



Hotel Forecast

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Audit • Tax • Consulting • Financial Advisory.

Agenda

Introductions

Macro Hospitality Trends

U.S. Business Travel Trends

Opportunities/Challenges and Strategies to Consider



Macro Hospitality Trends

The world economies falter.....



- Banks in turmoil
- Credit crunch - where's the debt?
- Global deflation threat
- US\$ bounces back
- Oil price roller coaster
- Terrorist attacks continue

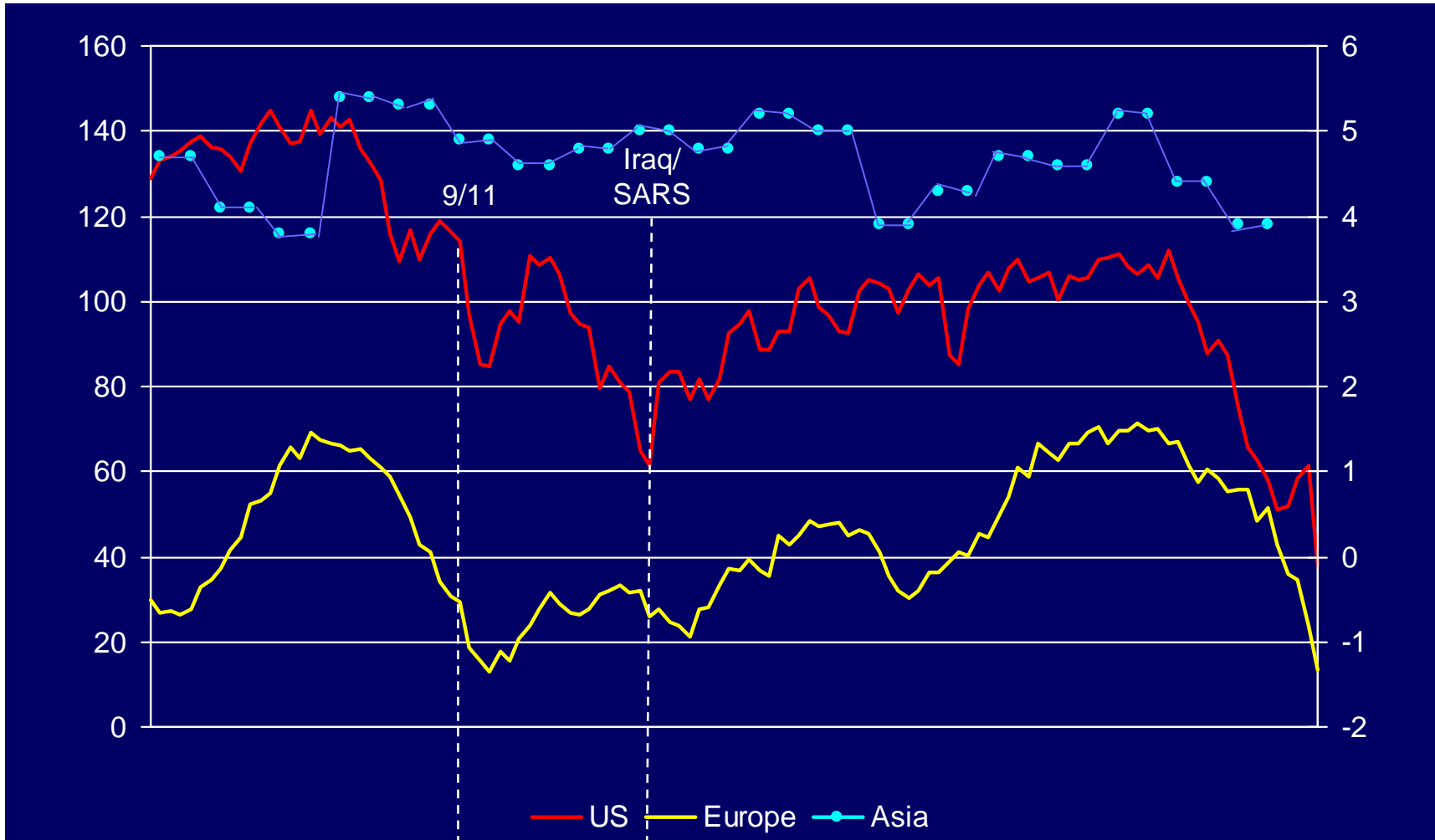
Personal and business spend on tourism

| 2008 | | | | | 2018 | | | | |
|------|---------------|-------------------------|-------------------------|----------------------|------|---------------|-------------------------|-------------------------|----------------------|
| Rank | Country | Personal Spend (US\$bn) | Business Spend (US\$bn) | Total Spend (US\$bn) | Rank | Country | Personal Spend (US\$bn) | Business Spend (US\$bn) | Total Spend (US\$bn) |
| 1 | United States | 889.5 | 190.1 | 1,079.6 | 1 | United States | 1,430.0 | 310.1 | 1,740.1 |
| 2 | Japan | 274.4 | 70.2 | 344.6 | 2 | China | 668.7 | 233.1 | 901.8 |
| 3 | UK | 208.1 | 51.1 | 259.2 | 3 | Japan | 396.0 | 101.4 | 497.4 |
| 4 | Germany | 201.8 | 62.1 | 263.9 | 4 | UK | 335.3 | 77.9 | 413.2 |
| 5 | China | 167.5 | 65.8 | 233.3 | 5 | Germany | 247.1 | 74.9 | 322 |
| 6 | France | 170.9 | 43.3 | 214.2 | 6 | France | 217.4 | 54.1 | 271.5 |
| 7 | Italy | 127.1 | 40.3 | 167.4 | 7 | Spain | 183.0 | 32.5 | 215.5 |
| 8 | Spain | 123.9 | 21.7 | 145.6 | 8 | Italy | 160.5 | 47.8 | 208.3 |
| 9 | Canada | 95.8 | 20.2 | 116 | 9 | Rus'n Fed'n | 128.2 | 31.1 | 159.3 |
| 10 | Mexico | 77.1 | 15.5 | 92.6 | 10 | Mexico | 130.1 | 28.8 | 158.9 |

