



INNsideISSUES

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Go to page **1**

INFORMATION REQUEST FORM

The fast-changing hotel real estate market is creating significant opportunities. The challenge is to discover and mine those opportunities. As the leading hotel real estate brokerage organization, representatives of Hotel Brokers International offer the expertise to assist you in achieving your hotel investment goals. For information about many ways HBI can assist your efforts, fill out the form below and mail or fax it to the address on the cover of this newsletter.

NAME _____

ADDRESS _____

CITY | STATE | ZIP _____

PHONE _____ FAX _____ E-MAIL _____

- | | |
|--|---|
| <input type="checkbox"/> Hotel Management Evaluation | <input type="checkbox"/> The Hotel Investor's Marketplace |
| <input type="checkbox"/> Listing a Hotel for Sale | <input type="checkbox"/> TransActions |
| <input type="checkbox"/> Purchase of a Hotel | <i>HBI's sales comparables data service</i> |
| Number of Units _____ | <input type="checkbox"/> Please add my e-mail address to your |
| Region /State _____ | electronic distribution list to receive |
| <input type="checkbox"/> The Deferred Exchanges | newsletters, special offers, hospitality |
| | industry news and information, etc. |

Return completed form to HBI representative featured on the cover of this newsletter.



INSIDE ISSUES

2

Choice Hotels
launches
Cambria Suites
By DAVID PEPPER



3

Top performers
honored



5

Annual hotel
real estate
report available



Hotel Brokers International Holds Annual Meeting

Hotel Brokers International held its 2005 Annual Meeting Jan. 27-29 at the Stratosphere Hotel & Casino in Las Vegas. Enthusiasm was high following 2004's record increase in hotel transaction activity and sales volume.

More than 60 HBI members and top industry executives participated in the meeting's events, which included educational sessions, the installation of a new Board of Directors, and a lavish awards banquet. Special guests included representatives from the meeting's sponsors, La Quinta Inns, Business Loan Express, Choice Hotels International, and Carlson Hotels Worldwide.

Meeting participants brushed up on their brokerage skills and market expertise at a variety of guest lectures and panel discussions. Educational highlights of HBI's meeting included sessions on the following topics:

- Special insight into solving hotel transaction title issues were provided by David Garner, senior vice president-director of Lawyers Escrow & Trust Co. LLC.
- Modern methods for solving due diligence issues specific to hotel transactions were outlined by Jeffrey Boggs, senior vice president of EMG.
- Alan Tallis, CHB, executive vice president of La Quinta Corporation, outlined his company's marketing, development, branding and operational strategies, including details pertaining to La Quinta's recent acquisition of the Baymont brand.
- Emerging legal trends affecting hotel real estate transactions were presented by James Eiler, esq., Tharpe & Howell.
- Market supply and demand trends in 2004's hotel

industry were presented by Jake Fischer, senior associate of HVS International.

- Highlights of hotel finance programs and their requirements were provided through panel discussion by Kyle Stevenson, executive vice president of Business Loan Express; Reginald Heard, national account manager of CIT Small Business Lending; Laurie Ivy, director of hospitality marketing for PMC Commercial Trust; and Darren Heying, account manager of Sterns Bank.
- Panelists, John Sturgess, vice president of development for Carlson Hotels Worldwide, David Longenecker, regional vice president of Choice Hotels Worldwide and Alan Tallis, CHB, executive vice president of La Quinta Corporation, provided insight into their operational strategies and the opportunities for hotel owners.
- Wayne Keene, principal of Resort Brokers New Zealand, highlighted the dynamics of hotel lease and freehold transactions in the leisure real estate markets of his homeland and Australia.

"More than
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Cambria Suites by Choice Hotels

Upscale All-Suites Brand Designed to Maximize ROI for Developers

By David Pepper

Capitalizing on strong market demand for a lower-upscale lodging product as well as our own capacity to build brand loyalty in a highly competitive consumer marketplace, worldwide lodging franchise giant Choice Hotels International (NYSE:CHH) has launched Cambria Suites, an upscale, select-service all-suites hotel brand designed to maximize return on investment for developers.

All roads -- consumer preferences, business and leisure travel trends, the short- and long-term development landscape and our own brand portfolio -- lead to the launch of Cambria Suites. The profit potential represented by this brand, in today's marketplace and with the powerhouse support system offered by Choice Hotels, is significant. We are thrilled to welcome this upscale, all-suites product to our portfolio of established brands.

