



Global Hotel Industry Outlook

NYU 2011

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CEO

STR



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Agenda

-  Global Hotel Performance
-  US Hotel Performance
-  Chain Scales
-  Distribution Channel's
-  Forecast



Global Hotel Performance

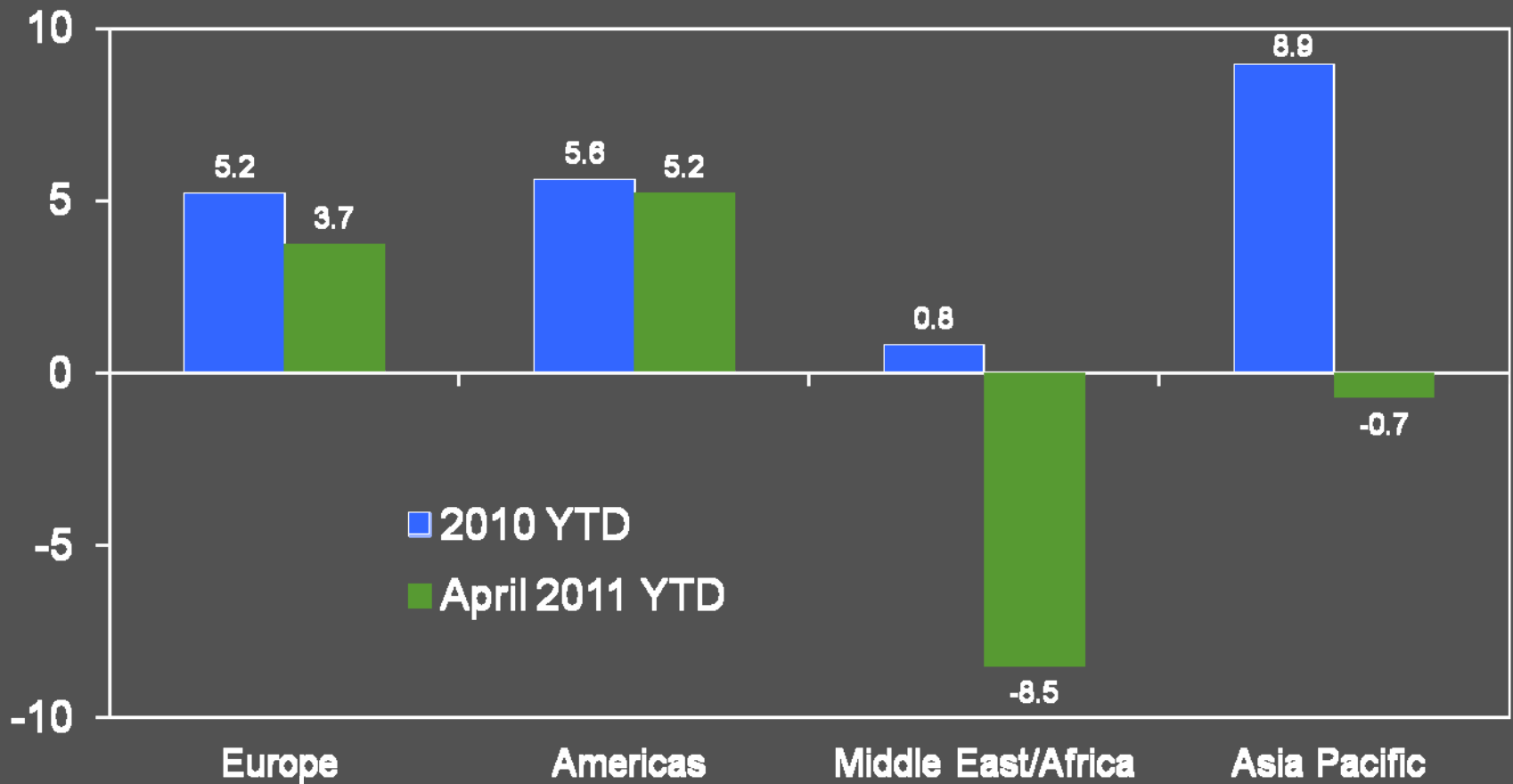


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Global Regions

Occupancy Percent Change – Comparable Time Period
December 2010 YTD vs. April 2011 YTD

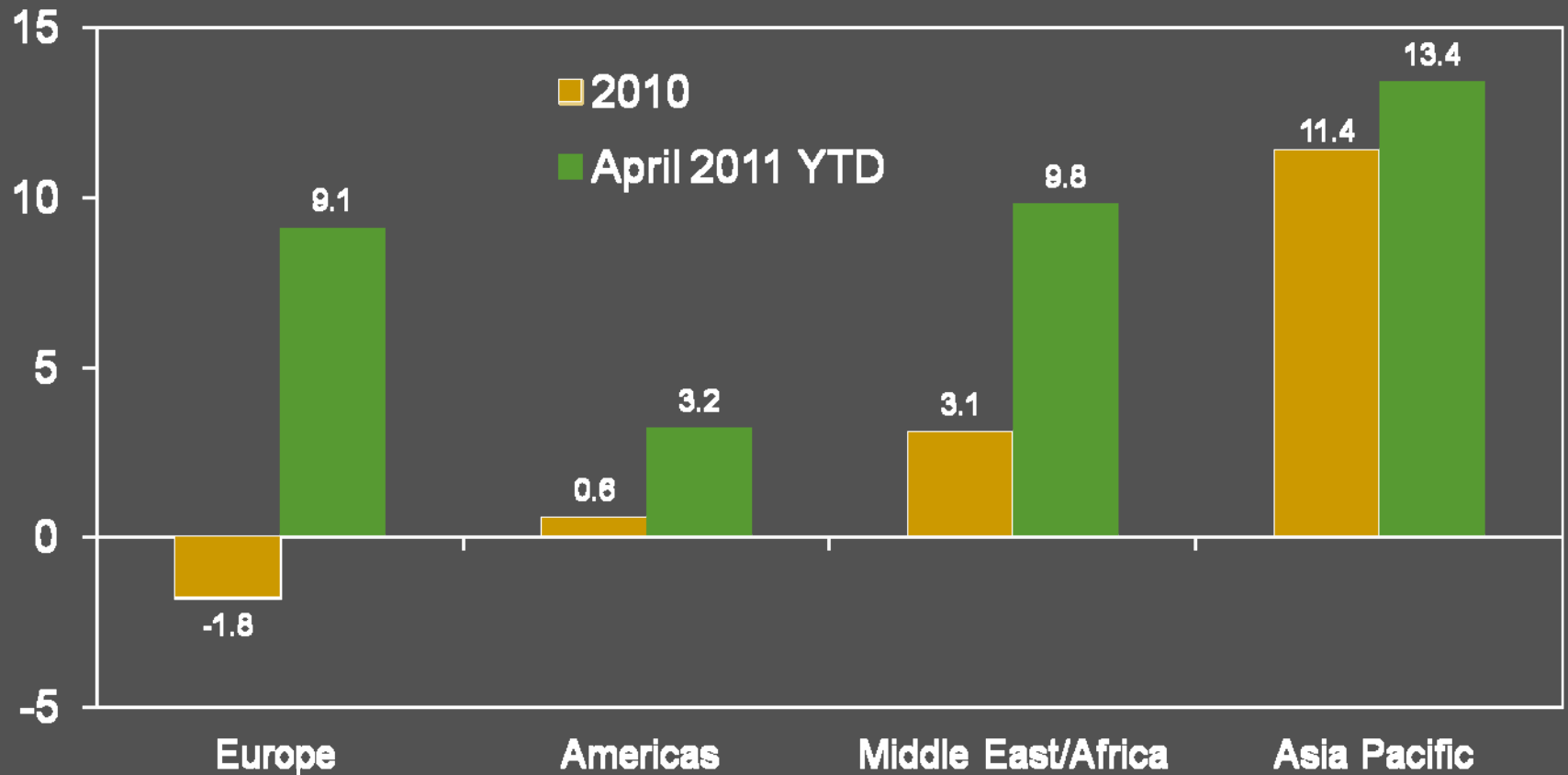


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Global Regions

ADR Percent Change (In US\$)

December 2010 YTD vs. April 2011 YTD

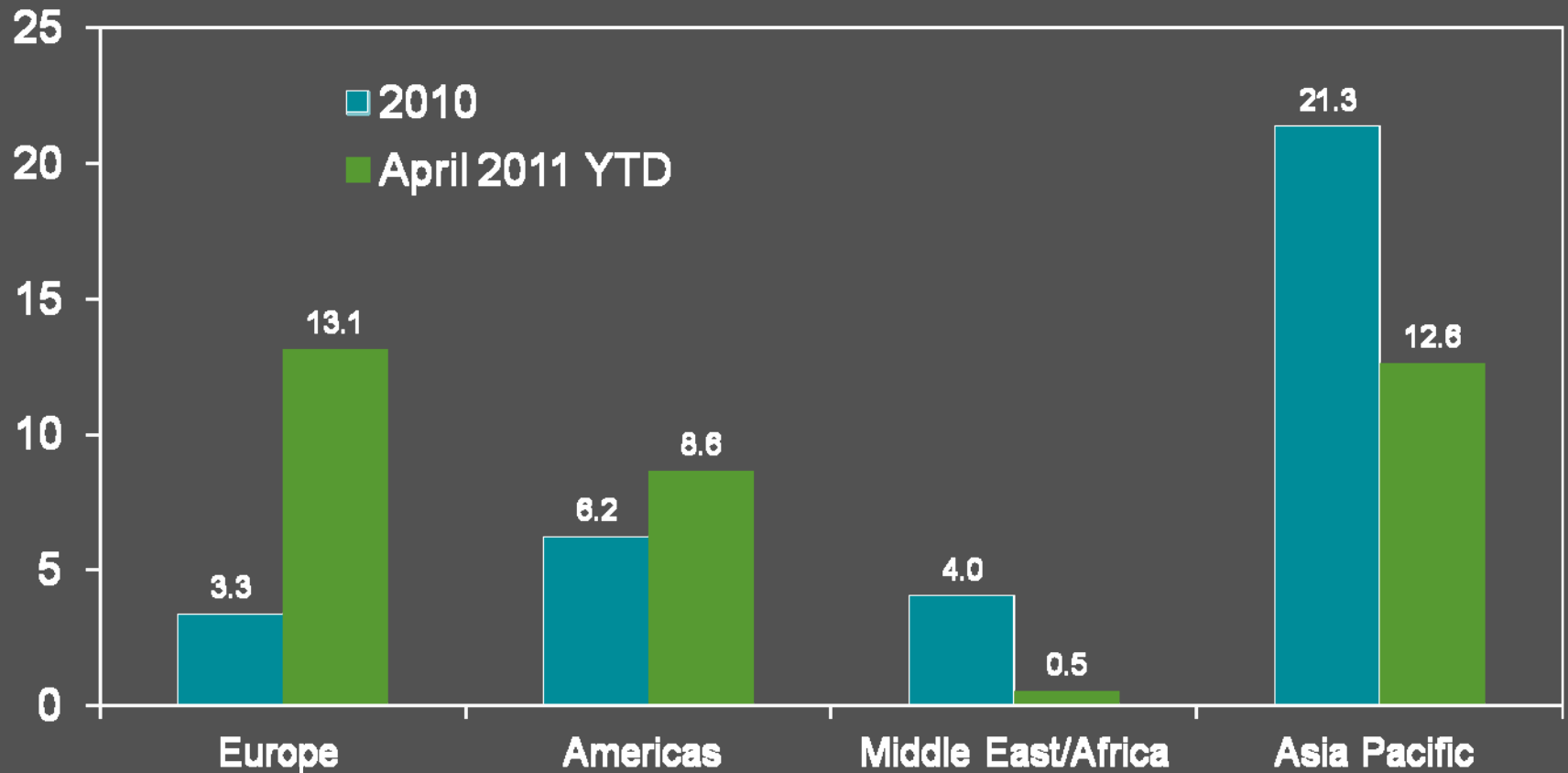


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Global Regions

RevPAR Percent Change (In US\$)

