

ROBINSON

J. Mack Robinson College of Business • GEORGIA STATE UNIVERSITY



“Life Near the Peak” ***Atlanta’s Hotel Market***

August 23, 2006

presented by:

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Atlanta – Life Near the Peak

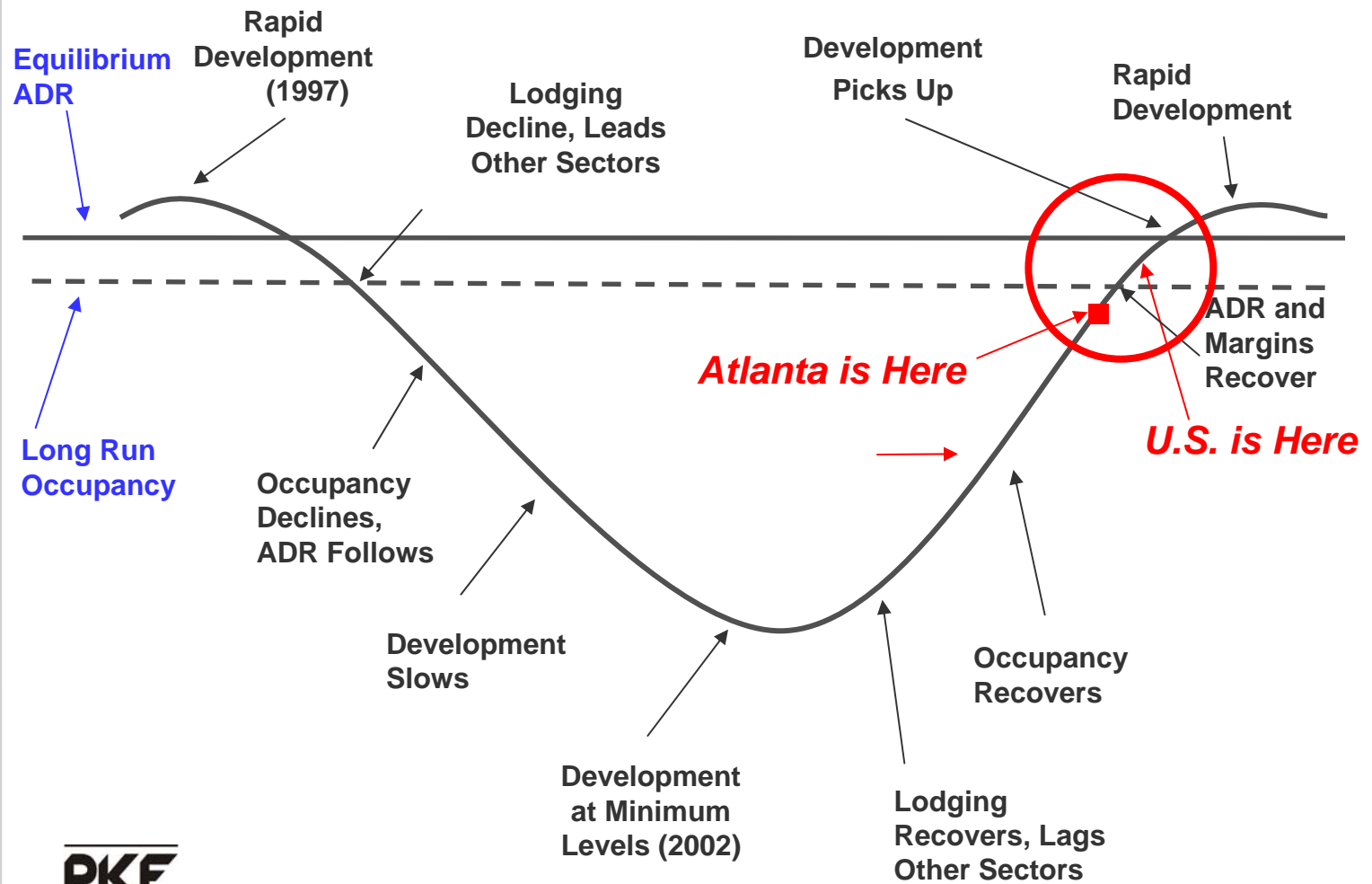
- National Overview
- Atlanta Performance
 - Things are Getting Better
 - Heavens to Katrina!
 - The Importance of Being Downtown
 - The Future is Bright
- Where is the Risk?

National Overview





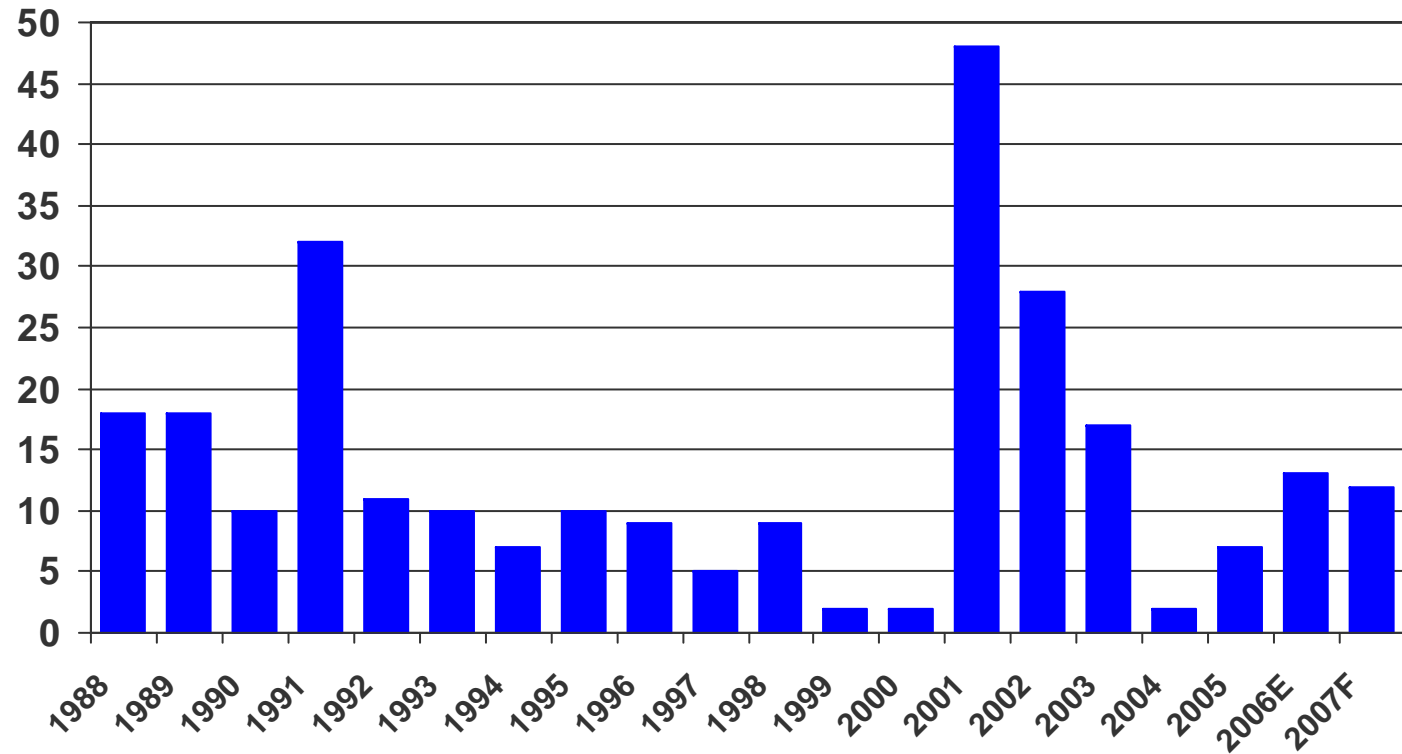
The Hotel Market Cycle Getting to the Peak





