

Hospitality Sales and Marketing Association

January 18, 2007
Robert A. Hayward



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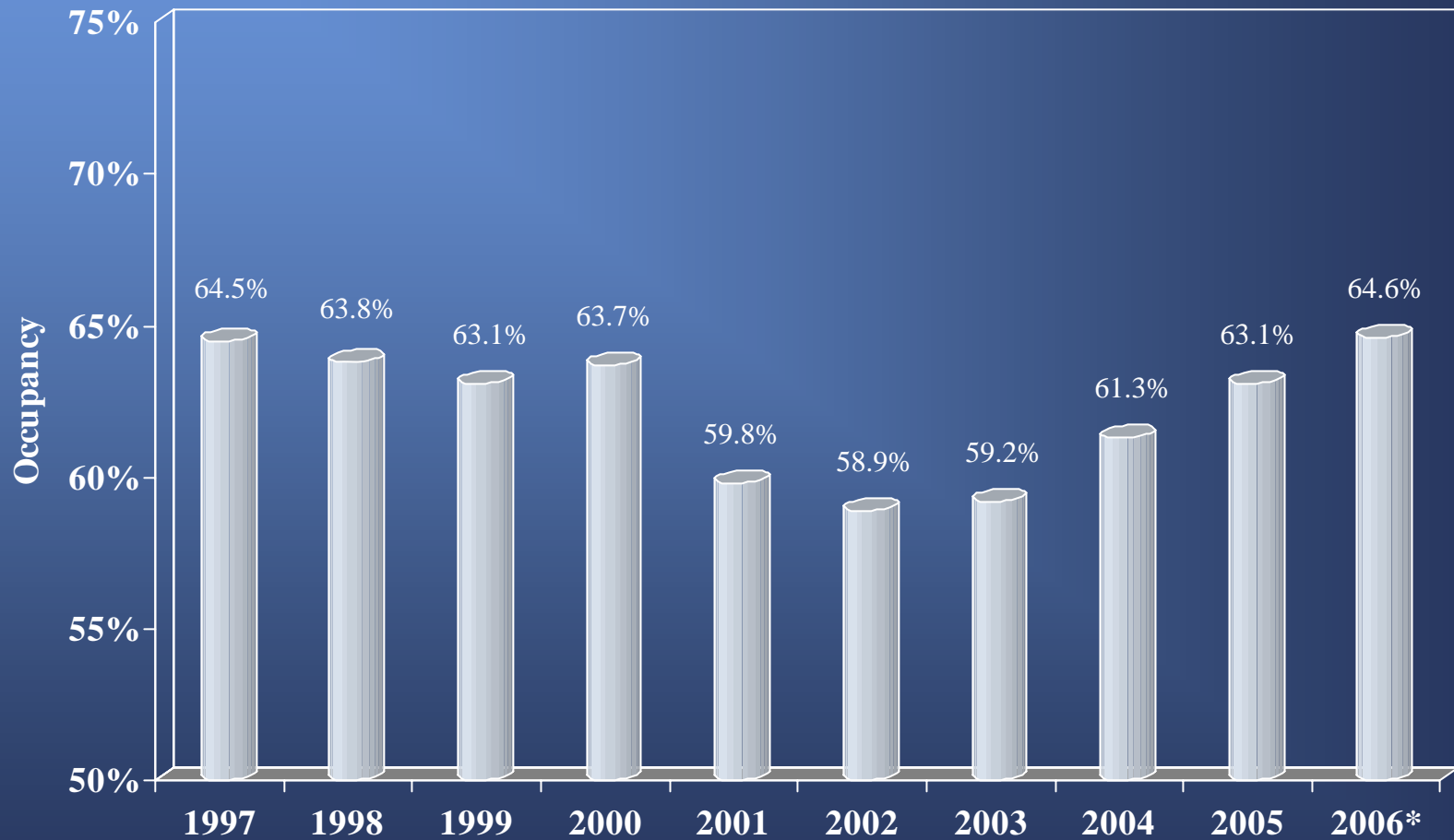
United States Lodging Market Overview



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United States Lodging Market Historical Occupancy Performance 1997 – 2006



* Note: 2006 estimated based on year-to-date November performance.

Source: *Smith Travel Research*



United States Lodging Market Historical RevPAR Performance 1997 – 2006

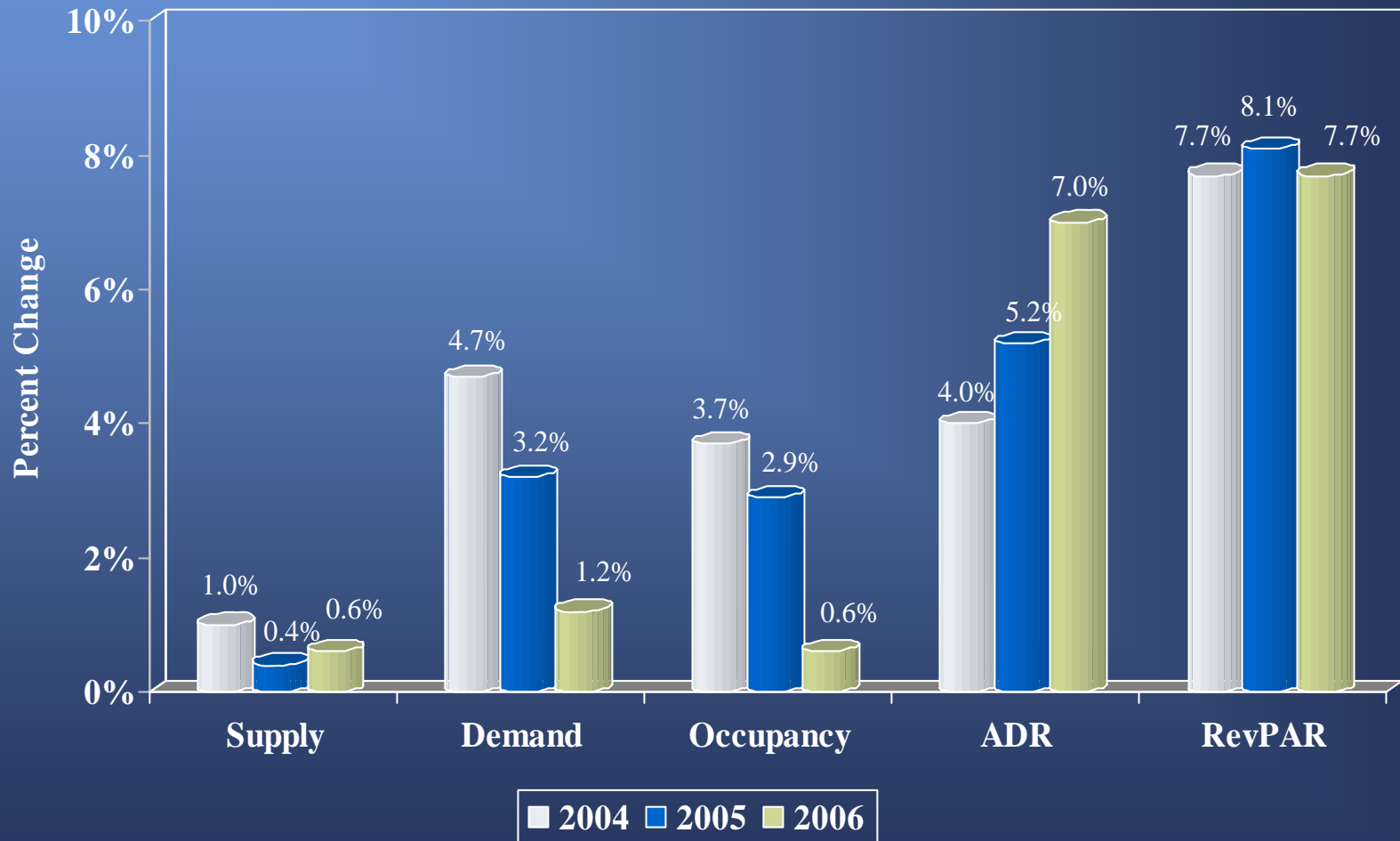


* Note: 2006 estimated based on year-to-date November performance.

