



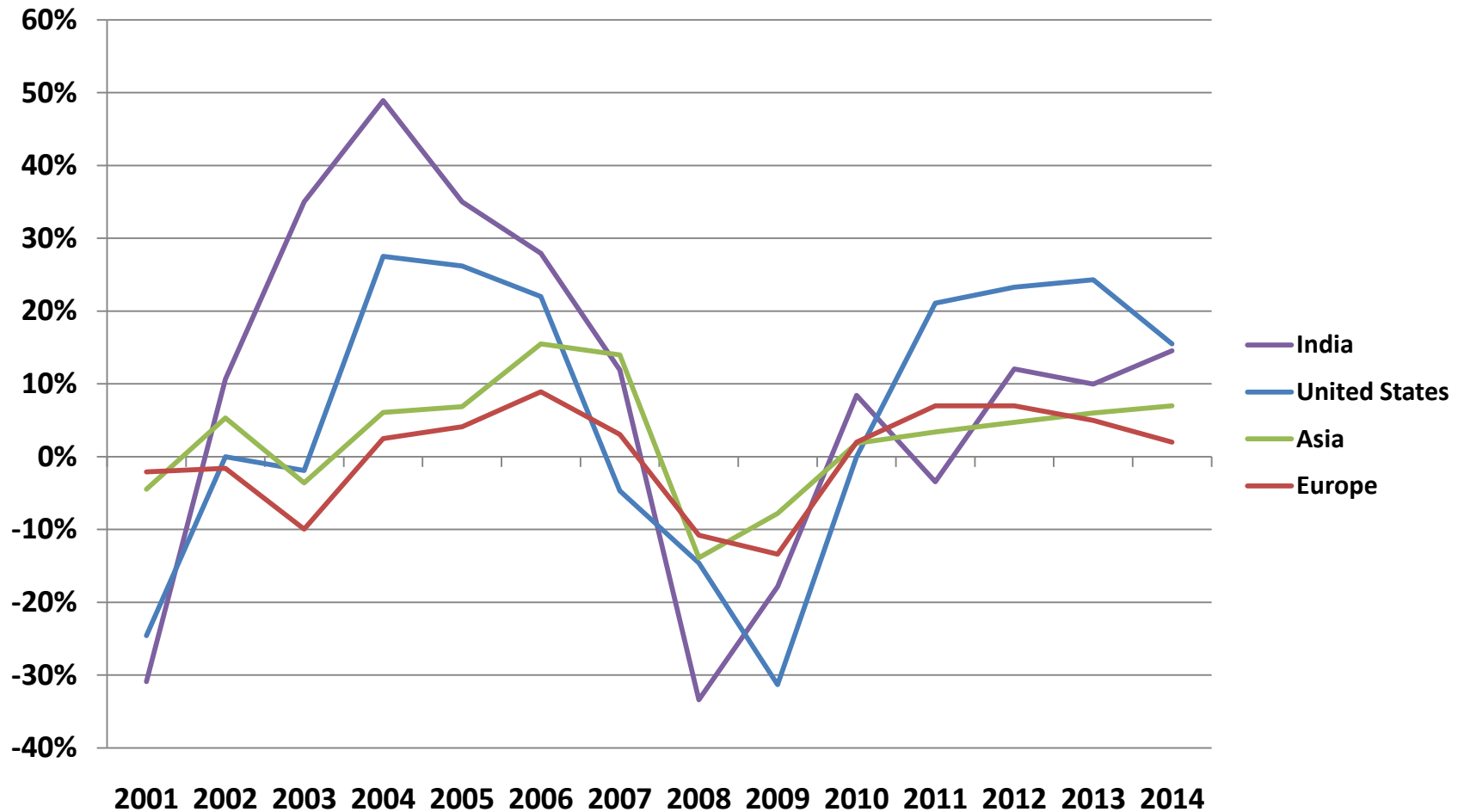
Trends in the International Hospitality Industry