Emerging Signs of a Slow Down

Number of Markets with Declining Year-Over-Year Demand



■ Number of Markets



All Hotels - Top 52 U.S. Markets

	2004	2005	2006F	2007F
Occupancy	65.0%	67.6%	68.4%	68.8%
% Change	+5.5%	+4.0%	+1.2%	0.5%
ADR	\$97.93	\$105.71	\$114.47	\$119.74
% Change	+4.3%	+8.0%	+8.3%	+4.6%
RevPAR	\$63.65	\$71.48	\$78.29	\$82.38
% Change	+10.0%	+12.3%	+9.6%	+5.2%

Source: STR, PKF-HR, TWR

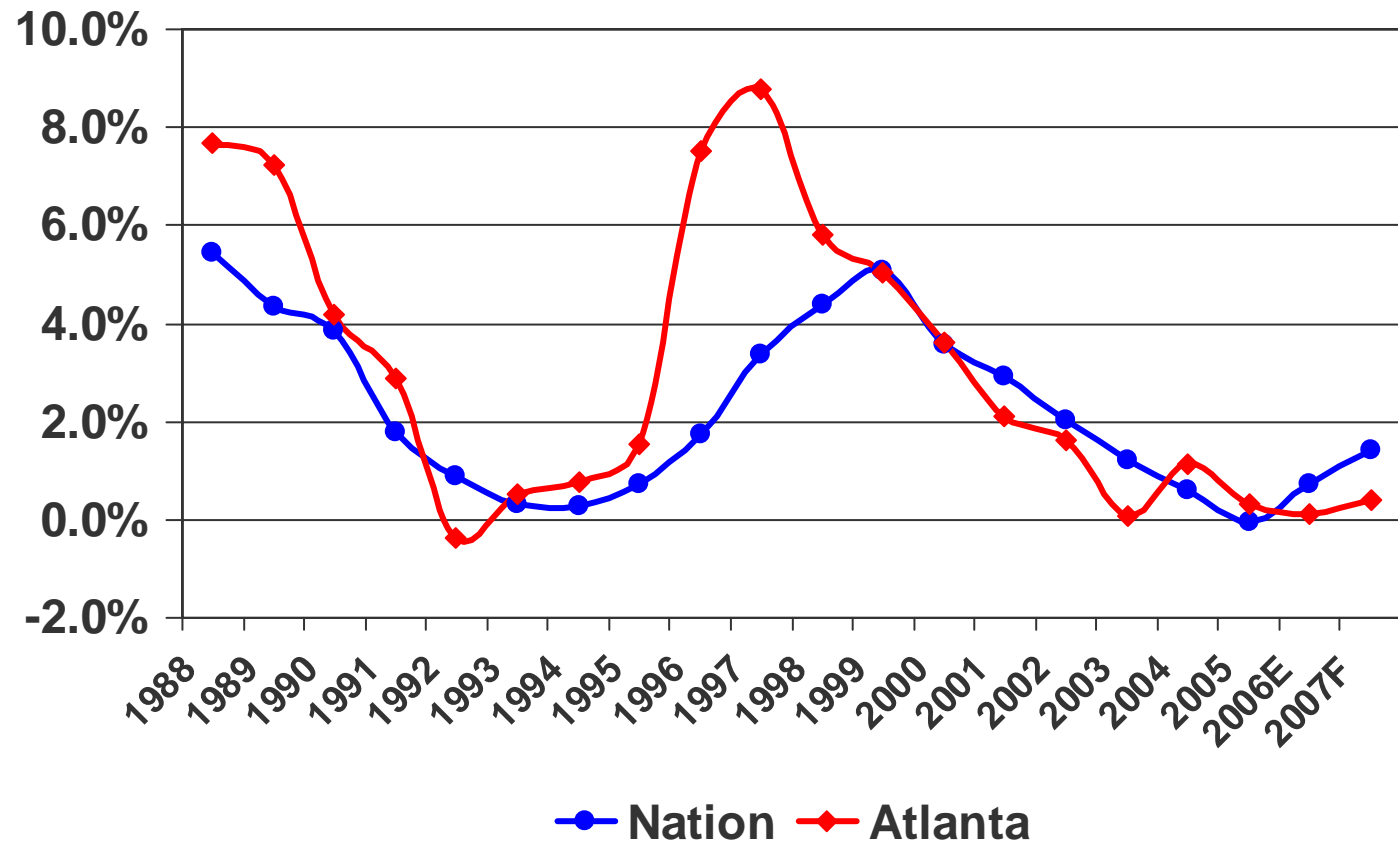
Atlanta Performance: Things are Getting Better





