

Hotel



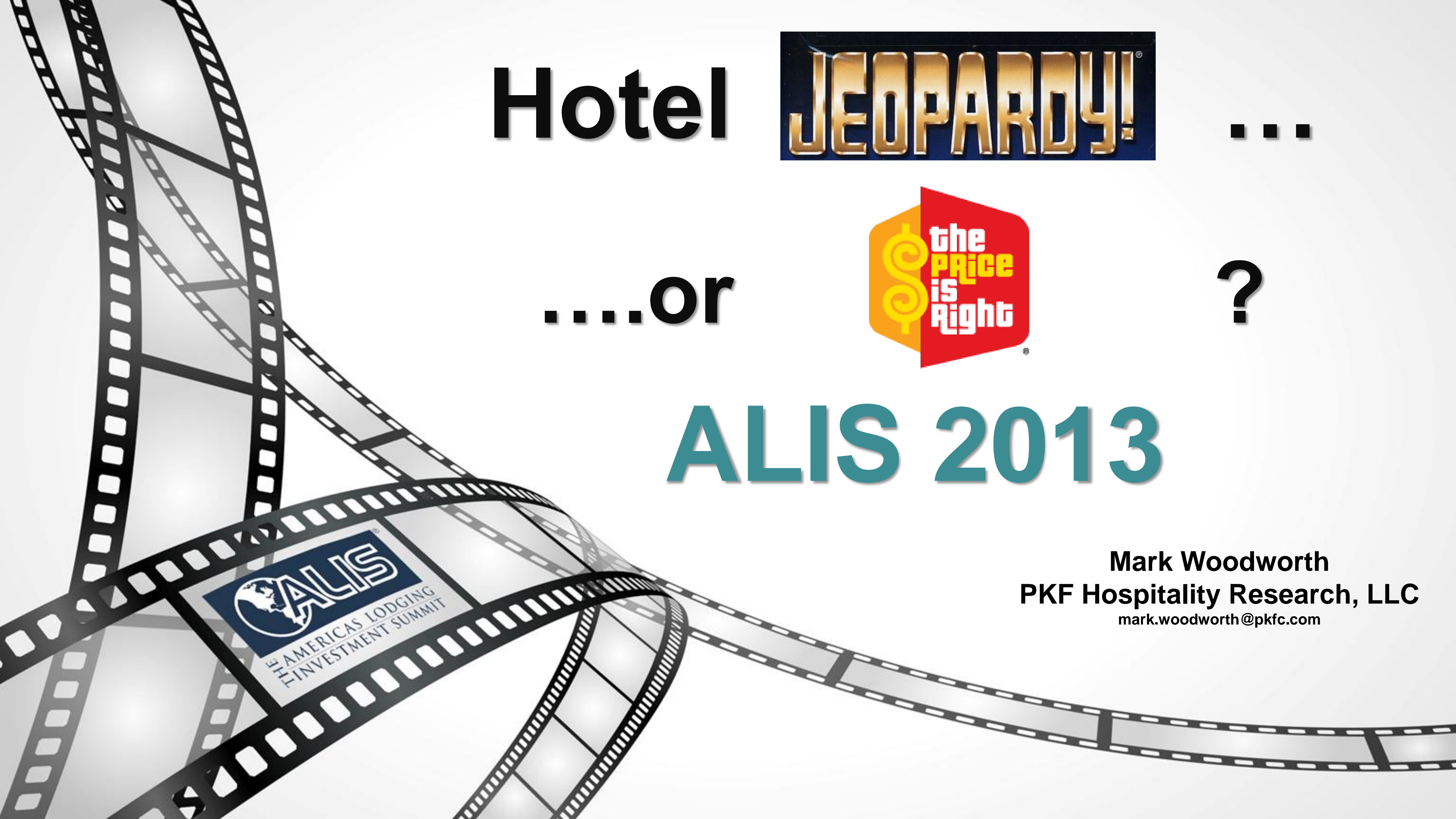
...

....or



?

ALIS 2013



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ALIS 2012

**What Did We
Say A Year
Ago?**



Hotel Horizons[®] *ALIS* 2012

United States

	<u>2012</u>		<u>2013</u>	
	December <u>2011</u>	<u>STR Actual</u>	December <u>2011</u>	Most Recent <u>Update</u>
Occupancy	60.8%	61.4%	61.9%	62.1%
ADR	4.7%	4.2%	5.3%	5.0%
RevPAR	6.1%	6.8%	7.3%	6.0%

