



Hotel Brokers International Upbeat About Hotel Real Estate Market

KANSAS CITY, MO, August 5, 2005 — Optimism about the hotel real estate market abounds...and with good reason. The industry continues to enjoy a rebound in 2005. According to HBI's TransActions Services Division, the first half of 2005 generated over \$7.5 billion in hospitality transactions, a 50 percent increase over the same time period in 2004.

"Property values throughout the country are increasing," stated HBI President, Dick Lopez, CHB and President of Lodging Property Brokers Inc. "Low interest rates, the improving economy and a scarcity of new construction are all contributing to the increased interest in the hotel real estate market."

Demand for hotel properties remains strong. During the first two quarters of the year 367 hotels changed hand at an average price per room of \$86,000. For the comparable period in 2004, the number of hotel transactions was 351 with an average price per room of \$72,000. The most actively traded properties were in the upscale segment with 176 properties selling for an aggregate of \$5.4 billion. A total of 12 properties sold at over \$100 million and above.

HBI brokers noted that 2005 could result in one of the organization's most successful years. Total dollars in sales increased 32 percent over the same period in 2004. Average price per room increased 17 percent from \$34,000 to \$40,000. The bulk of the sales were in the full-service mid-market segment. Bill Moyer, Director of the Hotel Advisory Group, Donohoe Real Estate Services based in Washington, DC, stated, "The general sentiment is that this is a seller's market. Supply is low and demand is strong." Moyer, who brokered the \$20 million sale of the Courtyard by Marriott in Annapolis Junction, Maryland in April, said he believes the positive hospitality trend will continue through at least 2006 based on limited new supply and the increasing demand for accommodations of all types throughout the country.

In terms of financing, most brokers agree that funding is readily available particularly for acquisitions and renovations. Financing for new construction is more selective. Teague Hunter, CHB, Vice President, Hunter Realty Associates, Inc. of Atlanta, Georgia noted, "We are not seeing a tremendous increase in funding for new development which is always positive for the hotel industry. Construction costs have risen so much that it is difficult for developers to make sense out of projects. Most investors are leaning towards buying existing hotels and renovating especially since acquisitions show more immediate returns."

The reduction in new inventory has helped boost industry-wide operating results. Hotel occupancy rates and ADR continue to improve. According to Smith Travel Research, occupancy rates increased 2.8 percent versus the same period last year,

while ADR was up 4.8 percent. Cap rates have decreased nationwide with newer properties selling at average cap rates of 8 percent.

Investors are taking full advantage of the rebound in the lodging industry. REITs, private equity funds, regional owners and management companies are buying larger assets and portfolios. Mid-tier corporations are particularly active as they sell their non-strategic assets. "Compared to other investment alternatives," added Hunter, "hotels are very attractive."

Mid-market hotels continue to be a popular investment. 142 mid-market hotels sold in the first half of the year at an average price per room of \$61,000. Buyers of mid-market hotels tend to be small companies and private investment groups. The economy segment, which attracts primarily owner/operators, generated 41 transactions at an average price per room of \$35,000.

Hotel Transactions January to June Five-Year Comparison					
	2001	2002	2003	2004	2005
<i>Hotels Sold</i>	200	138	293	351	367
<i>Total Rooms</i>	29,293	17,084	38,574	57,307	70,899
<i>Dollars Transferred</i>	\$2.8 Billion	\$1.1 Billion	\$2.3 Billion	\$5.0 Billion	\$7.5 Billion
<i>Price per Room</i>	\$83,000	\$50,000	\$54,000	\$72,000	\$86,000

Source: TransActions Data Services

Portfolio transactions were also brisk during the first half of 2005. Ashford Hospitality Trust purchased two portfolios. The first in January consisted of 21 properties for \$250 million or \$61,000 per key. The core group of 13 properties in the portfolio was acquired at a trailing 12-month cap rate of 10.5 percent; the remaining eight properties posted a trailing 12-month NOI of \$800,000. In June, Ashford purchased from CNL Hospitality Corp. a second portfolio of 30 hotels in 16 states, with a total of 4,328 rooms, for \$465 million. Ashford acquired this portfolio at a trailing 12-month cap rate of 8.4 percent. In the mid-scale category, Crown America Hotel Holding Company sold 22 of its 27 hotels to Capital Lodging, a newly organized hospitality REIT, during the first quarter. The total sale price was \$146 million.

Marriott and Hilton were the most actively traded lodging brands during the past six months. In the upscale segment 25 Residence Inns sold, 20 Courtyards by Marriott, 11 Hilton Hotels, 13 Marriott Hotels and 12 Doubletree Hotels. In the mid-market category, 29 Holiday Inn hotels traded hands, 20 Hampton Inns, 13 Holiday Inn Expresses and 11 Best Westerns. Independent properties were also popular with a total of 50 hotels selling.

Brokers have a renewed optimism about the hotel sales market. In 2004 the market experienced a rebound; 2005 looks as though it will be an equally successful year. Concluded Tony DeGeorge, CHB, President of Greene Canfield DeGeorge Ltd in Clearwater, Florida, "With the economy continuing to gain strength and interest rates remaining stable, we are confident that the next two to three years will be positive ones for the hotel industry."

Hotel Brokers International, with more than 100 brokerage specialists, hosts the Hotel Investor's Marketplace and sponsors the Certified Hotel Broker program in conjunction with Cornell University. The TransActions Data Services Division publishes *TransActions Recap*, the leading source of hotel real estate sales data and provides information on hotel sales comparables. HBI may be accessed on the web at www.hotelbrokersinternational.com. For information on HBI's TransActions Data Services contact transactions@hotelbrokersinternational.com or 816.505.4315.

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