Visitor Industry Outlook

PATA Hawai‘i & TTRA Hawai‘i

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HOSPITALITY ADVISORS LLC

Hotel Occupancy by International Competitive Destination

	2009	2008	2007	2006	2005
S. Korea	76.0%	72.2%	70.8%	70.0%	67.8%
Hong Kong	73.5%	80.9%	84.3%	84.2%	82.8%
Australia	72.2%	75.0%	77.7%	76.3%	75.2%
Hawai'i	**66.5%**	**73.9%**	**75.3%**	**79.5%**	**81.1%**
Guam	63.2%	67.7%	70.8%	70.7%	74.4%
Caribbean	61.6%	69.9%	66.5%	68.2%	70.0%
Thailand	53.2%	67.7%	67.7%	69.7%	66.4%
Mexico	50.6%	63.3%	60.5%	61.0%	61.1%

Source: Smith Travel Research, Hospitality Advisors LLC

Hotel ADR by International Competitive Destination

	2009	2008	2007	2006	2005
Hawai'i	**$176**	**$208**	**$199**	**$187**	**$166**
Hong Kong	$168	$171	$175	$152	$137
Caribbean	$156	$189	$206	$196	$182
S. Korea	$132	$150	$171	$160	$166
Australia	$131	$148	$145	$121	$124
Guam	$128	$157	$127	$125	$119
Mexico	$99	$127	$115	$107	$105
Thailand	$96	$98	$106	$89	$98

Source: Smith Travel Research, Hospitality Advisors LLC

Top 10 Competitive Island Destination Occupancy

	2009	% Pt. Δ
O'ahu	**73.3%**	**-1.7%**
Bali	70.9%	-6.3%
Puerto Rico	67.5%	-1.6%
Guam	63.2%	-1.7%
Aruba	63.0%	-3.5%
Maui	**62.1%**	**-5.8%**
Kaua'i	**60.2%**	**-10.1%**
Maldives	59.5%	-11.1%
Cayman Islands	57.5%	-3.4%
Big Island	**54.5%**	**-5.3%**

Source: Smith Travel Research, Hospitality Advisors LLC

Top 10 Competitive Island Destinations ADR

	2009	% Δ
Maldives	$679	-7.7%
French Polynesia	$294	-7.8%
Cayman Islands	$292	-6.7%
Bahamas	$259	-6.5%
Maui	**$233**	**-14.0%**
Aruba	$204	-6.4%
Kaua‘i	**$186**	**-10.1%**
Big Island	**$185**	**-8.9%**
Puerto Rico	$166	-12.6%
O‘ahu	**$150**	**-11.2%**

Source: Smith Travel Research, Hospitality Advisors LLC

Hotel Occupancy by U.S. Competitive Destination

	2009	2008	2007	2006
Hawai'i	**66.5%**	**70.4%**	**75.3%**	**80.1%**
Miami	65.2%	71.5%	72.0%	71.4%
Los Angeles	64.3%	71.3%	75.2%	76.4%
Anaheim	64.1%	68.8%	67.9%	68.2%
San Diego	63.3%	69.5%	72.4%	73.3%
Orlando	60.7%	65.9%	72.9%	75.1%
Florida	56.5%	60.9%	61.6%	65.8%
Tampa	52.7%	56.9%	64.1%	66.6%

Source: Smith Travel Research, Hospitality Advisors LLC

Hotel ADR by U.S. Competitive Destination

	2009	2008	2007	2006
Hawai‘i	**$176**	**$201**	**$200**	**$185**
Miami	$141	$160	$158	$143
San Diego	$124	$142	$139	$133
Los Angeles	$114	$128	$123	$111
Anaheim	$109	$123	$121	$115
Florida	$105	$118	$117	$113
Tampa	$98	$107	$104	$98
Orlando	$93	$106	$106	$102

Source: Smith Travel Research, Hospitality Advisors LLC

How Bad Is It?

