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Hospitality Sales and Marketing Association

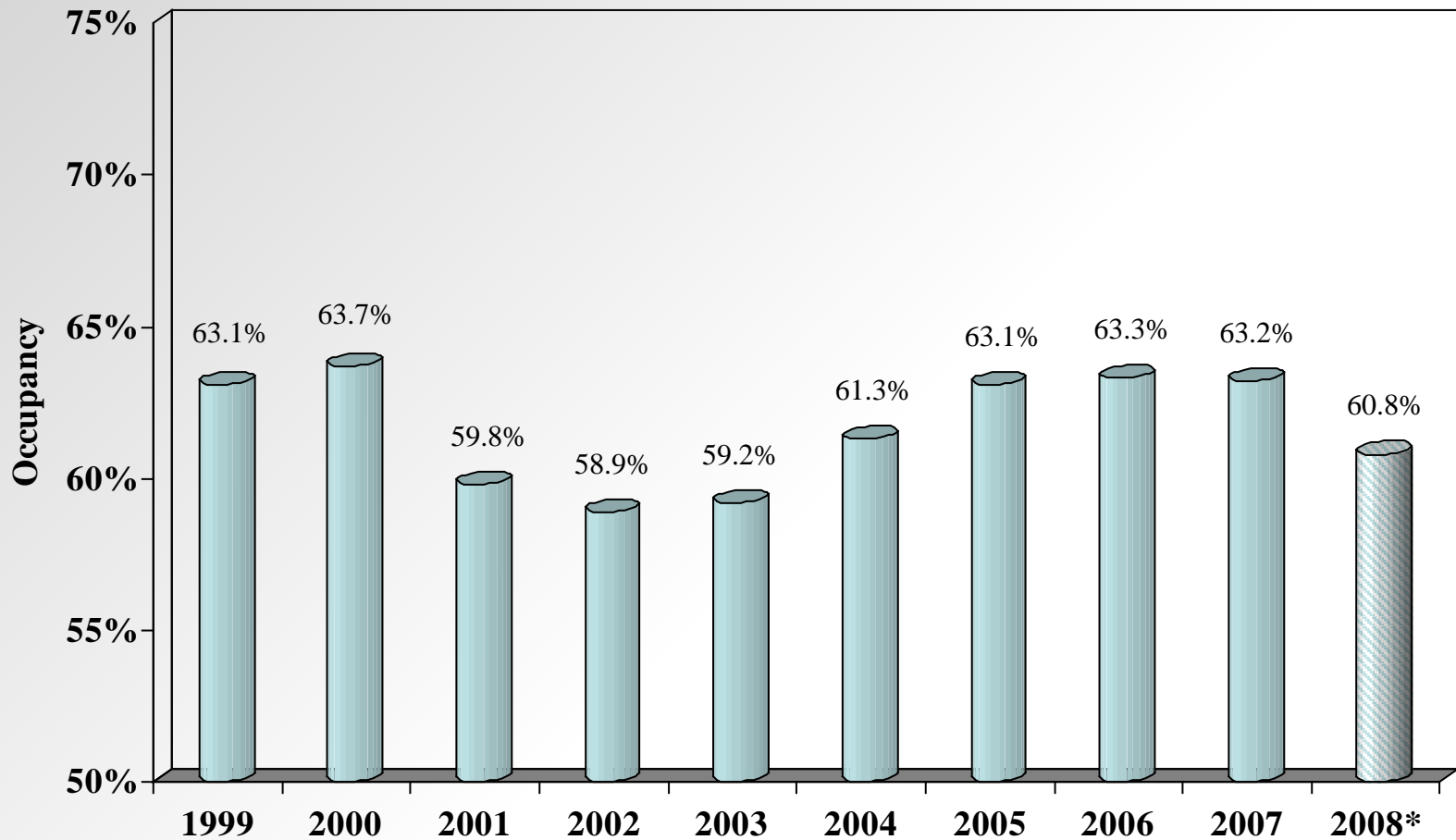
January 15, 2009
Robert A. Hayward

A faint, dotted world map is visible in the background, centered behind the text.

United States Lodging Market Overview



United States Lodging Market Historical Occupancy Performance 1999 – 2008



* Note: 2008 estimated based on year-to-date November performance.

Source: *Smith Travel Research*



United States Lodging Market Historical RevPAR Performance 1999 – 2008

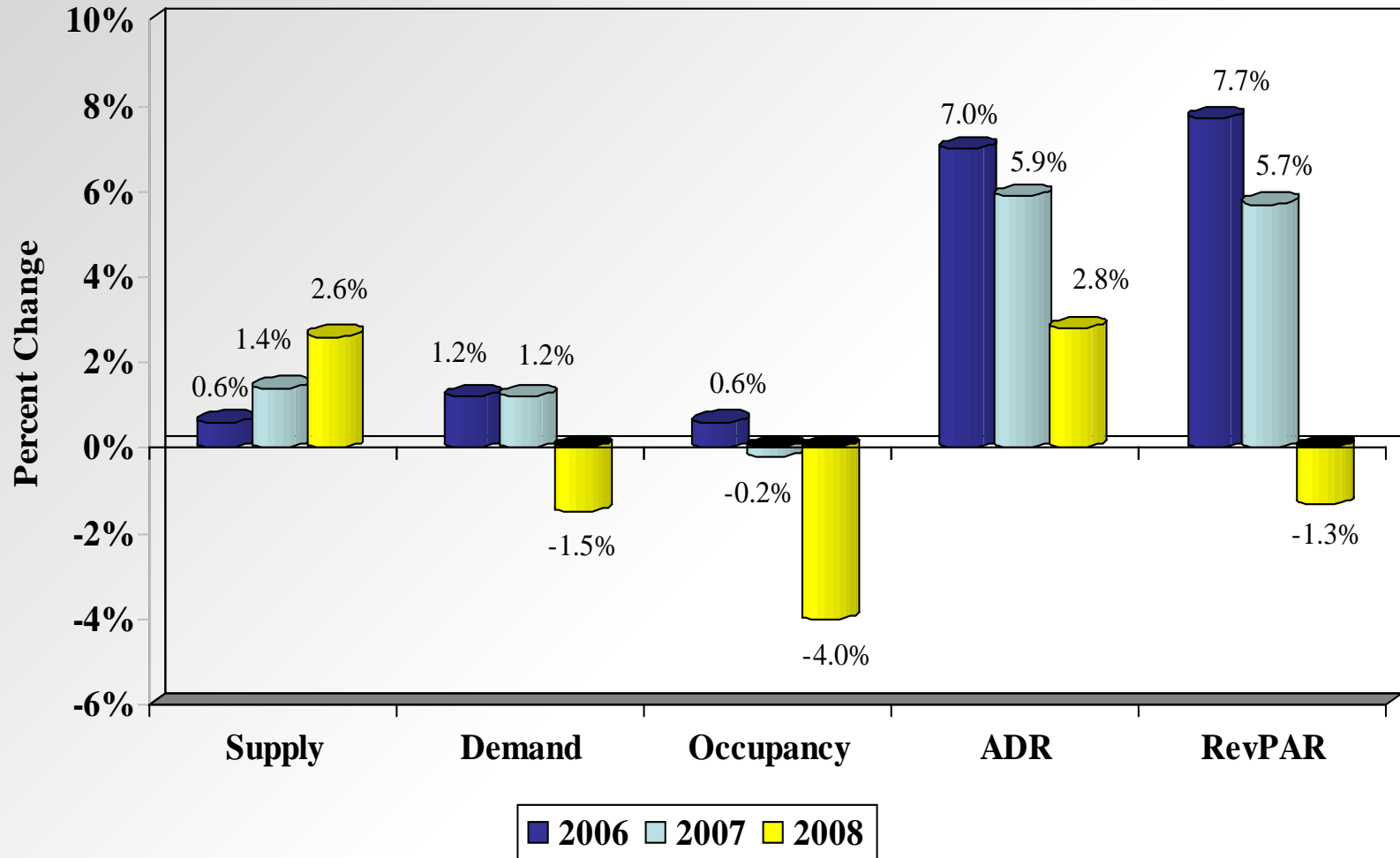


* Note: 2008 estimated based on year-to-date November performance.

Source: *Smith Travel Research*



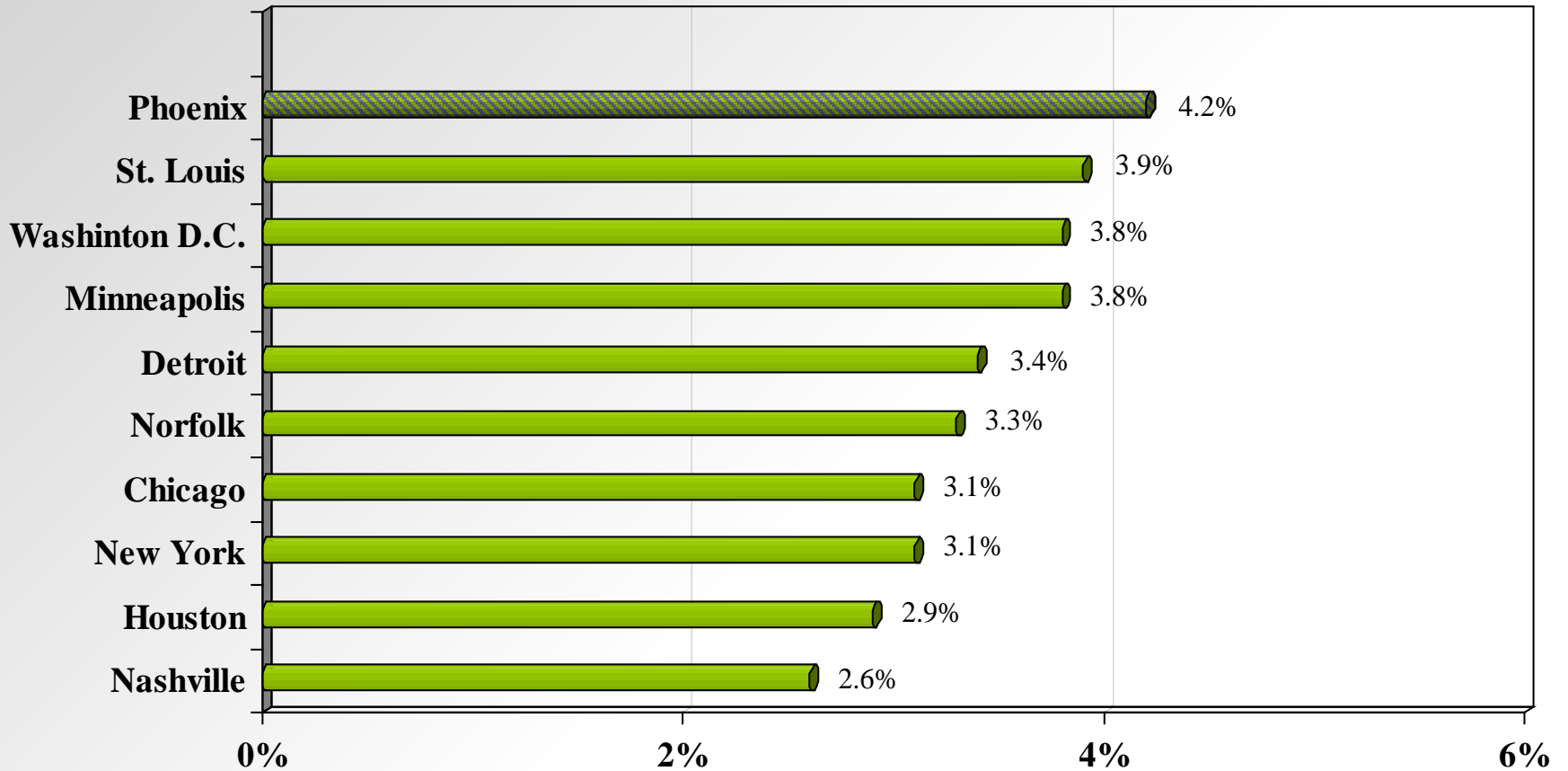
United States Lodging Market Percent Change in Key Performance Indicators



