



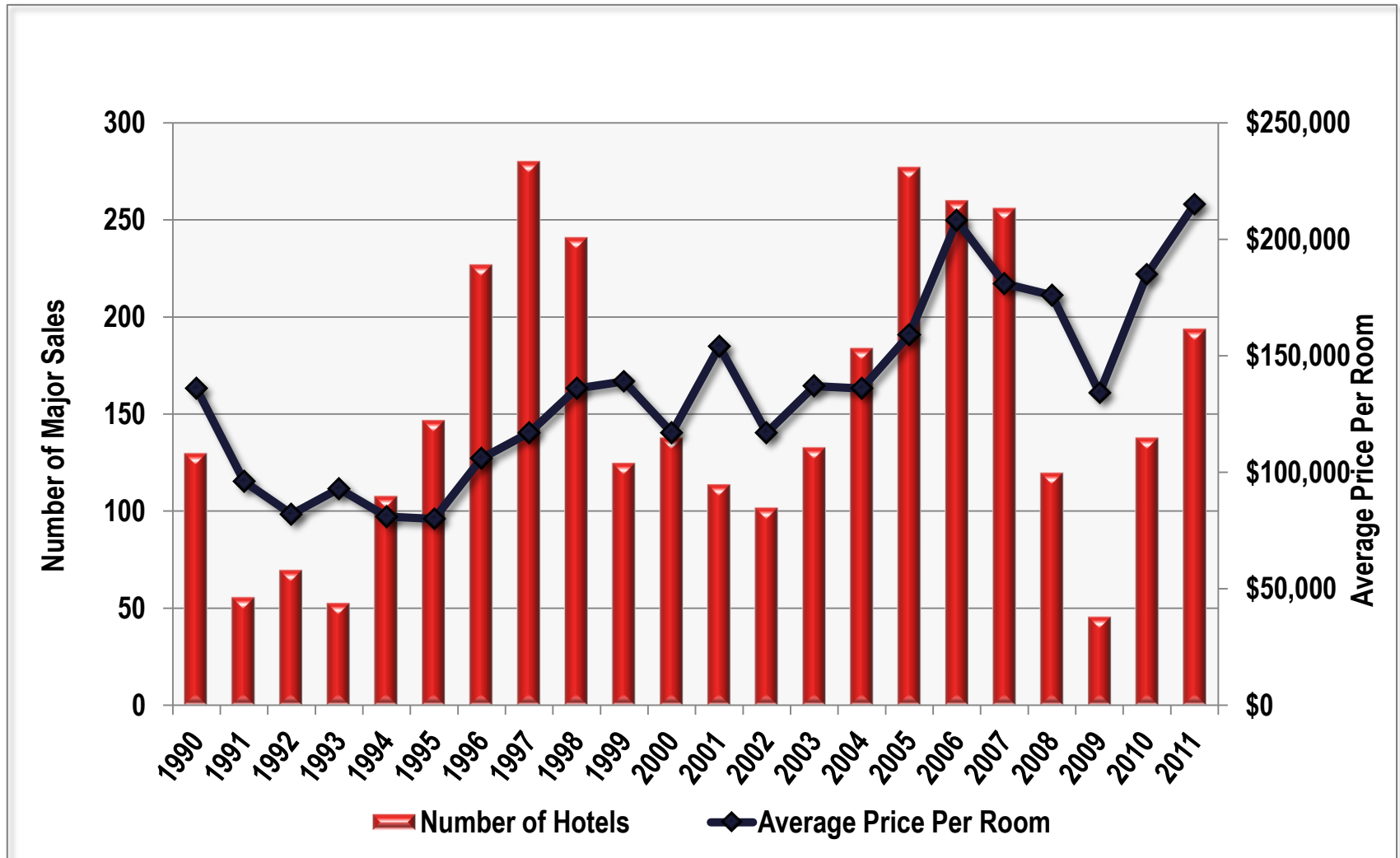
The Hotel Industry Outlook- U.S. Hotel Transactions

ALIS 2012

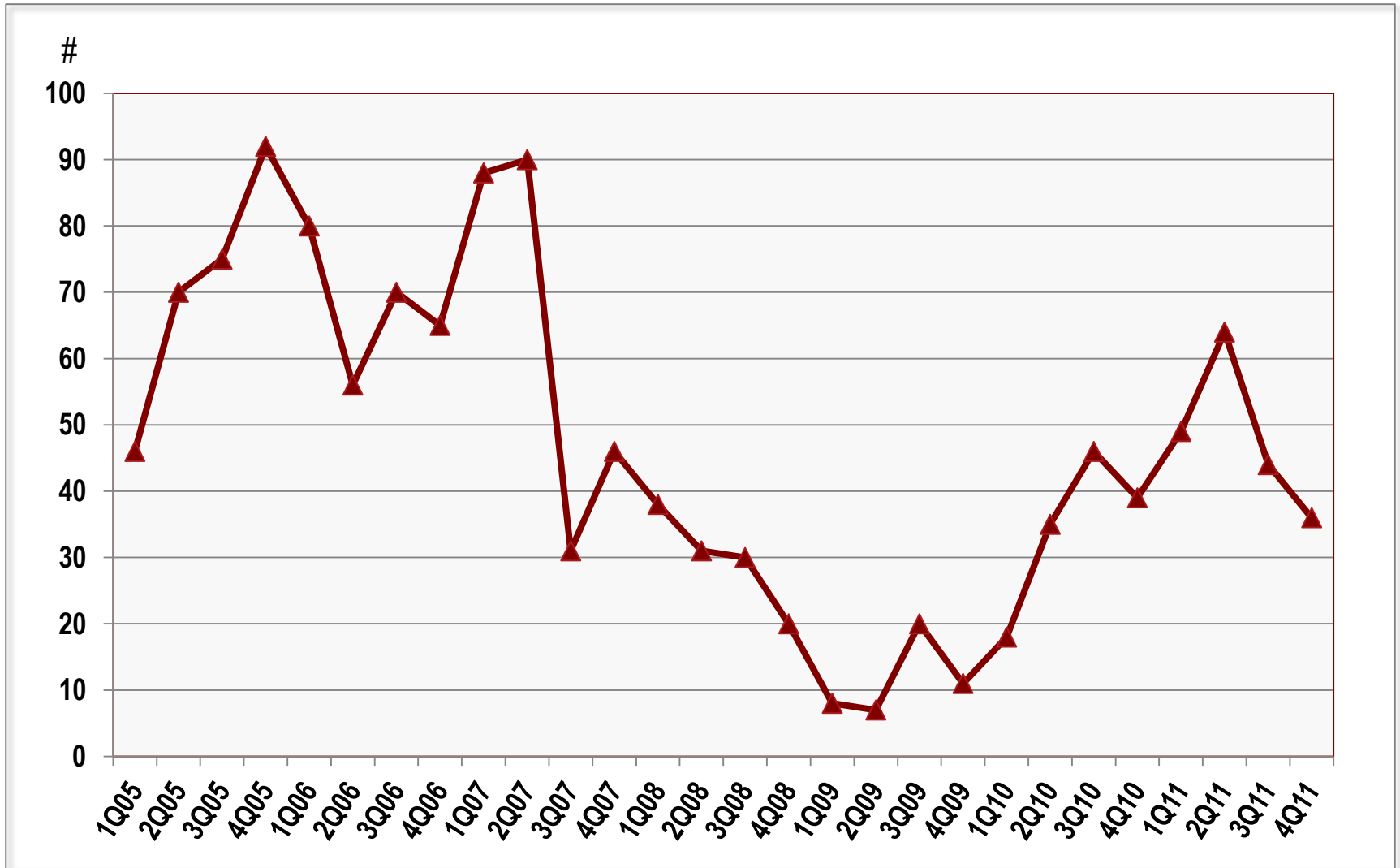
January 23, 2012 – JW Marriott and Nokia Theatre at LA Live