Five Years of Below Average Construction

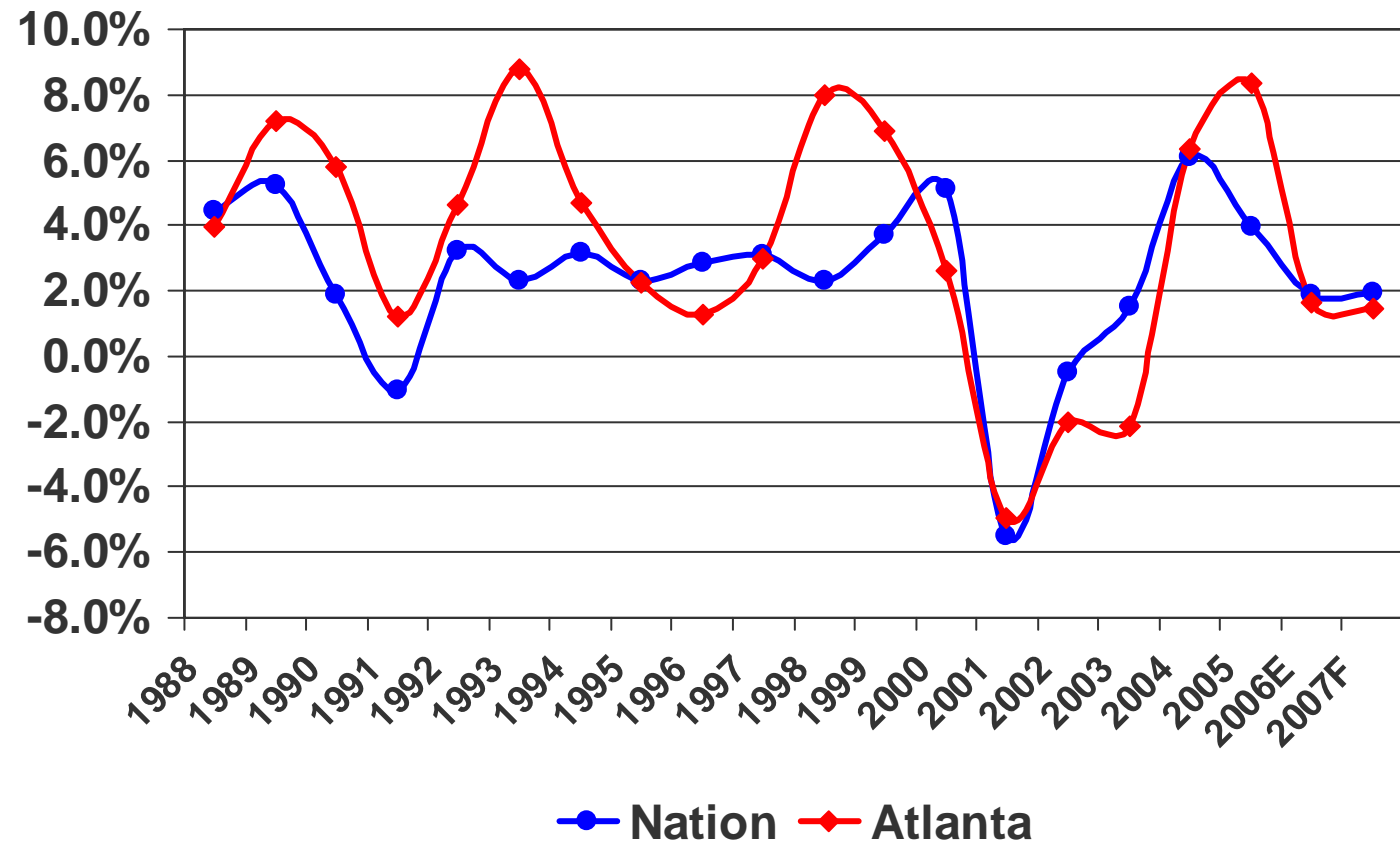
Annual Change in Supply





It's All About Demand

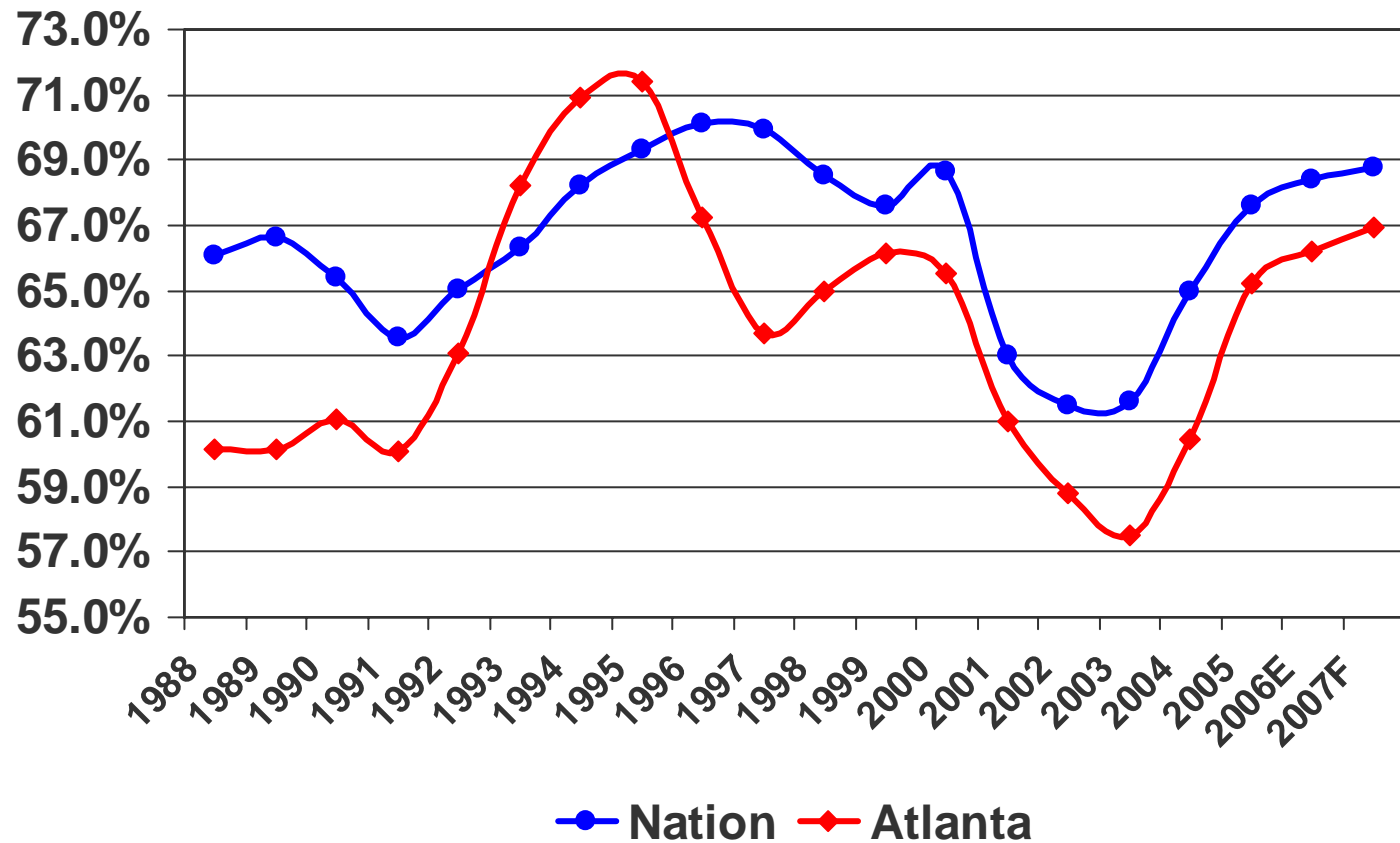
Annual Change in Rooms Sold





10 Years of Lagging the Nation

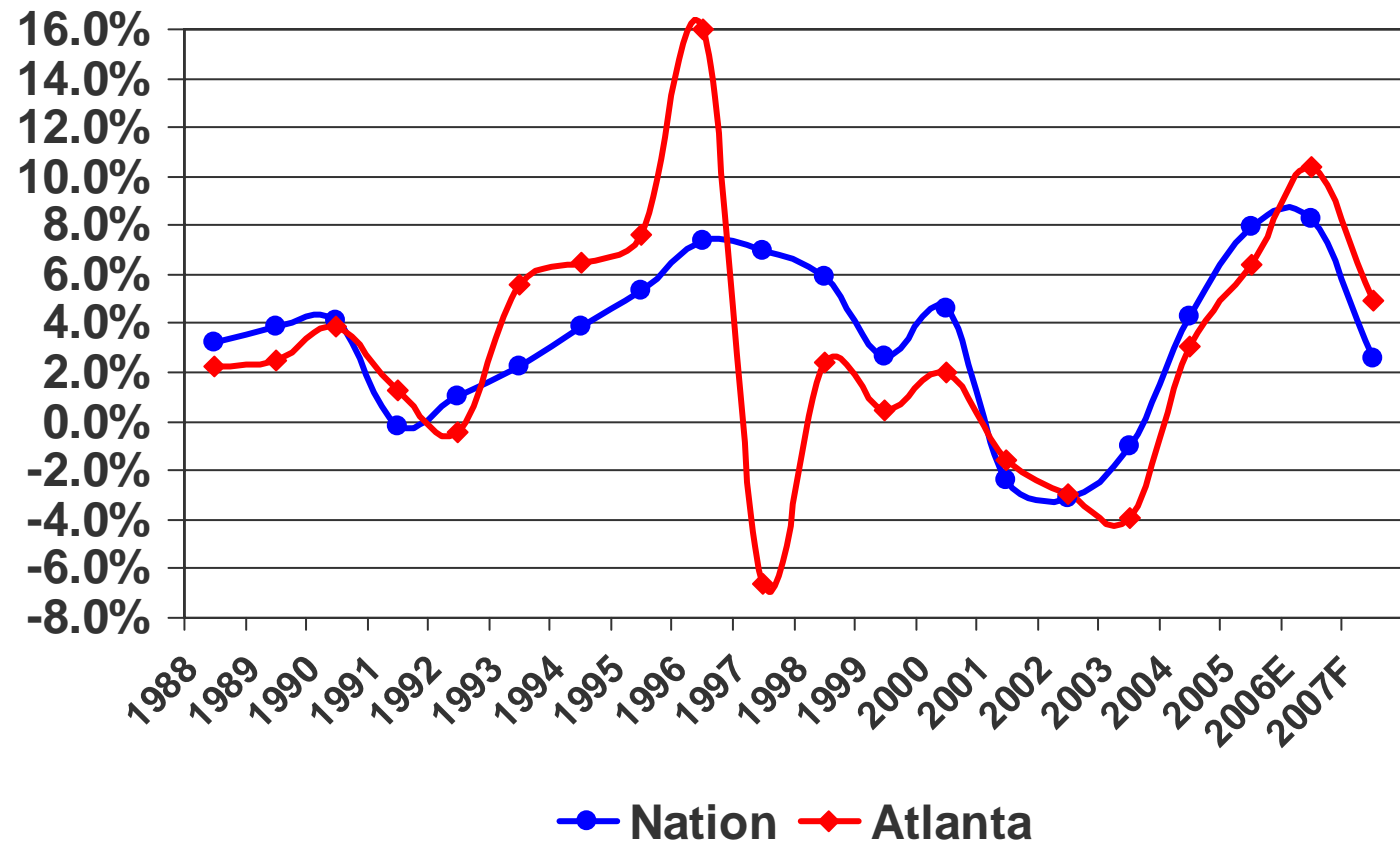
Annual Occupancy Level





Rates Finally Catch Up

