2009 United States Hotel Valuation Index

Steve Rushmore, MAI, FRICS, CHA
President and Founder

Emily U. Smith
Vice President

Neel M. Lund
Vice President

HVS GLOBAL HOSPITALITY SERVICES
369 Willis Avenue
Mineola, NY 11501
USA
Tel: +1 516-248-8828
Fax: +1 516-742-3059

Price: $1,500 **October 2009**

HVS

2009 United States Hotel Valuation Index

The 2009 publication of the HVI marks an unprecedented time for hotel values. As markets fluctuated wildly throughout the past year and major banking institutions folded, hotel demand dropped dramatically, and average rates soon followed suit. The trend has continued into the summer, rendering prior forecasts for a "quick recovery" defunct. To understand the 2009 HVI values and corresponding forecasts for each market, it is important to understand the context in which the values have been derived.

The Hotel Valuation Index (HVI) tracks hotel values in 65 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 information from HVS's extensive global experience in hotel feasibility studies and valuations. The HVI for 2009 is based on 2008 data; we note that each market has been evaluated and forecast based on prevailing and anticipated trends specific to that market.

The dizzying pace of declining hotel values has left industry participants in limbo. When will it end? When will it recover, and by how much? How do we even value hotels in today's uncertain times? Are the good times of recent years past gone for good?

The following discussions help to provide the context for per-room values forecast in the report. We first revisit the fateful consequences of the crumbling banking system upon the U.S. economy, and government attempts to plug the leak. We then analyze the impact of the recession upon lodging demand and compare these trends to prior periods of recession. Next, we look at how to value hotels in today's credit-dry environment. We then present the 2009 HVI, with historical values, forecasts, and discussions on notable markets. We also provide a guide to interpreting the HVI.

HVS

U.S. Economic Trends

In mid-2008, just before the publication of the last version of the HVI, economists and market participants alike were wary of labeling the then continually downward-spiraling macroeconomic conditions as trending towards a deep recession, and termed it rather as "the great American slowdown."[1] The prevailing sentiment exuded a tone of "cautious optimism." The consensus was that this "slowdown" would in fact lead to a recession, but the hope remained that the trough would be "short and shallow," similar to that of the previous two U.S. recessions in 1990-91 and 2001-03.[2] Such an outlook was supported by the already active and aggressive response of the federal government to deteriorating conditions. The Federal Reserve had already orchestrated J.P. Morgan's acquisition of troubled Bear Sterns, and provided much-needed support to failing Fannie Mae and Freddie Mac. Abiding by the principles of "trickle-down economics," former U.S. President Bush and Congress had originated the tax rebate program to revive dwindling consumer spending.

Twelve months later, such estimations of the gravity of the downturn have proven to be an exercise in misguided buoyancy. Although the government had done much, it clearly had not done enough to avert the economically cataclysmic events of the fourth quarter of 2008. *The Economist* aptly characterizes the September 2008 collapse of Lehman Brothers as the "most seismic event of the crisis to date" that swiftly descended the 'slowdown' to 'global economic meltdown status.'[3] Following this unprecedented event, a veritable panic on Wall Street ensued, as the markets fluctuated violently and consumer confidence evaporated.

The past fiscal year has witnessed five of the eight largest bankruptcy filings in the history of the United States – Washington Mutual, Thornburg Mortgage, General Motors, Chrysler, and of course, Lehman Brothers. Since the end of 2007, the U.S. GDP has declined by a cumulative 3.7%, matching 1957-58 as the deepest recession since the Great Depression. According to the Bureau of Labor Statistics, national unemployment had skyrocketed to a staggering level of 9.7%, as of August 2009. Overall, this profound economic trough has resulted in the erosion of more than $13 trillion of consumer

[1] *The Economist*, "The great American slowdown," April 10, 2008.
[2] Ibid.
[3] *The Economist*, "Rebuilding the banks," May 14, 2009.

wealth, the implosion of the capital market lending system, and dramatic reductions in consumer spending. [4]

To combat the potential transformation of a deep recession into a depression, the federal government resorted to lessons from the past, in re-committing itself to a mammoth dose of the Keynesian brand of economics. In the fall of 2008, soon after the demise of Lehman Brothers, the federal government injected $700 billion of public capital into the financial system, providing for loans and loan guarantees for ailing banks. In the spring of 2009, beneficiaries of such funds underwent critical "stress tests" to gauge their progression towards fiscal stability. Moreover, President Obama's first actions upon taking office in January 2009 included the infusion of an additional $787-billion fiscal stimulus, in large part geared towards reviving the economy via public works programs.

The question arises – have such grand governmental efforts translated into discernible improvement? On face value, certain recent successes can be celebrated. On July 31, 2009, the federal government reported that the GDP only contracted by approximately 1.0% in the second quarter. Such a decline is largely attributable to lack of production, as businesses opted to service new consumer orders through existing inventory.[5] Consequently, an exhaustion of existing inventory is expected to spur resumption of manufacturing activity, thereby translating into the potential growth of the GDP by as much as 3.0% in the third quarter of 2009.[6] More recently, the government's "cash for clunkers" program has helped markedly improve car sales, resulting in warranted increases in production. Ironically, the chief beneficiary of this program has been Japanese auto-maker, Toyota. Nevertheless, General Motors and Chrysler have exited bankruptcy proceedings with a directive towards streamlined and efficient future operations. Moreover, with the aid of public capital and massive write-downs, U.S. investment banks for the most part have now begun to illustrate signs of short-term profitability.

Upcoming Challenges

Despite such positive signs, the U.S. economic recovery effort faces the following challenges:

---

[4] *The Economist*, "Dropping the shopping," July 23, 2009.

[5] *The Economist*, "The sun also rises," August 6, 2009.

[6] Ibid.

- In recent decades, U.S. economic growth has been inextricably linked with the rise in consumer spending. In fact, consumer spending and residential investment rose from 67% of the GDP in 1980 to 75% in 2007. Conversely, the household savings rate contracted from 10% of disposable income in 1980 to nearly 0% in 2007.[7] The publicity of long-running Ponzi schemes, exemplified by the Bernie Madoff and Sir Allen Stanford criminal scandals, coupled with a general skepticism of the welfare of financial and investment institutions have partially caused the American savings rate to rise to approximately 5%, dramatically above the 2007 average. The sudden maintenance of such a healthy savings rate to some extent is considered a double-edged sword. An effective way to reverse economic woes is in fact to spend and create demand, thereby engendering production, employment, and tax revenues for the government. A key factor in the potential recovery of consumer spending, of course, will be the restoration of consumer confidence in the general direction of U.S. financial institutions and the overall economy. Reduced consumer spending has resulted in a dramatic downturn in hotel demand.

- Thus far, government bailouts and spending have provided the mechanism for a potential economic recovery. Patently, such spending has ballooned the national deficit to a forecasted 13% of the GDP by year-end 2009, approximately 12 percentage points higher than in 2007.[8] If actions are not taken to curtail the levels of deficit spending, the federal deficit is projected to increase to approximately 82% of the GDP by 2019. Larry Summers, President Obama's chief economic adviser, maintains that "the rebuilt American economy must be more export oriented and less consumption-oriented."[9] The U.S. government is increasingly offering companies incentives to produce and manufacture domestically. Such measures could lead to strengthened local market economies, which could in turn increase lodging demand. A key factor in the reorientation of the U.S. economy depends on the economic welfare and willingness of global counterparts to consume American-made products. In the interim, heightened government spending has boosted hotel demand levels in key government cities such as Washington DC, thereby minimizing the impact of the recession.

---

[7] *The Economist*, "Dropping the shopping," July 23, 2009.
[8] Ibid.
[9] Ibid.

- The most recent American economic boom was engendered by the low of cost of capital and widespread availability of credit supplied by capital market participants such as money-market funds, hedge funds, investment banks, and exchange-traded funds, among others. Since 1993, traditional banks have accounted for only an average of approximately 20% of the total net lending in the United States.[10] While such traditional banks have largely resumed lending activities, capital market funded transaction activity has yet to recover. Further exacerbating the prospects of a recovery in capital market lending are remaining widespread concerns of impending and significant defaults stemming from a plethora of emerging distressed assets. Thus, although U.S. investment banks for the most part have illustrated signs of short-term profitability through massive write-downs and government aid, additional troubles loom. Such defaults are expected to result in additional write-downs and workout proceedings. However, market participants anticipate that such losses will be manageable, as they are expected to be sourced from more traditional asset classes, rather than the esoteric subprime mortgage/CMBS category. As an example, Real Capital Analytics estimates approximately $18 billion in hotel loans as distressed as of August 2009, sharply higher than the approximately $1.3 billion as of the same period in 2008. The recovery in capital market lending is expected to be governed by the timing of resolution and work-out of such distressed assets classes.

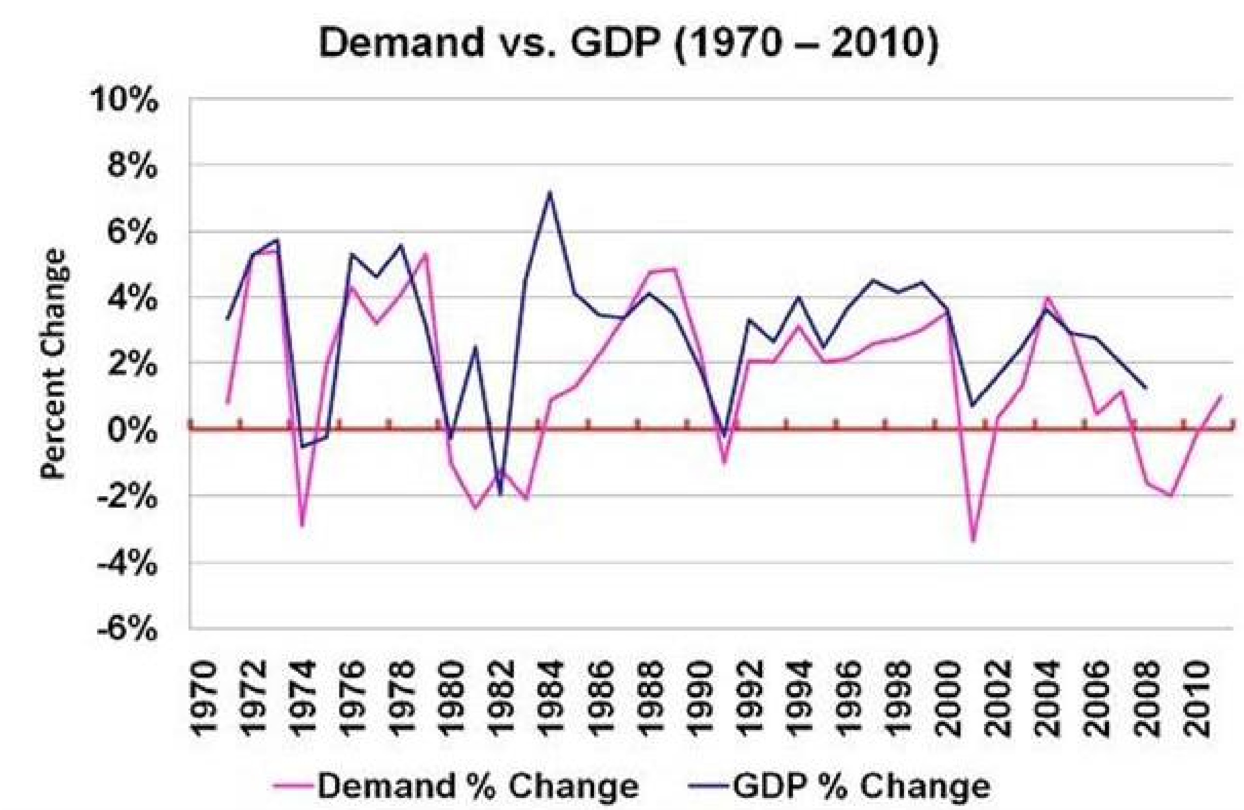
Overall, most economists and market participants share the belief that the U.S. economy will tread a stronger recovery path beginning in the latter half of 2010. However, appropriately addressing the previously outlined challenges remains integral to the timing and intensity of this anticipated recovery.

U.S. Hospitality Supply and Demand Trends

A useful tool in analyzing hotel trends is the comparison of GDP growth with hotel demand. The following graph illustrates a comparison of historical and anticipated U.S. lodging demand trends and the corresponding GDP from 1970 to 2010.

[10] *The Economist*, "Too big to swallow," May 14, 2009.

U.S. Lodging Demand vs. GDP (1970-2010)



With the exception of the period from 1982 through approximately 1987 during which the GDP grew at a faster rate than lodging demand, historical lodging demand trends have predominantly mirrored movements of the national GDP. Thus, going forward, fluctuation in the GDP can be considered a vital predictor of future hospitality demand levels.

Despite the disparity discussed above, HVS' review and analysis of the last four U.S. recessions results in the conclusion that the 1980-82 recession is considered the most analogous to the current economic trough. This is primarily due to the severity and duration of the early '80's recession and its consequently prolonged impact on the U.S. lodging industry. In contrast, the other previous U.S. recessions (1973, 1990-91, 2001-03) were short and shallow.

The 1980-82 recession was fueled by the energy crisis of 1979, and was characterized by tight monetary policy to control rampant inflation. The following illustrates its impact on hotel supply and demand.

1980-82 Recession Impact on U.S. Lodging Supply and Demand

Year	Recession	Available Room Supply (+000)	Change in Supply (%)	Daily Hotel Demand (+000)	Change in Demand (+000)
1979		2,466	—	$\boxed{1,863}$	—
1980	Recession	2,485	0.8 %	1,844	(1.0) %
1981	Recession	2,523	1.5	1,800	(2.4)
1982	Recession	2,540	0.7	1,778	(1.2)
1983		2,571	1.2	1,741	(2.1)
1984		2,609	1.5	1,757	0.9
1985		2,682	2.8	1,780	1.3
1986		2,899	8.1	1,821	2.3
1987		2,998	3.4	$\boxed{1,883}$	3.4

Sources: HVS and STR

Prior to the 1980-82 recession, high interest rates inhibited sizeable supply growth amidst the recessionary conditions. Moreover, as the national economy recovered from the recession and the availability of financing improved, supply illustrated noteworthy increases from 1985 through 1987. More importantly, the preceding illustrates an extensive, four-year period of consecutive declines in demand from 1980 through 1983. Such losses resulted in a prolonged recovery period, as demand matched its 1979 high in 1987.

Based on the previously discussed state and outlook of the macroeconomic landscape, the following illustrates historical and forecasted U.S. lodging supply, demand, occupancy, average rate, and RevPAR from 2007 through 2015.