Source: *Smith Travel Research*

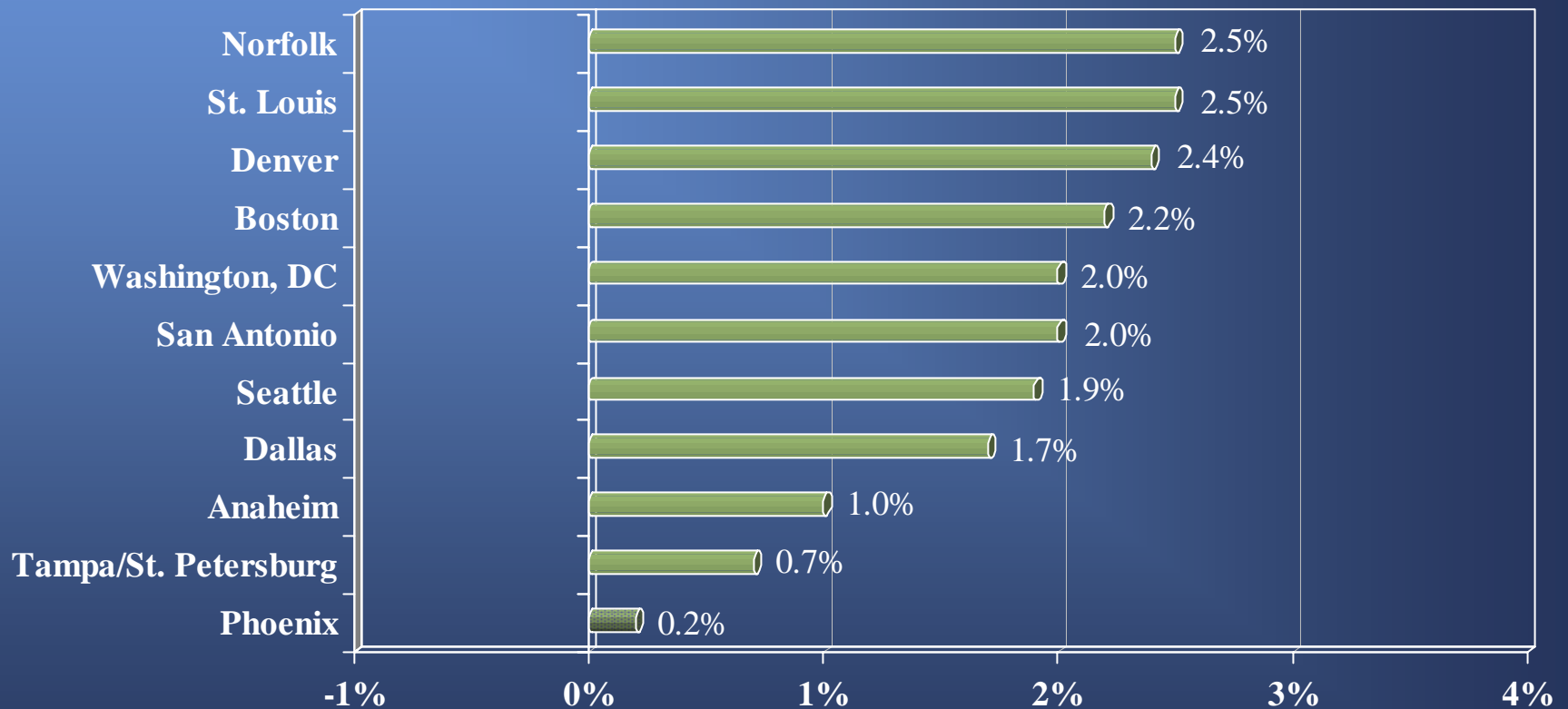


United States Lodging Market Percent Change in Key Performance Indicators



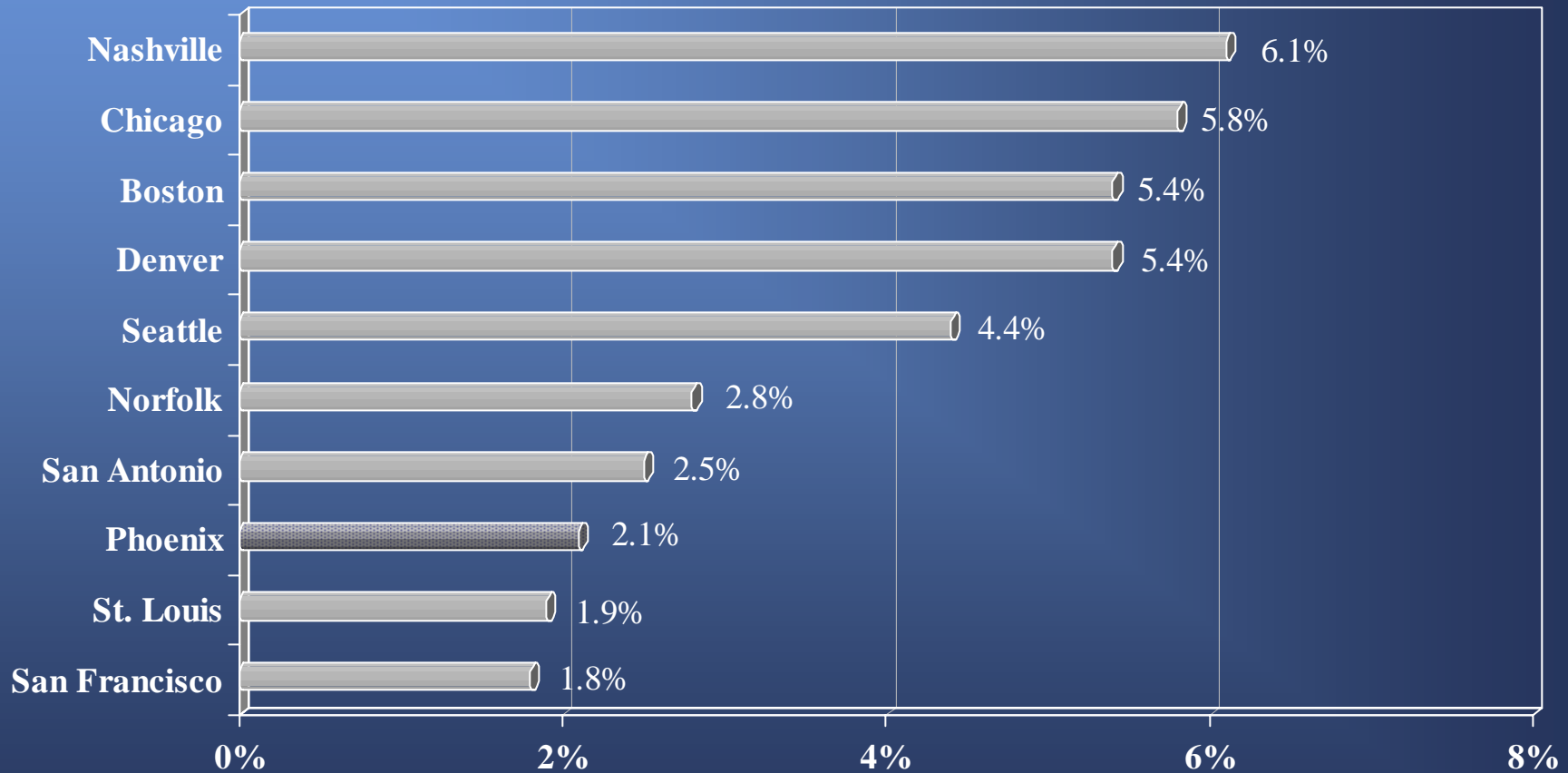


United States Lodging Market Top 10 Supply Growth Markets 2006



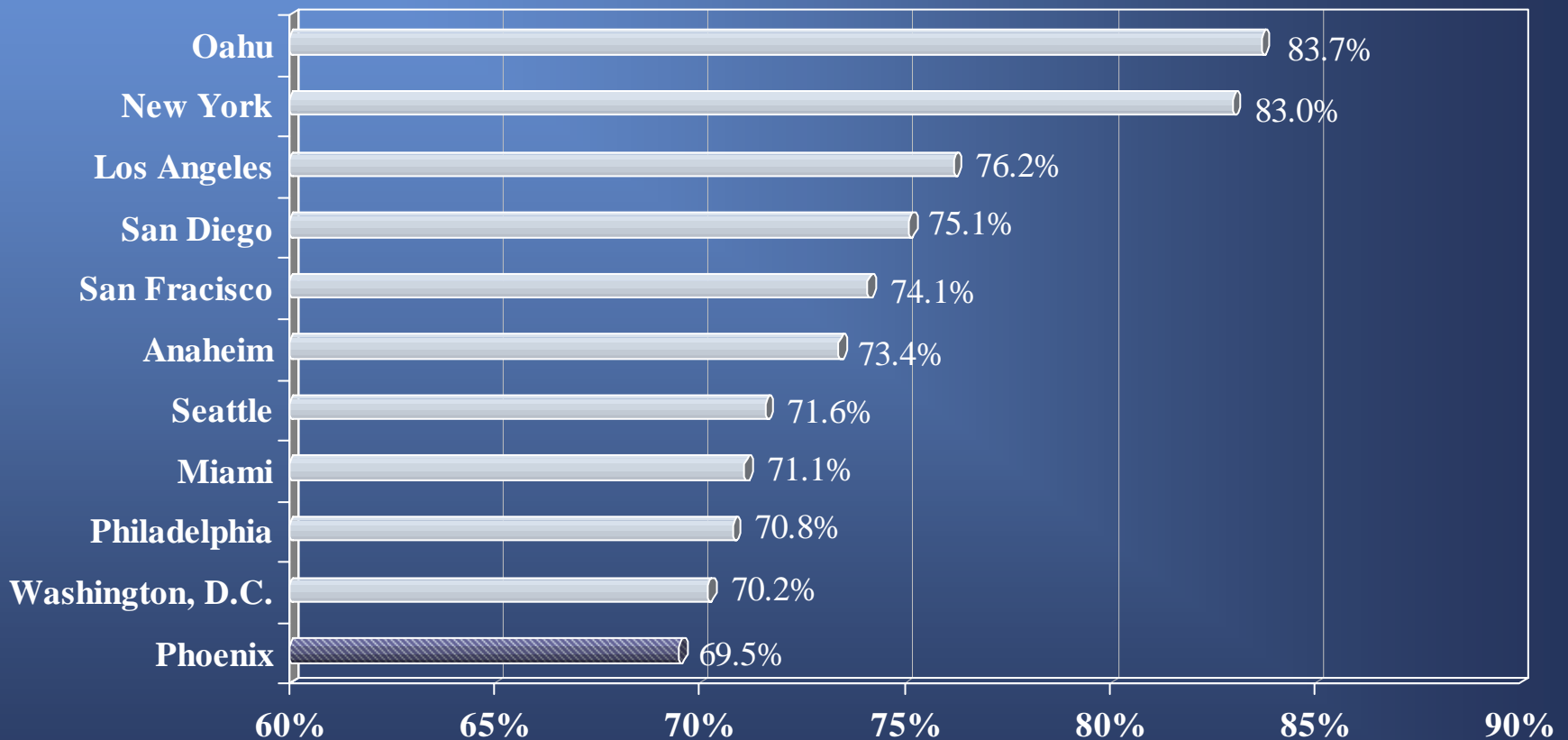


United States Lodging Market Market Demand Activity 2006





