



# 2007 US Hotel Valuation Index (HVI)

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# 2007 United States Hotel Valuation Index

The Hotel Valuation Index (HVI) tracks hotel values in 66 major markets and the United States as a whole. Created in 1987 by HVS, the HVI is derived from an income capitalization approach, utilizing market area data provided by Smith Travel Research (STR) and historical operational and capitalization rate information from HVS's extensive global experience in hotel feasibility studies and valuations. From this information, it is possible to determine historical hotel values per room, as well as an indication of hotel value growth into the future.

## HVI HIGHLIGHTS

- The United States HVI shows that per-room hotel values (expressed in dollars) increased, on average, by approximately 22% across the United States in 2006, compared with gains of 26% in 2005 and 28% in 2004, and decreases of 1% in 2003, 1% in 2002, and 24% in 2001. On average, per-room values in the United States grew by roundly \$18,000 in 2006. As a result of the high double-digit growth in the last three years, the average value per room in the United States was at its peak in 2006.
- Sixty-two of the 66 markets reviewed experienced increases in per-room value in 2006, attributable to an upswing in both corporate and leisure travel, and higher investment activity nationwide. Notably, per-room values in both Rochester NY and Austin TX increased by 53% in 2006. A look into the history of the number of markets where hotel values have declined provides further insight into the positive results in per-room value recorded in 2006.

**Table 1 – Number of Markets Where Hotel Values Declined**

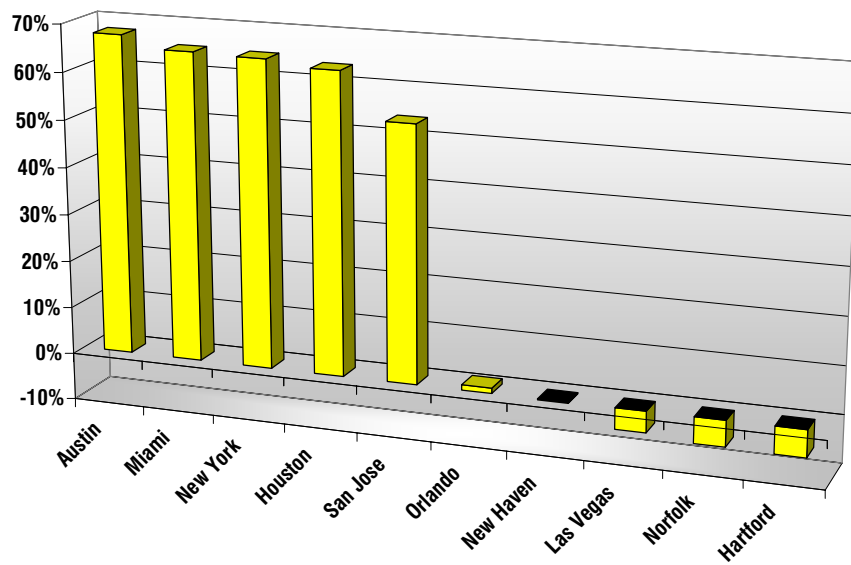
<b>Year</b>	<b>Number of Markets</b>
1991	50
1995	2
2000	15
2001	64
2002	31
2003	37
2004	8
2005	4
2006	4

- On a per-room basis, New York NY recorded the strongest dollar increase in 2006, at a dramatic \$68,331. Chicago IL exhibited the second-highest value change per room, at \$52,450. New York is currently the top-ranked city in terms of per-room value in the United States.
- At the other end of the spectrum, the 14% decrease in per-room value in New Orleans represented the largest per-room value decrease in 2006. This decline is due to the devastating aftermath of Hurricane Katrina in August 2005.
- In terms of sales, 2006 was a strong year in investment activity as the United States recorded 257 major transactions (defined as prices of \$10,000,000 or higher), up 8% from 2005, and was the strongest year in terms of number of transactions and number of rooms since 1998. Overall, the United States recorded major hotel transactions of roughly \$15.5 billion in 2006 at an average price per room of \$203,000, compared to \$11.4 billion at \$160,000 per room in 2005.
- The second-highest price per room was at the W Hotel Union Square, New York, at \$1,050,000 per room, or \$283,500,000 for the 270-unit hotel; the hotel was purchased by Istithmar, a Dubai-based company.
- Other notable sales in the United States involved the 177-unit Mark Hotel in New York NY at \$850,000 per room, and the 393-unit Ritz-Carlton in Dana Point CA at \$840,000 per room.

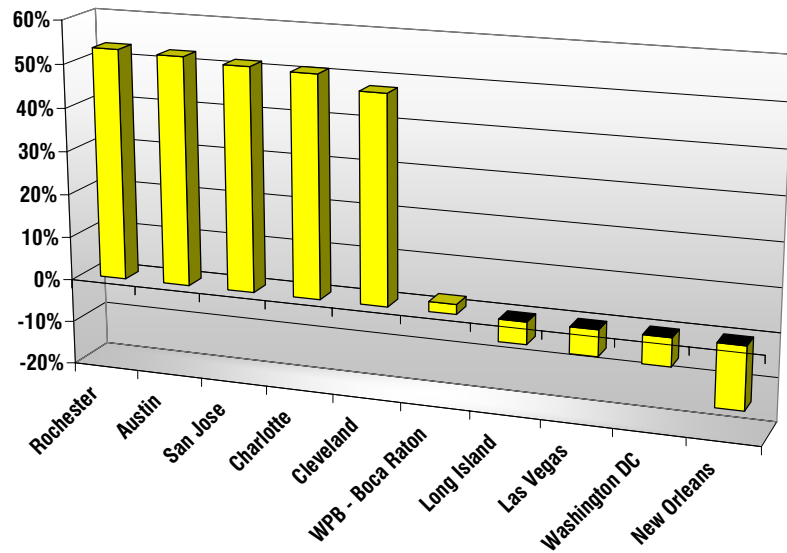
- Going forward, the growth in value per room across the United States is forecast to continue through 2008. Overall, per-room values in the United States are projected to grow by 16% in 2007 and 7% in 2008. Specifically, the Charlotte NC market is expected to lead all markets in terms of percentage change in value, at an astounding 48%, or roundly \$48,131 per room. Other notable markets anticipated to see strong percentage increases in value are San Jose CA, at 47%, or roundly \$63,357 per room, and Atlanta GA at 45%, or approximately \$48,983 per room. Meanwhile, the Norfolk VA market is expected to stagnate through 2008.

The following graphs illustrate the five top-ranked and the five bottom-ranked markets, based on the percentage change in per-room values, for 2005 and 2006.

**Chart A – Winners and Losers 2005 (% Change in Hotel Values per Room)**



**Chart B – Winners and Losers 2006 (% Change in Hotel Values per Room)**



**CHANGES IN VALUE AND OVERALL MARKET CONDITIONS**

The general growth in value in 2006 is demonstrated by the overall per-room growth in 62 of the 66 markets reviewed, with 37 markets growing by 20% or more, and 20 markets growing by 30% or more, compared to 2005.

As illustrated in the following table, all financing parameters have become favorable for owners and investors during the past seven years.

**Table 2 – Hotel Financing and Appraisal Rates**

<b>Financing Parameters</b>	<b>1999</b>	<b>2006</b>
Mortgage Interest Rates	7.5% - 9.0%	6.0% - 6.75%
Amortization	20 - 25 Years	25 - 30 Years
Loan-to-Value	60% - 70%	70% - 80%
<b>Capitalization Rates</b>		
Luxury	9.0% - 11.0%	5.0% - 6.5%
Mid-Rate	10.0% - 12.0%	7.0% - 9.0%
Budget	11.0% - 13.0%	8.0% - 11.0%

HVS constantly monitors the terms of hotel mortgage loans made by our institutional lending clients. In the current market, hotel projects are typically able to secure mortgage financing at interest rates ranging from 5.5% to 6.75%, depending on the property, location, affiliation, operator, and loan-to-value ratio. At present, lenders are using loan-to-value ratios of 70% to 80%, and amortization periods of 25 to 30 years. The exact terms offered depend on specific factors, such as the property's location, the age and quality of the physical facility, local hostelry market conditions, and (perhaps more significantly) the profile of the borrower. The strongest projects typically command the highest loan-to-value ratios.

As such, owners and operators are encouraged to refinance their hotels, and lock in on some of the lowest interest rates in memory.

**Table 3 – Historical Hotel Investment**

Year	Number of Hotels	Number of Rooms	Average Price per Room	% Price Change
1990	130	40,053	\$136,000	—
1991	56	16,489	96,000	(29.4) %
1992	70	26,751	82,000	(14.6)
1993	53	20,026	93,000	13.4
1994	108	38,579	81,000	(12.9)
1995	147	48,619	80,000	(1.2)
1996	227	77,916	106,000	32.5
1997	280	82,867	117,000	10.4
1998	241	78,865	136,000	16.2
1999	128	34,408	148,000	8.8
2000	148	39,759	125,000	(15.5)
2001	117	29,608	153,000	22.4
2002	105	31,626	111,000	(27.5)
2003	121	33,292	138,000	24.3
2004	178	56,822	141,000	2.2
2005	237	71,531	160,000	13.5
2006	257	76,137	203,000	26.9

In 2006, hotel investment activity for single-asset sales of more than \$10,000,000 was at its strongest since 1990, with a 35% increase in the total dollar value of sales, compared to 2005. This increase in total sales was fueled by an 8% increase in the total number of transactions; in 2006, there were 20 more hotel asset transactions compared to 2005. Furthermore, the average price per room rose by roundly 27% during the same period. This continued increase in investment activity is reflective of the favorable financing conditions available, as well as the general improvement in the United States hotel market.

