

United States / Washington, DC Hotel Market Update

Prepared for:

Appraisal Institute – DC Chapter

Opening Remarks

- Hotel profitability significantly down
- Financing for hotels is not available
- Cap rate increases
- Very few transactions
- Hotel values down 50%?

State of the Hotel Industry – Presentation Outline

- Molinaro Koger Introduction and Opening Remarks
- U.S. Lodging Industry Overview
 - Operating Fundamentals
 - Top 15 Market Performance
 - Active Supply Pipeline
 - Transaction Volume
 - Investment Environment
- Washington, DC Hotel Market Overview
 - Operating Fundamentals
 - Recent Transaction Activity
 - Notable Market Events and Future Outlook
 - Convention Center Update
- Aspects Impacting Lodging Market

Molinaro Koger Company Profile

- Mark Morris – Senior Vice President, Molinaro Koger
 - 15 years with the firm
 - Over \$3 billion in transactions closed

- Established in 1959 Molinaro Koger is one of the world's leading hotel real estate brokerage firms, handling more than 1,000 hotel transactions since inception

- The only firm that is 100% dedicated to hospitality brokerage with a global platform

- 26 hospitality professionals working in 13 offices internationally; access to active investors worldwide, headquarters in Washington, DC

- Only firm to have hotel closings in every month of 2009

- Over \$2.2 billion in hotel sales over the last 24 months

U.S. Lodging Industry Overview

U.S. Lodging Industry Overview

Year-to-Date U.S. Lodging Industry Performance

	YTD July 2008	YTD July 2009	% Change
Occupancy	62.5%	56.0%	(10.3%)
ADR	\$107.90	\$98.41	(8.8%)
RevPAR	\$67.40	\$55.12	(18.2%)
Room Supply	--	--	3.2%
Demand	--	--	(7.5%)

