%. Remember, these are NATIONAL estimates, your market may be significantly different (better or worse) than the national norm!

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

Other companies also provide estimates that may be of use to the GM working on the 2013 budget while still "putting out 2012 fires". CBRE Hotels (www.cbrehotesl.com) is looking at things from the transaction side. They indicate that overall cap rates dropped 84 basis points from 2009 to 2011 while through mid-year 2012 overall rates averaged 7.66 percent only a marginal change from 2011. At the same time (2009-2011), the average sales price per room for full-service hotels rose from $101,359 to $162,181 and to $222,427 in the first half of 2012.

Lodging Econometrics (www.lodging-cconometrics.com) recently reported that, although still below historical averages, development trends are on the rise. Construction Starts is up from the bottom for the sixth consecutive quarter and at the highest level in six quarters. New Project Announcements is up from the previous cyclical bottom for the third consecutive quarter and is at the highest level in six quarters. Based on current trends, Lodging Econometrics forecast for New Hotel Openings in 2014 is 446 projects/48,335 rooms a 321% room count increase and the first substantial upturn from the bottom of 346 projects/ 37,200 rooms set in 2011.

FLORIDA INTERNATIONAL UNIVERSITY

The guest speaker list for my graduate seminar course - ***Hospitality Asset Management*** on Monday afternoons starting in January 2012 is almost filled. Only March 4th and April 15th are still available. A variety of guest speakers is warmly welcomed by the students as they 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 properties that over the past few years added amenities tied into Apple's iPhone are now facing the task of updating due to Apple's change in the new phone connector. Initially providing an adapter may be the ideal solution since changing over to the new connector would bar all the existing pre- iPhone 5's from use. But adapters seem to be costly (one being marketed is $17) and easily pocketed (by mistake or on-purpose). Then, the question becomes "when will vendors offer an alarm clock with docking station for the iPhone 5 that is backward compatible and when should we purchase it". This is an example of the "new normal" with technology that seems to change quickly enough to make your purchase "out-of-date" by the time it's installed.