Jones Lang LaSalle

Real value in a changing world

GWCC – Lodging Market and Demand Study

Executive Presentation | October 22, 2013

Hotels & Hospitality

Jones Lang LaSalle

Real value in a changing world

Georgia World Congress Center

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How Jones Lang LaSalle can help the GWCC accomplish its goals

Who we are

- Client-focused full range of real estate services
- Over **1200 Project and Development Services professionals in the U.S.** and over 2,400 worldwide
- Executed on over 120 single asset and portfolio **hotel transactions totaling over $5.3 billion in 2012**
- Experts in all classes of hospitality and leisure assets including hotels, resorts, spas, and convention centers

ENERGY STAR AWARD 2012
SUSTAINED EXCELLENCE

Forbes THE PLATINUM LIST

WORLD'S MOST ETHICAL COMPANIES 2008 2009 2010 2011 2012 2013
WWW.ETHISPHERE.COM

Only real estate firm listed 6 years running

Highlights & industry recognition

- Forbes Platinum 400 list 3 years straight
- Fortune 100 "Best Places to Work"
- 100 Best Corporate Citizens
- U.S. EPA 2007, 2010, 2011, 2012, 2013 Energy Star Partner of the Year

FORTUNE WORLD'S MOST ADMIRED COMPANIES 2011

FORTUNE 100 BEST COMPANIES TO WORK FOR

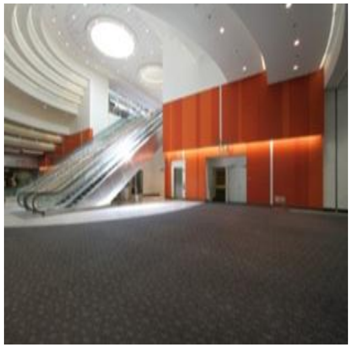
2007 & 2008 100 Fastest Growing Companies

2008, 2009 & 2011 Americas Most Admired Companies

Trusted by top worldwide hospitality clients and brands

HOST HOTELS & RESORTS
FOUR SEASONS Hotels and Resorts
THE RITZ-CARLTON
Hilton HOTELS & RESORTS
Geolo Capital
WESTIN HOTELS & RESORTS
NORTHWOOD HOSPITALITY
SFO
swissôtel Hotels & Resorts
MANDARIN ORIENTAL THE HOTEL GROUP
RACEBROOK CAPITAL
Sheraton HOTELS & RESORTS
starwood Hotels and Resorts
SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO
Marriott
Blackstone
W HOTELS
JER PARTNERS
RLJ Development, LLC
Jmbr
STRATEGIC Hotels & Resorts
Istithmar World
DFW
DALLAS/FORT WORTH INTERNATIONAL AIRPORT
ST. REGIS Hotels & Resorts
WESTMONT HOSPITALITY GROUP
ASPEN SNOWMASS ASPEN SKIING COMPANY
HYATT HOTELS & RESORTS
INTERCONTINENTAL HOTELS GROUP

Selected relevant experience



Moscone Convention Center
San Francisco, CA
JLL led initial cost & programming feasibility, and execution of the $56M , 1M s.f. renovation. Including LEED EB Silver, new WLAN system, new finishes & FF&E, graphics & signage, ADA, & infrastructure upgrades.

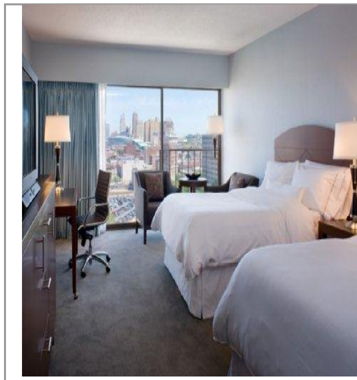
The New York Palace

New York, NY

Extensive multi-phased renovation of the 813 guestrooms and 86 luxury suites, corridors, as part of a $120 million extensive renovation including building exteriors , meeting and public areas.

San Francisco Marriott Marquis
San Francisco, CA

$54 Million Total. 100,000 sq. ft. Ballroom, Meeting Room & Pre-Function Renovation- $25M, 2010 Host Hotels & Resorts Project of the Year; Guest Room & Suites Renovation $29M.



1,500 Room Complexed Hotel
Kansas City, Mo
Prepared financial projections & assessed the impact of complex operations under one brand

Selection and negotiation of the hotel management operating agreements, related contracts and technical services agreement

Atlanta Marriott Marquis

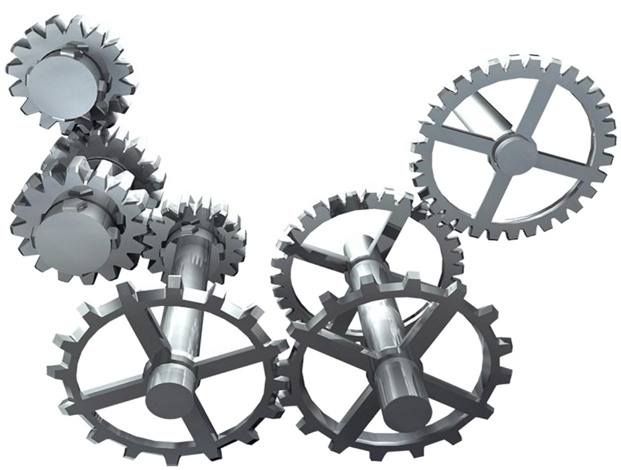
Atlanta, GA
$90 million phased renovation included addition of new ballroom and meeting space as well as, new concepting of public ,lobby space and food & beverage venues. Subsequent Sale of the Asset by JLL

