



City Reviews - Yearbook

2008 / 2009



Christie + Co's City Reviews take advantage of the local knowledge generated from its 29 offices in the UK and Europe, to provide clients with the most up-to-date, focused and accurate market commentary available.

The reviews are produced using desk-based research, input from experienced industry specialists, and hotel trading data provided by STR Global, the market leader in hotel benchmarking, covering over 36,200 hotels in 512 markets across 94 countries.

Over the past twelve months, Christie + Co has produced nine City Reviews covering several major UK cities and European markets:

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Forthcoming city reviews include Berlin, Heathrow, Hamburg and London - Luxury Segment.

All of the above and future City Reviews, and other Christie + Co publications, are available free of charge to download and view at:

www.christiecorporate.com/ccc/news/publications/

For further information please contact:

<p>Carine Bonnejean Associate Director Christie + Co Direct line: 020 7227 0714 Email: carine.bonnejean@christie.com</p>	<p>Konstanze Auernheimer Director of Marketing STR Global Direct line: 020 7922 1961 Email: kauernheimer@strglobal.com</p>
<p>Andreas Scriven Head of Consultancy Christie + Co Direct line: 020 7227 0782 Email: andreas.scriven@christie.com</p>	<p>Mark Wingett Head of Media Relations Christie + Co Direct line: 020 7227 0794 Email: mark.wingett@christie.com</p>

Notes to Editors

Christie + Co uses desk-based research and experienced local industry specialists to produce bi-monthly city reviews. Hotel trading data is provided by STR Global.



Founded in 1935, Christie + Co is the leading firm of surveyors, valuers, consultants and agents specialising in the hospitality, leisure, retail and care sectors. Currently employing close to 300 professional and specialist staff, it has 17 offices throughout the UK – with valuation, agency, investment and consultancy teams focused on its key sectors. Christie + Co’s international operations are based in Barcelona, Berlin, Frankfurt, Hamburg, Helsinki, Dusseldorf, London, Madrid, Marseilles, Munich, Paris and Rennes.

STR Global is the new company recently created by leading hospitality research companies Smith Travel Research (STR), Deloitte’s HotelBenchmark™ and The Bench. STR Global provides clients – including hotel operators, developers, financiers and analysts – access to hotel research with regular and custom reports covering over 36,200 hotels in 512 markets in 94 countries. STR Global provides a single source of global hotel performance data, offering concise, accurate and thorough industry research worldwide.

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City Review: Cardiff

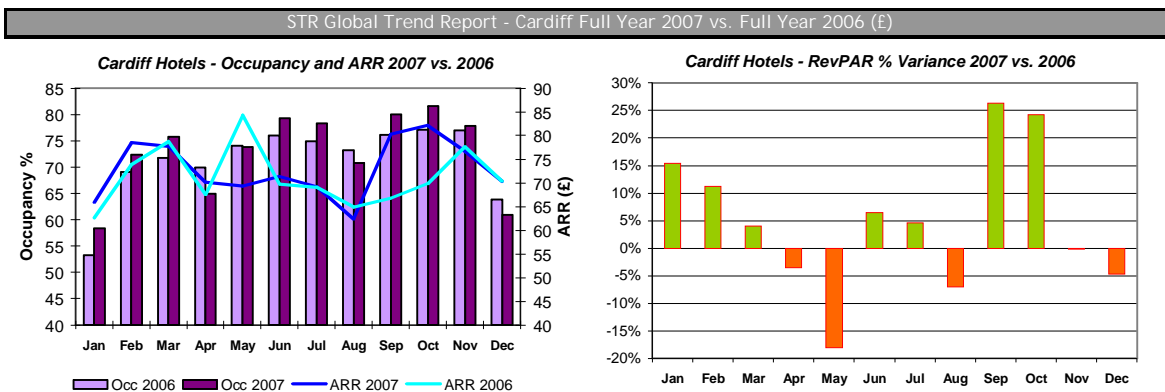
May 2008

Cardiff has a population of circa 320,000 people and serves as both the capital and gateway to the rest of Wales. Since the turn of the century the city has been the beneficiary of major investment, which has increased its appeal to both the leisure and business sectors and reignited its economy. Private investment and a £46 million Millennium Grant enabled the construction of The Millennium Stadium, a modern international standard stadium capable of hosting major sporting and musical events, whilst the redevelopment of the previously derelict Cardiff Bay area at a cost of over £2 billion has provided the city with an array of new developments including the new Welsh National Assembly building and the Wales Millennium Centre.

Trends in Hotel Market Performance

According to the Cardiff Serviced Accommodation Study 2004, the city's hotel offering has grown from 2,248 rooms in 2004 to, based on Christie + Co's estimates, 2,745 rooms at the end of 2007. During this time occupancy remained relatively stable at just over 70% and average room rate (ARR) has shown strong improvement, increasing from circa £60 to over £70 per night. The city's hotel market is driven heavily by demand created by sporting and music events held at the Millennium Stadium, and in and around the new Cardiff Bay redevelopment. Major events such as the Six Nations rugby games held at the Millennium Stadium result in sell out weekends for the city's hotels on a regular basis.

Data sourced from STR Global shows that Cardiff hotels enjoyed an overall 4.3% increase in RevPAR in 2007 compared to 2006. This was driven by slight increases in both occupancy and achieved ARR.



STR Global Trend Report – Cardiff 2007 vs. 2006

	2007			2006			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts^	ARR %	RevPAR %
Full Year	72.8	73.1	53.2	71.4	71.5	51.0	1.4	2.2%	4.3%

Note: the above graphs and table are based on audited monthly and daily data received by STR Global for a sample of 14 hotels, totalling 1,940 rooms. The variance in occupancy (^) is expressed in percentage points.

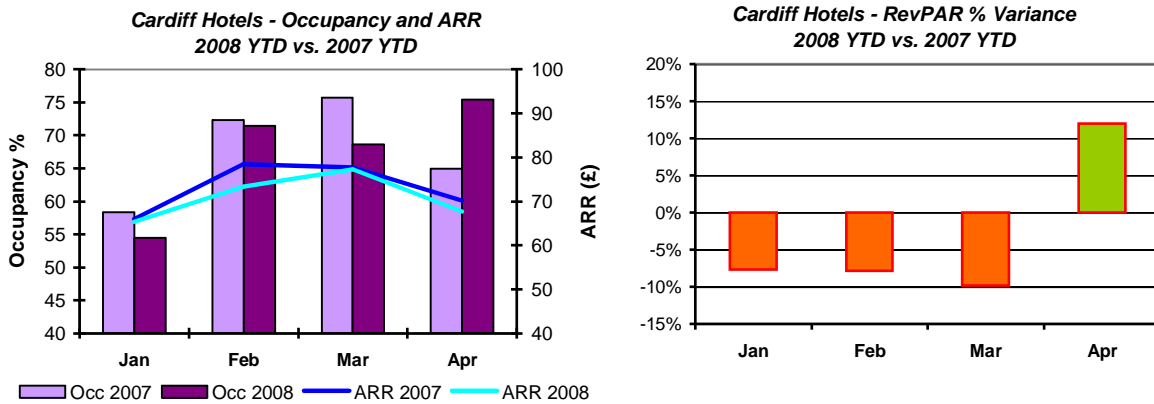
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The reopening of Wembley Stadium in March 2007 resulted in the inevitable loss of events such as the FA Cup Final that the Millennium Stadium had staged since 2001. This resulted in a slightly lower occupancy and a big reduction in ARR achieved by Cardiff's hotels in May 2007. This loss of demand was slightly offset by Millennium Magic Weekend (Rugby League's annual weekend gala of six matches) which was held for the first time on the 5th and 6th May 2007.

The overall figures for 2007 show that Cardiff's hoteliers have been able to maintain their performance despite this setback. In September and October, the hotels have shown exceptionally strong year-on-year performance growth as a result of the Millennium Stadium hosting four Rugby World Cup games including the Quarter final between France and New Zealand, the Euro 2008 qualifier between Wales & Germany, and a concert by the pop group The Police.

The same sample for the first four months of 2008 shows a drop in RevPAR at the city's hotels of around 3.8% versus the same period in 2007. This has been the result of stagnation in occupancy and a 3.2% fall in achieved ARR over the period.

STR Global Trend Report - Cardiff 2008 YTD vs. 2007 YTD (£)



STR Global Trend Report – Cardiff 2008 YTD vs. 2007 YTD									
	2008			2007			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts [^]	ARR %	RevPAR %
YTD Apr	67.4	71.1	47.9	67.8	73.5	49.8	-0.4	-3.2%	-3.8%

Note: the above graphs and table are based on audited monthly and daily data received by STR Global for a sample of 14 hotels, totalling 1,940 rooms. The variance in occupancy (^) is expressed in percentage points.
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The loss of the Carling Cup final to Wembley dampened demand in February 2008 compared to 2007, whilst the early fall of Easter (Sunday 23rd March in 2008) had the effect of limiting occupancy in the city's hotels in March, with an inevitable effect that demand was pushed over to April (in 2007 Easter fell on 8th April).

Trends in Hotel Supply

After a spate of new hotel openings (292 rooms) in the city in 2005, there has been only one new hotel opening in Cardiff since January 2006; the 150-room Etap in the city centre, whilst the Thistle hotel that was damaged by fire in December 2006 reopened this month as The Parc Hotel by Thistle.

Hotel development activity is set to pick up, however, with a number of branded hotels scheduled to open in the city in the next two years. This year will see the opening of a 68-room Sleeperz hotel next to Cardiff Station in July and a new 112-room Travelodge hotel at Cardiff Bay in December. In 2009 the city will witness the opening of a 215-room Radisson SAS as part of the St David's 2 Project and a 250-room Jurys Inn in October. Further down the line there is planning consent for a 148-unit Staybridge Suites aparthotel in the city centre and a 250-room hotel as part of the redevelopment of Thomson House.

Trends in Hotel Transactions

The lack of development activity in the last couple of years is in stark contrast to the transactional activity that has been taking place, with a number of significant hotels changing hands.

- + The Macdonald Hotels-owned Lodge hotel and Holland House, both changed hands in January 2007 as part of Moorfield Real Estate Fund's wider acquisition of 24 Macdonald Hotels across the UK. Christie + Co advised Moorfield on the acquisition of the hotels – which are now being operated by Accor under management contract and have been reflagged under the Mercure brand.
- + The Marriott Cardiff has changed hands twice – first as part of the acquisition of 46 Marriott hotels across the UK by RBS in April 2006 and then a year later when RBS sold the properties on to a consortium led by Quinlan Private & Igal Ahouvi.
- + In March 2007 Christie + Co acted for Rocco Forte Hotels on the sale of the iconic 132-room St David's Hotel & Spa to Principal Hotels for £32.5 million.
- + In April 2007 Mountain Capital acquired the Jurys Inn Cardiff for a reported £16 million from Jurys Doyle Hotels. The vendor was advised by Christie + Co.
- + In July 2007 Tonstate Group acquired the 200-room Hilton Cardiff for £40 million from the Marcol Group, with Hilton continuing to run the hotel under a management contract.

Outlook

The loss of events to the new Wembley stadium (particularly in May) has been a blow and there is a relatively strong pipeline of hotel development over the next two years. However, the market has shown its resilience by improving overall performance during 2007, and the Millennium stadium and Cardiff Bay developments continue to attract major sporting and music events to the city.

