Investment Overview of the U.S. Lodging Industry

October 18, 2006

Presented to:
Urban Land Institute Fall Meeting 2006

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Investment Overview of the U.S. Lodging Industry

- Overview of U.S. Hotel Economic Performance
- Overview of Mid Year 2006 CB Richard Ellis Significant (Over $10 Million) U.S. Hotel Sales
- Return Analysis of Three Recent Significant U.S. Hotel Sales
- Valuation/Pricing Challenges in Today's Market
- Lodging Industry Risk Considerations
- Summary

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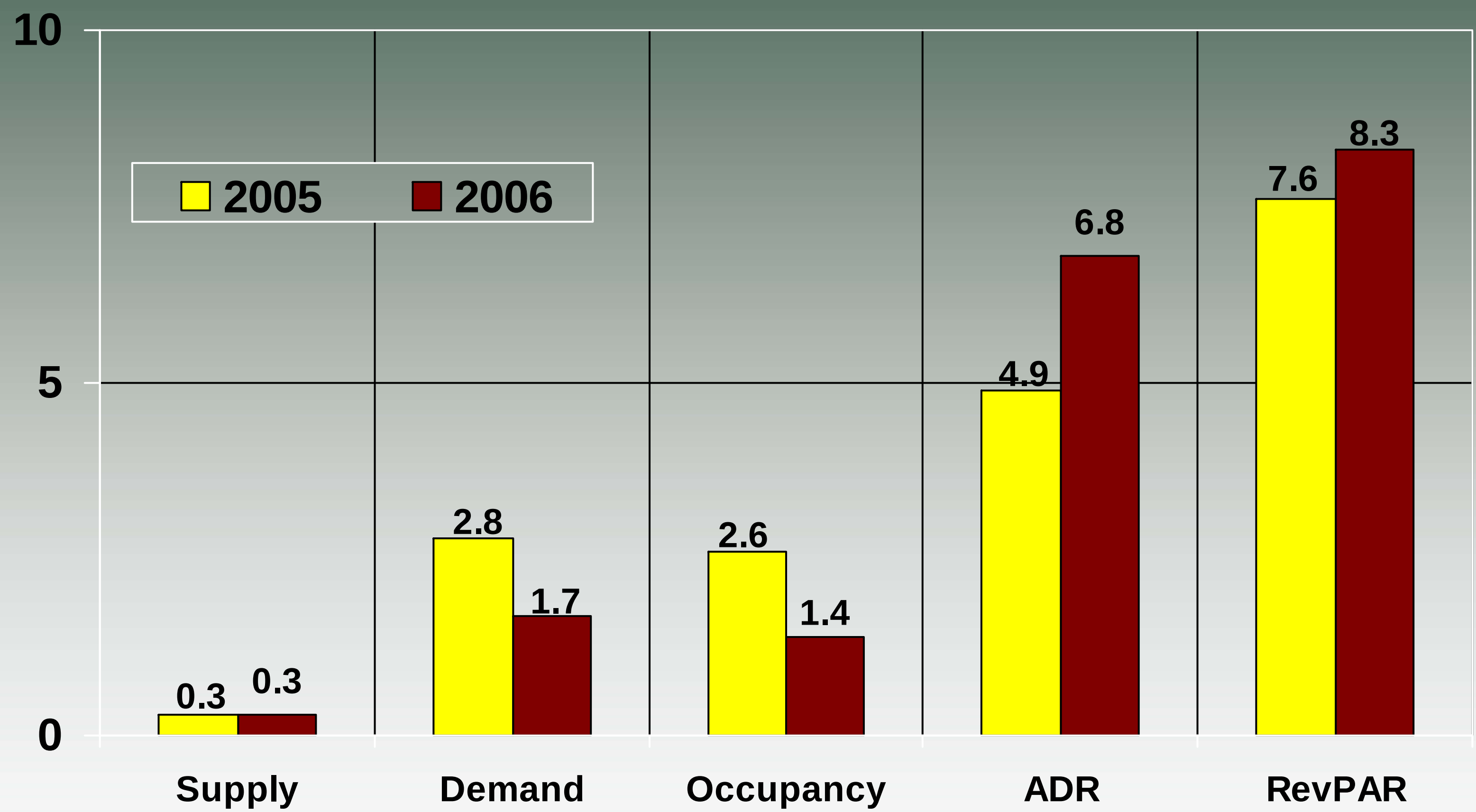
Total United States

Key Performance Indicators Percent Change – August YTD



Source: Smith Travel Research

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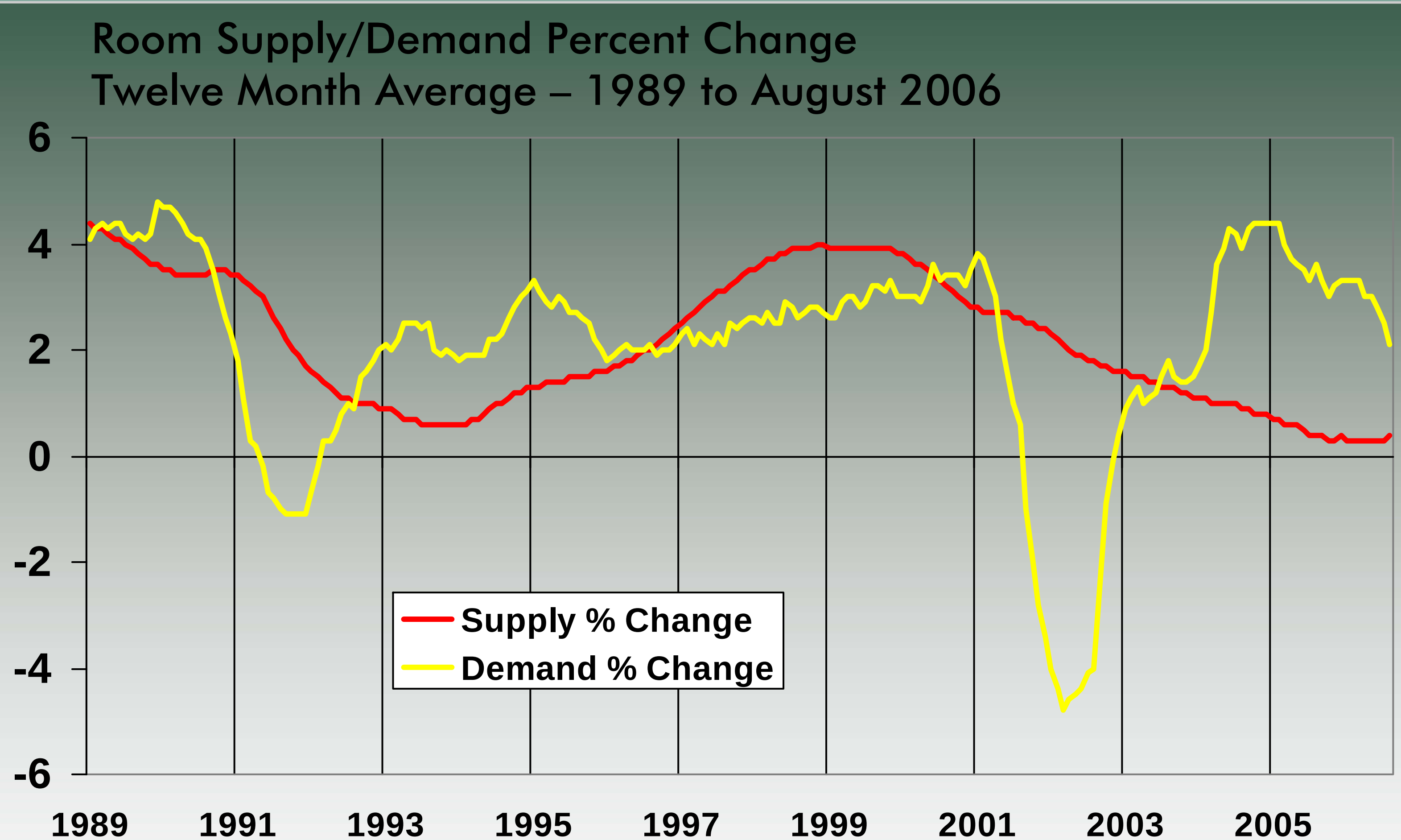

