

Top 10 thoughts for the hospitality industry



Top 10 thoughts



1 Credit crunch: capital waiting on the sidelines

The credit crunch, which began in the US in mid-2007, has gradually turned into a global economic crisis. While the US and many European governments are considering alternative restructuring options for their financial systems, the hospitality industry is being significantly impacted by the economic slowdown and lack of capital.

The scarcity of capital has frozen the transaction market and is delaying new lodging supply. Many lenders are waiting on the sidelines or extending loans only to high-quality, cash-flowing properties in strong markets, albeit at comparatively higher interest rates, stricter loan covenants, lower loan-to-value ratios and increased debt-service coverage ratios relative to the financing terms of the real estate boom between 2004 and 2007. As an example, some lenders' interest rates for mezzanine loans are as high as 20.0%. The majority of private equity and sovereign wealth funds, which were once viewed as alternative sources of capital, are waiting for further declines in asset prices or are investing domestically in debt instruments rather than buying assets.

Given the reduction in liquidity in the market, revised downward RevPAR expectations, a virtually non-existent transaction market and the perceived risk premium, there is a wide gap between sellers' and buyers' expectations. This difference has resulted in fewer assets changing hands in the

short-term. Hotel values are anticipated to erode as capitalization rates increase, with public real estate investment trust (REIT) stocks possibly indicating what lies ahead for devaluation in the private sector. If fundamentals continue to deteriorate, many highly levered hotels could find it difficult to meet their debt service obligations, resulting in some lenders facing the risk of balloon defaults on construction and interim loans. Currently, some lenders are extending a "blanket" moratorium on real estate loans to financially troubled borrowers.

It is difficult to predict when the financial markets will rebound, although the

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potential settling of the first commercial real estate bankruptcy cases through the first half of 2009 may provide a good indication of bottom pricing. However, what appears certain is that cash-rich opportunistic investors will be hunting for hotel deals at discounted or distressed prices as late buyers during the previous lodging cycle, who may no longer have the wherewithal to hold onto their assets, may be forced to sell or inject additional equity from third-party

investors. According to Ernst & Young and Globest.Com's 'Reality Check Survey' of nearly 3,000 companies concerning the credit crisis, conducted in October 2008, "almost 60.0% of the investors polled are defining themselves as net buyers to take advantage of fire-sale prices of commercial real estate." In this new ownership cycle, private equity and institutional investors - sovereign wealth and endowment funds - along with traditional commercial banks are likely to be the prime sources of capital for hotel investors following the collapse of the majority of large investment banks. Numerous private equity firms

have raised an estimated 400 billion dollars for distressed debt investments, which will most likely encounter a new era of stringent underwriting standards requiring thorough financial due diligence with the assistance of independent subject matter experts and trusted advisors.

2

Enterprise excellence: focus on cost containment and the bottom line

As market conditions weaken, hotel owners and operators are concentrating on improving efficiencies, productivity and cost savings in both capital and operating costs at the corporate and property level. Owners are increasingly concentrating on overhead cost reduction, asset utilization yields, operations, construction-cost efficiencies and limited capital improvements. Branding has also become a major focus for hotel owners and operators, resulting in increased marketing and procurement effectiveness, particularly among brand conglomerates that leverage their extensive network of owned and/or managed (or franchised) properties.


Increasing the efficiency and integration of the corporate office structure is essential to controlling expenses. Aligning the corporate accounting department with property-level accounting can eliminate the chance of duplicating efforts. Technology has come to the forefront, with companies using document management and other management systems. Additionally, business functions, such as legal, purchasing and accounts payable, are increasingly being outsourced to third parties.

Efficiency can be improved by allowing the owner and operator to work more closely together, effectively bridging the gap between the two parties. Value can be added by thinking about revenue management, driving ancillary revenue in areas such as audio/visual, parking

and leasing, redeveloping existing space, repositioning to better serve the market and analyzing property-level budgets and forecasts. The relaxation of certain brand standards is also anticipated, with a strong emphasis on flexible service levels to support each hotel operation in consideration of local market demands.

As a result of the uncertain economic conditions and the decrease in demand forecast for the next year, owners are acting quickly to increase profitability at the asset level. Current labor agreements limit the opportunities to reduce payroll costs, so owners will require more creative measures to reduce operational expenses. Some of the areas in which they are achieving the most return on their investment are implementing energy efficiency programs, outsourcing business functions and monitoring capital expenditures. Growth in asset management services and operational advisory is expected in 2009 as hotel owners approach asset managers to align hotel operations with the current stage of the investment cycle. More and more often, management companies are seeking independent reviews that shed light on industry best practices from both an asset management and corporate management strategy perspective.