It is vital in the next couple of years that the city diversifies its demand generators, particularly in terms of business visitation, and becomes less dependent on the Millennium Stadium and Cardiff Bay for demand generation. Plans to develop an international standard, specialist conference centre are proposed and this could be vital in enabling the city to attract major conferences and exhibitions. Future developments such as the St David's 2 development; ongoing city centre regeneration; the International Sports Village at Cardiff Bay, including the White Water Centre; the new 25,000 Cardiff City Football Club stadium; and the redevelopment of the cricket ground Sophia Gardens can only enhance leisure visitation to the city.

City Review: Aberdeen

August 2008

According to the latest city review by Christie + Co, using data provided by STR Global, Aberdeen hotels achieved a 6.9% increase in RevPAR for the first half of 2008 compared to the same period last year, despite reduced levels of occupancy. Preliminary figures from STR Global for July 2008 show a modest 1.0% growth in RevPAR for the month compared to July 2007, with occupancy down by 7.2 percentage points.

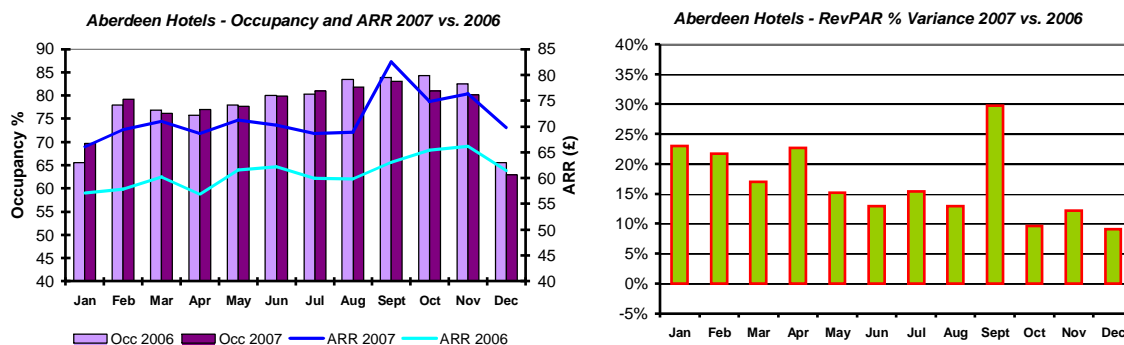
Commonly known as the ‘Oil Capital of Europe’ or the ‘Granite City’, Aberdeen is Scotland’s third largest city, and one of the most prosperous parts of the UK. Since the 1970s, the North Sea oil and gas industry has fuelled the economic growth of the city, which is today home to about 900 energy companies.

The city’s hotel market is driven heavily by weekday demand created by the North Sea oil and gas industry, complemented by events at the Aberdeen Exhibition and Conference Centre (‘AECC’). Weekday hotel demand tends to outstrip supply and during key AECC events, visitors often have to look out of town for hotel accommodation. In terms of leisure demand, Aberdeen has yet to become a major weekend city break destination.

Trends in Hotel Market Performance

The following graphs present data sourced from STR Global, highlighting the impressive double-digit growth in RevPAR between 2007 and 2006. Thanks to the prosperous energy industry, Aberdeen was the fastest growing UK city in terms of RevPAR in 2007, well ahead of London.

STR Global Trend Report - Aberdeen Full Year 2007 vs. Full Year 2006 (€)



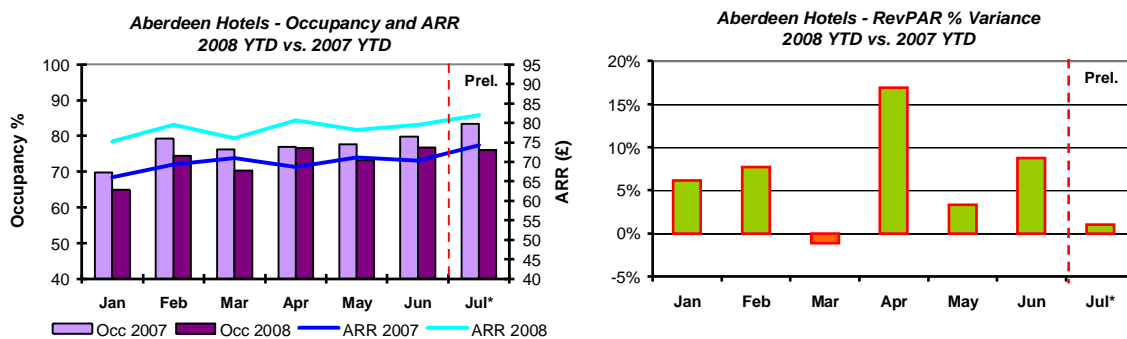
STR Global Trend Report – Aberdeen 2007 vs. 2006									
	2007			2006			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts [^]	ARR %	RevPAR %
Full Year	77.4	71.6	55.4	77.8	61.1	47.5	-0.4	17.2%	16.6%

Note: the above graphs and table are based on audited monthly and daily data received by STR Global for a consistent sample of 17 hotels, totalling 2,118 rooms. The variance in occupancy (^) is expressed in percentage points.
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Aberdeen hotels appear to be trading close to capacity, registering occupancy levels in the region of 80% in most months. Such strong performance has enabled them to grow ARR by 17.2% between 2006 and 2007. A record 31% increase in ARR was achieved in September 2007 as a result of the biennial Offshore Europe Oil and Gas conference and exhibition held at the AECC.

Year-to-date results for the first seven months of 2008 showed a downward trend in occupancy rates but ARR growth remained very strong, resulting in positive RevPAR growth compared to the same period in 2007.

STR Global Trend Report - Aberdeen 2008 YTD vs. 2007 YTD (£)



STR Global Trend Report — Aberdeen 2008 YTD vs. 2007 YTD									
	2008			2007			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts^	ARR %	RevPAR %
YTD Jun	72.6	78.3	56.8	76.6	69.5	53.2	-3.9	12.7%	6.9%
Jul*	76.1	82.0	62.5	83.3	74.3	61.9	-7.2	10.5%	1.0%

Note: the above graphs and table are based on monthly and daily data received by STR Global for a consistent sample of 17 hotels, totalling 2,118 rooms, except for July figures (*) which are based on 'unaudited' daily data as available on the 4th of August for a smaller sample of 8 hotels, mainly positioned in the four-star segment. The variance in occupancy (^) is expressed in percentage points. COPYRIGHT DISCLOSURE. © 2008 STR Global Limited.

Trends in Hotel Supply

Local authorities report a 'chronic' shortage of quality hotel accommodation, costing the city c. £16 million in lost tourism income in 2007. They are keen to see new hotels opening in the Granite City.

Indeed, the Aberdeen hotel market has seen no real growth in supply over recent years. The most recent hotel openings date back to 2006; however, this did not impact the city's hotel supply, as both were refurbishments of existing properties. The 50-room boutique Carmelite hotel (previously called the Imperial and the Grampian Hotel) opened in the city centre in April and the conversion of the former Westhill Hotel into the Holiday Inn Aberdeen-West was completed in October. Furthermore, over recent years, a number of small private hotels have been sold for conversion to residential or office schemes.

However, during the next 18 to 24 months, the city is set to witness somewhat of a surge in new hotel stock. During the remainder of 2008, two new properties are due to open in Aberdeen and one is due to re-brand. European Development Company (Hotels) Limited, the owners of the Express by Holiday Inn Aberdeen City Centre and the Holiday Inn Aberdeen-Bridge of Don, are currently developing a 135-room newly rebranded Holiday Inn Express hotel adjacent to the existing Holiday Inn at the AECC. This hotel is due to open next month. Lifestyle hotel operator – Malmaison – continues its expansion and Aberdeen’s Mal will be unveiled in November, following MWB’s acquisition of the former Queen’s hotel through Christie + Co. Finally, following a major renovation programme, the 168-room Patio Hotel Aberdeen City Centre will become the third Doubletree by Hilton hotel in the UK, with rebranding planned by the end of September.

2009 will also see several new hotel openings. A 203-room Jurys Inn hotel was recently confirmed as part of Hammerson’s £250 million Union Square retail and leisure development in the city centre. Furthermore, a 184-room Park Inn hotel on Justice Mill Lane in the city centre and a 181-room Courtyard by Marriott hotel at the airport are scheduled for completion in late 2009.

‘The Courtyard by Marriott Aberdeen Airport will be the first ever Courtyard by Marriott hotel in Scotland. We are extremely excited about developing this brand in Aberdeen, as it is a market which has shown tremendous growth over the course of the past two years and which promises to remain robust, despite the proposed additions to hotel supply over the near to mid term’
Tim Walton, Vice President Development - UK & Ireland for Marriott International

Another 119-room hotel, with no confirmed operator yet, has received planning permission on Justice Mill Lane. Additionally, the first Radisson Edwardian hotel in Scotland, offering 222 rooms, is planned to open in 2009/2010 at the AECC. Finally, a 107-room Ibis Hotel will soon be developed on Ship Row and is planned for opening in early 2010.

Interestingly, despite the reported lack of hotel accommodation by the local authority, a joint application for two new branded hotels (a 172-room Hilton Garden Inn and a 102-room Premier Inn) at the airport was recently rejected. An appeal has since been submitted.

It is hoped that the provision of new hotel supply will enable the city to further grow business tourism, notably large conferences and events.

Scotland is known as the home of golf and some major schemes based around the sport are being considered for development near Aberdeen. Ury Estate, near Stonehaven, recently received the go-ahead for a £40 million Jack Nicklaus Signature Golf Course and luxury resort hotel, while Donald Trump is awaiting the result of a public enquiry on his plans for a golf course and resort project on the Menie Estate, near Balmedie.

Trends in Hotel Transactions

Hotel transactional activity in Aberdeen has been buoyant over recent years and a large number of hotels have changed ownership.

- + Three of Aberdeen's major hotels transacted over the last two years as part of large portfolios - the Aberdeen Marriott hotel, The Dyce Skean Dhu hotel at Aberdeen Airport, now rebranded as a Menzies hotel, and finally the former Macdonald Ardoe House Hotel now reflagged under the Mercure brand.
- + As mentioned earlier, Christie + Co acted on the sale of the Queens Hotel to MWB in late 2006.
- + In spring 2007, the Holiday Inn Aberdeen-Bridge of Don was acquired by European Development Company (Hotels) Ltd.
- + In April 2008, the 50-room Simpson's hotel was sold off a guide price of £12 million to Manorisms LLP, whilst a month later, a 50% stake in the Carmelite hotel was acquired by hotelier Martin Kemp.
- + Finally last June, the Patio Hotel was purchased on a sale-and-leaseback basis by Invesco's European Hotel Real Estate Fund for £35 million. Simultaneously, a franchise agreement was signed with Hilton Hotels to operate the hotel under the Doubletree by Hilton brand.

As oil prices reach new record levels, Aberdeen hotels are set to benefit. However, as the city enters the 'second half' of North Sea oil production, economic diversification is vital and Aberdeen city officials are proactively pursuing development opportunities into complementary sectors, including renewable energy.

The Granite City is set to see significant changes over forthcoming years and is certainly a market worth keeping on your radar.

