2008 United States Hotel Valuation Index

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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 and capitalization rate information from HVS's extensive global experience in hotel feasibility studies and valuations. From this information, it is possible to determine historical hotel values per room, as well as an indication of hotel value growth into the future.

U.S. Economic Trends

Hotel values in the United States, analogous to any other asset class, are impacted by macroeconomic trends. According to an article published by *The Economist*, the U.S. economy in the past 20 years has undergone only two official downturns; these occurred in 1990-91 and 2001.[1] In each of the two instances, the duration was "short and shallow." The broadening impact of the subprime mortgage crisis, soaring oil prices, insecurity about the state of U.S. investment banks, increases in unemployment, and slower consumer spending all indicate a currently slowing period for the U.S. economy. The origins of the current slowdown can be traced to an ultra-inflated real estate market, which subsequently helped to trigger the subprime crisis that began in the latter half of 2007.

The following table details housing market value declines forecast for 2008, according to HousingPredictor.com.

[1] *The Economist*, "The great American slowdown," April 10, 2008.

Forecasted Change in Housing Market Values

15 Worst U.S. Housing Markets

Rank	Market	Estimated Change in 2008 Values
1	Las Vegas	-19%
2	Miami	-18%
3	Detroit	-17%
4	Phoenix	-16%
5	Riverside	-15%
6	San Diego	-15%
7	Sacramento	-14%
8	Naples	-14%
9	Anaheim	-14%
10	Los Angeles	-13%
11	Palm Beach	-12%
12	Atlanta	-12%
13	Boston	-12%
14	Fresno	-11%
15	Indianapolis	-11%

Source: HousingPredictor.com

Despite dreary indicators derived from the preceding table, most economists predict an overall increase in the economy for the near term, with continued slow growth in the latter half of 2008 through early 2009, and recovery thereafter. This prediction of a "short and shallow" slowdown, as opposed to a full-blown recession, can be partially attributed to the following:

- The federal government has been active and aggressive in its attempt to prevent a prolonged trough. The Federal Reserve has appropriately afforded investment banks the opportunity to recover from the subprime crisis by providing a "safety net," as exemplified by the Bear Sterns/JP Morgan Chase transaction. Fannie Mae and Freddie Mac, which have incurred subprime mortgage-related losses in excess of $100 billion, are also in the process of receiving a rescue package engineered by the federal government. Additionally, the Federal Reserve has continually reduced interest rates to help stimulate the economy. However, considering current inflationary pressures induced by rising energy and food prices, the Federal Reserve might be pressured into deviating from the latter practice and increasing short-term lending rates in August 2008.

- Consumer spending accounts for approximately 70% of U.S. demand. The federal government has further attempted to restore consumer confidence in the economy and induce spending by issuing tax rebates. This stimulus program is expected to particularly take effect in the latter half of 2008.

As the world's largest economy, the state of the U.S. markets consequently impacts the global landscape. While European economies have been somewhat destabilized by the U.S. credit crisis, Asian economies for the most part have illustrated continued levels of strong growth. By virtue of the "dynamism and resilience" illustrated by emerging markets, the International Monetary Fund (IMF) expects a relatively minor decline in global economic growth. The IMF anticipates global economic growth of 3.7% in 2008, compared to the 4.9% level recorded in 2007.[2]

U.S. Hospitality Investment Trends

Although the U.S. credit crisis originated from malfunctions in the subprime residential mortgage sector, its impact has been subsequently transferred to the commercial sector. Lending authorities have become increasingly judicious and cautious when it comes to real estate financing. Hotels, as an asset class, intrinsically represent an expensive venture. Furthermore, with higher construction costs and increasingly stringent parameters of financing, the construction of hotels has become even more expensive. HVS continuously monitors the terms of hotel mortgage loans made by our institutional lending clients. The following table illustrates the historical, current, and anticipated trends in hotel financing and appraisal rates.

[2] *The Economist*, "The great American slowdown," April 10, 2008.

Hotel Financing and Appraisal Rates

Financing Parameters	1999	2006	2007	2008
Mortgage Interest Rates	7.5% - 9.0%	6.0% - 6.75%	6.5% - 7.0%	7.0% - 8.0%
Amortization	20 - 25 Years	25 - 30 Years	15 - 25 Years	15 - 25 Years
Loan-to-Value	60% - 70%	70% - 80%	60% - 70%	55% - 70%
Capitalization Rates				
Luxury	9.0% - 11.0%	5.0% - 6.5%	6.5% - 8.5%	7.0% - 9.0%
Mid-Rate	10.0% - 12.0%	7.0% - 9.0%	8.5% - 10.5%	8.5% - 11.0%
Budget	11.0% - 13.0%	8.0% - 11.0%	9.5% - 12.0%	10.0% - 12.5%

As illustrated in the preceding table, financing parameters became less favorable in 2007 for hotel owners and investors. In 2007, loan-to-value ratios declined to 60% to 70%, and are expected to decline further in 2008, averaging between 55% and 70%. Considering current concerns regarding inflation, hotel mortgage interest rates in 2008 are expected to reach the highs recorded in 1999, averaging from 7.0% to 8.0%. Since 2006, capitalization rates have illustrated an increasing trend for all segment classes of the hotel industry. Nevertheless, the exact terms offered for hotel financing depend on specific factors, such as the property's location, the age and quality of the physical facility, local hostelry market conditions, and (perhaps more significantly) the profile of the borrower. The strongest projects typically command the highest loan-to-value ratios.

In consideration of existing challenges related to hotel project financing and escalating construction costs, proposed hotels that are in the early stages of development are expected to be either put on hold or severely delayed in progression for at least the next twelve months. In our formulation of the 2008 Hotel Valuation Index, we have therefore only considered the impact of new supply that is currently under construction.

Considering the current state of credit markets, the volume of hotel asset transfers decreased notably in the first half of 2008. The following table illustrates a ten-year history of U.S. hotel sales, as well as year-to-date trends through June for both 2007 and 2008.

Ten-Year History – U.S. Hotel Sales

Year	Number of Hotels	Number of Rooms	Average Price per Room
1998	234	$51,101	$95,000
1999	222	31,203	83,000
2000	254	33,300	80,000
2001	196	39,163	127,000
2002	323	59,483	77,000
2003	312	59,960	97,000
2004	605	115,703	89,000
2005	522	111,934	126,000
2006	485	106,955	163,000
2007	447	84,782	152,000
Year-to-date Through June			
2007	328	60,987	$164,000
2008	80	13,006	140,000

Source: HVS

The preceding table resoundingly illustrates the impact of the subprime mortgage crisis on hotel sales volume beginning in the latter half of 2007. From the 447 hotel sales transacted in 2007, only 119, or roundly 27%, were conducted between July and December 2007. The volume of hotel transactions has shown further declines in the year-to-date period through June 2008, compared to the same period in 2007. Considering the current state of the lending market, and macroeconomic forecasts of slower growth in 2008 and early 2009, the volume of U.S. hotel sales is anticipated to exhibit further declines in the near term compared to the levels recorded in previous years.

The following table presents several of the largest single-asset sales (in price per room) in 2007 and the year-to-date period through June 2008.

Major Hotel Sales – 2007 and the Year-to-Date Period through June 2008

Hotel	Location	Date of Sale	Number of Rooms	Price per Room
2007 Sales				
Maui Prince Resort	Makena, Hawaii	6/27/2007	310	$1,854,839
Hard Rock Hotel & Casino	Las Vegas, Nevada	2/5/2007	647	1,190,108
Mandarin Oriental New York	New York, New York	2/1/2007	248	1,000,806
Mayflower Inn & Spa	Washington, Connecticut	10/1/2007	30	1,000,000
Dylan Hotel	New York, New York	4/16/2007	107	728,972
Taj Boston	Boston, Massachusetts	1/11/2007	273	622,711
Marriott Boston Long Wharf	Boston, Massachusetts	3/23/2007	402	567,662
Hotel Jerome	Aspen, Colorado	5/1/2007	92	565,217
Haywood Park Hotel	Asheville, North Carolina	6/1/2007	33	560,606
Salish Lodge & Spa	Snoqualmie, Washington	10/9/2007	93	450,538
YTD Through June 2008 Sales				
Room Mate Grace	New York, New York	4/1/2008	139	589,928
Duane Street Hotel	New York, New York	1/10/2008	45	550,000
Hyatt Regency Century Plaza	Los Angeles, California	6/2/2008	728	503,434

Source: HVS

The preceding table provides further evidence of the strong impact of the subprime mortgage crisis on the U.S. hotel sales volume. As illustrated, eight of the ten largest single-asset sales (in price per room) in 2007 were transacted in the first six months of 2007. Additionally, in the year-to-date period through June 2008, only three sales have surpassed the $500,000 per room barrier, all of which were transacted in premier hospitality markets.

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. These market-specific valuation parameters are applied to the net operating income for a typical 1,000-room, full-service hotel in each city.

In previous versions of the HVI, we had indexed the 1987 value of a typical U.S. hotel (1987 = 1.0000) as a base. In this 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 3.879, which means that the value of a hotel located in New York was approximately 288% higher than that of a similar hotel in the U.S. 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 2005 for $100,000 per room. If a similar hotel were situated in New York, it would probably have sold for roundly $496,000 per room in 2007. This figure is calculated by taking the 2007 HVI for New York, and dividing it by the 2005 HVI for Philadelphia to determine the value adjustment.

2007 HVI New York (6.189) / 2005 HVI Philadelphia (1.248) = 4.9591

The 2005 sales price of $100,000 per room is then multiplied by the amount of the previously calculated factor of 4.9591, yielding the estimated 2007 sales price per room for New York.

$100,000 x 4.9591 = $495,910

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 2.7898, and in 2007, the HVI for this city was 3.3894. To calculate the estimated percentage change in value for a typical Miami hotel in 2007, divide the 2007 HVI of 3.3894 by the 2006 HVI of 2.7898, and then subtract 1 to get an approximate 22% increase in value from 2006 to 2007.

(3.3894/2.7898) – 1 = 0.2149, or roundly 21%

2008 HVI HIGHLIGHTS

- In 2007, the value of a typical full-service hotel in the United States declined by $5,000 per room, or roundly 5%. Because the HVI utilizes the income capitalization approach to valuation, it remains extremely critical to realize that this decline can be attributed primarily to the concurrent credit crisis and its impact on valuation parameters. The following table illustrates the financing parameters, appraisal parameters, and net operating income utilized in valuing a typical U.S. hotel.

Impact of the Subprime Mortgage Credit Crisis on Hotel Valuation

	Mortgage Constant	Loan to Value	Equity Dividend	Cap. Rate	Net Income	Percent Change	Value Per Room	Percent Change
2005	7.5%	70%	7.8%	7.6%	$6,236	—	$82,000	—
2006	7.2%	80%	7.8%	7.3%	7,303	17%	100,000	22%
2007	9.0%	65%	7.8%	8.6%	8,122	11%	95,000	-5%
2008	10.0%	65%	7.8%	9.2%	8,394	3%	91,000	-4%

Source: HVS

As shown in the preceding table, net operating income illustrated an increase of 11% in 2007 compared to the 2006 level. However, after consideration of lending market dynamics resulting from the credit crisis, a significantly lower loan-to-value ratio of 65%, a higher mortgage constant of 9.0%, and a higher capitalization rate of 8.6% were utilized as valuation parameters in 2007. Consequently, the 2007 per-room value of a typical U.S. hotel declined by 5%, in comparison to 2006. In 2008, although net operating income is forecast to increase by 3%, the relating mortgage constant and capitalization rate are forecast to increase, thus yielding an estimated decline of 4% in average value per room in the United States.

- Forty-three of the 65 markets reviewed experienced declines in per-room value in 2007, which represents a stark contrast to only four of the markets illustrating a decline in per-room value in 2006. Aside from the stringent valuation parameters mentioned previously, a softening in marketwide demand and average rate growth also contributed to declining values for several of the HVI markets in 2007. The following table provides a historical review of the number of markets where hotel values have declined in each year beginning 1991. The year 2007 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

- On a per-room basis, New York, New York, once again recorded the strongest dollar increase in 2007, at a dramatic $126,198. Miami, Florida, exhibited the second-highest value change per room, at $49,272. New York is currently the top-ranked city in terms of per-room value in the United States, at $508,521. Although New York had the second-largest number of rooms under construction in 2007, the city benefited considerably from strong demand fundamentals and a relatively limited room supply.
- In contrast, the 42% decline in per-room value in New Orleans represented the largest per-room value decrease in 2007. Marketwide occupancy and average rate illustrated a decline in 2007 in New Orleans, as government aid workers who had been staying for extended periods of time continued to vacate area hotels; the presence of these workers had falsely inflated occupancy and rate statistics in 2006 in the aftermath of Hurricane Katrina.
- In 2008, a typical hotel in the United States is projected to decline in per-room value by roundly $4,000, or 4%. Thereafter, the United States is forecast to recover in 2009 and illustrate an increase of roundly 8% in per-room value, attaining a level of roundly $98,000. Despite significant growth in marketwide supply, the New York market is expected to

achieve the highest per-room value change between 2007 and 2009, at roundly $148,000. As noted, this can be attributed to the market's strong underlying demand fundamentals, as local hoteliers can afford to curtail current levels of strong average rate growth in favor of maintaining occupancy levels. Considering the limited number of rooms currently under construction, the San Francisco market is forecast to sustain its strong performance and achieve the second-highest change in per-room value between 2007 and 2009, at roundly $90,000, or 31%.

