



 **ERNST & YOUNG**

Quality In Everything We Do

The California Mid-Year Lodging Report

“California is outpacing the nation and is well positioned with healthy lodging supply and demand fundamentals.”

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Occupancy and ADR Analysis: Percentage Change vs. 2005

San Francisco	Occupancy	ADR
January	4.6%	9.1%
February	2.4%	6.0%
March	3.4%	17.2%
April	9.0%	6.6%
May	-0.8%	6.0%
June	-0.4%	9.8%
YTD	3.0%	9.1%
2006 E	4.0%	9.0%

Los Angeles	Occupancy	ADR
January	1.7%	11.1%
February	-1.8%	7.8%
March	2.6%	9.4%
April	1.5%	7.3%
May	3.5%	13.2%
June	-0.6%	12.3%
YTD	1.3%	10.1%
2006 E	1.5%	10.0%

Anaheim	Occupancy	ADR
January	6.1%	10.2%
February	4.2%	9.6%
March	1.4%	10.5%
April	0.6%	7.6%
May	-3.8%	10.0%
June	-4.7%	8.9%
YTD	0.4%	9.4%
2006 E	0.0%	9.0%

San Diego	Occupancy	ADR
January	4.0%	5.7%
February	13.6%	9.4%
March	-1.4%	8.5%
April	-1.5%	4.9%
May	-1.3%	5.1%
June	-2.2%	2.9%
YTD	1.5%	6.0%
2006 E	-0.5%	4.5%



Significant ADR growth was achieved during the first half of 2006 due to limited supply growth coupled with increasing demand.

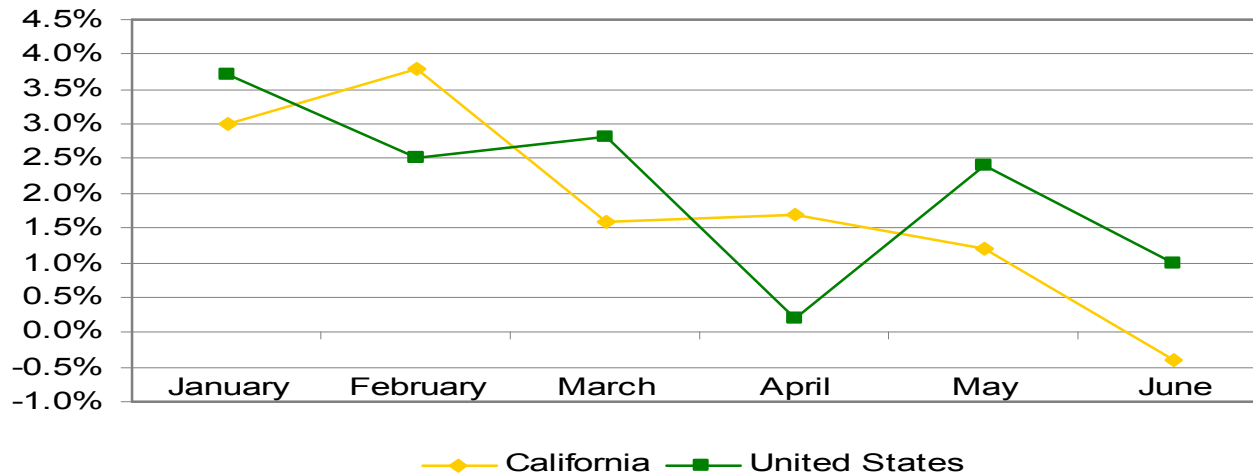
California	Occupancy	ADR
January	3.0%	7.9%
February	3.8%	7.6%
March	1.6%	9.3%
April	1.7%	7.2%
May	1.2%	8.5%
June	-0.4%	8.0%
YTD	1.8%	8.1%
2006 E	2.0%	8.0%

United States	Occupancy	ADR
January	3.7%	6.6%
February	2.5%	6.2%
March	2.8%	6.6%
April	0.2%	6.7%
May	2.4%	6.7%
June	1.0%	7.5%
YTD	2.1%	6.8%
2006 E	1.0%	5.0%

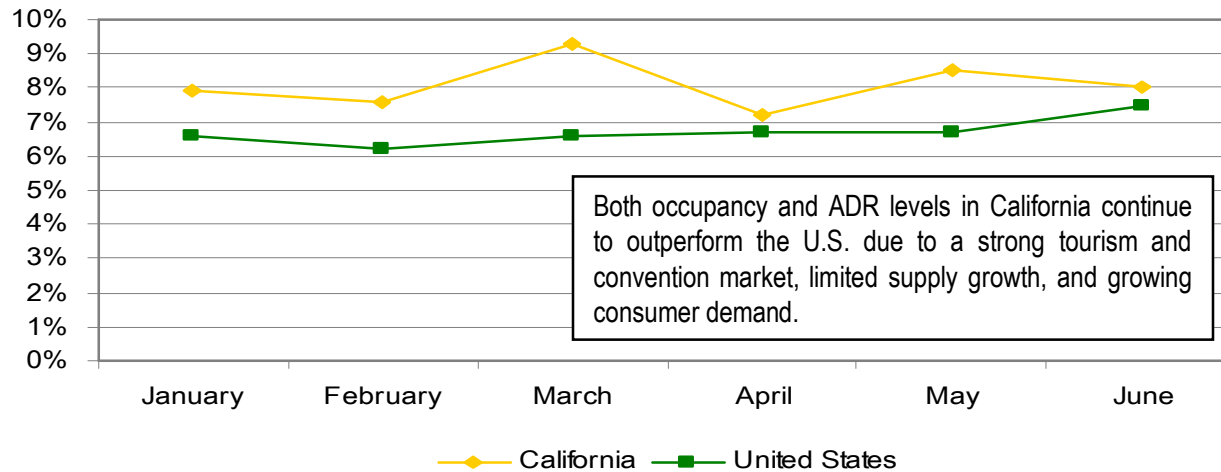
Source: Smith Travel Research, Ernst & Young