Source: *Smith Travel Research*



United States Lodging Market Top 10 Supply Growth Markets 2008

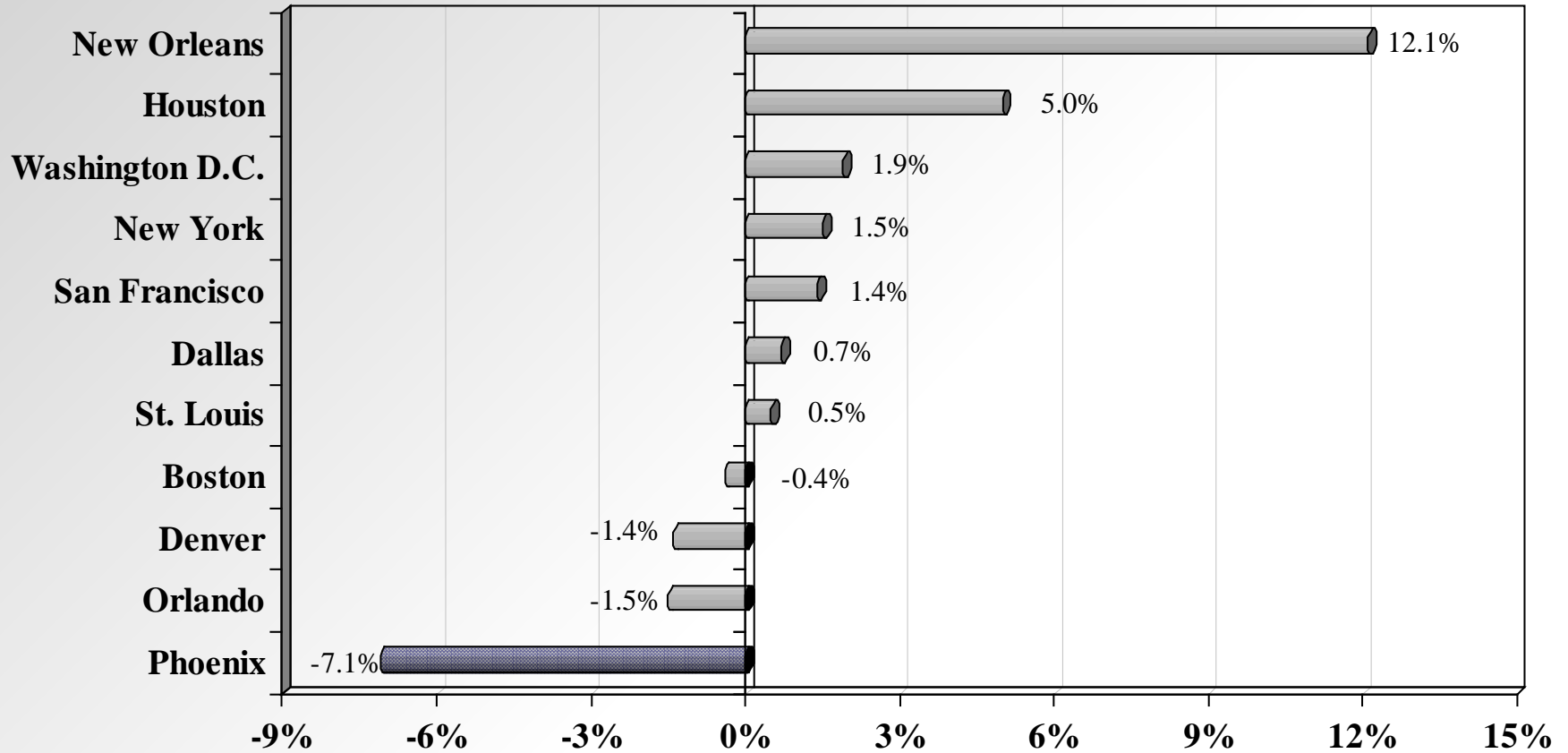


Note: Represents year-to-date November performance.

Source: *Smith Travel Research*



United States Lodging Market Market Demand Activity 2008

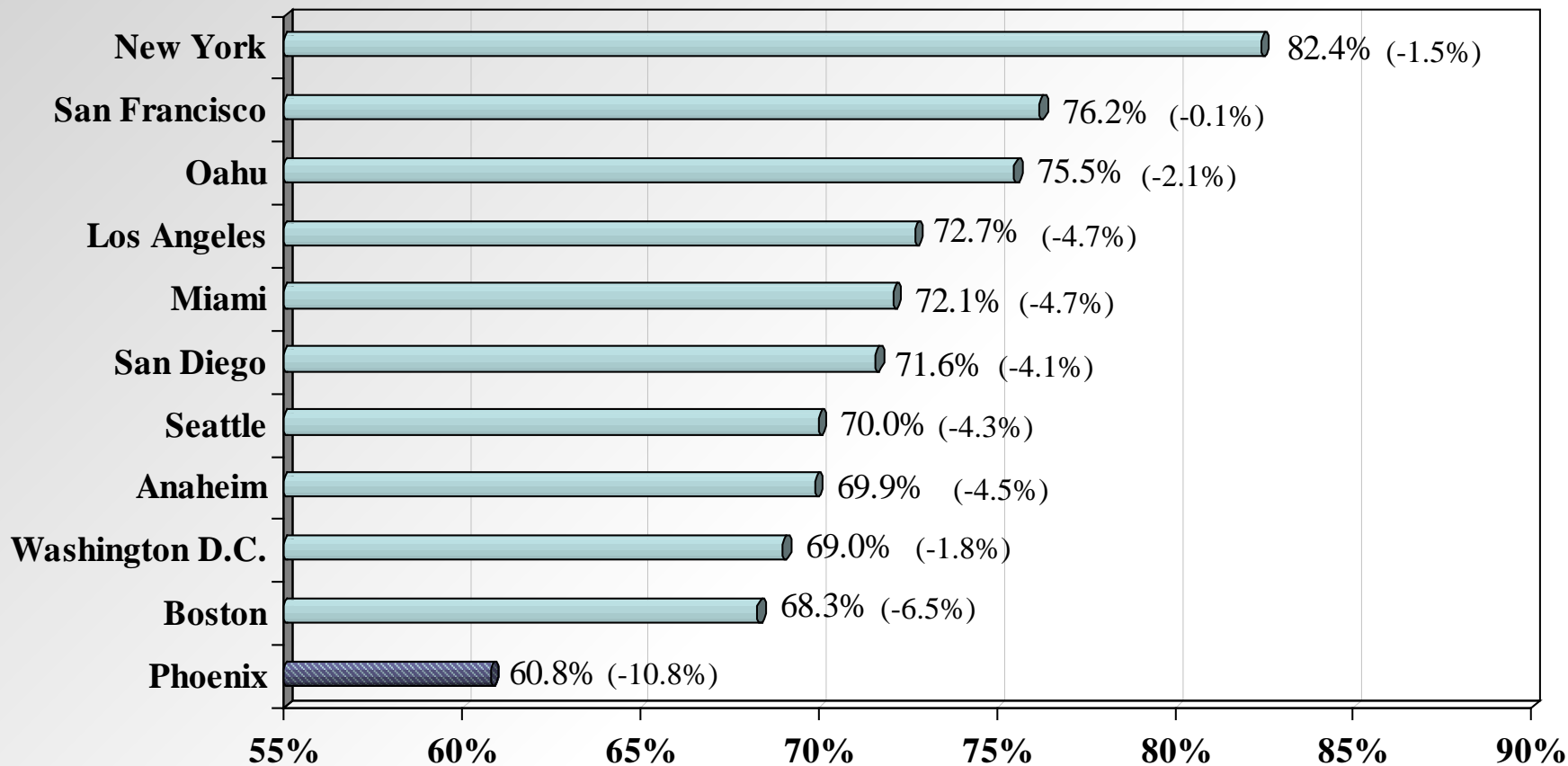


Note: Represents year-to-date November performance.

Source: *Smith Travel Research*



United States Lodging Market Top 10 Occupancy Markets 2008

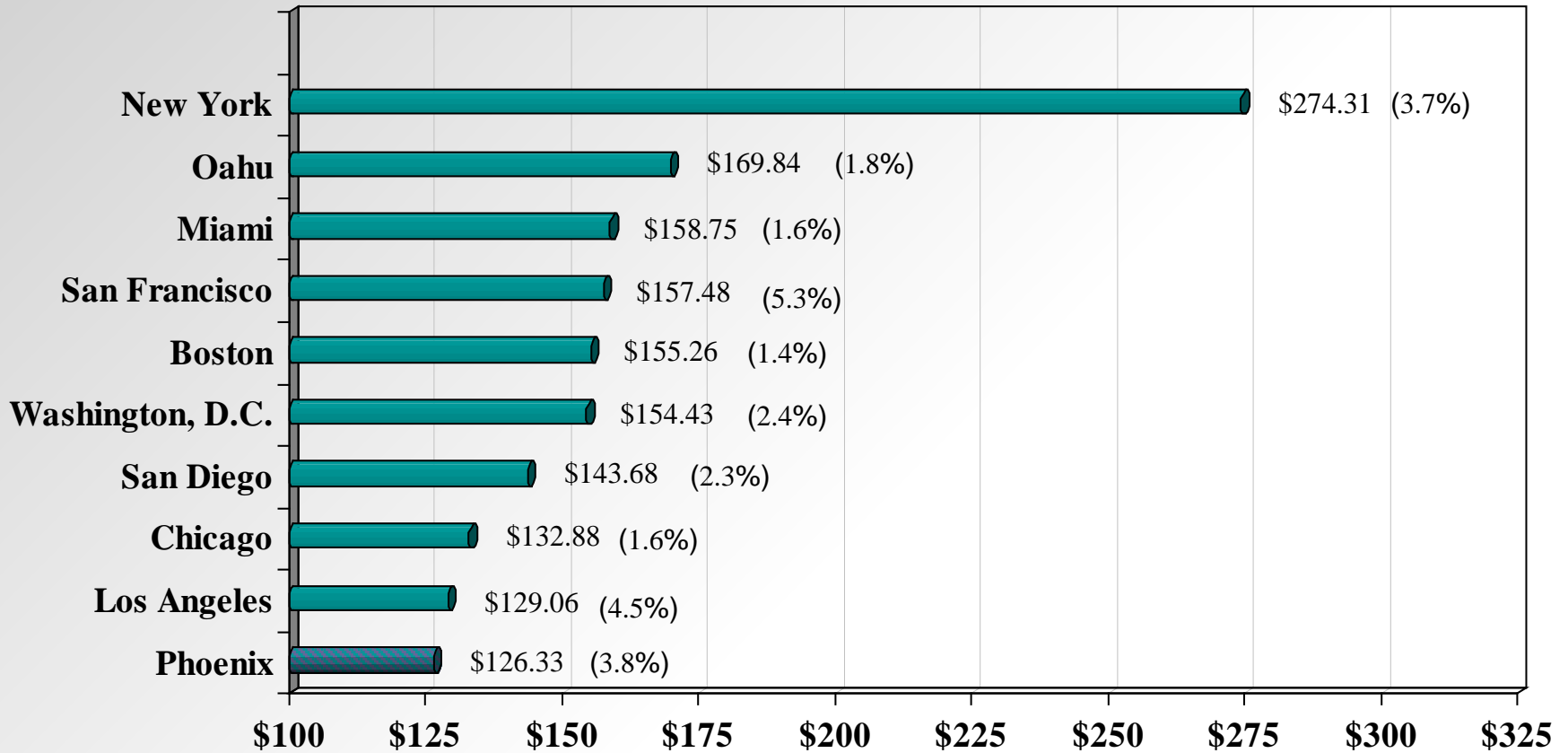


Notes: Represents year-to-date November occupancy. The number in parentheses represents change from prior year.