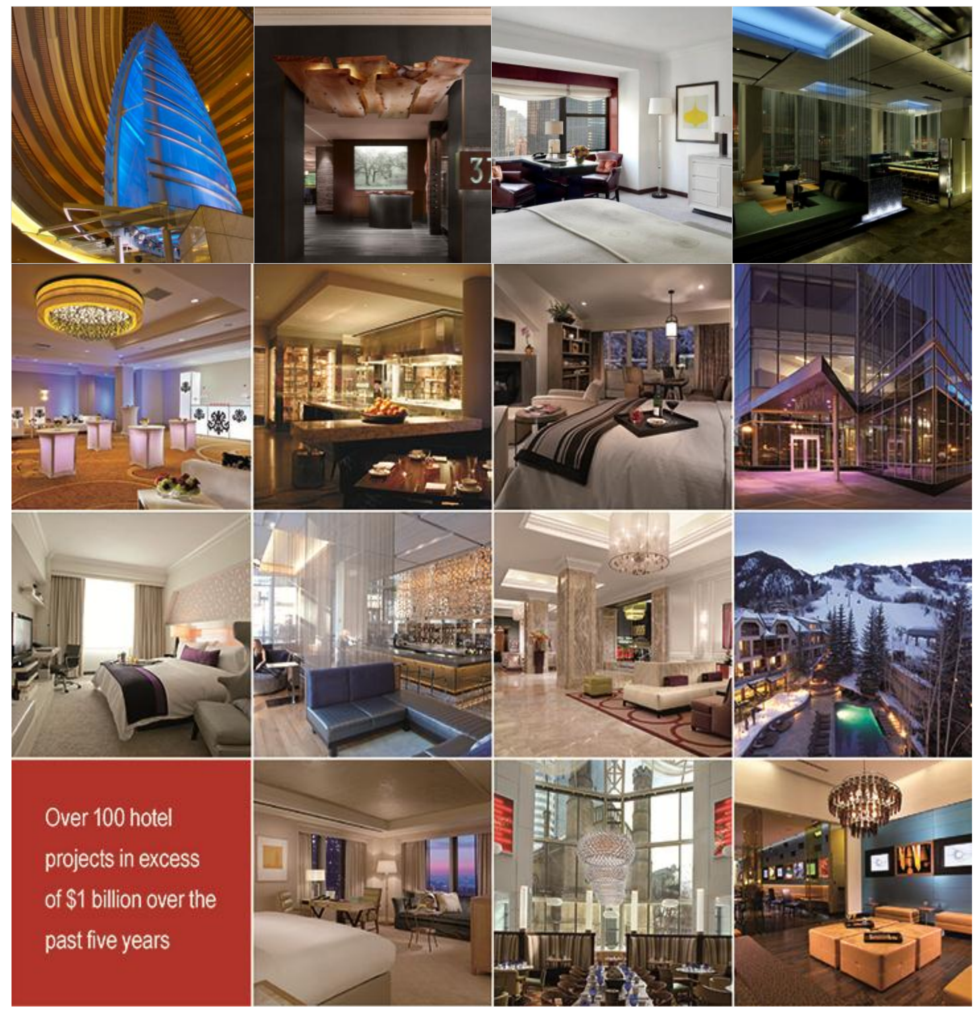
Georgia Tech & Conference Center – Atlanta, GA

$180M development of a global learning center for continuing education and distance learning, a 250-room hotel and executive conference center, a university bookstore and approximately 20,000 square feet of retail and restaurant space. spaces.

Jones Lang LaSalle's integrated hotel capabilities

- Operator assessment and selection
- Strategic programming
- Industry research
- Financial feasibility and capital raising
- Development advisory
- Design and construction management
- Risk mitigation





JLL's Approach

Atlanta Market
- Economy and Tourism
- Overall Hotel Market Performance
- Competitive Set Performance
- Estimated Effects of Proposed Hotel

Subject
- Location Recommendation
- Programming Recommendations
- Branding
- Performance Estimates
- Effect on Other Market Participants

Convention Center Markets
- National Convention Supply and Demand
- GWCC Convention Performance
- Competitiveness of GWCC without a HQ Hotel
- Effect of the addition of HQ hotel on comparable markets

Site & Project Attributes
- Project Location & Attributes
- Surrounding Land Uses
- Proximity to Demand Drivers
- Downtown Development Trends

Market Overview

Market Overview

Atlanta Meetings and Conventions

Atlanta is a top-tier convention city, ranking among the top five convention destinations in the country. The Georgia World Congress Center ("GWCC") is Atlanta's primary convention facility. In addition to the GWCC, Atlanta is home to the Atlanta Convention Center and AmericasMart, Georgia International Convention Center, and numerous hotels with expansive meeting space for meetings.

Georgia World Congress Center (GWCC)

The GWCC is Atlanta's largest (and the country's fourth largest) convention center, encompassing 1.4 million square feet of exhibit space, 106 meeting rooms, three auditoriums and two grand ballrooms.

The GWCC opened in 1976, and most recently added another 420,000 square feet of exhibit space as part of its Phase IV expansion, adding "Building C".

Georgia World Congress Center (GWCC)			
Year	# Events	Total Attendance	% Chg
2005	333	1,052,040	
2006	352	1,380,617	31%
2007	333	1,570,639	14%
2008	312	1,312,453	-16%
2009	350	132,956	-90%
2010	331	1,098,328	726%
2011	259	1,134,442	3%
2012	258	985,257	-13%
CAGR	-3.1%	-0.8%	

Georgia International Convention Center

The GICC is the city's second largest convention center and is directly connected to Hartsfield-Jackson airport. The center has 150,000 square feet of exhibit space, a 40,000 square foot ballroom, 16,000 square feet of meeting space and over 400,000 square feet in all.

Georgia International Convention Center			
Year	# Events	Total Attendance	% Chg
2006/2007	4,951	380,159	
2007/2008	3,774	371,518	-2.3%
2008/2009	3,257	258,095	-30.5%
2009/2010	3,110	243,774	-5.5%
2010/2011	4,388	314,006	28.8%
CAGR	-2.4%	-3.8%	

