



The HOTEL REPORT™

Welcome...

to the May issue of The Hotel Report. We have two great companies in our “Company in the Spotlight” section of the newsletter: 1st Hotels Inc.- Ms Yvonne Berry and Choice Hotels- Mr. Ashish "Alex" Chopra Director of Franchise Sales and Development. Plus, Mr. Bob Rauch of R. A. Rauch & Associates, Inc. is back to contribute another outstanding article -“There’s A Light At The End Of The Tunnel”. Bob is a featured contributor to The Hotel Report and it’s always great to have Bob be a part of our newsletter.

Congratulations to Jim Butler and his team at JMBM for another great conference “Meet the Money”. It’s hard to believe that Jim and his team have been doing this for 21 years. I have only missed one in the past 15 years.

Last month I also attended the Los Angeles IPL Conference. and like Meet the Money earlier this month, the mood has improved as we are seeing transactions getting done. We still have challenges ahead of us, but we are seeing movement. Will the launch of CBMS 2.0 help will the other lenders get back into the game sooner?

We are also seeing the Special Servicers selling off non-performing notes across all the different asset classes. We have some 500 hotels in California in some form of default. So there are opportunities out there.

Along with some off-market deals, lets also mention REIT’s, David Loeb of Baird covering that in his remarks very nicely at Meet the Money. Please see Jim’s Blog at www.HotelLawBlog.com. Are we going to see more and more buyers looking to the secondary and tertiary markets? I would say yes.

According to Alan Reay of Atlas Hospitality Group this is what will see this year: **2011 Predictions**

- Transactions will increase 10% -15%
- RevPAR for CA increase 10% +
- At least two more years of lender/distress sales in the secondary/tertiary markets
- CAP Rates: “Normal” for non-REIT Transactions in prime markets at 6 – 7
- Secondary and tertiary markets at 8 – 10 or price per room in the \$20,000 - \$40,000 range
- Start to see some new hotel development
- Interest rates must increase

TABLE OF CONTENTS:

FRONT PAGE	PAGE 1
COMPANY IN THE SPOTLIGHT	PAGE 2—3
THERE’S A LIGHT AT THE END OF THE TUNNEL	PAGE 3—5
MYSTERY HOTEL	PAGE 5 & 7
NEWSBITES	PAGE 6—7

If you would like to write an article, send us your press release or run an ad, please feel free to contact me.

Thank you,

Craig

alohacraig@sbcglobal.net
(949) 500-8300



The HOTEL REPORT™

COMPANY IN THE SPOTLIGHT

Yvonne Berry, President of First Hotels Inc. located in Newport Beach, California, has 13 years of experience in Hotel Sales, with a primary focus on California lodging properties in limited service hotels.



As a well recognized REO Broker, I am a direct source for Hotel Investors. I work with asset managers and portfolio lenders with a specialty in Hospitality by developing a solid identity in the distressed REO market and one of the top brokers for REO distressed properties in California.

2010: The target market is distressed commercial assets, NOD, short sales, REO and Note Sales with the Asset Managers, and Banks. The growth trend in this business is in its growing cycle now and will continue to grow for the next three years. The targeted customers are individual hotel investors, REITS, corporations who want to capture the downside of the commercial market and bring upside to their investment with a long term hold. Today's market is a buyer's market with a unlimited amount of potential for every investor. In order to obtain the above goals, the feasibility has been already proven from the sales and the current inventory that is available.

I have developed relationships with asset managers in the acquisition and disposition of their non -performing assets. This has made me the point of contact for the investor to capitalize on the opportunity presented in the distressed hotel market. I have created a system where an investor could potentially "Bid" on an asset before it even hits the market. My system creates an immediate cash flow to the investor as well as providing a service to the asset manager to erase the asset off their books.

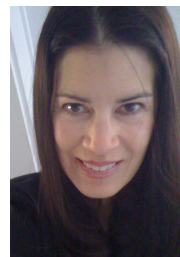
First Hotels Inc. serves all ranges of brokerages from the small, bed-and-breakfast-boutique property to the large 500-unit, full-service hotel, representing properties throughout California. At First Hotels Inc., we've never forgotten or neglected the smaller buyers and their special needs, yet we've expanded to the level of

expertise required in the listing and sales of larger, multifaceted properties.

First Hotels Inc. exclusively represent the client's best interest in the sale and acquisition of Hotels and Motels. Developed and maintained positive working relationships and referral network with clients by maintaining their status on a weekly basis. Successfully closed Approximately \$37,000,000 in Hotels Sales.