United States Lodging Market Top 10 Occupancy Markets 2006

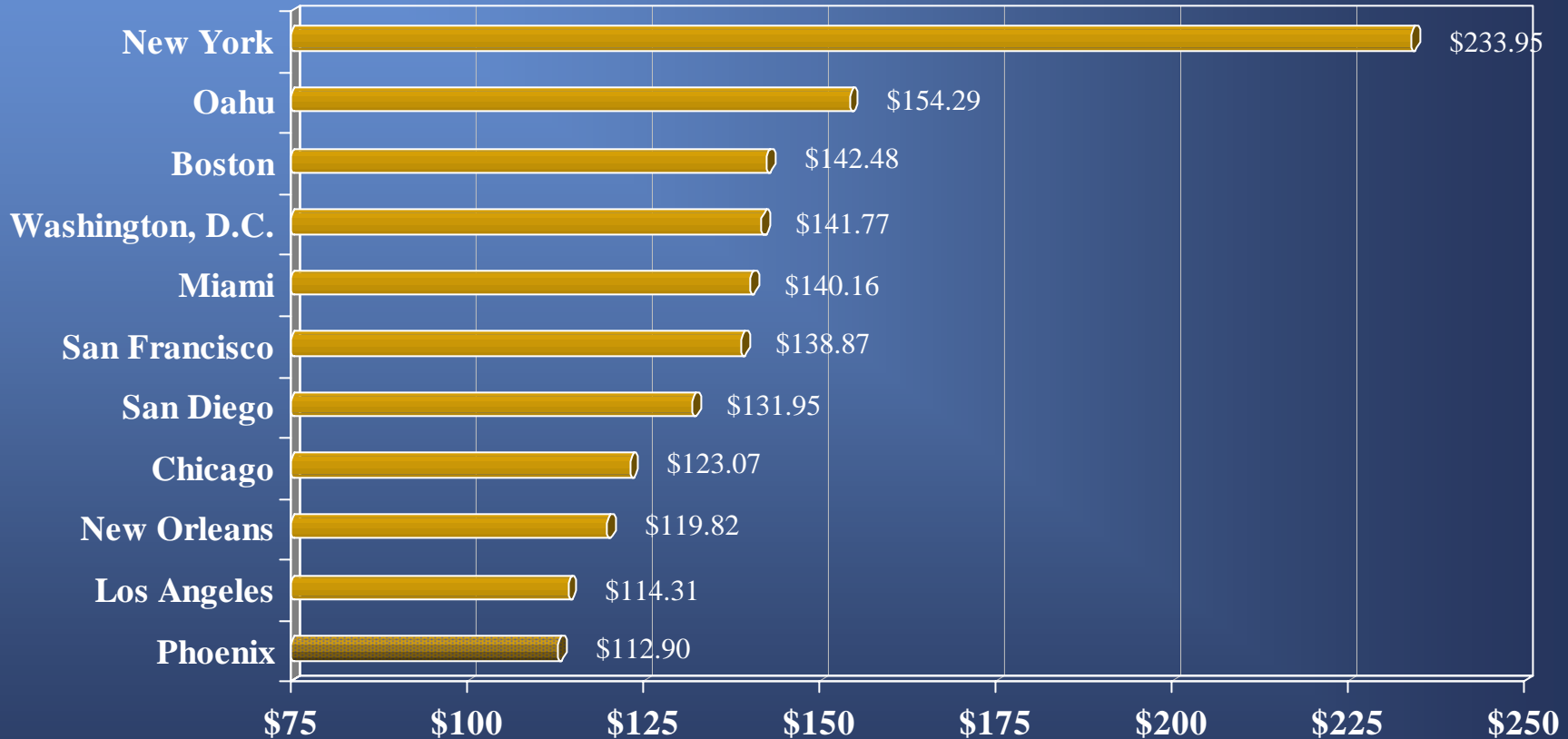


Note: Represents year-to-date November occupancy.

Source: *Smith Travel Research*



United States Lodging Market Top 10 ADR Markets 2006

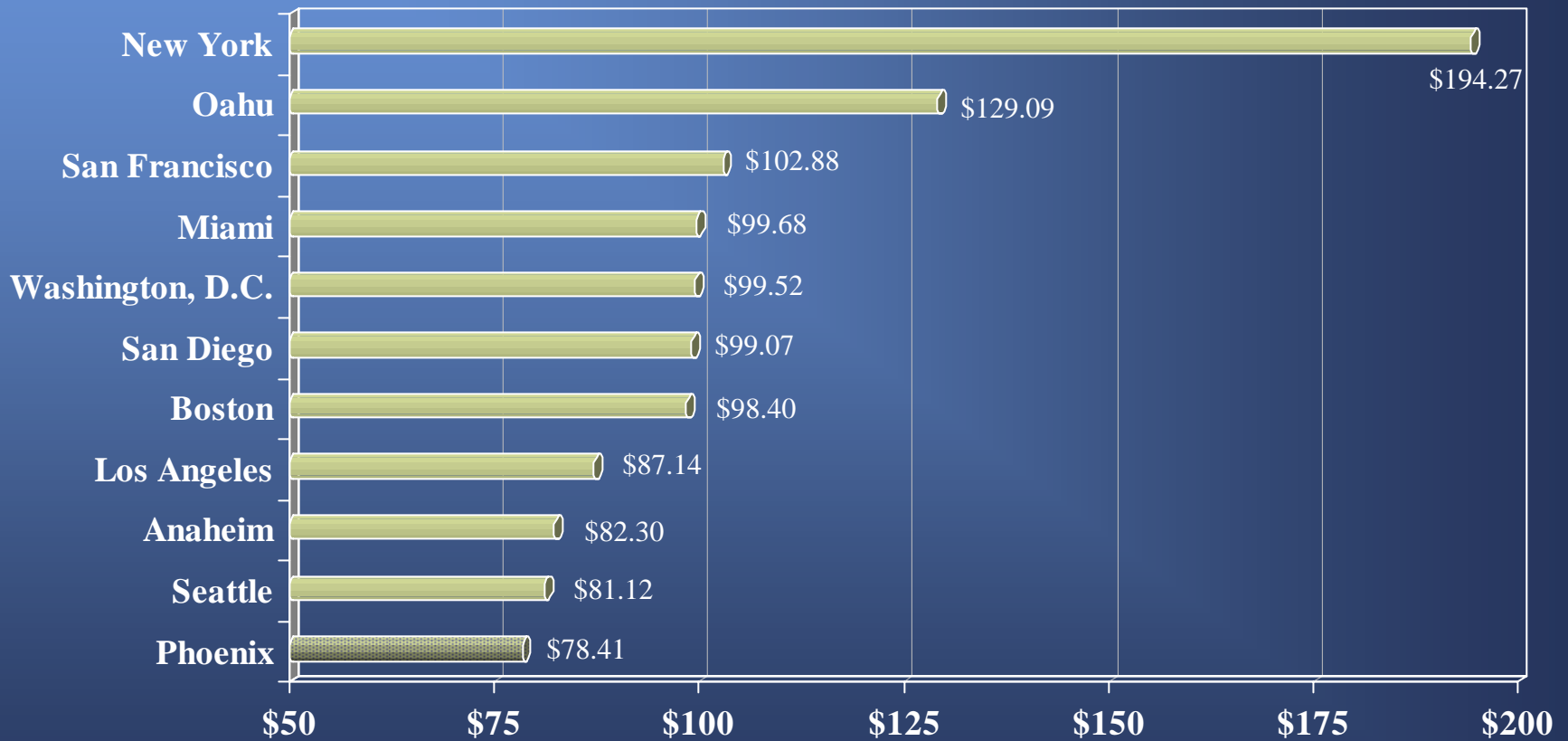


Note: Represents year-to-date November ADR.