- The Las Vegas market, which represents a leisure and meeting and group destination, currently has a significant amount of supply under construction. Considering this supply factor, coupled with the current state of the economy and its anticipated impact on both leisure and meeting and group travel, we project this market to incur the largest per-room value decline between 2007 and 2009, at roundly $26,000, or 12%. San Antonio ranks fifth in the number of rooms currently under construction. Considering the current state of the economy and the noteworthy influx of new supply, this market is forecast to incur the second-largest decrease in per-room value between 2007 and 2009, at roundly $10,000, or 8%.

The following tables present the historical and projected estimates for the Hotel Valuation Index. We note again that in this year's 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, and then from 2005 to 2007.

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	1.1984	1.2511	1.4671	1.4674	1.5461	1.6228	1.8128	1.7779	1.6849	1.5160	1.4868	1.0902	0.9427	1.0425	0.9103	1.0031	0.9563	0.9979	(1.1) %
Anaheim	1.3681	1.3204	1.3163	0.9652	0.7642	0.6564	0.7822	0.6919	1.0586	1.3200	1.6453	1.5616	1.5787	2.1212	2.1619	1.9639	2.2589	2.9026	4.5
Atlanta	1.3210	1.2004	1.1560	1.0476	1.0448	1.2019	1.6381	1.9715	2.4194	2.7125	2.2011	2.1952	2.2520	2.2451	1.7278	1.6109	1.3420	1.7613	1.7
Austin	0.4378	0.4236	0.6040	0.6406	0.7704	1.0334	1.3693	1.6472	2.3595	2.2652	2.4698	2.4012	2.4148	2.9664	1.9680	1.5375	1.3293	1.4203	7.2
Baltimore	1.7361	1.3918	1.3449	0.9226	0.7642	0.8854	1.0167	1.2987	1.6158	1.8719	2.3649	2.5139	2.7764	3.2886	2.8887	3.3165	3.3487	3.6906	4.5
Boston	2.6189	2.7570	2.3390	2.5084	1.7984	1.9873	2.4123	3.1803	4.0256	4.6598	6.3472	6.5002	6.8274	7.8860	5.1815	4.4133	3.0555	4.3250	3.0
Buffalo	1.3893	1.2623	1.5123	1.4717	1.4782	1.2163	1.1073	1.0595	1.1202	1.1465	1.3324	1.1868	1.2869	1.3489	1.0791	1.1277	1.0375	0.9830	(2.0)
Charlotte	1.0964	1.0956	1.0206	0.7006	0.4989	0.5597	0.6674	0.9501	1.2804	1.6429	1.8950	1.8585	1.8551	1.5622	0.9879	1.0511	1.0199	1.2083	0.6
Chicago	1.6712	1.6503	1.4317	1.4673	1.3072	1.3531	1.6658	2.2335	2.6726	3.1827	4.0211	4.0123	4.0196	4.1146	2.6599	2.4135	2.4652	2.6740	2.8
Cincinnati	1.2447	1.2685	1.1907	1.1310	1.0431	1.1240	1.1459	1.2747	1.4012	1.5360	1.6996	1.5914	1.5390	1.4358	0.9326	1.0697	1.1654	1.3977	0.7
Cleveland	0.8235	0.9120	0.9306	0.7351	0.6410	0.7024	0.9005	1.1989	1.6724	1.6306	1.8908	1.7155	1.6317	1.5411	1.0365	0.9149	0.7777	0.9794	1.0
Columbia	0.8980	0.7536	0.7684	0.6220	0.5799	0.7570	0.8483	0.9236	1.1750	1.2866	1.3988	1.0811	1.0946	1.1069	0.9681	1.1830	1.1709	1.6153	3.5
Dallas	0.9343	0.9937	1.2173	1.1117	1.1578	1.4061	1.5680	1.9608	2.4284	2.6153	2.8358	2.7491	2.4370	2.5052	1.5617	1.4525	1.2095	1.5218	2.9
Dayton	1.1971	0.9991	1.0215	0.6355	0.5591	0.5921	0.6872	0.7093	0.8440	0.8134	0.9924	1.1085	1.0626	1.0739	0.8210	0.9214	1.0422	0.9449	(1.4)
Denver	0.8271	0.7822	0.7426	0.8914	0.9918	1.1873	1.5541	1.7795	2.1300	2.4015	2.8432	2.5966	2.1889	2.3279	1.7801	1.5819	1.3836	1.6756	4.2
Detroit	1.4306	1.1494	0.8838	0.5125	0.3046	0.4114	0.5596	0.9353	1.2632	1.3882	1.5496	1.6845	1.9379	2.0612	1.4360	1.1312	0.9239	1.0845	(1.6)
Fort Lauderdale	1.0898	0.9679	1.0194	0.9388	0.7456	1.4824	1.2577	1.0228	1.3796	1.6701	2.2229	2.0373	2.2125	2.3407	2.0407	1.7375	2.1144	3.1287	6.4
Greensboro	0.6130	0.7082	0.6874	0.4618	0.3138	0.6828	1.0090	1.3024	1.5062	1.1680	1.2909	1.5155	1.3607	1.4279	1.1040	1.2429	1.3380	1.3078	4.6
Hartford	2.1965	1.9582	1.6829	1.4896	0.6493	0.5046	0.4320	0.5804	0.8962	1.1324	1.5474	1.7171	2.0326	2.3739	2.0031	1.7742	1.3826	1.8648	(1.0)
Houston	0.5505	0.7801	0.9002	1.0365	1.1533	1.1338	1.1747	1.2089	1.3685	1.4536	1.9650	2.0716	1.7093	1.8366	1.8663	1.7101	1.2354	1.4461	5.8
Huntsville	0.6007	0.6346	0.6142	0.4830	0.5129	0.6088	0.4555	0.3552	0.3852	0.4681	0.8441	0.5420	0.6630	0.6960	0.6445	0.9673	1.0120	1.1404	3.8
Indianapolis	1.1657	1.0462	1.0700	0.8614	0.9060	1.0228	1.1748	1.3608	1.6880	1.7043	1.8698	1.5559	1.4432	1.7389	1.5464	1.5746	1.5584	1.8988	2.9
Jacksonville	0.8241	0.7644	0.8484	0.7120	0.5751	0.8060	1.0102	1.1885	1.5284	1.8416	2.1498	1.8416	1.7457	1.9176	1.7325	1.9353	2.2915	2.6219	7.0
Kansas City	1.0499	1.0912	1.0020	0.7634	0.6585	0.7951	1.1097	1.3148	1.6631	1.8262	2.0111	1.7604	1.5397	1.4957	1.2676	1.2588	0.9859	1.2366	1.0
Las Vegas	1.0381	1.1129	1.1866	1.3183	0.8547	0.9527	1.4239	2.1100	2.4684	3.3486	3.2707	2.9028	3.1156	4.0137	3.4358	3.6656	4.9908	6.1695	11.1
Long Island	3.8181	2.8874	2.4302	1.4647	0.9115	0.8674	1.0637	1.3678	1.7874	2.0434	2.6655	3.2101	3.9779	5.1292	4.4995	3.9211	3.7282	3.6195	(0.3)
Los Angeles	1.6632	1.5974	1.5989	1.6399	1.0267	0.6269	0.5114	0.9353	0.9854	1.3600	2.1230	2.5145	2.7099	3.2966	2.4790	2.3681	2.4630	3.6621	4.8
Memphis	0.8255	0.6145	0.6369	0.5402	0.5974	0.6710	0.9721	1.2850	1.4499	1.4254	1.6615	1.5149	1.2619	1.0681	0.8921	0.9810	0.9402	1.2035	2.2
Miami	0.6081	0.7918	0.9513	1.2077	1.3105	2.3167	2.0438	0.9201	1.8821	2.1940	2.8830	2.8770	3.3218	3.4300	2.3834	1.6557	2.1167	3.5294	10.9
Milwaukee	0.9565	1.0164	0.9304	0.8801	0.7074	0.6912	0.7774	0.8577	1.0070	0.9713	1.1562	1.2070	1.2091	1.3146	0.9656	1.0726	1.1167	1.2022	1.4
Minneapolis	1.0549	0.8375	0.7164	0.6420	0.8676	1.1725	1.4038	1.6962	2.0039	1.9701	2.2696	2.2503	2.0933	2.2890	1.7767	1.6855	1.4584	1.9026	3.5
Nashville	1.3917	1.1460	1.1489	0.9983	0.9459	1.1452	1.3494	1.7258	2.1278	2.1194	2.3729	1.8909	1.7243	1.6281	1.2375	1.3884	1.5600	1.8097	1.6
New Haven	1.9673	1.7683	1.4876	1.0466	0.6223	0.5318	0.5948	0.6484	0.9303	1.0813	1.5351	1.6913	1.9070	2.1848	1.9993	2.0347	1.6722	1.8022	(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	1.1360	1.4856	1.5404	1.5809	1.6683	2.0790	2.1053	2.6377	3.0356	3.0053	3.3986	3.4247	3.7541	4.0290	3.3576	3.2584	2.9304	3.1830	6.2 %
New York	1.3763	1.4653	1.4508	0.9872	0.8072	0.6727	0.8072	0.5381	1.4577	2.9266	4.8438	6.4373	6.8542	8.1500	3.7000	2.8327	2.0163	5.2169	8.2
Norfolk	1.5616	1.3723	1.2705	0.8489	0.7270	0.7561	0.7463	0.7895	0.9635	0.9123	1.1354	1.2368	1.1382	1.2682	1.1780	1.7362	1.9802	1.8121	0.9
Oahu	2.2298	2.5106	3.0888	3.9194	3.2305	3.7655	2.7633	3.1202	4.3241	4.4837	4.9374	3.7996	3.3824	4.5065	3.3930	3.5961	4.2898	6.1733	6.2
Oakland	1.2486	1.1997	1.2231	0.9836	0.9271	0.9627	0.8394	0.9447	1.3153	1.8104	2.6614	2.8742	2.9746	4.0194	3.1409	2.1757	1.5180	1.7282	1.9
Omaha	0.2243	0.3519	0.4879	0.4686	0.3580	0.3105	0.4942	0.5111	0.8594	0.8428	0.9969	1.2156	1.2252	1.0842	1.0448	1.1109	1.1588	1.3918	11.3
Orlando	1.8159	1.9092	2.3933	2.1740	1.8509	2.1503	2.0070	1.9486	2.2663	2.9399	3.6884	3.3794	3.1080	3.2309	2.1599	2.2498	2.0995	3.1307	3.3
Philadelphia	1.9525	1.5419	1.2380	0.9099	0.6219	0.5612	0.7272	1.1166	1.4292	1.9136	2.5116	2.4842	2.3087	2.3672	1.7014	2.1035	1.9006	2.2953	1.0
Phoenix	1.4217	1.1414	1.6077	1.4062	1.2037	1.4226	1.9978	2.6159	3.3061	3.5922	3.8186	3.0266	2.5392	2.6160	1.9632	1.7493	1.9656	2.7662	4.0
Pittsburgh	1.1668	1.1063	1.2424	1.1382	1.0753	1.2225	1.2860	1.4756	1.4932	1.5986	1.6236	1.4834	1.5538	1.6447	1.1583	1.2128	1.1697	1.4178	1.2
Portland	1.1693	1.4630	1.7518	1.7272	1.8670	1.7579	1.9404	2.0297	2.5546	2.7265	2.6387	2.1715	1.8740	1.7419	1.3806	1.3848	1.3107	1.5981	1.9
Raleigh-Durham	1.0312	0.8341	0.7103	0.5782	0.5287	0.7918	0.9813	1.1493	1.6945	2.1608	2.3130	1.7523	1.6027	1.7100	1.3194	1.2467	1.2069	1.4675	2.1
Richmond	1.4130	1.3197	1.2666	1.1341	0.9132	0.9708	0.9782	1.0154	1.1556	1.3491	1.5781	1.5171	1.3174	1.3770	1.1014	1.1334	1.5155	1.6904	1.1
Rochester	1.8104	1.7574	1.7272	1.5531	1.6256	1.2491	1.0692	0.8228	1.1334	0.9855	1.0703	1.3672	1.3718	1.3659	1.0356	1.1324	1.3412	1.2172	(2.3)
Sacramento	1.0305	0.9646	0.9193	0.8088	0.7447	0.9678	1.0997	1.2316	1.4852	1.3781	1.6893	1.8286	1.7644	2.1596	1.8037	1.8640	1.9305	2.1926	4.5
Salt Lake City	1.1402	1.3351	1.4902	1.5072	1.5444	1.7454	2.0710	2.2500	2.5106	3.0115	3.1370	2.4755	1.9502	1.8581	1.6689	2.7093	1.7760	1.9651	3.3
San Antonio	0.8566	1.2077	1.4265	1.3189	1.4277	1.9200	2.2826	2.2008	2.2416	2.0038	2.1091	2.2711	2.2194	2.3803	2.1985	2.6407	2.4095	2.5648	6.7
San Diego	2.0740	1.8436	1.8178	1.3067	1.2970	1.3249	1.1590	1.3574	1.7683	2.0970	2.9834	3.6503	3.8231	4.2701	3.8042	3.9491	4.3278	4.6983	4.9
San Francisco	2.7889	2.5331	2.4141	2.9024	2.4263	2.4535	2.8387	3.2965	4.2001	5.2205	7.1401	7.2992	7.3513	8.9028	5.1377	3.2323	2.8464	4.0253	2.2
San Jose	1.5148	1.6260	1.8013	1.5163	1.2266	1.1642	1.2073	1.5103	2.2967	3.2210	4.3801	4.3914	4.5281	6.3909	3.9369	2.3298	1.2634	1.5551	0.2
Santa Fe	1.8965	2.3853	3.1046	3.2900	3.2479	3.6872	4.6215	3.6735	3.3639	2.8363	3.3722	3.2590	3.2849	3.3112	3.0670	3.5717	3.2936	3.5704	3.8
Seattle	1.4464	1.6019	1.9266	1.8970	1.8062	1.8131	1.9399	2.1263	2.7336	3.0026	3.4700	3.3187	2.9911	3.0477	2.3784	2.1321	2.2091	2.6999	3.7
St. Louis	0.7769	0.7857	0.7535	0.7071	0.6670	0.7740	0.9384	1.1455	1.3345	1.3486	1.4319	1.2623	1.2930	1.4289	1.2278	1.3812	1.1750	1.3044	3.1
Stamford	1.8394	1.8576	1.6639	1.3715	1.1570	0.9428	1.1519	1.1596	1.5282	2.1436	2.7817	3.3869	3.4008	4.0905	2.8436	2.4022	2.0357	2.2516	1.2
Syracuse	1.4258	1.5353	1.7273	1.7243	1.3682	1.2585	1.1208	1.0285	1.1259	1.0482	1.1961	1.3535	1.4367	1.2331	1.1867	1.5712	1.5235	1.4824	0.2
Tallahassee	0.3308	0.3737	0.4061	0.5474	0.4304	0.4497	0.5908	0.6237	0.8357	0.7931	0.9070	0.9802	1.0860	1.2196	0.9585	1.1493	1.3622	1.8190	10.5
Tampa	0.6643	0.6925	1.0189	0.9921	0.9205	0.8994	0.9239	0.9732	1.1187	1.4168	1.8840	1.8616	1.9831	2.0582	1.8781	1.5599	1.5442	2.0969	7.0
Tucson	1.0771	1.1462	1.3440	1.2202	1.1869	1.3245	1.7403	1.8808	2.4202	2.4339	2.4224	2.1615	2.0731	2.0706	1.6952	1.5105	1.4498	1.7521	2.9
United States	**1.0000**	**0.9910**	**1.0189**	**0.8587**	**0.7375**	**0.7960**	**0.8783**	**1.0046**	**1.2075**	**1.3474**	**1.5930**	**1.6066**	**1.6393**	**1.8486**	**1.4018**	**1.3885**	**1.3757**	**1.7558**	**3.4**
Washington DC	2.0089	1.9814	2.0102	1.7806	1.5275	1.7388	2.2739	2.2403	2.7851	2.7452	3.6838	3.6581	3.9577	4.5253	3.5994	3.8874	4.1190	5.5059	6.1
Wilmington	1.8580	2.2057	1.5918	0.9783	0.5475	0.5092	0.3751	0.4583	0.7351	1.0298	1.7477	1.7754	1.9202	1.8257	1.4865	1.4647	1.8480	1.8767	0.1
Winston-Salem	1.2328	1.1983	1.3789	1.1279	0.9891	1.4254	1.5987	1.4001	1.6463	1.5339	1.6803	1.4954	1.2055	1.1554	0.9647	0.9965	1.0665	0.9471	(1.5)
WPB - Boca Raton	1.0920	0.9832	1.0034	0.4309	0.3679	0.9499	1.4432	1.3781	1.6801	1.8196	2.5407	2.4881	2.6322	3.1341	2.6178	2.3715	2.7136	4.2183	8.3

