



# INSIDE *Issues*

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## Features

Should hotel owners buy, hold or sell in 2003?

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## Should hotel owners buy, hold or sell in 2003?

**W**ith the hotel industry entering a third consecutive year of economic distress, many hotel owners are trying to determine whether to hold on a while longer or sell now. On the other side of the equation, potential buyers wonder whether this is the time to acquire new property. The answer: It depends.

In order to help buyers and sellers make more informed decisions, Hotel Brokers International (HBI) recently spoke with its membership about their predictions for hotel real estate in 2003. HBI members handle about one-fourth of all hotel real estate transactions in the United States. Data reveal that most brokers believe hotel transactions will increase in 2003 with the gap between bid and ask prices steadily narrowing. Early signs indicate that this year will be much more robust than 2002 and probably better than 2001.

“The wild card for the entire industry in 2003 is the acts of war and terrorism,” said Scott Brash, president of Chicago-based Brash Realty Co. Inc. “The uncertainty of the future continues to hold down business travel, which in turn impacts the industry and hotel real estate values.”

HBI members noted swelling interest in selling hotels as many owners who normally would have sold during the past two years have kept their properties off the market due to difficult operating conditions.

“The key is to help owners find the right window of opportunity, and every hotel has a different window,” Brash said.

HBI brokers suggest non-motivated sellers play it safe and hold on to their properties until clearer pictures of the geopolitical and economic outlook emerge in the second quarter. Motivated sellers are advised to carefully analyze and determine sales goals, as the market still retains an abundance of serious buyers who have the capital and flexibility to acquire properties.

The silver lining for buyers and sellers is the lowest interest rates in decades.

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“When interest rates were at 22 percent in the early 1980s, prices for hotels dropped by 25 percent, because the economics of the deal were much more difficult,” said Roger Story, president of Motel/Hotel Specialists Inc., Fresno, Calif. “While operating results for the past two years have declined significantly, low interest rates still make many transactions not only viable but attractive.”

However, if an owner has no where else to turn, a number of brokers noted that workouts remained an option.

“Banks are much more willing to restructure now than during the last downturn,” Story said. “They don’t want to be owners if they can avoid it.”

In some markets, prices already are showing signs of stabilization. A number of HBI brokers said that secondary and tertiary markets generally were strong, with “drive-to” properties in highest demand. In contrast, airport locations, destination resorts and areas where the dot.com industry is concentrated are under the most strain.

“We’ve seen difficult pricing in local economies where high tech industries play dominant roles,” Story said. HBI brokers noted that proper positioning, packaging, marketing and discreet but widespread exposure remain the most effective way to achieve the optimum price.

“That’s where a worldwide network of brokers adds real value,” he said. Brokers also noted several pitfalls to dodge. Buyers should avoid establishing a new price precedent, Story said. “It is much like owning the best house on the block,” he said. “When you set a new level in pricing, you may find it more difficult to achieve a comparable price when you decide to sell.”

Brash cautioned sellers to avoid listing a property just to test pricing and values. “If you don’t think you can get your price, keep the property off the market a little longer,” he said. “Nothing hurts a property more than being on the market for an extended period or being taken off and then put back on. People naturally begin to think that something is ‘wrong’ with the hotel. If you are not a serious seller, you are doing yourself and the value of your property a great disservice by listing a hotel just to see what it will bring.”

The conclusion by HBI brokers is that the market will be turbulent in 2003 but will hold a significant number of opportunities for buyers and sellers. Working with an HBI broker can help sellers achieve the best prices and buyers make the wisest acquisitions.

## 2003 Hotel Real Estate at a Glance

### For Sellers

- Motivated sellers should contact their HBI broker to set strategy and timing for selling the asset.
- Non-motivated sellers, working with their HBI broker, should wait until later in the second quarter to develop a selling strategy when greater visibility will be available on the geopolitical situation and the economy.
- Low interest rates can help make deals more attractive. Interest rates will likely start moving upward as the economy begins to recover.
- Under no circumstances should an owner put a hotel on the market to test the waters because it could have a long-term impact on the hotel’s value if it is overpriced and fails to sell quickly.

### For Buyers

- The spread between bid and asked prices are coming more in harmony, which should create more deals in 2003.
- As a result, savvy buyers should be moving assertively early in the cycle to get the best prices.
- Low interest rates can make deals “work” in the early years so owners can reap the benefits when the economy recovers and when the hotel is sold.