Occupancy and ADR Analysis: Percentage Change vs. 2005

Occupancy



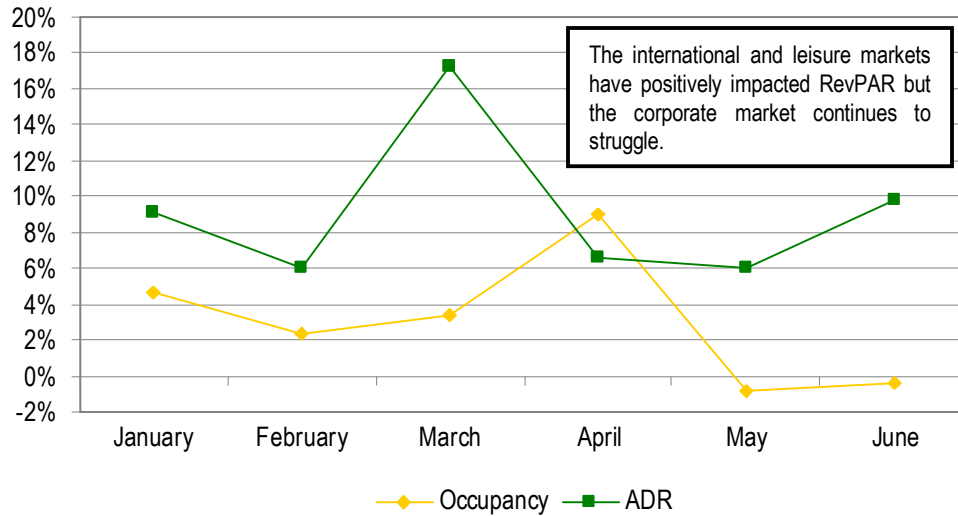
ADR



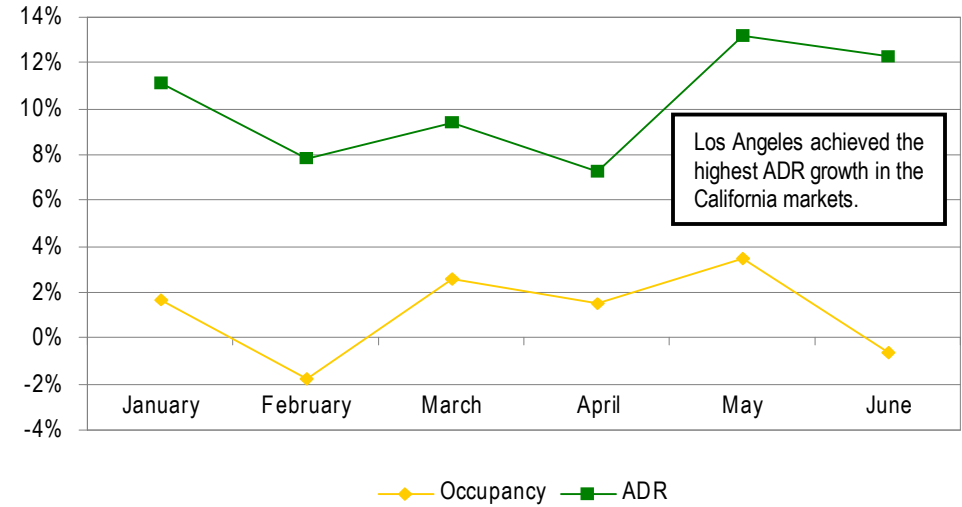
Source: Smith Travel Research, Ernst & Young

Occupancy and ADR Analysis: Percentage Change vs. 2005

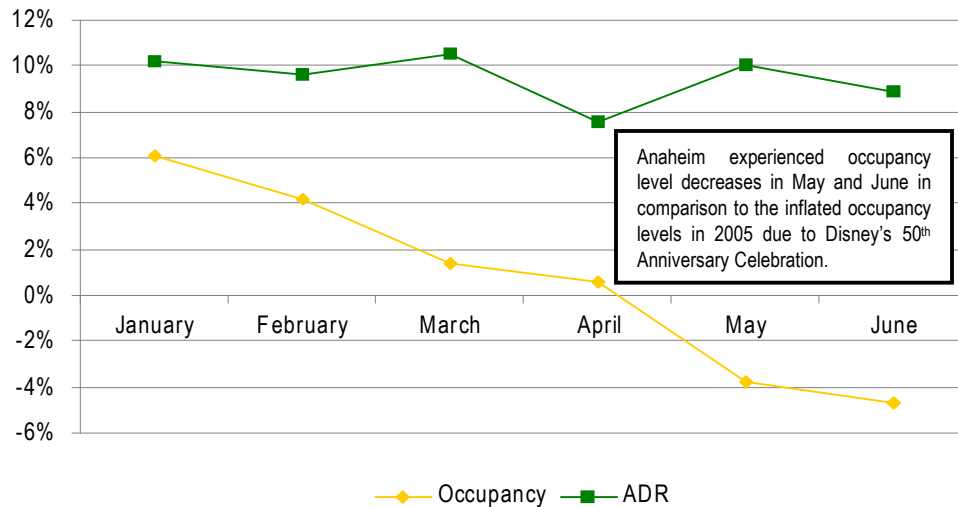
San Francisco



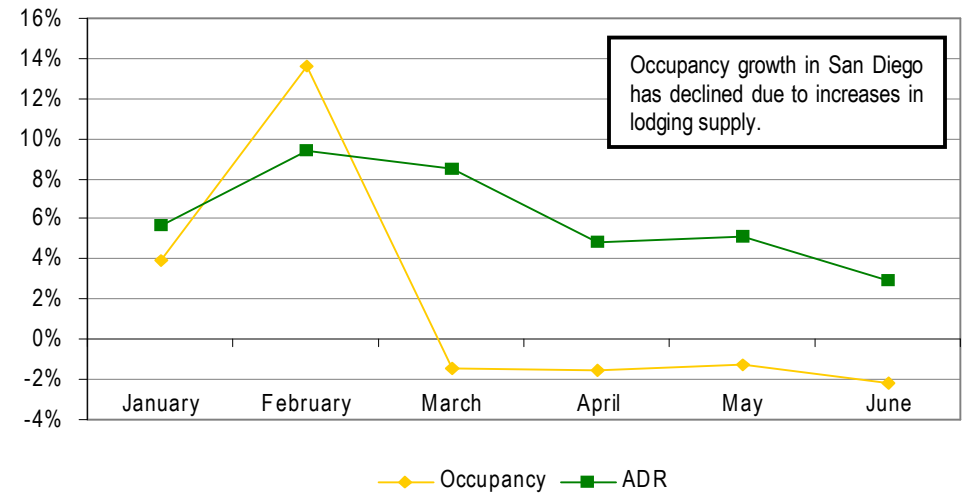
Los Angeles



Anaheim



San Diego



Source: Smith Travel Research, Ernst & Young

Macroeconomic Analysis: Slowing but Healthy Economy

- Gross Domestic Product (“GDP”) growth in the U.S. is anticipated to slow in the second half of 2006 to a 3.3% annualized rate from a strong first quarter with an annualized rate of 5.6%. Increasing energy prices and a cooling housing market have been cited for the economic slowdown and the recently expanded conflict in the Middle East is anticipated to further increase the price of oil.
- The U.S. unemployment rate decreased steadily during the past year to 4.6% in June 2006, however, is anticipated to increase slightly to 4.7% by year-end.
- The Federal Reserve continues a contractionary monetary policy, as the federal funds rate increased by 0.75 percentage points to 5.0% in the first half of 2006. According to a consensus of economists, it is anticipated that the rate will increase slightly to 5.25% by year-end as slowing economic growth is anticipated to reduce inflationary pressures.
- The Consumer Price Index increased at a 5.2% annualized rate after only increasing 3.4% in 2005. The inflation rate is anticipated to slow to a 2.7% rate by year-end 2006.
- The U.S. current account deficit declined to \$208.7 billion in the first quarter after a record high of \$223.0 billion was posted in the final quarter of 2005. Analysts attribute the decrease due to a weakened U.S. dollar, which has increased American exports while decreasing foreign imports.
- The Consumer Confidence Index decreased to 103.2 in May after reaching a four-year high of 109.8 in April. Other crucial indices declined in May, including the Present Situation Index and the Expectations Index, which decreased from 136.2 to 132.5 and 92.3 to 83.7, respectively. These signs indicate that Americans are uncertain about the future of the economy, citing concerns about uncertainty in interest rates increases and labor markets.
- Oil prices increased to a record \$78.40 per barrel in July amidst tensions in the oil-rich Middle East. It is anticipated that prices will decrease to the mid-60s by year-end as OPEC has acknowledged that current price levels risk damaging the world economy.
- The National Association of Home Builders reported that the new single family home sales index reached an 11-year low in June, signaling a cooling of the housing market. In May 2005, the sale index reached an all-time high.