Steve Rushmore, MAI, FRICS

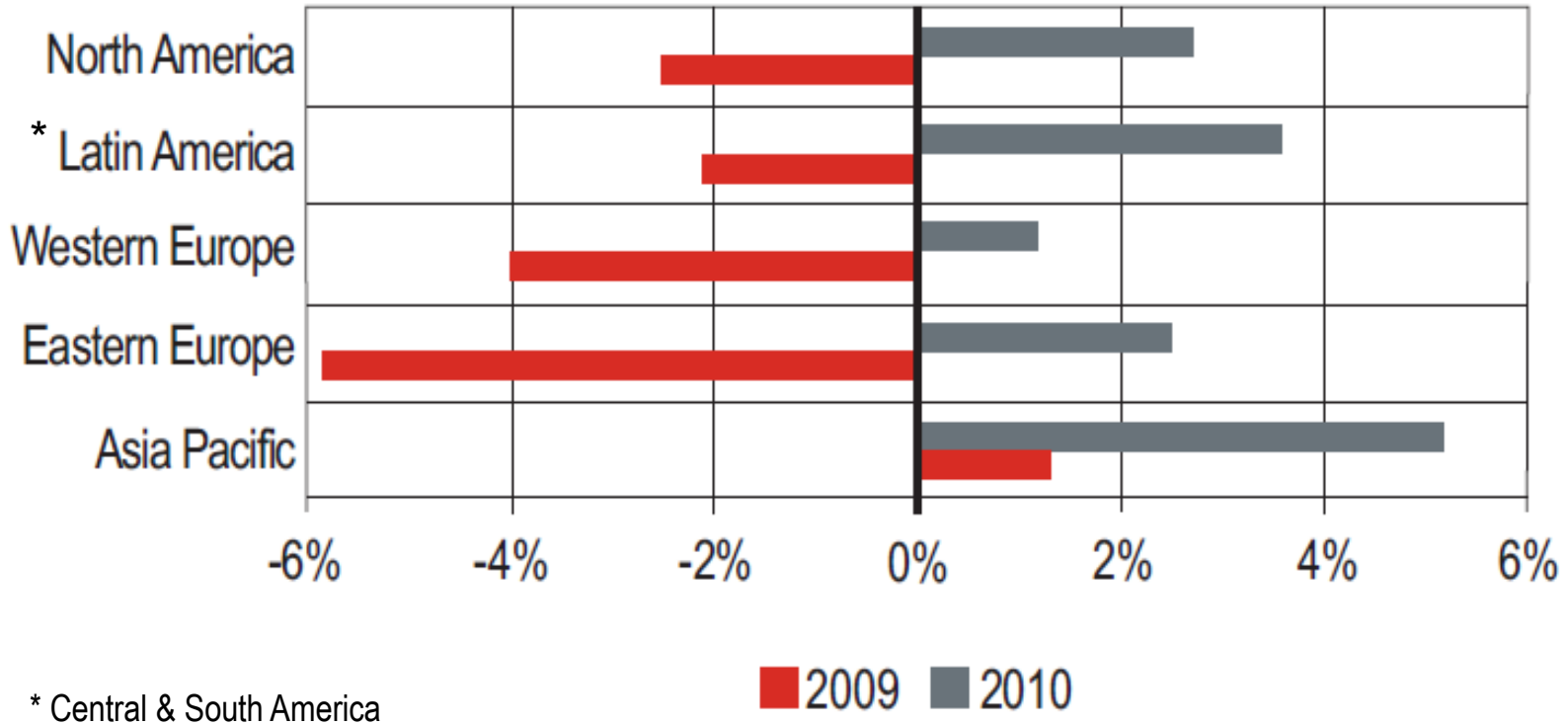
President and Founder HVS

srushmore@hvs.com

Worldwide – Annual Percent Change in Value Per Room: 2001 to 2014



Real GDP Growth Forecast by Region



Recent Global Hotel Events

The Bad News

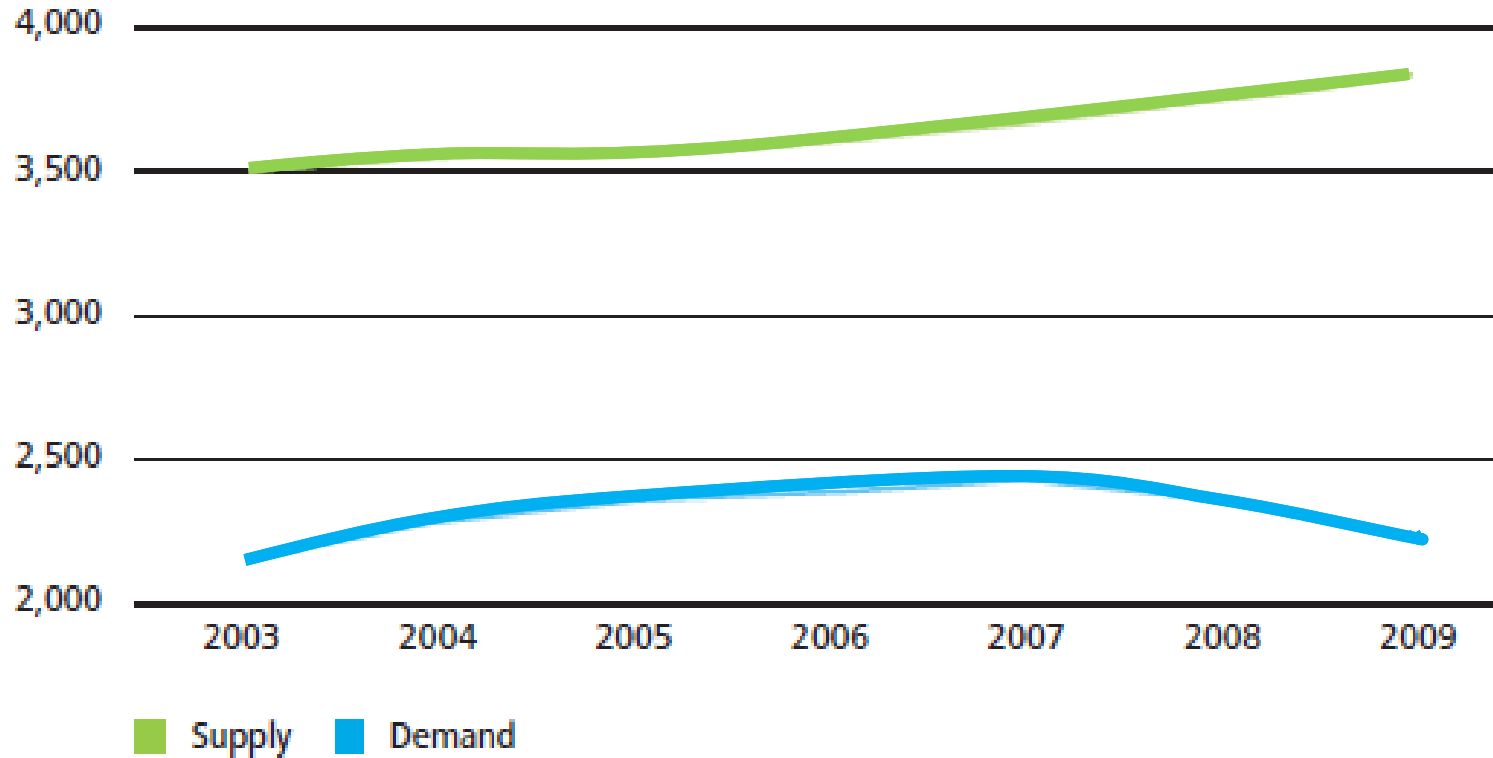
- Recession
- Declining hotel demand
- Falling occupancies
- Declining room rates
- Loss of RevPAR
- Erosion of hotel values
- Mortgage defaults
- Lack of new financing

The Good News

- Minimal new hotel supply
- Recovery will be rapid and strong
- Huge buying opportunity

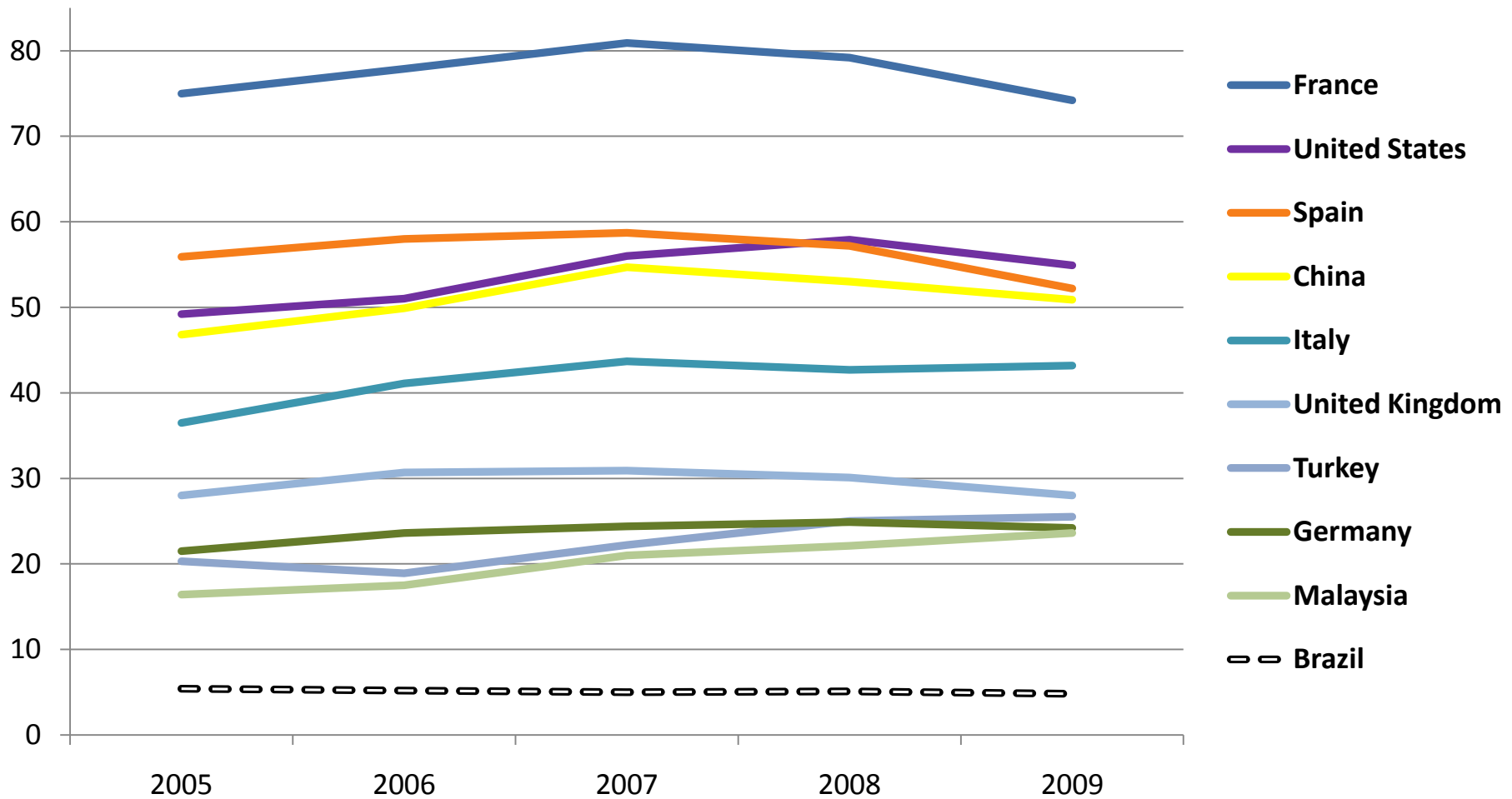
Global Supply & Demand

Rooms (actual annual, millions)

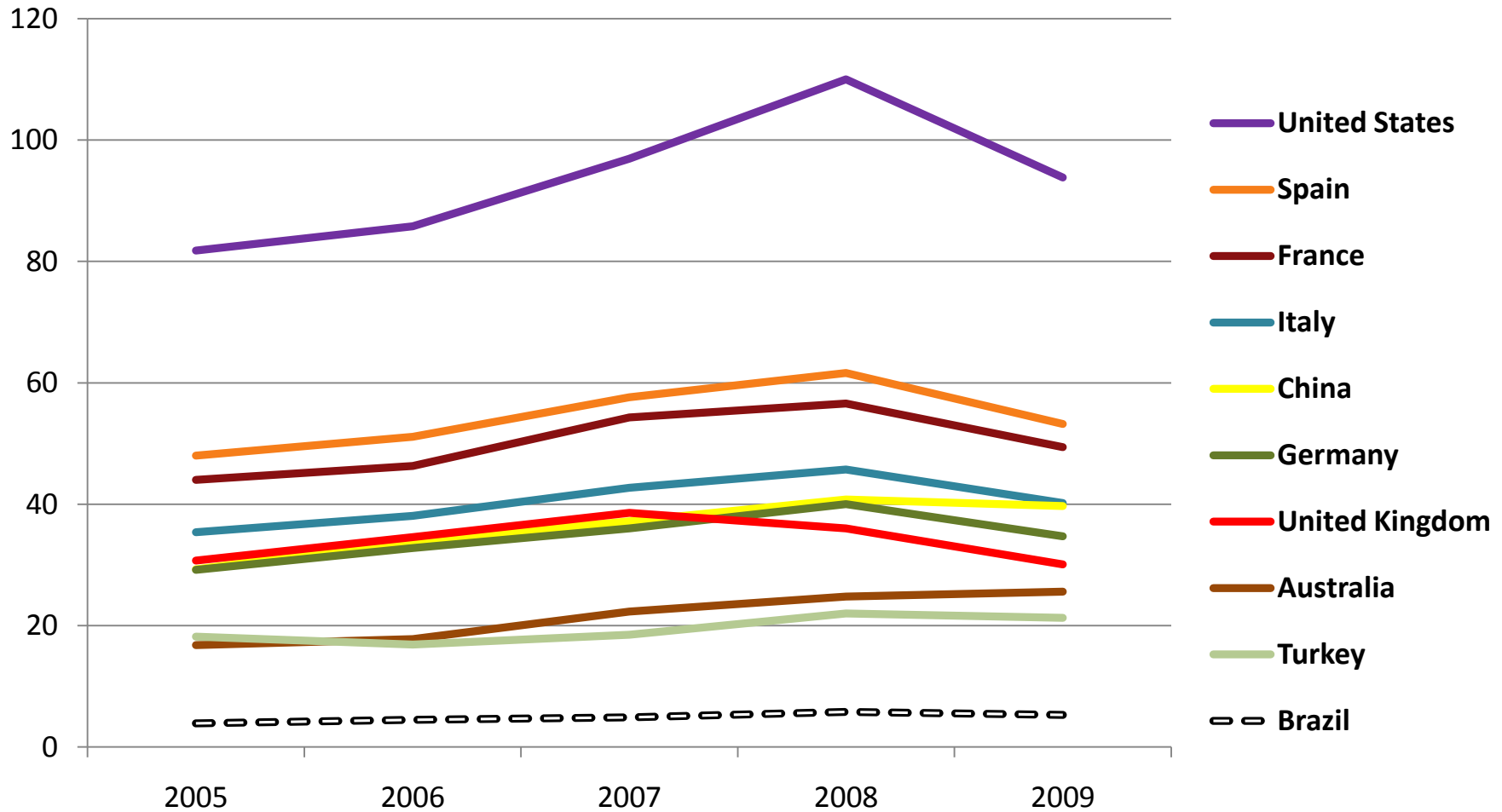


International Arrivals

by Country of Destination (million)