**Stronger than Expected
Demand Growth**

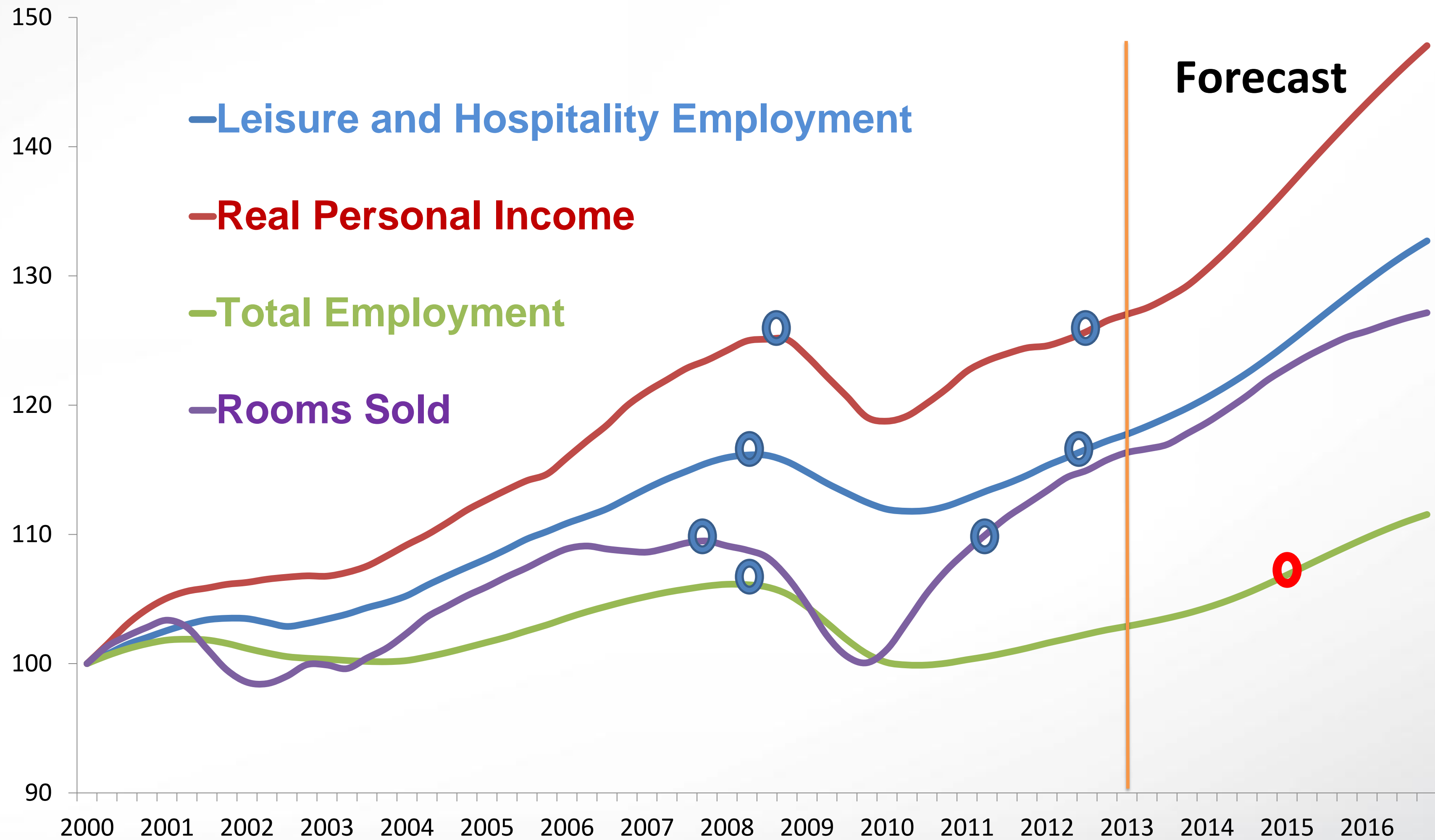
Better 2012 Impacts 2013

Source: PKF Hospitality Research, LLC – Hotel Horizons[®] December-February 2012, 2013, Smith Travel Research



Key Economic Measures for Hotels

U.S.: All But Employment Has Recovered

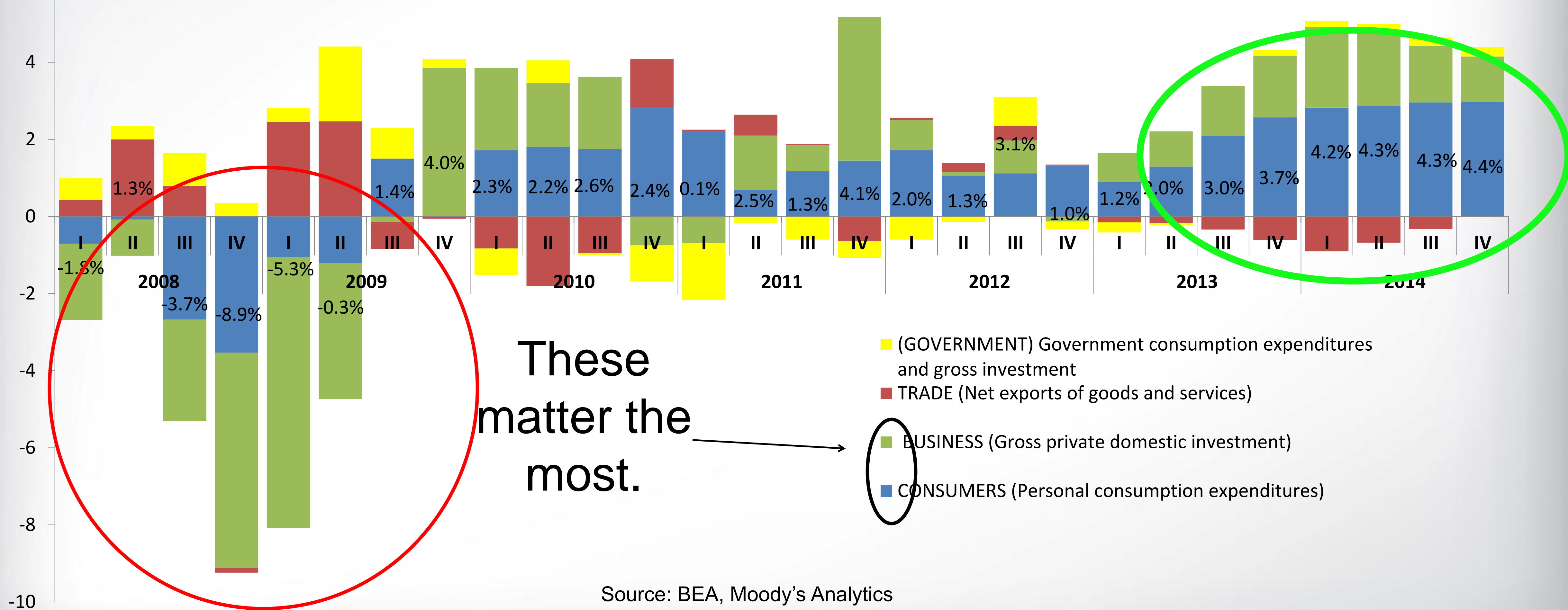


Source: PKF-HR, Moody's Analytics, STR (Historical Rooms Sold)



GDP Component Forecast

Contributions to percentage change in gross domestic product



Source: BEA, Moody's Analytics

National Forecast – 2013/2014

	Long Term Average	2008	2009	2010	2011	2012	Very Limited New Supply	
							2013F	2014F
Supply	2.1%	2.4%	2.9%	1.7%	0.5%	0.5%	0.8%	1.4%
Demand	1.9%	-2.5%	-6.2%	7.3%	4.7%	3.0%	1.8%	3.5%
Occupancy	61.9%	59.8%	54.5%	57.5%	59.9%	61.4%	62.1%	63.4%
ADR	2.9%	3.0%	-8.7%	0.0%	3.8%	4.2%	5.0%	6.2%
RevPAR	2.7%	-2.0%	-16.7%	5.4%	8.2%	6.8%	6.0%	8.4%

