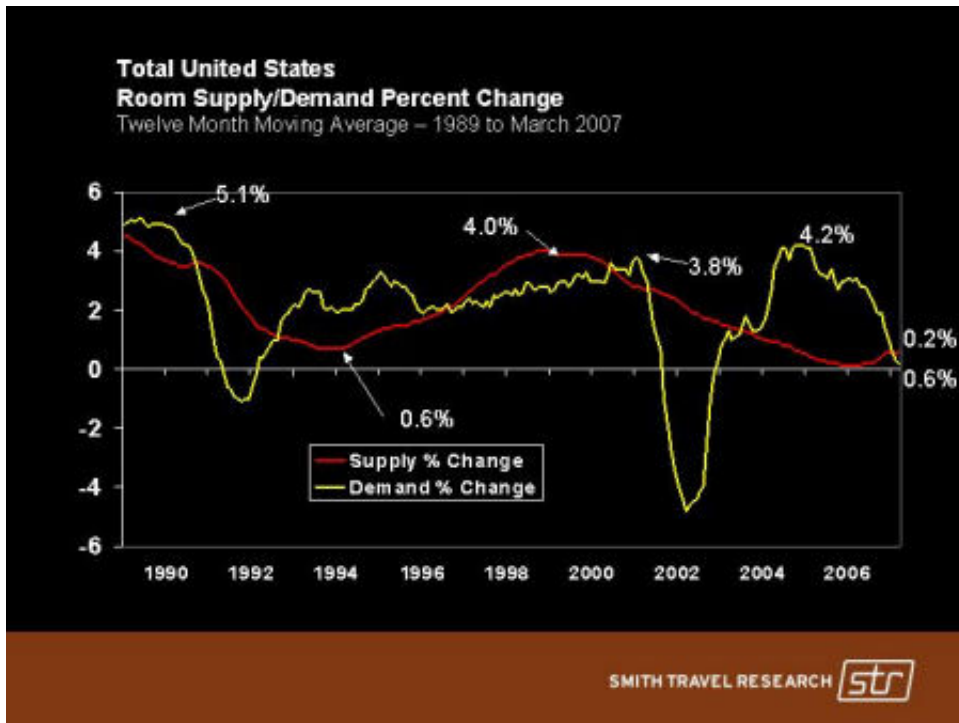


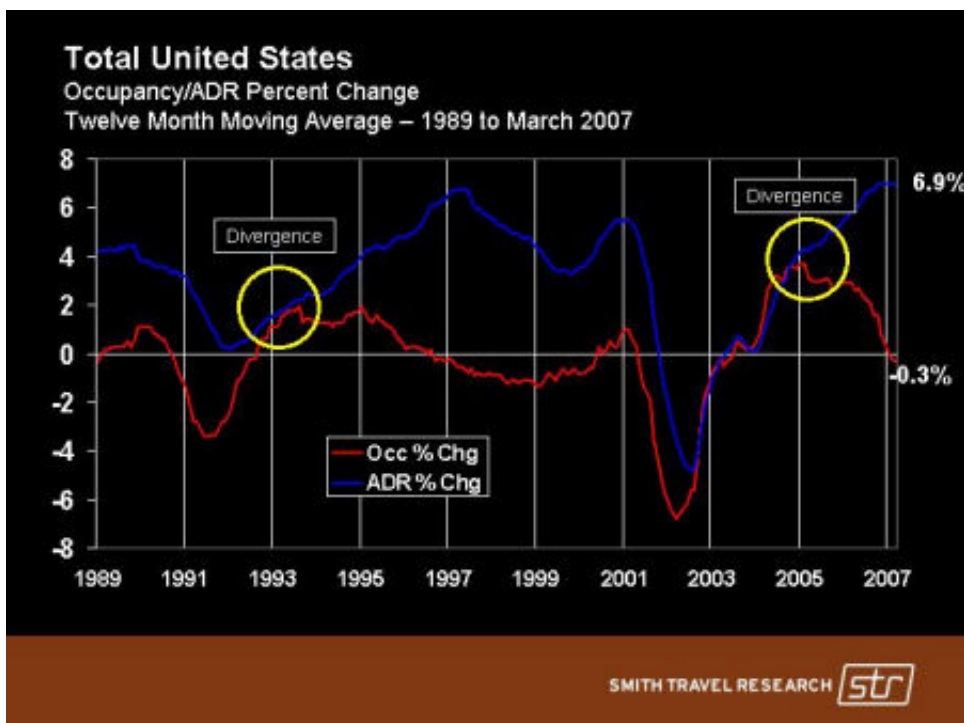
Hotel Lawyer on latest U.S. Hospitality Trends from Meet the Money(R) hotel financing conference -
By Jim Butler, author of www.HotelLawBlog.com
 2007-05-21

