

# Europe: H1 2008 Lodging Pipeline Report

Construction Pipeline & Three-Year Forecast for New Hotel Openings



## Pipeline Highlights at Q2

• Europe's Total Construction Pipeline is at 1,022 projects/172,249 rooms at the end of Q2. Key Development Metrics indicate the economic slowdown and tight lending environment are eroding developer sentiment, meaning that the Pipeline has likely reached peak levels for the cycle and will be in decline moving forward.

• At the front end of the Pipeline, Under Construction totals have risen steadily for the last six quarters and appear to be at their zenith at 574 projects/94,994 rooms. These projects acquired financing before the global credit crisis crested and are expected to come online as New Hotel Openings through early 2010.

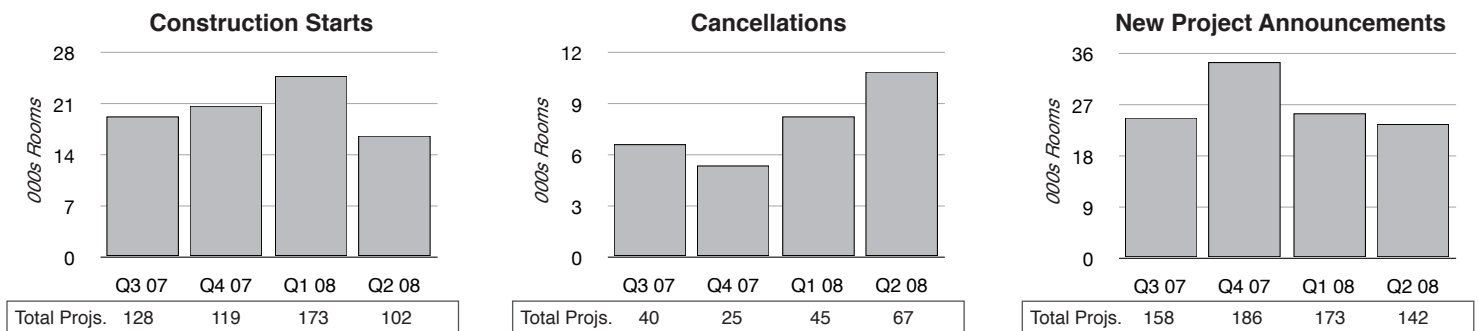
• Projects Scheduled to Start Construction in the Next 12 Months have risen to 228 projects/39,164 rooms, but are likely to stall as the availability of financing and lending terms stiffen. Early Planning declined to 220 projects/38,091 rooms, reflecting a drop in New Project Announcements into the Pipeline.

Construction Pipeline Totals	Q2 2008		Q1 2008		Variance QoQ	
	Total Projs	Total Rms	Total Projs	Total Rms	Projs	Rms
Under Construction	574	94,994	583	94,969	-9	25
Scheduled Starts Next 12 Mos	228	39,164	206	36,682	22	2,482
Early Planning	220	38,091	243	41,391	-23	-3,300
<b>Total Pipeline</b>	<b>1,022</b>	<b>172,249</b>	<b>1,032</b>	<b>173,042</b>	<b>-10</b>	<b>-793</b>

## Pipeline Overview

At 1,022 projects/172,249 rooms in Q2, Europe's Total Construction Pipeline is in a topping-out formation. Approximately 56% of total projects are already Under Construction and are certain to open. Those projects in the Pipeline that are not yet Under Construction are finding it increasingly difficult to obtain financing and/or are facing rigorous lending terms. Thus, projects already in Scheduled Starts and Early Planning are expected to continue to idle, while developers wait for lending to recover.

The troubled lending environment and resulting economic slowdown has developer sentiment waning, as seen in Key Development Metrics. Construction Starts reached their lowest level in the last 5 quarters, with Q2 at 102 projects/16,588 rooms. Down 41% from Q1's peak, this underscores the stalling of projects already in the Pipeline in their migration towards construction. Cancellations of projects already in the Pipeline, at 67 projects/10,851 rooms, have accelerated in the last two quarters, rising 49% from Q1. Cancellations will likely continue to increase. New Project Announcements into the Pipeline, down nearly 25% from Q4 2007's peak to 142 projects/23,711 rooms, are expected to fall further. This will cause declines in the Total Pipeline, signaling the beginning of a new cycle.



## LE's Three-Year Forecast for New Hotel Openings

New Hotel Openings surged in Q2 with 84 new hotels/12,561 rooms added to Current Supply. The Pipeline is now set to unfold at an increasing rate, with New Hotel Openings to accelerate from now through 2010. LE's 2008 Forecast for New Hotel Openings calls for 294 new hotels/41,927 rooms to open. LE has revised its Forecast for 2009 slightly lower to 359 new hotels/53,245 rooms. In its first Europe Forecast for 2010, LE is calling for 265 new hotels/53,402 rooms to open. LE's Forecasts for New Hotel Openings are based on current Pipeline totals and development trends as of the end of Q2 2008. The Forecast does not account for any unforeseen changes in economic or lodging operation fundamentals that would alter these trends going forward.