Source: STR

U.S. Lodging Industry Overview

Year to Date – July 2009 vs. July 2008 Percent Change

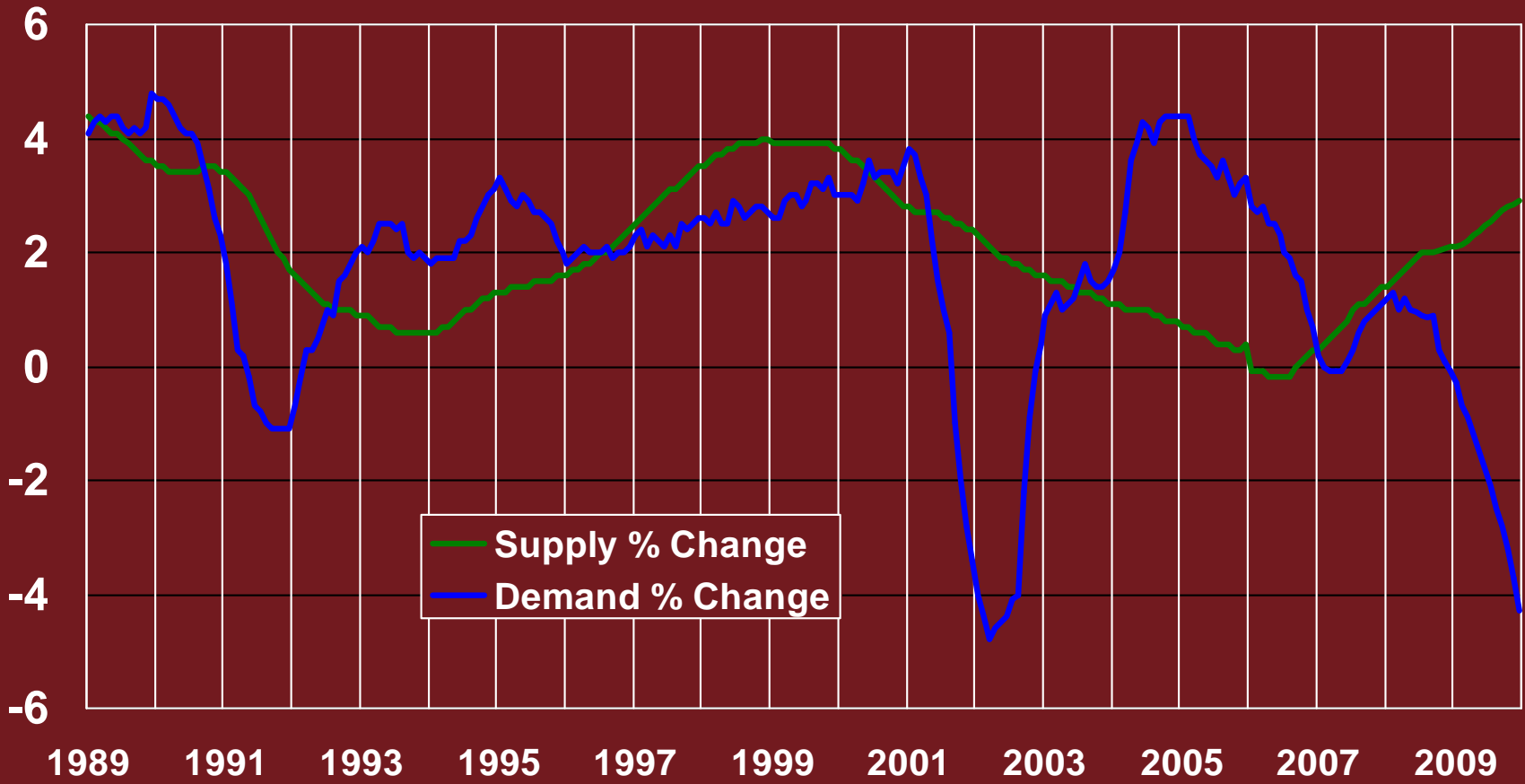
	Occupancy	ADR	RevPAR
Total U.S.	(10.3%)	(8.8%)	(18.2%)
Chain Scale			
Luxury	(13.2%)	(16.5%)	(27.5%)
Upper Upscale	(10.1%)	(11.1%)	(20.0%)
Upscale	(10.5%)	(9.7%)	(19.2%)
Midscale W/ F&B	(11.4%)	(5.4%)	(16.2%)
Miscal e w/o F&B	(11.1%)	(4.6%)	(15.2%)
Economy	(9.6%)	(5.4%)	(14.5%)
Independents	(10.4%)	(10.2%)	(19.5%)