Historical and Projected U.S. Lodging Supply, Demand, Occupancy, Average Rate, and RevPAR (2007-2015)

Year	Recession	Available Room Supply (+000)	Change in Supply (%)		Daily Hotel Demand (+000)	Change in Demand (%)		Occupancy		Change in Occupancy %		Average Rate	Change in Average Rate %		RevPAR	Change in Average Rate %
2007		4,475	-		2,820	-		63.0	%	-		$103.68	-		$65.32	-
2008	Recession	4,596	2.7	%	2,775	(1.6)	%	60.4		(4.1)	%	106.55	2.8	%	64.36	(1.5)
Forecast																
2009	Recession	4,711	2.5		2,609	(6.0)		55.4		(8.3)		97.49	(8.5)		54.01	(16.1)
2010	Recession	4,767	1.2		2,582	(1.0)		54.2		(2.2)		96.52	(1.0)		52.31	(3.1)
2011		4,796	0.6		2,660	3.0		55.5		2.4		97.48	1.0		54.10	3.4
2012		4,815	0.4		2,766	4.0		57.4		3.4		100.41	3.0		57.64	6.5
2013		4,844	0.6		2,905	5.0		60.0		4.5		105.43	5.0		63.26	9.8
2014		4,893	1.0		3,050	5.0		62.3		3.8		112.28	6.5		69.95	10.6
2015		4,966	1.5		3,157	3.5		63.6		2.1		119.58	6.5		76.05	8.7

Sources: HVS and STR

Based on the previous discussion of U.S. macroeconomic trends and currently prevailing market sentiments, the current recession is anticipated to extend for a duration of three years, ending in the latter half of 2010. During this period, marketwide supply is expected to increase at a slightly higher pace than witnessed during the 1980-82 recession, due to the low cost of capital and the widespread availability of credit prior to the current recession. However, the pace of supply growth is not considered so significant as to severely hamper recovery efforts. In consideration of existing challenges related to new hotel project financing and depressed near-term earnings, proposed hotels that were in the early stages of development have been either put on hold or delayed indefinitely, thereby limiting the introduction of considerable new supply over near term. Going forward, as institutions conclude their efforts to tend to distressed assets and the economic recovery intensifies, hotel lending is expected to resume once capital markets return to some semblance of normalcy. Consequently, our forecast accounts for an acceleration of supply growth beginning in 2014.

Though not matching in exact duration, lodging demand during the current recession is forecast to illustrate a prolonged recovery period, similar to that in the early 1980's recession. Overall, marketwide demand is forecast to illustrate three consecutive years of decline, from 2008 through 2010, followed by a progressive recovery. Across the board, 2009 is expected to register the largest declines in demand, occupancy, and average rate. Resultantly, marketwide RevPAR is forecast to decline by a staggering 16.1% in 2009. Largely aligned with prospects for the national economy, marketwide RevPAR is forecast to bottom out in 2010, followed by a progressively intensifying recovery period. On the whole, marketwide RevPAR is forecast to fully recover and surpass its 2007 high by 2014. Our forthcoming forecast of year-over-year change in values for HVI markets is predicated on such anticipated trends in the U.S. hospitality industry.

U.S. Lodging Sales Activity

A useful barometer to the income approach to hotel valuation is the presence of comparable sales data. The following table illustrates a 12-year history of U.S. hotel sales, as well as year-to-date trends through July for both 2008 and 2009.

HVS

12-Year History – U.S. Hotel Sales

Year	Number of Hotels	Change (%)	Number of Rooms	Change (%)	Average Price per Room	Change (%)
1997	288	-	51,848	-	$82,000	-
1998	234	(18.8) %	51,101	(1.4) %	95,000	15.9 %
1999	222	(5.1)	31,203	(38.9)	83,000	(12.6)
2000	254	14.4	33,300	6.7	80,000	(3.6)
2001	196	(22.8)	39,163	17.6	127,000	58.8
2002	323	64.8	59,483	51.9	77,000	(39.4)
2003	312	(3.4)	59,960	0.8	97,000	26.0
2004	605	93.9	115,703	93.0	89,000	(8.2)
2005	522	(13.7)	111,934	(3.3)	126,000	41.6
2006	485	(7.1)	106,955	(4.4)	163,000	29.4
2007	447	(7.8)	84,782	(20.7)	152,000	(6.7)
2008	357	(20.1)	48,684	(42.6)	127,000	(16.4)
Year-to-date Through July						
2008	252	-	34,146	-	$133,000	-
2009	87	(65.5) %	14,713	(56.9) %	117,000	(12.0) %

Source: HVS

The preceding table resoundingly illustrates the impact of a deepening economic recession on recent hotel sales activity. Each relevant metric illustrated sharp declines in 2008 from the previous year's levels. The global economic landscape was jolted by the calamitous events of the fourth quarter of 2008, which illustrated its consequent impact on hotel sales activity. From the 357 hotel sales transacted in 2008, only 105, or roundly 29%, were conducted between August and December 2008. The volume of hotel transactions exhibited staggering declines in the year-to-date period through July 2009, compared to the same period in 2008.

As noted earlier, Real Capital Analytics estimates that approximately $18 billion in hotel loans were distressed as of August 2009, sharply higher than the approximately $1.3 billion as of the same period in 2008. Capital market participants are expected to either foreclose on such assets or restructure and work out their loan requirements. Considering such factors, savvy investors with access to equity are expected to capitalize on such opportunities and purchase distressed assets with an upside, at significantly discounted prices.

Thus, over the next 12 to 18 months, the volume of hotel sales transactions is expected to illustrate a progressively upward trend.

For referential purposes, the following table presents several of the largest single-asset sales (in price per room) in 2008 and the year-to-date period through July 2009.

Major Hotel Sales – 2008 and the Year-to-date Period through July 2009

Property Name	City	State	Number of Rooms	Date of Sale	Interest Conveyed	Price Paid	Price Per Room	Buyer	Seller	Confirmation
Room Mate Grace	New York	New York	139	4/1/2008	Fee Simple	$82,000,000	$589,928	Room Mate Hotels	Andre Balazs	Buyer
Duane Street Hotel	New York	New York	45	1/10/2008	Fee Simple	24,750,000	550,000	Hersha Hospitality Trust	Hersha Development Corp.	Buyer
Hyatt Regency Century Plaza	Los Angeles	California	728	6/2/2008	Fee Simple	366,500,000	503,434	Next Century Associates/D.E. Shaw Group	Sunstone Hotel Investors, Inc.	Seller
Renaissance New York Hotel 57	New York	New York	200	1/1/2008	Leasehold	99,000,000	495,000	Apple Eight Hospitality Ownership, Inc.	57th Street Owner, LLC	Buyer
Comfort Inn Convention Center	New York	New York	56	1/14/2008	Fee Simple	25,000,000	446,429	Gemini Real Estate Advisors	Private Investor	Confidential
Renaissance M Street Hotel	Washington	D.C.	355	2/1/2008	Fee Simple	141,300,000	398,028	Affiliate of Losan Hotels World	Westbrook Partners/Northview Hotel Group, JV	Broker
Hotel Monaco Chicago	Chicago	Illinois	192	9/17/2008	Fee Simple	76,120,000	396,458	Cornerstone Real Estate Advisers	Prudential Real Estate Investors	Confidential
Hyatt Dulles Airport	Herndon	Virginia	216	6/1/2008	Fee Simple	78,000,000	361,111	Thayer Lodging Group	Ashford Hospitality Trust	Broker
Hyatt Regency Waikiki Beach Resort & Spa	Honolulu	Hawaii	1,230	6/1/2008	Fee Simple	410,000,000	333,333	Whitehall Street Real Estate, Hyatt Corp., JV	Azabu Buildings Co, Ltd.	Broker
Hotel Monaco	Denver	Colorado	189	9/17/2008	Fee Simple	61,830,000	327,143	Cornerstone Real Estate Advisers	Prudential Real Estate Investors	Confidential
Hampton Inn 35th St. Emp. State Bldg	New York	New York	146	10/1/2008	Fee Simple	46,340,000	317,397	MMG-35, LLC (affiliate of Magna Hospitality Group)	McSam Hotel Group	Confidential
Wyndham Garden Inn Chelsea West	New York	New York	124	11/1/2008	Fee Simple	39,060,000	315,000	Gemini Real Estate Advisors	McSam Hotel Group	Confidential
Year-to-date through July 2009										
Marlin Hotel	Miami Beach	Florida	13	2/1/2009	Fee Simple	$5,500,000	$423,077	Mario Valadares da Costa	1200 Collins Avenue LLC	Buyer
Hilton Garden Inn West 35th St.	New York	New York	298	2/25/2009	Fee Simple	125,000,000	419,463	RLJ Development LLC	Barack Capital Real Estate BV	Confidential
Fairfield Inn Times Square	New York	New York	244	2/1/2009	Fee Simple	99,500,000	407,787	Gehr Development	Fashion Times Square LLC (The Lam Group)	Confidential
Treasure Island Hotel & Casino	Las Vegas	Nevada	2885	3/20/2009	Fee Simple	775,000,000	268,631	Ruffin Acquisition, LLC	MGM Mirage	Seller
W Hotel San Francisco	San Francisco	California	404	7/1/2009	Fee Simple	90,000,000	222,772	Keck Seng Investments (Hong Kong) Ltd	Starwood Hotels & Resorts Worldwide, Inc.	Seller
Hyatt Regency Boston	Boston	Massachusetts	500	2/1/2009	Leasehold	110,000,000	220,000	Hyatt Corp.	Host Hotels & Resorts	Seller

HVS

A New Valuation Methodology

Valuing Hotels under Current Recessionary Market Conditions

HVS has traditionally utilized an algebraic equation known as the simultaneous valuation formula (SVF), which was developed by Suzanne Mellen, Managing Director of the HVS San Francisco and Las Vegas offices; the SVF solves for the total property value using a ten-year mortgage and equity technique.[11] The valuation of the mortgage and equity components is accomplished using an algebraic equation that calculates the exact amount of debt and equity that the hotel will be able to support based on the anticipated cash flow (as estimated by an 11-year forecast of income and expense) and the specific return requirements demanded by the mortgage lender (interest) and the equity investor (equity yield). Thus, the anticipated net income (before debt service and depreciation) is allocated to the mortgage and equity components based on market rates of return and loan-to-value ratios. The total of the mortgage component and the equity component equals the value of the property. Via the mortgage-equity method, an overall property yield, also called an internal rate of return or a discount rate, is calculated, which includes the yield to the lender, and the yield to the equity position.

Since the purpose of the HVI is to present a general estimate of market value, one must appropriately consider the anticipated recovery from currently depressed earning levels. Mellen maintains that "with the absence of sales transactions to validate the direction and level of capitalization rates…the need to employ a ten year discounted cash flow analysis in hotel valuations is all the more important now, with near term income levels declining and investors betting on a future recovery."[12]

As illustrated by the preceding section, with the widespread inactivity of capital market lending sources, the volume of sales activity has eroded significantly. Willing buyers are continually encountering challenges related to the procurement of financing. If financing is secured, such buyers would like to purchase distressed assets at a steep discount from peak values, "but sellers

---

[11] Suzanne R. Mellen, "Simultaneous Valuation: A New Technique," *Appraisal Journal*, April 1983.
[12] Suzanne R. Mellen, "Hotel Capitalization Rates on the Rise," *HVS Global Hospitality Report*, January 2009.

HVS

are averse to letting their hotels go at such distressed pricing."[13] When valuing an asset in the current economic landscape, one must realize and maintain a distinction between market value and liquidation value. The premise of market value assumes a paradigm of a "willing buyer and willing seller" conducting a transaction after market-appropriate exposure and marketing times. On the contrary, liquidation value connotes the principle of "unwilling seller," likely facing bankruptcy or foreclosure, under extreme duress to sell. Such transactions generally produce a sale price that reflects a 20%-50% discount from market value.

With near-term depressed earnings, and the reality of making a purchase with all cash or a low loan-to-value ratio, HVS's new valuation methodology assumes that purchasers will look to refinance the hotel once its earnings have recovered and the credit markets have returned to some semblance of normalcy. Given the premise of market value, it is our opinion that modeling a refinancing in our mortgage-equity valuation analysis is the most appropriate way to reflect the current thought process of market participants.

As an example, the following valuation exercise illustrates components of a mortgage-equity analysis that assumes a refinancing scenario.

Refinancing Scenario Example – Assumptions

Assumptions	
Date of Value	January 1, 2009
Projection Period	10 years
Assumed Refinancing	2012 – based on 2012 property value
Assumed Sale and Reversion	2018
Based on	Per-room value

The following details a pro forma for the example asset through the year of stabilization (year seven). Beyond the stabilized year, net operating income is presumed to increase annually at the assumed underlying rate of inflation (3.0%).

13 Suzanne R. Mellen, "Hotel Capitalization Rates on the Rise," *HVS Global Hospitality Report*, January 2009.

Example Pro Forma through Stabilized Year

	2009		2010		2011		2012		2013		2014		2015	
Occupancy	58%		57%		57%		58%		60%		62%		63%	
Average Rate	$103.51		$102.47		$102.98		$106.07		$111.38		$118.62		$126.33	
Revenues	$(000)	Percent	$(000)	Percent	$(000)	Percent	$(000)	Percent	$(000)	Percent	$(000)	Percent	$(000)	Percent
Rooms	$21,800	65.8%	$21,319	64.8%	$21,500	64.3%	$22,494	64.4%	$24,311	65.1%	$26,800	66.0%	$29,188	66.9%
Food	$7,566	22.8%	$7,724	23.5%	$7,976	23.9%	$8,310	23.8%	$8,743	23.4%	$9,239	22.8%	$9,677	22.2%
Beverages	$1,742	5.3%	$1,780	5.4%	$1,837	5.5%	$1,912	5.5%	$2,007	5.4%	$2,116	5.2%	$2,212	5.1%
Telephone	$397	1.2%	$405	1.2%	$418	1.3%	$437	1.3%	$461	1.2%	$490	1.2%	$515	1.2%
Rentals and Other Income	$1,616	4.9%	$1,655	5.0%	$1,707	5.1%	$1,771	5.1%	$1,850	5.0%	$1,938	4.8%	$2,019	4.6%
Total Revenue	$33,121	100.0%	$32,883	100.0%	$33,438	100.0%	$34,924	100.0%	$37,372	100.0%	$40,583	100.0%	$43,611	100.0%
Departmental Expenses														
Rooms	$6,051	27.8%	$6,204	29.1%	$6,399	29.8%	$6,630	29.5%	$6,905	28.4%	$7,208	26.9%	$7,491	25.7%
Food & Beverages	$7,341	78.9%	$7,532	79.3%	$7,767	79.2%	$8,039	78.6%	$8,356	77.7%	$8,703	76.6%	$9,030	76.0%
Telephone	$360	90.7%	$369	91.1%	$380	90.9%	$394	90.2%	$410	88.9%	$427	87.1%	$444	86.2%
Rentals and Other Income	$969	60.0%	$996	60.2%	$1,026	60.1%	$1,061	59.9%	$1,100	59.5%	$1,143	59.0%	$1,184	58.6%
Total Departmental Expenses	$14,721	44.4%	$15,101	45.9%	$15,572	46.6%	$16,124	46.2%	$16,771	44.9%	$17,481	43.1%	$18,149	41.6%
Departmental Income	$18,400	55.6%	$17,782	54.1%	$17,866	53.4%	$18,800	53.8%	$20,601	55.1%	$23,102	56.9%	$25,462	58.4%
Undistributed Operating Expenses														
Administrative & General	$2,972	9.0%	$3,052	9.3%	$3,147	9.4%	$3,254	9.3%	$3,376	9.0%	$3,509	8.6%	$3,636	8.3%
Marketing	$2,420	7.3%	$2,485	7.6%	$2,562	7.7%	$2,649	7.6%	$2,749	7.4%	$2,857	7.0%	$2,961	6.8%
Prop. Oper. & Maintenance	$1,728	5.2%	$1,775	5.4%	$1,829	5.5%	$1,892	5.4%	$1,963	5.3%	$2,040	5.0%	$2,114	4.8%
Energy Costs	$1,445	4.4%	$1,487	4.5%	$1,532	4.6%	$1,580	4.5%	$1,632	4.4%	$1,686	4.2%	$1,740	4.0%
Total UDOEs	$8,565	25.9%	$8,799	26.8%	$9,070	27.1%	$9,375	26.8%	$9,720	26.0%	$10,092	24.9%	$10,451	24.0%
Income Before Fixed Charges	$9,835	29.7%	$8,983	27.3%	$8,796	26.3%	$9,425	27.0%	$10,881	29.1%	$13,010	32.1%	$15,011	34.4%
Fixed Charges														
Management Fee	$994	3.0%	$986	3.0%	$1,003	3.0%	$1,048	3.0%	$1,121	3.0%	$1,217	3.0%	$1,308	3.0%
Property Tax	$1,765	5.3%	$1,802	5.5%	$1,858	5.6%	$1,937	5.5%	$2,036	5.4%	$2,170	5.3%	$2,236	5.1%
Insurance	$742	2.2%	$764	2.3%	$787	2.4%	$810	2.3%	$835	2.2%	$860	2.1%	$885	2.0%
Reserve for Replacement	$994	3.0%	$986	3.0%	$1,003	3.0%	$1,048	3.0%	$1,121	3.0%	$1,217	3.0%	$1,308	3.0%
Total Fixed Charges	$4,495	13.6%	$4,538	13.8%	$4,651	13.9%	$4,843	13.9%	$5,113	13.7%	$5,464	13.5%	$5,737	13.2%
Net Income	$6,675	16.1%	$5,556	13.5%	$5,181	12.4%	$5,728	13.1%	$7,210	15.4%	$9,433	18.6%	$11,593	21.3%

As noted, this valuation assumes refinancing at the end of 2012, by which time the asset's income level recovery has intensified, coinciding with the anticipated availability of higher leveraged credit. Based on such assumptions, the following illustrates the results of two scenarios: valuation under current market conditions at time of purchase and valuation upon refinancing.