Presented by: *Suzanne Mellen, MAI, CRE, FRICS, ISHC*
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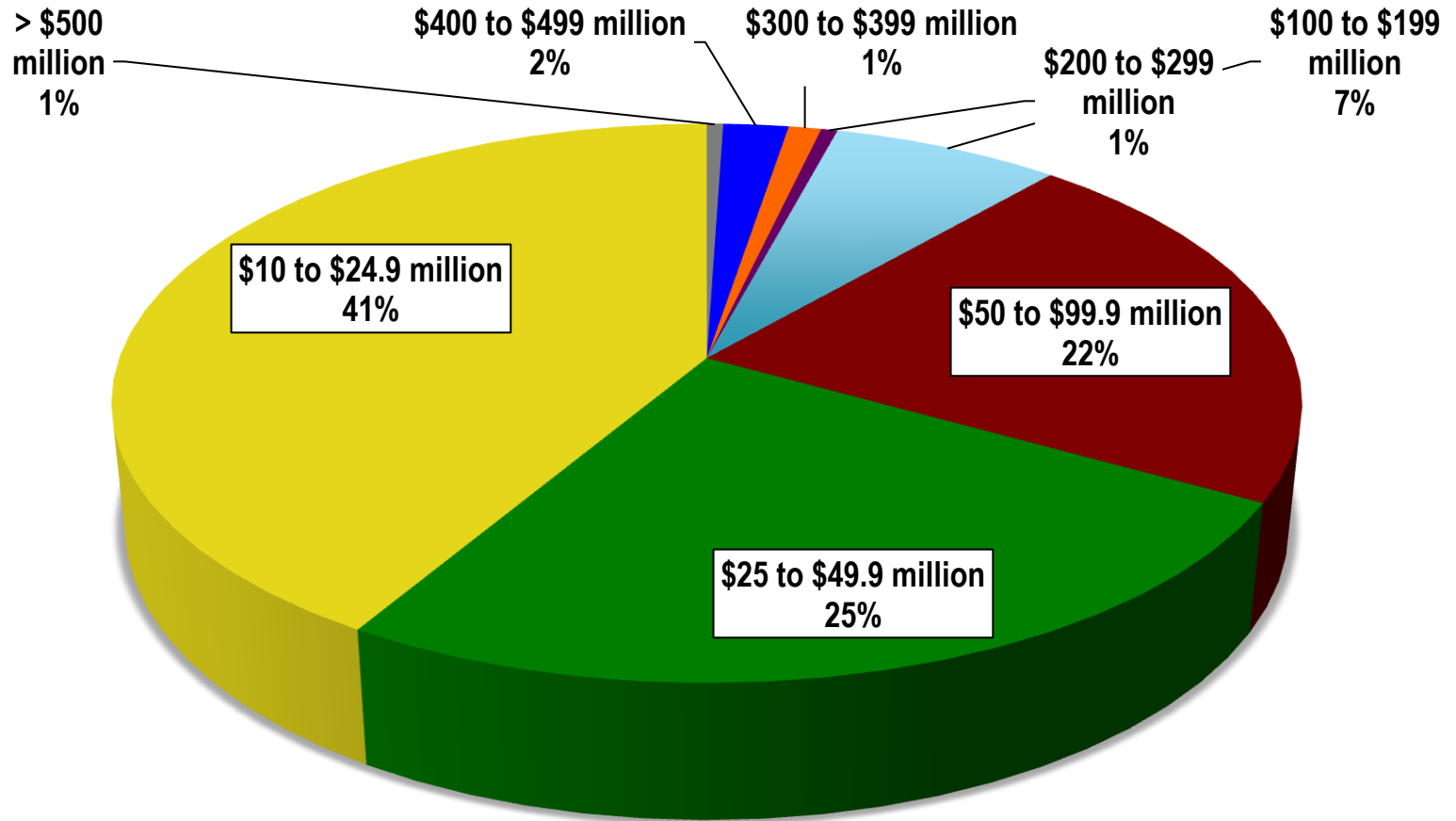
Major Sales Transactions (>\$10 Million)



