



South America: Mid-Year 2008 Report

Construction Pipeline & Three-Year Forecast for New Hotel Openings



Pipeline Highlights at Q2

Construction Pipeline Totals	Q2 2008		Q1 2008		Variance QoQ	
	Total Projs	Total Rms	Total Projs	Total Rms	Projs	Rms
	Under Construction	201	32,116	205	32,178	-4
Scheduled Starts Next 12 Mos	85	16,947	98	19,553	-13	-2,606
Early Planning	55	7,253	68	11,165	-13	-3,912
Total Pipeline	341	56,316	371	62,896	-30	-6,580

• South America's Construction Pipeline for Q2 decreased to 341 projects/56,316 rooms after cresting in Q1 2008.

• 59% of the region's Pipeline is in Brazil, which has 203 projects with 36,786 guest rooms in the three construction stages.

• 57% of all Pipeline projects are currently labeled as Independent. 70% will likely make a branding decision prior to opening.

• With 33% of total Pipeline, select service segments make up the second largest share, led by Upscale and Midscale w/o Food & Beverage.

• In H1 2008, 35 New Hotels/5,106 rooms opened. Due to the impact of the global lending crisis, LE's Forecasts for New Openings were adjusted down slightly to 83 new hotels/11,309 rooms in 2008 and to 96 new hotels/14,065 rooms in 2009.

• Project and room counts for Under Construction seem to have peaked in Q1 2008, then decreased 2% quarter-over-quarter to 201 projects/32,116 rooms as of the end of Q2 2008. Of the region's total, 59% of Pipeline projects are already Under Construction and are certain to add to New Supply from now through early 2010.

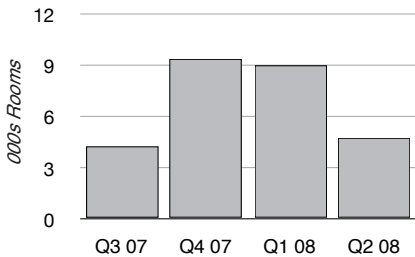
• 85 projects with 16,947 rooms are Scheduled to Start Construction in the Next 12 Months, down 13% from the peak reached in Q1. Counts for Early Planning are at 55 projects/7,253 rooms in Q2, down 19% by projects and 35% by rooms from Q1.

Pipeline Overview

The Total Construction Pipeline for South America appeared to "top out" in Q1 after reaching a peak level of 371 projects/62,896 rooms. In Q2, counts declined to 341 projects/56,316 rooms. With a combined 27% of Total Pipeline projects, Upscale brands, largely sited in the metropolitan business, trade, and cultural centers, as well as the beachfront resort markets in Brazil, and Midscale without Food & Beverage brands, also mostly in the city centers, are the leading chain scale segments. There are 195 projects currently classified as Independent. It is expected that approximately 70% will make a branding decision prior to opening and then be recategorized in the appropriate chain scale.

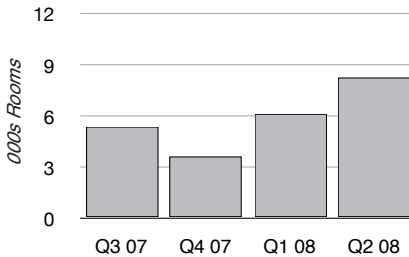
Key Development Metrics exhibited some decelerating in activity in Q2, the result of the tightening of lending. Migration of projects up the Pipeline toward Construction appears to be slowing, with Construction Starts down nearly 47% from Q1 to 31 projects/4,848 rooms. There were also 45 Project Cancellations in Q2 with a total of 8,313 rooms. New Project Announcements into the Pipeline totaled 31 projects/4,918 rooms, down substantially from Q4 2007's cyclical high of 91 projects/15,516 rooms.

Construction Starts



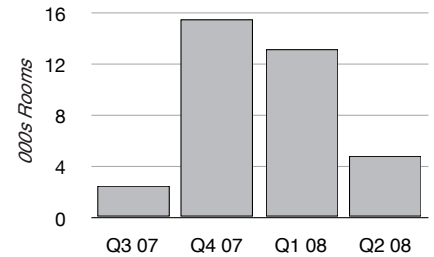
Quarter	Total Projs.
Q3 07	22
Q4 07	62
Q1 08	58
Q2 08	31

Cancellations



Quarter	Total Projs.
Q3 07	22
Q4 07	26
Q1 08	36
Q2 08	45

New Project Announcements



Quarter	Total Projs.
Q3 07	21
Q4 07	91
Q1 08	81
Q2 08	31

LE's Three-Year Forecast for New Hotel Openings

As in other world regions, South American lodging development is feeling the effects of the global credit crunch, as financing is scarce and lending conditions tight. Because of this, LE has adjusted its 2008 Forecast for New Hotel Openings down slightly to 83 new hotels/11,309 rooms. Of that forecasted total, 35 new hotels/5,106 rooms have already opened in H1 2008. LE's 2009 Forecast was also revised lower to 96 new hotels/14,065 rooms. LE has released its first South American Forecast for 2010, projecting 107 new hotels/18,455 rooms to come online. LE's Forecast for New Hotel Openings is based on current Pipeline totals and development trends as of the end of Q2 2008. The Forecast does not account for any abrupt changes in economic or lodging operation fundamentals that would alter these trends going forward.

To learn more about LE's Reports for South America or other markets, countries or regions worldwide, please complete the attached fax response form. Lodging Econometrics (LE) specializes in:

Development Pipeline Reports - Summaries & Individual Project Records

With Three-Year Forecasts for New Hotel Openings for every country and market

Contact Names for Owners & Management of Open & Operating Hotels (Census)

Essential for companies inquiring about acquisitions or adding to their asset management portfolio

Valuation Trend Summaries & Individual Sales Comp Records

Ideal for analyzing historic valuation trends and monitoring current hotel real estate transactions