Source: *Smith Travel Research*



United States Lodging Market Top 10 RevPAR Markets 2006

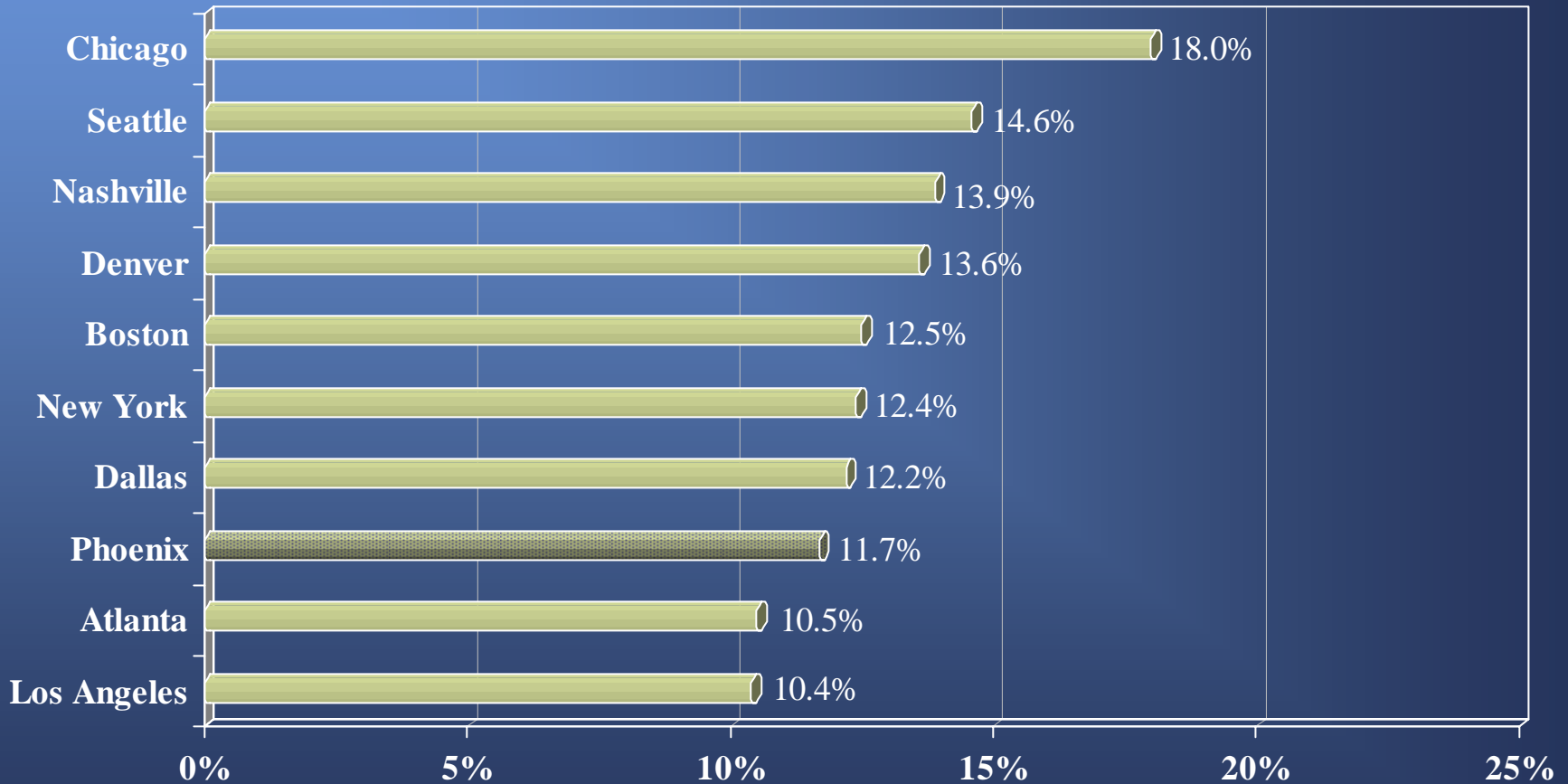


Note: Represents year-to-date November RevPAR.

Source: *Smith Travel Research*



United States Lodging Market Top 10 RevPAR Growth Markets 2006



Note: Represents year-to-date November performance.

Source: *Smith Travel Research*



United States Lodging Market Top Ten Markets: Supply (2006)

Market	No. of Rooms
Las Vegas	154,406
Orlando	112,610
Chicago	102,082
Los Angeles/Long Beach	95,050
Washington, D.C.	92,200
Atlanta	91,907
New York	80,119
Dallas	71,695
Houston	61,253
San Diego	53,498
Phoenix	53,395

Metropolitan Phoenix Lodging Market Overview



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Metro Phoenix Total Available Rooms

Between 1997 and 2000, 10,097 rooms were added, a 24 percent increase; however, since 2000, overall rooms supply has increased by 2.3 percent, or 1,195 rooms.





Metro Phoenix Number of Rooms Added (Annualized)

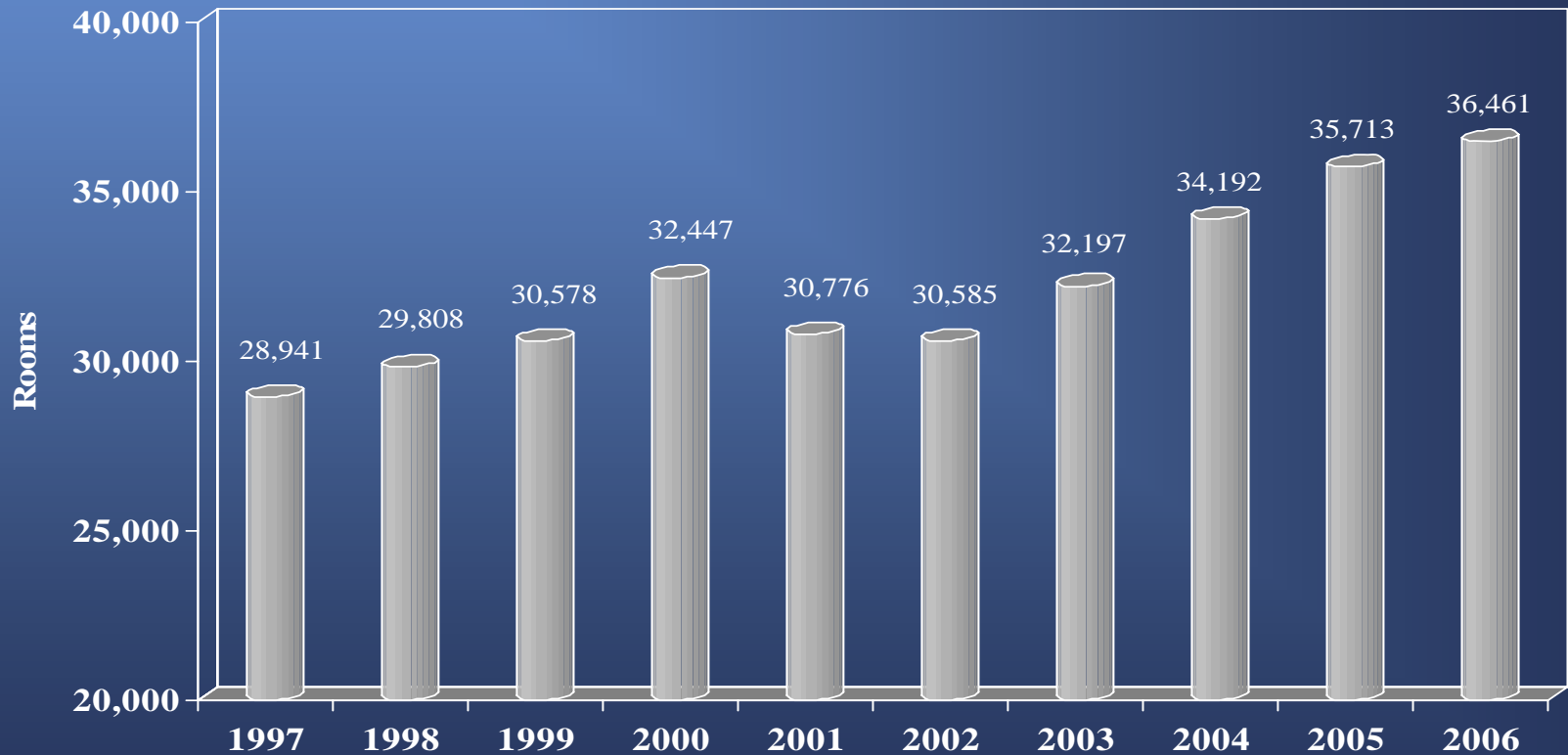
In 2006, Metro Phoenix experienced only a minimal net gain in overall rooms supply.





Metro Phoenix Occupied Rooms Per Day

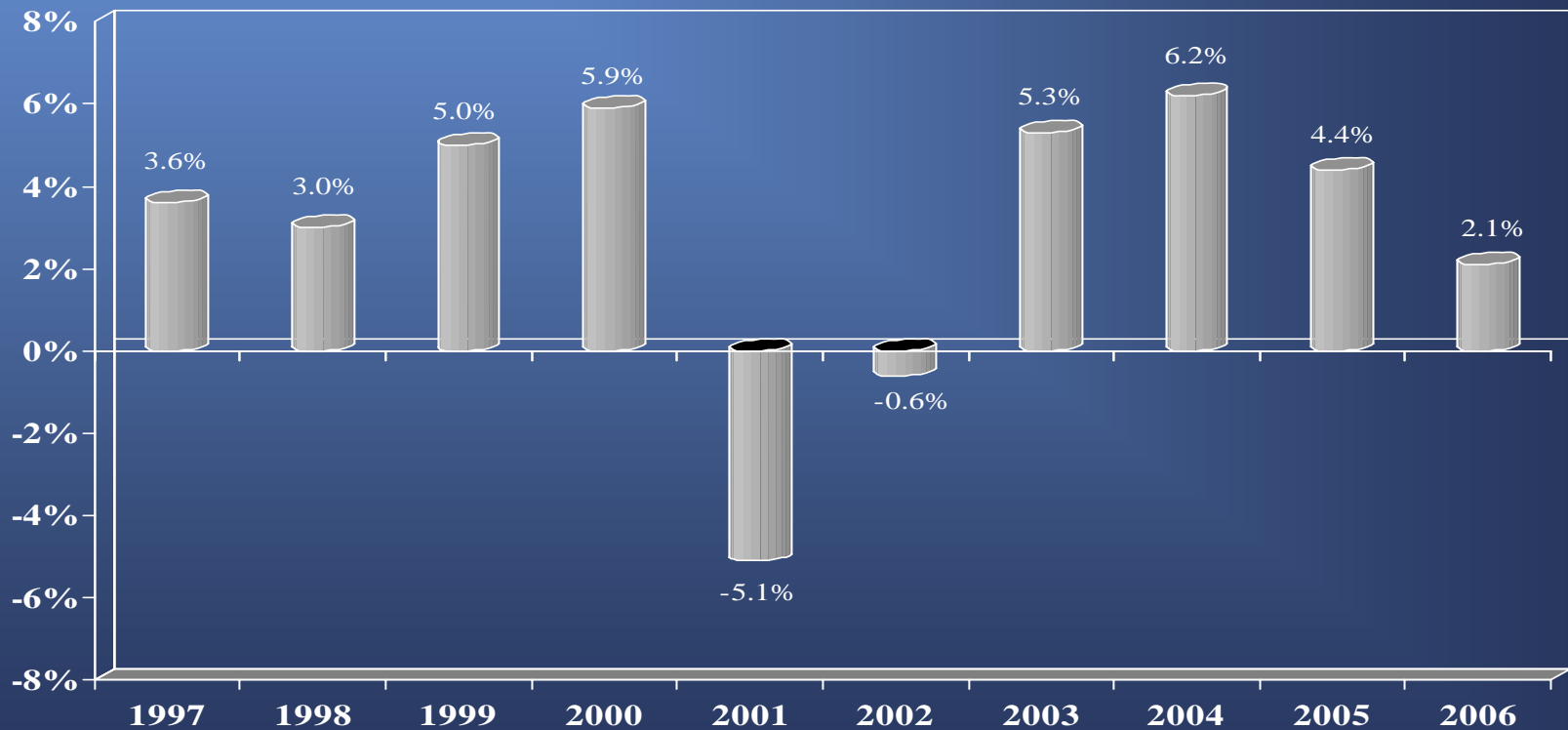
In 2006, the market captured approximately 36,500 room nights of demand, continuing an upward trend that began in 2003.