At the recent Meet the Money(R) conference on Hotel Financing held in Los Angeles, Bobby Bowers, gave us the latest data on the condition of the U.S. lodging industry.

Here are his slides and what we think they mean.

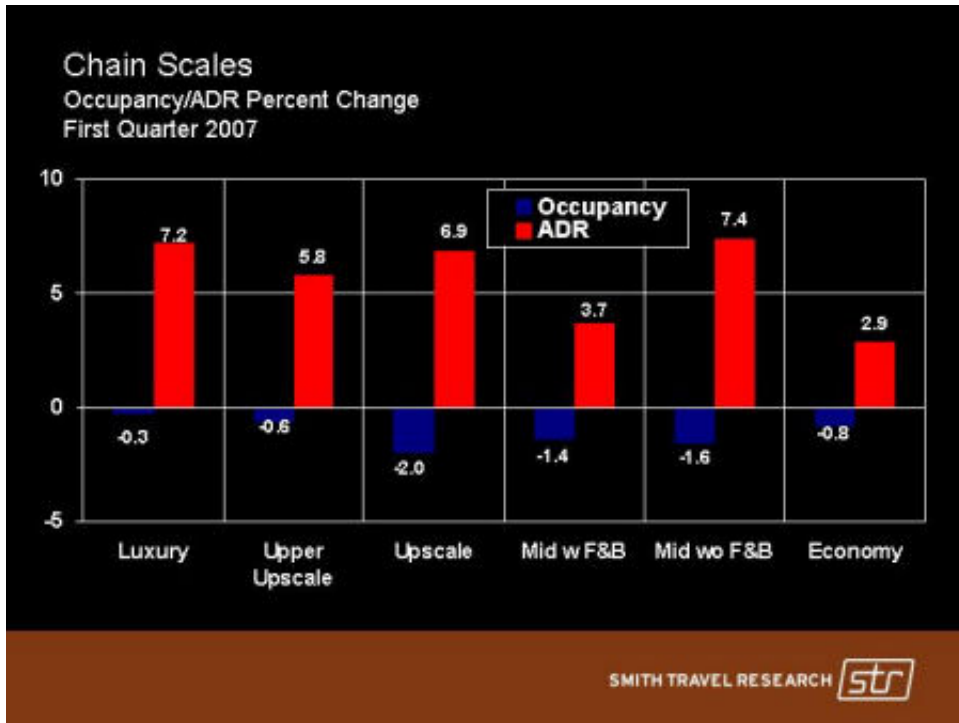


This supply-demand chart is a classic. It shows results since the late 1980s and dramatically illustrates how room demand growth accelerated from late 2002 and has then gradually settled back down over the past few years, while the growth in supply has been trending downward since the late 1990s until it bottomed out 2006. Remember, these numbers are not the percentage changes in the absolute amount of demand (measured by room nights) or supply (measured by number of rooms), but reflect the percentage of change. The crossover of supply and demand growth rates in 2007 is a significant event, but does not, by itself, herald any impending doom, particularly given the long period during which demand has been growing faster than supply.