The outlook through 2008 is positive. With continued improvement in the United States and worldwide economies, it is expected that, on average, the investment activity and performance of hotels across the United States will improve throughout the next two years, further boosting hotel values. More specifically, the Charlotte NC market is expected to experience a 48% increase in value per room. During this time, New York is anticipated to continue to hold its place as the top-ranking value market in the United States, with an expected \$152,000 increase in value per room by 2008, raising the per-room

value for an average New York City hotel to roughly \$540,000. Additionally, Oahu will remain the second-highest value market in the United States, at roundly \$483,000 per room, and San Francisco is projected to overtake Washington DC and become the third-highest value market in the United States, at roundly \$334,000 per room. Meanwhile, Dayton and Las Vegas are projected to post little growth, at 5% and 4%, respectively, and Norfolk is likely to remain stable over the next two years. Overall, the United States as a whole is expected to experience a 24% increase in per-room value over the next two years, for an average national per-room value of roundly \$124,000.

The following table presents several of the largest single-asset sales in 2006 and 2007 to date.

**Table 4 – Recent Sales**

<u>Hotel</u>	<u>Location</u>	<u># Rms</u>	<u>Price Per Room</u>
<u>2006 Sales</u>			
Four Seasons Resort Hualalai	Ka'upulehu-Kona	243	\$2,070,000
W Hotel Union Square	New York	270	\$1,050,000
The Mark Hotel	New York	177	\$850,000
Ritz-Carlton	Dana Point	393	\$840,000
Chatham Bars Inn on Cape Cod	Chatham	205	\$800,000
Four Seasons	Washington	211	\$800,000
Holiday Isle Resort	Islamorada	151	\$650,000
Four Seasons Las Colinas	Irving	397	\$580,000
Hilton Times Square	New York	444	\$550,000
Swissotel The Drake	New York	495	\$545,000
<u>2007 Sales</u>			
Hard Rock Hotel & Casino	Las Vegas	647	\$1,190,000
Ritz-Carlton	Boston	273	\$620,000
Marriott Long Wharf	Boston	402	\$570,000
Westin Boston Waterfront	Boston	793	\$415,000



## UNDERSTANDING THE HVI

The HVI is an indexed value that uses the 1987 value of a typical U.S. hotel (1987 = 1.0000) as a base. Each market area is then indexed off this base, with a number showing the value relationship of that market area to the base. For example, in 1987, the index for New York was 1.3763, which means that the value of a hotel located in New York was approximately 38% higher than that of a similar hotel in the U.S. in 1987.

Another useful comparison highlights the value differences between hotels in two different U.S. cities. For example, say that a hotel in Portland OR sold in 1999 for \$100,000 per room. If a similar hotel were situated in Philadelphia, it would probably have been sold for roundly \$176,000 per room in 2006. This figure is calculated by taking the 2006 HVI for Philadelphia, and dividing it by the 1999 HVI for Portland to determine the value adjustment.

$$\text{2006 HVI Philadelphia (3.2959) / 1999 HVI Portland (1.8740) = 1.7586}$$

The 1999 sales price of \$100,000 per room is then multiplied by the amount of the previously calculated factor of 1.7586, yielding the estimated 2006 sales price per room for Philadelphia.

$$\$100,000 \times 1.7586 = \$175,860$$

To calculate the percentage change of hotel values in the same markets at different points in time using the HVI, divide the HVI for the last year by the HVI for the first year, and then subtract 1 from this calculation. In 2005, the HVI for Charlotte was 1.7968, and in 2006, the HVI for this city was 2.7139. To calculate the expected percentage change in value for a typical Charlotte hotel, divide the 2006 HVI of 2.7139 by the 2005 HVI of 1.7968, and then subtract 1 to get an approximate 51% increase in value from 2005 to 2006.

$$(2.7139/1.7968) - 1 = 0.51, \text{ or } 51\%$$

The table on the following pages presents the annual Hotel Valuation Index for each market since 1987.

**Table 5 – Hotel Valuation Index 1987-2006**

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Average Annual Compounded Change (1987-2006)
Albuquerque	1.1984	1.2511	1.4671	1.4674	1.5461	1.6228	1.8128	1.7779	1.6849	1.5160	1.4868	1.0902	0.9427	1.0425	0.9103	1.0031	0.9563	0.9979	1.2332	1.5788	1.5 %
Anaheim	1.3681	1.3204	1.3163	0.9652	0.7642	0.6564	0.7822	0.6919	1.0586	1.3200	1.6453	1.5616	1.5787	2.1212	2.1619	1.9639	2.2589	2.9026	3.9223	4.6000	6.6
Atlanta	1.3210	1.2004	1.1560	1.0476	1.0448	1.2019	1.6381	1.9715	2.4194	2.7125	2.2011	2.1952	2.2520	2.2451	1.7278	1.6109	1.3420	1.7613	2.4088	2.9413	4.3
Austin	0.4378	0.4236	0.6040	0.6406	0.7704	1.0334	1.3693	1.6472	2.3595	2.2652	2.4698	2.4012	2.4148	2.9664	1.9680	1.5375	1.3293	1.4203	2.3818	3.6368	11.8
Baltimore	1.7361	1.3918	1.3449	0.9226	0.7642	0.8854	1.0167	1.2987	1.6158	1.8719	2.3649	2.5139	2.7764	3.2886	2.8887	3.3165	3.3487	3.6906	3.8953	4.2539	4.8
Boston	2.6189	2.7570	2.3390	2.5084	1.7984	1.9873	2.4123	3.1803	4.0256	4.6598	6.3472	6.5002	6.8274	7.8860	5.1815	4.4133	3.0555	4.3250	5.1446	6.0392	4.5
Buffalo	1.3893	1.2623	1.5123	1.4717	1.4782	1.2163	1.1073	1.0595	1.1202	1.1465	1.3324	1.1868	1.2869	1.3489	1.0791	1.1277	1.0375	0.9830	1.2526	1.6932	1.0
Charlotte	1.0964	1.0956	1.0206	0.7006	0.4989	0.5597	0.6674	0.9501	1.2804	1.6429	1.8950	1.8585	1.8551	1.5622	0.9879	1.0511	1.0199	1.2083	1.7968	2.7139	4.9
Chicago	1.6712	1.6503	1.4317	1.4673	1.3072	1.3531	1.6658	2.2335	2.6726	3.1827	4.0211	4.0123	4.0196	4.1146	2.6599	2.4135	2.4652	2.6740	3.7526	5.1639	6.1
Cincinnati	1.2447	1.2685	1.1907	1.1310	1.0431	1.1240	1.1459	1.2747	1.4012	1.5360	1.6996	1.5914	1.5390	1.4358	0.9326	1.0697	1.1654	1.3977	1.5718	1.8990	2.2
Cleveland	0.8235	0.9120	0.9306	0.7351	0.6410	0.7024	0.9005	1.1989	1.6724	1.6306	1.8908	1.7155	1.6317	1.5411	1.0365	0.9149	0.7777	0.9794	1.0125	1.4978	3.2
Columbia	0.8980	0.7536	0.7684	0.6220	0.5799	0.7570	0.8483	0.9236	1.1750	1.2866	1.3988	1.0811	1.0946	1.1069	0.9681	1.1830	1.1709	1.6153	2.0377	2.3108	5.1
Dallas	0.9343	0.9937	1.2173	1.1117	1.1578	1.4061	1.5680	1.9608	2.4284	2.6153	2.8358	2.7491	2.4370	2.5052	1.5617	1.4525	1.2095	1.5218	2.2567	2.9706	6.3
Dayton	1.1971	0.9991	1.0215	0.6355	0.5591	0.5921	0.6872	0.7093	0.8440	0.8134	0.9924	1.1085	1.0626	1.0739	0.8210	0.9214	1.0422	0.9449	1.0159	1.0877	-0.5
Denver	0.8271	0.7822	0.7426	0.8914	0.9918	1.1873	1.5541	1.7795	2.1300	2.4015	2.8432	2.5966	2.1889	2.3279	1.7801	1.5819	1.3836	1.6756	2.3475	3.2770	7.5
Detroit	1.4306	1.1494	0.8838	0.5125	0.3046	0.4114	0.5596	0.9353	1.2632	1.3882	1.5496	1.6845	1.9379	2.0612	1.4360	1.1312	0.9239	1.0845	1.2561	1.6292	0.7
Fort Lauderdale	1.0898	0.9679	1.0194	0.9388	0.7456	1.4824	1.2577	1.0228	1.3796	1.6701	2.2229	2.0373	2.2125	2.3407	2.0407	1.7375	2.1144	3.1287	3.7082	4.5642	7.8
Greensboro	0.6130	0.7082	0.6874	0.4618	0.3138	0.6828	1.0090	1.3024	1.5062	1.1680	1.2909	1.5155	1.3607	1.4279	1.1040	1.2429	1.3380	1.3078	1.4129	1.7545	5.7
Hartford	2.1965	1.9582	1.6829	1.4896	0.6493	0.5046	0.4320	0.5804	0.8962	1.1324	1.5474	1.7171	2.0326	2.3739	2.0031	1.7742	1.3826	1.8648	1.7575	1.9059	-0.7
Houston	0.5505	0.7801	0.9002	1.0365	1.1533	1.1338	1.1747	1.2089	1.3685	1.4536	1.9650	2.0716	1.7093	1.8366	1.8663	1.7101	1.2354	1.4461	2.3650	2.8924	9.1
Huntsville	0.6007	0.6346	0.6142	0.4830	0.5129	0.6088	0.4555	0.3552	0.3852	0.4681	0.8441	0.5420	0.6630	0.6960	0.6445	0.9673	1.0120	1.1404	1.4297	1.6238	5.4
Indianapolis	1.1657	1.0462	1.0700	0.8614	0.9060	1.0228	1.1748	1.3608	1.6880	1.7043	1.8698	1.5559	1.4432	1.7389	1.5464	1.5746	1.5584	1.8988	2.0025	2.5168	4.1
Jacksonville	0.8241	0.7644	0.8484	0.7120	0.5751	0.8060	1.0102	1.1885	1.5284	1.8416	2.1498	1.8416	1.7457	1.9176	1.7325	1.9353	2.2915	2.6219	3.2013	3.2790	7.5
Kansas City	1.0499	1.0912	1.0020	0.7634	0.6585	0.7951	1.1097	1.3148	1.6631	1.8262	2.0111	1.7604	1.5397	1.4957	1.2676	1.2588	0.9859	1.2366	1.4481	1.8157	2.9
Las Vegas	1.0381	1.1129	1.1866	1.3183	0.8547	0.9527	1.4239	2.1100	2.4684	3.3486	3.2707	2.9028	3.1156	4.0137	3.4358	3.6656	4.9908	6.1695	5.8922	5.5359	9.2
Long Island	3.8181	2.8874	2.4302	1.4647	0.9115	0.8674	1.0637	1.3678	1.7874	2.0434	2.6655	3.2101	3.9779	5.1292	4.4995	3.9211	3.7282	3.6195	4.2259	4.0099	0.3
Los Angeles	1.6632	1.5974	1.5989	1.6399	1.0267	0.6269	0.5114	0.9353	0.9854	1.3600	2.1230	2.5145	2.7099	3.2966	2.4790	2.3681	2.4630	3.6621	4.7576	5.4308	6.4
Memphis	0.8255	0.6145	0.6369	0.5402	0.5974	0.6710	0.9721	1.2850	1.4499	1.4254	1.6615	1.5149	1.2619	1.0681	0.8921	0.9810	0.9402	1.2035	1.6344	2.0983	5.0
Miami	0.6081	0.7918	0.9513	1.2077	1.3105	2.3167	2.0438	0.9201	1.8821	2.1940	2.8830	2.8770	3.3218	3.4300	2.3834	1.6557	2.1167	3.5294	5.8291	6.2417	13.0
Milwaukee	0.9565	1.0164	0.9304	0.8801	0.7074	0.6912	0.7774	0.8577	1.0070	0.9713	1.1562	1.2070	1.2091	1.3146	0.9656	1.0726	1.1167	1.2022	1.5158	2.1295	4.3
Minneapolis	1.0549	0.8375	0.7164	0.6420	0.8676	1.1725	1.4038	1.6962	2.0039	1.9701	2.2696	2.2503	2.0933	2.2890	1.7767	1.6855	1.4584	1.9026	2.5261	2.9238	5.5
Nashville	1.3917	1.1460	1.1489	0.9983	0.9459	1.1452	1.3494	1.7258	2.1278	2.1194	2.3729	1.8909	1.7243	1.6281	1.2375	1.3884	1.5600	1.8097	2.0400	2.9149	4.0
New Haven	1.9673	1.7683	1.4876	1.0466	0.6223	0.5318	0.5948	0.6484	0.9303	1.0813	1.5351	1.6913	1.9070	2.1848	1.9993	2.0347	1.6722	1.8022	1.7982	1.9626	0.0



