



2010: A New Beginning

by Bob Eaton

As we close the books on 2009, we soberly reflect on a year that was the worst investment sales market in the last 25 years. The dramatic loss of asset value across the spectrum of all hotel properties, economic uncertainty and the timing of its recovery, the loss of conventional financing, the “log-jam” of non-performing loans, and the dramatic retreat in the group sector has provided an environment void of many meaningful transactions.

2010 has the potential to be the first year of not only the Lodging Industry recovery but a return to a more robust transaction market. We believe the internalization of these market conditions by owners and lenders will move parties forward to action. Our firm’s PKF Hospitality Research group issues quarterly forecasts of the nation’s lodging industry and 50 individual markets, and our most recent “Horizon Forecast”, December 2009, calls for less of a decline than was previously forecasted. The negative 16.9% RevPAR fall off forecast for 2009 will end up being the worst since the 1930s, but less than the 18.5% forecasted earlier last year. The major reason for the improved outlook is the observation of less rate discounting in the market.

Our team was involved in a number of transactions that included lender foreclosures and sales, deed in lieu sales for lenders, and distress sales by owners. We are proud to announce our top brokers for 2009 were **Bob Kaplan** and **Rod Apodaca** from Southern California, who had a very good year in an off market.

Of significance to the entire global commercial real estate market was an announcement on January 4, 2010, that we are soon to be known as **Colliers PKF** as our parent company has consolidated U.S. operations under the Colliers brand.

Bob Eaton is Executive Managing Director of PKF Capital (bob.eaton@pkfc.com)

BROKERS OF THE YEAR - BOB KAPLAN AND ROD APODACA
PKF CAPITAL - LOS ANGELES

The year was not void of transactions and our Southern California brokers were top producers in PKF Capital in 2009. Bob Kaplan and Rod Apodaca are a team operation handling property sales from San Diego to Santa Barbara. The highlights of their productive year were the **Holiday Inn Laguna Hills** and the **Wyndham Orange County**. While the Holiday Inn was a more typical strategic sale by a multi-property owner, the Wyndham was a good example of a non-traditional sale. These two sales are a good representation of the type of transactions Bob and Rod have worked on throughout 2009.

The 238-room Wyndham Orange County located in the Arts District in Costa Mesa, California, was sold at the foreclosure sale in December for \$21,000,000. PKF Capital acted as the advisor/broker for an affiliate of Hong Kong based Wincome Group, which acquired the property on the courthouse steps. The property had been encumbered by a CMBS loan of \$31,000,000 which was in default and past-term. The receiver, GF Management, was in place and Wachovia, as special servicer, proceeded through the foreclosure process. No due diligence information was made available, no testing or inspections were allowed, and any potential bidder at the foreclosure sale had to tender immediate good funds (cashier’s check) for the entire bid amount at the foreclosure sale.



Wyndham Orange County

Bob Kaplan is a senior managing director and Rod Apodaca is a managing director with PKF Capital’s Los Angeles office. Together they have over 50 years of combined hospitality transaction experience, both as principals and brokers.

Broker Contact

BOB KAPLAN | 213.532.3237 | bob.kaplan@pkfc.com
ROD APODACA | 213.532.3236 | rod.apodaca@pkfc.com

2009 TRANSACTIONAL SUMMARY

2009 transactions have been documented and show what we already knew; the number of transactions decreased compared to transaction activity in 2008. Specifically, the number of recorded hotel transactions decreased from 244 in 2008 to 115 in 2009, a decline of 53%. The median price per room sold in 2009 decreased 21.5% since 2008.

HOTEL REAL ESTATE SALES						
Calendar Year 2009 vs Calendar Year 2008						
	Year to Date Fourth Quarter 2009			Year to Date Fourth Quarter 2008		
	Number of Transactions	Median # of Rooms	Median Sale Price Per Room	Number of Transactions	Median # of Rooms	Median Sale Price Per Room
All Hotels	115	158	\$ 80,000	244	130	\$ 101,887
Region						
New England/Mid-Atlantic	18	262	\$ 76,244	42	145	\$ 100,641
North Central	8	291	\$ 72,434	28	148	\$ 74,998
South Atlantic	42	158	\$ 68,681	67	131	\$ 102,967
South Central	6	160	\$ 95,346	20	148	\$ 111,667
Mountain/Pacific	41	121	\$ 81,818	87	121	\$ 116,667
Property Type						
Full-Service	73	238	\$ 80,612	124	173	\$ 107,353
Limited-Service	30	95	\$ 80,934	93	102	\$ 96,923
Extended Stay	3	145	\$ 71,034	20	121	\$ 125,535
All-Suite	9	149	\$ 70,470	7	126	\$ 86,957
Affiliation						
Yes	87	189	\$ 73,374	209	130	\$ 96,923
No	28	118	\$ 122,121	35	130	\$ 136,277
Size of Property						
Over 226 Rooms	43	322	\$ 73,185	51	314	\$ 105,829
151 to 225 Rooms	16	193	\$ 55,249	43	174	\$ 81,782
76 to 150 Rooms	40	100	\$ 81,436	125	112	\$ 101,887
0 to 75 Rooms	16	56	\$ 107,756	25	63	\$ 117,808

Note: * Readers are advised that the transactions that occur during a particular month may not be publicly recorded for several months in the future. Therefore, the number of transactions identified for the year 2009 are incomplete as of January 25, 2010.

** The data presented is intended to profile the transactions that have occurred. It is not intended to be a measure of changes in hotel values.

*** Total sales price greater than \$5 million. Casino hotels not included.

Sources: PKF Hospitality Research, CoStar, Hotel Brokers Association and Industry media



The current forecast for 2010 on a national basis is for stabilizing occupancy after the first quarter and also for tightening rates after the first quarter that will result in only a 1.1% decrease in RevPAR for 2010. Specific national projections are for .4% increase in occupancy and a negative 1.5% change in ADR.

Our current report also points to the combination of stabilized revenue but the absence of any meaningful supply entering the market after 2010. Our forecast for increased RevPAR for 2011, 2012, and 2013 are respectively 5.9%, 8.6%, 9.6%. It is important to note

these are national forecasts and individual markets will vary based on unique market conditions.

If you have further interest in a specific market forecast or other questions, contact Claude Vargo PKF HR - Atlanta (claud.vargo@pkfc.com)

FIRSTSERVICE NEWS

Our parent company, FirstService Real Estate Advisors, recently announce the consolidation of all U. S. brands under Colliers International. This will open many new opportunities to all of our clients as we become the 3rd largest real estate firm in the world. In conjunction with this announcement, PKF Capital will soon be known as Colliers PKF. We anticipate future announcements about our name change. Stay tuned. [Click here](#) to view the FirstService Press Release.