

AUGUST 2005



 **ERNST & YOUNG**

Quality In Everything We Do

The California Mid-Year Lodging Report

“California is well positioned for a strong year with healthy supply and demand fundamentals.”

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ADR and Occupancy Percentage Change vs. 2004

<i>San Francisco</i>	<i>ADR</i>	<i>Occupancy</i>
January	4.9%	9.6%
February	5.8%	5.4%
March	-3.9%	1.3%
April	9.9%	3.2%
May	2.4%	-0.8%
June	3.1%	2.4%
YTD	3.3%	3.2%
2005 E	3.0%	4.5%

<i>Los Angeles</i>	<i>ADR</i>	<i>Occupancy</i>
January	8.3%	4.5%
February	1.6%	1.9%
March	6.9%	4.4%
April	9.4%	3.2%
May	8.1%	4.4%
June	6.9%	6.1%
YTD	6.9%	4.2%
2005 E	5.5%	3.0%

<i>Anaheim</i>	<i>ADR</i>	<i>Occupancy</i>
January	2.1%	-2.1%
February	2.8%	1.3%
March	4.8%	6.0%
April	8.6%	8.2%
May	5.6%	9.4%
June	6.1%	6.2%
YTD	5.1%	5.0%
2005 E	4.0%	4.0%

<i>San Diego</i>	<i>ADR</i>	<i>Occupancy</i>
January	6.3%	-5.0%
February	5.2%	-5.1%
March	6.5%	6.2%
April	6.5%	-1.1%
May	9.4%	2.1%
June	12.3%	8.9%
YTD	8.0%	1.0%
2005 E	6.0%	1.5%



Occupancy and ADR growth in the first half of 2005 continued to improve due to strong supply and demand fundamentals. Demand is increasing due to improved consumer confidence, the weakened U.S. dollar, and the return of the business traveler.

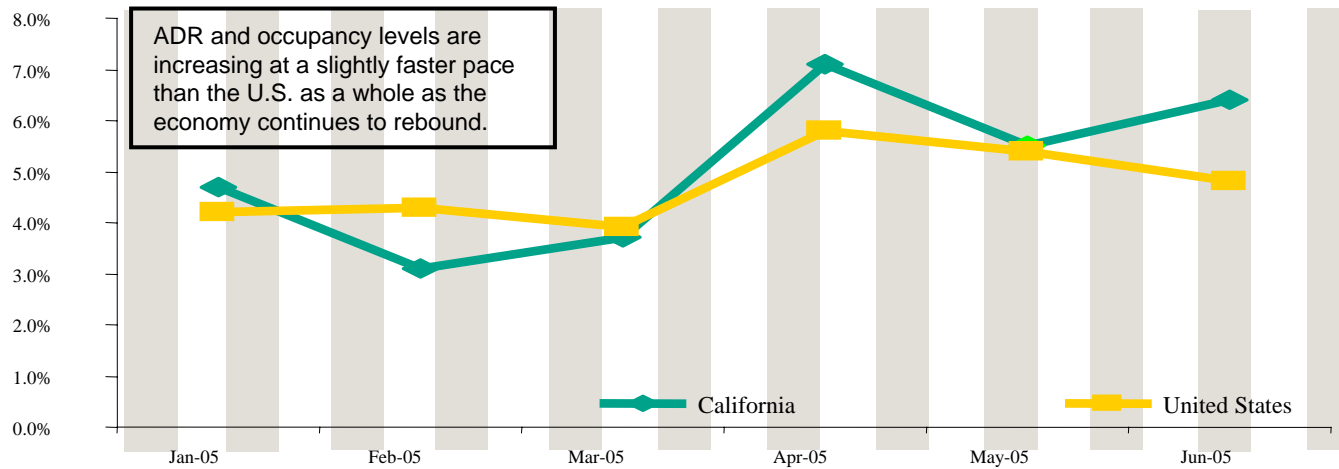
<i>California</i>	<i>ADR</i>	<i>Occupancy</i>
January	4.7%	2.4%
February	3.1%	2.2%
March	3.7%	4.3%
April	7.1%	3.1%
May	5.5%	3.0%
June	6.4%	4.8%
YTD	5.2%	3.2%
2005 E	4.0%	3.0%

<i>U.S.</i>	<i>ADR</i>	<i>Occupancy</i>
January	4.2%	3.8%
February	4.3%	2.9%
March	3.9%	2.2%
April	5.8%	3.7%
May	5.4%	1.9%
June	4.8%	2.8%
YTD	4.8%	2.8%
2005 E	4.0%	2.8%

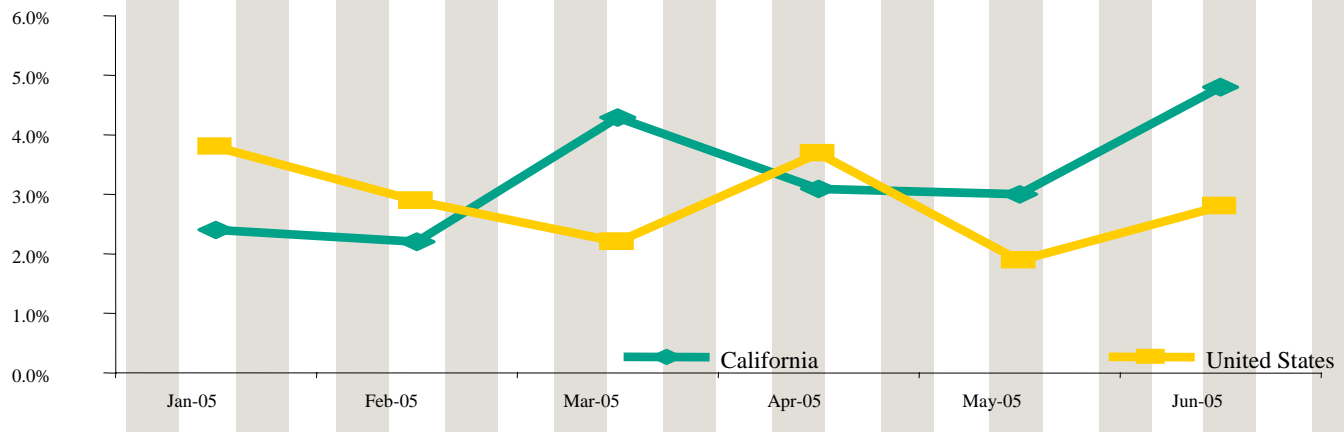
Source: Smith Travel Research
(Historical Data)