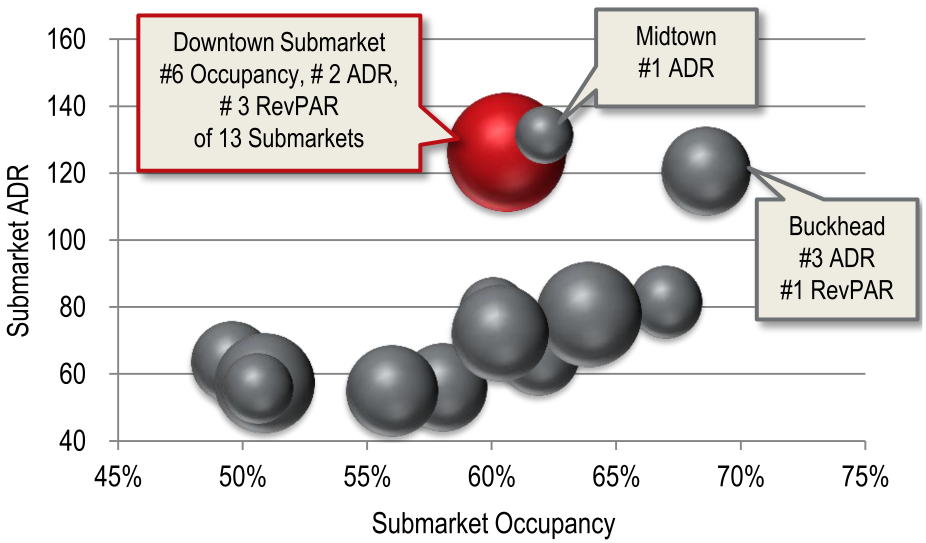
AmericasMart Atlanta

The AmericasMart facility brings together over 7.7 million square feet of trade center and wholesale trading space. The Mart hosts several trade shows every year including Market Wednesday, Atlanta Apparel, Atlanta Spring Immediate Delivery, and The Atlanta International Gift and Home Furnishings Market. The Mart brings tens of thousands of visitors to the city each year. The Atlanta Convention Center, within the Mart complex, has a total of 500,000 square feet of meeting space.

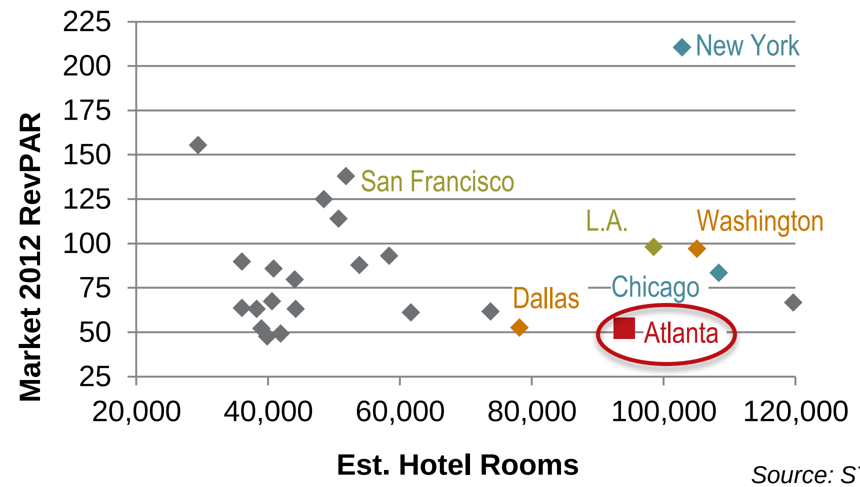
Market Overview

Atlanta Lodging Market

Atlanta Lodging Submarket Positioning

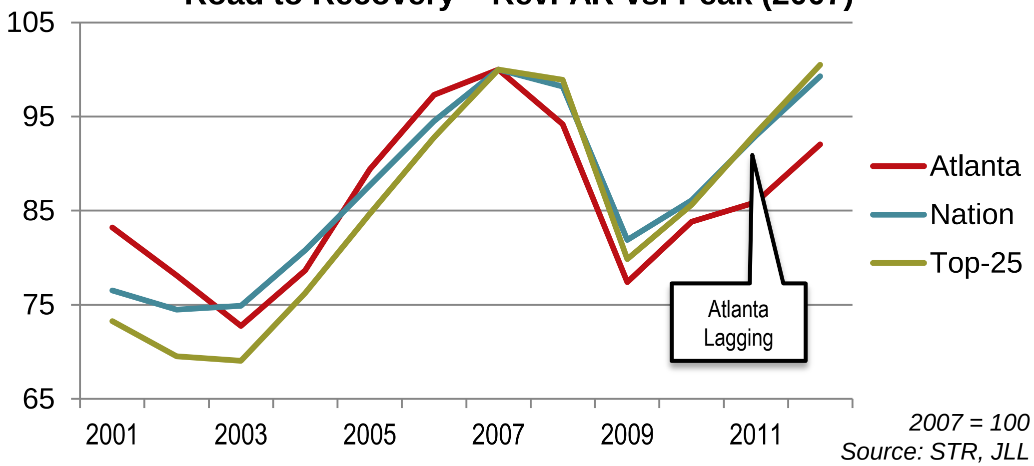


Top 25 U.S. Markets – RevPAR & Size



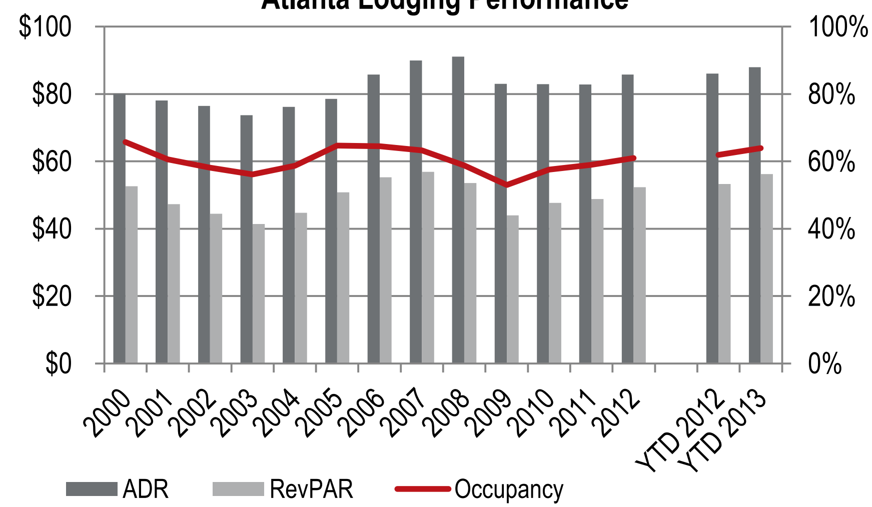
Source: STR, JLL

Road to Recovery – RevPAR vs. Peak (2007)



