FINANCIAL PROFORMA

Projections of the annual operating results for the proposed Market-Driven Hotel were prepared for five years, 2016 through 2020. The projections are based on the results of operations in comparable facilities and our calculations regarding the environment in which the proposed hotel would operate. The bases found on the following pages were prepared in constant dollars, November 2013, with slight inflation increases noted in the Proforma Schedules.

Trends in the Hotel Industry – 2013, by PKF Hospitality Research, Atlanta, Arkansas, for limited-service hotels is positioned as a benchmark for the Proforma of the proposed Market-Driven Hotel.

The first year, 2016, of the Proforma was calculated by line-item classifications. This detail lists all of the types of Revenues, Payroll and Other Expenses in each Department. Subsequent years of the Proforma were adjusted to inflation and normal usage factors of a limited-service hotel. These Schedules have been prepared according to the guidelines set forth in the "Uniform System of Accounts for the Lodging Industry, Tenth Revised Edition."

The accompanying projections are based on estimates and assumptions developed in connection with the Feasibility Study. However, some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the projection period will vary from the projections, and the variations may be material.

Market-Driven Hotel
Montevallo, Alabama

70 Units **Proforma Year One** Schedule 1 of 9

	Full Year	*Ratio %*	*Full Year Dollars Per Available Room*
Available Suite Nights	25,620		
Occupancy	69.0%		
Occupied Suite Nights	17,678		
Average Daily Rate	115.00		
RevPar	79.35		
Revenues			
Rooms	2,032,950	95.8	79.35
Telecommunications — Complimentary	0	0.0	0.00
Retail Center	53,030	2.5	2.07
Other Hotel	35,360	1.7	1.38
Total Revenue	2,121,340	100.0	82.80
Departmental Profit			
Rooms	1,509,400	74.2	58.91
Telecommunications	(30,940)	0.0	(1.21)
Retail Center	26,510	50.0	0.50
Other	17,680	50.0	0.69
Total Departmental (House) Profit	1,522,650	71.8	58.89
Deductions From Income			
Administrative & General	199,170	9.4	7.77
Sales & Marketing	84,000	4.0	3.28
Complimentary Guest Services	108,440	5.1	4.23
Marketing Fee Room Revenue x 3.85%	60,990	2.9	2.38
Franchise Fee Room Revenue x 4.65%	121,980	5.8	4.76
Utilities	128,540	6.1	5.02
Repairs & Maintenance	92,350	4.4	3.60
Total Deductions From Income	795,470	37.5	31.04
Gross Operating Profit	**727,180**	**34.3**	**27.85**
Management Fee	63,640	3.0	2.48
Fixed Costs			
Real Estate Taxes - Allowance	50,000	2.4	1.95
Insurance - Allowance	25,000	1.2	0.98
Replacement Reserves	21,210	1.0	0.83
Total Fixed Costs	159,850	7.6	6.24
Net Operating Income Before Debt Service	**567,330**	**26.7**	**21.61**

Source: Interim Hospitality Consultants

Market-Driven Hotel
Montevallo, Alabama
Proforma Year One
Rooms Department

Rooms Revenue						2,032,950
Payroll	F	P	*Per Unit of*	*Factor*		
Front Office						
Front Office Manager			Annual Salary Not Staffed			
Hosts	5	3	Hourly Rate	9.00	121,680	
Porter			Daily x 8 hr x			
Night Auditor	1	1	Daily x 8 hr x	11.00	32,760	
Subtotal Front Office Wages	6	4				154,440
Housekeeping						
Executive Housekeeper	1		Salary		40,000	
Inspectress Staff	1		Daily x 8 hr x	8.50	17,680	
Houseman Staff	1	1	Daily x 8 hr x	8.50	26,520	
Laundry	1	1	Daily x 8 hr x	8.50	26,520	
Housekeepers	6	4	Occupied Suites/year	17,678		
			Suites Cleaned/Maid/day	16		
			Housekeeping Days/year	1,105		
			Housekeeping Hours/year	8,839		
			Wage/Hour	8.50		
			Housekeeper's Wages		75,130	
Subtotal Housekeeping Wages	10	6				185,850
Total Rooms Department Wage						340,290
Taxes and Benefits				20.0%		68,060
Total Room Department Payroll						408,350
As Percentage of Room Revenue						20.1%
Other Expenses						
Cable Television			Month	1,000.00	12,000	
Carpet Cleaning			Suite/6 mo.	20.00	2,800	
China/Glass/Silver			Month	100.00	1,200	
Cleaning Supplies			Occupied Suite	0.50	8,840	
Drapery			Month	60.00	720	
Frequent Guest Program			Room Revenue	0.3%	6,100	
Guest Supplies			Occupied Suite	1.00	17,680	
Laundry Supplies			Occupied Suite	0.75	13,260	
Linen			Occupied Suite	2.00	35,360	
Miscellaneous			Month	500.00	6,000	
Printing			Occupied Suite	0.30	5,300	
Travel Agent Commission			Occupied Suite	0.20	3,540	
Uniforms			Month	200.00	2,400	
Total Other Expenses						115,200
As Percentage of Room Revenue						5.7%
Rooms Department Profit						1,509,400
As Percentage of Room Revenue						74.2%
Per Occupied Room						85.38

Market-Driven Hotel
Montevallo, Alabama
Proforma Year One

Schedule 3 of 9

Departments	Revenue per Occupied Suite		Ratio
Telecommunications	0.00		100.0%
Expense	(1.75)	(30,940)	
Profit	(1.75)	(30,940)	
Retail Center			
Revenue	3.00	53,030	100.0%
Expense	(1.50)	(26,520)	(50.0)%
Profit	1.50	26,510	50.0%
Other*			
Revenue	2.00	35,360	100.0%
Expense	(1.00)	(17,680)	(50.0)%
Profit	1.00	17,680	50.0%

*Revenue of Valet Cleaning, Guest Laundry, Meeting Room

Schedule 4 of 9

Total Hotel Payroll

	Employees FT	PT	Wages	Taxes and Benefits	Total Payroll	
Rooms						
Front Office	6	4	154,440	30,888	185,328	8.7%
Housekeeping	10	6	185,850	37,170	223,020	10.5%
Subtotal Rooms Department	16	10	340,290	68,058	408,348	19.2%
Administrative and General						
Administrative Wages	2	0	90,000	18,000	108,000	5.1%
Security Payroll					0	
Subtotal A&G Department	2	0	90,000	18,000	108,000	5.1%
Food & Beverage Comp Services		3	30,050		30,050	1.4%
Sales & Marketing		1	13,500	2,700	16,200	0.8%
Repair & Maintenance	1	1	48,840	9,770	58,610	2.8%
Grand Total Hotel Payroll	19	15	522,680	98,530	621,210	29.3%

Note: Totals may not foot due to rounding

Market-Driven Hotel
Montevallo, Alabama
Proforma Year One
Administrative and General

Schedule 5 of 9

	F	P	Per Unit of	Factor		
Payroll	F	P				
General Manager	1		Salary		50,000	
Secretary/Accounting	1		Salary		40,000	
Subtotal Office Payroll	2				90,000	
			Taxes & Benefits	20.0%	18,000	
Office Payroll						
Security			Daily x 12 hr x			
			Taxes & Benefits			
Security Payroll						
Subtotal Admin. & Gen. Payroll						108,000
Other Expenses						
Accounting Fees			Month	1,200.00	14,400	
Audit Fees			Unbudgeted			
Bank Charges			Month	50.00	600	
Computer Expense			Month	400.00	4,800	
Credit Card Commission			Room Revenue	2.0%	40,660	
Legal Fees			Unbudgeted			
Licenses			Annual		2,000	
Miscellaneous			Month	500.00	6,000	
Office Expenses			Occupied Suite	0.45	7,960	
Printing			Occupied Suite	0.30	5,300	
Radios, 2-Way			Month			
Telephone Expenses			Occupied Suite	0.15	2,650	
Trade Association Dues			Annual		2,000	
Travel Expenses			Month	400.00	4,800	
Uniforms			Month			
Total Other Expenses						91,170
Total Administrative and General						199,170
As Percentage of Total Revenue						9.4%
Per Occupied Room						11.27

Market-Driven Hotel
Montevallo, Alabama
Proforma Year One
Food & Beverage Complimentary Services

Schedule 6 of 9

	F	P	*Per Unit of*	*Factor*		
Breakfast						
6 am - 9 am, M-F		1	Daily x 4 hrs x 7 days			
7 am - 10 am, S, S		1	Daily x 4 hrs x 7 days			
Hostess	0	2		8.50	24,750	
Social Hour			Not Offered			
5 pm - 7 pm, M-Th						
Hostess		1	Daily x 3 hrs x 4 days	8.50	5,300	
Total Wages						
			Taxes & Benefits			
Total Payroll		3				30,050
Other Expenses			Per			
Food - Breakfast			Occupied Suite	2.25	39,780	
Food - Social Hour			Occupied Suite	0.75	13,260	
Liquor/Beer/Wine			Occupied Suite	1.00	17,680	
Paper Products			Occupied Suite	0.15	2,650	
Newspapers			Occupied Suite	0.25	4,420	
Seasonal Items			Month	50.00	600	
Total Other Expenses						78,390
Total Food & Beverage Complimentary Service						108,440
Per Occupied Room						6.13

Market-Driven Hotel
Montevallo, Alabama
Proforma Year One
Sales and Marketing

Schedule 7 of 9

			Per Unit of	Factor		
Payroll	F	P				
Director of Sales		1	Salary	27,000	13,500	
Sales Manager			Not Staffed			
Secretary Staff			Not Staffed			
			Tax and Benefits	20.0%	2,700	
Total Payroll						16,200
Advertising						
Billboards			Month	1,500	18,000	
Print--Magazine			Month	500	6,000	
Print--Newspaper			Month	400	4,800	
Radio/Television			Month			
Airport			Month			
Internet			Month	600	7,200	
Production			Annual	1,000	1,000	
Yellow Pages						
Total Advertising						37,000
Public Relations						
Contributions			Month	300	3,600	
Travel			Month	750	9,000	
Trade Shows			Each 2	2,500	5,000	
Guest Relations			Month	550	6,600	
Total Public Relations						24,200
Promotions						
Brochures			Pre-Opening Expense			
Direct Mail			Month	50	600	
Merchandise			Month	500	6,000	
Total Promotions						6,600
Total Sales and Marketing						84,000
As a percentage of Total Revenue						4.0%
Per Occupied Room						4.75

Market-Driven Hotel National Franchise Fees

Marketing Fee	3.00% of Room Revenue Year 1	60,990
	3.00% of Room Revenue Year 2	64,220
	3.00% of Room Revenue Year 3	68,260
	3.00% of Room Revenue Year 4	72,430
	3.00% of Room Revenue Year 5	75,940
Franchise Fee	6.00% of Room Revenue Year 1	121,980
	6.00% of Room Revenue Year 2	128,430
	6.00% of Room Revenue Year 3	136,530
	6.00% of Room Revenue Year 4	144,870
	6.00% of Room Revenue Year 5	151,880

Market-Driven Hotel
Montevallo, Alabama
Proforma Year One
Utilities

Schedule 8 of 9

	Per Unit of	Factor		
Electric	Occupied Suite	3.00	53,033	
Gas	Occupied Suite	2.25	39,775	
Water/Sewer	Occupied Suite	1.75	30,936	
Refuse	Month	400.00	4,800	
Total Utilities				128,540
As a percentage of Total Revenue				6.1%
Per Occupied Room				7.27

Repairs and Maintenance

Schedule 9 of 9

Payroll	F	P				
Chief Engineer	1		Salary		40,000	
Part-Time Worker		1	Daily x 8 hr x	8.50	8,840	
Subtotal Wages						
			Taxes & Benefits	20.0%	9,770	
Total Repair & Maint Payroll	1	1				58,610
Other Expenses						
Electrical			Month	100.00	1,200	
Plumbing			Month	100.00	1,200	
HVAC			Month	200.00	2,400	
Building			Month	200.00	2,400	
Suites - Bedrooms			Month	100.00	1,200	
Suites - Kitchen			Month	100.00	1,200	
Grounds			Month	500.00	6,000	
Parking Lot			Annual		500	
Pest Control			Month	100.00	1,200	
Light Bulbs			Month	50.00	600	
Television/VCP			Month	300.00	3,600	
Uniforms			Month	20.00	240	
Pool/Spa			Month	500.00	6,000	
Hotel Truck			Month			
Miscellaneous			Month	500.00	6,000	
Total Other Expenses						33,740
Total Repair & Maintenance Expenses						92,350
As a percentage to Total Revenues						4.4%
Per Occupied Room						5.22

Projected Tax Revenues
from the
Market-Driven Hotel Proforma

70 Rooms

		2016	2017	2018	2019	2020
Room Revenue		2,032,950	2,140,580	2,275,480	2,414,480	2,531,260
Total Revenue		2,121,340	2,231,280	2,368,730	2,508,760	2,628,610
Hotel Occupancy Tax on Room Revenue						
City of Montevallo	5%	101,650	107,030	113,770	120,720	126,560
Shelby County[(A)]	7%	142,310	149,840	159,280	169,010	177,190
	12%	243,960	256,870	273,050	289,730	303,750
Sales Tax on Total Revenues						
City of Montevallo	4%	84,850	89,250	94,750	100,350	105,140
Shelby County	1%	21,210	22,310	23,690	25,090	26,290
State of Alabama	4%	84,850	89,250	94,750	100,350	105,140
	9%	190,910	200,810	213,190	225,790	236,570
Recap of Tax Revenue						
City of Montevallo						
Hotel Occupancy Tax	5%	101,650	107,030	113,770	120,720	126,560
Sales Tax	4%	84,850	89,250	94,750	100,350	105,140
Total City of Montevallo		186,500	196,280	208,520	221,070	231,700
Cumulative Total			382,780	591,300	812,370	1,044,070
Shelby County						
Hotel Occupancy Tax	5%	101,650	107,030	113,770	120,720	126,560
Sales Tax	1%	21,210	22,310	23,690	25,090	26,290
Total Shelby County		122,860	129,340	137,460	145,810	152,850
Cumulative Total			252,200	389,660	535,470	688,320
American Village Trust	2%	40,660	42,810	45,510	48,290	50,630
Cumulative Total			83,470	128,980	177,270	227,900
State of Alabama	4%	84,850	89,250	94,750	10,050	105,140
Cumulative Total			174,100	268,850	369,200	474,340

Source: Interim Hospitality Consultants

Note (A): Includes 2% for the American Village Citizenship Trust

Proforma
Market-Driven Hotel
Montevallo, Alabama

70 Rooms	2016		2017		2018		2019		2020	
Occupancy		69.0%		71.0%		73.0%		75.0%		76.0%
Average Daily Rate	115.00		118.00		122.00		126.00		130.00	
RevPar	79.35		83.78		89.06		94.50		98.80	
Revenue										
Rooms	2,032,950	95.8	2,140,580	95.9	2,275,480	96.1	2,414,480	96.2	2,531,260	96.3
Telephone	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Retail Center	53,030	2.5	54,420	2.4	55,950	2.4	55,950	2.2	58,410	2.2
Other Hotel	35,360	1.7	36,280	1.6	37,300	1.6	38,330	1.5	38,940	1.5
Total Revenues	2,121,340	100.0	2,231,280	100.0	2,368,730	100.0	2,508,760	100.0	2,628,610	100.0
Departmental Profit										
Rooms	1,509,400	74.2	1,605,440	75.0	1,729,360	76.0	1,859,150	77.0	1,974,380	78.0
Telephone	(30,940)	0.0	(31,750)	0.0	(32,700)	0.0	(33,680)	0.0	(34,690)	0.0
Retail Center	26,510	50.0	27,200	50.0	27,970	50.0	28,740	51.4	29,200	50.0
Other	17,680	50.0	18,140	50.0	18,650	50.0	19,160	50.0	19,470	50.0
Total Departmental Profit	1,522,650	71.8	1,619,030	72.6	1,743,280	73.6	1,873,370	74.7	1,988,360	75.6
Deductions from Income										
Administrative & General	199,170	9.4	204,380	9.2	210,140	8.9	215,900	8.6	219,380	8.3
Sales & Marketing	84,000	4.0	86,200	3.9	88,630	37.0	91,050	3.6	92,520	3.5
Complimentary Guests Services	108,440	5.1	111,280	5.0	114,410	4.8	117,550	4.7	119,440	4.5
Marketing Fee Rm Rev x 3.0%	60,990	2.9	64,220	2.9	68,260	2.9	72,730	2.9	75,940	2.9
Franchise Fee Rm Rev x 6.0%	121,980	5.8	128,430	5.8	136,530	5.8	144,870	5.8	151,880	5.8
Utilities	128,540	6.1	131,900	5.9	135,620	5.7	139,340	5.6	141,580	5.4
Repair & Maintenance	92,350	4.4	94,770	4.2	97,440	4.1	100,110	4.0	101,720	3.9
Total Deductions from Income	795,470	37.5	821,180	36.8	851,030	35.9	881,550	35.1	902,460	34.3
Gross Operating Profit	**727,180**	**34.3**	**797,850**	**35.8**	**892,250**	**37.7**	**992,120**	**39.5**	**1,085,900**	**41.3**
Management Fee	63,640	3.0	66,940	3.0	71,060	3.0	75,260	3.0	78,860	3.0
Fixed Costs										
Real Estate Taxes - Allowance	50,000	2.4	50,500	2.3	51,000	2.2	51,500	2.1	52,000	2.0
Insurance - Allowance	25,000	1.2	25,500	1.1	26,000	1.1	26,500	1.1	27,000	1.0
Replacement Reserves	21,210	1.0	33,470	1.5	47,370	2.0	50,180	2.0	52,570	2.0
Total Fixed Costs	159,850	7.6	176,410	7.9	195,430	8.3	203,440	8.2	210,430	8.0
Net Operating Income Before Debt	**567,330**	**26.7**	**621,440**	**27.9**	**696,820**	**29.4**	**788,680**	**31.4**	**875,470**	**33.3**
Debt Service										
Cash Flow										

Source: Interim Hospitality Consultants, 850/893-6010, November 8, 2013

LIMITED-SERVICE HOTELS
Performance in 2012

Each year PKF Consulting of San Francisco, California, the Research Department of Parnell Kerr Foster, the International Hospitality Industry Accounting firm, publishes *Trends in the Hotel Industry, USA Edition — 2013*. The data reported are the benchmark against which hotel companies and individual proprietors measure their operating picture against the overall results in their segment of the industry. Hotel tables from the report are presented:

1. Ratios to Total Revenues
2. Ratios to Departmental Revenues
3. Summary – Dollars Per Available Room
4. Dollars per Available Room

The information is provided as a background to illustrate the segment as it relates to a 70-room Market-Driven Hotel in Montevallo, Alabama. Also, provided is information on:

- "Potential Financing Sources," by Jeff Crowley, HVS Services
- Interim Hospitality Consultants

TRENDS®

IN THE HOTEL INDUSTRY USA EDITION 2013

Fundamental Alignment

PKF HOSPITALITY RESEARCH LLC

PKF CONSULTING USA LLC

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Balancing the Certainty of the Past with the Uncertainty of the Future

R. Mark Woodworth

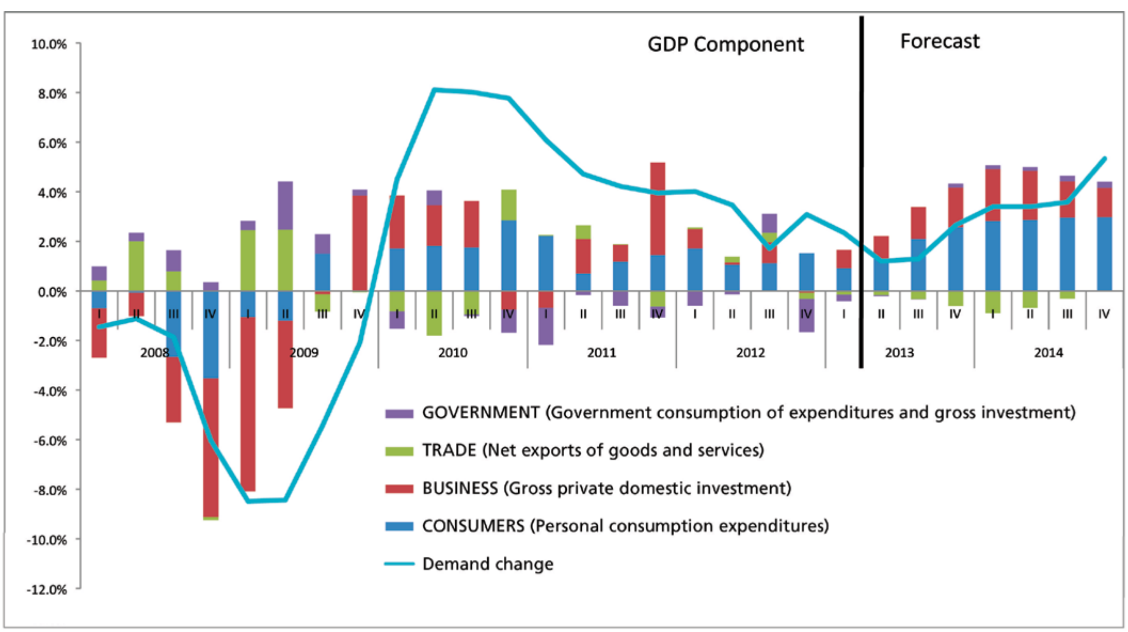
A year ago, in writing the introduction to the 2012 edition of *Trends® in the Hotel Industry*, I noted that *"sub-par growth continues to characterize the United States economy following the Great Recession that commenced in 2008. Much uncertainty surrounds the pace and timing of economic growth in both the U. S. and around the globe."* Unfortunately, this basically remains equally as true today as we approach the mid-point of 2013. While the uncertainty of the then-impending local and national political elections contributed to much angst in 2012, it is a combination of policy implementation, pioneering Federal Reserve actions and continued turmoil in many markets around the globe (most notably in Europe), that today are contributing to comparatively lack-luster economic growth in the U.S. Most experts anticipate that an expansion to the Gross Domestic Product ('GDP') in the years ahead will continue to accelerate, but at a tepid pace relative to past economic recoveries.

