Presentation To:

DuPage CVB

January 22, 2008

DuPage County
and
Chicago Area Forecast

For the Hotel Industry

Presented by:

Ted Mandigo, CPA, ISHC

TR Mandigo & Co.
(630) 279-8144

Web Site: trmandigo.com

Notes and Comments

Here we go again. This will be the 7th cycle in a 50 year period. The cycles seem to last about 7 years each with some variations in the length of the peak performance and length of recovery.

For this recession, the pundits are forecasting anywhere between a short 1st half of 2009 for the duration of the down portion of the cycle to a turnaround late in 2010 with a two year recovery.

The historic performance suggests another year of drop in occupancy, probably about 1 to points, and then a three year recovery. My best estimate is that the occupancy levels for the Chicago Metro area will be down to a 63% in 2009 from a 2008 level of 64.5% with an ADR drop of $6 to $125 from the current year end of $131.

Occupancies should rise slightly in 2010, hitting 64% with flat ADR performance, and then should bounce back to the 65% range and an historic growth in ADR of 4%, back to the $131 level in 2011. Continuing recovery would suggest a 67% performance in 2012 and continued ADR growth at 4% annually.

The charts illustrate the historical performance of the market and the past cycles on a metro wide basis.

DuPage County has taken the brunt of both the recession and growth in supply, resulting in the second worst performance of the sub-markets in Chicago. The 11 month performance for 2008 shows a 59.5% occupancy, forecast at 57.5 percent for year-end, and an ADR of $99.03, forecast at $98 for year-end.   The growth in supply of 2.9 percent or 467 rooms (partial year operation of the Westin is factored into the year 2007) include ramp up occupancy and recessionary impact on the overall market.

Statistics for the immediate Oak Brook area indicate a 70% performance, with a significantly lower average in the Naperville, Yorktown (Lombard) and St. Charles areas. The communication industry and high tech corridor business layoffs are major factors in this performance.

Area-wide occupancy levels show that the DuPage market drop in occupancy is about average for the metro area and the ADR growth of 0.1 % is reflective of introductory discounting and the pressures of the recession.

It is not a pretty picture.

Looking at the historic performance of the DuPage market the growth in demand flattened out during 2007 showing little change, then in 2008 began a decline in actual room nights of demand while room supply additions were taking place. The additions over the 2007-2008 period added 914 rooms or a 6 percent increase in supply to the base of 15,212 rooms bringing the 2008 year end total to 16,126 rooms in the overall market.

These additions did not included the significant rooms additions of 556 rooms at the Intercontinental Hotel at O'Hare or the Renaissance property in Schaumburg, both having a strong impact on the DuPage properties as competition for anticipated conference and group business and a diminution of airport business that periodically overflows to the area properties.

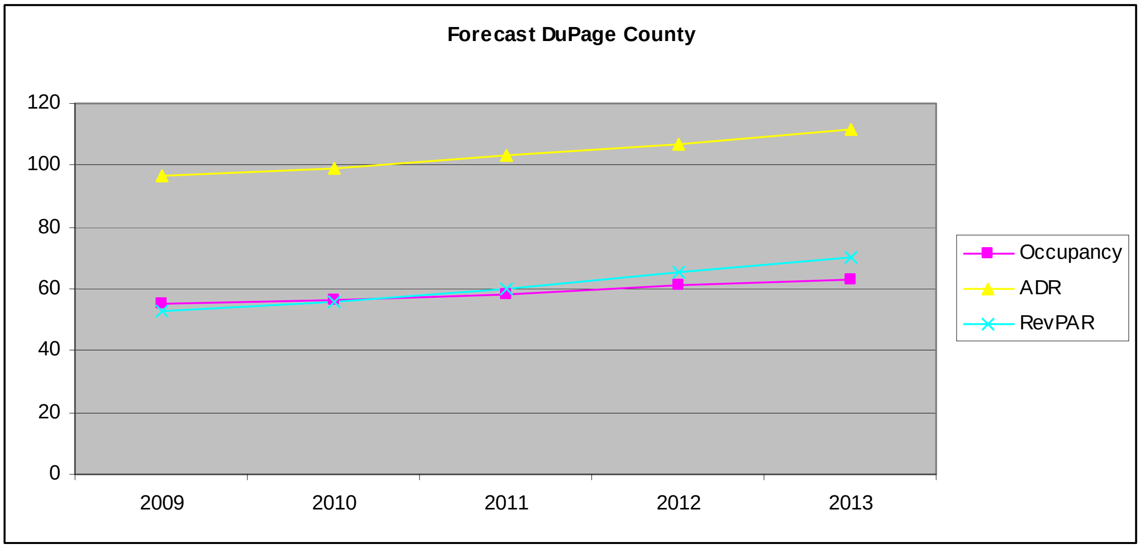
During '05, '06 and '07 the market showed stronger seasonal demand with occupancies peaking in the mid-70's in the summer months. Those peaks have dropped off in 2008, reflecting a sluggish absorption of the new supply and a slower overall convention market. ADR growth likewise flattened in 2008 and the resulting RevPAR declined from its peak in 2007. It is forecast to continue that decline for the next two years.