Hotel Valuation Index – 2005 to 2007

Market	2005	2006	2007	CAGR (2005-2007)
Albuquerque	0.5498	0.7041	0.6851	11.6 %
Anaheim	1.7647	2.0914	1.9967	6.4
Atlanta	1.0877	1.3405	1.1628	3.4
Austin	1.0784	1.6404	1.7367	26.9
Baltimore	1.7645	1.8980	1.6484	(3.3)
Boston	2.3354	2.6315	3.1682	16.5
Buffalo	0.5829	0.7434	0.8318	19.5
Charlotte	0.8126	1.2058	1.3193	27.4
Chicago	1.7022	2.4235	2.5691	22.9
Cincinnati	0.7116	0.8458	0.7410	2.0
Cleveland	0.4585	0.7090	0.6680	20.7
Columbia	0.9273	1.0091	0.9452	1.0
Dallas	1.0163	1.3043	1.2012	8.7
Dayton	0.4581	0.5223	0.4065	(5.8)
Denver	1.0610	1.5203	1.6111	23.2
Detroit	0.5656	0.7291	0.6206	4.8
Fort Lauderdale	1.7007	2.0345	1.7727	2.1
Greensboro	0.6397	0.7704	0.5951	(3.6)
Hartford	0.7861	0.7923	0.7271	(3.8)
Houston	1.0686	1.2760	1.3241	11.3
Huntsville	0.6466	0.7070	0.8224	12.8
Indianapolis	0.9074	1.0961	0.9674	3.2
Jacksonville	1.4773	1.4784	1.3287	(5.2)
Kansas City	0.6485	0.8177	0.7599	8.3
Las Vegas	2.6770	2.4460	2.5621	(2.2)
Long Island	1.9234	1.8091	1.7713	(4.0)
Los Angeles	2.1510	2.3834	2.6385	10.8
Memphis	0.7400	0.9471	0.8949	10.0
Miami	2.6584	2.7898	3.3894	12.9
Milwaukee	0.6884	0.9643	0.8648	12.1
Minneapolis	1.1410	1.3499	1.2721	5.6
Nashville	0.9244	1.3169	1.2609	16.8
New Haven	0.8160	0.8502	0.8557	2.4

Hotel Valuation Index – 2005 to 2007 (continued)

Market	2005	2006	2007	CAGR (2005-2007)
New Orleans	1.6991	1.4207	0.8289	(30.2) %
New York	3.8792	4.6531	6.1891	26.3
Norfolk	0.7808	0.8097	0.8083	1.7
Oahu	4.2028	4.3269	4.0464	(1.9)
Oakland	0.9548	1.2352	1.2890	16.2
Omaha	0.7537	1.0246	0.9432	11.9
Orlando	1.4387	1.5341	1.3951	(1.5)
Philadelphia	1.2481	1.4604	1.4131	6.4
Phoenix	1.6316	2.0896	1.8742	7.2
Pittsburgh	0.7067	1.0800	1.0300	20.7
Portland	1.0073	1.3602	1.4187	18.7
Raleigh-Durham	0.7146	1.0072	1.0110	18.9
Richmond	0.8552	0.9928	1.0296	9.7
Rochester	0.6210	0.9419	0.9298	22.4
Sacramento	1.0580	1.3179	1.0259	(1.5)
Salt Lake City	1.1749	1.5612	1.5438	14.6
San Antonio	1.4125	1.7198	1.4893	2.7
San Diego	2.3445	2.8203	2.6455	6.2
San Francisco	2.5100	2.9590	3.5191	18.4
San Jose	1.0820	1.6112	1.7397	26.8
Santa Fe	1.7795	1.8401	1.6626	(3.3)
Seattle	1.5458	2.1317	2.0939	16.4
St. Louis	0.6886	0.7734	0.7505	4.4
Stamford	1.1629	1.3298	1.3012	5.8
Syracuse	0.7815	0.7668	0.8038	1.4
Tallahassee	0.8936	0.8756	0.5656	(20.4)
Tampa	1.1445	1.2472	1.0302	(5.1)
Tucson	1.1473	1.4588	1.3498	8.5
United States	**1.0000**	**1.2143**	**1.1522**	**7.3**
Washington DC	3.1710	2.9366	3.2034	0.5
Wilmington	0.9151	1.1438	1.1398	11.6
Winston-Salem	0.5519	0.7257	0.7789	18.8
WPB - Boca Raton	2.3270	2.3597	1.8113	(11.8)

The table on the following two pages exhibits per-room values for 65 HVI markets for the past ten years, as well as forecasts for 2008. 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 2008.

Per-Room Value by Market – 1998 to 2008

Market	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008*
Albuquerque	$40,428	$34,956	$38,646	$33,718	$37,141	$35,369	$36,929	$45,176	$57,856	$56,288	$58,034
Anaheim	$58,222	$58,887	$79,042	$80,530	$73,191	$83,964	$107,019	$144,993	$171,842	$164,061	$158,669
Atlanta	$81,519	$83,634	$83,382	$64,065	$59,699	$49,720	$65,300	$89,369	$110,145	$95,541	$92,524
Austin	$89,360	$89,783	$110,288	$73,172	$57,164	$49,435	$52,824	$88,605	$134,783	$142,696	$145,967
Baltimore	$93,300	$103,050	$121,968	$107,316	$123,383	$124,498	$137,201	$144,981	$155,950	$135,442	$126,762
Boston	$242,223	$255,095	$294,298	$193,054	$164,407	$113,918	$161,253	$191,883	$216,217	$260,310	$266,229
Buffalo	$44,172	$47,894	$50,299	$41,838	$43,675	$39,933	$37,356	$47,890	$61,079	$68,341	$63,654
Charlotte	$69,122	$68,999	$58,113	$36,754	$39,102	$37,869	$44,816	$66,767	$99,077	$108,402	$105,233
Chicago	$149,082	$149,357	$152,920	$98,812	$89,707	$91,615	$99,546	$139,859	$199,126	$211,087	$195,603
Cincinnati	$55,632	$53,973	$50,476	$34,244	$39,337	$42,375	$51,250	$58,465	$69,492	$60,886	$59,700
Cleveland	$63,794	$60,716	$57,321	$38,554	$34,032	$28,936	$36,445	$37,672	$58,259	$54,883	$54,315
Columbia	$40,227	$40,755	$41,187	$36,033	$44,041	$43,605	$60,146	$76,192	$82,915	$77,664	$75,197
Dallas	$102,049	$90,480	$93,023	$57,981	$53,825	$44,587	$56,114	$83,505	$107,168	$98,694	$98,598
Dayton, OH	$41,132	$39,440	$39,853	$30,467	$34,166	$38,672	$35,040	$37,643	$42,917	$33,402	$29,452
Denver	$96,533	$81,366	$86,549	$66,196	$58,813	$51,437	$62,280	$87,173	$124,913	$132,378	$135,300
Detroit	$62,637	$72,021	$76,595	$53,383	$42,059	$34,358	$40,333	$46,469	$59,909	$50,990	$51,227
Fort Lauderdale	$76,022	$82,499	$87,276	$76,103	$64,849	$79,041	$117,417	$139,738	$167,163	$145,655	$155,522
Greensboro, NC	$56,289	$50,539	$53,041	$41,023	$46,206	$49,745	$48,628	$52,564	$63,297	$48,896	$44,174
Hartford	$63,376	$75,087	$87,742	$73,968	$65,462	$50,918	$68,714	$64,590	$65,102	$59,738	$57,234
Houston	$76,813	$63,394	$68,133	$69,224	$63,505	$45,867	$53,708	$87,804	$104,841	$108,790	$107,495
Huntsville, AL	$20,131	$24,641	$25,863	$23,967	$35,924	$37,588	$42,350	$53,130	$58,093	$67,570	$71,643
Indianapolis	$57,872	$53,705	$64,694	$57,546	$58,621	$58,018	$70,668	$74,559	$90,060	$79,483	$78,032
Jacksonville	$68,001	$66,643	$73,109	$65,982	$73,554	$86,986	$99,843	$121,383	$121,475	$109,172	$104,289
Kansas City	$65,514	$57,309	$55,685	$47,201	$46,872	$36,691	$46,080	$53,281	$67,187	$62,439	$61,257
Las Vegas	$107,841	$115,827	$149,291	$127,803	$136,380	$185,880	$230,105	$219,955	$200,975	$210,514	$174,850
Long Island	$119,853	$148,037	$191,208	$167,860	$146,041	$139,161	$135,171	$158,032	$148,640	$145,540	$137,635
Los Angeles	$93,154	$100,426	$122,297	$92,088	$87,983	$91,563	$136,070	$176,738	$195,832	$216,787	$214,056
Memphis	$56,320	$46,906	$39,717	$33,177	$36,479	$34,968	$44,749	$60,806	$77,815	$73,533	$73,296
Miami	$106,925	$123,438	$127,324	$88,512	$61,406	$78,632	$131,086	$218,423	$229,218	$278,490	$265,409
Milwaukee	$45,150	$45,228	$49,067	$36,047	$40,064	$41,707	$44,899	$56,566	$79,234	$71,057	$72,733
Minneapolis	$83,636	$77,727	$85,010	$65,965	$62,572	$54,113	$70,604	$93,746	$110,910	$104,521	$103,739
Nashville	$70,407	$64,100	$60,535	$46,040	$51,601	$58,079	$67,471	$75,950	$108,200	$103,600	$104,316
New Haven	$62,956	$70,972	$81,327	$74,446	$75,794	$62,318	$67,169	$67,048	$69,854	$70,306	$68,991