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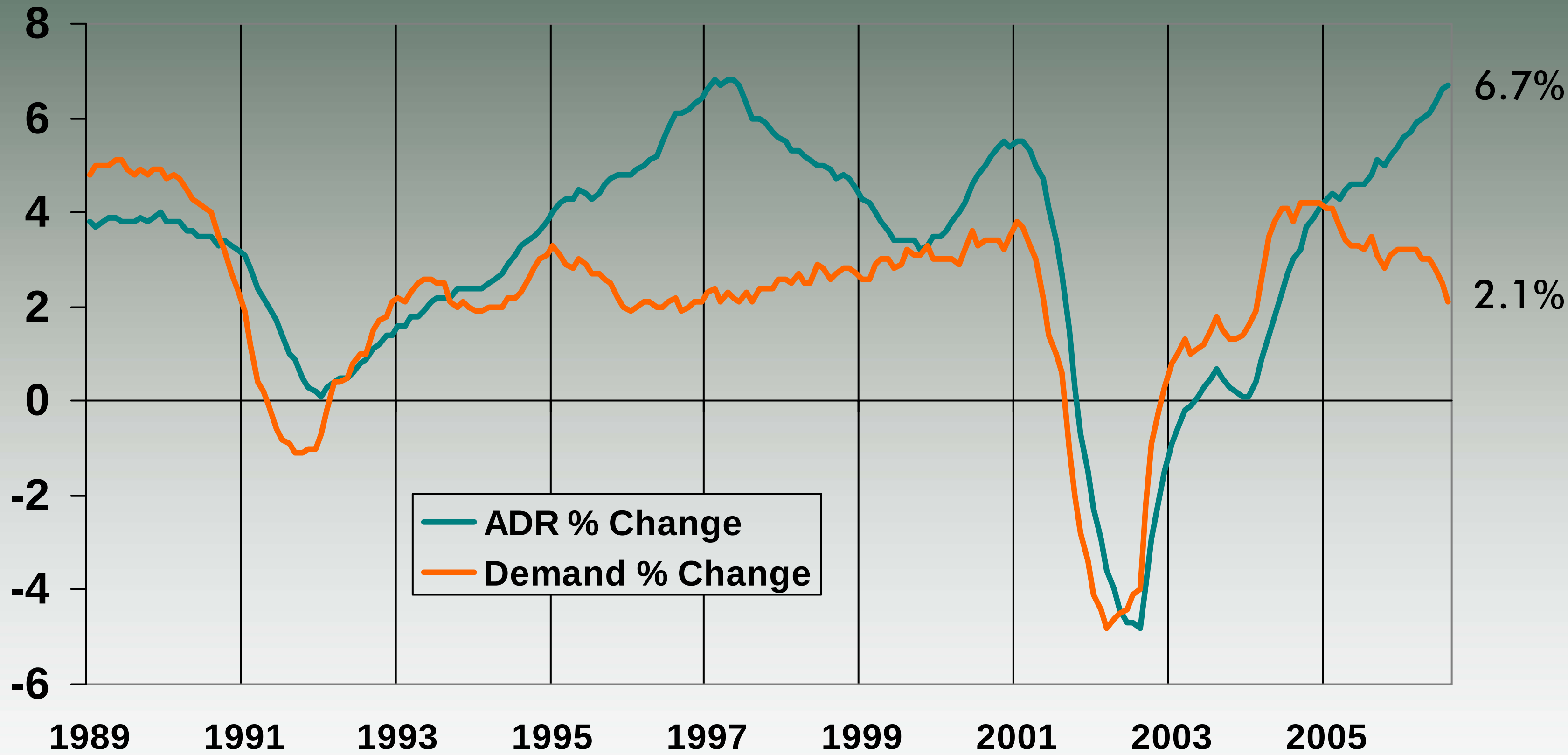
Total United States

Room Demand / ADR Percent Change

Twelve Month Average – 1989 to August 2006



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Markets with Highest Construction Activity August 2006

Market	# Rooms	% Existing Supply
Las Vegas	7,942	5.1
Washington, DC	5,311	5.8
Chicago	5,180	5.1
New York	3,987	5.0
Orlando	3,668	3.3