Encouraging Past – Attractive Future

This, the 77th edition of *Trends® in the Hotel Industry*, documents the third successive year in which demand growth outpaced that of supply; room rates increased at a rate well above the Smith Travel Research ('STR') long run annual average of 2.9 percent and the typical hotel in our industry-wide sample achieved year-over-year Net Operating Income growth in excess of 10.0 percent. These basic fundamental measures for the industry resemble those last seen during the years 2003 through 2007 – a period considered to be one of favorable performance for hoteliers. Prosperous times in this weak economic environment?

As we reported a year ago, the disconnect between the economy and improved lodging industry performance is explained by three factors: 1) strong growth in corporate profits; 2) a full recovery of real personal income levels and 3) the low average price of a hotel room.

According to Moody's Analytics, the outlook for continued corporate profit and personal income growth, and their contribution to business and consumer spending, remains attractive. Importantly, our research reveals that these two components of GPD correlate very closely to changes in hotel demand, particularly among high end lodgings. As illustrated in the nearby chart, Moody's Analytics forecasts that the contribution of business and consumer spending to GDP growth will increase at an accelerating rate in 2013 and 2014. This is clearly good news for U.S. hoteliers.



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

Will Consumers React Negatively to Increased Room Rates?

The data of the past three years makes clear that the Economics 101 axiom of the relationship of price to demand holds true in the lodging industry. The unprecedented 8.7 percent decline in Average Daily Rate ('ADR') reported by STR for 2009 served to dramatically increase the affordability of hotels. Demand responded favorably as a result. Since that time, the industry ADR has increased a cumulative 8.0 percent and our June to August *Hotel Horizons®* forecast calls for the nominal U.S. ADR level to surpass its previous peak level in 2013. As a result, we anticipate that there will be some (but not much) resistance to these higher prices, and demand growth in 2013 and 2014, while still very attractive, will be slightly impaired. Make no mistake – this is all good news. We are now in that phase of the lodging cycle where significant real increases in ADR are achieved, and above-average lodging profit growth occurs as a result. To summarize our most recent thinking concerning the outlook for U.S. hotels:

- Supply Growth: Below Average through 2016.
- Demand Growth: Above Average through 2015.
- Occupancy: Above the Long Run Average Level through 2016.
- ADR Growth: 2 x's Average through 2015.
- RevPAR: 2.5 x's Average through 2015.

I call your attention to the two articles included in this edition of *Trends®*. First, one of the more important contributing factors to the full recovery of lodging demand in the U.S. has been the record levels of international visitation to the States. The article "Measuring the Influence of Currency Exchange Rates on United States Lodging Demand", authored by my colleagues Jack Corgel, Jamie Lane and Aaron Walls, provides new insights to the drivers of change within this increasingly important source of business, particularly for those hotels located in our gateway cities.

The second article included herein comes from my long-time friend and colleague Larry Henry and analyzes the growing benefits of "going green". As Larry demonstrates herein, "green" buildings are "smart solutions for businesses serious about reducing pollution, mitigating environmental impact and saving money."

In summary, 2013 is shaping up to be another year of favorable growth across the lodging industry. Perhaps of greater import is the expectation that, as a result of the continued improvement to lodging industry fundamentals, 2014 should "certainly" be an outstanding year!

All the Best for the year ahead.

Very truly yours,

R. Mark Woodworth
President
PKF Hospitality Research, LLC

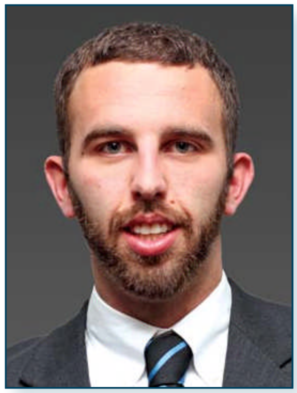
About The Cover

After cascading over the cliff twice during the last decade (2001 and 2009), U.S. lodging industry participants have enjoyed a tranquil environment since 2010. Occupancy, ADR, revenue and profit levels have increased each of the past three years, and are expected to continue to grow for the foreseeable future.

With the industry fundamentals in alignment, hotel owners and operators are getting their ducks in a row in an effort to take advantage of these favorable market conditions. PKF Hospitality Research, LLC expects that improvement on the bottom-line will eventually bridge the gap between solid operating performance and property values.

MEASURING THE INFLUENCE OF CURRENCY EXCHANGE RATES ON UNITED STATES LODGING DEMAND*

Jack Corgel



Jamie Lane

Aaron Walls

By Jack Corgel, Jamie Lane, and Aaron Walls

International visitation to the U.S. now exceeds historic levels. After experiencing a decline following the 2008-2009 financial crisis and recession, travel by non-U.S. residents to domestic destinations accelerated to over 32 million in 2011. The data in Table 1 show a record number of international air travelers to the U.S. and expenditures during 2011. Importantly, international travel concentrates in gateway cities and tourist destinations, thus the contributions to the hotel revenues and the economies of these local areas well exceeds the national contribution. Miami, for example, annually receives nearly 2.5 million international visitors who stay in a hotel or motel. Assuming a five day stay, these visitors may account for as much as one half of total hotel demand in Miami. Our estimates match up with the Miami Convention and Visitors Bureau's survey results showing that international visitors accounted for 48 percent of all overnight visitors with an average stay of 5.8 nights in 2011.

International travel demand theoretically derives from the same factors that explain domestic travel. Academic research and demand modeling used in hotel market forecasting confirm that hotel room sales strongly respond to price and income changes much similar to demand for most products and services (Wheaton and Rossoff, 1998 and PKF Hospitality Research, LLC 2012). Among other logical determinants, variation in currency exchange rates is potentially important for explaining international, albeit not domestic, hotel demand. Interest in the impact of exchange rate changes on hotel occupancy in the U.S. becomes particularly acute during volatile periods of currency revaluations. Political and economic instability in the world can create significant revaluations at any time. Yet, few empirical studies analyze how movements in relative currency values influence hotel demand. Hospitality academic literature of exchange rate effects mainly addresses international firms' exposure to exchange rate risk and hedging strategies (Singh and Upneja, 2007;

Table 1:
Historical Patterns of International Travel to the U.S. and Expenditures

Year	Enplanements[a]	Travel Spending[b]
1992	5.22	11.02
1993	5.6	11.63
1994	5.82	12.19
1995	6.53	12.86
1996	7.38	13.93
1997	7.86	14.76
1998	7.74	15.48
1999	8.22	16.29
2000	9.26	17.54
2001	8.25	17.54
2002	7.84	15.42
2003	7.67	15.67
2004	9.2	17.04
2005	10.48	18.47
2006	11.31	19.09
2007	13.29	19.75
2008	15.74	20.33
2009	13.43	19.13
2010	15.25	19.61
2011	17.93	20.39

a - Millions of Persons
b - Billions of dollars spent by international visitors

Sources: U.S. Department of Transportation, International Travel Association

Singh, 2009; Chang, 2009; and Lee and Jang, 2010). Only Barrie, Flaneigin, Racic, and Rudd (2009) and Quadri and Zheng (2010) present evidence about currency exchange rate effects on hotel occupancy using recent data. Their results, however, come from univariate analyses absent of controls afforded by estimating a fully-specified demand model.

Economic theory suggests that a weak U.S. dollar creates relatively favorable currency exchange rates for foreign visitors that may induce marginal travel to the U.S. The data we present in Table 1 indicate long-run positive trends among measures of international travel. Interestingly, these data extend through both periods of dollar weakness and strength, which suggest that international travel to the U.S. could be invariant to exchange rates contrary to theoretical predictions. The conflicting interpretations from theory and historical data raise an interesting empirical question – do exchange rates have anything to do with U.S. hotel room sales?

Consistent with the theory that exchange rates influence international travel demand, data in Table 2 imply relationships between foreign traveler spending, aggregate hotel demand, and currency exchange rates as measured by the Federal Reserve Board's (FRB) Broad index of international exchange rates relative to the U.S. dollar. The FRB Broad Index is a closely followed composite of global currency relationships. Index numbers less than 100 indicate a relatively weak dollar.

In this paper, we report evidence of statistically significant relationships between exchange rates and hotel demand, although these results are largely confined to certain U.S. hotel chain scale segments and only in some cities. Our study is the first to estimate the extent to which the number of rooms sold in the U.S. is influenced by currency exchange rates while controlling for other important demand determinants. The travel demand literature prior to 1993 reviewed in Couch (1993) includes 25 studies (i.e., 29 percent of all studies) in which exchange rates appear as a determinant along with other demand drivers. None of these studies concentrate on inbound U.S. travel by non-residents. More recently published research provides little guidance for understanding whether or not exchange rates affect travel to the U.S.

Our analysis is performed in the aggregate for the U.S. and with disaggregated data for chain scales and both upper-price and lower-price hotels in gateway cities. We are especially interested in the differential effects of exchange rates on demand in large hotel markets serving many international travelers, thus we estimate unique demand equations in eight gateway cities.

Table 2:
Historical Patterns of International Travel to the U.S. and Expenditures

Year	U.S. Demands[a]	Travel Spending[b]	FRB Broad Index[c]
2006	2,800.08	19.09	96.22
2007	2,805.33	19.75	91.63
2008	2,782.36	20.33	87.79
2009	2,619.58	19.13	91.39
2010	2,682.53	19.61	87.12
2011	2,848.46	20.39	82.65

a - Thousands of hotel rooms
b - Billions of dollars spent by international visitors
c - Index 1973 = 100

Sources: Federal Reserve Board, International Travel Association, Smith Travel Research.

Summary of Results

We find that currency exchange rates have a statistically significant, although rather modest, influence on hotel demand in the U.S. at the national level of aggregation over the sample period 1992 Q1 through 2012 Q1. Tests for time period bias indicate that hotel demand responded to currency exchange rates differently prior to 2000 than after 2000. We suspect these differences are related to Internet availability. Regressions run using post-2000 data produce estimates in line with expectations from theory. Our analysis shows that exchange rates impact demand at the chain scale level of aggregation, but the coefficients are only correctly signed and significant especially for luxury;

Table 3: Variables in Study of U.S. Hotel Demand and Currency Exchange Rates

Type	Name	Period	Measurement	Source
Dependent	Room sold (D)	1988 Q1-2012 Q2	Room Count	Smith Travel Research[a]
Explanatory/ control	Real ADR (RADR)	1988 Q2-2012 Q2	Dollars	Smith Travel Research[a]
Explanatory/ control	Real Personal Income (RPI)	1988 Q2-2012 Q2	Dollars or percent change YOY	Moodys[b]
Explanatory/ control	Employment (EMP)	1988 Q2-2012 Q2	Employee count or YOY percent change	Moodys[b]
Explanatory/ control	Real Air Fare (RAIRF)	1992 Q1-2012 Q2	Dollars	U.S. Dept. of Transportation
Explanatory/ control	Seasonal	1992 Q1-2012 Q4	Indicator (1,0)	N/A
Explanatory/ Focus	Federal Reserve Board Index (XE)	1992 Q1-2012 Q4	Index 1973 = 100	Federal Reserve

a Smith Travel Research
b Moodys - Moodys Analytics
Source: PKF Hospitality Research, LLC

and also upper-upscale and upscale hotels. We find no relationship between exchange rates and the number of rooms sold in the upper-midscale, midscale, and economy chain scales.

When estimating separate demand equations for U.S. gateway cities, each at both the upper-price and lower-price tiers, we find stronger evidence that exchange rates influence hotel demand at the upper-price tier in these cities than for the national chain scales. The demand for upper-priced hotels is related to exchange rates in seven of eight U.S. gateway cities; Honolulu being the exception. These relationships weaken among lower-price hotels located in the gateway cities.

A limitation of this study comes from the inability to separate rooms directly sold to international travelers from the total number of rooms sold. Data provider Smith Travel Research (STR) does not segment demand by country of origin and to our knowledge only proprietary time series data exist on market-wide hotel stays by international travelers. Therefore, our analyses are performed using total demand numbers. Also, the results we generate from estimating aggregate demand equations indicate net changes in U.S. hotel rooms sold due to currency exchange rate movements from domestic and international hotel occupancy. We cannot measure the extent to which domestic travelers substitute domestic travel for international travel during periods of unfavorable exchange rates.

The Study

Hotel demand, measured by number of rooms sold per period, and average daily rate (ADR) data come from STR. Data for all variables introduced as economic controls come from Moody's Analytics and the U.S. Department of Transportation is the source of international airfare data. These quarterly hotel and economic data span the period 1988 Q1 through 2012 Q1. The airfare time series data begin in 1992 Q1. For exchange rates, we use the Federal Reserve Board's Broad Index. The FRB explains that their broad exchange rate index "aggregates and summarizes information contained in a collection of bilateral foreign exchange rates" and that, "the main objective of the current indexes is to summarize the effects of dollar

Table 4: Elasticity Estimates for Hotel Demand and Currency Exchange Rate: U.S., Chain Scales, and Gateway City Markets

Hotel Market[a]	Price Tier	Elasticity[b]
United States	All Hotels	0.32
	Luxury	-1.21
	Upper Upscale	-0.4
	Upscale	-0.38
	Upper Midscale	NSS
	Midscale	NSS
	Economy	NSS
Boston	Upper Price	-0.98
	Lower Price	NSS
Chicago	Upper Price	-1.15
	Lower Price	NSS
Honolulu	Upper Price	NSS
	Lower Price	-0.62
Los Angeles	Upper Price	-0.91
	Lower Price	NSS
Miami	Upper Price	-1.25
	Lower Price	-1.19
New York	Upper Price	-0.85
	Lower Price	-0.73
San Francisco	Upper Price	-1.06
	Lower Price	-0.48
Washington	Upper Price	-0.77
	Lower Price	NSS

[a] Estimated from a demand equation with controls, period- 2000 Q1 - 2012 Q1.
[b] Significant at .10 level or better
NSS - Not Statistically significant at the .10 level or better.

appreciation and depreciation against foreign currencies on the competitiveness of U.S. products relative to goods produced by important trading partners of the United States" (Loretan, 2005, p.1).

The objective of this empirical work is to estimate the effects of exchange rates on hotel demand while controlling for as many other factors as possible that may explain variation in the number of rooms sold per quarter. As with any demand equation, our equation includes a price variable with an expected negative coefficient. The ADR, expressed in real terms and lagged one quarter to account for booking decisions prior to occupancy, controls for movements in the prices of hotel rooms. Hotel demand is also influenced by either general (i.e., national) or local (i.e., city) economic conditions, hence we introduce two economic controls – real personal income and employment. The levels of these variables are highly collinear, thus one variable enters the equations as a level while the other enters as a year-over-year percent change. Coefficients of both economic controls should be positive. We rely on these two economic controls because at certain times hotel demand has greater sensitivity to one economic effect far more than the other. During the recovery following the financial crisis of 2008 and the recession of 2007-2009, for example, the hotel markets in the U.S. experienced a sustained recovery mainly driven by income growth. Employment dominates at other times.

International traveler demand for hotel rooms in the U.S. should be influenced by costs other than just the cost of hotel rooms. Air transportation expenditures represent another large financial outlay by foreign visitors. We account for transportation price movements with the inclusion of real international airfares in the demand equations. The coefficient for this variable should be negatively signed. Finally, seasonality is controlled for with quarterly dummies with the fourth quarter as the omitted period in the series. Table 3 presents the variables in our demand equation.

Detailed Results

Elasticity estimates presented in this section appear in Table 4.

The initial tests of the national demand equation use different time series models and alternatively introduced XE with one-quarter through four-quarter lags. We anticipated problems from introducing real airfare (RAIRF) into the demand equation given its correlation with other right-side variables, especially XE. Thus, RAIRF is dropped. Also, XE lagged one quarter performs best and we use data from the internet rich period, 2000 Q1 to 2012 Q1 instead of the entire time series. The XE variable in the national hotel equation has a significant negative coefficient. The elasticity however, indicates a weak demand response to XE movements among all U.S. hotels such that on average a ten percent change in XE results in only a 3.20 percent change in hotel demand.

Chain Scale Results

To determine if disaggregating the national data along ADR and quality dimensions provides additional insights about the effect of currency exchange rates on U.S. hotel demand, we estimate separate demand models for the six chain scales defined by STR. Overall, the regression results for the six chain scales resemble those obtained with the national data. The coefficient on XE, however, is insignificant for the three chain scales in the lower quality tiers; and correctly signed and significant for the three upper-tier hotel chain scales. The elasticity estimates of -.38 through -1.21 shown in Table 4 indicate that a ten percent change in XE generates as much as a 12.1 percent change in the number of hotel rooms sold among luxury hotels in the U.S. This means, for example, that the year-over-year XE decline of approximately nine percent that occurred during two quarters of 2008 led to tens of thousands of additional hotel rooms sold nationally in the higher quality tiers per day during those quarters.

While hotels counted among the top three chain scale segments only constitute about ten percent of the total number of properties and rooms in the U.S., these hotels are economically important to the cities in which they operate. In addition, many prominent independent hotels would be included in the luxury and upper-upscale categories if they were chain affiliated. We conjecture that the sensitivity of demand to exchange rates for these independent hotels would closely align with the sensitivities we find from the chain scale regressions.