A spokesperson for VisitScotland said:

'We recognise the shortage of accommodation in the city and welcome the ongoing investment and that planned for the next few years, which we consider to be vital in terms of helping to achieve the ambition we share with the industry to increase revenues from tourism by 50% by the year 2015'

City Review: Bucharest

September 2008

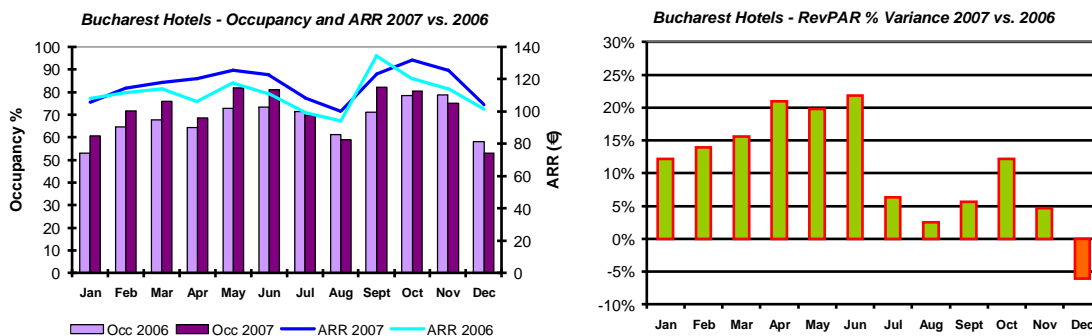
According to the latest city review by Christie + Co, using data provided by STR Global, Bucharest hotels suffered a 6.2% decrease in RevPAR for the first seven months of 2008, compared to the same period last year. Preliminary figures for August 2008 show a further fall in RevPAR, down almost 16% on the previous year, due to a drop in occupancy of 12.1 percentage points, which offsets a 6% increase in average room rate (ARR).

Bucharest’s hotel market is driven heavily by weekday demand created by strong investment activities from abroad. Weekday hotel demand tends to outstrip supply and visitors often have to stay in local independent hotels of undetermined standard. In terms of leisure demand, Bucharest has yet to become a major weekend city break destination. Even though the city has great potential, its tourism infrastructure will need to be significantly upgraded before it can experience any major uplift in international visitation. To further fuel this development, better accessibility from European feeder markets will have to be established, notably through low cost carriers.

Trends in Hotel Market Performance

The following graphs present data sourced from STR Global, highlighting the continuously impressive growth in RevPAR between 2006 and 2007. RevPAR increased by over 10% in 2007 compared to 2006, fuelled by a rise in occupancy levels of over 3 percentage points, coupled with a 5.3% increase in ARR.

STR Global Trend Report – Bucharest Full Year 2007 vs. Full Year 2006 (€)



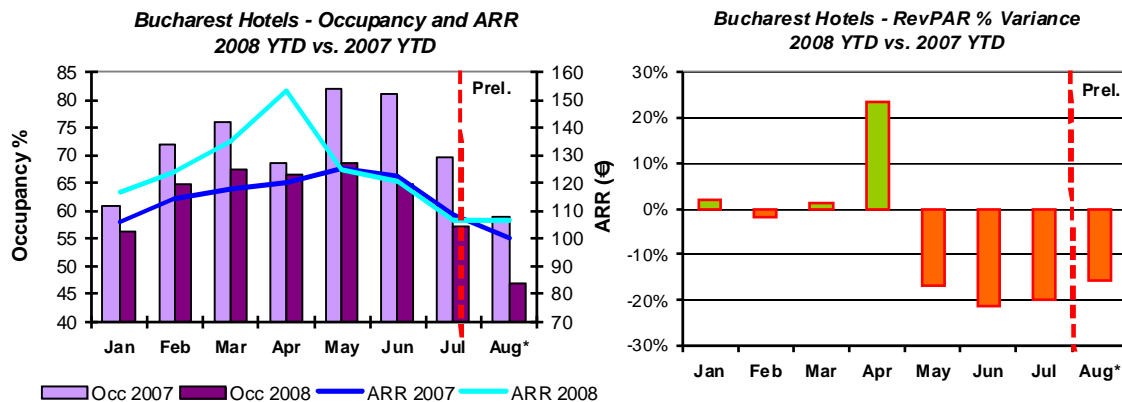
STR Global Trend Report – Bucharest 2007 vs. 2006									
	2007			2006			Variance		
	Occ (%)	ARR (€)	RevPAR (€)	Occ (%)	ARR (€)	RevPAR (€)	Occ pts^	ARR %	RevPAR %
Full Year	71.5	117.6	84.1	68.1	111.8	76.1	3.4	5.3%	10.6%

Note: the above graphs and table are based on monthly and daily data received by STR Global for a consistent sample of 13 hotels, totalling 3,009 rooms. The variance in occupancy (^) is expressed in percentage points.
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Except for December 2007, when the growth in ARR was not sufficient to offset the decline in occupancy, Bucharest hotels recorded significant monthly RevPAR increases, particularly during the first half of 2007. Months characterised by business travel showed impressive double-digit growth rates, with peak levels achieved in April and June 2007, when RevPAR was up by more than 20% against the previous year.

Year-to-date results for the first eight months of 2008 show a downward trend in occupancy rates. The growth in ARR could, however, not prevent RevPAR levels from falling.

STR Global Trend Report - Bucharest 2008 YTD vs. 2007 YTD (€)



STR Global Trend Report – Bucharest 2008 YTD vs. 2007 YTD									
	2008			2007			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts^	ARR %	RevPAR %
YTD Jul	63.5	125.7	79.8	72.8	116.9	85.1	-9.3	7.5%	-6.2%
Aug*	46.8	106.2	49.7	58.9	100.1	59.0	-12.1	6.0%	-15.8%

Note: the above graphs and table are based on monthly and daily data received by STR Global for a consistent sample of 13 hotels, totalling 3,009 rooms, except for August figures (*) which are based on 'unaudited' daily data as available on the 3rd of September for a smaller sample of 10 hotels. The variance in occupancy (^) is expressed in percentage points. COPYRIGHT DISCLOSURE. © 2008 STR Global Limited.

Trends in Hotel Supply

Bucharest has seen significant growth in hotel supply over recent years and more new hotels are set to open in the city, which is historically referred to as 'Little Paris'.

In 2005, a 78-room NH Hotel opened, closely followed by the reopening of the InterContinental hotel after extensive refurbishment and the addition of almost 100 new guest rooms. In 2006, Accor brought its 258-room Novotel onto the famous Calea Victoriei, and K+K Hotel Elisabeta and Tulip Inn added a total of 155 rooms to the local market. Although 2007 was a quiet year in terms of new hotel supply, 2008 has witnessed a number of new openings. Ramada Plaza launched 300 new hotel rooms in Bucharest's developing business area to the north of the city centre. Meanwhile, Radisson SAS opened its impressive, 424-room property on Calea Victoriei, in the very heart of the capital's centre.

And Europe's largest hotel, RIN Grand, completed its extension to offer a total of c. 1,500 rooms and apartments. By the end of the year, two new properties will open in the Romanian capital – the 100-room Royal Hotel in the Unirii area and Africa Israel Hotels' 150-room Hotel Palace.

This increase in new hotel supply is set to continue. Lithuanian Europa Group has announced it plans to reopen the newly refurbished 80-room, four-star hotel Europa Royale on Piața Unirii, and there will also be another 144-room Golden Tulip hotel opening to the north of the city centre. Both hotels are expected to open in spring 2009. Later in 2009, the former Continental Hotel – the city's 'old lady' – is expected to reopen its doors after an extensive renovation programme. The newly named Continental Grand Hotel will feature 54 rooms and is expected to obtain five-star rating. In addition to their existing property at Bucharest Convention Centre, Ramada Worldwide is developing a new 100-room property under its Ramada Encore brand. K+K Hotels has also reportedly chosen a site for a second Bucharest hotel in close proximity to Piata Universitatii. The second K+K Hotel in the Romanian capital will comprise 140 to 160 rooms, as current capacities are considered to be insufficient.

2010 is likely to constitute a peak year in terms of new hotel openings. Sema Parc, a massive business park currently under development just outside the city centre, will comprise commercial, retail and residential space, including a five-star hotel. An operator has not yet been secured for this development of 240 rooms. Furthermore, the Casa Radio Aparthotel is set to open on a site adjacent to the new Radisson SAS hotel. This aparthotel will offer 120 apartments, mostly targeted towards the extended stay market. Also, yet another Tulip is set to blossom, namely a 139-room Tulip Inn that will be located to the west of the city centre.

Trends in Hotel Transactions

Hotel transactional activity in Bucharest is still in its infancy, with just ten hotel transactions since 2005.

Amongst the first transactions was Hotel Çismigiu, a historic building formerly used as a hotel and later as student accommodation. The property was acquired by Spanish Hecesa group for a reported €2 million – with an additional €6 million investment to convert the building to a luxurious 63-apartment hotel with additional commercial space. This transaction was followed by the acquisition of Hotel Elisabeta by Austrian hotel group, K+K Hotels, for €5 million, which was subsequently renamed K+K Hotel Elisabeta.

In 2006, Accor sold the Novotel Bucharest City Centre on a sale-and-leaseback basis to Austrian bank, Sparkassen Immobilien AG, for a total consideration of €29.5 million (c. €115,000 per room). This was by far the highest amount paid for a Bucharest hotel room before the sale of the Golden Tulip Bucharest only five months later. The 82-room property was purchased by Israeli hotel company, Atlas Estates Limited, for €12 million or c. €146,000 per room. Only two months later, Metis Capital Real Estate Ltd. bought the 90-room Hotel Cerna for €2.6 million.

In August 2007, the Romanian American Enterprise Fund sold its Golden Tulip Sky Gate Hotel to Austrian hotel company, Warimpex, for an undisclosed sum. The following month, Bucharest recorded its first hotel portfolio transaction, when Africa Israel Hotel Company bought four hotels totalling 298 rooms – Hotels Central, Venice, Opera, and Palace (the latter of which is under construction), for €18 million (over €60,000 per room).

Outlook

With the increasing stability of Eastern European investment markets, Bucharest can be expected to experience continued increases in domestic and international demand. This should continue to attract significant interest from international hotel operators, heightening the competitive pressure in the city.

The Romanian capital forms part of the rising stars in Eastern Europe, both in terms of individual hotel performance and in terms of transactional activity.

City Review: Brighton

October 2008

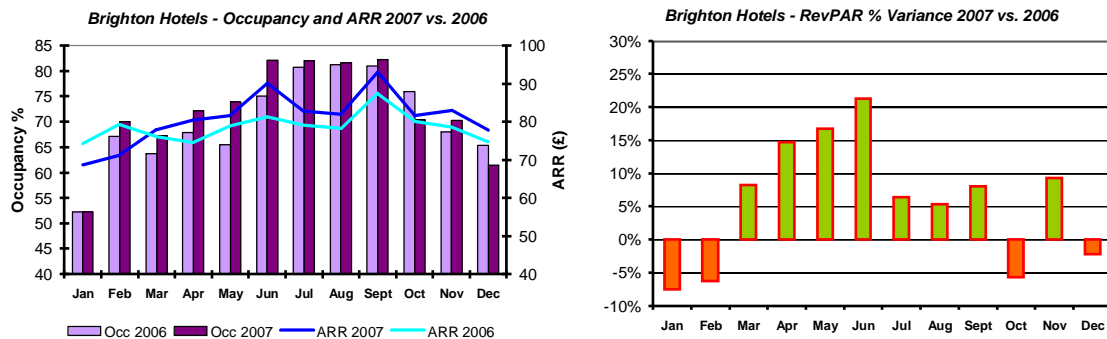
According to the latest city review by Christie + Co, using data provided by STR Global, the sun doesn't always shine in Brighton. After a 6.3% decline in RevPAR for the period January to August 2008, compared to the previous year, preliminary figures for September 2008 suggest that the downturn is continuing, with RevPAR down by 16.2%.

Located on the south coast of England, only an hour from London, Brighton is one of Britain's largest and most famous seaside resorts. Hotel demand in the city is largely driven by two key segments: leisure, and conferences & events. The tourist appeal of Brighton is certainly very strong, attracting millions of visitors every year. It is also an important conference destination, through the Brighton Centre and the Dome, and has become a regular host of party political and union events. Comparatively, the individual corporate market is relatively weak.