ADR and Occupancy Percentage Change vs. 2004

ADR

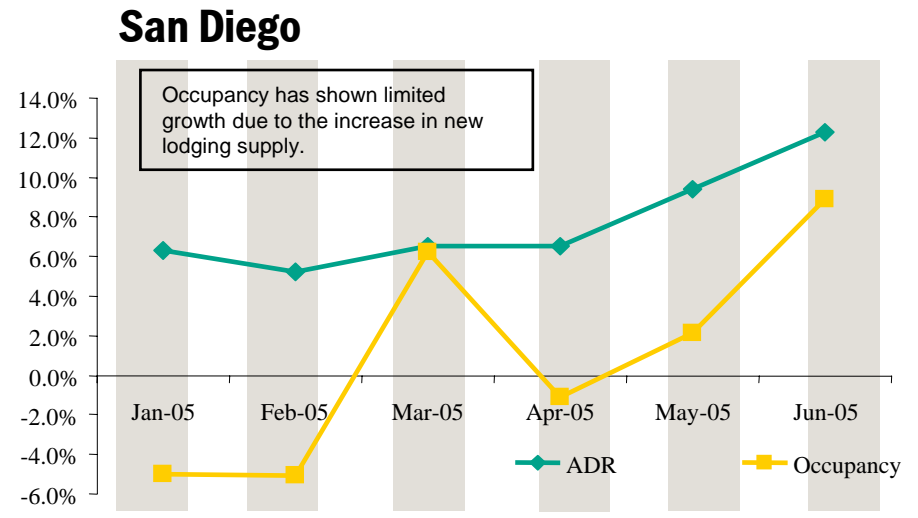
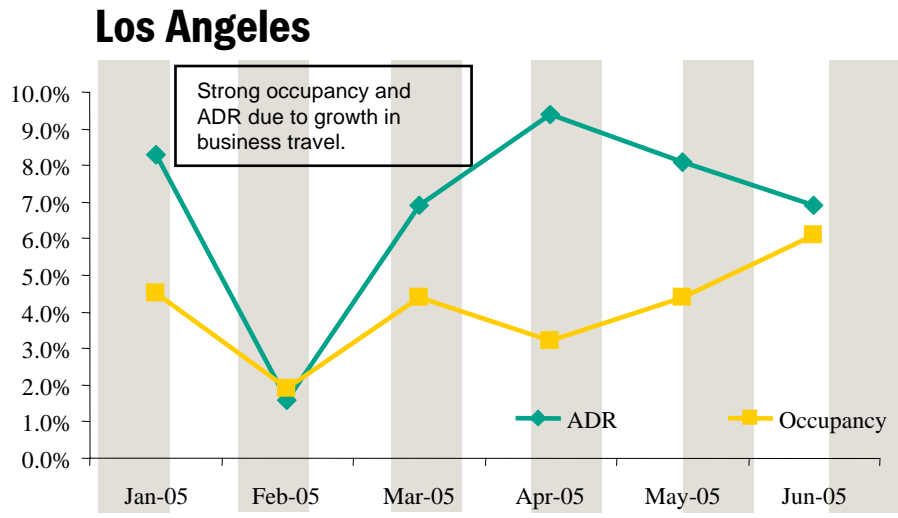
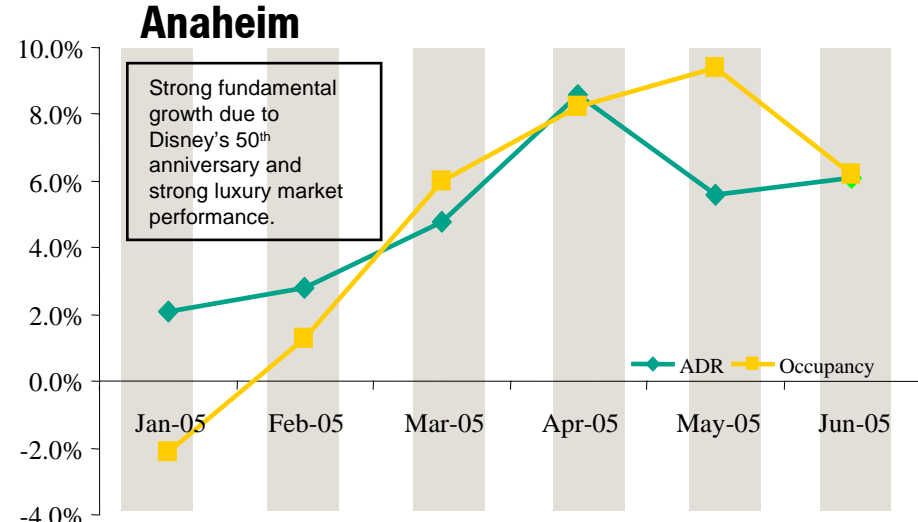
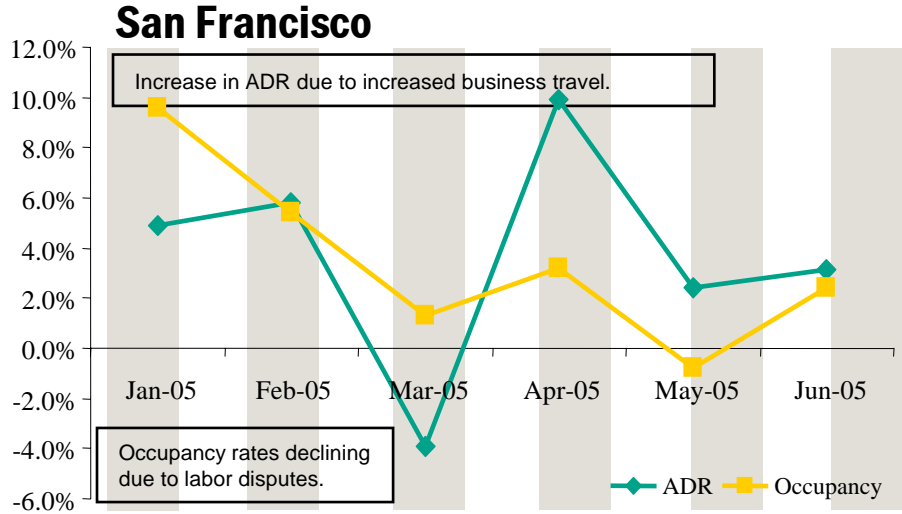


Occupancy



Source: Smith Travel Research

ADR and Occupancy Percentage Change vs. 2004



Source: Smith Travel Research

Macroeconomic Observations

- During the first half of 2005, the U.S economy demonstrated signs of modest improvement, as the federal funds rate increased to 3.0% in June 2005. It is anticipated that the rate will reach 4.5 % by August 2006.
- Preliminary economic analysis indicates a 3.0 % real GDP growth rate during the second quarter of 2005, and economists predict 3.75% growth through the end of 2006. As GDP sustains moderate growth, the national unemployment rate is anticipated to stabilize in the upcoming quarters following a decrease of 0.2 percentage points in the second quarter of 2005 to 5.2%. It is anticipated that the unemployment rate will stabilize at 5.0% through 2006.
- Personal consumption decreased by 0.7 percentage points to 3.5% in the first quarter of 2005. Consumer Price Index inflation increased during the first half of 2005 to a 3% annualized rate, but is anticipated to decrease in the second half of the year, with a modest increase to 2.6% in 2006.
- According to the National Association of Realtors, existing-home sales surpassed market expectations and reached another record in June as low mortgage interest rates and favorable market conditions continued to attract buyers. In June 2005, total existing-home sales, including single-family, town homes, condominiums and co-ops, increased to an annual rate of 7.33 million from 7.14 million in May.
- The Consumer Confidence Index increased to 102.2 in May 2005, after experiencing four months of decline. As consumers' concerns about the economy and jobs ease, the Expectations Index, while slightly below 2004 levels, continues to signal economic growth in the months ahead.

U.S. Lodging Industry Analysis

- The U.S. lodging industry continues to experience strong positive lodging fundamentals, building upon 2004 levels. Through June 2005, occupancy increased 1.7 percentage points to 62.2% and ADR increased approximately 4.8% to \$90.45 compared to the same period last year, according to Smith Travel Research (“STR”). Additionally, growth in rooms demand continues to outpace the growth in supply. Growth in lodging fundamentals is anticipated to continue through the remainder of the year, as occupancy and ADR are forecasted to finish at 63% and \$90, respectively.
- The United States continues to experience positive international visitation, building on 2004, which was the first year to experience positive international inbound travel growth since 2000. According to the U.S. Office of Travel and Tourism Industries (“OTTI”), international inbound travel to the U.S. increased by 12.7% through the first quarter of 2005, as compared to the same period last year. International travel experienced growth of 4.5% from Asia, 12.3% from Europe, 14.4% from Central America, and 2.3% from Africa. The significant increases in visitor arrivals are primarily attributed to the continued weakness of the U.S. dollar, an increase of approximately 27.8% in sales and marketing efforts in international markets, and Japan’s gradual recovery from the economic recession that began in mid-2004. The U.S. Department of Commerce forecasts 6% growth overall in the number of international visitors in 2005.
- With decreased national unemployment rates and increased corporate budgets, business travel experienced a rebound in 2004 as volume increased by approximately 4%. The rebound in business travel has continued into the first half of 2005, as urban and airport hotels (which primarily cater to business travelers) led RevPAR growth over 2004 levels with 10.7% and 10.9%, respectively. According to the Travel Industry Association of America (“TIA”), business and convention travel is anticipated to continue to outpace leisure travel in growth with an increase of approximately 3.6% this summer. TIA predicts that leisure travel will increase this summer by approximately 2.8% to 328 million person trips, as approximately 75% of U.S. adults plan to take at least one leisure trip this summer, representing an increase of 5 percentage points over the same period last year.