2007 = 100
Source: STR, JLL

Atlanta Lodging Performance



† TYD Figures as of June
Source: STR, JLL

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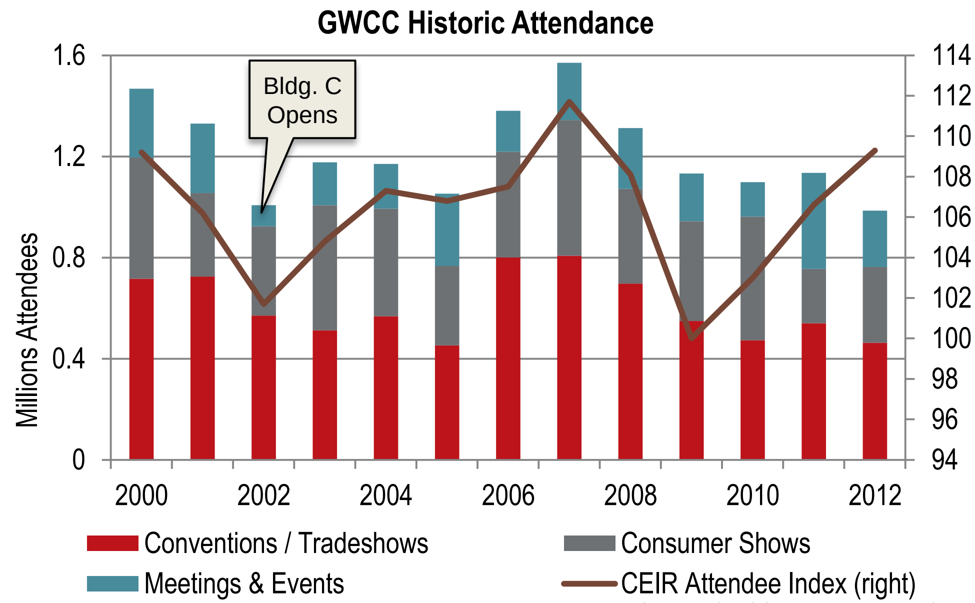
Georgia World Congress Center

Conventions Market

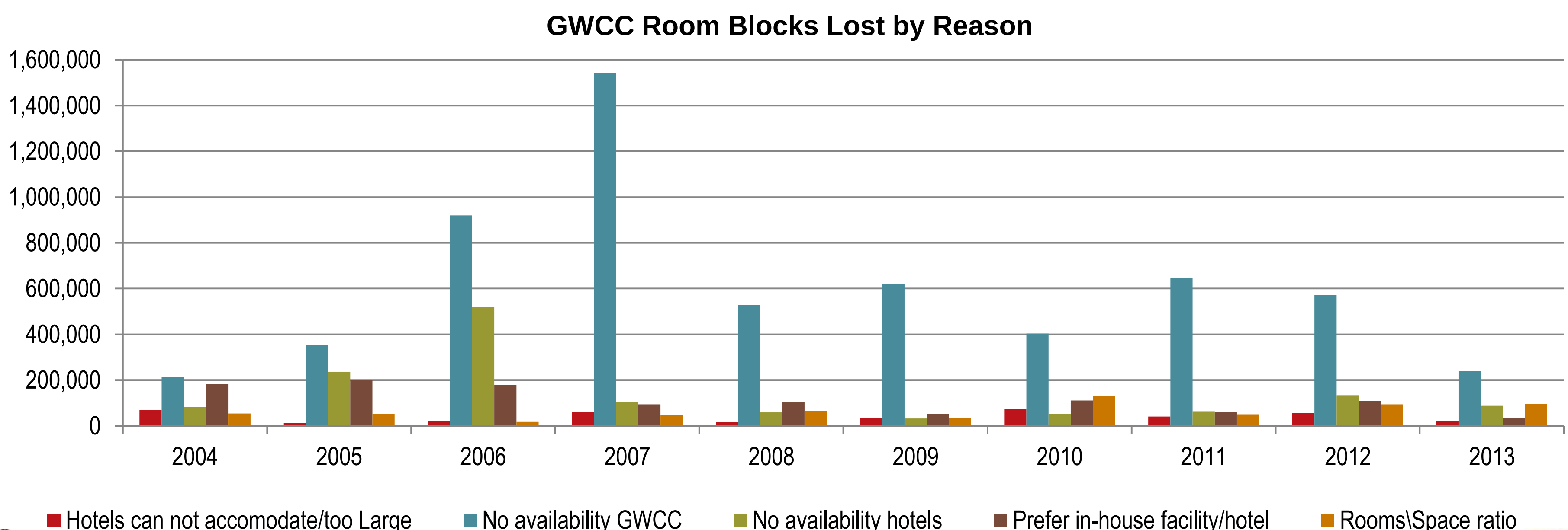
Conventions Market

GWCC Historic Performance

Reason Lost	Avg. Room Blocks Lost 2004-2013
No Availability GWCC	603,938
No Availability Hotels	136,987
Prefer In-House Facility/Hotel	113,069
Rooms / Space Ratio	63,691
Hotels Can Not Accommodate – Too Large	40,235



Source: GWCC Annual Reports, CEIR



Source: ACVB

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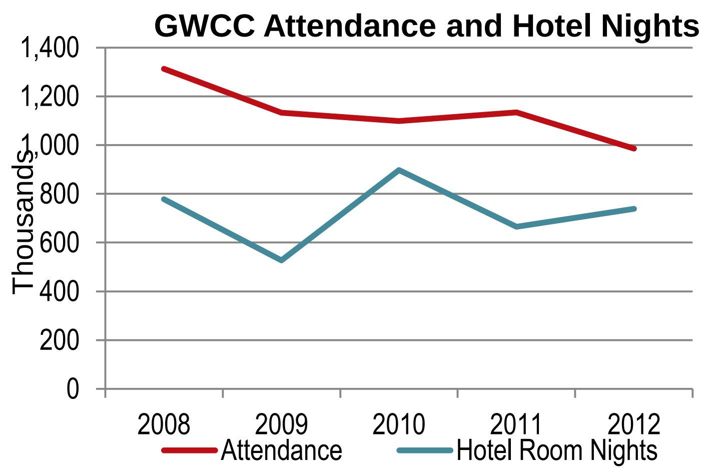
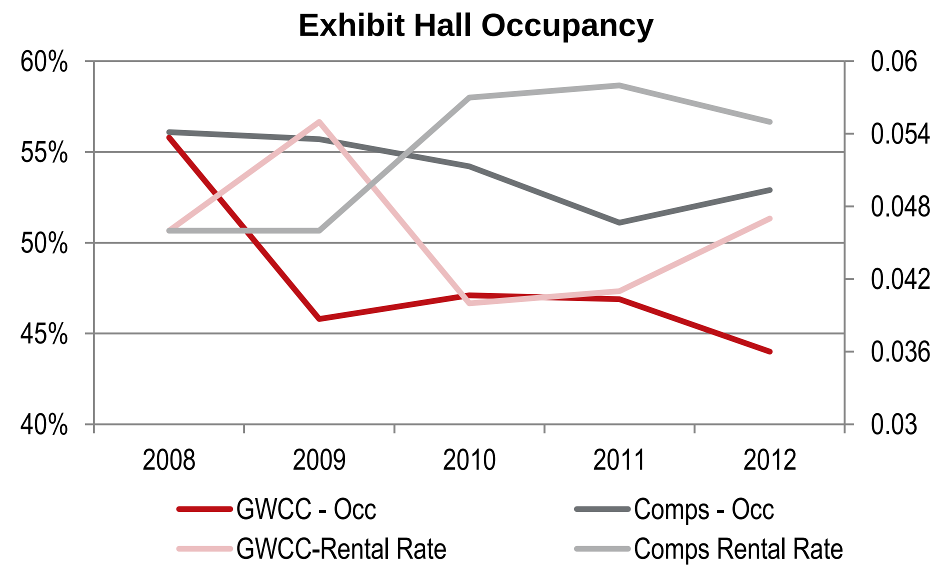
Georgia World Congress Center