Source: WTTC

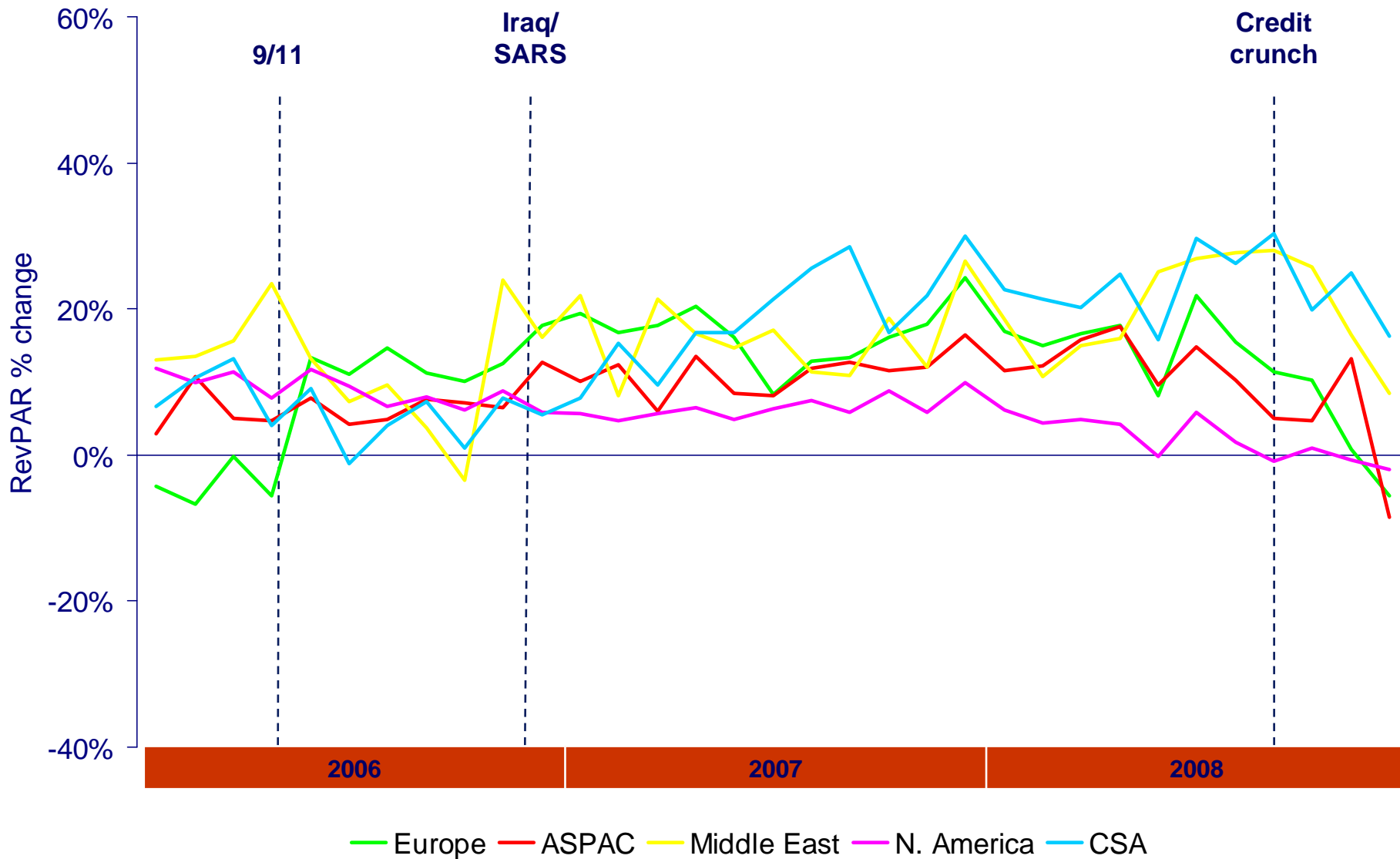


Plummeting consumer confidence



Global hotel performance

RevPAR growth heading into negative territory



Source: STR Global – strictly illustrative

Recent predictions on the hotel investment industry...

- When will the economic turn-around begin for the hotel industry?
 - First Quarter 2009: 0%
 - Second Quarter 2009: 5%
 - Third Quarter 2009: 21%
 - Fourth Quarter 2009: 27%
 - 2010 or beyond: 47%
- Does the United States federal government need to pass more economic stimulus measures to get the economy going?
 - 65% of the delegates said “Yes”
 - 35% of the delegates said “No”
- When capital starts flowing again into hotel investments – the majority will first flow into:
 - 5% of the delegates said Developments
 - 77% of the delegates said Acquisitions
 - 18% of the delegates said both Acquisitions and Developments

Source: Americas Lodging Investment Summit 2009



U.S. Business Travel Trends

Airlines – Turbulence occurring in first and business class

- “Welcome Bigwigs” campaign
- Premium (First/Business) ticket sales declined by record numbers:
 - 16.7% in January 2009
 - 13.3% in December 2008
 - 11.5% in November 2008 *
- Discounting is occurring up to 84% off on premium seats**
- What regions are feeling the hit?
 - North America: 17.6% drop
 - Asia: 24.7% drop (across the Pacific)
 - Europe: 22.2% fall (within the region)
 - Transatlantic: 14.5% decline
- Routes are beginning to vanish
 - Emirates A380 no longer flies to NYC (too large to fill!)

**The silver lining....
It's easier to upgrade than ever
before!**



Source: International Air Transport Association Wall Street Journal***

Hotels – Joined at the hip to airlines

- Continued declines in business travel are keeping hotel rooms open at night
- Worst anticipated decline since the 1930's in hotel occupancy
 - March 2009: RevPAR decline is anticipated to be **13.7%*** this year
 - Up from 9.8%* prediction that was given earlier this year
 - March 2009: 7.8%* occupancy drop
 - March 2009: 6.4%* average daily rate decline



Source: PKF Research

The recession's impact on business travel

WTTC: "Travel & Tourism investment and corporate travel are expected to be the hardest hit, with the credit crunch causing firms to scrutinize all deferrable costs."

- Business travel bookings through agencies dropped **20%** in January and February*
 - While leisure travel bookings dropped only 12%*
- February 2009, California reported 14,800 leisure and hospitality jobs were lost
 - Hotel Del Coronado, San Diego: Book one night / 2nd night 50% off

"One in every eight jobs in the United States is linked to travel and tourism, the U.S. Travel Association has found.

Meetings support 1 million jobs and provide **\$16 billion in annual tax revenue** at the federal, state and local levels.

A healthy travel industry is a **powerful stimulus** and is pivotal to economic activity and growth.

Continuing to scapegoat business travel will only hinder recovery."

J.W.Marriott Jr., chairman and chief executive of Marriot International

Corporate travel cuts

It seems that when companies have to cut costs, corporate travel is suddenly deemed unnecessary. The good news, business executives feel otherwise...