U.S. Lodging Industry Analysis (continued)

- The strength of the lodging market and favorable economic conditions has led to an increase in hotel transactions and new hotel construction. Many of the hotels currently in the development pipeline, however, will not enter the market until 2006 and beyond. Lodging Econometrics anticipates net supply growth for 2005 to be approximately 0.8%; however, according to STR data, U.S. lodging supply increased by 0.5% through May 2005. Furthermore, the availability of capital has led to more active transaction markets in 2005. Among the most active companies involved in lodging transactions has been The Blackstone Group, which recently purchased the Rihga Royal Hotel in New York and acquired Wyndham International, Inc. for \$3.24 billion. In addition, Marriott International, Sunstone Hotels, and Walton Street Capital acquired a 32-hotel portfolio from CFT Holdings, Ltd. for approximately \$1.45 billion. Significant single-asset transactions include the sale of the Hilton Gaslamp Quarter in San Diego by S.D. Bridgeworks LLC to LaSalle Hotel Properties for approximately \$85 million and the sale of the Hilton Glendale in Glendale, California, by Hilton Hotel Corporation to Eagle Hospitality Properties Trust Inc. for approximately \$79.8 million. U.S. hotel sales reached \$12.9 billion in 2004, nearly doubling the \$6.7 billion sold in 2003. Transaction activity for the U.S. lodging market is anticipated to remain strong at an anticipated \$9 billion in 2005.
- According to Smith Travel Research (STR), midscale properties without food and beverage outlets experienced the largest growth in RevPAR (approximately 11.8%) in the first half of 2005. The luxury segment leads the industry in ADR growth of 7.4% for the first half of 2005 vs.. the same period last year. This trend can be primarily attributed to increasing disposable incomes of the aging baby boomer generation and reduced restrictions placed on corporate travelers.

California Lodging Industry Observations

- California's lodging market continues to outperform the U.S in terms of RevPAR (revenue per available room). For the first half of the year, California's RevPAR was \$68.56 while the U.S.'s RevPAR was \$56.31. During the first six months of 2005, California's occupancy increased to 68.1%, an increase of 2.1 percentage points from 2004's first six month occupancy rate of 66%, while ADR increased approximately 4.8% over the same period.
- According to Los Angeles Economic Development Corporation ("LAEDC"), the international trade industry YTD through April 2005, as compared to the same period last year, demonstrated an increase in two-way international trade through California's three customer districts. San Francisco has increased 6%, Los Angeles 9.8%, and San Diego 14.6 %. With the historically busiest quarters yet to come, it is anticipated the industry will achieve a record high of \$459.3 billion in 2005. This trend has led to plans to expand the ports of San Diego, Los Angeles, and Long Beach.
- The California Division of Tourism budget has received \$7.3 million in public funding for 2005-06 fiscal year after receiving no public funding due to a \$9 billion dollar deficit since fiscal year 2003-2004. According to the Industry Association of America, last year's budget of \$7.39 million ranked California below the national average of \$11.95 million dollars. In 2004, tourism contributed approximately \$78 billion dollars to California's economy and it is anticipated the restoration of public funding will increase future visitation.

California Lodging Industry Observations (continued)

- The California Travel and Tourism Commission (CTTC) forecasts 2% growth for domestic travel and 4.8% growth for international travel due to a strong euro, diminished anxiety about air security from Europe, improved consumer confidence, and an increase in number of routes by low-fare airlines. DK Shifflet and Associated, Ltd. estimated an increase in travel to and through California during the Spring and Summer seasons (2.9% and 3.5% respectively), with resident travel increasing at an estimated 2.4% and non-resident travel remaining unchanged. Domestic and international air arrivals demonstrated consistent growth throughout 2004 and are anticipated to continue to improve throughout 2005. The drive-in market is anticipated to remain strong as increases in gasoline prices are not anticipated to change travel plans.
- The number of overseas visitors to California from the two largest markets, the United Kingdom and Japan, are anticipated to increase throughout the remainder of the year. The Association of British Travel Agents anticipates a record number of British tourists to the U.S. for 2005 due to the weak dollar vs. the British pound and competitive transatlantic air fares. Japan is anticipated to increase outbound travel in 2005 to 17.6 million, representing an increase of approximately 6%. Major Japanese travel wholesalers, such as JTB, KNT, Japack, and ANA Hallo, stated the number of tours occurring during the first quarter of 2005 increased approximately 10% - 15%. United Airlines recently began nonstop service between San Francisco International Airport and Nagoya and added double daily flights between Los Angeles International Airport and Narita. Furthermore, Governor Schwarzenegger's first official overseas trade mission to Japan in November generated media publicity in Japan and is anticipated to increase travel to California from Japan in the coming years.

California Lodging Industry Observations (continued)

- Native American gaming continues to positively affect tourism for California. Currently, approximately 55 casinos operate in California with additional projects under development. In 2004, California's Native American gaming revenue increased 13% over 2003 levels to \$5.3 billion and generated 28% of the nation's Native American gaming revenue (2.5 times more than Connecticut, its closest rival). Growth for 2005-2006 is anticipated to continue with the following plans for new developments underway:
 - The North Fork Rancheria of Mono Indians has been planning on building a large casino on State Route 99 at Avenue 17. This “destination resort” would include a 200-room hotel, several restaurants, a large casino, and a spa. However, because of the location proximate to the city of Madera, and the government of California’s desire to keep casinos out of urban areas, future plans may be stalled.
 - The California Valley Miwok tribe’s proposal for a casino-resort in the city of Los Banos, which is on the west side of Merced County.
 - Pechanga Resort and Casino, located in Temecula, California is adding a 400,000-square-foot, \$252 million expansion in December.
 - The Fantasy Springs Resort Casino in Palm Springs \$200 million casino and restaurant expansion in January which is slated to include a 251-room hotel and a 100,000-square-foot special events center. Plans to add another 300-400 room hotel by 2010 are under discussion.
 - The Chemehuevi tribe’s plan for a \$186 million Indian casino-hotel in West Barstow.
 - In June 2005, the Lytton tribe’s plan to open a Vegas style casino in San Pablo was stopped by a U.S. Senate committee. The bill prevents the tribe from operating Class III Las Vegas-type slot machines in the Bay Area. Currently, there are no urban casinos in California.

California Lodging Industry Observations (continued)

- The cruise industry continues to expand in California with new routes offered by Disney Cruise Lines starting in May 2005 and the Queen Mary 2 in 2006. San Diego's cruise line industry has experienced 300% growth in the last five years and plans to enhance the port within the next three years are currently under discussion. The Los Angeles Port has also encountered a similar growth trend and the city is anticipated to expand the port to accommodate increased traffic and ship size.

