

Hotel Lawyer in New York with a forecast of 'sunny skies' for the hotel industry

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It is Sunday night, June 3, 2007, and the New York Hotel Investment Conference is officially under way with its gala reception. It boasts an all time record number of attendees, which always signals good times in the hotel industry. And although the weather in Manhattan tonight involves a lot of rain, it is not dampening this parade!

We had a bit of a prelude to the investment conference at the Lodging Industry Investment Council (LIIC), the hospitality industry think tank, session before the party got under way, and Mark Lomanno, President of Smith Travel Research gave us some very encouraging news. I think you are going to like this and the statistics that under pin his analysis. Listen to this . . .

Showers for Manhattan, but sunny skies for the hotel industry for at least two more years.

Mark Lomanno summed it all up pretty well when he said, "We think that people should have been more worried six months ago than they were then, and they should be worried less today than they are now."

In short, Smith Travel sees the second half of 2007 being much stronger than the first half, and sees 2008 going up from there.

Mark says that STR thinks our current place in the cycle looks a lot like the mid 1990s with a lot of peaks and valleys. There is a fair amount of volatility, but we are at the "intermission" poised for things to go up from here. He thinks that the next couple of years will look a lot like 1997 and 1998 -- two of the best years in hospitality industry history.

Mark's comments were based on STR's analysis of the numbers. They see occupancy continuing to subside gradually , and ADR continuing to grow, but at a moderating rate. And he notes that in the late 1990s there were 45 months of consecutive occupancy declines with increased ADRs that led to the best times the industry has ever enjoyed.

As to the increasing supply, Mark Lomanno says that the approximately 190,000 rooms in the current pipeline are still less than the peak of 250,000 rooms in the supply pipeline in the 1990s, and he says that it is taking almost twice as long for these rooms to come on line today compared to 2000, and the supply increases are generally not overly concentrated in any geographic market and segment, so the increased supply poses less of a concern than it might in other times.

What does this all mean?

I find Mark's comments consistent with a lot of other expert views we have aired here on www.HotelLawBlog.com, going back for many months. It is time for the Chicken Littles to take a rest. The sky is not falling (soon) because things are too good to stay this way for long. Let's not talk ourselves into a recession.

I will post some of STR's latest data and other information on this phenomenon soon. Stay tuned, and enjoy the sunny skies!

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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