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

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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%

Source: HVS

Value Trend for a Typical U.S. Hotel: Projection Comparison

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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Source: HVS

Change in Value Per Room 2010

Rank			Rank		
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			

Source: HVS

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

Source: HVS

Projected Change in Value Per Room 2011

Rank			Rank		
1	San Francisco	$51,000	43	Raleigh-Durham	$9,000
2	Oahu	$41,000	44	Nashville	$8,000
3	New Orleans	$34,000	45	Memphis	$8,000
4	San Diego	$34,000	46	Norfolk	$8,000
5	Chicago	$26,000	47	Tucson	$7,000
6	Miami	$25,000	48	Indianapolis	$7,000
7	Phoenix	$25,000	49	Buffalo	$6,000
8	Orlando	$23,000	50	St. Louis	$6,000
9	Anaheim	$22,000	51	Sacramento	$4,000
10	Los Angeles	$22,000	52	Albuquerque	$4,000
18	United States	$18,000			

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Source: HVS

Projected Percent Change in Value 2011

Rank			Rank		
1	**Detroit**	55%	43	**Nashville**	12%
2	**Phoenix**	45%	44	**San Jose**	11%
3	**Cleveland**	43%	45	**Pittsburgh**	11%
4	**Tampa**	41%	46	**Baltimore**	11%
5	**Richmond**	39%	47	**Long Island**	11%
6	**Orlando**	35%	48	**Boston**	8%
7	**New Orleans**	35%	49	**Albuquerque**	8%
8	**Philadelphia**	29%	50	**Buffalo**	7%
9	**Jacksonville**	28%	51	**Washington DC**	6%
10	**United States**	28%	52	**New York**	4%

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Source: HVS

Number of Markets Where Value Increased or Decreased

	2000	2001	2002	2003	2004	2005
Value Increase	42	2	25	20	49	51
Value Decrease	10	50	27	32	3	1

	2006	2007	2008	2009	2010	2011
Value Increase	47	19	5	3	41	52
Value Decrease	5	33	47	49	11	0

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Source: HVS

Recovery: Change in Value Per Room 2010-2015

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
19	United States	$85,000

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

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Source: HVS

Long-Term Hold: Average Annual Increase in Value Per Room 1987-2015

Rank			Rank		
1	New York	$16,000	43	Cleveland	$2,200
2	San Francisco	$16,000	44	Milwaukee	$2,200
3	Oahu	$15,000	45	Indianapolis	$2,000
4	Washington DC	$10,000	46	St. Louis	$2,000
5	Boston	$9,000	47	Sacramento	$2,000
6	Miami	$8,000	48	Richmond	$1,800
7	San Diego	$7,000	49	Albuquerque	$1,200
8	Austin	$7,000	50	Long Island	$1,200
9	Los Angeles	$7,000	51	Detroit	$1,000
10	Denver	$7,000	52	Norfolk	$800
24	United States	$4,000			

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Source: HVS

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

Rank			Rank		
1	Austin	10%	43	Orlando	3%
2	New York	9%	44	Buffalo	3%
3	Miami	9%	45	Tucson	3%
4	Houston	7%	46	Indianapolis	3%
5	Denver	7%	47	Philadelphia	2%
6	San Antonio	7%	48	Richmond	2%
7	Oahu	7%	49	Albuquerque	2%
8	Portland	7%	50	Detroit	2%
9	San Francisco	6%	51	Norfolk	1%
10	New Orleans	6%	52	Long Island	1%
19	United States	5%			

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Source: HVS

Highest-Value Cities – Value Per Room

2006 – Peak		2009 – Valley		2015 – Projected Value	
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

Source: HVS

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

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Source: HVS

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

Source: HVS

Where Do We See Cap Rates Today?

	Overall Capitalization Rate Based On:			Terminal	
	T-12	Year One	Equity Yield	Cap Rate	Discount Rate
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%