Cambria Suites: The Segment

Cambria Suites' introduction as a lower-upscale lodging product could not be at a more opportune time for development within the segment. According to Smith Travel Research, for the 12 months ending in December 2004 versus the 12 months ending in December 2003, demand in the segment increased 5.2 percent, compared with a 0.5 percent increase in supply for the same time period. RevPAR forecasts for the segment show increases through 2006, and existing pipelines indicate a healthy appetite among developers for product that fits into the lower-upscale category.

Cambria Suites: The Product

Enter Cambria Suites. By virtue of its design, amenities and services, Cambria Suites is uniquely positioned to deliver guests.

Each hotel will typically offer 100 to 150 units -- each 25 percent larger than industry standard with a stylish, contemporary design. All rooms will be suites, each with separate living/work room and bedroom areas. In room amenities will include luxury bedding and linens; plasma TVs; refrigerator and microwave; movable, ergonomic desk; and high speed wireless Internet access. Upgraded suites will also be available.

Public spaces at Cambria Suites brand hotels will be open, contemporary and inviting. The Lobby will include club lounge seating and a large screen "media wall"; a lounge serving liquor, wine, beer and non-alcoholic beverages; and a coffee bar serving premium coffees. Food and beverage options will also include a paid-for hot and cold breakfast buffet and a 24/7 convenience store stocked with food and sundry items. Each hotel will also include an expanded fitness facility, an indoor pool and more than 1,000 square feet of meeting space. Additional business services include onsite faxing, copying and printing as well as multiple lobby power/Internet ports and high speed wired and wireless Internet access.

Cambria Suites' exterior design will be distinguished by rich, detailed use of brick, stone and stainless steel accents, with a dramatic, glass-walled signature tower containing the two-story lobby.

The cost per key to develop Cambria Suites is estimated at \$63,000, excluding land and soft costs. Average daily rate is projected to be in the \$100 range.

As part of the brand roll out, a dedicated team of franchise sales professionals has been recruited and will focus solely on the development of Cambria Suites. This stellar group of top-notch professionals knows this segment, this industry and their territories inside and out.



David Pepper

Cambria Suites: The Guest

Cambria Suites is designed to appeal primarily to business travelers, although the brand's amenities are well suited to leisure travel as well. At each stage of its conception and development, Cambria Suites has been designed to cater to the specialized needs of the business traveler. The Cambria Suites guest works hard, plays hard -- and is willing to pay more for a personalized, upgraded lodging experience.

Continued on page 6

HBI Honors Top Sales Performances

HBI honored its top-performing brokers, sales associates and brokerage offices of 2004 at their awards ceremony held on Saturday, Jan. 29, in Las Vegas. The ceremony was part of the organization's 2005 Annual Meeting.

"These awards recognize the important contributions made by our leading sales achievers this year," said Dick Lopez, CHB, HBI president. "We are proud of the accomplishments achieved by all of our members and look forward to future successes."

Chuck Nester, CHB, Brown Hotel Group, received HBI's highest honor—Broker of the Year. Nester, who last year closed more than 10 transactions, earned the honor based on outstanding sales volume and participation in HBI programs and activities.

Matthew Hamilton, Spectrum Hotel Group, received the organization's most prestigious award for a sales associate—Salesperson of the Year—for his involvement in six hotel sales.

HBI's Noah L. Canfield Distinguished Service Award was presented to Dick Lopez, CHB, Lodging Property Brokers, who has played an active leadership role in the organization for over 10 years.

"As an HBI member and leader, Dick has dedicated countless hours toward helping the organization execute its vision and reach its goals," Noah Canfield said. "He always has HBI's best interests at heart and truly is committed to serving the general membership and fulfilling its wants and needs."

HBI presented its New Associate of the Year Award to Chad Cooper, Westgor & Associates. Obtaining five listings and participating in four hotel sales in 2004, he was the top-performing sales associate to have completed his first year with the organization.

HBI also honored the most successful brokers in each region. Joe McCann, CHB, Optimum Hotel Brokerage., topped the New England/Mid-Atlantic Region. Charles Fritsch, V, CHB, MBA Hotel Brokers, topped the South Atlantic Region. Errol D'Souza, CHB, Laurel Real Estate Company, topped the North Central Region. Brandt Niehaus, CHB, Huff Niehaus & Associates, topped the South Central Region. Steve Blue, CHB, Scoggin Blue, topped the Mountain/Pacific Region.

HBI presented Regional Salesperson Awards to the most successful sales associates. Teague Hunter, CHB, Hunter Realty Associates, won for the South Atlantic Region. Lili Gewargis, Brash Realty Co., won for the North Central Region. Darin Brock, CHB, Alan Brock and Associates, won for the South Central Region. Chuck LaPorte, Brown Hotel Group, won for the Mountain/Pacific Region.