Metro Phoenix Percent Change in Demand

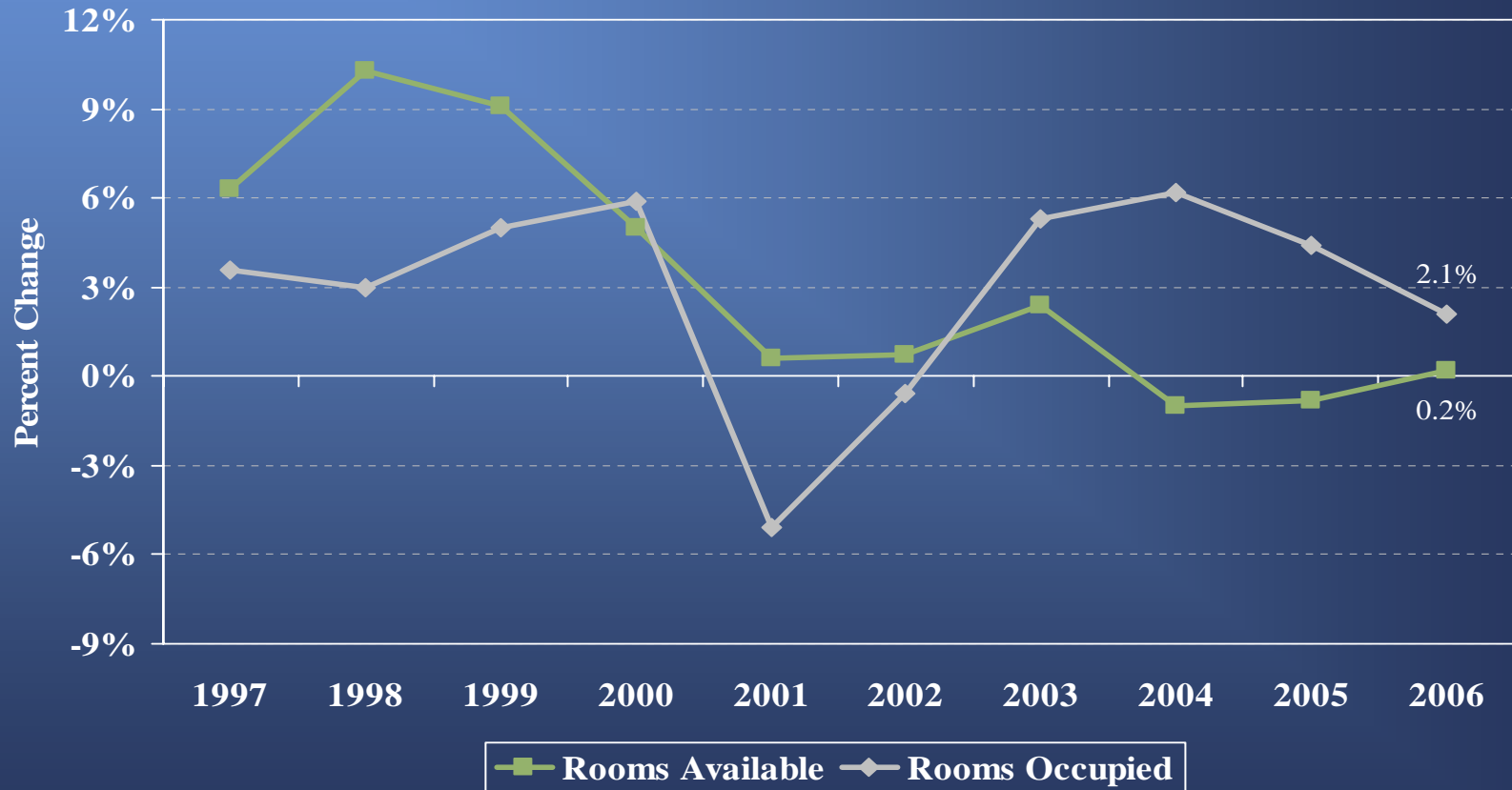
While moderating somewhat, demand growth continued in 2006. The recent demand growth (since 2003) has been all-encompassing (submarkets, demand segments, and product sectors).





Metro Phoenix Percent Change In Supply & Demand

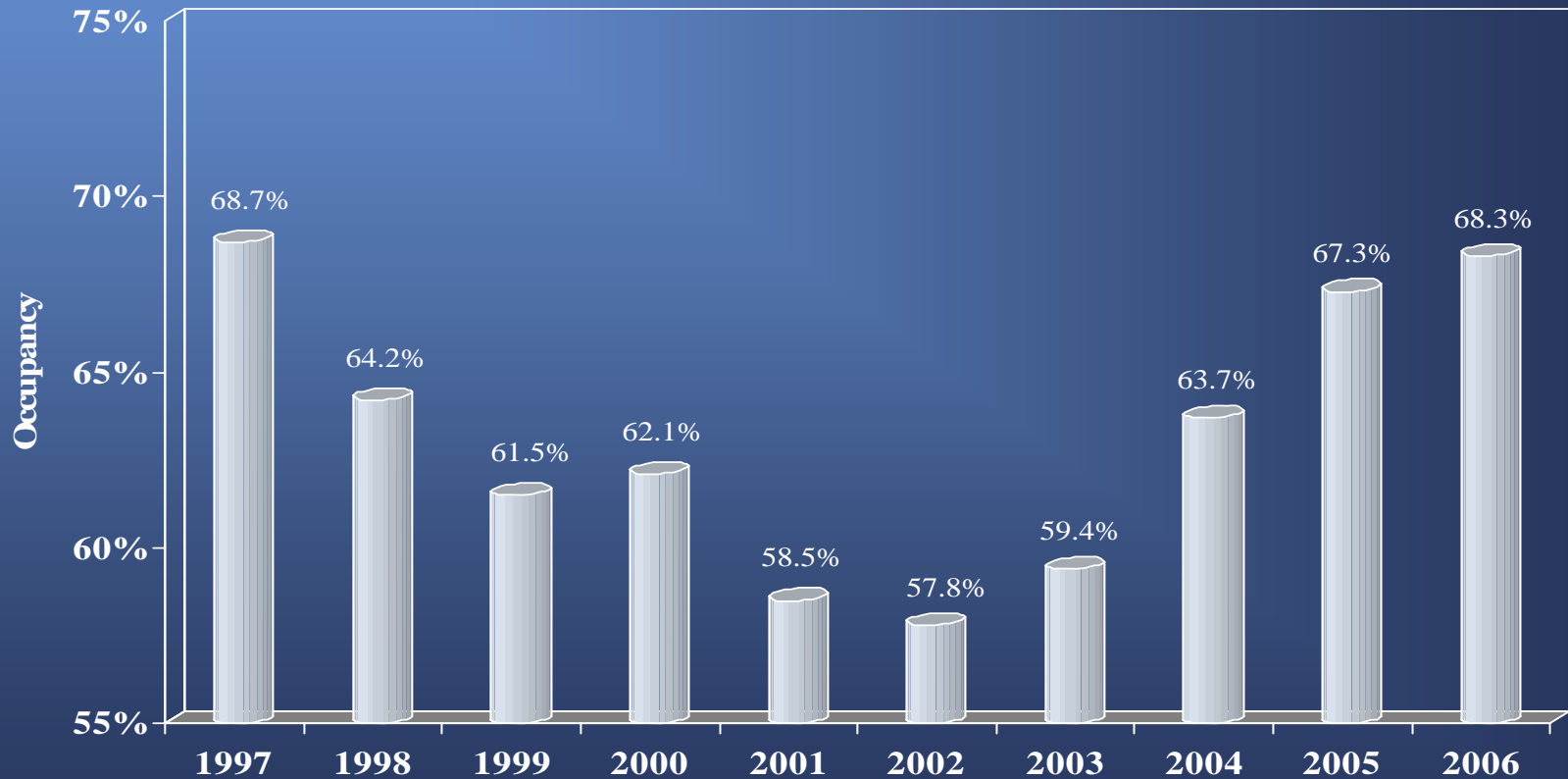
In 2006, demand growth outpaced supply for the fourth consecutive year.





Metro Phoenix Occupancy

In 2006, Metro Phoenix occupancy was at its highest since 1997 (the market absorbed approximately 11,500 rooms during this period).





Metro Phoenix Average Daily Rate

ADR continued its upward trend with strong growth in 2006 (9.6%).





Metro Phoenix Revenue Per Available Room

The market has achieved double-digit RevPAR growth during the past three years. 2006 represented the first year that RevPAR exceeded pre-9/11 levels on an inflated basis.





