

Upscale and Boutique Trends



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Economic Forecast: Modest Growth and Improving into 2014

- Full-year 2013 GDP forecast range: +1.5% to +1.7%*
- Low chance of recession, with slowly improving consensus outlook

| <i>CURRENT ECONOMIC INDICATORS</i> | | | | |
|---|------|------|------------------|------------------|
| | 2011 | 2012 | Forecast 2013 | Forecast 2014 |
| Real GDP | 1.8% | 2.2% | 1.6% | 2.6% |
| Consumer Spending | 2.5% | 1.9% | 2.0% | 2.5% |
| Consumer Prices | 3.2% | 2.1% | 1.6% | 1.9% |
| Disposable Income | 1.3% | 1.5% | 0.6% | 2.6% |
| Unemployment Rate | 9.0% | 8.1% | 7.5% | 7.0% |

Source: Blue Chip Economic Indicators September 2013 and Standard & Poor's.

*Forecast range based on 54 firms contributing to the Blue Chip Indicators



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Industry AND Upscale RevPAR Forecast at about 6% for 2014

| | 2014F Year End Outlook, by Chain Scale | | |
|------------------------------|--|-------------|----------------|
| Chain Scale | Occupancy (% Chg) | ADR (% Chg) | RevPAR (% Chg) |
| Luxury | 0.4 | 5.9 | 6.3 |
| Upper Upscale | 0.9 | 5.3 | 6.2 |
| Upscale | 1.1 | 5.0 | 6.1 |
| Upper Midscale | 1.0 | 4.1 | 5.2 |
| Midscale | 1.5 | 3.2 | 4.7 |
| Economy | 1.6 | 3.0 | 4.6 |
| Independent | 0.9 | 4.8 | 5.8 |
| Total US PWC Forecast | 1.2 | 4.7 | 5.9 |
| Total US STR Forecast | 1.3 | 4.6 | 6.0 |

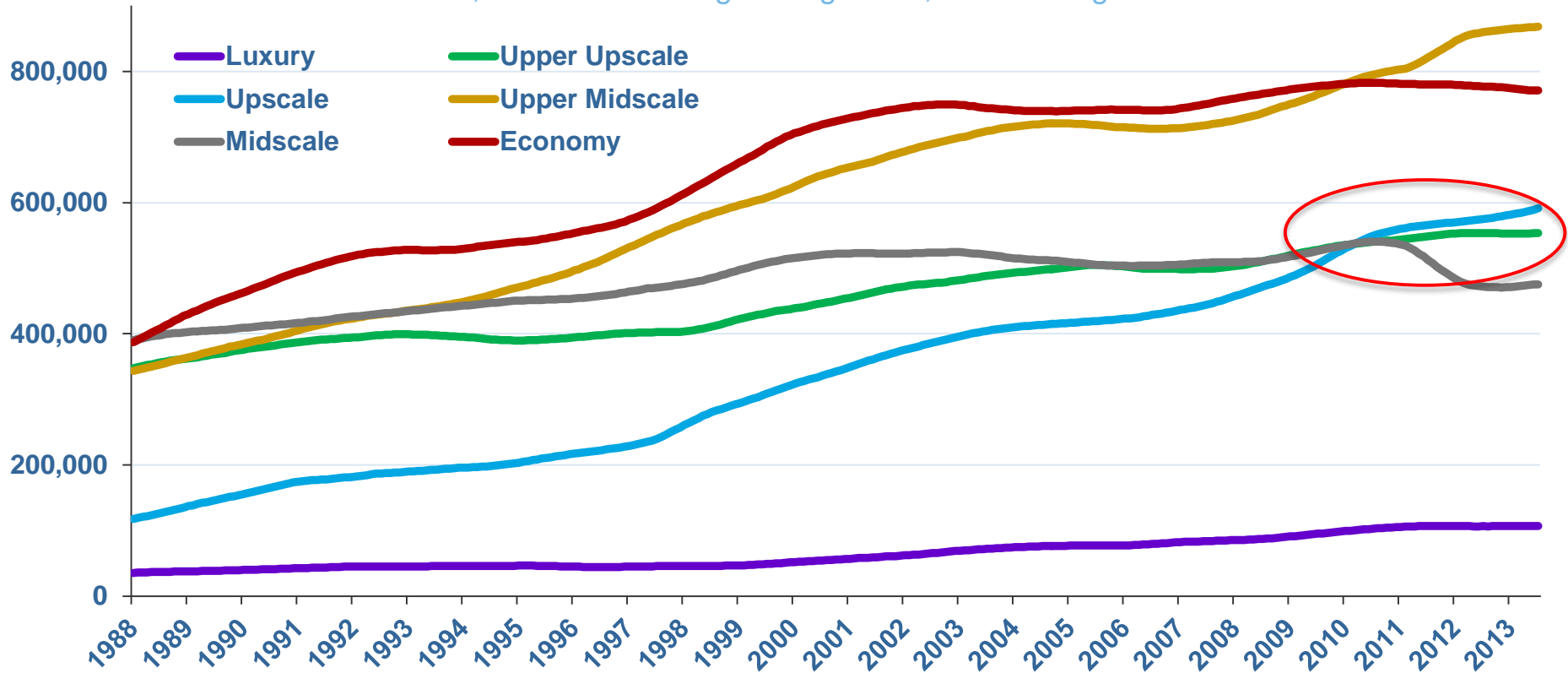
Source: STR and PWC



Strong Supply Growth for the Upscale Segment

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Rooms Available, 12-month moving average data, 1988 through 2013