California Mid-Year Top 10 Thoughts

- 1. Transactions** — Hotels in strong locations remain in high demand due to the current low cost of capital and high replacement cost. Hotels are attractive to investors seeking a high risk/high yield real estate investment, particularly as the lodging industry continues to outperform other sectors of real estate. According to HVS International, the average value of a U.S. hotel property is anticipated to increase approximately 28% in 2005 and an additional 23% in 2006. In addition to the increase in property values, readily available financing has also fueled the increase in the number of hotel transactions. Borrowers have benefited considerably from higher leverage loans and more flexible loan terms. Although interest rates may rise slowly in the near future, it is anticipated that the number of hotel transactions in California will remain strong into 2006 as the lodging industry continues to demonstrate healthy performance and the reduced number of loan delinquencies encourages lenders to offer favorable financing terms. **Primary Impact: Transactions and valuations**
- 2. Condominium Conversions** — Both the trend to convert hotels into condominiums or the trend to develop a “condotel” has become increasingly popular because operators can boost their own profits while offering buyers upscale amenities. In 2005, it is anticipated that a larger number of developers will offer for-sale units in their luxury hotels. Previously, condominium-hotels existed in leisure destinations, such as Hawaii, and doubled as second homes. Now, these units have become increasingly more plentiful in urban centers such as New York, Miami, Chicago, Boston, San Francisco and Toronto, as well as Las Vegas. As more baby boomers become empty nesters, they are more likely than the previous generation to move to downtown locations from their suburban homes, thereby creating the downtown hotel/condominium trend. This recent trend to create “condotel” units has penetrated Californian markets and is anticipated to remain hot as long as real estate prices continue to escalate, interest rates and stocks and bonds remain low, and the lodging industry sustains its increasing performance. However, due to concerns surrounding loss of employment for workers at converted hotels, San Francisco recently passed an 18-month moratorium on condominium conversions. **Primary Impact: Supply and profitability**

California Mid-Year Top 10 Thoughts (continued)

- 3. Supply Trends** — According to Lodging Econometrics (“LE”), lodging supply is decreasing in some major U.S. markets. Approximately 58,240 new guestrooms were added in 2004, resulting in an estimated 1% net supply increase. Although 70,646 rooms are anticipated to be added in 2005, analysis indicates that net new supply growth will be less than 1% this year due to numerous significant hotels exiting the lodging market. This trend holds true for Californian markets, such as San Francisco, where a significant number of guestrooms have temporarily ceased operations as the properties undergo repositioning, including the Fairmont Hotel which is transforming 226 of its 591 rooms into condominium units. In Los Angeles, Anaheim, and along the Californian coast, prime real estate locations are being bought and restructured to include condominiums to offset the surge in construction costs and land acquisition, including the Douglas Building in downtown Los Angeles which was converted into 50 luxury condominiums. In the urban centers of Los Angeles and San Francisco, some hotels are converting a portion of their guestrooms into residences. The only area in California that experienced a real growth of hotel rooms in 2004 was San Diego, which experienced rooms supply growth of 2.5%. According to LE, it is anticipated that 917 hotels with 100,559 guestrooms will open in 2007 in the US, the highest total for new openings since 2001. Even with large increases in supply, market participants anticipate hotel revenues in 2007 to exceed the record \$26 billion anticipated for 2006. **Primary Impact: Rooms supply**

California Mid-Year Top 10 Thoughts (continued)

- 4. Labor Issues** — During 2005, Los Angeles and San Francisco experienced hotel labor disputes, an issue that is anticipated to negatively impact future convention bookings. In Los Angeles, the Unite Here Local 11 succeeded in securing a contract with an expiration date of November 2006, aligning the contract with unions in Hawaii, New York, Chicago, Sacramento, Monterey and Toronto. The union had sought an expiration date in April of 2006, but accepted November 30 in the hopes of avoiding a future labor dispute. In San Francisco, the labor dispute that began in September 2004 continues to have negative ramifications for the city. After a nearly year-long labor dispute, hotel employees and management remain at odds over wages and health care coverage and have been unable to resolve the conflict involving 4,300 union workers at 14 major hotels. It can be anticipated that this labor dispute may negatively impact the city's ability to attract and retain scheduled conventions as the city has recently lost several bookings including the Organization of American Historians who moved to San Jose and the San Francisco *Business Times'* meeting moved to the Oakland Convention Center. A contract proposal that San Francisco hotel owners hoped would end an 11-month labor dispute was rejected on July 13. Negotiations will resume on August 10, 2005. **Primary Impact: Profitability**

California Mid-Year Top 10 Thoughts (continued)

5. **Enhanced Security Measures** — The U.S.’s plan to tighten restrictions on entering the country is anticipated to create challenges regarding future overseas demand. The California tourism industry will face challenges as Visa Waiver Program (“VWP”) countries will be required to produce passports with digital photographs by October 26, 2005. On this date, all VWP countries must also present an acceptable plan to begin issuing integrated circuit chips, or e-passports, within one year. This announcement relates to the Enhanced Border Security and Visa Entry Reform Act of 2002 requirement that any passport issued after October 26, 2005, and used for VWP travel to the U.S., must include a biometric identifier based on applicable standards established by the International Civil Aviation Organization. Approximately 15 million VWP travelers visited the United States in 2004, representing a significant percentage of total visitation to the U.S. **Primary Impact: Demand**
6. **Bigger and Better Amenities** — Consumers want convenience, luxury and, as leading hotel companies have discovered, amenities. From bedding to iPods, the hotel industry is anticipated to spend approximately \$4.1 billion this year on renovations and upgrades, an increase of approximately 37% from 2004. Many leading hotel chains have introduced new bedding packages in an effort to compete with Westin’s successful “Heavenly Bed” campaign. Westin launched its fitness initiative in November 2003, custom designing fitness facilities and creating private workout rooms. Hyatt Hotels, in an effort to create an amenity niche, is partnering with XM Satellite Radio, installing the radios in more than 50,000 Hyatt guestrooms nationwide. **Primary Impact: Profitability**

California Mid-Year Top 10 Thoughts (continued)

7. **Exchange Rates** — The U.S. tourism industry has benefited in an increase in international tourism due to the weakening dollar. Although the dollar is anticipated to appreciate throughout the remainder of 2005, the current exchange rate remains low in comparison to rates at the beginning of the decade. The result of the weakened dollar has been an increase in overseas travel to major U.S. metropolitan markets and an increase in domestic travel due to higher costs of international travel. With the combination of stronger international buying power, more affordable transatlantic airfares, and the addition of international flights, the California Tourism Department anticipates 4.8% growth in overseas travel in 2005. **Primary Impact: Rooms demand**
8. **Direct Booking** — Selling rooms on third-party websites appears to be decreasing because hotels are providing limited inventory. Efforts by hotel operators to guarantee the best rate to consumers is reinforced by a recent survey by Consumer Reports that found rates to be comparable between third-party sites and hotel-operated sites. Also, because consumers receive additional benefits by booking directly through a hotel website (reward points, fewer restrictions, etc.), booking via third-party sites appears to be declining. In 2004, the number of direct booking through brand websites increased substantially as brand websites gained share compared to third-party merchant and opaque websites. According to eTRAK, brand websites were the source of 71.4% of the brands' centrally booked Internet reservations in 2004, compared to 66.5% in 2003. Merchant websites, such as Expedia, Orbitz and Travelocity, accounted for 8.6% of Internet reservations. **Primary Impact: ADR and profitability**

California Mid-Year Top 10 Thoughts (continued)

9. **State funded tourism** — Many states have increased tourism marketing budgets as the hotel industry continues its recovery. According to the Travel Industry Association of America (“TIA”), states will spend more than \$600 million this year to promote their attractions. In July 2005, Governor Arnold Schwarzenegger signed the fiscal budget for 2005-2006 restoring the \$7.3 million in public tourism marketing funds to the California Travel and Tourism Commission. Although California’s funding for 2005-2006 falls short of the budgets of two of its major competitors in 2003-2004, Hawaii (\$56 million) and Florida (\$25 million), the governor’s decision is anticipated to increase California’s ability to market its tourism industry to potential domestic and international travelers. **Primary Impact- Rooms demand**
10. **Native American Gaming** — California tribes continue to expand casinos faster than any other location in the nation. In 2004, approximately 405 Indian casinos employed 539,000 workers, paying \$19.4 billion in wages and generating \$6.2 billion in taxes for the entire U.S. California led the states with \$5.3 billion in revenue, representing 28% of the nation’s Indian gaming revenue. On June 21, 2004, Governor Schwarzenegger announced a set of compacts with five leading gaming tribes. The compacts preserve the tribes' monopoly on casino-style gambling and the tribes may exceed the current limit on the number of slot machines, but must pay increasingly more to do so. **Primary Impact: Lodging demand**

