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DISTRESSED HOTEL SUMMIT

From distress comes recovery

Speakers looked at the realities of distressed hotel assets and how owners and lenders can move properties forward into recovery mode

By **Stephanie Ricca**
EDITOR IN CHIEF

WASHINGTON, D.C.—Remember that wave of distressed hotel assets that was projected to hit the shore sometime last year? It turns out the forecasts were a little off, and instead distressed hotel assets have been treading water in the work-out process, as buyers and sellers still struggle to close the bid-ask gap and get transactions moving.

At the second Distressed Hotels Summit, sponsored by HOTEL & MOTEL MANAGEMENT, people from all levels of hotel financing, development and ownership met to debate not only the state of current and future distressed hotel assets, but also to discuss recovery strategies.

Special servicers

Panelists agreed that geographic supply and demand influences a lot of transaction activity.

"This all depends on the market, the brand and the location," said David Smith, VP and senior asset



Dan Marthinsen, managing partner CMBS-special servicing, Wells Fargo; **David Smith**, VP and senior asset manager, CWC Capital Asset Management.



manager for CWC Capital Asset Management. "If you're in New York City, you're loving life. Not in other locations."

Indeed, high-visibility sales have characterized the transactions landscape this year.

"What we are seeing is a different approach from investors and lenders with tier-one and tier-two assets," said Dan Marthinsen, managing partner CMBS-Special Servicing, Wells Fargo. "There's much
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Hammad Shah, COO, Carr Hospitality; **Bernie Moyle**, COO and CFO, Vantage Hospitality Group; **Jerome Cataldo**, president, Hostmark Management Group.



Alan Tantleff, managing director-corporate finance, FTI Consulting.



IHG focused on operations during its Investors and Leadership Conference. CEO Andy Cosslett rolled out new measures of success including revenue share, guest love and employee engagement.

IHG zeroes in on operations, guests

By **Kirk Cassels**
WEB MANAGING EDITOR

LAS VEGAS—On the heels of the announcement that Las Vegas Sands Corp.'s Venetian and Palazzo hotels signed a 10-year agreement to become a part of the InterContinental Hotels Group's portfolio, the IHG Americas Investors & Leadership Conference focused on how the hotel giant can continue to deliver great hotels that guests love. From launching or investing in internal programs to focusing on improving the guests' experience through employee engagement, IHG is not resting on its laurels after the success of its recent relaunch of the Holiday Inn brand.

Although he touted such successes as increases in RevPAR across the Holiday Inn and Holiday Inn Express brands through the third quarter, Jim Abrahamson, president of the Americas, was as quick to be cautious as he was laudatory. "This is not a time to celebrate," he said at the conference's opening session. "RevPAR may be improving but

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**NYC DEVELOPMENT****News Briefs**

■ **Accor** terminated chairman and CEO Gilles Pélisson, effective Jan. 15, 2011, citing "strategic divergences." The company named Denis Hennequin as executive director, effective Dec. 1; he will take over as chairman and CEO Jan. 15. Pélisson joined the France-based company 5 years ago.

■ **Conrad Hotels** announced 14 new hotel projects in the works, with plans to open all of them by 2013. Currently the brand has 15 hotels around the world. New Conrad locations will be in New York City, China, Thailand, Portugal, Dubai and South Korea, among others.

■ **U.S.-originated business travel spending** is expected to grow 3.8 percent in 2010 compared to 2009, according to research from the National Business Travel Assn. The NBTA's "Business Travel Quarterly Outlook" forecasts business travel to grow by 6.7 percent in 2011 and 6.9 percent in 2012.

■ **Marriott** outlined an aggressive RevPAR growth plan that includes adding 80,000 to 90,000 guestrooms to its portfolio from 2011 to 2013, and 22,000 guestrooms in Europe and Asia during that period.

■ **Inbound travel** to the U.S. grew 12 percent during the first seven months of 2010 compared to the same period in 2009. According to the U.S. Dept. of Commerce, 33.8 million international visitors traveled to the U.S. between January and July, spending \$76.7 billion, 10 percent more than last year.

Compiled by Vicki Burt, vburt@questex.com

■ "The market is strong for all sized properties across all chain scales." **PATRICK FORD, LODGING ECONOMETRICS**

Borough hotels fare well during recovery

By Andrew Sheivachman
ASSOCIATE EDITOR

NEW YORK—While the New York City hotel market was dealing with the recession, a number of midscale hotels developed outside of Manhattan have helped fulfill demand with lower room rates and pushed market recovery close to pre-downturn levels.

The Country Inn & Suites by Carlson, New York City in Queens, N.Y., opened in October 2009 and was able to avoid the high taxes and lack of financing that has plagued the economic downturn for developers.

"We opened the hotel in the boroughs, with the benefit of the tax program. The construction and land costs are high in Manhattan," said GM Kaushik Patel.

As higher demand for rooms has returned to the New York City area in 2010, Patel has noticed several positive signs of growth.

"The occupancy in 2009 when we opened was just around 65 to 70 percent and now we see the trend to about 82 to 85 percent and it is increasing," Patel said. "Rates and occupancy seem to be increasing in the third and fourth quarter of 2010. We see the average

generative rate getting close to what we have anticipated for the brand."

A study of the New York City development pipeline by Lodging Econometrics shows the boroughs now have a larger number of projects both under construction and in the long-term pipeline than Manhattan (see chart).

"The project count is almost evenly split between Manhattan and the boroughs," said Patrick Ford, Lodging Econometrics president. "New York is the world leader and will continue to get strong.

"Out in the boroughs, costs are lower and land is a little more available so there's a little more development in there," he said. "The market is extremely strong for all sized properties across all chain scales. New York has bounced back quickest and has the highest occupancy, room rates and RevPAR."

"We saw growth in supply in the outer boroughs overriding as a result of very high occupancies and room rates and the fact that Manhattan was sold out most of the time in 2006 to 2007," said John Fox, SVP of Colliers PKF Consulting. "Sites were available at reasonable prices, and Manhattan land prices made borough locations look more affordable. Hotels underserved the outer boroughs, and borough hotels are still priced well below the Manhattan levels and continue to be a price play against the Manhattan rates."

So as New York City emerges from the slump caused by the economic downturn, watch for hotels in the boroughs to reap the rewards of increased demand.

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SOCIAL MEDIA**Check in to Foursquare**

The latest networking app pushes real-time promotions

By Katie Tandy
ASSOCIATE EDITOR

NATIONAL REPORT—Social networking is a vital way to increase visibility on the hospitality radar, and one of the newest and most exciting apps is Foursquare, launched in March 2009 and now boasting 3 million users.

Foursquare touts itself as a mobile application that serves as a "social city guide," allowing users to find each other by "checking-in" to a particular location whether it's a hotel, a museum or a coffee shop,

instantly connecting people to a community. The more frequently someone "checks in," the more they are rewarded, by Foursquare and by the venue itself. What makes Foursquare



a salient addition to hospitality is its ability to drive repeat business and do site-specific marketing through different aspects of the application.

Joe Kurth, GM of The Pfister Hotel in Milwaukee, uses the app to bolster business at the property's rooftop martini lounge Blu. Guests check in to Blu on Foursquare and get an extended parking discount for five hours, which can be a determining factor for guests making nightlife plans.

"People can use it before the game or after the theatre and have a drink while traffic clears and not worry about downtown parking fees," he said.

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