The table on the following pages illustrates the annual percentage change in per-room hotel values by market since 1988, as well as a forecast through 2008.

**Table 6 – Percentage Change in Per-Room Value**

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Forecast	
																					2007	2008
Albuquerque	-	4%	17%	0%	5%	5%	12%	-2%	-5%	-10%	-2%	-27%	-14%	11%	-13%	10%	-5%	4%	24%	28%	28%	12%
Anaheim	-	-3%	0%	-27%	-21%	-14%	19%	-12%	53%	25%	25%	-5%	1%	34%	2%	-9%	15%	28%	35%	17%	21%	15%
Atlanta	-	-9%	-4%	-9%	0%	15%	36%	20%	23%	12%	-19%	0%	3%	0%	-23%	-7%	-17%	31%	37%	22%	30%	11%
Austin	-	-3%	43%	6%	20%	34%	32%	20%	43%	-4%	9%	-3%	1%	23%	-34%	-22%	-14%	7%	68%	53%	22%	14%
Baltimore	-	-20%	-3%	-31%	-17%	16%	15%	28%	24%	16%	26%	6%	10%	18%	-12%	15%	1%	10%	6%	9%	12%	7%
Boston	-	5%	-15%	7%	-28%	11%	21%	32%	27%	16%	36%	2%	5%	16%	-34%	-15%	-31%	42%	19%	17%	16%	8%
Buffalo	-	-9%	20%	-3%	0%	-18%	-9%	-4%	6%	2%	16%	-11%	8%	5%	-20%	5%	-8%	-5%	27%	35%	12%	7%
Charlotte	-	0%	-7%	-31%	-29%	12%	19%	42%	35%	28%	15%	-2%	0%	-16%	-37%	6%	-3%	18%	49%	51%	28%	15%
Chicago	-	-1%	-13%	2%	-11%	4%	23%	34%	20%	19%	26%	0%	0%	2%	-35%	-9%	2%	8%	40%	38%	22%	12%
Cincinnati	-	2%	-6%	-5%	-8%	8%	2%	11%	10%	10%	11%	-6%	-3%	-7%	-35%	15%	9%	20%	12%	21%	8%	4%
Cleveland	-	11%	2%	-21%	-13%	10%	28%	33%	39%	-3%	16%	-9%	-5%	-6%	-33%	-12%	-15%	26%	3%	48%	16%	8%
Columbia	-	-16%	2%	-19%	-7%	31%	12%	9%	27%	9%	9%	-23%	1%	1%	-13%	22%	-1%	38%	26%	13%	14%	8%
Dallas	-	6%	22%	-9%	4%	21%	12%	25%	24%	8%	8%	-3%	-11%	3%	-38%	-7%	-17%	26%	48%	32%	20%	13%
Dayton	-	-17%	2%	-38%	-12%	6%	16%	3%	19%	-4%	22%	12%	-4%	1%	-24%	12%	13%	-9%	8%	7%	33%	-22%
Denver	-	-5%	-5%	20%	11%	20%	31%	14%	20%	13%	18%	-9%	-16%	6%	-24%	-11%	-13%	21%	40%	40%	23%	16%
Detroit	-	-20%	-23%	-42%	-41%	35%	36%	67%	35%	10%	12%	9%	15%	6%	-30%	-21%	-18%	17%	16%	30%	11%	5%
Fort Lauderdale	-	-11%	5%	-8%	-21%	99%	-15%	-19%	35%	21%	33%	-8%	9%	6%	-13%	-15%	22%	48%	19%	23%	22%	13%
Greensboro	-	16%	-3%	-33%	-32%	118%	48%	29%	16%	-22%	11%	17%	-10%	5%	-23%	13%	8%	-2%	8%	24%	14%	9%
Hartford	-	-11%	-14%	-11%	-56%	-22%	-14%	34%	54%	26%	37%	11%	18%	17%	-16%	-11%	-22%	35%	-6%	8%	9%	5%
Houston	-	42%	15%	15%	11%	-2%	4%	3%	13%	6%	35%	5%	-17%	7%	2%	-8%	-28%	17%	64%	22%	15%	11%
Huntsville	-	6%	-3%	-21%	6%	19%	-25%	-22%	8%	22%	80%	-36%	22%	5%	-7%	50%	5%	13%	25%	14%	13%	3%
Indianapolis	-	-10%	2%	-19%	5%	13%	15%	16%	24%	1%	10%	-17%	-7%	20%	-11%	2%	-1%	22%	5%	26%	13%	7%
Jacksonville	-	-7%	11%	-16%	-19%	40%	25%	18%	29%	20%	17%	-14%	-5%	10%	-10%	12%	18%	14%	22%	2%	13%	8%
Kansas City	-	4%	-8%	-24%	-14%	21%	40%	18%	26%	10%	10%	-12%	-13%	-3%	-15%	-1%	-22%	25%	17%	25%	16%	10%
Las Vegas	-	7%	7%	11%	-35%	11%	49%	48%	17%	36%	-2%	-11%	7%	29%	-14%	7%	36%	24%	-4%	-6%	3%	1%
Long Island	-	-24%	-16%	-40%	-38%	-5%	23%	29%	31%	14%	30%	20%	24%	29%	-12%	-13%	-5%	-3%	17%	-5%	8%	7%
Los Angeles	-	-4%	0%	3%	-37%	-39%	-18%	83%	5%	38%	56%	18%	8%	22%	-25%	-4%	4%	49%	30%	14%	17%	9%
Memphis	-	-26%	4%	-15%	11%	12%	45%	32%	13%	-2%	17%	-9%	-17%	-15%	-16%	10%	-4%	28%	36%	28%	20%	12%
Miami	-	30%	20%	27%	9%	77%	-12%	-55%	105%	17%	31%	0%	15%	3%	-31%	-31%	28%	67%	65%	7%	22%	13%
Milwaukee	-	6%	-8%	-5%	-20%	-2%	12%	10%	17%	-4%	19%	4%	0%	9%	-27%	11%	4%	8%	26%	40%	20%	11%
Minneapolis	-	-21%	-14%	-10%	35%	35%	20%	21%	18%	-2%	15%	-1%	-7%	9%	-22%	-5%	-13%	30%	33%	16%	21%	11%
Nashville	-	-18%	0%	-13%	-5%	21%	18%	28%	23%	0%	12%	-20%	-9%	-6%	-24%	12%	12%	16%	13%	43%	14%	8%
New Haven	-	-10%	-16%	-30%	-41%	-15%	12%	9%	43%	16%	42%	10%	13%	15%	-8%	2%	-18%	8%	0%	9%	5%	6%