Valuation under Current Investment Parameters (2009)

LTV 50%	Valuation Input	LTV 50%	Valuation Output
Loan/Value	50%	Value	$72,700
Amortization	25 years	Overall Discount Rate	15.20%
Term	10 years	Mortgage	$36,350
Interest Rate	7.50%	Mortgage Constant	0.0887
Terminal Cap Rate	10.00%	Debt Service	$3,225
Transaction Costs	2.00%		
Equity Yield	19.00%		

Valuation under Anticipated Refinancing Investment Parameters (End of 2012)

LTV 70%	Valuation Input	LTV 70%	Valuation Output
Loan/Value	70%	Value	$108,500
Amortization	25 years	Overall Discount Rate	12.30%
Term	10 years	Mortgage	$75,950
Interest Rate	7.00%	Mortgage Constant	0.0848
Terminal Cap Rate	10.00%	Debt Service	$6,442
Transaction Costs	2.00%		
Equity Yield	19.00%		

Thereafter, a final valuation is conducted that appropriately weighs the impact of refinancing.

Final Valuation Per Room – Initial Purchase and Refinancing Scenarios

Year	Net Income Available for Debt Service	Total Annual Debt Service	Plus: Refi/Sales Proceeds	Total Cash Flow to Equity	Present Worth of $1 at 19%	Discounted Cash Flow
2009	$6,675	$3,225		$3,450	0.8403	$2,988
2010	5,556	3,225		2,331	0.7062	1,646
2011	5,181	3,225		1,956	0.5934	1,161
2012	5,728	3,225	$41,104	43,606	0.4987	21,745
2013	7,210	6,442		768	0.4195	322
2014	9,433	6,442		2,991	0.3521	1,053
2015	11,593	6,442		5,498	0.2960	1,524
2016	11,940	6,442		5,856	0.2487	1,367
2017	12,298	6,442		6,225	0.2090	1,224
2018	12,667	6,442	60,271	66,496	0.1756	11,676
				Value of Equity Component		$44,619
				Plus: Value of Initial Mortgage		$36,369
				Total Property Value Per Room		**$80,998**
				Rounded		**$81,000**

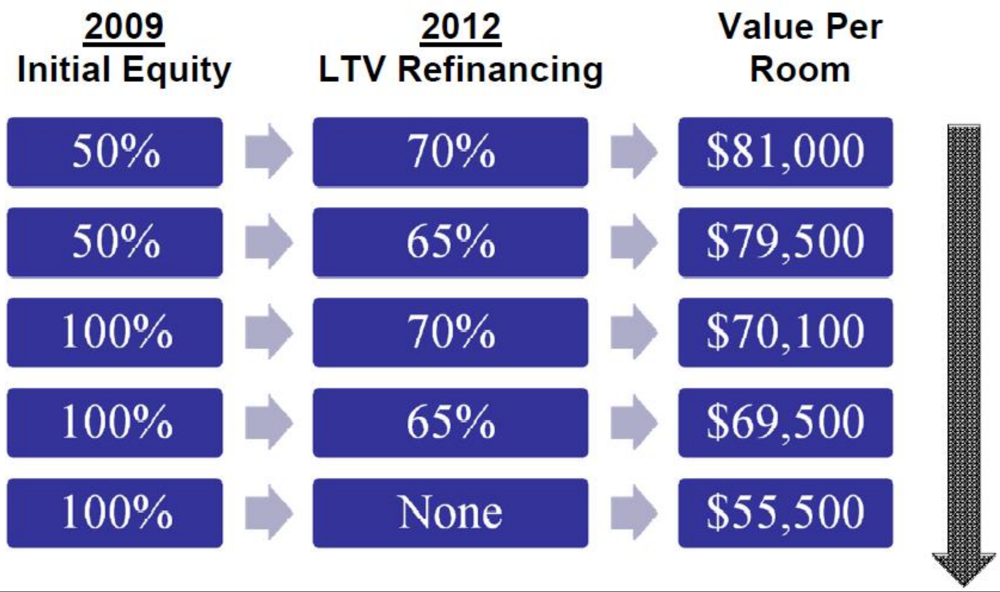
As illustrated, the weighted per-room valuation result of roundly $81,000 rests between the range provided by the initial purchase valuation and the refinancing valuation. As Mellen summarizes, "the capitalization and discount rates developed through the refinancing scenario more accurately reflect the expectations of hotel investors, and thus better reflect the marketplace and concept of market value."[14] Consequently, this newly developed refinancing model forms the basis of our estimation of value per room for HVI markets.

The following figure illustrates the impact of various loan-to-value (LTV) requirements for either valuation scenario on the final resulting value.

[14] Suzanne R. Mellen, "Hotel Capitalization Rates on the Rise," *HVS Global Hospitality Report*, January 2009.

HVS

Valuation Comparison



Understanding the HVI

The Hotel Valuation Index (HVI) tracks hotel values in 65 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 information from HVS's extensive global experience in hotel feasibility studies and valuations. The data are then aggregated to produce a pro-forma performance for a typical 1,000-room, full-service hotel in each respective market of the United States. Based upon our experience of real-life hotel financing structures gained from valuing thousands of hotels each year, we then apply appropriate valuation parameters for each market, including loan-to-value ratios, real interest rates, and equity return expectations. As noted, our newly developed refinancing model forms the basis of our estimation of value per room for HVI markets. These market-specific valuation parameters are applied to the net operating income for a typical 1,000-room, full-service hotel in each city.

Prior to the 2008 version of the HVI, we had indexed the 1987 value of a typical U.S. hotel (1987 = 1.0000) as a base. Beginning in last year's version, we have utilized 2005 as the base year. Thus, each market area is indexed off the 2005 U.S. base, with a number showing the value relationship of that market area to the base. For example, in 2005, the index for New York, New York, was 3.857, which means that the value of a hotel located in New York was approximately 286% higher than that of a similar hotel in the U.S. as a whole in 2005.

Another useful comparison highlights the value differences between hotels in two different U.S. cities. For example, say that a hotel in Philadelphia, Pennsylvania, sold in 2008 for $100,000 per room. If a similar hotel were situated in New York, it would probably have sold for roundly $469,000 per room in 2008. This figure is calculated by taking the 2008 HVI for New York, and dividing it by the 2008 HVI for Philadelphia to determine the value adjustment.

2008 HVI New York (5.590) / 2008 HVI Philadelphia (1.191) = 4.6935

The 2008 sales price of $100,000 per room is then multiplied by the amount of the previously calculated factor of 4.6935, yielding the estimated 2008 sales price per room for New York.

$100,000 x 4.6935 = $469,350

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. For example, in 2006, the HVI for Miami was 2.789, and in 2008, the HVI for this city was 3.042. To calculate the estimated percentage change in value for a typical Miami hotel from 2006 to 2008, divide the 2008 HVI of 3.042 by the 2006 HVI of 2.789, and then subtract 1 to get an approximate 9% increase in value from 2006 to 2008.

(3.042/2.789) – 1 = 0.0907, or roundly 9%

HVS

2009 HVI

In 2008, the value of a typical full-service hotel in the United States declined by roundly $14,000 per room, or approximately 14.6%. The per-room value for the United States as a whole reached its peak in 2006, surpassing $100,000. Since that time, the per-room value has tumbled, and is forecast to reach half its peak amount in 2010. These trends have been prompted by significant declines in all forms of travel, which have in turn severely impacted net income, as hoteliers have drastically reduced average rates in an effort to boost occupancy levels. Combined with stringent credit availability and terms, the effect upon hotel values is significant. While per-values will remain suppressed in the near term, the overall market should recover in 2013-2014.

The following table illustrates historical and forecast per-room values for a typical U.S. hotel.

Historical and Projected United States Per-Room Hotel Values

	2005	2006	2007	2008	2009	2010	2011	2012	2013
United States	$82,416	$100,065	$95,117	$81,196	$55,132	$50,060	$57,069	$75,102	$93,127
	25.4%	21.4%	-4.9%	-14.6%	-32.1%	-9.2%	14.0%	31.6%	24.0%

Sixty of the 66 markets reviewed (including the United States as a whole) experienced declines in per-room value in 2008. While not as drastic as the 2001 change in per-room values, the severity of the current recession upon hotel values is illustrated in the fact that two-thirds of the markets experienced declines in 2007, and 60 markets are projected to decline in 2009. Per-room values for over two-thirds of the market are expected to continue to decline in 2010. The four years of per-room value declines for over half of all major U.S. markets is unprecedented in the history of the HVI. HVS projects that it will take roughly five years (by 2013-2014) for values to return to the highs recorded in 2006 and 2007; on average, the lowest point in per-room values is expected to occur in early 2010.

The following table provides a historical review of the number of markets where hotel values have declined, beginning in 1991. The year 2008 marks the largest number of markets where values declined since 2001.

Number of Markets Where Hotel Values Declined

Year	Number of Markets
1991	50
1995	2
2000	15
2001	64
2002	31
2003	37
2004	8
2005	4
2006	4
2007	44
2008	61

While the data for 2008 is indeed ominous, some markets actually experienced increases in per-room value in 2008, in comparison to 2007. The biggest per-room gain in value occurred in New Orleans, where value increased over 20%. Per-room value in New Orleans declined nearly 40% in 2007, due to the continued effects of Hurricane Katrina in the area, as recovery efforts have been slow, and rebuilding of industry and tourism has been gradual. New Orleans' economy improved in 2008; the city is heavily dependent on the oil industry, which recorded high profits in 2008. Hotel demand has also been boosted by continual construction projects in the area. Similarly, Houston experienced a strong per-room value increase in 2008, as the Energy Capital of the World continued to benefit from the presence of a multitude of energy companies in the area. Houston's reputation as a leading healthcare center also boosted growth in demand. Pittsburgh, Buffalo, and San Francisco completed the top five markets, in terms of per-room value increases in 2008. Pittsburgh was one of the few cities that added jobs in 2008; the city's economy has diversified since its manufacturing days, and the city was ranked as America's Most Livable City by *The Economist* in 2009. The only other market that experienced an increase in per-room value in 2008, albeit marginal, was Portland, Oregon.

The greatest percentage declines in per-room value vastly outpaced the gains made by the top five "winners" mentioned previously. These five declining markets have been plagued by dwindling industries, such as the textile and tobacco industries in Greensboro, as well as the collapse of the housing

HVS

market, such as in West Palm Beach–Boca Raton. Las Vegas' building frenzy finally caught up with the city in 2008, as huge casino hotels opened to a diminishing number of visitors. Moreover, the fallout from lavish corporate spending and incentive meetings caused Las Vegas to be blacklisted among meeting planners; as consumer confidence and spending dwindled, so has leisure travel to perceived "lavish" destinations, such as Las Vegas. Tallahassee experienced nearly a 50% decline in per-room value in 2008, in comparison to 2007. While the local economy has remained relatively stable, boosted by the presence of state government and two major universities, the city's financial profile has continually deteriorated, due to deficit spending and the inability to generate sufficient revenues.

Major Winners and Losers in 2008

Market	2008
New Orleans	21%
Houston	20%
Pittsburgh	11%
Buffalo	9%
San Francisco	5%
WPB-Boca Raton	-29%
Las Vegas	-29%
Norfolk	-40%
Greensboro	-46%
Tallahassee	-49%

Some of the most iconic American cities (New York, San Francisco, Boston, and Washington, D.C.) have historically achieved the highest per-room values throughout the years, and are projected to continue to do so over the next five years. Other cities and regions have lost ground in comparison with other markets, such as Stamford, Connecticut, and Long Island, New York, both of which represent mature, saturated markets with little development potential. Going forward, Las Vegas is projected to lose its Top Ten status, due to the economic conditions described previously. Newcomers such as Houston and Seattle are poised to experience strong growth in per-room values, due to growing industries and development potential.

The following table presents the top ten markets in terms of per-room value as of 2000 and 2006, as well as forecasts for 2010 and 2013.

Top Ten Markets through the Years

	2000		2006		2010		2013	
1	San Francisco	$329,000	New York	$382,000	Washington DC	$312,000	New York	$475,000
2	New York	302,000	Oahu	356,000	New York	304,000	Washington DC	450,000
3	Boston	294,000	Washington DC	242,000	San Francisco	266,000	Boston	375,000
4	San Jose	237,000	San Francisco	242,000	Boston	217,000	San Francisco	368,000
5	Long Island	191,999	San Diego	232,000	Oahu	211,000	Oahu	334,000
6	Oahu	169,000	Miami	230,000	Miami	189,000	Miami	313,000
7	Washington DC	168,000	Boston	216,000	San Diego	186,000	San Diego	289,000
8	San Diego	159,000	Las Vegas	201,000	WPB - Boca Raton	170,000	WPB - Boca Raton	253,000
9	Chicago	153,000	Chicago	199,000	Houston	160,000	Seattle	248,000
10	Stamford	152,000	Los Angeles	196,000	Los Angeles	137,000	Houston	246,000

Source: HVS

In general, 2006 marked the year that per-room hotel values in most of the markets reached their peak during the historical period reviewed. The following table presents the changes in value for the top ten and bottom ten markets from the peak levels achieved in 2006, through the projected per-room values for 2013. The United States' ranking is also provided to facilitate a comparison.