Metropolitan Phoenix vs. United States Lodging Market

	Metro Phoenix			United States		
	2005	2006*	% Change	2005	2006*	% Change
Occupancy	67.0%	68.3%	1.9%	64.2%	64.6%	0.6%
ADR	\$102.56	\$112.40	9.6%	\$90.95	\$97.35	7.0%
RevPAR	\$68.74	\$76.77	11.7%	\$58.42	\$62.90	7.7%
Supply	—	—	0.2%	—	—	0.6%
Demand	—	—	2.1%	—	—	1.2%

* Note: 2006 estimated based on year-to-date November annualized performance.

Source: *Smith Travel Research, Warnick & Company*

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Metro Phoenix Supply vs. Demand

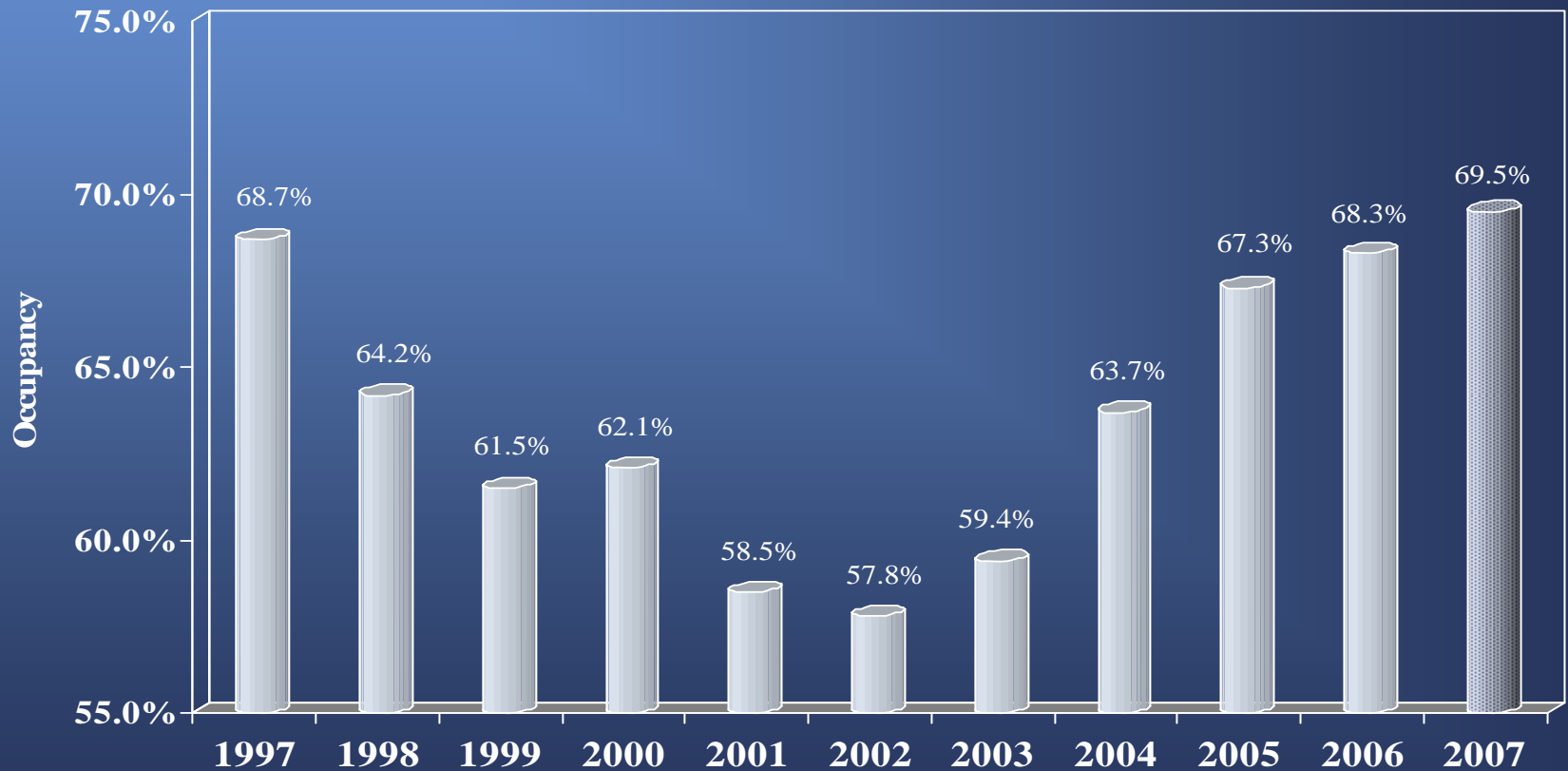
While moderating somewhat, demand growth is estimated to continue to outpace supply in 2007, further enhancing market-wide occupancy performance.





Metro Phoenix Occupancy

The resulting occupancy would reflect levels not achieved by the market since 1997.



Metro Phoenix Resort Market



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Metro Phoenix Resort Market Total Available Rooms

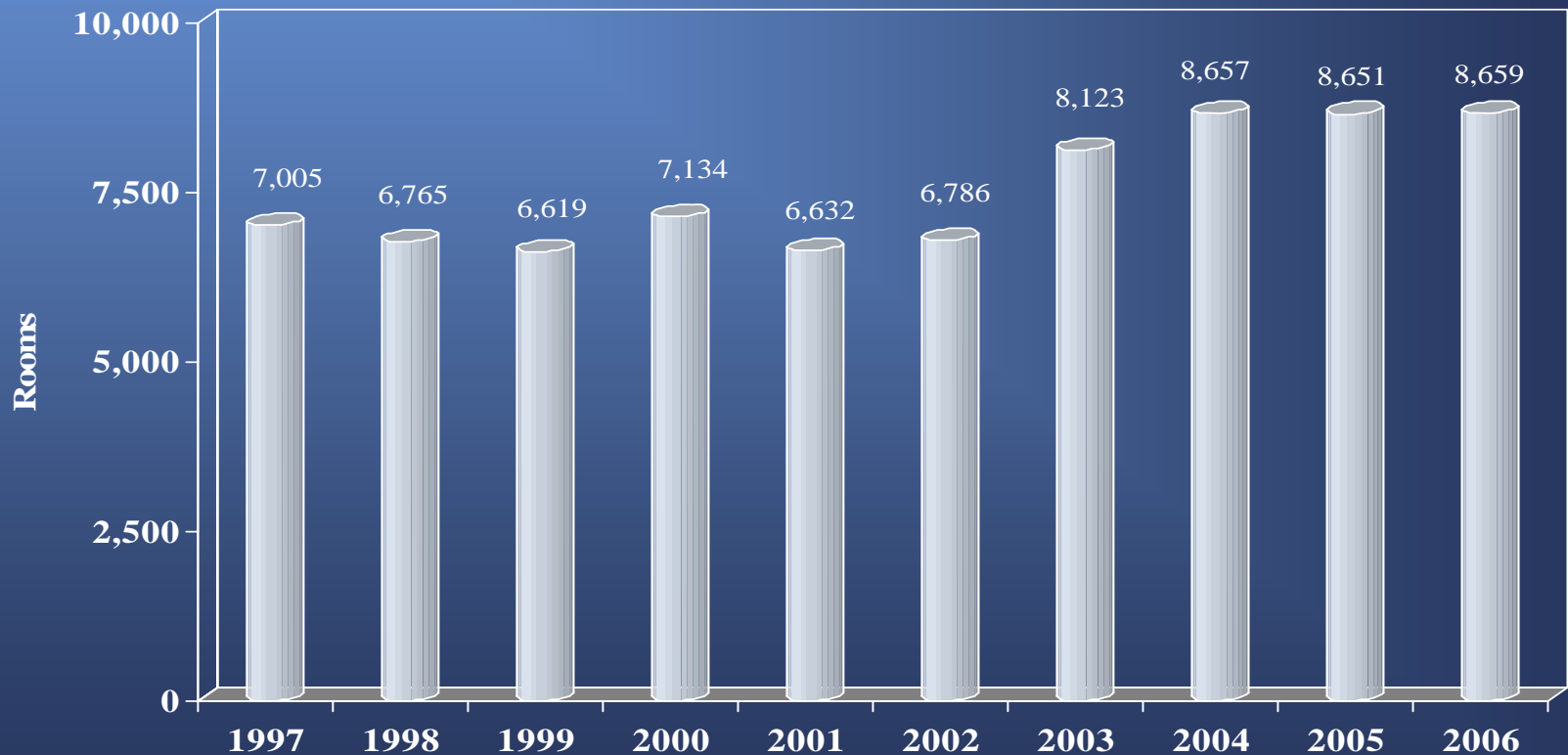
The resort inventory increased slightly in 2006 due mainly to the addition of the Radisson Fort McDowell Resort & Casino.