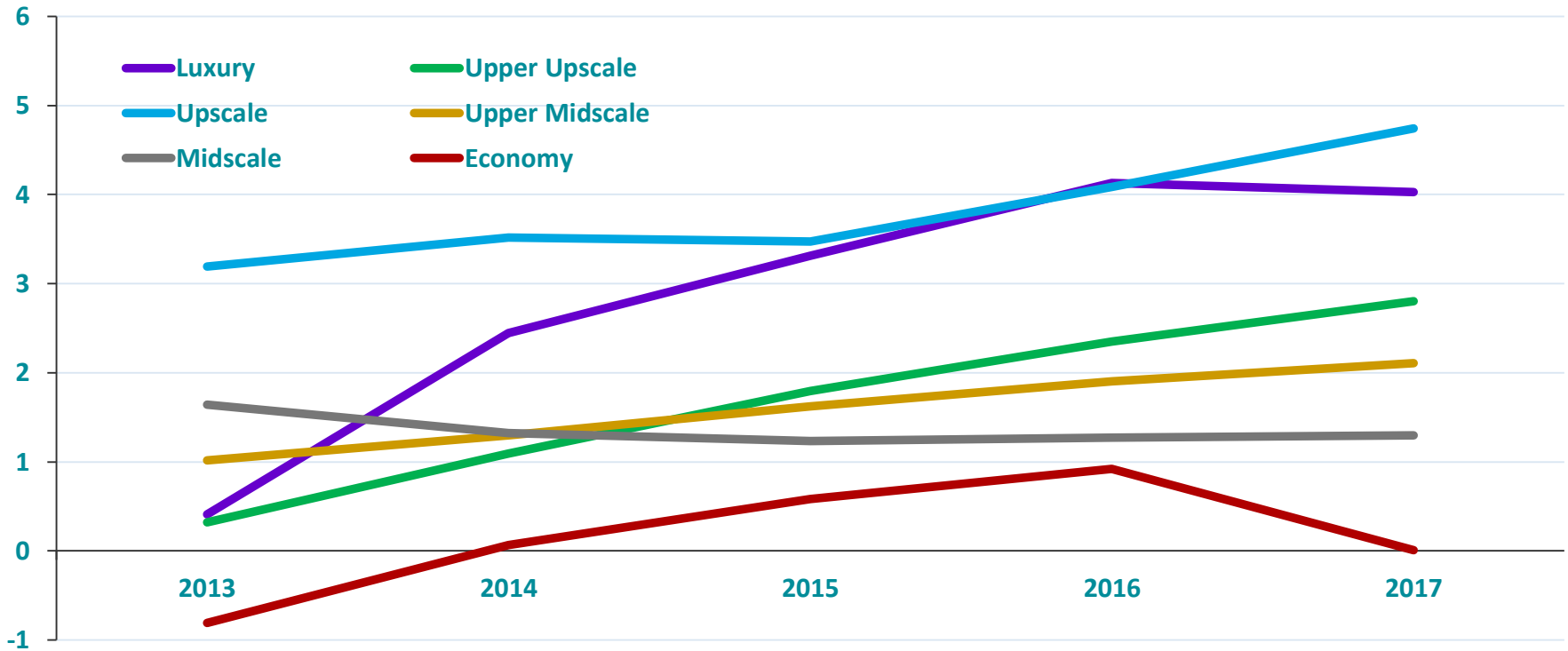


- US Supply Growth over 25 years by Scale

Rooms Available, 12-month moving average data, 1988 through 2013



Strong Upscale Supply Growth Expected Through 2017



• US Supply % Supply Growth Projections from PWC





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Trends

- Boutique segment
- Reputation management
- Mobile

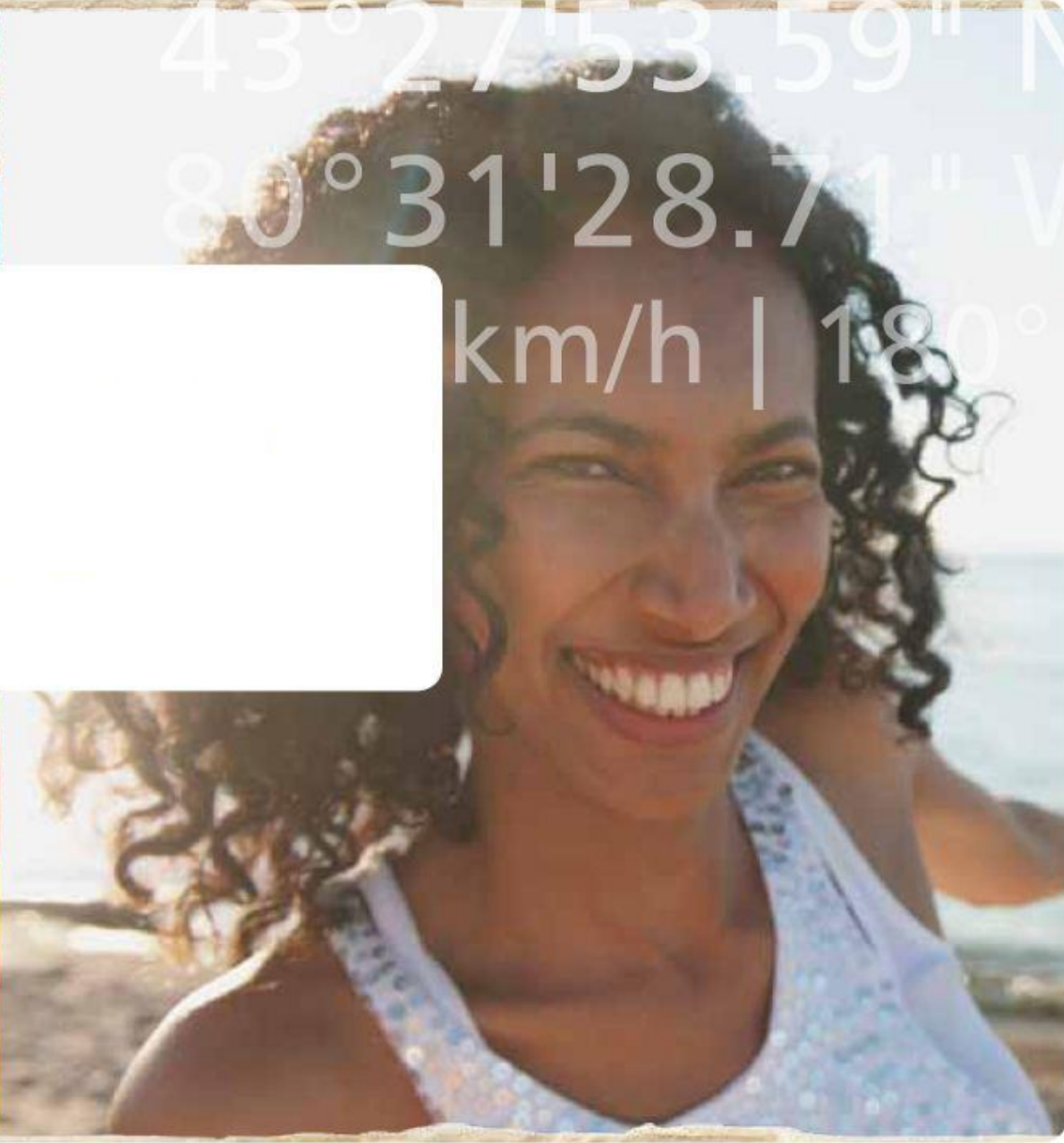


43° 27' 53.59" N

80° 31' 28.71" W

km/h | 180°

Boutique Hotels





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STR Definition of Boutique Hotels

Hotels with rooms and public spaces that offer unique, contemporary and distinctive design/decor. Hotels in this category often create and promote a stylish, luxurious, aspirational, or avant-garde feeling/ambiance.

STR generally defines brands and independent hotels in the boutique segment as being concentrated in the Luxury, Upper Upscale, and Upscale chain & class categories, having an actual or estimated room rate (ADR) of \$175 or higher, and typically having fewer than 200 rooms.