Conventions Market

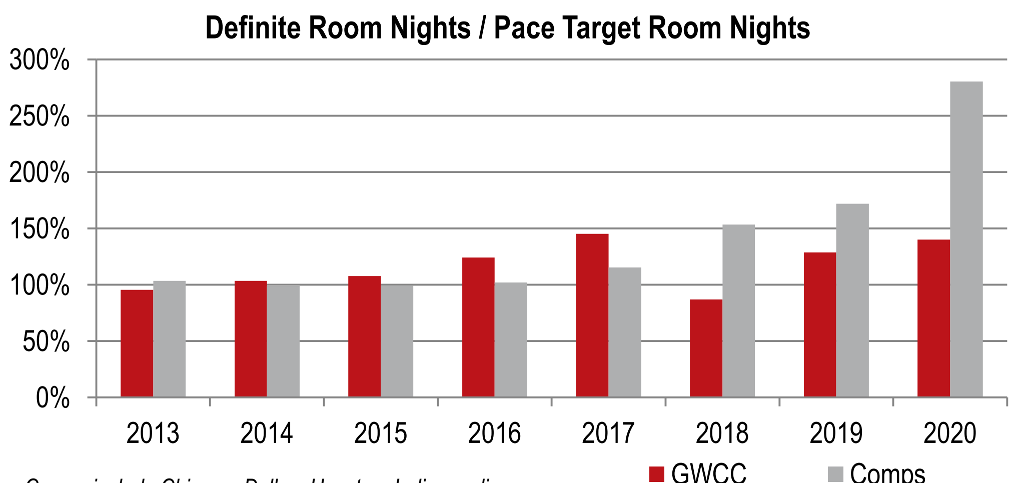
Competitive Performance



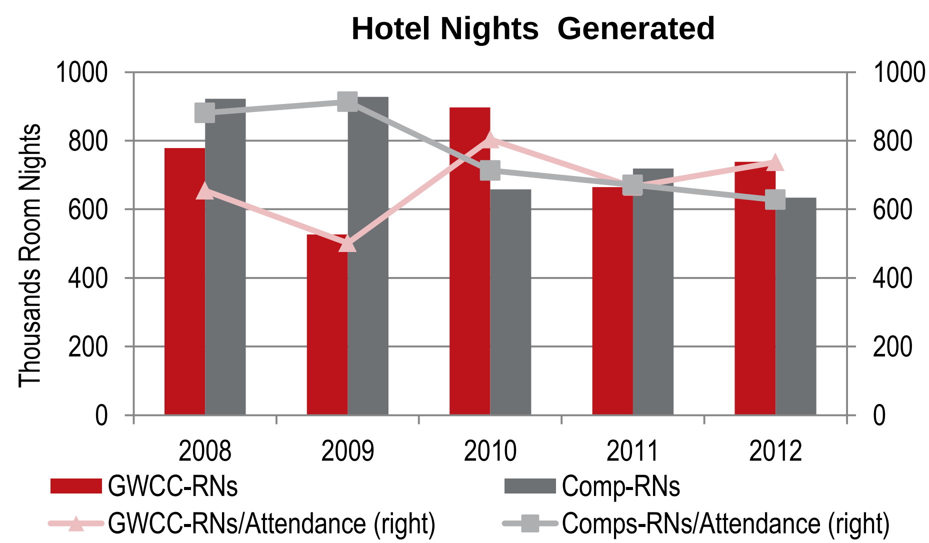
Room nights are for GWCC Convention center only *Source: ACVB*



Comps include other Centers with 500,000 sf or more Exhibit Space
Rental rates = $ / sf / day *Source: PWC*



Comps include Chicago, Dallas, Houston, Indianapolis, Orlando, San Antonio, Tampa Bay, Washington DC
Source: ACVB – TAP Report



RNs = Hotel room nights generated
RNs/ Attendance = Hotel room nights / 1,000 Exhibit Attendees *Source: ACVB, PWC*

