

Atlanta & the Southeast 2004 Hotel Outlook

(For the Post-Recession, Post-Catastrophic Event, Post-War,
Post-SARS, Post-Saddam, Pre-Bird Flu Period)

On the Path to Recovery? Yes!

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presented by:

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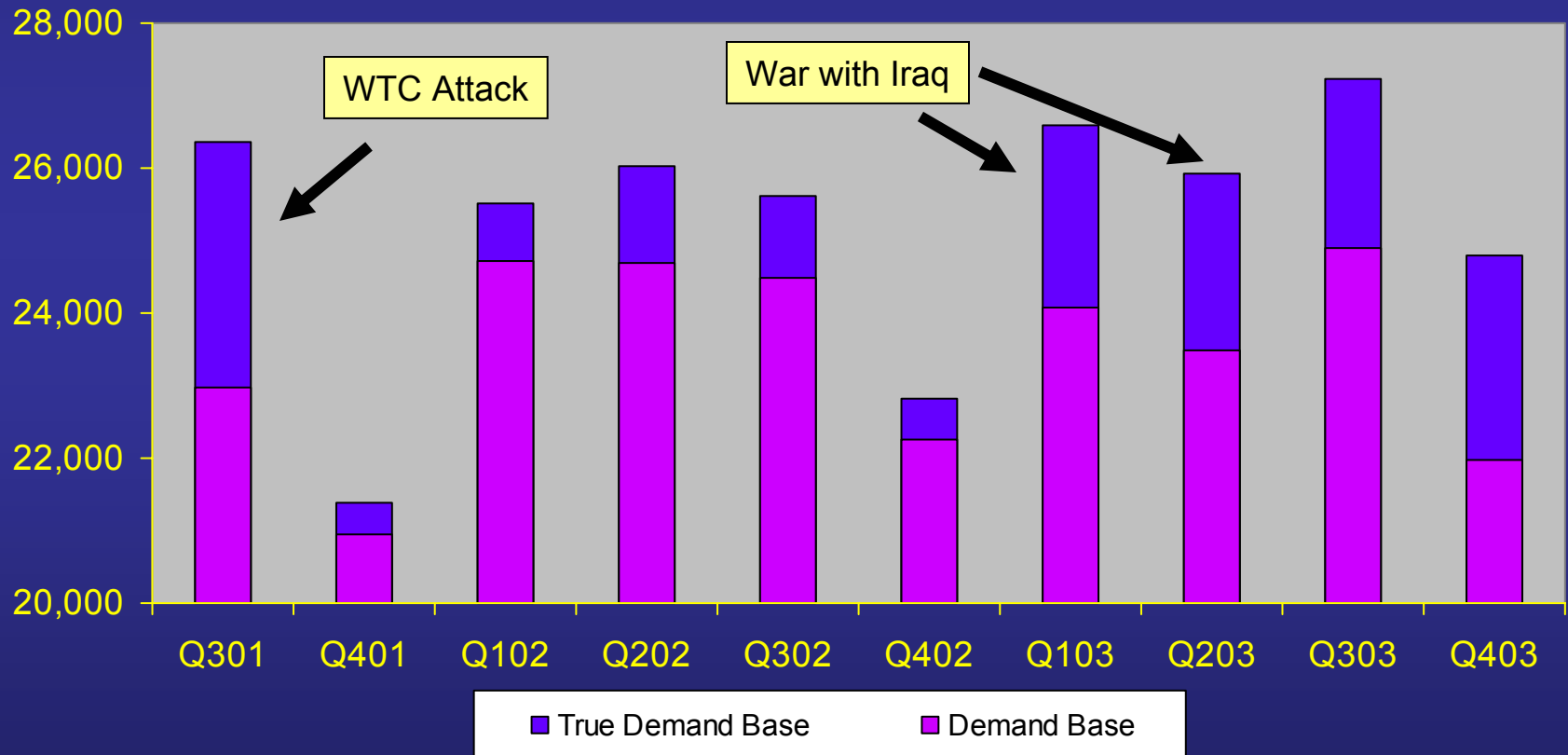
PRESENTATION OUTLINE

- I. Atlanta Lodging Market Overview
- II. Local Market Outlook
- III. National & Regional Perspective

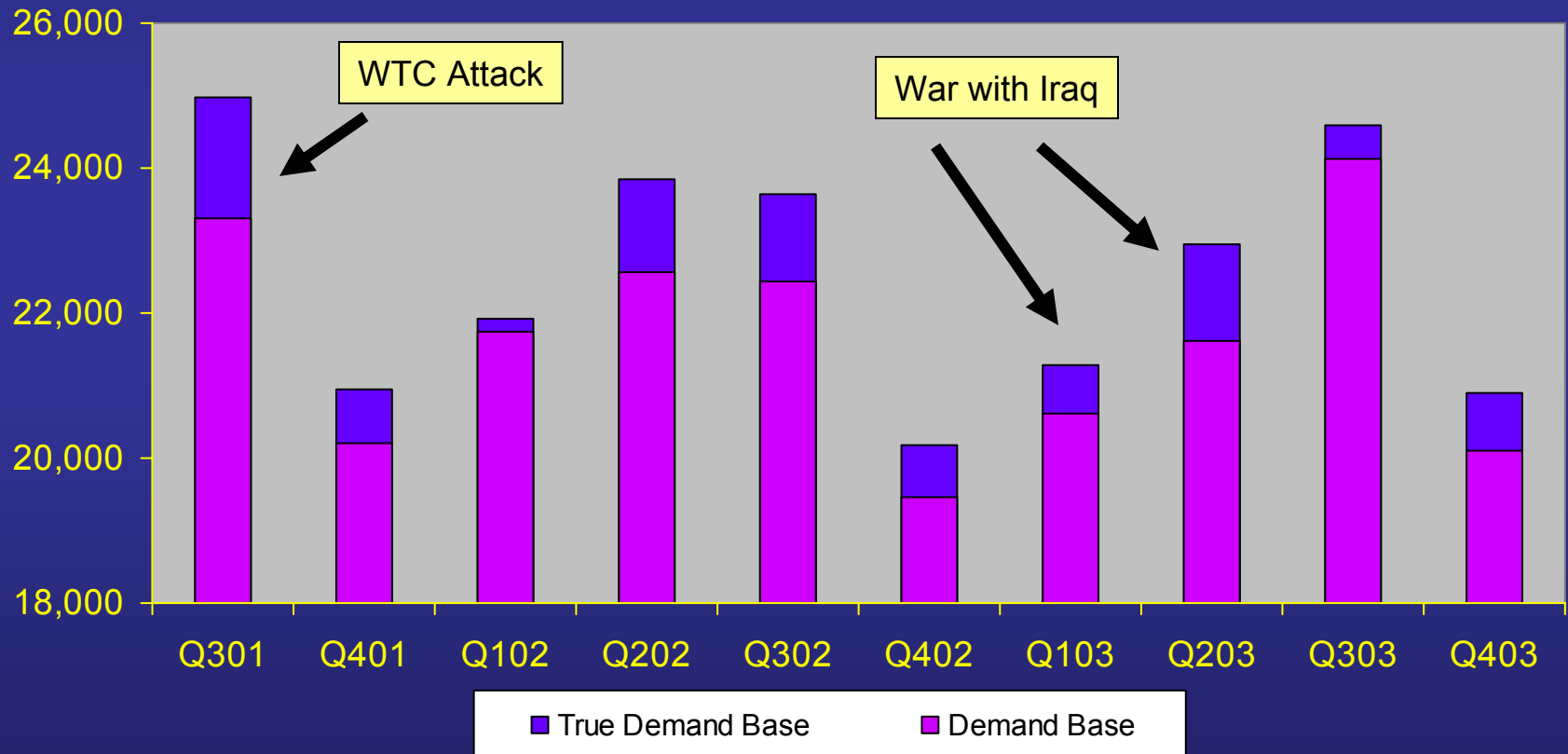
Negative Effect of Travel Fears Underestimated

- Residual impact of 9/11
- Anticipation, and the Subsequent Reality, of War in Iraq
- AHF – Airport Hassle Factor
- Impact has Varied by Quarter and by Property Type

