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NEWS

ALIS notebook, part 1: Are we going up?

By Jeff Weinstein on 1/30/2014

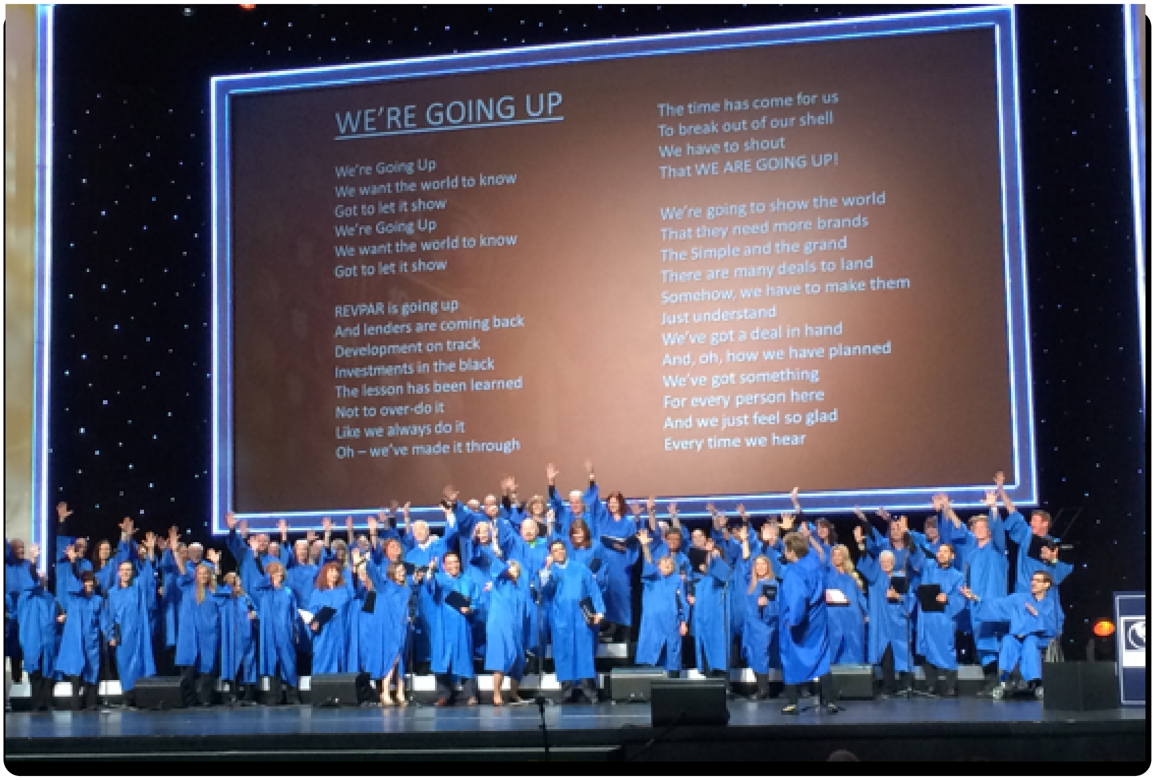
According to the organizers and the grand opening production for this week's Americas Lodging Investment Summit (ALIS) in Los Angeles, happy days are here again – at least from a U.S. hotel investor's perspective.

Data trends support increased development, M&A activity and solid RevPAR growth. But, at the same time, the collective investment community when not speaking in front of some 2,000 contemporaries continues to look back over its shoulders wondering how long the positive momentum will last, and whether they should be net buyers or sellers of assets. Asset prices are becoming frothy and room for further upside is slowly diminishing.

Industry thought leaders at ALIS told HOTELS Magazine some buyers are becoming sellers as prices approach peak over the next 12 to 18 months. Others said the runway for asset appreciation is still two to three years and it remains a good time to acquire.

In either case, the better acquisition opportunities are becoming harder to find and in many cases expensive. It was suggested that higher asset sale prices will soon lead to increased development, as well as make portfolio deals look more attractive as single asset acquisitions don't have as much upside as a year ago. Executives added that this state of affairs also moves the cycle to a place where bigger deals might start to emerge. REITs are expected to consolidate and while there are no juicy rumors about headline-grabbing M&A just yet, market conditions are ripe for consolidation as big capital stacks continue to look for homes.

The stage for the conference was set by Kevin Warsh, former member of the Federal Reserve Board of Governors, who was net positive about the U.S. economy, but perhaps facing more risks this year than



ALIS organizers wrote a song to reflect the state of hotel affairs in the U.S.

last. He called the U.S. economy “amazingly resilient,” adding that it is likely to continue to perform modestly well in the near term. However, he also cautioned, “If the U.S. disappoints, the world has a problem. If the rest of the world struggles, it will detract from growth in the U.S.”

Warsh also was quick to point out that while there is now more consensus on solid growth, risks tend to be at their highest when measures of risk are at their lowest. He also cited the BRICs growing now at the half the rate anticipated earlier, as well as the need for better income growth in the U.S. and less disappointing investment data that has recently been reported.

Editor's note: ALIS notes from interviews with Loews Hotels and Resorts, Virgin Hotels, Starwood Hotels & Resorts Worldwide and others will be featured on Friday.

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