

Top Brokers of Hotels in the First Half

Brokers representing sellers in deals of \$25 million or more

	1H-08 Sales (\$Mil.)	No. of Prop.	Market Share (%)	1H-07 Sales (\$Mil.)	No. of Prop.	Market Share (%)	'07-'08 Change (%)
1 Hodges Ward Elliott	\$927.3	23	41.7	\$1,527.4	44	19.0	-39.3
2 Eastdil Secured	657.5	9	29.6	2,079.9	23	25.9	-68.4
3 Cushman & Wakefield	158.0	3	7.1	109.4	2	1.4	44.5
4 Molinaro Koger	131.3	2	5.9	1,322.1	34	16.5	-90.1
5 CB Richard Ellis	126.8	4	5.7	254.8	8	3.2	-50.2
6 Jones Lang LaSalle	117.3	2	5.3	1,437.4	18	17.9	-91.8
7 Holliday Fenoglio Fowler	52.8	1	2.4	0.0	0	0.0	
8 HREC Investment Advisors	52.5	1	2.4	0.0	0	0.0	
OTHERS	0.0	0	0.0	1,287.2	24	16.1	
Brokered Total	2,223.5	45	100.0	8,018.1	153	100.0	-72.7
No Broker	1,624.4	23		3,986.2	67		-59.2
TOTAL	3,847.9	68		12,004.3	220		-67.9

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Hodges Leads Hotel Brokers; Sales Plunge in Sector

Hodges Ward Elliott was the top hotel broker in the first half as sales across the sector tumbled by 68%, reversing a strong growth trend that had lasted for three years.

The decline in volume stems more from buyer hesitation than a lack of available properties. A substantial amount of equity has been raised to buy hotels, but with tight credit and a weak economy driving down prices, investors are wary of buying too soon.

“That equity is frozen with fear because [investors] don’t know what the debt market is going to look like going forward,” said **Mark Elliott**, a senior managing director and partner at Hodges.

While investors flocked to bidding contests during the bull market, many are now staying away. “I would personally call them shoppers now, not buyers,” said the spokesperson of an international hotel brokerage. But the pullback has allowed some buyers that had been pushed to the sidelines by high-leverage players to become more competitive.

Some \$3.8 billion of hotels traded hands in the first half, down from \$12 billion a year earlier, according to **Real Estate Alert’s** Deal Database, which tracks sales of at least \$25 million.

The mid-year total was the lowest since 2004, when there were \$3 billion of first-half sales. Full-year volume in 2004 ended up at \$7.9 billion. That would be far shy of the soaring volumes the following three years: \$14.4 billion in 2005, \$19.1 billion in 2006 and a record \$19.2 billion last year.

Hodges, the defending champ in the hotel-broker league table, handled \$927.3 million of sales in the first half, good for

a whopping 42% market share. Still, its activity was down 39% from a year earlier. The firm’s volume stemmed largely from one transaction: a \$900 million portfolio that **Inland American Real Estate** acquired from **RLJ Development**.

Eastdil Secured, which finished second in the full-year 2007 ranking, maintained that spot. It brokered nine hotels totaling \$657.5 million in the first half, down 68% from a year earlier. **Cushman & Wakefield**, bolstered by last year’s acquisition of **Sonnenblick Goldman** and its hotel team, climbed into third place from fifth in full-year 2007, with \$158 million of sales. Its activity jumped 45%.

Rounding out the Top 5 are **Molinaro Koger**, at \$131.3 million, down 90%, and **CB Richard Ellis**, whose volume fell 50% to \$126.8 million. **Jones Lang LaSalle Hotels**, which usually places in the Top 5, posted a 92% decline in volume, dropping to sixth place. **Plasencia Group**, also typically a strong contender, didn’t close a single deal of \$25 million or more in the first half. It had \$477.4 million of activity in the first half of last year.

There are signs that hotel fundamentals are softening. The average occupancy rate for U.S. hotels is expected to drop to 61.6% this year, from 63.1% last year, according to **PKF Hospitality Research**. Room rates are projected to grow just 4% to \$107.96 — the smallest increase in several years. That would translate into a 1.5% increase in revenue per room growth, down from increases of at least 6% over the past several years. ♦

Hotel Sales

	First Half (\$Bil.)	Full Year (\$Bil.)
2003	\$0.8	\$3.6
2004	3.0	7.9
2005	6.3	14.4
2006	10.4	19.1
2007	12.0	19.2
2008	3.8	

Top Hotel Deals in the First Half

Price (\$Mil.)	Total Units	Property	Buyer	Seller	Broker
\$900.0	4,059	22-hotel portfolio	Inland American Real Estate	RLJ Development	Hodges Ward Elliott
375.0	1,500	Fontainebleau Resort, Miami (50% stake)	Nakheel Hotels	Fontainebleau Resorts	(None)
366.5	726	Hyatt Regency Century Plaza, Los Angeles	Michael Rosenfeld, D.E. Shaw	Sunstone Hotel Investors	(None)
240.0	590	4-hotel portfolio	Room Mate Hotels	Andre Balazs, Greenfield	Eastdil Secured
205.1	1,093	8-hotel portfolio	Apple REIT Eight	Tidewater Hotels & Resorts	(None)
165.0	392	Ritz-Carlton Huntington, Pasadena, Calif.	Great Eagle, Langham Hotels	Cornerstone, Lacera	Eastdil Secured
157.0	355	Renaissance M Street Hotel, Washington	Losan Hotels	Northview Hotel, Westbrook	(None)
136.6	297	James Hotel Chicago	Denihan Hospitality	James Group	(None)
99.0	194	Hotel 57, New York	Apple REIT	Rockpoint Group	Eastdil Secured
83.0	369	Westin Westminster, Westminster, Colo.	Amstar Group, Sage Hospitality	Inland Pacific Cos.	(None)
79.3	291	2-hotel portfolio	Apple REIT Eight	R.D. Olson Development	(None)
78.0	316	Hyatt Dulles Airport, Herndon, Va.	Ashford Hospitality	Thayer Lodging	Molinaro Koger
72.3	500	Hilton Dallas Lincoln Centre, Dallas	Apollo Real Estate Advisors	Ashford Hospitality	Jones Lang LaSalle