Gateway City Results

The motivation for singling out U.S. 'gateway' cities is to determine if a currency exchange rate effect on hotel demand is most pronounced in local markets that attract relatively more and different types of international visitors. For example, New York, Miami, and Los Angeles rank one, two, and three, respectively, in international enplanements among major U.S. cities in 2011; far outdistancing most other U.S. cities ranked among the top 25 cites (U.S. Department of Transportation, 2012). Further, we assume that the type of traveler differs in each city with New York and Washington proportionally receiving more business travel relative to, say, Miami. In the absence of either institutional or academic determinations of what constitutes a 'gateway' city, we rely on a definition and classification of gateway city orientated to local hotel markets developed by Corgel (2012). This definition is as follows:

> **hotel gateway city** 1. A city that serves as a departure or arrival point for international travel regardless of either transportation mode or country of origin and destination. 2. A city in which international tourism is meaningful to the local hotel market.

This classification approach leads the following locations qualifying as hotel gateway cities: Boston, Chicago, Honolulu, Los Angeles, Miami, New York, San Francisco, and Washington DC.

Our demand model estimation for gateway cities proceeds at the upper-price and lower-price tiers. This division aligns closely with the traditional notion of classifying hotels as full service and limited service as well as a division of chain scales with luxury, upper-upscale and upscale constituting the upper-price tier and upper-midscale, midscale, and economy making up the lower-price tier. The main distinction here is the inclusion by STR of independent hotels into the price tiers at the city level.

The demand model estimates for gateway cities differ in only minor ways from results obtained with the national and chain scale data. In seven of the eight gateway city upper-price hotel regressions, the XE coefficient has the correct sign and is statistically significant, Honolulu being the exception. As indicated in Table 4, the elasticity estimates range from a low of -.77 in Washington DC to a high of -1.25 in Miami. These estimates well exceed those reported for the U.S. and for the chain scales. Consistent with our findings from the chain scale analysis, XE is negative and significant in only one half of the lower-price segment of gateway cities – Honolulu, Miami, New York, and San Francisco. In addition, the elasticity estimates are generally below those for upper-price hotels in these cities.

Conclusions

Our findings have some dominant themes. First, we demonstrate that evaluating currency exchange rate effects on hotel demand at the national level of aggregation masks important effects across different price/quality tiers and cities. Second, when examining disaggregated data we find that only demand among upper-price hotels, particularity the luxury chain scale, is sensitive to currency exchange rates. These effects, as indicated by their elasticity, are quite meaningful when exchange rates become more volatile. Third, significant statistical relationships between currency exchange rates and hotel demand are particularly strong among large, mainly coastal (continental) U.S. cities. The estimated demand elasticity with respect to currency exchange is greatest for all but one of eight gateway city destinations for international travel, but predominately among travelers that stay in upper-price hotels. In only one half of these cities does the exchange rate have some influence on demand among lower-price hotels.

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* This report is an abbreviated version of a paper under review at an academic journal which is available at:

http://www.hotelschool.cornell.edu/industry/centers/cref/publications/working/2012.html.

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THE GREENING OF AMERICA—INCLUDING HOTELS WILL GOING GREEN PUSH ME FURTHER INTO THE BLACK?

By Larry Henry MAI

The answer to the latter, of course, is yes.

But what is "greening"? Most, if not all of us are familiar with the term, but, if you're like me, it's mostly a vague, somewhat nebulous concept having to do with improving our environment.

Building "green" was once considered a cause advocated mostly by hardcore environmental groups. Not so today. With rising energy costs and emerging technologies catching on, "green" buildings are smart solutions for businesses serious about reducing pollution, mitigating environmental impact and saving money.

LEED (Leadership in Energy and Environmental Design) is an internationally recognized green building program, developed by the U.S. Green Building Council (USGBC) in 2000. It provides building owners and operators with a framework for identifying and implementing practical and measurable green building design, construction, operations and maintenance solutions. It is a voluntary, consensus-based, market-driven program that provides third-party verification of green buildings. Participation in the process demonstrates leadership, innovation, environmental stewardship and social responsibility. LEED provides building owners and operators the tools they need to immediately impact their building's performance and bottom line, while providing healthy indoor spaces for the building's occupants. LEED projects have been successfully established in 135 countries. International projects, those outside the U.S., make up more than 50 percent of the total LEED-registered square footage.

LEED-certified buildings are designed to:

- Lower operating costs and increase asset value;
- Reduce waste sent to landfills;
- Conserve energy and water;
- Be healthier and safer for occupants;
- Reduce harmful greenhouse gas emissions; and
- Qualify for tax rebates, zoning allowances and other incentives in hundreds of cities.

Under a point-based system, building projects earn LEED points for satisfying specific green building criteria, up to a possible 100 points, with specific levels of certification as follows:

40 – 49 points	Certified
50 – 59 points	Silver
60 – 79 points	Gold
80 + points	Platinum

Notable Buildings

Notable "green" buildings include The Philip Merrill Environmental Center in Annapolis, Maryland, which houses the Chesapeake Bay Foundation's headquarters (of course, one would expect an environmental center to be green), and is one of the world's most energy-efficient buildings. It was the first building to receive USGBC's Platinum rating for LEED and has won international acclaim as a model for energy efficiency, high performance and water conservation.

The David L. Lawrence Convention Center in Pittsburgh was the first Gold LEED-certified convention center and the largest "green" building in the world, spanning 1.5 million square feet when it opened in 2003. It subsequently became the first convention center to earn Platinum certification in 2012.

Perhaps the world's most famous office building, the Empire State Building, is completing a $550-million renovation, with $120 million spent in an effort to transform the building into a more energy-efficient and eco-friendly structure. Receiving a Gold LEED rating in September 2011, it is the tallest LEED-certified building in the U.S.

Certainly, no sustainability program makes sense if it does not have a favorable cost-benefit ratio.

Fees for certification vary by project size but average about $2,000. Often when a LEED rating is pursued, the cost of initial design and construction rises. This added cost comes in the form of USGBC correspondence, LEED design aid consultants and the hiring of a required commissioning authority. However, higher initial costs can be effectively mitigated by the savings achieved over time due to lower-than-industry-standard operational costs typical of a LEED-certified building.

Studies have suggested that an initial up-front investment of an extra 2.0 percent will yield over 10 times the initial investment over the life cycle of the building. In a 2008 white paper by the Leonardo Academy comparing LEED-certified buildings with data from BOMA (Building Owners & Managers Association) Experience Exchange Report 2007, a compilation of operating costs for office buildings, demonstrated that LEED-certified buildings achieved superior operating cost savings in 63 percent of the buildings surveyed, ranging from $4.94 to $15.59 per square foot of floor space, with an average of $6.68. The overall cost of LEED implementation and certification ranges from $0.00 to $6.46 per square foot, averaging $2.43.

The Empire State Building reportedly saved $2.4 million dollars in the first year of its energy efficiency plan and, once all tenant spaces are upgraded, expects to save $4.4 million per year, a 38 percent reduction in energy use. Additional benefits from federal, state and local governments are increasingly available in the form of property tax exemptions, tax credits, density bonuses, grants and low-interest loans.

Hotels

Can hotels benefit from going "green"? Once again the answer is yes. No industry is more exposed to the public's inspection than is the hospitality industry. An efficient hotel design, or retrofit, not only conserves resources, but it can make a hotel more viable (and profitable).

DoubleTree Hotel & Spa in Napa Valley, California was the first hotel to receive the Gold LEED certification and at the time, was one of the most publicized hotels in the United States. The hotel was built in 2007 and is green from the foundation up. Natural fibers, carpeting, recycled building materials and a full array of conservation solutions were implemented. One of the early concerns expressed by the owner and the management company, Marin Management, Inc., was that a "green" hotel would be perceived as less luxurious, accompanied with the false idea that conservation meant "less." This inspired Marin Management to revise the promotional concept to "Sustainable Luxury." The perception of conservation and sustainability, by the general public, is constantly improving fueled with awareness and support. It's been substantiated that conservation is worth the effort and that it is providing a cleaner more efficient environment with increased cost savings. A complete sensor-based monitoring system with display screens in the lobby, shows the effects of energy conservation and the reduction of the hotel's carbon footprint.

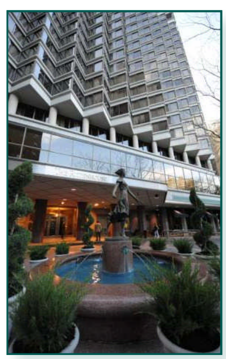
Wyndham Hotels and Resorts established a 6-point sustainability program called Wyndham Green, and assisted in the development of one of the world's first eco-friendly uniform programs in the hospitality industry. Working with its existing supplier, Cintas, Wyndham developed uniforms made with recycled polyester, such as from plastic beverage bottles. By selecting a recycled polyester apparel program, Wyndham helped divert nearly 70,000 water bottles – a popular hotel amenity – from landfills. Not only does this process keep water bottles out of the waste stream, but it reduces energy consumption by as much as 33 percent compared to manufacturing virgin fibers from crude oil. It also reduces carbon dioxide emissions by 47 percent and helps decrease harmful air emissions. In addition to its uniform program, Wyndham utilizes several ecologically friendly practices including the use of energy-efficient compact fluorescent lighting, low-flow water faucets and showerheads, an "Earth Smart" guest linen reuse program and numerous recycling efforts.

A side note about bottled water. It takes three times the amount of water to produce the bottle as it does to fill it. Seventeen million barrels of oil are used annually to produce the bottles, enough to fuel 1.5 million cars per year, and 40 percent is actually tap water. Only one in five bottles is recycled, with the rest ending up in landfills and on city streets, eventually littering our oceans via sewage systems.

Marriott Corporation is focused on integrating greater environmental sustainability throughout its business, including architecture and construction, engineering and procurement. It recognizes the compelling need to run its hotels efficiently, and in 2009 achieved its goal in the Americas of reducing energy consumption by 5.0 percent per available room (on a year-over-year basis after weather normalization). Marriott has 13 hotels across all brands that are LEED-certified by the USGBC, as well as its international headquarters in Bethesda, Maryland.

The four-star Proximity Hotel in Greensboro, North Carolina, achieved 39 percent less energy use, 34 percent less water use and diverted 87 percent of its construction waste from the landfill by integrating LEED strategies. Overall, environmental goals added between $1.5 and $2.0 million to the luxury hotel's construction budget, which owners expect to recoup in less than four years through tax credits, operating savings and increased revenue driven by customer demand. The Proximity was the first LEED Platinum hotel in the U.S. and was voted 2013 Top 500 World's Best Hotels by *Travel+Leisure*.

According to the former general manager and vice president of The Rittenhouse Hotel in Philadelphia, they have implemented 35 green programs that reduce their carbon footprint, making the hotel a safer place for guests and employees, while reducing expenses in a number of areas.



In October 2010, the Hotel Palomar Philadelphia became Philadelphia's and Kimpton Hotels & Restaurants' first LEED-certified hotel at the Gold level. The Palomar is outfitted with reclaimed, renewable and sustainable materials, and its structure maintains the integrity of the former Architects Building, a historically significant Art-Deco building built in in 1929.

Impact On Demand

All of this is well and good from the "supply" side, but will going green have an effect on demand? Here again, the answer is apparently yes.

Conde Nast Traveler's April 2009 survey indicated that 87 percent of respondents said it was important that a hotel is environmentally friendly, and almost 75 percent said they are influenced by a hotel's environmental policies when deciding on a hotel.

National Leisure Travel MONITOR's 18th annual publication May 2009 survey of more than 1,500 travelers indicated that 80 percent of travelers consider themselves environmentally conscious, 38 percent would select an environmentally friendly hotel if they knew about the hotel's commitment to the environment, and 30 percent said they would pay more for an eco-friendly hotel.

Deloitte Consulting conducted a survey in May 2008 of more than 1,100 business travelers. Adam Weissenberg, the Deloitte Tourism, Hospitality and Leisure leader who oversaw the survey stated, "Our survey shows that green concerns have made their way on to the business traveler's agenda. Business travelers understand the issues and are trying to do their part in being more environmentally responsible when they are on the road." Ninety-five percent of respondents think that lodging companies should be undertaking green initiatives; 38 percent have taken steps to determine whether a hotel is "green"; and 40 percent would be willing to pay more for green lodging.

Of course, we all know the reliability of surveys (remember the Edsel).

Representatives of the industry, however, tend to corroborate the survey results.

The general manager of Kimpton's Hotel Monaco in Baltimore, in a July 2009 article in *Hotel OnLine*, stated "We've done surveys and found 57 percent of our guests had a great concern for the environment, so this (environmental commitment) is something they sought."

In a June 2009 interview, Starwood's CEO, Frits van Paasschen said, "When it comes right down to it, sustainability pays. And it pays in three ways: guests are increasingly interested, so it's good for business; there are real opportunities to reduce costs and do things that are green at the same time; and something not everybody realizes, there is so much passion and energy within the organization to do this that the ability to get people excited about the company they're part of through the kinds of green practices we've been implementing is another source of success and payoff."

And so, it is written, that going green begets lower operating costs, which begets higher bottom lines, which begets higher values. To borrow from a popular phrase, going green is a win-win-win situation, benefiting the hotel, its guests and its community.

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GLOSSARY OF TERMS

HOTEL TYPES

All Hotels

Total of all hotels in our survey sample. Includes hotels in all six property type categories.

Full-Service Hotel

A hotel which provides a wide variety of facilities and amenities, including food and beverage outlets, meeting rooms, and recreational amenities.

Limited-Service Hotel

A hotel which provides only some of the facilities and amenities of a full-service property. Does not offer restaurant, lounge, or banquet service. May offer complimentary food and beverage.

Resort Hotel

A hotel, usually in a suburban or isolated rural location, with special recreational facilities.

Suite Hotel with Food and Beverage

A hotel in which all rooms have "separate," but not necessarily physically divided, "sleeping and living areas." These hotels offer restaurant, lounge, or banquet service.

Suite Hotel without Food and Beverage

A hotel in which all rooms have "separate," but not necessarily physically divided, "sleeping and living areas." These hotels do not offer restaurant, lounge, or banquet service. May offer complimentary food and beverage. Most extended-stay hotels reside in this category.

Convention Hotel

A hotel which provides facilities and services geared to meet the needs of large group and association meetings and trade shows. Typically, these hotels have more than 500 guest rooms and contain substantial amounts of function and banquet space. Included in this category are hotels attached to convention centers and conference centers.

DEMAND CATEGORIES

Transient

Leisure and corporate guests staying on an individual basis.

Group

Guests associated with a group occupying 10 or more rooms.

Contract

Guests staying as part of a special contract.

Other

Guests that do not fall into the previous three categories.

STATISTICS

Percentage of Occupancy

The percentage of available rooms occupied for a given period. It is computed by dividing the number of paid guest rooms occupied for a period by the number of rooms available for the same period.

Average Daily Rate

Total guest room revenue for a given period divided by the total number of paid occupied rooms during the same period.

RevPAR

Rooms revenue divided by the annual number of available rooms.

Guest Day

Number of guests, per paid occupied room, per day.

Average Size (Room)

Number of daily guest rooms available for rent.

REVENUES

Rooms

Revenue derived from the rental of sleeping rooms, no-show charges, early departure and late checkout fees, pet fees, and charges for rollaway beds and cribs.

Food and Beverage

Revenue from the sale of food, alcohol, and nonalcoholic beverages in restaurants, lounges, room service, mini-bar, and banquet rooms. Also includes revenue from public room rentals, service charges, and the rental of audio/visual and other meeting room equipment.

GLOSSARY OF TERMS

Other Operated Departments

Revenues from departments operated by the hotel such as telecommunications, internet connections, guest laundry, retail shops, recreational facilities, and parking operations.

Rentals and Other Income

Revenues from the rental of stores or other space in the hotel for activities not operated by the hotel. Also includes income from interest, cash discounts, cancellation and attrition penalties, and other services provided to guests by outside firms for which the hotels receives a commission or concession.

COSTS AND EXPENSES

Rooms

Includes salaries, wages, and benefits for the front desk personnel, reservations staff, revenue management, housekeeping and laundry workers, bell staff, and concierge personnel. In addition, rooms department expenses include linen, guest supplies, commissions to travel agents, complimentary breakfast and social hour costs, and reservation system charges assessed by franchise companies.

Food and Beverage

Includes the costs of food, alcohol, and non-alcoholic beverages sold, together with the salaries, wages, and employee benefits for managers, kitchen personnel, servers, bartenders, cashiers, and hosts. Other applicable expenses include laundry, linen, china, glassware, silverware, operating supplies, audio/visual equipment, music, and entertainment.

Other Operated Departments

Includes the salaries, wages, benefits, cost of goods sold, and other expenses associated with the operation of other revenue producing departments operated by the hotel.

Administrative and General

Expenditures for the operations of the general manager's office, the accounting department, human resources, security, information systems, and other similar activities. Examples of expenditures include salaries, wages, benefits, professional fees, credit card commissions, bad debts, telecommunications and computer maintenance, office supplies, and postage.

Sales and Marketing

Expenditures to sell and promote the hotel's services and enhance its image to the general public. These include salaries, wages, benefits, media advertising, agency fees, e-commerce, outside sales representation, outdoor advertising, trade shows, and public relations. Also included in this expense category are payments made to franchisors and referral agencies for franchise royalties, marketing assessments, and guest loyalty programs. Does not include payments made for reservation services and/or systems.

Property Operations and Maintenance

Payments for salaries, wages, benefits, maintenance contracts, tools, and supplies to maintain the buildings, grounds, furniture, and equipment of the hotel. Not included are costs associated with the maintenance of computer, point-of-sale, and telecommunications systems, as well as major capital purchases.

Utilities

Costs for electricity, gas and other fuels, steam, water, and sewer.

Management Fees

Fees paid for management services and supervision of the property. Includes both base and incentive fees.

Property and Other Taxes

Includes real estate taxes, personal property taxes, business and occupation taxes, and all other taxes except payroll and income taxes. Does not include occupancy, sales, or any other taxes based on revenue.

Insurance

Includes premiums paid for insuring buildings and contents, liability, fidelity, and theft coverage. Premiums for workers' compensation insurance are not included in this category.

Other Fixed Charges

Includes deductions for capital replacement reserves, rent, interest, depreciation, amortization, and income taxes. Comparisons beyond income after property taxes and insurance are virtually meaningless due to wide variances in ownership, depreciation methods, financing bases, and applicable taxes.

A NOTE TO READERS:

Same-Store Sales

The data presented in this report reflect the performance of hotels for which we have two full years of comprehensive information. The percentage changes in revenues and expenses that are presented in the 2013 edition of *Trends® in the Hotel Industry* represent the movement derived from a side-by-side comparison of the 2011 and 2012 financial statements of the same hotels.

Please note that our survey sample consists of hotels that have volunteered to share their data with us. Therefore, the sample does change somewhat from year to year. Because of this change, readers will find differences when comparing 2011 data in the 2013 edition of *Trends® in the Hotel Industry* with the 2011 data presented in the 2012 edition.

This document provides the reader with the benchmarks of comparative measurement for evaluating the performance of lodging assets on a year-to-year basis. These annual variances are different from the relative movements seen within the entire U.S. lodging industry or within a defined market area. An increase or decrease in supply influences market-wide change in measures such as occupancy, average daily rate, and revenue. However, using period-to-period, same-store sales removes the inherent bias created by the inclusion of initial-year operating results of brand-new facilities.

