

Tempered Optimism Reigns Supreme at 2011 ALIS Conference

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Wednesday marked the end of another [Americas Lodging Investment Summit \(ALIS\) Conference](#). This year's Conference celebrated the 10th anniversary of the venerable hospitality development and investment conference held each year in sunny Southern California.

While tempered optimism was a refrain I heard often repeated in the hallways, I think it correctly captured the mood of those attendees who sat through the bullish industry forecasts presented by [STR](#) and PKF early on Monday morning and who are now charged with meeting or exceeding those forecasts. This healthy skepticism (which is always present during the early years of any industry recovery) has been compounded by the unique and drastic effects of the prior 3 years and the sometimes tenuous nature of the current recovery.

With this contrast in mind, the highlights from this year's Conference include . . .

1. While the world economies definitely appear to be on the road to recovery, we're all likely headed to a different location. In other words, we should all be prepared for a "new" normal.
2. BIC, BIC, BIC (Brazil, India and China). The new world economies of Brazil, India and China are at the forefront of the current worldwide recovery with estimated GDP growth of 9%, 8% and 5%, respectively. In contrast, North American GDP is anticipated to grow 2-2.5%. As these new world economies expand, so do the hospitality prospects within them. Both Starwood and Interstate Hotels and Resorts reported that they expect growth outside the United States to exceed growth within the United States. I suspect this is true for a number of the companies attending this year's conference. According to the chief economist for Scotiabank, the way to find those areas that will prosper and benefit most in this new economy is to simply follow the cash.
3. While occupancies are expected to continue to recover this next year as a result of the largest rebound in lodging demand ever measured, rate will continue to be a significant challenge. PKF forecasts increases of 4.6% and 7.0% in ADR for 2011 and 2012, respectively, and occupancies of 60.1% and 61.7% for the same periods. Combined, these increases in ADR and occupancy are forecasted to result in REVPAR increases of 7.0% and 9.9% in 2011 and 2012, respectively.
4. Increases in rate over the past year (primarily in the fourth quarter of 2010), were born almost exclusively by the leisure segment. Both corporate and government travelers continued to exert downward pressure on rates last year and will likely continue to do so this year.
5. On a more micro level, the current recovery is being led by a small handful of markets, most notably New York, Washington D.C., Boston, Miami and San Francisco, the same markets that suffered some of the

greatest declines. Seattle is not expected to return to long-term occupancy levels until 2012, with long-term ADR and REVPAR returning in 2013.

5. The debt markets (including CMBS) are thawing quickly, though construction financing remains nearly impossible to secure absent some unique long-standing relationship with a lender. The unavailability of new construction financing should keep supply growth in check until 2013-2014.
7. The public REITs will continue to dominate the acquisition headlines in most major markets for the next 6-9 months while REITs continue to enjoy the benefits of their public currency. In the interim, private equity will be forced to look to secondary and tertiary markets for investment opportunities.
3. Notwithstanding the dedication of at least 7 breakout sessions to distressed hotel assets, the tidal wave of distressed (translated: cheap, lender-owned hotels) is not coming. While several speakers expected the number of lender-driven transactions to increase over last year's levels, lenders' often-criticized "extend and pretend" approach to their distressed hotel loan portfolio appears to have enjoyed a measurable level of success.
3. The proliferation of new, and growth of existing, third-party management companies has underscored the need for some kind of differentiation among the competing operators. During one presentation that featured representatives from 6 of the largest and most successful third-party management companies, it was nearly impossible to distinguish one company from the other.
1. The Northwest — and Seattle in particular — received an unusual amount of attention at this year's Conference as a result of Red Lion's recent listing of its downtown Seattle flagship. Good luck Chris and Matt with all those property tours.

If paid attendance at this year's Conference is any indication of the future health of the industry, we all have much to look forward to in the upcoming year; attendance was up 11% over last year's meeting.

If you have specific questions about this year's Conference, the topics covered or my comments, please [drop me a line](#). Otherwise, I'll look forward to seeing many of you at next year's conference when it returns to the City of Angels on January 23 – 25, 2012.

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Authored by

[Greg Duff](#)

[Principal|Seattle](#)

[206.816.1470](tel:206.816.1470) greg.duff@foster.com