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BRIEFS

La Quinta inks deals for Latin America development

La Quinta is accelerating its international growth through a series of agreements with an affiliate of Grupo Santos, a Honduran organization whose affiliates include a construction and development firm. The agreements will bring La Quinta hotels to cities in Honduras, Guatemala, Nicaragua and Panama.

Marriott expands in Brazil

Marriott International plans to open a 162-room Courtyard by Marriott Hotel in Recife, Pernambuco, Brazil in 2014. The hotel is developed under a management agreement with Rio Ave Ltda.

CWI expands portfolio with five-Hilton buy

By Stefani C. O'Connor

Hampton Inn & Suites, Memphis

Michael Medzigian
Carey Watermark Investors, Inc.

NEW YORK—No one could accuse Carey Watermark Investors, Inc. of brand bias when it comes to spreading the wealth. Hot on the heels of its $90-million December acquisition of the 317-room Courtyard by Marriott San Diego Mission Valley/Hotel Circle, CWI bought five focused-service hotels within the Hilton Worldwide portfolio of brands from entities managed by Fairwood Capital, LLC late last month.

The $104-million acquisition, which included $64.5 million of debt, gave the non-traded REIT four Hampton Inns & Suites and a Hilton Garden Inn in the off-market deal.

continued on page 38

The former Perry Hotel South Beach is being converted to the 1 Hotel & Residences South Beach in Miami, scheduled to open in 2014.

Starwood Capital Group revives two brands

By Bruce Serlen

GREENWICH, CT—As if an increase in lodging demand, improved RevPAR and a reinvigorated transactions market weren't enough evidence that the hotel industry was in the midst of a rebound, brands that were introduced with great fanfare right before or during the downturn and then promptly fell off the radar screen are being reintroduced.

The latest examples are both from Starwood Capital Group. The luxury Baccarat Hotels & Resorts and the environment-focused, upper-upscale 1 Hotels & Resorts were both introduced in 2006-2007 with

continued on page 24

NewcrestImage creates one-stop shop

By Stefani C. O'Connor

FRISCO, TX—Looking to leverage their skill sets and create beneficial synergies to better compete in the marketplace, Newcrest Management and Image Hospitality have merged to form NewcrestImage, LLC.

The new entity umbrellas a trio of separate firms that effectively create a one-stop shop for industry owners and investors. These

continued on page 32

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U.S. Hotel Industry At A Glance

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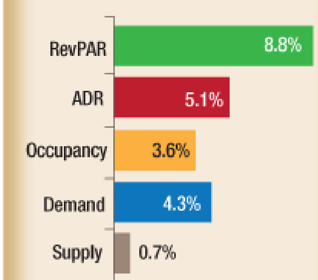

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Carey Watermark

continued from page 1

Michael Medzigian, CEO of CWI, said the deal was attractive from several angles. "A few of the assets are urban, and if you look at what we've been doing, we've kind of been splitting the portfolio in two: We've been buying urban, select-service for current cash flow; those are generally good operating, high-margin businesses—a lot of people have been pursuing those kinds of investments. The other portion is more full-service, which often includes repositioning, rebranding, renovation, etc. We feel we bought the assets right."

Specifically, the properties include the 119-room Hampton Inn & Suites Atlanta-Downtown, which is housed in a renovated historic building listed on the National Register of Historic Places; the 144-room Hampton Inn & Suites Memphis-Beale St. in Tennessee; the 133-room Hampton Inn Birmingham-Colonnade in Alabama; the 105-room Hampton Inn & Suites Legacy Park-Frisco in Texas; and the 131-room Hilton Garden Inn Baton Rouge Airport in Louisiana.

Crescent Hotels & Resorts will manage the Memphis, Atlanta and Birmingham properties, and the Frisco and Baton Rouge hotels will be managed by HRI Lodging, Inc.

As for "buying right," the hotels were built in a 10-year period spanning 1994 to 2004 and have been "substantially" renovated since 2010. "There's really not that much to do. We will do some degree of renovation," said the executive.

Medzigian said CWI has had success with both brands. "We view those as category killers and we'll do more of them." He added the Memphis property, in the city's historic district, is "an extremely strong performer" and noted the Atlanta property, as an adaptive reuse in a historic building "is not your typical Hampton Inn."

The CEO said "those properties were probably what most attracted us to this portfolio. The two downtown properties are actually larger and drive a lot of the RevPAR into the portfolio."

The REIT also has a DoubleTree by Hilton in Memphis and, last October, in a joint venture with The Arden Group, Inc. and Marcus Hotels and Resorts, acquired the 372-room Westin Atlanta Perimeter North from an affiliate of DiamondRock Hospitality Co. for approximately $57 million, with some $14 million of that earmarked for renovation of guestrooms and public spaces.

The other three hotels in the acquisition represent CWI's entry into those markets, and the Baton Rouge property gives the REIT its first airport property.

