



Atlas Hospitality Group

2013 Meet the Money

California Hotel Overview

May 2013



LODGING
NEXT RIGHT

State Prison





 FAIRWAY 12
MOTEL
RESTAURANT & LOUNGE

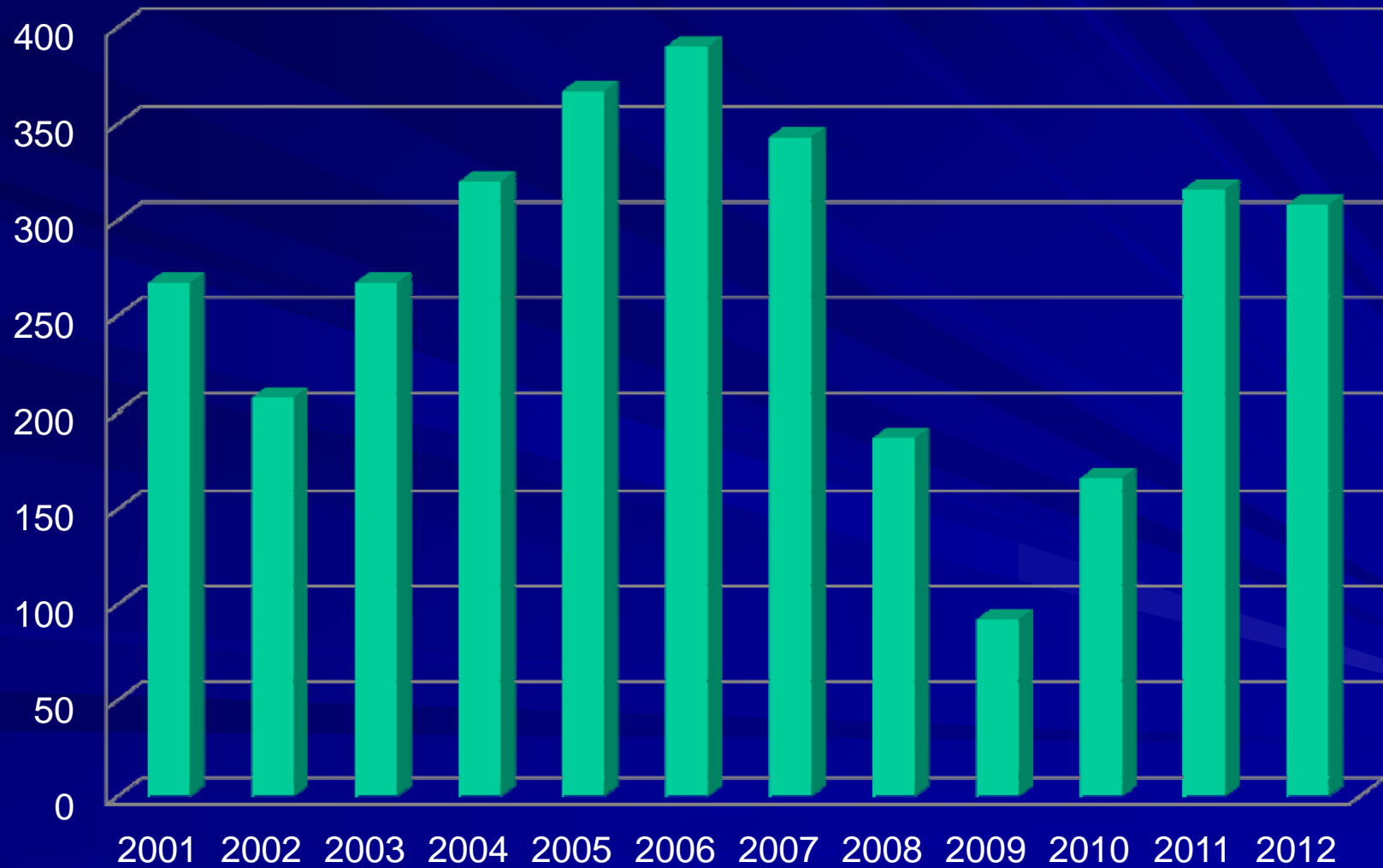
HAVE YOUR NEXT
AFFAIR HERE



NOTICE
→ **IN CASE OF EARTHQUAKE**
• **RULE 1 - STAY CALM**