Data Processing, Comparability, and Accuracy

Processing nearly 7,000 financial statements has its challenges. Data arrives in the Atlanta office of PKF Hospitality Research, LLC (PKF-HR) via many different channels. Some contributors take the time to complete our survey form, while others simply send us copies of their December profit and loss statements. A few companies provide us with huge electronic data files that contain in excess of 10,000 individual revenue and expense items.

In addition to the diversity of delivery methods, we also observe the wide variety of financial statement formats and account classification systems in use by U.S. hotel managers. While the general parameters of the *Uniform System of Accounts for the Lodging Industry (USALI)* can be found in most statements, each hotel company or property customizes their layout and accounts to identify the performance statistics that are most critical to their operations.

To make *Trends®* valuable for readers, we need to ensure the comparability and accuracy of the data contained in the report. Therefore, we take the time to put all the data we receive into one common format and one common classification system. For the 2013 edition of *Trends®*, we used the Tenth (10th) edition of the *Uniform System of Accounts for the Lodging Industry (USALI)*. To purchase a copy of the Tenth edition of the *Uniform System of Accounts for the Lodging Industry*, please contact the Educational Institute of the American Hotel and Lodging Association at www.ei-ahla.org.

Our goal of information comparability and accuracy requires thousands of hours from the *Trends®* staff. Before entering our database, each statement is reviewed by at least two people. As needed, we re-classify revenue and expense items. We spend the time, for example, to move General Insurance from Administrative and General to Fixed Charges. If we see Reservations Expenses in the Marketing Department, we move them to the Rooms Department.

On occasion, certain expense items are excluded from the financial statement of a hotel depending on the source of the document. For example, financial statements sometimes do not include certain ownership expenses such as property taxes or property insurance. In these special circumstances, PKF-HR will estimate these costs to ensure comparability. The estimates are based on the relative movement of the same expense item in comparable hotels for which we have data in the current year.

In addition to comparability and accuracy, another goal is to provide critical performance measurements. Therefore, we identity and capture over 200 specific revenue and expense items to provide readers and clients with the greatest degree of financial benchmarking.

Revenue Growth Varies

Now that the national hotel occupancy rate is approaching its long run averages and scarcity has returned in certain markets and property types, guests have to pay more to rent rooms. However, after the guests have checked in, managers are struggling to get them to spend more on the additional services and amenities offered by hotels.

On average, the properties in the *Trends*® sample achieved a healthy 6.3 percent increase in rooms revenue from 2011 to 2012; however, total hotel revenue grew by just 5.0 percent. This means that the combined revenue earned from food and beverage, other operated departments, and rentals and other income increased only 2.3 percent per available room (PAR), or a mere 0.5 percent when measured on a dollar per occupied room basis (POR).

Among the other sources of revenue, food and beverage sales grew 2.5 percent while rental and other income increased by 3.0 percent. Revenue from other operated departments (i.e. retail, recreation, telecommunications, laundry) lagged with a growth rate of just 1.0 percent on a per available room basis, but declined by 0.8 percent on a per occupied room basis.

Variable Costs Contained

Facing the challenge of boosting their revenue, hotel managers responded once again by controlling costs. Total hotel operating expenses for the properties in the *Trends*® sample increased by 3.3 percent in 2012, compared to the 4.3 percent rise observed in 2011. Because of the high degree of variable costs at hotels, part of the decline in the pace of expense growth can be attributed to the reduced rate of occupancy increases. Nonetheless, when measured on a POR basis, operators were able to limit expense growth to just 1.5 percent in 2012.

PKF-HR begins their analysis of expenses by looking at labor costs since they account for 45.3 cents of every dollar spent to operate a hotel. In 2012, total labor costs increased by 3.6 percent PAR, down from the 4.1 percent growth rate posted in 2011. The slower growth of labor costs implies that managers monitored employee compensation closely during the year. In 2012, salaries and wages, the more controllable component of labor costs, increased by 2.9 percent, while payroll-related expenses rose by 5.4 percent. Many U.S. hoteliers are concerned that the accelerated rise in payroll-related expenses could be a foreshadowing of future escalation in government mandated taxes and benefits.

Fixed Expenses Explained

In general, undistributed expenses are considered to be largely fixed in nature. Therefore, at first glance, the 5.3 percent rise in sales and marketing expenses, along with the 5.0 percent increase in management fees for the *Trends*® sample, appear to be a cause for concern. However, the positive growth in revenue and profits helps to explain the rise in these two expense categories.

Franchise fees (considered a sales and marketing expense), as well as the bonuses for sales personnel, frequently are tied to changes in rooms revenue. Management fees almost exclusively are driven by changes in total revenues and profits, thus explaining the relatively strong increase in this expense item.

The greatest percentage change in an individual expense category was observed in insurance. The amount paid by hotels for property and liability insurance grew by 6.0 percent in 2012. According to the firm Swiss Re, 2011 saw the second greatest dollar volume of worldwide insured losses ever. It appears that the insurance companies needed to recoup their 2011 outlays by raising premiums in 2012.

On a positive note, utility costs declined by 3.4 percent from 2011 to 2012. PKF-HR attributes this reduction to the continued implementation of green and sustainable operating practices, the purchase of energy efficient equipment, and, according to the Bureau of Labor Statistics, a mere 0.9 percent increase in energy costs during the year.

Profits

Net Operating Income (NOI) for the average hotel in the PKF-HR *Trends*® sample grew by 10.2 percent in 2012. Resort hotels enjoyed the greatest gain in NOI (10.6%), followed by limited-service (10.6%) and full-service (9.8%) properties. Lagging in profit growth were convention hotels (5.7%), suite hotels with F&B (7.7%), and suite hotels without F&B (8.1%). Resort hotels benefited from the greatest increase in ADR, while convention hotels were impacted by the lag in the recovery of the group market segment.

PKF Consulting USA, LLC and PKF Hospitality Research, LLC make every effort to compile and analyze data in ways that are most useful to the industry. Please contact PKF Hospitality Research, LLC in Atlanta at (404) 842-1150, extension 223 with questions and ideas for future studies, or for assistance in interpreting the data presented in this report.

TRENDS® IN THE HOTEL INDUSTRY
United States Metro Areas
Year-End Results for 2012

	Occupancy			Average Daily Rate			RevPAR		
	2012	2011	Percent Variation	2012	2011	Percent Variation	2012	2011	Percent Variation
New England & Middle Atlantic Cities									
Boston	71.7 %	71.0 %	0.9 %	$ 158.76	$ 147.91	7.3 %	$ 113.83	$ 105.09	8.3 %
Hartford	56.6	58.5	(3.3)	99.19	95.90	3.4	56.14	56.14	—
Long Island	69.7	67.8	2.7	130.62	123.78	5.5	91.00	83.98	8.3
New York	83.6	81.1	3.1	251.39	244.38	2.9	210.19	198.21	6.0
Newark	70.7	69.9	1.0	111.31	104.37	6.6	78.65	73.00	7.7
Philadelphia	66.9	66.1	1.2	119.12	114.54	4.0	79.65	75.71	5.2
Pittsburgh	67.5	68.0	(0.6)	109.40	104.54	4.6	73.90	71.07	4.0
Subtotal	74.2 %	72.9 %	1.7 %	$ 182.35	$ 174.17	4.7 %	$ 135.30	$ 127.02	6.5 %
North Central Cities									
Chicago	66.7 %	64.1 %	4.0 %	$ 125.05	$ 118.14	5.8 %	$ 83.45	$ 75.79	10.1 %
Cincinnati	56.2	55.5	1.1	86.97	84.37	3.1	48.85	46.86	4.3
Cleveland	60.7	56.8	6.9	89.23	84.79	5.2	54.20	48.18	12.5
Columbus	62.0	59.5	4.2	85.95	81.54	5.4	53.25	48.48	9.8
Detroit	61.8	59.8	3.3	79.53	76.76	3.6	49.12	45.90	7.0
Indianapolis	59.4	56.9	4.5	91.68	84.07	9.0	54.48	47.82	13.9
Kansas City	57.1	56.6	0.7	85.19	81.86	4.1	48.60	46.36	4.8
Minneapolis	64.0	63.8	0.4	98.31	95.39	3.1	62.97	60.88	3.4
Saint Louis	60.7	58.2	4.2	85.78	83.88	2.3	52.05	48.85	6.5
Subtotal	62.3 %	60.3 %	3.3 %	$ 99.61	$ 94.90	5.0 %	$ 62.02	$ 57.21	8.4 %

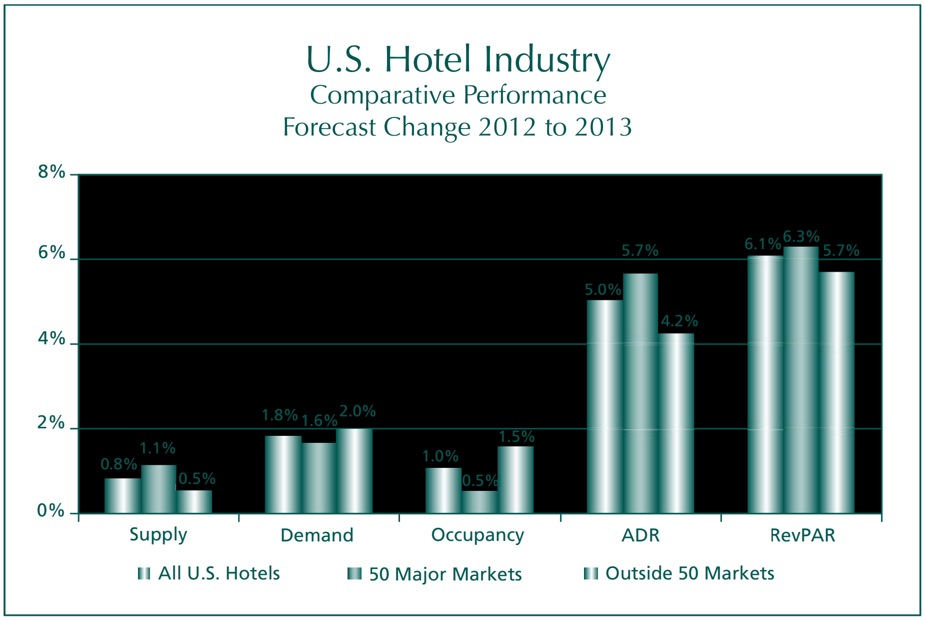
TRENDS® IN THE HOTEL INDUSTRY
United States Metro Areas
Year-End Results for 2012

	Occupancy			Average Daily Rate			RevPAR		
	2012	2011	Percent Variation	2012	2011	Percent Variation	2012	2011	Percent Variation
South Atlantic Cities									
Atlanta	60.9 %	59.0 %	3.1 %	$ 85.92	$ 82.76	3.8 %	$ 52.30	$ 48.86	7.0 %
Baltimore	64.3	64.5	(0.3)	107.99	105.43	2.4	69.47	68.01	2.2
Charlotte	63.6	61.4	3.6	89.20	81.50	9.4	56.75	50.05	13.4
Fort Lauderdale	72.6	70.5	3.0	114.65	110.77	3.5	83.26	78.08	6.6
Jacksonville	60.2	57.7	4.4	83.95	81.72	2.7	50.53	47.14	7.2
Miami	76.4	75.6	1.1	163.97	153.75	6.6	125.30	116.17	7.9
Orlando	68.8	67.6	1.8	97.17	94.26	3.1	66.88	63.73	4.9
Raleigh-Durham	60.5	60.6	(0.1)	85.29	82.29	3.7	51.64	49.88	3.5
Richmond	57.6	55.2	4.3	76.95	75.18	2.4	44.33	41.52	6.8
Tampa	63.1	60.5	4.3	100.19	93.76	6.9	63.23	56.72	11.5
Washington DC	67.5	67.3	0.3	143.85	144.99	(0.8)	97.11	97.59	(0.5)
West Palm Beach	67.8	64.9	4.4	140.95	134.76	4.6	95.52	87.51	9.2
Subtotal	66.0 %	64.7 %	2.1 %	$ 111.04	$ 107.75	3.0 %	$ 73.27	$ 69.66	5.2 %
South Central Cities									
Austin	68.1 %	66.5 %	2.4 %	$ 113.23	$ 105.23	7.6 %	$ 77.07	$ 69.97	10.1 %
Dallas	61.0	59.0	3.4	86.23	85.34	1.0	52.60	50.33	4.5
Fort Worth	60.4	59.4	1.6	91.36	91.55	(0.2)	55.17	54.43	1.4
Houston	65.4	59.8	9.4	94.16	90.57	4.0	61.58	54.14	13.7
Memphis	60.7	58.1	4.5	78.51	75.44	4.1	47.64	43.81	8.7
Nashville	65.6	62.0	5.9	96.84	93.41	3.7	63.52	57.88	9.7
New Orleans	67.8	64.2	5.6	132.87	122.51	8.5	90.02	78.62	14.5
San Antonio	63.3	60.9	4.0	97.03	95.86	1.2	61.45	58.35	5.3
Subtotal	63.9 %	60.8 %	5.1 %	$ 97.96	$ 94.35	3.8 %	$ 62.61	$ 57.40	9.1 %
Mountain and Pacific Cities									
Albuquerque	56.5 %	57.9 %	(2.4)%	$ 71.81	$ 70.91	1.3 %	$ 40.57	$ 41.06	(1.2)%
Anaheim	73.0	70.8	3.2	120.28	113.48	6.0	87.84	80.33	9.3
Denver	67.0	65.2	2.6	100.49	97.53	3.0	67.28	63.62	5.7
Los Angeles	75.4	71.7	5.1	130.17	123.23	5.6	98.17	88.38	11.1
Oahu	84.7	80.7	4.9	183.45	164.89	11.3	155.30	133.06	16.7
Oakland	72.1	67.7	6.6	95.73	87.68	9.2	69.04	59.35	16.3
Phoenix	57.8	58.0	(0.3)	106.20	104.12	2.0	61.40	60.39	1.7
Portland	67.4	64.3	4.8	99.87	94.51	5.7	67.27	60.76	10.7
Sacramento	57.9	56.2	2.9	89.82	87.50	2.7	51.98	49.21	5.6
Salt Lake City	64.5	62.9	2.5	90.00	86.96	3.5	58.02	54.67	6.1
San Diego	70.6	68.6	2.9	131.71	126.11	4.4	92.99	86.53	7.5
San Francisco	80.3	79.0	1.7	171.62	154.82	10.9	137.84	122.25	12.8
Seattle	71.2	68.7	3.6	120.34	114.55	5.1	85.64	78.70	8.8
Tucson	56.8	55.6	2.2	89.34	89.77	(0.5)	50.75	49.89	1.7
Subtotal	69.9 %	67.8 %	3.1 %	$ 123.94	$ 116.76	6.1 %	$ 86.68	$ 79.19	9.5 %
United States*	61.4 %	59.9 %	2.5 %	$ 106.09	$ 101.84	4.2 %	$ 65.14	$ 60.99	6.8 %

Sources - Smith Travel Research, PKF Hospitality Research, LLC
Note: * All U.S. Hotels

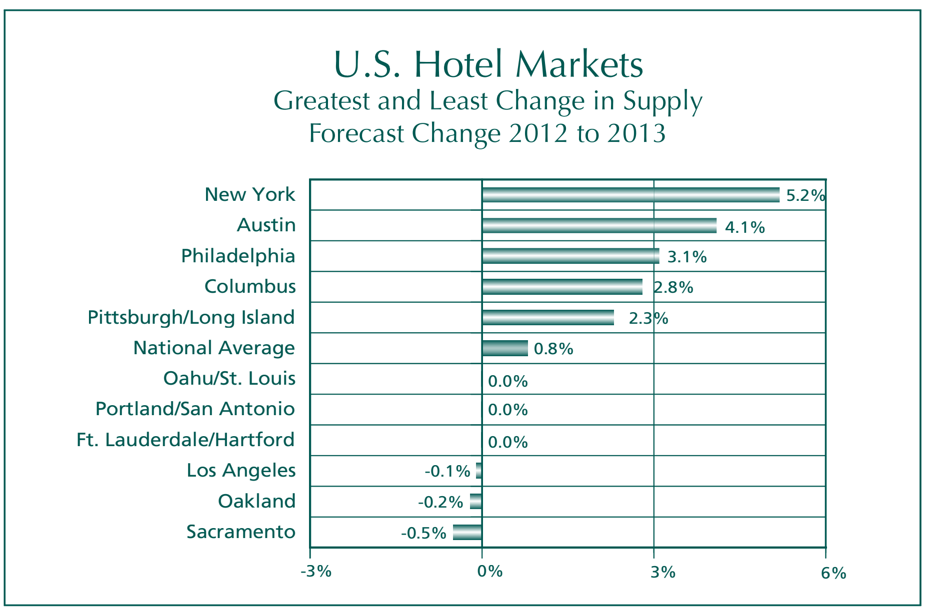
MARKET RECOVERIES VARY BY SIZE

After comparing our firm's hotel forecasts for the nation's largest cities to the outlook for properties located outside major metro areas, we see evidence that these two disparate geographies are clearly in different places on their respective lodging business cycles. For 2013, hotels located in tertiary and rural areas are forecast to achieve greater growth in demand and occupancy. Conversely, properties in the larger metro areas will enjoy greater increases in average room rates (ADR) and revenue (RevPAR).



Source: PKF Hospitality Research, LLC, March 2013 *Hotel Horizons*® reports

Hotels in the nation's major markets led the early stages of the recovery from the Great Recession in terms of growth in demand. The bias of upper-income leisure and corporate travelers returning to high-end hotels, combined with the healthy economies of the nation's coastal gateway cities, drove the expedited revival of these lodging markets. Now, with the 2013 aggregate occupancy level for the 50 major markets in our *Hotel Horizons*® universe forecast to surpass the pre-recession peak, we are projecting ADR in these cities to start growing significantly, and be the primary driver of RevPAR gains in the future.



Source: PKF Hospitality Research, LLC, March 2013 *Hotel Horizons*® reports

On the other hand, occupancy levels at hotels located outside the 50 major markets are still below the 60 percent mark. At this level, there is plenty of room for growth in demand and occupancy; therefore hoteliers are still struggling to raise room rates.

Overall, it appears that hotels in the major markets continue to be "ahead of the curve" in terms of recovery. However, when analyzing each of the 50 markets covered by PKF Hospitality Research, LLC (PKF-HR), we see varying degrees of placement on each market's respective business cycle. The following paragraphs summarize our March 2013 *Hotel Horizons*® local market forecasts

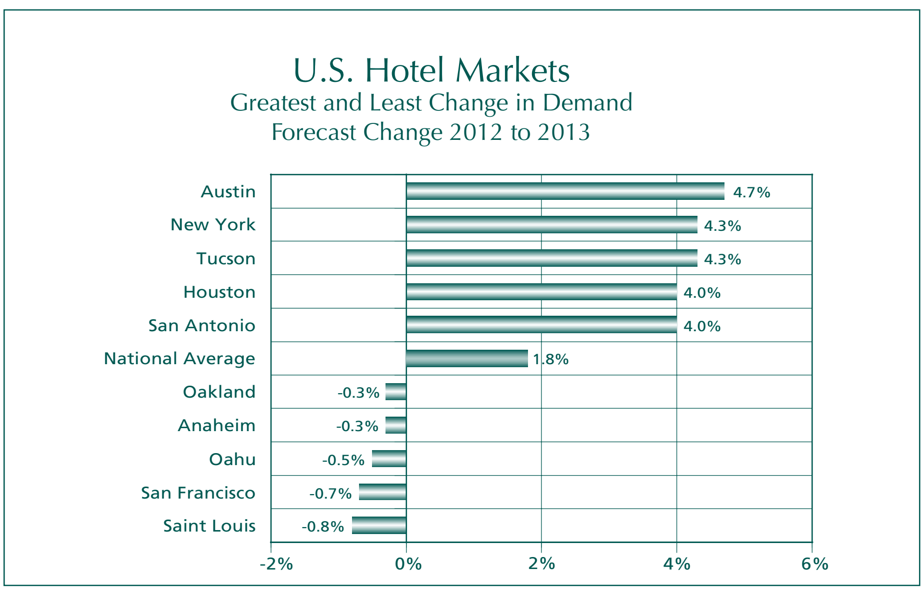
Supply and Demand

Nationwide, supply growth is forecast to remain below one percent in 2013. However, we are starting to see a pick-up in the addition of new rooms to some markets. Once again, New York City leads all markets in the amount of new hotel room additions during the year, followed by Austin and Philadelphia. The majority of new hotels entering the metro Philadelphia market will operate in the upscale segment, while upper-midscale properties dominate the near-term Austin construction pipeline.