Source: *Smith Travel Research*



United States Lodging Market Top 10 ADR Markets 2008

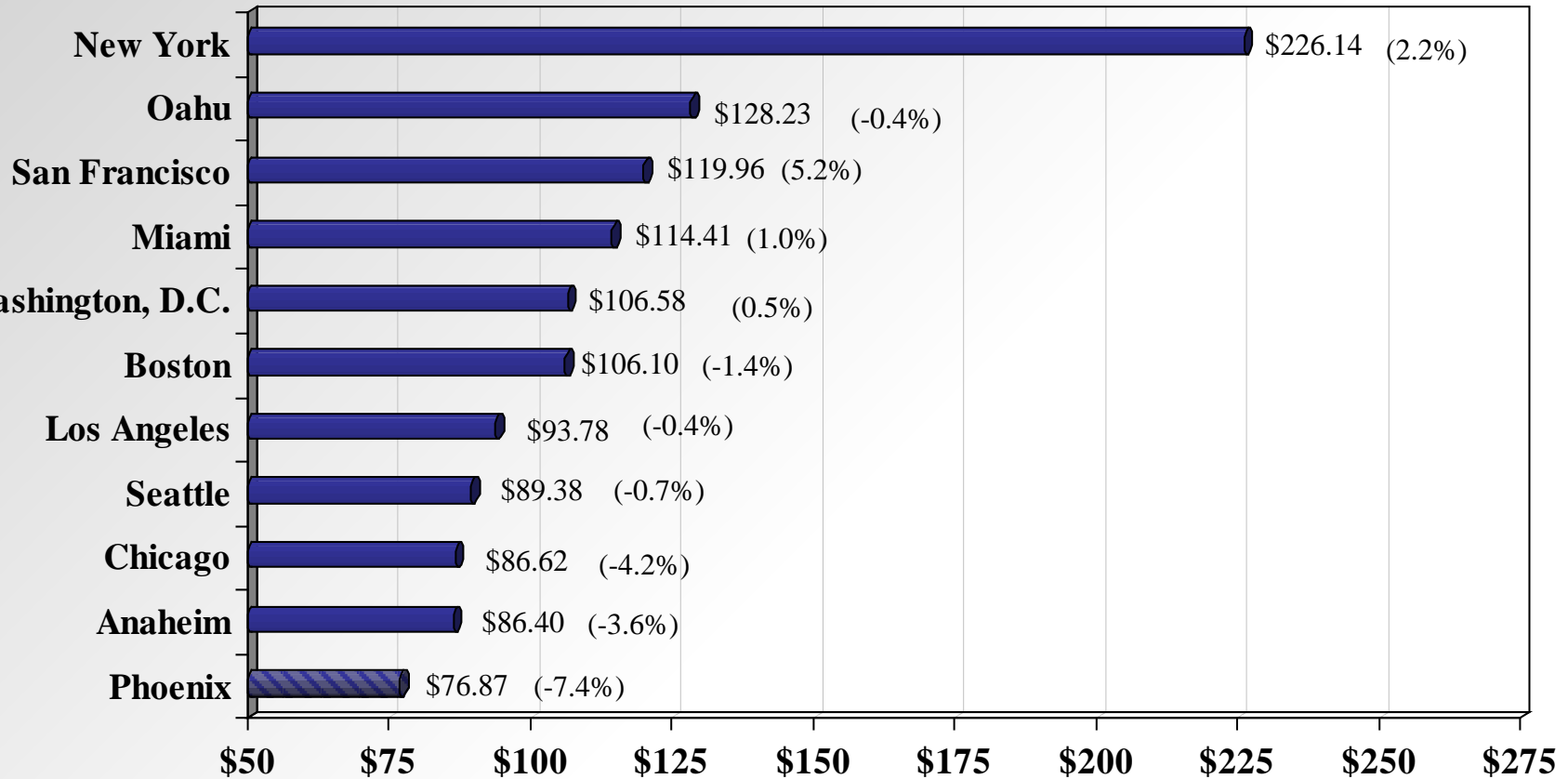


Notes: Represents year-to-date November ADR. The number in parentheses represents change from prior year.

Source: *Smith Travel Research*



United States Lodging Market Top 10 RevPAR Markets 2008

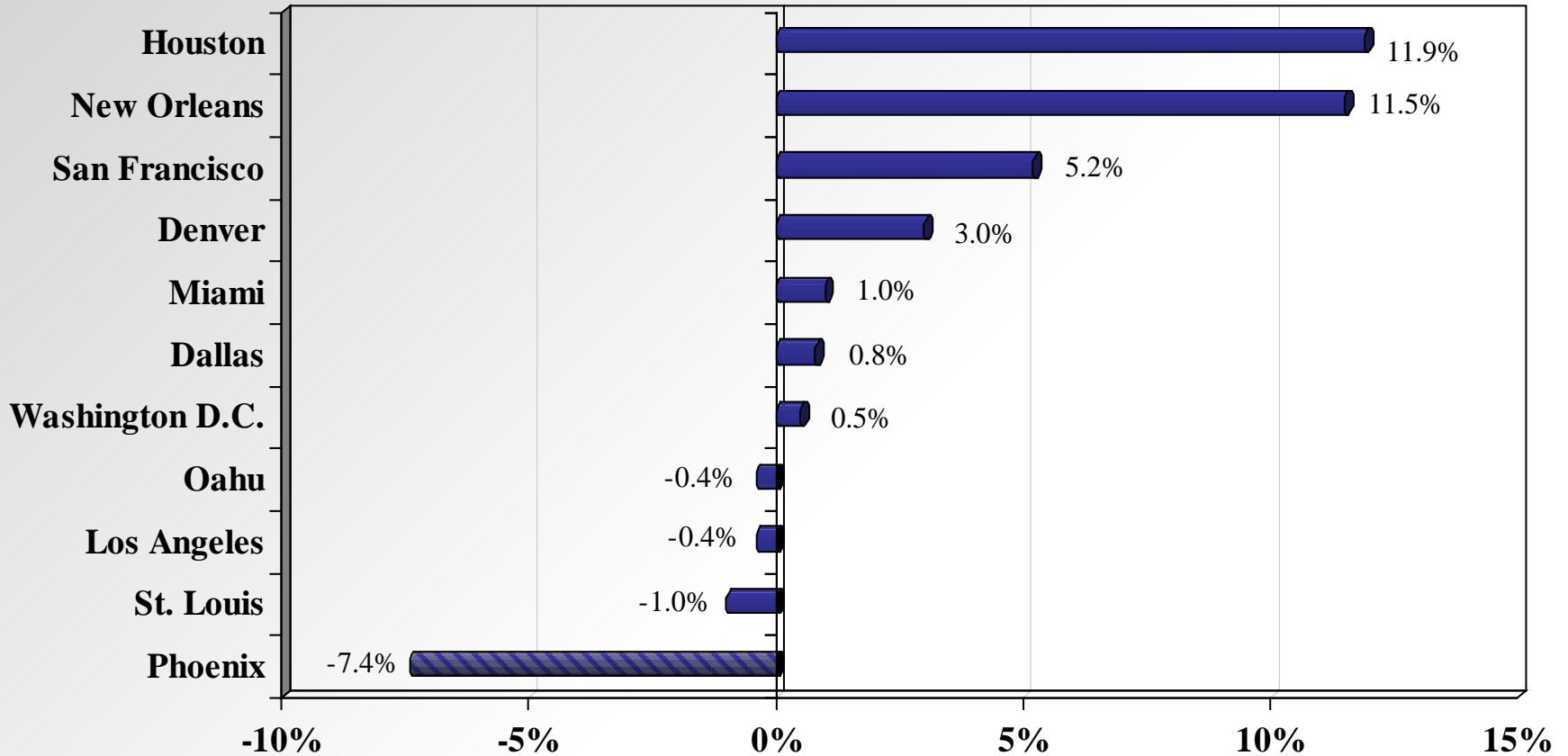


Notes: Represents year-to-date November RevPAR. The number in parentheses represents change from prior year.

Source: *Smith Travel Research*



United States Lodging Market Top 10 RevPAR Growth Markets 2008



Note: Represents year-to-date November performance.

Source: *Smith Travel Research*



United States Lodging Market Top Ten Markets: Supply (2008)

Market	No. of Rooms
Las Vegas	154,406
Orlando	116,500
Chicago	105,700
Washington, D.C.	96,700
Los Angeles/Long Beach	96,000
Atlanta	92,200
New York	84,500
Dallas	74,200
Houston	63,500
Phoenix	55,500
San Diego	55,500

Source: *Smith Travel Research*

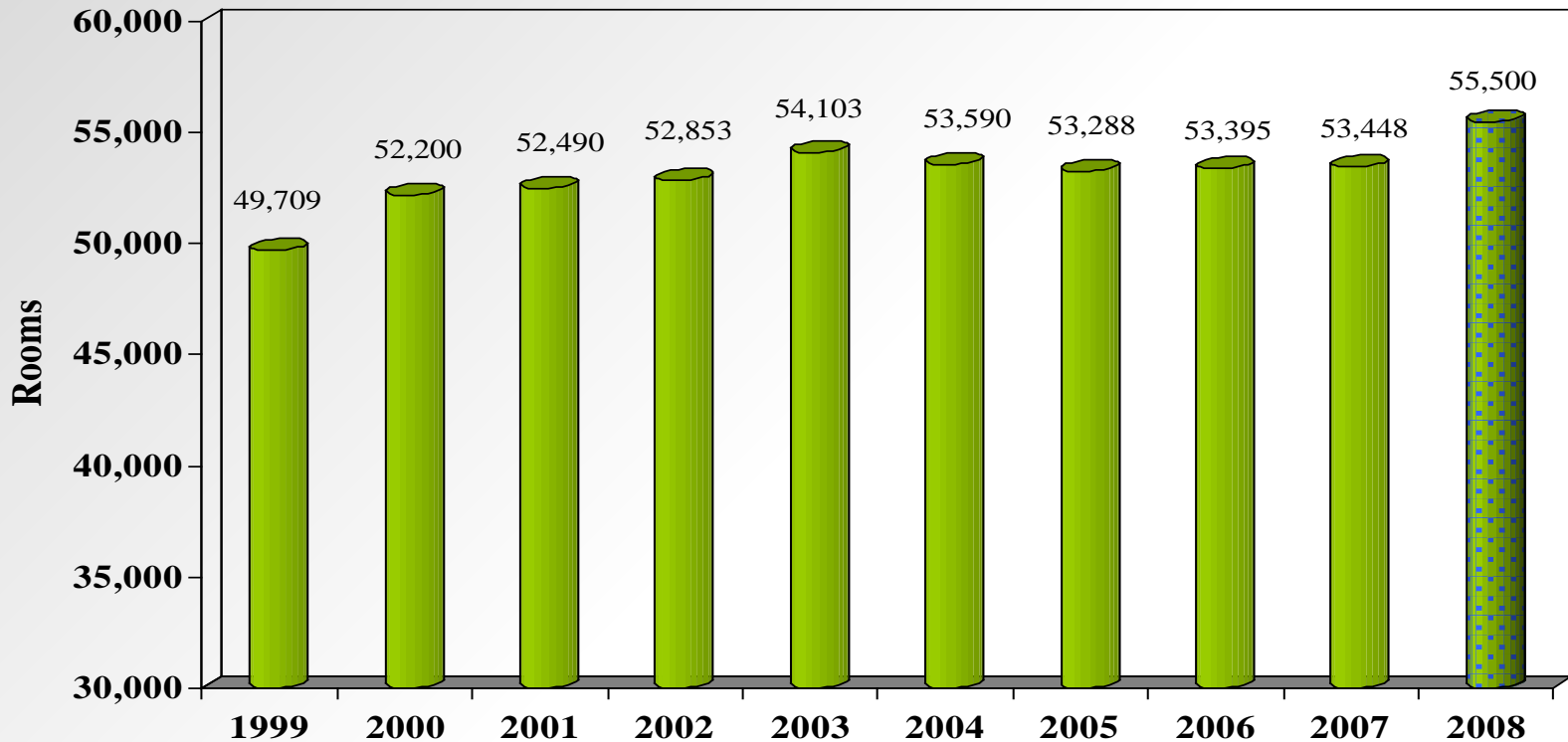


Metropolitan Phoenix Lodging Market Overview



Metro Phoenix Total Available Rooms

After experiencing an overall decline in recent years, the rooms supply in 2008 exceeded the prior peak level achieved in 2003.