The latter property type, however, normally would be a secondary consideration for CWI if it was assessing one-off deals, Medzigian emphasized, noting CWI's focus in building its portfolio is on urban, resort and densely developed suburban markets.

Such was the case with its December acquisition from a private investment group—for which Tarsadia Investments is the agent—of the Courtyard San Diego Mission Valley/Hotel Circle. The property is near downtown San Diego and tourist attractions such as the San Diego Zoo, Old Town San Diego, SeaWorld and area beaches.

The 131-room Hilton Garden Inn Baton Rouge Airport in Louisiana will be managed by HRI Lodging, Inc.

Still, the airport property will get CWI's attention. "We think we will be doing renovation at Baton Rouge and that is probably, of all the assets, maybe the one that has the most upside in that some of the assets are more stabilized," said the CEO. "When we buy a single asset we might look at it differently; when we buy a portfolio, we're looking at blended returns. Each one of the assets in this portfolio brings something different to it."

Like other industry players, Medzigian feels there's momentum in the markets.

"I see it on a few fronts: First, there was a lot of concern toward the end of 2012—political issues, fiscal cliff, what exactly was going to happen with the economy. I think some of that has stabilized. We finished the year, just operationally, a little bit stronger than what most analysts were thinking we were going to do… so I think just in terms of the supply/demand fundamentals and the property markets, everything's looking just a little bit stronger than what most of the analysts were saying previously," he said. "From that perspective, I'd say things look positive.

"From the transactions perspective, the industry finished the year in a bit of a frenzy. A lot of the sellers wanted to sell their assets before tax rates changed, so December was extremely busy for a lot of people. I think because of that, in the very beginning of the year, things slowed down just a bit. But if you look at the broader markets, debt capital has become a little less expensive and so the pipeline of opportunity out there is pretty significant. We think it's going to be a pretty busy year," said Medzigian, adding: "We're continuing to buy… we think we've got a good cycle in front of us." HB

Expedia, Inc.

continued from page 9

property structures, like tree houses and houses on stilts, and it's these off-the-beaten track type of properties that can really benefit from Expedia.

With Expedia partnering with more and more small hotels in resort destinations, the company's vacation packages come into play in a big way. "Typically, we have seen that these are destinations that have a higher propensity for vacation package bookings," he said. "By working with us, it opens up that avenue, and if they can occupy that space, it's tremendous in terms of increased revenue." Because vacation package bookings typically occur 45 days in advance, average daily rate is fairly high. Additionally, so is length of stay.

While small properties may not have the resources for a full-fledged sales and marketing team, Kolankarai said Expedia is an extension of that for them to provide the distribution they need. And, in addition to direct connectivity with the PMS and CRS, allowing Expedia access to inventory and rates, Expedia gives small hotels access to marketing support. "We have local intelligence to provide demand insights, intelligence on booking windows, lengths of stay, airport arrivals and the average ticket price. This can be consumed by hotels to strategize optimization of revenue."

In addition, Expedia can help audit the quality of content like photos and messaging, as well as help properties reach an international audience, since the company can translate into more than 35 languages and aid in elements like currency conversion.

Broad reach

And while this is all true for large properties as well, Kolankarai noted that it means something entirely different for small properties. "Larger hotels have the resources to put themselves on the online map," he said. "For individual hotels, it would require a lot of resources." Kolankarai explained that a bulk of Expedia's small hotel partners, particularly those with less than 25 rooms, are independent hotels since chains generally have a minimum number of rooms in order to get the valuation they need to put a flag on the property. And, he added, independent hotels in particular can benefit from Expedia's broad reach.

Kolankarai pointed to PhoCusWright, a global travel market research company, which has articulated that during the online travel process, the average customer visits 12 sites, from picking a destination to sharing their travel experience. "Hotels need to be available on our sites so they're part of this experience," Kolankarai said. In addition, small hotels have to think about mobile accessibility. Kolankarai pointed to a study done by Morgan Stanley in late 2010, which said that by 2014, Internet usage on mobile devices would surpass desktops globally. "By working with Expedia, you have access to 135 mobile sites and 15 million mobile downloads. It levels the playing field," he said.

Kolankarai also noted that small hotels might not have the resources to invest in search engine optimization. "Because of our partnership with search engines, we can drive efficiency and aid hotels in traffic. We can fill that need for small hotels. We offer a lot of value that puts them on par with larger hotels and chains," he explained.

And, of course, an increase in partnership doesn't just benefit the hotels. "We want to grow the size of the travel market by inspiring people to travel more," Kolankarai explained, adding that Expedia's consumer base is wide and varied, allowing it to provide customer supply for all kinds of properties, large or small. And since the company works in approximately 100 top destination markets and over 740 smaller markets, Expedia has a constant need to have a good supply base to satisfy demand. "We look at our shopper trends and where we are underindexed relative to our shoppers. That's where we have gaps we need to fill to make sure we have supply to satisfy demand that exists. Partnerships will continue to increase so we can increase conversion," he said.