U.S. Lodging Industry Analysis: Fundamentals remain strong with ADR growth outpacing occupancy growth

- Due to increasing demand and limited supply growth, the U.S. lodging industry continues to experience positive lodging fundamentals. Year-to-date through June 2006, U.S. lodging occupancies averaged 63.5%, representing an increase of 1.3 percentage points over the same period last year, while ADR averaged \$97 and RevPAR averaged \$61, representing a healthy increase of 6.8% and 9.0% versus 2005, respectively.
- Due to increasing construction and land costs, growth in lodging supply is anticipated to be limited, increasing at a low rate of 1.9% in 2006. As a result of increasing occupancies and average daily rates, however, the number of hotels and guestrooms entering the market are anticipated to increase in the coming years. According to Lodging Econometrics (“LE”), 85,747 guestrooms are anticipated to open this year and approximately 119,426 guestrooms are expected to open in 2007, representing the most new openings since 2001.
- Air travel is anticipated to increase this summer despite rising airfare costs. According to the Air Transport Association (“ATA”), a record of 207.0 million passengers is anticipated to board commercial airplanes in the U.S., representing a 1.0% increase over last year’s summer record of 204.6 million. Due to fleet reductions and a shift to increased flying in international markets, weekly domestic flights are anticipated to operate at 90.0% capacity this summer, a 10.0% increase over last year. International flights for the collective summer months are anticipated to increase 1.1% over the same period last year.
- With 31 million visitors in outbound tourism in 2005 and an expected 100 million predicted by 2020, China is anticipated to generate significant tourism revenue for the U.S., according to the California Travel and Tourism Commission (“CTTC”). In March 2006, China and the U.S. signed aviation agreements to promote bilateral travel and tourism cooperation that will increase two-way flights between the two countries by 460.0%. Under the 2006 agreement, flights per week will increase from 54 flights to 249 flights during the next six years, and airlines permitted to operate services between the U.S. and China will increase from four to nine.

California Lodging Industry Analysis: San Francisco leads the state in RevPAR growth

- California's lodging market outperformed the U.S. lodging market during the first half of 2006 in terms of ADR and RevPAR growth. According to Smith Travel Research ("STR"), California lodging markets experienced occupancy levels of 69.3% year-to-date through June 2006, representing an increase of 1.2 percentage points over the same period last year, while ADR averaged \$109 and RevPAR averaged \$76, representing an increase of 8.1% and 10.0% versus 2005, respectively.
- Year-to-date through June 2006, San Francisco's lodging market, compared to the San Diego, Los Angeles, and Anaheim lodging markets, experienced the greatest increase in occupancy growth. While San Francisco hotels experienced a 3.0% increase in occupancy over the same period last year, San Diego, Los Angeles, and Anaheim hotels experienced a 1.5%, 1.3% and 0.4% increase respectively. San Francisco also experienced the greatest RevPAR growth at 12.4%, compared to the 11.6%, 9.8%, and 7.5% RevPar growth experienced by Los Angeles, Anaheim, and San Diego, respectively. In terms of ADR growth, Los Angeles experienced the greatest growth year-to-date through June 2006. According to STR, ADR in Los Angeles increased 10.1% versus 2005, while ADR in Anaheim, San Francisco, and San Diego, increased 9.4%, 9.1%, and 6.0% respectively.
- Native American gaming continues to be a positive impact in California and contributes to the tourism infrastructure, particularly in secondary markets. Partly due to their success in adding Vegas-style amenities, such as upper-upscale hotels, spas, and golfing to their casino properties, California's tribes generated over \$7 billion in gaming revenue in 2005, an increase of nearly 24.0% over the previous year. This revenue growth is anticipated to continue throughout 2006. Currently, there are proposals for 47 additional Native American casinos in California, including casinos in markets such as the San Francisco, Los Angeles, and Orange Counties.
- In an effort to further promote California tourism, Governor Schwarzenegger has proposed expanding the California Travel and Tourism Commission's 2006-2007 budget by 37.0%, from \$7.3 million to \$10.0 million. If approved, an additional \$15 million from the private sector would be needed to match these funds, bringing the state's total marketing budget to \$25 million.

California Lodging Industry Analysis (continued)

- High gasoline prices appear to be helping the California tourism industry, as more Californians choose to vacation closer to home. In Los Angeles, nearly 55.0% of its visitors are traveling from within California this year, compared to 50.0% in 2004 and 2005. Overall, this growth in intra-state travel has helped to increase employment in the leisure and hospitality industry, which has helped to offset slower job growth in the housing sector. During the month of June, 1,900 jobs were added to the hospitality sector, which offset the 1,500 jobs lost in construction and finance. A total of 1.5 million Californians were employed in the tourism industry during June, representing a 2.9% increase over the same month last year.

California Mid-Year Top 10 Thoughts

1. Supply Trends – *On the Rise*

Although the total number of U.S. hotel projects currently in the construction pipeline is 15.0% below the 1998 peak, which as of June 2006 included 3,436 projects representing 463,629 rooms, this number represents the most number of projects since 2000. Supply growth is anticipated to increase during 2007 and 2008—increasing 2.6% and 2.8% respectively, compared to a 1.6% increase in 2005 and an anticipated 1.9% increase in 2006—as many of these projects are anticipated to come online. In Southern California, total projects in the construction pipeline have increased significantly as well. According to Atlas Hospitality Group, 8,231 guestrooms were constructed year-to-date through June 2006, representing a 73.5% increase over the same period last year. Conversely, 4,391 guestrooms were constructed in Northern California, representing a decrease of 69.0%. In Northern California, the number of hotel projects under construction also decreased 66.0%, from 121 projects to 41 projects, while the number of hotel projects under construction in Southern California increased 11.0%. Hotel construction is anticipated to continue growing in Southern California as well in Northern California as room rates and occupancies increase.

Primary Impact: Supply Growth

2. Condominium Hotels – *Continued Growth Trend*

Condominium-hotels are anticipated to continue its upward trend with 32 projects and 27 projects expected to open in 2006 and 2007, respectively. Condominium-hotels are anticipated to have a significant impact in resort markets and in San Diego as well. Currently, there are two condominium-hotels under construction in San Diego, including the 420-room Hard Rock Hotel and the 185-room Diegan Hotel. Other California condominium-hotel projects in the pipeline include the 141-unit Westin Monache in Mammoth Lakes, the 400-unit Terranea Resort in Rancho Palos Verdes, and the 267-unit Las Montañas Resort Hotel & Spa and 129-unit Fairmont Residences, both located in Indian Wells. **Primary Impact: Supply Growth**

California Mid-Year Top 10 Thoughts (continued)

3. **Hotel Transactions – Likely to Reach an All Time High**

Due to strong growth in lodging metrics (RevPAR and profitability) and an abundance of outstanding debt, hotel transactions in the U.S. reached a record high during 2005, yielding nearly \$21 billion in sales and outpacing 2004 transaction volume by approximately 63.0%. Similarly, hotel sales in California during 2005 reached a record high, increasing nearly 105.0% versus 2004. San Diego, in particular, achieved a banner year, with 36 hotels totaling \$1.28 billion, a 560.0% increase over the previous year. In 2006, hotel transactions in the U.S. are anticipated to reach a new record high as well. According to Hotel Brokers International, over \$9.5 billion in hotel sales transactions have been recorded year-to-date through May 2006. Although transaction volume has declined through May, the dollar volume represents a 55.0% increase over the same period last year. **Primary Impact: Transactions and Valuations**

4. **International Travelers – Asian and European Travelers Are Back**

According to the Travel Industry Association of America (“TIA”), international travel to the U.S. is anticipated to increase during 2006 as declines in the value of the dollar make it more affordable for international travelers to visit the U.S. and as airlines more actively pursue international markets. Total international visitors to the U.S. is forecasted to reach 51.7 million in 2006, while total travel expenditures in the U.S. by international visitors is anticipated to reach \$88 billion, representing a 4.7% and 7.1% increase over last year, respectively. Following New York, California is ranked as the second most popular state with overseas visitors in 2005 and is anticipated to benefit from this increase in international travel. In 2006, Japan and China are anticipated to be two of California's most important international markets. According to the Japan Travel Bureau, a record number of 18 million Japanese visitors plan to take international trips in 2006 as a result of continued economic growth, improved corporate profits, and increased disposable income. **Primary Impact: Room Demand**