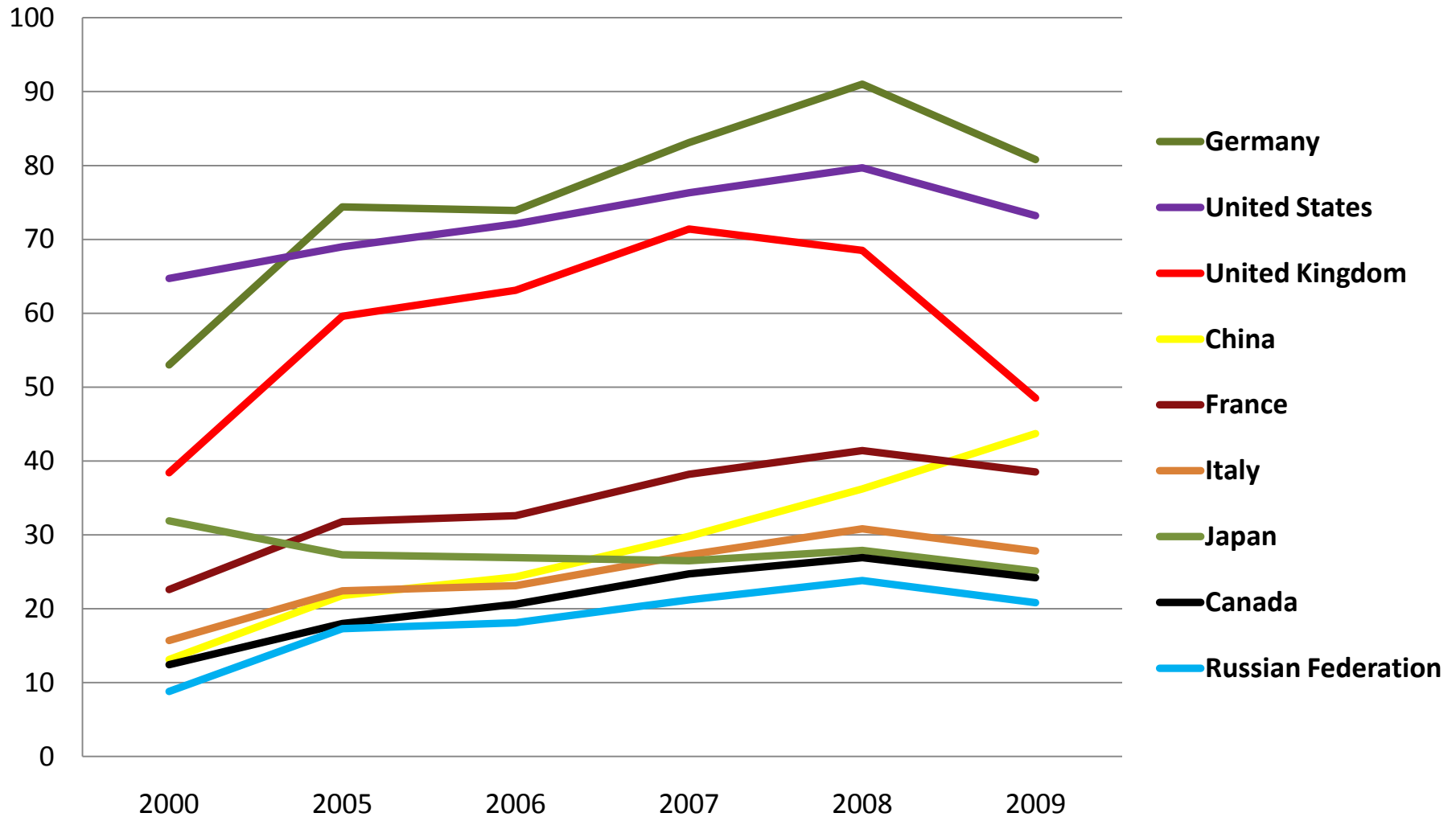


International Tourist Receipts (US\$ billion)



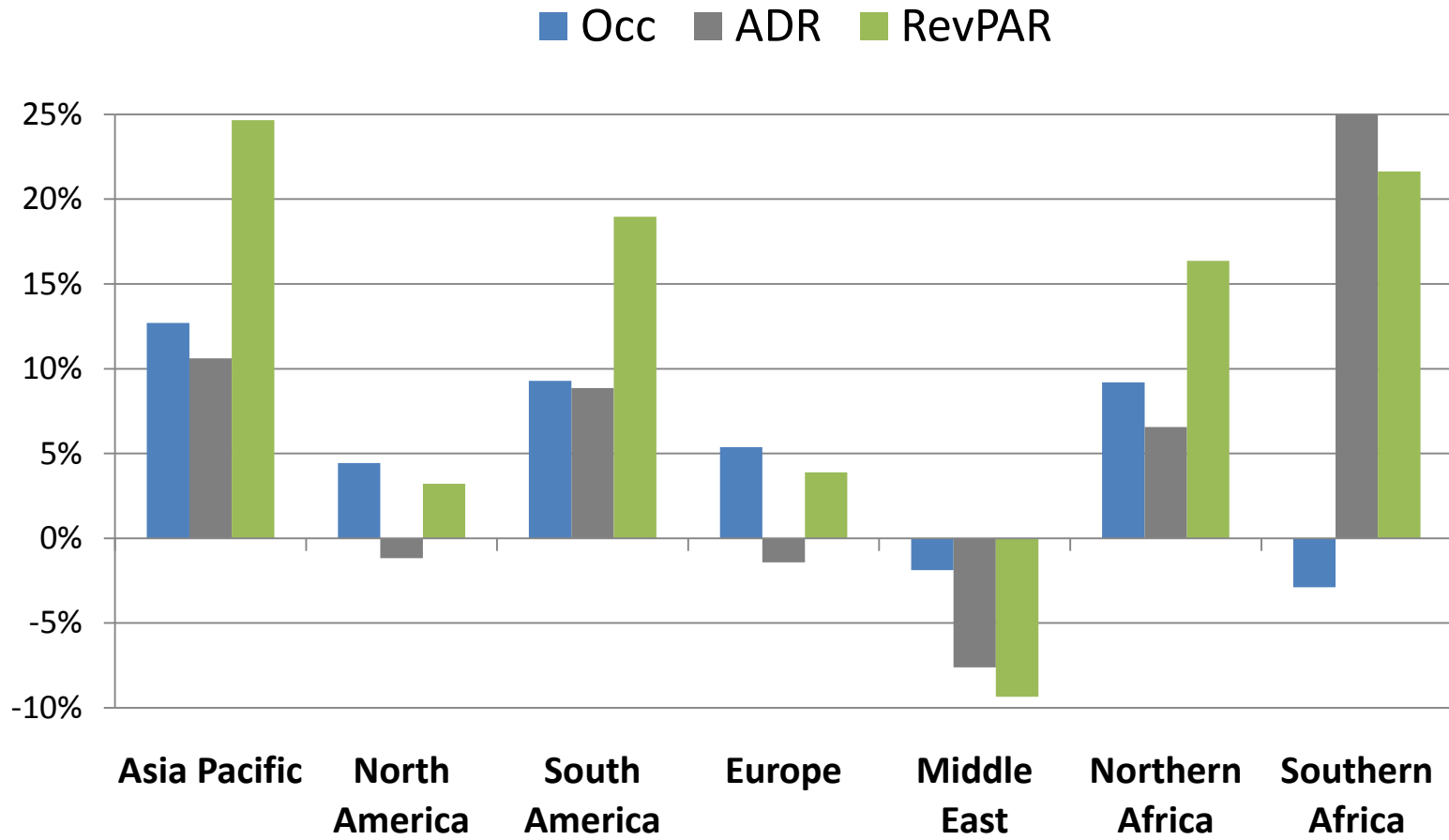
International Tourism Expenditure

(US\$ billion)

