



CENTRAL FLORIDA NEWSLETTER – FALL 2011

- A REVIEW OF VISITATION AND HOTEL MARKET TRENDS
- HOTEL NEWS ACROSS CENTRAL FLORIDA

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Metro Orlando Profile

The Greater Orlando metropolitan area, which encompasses Orange, Seminole, Osceola, and Lake Counties, consistently ranks among the most visited areas in the world. The area's famous attractions form the backbone of Orlando's tourism industry, including Walt Disney World Resort, SeaWorld, and Universal Orlando, among others. Although the peak season for tourism is from December to April, visitation to the Orlando MSA remains strong throughout the year due to favorable year-round weather and its worldwide appeal as a major tourism destination.

The following bullet points list some recent rankings for the Orlando area based on population, demographics, and the travel and tourism industry:

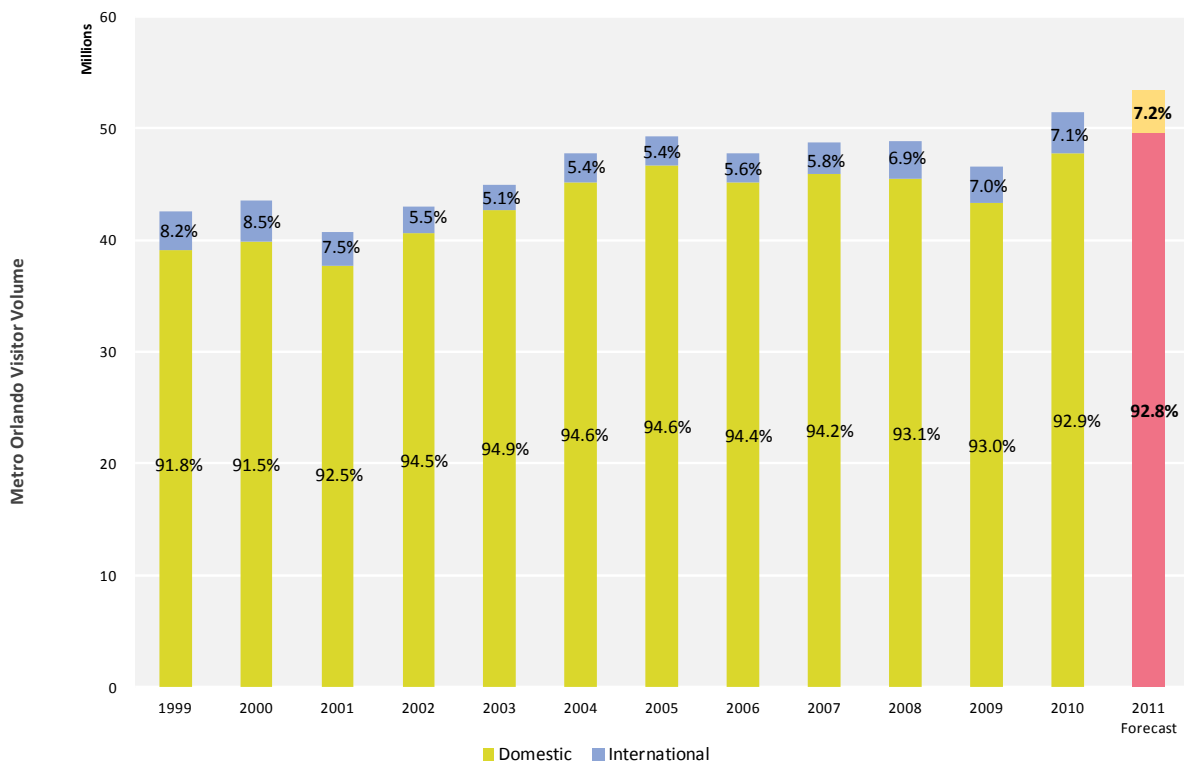
- Disney World Resort is the largest and most visited recreational resort in the world.
- Orlando has the largest number of hotels, and the second largest number of hotel rooms in the country, after Las Vegas.
- The Orange County Convention Center, which expanded in 2004 to over two million square feet of exhibition space, is now the second-largest convention complex in terms of function space in the United States, trailing only McCormick Place in Chicago. The city consistently vies with Chicago and Las Vegas for hosting the most convention attendees in the United States.
- The Orlando International Airport is the 13th busiest airport in the United States, and the 29th busiest in the world.
- Orlando is home to the University of Central Florida, which is the second largest university in the nation in terms of enrollment (more than 56,000 students as of 2011).
- The Greater Orlando metropolitan area has a population of 2,134,411, making it the 27th largest metro area in the United States, the sixth largest metro area in the southeastern United States, and the third largest metro area in Florida.

Recent and Historical Trends in Visitation

The Metro Orlando area has consistently maintained its status among the most visited cities in the world, with annual visitation routinely registering in the mid- to high-40 million range over the last several years (2004-2009), and surpassing a record 50 million visitors in 2010.

The following chart illustrates the historical composition and forecast visitor volume for the Metro Orlando area.