Source: Smith Travel Research

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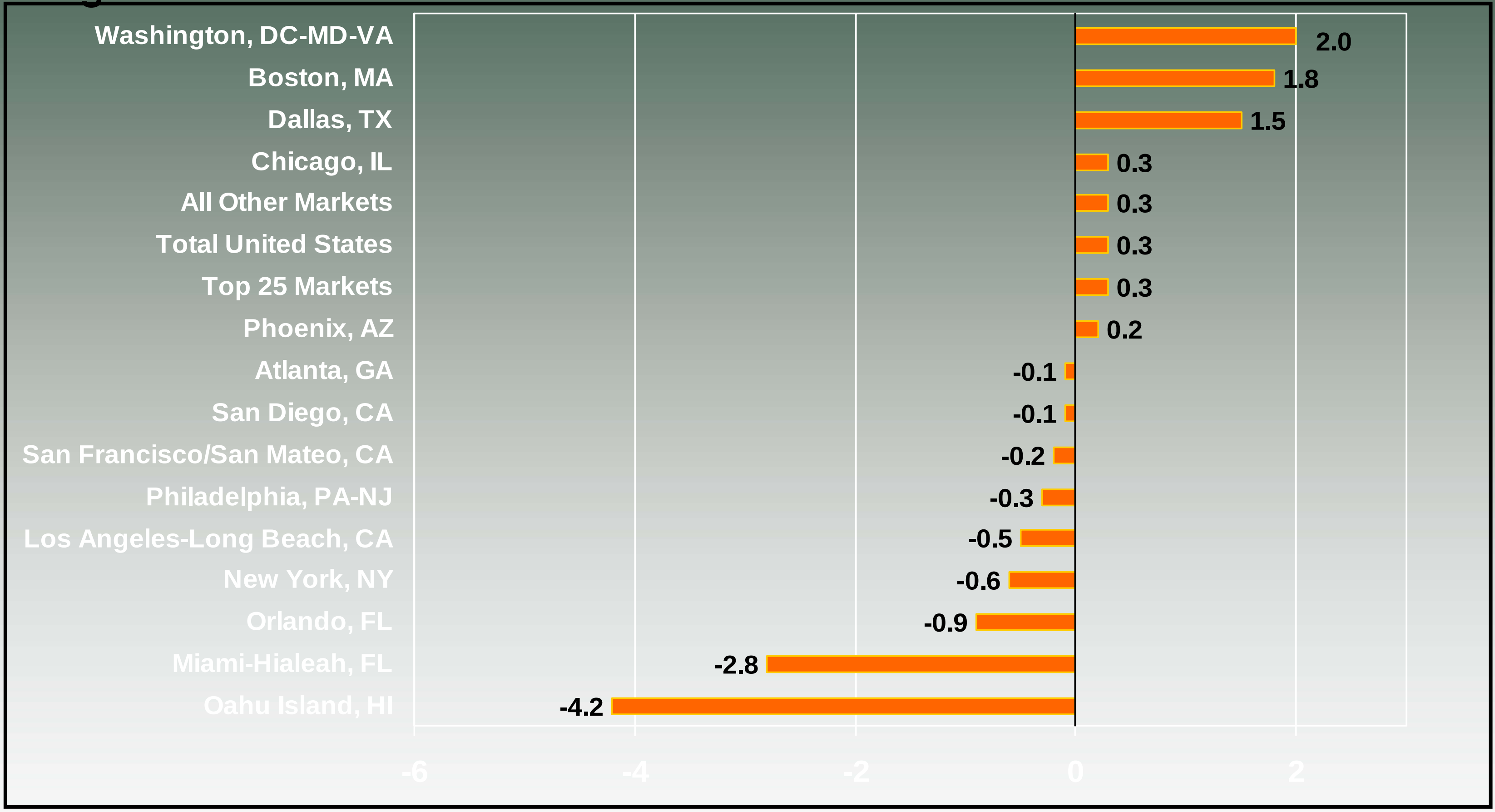
Key 15 Markets

Room Supply Percent Change

August 2006 YTD Year over Year



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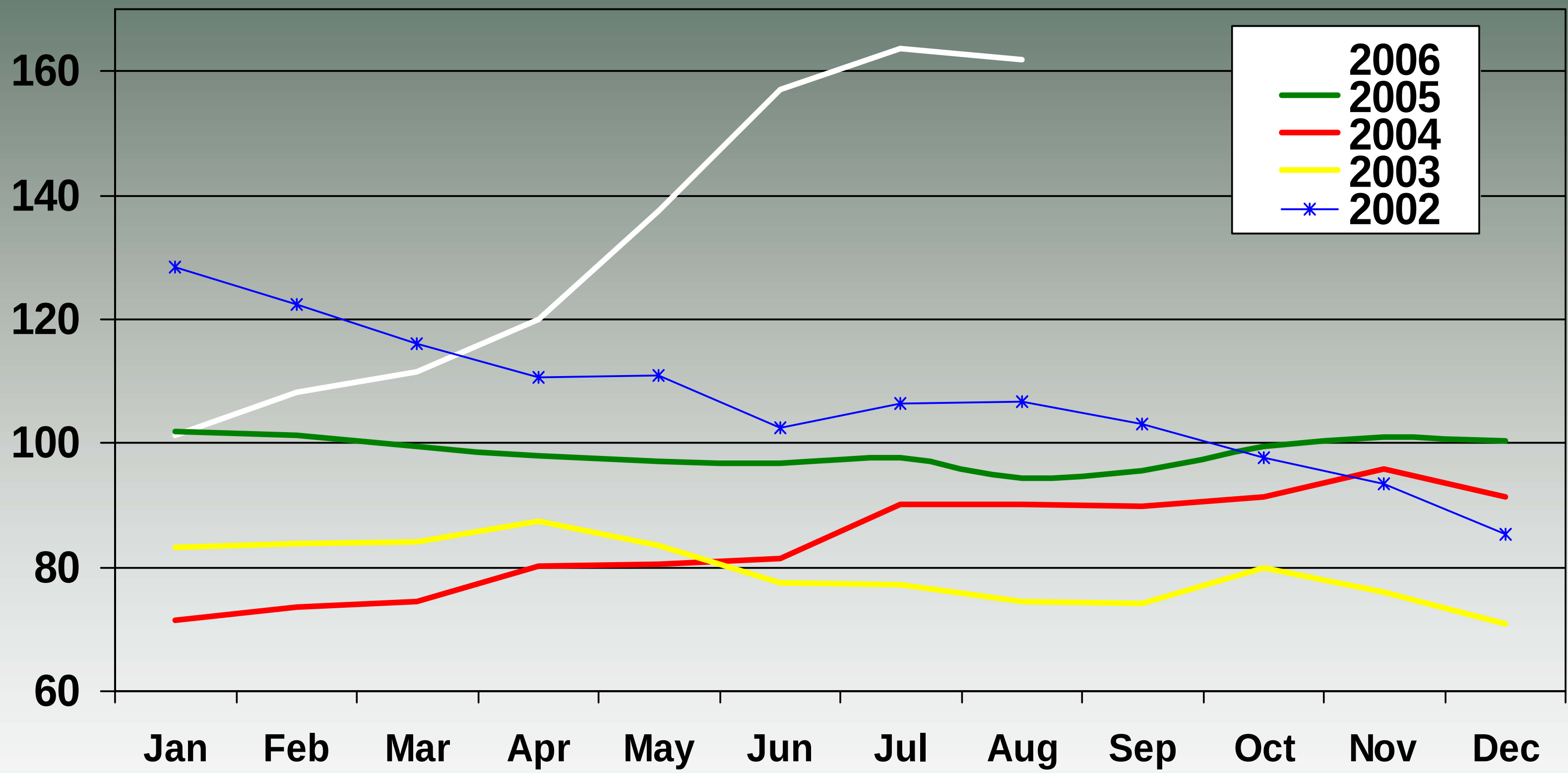
Total United States