Fortunately the current crisis in the financial world has curtailed project financing, and has delayed many projects that were under discussion. We list 6 proposed projects for the DuPage County area, all in an "on-hold" status. Probable new development will be postponed until 2010 at the earliest. Projects that were active until mid-year 2008 include an Aloft at 22nd; a Cambria Suites and Holiday Inn to be located in Oakbrook Terrace; a 140 unit project in the 7-Bridges complex, a Boutique hotel in Hinsdale and a long discussed addition to the Drake property.

We have prepared forecasts of results through the next several years, estimating monthly performance of the overall market based on trends, historic performance and our estimates of the impact of the current recessionary period on property performance. Our projections historically have been conservative in ADR and somewhat optimistic in occupancy level performance. For comparison we have shown our track record on the last couple of projections produced for this group. We appear to be more accurate with closer-in forecasts, and didn't do a very good job of anticipating the financial crisis that impacted this year.

Our forecasts for the coming period are presented as a table of occupancy, ADR and RevPAR on a month by month basis. Summarized the expected performance of the market is as follows:

Year	Occupancy	ADR	RevPAR
2009	55.0%	$96.50	$53.08
2010	56.5%	$99.00	$55.94
2011	58.5%	$102.96	$60.23
2012	61.0%	$107.08	$65.32
2013	63.0%	$111.36	$70.16



Suddenly I'm putting in disclaimers. This assumes a recovery in the financial markets by 2010 and does not anticipate room supply additions starting construction until 2010 at the earliest, entering the market in 2013 with modest room supply additions (less than a 2% growth in supply).

We also took into account general trends in the industry in our forecast and assumptions. These include assumptions on supply growth, with a doubling of cancelled or tabled projects reported in the most recent Hotel Pipeline Report by Lodging Econometrics. Forecasts indicate a drop in growth to a nominal 2.0 percent increase over the next three years with most of the additions to supply included in projects currently under construction or with financing in place. As a matter of fact, we have even seen confirmed financing pulled from projects, citing "unusual economic circumstances" clauses in the loan documents.

We also looked at such factors as convention and meeting business, observing that the CES (Consumer Electronics Show) in Las Vegas that historically had attendance of 150,000, dropped to 130,000 persons according to the organizers. (Attendees indicated a more severe drop to 100,000 attendees.) Similar drops in attendance are anticipated. The CCTB monitors these numbers constantly with call to organizers, and is expecting somewhere between a 5 to 10% drop in attendance at Chicago area conventions. The more optimistic numbers for Chicago reflects the more business-like setting of the Chicago area vs. a Las Vegas or Orlando event that seems less appropriate in austere times.

We are seeing significant discounting and packaging by hotel operators to sustain leisure business with some success, off-setting group and commercial declines.

However, taking the experience and data from the 2001-2003 recession into consideration, analysis and hindsight clearly demonstrates that properties that maintained their published rack rates, established fences to protect their full rate business and selectively used packaging and discounts to creatively appeal to new business achieved a higher level of revenues than those properties that discounted less discriminatingly across the board. Experience indicates that a pick-up of occupancy points based on general discounting does not off-set the lost revenue from ADR and results in a decrease in RevPAR.

In fact we recently observed that both the Four Seasons and the Peninsula Hotels both reported increased rack rates to preserve the peak and inelastic revenue base while adding packages and discounting to attract new business.

