

## Industry Outlook

*Teague Hunter, President, Hunter Hotel Advisors*

Optimism took the stage at our 25<sup>th</sup> annual Hunter Hotel Investment Conference this year, and at Hunter, we have learned through our pre-conference surveys that the hotel industry is backing this rising confidence with action. In our survey results, 52% of the Hunter respondents plan to initiate new developments in 2013. Since the beginning of the economic downturn, development was either non-existent or approached with great trepidation. That statistic speaks volumes to the shift from conservative to true optimism in our industry right now.

The four CEO's who took stage at our President's Panel also felt optimistic about the increase in the investment sales of hotels. Mark Laport, president and CEO of Concord Hospitality in Raleigh, N.C., forecasts a "*robust selling season this year with significant equity coming into the market.*" STR's research supports his bullish view, suggesting that roughly \$17.5 billion worth of hotels will trade in 2013, compared to approximately \$12.5 billion trading in 2012 – a projected increase of 40%.

The Presidents Panel also assured attendees that supply and demand are clearly in check from a RevPAR-growth standpoint, which also reinforces our Hunter survey results. 22% of attendees said that their hotels had rebounded to 2007 rates and another 42% are expected to reach 2007 rates in 2013 or 2014. 51% of respondents felt that the hotel industry will rebound to 2007 occupancy and rate levels by the end of 2013 or 2014.

While there is some uncertainty about the impact of the sequester and ObamaCare on the industry, the biggest black swan looming is the potential of rising interest rates and a lack of supply in the hotel market (likely due to owners holding out for the peak of the next uptick).

As we walk away from this year's conference, Hunter was particularly encouraged that there is substantial liquidity in the market for hotel investments, and with our increased performance findings, hotels are a solid investment for the foreseeable future.

Read Angelo Stambules article to get additional insight on the industry and Capital Markets.