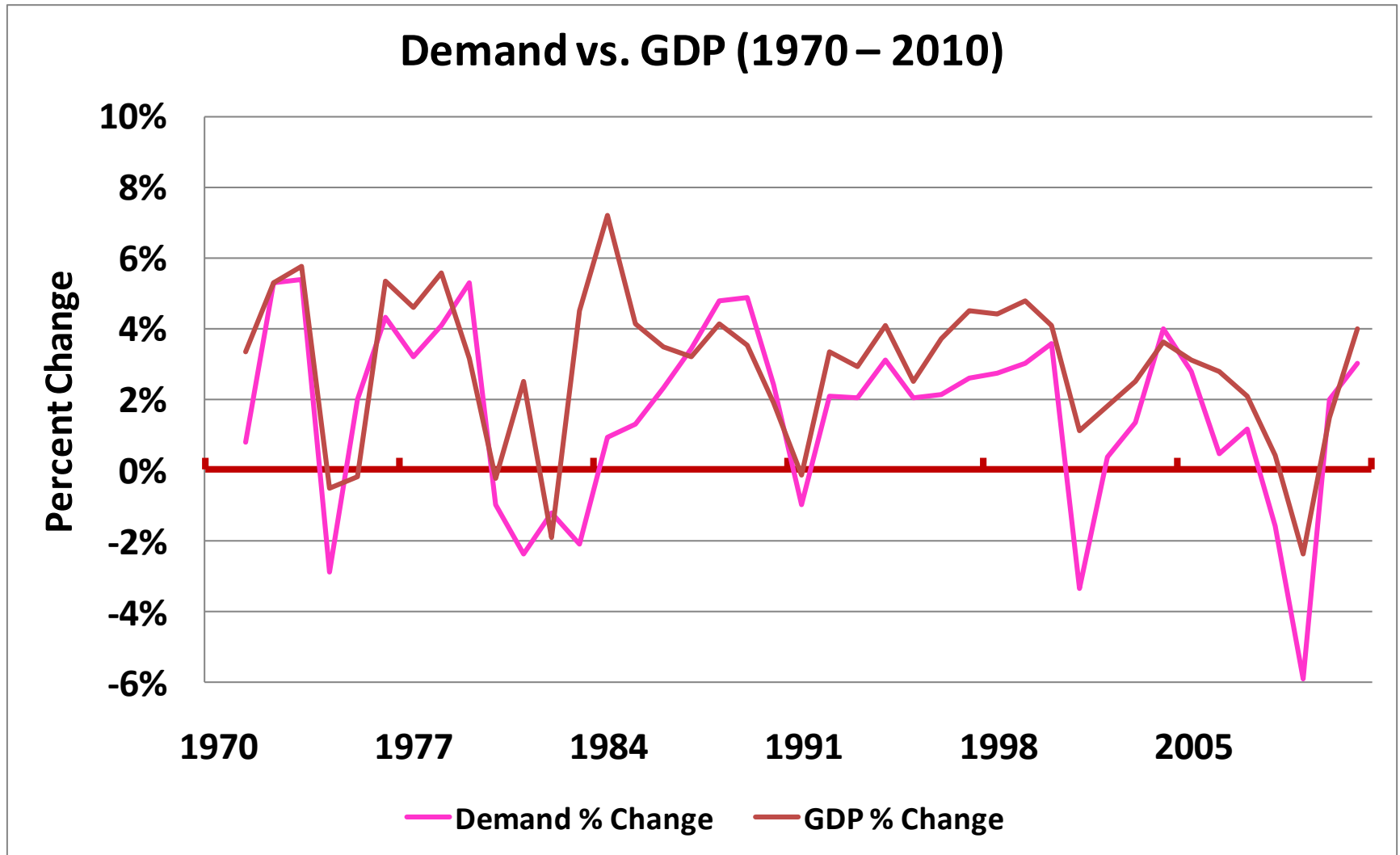


Short-Term Trends

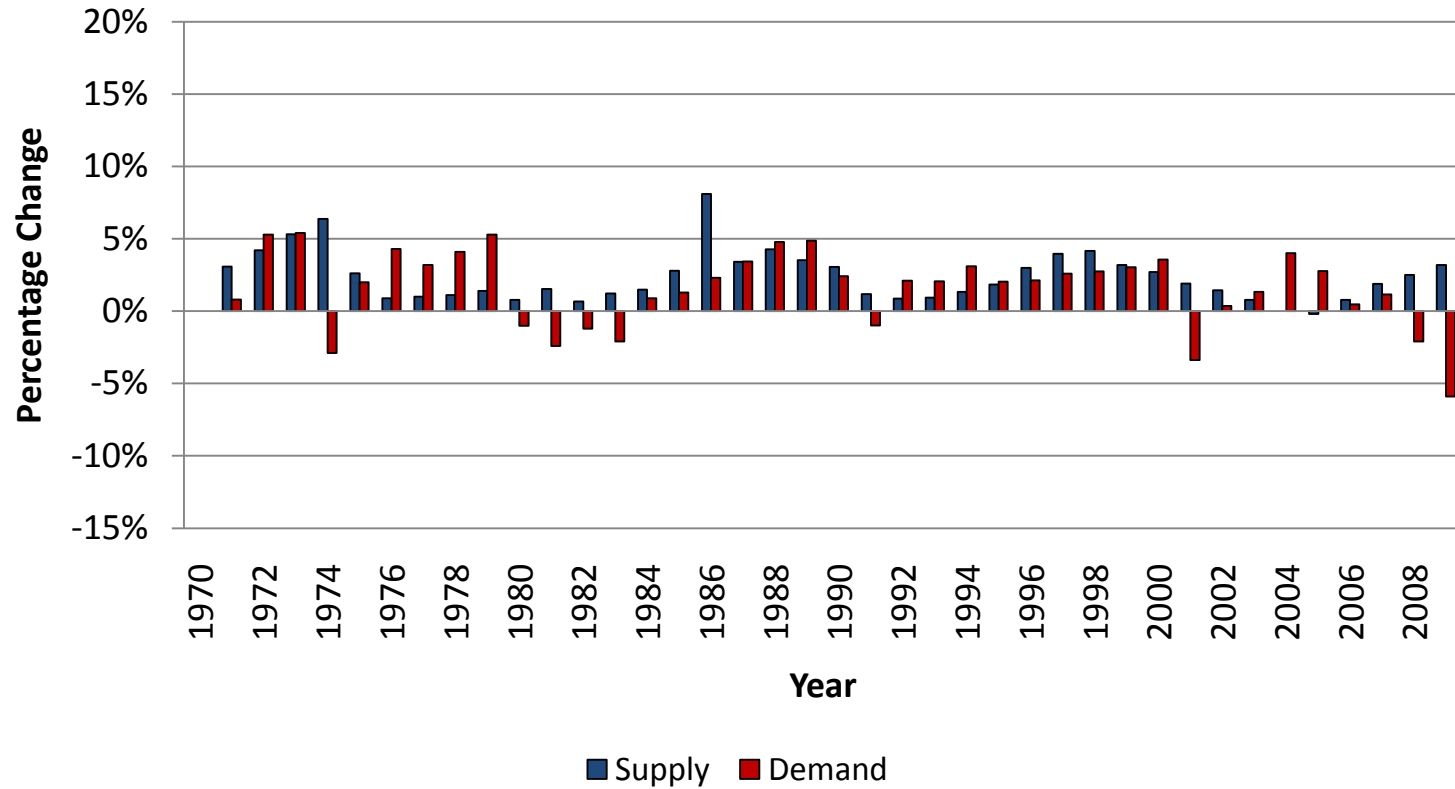
YTD June 2010 % Change



U.S. Market Demand vs. GDP

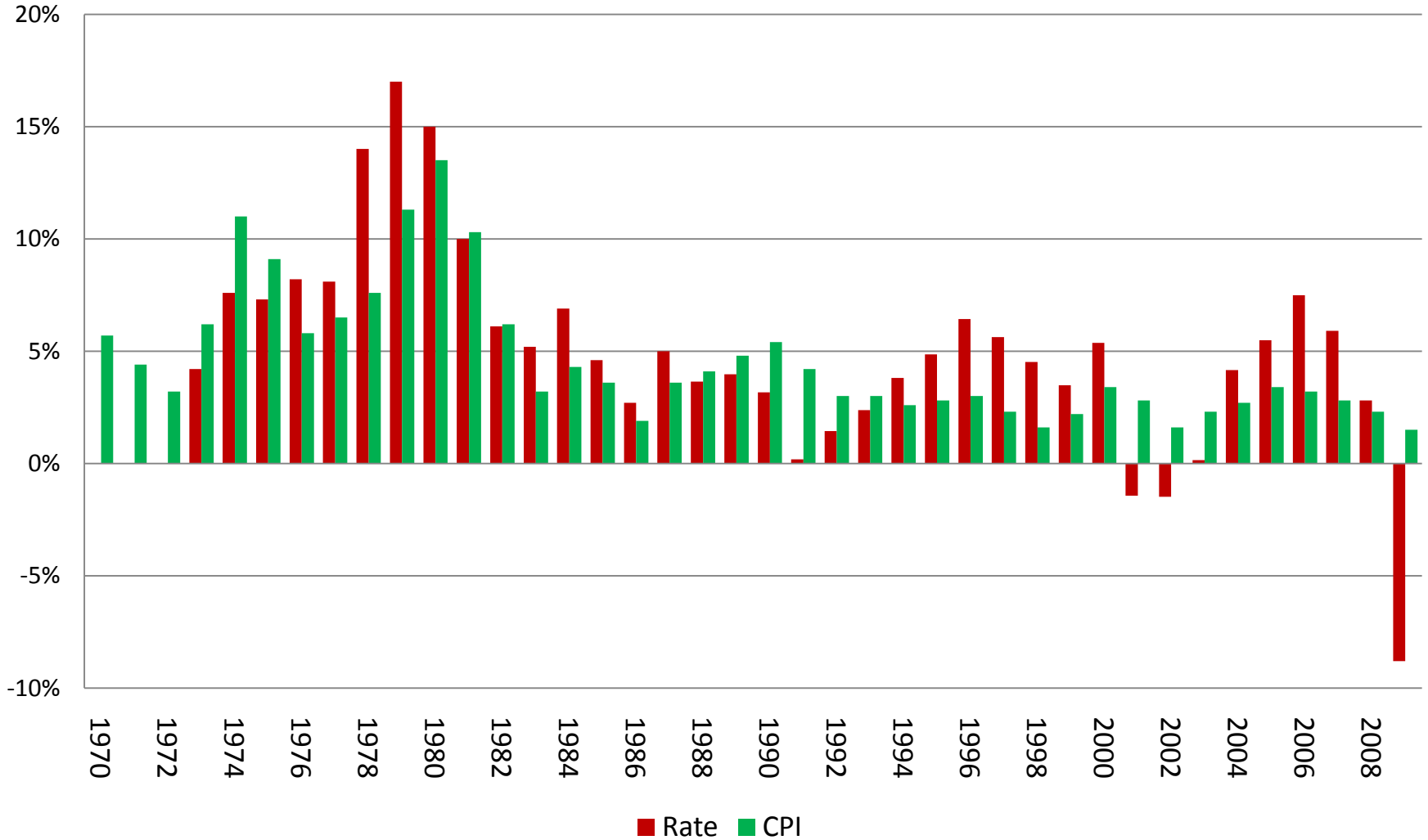


Percent Change of Supply, Demand & Occupancy 1970-2008



Historical Change of Rate, CPI, & Occupancy

Percent Change of Rate, CPI, & Occupancy 1970 - 2008



Projected RevPAR

Year	Occupancy	Percent Change	Average Rate	Percent Change	RevPAR	Percent Change
2008	60.0%	-4.5%	\$107.08	2.8%	\$64.28	-1.9%
2009	54.8%	-8.8%	\$97.68	-8.8%	\$53.49	-16.8%
2010F	57.7%	5.3%	\$96.70	-1.0%	\$55.80	4.3%
2011F	59.1%	2.5%	\$101.05	4.5%	\$59.76	7.1%
2012F	60.9%	3.0%	\$106.11	5.0%	\$64.62	8.1%
2013F	62.1%	2.0%	\$111.94	5.5%	\$69.51	7.6%
2014F	62.7%	1.0%	\$117.54	5.0%	\$73.71	6.0%
2015F	62.7%	0.0%	\$121.07	3.0%	\$75.92	3.0%

Value Trend For A Typical U.S. Hotel

	1999	2000	2001	2002	2003	2004
Value Per Room	\$61,000	\$69,000	\$52,000	\$52,000	\$51,000	\$65,000
Percent Change	1.7%	13.1%	-24.6%	0.0%	-1.9%	27.5%
	2005	2006	2007	2008	2009	2010
Value Per Room	\$82,000	\$100,000	\$95,000	\$81,000	\$56,000	\$65,000
Percent Change	26.2%	22.0%	-4.7%	-14.6%	-31.3%	17.2%
	2011	2012	2013	2014	2015	
Value Per Room	\$83,000	\$105,000	\$126,000	\$137,000	\$142,000	
Percent Change	27.0%	27.3%	19.6%	8.7%	3.5%	

Recovery: From Low Point to 2015 (\$ Per Room)

Rank

1	New York	\$401,000
2	Miami	\$178,000
3	San Francisco	\$164,000
4	Oahu	\$160,000
5	Las Vegas	\$152,000
6	New Orleans	\$146,000
7	Boston	\$137,000
8	Fort Lauderdale	\$133,000
9	Los Angeles	\$122,000
10	Chicago	\$117,000

Rank

43	St. Louis	\$46,000
44	Albuquerque	\$45,000
45	Milwaukee	\$45,000
46	Cleveland	\$44,000
47	Memphis	\$44,000
48	Richmond	\$44,000
49	Dallas	\$42,000
50	Kansas City	\$38,000
51	Cincinnati	\$35,000
52	Detroit	\$33,000

30 United States **\$86,000**