Greer Lee, CHB, Scoggin Blue, received the Record Number of Transactions Award, which recognizes the achievement of personal bests in transactions produced.

Record Dollar Volume Awards for personal bests went to Chuck LaPorte, Brown Hotel Group; Lili Gewargis, Brash Realty Co.; Michael Mason, MBA Hotel Brokers; and Mike Thomas, Brown Hotel Group.

Record Number of Transactions and Dollar Volume Awards for combined personal bests went to Darin Brock, CHB, Alan Brock and Associates; Matthew Hamilton, Spectrum Hotel Group; John Svec, MBA Hotel Brokers; Laurel Real Estate Company; MBA Hotel Brokers; and Optimum Hotel Brokerage.

Fred Ferrarini, CHB, and Steve Ferrarini, CHB, ProCom Lodging Brokers, received the 2004 Largest Single Hotel Sale Award based on dollar volume for brokering the sale of a 133 unit property in Solvang, Calif.

The awards for the Most Unique Deal of the Year and Largest Portfolio Sale were given to Joe McCann, CHB, Optimum Hotel Brokerage, for overcoming the complexity and unique challenges of the nearly \$30 million portfolio sale that consisted of the Crowne Plaza in Hartford, Conn., and the Crowne Plaza in Secaucus, N.J.

Huff Niehaus & Associates received the Most Co-Op Sales Award, which recognizes the HBI brokerage office involved in the most cooperative sales with fellow HBI offices.



Chuck Nester, CHB (left) accepts the Broker of the Year Award presented by Ron McCord, CHB, HBI president



Dick Lopez, CHB (left) accepts the Noah L. Canfield Distinguished Service Award presented by Noah Canfield



Matthew Hamilton, CHB (left) accepts the salesperson of the Year Award presented by Ron McCord, CHB, HBI president

When Opportunity Knocks...Will You Be Ready?

By Kyle Stevenson

Which hotel opportunity can you purchase with the greatest potential for profit? Is it the one with a tremendous location, and verified revenues and profits? Does it have outstanding ADR and occupancy, tremendous demand generators, minimal competition? If you owned a hotel like that, would you sell it at a bargain, discount price so your buyer would make a lot of money?

Of course you wouldn't. You would probably want the highest price you could get for the property. If you are on the buying side, you might have to wait years before you could recoup your investment on one of these fully priced locations.

So, where are the bargains? Clearly they are going to be distressed situations where your industry expertise can turn around the location and make it shine. Distressed properties offer some of the best opportunities for making a profit.

The problem with this approach is distressed properties are often sold quickly, or their problems appear so great Banks are not interested in financing them. If you buy a property at a foreclosure auction, for example, the financial history you need for a new loan is not available. If you are the successful bidder, you must post a non-refundable deposit immediately. Then your closing date comes only 10 days later! Unless you have hundreds of thousands of dollars sitting in the bank, you won't have time to close and you'll miss out on the opportunity.

When this kind of opportunity knocks, you need to be prepared. The winning bidder at these auctions has financing already lined up. This means the buyer has a relationship with a lender that will allow them to close quickly.

In a non-foreclosure situation, if the buyer is purchasing a troubled location suffering from bad management, then they also must have a strong banking relationship. Someone (the current or former owner) has already proven that this location can be mismanaged and fail. How will a Bank who just met you think you can turn it around?

Here is a To Do list for you to be prepared. If you plan on playing the game of turning around hotel properties, you need to play to win.



Kyle Stevenson

Continued on page 7

HBI to Hold Investment Forums

Hotel Investor's Marketplace is the perfect one-stop investment forum. At these one-day events, 25 recently listed hotels are presented with franchise and lending details and an overview of 150 additional Hotel Brokers International member listings.

Upcoming Hotel Investor's Marketplace events include:

April 7 – Los Angeles

To be Determined – Chicago

November 9 – Washington, DC

Drawing hotel investors, brokers and suppliers, these one-day events are widely considered prime opportunities to network with industry colleagues and conduct transactions. "Marketplaces provide investors with ideal settings to learn about new investment opportunities, work with experienced brokers, and connect with other hotel owners and industry experts," said Dick Lopez, CHB, HBI president.

La Quinta Inns will be the premier sponsor. Other sponsors include Carlson Hospitality Worldwide, Chicago Title, Choice Hotels International, and CIT Small Business Lending.

Contact an HBI broker for an exclusive invitation to attend these private events. For more information, call HBI's executive office at +1.816.505.4315, or e-mail info@hotelbrokersinternational.com.