Trends in Hotel Market Performance

According to data sourced from STR Global, Brighton hoteliers achieved respectable increases in both occupancy and average rate during 2007, resulting in an overall 6.2% RevPAR uplift compared to the previous year. The strength of Brighton's summer season is apparent from the graphics below.

STR Global Trend Report - Brighton Full Year 2007 vs. Full Year 2006 (£)



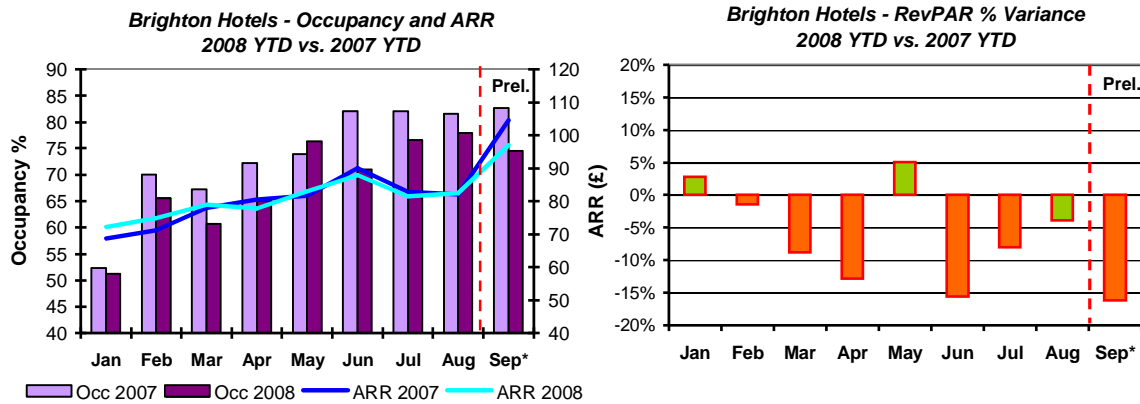
STR Global Trend Report – Brighton 2007 vs. 2006									
	2007			2006			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts^	ARR %	RevPAR %
Full Year	72.2	81.5	58.8	70.3	78.8	55.4	1.9	3.5%	6.2%

Note: the above graphs and table are based on monthly and daily data received by STR Global for a consistent sample of 14 hotels, totalling 1,804 rooms. The variance in occupancy (^) is expressed in percentage points.
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As a predominantly leisure market, hotel performance is seasonal, with peak demand levels during summer months. During the rest of the year, occupancy and average rate levels are highly dependent on key events taking place in the city. The long-awaited redevelopment of the Brighton Centre is greatly needed for the city to maintain its business conference industry in the future, but a specific timeframe is yet to be confirmed.

Year-to-date results for the first nine months of 2008 show a relatively severe decline in marketwide performance, particularly in terms of occupancy levels. In addition to the rainy summer weather and the economic situation, the announced closure of the Brighton Centre for refurbishment, which did not materialise, resulted in some major conferences being displaced to other UK cities during 2008.

STR Global Trend Report - Brighton 2008 YTD vs. 2007 YTD (£)



STR Global Trend Report – Brighton 2008 YTD vs. 2007 YTD									
	2008			2007			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts^	ARR %	RevPAR %
YTD Aug	68.0	80.3	54.6	72.7	80.1	58.3	-4.7	0.1%	-6.3%
Sep*	74.6	97.0	72.4	82.6	104.5	86.4	-8.0	-7.2%	-16.2%

Note: the above graphs and table are based on monthly and daily data received by STR Global for a sample of 14 hotels, totalling 1,804 rooms, except for September figures (*) which are based on 'unaudited' daily data as available on the 6th of September for a smaller sample of 8 hotels. The variance in occupancy (^) is expressed in percentage points. COPYRIGHT DISCLOSURE. © 2008 STR Global Limited.

Trends in Hotel Supply

The most significant change in the city's hotel supply in recent years has been the rapid expansion of the boutique hotel segment, particularly between 2002 and 2005. In the last two years, four hotels have opened their doors. In late 2007, the 234-room Jurys Inn Brighton, part of the New England Square development, and a second 150-room Travelodge on the seafront were unveiled.

More recently, following a multi-million pound facelift, the Royal York Hotel, offering 51 boutique-style bedrooms and suites, was launched at the end of February 2008. This is the second property in Brighton for Max Hotels, which also runs the Lansdowne Place Hotel.

The cutting-edge design myhotel Brighton (80 rooms) opened on Jubilee Street in March 2008, becoming the third member of the award-winning hotel group. Finally, the luxury boutique Kemp Townhouse reopened in mid-summer, with just nine individually-designed guestrooms.

Whilst there are a number of hotel openings rumoured as part of large mixed-use developments in the city, all but one are yet to be fully confirmed at this stage. The derelict Sergeant Yorke's casino building in Queens Road, near the railway station, is to be redeveloped into a 140-room Ibis Hotel, which is due to open in 2009.

Trends in Hotel Transactions

Whilst transactional activity in the guesthouse market has remained strong, there have been no reported individual hotel deals since 2006. However, some hotels changed hands as part of portfolios, including the Thistle Brighton Hotel in March 2007, and the Hotel Seattle in Brighton Marina, which Christie + Co handled as part of the group disposal of Alias Hotels in late 2006. Furthermore, the management of the former Paramount Old Ship Hotel was taken over by Barceló Hotels & Resorts in mid 2007, on a 45-year lease deal with owner Dawnay Shore Hotels (now Puma Hotels plc).

Outlook

The future outlook for the Brighton hotel market is dependent on the city's ability to reinvent itself, and on major regeneration projects moving forward. The credit crunch has delayed most of the city's key projects; however, local authorities remain confident that some will soon come to fruition. The redevelopment of the Brighton Centre will happen, even though we understand that there is no precise timeframe at this stage. The realisation of other large infrastructure schemes, such as Black Rock's multi-purpose events arena or the i360 observation tower at the West Pier, would enable Brighton to remain Britain's quintessential seaside resort.

City Review: Munich

October 2008

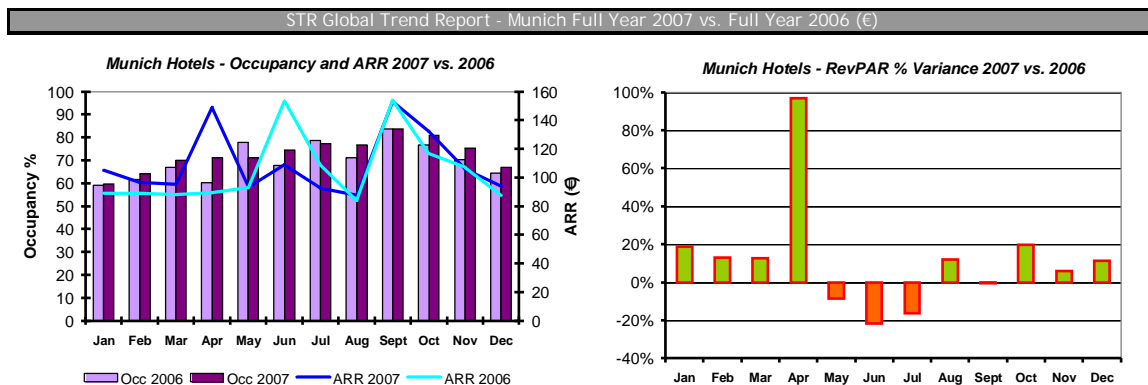
According to the latest city review by Christie + Co, using data provided by STR Global, Munich hotels recorded a 1.3% increase in RevPAR for the first eight months of 2008 compared to the same period in 2007, despite occupancy levels falling by 1.3 percentage points. Preliminary figures for September 2008 show a slight drop in RevPAR of 0.5% compared to the previous year.

Widely known for the ‘Oktoberfest’, Munich is Germany’s third largest city and, as such, benefits from excellent traffic connections and a strong local economy. The city is home to a large number of international and national companies and offers a trade fair centre, which attracts more than 30,000 exhibitors and over two million visitors every year. It is also a popular destination for leisure travellers from all over the world. The share of international travellers, representing close to 50% of all overnights generated in 2007, is significantly higher than in other key German markets.

With the city attracting a well balanced mix of business and leisure travellers, the local hotel market benefits from relatively stable demand levels during the week and throughout the year.

Trends in Hotel Market Performance

The following graphs present data sourced from STR Global, highlighting the change in RevPAR between 2006 and 2007. Munich hoteliers enjoyed a 7.4% RevPAR increase in 2007, compared to 2006, as a result of a rise in occupancy levels (2.6 percentage points) and a 3.6% increase in ARR.



STR Global Trend Report – Munich 2007 vs. 2006

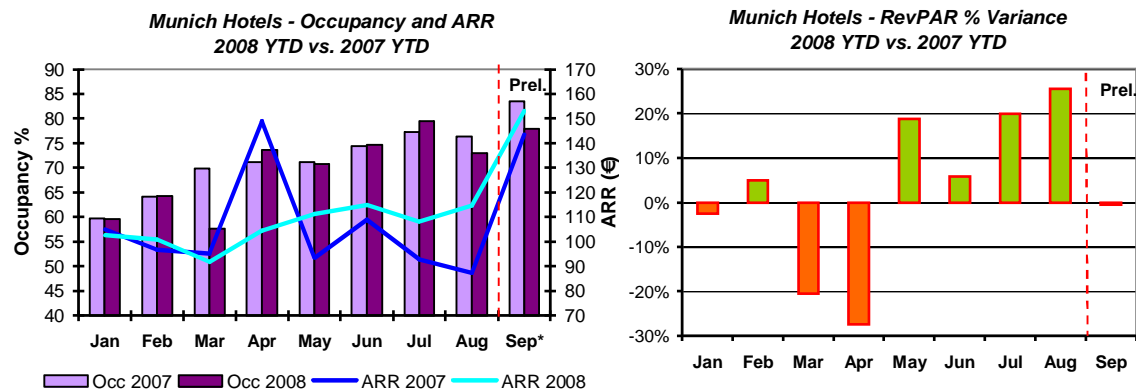
	2007			2006			Variance		
	Occ (%)	ARR	RevPAR	Occ (%)	ARR	RevPAR	Occ pts^	ARR %	RevPAR %
Full Year	72.6	110.2	80.1	70.1	106.4	74.6	2.6	3.6%	7.4%

Note: the above graphs and table are based on audited monthly and daily data received by STR Global for a consistent sample of 48 hotels, totalling 9,898 rooms. The variance in occupancy (^) is expressed in percentage points.
 COPYRIGHT DISCLOSURE. © 2008 STR Global Limited.

In April 2007, local hoteliers recorded an exceptional 96% increase in RevPAR during that month as a result of the 28th BAUMA exhibition – an international trade fair for construction machinery. However, the months of June and July, which were strongly impacted by the FIFA world championship in 2006, showed significant decreases in terms of ARR. As usual, demand levels peaked during the months of September and October, when the annual beer festival ‘Oktoberfest’ took place.

Year-to-date results for the first nine months of 2008 show a downward trend in occupancy rates, whereas ARR increased compared to 2007.

STR Global Trend Report - Munich 2008 YTD vs. 2007 YTD (€)



STR Global Trend Report – Munich 2008 YTD vs. 2007 YTD									
	2008			2007			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts^	ARR %	RevPAR %
YTD Aug	69.3	106.0	73.4	70.6	102.8	72.5	-1.3	3.2%	1.3%
Sep*	77.9	153.2	119.3	83.5	143.7	119.9	-5.6	6.6%	-0.5%

Note: the above graphs and table are based on audited monthly and daily data received by STR Global for a consistent sample of 48 hotels, totalling 9,898 rooms (ending August 2008). The variance in occupancy (^) is expressed in percentage points. COPYRIGHT DISCLOSURE. © 2008 STR Global Limited.

