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SAN FRANCISCO MARKET UPDATE- RECOVERING FROM RECENT ECONOMIC RECESSION

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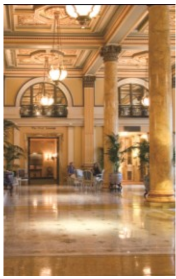

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Ranked as one of the most favored cities to visit by readers of the Condé Nast Traveler and Travel +Leisure magazines, San Francisco is a thriving economic center on the West Coast and features a cross-section of demand potential.

Nevertheless, the San Francisco hotel market wasn't immune to the recent economic downturn, and some areas such as housing and employment remain challenged. In the employment sector, San Francisco's November 2010 unemployment figures stood at 9.6%, essentially unchanged from a year ago but still lower than those of California's other major cities. The residential real estate pricing has been inconsistent as there were signs of improvement for several months, but then the average price of homes retreated in September 2010 as unemployment and the end of tax incentives curbed purchases. On the other hand, the apartment market improved steadily in 2010, with average rental rates increasing 16% since the start of the year—albeit still below the peak in September 2008.

San Francisco's bright spot is domestic and international travel, which continues to strengthen, showing healthy year-over-year increases. Retail traffic, measured by parking garage use and Saturday Bay Area Rapid Transit (BART) visitors to Powell Street, shows year-over-year improvements; retail sales rose in December 2010 for the sixth straight month, aided by the weakened U.S. dollar, and the 2010 holiday sales season was the strongest since 2006. Currently, the San Francisco hotel market is in a recovery mode and the general expectation is for modest growth in 2011.

The San Francisco hotel market is as multifaceted and diverse as its neighborhoods and residents. This article explores the trends and activities that are shaping the future of the San Francisco hotel market following the recent economic recession. These trends have an impact in the occupancy and average rate of hotels as well as hotel sales.

City Overview

Its history, the beauty of the city's neighborhoods, and the diversity of ethnicities and cultures make San Francisco an attractive business and leisure destination. Surrounded on three sides by the Pacific Ocean and San Francisco Bay, San Francisco is a relatively small city in comparison to other major metropolitan areas. San Francisco's compact ±46.7 square miles (roughly 125 sq. km.) crowd the tip of the San Francisco Peninsula. This natural geographic boundary limits real estate development and is one of the factors, along with the local social and political climates, that have kept the supply growth of hotel rooms moderate over the past decade.

San Francisco's economic activity attracts and supports a range of industries including: banking, financial services, telecommunications, and healthcare. The city is part of the greater Bay Area, including the East Bay, Silicon Valley, and South San Francisco, which has a direct impact in the downtown (or central) San Francisco hotel market. Over 820 life science companies are located in the San Francisco Bay Area, employing a workforce of 250,000. More than 4,100 IT firms, including most leading industry players, employ 214,000 people, and the region hosts over 50 digital entertainment companies. With more than 200,000 professionals, San Francisco is one of the world's centers of vibrant services industries.

Occupancy and Average Rate Analysis – Sustained Occupancy at Core City Hotels

San Francisco is considered the birthplace of new media; its South Park neighborhood houses some of the most innovative technology companies in the world. The Mission Bay neighborhood is a model for collaborative innovation between the biotechnology industry and academic researchers. The San Francisco Bay Area's wave of growth is being fueled by emerging clean-technology companies under development in this new socioeconomic trend toward sustainability.

San Francisco's strong commercial base, first-tier convention market, and leisure attractions have allowed the hotel market to sustain occupancy levels in the mid-70% to low-80% range (composite data from core city hotel sample including boutique, full-service, and luxury segments)[1], even during the recent economic recession. Occupancy declined only modestly, by 2 percentage points at boutique hotels and 4 percentage points at larger hotels, from the market peak to trough. Contrary to what happened to the San Francisco hotel market post dot-com downturn, this time the market has fared exceptionally well – making a rapid recovery and stimulating investor interest. The limited supply of hotel rooms in San Francisco helped sustain the occupancy levels during the recent economic recession. The supply growth of hotel rooms over the past decade has been moderate. Although several hotels opened in the early part of the past decade, following the dot-com bust, only the InterContinental Moscone Center has been conceived, planned, and developed since the dot-com bust. The InterContinental Moscone Center opened in February 2008, and since then, there have been no additions to the San Francisco lodging landscape. The high barriers to entry make San Francisco an attractive market to hotel investors. Local hotel operators indicated that the San Francisco market began to recover in the first half of 2010, and are confident it is out of the recession and well into a period of recovery. This performance over the past few years reflects the sustainability and strength of the San Francisco hotel market.

