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Hoteliers use event to outline strategies

Mar 3, 2003
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Los Angeles-Even as the economy sputters, many lodging-related companies are looking for growth opportunities.

During the second Americas Lodging Investment Summit, many hoteliers talked about expansion.

As executives from several companies discussed their strategies for 2003 and beyond, the common thread intertwined in all of the company's plans was that they all want to take advantage of the economic downturn.

"We're somewhere between the eye and back of the storm," said Fred Kleisner, chairman and c.e.o. of Wyndham International. "It's the perfect time to be preparing for the calm after the storm."

"There's no question there is a lot of competition for deals," said Rob Leven, executive v.p. of acquisitions for the Procaccianti Group. "While the money is chasing deals, not a lot of that money is paying prices significantly more than what the asset is worth, so that makes it a productive environment."

Henry Silverman, chairman, president and c.e.o. of Cendant Corp., said there is a lot of interest from third parties to invest in hotels.

"The appetite to be in this industry is healthy," he said.

Capital Hotel Management gains more momentum Beverly, Mass.-based Capital Hotel Management said it is benefiting from the current trend in the industry to use asset managers. The trend can be attributed mostly to several high-profile lawsuits filed by owners against management companies alleging that the management companies aren't working in the owners' best interests.

"Everyone sees the lawsuits out there, and the logical question they have is are those [alleged mismanagement] things happening to them?" said Chad Crandell, president.

"Asset management is definitely coming into its own," said Ken Wilson, c.e.o. "It's a recognition of the owners' role to be more of a partner of the management company than they historically have been."

The company's portfolio consists of full-service properties between 175 guestrooms and

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1,400 guest-rooms, with an average size of between 400 and 500 guestrooms. It's looking for similar opportunities as it grows its portfolio, which has grown to more than 8,000 guest-rooms at 18 properties since the company's founding in 2000.

"In this economy, an asset manager is the owner's representative to provide oversight and look at strategic positioning of the property to maximize long-term value," Crandell said.

"The real benefit is that we balance the investment and real-estate side with the operations side, the management side and the brand side," Wilson said.

Crandell said his company's goal as an asset manager is to not always have a hammer out to chip away at what a management company does best.

"We attempt to bring a best practices approach to the table when talking with the operator," Crandell said.

FelCor plans to shed more hotel assets FelCor Lodging Trust will bring about 20 properties to market in 2003, said Mike DeNicola, executive v.p. and chief investment officer for the Dallas-based company.

"The short-term focus is we're going to be a seller," DeNicola said. "Most of them in the midprice segment would have more success with an owner/operator."

The company would like to sell as much as \$100 million in assets-provided buyers can obtain financing.

However, FelCor won't rush into any acquisitions, DeNicola said.

"The proceeds from those sales we'll hold as cash reserves, then look to reinvest once we see more clarity in the direction the economy is heading," he said. "We want to continue to be conservative on our balance sheet."

The company reduced its line of credit to \$300 million from \$615 million a few months ago, and DeNicola said it hasn't dipped into its cash reserve.

As the owner of 67 Embassy Suites properties, FelCor owns 30 percent of the upper-upscale all-suites segment, he said. FelCor will focus on adding to that all-suites roster, particularly in the top 50 or 60 metropolitan statistical areas.

Le Meridien gears up to add hotels in the U.S. Le Meridien Hotels & Resorts is scouting for locations in the United States. The company has hotels in 57 countries, including six hotels in the Americas. Karyn Marasco, managing director, said Houston, San Francisco and Washington are among the target markets in the United States. The company also wants to find another location in New Orleans, where it lost its flag after a dispute with LaSalle Hotel Properties, the hotel's owner.

Le Meridien received \$7.5 million in restitution as a result of that dispute, Marasco said.

Reaching consumers is a big part of the expansion plans.

"We don't have critical mass here," Marasco said. "Marketing is the first step. We've revamped our entire sales team in the United States to go after people who travel internationally. We've really put a springboard on that marketing angle to introduce the brand to more U.S. travelers."

Glyn Aepfel, executive v.p. of business development for Le Meridien Americas, said the company doesn't want to own more hotels, but will provide as much as 15 percent of the equity needed to buy and reflag a hotel.

Aepfel has been courting the capital market aggressively in an effort to jump-start development opportunities.

"We have a cautious growth strategy," she said. "And an aggressive renovation strategy."

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