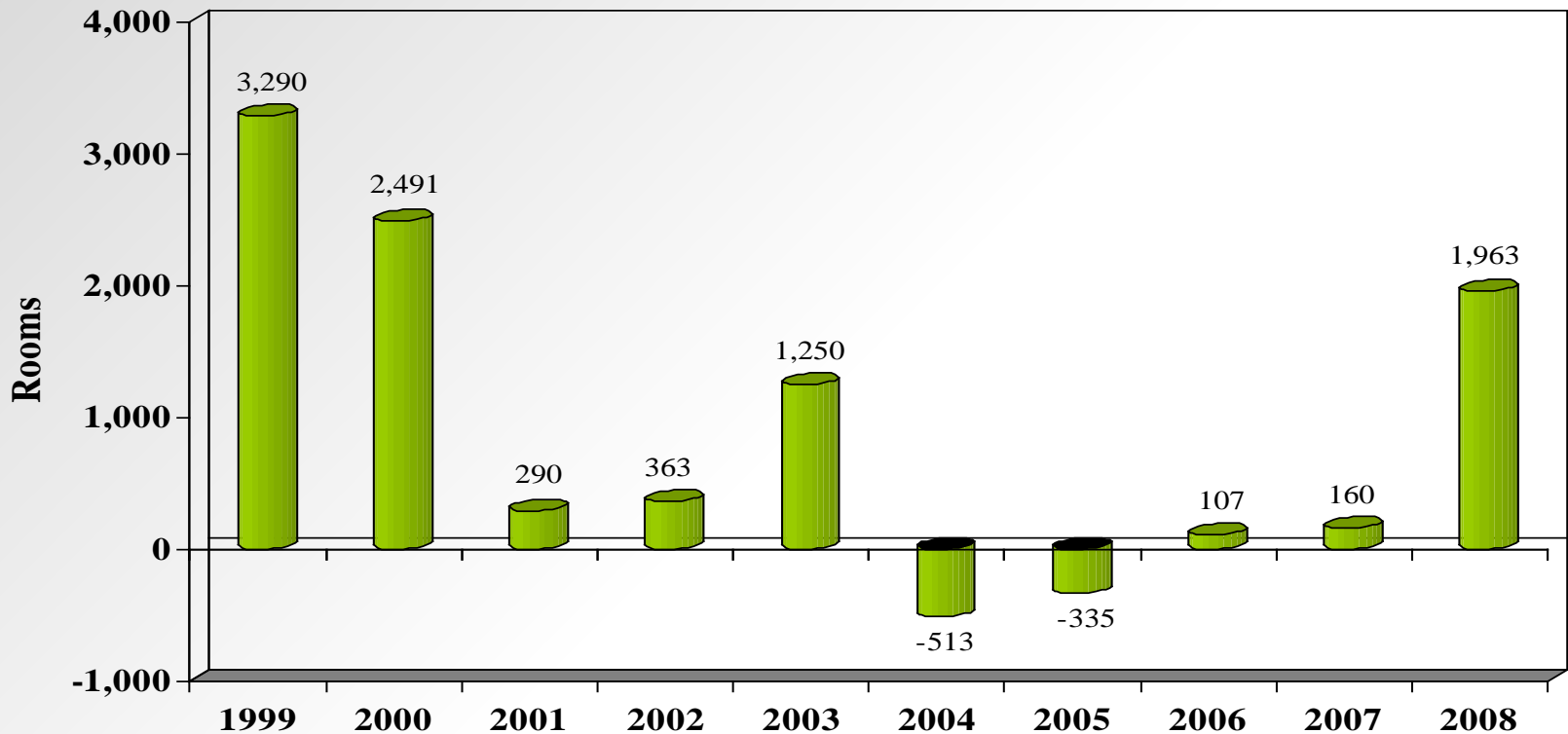


Source: *Smith Travel Research, Warnick + Company*



Metro Phoenix Number of Rooms Added (Annualized)

In 2008, Metro Phoenix experienced an approximate 2,000-room net gain in overall supply.



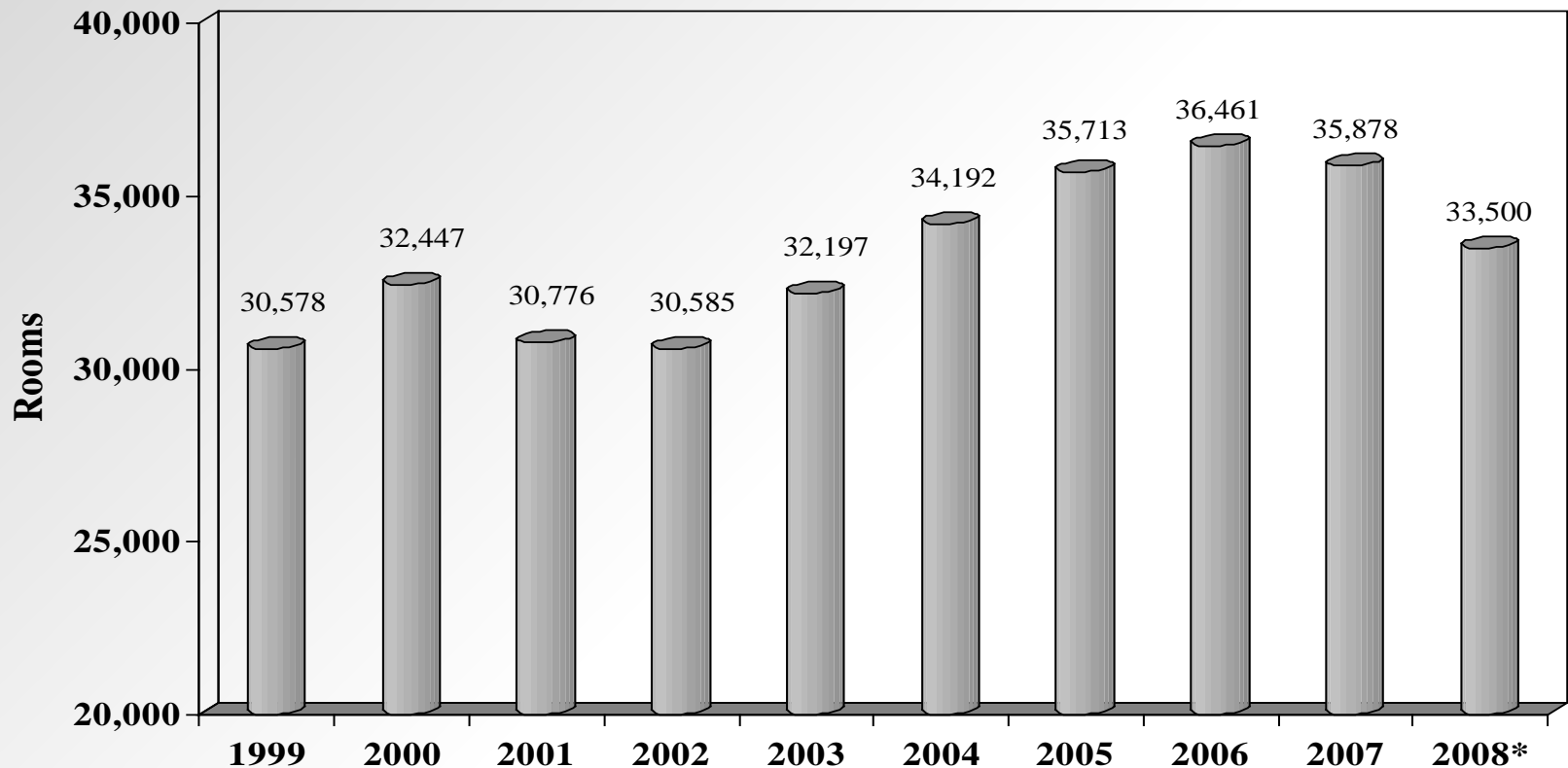
Note: Represents year-to-date November performance.

Source: *Smith Travel Research, Warnick + Company*



Metro Phoenix Occupied Rooms Per Day

In 2008, the market captured approximately 33,500 room nights of demand, an approximate 7.1 percent decrease from 2007.



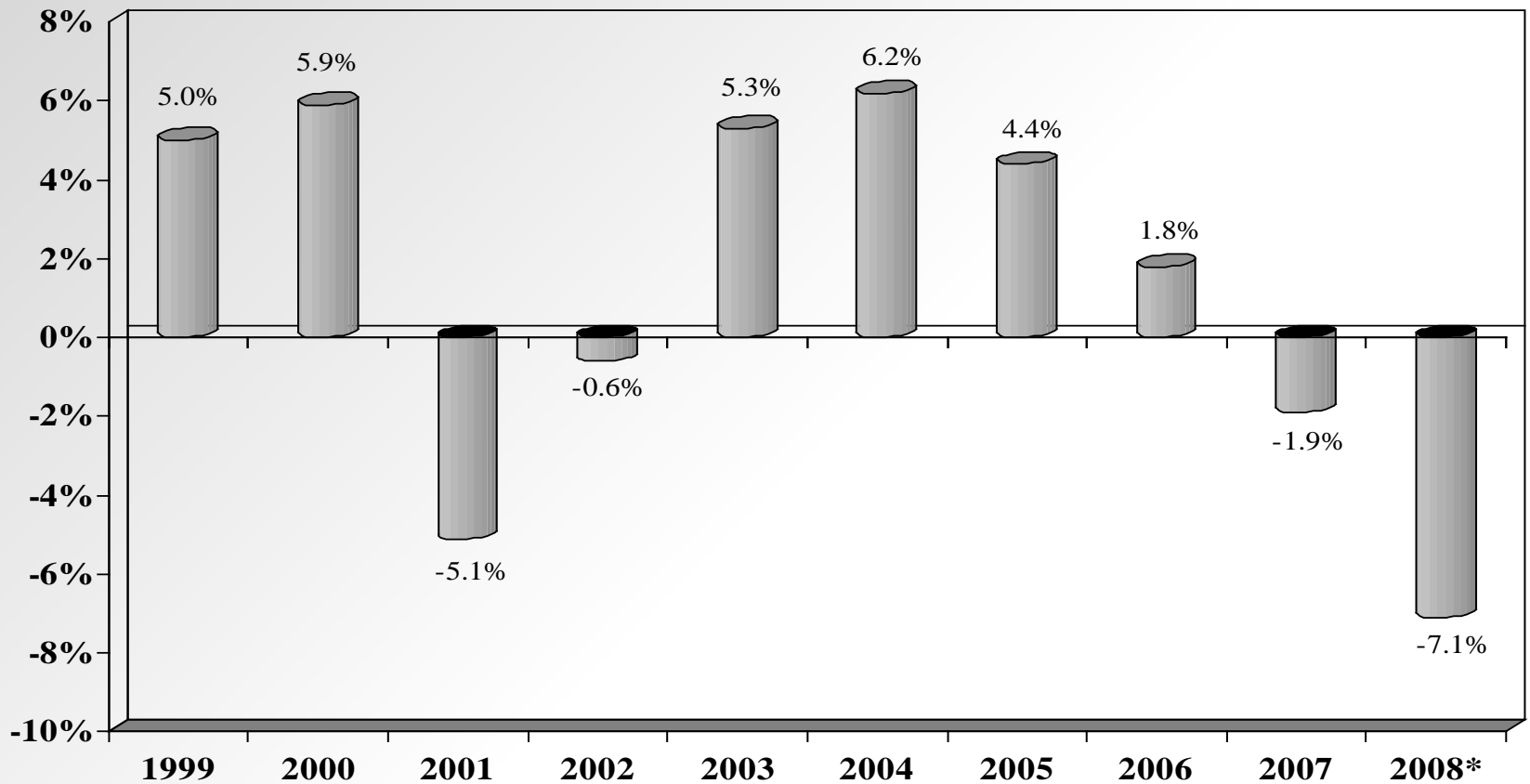
*Note: 2008 estimates based on year-to-date November performance.

Source: *Smith Travel Research, Warnick + Company*



Metro Phoenix Percent Change in Demand

The market experienced a decline in demand in 2008, continuing a downward trend that has been present since 2005.



