

## One Man's Opinion

My last “One Man’s Opinion” represented my first foray into the forecast business. Of course, I was quite general, suggesting that --

*And, for two simple predictions for 2008 (and, perhaps not original thoughts): one, hotel development credit will be available, albeit at a lower LTV and a higher Debt Service Coverage requirement, meaning equity returns are going to be down; and two, the transactions market may not match 2007, but it will be damned close.*

It is, frankly, too early to tell if either of these is or will be true in 2008, but the act of predicting made me look more carefully at others’ predictions, and my careful look makes me wonder some more. (It seems that “wonder” is one of the key ingredients of my One Man’s Opinion pieces; just look at the number of uses of that word in the archived “OMO’s” on this page.) Public companies provide guidance of earnings in EBITDA, EPS, RevPar growth, etc. Wall Street (and non-New York) analysts provide their estimates of the above, and, frequently, are at odds with the companies themselves. Our industry academic, Bjorn Hanson, prognosticates at length (and usually early) for PwC, and I note that JLL’s recently published Hotel Investment Highlights contains forecasts, as well. Though I admire the specificity, which leaves them all vulnerable to 20-20 hindsight come next year at this time, I . . . , well, I wonder.

All of these predictions remind me of the old joke about the Thermos®: ***You put something cold in, it stays cold; you put something hot in, it stays hot. How does it know?*** I ask because I question how anyone can know. Absent a Gaylord Entertainment, whose business is probably about 65%-70% group-oriented across its set of resort/convention facilities (and, therefore, are booked one, two, three or more years in advance), most of the hotel brands that are predicting their RevPar are still selling hotel rooms on a daily basis. This has always been trumpeted as the good and bad of the hotel industry – we rent our rooms anew every day. If small businessmen and women stop traveling, RevPar is going down. Do we really know if the credit crisis will affect travel? Are we moving into a recession? How many of its thousands of rooms has each of Marriott, or Starwood, or Hilton, or Hyatt, already sold at locked-in rates (without attrition) for 2008? How does DiamondRock or Strategic or Sunstone know how the hotels each owns will perform this year, when none of these terrific REIT’s actually operates a single hotel? Will Steve Goldman’s departure from Sunstone affect its performance?

For me, I’ll stick to the forecast I made at the beginning of the year and repeat above: debt will be more expensive, cap rates will go up, and LTV will be lower. And, deals will get done.

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Is it just me, or is now the time for developers really to start thinking of the next wave of resorts and mixed-use developments? If a developer starts thinking about a new property today, by the time he or she locates the right site, finds a willing operator, gets zoning and planning approvals, designs the project, and locates that hard-to-locate debt and equity, we would not be looking at an opening of the project for four to seven years. Surely, whatever cycle we’re in will be over by then, and new will be good. Just asking.

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I have mentioned the proliferation of brands in the past couple of OMO’s. What I haven’t spoken about is the actual names of the brands themselves. We have seen in the last few years the introduction of the following to the hotel lexicon:

aloft  
Edition  
Element  
Andaz  
Indigo  
Arabelle (not exactly a hotel brand, but Vail Resorts uses it for one of its development areas)  
London  
NYLO  
ZaZa  
Magnolia

I wonder (there's that word again) what some of these might have been had Camaro, Discovery, Firebird, Riviera, and Impala not been taken.

***FOUR CORNERS NOTES***

None of us stands alone. Coach Smith reminded the players to acknowledge a teammate's pass leading to a basket. Tar Heel ballplayers point to the passer on an assist. Remembering that teamwork is not about how "I" do, but how "we" do, is a key to success.