



# Global: 2009 Hotel Pipeline Report

An Executive Summary of the Construction Pipeline & Three-Year Forecast for New Hotel Openings - Worldwide



## Global Construction Pipeline Overview at Q3 2008

After peaking in Q2 2008, the Total Global Construction Pipeline decreased 6% to 10,169 projects/1,707,817 rooms. All regions reached cyclical peaks in Q208 except Canada, the Caribbean, Mexico, Central and South America, which crested earlier in Q108. All regions experienced a Quarter over Quarter (QoQ) decline in Q308. Many showed a noticeable deceleration in projects and room counts. Several factors have prompted this turnabout:

- Global economies are experiencing a serious slowdown. Some significant regions are characterized as recessionary. The slowdown is expected to continue through 2009 and perhaps into 2010.
- Operating performance drifted down from the 2007 highs throughout the first half of 2008. The decline accelerated in early summer when the impact of the economic and banking crisis became fully apparent. The failure of a number of financial institutions in mid-September and accelerating downward trends in the stock markets and bourses compounded the situation further.
- Serious cutbacks in leisure and business travel have turned guest room demand negative, causing occupancies and room rates to fall and prompting declines in RevPAR.

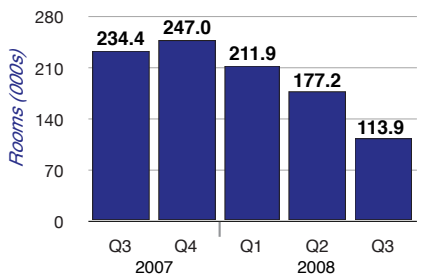
The result is that Pipeline growth has concluded for this cycle and has turned downward. Lending has been mostly unavailable throughout the year, with larger project development in major cities, financial centers and resort areas, seeing the most significant impact. Smaller to mid-size project development has also been affected but to a lesser degree, as some such projects have been able to source funding. However, loan amounts are less and terms are far more restrictive. Another factor contributing to Pipeline declines is New Hotel Openings, which will be at decade highs in 2009-10.

## Total Construction Pipeline by Quarter

Region	Q3 2008		Q2 2008		% Change Q2 to Q3	
	Projs	Rms	Projs	Rms	Projs	Rms
United States	5,652	740,272	5,883	785,547	-4%	-6%
Canada	231	29,517	245	32,499	-6%	-9%
Caribbean, Mexico & Central America	308	58,771	329	65,115	-6%	-10%
South America	332	54,734	341	56,316	-3%	-3%
Europe	952	164,577	1,022	172,249	-7%	-4%
Middle East	541	159,690	556	164,259	-3%	-3%
Africa	163	33,800	179	36,855	-9%	-8%
Asia Pacific	1,990	466,456	2,226	506,646	-11%	-8%
<b>Total Pipeline</b>	<b>10,169</b>	<b>1,707,817</b>	<b>10,781</b>	<b>1,819,486</b>	<b>-6%</b>	<b>-6%</b>

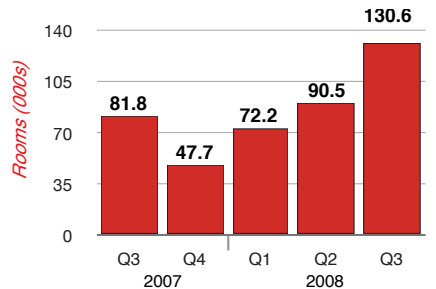
## Key Pipeline Metrics

At the end of Q3, **Construction Starts**, at 772 projects/113,947 rooms, are less than half of what they were at Q4 2007's peak. Projects are stalled in the Scheduled Starts in the Next 12 Months and Early Planning stages, as the lack of financing creates a drag on the migration up the Pipeline. Long delays are expected until the financing environment improves.



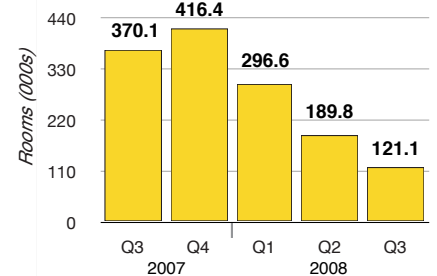
Projects	1,322	1,523	1,350	1,073	772
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Since the cyclical low in Q4 2007, **Cancellations** have doubled, with Q3 at 751 projects/130,614 rooms. For the more marginal projects already in the Pipeline, especially the larger ones, cancellations are accelerating as operating performance now joins financing and lending as major developer concerns.



Projects	360	353	420	541	751
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**New Project Announcements (NPAs)** into the Pipeline are at 843 projects/121,068 rooms in Q3 and have declined 57% by projects and 71% by rooms from Q4 2007's cyclical peak. Many developers have moved to the sidelines to wait for the economy to rebound, lending to return, and consumer confidence and business profitability to improve.



Projects	1,679	1,954	1,547	1,258	843
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## LE's Three-Year Forecast for New Hotel Openings

In Q1-Q3 2008, 2,116 hotels/296,797 rooms came online as New Supply. A further 534 hotels/63,614 rooms are anticipated in Q4. New Openings are expected to reach a cyclical high in the next two years, as projects that were able to secure financing before lending closed down, come online. LE expects 2,804 hotels/425,615 rooms to open in 2009, and a further 2,664 hotels/447,364 rooms in 2010. While at cyclical highs, New Openings should not be viewed as excessive or the result of overbuilding. They appear problematic, largely because room demand growth has trended negative, which is a rarity, and is causing room rates to decline. LE's Forecast for New Hotel Openings is based on current development trends as of the end of Q3 2008. The Forecast does not account for other unforeseen changes in economic or lodging operating fundamentals that would alter these trends going forward.

To learn more about LE's Reports for the world as a whole or for any market, country or region worldwide, please complete the attached response form. LE specializes in:

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### Competitive Set Reports - For the Development Pipeline and Open and Operating Hotels (Current Supply)

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