In Construction – Rooms in Thousands
January 2002 – August 2006



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Reasons for Low Construction

Construction Costs

- Interest Rates
- Steel, Concrete, Lumber – Availability
- Land (Competition for Sites)
- Hurricanes

Rising Operating Costs

- Energy – Natural Gas, Electricity
- Insurance – Health Care, Property, Liability
- Labor – Visa Caps, Union Contracts, Aging Work Force

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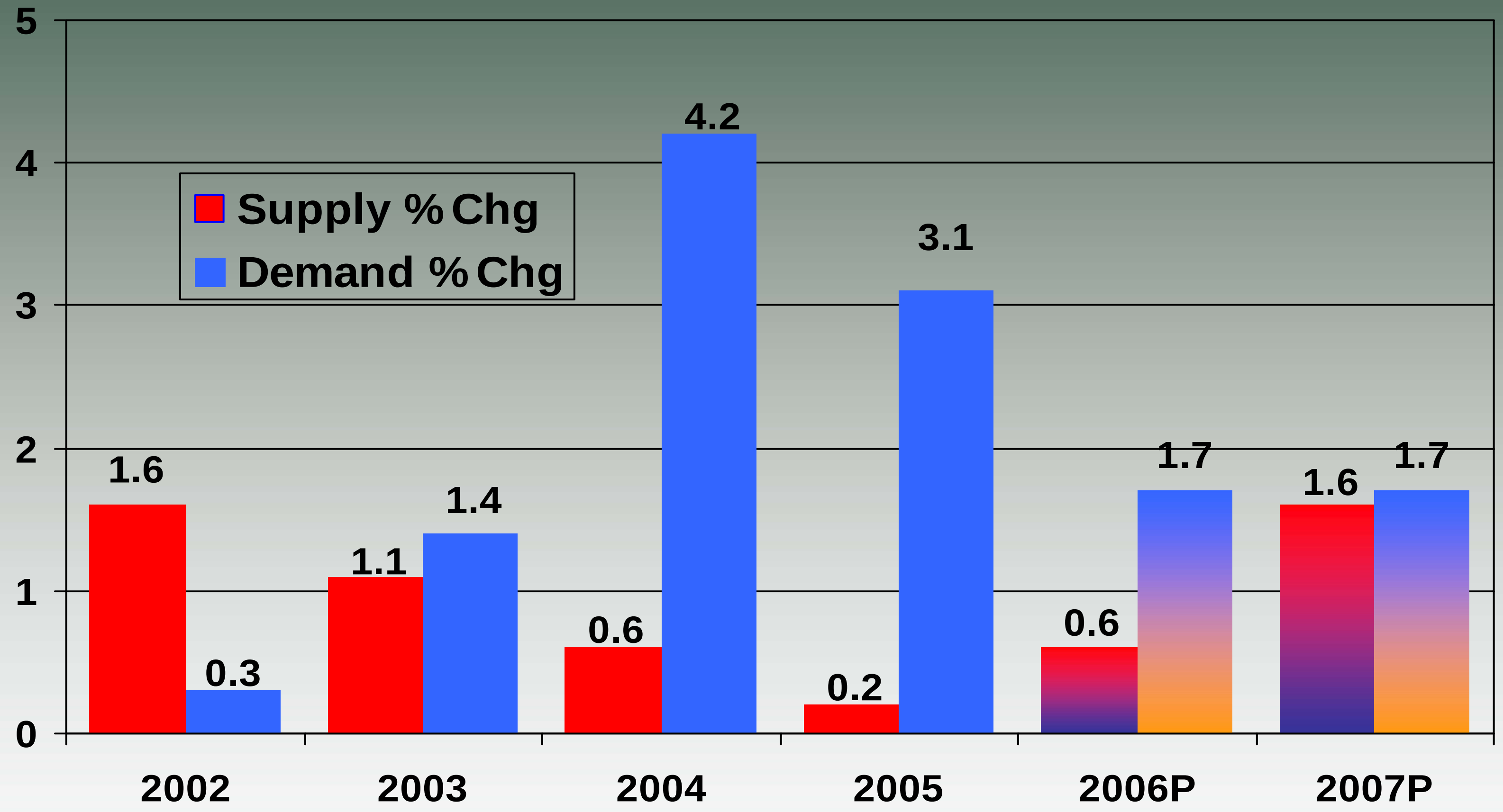
Supply/Demand Percent Change
2002-2007P