FIGURE 1: DOMESTIC AND INTERNATIONAL VISITATION TO ORLANDO



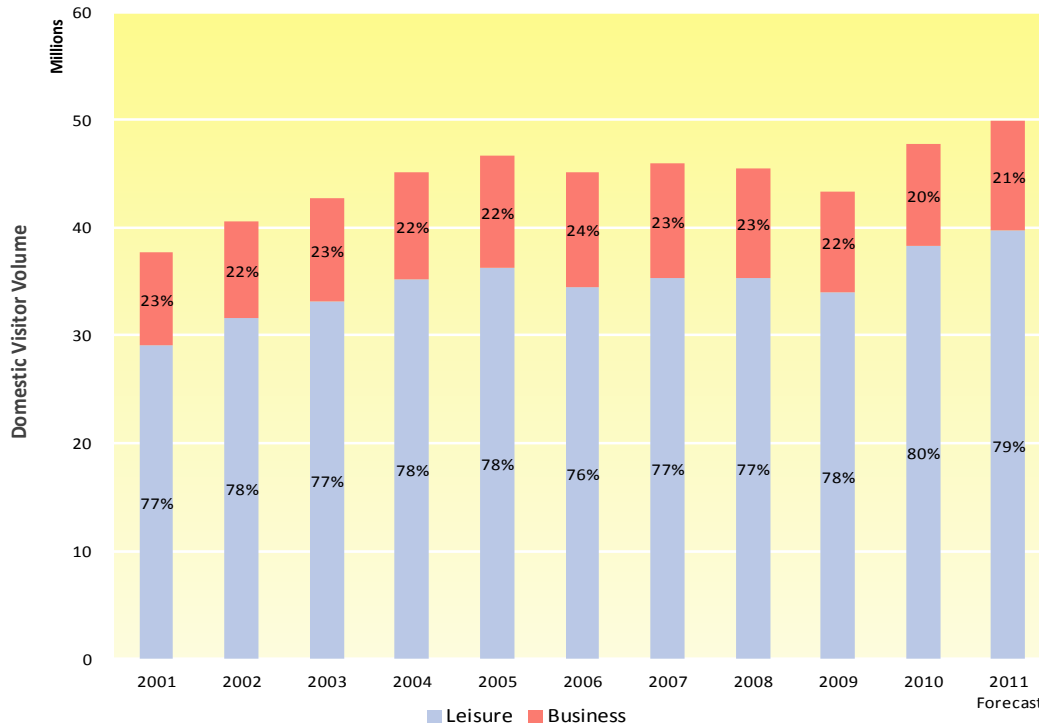
Source: Visit Orlando; D.K. Shifflet & Associates

Observations from this data are as follows:

- From 1999 to 2010, annual visitation consistently registered in the 40 million range, except in 2010 when total visitation set a new record at 51,455,000 visitors.
- Over the illustrated period, visitor volume has grown by an average compound annual growth rate of 1.7%. Domestic visitation has outpaced international visitation, growing by an average compound annual growth rate of 1.8%, which compares to 0.4% for international visitation.
- **The forecast for 2011, which is produced by *Tourism Economics* and published by Visit Orlando, predicts that the number of visitors to Orlando will surpass the record set in 2010 with 53,370,000 total visitors. This represents a 3.7% increase over 2010 levels.**
- The largest year-over-year increase in total visitation occurred in 2010, when visitor volume grew by 10.5% as compared to 2009 levels at 46,583,000 visitors.
 - The surge in visitation that occurred in 2010 was influenced by the opening of the *Wizarding World of Harry Potter* at Universal Studios in June of 2010, and the resurgence of international visitors and domestic leisure overnight travel to Orlando, both of which increased by 12.6%, respectively.
- Conversely, the largest year-over-year decrease in total visitation occurred in 2001, when visitor volume declined by -6.3%, a byproduct of the September 11th terrorist attacks. International visitation declined significantly by -17.2% that year, whereas domestic visitation declined by -5.3%.
- Domestic visitors have comprised over 90% of the total visitors to Orlando since 1999; however, international visitation has gradually increased as a percentage of total visitation since 2005. The recent economic downturn in the national economy and the subsequent devaluing of the U.S. currency are factors that have led to increased visitation from overseas travelers.

The following provides additional details in regard to the composition and profile of domestic visitors.

FIGURE 2: COMPOSITION OF DOMESTIC VISITOR

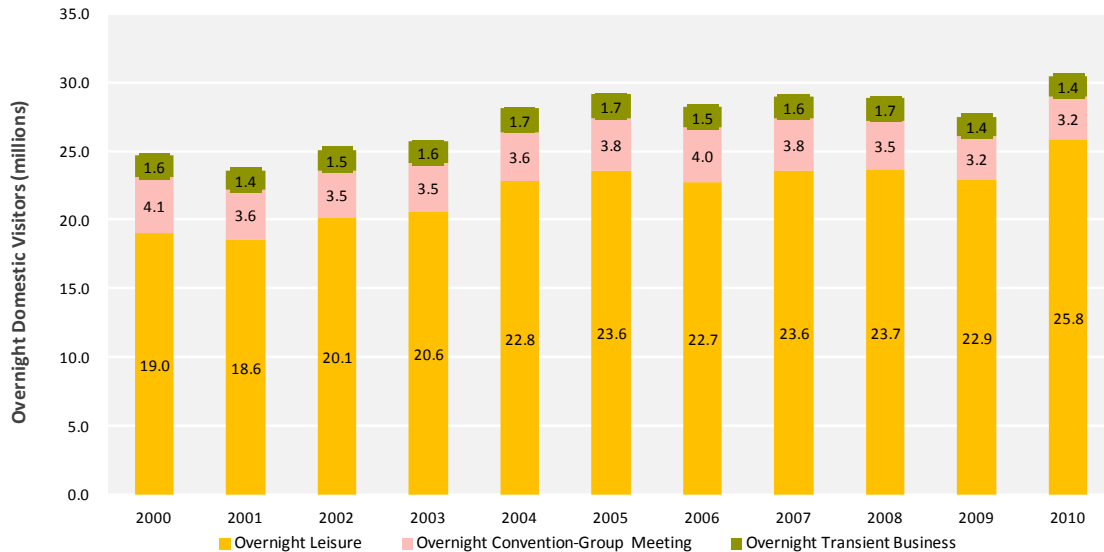


Source: Visit Orlando; D.K. Shifflet & Associates

A review of this data shows the following:

