Europe: H1 2008 Lodging Pipeline Report

Construction Pipeline & Three-Year Forecast for New Hotel Openings

Pipeline Highlights at Q2

• Europe's Total Construction Pipeline is at 1,022 projects/172,249 rooms at the end of Q2. Key Development Metrics indicate the economic slowdown and tight lending environment are eroding developer sentiment, meaning that the Pipeline has likely reached peak levels for the cycle and will be in decline moving forward.

Construction Pipeline Totals	Q2 2008 Total Projs	Q2 2008 Total Rms	Q1 2008 Total Projs	Q1 2008 Total Rms	Variance QoQ Projs	Variance QoQ Rms
Under Construction	574	94,994	583	94,969	-9	25
Scheduled Starts Next 12 Mos	228	39,164	206	36,682	22	2,482
Early Planning	220	38,091	243	41,391	-23	-3,300
Total Pipeline	**1,022**	**172,249**	**1,032**	**173,042**	**-10**	**-793**

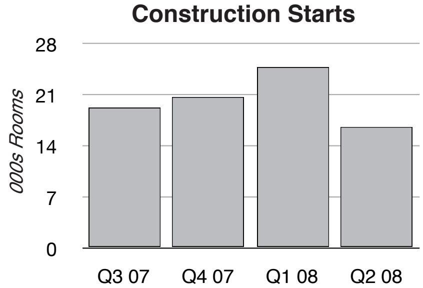
• At the front end of the Pipeline, Under Construction totals have risen steadily for the last six quarters and appear to be at their zenith at 574 projects/94,994 rooms. These projects acquired financing before the global credit crisis crested and are expected to come online as New Hotel Openings through early 2010.

• Projects Scheduled to Start Construction in the Next 12 Months have risen to 228 projects/39,164 rooms, but are likely to stall as the availability of financing and lending terms stiffen. Early Planning declined to 220 projects/38,091 rooms, reflecting a drop in New Project Announcements into the Pipeline.

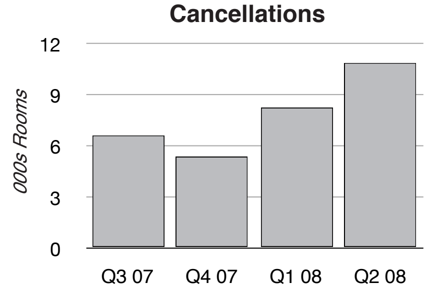
Pipeline Overview

At 1,022 projects/172,249 rooms in Q2, Europe's Total Construction Pipeline is in a topping-out formation. Approximately 56% of total projects are already Under Construction and are certain to open. Those projects in the Pipeline that are not yet Under Construction are finding it increasingly difficult to obtain financing and/or are facing rigorous lending terms. Thus, projects already in Scheduled Starts and Early Planning are expected to continue to idle, while developers wait for lending to recover.

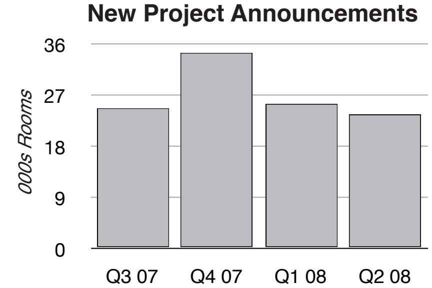
The troubled lending environment and resulting economic slowdown has developer sentiment waning, as seen in Key Development Metrics. Construction Starts reached their lowest level in the last 5 quarters, with Q2 at 102 projects/16,588 rooms. Down 41% from Q1's peak, this underscores the stalling of projects already in the Pipeline in their migration towards construction. Cancellations of projects already in the Pipeline, at 67 projects/10,851 rooms, have accelerated in the last two quarters, rising 49% from Q1. Cancellations will likely to continue to increase. New Project Announcements into the Pipeline, down nearly 25% from Q4 2007's peak to 142 projects/23,711 rooms, are expected to fall further. This will cause declines in the Total Pipeline, signaling the beginning of a new cycle.



	Q3 07	Q4 07	Q1 08	Q2 08
Total Projs.	128	119	173	102



	Q3 07	Q4 07	Q1 08	Q2 08
Total Projs.	40	25	45	67



	Q3 07	Q4 07	Q1 08	Q2 08
Total Projs.	158	186	173	142

LE's Three-Year Forecast for New Hotel Openings

New Hotel Openings surged in Q2 with 84 new hotels/12,561 rooms added to Current Supply. The Pipeline is now set to unfold at an increasing rate, with New Hotel Openings to accelerate from now through 2010. LE's 2008 Forecast for New Hotel Openings calls for 294 new hotels/41,927 rooms to open. LE has revised its Forecast for 2009 slightly lower to 359 new hotels/53,245 rooms. In its first Europe Forecast for 2010, LE is calling for 265 new hotels/53,402 rooms to open. LE's Forecasts for New Hotel Openings are based on current Pipeline totals and development trends as of the end of Q2 2008. The Forecast does not account for any unforeseen changes in economic or lodging operation fundamentals that would alter these trends going forward.

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