Conventions Market

Competitive Room Stock Analysis

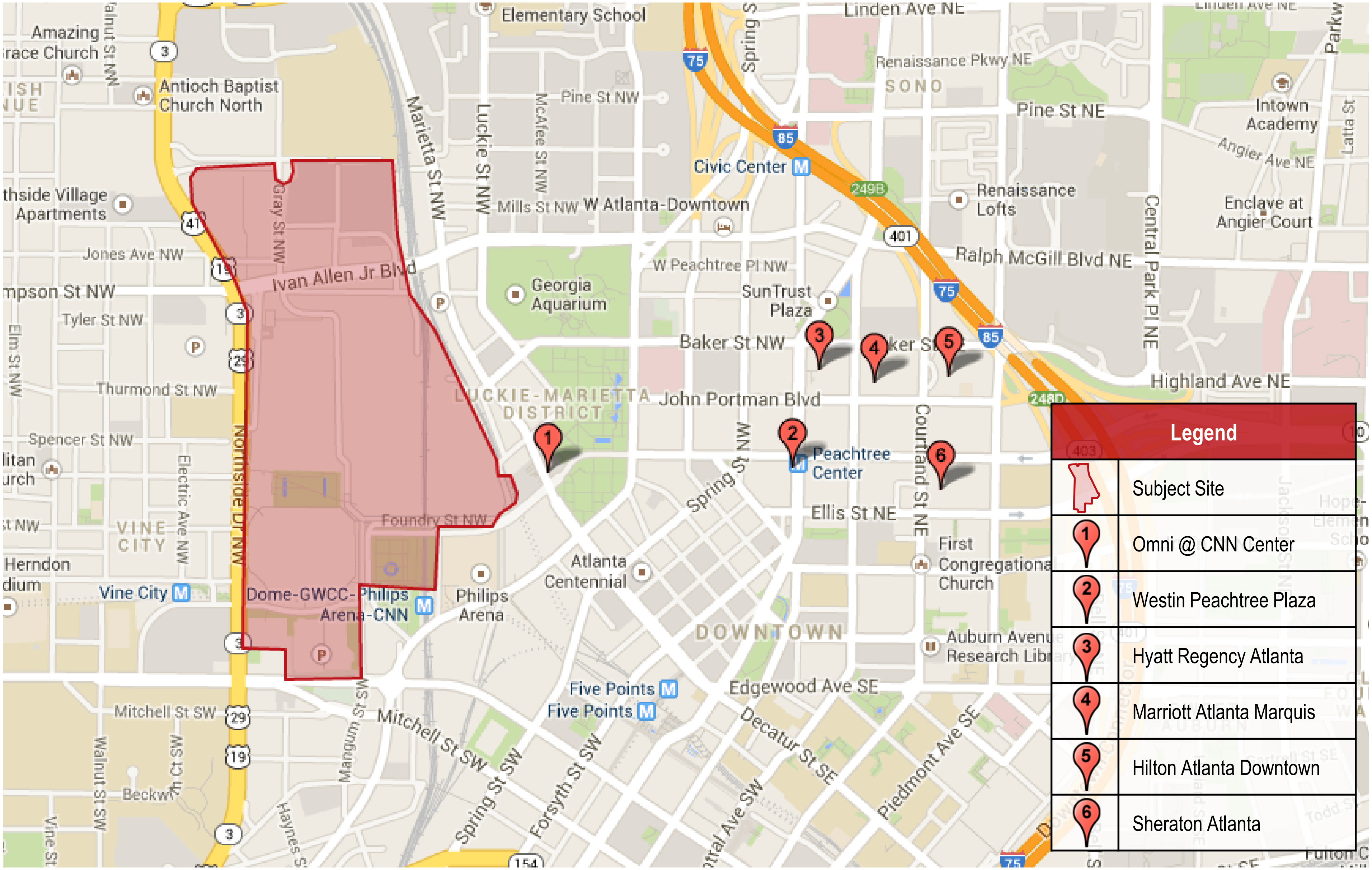
Competitive Set Hotel Stock Analysis									
Market	Center	SF Exhibition Space	Meeting Space	Rooms 1/2 mile	Per 1K sf Exhibit	Rank	Rooms 1 mile	Per sf Exhibit	Rank
Atlanta	GWCC	1,366,000	240,646	1,947	1.43	14	10,634	7.78	10
Chicago	McCormick Place	2,600,000	600,000	800	0.31	15	1,032	0.40	15
Dallas	Dallas Convention Center	929,726	143,429	3,607	3.88	10	6,715	7.22	11
Denver	Colorado Convention Center	584,000	185,000	6,445	11.04	5	7,854	13.45	7
Houston	George R. Brown Convention Center	862,000	185,000	2,178	2.53	11	5,053	5.86	12
Indianapolis	Indiana Convention Center	566,000	140,000	6,488	11.46	4	6,863	12.13	8
Nashville	Nashville Convention Center	118,675	91,500	3,003	25.30	2	3,823	32.21	2
New Orleans	Ernest N. Morial Convention Center	1,100,000	275,500	2,309	2.10	13	13,179	11.98	9
Orlando	Orange County Convention Center	2,053,800	479,200	4,482	2.18	12	11,685	5.69	13
Phoenix	Phoenix Convention Center	645,900	227,800	3,049	4.72	9	3,404	5.27	14
San Antonio	Henry B. Gonzalez Convention Center	440,000	203,000	8,321	18.91	3	12,578	28.59	3
San Diego	San Diego Convention Center	615,700	204,100	5,295	8.60	7	11,307	18.36	5
San Francisco	Moscone Convention Center	538,700	179,500	13,909	25.82	1	26,309	48.84	1
Tampa	Tampa Convention Center	200,000	379,646	2,176	10.88	6	2,791	13.96	6
Washington DC	Walter E Washington Convention Center	703,000	125,000	4,062	5.78	8	13,296	18.91	4

- In numerous surveys, meeting planners have consistently voiced the opinion that proximity of hotel rooms to the convention facility is of paramount importance, including a 2012 survey conducted by Watkins Research where 78.8% of respondents said "Proximity of overall hotel package to convention center" was Extremely Important (only "Best Overall Value" ranked higher).
- In looking at a competitive set of convention facilities, JLL notes that only Chicago has fewer hotels per 1,000 of exhibit space within a ½ mile and Atlanta ranked ten (of 15) for number of rooms / 1,000 sf exhibit space within a 1 mile radius of the convention center.
- A 920-room facility would be required for Atlanta to overtake New Orleans in the *Rooms w/in a ½ mile per 1,000 sf Exhibit Space* category, and over 5,700 to overtake that city in the 1-mile category.
- The addition of proximate room stock would likely improve Atlanta's competitivity in this important metric.

