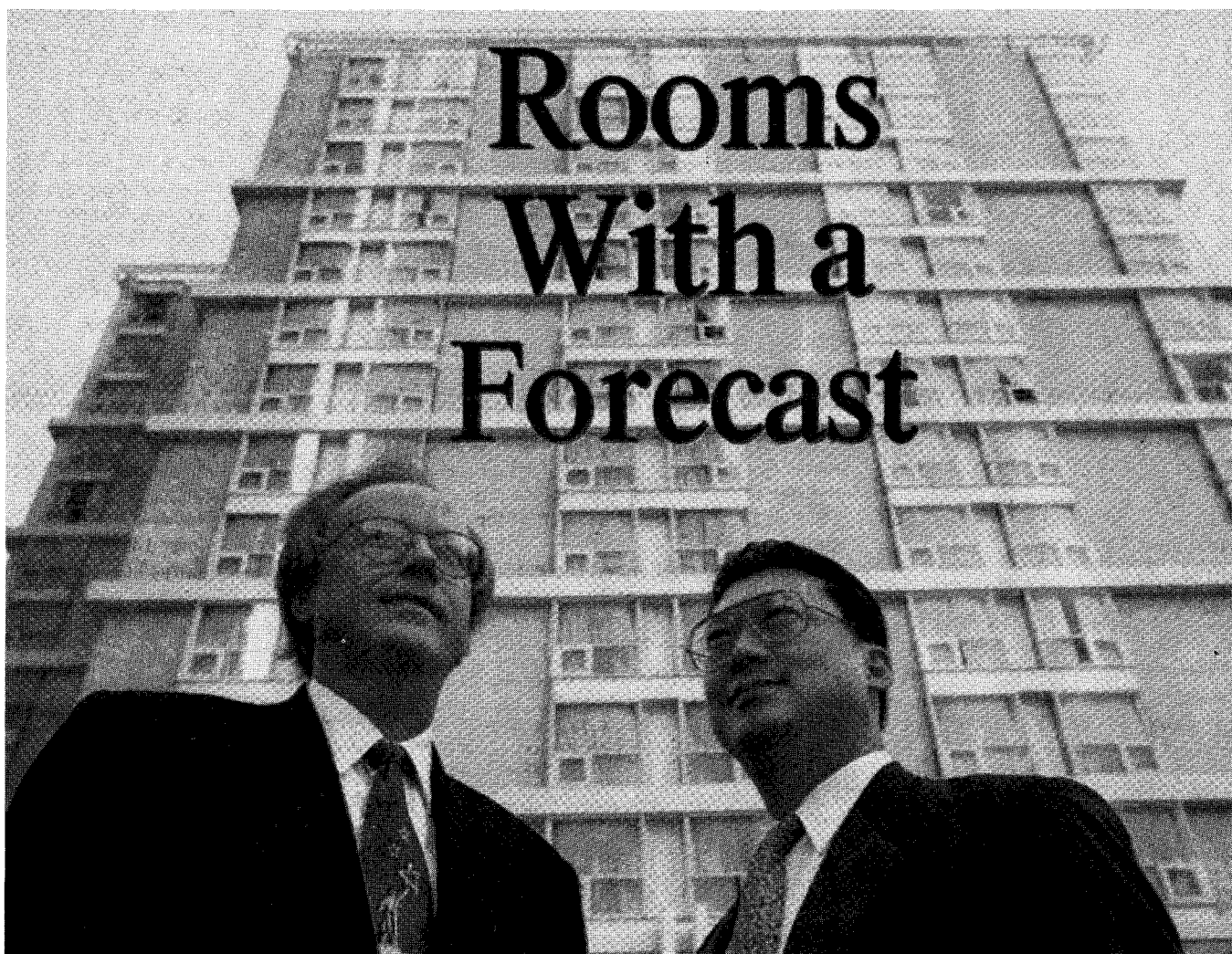


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DAILY 25¢
DESIGNATED AREAS HIGHER



GARY FRIEDMAN / Los Angeles Times

Richard Alter, left, and Eddy Chao of Financial Capital & Investment, in front of firm's Hotel Inter-Continental in downtown L.A.