Average rate on the other hand, declined precipitously in 2009, by 15% at boutique and full-service properties and up to 25% at luxury hotels, compared to the previous year, resulting in a RevPAR (revenue per available rooms) decline of 17% to 30%, respectively. In 2010, the estimated annual average rates for San Francisco boutique hotels (JDV, Kimpton, and other independents) ranged from $130 to $180; full-service hotels (Westin, Hilton, Marriott, and other full-service) ranged from $150 to $215; and luxury hotels (Four Seasons, Mandarin Oriental, Ritz-Carlton, and other luxury) from $190 to $340. Average rates for the full-service and luxury segments in 2010 recorded growth over 2009 – albeit, at a modest rate. This trend began in May 2010, indicating rates bottomed out in the first quarter of 2010 and have began to steadily recover since then. The following tables illustrate market-wide performance for core city hotels by asset class.

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[1] Renaissance Stanford Court, Four Seasons, Fairmont San Francisco, InterContinental Mark Hopkins San Francisco, JW Marriott San Francisco, Le Meridien San Francisco, Omni San Francisco Hotel, Hotel Monaco, Hotel Palomar, Hotel Vitale San Francisco, Mandarin Oriental San Francisco, Marriott San Francisco Union, Square, Palace Hotel San Francisco, Ritz-Carlton San Francisco, Sir Francis Drake Hotel, Westin San Francisco Market Street, Clift Hotel, Hotel Adagio, St. Regis, W Hotel, Tuscan Inn, Argonaut Hotel, Courtyard Fisherman's Wharf, Sheraton Hotel.

Health of San Francisco's Lodging Demand Segments: Commercial, Meeting and Group, and Leisure.

INDEPENDENT BOUTIQUE CLASS

Year	Market Occupancy	Market ADR	% Change	Market RevPAR	% Change
Est. 2008	80.8 %	$190.43	—	$153.79	—
Est. 2009	75.9	153.32	(19.5) %	116.32	(24.4) %
Est. 2010	78.3	153.06	(0.2)	119.78	3.0
Avg. Annual Compounded Chg., Est. 2008-Est. 2010:			(10.3) %		(11.7) %

FULL-SERVICE CLASS

Year	Market Occupancy	Market ADR	% Change	Market RevPAR	% Change
Est. 2008	75 %	214	—	160	—
Est. 2009	75	177	-17 %	132.86	(16.9) %
Est. 2010	79.4	179.97	1.8	142.90	7.6
Avg. Annual Compounded Chg., Est. 2008-Est. 2010:			-8 %		(5.4) %

LUXURY CLASS

Year	Market Occupancy	Market ADR	% Change	Market RevPAR	% Change
Est. 2008	69.5 %	$417.81	—	$290.38	—
Est. 2009	65.0	322.94	(22.7) %	209.90	(27.7) %
Est. 2010	73.0	336.29	4.1	245.61	17.0
Avg. Annual Compounded Chg., Est. 2008-Est. 2010:			(10.3) %		(8.0) %

San Francisco's lodging demand market mix has traditionally been based on a three-legged stool: one-third business travel, one-third convention/meetings travel, and one-third leisure/consumer travel. However, due to the recent economic recession and the shift in lodging demand dynamics, the commercial and meeting and group segments have been shrinking, while the leisure segment has been increasing. The decrease in discretionary spending for corporate travel and group cancellations at the Moscone Convention Center were a catalyst of the decrease in commercial and meeting and group demand. On the other hand, the weakened U.S. currency over the past two years spurned an increase in international leisure demand from Europe and Asia. Hotel operators reported tremendous activity in all segments of demand in 2010—well above the 2009 levels—which bodes well for the San Francisco hotel market. In 2010, the leisure segment was estimated to make up approximately 45% of overnight hotel guests, while the commercial and meeting and group segments were estimated to make up 29% and 26%, respectively. However, we note that corporate and meeting and group bookings through online travel agencies, which offer better deals and last-minute Internet specials, skewed the lodging demand market mix in the past two years, as operators generally reported these bookings under the leisure segment.