- Domestic visitor volume to Orlando has grown by a compound annual growth rate (CAGR) of 2.7% since 2001.
- Leisure visitation has grown at a faster pace (3.1% CAGR) than business visitation (1.1% CAGR) over the illustrated period.
- In 2010, leisure visitation reached a new record at roundly 38,263,000 visitors, while business visitation grew by 2.0% to 9,517,000 visitors.
- Over the past decade, leisure visitation has consistently represented 76% to 80% of domestic visitor volume, while business visitation has accounted for the remaining 20% to 24% of domestic visitor volume.
- **The forecast for 2011 anticipates that the domestic leisure visitation will set another record at 39,680,000 visitors, while domestic business visitation will surpass 2008 levels at 10,260,000 visitors.**
- Relative to leisure visitation, the distribution of Florida to non-Florida visitation has remained relatively consistent between 50% and 52%.
- Leisure visitation experienced unprecedented growth in 2010, while business visitation grew by 2.0%. This suggests that business confidence and commercial-related business is still ramping up after declining by -3.2% and -8.9%, in 2008 and 2009, respectively.
- Business visitation by Florida residents has consistently represented between 59% to 64% of total business visitation to Orlando. From 2001 to 2010, Florida residents have averaged 61.6% of total domestic business visitor volume.

FIGURE 3: COMPOSITION OF DOMESTIC OVERNIGHT VISITORS

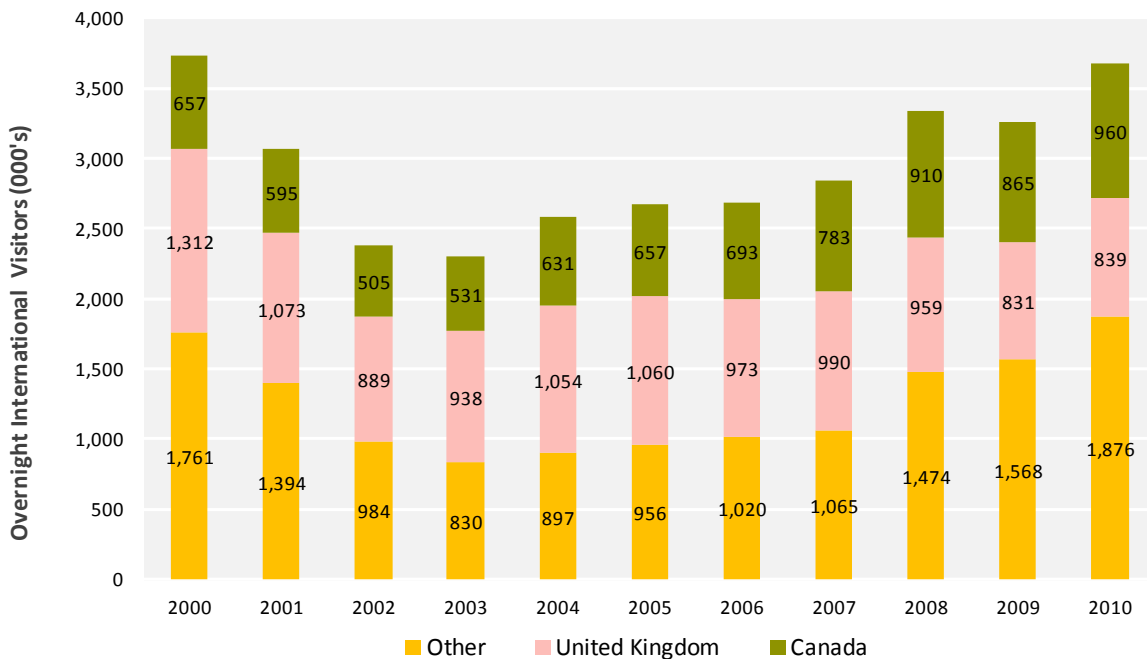


Source: Visit Orlando; D.K. Shifflet & Associates

A review of this data shows that:

- Overnight visitors represented roundly 64% of all domestic visitors in 2010.
- **A majority of domestic overnight visitors (83% in 2010) come to Orlando for leisure purposes.**
- In 2010, 60% (or 3.2 million) of business travelers who came to Orlando for a group meeting, stayed overnight.
- Of the domestic business travelers who visited Orlando in 2010, 57% attended a convention or seminar/training, while the remaining 43% came for other business purposes.
- The percentage mix of overnight leisure, overnight convention-group/meeting, and overnight transient business relative to the total number of domestic overnight visitors has remained relatively consistent over the past decade.

FIGURE 4: INTERNATIONAL VISITATION TO ORLANDO - MAJOR SOURCE MARKETS



A review of this data shows the following:

- **International visitation has increased by an average compound annual growth rate of 2.0% over the 10-year period illustrated above.**
- In 2010, international visitor volume increased by 12.6% over 2009 levels, marking the single largest annual increase experienced over the past decade.
- The United Kingdom’s share of international visitors has declined from 35% in 2000 to 23% in 2010.
- Canada has emerged as a rapidly growing feeder market; visitation increased by 11.0% in 2010 and is forecast to grow another 4.2% in 2011. The strength of the Canadian dollar relative to the U.S. dollar and the country’s economic stability have played a role in Canada representing a sizeable source market.
- Notable countries that form the “Other” visitation category include Brazil and Germany.
 - In 2010, Brazil had more first time visitors to the U.S. than either the U.K. or Germany.
 - A significant percentage of Germans’ main purpose in visiting Orlando was for business or to attend a convention.

