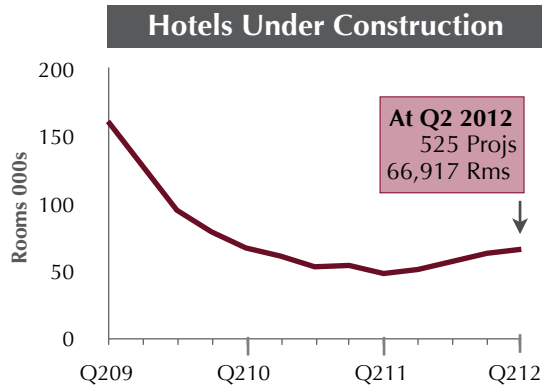




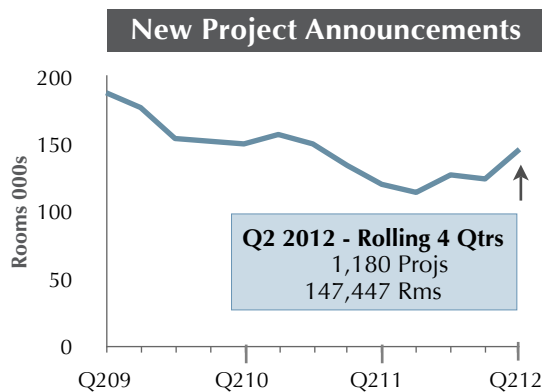
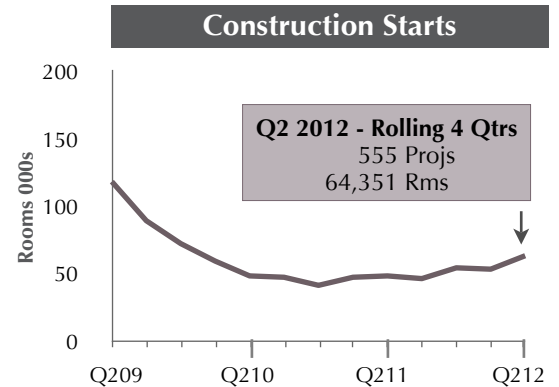
**DEVELOPMENT TRENDS ARE ON THE UPSWING!
LE'S MID-YEAR PIPELINE ANALYSIS INDICATES A NEW GROWTH CYCLE IS UNDERWAY.**

Like the slow but steady expansion in the overall economy and the improvement in Lodging Industry operating statistics, a period of moderate growth in Pipeline metrics has been underway for a while.

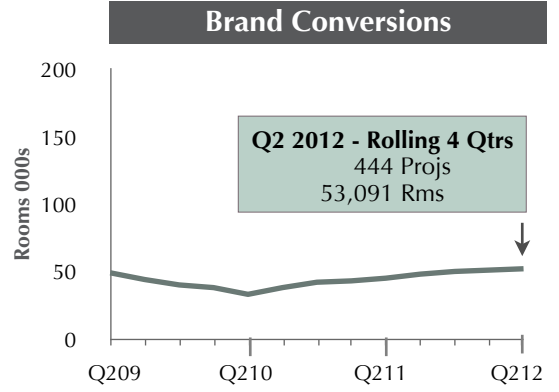
In Q2 2012, **Total Hotels Under Construction** is at 525 projects/ 66,917 rooms. Room counts are up from the bottom of 387 projects/ 49,028 rooms for the fourth consecutive quarter, signaling that the industry has entered the early stages of a new real estate growth cycle.



The annualized four-quarter trend line for **Construction Starts** at 555 projects/ 64,351 rooms is up from the bottom for the sixth consecutive quarter and is at its highest level in 10 quarters. The uptick in Construction Starts is due largely to the commencement of previously stalled projects in the pipeline while developers were awaiting evidence of a sustained operating recovery.



The most significant indicator of future Pipeline growth is **New Project Announcements (NPAs)**. At 1,180 projects/ 147,447 rooms, the annualized four-quarter trend line is up from the previous cyclical bottom for the third consecutive quarter and is at the highest level in six quarters.



Based on current construction trends, these pipeline metrics support LE's initial **Forecast for New Hotel Openings in 2014** of 446 projects/ 48,335 rooms. This is a 31% room count increase and the first substantial upturn from the bottom of 346 projects/ 37,200 rooms set in 2011.

Brand Conversions are slowly increasing. The annualized four-quarter trend line at 444 projects/ 53,091 rooms is up from the bottom for the eighth consecutive quarter and is at a 13 quarter high.

Looking Ahead

Following the bottom of a previous real estate cycle, a fundamental improvement in developer sentiment is necessary to begin a new cycle. Confidence is rekindled when developers conclude that an improving economy is not likely to fall back into recession and that lodging demand has turned around sufficiently to minimize any risk of a major reversal. These thresholds have been reached in the last two years, and the nascent beginnings of a new real estate cycle have begun to take shape.

When discussing industry growth patterns, modest and measured growth can often create impatience and frustration. For sure, recovery in the Lodging Industry has been slower than hoped for, but none-the-less, improvements are solid. LE expects that both ADR and RevPAR will exceed previous cycle highs in 2013, perhaps Occupancy too, but if not, then in 2014.

It's LE's expectation that once the election season is over the administration will be able to build a bi-partisan political consensus to ensure that job growth policies are at the top of the nation's agenda. Job growth is the key to improving consumer spending, which is necessary to trigger investment by the business community. That will spur lodging demand and move hotel development at a faster pace, well into the middle of the decade.

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This macro-overview is essential for assessing future supply growth for strategic planning and decision-making.

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- **Franchise Companies** seeking to expand their brand distribution and market share through both new construction and conversion opportunities;
- **Acquisition Directors & Business Development Officers** looking to acquire hotels and/or add asset management contracts to their portfolios;
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**Development Pipeline Reports contain:
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Three-Year Forecast for New Hotel Openings

- *Project and guest room growth rates*
- *Forecasts are revised quarterly*

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