



A six-figure dinner at Lusardi's Restaurant?

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"If you can fog a mirror, you should be concerned about the stock market."

And so began my investigation into Real Estate Investment Trust Companies (REIT) - specifically, extended stay hotels. Westchester County is home to several of them and it could support more, according to industry experts. The local inventory includes Hyatt Summerfield Suites, Extended Stay Hotels, and Marriott Residence Inn, all in White Plains, and Marriott Residence Inn in New Rochelle.

Several weeks ago I received an invitation to attend an investment presentation, hosted by Danny Lerner, senior VP investments in David Lerner Associates' White Plains office. Held at Lusardi's Restaurant in Larchmont, anyone who has dined there will appreciate why I accepted the free invitation for what I knew would be a delicious meal! Lerner's straight-talking observation about the current condition of the stock market made me further investigate REIT investment opportunities. As of this writing, I have not made up my mind but since I can still fog up the mirror, Lerner's challenge, I know that I have to make changes in my stagnant investment portfolio.

Being in the real estate industry, too, I figured REITs are a good way to get started in real estate investing. While REITs associated with luxury rental apartment buildings may suffer in a recession, extended stay hotels, on the other hand, may benefit. Families who still want to take a family vacation but who are going to stay closer to home on account of soaring oil prices may want to cut out some of their vacation expenses by staying in an extended stay hotel with some of the conveniences of home, including a kitchenette unit in their hotel where they can prepare many of their meals.

Since 1993, over \$4 billion has been invested by Lerner's company in what it calls Apple REITS. Three have since been either merged or sold. Its Apple Two REIT was sold last May to an affiliate of ING Clarion for a total consideration, including debt, of \$890 million at \$11.20 a share in cash. The average total annual return was 11.89%. That jumped to 16.84% for shares reinvested. Let's just say that had my prior investment portfolio produced such results the dinner at Lusardi's might not have given me so much food for thought.

Its current extended stay portfolio, Apple Eight, was acquired for all cash, no mortgage. It has \$900 million invested to date and it will close once it hits the billion dollar mark. Typically, the properties are held four to seven years. As of December 31st, it had Apple REITs consisting of 117 Hilton and Marriott hotels in 26 states with a total of 13,830 guestrooms.

Although David Lerner Associates does not have investments in any extended stay hotels in Westchester, Bethesda, Md.-based Urgo Hotels operates the Marriott Residence Inn at New Roc City for Cappelli Enterprises. Until a year ago, it also owned the White Plains Marriott extended stay hotel which it sold to Moody's. According to its website, "the company and its affiliates presently own and/or operate 20 hotels with a total of 3,411 rooms in five northeast and mid-Atlantic states, the

District of Columbia and the province of Quebec, Canada." This information is dated but it projected "generating more than \$150 million of revenue for its owners in 2005."

Last April 2007, Lightstone Group, based in Lakewood, N.J., acquired the Extended Stay Hotels from a private equity giant, Blackstone Group for \$8 billion. In a press release issued at the time, "Recent spikes in home-loan foreclosures and dips in commercial development have caused some economists to express concern about real estate. But the extended stay acquisition and a recent flurry of other deals...are not slowing."

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