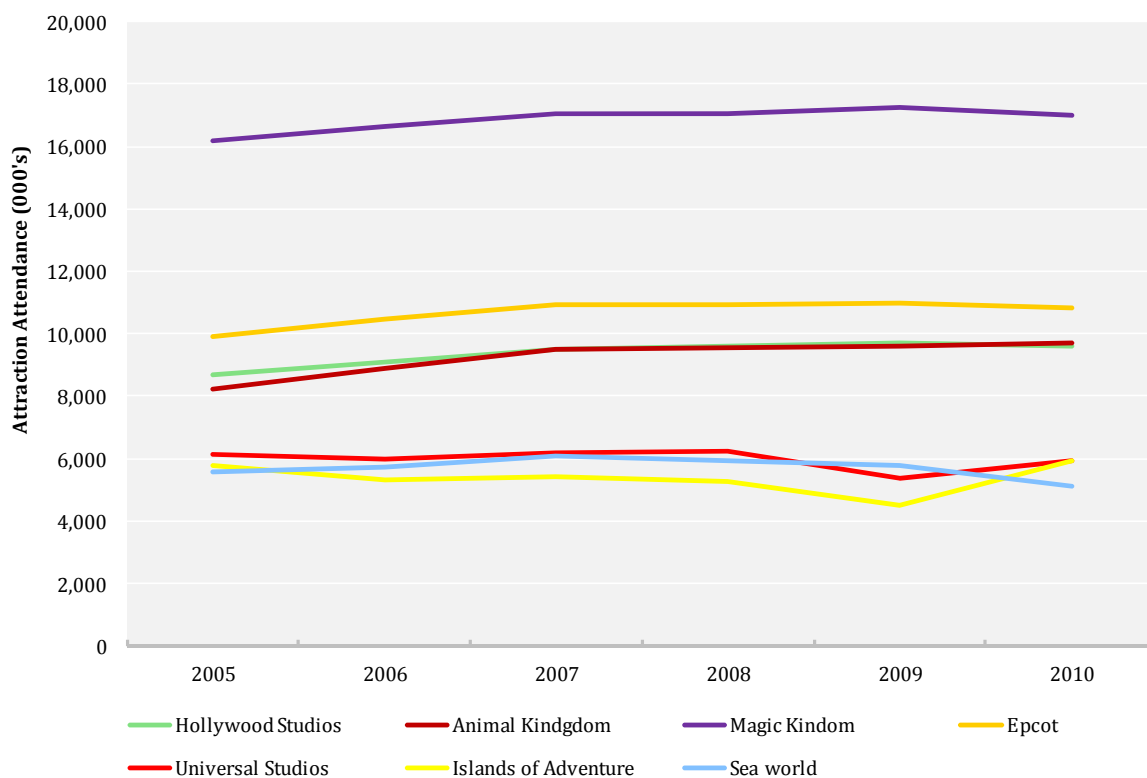
Major Leisure Attractions

Walt Disney World Resort is the largest and most visited recreational resort in the world, containing four theme parks, two water parks, 24 themed hotels, and numerous shopping, dining, entertainment and recreational venues. The resort offers four major theme parks, which include Magic Kingdom, Epcot, Hollywood Studios, and Animal Kingdom Park, while its two water parks consist of Blizzard Beach and Typhoon Lagoon.

Universal Orlando is the second-largest tourist attraction in the Metro Orlando area with the Islands of Adventure and Universal Studios theme parks, as well as the Wet 'n Wild Water Park. In June of 2010, Universal Orlando opened the Wizarding World of Harry Potter to a highly anticipated audience.

The table presented below provides the estimated annual attendance for all of Metro Orlando's major theme parks and resorts over the last decade.

FIGURE 5: ATTENDANCE STATISTICS AT PRIMARY ATTRACTIONS (ESTIMATES IN MILLIONS)



Source: Themed Entertainment Association (TEA); AECOM

A review of this data shows that:

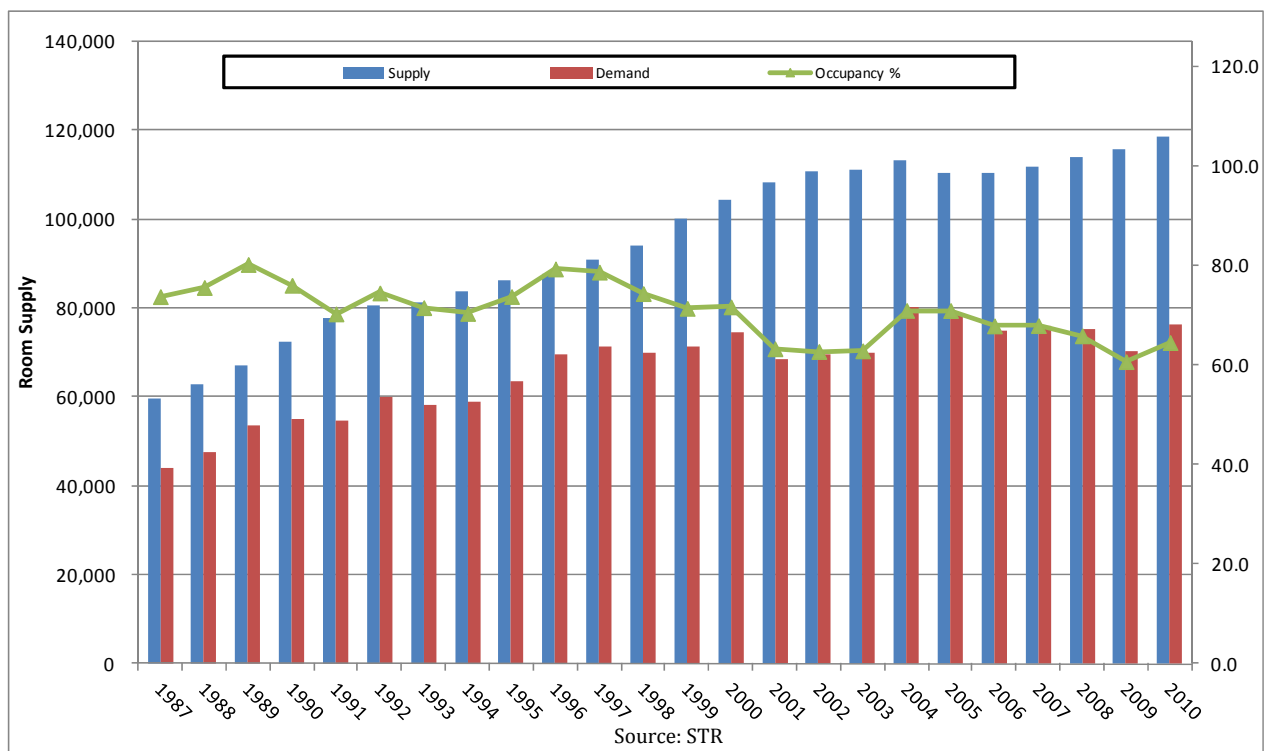
- **With an estimated 17 million visitors in 2010, Magic Kingdom remains the most frequented attraction in the Metro Orlando area. Annual attendance at Magic Kingdom is *materially* greater than all other theme parks.**
- Epcot consistently ranks second in attendance, and Animal Kingdom/Hollywood Studios vie for third.
- Walt Disney World Resorts' based attractions weathered the 2009 economic downturn without a major decline in attendance, owing to its widespread popularity as a premier tourist destination.