HVS

Changes in Per-Room Value from 2006 to (Projected) 2013

Rank			Rank		
1	Washington, D.C.	$209,000	57	Indianapolis	($14,000)
2	Boston	159,000	58	Dayton	(14,000)
3	Houston	141,000	59	Jacksonville	(19,000)
4	San Francisco	126,000	60	Sacramento	(20,000)
5	New York	93,000	61	Oahu	(22,000)
6	Denver	88,000	62	Phoenix	(25,000)
7	San Jose	85,000	63	Greensboro	(30,000)
8	Miami	83,000	64	Detroit	(32,000)
9	Portland	81,000	65	Tallahassee	(44,000)
10	Austin	74,000	66	Las Vegas	(103,000)
51	United States	($7,000)			

Rank			Rank		
1	Houston	134.5%	57	Orlando	-10.4%
2	Huntsville	89.5%	58	Phoenix	-14.8%
3	Columbia	89.5%	59	Indianapolis	-15.3%
4	Washington, D.C.	86.3%	60	Jacksonville	-15.6%
5	Boston	73.6%	61	Sacramento	-18.6%
6	Portland	72.2%	62	Dayton	-32.8%
7	Denver	70.8%	63	Greensboro	-47.7%
8	Pittsburgh	67.9%	64	Las Vegas	-51.2%
9	San Jose	64.1%	65	Detroit	-54.1%
10	St. Louis	59.5%	66	Tallahassee	-61.7%
53	United States	-6.9%			

Source: HVS

The following tables present the historical and projected estimates for the Hotel Valuation Index. We note that since the 2008 version, we have amended the base year from 1987 to 2005. Therefore, a typical hotel in the United States, which was previously indexed 1.000 in 1987, has now been indexed at 1.000 in 2005. For informational purposes, we have presented HVI results between 1987 and 2004, then from 2005 to 2008, plus a forecast for 2009. The HVI also shows the Compounded Annual Growth Rate (CAGR).

Hotel Valuation Index – 1987 to 2004

Market	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	CAGR (1987 - 2004)
Albuquerque	1.194	1.245	1.460	1.461	1.538	1.615	1.804	1.769	1.676	1.507	1.478	1.083	0.937	1.036	0.904	0.995	0.948	0.990	(1.1) %
Anaheim	1.364	1.317	1.313	0.963	0.763	0.656	0.781	0.692	1.057	1.318	1.643	1.560	1.577	2.118	2.157	1.960	2.251	2.871	4.5
Atlanta	1.321	1.198	1.155	1.045	1.045	1.195	1.631	1.963	2.409	2.700	2.190	2.184	2.241	2.234	1.717	1.600	1.333	1.736	1.6
Austin	0.437	0.423	0.603	0.639	0.768	1.031	1.365	1.642	2.351	2.257	2.461	2.394	2.406	2.955	1.960	1.532	1.325	1.415	7.2
Baltimore	1.717	1.374	1.326	0.907	0.748	0.867	0.996	1.284	1.600	1.859	2.346	2.496	2.758	3.264	2.871	3.301	3.331	3.671	4.6
Boston	2.612	2.750	2.334	2.505	1.799	1.987	2.412	3.177	4.019	4.651	6.334	6.485	6.830	7.880	5.169	4.402	3.050	4.318	3.0
Buffalo	1.384	1.257	1.506	1.465	1.472	1.211	1.102	1.055	1.115	1.142	1.328	1.183	1.283	1.347	1.121	1.170	1.069	0.999	(1.9)
Charlotte	1.096	1.094	1.019	0.700	0.499	0.560	0.668	0.950	1.280	1.642	1.889	1.852	1.849	1.558	0.986	1.049	1.016	1.203	0.6
Chicago	1.663	1.644	1.426	1.463	1.303	1.348	1.660	2.225	2.663	3.170	4.005	3.996	4.003	4.098	2.650	2.405	2.456	2.669	2.8
Cincinnati	1.167	1.199	1.134	1.068	0.982	1.056	1.073	1.201	1.323	1.435	1.591	1.491	1.447	1.353	0.918	1.055	1.136	1.374	1.0
Cleveland	0.821	0.909	0.928	0.733	0.639	0.701	0.898	1.195	1.667	1.625	1.885	1.710	1.627	1.536	1.034	0.912	0.776	0.977	1.0
Columbia	0.891	0.748	0.760	0.615	0.572	0.745	0.836	0.905	1.163	1.283	1.395	1.078	1.092	1.104	0.965	1.180	1.168	1.611	3.5
Dallas	0.933	0.992	1.215	1.109	1.155	1.403	1.564	1.955	2.421	2.606	2.824	2.736	2.424	2.493	1.554	1.442	1.195	1.504	2.8
Dayton	1.193	0.996	1.018	0.633	0.557	0.590	0.685	0.706	0.840	0.809	0.988	1.103	1.058	1.069	0.817	0.917	1.037	0.940	(1.4)
Denver	0.807	0.768	0.734	0.885	0.988	1.182	1.547	1.772	2.120	2.391	2.831	2.585	2.179	2.318	1.772	1.575	1.378	1.668	4.4
Detroit	1.414	1.136	0.871	0.510	0.304	0.410	0.557	0.931	1.257	1.382	1.543	1.678	1.929	2.052	1.430	1.127	0.921	1.081	(1.6)
Fort Lauderdale	1.087	0.965	1.015	0.936	0.744	1.479	1.255	1.020	1.377	1.669	2.220	2.035	2.209	2.336	2.037	1.742	2.124	3.151	6.5
Greensboro	0.611	0.705	0.685	0.460	0.312	0.680	1.004	1.296	1.498	1.162	1.285	1.509	1.355	1.421	1.100	1.239	1.334	1.306	4.6
Hartford	2.183	1.952	1.676	1.480	0.640	0.497	0.425	0.573	0.886	1.118	1.531	1.701	2.016	2.354	1.985	1.758	1.367	1.846	(1.0)
Houston	0.538	0.763	0.881	1.014	1.127	1.126	1.165	1.198	1.355	1.443	1.952	2.057	1.699	1.828	1.857	1.703	1.231	1.442	6.0
Huntsville	0.603	0.635	0.615	0.483	0.510	0.605	0.453	0.354	0.381	0.464	0.836	0.537	0.659	0.693	0.641	0.961	1.006	1.133	3.8
Indianapolis	1.153	1.035	1.059	0.854	0.903	1.019	1.171	1.356	1.681	1.697	1.863	1.551	1.439	1.734	1.544	1.573	1.557	1.896	3.0
Jacksonville	0.808	0.755	0.842	0.705	0.569	0.796	0.992	1.175	1.517	1.830	2.133	1.820	1.785	1.958	1.767	1.970	2.331	2.675	7.3
Kansas City	1.057	1.090	1.001	0.763	0.657	0.795	1.108	1.313	1.659	1.823	2.007	1.757	1.537	1.493	1.266	1.258	0.985	1.238	0.9
Las Vegas	1.030	1.099	1.164	1.292	0.831	0.922	1.386	2.065	2.438	3.325	3.245	2.886	3.101	3.996	3.421	3.651	4.984	6.167	11.1
Long Island	3.820	2.891	2.437	1.463	0.916	0.879	1.074	1.383	1.802	2.059	2.665	3.205	3.963	5.117	4.494	3.911	3.724	3.617	(0.3)
Los Angeles	1.652	1.585	1.586	1.626	1.016	0.617	0.501	0.921	0.970	1.338	2.095	2.475	2.674	3.267	2.460	2.349	2.448	3.639	4.8
Memphis	0.821	0.611	0.633	0.538	0.595	0.668	0.968	1.280	1.444	1.419	1.655	1.509	1.256	1.064	0.889	0.978	0.937	1.199	2.3
Miami	0.597	0.786	0.940	1.191	1.294	2.289	2.024	0.906	1.863	2.174	2.863	2.856	3.299	3.403	2.363	1.638	2.098	3.504	11.0
Milwaukee	0.955	1.015	0.928	0.879	0.707	0.692	0.777	0.858	1.008	0.973	1.162	1.210	1.212	1.315	0.966	1.074	1.118	1.204	1.4
Minneapolis	1.050	0.833	0.711	0.637	0.863	1.167	1.398	1.689	1.995	1.961	2.260	2.240	2.082	2.277	1.767	1.676	1.450	1.892	3.5
Nashville	1.387	1.141	1.140	0.990	0.937	1.135	1.337	1.712	2.112	2.103	2.366	1.880	1.712	1.616	1.228	1.378	1.550	1.801	1.5
New Haven	1.958	1.761	1.482	1.043	0.621	0.531	0.594	0.649	0.930	1.080	1.532	1.686	1.901	2.178	1.994	2.030	1.669	1.799	(0.5)

Hotel Valuation Index – 1987 to 2004 (continued)

Market	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	CAGR (1987 - 2004)
New Orleans	1.183	1.537	1.589	1.593	1.647	2.053	2.079	2.621	3.021	2.990	3.382	3.408	3.736	4.010	3.342	3.244	2.920	3.172	6.0 %
New York	1.339	1.422	1.392	0.964	0.804	0.670	0.804	0.536	1.442	2.898	4.803	6.392	6.805	8.089	3.666	2.802	2.678	5.174	8.3
Norfolk	1.569	1.375	1.272	0.850	0.733	0.761	0.750	0.792	0.968	0.918	1.140	1.238	1.138	1.270	1.182	1.739	1.986	1.822	0.9
Oahu	2.235	2.517	3.095	3.925	3.236	3.773	2.777	3.137	4.343	4.499	4.954	3.816	3.397	4.522	3.412	3.617	4.318	6.240	6.2
Oakland	1.241	1.193	1.216	0.978	0.923	0.958	0.835	0.940	1.309	1.801	2.648	2.860	2.960	3.999	3.125	2.164	1.509	1.718	1.9
Omaha	0.224	0.351	0.486	0.467	0.357	0.309	0.492	0.509	0.856	0.840	0.993	1.211	1.221	1.080	1.041	1.107	1.155	1.375	11.3
Orlando	1.797	1.890	2.369	2.154	1.834	2.129	1.986	1.929	2.244	2.916	3.662	3.356	3.085	3.212	2.151	2.249	2.100	3.134	3.3
Philadelphia	1.942	1.534	1.232	0.905	0.619	0.560	0.728	1.116	1.425	1.905	2.500	2.473	2.297	2.358	1.694	2.098	1.904	2.303	1.0
Phoenix	1.415	1.135	1.598	1.398	1.196	1.413	1.984	2.599	3.285	3.568	3.793	3.012	2.524	2.602	1.953	1.740	1.954	2.752	4.0
Pittsburgh	1.162	1.096	1.233	1.130	1.065	1.209	1.272	1.462	1.483	1.587	1.613	1.473	1.544	1.634	1.151	1.205	1.163	1.414	1.2
Portland	1.148	1.438	1.729	1.703	1.841	1.728	1.906	1.994	2.509	2.709	2.629	2.164	1.867	1.736	1.376	1.380	1.307	1.594	2.0
Raleigh-Durham	1.008	0.814	0.705	0.576	0.527	0.789	0.978	1.145	1.689	2.153	2.305	1.746	1.601	1.704	1.315	1.243	1.203	1.463	2.2
Richmond	1.409	1.316	1.263	1.130	0.910	0.967	0.974	1.011	1.151	1.344	1.572	1.512	1.313	1.373	1.098	1.131	1.513	1.686	1.1
Rochester	1.792	1.740	1.708	1.536	1.608	1.233	1.053	0.808	1.116	0.967	1.057	1.362	1.370	1.366	1.038	1.134	1.341	1.222	(2.2)
Sacramento	1.025	0.959	0.914	0.799	0.734	0.973	1.113	1.244	1.496	1.388	1.697	1.835	1.767	2.159	1.815	1.882	1.961	2.213	4.6
Salt Lake City	1.143	1.340	1.492	1.508	1.547	1.747	2.072	2.251	2.510	3.007	3.131	2.472	1.952	1.863	1.675	2.712	1.781	1.971	3.3
San Antonio	0.856	1.206	1.423	1.316	1.422	1.911	2.272	2.190	2.231	1.994	2.099	2.260	2.208	2.368	2.187	2.628	2.398	2.556	6.6
San Diego	2.088	1.836	1.810	1.301	1.292	1.320	1.154	1.351	1.762	2.089	2.971	3.635	3.808	4.253	3.790	3.934	4.312	4.681	4.9
San Francisco	2.767	2.513	2.391	2.871	2.400	2.426	2.807	3.259	4.154	5.167	7.071	7.229	7.284	8.823	5.086	3.187	2.803	3.973	2.1
San Jose	1.503	1.614	1.788	1.505	1.216	1.155	1.198	1.499	2.281	3.201	4.354	4.365	4.501	6.355	3.914	2.315	1.254	1.545	0.2
Santa Fe	1.888	2.375	3.090	3.275	3.232	3.667	4.598	3.659	3.352	2.827	3.360	3.248	3.274	3.300	3.056	3.559	3.282	3.559	3.8
Seattle	1.438	1.594	1.916	1.886	1.796	1.804	1.931	2.118	2.722	2.990	3.456	3.305	2.977	3.034	2.369	2.123	2.199	2.689	3.7
St. Louis	0.768	0.778	0.745	0.699	0.659	0.767	0.930	1.136	1.324	1.338	1.420	1.252	1.283	1.418	1.218	1.371	1.166	1.294	3.1
Stamford	1.835	1.853	1.659	1.369	1.155	0.941	1.150	1.157	1.525	2.139	2.774	3.377	3.390	4.076	2.835	2.394	2.029	2.245	1.2
Syracuse	1.420	1.527	1.716	1.715	1.360	1.251	1.113	1.021	1.124	1.050	1.197	1.354	1.437	1.230	1.186	1.569	1.527	1.485	0.3
Tallahassee	0.330	0.373	0.405	0.546	0.430	0.449	0.590	0.622	0.833	0.791	0.905	0.978	1.083	1.216	0.956	1.146	1.359	1.813	10.5
Tampa	0.667	0.695	1.011	0.990	0.928	0.907	0.933	0.967	1.109	1.405	1.869	1.847	1.968	2.045	1.866	1.562	1.548	2.103	7.0
Tucson	1.076	1.144	1.341	1.219	1.185	1.323	1.737	1.879	2.417	2.431	2.410	2.152	2.066	2.065	1.697	1.512	1.454	1.757	2.9
United States	**1.000**	**0.990**	**1.017**	**0.858**	**0.737**	**0.796**	**0.878**	**1.004**	**1.207**	**1.348**	**1.594**	**1.608**	**1.641**	**1.850**	**1.404**	**1.392**	**1.382**	**1.760**	**3.4**
Washington, D.C.	1.999	1.970	1.997	1.770	1.517	1.729	2.260	2.229	2.769	2.732	3.669	3.645	3.942	4.507	3.582	3.869	4.099	5.482	6.1
Wilmington	1.850	2.197	1.586	0.975	0.546	0.508	0.374	0.458	0.734	1.028	1.743	1.770	1.915	1.819	1.483	1.460	1.843	1.872	0.1
Winston-Salem	1.228	1.192	1.371	1.121	0.983	1.413	1.579	1.385	1.625	1.514	1.654	1.480	1.196	1.147	0.957	0.988	1.058	0.941	(1.5)
WPB-Boca Raton	1.085	0.977	0.996	0.426	0.364	0.942	1.433	1.368	1.668	1.807	2.524	2.472	2.615	3.113	2.600	2.355	2.695	4.190	8.3