Source: PKF Hospitality Research, LLC, March 2013 *Hotel Horizons*® reports

The California markets of Sacramento, Oakland, and Los Angeles will experience a net reduction in room inventory during 2013. The declines are due to hotel closings that occurred in 2012. Six other markets across the country will not see any new hotel openings in 2013.

Driven by oil and gas exploration, the Texas markets of Austin, Houston, and San Antonio continue to lead the nation in demand growth, along with New York and Tucson. Unfortunately for hoteliers in seven U.S. markets, the number of room nights accommodated will decline in 2013. On the surface a decline in demand is a cause for concern. However, occupancy levels in five of these seven cities are at or above 70 percent. At this level, operators are beginning to raise room rates, albeit at the expense of declining demand.



Source: PKF Hospitality Research, LLC, March 2013 *Hotel Horizons*® reports

Occupancy, ADR, and RevPAR

Given the previously mentioned strong growth in demand, it is not surprising that two Texas cities (San Antonio, Houston) are among the markets forecast to achieve the greatest gains in occupancy during 2013. Tucson, Hartford, and Phoenix are examples of markets that have lagged during the recovery. Despite forecasts of strong gains in occupancy, the overall average occupancy levels in these cities are still projected to come in below 60 percent for the year.

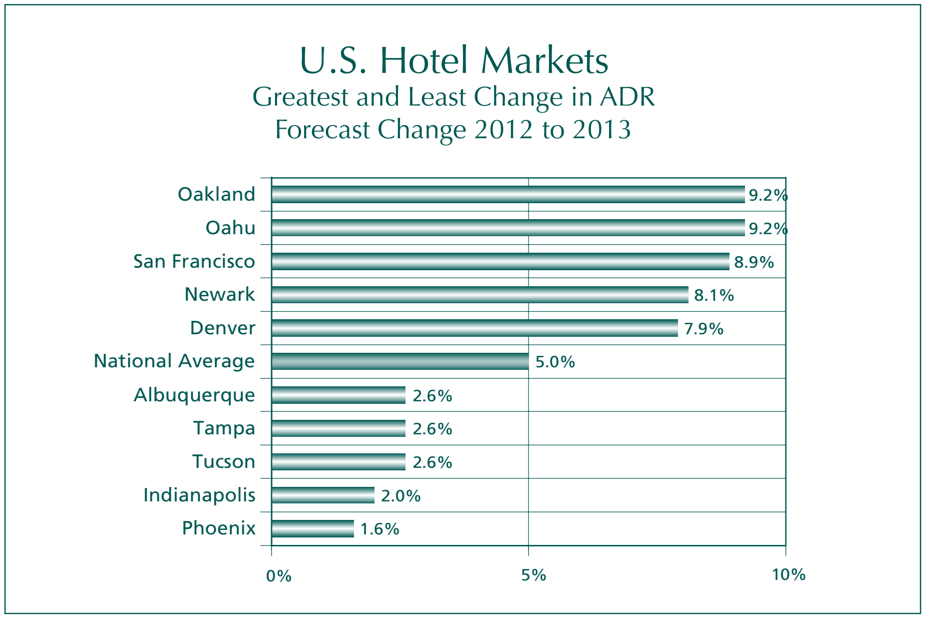
A significant 19 out of 50 *Horizons*® markets are expected to endure flat or declining occupancy levels in 2013. The majority of these markets have surpassed their pre-recession peak occupancy levels, and therefore are at a stage where strong increases in ADR are starting to reduce or suppress demand. For others, they are experiencing supply growth above the 0.8 percent national average.

All 50 cities in the *Horizons*® universe are forecast to achieve an increase in ADR in 2013. Leading the way in ADR gains are the Pacific port cities of Oakland, Oahu, and San Francisco. Except for Tampa, the five cities lagging the most in ADR growth are all expected to achieve occupancy levels below 60 percent, thus not providing managers the leverage to raise rates.

For the markets of Houston, San Antonio, and Seattle, a combination of strong gains in both occupancy and ADR will lead to RevPAR growth in excess of eight percent in 2013. Concurrently, the robust RevPAR growth forecast for hotels in Oakland and Oahu will be attributable exclusively to gains in ADR. On the other end of the spectrum, flat or declines in occupancy contribute to the lagging RevPAR growth in the bottom five markets.

The Eighty Percent

Previous research conducted by PKF-HR has found that 80 percent of the performance of a hotel is influenced by local area economics and market factors. As shown in our March 2013 *Hotel Horizons*® reports, there are significant differences in forecast performance depending on your property's location in a major market, or rural area. Further, even among the 50 largest markets, the positioning along the typical lodging business cycle varies greatly.

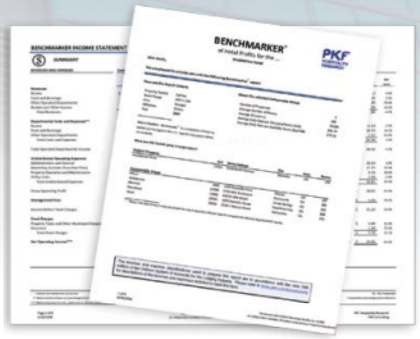


Source: PKF Hospitality Research, LLC, March 2013 *Hotel Horizons*® reports

To learn more about the Hotel Horizons® forecast reports for 50 markets in the United States, please visit www.HotelHorizons.com, or call (855) 223-1200.

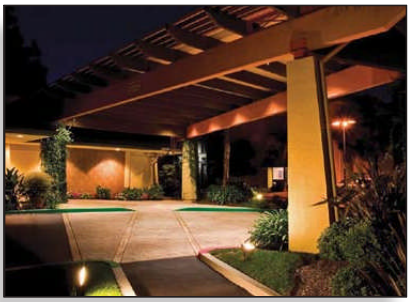
Benchmark Your Hotel Against the Competition

Benchmarker℠ Reports — the next logical step for those who use *Trends®*



You've used *Trends® in the Hotel Industry* to help measure the effectiveness of a hotel's performance. Now, customized Benchmarker℠ Reports allow you to go a lot farther in your analysis. They are customized income statement analyses of your property against a set of comparable properties. Now with over 5,000 properties to choose from, owners and operators can compare revenues, expenses, and profits of their hotel to similar properties. The parameters are chosen by you: By market segment, geographic area, or competitive set from our database of thousands of financial statements from U.S. hotels.

The comparable group you select can contain as many, or as few, criteria as you wish:



- ❑ Property Type — full-service, limited-service, convention hotel, etc.
- ❑ Range of Rooms — 100-199, 200-299, etc.
- ❑ Geographical Area — city, state, or U.S. region
- ❑ Affiliation — chain or independent
- ❑ Or ranges of occupancy and ADR

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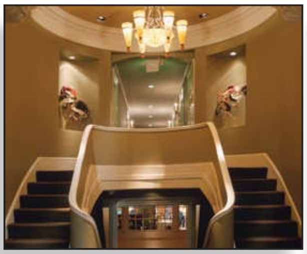
- Income Statement- a consolidation of revenues and expenses for major departments.
- Departmental Statements - revenues and expenses for the following departments: Rooms, Food and Beverage, Administration and General, Sales and Marketing, and Maintenance and Utilities.
- Labor Cost Analysis - salaries, wages, and employee benefits for each department.



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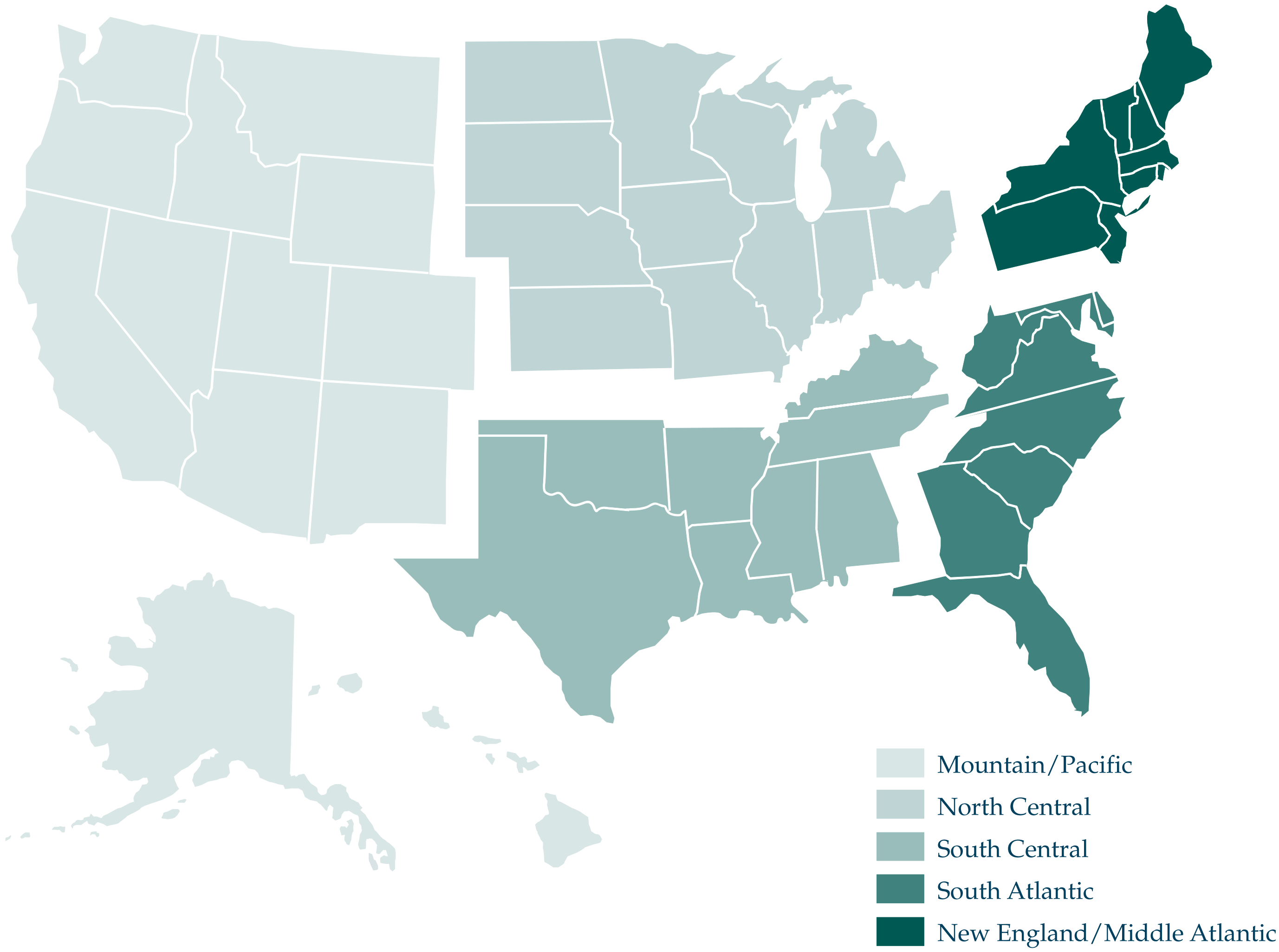
GEOGRAPHIC REGIONS: TRENDS® IN THE HOTEL INDUSTRY REPORT



MOUNTAIN / PACIFIC
Alaska
Arizona
California
Colorado
Hawaii
Idaho
Montana
Nevada
New Mexico
Oregon
Utah
Washington
Wyoming

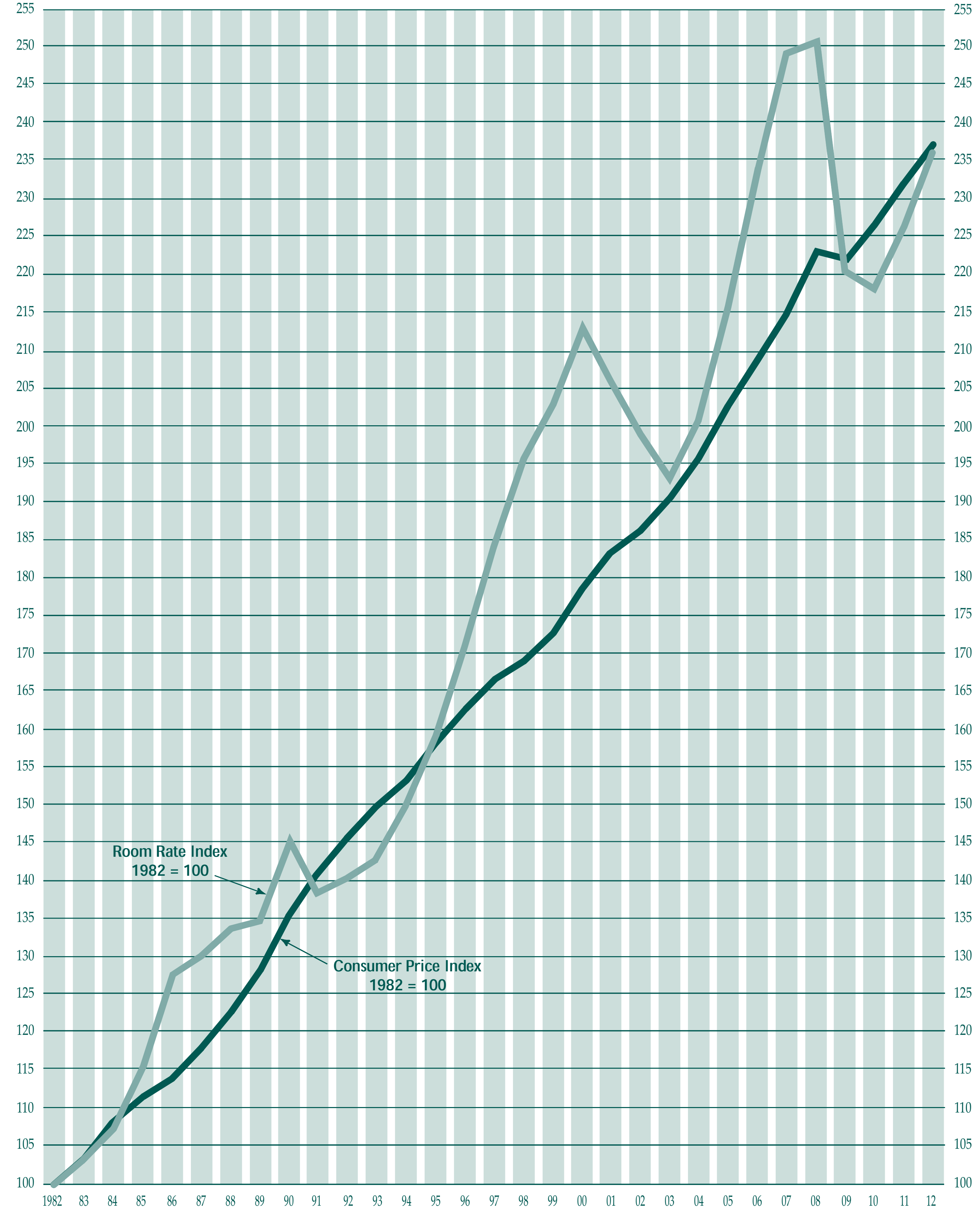
NORTH CENTRAL
Illinois
Indiana
Iowa
Kansas
Michigan
Minnesota
Missouri
Nebraska
North Dakota
Ohio
South Dakota
Wisconsin

SOUTH CENTRAL
Alabama
Arkansas
Kentucky
Louisiana
Mississippi
Oklahoma
Tennessee
Texas

SOUTH ATLANTIC
Delaware
District of Columbia
Florida
Georgia
Maryland
North Carolina
South Carolina
Virginia
West Virginia

NEW ENGLAND / MIDDLE ATLANTIC
Connecticut
Maine
Massachusetts
New Hampshire
New Jersey
New York
Pennsylvania
Rhode Island
Vermont

CONSUMER PRICE INDEX vs. AVERAGE DAILY ROOM RATE



ALL HOTELS – 2012 VS. 2011

How Hotels Performed

Figure Number 1

	SHOWING INCREASES	SHOWING DECREASES
NUMBER OF ROOMS SOLD	67.2%	37.8%
ROOMS REVENUE	79.0%	21.0%
FOOD & BEVERAGE REVENUE	59.2%	40.8%
OTHER OPERATED REVENUE	45.8%	54.2%
TOTAL REVENUE	77.1%	22.9%
DEPARTMENTAL EXPENSES	78.2%	21.8%
UNDISTRIBUTED EXPENSES	70.7%	29.3%
PROPERTY TAXES AND INSURANCE	68.0%	32.0%
NET OPERATING INCOME*	70.4%	29.6%

* Before deduction for rent

ALL HOTELS
Statistical Highlights – 2012
Figure Number 2

	Average Size (Rooms)	2012 Occupancy	Change from 2011	2012 ADR	Change from 2011	2012 Total RevPAR	Change from 2011	2012 NOI* PAR	Change from 2011
All Hotels	215	70.5 %	1.8 %	$149.10	4.4 %	$56,559	5.0 %	$14,469	10.2 %
Full Service	245	71.3	1.6	155.53	4.5	59,065	4.8	14,278	9.8
Limited Service	110	65.1	2.1	84.31	3.8	20,457	6.2	7,310	10.6
Suite with F&B	234	73.2	1.0	133.25	3.7	46,490	4.4	13,633	7.7
Suite Without F&B	110	75.0	0.9	109.71	4.9	30,875	5.6	11,643	8.1
Convention	829	71.4	2.5	173.03	3.0	71,319	3.6	18,111	5.7
Resort	426	68.5	2.1	209.40	5.8	96,850	6.2	21,762	17.4

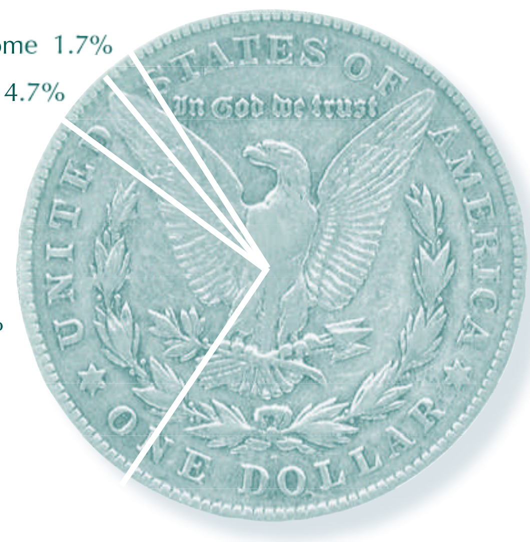
* Before deduction for rent.