Competitive Lodging Market

Competitive Lodging Market

Competitive Set Location



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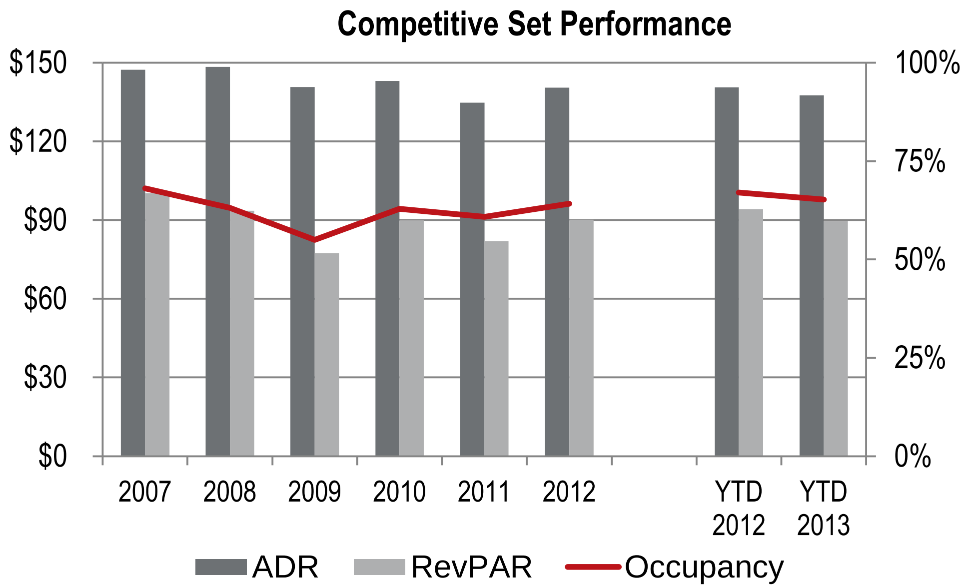
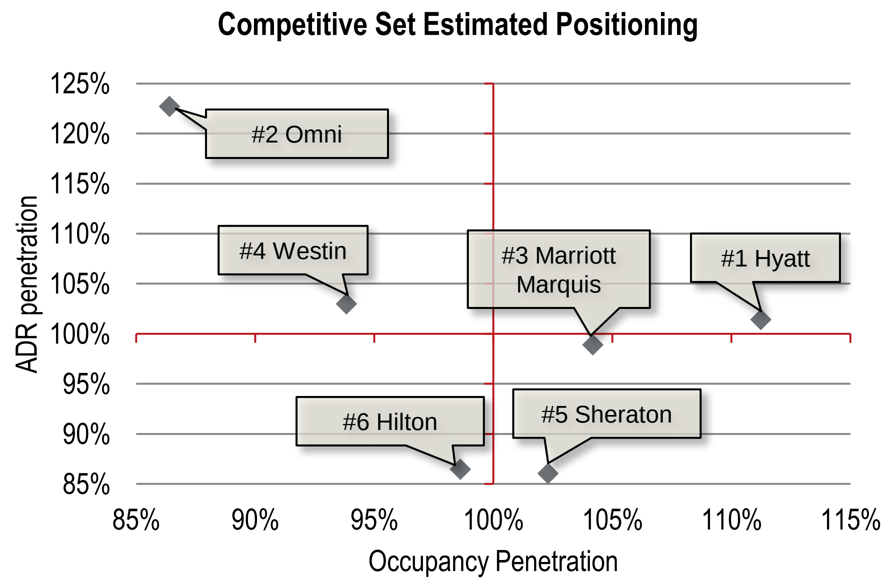
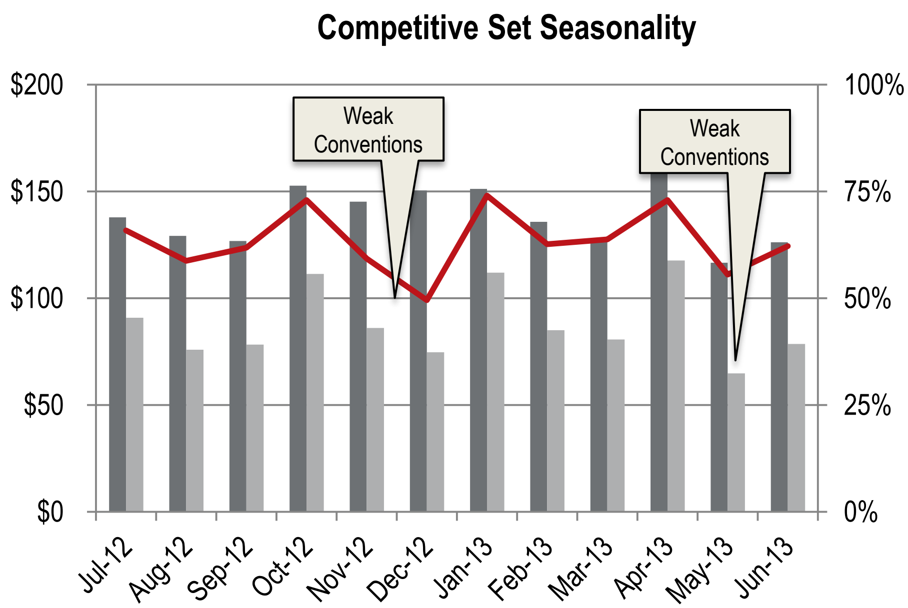
GEORGIA WORLD CONGRESS CENTER