Passing Through Long Run Average Level

**What Should We
be Worried
About?**

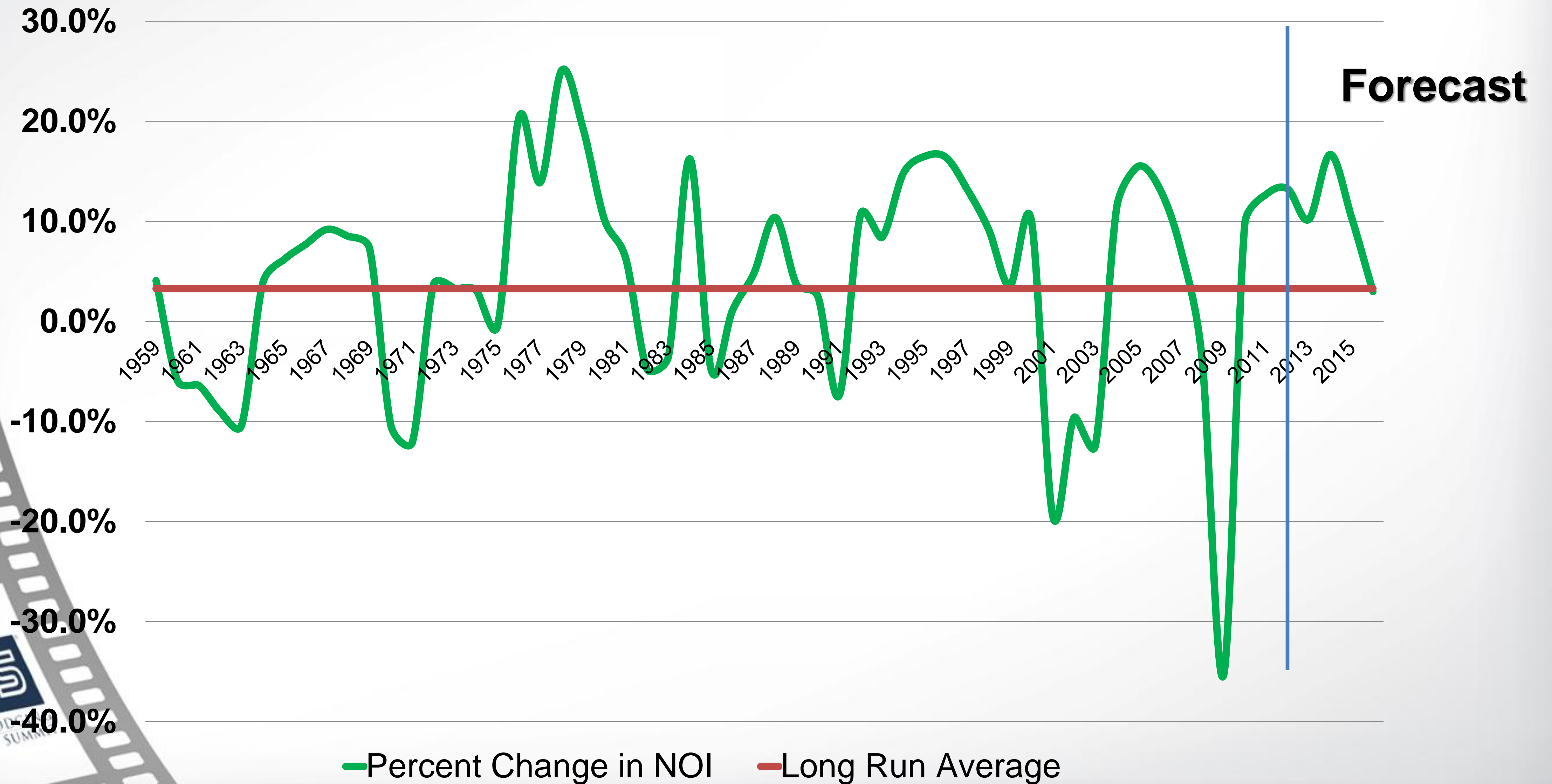


**Nothing – the
Fundamentals
are Solid!**

Good News Summary

1. *Supply Growth: Below Average through 2016.*
2. *Demand Growth: Above Average through 2015.*
3. *Occupancy: Above Average Level through 2016.*
4. *ADR Growth: 2 x's Average through 2015.*
5. *RevPAR Growth: 2.5 x's Average through 2015.*

Profit Growth Will be Above Average as Well



Hotel Values



Total Financial Returns

Come from:

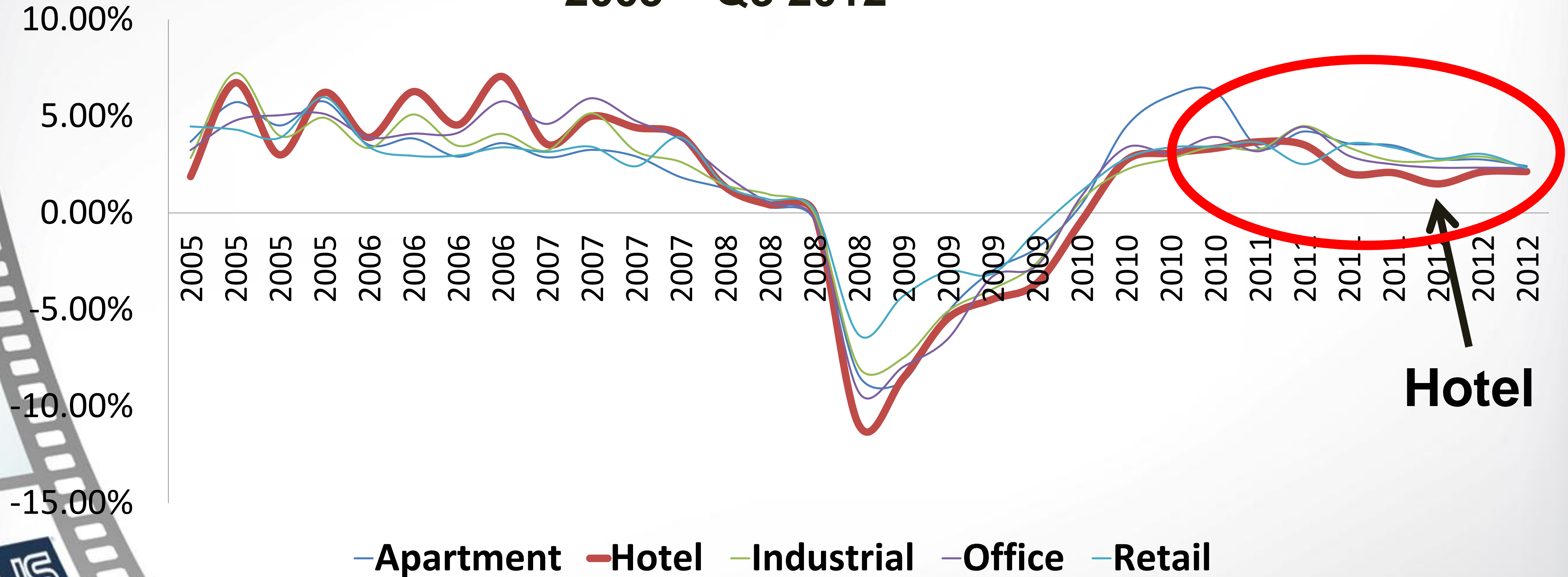
- 1. Asset appreciation (hopefully).**
- 2. Annual cash flow (income).**

National Council of Real Estate Investment Fiduciaries (NCREIF)

The NCREIF Property Index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only.

