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LIIC TOP TEN

THE LIIC TOP 10



OCCUPANCY & ADR EXPECTED TO INCREASE:

- 78% of surveyed investors predict that average occupancy levels will increase moderately in the next year
- 64% of responders believe overall room rates will be up 1% to 5% over the coming 12 months

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EQUITY RETURN RATES DECREASING:

- Bucking a trend from our 2008 and 2009 surveys, the majority (50%) of respondents believe that unlevered equity rates will decrease over the next 12 months
- 39% of respondents believe equity rates will be stable (remain the same)



Occupancy & ADR Expected to Increase

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INTEREST RATES TO INCREASE?

- 47% of the LIIC think tank believes hotel interest rates (senior debt) will increase over the next twelve months; while 33% believe interest rates are stable
- Hand-in-hand, 53% of respondents believe loan/value ratios will remain level with (38%) believing banks will loosen and increase ratios



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Equity Return Rates Decreasing



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Occupancy & ADR Expected to Increase

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ARE ALL CASH BUYERS KING?

- 53% of respondents believe that over the next 12 months, less than half of all hotels acquired will be purchased on an all cash basis.
- Interestingly, respondents also consistently cited the lack of suitable acquisition debt financing



Interest Rates to Increase?

Equity Return Rates Decreasing

Occupancy & ADR Expected to Increase

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INVESTORS STILL CAUTIOUS

- 56% of survey participants believe it is a good time to buy lodging assets but caution to be extremely selective
- 28% say now is definitely a good time to acquire



Are All Cash Buyers King?
Interest Rates to Increase?
Equity Return Rates Decreasing
Occupancy & ADR Expected to Increase

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WHERE TO FIND HOTELS TO BUY?

- The majority of those surveyed believe that the highest percentage of hotels they buy will come from traditional sources (equity principal to equity principal)
- An equal percentage of buyers believe they will get their deals from traditional balance sheet lenders via REO's/short sales or buy through acquiring the notes (loan to own)
- Unexpectedly, in fourth place, is acquiring REO's from special servicers



Investors Still Cautious

Are All Cash Buyers King?

Interest Rates to Increase?

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QUALITY & VOLUME OF PRODUCT TO BUY?

- 95% of surveyed Hotel Investors responded that available product is “below average” and “low” in terms of volume
- Investors are further frustrated by the lack of quality (desirable) of assets on the market with 64% believing that current market product is below average quality
- 31% believe that hotels on the market are of average quality



Where to Find Hotels to Buy

Investors Still Cautious

Are All Cash Buyers King?

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NEW INVESTMENT CYCLE?

- Interestingly, only 53% (down slightly from 61% last year) believe we are in the first inning of a new hotel real estate investment cycle
- A substantial 39% think we are still in market limbo, with the new cycle not yet started



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LODGING REAL ESTATE VALUES REBOUNDED

- 75% of respondents believe that hotel real estate values will increase over the next 12 months with 42% of total responders predicting a significant increase of over 5%
- This is in sharp contrast to last year's survey when 81% believed values were decreasing



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HOTEL INVESTMENT MARKET BOTTOMS OUT, BUT CAUTION ABOUNDS:

- Hotel investment market participants believe the worst is over, both from the perspectives of operating fundamental and investment risk perception
- Transaction activity (property sales volume) is forecasted to increase significantly with higher values for sellers
- Uncertainty over macroeconomic issues still loom, producing an overall mood best characterized as “cautious optimism”



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3 New Investment Cycle?

4 Quality & Volume of Product to Buy

5 Where to Find Hotels to Buy

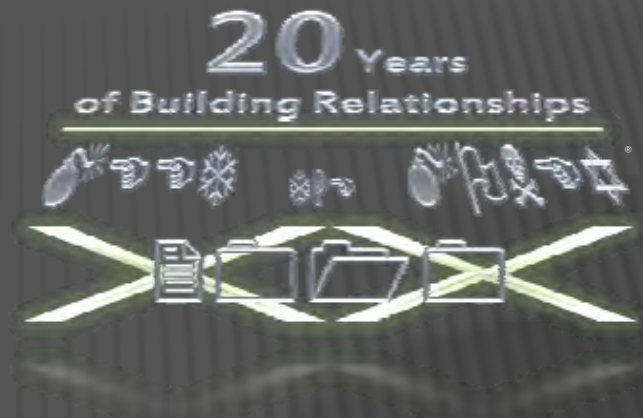
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For more information on LIIC, please see our website:

www.liic.ws