First Hotels has a commitment to the industry. With this comes the responsibility of representing the needs of our first time buyer, as well as our returning clients. We have an extensive roster of pre-qualified and ready buyers who are anxious to find the right hotel or motel investment in all price ranges.

It has always been our company objective to serve the industry in all phases of hotel and motel brokerage. Our reputation speaks for itself. Sale after sale, we have a proven track record of success.



Yvonne L. Berry - President
Hotel Brokerage- Specializing in
Hotel /Motels
220 Newport Center Drive, Suite 11
Newport Beach, California 92660
Cell: 949-302-5851
Fax: 949-861-9325
License # 01400043
E-Mail: FirstHotels@aol.com
www.FirstHotelsCa.com

COMPANY IN THE SPOTLIGHT

Choice Hotels International

In the world of hospitality, value is king. But value isn't just important for today's travelers, it should also be top of mind for tomorrow's owners. Achieving the most out of the relationship with a franchisor is key to the performance of any property, and at Choice Hotels®, we make sure our franchisees are able to do just that.

Having franchised hotels for 70 years, today, Choice Hotels International® is one of the world's largest franchisors, with more than 6,700 hotels open and under development worldwide, across the United States and more than 35 countries and territories*. With the company's size, scale and distribution, we are



The HOTEL REPORT™

COMPANY IN THE SPOTLIGHT CONTINUED

well positioned to contribute to the continued strength of our franchisees.

We've got the tools and resources you need to achieve the most out of your franchise with us. In today's competitive market, Choice Hotels offers a multitude of benefits, all designed to build the equity value of each franchised hotel while delivering reservations. Choice Hotels offers something for everyone with each of its ten brands as well as its membership collection, ranging from limited to full service hotels in the economy, mid-market and upscale segments.

Ashish "Alex" Chopra has been a Choice Hotels franchise sales director in the Western United States for over 9 years. In those years, he has successfully negotiated over 100 Quality® and Clarion® brand franchise agreements. At present, he is responsible for growing the Quality, Econo Lodge® and Rodeway Inn® brands. He is a perfect starting point to discuss what you need from a franchisor, because Choice Hotels has your performance in mind.

Presently, Choice Hotels is also offering special programs for Lenders and Receivers to join the Choice Hotels family of brands. To find out more about what exciting new hotel franchise opportunities that exist for you with Choice Hotels, visit www.choicehotelsfranchise.com or call Alex.



Ashish "Alex" Chopra

Director of Franchise Sales
and Development

Office Phone: 1- 949.679.7634

Office Fax : 1- 949.679.7635

Cell : 1- 916.718.4571

alex_chopra@choicehotels.com

THERE'S A LIGHT AT THE END OF THE TUNNEL...

Q2 Trends in the U.S. Lodging Industry – 2011

By Robert A. Rauch, CHA

Yes, there is light at the end of the tunnel. Two years ago, we hit bottom as an industry. We are now experiencing the end of the "hangover" from the great recession of 2008. The first phase in a full lodging recovery is and should be capital expenditures to keep our assets current, rather than new development. It is our opinion that we should be concentrating our efforts on enhancing the guest experience, not in meeting brand standards. That is to say, if it will improve the guest experience, then find those CapEx dollars. If not, ask the brand for a waiver or more time. My brand friends will love that!

CapEx and Technology Trends

As an example of brand requirements that have gone too far, various lodging companies are still requiring that operators utilize LodgeNet or a similar company to provide content to our guests. These antiquated systems will not meet the needs of our future guests. Today's guests and more importantly, tomorrow's guests, want their own content. Video on demand is all over but the shouting. Guests don't want to figure out what stations we have...they want their own TV stations from home. It is our job to make this as easy as possible for the guest.

Another area of concern we have relative to CapEx is the telephone. We are still putting phones into rooms. Why are we doing this? We lose money and guests do not use them. Moreover, we need to use caution when buying new software products that do not have the ability to fit with "cloud computing." Technology experts are largely of the belief that most of our core computing systems will be "in the cloud" within a few short years. Lastly as far as tech trends go, mobile channel booking has increased four-fold between 2008 and 2010 according to Forrester Research and Google is projecting that mobile will overtake PCs as the most common web-access device by 2013!

