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Global hotel pulse: Americas news

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HNN Newswire



HotelNewsNow.com each week features a news roundup from a different region of the world. Today's review covers the Americas.

US hotels report growth in 2012

During 2012, the overall U.S. hotel industry saw occupancy increase 2.5% to 61.4%, its average daily rate was up 4.2% to \$106.10 and its revenue per available room grew 6.8% to \$65.17, [according to data from STR](#), parent company of HotelNewsNow.com.

"Fiscal cliffs, hurricanes, elections and, at times, a sense of overwhelming uncertainty did not deter positive 2012 year-end performance results," said Brad Garner, STR's COO, adding annualized roomnights sold increased by 3% in 2012, and outpaced the 2007 previous peak levels by 60 million rooms.

Room rates for hotels increased by more than 4%, he said, pushing industry-wide RevPAR by approximately 7%. The industry was also unencumbered by supply growth of 0.5%.

"While the industry's resolve will continue to be tested with pockets of uncertainty, we anticipate continued growth in all industry performance metrics for 2013," Garner commented.

America's supply pipelines released

U.S.: The U.S. hotel industry during 2012 opened 407 new properties with 43,865 rooms, [according to data from the STR Construction Pipeline Report](#).

"Net U.S. room supply growth in 2012 should be 0.5% when the final numbers are in, the second consecutive year of very low room capacity gains for the industry," said Bobby Bowers, senior VP of operations at STR.

Among the chain-scale segments, the upper-midscale segment opened the most rooms in 2012 with 15,700 rooms in 166 projects. The segment reported a 0.6% decrease in the number of rooms that opened in 2012 compared with 2011.

In 2013, the U.S. hotel industry is expecting 817 properties with 87,301 rooms to open.

Caribbean/Mexico: The Caribbean/Mexico region added 19 new hotels comprising 2,670 rooms in 2012, [according to data from STR](#).

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The Caribbean/Mexico hotel development pipeline comprises 120 hotels totaling 18,457 rooms, according to the December 2012 STR Construction Pipeline Report.

Canada: In 2012, 37 new properties comprising 4,324 rooms opened in Canada, [according to data from the STR Construction Pipeline Report](#). This represents a 0.7% increase in existing supply over last year.

In 2013, there are 55 properties with 5,684 rooms expected to open in Canada.

Central/South America: The Central/South America region added 47 new hotels with 6,121 rooms in 2012, according to data from STR Global, sister company of HotelNewsNow.com.

The Central/South American hotel development pipeline comprises 232 hotels totaling 35,686 rooms, [according to the December 2012 STR Global Construction Pipeline Report](#).

\$12.5 billion in US hotel transactions in 2012

More than \$12.5 billion in hotel transactions occurred in the U.S. in 2012, [according to initial data from the Hotel Transaction Almanac](#), a report from HotelNewsNow.com's sister companies STR Analytics and the Hotel Investment Barometer set to be released in February. While hotel industry fundamentals continued to improve in 2012, investment activity dropped compared with the \$19.4 billion in asset trades that occurred in 2011.

"Hotel investment activity clearly slowed in 2012, but pricing remained strong," said Steve Hennis, director at STR Analytics. "We expect transaction volume to rise again in 2013 as RevPAR recovery continues to drive higher profits, supply growth remains negligible and financing becomes more accessible."

Key findings from the 2013 Hotel Transaction Almanac:

- The average price per key in 2012 remained relatively stable to that of 2011 at close to \$190,000.
- Only 12% of transactions involved distressed assets, a sharp decline from 2012 when almost one out of three asset trades included struggling properties.
- Only 16% of hotel acquisitions were by real estate investment trusts, a noticeable decline from 2012 when 35% of purchases were by REITs.
- Surprisingly, the average cap rate declined to 9.1% in 2012 from 10.4% in 2011.

Hotel Investors Gauge Q4 results

Continued economic uncertainty, the fiscal cliff debacle and an emotional presidential campaign season have left hotel investors unfazed [based on the most recent Hotel Investors Gauge](#), a quarterly survey from STR Analytics and HotelNewsNow.com. Most underwriting parameters for buyers and developers were relatively unchanged based on participants' responses.

STR Analytics questioned investors regarding their 2013 outlook for occupancy and average room rates. For occupancy, 40% of investors expect occupancy to continue to grow, while 53% believe occupancy is already near its peak level. Investors' outlook for room rates is far more defined.

Key findings from the Hotel Investors Gauge include:

- The median capitalization rate on trailing 12-month net income for stable assets remained relatively flat since the Q2 Hotel Investors Gauge at 8.6%.
- Investors' return expectations also remained stable since the second-quarter survey. Expected leveraged returns for investors averaged 18.6%.
- Developers' return expectations rose slightly to 22.2%, perhaps indicating a higher perceived risk in future years as supply growth is expected to increase.