Whereas, attendance at Universal Studios' theme parks suffered declines in tandem with the difficult economic conditions prevalent with the 2009 downturn.

- In 2010, attendance spiked at Universal Studios and the Islands of Adventure, with the opening of the Wizarding World of Harry Potter serving as the catalyst for the increase.
- With the exception of Universal Studios, where attendance has declined by an average compound annual growth rate of -3.1% since 2000, most of the attractions in the Metro Orlando area have experienced modest growth in annual attendance over the last several years. These attendance statistics, along with the positive visitation trends noted earlier, illustrate the widespread popularity of Orlando's theme parks, as well as the area's standing as a premier leisure destination.

The following table details the historical supply and demand data for the Metro Orlando hotel market over the last twenty-five years, as compiled by Smith Travel Research (STR).

FIGURE 6: HISTORICAL SUPPLY AND DEMAND TRENDS - METRO OLRANDO



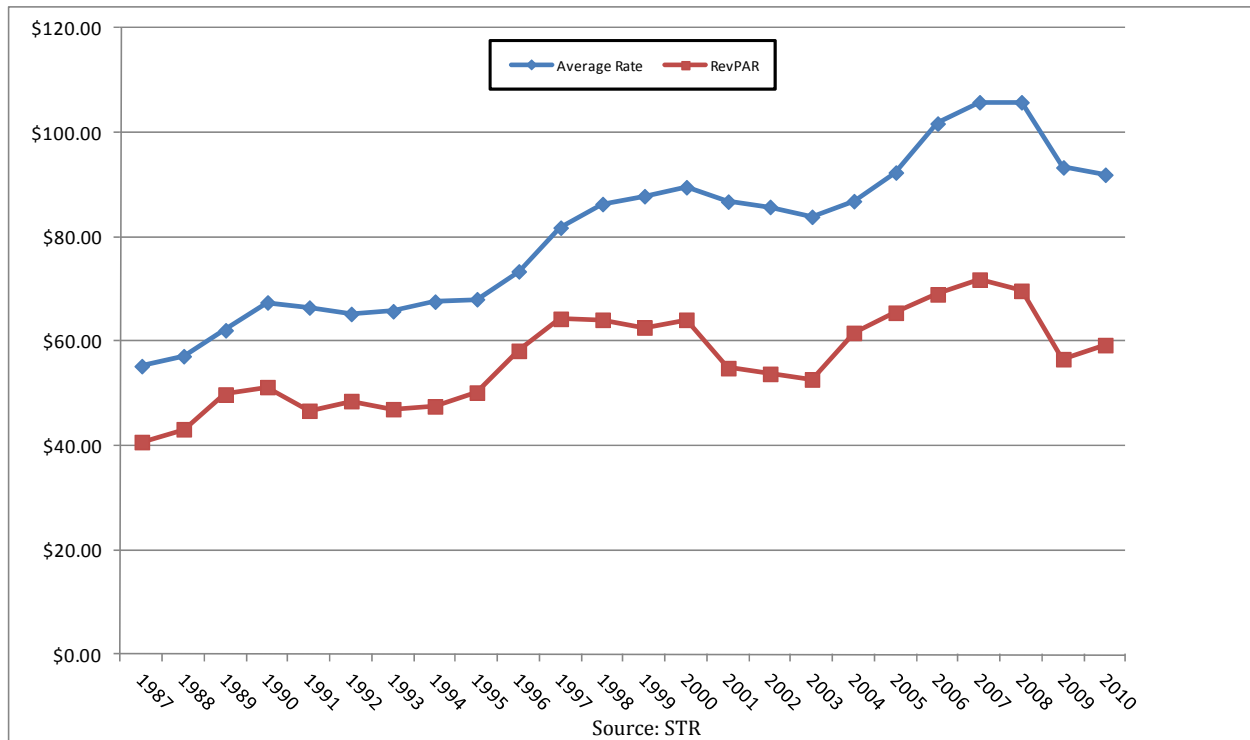
Observations from this data are as follows:

- Since 1987, the number of available room nights has grown by an average compound annual growth rate of 3.0%, while market-wide demand has grown by a CAGR of 2.4%.
- Over the last fifteen years, steady increases in rooms supply coupled with uneven demand growth have caused a downward trend in market-wide occupancy, which peaked at 79.3% in 1996. Aside from years 2005 and 2006, when rooms supply declined by -2.5% and -0.2%, respectively, the Metro Orlando market has experienced year-over-year increases in hotel supply.
- Year-over-year changes in hotel demand have been much more volatile when compared to rooms supply. While hotel supply has followed a gradually increasing upward trend, demand has generally

mirrored trends witnessed in the national economy. This is not surprising, given Orlando's dependence on leisure travel and visitor spending.