- $1.14 billion overall hotel revenue loss since April 2008 (includes room sales, F&B, retail, other)
- $2.6 billion visitor expenditure loss since April 2008 through December 2009
- Occupancy at record lows, ADR and RevPAR losses well into double digits

Hotel Occupancy by Island
Peak Year 2006 vs YE 2009

	Occupancy		
	2006	2009	% Pt. Δ
O‘ahu	82.5%	73.3%	-9.2%
Maui	79.9%	62.1%	-17.8%
Kaua‘i	75.2%	60.2%	-15.0%
Big Island	71.0%	54.5%	-16.5%
State	79.5%	66.5%	-13.0%

Source: Smith Travel Research, Hospitality Advisors LLC

Hotel Average Daily Rate by Island
Peak Year 2008 vs YE 2009

	ADR		
	2008	2009	% Δ
O‘ahu	$170	$150	-11.8%
Maui	$269	$233	-13.4%
Kaua‘i	$206	$186	-9.7%
Big Island	$203	$185	-8.9%
State	$201	$176	-12.4%

Source: Smith Travel Research, Hospitality Advisors LLC

Hotel RevPAR by Island
Peak Year 2007 vs YE 2009

	RevPAR		
	2007	2009	% Δ
O‘ahu	$130	$110	-15.4%
Maui	$201	$144	-28.4%
Kaua‘i	$156	$112	-28.2%
Big Island	$137	$100	-27.0%
State	$150	$117	-22.0%

Source: Smith Travel Research, Hospitality Advisors LLC

Hotel RevPAR by Class
Peak Year 2007 vs YE 2009

	RevPAR		
	2007	2009	% Δ
Luxury	$224	$172	-23.2%
Upscale	$145	$113	-22.1%
Midprice	$95	$72	-24.2%
Economy	$82	$62	-24.4%
Budget	$74	$63	-14.9%

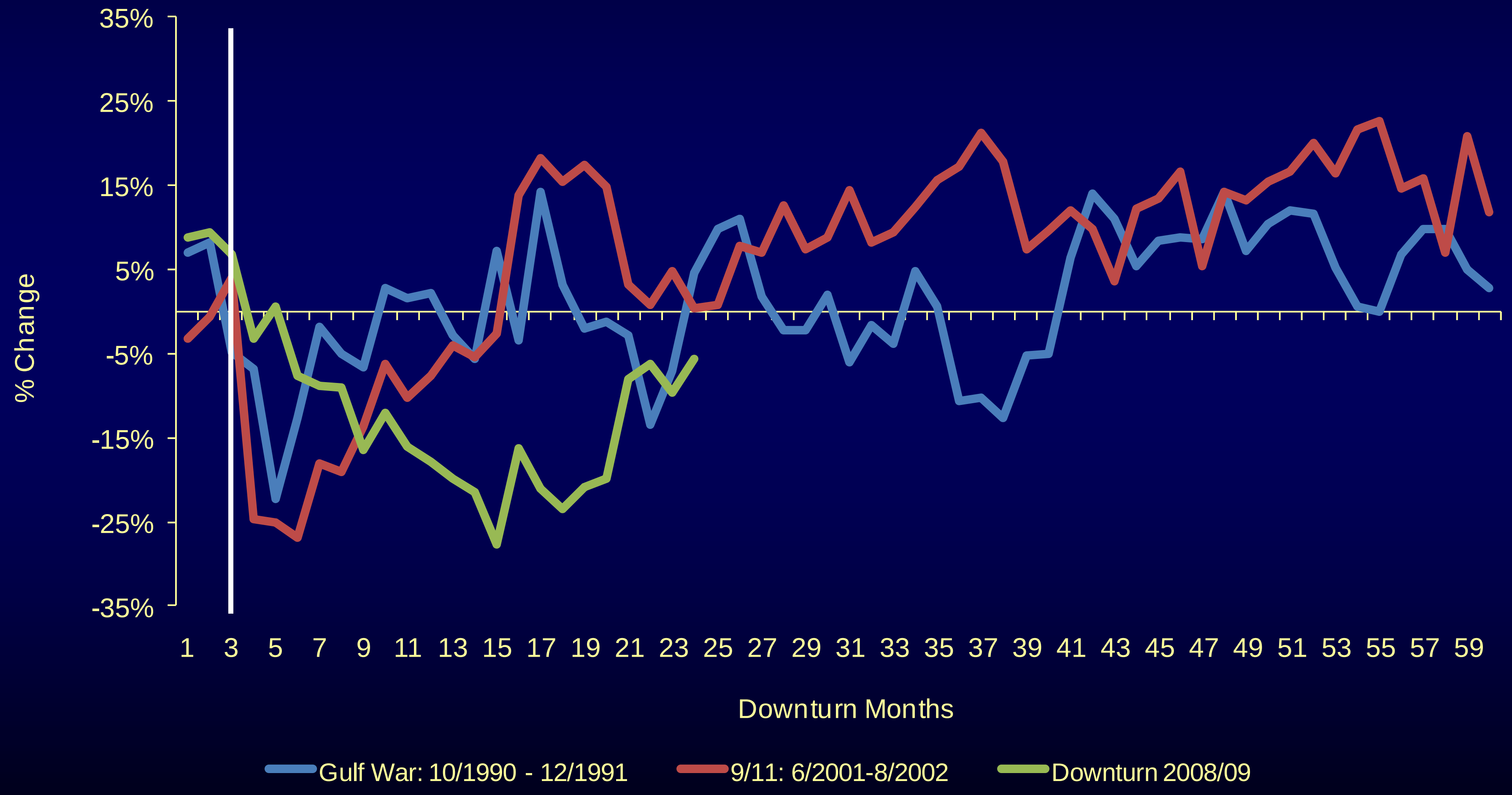
Source: Smith Travel Research, Hospitality Advisors LLC