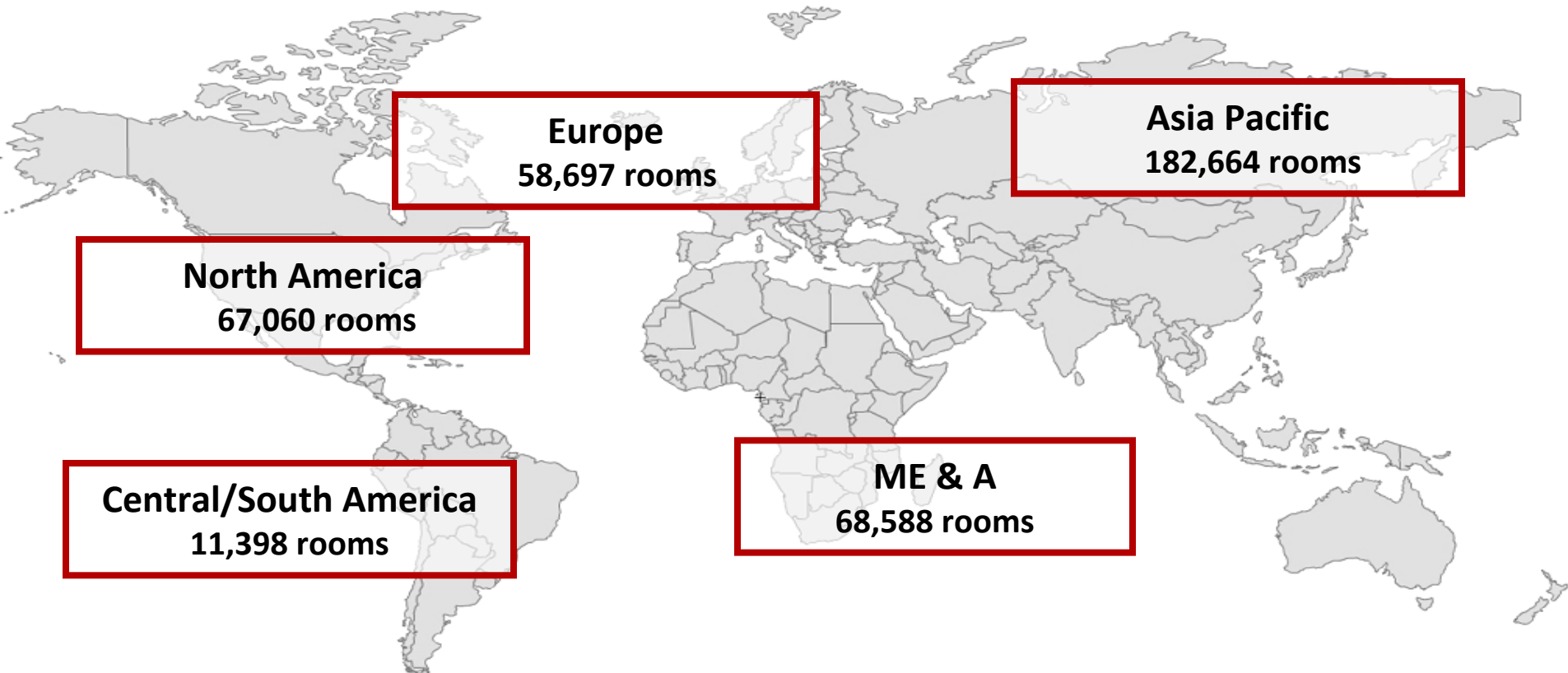
December 2010 YTD vs. April 2011 YTD



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Global Pipeline

In Construction (Rooms) – April 2011



Source: STR / STRGlobal

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U.S. Hotel Performance

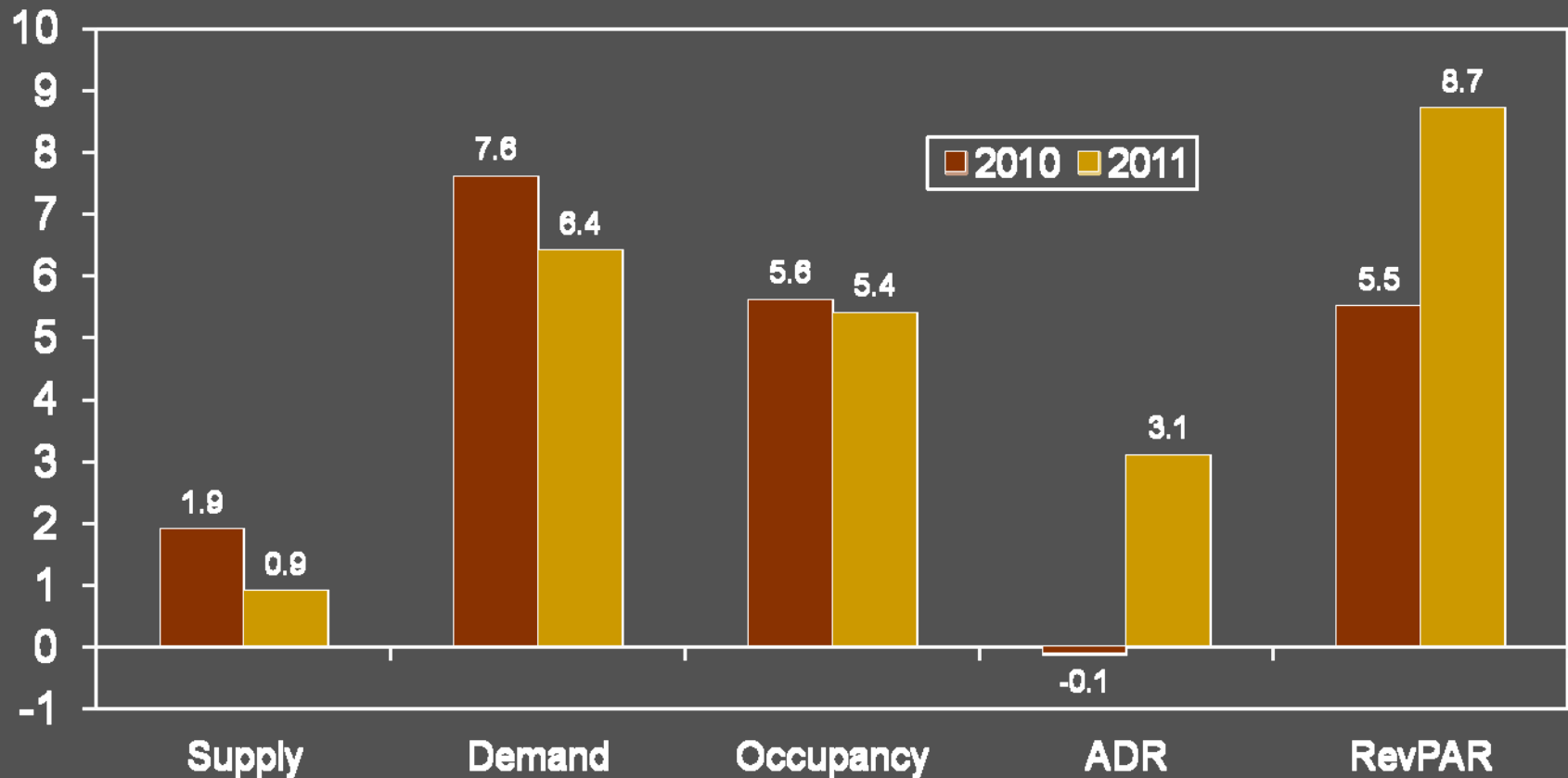


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Total United States

Key Performance Indicators Percent Change
Year End 2010 vs. April YTD 2011

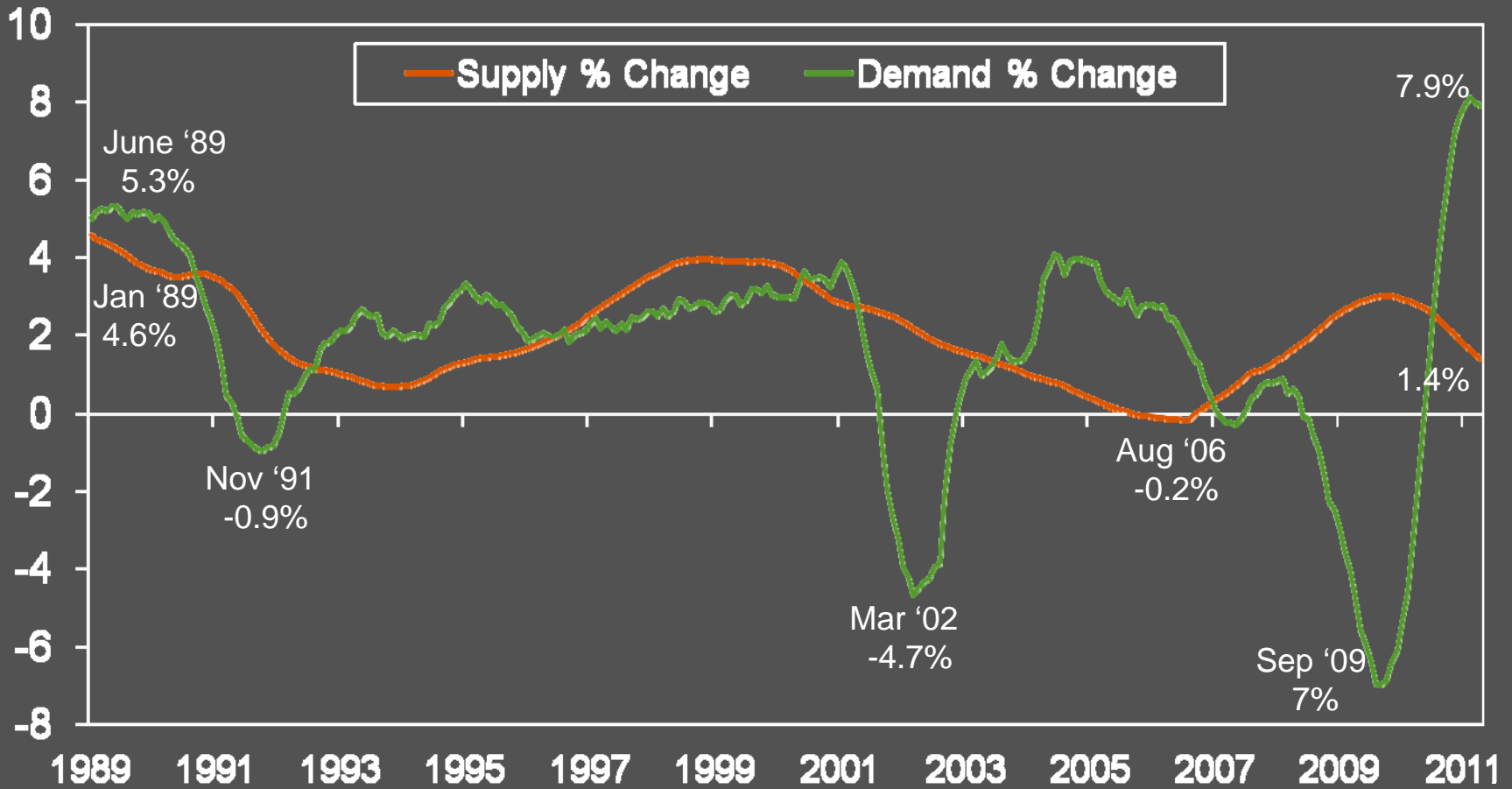


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Total United States

Room Supply/Demand Percent Change

Twelve Month Moving Average – 1989 to April 2011

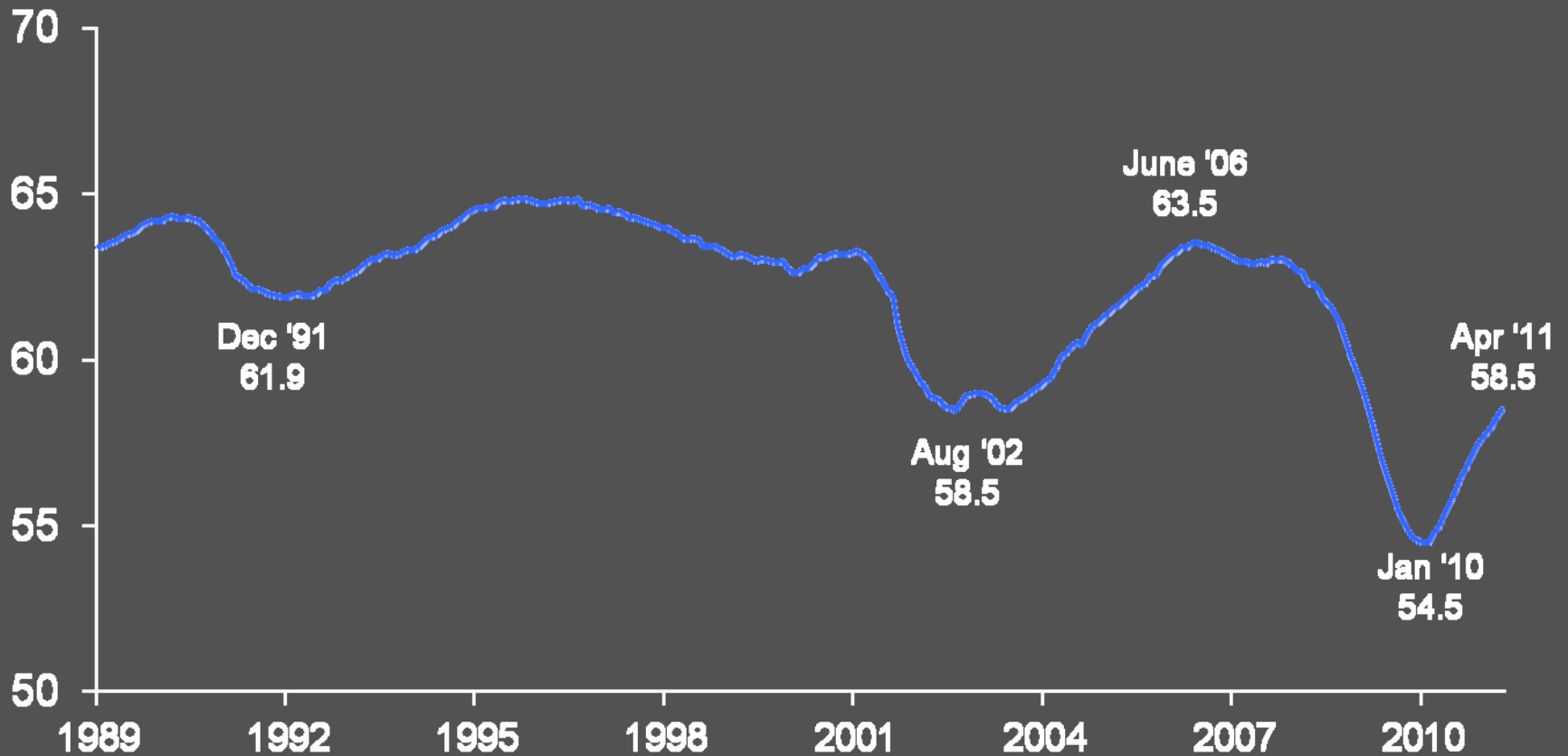


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Total United States

Occupancy

Twelve Month Moving Average – 1989 to April 2011



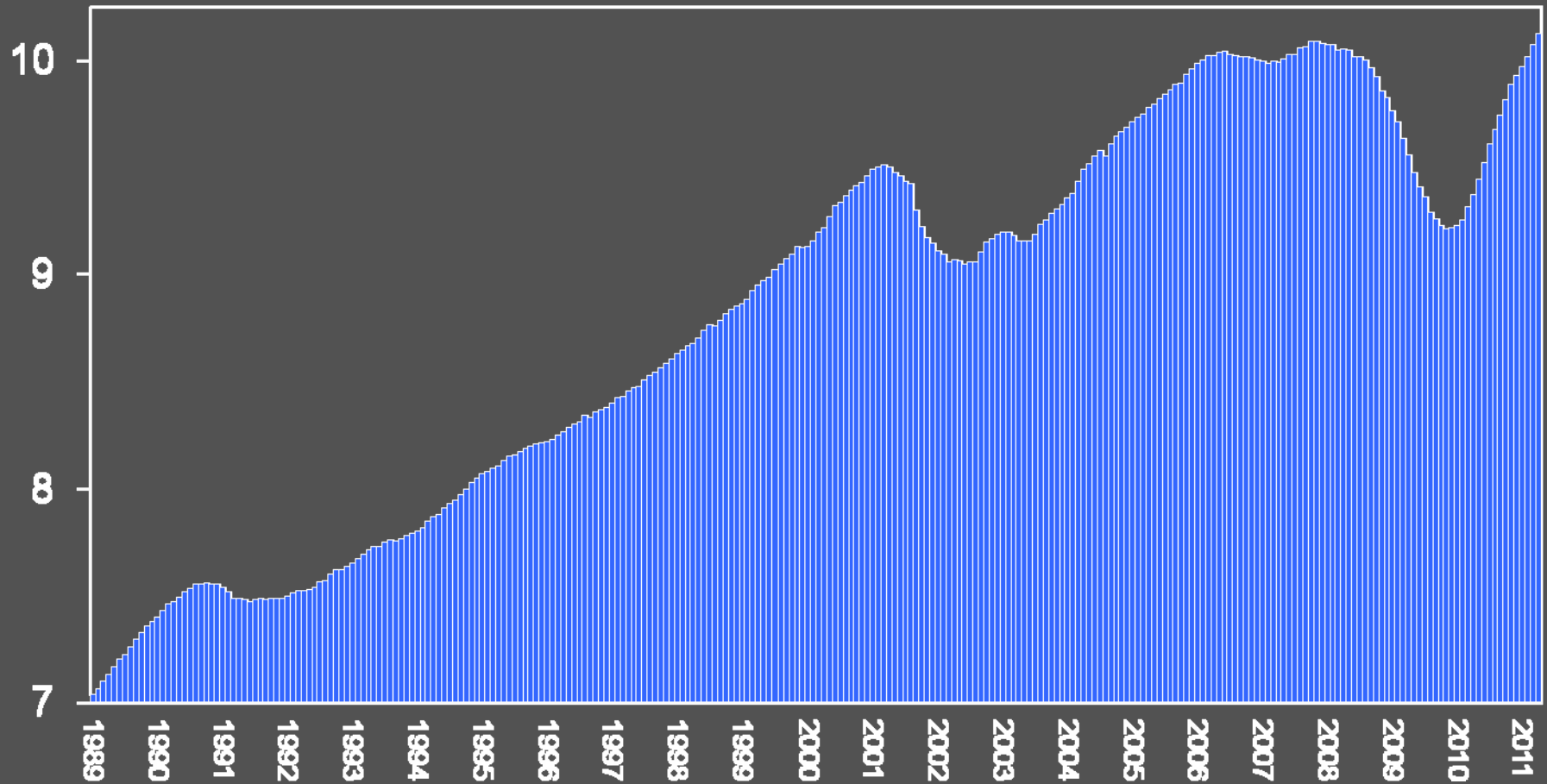
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Total United States

Room Nights Sold – 12 Month Moving Average (000,000,000)

