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Increased Corporate Demand and Higher Rates from Luxury Sector Boost US Hotel Markets, Says Ernst & Young Survey

Manhattan, Hawaii, San Francisco and Miami Lead Performance

NEW YORK, June 06, 2007 – Major hotel markets throughout the United States continued to witness positive growth in 2006 and are expected to repeat that performance in 2007, thanks to increased corporate travel and a surprisingly strong showing from the upper-end of the hotel market, according to the 2007 US Lodging Report released today by Ernst & Young.

“The hospitality market in the US continues to move forward, overcoming the challenges posed by numerous natural disasters and human conflicts over the last seven years,” said Michael Fishbin, National Director US Hospitality & Leisure practice, Ernst & Young. “In fact, business travel has strengthened significantly in the last 12 months thanks to lower domestic airfares as well as corporate travel departments lowering costs through advance ticket purchases.”

This, in turn, has led to strong demand for hotel rooms, pushing up prices, in traditional corporate destinations such as Manhattan, Chicago, San Francisco, Los Angeles and Boston.

“The bad news is that travelers will have to get used to the sticker shock in 2007,” Fishbin said. “With only moderate growth in the supply of new hotels being built in the US, occupancy rates for existing hotels are expected to remain fairly stable this year and into 2008, giving hoteliers the opportunity to keep rates high or even raise them further during periods of high demand,” he added.

Revenue per available room (RevPAR) – a key indicator of hotel sector performance – was at its peak across all segments of the market in 2000 and has been steadily rising again following a precipitous decline in the aftermath of 9/11. In 2006, the market saw solid gains in two leading indicators of performance – average daily room rate (ADR) and RevPAR – both of which increased by more than seven percent over the prior year.

“We are expecting increases in the six percent range for ADR and RevPar in 2007. Manhattan, Chicago, San Francisco, Boston, Dallas, Los Angeles and Phoenix are likely to benefit from the strong projected performance of the luxury and upper upscale segments of the hotel market,” Fishbin said.

In fact, luxury hotels enjoyed the highest growth in ADR in 2006 (8.7 percent) and the segment is expected to be the only area to outperform the overall US hotel market in terms of ADR this year with an

8.1 percent growth in ADR vs. just 6.0 percent for the market as a whole, according to data supplied by Smith Travel Research.

Hotels from economy through the upscale segment in East Coast cities like New York, Boston, Washington D.C. and Miami might also see benefits from a projected increase in leisure travel from across the Atlantic through 2008 with the open skies agreement, which allows for more transatlantic flights.

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About the 2007 US Lodging Report

The 2007 US Lodging Report offers Ernst & Young's assessment of the direction of the US lodging industry, thoughts on key global industry trends, and analysis of the industry's major segments for 16 major metropolitan markets in the US. Copies of the full report may be obtained from your local Ernst & Young office or downloaded from: www.ey.com/us/realestate.

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