San Francisco Lodging Market Analysis

Ernst & Young's Digital Dashboard

<i>San Francisco</i>	<i>ADR</i>	<i>Occupancy</i>
January	4.9%	9.6%
February	5.8%	5.4%
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Source: Smith Travel Research (Historical Data)

Year-to-date planned additions to lodging supply:

Property	Location	# of Units	Project Phase
Hotel Vitale	San Francisco	199	Open
St. Regis Museum Towers	San Francisco	260	Open
Four Seasons Hotel	East Palo Alto	200	Under Construction
Intercontinental Hotel	San Francisco	554	Under Construction
Rosewood Hotel	Menlo Park	120	Planning
Jack London Square Hotel	Oakland	250	Planning
Unnamed Boutique Hotel	San Francisco	131	Planning

Year-to-date transactions:

Property	Location	Sales Price (\$M)	Buyer
Sir Francis Drake Hotel	San Francisco	\$50 M	SFD Partners, LLC
Hilton Concord	Concord	\$29.15 M	Interstate Hotels & Resorts
Hyatt Sainte Claire	San Jose	\$19 M	Larkspur Hospitality Co. LLC
Holiday Inn Bay Bridge	Emeryville	\$16 M	Angelo Gordon & RIM Hospitality
TownePlace Suites	Newark	Portfolio sale	Ashford Hospitality Trust, Inc.

Source: Individual Properties, Lodging Development

- The economic conditions in San Francisco are improving. The city's unemployment rate has steadily decreased throughout the year to a low of 4.5% in May. According to the California Employment Development Department, San Francisco's unemployment rate has decreased at a greater rate than the State's overall unemployment rate, which declined from 6.3% in May 2004 to 5.3% in May 2005. Improving economic conditions have benefited the hospitality industry, contributing to increased occupancy rates and RevPAR over 2004 levels. According to STR, occupancy increased approximately 2.1 percentage points to 67.6% year-to-date June 2005 vs. the same period last year, while ADR increased approximately 3.3% to \$122.52 year-to-date June 2005 vs. the same period last year.
- The San Francisco International Airport's passenger traffic count increased 6.8% for year-to-date April 2005 vs. the same period the previous year. Oakland International Airport and Mineta San Jose International Airport have experienced a 3.4% increase and -2.2% decrease in passenger traffic for April, respectively. The lodging market is experiencing growth from domestic markets, such as New York and Chicago, and international markets, particularly Japan and Western Europe which is anticipated to remain strong through 2006.
- According to the San Francisco Convention Center, the number of meetings and conventions booked in 2005 is anticipated to increase 4% vs. last year, in the wake of a trend of shorter but more frequent conventions. The convention center met the estimated budgeted revenue in 2004 and anticipates increased growth in the upcoming fiscal year.

San Francisco Lodging Market Analysis (continued)

- At the end of the second quarter in 2004, the San Francisco Convention and Visitors Bureau launched a new marketing and branding campaign titled, “Only in San Francisco,” in an effort to enhance the city’s tourism industry. Businesses such as local magazines, television and radio stations, outdoor media companies, and San Francisco International Airport have committed more than \$1.2 million in local advertising space and time to the new campaign. “Only in San Francisco” extends beyond traditional advertising to include unique tour packages, “Only in San Francisco, Only with Visa” offers, exclusive deals with See’s Candies, and “Wish You Were Here” sweepstakes.
- According to the National Association of Realtors, the commercial real estate market in the Bay Area is improving as vacancy rates continue to decline and rents increase in all four commercial market sectors. Cushman & Wakefield reported a decrease in San Francisco’s overall citywide office vacancy from 18.0% during the first quarter of 2005 to 17.3% at second quarter, while the CBD dropped from 16.4% to 15.5% over the same time period. In addition, over the past two quarters CBD Class A direct rental rates increased 6.0% to \$32.28 per square foot .
- The Port of San Francisco is in the process of constructing the International Cruise and Bryant Street Pier Project. This \$400 million mixed-use project is anticipated to feature a state-of-the-art international cruise terminal facility, luxury residential condominiums, office and retail commercial developments, and a waterfront park known as Brannan Street Wharf Park. Construction is slated for completion in late 2006. This development is anticipated to accommodate the growing cruise ship business. The Port of San Francisco officials note there has been a 120% increase in the number of cruise ships docking here and a 213% increase in the number of passengers since 2001.

San Francisco Lodging Market Analysis (continued)

- Signs of economic recovery are emerging in Silicon Valley as entrepreneurs and technology companies move into new businesses and markets and focus on biotechnology, life sciences, healthcare, and nanotechnology. Examples of Silicon Valley's adaptability include Apple Computer's rebirth as a consumer electronics giant, Yahoo's evolution from Internet directory to entertainment portal, and Google's creation of an online advertising model to compete with traditional media businesses. Profitable results observed from this restructuring include Google's stock price tripling from its initial public offering last summer and Apple's six-fold earnings increase for the first quarter of 2005. However, the economy of Silicon Valley has encountered mixed results. The Employment Development Department of California states the number of jobs in Santa Clara County remains down 20% percent since 2000 and the number of commercial real estate vacancies remains high. Retail sales have grown to approximately \$6.48 billion in 2004 from \$6.13 billion in 2003 and the nation's highest housing prices have continued to climb. Venture capitalists in start-up companies placed \$7.4 billion into 724 companies in 2004, representing an increase of 17% from 2003.
- The biotech industry should continue to be a major travel demand generator for the Bay area throughout 2005, particularly due to the California Institute for Regenerative Medicine's ("CIRM") decision to locate its headquarters in San Francisco. The CIRM was created in November after voters approved a measure allowing California to borrow \$3 billion to fund human embryonic stem cell research over 10 years. The institute plans to build a 17,000-square-foot office with a maximum of 50 employees who will help give nearly \$300 million in research grants annually for 10 years. CIRM is anticipated to give San Francisco increased scientific and marketing prestige and to generate new biotechnology companies which may settle nearby.

San Francisco Lodging Market Analysis (continued)

- According to the Atlas Hospitality Group, Northern California led the state with the largest number of hotel transactions completed during 2004, and it is anticipated that 2005 will follow a similar pattern. The San Francisco market posted a 23.5% increase in individual sales, yet experienced a decline of 7.4% in the median price per room. According to Jones Lang LaSalle Hotel's recent Hotel Investment Sentiment Survey, this competition for assets has shifted the cap rates down to their lowest level with San Francisco reporting a market-wide cap rate of 8.2%, as compared to the average of 8.9% for the top 18 U.S hotel markets.
- The addition of several new luxury properties to the San Francisco market is anticipated to increase the ADR in the upcoming years; however, the increase in ADR may be offset by a decrease in occupancy given the significant amount of new lodging supply. In March 2005, Hotel Vitale added eight suites, six studios, and 185 guestrooms. This luxury boutique hotel is part of the city's Embarcadero redevelopment, which has included the highly successful transformation of San Francisco's Ferry Building into the city's newest landmark, a thriving bazaar of artisan food shops, restaurants, and a thrice-weekly Farmers Market. The St. Regis Hotel and Residences San Francisco will open in July and add 260 rooms and 102 private residences. The 40-story tower in the heart of the Yerba Buena Gardens district will be home to a five-star restaurant, a 13,700-square-foot luxury spa, a combined total of 22,000 square feet of indoor/outdoor meeting space and the Museum of the African Diaspora. In addition, Four Seasons will open a 200-room hotel in East Palo Alto later this year as the centerpiece of the prestigious new University Circle complex which will also include three six-story office buildings, 15,000 square feet of retail space, and a parking structure that will accommodate 1,820 vehicles.