January 1989 – April 2011

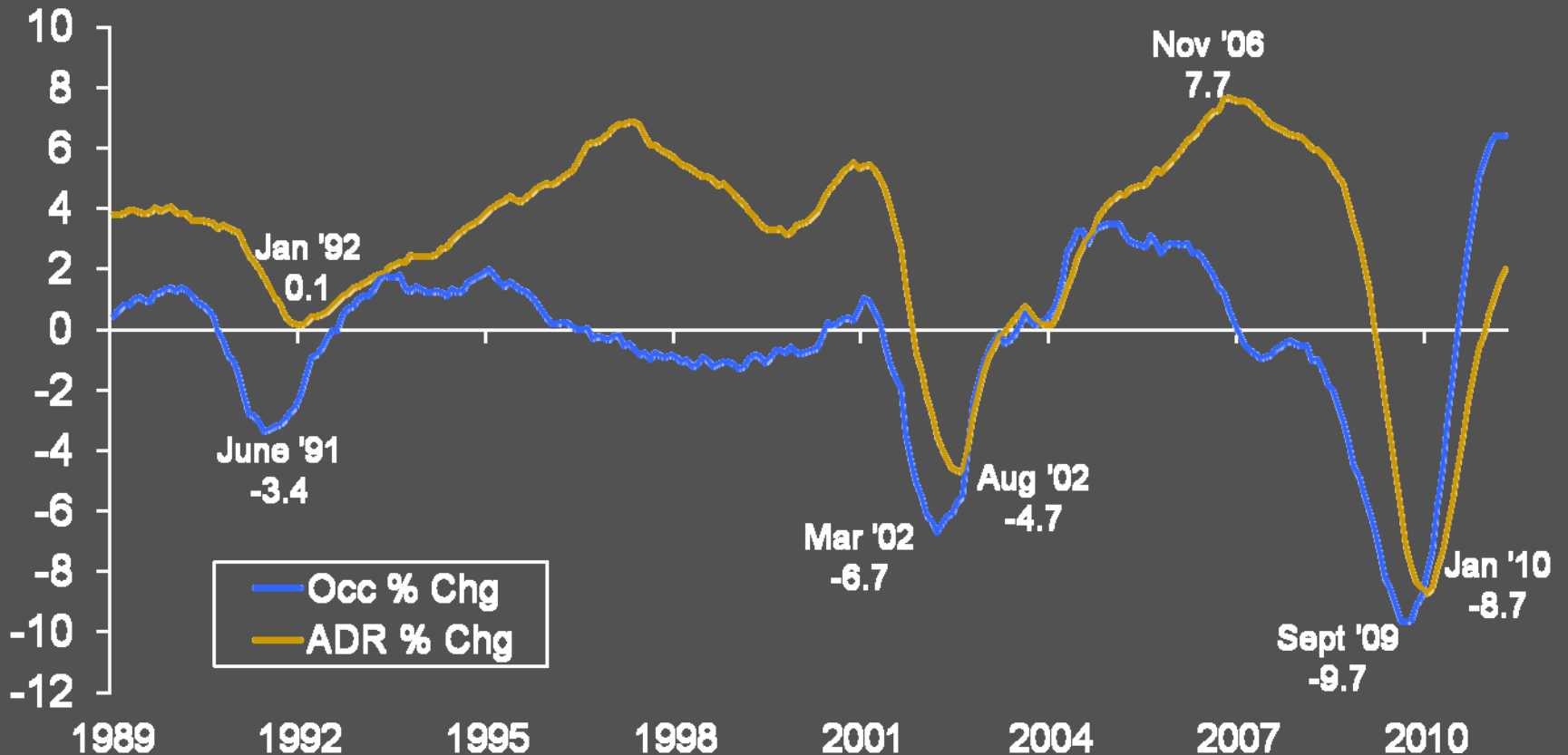


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Total United States

Occupancy/ADR Percent Change

Twelve Month Moving Average – 1989 to April 2011

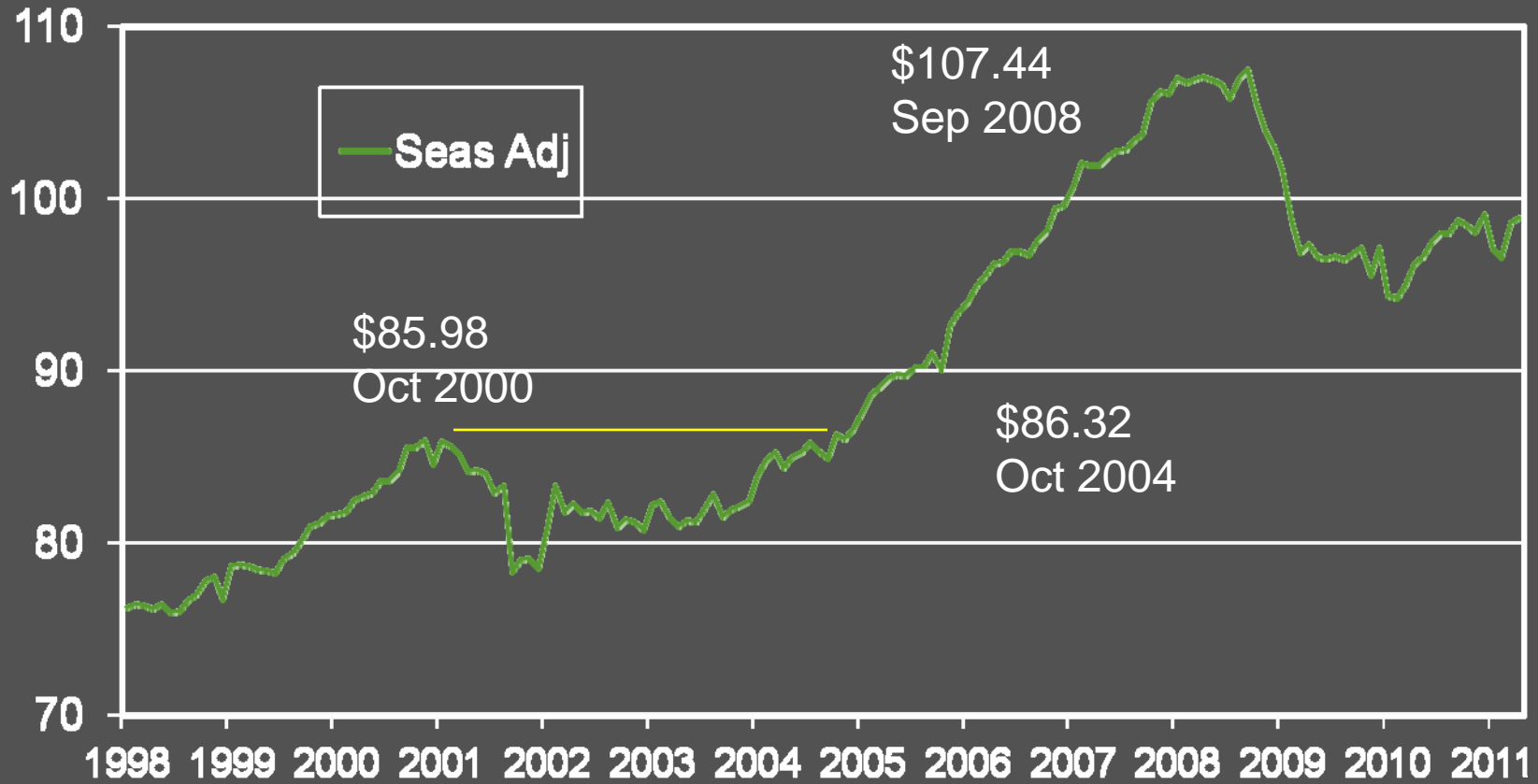


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Total United States

ADR – Seasonally Adjusted

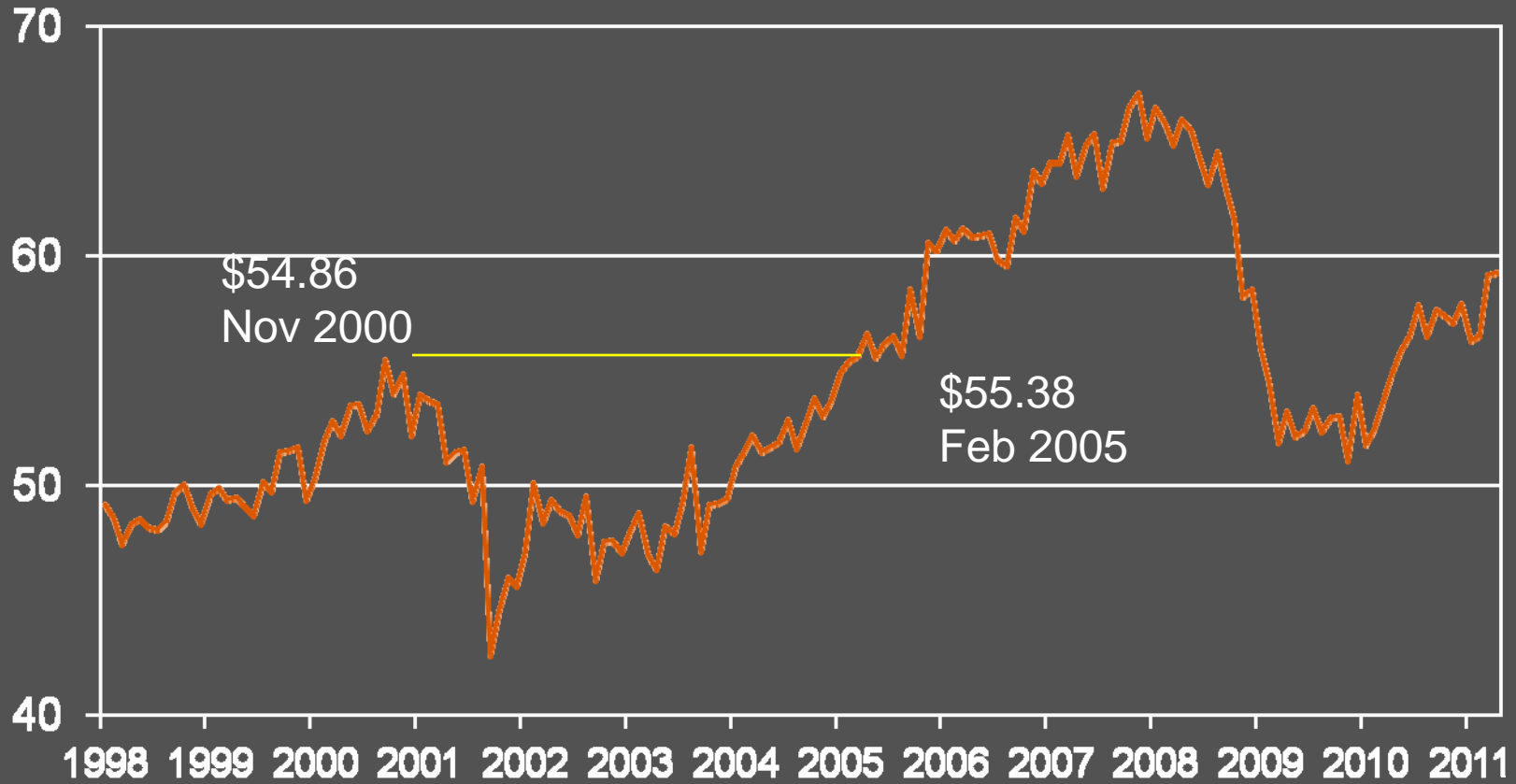
1998 to April 2011



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Total United States

RevPAR – Seasonally Adjusted
1998 to April 2011