Metro Phoenix Resort Market Occupied Rooms Per Day

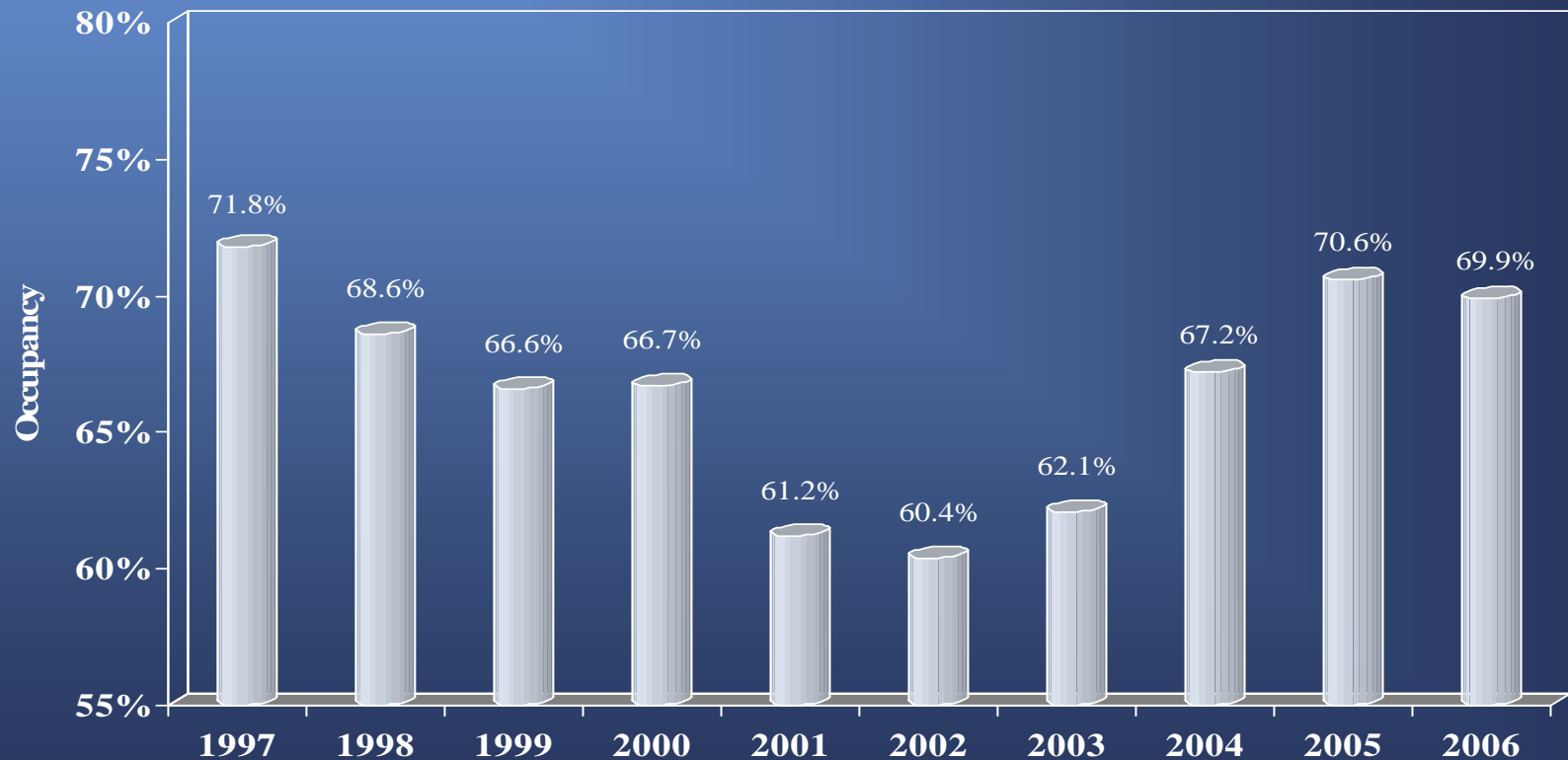
The resort market experienced continued demand growth, albeit moderate, in 2006.





Metro Phoenix Resort Market Occupancy

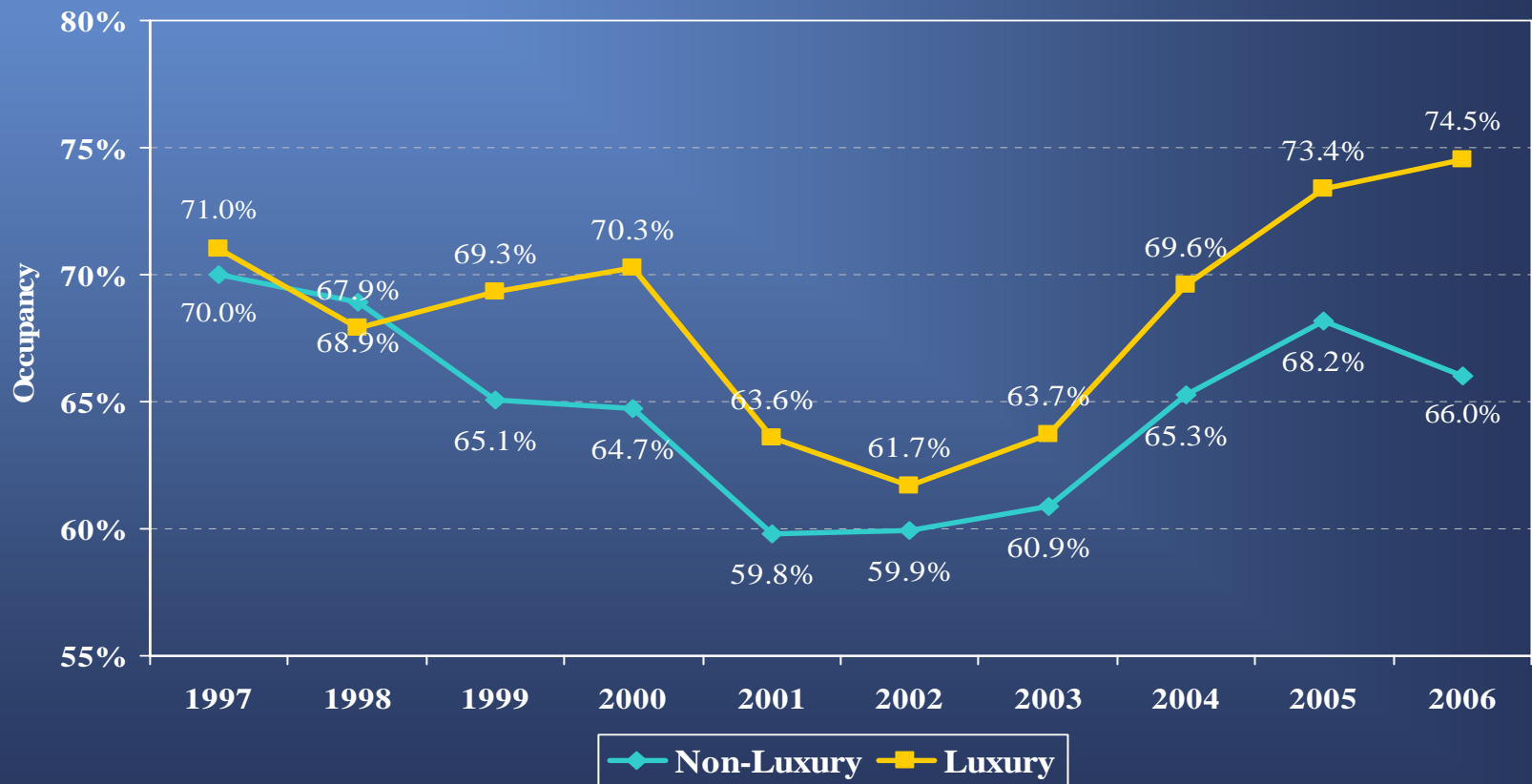
Supply growth outpaced a moderate increase in demand resulting in a slight decline in occupancy in 2006.





Metro Phoenix Resort Market Occupancy

In 2006 the luxury resorts experienced continued occupancy growth while the non-luxury set fell below 2005 occupancy levels.





Metro Phoenix Resort Market Average Daily Rate

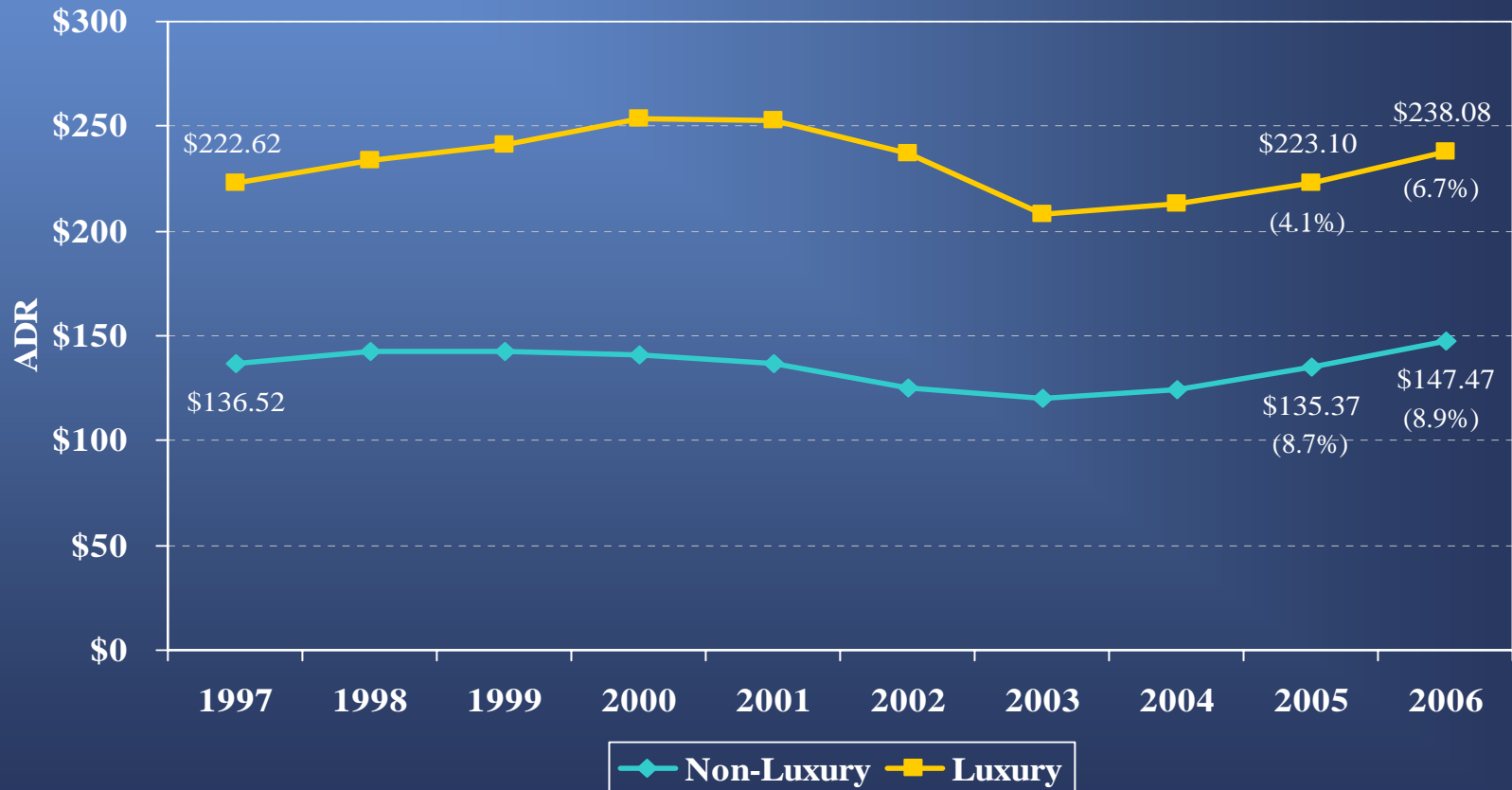
The resort market experienced solid ADR growth for the third year in a row, exceeding pre 9/11 levels (non-inflated).