Source: STR

Total U.S. Occupancy/ADR/RevPAR 2002 - 2010P

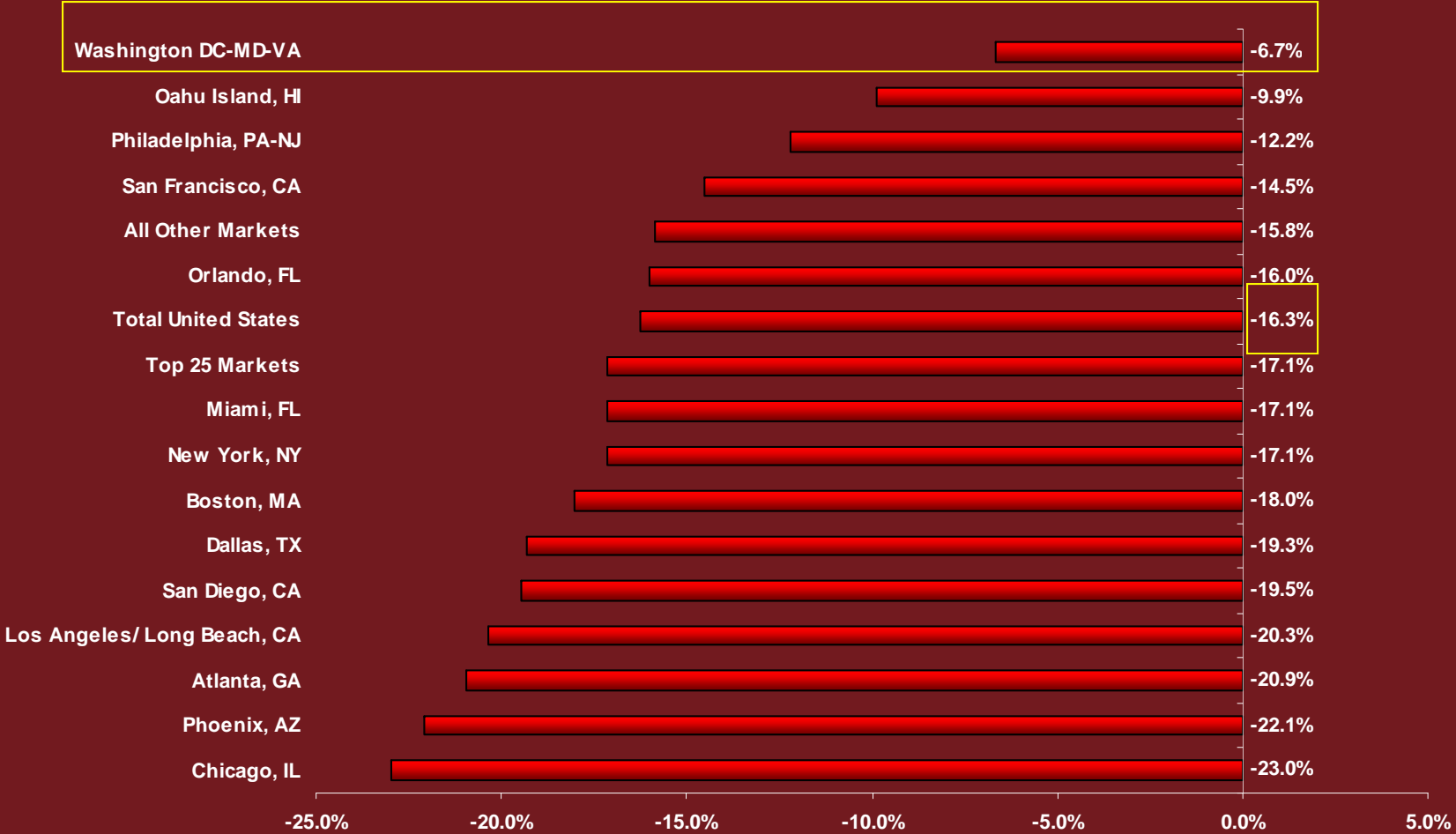


Total U.S. Room Supply/Demand Percent Change Twelve Month Moving Average – 1989 to April 2009



Source: STR/MK

Top 15 U.S. Markets - RevPAR Percent Change (Forecast 2009 vs. YE 2008)



U.S. Hotel Industry Transaction Volume

	2004	305	115,703	10,297,567,000	77.1%	\$89,000	
	2005	522	111,934	14,103,684,000	37.0%	\$126,000	
	2006	485	106,955	17,433,665,000	23.6%	\$163,000	
	2007	445	83,256	12,821,424,000	-26.5%	\$154,000	
	2008	188	31,635	4,248,548,865	-66.9%	\$134,299	
	<i>YTD April</i>	<i>2007</i>	<i>193</i>	<i>35,349</i>	<i>6,398,169,000</i>	<i>-</i>	<i>\$181,000</i>
	<i>YTD April</i>	<i>2008</i>	<i>43</i>	<i>6,557</i>	<i>754,055,000</i>	<i>-88.2%</i>	<i>\$115,000</i>
	<i>YTD April ⁽¹⁾</i>	<i>2009</i>	<i>14</i>	<i>2,680</i>	<i>329,640,000</i>	<i>-56.3%</i>	<i>\$123,000</i>
	<i>2008 April YTD % Change</i>	<i>-77.7%</i>	<i>-81.5%</i>	<i>-88.2%</i>	<i>-88.2%</i>	<i>-36.5%</i>	
	<i>Current YTD % Change</i>	<i>-67.4%</i>	<i>-59.1%</i>	<i>-56.3%</i>	<i>-56.3%</i>	<i>7.0%</i>	
	<i>2007 - 2009 YTD % Change</i>	<i>-92.7%</i>	<i>-92.4%</i>	<i>-94.8%</i>	<i>-94.8%</i>	<i>-32.0%</i>	