***Forecast**

Per-Room Value by Market – 1998-2008 (continued)

Market	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008*
New Orleans	$127,246	$139,492	$149,716	$124,772	$121,106	$109,026	$118,400	$139,607	$116,730	$68,103	$67,627
New York	$239,439	$254,963	$303,131	$137,706	$105,581	$100,000	$193,403	$318,732	$382,322	$508,521	$515,365
Norfolk	$46,137	$42,408	$47,318	$43,987	$64,808	$73,941	$67,845	$64,151	$66,528	$66,414	$64,835
Oahu	$142,496	$126,848	$168,856	$127,387	$135,069	$161,217	$232,984	$345,319	$355,513	$332,467	$318,510
Oakland	$106,898	$110,626	$149,443	$116,792	$80,926	$56,472	$64,271	$78,451	$101,489	$105,909	$110,649
Omaha	$45,214	$45,575	$40,331	$38,878	$41,344	$43,125	$51,329	$61,931	$84,189	$77,501	$71,494
Orlando	$125,443	$115,379	$120,088	$80,272	$83,714	$78,073	$116,569	$118,208	$126,045	$114,624	$108,183
Philadelphia	$92,390	$85,790	$87,974	$63,176	$78,246	$71,007	$85,846	$102,547	$119,993	$116,109	$115,919
Phoenix	$112,337	$94,195	$97,073	$72,833	$64,897	$72,914	$102,663	$134,060	$171,693	$153,996	$147,211
Pittsburgh	$54,982	$57,623	$60,982	$42,922	$44,940	$43,380	$52,777	$58,067	$88,736	$84,628	$85,347
Portland, OR	$80,752	$69,673	$64,788	$51,344	$51,467	$48,714	$59,432	$82,761	$111,756	$116,568	$116,201
Raleigh-Durham	$65,146	$59,734	$63,548	$49,039	$46,335	$44,856	$54,541	$58,715	$82,758	$83,069	$80,970
Richmond, VA	$56,377	$48,954	$51,179	$40,955	$42,163	$56,381	$62,867	$70,268	$81,572	$84,594	$76,163
Rochester, NY	$50,858	$51,162	$50,973	$38,605	$42,120	$49,842	$45,337	$51,024	$77,393	$76,397	$70,228
Sacramento	$68,383	$65,848	$80,459	$67,087	$69,391	$72,197	$81,641	$86,928	$108,281	$84,290	$75,050
Salt Lake City	$91,936	$72,414	$68,995	$61,983	$100,620	$65,948	$72,977	$96,537	$128,276	$126,845	$128,844
San Antonio	$84,528	$82,589	$88,576	$81,812	$98,271	$89,698	$95,611	$116,059	$141,305	$122,363	$107,405
San Diego	$135,802	$142,237	$158,842	$141,542	$146,923	$161,039	$174,814	$192,631	$231,727	$217,368	$213,173
San Francisco	$271,249	$273,149	$330,714	$190,859	$120,129	$105,799	$149,594	$206,233	$243,121	$289,148	$301,549
San Jose	$163,170	$168,258	$237,504	$146,308	$86,588	$46,951	$57,801	$88,898	$132,383	$142,939	$154,806
Santa Fe	$121,134	$122,091	$123,068	$113,990	$132,742	$122,420	$132,714	$146,210	$151,194	$136,604	$125,350
Seattle	$123,361	$111,176	$113,278	$88,425	$79,259	$82,128	$100,364	$127,011	$175,146	$172,043	$174,177
St. Louis	$46,707	$47,843	$52,887	$45,439	$51,126	$43,471	$48,252	$56,581	$63,548	$61,665	$59,174
Stamford, CT	$126,065	$126,548	$152,190	$105,845	$89,390	$75,768	$83,806	$95,553	$109,260	$106,914	$106,487
Syracuse	$50,299	$53,395	$45,822	$44,087	$58,365	$56,631	$55,095	$64,212	$63,005	$66,041	$60,385
Tallahassee	$36,501	$40,443	$45,397	$35,696	$42,801	$50,733	$67,699	$73,419	$71,942	$46,471	$45,585
Tampa	$68,641	$73,135	$76,021	$69,326	$57,973	$57,391	$77,941	$94,040	$102,476	$84,643	$84,075
Tucson	$80,194	$76,987	$76,931	$63,142	$56,241	$53,988	$65,269	$94,264	$119,858	$110,904	$117,349
United States	**$59,916**	**$61,138**	**$68,914**	**$52,291**	**$51,815**	**$51,395**	**$65,497**	**$82,164**	**$99,773**	**$94,668**	**$90,937**
Washington DC	$136,003	$147,144	$168,236	$133,814	$144,639	$153,329	$204,809	$260,543	$241,279	$263,208	$234,299
Wilmington, DL	$66,026	$71,424	$67,900	$55,311	$54,473	$68,755	$69,820	$75,191	$93,977	$93,651	$94,554
Winston-Salem	$55,686	$44,957	$43,064	$35,941	$37,109	$39,716	$35,282	$45,344	$59,627	$64,000	$63,887
WPB - Boca Raton	$92,296	$97,636	$116,267	$97,115	$87,937	$100,634	$156,546	$191,192	$193,887	$148,825	$139,471

***Forecast**

Annual Percentage Changes in Per-Room Value by Market – 1998 to 2008

Market	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 *
Albuquerque	-27%	-14%	11%	-13%	10%	-5%	4%	22%	28%	-3%	3%
Anaheim	-5%	1%	34%	2%	-9%	15%	27%	35%	19%	-5%	-3%
Atlanta	0%	3%	0%	-23%	-7%	-17%	31%	37%	23%	-13%	-3%
Austin	-3%	0%	23%	-34%	-22%	-14%	7%	68%	52%	6%	2%
Baltimore	6%	10%	18%	-12%	15%	1%	10%	6%	8%	-13%	-6%
Boston	2%	5%	15%	-34%	-15%	-31%	42%	19%	13%	20%	2%
Buffalo	-11%	8%	5%	-17%	4%	-9%	-6%	28%	28%	12%	-7%
Charlotte	-2%	0%	-16%	-37%	6%	-3%	18%	49%	48%	9%	-3%
Chicago	0%	0%	2%	-35%	-9%	2%	9%	40%	42%	6%	-7%
Cincinnati	-6%	-3%	-6%	-32%	15%	8%	21%	14%	19%	-12%	-2%
Cleveland	-9%	-5%	-6%	-33%	-12%	-15%	26%	3%	55%	-6%	-1%
Columbia	-23%	1%	1%	-13%	22%	-1%	38%	27%	9%	-6%	-3%
Dallas	-3%	-11%	3%	-38%	-7%	-17%	26%	49%	28%	-8%	-0%
Dayton	12%	-4%	1%	-24%	12%	13%	-9%	7%	14%	-22%	-12%
Denver	-9%	-16%	6%	-24%	-11%	-13%	21%	40%	43%	6%	2%
Detroit	9%	15%	6%	-30%	-21%	-18%	17%	15%	29%	-15%	0%
Fort Lauderdale	-8%	9%	6%	-13%	-15%	22%	49%	19%	20%	-13%	7%
Greensboro	17%	-10%	5%	-23%	13%	8%	-2%	8%	20%	-23%	-10%
Hartford	11%	18%	17%	-16%	-11%	-22%	35%	-6%	1%	-8%	-4%
Houston	5%	-17%	7%	2%	-8%	-28%	17%	63%	19%	4%	-1%
Huntsville	-36%	22%	5%	-7%	50%	5%	13%	25%	9%	16%	6%
Indianapolis	-17%	-7%	20%	-11%	2%	-1%	22%	6%	21%	-12%	-2%
Jacksonville	-14%	-2%	10%	-10%	11%	18%	15%	22%	0%	-10%	-4%
Kansas City	-12%	-13%	-3%	-15%	-1%	-22%	26%	16%	26%	-7%	-2%
Las Vegas	-11%	7%	29%	-14%	7%	36%	24%	-4%	-9%	5%	-17%
Long Island	20%	24%	29%	-12%	-13%	-5%	-3%	17%	-6%	-2%	-5%
Los Angeles	19%	8%	22%	-25%	-4%	4%	49%	30%	11%	11%	-1%
Memphis	-9%	-17%	-15%	-16%	10%	-4%	28%	36%	28%	-6%	-0%
Miami	0%	15%	3%	-30%	-31%	28%	67%	67%	5%	21%	-5%
Milwaukee	4%	0%	8%	-27%	11%	4%	8%	26%	40%	-10%	2%
Minneapolis	-1%	-7%	9%	-22%	-5%	-14%	30%	33%	18%	-6%	-1%
Nashville	-21%	-9%	-6%	-24%	12%	13%	16%	13%	42%	-4%	1%
New Haven	10%	13%	15%	-8%	2%	-18%	8%	0%	4%	1%	-2%

*Forecast

Annual Percentage Changes in Per-Room Value by Market – 1998 to 2008 (continued)