HBI Reports Dramatic Increase In Transactions

Hotel transaction volume of Hotel Brokers International increased 55 percent in the Fourth Quarter of 2004. The world's leading hotel brokerage organization reported 31 transactions with a total sales volume of \$117,500,000 for the period versus 20 sales totaling \$55 million for the Fourth Quarter of 2003.

In all of 2004, HBI closed 110 transactions for a total sales volume of nearly \$325,000,000 versus 78 transactions with a total sales volume of \$226,000,000 for 2003, an increase of more than 43 percent.

Dick Lopez, CHB, president of Hotel Brokers International, stated, "This heightened deal-making activity is indicative of the current market, as buyers purchase hotels in order to take advantage of the improving economic environment and lodging sector. It is a great time to be a buyer or seller in the lodging real estate business, and, as always, HBI brokers are providing the industry with valuable leadership. We believe this increased transaction activity will continue through 2005."

Hotel Brokers International, with more than 100 hotel brokerage specialists, is the world's leading hotel sales organization. The organization annually accounts for the greatest market share of all transactions in the United States.

HBI Elects New Board of Directors



HBI installed its new board of directors in January.

FRONT ROW LEFT TO RIGHT:

Charlie Fritsch, CHB; Dick Lopez, CHB; Teague Hunter, CHB; Ron McCord, CHB.

BACK ROW LEFT TO RIGHT:

Arvind Patel, CHB; Steve Blue, CHB; Matthew Hamilton, CHB; Joe McCann, CHB; Tony DeGeorge, CHB; Darin Brock, CHB.

NOT PICTURED:

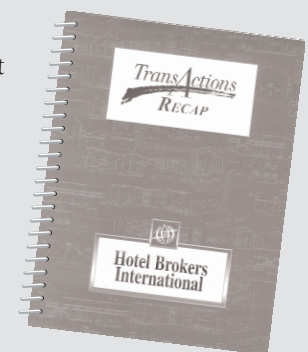
Jeff Westgor, CHB

Publication Offers Transactions Summary, Analysis

HBI's annual report on hotel real estate, *TransActions Recap*, is available for purchase. The comprehensive report features summaries, valuations and in-depth reviews of the 2004 hotel real estate industry.

According to data compiled by HBI's *TransActions* Division, hotel sales increased significantly in 2004 with 623 properties selling for a total of \$11.4 billion. The 2005 edition of *TransActions Recap* includes:

- Summaries of hotel and motel transactions
- Hotel lender survey 2005
- Hotel values by brand, location and segment
- Transaction analysis 2004
- National and regional statistics
- Index of hospitality lenders



Available in bound copy, the 2005 *TransActions Recap* sells for a modest \$150. To purchase the publication, or for more information, contact Hotel Brokers International at transactions@hotelbrokersinternational.com or 816.505.4315.

Hotel Brokers International Holds Annual Meeting *Continued from page 1*

During the meeting's closing ceremonies, HBI presented achievement awards to the top-performing brokers and brokerage offices of 2004 and the membership also installed its 2005 Board of Directors.

The new 11-member board includes four officers: Dick Lopez, CHB, Lodging Property Brokers, president; Teague Hunter, CHB, Hunter Realty Associates, vice president/president elect; Jeff Westgor, CHB, Westgor & Associates, secretary; Charlie Fritsch, CHB, MBA Hotel Brokers, treasurer. Seven other HBI members fill the remaining board seats: Arvind Patel, CHB, Everest Hotel Brokers; Steve Blue, CHB, Scoggin Blue; Joe McCann, CHB, Optimum Hotel Brokerage; Matthew Hamilton, Spectrum Hotel Group; Darin Brock, CHB, Alan Brock and Associates; Ron McCord, CHB, Milmark Hotel Motel Investments; and Tony DeGeorge, CHB, Greene Canfield DeGeorge.

Cambria Suites by Choice Hotels *Continued from page 2*

The appeal of Cambria Suites is that it more than satisfies the needs of traditional travelers while also catering to multi-tasking, active, experiential travelers who will appreciate the brand's contemporary styling and its functional attributes.

Cambria Suites: The Power of Choice

Finally, the launch of Cambria Suites is also a testament to the powerful marketing and field support infrastructure represented by worldwide lodging franchisor Choice Hotels. This brand may be minutes old, but the systems and programs supporting it have been in place for more than 60 years. From its launch, Cambria Suites benefits from the \$50 million in marketing support, \$1.4 billion in annual gross room revenue from the company's central reservations system, 3.2 million Choice Privileges frequency program members, industry-leading field support, technological prowess and training and operations expertise offered by Choice Hotels.

