

**Real Estate Research**

December 2010

# Real Estate - Hotels

Hospitality Monthly

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# Table of Contents

The logo for BAIRD, featuring the word "BAIRD" in white, uppercase, sans-serif font, set against a blue parallelogram background.

*(Use the links below to navigate. To return, click on the page header in the upper left corner.)*

<b>Hospitality Trends and Developments .....</b>	<b>2</b>
<b>Baird Hospitality Research Commentary .....</b>	<b>3</b>
<b>Hotel Market Performance .....</b>	<b>4</b>
<b>Fundamental Hotel Data .....</b>	<b>5</b>
<b>Baird / Smith Travel Research Hotel Stock Index .....</b>	<b>6</b>
<b>Share Performance .....</b>	<b>7</b>
<b>Hospitality Psychometric Indicators .....</b>	<b>8</b>
<b>Relative Valuation: EBITDA Multiples.....</b>	<b>10</b>
<b>Relative Valuation: FFO Multiples.....</b>	<b>11</b>
<b>Dividend Yield .....</b>	<b>12</b>
<b>Capital Structure .....</b>	<b>13</b>
<b>Hospitality Stock Ownership: Insiders .....</b>	<b>14</b>
<b>Hospitality Stock Ownership: Institutional .....</b>	<b>15</b>
<b>Hospitality Data Comparison.....</b>	<b>16</b>
<b>Appendix.....</b>	<b>18</b>
<b>Baird Hospitality Research Coverage List.....</b>	<b>20</b>
<b>Valuation and Investment Risks .....</b>	<b>22</b>
<b>Baird's Hospitality Real Estate Contacts.....</b>	<b>25</b>

**Please refer to Important Disclosures and Analyst Certification on page 23-24.**

Note: All prices, estimates and other data are as of 11/30/10 unless otherwise noted.

# Hospitality Trends and Developments

- **Baird/STR Hotel Stock Increases 1.7% in November**

The Baird/STR Hotel Stock Index increased 1.7% in November versus a broader market decline of 0.2%. Hotels also outperformed the broader REIT index, the RMZ, which declined 2.3% in the month. The modest increase of the Baird/STR Hotel Stock Index masks what was a highly volatile month, trading up as much as 4.9% and down as much as 3.6% during the month, as investors weighed macroeconomic uncertainties, including concerns over European economic issues, with strengthening hotel fundamentals. The co-branded custom hotel stock index, developed by Baird and hosted on Smith Travel Research's [HotelNewsNow.com](http://HotelNewsNow.com), includes the 15 largest hotel stocks traded in the United States.

- **Banks Becoming More Comfortable Lending to Hotel Owners**

With hotel fundamentals improving and a historically low interest rate environment, banks have begun to increase their hotel financing. JPMorgan Chase and Wells Fargo have stated that the current upswing in hotel fundamentals is a perfect time to increase their banks' lending to hotel owners. According to Trepp LLC, lenders' losses on non-performing hotel loans were 53% through the first nine months of 2010. This figure compares with 63% for retail loans, 62% for industrial loans, and 57% for office loans. Bankers have noted, for the most part, that high-quality assets in top markets can be easily refinanced or have new debt layered on an unencumbered property, but securing financing for midscale hotels in suburban or rural markets is much more difficult. Recently we have seen more public REITs assuming debt upon acquisition, a theme we expect to continue given that interest rates remain low and banks remain willing to refinance the debt at favorable terms.

- **New York City Posts Strong 3Q10 Results**

According to PwC, RevPAR in Manhattan increased 14.8% in 3Q10 driven by a 13.6% increase in ADR; occupancy was up a modest 100bps to 86.8%. ADR was \$254, and RevPAR was almost \$221. The midscale segment experienced the largest RevPAR increase, gaining 23.7% for the period; luxury RevPAR was up only 12.1%. In the months of September, October, and November, six hotels opened in Manhattan, containing 919 new rooms. Three more hotels are expected to open before year end, adding another 647 rooms to the market. Looking ahead to 2011, 14 new hotels are expected to open and they will add almost 2,600 rooms. The most notable opening is the 669-room Yotel New York Times Square located at 440 West 42<sup>nd</sup> Street.

- **Jones Lang LaSalle Ups 2011 Global Transaction Forecast**

Jones Lang LaSalle (JLL) sees \$28-\$30 billion of global hotel transactions in 2011, an increase of 30% to 40% over 2010 levels. The main buyers are expected to be public REITs, institutional and private investors, and high net-worth investors with opportunistic capital. JLL sees 2010 global transaction volume ending between \$21 billion and \$23 billion, up slightly from October's forecast due increased transaction activity in most regions across the world. Most transactions will continue to be all-cash deals as JLL believes lenders will continue to shore up their balance sheets in 2011. We believe increased transaction activity could be a catalyst for hotel REITs. Most REITs have excellent access to capital and a cost of capital advantage over private players. In a market where improving fundamentals are largely discounted in stock prices, accretive acquisitions could support share-price gains.

# Baird Hospitality Research Commentary

## **Hotel Sector Stance: Market Weight Hotel REITs /Market Weight Hotel C-Corps**

We are recommending a market weight allocation to hotel REITs and C-corps. The impressive rally over the past year and a half has discounted much of the economic recovery, in our view. Domestically, the recovery is unfolding, but is even more advanced in international markets. North American hotel owners are beginning to shift their customer mix away from discounted business and have maintained discipline against cost increases for now. For 2011, we believe RevPAR growth should be enough to cover cost increases and we forecast RevPAR to accelerate from 2010 levels. We believe hotel REITs are discounting a strong recovery; however, upside from acquisitions could be possible. Hotel C-corps have interesting leverage to the global recovery as well as the secular growth profile available through international exposure. Valuations across the C-corp space are mixed. We are recommending IHG as our top pick in hotels for its solid international exposure, strong development pipeline, and Holiday Inn rebrand initiative, which we believe will generate outsized RevPAR performance. Risks include a double dip recession, tarnishing of IHG's brand images, and low share liquidity for the U.S.-traded ADRs.

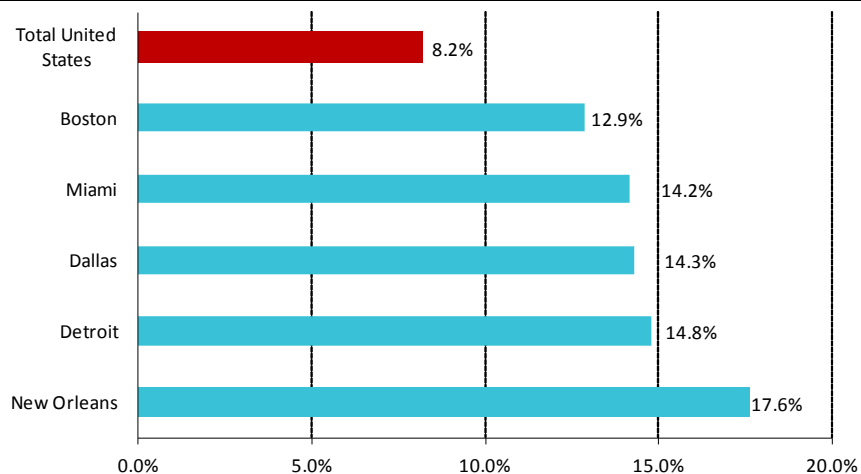
Short-term group bookings remain challenging for operators and improvements in corporate profits have suggested that there is incremental new business from corporate transient travelers. Corporate business typically pays a higher average rate and could lead to increased profitability. Still, some discount channels remain open in some markets, serving robust demand from leisure travelers at low rates. We believe the recovery has substantial upside as a shift in customer mix away from leisure toward corporate group and transient business remains in the early stages.

## **Select Baird Research from November 2010**

11/4/2010	<b>CHSP Chesapeake Lodging Trust</b> <a href="#">Four-Hotel Portfolio Performing Well, Investors Eying Pipeline</a>
11/4/2010	<b>FCH FelCor Lodging Trust, Inc.</b> <a href="#">In-Line Quarter Presents Few Surprises; Wave of Asset Sales Announced</a>
11/5/2010	<b>AHT Ashford Hospitality</b> <a href="#">Upgrading to Outperform: Strong Cash Flow and Good Coverage Support Dividend</a>
11/5/2010	<b>RLH Red Lion Hotels</b> <a href="#">Downgrading to Neutral: Slower Earnings Growth Looking Increasingly Likely</a>
11/5/2010	<b>SHO Sunstone Hotel Investors</b> <a href="#">Earnings Likely to Remain Volatile, Upside in 2011; Maintaining Outperform Rating</a>
11/9/2010	<b>PEB Pebblebrook Hotel Trust</b> <a href="#">Positive Thesis Intact As Recovery and Deals Performing Ahead of Plan</a>
11/10/2010	<b>IHG InterContinental Hotels Group PLC</b> <a href="#">Results Strong Despite Noisy Quarter; Remains Top Pick</a>
12/3/2010	<b>IND Real Estate Hotels</b> <a href="#">3Q10 Hotel Earnings Summary and Cross-Company Comparisons</a>