Los Angeles Lodging Market Analysis

Ernst & Young's Digital Dashboard

<i>Los Angeles</i>	<i>ADR</i>	<i>Occupancy</i>
January	8.3%	4.5%
February	1.6%	1.9%
March	6.9%	4.4%
April	9.4%	3.2%
May	8.1%	4.4%
June	6.9%	6.1%
YTD	6.9%	4.2%
2005 E	5.5%	3.0%

Source: Smith Travel Research (Historical Data)

Year-to-date planned additions to lodging supply:

Property	Location	# of Units	Project Phase
Best Western	Long Beach	75	Open
Hampton Inn & Suites	Burbank	100	Open
Montage Hotel and Public Gardens	Beverly Hills	258	Under Construction
Hilton Hotel	San Gabriel	222	Under Construction
W Hotel	West Hollywood	300	Planning
Embassy Suites at the D'Orsay Promenade	Long Beach	230	Planning
Long Beach Airport Marriott Hotel	Long Beach	105	Planning
Downtown L.A. Convention Hotel	Los Angeles	1,200	Planning
Long Point Resort	Rancho Palos Verdes	400	Planning
W Hollywood Hotel & Residences	Hollywood	450	Planning
J.W. Marriott	West Hollywood	135	Planning
Carson Marketplace Hotel	Carson	300	Planning
Douglas Park Hotel	Long Beach	400	Planning
Embassy Suites Hotel	Glendale	277	Planning
Malibu Valley Inn / Equestrian Resort	Calabasas	203	Proposed

Source: Individual Properties, Lodging Development

Year-to-date transactions:

Property	Location	Sales Price (\$M)	Buyer
Hilton Glendale	Glendale	\$79.8 M	Eagle Hospitality Properties Trust, Inc.
Torrance Marriott	Torrance	\$61.5 M	DiamondRock Hospitality Co.
Hilton Long Beach	Long Beach	\$58 M	HEI Hospitality Fund
Doubletree Guest Suites	Santa Monica	\$47.23 M	Procaccianti Group
Le Montrose All Suite Hotel	West Hollywood	\$33.25 M	NAV
Malibu Beach Inn	Malibu	\$29 M	Geffen Companies
Sheraton Cerritos at Towne Centre	Cerritos	\$26.8 M	Sunstone Hotel Investors Inc.
Grafton on Sunset	West Hollywood	\$25.5 M	LaSalle Hotel Properties
Beverly Pavilion Hotel- Best Western	Beverly Hills	\$24 M	Thompson Hotels
Doubletree Carson Civic Plaza	Carson	Portfolio Sale	Barney Hospitality
Renaissance Long Beach	Long Beach	Portfolio Sale	Sunstone Hotel Investors
Marriott Los Angeles Airport	Los Angeles	Portfolio Sale	Diamond Rock Hospitality
Sheraton Los Angeles	Downtown	NAV	Jamison Properties

- According to Los Angeles Economic Development Corporation (“LAEDC”), Southern California’s economy is anticipated to gain momentum through 2005. Despite increasing gasoline prices, tourism in Southern California is anticipated to improve throughout 2005. During the first half of 2005, overall hotel occupancy and ADR for Los Angeles reached 74.7% and \$102.44, respectively, compared to 71.7% and \$95.81 during the same period last year. The 50th anniversary celebration at Disneyland and a King Tut exhibit in Los Angeles are anticipated to attract additional travelers to the Los Angeles area.
- According to LAEDC, the international trade industry is poised to experience a 14.9 percent increase in two-way international trade through California’s three customer districts—San Francisco, Los Angeles, and San Diego. It is estimated that the international trade industry may reach a record high of \$402.4 billion in 2004. Furthermore, the Los Angeles Customer District is anticipated to reach a record high of \$270.1 billion in 2004.

Los Angeles Lodging Market Analysis (continued)

- Los Angeles World Airports (“LAWA”) anticipates significant increases in domestic and international passenger volume during the summer, forecasting approximately 18.5 million travelers to pass through LAX between Memorial Day and Labor Day, representing a 6% increase over the same period last year. Ontario International Airport is also anticipated to set a summer record with approximately 2 million travelers, representing an increase of 4% over the same period last year. The record number of international passengers at LAX during the first quarter of 2005 is anticipated to continue through the summer travel season with international passenger traffic estimated at approximately 5.1 million anticipated for this summer, representing an increase of 10% over the same period last year.
- The \$11 billion expansion plan for LAX was approved by the Los Angeles City Council on October 21, 2004. The construction will be completed in phases with the initial \$3 billion expansion anticipated to increase the current passenger capacity of LAX by 30% to approximately 78 million passengers annually. In May 2005, the Federal Aviation Administration issued the Record of Decision, approving the LAX Master Plan and permitting construction bids be submitted. The remaining \$8-billion expansion will undergo separate environmental testing before final approval is granted.
- The 97-year-old Port of Los Angeles is currently undergoing an expansion and facelift called the Bridge to Breakwater Waterfront Development. The San Pedro Waterfront and Promenade Master Plan is a long-term plan to turn 400 acres of Port property from industrial space into parks, public waterways and recreation facilities. The development, which broke ground in February 2004 with a 10-year timeline, is anticipated to allow the Port of Los Angeles to be a user-friendly port for cruise-ship passengers and will cover approximately 400 acres along eight miles of the coast. The first phase of the expansion, the \$6 million Los Angeles Cruise Ship Promenade, was completed in December 2004. The second phase, the Harbor Boulevard Parkway and Gateway Plaza project, is anticipated to be completed this summer and will connect the World Cruise Center to downtown San Pedro. Additionally, in 2006, the new downtown plaza at the intersection of 6th Street and Harbor Boulevard will be constructed and is anticipated to be connected to the proposed 7th Street Pier.

Los Angeles Lodging Market Analysis (continued)

- Los Angeles, however, may be vulnerable to a growing emigration of movie and television productions to other states or overseas, attracted by tax breaks, financing, and other incentives. Experts predict Los Angeles County may lose 1,500 jobs in the entertainment industry by year-end.
- The National Football League (“NFL”) continues to pursue plans to have a Los Angeles team in place for the 2009 season. The project has extended its previous site selection date to the fall of 2005 due to a general lack of proposals and the rescinding of proposals by Pasadena and Carson, leaving the Coliseum and Anaheim as the two remaining stadium concepts. The Coliseum has been in position to complete a deal with the league but has been stalled by discrepancies in an agreed upon rental fee for the team; meanwhile, Anaheim officials are optimistic their concept to build a stadium in the Angel Stadium parking lot will be selected .
- Los Angeles is anticipated to benefit in the short term from a limited number of new lodging properties anticipated to enter the market in the next year. No new hotels opened in the first half of 2005; however, 11 hotels, with 874 rooms, are currently under construction throughout the county, representing a 68% increase over the first half of 2004. The most significant supply addition may be the \$200 million Montage Beverly Hills. In April 2004, the Beverly Hills Planning Commission approved plans for the city’s first luxury hotel project since 1991 and is anticipated to include a 214-room hotel and 25 private residences. Additionally, W Hotels is anticipated to open its second Los Angeles property in 2008 at the intersection of Hollywood Boulevard and Vine Street. The hotel is anticipated to feature approximately 300 rooms, 150 W Residences, a signature restaurant, a rooftop bar, a branded 9,200-square-foot spa and a 25-yard lap pool. An additional W Hotel is anticipated to be included in the Sunset Millennium project in West Hollywood.