NCREIF Total Returns

2005 – Q3 2012



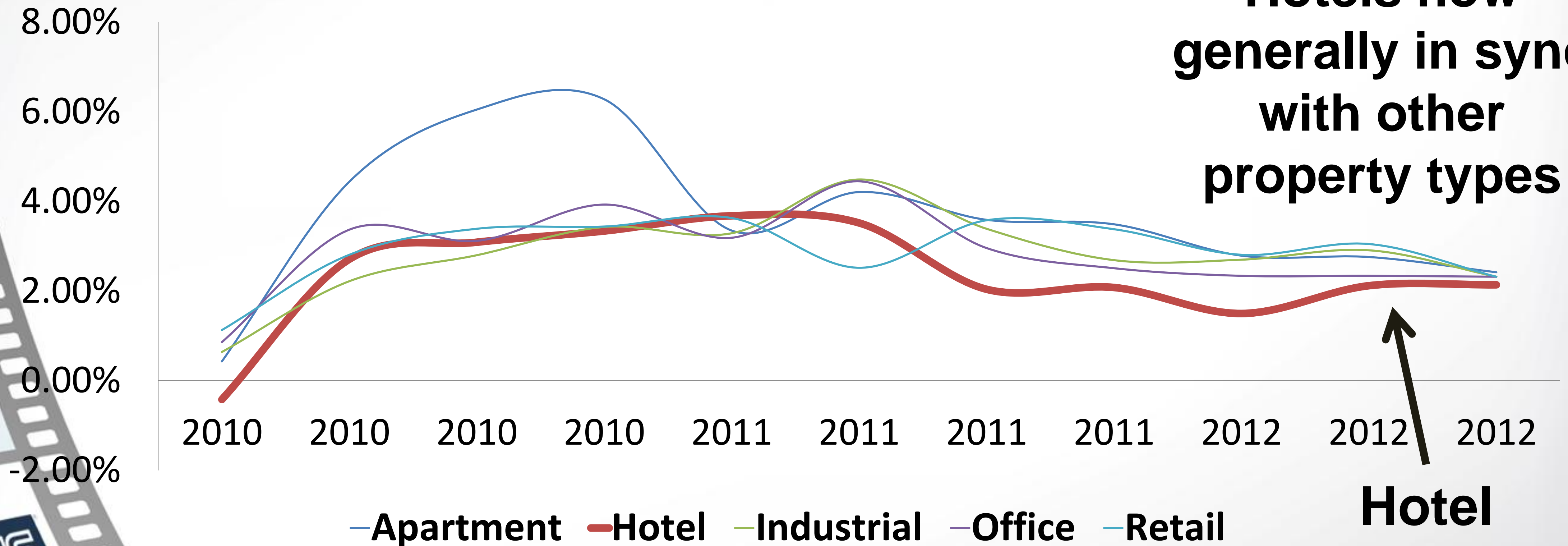
Source: National Council of Real Estate Investment Fiduciaries



NCREIF Total Returns

2010 – Q3 2012

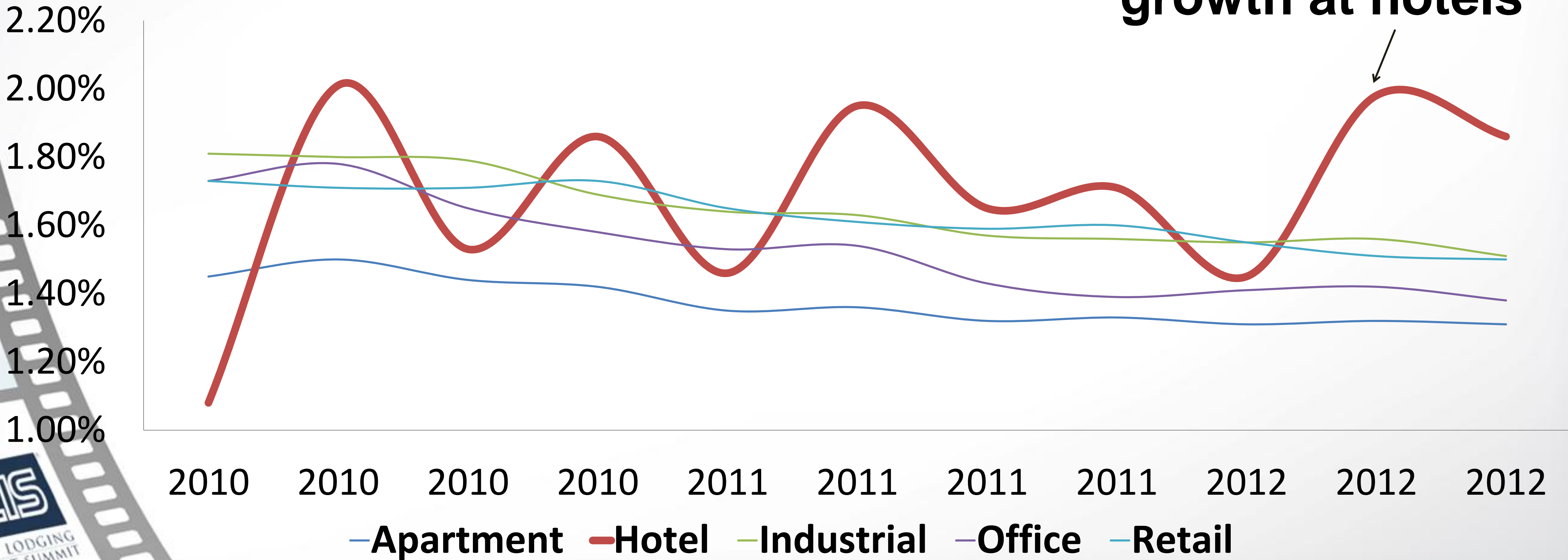
**Hotels now
generally in sync
with other
property types**