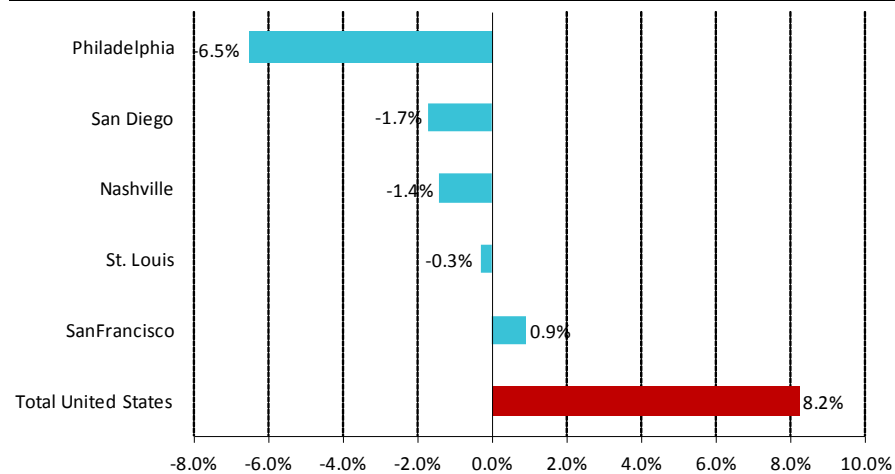
# Hotel Market Performance

October RevPAR - Top Five Markets



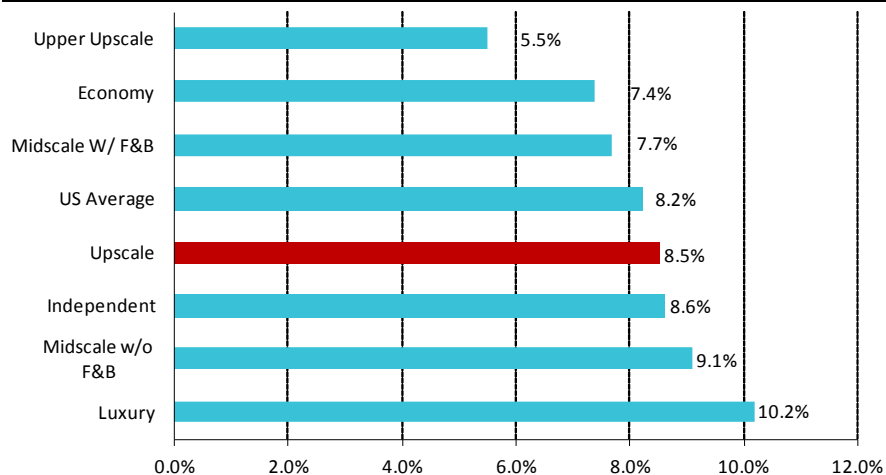
Source: Smith Travel Research

October RevPAR - Bottom Five Markets



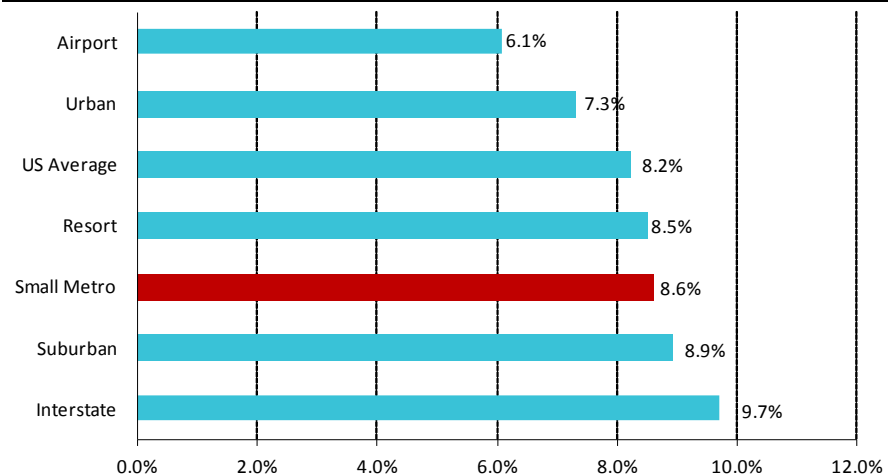
Source: Smith Travel Research

October RevPAR - Chain Scale Ranking



Source: Smith Travel Research

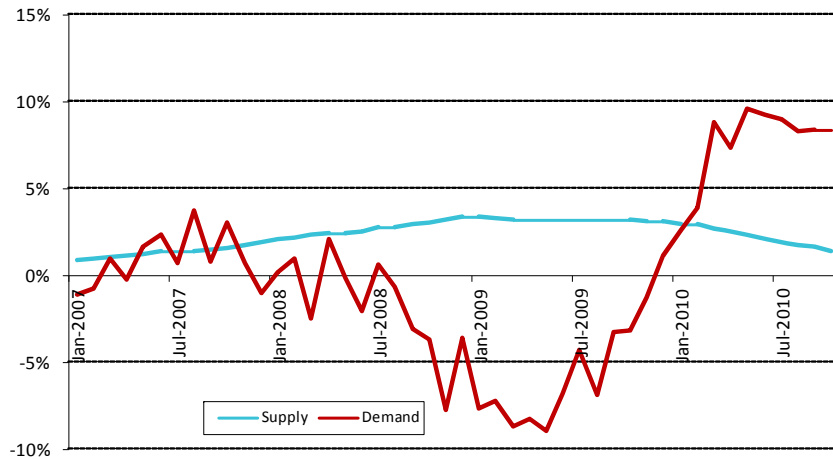
October RevPAR - Location Ranking



Source: Smith Travel Research

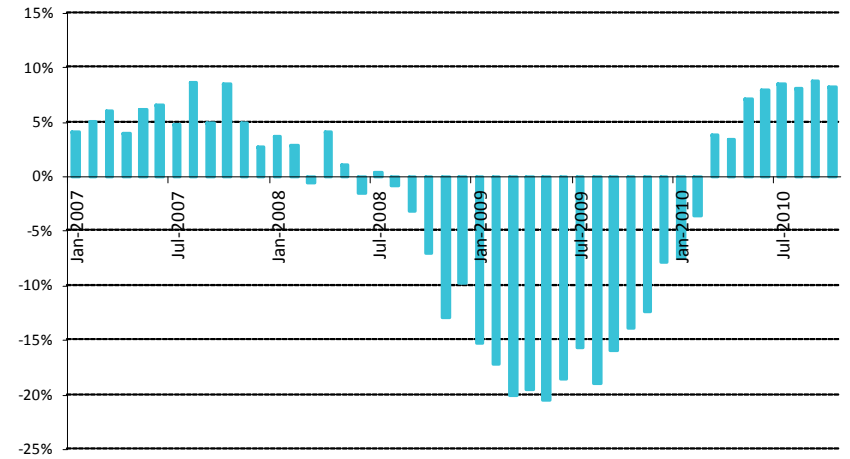
# Fundamental Hotel Data

Hotel Supply/Demand Growth, January 2007-Present



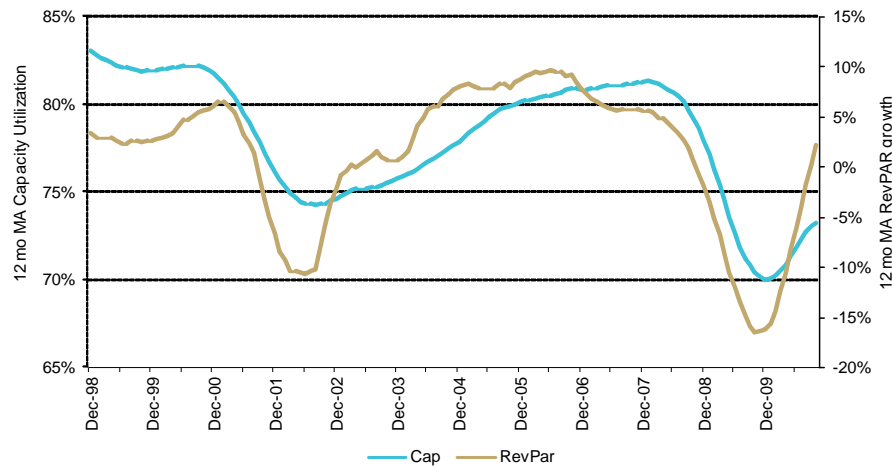
Source: Smith Travel Research

Monthly RevPAR Growth, January 2007-Present



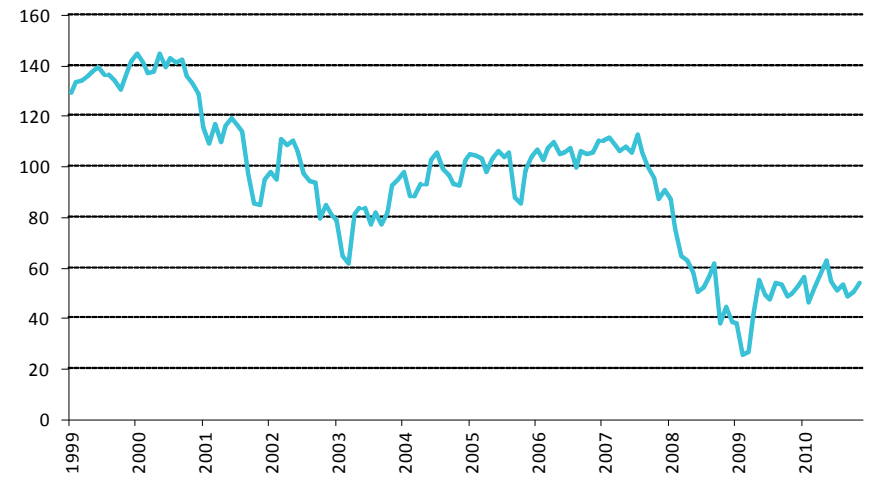
Source: Smith Travel Research

Capacity Utilization vs. RevPAR Growth, 1999-Present



Source: Federal Reserve, Smith Travel Research

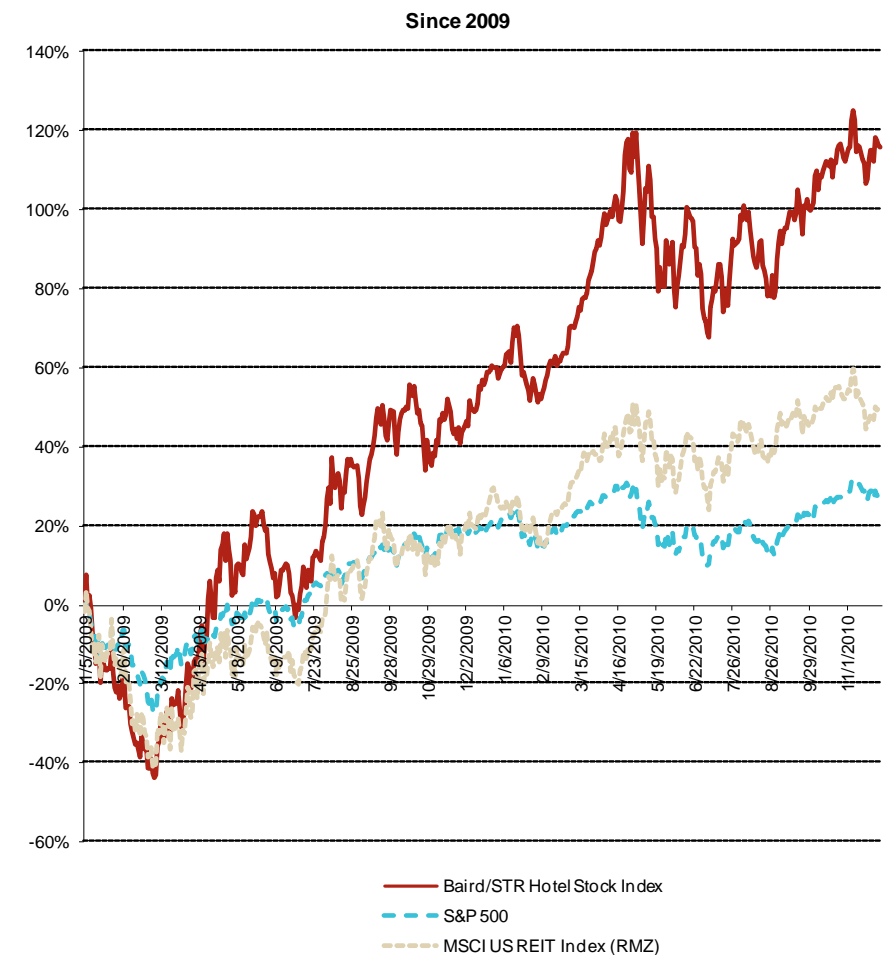
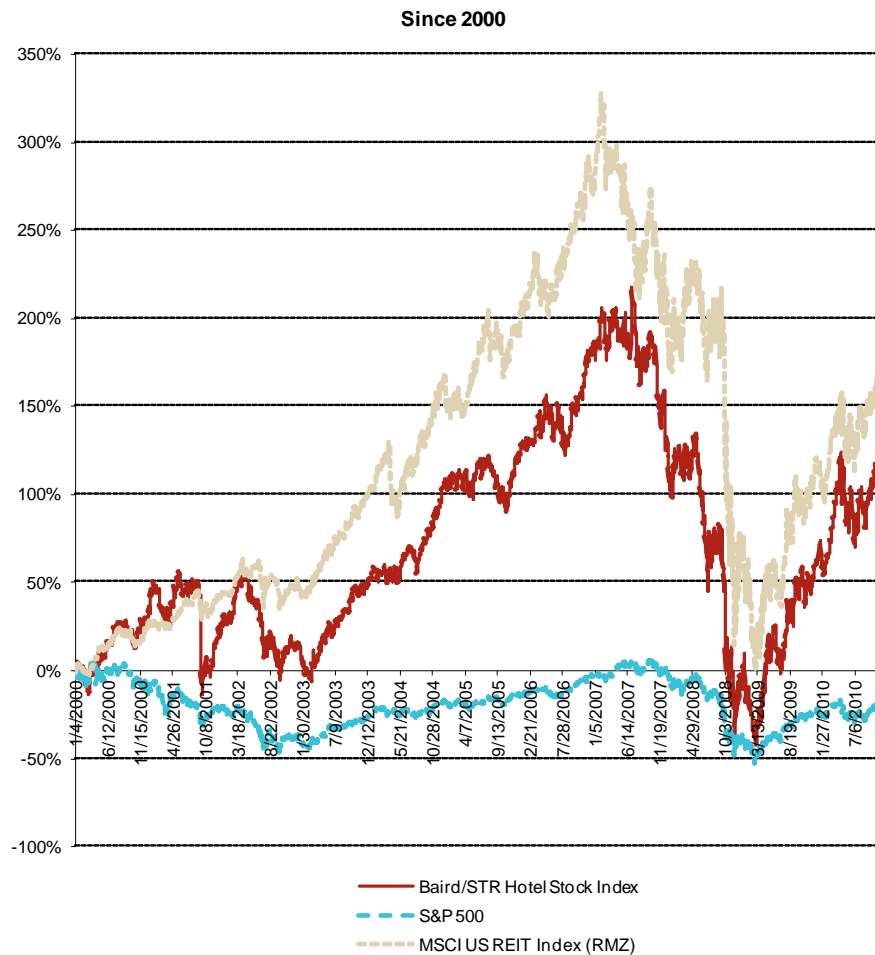
Consumer Confidence, 1999 - Present