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Chain Scales

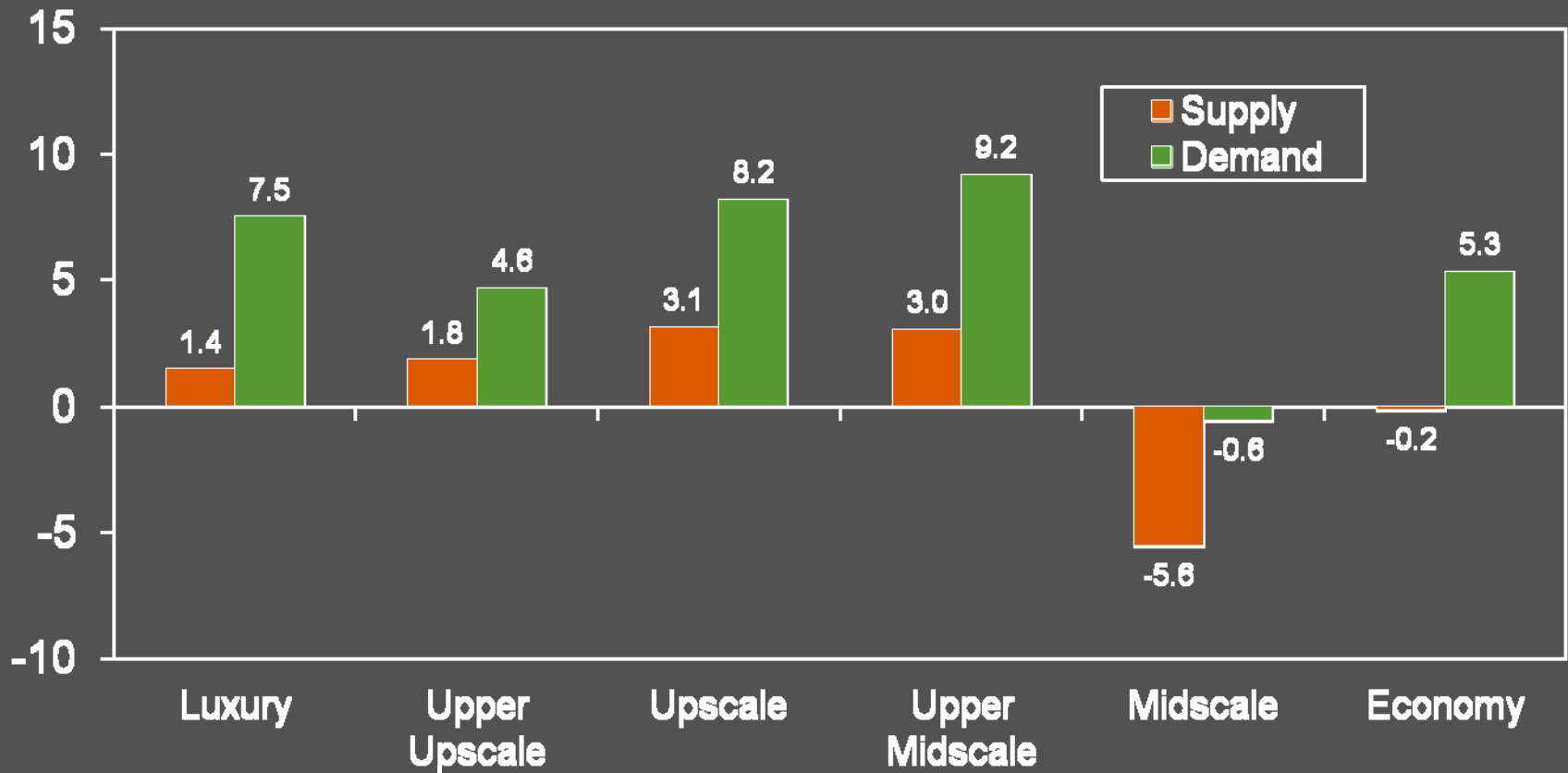


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Chain Scales

Supply / Demand Percent Change
April YTD 2011

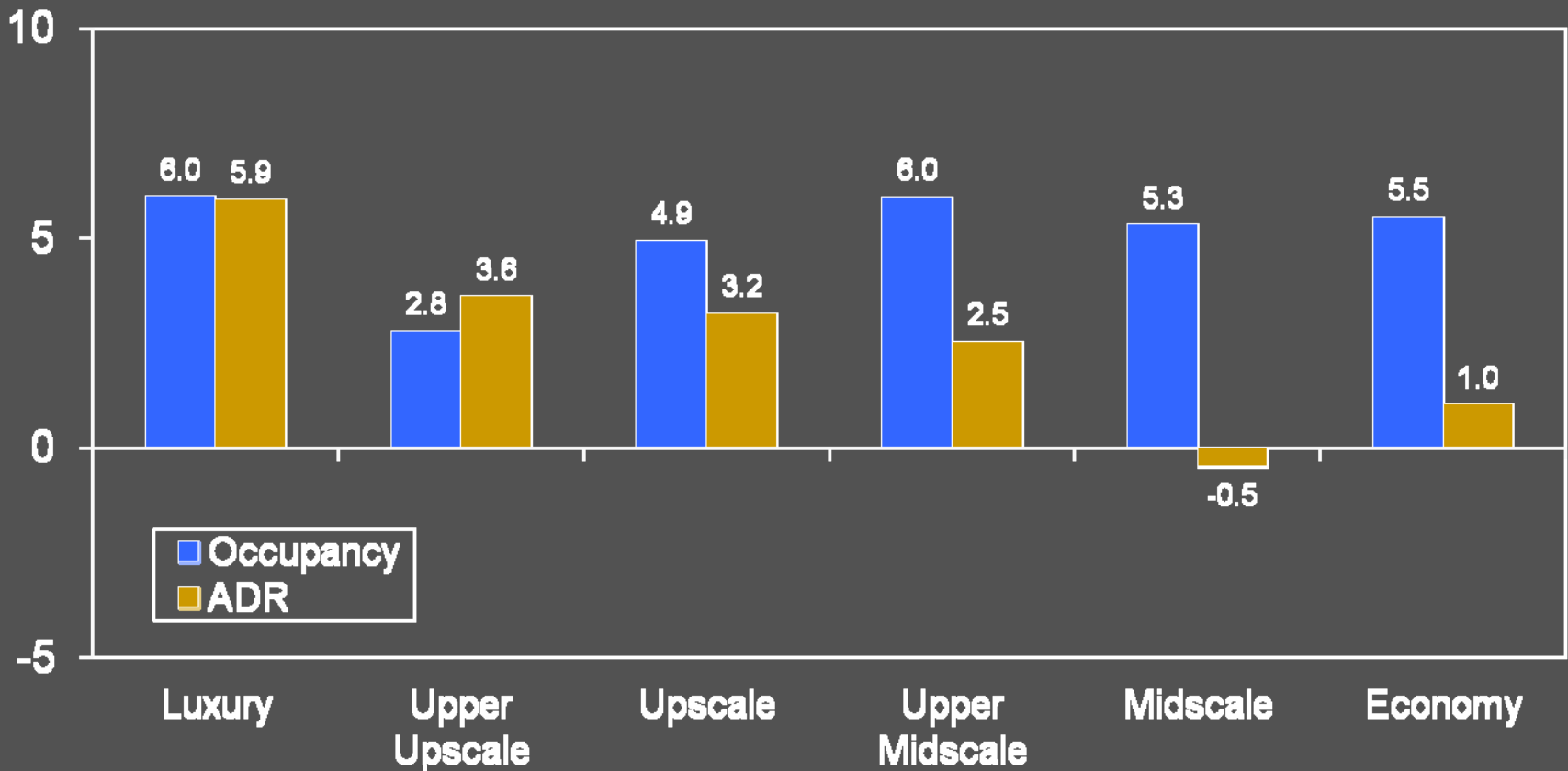


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Chain Scales

Occupancy / ADR Percent Change

April 2011 YTD

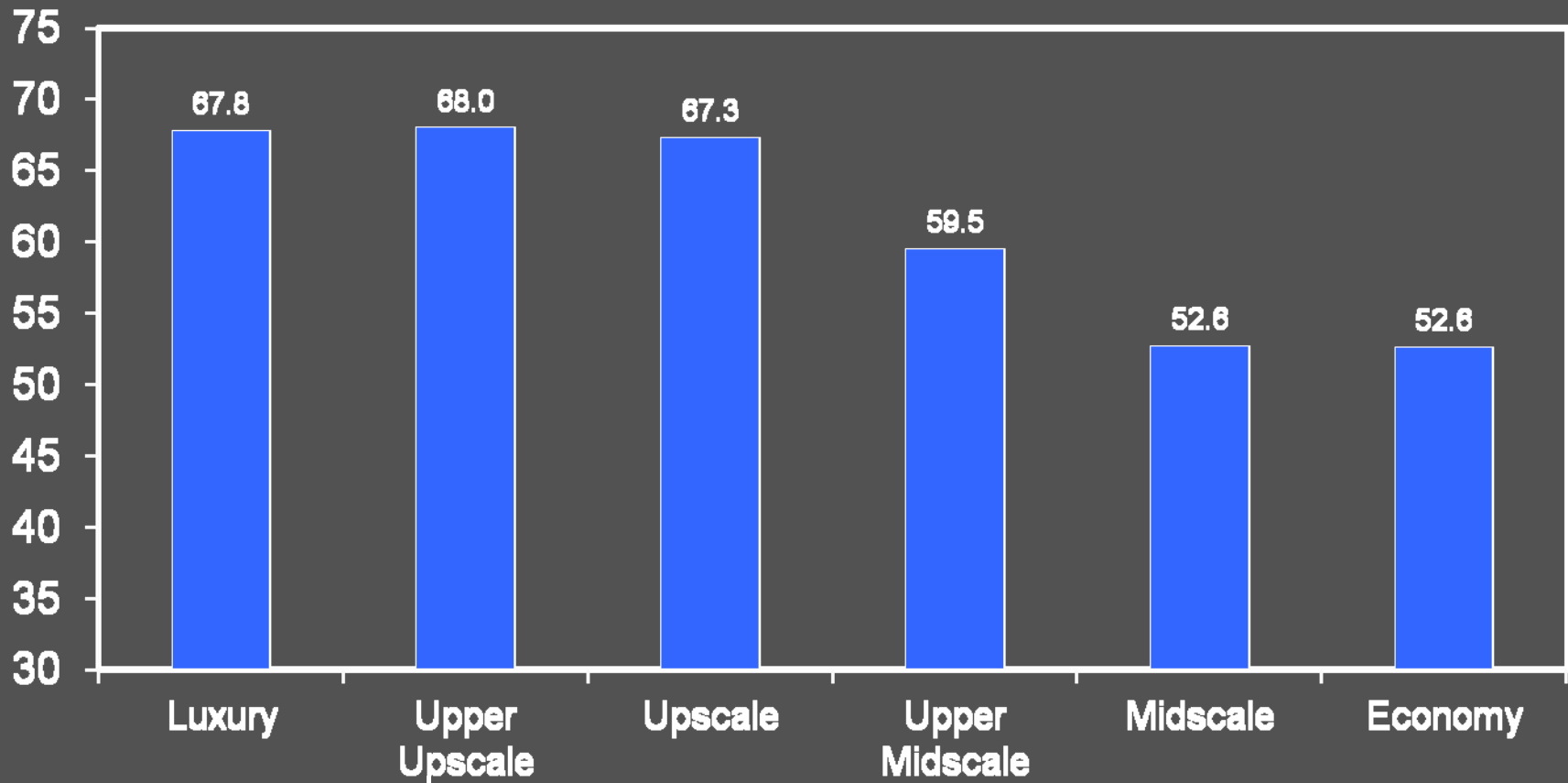


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Chain Scale

Occupancy Percent

Twelve Months Ended April 2011

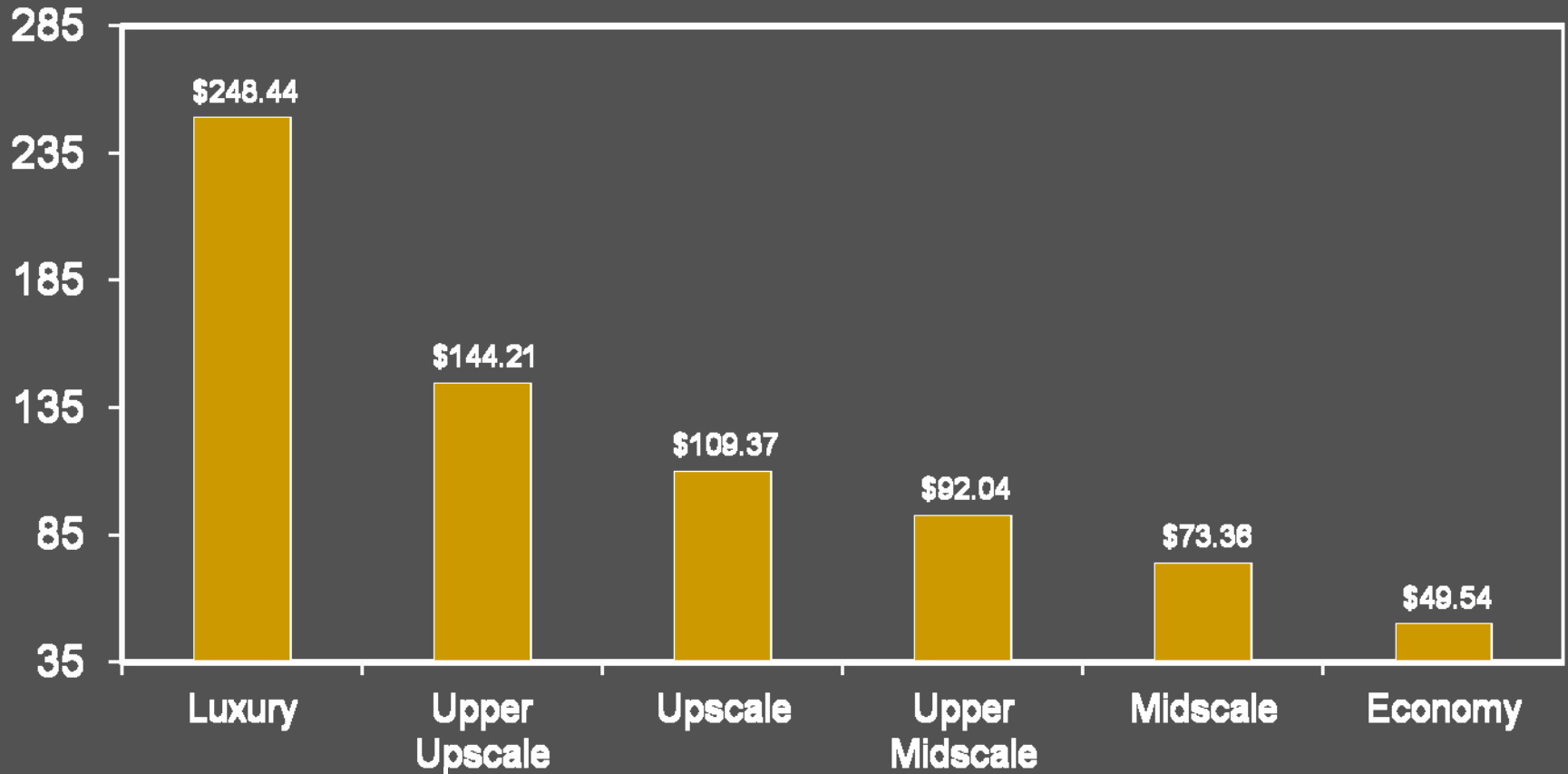