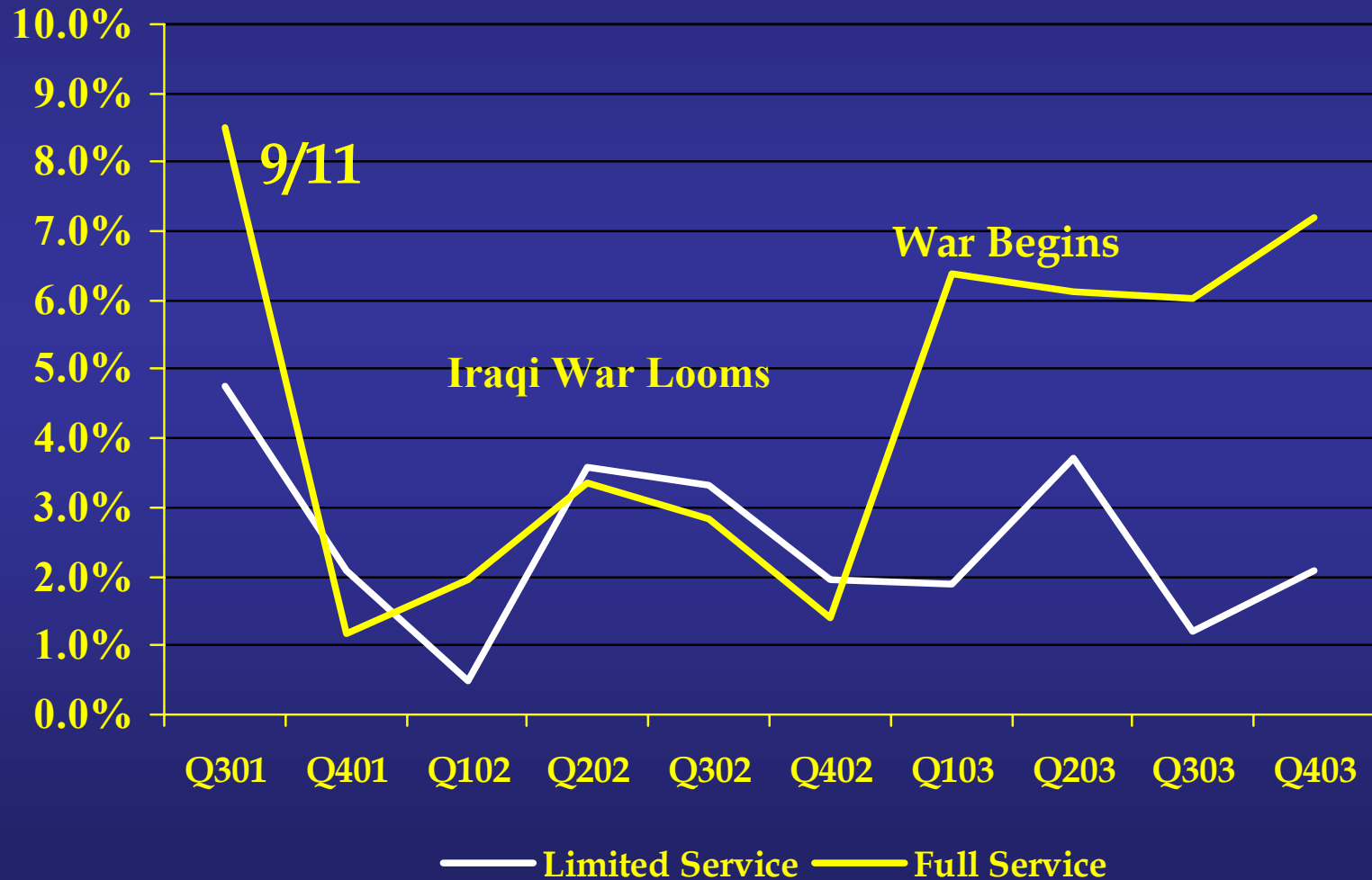
The Effect of Travel and Safety Concerns on Atlanta Full Service Hotels



The Effect of Travel and Safety Concerns on Atlanta Limited Service Hotels

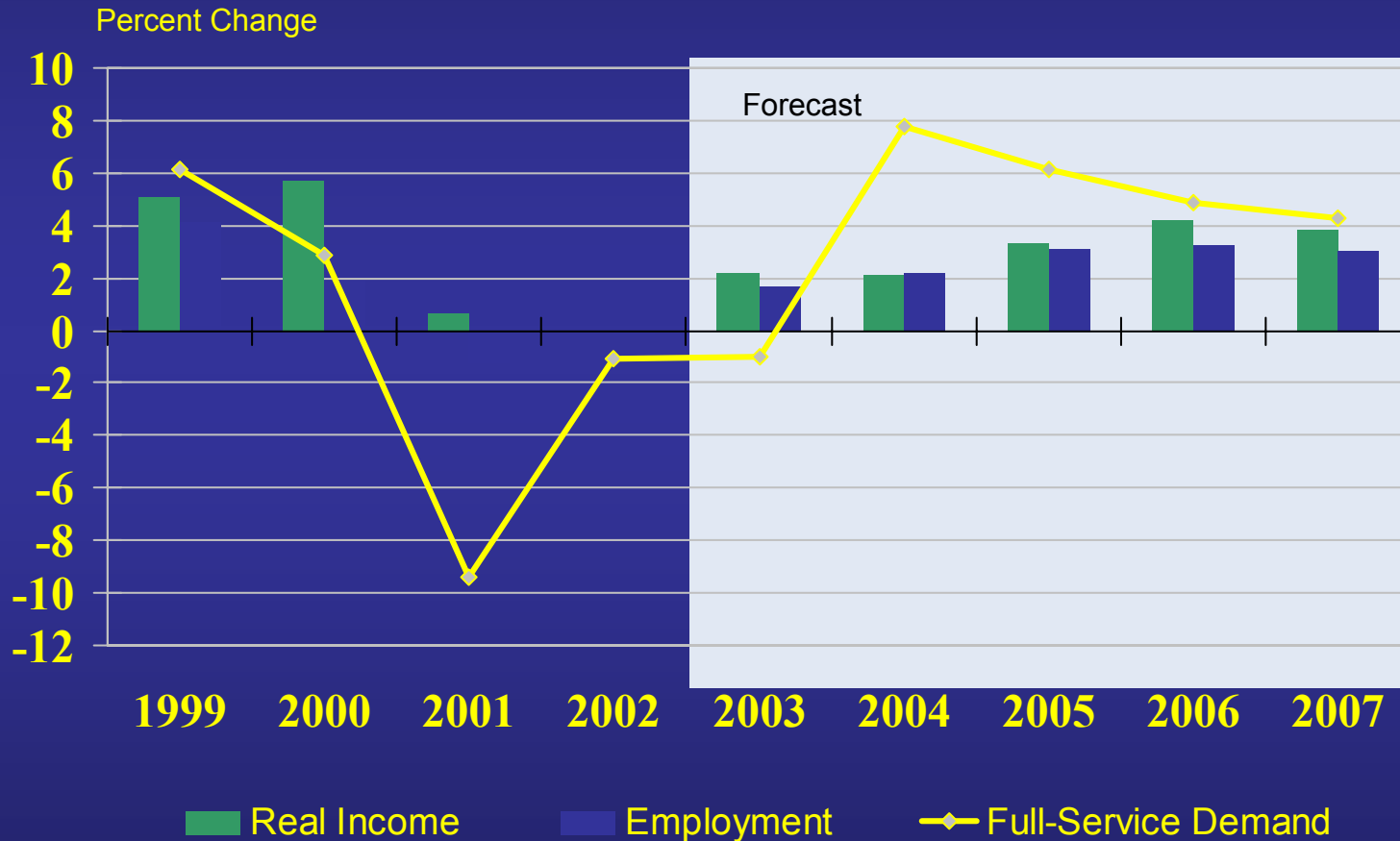


OCCUPANCY LOST TO TRAVEL SAFETY CONCERNS Q3 2001 - Q4 2003



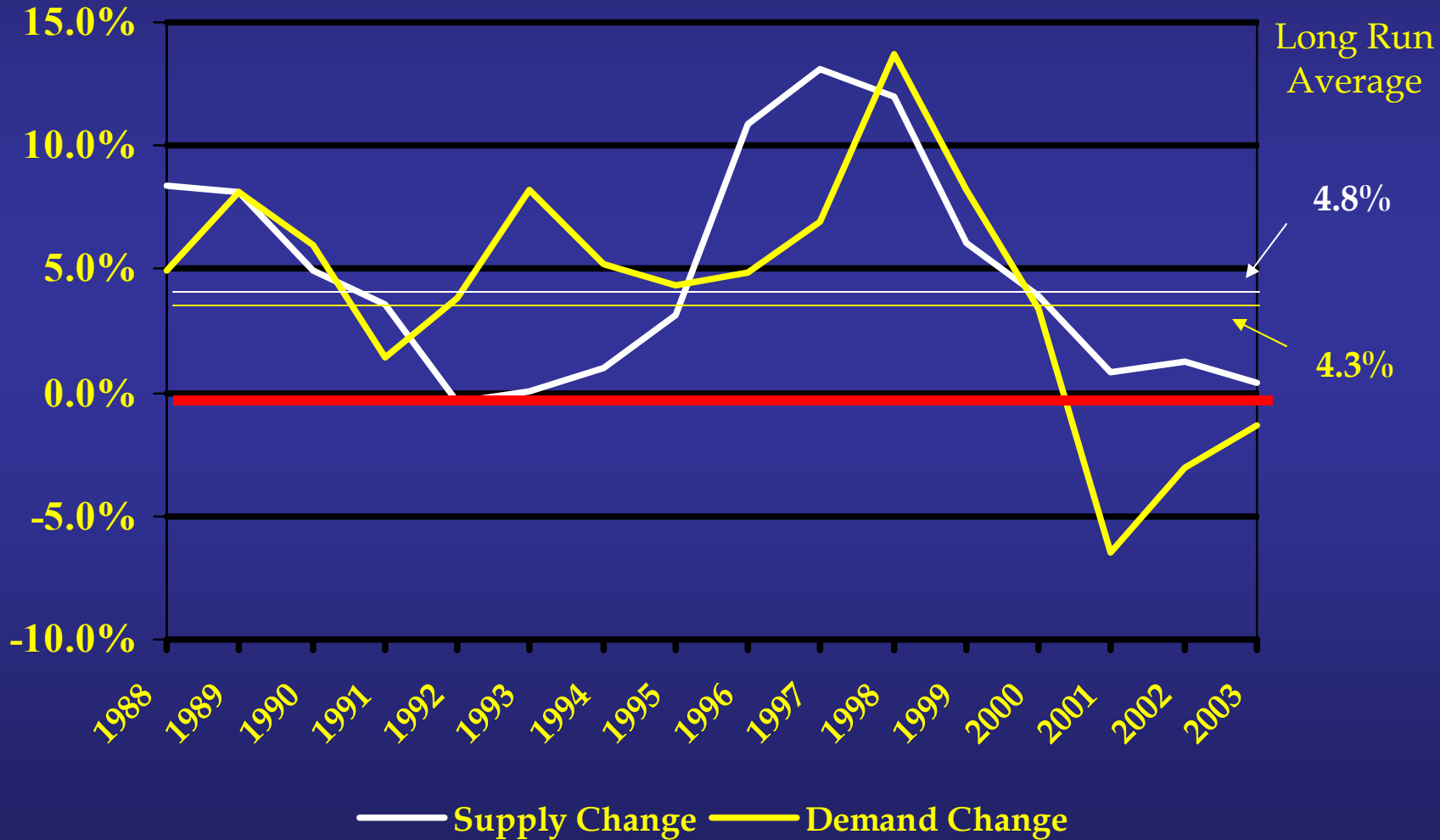
Source: HRG/TWR Hotel Outlook, Winter 2004