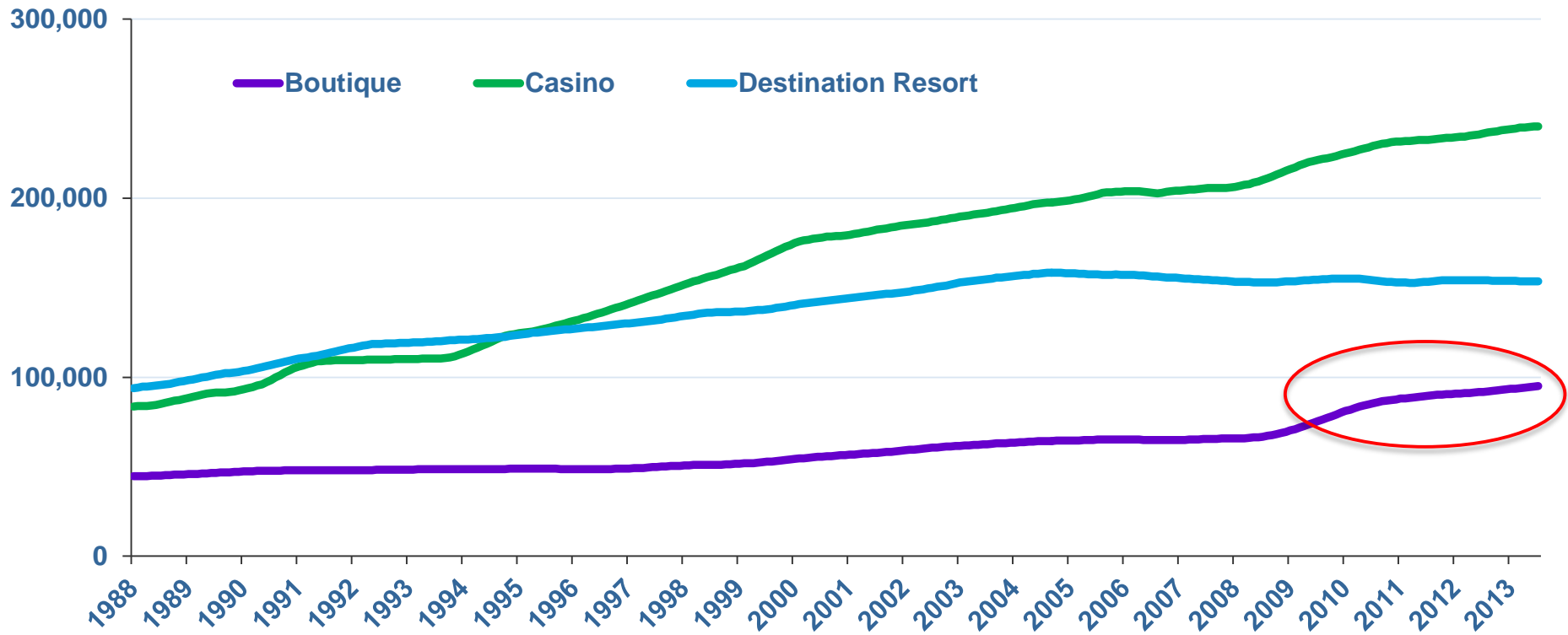
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Boutique Hotels that STR Tracks

- Ace Hotel Group
- aloft
- Andaz
- Ascend Hotel Collection
- Dream
- Edition
- element
- Epoque Hotels
- Firmdale Hotels
- Hotel Indigo
- Joie De Vivre Kessler Collection
- Kimpton Hotels
- Leonardo Boutique Hotels
- Melia Boutique
- Morgans Hotel Group
- NYLO
- Red Carnation Hotel Collection
- Rosewood
- W Hotels



Recent supply growth for Boutique Hotels



- US Supply Growth by Special Types

Rooms Available, 12-month moving average data, 1988 through 2013





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Continued Supply Growth Expected for Top Boutique Brands

| | <u>In Construction</u> | <u>Final Planning</u> | <u>Planning</u> | <u>Active Pipeline</u> |
|-------------------|------------------------|-----------------------|-----------------|------------------------|
| aloft | 9 | 8 | 1 | 18 |
| Ascend Collection | 1 | 2 | 5 | 8 |
| element | 1 | 5 | 1 | 7 |
| Hotel Indigo | 5 | 1 | 6 | 12 |
| Kimpton | 1 | 1 | 4 | 6 |

Total US Pipeline, by Phase, September 2013

Source: STR





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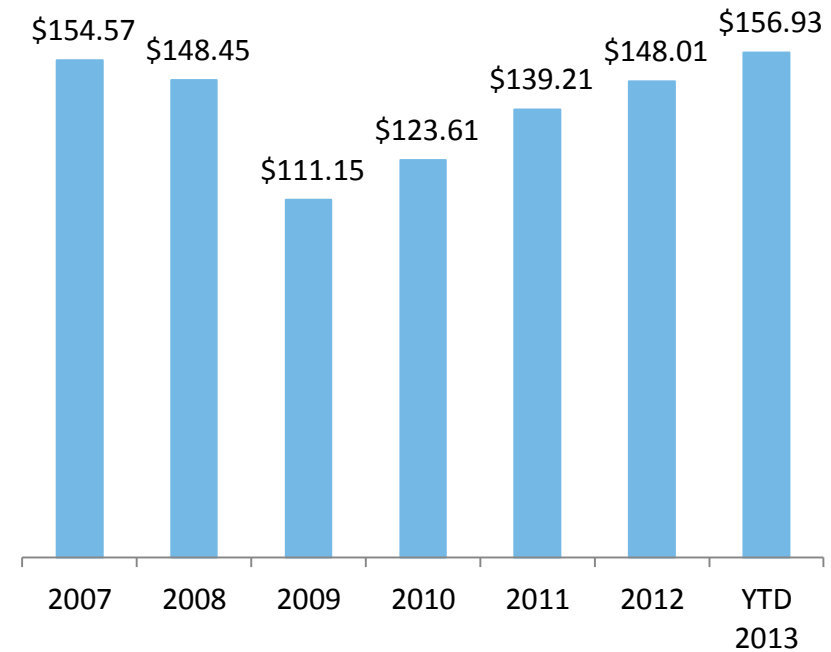
Occupancy and RevPAR have Surpassed Peak 2007 Levels for Boutique Hotels