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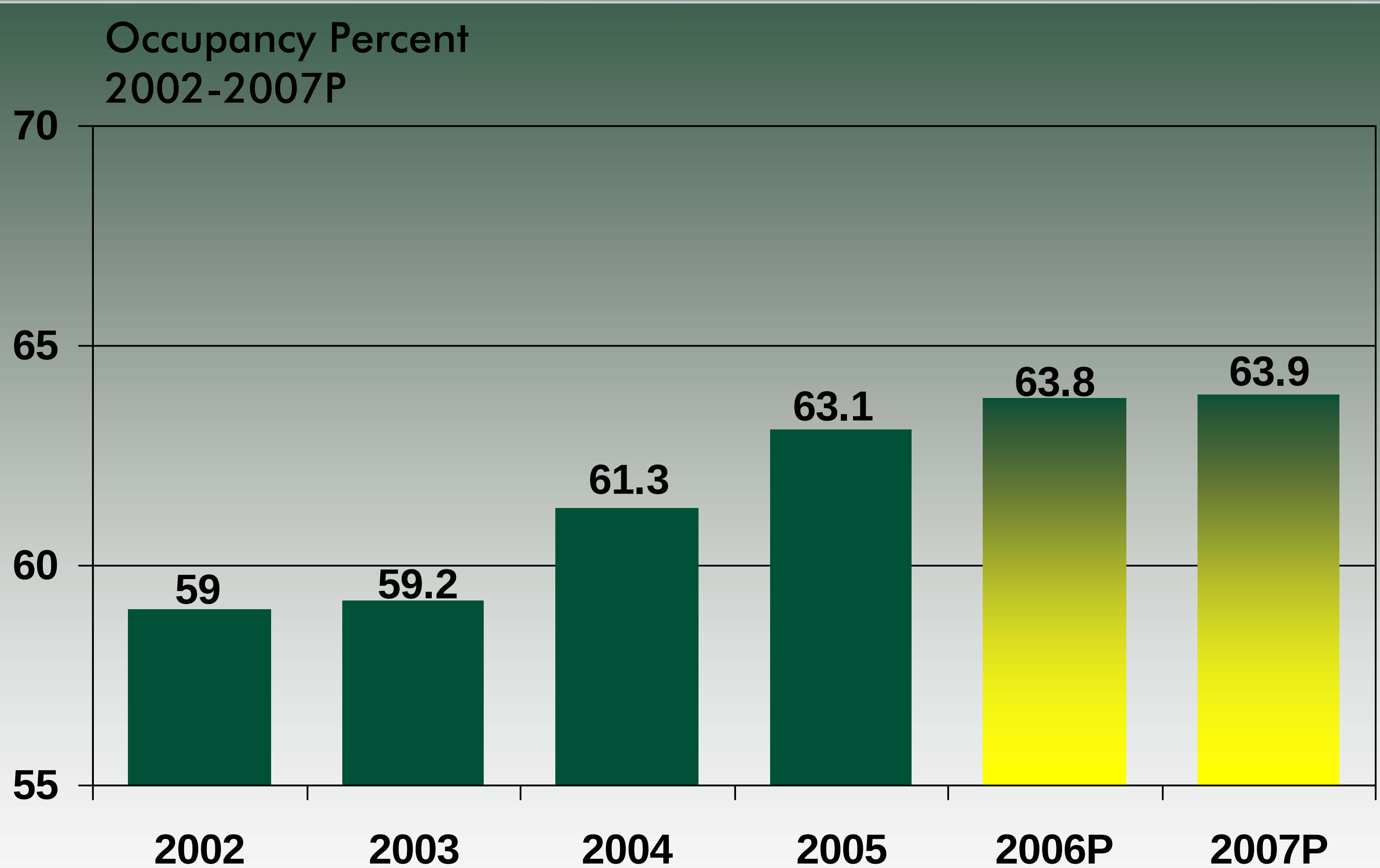

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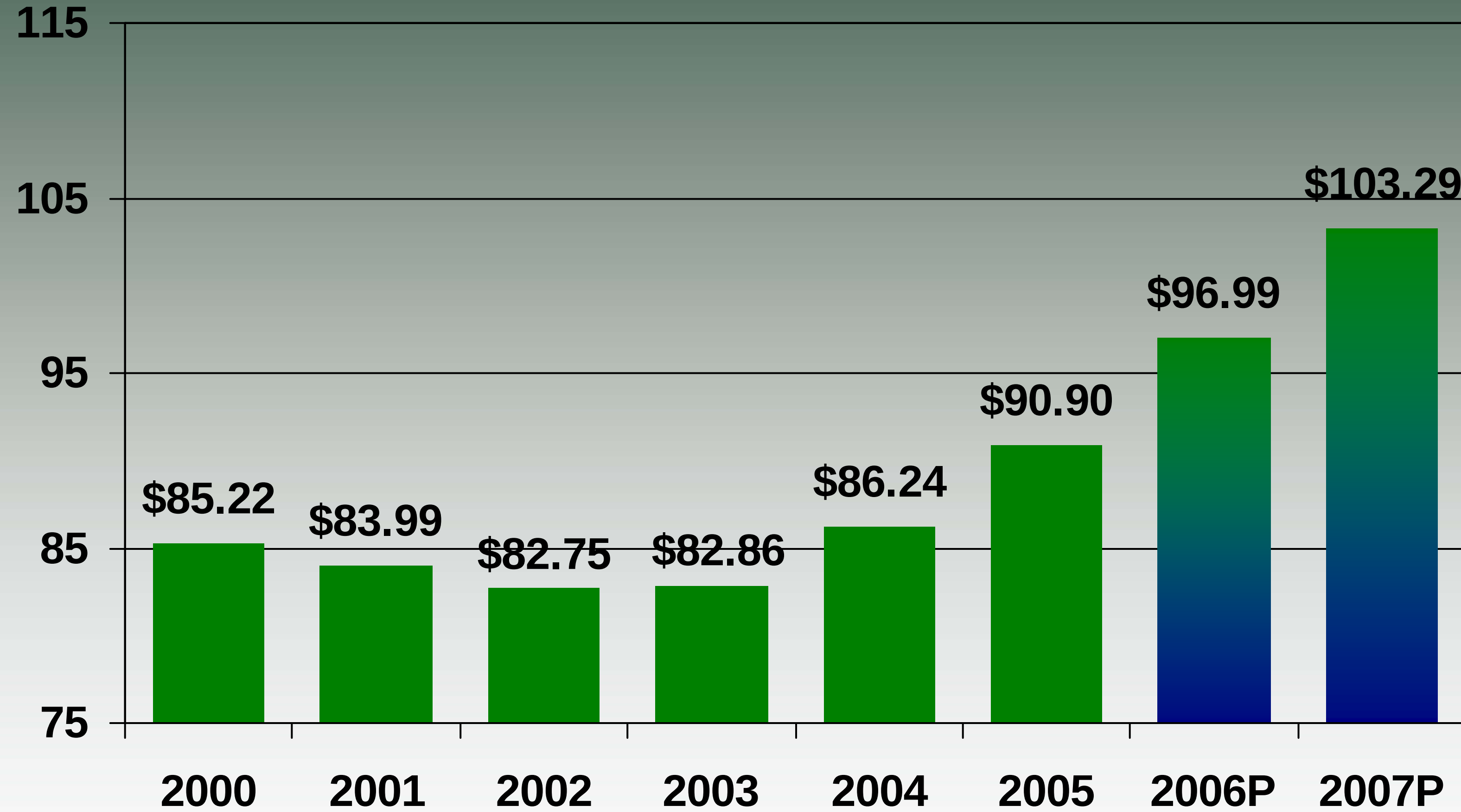
Total United States