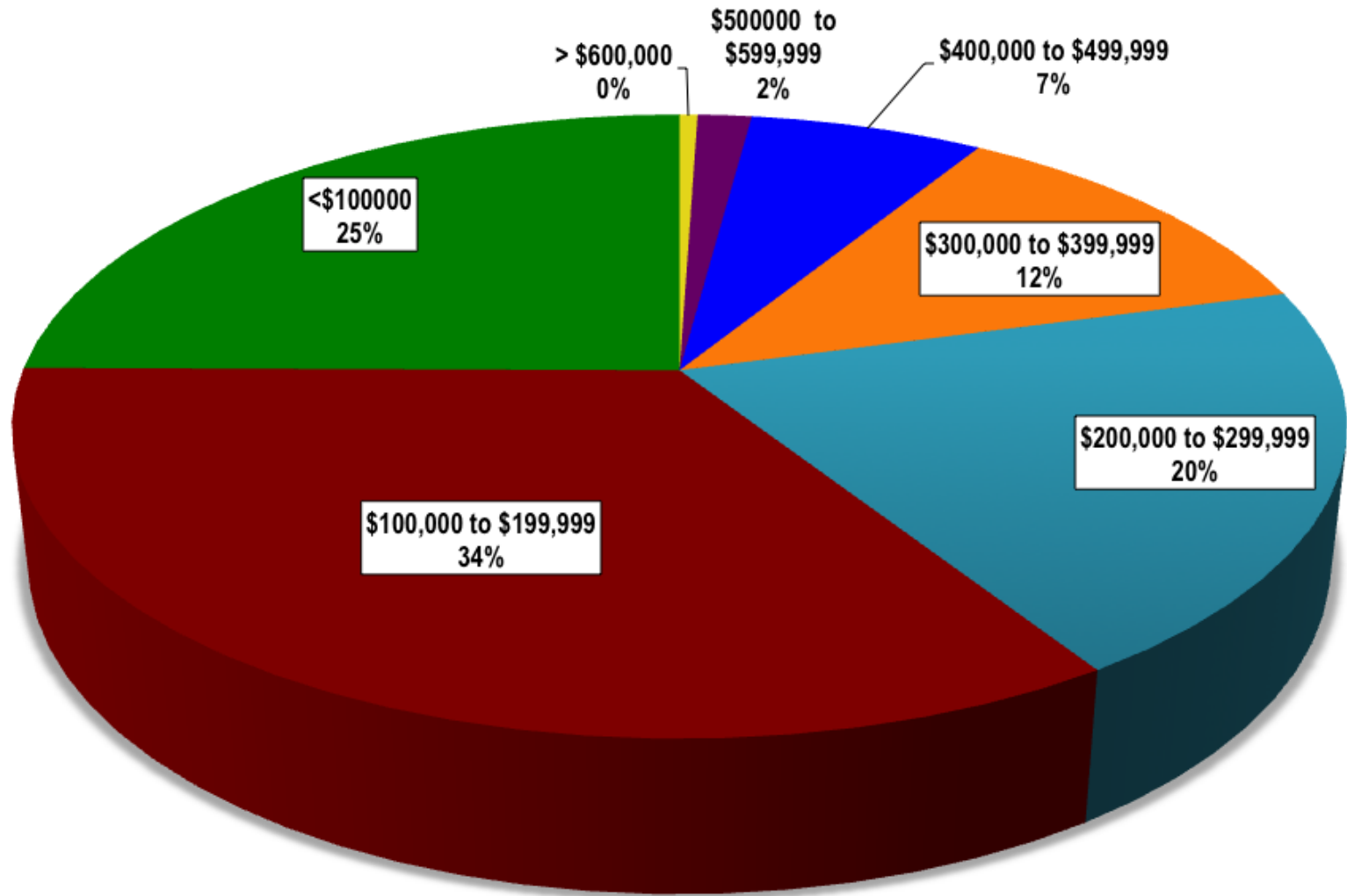
2011 Major Sales by Quarter



2011 Major Sales by Total Price Paid



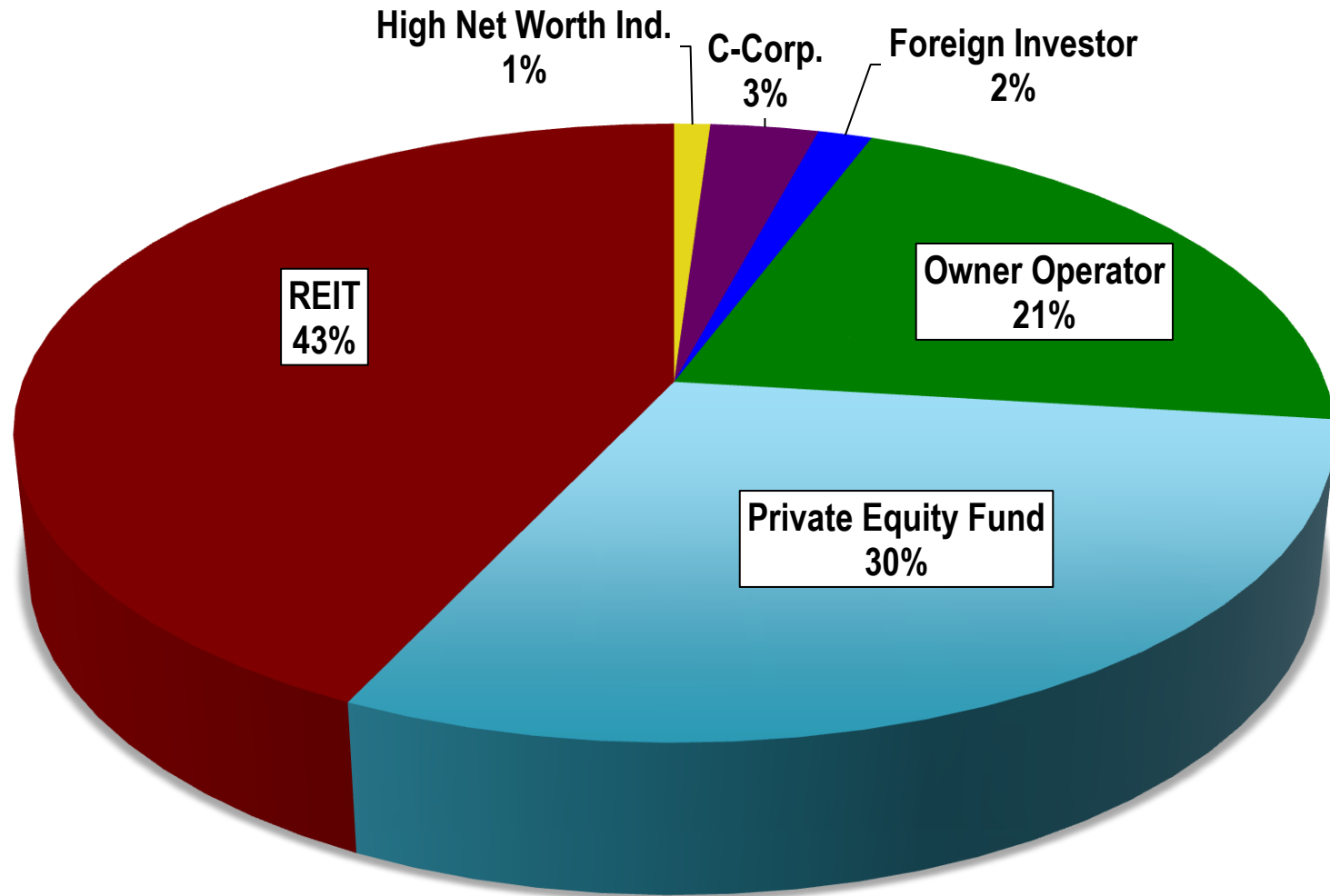
2011 - No. of Sales By Price Per Room



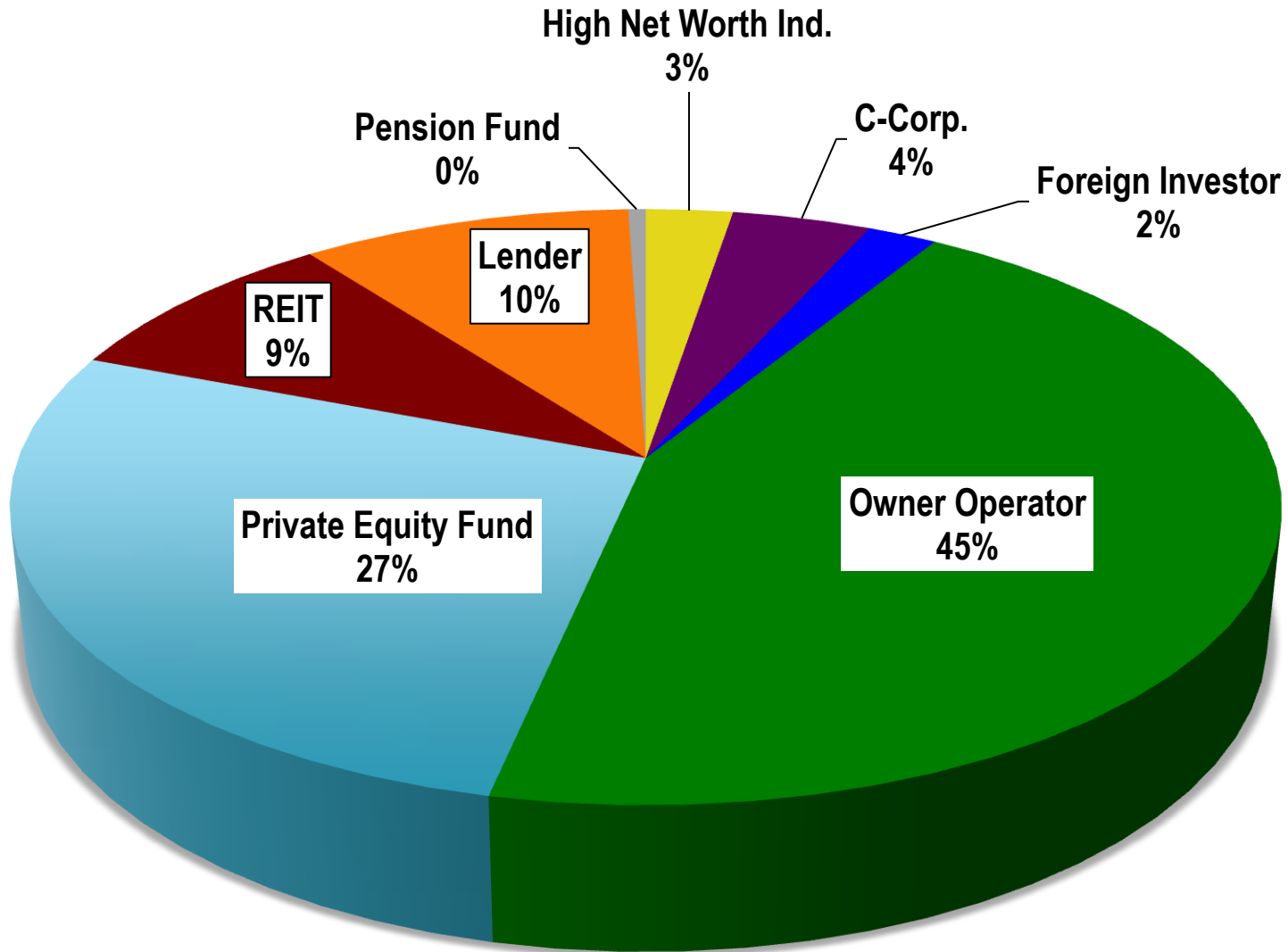
Most Active Metro Areas

Market	\$ Volume (Millions)	\$/Room	No. Properties
NYC Metro	2,700.00	417,000	16
San Diego	1,700.00	279,000	18
DC Metro	700.00	296,000	10
SF Metro	700.00	231,000	16
LA Metro	600.00	228,000	10
So. Fla.	500.00	237,000	12
Chicago	400.00	232,000	4
Hawaii	200.00	149,000	3
Boston	100.00	381,000	1
Dallas	100.00	104,000	4

2011 Most Active Buyers in 2011



Most Active Sellers in 2011



Largest Deal of 2011



Hyatt Manchester Grand

1625 Rooms

Buyer: Host Hotels and Resorts
Seller: Manchester Grand Resorts

Interest: Leasehold

Price: \$570,000,000

Price Per Room: \$351,000

Highest Total Price Ever Paid
for a Single Asset, Non-Gaming
Operating Hotel at
Highest and Best Use

Highest Price Per Key

Cooper Square Hotel

145 Rooms
New York, NY



Buyer: Andre Balazs Properties AB
Seller: Westport Capital Partners LLC

Price: \$90,000,000 (Estimated)

Price Per Room: \$620,000

Resale Success Story



Marriott Napa Valley

274 Rooms

Buyer: Inland American Real Estate Trust, Inc.