Commercial demand in San Francisco is generated by major local businesses, including: The Gap Incorporated's world headquarters, Safeway, AT&T, Macy's, the U.S. Federal Government, Wells Fargo & Co., Charles Schwab & Co., Levi Strauss & Co., the San Francisco Chronicle, and Williams-Sonoma, Inc., among others. Many smaller businesses in the San Francisco Financial District include law firms and professional service firms. Due to the recent economic downturn that started in late 2007, employment at local and national firms contracted, particularly in the financial services and related industries. Added to this economic malaise were a hiring freeze, lower profit levels, and decreased discretionary spending on corporate travel, executive meetings, and training. Since mid-2010, corporate travel spending budgets have been less restrictive, a trend projected to continue in 2011. Commercial lodging demand is expected to increase in 2011 and 2012.

Meeting and group lodging demand in San Francisco is driven by the Moscone Convention Center and self-contained groups at the major hotels. The larger convention hotels also book a significant amount of self-contained group business, while smaller boutique properties with limited meeting facilities accommodate room blocks generated by large citywide conventions. In recent years, the San Francisco economic development department has reviewed plans for an expansion of the Moscone Convention Center. The new "Moscone East" development would constitute a nearly 25 percent expansion of the current 1.2-million-square-foot convention center, which is owned and administered by the city. This expansion is aimed at positioning San Francisco to better compete for trade show business with cities like Chicago and Las Vegas. The plans are still preliminary, and economic development officials expect the broader economy will have to turn completely around well before any Moscone expansion could be completed.

Due to the recent economic recession, area hotels were negatively impacted by an increase in group cancellations. Nevertheless, hotel operators report that meeting planner activity has picked up considerably in recent months, and that cancellations for confirmed events have slowed. However, booking activity has been slow and booking windows have shortened considerably. According to San Francisco Convention and Visitors Bureau representatives, the outlook on city-wide conventions is cautiously optimistic as the number of convention delegates on the books for 2011 is the same as in 2010, while in-house groups appear to be behind pace. This gap may close in the near term as corporate travel has become less restrictive. Growth in the meeting and group segment is expected as regional and national businesses, corporations, associations, etc., emerge from the recent down cycle.

The primary generators of leisure demand in San Francisco include the major leisure attractions located in the various San Francisco neighborhood areas, such as Union Square, Fisherman's Wharf, Chinatown, and North Beach. Additional visitor attractions include the San Francisco's cable cars, the Golden Gate Bridge, Alcatraz, numerous museums, art galleries, and theaters. The weakened U.S. currency over the past two years spurned an increase in international visitation from Europe and Asia. Leisure demand in San Francisco is also driven by domestic travel, which has increased in the recent period due to the use of online travel agencies. According to hoteliers in the market, the leisure demand segment recorded noticeable increases in the past two years, largely as a result of induced demand from the deep Internet discounts being offered. The leisure demand segment is expected to tone down as hotels displace lower-rated leisure demand for higher-rated corporate and group demand.

Online Travel Agencies (OTAs) – Hotels Lessening Dependency

Market-wide average rate levels registered double-digit declines in 2009, ranging from 15% to 25%, which is attributed to the heavy utilization of online travel agencies for all forms of travel, including the corporate, leisure, and meeting and group segments. The positive side to this is that this source of business also allowed market-wide occupancy to be sustained in the mid-70% to low-80% levels during the recent economic recession. Unlike occupancy, average rate is likely to take longer to recover, as area hoteliers reported that the corporate and meeting and group segments are continuing to utilize OTAs in lieu of their negotiated rates, as oftentimes better deals are available through last-minute Internet specials. Some local corporate rates were also lowered in response to the aggressive Internet rate discounting, which may continue to place downward pressure on rate recovery for the commercial segment until these become renegotiated in line with a rebound in market rate growth. Average rates bottomed out in the first quarter of 2010 and began to steadily recover from mid-2010. As with average rate recovery post September 11, 2001, operators and investors are expecting average rate growth substantially above inflation as negotiated rates are raised, hotels regain purchasing power, and the dependency on OTAs lessens in the near term.