Annual Change in Average Daily Room Rate



Atlanta Performance: Heavens to Katrina!





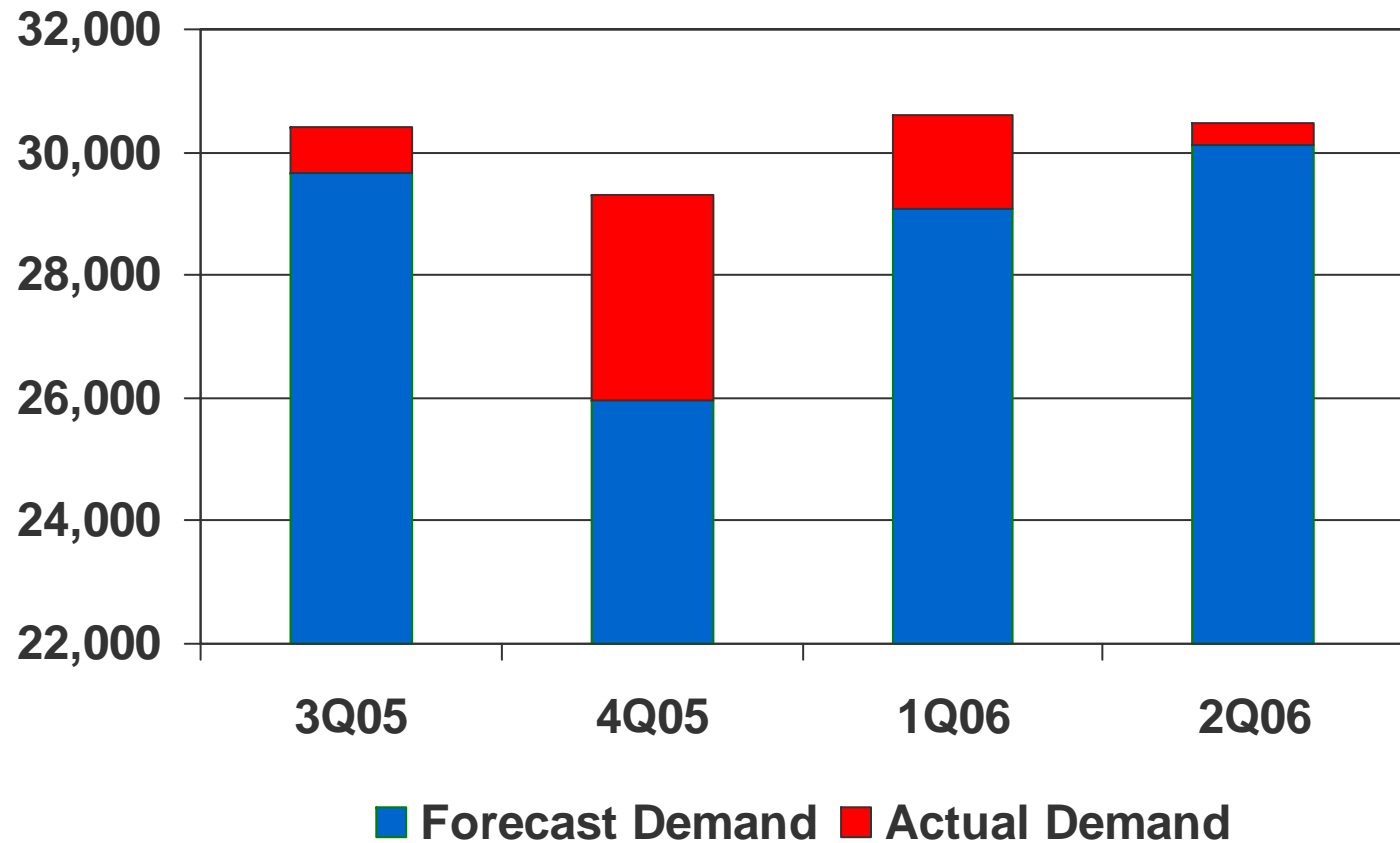
August 29, 2005

- Hurricane Katrina Lands
- Residents Evacuate
 - Hotels Serve as Temporary Housing
- Group Meetings Displaced
 - Cities with Available Capacity Welcome with Open Arms
- Sporting Events Relocated
 - Sugar Rains on Atlanta