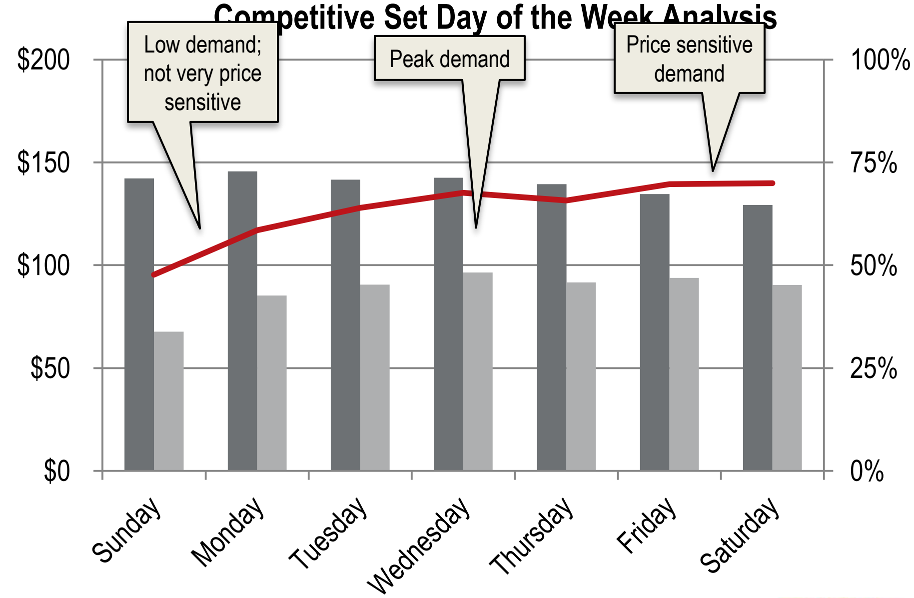
Competitive Lodging Market

Competitive Set Performance









Site Analysis & Recommendations

Site Analysis & Recommendations

Location Recommendation

GWCC Hotel Complex Programming			
Hotel Rooms	**Units**	**Net SF / Unit**	**Net SF**
Standard rooms (King)	374	350	130,900
Standard rooms (Queen-Queen)	566	350	198,100
Suites	60	700	42,000
Total Rooms	**1,000**		**371,000**
Food & Beverage	**Seats**	**Net SF / Seat**	**Net SF**
Three Meal Restaurant (B,L,D)	350	29	10,150
Second 3-meal Restaurant (B,L,D)	150	29	4,350
Coffee Bar w/ Grab & Go	90	25	2,250
Active Lobby Lounge	125	25	3,125
Total F&B	**715**		**19,875**
Meeting Space	**Rooms**	**Net SF / Room**	**Net SF**
Ballroom	1	15,000	15,000
Jr. Ballroom	2	6,000	12,000
Meeting Rooms	18	900	16,200
Boardroom	2	700	1,400
Prefunction Space			8,920
Total Meeting Space			**53,520**
Other Amenities / Services			
Fitness Center w/ Indoor Pool	Concierge		
24-hour Business Center	In-Room Dining		
Direct Connectivity to GWCC	Mini-bar		
Easy Access to Georgia Dome	Laundry Service		
Retail Area			

Source: Jones Lang LaSalle Hotels

Site Analysis & Recommendations

Branding

	Marriott	Starwood	Hilton	Hyatt	IHG	Other
Luxury	JW Marriott		Conrad Hotels & Resorts	Grand Hyatt	InterContinental Hotels & Resorts	Fairmont Hotels & Resorts
Upper Upscale	Marriott Renaissance Hotels & Resorts	Westin Hotels & Resorts	Hilton Embassy Suites Hotels	Hyatt Regency Hyatt		The Peabody Omni Hotels Loews Hotels · Resorts Gaylord Hotels A Gaylord Entertainment Company
Upscale		Sheraton	DoubleTree Hotel		Crowne Plaza	

X Indicates brand exists in market

Site Analysis

Project SWOT

Strengths

- Location connected to GWCC, the nation's fourth largest convention center as well as proximity to the Georgia Dome and Phillips Arena
- Controllable, guaranteed room block for the GWCC
- Increase proximate room stock for the GWCC convention center, a strategic weakness of the GWCC
- Increasing leisure demand in the downtown market, burgeoning Luckie-Marietta district
- Newest product in a competitive market of relatively aged hotels

Weaknesses

- Difficult location within the Downtown submarket - lack of entertainment and life surrounding the site
- Low barriers to entry in Atlanta market – availability of alternate sites
- Low ADR lodging market
- Recent property trades have been below replacement cost
- Likely negative impact on the Downtown lodging market in the near term

Opportunities

- Possible purchase of existing Omni hotel, which could be expanded if necessary
- Use the hotel development to also enhance the entertainment venues in the area, including retail, F&B and other entertainment into the design

Threats

- Continued economic malaise leaves convention industry and the lodging market stagnant
- Group demand does not rebound to pre-recession levels
- Additional supply increases in the Downtown submarket

Financial Analysis

Executive Summary

Financial Analysis

- Based on our analysis of the market, the top-line performance of the competitive market (including the Subject), the Subject and the competitive market excluding the Subject can be found below.

Market Performance (Including Subject)											
	2007 (Peak)	2009 (Trough)	2013	2014	2015	2016	2017	2018	2019	2020	2021
Occupancy	68.0%	55.0%	63.2%	64.2%	65.0%	61.8%	64.6%	66.4%	67.6%	67.4%	67.6%
ADR	$147.28	$140.78	$138.19	$142.75	$149.73	$155.70	$161.40	$165.19	$168.70	$172.08	$175.52
RevPAR	$100.22	$77.40	$87.41	$91.69	$97.25	$96.22	$104.25	$109.74	$114.08	$116.04	$118.69

Subject Performance						
	2016	2017	2018	2019	2020	2021
Occupancy	52.2%	58.9%	64.5%	65.9%	65.8%	65.9%
Penetration	84%	91%	97%	98%	98%	98%
ADR	$150.52	$167.14	$174.47	$178.20	$181.76	$185.40
Penetration	97%	104%	106%	106%	106%	106%
RevPAR	$78.56	$98.38	$112.56	$117.51	$119.53	$122.26
Penetration	82%	94%	103%	103%	103%	103%

Competitive Market Results (Excluding Subject)											
	2007 (Peak)	2009 (Trough)	2013	2014	2015	2016	2017	2018	2019	2020	2021
Occupancy	68.0%	55.0%	63.2%	64.2%	65.0%	63.2%	65.4%	66.7%	67.9%	67.7%	67.9%
ADR	$147.28	$140.78	$138.19	$142.75	$149.73	$156.30	$160.67	$163.92	$167.40	$170.74	$174.16
RevPAR	$100.22	$77.40	$87.41	$91.69	$97.25	$89.60	$94.01	$97.11	$100.86	$102.60	$104.94

Conclusions & Recommendations

- A robust (oversized) Retail / Dining Entertainment area is essential for the successful development of a Convention (Headquarter) Hotel connected to the Georgia World Congress Center in order to tie the complex to the Luckie-Marietta area as much as possible.
- A new 1,000-room Convention (Headquarter) Hotel connected to the Convention Center and offering a substantial room block to attendees is anticipated to eventually induce 150,000 new annual room nights to Downtown Atlanta at a market ADR premium which would generate substantial positive economic impact in Downtown Atlanta.
- A new convention hotel would add group room nights but divert transient demand from existing hotels currently operating in the market.
- A new convention hotel would have a negative short term (2-4 years) impact on the competitive hotel market but is anticipated to benefit the market over a 5-10 year period.
- A new convention (HQ) hotel will cost $250,000 to $300,000 per key to develop
- A new convention hotel would require significant subsidy and/or financial (equity/debt) incentives in order to be considered feasible on economic terms. While Group demand has remained weak, hoteliers have filled rooms with lower-rated transient demand, leaving overall ADR at trough levels.
- Economic Feasibility could be improved through the opportunity to “complex” with the existing Omni or develop a portion of the new hotel as a dual branded upper upscale full service and upscale select service hotels also attached to the Georgia World Congress Center.

Discussion

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