**Table 5 – Percentage Change in Per-Room Value (continued)**

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Forecast	
																					2007	2008
New Orleans	-	31%	4%	3%	6%	25%	1%	25%	15%	-1%	13%	1%	10%	7%	-17%	-3%	-10%	9%	18%	-14%	3%	8%
New York	-	6%	-1%	-32%	-18%	-17%	20%	-33%	171%	101%	66%	33%	6%	19%	-55%	-23%	-29%	159%	65%	21%	24%	12%
Norfolk	-	-12%	-7%	-33%	-14%	4%	-1%	6%	22%	-5%	24%	9%	-8%	11%	-7%	47%	14%	-8%	-6%	8%	1%	-1%
Oahu	-	13%	23%	27%	-18%	17%	-27%	13%	39%	4%	10%	-23%	-11%	33%	-25%	6%	19%	44%	50%	7%	20%	10%
Oakland	-	-4%	2%	-20%	-6%	4%	-13%	13%	39%	38%	47%	8%	3%	35%	-22%	-31%	-30%	14%	22%	33%	17%	15%
Omaha	-	57%	39%	-4%	-24%	-13%	59%	3%	68%	-2%	18%	22%	1%	-12%	-4%	6%	4%	20%	21%	35%	11%	19%
Orlando	-	5%	25%	-9%	-15%	16%	-7%	-3%	16%	30%	25%	-8%	4%	4%	-33%	4%	-7%	49%	1%	11%	14%	8%
Philadelphia	-	-21%	-20%	-27%	-32%	-10%	30%	54%	28%	34%	31%	-1%	-7%	3%	-28%	24%	-10%	21%	20%	20%	19%	9%
Phoenix	-	-20%	41%	-13%	-14%	18%	40%	31%	26%	9%	6%	-21%	-16%	3%	-25%	-11%	12%	41%	30%	28%	18%	6%
Pittsburgh	-	-5%	12%	-8%	-6%	14%	5%	15%	1%	7%	2%	-9%	5%	6%	-30%	5%	-4%	21%	10%	36%	9%	3%
Portland	-	25%	20%	-1%	8%	-6%	10%	5%	26%	7%	-3%	-18%	-14%	-7%	-21%	0%	-5%	22%	39%	34%	16%	8%
Raleigh-Durham	-	-19%	-15%	-19%	-9%	50%	24%	17%	47%	28%	7%	-24%	-9%	7%	-23%	-6%	-3%	22%	8%	43%	20%	10%
Richmond	-	-7%	-4%	-10%	-19%	6%	1%	4%	14%	17%	17%	-4%	-13%	5%	-20%	3%	34%	12%	12%	19%	11%	4%
Rochester	-	-3%	-2%	-10%	5%	-23%	-14%	-23%	38%	-13%	9%	28%	0%	0%	-24%	9%	18%	-9%	12%	53%	18%	6%
Sacramento	-	-6%	-5%	-12%	-8%	30%	14%	12%	21%	-7%	23%	8%	-4%	22%	-16%	3%	4%	14%	7%	19%	7%	4%
Salt Lake City	-	17%	12%	1%	2%	13%	19%	9%	12%	20%	4%	-21%	-21%	-5%	-10%	62%	-34%	11%	32%	34%	20%	15%
San Antonio	-	41%	18%	-8%	8%	34%	19%	-4%	2%	-11%	5%	8%	-2%	7%	-8%	20%	-9%	6%	21%	23%	14%	10%
San Diego	-	-11%	-1%	-28%	-1%	2%	-13%	17%	30%	19%	42%	22%	5%	12%	-11%	4%	10%	9%	10%	19%	14%	4%
San Francisco	-	-9%	-5%	20%	-16%	1%	16%	16%	27%	24%	37%	2%	1%	21%	-42%	-37%	-12%	41%	38%	17%	21%	14%
San Jose	-	7%	11%	-16%	-19%	-5%	4%	25%	52%	40%	36%	0%	3%	41%	-38%	-41%	-46%	23%	54%	52%	28%	15%
Santa Fe	-	26%	30%	6%	-1%	14%	25%	-21%	-8%	-16%	19%	-3%	1%	1%	-7%	16%	-8%	8%	10%	5%	6%	2%
Seattle	-	11%	20%	-2%	-5%	0%	7%	10%	29%	10%	16%	-4%	-10%	2%	-22%	-10%	4%	22%	27%	38%	21%	12%
St. Louis	-	1%	-4%	-6%	-6%	16%	21%	22%	16%	1%	6%	-12%	2%	11%	-14%	12%	-15%	11%	17%	10%	7%	1%
Stamford	-	1%	-10%	-18%	-16%	-19%	22%	1%	32%	40%	30%	22%	0%	20%	-30%	-16%	-15%	11%	14%	21%	12%	9%
Syracuse	-	8%	13%	0%	-21%	-8%	-11%	-8%	9%	-7%	14%	13%	6%	-14%	-4%	32%	-3%	-3%	16%	4%	6%	4%
Tallahassee	-	13%	9%	35%	-21%	4%	31%	6%	34%	-5%	14%	8%	11%	12%	-21%	20%	19%	34%	8%	5%	6%	4%
Tampa	-	4%	47%	-3%	-7%	-2%	3%	5%	15%	27%	33%	-1%	7%	4%	-9%	-17%	-1%	36%	21%	16%	17%	11%
Tucson	-	6%	17%	-9%	-3%	12%	31%	8%	29%	1%	0%	-11%	-4%	0%	-18%	-11%	-4%	21%	44%	29%	10%	7%
<b>United States</b>	-	<b>-1%</b>	<b>3%</b>	<b>-16%</b>	<b>-14%</b>	<b>8%</b>	<b>10%</b>	<b>14%</b>	<b>20%</b>	<b>12%</b>	<b>18%</b>	<b>1%</b>	<b>2%</b>	<b>13%</b>	<b>-24%</b>	<b>-1%</b>	<b>-1%</b>	<b>28%</b>	<b>26%</b>	<b>22%</b>	<b>16%</b>	<b>7%</b>
Washington DC	-	-1%	1%	-11%	-14%	14%	31%	-1%	24%	-1%	34%	-1%	8%	14%	-20%	8%	6%	34%	27%	-6%	12%	7%
West Palm Beach	-	0%	7%	-35%	-7%	39%	10%	0%	24%	12%	44%	-10%	10%	16%	-10%	-14%	21%	53%	28%	4%	5%	3%
Wilmington	-	19%	-28%	-39%	-44%	-7%	-26%	22%	60%	40%	70%	2%	8%	-5%	-19%	-1%	26%	2%	8%	29%	12%	11%
Winston-Salem	-	-3%	15%	-18%	-12%	44%	12%	-12%	18%	-7%	10%	-11%	-19%	-4%	-17%	3%	7%	-11%	29%	38%	18%	11%
WPB - Boca Raton	-	-10%	2%	-57%	-15%	158%	52%	-5%	22%	8%	40%	-2%	6%	19%	-16%	-9%	14%	55%	22%	2%	13%	9%

The following tables demonstrate the pertinent changes in hotel values for three periods: 2006, from 2000 to 2006, and from 2006 to 2008 (forecast). Following the presentation of this data are pertinent observations for the markets included in the HVI.

**Table 7 – Change in Per-Room Value in 2006**

<b>Market</b>	<b>% Change</b>	<b>Per Room</b>	<b>Market</b>	<b>% Change</b>	<b>Per Room</b>
Rochester	53%	\$27,074	Stamford CT	21%	\$20,424
Austin	53%	46,641	Cincinnati	21%	12,161
San Jose	52%	45,874	Philadelphia	20%	20,471
Charlotte	51%	34,083	Richmond	19%	13,652
Cleveland	48%	18,036	San Diego	19%	37,254
Raleigh-Durham	43%	25,522	Sacramento	19%	16,654
Nashville	43%	32,518	Boston	17%	33,249
Milwaukee	40%	22,807	Anaheim	17%	25,186
Denver	40%	34,544	San Francisco	17%	35,511
Seattle	38%	48,716	Tampa	16%	15,012
Winston-Salem	38%	17,137	Minneapolis	16%	14,780
Chicago	38%	52,450	Los Angeles	14%	25,022
Pittsburgh	36%	20,723	Huntsville	14%	7,213
Buffalo	35%	16,375	Columbia SC	13%	10,149
Omaha	35%	21,750	Orlando	11%	12,458
Portland	34%	28,478	St. Louis	10%	5,422
Salt Lake City	34%	32,790	Baltimore	9%	13,328
Oakland	33%	25,830	New Haven	9%	6,111
Dallas	32%	26,531	Hartford	8%	5,515
Detroit	30%	13,865	Norfolk	8%	4,787
Wilmington	29%	21,941	Miami	7%	15,333
Tucson	29%	27,354	Dayton	7%	2,668
Phoenix	28%	37,900	Oahu	7%	22,727
Memphis	28%	17,243	Santa Fe	5%	7,790
Albuquerque	28%	12,845	Tallahassee	5%	3,448
Indianapolis	26%	19,115	West Palm Beach	4%	8,355
Kansas City	25%	13,664	Syracuse	4%	2,275
Greensboro	24%	12,698	Jacksonville	2%	2,889
San Antonio	23%	26,994	WPB - Boca Raton	2%	4,357
Fort Lauderdale	23%	31,815	Long Island	-5%	-8,027
Houston	22%	19,598	Las Vegas	-6%	-13,242
Atlanta	22%	19,789	Washington DC	-6%	-16,928
<b>United States</b>	<b>22%</b>	<b>17,756</b>	New Orleans	-14%	-20,119
New York	21%	68,331			