- **In 2010, hotel demand increased by 8.9%, producing the third highest number of occupied room nights over the historical period analyzed.**

FIGURE 7: HISTORICAL AVERAGE RATE AND REVPAR TRENDS - METRO OLRANDO

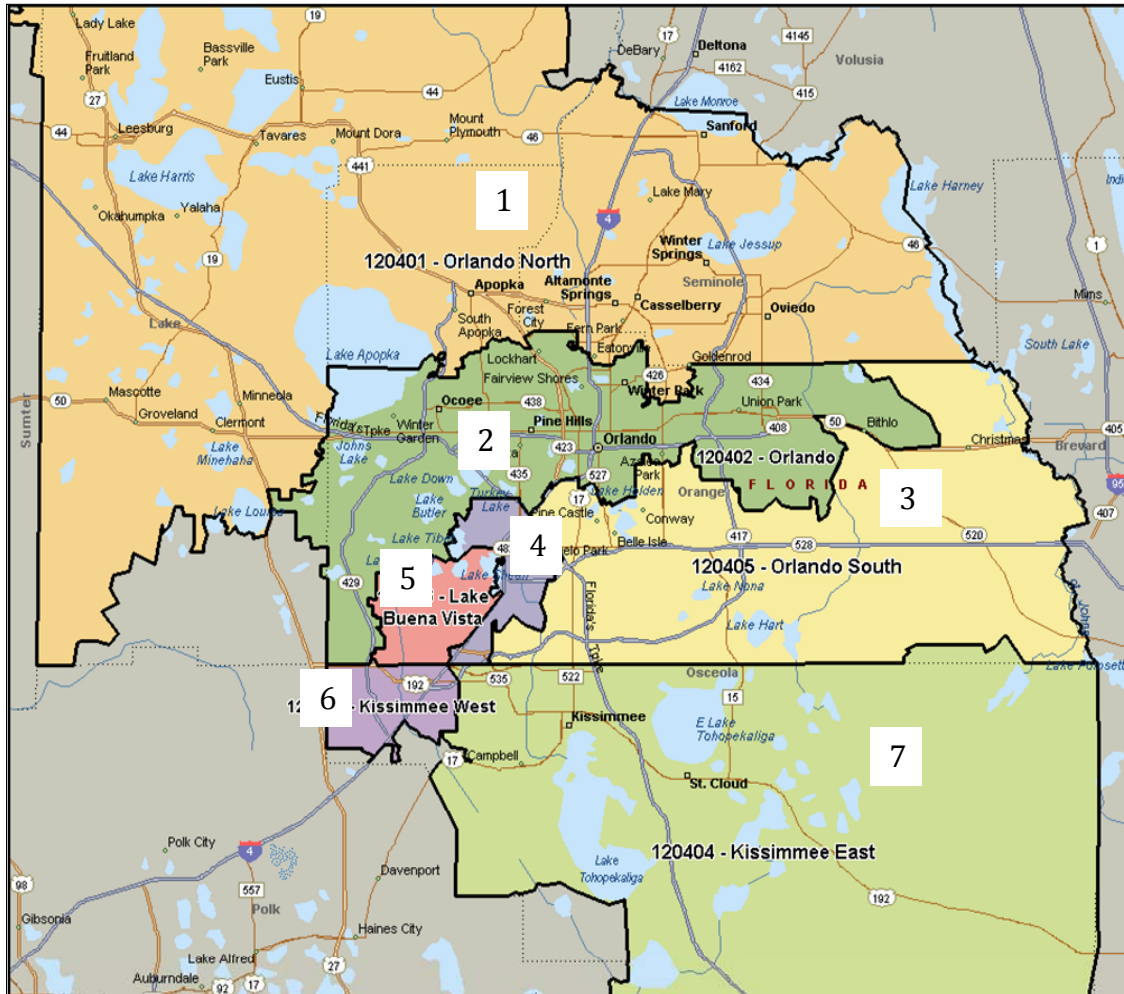


- Average rate has grown by an average compound annual growth rate of 2.2%, over the illustrated period. Except for the recent economic downturn, average rate has typically followed a steady upward trend. Average rate experienced the most robust growth from 2004 to 2007, when average rate grew from \$86.89 to \$105.84, an increase of 21.8%. Average rate for the Metro Orlando area was recorded at \$91.95 in 2010, near the 2005 level of \$92.36.
- The 2010 average rate was -13.3% lower than the peak recorded in 2007. The 2010 RevPAR level of \$59.32 is below the 2004 level of \$61.65.
- Year-to-date data through September 2011 show continued improvement in market-wide occupancy and average rate. Strong visitation from domestic and international source markets have buoyed occupancy increases, as well as the resurgence in leisure travel, and to a lesser degree corporate travel. It is important to note that extraordinary (and nonrecurring) events like the Casey Anthony Trial and the opening of the Wizarding World of Harry Potter served to boost occupancy levels in certain submarkets of Metro Orlando in 2011.
- Continued strengthening of hotel demand and the gradual healing of the national economy are expected to support longer-term ADR growth prospects for the Metro Orlando market.

Submarkets of Orlando

STR hotel statistics for the Metro Orlando area are tracked among the 7 submarkets as noted on the following map.