Los Angeles Lodging Market Analysis (continued)

- Apollo Real Estate advisors and developer Lew Wolf are developing a 1,200-room hotel and 1,000 luxury condominium residences next to the Staples Center in downtown Los Angeles. The hotel site is owned by Anschutz Development, which is planning an adjacent 27-acre Nokia Entertainment Center anticipated to include a 7,000-seat theater, 40,000 square-foot plaza, 4,000-seat movie theater, numerous shops, restaurants, and nightclubs, a television and radio broadcast center, 5,300 parking spaces, and 4,000 condominium and apartment units. The hotel and district are seen as essential to drawing more business to the convention center and ground will break after the completion of the Nokia Entertainment Center in 2007.
- The Related Companies master plan for the Grand Avenue project was approved in May 2005. Architect Frank Gehry will design the centerpiece 40- to 50-story tower that will likely include a 275-room boutique hotel and 200 condominiums on the upper floors and a portion of the retail mall fronting the concert hall. The project is anticipated to break ground in late December 2006, with completion in 2009.
- Another mixed-use development project, the Sunset Millennium, was approved by the West Hollywood City Council in April and will begin construction later this year. The project's eastern parcel, at Sunset Boulevard and La Cienega Boulevard, will be the site of a W Hotel and a J.W. Marriott.

Anaheim/Orange County Lodging Market Analysis

Ernst & Young's Digital Dashboard

<i>Anaheim</i>	<i>ADR</i>	<i>Occupancy</i>
January	2.1%	-2.1%
February	2.8%	1.3%
March	4.8%	6.0%
April	8.6%	8.2%
May	5.6%	9.4%
June	6.1%	6.2%
YTD	5.1%	5.0%
2005 E	4.0%	4.0%

Source: Smith Travel Research (Historical Data)

Year-to-date planned additions to lodging supply:

Property	Location	# of Units	Project Phase
Renaissance ClubSport	Aliso Viejo	175	Under construction
Doubletree Guest Suites	Anaheim	251	Under construction
Staybridge Suites	Lake Forest	129	Under construction
Headlands Resort	Dana Point	65	Under construction
Anaheim Garden Walk	Anaheim	1100	Planning
Doubletree Hotel	Anaheim	NAV	Planning
Ritz-Carlton at Park Place	Irvine	308	Planning
Pelican Inn	Newport Coast	NAV	Planning
The Strand: Marriott Residence	Huntington Beach	149	Planning
Sheraton Garden Grove	Anaheim	288	Planning
International West	Anaheim	187	Planning
Mandarin Oriental	Costa Mesa	NAV	Proposed
Courtyard	Anaheim	150	NAV
Hampton Inn & Suites	Cypress	110	NAV

Source: Individual Properties, Lodging Development

Year-to-date transactions:

Property	Location	Sales Price (\$M)	Buyer
Sutton Place Hotel	Newport Beach	\$72 M	Sunstone Hotel Investors
Hilton Suites Anaheim/Orange	Orange	Portfolio sale	RLJ Urban Lodging Fund
Hyatt Regency Orange County	Anaheim	NAV	Ashford Hospitality Trust
Hawthorn Suites	Orange	NAV	San Rafael
Sheraton Anaheim Hotel	Anaheim	NAV	Ken Real Estate Lease Ltd.

- **Travel to Anaheim/Orange County is anticipated to remain strong in the coming years due to Disneyland, popular luxury coastal resorts and increasing convention demand. Through mid-year 2005, John Wayne Airport demonstrated a strong increase in the number of passengers, demonstrating an increase of 6.3% YTD through April 2005 vs. the same period the previous year. In 2004, 42 million people visited Orange County and spent approximately \$7.3 billion, an increase from \$6.8 billion in the previous year.**
- Anaheim's largest demand generator, Disneyland, began celebrating its 50th anniversary celebration on May 5, 2005. Disneyland, which attracts more than one million people to Southern California each year, is anticipated to spend approximately \$150 million to promote the 18-month anniversary celebration.
- Though Orange County is primarily known as a leisure destination, Anaheim continues to establish itself as a premier convention city. The Anaheim Convention Center experienced an increase in attendance of approximately 1.3% from 2003 levels to approximately 1,175,990 attendees in 2004. The 669 meetings/conventions held in Orange County during 2004 generated approximately \$1.6 billion in visitor spending. The number of conventioners is anticipated to remain strong throughout 2005 and into 2006.

Anaheim/Orange County Lodging Market Analysis (continued)

- Orange County's top coastal resorts, hotels, shopping centers, and golf courses have united to form a premiere leisure and business destination called the OCeanfront. Using the popularity of "The OC" television show in their brand name to create an image of fine living, the coalition of these beachfront communities is anticipated to increase recognition to the area. The partnership's goal is to increase the average length of stay in the county from approximately 3.8 days while increasing hotel occupancy and ADR.
- Several hotels are currently undergoing extensive renovations as area hotels continue to promote the image of a luxury leisure destination to travelers. The Hyatt Regency Newport Beach recently completed a \$12-million renovation to update its rooms, restaurants and meeting space, while the Hyatt Regency Orange County recently completed a \$52-million renovation including a \$7.5-million transformation of the South Tower guestrooms. The Newport Beach Marriott Hotel and Spa is in the process of a \$60 million makeover, anticipated to open in November 2005 and include 20 new luxury suites. Additionally, the Ritz-Carlton Laguna Niguel is anticipated to complete a \$40-million renovation by the end of the summer, while the Coast Anaheim Hotel is anticipated to undergo a major renovation of its 490 guestrooms and be renamed the Sheraton Anaheim Hotel by the end of 2006.

Anaheim/Orange County Lodging Market Analysis (continued)

- Due to the continually increasing costs of construction and land acquisition, a limited amount of new lodging supply is anticipated to come online in 2005. Hotels anticipated to open during the second half of 2005 include the 251-room Doubletree Guest Suites in Anaheim and the 129-room Staybridge Suites in Lake Forest. Atlas Hospitality Group reports, however, an approximately 27% decrease in the number of Orange County hotel projects in various stages of planning, from 15 at mid-year 2004 to 11 in 2005. Further significant lodging supply additions include:
 - The Garden Walk complex in Anaheim which includes the development of three hotels. Though the project has been delayed for several years, phase one is anticipated to be completed by 2007 with construction of the hotel following.
 - A Renaissance Club Sport Hotel in Aliso Viejo, anticipated to contain 175 guestrooms, a 67,300 square-foot sports club, and 4,000 square feet of conference space. The project is anticipated to be completed in 2007.
 - The CIM Group’s project called the “The Strand,” located at downtown Huntington Beach (formerly known Blocks 104 & 105), is anticipated to open in the summer of 2006. This mixed-use project will include 102,000 sf of retail, restaurant, and entertainment, plus a 149-room Marriott Residence Inn along the pier in Huntington Beach.
 - Makar Properties’s Pacific City is anticipated to open in the spring of 2007 and contain a 400-room boutique hotel.