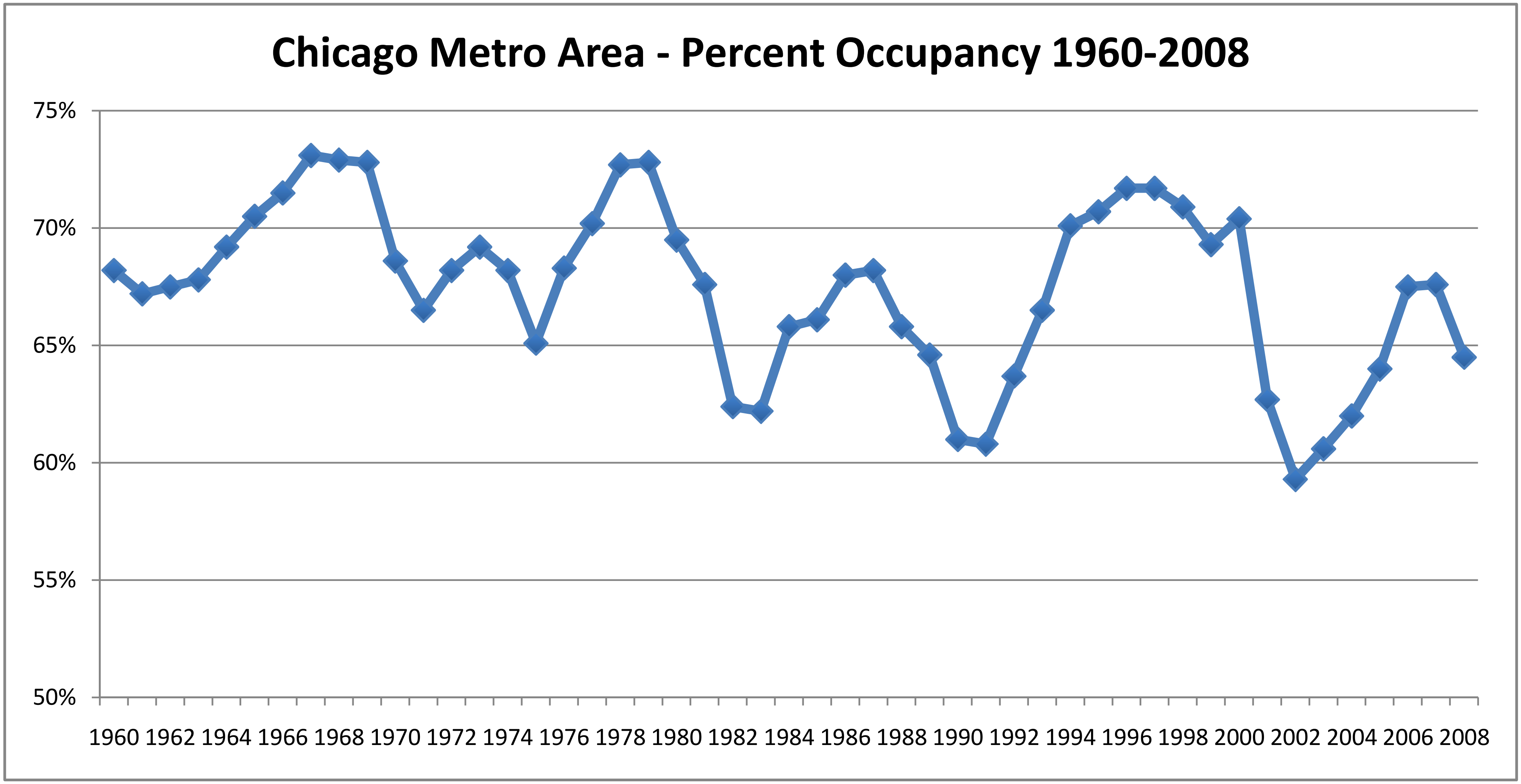
Currently both world-wide and domestically all areas of the market are reporting declines in all three primary indicators of performance: Occupancy, ADR and RevPAR. The sharpest drops are the most recent weekly results. The only exception is an increase in ADR expressed in Yen in key cities in Japan. Even Dubai is feeling the pinch.