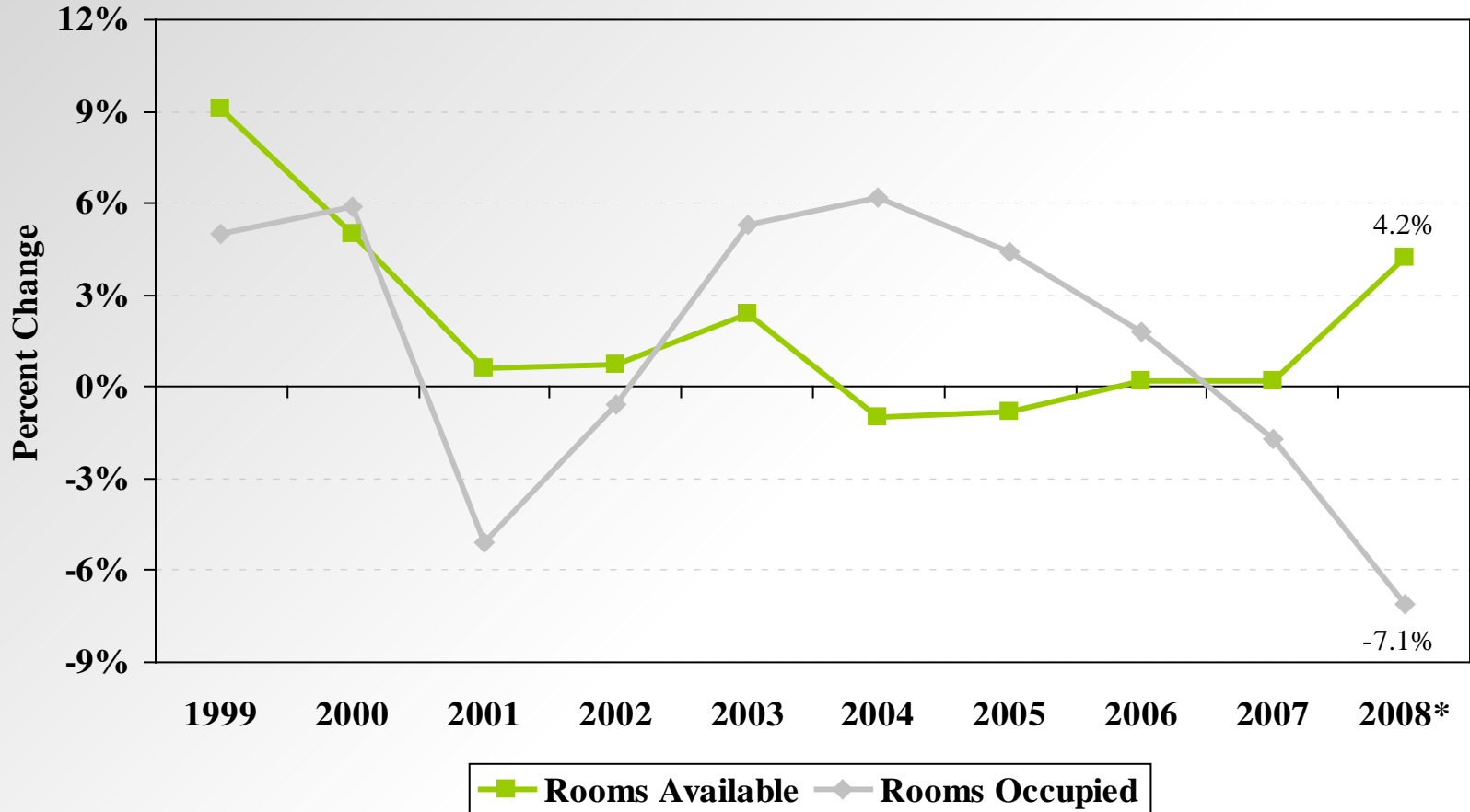
*Note: 2008 estimates based on year-to-date November performance.

Source: *Smith Travel Research, Warnick + Company*



Metro Phoenix Percent Change in Supply & Demand

For the second year in a row, demand growth fell below supply.

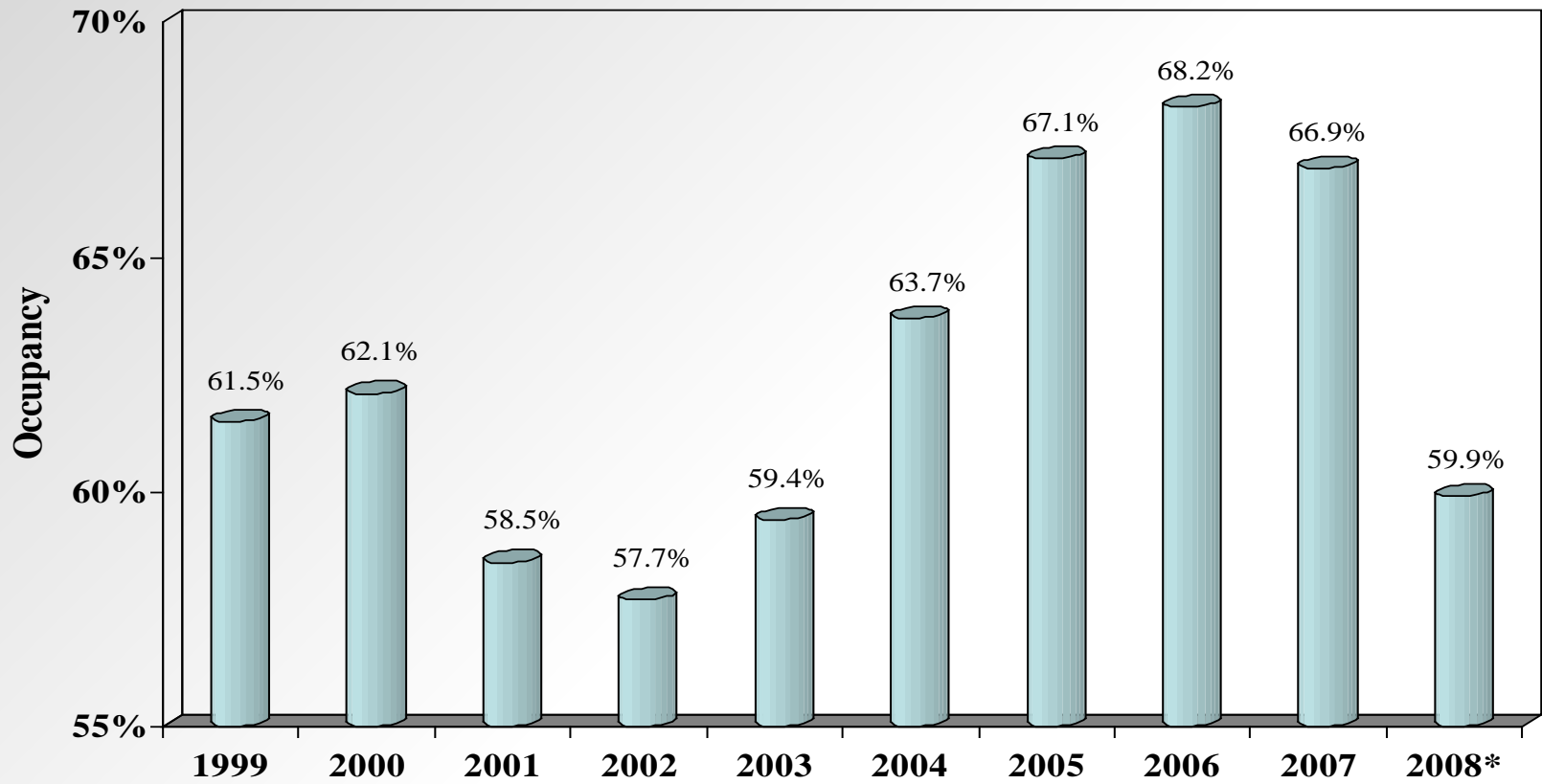


*Note: 2008 estimates based on year-to-date November performance.

Source: *Smith Travel Research, Warnick + Company*

W+C Metro Phoenix Occupancy

A decline in demand matched with an increase in supply, resulted in a significant decrease in occupancy.



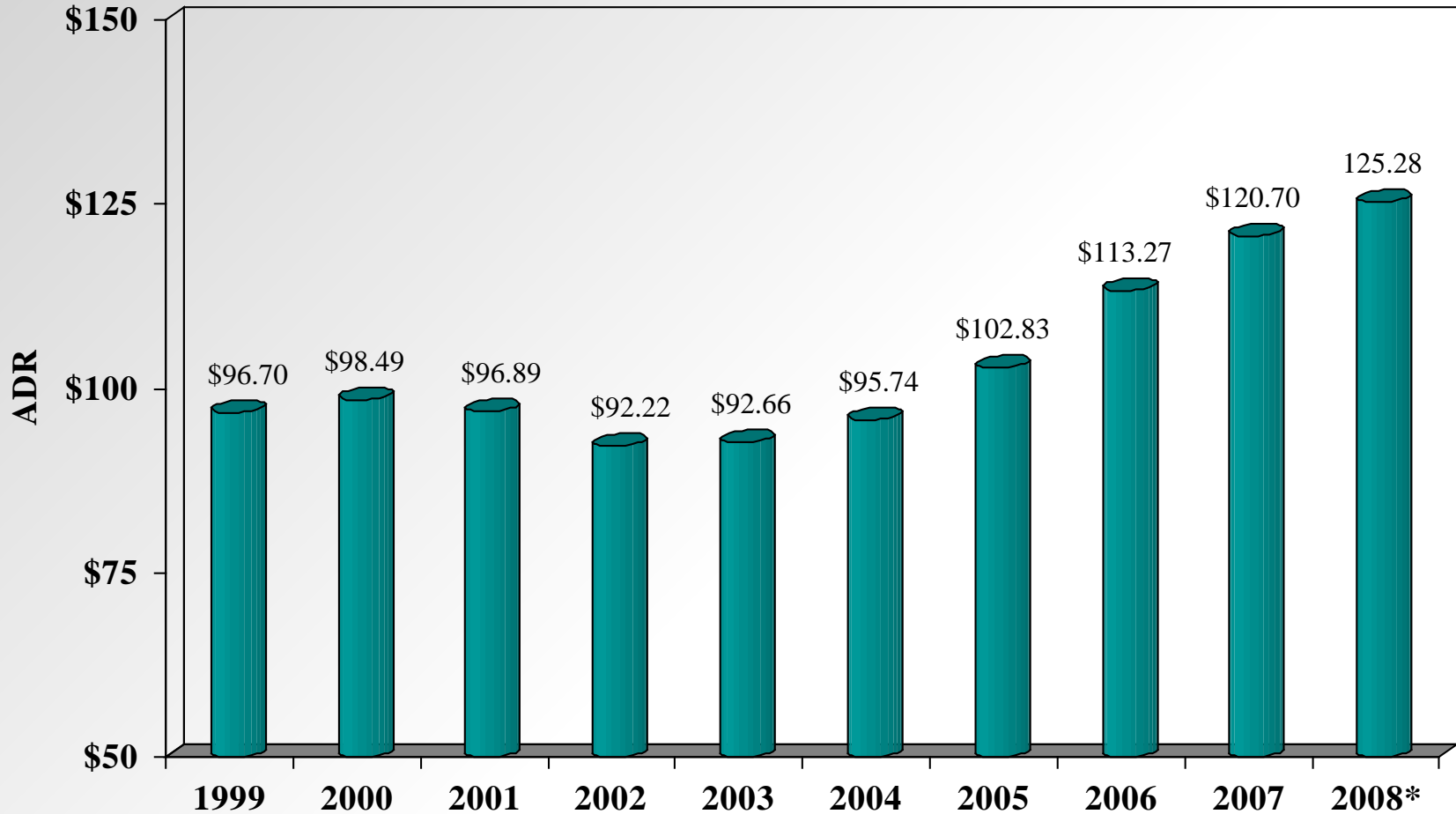
*Note: 2008 estimates based on year-to-date November performance.

Source: *Smith Travel Research, Warnick + Company*



Metro Phoenix Average Daily Rate

Notwithstanding lower occupancy, ADR continued its upward trend in 2008.