(1) Excludes the sale of Treasure Island Casino

Current Hotel Investment Environment

	<u>Historical</u>	<u>2006-2007</u>	<u>Post Crunch</u>
Cap Rates	8% - 12%	5% - 8%	10% - 12%
Mortgage Rates	7% - 9%	5% - 6.5%	None
Leverage	60% - 75%	70% - 80%	None
Amortization	20yrs. – 25yrs.	Interest Only	None
DSCR	1.3X – 1.4X	as low as 1.0X	None

Washington, DC Lodging Market Overview

Washington, DC Hotel Market Overview

Washington, DC (CBD) Lodging Statistics

	YE 2006	YE 2007	YE 2008	YTD July 2008	YTD July 2009	% Change
Occupancy	68.3%	68.3%	67.1%	70.4%	67.6%	(4.0%)
ADR	\$141.54	\$149.93	\$153.31	\$155.05	\$149.81	(3.4%)
RevPAR	\$96.71	\$102.44	\$102.83	\$109.21	\$101.25	(7.3%)

Source: STR

Washington, DC Area Recent Hotel Sales

<u>Property</u>	<u>City</u>	<u>State</u>	<u>Rooms</u>	<u>Price</u>	<u>Price Per Room</u>	<u>Date</u>
Mainstay Suites	Frederick	MD	72	\$5,114,000	\$71,000	July 2009
Comfort Inn	Frederick	MD	73	\$5,185,000	\$71,000	July 2009
Embassy Inn / Windsor Inn & Suites	Washington	DC	84	\$11,250,000	\$133,000	February 2009
Hyatt Dulles	Herndon	VA	316	\$78,000,000	\$246,000	June 2008
Renaissance M Street	Washington	DC	355	\$141,300,000	\$398,000	February 2008
Latham Hotel	Washington	DC	142	\$33,000,000	\$233,000	February 2008

Source: MK

Washington, DC Hotel Market Notable Events

- In March 2008 the 2,000-room Gaylord National Resort opened at the 300-acre National Harbor mixed-use development along with surrounding hotels including an aloft, Hampton Inn, Residence Inn, and Westin. The Gaylord has significantly impacted the Wardman Park Marriott and Hilton Washington
- The 1,070-room Hilton Washington continued their \$140 renovation with completion expected in mid 2010
- The 317-room W Hotel opened in July 2009 after a two-year renovation of the former Hotel Washington
- 99-room Hotel Jefferson reopened in August 2009 after an extensive renovation
- The Finvarb Companies opened the 217-room Courtyard by Marriott in the emerging NOMA District in April 2009
- OTO Development is under construction and expected to open the 204-room Hilton Garden Inn NOMA in early 2011

Washington, DC Convention Center Future

- In 2003 the Washington Convention Center opens
- Despite being one of the nation's premier facilities, Convention Center struggles to attract city-wide business
- July 2009 – bill is signed to provide \$272 million in public financing for an 1,167 room Marriott Marquis
- Construction will start in October 2009 with completion in 2013
- Huge future economic impact and Shaw neighborhood revitalization

Aspects Impacting Current Lodging Market

Aspects Impacting Current Lodging Market

- U.S. RevPAR down 18.2% in 2009
- U.S. RevPAR forecasted to be down 2-5% in 2010
- Recovery in mid 2010
- Transactional volume down 80% from 2008 levels
- No one knows where the bottom is – buyers cautious
- No financing – CMBS – Banks. No new construction financing
- Wave of foreclosures?
- Debt maturities problematic
- Values down 50% - and going down?