ALL HOTELS – 2012

Source and Disposition of the Industry Dollar

Figure Number 3

Revenues



Costs and Expenses

ALL HOTELS
Summary Operating Statement
Dollars Per Available and Occupied Room
Figure Number 4

	2012 Dollars Per Available Room	2011 Dollars Per Available Room	Change From Prior Year	2012 Dollars Per Occupied Room	2011 Dollars Per Occupied Room	Change From Prior Year
Revenue						
Rooms	$ 38,366	$ 36,093	6.3 %	$ 149.10	$ 142.79	4.4 %
Food and Beverage	14,562	14,200	2.5	56.59	56.18	0.7
Other Operated Departments	2,650	2,624	1.0	10.30	10.38	(0.8)
Rentals and Other Income	981	953	3.0	3.81	3.77	1.2
Total Revenue	$ 56,559	$ 53,870	5.0 %	$ 219.81	$ 213.12	3.1 %
Departmental Expenses						
Rooms	$ 10,285	$ 9,762	5.4 %	$ 39.97	$ 38.62	3.5 %
Food and Beverage	10,874	10,632	2.3	42.26	42.06	0.5
Other Operated Departments	2,002	1,981	1.1	7.78	7.84	(0.7)
Total Departmental Expenses	$ 23,162	$ 22,375	3.5 %	$ 90.01	$ 88.52	1.7 %
Total Departmental Income	$ 33,397	$ 31,494	6.0 %	$ 129.79	$ 124.60	4.2 %
Undistributed Operating Expenses						
Administrative and General	$ 4,896	$ 4,731	3.5 %	$ 19.03	$ 18.72	1.7 %
Sales and Marketing	4,788	4,548	5.3	18.61	17.99	3.4
Property Operations and Maintenance	2,654	2,584	2.7	10.31	10.22	0.9
Utilities	2,219	2,298	(3.4)	8.62	9.09	(5.1)
Total Undistributed Expenses	$ 14,557	$ 14,161	2.8 %	$ 56.57	$ 56.02	1.0 %
Gross Operating Profit	$ 18,840	$ 17,333	8.7 %	$ 73.22	$ 68.58	6.8 %
Management Fees	$ 1,642	$ 1,563	5.0 %	$ 6.38	$ 6.18	3.2 %
Income Before Fixed Charges	$ 17,199	$ 15,770	9.1 %	$ 66.84	$ 62.39	7.1 %
Fixed Charges						
Property and Other Taxes	$ 2,040	$ 1,987	2.7 %	$ 7.93	$ 7.86	0.9 %
Insurance	690	651	6.0	2.68	2.57	4.1
Total Fixed Charges	$ 2,730	$ 2,638	3.5 %	$ 10.61	$ 10.44	1.7 %
Net Operating Income*	$ 14,469	$ 13,132	10.2 %	$ 56.23	$ 51.96	8.2 %
Percentage of Occupancy	70.5 %	69.3 %	1.8 %			
Average Daily Rate	$ 149.10	$ 142.79	4.4 %			
RevPAR	$ 105.07	$ 98.88	6.3 %			
Average Size (Rooms)	215	215	0.2 %			

* Before deduction for rent

ALL HOTELS
Summary Operating Statement
Percent of Revenue
Figure Number 5

	2012 Percent of Revenue	2011 Percent of Revenue
Revenue		
Rooms	67.8 %	67.0 %
Food and Beverage	25.7	26.4
Other Operated Departments	4.7	4.9
Rentals and Other Income	1.7	1.8
Total Revenue	100.0 %	100.0 %
Departmental Expenses*		
Rooms	26.8 %	27.0 %
Food and Beverage	74.7	74.9
Other Operated Departments	75.5	75.5
Total Departmental Expenses	41.0 %	41.5 %
Total Departmental Income	59.0 %	58.5 %
Undistributed Operating Expenses		
Administrative and General	8.7 %	8.8 %
Sales and Marketing	8.5	8.4
Property Operations and Maintenance	4.7	4.8
Utilities	3.9	4.3
Total Undistributed Expenses	25.7 %	26.3 %
Gross Operating Profit	33.3 %	32.2 %
Management Fees	2.9 %	2.9 %
Income Before Fixed Charges	30.4 %	29.3 %
Fixed Charges		
Property and Other Taxes	3.6 %	3.7 %
Insurance	1.2	1.2
Total Fixed Charges	4.8 %	4.9 %
Net Operating Income**	25.6 %	24.4 %
Percentage of Occupancy	70.5 %	69.3 %
Average Daily Rate	$ 149.10	$ 142.79
RevPAR	$ 105.07	$ 98.88
Average Size (Rooms)	215	215

* Expressed as a percent of departmental revenue.
** Before deduction for rent.

ALL HOTELS
Departmental Expenses
Figure Number 6

	2012 Dollars Per Available Room	Change From Prior Year	2012 Dollars Per Occupied Room	2012 Percent of Revenue
Rooms Department*				
Total Labor Costs	$ 6,366	4.8 %	$ 24.74	16.6 %
Other Expenses	3,919	6.3	15.23	10.2
Total Department Expenses	$ 10,285	5.4 %	$ 39.97	26.8 %
Food and Beverage Department*				
Total Labor Costs	$ 6,493	3.2 %	$ 25.23	44.6 %
Other Expenses***	4,382	0.9	17.03	30.1
Total Department Expenses	$ 10,874	2.3 %	$ 42.26	74.7 %
Other Operated Departments*				
Total Labor Costs	$ 985	2.2 %	$ 3.83	37.2 %
Other Expenses***	1,016	—	3.95	38.4
Total Department Expenses	$ 2,002	1.1 %	$ 7.78	75.5 %
Administrative and General Department**				
Total Labor Costs	$ 2,370	2.8 %	$ 9.21	4.2 %
Other Expenses	2,526	4.2	9.82	4.5
Total Department Expenses	$ 4,896	3.5 %	$ 19.03	8.7 %
Marketing Department**				
Total Labor Costs	$ 1,492	3.4 %	$ 5.80	2.6 %
Other Expenses	3,296	6.2	12.81	5.8
Total Department Expenses	$ 4,788	5.3 %	$ 18.61	8.5 %
Maintenance Department**				
Total Labor Costs	$ 1,376	2.8 %	$ 5.35	2.4 %
Other Expenses	1,278	2.5	4.97	2.3
Total Department Expenses	$ 2,654	2.7 %	$ 10.31	4.7 %
Utilities Department**				
Other Expenses	$ 2,219	(3.4)%	$ 8.62	3.9 %
Total Operating Expenses**				
Total Labor Costs	$ 19,082	3.6 %	$ 74.16	33.7 %
Other Expenses***	18,636	2.9	72.43	33.0
Total Operating Expenses****	$ 37,719	3.2 %	$ 146.59	66.7 %

* Expressed as a percent of department revenue.
** Expressed as a percent of total revenue.
*** Includes cost of sales.
****Before management fees, property taxes, insurance, and rent.

ALL HOTELS

Payroll Costs

Figure Number 7

	2012 Dollars Per Available Room	Change From Prior Year	2012 Dollars Per Occupied Room	2012 Percent of Revenue
Rooms Department*				
Salaries, Wages and Bonuses	$ 4,442	4.1 %	$ 17.26	11.6 %
Payroll-Related Expenses	1,924	6.4	7.48	5.0
Total Labor Costs	$ 6,366	4.8 %	$ 24.74	16.6 %
Food and Beverage Department*				
Salaries, Wages and Bonuses	$ 4,441	2.3 %	$ 17.26	30.5 %
Payroll-Related Expenses	2,052	5.5	7.97	14.1
Total Labor Costs	$ 6,493	3.2 %	$ 25.23	44.6 %
Other Operated Departments*				
Salaries, Wages and Bonuses	$ 695	1.2 %	$ 2.70	26.2 %
Payroll-Related Expenses	290	4.5	1.13	11.0
Total Labor Costs	$ 985	2.2 %	$ 3.83	37.2 %
Administrative and General Department**				
Salaries, Wages and Bonuses	$ 1,763	2.5 %	$ 6.85	3.1 %
Payroll-Related Expenses	607	3.6	2.36	1.1
Total Labor Costs	$ 2,370	2.8 %	$ 9.21	4.2 %
Marketing Department**				
Salaries, Wages and Bonuses	$ 1,127	3.1 %	$ 4.38	2.0 %
Payroll-Related Expenses	365	4.0	1.42	0.6
Total Labor Costs	$ 1,492	3.4 %	$ 5.80	2.6 %
Maintenance Department**				
Salaries, Wages and Bonuses	$ 968	2.1 %	$ 3.76	1.7 %
Payroll-Related Expenses	407	4.7	1.58	0.7
Total Labor Costs	$ 1,376	2.8 %	$ 5.35	2.4 %
All Departments**				
Salaries, Wages and Bonuses	$ 13,436	2.9 %	$ 52.22	23.8 %
Payroll-Related Expenses	5,646	5.4	21.94	10.0
Total Labor Costs	$ 19,082	3.6 %	$ 74.16	33.7 %

* Expressed as a percent of department revenue.

** Expressed as a percent of total revenue.

ALL HOTELS
Management Fees – Franchise Fees – 2012

Figure Number 8*

	Management Fees PAR	Management Fees Percent of Total Revenue	Franchise Fees** PAR	Franchise Fees** Percent of Rooms Revenue
All Hotels	$ 1,705	3.0 %	$ 2,807	7.3 %
Full Service	1,925	3.2	3,215	7.9
Limited Service	570	2.8	1,589	7.9
Suite With F&B	1,085	2.3	3,816	10.8
Suite Without F&B	1,032	3.3	2,808	9.3
Convention	2,227	3.2	2,676	5.8
Resort	2,601	2.7	2,539	4.7

* Figure 8 reflects composite results for only those properties reporting a management fee and/or franchise fee. In all other charts, management fee and franchise fee ratios are calculated based on the total sample, whether or not management fees or franchise fees were reported.

** Reservation assessment, franchise royalty, marketing assessment, loyalty program

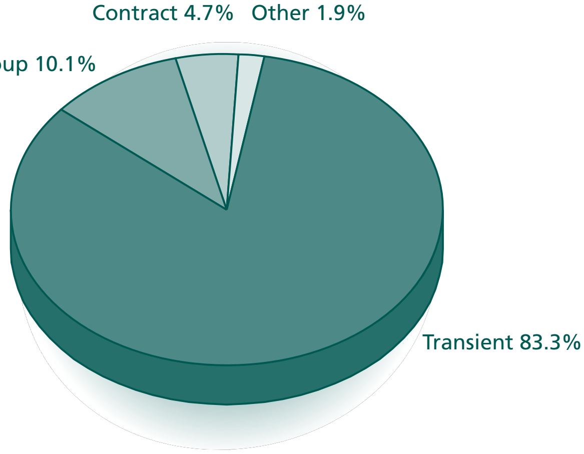
ALL HOTELS
Selected Revenue and Expense Items – 20-Year Trend
Figure Number 9

	Year*							
	1993	1998	2003	2008	2009	2010	2011	2012
Ratios to Total Revenues								
Rooms	63.7 %	64.6 %	67.7 %	66.8 %	66.0 %	66.3 %	67.0 %	67.8 %
Food and Beverage	26.6	26.6	24.9	26.0	26.4	26.6	26.4	25.7
Other Operated Departments	8.2	7.4	5.8	4.9	5.3	5.2	4.9	4.7
Rental and Other Income	1.5	1.4	1.6	2.4	2.3	1.9	1.8	1.7
Total Departmental Income	56.5 %	59.8 %	58.5 %	61.0 %	57.3 %	57.5 %	58.5 %	59.0 %
Gross Operating Profit	29.4	36.7	32.3	36.7	28.0	30.9	32.2	33.3
NOI**	22.4	29.8	23.8	28.0	21.9	22.9	24.4	25.6
Dollars Per Available Room								
Total Revenue	$29,969	$43,037	$37,490	$59,645	$48,435	$50,777	$53,870	$56,559
NOI**	6,695	12,843	8,932	16,725	10,596	11,639	13,132	14,469
Occupancy	67.5 %	70.0 %	65.2 %	70.0 %	63.7 %	67.7 %	69.3 %	70.5 %
Average Daily Rate	$ 77.47	$109.68	$107.28	$155.54	$137.44	$136.24	$142.79	$149.10

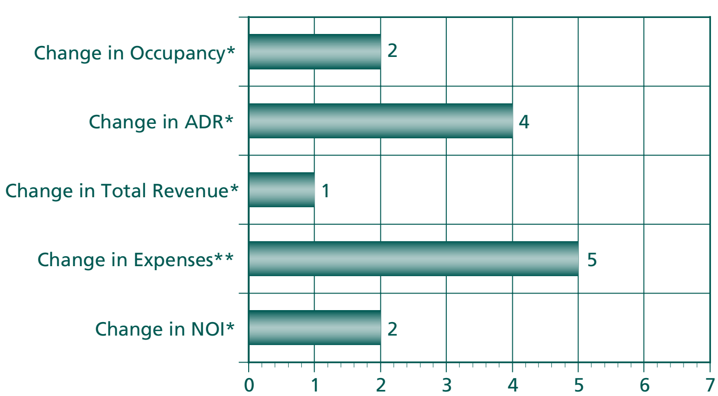
* Data prior to 2011 taken from different samples.

** Before deduction for rent.

LIMITED-SERVICE HOTELS
Market Mix



RANKING
Rank Among Six Property Type Categories
Change From 2011 to 2012



NOTE: * 1 = greatest increase, 6 = least increase
** 1 = least increase, 6 = greatest increase

- limited-service hotel revenues increased 6.2 percent in 2012. The growth in revenue can be attributed to a 2.1 percent gain in occupancy accompanied by a 3.8 percent rise in ADR.
- expenses growing at 3.9 percent, limited-service NOI grew 10.6 percent.
- within the rooms and maintenance departments increased the most from 2011 to 2012.
- costs at limited-service hotels increased 4.4 percent in 2012. The combined costs of salaries, wages, bonuses, and benefits represented 36.2 percent of total operating expenses for the year.
- appears to be a direct correlation between changes in limited-service profitability and the size of the hotel. Limited-service hotels with less than 100 rooms achieved NOI growth of 7.6 percent. On the other hand, limited-service properties with more than 150 rooms achieved an increase in NOI of 14.8 percent.
- hotels in the South Central region achieved the greatest gains in NOI. Properties in the New England/Middle Atlantic states lagged in NOI growth.

LIMITED-SERVICE HOTELS
Summary Operating Statement
Dollars Per Available and Occupied Room
Figure Number 13

	2012 Dollars Per Available Room	Change From Prior Year	2012 Percent of Revenue	2012 Dollars Per Occupied Room
Revenue				
Rooms	$ 20,080	6.3 %	98.2 %	$ 84.31
Other Operated Departments	228	1.9	1.1	0.96
Rentals and Other Income	148	(1.5)	0.7	0.62
Total Revenue	$ 20,457	6.2 %	100.0 %	$ 85.89
Departmental Expenses*				
Rooms	$ 5,175	5.7 %	25.8 %	$ 21.73
Other Operated Departments	231	2.7	101.2	0.97
Total Departmental Expenses	$ 5,406	5.5 %	26.4 %	$ 22.70
Total Departmental Income	$ 15,051	6.5 %	73.6 %	$ 63.19
Undistributed Operating Expenses				
Administrative and General	$ 2,009	3.2 %	9.8 %	$ 8.44
Sales and Marketing	1,822	3.3	8.9	7.65
Property Operations and Maintenance	1,069	4.1	5.2	4.49
Utilities	1,014	(3.2)	5.0	4.26
Total Undistributed Expenses	$ 5,915	2.2 %	28.9 %	$ 24.83
Gross Operating Profit	$ 9,136	9.4 %	44.7 %	$ 38.36
Management Fees	$ 569	6.4 %	2.8 %	$ 2.39
Income Before Fixed Charges	$ 8,567	9.6 %	41.9 %	$ 35.97
Fixed Charges				
Property and Other Taxes	$ 958	3.2 %	4.7 %	$ 4.02
Insurance	299	6.7	1.5	1.26
Total Fixed Charges	$ 1,257	4.0 %	6.1 %	$ 5.28
Net Operating Income**	$ 7,310	10.6 %	35.7 %	$ 30.69
Percentage of Occupancy	65.1 %	2.1 %		
Average Daily Rate	$ 84.31	3.8 %		
RevPAR	$ 54.86	6.0 %		
Average Size (Rooms)	110	(0.1)%		

* Expressed as a percent of departmental revenue.
** Before deduction for rent.

LIMITED-SERVICE HOTELS
Summary Operating Statement – By Rate Groups
Figure Number 13A

	Under $70			$70 to $100			Over $100		
	2012 Dollars Per Available Room	Change From Prior Year	2012 Percent of Revenue	2012 Dollars Per Available Room	Change From Prior Year	2012 Percent of Revenue	2012 Dollars Per Available Room	Change From Prior Year	2012 Percent of Revenue
Revenue									
Rooms	$ 13,151	5.8 %	99.2 %	$ 20,273	6.5 %	98.1 %	$ 32,561	6.7 %	97.4 %
Other Operated Departments	35	(3.5)	0.3	218	1.9	1.1	604	2.7	1.8
Rentals and Other Income	72	1.2	0.5	167	5.3	0.8	257	(9.2)	0.8
Total Revenue	$ 13,259	5.8 %	100.0 %	$ 20,658	6.4 %	100.0 %	$ 33,423	6.5 %	100.0 %
Departmental Expenses*									
Rooms	$ 3,764	4.8 %	28.6 %	$ 5,328	6.1 %	26.3 %	$ 7,519	5.9 %	23.1 %
Other Operated Departments	101	(2.4)	288.3	244	3.7	111.9	450	4.1	74.5
Total Departmental Expenses	$ 3,866	4.6 %	29.2 %	$ 5,572	6.0 %	27.0 %	$ 7,970	5.8 %	23.8 %
Total Departmental Income	$ 9,393	6.3 %	70.8 %	$ 15,086	6.5 %	73.0 %	$ 25,453	6.6 %	76.2 %
Undistributed Operating Expenses									
Administrative and General	$ 1,550	2.6 %	11.7 %	$ 2,039	3.8 %	9.9 %	$ 2,806	3.2 %	8.4 %
Sales and Marketing	816	5.2	6.2	1,774	1.2	8.6	3,767	4.3	11.3
Property Operations and Maintenance	844	5.0	6.4	1,100	4.9	5.3	1,431	2.3	4.3
Utilities	885	(3.3)	6.7	1,031	(2.8)	5.0	1,224	(3.5)	3.7
Total Undistributed Expenses	$ 4,095	2.2 %	30.9 %	$ 5,944	2.0 %	28.8 %	$ 9,228	2.6 %	27.6 %
Gross Operating Profit	$ 5,298	9.7 %	40.0 %	$ 9,141	9.7 %	44.3 %	$ 16,226	9.1 %	48.5 %
Management Fees	$ 245	5.4 %	1.9 %	$ 585	5.5 %	2.8 %	$ 1,140	7.8 %	3.4 %
Income Before Fixed Charges	$ 5,052	9.9 %	38.1 %	$ 8,556	10.0 %	41.4 %	$ 15,085	9.2 %	45.1 %
Fixed Charges									
Property and Other Taxes	$ 658	3.5 %	5.0 %	$ 956	2.0 %	4.6 %	$ 1,517	4.4 %	4.5 %
Insurance	300	11.9	2.3	288	4.5	1.4	315	1.7	0.9
Total Fixed Charges	$ 958	6.0 %	7.2 %	$ 1,244	2.6 %	6.0 %	$ 1,832	3.9 %	5.5 %
Net Operating Income**	$ 4,094	10.8 %	30.9 %	$ 7,312	11.3 %	35.4 %	$ 13,253	10.0 %	39.7 %
Percentage of Occupancy	59.8 %	2.1 %		66.2 %	2.5 %		73.0 %	1.6 %	
Average Daily Rate	$ 60.12	3.3 %		$ 83.73	3.6 %		$ 121.81	4.7 %	
RevPAR	$ 35.93	5.6 %		$ 55.39	6.2 %		$ 88.97	6.4 %	
Average Size (Rooms)	118	—		102	(0.1)%		109	(0.2)%	

* Expressed as a percent of departmental revenue.
** Before deduction for rent.