• **RULE 2 - PAY HOTEL BILL**
• **RULE 3 - RUN LIKE HELL**

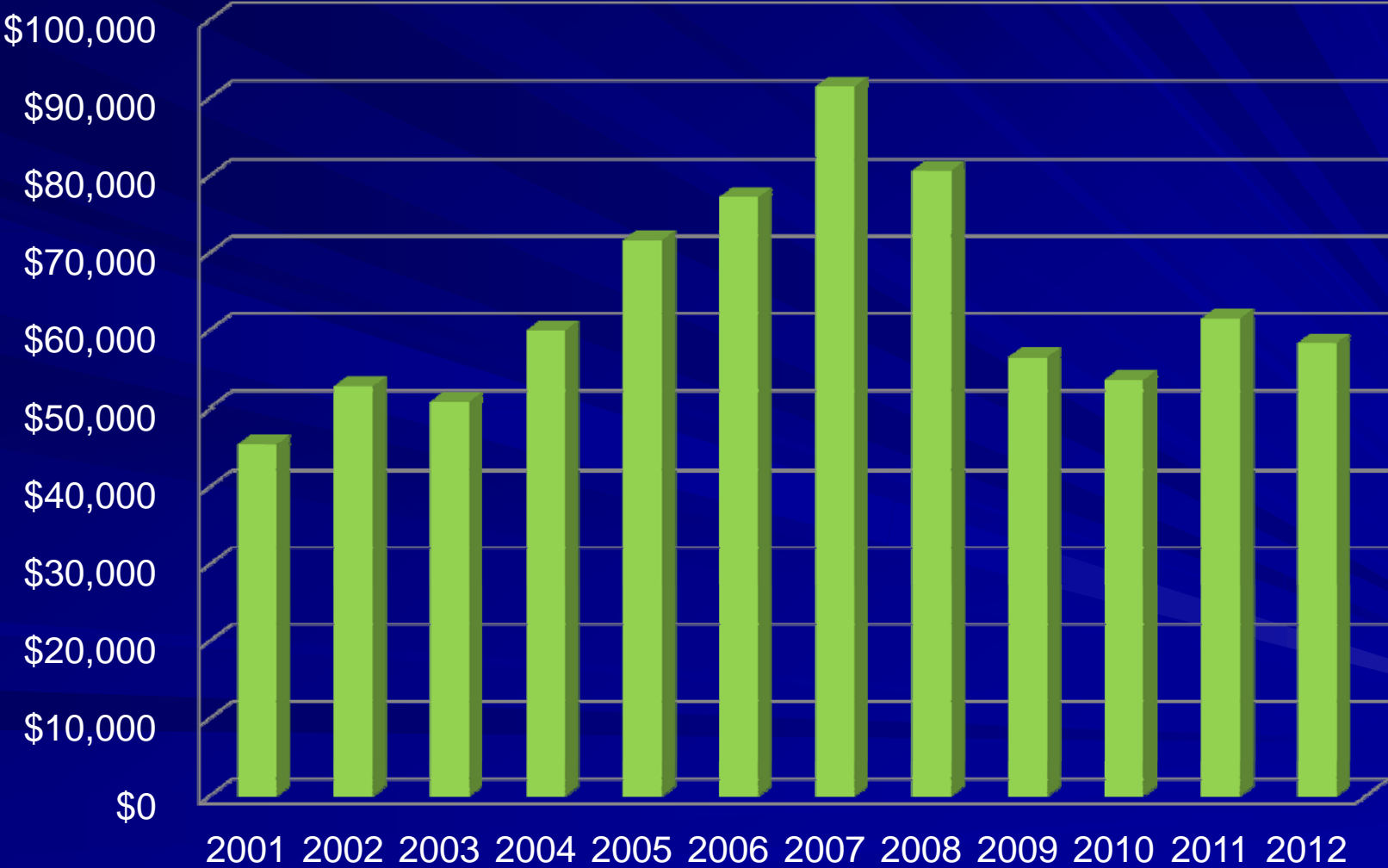
Historical Sales Chart

#SALES