Labor Union Effects on Operations

San Francisco is one of the major cities in the U.S. with active hotel labor unions. Hoteliers in San Francisco are aware of the difficulty of operating in a union environment. The inconsistency in labor and financial costs between union and non-union hotels is evident. In most cases in San Francisco, a union hotel environment represents a challenge for investors, owners, and operators of lodging facilities. The restrictive work rules and labor's favorable wages and benefit packages have kept operating costs at union hotels relatively high in comparison to non-union hotels in the city, especially in the rooms and food and beverage departments, where unions are actively engaged. The inflexibility in scheduling labor and adjusting for unforeseen events is viewed as a major challenge for hotel operators. Most, but not all, of the major hotels in San Francisco are unionized. UNITE HERE Local 2, with over 9,000 members, is San Francisco's largest union; representing hotel housekeeping staff, dishwashers, cooks, bell staff, and servers.

Labor contracts are typically negotiated every five years concurrently with major cities across the nation. Renegotiations for a renewed agreement were set to take place in August 2009 (the last contract expired in August 2005), but were delayed due to the economic conditions at the time. Over a year has passed now since the union and hotel owners started to renegotiate the current labor contract. San Francisco's hotel executives and UNITE HERE Local 2 have yet to reach an agreement for their hotel employees and union members.

Hotels and union leaders reached a standstill over how to handle nonstop increases in health-care costs, as well as wages, pensions, and workloads. As of November 2010, union leaders and hotel executives have, with no success, tried to come to an agreement amidst walkouts and picket lines at several major union hotels in the city. Unite Here Local 2 has listed 35 major hotels in San Francisco on its *Workers Rising* website as either to be boycotted or in a danger of a dispute, making it very difficult for any major convention to attempt to book an event in the city. This act is clearly driving business away from San Francisco at a time when lodging demand is regaining momentum. In June 2010, the San Francisco Convention and Visitors Bureau took the unprecedented action of censuring and then expelling the union and its president Mike Casey from the 1,700-member bureau, claiming that the union had repeatedly discouraged conventions and travelers from doing business in San Francisco as part of its labor negotiation strategy.

During the previous round of the labor contract negotiation in 2005, a labor dispute between hotels and the UNITE HERE Local 2 labor union over workers' wages and benefits negatively impacted self-contained meetings and corporate business travel in San Francisco. The union staged countless walkouts and pickets on these grounds and engaged in a campaign to undermine the tourism industry in San Francisco. Calls were issued for convention planners to boycott San Francisco, to cancel their plans to hold large events here, and to prevent the planning of future events—severely impacting San Francisco's largest single industry. During the current round of labor contract negotiation, protests by union members have not significantly impacted hotel operations in the past year, but they could be harmful to San Francisco's economy, tourism, and international reputation should an agreement remain un-ratified in the near term.

New Supply in San Francisco

According to the local planning office, and our research and inspection, no new supply is expected in San Francisco over the near term. New hotel development is considered speculative at this time due to constraints on feasibility caused by rate declines in 2009 and the lack of available construction financing. The Union Square area represents a competitive hotel market with high barriers to entry. The area is densely developed with few sites suitable for new hotels, thus new supply rarely enters this market. Several proposed hotels have been rumored throughout the city, including a 550-room hotel in the Old Federal Reserve Building, a 500-room Mission Bay Hotel, a 75-room Hotel in SoMa, several hotels on Treasure Island, and other hotels in the Presidio, Lombard, and Bay Waterfront areas. Based on the recent operating performance for many hotels in the market and the challenges in obtaining financing, these potential increases in supply are considered speculative at this time.

Recent Hotel Sales – REITS and Foreign Investors

Major hotel sales transactions came to a virtual standstill in 2008 through the first half of 2009, with transaction activity starting to pick up toward the end of 2009. Noteworthy is the resale of the three Best Westerns (Carriage Inn, Americana, and Good Hotel), which previously sold at the peak of the market in 2006 and resold in April 2010, after the market bottomed out in the first quarter of 2010, indicating a loss in value of nearly 40% from the market peak to trough. Also, the Hotel Frank, Hotel Vertigo, and Hotel Metropolis were sold as part of a portfolio in early December 2010 for an undisclosed amount (the amount could not be disclosed, but the buyer confirmed a purchase price of just over $40 million for all three), and two weeks subsequent to this transaction the Hotel Vertigo and Hotel Metropolis were resold. At the current time lodging REITS are aggressively pursuing hotel assets, creating a competitive acquisition environment. The most recent hotel transactions in the city involved REITS. The Sir Francis Drake, the Hotel Monaco, and Le Meridien sold for a remarkable price of approximately $216,000, $340,000, and $397,000 per room, respectively, reflecting appreciation from the recent economic downturn. Those REITS that are successfully acquiring hotel properties are anticipating a significant recovery in net operating income, driven by occupancy and average rate increases as well as expense reductions resulting from more-aggressive asset management.