California Mid-Year Top 10 Thoughts (continued)

5. **Labor Issues – Problematic for Hotels in 2006**

With union contracts in Los Angeles scheduled to expire in November 2006, labor disputes could occur late this year. In Los Angeles, the hospitality industry's primary labor union, UNITE HERE, recently launched a bid to unionize hotels near the Los Angeles International Airport ("LAX"). If successful, the unionizing effort could transform the Los Angeles lodging market to a majority union market and provide additional leverage to unions during future contract negotiations. Similarly, in San Francisco, UNITE HERE recently launched a labor campaign aimed at boosting members' benefits and wages called Hotel Workers Rising. Union organizers are particularly pushing for a new unionizing process known as card-check neutrality, which would eliminate the union election process, and automatically make unions the bargaining agent for employees. Furthermore, card-check neutrality could prohibit employers from campaigning against union representation. Currently, the state of California is proposing an increase in minimum wage from \$6.75 to \$7.75 as the last increase was five years ago. **Primary Impact: Profitability**

6. **New Security Measures – Could Impact International Travel Negatively, But May Be Offset By Domestic Travel**

Beginning January 1, 2008, all travelers, including U.S. citizens, from the Americas, the Caribbean, and Bermuda will be required to carry a passport, as opposed to a birth certificate or driver's license, to enter or re-enter the United States. The Western Hemisphere Travel Initiative will primarily affect U.S. citizens traveling within the Western Hemisphere, and foreign nationals who currently are not required to carry a passport when traveling to the U.S., namely Canadian citizens, Mexican citizens, and citizens of the British Overseas Territory of Bermuda. Given the rigidity of these travel restrictions, U.S. citizens may likely be deterred from traveling abroad, which should consequently increase domestic travel within the U.S. International travel to the U.S., however, may decrease as foreign nationals affected by the initiative are deterred from visiting the U.S. **Primary Impact: Room Demand**

California Mid-Year Top 10 Thoughts (continued)

7. **Tourism Infrastructure Improvements – *Preparing California for the Future***

In order to attract and improve the experience of tourists, Californian cities are making significant investments and structural changes to their tourism infrastructure. Currently, airports in Los Angeles and San Diego are undergoing major expansions in order to accommodate more travelers. In Los Angeles, LAX recently began a \$333 million expansion project, while in San Diego, the San Diego Regional Airport Authority recently proposed to relocate the San Diego County's international airport to Miramar Marine Corp Air Station by 2020. Other Californian airports currently undergoing expansions include Long Beach Airport and John Wayne Airport. In order to accommodate the growing convention demand in California, a 1,190-room Hilton Convention Center Hotel is anticipated to open in San Diego in 2008, while an 876-room Marriott Convention Center Hotel is anticipated to open in downtown Los Angeles in 2010. Furthermore, Gaylord Entertainment recently signed a letter of intent with the Chula Vista City Council and the San Diego Unified Port District to develop a resort hotel and convention center complex in Chula Vista. **Primary Impact: Profitability, Room Demand**

8. **Profit Margins – *Could Be Impacted by Rising Energy Costs***

Energy is a major cost component for the hospitality industry, accounting for 4.0% of total revenues and 18.0% of cash flows from operations for a full-service hotel. In 2006, oil prices have increased 26.7% over year-end 2005 prices. Natural gas prices have decreased 45.5% in 2006, but are anticipated to increase to 2005 prices by year end. According to the Energy Information System, the cost of heating oil this year is anticipated to increase 12.5% over 2005 prices. **Primary Impact: Operating Costs**

California Mid-Year Top 10 Thoughts (continued)

9. **Hotel Development Costs – Land Costs Increasing at a Faster Rate than other Cost Components**

The increasing cost of commodities, land, and labor have impacted the cost to develop hotels. Commodity prices have experienced an upwards trend, rising 8.2% in 2004 and another 6.4% in 2005. Cement, an important composite used for building foundations, increased 12.1% in 2005, while base metals such as copper and aluminum have increased 26.3% since the beginning of 2006. Land value in the U.S. is increasing and is becoming a more significant development cost, recently surpassing financing and legal costs as the second largest cost for developers behind construction. **Primary Impact: Internal Rates of Returns**

10. **Resort Markets – Significant Supply Growth and Redevelopments**

With major developments underway in Lake Tahoe, Mammoth Lakes, and Palm Springs, California's resort markets are anticipated to experience significant growth in the coming years. In 2009, a new 12-acre convention center complex is anticipated to open in South Lake Tahoe. The \$410 million complex, which is expected to break ground in May 2007, will also include two six-story condominium-hotels, 27,000 square feet of retail space, and a number of restaurants. Mammoth Lakes is anticipated to experience significant growth in the coming years as well, as major developments are completed. In addition to the 141-unit Westin Monache condominium-hotel currently under construction in Mammoth Lakes, which is anticipated to open in Summer 2007, a new hotel and spa may soon be in the pipeline, as Starwood Capital recently purchased a significant amount of developable land in the area. Similarly, Palm Springs is welcoming a series of new developments, including a \$100 million W-brand luxury hotel that will consist of 275 hotel-rooms and suites, 250 timeshare units, and a spa. A number of hotel projects have also been proposed, including a 200-unit Hard Rock Hotel, and a 200-unit Aloft hotel. Additionally, in Monterey, construction on the 208-room luxury Cannery Row Hotel is anticipated to begin by year-end; the site for the hotel was approved 23 years ago. It is anticipated that the Cannery Row Hotel will be the last hotel built in Monterey as city voters approved a ballot in the 1980s banning all hotel construction. **Primary Impact: Supply**

San Francisco Lodging Market Analysis: The market is rebounding and achieving significant growth

Ernst & Young's Digital Dashboard

San Francisco	Occupancy	ADR
January	4.6%	9.1%
February	2.4%	6.0%
March	3.4%	17.2%
April	9.0%	6.6%
May	-0.8%	6.0%
June	-0.4%	9.8%
YTD	3.0%	9.1%
2006 E	4.0%	9.0%

Source: Smith Travel Research, Ernst & Young

Trailing Twelve Months: Supply Additions

Property	Location	# of Units	Project Phase	Scheduled Opening Date
St. Regis Hotel & Residences	San Francisco	260	Open	November 2005
Four Seasons Hotel Silicon Valley	East Palo Alto	200	Open	January 2006
Orchard Garden Hotel	San Francisco	86	Open	July 2006
InterContinental Hotel	San Francisco	550	Under Construction	2008

Trailing Twelve Months: Transactions

Property	Location	# of Units	Sales Price (\$M)	Buyer
Westin St. Francis Union Square	San Francisco	1,192	\$440.0 (\$369,128/key)	Strategic Hotels and Resorts Inc.
Argent Hotel	San Francisco	667	\$180.0 (\$269,865/key)	Highgate Holdings of Irving, TX
Pan Pacific Hotel	San Francisco	338	\$95.0 (\$281,065/key)	HEI Hospitality LLC
Canterbury Hotel	San Francisco	244	\$35.0 (\$143,443/key)	Cendant
Hilton San Francisco Fisherman's Wharf/Hotel Rex	San Francisco	234/94	\$25.5 (\$77,744/key)	Pyramid Hotel Opportunity Venture LLC
Courtyard San Francisco Downtown	San Francisco	405	\$10.0 (\$196,296/key)	CNL Hotels and Resorts
Le Meridien San Francisco	San Francisco	360	NAV	HEI Hospitality LLC