LIMITED-SERVICE HOTELS

Summary Operating Statement – By Geographic Divisions

Figure Number 13B

	Geographic Divisions					
	New England/Middle Atlantic			North Central		
	2012 Dollars Per Available Room	Change From Prior Year	2012 Percent of Revenue	2012 Dollars Per Available Room	Change From Prior Year	2012 Percent of Revenue
Revenue						
1. Rooms	$ 29,656	4.2 %	97.6 %	$ 20,890	6.8 %	98.7 %
2. Other Operated Departments	435	(7.1)	1.4	139	(4.6)	0.7
3. Rentals and Other Income	310	(4.7)	1.0	141	15.0	0.7
4. Total Revenue	$ 30,400	3.9 %	100.0 %	$ 21,170	6.8 %	100.0 %
Departmental Expenses*						
5. Rooms	$ 7,493	5.8 %	25.3 %	$ 5,585	7.0 %	26.7 %
6. Other Operated Departments	285	(1.5)	65.5	207	3.8	148.9
7. Total Departmental Expenses	$ 7,778	5.6 %	25.6 %	$ 5,792	6.8 %	27.4 %
8. Total Departmental Income	$ 22,622	3.3 %	74.4 %	$ 15,378	6.8 %	72.6 %
Undistributed Operating Expenses						
9. Administrative and General	$ 2,708	2.6 %	8.9 %	$ 2,141	3.8 %	10.1 %
10. Sales and Marketing	3,025	3.1	10.0	2,109	3.1	10.0
11. Property Operations and Maintenance	1,374	3.4	4.5	1,081	6.3	5.1
12. Utilities	1,302	(9.0)	4.3	917	(2.0)	4.3
13. Total Undistributed Expenses	$ 8,409	0.9 %	27.7 %	$ 6,248	3.1 %	29.5 %
14. Gross Operating Profit	$ 14,213	4.8 %	46.8 %	$ 9,130	9.5 %	43.1 %
15. Management Fees	$ 873	3.4 %	2.9 %	$ 740	7.0 %	3.5 %
16. Income Before Fixed Charges	$ 13,340	4.9 %	43.9 %	$ 8,389	9.7 %	39.6 %
Fixed Charges						
17. Property and Other Taxes	$ 1,730	4.6 %	5.7 %	$ 1,122	2.6 %	5.3 %
18. Insurance	326	3.5	1.1	245	2.7	1.2
19. Total Fixed Charges	$ 2,056	4.5 %	6.8 %	$ 1,367	2.6 %	6.5 %
20. Net Operating Income**	$ 11,285	4.9 %	37.1 %	$ 7,022	11.2 %	33.2 %
21. Percentage of Occupancy	70.8 %	0.5 %		65.8 %	2.6 %	
22. Average Daily Rate	$ 114.43	3.3 %		$ 86.68	3.9 %	
23. RevPAR	$ 81.03	3.9 %		$ 57.08	6.5 %	
24. Average Size (Rooms)	120	(0.2)%		88	(0.1)%	

* Expressed as a percent of departmental revenue.

** Before deduction for rent.

Summary Operating Statement – By Geographic Divisions

Figure Number 13B (Continued)

	Geographic Divisions								
	South Atlantic			South Central			Mountain/Pacific		
	2012 Dollars Per Available Room	Change From Prior Year	2012 Percent of Revenue	2012 Dollars Per Available Room	Change From Prior Year	2012 Percent of Revenue	2012 Dollars Per Available Room	Change From Prior Year	2012 Percent of Revenue
1.	$ 19,810	6.1 %	98.3 %	$ 17,179	7.4 %	98.1 %	$ 19,137	6.3 %	97.7 %
2.	235	4.9	1.2	204	9.1	1.2	265	3.1	1.4
3.	102	(8.2)	0.5	126	(14.0)	0.7	176	11.9	0.9
4.	$ 20,146	6.0 %	100.0 %	$ 17,509	7.2 %	100.0 %	$ 19,578	6.3 %	100.0 %
5.	$ 5,059	4.2 %	25.5 %	$ 4,294	5.4 %	25.0 %	$ 5,045	6.2 %	26.4 %
6.	250	4.1	106.7	214	4.3	104.6	236	(0.1)	88.9
7.	$ 5,309	4.2 %	26.4 %	$ 4,508	5.4 %	25.7 %	$ 5,281	5.9 %	27.0 %
8.	$ 14,837	6.6 %	73.6 %	$ 13,001	7.9 %	74.3 %	$ 14,297	6.5 %	73.0 %
9.	$ 1,926	2.2 %	9.6 %	$ 1,817	3.4 %	10.4 %	$ 1,902	4.0 %	9.7 %
10.	1,865	3.0	9.3	1,396	3.4	8.0	1,457	4.2	7.4
11.	1,108	2.7	5.5	958	4.4	5.5	1,020	3.4	5.2
12.	1,152	(1.2)	5.7	903	(4.1)	5.2	979	(1.9)	5.0
13.	$ 6,051	1.9 %	30.0 %	$ 5,073	2.2 %	29.0 %	$ 5,358	2.8 %	27.4 %
14.	$ 8,786	10.2 %	43.6 %	$ 7,927	11.9 %	45.3 %	$ 8,939	8.9 %	45.7 %
15.	$ 545	5.9 %	2.7 %	$ 438	9.1 %	2.5 %	$ 438	5.2 %	2.2 %
16.	$ 8,242	10.5 %	40.9 %	$ 7,490	12.0 %	42.8 %	$ 8,501	9.1 %	43.4 %
17.	$ 756	1.5 %	3.8 %	$ 835	5.0 %	4.8 %	$ 821	1.9 %	4.2 %
18.	361	5.8	1.8	283	11.1	1.6	294	7.8	1.5
19.	$ 1,116	2.8 %	5.5 %	$ 1,118	6.5 %	6.4 %	$ 1,116	3.4 %	5.7 %
20.	$ 7,125	11.8 %	35.4 %	$ 6,372	13.1 %	36.4 %	$ 7,385	10.0 %	37.7 %
21.	66.4 %	1.2 %		61.4 %	2.8 %		65.4 %	2.8 %	
22.	$ 81.54	4.5 %		$ 76.46	4.1 %		$ 79.96	3.1 %	
23.	$ 54.13	5.8 %		$ 46.94	7.1 %		$ 52.29	6.0 %	
24.	117	(0.1)%		116	—		120	—	

LIMITED-SERVICE HOTELS

Summary Operating Statement – By Property Size Classifications

Figure Number 13C

	Property Size Classifications								
	Under 100 Rooms			100 to 150 Rooms			Over 150 Rooms		
	2012 Dollars Per Available Room	Change From Prior Year	2012 Percent of Revenue	2012 Dollars Per Available Room	Change From Prior Year	2012 Percent of Revenue	2012 Dollars Per Available Room	Change From Prior Year	2012 Percent of Revenue
Revenue									
Rooms	$ 22,083	5.6 %	99.1 %	$ 18,069	5.9 %	98.6 %	$ 24,210	8.4 %	95.9 %
Other Operated Departments	78	(20.3)	0.4	145	(0.5)	0.8	749	8.4	3.0
Rentals and Other Income	129	(16.9)	0.6	119	7.1	0.6	283	(0.9)	1.1
Total Revenue	$ 22,290	5.4 %	100.0 %	$ 18,332	5.9 %	100.0 %	$ 25,242	8.2 %	100.0 %
Departmental Expenses*									
Rooms	$ 5,955	7.0 %	27.0 %	$ 4,653	4.7 %	25.8 %	$ 5,859	6.3 %	24.2 %
Other Operated Departments	227	7.7	289.9	164	(0.1)	113.7	474	2.8	63.4
Total Departmental Expenses	$ 6,182	7.0 %	27.7 %	$ 4,817	4.6 %	26.3 %	$ 6,333	6.0 %	25.1 %
Total Departmental Income	$ 16,108	4.7 %	72.3 %	$ 13,515	6.4 %	73.7 %	$ 18,909	9.0 %	74.9 %
Undistributed Operating Expenses									
Administrative and General	$ 2,393	3.9 %	10.7 %	$ 1,797	2.2 %	9.8 %	$ 2,187	4.9 %	8.7 %
Sales and Marketing	2,094	1.0	9.4	1,578	4.5	8.6	2,283	3.5	9.0
Property Operations and Maintenance	1,189	4.3	5.3	993	4.3	5.4	1,159	3.3	4.6
Utilities	1,021	(2.0)	4.6	979	(3.2)	5.3	1,128	(4.7)	4.5
Total Undistributed Expenses	$ 6,697	2.1 %	30.0 %	$ 5,348	2.2 %	29.2 %	$ 6,756	2.5 %	26.8 %
Gross Operating Profit	$ 9,411	6.7 %	42.2 %	$ 8,167	9.3 %	44.6 %	$ 12,153	13.0 %	48.1 %
Management Fees	$ 761	6.1 %	3.4 %	$ 454	6.1 %	2.5 %	$ 689	7.7 %	2.7 %
Income Before Fixed Charges	$ 8,650	6.7 %	38.8 %	$ 7,713	9.5 %	42.1 %	$ 11,463	13.4 %	45.4 %
Fixed Charges									
Property and Other Taxes	$ 1,015	2.1 %	4.6 %	$ 868	3.3 %	4.7 %	$ 1,191	4.4 %	4.7 %
Insurance	270	2.1	1.2	308	8.8	1.7	311	5.7	1.2
Total Fixed Charges	$ 1,285	2.1 %	5.8 %	$ 1,176	4.7 %	6.4 %	$ 1,502	4.7 %	5.9 %
Net Operating Income**	$ 7,365	7.6 %	33.0 %	$ 6,537	10.4 %	35.7 %	$ 9,962	14.8 %	39.5 %
Percentage of Occupancy	66.2 %	1.4 %		63.4 %	2.0 %		69.1 %	3.8 %	
Average Daily Rate	$ 91.10	3.9 %		$ 77.82	3.6 %		$ 95.68	4.1 %	
RevPAR	$ 60.34	5.4 %		$ 49.37	5.7 %		$ 66.15	8.1 %	
Average Size (Rooms)	73	(0.1)%		121	(0.1)%		182	—	

* Expressed as a percent of departmental revenue.
** Before deduction for rent.

LIMITED-SERVICE HOTELS
Departmental Expenses
Figure Number 14

	2012 Dollars Per Available Room	Change From Prior Year	2012 Dollars Per Occupied Room	2012 Percent of Revenue
Rooms Department*				
Total Labor Costs	$ 3,131	5.5 %	$ 13.14	15.6 %
Other Expenses	2,044	5.9	8.58	10.2
Total Department Expenses	$ 5,175	5.7 %	$ 21.73	25.8 %
Other Operated Departments*				
Total Labor Costs	$ 30	1.4 %	$ 0.13	13.3 %
Other Expenses***	201	2.9	0.84	87.9
Total Department Expenses	$ 231	2.7 %	$ 0.97	101.2 %
Administrative and General Department**				
Total Labor Costs	$ 969	1.6 %	$ 4.07	4.7 %
Other Expenses	1,040	4.8	4.37	5.1
Total Department Expenses	$ 2,009	3.2 %	$ 8.44	9.8 %
Marketing Department**				
Total Labor Costs	$ 172	(5.3)%	$ 0.72	0.8 %
Other Expenses	1,650	4.3	6.93	8.1
Total Department Expenses	$ 1,822	3.3 %	$ 7.65	8.9 %
Maintenance Department**				
Total Labor Costs	$ 462	7.2 %	$ 1.94	2.3 %
Other Expenses	607	1.9	2.55	3.0
Total Department Expenses	$ 1,069	4.1 %	$ 4.49	5.2 %
Utilities Department**				
Other Expenses	$ 1,014	(3.2)%	$ 4.26	5.0 %
Total Operating Expenses**				
Total Labor Costs	$ 4,764	4.4 %	$ 20.00	23.3 %
Other Expenses***	6,557	3.3	27.53	32.1
Total Operating Expenses****	$ 11,321	3.8 %	$ 47.53	55.3 %

* Expressed as a percent of department revenue.
** Expressed as a percent of total revenue.
*** Includes cost of sales.
****Before management fees, property taxes, insurance, and rent.

LIMITED-SERVICE HOTELS
Payroll Costs
Figure Number 15

	2012 Dollars Per Available Room	Change From Prior Year	2012 Dollars Per Occupied Room	2012 Percent of Revenue
Rooms Department*				
Salaries, Wages and Bonuses	$ 2,512	5.5 %	$ 10.55	12.5 %
Payroll-Related Expenses	619	5.4	2.60	3.1
Total Labor Costs	$ 3,131	5.5 %	$ 13.14	15.6 %
Other Operated Departments*				
Salaries, Wages and Bonuses	$ 24	3.6 %	$ 0.10	10.7 %
Payroll-Related Expenses	6	(6.7)	0.02	2.6
Total Labor Costs	$ 30	1.4 %	$ 0.13	13.3 %
Administrative and General Department**				
Salaries, Wages and Bonuses	$ 778	1.5 %	$ 3.26	3.8 %
Payroll-Related Expenses	191	1.8	0.80	0.9
Total Labor Costs	$ 969	1.6 %	$ 4.07	4.7 %
Marketing Department**				
Salaries, Wages and Bonuses	$ 137	(5.5)%	$ 0.58	0.7 %
Payroll-Related Expenses	35	(4.2)	0.15	0.2
Total Labor Costs	$ 172	(5.3)%	$ 0.72	0.8 %
Maintenance Department**				
Salaries, Wages and Bonuses	$ 370	7.3 %	$ 1.55	1.8 %
Payroll-Related Expenses	92	6.8	0.38	0.4
Total Labor Costs	$ 462	7.2 %	$ 1.94	2.3 %
All Departments**				
Salaries, Wages and Bonuses	$ 3,821	4.4 %	$ 16.04	18.7 %
Payroll-Related Expenses	942	4.3	3.96	4.6
Total Labor Costs	$ 4,764	4.4 %	$ 20.00	23.3 %

* Expressed as a percent of department revenue.

** Expressed as a percent of total revenue.

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Hotel Values Continue to Rise

January 3, 2013

By John O'Neill, Ph.D

Economic growth is expected to be modest in 2013, with Gross Domestic Product (GDP) anticipated to rise by 2.9%, but the supply of hotel guestrooms is expected to increase only 0.7T over the next year, much lower than the 1.7% to 3.1% annual increases seen from 2007 to 2009. As a result, there will be continued upward pressure on hotel market values as performance fundamentals remain relatively strong and hotels continue to be good investments in an uncertain economic development.

Positive factors affecting hotel values include rising consumer spending (2.3% growth anticipated in 2013), increasing home values (5.6% growth anticipated), and limited, if any upward pressure on oil prices. Offsetting the positive factors is the expected continued high unemployment rate, though the expected rate of 7% to 8% would be lower than in recent years.

Hotel values are expected to register a healthy 8.7% growth rate in 2013 following an 11.8% increase in 2012. Luxury hotels are anticipated to continue to show strong value increases with an 8.9% gain in 2013 which, at $28,773 per guestroom represents the highest increase in value per room of all hotel types. Economy hotels are expected to record the greatest value percentage increase at 10.8%.

At this point, it isn't possible to project 2014 hotel values with any reasonable level of confidence until more information is available about results of the handling of the debt crises in the U.S. and abroad, but most of the positive fundamentals affecting hotel values are anticipated to continue into 2014.

Penn State Index of U.S. Hotel Values

Overall	Value Per Room	Annual Percent Change
2009	$ 76,457	-18.4%
2010	$ 78,326	2.4%
2011	$ 87,952	12.3%
2012	$ 98,322	11.8%
2013	$106,893	8.7%

Luxury		
2009	$253,083	-21.9%
2010	$263,762	4.2%
2011	$289,380	9.7%
2012	$323,943	11.9%
2013 (forecast)	$352,716	8.9%

Upper Upscale		
2009	$134,460	-18.5%
2010	$ 36,893	1.8%
2011	$151,163	10.4%
2012	$167,466	10.8%
2013 (forecast)	$182,286	8.8%

Upscale		
2009	$ 92,028	-19.2%
2010	$ 92,721	0.8%
2011	$100,429	14.8%
2012	$117,935	10.6%
2013 (forecast)	$128,429	8.9%

Upper Midscale		
2009	$ 70,146	-15.1%
2010	$ 71,162	1.4%
2011	$ 79,950	12.3%
2012	$ 88,070	10.2%
2013 (forecast)	$ 95,438	8.9%

Midscale		
2009	$ 46,425	-18.3%
2010	$ 45,966	1.0%
2011	$ 48,991	6.6%
2012	$ 53,134	8.5%
2013 (forecast)	$ 57,229	7.7%

Economy		
2009	$ 17,793	-30.5%
2010	$ 17,137	3.7%
2011	$ 20,195	17.8%
2012	$ 24,203	19.8%
2013 (forecast)	$ 26,828	10.8%

Source: The Pennsylvania State University

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CHART 1: Financial Assistance for Industry

For more detail concerning these incentives, see the footnotes online at **www.siteselection.com.**