Market	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 *
New Orleans	1%	10%	7%	-17%	-3%	-10%	9%	18%	-16%	-42%	-1%
New York	33%	6%	19%	-55%	-23%	-5%	93%	65%	20%	33%	1%
Norfolk	9%	-8%	12%	-7%	47%	14%	-8%	-5%	4%	-0%	-2%
Oahu	-23%	-11%	33%	-25%	6%	19%	45%	48%	3%	-6%	-4%
Oakland	8%	3%	35%	-22%	-31%	-30%	14%	22%	29%	4%	4%
Omaha	22%	1%	-12%	-4%	6%	4%	19%	21%	36%	-8%	-8%
Orlando	-8%	-8%	4%	-33%	4%	-7%	49%	1%	7%	-9%	-6%
Philadelphia	-1%	-7%	3%	-28%	24%	-9%	21%	19%	17%	-3%	-0%
Phoenix	-21%	-16%	3%	-25%	-11%	12%	41%	31%	28%	-10%	-4%
Pittsburgh	-9%	5%	6%	-30%	5%	-3%	22%	10%	53%	-5%	1%
Portland	-18%	-14%	-7%	-21%	0%	-5%	22%	39%	35%	4%	-0%
Raleigh-Durham	-24%	-8%	6%	-23%	-6%	-3%	22%	8%	41%	0%	-3%
Richmond	-4%	-13%	5%	-20%	3%	34%	12%	12%	16%	4%	-10%
Rochester	28%	1%	0%	-24%	9%	18%	-9%	13%	52%	-1%	-8%
Sacramento	8%	-4%	22%	-17%	3%	4%	13%	6%	25%	-22%	-11%
Salt Lake City	-21%	-21%	-5%	-10%	62%	-34%	11%	32%	33%	-1%	2%
San Antonio	8%	-2%	7%	-8%	20%	-9%	7%	21%	22%	-13%	-12%
San Diego	22%	5%	12%	-11%	4%	10%	9%	10%	20%	-6%	-2%
San Francisco	2%	1%	21%	-42%	-37%	-12%	41%	38%	18%	19%	4%
San Jose	0%	3%	41%	-38%	-41%	-46%	23%	54%	49%	8%	8%
Santa Fe	-3%	1%	1%	-7%	16%	-8%	8%	10%	3%	-10%	-8%
Seattle	-4%	-10%	2%	-22%	-10%	4%	22%	27%	38%	-2%	1%
St. Louis	-12%	2%	11%	-14%	13%	-15%	11%	17%	12%	-3%	-4%
Stamford	22%	0%	20%	-30%	-16%	-15%	11%	14%	14%	-2%	-0%
Syracuse	13%	6%	-14%	-4%	32%	-3%	-3%	17%	-2%	5%	-9%
Tallahassee	8%	11%	12%	-21%	20%	19%	33%	8%	-2%	-35%	-2%
Tampa	-1%	7%	4%	-9%	-16%	-1%	36%	21%	9%	-17%	-1%
Tucson	-11%	-4%	0%	-18%	-11%	-4%	21%	44%	27%	-7%	6%
United States	**1%**	**2%**	**13%**	**-24%**	**-1%**	**-1%**	**27%**	**25%**	**21%**	**-5%**	**-4%**
Washington DC	-1%	8%	14%	-20%	8%	6%	34%	27%	-7%	9%	-11%
Wilmington	2%	8%	-5%	-19%	-2%	26%	2%	8%	25%	-0%	1%
Winston-Salem	-11%	-19%	-4%	-17%	3%	7%	-11%	29%	31%	7%	-0%
WPB - Boca Raton	-2%	6%	19%	-16%	-9%	14%	56%	22%	1%	-23%	-6%

*Forecast

The following tables demonstrate the pertinent changes in hotel values for three periods of time: the year 2007, from 2000 to 2007, and from 2007 to 2009 (forecast). The 2000 to 2007 historical period provides both a percent change in value that compares 2000 per-room values to those of 2007, as well as a calculation of the compounded annual growth rate (CAGR). Following the presentation of this data are pertinent observations for the markets included in the HVI.

Change in Per-Room Value in 2007

Market	Percent Change	Per-Room Value Change	Market	Percent Change	Per-Room Value Change
New York	33 %	$126,198	Anaheim	(5) %	($7,781)
Miami	21	49,272	Pittsburgh	(5)	(4,107)
Boston	20	44,093	**United States**	**(5)**	**(5,105)**
San Francisco	19	46,027	Memphis	(6)	(4,282)
Huntsville, AL	16	9,477	Minneapolis	(6)	(6,389)
Buffalo	12	7,262	Cleveland	(6)	(3,376)
Los Angeles	11	20,955	San Diego	(6)	(14,358)
Charlotte	9	9,325	Columbia	(6)	(5,251)
Washington DC	9	21,929	Oahu	(6)	(23,046)
San Jose	8	10,556	Kansas City	(7)	(4,748)
Winston-Salem	7	4,373	Tucson	(7)	(8,954)
Chicago	6	11,961	Dallas	(8)	(8,475)
Denver	6	7,465	Omaha	(8)	(6,688)
Austin	6	7,914	Hartford	(8)	(5,363)
Syracuse	5	3,037	Orlando	(9)	(11,421)
Las Vegas	5	9,539	Santa Fe	(10)	(14,590)
Oakland	4	4,420	Jacksonville	(10)	(12,303)
Portland	4	3,022	Phoenix	(10)	(17,697)
Houston	4	3,949	Milwaukee	(10)	(8,177)
Richmond, VA	4	3,022	Indianapolis	(12)	(10,577)
New Haven	1	452	Cincinnati	(12)	(8,606)
Raleigh-Durham	0	311	Fort Lauderdale	(13)	(21,508)
Norfolk	(0)	(114)	Baltimore	(13)	(20,508)
Wilmington, DE	(0)	(326)	Atlanta	(13)	(14,603)
Salt Lake City	(1)	(1,431)	San Antonio	(13)	(18,942)
Rochester, NY	(1)	(996)	Detroit	(15)	(8,919)
Seattle	(2)	(3,103)	Tampa	(17)	(17,833)
Long Island	(2)	(3,100)	Sacramento	(22)	(23,991)
Stamford, CT	(2)	(2,346)	Dayton, OH	(22)	(9,516)
Albuquerque	(3)	(1,568)	Greensboro, NC	(23)	(14,401)
St. Louis	(3)	(1,884)	WPB - Boca Raton	(23)	(45,062)
Philadelphia	(3)	(3,885)	Tallahassee	(35)	(25,470)
Nashville	(4)	(4,600)	New Orleans	(42)	(48,627)

2007 HVI and Percentage Change in Value

Market	Index	Percent Change	Market	Index	Percent Change
New York	6.1891	33 %	Nashville	1.2609	(4) %
Oahu	4.0464	(6)	Dallas	1.2012	(8)
San Francisco	3.5191	19	Atlanta	1.1628	(13)
Miami	3.3894	21	**United States**	**1.1522**	**(5)**
Washington DC	3.2034	9	Wilmington	1.1398	(0)
Boston	3.1682	20	Tampa	1.0302	(17)
San Diego	2.6455	(6)	Pittsburgh	1.0300	(5)
Los Angeles	2.6385	11	Richmond	1.0296	4
Chicago	2.5691	6	Sacramento	1.0259	(22)
Las Vegas	2.5621	5	Raleigh-Durham	1.0110	0
Seattle	2.0939	(2)	Indianapolis	0.9674	(12)
Anaheim	1.9967	(5)	Columbia	0.9452	(6)
Phoenix	1.8742	(10)	Omaha	0.9432	(8)
WPB - Boca Raton	1.8113	(23)	Rochester	0.9298	(1)
Fort Lauderdale	1.7727	(13)	Memphis	0.8949	(6)
Long Island	1.7713	(2)	Milwaukee	0.8648	(10)
San Jose	1.7397	8	New Haven	0.8557	1
Austin	1.7367	6	Buffalo	0.8318	12
Santa Fe	1.6626	(10)	New Orleans	0.8289	(42)
Baltimore	1.6484	(13)	Huntsville	0.8224	16
Denver	1.6111	6	Norfolk	0.8083	(0)
Salt Lake City	1.5438	(1)	Syracuse	0.8038	5
San Antonio	1.4893	(13)	Winston-Salem	0.7789	7
Portland	1.4187	4	Kansas City	0.7599	(7)
Philadelphia	1.4131	(3)	St. Louis	0.7505	(3)
Orlando	1.3951	(9)	Cincinnati	0.7410	(12)
Tucson	1.3498	(7)	Hartford	0.7271	(8)
Jacksonville	1.3287	(10)	Albuquerque	0.6851	(3)
Houston	1.3241	4	Cleveland	0.6680	(6)
Charlotte	1.3193	9	Detroit	0.6206	(15)
Stamford	1.3012	(2)	Greensboro	0.5951	(23)
Oakland	1.2890	4	Tallahassee	0.5656	(35)
Minneapolis	1.2721	(6)	Dayton	0.4065	(22)

Change in Per-Room Value – 2000 to 2007

Market	Per-Room Value Change	Percent Change	CAGR	Market	Per-Room Value Change	Percent Change	CAGR
New York	$205,389	68 %	7.7 %	Milwaukee	$21,990	45 %	5.4 %
Oahu	163,611	97	10.2	Winston-Salem	20,936	49	5.8
Miami	151,166	119	11.8	Syracuse	20,220	44	5.4
Washington DC	94,972	56	6.6	Raleigh-Durham	19,521	31	3.9
Los Angeles	94,490	77	8.5	Minneapolis	19,511	23	3.0
Anaheim	85,019	108	11.0	Norfolk	19,096	40	5.0
Las Vegas	61,222	41	5.0	Buffalo	18,042	36	4.5
Seattle	58,764	52	6.2	Albuquerque	17,641	46	5.5
San Diego	58,527	37	4.6	Indianapolis	14,789	23	3.0
Fort Lauderdale	58,379	67	7.6	Santa Fe	13,536	11	1.5
Chicago	58,167	38	4.7	Baltimore	13,474	11	1.5
Salt Lake City	57,850	84	9.1	Atlanta	12,159	15	2.0
Phoenix	56,923	59	6.8	Cincinnati	10,409	21	2.7
Portland, OR	51,779	80	8.8	St. Louis	8,778	17	2.2
Charlotte	50,289	87	9.3	Tampa	8,622	11	1.5
Denver	45,829	53	6.3	Kansas City	6,754	12	1.6
Nashville	43,065	71	8.0	Dallas	5,671	6	0.8
Huntsville, AL	41,708	161	14.7	Sacramento	3,831	5	0.7
Houston	40,657	60	6.9	Tallahassee	1,075	2	0.3
Omaha	37,170	92	9.8	Cleveland	(2,438)	(4)	(0.6)
Columbia	36,477	89	9.5	Greensboro, NC	(4,146)	(8)	(1.2)
Jacksonville	36,064	49	5.9	Orlando	(5,464)	(5)	(0.7)
Tucson	33,973	44	5.4	Dayton, OH	(6,451)	(16)	(2.5)
Memphis	33,816	85	9.2	New Haven	(11,022)	(14)	(2.1)
San Antonio	33,787	38	4.7	Detroit	(25,605)	(33)	(5.6)
Richmond, VA	33,416	65	7.4	Hartford	(28,003)	(32)	(5.3)
WPB - Boca Raton	32,558	28	3.6	Boston	(33,988)	(12)	(1.7)
Austin	32,408	29	3.7	San Francisco	(41,566)	(13)	(1.9)
Philadelphia	28,135	32	4.0	Oakland	(43,533)	(29)	(4.8)
United States	**25,753**	**37**	**4.6**	Stamford, CT	(45,276)	(30)	(4.9)
Wilmington, DE	25,750	38	4.7	Long Island	(45,668)	(24)	(3.8)
Rochester, NY	25,425	50	6.0	New Orleans	(81,613)	(55)	(10.6)
Pittsburgh	23,646	39	4.8	San Jose	(94,565)	(40)	(7.0)

Projected Change in Per-Room Value – 2007 to 2009

Market	Per-Room Value Change	Percent Change	Market	Per-Room Value Change	Percent Change
New York	$147,919	29.1 %	Phoenix	$7,785	5.1 %
San Francisco	90,272	31.2	Columbia	7,743	11.0
Boston	60,748	23.3	New Haven	7,556	9.7
San Jose	46,187	32.3	Long Island	6,994	4.8
Fort Lauderdale	40,312	27.7	Indianapolis	6,974	8.8
Los Angeles	36,688	16.9	Raleigh-Durham	6,945	8.4
Oahu	36,133	10.9	Norfolk	6,305	9.5
Tucson	33,373	30.1	Tallahassee	6,098	13.1
Miami	33,157	11.9	Atlanta	6,051	6.3
San Diego	28,810	13.3	Kansas City	5,446	8.7
Seattle	26,337	15.3	Orlando	5,137	4.5
Oakland	24,047	22.7	Charlotte	4,925	4.5
Denver	23,279	17.6	Jacksonville	4,835	4.4
Salt Lake City	22,005	17.3	Cincinnati	4,615	7.6
Austin	19,665	13.8	St. Louis	3,627	5.9
Huntsville, AL	16,805	24.9	**United States**	3,452	**3.6**
New Orleans	16,022	23.5	Cleveland	3,318	6.0
Stamford, CT	15,744	14.7	Washington DC	2,648	1.0
Portland, OR	15,196	13.0	Hartford	2,531	4.2
Nashville	15,050	14.5	WPB - Boca Raton	2,104	1.4
Philadelphia	14,767	12.7	Baltimore	1,830	1.4
Minneapolis	14,080	13.5	Rochester, NY	658	0.9
Houston	13,304	12.2	Santa Fe	226	0.2
Milwaukee	12,701	17.9	Omaha	(86)	(0.1)
Wilmington, DE	12,502	13.3	Dayton, OH	(2,216)	(6.6)
Tampa	11,752	13.9	Buffalo	(2,577)	(3.8)
Pittsburgh	11,251	13.3	Sacramento	(2,738)	(3.2)
Anaheim	10,901	6.6	Syracuse	(2,870)	(4.3)
Dallas	10,463	10.6	Chicago	(3,040)	(1.4)
Memphis	10,215	13.9	Greensboro, NC	(3,179)	(6.5)
Winston-Salem	8,653	13.5	Richmond, VA	(5,072)	(6.0)
Albuquerque	8,034	14.3	San Antonio	(9,981)	(8.2)
Detroit	7,871	15.4	Las Vegas	(26,096)	(12.4)

THE TOP TEN MARKETS (in terms of HVI)

New York, New York, has historically remained one of the top-ranked cities in terms of per-room value in the United States. As the financial capital of the United States, the city also benefits from a plethora of leisure attractions. The weakening of the U.S. dollar has further enhanced international tourism, as the city attracted approximately 8.5 million international visitors in 2007, in addition to approximately 37.5 million domestic tourists. NYC & Company forecasts the city to attract in excess of 50.0 million total visitors by 2010. Thus, New York benefits from very strong underlying demand fundamentals and a relatively limited room supply. However, New York currently has the second-largest number of rooms under construction, expected to enter the market between 2008 and 2010. In recent years, local hoteliers have recorded strong, double-digit average rate growth due to the capacity constraints enforced by limited room supply. Going forward, local hoteliers can afford to curtail current levels of strong average rate growth in favor of maintaining occupancy levels. Consequently, per-room values are forecast to continue to increase despite the anticipated influx of new supply.

