Duff on Hospitality Law

GSB Regional Hospitality Forums a Huge Success

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Garvey Schubert Barer's Hospitality, Travel & Tourism practice group, in conjunction with program sponsors and presenters, recently hosted two morning Hospitality Forums in Seattle, Washington and Portland, Oregon. The forums were designed for hotel owners, developers, investors and operators as well as hospitality industry service providers, consultants and lenders. Both events were well attended-a testament to the sponsors and presenters who offered current data, insights and analysis into issues of importance to those in the hospitality industry.

In particular, Matthew Gardner, of Gardner Economics, provided a macro-level discussion of current economic trends and then narrowed the focus to the Northwest. Matthew sees Seattle as having strong institutional underpinnings that will contribute to continued economic growth. Within the Northwest, condominium projects are not being approved by banks. Apartment construction projects in Seattle are being approved but that segment may soon be over saturated. Matthew did not express concern with the limited amount of hospitality construction underway. A similar presentation by Tom Potiowsky, the PSU Chair of Economics and Director of the Northwest Institute for Applied Economic Research, led off things in Portland. Although not quite as bullish on the local economy as Matthew, Tom was confident that a recovery (although slow) was underway in Oregon, and more particularly, the greater Portland market. Copies of Matthew's presentation and Tom's presentation are attached.

Attendees in both Seattle and Portland also heard from industry veteran Chris Kraus of PKF Consulting USA. Chris has become a fixture at the annual Hospitality Forum. His presentations provide much of the same national trends data that ALIS participants receive but with a more detailed focus on Northwest markets. Our participant program surveys continue to rate Chris' analysis and predictions as valuable to participants, many of whom appreciate the fact that he always starts his presentation by looking back at his predictions from the year before. ADR did not recover as well as predicted in 2011 but his predictions overall were very close to the mark. Copies of Chris' presentation for both the Puget Sound region and Portland are attached.

The Seattle and Portland Forums then diverged with local presenters participating in panel discussions the first of which was Debt and Equity for Hospitality Projects. The Debt and Equity panel included a diverse group of industry specialists including those with experience in traditional lending, SBA programs, EB-5 programs, private capital, mezzanine debt and development. While the focus of many in the industry over the last few years has been restructuring debt and hanging on, the participants on the Debt and Equity panel were optimistic about 2012 noting that values for hotels are now within reasonable ranges, and

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money-from both traditional sources and less well know programs-is available for acquisitions, refinances and renovations. For instance, SBA programs are available to those pursuing both acquisitions and renovation or PIP projects. EB-5 is a complicated, but potentially very attractive, source of financing by foreigners seeking US Green Cards and GSB's immigration lawyer, Gregg Rodgers, fielded several questions about that program. The government's immigration stimulus funding EB-5 has been showing increased usage in recent years, particularly in California, Seattle and a new project in Portland. Although still relatively underutilized (the government offers 10,000 Visas annually since 1990, and last year 4,000 were issued for this program), it's being utilized among foreign investors who are looking for ways to get their green cards for themselves and family in the USA. With $500,000 – $1 million and promises for jobs in economically-challenged areas, this is proving to be an avenue for developers looking to augment their capital for hotel development.

Our next panel then debated the power of branding and featured a variety of industry perspectives, including those of the international branded owner and operator, the independent owner and operator, the marketing association, the hybrid brand, the well-respected national feasibility and valuation expert and the founder and CEO of a NW technology company that is working to provide hotel owners and operators much of the same marketing resources that are available from the national brands and marketing associations. The sometimes lively discussion covered the relevancy of brands, possible dilution among brands, the growing influence of the independent or boutique hotel, rapid advances in technology and their effect on branding, the relative costs of the various branding options and the effect of branding on project feasibility and valuation.

We at GSB were pleased to bring together an amazing group of industry participants and enjoyed catching up with many of our industry clients, friends and colleagues. We extend a special thanks to our program sponsors, PKF Consulting USA, CBRE and Premier Capital Associates, LLC and to all of our panel presenters. Complete agendas for the Seattle and Portland Forums are attached, and we encourage you to contact any one of our sponsors or presenters with your hospitality questions or business needs.

If you have questions about the Forums or want more information about attending or speaking, please let me know. We look forward to seeing everyone again next year, and to seeing how Chris' predictions hold up in 2012!

Posted in Conference Notes

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