



SUMMARY REPORT

Preferred Hotel Group Europe



SUBMITTED TO:

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14 April 2014

Mr Jonathan Newbury
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Dear Mr Newbury

Re: European Performance Analysis

In accordance with your request, we herewith submit our Summary Report pertaining to the above. This summarises our conclusions following our review of the STR data for a selection of some 51 Preferred Hotel Group ('PHG') hotels operating in Europe and 169 of their direct competitors operating in each location where the PHG hotel is situated.

We hereby certify that we have no undisclosed interest in your company, and that our employment and compensation are not contingent upon our findings. This entire report is subject to the comments made throughout and to all assumptions and limiting conditions set out herein.

Yours sincerely
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SUMMARY REPORT

We hereby present our summary report comprising the conclusions from the analysis of STR data which you provided for 51 PHG hotels operating throughout Europe (roughly 7,500 rooms) compared with the operating performance of 169 of their direct competitors (around 32,000 rooms). We were provided with monthly and annual occupancy, average rate and RevPAR data for these hotels on an aggregated basis for five years commencing January 2009.

PEER PROPERTIES

The performance of the PHG hotels was measured against the hotels identified as “Peer Properties”. For the purposes of this study, the peer properties comprise the competitive sets selected by each PHG hotel in their Monthly STR Report. In aggregate, 45% of these hotels – and nearly 60% of the rooms – are affiliated with an international hotel chain; roughly 30% of the hotels (40% of the room inventory) operate under Starwood, Hilton, InterContinental Hotel Group, Marriott or Accor family of brands. A majority of the properties are classified as Luxury or Upper Upscale by STR, and the set also includes hotels affiliated with Four Seasons, Ritz Carlton, St. Regis, Jumeirah, Kempinski and Dorchester Collection hotels.

The following table summarises the nature of the sample of competitor properties included in this review.

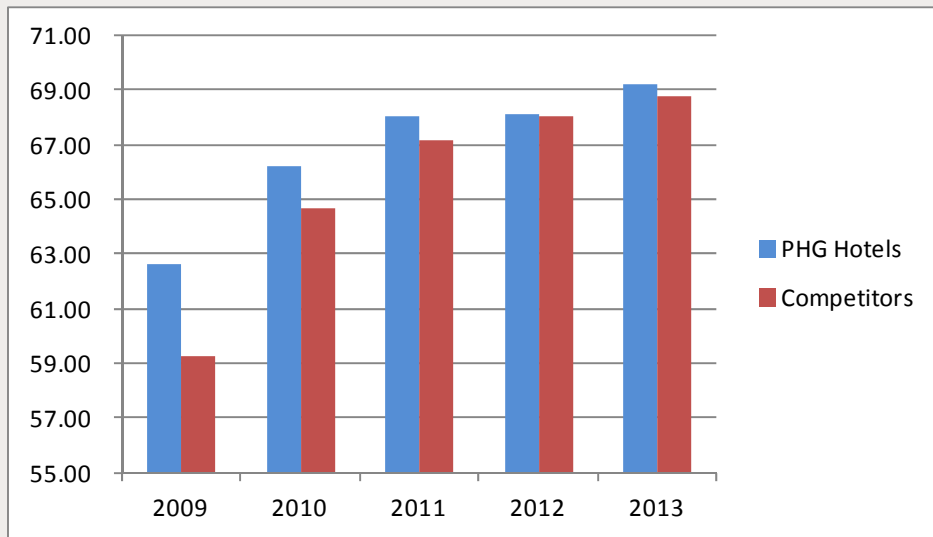
TABLE 1 PROFILE OF PEER PROPERTIES, BY AFFILIATION