Revenue Management

Revenue Management has gone from being an art when it was first introduced by the airline industry in the



The HOTEL REPORT™

THERE'S A LIGHT AT THE END OF THE TUNNEL...CONTINUED

1970s to being a complex science today. Google's jump into the hotel business with the acquisition of ITA Software coupled with all the myriad online travel agencies and their systems has given "rate management" elevated priority status at every staff meeting. While I agree that this topic is paramount to our daily success, let's make certain that we are using the proper tools and not just the local "call around." Pace reports and true competitive market intelligence is required to accurately depict a comp set. Leisure and group demand is back and yet hotels continue to discount so that they get the first business. Even if the strategy of lowering rates were a good one, when demand peaks such as in summer time, why would hoteliers not want to be the last to fill instead of the first? There are managers who brag about being full for the upcoming week? With today's booking window, why would a hotel want to be full in advance of a busy week unless the market is truly soft and you got there with group business?

Today's GM and the Secret Sauce

What are we doing to enhance the guest experience? One thing is "GM balance." Many operators have been throwing the GM into the back office with report preparation, analysis and much more. We believe the GM must be where our guests are: at breakfast, lunch, dinner, check-in and check-out. Is it a long day? You bet it is! A typical GM who gets in at 7:30A can catch the business travelers finishing their coffee and breakfast and wish those checking out a safe trip...they will also catch valuable feedback and get to welcome the housekeeping staff first thing in the morning.

Lunch is your local corporate market, many of whom are decision makers for the travelers who just checked in or out of your hotel. The three hours before and after lunch provide ample time for paperwork. By 4 PM, when guests are checking in again, the GM can walk the property, say good bye to housekeepers, and check with the evening front desk and restaurant staff. I learned from Peter Vidmar, 1984 Olympic gold medalist, that the best way to win is to save the last 15 minutes to talk to your guests. No, Peter did not have guests. He just had extra preparation for the Soviet team. But it translates well!

The GM can head home at 6:30-7P, in time to spend the evening with the family. They can always go home early one day or use the hotel facilities for a workout. The day of the 8-5, Mon-Fri GM should have been over years ago but it still exists. We do not believe in it...50 hours per week is a minimum today.

One area of focus for us as we enter this decade is to be a key ingredient in our local community. That means engaging our local residents in wine tastings, Facebook postings, spa events, charitable events and donations, promotion of our local schools and much more. In his book, *Peak*, Chip Conley of Joie de Vivre Hospitality discusses the "mojo" or secret ingredient that gives life and vitality to an organization. We don't have a name for our "secret sauce" nor do we provide the entire recipe but Stephen Covey's *The 7 Habits of Highly Effective People* refers to the emotional bank account to describe the trust that has been built up in a relationship. We believe that we are building our emotional bank account when we do things like take extra special care of our guests. This is the only way to truly have a sustainable competitive advantage.

Our company prides ourselves on "wow" customer service throughout the organization. At our hotels, we treat our guests as if they are staying at a five star property. Technically, none of our hotels are five-star or five-diamond, but getting to know our guests includes running with them, working out with them and showing them a few tips in the gym, dining with them and getting to know their birthdays, kids, spouses and more.

When we provide consulting or advisory services, we like to go above and beyond by providing the kind of service one would only expect from a close friend. Most consultants have attended hotel school and have significant hospitality industry experience. We also own and operate hotels for our own account, so we have a touch more insight into what an owner is going through. Whether it is negotiating loan covenants or making payroll, we understand it from the trenches. In short, part of our "secret sauce" is that we act like an owner/operator because that's what we are.

Forecast Update

Smith Travel Research's (STR) *Summer 2011 Forecast* predicts domestic summer occupancy of 66.7 percent, up 1.7 percent from 2010 while ADR is expected to rise 4.1 percent to \$103.01. This equates to a 6.7

The HOTEL REPORT™

THERE'S A LIGHT AT THE END OF THE TUNNEL...CONTINUED

percent increase in industry revenue for the summer.

14 of the top 15 international markets were up year over year in 2010 vs. 2009, according to the U.S. Office of Travel and Tourism Industries. Pegasus Solutions reports that forward-looking GDS bookings are up in the first quarter of 2011 on a year over year basis and revenue per available room (REVPAR) is up in the U.S. during the first quarter of this year, according to STR. In California, many markets are up by over 10 percent in REVPAR. In San Diego, REVPAR is up nearly 10 percent.

As for the economy, the Burnham-Moores Center for Real Estate at the University of San Diego reported that leading economic indicators were up sharply in

San Diego in March. This bodes well for continued growth with only one weak spot, job growth. It will take four years to reach 2007 employment levels in San Diego.