Seasonal Statewide Hotel Occupancy

Source: Smith Travel Research, Hospitality Advisors LLC

Comparison of 1991 Gulf War, 9/11 and 2008/2009 Meltdown

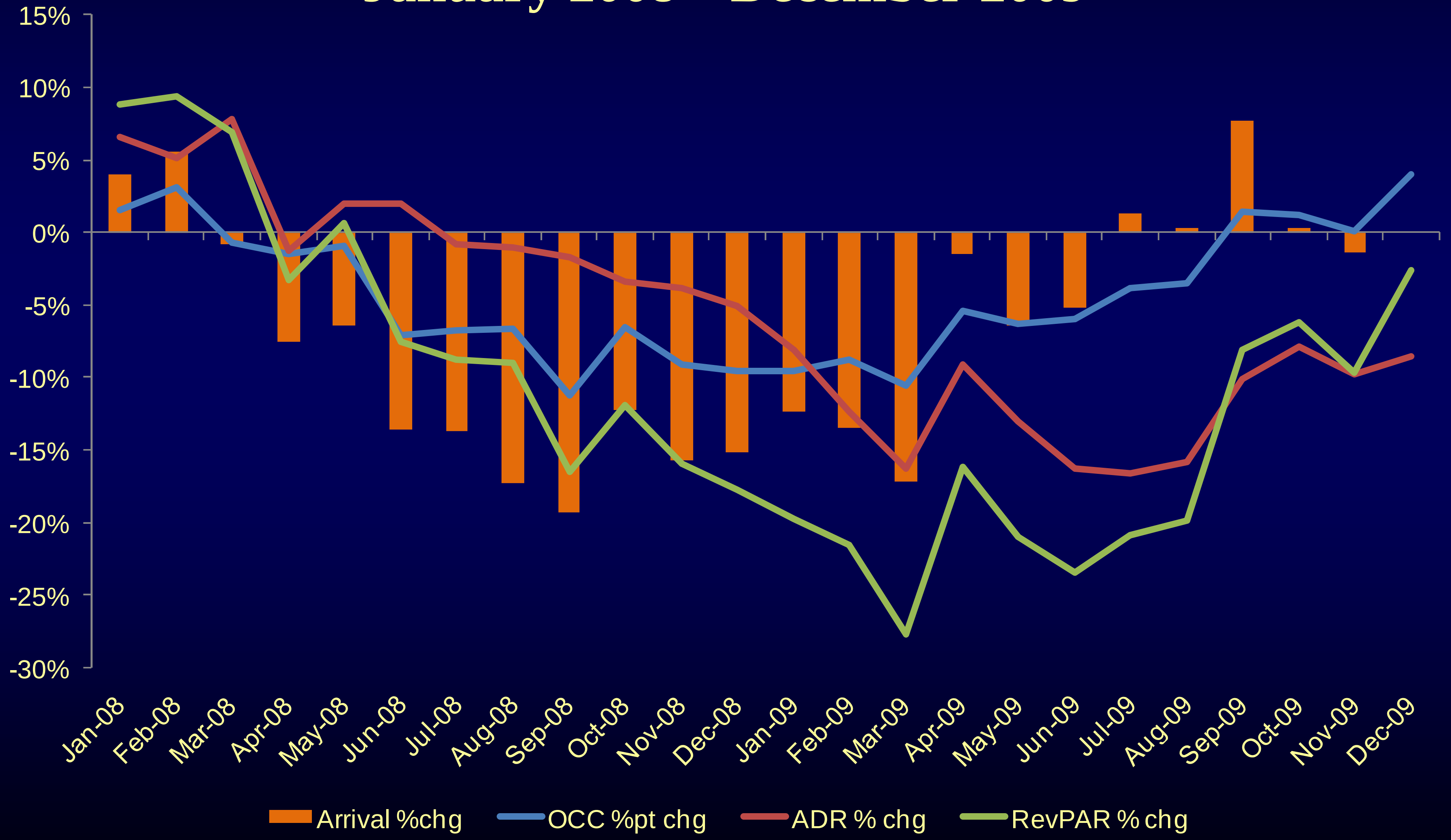
Percentage Change in RevPAR



