

For Immediate Release

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Fifty Years Later Father and Son HBI Members Share Same Vision

Much Has Changed Since Founding, but Much Remains the Same

KANSAS CITY, Mo., January 28, 2009—Fifty years ago when Wayne Westgor became one of eight founding members of the Motel Brokers Association of America, the forerunner of Hotel Brokers International (HBI), he wasn't thinking of making history. As a World War II veteran and entrepreneur, he was looking for a way to take advantage of his brokerage experience and the promise of explosive growth in the hotel industry that would accompany the building of the Interstate Highway system. Fifty years later, his son, Jeff Westgor, has been elected president of HBI and also sees opportunity in hotel brokerage, as well as a myriad of changes.

"There weren't many people specializing in hotel brokerage then, and it was difficult to find other hotel broker professionals around the country to share clients and listings," said Wayne Westgor, chairman emeritus of Minneapolis-based Westgor & Associates. "We had buyers here in the North who wanted to acquire hotels in warmer weather in the South. Connecting to qualified brokers in Florida and other southern states would create a win-win situation for everyone, producing synergies that would increase sales, build a client base and help establish a national reputation based on integrity and knowledge. But finding the qualified brokers who also understood hotel real estate often proved to be difficult."

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A number of things about the business have remained the same and a number of things have changed, said the younger Westgor, who was born the year the organization was formed in 1959. “Owners today aren’t as geographically limited, but they still want brokers that they can trust and who are knowledgeable about local markets,” said Jeff Westgor, the third generation president of Westgor & Associates. “HBI has more than 100 brokers nationwide, more than any other hotel brokerage organization, in a network of professionals that provides the local market knowledge and synergies to get transactions done.”

At least four elements remain the same between the generations:

- Relationships—“Buying and selling hotels is still heavily based on relationships,” the younger Westgor said. “Quite often, we become involved with people buying their first hotel, who then go on to build major companies. Along the way, we are there to help them find other properties to acquire, and, when appropriate, sell their hotels. In addition to the clients I’ve developed in my career, I am working with the second and in some cases third generation of owners who began with my father.”
- Valuation—“Hotels continue to be valued on the basis of income or cash flow and the cost of capital, or potential income as a turn-around or new development where demand outpaces supply and new units cost relatively the same as existing product. I don’t see that changing over the next 50 years,” he commented.

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- Real Estate Cycle—“Hotels are a cyclical industry, closely tied to the economy,” he said. “The current softness in the industry is reflected in both occupancy and pricing and historically occurs about every five to seven years.”
- Brokers—“Hotels are different from all other real estate classes, and hotel brokerage requires special expertise to be successful,” the elder Westgor noted. “The level of sophistication is much higher than it was when I got started and continues to grow exponentially. One of the things of which I’m most proud about HBI is the training and educational programs we’ve created and updated over the years. By far, the vast majority of hotels sold in the past 50 years were sold by brokers who received training from HBI.”

Both Westgors noted a number of things that have changed in HBI’s first 50 years, including:

- Pricing—“Fifty years ago, a hotel transaction averaged 20 to 40 rooms and sold for \$400,000 to \$700,000,” he said. “Today, hotels average more than 100 rooms, and go up to more than 1,000 rooms. HBI typically sells hotels in the \$4 million to \$15 million range, which comprises the vast majority of properties. That said, our largest transaction was in excess of \$240 million in 2005.”
- Investors—“Most owners were mom and pop enterprises when we first formed, and there still are a lot of family-owned businesses,” the senior Westgor said.

“However, the owner universe of today has expanded to include publicly and privately held real estate investment trusts, private equity firms, and large corporations.”

- Technology—In 1959, there were no smart phones, e-mails or internet marketing, just to mention a few common technological advances. “All of this technology has shrunk the globe and has made hotel brokerage an international business,” said the younger Westgor. “HBI always had an international scope, beginning with bringing buyers to the U.S. from Europe, India and Pakistan in the early days. Our member brokers are now reaching out to deal with buyers and sellers in Latin America, Europe, Africa and Asia.”
- Brand proliferation—“Holiday Inns, the concept, was just emerging in the late 1950s, and there were probably less than 25 national hotel brands. Today, there are more than 200, with more on the way. Market segmentation also became a major factor with the introduction of the Hampton Inn brand in the early 1980s,” said the younger Westgor.

Looking to the future, Jeff Westgor said that he expects to see more flexibility in franchising in the years ahead, especially as brands expand. “As brand competition heats up, owners will have a more equal footing in the future and a greater say in how the brands are operated,” he said. “Concurrently, there will be more independent hotels, especially in

destination markets. If you know your customer base and are marketing savvy, independent or boutique hotels can compete quite effectively.”

He added that the in progress economic downturn will change the current face of brokerage. “We had a large influx of brokers and companies from outside the industry move to hotel real estate during this last boom. Many are exiting the sector because they don’t have hotel roots or the relationships and are moving on to the next hot real estate class. We believe this will be better for both buyers and sellers who now will benefit from a more experienced pool of brokers with a higher level of professionalism and industry understanding.”

The younger Westgor said he learned three cornerstone traits from his father—having a positive attitude, the importance of integrity and understanding people and their needs. “It is especially gratifying to see so many HBI members pass on their business to the next generation. More than 25 percent of HBI brokers are second or third generation,” he said. He noted that his nine-year-old son Andrew already asks questions about the business, and could be the fourth generation broker in the family legacy. “I have seen him negotiate and he practices every day with his mother, so I have no doubt he has what it takes.”