Seller: Lighthouse Lodging Group/
Privet Investments

Price: \$72,000,000

Price Per Room: \$263,000

*Sold Previously in May 2009 for
\$36,000,000
or \$131,000 per room*

Select Service Products Prove Their Value



Hilton Garden Inn, Omaha, NE
\$168,000 per room



Courtyard, Culver City, CA
\$183,000 per room



Hyatt Place, Birmingham, AL
\$128,000 per room

Upscale Extended-Stay Attract Investor Interest



Homewood Suites Conv. Ctr., Seattle
\$272,000 per room



Residence Inn Tysons Corner Mall, VA:
\$255,000 per room



Homewood Suites, Knoxville, TN
\$146,000 per room

Resort Sales Sparse



Bacara Resort, Goleta, CA
\$291,000 per room



Intercontinental Montelucia, Scottsdale, AZ
\$358,000 per room

Pick Up in Casino Sales Activity*



Green Valley Ranch

490 Rooms

50,000 Sq. Ft. Casino

Buyer: Stations Casino LLC

Seller: Green Valley Ranch

Price: \$500,000,000

Price Per Room: \$1,020,000

*Casino Sales are not included in the Major Sales data

Some Bargains Were to Be Had

Sheraton Dallas North
309 Rooms



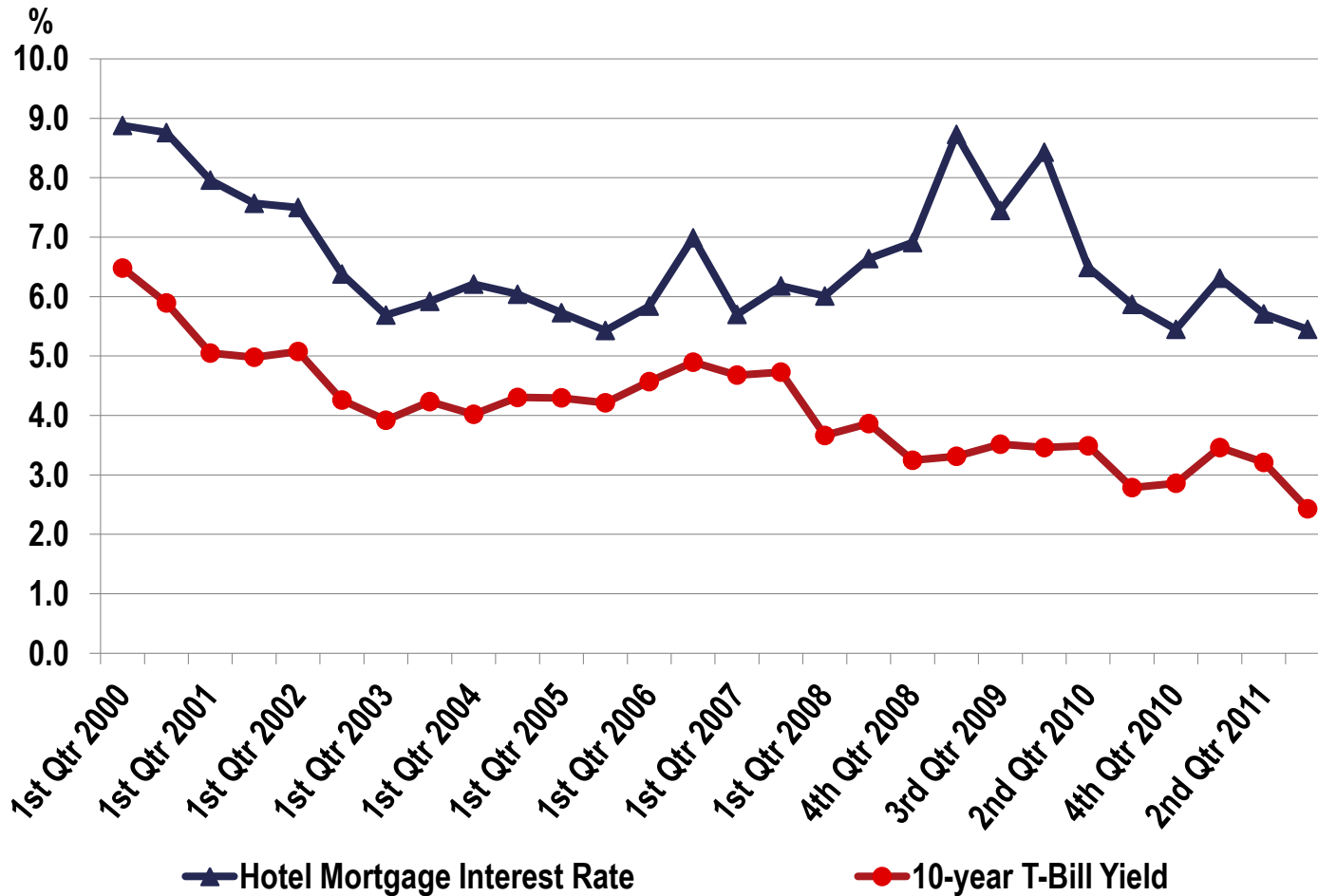
Price: \$10,250,000
Price Per Room: \$33,200

