Repositioning and rebranding are hot topics. The Essex House, formerly a Westin, recently a Jumeirah and now a JW Marriott is only one in a number of changes according to a recent article in The New York Times (www.nytimes.com) by Amy Zipkin. There was a 39% increase in reflagging in 2011. We believe that this increase will continue as more properties change hands and rebranding is seen as a major route to increasing performance. At the other end of the spectrum, properties facing significant unfunded improvements to keep a flag are looking at alternate brands that may offer lower fees or more flexible standards (i.e. require less capital investment). After several years of restraint due to the recession, major hotel brands are pushing owners to improve their property to keep up with the competition or to improve the brand perception in the market.

Hotel lenders have not yet become friendly, but maybe are a little less antagonistic when a hotel deal crosses their desk, they may actually read the summary before putting it in the wastebasket. Then how do some projects get started – and a growing number are starting to come out of the ground even if the number is well below previous averages. James Butler in his column “Ask the Hotel Lawyer” in www.hotelsmag.com has recently published a two-part article entitled “10 things every borrower and financier should know.” While it doesn’t provide all the answers it does help the reader to understand why some projects get financed and others don’t. Don’t expect miracles, you need to have all your ducks in a row. Experienced developer, experienced contractor, experienced management company, quality brand name, quality location, significant financial backing, etcetera, etcetera, etcetera.

According to Lodging Econometrics (www.lodgingeconometrics.com) small hotel projects represent the majority (92%) of the nation’s construction pipeline at the end of 2012’s third quarter. “It’s always this way at the start of a new real estate cycle according to Patrick Ford, president of Lodging Econometrics. A growing number of smaller hotel projects along with a falling number of larger projects with longer development cycles. Growth in the overall pipeline in the third quarter following second quarter growth brings us off the cyclical bottom hit in the first quarter of 2012.

Based on a recent article in www.hotelmanagement.net, hotel oriented real estate brokers expect sustained momentum in 2013, a real change from the previous few years. Brokers looking forward to 2013 believe that REIT’s will be involved on both sides of the buy/sell equation as they work to upgrade their portfolios. Private equity funds are also expected to be active this year as well as individual owner-operators who finally have some positive numbers to parade in front of potential buyers. One broker indicates that the “hottest investment segment today and what we foresee for 2013 is the upper-tier select-service products, mostly in the Marriott, Hilton, and IHG brand families.” As usual, the most interest seems to be in the younger properties with the best brands and those in the top MSA’s. Secondary markets are expected to gain interest as job growth occurs and the overall economy improves with tertiary markets dragging behind.

Florida International University

January 2012 begins my tenth presentation of a graduate level 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”.