Measuring the Katrina Impact

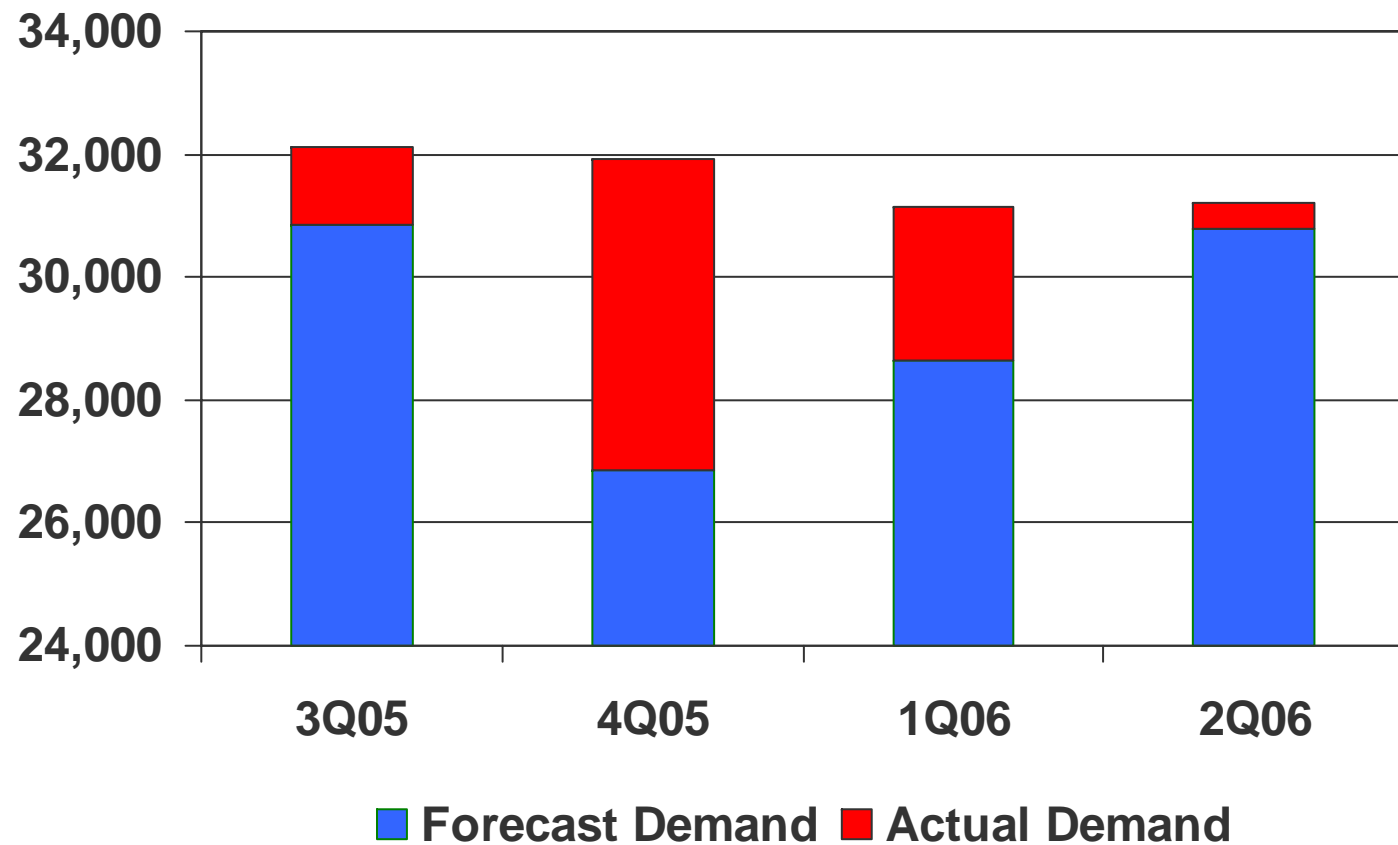
Daily Increase in Rooms Sold – Full Service Hotels