To learn more about LE's Reports for Europe or other markets, countries or regions worldwide, please complete the attached fax response form. Lodging Econometrics (LE) specializes in:

### Development Pipeline Reports - Summaries & Individual Project Records

With Three-Year Forecasts for New Hotel Openings for every country and market

### Contact Names for Owners & Management of Open & Operating Hotels (Census)

Essential for companies inquiring about acquisitions or adding to their asset management portfolio

### Valuation Trend Summaries & Individual Sales Comp Records

Ideal for analyzing historic valuation trends and monitoring current hotel real estate transactions



# Lodging Real Estate Reports - Europe

Development Pipeline Reports, Contact Names for Owners & Management, Valuation Trends & Individual Sales Comps



*LE, the Global Authority for Hotel Real Estate, is the lodging industry's most comprehensive information source for Development, Forecasts for New Hotel Openings and Contact Names for Owners & Management - worldwide.*

In today's changing environment, Lodging Econometrics (LE) has the information you need, whether you're concerned about New Supply in particular markets, identifying acquisition or asset management opportunities, or assessing hotel real estate valuations and trends.

If you would like more information about LE's Development Pipeline and Contact Names for Ownership and Management Reports for any market in Europe, for any country in the region, for the region as a whole, or for any other country worldwide, **please place a check next to the LE products of interest to you.** Our sales representatives will then forward samples for your consideration.

Real Estate Reports	Features	Applications
<input type="checkbox"/> <b>Development Pipeline Reports</b> <input type="checkbox"/> <b>For any particular market</b> Such as London, Moscow, Madrid, Berlin, Lisbon, etc.  <input type="checkbox"/> <b>For any country</b> Including the United Kingdom, Spain, Germany, Italy, Russia  <input type="checkbox"/> <b>For the Europe region</b>	<b>Development Pipeline Reports</b> contain: <b>Pipeline Summaries</b> with project and guest room counts for: <ul style="list-style-type: none"> <li>• Three Development Stages and for Current Supply</li> <li>• The major companies and brands</li> <li>• By chain scale, location and hotel size</li> </ul> <b>Three-Year Forecast for New Hotel Openings</b> <ul style="list-style-type: none"> <li>• Project and guest room growth rates</li> <li>• Forecasts are revised quarterly</li> </ul> <b>Individual Project Records</b> <ul style="list-style-type: none"> <li>• All Hotel Construction, Reflaggings and Announced Renovation projects</li> <li>• New Project Announcements are added, and Cancellations are removed</li> <li>• Full developer contact information</li> <li>• Start and completion dates are updated quarterly</li> </ul>	<b>Access every lodging real estate fact you need for:</b> In-depth market analysis, future supply assessment, development decision-making, acquisition/disposition strategies, and revenue management planning  <b>An essential planning tool for:</b> Developers, Franchise Sales Teams, Acquisition/Disposition Officers, Analyst/Feasibility Groups, Operations and Sales and Marketing Executives, Revenue Managers, and Lenders
<input type="checkbox"/> <b>Contact Names for Owners &amp; Management of Open &amp; Operating Hotels (Census)</b>	<b>Individual Hotel Records</b> include: <b>Comprehensive Contact Information</b> <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> <b>Customized Sorts</b> for your exacting specifications <ul style="list-style-type: none"> <li>• By particular market, brand, chain scale or hotel size</li> </ul>	<b>Investigate opportunities for:</b> Acquisition, investment or adding to your asset management portfolio  <b>Ideal for those executives involved in:</b> Acquisitions, Business Development, Asset Management, Strategic Planning, M&A, and Direct Mail or Telemarketing Programs
<input type="checkbox"/> <b>Valuation Trend Reports</b>  <input type="checkbox"/> <b>Individual Sales Comp Records</b>	<b>A 5-Year Summary of Transaction Trends</b> with: <ul style="list-style-type: none"> <li>• Total transactions, average room count and average selling price per room</li> <li>• By brand, chain scale, region, location, and hotel size</li> </ul> <b>Comprehensive Transaction Records</b> detail: <ul style="list-style-type: none"> <li>• Selling price, room count, date of transaction, hotel letterhead, and complete contact data for buyer and seller</li> <li>• By brand, chain scale, region, location, and hotel size</li> </ul>	<b>Evaluate historic valuation trends and estimate your optimum timing for acquisition/disposition decisions with:</b> Transaction volume and selling price trends for the current lodging real estate cycle  <b>A necessity for those who must re-verify current asset values:</b> Appraisers, Asset Managers, Consultants, Acquisition/Disposition Officers, and Lenders

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