Source: The Conference Board

# Baird / Smith Travel Research Hotel Stock Index

Baird / Smith Travel Research Hotel Stock Index Versus Other Major Stock Indices

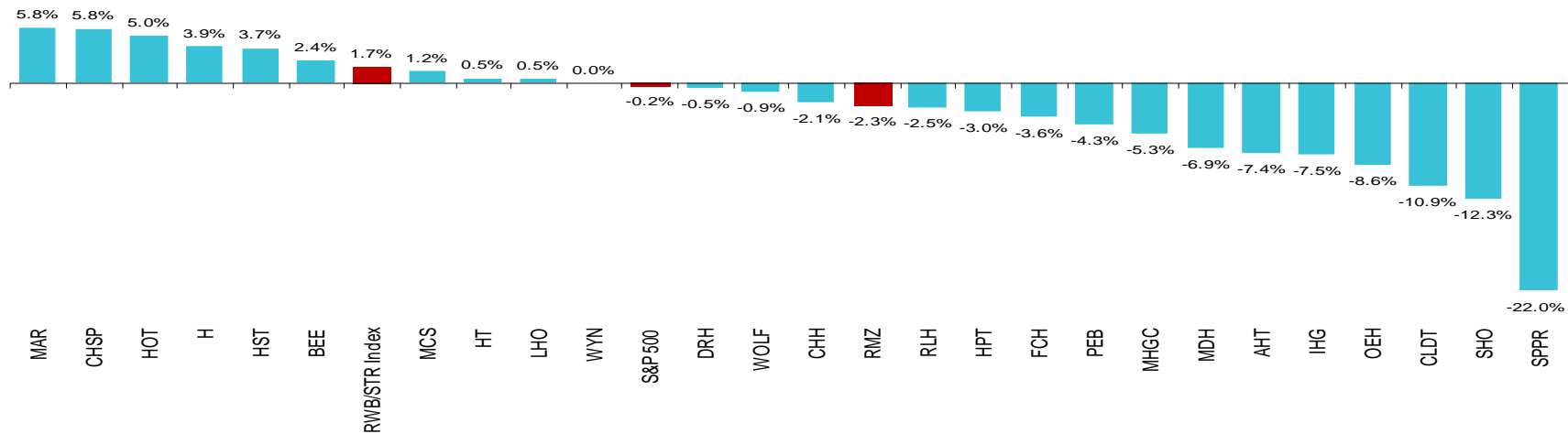


Source: Baird Research, SNL Financial.

The Baird/STR Hotel stock index was created on June 1, 2010, and characterizes stock performance since January 1, 2000. Performance for time periods prior to the creation date is hypothetical. The index is comprised of 15 of the largest domestically available hotel stocks and reviewed quarterly for composition adjustments by Baird equity research. It is not possible to invest directly in the index.