Measuring the Katrina Impact

Daily Increase in Rooms Sold – Limited Service Hotels

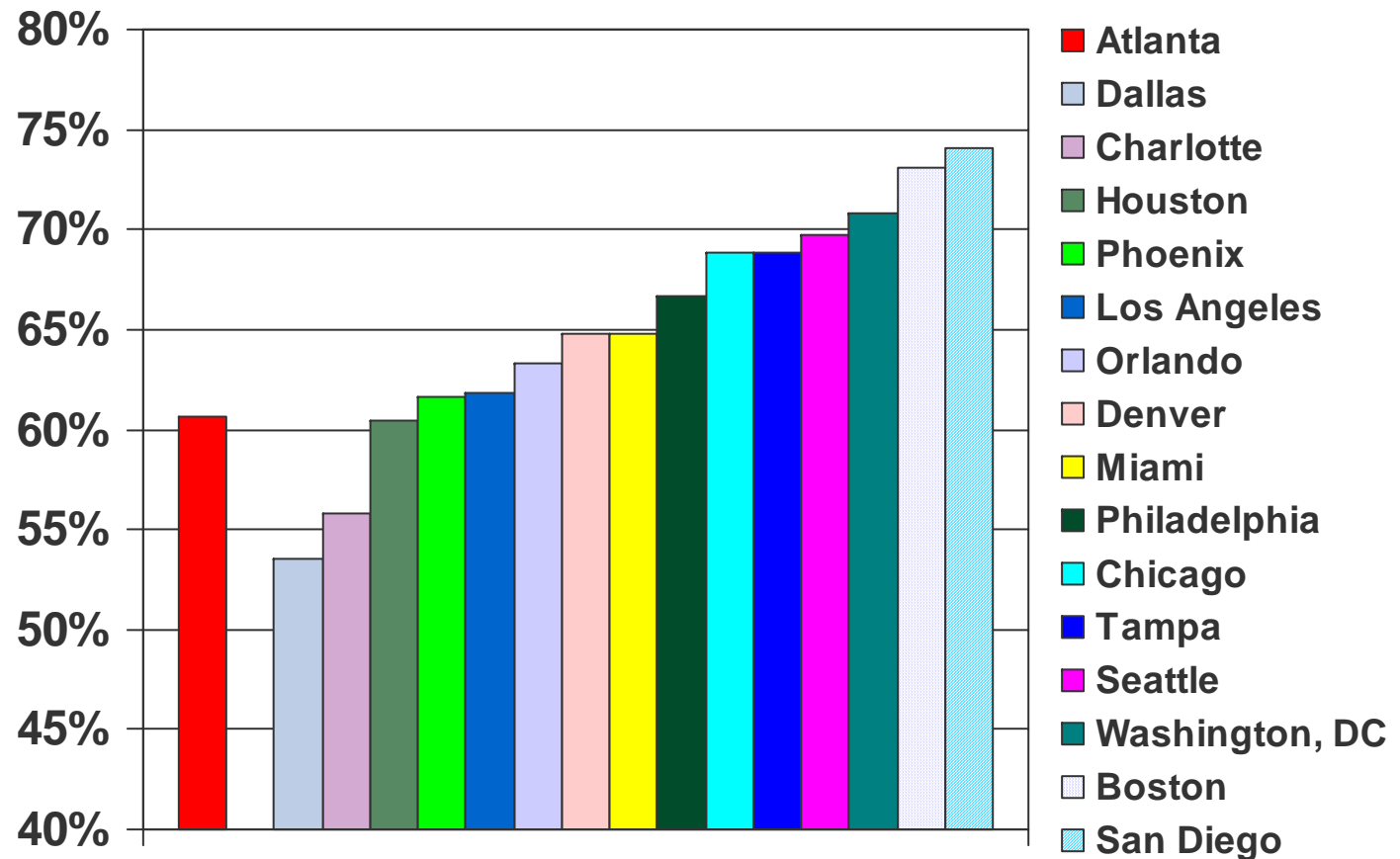


Atlanta Performance: The Importance of Being Downtown





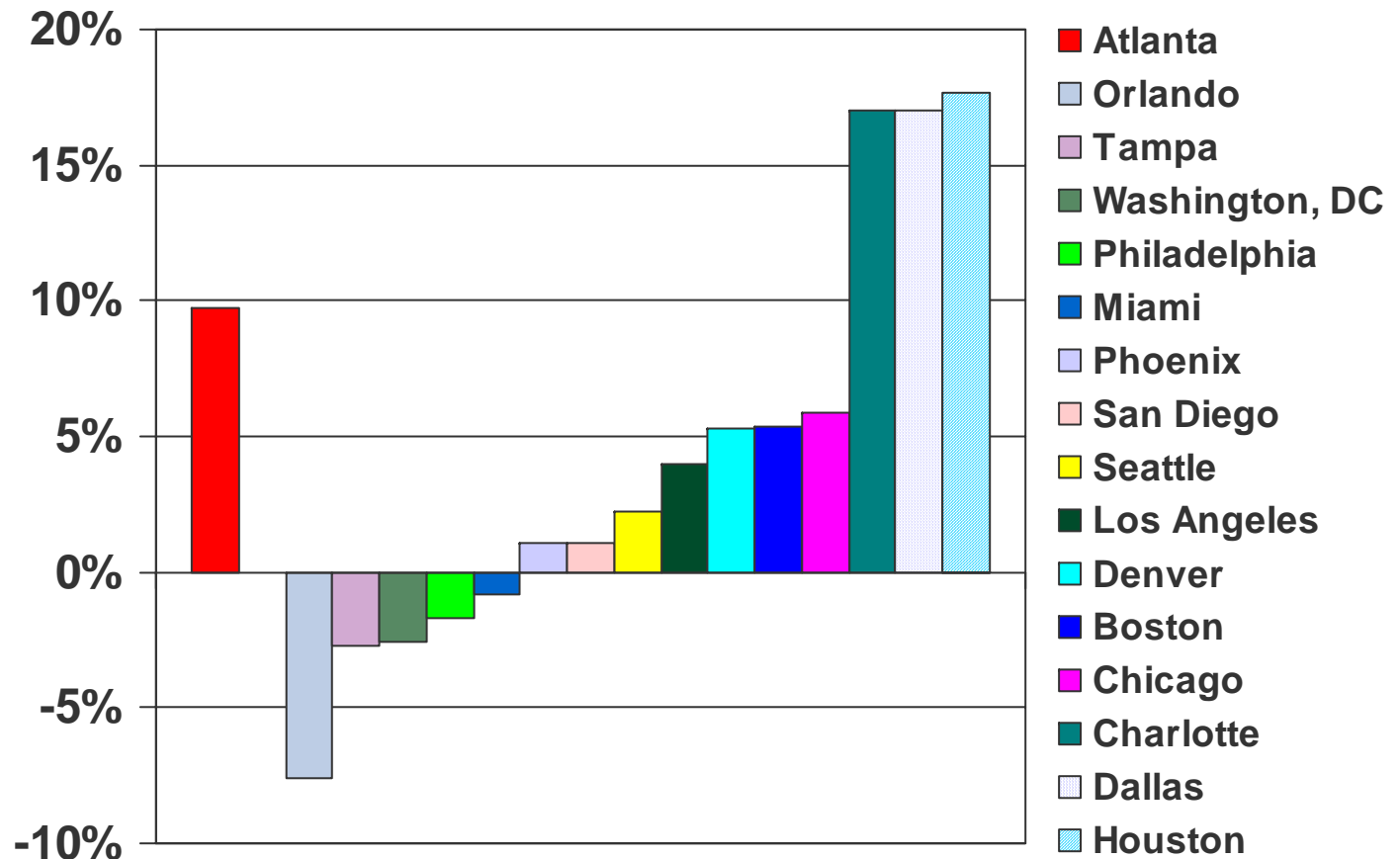
Comparative Downtown Hotel Performance 2000 to 2005 Average Occupancy