Source: Smith Travel Research, Hospitality Advisors LLC, State of Hawai‘i DBEDT

Statewide Occupancy, ADR, RevPAR, and Visitor Arrivals Percent Change

January 2008 – December 2009

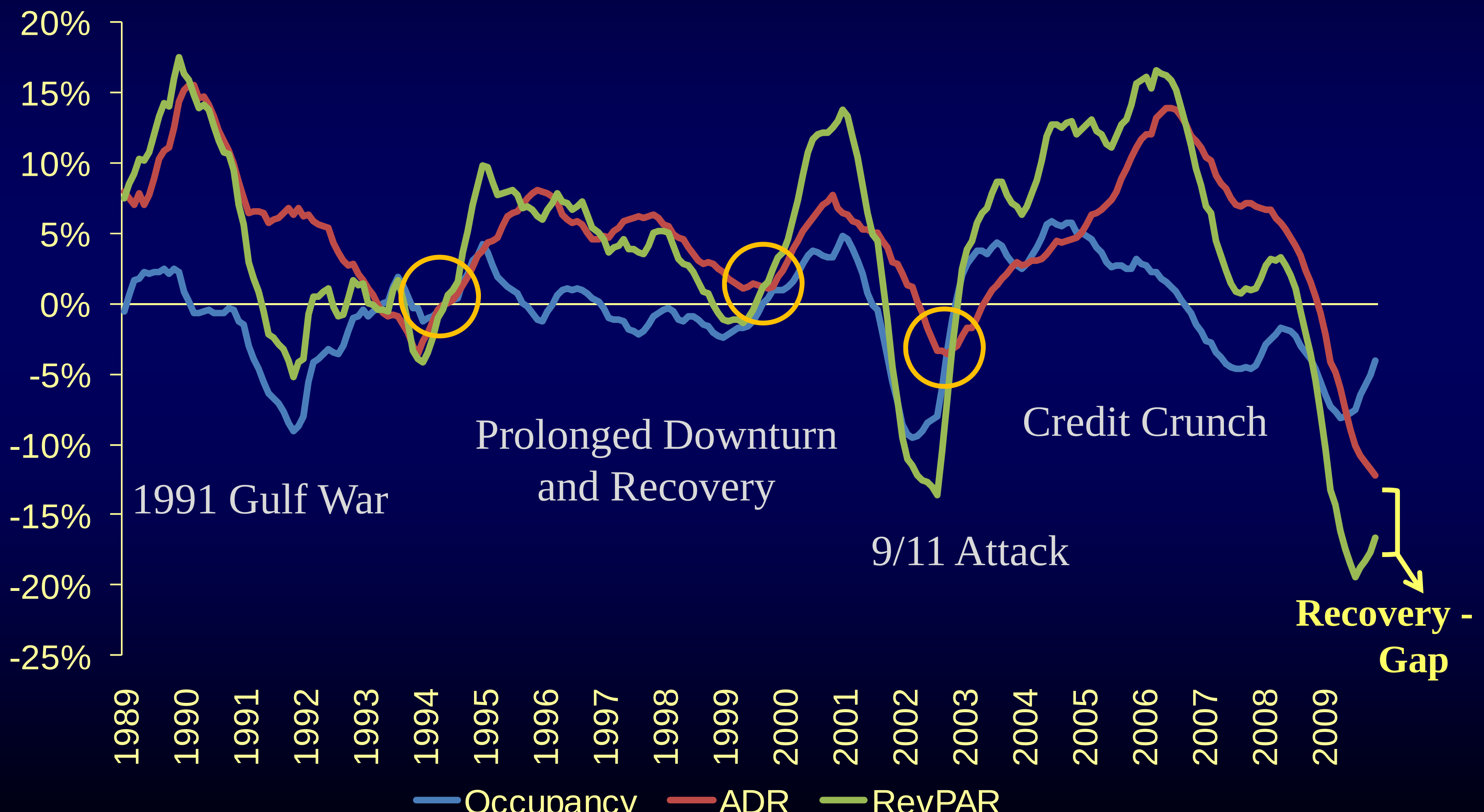


*Percentage point change for Occupancy

