



## Leaders: Technology to drive hotel growth

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John Russell [left], president of NYLO Hotels, and Chuck Pinkowski, president of Pinkowski & Co., participate in a presidents' roundtable.

MEMPHIS—"Lifestyle" hotel projects will continue to flourish as technology's grip on the lodging industry tightens during the next few years.

Participants in the presidents' roundtable held in conjunction with the Metropolitan Memphis Hotel & Lodging Assn.'s annual industry update said Wall Street's rekindled love affair with hotels will continue for the time being, and that will drive the lifestyle and technological revolutions.

Gary Prosterman, president of Development Services Group, said transparency and liquidity of the markets is what's driving the flow of capital into the lodging sector.

"Whether it's the equity side or the debt side, it's become accepted by institutions, so now it becomes transparent like other asset classes," he said. "That is probably what has changed the cap rate fundamentally—maybe not the level that they're at right now, but somewhere in between where they were and where they are right now."

Larry Wright, president of Wright Investment Properties, said lodging's stability is what has caught Wall Street's eye.

"Wall Street has determined that hospitality fits in real well in multifamily and commercial," said Wright, whose company owns and/or manages 35 hotels. "It was looked upon before primarily as an operational type business and didn't enjoy the reputation of stability that typical real-estate has enjoyed."

John Russell, president of NYLO Hotels and the keynote speaker for the event, said the economic environment, coupled with a willing consumer, are taking the lodging industry into uncharted territory.

"If I were a smart guy ... I would listen to what's going on in America today: Lifestyle communities," he said. "In other words, give me something that I will love to have, but I don't want to have it in Atlanta, Newark, Chicago. Give me something with a lake; give me something in a resort community. Let me do something like that. That's what is driving lodging development now."

Part of the lifestyle-hotel equation is state-of-the-art in-room technological options, and participants said they don't expect that to change during the next 10 years. Some offered their opinion of how guestrooms will evolve during that time:

- **Earl Jones, co-chairman, MMI Hotel Group (17 hotels in its portfolio):** "It's long been my observation, if not my conviction, that we have awful lighting in our guestrooms. It's gotten worse as we've tried to save energy by buying the little bulbs that give [light] as weak as flashlights do. So, if we're lucky, we'll improve the lighting end of it. We'll have walk-in showers instead of tub showers, and I suspect we also will have fewer pillows."
- **Larry Jensen of Commercial Advisors LLC:** "The electronic communications systems we have will

change, whether it be the telephone through the television, or whether it be the wi-fi, hi-fi, whatever you want to call it, through the television, whatever that communication is, that's what this generation is going to be looking for. That's what we'd better be prepared for in our search for the future. It's not 2010, 2011, it's 2006 and 2007. Your iPod has got to go into that television set."

- **Prosterman:** "You're going to have to be wired. I'm talking about when I walk in the room, I don't have to go figure it out. Whoever figures out how to figure it out for me is going to be the one who wins. I go in, I open my laptop up and I mean I don't have to spend 15 or 20 minutes going 'How in the world do I get online?'"
- **Chuck Pinkowski, president, Pinkowski & Co.:** "In five years, you're not going to have a phone in your room. Everything is going to work through whatever that visual product is."
- **Russell:** "It's wireless everything. You're never going to have to pay for a telephone. There will be one there, because people want at least to pick something up."
- **David Pear of Pinkowski & Co.** "If you're looking at the Gen-X guys who are coming up to be the consumer, it's going to involve the Internet. Charging them for an Internet connection is similar to wanting one of us to pay for TV."

Charging for Internet connection is the wrong thing to do, according to Russell, who is a partner with the marketing firm Yesawich Pepperdine Brown & Russell. The firm's research shows that more people use the Internet connection when there is no charge, he said.

"It's \$10.99 [per 24-hour period] on average and the usage is 15 percent," Russell said. "If it's free, the usage goes up to 48 percent."

Wayne Tabor, g.m. at the Holiday Inn Select in Memphis, said his hotel was the first in that city's downtown market to not charge for Internet access.

"It's made a big difference, and we probably forced most of those hotels downtown not to charge for high-speed Internet," Tabor said.

He said he raised the average daily rate slightly when the hotel initially provided Internet access.

Pear cautioned that hoteliers need to be prepared to add one or two extra T1 lines to be able to handle the Internet usage.