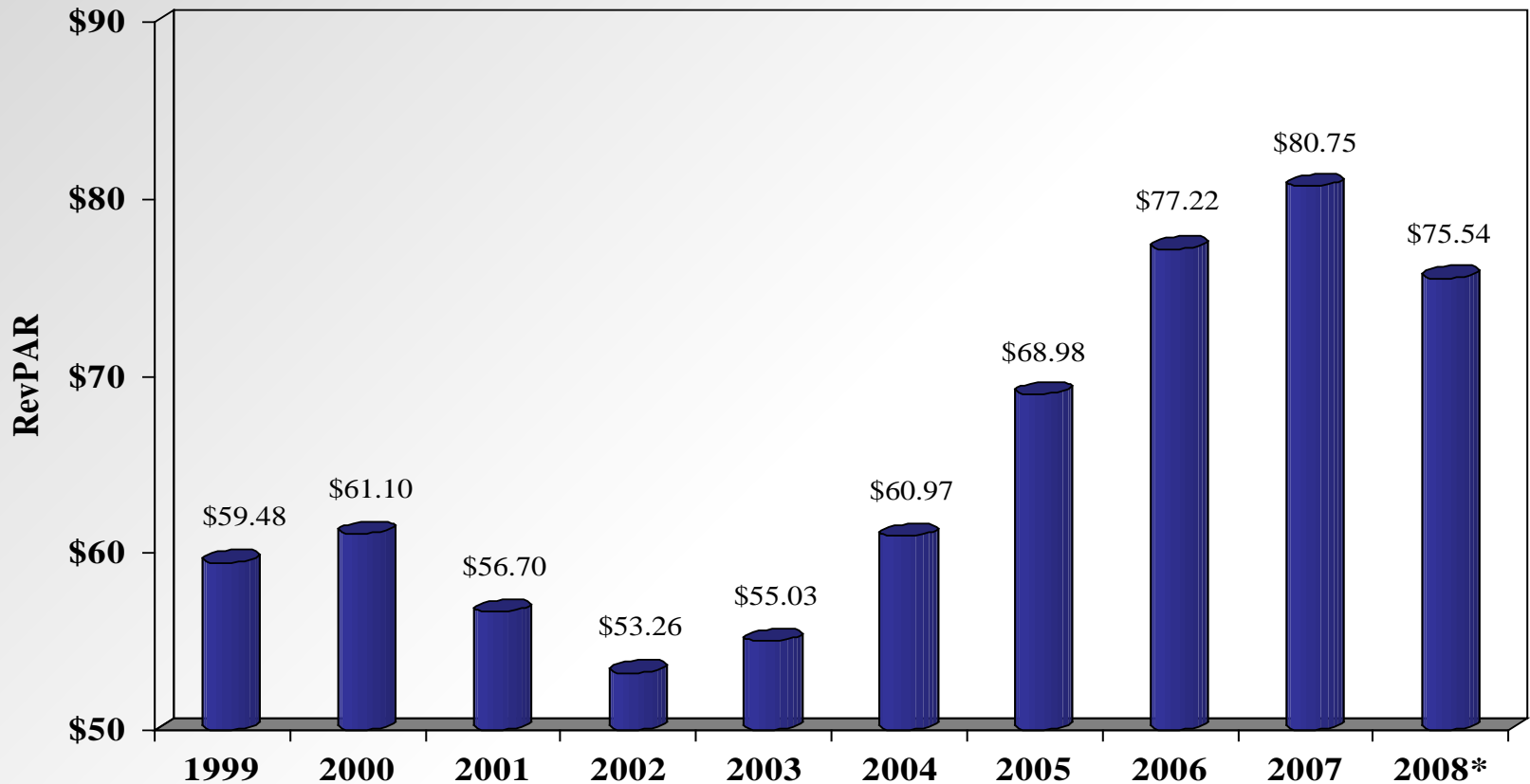
*Note: 2008 estimates based on year-to-date November performance.

Source: *Smith Travel Research, Warnick & Company*



Metro Phoenix Revenue Per Available Room

RevPAR decreased by 6.3 percent in 2008, halting a growth trend that began in 2003.



*Note: 2008 estimates based on year-to-date November performance.

Source: *Smith Travel Research, Warnick + Company*



Metropolitan Phoenix vs. United States Lodging Market

	Metro Phoenix			United States		
	2007	2008*	% Change	2007	2008*	% Change
Occupancy	66.9%	59.9%	-10.5%	63.2%	60.8%	-4.0%
ADR	\$120.70	\$125.28	3.8%	\$103.64	\$106.54	2.8%
RevPAR	\$80.75	\$75.54	-6.5%	\$65.50	\$64.78	-1.3%
Supply	—	—	4.2%	—	—	2.6%
Demand	—	—	-7.1%	—	—	-1.5%

* Note: 2008 estimated based on year-to-date November annualized performance.

Source: *Smith Travel Research, Warnick + Company*



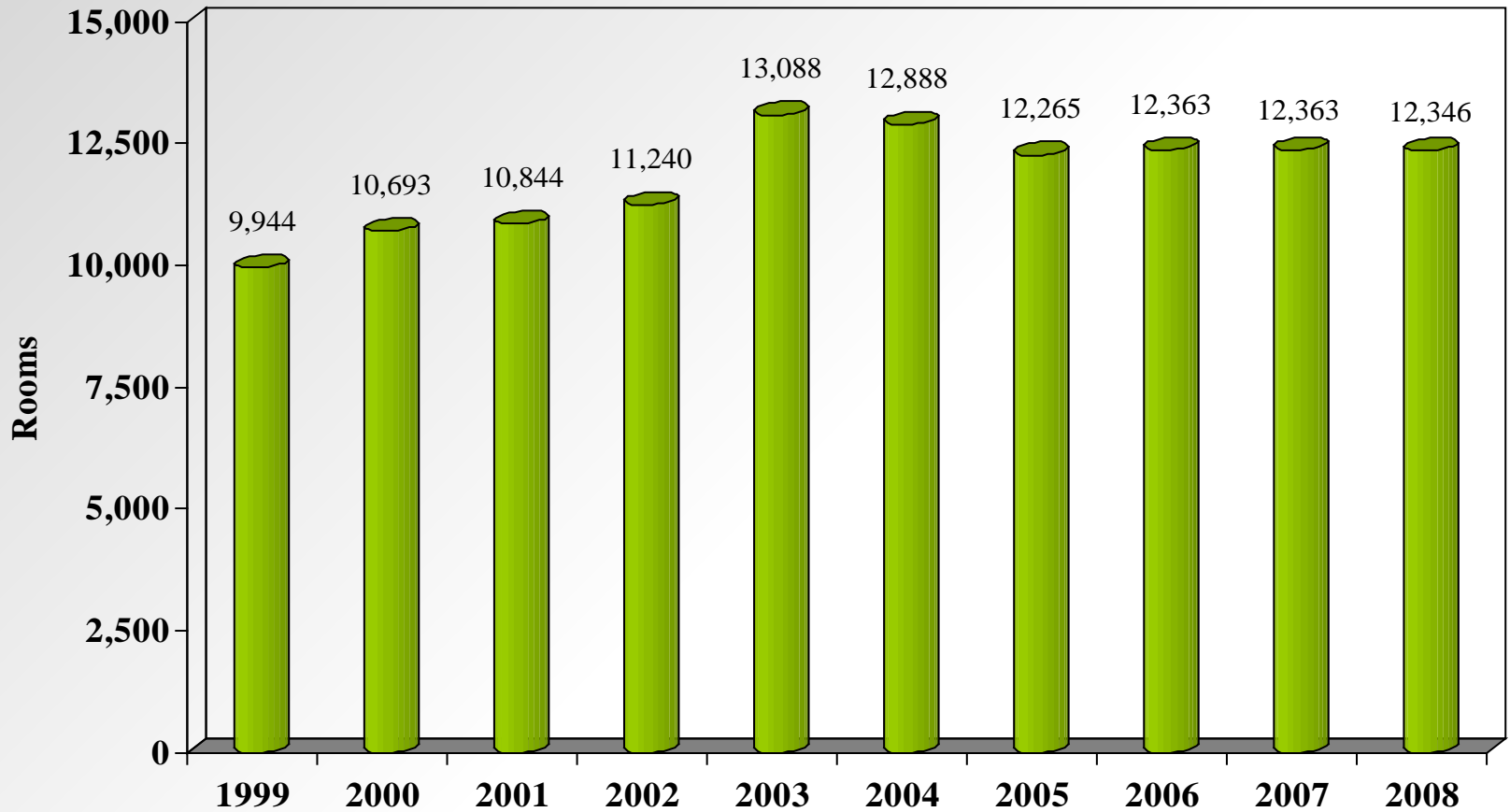
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Metro Phoenix Resort Market



Metro Phoenix Resort Market Total Available Rooms

The resort inventory remained flat in 2008.

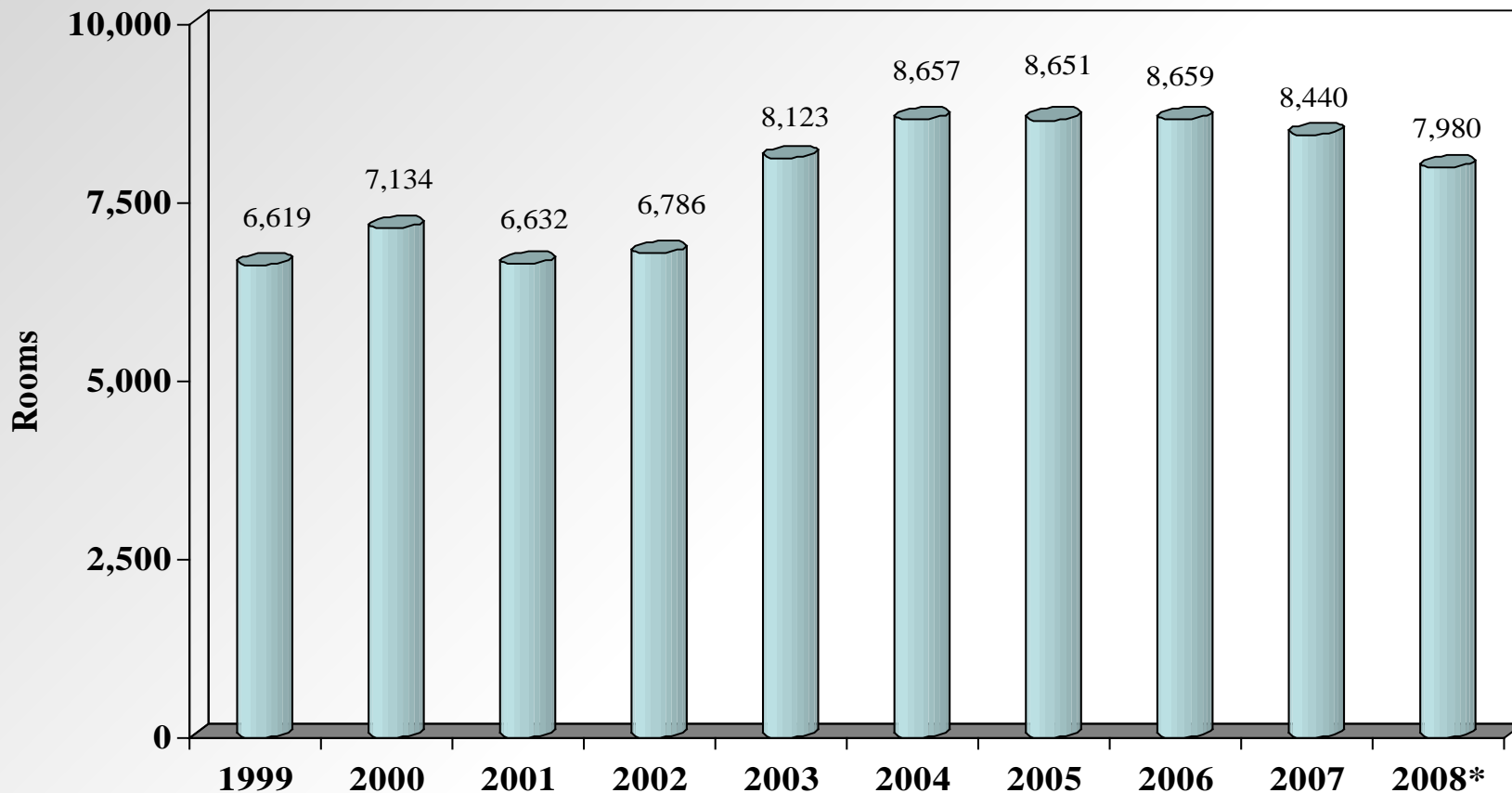


Source: *Smith Travel Research, Warnick + Company*



Metro Phoenix Resort Market Occupied Rooms Per Day

The resort market experienced a decline in demand during 2008.