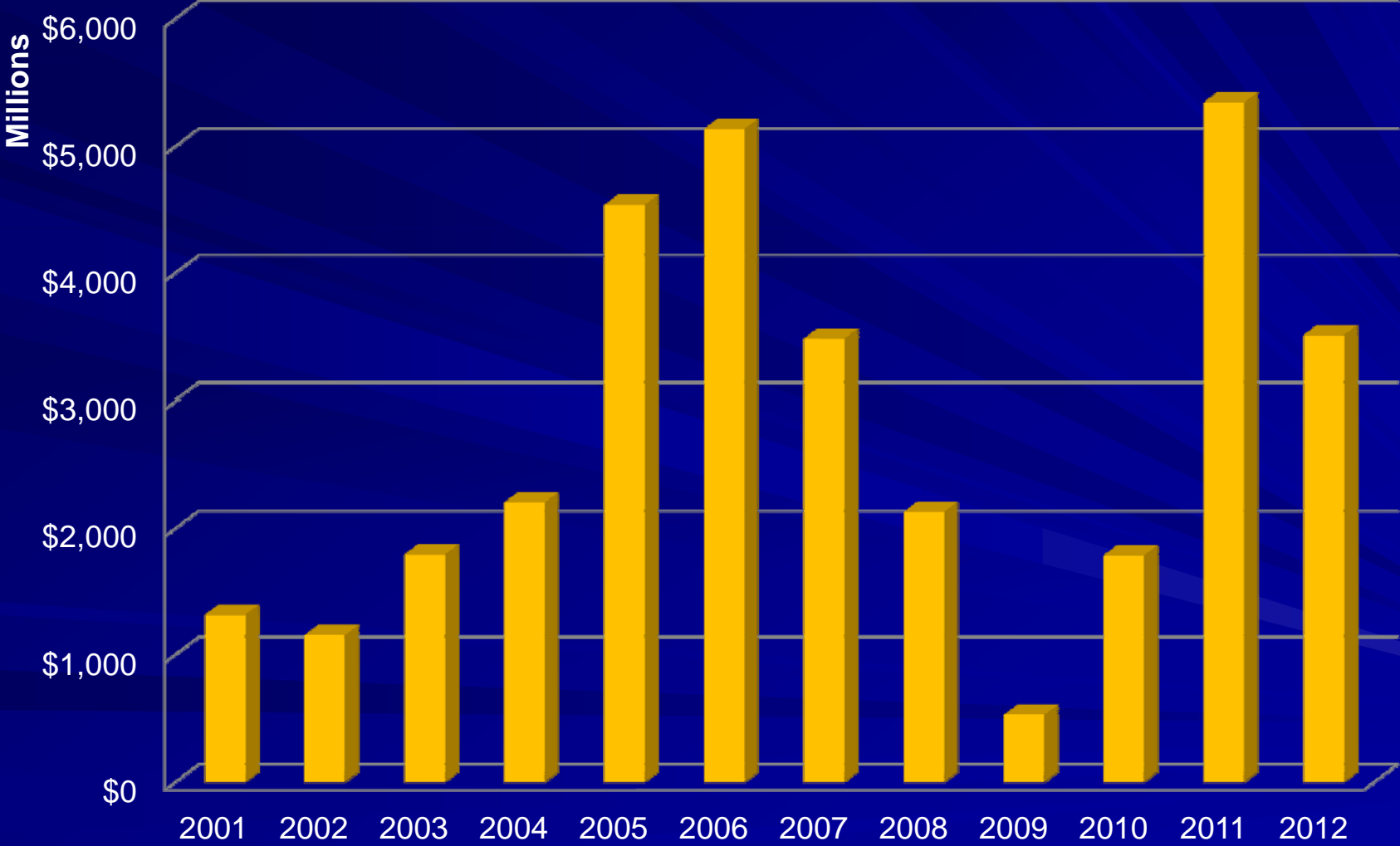
Historical Sales Chart

MEDIAN \$/RM



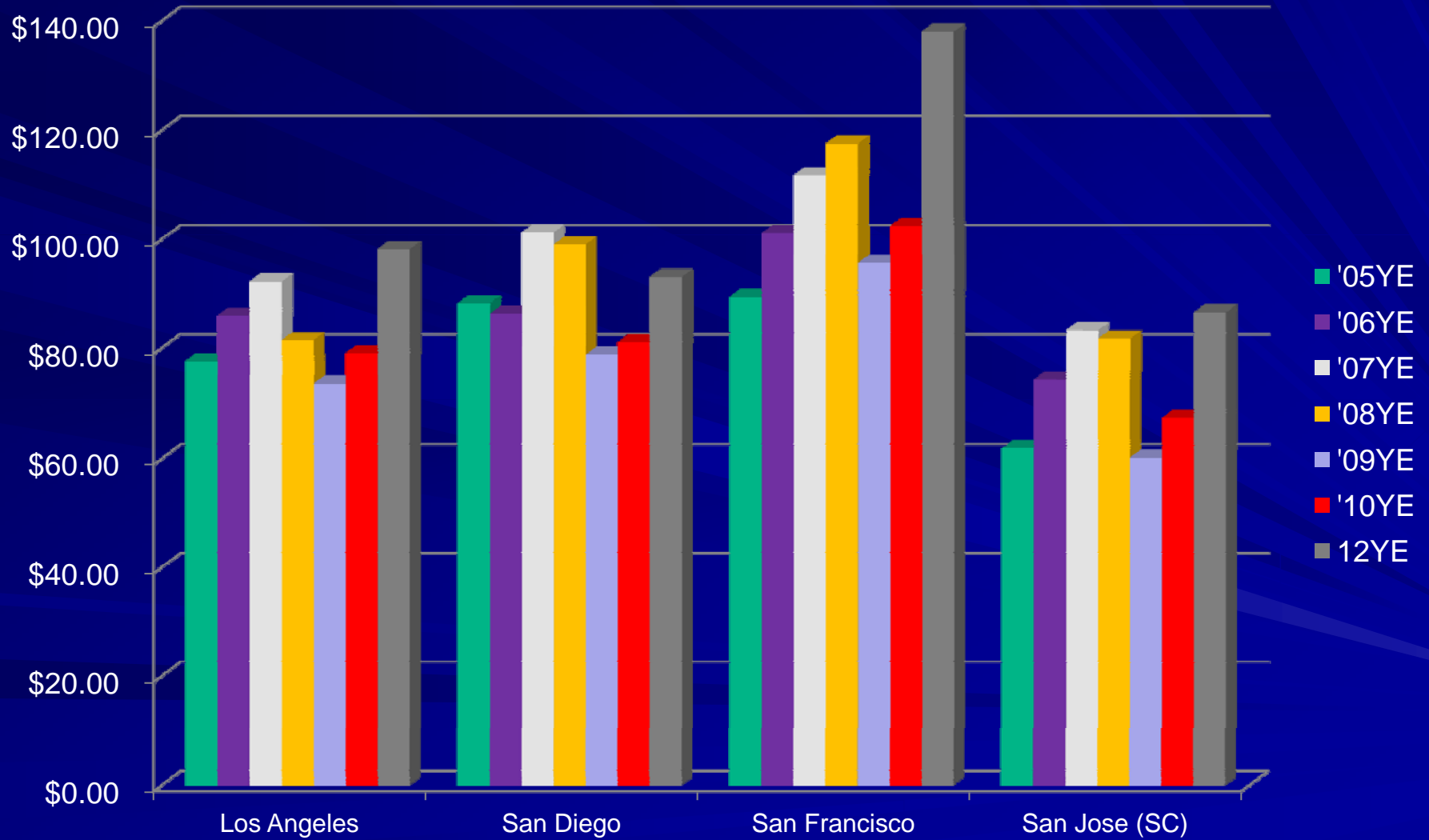
Historical Sales Chart

\$ VOL. (Mil.)