Crowne Plaza Detroit Metro Airport
364 Rooms

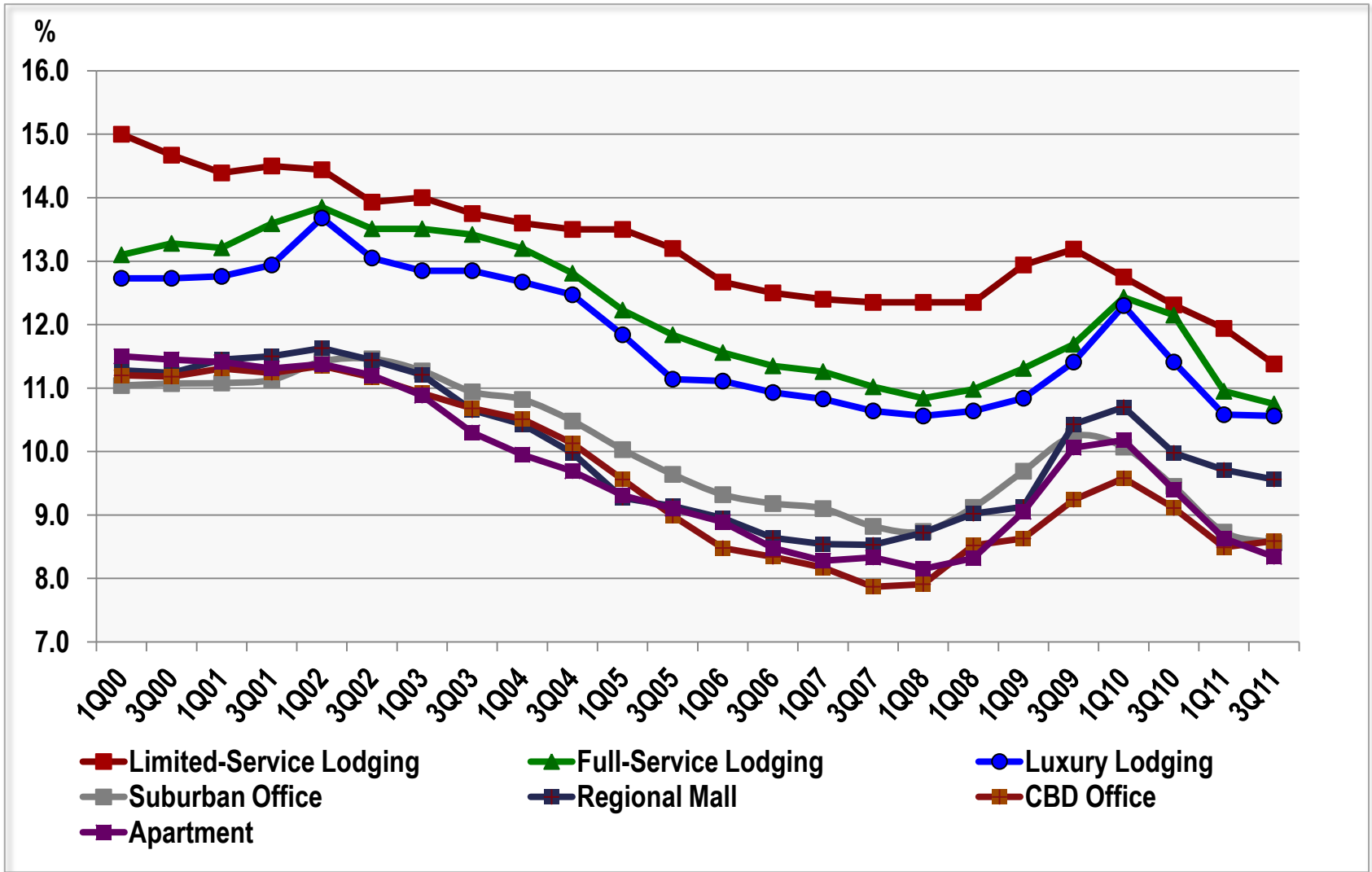


Price: \$10,700,000
Price Per Room: \$29,400

Spreads Rise But Interest Rates Remain Favorable Despite Market Uncertainty

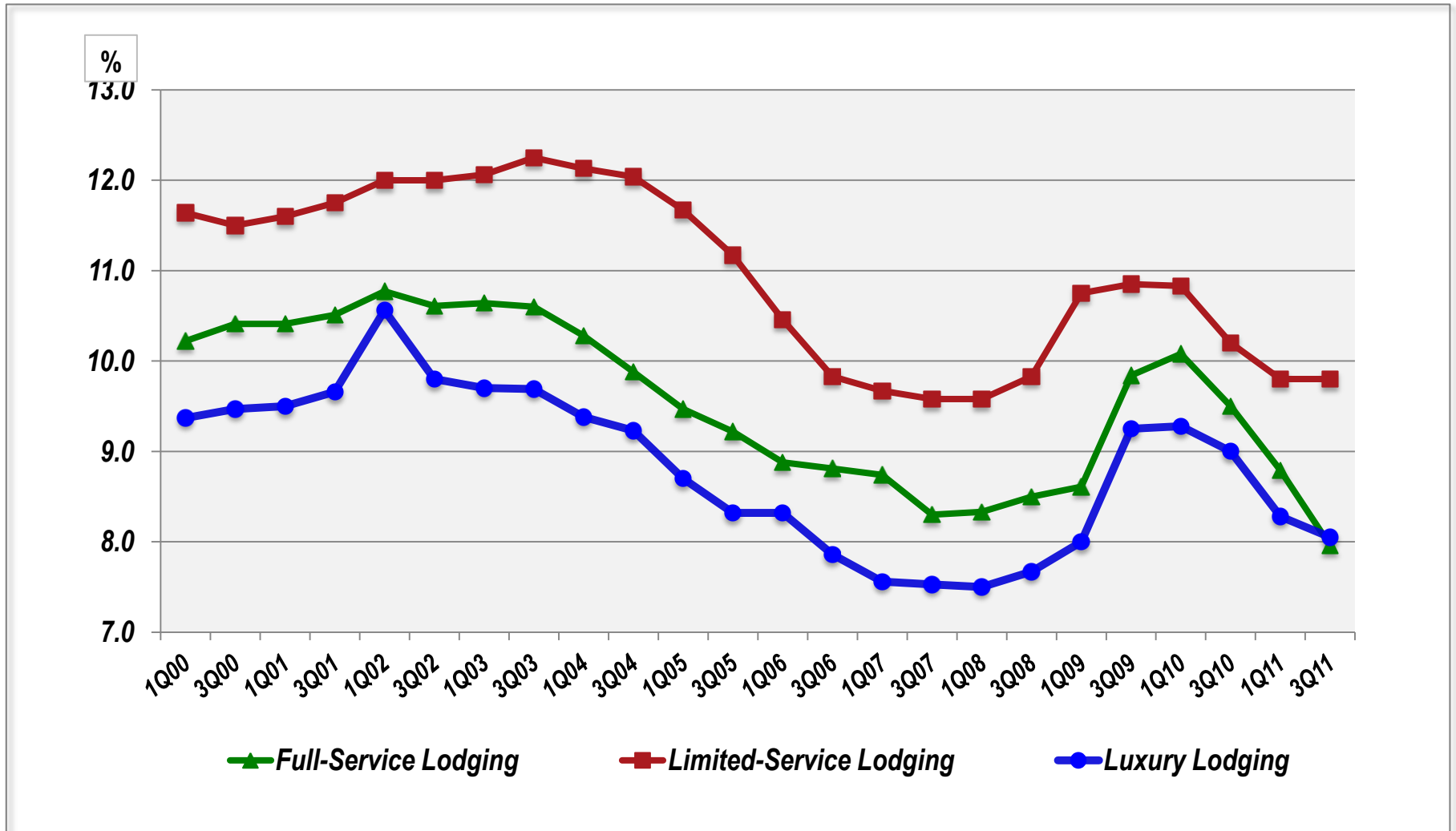


Hotels Retain Yield Premium



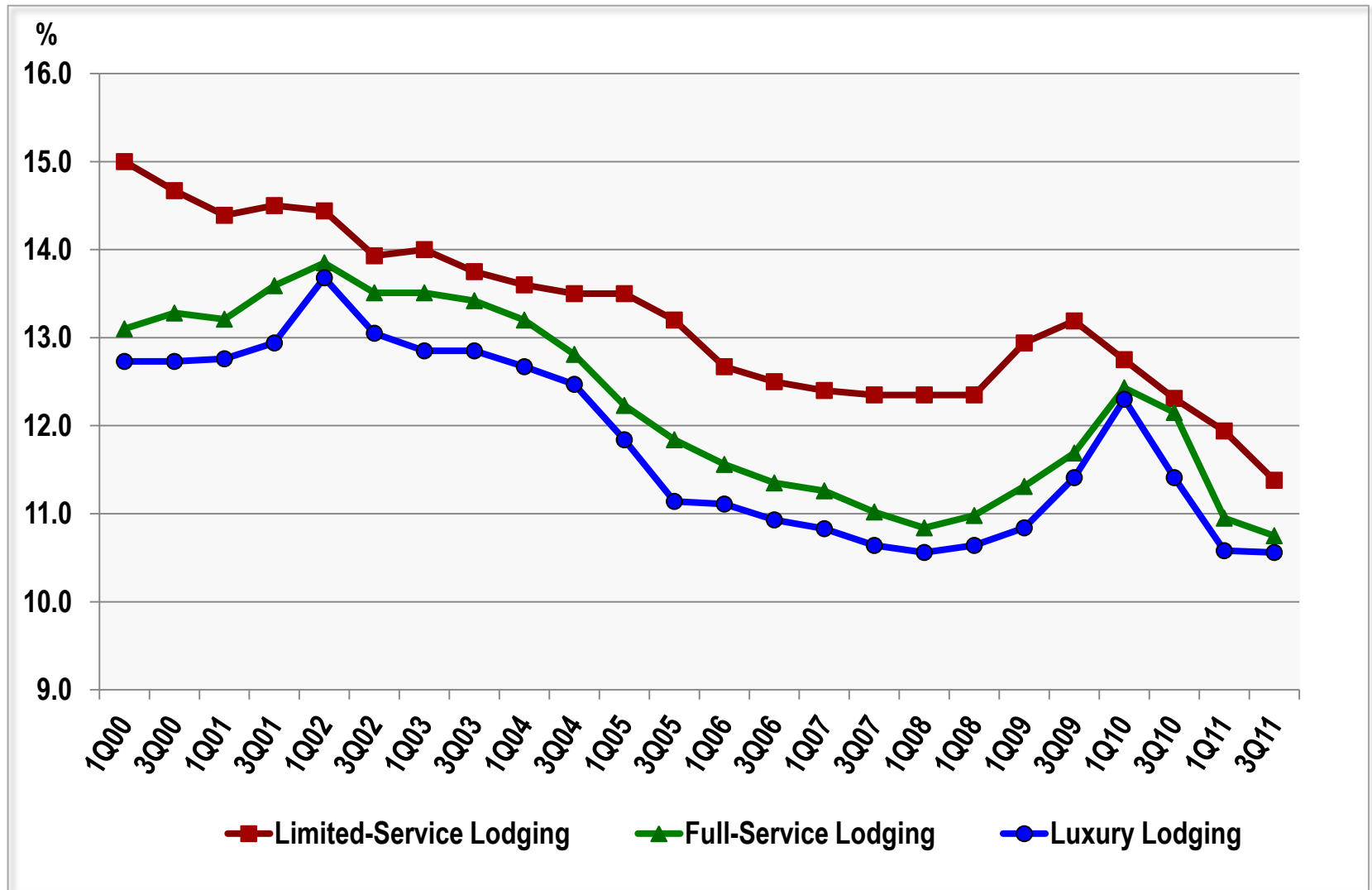
Source: PWC Korpacz Investor Survey

Hotel Cap Rates – PWC Survey



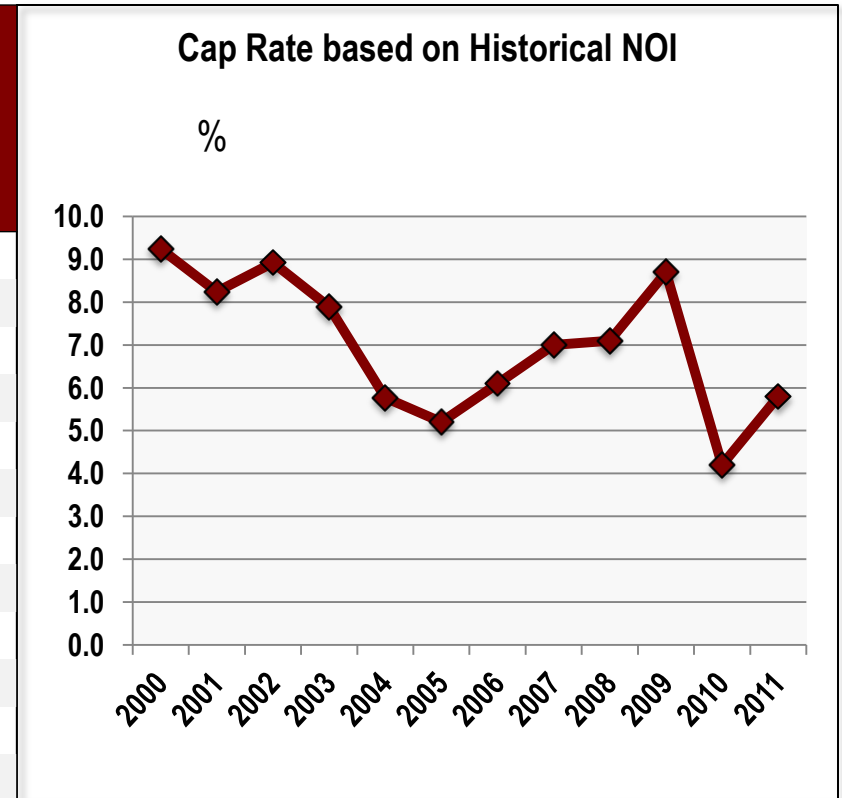
Source: PWC Korpacz Investor Survey

Hotel Discount Rates – PWC Investor Survey

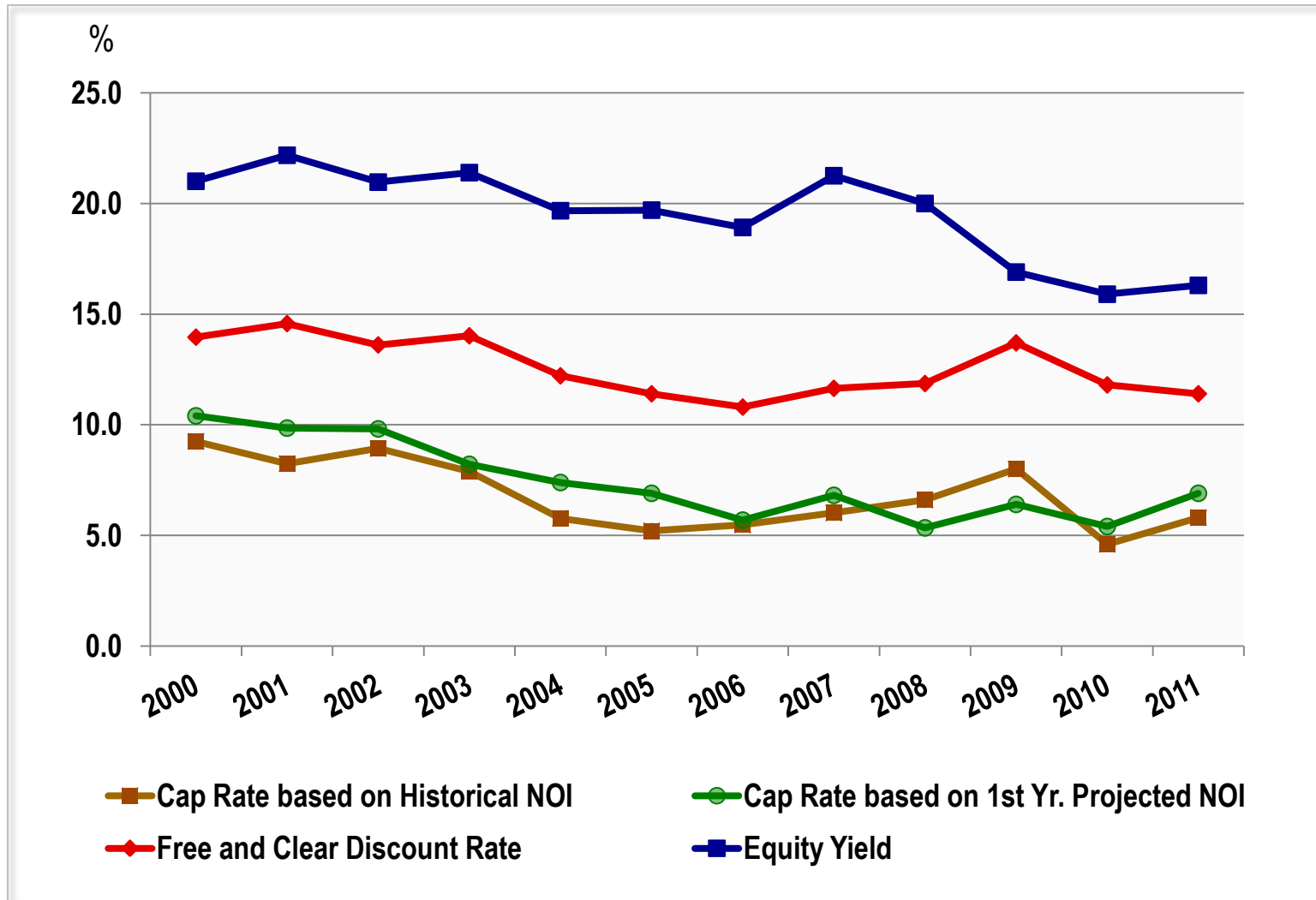


Cap Rates Increasing as Upside Subsides

	Cap Rate based on Historical NOI	Cap Rate based on 1st Yr. Projected NOI	Free and Clear Discount Rate	Equity Yield
2011	5.8	6.9	11.4	16.3
2010	4.2	5.2	11.2	15.2
2009	8.7	6.5	11.8	14.1
2008	7.1	7.2	11.2	18.2
2007	7.0	8.1	11.1	20.4
2006	6.1	7.3	10.9	19.3
2005	5.2	6.9	11.4	19.7
2004	5.8	7.4	12.2	19.7
2003	7.9	8.2	14.0	21.4
2002	8.9	9.8	13.6	21.0
2001	8.2	9.8	14.6	22.2
2000	9.2	10.4	14.0	21.0



Derived Rates of Return

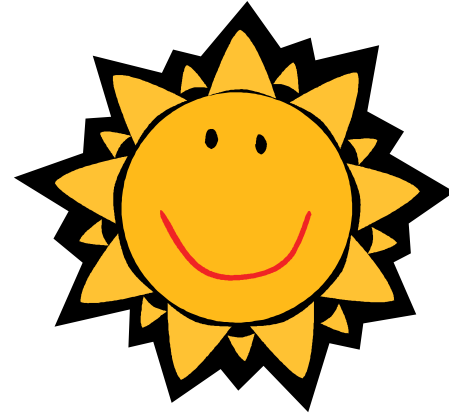
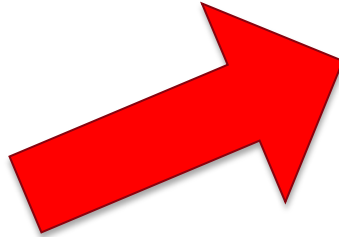


Cap Rates Ticking Up

(cap rates based on actual historical NOI at time of sale)