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Chain Scale

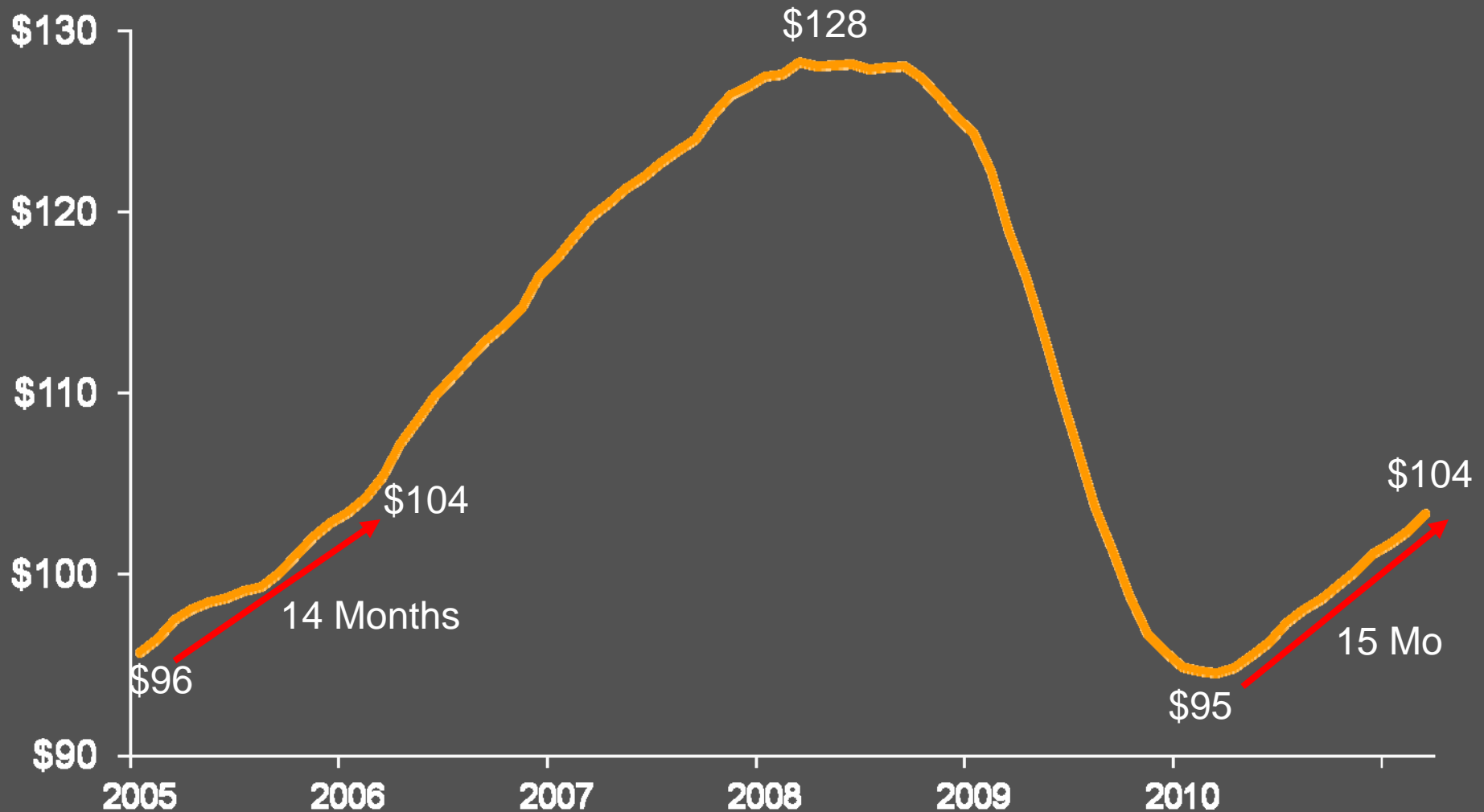
Average Daily Rate

Twelve Months Ended April 2011



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Luxury ADR Premium Increase On Pace



* Luxury ADR Premium Over Upper Upscale ADR, 12 MMA, 1/05 – 4/11 2011 Smith Travel Research, Inc.



Booking Channel Analysis

Understanding the Costs and Benefits
of All Distribution Channels

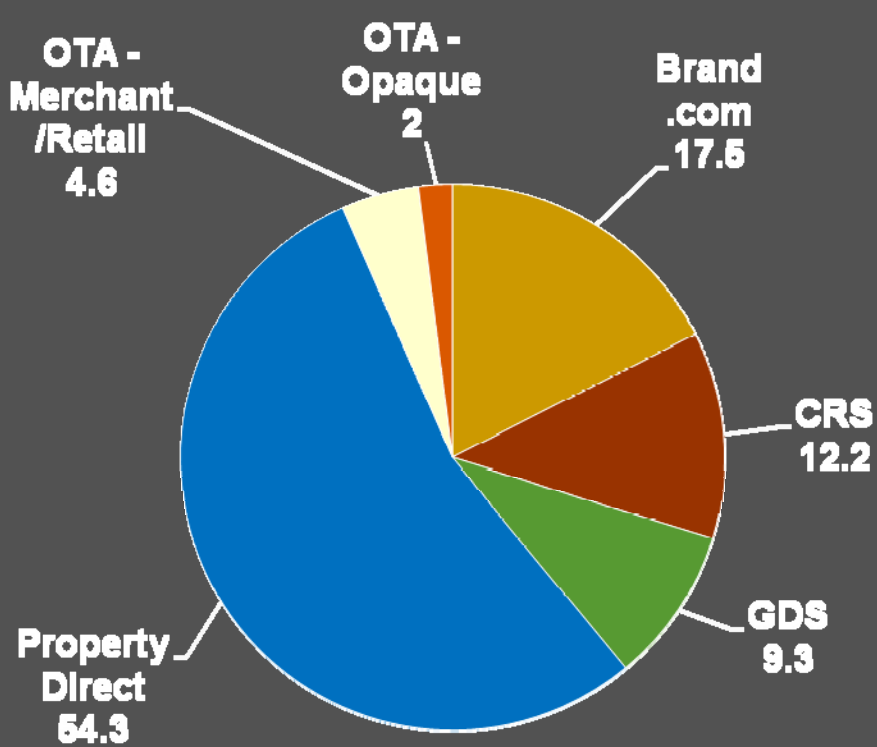


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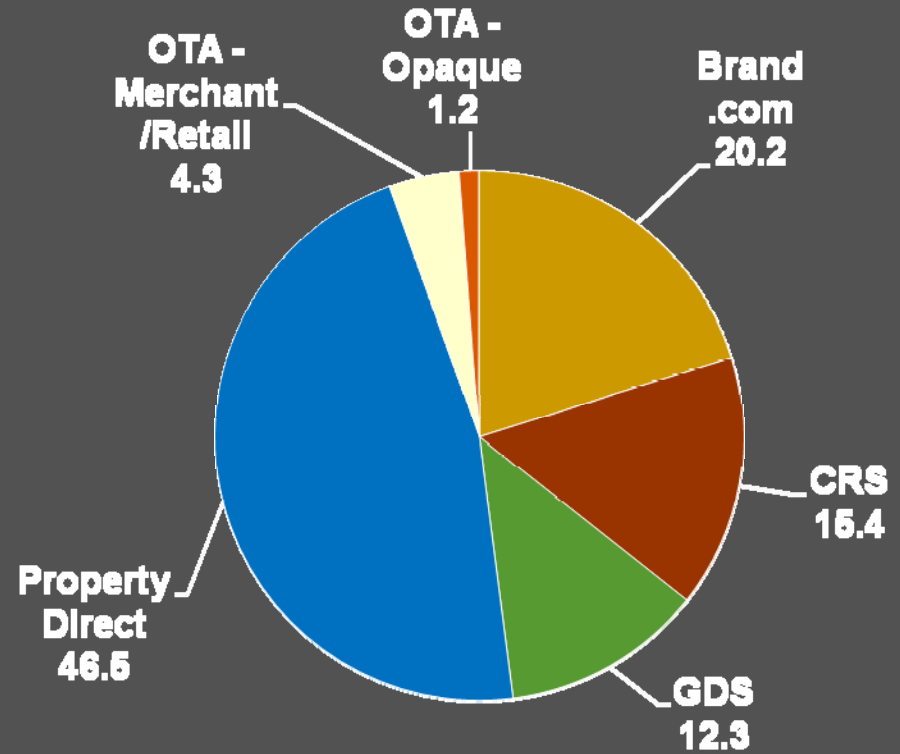


