

VOL. 20 NO. 13 AUGUST 7, 2011

BRIEFS**Choice Moving Headquarters**

Choice Hotels International Inc. executed a lease for a new corporate headquarters in Rockville, MD. It will occupy approximately 130,000 square feet of space. The building will be developed, constructed, owned and managed by the Foulger-Pratt Cos. Choice anticipates a summer 2011 groundbreaking, and a move-in date in Spring 2013.

Host Acquires Hotels In Washington And Paris

Host Hotels & Resorts is acquiring the 888-room Grand Hyatt in Washington, DC, and the 396-room Pullman Bercy in Paris. Host is paying \$442 million for the Washington property, which includes the assumption of a \$166 million mortgage loan. The REIT is acquiring the Paris property, which is part of Accor Hotels, through its European joint venture. The joint venture is paying approximately \$144 million.

Kinsell comes home with IHG

BY STEFANI C. O'CONNOR

ATLANTA—For Kirk Kinsell, stepping through the C-Suite door figuratively marked number one here at IHG headquarters is more of a homecoming than just being the next guy to be named president, The Americas, for the global hotel chain.

A company veteran, Kinsell is where he always hoped to be, in a role both familiar and unknown.

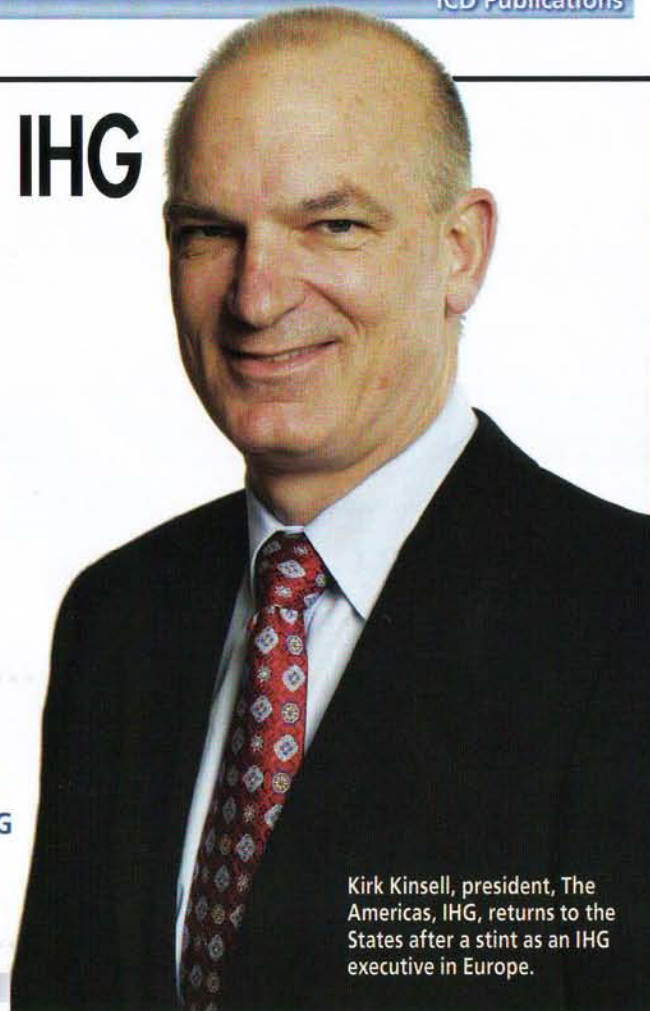
"I guess I've lulled myself into thinking it's a homecoming but tomorrow I wake up and it's a whole new bold adventure," Kinsell told HOTEL BUSINESS® a month into his new position.

Kinsell characterized the region now left in his care following
continued on page 16

Kinsell's Hospitality Resumé

- 2007-2011 President-Europe, Middle East and Africa for IHG
- 2002-2007 SVP/Chief Development Officer, The Americas, IHG
- 1995-1996 President, Franchising, ITT Sheraton
- 1988-1995 SVP Franchise, Holiday Inn Worldwide

Franchise Report begins on page 14



Kirk Kinsell, president, The Americas, IHG, returns to the States after a stint as an IHG executive in Europe.

