



The Current State of the Hotel Investment Market

Charles Human

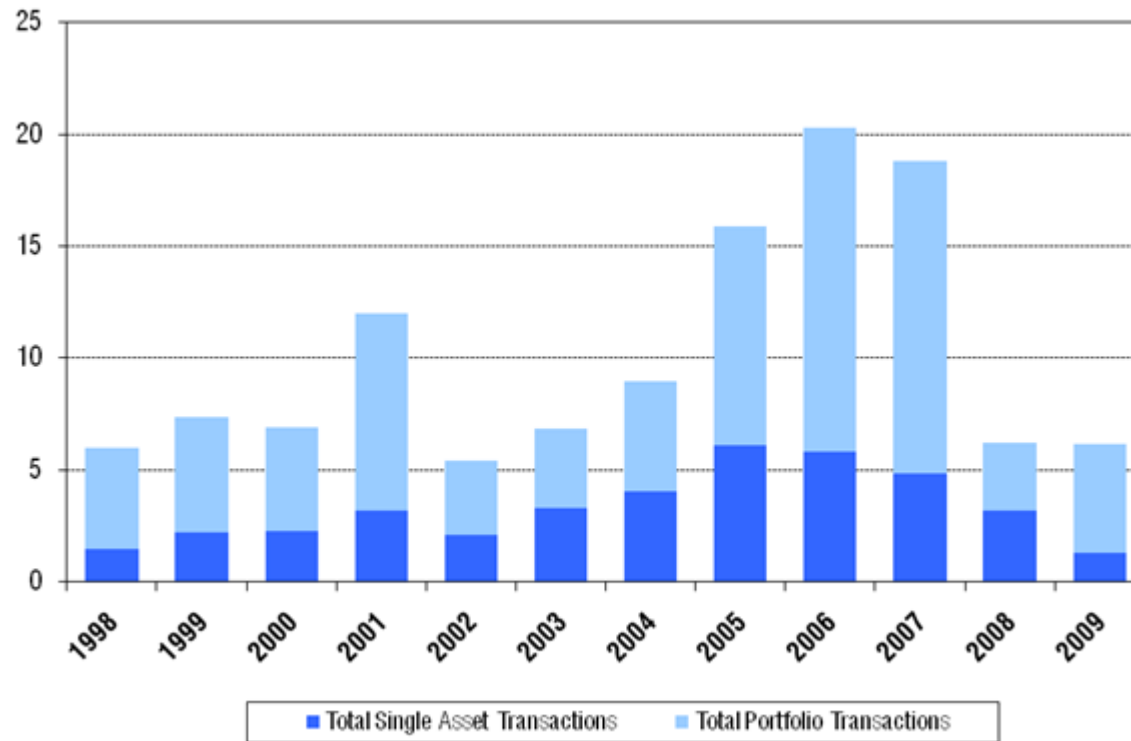
Managing Director, HVS Hodges Ward Elliott

HVS Hodges Ward Elliott - What we do

- Investment Banking arm of HVS
- Services
 - Hotel and Portfolio sales
 - Hotel acquisition advice
 - Operator selection and negotiation
 - Arranging financing and Re-financing
 - Equity raising
 - Joint ventures
 - Restructuring