Hotel Valuation Index – 2005 to 2009

Market	2005	2006	2007	2008	2009*	CAGR (2005 - 2008)
Albuquerque	0.549	0.702	0.673	0.666	0.516	6.7 %
Anaheim	1.761	2.087	1.991	1.683	1.539	(1.5)
Atlanta	1.085	1.338	1.159	0.907	0.681	(5.8)
Austin	1.075	1.636	1.736	1.723	1.522	17.0
Baltimore	1.758	1.890	1.638	1.237	0.997	(11.0)
Boston	2.328	2.623	3.162	2.750	2.527	5.7
Buffalo	0.581	0.741	0.827	0.897	0.709	15.6
Charlotte	0.811	1.203	1.306	1.121	1.003	11.4
Chicago	1.698	2.418	2.563	2.052	1.522	6.5
Cincinnati	0.710	0.844	0.755	0.717	0.675	0.3
Cleveland	0.458	0.708	0.679	0.485	0.321	2.0
Columbia	0.925	0.998	0.939	0.882	0.970	(1.6)
Dallas	1.015	1.305	1.191	1.093	0.930	2.5
Dayton	0.457	0.522	0.398	0.325	0.183	(10.8)
Denver	1.058	1.517	1.614	1.573	1.453	14.1
Detroit	0.564	0.727	0.614	0.492	0.194	(4.4)
Fort Lauderdale	1.698	2.027	1.769	1.420	1.151	(5.8)
Greensboro	0.639	0.769	0.617	0.334	0.180	(19.5)
Hartford	0.786	0.793	0.726	0.566	0.432	(10.4)
Houston	1.067	1.272	1.311	1.578	1.769	13.9
Huntsville	0.644	0.704	0.799	0.721	0.697	3.8
Indianapolis	0.906	1.098	0.965	0.795	0.635	(4.3)
Jacksonville	1.473	1.466	1.301	0.955	0.781	(13.4)
Kansas City	0.648	0.817	0.762	0.650	0.546	0.1
Las Vegas	2.669	2.435	2.639	1.862	1.317	(11.3)
Long Island	1.915	1.800	1.757	1.522	1.450	(7.4)
Los Angeles	2.142	2.378	2.646	2.328	1.772	2.8
Memphis	0.739	0.946	0.890	0.676	0.562	(2.9)
Miami	2.653	2.789	3.454	3.042	2.291	4.7
Milwaukee	0.687	0.962	0.858	0.830	0.695	6.5
Minneapolis	1.138	1.345	1.255	1.092	0.914	(1.3)
Nashville	0.919	1.310	1.248	1.039	0.863	4.2
New Haven	0.813	0.847	0.865	0.800	0.657	(0.6)

*Forecast

HVS

Hotel Valuation Index – 2005 to 2009 (continued)

Market	2005	2006	2007	2008	2009*	CAGR (2005 - 2008)
New Orleans	1.694	1.412	0.850	1.026	0.730	(15.4) %
New York	3.857	4.632	6.127	5.590	4.040	13.2
Norfolk	0.780	0.809	0.786	0.473	0.408	(15.3)
Oahu	4.190	4.318	4.014	3.391	2.641	(6.8)
Oakland	0.950	1.225	1.261	1.006	0.947	1.9
Omaha	0.751	1.021	0.931	0.864	0.635	4.8
Orlando	1.446	1.540	1.392	1.141	0.784	(7.6)
Philadelphia	1.247	1.458	1.417	1.191	0.913	(1.5)
Phoenix	1.626	2.084	1.868	1.360	0.948	(5.8)
Pittsburgh	0.705	1.078	1.033	1.150	1.069	17.7
Portland	1.005	1.357	1.414	1.428	1.502	12.4
Raleigh-Durham	0.714	0.993	0.993	0.824	0.661	4.9
Richmond	0.854	0.992	1.023	0.792	0.635	(2.5)
Rochester	0.622	0.944	0.939	0.796	0.632	8.6
Sacramento	1.065	1.329	1.012	0.812	0.623	(8.6)
Salt Lake City	1.178	1.564	1.526	1.378	1.419	5.4
San Antonio	1.405	1.709	1.476	1.454	1.327	1.1
San Diego	2.337	2.810	2.646	2.345	2.160	0.1
San Francisco	2.484	2.930	3.479	3.639	2.925	13.6
San Jose	1.077	1.604	1.725	1.562	1.444	13.2
Santa Fe	1.782	1.858	1.678	1.378	1.256	(8.2)
Seattle	1.541	2.125	2.085	1.903	1.647	7.3
St. Louis	0.687	0.772	0.776	0.668	0.643	(1.0)
Stamford	1.159	1.326	1.267	0.906	0.699	(7.9)
Syracuse	0.783	0.779	0.802	0.742	0.599	(1.8)
Tallahassee	0.891	0.873	0.567	0.290	0.150	(31.2)
Tampa	1.149	1.251	1.015	0.729	0.580	(14.0)
Tucson	1.147	1.459	1.354	1.002	0.718	(4.4)
United States	**1.000**	**1.214**	**1.154**	**0.985**	**0.669**	(0.5)
Washington, D.C.	3.158	2.932	3.213	2.993	3.292	(1.8)
Wilmington	0.913	1.141	1.137	0.835	0.653	(2.9)
Winston-Salem	0.550	0.718	0.767	0.589	0.517	2.3
WPB-Boca Raton	2.318	2.350	1.817	1.293	1.708	(17.7)

*Forecast

The tables on the following two pages exhibit per-room values for 65 HVI markets and the United States as a whole for the past ten years, as well as forecasts for 2009. The subsequent table illustrates the annual percentage change in per-room hotel values by market for the corresponding ten-year period, as well as our forecasts for 2009.

Per-Room Value by Market – 1999 to 2009

Market	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*
Albuquerque	$34,974	$38,666	$33,735	$37,160	$35,387	$36,946	$45,217	$57,895	$55,461	$54,872	$42,515
Anaheim	$58,895	$79,057	$80,528	$73,193	$84,051	$107,174	$145,116	$171,974	$164,058	$138,716	$126,823
Atlanta	$83,663	$83,411	$64,091	$59,731	$49,752	$64,808	$89,429	$110,279	$95,560	$74,731	$56,147
Austin	$89,815	$110,318	$73,192	$57,187	$49,457	$52,819	$88,635	$134,823	$143,057	$141,977	$125,435
Baltimore	$102,961	$121,844	$107,204	$123,258	$124,368	$137,059	$144,893	$155,774	$135,025	$101,990	$82,131
Boston	$254,985	$294,185	$192,981	$164,351	$113,885	$161,193	$191,839	$216,143	$260,626	$226,624	$208,250
Buffalo	$47,885	$50,302	$41,850	$43,665	$39,900	$37,309	$47,858	$61,070	$68,133	$73,932	$58,414
Charlotte	$69,048	$58,159	$36,808	$39,166	$37,938	$44,908	$66,847	$99,180	$107,626	$92,348	$82,648
Chicago	$149,462	$153,012	$98,928	$89,773	$91,704	$99,635	$139,927	$199,281	$211,197	$169,090	$125,460
Cincinnati	$54,016	$50,524	$34,265	$39,381	$42,413	$51,302	$58,503	$69,540	$62,215	$59,059	$55,603
Cleveland	$60,738	$57,360	$38,590	$34,054	$28,980	$36,487	$37,727	$58,334	$55,960	$39,983	$26,448
Columbia	$40,756	$41,202	$36,028	$44,069	$43,618	$60,162	$76,212	$82,274	$77,356	$72,705	$79,907
Dallas	$90,504	$93,063	$58,014	$53,852	$44,623	$56,136	$83,651	$107,541	$98,141	$90,090	$76,647
Dayton	$39,482	$39,897	$30,502	$34,231	$38,720	$35,102	$37,700	$43,002	$32,818	$26,770	$15,064
Denver	$81,349	$86,532	$66,171	$58,795	$51,435	$62,292	$87,188	$125,017	$133,025	$129,677	$119,768
Detroit	$72,035	$76,612	$53,397	$42,076	$34,374	$40,352	$46,488	$59,938	$50,633	$40,581	$15,975
Fort Lauderdale	$82,473	$87,215	$76,048	$65,046	$79,308	$117,647	$139,944	$167,085	$145,824	$117,021	$94,821
Greensboro	$50,580	$53,068	$41,063	$46,266	$49,791	$48,776	$52,685	$63,405	$50,823	$27,500	$14,849
Hartford	$75,254	$87,904	$74,106	$65,624	$51,047	$68,931	$64,780	$65,363	$59,826	$46,658	$35,592
Houston	$63,417	$68,232	$69,332	$63,594	$45,977	$53,846	$87,937	$104,822	$108,054	$130,044	$145,800
Huntsville	$24,595	$25,880	$23,924	$35,890	$37,544	$42,287	$53,089	$58,017	$65,874	$59,437	$57,426
Indianapolis	$53,743	$64,728	$57,629	$58,727	$58,126	$70,799	$74,703	$90,458	$79,549	$65,529	$52,351
Jacksonville	$66,634	$73,098	$65,977	$73,561	$87,015	$99,867	$121,379	$120,795	$107,255	$78,747	$64,342
Kansas City	$57,373	$55,743	$47,274	$46,964	$36,789	$46,203	$53,409	$67,311	$62,800	$53,562	$44,979
Las Vegas	$115,764	$149,201	$127,738	$136,322	$186,071	$230,238	$219,981	$200,721	$217,532	$153,473	$108,557
Long Island	$147,947	$191,030	$167,788	$145,998	$139,047	$135,026	$157,853	$148,326	$144,828	$125,434	$119,524
Los Angeles	$99,826	$121,974	$91,847	$87,693	$91,410	$135,858	$176,545	$195,953	$218,043	$191,842	$146,024
Memphis	$46,909	$39,724	$33,197	$36,501	$34,996	$44,765	$60,878	$77,954	$73,351	$55,678	$46,351
Miami	$123,183	$127,063	$88,231	$61,139	$78,334	$130,820	$218,624	$229,841	$284,700	$250,704	$188,815
Milwaukee	$45,254	$49,100	$36,079	$40,102	$41,753	$44,943	$56,598	$79,290	$70,682	$68,438	$57,281
Minneapolis	$77,736	$85,022	$65,974	$62,582	$54,126	$70,622	$93,768	$110,882	$103,412	$90,032	$75,307
Nashville	$63,904	$60,351	$45,854	$51,430	$57,887	$67,248	$75,762	$108,005	$102,855	$85,620	$71,124
New Haven	$70,977	$81,318	$74,449	$75,800	$62,308	$67,156	$67,045	$69,832	$71,321	$65,918	$54,182

*Forecast

Per-Room Value by Market – 1999-2009 (continued)

Market	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*
New Orleans	$139,498	$149,722	$124,788	$121,111	$109,029	$118,427	$139,591	$116,410	$70,038	$84,577	$60,144
New York	$254,070	$302,011	$136,874	$104,601	$100,000	$193,161	$317,846	$381,767	$504,943	$460,726	$333,002
Norfolk	$42,499	$47,422	$44,118	$64,909	$74,136	$68,034	$64,271	$66,653	$64,740	$38,986	$33,596
Oahu	$126,836	$168,841	$127,376	$135,058	$161,204	$232,954	$345,301	$355,840	$330,825	$279,498	$217,696
Oakland	$110,513	$149,283	$116,660	$80,774	$56,330	$64,150	$78,321	$101,001	$103,950	$82,923	$78,063
Omaha	$45,572	$40,327	$38,870	$41,338	$43,118	$51,336	$61,922	$84,184	$76,753	$71,200	$52,351
Orlando	$115,179	$119,916	$80,289	$83,957	$78,405	$117,011	$119,138	$126,905	$114,726	$94,039	$64,623
Philadelphia	$85,773	$88,046	$63,244	$78,333	$71,084	$85,965	$102,762	$120,178	$116,778	$98,184	$75,220
Phoenix	$94,231	$97,128	$72,902	$64,967	$72,971	$102,744	$134,047	$171,765	$153,951	$112,058	$78,096
Pittsburgh	$57,638	$61,009	$42,956	$44,971	$43,407	$52,797	$58,098	$88,808	$85,101	$94,766	$88,136
Portland	$69,717	$64,832	$51,382	$51,507	$48,790	$59,515	$82,845	$111,838	$116,575	$117,696	$123,803
Raleigh-Durham	$59,774	$63,609	$49,084	$46,393	$44,931	$54,618	$58,832	$81,869	$81,809	$67,932	$54,455
Richmond	$49,017	$51,268	$40,994	$42,230	$56,478	$62,938	$70,403	$81,727	$84,309	$65,273	$52,337
Rochester	$51,163	$50,981	$38,767	$42,342	$50,076	$45,607	$51,256	$77,818	$77,348	$65,600	$52,128
Sacramento	$65,960	$80,608	$67,773	$70,257	$73,228	$82,629	$87,785	$109,524	$83,371	$66,933	$51,333
Salt Lake City	$72,863	$69,557	$62,530	$101,248	$66,500	$73,574	$97,114	$128,926	$125,776	$113,574	$116,922
San Antonio	$82,448	$88,426	$81,668	$98,128	$89,526	$95,421	$115,818	$140,853	$121,609	$119,859	$109,362
San Diego	$142,154	$158,773	$141,489	$146,878	$160,983	$174,756	$192,600	$231,565	$218,105	$193,296	$178,008
San Francisco	$271,955	$329,386	$189,867	$118,992	$104,638	$148,312	$204,703	$241,497	$286,710	$299,916	$241,078
San Jose	$168,057	$237,280	$146,140	$86,433	$46,800	$57,670	$88,738	$132,156	$142,178	$128,772	$119,040
Santa Fe	$122,233	$123,190	$114,109	$132,872	$122,540	$132,861	$146,826	$153,127	$138,278	$113,587	$103,553
Seattle	$111,159	$113,259	$88,435	$79,250	$82,118	$100,385	$127,015	$175,158	$171,832	$156,844	$135,704
St. Louis	$47,889	$52,942	$45,475	$51,170	$43,529	$48,326	$56,650	$63,603	$63,960	$55,030	$52,991
Stamford	$126,551	$152,190	$105,845	$89,388	$75,767	$83,799	$95,530	$109,262	$104,417	$74,636	$57,649
Syracuse	$53,668	$45,939	$44,276	$58,587	$57,017	$55,439	$64,491	$64,163	$66,123	$61,133	$49,343
Tallahassee	$40,443	$45,397	$35,696	$42,801	$50,733	$67,699	$73,419	$71,942	$46,748	$23,933	$12,368
Tampa	$73,473	$76,345	$69,662	$58,318	$57,775	$78,525	$94,663	$103,107	$83,652	$60,110	$47,778
Tucson	$77,139	$77,102	$63,357	$56,467	$54,271	$65,594	$94,524	$120,211	$111,589	$82,571	$59,195
United States	$61,250	$69,067	$52,434	$51,957	$51,585	$65,719	$82,416	$100,065	$95,117	$81,196	$55,132
Washington, D.C.	$147,180	$168,258	$133,717	$144,466	$153,036	$204,687	$260,263	$241,676	$264,839	$246,660	$271,326
Wilmington	$71,483	$67,930	$55,352	$54,517	$68,806	$69,890	$75,247	$94,036	$93,704	$68,845	$53,848
Winston-Salem	$44,663	$42,809	$35,723	$36,899	$39,504	$35,150	$45,306	$59,210	$63,213	$48,517	$42,585
WPB-Boca Raton	$97,628	$116,230	$97,068	$87,906	$100,625	$156,444	$191,032	$193,650	$149,733	$106,551	$140,792