Outlook for the ATLANTA Economy



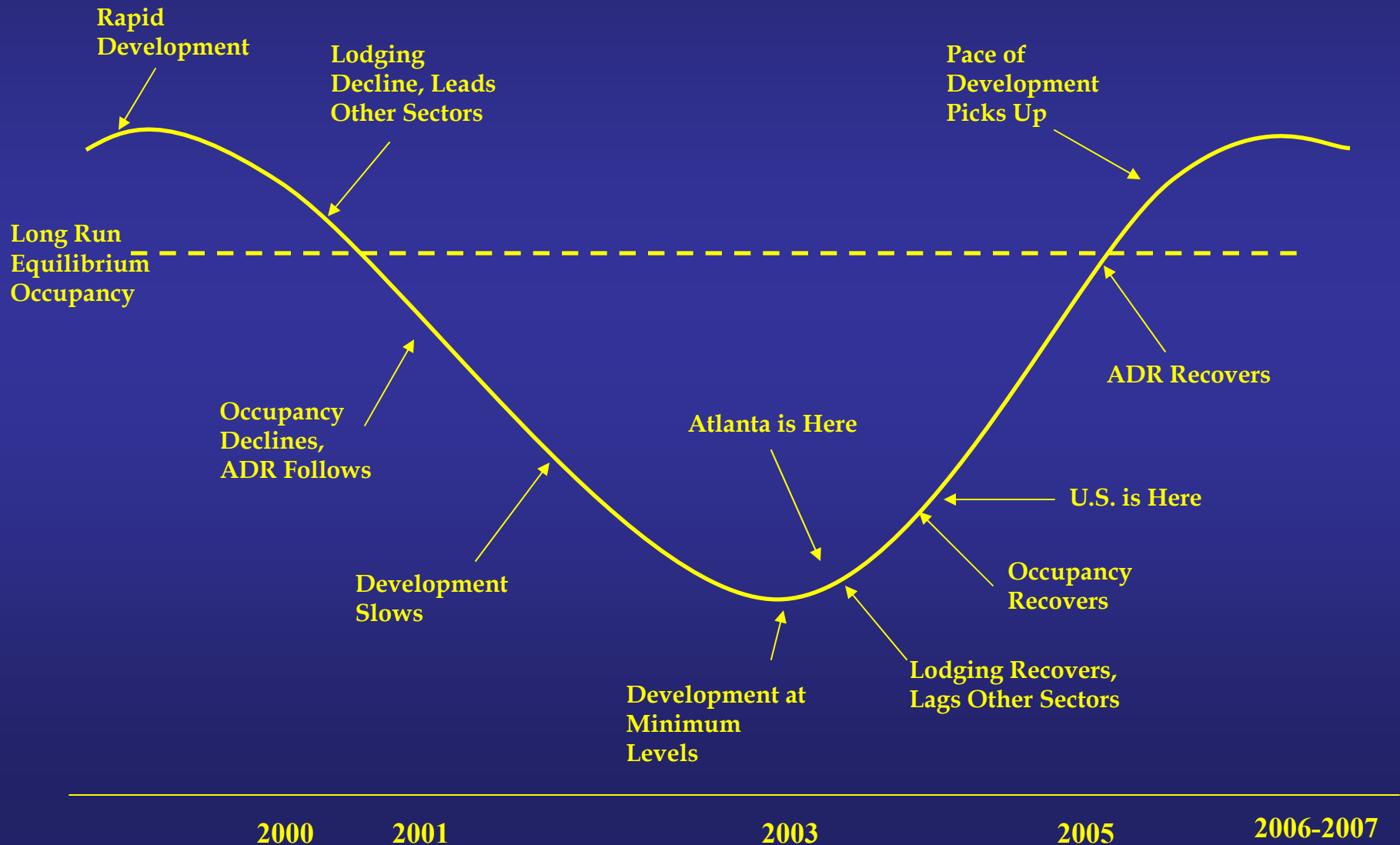
Source: HRG/TWR, Smith Travel Research, Economy.com

CHANGES IN ATLANTA SUPPLY AND DEMAND, 1988-2003E



Source: HRG/TWR Hotel Outlook, Winter 2004

Hotel Market Cycle



What is Atlanta's "Natural" Occupancy Level?

- **Market Normality, in Economic Terms, Occurs Around Equilibrium**
- **Demand and Supply Reach a Balance**
- **What Causes Hotel Markets to be in States of Disequilibria?**
 - Government Intervention in the 1980's
 - Recession and Gulf War in the Early 1990's
 - Catastrophic Events and Global Unrest - 2000's

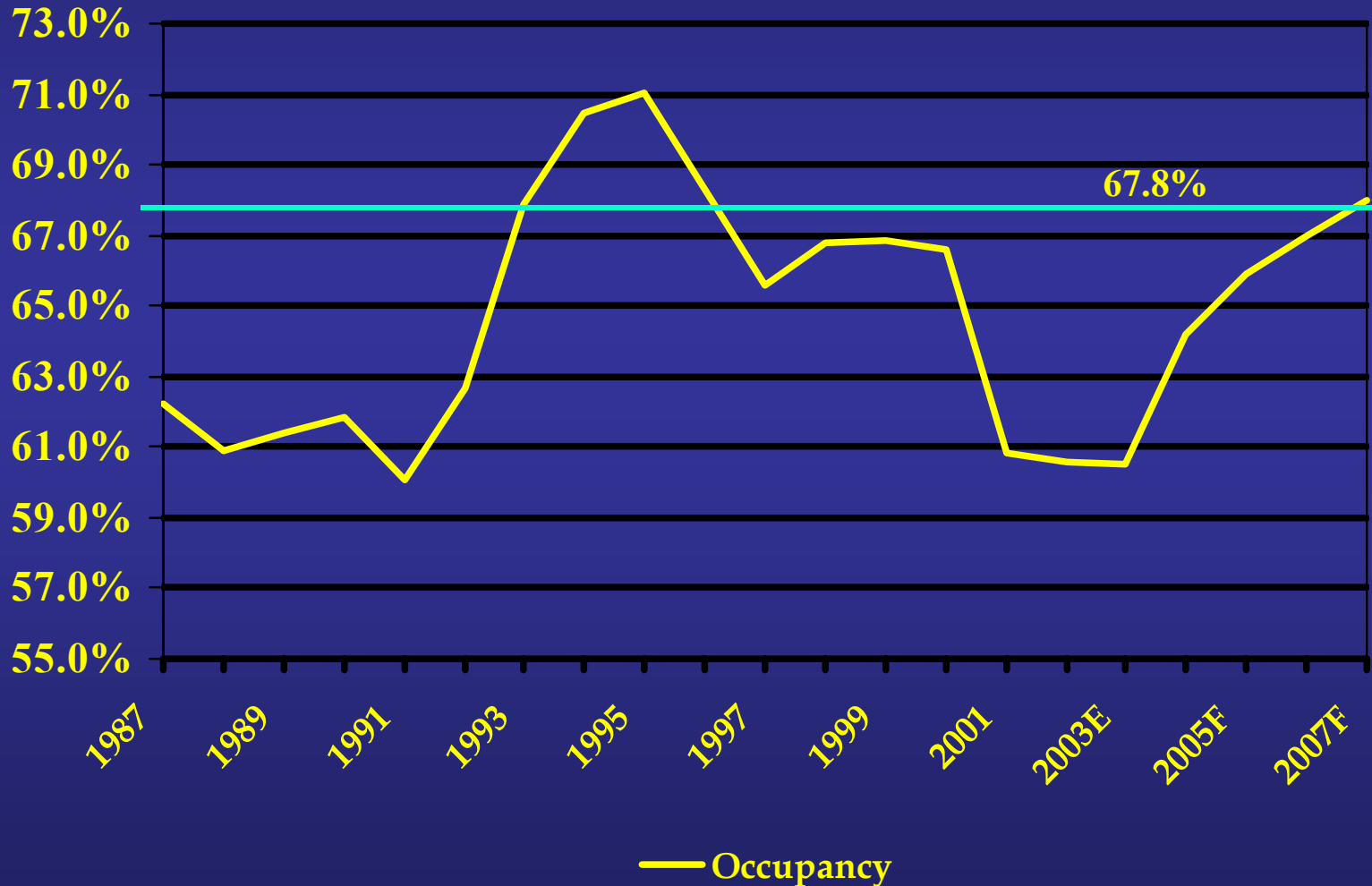
Atlanta's Natural Occupancy

- Average Historical Occupancy is not the Natural Occupancy.
- Occupancy and ADR are Determined Simultaneously; thus, the Natural Occupancy Calculation Must Capture the Co-movement of Occupancy and ADR.
- Quarterly Performance Studied
 - 1987 – 2003 Q2
- Full and Limited Service Hotels

