



Atlas Hospitality Group

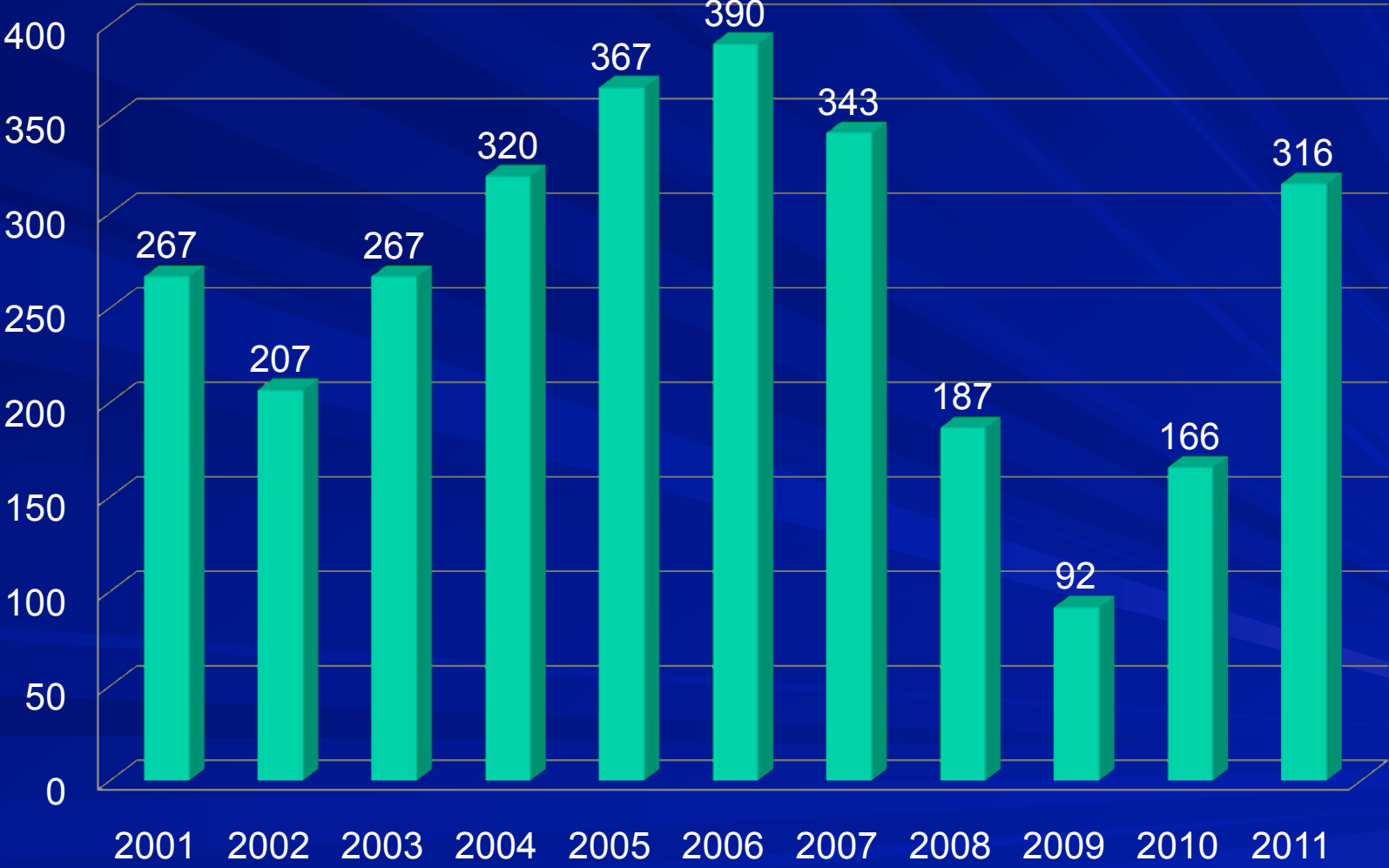
2012 Meet the Money

California Hotel Values: Where Is the Market Heading in 2012?

