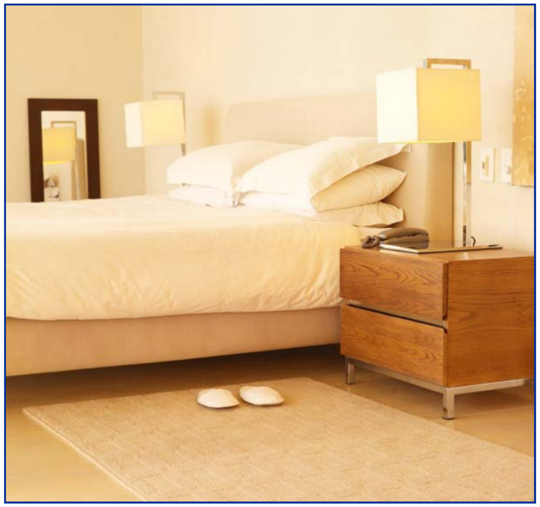
Current Valuation Issues Affecting Hotel Properties



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Agenda

- National Lodging Overview
  - Occupancy and ADR performance
  - New supply additions
  - Future performance projections
  - Sales statistics
  - Operating performance statistics
  - 2007 – 2010 discount and capitalization rates
- Cleveland Lodging Overview
  - Occupancy and ADR performance
  - New supply additions

Occupancy and ADR Performance By Region

U.S. Hotel Performance by Regions												
	Occupancy				ADR				RevPAR			
	2006	2007	2008	2009	2006	2007	2008	2009	2006	2007	2008	2009
New England	60.4%	61.1%	59.2%	54.9%	$112.51	$118.62	$122.12	$113.40	$67.93	$72.51	$72.29	$62.22
Middle Atlantic	66.0%	66.7%	64.7%	60.1%	$136.42	$148.49	$152.74	$132.64	$90.08	$99.07	$98.86	$79.67
South Atlantic	63.1%	62.2%	58.6%	54.6%	$98.58	$104.44	$106.12	$98.08	$62.19	$64.95	$62.20	$53.58
East North Central	57.6%	57.6%	55.5%	50.6%	$86.09	$90.12	$91.92	$84.77	$49.63	$51.91	$50.97	$42.93
East South Central	60.2%	59.3%	55.8%	51.6%	$71.25	$74.88	$78.04	$74.96	$42.87	$44.44	$43.56	$38.71
West North Central	57.9%	59.2%	57.6%	53.3%	$72.75	$76.10	$79.17	$76.76	$42.11	$45.04	$45.58	$40.90
West South Central	62.9%	62.1%	62.3%	54.0%	$78.92	$83.54	$87.86	$83.24	$49.67	$51.89	$54.69	$44.95
Mountain	66.1%	66.3%	61.2%	54.7%	$94.66	$101.16	$104.72	$91.31	$62.60	$67.05	$64.06	$49.91
Pacific	69.0%	68.5%	65.3%	59.9%	$114.60	$122.07	$125.62	$112.41	$79.03	$83.66	$82.06	$67.30
Total U.S.	63.3%	63.1%	60.3%	55.1%	$97.89	$104.40	$106.96	$97.51	$61.96	$65.61	$64.49	$53.71
Source: Smith Travel Research												

Occupancy and ADR Performance By Segment

U.S. Hotel Performance by Segment								
	2009 Occupancy				2009 ADR			
	Transient	Group	Contract	Total	Transient	Group	Contract	Total
Luxury	39.8%	21.0%	0.7%	61.5%	$253.67	$225.94	$151.42	$242.99
Upper Upscale	39.0%	21.8%	3.0%	63.8%	$142.02	$149.74	$80.20	$141.80
Upper Tier Independents	35.1%	16.9%	2.5%	54.5%	$139.82	$121.15	$68.71	$130.79
All Others	37.3%	11.0%	5.1%	53.5%	$78.75	$81.55	$59.32	$77.47
Total U.S.	36.9%	20.0%	2.5%	59.3%	$149.40	$147.14	$77.70	$145.65

Source: Smith Travel Research (01/10)

Occupancy and ADR Performance By Segment Projections

PKF Hospitality Research May 2010 *Hotel Horizons* Projections:

2010

- RevPAR + 1.7%
- NOI - 1.4%
- Occupancy + 3.4%
- ADR - 1.6%

2011

- RevPAR + 7.8%
- Occupancy + 3.4%
- ADR + 4.6%

PwC May 2010 Projections:

2010

- RevPAR + 1.8%
- Occupancy + 3.5%
- ADR - 1.7%

2011

- RevPAR +6.3%
- Occupancy + 2.7%
- ADR + 3.5%

Overall U.S. Lodging Forecast

Overall U.S. Lodging Forecast						
	Occupancy	**% Change Occ.**	**ADR**	**% Change ADR**	**RevPAR**	**% Change RevPAR**
2007	63.1%	-	$104.10	-	$65.69	-
2008	60.3%	-4.4%	$106.96	2.7%	$64.50	-1.8%
2009	55.1%	-8.6%	$97.51	-8.8%	$53.73	-16.7%
2010	56.7%	2.9%	$97.26	-0.3%	$55.15	2.6%
2011	58.1%	2.5%	$101.05	3.9%	$58.71	6.5%
Source: Smith Travel Research (6/10)						