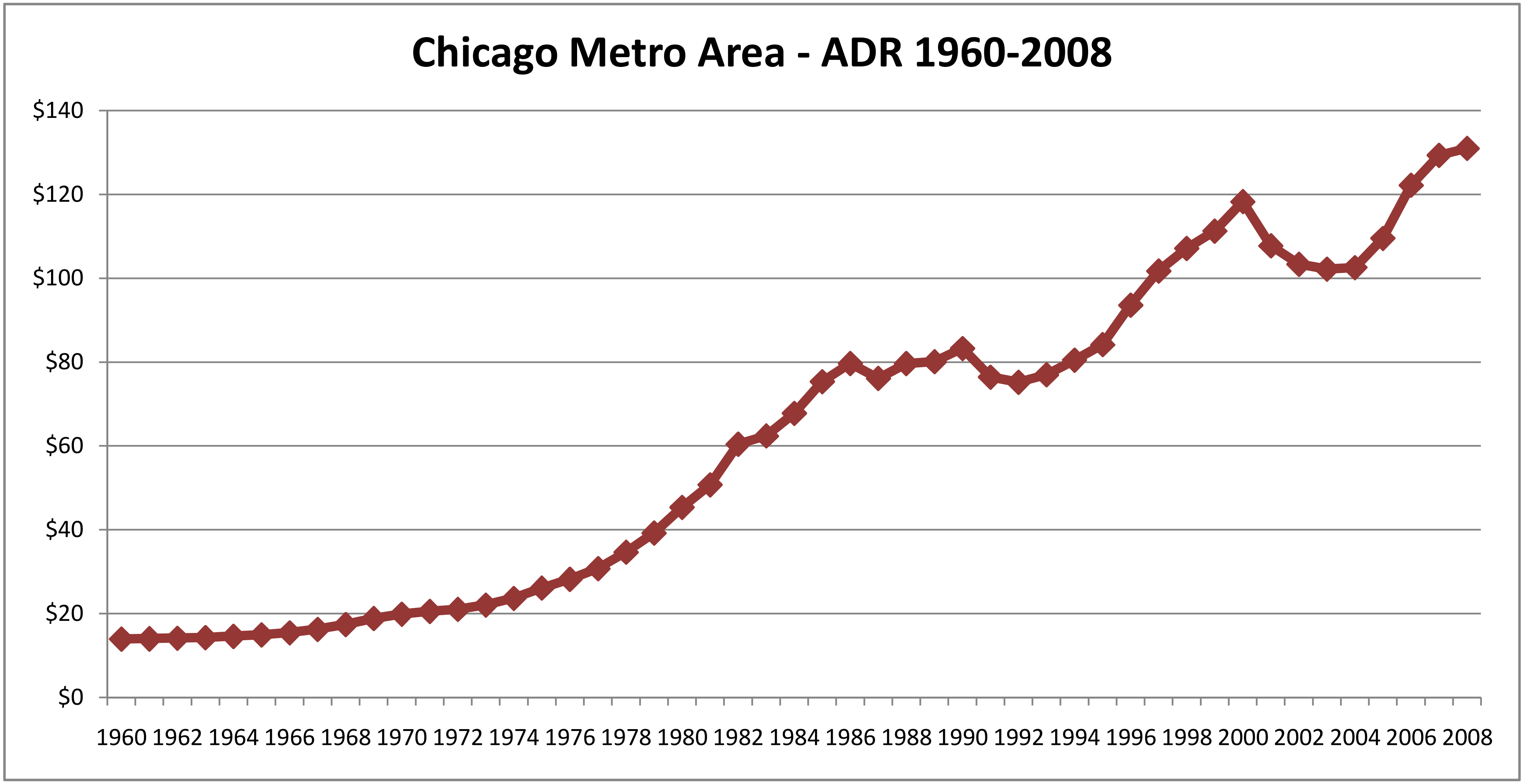
The most graphic example of the current global picture is the $89 a night bargain at the Trump Hotel in Las Vegas, seeking to lure guests by a reduced room rate, but recover revenue through ancillary facilities and gaming revenues.