Analysis by Major Brand		Hotels	%	Rooms	%
Starwood	St. Regis, Lux Coll, Westin, Sheraton, Méridien	12	7.1%	2,999	9.4%
Hilton	Hilton, DoubleTree, Conrad, Waldorf-Astoria	10	5.9%	2,918	9.2%
IHG	InterContinental, Crowne Plaza, Holiday Inn	9	5.3%	2,608	8.2%
Marriott	Ritz-Carlton, Marriott	8	4.7%	2,062	6.5%
Accor	Sofitel, Pullman, Novotel, ibis	9	5.3%	1,618	5.1%
Other	e.g. Dorchester, Four Seasons, Jumeirah, Radisson Blu, Swissôtel, Mövenpick, Steigenberger, Park Inn, Hyatt, NH	28	16.6%	6,243	19.6%
Subtotal		76	45.0%	18,448	58.0%
Independent Hotels/Local Brands		93	55.0%	13,369	42.0%
Total		169	100.0%	31,817	100.0%

OCCUPANCY

Table 2 illustrates the annual performance of the two samples of hotels.

TABLE 2 ANNUAL OCCUPANCY (%)



In each year, the PHG hotels achieved a higher average annual room occupancy (66.8%) than their competitors (65.6%), a premium which averaged 2% over the five years.

Table 3 shows the monthly comparison between the occupancy of the PHG hotels compared with their competitors, expressed as an index. In most months the occupancy of the PHG hotels exceeds that of the competitors, with an average index of 102 over the five years and almost 106 in 2009. This also shows an encouraging pick-up in performance in most months of 2013.

This is further illustrated in Table 4 which shows the monthly moving annual average occupancy.

TABLE 3 MONTHLY OCCUPANCY INDEX – PHG HOTELS VS. COMPETITOR HOTELS

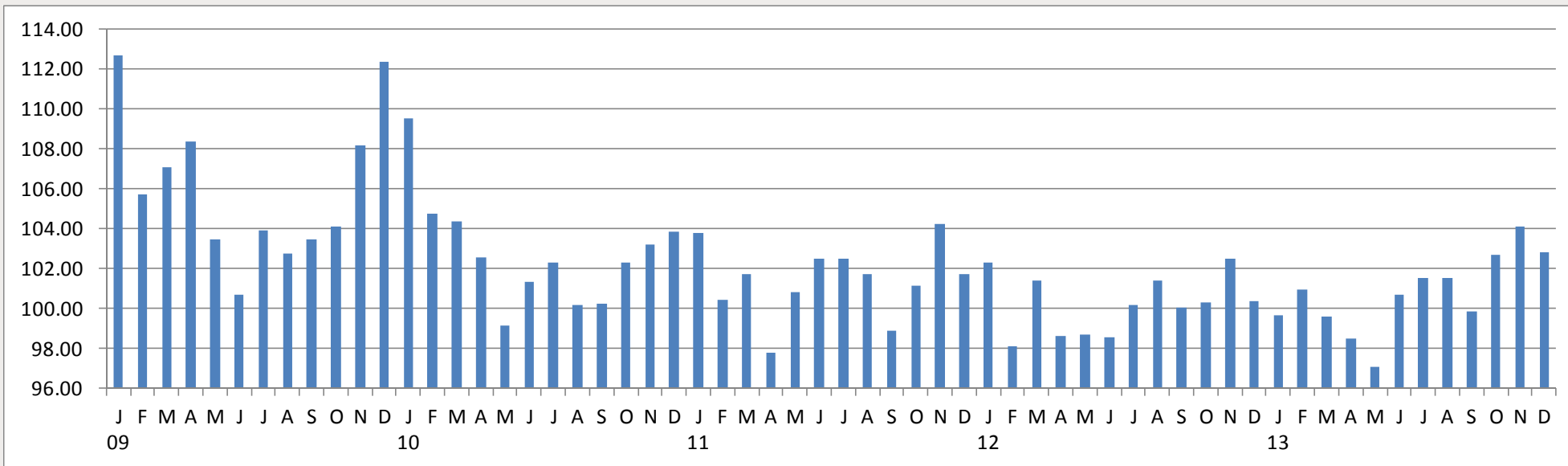
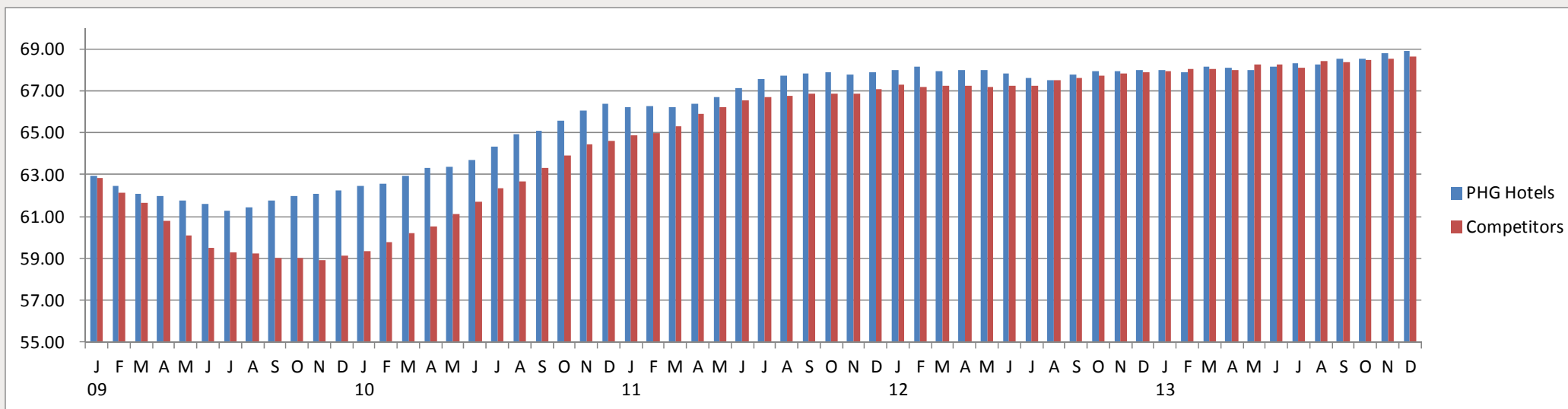