FIGURE 8: STR MAP OF METRO ORLANDO SUBMARKETS



- | | |
|------------------------|---------------------|
| 1. Orlando North | 5. Lake Buena Vista |
| 2. Orlando Central | 6. Kissimmee West |
| 3. Orlando South | 7. Kissimmee East |
| 4. International Drive | |

Occupancy, Average Rate and RevPAR Trends by Submarket

FIGURE 9: OCCUPANCY TRENDS BY SUBMARKET OF ORLANDO

| Rank | Submarket | 2006 | 2007 | 2008 | 2009 | 2010 |
|------------------------------|---------------------|-------------|-------------|-------------|-------------|-------------|
| 1 | Lake Buena Vista | 73.2 % | 75.1 % | 74.1 % | 69.6 % | 71.7 % |
| 2 | Orlando South | 69.9 | 71.9 | 67.4 | 60.7 | 67.7 |
| 3 | International Drive | 68.4 | 69.3 | 67.1 | 60.7 | 65.6 |
| 4 | Orlando Central | 63.1 | 59.1 | 59.4 | 54.0 | 58.7 |
| 5 | Orlando North | 64.4 | 57.6 | 52.6 | 47.0 | 49.7 |
| 6 | Kissimmee West | 61.0 | 64.4 | 56.0 | 51.0 | 46.2 |
| 7 | Kissimmee East | 57.6 | 55.6 | 57.7 | 52.8 | 54.2 |
| Total - Metro Orlando | | 67.7 | 67.9 | 65.8 | 60.7 | 64.5 |

Source: Smith Travel Research

A review of the market-wide occupancy over the last five years reveals the following:

- Market-wide occupancy peaked in 2007 at 67.9%, before declining in 2008 and 2009 due to the effects of the economic recession and the precipitous decline in visitation levels (both domestic and international).
- **Lake Buena Vista has consistently registered the highest occupancy of the seven submarkets constituting the Metro Orlando area, with Orlando South consistently in second place.**
- The Orlando South submarket exhibited the greatest year-over-year increase from the trough of the market in 2009, as evidenced by its seven (7.0) percentage point gain in occupancy for 2010.
- Kissimmee West was the only submarket to record a lower occupancy in 2010, which registered at 46.2%, or a 4.8 percentage point decline from its 2009 occupancy level of 51.0%.
- All seven submarkets recorded year-to-date increases in occupancy through September 2011 versus the same period in 2010.

FIGURE 10: AVERAGE RATE TRENDS BY SUBMARKET OF ORLANDO

| Rank | Submarket | 2006 | 2007 | 2008 | 2009 | 2010 |
|------------------------------|---------------------|-----------------|-----------------|-----------------|----------------|----------------|
| 1 | International Drive | \$107.29 | \$110.29 | \$112.05 | \$98.39 | \$102.30 |
| 2 | Lake Buena Vista | 108.12 | 119.85 | 124.40 | 105.94 | 100.70 |
| 3 | Orlando South | 105.18 | 109.82 | 110.56 | 95.89 | 91.64 |
| 4 | Kissimmee East | 79.24 | 83.31 | 82.92 | 79.51 | 74.97 |
| 5 | Orlando Central | 79.84 | 84.32 | 80.33 | 72.79 | 68.74 |
| 6 | Orlando North | 76.01 | 81.12 | 80.86 | 72.33 | 68.03 |
| 7 | Kissimmee West | 53.09 | 62.15 | 64.40 | 54.53 | 52.70 |
| Total - Metro Orlando | | \$101.75 | \$105.84 | \$105.83 | \$92.91 | \$91.95 |

Source: Smith Travel Research

A review of the market-wide average rate over the last five years reveals the following:

- As is customary for hotels recovering from downward cycles, many of the hotels in the Metro Orlando marketplace sought a yield-management strategy that targeted occupancy gains rather than ADR increases in 2010.
- **In 2010, International Drive achieved the highest ADR among the seven submarkets, supplanting the perennial ADR leader, Lake Buena Vista, for the first time over the period reviewed.**

- International Drive represented the only submarket to register positive ADR gains in 2010.
- The latest year-to-date data show ADR increases for nearly every submarket (excluding Kissimmee East), providing evidence that a market recovery is gaining momentum.

FIGURE 11: REVPAR TRENDS BY SUBMARKET OF ORLANDO

| Rank | Submarket | 2006 | 2007 | 2008 | 2009 | 2010 |
|------------------------------|---------------------|----------------|----------------|----------------|----------------|----------------|
| 1 | Lake Buena Vista | \$79.14 | \$90.01 | \$92.18 | \$73.73 | \$72.20 |
| 2 | International Drive | 73.36 | 76.47 | 75.23 | 59.76 | 67.11 |
| 3 | Orlando South | 73.52 | 78.96 | 74.52 | 59.55 | 62.04 |
| 4 | Kissimmee East | 45.64 | 46.32 | 47.84 | 41.98 | 40.63 |
| 5 | Orlando Central | 50.38 | 49.83 | 47.72 | 39.31 | 40.35 |
| 6 | Orlando North | 48.95 | 46.73 | 42.53 | 34.00 | 33.81 |
| 7 | Kissimmee West | 32.38 | 40.02 | 36.06 | 27.81 | 24.35 |
| Total - Metro Orlando | | \$69.03 | \$71.86 | \$69.70 | \$56.36 | \$59.31 |

Source: Smith Travel Research

- In 2010, RevPAR increased by 4.7% over 2009 levels for Metro Orlando area hotels.
- RevPAR for the Metro Orlando marketplace set a record-high in 2007 at \$71.86. Since then, RevPAR has declined by -17.5%, ending 2010 at \$59.31.
- Year 2010 RevPAR performance for the Metro Orlando submarkets showed uneven results, with International Drive yielding the highest RevPAR increase (12.3%) in 2010 and Kissimmee West recording the largest decrease in RevPAR performance (-12.2%).
- **Through the year-to-date period in September 2011, RevPAR was up 12.0% versus the same period in 2010. Continued occupancy increases and average rate gains in select Metro Orlando submarkets have contributed to these positive trends.**

Market-wide Recap

- Strong demand growth in most submarkets; ADR recovery is starting to gain traction, as evidenced by year-to-date trends through September 2011.
- There are 6,878 hotel rooms (or 5.8% of the 2010 supply base) in the hotel development pipeline for the Metro Orlando area of which 3,223 rooms (or 2.7% of the 2010 supply base) are already under construction. In our opinion, any large increases in supply over the near-term could dampen prospects for continued ADR growth over the near-term horizon.
- The value of the U.S. dollar against foreign currencies remains a critical issue, as international tourists are becoming a more important source market for room night demand and tourist expenditures.
- As the economic recovery intensifies, occupancy is anticipated to continue to trend upwards (barring huge supply increases), and subsequently allow some pricing power to return to hotel operators.