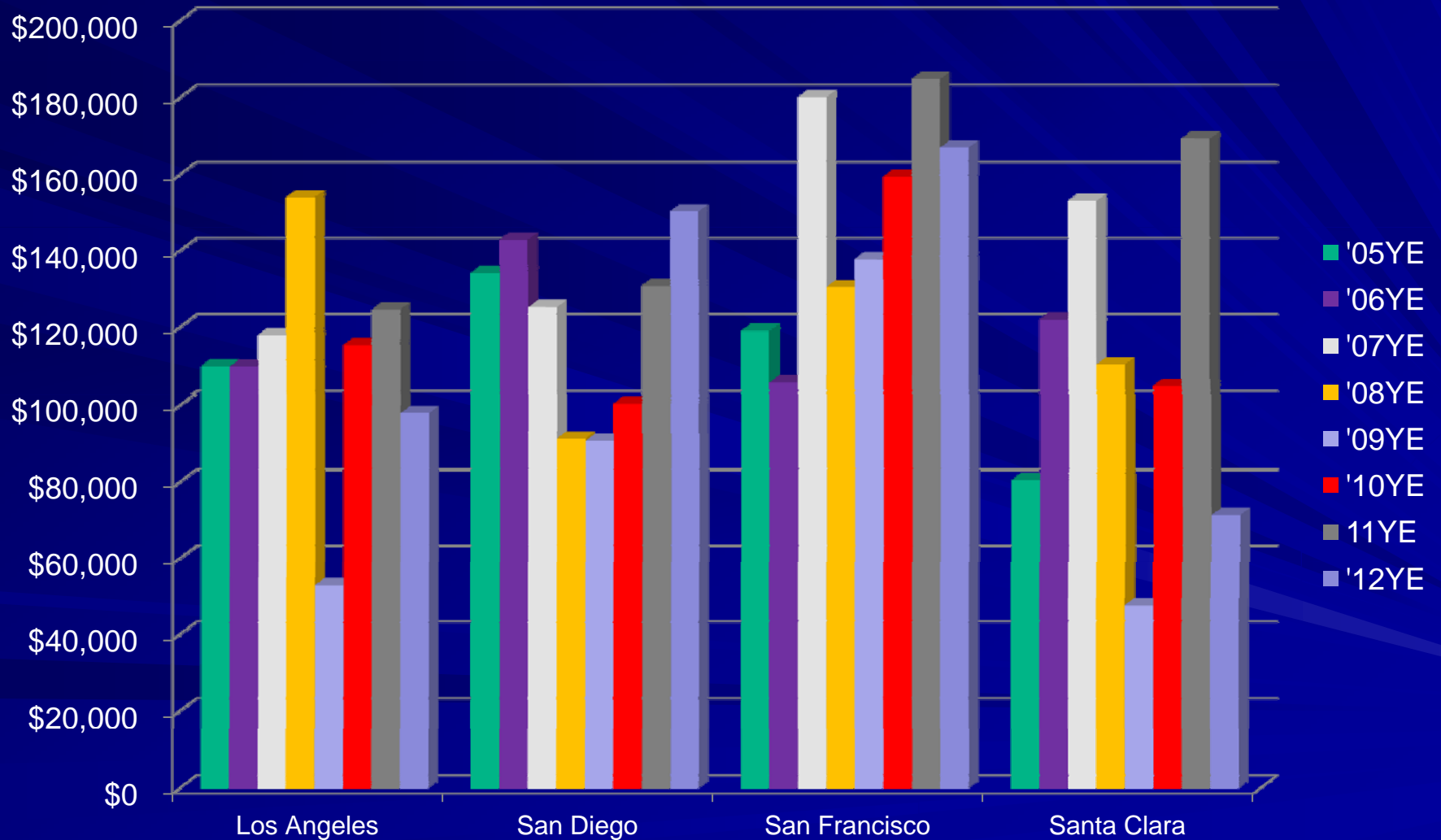
Historical Rev PAR

Source: Smith Travel Research



Historical Average Price per Room

Source: Atlas/CoStar Group



Summary of California Highlights

As we predicted, 2012 was unable to keep pace with the record year California had in 2011. The number of sales remained relatively stable (down only 2.5%), but total dollar volume plummeted by over 34%.