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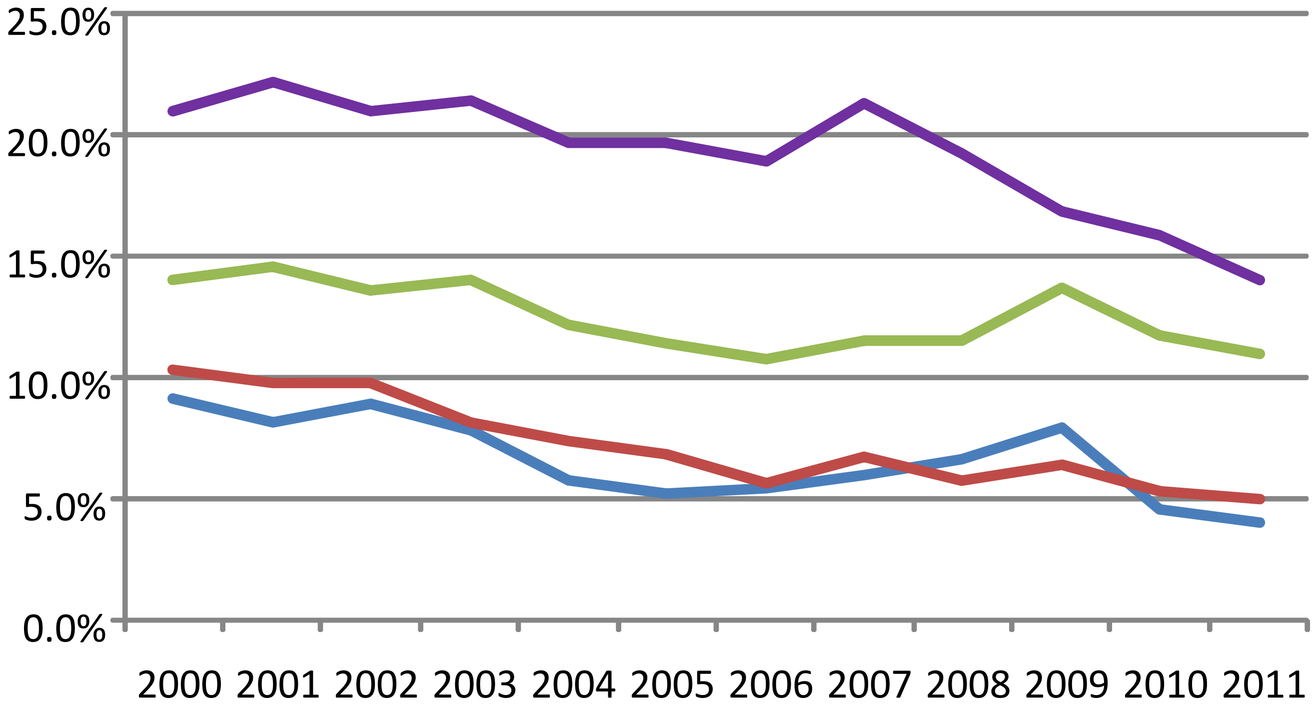
Source: HVS

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%

Source: HVS

“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

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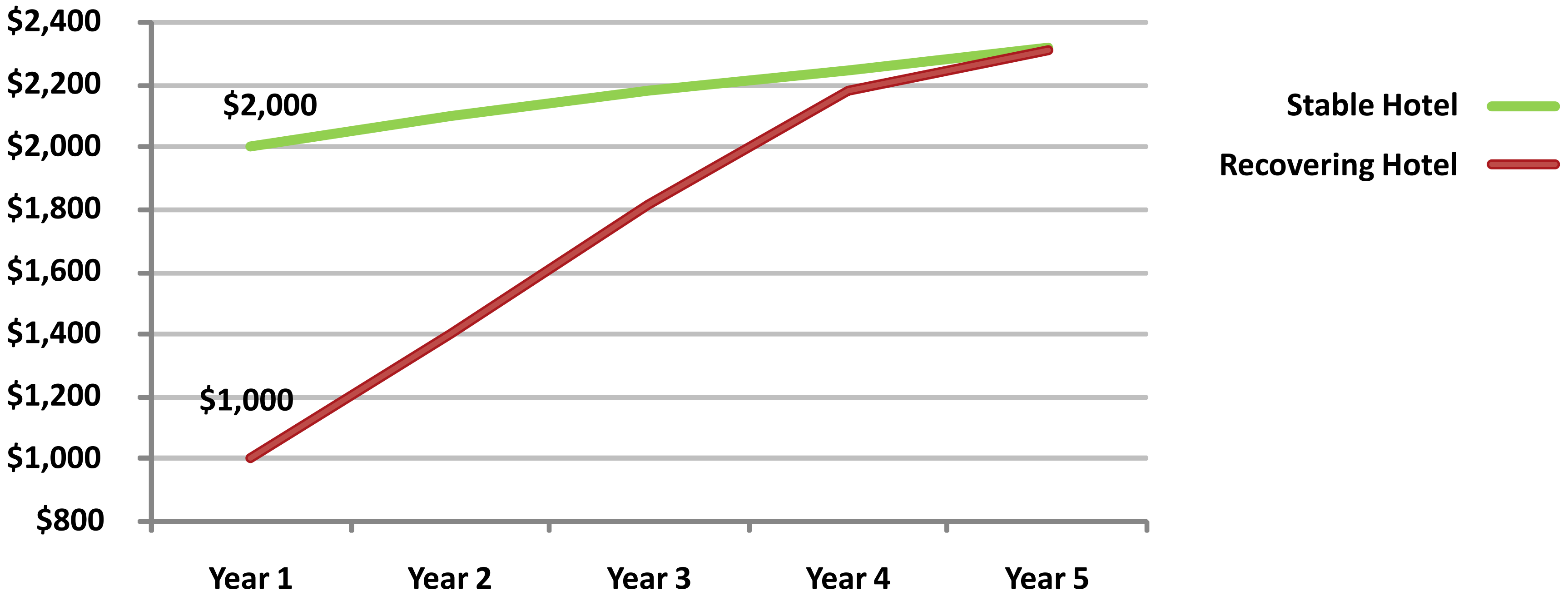
Source: HVS

Why Are Cap Rates So Low?



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

Source: HVS

Buy

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

Source: HVS

Sell

…but not until 2012-2013

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

Source: HVS

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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Source: HVS

Thank You