

LODGING REAL ESTATE OVERVIEW

The credit crisis continues to significantly affect lodging real estate development. Early in the cycle, larger (150 rooms or more), high-end projects were impacted the most, as institutional-sized lenders halted real estate lending. Today, regional and community banks are experiencing growing balance sheet difficulties of their own and are now cutting back on mortgage lending as well, directly affecting smaller projects in the pipeline. The result is that development activity has slowed further and pipeline totals continue to fall.

In Q3, New Project Announcements into the pipeline have reached a new low for the cycle, while Cancellations/Postponements remain at elevated levels. Meanwhile, New Hotel Openings continue to exit the Pipeline at an accelerated pace, further depleting Pipeline counts. These trends have reduced total Construction Pipeline counts to 3,890 projects/485,664 rooms as of the end of Q3 2009, a low not seen in three years.

The lack of available funding is still impacting lodging real estate transactions, which remain in a precipitous decline. Transaction volume in 2009 is expected to be just 25% of what it was at the peak in 2007, with selling prices down by 50%.

LE's Construction Pipeline: By Stage

Stage	Q2 2008 Pipeline Peak		Q3 2009		% Change Q208 to Q309	
	Projs	Rms	Projs	Rms	Projs	Rms
Under Construction	1,723	242,229	951	129,226	-45%	-47%
Starts Next 12 Mos	2,737	327,920	1,591	172,534	-42%	-47%
Early Planning	1,423	215,398	1,348	183,904	-5%	-15%
Total Pipeline	5,883	785,547	3,890	485,664	-34%	-38%

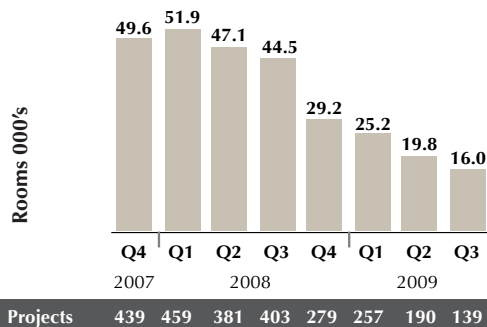
LE Notes that:

- Pipeline totals have declined for five consecutive quarters, and are down 34% by projects and 38% by rooms from the Q2 2008 peak.
- Pipeline guestroom totals are down 34% YoY and 11% QoQ.
- At 129,226 rooms, Under Construction counts are at a low not seen since Q4 2005.
- Project count declines are accelerating in the Upscale, Midscale with and without Food & Beverage and Economy segments, as financing is now increasingly difficult to locate for these chain scales.
- The Pipeline is expected to continue declining until guestroom demand declines bottom and then begin to improve to absorb the excess supply.

KEY PIPELINE METRICS

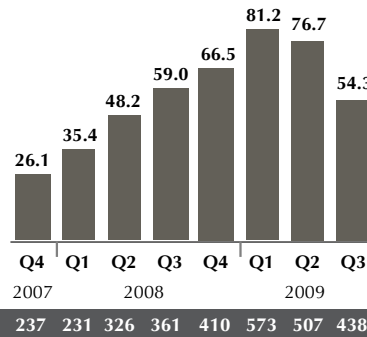
Construction Starts

Hindered by the lack of financing, project migration up the Pipeline towards construction is at a crawl, with just 139 projects/15,994 rooms starting construction in Q3. Numerous projects that cannot source financing, but are still considered viable, are "stalled" in the Starts in the Next 12 Months and Early Planning stages.



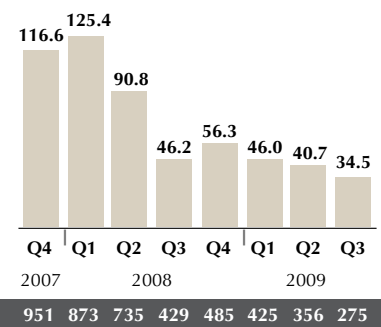
Cancellations/Postponements

Cancellations and postponements continued at a high rate in Q3, with 438 projects/54,299 rooms. This trend will likely continue, as not all developers of "stalled" projects will be able to wait for financing to become available, particularly in the face of rising holding costs and declining demand in many markets.



New Project Announcements

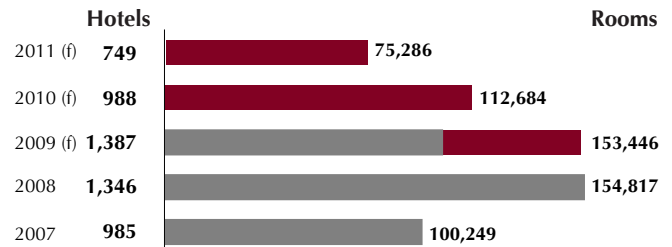
At 275 projects/34,468 rooms, New Project Announcements are at their lowest level in 19 quarters. They are expected to continue in this low channel until financing becomes unlocked and guestroom demand begins to increase.



FORECAST FOR NEW HOTEL OPENINGS

A total of 1,032 new hotels, having 111,642 guestrooms, opened in the first three quarters of 2009. An additional 355 projects/41,804 rooms are forecasted to open in Q4 2009.

LE has decreased its Forecast for New Hotel Openings for 2010, reducing it by approximately 10% to 988 projects/112,684 rooms. The reduction takes into account the continued high rate of project cancellations and postponements and reflects growing lending difficulties, particularly for smaller-sized projects. LE expects 749 projects/75,286 rooms to come online in 2011.



ABOUT LODGING ECONOMETRICS

With over 30 years of experience, Lodging Econometrics (LE) is the foremost source of global business development intelligence for hotel franchise companies. LE serves as your strategic planning partner. We identify every opportunity available to your company worldwide, based on your particular market share goals, sales objectives and brand specifications.