Chatham continues to carve upscale niche

BY BRUCE SERLEN

PALM BEACH, FL—Among the recent wave of new lodging real estate investment trusts, Chatham Lodging Trust stands out for its investment profile. It's focused on investing almost exclusively in upscale extended-stay and premium-branded select-service properties. Why deviate from these sectors, president & CEO Jeffrey Fisher argues, when "they provide a consistent cash flow, whether the cycle is good or the cycle turns down."

The industry was reminded of Fisher's preference in asset classes last month when the first of Chatham's two most recent acquisitions closed. On July 14, Chatham acquired for \$195 million five hotels—three Residence Inns by Marriott, one Homewood Suites by Hilton, and a Doubletree—that had been part of the portfolio of the bankrupt REIT Innkeepers USA Trust.

And in a larger joint venture deal with affiliates of Cerberus Capital Management LP, scheduled at press

continued on page 26



Jeffrey Fisher
Chatham Lodging Trust

Denihan, Pebblebrook form upscale joint-venture

BY BRUCE SERLEN

NEW YORK—For Patrick Denihan and his sister, Brooke Barrett, owners and co-CEOs of the Denihan Hospitality Group, the transaction unveiled in late-June to sell a significant minority stake in six of their New York hotels to Pebblebrook Hotel Trust was the latest in a series of moves. Starting in 2006, the deals have transformed their family-owned company from a mid-size New York-based hotel owner/operator to a larger nationally-focused owner/operator with a growing third-party management portfolio.

The deal with Pebblebrook, which is scheduled to close in the next six

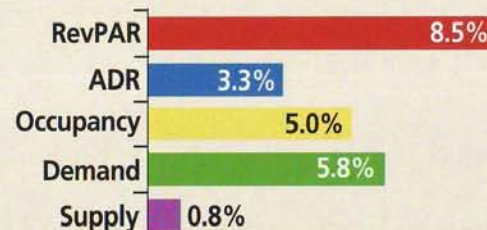
weeks, creates a joint venture with DHG that will own the six upper-upscale hotels—five carrying the Affinia brand, and The Benjamin. While the transaction values the hotels at approximately \$910 million, the portfolio is carrying roughly \$600 million in first mortgage and mezzanine debt.

According to the agreement, Pebblebrook, a Bethesda, MD-based REIT, will make a \$152 million equity investment in exchange for a 49 percent stake in the hotels. Affiliates of DHG will continue to own the remaining 51 percent interest. The hotels will continue to be managed by DHG.

continued on page 30

U.S. Hotel Industry

Year-to-date as of June 2011



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Power in numbers

Sustainable purchasing consortium shows industry's collaboration

People, planet, profit. Those involved in the work of sustainability have heard this stated many times. But what does it really mean, and who defines it?

There are over 300 eco labels and certifications that exist today. Based on a research study conducted for Underwriters Laboratories in 2010, at most, five of them have any real market recognition. Greenwashing is prevalent, because "green" gets attention whether you ultimately buy "green" or not. Everyone is trying to define sustainability in a way that is most advantageous, despite the commonly stated belief that "it may be the right thing to do but no one will pay more for it."

Let's start with the profit side. For hospitality, the focus is on RevPAR. In a 2010 study of Corporate Travel Executives from Fortune 1000 companies conducted by MindClick, respondents were asked to choose between two recently renovated mid-scale brand name hotels in downtown Chicago. Hotel A and Hotel B both had implemented programs to reduce their carbon footprint, conserve energy, optimize water use and improve waste management. Hotel B implemented sustainable purchasing of FF&E and OS&E, and it developed a marketing communications program to inform the guests of how those products positively impacted guest health, well being and the environment. Eighty percent of those surveyed selected Hotel B.

A property renovation that implements and promotes sustainable purchasing could capture 8 out of 10 corporate travel contracts, because of market differentiation, alignment with expectations and better customer service. This isn't just about sustainability. This is smart business—delivering RevPAR growth through occupancy.

Doesn't sustainable purchasing mean that Hotel B will have to be priced at a premium because of the costs of sustainable FF&E and OS&E products? According to a soon-to-be-released case study by SERA Architects, substituting 70 percent of the FF&E with green attributes in a room resulted in an incremental 5 percent increase in costs. For an investment of 5 percent, the potential exists for 8 out of 10 corporate travel executives

to choose your property over a property down the street.