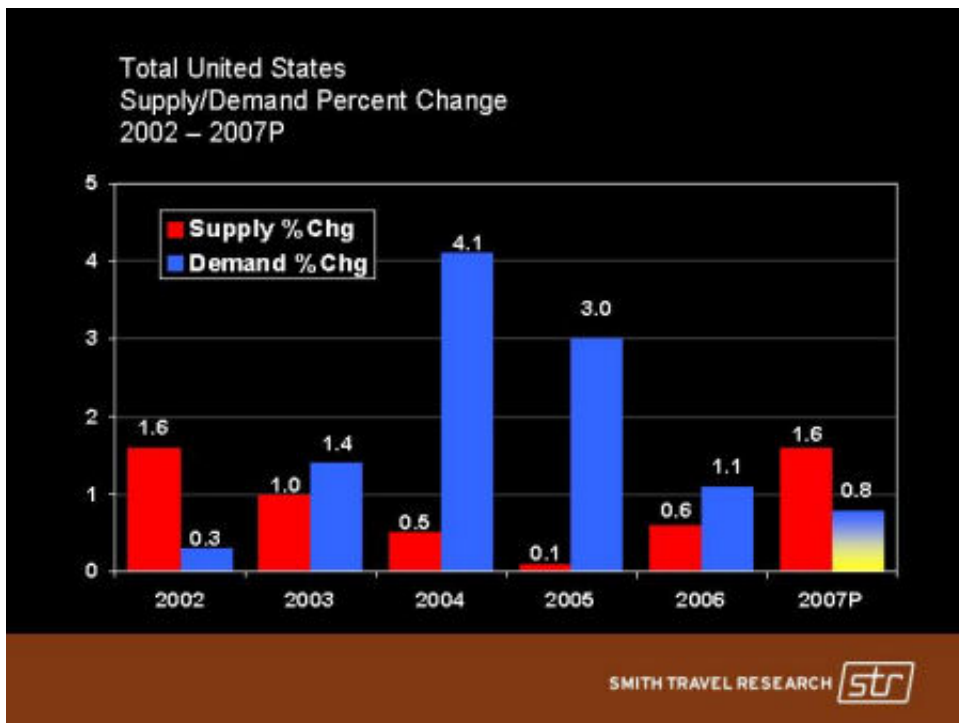


This chart shows two of the most important components for measuring performance in the hospitality industry: changes in occupancy and ADR. In evaluating what the statistics mean, it may be useful to recall that the period from 1989 to 1993 marks one of the darkest periods in the hospitality industry with thousands of hotel bankruptcies, and that the period from 1993 to 2000 marked some of the best years in the industry, the likes of which still have not been equaled on an inflation-adjusted basis. Does the divergence between occupancy and ADR that started in late 2004 have similarities to the divergence that started in late 1993 or early 1994? How important is it that occupancies are projected to actually decrease in 2007 as opposed to merely moderating in 1994 through 1996? This is particularly interesting when compared to RevPAR