## HBI honors top sales performances, member contributions

**H**otel Brokers International presented awards for outstanding hotel real estate sales performance during its annual meeting Jan. 30 – Feb. 1 in Las Vegas. Nineteen awards were presented to top performing brokers and salespeople.

“The awards recognize HBI members who led the way in sales achievements for 2002 and honor those members who have made and continue to make valuable contributions to the association and the hotel real estate industry,” said Greer Lee, CHB, outgoing president.

HBI bestowed its top honor, HBI Broker of the Year, on Deirdre Murphy, CHB, president of Innvest Hotel Brokers, formerly the Wilder Group LLC, Great Neck, NY. The award recognized significant sales volume and participation in the association’s program and activities. In 2002, Murphy brokered transactions totaling more than \$35 million, 95 percent of which were financed by Wilder Group LLC. Murphy also captured the Largest Portfolio Sale Award for closing a “to-be-built” turnkey package in New York totaling more than 200 units.

Chuck LaPorte, vice president of Brown Hotel Group Inc., Westlake Village, Calif., was awarded another of HBI’s top honors – Salesperson of the Year in the brokering of six transactions.

Nicolas Monnet of MBA Hotel Brokers, Glenwood, Md., was named Rookie of the Year for top performance among first-year sales associates. In 2002, Monnet was involved in transactions totaling close to \$8 million.

Tony DeGeorge, CHB, Greene Canfield DeGeorge Ltd., Clearwater, Fla., received the 2002 Largest Single Hotel Sale Award for brokering the sale of a 174-unit property in Clearwater, Fla.

For the third consecutive year, Roger Story, Motel Hotel Specialists, Inc., Fresno, Calif., received the award for Most Co-op Sales. The award was also given to Alan Brock, CHB, Alan Brock and Associates Inc., Grapevine, Texas.

The Unique Deal of the Year Award was presented to Charlie Fritsch, CHB, MBA Hotel Brokers, for the sale of a property in Berkley Springs, WV. This award recognized transaction uniqueness, deal complexity and success in overcoming special challenges.

Sheldon Greene, Sheldon Greene and Associates, Miami, was honored for his service to the association in 2002. Greene oversaw the development of an introductory hotel brokerage self-directed study course.

Honorary lifetime membership was bestowed on Lynn E. Hoover, CHB, past president of HBI. Hoover, founder of Denver-based Hoover Lodging Associates Inc., retired in 2002.

Another honorary membership was presented to Robert Kralicek, former executive vice president of HBI. Kralicek stepped down from the association’s helm in December 2001, following 21 years of service.

Additional awards were presented to the top brokers and salespeople by region as calculated by sales volume and participation in HBI activities. Recipients included:

### **South Atlantic Region**

Broker: Bob Hunter, CHB, Hunter Realty Associates Inc., Atlanta.

Salesperson: Teague Hunter, CHB, Hunter Realty Associates Inc., Atlanta.

### **North Central Region**

Broker: Ronald R. McCord, CHB, Milmark Hotel/Motel Investments LLP, Milwaukee.

Salesperson: Jennifer Church, CHB, Milmark Hotel/Motel Investments LLP, Milwaukee.

### **South Central Region**

Broker: Alan Brock, Alan Brock and Associates Inc., Grapevine, Texas.

Salesperson: W.M. “Chip” Broadfoot, III, Broadfoot Hotel Brokers, Birmingham, Ala.

### **Mountain/Pacific Region**

Broker: Chuck Nester, CHB, Brown Hotel Group Inc., Westlake Village, Calif.

Salesperson: Greer Lee, CHB, Scoggin Blue LLC, Las Cruces, NM.

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## HBI to showcase properties in Chicago

**H**ospitality brokers of Hotel Brokers International will showcase some of the more than 200 select properties listed in HBI's exclusive database on Wednesday, May 14, in Chicago. Hotel Investor's Marketplace will offer guests special opportunities to meet one-on-one with leading brokers, preview and make offers on the best and newest properties on the market and learn valuable tips on hotel investment.