*Forecast

Annual Percentage Changes in Per-Room Value by Market – 1999 to 2009

Market	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*
Albuquerque	(13.5) %	10.6 %	(12.8) %	10.2 %	(4.8) %	4.4 %	22.4 %	28.0 %	(4.2) %	(1.1) %	(22.5) %
Anaheim	1.1	34.2	1.9	(9.1)	14.8	27.5	35.4	18.5	(4.6)	(15.4)	(8.6)
Atlanta	2.6	(0.3)	(23.2)	(6.8)	(16.7)	30.3	38.0	23.3	(13.3)	(21.8)	(24.9)
Austin	0.5	22.8	(33.7)	(21.9)	(13.5)	6.8	67.8	52.1	6.1	(0.8)	(11.7)
Baltimore	10.5	18.3	(12.0)	15.0	0.9	10.2	5.7	7.5	(13.3)	(24.5)	(19.5)
Boston	5.3	15.4	(34.4)	(14.8)	(30.7)	41.5	19.0	12.7	20.6	(13.0)	(8.1)
Buffalo	8.4	5.0	(16.8)	4.3	(8.6)	(6.5)	28.3	27.6	11.6	8.5	(21.0)
Charlotte	(0.1)	(15.8)	(36.7)	6.4	(3.1)	18.4	48.9	48.4	8.5	(14.2)	(10.5)
Chicago	0.2	2.4	(35.3)	(9.3)	2.2	8.6	40.4	42.4	6.0	(19.9)	(25.8)
Cincinnati	(3.0)	(6.5)	(32.2)	14.9	7.7	21.0	14.0	18.9	(10.5)	(5.1)	(5.9)
Cleveland	(4.9)	(5.6)	(32.7)	(11.8)	(14.9)	25.9	3.4	54.6	(4.1)	(28.6)	(33.9)
Columbia	1.3	1.1	(12.6)	22.3	(1.0)	37.9	26.7	8.0	(6.0)	(6.0)	9.9
Dallas	(11.4)	2.8	(37.7)	(7.2)	(17.1)	25.8	49.0	28.6	(8.7)	(8.2)	(14.9)
Dayton	(4.2)	1.1	(23.6)	12.2	13.1	(9.3)	7.4	14.1	(23.7)	(18.4)	(43.7)
Denver	(15.7)	6.4	(23.5)	(11.1)	(12.5)	21.1	40.0	43.4	6.4	(2.5)	(7.6)
Detroit	15.0	6.4	(30.3)	(21.2)	(18.3)	17.4	15.2	28.9	(15.5)	(19.9)	(60.6)
Fort Lauderdale	8.5	5.8	(12.8)	(14.5)	21.9	48.3	19.0	19.4	(12.7)	(19.8)	(19.0)
Greensboro	(10.2)	4.9	(22.6)	12.7	7.6	(2.0)	8.0	20.3	(19.8)	(45.9)	(46.0)
Hartford	18.5	16.8	(15.7)	(11.4)	(22.2)	35.0	(6.0)	0.9	(8.5)	(22.0)	(23.7)
Houston	(17.4)	7.6	1.6	(8.3)	(27.7)	17.1	63.3	19.2	3.1	20.4	12.1
Huntsville	22.6	5.2	(7.6)	50.0	4.6	12.6	25.5	9.3	13.5	(9.8)	(3.4)
Indianapolis	(7.2)	20.4	(11.0)	1.9	(1.0)	21.8	5.5	21.1	(12.1)	(17.6)	(20.1)
Jacksonville	(2.0)	9.7	(9.7)	11.5	18.3	14.8	21.5	(0.5)	(11.2)	(26.6)	(18.3)
Kansas City	(12.5)	(2.8)	(15.2)	(0.7)	(21.7)	25.6	15.6	26.0	(6.7)	(14.7)	(16.0)
Las Vegas	7.4	28.9	(14.4)	6.7	36.5	23.7	(4.5)	(8.8)	8.4	(29.4)	(29.3)
Long Island	23.7	29.1	(12.2)	(13.0)	(4.8)	(2.9)	16.9	(6.0)	(2.4)	(13.4)	(4.7)
Los Angeles	8.0	22.2	(24.7)	(4.5)	4.2	48.6	29.9	11.0	11.3	(12.0)	(23.9)
Memphis	(16.7)	(15.3)	(16.4)	10.0	(4.1)	27.9	36.0	28.1	(5.9)	(24.1)	(16.8)
Miami	15.5	3.1	(30.6)	(30.7)	28.1	67.0	67.1	5.1	23.9	(11.9)	(24.7)
Milwaukee	0.2	8.5	(26.5)	11.2	4.1	7.6	25.9	40.1	(10.9)	(3.2)	(16.3)
Minneapolis	(7.1)	9.4	(22.4)	(5.1)	(13.5)	30.5	32.8	18.3	(6.7)	(12.9)	(16.4)
Nashville	(8.9)	(5.6)	(24.0)	12.2	12.6	16.2	12.7	42.6	(4.8)	(16.8)	(16.9)
New Haven	12.8	14.6	(8.4)	1.8	(17.8)	7.8	(0.2)	4.2	2.1	(7.6)	(17.8)

*Forecast

Annual Percentage Changes in Per-Room Value by Market – 1999 to 2009 (continued)

Market	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009*
New Orleans	9.6 %	7.3 %	(16.7) %	(2.9) %	(10.0) %	8.6 %	17.9 %	(16.6) %	(39.8) %	20.8 %	(28.9) %
New York	6.5	18.9	(54.7)	(23.6)	(4.4)	93.2	64.5	20.1	32.3	(8.8)	(27.7)
Norfolk	(8.1)	11.6	(7.0)	47.1	14.2	(8.2)	(5.5)	3.7	(2.9)	(39.8)	(13.8)
Oahu	(11.0)	33.1	(24.6)	6.0	19.4	44.5	48.2	3.1	(7.0)	(15.5)	(22.1)
Oakland	3.5	35.1	(21.9)	(30.8)	(30.3)	13.9	22.1	29.0	2.9	(20.2)	(5.9)
Omaha	0.8	(11.5)	(3.6)	6.4	4.3	19.1	20.6	36.0	(8.8)	(7.2)	(26.5)
Orlando	(8.1)	4.1	(33.0)	4.6	(6.6)	49.2	1.8	6.5	(9.6)	(18.0)	(31.3)
Philadelphia	(7.1)	2.7	(28.2)	23.9	(9.3)	20.9	19.5	16.9	(2.8)	(15.9)	(23.4)
Phoenix	(16.2)	3.1	(24.9)	(10.9)	12.3	40.8	30.5	28.1	(10.4)	(27.2)	(30.3)
Pittsburgh	4.8	5.8	(29.6)	4.7	(3.5)	21.6	10.0	52.9	(4.2)	11.4	(7.0)
Portland	(13.7)	(7.0)	(20.7)	0.2	(5.3)	22.0	39.2	35.0	4.2	1.0	5.2
Raleigh-Durham	(8.3)	6.4	(22.8)	(5.5)	(3.2)	21.6	7.7	39.2	(0.1)	(17.0)	(19.8)
Richmond	(13.1)	4.6	(20.0)	3.0	33.7	11.4	11.9	16.1	3.2	(22.6)	(19.8)
Rochester	0.6	(0.4)	(24.0)	9.2	18.3	(8.9)	12.4	51.8	(0.6)	(15.2)	(20.5)
Sacramento	(3.7)	22.2	(15.9)	3.7	4.2	12.8	6.2	24.8	(23.9)	(19.7)	(23.3)
Salt Lake City	(21.1)	(4.5)	(10.1)	61.9	(34.3)	10.6	32.0	32.8	(2.4)	(9.7)	2.9
San Antonio	(2.3)	7.3	(7.6)	20.2	(8.8)	6.6	21.4	21.6	(13.7)	(1.4)	(8.8)
San Diego	4.7	11.7	(10.9)	3.8	9.6	8.6	10.2	20.2	(5.8)	(11.4)	(7.9)
San Francisco	0.8	21.1	(42.4)	(37.3)	(12.1)	41.7	38.0	18.0	18.7	4.6	(19.6)
San Jose	3.1	41.2	(38.4)	(40.9)	(45.9)	23.2	53.9	48.9	7.6	(9.4)	(7.6)
Santa Fe	0.8	0.8	(7.4)	16.4	(7.8)	8.4	10.5	4.3	(9.7)	(17.9)	(8.8)
Seattle	(9.9)	1.9	(21.9)	(10.4)	3.6	22.2	26.5	37.9	(1.9)	(8.7)	(13.5)
St. Louis	2.4	10.6	(14.1)	12.5	(14.9)	11.0	17.2	12.3	0.6	(14.0)	(3.7)
Stamford	0.4	20.3	(30.5)	(15.5)	(15.2)	10.6	14.0	14.4	(4.4)	(28.5)	(22.8)
Syracuse	6.2	(14.4)	(3.6)	32.3	(2.7)	(2.8)	16.3	(0.5)	3.1	(7.5)	(19.3)
Tallahassee	10.8	12.3	(21.4)	19.9	18.5	33.4	8.4	(2.0)	(35.0)	(48.8)	(48.3)
Tampa	6.6	3.9	(8.8)	(16.3)	(0.9)	35.9	20.6	8.9	(18.9)	(28.1)	(20.5)
Tucson	(4.0)	(0.0)	(17.8)	(10.9)	(3.9)	20.9	44.1	27.2	(7.2)	(26.0)	(28.3)
United States	2.0	12.8	(24.1)	(0.9)	(0.7)	27.4	25.4	21.4	(4.9)	(14.6)	(32.1)
Washington, D.C.	8.2	14.3	(20.5)	8.0	5.9	33.8	27.2	(7.1)	9.6	(6.9)	10.0
Wilmington	8.2	(5.0)	(18.5)	(1.5)	26.2	1.6	7.7	25.0	(0.4)	(26.5)	(21.8)
Winston-Salem	(19.2)	(4.2)	(16.6)	3.3	7.1	(11.0)	28.9	30.7	6.8	(23.2)	(12.2)
WPB-Boca Raton	5.8	19.1	(16.5)	(9.4)	14.5	55.5	22.1	1.4	(22.7)	(28.8)	32.1

*Forecast

HVS

The following table presents the 65 markets and the United States as a whole, ranked in terms of their 2008 HVI. Each market's per-room value change as both a dollar amount and a percentage change from 2007 are also provided. Following the presentation of this data are pertinent observations for the markets included in the HVI.

Percentage Change in Per-Room Values in 2008

	Market	HVI Index	Per-Room Value	% Change From 2007		Market	HVI Index	Per-Room Value	% Change From 2007
1	New York	5.590	460,726	(8.8) %	34	Oakland	1.006	$82,923	(20.2) %
2	San Francisco	3.639	299,916	4.6	35	Tucson	1.002	82,571	(26.0)
3	Oahu	3.391	279,498	(15.5)	**36**	**United States**	**0.985**	**81,196**	**(14.6)**
4	Miami	3.042	250,704	(11.9)	37	Jacksonville	0.955	78,747	(26.6)
5	Washington, D.C.	2.993	246,660	(6.9)	38	Atlanta	0.907	74,731	(21.8)
6	Boston	2.750	226,624	(13.0)	39	Stamford	0.906	74,636	(28.5)
7	San Diego	2.345	193,296	(11.4)	40	Buffalo	0.897	73,932	8.5
8	Los Angeles	2.328	191,842	(12.0)	41	Columbia	0.882	72,705	(6.0)
9	Chicago	2.052	169,090	(19.9)	42	Omaha	0.864	71,200	(7.2)
10	Seattle	1.903	156,844	(8.7)	43	Wilmington	0.835	68,845	(26.5)
11	Las Vegas	1.862	153,473	(29.4)	44	Milwaukee	0.830	68,438	(3.2)
12	Austin	1.723	141,977	(0.8)	45	Raleigh-Durham	0.824	67,932	(17.0)
13	Anaheim	1.683	138,716	(15.4)	46	Sacramento	0.812	66,933	(19.7)
14	Houston	1.578	130,044	20.4	47	New Haven	0.800	65,918	(7.6)
15	Denver	1.573	129,677	(2.5)	48	Rochester	0.796	65,600	(15.2)
16	San Jose	1.562	128,772	(9.4)	49	Indianapolis	0.795	65,529	(17.6)
17	Long Island	1.522	125,434	(13.4)	50	Richmond	0.792	65,273	(22.6)
18	San Antonio	1.454	119,859	(1.4)	51	Syracuse	0.742	61,133	(7.5)
19	Portland	1.428	117,696	1.0	52	Tampa	0.729	60,110	(28.1)
20	Fort Lauderdale	1.420	117,021	(19.8)	53	Huntsville	0.721	59,437	(9.8)
21	Santa Fe	1.378	113,587	(17.9)	54	Cincinnati	0.717	59,059	(5.1)
22	Salt Lake City	1.378	113,574	(9.7)	55	Memphis	0.676	55,678	(24.1)
23	Phoenix	1.360	112,058	(27.2)	56	St. Louis	0.668	55,030	(14.0)
24	WPB-Boca Raton	1.293	106,551	(28.8)	57	Albuquerque	0.666	54,872	(1.1)
25	Baltimore	1.237	101,990	(24.5)	58	Kansas City	0.650	53,562	(14.7)
26	Philadelphia	1.191	98,184	(15.9)	59	Winston-Salem	0.589	48,517	(23.2)
27	Pittsburgh	1.150	94,766	11.4	60	Hartford	0.566	46,658	(22.0)
28	Orlando	1.141	94,039	(18.0)	61	Detroit	0.492	40,581	(19.9)
29	Charlotte	1.121	92,348	(14.2)	62	Cleveland	0.485	39,983	(28.6)
30	Dallas	1.093	90,090	(8.2)	63	Norfolk	0.473	38,986	(39.8)
31	Minneapolis	1.092	90,032	(12.9)	64	Greensboro	0.334	27,500	(45.9)
32	Nashville	1.039	85,620	(16.8)	65	Dayton	0.325	26,770	(18.4)
33	New Orleans	1.026	84,577	20.8	66	Tallahassee	0.290	23,933	(48.8)

HVS

THE TOP TEN MARKETS (in terms of HVI)

Historical and Projected New York Per-Room Hotel Values

	2005	2006	2007	2008	2009	2010	2011	2012	2013
New York	$317,846	$381,767	$504,943	$460,726	$333,002	$304,030	$324,096	$397,018	$474,834
	64.5%	20.1%	32.3%	-8.8%	-27.7%	-8.7%	6.6%	22.5%	19.6%

New York, New York, has historically remained one of the top-ranked cities in terms of per-room value in the United States. In addition to its status as the financial capital of the United States, the city also benefits from a plethora of leisure attractions. The market's response to downturns has been historically typified by dramatic decreases and equally dramatic recoveries. Moreover, New York has historically benefited from very strong underlying demand fundamentals and a relatively limited room supply. However, New York incurred a significant influx of new supply in 2008, with a sizable portion still to come through 2010. Considering the latter, coupled with the impact of the deepening recession, New York is anticipated to illustrate a continuously downward trend through 2010. Thereafter, per-room value is expected to progressively recover, matching its 2007 peak in 2014.