Transaction activity peaked in 2006 and has virtually ground to a halt

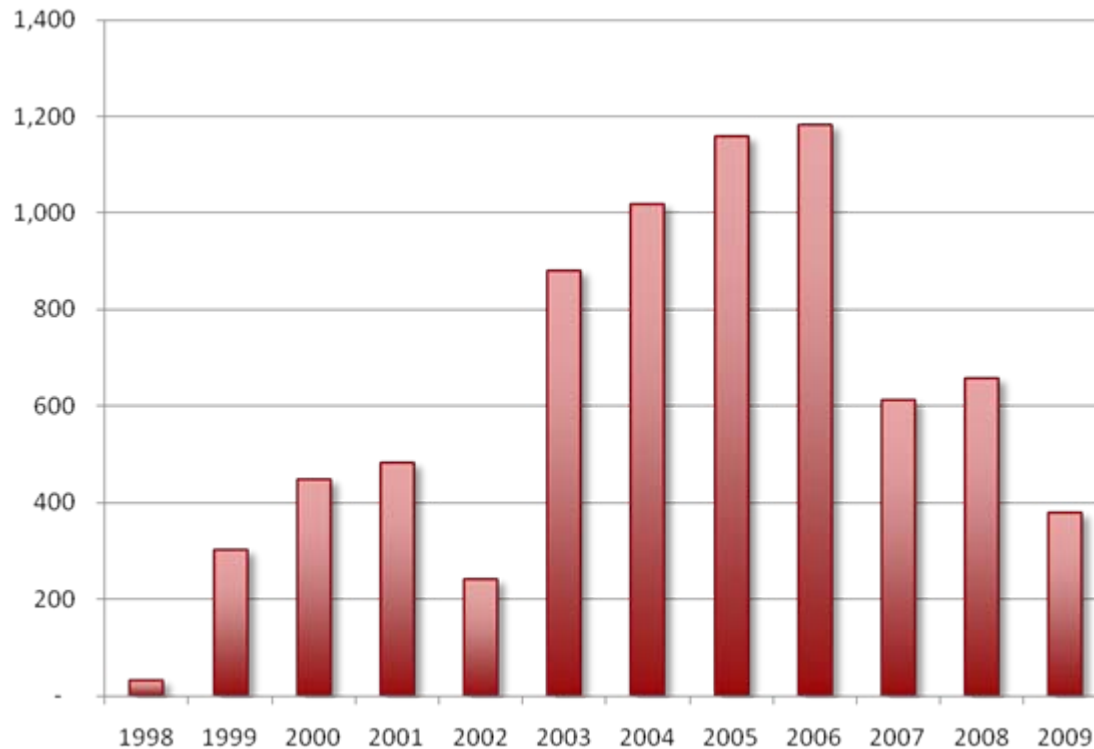
Transaction Volume – Europe (€ billions)



Source: HVS Research

The trend in Spain is similar

Transaction Volume – Spain (€ millions)





The profile of buyers and sellers has completely changed

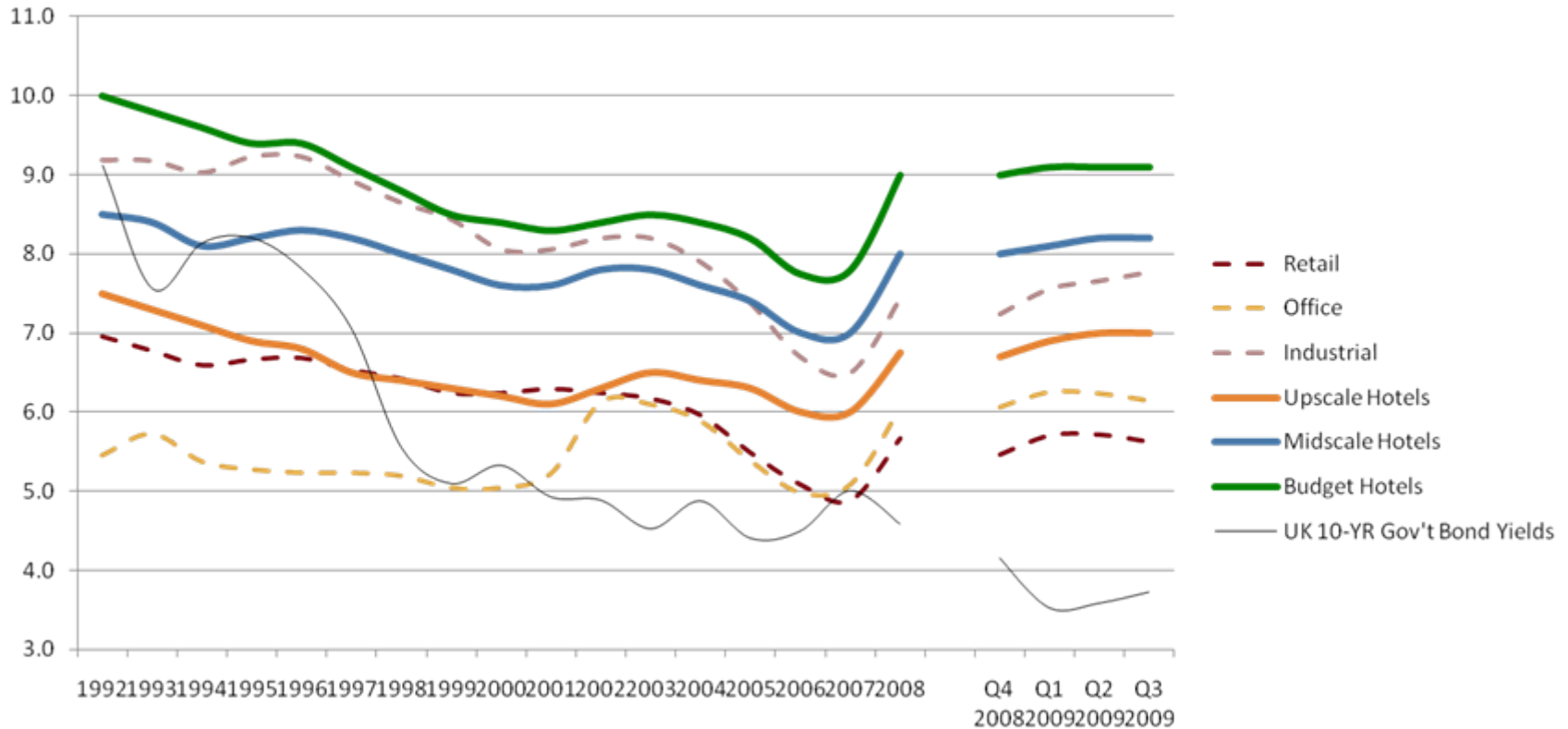
	5 Years Ago	Today
Sellers	<ul style="list-style-type: none">▪ Hotel Companies (listed)▪ Non-core owners	<ul style="list-style-type: none">▪ Private Equity▪ Banks
Buyers	<ul style="list-style-type: none">▪ Private Equity	<ul style="list-style-type: none">▪ Hotel Companies (private)▪ Institutions▪ Private Investors

