



**A DECLINING PIPELINE POINTS TO A FUTURE CYCLE OF PROFITABILITY FOR HOTEL OPERATORS**

Further declines have brought Construction Pipeline counts to a new cyclical low of 2,951 projects/354,100 rooms in Q1 2011. With 426 projects/54,530 rooms, just 14% of total Pipeline projects and 15% of rooms, Under Construction totals have fallen to lows not seen since the 1990's. Conversely, Early Planning counts have been growing since Q4 2009. Hotels that are larger and have longer timelines are being planned today for when construction financing becomes more accessible.

With fewer projects Under Construction, the rate of New Hotel Openings has slowed. Just 72 hotels/9,051 rooms came online as new supply in Q1 2011, marking the first time in the current cycle that quarterly New Openings have fallen below 100 hotels and 10,000 rooms. LE has decreased its Forecast for New Hotel Openings slightly, with just 408 hotels/44,035 rooms now expected to open in 2011, and 424 hotels/45,834 rooms, representing supply growth of between 0.7%-0.9% each year.

In Q1 2011, there were only 211 New Project Announcements, with a total of 28,641 rooms. Since their pre-recession peak in 2007, the number of NPAs has been insufficient to offset New Hotel Openings and the cyclically high Cancellations and Postponements that came in the wake of the credit crisis. The decline in NPAs is expected to continue. As a result, Pipeline totals will drift lower and, in turn, New Hotel Openings will set new cyclical lows through the middle of the decade.

With lower levels of new supply ahead, hotel operators will see a very promising scenario develop going forward. Thus far, lodging demand has yet to pick up to desired levels, and operating metrics (occupancy, average room rates and RevPAR) have only improved modestly. When the overall economy gains greater momentum and consumer spending bounces back more fully, demand will recover at a faster pace. Room rates, and thus profitability, will then accelerate forward, especially as there will be no supply headwinds to overcome. Demand growth is the key to industry-wide improvement.

**Construction Pipeline by Project Stage - Year over Year**

Stage	Q1 2011		Q1 2010		% Variance	
	Projs	Rms	Projs	Rms	Projs	Rms
Under Construction	426	54,530	673	80,153	-37%	-32%
Start Next 12 Mths	962	106,989	1,377	141,811	-30%	-25%
Early Planning	1,563	192,581	1,344	174,733	16%	10%
<b>Total Pipeline</b>	<b>2,951</b>	<b>354,100</b>	<b>3,394</b>	<b>396,697</b>	<b>-13%</b>	<b>-11%</b>

representing supply growth of between 0.7%-0.9% each year, and 424 hotels/45,834 rooms, representing supply growth of between 0.7%-0.9% each year.

**LE's Forecast for New Hotel Openings**

	Hotels	Rooms
2012 (f)	424	45,834
2011 (f)	408	44,035
2010	644	71,826
2009	1,316	147,498
2008	1,341	154,258

**NOTABLE PIPELINE DEVELOPMENTS & NEW HOTEL OPENINGS**

- Developed by Indiana-based White Lodging Services, the world's largest JW Marriott opened in Indianapolis in February, bringing an additional 1,005 rooms to the Marriott Place hotel complex connected to the Indianapolis Convention Center. The new hotel joins four other Marriott properties already at the site, including Marriott Indianapolis Downtown, Courtyard, SpringHill Suites, and Fairfield Inn and Suites, for a grand total of 2,200 guestrooms at Marriott Place.
- In March, Chatwal Hotels & Resorts opened its second Dream Hotel in the US in South Beach, Miami, transforming two Art Deco icons, the Tudor Hotel and the Palmer House, into a fashion-forward boutique hotel with 108 rooms and suites. The company is scheduled to open its third US location and its second in New York City, the 316-room Dream Downtown, in June 2011. On a related note, Chatwal Hotels & Resorts entered into an agreement this January with Wyndham Hotel Group gaining exclusive rights to franchise and manage Chatwal's Dream® and Night® boutique hotel brands globally.
- Also scheduled to open in June is the TRYP by Wyndham in New York City. The 173-room hotel is Wyndham's first North America TRYP location since acquiring the brand from Spanish hotel company Sol Melia in 2010.
- The 200-room Ritz-Carlton in Napa, CA is active again, with construction scheduled to start in the next 12 months and opening in early 2014.
- Construction restarted last quarter on the Four Seasons project in Baltimore. The 256-room luxury hotel is now expected to open in Q4 2011.
- The Revel Entertainment Group raised \$1.5 billion dollars in additional funding to complete its halted 3,900-room Revel Casino project in Atlantic City. Construction had initially begun in 2007, but was halted by the credit crisis. The project was nearly 50% completed when it stalled in 2009. Construction has resumed, with opening slated for mid-2012.
- Construction began on the 210-room Park Hyatt project on West 57th Street in New York City, across from Carnegie Hall. The hotel, which will be the brand's flagship property in the US, is part of a 90-story tower that will also feature luxury condominiums, retail space and restaurants.

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All summaries provide a comprehensive view of development activity to analyze trends and assess growth rates, with project and room counts for: New Hotel Openings for the previous two years; current supply counts for Open and Operating Hotels (Census); the Construction Pipeline for each of the three construction stages; and LE's three-year Forecast for New Hotel Openings.

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<p><input type="checkbox"/> <b>Contact Names for Owners &amp; Management of Open &amp; Operating Hotels (Census)</b></p>	<p><b>Individual Hotel Records include:</b></p> <p><b>Comprehensive Contact Information</b></p> <ul style="list-style-type: none"> <li>• Name, address, phone and fax numbers for the Owner, Management Group and Hotel</li> <li>• Property details are included</li> </ul> <p><b>Customized Sorts</b> for your exacting specifications</p> <ul style="list-style-type: none"> <li>• By particular market, brand, chain scale or hotel size</li> </ul>	<p><b>Investigate opportunities for:</b> <i>Acquisition, investment or adding to your asset management portfolio</i></p> <p><b>Ideal for those executives involved in:</b> <i>Acquisitions, Business Development, Asset Management, Strategic Planning, M&amp;A and Direct Mail or Telemarketing Programs</i></p>
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