

Hotel Real Estate Sales Continues Hyper-Active Trend in 2007 - 2008 Expected to Remain Quite Active

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Hotel Brokers International (HBI) the nation's largest brokerage organization with more than 30 offices coast to coast, today released its TransActions Recap 2008, detailing hotel real estate activity for 2007 and its forecast for 2008.

Last year was a record year in dollar volume of transactions, as well as average selling price per room. The 104-page, data-rich publication, with more than 1600 sales comparisons from 2003 through 2007, is available from HBI for \$200.

Highlights of the report point out that 2007 was a mixed bag, ranging from mega-deals, such as the Blackstone Group's purchase of Hilton Hotels Corporation, valued at \$26.3 billion, to transactions below \$5 million. Transactions in the under \$15 million category were particularly plentiful in 2007, with 426 reported sales. 'Industry-wide, we tracked 736 transactions last year, with the average hotel sold having 196 rooms and generating an average price per key of a record \$117,000, up from \$110,000 a room in 2006 and up from the decade low of \$52,000 in 2000,' said Brandt Niehaus, CHB, HBI president and president of Louisville-based Huff, Niehaus & Associates. 'The trend toward higher pricing reflected the operating strength of the industry in 2007, which produced a 5.7 percent improvement in RevPAR, according to Smith Travel Research.'

Niehaus noted that HBI also posted a record year, with dollar volume up 20 percent, led by a 300 percent increase in upscale hotel sales. Typical time on market for an HBI hotel was approximately six months. 'With the credit markets in turmoil, we anticipate that loan closings will lengthen the sales process in 2008 as lenders require more documentation. Borrowing will be more difficult, with higher spreads and more equity required, but overall interest rates should remain historically favorable,' he said.

HBI TransActions Data Services tracks thousands of sources to uncover hotel real estate sales. 'Overall cap rate for hotel sales in 2007 was essentially flat at 9.21 percent, compared to 9.19 percent in the prior year. Economy hotel cap rate was 10.97 percent, up from 2006's 10.06 percent. Mid-market hotels enjoyed a 9.19 percent cap rate.

'We believe cap rates will move upwards across all segments this year,' Niehaus pointed out. 'We believe there also will be a shift away from cap rate calculations based on pro-forma income to more conservative historical data as industry growth slows, especially during the first half of the year.'

Upscale hotels accounted for nearly half of the industry's 2007 transactions with 356 hotels trading hands, up 25 percent from the prior year. Price per room averaged \$133,000, while upper upscale properties averaged \$186,000 per key.

Mid-market hotels without food and beverage remained the most sought-after property type. However, lack of available inventory for sale led to a decrease from 280 to 222 hotels. Prices, however, rose 22 percent to \$72,000 per key, with Comfort Inn, Hampton Inn and Holiday Inn Express being the most popular brands. Economy hotel sales rose 39 percent to 135 properties in 2007, led by Days Inn, Super 8 Motels, Motel 6 and Microtel. Luxury hotel sales declined but average price per room rose from \$443,000 to \$479,000.

In terms of location, resort hotels commanded the highest price per room in 2007 at \$222,000, but suburban hotels were the most popular locations, accounting for 41 percent of all hotel sales. Airport location sales increased with average price per room improving to \$107,000 per room. Roadside property sales held steady at 130 transactions at an average price of \$45,000 per room. HBI brokered 57 percent of all highway hotels in 2007.

'Despite disruptions in the capital markets and talk of recession, we anticipate 2008 will be another very active year for hotel real estate,' Niehaus said. 'Supply growth remains constrained and the economy is expected to pick up in the second half or early next year, which will have a positive impact on hotel operations. Sellers who don't want to wait for the cycle to move upward or to further invest in their properties will still be able to obtain attractive prices and the forecasted rebound offers upside for buyers, a win-win situation. Over most of the year, buyers will likely have a slight edge, but pricing will remain strong.'

Niehaus noted that foreign investors are showing substantial interest in U.S. hotels. 'Given the value of the euro to the dollar, U.S. real estate is very attractively priced,' he said. 'Concurrently, there is a trend for U.S. companies to expand into other parts of the world, with India and China attracting a substantial amount of interest.

Hotel Brokers International, with more than 100 hotel brokerage specialists, is the world's leading hotel sales organization. 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 TransActions Recap 2008, HBI's hotel listings or to become a broker or affiliate member, contact them at (816) 505-4315 or via the Internet at www.hbihotels.com.

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