The lack (and cost) of new financing has impacted on the transaction market

Terms	2 Years Ago	Today
Term	▪ 7 to 10 years (or more)	▪ 5 Years (or less)
Loan to Value	▪ 70% or more	▪ 50 to 55%
EBITDA Multiple	▪ Around 10	▪ 6-7
Debt Service Coverage Ratio	▪ 1.1 to 1.2	▪ 1.3 to 1.6
Margin	▪ 120 to 150	▪ 250 to 300
Amortisation	▪ None	▪ Likely

Cap Rates have risen, but now look to have stabilised

EU-15 Yields
1992 to 2008



Source: HVS Hodges Ward Elliott, CB Richard Ellis, Bank of England

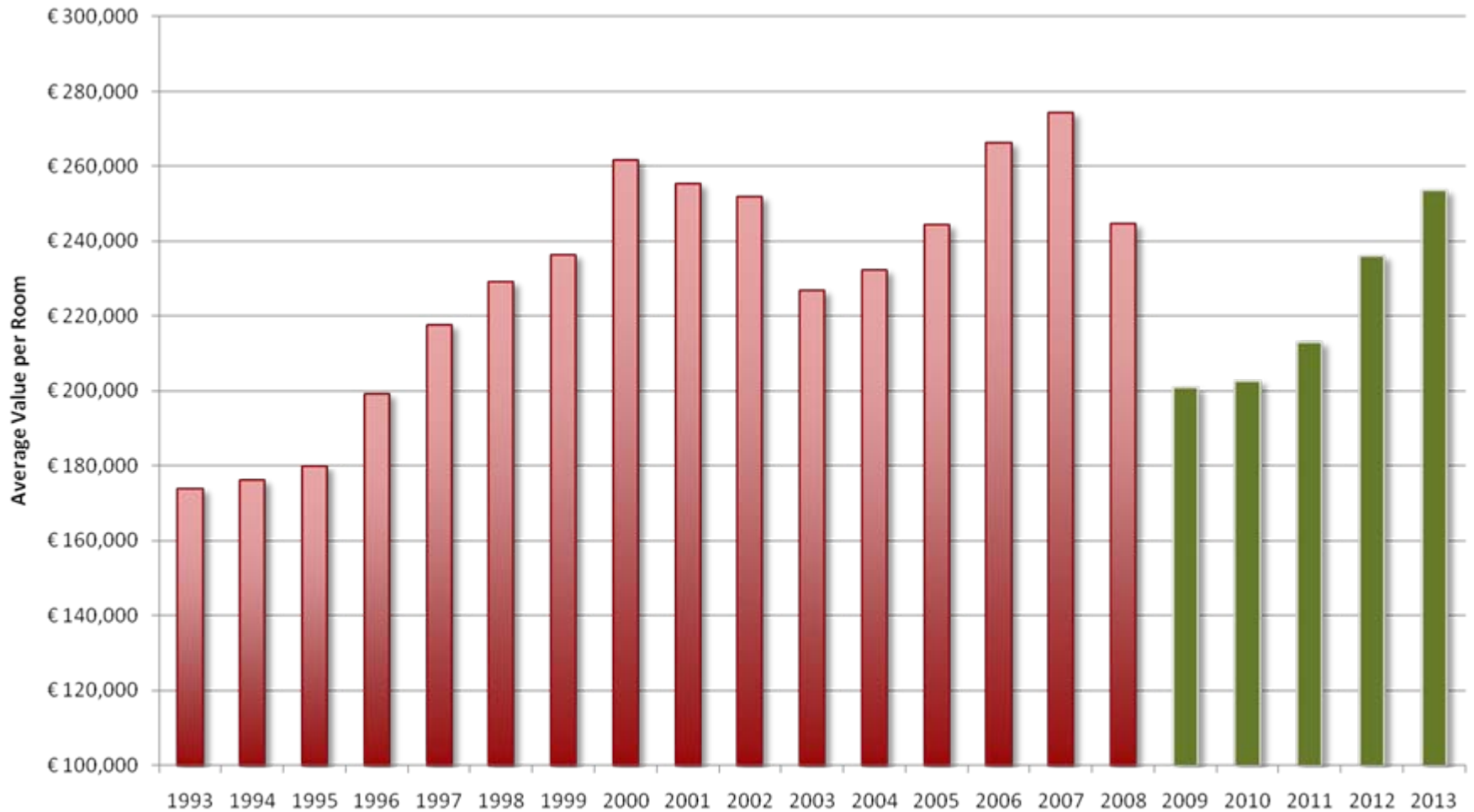
Recent Transactions - Europe

Hotel	City	Price (EUR)	Rooms	EUR /Room	Buyer	Operations
The Stafford	London	86,835,000	105	827,000	Brittania Hospitality	Free & Clear
Radisson Royal Viking	Stockholm	131,110,000	459	286,000	KLP Fastigheter	Leased
Lapa Palace	Lisbon	29,400,000	109	270,000	Private	Free & Clear
Radisson Blu	Krakow	32,000,000	196	163,000	Union Investments	Leased
Travelodge Tower Bridge	London	28,300,00	190	149,000	Aprirose	Leased
Le Parc	Paris	35,500,000	116	306,000	Westmont	Management contract
Bonnington	London	51,935,000	214	243,000	Crimson Hotels	Free & Clear
Radisson Blu	Hamburg	155,000,000	556	279,000	Invesco	Leased