Decline in RevPAR each year between 2007 and 2010 but growth projected in 2010 and 2011

Overall U.S. Lodging Forecast

- 2009: largest RevPAR declines in history

- U.S. Travel Association's forecast of modest 2010 increases in leisure, business, and international inbound travel will add 90,000 U.S. jobs

- Leisure travel projected to increase by 2%, business travel by 2.5%, and international inbound travel by 3%

- H&LA forecasts increase in overall occupancy levels in 2010 and relatively flat ADR

- New property openings severely curtailed in 2010 due to financing crisis

New Supply Additions

Development Pipeline - Rooms				
Phase	**April-10**	**April-09**	**Difference**	**% change**
In Construction	77,404	170,242	-92,838	-54.53%
Final Planning	72,723	65,641	7,082	10.79%
Planning	216,953	297,685	-80,732	-27.12%
Active Pipeline	367,080	533,568	-166,488	-31.20%
Pre-Planning	107,872	141,313	-33,441	-23.66%
Total	**474,952**	**674,881**	**-199,929**	**-29.62%**
Source: Smith Travel Research US Lodging Industry Overview (6/10)				

New Supply Additions

- Lodging Econometrics predicts 717 hotels (82,620 rooms) will open in 2010—a 56% drop from 2009

- Under construction projects, 767 projects (95,900 rooms) in Q4 of 2009, are at the lowest level in over four years and are expected to decline throughout 2010

- Pipeline projects toward construction are at 119 projects (11,623 rooms) in Q4—the lowest totals since early 2002

- New project announcements that replenish the pipeline, 308 projects (33,442 rooms) in Q4, have fallen to five-year lows

Hotel Sales Overview

Penn State Index of Hotel Values (all hotels)		
Overall	**Value Per Room**	**Annual % of Change**
2007	$98,264	9.3%
2008	$93,752	-4.6%
2009	$76,457	-18.4%
2010	$74,787	-2.2%
2011 (Forecast)	$80,424	7.5%
Source: The Pennsylvania State University (7/10)		

Hotel Sales Overview

Penn State Index of Hotel Values		
Luxury		
2007	$351,351	7.5%
2008	$324,204	-7.7%
2009	$253,083	-21.9%
2010	$249,906	-1.3%
2011 (Forecast)	$265,930	6.4%

Hotel Sales Overview

Penn State Index of Hotel Values		
Upper Upscale		
2007	$177,203	6.6%
2008	$165,032	-6.9%
2009	$134,460	-18.5%
2010	$131,995	-1.8%
2011 (Forecast)	$141,474	7.2%

Hotel Sales Overview

Penn State Index of Hotel Values		
Upscale		
2007	$121,624	7.6%
2008	$113,957	-6.3%
2009	$92,028	-19.2%
2010	$90,467	-1.7%
2011 (Forecast)	$96,549	6.7%

Hotel Sales Overview

Penn State Index of Hotel Values		
Midscale with Food & Beverage		
2007	$72,178	6.7%
2008	$68,329	-5.3%
2009	$57,900	-15.3%
2010	$53,555	-7.5%
2011 (Forecast)	$54,975	2.7%

Hotel Sales Overview

Penn State Index of Hotel Values		
Midscale without Food & Beverage		
2007	$77,972	9.8%
2008	$74,465	-4.5%
2009	$62,870	-15.6%
2010	$61,467	-2.2%
2011 (Forecast)	$63,651	3.6%

Hotel Sales Overview

Penn State Index of Hotel Values		
Economy		
2007	$28,204	6.9%
2008	$25,617	-9.2%
2009	$17,793	-30.5%
2010	$15,797	-11.2%
2011 (Forecast)	$17,531	11.0%

Hotel Sales Overview

•Jones Lang LaSalle reported that investors' global hotel performance expectations for next six months are 31.8 percentage points higher last year

•"Buy" sentiment increased to 41.2%

•Most favorable outlook is for New York, Washington, DC, Boston, Los Angeles, and San Francisco markets

Financial Statistics

Selected Financial Ratios to Sales						
	Full-Service			Limited-Service		
	GOP*	Fixed Charges	Pre-Tax Income (Loss)	GOP*	Fixed Charges	Pre-Tax Income (Loss)
1999	36.0	13.2	19.4	50.7	14.2	29.0
2000	37.8	13.1	21.3	50.4	14.6	30.6
2001	35.1	17.5	12.0	50.5	18.6	25.6
2002	33.6	17.8	10.4	47.9	19.2	21.5
2003	30.8	18.2	9.0	44.9	20.5	19.4
2004	31.3	17.9	10.9	48.5	19.4	23.2
2005	33.0	15.0	14.4	51.1	19.1	27.9
2006	34.4	14.6	16.1	55.4	17.9	32.8
2007	35.7	16.3	15.2	52.0	18.0	30.8
2008	32.4	16.9	13.5	51.2	18.7	28.7
2009	29.4	17.7	7.9	47.1	20.0	22.6