Nominal Room Rates
2000 – 2007P



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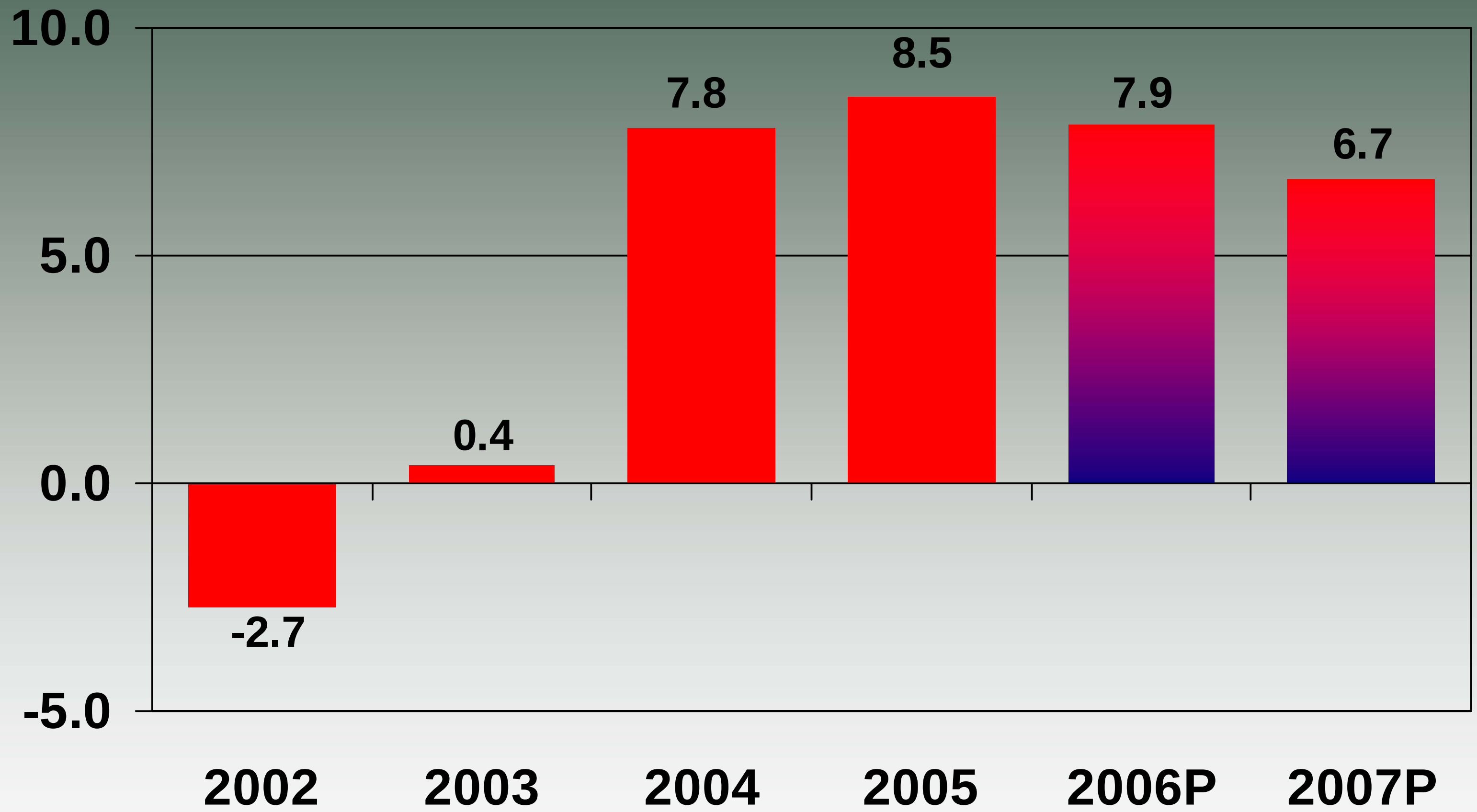
Total United States

RevPAR Percent Change
2002-2006P



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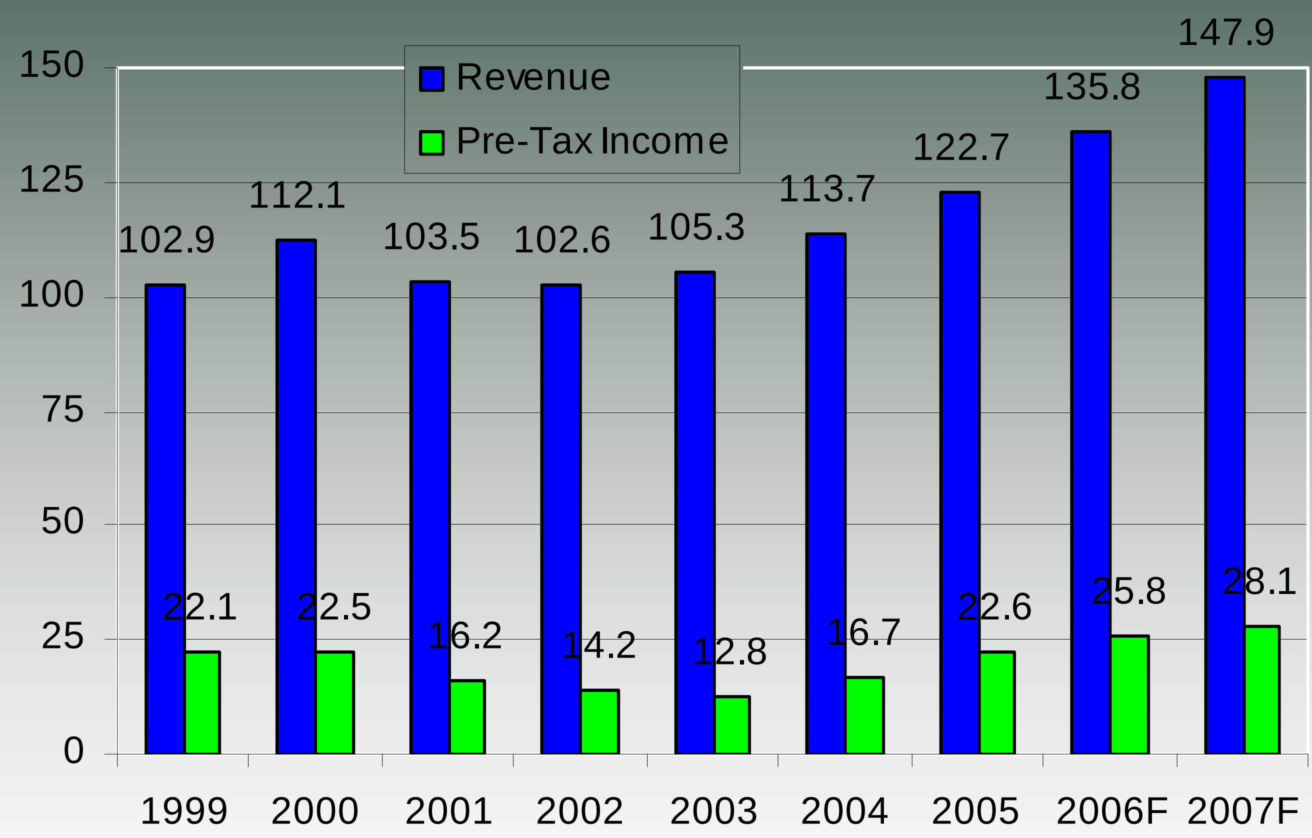
Total United States