3 Technology: leveraging brand name and the internet

As the industry enters a period of economic slowdown, both branded and independent hotels will be utilizing the most up-to-date technology to capture reservations directly through their own distribution channels. At the same time, hotel owners have begun to acknowledge the impact of third-party, web-based distribution channels.

The wealth of information available to consumers makes it easier for them to research prospective hotels before booking. According to the *2008 National Leisure Travel Monitor*, which summarizes a survey of 2,100 US leisure travelers, among leisure travelers who have used internet travel or hotel websites to make a hotel reservation, approximately three-quarters have booked a hotel or resort online – a significantly higher proportion than noted in 2007.¹ As a result, independent hotels may have a greater opportunity to capture their share of the online market; their performance will be the true test of the equalizing power of the web during this downturn. In this regard, moving forward, so-called search engines such as Sidestep and Kayak may streamline the relationship between hotels and potential guests since these channels operate on advertisement-based models that eliminate the need for the commission-based models of third-party wholesale travel websites.

Consumers are also using word-of-mouth recommendations to make travel decisions. Such recommendations are circulating in a virtual medium, through

the use of blogs, social networking sites and travel websites like TripAdvisor, Yapta, Travel Muse and Concierge. The user-generated content is important to travelers and has a strong influence on booking decisions. Before booking a hotel stay, potential guests use these online sources to research what others have to say about their stay, in terms of both the level of service and the accommodations. According to a Google study, 33.0% of travel website readers changed their travel plans based on these reviews. Hotel owners are therefore implementing strategies to manage their online reputations and, ultimately, maintain their brand integrity.

At this turbulent time for the hotel industry, companies are leveraging their brand names and technology to differentiate themselves. Brand presence in the virtual space will likely become an increasingly important decision-making factor for hotel owners when selecting lodging operators for their projects.

¹ 2008 *National Leisure Travel Monitor*, The Ypartnership/Yankelovich, Inc.

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Hospitality mixed-use: subject to adjustment

In the past, many hotel development sites were developed by underwriting projects with residential components supported by the then-burgeoning residential market. However, with investors' market confidence waning and credit conditions tightening, there was a shift from this trend as several hotel and condominium mixed-use developments were put on hold at the end of 2008. In the current economic environment, the emerging limited-service "lifestyle" brands may offer alternatives aligned with developments containing office and rental apartments, which better suit the changing market fundamentals. Limited-service lifestyle brands are expected to be more prevalent in the next two to three years due to their offering a less-costly hotel product alternative.

Recently, hotels have received growing attention as an instrument of urban redevelopment since they provide 24-hour activity to an area in conjunction with residential and commercial uses, particularly retail. Moreover, a hotel's opening celebrations and marketing campaigns can increase a district's exposure to the media, as was demonstrated by the L.A. Live and Dallas Victory developments, both anchored by hotels. A hotel component adds multiple benefits, providing the strength of its brand to the other components, as well as providing support amenities. Revenue streams benefit as the hotel caters to users of all asset types, and some costs, such as common area maintenance,

can be shared across components. Similarly, hotels can play significant roles in the redevelopment or restoration of a landmark.

In resort developments, frequently supported by second-home residential sales as well as hotel and recreational component revenue, second-home condominium sales have declined. This has resulted in the reworking of facilities programming. In order to identify market-supported uses, the various second-home alternative uses (such as condominium-hotels, fractionals and timeshares) should be matched separately to market fundamentals and then combined to model shared revenues and expenses. For many developments, the condominium-hotel component will be scaled back because of the structure's

meetings. Fractional ownership has a mixed outlook: it could be a trendsetter, given the value proposition of limited versus whole ownership, though high-priced fractions may see a weakening as both developers and buyers have difficulty in obtaining financing. Similarly, at its lower price point, timeshare product may be attractive to buyers. But the continued debt securitization challenges of developers may decrease the attractiveness of financing packages offered to end-users and therefore reduce timeshare's inclusion in mixed-use developments in the short term.