May 2012

Historical Sales Chart

#SALES



Historical Sales Chart

MEDIAN \$/RM



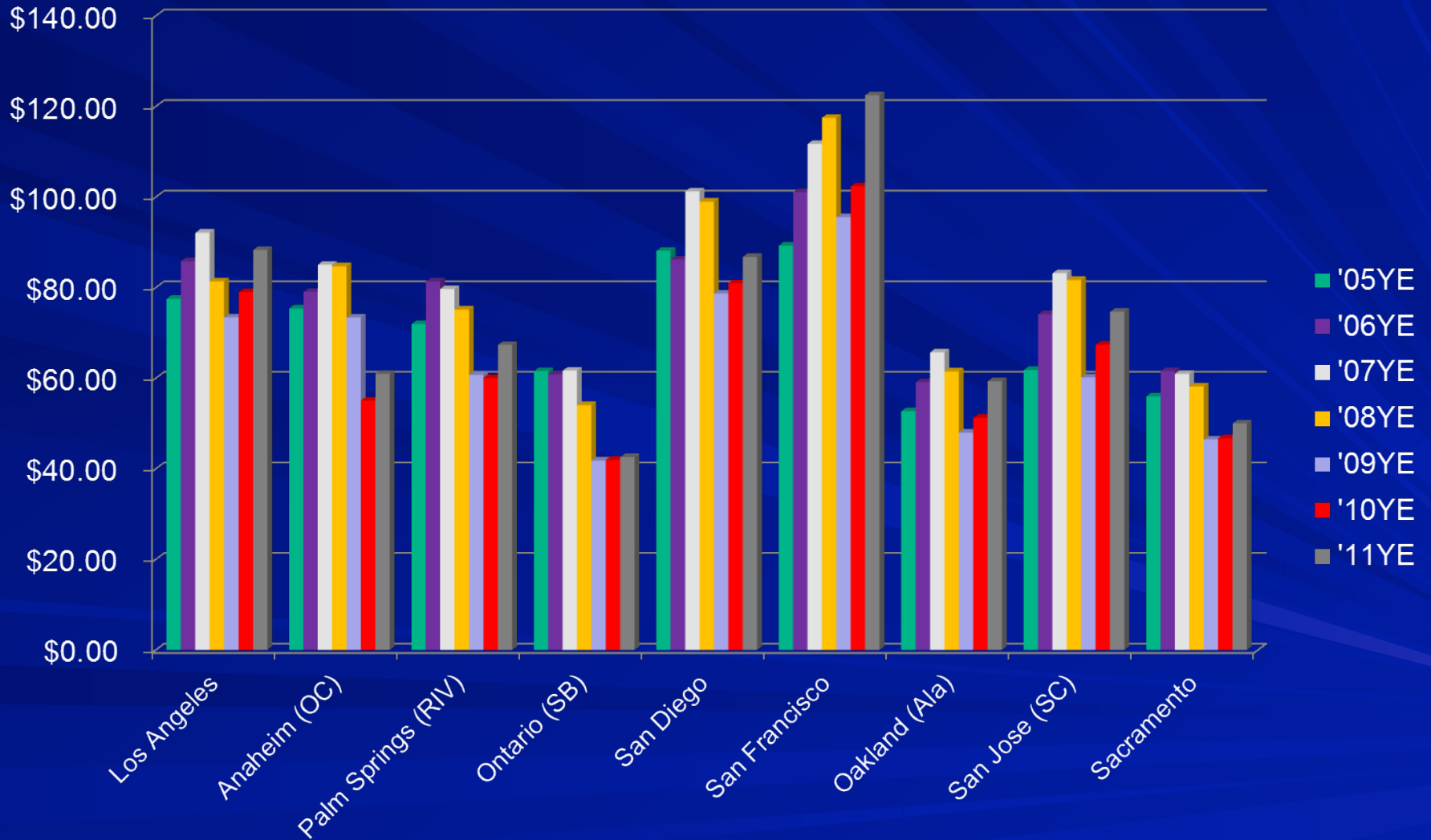
Historical Sales Chart

\$ VOL. (Mil.)