Trailing Twelve Months: Renovations

Property	Location	# of Units	Price	Scheduled Completion Date
The Miyako Hotel/Best Western Miyako Inn	San Francisco	218/125	\$10.0	Summer 2007

Trailing Twelve Months: Rebranding

Property	Formerly	Location	# of Units	Date
Hilton San Francisco Financial District	Chinatown Holiday Inn	San Francisco	549	January 2006
JW Marriott	Pan Pacific Hotel	San Francisco	338	April 2006
Le Meridien Hotel	Park Hyatt	San Francisco	360	May 2006

Source: Individual Properties, Lodging Econometrics

- According to STR, occupancy levels in San Francisco averaged 69.6% year-to-date through June 2006, representing an increase of 2.0 percentage points over the same period last year. ADR and RevPAR averaged \$133 and \$93, an increase of 9.1% and 12.4% versus 2005, respectively. In terms of demand and supply growth, lodging demand grew 3.1% year-to-date through June 2006, while lodging supply increased a nominal 0.1%.
- Though convention bookings are below those achieved during the dot-com boom of 2000 and 2001 levels, 838,616 hotel room nights for 2006 have been booked year-to-date through May 2006, an 8.0% increase over the same period last year, according to the San Francisco Visitor's Bureau.
- According to San Francisco International Airport ("SFO"), SFO passenger traffic increased 1.4% year-to-date through May 2006 versus the same period last year. Airport arrivals are anticipated to continue increasing as low cost carriers, such as Spirit Airlines, offer new direct flights. In May 2006, Spirit Airlines made its inaugural flight from SFO, while Virgin American Inc., a newly formed budget carrier that plans to launch flights in 2006, recently made its principal hub at SFO.

San Francisco Lodging Market Analysis (continued)

- According to the California Association of Port Authorities, the Port of San Francisco is anticipated to receive 240,000 cruise passengers in 2006, representing an increase of 12.5% over last year. During the month of May, the Port reported a record month in cruise activity, welcoming four new cruise ships and 60,000 passengers. Next year, Queen Mary 2, the largest passenger ship will berth at the Port. Recently, Bovis Land Lease defaulted on its agreement to build a waterfront cruise ship terminal in San Francisco. According to the Port of San Francisco, however, the Port and Bovis Lend Lease should not have trouble finding another company to take over the complex waterfront project.
- In June 2006, The Transbay Joint Powers Authority approved a new funding and phasing plan for a \$3.2 billion transit project that will replace the old bus depot at First Street and Mission Street with a new transit center designed to serve eight different transportation systems, including Caltrain and a future California High Speed Rail from Los Angeles. The transit project, which is anticipated to break ground in 2008 and be completed by 2021, will also include the development of 3,700 new homes and 3.4 million square feet of offices, hotels, and restaurants that would surround the new transit center. Recently, developers presented plans to the Transbay Joint Powers Authority to build two towers as tall as the 853-foot Transamerica Pyramid and a third tower that would rise at least 1,000 feet near the new transit center. If approved, the latter tower, which would likely house a hotel, office space, and apartments, may become the West Coast's tallest building.
- The San Francisco market is anticipated to experience further growth in the fractional market this year. While JMA Ventures and its joint venture partner Fairmont Heritage Place are currently in the process of converting the top floor of the Ghirardelli building into 50 fractional units, The Ritz-Carlton Hotel Company and its joint venture partner, Hunter Group, are converting 690 Market Street into 52 luxury condos and 49 fractional units. The Canterbury Hotel, which was recently purchased by Cendant for \$35 million, will also be converted into timeshares.
- As the biotech industry continues to grow in San Francisco, more than two million square feet of biotech space and Research and Development labs are anticipated to be added to the area's life science market over the next few years. By 2010, these additions are expected to expand the North Peninsula market by nearly 30.0%. Currently, Slough Estates is in the process of building a 780,000 square-foot campus in South San Francisco that Genentech, San Francisco's leading biotech corporation, has agreed to lease.
- San Francisco is one of three U.S. cities that could be selected on hosting the 2016 Summer Olympic Games. Other U.S. cities under consideration include Chicago and Los Angeles. If selected, the City of San Francisco will have to bid with international cities, including Rome, Milan, Spain, Hamburg, Tokyo, and Fukuoka.

Los Angeles Lodging Market Analysis: Supply remains constrained in the short-run; Downtown undergoing transformation

Ernst & Young's Digital Dashboard

Los Angeles	Occupancy	ADR
January	1.7%	11.1%
February	-1.8%	7.8%
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YTD	1.3%	10.1%
2006 E	1.5%	10.0%

Source: Smith Travel Research, Ernst & Young

Trailing Twelve Months: Supply Additions

Property	Location	# of Units	Project Phase	Scheduled Opening Date
Shade Hotel	Manhattan Beach	38	Open	November 2005
Four Seasons Hotel	Westlake Village	270	Under Construction	Late 2006
Hotel Gansevoort West Hotel	Los Angeles	167	Under Construction	Early 2007
Embassy Suites at D'Orsay Promenade	Long Beach	228	Under Construction	Late 2007
Montage Hotel & Public Gardens	Beverly Hills	214	Under Construction	Fall 2008
Terranea Resort	Palos Verdes	400	Under Construction	Winter 2008
Marriott Marquis Convention Center Hotel	Los Angeles	876	Under Construction	2010
Ritz-Carlton Hotel	Los Angeles	124	Under Construction	2010
Campus El Segundo Hotel	El Segundo	100	Planning	2008
Tejon Mountain Village	Lebec	750	Planning	2008
W Hollywood Hotel & Residences	Hollywood	300	Planning	2008
W Hotel at Grand Avenue	Los Angeles	225	Planning	Early 2009
W and JW Marriott Hotels	West Hollywood	296	Planning	2009
Center City II Hotel	Glendale	150	Proposed	NAV
Woodfin Suite Hotel	Marina Del Rey	286	Proposed	NAV

Trailing Twelve Months: Transactions

Property	Location	# of Units	Sales Price (\$M)	Buyer
Westin Century Plaza Hotel & Spa	Los Angeles	728	\$293.0 (\$402,473/key)	Sunstone Hotel Investors
Fairmont Miramar	Santa Monica	302	\$210.0 (\$695,364/key)	NAV
St. Regis Los Angeles	Los Angeles	297	\$125.0 (\$420,875/key)	The Related Companies
Le Meridien Hotel Beverly Hills	Beverly Hills	297	\$90.0 (\$303,030/key)	SBE Entertainment Group
Westin Long Beach	Long Beach	460	\$88.4 (\$192,174/key)	Noble Investment Group
Doubletree Guest Suites Santa Monica	Santa Monica	253	\$47.2 (\$186,561/key)	The Procaccianti Group
Doubletree Hotel Westwood	Westwood	290	\$33.0 (\$113,793/key)	Behinger Harvard Strategic Opportunity Fund
Doubletree Los Angeles International Airport	El Segundo	215	\$30.5 (\$141,860/key)	The Harp Group of Chicago

Trailing Twelve Months: Renovations

Property	Location	# of Units	Price	Scheduled Completion Date
Ritz-Carlton Huntington Hotel	Pasadena	392	\$19.0	February 2006
Softel Hotel	Los Angeles	298	\$35.0	June 2006
Hyatt Regency Century Plaza	Century City	728	\$22.5	July 2006
Sheraton Los Angeles Downtown Hotel	Los Angeles	485	\$10.0	Early 2007
Doubletree Hotel Westwood	Westwood	294	NAV	June 2007
Wilshire Grand Hotel	Los Angeles	900	\$40.0	Late 2008