Recovery: From Low Point to 2015 (Percentage)

Rank

1	Las Vegas	434%
2	Tampa	364%
3	Norfolk	294%
4	Tucson	280%
5	Sacramento	273%
6	Phoenix	215%
7	New Orleans	209%
8	New York	205%
9	Oakland	176%
10	Detroit	165%
20	United States	156%

Rank

43	Oahu	68%
44	Houston	66%
45	Salt Lake City	65%
46	Dallas	65%
47	Portland	64%
48	Denver	60%
49	Pittsburgh	58%
50	Anaheim	53%
51	Austin	51%
52	Washington DC	41%

Top Value-Per-Room Cities

<u>2009</u>		<u>2015</u>	
Washington DC	\$237,000	New York	\$597,000
Oahu	\$265,000	San Francisco	\$397,000
San Francisco	\$233,000	Oahu	\$397,000
New York	\$196,000	Washington DC	\$341,000
Boston	\$191,000	Miami	\$338,000
Miami	\$160,000	Boston	\$328,000
San Diego	\$146,000	San Diego	\$256,000
Los Angeles	\$129,000	Los Angeles	\$251,000
Austin	\$125,000	Seattle	\$225,000
Seattle	\$119,000	Fort Lauderdale	\$217,000

Europe – Annual Percent Change in Value Per Room: 2006 to 2010

	2006	2007	2008	2009	2010
Paris	9%	6%	-6%	-4%	6%
London	12%	6%	-23%	1%	10%
Rome	8%	-4%	-18%	-10%	2%
Moscow	21%	14%	-10%	-30%	0%
Madrid	13%	2%	-17%	-18%	-5%
Athens	3%	5%	-3%	-14%	-8%
Berlin	5%	-1%	0%	-1%	7%
Brussels	8%	6%	2%	-12%	0%
Dublin	6%	-2%	-19%	-20%	-10%
Frankfurt	6%	-6%	-8%	0%	5%
Europe Average	9%	3%	-11%	-13%	2%

Asia – Annual Percent Change in Value Per Room: 2006 to 2010

	2006	2007	2008	2009	2010
Tokyo	12%	9%	-14%	-10%	0%
Hong Kong	14%	11%	-12%	-8%	5%
Singapore	30%	25%	-13%	-9%	0%
Shanghai	25%	26%	-10%	-10%	10%
Seoul	12%	5%	-18%	2%	0%
Beijing	24%	29%	-13%	-11%	0%
Bangkok	1%	10%	-20%	-8%	-2%
Asia Average	15%	14%	-14%	-8%	2%

India – Annual Percent Change in Value Per Room: 2007 to 2010

	2007	2008	2009	2010
Delhi	20%	-33%	-26%	14%
Mumbai	34%	-40%	-14%	18%
India Average	12%	-33%	-18%	8%

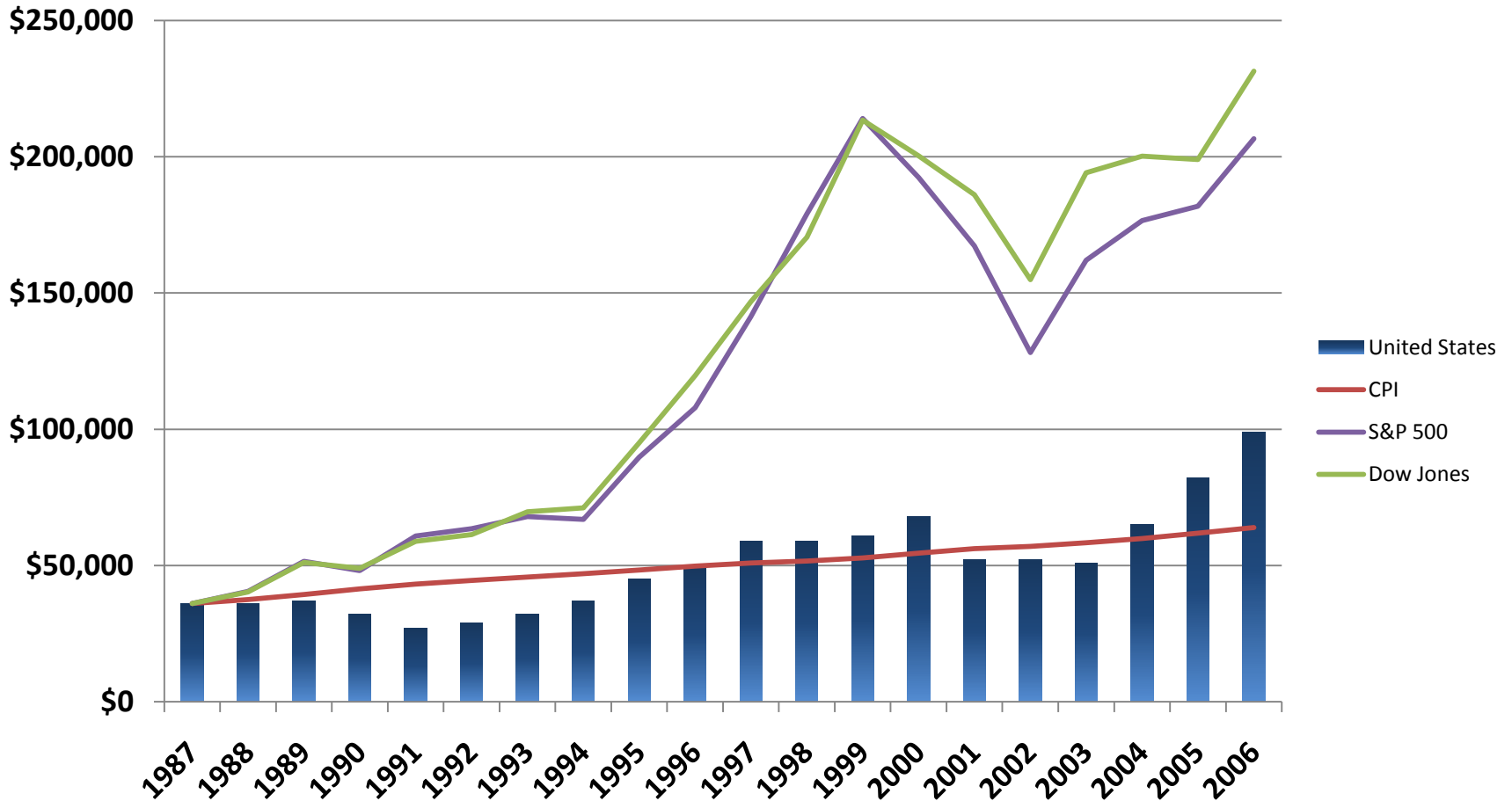
Worldwide – Annual Percent Change in Value Per Room: 2000 to 2010