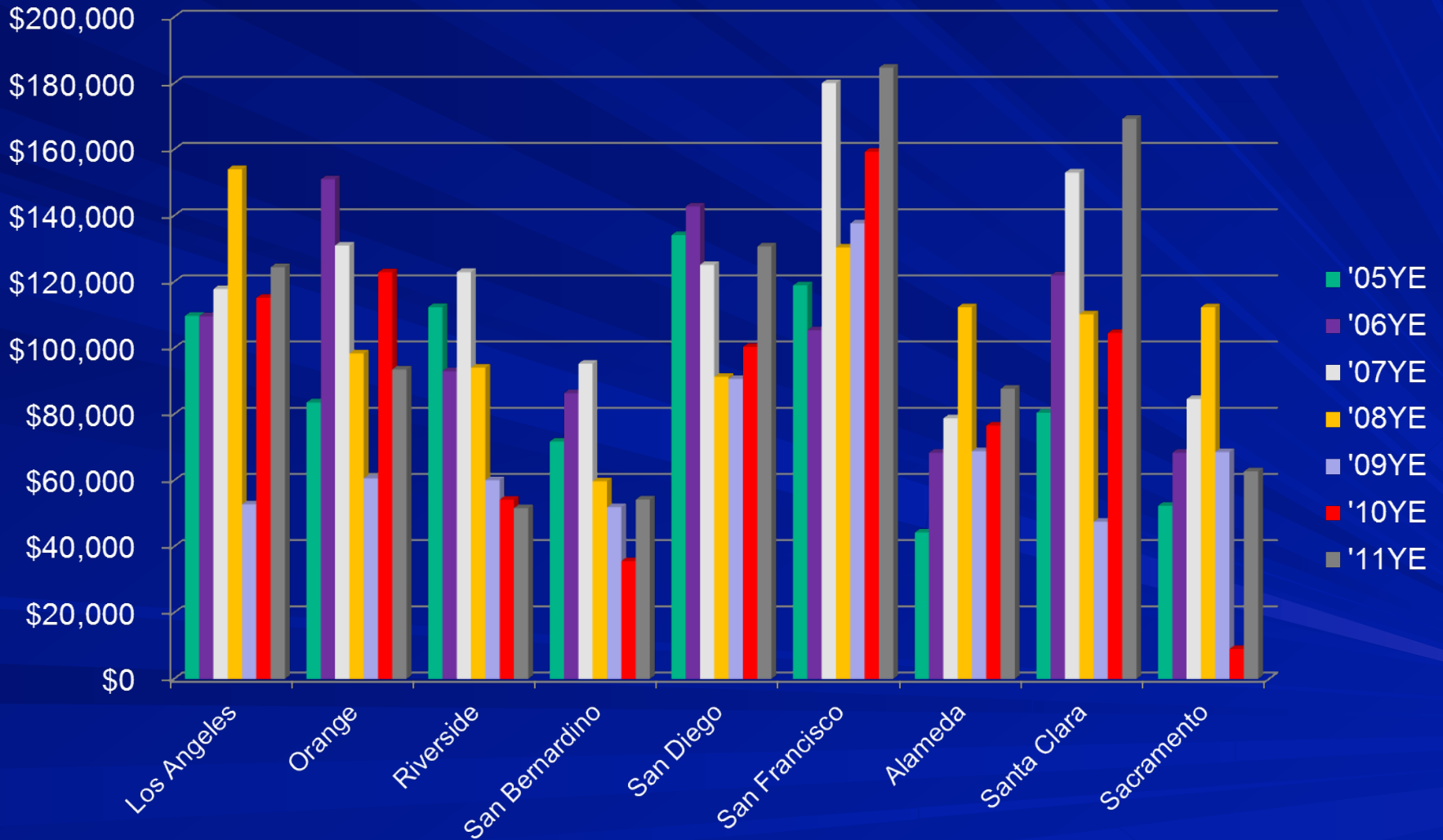
Historical Rev PAR

Source: Smith Travel Research



Historical Average Price per Room

Source: Atlas/CoStar Group



California Hotel Sales Survey Year-End 2011



Summary of California Highlights

2011 saw a new California hotel sales record. The total dollar volume of over \$5.3 billion surpassed the previous 2006 record of \$5.1 billion.

The 1,625-room Manchester Grand Hyatt in San Diego, at \$570 million, was the most expensive hotel to sell in the United States.

The highest price per room was the Mondrian Los Angeles in West Hollywood, at \$578,059 per room.

The number of hotel sales increased 90.4% to 316 in 2011, up from 166 in 2010.

The total dollar volume of sales was up 199%.

The median price per room increased 14.8%. Northern California was up 16.1% and Southern California increased 17.6%.

Riverside County had the largest median price per room decline, down 23.9%.

San Diego County experienced an over 650% increase in total dollar volume of hotel sales.

Los Angeles County

Los Angeles County saw a 78% increase in the number of individual hotel sales in 2011, from 27 to 48. The total dollar volume rose 195%.

The county's average price per room increased 8.1% and the median price per room was up 2.7%.

The largest and most expensive hotel sold in Los Angeles County was the 581-room The Beverly Hilton in Los Angeles, which sold for \$300 million.



San Diego County

San Diego County had a 180% increase, from 15 to 42, in individual transactions. The total dollar volume increased over 655%.

San Diego County's average price per room rose 30.2% and the median price per room was up 50.2%.

The largest and most expensive hotel sale was the \$570 million paid for the 1,625-room Manchester Grand Hyatt in San Diego. This was also the largest sale in the U.S.