Metro Phoenix Resort Market Average Daily Rate

Rate growth was experienced by both the non-luxury and luxury resort sectors in 2006.





Metro Phoenix Resort Market Revenue Per Available Room

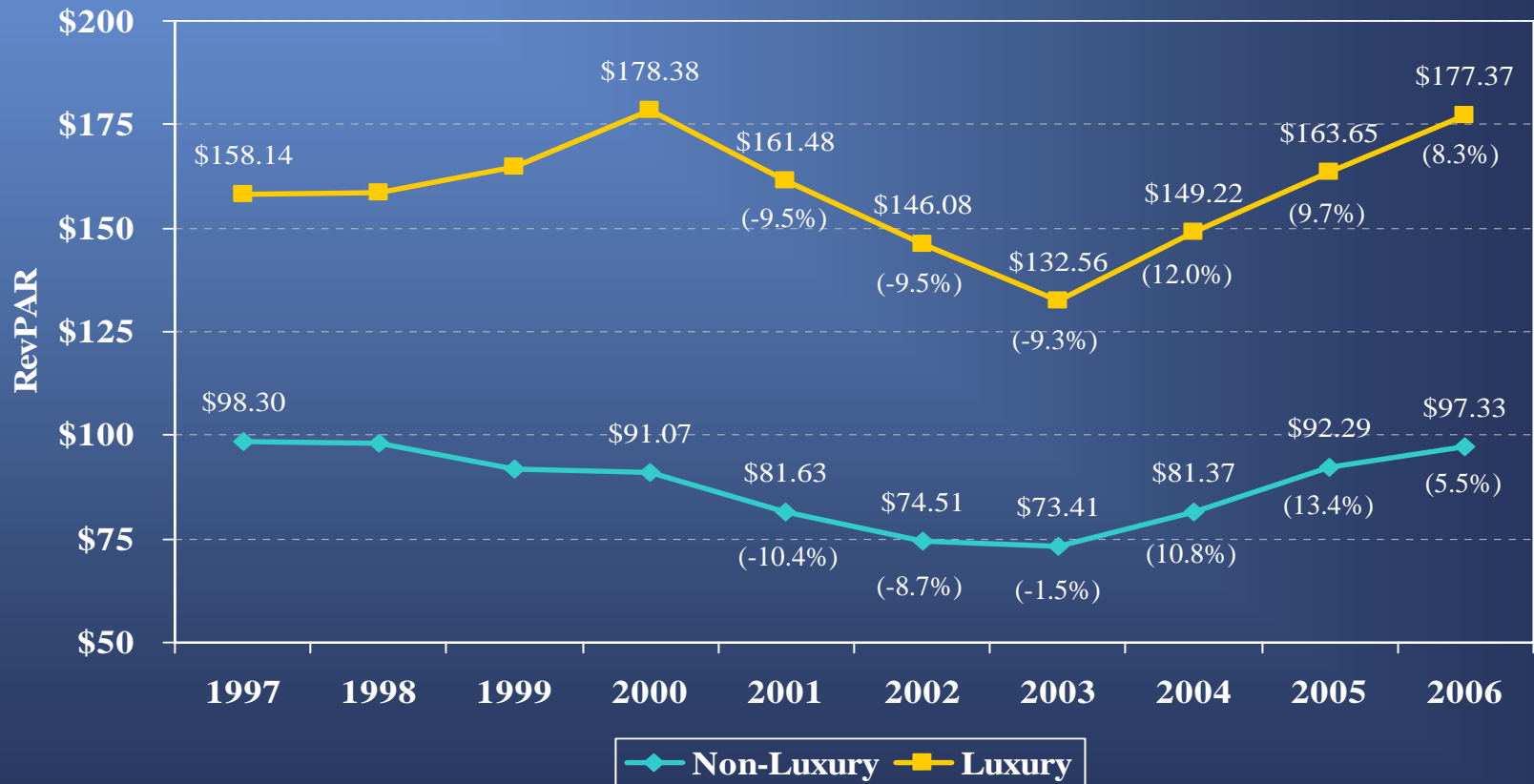
Driven mainly by ADR growth, RevPAR increased by approximately 7% in 2006, continuing a growth trend which began in 2004.





Metro Phoenix Resort Market Revenue Per Available Room

Both occupancy and ADR growth have fueled continued increases in RevPAR in both the non-luxury and luxury resort sectors over the past two years.



New Supply



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No full-service hotels opened in 2006. Only the Renaissance Hotel Westgate is scheduled to open in 2007.

Proposed Full-Service/Resort Hotels

Downtown Hotel (Phoenix)	1,000	Downtown Boutique Hotel (Phoenix)	200
Casino Arizona (2 hotels)	600	CityScape (Phoenix)	200
Verrado (Buckeye)	350 - 500	Le Meridien (Tempe)	200
Pier 202 (Tempe)	250	Renaissance Club (Tempe)	200
Renaissance Hotel Westgate (Glendale)	330	Monroe Hotel (Phoenix)	125
Westin Hotel (Tempe)	300	Estrella Mountain Ranch (Goodyear)	Undetermined
Montelucia Resort, Spa & Residences	270	Gila River Sheraton Hotel	Undetermined
Renaissance Club (Chandler)	250	Scottsdale Waterfront	Undetermined
Ritz-Carlton Resort (Scottsdale)	225	SkySong Center (Scottsdale)	Undetermined
W Hotel (Scottsdale)	225	Spectrum Embassy Suites (Chandler)	Undetermined
W Hotel Downtown (Phoenix)	200	Stack 40s (Scottsdale)	Undetermined
Colliers Center (Phoenix)	200		

Potential Expansions

Tempe Mission Palms Hotel	200	Harrah's Ak-Chin Resort	Undetermined
Mountain Shadows (2 hotels)	300		

Market Issues



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Issues Facing the Phoenix Market

- National economy
 - Evidence of continued growth (albeit moderate)
 - Potential for more political turmoil and terrorist activity on a global basis
 - Gas prices – impact on travel patterns (air/ground)
- Metro Phoenix economic/tourism growth
 - Phoenix economy remains strong and continues to diversify
 - Arizona continues to be desirable tourist and group destination (new hotels/resorts, new amenities, strengthening recognition as a spa destination)



Issues Facing the Phoenix Market: Demand vs. Supply

- As was the case for 2005, hotel owners, operators, and investors have high expectations for 2007 and beyond
- Market is poised for continued growth in all product sectors and demand segments
- Growth in demand combined with minimal supply growth should fuel stronger occupancies across all product sectors over the next 12 months



Issues Facing the Phoenix Market: Demand vs. Supply

- No significant supply growth projected in 2007
 - Limited new supply may not last long
 - Available financing
 - Stronger market dynamics
- New cycle of development now underway with anticipated openings to occur 2008 – 2009
 - More unique product – upscale boutique/residential
 - Convention oriented
 - Induced demand capability



Issues Facing the Phoenix Market: Demand vs. Supply

- Rate growth should continue to strengthen in 2007 as occupancy reaches more stabilized levels and market compression becomes more evident
- Current and planned product enhancement (primarily resort) continues to increase the recognition and destination appeal of the market (scope/quality of facilities and amenities)



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
 - Record passenger activity at Sky Harbor International Airport for 2006



Issues Facing the Phoenix Market: Industry Profitability

- The overall industry has enjoyed enhanced profitability over the past three years
- There is evidence for continued profitability in the foreseeable future



Issues Facing the Phoenix Market: Industry Profitability

- Challenges to future profitability
 - Sustained average rate growth
 - Increased operating costs
 - Labor costs
 - Increasing wages, benefits, and incentives
 - Diminishing labor pool
 - Union threat
 - Security and insurance costs
 - Energy costs
 - Increased construction costs and related impact on investment returns



Issues Facing the Phoenix Market: Increased External Competition (Resort/Convention)

- Tucson (new Marriott resort), Las Vegas, Southern California, New Mexico, San Antonio, Puerto Peñasco/Cabo San Lucas
- Nationwide threat to convention business
 - New/expanded convention centers
 - Larger/higher quality support hotel inventory
 - Phoenix is reacting with a significant expansion to the Phoenix Civic Plaza and a new 1,000 room hotel (scheduled opening late 2008)
- Cruise industry
 - Oversupply – aggressive rates are a threat to land-based FIT demand
- Timeshare/fractional industry
 - New development in metro area



Issues Facing the Phoenix Market: Destination Appeal

- Potential negative impact on the destination appeal of the market
 - Urban sprawl
 - Market identity – shift in the image/character of the area

Thank you for coming!



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