Yes, we saw an almost jobless recovery until now, but March saw 24,700 jobs added in San Diego. We believe that by the end of the year, occupancy levels will be up 2 percent and average rates will be up close to 7 percent as the entire industry gets out of the "hangover." The forecast for California is uneven in that several markets are doing amazingly well while others lag behind 2010 numbers. The leaders are most of the major cities like San Francisco and Los Angeles as well as most of Orange County while Redding/Chico is down and the submarket of Ontario is flat.

Other trends

The Lodging Industry Investment Council put out their top ten trends for 2011. These include that the hotel investment market will peak in 2015, lodging real estate values are going to continue to increase and that lodging transaction volume will be up markedly. They believe acquisition debt is back, interest rates will rise and occupancy and rates will continue to grow.

An Orbitz survey, based on air bookings made on Orbitz.com for travel between June 1 and August 31, shows Orlando in first place and Las Vegas in second place after two years in the premier position. Following

the top two, in order, are: Seattle, Los Angeles, Denver, New York City, San Francisco, Chicago, Cancun, Boston and San Diego. The survey also indicated that 81 percent are still planning a summer vacation with the majority having budgets under \$1,500. The survey was taken before gas prices had stabilized in the second week of May, 2011.

We expect distressed asset transactions to continue as overleveraged properties reach loan maturity dates and owners are unable to come up with the expected equity requirements. The market appears to be getting more competitive for hotel buyers in the U.S. Many public companies target an internal rate of return north of 10 percent, but many of the REIT acquisitions have been well below that, particularly a few in San Diego.

If we can be of assistance to you in evaluating a market, asset managing or managing a hotel or providing comprehensive consulting and advisory services, call us. We believe that 2011 will continue to be an exciting year, one that provides for more opportunity than future years...let's not let it get away!

Robert A. Rauch, CHA
rauch@hotelguru.com
www.hotelguru.com
 858.720.9500

MYSTERY HOTEL:

Can you name it?





The HOTEL REPORT™

NEWSBITES

Red Lion Promotes Carlson to SVP, Lodging Development

SPOKANE, WA - Red Lion promoted Richard Carlson to senior vice president, Lodging Development.

Carlson was formerly the vice president, Lodging Development. He has 20 years of franchise, development and capital investment experience, with an emphasis on the Western United States, where Red Lion is currently concentrating its franchising efforts.

Rising Gas Prices Threaten Summer Travel Bookings

WASHINGTON, DC—With gas prices reaching near record levels, travel experts are growing concerned that the stiff prices will discourage consumers from taking car trips this summer.

Fewer car trips translate into fewer hotel bookings, particularly for suburban and highway limited-service properties that depend on the drive-to market.

One survey found the average cost of a gallon of regular gas in the U.S. the first week of April to be \$3.76, up \$.13 from the price of a gallon in mid-March. The \$3.76 per gallon approaches the record of \$4.11 that was set in 2008.

Expedia to Spin Off Trip Advisor

BELLEVUE, WA—Expedia, Inc., plans to separate into two publicly-traded companies: Expedia, Inc., and Trip Advisor.

Trip Advisor is the Internet site that allows consumers to comment on their travel experience and offer recommendations to fellow travelers. It has become increasingly popular in recent years.

The proposed spin-off is expected to be completed in the third quarter of the year.

MODO Hotels Partners with Antares For U.S. Expansion

ATLANTA—MODO Hotels, LLC entered into an agreement with Antares Investment Partners that will bring the global lifestyle hotel brand to major cities throughout the United States.

Under the agreement, the two companies will establish funding for the development of 10 MODO hotel

projects. The goal is to raise \$400 million in debt and equity financing. Funds will be used to acquire strategic assets and build full-service and select-service lifestyle hotels primarily in major U.S. metropolitan markets, according to the companies.

Among the targets are New York, Miami Beach, Washington, D.C./Dulles Airport, New Orleans, Kansas City, Chicago and Atlanta.

Noble Management Group has been appointed as the preferred management company for all future development in America.

Element To Debut in Canada

BURNABY, BRITISH COLUMBIA—Starwood Hotels & Resorts Worldwide's Element brand will establish a presence in Canada with the Element Vancouver Metrotown, which is set to open here in 2014.

The new hotel will be owned by Bosa Properties and managed by Atlific Hotels.

The property will include 169 guestrooms and suites with flexible, modular furniture, flat-screen televisions and large work stations, as well as 5,500 square feet of meeting space.

Guests also will have access to an adjacent 28,000-square-foot fitness center.

Like all Element properties, the property will be designed and constructed according to LEED standards.