2007 – YTD August 2013

Occupancy



RevPAR



Source: STR

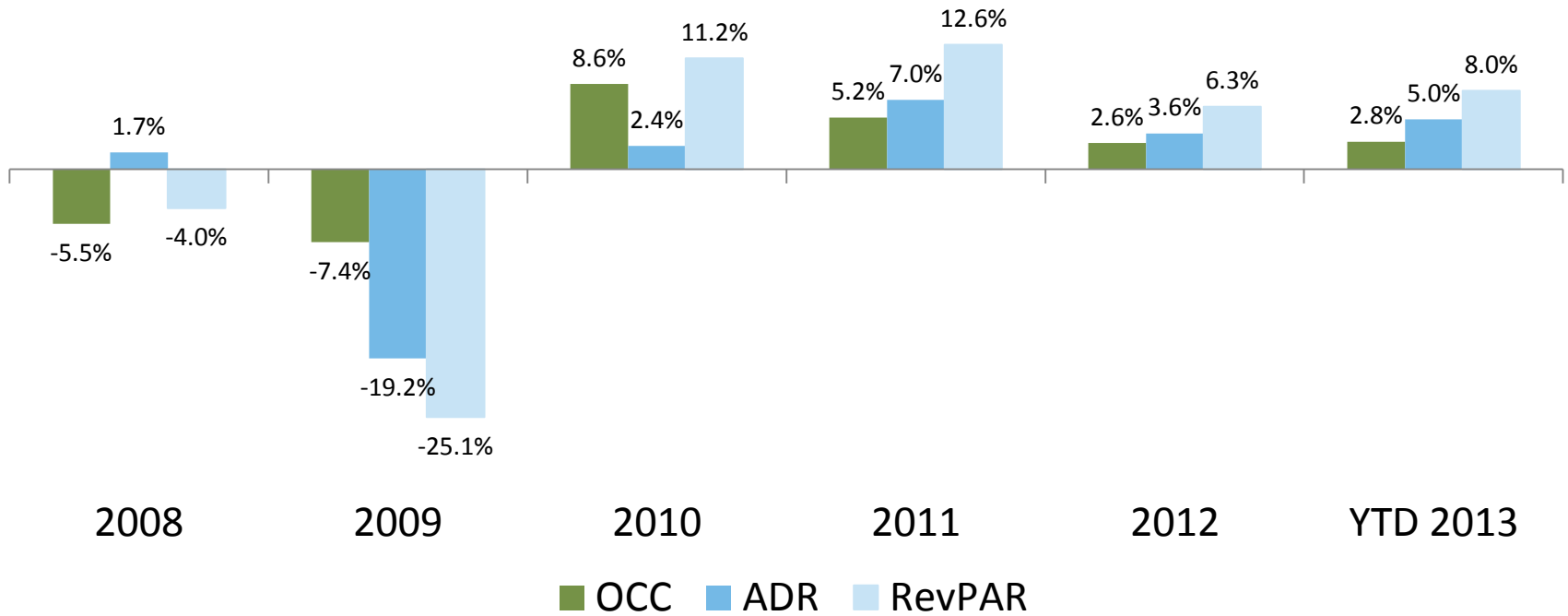




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ADR for Boutique Hotels Increasing Faster than Occupancy since 2011

YOY % Change 2008 – YTD August 2013



Source: STR





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ADR for Boutique Hotels Still over \$100 Away from Peak 2008 Levels