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
United States	-	-25%	0%	-2%	28%	26%	22%	-5%	-15%	-31%	17%
Europe	-	-2%	-2%	-10%	2%	4%	9%	3%	-11%	-13%	2%
Asia	-	-4%	5%	-4%	6%	7%	15%	14%	-14%	-8%	2%
India	-	-31%	11%	35%	49%	35%	28%	12%	-33%	-18%	8%

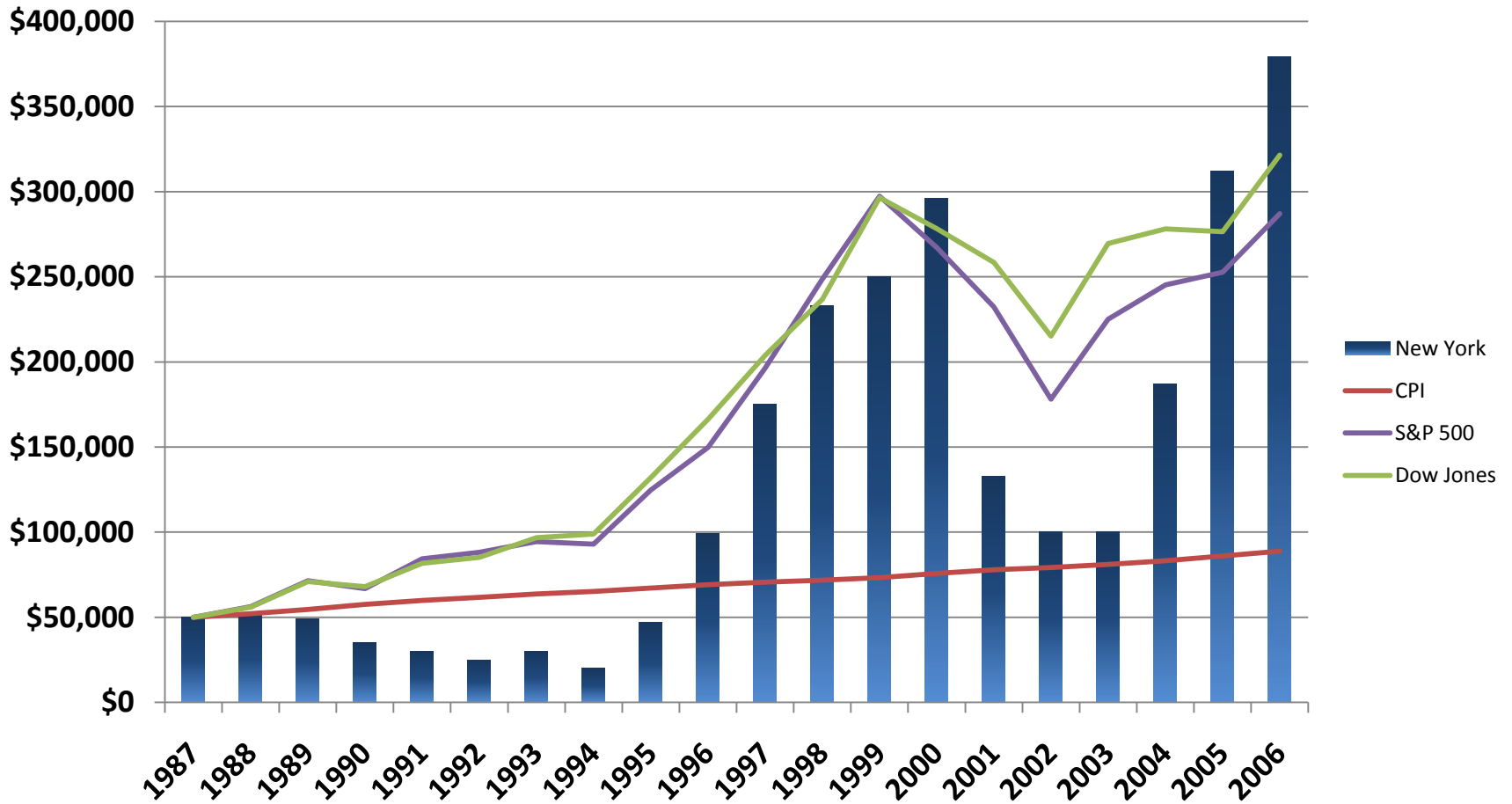
Rushmore's Observations

- The global hotel industry bottomed out in 2009 and a recovery is under way.
- Obtaining hotel financing will be a challenge for the next 2 to 4 years.
- Supply growth will be constrained by the lack of financing.
- Existing hotels will experience a significant increase in value through 2014.
- Prepare for the Chinese and Indian tourists and business travelers to start dominating the travel market during this decade.
- Look for ways to attract these new travelers to your market.

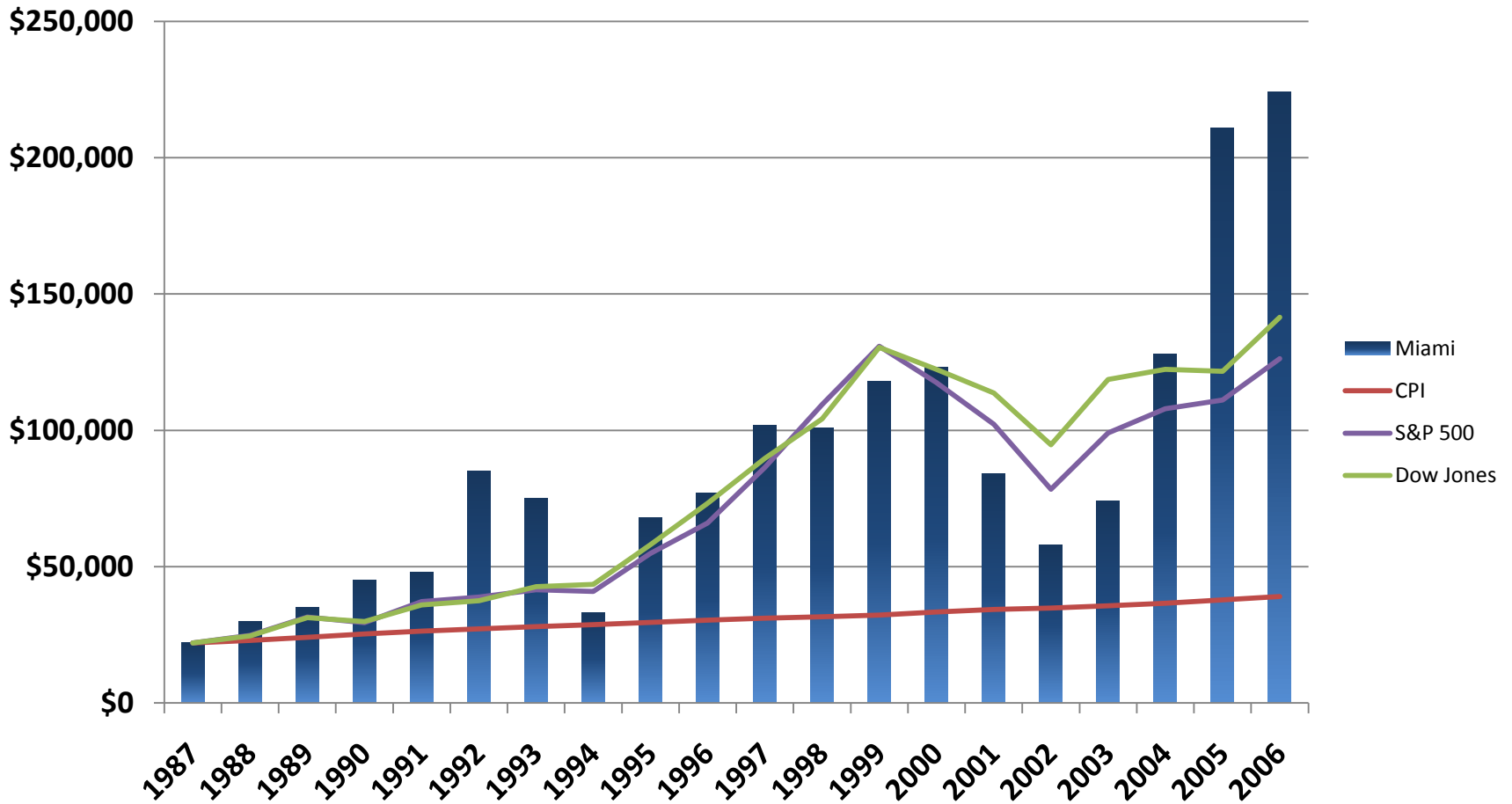
HVI Value: United States (Volatility Index 0%) Compared to CPI, S&P 500, & Dow Jones



HVI Value: New York (Volatility Index 131%) Compared to CPI, S&P 500, & Dow Jones