Recent Transactions - Spain

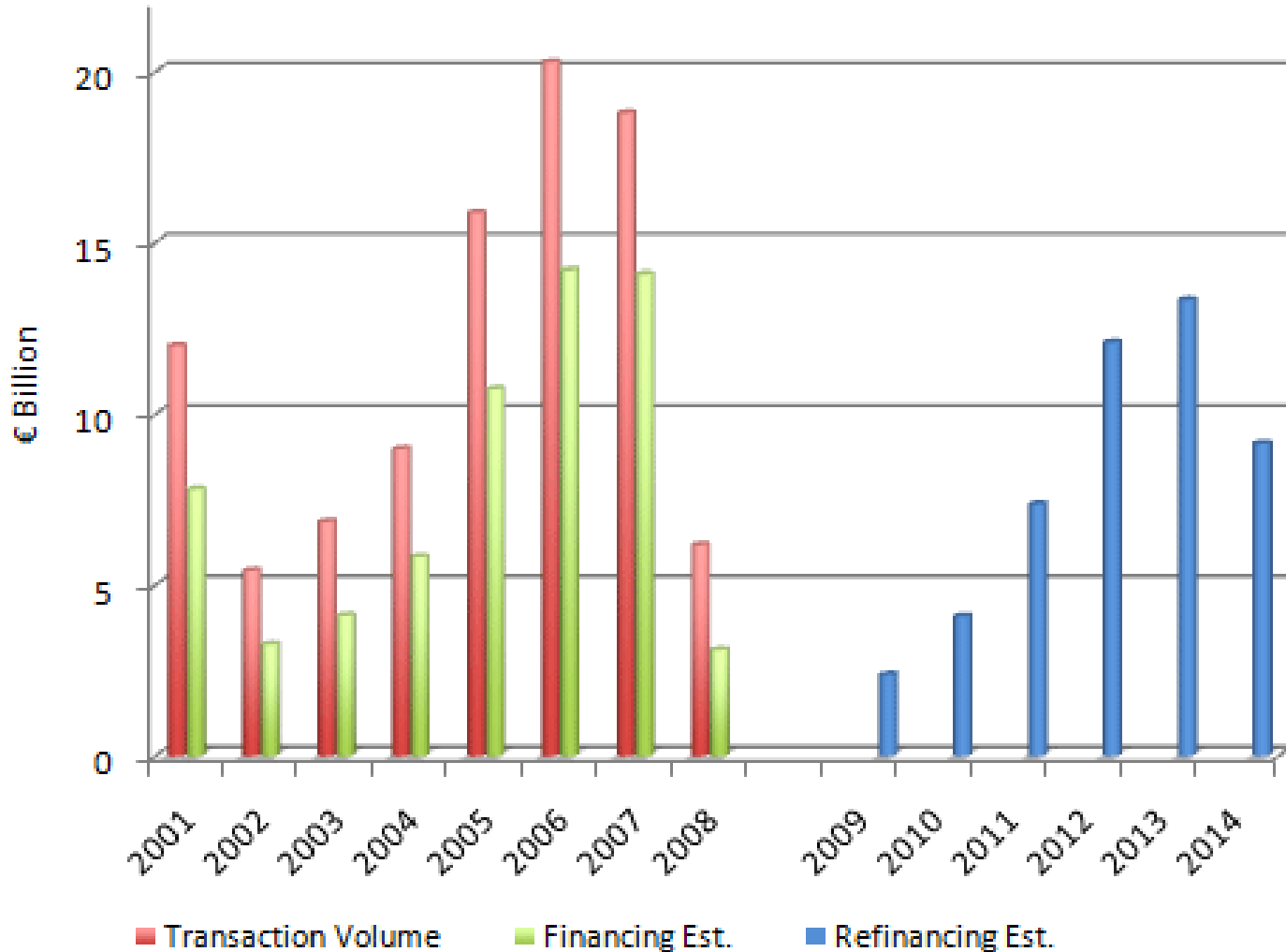
Hotel	City	Price (EUR)	Rooms	EUR /Room	Buyer
AC Som	L'Hospitalet de Llobregat	13,400,000	102	122,549	
Meliá Madrid Princesa	Madrid	87,800,000	274	320,438	BBVA Renting
Costa del Sol Princesa y Andalucía Princesa	Estepona	50,000,000	530	94,340	Ibersol
Beverly Park	Gran Canaria		469		Hotasa
Beverly Playa	Mallorca		433		Hotasa
Hotel AB Skipper	Barcelona	72,500,000	241	300,000	Axa Reim

Europe Values - Values have likely hit bottom in 2009





Europe Debt - Significant amount of loans set to mature



Investor Demand

Stronger

- Western Europe
- Gateway markets
- Urban
- Leases/Unencumbered

Weaker

- Eastern Europe
- Secondary/Tertiary markets
- Resort
- Management contracts

Current Challenges – and some Solutions

Challenges

Solutions

Revenues

- Weak Corporate/MICE demand
 - Rate wars
- Market to alternative segments
 - Package deals, not deep discounting

Expenses

- Achieving 'Balanced' cost-cutting
- Substantial savings often possible

CapEx

- Lack of cash to fund improvements
- Do not defer necessary CapEx
 - Alternative funding may be possible

Current Challenges – and some Solutions

Challenges

Solutions

Management

- Effectiveness in the downturn
- Brand Standard encumbrance

- Critically review
- Step up asset management
- Be a tough owner

Values

- Big falls in value

- Recovery will come

Saleability

- Is it achievable in the current climate?

- Investor demand is increasing
- Stapled finance greatly assists

Outlook

- Flow of funds into mainstream commercial real estate is positive
- Reversal of RevPAR trend is needed; expected during 2010
- Transaction activity will rise in 2010
- Buyers will increase
- Some distressed selling but not large scale
- Some assets/companies will require major capital restructuring