Given the current economic conditions, 2009 is anticipated to be a challenging year for residential sales, which may cause a reconfiguration of mixed-use developments currently in the planning

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legal and operating challenges. This strategy was integrated into the St. Regis Bal Harbour, where condominium-hotel units amount to 16.0% of total guestroom inventory, providing a cash injection for the development while giving the hotel operator a dedicated inventory for booking groups and

process. Projects that better align uses or phase developments with current market fundamentals, however, may provide developers with previously unconsidered options.

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Financing: planning loan restructuring and modifications in a structured finance setting

According to the Mortgage Bankers Association (MBA), US\$16 billion of loans pooled into commercial mortgage-backed securities (CMBS) has matured in 2008 and another US\$19 billion will in 2009.² The market to refinance them, however, has essentially been eliminated, bringing concerns as to how these loans will be repaid. Given the current economic conditions, a significant number of loan modifications are anticipated in 2009.

Historically, most loan originators were balance-sheet lenders, which resulted in the alignment of expectations and interests of the special servicers and loan originators. As a result of CMBS and the introduction of AAA bondholders, junior bondholders, B-note holders and mezzanine lenders, however, special servicers are faced with the difficult, if not impossible, task of satisfying the desires of all interested parties when deciding how to proceed with loan modification. The special servicers' main responsibility is to manage loans in accordance with the servicing standard, "which requires administration and servicing of loans without giving preference or deference to other serviced loans, and with a view of ensuring timely loan payments and otherwise maximizing recovery amounts to bondholders taken as a collective whole."³

Due to the various positions in the priority of payments, some bondholders may be risk-averse while other bondholders (in a different position) may prefer a loan restructuring that



entails increased risk. Therefore, one party may prefer the special servicer to liquidate the asset while another party may prefer the special servicer to lower the interest rate or extend the term, all of which are options the special servicer has access to. However, special servicers are faced with an illiquid market – which may make foreclosure liquidations less feasible – as well as weak commercial real estate (CRE) fundamentals – which may mitigate the effectiveness of providing temporary relief to the borrower in the form of a lower interest rate or an increased amortization period.

Given the decreasing occupancy levels, decelerating average daily rate (ADR) growth and growing number of mortgage delinquencies in the CRE market, special servicers are likely to have a significant role in the future of the CRE market. Therefore, a complete understanding of the role of servicers with regard to the investor's specific position is considered to be a requisite for success during these turbulent times.

2 Rob Noeldechen, "Time for a Workout," *Global Real Estate Newsline*, Spring 2008.

3 Andrew Day, "Servicing With a Smile," *Morgan Stanley Global CMBS*, 17 November 2008.

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Globalization and decoupling: growth beyond the current economic cycle

During the past decade, one of the most prominent international economic developments has been globalization. However, more recently, and as turmoil has erupted in many financial markets, the term “decoupling” has come to the fore, referring to divergences in economic performance among regions. Although it has become clear that no region or industry is completely immune to the present financial crisis, it is anticipated that regions that have recently achieved above-average growth, such as Asia-Pacific, the Middle East and North Africa (MENA) and Latin America, may also exhibit stronger lodging fundamentals during the current slowdown. In particular, countries with large and rapidly growing domestic economies and population, combined with a relative scarcity of quality hotel inventory, present the best opportunities for hotel developers. This is evidenced by the development pipelines of major international hotel operators in these regions.

With three of the four fastest-growing destinations in the world, Asia-Pacific remains the international hotspot for global hotel developers. As of September 2008, Intercontinental Hotel Group (IHG) had 177 new properties in the regional pipeline⁴ while Marriott International has plans to open 75 properties by 2012.⁵ International operators are focusing their expansion primarily on upscale brands

in the hope of capturing demand from a growing wealthy domestic base and international, brand-sensitive travelers whereas local brands (and a few international players through joint venture agreements) are expected to stay focused on the budget segment catering to a growing middle-class base.⁶

In MENA, the increasing demand and lack of supply in recent years, especially in the United Arab Emirates (UAE), have captured the attention of many international hotel brands. Pending a recovery in global tourism, IHG views the next few years as an era of growth and diversification,⁷ mainly in the UAE and Saudi Arabia, with a sustained focus on the company’s mid-scale Holiday Inn and Express brands. Marriott had 23 properties in the pipeline across the Middle East as of December 2008,⁸ and Hilton Hotels had a development pipeline of 17 properties across MENA.⁹ While the region has an established, traditional four- and five-star market, the branded budget market may present stronger opportunities, as may Islamic or Sharia-compliant hotels tailoring their services to Muslim visitors. Local brands that apply no-alcohol policies and respond to this regional trend include Shaza, Tamani and Flora.