2007 – YTD 2013



Source: STR

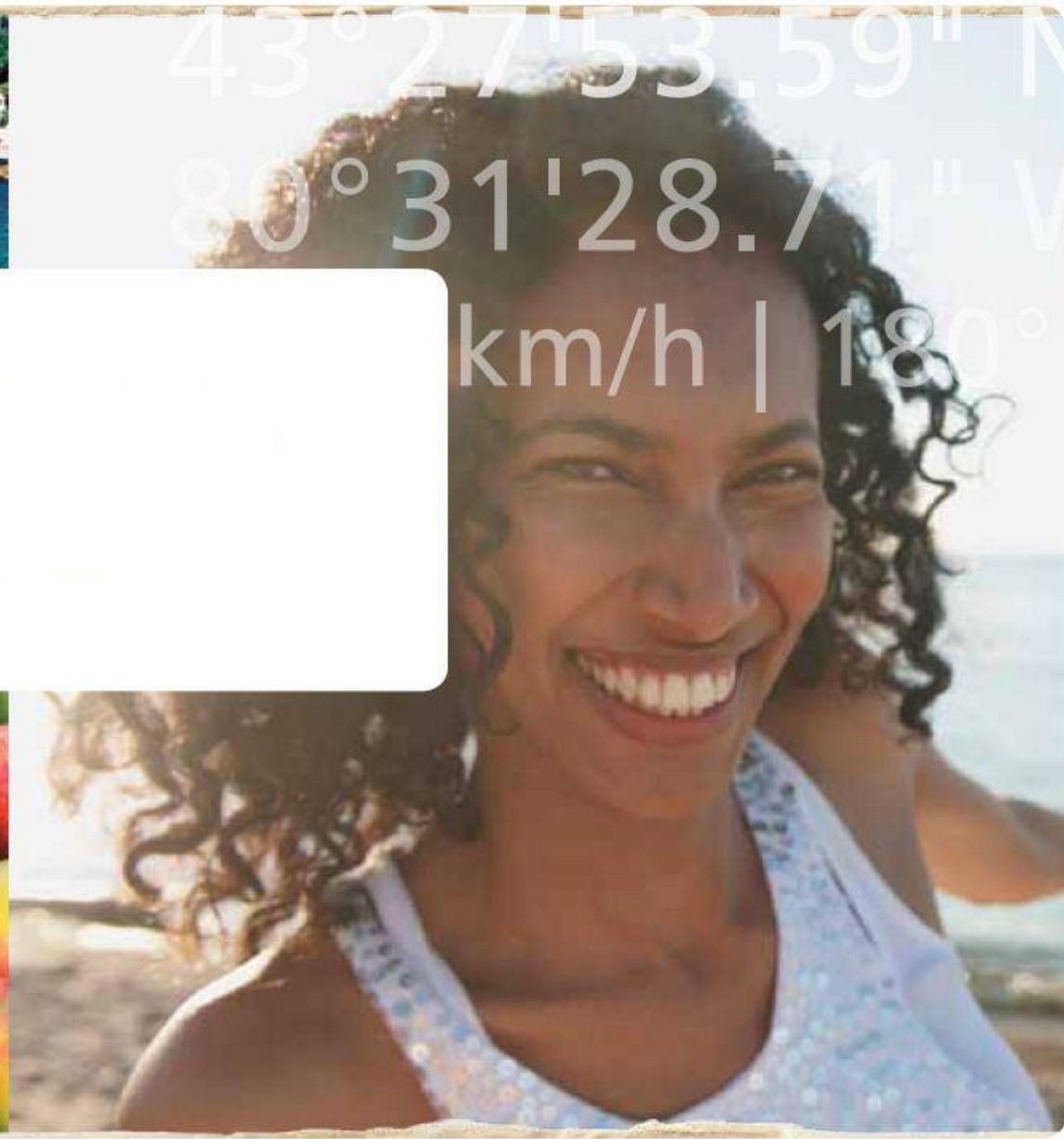


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Reputation Management



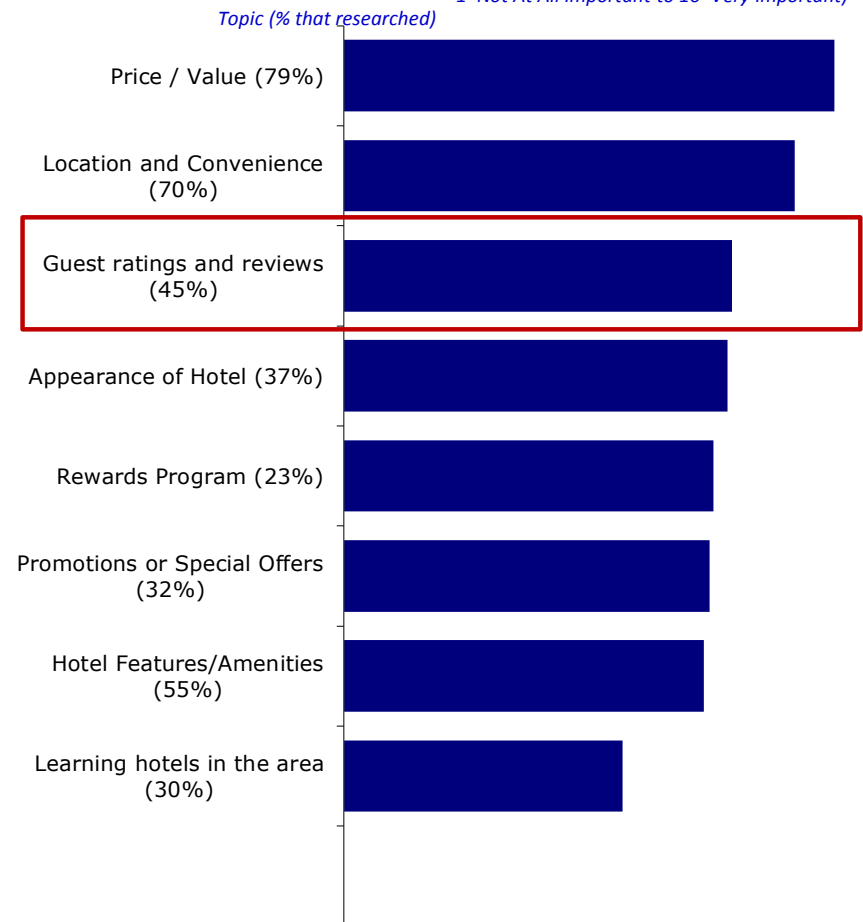
Reputation Management: Critical for Boutique Hotels AND Growing in Importance

