LODGING NOTES

AND RANDOM THOU[GH]TS

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justified this year with occupancy ADR and RevPAR continuing to increase in most markets even though the pundits seem to be in agreement that 2013 increases will be more moderate. Happy Holidays!

STATE OF THE LODGING ECONOMY

Lodging Hospitality online editor Ed Watkins had a recent article (http://blog.lhonline.com) entitled "Is a Hotel Building Boom On the Horizon?" Although indicating that nothing is sure, he believes the "hotel industry is on the cusp of another development spree" even though the forecasts keep the supply growth below the historical 2% for the next few years. The state of the economy and the ongoing reluctance of lenders to fund new construction seems to keep the pedal from hitting the metal. However, hotel developers feel they must develop hotels and many haven't found other careers and are just waiting for the opportunity to do it again. Even in the "good times" not all deals are good deals and it's now even more important to be sure that your project is a good one – that it is not just be the best use of that particular site, but that the particular site is fundamentally an excellent hotel site

Smith Travel Research (STR) has again revised its earlier 2012 forecasts to a 6.5% increase in RevPAR to be followed in 2013 by a more moderate 4.9% increase with both years seeing more growth in ADR than Occupancy according to a November www.HotelNewsNow.com article. In the same article PwC is quoted with a 6.6% RevPAR gain in 2012 softening to a 5.4% increase in 2013 – a bit better than STR's estimate. PKF is slightly higher still with a 6.6% increase in 2012 to be followed by 6.1% growth in 2013. All these estimates are based on much smaller occupancy advances and higher gains in ADR when compared to 2011 and assume a continued slowdown in supply growth in 2013.

Despite the reasonably consistent and rosy growth picture by the industry's primary pundits, an article in "Meetings & Conventions" (www.meetings-conventions.com) notes that a report from the Global Business Travel Association Foundation indicates "US business travel spending could be slashed by $20 billion (2.5%) over the next nine quarters if the "fiscal cliff" scenario occurs." The other side of the coin – the "No Fiscal Restraint Scenario" would equate to growth of $5.5 billion in business travel spending over the next nine quarters but that by 2014 much of the growth would be due to inflation; while growing deficits and debt would act to slow growth.

OPERATIONS

A recent study from the Cornell Center for Hospitality Research that supports what better hoteliers have preached for years – a positive reputation leads to revenue increases. Another study by PKF (www.pkfc.com) links dollars expended to maintain the property and payroll dollars spent in guest contact areas with superior guest satisfaction scores and greater levels of profitability relative to their counter parts. The study indicated that managers who spend above-average amounts on maintaining their hotels and staffing their properties achieve superior guest scores and superior operating profits.

STORM ASSISTANCE

The Residence Inn in Carlisle Pennsylvania is helping New Jersey victims of Hurricane Sandy according to an article in Carlisle's "The Sentinel" as featured in a recent Hotel Online (www.hotel-online.com). Florida-based Janus Services Inc., was renovating the Residence Inn and via the Carlisle Rotary Club was hooked up with the Toms River New Jersey Rotary Club to make available to storm victims 78 rooms worth of dining chairs, lounge chairs, office chairs, desk lamps, floor lamps and sofa beds. A distributor (Allen Distribution) was found who agreed to provide storage for the items for 3 to 6 months and to transport the furniture to Toms River when needed. If the industry just got a little organized, I'll bet a lot of assistance could be forthcoming, and not just furniture. Have you looked at your operation recently with an eye to doing "good" for someone? It's that time of year,

THE NEW "NORMAL"

The recent Lifestyle/Boutique Hotel Development Conference in Miami (as only the fourth annual conference it is a real neophyte among the big development conferences) with 300 attendees indicates an industry segment rapidly gaining acceptance. Of course "rapidly" is relative – like becoming an overnight sensation after 30 years of work. The small, independent "boutique" is only one facet of the industry as a variety of both independent and chain-affiliated properties (i.e. Hotel Indigo, Marriott's Autograph Collection) vie for recognition and while most are concentrated in resort location or major cities; secondary and tertiary markets are now attracting interest from both the chains and developers.

Steve Rushmore, in an article in the November "Lodging Hospitality" (LHonline.com) relates some of the "lessons learned" from past recessions to today's marketplace. He posits it should be a great time to build, invest, buy and sell since the general hotel statistics look good - RevPAR is approaching 2007 peaks and supply growth has slowed to a crawl. However, there is an overall uncertainty in the industry (as well as in other real estate segments and indeed in the economy as a whole. The recession in the 1980's had 4 years of declining room night demand (1980-1983) which was followed by 4 years of increasing room night demand (1984-1987) before meeting the pre-recession peak. Demand has always been cyclical, but this time the political uncertainty has many keeping their hands in their pockets.

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