- Most business leaders do not agree with decreasing travel budgets
- **72%** believe increasing travel budgets **allow a competitive edge***
- **82%** feel travel is important for **business results***
- **81%** believe **client contact** is important in a downturn economy*
- **59%** believe **in-person contact grows businesses***
- **53%** believe **decreasing travel** gives an **advantage to their competitors***

“It’s a classic trade off between short term cost-reductions and long term value.”

During times like these, many companies will go too far, and actually cut back on the activities that would best position them to compete in the future.”

Kellogg Business School Professor Daniel Diermeier

Source: U.S. Travel Association



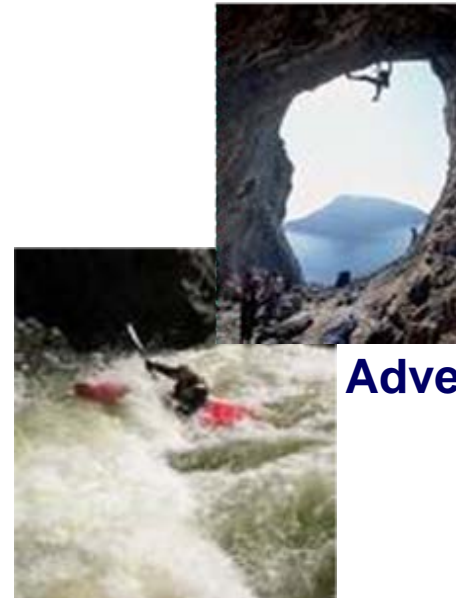
Opportunities/Challenges and Strategies to Consider

U.S. hotel performance continues to confound expectations...

Will everyone be cashing in?

Or will the market become more defined?

- Capital investment
 - time to take a fresh look
- Hotel pipeline will slow down and attrition rate will rise
- Financing
 - allow plenty of lead time
- More airlines will stall
- Customer will be more value conscious
- Foreign exchange rates
 - impact on dollar pegged economies