Findings

- ***Hotel Reputation lies at the core of hotel brand preference and selection decisions.***

Importance to Decision
 (Top 2 Box: Rated 9 or 10 on
 1=Not At All Important to 10=Very Important)

| Key Drivers of Guests Brand Preference | |
|---|--|
| + | Gets positive reviews |
| + | Keeps its properties in good condition |
| O | Has modern/up to date rooms |
| O | Offers spacious rooms |
| + | Has a reputation for cleanliness |
| O | Provides comfortable beds |
| + | Has excellent customer service |
| + | Is welcoming |
| + | Is a brand I trust |
| + | Is a brand I can count on |
| + | Offers a consistent experience across properties |
| X | Enables me to relax/unwind |
| + = Reputation O = Features X = Personal benefits | |



Reputation Management Growing in Importance

- **81%** state user reviews are important in determining in which hotel to stay
- **49%** will not even consider booking a property unless it has reviews
- **63%** report that an online review has caused them to completely change their booking decision
- **71%** indicate management responses to guest reviews are important
- **68%** decide on the hotel that has a management response when choosing between two comparable properties

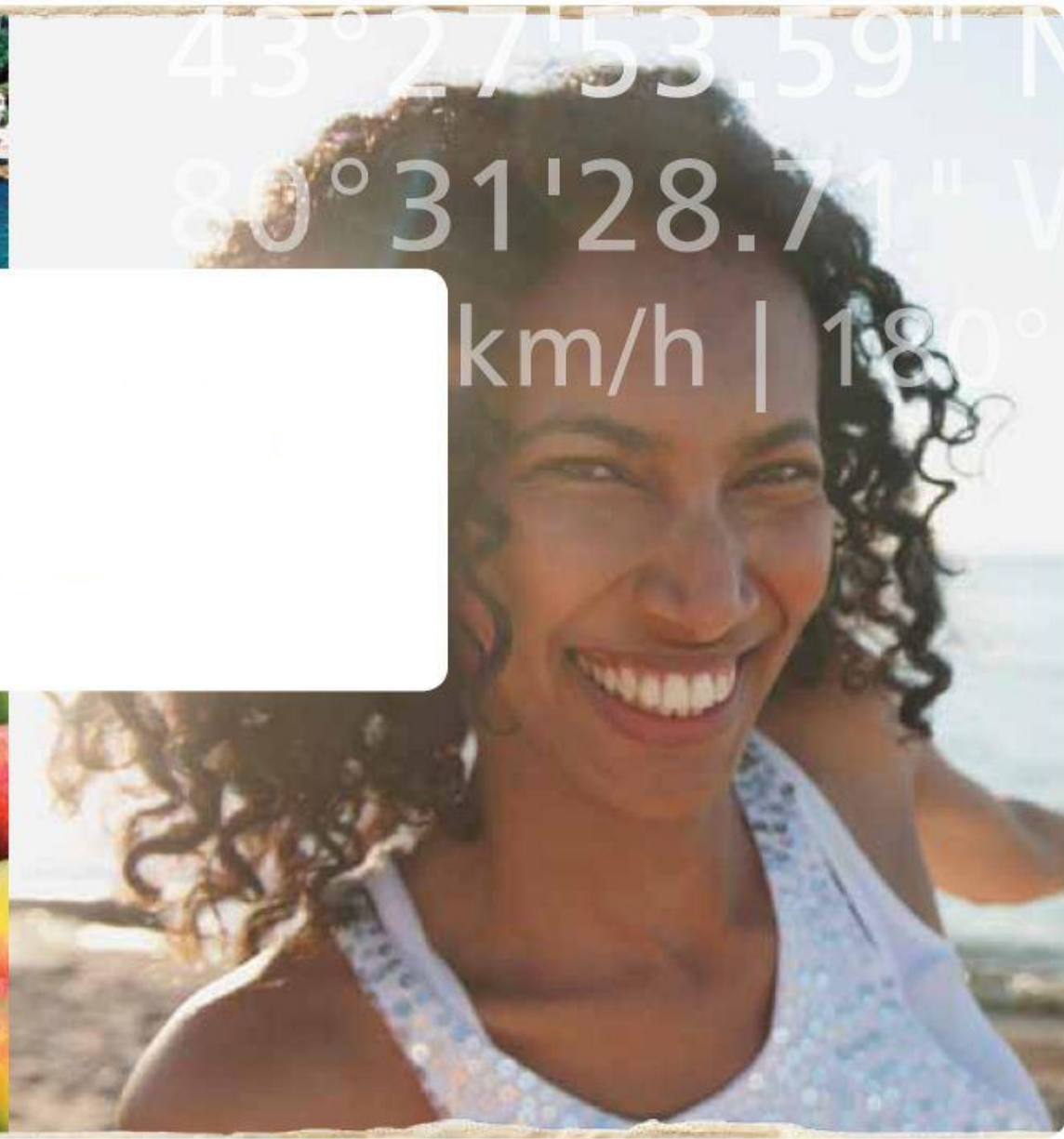


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Mobile





80% of Adults with Smartphones by 2014

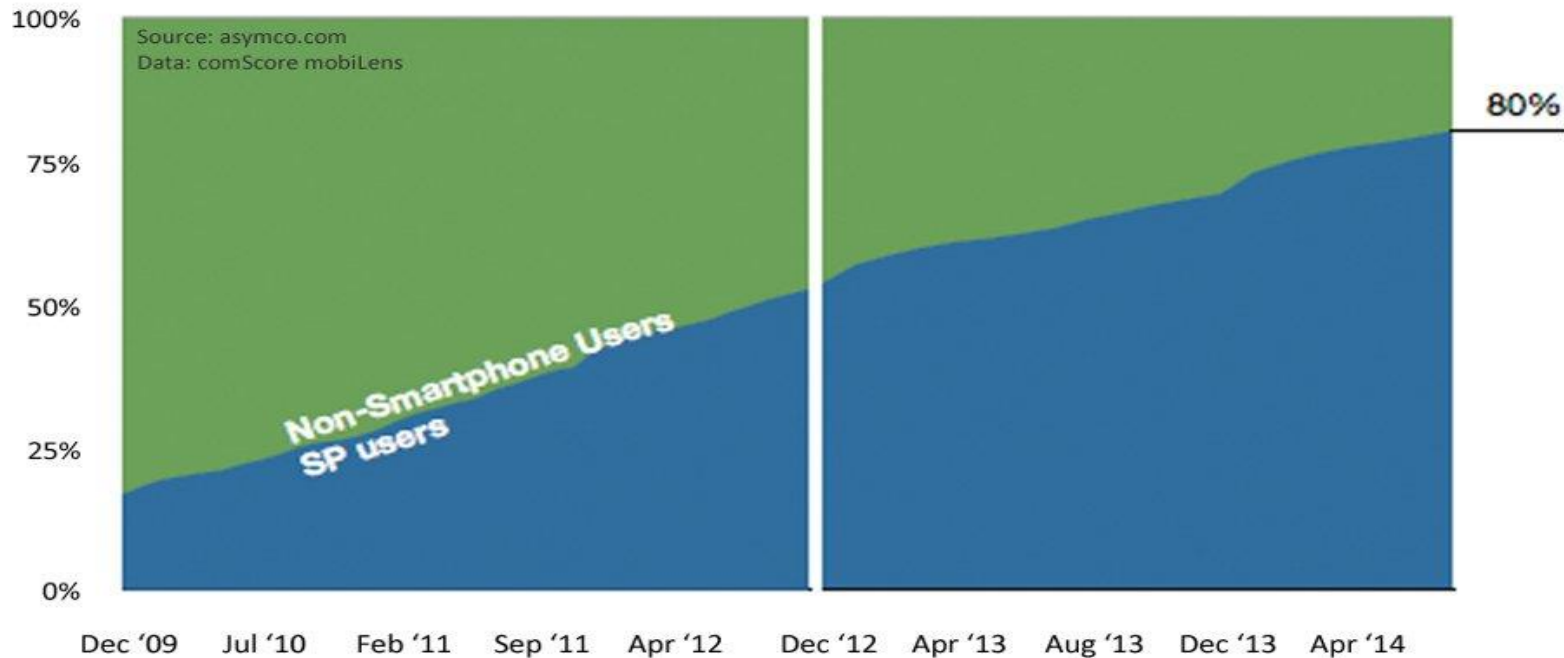
Silicon Alley Insider



Chart of the Day

US Smartphone Penetration

US Smartphone Penetration Forecast





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Share of Hotel Mobile Bookings to Hit 20% Next Year

Hotel Mobile Gross Bookings (US\$M)*, Share of Hotel Website Bookings and Annual Change (%), 2010-2014

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------------------------|------|------|-------|-------|-------|
| Mobile Gross Bookings | 99 | 359 | 1,448 | 3,199 | 5,106 |
| Change | - | 264% | 303% | 121% | 60% |
| Share of Hotel Gross Website Bookings | 0.6% | 2% | 7% | 13% | 20% |

*Includes mobile phones and tablets

*Note: 2012-2014 Projected

Source: PhoCusWright's U.S. Mobile Travel Report: *Market Sizing and Consumer Trends*

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