Trailing Twelve Months: Rebranding

Property	Formerly	Location	# of Units	Date
Hyatt Regency Century Plaza	Westin Century Plaza Hotel & Spa	Century City	728	Oct-05
Hotel Palomar (Kimpton)	Doubletree Hotel Westwood	Westwood	294	Feb-06
The Hotel Angeleno (Joie de Vivre)	Holiday Inn	Brentwood	209	Feb-06
London LA	Bel Age Hotel	West Hollywood	200	Spring 2007
SBE Hotel	Le Meridien Hotel Beverly Hills	Beverly Hills	297	NAV

Source: Individual Properties, Lodging Econometrics

- According to STR, occupancy levels in Los Angeles averaged 75.6% year-to-date through June 2006, representing an increase of 1.0 percentage points over the same period last year. ADR and RevPAR averaged \$114 and \$86, representing an increase of 10.1% and 11.6% versus 2005, respectively. In terms of demand and supply growth, lodging demand increased 1.0% year-to-date through June 2006, while lodging supply decreased marginally at -0.4%.
- According to Los Angeles World Airports, LAX and Ontario International Airport ("ONT") is expecting the busiest summer travel season in five years. LAX is anticipated to serve approximately 18.7 million passengers this summer, an increase of 200,000 passengers over the same period last year, while ONT is expected to serve two million passengers, an increase of 50,000 passengers versus 2005. LAX will be particularly busy this year as it plans to close one of its four runways and begin a \$333 million project designed to provide greater safety measures and accommodate a new generation of jumbo jets. In 2007, the airport will welcome the 555-seat Airbus A380.

Los Angeles Lodging Market Analysis (continued)

- In June 2006, the Long Beach City Council approved the environmental impact report for expanding the Long Beach Airport. If plans are approved, the project would double the 58,230 square foot facility to 102,850 square feet and increase the number of plane parking spaces to 12—two more than what the airport currently has—potentially enabling more commercial flights in the future.
- The Electronics Entertainment Expo (“E3”), one of Los Angeles’ largest annual trade events, will no longer be held at the Los Angeles Convention Center. The convention, which in the past has attracted more than 50,000 attendees and has drawn nearly 36,000 room nights each May, will now be an invite-only event and take place in smaller area hotels. According to convention officials, E3’s downsizing may likely result in less overall room nights booked in L.A. and consequently less tourist spending.
- In 2010, KB Urban and AEG along with Marriott International Inc. is anticipated to open two luxury hotel properties and condominiums at the L.A. LIVE sports and entertainment center currently under construction in downtown Los Angeles. The complex will include the Los Angeles Marriott Marquis, an 876-room property that will serve as the headquarters hotel of the Los Angeles Convention Center, and a 124-room Ritz-Carlton Hotel. The top levels of the hotel will feature 216 residential condominiums known as The Residences at the Ritz-Carlton. With the opening of the convention center hotel and entertainment-related attractions, the City is anticipating to experience a significant boost in tourism revenue and convention bookings. Since January 2006, convention officials have booked \$165 million in meetings dating to 2025, compared to \$32 million booked two years ago. Furthermore, the City anticipates an additional increase of 20.0% in bookings in 2007.
- In March 2006, The Los Angeles Superior Court judge upheld approvals for a Sunset Strip mixed-use project – Sunset Millennium – after challenges from local groups. The Sunset Millennium project is anticipated to include two hotels with a total of 296 guestrooms that will be branded a W and a JW Marriott and two residential towers consisting of 190 condominiums. Construction is anticipated to begin this year and is expected to take 26 months.
- Similar to the first half of 2005, no new hotels opened in Los Angeles County year-to-date through June 2006. New rooms under construction, however, increased 52.8%, from 11 hotels with 874 rooms last year to 13 hotels totaling 1,336 rooms this year. According to Atlas Hospitality Group, 7,722 rooms are in planning, a decrease of 7.1%.

Los Angeles Lodging Market Analysis (continued)

- In February 2006, the coalition of labor and community activists led by UNITE HERE and the Los Angeles Alliance for a New Economy launched a bid to unionize the hotels located near LAX. With at least 7,000 guestrooms anticipated to be affected, a successful unionizing effort could transform the Los Angeles lodging market into a majority union stronghold and provide unions additional leverage in future contract negotiations. Union organizers have declared that if hotel owners drop their opposition towards the organization's unionizing efforts, the union would lobby the city to invest money in renovating the Century Boulevard Corridor near LAX and construct a convention center in the area.
- Due to disappointing revenues and an evaluation of its real estate holdings, Six Flags Inc. has listed Six Flags Magic Mountain for sale. If sold, the Valencia amusement park, which currently employs 3,000 workers and attracts nearly three million visitors annually, may be converted into a residential development. Similarly, after having struggled financially for many years, Hollywood Park may also be redeveloped, particularly after a video gambling bill was stalled in the state Legislature. If closed, the racetrack may be converted into a mixed-use development.
- With the possibility of the National Football League ("NFL") returning to Los Angeles, the Los Angeles Redevelopment Community Agency recently approved a \$25 million improvement package for the Los Angeles Memorial Coliseum, should the Coliseum be chosen as the venue for the NFL team. NFL owners are currently deciding whether to relocate the team to Los Angeles or Anaheim.
- Los Angeles is one of three U.S. cities that could be selected on hosting the 2016 Summer Olympic Games. Other U.S. cities under consideration include Chicago and San Francisco. If selected, the City of Los Angeles will have to bid with international cities, including Rome, Milan, Spain, Hamburg, Tokyo, and Fukuoka. The City last hosted the games in 1984.

Anaheim/Orange County Lodging Market Analysis: Convention and leisure markets remain strong

Ernst & Young's Digital Dashboard

Anaheim	Occupancy	ADR
January	6.1%	10.2%
February	4.2%	9.6%
March	1.4%	10.5%
April	0.6%	7.6%
May	-3.8%	10.0%
June	-4.7%	8.9%
YTD	0.4%	9.4%
2006 E	0.0%	9.0%

Source: Smith Travel Research, Ernst & Young

Trailing Twelve Months: Renovations

Property	Location	# of Units	Price (\$M)	Scheduled Completion Date
Newport Beach Marriott Hotel and Spa	Newport Beach	532	\$67.5	January 2006
Radisson Newport Beach	Newport Beach	335	NAV	February 2006
Fairmont Newport Beach	Newport Beach	444	\$27.0	June 2006
Hilton Irvine	Irvine	289	\$10.0	June 2006
Ritz-Carlton Laguna Niguel	Laguna Niguel	393	\$40.0	June 2006
Sheraton Park Hotel at the Anaheim Resort	Anaheim	490	\$54.0	July 2006
Anaheim Marriott	Anaheim	1,031	\$25.0	December 2006
Hilton Anaheim	Anaheim	1,572	\$55.0	NAV

Trailing Twelve Months: Rebranding

Property	Formerly	Location	# of Units	Date
Anaheim Palms Resort	Holiday Inn Anaheim	Anaheim	252	February 2006
Island Hotel	Four Seasons	Newport Beach	295	November 2005
Sheraton Park Hotel at the Anaheim Resort	Coast Anaheim Hotel	Anaheim	490	Spring 2006