Adventure



Culture

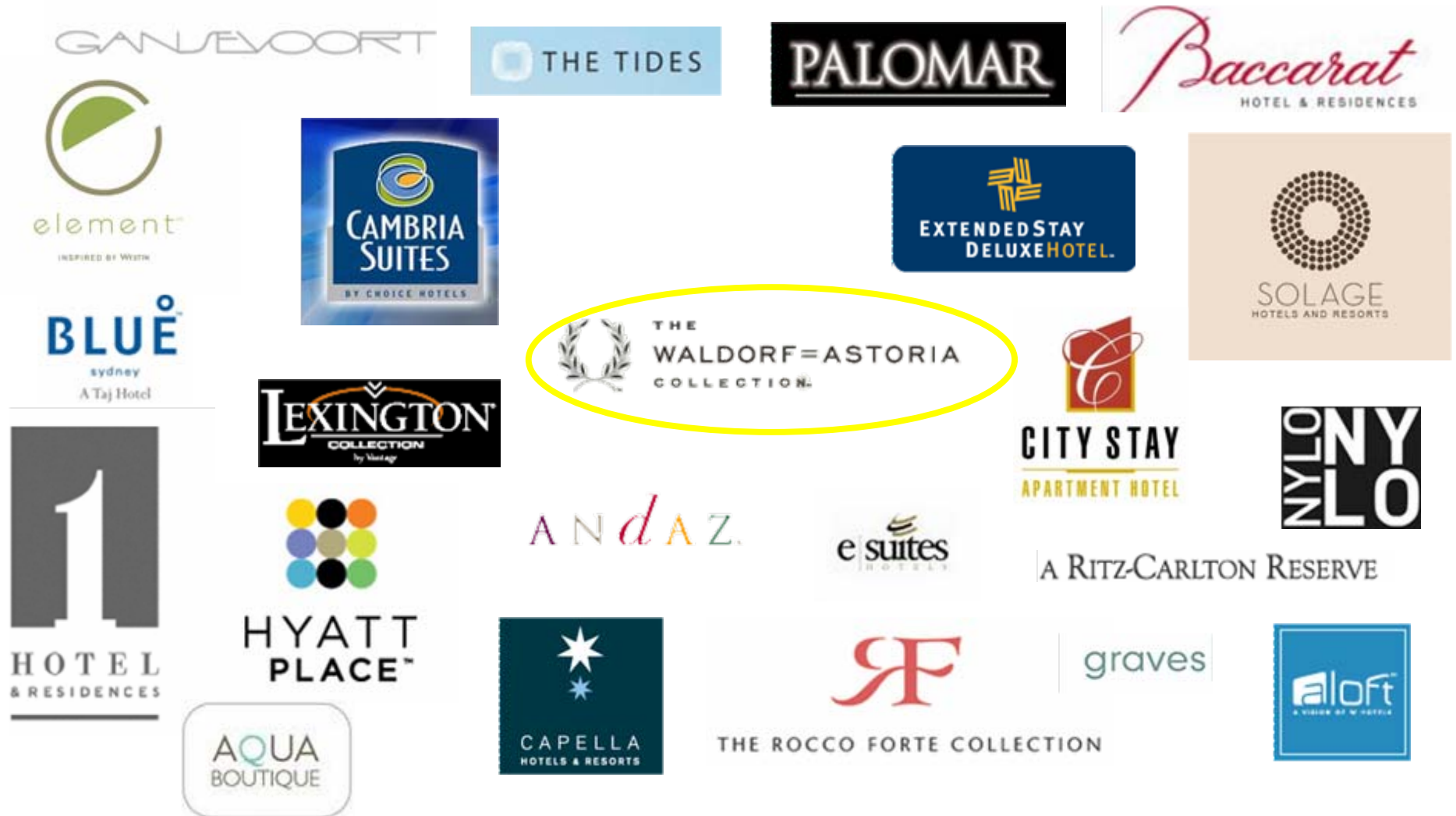


Medicine

New brands are still created in search of consumer loyalty...

Do consumers care about the brand expectations?