Atlanta Powers Ahead

Change in Occupancy - YTD June 2005 to 2006

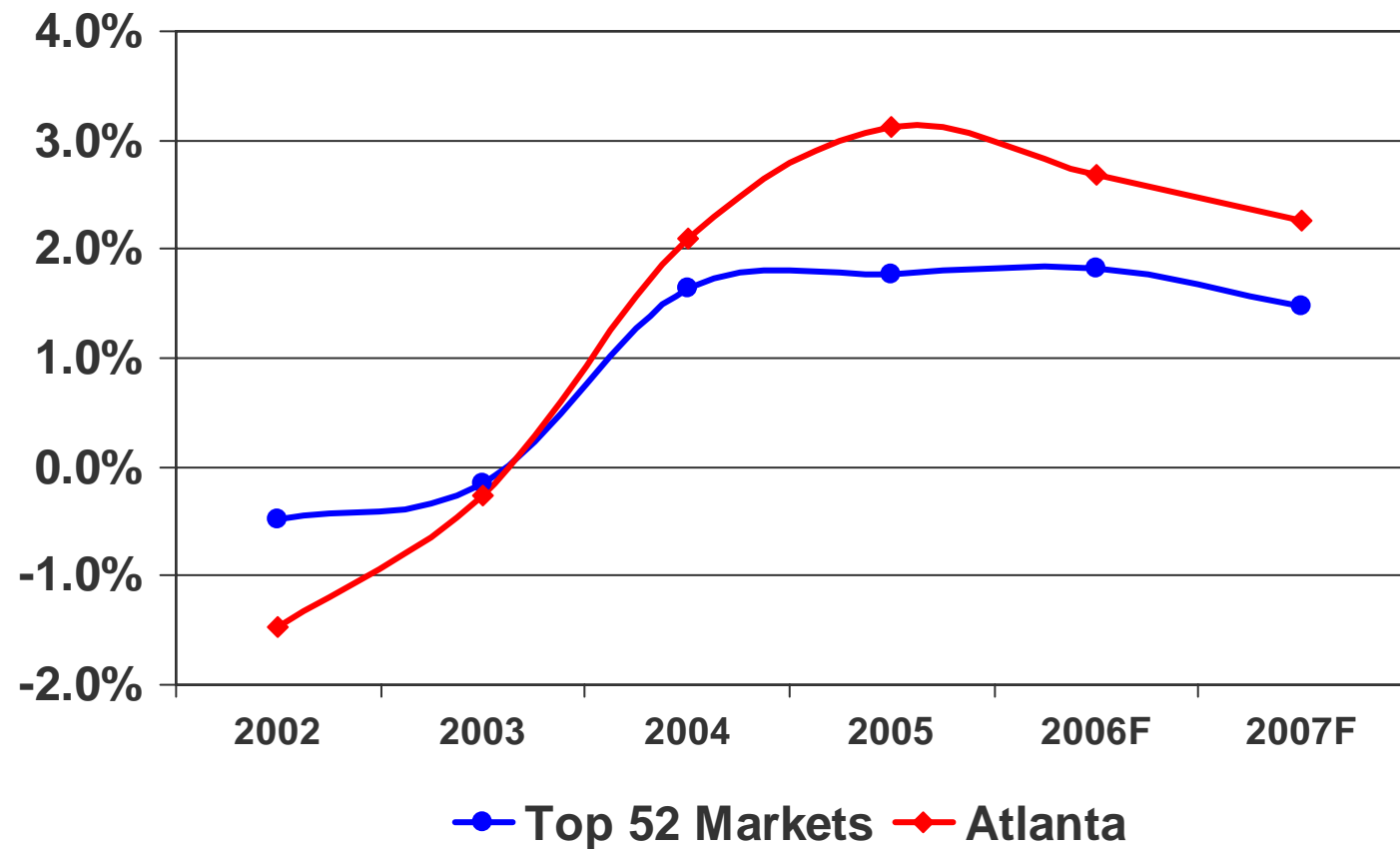


Atlanta Performance: The Future is Bright





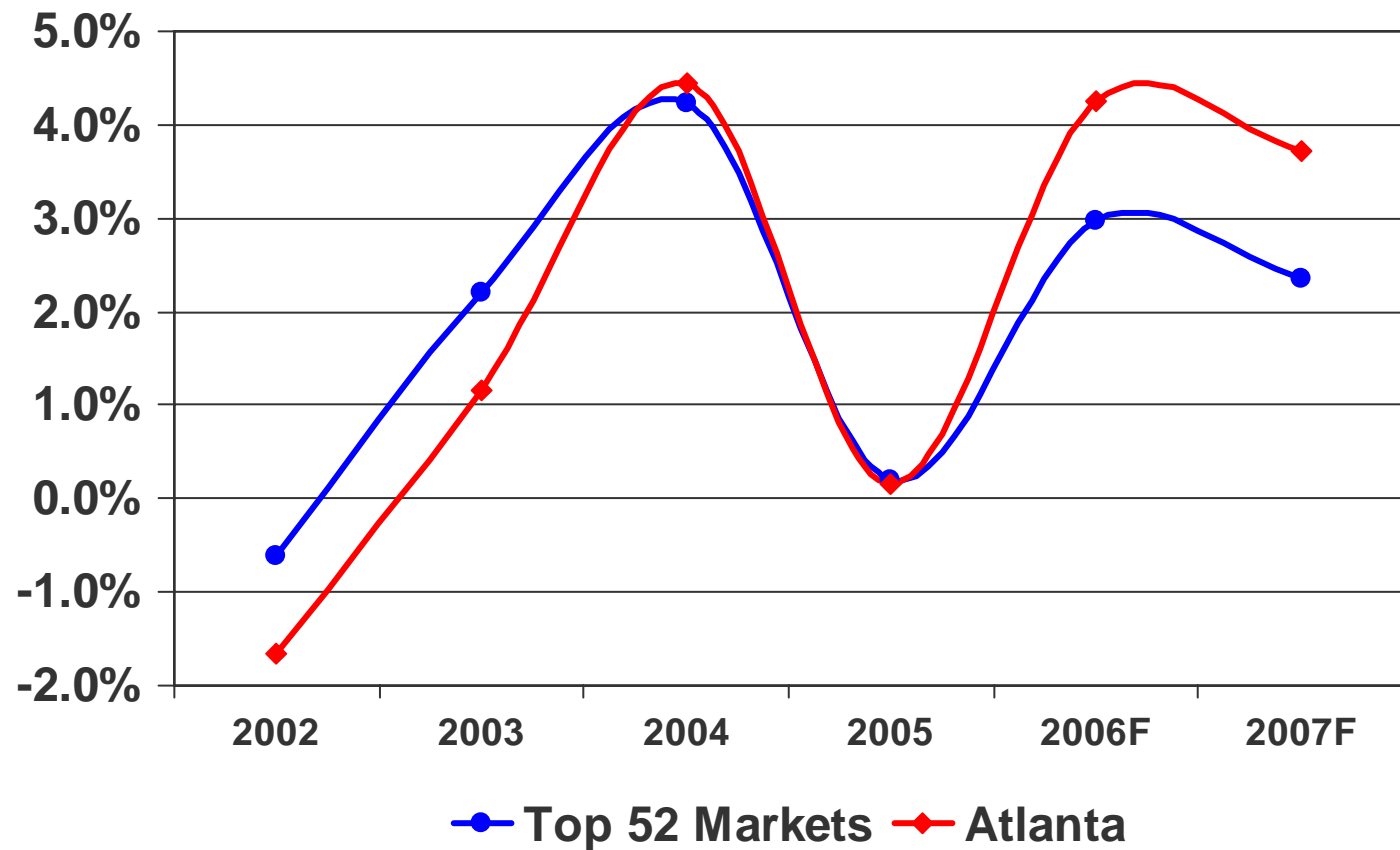
Employment Outlook Once Again Ahead of the Pack





Total Personal Income Outlook

More Jobs = More Income





Opening In Atlanta



- November 2005:
 - Georgia Aquarium
- April 2006:
 - Goliath at Six Flags Over Georgia
- May 2006:
 - Fifth runway at HJAIA Opens
- July 2006:
 - Centennial Olympic Games Museum
- October 2006:
 - Louvre Atlanta - the High Museum of Art



Opening In Atlanta



- March 2007:
 - NCAA Men's Final Four
- Late Spring 2007:
 - New World of Coca-Cola
- Summer 2007:
 - Cobb Energy Centre for the Performing Arts
- Headquarters Moves:
 - Cousins Properties
 - American Cancer Society



Opening In Atlanta - Hotels



- 2006:
 - The Glenn Hotel
 - TWELVE Hotels & Residences at Atlantic Station

- 2007:
 - The Ellis
 - TWELVE Centennial Park
 - Hilton Garden Inn – Centennial Olympic Park
 - W Hotel & Residences at Allen Plaza
 - Marriott Marquis Expansion

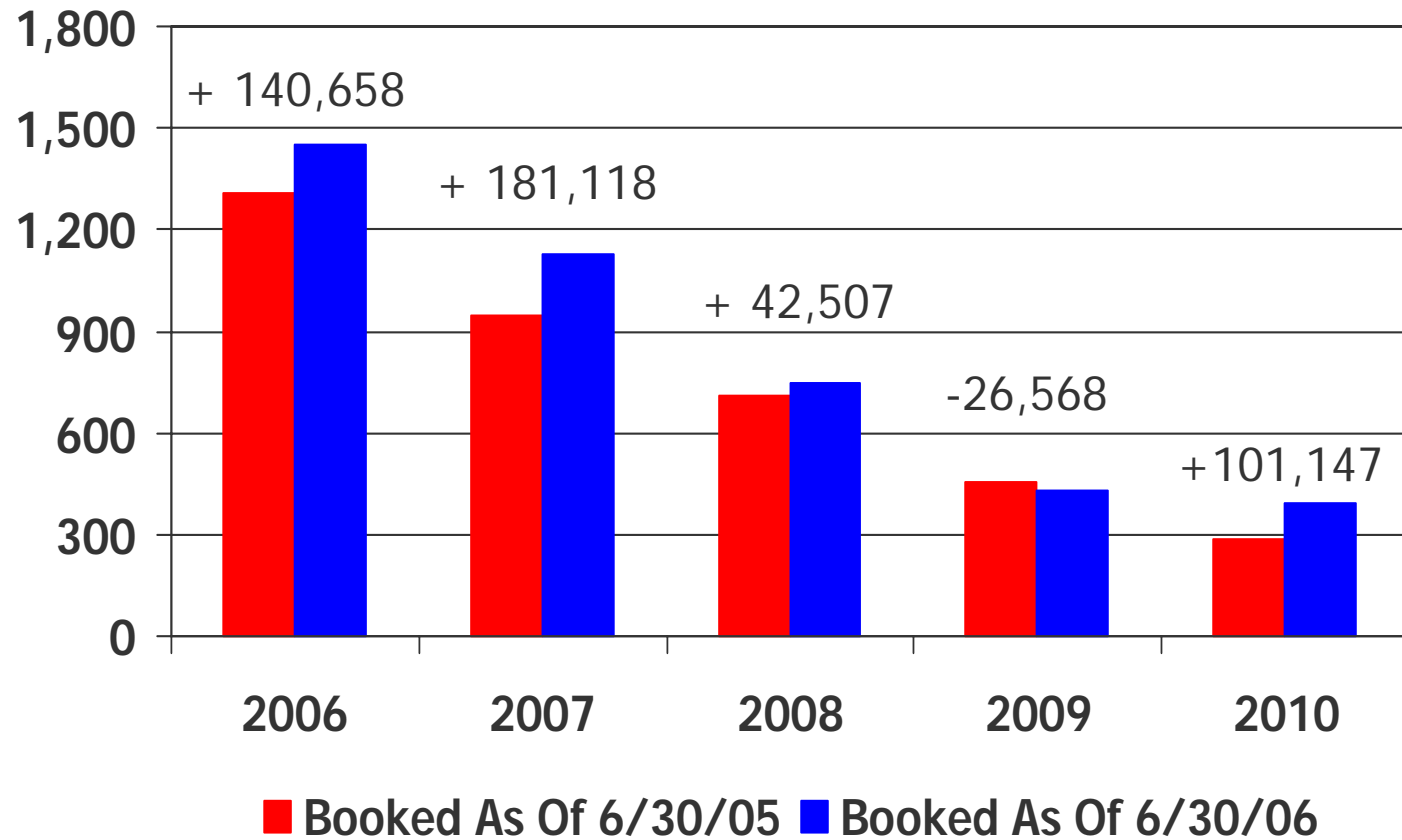
- Less Panhandling?