# Share Performance

## Past Month



Source: FactSet and Baird Research

## Past Year

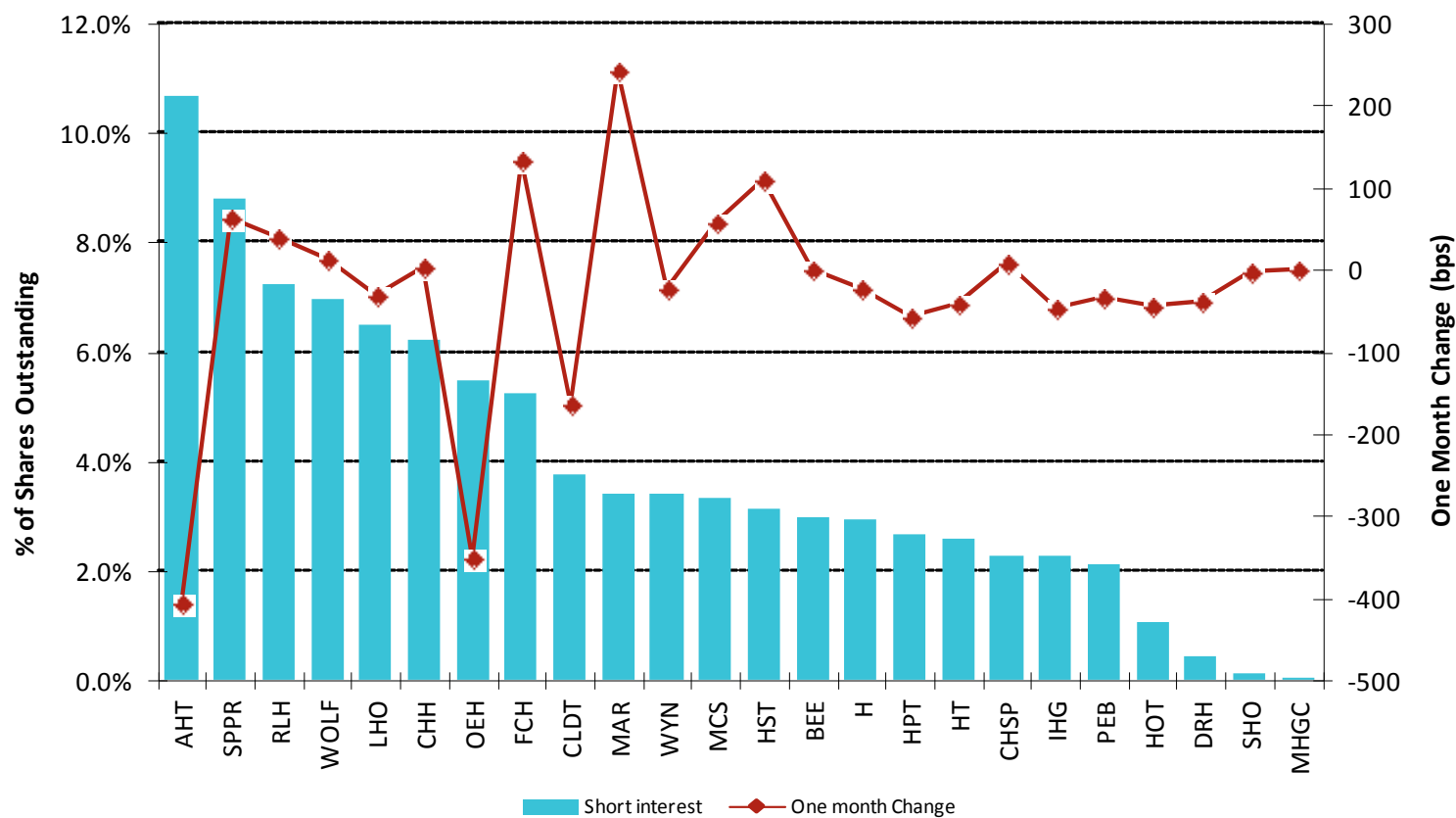


Source: FactSet and Baird Research



# Hospitality Psychometric Indicators

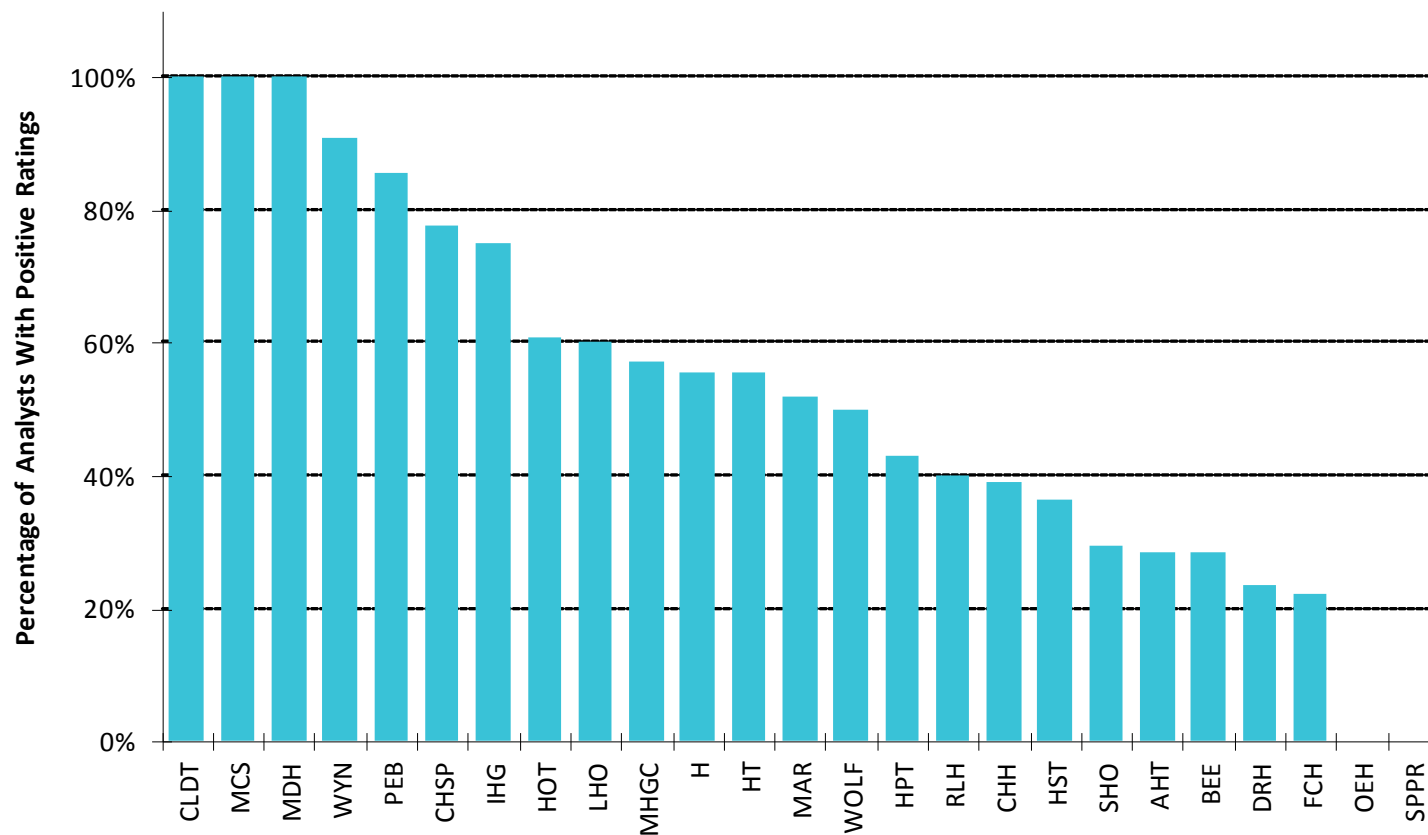
## Short Interest



Source: FactSet

# Hospitality Psychometric Indicators

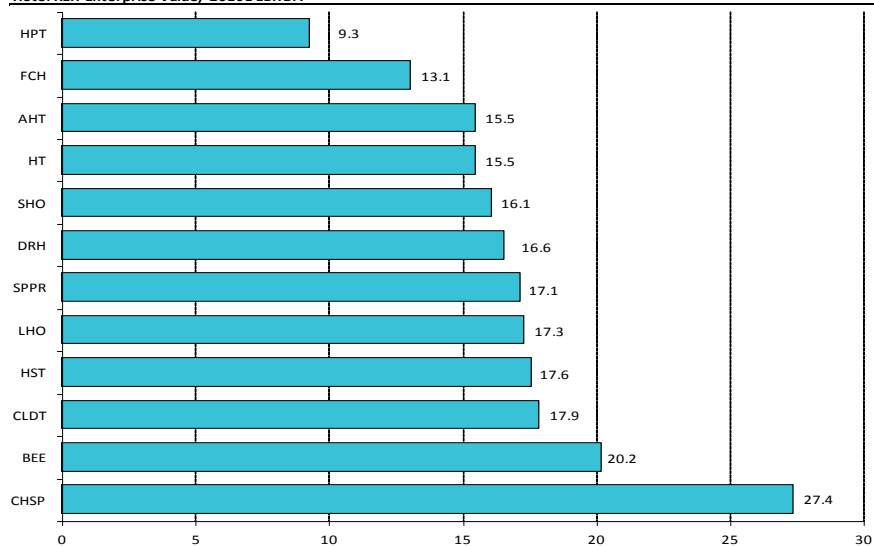
Analyst Sentiment - Percentage Buy Rated



Source: Thomson First Call

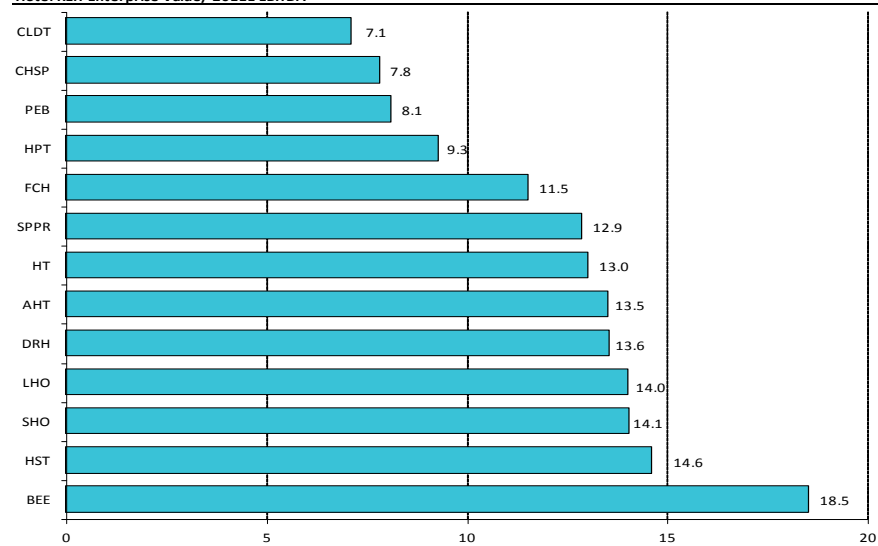
# Relative Valuation: EBITDA Multiples

Hotel REIT Enterprise Value/ 2010E EBITDA



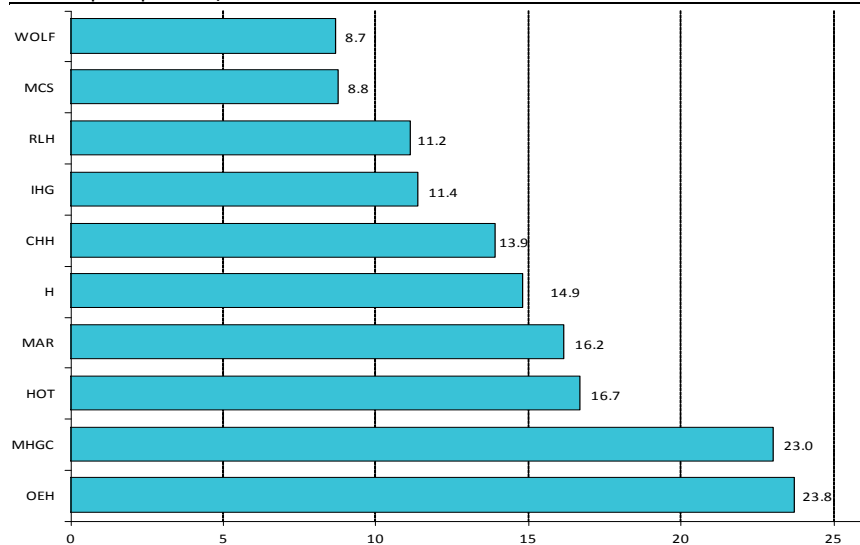
Source: SNL Financial, First Call

Hotel REIT Enterprise Value/ 2011E EBITDA



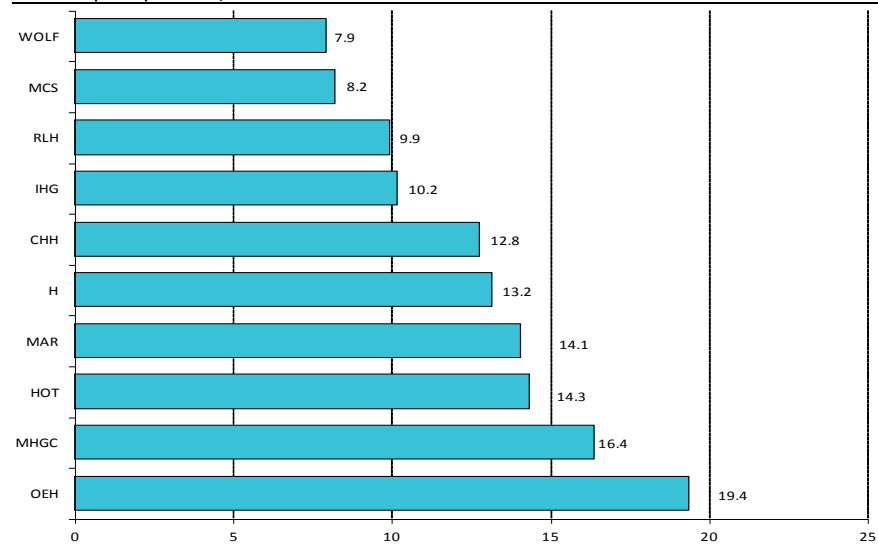
Source: SNL Financial, First Call

Hotel C-Corp Enterprise Value/ 2010E EBITDA



Source: SNL Financial, First Call

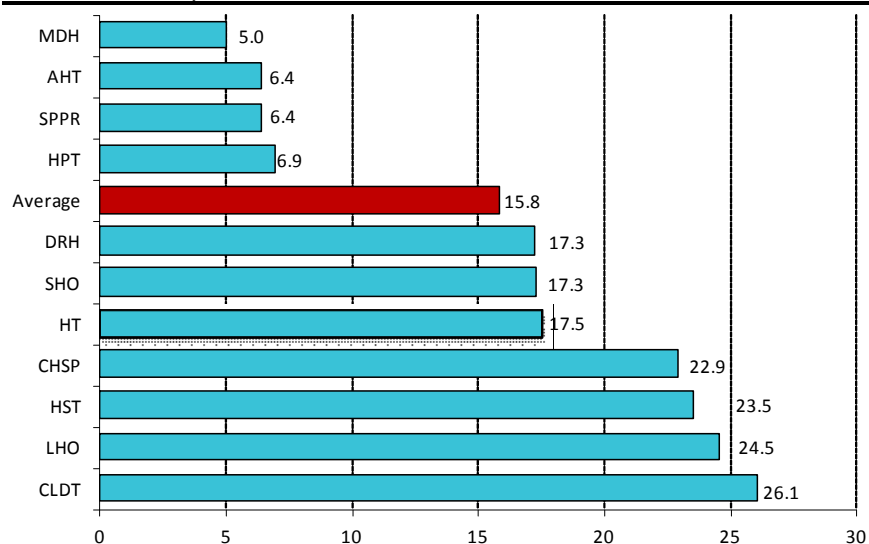
Hotel C-Corp Enterprise Value/ 2011E EBITDA



