



The Lodging Industry Investment Council releases its 2007 Top Ten survey

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H&MM Week In Review



Each year, the think tank members of "LIIC – The Lodging Industry Investment Council" are surveyed to develop a list of the major hotel investment opportunities and challenges for the coming year. This survey results in the LIIC Top Ten; a highly regarded profile of investment sentiment and attitudes for the lodging industry for the forthcoming 12 months.

All together, the members of LIIC represent acquisition and disposition control of billions of dollars in lodging real estate. The hospitality industry's most influential investors, lenders, corporate real estate executives, REIT's, public hotel companies, brokers and significant lodging equity sources are represented on the council. LIIC serves as the leading industry think tank servicing the hospitality business (<http://www.liic.ws/>).

This year's survey was compiled by LIIC's co-chairman, Mike Cahill. Mr. Cahill is president and founder of HREC – Hospitality Real Estate Counselors, a leading national hotel and casino advisory and brokerage firm specializing in lodging property sales, debt refinancing, consulting, appraisals and litigation support. (<http://www.hrec.com/>).

1. Still Good Time to Buy Hotels? 51% of respondents believe that "Yes, it is still a good time to buy hotels if you are selective". In contrast to past surveys, there has been a surge in doubt though with 28% responding "Maybe, but the acquisition must present a compelling case". 19% are holding tough on a positive outlook with "Yes, Definitely".
2. Hotel Investment Market Peaking: 90% of those surveyed believe we are in the 6th Inning of later of the hotel investment cycle. Two-thirds state the 6th or 7th inning and one-third are more pessimistic, believing we are late into the game, namely the 8th or 9th inning. No one believes the game is in overtime yet.
3. Quality and Volume of Product to Buy? The quality of assets on the market appears to be strong but weakening. For the first time, the majority of investor believe the quality of product is "average". However, the majority believes the quantity is above average.
4. Interest Rates Increases Uncertain: It was almost a perfect 50/50 split between those that believe interest rates will be flat compared to those that predict an increase. Sharp contrast to last year's survey where 97% of respondents forecast interest rate increases.
5. Favorite Hotel Brands: What brands do hotel investors love? First is the Marriott family of products (86%) followed closely by the Hilton group (83%). In third place is Starwood, with 74%.
6. Can Equity Return Rates Really Go Lower?: This year's answers were surprising with 28% believing that unlevered hotel equity rate of return requirements will actually go lower over the next twelve months.
7. Buyers Wearing Rose Colored Glasses: 97% of survey responders believe that their investments purchased in 2005 and 2006 are "generally meeting expectations". As an interesting side note, "stupid", "uneducated", "newbie" buyers were frequently cited as problems for the

industry. Does this mean they have been “smart” and the others just “lucky”?

8. 2009 and 2010 Big New Supply Years: LIIC members envision that new hotel construction (amount of rooms actually under construction) will peak in 2009 (44%) with 2010 to follow as another big year (28%). Survey participants wonder if these new additions will dramatically coincide with “timing of our next recession”.

9. Occupancies Flat, Room Rates will Grow: Based on overwhelming survey results (97%), the next 12 months will see continued room rate growth. Over half believe this rate growth will exceed 5%. On the other hand, 84% believe occupancies will be flat or declining.

10. Hotel Values Will Increase Slightly: For the next 12 months, 90% of LIIC members believe that hotel values, as a whole, will increase. Compared to last year's survey, value growth is expected to soften significantly with 74% predicting only slight value increases. 24% of responders believe that economy hotel values will decrease slightly over the next 12 months; 51% believe hotel values will be flat. On the other end of the spectrum, 74% predict value increases for the Upper Upscale category. Write-in answers indicate continued investor “love affair” with luxury hotel assets.

For additional information, please contact:

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