NCREIF Income Return

2010 – Q3 2012

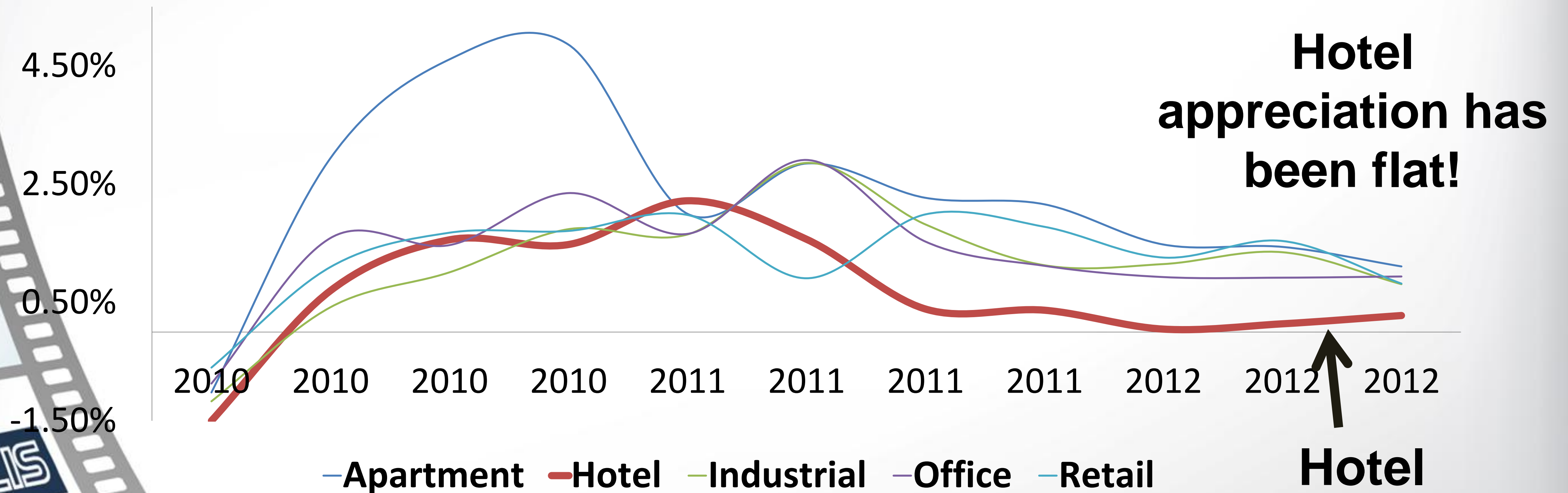
Superior income growth at hotels



Source: National Council of Real Estate Investment Fiduciaries

NCREIF Appreciation Return

2010 – Q3 2012



Source: National Council of Real Estate Investment Fiduciaries

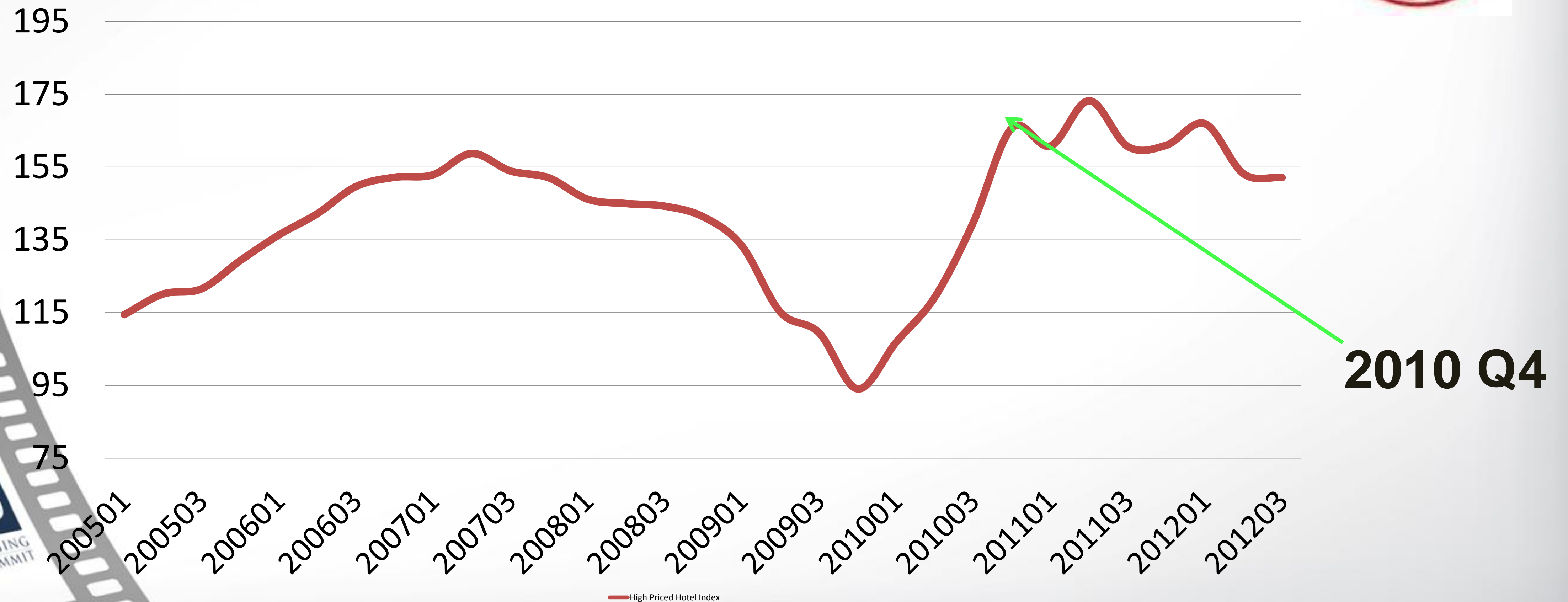


More Evidence of Relatively Flat Prices



2005 – Q3 2012

High Priced Hotel Index



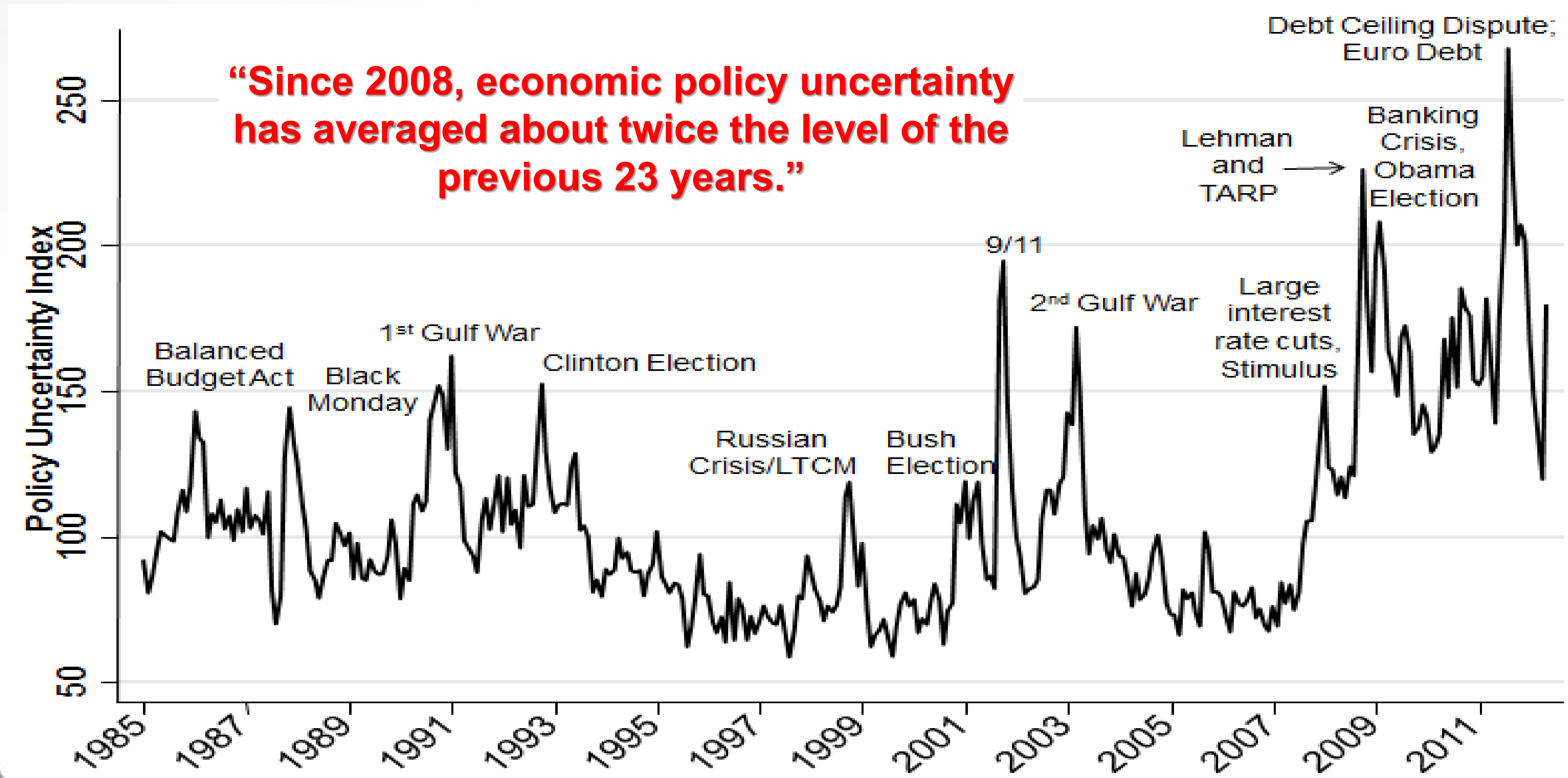
Source: Center for Real Estate and Finance, School of Hotel Administration, Cornell University



Why Has Hotel Appreciation Been Relatively Flat?