Source: SNL Financial, First Call

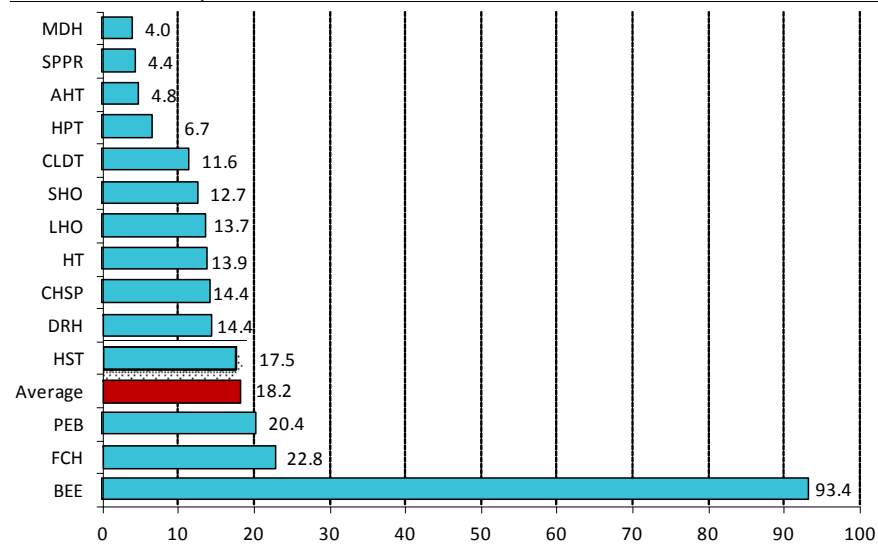
# Relative Valuation: FFO Multiples

Hotel REIT 2010E Price/FFO Ratio



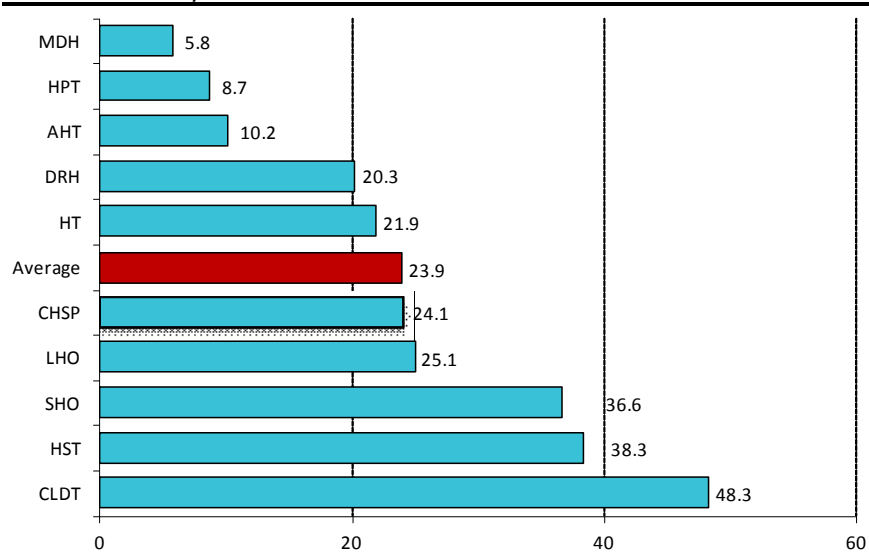
Source: SNL Financial, First Call

Hotel REIT 2011E Price/FFO Ratio



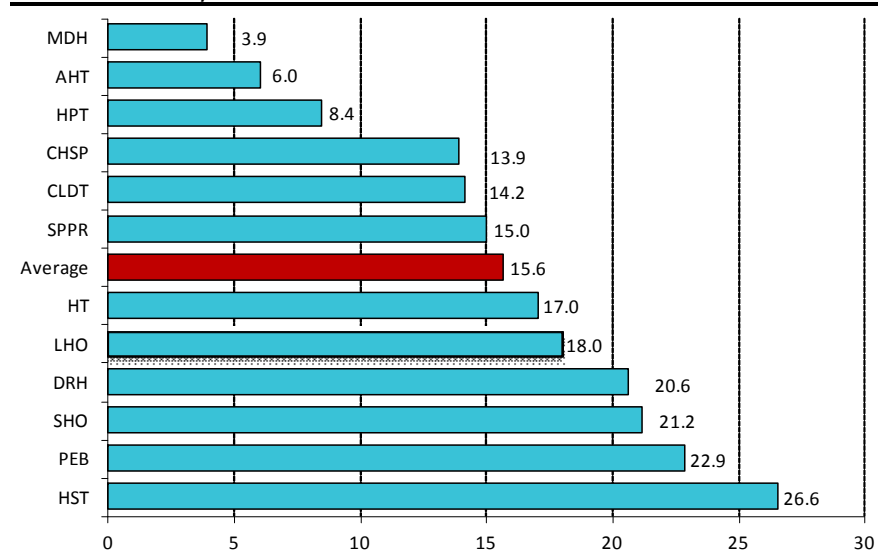
Source: SNL Financial, First Call

Hotel REIT 2010E Price/AFFO Ratio



Source: SNL Financial, First Call

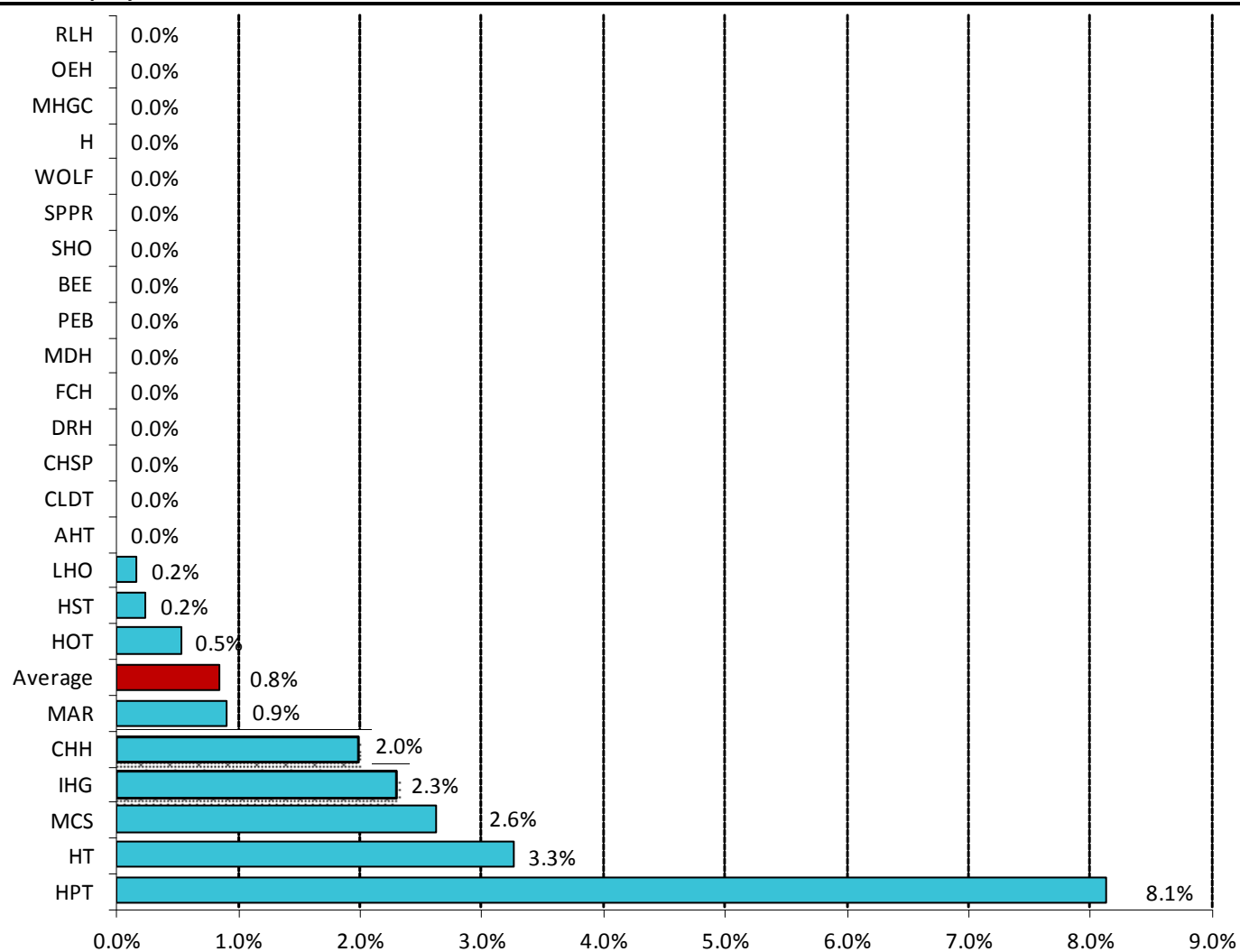
Hotel REIT 2011E Price/AFFO Ratio



Source: SNL Financial, First Call

# Dividend Yield

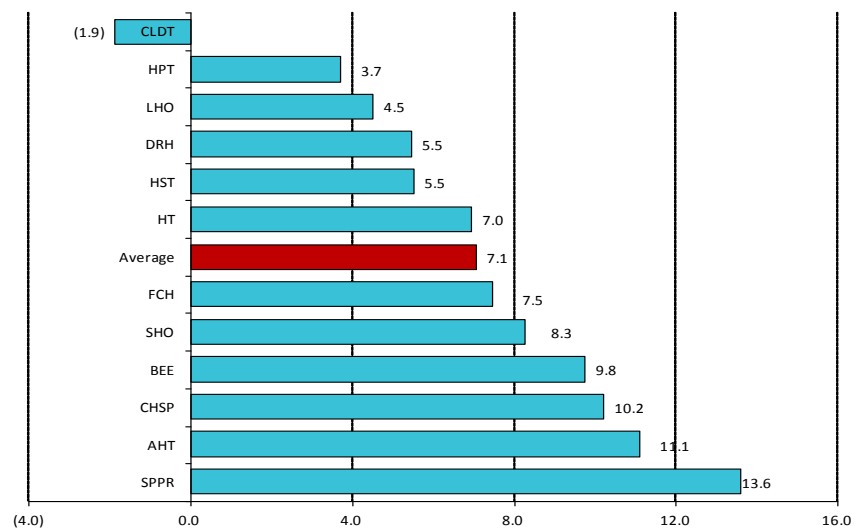
**Hotel Company Dividend Yields**



Source: SNL Financial

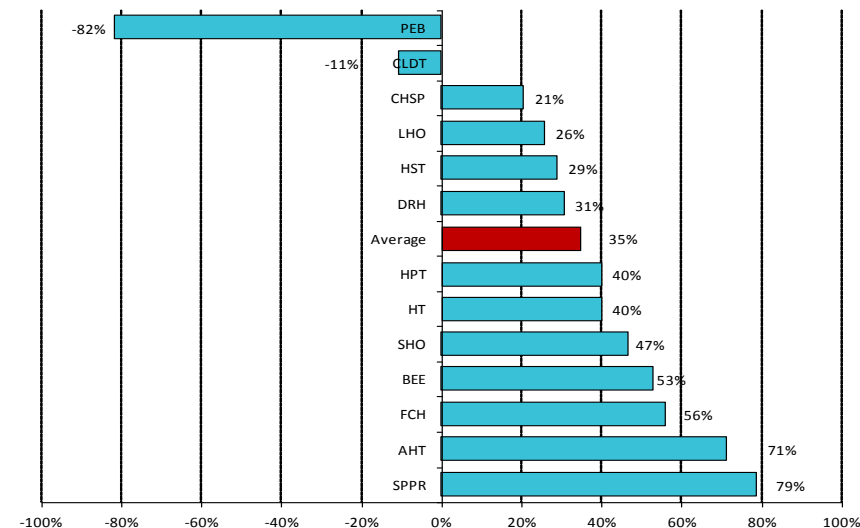
# Capital Structure

Hotel REIT Debt / 2010E EBITDA



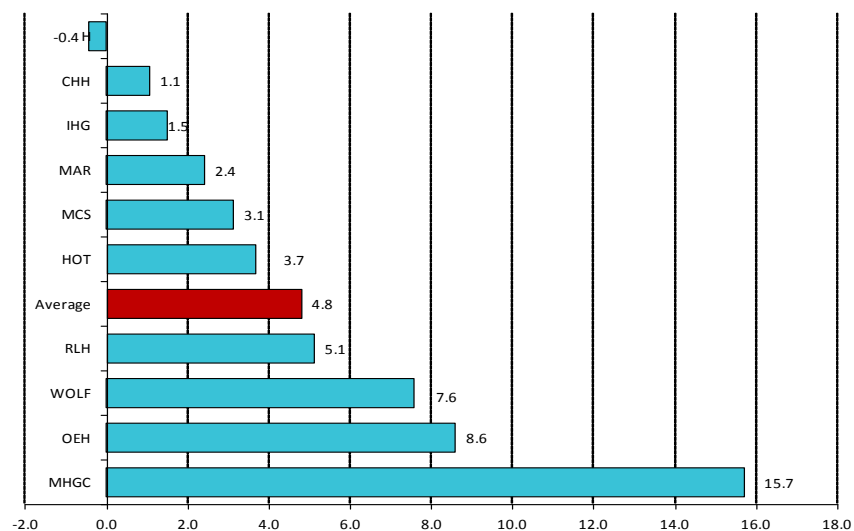
Source: SNL Financial