Demand & Revenue Share by Channel for Chain Hotels

All Scales less Independents, Annual 2010 – Preliminary Results



Demand Share



Revenue Share

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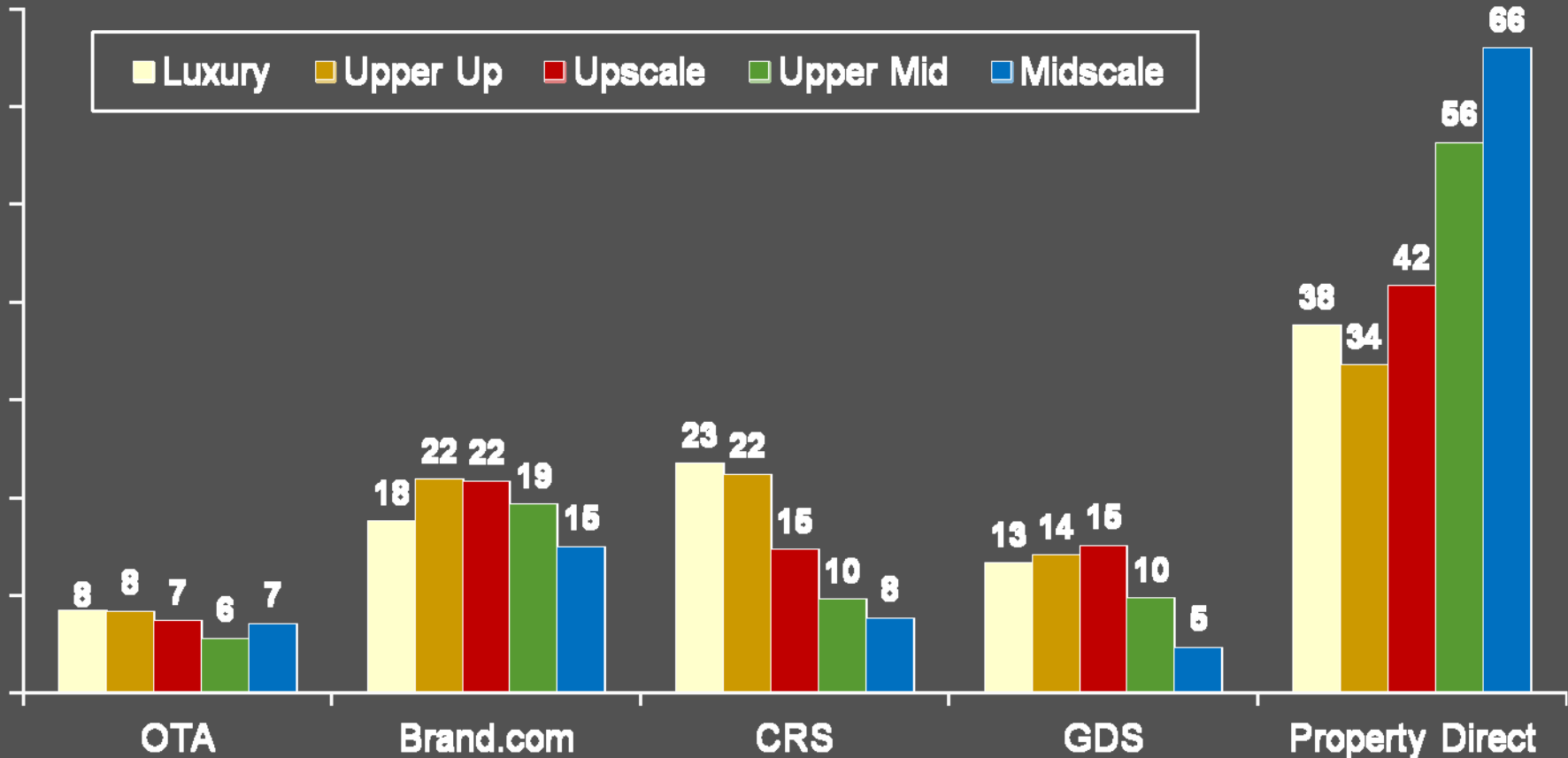
Combining OTA Merchant/Retail; Prop Direct includes walk-in, group, & deals;

Shares vary widely by scale; total numbers are blended; definitions available



Channel Demand Share by Scale – Channel View

Demand Share as percent of Total Demand, Annual 2010 – Preliminary Results



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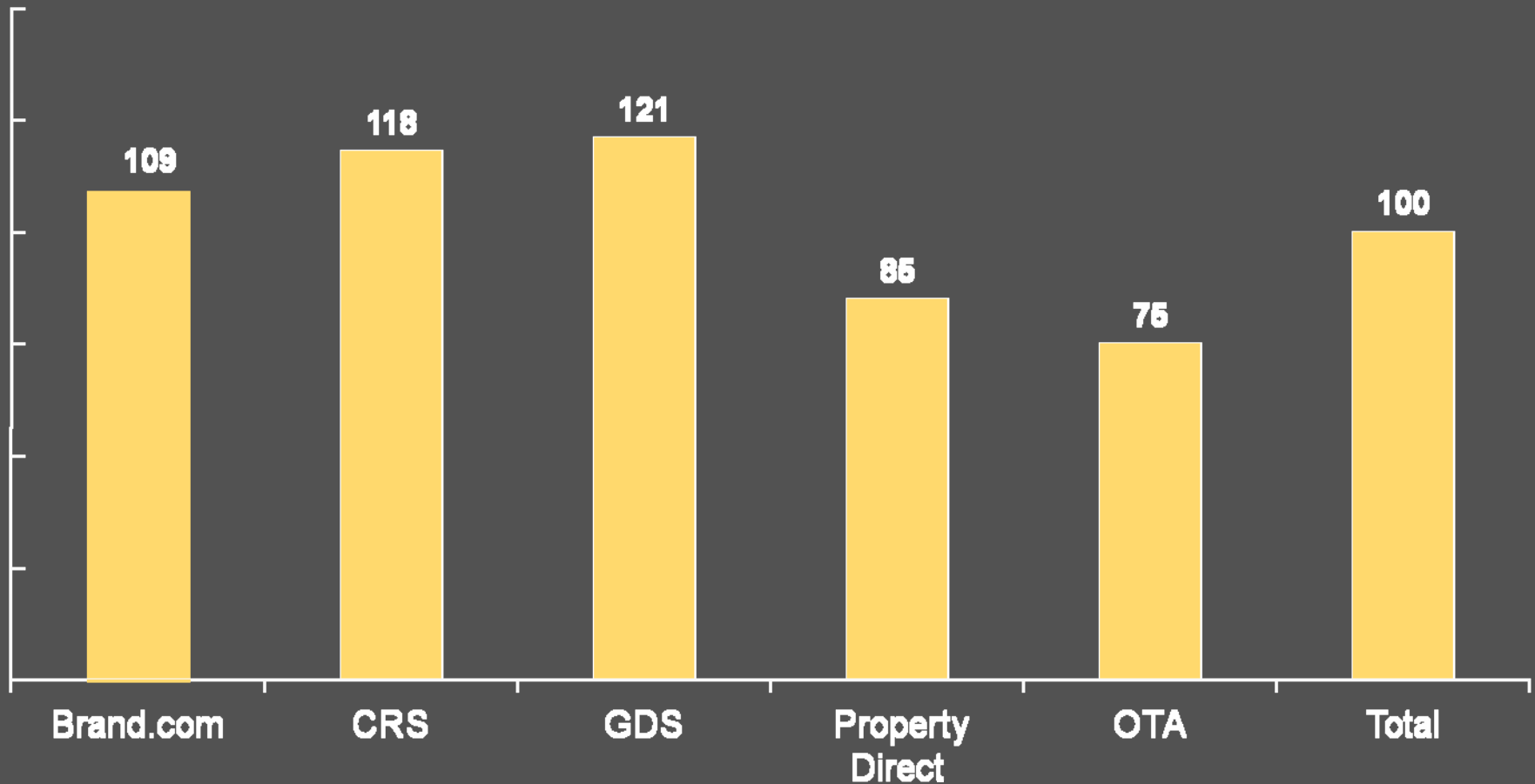


Brand.com in UpUp & Up, CRS in Lux & UpUp, GDS at top, Prop Direct bottom



Channel Revenue Differential Index for Chain Hotels

Annual 2010 – Preliminary Results



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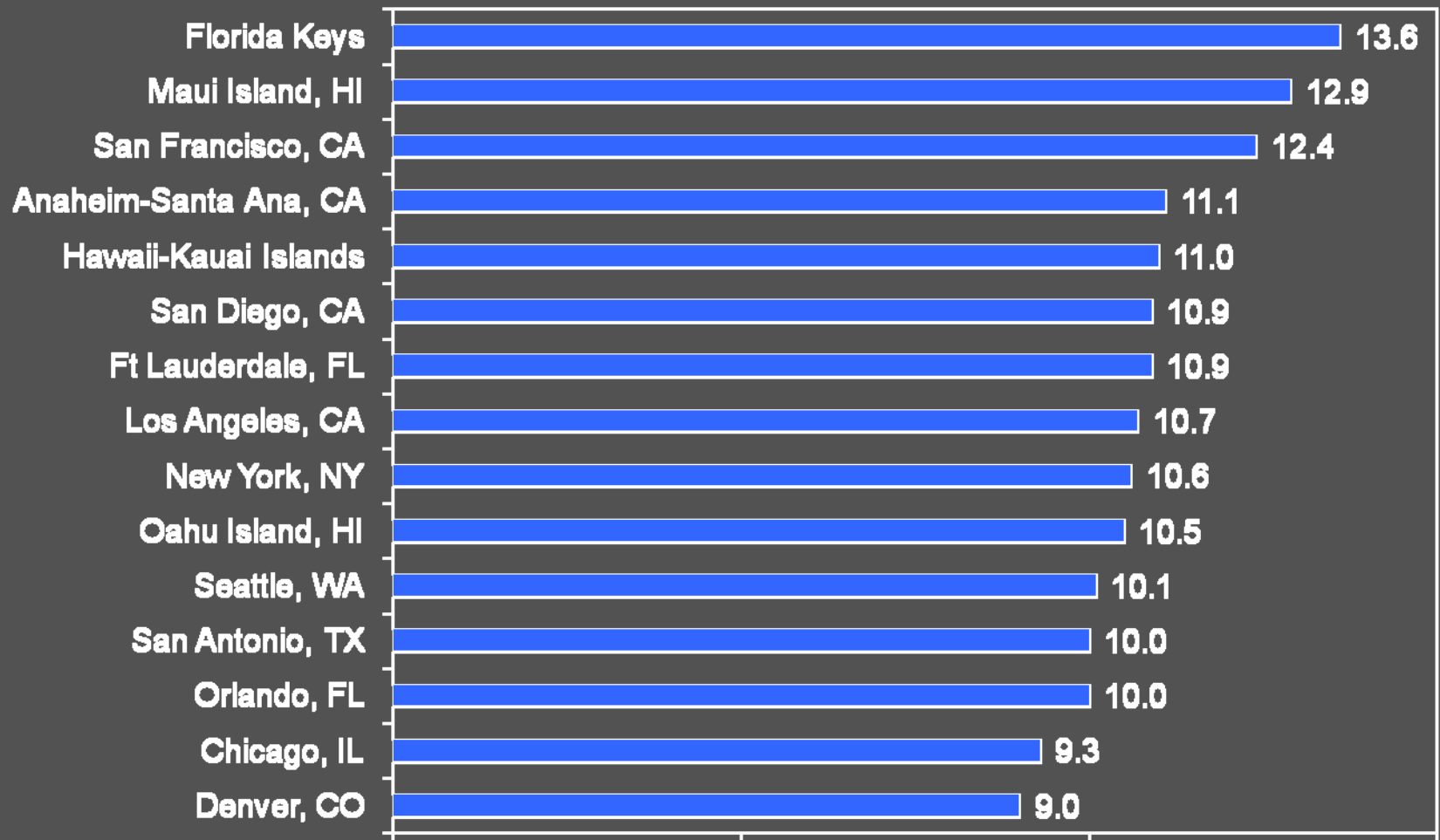


Channels relative to Total, assuming ADR at \$100, note GDS & Prop Direct



Top 15 Markets, Percent of OTA Demand

Annual 2010, Combined OTA demand compared to total demand, Chain Hotels



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OTA activity higher in leisure and group destinations