With its unique location, beautiful scenery, pristine beaches, and limited land for development, ***Oahu, Hawaii,*** has also continued to be one of the top markets in terms of the valuation index. Despite its primarily leisure-oriented positioning and the current state of the national economy, visitor arrivals to Oahu declined by a marginal 0.7% in 2007, while visitor spending increased by 1.9%, to approximately $5.7 billion. In the year-to-date period through May 2008, visitor arrivals posted a mere 1.1% decline from the same period in 2007, while visitor spending increased by a substantial 8.3%, to approximately $2.3 billion. As a consequence of the stringent nature of current valuation parameters, per-room values declined by roundly 6% in 2007 and are forecast to further decline by roundly 4% in 2008. Considering its strong demand fundamentals and lack of new supply in the pipeline, Oahu's per-room values are forecast to recover strongly in 2009.

San Francisco, California, benefits from a vibrant, diversified economy that accentuates 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. Considering the market's strong performance in 2007, per-room values recorded a noteworthy increase of roundly 19% in the same year. In consideration of the lodging market's strong demand fundamentals and the limited addition of new supply, per-room values are expected to continue this upward trend, positing an increase of roundly 31% from 2007 to 2009.

In 2007, per-room values in ***Miami, Florida,*** increased by 21% in comparison to 2006 levels, second only to New York in terms of this measure. Per-room values rose by a resounding 119%, or roundly $151,000, from 2000 to 2007. Twenty-one hotel projects, totaling approximately 2,900 rooms, are under construction in the market, including such notable names as the W South Beach and the Mondrian. In light of Miami's role as an international access point to South America and the Caribbean, and its reputation as a high-class party haven, the city's per-room values are expected to grow by 12%, or roundly $33,000 per room, by 2009.

As the nation's capital, ***Washington DC***'s economy is bolstered by strong governmental activity, as well as robust levels of leisure travel. Per-room values increased by roundly $22,000 in 2007. Although the city has exhibited material increases in per-room values in recent years, a substantial amount of new supply is under construction in the market. Thirty-eight hotel projects, equating to roundly 6,700 rooms, are anticipated to enter the market in 2008 and 2009. Consequently, Washington's per-room values are forecast to increase by a marginal 1% from 2007 to 2009, below the national average projected for this period.

Boston, Massachusetts, achieved the third-largest increase in per-room values in 2007, at roundly $44,000, or 20%. With limited new supply anticipated for the market in the near term, per-room values are expected to increase by 23%, or $61,000, between 2007 and 2009, due to the market's strong demand fundamentals. Boston 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.

San Diego, California, benefits from its diverse economy, which includes a significant presence from the military, corporate firms, and the convention market. The city is also a major leisure destination and enjoys year-round visitation, which has led to historically high demand. San Diego recorded moderate but consistent growth from 2002 to 2006; the 20% gain in per-room values for 2006 was attributable to healthy average rate increases, combined with strengthening demand. While only nine hotel projects are currently under construction, these projects include the 1,100-room Hilton convention hotel, which will increase the convention potential of the city, and the Setai

San Diego, opening in the fall of 2008. Notable new supply also entered the market in 2007, including the Hard Rock San Diego. This influx of supply, combined with the strict investment parameters present in the lending market, caused per-room values to decrease 6% in 2007. The strength and stability of this market and the potential upside of increased convention business are expected to produce growth of 13% in value per room, which equates to approximately $29,000, from 2007 to 2009.

Per-room values in ***Los Angeles, California,*** grew by 11% in 2007, making the city one of the few markets to record double-digits gains in 2007. Los Angeles continues to benefit from a diverse economic base and from strong year-round tourism, both domestic and international in nature, which have bolstered demand and rate increases since 2003. Due to the sheer size of the market, there are several submarkets within Los Angeles, and these exhibit independent dynamics; the market as a whole has realized strong growth. Going forward, per-room values in Los Angeles are anticipated to post notable growth of 17% between 2007 and 2009, with the market holding steady through 2008 and then increasing strongly in 2009.

Chicago, Illinois, exhibited moderate growth in 2007, at approximately $12,000 per room, due to strong summer leisure travel and a diversified economic base. In August 2007, the McCormick Place Convention Center completed an $800-million expansion, adding approximately 2.7 million gross square feet to the complex. This expansion is anticipated to increase convention-related demand in the market through the near term, as the city can now accommodate larger conventions. Significant new supply is also slated to enter the market, with 28 projects totaling 4,700 rooms under construction. A decline in per-room values is forecast for 2008, attributable to the economic environment and the notable new supply; the market is expected to begin to recover in 2009.

Its continued popularity as an entertainment and convention destination enabled ***Las Vegas, Nevada,*** to maintain an HVI ranking among the top ten markets in 2007. Per-room values in this market recorded an average annual compounded growth rate of 5% between 2000 and 2007. The Las Vegas market, which represents a leisure and meeting and group destination, has a significant amount of supply under construction. Considering the new supply factor, coupled with the current state of the economy and its anticipated impact on both leisure and meeting and group travel, this market is projected to incur the largest per-room value decline between 2007 and 2009, at roundly $26,000, or 12.0%.

THE MIDDLE MARKETS (IN TERMS OF HVI)

The table on the following pages presents information pertaining to the "middle" markets, those ranked from 11th to 55th according to the HVI.

Middle Markets (in descending order of HVI)

Market	Index	2007 % Change	Market Details
Seattle	2.0939	-2%	Seattle benefits from its diverse economic base, with such major companies as Starbucks, Nordstrom, and Microsoft headquartered in the area. As a major corporate and leisure destination, marketwide demand and average rate are expected to continue to strengthen in the near term, albeit at a more moderate pace than in the past three years. The market's stability is exemplified by its low volatility; considering this fact, the market will continue to represent an attractive investment opportunity, as per-room values are projected to increase over $100,000 from 2007 to 2012.
Anaheim	1.9967	-5%	Anaheim exhibited the third-highest increase in per-room values between 2000 and 2007, increasing 108%, or approximately $85,000. New supply additions have been matched by increased demand, while average rate has fluctuated in recent years. Anaheim is a large convention market, with both Walt Disney World and Boeing providing a large quantity of demand in the market. While hotel values fell slightly in 2007, the strong lodging base in the area and the city's redevelopment and master planning efforts should promote overall hotel value increases in the long term.
Phoenix	1.8742	-10%	While Phoenix experienced a notable dip in hotel room values in 2007, its sustained healthy annual growth from 2000 to 2007 is reflective of the underlying strength of the market. The Phoenix market benefits from its lower cost of living and its warm climate, which attracts a strong retiree base. In addition to a stable student base provided by Arizona State University, Phoenix is the state capital and employs a significant number of government employees. A number of luxury hotel projects are in various stages of construction or planning that may or may not come to fruition in the current economic climate; however, the city's hotel values are still expected to increase by approximately 5% from 2007 through 2009.
WPB - Boca Raton	1.8113	-23%	Demand in the West Palm Beach - Boca Raton market is derived primarily from the leisure segment, with additional demand in the commercial segment stemming from biotechnology and telecommunications firms. While the market area exhibited strong per-room value increases from 2003 through 2005, leisure travel in the area has been affected by the slowdown in the national economy. Considering current valuation parameters, per-room values are forecast to continue to decline through 2008, before recovering thereafter.
Fort Lauderdale	1.7727	-13%	Fort Lauderdale exhibited the tenth-largest per-room dollar increase between 2000 and 2007, at roundly $58,000. Similar to the West Palm Beach - Boca Raton market, the area derives a significant portion of its demand from the leisure segment, which has been negatively impacted by the current economic environment. However, Fort Lauderdale's broader economic base, combined with its notable convention-related business, should ensure a recovery in per-room values starting in 2008.
Long Island	1.7713	-2%	Long Island benefits from its proximity to Manhattan, capturing overflow demand. The area also has a relatively strong commercial base. Long known as a bedroom community for affluent commuters, limited growth has occurred in recent years. This trend is expected to continue, given the current economic situation. Values are forecast to decline slightly through 2008, before recovering moderately beginning in 2009.

Middle Markets (continued)

Market	Index	2007 % Change	Market Details
San Jose	1.7397	8%	The high-tech economy bust, coupled with the nationwide economic downturn in the early part of the decade, caused significant average rate declines; San Jose exhibited the highest dollar-per-room value decrease of all 65 markets observed, declining by roundly $143,000 between 2000 and 2006. However, San Jose's lodging market rebounded, with significant per-room increases exhibited in 2005 and 2006, and a moderate increase in 2007. This is further indicated by our forecast for San Jose through 2009 as the market is expected to exhibit the fourth-highest per-room increase, at $46,200.
Austin	1.7367	6%	Austin exhibited phenomenal hotel value growth from 2005 to 2006, which was strongly linked to demand increases. Austin's population has expanded significantly since the 1990s, boosted by Dell Computer Corporation's worldwide headquarters in the north Austin area and the influx of tech companies that ensued Dell's establishment in the area. As the capital of Texas and the home of the ±48,000-student University of Texas at Austin, the city has a strong demand base that has fed expansion. While Austin has the potential to suffer from overbuilding of hotels in the near term, the long-term outlook is favorable. Going forward, growth is forecast at 14%, or roundly $20,000 per room, between 2007 and 2009.
Santa Fe	1.6626	-10%	Santa Fe consists of a corporate market, as well as a historic district market that relies on its cultural arts and heritage. Growth has been limited, as the city is unfriendly to development. Additionally, the city's convention center closed for renovation in 2007 and is not expected to reopen until 2009, due to project delays. The market exhibited an 11% increase in per-room values between 2000 and 2007; per-room values for the market are forecast to remain relatively unchanged through 2009.
Baltimore	1.6484	-13%	Baltimore exhibited an 11% increase in per-room values between 2000 and 2007, as the market has remained stable in recent years. Baltimore is forecast to experience little growth through 2009, as the market is impacted by the current investment parameters. Current redevelopment efforts to improve and shift the location of the downtown area, as well as the addition of five Johns Hopkins medical buildings, should provide for some potential upswing in the market over the long term.
Denver	1.6111	6%	Although Denver was impacted by the economic recession in the earlier part of the decade, consistent growth was exhibited between 2004 and 2007. The convention market has performed strongly in recent years, helping to improve per-room values, and the city's defense-related industries have also boosted the area's economy in the midst of the uncertain economic environment. Per-room values exhibited a 53% increase between 2000 and 2007, equal to approximately $45,800 . Going forward, the market is forecast to increase by 17.6% by 2009.
Salt Lake City	1.5438	-1%	Salt Lake City exhibited strong growth between 2000 and 2006, equal to a $57,900 per-room value increase, which was partially supported by the city hosting the 2002 Winter Olympic Games. Salt Lake City's economy has also flourished during this period, as the region has become a popular base for various companies and call centers. While per-room value growth was stagnant in 2007, going forward, hotel values are forecast to increase 17.3% by 2009.
San Antonio	1.4893	-13%	Commercial demand in this market is fueled by telecommunications companies such as AT&T, and financial service-related companies such as Alliance Bernstein. San Antonio is forecast to experience the fifth-largest increase in supply, with 24 hotel projects totaling roundly 4,400 rooms under construction. Considering the influx of new supply and current valuation parameters, this market is forecast to incur the second-largest decline in per-room values, at roundly $10,000 between 2007 and 2009.