Estimated Revenue and Pre-Tax Income (In Billons)
Years 1999-2007F



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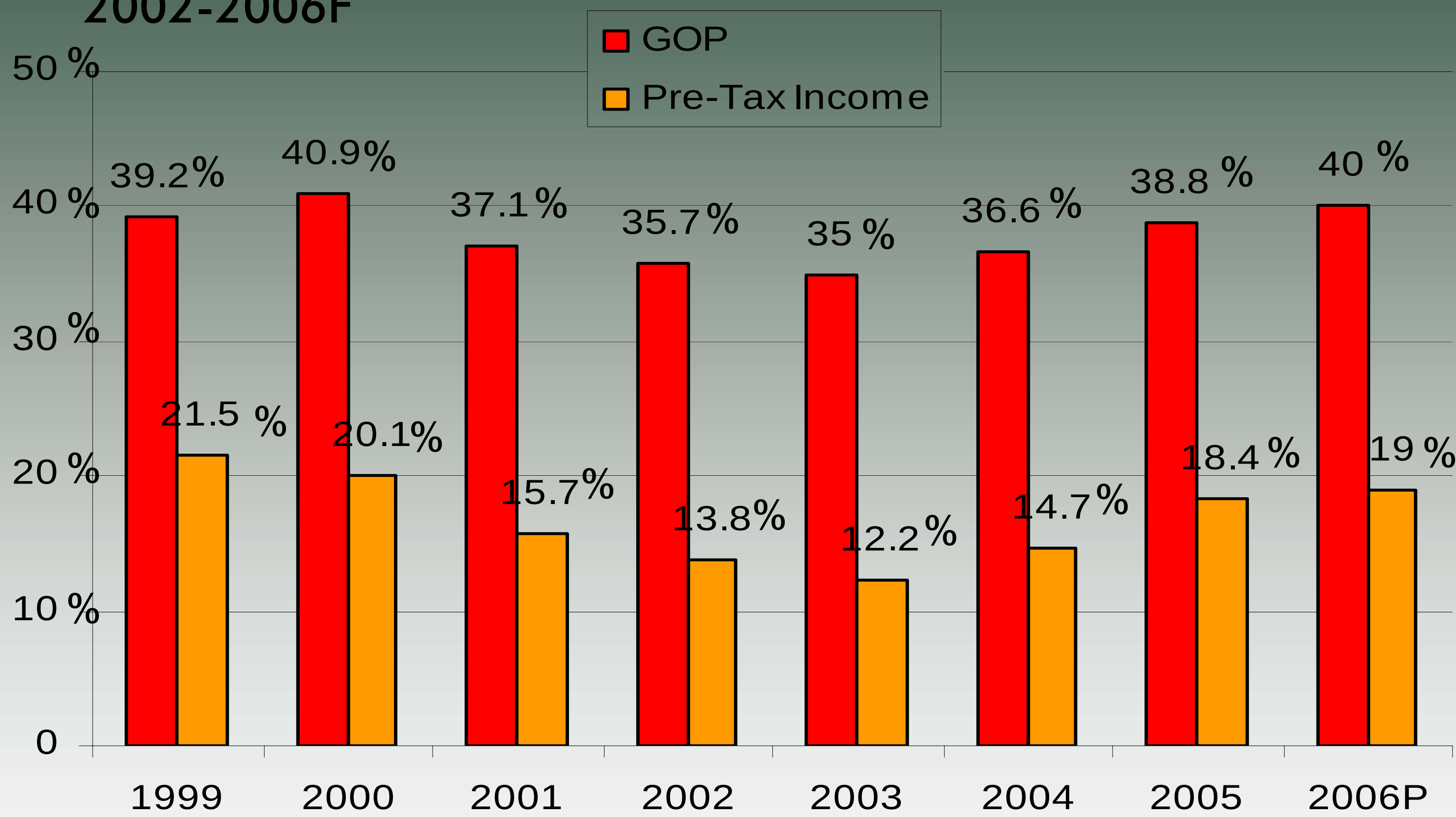
Total United States

GOP and Pre-Tax Income – Percent of Total Revenues 2002-2006F



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Top Ten U.S. Hotel Sales – Mid Year 2006
By Estimated Sales Price

Property	Location	No. of Rooms	Estimated Sales Price	Estimated Price/Room	Buyer	Seller
Four Seasons Resort Hualalai	Ka'upulehu-Kona, HI	243	$550,000,000	$2,263,374	MSD Capital & Rockpoint Group	Kajima Family
Drake Swissotel	New York, NY	495	$440,000,000	$888,889	Macklowe Organization	Host Marriott Corporation
Westin St. Francis	San Francisco, CA	1195	$440,000,000	$368,201	Strategic Hotels & Resorts Inc.	Blackstone Real Estate Partners
Westin Kierland Resort & Spa	Scottsdale, AZ	732	$393,000,000	$536,885	Host Hotels & Resorts, Inc.	The Kierland Resort Company, LLC
Fairmont Scottsdale Princess	Scottsdale, AZ	651	$345,000,000	$529,954	Strategic Hotels & Resorts, LLC	Fairmont Raffles Holdings International
Ritz-Carlton Laguna Niguel	Dana Point, CA	393	$339,000,000	$862,595	Strategic Hotels & Resorts, Inc.	Strategic Hotel Capital, LLC
Chicago Marriott Downtown	Chicago, IL	1192	$306,000,000	$256,711	DiamondRock Hospitality	LaSalle Hotel Properties & Carlyle Group
Hilton Times Square	New York, NY	444	$242,500,000	$546,171	Sunstone Hotel Investors Inc.	Forest City Ratner
Four Seasons Resort & Club Dallas at Las Colinas	Las Colinas, TX	397	$230,000,000	$579,345	BentleyForbes	USAA Real Estate of San Antonio
Sawgrass Marriott Ponte Vedra Beach Resort & Spa	Ponte Vedra Beach, FL	508	$220,500,000	$434,055	Redquartz Boundaries Ltd.	Interstate Hotels & Resorts & CIGNA

CB Richard Ellis (CBRE) has compiled the above information from sources deemed reliable, and the information is thought to be correct, however CBRE cannot warrant absolute accuracy of all the data. Use of this information without verification from original sources is at your own risk.