Hotel News and Market Chatter Across Central Florida

The following headlines and market insights concern the Orlando, Tampa, and Daytona Beach MSAs. This information has been sourced from the *Daily Lodging Report*, presented by HVS and Gaming USA Corp., and the *Lodging Development Report*, which is published on a weekly basis by Market Media, Inc.

- Wyndham Hotels and Resorts LLC announced its expansion in Florida with the opening of the first owned hotel, the **Wyndham Grand Orlando Resort Bonnet Creek**, located within the Walt Disney World Resort gates in Lake Buena Vista. This is the ninth Wyndham property in Florida and third in the state to join the upscale brand in the last 12 months. The 400-room hotel is managed by Wyndham Hotel Management and was built alongside the Wyndham Bonnet Creek Resort, a 1,149-unit timeshare resort operated by Wyndham Vacation Ownership.
- **Four Seasons Hotels and Resorts** announced they entered into a joint venture with Silverstein Properties and Dune Real Estate Partners to develop a 444-room luxury resort at the Walt Disney Resort. Construction is set to begin in December with a targeted opening date in 2014. Four Seasons acquired the land from Disney in August 2008 and will retain a 30% ownership in the project, which will be the largest Four Seasons resort in the world. Dune Real Estate Partners will be the majority investor in the project. Mexico City-based Grupo Financiero Inbursa agreed to provide \$190 million in construction financing for the project.
- A joint venture of Interstate Hotels & Resorts, Waramug Hospitality LLC and Varde Partners has acquired the 265-room **Crowne Plaza Tampa East** out of receivership for \$10.15 million, according to Hillsborough County public records. The new owners are planning an \$8.5 million renovation of the hotel.
- **Salamander Hotels & Resorts** announced the launch of Grand Golf Resorts of Florida Collection. The collection features Innisbrook Resort near Tampa, Reunion Resort in Orlando and Hammock Beach Resort in Palm Coast. Lubert-Adler, LP owns the Reunion Wyndham Grand Resort and Hammock Beach Resort. Salamander will now manage them. They have owned and operated Innisbrook Resort since 2007.
- **Melia Hotels International** announced the opening of its second U.S. property, the Mona Lisa Suite Hotel in Celebration, Florida. The hotel was renamed Melia Orlando Hotel at Celebration and is a 240-unit property featuring one and two bedroom suite accommodations.
- **The Renaissance Orlando at Sea World**, a 781-room aquatic-themed resort with a prime location directly across from SeaWorld, announced the culmination of its \$35+ million renovation project, which began in 2006. The AAA Four Diamond Orlando resort's most recent transformations include the revitalization of its 23-second floor meeting rooms and 65 suites, an expansion to the pool area featuring a children's interactive water playground, the addition of the 8,000-square-foot function lawn, and other enhancements.
- An affiliate of Los Angeles-based Platinum Equity has acquired the 272-room **Crowne Plaza Melbourne-Oceanfront** for \$31.4 million, or approximately \$116,000 per room, from Lodgian Inc. The hotel is now managed by Richfield Hospitality and is scheduled to undergo renovations to bring the property up to current brand standards.
- Phase one of Walt Disney World's newest hotel, the **Art of Animation Resort**, will debut in May of 2012. The first of the hotel's four phases to open will occur on May 31st and will be a Finding Nemo-themed wing of family suites. It will include a pool that will be the largest swimming pool at any of Disney's two dozen hotels and timeshare properties, at roughly 12,000 square feet. Cars-themed

suites will debut after the Nemo Suites at the end of July; Lion King-themed suites at the end of September; and a wing of Little Mermaid-themed conventional hotel rooms by the end of 2012.

- **The Grande Lakes Orlando**, comprised of a 582-room Ritz-Carlton and a 1,000-room JW Marriott has completed a \$28 million dollar redesign project, with upgrades to both of the properties including the Royal Suite, the largest Ritz-Carlton suite in the U.S.
- **SunRail** – In July of 2011, Florida Governor Rick Scott approved state and local government funding for SunRail – a commuter rail transit project that will run along a 61-mile stretch of existing freight rail tracks in Orange, Seminole, Volusia, and Osceola counties as well as the city of Orlando. The estimated cost of the project is \$615 million. The 31-mile first phase will serve 12 stations, linking DeBary to Orlando. Phase II will link five additional stations, with service from DeLand to the north and Poinciana to the south. SunRail is expected to begin service by 2014.



HVS Miami provides a variety of consulting and valuation services for hotels, mixed-use real estate, and shared ownership projects. HVS Miami professionals have completed over 1,300 engagements, of which 54% were located throughout Florida. They have also worked in 28 Caribbean islands and 12 Central and South American countries. In addition to certified valuations, the HVS Miami office also provides feasibility studies, acquisition due diligence, asset management, expert witness testimony, and marketing and sales solutions for mixed-use and shared ownership real estate developments.

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Sources: Visit Orlando; D.K. Shifflet & Associates; Smith Travel Research; HVS and Gaming USA Corp; Market Media, Inc.

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