Operators and investors see similar prospects for Latin America. Mid-scale,

business-oriented products are the fastest growing and the most needed as regional businesses join the global economy. Demand for mid-scale products can be seen in Courtyard by Marriott’s strong growth over the past five years,¹⁰ as well as Hilton Hotels’ expansion plans around its Hilton Garden Inn and Hampton Inn brands.¹¹ Brazil is anticipated to be the main focus of expansion given its growing economy and exposure to the international travel market. Mexico and Central America are expected to continue to grow their stock of business-oriented hotels and mixed-use hotel communities, benefitting from their proximity to the US, baby-boomer demographics and a growing younger middle-class.

However well the tourism sector has held up in 2008, forecasts suggest that the situation will deteriorate over the next six to nine months.¹² This will provide challenges, but could also provide opportunities across geographies for lodging developments and increased competition among tourism destinations to tap into an increasingly diversified traveler base. Based on the strong growth of regional travel and an expanding middle-class population, markets such as China, India, Vietnam and Brazil are anticipated to be at the forefront of future growth.

4 IHG in Asia Pacific, Intercontinental Hotel Group, 30 September 2008.

5 Dominic Whiting, “Smiles turn to frowns as hoteliers face downturn”. Reuters. 17 October 2008.

6 Jason Leow, “Hoteliers Look to China – A Bright Spot Remains as Travel Business Wanes in Some Places,” *The Wall Street Journal*, 17 October 2008.

7 Tom Rowntree, Vice President, Sales & Marketing, Middle East & Africa, Intercontinental Hotel Group.

8 Nina Varghese, “Dubai hotels report 85% occupancy rate,” 30 December 2008, www.zaywa.com accessed on 16 January 2008.

9 “Hilton launches innovative Middle East incentive program for conference and events bookers,” www.zaywa.com, accessed on 4 November 2008.

10 “The Latin American hotel sector – A dormant giant,” *Meridia Capital*, March 2008.

11 “Hilton Hotels Corporation Announces Major Expansion Plans to Quadruple its Caribbean and Latin America Portfolio,” *Business Wire*, 8 September 2008.

12 “UNTWO Sees Negative Growth for Tourism in 2009”, World Tourism Organization, 2 December 2008.

7

Green building: going mainstream

Now a niche trend within the hotel industry, the recent green movement can be explained by the concerted efforts of various players, including governments, hotel companies, developers and investors, who realize the benefits of building green developments. Governments are requiring federal agencies to occupy green buildings and mandating that their employees travel green. Governments are also creating green tourism campaigns and environmental certifications for local hospitality businesses while offering tax credits and capital allowances for energy-saving equipment and privately constructed green buildings. Furthermore, some governments are requiring reduced carbon emissions and are poised to penalize buildings with large carbon footprints, putting yet greater emphasis on both green renovations and new development.

Initially created for office buildings, LEED (Leadership in Energy and Environmental Design) building certification has gained prominence across real estate commercial uses, including 415 hotel projects that have achieved or registered for certification. Originally predominant in high-end, mixed-use hotel projects, LEED certification can now be found in projects across price points and product types. The United States Green Building Council and the American Hotel and Lodging Association are planning to release a dedicated certification for hotel projects in late 2009, which may help ease concerns among certain developers regarding

the applicability of LEED standards to hospitality projects. However, the creation of green standards for day-to-day hotel operations is still lacking, providing an opportunistic scenario for lodging companies to market themselves as being green without adopting green practices holistically throughout their organizations.

Hotel companies are designing new brand features that are aligned with the perceived growing demand for green products. New brands offer a whole suite of environmentally friendly hotel services although current market conditions are likely to slow down their introduction into the hotel industry. These new brands offer not only hotels with LEED-certified design, but green services, such as organic meals and eco-friendly shuttle service to and from airports by hybrid cars. These hotels aim to minimize energy use and waste by providing amenities such as shampoo and soap dispensers rather than bottles that create excess trash, as well as by recycling water and eliminating packaging.