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Top Ten Select Major U.S. Hotel Sales – Mid Year 2006
By Estimated Room Price

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Drake Swissotel	New York, NY	495	$440,000,000	$888,889	Macklowe Organization	Host Marriott Corporation
Ritz-Carlton Laguna Niguel	Dana Point, CA	393	$339,000,000	$862,595	Strategic Hotels & Resorts, Inc.	Strategic Hotel Capital, LLC
The Mark	New York, NY	177	$150,000,000	$847,458	Simon Elias & Izak Senbahar	Mandarin Oriental Hotels
Chatham Bars Inn	Chatham, MA	205	$166,000,000	$809,756	N/A	Great American Financial Resources Inc.
Fours Seasons Hotel	Washington DC	211	$168,900,000	$800,474	Strategic Hotels & Resorts Inc.	Louis Dreyfus Property Group
Holiday Isle Beach Resorts & Marina	Islamorada, FL	151	$98,250,000	$650,662	Ceebraid Signal	Celentano Properties
Four Seasons Resort & Club Dallas at Las Colinas	Las Colinas, TX	397	$230,000,000	$579,345	BentleyForbes	USAA Real Estate of San Antonio
Hilton Times Square	New York, NY	444	$242,500,000	$546,171	Sunstone Hotel Investors Inc.	Forest City Ratner
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Chicago Marriott Downtown	Chicago, IL	1192	$306,000,000	$256,711	DiamondRock Hospitality	LaSalle Hotel Properties & Carlyle Group
Hilton Minneapolis	Minneapolis, MN	821	$92,000,000	$112,058	1001 Marquette LLC	Hilton Hotels Corporation
Westin Michigan Avenue	Chicago, IL	751	$214,700,000	$285,885	LaSalle Hotel Properties	JER Partners
Westin Kierland Resort & Spa	Scottsdale, AZ	732	$393,000,000	$536,885	Host Hotels & Resorts, Inc.	The Kierland Resort Company, LLC
Hilton Pittsburgh	Pittsburgh, PA	713	$28,000,000	$39,271	Shubh Hotels Pittsburgh, LLC	Hilton Hotels Corp. & Hertz Gateway Center, LP
Crystal Gateway Marriott	Arlington, VA	697	$107,000,000	$153,515	Ashford Hospitality Trust, Inc.	EADS
Renaissance Nashville Hotel	Nashville, TN	673	$77,000,000	$114,413	Highland Hospitality Corp.	N/A
Fairmont Scottsdale Princess	Scottsdale, AZ	651	$345,000,000	$529,954	Strategic Hotels & Resorts, LLC	Fairmont Raffles Holdings International
Pointe Hilton Tapatio Cliffs	Phoenix, AZ	585	$85,000,000	$145,299	Highland Hospitality Corp.	Hilton Hotels Corporation
Sawgrass Marriott Ponte Vedra Beach Resort & Spa	Ponte Vedra Beach, FL	508	$220,500,000	$434,055	Redquartz Boundaries Ltd.	Interstate Hotels & Resorts & CIGNA

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Top Major U.S. Hotel Sales – Mid Year 2006
By Market

Market Area	Number of Property Transactions
New York/New Jersey Area	9
Boston, MA Area	8
Chicago, IL Area	8
Miami/South Florida Area	8
Washington, DC Area	8
Los Angeles/ Southern California Area	5
Phoenix/Scottsdale, AZ Area	5
San Diego, CA Area	5
Houston, TX Area	4
Orlando, FL Area	3
San Francisco/ Northern California Area	3

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Top Five Most Active Buyers
Select Major U.S. Hotel Sales – Mid Year 2006

Buyer	Number of Properties Acquired
Hersha Hospitality Trust	5
Highland Hospitality Corp.	5
LaSalle Hotel Properties	4
Strategic Hotel Capital	4
Sunstone Hotel Investors, Inc.	4

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Analysis of Recent Significant U.S. Hotel Sales

	Transaction #1	Transaction #2	Transaction #3
Property Size (No. Rooms)	300-400	300-400	250-350
Purchase Price Per Room	$185,000	$160,000	$285,000
% of Replacement Cost	70-80%	70-80%	75-85%
t-12 Cap Rate	5.50%	7.30%	7.20%
Unlevered IRR (5 Year)	12.10%	10.50%	10.60%
Levered IRR (5 Year)	21.10%	19.90%	17.60%

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Hotel Cap Rates

	Trailing 12 Months $	% of Gross Revenues	Implied Cap Rate Assumed $50 Million Sale
Gross Revenues	$18,000,000	100.00%	
GOP Before Mgt Fees and Reserves	**$4,320,000**	**24.0%**	**8.6%**
Gross Management Fee	$540,000	3.0%	
Incentive Management Fee	$180,000	1.0%	
Reserve for Replacement	$900,000	5.0%	
NOI After Base Management Fee	**$3,780,000**	**21.0%**	**7.6%**
NOI After Base & Incentive Management Fee	**$3,600,000**	**20.0%**	**7.2%**
NOI After Base & Incentive Management Fee & Reserves	**$2,700,000**	**15.0%**	**5.4%**
	Projected Year One $	**% of Gross Revenues**	**Implied Cap Rate Assumed $50 Million Sale**
Gross Revenues	$20,000,000	100.00%	
GOP Before Management Fee	**$5,200,000**	**26.0%**	**10.4%**
Base Management Fee	$600,000	3.0%	
Incentive Management Fee	$200,000	1.0%	
Reserve for Replacement	$1,000,000	5.0%	
NOI After Base Management Fee	**$4,600,000**	**23.0%**	**9.2%**
NOI After Base & Incentive Management Fee	**$4,400,000**	**22.0%**	**8.8%**
NOI After Base & Incentive Management Fee & Reserves	**$3,400,000**	**17.0%**	**6.8%**

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Hotel Lending Risk Considerations

- Event Risk
- Labor Unrest
- Rising Cost of Employee Benefits
- Rising Energy Costs
- Continued Room Pricing Pressure from Internet Websites
- Housing Market "Bubble"
- Rising Interest Rates
- Economic Recession

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Summary

- Supply Growth Accelerates
- Demand Growth Stabilizes
- Occupancy Levels Off
- Aggressive Room Rate Pricing Continues
- Increased Profitability

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