Property Type	2011		2010	
	Average (%)	Range (%)	Average (%)	Range (%)
Full Service	5.6	1.7 - 10.9	5.3	1.7 - 8.0
Select and Extended-Stay	6.7	3.2 - 12.6	7.8	3.1 - 12.4
Limited Service	9.4	.20 - 30.0	8.5	1.3 - 16.3

Outlook: Uncertainty Continues



Transaction Outlook

- Political and economic uncertainty will continue to cloud the market, creating headwinds for transactions
- Sales activity will vary by market and property
- Smaller, owner/operator deals will continue to hum along
- Private equity transactions will increase while REITs limit activity
- Lender forced sales will rise, driven by loan maturities and brand mandated capital improvements
- Number of sales may increase, while dollar volume of sales is likely to decline unless REITS and CMBS activity increases
- Cap rates will continue to tick up as the recovery in NOI is realized

Please Contact Me With Any Questions

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Thank You!

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Suzanne R. Mellen is Senior Managing Director of Consulting & Valuation for HVS San Francisco and Las Vegas and President of HVS Gaming Services. HVS is a full-service consulting and valuation firm specializing in hotel, gaming, and hospitality properties worldwide. Under Ms. Mellen's leadership, HVS San Francisco and Las Vegas have become renowned for excellence and integrity. Suzanne Mellen's professional experience includes consulting and appraisal positions with HVS New York, Morgan Guaranty Trust, Laventhol & Horwath, and Helmsley-Spear Hospitality Services, Inc. in New York City and Harley-Little Associates in Toronto, Canada. She gained her operational experience at the Plaza Hotel in New York.

Ms. Mellen has a B.S. degree in Hotel Administration from Cornell University and holds the following designations: MAI (Appraisal Institute), CRE (Counselor of Real Estate), FRICS (Fellow of the Royal Institution of Chartered Surveyors), and ISHC (International Society of Hospitality Consultants). She has been appraising hotels, gaming assets and related real estate for over 30 years, has authored numerous articles, and is a frequent lecturer and expert witness on the valuation of hotels, casinos and related issues. She developed the Simultaneous Valuation Formula, a mortgage-equity income capitalization formula for variable income properties, and developed the software for the model.