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Good hotel news amid uncertain economic news in 2008

Ernst & Young offers top ten U.S. hospitality trends

LOS ANGELES, 28 JANUARY 2008 – The credit crunch, a weak US dollar, new construction, green building, globalization and rapidly shifting US demographics are all factors that will shape the US hospitality sector in 2008, according to a report released today at the Americas Lodging Investment Summit (ALIS) by Ernst & Young.

“Conventional wisdom might suggest that the US hospitality sector is likely to suffer if we head into a recession, but the unique fundamentals of the hotel industry over the last few years suggest otherwise,” said Michael Fishbin, Hospitality & Leisure practice Director for Ernst & Young US.

Fishbin points to a supply growth slowdown prior to last year’s correction in the debt markets as contributing to the positive cycle in the hotel sector. “With the financing tap essentially turned off for a few months and underwriting terms changing dramatically, there will be less new construction in the next two to three years than originally planned,” said Fishbin. “Essentially, supply will continue to maintain a balance with demand.”

The report points to globalization as another major influence on growth in the hospitality sector. The weak US dollar is attracting capital into the US hotel sector from a variety of sources including sovereign wealth funds, which is the new major player in world finance. At the same time, US hotel operators and investors are looking to Europe and Asia in search of new opportunities. Based on recent survey research of hospitality industry leaders, Ernst & Young expects to see more international investment from major US hotel companies in the near- to mid-term, and this may include new US entrants to the international hotel scene beyond those already operating internationally.

Other trends outlined in the report include:

Continued growth in the condo hotel/destination club sector as more Baby Boomers seek second home options in the US and abroad;

A proliferation of 'green' hotels as construction premiums for green building designs and shortened cost recovery times encourage developers to pursue sustainable properties.

Further emphasis on branding both at the tourist level (by cities and regions) and the property level (by operators) as companies look to gain marketshare – and increase the bottom line – in a much more competitive marketplace.

To view or download a complete version of Ernst & Young's Top 10 Thoughts on the Hospitality Sector in 2008, visit www.ey.com/realestate

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