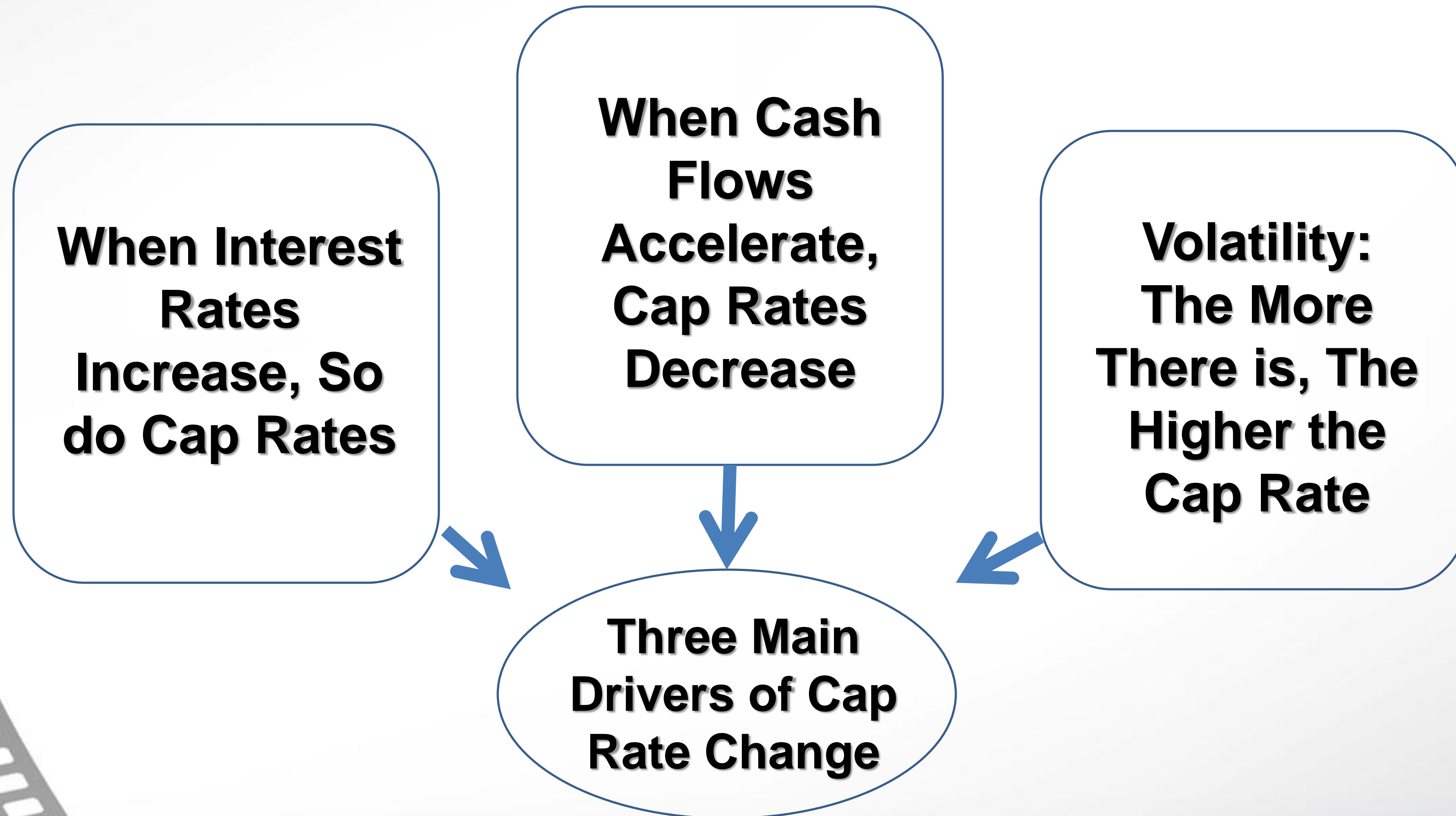
Uncertainty! It Remains Elevated



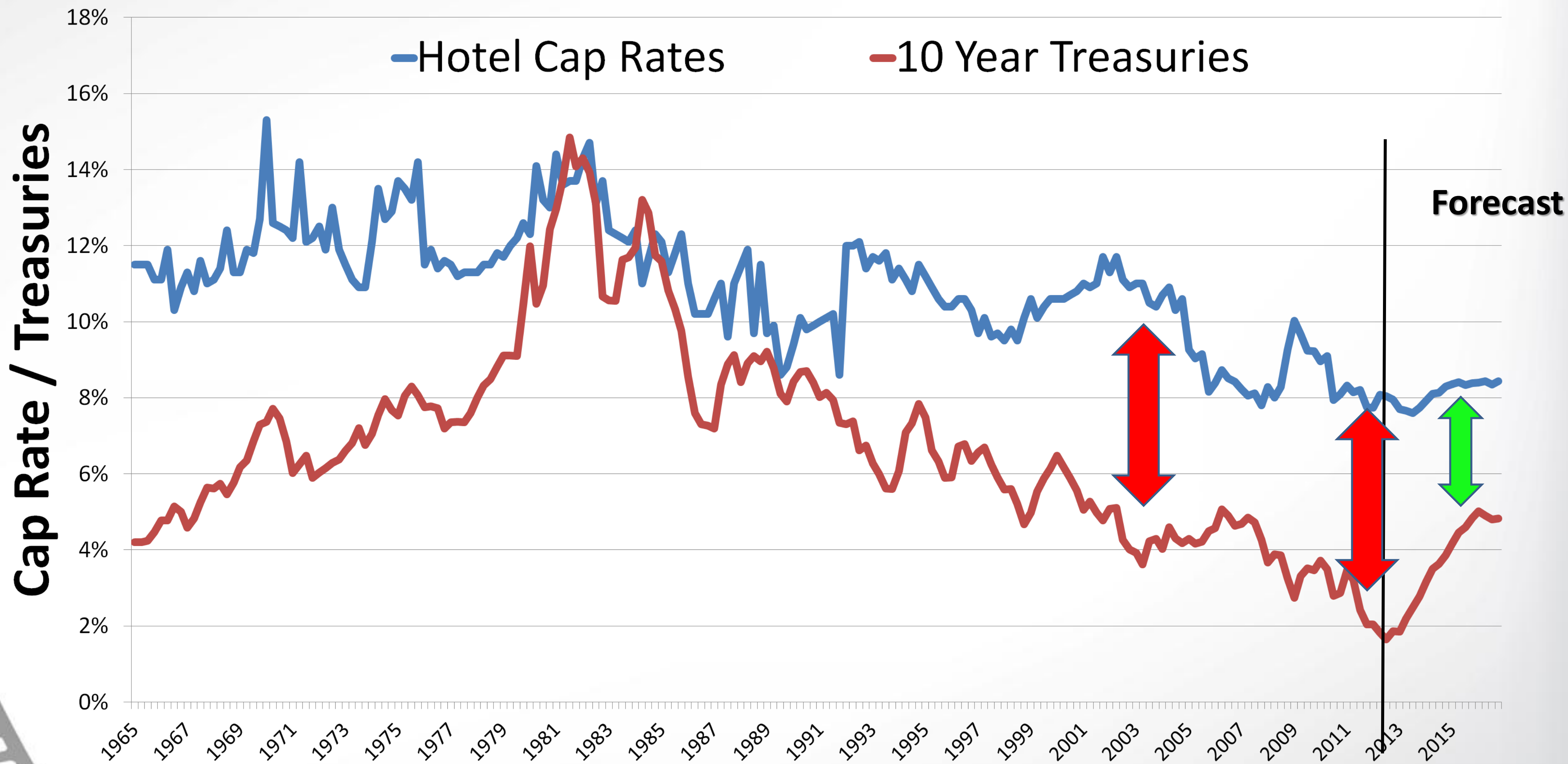
Source: Scott R. Baker, Nicholas Bloom, and Steven J. Davis



Where are Cap Rates Going?



Risk Spreads Remains Elevated for Hotels

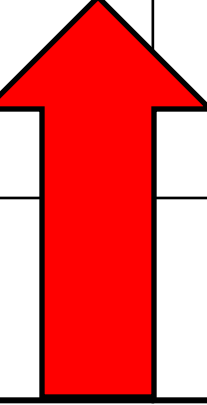
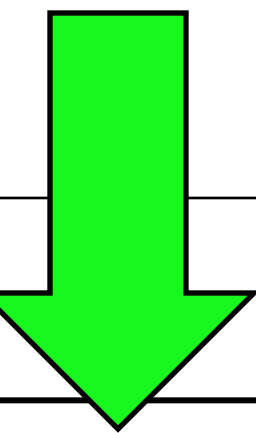
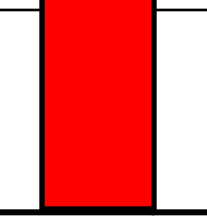
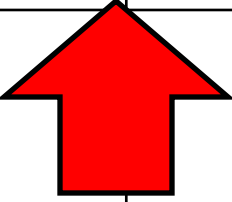
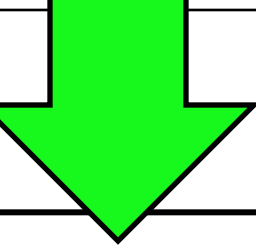
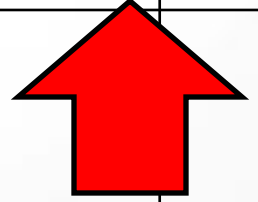
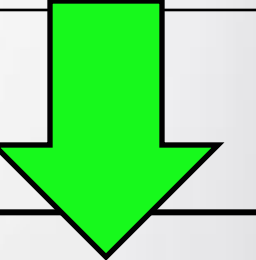


Source: PKF Hospitality Research, LLC ACLI, RERC, RCA

414 bp – LRA Spread



Forecasts of Return Components

	10 Year Treasury	Baa	Hotel Risk Premium	Cap Rate	% Δ NOI
2009	3.3%	7.1%	2.4%	9.5%	-35.4%
2010	3.2%	6.0%	2.5%	8.5%	9.8%
2011	2.8%	5.6%	2.5%	8.1%	12.7%
2012	1.8%	4.9%	3.0%	7.9%	13.3%
2013F	2.3% 	4.8%	2.8% 	7.6%	10.2%
2014F	3.5% 	5.8% 	2.3% 	8.1% 	16.7% 