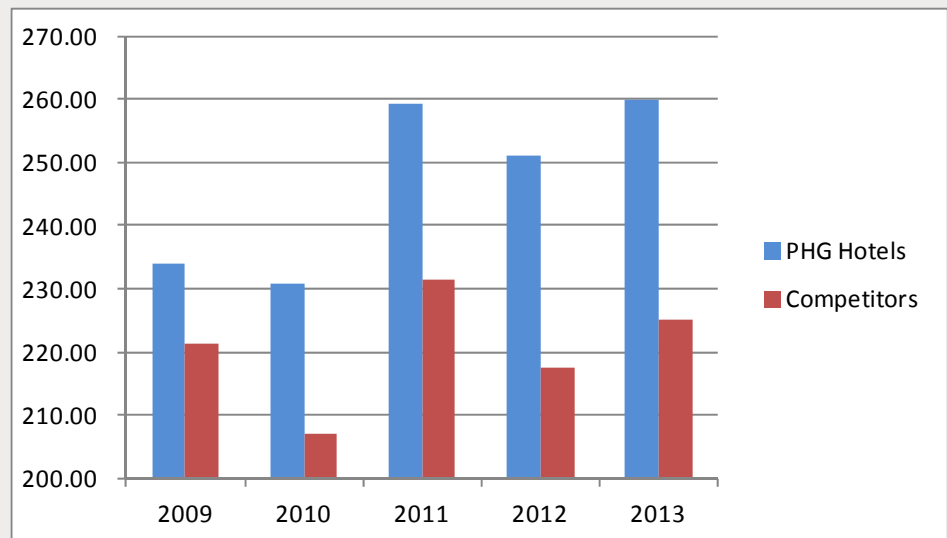
TABLE 4 MONTHLY MOVING ANNUAL AVERAGE OCCUPANCY (%)



AVERAGE RATE

Table 5 shows the annual performance of the PHG hotels compared with their competitors.