Or do they care more about incentives?

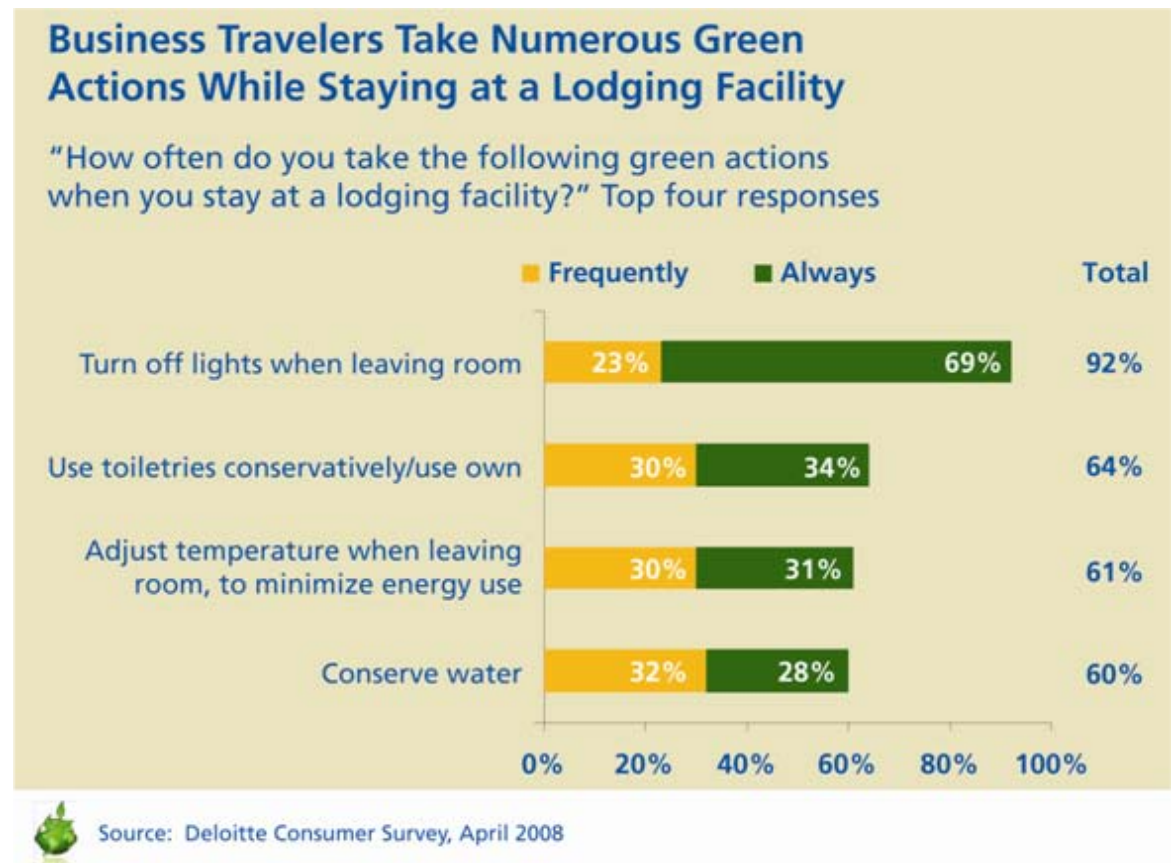


Environmental concerns are changing consumer habits...