**Table 8 – Per-Room Change in Value (2000-2006)**

Market	Per Room	Overall Change	Average Annual Comp. Change	Market	Per Room	Overall Change	Average Annual Comp. Change
Oahu	\$198,606	119%	14%	Milwaukee	\$30,286	62%	8%
West Palm Beach	113,196	90%	11%	Wilmington	29,183	43%	6%
Miami	104,493	82%	10%	Indianapolis	28,911	45%	6%
Anaheim	92,122	117%	14%	Rochester	27,145	53%	7%
New York	84,967	28%	4%	Atlanta	25,873	31%	5%
Fort Lauderdale	82,636	95%	12%	Austin	24,913	23%	3%
Los Angeles	79,316	65%	9%	Minneapolis	23,591	28%	4%
WPB - Boca Raton	79,271	68%	9%	Sacramento	23,224	29%	4%
Washington DC	75,534	45%	6%	Norfolk	21,294	45%	6%
Phoenix	74,045	76%	10%	Raleigh-Durham	20,657	33%	5%
San Diego	70,698	45%	6%	Syracuse	20,500	45%	6%
Seattle	62,417	55%	8%	Albuquerque	19,933	51%	7%
Salt Lake City	60,333	87%	11%	Winston-Salem	19,509	45%	6%
Las Vegas	56,571	38%	6%	Pittsburgh	17,441	29%	4%
San Antonio	54,236	61%	8%	Dallas	17,299	19%	3%
Jacksonville	50,597	71%	9%	Cincinnati	17,213	32%	5%
Nashville	47,823	79%	10%	Buffalo	12,797	26%	4%
Portland	46,420	72%	9%	Greensboro	12,138	23%	3%
Columbia	44,742	109%	13%	Kansas City	11,895	21%	3%
Tucson	44,455	58%	8%	Orlando	10,052	8%	1%
Omaha	43,887	109%	13%	St. Louis	9,093	17%	3%
Charlotte	42,800	74%	10%	Dayton	513	1%	0%
Houston	39,237	57%	8%	Cleveland	-1,611	-3%	0%
Chicago	38,997	26%	4%	New Haven	-8,260	-10%	-2%
Memphis	38,287	96%	12%	Detroit	-16,055	-21%	-4%
Baltimore	35,875	29%	4%	Hartford	-17,393	-20%	-4%
Denver	35,271	41%	6%	New Orleans	-30,294	-20%	-4%
Philadelphia	34,517	39%	6%	Stamford	-35,894	-24%	-4%
Huntsville	34,482	133%	15%	Long Island	-41,595	-22%	-4%
Richmond	32,818	64%	9%	Oakland	-45,224	-30%	-6%
Tampa	32,432	42%	6%	Boston	-68,634	-23%	-4%
Tallahassee	31,435	69%	9%	San Francisco	-89,241	-27%	-5%
<b>United States</b>	<b>30,964</b>	<b>45%</b>	<b>6%</b>	San Jose	-102,675	-43%	-9%
Santa Fe	30,886	25%	4%				

**Table 9 – Projected Per-Room Change in Value (2006-2008)**

<b>Market</b>	<b>Per Room</b>	<b>% Change</b>	<b>Market</b>	<b>Per Room</b>	<b>% Change</b>
New York	\$152,136	39%	Raleigh-Durham	\$26,531	32%
Oahu	117,218	32%	Nashville	25,836	24%
San Francisco	92,142	38%	Albuquerque	25,555	44%
Miami	88,858	38%	Stamford	25,217	22%
Chicago	69,788	36%	Long Island	24,701	17%
Anaheim	67,017	39%	<b>United States</b>	<b>24,040</b>	<b>24%</b>
Fort Lauderdale	64,555	38%	Wilmington	23,092	24%
San Jose	63,357	47%	Tucson	21,889	18%
Seattle	63,045	36%	Rochester	20,278	26%
Boston	55,924	25%	Columbia	20,061	23%
Los Angeles	55,846	28%	Indianapolis	19,490	21%
Denver	52,972	43%	Winston-Salem	19,366	31%
Austin	52,771	39%	West Palm Beach	19,150	8%
Salt Lake City	49,387	38%	Kansas City	18,991	28%
Atlanta	48,983	45%	Greensboro	15,641	24%
Washington DC	48,558	20%	Cleveland	14,440	26%
Charlotte	48,131	48%	New Orleans	13,445	11%
WPB - Boca Raton	44,469	23%	Richmond	13,056	16%
San Diego	43,818	19%	Santa Fe	12,497	8%
Phoenix	43,417	25%	Buffalo	12,438	20%
Dallas	39,847	36%	Sacramento	11,368	11%
Minneapolis	37,381	34%	Hartford	9,839	14%
Philadelphia	36,642	30%	Detroit	9,547	16%
San Antonio	35,961	25%	Huntsville	9,383	16%
Oakland	35,554	34%	Pittsburgh	9,086	12%
Baltimore	31,766	20%	Cincinnati	8,635	12%
Tampa	31,487	29%	Las Vegas	8,372	4%
Houston	30,483	28%	Tallahassee	7,924	10%
Orlando	29,115	22%	New Haven	7,637	10%
Portland	29,002	26%	Syracuse	6,717	10%
Omaha	27,437	33%	St. Louis	4,999	8%
Memphis	27,329	35%	Dayton	1,841	5%
Milwaukee	26,554	34%	Norfolk	129	0%
Jacksonville	26,531	22%			

**Table 10 – 2006 HVI and Percentage Change in Value**

<b>Market</b>	<b>Index</b>	<b>% Change</b>	<b>Market</b>	<b>Index</b>	<b>% Change</b>
New York	10.4363	21%	Minneapolis	2.9238	16%
Oahu	9.8505	7%	Nashville	2.9149	43%
Washington DC	6.5577	-6%	Houston	2.8924	22%
San Francisco	6.5016	17%	Oakland	2.8026	33%
West Palm Beach	6.4420	4%	Sacramento	2.7845	19%
Miami	6.2417	7%	Charlotte	2.7139	51%
San Diego	6.1724	19%	<b>United States</b>	<b>2.6817</b>	<b>22%</b>
Boston	6.0392	17%	Wilmington	2.6110	29%
Las Vegas	5.5359	-6%	Indianapolis	2.5168	26%
Los Angeles	5.4308	14%	Columbia	2.3108	13%
WPB - Boca Raton	5.2671	2%	Raleigh-Durham	2.2658	43%
Chicago	5.1639	38%	Omaha	2.2651	35%
Seattle	4.7272	38%	Richmond	2.2600	19%
Phoenix	4.6083	28%	Milwaukee	2.1295	40%
Anaheim	4.6000	17%	Pittsburgh	2.1140	36%
Fort Lauderdale	4.5642	23%	Memphis	2.0983	28%
Baltimore	4.2539	9%	Rochester	2.0963	53%
Santa Fe	4.1423	5%	Tallahassee	2.0654	5%
Long Island	4.0099	-5%	New Haven	1.9626	9%
San Antonio	3.8397	23%	Hartford	1.9059	8%
Austin	3.6368	53%	Cincinnati	1.8990	21%
San Jose	3.6282	52%	Norfolk	1.8411	8%
Orlando	3.5013	11%	Kansas City	1.8157	25%
Salt Lake City	3.4815	34%	Syracuse	1.7847	4%
Philadelphia	3.2959	20%	Greensboro	1.7545	24%
Jacksonville	3.2790	2%	Buffalo	1.6932	35%
Denver	3.2770	40%	Winston-Salem	1.6804	38%
Tucson	3.2668	29%	St. Louis	1.6735	10%
New Orleans	3.2139	-14%	Detroit	1.6292	30%
Stamford	3.1246	21%	Huntsville	1.6238	14%
Portland	2.9909	34%	Albuquerque	1.5788	28%
Dallas	2.9706	32%	Cleveland	1.4978	48%
Atlanta	2.9413	22%	Dayton	1.0877	7%
Tampa	2.9309	16%			

### **THE TOP TEN MARKETS (in terms of HVI)**

**New York NY** has historically remained one of the top-ranking cities in terms of per-room value. As an international hub for business and leisure travel, and as the financial center of the U.S., New York passed Oahu to take the spot as the market with the highest HVI in 2006. High demand levels have allowed this market to increase average rate. New York is expected to exhibit the highest value increase per room between 2006 and 2008, at roundly \$152,000, or 39%.

With its unique location, beautiful scenery, pristine beaches, and limited land for development, **Oahu HI** has also continued to be one of the top markets in terms of the valuation index. Although this market was impacted by the national recession early in this decade, its per-room value declined only in 2001, and then rebounded quickly. The high values and continued strong growth in Oahu are attributed to the market's high barriers to entry; Oahu contains practically no developable waterfront land, and the average rate attained by inland hotels trails significantly. These trends resulted in Oahu experiencing a per-room value increase of roundly \$199,000, or 119%, between 2000 and 2006, which was the largest per-room increase over this historical period. HVS forecasts per-room values in Oahu to increase roundly \$117,000, or 32%, by 2008.

Following the September 11, 2001, terrorist attacks, **Washington DC** entered into the top ten markets in terms of HVI. This boost in rank is attributable to decreases in other previous top ten markets during this period, as well as to Washington's status as a geo-political center with an increasing focus on homeland security and defense spending. This market realized an average annual compounded growth rate of 6% between 2000 and 2006; however, a 6% decline was noted in 2006, attributable to a slow convention year following a record year in 2005, which included a presidential inauguration. Over the next two years, Washington DC's per-room value is expected to increase by 20%, slightly trailing the national average.