	State-Sponsored Industrial Development Authority	Privately Sponsored Development Credit Corporation	State Authority or Agency Revenue Bond Financing	State Authority or Agency General Obligation Bond Financing	City and/or County Revenue Bond Financing	City and/or County General Obligation Bond Financing	State Loans for Building Construction	State Loans for Equipment, Machinery	City and/or County Loans for Building Construction	City and/or County Loans for Equipment, Machinery	State Loan Guarantees for Building Construction	State Loan Guarantees for Equipment, Machinery	City and/or County Loan Guarantees for Building Construction	City and/or County Loan Guarantees for Equipment, Machinery	State Financing Aid for Existing Plant Expansion	State Matching Funds for City and/or County Industrial Financing Programs	State Incentive for Establishing Industrial Plants in Areas of High Unemployment	City and/or County Incentive for Establishing Industrial Plants in Areas of High Unemployment
ALABAMA	•	•	•	•	•	•			•	•			•	•	•	•	•	•
ALASKA	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
ARIZONA			•		•	•	•	•			•	•			•			•
ARKANSAS	•	•	•	•	•	•	•	•	•	•	•	•			•		•	•
CALIFORNIA	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•		•	•
COLORADO	•	•			•		•	•	•	•	•	•	•	•	•	•	•	•
CONNECTICUT	•	•	•	•			•	•	•	•	•	•			•		•	•
DELAWARE	•	•	•		•		•	•	•	•					•	•	•	•
FLORIDA	•		•		•	•	•	•	•	•	•	•	•	•	•		•	•
GEORGIA	•	•	•		•	•	•	•	•	•	•	•			•		•	•
HAWAII	•		•	•	•	•	•	•							•		•	•
IDAHO		•			•	•			•	•								
ILLINOIS	•	•	•		•		•	•	•	•		•			•		•	•
INDIANA	•	•	•		•	•	•	•	•	•	•	•	•	•	•	•	•	•
IOWA	•	•	•		•	•	•	•	•	•	•	•			•	•	•	•
KANSAS			•	•	•	•	•	•	•	•		•			•	•	•	•
KENTUCKY		•	•	•	•	•	•	•	•	•					•		•	•
LOUISIANA		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
MAINE	•		•		•	•	•	•	•	•	•	•			•		•	•
MARYLAND	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
MASSACHUSETTS	•	•	•		•		•	•	•	•	•	•	•	•	•	•	•	•
MICHIGAN	•	•	•		•	•	•	•	•	•					•	•	•	•
MINNESOTA	•	•	•	•	•	•	•	•	•	•			•	•	•	•	•	•
MISSISSIPPI	•	•	•	•	•	•	•	•	•	•					•		•	•
MISSOURI	•	•	•		•	•	•	•	•	•	•	•			•		•	•
MONTANA		•	•	•	•	•	•	•	•	•	•	•	•	•	•			
NEBRASKA	•	•	•	•		•	•	•	•	•	•	•	•	•	•	•	•	•
NEVADA	•	•	•	•													•	•
NEW HAMPSHIRE	•	•	•		•	•			•	•	•	•	•	•	•			
NEW JERSEY	•		•		•	•	•	•	•	•	•	•			•		•	•
NEW MEXICO	•	•	•	•	•	•	•	•	•	•	•	•			•		•	•
NEW YORK	•	•	•	•	•		•	•	•	•	•	•			•		•	•
NORTH CAROLINA	•		•	•	•	•	•	•	•	•					•	•	•	•
NORTH DAKOTA		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
OHIO	•	•	•		•		•	•	•	•					•	•	•	•
OKLAHOMA	•		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
OREGON	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
PENNSYLVANIA	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
RHODE ISLAND	•	•	•	•	•		•	•	•	•	•	•			•	•	•	•
SOUTH CAROLINA	•	•	•		•										•		•	•
SOUTH DAKOTA	•		•	•	•	•	•	•	•	•					•	•		
TENNESSEE	•	•	•	•	•	•	•	•	•	•	•	•			•	•	•	
TEXAS	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
UTAH	•	•			•	•			•	•							•	
VERMONT	•	•	•		•	•	•	•	•	•	•	•			•	•		
VIRGINIA	•	•	•		•	•	•	•	•	•		•			•	•	•	•
WASHINGTON	•	•	•		•			•				•				•	•	
WEST VIRGINIA	•	•	•	•	•		•	•	•	•	•	•			•	•		
WISCONSIN	•		•		•	•	•	•	•	•			•	•	•		•	
WYOMING	•	•	•		•	•	•	•	•	•	•	•			•	•		
STATE TOTALS	41	40	47	27	47	38	43	44	45	45	31	35	19	19	46	28	42	39
PUERTO RICO	•	•	•	•	•	•	•	•			•	•			•	•	•	•

CHART 2: Tax Incentives for Industry

For more detail concerning these incentives, see the footnotes online at **www.siteselection.com.**

	Corporate Income Tax Exemption	Personal Income Tax Exemption	Excise Tax Exemption	Tax Exemption or Moratorium on Land, Capital Improvements	Tax Exemption or Moratorium on Equipment, Machinery	Inventory Tax Exemption on Goods in Transit (Freeport)	Tax Exemption on Manufacturers' Inventories	Sales/Use Tax Exemption on New Equipment	Tax Exemption on Raw Materials Used in Manufacturing	Tax Incentive for Creation of Jobs	Tax Incentive for Industrial Investment	Tax Credits for Use of Specified State Products	Tax Stabilization Agreements for Specified Industries	Tax Exemption to Encourage Research and Development	Accelerated Depreciation of Industrial Equipment
ALABAMA	•	•	•	•	•	•	•	•	•	•	•			•	•
ALASKA		•	•	•				•	•			•			•
ARIZONA	•	•	•	•	•	•	•	•	•	•	•			•	•
ARKANSAS	•		•	•	•	•	•	•	•	•	•	•		•	
CALIFORNIA		•	•	•	•	•	•	•	•	•	•			•	•
COLORADO	•		•		•	•	•	•	•	•	•				
CONNECTICUT	•		•	•	•	•	•	•	•	•	•		•	•	•
DELAWARE	•	•	•	•	•	•	•	•	•	•	•			•	•
FLORIDA	•	•	•	•	•	•	•	•	•	•	•			•	•
GEORGIA				•	•	•	•	•	•	•	•			•	•
HAWAII	•	•	•		•	•	•	•	•	•	•		•	•	•
IDAHO	•				•	•	•	•	•	•	•			•	•
ILLINOIS	•	•	•	•	•	•	•	•	•	•	•				•
INDIANA	•	•		•	•	•	•	•	•	•	•			•	•
IOWA	•	•	•	•	•	•	•	•	•	•	•			•	•
KANSAS	•	•		•	•	•	•	•	•	•	•			•	•
KENTUCKY	•	•		•	•	•	•	•	•	•	•	•		•	•
LOUISIANA	•	•		•	•	•	•	•	•	•	•		•	•	•
MAINE	•	•		•	•	•	•	•	•	•	•			•	•
MARYLAND	•	•	•	•	•	•	•	•	•	•	•			•	•
MASSACHUSETTS	•	•	•	•	•	•	•	•	•	•	•		•	•	•
MICHIGAN	•	•		•	•	•	•	•	•	•	•		•	•	•
MINNESOTA	•		•	•	•	•	•	•	•	•	•		•	•	•
MISSISSIPPI	•	•		•	•	•	•	•	•	•	•			•	•
MISSOURI	•	•	•	•	•	•	•	•	•	•	•			•	•
MONTANA	•	•		•	•	•	•	•	•	•	•	•	•	•	•
NEBRASKA		•		•	•	•	•	•	•	•	•			•	•
NEVADA	•	•	•			•	•	•	•	•	•				
NEW HAMPSHIRE		•			•	•	•	•	•	•					•
NEW JERSEY	•	•		•	•	•	•	•	•	•	•			•	
NEW MEXICO	•	•		•	•	•	•	•	•	•	•			•	•
NEW YORK	•	•	•	•	•	•	•	•	•	•	•			•	
NORTH CAROLINA	•	•	•	•	•	•	•	•	•	•	•		•	•	•
NORTH DAKOTA	•		•	•	•	•	•	•	•	•	•			•	
OHIO	•	•		•	•	•	•	•	•	•	•			•	•
OKLAHOMA	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
OREGON			•	•	•	•	•	•	•		•			•	•
PENNSYLVANIA	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
RHODE ISLAND			•	•	•	•	•	•	•	•	•	•	•	•	•
SOUTH CAROLINA	•	•	•	•	•	•	•	•	•	•	•			•	•
SOUTH DAKOTA	•	•	•	•		•	•	•	•	•	•			•	•
TENNESSEE	•	•	•	•	•	•	•	•	•	•	•			•	•
TEXAS	•	•		•	•	•		•	•	•	•			•	
UTAH					•	•	•	•	•	•					•
VERMONT			•			•	•	•	•	•	•		•		•
VIRGINIA	•	•		•	•	•	•	•	•	•	•		•	•	•
WASHINGTON	•	•	•			•	•	•	•	•	•			•	
WEST VIRGINIA	•	•		•	•	•	•	•	•	•	•			•	•
WISCONSIN	•	•			•	•	•	•	•	•	•			•	•
WYOMING	•	•			•	•	•		•						
STATE TOTALS	**41**	**39**	**29**	**40**	**45**	**49**	**48**	**49**	**50**	**47**	**46**	**7**	**13**	**42**	**41**
PUERTO RICO	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•

4145 Yardley Circle
Tallahassee, FL 32309-2942
www.lodgingrealtyservices.com
ihcex@comcast.net
Phone: 850-893-6010
Fax: 1-800-903-6350
Cell: 850-443-5010

Potential Financing Sources

April 2013

Provided by Jeff Crowley of HVS Hotel Management

BBVA COMPASS BANK

15 South 20th Street
Birmingham, Alabama, 35233
+1 205 297-3206 [Business] (ALBirmingham Financial Center 505 North 20th Street)
+1 205 297-4600 [Business]
http://www.bbvacompass.com
Proposed Residence, Courtyard & Hilton Garden & a NYC hotel., Purchases Limited service .
Construction to 55-60% LTC.

Charles Tully
charles.tully@bbvacompass.com
Account Executive
2525 Ridgmar Street, Suite 200
Fort Worth, Texas, 76116
+1 817 735-0975 [Work] (ALBirmingham Financial Center 505 North 20th Street)

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Birmingham, Alabama, 35233
+1 713 968-8291 [Work]
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CATHAY BANCORP

777 North Broadway
Los Angeles, California, 90012
+1 800 922-8429 [Business]
http://www.CathayBank.com
LA CA & Flushing NY. Proposed in NYC & Existing middle market Days Inns, Holiday Inns etc

Charles C. Lin
charles_lin@cathaybank.com
Asst. Vice President
Cathay Bank
40-14 Main Street
Flushing, New York, 11354
+1 718 886-5225 [Work]

HUNTINGTON NATIONAL BANK
41 South High Street
Columbus, Ohio, 43215
+1 614 480-8300 [Business]
http://www.huntington.com
Existing Flagged Refis & Repositioning Limited

BORREGO SPRINGS BANK
7777 Alvarado Road, Suite 501
La Mesa, California, 91941
+1 619 668-5159 [Business]
+1 619 403-5191 [Fax]
http://www.borregospringsbank.com
BW's & Mid Market Refis & Purchases of existing. Some proposed Limited Service
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777 Alvarado Road, Suite 501
La Mesa, California, 91941
619-668-5150 [Work]
Ms. Joni Arcoraci
jarcoraci@b-s-b.net
Loan Officer
7777 Alvarado Road, Suite 501
La Mesa, California, 91942
619-668-5150 [Work]

HEARTLAND BANK
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Chesterfield, Missouri, 63105-9921
+1 314 512-8888 [Business]
+1 866 512-8501 [Business]
http://www.heartland-
Refis, Repositioning, Purchase of Existing
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Loan Officer
Bus. Card: Loan Coordinator
212 South Central Avenue
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Susan Chapman
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Vice President
Bus. Card: Vice President, CRE Group
212 South Central
2nd Floor
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(Business)
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HVS CAPITAL CORP

Bill Sipple
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Denver, Colorado, 80237
+1 303 512-1226 [Work]
Repositioning, Refi, Equity , Purchase of existing, Equity for construction

WELLS FARGO & COMPANY

420 Montgomery Street
San Francisco, California, 94104
+1 866 878-5865 [Business]
+1 651 450-4033 [Fax]
http://www.wellsfargo.com
Refis, Purchase Existing, Repositioning, Limited New Construction
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STARWOOD CAPITAL GROUP

591 West Putman Avenue
Greenwich, Connecticut, 06830
+1 203 422-7700 [Business]
+44 20 7434-8570 [Business] (UK)
http://www.starwoodcapital.com
Large Individual or Portfolio financing. Distressed Note purchases in Bulk FDIC

HSBC

15th Floor
One HSBC Center
Buffalo, New York, 14203
Refinancing Flagged limited Aloft , Residence Inn & Ritz Carlton. New Construction mostly New York City

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VP Real Estate
Suite 130
534 Broadhollow Rd.
Melville, New York, 11747 [Business]

TOTAL BANK

2720 Coral Way
Miami, Florida, 33145
+1 305 448-6500 [Business]
+1 305 448-8201 [Fax]
http://www.totalbank.com
Refis large like Grand Beach Miami & New Construction Courtyard Jupiter FL

Ximena Lamadrid
XLamadrid@totalbank.com
Credit Manager
Bus. Card: Project Floater
2720 Coral Way
Miami, Florida, 33145 (Business)
+1 305 448-6500 [Company Main

NATIONAL REPUBLIC BANK OF CHICAGO

1201 West Harrison Street
+1 631 752-4336[w]
+1 631 752-4396[f]
Chicago, Illinois, 60607
+1 312 738-4900 [Business]
http://www.NRBChicago.com
Refis, repositioning, Purchase Existing, New Construction Fairfields & Hyatt Place, Holiday Inn Express, Residence & Spring Hill Comfort Inns, Clarions
Dinesh Gandhi
Director of Commercial Hospitality Finance
1201 West Harrison Street
Chicago, Illinois, 60607
+1 312 738-4975 [Work]
+1 312 738-4920 [Fax]
+1 312 738-4900 [Company Main]

US BANCORP

800 Nicollet Mall
Minneapolis, Minnesota, 55402
+1 612 659-2000 [Business]
http://www.usbank.com
Limited Service New Construction, Flagged refis & purchases
Tom Pinkston
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950 17th Street
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Denver, Colorado, 80202
+1 303 585-4841 [Work]
+1 612 659-2000 [Company Main]

UNION LABOR LIFE

1625 Eye Street
Washington, District of Columbia, 20006
+1 202 682-0900 [Business]
http://www.ullico.com
Large Box flagged new construction Intercontinental Times Square NY.

NORTHWEST SAVINGS BANK

100 Liberty Street
Warren, Pennsylvania, 16365
+1 814 859-1000 [Business]
http://www.northwestsavingsbank.com
Refi flagged middle market.

GE CAPITAL

Branded Select Service Refis repositioning & Purchases, favorites are Marriott & Hilton
Patrick Feltes
patrick.feltes@ge.com
Sr. Vice President
8377 East Hartford Drive
Suite 200
Scottsdale, Arizona, 85255
+1 480 585-2208 [Work]
+1 480 563-6708 [Work]

PMC Commercial Trust

17950 Preston Road, Suite 600
Dallas, Texas, 75252
+1 972 349-3200 [Business]
http://www.pmctrust.com
Limited/Select Service Purchases
Ms. Terri Pruneda
t.pruneda@pmctrust.com
Associate
Bus. Card: Servicing Administrator
17950 Preston Road, Suite 600
Dallas, Texas, 75252
+1 972 349-3224 [Work]
+1 972 349-3200 [Company]

BANK OF LAS VEGAS

6001 South Decatur, Suite P
Las Vegas, Nevada, 89118
+1 702 939-2400 [Business]
+1 702 939-2415 [Fax]
http://www.BankOfLasVegas.com
Existing Refi's & Purchases Limited & Select Service All US
Sanat B. Patel
Sanat@TheBankOfLV.com
Vice President
Bus. Card: Executive Vice President
8190 West Deer Valley Road, Suite 104-333
Peoria, Arizona, 85382
+1 623 878-0258 [Work]
+1 623 487-4890 [Work]
+1 213 700-7775 [Mobile]
http://www.TheBankOfLV.com

PNC BANK

249 5th Avenue, 1 PNC Plaza
Pittsburgh, Pennsylvania, 15222
+1 412 762-2000
www.pnc.com
Proposed Extended Stay Marriott, Hilton etc. Existing Flagged Refis & Repositioning
Carrie Hutchinson
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620 Liberty Avenue, 13th Floor
Pittsburgh, Pennsylvania, 15222
412-762-3871(w)
Lucas Veverka
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lucas.veverka@pnc.com+1 412 762-2000

RBC (Royal Bank of Canada)

200 Bay Street, North Tower Lower Concourse
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Canada [Other Addresses]
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http://www.rbc.com
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Project Manager
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Canada
+1 919 788-6203 [Work]
+1 416 974-5151 [Company Main]

ARCHETYPE MORTGAGE CAPITAL

1601 Washington Avenue, Suite 800
Miami Beach, Florida, 33139
+1 305 695-5545 [Business]
+1 305 695-5539 [Fax]
http://www.archetypemortgage.com
Private Equity backed Mezz lender & Firsts to REITs on Existing. Our loans include 5, 7 and 10-year fixed-rate mortgages, bridge/transitional loans, mezzanine loans and preferred equity structures
Jim Freel
JFreel@ArchetypeMortgage.com
Vice President

SCOTIA BANK

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Scotia Plaza 11th Floor
Toronto, Ontario, M5H 1H1
Canada
+1 416 866-6161 [Business
www.scotiabank.com
Big Box Construction Strong Markets
Anthony Ottavino
44 King Street West, Scotia Plaza 11th Floor
Toronto, Ontario, M5H 1H1
Canada
anthony.ottavino@scotiabank.com
+1 416 350-1164(Work)
+1 416 866-6161(Company Mai

RAMSFIELD HOSPITALITY FINANCE

444 Madison Avenue, Suite 3301
New York, New York, 10022
+1 212 750-0366 [Business]
+1 212 750-2173 [Fax]
www.ramsfieldrealestate.com

NATIXIS REAL ESTATE CAPITAL

9 West 57th Street 36th Floor
New York, New York, 10019
+1 212 891-5700 [Business]
+1 212 891-5777 [Fax]
http://www.ixisrealestatecapital.com
Existing Crowne Plazas, Sheraton 4 Points, Doubletree Etc.
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Zineb.Bouazzaoui@us.natixis.com
Associate
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New York, New York, 10019
212-891-5789 [Work]

UBS

1285 Avenue of the Americas
New York, New York, 10019
+1 212 713-2480 [Work]
Existing Big Box flagged refis & purchases. Portfolio including Select & extended purchase & refis
Christopher Metz
UBS Securities LLC
Real Estate Finance Group
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212-713-2480
Email: Chris.Metz@ubs.com
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Oliver Striker
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Bus. Card: Associate Director
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CAPITAL ONE BANK

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+1 972 987-8929 [Work]
+1 504 533-2266 [Fax]

MESA WEST

Steve Fried
sfried@mesawestcapital.com
Associate
11755 Wilshire Boulevard, Suite 1670
Los Angeles, California, 90025
+1 310 806-6300
Bridge Loans to Branded $10-20 mill. Probably $300 mill this year.

FIDELITY BANK

100 East English
Wichita, Kansas, 67202
+1 316 268-7456
www.fidelitybank.com
Existing & New construction Holiday Inn Express & Hamptons
Carol Meserve
cmeserve@fidelitybank.com
Loan Officer
100 East English
Wichita, Kansas, 67202
+1 405 507-3134(w)
+1 316 268-7456(c)

METRO CITY BANK

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Doraville, Georgia, 30340
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+1 770 455-4988
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+1 770-454-1859(w)
+1 770 455-4989(c)

REGIONS BANK

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LoanOfficer
Mailcode ALBH70321A
201 Milan Parkway
Birmingham, Alabama, 35211
pamela.york@regions.com
+1 205 420-4836 [Work]
+1 205 944-1300
Carolyn Dukes
1900 5th Avenue North
Birmingham, Alabama, 35203
carolyn.dukes@regions.com
+1 561 471-7688 [Work]
+1 205 944-1300 [Company]

CENTIER BANK

600 East 84th Avenue
Merrillville, Illinois, 46410
+1 219 756-2265 [Business]
www.centier.com
New Construction Marriott, Hilton, existing
Zoran Koricanac
VP
9701 Indianapolis Boulevard
Highland, Indiana, 46322
zkorican@centier.com
+1 219 922-2410 ext. 317 [Work]

WILSHIRE STATE BANK

3200 Wilshire Boulevard, Suite 1400
Los Angeles, California, 90010
+1 213 387-3200 [Business]
(CA, Los Angeles HQ)
wilshirebank.com
Existing flagged, Adaptive reuse
Keefe, Bruyette & Woods (KBW)
Eric Kim
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ekim@kbw.com
+1 213 387-3200 (CA, Los Angeles HQ) (Company Main)

FIRST CHOICE BANK

17414 Carmenita Road
Cerritos, California, 90703
+1 562 345-9092 [Business]
+1 562 926-8737 [Fax] www.firstchoicebankca.com
New Construct & Existing in CA
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BROKERS

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Chicago, Illinois, 60601-6900
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BRIDWELL SARGENT

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http:// bridwellsargent.com
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UC FUNDING

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+1 781 972-0172 [Fax]
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