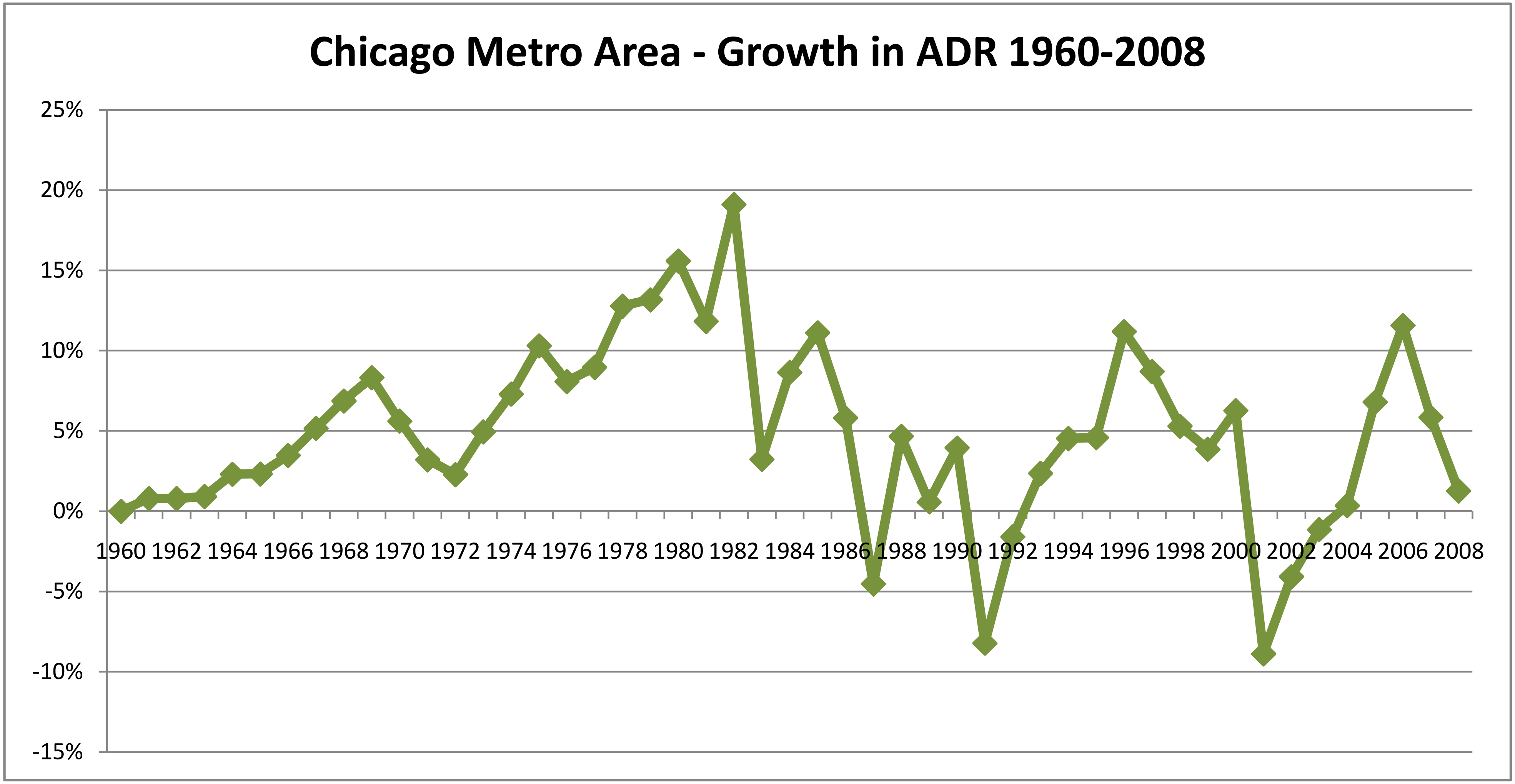
We are also reviewing current trends in hotel operations and see an increase in customized guest services based on guest history and information gathered during the reservation process; special packaged for local “staycations”; surprise incentives to create return visits and packaging and discounting to attract local area guests.

Other general trends include designer uniforms for the staff in upscale properties and boutique hotels; green programs and construction for both PR and actual cost savings; re-designed and multi-purpose lobbies; increased leveraging of loyalty programs; improved technology and innovations, and fitness programs.

Creative hotel operators will seek out new business, perhaps approaching the financial institutions and regulators that will administer the “bail out” programs, build events and activities at their properties to create new sources of business, and effectively monitor revenue streams and costs to maximize performance of their properties.