Historically, **San Francisco CA** has consistently achieved a spot among the top markets in terms of the Hotel Valuation Index. Much like the rest of the nation, San Francisco was impacted by the economic recession; moreover, the June 2003 opening of the Moscone Convention Center expansion did not meet demand expectations, further contributing to a slow recovery. For these reasons, the market recorded an average annual compounded decline of 5% in per-room value between 2000 and 2006, but began to rebound in 2004. San

San Francisco achieved the highest HVI in 2000 and has remained among the highest markets in terms of HVI, despite the previously noted decline. Going forward, San Francisco is expected to exhibit a 38% increase in value per room from 2006 to 2008.

In 2006, per-room values in **West Palm Beach FL** rose by 4%. However, this market attained the second-highest per-room dollar increase between 2000 and 2006, at roundly \$113,000, or 90%. In 2005 and early 2006, the market benefited from hurricane-related demand, including FEMA, insurance adjusters, and displaced residential demand, which forced base demand to nearby markets. This base demand was slow to return as it is mostly contract demand. The market is forecast to realize an 8% increase through 2008; some upside potential over the long term is related to a new Scripps clinic that is planned for the area; as currently proposed, this facility would open in approximately five years and employ roundly 6,000 people.

In 2006, per-room values in **Miami FL** increased by 7%; the market posted an average annual compounded growth rate of 10% between 2000 and 2006. As with most U.S. markets, Miami was impacted by the national recession in 2001 and 2002 but exhibited a strong rebound beginning in 2003 through 2005. In view of Miami's role as an international access point to South America and the Caribbean, the city's per-room value is expected to increase above the national average, by 38%, or roundly \$89,000 per room, by 2008. The strength of this market is highlighted by the 13% average annual compounded growth rate realized between 1987 and 2006, which is the highest of the 66 markets observed.

**San Diego CA** has benefited from its diverse economy, which includes a significant presence from the military, corporate firms, and the convention market. San Diego recorded moderate but consistent growth from 2002 to 2006; a 19% gain in 2006 was the market's largest per-room value increase during this period. San Diego's per-room value rose by 45% between 2000 and 2006, which was largely related to average rate increases resulting from high demand levels. The 1,100-room Hilton convention hotel currently under construction will potentially increase the convention potential of the city. The strength and stability of this market and the potential upside of increased convention business is expected to produce a 19% increase in value per room through 2008.

New England's economic hub, **Boston MA**, suffered an overall 23% decrease in per-room value from 2000 to 2006. This decline is attributable to the

economic downturn. However, the market posted 17% growth in 2006, following an initial recovery in 2004. Between 2006 and 2008, the Boston market is forecast to just slightly outpace the national average, with per-room growth of 25%. This growth equates to a gain of roundly \$56,000 per room through 2008, the tenth-highest per-room dollar increase.

Its continued popularity as an entertainment and convention destination enabled **Las Vegas NV** to maintain an HVI ranking among the top ten markets in 2006. Per-room values in this market recorded an average annual compounded growth rate of 6% between 2000 and 2006, and a 6% decrease in 2006. Las Vegas is forecast to increase by only 4% between 2006 and 2008. While the market continues to attract some of the nation's largest conventions as well as millions of leisure visitors, per-room value growth will likely be hampered by the numerous projects in the pipeline.

Per-room values in the densely populated City of **Los Angeles CA** remained relatively stable during the economic downturn in 2002 and 2003, which was followed by strong growth in 2004 and 2005. Between 2000 and 2006, the market achieved a 65% per-room value increase. Due to the sheer size of the market, there are several submarkets within Los Angeles, and these exhibit independent dynamics; the market as a whole has realized strong growth. Going forward, Los Angeles is anticipated to post strong growth between 2006 and 2008; the market is expected to outpace the national average, with a growth rate of 28%.

#### **THE MIDDLE MARKETS (IN TERMS OF HVI)**

The table on the following pages presents information pertaining to the "middle" markets, those ranked from 11th to 56th according to the HVI.

**Table 11 – Middle Markets (in descending order of HVI)**

<b>Market</b>	<b>Index</b>	<b>2006 % Change</b>	<b>Market Details</b>
WPB - Boca Raton	5.2671	<b>2%</b>	The Boca Raton market was impacted by the same dynamics that affected the West Palm Beach market to a degree, but Boca Raton is much more leisure oriented and is highly seasonal. This market exhibited the eighth-highest per-room dollar increase between 2000 and 2006, at roundly \$79,000, or 68%. Going forward, this market will continue to benefit from its leisure travel and potentially strengthened shoulder seasons. Growth through 2008 is forecast at 23%.
Chicago	5.1639	<b>38%</b>	Chicago achieved strong growth in 2006 as it benefited from a strong meeting and group market. The McCormick Place Convention Center is currently in the final stages of an \$800-million expansion, which will further strengthen this segment and the overall market. Growth was moderate from 2000 to 2006, but per-room value is forecast to realize the fifth-highest per-room dollar increase through 2008, at roundly \$70,000.
Seattle	4.7272	<b>38%</b>	Despite the economic recession – coupled with the market's largest employer, Boeing, relocating its headquarters from Seattle to Chicago – per-room values recovered beginning in 2003 and realized strong growth through 2006. Seattle is forecast to record the ninth-highest per-room dollar increase through 2008, at roundly \$63,000.
Phoenix	4.6083	<b>28%</b>	The Phoenix market has been a hot spot for relocation in recent years. In addition to a stable student base provided by Arizona State University, Phoenix is the state capital and employs a significant number of government employees. These factors led to a 76% increase in value per room between 2000 and 2006. Going forward, growth is forecast to increase by 25% through 2008, just above the national average for this period.
Anaheim	4.6000	<b>17%</b>	Anaheim achieved the fourth-highest per-room dollar increase between 2000 and 2006, at roundly \$92,000, or 117%. New supply additions have been matched by increased demand, while average rate has fluctuated in recent years. Anaheim is a large convention market with both Walt Disney World and Boeing providing a large quantity of demand in the market. This market is forecast to exhibit the sixth-highest per-room dollar increase through 2008, at roundly \$67,000.
Fort Lauderdale	4.5642	<b>23%</b>	Ft. Lauderdale exhibited the sixth-largest per-room dollar increase between 2000 and 2006, at roundly \$83,000. The leisure submarket consists of guests traveling to the beach; this market has been very active with numerous condotels being developed and several full-service hotels reflagging.
Baltimore	4.2539	<b>9%</b>	Baltimore registered a 29% increase in per-room value between 2000 and 2006; recent growth was moderate. Going forward, this trend is anticipated to continue, with a 20% increase forecast through 2008. Current redevelopment efforts to improve and expand the downtown area as well as the addition of five Johns Hopkins medical buildings should provide for some potential upswing in the market over the long term.
Santa Fe	4.1423	<b>5%</b>	Santa Fe consists of a corporate market and a historic district market, which relies on its cultural arts and heritage. Growth has been limited as the city is unfriendly to development. The market exhibited a 25% increase between 2000 and 2006 and is forecast to exhibit only an 8% increase through 2008.

**Table 10 – Middle Markets (continued)**

<b>Market</b>	<b>Index</b>	<b>2006 % Change</b>	<b>Market Details</b>
Long Island	4.0099	<b>-5%</b>	Long Island has suffered from overbuilding, and the market's per-room value recorded a 22% decrease between 2000 and 2006. Going forward, value is forecast to increase moderately, by 17% through 2008.
San Antonio	3.8397	<b>23%</b>	Growth in San Antonio is largely tied to the strength of the market's convention business. While demand is strong, the convention business has limited average rate growth. This business was down in 2006 compared to 2005, but occupancy was stable; however, average rate exhibited significant growth. The construction of the 1,004-unit Grand Hyatt will allow the city to accommodate larger conventions. Future growth is forecast at 25% through 2008, slightly outpacing the national average.
Austin	3.6368	<b>53%</b>	Austin experienced moderate growth during 2000 to 2006, which is strongly linked to demand increases. Going forward, growth is forecast at 39%, or roundly \$53,000 per room, between 2006 and 2008.
San Jose	3.6282	<b>52%</b>	The downturn in the high-tech economy earlier in this decade, coupled with the nationwide economic recession, caused significant average rate declines; San Jose posted the highest per-room dollar value decrease of all 66 markets observed, declining by roundly \$103,000 between 2000 and 2006. However, San Jose's lodging market has rebounded, with significant per-room increases recorded in 2005 and 2006. This is further indicated by our forecast for San Jose through 2008, as the market is expected to exhibit the eighth-highest per-room dollar increase, at \$63,000.
Orlando	3.5013	<b>11%</b>	Orlando is strongly related to its convention market; attendance declines and the economic recession resulted in per-room value declines in 2001 and 2003. The convention market rebounded significantly in 2004, which correlated to a 49% value increase in the same year. The market has otherwise remained stable, with only 8% growth recorded between 2000 and 2006. Per-room value is forecast to increase by 22% through 2008, slightly below the national average.
Salt Lake City	3.4815	<b>34%</b>	Salt Lake City exhibited strong growth between 2000 and 2006, which was partially supported by the city hosting the 2002 Winter Olympic Games. The market is expected to maintain its strong recent growth, with a 38% increase forecast through 2008.
Philadelphia	3.2959	<b>20%</b>	Philadelphia was impacted by a significant supply increase to accommodate the 2000 Republican Convention; however, this supply was not quickly absorbed and caused a down year in 2001. Although the market was impacted by the economic recession in 2003, value per-room growth was notable between 2000 and 2006, at 39%. The city is currently experiencing gentrification; Philadelphia is forecast to realize 30% growth through 2008.
Jacksonville	3.2790	<b>2%</b>	Jacksonville consists of two submarkets – the downtown and beach markets – which accommodate mostly corporate and leisure guests, respectively. The market's naval station also contributes a fair quantity of demand. Jacksonville was only adversely impacted by the economic downturn in 2001. Per-room value growth was 22% in 2005, attributed to the city hosting the Super Bowl. Between 2000 and 2006, per-room value increased by roundly \$51,000, or 71%. The market is forecast to grow by 22% through 2008, slightly below the national average.