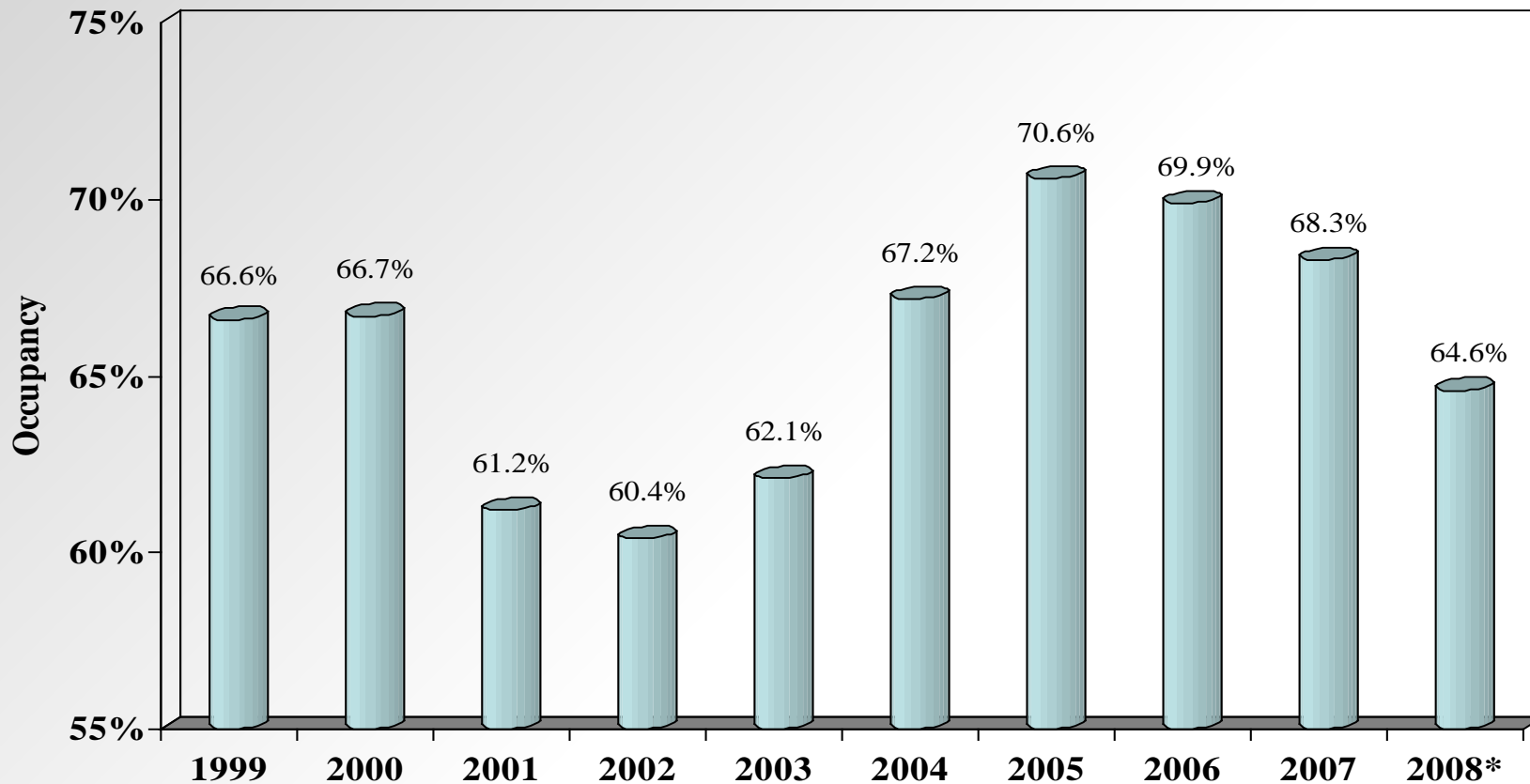
*Note: 2008 estimates based on year-to-date November performance.

Source: *Smith Travel Research, Warnick + Company*



Metro Phoenix Resort Market Occupancy

The decrease in demand resulted in a decline in occupancy in 2008.



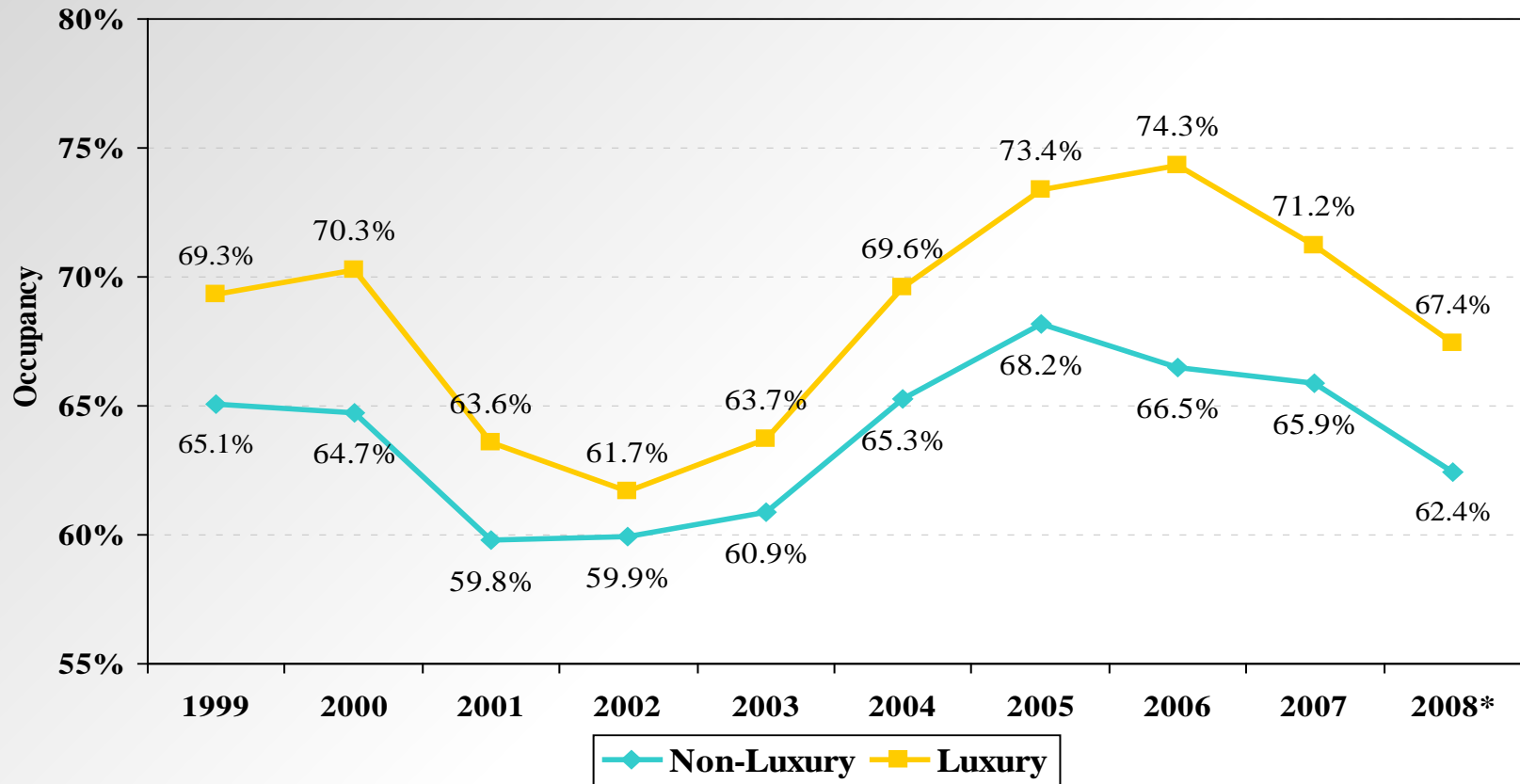
*Note: 2008 estimates based on year-to-date November performance.

Source: *Smith Travel Research, Warnick + Company*



Metro Phoenix Resort Market Occupancy

A decline in occupancy was experienced by both the luxury and non-luxury resort segments.



*Note: 2008 estimates based on year-to-date November performance.

Source: *Smith Travel Research, Warnick + Company*



Metro Phoenix Resort Market Average Daily Rate

Although moderating somewhat in 2008, the resort market as a whole experienced ADR growth for the fifth year in a row.



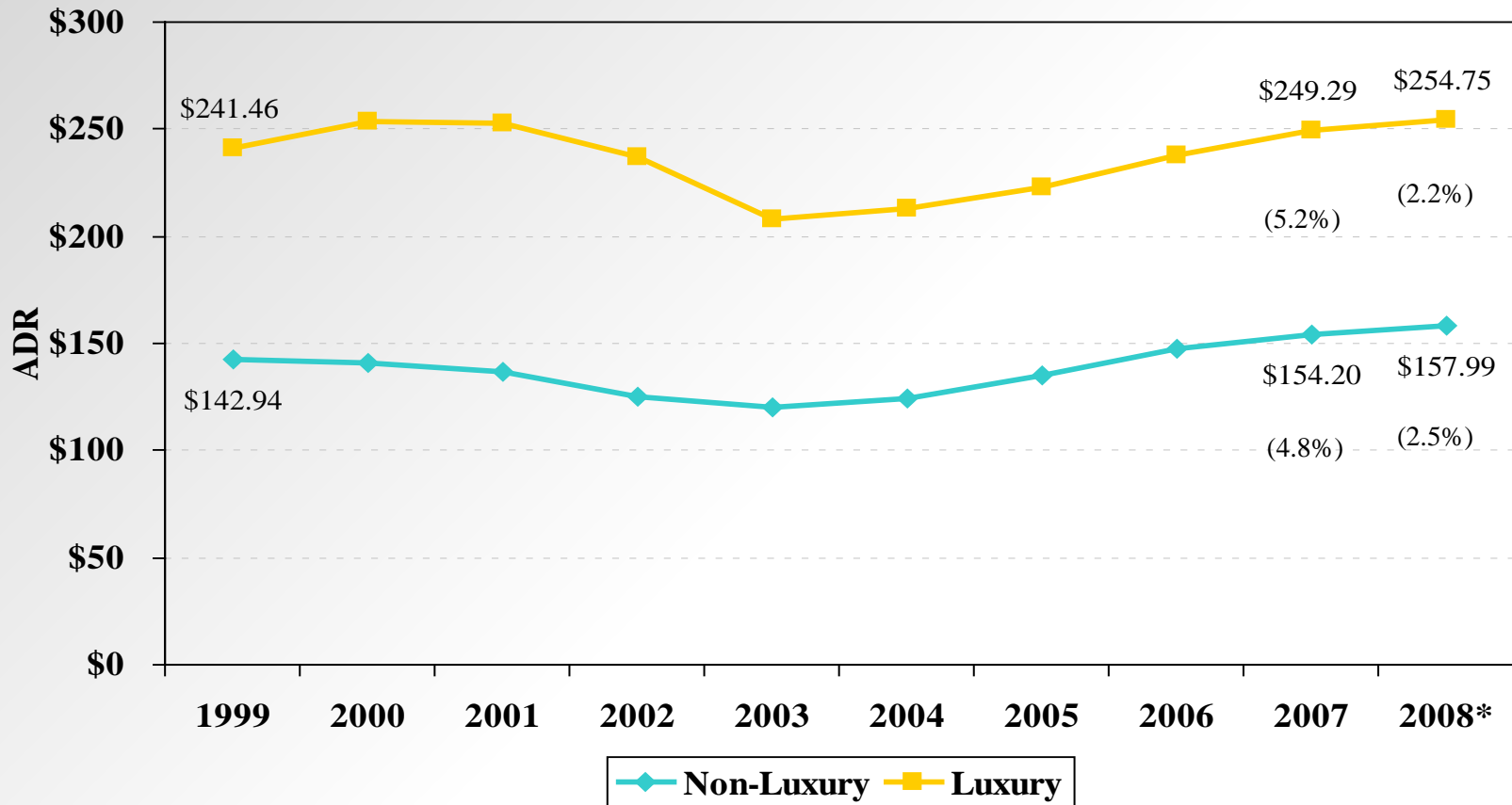
*Note: 2008 estimates based on year-to-date November performance.

Source: *Smith Travel Research, Warnick + Company*



Metro Phoenix Resort Market Average Daily Rate

Rate growth was experienced by both the luxury and non-luxury resort sectors in 2008.