Atlanta's Natural Occupancy

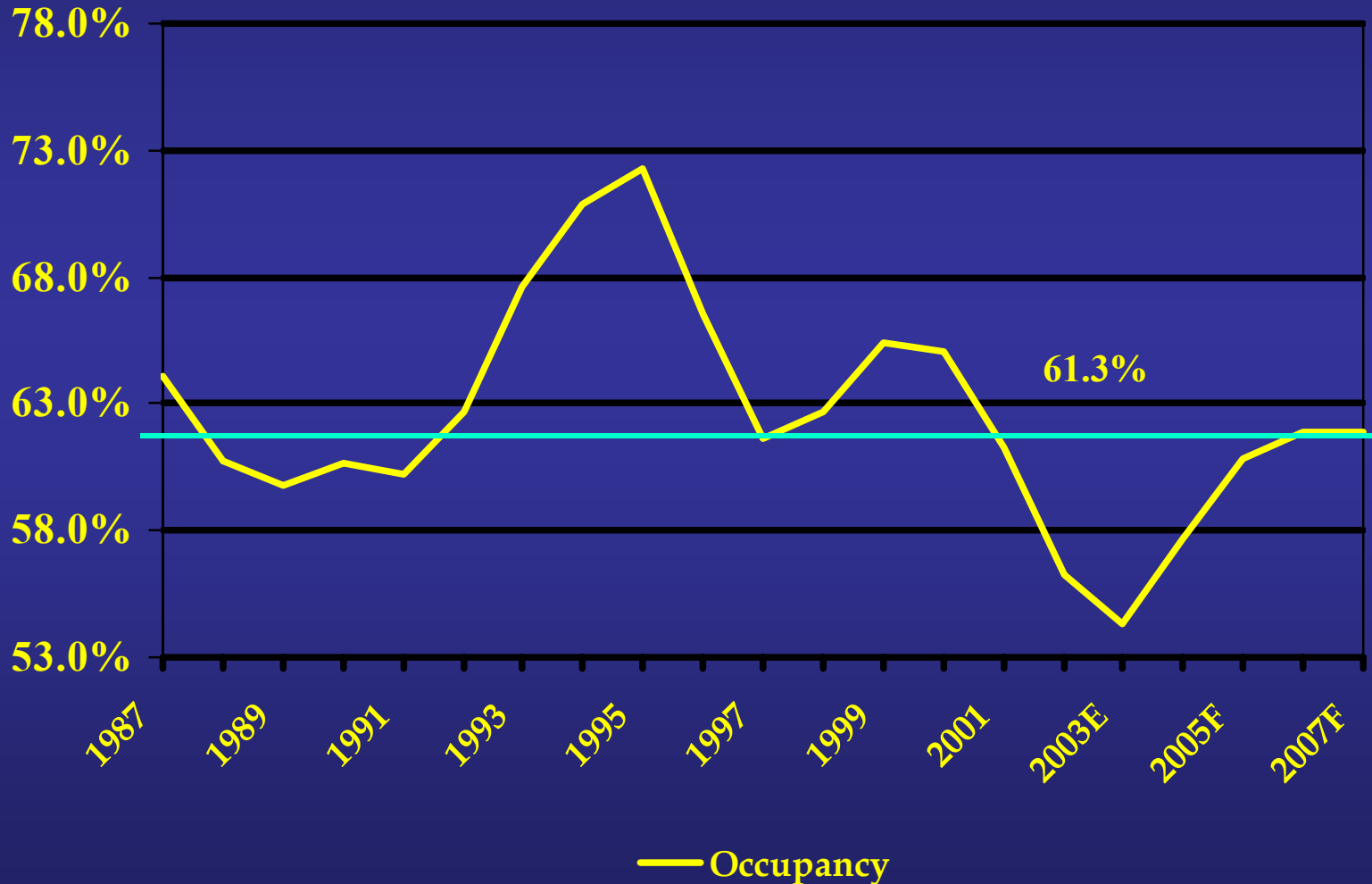
- Working Definition:
 - Occupancy level at which room rates begin to rise to a level where new construction is warranted.

NATURAL OCCUPANCY ATLANTA FULL SERVICE HOTELS, 1987-2007F



Source: HRG/TWR Hotel Outlook, Winter 2004

NATURAL OCCUPANCY ATLANTA LIMITED SERVICE HOTELS, 1987-2007F



Source: HRG/TWR Hotel Outlook, Winter 2004

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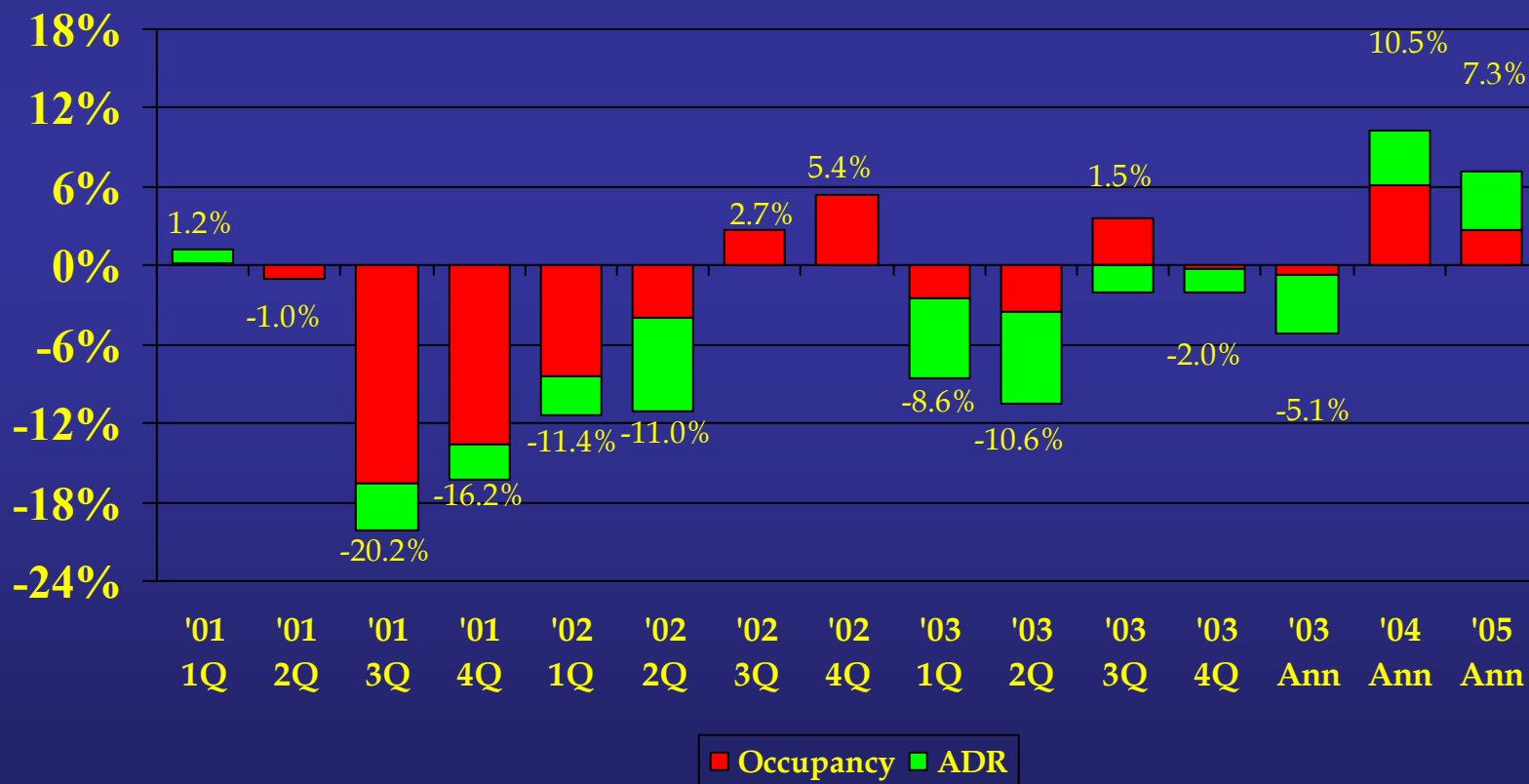
III. National & Regional Perspective

Winter 2004 HOTEL OUTLOOK

CHANGE IN RevPAR

YEAR-OVER-YEAR

Full Service Hotels - ATLANTA



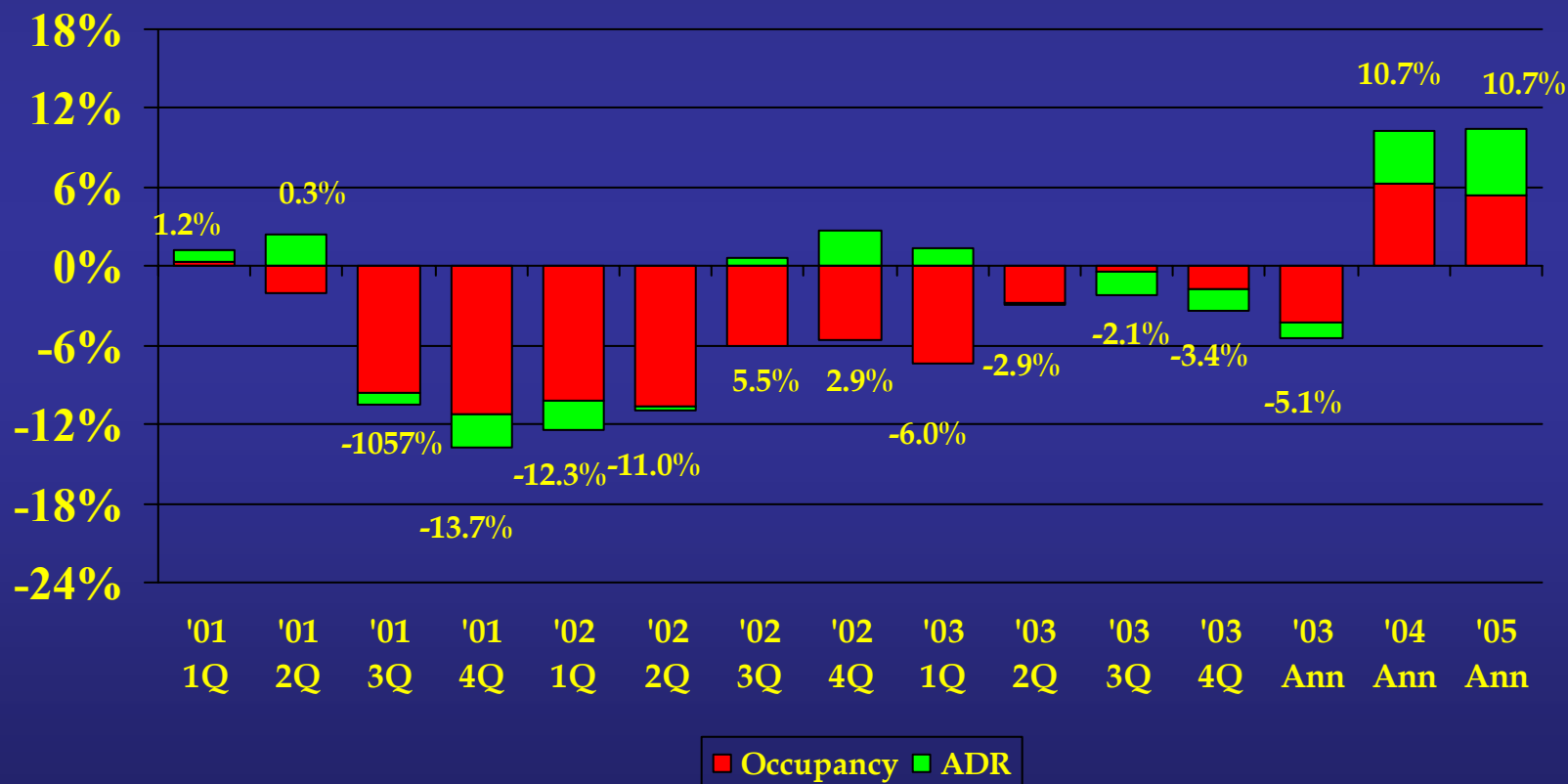
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Winter 2004 HOTEL OUTLOOK