In a bad economy, is a green agenda no longer a top priority?

Or do consumers still view it as a key to your success?

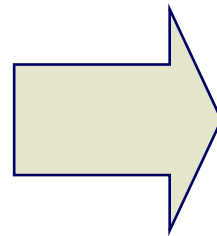
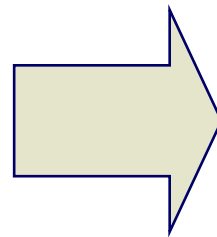
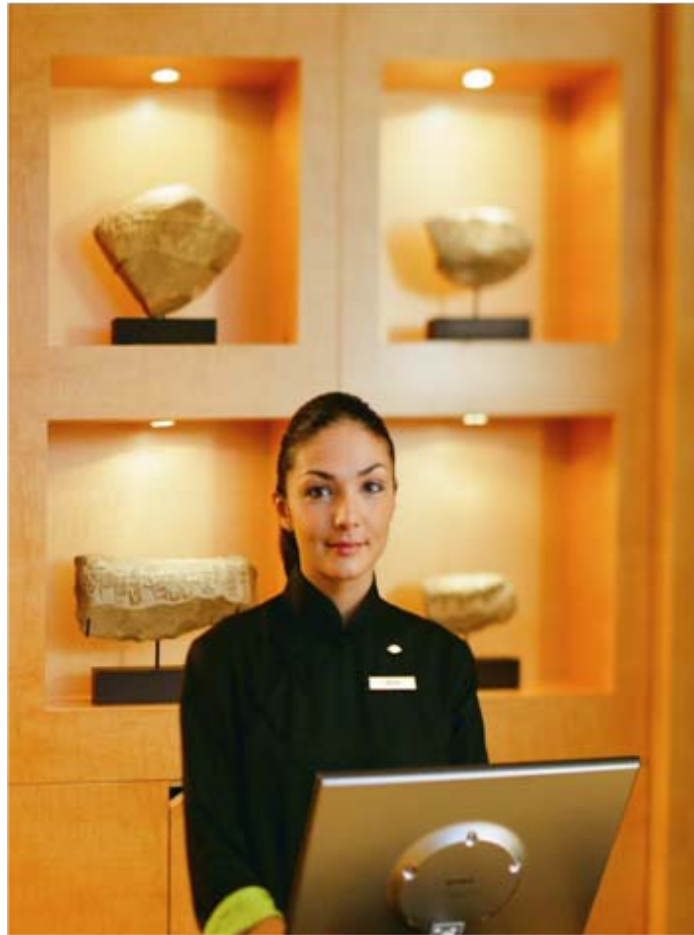
- Currently, 38% of consumers have taken steps to determine whether a hotel was green.
- Nearly 16% said, 'green concerns or issues had influenced their decision to NOT stay at a particular lodging facility.'



Staff retention is a growing cause for concern...

Can you recruit and develop the best talent?

Or will politics and your training program benefit someone else?



A penny saved is a missed opportunity

Many hospitality CFOs have set a good example by implementing operational efficiencies (such as shared services centers and consolidated general ledgers) that help reduce costs.

But many have cut corners, sometimes patching operations together with duct tape and bail wire...

Where to Invest

What to Expect

| | |
|--|--|
| <i>Talent management.....</i> | <i>More flexibility, improved capabilities</i> |
| <i>Chart of accounts.....</i> | <i>Better control over data</i> |
| <i>Performance scorecards.....</i> | <i>People refocused on doing what matters most</i> |
| <i>Business intelligence.....</i> | <i>Better insights, smarter decisions, less risk</i> |
| <i>Financial close, consolidation and reporting.....</i> | <i>Faster, smother closing</i> |
| <i>Budgeting, planning and forecasting.....</i> | <i>One dependable version of the “truth”</i> |
| <i>Finance merger integration.....</i> | <i>Day One readiness</i> |
| <i>Tax and treasury.....</i> | <i>Higher profits, better compliance</i> |
| <i>Benchmarking.....</i> | <i>A better view of relative performance</i> |



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Questions



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