Trends in Hotel Supply

Munich has seen steady growth in hotel supply over recent years and this is set to continue with seven new hotels already opened since the start of 2008, adding around 900 rooms to the city’s capacity.

The 150-room Express by Holiday Inn hotel opened its doors near Munich Airport in April 2008. The following month, two further three-star properties opened in close proximity to the city centre – the Hotel Angelo (150 rooms) and the Hotel Cocoon (44 rooms). May also saw the opening of the budget B&B Hotel Munich North (132 rooms) on Frankfurter Ring. The Leonardo Hotel Munich City Centre opened near the main railway station in July, adding a further 80 rooms to the three-star segment. This summer also saw the budget Motel One Munich City West (121 rooms) open its doors on Landsberger Strasse, shortly followed by the opening of the four-star Azimut Hotel Munich City East

(167 rooms) on Kronstadterstrasse. Last month saw the city's most recent opening, with the four-star Treff Hotel Munich City Centre adding another 64 rooms on Schillerstrasse.

2008's opening pipeline is set to be surpassed in 2009, with another nine hotels scheduled to open. New properties will include a boutique hotel at Viktualienmarkt (72 rooms), another budget Motel One Hotel Sendlinger Tor (244 rooms), and an Ibis Hotel (200 rooms) in the Westend district. The city's three and four-star segments will be enhanced by the addition of a Hotusa Hotel (146 rooms), a Citadines Aparthotel (230 apartments), both at Arnulfpark, a Novotel at Munich Airport (250 rooms), and the Leonardo Hotel Munich Schwabing (72 rooms). Another four hotel projects are scheduled for completion by the end of 2011, including another Motel One Hotel (250 rooms), a four-star Hotel BISS (66 rooms), a Dolce Hotel (255 rooms) in Unterschleissheim, and a, four-star Leonardo Hotel Munich Olympiapark (426 rooms).

'As a key player for over 30 years in the Munich hotel market, we from ArabellaStarwood strongly believe in the future of the city as a solid hotel destination. Therefore we are constantly committed to invest and maintain our portfolio of over 2,000 rooms on a high level in order to offer a top-quality product and service, combined with attractive and well known brands. Since Munich benefits from a well-balanced mix of travellers across all segments, we are able to offer a broad range of our different brands within the city.'

Christian Böll, Managing Director - ArabellaStarwood Hotels & Resorts GmbH

Trends in Hotel Transactions

From a transactional perspective, despite strong investor interest, Munich is characterised by the scarcity of properties for sale. This has led to only a few single asset transactions taking place in recent years. The Marriott Munich Hotel alone has changed ownership three times between 2003 and 2008. It was first acquired by Blackstone Group in 2003 and resold to Marriott International in 2005. In early 2008, JER Partners acquired the property, with Marriott retaining a long-term management agreement. Another transaction of note was the acquisition by Herkules Grundbesitz of the Atrium Hotel Munich, for €14.9 million in 2007.

Additionally, a number of hotels in the city have been sold as part of portfolio transactions, including the Rocco Forte Charles Hotel in 2006, which was part of the mixed-use development Lenbachgärten. The same year saw two Ininside Premium Hotels change ownership as part of Sol Meliá's acquisition of Ininside Premium Hotels Group. This was followed by Blackstone's sale of three German Mercure Hotels, including one property in Munich, for €58 million to property investment company, Mountain Capital. The most recent portfolio deal including properties in Munich took place earlier this year, when the Austrian Hotel Company Portfolio was sold to a Russian investor.

Without a doubt, the Bavarian capital is one of the most robust hotel markets in Germany, with future prospects remaining positive despite the general economic slowdown in the country.

City Review: Helsinki

November 2008

According to the latest city review by Christie + Co, using data provided by STR Global, Helsinki hotels recorded a 2.2% drop in RevPAR for the first nine months of 2008 compared to the same period in 2007, with occupancy down 2.9 percentage points. However, preliminary figures for October 2008 show a 0.5% rise in RevPAR compared to 2007.

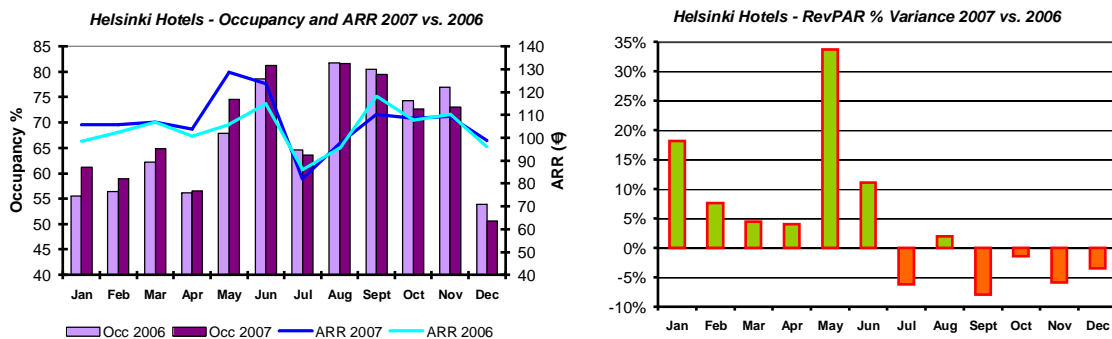
Finland's capital city Helsinki has approximately 1.3 million inhabitants and a workforce of c. 600,000. Located only 2 hours' drive to the west of the Russian border, the city represents an important gateway to Eastern Europe.

The city's hotel market is mainly driven by weekday demand, especially in May and June, but also during the autumn and by special events. Demand during these periods is primarily generated by corporate clients, as many major Finnish and international companies have their headquarters in Helsinki, and by conferences and events. In recent years, Helsinki has also become a popular city break destination, due to its improved accessibility and increased marketing efforts.

Trends in Hotel Market Performance

According to data sourced from STR Global, Helsinki hoteliers achieved a moderate increase of 3% in ARR in 2007. Occupancy increased slightly, resulting in a 4.2% increase in RevPAR compared to the 2006.

STR Global Trend Report - Helsinki Full Year 2007 vs. Full Year 2006 (€)

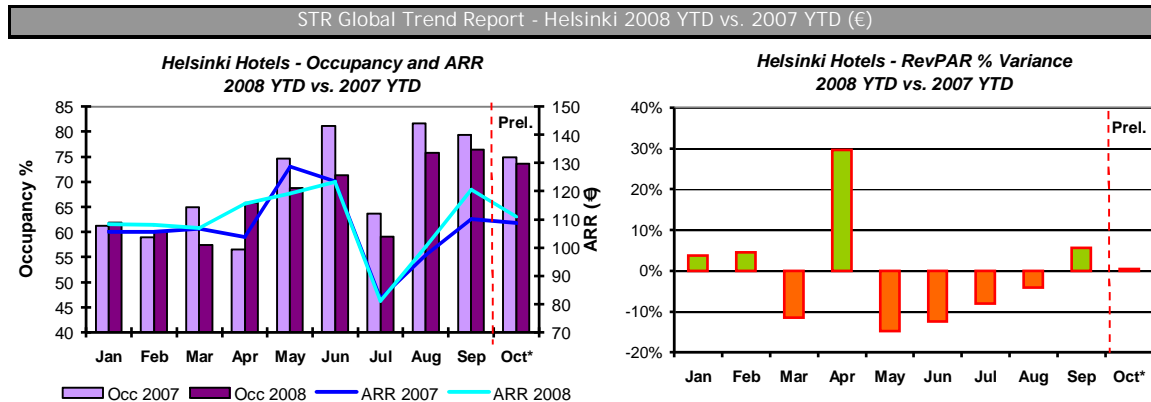


STR Global Trend Report – Helsinki 2007 vs. 2006									
	2007			2006			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts^	ARR %	RevPAR %
Full Year	68.2	107.4	73.3	67.5	104.2	70.3	0.8	3.0%	4.2%

Note: the above graphs and table are based on monthly and daily data received by STR Global for a sample of 27 hotels, totalling 6,188 rooms. The variance in occupancy (^) is expressed in percentage points. COPYRIGHT DISCLOSURE. © 2008 STR Global Limited.

The autumn season in Helsinki tends to be quite busy, with demand driven by all segments. During the rest of the year, trading levels are highly dependent on key city events, such as conferences and sporting occasions. Finnish EU-presidency in autumn 2006, during which the leaders of 38 Asian and European countries concluded their ASEM 6 Summit in September, had a positive impact on figures for the latter part of 2006. The decline during the latter part of 2007 in comparison with 2006, notably in occupancy levels, is mainly due to Helsinki's hosting of the EU presidency. Furthermore there were some new hotel openings in the market. Also the Eurovision song contest held in Helsinki caused a peak in RevPAR seen in May 2007.

Year-to-date results for the first 10 months of 2008 show a decline in market wide performance, particularly in terms of occupancy levels. In addition, some of the new hotels that opened in 2007 have started to gain market share.



STR Global Trend Report – Helsinki 2008 YTD vs. 2007 YTD									
	2008			2007			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts^	ARR %	RevPAR %
YTD Sept	66.4	109.7	72.8	69.3	107.5	74.4	-2.9	2.1%	-2.2%
Oct*	73.7	111.1	81.8	74.9	108.7	81.4	-1.3	2.2%	0.5%

Note: the above graphs and table are based on monthly and daily data received by STR Global for a sample of 32 hotels, totalling 6,477 rooms. The variance in occupancy (^) is expressed in percentage points. COPYRIGHT DISCLOSURE. © 2008 STR Global Limited.

As seen above, occupancy levels declined by 2.9 percentage points between January and September 2008. However, a positive RevPAR was experienced in October for the first time since May 2008, as ARR compensated for the drop in occupancy levels.

Trends in Hotel Supply

As at December 2007, according to Statistics Finland, the Helsinki region offered 70 hotels (totalling c.10,640 rooms), which represented an increase of circa 5% on 2006. Over the past two years, 10 new hotels have entered the market adding c.1,270 new rooms to the market.

The most significant change in the city’s hotel supply in recent years has been the further expansion of the mid-market and upscale segments. The only exception is Omena Hotels, a domestic limited service hotel chain, which opened the 95-room Omena Hotelli in April 2007, followed by a 69-room property in September 2008. The Palace Kämp Group opened a 144-room lifestyle hotel, Hotel Glo, in April 2007, while the 106-room Best Western Premier Hotel Katajanokka opened a month later. A 246-room Hilton Helsinki-Vantaa Hotel Airport, the 36-room Kokoushotelli Meripuisto, and a 96-room Sokos Hotel Albert opened in late 2007. The first hotel to open in January 2008 was a 20-room Hotel Carlton Helsinki. Sokos Hotel chain expanded further in 2008, with the opening of its seventh property in the city, the 151-room Sokos Hotel Aleksanteri. A multi-million euro leisure complex called Flamingo was opened close to the airport in September 2008, which included the 309-room Sokos Hotel Flamingo.

The hotel projects listed below are set to enter the market over the next three years.