Forecast



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Total United States

Active Development Pipeline – Rooms Change From Last Year

<u>Phase</u>	<u>April 2011</u>	<u>April 2010</u>	<u>Difference</u>	<u>% Change</u>
In Construction	50,335	77,404	-27,069	-35.0%
“Planned Pipeline”	272,088	289,676	-17,588	-6.1%
Active Pipeline	322,423	367,080	-44,657	-12.2%

Planned Pipeline includes projects in Final Planning and Planning phases

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Total United States

Key Performance Indicator Outlook Scenario (% change vs. Prior Year) 2011P

Hotel Industry Performance Scenarios

	2011		
	Low RevPAR Growth	Forecast	High RevPAR Growth
Supply	0.9	0.7	0.4
Demand	4.0	4.6	5.3
Occupancy	3.2	3.8	4.8
ADR	3.2	4.0	4.7
RevPAR	6.6	8.0	9.2

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Total United States

Chain Scale Key Performance Indicator Outlook

2011F by Chain Scale

	2011 Year End Outlook		
Chain Scale	Occupancy (% chg)	ADR (% chg)	RevPAR (%chg)
Luxury	3.9	6.4	10.4
Upper Upscale	2.6	5.2	7.7
Upscale	4.4	5.1	9.6
Upper Midscale	4.0	4.2	8.2
Midscale	5.7	2.0	7.7
Economy	2.0	2.8	4.9
Independent	4.1	4.3	8.5
Total United States	3.8	4.0	8.0

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Total United States

Key Performance Indicator Outlook Scenario (% change vs. Prior Year) 2012P

Hotel Industry Performance Scenarios

	2012		
	Low RevPAR Growth	Forecast	High RevPAR Growth
Supply	0.8	0.5	0.3
Demand	2.0	2.5	2.9
Occupancy	1.3	2.0	2.8
ADR	5.2	6.0	6.9
RevPAR	6.7	8.1	9.5

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Total United States

Chain Scale Key Performance Indicator Outlook

2012F by Chain Scale

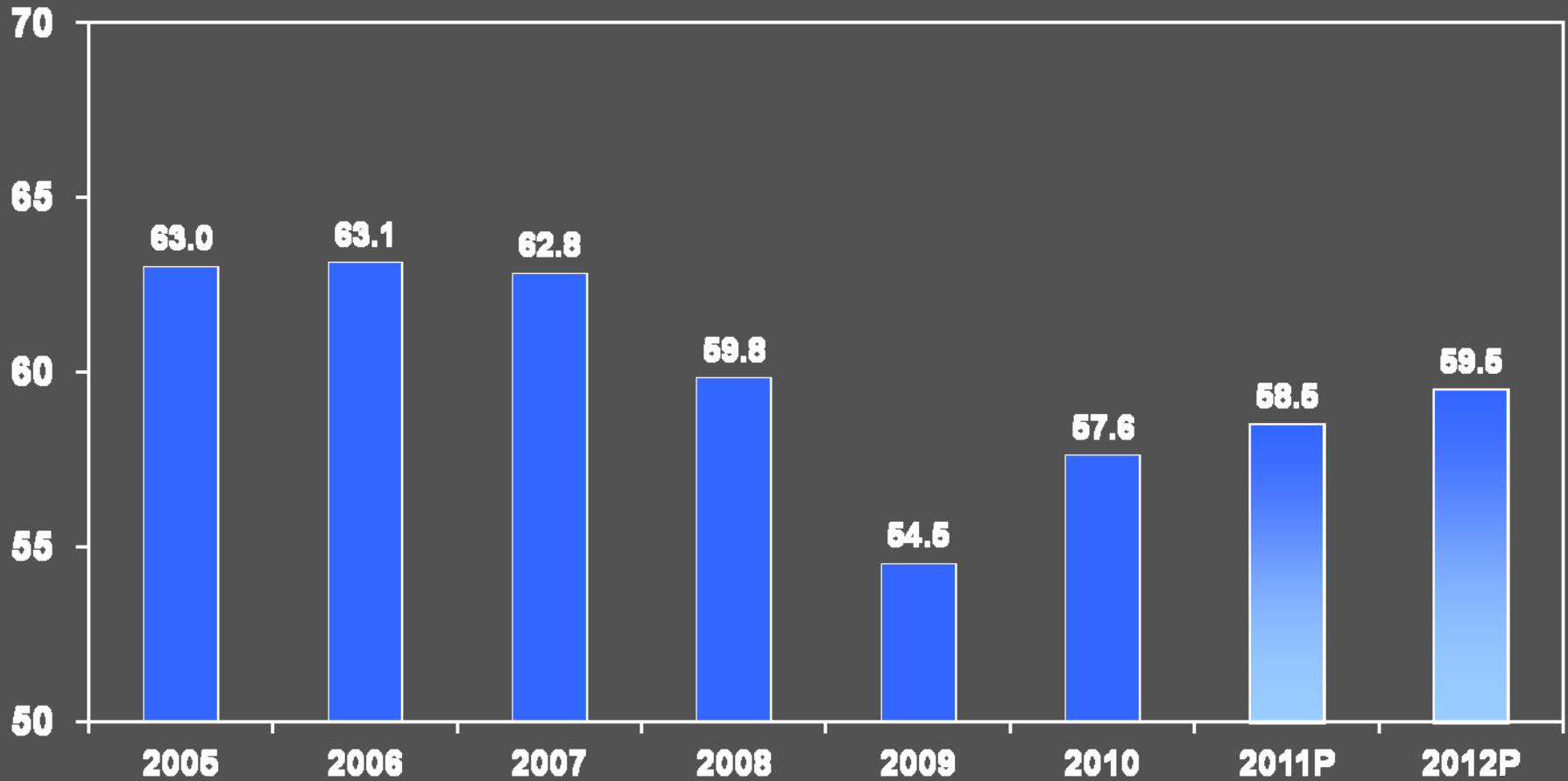
	2012 Year End Outlook		
Chain Scale	Occupancy (% chg)	ADR (% chg)	RevPAR (%chg)
Luxury	1.6	8.2	9.8
Upper Upscale	1.7	6.9	8.7
Upscale	2.6	7.4	9.9
Upper Midscale	0.8	5.8	6.7
Midscale	1.1	5.4	6.5
Economy	1.7	3.8	5.4
Independent	3.0	6.1	9.0
Total United States	2.0	6.0	8.1

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Total United States

Occupancy Percent

2005 – 2012P



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Total United States

Average Daily Rate (In Dollars)

2005 – 2012P



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Hotel Valuation and Transaction Trends for the U.S. Lodging Industry

June 2011

Presented by
Steve Rushmore, MAI, FRICS, CHA
srushmore@hvs.com

Copies of Presentation

Hard Copy – On your seat or at the HVS booth.

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“What a difference a year makes.”

Or better yet- “What a difference six months make.”

Specifically- the last six months of 2010.

HVS Focuses on Value

Each year HVS values thousands of hotels throughout the world.

The HVS- Hotel Valuation Index (HVI) measures changes in value and provides a tool for identifying hotel acquisition opportunities.

In the U.S. the HVI shows the value of a typical hotel in 52 markets from 1987-2015

Value Trend for a Typical U.S. Hotel

	2000	2001	2002	2003	2004	2005
Value Per Room	\$67,000	\$51,000	\$51,000	\$51,000	\$65,000	\$82,000
Percent Change	13%	-24%	0%	0%	27%	26%
	2006	2007	2008	2009	2010	2011
Value Per Room	\$99,000	\$95,000	\$81,000	\$56,000	\$65,000	\$84,000
Percent Change	21%	-4%	-15%	-31%	17%	28%
	2012	2013	2014	2015		
Value Per Room	\$104,000	\$123,000	\$136,000	\$151,000		
Percent Change	25%	18%	11%	11%		

Value Trend for a Typical U.S. Hotel: Projection Comparison- This Year vs. Last Year

2011 Projections	2009	2010	2011	2012	2013	2014	2015
Value Per Room	\$56,000	\$65,000	\$84,000	\$104,000	\$123,000	\$136,000	\$151,000
Percent Change	-31%	17%	28%	25%	18%	11%	11%

2010 Projections	2009	2010	2011	2012	2013	2014	2015
Value Per Room	\$56,000	\$56,000	\$67,000	\$83,000	\$103,000	\$119,000	\$130,000
Percent Change	-31%	0%	21%	23%	24%	15%	9%

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Percent Change	-31%	0%	21%	23%	24%	15%	9%

Change in Value Per Room 2010

Recovery Commenced in Most Markets

<u>Rank</u>			<u>Rank</u>		
1	San Francisco	\$75,000	43	Philadelphia	(\$600)
2	Oahu	\$68,000	44	Indianapolis	(\$750)
3	Boston	\$60,000	45	Long Island	(\$1,000)
4	Miami	\$39,000	46	Cincinnati	(\$1,100)
5	Los Angeles	\$36,000	47	Richmond	(\$1,800)
6	Washington DC	\$35,000	48	Tampa	(\$2,000)
7	Chicago	\$35,000	49	Buffalo	(\$2,500)
8	Pittsburgh	\$26,000	50	Norfolk	(\$6,000)
9	San Jose	\$26,000	51	Las Vegas	(\$12,000)
10	Denver	\$25,000	52	Houston	(\$15,000)
23	United States	\$10,000			

Recession: Peak to Valley – Change in Value Per Room 2006-2009

Rank

1	WPB – Boca Raton	(\$148,000)
2	Las Vegas	(\$142,000)
3	Phoenix	(\$122,000)
4	Chicago	(\$108,000)
5	Oahu	(\$102,000)
6	Tucson	(\$86,000)
7	San Diego	(\$85,000)
8	New York	(\$83,000)
9	Fort Lauderdale	(\$76,000)
10	Jacksonville	(\$75,000)

27 United States (\$43,000)

Rank

43	Houston	(\$19,000)
44	Albuquerque	(\$15,000)
45	Cincinnati	(\$14,000)
46	Denver	(\$14,000)
47	Portland	(\$13,000)
48	San Francisco	(\$10,000)
49	Austin	(\$8,000)
50	Pittsburgh	\$3,000
51	Washington DC	\$23,000
52	Buffalo	\$27,000

Recession: Peak to Valley – Change in Value Per Room 2006-2009

<u>Rank</u>			<u>Rank</u>		
1	WPB – Boca Raton	(\$148,000)	43	Houston	(\$19,000)
2	Las Vegas	(\$142,000)	44	Albuquerque	(\$15,000)
3	Phoenix	(\$122,000)	45	Cincinnati	(\$14,000)
4	Chicago	(\$108,000)	46	Denver	(\$14,000)
5	Oahu	(\$102,000)	47	Portland	(\$13,000)
6	Tucson	(\$86,000)	48	San Francisco	(\$10,000)
7	San Diego	(\$85,000)	49	Austin	(\$8,000)
8	New York	(\$83,000)	50	Pittsburgh	\$3,000
9	Fort Lauderdale	(\$76,000)	51	Washington DC	\$23,000
10	Jacksonville	(\$75,000)	52	Buffalo	\$27,000
27	United States	(\$43,000)			

Projected Change in Value Per Room 2011

The Recovery Lifts Hotel Values in All Markets

Rank

1	San Francisco	\$51,000
2	Oahu	\$41,000
3	New Orleans	\$34,000
4	San Diego	\$34,000
5	Chicago	\$26,000
6	Miami	\$25,000
7	Phoenix	\$25,000
8	Orlando	\$23,000
9	Anaheim	\$22,000
10	Los Angeles	\$22,000

Rank

43	Raleigh-Durham	\$9,000
44	Nashville	\$8,000
45	Memphis	\$8,000
46	Norfolk	\$8,000
47	Tucson	\$7,000
48	Indianapolis	\$7,000
49	Buffalo	\$6,000
50	St. Louis	\$6,000
51	Sacramento	\$4,000
52	Albuquerque	\$4,000

18 United States \$18,000

Projected Percent Change in Value 2011

Secondary Cities Show Significant Percent Gains

Rank

1	Detroit	55%
2	Phoenix	45%
3	Cleveland	43%
4	Tampa	41%
5	Richmond	39%
6	Orlando	35%
7	New Orleans	35%
8	Philadelphia	29%
9	Jacksonville	28%
10	United States	28%

Rank

43	Nashville	12%
44	San Jose	11%
45	Pittsburgh	11%
46	Baltimore	11%
47	Long Island	11%
48	Boston	8%
49	Albuquerque	8%
50	Buffalo	7%
51	Washington DC	6%
52	New York	4%

Projected Percent Change in Value 2011

Secondary Cities Show Significant Percent Gains

Rank

1	Detroit	55%
2	Phoenix	45%
3	Cleveland	43%
4	Tampa	41%
5	Richmond	39%
6	Orlando	35%
7	New Orleans	35%
8	Philadelphia	29%
9	Jacksonville	28%
10	United States	28%

Rank

43	Nashville	12%
44	San Jose	11%
45	Pittsburgh	11%
46	Baltimore	11%
47	Long Island	11%
48	Boston	8%
49	Albuquerque	8%
50	Buffalo	7%
51	Washington DC	6%
52	New York	4%