Middle Markets (continued)

Market	Index	2007 % Change	Market Details
Portland	1.4187	4%	Portland is one of the few markets that illustrated an increase in per-room value in 2007. The city benefits from a diversified economic base, with particular strength in the high-technology and shipping and manufacturing sectors. Intel represents the Portland metropolitan area's largest employer. With limited new supply on the horizon, per-room values are forecast to increase by a healthy 13% between 2007 and 2009.
Philadelphia	1.4131	-3%	Philadelphia benefits from a stable and diversified economic base, with particular strength in the pharmaceutical and financial services sectors. In March 2008, Comcast, a cable service provider, completed construction of the tallest office building in the Commonwealth of Pennsylvania, known as the Comcast Center. Considering the current economic environment, per-room values declined by a modest 3% in 2007. Going forward, the city's per-room valuation is forecast to remain stable in 2008, then exhibit larger increases thereafter.
Orlando	1.3951	-9%	Orlando is strongly dependent on its convention market; attendance declines and the economic recession in the early part of the decade resulted in per-room value declines in 2001 and 2003. The convention market rebounded significantly in 2004, which correlated to a 49% value increase in the same year. The market experienced a 5% decline in hotel room values between 2000 and 2007, due to the per-room value decreases in 2001, 2003, and 2007. The market also caters heavily to the leisure segment, which was impacted by the challenging economic environment at the end of 2007. Per-room values are forecast to increase 4.5% through 2009, slightly above the national average.
Tucson	1.3498	-7%	Hospitality demand in Tucson is fueled by defense-related industries such as Raytheon Missile Systems, the US Army Intelligence Center, and Davis-Monthan Air Force Base. While defense-related demand has remained particularly strong since the onset of the war in Iraq, the local occupation of 2,400 to 2,700 National Guard troops as part of Operation Jump Start particularly fueled defense-related demand in 2006. Going forward, Tucson is forecast to exhibit the eighth-largest increase in per-room values between 2007 and 2009, at roundly $33,000. Our forecast considers the limited amount of new supply anticipated to enter this market in the near term.
Jacksonville	1.3287	-10%	Jacksonville's two submarkets, the downtown and beach markets, accommodate corporate guests and leisure guests, respectively. The convention center also generates notable meeting and group demand for the downtown core, and the city's naval station also contributes to a fair quantity of demand. Jacksonville was only adversely impacted by the economic downturn in 2001. Per-room value growth was 22% in 2005, attributed to the city hosting the Super Bowl. Between 2000 and 2006, per-room values increased by roundly $51,000, or 71%. The market experienced a 10% decline in hotel values in 2007, attributable to the challenging economic environment. The city is expected to experience hotel value growth slightly above the national average from 2007 to 2009, at 4.4%.
Houston	1.3241	4%	Houston managed to avoid the impact of the economic downturn in 2007, due to its reputation as the "Energy Capital of the World. " The city benefits from its port location and the presence of several large oil companies. When the energy industry thrives, the city of Houston has historically thrived as well, driving construction, population growth, and wealth indices. Over 7.5 million square feet of office space is under construction in the metropolitan area. Hotel values in Houston are projected to increase 12.2%, or approximately $13,300 per key, from 2007 to 2009.

Middle Markets (continued)

Market	Index	2007 % Change	Market Details
Charlotte	1.3193	9%	Charlotte experienced the greatest increase in its hotel valuation index among the 65 markets, increasing by a compounded annual growth rate of 27.4% in each year from 2005 to 2007. The market's corporate-friendly atmosphere has led numerous Fortune 500 companies to relocate here, along with the city's low cost of living and concentrated downtown core. Charlotte has also established itself as a major banking hub, and is the site of the future NASCAR Hall of Fame. This trend should continue to drive room values, albeit at a more moderate pace, due to the downturn in the economy and its effect on the banking world; a 4.5% increase is forecast between 2007 and 2009.
Stamford	1.3012	-2%	Stamford was impacted heavily by the economic recession from 2001 through 2003, given the market's reliance upon the financial industry. Per-room values have recovered slightly following this downturn but have failed to match 2000 levels. Growth in 2004 through 2006 was related to the opening and aggressive rate strategy of the Courtyard hotel in the downtown market, which actually led the full-service properties and allowed the market to improve rate. While values declined slightly in 2007, the market is expected to experience healthy growth from 2007 through 2009, attributable to new-build hotels entering the market, as well as the completion of the Royal Bank of Scotland's sizable office buildings in the downtown area.
Oakland	1.2890	4%	Oakland suffered significantly from the economic downturn from 2001 to 2003. Per-room value increases occurred from 2004 to 2007 but were not significant enough to offset the previous declines posted. The market exhibited a 29% decline between 2000 and 2007. Although this market is forecast to post strong growth in per-room values between 2007 and 2009, at roundly 23%, per-room values are still not forecast to reach the level posted in 2000.
Minneapolis	1.2721	-6%	As the world headquarters for Northwest Airlines, Minneapolis features the largest airport in the region. Northwest Airlines recently announced plans to merge with Atlanta-based Delta Airlines, which could potentially impact demand. Despite such uncertainties, per-room values are forecast to increase by roundly 14% from 2007 to 2009, due to the presence of other major companies such as Target Corporation, Xcel Energy, and US Bancorp.
Nashville	1.2609	-4%	Per-room values increased by roundly 71% between 2000 and 2007, attributable to the city's strong leisure and commercial demand base. The majority of commercial demand is generated by over 250 healthcare-related entities that are present in the greater Nashville market area. The city also benefits from its reputation as the capital of country music. Going forward, per-room values are expected to increase by roundly 15% between 2007 and 2009.
Dallas	1.2012	-8%	Commercial demand in this city is particularly fueled by American Airlines, Southwest Airlines, Neiman Marcus, ExxonMobil, Frito Lay, JC Penney, Blockbuster, and Texas Instruments, among others. The city is also a regional headquarters for the financial services industry. Twenty-four hotel projects totaling roundly 2,600 rooms are currently under construction in the greater market area, which has already experienced significant increases in supply. As a consequence of its reliance upon the ailing financial services and airline industries, the market experienced an 8% decrease in per-room values in 2007. Going forward, per-room values are expected to increase by roundly 11% from 2007 to 2009.

Middle Markets (continued)

Market	Index	2007 % Change	Market Details
Atlanta	1.1628	-13%	Although Atlanta trailed the national average between 2000 and 2006, strong growth was exhibited in 2006. The city's three markets – Midtown, Downtown, and Buckhead – are exhibiting strong growth, with Midtown poised to be the next hot market in Atlanta. Roundly five million square feet of commercial developments are proposed or under construction in the city. Atlanta was partially impacted by the airline industry's struggle in 2007 (Delta is headquartered in the city), and per-room values declined 13%. Moderate growth of 6.3% is forecast through 2009.
Wilmington	1.1398	0%	Wilmington exhibited strong growth, leading to a per-room value increase of 38% between 2000 and 2007. Delaware has long been regarded as a haven for major corporations due to its taxation policies, and corporate business travel is a significant source of demand for the area. While per-room values remained stable in 2007, this market is forecast to experience a healthy 13.3% growth in value through 2009.
Tampa	1.0302	-17%	Commercial demand in this city is generated by companies such as Raymond James Financial, Outback Steakhouse, and Walter Industries. Twenty hotel projects equating to roundly 1,900 rooms are currently under construction, along with several residential and mixed developments. As part of the city's downtown revitalization efforts, these projects are currently nearing completion of construction amidst the national real estate slump that began in the second half of 2007. Considering this downturn, per-room values declined by roundly 17% in 2007. Going forward, per-room values are forecast to increase by 14% from 2007 to 2009.
Pittsburgh	1.0300	-5%	Pittsburgh, commonly known as the "Steel City," derives a significant portion of its commercial demand from companies such as US Steel, H.J. Heinz Company, Bayer USA, Alcoa, and WESCO International, among others. The educational services sector is also prevalent due to the presence of the University of Pittsburgh and Carnegie Mellon University. Pittsburgh attained a resounding increase of roundly 53% in per-room values in 2006, driven primarily by strong increases in average rate. Considering current valuation parameters, Pittsburgh exhibited a decline of 5% in per-room values in 2007. Going forward, Pittsburgh is forecast to illustrate an increase of roundly 13% in per-room values between 2007 and 2009.
Richmond	1.0296	4%	Companies such as Phillip Morris USA, Circuit City, and Genworth Financial, among others, fuel local commercial demand. As the capital of Virginia, the city also derives noteworthy demand from the government sector. The market is anticipated to incur a significant influx of new supply in the near term, as 16 hotel projects totaling roundly 2,200 rooms are currently under construction. Considering this factor and the current state of the economy, per-room values are forecast to decrease by roundly 10% in 2008, before rebounding in 2009.
Sacramento	1.0259	-22%	Although Sacramento exhibited a 29% per-room value increase between 2000 and 2006, per-room values declined by 22% in 2007, attributable to the subprime lending crisis that particularly impacted the Sacramento real estate market in 2007. This trend is forecast to continue into 2008, as Sacramento was ranked by HousingPredictor.com as the seventh worst housing market in 2008. The market should recover modestly beginning in 2009, due to the stability of the city's economy, which stems from notable government-related business as the capital of California.

Middle Markets (continued)

Market	Index	2007 % Change	Market Details
Raleigh-Durham	1.0110	0%	Raleigh-Durham benefits from the Research Triangle area, a highly active medical research area that is populated by major firms and universities. The market did not rebound from the economic downturn until 2004 but exhibited strong growth through 2006. The market held steady in 2007, and only modest declines are forecast for 2008. The Raleigh-Durham lodging market is expected to increase strongly in 2009 and thereafter, outpacing the forecast for the national average.
Indianapolis	0.9674	-12%	Indianapolis benefits from both a strong convention market in the downtown area and a significant corporate presence in the city's suburbs. The city is also well known for its sporting events and teams, such as the Indianapolis 500 and the Indianapolis Colts, among others. While per-room values exhibited strong increases in 2006 due to average rate growth, per-room values declined by 12% in 2007, attributable to stringent financing parameters and the economic slowdown. However, the city is expected to recover healthily, having been named as the sixth-best city for job growth in 2008 by Forbes magazine, due to its low unemployment, low cost of living, and income growth. An 8.8% increase in per-room value is forecast for the period between 2007 and 2009.
Columbia	0.9452	-6%	This city benefits from a diversified economic base, fueled by the government, heathcare, and education sectors. Major employers include the South Carolina state government, University of South Carolina, Blue Cross Blue Shield, and Palmetto Health, among others. Considering current valuation parameters, per-room values decreased by 6% in 2007. Going forward, Columbia is expected to post an increase of roundly 11% in per-room values between 2007 and 2009.
Omaha	0.9432	-8%	Omaha's economy has made significant strides in expansion and diversification since the1990s. Commercial demand is fueled by the presence of major corporations such as ConAgra Foods, Berkshire Hathaway, Union Pacific Railroad, Mutual of Omaha, and The Gallup Organization, among others. The city currently has ten hotel projects totaling roundly 1,300 rooms under construction. Considering the supply factor and current valuation parameters, per-room values declined by 8% in 2007. Going forward, per-room values are expected to remain stable between 2007 and 2009.
Rochester	0.9298	-1%	Despite overall increases in marketwide demand and average rate, per-room values declined slightly in 2007 due to stringent valuation parameters. Eastman Kodak, Constellation Brands, and Paychex, among other prominent entities, generate commercial lodging demand in this city. Going forward, per-room values are expected to increase marginally from 2007 to 2009, by roundly 1%.
Memphis	0.8949	-6%	Significant growth in Memphis was exhibited between 2000 and 2006; the market increased by roundly $38,000 per room, or 96%. Memphis benefits from its rich culture, which attracts both leisure and meeting and group business. FedEx and numerous Fortune 100, 500, and 1000 firms exhibit a strong corporate presence in the market. Considering current valuation parameters and softening demand, per-room values declined by 6% in 2007. Going forward, per-room values are expected to recover and increase by roundly 14% from 2007 to 2009.
Milwaukee	0.8648	-10%	Milwaukee derives a significant portion of its commercial demand from the healthcare, financial services, and manufacturing sectors. Major employers include Miller Brewing Company, Kohl's, Harley-Davidson, Marshal & Ilsley, and Midwest Airlines, among others. Considering current valuation parameters, per-room values declined by roundly 10% in 2007. In the near term, per-room values are forecast to recover and post an increase of roundly 18% from 2007 to 2009.