**Table 10 – Middle Markets (continued)**

<b>Market</b>	<b>Index</b>	<b>2006 % Change</b>	<b>Market Details</b>
Denver	3.2770	<b>40%</b>	Although Denver was impacted by the economic recession, consistent growth was exhibited between 2004 and 2006. The convention market has performed strongly in recent years and helped improve per-room values. Per-room value registered a 41% increase between 2000 and 2006. Going forward, the market is forecast to increase by 43% by 2008.
Tucson	3.2668	<b>29%</b>	Per-room value in Tucson was affected by the economic downturn but rebounded in line with the national average. Significant growth was exhibited in 2005, which contributed to a 58% per-room value increase between 2000 and 2006. Growth is forecast to slow to 18% by 2008.
New Orleans	3.2139	<b>-14%</b>	The New Orleans market remains a risky investment in the minds of many developers and lenders. While FEMA workers produced a large quantity of demand at rack rates, these groups departed in early 2006, and the market's recovery has remained stagnant. Growth is forecast at 11% through 2008.
Stamford	3.1246	<b>21%</b>	Stamford was impacted heavily by the economic recession in 2001 through 2003. Per-room values have recovered slightly since this downturn but have failed to match 2000 levels. Growth in 2004 through 2006 was related to the opening and aggressive rate strategy of the Courtyard hotel, which actually led the full-service properties and allowed the market to improve rate. Going forward, growth is anticipated at 22% through 2008, slightly below the nation's projected 24% average growth.
Portland	2.9909	<b>34%</b>	Between 2000 and 2006, Portland weathered the economic recession well and exhibited strong growth of 72%. Going forward, continued growth is expected to outpace the national average only slightly, at 26%.
Dallas	2.9706	<b>32%</b>	Dallas posted growth above the national average in 2006 due to average rate increases while occupancy remained relatively stable. However, between 2000 and 2006, growth remained relatively stagnant, at 19%. Overall growth through 2008 is anticipated to outpace the national average.
Atlanta	2.9413	<b>22%</b>	Although Atlanta trailed the national average growth per room between 2000 and 2006, strong gains occurred from 2004 to 2006. The city's three markets – Midtown, Downtown, and Buckhead – posted solid growth, with Midtown poised to be the next hot market in Atlanta. Roundly five million square feet of commercial developments are proposed or under construction in the city. Growth is forecast at 45% through 2008.
Tampa	2.9309	<b>16%</b>	Tampa exhibited a significant average rate increase in 2006 compared to 2005 while occupancy declined slightly. Between 2000 and 2006, per-room values recorded a 42% increase. Per-room values are forecast to increase by 29% by 2008.

**Table 10 – Middle Markets (continued)**

<b>Market</b>	<b>Index</b>	<b>2006 % Change</b>	<b>Market Details</b>
Minneapolis	2.9238	<b>16%</b>	Minneapolis features the largest airport in the region as well as a strong corporate market. Although growth was outpaced by the national average between 2000 and 2006, the market's forecast through 2008 is positive; a per-room value increase of 34% is expected.
Nashville	2.9149	<b>43%</b>	Nashville remained relatively stable in the early 2000s, stabilized by Vanderbilt's large university presence. Growth remained constant between 2000 and 2006 and resulted in a 79% increase in per-room value over this period. Increases are expected to be in line with the national average, at 24% through 2008.
Houston	2.8924	<b>22%</b>	Houston benefits from its port location and the presence of several large oil companies. In 2006, occupancy exhibited a slight decline while average rate increased slightly, yielding a per-room increase equal to the national average. Growth is forecast to improve slightly, to 28% through 2008, outpacing the national average.
Oakland	2.8026	<b>33%</b>	Oakland suffered significantly from the economic downturn from 2001 to 2003. Per-room value increases occurred from 2004 to 2006 but were not significant enough to offset the previous declines posted. The market posted a 30% decline between 2000 and 2006. Improvements in the market are anticipated through 2008, with growth forecast at 34% over this period.
Sacramento	2.7845	<b>19%</b>	Sacramento experienced a 29% per-room value increase between 2000 and 2006, which is linked to its stable economy supported by its status as the capital of the largest electoral state. Although a per-room value decrease occurred only in 2001, growth has been moderate and outpaced by the national average. This trend of stable but moderate growth is forecast to continue; Sacramento's per-room value is forecast to increase by 11% through 2008.
Charlotte	2.7139	<b>51%</b>	Charlotte's index exhibited significant growth in 2006 as the market's corporate-friendly atmosphere has led numerous Fortune 500 companies to relocate to the city. This trend has continued to drive room value; a 48% increase is forecast between 2006 and 2008.
Wilmington	2.6110	<b>29%</b>	Wilmington registered strong growth between 2000 and 2006, leading to a per-room value increase of 43%. This market is forecast to grow in line with the national average through 2008.
Indianapolis	2.5168	<b>26%</b>	Indianapolis benefits from both a strong convention market in the downtown area as well as a significant corporate presence in the city's suburbs. Growth in 2006 was largely related to increases in average rate rather than occupancy. Per-room value increased by 45% between 2000 and 2006, in line with the national average. Growth of 21% is forecast through 2008, which is slightly outpaced by the forecast national average.
Columbia	2.3108	<b>13%</b>	Columbia was able to maintain per-room value relatively well despite the economic downturn; only in 2001 was there a noticeable decline. Strong, steady growth led to a 109% increase in per-room values between 2000 and 2006. This market is expected to slow to 23% through 2008, which is slightly outpaced by the national average.

**Table 10 – Middle Markets (continued)**

<b>Market</b>	<b>Index</b>	<b>2006 % Change</b>	<b>Market Details</b>
Raleigh-Durham	2.2658	<b>43%</b>	Raleigh-Durham benefits from the Research Triangle area, which has a highly active medical research area that is populated by major firms and universities. The market did not begin to rebound from the economic downturn until 2004, then exhibited solid growth through 2006. The market is forecast to realize strong growth of 32% through 2008, outpacing the anticipated national average.
Omaha	2.2651	<b>35%</b>	Omaha was minimally impacted by the economic recession, with only 2001 recording a per-room value decline. The market benefits from numerous insurance companies and call centers due to its location near the geographic center of the U.S. Recent growth is attributed to gains in average rate rather than occupancy, but both have exhibited some growth. Going forward, the market is forecast to achieve 33% growth by 2008.
Richmond	2.2600	<b>19%</b>	Richmond's market area consists of the downtown, west, north, and south submarkets. Increases in per-room value have been linked to average rate gains originating in the west submarket, which features most of the area's large corporate accounts. Richmond exhibited a 64% increase, or roundly \$33,000 per room, between 2000 and 2006. Growth is anticipated to slow slightly, with 16% growth forecast over the next two years.
Milwaukee	2.1295	<b>40%</b>	Milwaukee remained relatively stable during the economic recession, experiencing per-room value declines in only 2001; however, growth remained slow through 2004. The market is reliant on its manufacturing and health care industries as well as a large college-student population, which provide a stable economy. Growth in 2005 and 2006 was significant and accounted for the market's per-room value increase of roundly \$30,000, or 62%. A 34% increase is forecast for this market through 2008.
Pittsburgh	2.1140	<b>36%</b>	Pittsburgh was outpaced by the national average between 2000 and 2006, with per-room values growing at an average annual compounded rate of 4%. There was limited per-room value growth produced during the new convention center's first two years of operation (2003 and 2004). The market has traditionally been related to steel production, which has increasingly become an international industry. Pittsburgh was heavily impacted by the economic recession and rebounded very slowly. Although significant growth was exhibited in 2006, our forecast for the market estimates 12% growth through 2008.
Memphis	2.0983	<b>28%</b>	Significant growth was achieved in Memphis between 2000 and 2006; hotel values in the market increased by roundly \$38,000 per room, or 96%. The market's value increase is related to the city's rich culture, which attracts both leisure and meeting and group business. FedEx and numerous Fortune 100, 500, and 1000 firms exhibit a strong corporate presence in the market and have accounted for recent growth. Memphis is forecast to exhibit a per-room increase of approximately \$27,000, or roundly 35%, during the next two years.
Rochester	2.0963	<b>53%</b>	The Rochester market's per-room values fluctuated between 2000 and 2006, with significant growth in 2006, which contributed to a strong increase over the six-year period. The market is anticipated to continue to record strong growth through 2008, just slightly above the national average.

**Table 10 – Middle Markets (continued)**

<b>Market</b>	<b>Index</b>	<b>2006 % Change</b>	<b>Market Details</b>
Tallahassee	2.0654	<b>5%</b>	Tallahassee experienced limited growth in 2006 but registered significant growth of 69% between 2000 and 2006; a per-room value decline was exhibited in 2001 only. The market benefits from a significant university presence, including Florida A&M and Florida State University. Growth is forecast at 10% through 2008.
New Haven	1.9626	<b>9%</b>	New Haven benefits from a corporate presence, which includes Bristol-Myers Squibb as the largest employer in the area. Demand has declined recently, leading to a 10% per-room value decrease between 2000 and 2006. Going forward, growth is anticipated to remain minimal, with a 10% increase in per-room value forecast through 2008.
Hartford	1.9059	<b>8%</b>	Similar to the New Haven market, the Hartford market experienced a slow recovery from the economic downturn. Hartford experienced per-room value declines from 2001 to 2003. Growth following these declines was not significant enough to prevent a 20% per-room value decline between 2000 and 2006. Minimal growth of 14% is forecast through 2008.
Cincinnati	1.8990	<b>21%</b>	Although Cincinnati recovered quickly from the economic downturn, the market posted per-room value growth below the national average between 2000 and 2006, at 32%. Similar to other major regional markets, including Pittsburgh and Cleveland, future per-room dollar value growth is projected to be relatively minor between 2006 and 2008. Cincinnati is forecast to increase by 12%, or roundly \$9,000 per room, over this period.
Norfolk	1.8411	<b>8%</b>	The government and military exhibit a significant presence in Norfolk and are responsible for major changes in the market. For this reason, the market registered significant growth in 2002 following the September 11, 2001, terrorist attacks, while most U.S. markets experienced per-room value declines. In 2006, average rate and occupancy remained generally stable and resulted in an 8% increase in per-room value. No gains in value are expected over the next two years.
Kansas City	1.8157	<b>25%</b>	Kansas City began to rebound in 2004 and experienced growth through 2006; however, the per-room value losses suffered during the economic downturn lessened the market's overall improvement. Between 2000 and 2006, per-room value increased by 21%, which was well outpaced by the national average. Growth through 2008 is forecast to equal roundly \$19,000 per room, or 28%.