CHANGE IN RevPAR

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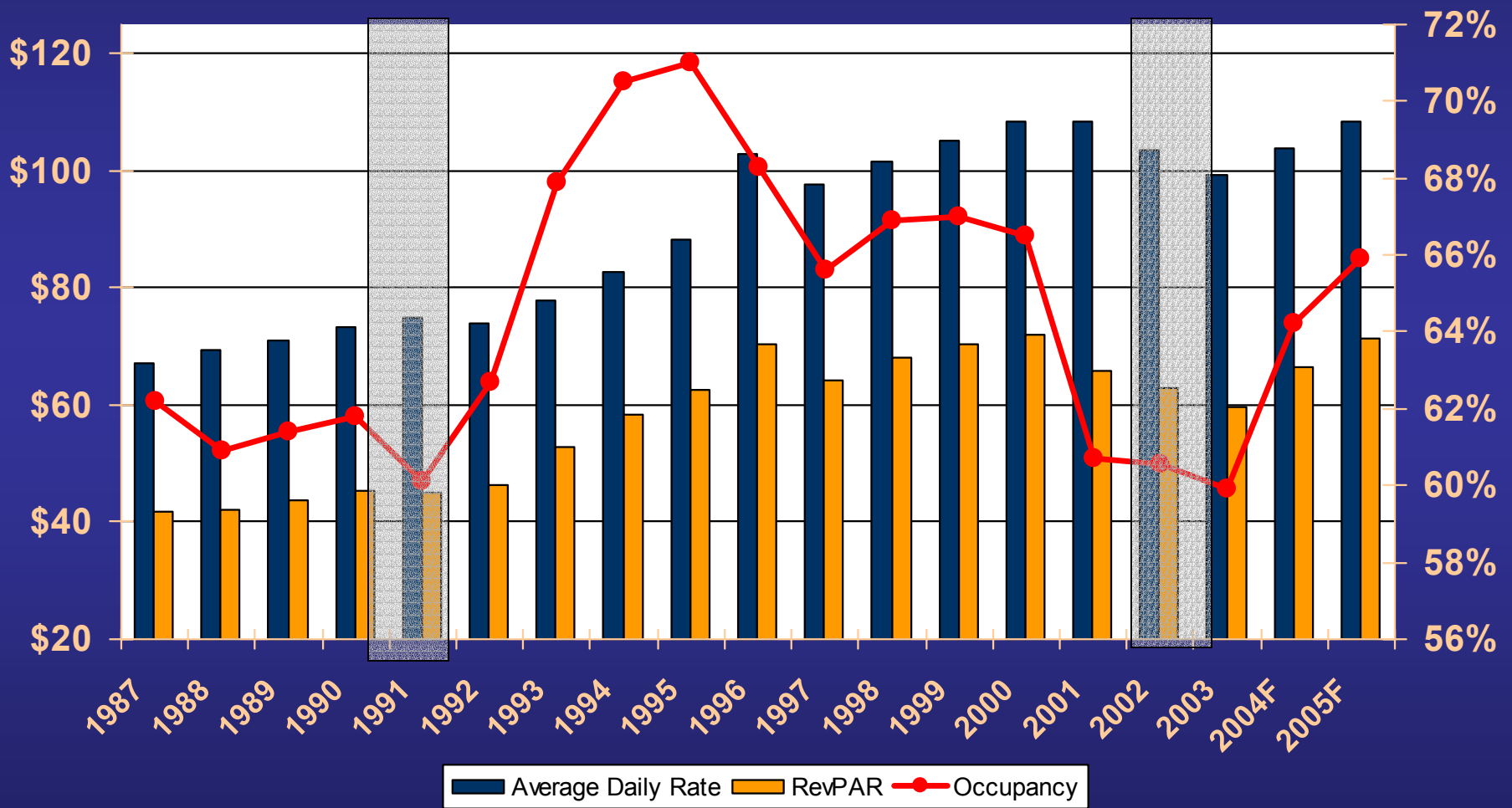
Limited Service Hotels - ATLANTA



Source: HRG/TWR Hotel Outlook, Winter 2004

Atlanta Lodging Market Performance

Full Service Chain Affiliated Hotels

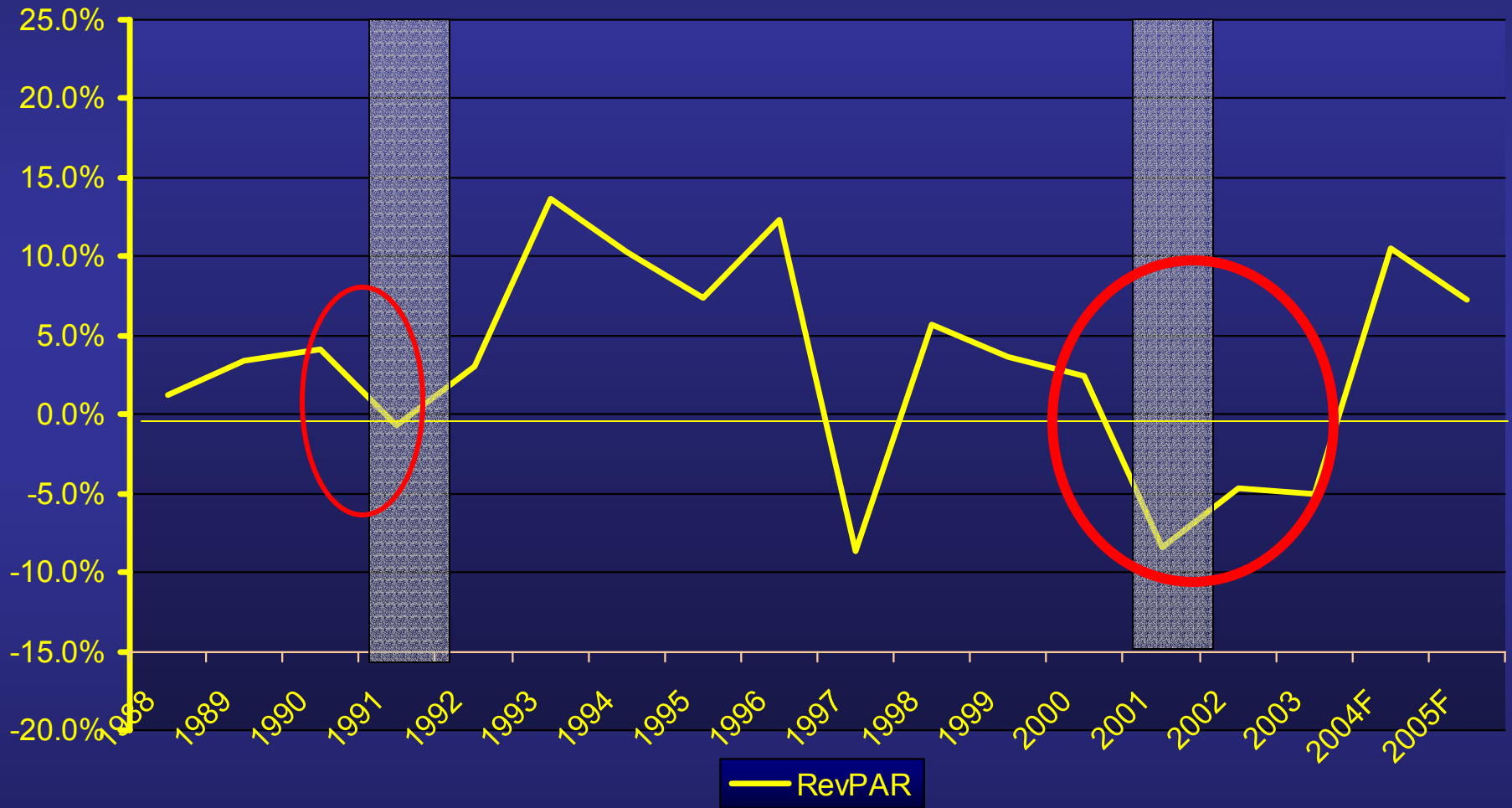


Full Service Forecast Summary

	<u>2003 Actual</u>	<u>2004</u>	<u>2005</u>
Occupancy	59.9%	64.2%	65.9%
% Change	-0.7%	6.1%	2.6%
ADR	\$99.26	\$103.79	\$108.46
% Change	-4.4%	4.1%	4.5%
RevPAR	\$59.50	\$66.63	\$71.50
% Change	-5.1%	10.5%	7.3%

