

HOUSTON

REGIONAL ECONOMIC SUMMARY

"The Eleventh District economy expanded at a moderate pace over the past six weeks, although business outlooks were slightly more cautious. Respondents in most sectors said activity improved or held steady since the last report. The notable exception came from homebuilders and construction-related manufacturers who said demand dropped off following the expiration of the first-time homebuyer tax credit. The majority of Eleventh District respondents expect economic conditions to remain positive, but many expressed uncertainty about the pace of future growth. Numerous contacts said uncertainty regarding fiscal and financial reforms was restraining business activity.

Selling prices held steady for most responding firms. There were scattered reports that rising input costs were squeezing margins. Notably, paper producers said linerboard prices continued to rise, and high-tech firms said supply-chain problems had increased costs for producers. Some transportation service firms had raised fees but reduced fuel surcharges. Lumber producers said prices had come down since the spring run-up, and staffing firms continued to note pressure to reduce fees. Contacts in residential construction said industry consolidation has led to fewer concessions in pricing."

Federal Reserve Bank Beige Book, July 28, 2010

HOUSTON: NEXT FOUR QUARTERS

The arrows show the forecast direction of change over the next 4 quarters vs. the previous 4 quarters. Light blue indicates above the long run average, and dark blue indicates below.

Occupancy

Occupancy will increase to 56.7%, better than the previous 4 quarters' rate of 54.6%, but below the long run average of 63.2%



Average Daily Rate

ADR growth expectations are increasing, positive 1.0% vs. the past 4 quarters' rate of negative 9.7%, but are below the long run average of positive 3.3%



Revenue Per Available Room

RevPAR growth projections for the next 4 quarters are climbing to 4.8% as compared to the past 4 quarters' rate of negative 22.8%, and are greater than the long run average of positive 3.7%



Supply*

* Dark blue indicates above long-term average

Supply growth is less active, 5.0% vs. the past 4 quarters' rate of 7.5%, though it is greater than the long run average of 3.7%



Demand

Forecast demand growth is climbing, positive 8.9% vs. the past 4 quarters' rate of negative 8.1%, and is greater than the long run average of positive 3.8%



Source: Colliers PKF Hospitality Research

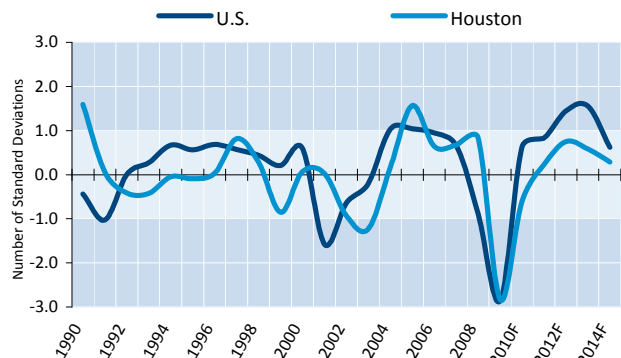
HOUSTON HOTEL MARKET SUMMARY

By year-end 2010, Houston hotels are forecast to see a RevPAR decrease of 2.6%. This is the result of an estimated increase in occupancy of 0.5% and a 3.1% loss in average daily room rates (ADR). The 2.6% decline in Houston RevPAR is worse than the national projection of a 4.6% increase.

Leading the way in 2010 RevPAR change is the upper-priced segment of Houston. The properties in this category are forecast to suffer a 2.0% loss in ADR and see a 3.8% increase in occupancy, resulting in a 1.7% RevPAR increase. Lower-priced hotels are projected to experience an ADR decline of 6.8%, along with a 2.7% loss in occupancy, resulting in a 9.3% RevPAR decline.

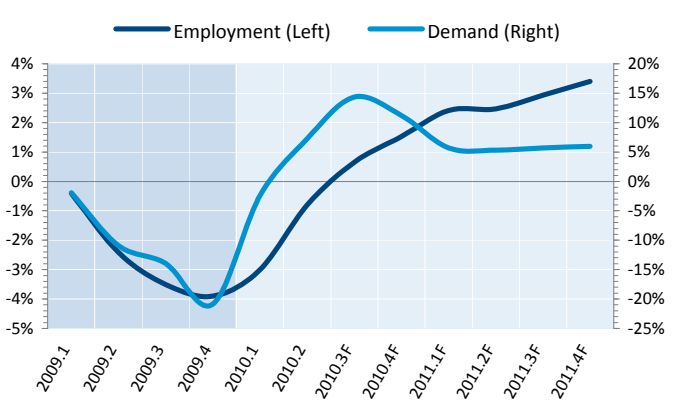
Looking towards 2011, Houston RevPAR is expected to grow 5.1%, reversing the downward trend of 2010. Prospects for RevPAR growth in the upper-priced segment (positive 6.5%) are better than in the lower-priced segment (positive 1.9%). Houston market occupancy levels are expected to range from 56.3% to 61.7% during the 5-year forecast period.

Houston Standardized Changes in Real RevPAR



Source: Colliers PKF Hospitality Research, Smith Travel Research

Quarterly Employment vs. Demand Change



Source: Moody's Economy.com, Colliers PKF-HR, Smith Travel Research

Houston Top Brands

Total Room Supply: 71,799

Upper-Priced Brands	Properties	Rooms	% Market	Lower-Priced Brands	Properties	Rooms	% Market
Marriott	10	3,892	5.4%	La Quinta Inn & Suites	28	2,224	3.1%
Hilton	9	3,533	4.9%	Holiday Inn Express	26	2,111	2.9%
Crowne Plaza	7	2,480	3.5%	Candlewood Suites	15	1,480	2.1%
Holiday Inn	10	2,219	3.1%	Motel 6	13	1,438	2.0%
Courtyard by Marriott	12	1,775	2.5%	InTown Suites	11	1,431	2.0%

The Full Version of a Hotel Horizons® Report Includes:

- **5 Year Forecast of Hotel Performance Data**
Supply, Demand, Occupancy, Rate, and RevPAR
Upper and Lower Priced Properties
Quarterly forecasts up to 8 quarters out.
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