Also worth noting, international investors—mainly from Europe and Asia—are attracted to the high-quality assets located in major metropolitan cities such as San Francisco. According to brokers interviewed, the highest bidders do not necessarily qualify as the purchaser of a property. Sellers are attracted by the financial qualifications of the investors and their ability to close a transaction in a reasonable amount of time. In the current market, brokers receive an average of 5 to 15 offers (from a pool of over 100 potential investors) for high-quality assets, with a wide variety of terms: from sale-leaseback structures, to leveraged acquisitions, to all-equity purchases. And most offers have back-up offers should a transaction not close. These factors influence the ultimate amount of the transaction. The following table illustrates transactions in San Francisco from 2006 to the most recent period.

HOTEL SALES

Property	Location	Sale Date	Price	Rooms	Price/Rm
Le Meridien San Francisco	San Francisco, California	Dec-10	$143,000,000	360	397,222
Hotel Frank*	San Francisco, California	Dec-10	N/A	153	N/A
Hotel Vertigo*	San Francisco, California	Dec-10	N/A	96	N/A
Hotel Metropolis*	San Francisco, California	Dec-10	N/A	105	N/A
Hotel Monaco	San Francisco, California	Sep-10	68,500,000	201	340,796
Sir Francis Drake Hotel	San Francisco, California	Jun-10	90,000,000	416	216,346
Nob Hill Hotel San Francisco	San Francisco, California	Jun-10	4,900,000	54	90,741
Good Hotel SOMA	San Francisco, California	Apr-10	7,817,706	117	66,818
Best Western Carriage Inn	San Francisco, California	Apr-10	3,207,264	48	66,818
Best Western Americania	San Francisco, California	Apr-10	9,554,974	143	66,818
Best Western Tuscan Inn at Fishermans Wharf	San Francisco, California	Jan-10	36,500,000	221	165,158
W Hotel San Francisco	San Francisco, California	Jul-09	90,000,000	404	222,772
Hotel Palomar	San Francisco, California	Aug-07	36,000,000	198	181,818
Taj Campton Place Hotel	San Francisco, California	Apr-07	58,000,000	110	527,273
Hotel Frank	San Francisco, California	Mar-07	35,000,000	153	228,758
Villa Florence Hotel	San Francisco, California	Feb-07	68,000,000	182	373,626
Hyatt Regency San Francisco	San Francisco, California	Jan-07	210,000,000	802	261,845
Parc 55 Hotel	San Francisco, California	Dec-06	227,025,000	1,009	225,000
Larkspur Union Square	San Francisco, California	Oct-06	16,600,000	114	145,614
Best Western Americania	San Francisco, California	Oct-06	15,089,217	143	105,519
Best Western Flamingo Inn	San Francisco, California	Oct-06	4,009,722	38	105,519
Best Western Carriage Inn	San Francisco, California	Oct-06	5,064,912	48	105,519
Good Hotel SOMA	San Francisco, California	Oct-06	8,336,001	79	105,519
Courtyard San Francisco Downtown	San Francisco, California	Jun-06	79,500,000	405	196,296
Westin Saint Francis	San Francisco, California	Jun-06	440,000,000	1,195	368,201
Le Meridien San Francisco	San Francisco, California	May-06	128,250,000	360	356,250
JW Marriott San Francisco	San Francisco, California	Apr-06	95,000,000	338	281,065
Hotel Griffon	San Francisco, California	Apr-06	15,250,000	62	245,968
Westin San Francisco Market Street	San Francisco, California	Mar-06	172,086,000	667	258,000
* The buyer confirmed a purchase price of just over $40 million for all three hotels					

Source: HVS

Economic Trends – Social Media, Biotech, Clean Tech, and New Business Development

San Francisco is considered the birthplace of new media; its South Park neighborhood houses more than 40 of the most innovative new-technology companies in the world, including Macworld, MySpace, and PC World. Since the past economic recession, several social networking companies have relocated to or started in San Francisco, including Table for Six dating services, Launchsquad, Twitter, the Outcast Agency, Foursquare, Leverage Software, and Socialmedia.com, to name a few. San Francisco's Mission Bay neighborhood, a biotech research and development hotbed, is a model for collaborative innovation between the biotechnology industry and academic researchers. San Francisco is at the center of a larger economic base – the Bay Area, a nine-county region with one of the highest concentrations of high-tech and computer-related development, as well as biotechnology firms, in the world. Other prominent industries in the area include finance, advertising, tourism, conventions, and the emerging clean technology.