Hotel REIT Debt / Enterprise Value



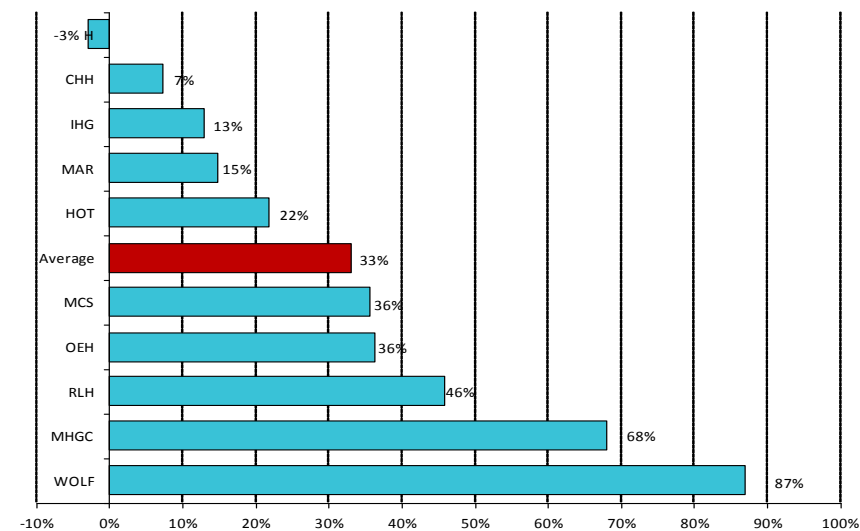
Source: SNL Financial

Hotel C-Corp Debt / 2010E EBITDA



Source: SNL Financial

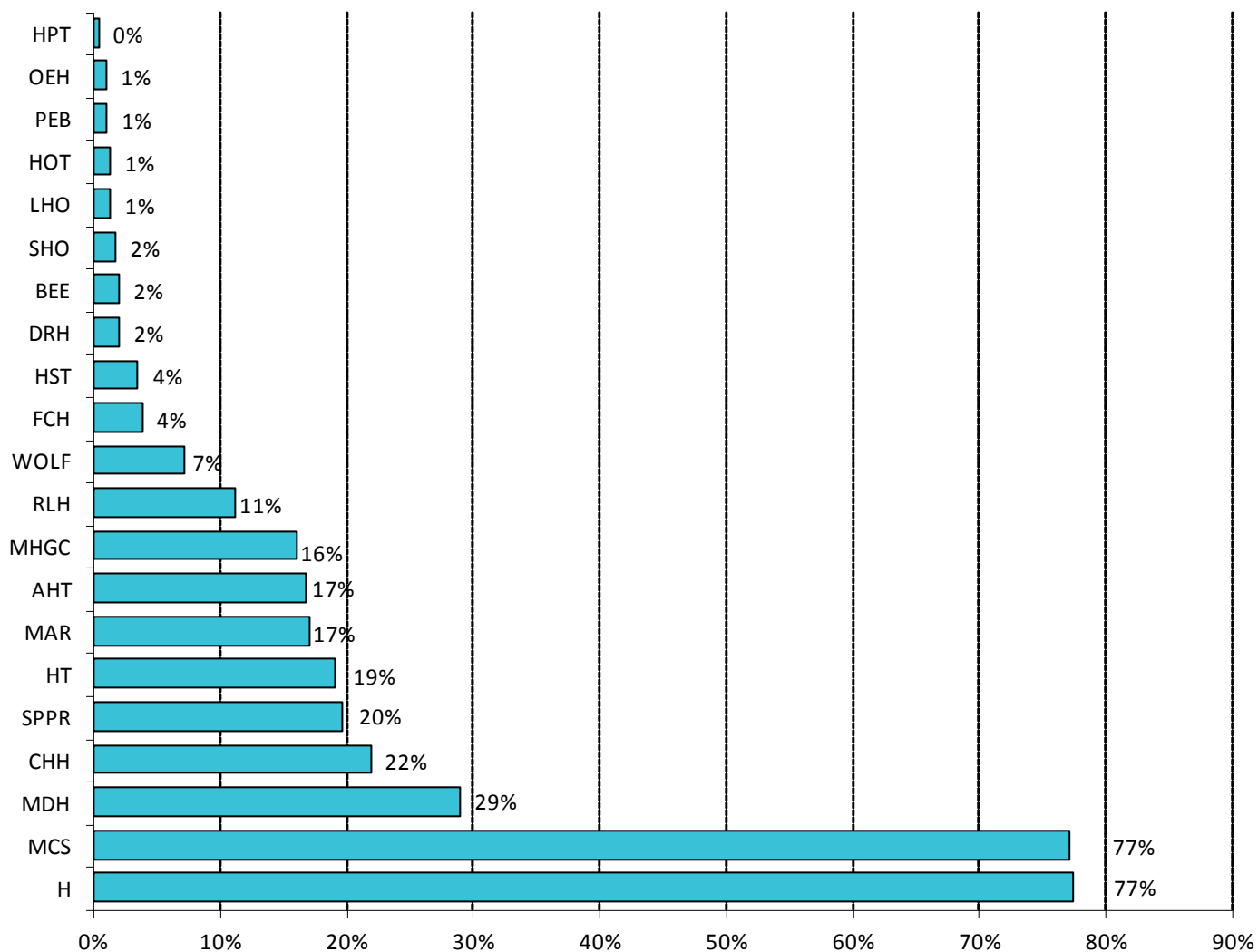
Hotel C-Corp Debt / Enterprise Value



Source: SNL Financial

# Hospitality Stock Ownership: Insiders

Hotel Company Insider Ownership

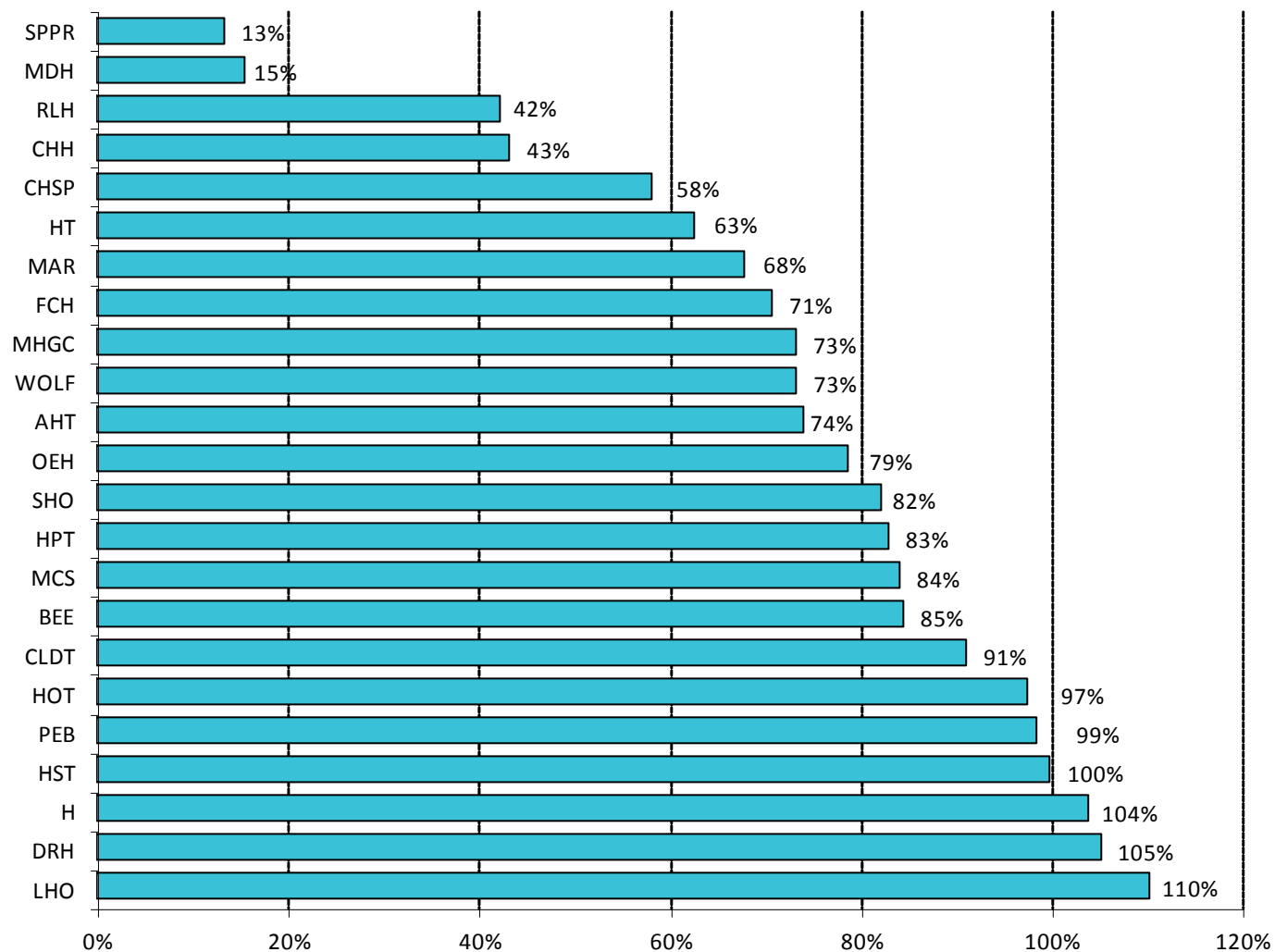


Source: SNL Financial

*MCS has a Class B stock owned by founding family insiders share which vote 10:1 versus the publicly traded Class A shares voting power. On an equity ownership basis, MCS insiders own 21% of shares outstanding.*

# Hospitality Stock Ownership: Institutional

## Hotel Company Institutional Ownership



Source: SNL Financial

*Some institutional ownership percentages may exceed 100% due to shares held short.*