Source: ACVB



The Trend Line is Positive

ACVB Historical Booking Pace Convention Room Nights (000's)



Source: ACVB



The Forecast for this Year and Next

All Hotels - Atlanta

	2004	2005	2006F	2007F
Occupancy	60.4%	65.2%	66.2%	66.9%
% Change	+5.1%	+7.9%	+1.5%	1.1%
ADR	\$75.93	\$80.65	\$89.02	\$93.47
% Change	+3.0%	+6.2%	+10.4%	+5.0%
RevPAR	\$45.88	\$52.60	\$58.94	\$62.53
% Change	+8.3%	+14.6%	+12.1%	+6.0%

Source: STR, PKF-HR, TWR



Is Atlanta at the Peak?

Factoring Out Katrina, We're Just About There

	Long Term Average	2005	2006F	2007F
Supply	3.4%	0.3%	0.1%	0.4%
Demand	3.7%	8.3%	1.6%	1.5%
Occupancy	63.7%	65.2%	66.2%	66.9%
ADR	2.5%	6.4%	10.4%	6.0%
RevPAR	2.9%	14.9%	12.1%	4.6%

Source: STR, PKF-HR, TWR

Where is the Risk?





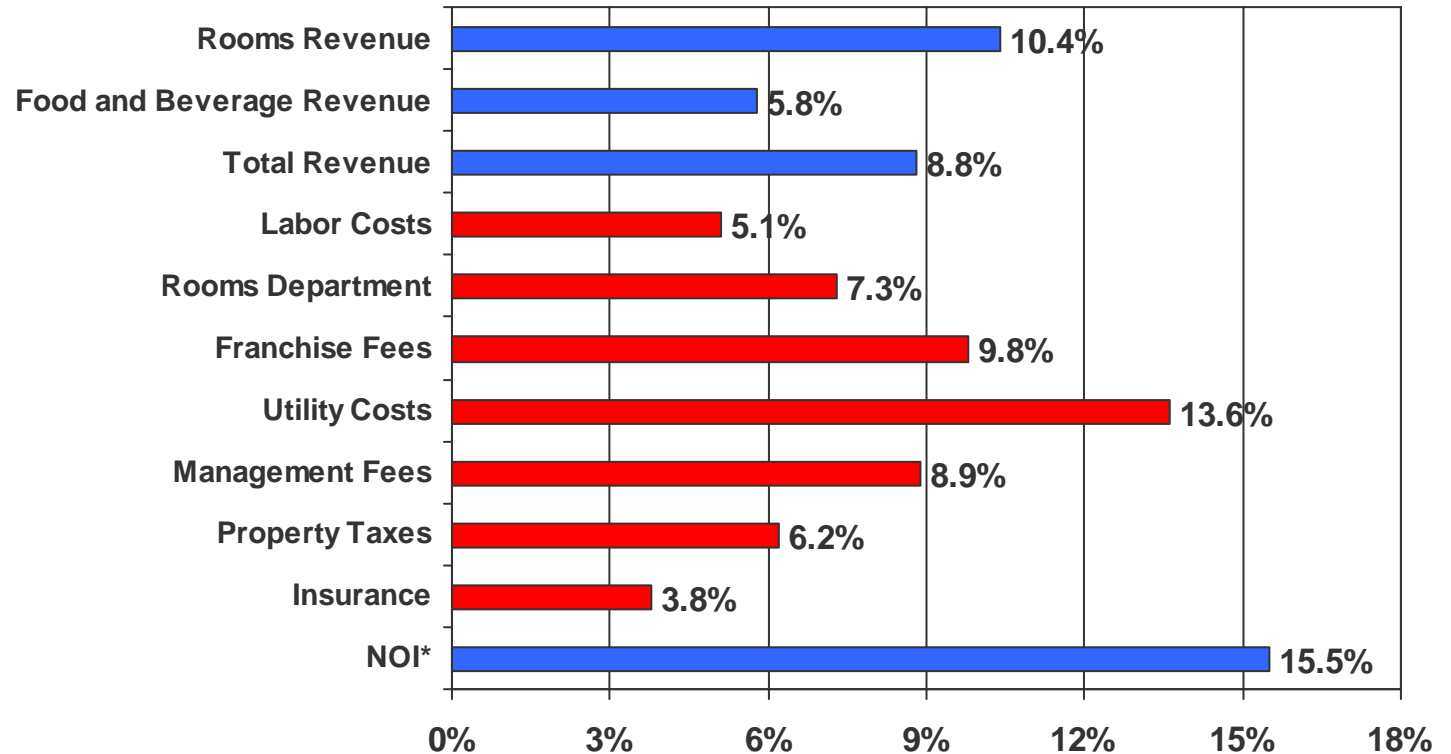
Much to Think About

- Strength of fundamentals continues to attract capital.
- Transaction activity remains high.
 - Condition will persist well into 2007.
- Upward pressure on Cap Rates.
- Development costs remain high – no downturn in sight.
- Short Term Economic Outlook:
 - Total Personal Income growth over the next two years will be lower in 40 of 52 markets compared to past two years – Atlanta is in this group
 - Lower Employment growth outlook in 24 of 52 markets
- Operating Costs are Up



History Repeats – Expenses Go Up

Change In Select Revenues And Expenses 2004 to 2005



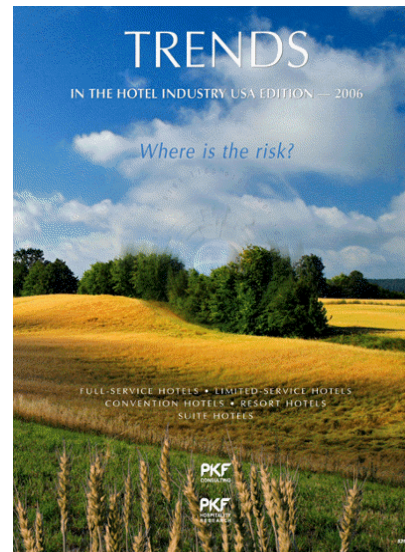
Note: * Before deductions for capital reserve, rent, interest, income taxes, depreciation, and amortization.



Summary

- Atlanta is clearly nearing the peak of performance.
 - The lack of meaningful new lodging supply growth will lead to sustained levels of above average performance.
- Continued investments in Downtown and Midtown accentuate the appeal of hotel development in these areas.
- Transaction activity high; significant capital remains.
- Watch those expenses!

Thanks!



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