Source: Smith Travel Research, Hospitality Advisors LLC

Change in Statewide Occupancy, ADR, and RevPAR

12-Month Moving Average



* Percentage Point Change for Occupancy

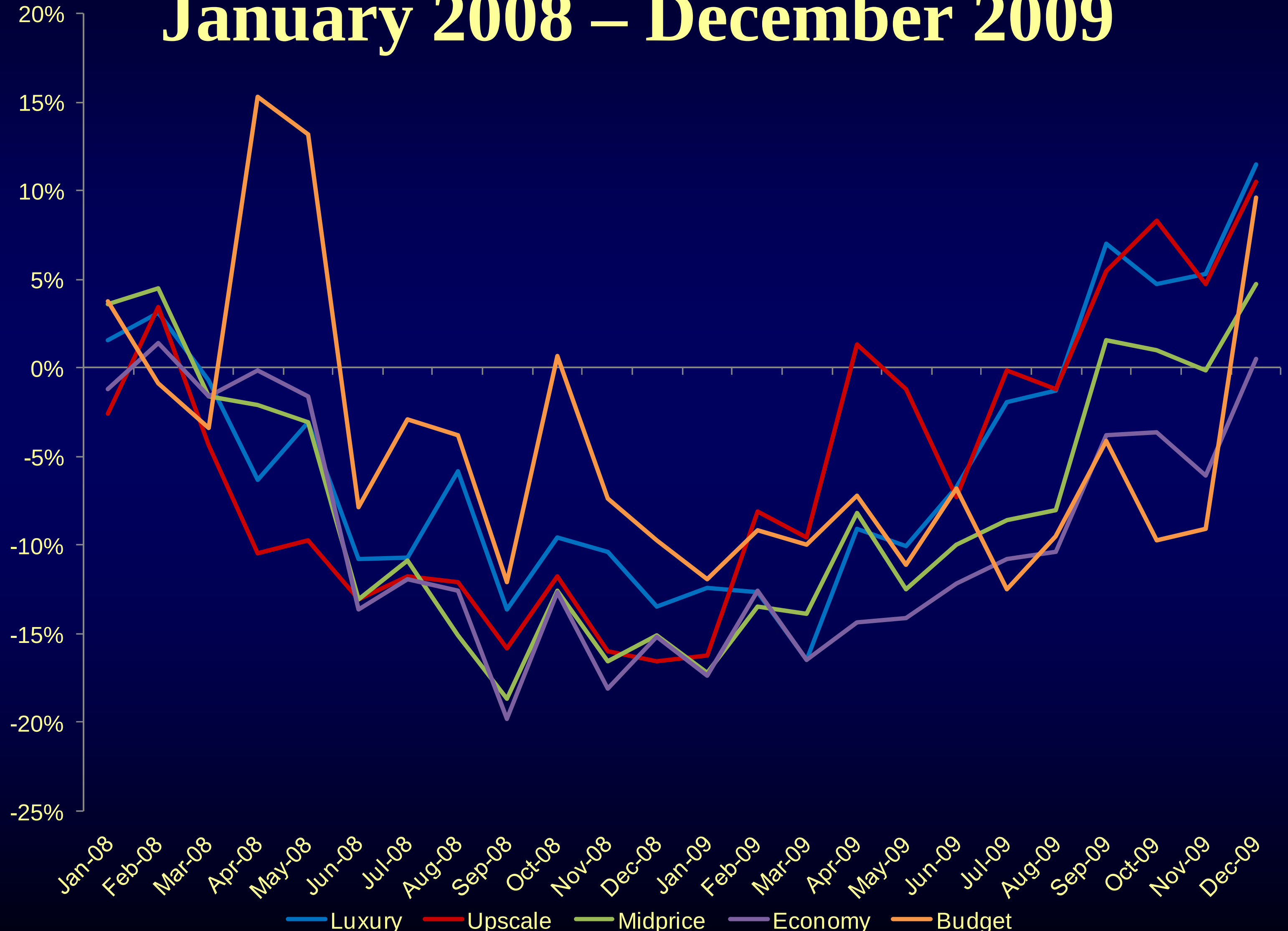
Source: Smith Travel Research, Hospitality Advisors LLC

