



CELEBRATING
55 YEARS

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Cliff? What cliff? These are great times and they will be with us for quite some time!

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Cliff, WHAT CLIFF??? We are not Mr. MaGoo with his coke bottle glasses driving his car down a windy road! We aren't Bullwinkle falling down the mountain waiting for Rocky to stop the snowball! Not even Wile E Coyote, taking a wrong turn after ...Beep Beep!

It's going to be a good number of years before hotel investments head towards a cliff! Room demand is increasing and Boston is projected to have a very healthy +6% RevPar increase in 2013. We remain cautiously optimistic because lenders continue to show patience and restraint with conservative projections and we don't see any indication that new construction and new hotel supply will outpace demand in any region of the country or any place in the Northeast. It's all good! Ever improving performance with negligible new supply, favorable lending terms, and plentiful equity! Who wants to buy a hotel??? YES, BUY! Any jughead can make money with hotels now!

Sell? Why SELL NOW? You don't have to be Sherman. Mr. Peabody would have us jump into his "Way Back Machine" to remember when things were bad and getting worse. When demand was down, when occupancies were off, rates were down, travel was down. When no lender in the land would put money out for a hotel investment. We are only three years out of that morass and why shouldn't any hotel owner hang in there and reap the benefits he longed for, while fending off inquiries from his lender. The answer is very simple, but different for every segment.

I wish I had a nickel for every private equity firm, REIT or Chinese investor that wanted to own a hotel in Boston or one of the other Top 25 MSA's in the country. Low cap rates, great loan terms, discount to replacement, all of these issues collide to create a phenomenal opportunity for an owner to take advantage of great market conditions. Hilton or Marriott Select Service hotels are the most popular brands in the most profitable segment, anywhere in the country. I wish I had a nickel for every private equity firm, REIT or Chinese investor that wanted to own a Hampton, Hilton Garden Inn, Courtyard or Residence Inn, performing or not, anywhere in the country. This is evidenced by the recent sale of the Apple 6 REIT portfolio valued at \$156,700 per key!

Lastly, everything else. You sell because you're not in a Top 25 MSA and you're not one of those other two brands and pent up demand from private equity, REIT's and maybe Chinese investors affords you the opportunity to take advantage of marketplace dynamics that happen infrequently in the real estate cycle. You sell because you can. You can finally reap the benefits of your hard work and your hard earned investments.

The cliff we fall off of in every cycle is at that place in the road where lenders listen to developers and push projections past realistic, achievable performance. We have a long way to go. Lenders have yet to rid themselves of the problems they had to take on in 2008 and 2009. New construction has yet to become a real issue in anyplace other than Portland, ME where five hotels are under construction or are projected to be in the development pipeline.

Happy Holidays to all hotel investors. These are truly great times and they will be with us for quite some time!

O'Connell Hospitality Group, LLC, (OHG) was formed in 2000 and has grown to become one of the nation's top real estate firms specializing in hotel investment transactions. In that time, O'Connell has presided over more than \$2 billion of hotel investments ranging from oceanfront resorts, major urban hotel projects and suburban, upscale-limited service hotels.

Previous to OHG, James O'Connell was senior managing director for Insignia ESG/Hotel Partners and ran the hospitality practice in the northeastern U.S. region. He is a proud alumnus of RECOLL Management Corp., where he managed hotel dispositions from the failed Bank of New England, an active member of the International Society of Hospitality Consultants, and a REFA sponsor. He is a 1982 graduate of Massachusetts Maritime Academy.

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