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## Market conditions improve as hospitality industry climbs back to pre-recession performance

March 21, 2013 - Spotlights

It is the day before St. Patrick's Day with temperatures in New Hampshire climbing toward a balmy 30 degrees. Recent snow storms, followed by warmer temperatures and rain, turned our picturesque white snow banks into piles of brownish-black sludge, mud and grime. During "mud season" it is not difficult to figure out why individuals in the greater Boston area celebrate the life of the one of Ireland's most famous patron saints by partying enough to pretend they are living in a warm, pleasant environment. Fortunately market conditions continue to improve, Boston is "heating up" and "HELP" is on its way the first week of April.

What is pleasant for those in the hospitality business is the steady climb back to pre-recession performance. We are now three years past the hotel "depression" that caused Revenue per Available Room (RevPar) to drop a staggering 17% nationwide in 2009. Fortunately, 2009 was the "trough" for the industry with recovery starting the following year and accelerating through the first two months of 2013. According to PKF Hospitality Research, RevPar growth forecasts remain positive for the next two years.

\* 2012 RevPar +6.1%

\* 2013 RevPar +6.8%

\* 2014 RevPar +8.4%

According to PKF, 15 out of the top 50 US hotel markets have reached their pre-recession RevPar performance including Boston.

Speaking of Boston, the recovery is one of the strongest in the country. When compared to the Top 50 U.S. markets Boston is among the leaders. According to Smith Travel Research, Boston finished 2012 with a RevPar increase of 8.4% over 2011.

\* 2011 RevPar \$105.22

\* 2012 RevPar \$114.00

Boston finished in fifth place nationwide in RevPar behind only New York City, Oahu, San Francisco and Miami.

Although the rapid recovery is great news for Boston hotel owners, the impressive numbers also caught the eyes of hotel developers eager to open new facilities. Wherever you look in and around Boston you see or hear about hotels in early planning, permitting or under construction. I recently spoke to Harry Wheeler, a principal at Group One Partners, Inc. located in South Boston. Harry and his team provide architectural, interior design and procurement services to hotel owners nationwide including a significant percentage of the development in Boston. Group One is currently working on seven projects in the Boston market representing approximately 1,000 new rooms including Residence Inns by Marriott in both the Seaport and Fenway areas. Harry offered his perspective on recent activity, "We are seeing an increase in new developments in Boston and the immediate

suburbs. When we review these projects with our clients their reasoning is threefold: access to debt, improving market performance as well as robust forecasts and 'below normal' construction costs. Boston is a high barrier to entry market providing limited opportunities to get into the ground ahead of the curve."

Considering the impressive RevPar increases, new hotel developments and the long list of successful hospitality companies in the greater Boston area, it is the perfect spot for people looking for "HELP" in the hotel business. Fortunately a handful of local hotel experts led by Jim O'Connell of O'Connell Hospitality, Ken Wilson and Chad Crandel from CHM Hotel Asset Management decided to take matters into their own hands. Last year was the inaugural year of HELP - Hotel Equity and Lender Perspectives. The two day event brings together the best in the business to share ideas, problem solve and discuss deals.

For those of us who slog through the hotel conference circuit each year, including the Hunter Hotel Conference in Atlanta this week, to call HELP a conference is a slight misnomer. Their vision was to create a world class networking event complete with highly relevant national and regional content in a friendly, social environment. They nailed it the first year and I expect the second annual HELP Conference on April 8 and 9 at the Seaport Hotel will exceed expectations once again. I hope to see you there!

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