In the finance arena, professionals have developed various investment vehicles specifically for green real estate. Private investors can now invest in green real estate funds, such as JP Morgan's US\$500 million Green Urban Renaissance Fund.¹³ Developers of LEED- or Energy Star-certified projects can participate in green lending programs and receive longer payback periods, higher loan-to-value ratios or preferred review terms, in comparison to the terms they would normally receive on financing of non-



green buildings.¹⁴ To support these innovations in green real estate finance, in October 2008, the Green Building Finance Consortium released the Sustainable Property Due Diligence Process, aimed at developing valuation and underwriting frameworks to project more accurately the financial returns from green properties.¹⁵ Furthermore, the Clinton Climate Initiative is lending US\$5 billion to renovate existing structures to energy-efficient standards.

As green programs mature, energy efficiency becomes the norm and consumers of hospitality services demand more green products, companies that successfully integrate environmentally friendly practices across all their business activities should have a higher potential to achieve an even greater competitive advantage.

13 Leanne Tobias, "Green Real Estate Finance Going Mainstream," *Urban Land Green*, Spring 2008.

14 Ibid.

15 Green Building Finance Consortium, <http://www.greenbuildingfc.com/Home/Announcements.aspx>, accessed on 23 October 2008.

8

Fair value: what does it mean?

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 157 (FAS 157), Fair Value Measurements, which establishes a framework for measuring and disclosing the fair value of assets (and liabilities) under US Generally Accepted Accounting Principles (GAAP).¹⁶ FAS 157 does not expand the use of fair value in GAAP, but instead provides a single definition of fair value to increase consistency, comparability and transparency of fair value measurements. As the credit crisis continues to grow and real estate declines affect other asset classes (with hotels and retail likely to be significantly affected), the principles of FAS 157 will play an increasingly important role in hotel valuation.

Although the FASB had previously defined fair value and concluded that it was relevant to users of financial statements, there was limited guidance in applying the concept of fair value for financial reporting purposes. FAS 157 clarifies that fair value is an exit price – that is, the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. FAS 157 does not prescribe the use of any one valuation method. While in some cases, a single valuation technique will be appropriate, multiple valuation techniques (e.g., sales comparison, income and/or cost approaches) may be appropriate in other cases. The valuation technique(s) to be used should be consistent with those that market participants would use in

determining fair value in a hypothetical sale at the measurement date. However, FAS 157 does include specific guidance on the inputs to be utilized within a valuation technique(s), providing that a fair value measurement should maximize the use of observable inputs and minimize the use of unobservable inputs. This will likely require additional documentation and support as to the inputs and methodology used in arriving at the fair value estimate. In addition, FAS 157 requires additional disclosures regarding the use of fair value measurements including information to enable users to assess the inputs used to develop these measurements. Revisiting the process used to measure fair value and documenting the fair value estimates is anticipated to be extensive for owners this year. This process is likely to be even more challenging in the current market due to the decrease in observable inputs on which to base fair value estimates. With limited transactions taking place, capturing such inputs as applicable comparable sales, appropriate market capitalization rates and relevant market revenue and expense change rates, can be difficult. Those limited transactions that are occurring may not be representative of fair value, as they may not be at arm's length or, in certain instances, may represent "distressed sales," but obtaining the evidence to demonstrate that fact can be challenging.

Given the lack of observable inputs, the application of the FAS 157 definition of fair value as an "exit

price" will require a greater degree of judgment from management as to appropriate valuation assumptions based on historical experience and future anticipated performance. In order to ensure that fair value measurements hold up to scrutiny, owners may look to utilize third-party professionals. However, the use of third-party specialists does not alleviate management's ultimate responsibility for the fair value measurements (and related disclosures) reported in the entity's financial statements. As such, management will need to understand and appropriately challenge the assumptions and process used by third-party professionals. In situations where relevant observable data does not exist, management may need to use internal assumptions about future cash flows and required rates of return. However, these assumptions need to be consistent with assumptions market participants would use to price the asset in a current transaction.

The clarifications made by the FASB regarding the concepts of a fair value measurement may result in changes to certain existing practices. In addition, the effort to appropriately support, document, and disclose various input assumptions is likely to be substantial, particularly with increasing impairments. In the current environment investors are requiring additional clarity on fair value measurements, thereby increasing the importance of transparent disclosures.

¹⁶ "Original Pronouncements (As Amended): Statement of Financial Accounting Standards No. 157: Fair Value Measurements," Financial Accounting Standards Board, Issued September 2006, p. 2.