Proposed Hotel Supply, Helsinki Metropolitan area					
Hotel Name	Location	Operator/brand	Rooms	Status	Opening Date
Sokos Hotel Tapiola Garden (re-opening)	Espoo, Tapiola	Sokotel Oy	154	Under renovation	1-Dec-08
Hotel Haven	Helsinki, Downtown	Royal Restaurants	77	Under construction	Q1 2009
Cumulus Hakaniemi	Helsinki, Hakaniemi	Restel Oy	152	Planning	2010
Next Hotel	Helsinki, Siltasaari	Next Hotels	170	Planning	2011

Source: Christie + Co Research and Analysis

Trends in Hotel Transactions

There were a number of transactions completed in 2007 in the city. However activity appears to have slowed down since the beginning of 2008. In January 2007 a portfolio of 39 hotels was sold by Northern European Properties Ltd (NEPR) to CapMan Hotels Fund for €805 million, which included several Helsinki properties; Crowne Plaza Helsinki, Cumulus Airport, Holiday-Inn Garden Court, Palace Linna, Ramada Airport, Sokos Hotel Albert and Sokos Hotel Pasila. These hotels are mainly leased to hotel operators such as Restel, Palace Kämp Group, SOK and Scandic. In late 2007, Exilion Capital acquired an office/hotel building located in the city centre for €90 million, which included the 174-room Holiday-Inn Helsinki City Centre. The only transaction to date this year has been the acquisition of the 202-room Sokos Hotel Helsinki for €42 million, which was the second Helsinki property acquired by Exilion Capital.

Outlook

Whilst further supply increases are likely to put pressure on future trading performance, particularly for hotels in secondary locations, the Helsinki hotel market still offers great opportunities for internationally full service products and also for limited-service hotels, as these products are currently under-represented in the market. Furthermore, in the longer term the city should benefit from several major developments, notably improvement of accessibility i.e. more flight connections, new low cost carriers and a fast track train connection between Helsinki and St. Petersburg.

Despite the current economic climate I strongly believe that a hotel operator can still be successful in Helsinki, as there seems to be a demand for certain products in the market. A good proven example is our company that offers individual products and services. Therefore, we are confident in our approach and constantly looking into new expansion opportunities for our brand.

Mikko Heinonen
CEO, Palace Kämp Group
www.palacekamp.fi

City Review: Dublin City

December 2008

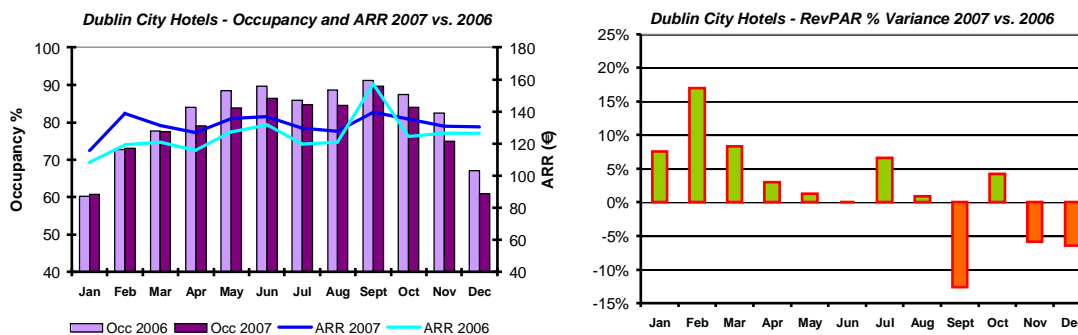
According to the latest city review by Christie + Co, using data provided by STR Global, the current economic climate is putting increased pressure on the Dublin City hotel market. Year-to-date figures for January to October 2008 show an 8.3% decline in RevPAR, compared to the same period last year.

The Dublin City hotel landscape is set to change considerably over the next few years as a number of developments come to fruition. 2009 will see the opening of the much anticipated Convention Centre Dublin and Point Village on the North Docklands, while across the River, Grand Canal Square will welcome Daniel Libeskind's Performing Arts Centre and Gallery. Also close to Grand Canal, the much awaited Lansdowne Road stadium will be unveiled in 2010. With a rapidly expanding population and a buoyant tourism industry, the city is set to embrace these changes.

Trends in Hotel Market Performance

According to data sourced from STR Global, Dublin City hotels achieved a moderate improvement in RevPAR in 2007 compared to the previous year. Despite a three percentage point decline in occupancy, ARR grew by 5.1%.

STR Global Trend Report - Dublin City Full Year 2007 vs. Full Year 2006 (€)



STR Global Trend Report – Dublin City 2007 vs. 2006

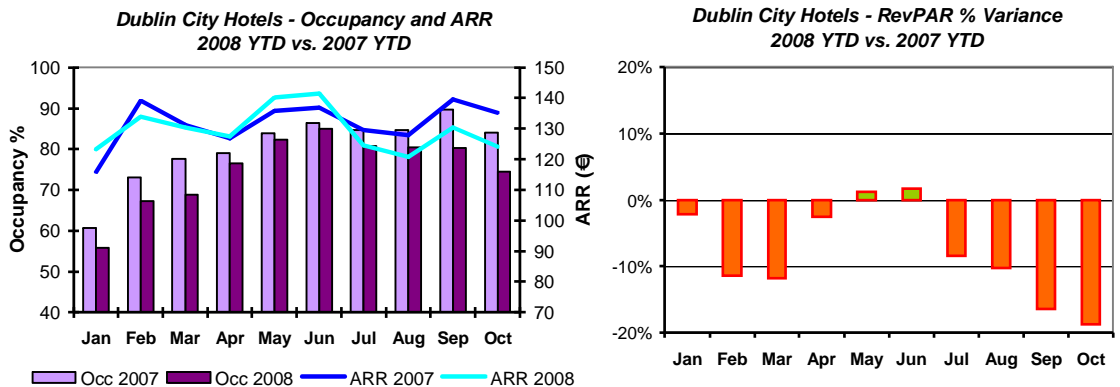
	2007			2006			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts^	ARR %	RevPAR %
Full Year	78.4	132.0	103.5	81.4	125.7	102.3	-3.0	5.1%	1.2%

Note: the above graphs and table are based on monthly and daily data received by STR Global for a customised sample of 30 hotels, totalling 4,460 rooms. The variance in occupancy (^) is expressed in percentage points. COPYRIGHT DISCLOSURE. © 2008 STR Global Limited.

September 2006 saw a peak in performance, both in occupancy and ARR as a result of the Ryder Cup. Sporting events continue to sell out the city's hotels on a number of key weekends each year, as do concerts, festivals and other major events. Dublin also experiences high levels of midweek demand due to the presence of many multi-nationals in and around the city.

Year-to-date results for the first ten months of 2008 show a significant decline in market wide performance, both in terms of occupancy and ARR. Due to the global economic slowdown, a decline in leisure demand was witnessed in 2008. The weakening of the Pound against the Euro has further emphasised the perceived expense of Dublin as a destination, leading to a noticeable reduction in UK visitation – a market which historically represented over 50% of overseas visitors to the city.

STR Global Trend Report - Dublin City 2008 YTD vs. 2007 YTD (€)



STR Global Trend Report – Dublin City 2008 YTD vs. 2007 YTD									
	2008			2007			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts^	ARR %	RevPAR %
YTD Oct	75.2	129.9	97.7	80.6	132.2	106.5	-5.4	-1.8%	-8.3%

Note: the above graphs and table are based on monthly and daily data received by STR Global for a customised sample of 30 hotels, totalling 4,460 rooms. The variance in occupancy (^) is expressed in percentage points. COPYRIGHT DISCLOSURE. © 2008 STR Global Limited.

Trends in Hotel Supply

The Hotel Capital Allowance scheme, which was introduced in 2003, resulted in a frenzy of hotel development around the country. In 2007 alone, Dublin City saw the opening of three new branded hotels, including the 150-room Radisson Hotel on Golden Lane, the 120-room Hilton Hotel in Kilmainham and the 126-room Comfort Inn Hotel on Parnell Square. In the same year, Dublin welcomed the reopening of the highly anticipated Shelbourne Hotel, now operated under Marriott’s Renaissance brand, and Ireland’s first Ritz Carlton Hotel, which opened in Wicklow, just 25km from the city centre.

Although the city has witnessed a significant increase in hotel supply in recent years, development plans continue, with many exciting hotels in the pipeline for the next two years. In autumn 2009, Edward Holdings will open its first Dublin hotel – a 167-room property in Grand Canal Square. 2010 will witness the opening of a 260-room hotel, to be operated by Choice Hotels Ireland, at Point Village. This will be followed in September by the opening of a 238-room hotel at JJ Rhatigan’s ‘Heuston South Quarter’, to be operated by Marriott.

Other projects which are in the pipeline include:

Project/Location	Rooms	Developer/Brand	Planning Status
Spencer Dock	250+	Treasury Holdings	Alterations submitted
Jurys/Berkeley Court site, Ballsbridge	232	Sean Dunne	Planning granted
Leeson Lane/Quinn Lane	290	Bennett	Planning granted
Gasworks	520	Liam Carroll	Planning granted
Upper Exchange Street	44	n/a	Planning granted
Vicar Street Budget Hotel	194	Harry Crosbie	Planning granted
Chancery Lane/Ship Street (Radisson extension)	55	JJ Rhatigan	Planning submitted
Northern Quarter 4* Hotel	152	Arnotts	Alterations submitted
Abbey Street Bus Terminal redevelopment	344	n/a	Additional info requested
Summerhill/Gardiner Lane	374	Travelodge	Planning submitted

Source: Christie + Co Research

A hotel has been mooted for some time for Clancy Barracks; however it is unknown at this stage if it will proceed. Similarly, Geranger, a consortium including U2 band members, have put plans for the U2 tower hotel development on hold.

Dublin airport is also set to see an increase in supply, with TIFCO planning to open a second Crowne Plaza hotel of 400 rooms, linked to Terminal 2. However, Rezidor’s plans to open a Park Plaza hotel at the airport are currently on hold.

Frank Magee, Chief Executive of Dublin Tourism said:

‘Whilst a recent increase in hotel supply has impacted occupancy, the opening of the O2, Lansdowne Road stadium, Convention Centre Dublin and Terminal 2; and the designation of such events as European City of Science and the Eucharistic Conference, means Dublin will be well placed to boost hotel performance in the long term.’

Trends in Hotel Transactions

Hotel transactional activity in Dublin has been buoyant over recent years. However, 2008 witnessed a slowdown compared to activity levels in 2007, in line with most markets across Europe. In February 2007, the former Jurys Doyle Hotel, the Montrose, was sold for €40 million, while in the same month the 192-room Conrad Hotel was acquired by Bernard McNamara for €100 million. Later in 2007, in April, the 500-room Jurys Burlington was acquired by a group backed by property developer Bernard McNamara for €288 million.

Outlook

A return to the heightened levels of economic growth seen during the days of the Celtic Tiger may be optimistic in the short-term; however, the strength of the tourism industry and presence of significant inward investment will continue to benefit Dublin's hotel market. The opening of Convention Centre Dublin, coupled with increased capacity at Dublin Airport will open up new opportunities for the city to attract worldwide events and conferences.

City Review: Madrid & Barcelona

January 2009

Country Overview

Over the past decade, Spain has been one of the fastest growing economies in Western Europe.

After a European-wide recession in the early 1990s, Spain experienced sustained growth from 1994 through to 2007. This growth was mainly caused by a boom within the construction sector, an abundance of cheap debt and a significant influx of immigrants. However, in 2007 domestic demand started showing signs of overheating as real estate prices had almost tripled in less than 10 years and the economy had a large current-account deficit which exceeded 10% of GDP.

The advent of the international credit crisis in mid 2007 put many highly leveraged developers under pressure. Some were unable to refinance their debt, while others saw the cost of debt increase substantially, leading to the possibility of defaults and foreclosures.