TABLE 5 ANNUAL AVERAGE RATE (€)



This presents an even more encouraging picture, with the performance of the PHG hotels outstripping that of its competitors comfortably in each year and by an average of 12% over the five years, peaking at a premium of more than 15% in 2012 and 2013. In absolute terms the average room rate of PHG hotels over the five years was €247 compared with €220 for their competitors. The weakness of the European economy from 2009 onwards is known, and it is encouraging to note that the PHG hotels were able to demonstrate their rate superiority even in this period of economic uncertainty.

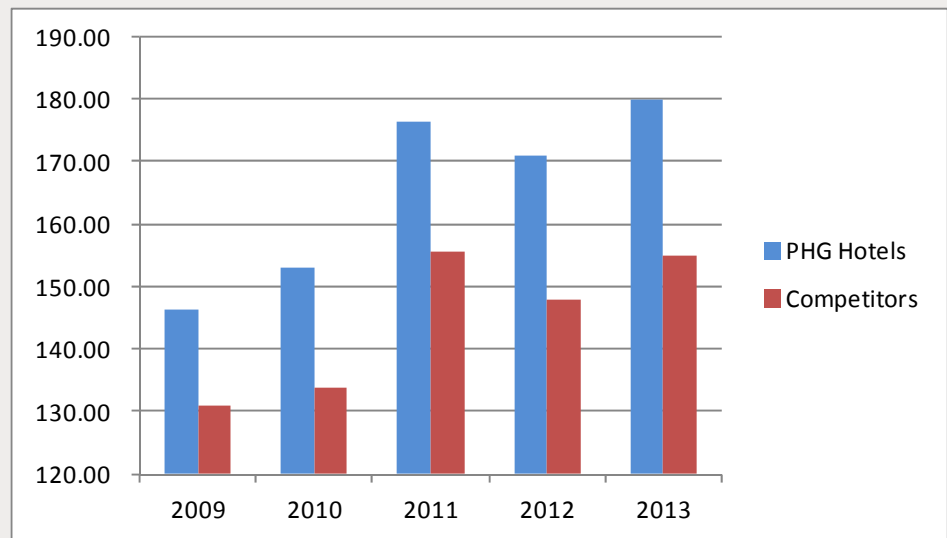
Table 6 shows the monthly index of average rate performance which further underlines this superior performance. In every month during the entire five year period the PHG hotels maintained a premium over the average rate of their competitor hotels. In some months this premium was at or above 20%.

Table 7 shows the monthly moving annual average. The superior performance of the PHG hotels is clearly emphasised and the gap is shown to have widened (and this has been maintained) during the past three years.

REVPAR

The RevPAR performance of the PHG hotels maintains its superiority over that of the competitors as shown in Table 8.

TABLE 8 ANNUAL REVPAR PERFORMANCE (€)



The PHG hotels outperformed their competitors in terms of RevPAR by an average of 14% across the entire five years. In absolute terms the PHG hotels achieved an average RevPAR over the five years of €165 compared with €145 by their competitors.

Table 9 shows that the RevPAR index exceeded the 100 mark (i.e. parity with their competitors) in every month during the past five years. In 2013 this gradually progressed each month, averaging 120 in the second half of the year – i.e. the PHG hotels achieved a 20% higher RevPAR than their competitors.

Finally, the monthly moving annual average RevPAR illustrates that the PHG hotels maintained a healthy premium over their competitors throughout. The trend being indicated is that growth should continue into 2014 with no sign of the stable gap between the PHG hotels and their competitors being narrowed.