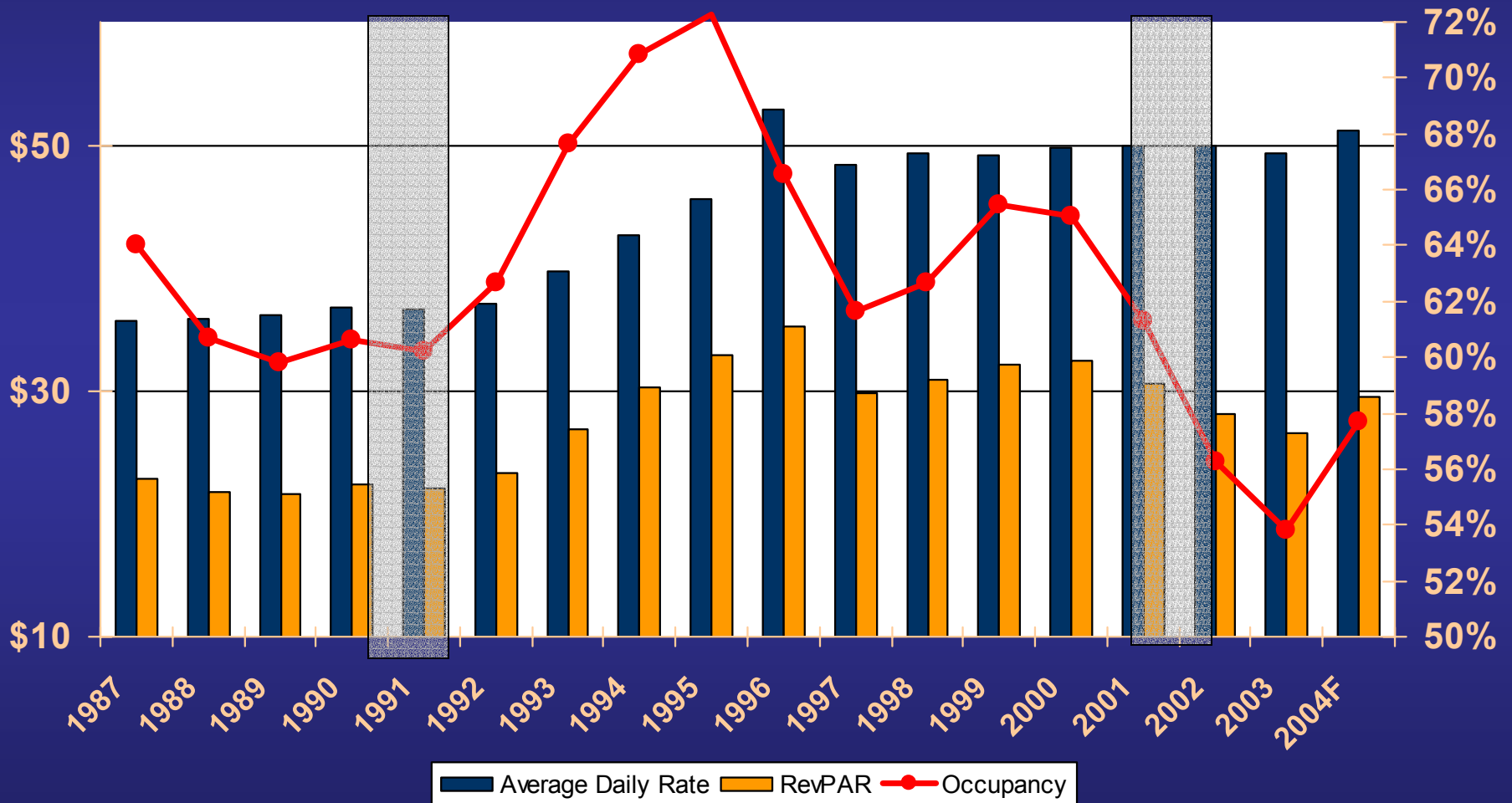
Annual Change in RevPAR

Full Service Chain Affiliated Hotels



Atlanta Lodging Market Performance

Limited Service Chain Affiliated Hotels

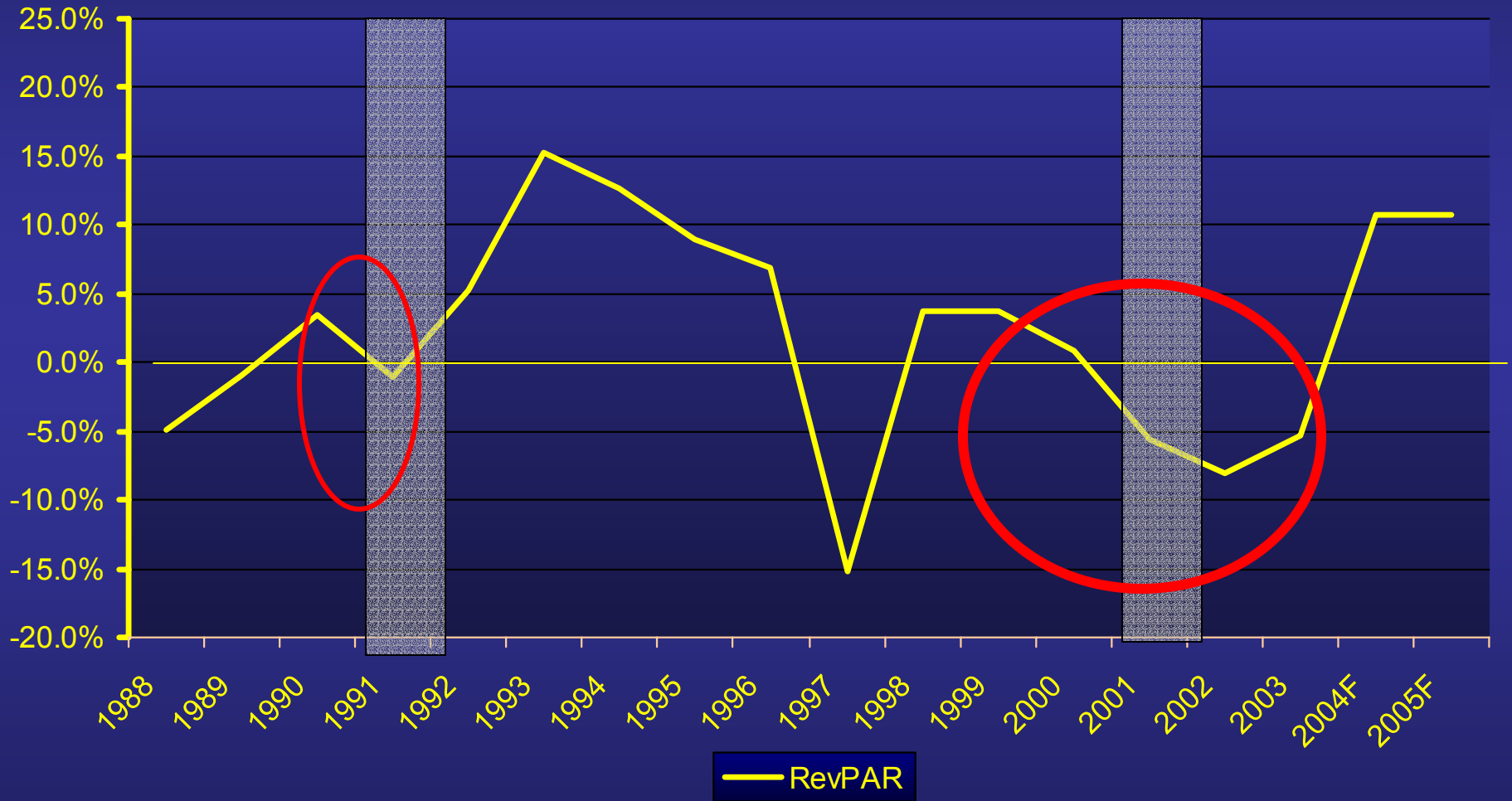


Limited Service Forecast Summary

	<u>2003 Actual</u>	<u>2004</u>	<u>2005</u>
Occupancy	53.8%	57.7%	60.8%
% Change	-4.2%	6.2%	5.4%
ADR	\$49.27	\$51.18	\$53.77
% Change	-1.2%	4.0%	5.1%
RevPAR	\$26.52	\$29.55	\$32.71
% Change	-5.3%	10.7%	10.7%