The economic challenges of 2007-08 are likely to continue during 2009 with an expected rise in unemployment being a key issue. EIU expects a recovery to start in 2010 as debt availability increases, consumer confidence returns and private consumption grows.

	2003	2004	2005	2006	2007	2008*	2009^	2010^
Real GDP growth	3.1%	3.3%	3.6%	3.9%	3.7%	1.3%	-1.7%	0.2%
Inflation (% change)	3.0%	3.1%	3.4%	3.6%	2.8%	4.4%	1.6%	1.4%
Unemployment rate	11.5%	11.0%	9.2%	8.5%	8.3%	11.1%	14.7%	15.7%
Lending interest rate (av)	7.5%	6.6%	5.8%	5.8%	6.6%	7.4%	6.2%	5.7%
Exchange rate US\$:€ (end-period)	0.9	1.35	0.85	0.76	0.68	0.78	0.77	0.77

Source: Economist Intelligence Unit (EIU) December 2008. (*) EIU estimates (^) EIU forecast

Cities Overview

Madrid

The capital of Spain is the political and financial centre of the country. Due to its geographical expansion, the city has developed new neighbourhoods and industrial areas, while a new business district in the north of the city is currently under development. Madrid is home to technological companies such as Dell, Motorola and Telefónica together with pharmaceutical giants such as Pfizer, Merck and GlaxoSmithKline. Madrid's importance as a conference and convention destination is underpinned by the IFEMA Exhibition Centre which was extended in 2007. On the leisure side, even though less popular than Barcelona, the city offers a large number of art museums and palaces that are worth visiting.

Barcelona

The city has developed a strong international profile attracting both leisure and business visitors, especially since the Olympics in 1992.

On the leisure side, Barcelona is a popular weekend destination as it not only offers a wide array of modern art including 9 UNESCO World Heritage buildings but also a Mediterranean lifestyle, which is appreciated by many tourists. In addition, the port of Barcelona (extended in 2007) is a great source of cruise arrivals with over 2 million passengers welcomed in 2008. On the business side, the Fira de Barcelona and the Palau de Congressos make the city one of Europe's premier destinations for meetings and conventions. Lastly, the new high speed train linking Barcelona and Madrid in 2.5 hours is expected to increase mobility between both cities in terms of leisure and business visitation.

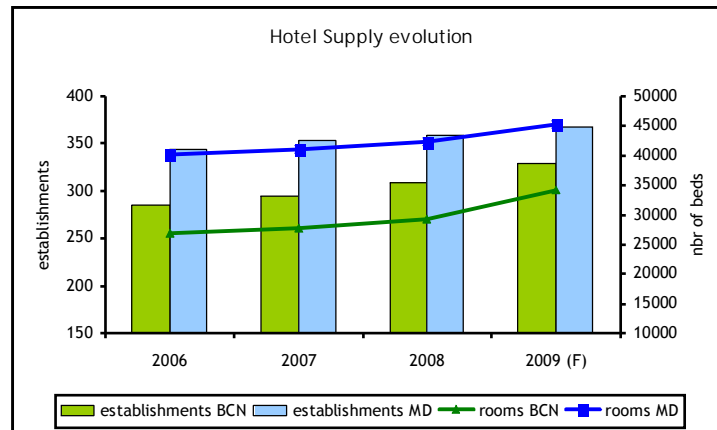
Hotel Supply

Hotel supply in Madrid and Barcelona is mainly focused on the three- and four-star segment. These categories represent almost 75% of the total room supply in both markets. As at December 2008, Madrid comprised 359 establishments totalling over 42,300 rooms. This was an increase of 3.2% over the number of rooms recorded in 2007. In Barcelona, 309 establishments were recorded comprising over 29,000 rooms, an increase of 5.1% in rooms from 2007. Some of the most prestigious openings in 2008 were the 'Me' by Melia in Barcelona, the Hilton Airport Madrid and the newly refurbished Villa Magna Hotel in Madrid. International brands account for c. 55% of the total supply in both cities.

Madrid is due to see the opening of 9 properties during the course of 2009, representing some 600 rooms, most of which will be positioned within the 4-star segment. Openings of note include a Selenza Hotel (45 rooms) and four Quo Hotels (+200 rooms).

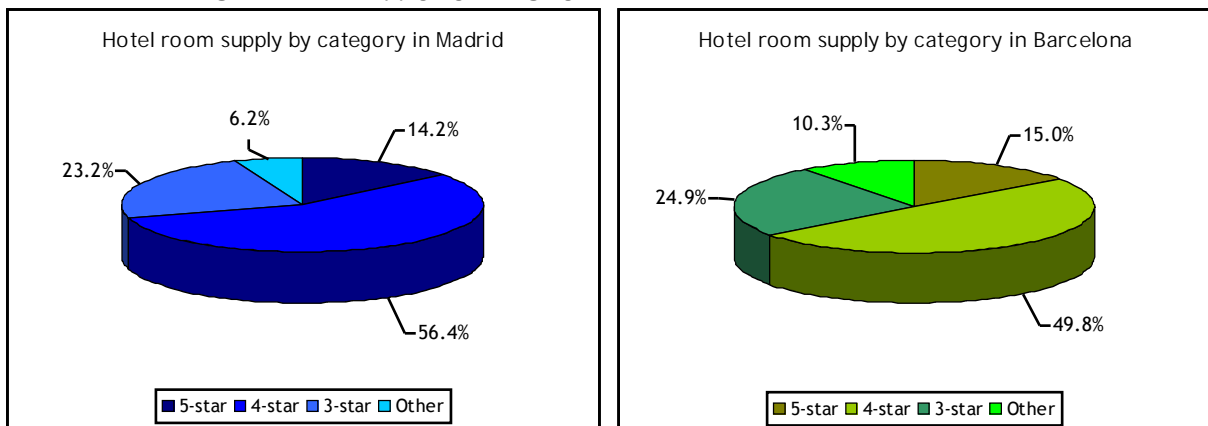
Barcelona is expected to see the opening of 20 new properties in 2009, representing some 2,519 rooms, which like Madrid will largely be within the 4-star segment. Some of the most notable properties scheduled to open include a Mandarin Oriental (100 rooms) and a W Hotel (475 rooms). On the whole, we expect hotel development to continue in both locations, although some projects are likely to be delayed or cancelled altogether due to the ongoing economic turmoil.

Figure 1: Room supply in Barcelona and Madrid, 2006 - 2009 (F)



Source: INE, Turisme de Barcelona and Christie + Co

Figure 2: Bed supply by category in Barcelona and Madrid, 2008



Source: INE, Turisme de Barcelona and Christie + Co

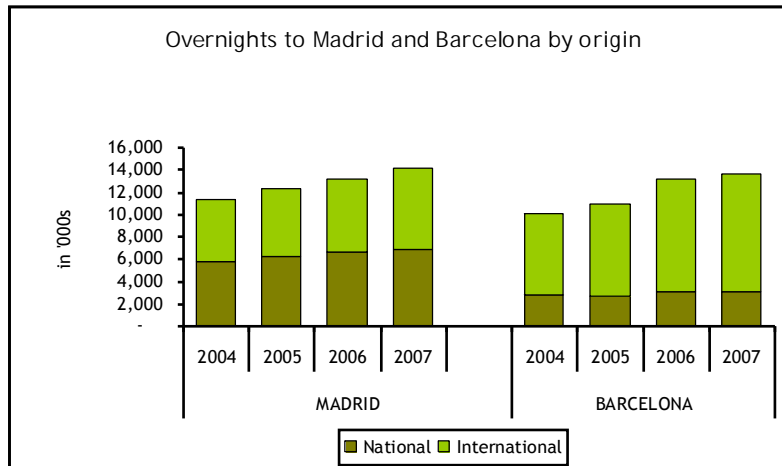
Demand Characteristics

As illustrated in this section, overnight stays in Barcelona and Madrid have experienced significant growth and reported a Compounded Annual Growth Rate (CAGR) of 10.3% and 8.0% respectively during the last four years. Data for the year to September 2008 in Madrid shows a 3.5% decline in total arrivals with a 0.6% increase in overnight stays versus the same period in 2007. This is mainly due to a 10.7% decline in national arrivals.

While Madrid is more reliant on the domestic market, Barcelona captures a significant proportion of international visitors. This is a result of the numerous marketing initiatives undertaken by local authorities, which have positioned the city as one of the eminent short break destinations in Europe.

Both cities show similarities in terms of international source markets with the UK, USA and Italy being of particular importance to both cities.

Figure 3: Overnights in Madrid and Barcelona by origin, 2004 - 2007



Source: Ayuntamiento de Madrid, Turisme de Barcelona

Table 2: Top international source markets

Top international arrivals			
	Barcelona		Madrid
UK	15.6%	USA	13.2%
Italy	12.4%	UK	9.4%
USA	10.5%	Italy	9.3%
France	9.0%	France	7.2%
Germany	7.5%	Germany	6.2%

Source: Ayuntamiento de Madrid, Turisme de Barcelona

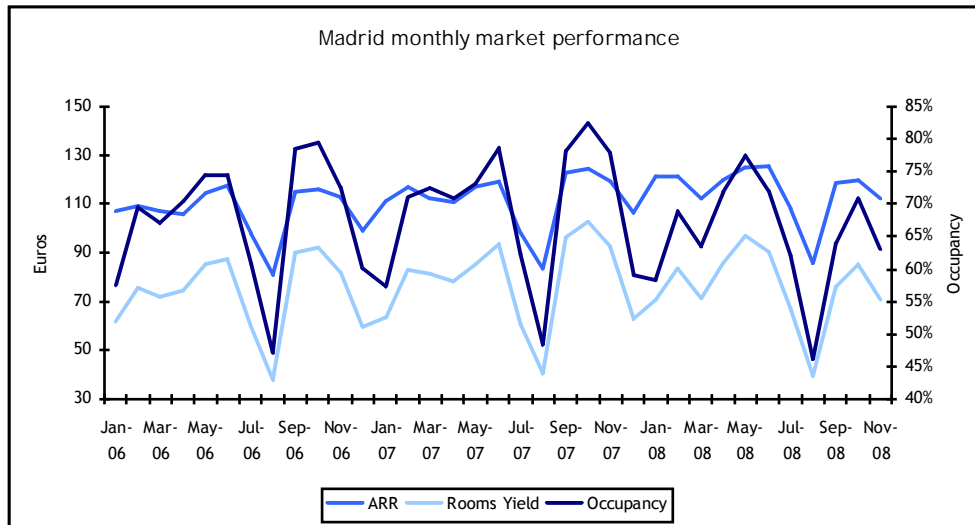
Trading Performance

Madrid

According to data sourced from STR Global, Madrid's RevPAR in 2007 increased by 7.3% in comparison to 2006. Year to November 2008 statistics suggest that the market has been impacted by the current economic crisis: average occupancy has dropped by 7%, contributing to a 4.6% decline in RevPAR over the same period in 2007.

In addition, the Madrid market is highly seasonal. Whilst September to October occupancy is above 77%, August and January record very low occupancy levels of 47% and 58% respectively. This illustrates the nature of the market which, as highlighted before, has a higher proportion of corporate demand and is consequently impacted by the relative lack of leisure demand during the summer holiday period.

