

## New Marketplace Format Attracts Large Number of First-Time Hotel Buyers

2008-06-17

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### High Interest Despite Large Drop in Industry First Quarter Transactions

Hotel Brokers International (HBI), the nation's largest hotel brokerage organization with more than 30 offices from coast to coast, today announced that its revamped U.S. Hotel Investor's Marketplace program, recently held at the Hyatt Regency O'Hare in Chicago, attracted a strong mix of seasoned and first-time hotel buyers. Attendees received a broad overview of the industry, as well as information on first quarter hotel transaction activity, which was down significantly.

'We believe the change in format has uncovered a pent-up demand for hotel investment,' said H. Brandt Niehaus, CHB, president of HBI and Louisville-based Huff, Niehaus & Associates, Inc. 'Hotels arguably are the most difficult real estate asset class to own and can be intimidating to someone outside the industry. By providing a solid grounding in the basics of hotel real estate, potential new investors receive both a great overview and a look at investment opportunities available today.'

The revised one-day event is comprised of a half-day of education and updates on hotel trends, financing, hotel brands and hotel real estate pricing for hotel owners, investors, hotel management company executives and acquisition specialists. Panels of lenders, operators, franchising executives and consultants provided a combination of cutting-edge trends and outlooks along with hotel basics. The second half of the day showcased 20 hotels currently being marketed for sale, as well as in-depth information on an additional 150 hotels listed for sale.

'We attracted participants to the Chicago Marketplace from as far away as New York,' he said. 'Interestingly, the majority of the buyers in attendance were first-time buyers, an indication that interest remains high even though we currently are in a soft patch. That kind of interest supports the concept that hotels are an attractive place to put your money in all phases of the cycle.'

### First Quarter Transactions Activity

Niehaus provided an overview of 2008 first quarter transactions, which showed a sharp decline from a year earlier, 115 transactions versus 195 last year, with dollar volume dropping from \$7.9 billion to \$1.8 billion. 'This reflects the roiling in the capital markets, which is especially impacting the top end of the market. Only nine transactions took place in the upper upscale and luxury segments. Cap rates are inching up, but buyers and sellers remain on average about 75 to 100 basis points apart, a spread that is typical of this stage of the real estate cycle.'

Niehaus noted that HBI brokers ran counter to the trend, selling 28 hotels, up from 22 the prior year. 'Our brokers are quite active in the upper and upper upscale segments, but our sweet spot remains mid-market properties, which by far are the most sought-after type.'

The general consensus among both experts and participants alike was that the current economic dip may not be as deep as originally forecast, a notion that was supported by updated projections from Mark Eble, vice president of PKF Consulting, Indianapolis, one of the principal speakers. His figures pointed to a possible double dip scenario, where hotels remain profitable, albeit at lower levels.

Niehaus noted that overall feedback from attendees was very positive, with the opportunity to interact with seasoned industry executives cited as particularly worthwhile in post-event surveys. 'As a group, attendees rated the revamped Marketplace high on the satisfaction barometer.'

According to Ben Singh of Spectrum Management Company in Searingtown, N. Y., who was attending the event for the first time, 'The Chicago Marketplace provided me with a great opportunity to get a meaningful read on the current real estate market at three different levels-local, regional and national. I also appreciated the opportunity I had to network with industry people and legitimate prospects that I intend to follow up with. It was well worth the time and money.'

The two newly added panel discussions on lending and franchise financing were both well received, according to Niehaus. The lender panel was moderated by Ron McCord, Milmark Hotel/Motel Investments, LLC, Wisconsin, and featured Brad Black, Hospitality Lending Specialist, CIT Small Business Lending, Adam Wonus, Vice President Franchise Finance, Mercantile Commercial Capital, and Melissa Butler, Senior Business Development Officer, PMC Commercial Trust.

Black said that the lower number of transactions reported in the 2008 first quarter was driven by several factors, including more stringent lending requirements by the banks. 'The dynamics of the entire lending community were affected by the sub-prime shock wave. We are still interested in both conventional and SBA lending for hotels and have approximately \$2 billion to \$3 billion to loan, but we are taking a more conservative approach than we have in the past few years.'

He added that lenders typically are requiring at least 25 percent equity today, compared to the 15 percent to 20 percent they required a few years ago. And, more lenders are looking for personal guarantees, a pre-requisite not seen since the last cycle played out. 'A seller's willingness to hold paper no longer helps a deal to close.'

Wonus reported that Mercantile has done more business in 2008 than in the same period in 2007 and attributes the rise to the tightening of lending requirements by commercial banks. 'The more constrained bank lending environment makes SBA 504 loans an increasingly attractive option.'

The franchise panel discussion, moderated by Scott Brash, Brash Realty Co., Illinois, featured John Sturgess, Corporate Vice President of Development, Carlson Hotels Worldwide, Damian Jarres, Director of Franchise Sales, Choice Hotels Worldwide, and Janice Tata, Sales Director of Franchise Development, La Quinta Inns & Suites.

The expanded educational program also included a presentation on one of today's hottest topics, green hotels, by a nationally recognized expert on green and healthy homebuilding products. Andrew Pace, CSI, founder and owner of Safe Building Solutions, the premier retailer of green and healthy homebuilding and improvement products, discussed his new, proprietary, green building product rating system, called Degree of Green, and credible practices of green design.

Sponsors of the Chicago Marketplace include CIT Small Business Lending, Carlson Hotels Worldwide, Choice Hotels International, La Quinta Inns, Inc., Mercantile Commercial Capital, LLC, and PMC Commercial Trust.

HBI also will host Marketplace events later in the year in the Baltimore/Washington, D.C. area on October 8 and in Dallas on November 5. To register, go to [www.hbihotels.com/marketplace.php](http://www.hbihotels.com/marketplace.php).

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. In addition to the Hotel Investor's Marketplace, HBI 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 15,000 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](http://www.hbihotels.com).

This article comes from Hotel News Resource

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The URL for this story is:

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