Source: Individual Properties, Lodging Econometrics

Trailing Twelve Months: Supply Additions

Property	Location	# of Units	Project Phase	Scheduled Opening Date
Doubletree Guest Suites	Anaheim	252	Open	April 2006
Staybridge Suites	Lake Forest	128	Open	April 2006
Courtyard by Marriott	Anaheim	153	Open	June 2006
Pacific City Hotel	Huntington Beach	165	Planning	2007
Renaissance ClubSport Hotel	Aliso Viejo	174	Under Construction	December 2007
Pelican Hill Inn	Newport Coast	204	Under Construction	Late 2007
The Strand Hotel	Huntington Beach	150	Under Construction	Spring 2008
Anaheim Gardenwalk	Anaheim	1,050	Planning	2010
Headlands Resort	Dana Point	65	Under Construction	NAV
The Sheraton at the International West	Garden Grove	288	Under Construction	NAV

Trailing Twelve Months: Transactions

Property	Location	# of Units	Sales Price (\$M)	Buyer
Crowne Plaza	Irvine	334	\$24.2 (\$72,455/key)	Hospitality Properties Trust
Westin South Coast Plaza	Costa Mesa	393	Portfolio Sale	Host Hotels and Resorts
Hilton Irvine	Irvine	289	Merger Acquisition	Alcor Acquisitions
Irvine Marriott	Irvine	485	Merger Acquisition	Alcor Acquisitions
Embassy Suites	Irvine	293	NAV	HEI Hospitality
Wyndham Orange County Hotel	Costa Mesa	238	NAV	Makar Properties

- Building on the strength of Disneyland Resort's 50th anniversary, healthy convention attendance, the rise of coastal resorts, a fall promotion by the Anaheim/Orange County Visitor and Convention Bureau ("AOCVCB"), and the popularity of TV shows as "The O.C.," "Laguna Beach: The Real Orange County" and "Real Housewives of Orange County", Orange County's tourism industry is expected to experience growth throughout 2006. According to CIC Research, Inc. the County is anticipated to attract 45.4 million visitors this year, a 2.0% increase over last year, and a strong 6.0% increase in visitor spending to \$9 billion. Orange County is also anticipated to continue experiencing occupancy and ADR gains this year, though at a slower pace than in 2005. Through June 2006, Orange County's occupancy levels averaged 73.5% and ADR averaged \$109, a 0.4% and 9.4% increase over the same period last year, respectively, resulting in RevPAR of \$80, an increase of 9.8% versus 2005. In terms of demand and supply growth, lodging demand increased 0.5% year-to-date through June 2006, while lodging supply increased a nominal 0.1%.

Anaheim/Orange County Lodging Market Analysis (continued)

- The meeting and convention business continues to grow in the Anaheim area. In 2005, 1,113,224 delegates met in Anaheim and nearby cities, and according to AOCVCB, attendance numbers are anticipated to be greater in 2006. According to the City of Anaheim, 20 groups will conduct meetings, conventions and trade shows in the City throughout June, July, and August of this year, bringing more than 150,000 visitors to the area and generating nearly \$88 million in delegate spending. Earlier this year, the International Music Products Association hosted a record 81,315 attendees in the city. In 2007, International Pow Wow, the U.S.'s largest convention of travel buyers, will meet in Anaheim.
- Due to rising costs of land and construction, lodging supply growth has been limited in Orange County. During the first quarter of 2006, three new hotels, with a total of 520 guestrooms, opened, representing a modest growth of 0.9%. Orange County's additions included the 252-room Doubletree Guest Suites in Anaheim, the 128-room Staybridge Suites in Lake Forest, and the 140-room Hampton Inn & Suites in Cypress. The pace of hotel openings, however, is expected to increase by year-end. Currently, there are six hotels under construction, totaling 975 guestrooms. Additions include the 150-room Strand Hotel and 165-room Pacific City Hotel in Huntington Beach, the 174-room Renaissance ClubSport Hotel in Aliso Viejo, the 65-room Headlands Resort in Dana Point, the 204-room Pelican Inn at Newport Coast, and a hotel in Garden Grove that will be managed by Starwood Hotels & Resorts Worldwide, Inc. There are 2,405 guestrooms currently in planning, which reflects a 27.1% decrease over the same period last year.
- While waiting for the NFL to decide whether to place a new professional football team in Los Angeles or Anaheim, Anaheim city officials have offered the land they originally reserved for the new NFL stadium to developers, although qualified uses have not yet been specified. According to city officials, they are still optimistic that the NFL will choose Anaheim, but they would also like to consider other options that may provide a long-term benefit to the City. The City is offering to sell the 53-acre plot located next to Angel Stadium for \$53 million.
- With its 50th Anniversary celebration ending in September 2006, Walt Disney Company is anticipating to launch a new global marketing campaign in October called "Where Dreams Come True" that is expected to be even bigger than its previous celebration. In the U.S., the celebration will be known as the "Year of a Million Dreams", during which cast members at the Disneyland Resort in California and Walt Disney World Resort in Florida will award one million dreams to guests, including free Disney vacations, an overnight stay at the Mickey Mouse Penthouse, admission to special Disney parties, and private meetings with Disney characters.

Anaheim/Orange County Lodging Market Analysis (continued)

- The Orange County Board of Supervisors recently approved plans to fund a \$512 million expansion and refurbishment of John Wayne Airport ("JWA"). The project, which will increase the number of permanent gates from 14 to 20 and add a 2,500-slot parking structure, will allow JWA to handle 10.8 million passengers annually, a 29.0% increase from its current capacity. A restriction of 10.3 million, however, has been placed on the number of passengers allowed to pass through JWA's gates through 2010. Construction is anticipated to start this year and take five years.
- Boeing has announced that it will close its Anaheim facility and relocate 3,700 jobs to Huntington Beach. When Boeing vacates the 103-acre site, City officials are hoping that employers in high-tech or light manufacturing businesses will occupy it. Residential development on the site is currently not being considered.

San Diego Lodging Market Analysis: The market remains healthy, but supply growth could impact the market in the short-term

Ernst & Young's Digital Dashboard

San Diego	Occupancy	ADR
January	4.0%	5.7%
February	13.6%	9.4%
March	-1.4%	8.5%
April	-1.5%	4.9%
May	-1.3%	5.1%
June	-2.2%	2.9%
YTD	1.5%	6.0%
2006 E	-0.5%	4.5%

Source: Smith Travel Research, Ernst & Young

Trailing Twelve Months: Transactions

Property	Location	# of Units	Sales Price (\$M)	Buyer
Embassy Suites San Diego	San Diego	337	\$118.0 (\$350,148/key)	NAV
Doubletree Hotel San Diego	San Diego	300	\$109.0 (\$363,333/key)	Pyramid Hotels Opportunity Venture LLC
Wyndham Emerald Plaza	San Diego	456	\$104.9 (\$230,044/key)	Columbia Sussex Corp.
Embassy Suites La Jolla	La Jolla	335	\$100.1 (\$298,806/key)	Sunstone Hotel Investors Inc.
W Hotel San Diego	San Diego	259	\$96.0 (\$370,656/key)	Sunstone Hotel Investors Inc.
Hilton San Diego Resort - Mission Bay	San Diego	357	\$90.3 (\$252,941/key)	LaSalle Hotel Properties
Marriott Del Mar	El Camino Real	284	\$69.0 (\$242,958/key)	Sunstone Hotel Investors Inc.
Hyatt Regency Islandia Hotel	Point Loma	422	\$60.1 (\$142,417/key)	KENCAL Ownership, LLC
Sheraton Suites San Diego	San Diego	264	\$52.3 (\$198,106/key)	Pyramid Hotels Opportunity Venture II
Hilton Inn Mission Valley	San Diego	351	\$45.5 (\$129,629/key)	NAV
Mission Valley Resort	Hotel Circle	202	\$38.5 (\$190,594/key)	NAV
Hilton Garden Inn Rancho Bernardo	San Diego	200	\$34.5 (\$172,500/key)	Apple Suites Realty Group, Inc.
Doubletree Hotel San Diego/Del Mar	San Diego	221	\$25.0 (\$113,122/key)	Pyramid Hotels Opportunity Venture LLC
Sheraton San Diego Hotel and Marina	San Diego	1,044	Portfolio Transaction	Host Hotels & Resorts Inc.