Despite strong economy, Canada market sluggish

An interesting dichotomy is occurring within Canada's hotel industry: While the North American country boasts one of the most stable economies in the world, its hotel industry remains relatively soft, [writes HotelNewsNow.com's Jason Q. Freed](#).

"It's kind of puzzling why Canada's hospitality sector isn't much stronger than it is," said Glenn Squires, CEO of Pacrim Hospitality Services, which develops and manages dozens of hotels throughout the country.

Canada's year-over-year increases in rate and RevPAR are less than the performance gains reported in the neighboring U.S., but comparing the bordering nations can paint an inaccurate picture because Canada didn't experience quite as strong a downturn as the U.S. did, sources said.

"We didn't have a housing bubble. Even unemployment went up but didn't go up as much, and we were still able to borrow and get our financing done," Squires said.

However, hotel industry performance in Canada in 2012 was relatively soft, Doane said.

"And in 2013 we're expecting a little bit more of the same," he said. "There are

some localized issues that won't repeat, but we won't see significant growth in 2013 based on some of the macroeconomic issues."

Aimbridge secures management of 103 hotels

Aimbridge Hospitality announced that it has added 103 hotels, formerly known as Jameson Inns and located in 12 states in the Southeastern United States, to its management portfolio.

Earlier in 2012, an investment vehicle managed by affiliates of Colony Capital, LLC, including Colony Financial, assumed ownership of the portfolio of hotels. As part of their business plan to reposition the portfolio, Colony selected Aimbridge to manage the portfolio and effect a substantial renovation and rebranding under the banners of certain nationally recognized chains. In addition, a fund affiliated with the principals of Aimbridge Hospitality and Argonaut Private Equity has acquired a minority economic stake in the hotel portfolio.

Pinnacle adds markets in \$2.8b deal

Pinnacle Entertainment plans to achieve its goal of increasing market diversification through its announced \$2.8-billion acquisition of Ameristar Casinos, [writes HotelNewsNow.com's Shawn A. Turner](#).

The deal, which was announced in December and includes \$1.9 billion in assumed debt, would nearly double Pinnacle's portfolio in the United States. The casino-resort operator will add eight properties and approximately 2,400 rooms to its existing portfolio of nine properties and approximately 2,600 rooms. The deal is expected to close by the end of the third quarter of 2013.

During a conference call with analysts, Pinnacle CEO Anthony Sanfilippo said he is not bearish on the markets in which his company is operating, but rather he views the deal as complementing the group's existing portfolio.

"We think of it as a natural extension of the progress we've been making," Sanfilippo said. The gaming company would enter new states in Nevada, Colorado, Iowa and Mississippi.

Gordon R. Kanofsky, CEO and director at Ameristar, said the deal adds value for shareholders. Sanfilippo said he does not foresee any regulatory issues that could trip up the closing process.

Starwood bullish on Latin America

Starwood Hotels & Resorts Worldwide is accelerating portfolio growth in Latin America.

In December, the company announced the opening of its second Westin hotel in Panama, the third Starwood property developed and operated by Bern Hotels & Resorts, Panama's largest hotel developer and operator. With the opening of The Westin Panama, Starwood Hotels now has seven hotels in Panama.

More than 2,500 rooms were added to Starwood's portfolio in Latin America in the past 24 months, representing an increase of 20%.

Starwood also partnered with GJP Hotéis & Resorts to expand the presence of Sheraton Hotels & Resorts in Brazil. The companies will open Sheraton da Bahia Hotel in Salvador. The 284-room historic Hotel da Bahia is currently undergoing an extensive renovation and will re-open by the end of the first quarter of 2013.

IHG expands in Mexico

InterContinental Hotels Group and Hotelera Queretana, S.A. de C.V., opened the Holiday Inn Express Querétaro, Mexico, the first Holiday Inn Express hotel in Queretaro and the fifth IHG-branded hotel in the city.

The Holiday Inn Express Queretaro has 101 rooms and 15 suites fully equipped with a full-size refrigerator, microwave and kitchen utensils.

Key transactions, management contracts

- Summit Hotel Properties acquired a three-hotel portfolio with 428 guestrooms from OTO Development for \$71.8 million.
- Sam Nazarian and David Edelstein acquired the Raleigh Hotel on Miami Beach, Florida, for \$55 million.
- A parking lot operator acquired the Wyndham Milwaukee Airport Hotel & Convention Center.
- The 242-room Wyndham Lisle-Chicago in Lisle, Illinois, is managed by Richfield Hospitality.
- The 177-room Shoreham in New York will be converted to an Affinia Hotel in summer 2013.
- The 92-room Courtyard by Marriott Missoula in Montana is managed by The Hotel Group.

Compiled by Jason Q. Freed.



TAGS: STR, STR Global, STR Analytics, supply, pipeline, transactions, Hotel Transaction Almanac, Canada, Aimbridge Hospitality, Colony Capital, Pinnacle Entertainment, AmeriStar Casinos, Starwood Hotels & Resorts Worldwide,

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