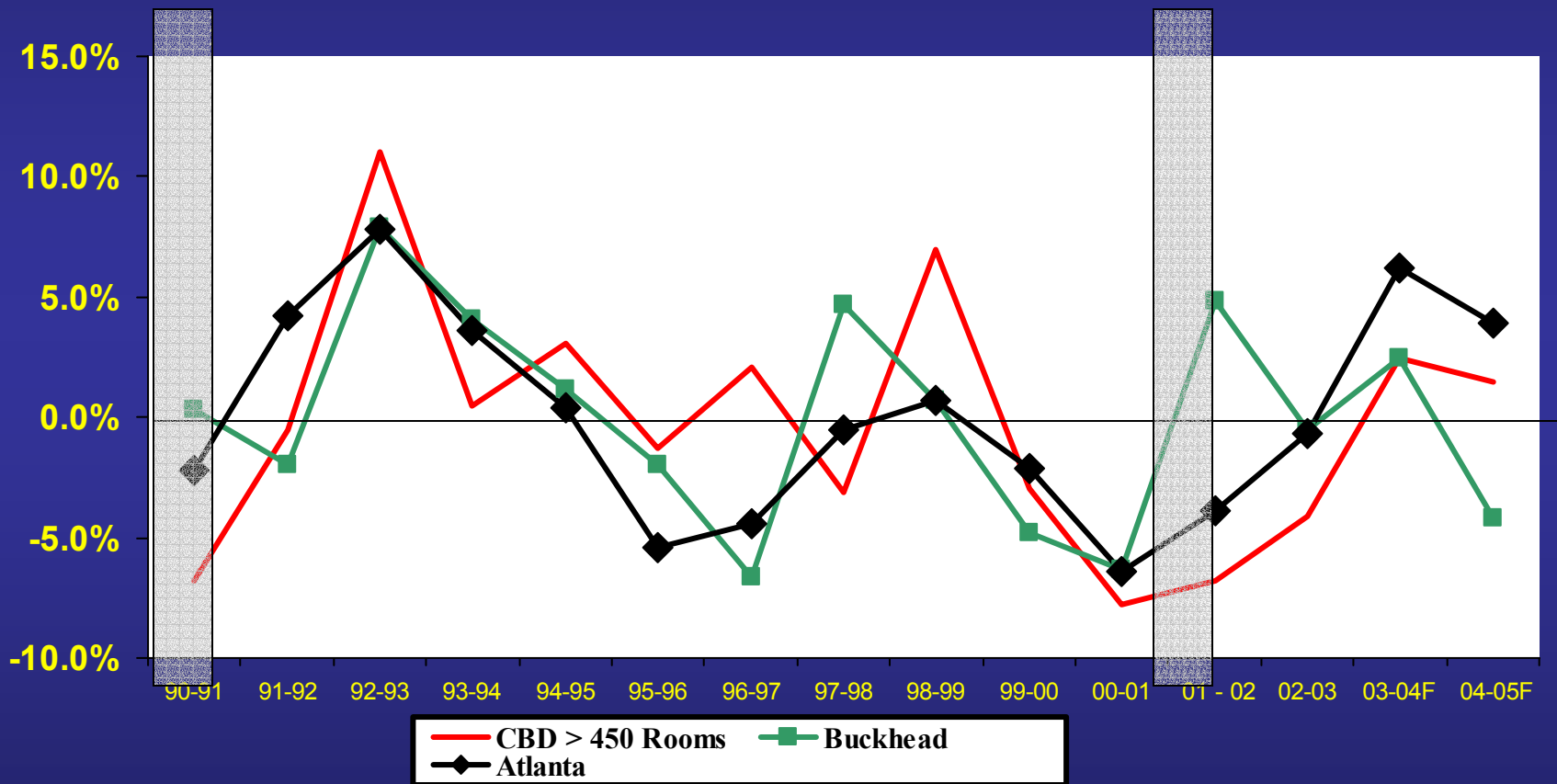
Annual Change in RevPAR

Limited Service Chain Affiliated Hotels



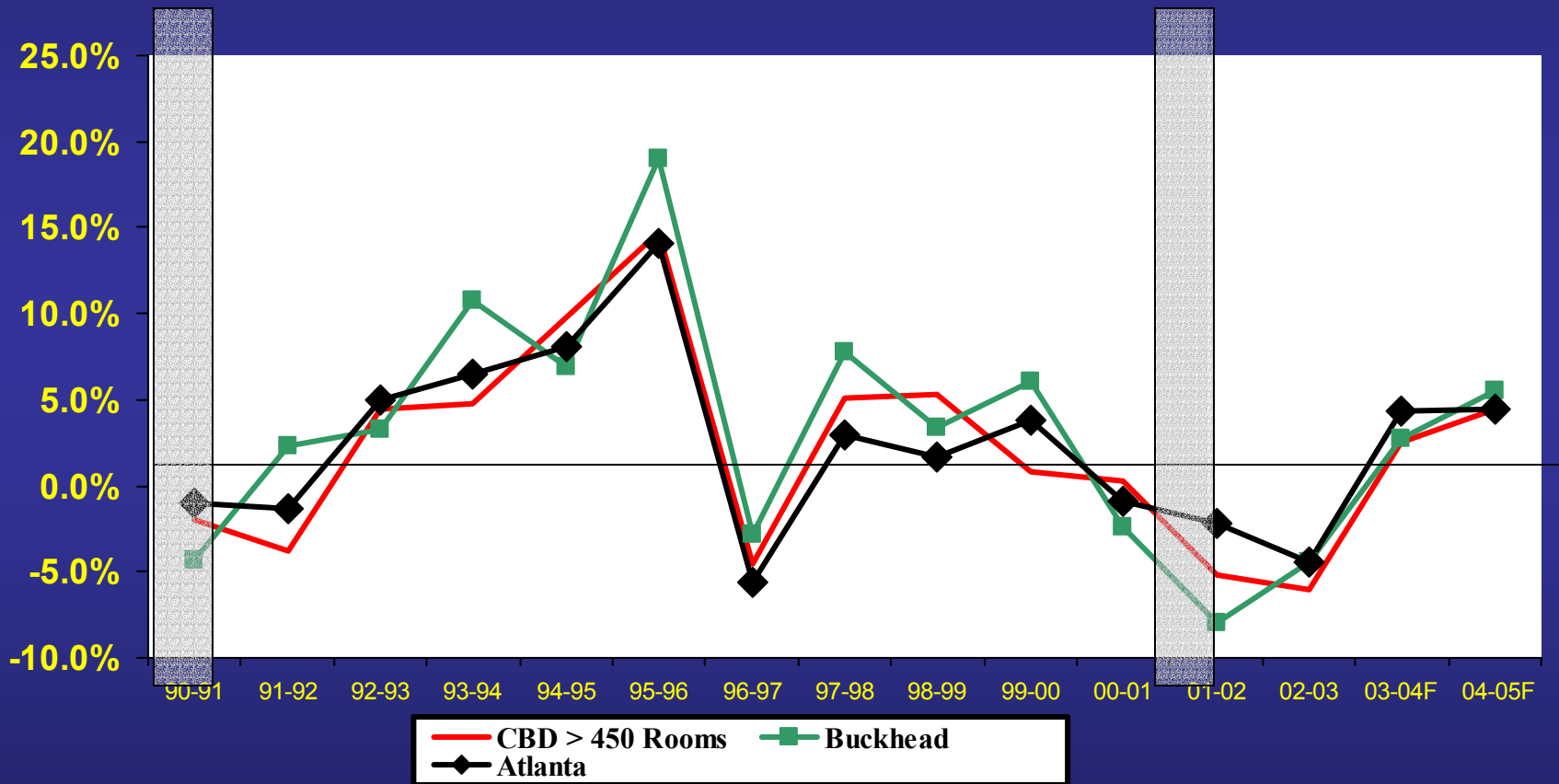
Sector Performance Varies

Atlanta Sub Markets – Change in Occupancy



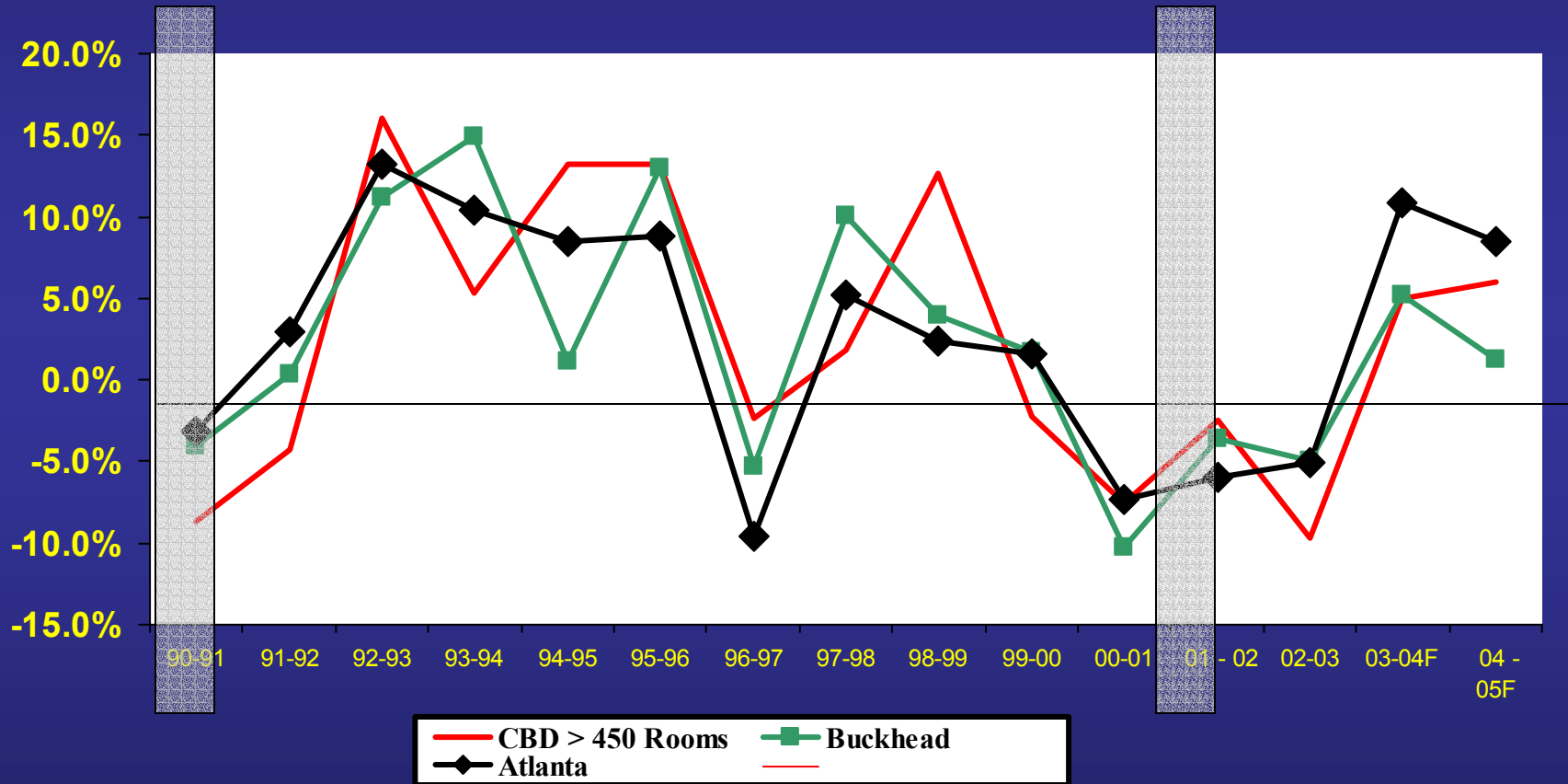
Sector Performance Varies

Atlanta Sub Markets – Change in ADR



Sector Performance Varies

Atlanta Sub Markets – Change in RevPAR



Contribution of Diminished Event Risk

2004 Demand Growth (7.0%) Breakdown

- 3.0% of gain will come from reduced travel concerns compared to 2003
- 4.0% gain will come from an improving economy

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National Outlook

All Chain-Affiliated Hotels

2004

- Occupancy +5.0% (64.9%)
- ADR +2.5% (\$96.31)
- RevPAR +7.6% (\$62.46)

Contribution of Diminished Event Risk

2004 Demand Growth (6.3%) Breakdown

- 4.0% of gain will come from reduced travel concerns compared to 2003
- 2.3% gain will come from an improving economy