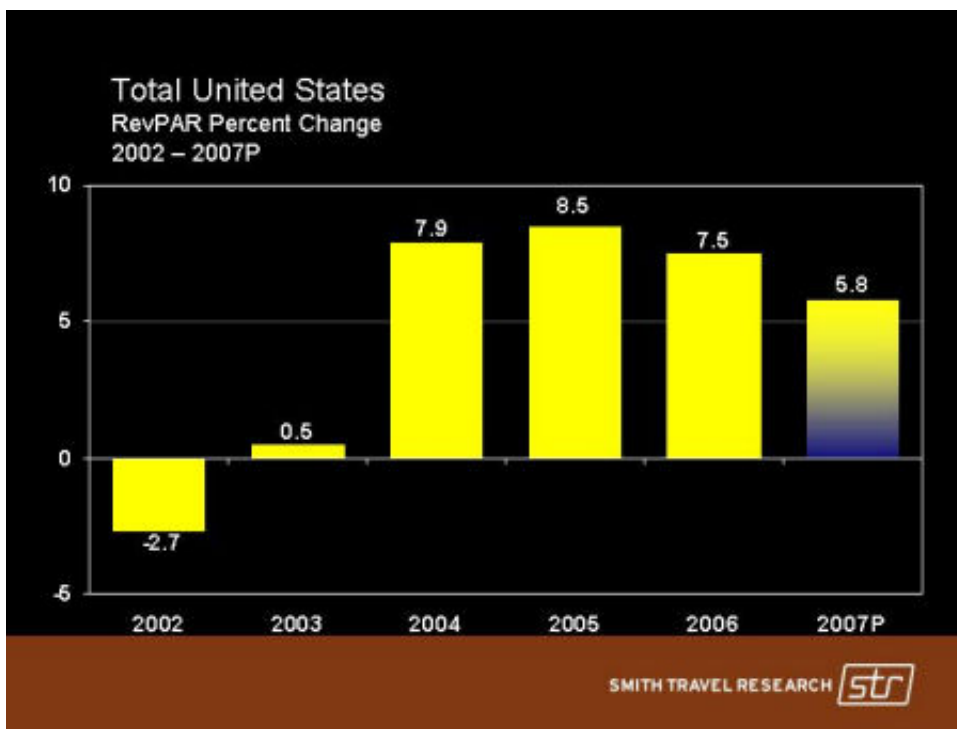
shown on the chart above.



ADR showed growth in all segments -- some more than others -- and this chart gives a fuller picture as to where the downturn in occupancy has occurred.



This bar chart shows supply-demand information for the past four years, as well as projections for 2007. It illustrates the pent-up demand that has been accumulating since 2003, and why the small crossover in supply growth -- now exceeding demand growth -- may be of less concern than it would under other circumstances.



This chart dramatically shows all-time record levels of RevPAR increased for 2004, 2005 and 2006. By any historic standards, a 5% RevPAR increase is great! The question will be how long and how far RevPAR growth decreases continue. There is still no cause for panic. There may be a wake-up call around the corner, but the fundamentals are still so strong that this does not signal an immediate problem.

Predicting what the future holds . . .

The STR predictions were as follows:

- * Supply growth is accelerating
- * Demand growth is weak, but will accelerate
- * Construction costs remain a wild card Higher labor costs continue to be a concern
- * Aggressive pricing will continue
- * Higher profits are expected
- * Continued RevPAR growth in 2007

While these trends did not seem to surprise any of the delegates at Meet the Money(R), having the tea leaves and a tea leaf reader provided valuable insights. Thanks again, Bobby!

About the Author



Jim Butler is recognized as one of the top hotel lawyers in the world. He devotes 100% of his practice to hospitality, representing hotel owners, developers and lenders. Jim leads JMBM's Global Hospitality Group(R) -- a team of 50 seasoned professionals with more than \$40 billion of hotel transactional experience, involving more than 1,000 properties located around the globe. In the last 5 years alone, they have brought their practical advice to more than 80 "hotel-enhanced mixed-use" projects, a term Jim coined to fill a void in industry lexicon. This term describes one of the hottest developments in real estate--where hotels work together with shopping center, residential, office, retail, spa and sports facility components to mutually enhance the entire project's excitement and success.

Jim and his team are more than "just" great hotel lawyers. They are also hospitality consultants and business advisors. They are deal makers. They can help find the right operator or capital provider. They know who to call and how to reach them. They are a major gateway of hotel finance, facilitating the flow of capital with their legal skill, hospitality industry knowledge and ability to find the right "fit" for all parts of the capital stack. Because they are part of the very fabric of the hotel industry, they are able to help clients identify key business goals, assemble the right team, strategize the approach to optimize value and then get the deal done.

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This article comes from Hotel News Resource

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