TABLE 9 MONTHLY REVPAR INDEX

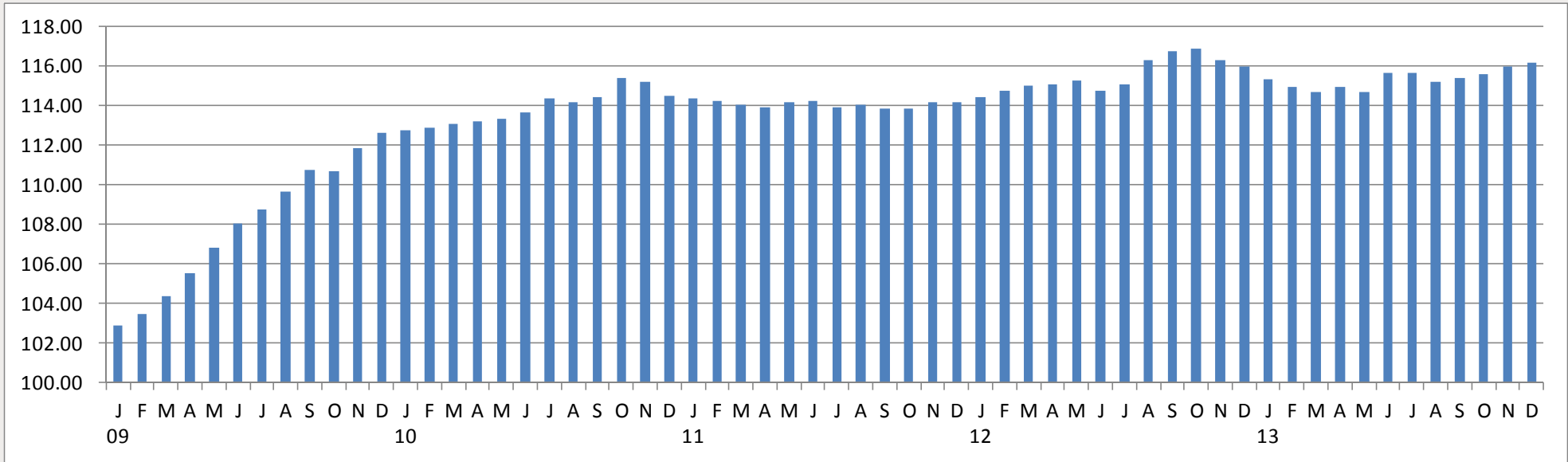
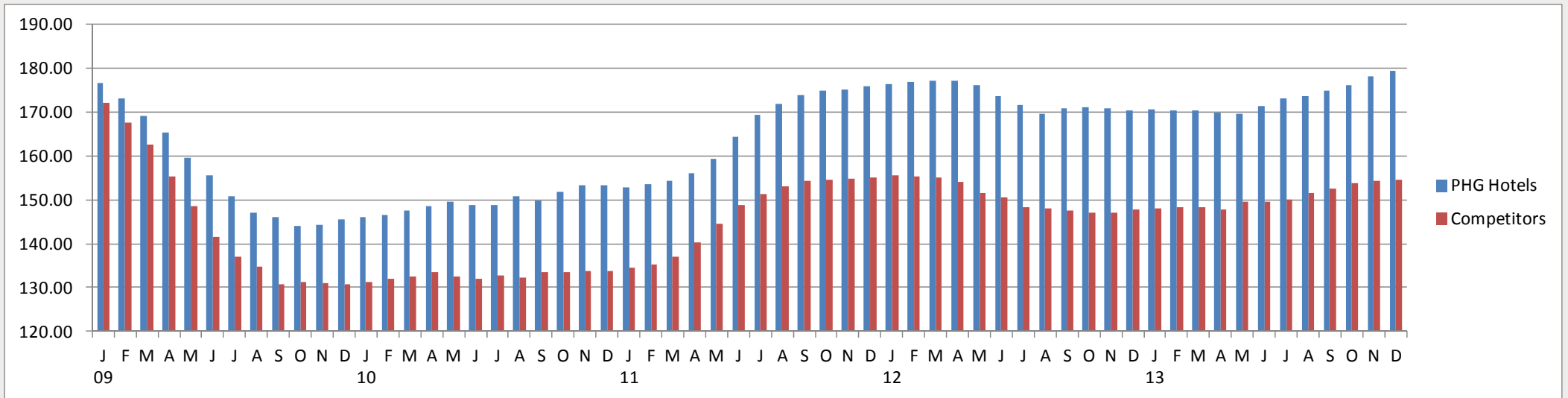