# Hospitality Data Comparison

## Hospitality Data Comparison

					<u>Average</u>						
	<u>Ticker</u>	<u>Exchange</u>	<u>11/30/10</u>	<u>Market Cap</u>	<u>Volume</u>	<u>52 week</u>	<u>52 week</u>	<u>Insider</u>	<u>Institutional</u>	<u>Annualized</u>	<u>Yield</u>
				<u>(millions)</u>	<u>(000s)</u>	<u>high</u>	<u>low</u>	<u>Ownership</u>	<u>Ownership</u>	<u>Dividend</u>	
<b>REITs</b>											
Ashford Hospitality	AHT	NYSE	\$9.40	\$617	337	\$10.81	\$4.23	17%	74%	\$0.00	0.0%
Chatham Lodging Trust	CLDT	NYSE	\$16.43	\$151	38	\$20.70	\$14.25	NA	91%	\$0.00	0.0%
Chesapeake Lodging Trust	CHSP	NYSE	\$19.02	\$351	216	\$20.22	\$15.06	NA	58%	\$0.00	0.0%
DiamondRock Hospitality	DRH	NYSE	\$10.53	\$1,628	1,329	\$11.77	\$7.61	2%	105%	\$0.00	0.0%
FelCor Lodging Trust	FCH	NYSE	\$5.93	\$577	973	\$8.99	\$3.33	4%	71%	\$0.00	0.0%
Hersha Hospitality Trust	HT	NYSE	\$6.13	\$1,086	1,704	\$6.44	\$2.52	19%	63%	\$0.20	3.3%
Hospitality Properties Trust	HPT	NYSE	\$22.12	\$2,731	965	\$28.32	\$18.99	0%	83%	\$1.80	8.1%
Host Hotels & Resorts	HST	NYSE	\$16.48	\$11,153	7,652	\$17.21	\$10.20	4%	100%	\$0.04	0.2%
LaSalle Hotel Properties	LHO	NYSE	\$23.80	\$1,739	890	\$28.22	\$18.62	1%	110%	\$0.04	0.2%
MHI Hospitality	MDH	NASDAQ	\$2.31	\$30	14	\$3.88	\$1.59	29%	15%	\$0.00	0.0%
Pebblebrook Hotel Trust	PEB	NYSE	\$18.74	\$748	237	\$22.39	\$16.85	1%	99%	\$0.00	0.0%
Strategic Hotels and Resorts	BEE	NYSE	\$4.67	\$711	1,415	\$6.97	\$1.61	2%	85%	\$0.00	0.0%
Sunstone Hotel Investors	SHO	NYSE	\$9.52	\$1,123	1,379	\$13.47	\$7.87	2%	82%	\$0.00	0.0%
Supertel Hospitality	SPPR	NASDAQ	\$1.35	\$31	39	\$2.22	\$1.14	20%	13%	\$0.00	0.0%
<b>C-Corps</b>											
Choice Hotels International	CHH	NYSE	\$37.25	\$2,218	143	\$39.84	\$29.25	22%	43%	\$0.74	2.0%
Great Wolf Resorts	WOLF	NASDAQ	\$2.33	\$76	66	\$3.75	\$1.78	7%	73%	\$0.00	0.0%
Hyatt Hotels Corporation	H	NYSE	\$41.86	\$7,281	245	\$43.88	\$27.65	77%	104%	\$0.00	0.0%
InterContinental Hotels Group	IHG	NYSE	\$17.89	\$5,295	380	\$20.04	\$13.84	NA	NA	\$0.42	2.3%
Marcus Corporation	MCS	NYSE	\$12.96	\$384	60	\$14.00	\$8.60	77%	84%	\$0.34	2.6%
Marriott International	MAR	NYSE	\$39.21	\$14,282	3,783	\$40.00	\$25.39	17%	68%	\$0.35	0.9%
Morgans Hotel Group	MHGC	NASDAQ	\$7.64	\$238	173	\$8.99	\$3.67	16%	73%	\$0.00	0.0%
Orient-Express Hotels	OEH	NYSE	\$11.57	\$1,184	991	\$15.54	\$6.80	1%	79%	\$0.00	0.0%
Red Lion Hotels	RLH	NYSE	\$7.67	\$143	50	\$8.24	\$4.37	11%	42%	\$0.00	0.0%
Starwood Hotels and Resorts	HOT	NYSE	\$56.84	\$10,846	2,757	\$60.00	\$31.59	1%	97%	\$0.30	0.5%

Source:SNL Financial

# Hospitality Data Comparison

## Hospitality Data Comparison

				<u>Average</u>						<u>Discount/</u>
	<u>Ticker</u>	<u>11/30/10</u>	<u>Market Cap</u>	<u>Volume</u>	<u>Ent. Value/</u>	<u>Ent. Value/</u>	<u>Net debt /</u>	<u>Net debt /</u>		<u>Premium to</u>
			<u>(millions)</u>	<u>(000s)</u>	<u>2010E EBITDA</u>	<u>2011E EBITDA</u>	<u>Ent. Value</u>	<u>2010E EBITDA</u>	<u>Consensus NAV</u>	<u>Consensus NAV</u>
<b>REITs</b>										
Ashford Hospitality	AHT	\$9.40	\$617	337	15.5	13.5	71%	11.1	\$6.70	40.3%
Chatham Lodging Trust	CLDT	\$16.43	\$151	38	17.9	7.1	-11%	(1.9)	\$18.50	-11.2%
Chesapeake Lodging Trust	CHSP	\$19.02	\$351	216	27.4	7.8	21%	10.2	\$19.51	-2.5%
DiamondRock Hospitality	DRH	\$10.53	\$1,628	1,329	16.6	13.6	31%	5.5	\$9.56	10.1%
FelCor Lodging Trust	FCH	\$5.93	\$577	973	13.1	11.5	56%	7.5	\$4.07	45.7%
Hersha Hospitality Trust	HT	\$6.13	\$1,086	1,704	15.5	13.0	40%	7.0	\$5.46	12.3%
Hospitality Properties Trust	HPT	\$22.12	\$2,731	965	9.3	9.3	40%	3.7	\$24.54	-9.9%
Host Hotels & Resorts	HST	\$16.48	\$11,153	7,652	17.6	14.6	29%	5.5	\$14.43	14.2%
LaSalle Hotel Properties	LHO	\$23.80	\$1,739	890	17.3	14.0	26%	4.5	\$23.66	0.6%
MHI Hospitality	MDH	\$2.31	\$30	14	NA	NA	83%	NA	NA	NA
Pebblebrook Hotel Trust	PEB	\$18.74	\$748	237	NA	8.1	-82%	NA	\$19.62	-4.5%
Strategic Hotels and Resorts	BEE	\$4.67	\$711	1,415	20.2	18.5	53%	9.8	\$3.88	20.4%
Sunstone Hotel Investors	SHO	\$9.52	\$1,123	1,379	16.1	14.1	47%	8.3	\$8.99	5.9%
Supertel Hospitality	SPPR	\$1.35	\$31	39	17.1	12.9	79%	13.6	\$1.86	-27.4%
<b>Sector Average</b>			<b>\$1,620</b>	<b>1,228</b>	<b>17.0</b>	<b>12.2</b>	<b>35%</b>	<b>7.1</b>		
<b>C-Corps</b>										
Choice Hotels International	CHH	\$37.25	\$2,218	143	13.9	12.8	7%	1.1		
Great Wolf Resorts	WOLF	\$2.33	\$76	66	8.7	7.9	87%	7.6		
Hyatt Hotels Corporation	H	\$41.86	\$7,281	245	14.9	13.2	-3%	(0.4)		
InterContinental Hotels Group	IHG	NYSE	17.89	5295	11.4	10.2	13%	1.5		
Marcus Corporation	MCS	\$12.96	\$384	60	8.8	8.2	36%	3.1		
Marriott International	MAR	\$39.21	\$14,282	3,783	16.2	14.1	15%	2.4		
Morgans Hotel Group	MHGC	\$7.64	\$238	173	23.0	16.4	68%	15.7		
Orient-Express Hotels	OEH	\$11.57	\$1,184	991	23.8	19.4	36%	8.6		
Red Lion Hotels	RLH	\$7.67	\$143	50	11.2	9.9	46%	5.1		
Starwood Hotels and Resorts	HOT	\$56.84	\$10,846	2,757	16.7	14.3	22%	3.7		
<b>Sector Average</b>			<b>\$3,667</b>	<b>1,356</b>	<b>14.9</b>	<b>12.6</b>	<b>33%</b>	<b>4.8</b>		

Note: EBITDA figures for IHG are Baird estimates

Source: SNL Financial

# Appendix

**Hospitality Stock Performance Table**

Company Name	Ticker	11/30/2010	%change		52 week	
		Price	vs. Last Month	vs. Last Year	High	Low
Ashford Hospitality	AHT	\$9.40	-7.4%	125%	\$10.81	\$4.08
Chatham Lodging Trust	CLDT	\$16.43	-10.9%	NA	\$20.70	\$14.25
Chesapeake Lodging Trust	CHSP	\$19.02	5.8%	NA	\$20.22	\$15.06
Choice Hotels International	CHH	\$37.25	-2.1%	19%	\$39.84	\$29.25
DiamondRock Hospitality	DRH	\$10.53	-0.5%	31%	\$11.77	\$7.61
FelCor Lodging Trust	FCH	\$5.93	-3.6%	76%	\$8.99	\$3.15
Great Wolf Resorts	WOLF	\$2.33	-0.9%	-4%	\$3.75	\$1.78
Hyatt Hotels Corporation	H	\$41.86	3.9%	46%	\$43.88	\$27.65
Hersha Hospitality Trust	HT	\$6.13	0.5%	133%	\$6.44	\$2.40
Hospitality Properties Trust	HPT	\$22.12	-3.0%	14%	\$28.32	\$18.45
Host Hotels & Resorts	HST	\$16.48	3.7%	57%	\$17.21	\$10.00
Intercontinental Hotels Group	IHG	\$17.89	-7.5%	28%	\$20.09	\$13.67
LaSalle Hotel Properties	LHO	\$23.80	0.5%	28%	\$28.22	\$17.67
Marcus Corporation	MCS	\$12.96	1.2%	5%	\$14.00	\$8.60
Marriott International	MAR	\$39.21	5.8%	52%	\$40.00	\$24.98
MHI Hospitality	MDH	\$2.31	-6.9%	43%	\$3.88	\$1.59
Morgans Hotel Group	MHGC	\$7.64	-5.3%	108%	\$8.99	\$3.55
Orient-Express Hotels	OEH	\$11.57	-8.6%	38%	\$15.54	\$6.80
Pebblebrook Hotel Trust	PEB	\$18.74	-4.3%	NA	\$22.39	\$16.85
Red Lion Hotels	RLH	\$7.67	-2.5%	70%	\$8.24	\$4.31
Starwood Hotels and Resorts	HOT	\$56.84	5.0%	78%	\$60.00	\$31.25
Strategic Hotels and Resorts	BEE	\$4.67	2.4%	175%	\$6.97	\$1.56
Sunstone Hotel Investors	SHO	\$9.52	-12.3%	18%	\$13.47	\$7.45
Supertel Hospitality	SPPR	\$1.35	-22.0%	-6%	\$2.22	\$1.14
Wyndham Worldwide	WYN	\$28.75	0.0%	55%	\$30.83	\$18.42
<b>Baird / Smith Travel Hotel Stock Index</b>		<b>2,199</b>	<b>1.7%</b>	<b>50%</b>	<b>2,292</b>	<b>1,464</b>
<b>S&amp;P 500</b>		<b>1,181</b>	<b>-0.2%</b>	<b>8%</b>	<b>1,227</b>	<b>1,011</b>
<b>RMZ</b>		<b>731</b>	<b>-2.3%</b>	<b>26%</b>	<b>790</b>	<b>554</b>

Source: FactSet

# Appendix

## Hospitality Psychometric Indicators

	Insider Transactions Past 3 mo.		Short Interest				Analyst Opinion			FFO/EPS Estimate Revisions
	Insider Buys (000s)	Insider Sells (000s)	Shares Short (000s)	Percent Outstanding	Change (bps)		Buy	Neutral/ Sell	% Buy Rated	Past 3 mo.
					One month	Three months				
AHT	0	25	5,467	10.7%	(407)	(123)	2	5	29%	3%
BEE	0	0	273	3.0%	NA	NA	2	5	29%	-32%
CHH	0	9	3,696	6.2%	2	(35)	7	11	39%	4%
CHSP	604	0	419	2.3%	8	NA	7	2	78%	-18%
CLDT	7	0	5,834	3.8%	(163)	(28)	4	0	100%	-10%
DRH	0	89	74	0.4%	(38)	(15)	4	13	24%	4%
FCH	18	0	2,868	5.2%	133	199	2	7	22%	-15%
H	0	0	2,834	2.9%	(22)	(8)	10	8	56%	19%
HOT	0	339	346	1.1%	(44)	24	17	11	61%	8%
HPT	0	0	4,528	2.7%	(56)	26	3	4	43%	1%
HST	0	87	1,914	3.1%	109	372	8	14	36%	0%
HT	5,906	402	9,939	2.6%	(41)	(18)	5	4	56%	-3%
IHG	0	0	2,806	2.3%	(47)	(114)	3	1	75%	0%
LHO	0	0	43,215	6.5%	(30)	3	9	6	60%	-24%
MAR	0	4,159	1,515	3.4%	242	302	14	13	52%	0%
MCS	0	10	1,495	3.3%	58	127	1	0	100%	-2%
MDH	0	0	NA	NA	NA	NA	2	0	100%	-13%
MHGC	0	0	12	0.0%	0	(4)	4	3	57%	76%
OEH	0	0	4,009	5.5%	(351)	(159)	0	9	0%	105%
PEB	0	0	442	2.1%	(33)	90	6	1	86%	70%
RLH	305	40	26,319	7.2%	40	70	2	3	40%	91%
SHO	0	0	12	0.1%	(1)	(1)	5	12	29%	0%
SPPR	33	19	2,655	8.8%	64	4	0	2	0%	7%
WOLF	0	0	7,138	7.0%	13	(117)	2	2	50%	-2%
WYN	0	327	1,354	3.4%	(22)	(30)	10	1	91%	6%