Full-Service Hotels: Ten Best Markets in Terms of Forecast RevPAR Growth

Market	Forecast RevPAR Growth in the Next 2 Years 2003.3-2005.3	Difference of Current RevPAR from 2000 Peak 2000.3-2003.3	Difference of 2005 RevPAR from 2000 Peak 2000.3-2005.3
Raleigh	27.6%	-14.6%	9.0%
Boston	26.8%	-38.4%	-21.9%
San Francisco	24.9%	-37.1%	-21.4%
Los Angeles	22.3%	-14.8%	4.2%
Miami	21.7%	-14.4%	4.2%
Denver	20.5%	-17.1%	-0.1%
Northern New Jersey	19.8%	-27.5%	-13.2%
Dallas	19.6%	-21.9%	-6.6%
Nashville	19.4%	-3.7%	14.9%
Washington, DC	18.5%	-8.7%	8.1%

With Dissipation Scenario

Full-Service Hotels: Ten Worst Markets in Terms of Forecast RevPAR Growth

Market	Forecast RevPAR Growth in the Next 2 Years 2003.3-2005.3	Difference of Current RevPAR from 2000 Peak 2000.3-2003.3	Difference of 2005 RevPAR from 2000 Peak 2000.3-2005.3
Indianapolis	-4.9%	-5.4%	-10.0%
Portland	0.7%	-1.5%	-0.7%
Richmond	0.8%	-0.5%	0.3%
Charlotte	1.3%	-16.2%	-15.1%
Dayton	1.5%	0.2%	1.7%
Orange County	2.0%	-5.1%	-3.2%
Columbus	2.4%	-5.1%	-2.8%
Pittsburgh	5.9%	-11.0%	-5.7%
Cleveland	6.1%	-20.4%	-15.6%
Omaha	6.7%	4.3%	11.3%

With Dissipation Scenario

Limited-Service Hotels: Ten Best Markets in Terms of Forecast RevPAR Growth

Market	Forecast RevPAR Growth in the Next 2 Years 2003.3-2005.3	Difference of Current RevPAR from 2000 Peak 2000.3-2003.3	Difference of 2005 RevPAR from 2000 Peak 2000.3-2005.3
Atlanta	24.5%	-17.4%	2.8%
Houston	22.2%	-5.4%	15.5%
Seattle	19.8%	-16.6%	-0.1%
Orlando	19.4%	-24.5%	-9.8%
Denver	18.6%	-23.3%	-9.1%
Los Angeles	17.7%	0.9%	18.7%
Nashville	17.4%	3.1%	21.1%
Raleigh	16.7%	-9.6%	5.5%
Phoenix	16.1%	-6.8%	8.2%
Dallas	15.7%	-22.3%	-10.1%

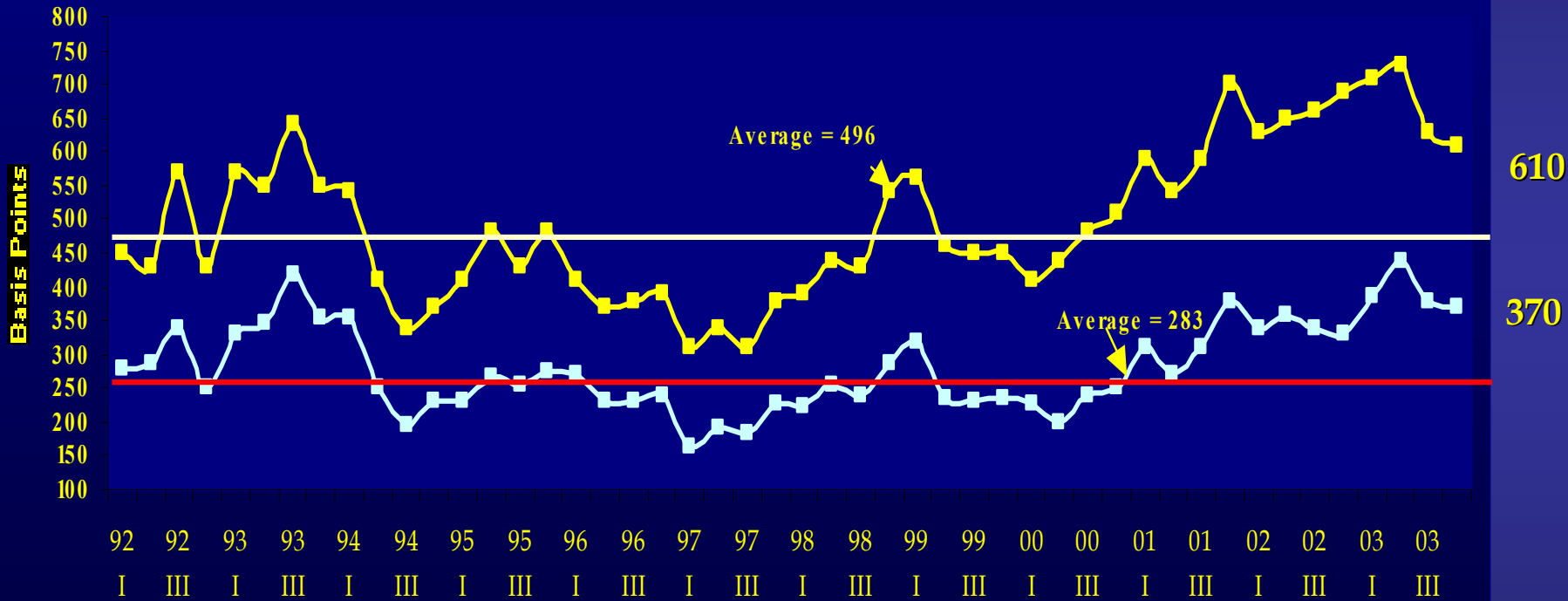
Limited-Service Hotels: Ten Worst Markets in Terms of Forecast RevPAR Growth

Market	Forecast RevPAR Growth in the Next 2 Years 2003.3-2005.3	Difference of Current RevPAR from 2000 Peak 2000.3-2003.3	Difference of 2005 RevPAR from 2000 Peak 2000.3-2005.3
Dayton	-4.5%	1.1%	-3.5%
Hartford	-2.6%	-13.2%	-15.5%
Albany	-1.3%	8.4%	7.0%
San Francisco	-1.2%	-49.4%	-50.0%
Omaha	-0.5%	0.2%	-0.3%
Cleveland	-0.5%	-14.3%	-14.7%
Indianapolis	-0.3%	-8.2%	-8.5%
Portland	-0.2%	-7.3%	-7.5%
Detroit	0.8%	-19.7%	-19.0%
Boston	1.2%	-37.1%	-36.4%

What is the Risk?

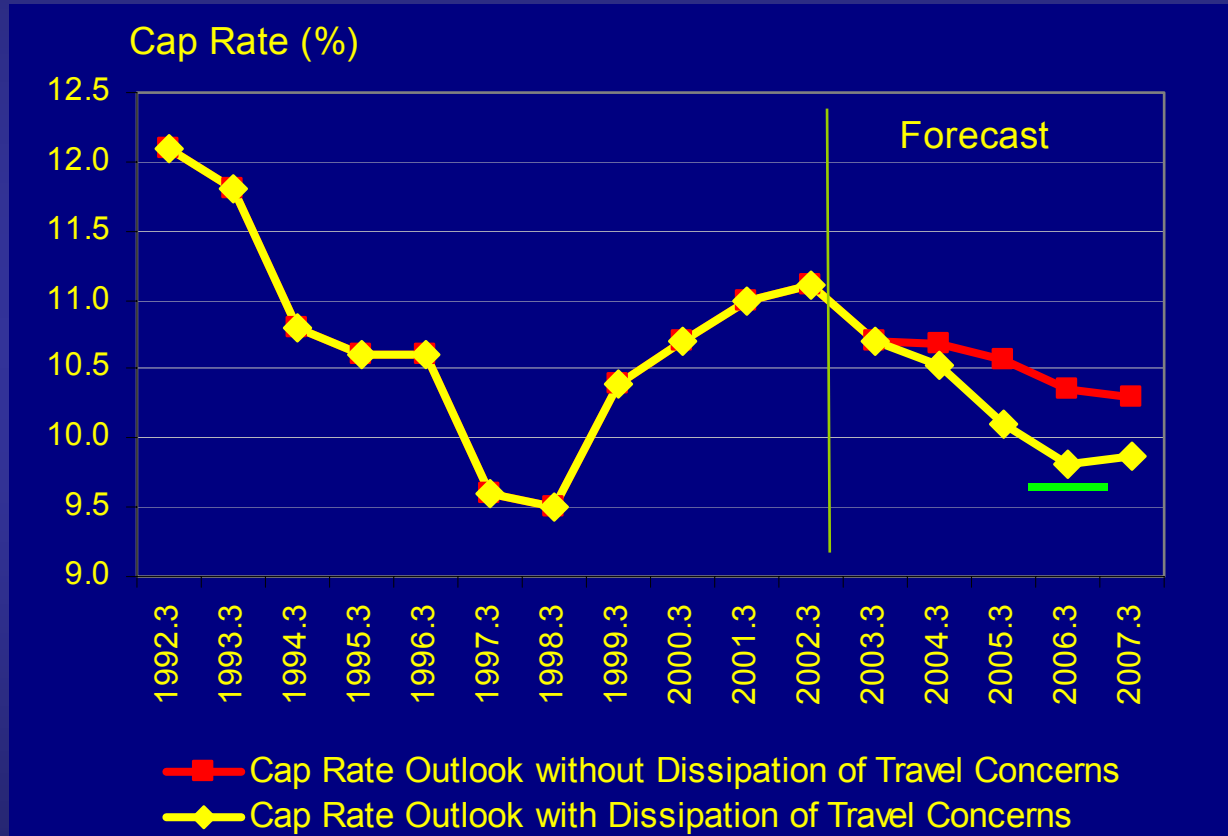
Cap Rate Spread Analysis

Spread Between Hotel Property Capitalization Rates and Selected Capital Market Rates, 1992 - 2003 IV



—■ Hotel Cap Rates Less Moody's Seasoned Baa Yield
—■ Hotel Cap Rates Less 10-Year Treasuries Yield

Cap Rate Forecasts



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