Statewide Lodging Inventory by Type 2000 vs. 2008

Category	Units 2000	% Share	Units 2008	% Share	# Unit Change
Hotel	**50,218**	**70.2%**	**42,461**	**57.2%**	**-7,757**
Condominium Hotel	13,602	19.0%	16,400	22.1%	2,798
Timeshare	4,276	6.0%	8,314	11.2%	4,038
Other	3,410	4.8%	7,002	9.4%	3,592
Total Inventory	71,506	100.0%	74,177	100.0%	2,671

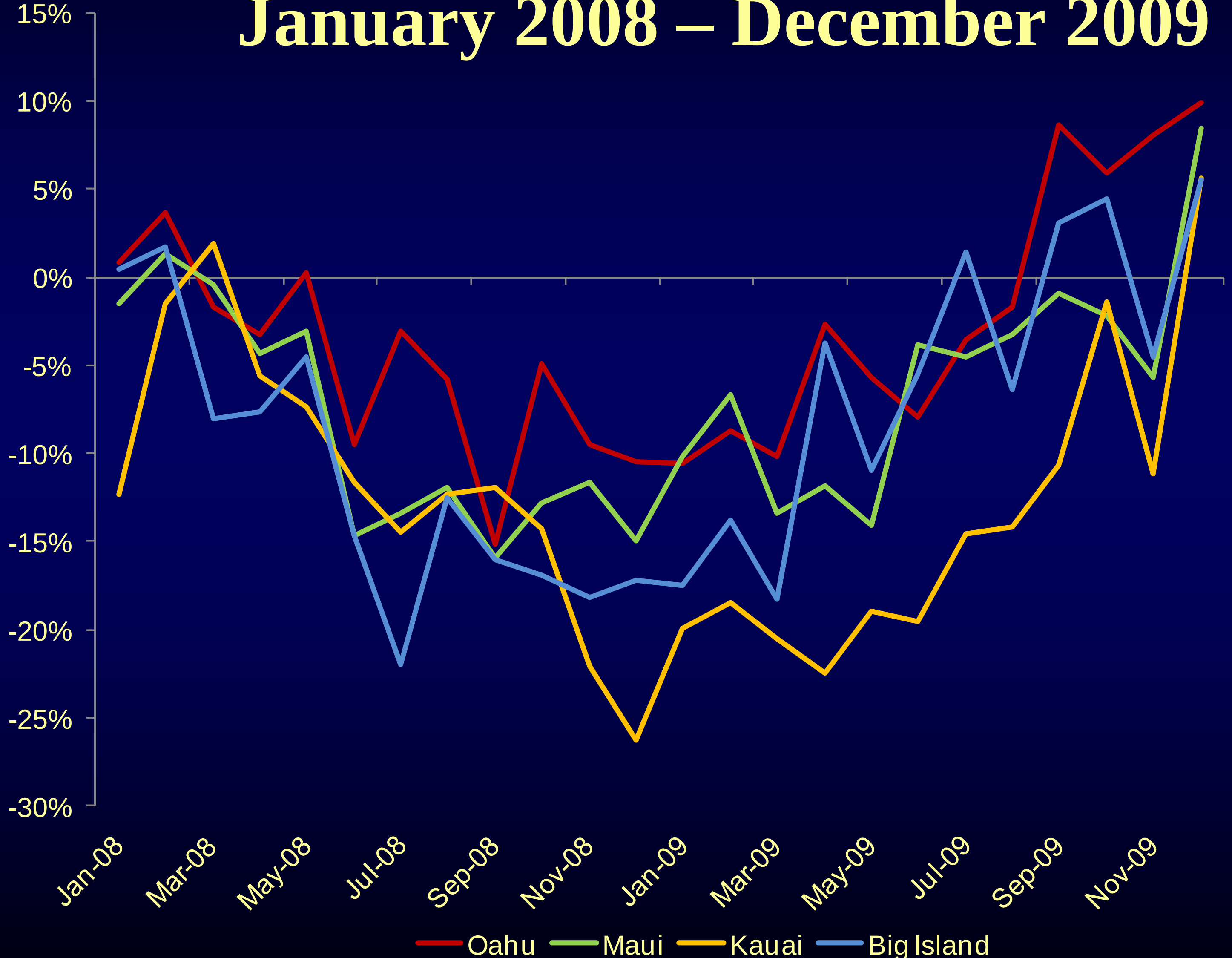
Source: State of Hawai‘i DBEDT, Hospitality Advisors LLC

