

To Buy or Sell in Today's Market?

While investors' perceptions of real estate as high-performing assets have prompted an unprecedented run of property appreciation and funding interests over the past few years, U.S. consumers and companies have followed suit, extending their buying power to both necessities and "necessary" luxuries.

Such optimism bodes well for the hospitality industry, convey a number of sources. According to the *Emerging Trends in Real Estate 2007* forecast published by the Urban Land Institute and PricewaterhouseCoopers, "Hotel owners will continue to reap solid gains into 2007 as this volatile sector heads for a revenue and price peak." While the American Hotel & Lodging Association recalls 2006 as a "banner year" in its year-end Annual Report, the Travel Industry Association asserts that room revenue is up 6.1 percent from one year ago, based upon its January 2007 Industry Performance Indicators.

High-performing brokers at Hotel Brokers International (www.hbihotels.com), Kansas City, MO, agree with these assessments and anticipate robust sales of properties throughout 2007. "[I expect to see] more sales in Mid-Market/Limited-Service [properties, with a] slowdown in upper markets," says Chuck Nester, CHB, president of Brown Hotel Group, Inc., Westlake Village, CA, in response to an HBI survey conducted in early February. According to Tony DeGeorge, CHB, president of Clearwater, FL-based Greene, Canfield, DeGeorge, Ltd., "As income continues to grow, owners will cash out of properties." And Steve Blue, CHB, president of Scoggin Blue LLC, Las Cruces, NM, asserts, "[There will be] more sales in 2007, with more supply and a glut of motivated buyers." The bottom line? HBI brokers are bullish on the market for both buyers *and* sellers of hotel properties.

On the seller side, higher sales prices, buyer competition and a quick turnaround (three to five months, on average) are key incentives driving the market. Conversely, among buyers, the impetus includes relatively low interest rates and RevPAR growth.

For both, readily available financing is opening doors and spurring on deals. “Funding will continue, as there are many lenders with a great deal of money and with interest rates at low historical levels,” explains H. Brandt Niehaus, CHB, president of Huff, Niehaus & Associates, Inc., Louisville, KY.

While William L. Lazarus, CHB, at Swoboda Hospitality Specialists, Phoenix, contends that buyers with cash will drive the market in 2007, “the market is good for both,” says Alan Brock, president of Grapevine, TX-based Brock Hotel Group. “[There are] profits to be had by sellers, but plenty of upside left for buyers.”