JAMES FLANIGAN
ON SOUTHERN CALIFORNIA

Hotels are once again hot properties in Southern California. Bidding for the Sheraton Grande in downtown Los Angeles will climax this Friday when the winner is chosen from among five suitors. The price will be \$55 million or more, experts say, or \$117,000 a

room—a full 28% more than was paid in January for the nearby Hotel Inter-Continental, another downtown hotel catering to business travelers.

In Huntington Beach, the owners of the Waterfront Hilton are building a Hilton Ocean Grand Resort and conference center adjacent to the original property. Only two years ago, the Waterfront Hilton's developer-owner, Robert Mayer Corp., emerged from a Chapter 11 bankruptcy protection, which it entered in 1993 at the depth of the Southern California recession.

"We reorganized and came out in good shape," says Steve Bone, president of Robert Mayer. Now mortgage lenders are eager to back Mayer's plan for the \$100-million hotel and conference complex.

The pattern is evident in most parts of the Southland—hotel occupancy rising and buyers eager to look over the properties. This very day in fact, Asian investors are attending a Pacific Resources conference in Beverly Hills to talk about opportunities in real estate.

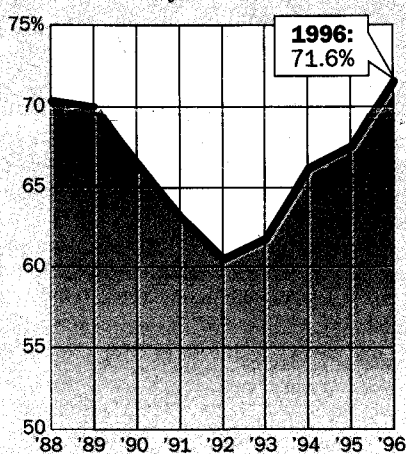
What's the attraction?

"The Los Angeles area looks very undervalued to investors from Asia,"

Hotels Are Hot Again, and That Says a Lot About the Southland Recovery

Rising Occupancy

Occupancy levels in Los Angeles County hotels have been steadily increasing since a drop in the early 1990s caused by the recession.



Source: PKF Consulting

Los Angeles Times

says Eddy Chao, a managing director of Financial Capital & Investment Co., a West Los Angeles firm that acts on behalf of Chinese investors. Financial Capital, with Taiwan and Hong Kong investors, owns the Hotel Inter-Continental and is bidding for the Sheraton Grande.

Such words are reassuring, of course.

But Southern Californians often become nervous when presented with talk of rising real estate prices. There have been disappointments in the past. Is the promised recovery real this time?

Yes, it's real. Pension and mutual funds and real estate investment trusts are putting money into Southern California "because prices for its office buildings and hotels lag behind comparable properties in other cities such as New York and Boston," explains a Southland real estate broker-manager.

More important, the real estate recovery is real because the underlying economy has more going for it than many local residents realize. The Los Angeles area "is a major world-class economy, with 15 million people and an infrastructure of highways and telephone systems," says Chao, who emigrated from Taiwan himself in 1977.

Chinese investors want hotel properties because prices are low compared with anywhere in Asia, Chao explains. In Hong Kong, the J.W. Marriott hotel sold recently for \$250 million.

Also, a hotel investment in the United States is secure and can offer a possible exit strategy for one's family from a politically unstable area. U.S. immigration law promises a resident visa to investors of \$1 million or more who employ 10 or more workers. Commercial property investors frequently purchase houses in Southern California as well.

The hotel business is a good indicator of the economy's strength because it reflects overall business activity. In 1993, with the economy in recession, hotel rooms at Los Angeles International Airport were going for \$54 a night; at John Wayne Airport, hotels were more than one-third empty, according to PKF Consulting, a Los Angeles firm that tracks hospitality industry trends. Now with increased business activity, LAX

Please see FLANIGAN, D11