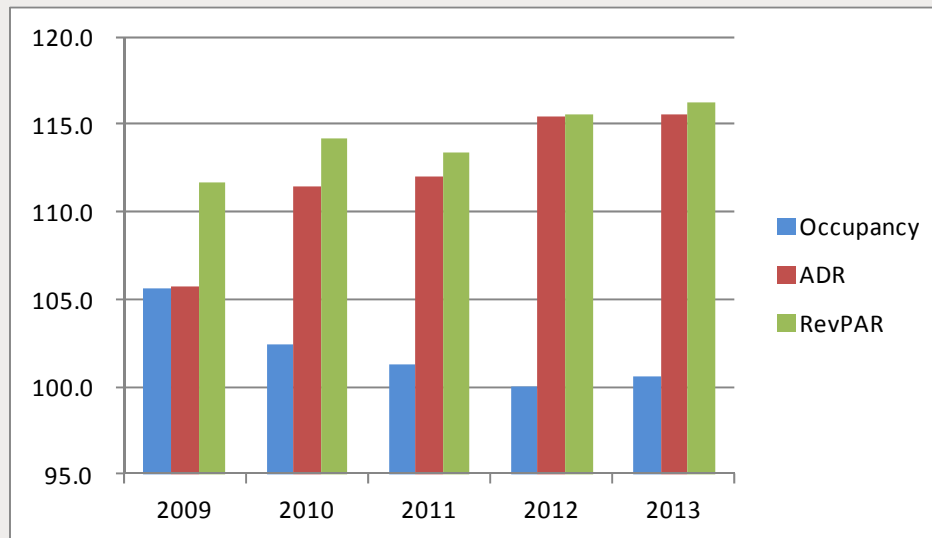
TABLE 10 MONTHLY MOVING ANNUAL AVERAGE REVPAR (€)



CONCLUSION

Table 11 summarises the positive position shown by the PHG hotels which, on average, has exceeded its competitors’ performance in all measures over the past five years – in occupancy (2% premium), average rate (12% premium) and RevPAR (14% premium).

TABLE 11 ANNUAL INDICES – PHG HOTELS VS. COMPETITORS



PHG hotels in Europe seem to have no difficulty in maintaining a strong premium over their competitors in terms of average rate. As a result, the PHG hotels’ RevPAR in calendar year 2013 averaged a 16% premium over that of their competitors.

Addendum 1 – Statement of Assumptions and Limiting Conditions

1. This report has been prepared for the use of Preferred Hotel Group (PHG) and may only be disseminated to the public or third parties in its entirety. If extracts are to be used, HVS requests that PHG seeks our written permission as to the context in which each extract is to be used.
2. All information (including financial operating statements, estimates, and opinions) obtained from parties not employed by HVS is assumed to be true and correct. No liability resulting from misinformation can be assumed by HVS.
3. While the information contained herein is believed to be correct it is subject to change. Nothing contained herein is to be construed as a representation or warranty of any kind.
4. Throughout this report, 'HVS' refers to the trading name of SG&R Valuation Services Company LLC, a United States of America limited liability company formed under the laws of the state of Delaware, the members of which are SR London Corporation and HEI International Inc (both United States of America corporations formed under the laws of the state of Delaware). The operations of SG&R Valuation Services Company in the UK are managed by HEI International Inc.