Trailing Twelve Months: Renovations

Property	Location	# of Units	Price (\$M)	Scheduled Completion Date
Loews Coronado Bay Resort & Spa	Coronado	439	\$6.0	December 2005
Hilton Mission Valley San Diego	Mission Valley	349	\$11.0	September 2006
U.S. Grant Hotel	Gaslamp District	270	\$26.0	November 2006
Rancho Bernardo Inn	San Diego	287	\$20.0	January 2007
Town and Country Resort	Mission Valley	966	NAV	January 2007
Hyatt Regency Islandia Hotel	San Diego	421	\$36.0	NAV

Source: Individual Properties, Lodging Econometrics

Trailing Twelve Months: Supply Additions

Property	Location	# of Units	Project Phase	Scheduled Opening Date
Grand Del Mar Resort & Spa	Del Mar	261	Under Construction	January 2007
Hard Rock Hotel	San Diego	420	Under Construction	Spring 2007
Diegan Hotel	San Diego	185	Under Construction	Fall 2007
Ivy Hotel	San Diego	159	Under Construction	Fall 2006
Marriott Renaissance Hotel Gaslamp Quarter	Gaslamp Quarter	344	Under Construction	June 2007
Residence Inn by Marriott	Oceanside	125	Under Construction	Fall 2007
Spinnaker Hotel	San Diego	250	Under Construction	Late 2007
Westin La Jolla Commons Hotel	La Jolla	327	Under Construction	2007
Hilton San Diego Convention Center	San Diego	1,190	Under Construction	Summer 2008
InterContinental Hotel	San Diego	450	Under Construction	NAV
Courtyard by Marriott	Liberty Station	200	Planning	Late 2007
Hilton Homewood Suites	Liberty Station	150	Planning	Late 2007
Westin Oceanside Hotel	Oceanside	302	Planning	Late 2009
Chula Vista Convention Center Hotel	Chula Vista	1,500-2,000	Planning	2011
Marriott Hotel	Escondido	196	Planning	NAV
JW Marriott	Lane Field	500	Proposed	NAV
Poway Business Park Hotel	Poway	100-150	Proposed	NAV
St. Regis	San Diego	483	Proposed	NAV
Westin	San Diego	800	Proposed	NAV

- Ranked as one of the top lodging markets in the U.S., San Diego continues to experience healthy lodging fundamentals. According to STR, occupancy levels averaged 73.5% year-to-date through June 2006, representing an increase of 1.1 percentage points over the same period last year, while ADR averaged \$127 and RevPAR averaged \$94, representing an increase of 6.0% and 7.5% versus 2005, respectively. In terms of demand and supply growth, lodging demand grew 1.9% year-to-date through June 2006, while lodging supply grew a nominal 0.4%.
- According to the San Diego Convention and Visitor's Bureau ("ConVis"), San Diego County is anticipated to experience moderate growth in the tourism industry this year. Total visitors are anticipated to reach 27.2 million visitors in 2006, reflecting an increase of 1.7% versus 2005, while visitor spending is expected to reach \$6 billion, a 6.0% increase over last year.

San Diego Lodging Market Analysis (continued)

- According to ConVis, 88 conventions dating to 2011 have been booked in 2006 and more than one million future room nights have been reserved, representing the highest number of future room nights reserved in a single year since 2001. Convention business is anticipated to further grow with the opening of the new 1,190-room Hilton Convention Center Hotel. The hotel, which broke ground earlier this year, is anticipated to open in Summer 2008.
- In May 2006, the ConVis launched a \$2 million television campaign in an effort to further distinguish San Diego in the tourism market. The campaign primarily focuses on portraying San Diego as a place for “active relaxation” and a destination that provides “365 days of ahhhhhhh.”
- According to the San Diego Unified Port District, airport arrivals increased 2.1% year-to-date through May 2006 over the same period last year. Airport arrivals are anticipated to continue increasing as low cost carriers, such as Southwest Airlines, expand in the market. In February 2006, Southwest began a new service to San Antonio, and inaugurated additional flights to Austin, Kansas City, and Oakland, providing travelers from these cities additional choice to San Diego.
- In an attempt to accommodate San Diego’s long-term air transportation needs, the San Diego County Regional Airport Authority proposed to relocate San Diego’s international airport to Miramar Marine Corps Air Station by 2020. This decision will be placed on the 2006 November ballot for voters to decide whether or not the airport authority should negotiate the purchase or the long-term lease of 3,000 acres of Miramar’s 23,000 acres for a commercial airport that would replace the current airport located on Lindbergh Field. Aviation consultants have indicated that the 661-acre Lindbergh Field, the nation’s busiest single-runway commercial airport, will not be able to accommodate the 32 million passengers that are anticipated to pass through its gates by 2030. The airport will likely reach its maximum capacity by 2015.
- Due to the County’s lack of funds and consequently, its inability to build a new stadium for the San Diego Chargers (“Chargers”), the San Diego City Council recently provided the football team permission to pursue a stadium deal elsewhere in San Diego County before year-end. If the Chargers, who have actively pursued a new stadium since 2002, fail to find a new home in the County before January 1, 2007, the Chargers will be free to negotiate a deal elsewhere in the U.S. As of June 2006, cities within San Diego County, including Chula Vista, Oceanside, and National City have expressed their interest in being the Charger’s new home. Cities outside of San Diego County, including Las Vegas and San Antonio, have also expressed interest.

San Diego Lodging Market Analysis (continued)

- In July 2006, Gaylord Entertainment signed a letter of intent with the Chula Vista City Council and the San Diego Unified Port District to develop a 1,500 to 2,000-room resort hotel and convention center complex in Chula Vista. The project is anticipated to break ground next year and open by 2011.
- In December 2005, the San Diego Unified Port District entered exclusive negotiations with Viejas Enterprises to develop six acres of land on Lane Field. Recently, the company partnered with Manchester Financial Group to complete the project, which will include a new cruise ship terminal on the B Street Pier, a 500-room, 27 story JW Marriott Hotel at Broadway and Harbor Drive, retail shops and a 3,000-space parking facility, and possibly a Ritz-Carlton Hotel. The project is anticipated to be completed by 2010.
- In April 2006, the Navy entered exclusive negotiations with Manchester Financial Group to build a \$100 million-plus office building for its Southwest Regional Command headquarters at the 14.7-acre Navy Broadway Complex. In exchange, Manchester hopes to receive a long-term lease to build offices, hotels, and retail on the remainder of the waterfront site. Manchester's conceptual plans currently include two office buildings for the Navy, a 24-story, 693,000 square foot office tower, an 800-room, 40-story hotel at Broadway and Pacific Highway, and an additional two-building 480-room hotel. Construction on the Navy offices are anticipated to begin early next year.
- With nearly \$2.5 billion invested in Southern Californian start-ups last year, a 17.0% increase in dollars over 2004, Southern California may replace the Boston corridor as second behind Silicon Valley in attracting venture capitalist funding. The San Diego area, in particular, has experienced a significant inflow of venture capitalist funding over the last few years due to the biotechnology and real estate industries. According to a survey released by Ernst & Young, Dow Jones, and VentureOne, \$246.4 million was invested in 20 San Diego companies during the first quarter of 2006, representing a 9.0% increase versus 2005. Funding for two of these San Diego companies, which included Cadence Pharmaceuticals and Artes Medical, ranked among the 10 biggest deals nationwide.

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