Duff on Hospitality Law

Days 2 and 3 – Recap of Americas Lodging Investment Summit (ALIS) at LA LIVE in Los Angeles

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Days 2 and 3 at this year's ALIS conference were filled with numerous highlights, including a very well attended presentation (or should I say, political commentary) in the Nokia Theater by "the Donald" himself, Mr. Donald Trump. Days 2 and 3 were also filled with hundreds of meetings by conference attendees in nearly every hallway and corner of the hosts JW Marriott and Ritz Carlton.

While optimism continued to be the theme most often heard in the meetings I attended, the optimism was far from unbridled. With so many unknowns remaining in the world (e.g. European debt crises, continued high unemployment, the upcoming presidential election), nearly everyone recognized that the many signs pointing to an industry rebound could quickly change.

Some additional observations from the two days' meetings:

- The much publicized industry recovery is definitely a regional or local recovery being led by both coasts of the United States and the top 25 markets. Despite record level demand in 2011 (over 1 billion room nights sold), many markets in the Midwest, South and other regions continue to suffer.
- A number of the owners and operators I spoke with felt that the 2012 forecasts presented by PKF and STR at the conference the day before were rather conservative. Several owners and operators (with properties in multiple markets) indicated that they anticipated exceeding forecasted REVPAR increases.
- Debt continues to be a mystery for many. Those I met with represented both ends of the availability spectrum with debt being either impossible to obtain or readily available. Construction financing seems to be returning on a limited basis for quality developers in quality markets. One national developer I spoke with indicated that construction financing was becoming easier to obtain through national and regional lenders at approximately 65% LTC with limited recourse.
- The much publicized refocus on enforcement of brand standards by the leading franchise companies appears to be limited to top tier franchisors only. Second tier franchise companies may be increasingly willing to waive or postpone standards requirements to maintain or grow needed distribution.
- Nearly everyone believes that lenders and special servicers will grow increasingly impatient with nonperforming loans and take needed steps to bring those properties to market over the next year.
- The Northwest continues to be an area of interest for lenders, investors and operators. All but one of the investors featured as part of the ALIS Talks Money segment (including Aimbridge Hospitality, Apple REIT

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Companies, Carey Watermark Investors, Felcor Lodging Trust, HEI Hotels & Resorts, Kimpton, Noble Investment Group and Thayer Lodging Group) identified the Northwest as a prime target for 2012.

- Unions were surprisingly active this year. At least two developers I spoke with mentioned that they had been approached by union representatives at the conference to discuss the developers' design review and staffing plans for their new hotels.
- As you might imagine, a great deal of discussion surrounded the recent launch of Room Key (see my colleague Ruth Walter's recent post on the Room Key launch) and its effects on the current distribution landscape. One of the more interesting panel discussions occurred when Michael Shannon, managing director of KSL Capital Partners, questioned whether Room Key would succeed. Michael's co-panelists, Richard Solomons, CEO of Intercontinental Hotels Group (one of the website's founding partners) and Steve Joyce, President and CEO of Choice Hotels (also a founding partner of Room Key) strongly disagreed. Only time will tell whether this new travel search platform receives the acceptance necessary to make it a long-standing player in the on-line travel distribution landscape.

Finally, for those of you that were not at ALIS and are interested in seeing PKF's 2012 national forecast, I've attached a complete copy of Mark Woodworth's presentation here.

I look forward to seeing everyone at next year's conference in January 2013.

Posted in Conference Notes, Hotels

Tagged as ALIS, Choice Hotels, KSL Capital Partners, Mark Woodworth, Michael Shannon, PKF, REVPAR, Room Key, Steve Joyce, STR

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