Historical and Projected San Francisco Per-Room Hotel Values

	2005	2006	2007	2008	2009	2010	2011	2012	2013
San Francisco	$204,703	$241,497	$286,710	$299,916	$241,078	$265,540	$259,519	$301,416	$367,865
	38.0%	18.0%	18.7%	4.6%	-19.6%	10.1%	-2.3%	16.1%	22.0%

San Francisco, California, has weathered the recession storm relatively well, in comparison with other California markets. While San Francisco was one of the few markets to post a per-room value increase in 2008, per-room value is projected to decline notably in 2009. Value is then expected to partially recover in 2010, due in part to an extremely limited amount of new supply. The city benefits from a diversified economy based on high technology, financial services, and tourism. Since 2004, when the national economy recovered from the last downturn, San Francisco has posted strong increases in marketwide demand and average rate year-over-year, up until the end of 2008.

HVS

Historical and Projected Oahu Per-Room Hotel Values

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Oahu	$345,301	$355,840	$330,825	$279,498	$217,696	$211,366	$238,248	$273,626	$334,200
	48.2%	3.1%	-7.0%	-15.5%	-22.1%	-2.9%	12.7%	14.8%	22.1%

Oahu, Hawaii, was the subject of much unwanted press in 2008, due to substantial declines in tourism and visitation stemming from reduced discretionary spending in major American markets. Per-room values declined by 15.5% in 2008; a more drastic decline is forecast for 2009. Considering its strong demand fundamentals and lack of new supply in the pipeline, Oahu's per-room values are forecast to recover beginning in 2011.

Historical and Projected Miami Per-Room Hotel Values

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Miami	$218,624	$229,841	$284,700	$250,704	$188,815	$189,122	$214,150	$246,318	$313,124
	67.1%	5.1%	23.9%	-11.9%	-24.7%	0.2%	13.2%	15.0%	27.1%

In 2007, per-room values in ***Miami, Florida,*** increased by nearly 24% in comparison to 2006 levels. Following this notable increase, per-room values declined by nearly 12% in 2008, due to faltering demand levels and increases in supply. According to Smith Travel Research, approximately 20 projects are currently under construction in the market, with a total of roughly 2,000 hotel rooms. This increase in supply, combined with weakened leisure tourism, is projected to cause per-room values to decline by nearly 25% in 2009.

Historical and Projected Washington, D.C., Per-Room Hotel Values

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Washington, D.C.	$260,263	$241,676	$264,839	$246,660	$271,326	$312,024	$355,708	$401,950	$450,184
	27.2%	-7.1%	9.6%	-6.9%	10.0%	15.0%	14.0%	13.0%	12.0%

The federal government serves as the catalyst for all the economic activity in the greater Washington, D.C., area, including the operations of hundreds of private-sector firms, associations, trade unions, lawyers, defense companies, political groups, and international organizations. The U.S. government is the area's largest employer in terms of direct employees, and through contracts, research grants, and partnerships, it is the largest indirect employer as well. Since the federal government has continually committed itself to enlarge its presence in order to revitalize the national economy, the D.C. market has been less impacted by the ongoing recession than other major markets in the United States. Based on such considerations, coupled with the demand induced due to the January 2009 presidential inauguration, per-room value for this market is expected to rebound strongly in 2009. Going forward, this market is expected to continue to benefit from the presence of strong government demand levels, and its consequent impact on locally based companies.

Historical and Projected Boston Per-Room Hotel Values

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Boston	$191,839	$216,143	$260,626	$226,624	$208,250	$216,834	$254,659	$295,447	$375,121
	19.0%	12.7%	20.6%	-13.0%	-8.1%	4.1%	17.4%	16.0%	27.0%

Boston, Massachusetts, is known as New England's economic hub, attributable to its diverse economy relating to the financial, educational, and biotechnology sectors. As one of the nation's oldest cities, Boston also benefits from a healthy tourism industry. Considering the impact of the national recession, per-room value illustrated a decline in 2008, and this trend is expected to continue through 2009. However, with limited new supply anticipated for the near term coupled with a strong demand base, per-room value is expected to rebound in 2010, progressively recovering to surpass its 2007 peak in 2012.

Historical and Projected San Diego Per-Room Hotel Values

	2005	2006	2007	2008	2009	2010	2011	2012	2013
San Diego	$192,600	$231,565	$218,105	$193,296	$178,008	$185,855	$209,191	$240,866	$288,741
	10.2%	20.2%	-5.8%	-11.4%	-7.9%	4.4%	12.6%	15.1%	19.9%

San Diego, California, has experienced moderate declines in per-room values since 2007; this trend is forecast to continue into 2009. While the city benefits from a diverse economy that includes a significant presence from the

HVS

military, biotechnology corporate firms, and a convention market, a notable amount of new supply entered the market in the past 18 months. The city is poised to recover before most other markets, returning to peak levels achieved in 2006 by 2012.

Historical and Projected Los Angeles Per-Room Hotel Values

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Los Angeles	$176,545	$195,953	$218,043	$191,842	$146,024	$136,813	$154,735	$182,769	$234,026
	29.9%	11.0%	11.3%	-12.0%	-23.9%	-6.3%	13.1%	18.1%	28.0%

Following a 12% decrease in 2008, per-room values in ***Los Angeles, California,*** are projected to continue to decline into 2010. Los Angeles has been plagued by growing unemployment levels, and the area economy has experienced notable retraction. Tourism levels have also declined, both domestically and internationally, which has impacted hotel demand levels. The year 2010 is projected to be the low point in per-room values for Los Angeles. Values are expected to surpass the 2007 level by 2013.

Historical and Projected Chicago Per-Room Hotel Values

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Chicago	$139,927	$199,281	$211,197	$169,090	$125,460	$119,036	$141,962	$172,014	$212,639
	40.4%	42.4%	6.0%	-19.9%	-25.8%	-5.1%	19.3%	21.2%	23.6%

Chicago, Illinois, experienced a notable decline in per-room values in 2008. The Chicago area has been greatly impacted by the financial crisis, with area banking institutions implementing significant layoffs. Prevailing economic trends will continue to suppress hotel values into 2009 and 2010. Furthermore, a notable amount of new supply is slated for the greater Chicago area, which will delay the recovery of demand. Hotel values in Chicago are forecast to achieve the peak levels recorded in 2007 by 2013.

HVS

Historical and Projected Seattle Per-Room Hotel Values

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Seattle	$127,015	$175,158	$171,832	$156,844	$135,704	$134,974	$169,259	$201,069	$247,795
	26.5%	37.9%	-1.9%	-8.7%	-13.5%	-0.5%	25.4%	18.8%	23.2%

Seattle, Washington, benefits from its diverse economic base, with such major companies as Starbucks, Nordstrom, and Microsoft headquartered in the area. As a result of the impact of the national recession, this market's per-room value posted a decline in 2008, and this trend is expected to continue through 2009. However, considering the city's relatively strong demand base, per-room value is expected to recover fully and surpass its 2006 peak in 2012.

Remaining HVI Markets

The following tables present historical and projected per-room values for the remaining 55 HVI markets.

Remaining HVI Markets

	2005	2006	2007	2008	2009	2010	2011	2012	2013	CAGR (2005 - 2013)
Albuquerque	$45,217	$57,895	$55,461	$54,872	$42,515	$37,661	$38,780	$46,937	$56,288	2.8 %
	22.4%	28.0%	-4.2%	-1.1%	-22.5%	-11.4%	3.0%	21.0%	19.9%	
Anaheim	$145,116	$171,974	$164,058	$138,716	$126,823	$136,485	$158,766	$179,983	$211,249	4.8
	35.4%	18.5%	-4.6%	-15.4%	-8.6%	7.6%	16.3%	13.4%	17.4%	
Atlanta	$89,429	$110,279	$95,560	$74,731	$56,147	$46,806	$61,066	$81,303	$110,392	2.7
	38.0%	23.3%	-13.3%	-21.8%	-24.9%	-16.6%	30.5%	33.1%	35.8%	
Austin	$88,635	$134,823	$143,057	$141,977	$125,435	$136,617	$169,070	$201,919	$209,182	11.3
	67.8%	52.1%	6.1%	-0.8%	-11.7%	8.9%	23.8%	19.4%	3.6%	
Baltimore	$144,893	$155,774	$135,025	$101,990	$82,131	$75,010	$92,136	$110,605	$144,107	(0.1)
	5.7%	7.5%	-13.3%	-24.5%	-19.5%	-8.7%	22.8%	20.0%	30.3%	
Buffalo	$47,858	$61,070	$68,133	$73,932	$58,414	$53,003	$64,044	$77,298	$96,293	9.1
	28.3%	27.6%	11.6%	8.5%	-21.0%	-9.3%	20.8%	20.7%	24.6%	
Charlotte	$66,847	$99,180	$107,626	$92,348	$82,648	$88,931	$110,819	$130,498	$157,540	11.3
	48.9%	48.4%	8.5%	-14.2%	-10.5%	7.6%	24.6%	17.8%	20.7%	
Cincinnati	$58,503	$69,540	$62,215	$59,059	$55,603	$60,963	$74,253	$85,314	$102,853	7.3
	14.0%	18.9%	-10.5%	-5.1%	-5.9%	9.6%	21.8%	14.9%	20.6%	
Cleveland	$37,727	$58,334	$55,960	$39,983	$26,448	$23,618	$33,758	$47,084	$61,786	6.4
	3.4%	54.6%	-4.1%	-28.6%	-33.9%	-10.7%	42.9%	39.5%	31.2%	
Columbia	$76,212	$82,274	$77,356	$72,705	$79,907	$93,331	$111,190	$129,170	$155,874	9.4
	26.7%	8.0%	-6.0%	-6.0%	9.9%	16.8%	19.1%	16.2%	20.7%	
Dallas	$83,651	$107,541	$98,141	$90,090	$76,647	$76,889	$90,114	$105,810	$136,175	6.3
	49.0%	28.6%	-8.7%	-8.2%	-14.9%	0.3%	17.2%	17.4%	28.7%	
Dayton	$37,700	$43,002	$32,818	$26,770	$15,064	$6,747	$7,582	$14,393	$28,913	(3.3)
	7.4%	14.1%	-23.7%	-18.4%	-43.7%	-55.2%	12.4%	89.8%	100.9%	

Remaining HVI Markets (continued)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	CAGR (2005 - 2013)
Denver	$87,188	$125,017	$133,025	$129,677	$119,768	$125,213	$153,475	$177,679	$213,511	11.8
	40.0%	43.4%	6.4%	-2.5%	-7.6%	4.5%	22.6%	15.8%	20.2%	
Detroit	$46,488	$59,938	$50,633	$40,581	$15,975	$5,431	$5,157	$13,438	$27,496	(6.4)
	15.2%	28.9%	-15.5%	-19.9%	-60.6%	-66.0%	-5.0%	160.6%	104.6%	
Fort Lauderdale	$139,944	$167,085	$145,824	$117,021	$94,821	$85,105	$100,419	$122,636	$158,441	1.6
	19.0%	19.4%	-12.7%	-19.8%	-19.0%	-10.2%	18.0%	22.1%	29.2%	
Greensboro	$52,685	$63,405	$50,823	$27,500	$14,849	$530	$4,779	$15,274	$33,150	(5.6)
	8.0%	20.3%	-19.8%	-45.9%	-46.0%	-96.4%	802.4%	219.6%	117.0%	
Hartford	$64,780	$65,363	$59,826	$46,658	$35,592	$23,705	$30,465	$42,222	$62,754	(0.4)
	-6.0%	0.9%	-8.5%	-22.0%	-23.7%	-33.4%	28.5%	38.6%	48.6%	
Houston	$87,937	$104,822	$108,054	$130,044	$145,800	$160,371	$189,917	$211,961	$245,839	13.7
	63.3%	19.2%	3.1%	20.4%	12.1%	10.0%	18.4%	11.6%	16.0%	
Huntsville	$53,089	$58,017	$65,874	$59,437	$57,426	$56,771	$72,270	$88,563	$109,936	9.5
	25.5%	9.3%	13.5%	-9.8%	-3.4%	-1.1%	27.3%	22.5%	24.1%	
Indianapolis	$74,703	$90,458	$79,549	$65,529	$52,351	$43,510	$51,118	$60,266	$76,648	0.3
	5.5%	21.1%	-12.1%	-17.6%	-20.1%	-16.9%	17.5%	17.9%	27.2%	
Jacksonville	$121,379	$120,795	$107,255	$78,747	$64,342	$58,108	$70,251	$81,801	$101,893	(2.2)
	21.5%	-0.5%	-11.2%	-26.6%	-18.3%	-9.7%	20.9%	16.4%	24.6%	
Kansas City	$53,409	$67,311	$62,800	$53,562	$44,979	$36,311	$44,515	$55,356	$72,297	3.9
	15.6%	26.0%	-6.7%	-14.7%	-16.0%	-19.3%	22.6%	24.4%	30.6%	
Las Vegas	$219,981	$200,721	$217,532	$153,473	$108,557	$86,677	$72,584	$71,921	$97,920	(9.6)
	-4.5%	-8.8%	8.4%	-29.4%	-29.3%	-20.2%	-16.3%	-0.9%	36.1%	
Long Island	$157,853	$148,326	$144,828	$125,434	$119,524	$108,187	$130,494	$153,469	$184,590	2.0
	16.9%	-6.0%	-2.4%	-13.4%	-4.7%	-9.5%	20.6%	17.6%	20.3%	