Recovery: Change in Value Per Room 2010-2015

Invest in Convention Destinations

Rank

1	San Francisco	\$233,000
2	Oahu	\$185,000
3	New York	\$180,000
4	San Diego	\$128,000
5	Phoenix	\$126,000
6	Las Vegas	\$118,000
7	Chicago	\$114,000
8	New Orleans	\$114,000
9	San Antonio	\$105,000
10	Dallas	\$103,000

Rank

43	Nashville	\$56,000
44	Memphis	\$54,000
45	Indianapolis	\$53,000
46	Miami	\$53,000
47	Cincinnati	\$52,000
48	Milwaukee	\$50,000
49	Norfolk	\$42,000
50	St. Louis	\$40,000
51	Buffalo	\$40,000
52	Albuquerque	\$32,000

19 United States \$85,000

Long-Term Hold: Average Annual Compounded Growth in Value 1987-2015

Rank

1	Austin	10%
2	New York	9%
3	Miami	9%
4	Houston	7%
5	Denver	7%
6	San Antonio	7%
7	Oahu	7%
8	Portland	7%
9	San Francisco	6%
10	New Orleans	6%

Rank

43	Orlando	3%
44	Buffalo	3%
45	Tucson	3%
46	Indianapolis	3%
47	Philadelphia	2%
48	Richmond	2%
49	Albuquerque	2%
50	Detroit	2%
51	Norfolk	1%
52	Long Island	1%

19 United States

5% and 15% with market timing

Highest-Value Cities – Value Per Room

<u>2006 – Peak</u>		<u>2009 – Valley</u>		<u>2015 – Projected Value</u>	
New York	\$383,000	New York	\$300,000	New York	\$575,000
Oahu	\$337,000	Washington DC	\$264,000	San Francisco	\$539,000
San Francisco	\$240,000	Oahu	\$236,000	Oahu	\$488,000
Washington DC	\$240,000	San Francisco	\$230,000	Washington DC	\$363,000
San Diego	\$230,000	Boston	\$195,000	Boston	\$354,000
Miami	\$220,000	Miami	\$162,000	San Diego	\$278,000
Boston	\$215,000	San Diego	\$145,000	Miami	\$254,000
Chicago	\$198,000	Los Angeles	\$128,000	Los Angeles	\$251,000
Los Angeles	\$193,000	Austin	\$126,000	Chicago	\$239,000
WPB – Boca Raton	\$193,000	Seattle	\$119,000	Seattle	\$225,000

Highest-Value Cities – Value Per Room

2006 – Peak

New York	\$383,000
Oahu	\$337,000
San Francisco	\$240,000
Washington DC	\$240,000
San Diego	\$230,000
Miami	\$220,000
Boston	\$215,000
Chicago	\$198,000
Los Angeles	\$193,000
WPB – Boca Raton	\$193,000

2009 – Valley

New York	\$300,000
Washington DC	\$264,000
Oahu	\$236,000
San Francisco	\$230,000
Boston	\$195,000
Miami	\$162,000
San Diego	\$145,000
Los Angeles	\$128,000
Austin	\$126,000
Seattle	\$119,000

2015 – Projected Value

New York	\$575,000
San Francisco	\$539,000
Oahu	\$488,000
Washington DC	\$363,000
Boston	\$354,000
San Diego	\$278,000
Miami	\$254,000
Los Angeles	\$251,000
Chicago	\$239,000
Seattle	\$225,000

Major U.S. Sales Rebounded in 2010

	Number of Hotels	Number of Rooms	Average Price Per Room
1998	241	78,865	\$136,000
1999	125	35,901	\$139,000
2000	138	37,443	\$117,000
2001	117	29,668	\$153,000
2002	105	31,626	\$111,000
2003	135	35,489	\$136,000
2004	191	61,324	\$140,000
2005	279	83,354	\$158,000
2006	265	80,523	\$203,000
2007	256	64,872	\$191,000
2008	121	24,228	\$175,000
2009	47	13,882	\$162,000
2010	134	33,395	\$191,000
YTD 2010	40	7,579	\$167,000
YTD 2011	54	15,760	\$236,000

Hotel Transactions 2011

Property Name	City	State	Rm. Count	Price Per Room
Royalton	New York	NY	168	\$496,000
Morgans	New York	NY	114	\$496,000
Viceroy Santa Monica	Santa Monica	CA	162	\$494,444
Helmsley Hotel	New York	NY	775	\$404,516
Hilton San Diego Bayfront	San Diego	CA	1,190	\$399,160
Holiday Inn Express Wall Street	New York	NY	112	\$358,031
Manchester Grand Hyatt	San Diego	CA	1,625	\$350,769
Argonaut Hotel	San Francisco	CA	252	\$333,333
Royal Palm	Miami Beach	FL	409	\$317,848
Capitol Hill Suites	Washington	DC	152	\$312,500

Hotel Transactions 2011

Property Name	City	State	Rm. Count	Price Per Room
Royalton	New York	NY	168	\$496,000
Morgans	New York	NY	114	\$496,000
Viceroy Santa Monica	Santa Monica	CA	162	\$494,444
Helmsley Hotel	New York	NY	775	\$404,516
Hilton San Diego Bayfront	San Diego	CA	1,190	\$399,160
Holiday Inn Express Wall Street	New York	NY	112	\$358,031
Manchester Grand Hyatt	San Diego	CA	1,625	\$350,769
Argonaut Hotel	San Francisco	CA	252	\$333,333
Royal Palm	Miami Beach	FL	409	\$317,848
Capitol Hill Suites	Washington	DC	152	\$312,500

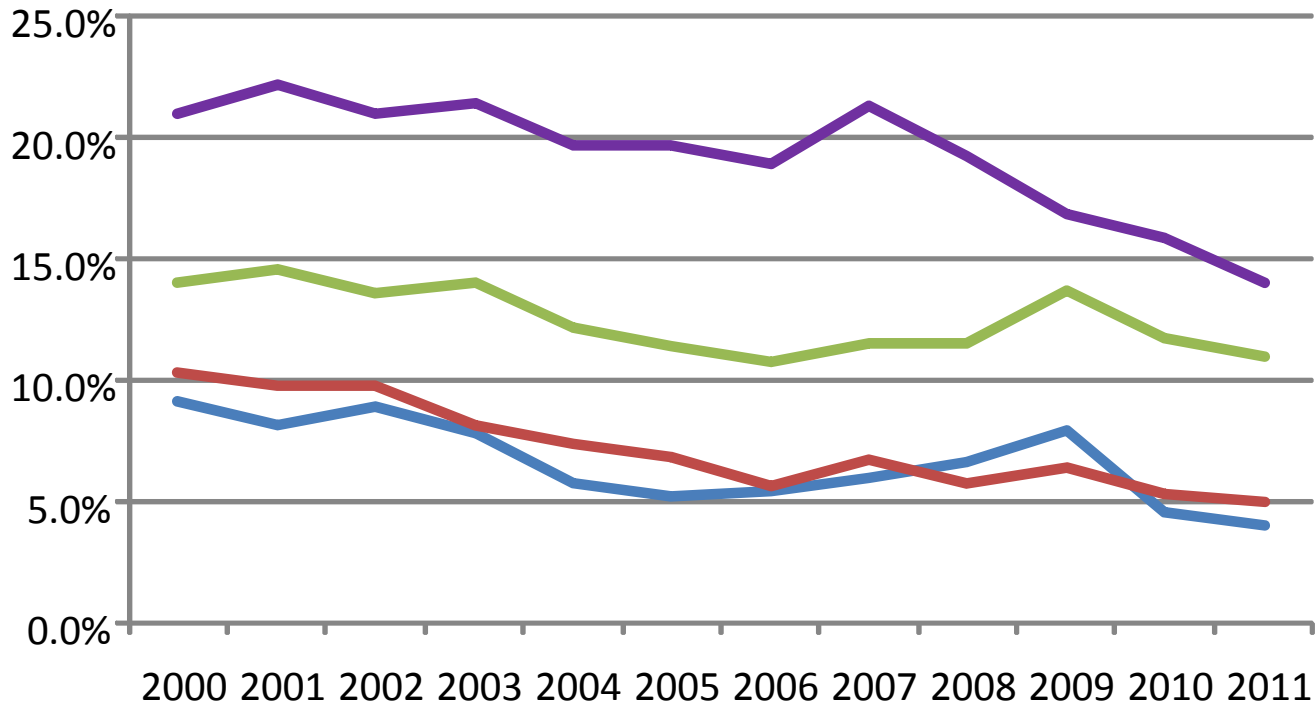
Hotel Transactions 2011





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Where Do We See Cap Rates Today?

	Overall Capitalization			Terminal	
	<u>Rate Based On:</u>			Cap Rate	Discount Rate
	T-12	Year One	Equity Yield		
Luxury	3% - 5%	5% - 7%	12% - 15%	6.5% - 8%	9.0% - 10.5%
Upper Upscale	4% - 7%	6% - 8%	14% - 17%	8% - 9.5%	9.5% - 11.5%
Upscale/Mid-Scale	5% - 8%	7% - 9%	16% - 19%	9% - 11%	11% - 12.5%

U.S. Capitalization Rates at Historic Lows



	2011	
Cap T-12	4.0%	
Cap Year One	5.0%	
Discount Rate	10.5%	
Equity Yield	15.0%	

Why Are Cap Rates So Low?

“8% is the new 10%.”

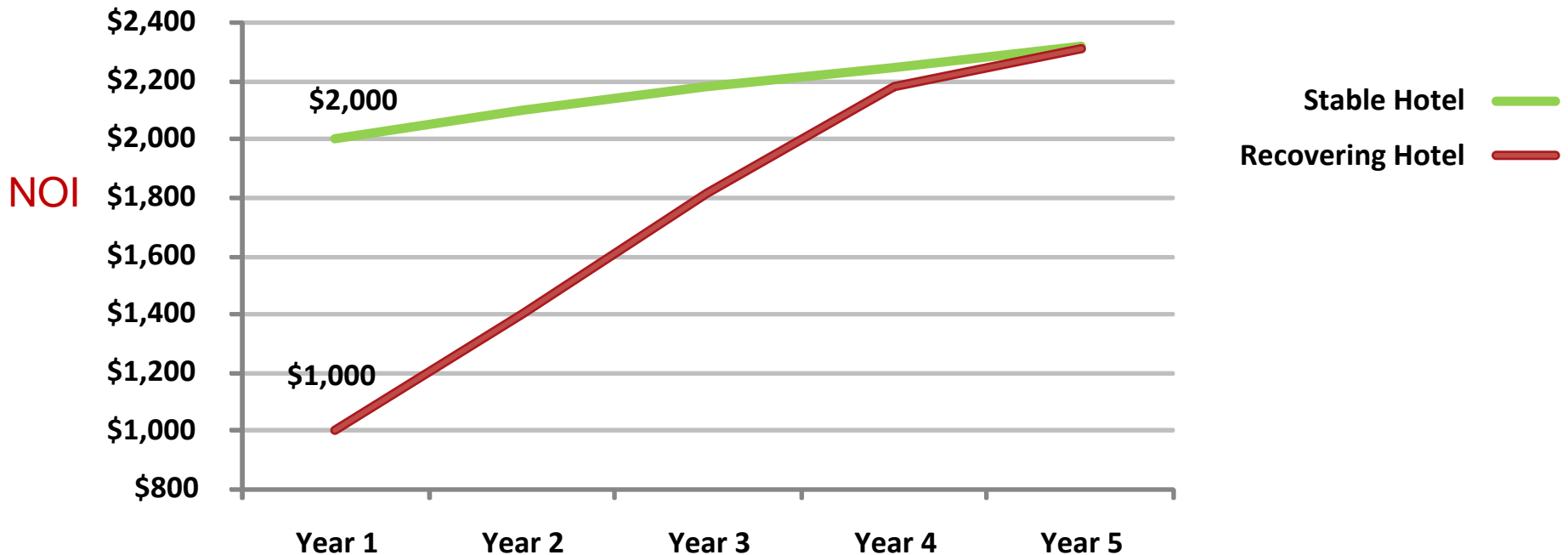
Anne Lloyd-Jones, HVS

Why Are Cap Rates So Low?

- Mortgage interest rates are at historic lows**
- Equity capital is plentiful – more buyers than sellers**
- Current NOI levels are depressed and don't reflect upside**

Why Are Cap Rates So Low?

How depressed NOI's affect hotel cap rates



	Stable Hotel	Recovering Hotel With NOI Upside
Value	\$25,000	\$25,000
NOI	\$2,000	\$1,000
Cap Rate	8.0%	4.0%

Buy

- San Francisco
- Oahu
- Phoenix
- New Orleans
- Las Vegas
- New York

Sell

...but not until 2012-2013

- Albuquerque
- Buffalo
- Norfolk
- Nashville
- St. Louis

Build

If you have financing available, start building now to open 2013-2014

Rushmore Observations

- Hotel demand continues to grow
- Construction financing is still scarce
- Limited growth of new hotel supply
- Extended period of increasing hotel values
- Don't be afraid of low cap rates
- If you missed the bottom, there is still plenty of upside available
- Now is the time to buy
- Don't sell until 2012-2013

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The Burger Joint



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Best Hamburger in NYC- 2011





**Thank
You**