Orange County

Individual transactions in Orange County increased 33%, from 9 to 12, but the total dollar volume dropped 49%.

The average price per room decreased 23.9%. The median price per room increased 26.4%.

The largest and most expensive hotel sale in Orange County was the \$26.25 million paid for the 255-room Holiday Inn Hotel & Suites in Anaheim.



Riverside County

Riverside County experienced a 71% increase in transactions, from 14 to 24. The total dollar volume jumped 323%.

The average price per room dropped 4.7% and the median price per room decreased 23.9%.

The most expensive sale came from the \$50.5 million paid for the 410-room Renaissance Palm Springs Hotel.



San Bernardino County

San Bernardino County had a 6% increase in sales, from 17 to 18. The total dollar volume increased 65%.

The average price per room rose 52.3% and the median price per room was up 54.5%.

The largest and most expensive hotel sold was the 200-room Residence Inn Ontario Airport for \$24.1 million.



San Francisco County

San Francisco County had a 27% increase in individual transactions in 2011, from 15 to 19. The total dollar volume was up 36%.

The county's average price per room increased 16% and the median price per room rose 37.8%.

The largest and most expensive hotel sold was the 676-room The Westin San Francisco Market Street, at \$172 million.



Sacramento County

Sacramento County had a 600% increase in transactions, from 2 to 14. The total dollar volume was up 8,222%.

The average price per room rose 594% and the median price per room was up 329%.

The largest hotel sold was the 448-room Doubletree in Sacramento. The most expensive hotel sold, at \$47 million, was the 331-room Hilton Sacramento Arden West.



Alameda County

Transactions in Alameda Clara County increased 20%, from 5 to 6. The total dollar volume was up 108%.

The average price per room rose 14.6% and the median price per room was up 77.7%.

The most expensive sale was the \$31.4 million paid for the 234-room Hyatt House in Emeryville.



Review

In reviewing our forecast from the beginning of 2011, we predicted the following:

- Sales will continue to increase. We expect to see individual hotel sales increase 10-20% or close to 200+ transactions.

The total number of sales jumped over 90% to 316.

- The median price per room will increase 5-10%.

The median price per room went up 14.8%.

- There will be continued strong buy activity on trophy hotels.

Trophy properties were the main reason for the record dollar volume of sales.

- The larger hotel purchases will be dominated by REITs.

REITs dominated the sale market, especially in the first half of 2011.

- Lenders will continue to aggressively sell hotel loans, particularly in secondary and tertiary markets.

We definitely saw lenders aggressively marketing and selling hotel loans.

Forecast

For 2012, we predict the following for the California hotel market:

- *The dollar volume of sales will decline 10-20%, as less “trophy” hotels trade.*
- *Sales transactions will remain high, but we don’t see an increase. We predict 250 to 300 sales.*
- *The median price per room will increase 10-15%.*
- *There will be fewer trophy property sales.*
- *Lender sales will continue throughout 2012, but only in secondary and tertiary markets..*

We Still Have an Overhang of Distress
Hotel Deals in California, with Close to
500 Hotels in Default and/or
Foreclosure

Atlas Hospitality Group 2011 Distressed California Hotels Survey

- ❖ 478 California hotels are in default or have been foreclosed on (down 4% from the first quarter)
- ❖ The number of hotel foreclosures is up 91% in the second quarter of 2011 over the same period in 2010. It is up 29% from the first quarter 2011.
- ❖ The number of hotels in default is down 24% from the second quarter of 2010. It is down 18% from the first quarter of 2011.
- ❖ San Bernardino County, with 28 hotels in default, continues to lead the state. Riverside County follows with 25 and Los Angeles County has 21.
- ❖ Shasta County shows the highest increase in hotels in default, up 100% from the first quarter.
- ❖ With 21 each, San Bernardino and Riverside Counties lead the state in hotel foreclosures. Los Angeles County follows with 16.

Atlas Hospitality Group 2011 Distressed California Hotels Survey

- ❖ Despite the fact that hotel foreclosures are up 91% over the second quarter of 2010, we think that the decline in notices of default shows a more accurate depiction of the current state of the California hotel market.
- ❖ California's rate and occupancy improvements are relieving pressure on both hotel owners and lenders. The rise in foreclosures can be largely attributed to lenders now having the financial reserves to be able to foreclose and sell the properties at today's market values.

Potential Value Markets

Median Price Decline from Peak	
Sacramento	68%
Riverside	47%
San Bernardino	45%
Orange	44%
Alameda	26%

Note: Los Angeles and San Francisco Counties are now at highest price per room seen in last six years

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