Remaining HVI Markets (continued)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	CAGR (2005 - 2013)
Memphis	$60,878	$77,954	$73,351	$55,678	$46,351	$41,672	$53,183	$66,842	$88,328	4.8
	36.0%	28.1%	-5.9%	-24.1%	-16.8%	-10.1%	27.6%	25.7%	32.1%	
Milwaukee	$56,598	$79,290	$70,682	$68,438	$57,281	$53,101	$66,860	$80,473	$96,861	6.9
	25.9%	40.1%	-10.9%	-3.2%	-16.3%	-7.3%	25.9%	20.4%	20.4%	
Minneapolis	$93,768	$110,882	$103,412	$90,032	$75,307	$81,155	$100,499	$122,082	$152,525	6.3
	32.8%	18.3%	-6.7%	-12.9%	-16.4%	7.8%	23.8%	21.5%	24.9%	
Nashville	$75,762	$108,005	$102,855	$85,620	$71,124	$68,872	$87,986	$106,353	$132,631	7.3
	12.7%	42.6%	-4.8%	-16.8%	-16.9%	-3.2%	27.8%	20.9%	24.7%	
New Haven	$67,045	$69,832	$71,321	$65,918	$54,182	$47,947	$59,388	$72,640	$94,206	4.3
	-0.2%	4.2%	2.1%	-7.6%	-17.8%	-11.5%	23.9%	22.3%	29.7%	
New Orleans	$139,591	$116,410	$70,038	$84,577	$60,144	$51,144	$69,190	$91,985	$127,253	(1.2) %
	17.9%	-16.6%	-39.8%	20.8%	-28.9%	-15.0%	35.3%	32.9%	38.3%	
Norfolk	$64,271	$66,653	$64,740	$38,986	$33,596	$31,251	$36,931	$45,903	$62,371	(0.4)
	-5.5%	3.7%	-2.9%	-39.8%	-13.8%	-7.0%	18.2%	24.3%	35.9%	
Oakland	$78,321	$101,001	$103,950	$82,923	$78,063	$78,347	$94,676	$110,744	$136,453	7.2
	22.1%	29.0%	2.9%	-20.2%	-5.9%	0.4%	20.8%	17.0%	23.2%	
Omaha	$61,922	$84,184	$76,753	$71,200	$52,351	$43,107	$55,011	$70,639	$94,751	5.5
	20.6%	36.0%	-8.8%	-7.2%	-26.5%	-17.7%	27.6%	28.4%	34.1%	
Orlando	$119,138	$126,905	$114,726	$94,039	$64,623	$54,095	$68,136	$85,483	$113,692	(0.6)
	1.8%	6.5%	-9.6%	-18.0%	-31.3%	-16.3%	26.0%	25.5%	33.0%	
Philadelphia	$102,762	$120,178	$116,778	$98,184	$75,220	$67,461	$81,740	$101,504	$133,731	3.3
	19.5%	16.9%	-2.8%	-15.9%	-23.4%	-10.3%	21.2%	24.2%	31.7%	
Phoenix	$134,047	$171,765	$153,951	$112,058	$78,096	$61,523	$82,637	$107,935	$146,296	1.1
	30.5%	28.1%	-10.4%	-27.2%	-30.3%	-21.2%	34.3%	30.6%	35.5%	

Remaining HVI Markets (continued)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	CAGR (2005 - 2013)
Pittsburgh	$58,098	$88,808	$85,101	$94,766	$88,136	$89,770	$109,047	$124,651	$149,143	12.5
	10.0%	52.9%	-4.2%	11.4%	-7.0%	1.9%	21.5%	14.3%	19.6%	
Portland	$82,845	$111,838	$116,575	$117,696	$123,803	$131,481	$152,231	$167,375	$192,548	11.1
	39.2%	35.0%	4.2%	1.0%	5.2%	6.2%	15.8%	9.9%	15.0%	
Raleigh-Durham	$58,832	$81,869	$81,809	$67,932	$54,455	$45,687	$56,696	$69,538	$90,607	5.5
	7.7%	39.2%	-0.1%	-17.0%	-19.8%	-16.1%	24.1%	22.7%	30.3%	
Richmond	$70,403	$81,727	$84,309	$65,273	$52,337	$47,402	$58,167	$69,858	$90,391	3.2
	11.9%	16.1%	3.2%	-22.6%	-19.8%	-9.4%	22.7%	20.1%	29.4%	
Rochester	$51,256	$77,818	$77,348	$65,600	$52,128	$43,119	$55,615	$70,784	$94,685	8.0
	12.4%	51.8%	-0.6%	-15.2%	-20.5%	-17.3%	29.0%	27.3%	33.8%	
Sacramento	$87,785	$109,524	$83,371	$66,933	$51,333	$41,194	$54,219	$68,995	$89,100	0.2
	6.2%	24.8%	-23.9%	-19.7%	-23.3%	-19.8%	31.6%	27.3%	29.1%	
Salt Lake City	$97,114	$128,926	$125,776	$113,574	$116,922	$119,496	$134,590	$152,364	$179,979	8.0
	32.0%	32.8%	-2.4%	-9.7%	2.9%	2.2%	12.6%	13.2%	18.1%	
San Antonio	$115,818	$140,853	$121,609	$119,859	$109,362	$99,292	$109,566	$127,254	$155,233	3.7
	21.4%	21.6%	-13.7%	-1.4%	-8.8%	-9.2%	10.3%	16.1%	22.0%	
San Jose	$88,738	$132,156	$142,178	$128,772	$119,040	$119,276	$148,224	$175,684	$216,924	11.8
	53.9%	48.9%	7.6%	-9.4%	-7.6%	0.2%	24.3%	18.5%	23.5%	
Santa Fe	$146,826	$153,127	$138,278	$113,587	$103,553	$91,691	$110,760	$130,841	$161,800	1.2
	10.5%	4.3%	-9.7%	-17.9%	-8.8%	-11.5%	20.8%	18.1%	23.7%	
St. Louis	$56,650	$63,603	$63,960	$55,030	$52,991	$52,545	$64,883	$78,865	$101,476	7.6
	17.2%	12.3%	0.6%	-14.0%	-3.7%	-0.8%	23.5%	21.5%	28.7%	
Stamford	$95,530	$109,262	$104,417	$74,636	$57,649	$46,403	$61,478	$76,665	$97,897	0.3
	14.0%	14.4%	-4.4%	-28.5%	-22.8%	-19.5%	32.5%	24.7%	27.7%	

Remaining HVI Markets (continued)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	CAGR (2005 - 2013)
Syracuse	$64,491	$64,163	$66,123	$61,133	$49,343	$43,843	$51,246	$60,032	$75,948	2.1
	16.3%	-0.5%	3.1%	-7.5%	-19.3%	-11.1%	16.9%	17.1%	26.5%	
Tallahassee	$73,419	$71,942	$46,748	$23,933	$12,368	$842	$3,704	$12,252	$27,581	(11.5)
	8.4%	-2.0%	-35.0%	-48.8%	-48.3%	-93.2%	339.9%	230.7%	125.1%	
Tampa	$94,663	$103,107	$83,652	$60,110	$47,778	$41,869	$55,735	$76,043	$107,402	1.6
	20.6%	8.9%	-18.9%	-28.1%	-20.5%	-12.4%	33.1%	36.4%	41.2%	
Tucson	$94,524	$120,211	$111,589	$82,571	$59,195	$51,886	$65,886	$83,381	$111,694	2.1
	44.1%	27.2%	-7.2%	-26.0%	-28.3%	-12.3%	27.0%	26.6%	34.0%	
Wilmington	$75,247	$94,036	$93,704	$68,845	$53,848	$44,879	$49,423	$64,307	$88,719	2.1
	7.7%	25.0%	-0.4%	-26.5%	-21.8%	-16.7%	10.1%	30.1%	38.0%	
Winston-Salem	$45,306	$59,210	$63,213	$48,517	$42,585	$38,626	$49,466	$62,158	$82,149	7.7
	28.9%	30.7%	6.8%	-23.2%	-12.2%	-9.3%	28.1%	25.7%	32.2%	
WPB-Boca Raton	$191,032	$193,650	$149,733	$106,551	$140,792	$169,903	$204,020	$227,723	$253,079	3.6
	22.1%	1.4%	-22.7%	-28.8%	32.1%	20.7%	20.1%	11.6%	11.1%	
United States	$82,416	$100,065	$95,117	$81,196	$55,132	$50,060	$57,069	$75,102	$93,127	1.5
	25.4%	21.4%	-4.9%	-14.6%	-32.1%	-9.2%	14.0%	31.6%	24.0%	

HVS

Conclusion

Over the past twelve months, the deepening economic recession has had a profound impact on hotel values. Not only have weakened demand levels contributed to this trend, but the veritable evaporation of credit has also contributed significantly. Generally, hotel values are projected to bottom out in 2010. With near-term depressed earnings for hotels, and the reality of making a purchase with all cash or a low loan-to-value ratio, HVS's new valuation methodology assumes that purchasers will look to refinance the hotel once its earnings have recovered and the credit markets have returned to some semblance of normalcy. Based on the economic and financial trends described throughout this report, hotel values are expected to recover over a five-year period, matching or surpassing peak levels recorded in 2006 by 2013-2014. Real Capital Analytics estimates that approximately $18 billion in hotel loans were distressed as of August 2009. Capital market participants are expected to either foreclose on such assets or restructure and work out their loan requirements. Considering such factors, savvy investors with access to equity are expected to capitalize on such opportunities and purchase distressed assets with an upside, at significantly discounted prices. Thus, over the next 12 to 18 months, the volume of hotel sales transactions is expected to illustrate a progressively upward trend.

HVS

Interpreting the Hotel Valuation Index

Steve Rushmore's NYU presentation always garners a great deal of attention, and stimulates discussions concerning his take on current and anticipated trends in the hospitality industry. One of the most popular – and upon occasion most controversial – components of that presentation is the Hotel Valuation Index (HVI). HVS routinely receives numerous inquiries as to how the data can be interpreted by hotel owners, investors, and lenders considering their own assets and investment strategies. Steve's response to these issues is as follows.

My annual presentation at the NYU conference is based on my firm's research, including our database of actual hotel transactions, and our observations of industry activity and trends. A key component of this presentation is the Hotel Valuation Index (HVI), which HVS prepares annually. The HVI tracks hotel values in the U.S. as a whole as well as for 65 major lodging markets. It is calculated using occupancy and average rate data provided by Smith Travel Research for each of the markets reviewed. These market data represent the aggregate performance of virtually all the hotels within the defined geographic market.

The HVI is an index, a statistical concept reflecting a measure of the difference in the magnitude of a group of related variables compared with a base period. As such, it is a measure of broad market trends, rather than a conclusion as to the specific value of any asset, and cannot be applied to an individual asset. A good comparison is the Consumer Price Index. While this index provides a reliable measure of the overall rate of inflation in a region, it does not indicate how the price of milk has changed at your grocery store.

In any market, the aggregate nature of the STR occupancy and average rate data limits its comparability to an individual asset. In the case of the STR data used in developing the HVI, the breadth of the sample included in the report is a material factor. The sample for each market area includes virtually all the hotels in the defined market, ranging from economy to luxury properties; limited-service to full-service operations; assets in poor to excellent condition; and a wide array of locations, from the 100% corner to peripheral locations in tertiary submarkets. The resulting data, while an excellent measure of the overall trends in the market as a whole, cannot be applied to any individual submarket or asset group, much less any one hotel. For example, the addition of new supply, or a change in the performance of an individual submarket within the broader market, can cause that submarket to have significantly different results than the market as a whole.

Numerous factors influence the value of an individual asset, including the property's age, condition, location, amenities and services, brand, management expertise, and reputation. All of these factors must be considered in the context of the hotel's specific competitive market, including the nature, strength, and trends in demand generators, the character and competitive posture of the existing hotels, and the potential addition of any new properties. The value of any individual asset can only be concluded after a thorough investigation of all these factors. And that conclusion will invariably differ – often materially – from the index indicated by the HVI.

So how can the HVI be of use to an individual investor? Although the HVI cannot tell you what a particular hotel is worth, it does provide excellent "big picture" data, indicating which market areas are experiencing positive trends and thus may present good investment opportunities. The HVI for the U.S. is a measure of the strength of the lodging industry as a whole and, specifically, the hospitality investment market. The HVI for the various identified markets can provide a basis to evaluate and compare different geographic regions.

About the Authors

Steve Rushmore is the president and founder of HVS, a global hospitality consulting organization with more than 25 offices around the globe. He directs the worldwide operation of this firm and is responsible for future office expansion and new product development. Steve has provided consultation services for more than 15,000 hotels throughout the world during his 40-year career and specializes in complex issues involving hotel feasibility, valuations, and financing. He was one of the creators of the Microtel concept and was instrumental in its IPO. Steve is a partner in HEI Hospitality, LLC, a hotel investment fund, which makes him one of the few hospitality consultants that actually invest in and own hotels.

As a leading authority and prolific author on the topic of hotel feasibility studies and appraisals, Steve Rushmore has written all five textbooks and two seminars for the Appraisal Institute covering this subject. He has also authored three reference books on hotel investing and has published more than 300 articles. He writes a column for Lodging Hospitality magazine and is widely quoted by major business and professional publications. Steve lectures extensively on hotel trends and has taught hundreds of classes and seminars to more than 20,000 industry professionals. He is also a frequent lecturer at major hotel schools around the world, including Lausanne, Cornell, Houston, and IMHI.

Steve has a BS degree from the Cornell Hotel School and an MBA from the University of Buffalo. He holds MAI and FRICS appraisal designations and is a CHA (certified hotel administrator). He is a member of numerous hotel industry committees, including IREFAC and the NYU Hotel Investment Conference. In 1999, Steve was recognized by the New York chapter of the Cornell Hotel Society as "Hotelie of the Year." In his free time, he enjoys skiing, diving, and sailing. He holds a commercial pilot's license with multi-engine instrument rating, collects hotel key tags, and is one of the foremost authorities on regional dining (www.roadfood.com).

Published by: HVS New York, 369 Willis Avenue, Mineola, NY 11501

Contact information for Steve Rushmore:
Phone: 516-248-8828 x204
Fax: 516-742-3059
Email: srushmore@hvs.com
or visit our website at: www.hvs.com

HVS

Emily U. Smith is a Vice President of the New York office of HVS. Since joining HVS in June 2007, Ms. Smith has worked on roughly 100 consulting and valuation assignments in 19 states. In addition to appraisals, she has performed feasibility and market studies, as well as litigation support services and competitive market analyses. She has published three articles pertaining to development, valuation, and lodging trends, and she has also been interviewed by *Commercial Property News*. Her article on the Japanese lodging industry was published in the Fall 2008 *Real Estate Finance Journal*.

Ms. Smith received a Bachelor of Arts degree from Tulane University, graduating summa cum laude with a dual major in History and French. She holds a Master of Science in Hospitality Management from the Conrad N. Hilton College of Hotel & Restaurant Management at the University of Houston. She also has two years of overseas work experience in Kyoto, Japan. Ms. Smith was recently selected as the recipient of the 2009 Distinguished Young Alumnus Award by the Conrad N. Hilton College.

Contact information for Emily Smith:
Phone: 516-248-8828 x277
Fax: 516-742-3059
Email: esmith@hvs.com

Neel M. Lund is a Vice President at HVS New York. Since joining HVS in June 2007, he has provided consulting and appraisal services for over 100 assignments in the United States. Neel specializes in the New York City lodging market and has worked on more than 50 assignments within this market area alone. His industry expertise includes market studies, feasibility analyses, appraisals, and development consulting. Neel's previous publications include articles on topics relating to hotel front office "upsell" programs and sport tourism. He also co-authored the 2008 publication of the Hotel Valuation Index (HVI).

Neel received his bachelor's degree from Cornell University's School of Industrial and Labor Relations, and also holds a post-graduate diploma in International Hospitality Management from Les Roches, School of Hotel Management, Bluche, Switzerland.

Contact information for Neel Lund:
Phone: 516-248-8828 x255
Fax: 516-742-3059
Email: nlund@hvs.com