San Francisco-based Laurel Group worked with Choice Hotels in development of the brand name and logo for Cambria Suites.

David Pepper is senior vice president of franchise development for Choice Hotels International, one of the world's largest lodging franchisors, marketing more than 5,000 hotels open or under development in over 40 countries under the Comfort Inn, Comfort Suites, Quality, Clarion, Sleep Inn, MainStay Suites, Econo Lodge, and Rodeway Inn brand names. For more information on Choice, visit the company's web site at www.choicehotels.com.

Selection of Recent HBI-brokered Sales

Holiday Inn Express	Smyrna, GA	117 units	Days Inn	Sharonville, OH	143 units
Comfort Inn	Akron, OH	134 units	Best Western	Abilene, TX	60 units
Quality Inn	Hagerstown, MD	75 units	Holiday Inn Express	Newnan, GA	82 units
Homestyle Inn	Austin, TX	150 units	Keystone Motel	Cicero, IL	44 units
Night Saver Inn	LaCrosse, WI	73 units	Econo Lodge	Johnstown, PA	47 units
Manor House Inn	College Station, TX	117 units	ClubHouse Inn	Norcross, GA	147 units
Village Inn	White Sulpher Springs, WV	52 units	Super 8	Bullhead City, CA	118 units
Super 8	Rock Mount, NC	62 units	Best Value Inn	Fresno, CA	134 units
Royal Scandinavian Inn	Solvang, CA	133 units	Seven Inn Motel	Pendleton, OR	50 units
Holiday Inn	Xenia, OH	88 units	Clarion Inn & Suites	San Angelo, TX	109 units
Knights Inn	Troy, OH	84 units	Holiday Inn Express	Abilene, TX	67 units

When Opportunity Knocks...Will You Be Ready? Continued from page 4

Get Your Financial House in Order

Before you go out tossing around offers on everything in sight, gather all your personal and corporate financial information and organize it so a lender can understand it. Start by getting your last three years of personal tax returns. Then gather the last three years of tax returns for every business you own. Even if you are not the only, or majority owner, include those businesses in this process as well.

Then prepare a year to date financial statement for each business. Make sure it is no more than 90 days old. Our established clients do this every quarter to be prepared. Be sure to include important statistics such as ADR, occupancy, RevPAR, etc. The more detailed the better.

You also need to keep a current personal financial statement. Banks are going to look at it, and they'll want to see your personal credit report. You need to review the credit report yourself at least annually to make sure it is correct. Please don't wait until you apply for a loan to clean up any past due accounts. Do it now so the lender will see you being responsible for your obligations. Things do happen in people's lives, and lenders may understand. If you are about to buy a multi-million dollar business with real estate, however, you ought to make sure your credit cards and car loans are current.

Any lender you approach will silently evaluate how you manage your financial information. If you choose to show up for a loan with only a shoebox full of receipts, you will be fighting an uphill battle, and needlessly.

Establish Banking Relationships

The time to meet your lender is before you need their money, not the day of the foreclosure auction! Armed with your detailed financial package, meet with a lender familiar with your industry. Ask your lawyer, accountant, or suppliers for an introduction. Ask them questions about their experience with hotel loans. Find out how aggressive they would be if you wanted to buy a closed location.

Create Lead Sources to Find Properties

Good opportunities don't break down your door to find you. Network with everyone you can think of in your industry: franchisors, suppliers, lenders, business brokers, and even other hotel owners. Let them know you are looking for a property. Think of ways you can help these people with information you have that could benefit them. The more people you help in your network, the more likely they will call you first when they find something.

Prepare in Advance to Document Your Turnaround Plan

Even a one- or two-page summary of your plans will help lenders believe in you. If you can explain why a hotel will do better when you are running it, you will have a better chance at arranging financing. If you can make a logical explanation as to why it failed or underperformed under the prior owner, your funding source will be impressed with your knowledge and understanding of the situation.

Summary

The time to plan for a great opportunity is long before it comes along. Unless you want to pay top dollar for everything you buy, follow the steps here and be prepared. You'll want to be ready to move quickly when you need to act. Trust me, that's what your successful competitors are doing!

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HBI is a network of independently owned and operated real estate firms. In addition to brokerage services, many HBI offices offer such lodging related services as hotel consulting, interim or long-term management, market studies, opinions of value, appraisals, mortgage brokerage, syndication and development. For additional information on investment opportunities in the hotel industry, contact the HBI member office listed on the front of this publication, or visit us on the Web at www.hotelbrokersinternational.com

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