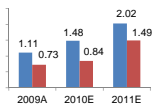
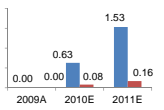

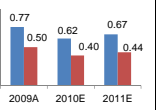
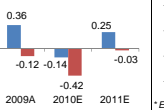

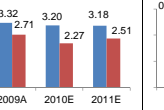


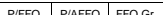

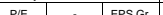
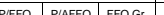
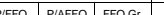
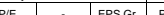
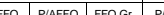

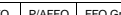
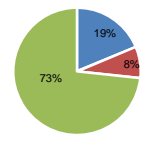
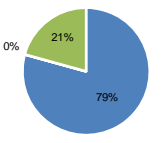
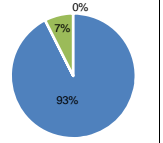
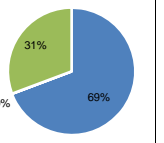
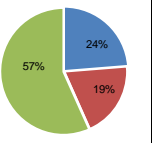
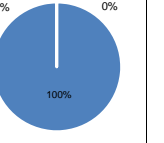
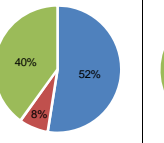
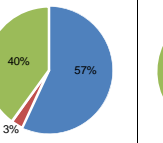
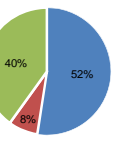
Source: SNL Financial and FactSet

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Hotels																												
General		Ashford Hospitality Trust Inc.	Chesapeake Lodging Trust	Choice Hotels International, Inc.	DiamondRock Hospitality Corporation	FelCor Lodging Trust Incorporated	Hyatt Hotels Corporation	Hospitality Properties Trust	Hersha Hospitality Trust	Host Hotels and Resorts Inc.																		
	Ticker	AHT	CHSP	CHH	DRH	FCH	H	HPT	HT	HST																		
	Rating	Outperform	Outperform	Neutral	Neutral	Neutral	Neutral	Neutral	Outperform	Neutral																		
	Risk	Higher	Higher	Average	Average	Higher	Average	Average	Higher	Average																		
	Price 11/30/10	\$9.40	\$19.02	\$37.25	\$10.53	\$5.93	\$41.86	\$22.12	\$6.13	\$16.48																		
	52 wk. H - L (\$)	11 - 4	20 - 15	40 - 29	12 - 8	9 - 3	44 - 28	28 - 19	6 - 3	17 - 10																		
	Equity Cap (\$mil.)	617	351	2,218	1,628	577	7,281	2,731	1,086	11,153																		
	Avg. Vol. (thous.)	337	216	143	1,329	973	NA	965	1,704	7,652																		
	Yield	0.0%	4.2%	2.0%	0.0%	0.0%	0.0%	8.1%	3.3%	0.2%																		
NAV (\$)	5.81	16.45	NA	7.82	2.74	NA	22.62	4.90	12.93																			
Earnings	Core FFO & AFFO (\$)																											
																												
		P/FFO	P/AFFO	FFO Gr.	P/FFO	P/AFFO	FFO Gr.	P/E	-	EPS Gr.	P/FFO	P/AFFO	FFO Gr.	P/FFO	P/AFFO	FFO Gr.	P/FFO	P/AFFO	FFO Gr.	P/FFO	P/AFFO	FFO Gr.						
	2009	8.5	12.9	-15%	NA	NA	NA	22.1	-	-5%	13.7	20.9	-48%	16.3	NA	-82%	323.0	-	-90%	6.7	8.2	-21%	10.8	15.9	-51%	23.4	69.9	-58%
	2010E	6.4	11.2	33%	30.4	244.2	NA	21.3	-	4%	17.0	26.6	-20%	NA	NA	-138%	133.6	-	142%	6.9	9.7	-4%	16.1	21.1	-33%	22.9	41.5	2%
2011E	4.6	6.3	37%	12.4	115.4	145%	20.7	-	3%	15.7	24.1	9%	23.4	NA	-286%	85.2	-	57%	7.0	8.8	0%	13.8	16.9	17%	17.4	26.6	32%	
Capital Structure	Capital Structure																											
	Ent. Value (\$ mil)	3,388	442	2,397	2,349	2,458	7,610	5,205	1,909	15,772																		
Details	Sector	Midscale w/o F/B, Upscale	Upscale, Upper upscale	Midscale and economy	Upscale, Upper upscale	Midscale w/ F/B, Upscale	Luxury and upper upscale	Lim. Ser. NNN, travel center	Midscale w/o F&B	Upper upscale, Luxury																		
	Key Locations	Washington, DC Los Angeles	Boston	North America	Chicago Los Angeles Atlanta	California Florida	North America	California Texas	Philadelphia New York Boston	New York Washington, DC																		

Source: Company reports, SNL Financial, and Robert W. Baird & Co. estimates

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Hospitality Monthly  
December 2010

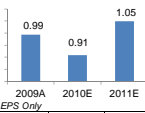
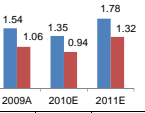

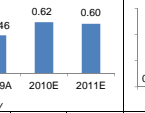
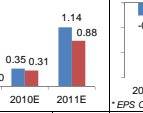
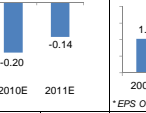
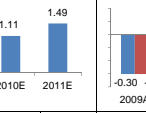


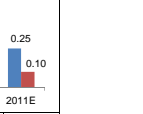
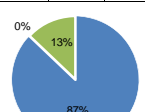
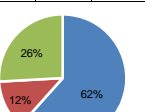
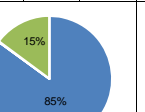
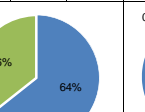
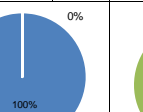
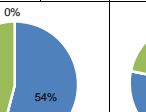
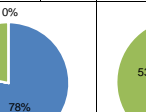
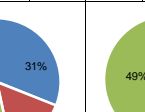
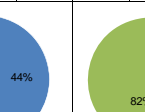
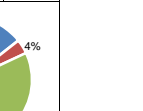
Page 20

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Hotels																												
General		Intercontinental Hotels Group PLC	LaSalle Hotel Properties	Marriott International Inc.	Marcus Corporation	Pebblebrook Hotel Trust	Red Lion Hotels Corporation	Starwood Hotels & Resorts Worldwide Inc.	Strategic Hotels and Resorts	Sunstone Hotel Investors, Inc.	Supertel Hospitality, Inc.																	
	Ticker	IHG	LHO	MAR	MCS	PEB	RLH	HOT	BEE	SHO	SPPR																	
	Rating	Outperform	Outperform	Neutral	Outperform	Outperform	Neutral	Underperform	Neutral	Outperform	Neutral																	
	Risk	Average	Average	Average	Average	Average	Higher	Higher	Speculative	Average	Speculative																	
	Price 11/30/10	\$17.89	\$23.80	\$39.21	\$12.96	\$18.74	\$7.67	\$56.84	\$4.67	\$9.52	\$1.35																	
	52 wk. H - L (\$)	NA	28 - 19	40 - 25	14 - 9	22 - 17	8 - 4	60 - 32	7 - 2	13 - 8	2 - 1																	
	Equity Cap (\$mil.)	0	1,739	14,282	384	748	143	10,846	711	1,123	31																	
	Avg. Vol. (thous.)	NA	890	3,783	60	237	50	2,757	1,415	1,379	39																	
	Yield	2.3%	1.9%	0.9%	2.6%	0.0%	0.0%	0.4%	0.0%	0.0%	0.0%																	
	NAV (\$)	NA	21.31	NA	NA	17.33	NA	NA	NA	0.69	4.78	0.65																
Earnings	Core FFO & AFFO (\$)																											
	2009	P/E	-	EPS Gr.	P/FIFO	P/AFFO	FFO Gr.	P/E	-	EPS Gr.	P/E	-	EPS Gr.	P/E	-	EPS Gr.	P/E	-	EPS Gr.	P/FIFO	P/AFFO	FFO Gr.	P/FIFO	P/AFFO	FFO Gr.	P/FIFO	P/AFFO	FFO Gr.
	2010E	18.0	-	-15%	15.5	22.4	-49%	42.1	-	-39%	NA	-	-28%	NA	-	-151%	55.6	-	-53%	NA	NA	-124%	14.1	32.8	-76%	3.4	6.4	-44%
	2010E	19.7	-	-9%	17.7	25.3	-13%	34.8	-	21%	NA	-	34%	NA	-	279%	51.2	-	9%	NA	55.4	-89%	17.3	74.1	-18%	6.3	31.4	-46%
	2010E	17.0	-	16%	13.3	18.0	33%	28.0	-	24%	NA	-	-3%	16.4	21.3	227%	38.2	-	34%	NA	125.5	-465%	12.6	55.2	37%	5.4	13.4	17%
Capital Structure	Capital Structure																											
	Ent. Value (\$ mil)	6,079	2,825	16,785	597	412	265	13,881	2,317	2,626	226																	
Details	Sector	Luxury, midscale w/o F&B	Upper upscale	Franchise and Mgmt	Theatres / Full-service htls	Full-service, upper-up htls	Upscale, Upper upscale	Franchise, Mgmt, Owner	Upper upscale, Luxury	Upscale, Upper upscale	Economy, some mid-scale																	
	Key Locations	New York, London, Paris, global	San Diego, Wash, DC, Boston, Chicago	North America	Milwaukee, WI	Washington, DC, Atlanta	Spokane, WA Seattle, WA	North America	California Chicago Europe	Southern California	Midwest, Eastern US near interstates																	

Source: Company reports, SNL Financial, and Robert W. Baird & Co. estimates

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Hospitality Monthly  
December 2010

Page 21

# Valuation and Investment Risks

**Hotel industry.** The hotel industry is a cyclical industry and is heavily dependent on the overall health of the U.S. economy. Economic downturns and external events such as terrorism can have significant impact on the profitability of the lodging industry.

**Hotel supply growth.** Hotel supply growth has been above historical averages in recent years, but is tapering off in 2010. Increasing supply in a market can drive down rates hotels are able to charge, leading to weak results for hotels in such markets.

**Debt financing.** The company's ability to grow depends on its ability to obtain debt financing at competitive rates. High levels of debt could also increase the company's vulnerability to adverse economic conditions, and force it to dedicate more cash flow to interest rather than to capital investment or dividends.

**Interest rates.** The price of the company's equity securities might vary substantially depending on changes in market interest rates. One such factor is the annual yield of distributions on company stock compared to alternative yields on other financial instruments.

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