Middle Markets (continued)

Market	Index	2007 % Change	Market Details
New Haven	0.8557	1%	New Haven benefits from the presence of relatively stable demand generators such as Bristol-Myers Squibb and Yale University. Despite current valuation parameters, per-room values are expected to remain stable in 2008, following the same trend as 2007. Going forward, per-room values are forecast to exhibit a faster rate of growth beginning in 2009.
Buffalo	0.8318	12%	The city benefits from an increasingly diversified economy that includes companies from the financial services, healthcare, and educational services sectors. Major employers include HSBC Bank North America, M&T Bank, Kaleida Health, Catholic Health System, and University of Buffalo, among others. Marketwide demand and average rate have illustrated an upward trend in recent years. As such, per-room values increased by 12% in 2007. However, considering current valuation parameters and the sizeable presence of banking-related companies mentioned previously, per-room values are forecast to decrease by roundly 7% in 2008, before recovering in the following year.
New Orleans	0.8289	-42%	The New Orleans market remains a risky investment in the minds of many developers and lenders. While FEMA workers produced a large quantity of demand at rack rates in the months immediately following Hurricane Katrina, these groups departed in early 2006, and the market's recovery has remained stagnant. Hotel values plummeted 42% in 2007 in comparison to 2006, as hoteliers drastically reduced rates following the departure of the FEMA-related business, in an effort to attract leisure and meeting and group business. The market is expected to experience a significant increase of 23.5% in hotel values from 2007 to 2009.
Huntsville	0.8224	16%	Huntsville's economy is fueled by the aerospace, military, and commercial technology sectors. Redstone Arsenal, Cummings Research Park (CRP), NASA's Marshall Space Flight Center, and ADTRAN, among others, are prevalent in this market area. CRP represents the second-largest research park in the United States and the fourth-largest in the world. Considering the healthy nature of these sectors, per-room values rose by 16% in 2007. Going forward, per-room values are forecast to continue this upward trend, increasing by 25% from 2007 to 2009.
Norfolk	0.8083	0%	The government and military sectors are a significant presence in Norfolk and are responsible for major changes in the market. For this reason, the market exhibited significant growth in 2002 following the 9/11 terrorist attacks, at a time when most U.S. markets experienced per-room value declines. Considering current financing terms, per-room values remained stable in 2007, and are expected to slightly decline in 2008, before recovering in 2009.
Syracuse	0.8038	5%	Syracuse's economy has remained relatively stable in recent years due to the presence of established demand generators such as Syracuse University, St. Joseph's Hospital Health Center, and Wegmans Food Markets, among others. In 2007, per-room values increased despite stringent valuation parameters; however, per-room values are forecast to decrease by roundly 4% from 2007 to 2009, attributable to the lack of projected marketwide demand and average rate growth.
Winston-Salem	0.7789	7%	Lodging demand in this city is fueled by the presence of Wake Forest University, R.J. Reynolds Tobacco Company, and Krispy Kreme Doughnuts, among others. Per-room values exhibited an increase of 7% in 2007; however, considering current valuation parameters, per-room values are forecast to remain stable in 2008, before recovering in 2009.

THE BOTTOM TEN MARKETS (in terms of HVI)

Kansas City, Missouri/Kansas, rebounded from the economic slowdown in 2004 and exhibited growth through 2006; however, per-room values decreased by 7% in 2007. Current valuation parameters, which fueled the decline in 2007, and ongoing restructuring at Sprint Nextel Corporation, headquartered in nearby Overland Park have hampered marketwide demand. Nevertheless, the market is expected to recover in 2009, with a 9% increase in per-room values forecast for the period from 2007 to 2009.

Per-room values in ***St. Louis, Missouri,*** declined by roundly 3% in 2007, due to current investment parameters. The St. Louis economy is dominated by such major corporations as Anheuser-Busch, Energizer, and BLC Healthcare, among others. Historically, St. Louis posted a 17% overall increase in per-room values during the period 2000 to 2007, which was well below the national average. Going forward, per-room values are forecast to decline slightly in 2008 and recover in 2009, mirroring national trends. Growth between 2007 and 2009 is forecast at roundly 6%.

Commercial demand in ***Cincinnati, Ohio***, is fueled by the presence of major corporations, such as Procter & Gamble, The Kroger Company, Sunny Delight Beverages Co., and Macy's, Inc., among others. Although Cincinnati recovered quickly from the economic downturn, the market exhibited per-room value growth of 21% between 2000 and 2007, well below the national average. Although demand and average rate posted modest increases in 2007, per-room values declined by 12%, due to stringent lending parameters. Going forward, per-room values in Cincinnati are forecast to recover, increasing by roundly 8% from 2007 to 2009.

Similar to the New Haven market, the ***Hartford, Connecticut,*** market experienced a slow recovery from the economic downturn in the first half of the current decade. Hartford's economy is supported by the prevalence of the insurance sector, as well as the government sector. Aetna, Travelers, and The Hartford are all headquartered in the market. Per-room values declined by roundly 8% in 2007, primarily due to restrictive valuation parameters. The market is expected to recover modestly in 2009.

Albuquerque, New Mexico, has continued to rank at the lower end of the HVI; however, the market is considered to be an emerging one and exhibited strong growth over the historical period reviewed. Lodging demand in this area is fueled by Sandia National Laboratories, Kirtland Air Force Base, and

Intel, among others. Albuquerque's per-room values decreased by a marginal 3% in 2007, attributable to conservative valuation parameters. The market is forecast to recover by 14% between 2007 and 2009, which equates to a per-room increase of roundly $8,000.

Cleveland, Ohio, registered a decrease in per-room values of roundly 6% in 2007. Conversely, per-room values are forecast to grow by roundly 6% between 2007 and 2009, as the market recovers from the impact of the restrictive valuation parameters. Lodging demand in the Cleveland market is derived from the following corporations: American Greetings, Sherwin-Williams Company, and Progressive Auto Insurance. NASA also has a sizeable presence in the market.

Detroit, Michigan, is the world's traditional automotive center, and thus lodging demand is significantly governed by the health of the automotive industry. In recent years, the automotive industry has experienced financial problems resulting in often significant restructuring. All three Detroit-based automakers – GM, Ford, and Chrysler – are at varying stages of restructuring plans intended to cut costs and restore their operations to profitability. Considering the uneasy state of the automotive industry, per-room values declined by roundly 15% in 2007. Detroit's revitalization initiative has concentrated on diversifying the economy by attracting companies within the financial services and information technology sectors to the area. The effort has yielded several companies relocating from suburban Michigan to downtown Detroit. Considering these developments, per-room values are expected to increase marginally in 2008, with strong rates of growth projected beginning in 2009.

Greensboro, North Carolina, registered a 23% decrease in per-room values in 2007, attributable to softening demand and below-inflationary average rate growth. The city's economy consists primarily of the textile, manufacturing, and tobacco industries, which have experienced instability in recent years. Given these trends, along with the current state of lending parameters, per-room values are forecast to decline by 10% in 2008, before posting a modest recovery in 2009.

Tallahassee, Florida, exhibited significant growth of 69% between 2000 and 2006; however, material supply increases have caused occupancy levels to decrease notably since 2005. Consequently, per-room values decreased by 35% in 2007, as demand was not able to keep pace with the recent supply increases. Although the market benefits from a significant university presence, including Florida A&M and Florida State University, as well as a strong government presence, these demand levels have remained stable. This downturn in per-room values is not anticipated to persist, however; hotel values are expected to remain stable in 2008 and increase strongly in 2009, resulting in a 13% increase from 2007 to 2009.

Dayton, Ohio, again came in last in the ranking of per-room values in the 65 major markets tracked by the HVI. Hotel values have slipped continuously in this market, decreasing 16% from 2000 to 2007. Dayton has been plagued by the faltering American automotive industry; General Motors announced the closing of yet another manufacturing plant in May 2008. Although the market's largest employer, Wright-Patterson Air Force Base, remains a stable source of economic demand, this demand category is also limited by per-diem government lodging rates that prevent material average rate increases. A further 7% decline in per-room value is forecast for Dayton from 2007 to 2009.

VOLATILITY INDEX

The Volatility Index is an analysis of the historical rates of per-room value changes for an individual market. The volatility index determines the standard deviation in market per-room value changes since 1997, and divides this standard deviation by the overall average per-room value of a market during the same period. The higher the percentage (or volatility index), the more volatile per-room values are in a market, and vice versa. A useful benchmark in determining a high or low volatility index is to consider the volatility index for the United States, which is at roundly 15%.

Markets with historically low volatility that are forecast to record strong increases in per-room value, demonstrate favorable market conditions to buy or build hotels. Conversely, markets with historically high volatility in per-room value should be a caution for lodging owners and operators considering investing in such areas. The following table exhibits the index of volatility, illustrating the top ten least volatile and top ten most volatile markets based on historical changes in value between 1987 and 2007.

Index of Volatility

Rank			Rank		
1	St. Louis	12%	56	Tallahassee	24%
2	Syracuse	12%	57	Detroit	24%
3	Albuquerque	13%	58	Charlotte	24%
4	Richmond, VA	13%	59	WPB- Boca Raton	25%
5	Buffalo	13%	60	Austin	26%
6	Cincinnati	13%	61	Oakland	27%
7	Baltimore	14%	62	San Francisco	28%
8	Santa Fe	14%	63	Miami	31%
9	San Diego	14%	64	San Jose	37%
10	San Antonio	14%	65	New York	42%
	United States	15%			

Source: HVS

The following table illustrates five markets with low historical volatility and high projected change in per-room value (2007 to 2012). These markets represent highly viable areas for future lodging-related investment.

Markets with Low Volatility, High Projected Change in Per-Room Value

Market	Volatility Index	Projected Change in Per-Room Value between 2007 and 2012
Sealtle, WA	16%	$101,000
San Diego, CA	14%	94,000
Santa Fe, NM	14%	60,000
Portland, OR	16%	56,000
Baltimore, MD	14%	48,000

Conversely, the following table illustrates five markets with high historical volatility and low projected change in per-room value (2007 to 2012).

Markets with High Volatility, Low Projected Change in Per-Room Value

Market	Volatility Index	Projected Change in Per-Room Value between 2007 and 2012
Greensboro, NC	21%	$2,000
Hartford, CT	22%	14,000
Chicago, IL	21%	28,000
Tallahassee, FL	24%	31,000
Charlotte, NC	24%	38,000

CONCLUSION

The broadening impact of the subprime mortgage crisis, soaring oil prices, insecurity about the current state of U.S. investment banks, increases in unemployment, and slower consumer spending all indicate a currently slowing period for the U.S. economy. In an effort to stimulate the economy, the federal government has lowered interest rates, provided aid to various investment banks to enhance their recovery process, offered rescue packages to agencies such as Fannie Mae and Freddie Mac, and executed tax rebates to stimulate consumer spending, among other actions. Economists forecast that the U.S. economy is expected to continue this period of marginal growth through early 2009, followed by a recovery.

Considering the state of lending markets, financing has become expensive and sparse. Valuation parameters have become more stringent, as loan-to-value ratios hovered between 60% and 70% in 2007, and are forecast to range between 55% and 70% in 2008. Capitalization rates and mortgage constants have trended upward. Such valuation parameters have contributed strongly to a 5.0% decline in the per-room value of a typical hotel in the United States in 2007. In 2008, the value of a typical hotel in the United States is expected to exhibit a further decline by 4.0% in per-room value. As the national economy carries out its anticipated recovery in 2009, hotel values are also expected to increase in tandem with a recovery. The value of a typical hotel in the United States is forecast to increase by roundly 8.0% in 2009.

Overall, 43 of the 65 markets indexed by the HVI illustrated a decline in per-room value in 2007. Major winners include New York, Miami, and Boston, while major losers include New Orleans, Tallahassee, and West Palm Beach–Boca Raton. The following table details the major winners and losers in terms of percentage change in value per room for 2007.

Winners and Losers – Percentage Change in Value from Previous Year

Market	2007
New York	33%
Miami	21%
Boston	20%
San Francisco	19%
Huntsville, AL	16%
Dayton, OH	-22%
Greensboro, NC	-23%
WPB - Boca Raton	-23%
Tallahassee	-35%
New Orleans	-42%

In terms of the recent downturn, we expect hotel values to reach their lowest point in 2008. In our opinion, this represents an ideal time to purchase a hotel, if financing can be procured. Attaining financing is considered a major challenge in the current state of the economy. Consequently, proposed hotels that are in the early stages of development are expected to be either put on hold or notably delayed in progress for at least the next twelve months. Continuing its sluggish pace from the latter half of 2007, hotel sales activity is expected to remain slow through early 2009. Therefore, if it is not necessary to sell, hotel owners should ideally hold on to their assets for the next two to three years.