### **THE BOTTOM TEN MARKETS (in terms of HVI)**

**Syracuse NY** recorded strong overall growth per room between 2000 and 2006, of 45%, or roundly \$21,000 per room. The market rebounded quickly from the economic downturn and realized a per-room value increase in 2002; however, the market posted a 3% decrease in both 2003 and 2004. The student population at Syracuse University and SUNY (State University of New York) help stabilize the local economy, but the downsizing of the Carrier Corporation over the past decade hurt the lodging market. Based on these trends, growth is forecast at 10% from 2006 to 2008.

**Greensboro NC** is impacted by both the medical and tobacco industries, which prompted a quick rebound in 2002 from the economic downturn. Growth was moderate following this rebound, which resulted in a roundly \$12,000 per-room increase between 2000 and 2006. Going forward, per-room value is forecast to grow in tandem with the national average between 2006 and 2008, which for the Greensboro market equates to roundly \$16,000 per room, an increase that is greater than the per-room improvement exhibited over the previous six years.

The **Buffalo NY** market is not expected to realize per-room value increases that would significantly change its HVI ranking; however, growth for the period 2006 to 2008 is forecast at roundly \$12,000 per room. This is noteworthy as the total growth recorded between 2000 and 2006 in this market equaled roundly \$13,000 per room.

**Winston-Salem NC** benefits from a strong medical research and development presence. The tobacco industry is also a major presence in the market. The market registered a 45% per-room value increase between 2000 and 2006, or roundly \$20,000 per room. Value per room was relatively stable in 2002 and 2003, a time when most of the nation was experiencing value declines; however, the market registered a decline in 2004 when most markets were rebounding from the economic downturn. Following strong growth of 38% in 2006, an increase is forecast of approximately \$19,000 per room, or roundly 31%, through 2008.

In the Midwest, **St. Louis MO** exhibited a 10% increase in 2006. Historically, St. Louis posted a 17% overall increase in per-room value during the period 2000 to 2006. The city's low room value is partially related to its consistent perception as an unsafe city. Growth between 2006 and 2008 is forecast at 8%, well below the anticipated national average of 24%.

Since the inception of the HVI, **Detroit MI** has been at the lower end of the range. The market has suffered significantly as a result of the uneasy status of the U.S. automotive industry. Like St. Louis, Detroit is consistently perceived as being unsafe. Although Detroit posted a gain of 30%, or roundly \$14,000 per room, in 2006, the market experienced a 21% decline overall between 2000 and 2006. As there is no foreseeable upside in the Detroit automotive industry, we forecast an increase of 16%, or roundly \$10,000 per room, for this market by 2008.

**Huntsville AL** remains toward the bottom of the HVI but has realized significant growth since 2000. The market posted an overall gain of roundly \$34,000 per room between 2000 and 2006, which equates to a notable 133% increase. The market was able to realize a 50% increase in 2002, during a time when most markets were in decline. This economic growth and recent stability are attributed to the significant military and aerospace engineering presence in the market. Growth of 16% is forecast through 2008.

**Albuquerque NM** has continued to rank at the lower end of the HVI; however, the market is considered to be an emerging city and exhibited strong growth over the historical period reviewed. Albuquerque's per-room value increased by 28% in 2006, a rate above the national average. The city has received acclamations for being a top location for economic development, and is considered to be pro-development, with tax incentives common. The market's location at the intersection of Interstates 25 and 40 and the existence of northern New Mexico's largest airport have helped stimulate growth. Historical growth between 2000 and 2006 also outpaced the national average, at 51% overall. This market's strengthening is forecast to continue through 2008, with 44% growth forecast.

**Cleveland OH** is considered to be one of the weakest markets in terms of per-room value. In 2006, the market posted a strong 48% increase in per-room value, for an HVI of 1.4978. This recent upswing is favorable, considering that per-room values in the market decreased by 3% overall from 2000 to 2006. By the end of 2008, per-room value is expected to increase by 26%, slightly outpacing the national average but showing no significant signs of change.

In terms of per-room value, **Dayton, OH** is ranked last of the 66 major markets in the HVI for 2006 and is not expected to move up based on historical trends. The market exhibited a 1% per-room value increase overall between 2000 and 2006. The market is relatively stable due to the area's largest employer, Wright-Patterson Air Force Base, which has also limited

average rate growth because of the government's per-diem rate. Going forward, per-room value growth is forecast at 5% through 2008.

### **VOLATILITY INDEX**

The Volatility Index is an analysis of the historical rates of per-room value changes for an individual market. The volatility index determines the standard deviation in market per-room value changes since 1997, and divides this standard deviation by the overall average per-room value of a market during the same period. The higher the percentage (or volatility index) the more volatile per-room values are in a market, and vice versa. A useful benchmark in determining a high or low volatility index is to consider the volatility index for the United States, which is at roundly 17%.

When analyzed with the forecast growth in per-room value through 2008, markets with historically low volatility that are expected to record strong increases in per-room value demonstrate favorable market conditions to buy or build hotels. Conversely, markets with historically high volatility in per-room value should be a caution for lodging owners and operators considering investing in areas such as New York, San Francisco, and Austin. The following tables present forecasts of markets with low and high volatility coupled with high percentage changes in value through 2008.

**Table 12 – Markets with Low Volatility and High Percentage Change in Value**

<b>Rank</b>	<b>Volatility Index</b>	<b>Market</b>	<b>% Change (2006 - 2008)</b>	<b>Change in Value per Room (2006 - 2008)</b>
1	14%	Tampa	29%	\$31,000
2	13%	San Antonio	25%	36,000
3	14%	Greensboro	24%	16,000
4	13%	Jacksonville	22%	27,000
5	8%	Baltimore	20%	32,000
6	9%	San Diego	19%	44,000

**Table 13 – Markets with High Volatility and High Percentage Change in Value**

Rank	Volatility Index	Market	% Change (2006 - 2008)	Change in Value per Room (2006 - 2008)
1	28%	Charlotte	48%	\$48,000
2	40%	San Jose	47%	63,000
3	41%	New York	39%	152,000
4	31%	Austin	39%	53,000
5	30%	Miami	38%	89,000
6	30%	Salt Lake City	38%	49,000
7	30%	San Francisco	38%	92,000
8	27%	Oakland	34%	36,000
9	26%	Oahu	32%	117,000

Based on a review of markets with low volatility and anticipated increases in per-room value, San Diego and Baltimore are ideal markets for purchasing lodging facilities. Other markets that are considered to be positive and lucrative investments include San Antonio, Tampa, and Jacksonville.



## CONCLUSION

Overall, the United States HVI shows that hotel values increased, on average, by 22% across the United States in 2006, compared with gains of 26% in 2005 and 28% in 2004, and decreases of 1% in 2003, 1% in 2002, and 24% in 2001. On average, per-room values in the United States grew by roundly \$18,000 in 2006, which indicates that hotel values per room continued to grow at high double-digit rates across the country, albeit at slightly lower rates compared to the gains achieved in 2004 and 2005.

In this past year, 62 of the 66 markets reviewed experienced increases in value per room; only four markets registered declines: Long Island, Las Vegas, Washington DC, and New Orleans. Notably, per-room values in both Rochester NY and Austin TX increased by 53% in 2006, with San Jose CA and Charlotte NC posting gains of 52% and 51%, respectively.

Based on the markets reviewed, trends in per-room value increases, and our analysis of markets with low volatility and projected large increases in value, we forecast that strong markets to buy hotels are San Diego, Miami, San Jose, Boston, San Francisco, and New Orleans. We note that these markets represent attractive investments for a Type A investor willing to take higher risk to receive a higher return. Success in these markets also requires a successful exit from the assets based on the real estate cycle. Markets in which to sell, due to current market conditions, high volatility, and overbuilding, would be Long Island, Norfolk, Dayton, and Cincinnati. Meanwhile, owners and investors are advised to practice caution in Austin, TX due to overbuilding. Investing in Pittsburgh and St. Louis should also be approached carefully attributable to their Rust Belt city status.

Although the national supply pipeline has been a topic of concern for many owners and investors, there are still opportunities to build. Based on the current market trends and financial trends, hotels there is potential for hotel construction in any location where the market value is 10% to 20% higher than the total cost of construction.

Regardless, market conditions in terms of current per-room values across the U.S. remain positive. Overall, the per-room value in the United States is projected to grow by 16% in 2007 and 7% in 2008, resulting in a two-year, per-room value increase of 24%. Projected trends in the next two years create excellent buying and selling opportunities, as values continue to rise,

capitalization rates continue to decrease, and financing parameters remain favorable for potential investors.

According to Steve Rushmore, president and founder of HVS, the lodging real estate bubble will burst beginning in 2010-2013. This decline is not expected to be a sharp drop but rather a gradual decline with a soft landing.