Figure 4: Monthly trading performance Madrid, 2006 to Year to Nov 2008



Source: STR Global. Note: This analysis uses a customised and consistent sample

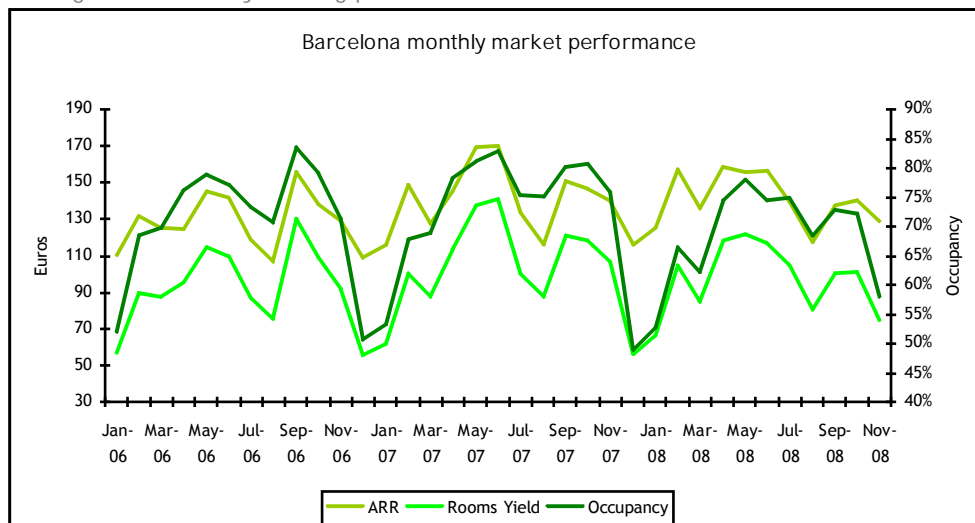
Barcelona

STR Global’s latest figures indicate that Barcelona’s 2007 RevPAR increased by 11.5% in comparison to 2006. In line with Madrid’s performance, year to November 2008 figures also show signs of the economic crisis with occupancy dropping almost 7.9% contributing to an 8.9% decline in RevPAR compared to the same period in 2007.

The Barcelona market is more evenly split between business and leisure demand, contributing to a less seasonal performance trend than Madrid. December and January are the weakest months whilst occupancy during the remainder of the year ranges between 68% and 83%.

Finally, Barcelona has historically enjoyed a higher room rate than Madrid due to a larger amount of internationally branded hotels.

Figure 5: Monthly trading performance Barcelona, 2006 to Year to Nov 2008



Source: STR Global. Note: This analysis uses a customized and consistent sample

Hotel Transactions

A number of hotels have changed hands in Barcelona and Madrid over the past two years. In 2007, single asset sales in Barcelona included SB Diagonal Zero, Hotel Abbot and the Aparthotel Atanea. In 2008, the Husa Via Barcelona and the Hotel Sky were sold. During the same year, Madrid saw the sale of the Bauza Hotel & Restaurant and the Sanvy Hotel.

Outlook

Madrid and Barcelona are the two most dynamic cities within Spain with constantly evolving hotel markets.

Spanish developers have historically demonstrated some resistance towards internationally branded hotels, displaying a bias towards national operators offering them attractive fixed lease agreements. The current climate is likely to push developers towards introducing international brands with greater marketing strength and consider different types of ownership structures.

As global brands (especially luxury) enter the market, overall product quality will be further enhanced, which will be beneficial in achieving higher rates. We believe that this will reduce the gap in average room rates that Barcelona and Madrid have traditionally experienced versus other major European cities such as London, Paris and Milan.

However, the challenge for both cities in the short term will be how to deal with the current economic turmoil as well as to absorb the new supply entering the market. The latter could potentially have an adverse impact on occupancy as well as average room rates in the short to medium term.

City Review: Stockholm

February 2009

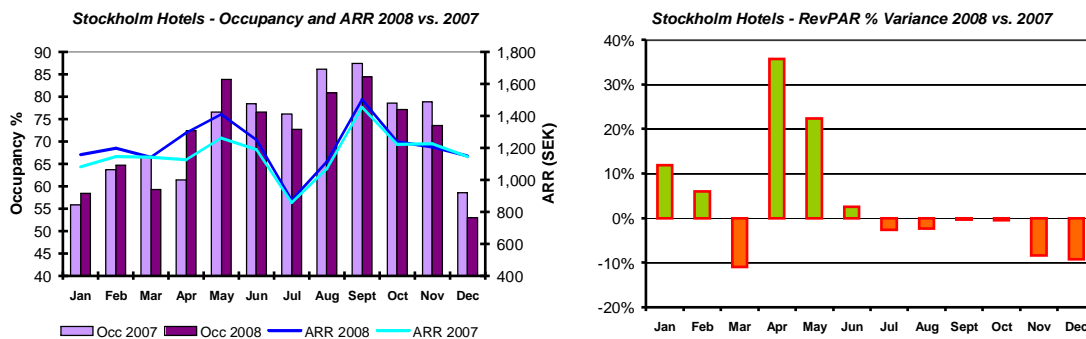
According to the latest city review by Christie + Co, using data provided by STR Global, Stockholm hotels recorded a 3.1% increase in RevPAR during 2008 compared to 2007, despite a slight decline in occupancy. After a strong start to 2008, the Swedish capital felt the effects of the economic downturn during the latter part of the year. Preliminary figures for the month of January 2009 suggest that the downturn has continued, with RevPAR down by 16.9% on the previous year.

Stockholm is the home of many multinational companies and Sweden’s stock market. It is the most visited city in Scandinavia, thanks to transportation links and numerous city events. Stockholm also offers a unique range of galleries and museums, and each year it hosts the world-renowned Nobel Prize awards ceremony.

Trends in Hotel Market Performance

According to data provided by STR Global, Stockholm hoteliers achieved an overall RevPAR increase of 3.1% in 2008 compared to the previous year.

STR Global Trend Report - Stockholm Full Year 2008 vs. Full Year 2007 (SEK)



STR Global Trend Report – Stockholm 2008 vs. 2007									
	2008			2007			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts^	ARR %	RevPAR %
Full Year	71.4	1,217.9	869.6	72.4	1,164.9	843.4	-1.0	4.6%	3.1%

Note: the above graphs and table are based on monthly and daily data received by STR Global for a customised and consistent sample of 61 Stockholm hotels, totalling 11,120 rooms. The variance in occupancy (^) is expressed in percentage points. COPYRIGHT DISCLOSURE. © 2009 STR Global Limited.

Nutek, the Swedish Agency for Economic and Regional Growth, reports that the demand mix for hotels in Stockholm can be divided into 60% Business, 7% Conference, 9% Group and 25% Leisure. Peak hotel demand is recorded between May and November. Nutek’s research also highlights that hotel demand is primarily generated by midweek business travellers, especially in May and June, and by special events and conferences during the autumn season.

A progressive slowdown in performance can be noticed during the second half of 2008, as a result of new hotel supply in the city and the economic downturn. However, ARR growth remained strong, up 4.6% compared to 2007, resulting in a positive year-end RevPAR performance. The year-on-year variation in March and April is attributable to Easter holidays. In May 2008, Sweden took the Chair of the Committee of Ministers of the Council of Europe for six months, and as such Stockholm hosted additional conferences and events, notably in May and June.

Preliminary data for the month of January showed a significant decline both in occupancy and ARR, causing an overall RevPAR decline of 16.9% compared to January 2008.

STR Global Trend Report - Stockholm 2009 January vs. 2008 January (SEK)									
	2009			2008			Variance		
	Occ %	ARR	RevPAR	Occ %	ARR	RevPAR	Occ pts [^]	ARR %	RevPAR %
Jan	51.4	1,040.6	534.7	58.6	1,097.0	643.1	-7.2	-5.1%	-16.9%

Note: The above table is based on STR Global's daily data sample set as available on the 4th February for 72 Stockholm hotels. The variance in occupancy (^) is expressed in percentage points.
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Trends in Hotel Supply

The most significant change in the city's hotel supply in recent years has been the continued expansion of the mid-market and upscale segments. During 2007, the Best Western Time Hotel (144 rooms), the Hotel Norrtull (129 rooms), the Connect Hotel Stockholm (85 rooms), and the Hotel Haga Kristineberg (90 rooms) opened. Stockholm's largest hotel, the 558-room Clarion Hotel Sign, situated in the heart of the city, adjacent to the Central Station, was unveiled during 2008. Within the boutique/design segment, the privately owned and operated Lydmar Hotel (46 rooms) saw daylight last autumn, next to the famous Grand Hotel, whilst the Hotel Stureplan (101 rooms) opened in two stages during 2008. The former Hotel Arcada also reopened during 2008, as the 91-room Elite Hotel Arcada.

The hotel projects listed below are set to enter the market over the next four years.

Proposed Hotel Developments - Stockholm				
Hotel Name	Location	Operator/Brand	Rooms	Planned Opening Date
Lilla Rådmannens Bakficka	Stockholm	Private	25	Feb 2009
Stay At Stockholm Lindhagen	Kungsholmen	Stay At	143	Mar 2009
Story Hotel	Riddargatan	Private	82	Mar 2009
Courtyard by Marriott Kungsholmen	Kungsholmen	Marriott	272	Nov 2009
Hotell Skeppsholmen	Skeppsholmen	Nobis	82	Late 2009
Park-Inn Hammarby Sjöstad	Sjöstad	Rezidor Hotel Group	177	Late 2009
Hotell Norrmalmstorg	Stockholm	Nobis	200	Summer 2010
Park-Inn Stockholm Waterfront	Stockholm	Rezidor Hotel Group	418	Late 2010
Quality Hotel	Solna	Choice Hotels	400	2012
Clarion Hotel	Arlanda	Choice Hotels	400	2012
Scandic Kista	Kista	Scandic	400	n/a
Stay At Frihamnen	Gärdet	Stay At	174	n/a

Source: Christie + Co Research and Analysis

In addition to the above projects, a further 3,200 rooms are in the pipeline, although some of the schemes included in this forecast are reportedly on hold.

Trends in Hotel Transactions

There were a number of transactions completed in the city through 2007 and 2008. In June 2007, Norgani entered into an agreement with Scandic Hotels AB to acquire two hotels for €76.3 million – the Scandic Hasselbacken (112 rooms) and the Scandic Alvik (325 rooms, built in 2003). Scandic Hotels signed a 15-year rental agreement for both properties. In the last quarter of 2007, a consortium including Jarl Asset Management, Niam and CarVal Investors sold the Park-Inn Stockholm Waterfront Hotel for €130.4 million to a Norwegian insurance company Vital. The hotel, currently under development, will open in autumn 2010 with 418 rooms and conference facilities for up to 3,000 delegates. The Courtyard by Marriott development in Stockholm, due to open by the end of 2009, was sold in early 2008 by Faktor Eiendom to Invesco as part of a sale-and-leaseback deal which also included the Radisson Hotel in Hamburg, Germany.

" The Stockholm hotel market is preparing for a slow 2009. As before, the downturn in an economic cycle is the time to regroup and revise the company structures and strategies. As for the market, it is important to stay strong with the rate strategies and keep investing in the products. We need to be prepared for the high demand again. I feel confident in our strategies and well prepared to fight this turbulence. For the future, I am sure that the mid-market hotel brands will grow more than the upper-market ones. Stockholm is continually growing and improving as a destination city; therefore, there will always be positive growth with the need for future capacity.

Sam Holmberg, General Manager
Park Inn Stockholm Waterfront & Stockholm Waterfront Congress Centre

Outlook

The economic environment, coupled with the planned increases in hotel supply are likely to put continued pressure on hotel trading performance going forward, notably for upscale hotels and properties in secondary locations. However, the Stockholm hotel market still offers opportunities for new and under-represented products, such as hotels attached to conference centres, limited service hotels, hotels part of mixed-use schemes and aparthotels.