*Before Management Fees and Franchise (Royalty) Fees

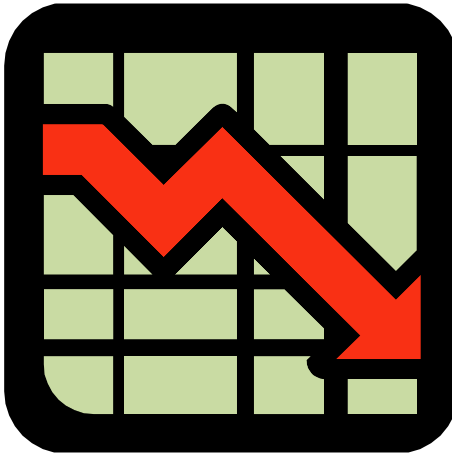
Source: STR Host Report 2010

Discount and Capitalization Rates
1Q 2007-2010

National Full-Service Lodging Segment				
First Quarter 2007-2010				
Discount Rate	**1st Qtr 2010**	**1st Qtr 2009**	**1st Qtr 2008**	**1st Qtr 2007**
Range	10.00% - 16.00%	9.50% - 14.00%	9.25% - 14.00%	9.25% - 14.00%
Average	12.43%	11.31%	10.84%	11.26%
Change (Basis Points)				
Overall Cap Rate (OAR)*				
Range	6.00% - 14.00%	6.00% - 11.00%	6.00% - 10.50%	6.00% - 10.50%
Average	10.08%	8.61%	8.33%	8.74%
Change (Basis Points)				
**Rate on unleveraged, all-cash transactions*				
Source: Korpacz Real Estate Investment Survey 1st Quarter 2007-2010				

Discount and Capitalization Rates

Discount and capitalization rates increased between 2007 and 2010→ decline in values



Agenda

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Cleveland Occupancy and ADR Performance

Cleveland Regional Market Operating Performance						
Year	**OCC**	**% Chg.**	**ADR**	**% Chg.**	**RevPAR**	**% Chg.**
2006	57.6%	1.8%	$84.77	8.3%	$48.83	-
2007	58.3%	1.2%	$88.97	5.0%	$51.87	6.2%
2008	54.5%	-6.5%	$90.34	1.5%	$49.24	-5.1%
2009	50.6%	-7.2%	$85.18	-5.7%	$43.10	-12.5%
Year-To-Date through June						
2009	47.4%	-	$85.96	-	$40.72	-
2010	51.7%	9.1%	$83.09	-3.3%	$42.95	5.5%
Cleveland Downtown Lodging Operating Performance						
2008	57.3%	-	$114.70	-	$65.72	-
2009	56.2%	-1.9%	$109.97	-4.1%	$61.80	-6.0%
Year-To-Date through April						
2009	47.1%	-	$107.38	-	$50.58	-
2010	51.8%	10.0%	$106.38	-0.9%	$55.10	9.0%
Ohio Lodging Operating Performance						
2008	53.6%	-	$80.25	-	$43.01	-
2009	49.7%	-7.3%	$76.72	-4.4%	$38.13	-11.4%
Year-To-Date through June						
2009	47.2%	-	$77.36	-	$36.51	-
2010	50.0%	5.9%	$75.96	-1.8%	$37.96	4.0%
Source: Hotel & Leisure Advisors, STR Report June 2010						

Cleveland Market

- Downtown market wants to expand its commercial and group segments
  - Plans to open the Medical Mart and new convention center
  - Obtained November 2009 passage of Issue 3 that permits casino gambling

- Market recorded sharp increase in occupancy year-to-date but decrease in ADR

New Supply Additions

Recent Supply Additions Cleveland, MSA				
Name of Establishment	**City & State**	**Aff Date**	**Open Date**	**Rooms**
Hampton Inn Suites Cleveland Mentor	Mentor, OH	Apr 2009	Apr 2009	90
Hilton Garden Inn E Mayfield Village	Mayfield Village, OH	Jan 2009	Jan 2009	128
Value Place Mentor	Mentor, OH	Dec 2008	Dec 2008	119
Homewood Suites Cleveland Beachwood	Beachwood, OH	May 2008	May 2008	125
Staybridge Suites Mayfield Heights	Mayfield Heights, OH	Mar 2007	Mar 2007	123
Marriott Cleveland East	Warrensville Heights, OH	Sep 2005	Sep 2005	295
Baymont Concord	Concord, OH	May 2008	Feb 2005	55
Hawthorn Suites by Wyndham Seville	Seville, OH	Nov 2004	Nov 2004	62
Hampton Inn Suites Beachwood	Beachwood, OH	Jul 2004	Jul 2004	139
Geneva State Park Lodge	Geneva, OH	May 2004	May 2004	109
Springhill Suites Cleveland Solon	Solon, OH	Dec 2003	Dec 2003	119
InterContinental Hotel Cleveland	Cleveland, OH	Apr 2003	Apr 2003	299
Country Inn & Suites Elyria	Elyria, OH	Feb 2003	Feb 2003	74
Source: Smith Travel Research				

Questions?

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