San Diego Lodging Market Analysis

Ernst & Young's Digital Dashboard

<i>San Diego</i>	<i>ADR</i>	<i>Occupancy</i>
January	6.3%	-5.0%
February	5.2%	-5.1%
March	6.5%	6.2%
April	6.5%	-1.1%
May	9.4%	2.1%
June	12.3%	8.9%
YTD	8.0%	1.0%
2005 E	6.0%	1.5%

Source: Smith Travel Research (Historical Data)

Year-to-date planned additions to lodging supply:

Property	Location	# of Units	Project Phase
Hotel Solamar	San Diego	235	Open
Tower 23 Hotel	San Diego	44	Open
Hotel Prava	San Diego	59	Open
Marriott Renaissance	San Diego	344	Under Construction
Spinnaker Hotel	San Diego	250	Under Construction
InterContinental Hotel	San Diego	450	Under Construction
Courtyard at Liberty Station Resort	San Diego	200	Under Construction
Homewood Suites at Liberty Station	San Diego	150	Under Construction
Golden Acorn Casino Hotel	Campo	NAV	Planning
Boardwalk Hotel/Condominium	Oceanside	91	Planning
Hard Rock Hotel	San Diego	250	Planning
Hilton San Diego Convention Hotel	San Diego	1,200	Planning
Solana Gateway Hotel/Condominium	Solana Beach	80	Planning
Westin Oceanside Hotel	Oceanside	302	Planning
Hampton Inn- Palomar Airport	Carlsbad	94	Planning
Homewood Suites- Palomar Airport	Carlsbad	145	Planning
Lane Field cruise Ship Terminal Hotel	San Diego	500-800	Proposed
Seacoast Inn (redevelopment, condos)	Imperial Beach	78	Proposed
Carlsbad Ranch Resort	Carlsbad	350	Approved
Poway Business Park Hotel	Poway	100-150	NAV
Woodfin Suites Hotel	San Diego	100	NAV

Source: Individual Properties, Lodging Development

Year-to-date transactions:

Property	Location	Sales Price (\$M)	Buyer
Sheraton San Diego Hotel & Marina	San Diego	\$208.8 M	NAV
San Diego Paradise Point	San Diego	\$104 M	NAV
Hilton Gaslamp Quarter	San Diego	\$85 M	LaSalle Hotel Properties
Hilton San Diego Mission Valley	San Diego	\$46 M	HEI Hospitality
Hotel Prava	San Diego	\$14 M	Fairfield Resorts
Residence Inn San Diego	San Diego	Portfolio Sale	Ashford Hospitality Trust

- Although San Diego has ranked as the top-performing lodging market in California and one of the top markets in the United States, its hold on the market share may decline with consecutive tourism budget cuts, anticipated flattening demand, decreases in international flights to the San Diego area, and 2.5% growth in hotel room supply. Lodging fundamentals, however, were healthy YTD through June compared to the same period last year, with a 0.7 percentage point increase in occupancy to 72.4% and an 8.0% increase in ADR to \$120.31, resulting in a 9.2% increase in RevPAR to \$87.11.
- California Tourism and Travel Commission anticipates growth potential in Southern California to remain strong as demand generators remain plentiful. San Diego has seen a significant amount of new hotel activity during 2005. The lodging market may experience strained lodging fundamentals in the coming years due to the significant amount of new lodging supply, including the opening of three new hotels during the first six months of 2005, representing 817 rooms as well as an increase of 3.4% over the same period last year.
- In addition to new hotel construction, numerous hotels have recently changed hands, including the sale of the 192-room Residence Inn Mission Valley for \$37.2 million in 2004, two additional hotel sales for a total of \$131 million, and four others reportedly valued at \$240 million. Four high-profile hotels are currently for sale, including the 421-room Hyatt Islandia on Mission Bay, the 206-room Shelter Pointe Hotel, the 261-room W Hotel San Diego, and the 281-room Marriott Del Mar.

San Diego Lodging Market Analysis (continued)

- The San Diego lodging market continues to benefit from the growth of the bio-technology and defense industries. Demand for high-technology jobs in San Diego appears to be approaching 2000 levels, as the last six months have shown a noticeable increase in hiring. A study performed by the Milken Institute in June 2004, ranked San Diego as the largest biotechnology job market out of the major metropolitan areas of the United States, with approximately 56,000 jobs in the industry and approximately \$5.8 billion in yearly income. Although the biotech industry has experienced fallout due to recent drug recalls of Vioxx and Bextra, safety warnings, and previous purchasing of facilities, signs of a growing market still exist. Genentech's announcement in June to buy Biogen Idec's newly built Oceanside drug facility for \$408 million is anticipated to strengthen the industry throughout the San Diego area.
- San Diego is now playing a larger role in the defense industry than it has in the past, following an increase in federal spending on defense and homeland security. In particular, Los Angeles-based Northrop Grumman has acquired three defense-related businesses in the San Diego area over the past couple of years, starting with their acquisition of Ryan Aeronautical in 1999. Since then, Northrop has also taken over TRW and Newport News Shipbuilding, acquiring some 4,300 employees in the San Diego area. The company plans to add upwards of 700 more employees throughout 2005 which is anticipated to bring more people, meetings, and money to the local market.
- San Diego International Airport is the busiest, single-runway commercial airport in the nation, and in 2004, annual passenger traffic reached a record approximately 16 million passengers. Due to continued increased traffic, the airport is quickly running out of space and anticipated to exceed its capacity by 2012. In June 2005, the operators of San Diego International Airport have decided to make Terminal 2 the focal point of a proposed 10-gate expansion. The decision initiates a state environmental review on the \$536 million project that is anticipated to take one year to complete.

San Diego Lodging Market Analysis (continued)

- Fiscal year 2004 was the highest-performing year in the San Diego Convention Center's 15-year history, with 68 conventions and tradeshow hosted throughout the year, generating an estimated 714,519 hotel room nights. Preliminary analysis indicates that fiscal year 2005 has fallen short of 2004 levels, with 53 conventions and tradeshow, generating an estimated 664,555 hotel rooms nights. An impressive 71 events representing 914,717 hotel room nights for future years were secured during the 2005 fiscal year. The events contracted include such super groups as the National School Board Association (37,600 room nights), Digestive Disease Week (41,100 room nights) and the American Society of Hematology (39,780 room nights). It is anticipated that the local lodging market and economy will receive benefits from these bookings through 2017.
- On July 15, the mayor of San Diego resigned due to continual questioning concerning San Diego's approximately \$1.37-billion pension fund deficit, which is largely the result of decisions in 1996 and 2002 to avoid payments to the retirement fund and enhance benefits.
- In accordance with City Manager Lamont Ewell's proposed \$858 million budget for the 2006 fiscal year, the San Diego City Council decreased the San Diego Convention and Visitors Bureau's ("ConVis") budget by 10%, or approximately \$1 million, to \$8.8 million, representing the third consecutive year ConVis's budget has been reduced (from a high of \$13.9 million in 2002). The bureau's proposal of an ordinance that would increase the 10.5% nightly room tax by 2% to generate a \$24 million operating budget failed in two subsequent ballot propositions in 2004 . The bureau plans to increase lobbying efforts in an upcoming ballot proposition to increase future funding.

San Diego Lodging Market Analysis (continued)

- Centre City Development Corporation has estimated that the opening of PETCO Park in the spring of 2004 has spurred development amounting to \$1.4 billion in downtown San Diego. Planned projects that are anticipated to increase lodging demand to San Diego include:
 - Broadway 655, a 23-story, 365,000-square-foot office tower anticipated to open in June 2006 and contain 17 apartments and 16,314 square feet of retail space.
 - DiamondView Tower at the Ballpark, a 14-story, 300,000-square-foot office building. The development is anticipated to contain 36,000 square feet of retail and restaurant space and open in the fall of 2006.
 - A \$20.6 million second phase to the Gaslamp City Square anticipated to open in April 2006, anticipated to contain 88 condominiums, 25,000 square feet of retail, and 250 parking spaces.
- The Chargers are proposing to build a \$450-million stadium in addition to new homes, a hotel, and some office and retail space on the 166-acre Qualcomm Stadium site. The old stadium will be torn down after the new stadium is completed. The Chargers have decided to circumvent the San Diego City Council and take their proposal for a new stadium in Mission Valley directly to voters in which they only need a simple majority for victory. If accepted, this project is anticipated to benefit the local economy by increasing employment, demand, and supply.
- After a purchase agreement with Lego Systems for \$459.2 million, on July 1 Blackstone Group became the official owner of four theme parks, including Lego Land in Carlsbad.

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