Hawaii Hotels Mostly Full, Rates Mixed

Honolulu, HI Hawaii hotels were mostly full during the week ending April 9, while two out of four islands saw higher average room rates compared to the same week in 2010, according to [Smith Travel Research](#) and [Hospitality Advisors](#).

The average statewide hotel occupancy rate was 70.1 percent, up 2.9 percentage points compared to the same week last year. Kauai's occupancy rate was 62.5 percent, up 7.8 percentage points, and the Big Island's rate was 60 percent, up 5.7 percentage points. Maui's 73.7 percent rate was up 2.6 percentage points, and Oahu's 72.5 percent rate was up 1.2 percentage points from last year.

The average statewide room rate was \$197.22, up 2.4 percent compared to the same week in 2010. Oahu's



The HOTEL REPORT™

NEWSBITES CONTINUED

average rate of \$167.56 was up 9.8 percent, and Maui's average rate of \$265.23 was up 2.9 percent. Meanwhile, the Big Island's average rate of \$173.42 was down 21.1 percent, and Kauai's average rate of \$211.66 was down 0.9 percent.

The weekly hotel report is based on a daily hotel survey of approximately 100 properties representing 40,744 rooms, which account for 71.5 percent of Hawaii's total hotel rooms for properties with 20 units or more.

Davidson To Rebrand Radisson Los Angeles Westside As A DoubleTree

LOS ANGELES—Davidson Hotel Company is rebranding the 368-room Radisson Los Angeles Westside as the DoubleTree by Hilton Los Angeles-Westside.

Davidson manages the property for The Carlyle Group, which owns the hotel, and will operate it under a franchise license agreement with a subsidiary of Hilton Worldwide. The hotel is located three miles from the Los Angeles International Airport and in close proximity to Sony Pictures Studios, Venice Beach, Beverly Hills and Santa Monica.

JW Marriott Denver Completes Upgrades

DENVER, CO—The JW Marriott Denver Cherry Creek here has completed a \$5 million renovation of its guestrooms and public spaces.

Under the design direction of David Ashen, the look of the 196 guestrooms is inspired by the Craftsman design that is characteristic of Denver with a color palette of dark blue, magenta and orange. All guestrooms have four-fixture marble bathrooms. The corridors of the hotel have also been revamped and feature carpet with an abstract design of the Colorado state flower, the Columbine.

The JW Marriott Denver's meeting space and concierge guest lounge have been enhanced with new furniture, carpet and wall coverings. The hotel also now has a new fitness center and an upgraded business center.

AMResorts Properties Earn AAA Four-Diamond Ratings

PHILADELPHIA – AMResorts' Secrets St. James Montego Bay, Secrets Wild Orchid Montego Bay and Dreams Los Cabos Suites Golf Resort & Spa earned the 2011 AAA Four Diamond Award.

These three resorts join five other Secrets and Dreams Resorts & Spas that have received the AAA Four Diamond rating: Secrets Capri Riviera Cancun, Secrets Maroma Beach Riviera Cancun, Secrets Silversands Riviera Cancun, Dreams Puerto Vallarta Resort & Spa and Dreams Villamagna Nuevo Vallarta.

MYSTERY HOTEL ANSWER:

The Aitutaki Lagoon Resort & Spa.

From the time you are met at the Aitutaki airport with a fresh flower lei and a coconut drink, you will be embraced with the friendliness and accommodating nature of our resort. Welcome tropical fruit juice and island fruits await you.

The beauty that is Aitutaki Lagoon surrounds the resort and the island. Amazing vistas are found everywhere. The main reason to visit Aitutaki is to experience the magical lagoon, and we are the only resort located directly on the lagoon.

Aitutaki Lagoon Resort features private, thatched-roof bungalows. Select from our popular Overwater Bungalows, set directly on the amazing lagoon, Deluxe Beachfront Bungalows, boasting superior views and your own private hammock, Beachfront Bungalows with great views of the lagoon, and Garden Bungalows set amongst our manicured tropical gardens.

The Aitutaki Lagoon Resort & Spa features 37 individual, thatched-roof bungalows, designed with a distinctively Polynesian feel. The spacious bungalows have comfortable tropical furniture, and most feature wonderful views of the lagoon.




Twenty4Seven Hotels A Balanced Approach

MANAGEMENT • INVESTMENT • DEVELOPMENT

Creating value for our owners; a flawless experience for our guests; and opportunity for our associates... every time

567 San Nicolas Drive, Suite 100
Newport Beach, CA 92660
T 949.734.6400 F 949.734.6401



twenty4sevenhotels.com