HVI Value: Miami (Volatility Index 82%) Compared to CPI, S&P 500, & Dow Jones



HVS Franchise Fee Analysis Guide- Mid-Rate

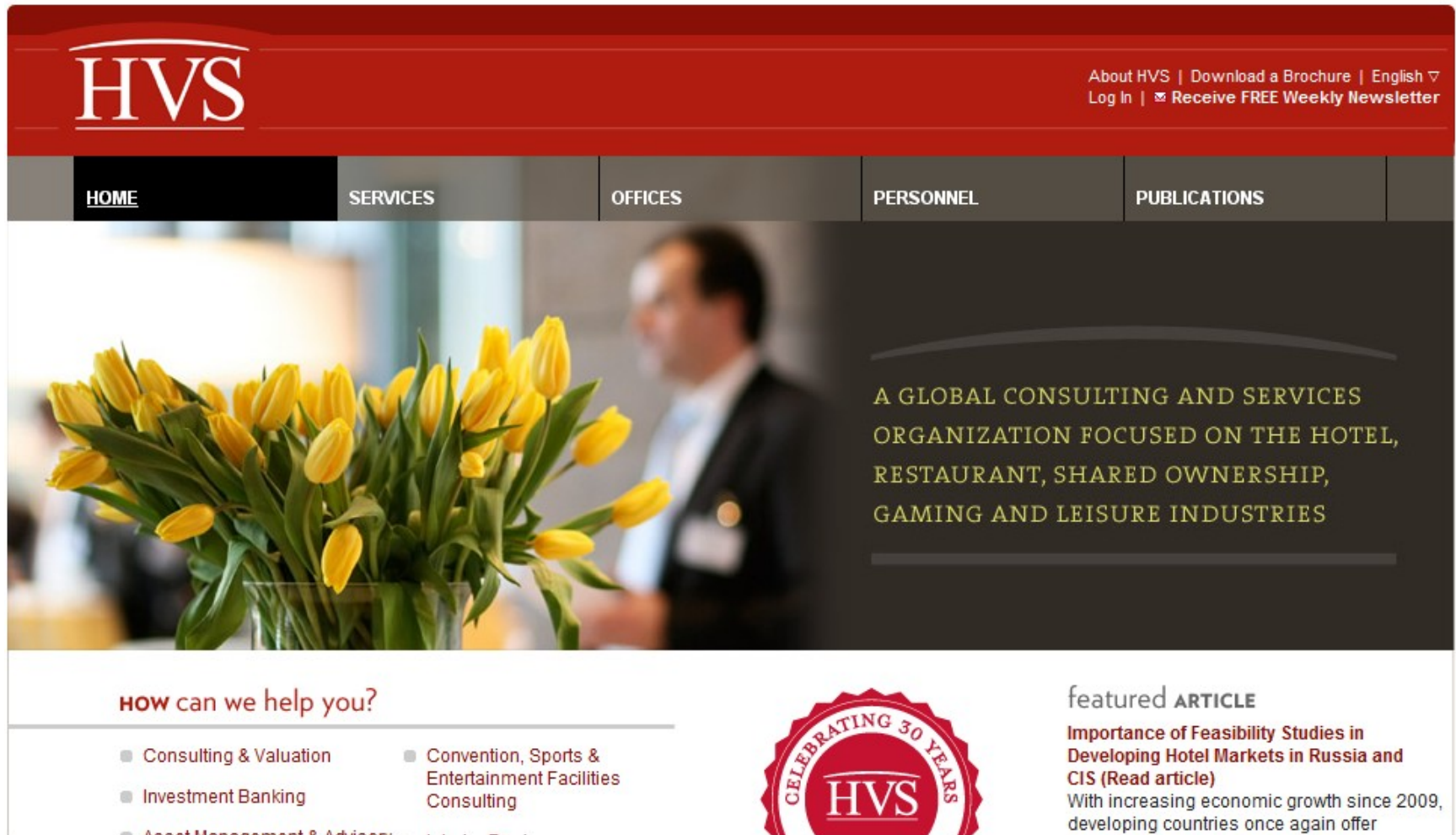
Brand	Total Initial Fee	Total Royalty Fee	Total Reservation Fee	Total Marketing Fee	Total Frequent Traveler Fee	Total Misc. Fee	Total Ten-Year Fee	Total Ten-Year Fee/Rooms	Percent of Total Rooms Revenue
Best Western	70,000	953,233	54,718	209,927	154,586	0	1,442,464	7,212	2.9%
Comfort Inn/Suites	100,000	2,770,479	582,656	1,887,849	140,533	142,066	5,623,583	28,118	11.5%
Country Inn/Suites	100,000	2,206,576	675,938	1,225,876	126,480	590,801	4,925,670	24,628	10.0%
Fairfield Inn/Suites	80,000	2,206,576	983,161	1,225,876	98,373	339,881	4,933,867	24,669	10.1%
Hampton Inn/Suites	95,000	2,451,752	0	1,961,401	137,722	424,396	5,070,271	25,351	10.3%
Holiday Inn	100,000	2,451,752	504,001	1,225,876	135,506	655,437	5,072,572	25,363	10.3%
Holiday Inn Express	100,000	2,942,102	504,001	1,471,051	135,506	643,051	5,795,711	28,979	11.8%
Howard Johnson	71,000	1,961,401	1,782,568	980,701	140,533	191,432	5,127,635	25,638	10.5%
La Quinta Inn & Suites	105,000	2,157,541	980,701	1,225,876	140,533	13,470	4,623,121	23,116	9.4%
Quality Inn/Suites	60,000	2,280,129	582,656	1,887,849	140,533	142,066	5,093,232	25,466	10.4%
Ramada	71,000	1,961,401	1,537,392	1,225,876	140,533	236,438	5,172,641	25,863	10.5%

HVS Franchise Fee Analysis Guide- First-Class

Brand	Total Initial Fee	Total Royalty Fee	Total Reservation Fee	Total Marketing Fee	Total Frequent Traveler Fee	Total Misc. Fee	Total Ten-Year Fee	Total Ten-Year Fee/Rooms	Percent of Total Rooms Revenue
aloft	\$127,500	\$5,562,411	\$1,391,730	\$4,045,390	\$380,282	\$795,406	\$12,302,719	\$41,009	12.2%
Courtyard	120,000	5,562,411	1,697,843	2,022,695	208,691	430,160	10,041,801	33,473	9.9%
Crowne Plaza	150,000	5,056,738	758,750	3,157,852	443,571	1,083,385	10,650,296	35,501	10.5%
Doubletree Hotels	90,000	5,056,738	0	4,045,390	394,195	1,836,809	11,423,132	38,077	11.3%
Embassy Suites	90,000	4,753,333	0	4,045,390	394,195	578,649	9,861,567	32,872	9.8%
Four Points	127,500	5,562,411	2,557,793	1,264,184	380,282	1,176,862	11,069,033	36,897	10.9%
Hilton	92,500	6,877,163	0	4,045,390	435,933	1,255,164	12,706,151	42,354	12.6%
Hilton Garden Inn	127,500	5,056,738	0	4,348,794	435,933	526,535	10,495,500	34,985	10.4%
Hotel Indigo	150,000	5,056,738	756,001	3,539,716	443,571	1,170,811	11,116,837	37,056	11.0%
Hyatt Place	120,000	4,753,333	531,950	3,539,716	371,007	240,216	9,556,223	31,854	9.4%
Leading Hotels of the World	142,500	1,470,243	5,067,500	0	0	0	6,680,242	22,267	6.6%
Marriott	90,000	7,888,511	2,268,832	1,011,348	347,904	697,961	12,304,555	41,015	12.2%
Preferred Hotels and Resorts	25,000	687,833	1,146,388	229,278	0	137,567	2,226,065	11,130	2.2%
Radisson	160,000	5,056,738	2,117,195	2,022,695	556,510	506,260	10,419,398	34,731	10.3%
Renaissance	60,000	5,056,738	2,270,035	1,517,021	347,904	697,961	9,949,658	33,166	9.8%
Sheraton	115,000	7,281,702	2,557,793	1,011,348	380,282	1,522,774	12,868,899	42,896	12.7%
Westin	115,000	8,899,858	2,557,793	2,022,695	380,282	1,220,381	15,196,009	50,653	15.0%
Wyndham / Wyndham Garden	90,000	5,056,738	2,554,368	3,034,043	463,759	741,570	11,940,476	39,802	11.8%

Where to Download the HVS Franchise Fee Guide

www.hvs.com



The screenshot shows the HVS website homepage. At the top is a dark red header with the HVS logo on the left and navigation links: "About HVS | Download a Brochure | English ▾", "Log In | ✉ Receive FREE Weekly Newsletter". Below the header is a dark grey navigation bar with "HOME" (highlighted), "SERVICES", "OFFICES", "PERSONNEL", and "PUBLICATIONS". The main content area features a large image of yellow tulips in a vase on the left and a blurred man in a suit on the right. Text on the right reads: "A GLOBAL CONSULTING AND SERVICES ORGANIZATION FOCUSED ON THE HOTEL, RESTAURANT, SHARED OWNERSHIP, GAMING AND LEISURE INDUSTRIES". Below this is a section titled "HOW can we help you?" with a list of services: "Consulting & Valuation", "Investment Banking", "Asset Management & Advisory", "Convention, Sports & Entertainment Facilities Consulting", and "Hotel Development". To the right of the list is a circular red seal that says "CELEBRATING 30 YEARS" around the HVS logo. Further right is a "featured ARTICLE" section titled "Importance of Feasibility Studies in Developing Hotel Markets in Russia and CIS (Read article)" with a sub-headline: "With increasing economic growth since 2009, developing countries once again offer".