The event is designed for owners, investors, management executives, acquisition specialists and equity and investment fund managers. All guests will receive a property book, due diligence materials, an executive summary and complete information on all exclusively listed hotel properties. Featured speakers and sponsors include La Quinta Inns Inc., Carlson Hospitality Worldwide, Chicago Title Insurance Company and CIT Small Business Lending Corporation.

For more information on Hotel Investor's Marketplace or to request an invitation, please contact your HBI broker or HBI's executive office at 800.821.5191. Or send an e-mail to [info@hotelbrokersintl.com](mailto:info@hotelbrokersintl.com).

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## Hotel Brokers International to release 2002 transactions summary, analysis

**H**otel Brokers International is poised to release its annual hotel real estate transactions publication in April. The newest edition of the popular *TransActions Recap* provides summaries, valuations and in-depth analysis of the 2002 hotel sales industry. Available in both PDF and bound copy, the publication includes:

- Summaries of all HBI-member transactions 1998-2002
- Summaries of additional 2002 hotel transactions
- Hotel values by brand, location and segment
- National and regional statistics
- Hotel-lender survey results 2003
- Transaction analysis 2002
- Index of hospitality lenders

The *TransActions Recap* will sell for \$89, PDF, or \$99, bound copy. To purchase the publication or for more information, contact Glenda Webb at 816.505.4315 or [transactions@hotelbrokersintl.com](mailto:transactions@hotelbrokersintl.com).

Hotel Brokers International is a professional organization of hotel real estate brokers and consulting specialists. Its members handle the largest market share of all annual lodging property transactions in the United States. The organization offers the industry's only continuing education initiative - the Certified Hotel Broker Program. Access HBI on-line at [www.hotelbrokersintl.com](http://www.hotelbrokersintl.com).

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## Hotel Brokers International announces new leadership

**H**otel Brokers International's newly elected 2003 board of directors began its term during the association's Annual Meeting. During the next year, the 11-member team will lead the association's efforts to help its 30 brokerage offices navigate the challenging economy.

HBI is a professional organization whose members handle about one-fourth of all annual lodging property transactions in the United States. The association provides its members with continuing education, networking opportunities and a comprehensive database of hotel properties to buy and sell.

HBI's new president, Ron McCord, CHB, president of Milmark Hotel/Motel Investments LLP, Milwaukee, Wis., said that HBI would continue to look for and develop ways to better serve its membership. "Part of our focus this year will be the implementation of new technological resources. As a marketing organization, we will join resources in providing a website this spring including a database of approximately 250 exclusive property listings."

Outgoing president, Greer Lee, CHB, said that the association had worked hard to help its members counter the effects of economic instability.

"The past 18 months have brought many challenges to our industry," Lee said. "HBI has met these challenges by positioning itself in the international market and by providing its membership with innovative networking resources. Our new technological innovations promise to further our successes."

In addition to McCord, HBI's new officers include:

Dick Lopez, CHB, vice president/president elect. Lopez is president of Lodging Property Brokers Inc., Napa, Calif.

Tony DeGeorge, CHB, secretary. DeGeorge is president of Greene Canfield DeGeorge, Ltd., Clearwater, Fla.

Teague Hunter, CHB, treasurer. Hunter is vice president of Hunter Realty Associates Inc., Atlanta.

Rounding out the board of directors are:

Greer Lee, CHB. Lee is vice president of Scoggin Blue LLC, Houston.

Heather Hamilton, CHB, president of Spectrum Hotel Group Inc., Austin, Texas.

Jeff Westgor, CHB, president of Westgor & Associates Inc., Minneapolis.

Arvind Patel, CHB, president, Everest Hotel Brokers LLC, Farmington Hills, Mich.

Charles H. Fritsch V, CHB, president of MBA Hotel Brokers, Glenwood, Md.

R. Kurt Mockenhaupt, Donohoe Real Estate Services Inc., Washington, D.C.

Darin Brock, Alan Brock and Associates Inc., Grapevine, Texas.

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The information contained in this publication is in no way to be construed as a recommendation and should not be acted upon without professional advice.

HBI is a network of independently owned and operated real estate firms. In addition to brokerage services, many HBI offices offer such lodging related services as hotel consulting, interim or long-term management, market studies, opinions of value, appraisals, mortgage brokerage, syndication and development. For additional information on investment opportunities in the hotel industry, contact the HBI member office listed on the front of this publication.

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