The 1,572-room Hilton Anaheim was the largest hotel to sell

At \$235 million, the 1,101-room Parc 55 Wyndham was the most expensive hotel sale

On a price-per-room basis, the \$640,833 per room paid for the 120-room L'Auberge Del Mar topped the list

Northern California saw a 6.3% decline in total dollar volume, while Southern California dropped over 48%

Los Angeles County

Los Angeles County saw a 6% increase in the number of hotel sales. However, total dollar volume dropped 48%.

The county's average price per room dropped 21% and the median price per room dropped 7.5%.

At \$169 million, the 632-room Loews Hollywood Hotel was the largest and most expensive Los Angeles County sale.



Loews Hollywood Hotel

San Diego County

San Diego County had a 31% decrease in individual transactions. Total dollar volume dropped 68%

The county's average price per room increased 15%, while the median price per room decreased 17%.

At \$122.8 million the 436-room The Westin San Diego was the largest and most expensive San Diego County hotel sale.



Westin San Diego

Orange County

Individual transactions in Orange County increased 42%. Total dollar volume was up 121%.

The county's average price per room was down 9%; median price per room was down 3.5%.

At approximately \$216.1 million, the 1,572-room Hilton Anaheim was the most expensive Orange County sale and the largest hotel to sell in California.



Hilton Anaheim

San Francisco County

San Francisco County had 19 individual transactions in 2012, the same as 2011. Total dollar volume rose 12.5%.

The average price per room decreased 10% and the median price per room dropped 32%.

At \$235 million, the 1,011-room Parc 55 Wyndham was the largest San Francisco County sale. It was also the most expensive California hotel sale.



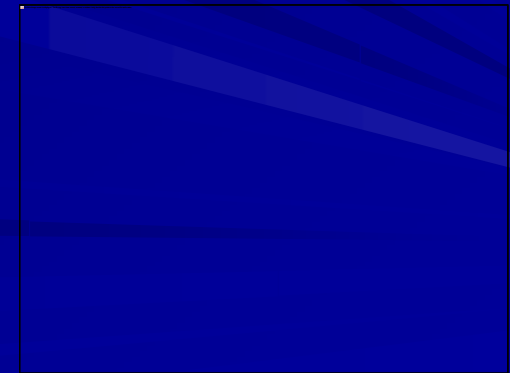
Parc 55 Wyndham San Francisco

Sacramento County

Sacramento County had a 7% drop in individual transactions. Total dollar volume was down 52%.

The average price per room decreased 6%, but the median price per room rose 2.5%.

The 376-room Red Lion in Sacramento was the largest Sacramento County sale. The most expensive sale was the \$14.2 million paid for the 100-room Le Rivage in Sacramento.



Le Rivage Sacramento

Review

In reviewing our forecast from the beginning of 2012, we predicted the following:

- *The dollar volume of sales will decline 10-20%, as less “trophy” hotels trade.*
Total 2012 dollar volume was down 34.3%.
- *Sales transactions will remain high, but we don’t see an increase. We predict 250 to 300 sales.*
Sales remained high with 308 transactions, slightly down from the 316 in 2011.
- *The median price per room will increase 10-15%.*
The median price per room declined by 5%.
- *There will be fewer trophy property sales.*
In dollar terms, large transactions decline by over 36%.
- *Lenders sales will continue throughout 2012, but only in secondary and tertiary markets.*
We saw a decline of over 50% in notices of default and foreclosed hotels in California.

Forecast

For 2013, we predict the following for the California hotel market:

- Sales will remain high. We predict 300+.
- The median price per room will increase at least 10%.
- Financing rates will continue to be available in the 4.5-5% range for well-performing hotels.
- REITs, private equity firms and overseas buyers will continue to be very active buyers.
- There will be more focus on new hotel development.

Alan X. Reay

President

Atlas Hospitality Group

(949) 622-3409

alan@atlashospitality.com