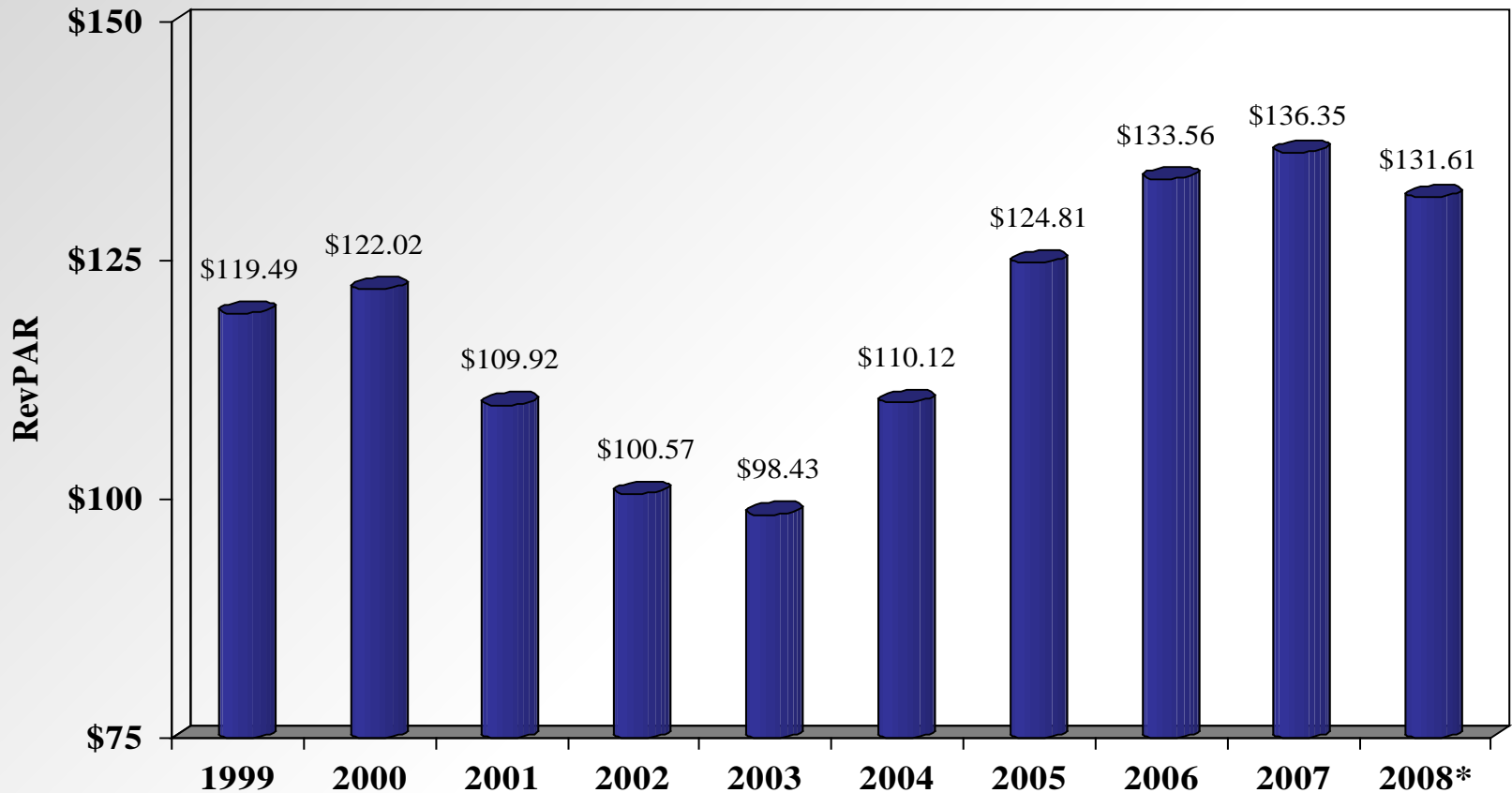
*Note: 2008 estimates based on year-to-date November performance.

Source: *Smith Travel Research, Warnick + Company*



Metro Phoenix Resort Market Revenue Per Available Room

A decline in occupancy resulted in a decrease in RevPAR, halting a growth trend which had been established since 2004.



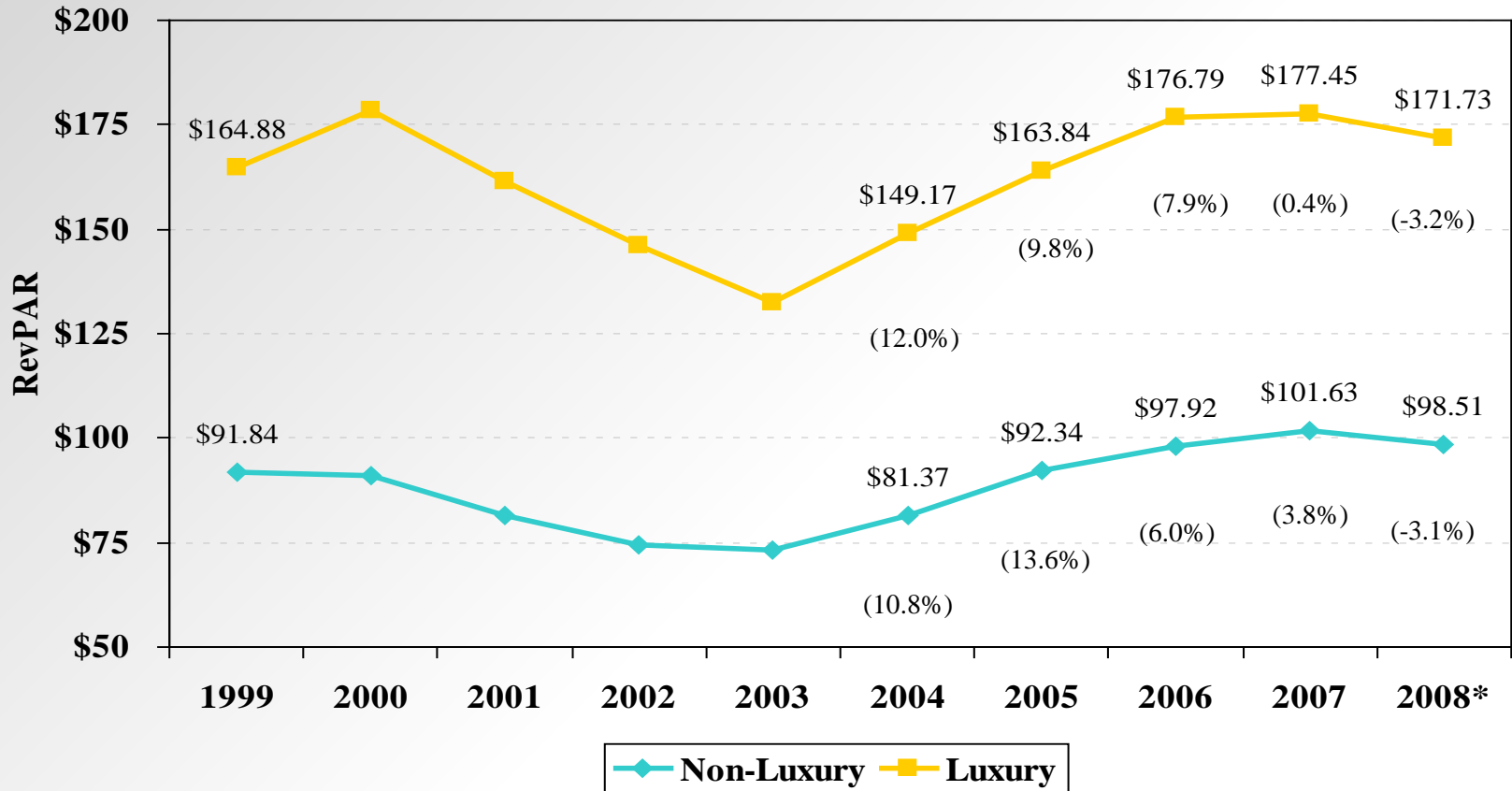
*Note: 2008 estimates based on year-to-date November performance.

Source: *Smith Travel Research, Warnick + Company*



Metro Phoenix Resort Market Revenue Per Available Room

RevPAR decreased in both the luxury and non-luxury resort sectors.



*Note: 2008 estimates based on year-to-date November performance.

Source: *Smith Travel Research, Warnick + Company*



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New Supply



2008 marked the opening of three significant projects: the Sheraton Phoenix; W Hotel Scottsdale; and Montelucia.

Proposed Full-Service/Resort Hotels

Casino Arizona	497	Westgate (Glendale)	225
Kimpton Cityscape (Phoenix)	200	Monroe Hotel (Phoenix)	125
J.W. Marriott (Tempe)	300	Gaylord Williams Gateway (Mesa)	Undetermined
Westin Hotel (Tempe)	300	Bayrock Camelback (Phoenix)	Undetermined
Southbank (Tempe)	250	Colliers Center (Phoenix)	Undetermined
Gila River Casino Hotel (GRIC)	240	Estrella Mountain Ranch (Goodyear)	Undetermined
Ritz-Carlton (Paradise Valley)	225	Mountain Shadows (Paradise Valley)	Undetermined
Lumina (Tempe)	220	One Scottsdale (Downtown Scottsdale)	Undetermined
Cibola Vista (Peoria)	204	One Scottsdale (North Scottsdale)	Undetermined
Marriott Sports Club (Tempe)	200	Palacine (Scottsdale)	Undetermined
Scottsdale Quarter	200	Renaissance Club (Chandler)	Undetermined
Hilton (Chandler)	199	Scottsdale Safari	Undetermined
Aloft Hotel (Phoenix & Tempe)	175	Scottsdale Waterfront	Undetermined
Hermosa Inn (Paradise Valley)	49	SkySong Center (Scottsdale)	Undetermined
Hyatt (Tempe)	200	Verrado (Buckeye)	Undetermined
Embassy Suites (Glendale)	250	Waterview at Scottsdale	Undetermined



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Market Issues

W+C Issues Facing the Phoenix Market

- National economy
 - Continued impact of recession
 - Potential for more political turmoil and terrorist activity on a global basis
 - Fluctuating gas prices – impact on travel patterns (air/ground)
 - Crash of the financial markets
 - Presidential election
- Metro Phoenix economic/tourism growth
 - Uncertain local economy
 - Arizona continues to be desirable tourist and group destination (new hotels/resorts, new amenities, strengthening recognition as a spa destination)
 - Potential for significant competitive impact, especially in a down market cycle
 - Re-establish market identity
 - International travel; value of U.S. currency



Issues Facing the Phoenix Market: Demand vs. Supply

- New product and recent enhancement to existing product continues to increase the recognition and destination appeal of the market.
- Demand is anticipated to continue declining through 2009
 - Reaction to economic conditions
 - Decline felt by all product sectors and demand segments
 - Change in customer travel and spending patterns (group, leisure, transient commercial)
 - Competitive pressure from emerging markets
- No significant supply growth projected in 2009
 - New supply likely to be soft for the next two to three years
 - No available development capital
 - Soft market conditions



Issues Facing the Phoenix Market: Demand vs. Supply

- Higher construction costs and continued downturn in the residential market continues to impact overall development, especially in the upscale and luxury segments
- Average rates will likely soften in reaction to lower occupancy and a more competitive environment.
 - Pressure from meeting and travel planners
 - Lesson from 9/11



Issues Facing the Phoenix Market: Excellent Airlift Capability

- Enhanced gate and runway capacity
 - Expansion of domestic/international routes
- Competitive airfare structure, regional/national (impact on commercial/group traveler)
- The health of the airline industry remains critical to the Phoenix marketplace
 - “Fly In” versus “Drive In” market
 - Major hub city



Issues Facing the Phoenix Market: Industry Profitability

- The industry is bracing for potentially significant declines in revenue, profitability, and asset value
- Challenges to future profitability
 - Declining demand and average rates
 - Increased operating costs
 - Labor costs
 - Increasing wages, benefits, and incentives
 - Diminishing labor pool – new immigration laws
 - Union threat
 - Security and insurance costs
 - Energy costs



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Thank you for coming!

Robert A. Hayward
Warnick & Company, LLC
2398 East Camelback Road
Suite 1150
Phoenix, Arizona 85016
(602) 955-9393
rhayward@warnickco.com