Search Library- “Franchise”

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Select One of Several Articles from HVS

Articles

ITEMS MATCHING YOUR SEARCH - [LIBRARY HOME]

Your search for **Anything that contains: franchise** returns the following:



[2010 Franchise Fee Guide - Europe \(Download file\)](#)

The Hotel Franchise Fee Guide - Europe aims to assist owners in increasing their understanding and awareness of the franchise business model. Franchising in Europe is still much less developed than it is in the USA, but it is gaining ground.

May 20, 2010 By *Mara Eisenbaum and Sophie Perret*



[Understanding Franchise Fees \(Download file\)](#)

Steve Rushmore's October 2009 article for Lodging Hospitality

Jan 7, 2010 By *Steve Rushmore*



[Monitoring Hotel Loan Performance to Mitigate Risk \(Read article\)](#)

Lenders who originated loans in 2006 and 2007 in the peak of the economic cycle should now be closely monitoring the performance of these loans to develop strategies to mitigate risk and exposure as economic conditions are now vastly different.

Sep 18, 2009 By *Mark C. Lynn*



[2009 Franchise Fee Analysis Guide \(Download file\)](#)

A survey of the fees charged by the major hotel franchisors in the economy, mid-rate, and first-class market segments. This guide enables hotel owners to easily compare the total cost of one hotel franchise with that of another.

Aug 24, 2009 By *Teresa Lam and Kelly C Fitzpatrick*

[HVS U.S. Hotel Franchise Development Cost Guide \(Download file\)](#)

HVS's U.S. Hotel Franchise Development Cost Guide is designed to provide prospective franchisees and interested parties with a summary of the aggregate costs (exclusive of land) involved with developing a new, franchised hotel in the United States.

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Regions

Unique Hotels of the World

Second Tallest Hotel in the World

Burj Al Arab Hotel- Dubai - 1,053 Feet

























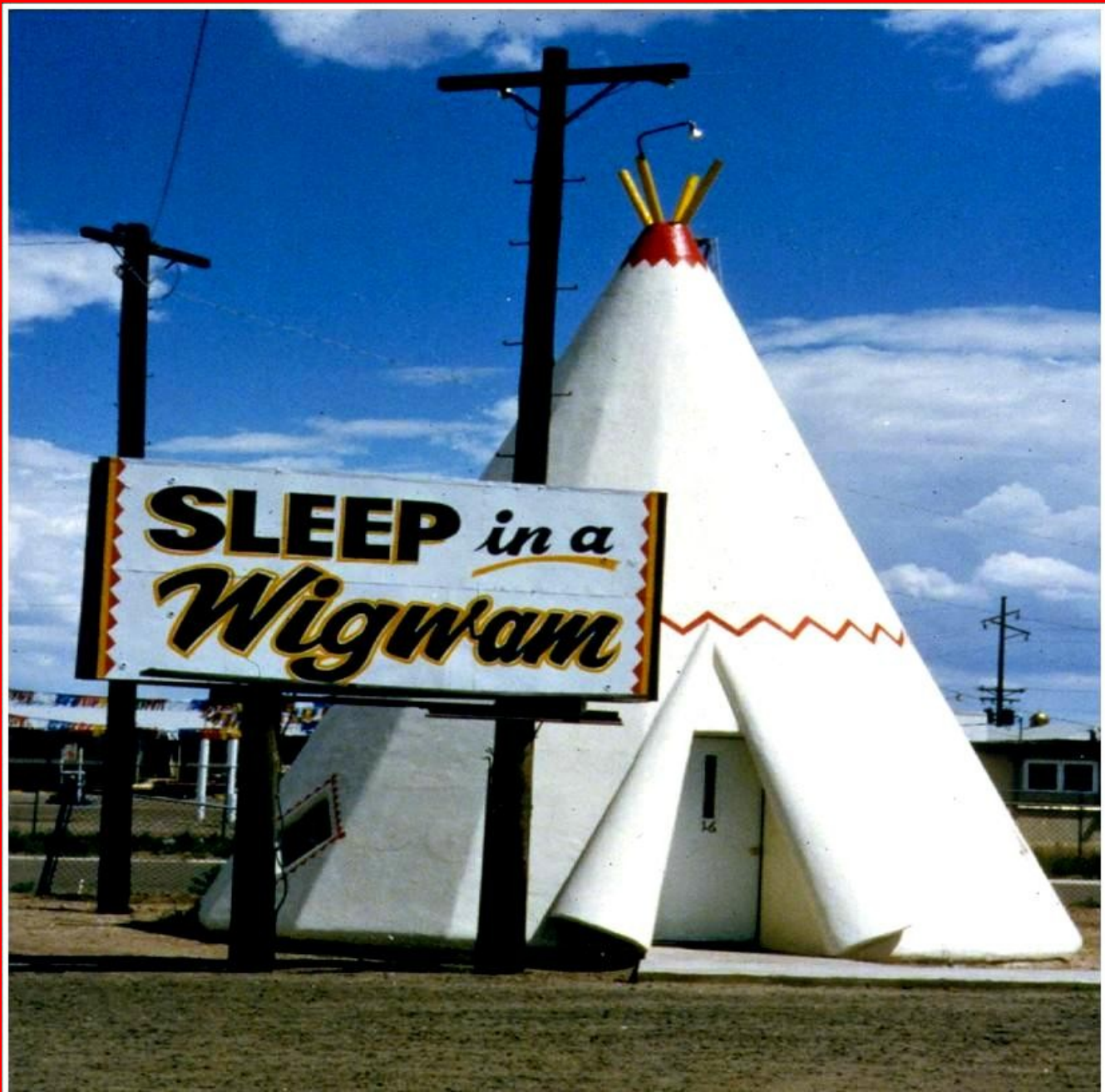






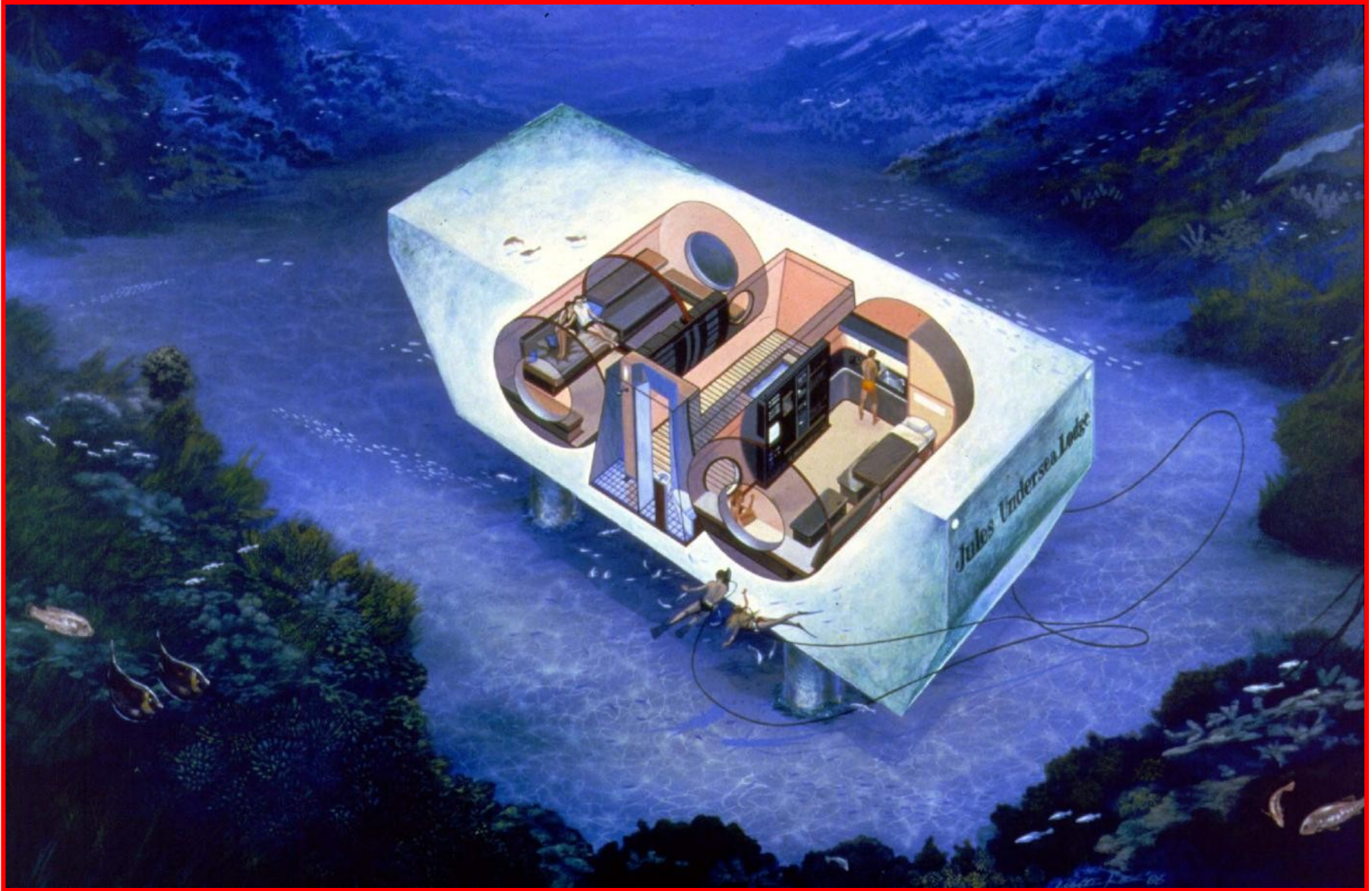


















Thank You