9

Alternative vacation products: value isn't everything

During economic slowdowns, Americans have traditionally continued to travel for vacation though their trips typically become shorter, closer to home or less expensive. In this context, the value proposition of alternative lodging options, such as timeshare and cruise products, becomes increasingly attractive for leisure travelers due to their all-inclusive nature, the ability to lock in pricing and overall lower costs for packages. However, the current economic crisis appears to be affecting these sectors in a more severe manner than in previous periods of distress (e.g., post-9/11), when they earned the "recession-proof" label.

Timeshare is marketed and sold as a prepaid vacation, generally in one-week increments. It is thus perceived as an alternative to lodging accommodations, rather than a competitor of other forms of second-home ownership, due to its lower price point. The ability to lock in the cost of future vacations makes it appealing to many budget-conscious travelers, which may help explain the interval sales increases following 9/11. While the prepurchase aspect of timeshare has historically protected the industry from volatile fluctuations in pricing, the influx of highly discounted resale inventory, as well as the impact of other resort products (such as fractional ownership) may negatively impact price and the absorption of newly constructed inventory. In addition, developers are facing growing difficulty in securitizing



the loans provided to timeshare buyers, historically a significant source of interest arbitrage income. This is likely to reduce the ability to provide attractive terms for approximately 40.0% of developers in the industry offering financing to complete purchases.¹⁷

Cruises have also traditionally maintained robust demand levels during times of economic insecurity. All-inclusive cruises allow vacationers to book packaged deals and thus maintain control of travel budgets. Cruise lines were able to pass fuel price increases (upwards of 75.0% year-over-year for some companies¹⁸) on to consumers through fuel surcharges to post profit increases through the third quarter of 2008. However, the landscape may be less benign looking forward, as the strengthening US dollar and falling fuel prices are not anticipated to provide sufficient cushion to offset increased competition from new cruise ship supply as well as anticipated declines in new bookings.¹⁹ To counter the lower revenues that are forecast, shorter and more affordable routes requiring low-cost or no air travel at all are anticipated from ports of call. Cruise lines such as Carnival and Celebrity, for example, are foregoing their Mediterranean and Australian itineraries, respectively, while increasing operations from their Miami and Baltimore homeports.

Together with all-inclusive resorts, prepurchased timeshares and all-inclusive cruises should become increasingly attractive for vacationers in 2009, due to their high value proposition. However, supply-side risks will require thorough understanding of industry and local market fundamentals among investors in these asset classes.

17 2007 Annual Fractional Interest Report, NorthCourse, 8th edition, 2007.

18 "Carnival PLC – 3rd Quarter Results," PR Newswire, 18 September 2008.

19 "Royal Caribbean's Third Quarter Profit Raises 4 Percent," Associated Press, 28 October 2008.

10

Obama's stimulus package: impact on the lodging industry

President Barack Obama has announced a significant economic stimulus plan intended to create jobs, implement tax breaks for businesses, improve infrastructure and stabilize the economy. Similar to the US\$168 billion stimulus package passed in February 2008 that emphasized tax rebates, President Obama's package, which totals US\$825 billion, features US\$275 billion in tax relief for businesses and individuals, investments in alternative energy initiatives, infrastructure (although not as much as anticipated) and aid to state governments.²⁰ A key component of the proposed plan is to create or preserve approximately three to four million jobs through 2011,²¹ as the unemployment rate increased to 7.2% in December 2008, the highest level in approximately 16 years. Further, according to President Obama, unemployment could reach "double digits" without government action.

The proposed economic stimulus plan is anticipated to have positive short-term and long-term impacts on the US lodging industry, as the industry would benefit from increased consumer spending and corporate profits as well as improved transportation infrastructure and access. The plan aims to offset decreases in consumer spending by creating jobs and increasing disposable income, and would likely increase corporate sales and profits, particularly in the

construction and manufacturing sectors. Infrastructure investments will have a positive impact on the US lodging industry, as improvements made to the nation's transportation infrastructure would improve access to major tourist destinations and stimulate additional domestic/international travel over the long term.



20 Naftali Bendavid, Elizabeth Williamson and Sudeep Reddy, "Stimulus Package Unveiled," *The Wall Street Journal*, 19 January 2009.

21 Peter Nicholas, "Obama Expands Size of Stimulus Plan," *The Los Angeles Times*, 20 December 2008.



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