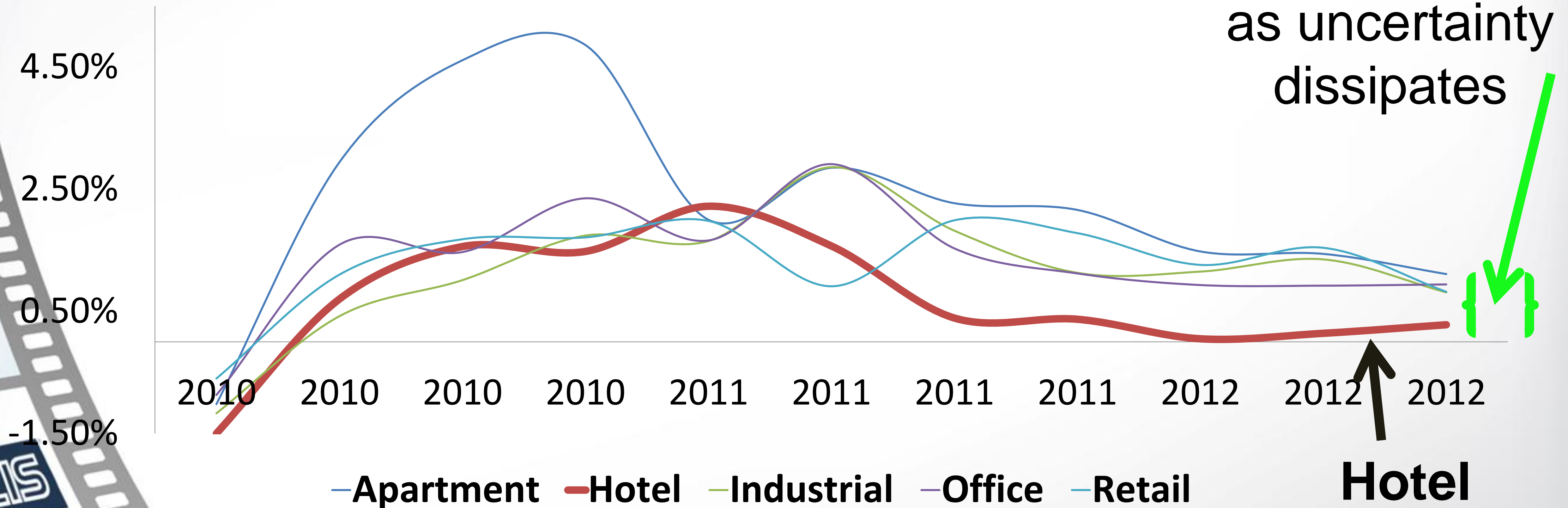
PKF Hospitality Research, LLC RERC, RCA, Moody's Analytics

Source: PKF Hospitality Research, LLC , Moody's Analytics

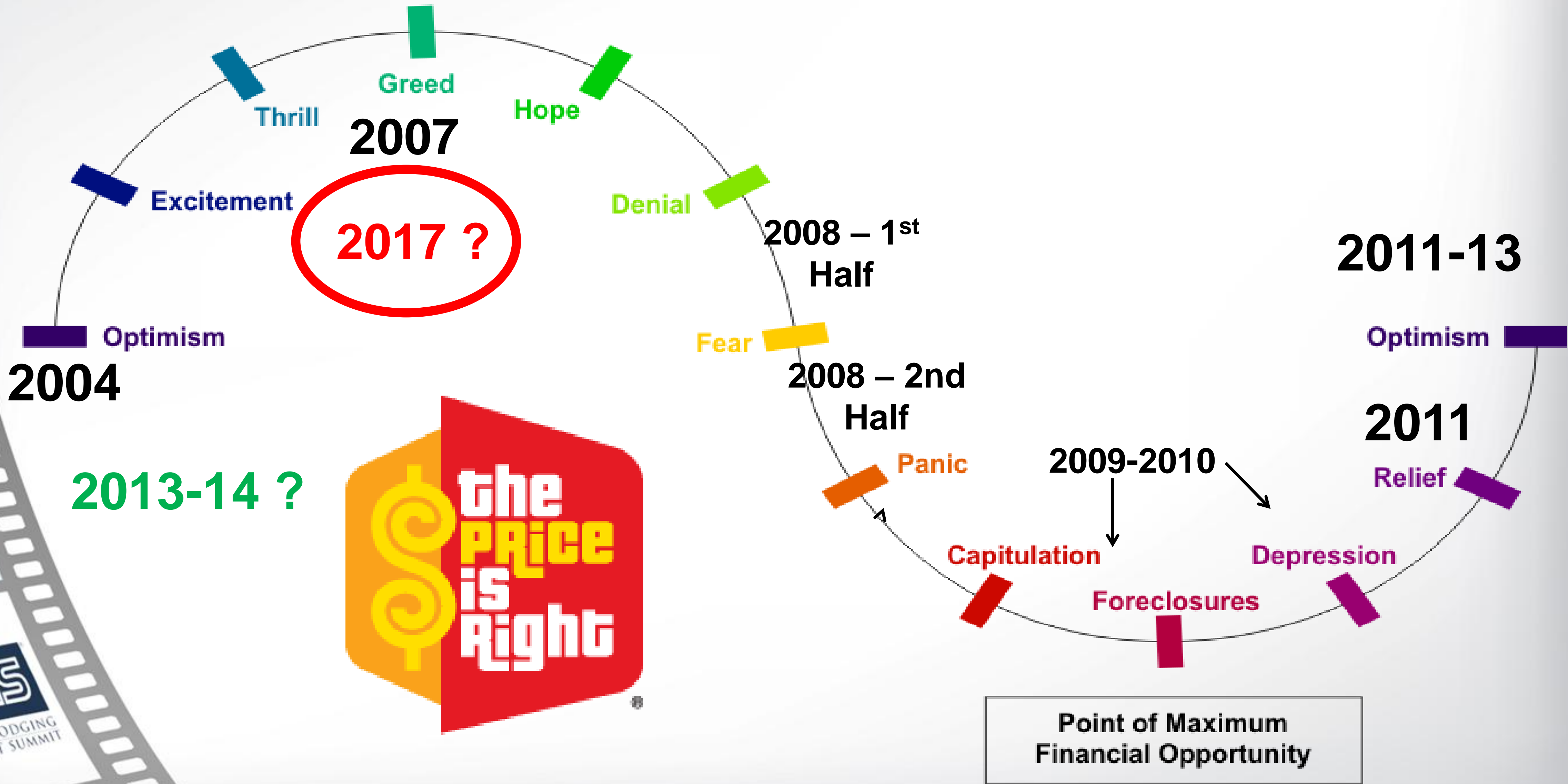
NCREIF Appreciation Return

2010 – Q3 2012

Look for this gap to close as uncertainty dissipates



Point of Maximum Financial Risk



Thanks for Your Time

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