

Hotel Brokers International Sees 2007 Record Sales

2007-10-02

Organization Steps up International Expansion

Hotel Brokers International (HBI), the nation's largest hotel brokerage organization with more than 30 offices coast to coast, today said that it expects both the hotel industry and the organization to post record hotel real estate sales in 2007.

Concurrently, HBI noted that hotel real estate ownership is dramatically expanding into a global business, resulting in a growing international network for hotel brokers.

'Based on our tracking of all published U.S. sales, we expect hotel real estate sales, excluding acquisitions of corporations, to increase approximately eight percent in 2007, up from a record \$25 billion in 2006,' said Charles Fritsch, president of HBI and president of MBA Hotel Brokers based in suburban Washington, D.C. 'HBI is exceeding that pace, with sales for the first eight months up 10.3 percent from last year, encompassing well in excess of 100 properties.'

Fritsch said HBI expects to see continued aggressive buying at least through the end of the year and likely through 2008. 'There are no signs that the hotel industry will be slowing down significantly in the near future,' he noted. 'While there is a little softening in demand, supply growth remains generally quite low, profitability and, therefore, investment interest.

'Pricing has reached historic highs in a handful of markets, and some buyers are beginning to push back, wait it out until prices cool or move on to other markets,' he said.

'The wild card is interest rates. The recent half-point reduction by the Fed is encouraging but it remains to be seen if it will be enough to stabilize the damage from the impact of the sub prime market scare. The sub prime lending market has not significantly impacted most hotel financing at this time, but it is a cloud hanging over buyers.

'There are a number of 'if' scenarios that hotel investors are contemplating. If interest rates rise, transaction will slow. If the economy slows significantly, even in the face of interest rate reductions, then we also will see the number of transaction decrease. If the Fed balancing act is successful, the pace will continue. Now is likely the best time to sell for owners who have been on the sidelines, while interest rates remain low.'

Sales of larger portfolios are on the rise with 19 reported through the first eight months for \$4.7 billion, compared to nine portfolios sold for \$968 million, and 19 for all of 2006 totaling \$2.5 billion. 'Some of the first buyers in the market after the last recession are selling and moving on,' Fritsch said. 'Private equity currently is king in hotel acquisitions. A number of hotel real estate investment trusts have been acquired and taken private in the past 18 months, and some major owners like White Lodging and RLJ Enterprises have sold substantial real estate recently. We see this trend continuing.'

Fritsch said that hotel owners have begun to expand significantly outside their normal ownership territories. 'In the '80s and early '90s, owners tended to keep their portfolios within a close radius of their home base. In the '90s, many owners went nationwide, now owners are reaching out globally. I know of dozens of companies that were once considered regional, now looking seriously at Europe, Latin America and the Far East.'

'The internationalization of the major hotel brands also is fueling the fire. Beyond that is the exciting pace of growth in Asia and the strong European economy, which are compelling hoteliers to broaden their market. The vast majority of hotels outside the U.S. are non-branded, but that's changing rapidly,' he said. 'With a consistent product that they know and understand, owners now have the confidence to enter new countries. We see the global hotel industry moving from mostly independent to mostly branded properties in the next decade, just like the U.S. market did in the '70s and '80s.'

Fritsch said that HBI is keeping pace with the current push to expand internationally, establishing connections in Europe, the Middle East and Central Asia. 'We currently are in discussions with brokers in Dubai, Italy, Greece, Pakistan and Canada.

'International brokerage once was the exclusive purview of major investment firms for trophy hotels,' Fritsch said. 'The barriers to brokering internationally are falling rapidly, and we're establishing the networking connections needed to ensure that our members continue to be at the forefront of international opportunities. Buyers, regardless of their country of origin, still want the comfort and confidence of knowing there is a broker involved who understands the local market's conditions and business practices. Sellers increasingly are looking for brokers with global reach.'

Reflecting both the interest in hotel real estate and international buying interest, HBI will also host the Hotel Investor's Marketplace in 2007 from 12:30 p.m. to 5:00 p.m. on October 10 in New Carrollton, Maryland, just outside Washington, D.C. The event will feature more than 100 hotels being marketed for sale, showcasing 40 properties and profiling 20 in detail. 'We expect record attendance and have received registrations from Canada, a first for this event. We won't be surprised if we also see buyers representing companies in Asia and Europe.'

About Hotel Brokers International

Hotel Brokers International, with more than 100 hotel brokerage specialists, is the world's leading organization of hotel brokerage firms. The organization annually accounts for the greatest market share of mid-market transactions in the United States. HBI also hosts the Hotel Investor's Marketplace, sponsors the Certified Hotel Broker program and publishes Transactions Recap, the leading source of hotel real estate sales data.

HBI currently has more than 150 properties listed for sale in its proprietary database and access to more than 10,000 hotel investors and owners. In addition to broker services, HBI offers affiliate membership to professionals in allied fields, including franchising, lending, appraisals and investment services. For more information about HBI's hotel listings or to become a broker or affiliate member, HBI may be reached at (816) 505-4315 or via the Internet at www.hbihotels.com.

This article comes from Hotel News Resource

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