Given that you buy into the value of sustainable purchasing, the question then becomes how do you do it? Is sustainability defined as better indoor air quality, lower carbon footprint, programs to recycle and/or reclaim products at the end of their useful life, SmartWAY distribution, reduced packaging, or all of the above? Who has the time, knowledge or resources

to choose your property over a property down the street. corporate social responsibility, product and environmental sustainability. Through a stakeholder engagement process, brands, owners, purchasing firms, suppliers, architects, designers and sustainability consulting firms are working together to modify MindClick SGM's existing Sustainability Performance Index to meet the needs of the hospitality industry.

The fee-based Consortium membership is open to all interested parties

group that provides LEED consulting, energy analysis, day lighting design, building performance analysis and in-depth materials research. This information is shared with our 95 employees, who then take it and use it to influence a project's direction. The result is a highly collaborative practice that delivers cost-effective services with smart solutions.

Launched in June 2011, the Consortium began with 10 founding members representing industry stakeholders

including Marriott International, Valley Forge Fabrics, SERA Architects, RTKL, PE International, InterfaceFLOR, Invision Hospitality, Delta Faucet Co., Benjamin West and Audit Logistics. The Consortium, managed by MindClick SGM, is growing rapidly through outreach by founding members to ensure wide representation in each product category and industry role.

In July, Contract Decor

International, Quiltercraft Industries, and Majestic Mirror and Frame joined the group. Many more suppliers are in the process of signing up.

Suppliers are absolutely critical to this process and stand to gain substantially by being part of the Consortium. They will better understand what the industry has to do to meet the needs of owners trying to reduce their operational impacts, brands responding to sales requests from the business community for "green meetings," and purchasing stakeholders with limited time and resources. In turn, they can then invest in creating more sustainable products, through more sustainable operating practices, with the knowledge that a viable market does exist.

Most importantly, they can help guide the customization process to ensure that HSPI reflects the realities of their product categories and the feasibility of improvements without resulting in significant increases in product costs.

Lisa Zangerle brings a breadth of experience to SERA that includes multi-family housing, student housing, commercial office buildings, theaters, courthouses and historic renovation.

As CEO at MindClick SGM, JoAnna Abrams helps organizations evaluate their current sustainability performance levels and guides them in developing and prioritizing actionable, practical solutions to achieve long-term growth.



Lisa Zangerle
SERA Architects

JoAnna Abrams
MindClick SGM

What sources do you trust to make sure you can promote the results of your sustainable purchasing efforts? How do you make sure purchase influencers and stakeholders are given the knowledge and tools needed to achieve sustainable purchasing?

to define it? And what sources do you trust to make sure you can promote the results of your sustainable purchasing efforts without fear that you've been greenwashed? How do you make sure that all purchase influencers and stakeholders are given the knowledge and tools needed to achieve sustainable purchasing?

Collaboration is the key to greening the hospitality industry. We have a powerful opportunity to move the needle through the newly launched Hospitality Sustainable Purchasing Consortium.

Leading the way

As owners, brands, architects, designers, purchasing firms and suppliers, we come together through this Consortium effort and combine our unique perspectives to help establish sustainable purchasing guidelines for the entire industry. The Hospitality Sustainable Purchasing Consortium is creating a measurement system for use in assessing the sustainability performance of suppliers and the products they sell.

Beginning with FF&E, the Hospitality Sustainable Purchasing Index (HSPI) will set the guidelines for purchasing, and create a repository of supplier performance, in the areas of

involved in supplying, evaluating and purchasing FF&E and OS&E. Active efforts are underway to engage multiple suppliers from each product category and industry segment.

Sustainable purchasing of FF&E is a truly strategic route in the journey to transforming hospitality into a more sustainable industry. Up until this point, these items rarely had been viewed holistically in the green equation. Using this approach, we not only define what elements of product sustainability are most critical for the hotel industry, but through collaboration, we ensure that our efforts are aligned, realistic and achievable.

As a founding member, what makes SERA Architects so sure about this? We're based in the Pacific Northwest (Portland, Oregon) where we have a regional mindset to preserve our environmental assets—water, land and natural resources. We approach our work and home lives as true stewards of sustainability. And our organizational culture attracts people who are passionate about building a better world.

Our company has learned that long-term sustainability can be achieved through research, information sharing, cross-function collaboration and positive execution. For example, our Sustainable Users Resource Group (called SuRG) is a unique in-house