Room Demand Percentage Change by Class
January 2008 – December 2009



Source: Smith Travel Research, Hospitality Advisors LLC

Room Demand Percentage Change by Island
January 2008 – December 2009



Source: Smith Travel Research, Hospitality Advisors LLC

Hotel Non-Performing Loans

- Delinquencies above 5.5%
- Nationally, approximately $20 billion CMBS loans representing 1,800 properties in default, but this understates the problem
- Hawaii loan defaults at $1.6 billion, (also understated); will accelerate in 2010
- Must go through this painful capital “rebalancing” as part of the recovery (typically is a lead indicator of recovery)

Source: Hospitality Advisors LLC

Hotel Non-Performing Loans

- Resolution of non-performing loans will be much faster than 1990s cycle
  - Stronger default provisions
  - Emergence of special servicers
  - Decisive and industry-specific lender/ownership dynamics
  - More efficient process and infrastructure to facilitate non-performing loans

Source: Hospitality Advisors LLC

Hawai‘i Outlook

- Will see seasonal bump First Quarter 2010 but well short of peak years
  - Hard to start recovery in a 6-8 week timeframe
- Earliest opportunity summer 2010, with 12 weeks to build sustainable floor for recovery
- Consumer spending will be very cautious
- Short booking windows and weak group market tough for yield management

Source: Hospitality Advisors LLC

Hawai‘i Outlook

- Still some “green shoots”
  - Rate of loss, and in some cases, recovery in occupancy and visitor arrivals
  - Product development and long term investment capital continuing for next “up” cycle
  - Increasing pool of strategic buyers looking for Hawai‘i acquisition
  - Recovery in air capacity/new city pairs, but movement in airfares “wild card”

Source: Hospitality Advisors LLC

Year of the Tiger!

Forecast

Year of the Tiger

Forecast

Hawai‘i Occupancy Forecast

	2010
State	67% - 69%
O‘ahu	74% - 76%
Maui	65% - 67%
Kaua‘i	62% - 64%
Big Island	54% - 56%

Source: Hospitality Advisors LLC

Hawai‘i ADR Forecast

	2010
State	$174 - $178
O‘ahu	$147 - $151
Maui	$230 - $234
Kaua‘i	$182 - $186
Big Island	$180 - $184

Source: Hospitality Advisors LLC

Thank you!

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