Referred to as the Green "Gold Rush," the San Francisco Bay Area's wave of growth is being fueled by emerging clean-technology companies. Clean tech, renewable energy solutions, alternative fuels, green building, and sustainable practices are all areas under development in this new socioeconomic trend toward sustainability, which will not only promote sustainable practices, but also create green jobs. With a large concentration of emerging clean-tech and carbon-conscious companies located here, San Francisco may become the future U.S. capital of carbon trading. The new Green "Gold Rush" and the groundwork being laid for trading carbon credits and offsets could help companies form partnerships and business relationships in the city and better attract clean-tech companies to the city, as has happened with biotech in Mission Bay.

The San Francisco market is in recovery mode from the recent economic downturn, as evidenced by the influx of new business developments, some of the recent (in the past three months) business and venture-capital developments are noted below:

- **Salesforce.com -** Business software distribution on a subscription basis; announced plans to locate its new headquarters to Mission Bay.
- **Target -** Announced plans to open its first store in San Francisco in early 2012, to be located in the Metreon building across the street from the Moscone Convention Center.
- **ChinaSF -** A public-private initiative of San Francisco's Center for Economic Development; has facilitated the expansion of over 10 companies to San Francisco between 2008 and 2010 and helped a similar number of companies expand into China.
- **E La Carte, Inc. -** A restaurant technology startup; moved to the Bay Area to join Y Combinator, a technology startup incubator in Mountain View. E La Carte makes touch-screen tabletop devices designed to let diners order, pay, play games, and listen to music.
- **CytomX Therapeutics -** Fresh off a $30 million infusion of cash; is moving to the Bay Area to develop antibodies for various drugs that attack specific disease mechanisms.
- **FibroGen, Inc. -** The largest biotech employer in San Francisco's life sciences neighborhood; believes that strong results from its anemia and pancreatic cancer treatment research could push the 250-employee company on a hiring binge in early 2011.

- In an effort to gain a foothold in the U.S., two Pacific Rim biotechs are establishing a beach head in Mission Bay. New Zealand's **Pathway Therapeutics** and South Korea's **Unhwa Biotech Corp.** set up shop in OB3's incubator network, sharing labs and services, as well as gaining access to other biotechs and venture-capital firms.
- The **Lark Creek Restaurant Group** announced plans to open two new restaurants in San Francisco in 2011: the Cupola, a pizza place next to Lark Creek Steak on the 4th floor of the Westfield San Francisco Centre, and the Lark Creek Grill in the San Francisco airport's new Terminal 2.
- Two high-profile restaurants opened in October. **Twenty-Five Lusk**, a $12 million restaurant, opened near the ball park and noted Chef Michael Mina returned to his old location on California Street to open his flagship restaurant, **Michael Mina Restaurant**.

Although signs of economic recovery are everywhere in San Francisco, it is not the case for everyone. Worth noting, Swiss pharmaceutical giant Roche announced plans to slash 4,800 jobs globally, including 750 Bay Area jobs at Genentech, Inc., to save $2.4 billion by 2012. Many of the cuts were planned for several years and none are in R&D. Also, Illinois-based State Farm Insurance says it will reduce its satellite offices in California from 21 to 10 and will shutter smaller outposts in the Bay Area.

Future Outlook

The San Francisco market is in a recovery mode from the recent economic downturn, although some areas such as housing and employment remain challenged. Biotech and the Silicon Valley are driving the Bay Area economy. Positive indicators provide an insight into the local economic conditions.

The effects of the recent economic downturn and the dependency on OTAs still linger, but is less concerning than a year ago. The labor union contract negotiation and the challenged housing and employment markets could have negative effects if they are not dealt with in a timely and proactive manner—these areas represent the greatest opportunity as well as the most difficult challenge ahead. However, there are more reasons to reflect on a positive near- and long-term outlook: all three segments of lodging demand show signs of growth; occupancy levels are healthy; and businesses are opening and expanding.

San Francisco remains one of the premier hotel investment markets in the United States, as evidenced by recent transactions, and current trends indicate highly favorable market conditions over the next few years.

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