Chicago Metro Area - Percent Occupancy 1960-2008
75%
70%
65%
60%
55%
50%
1960 1962 1964 1966 1968 1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008


Chicago Metro Area - ADR 1960-2008
$140
$120
$100
$80
$60
$40
$20
$0
1960 1962 1964 1966 1968 1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008


Chicago Metro Area - Growth in ADR 1960-2008
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
1960 1962 1964 1966 1968 1970 1972 1974 1976 1978 1980 1982 1984 1986 1988 1990 1992 1994 1996 1998 2000 2002 2004 2006 2008

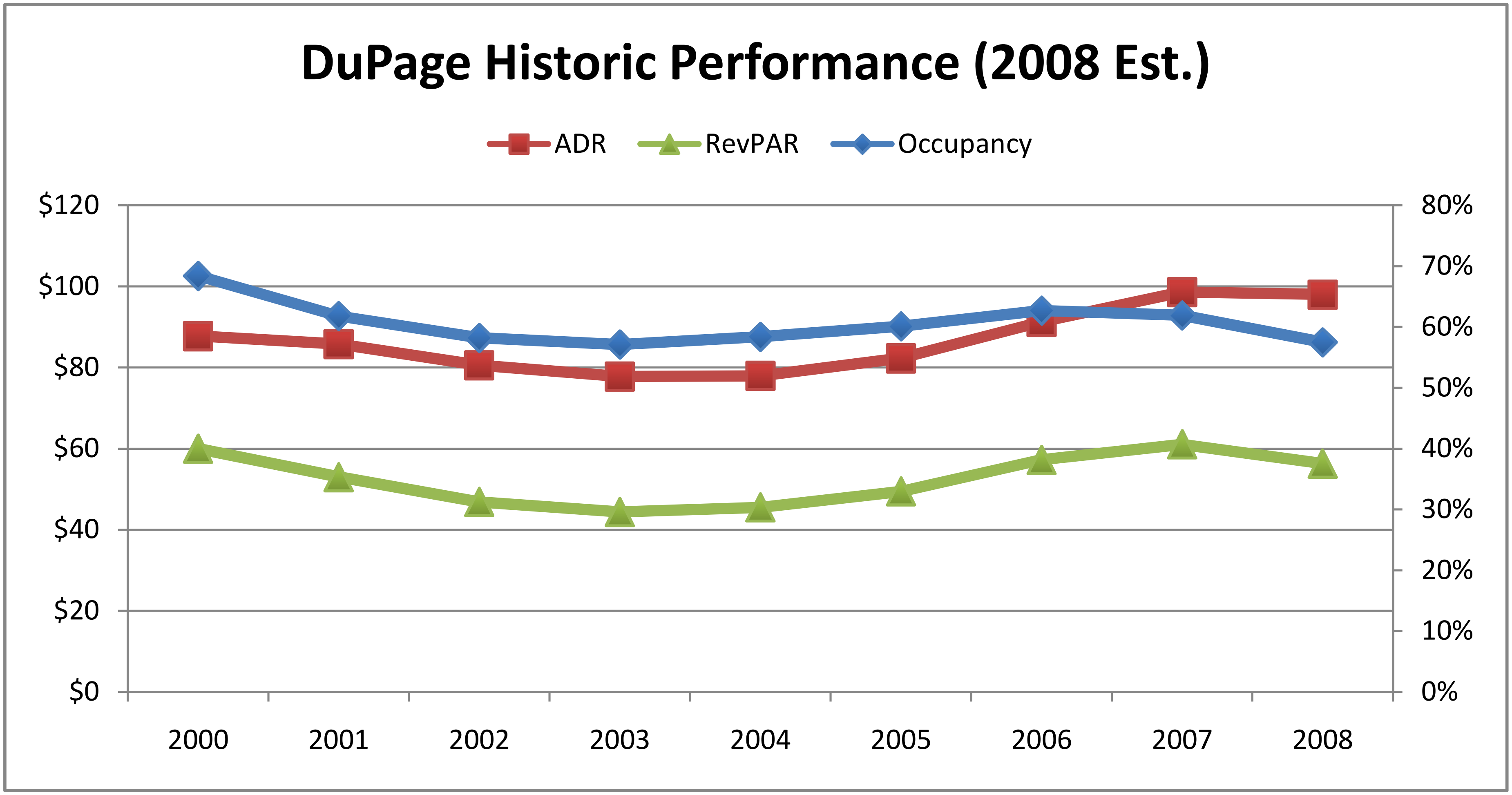
Tab 2 - Multi-Segment Chicago

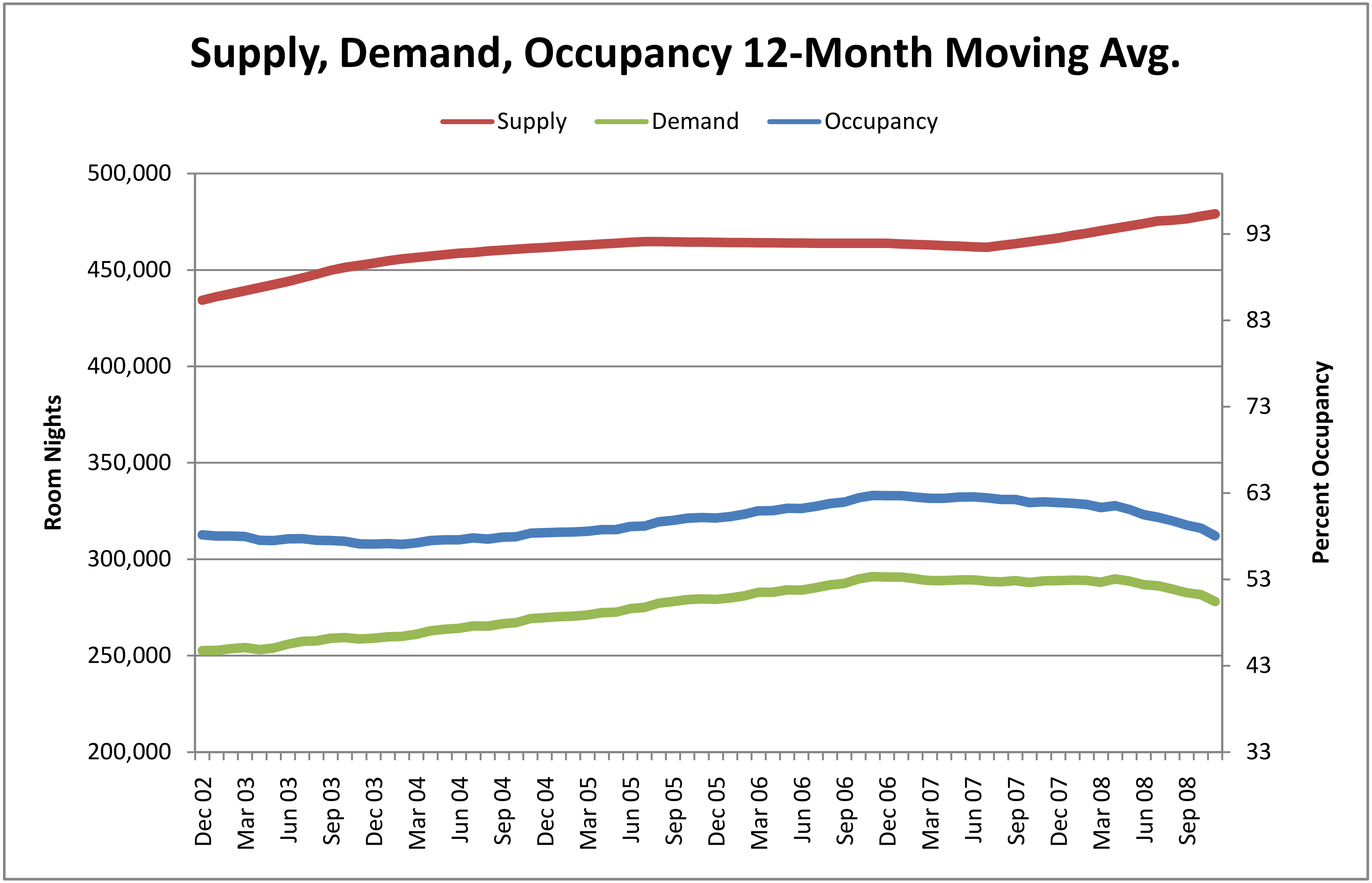
Chicago IL CVB

For the month of: November 2008

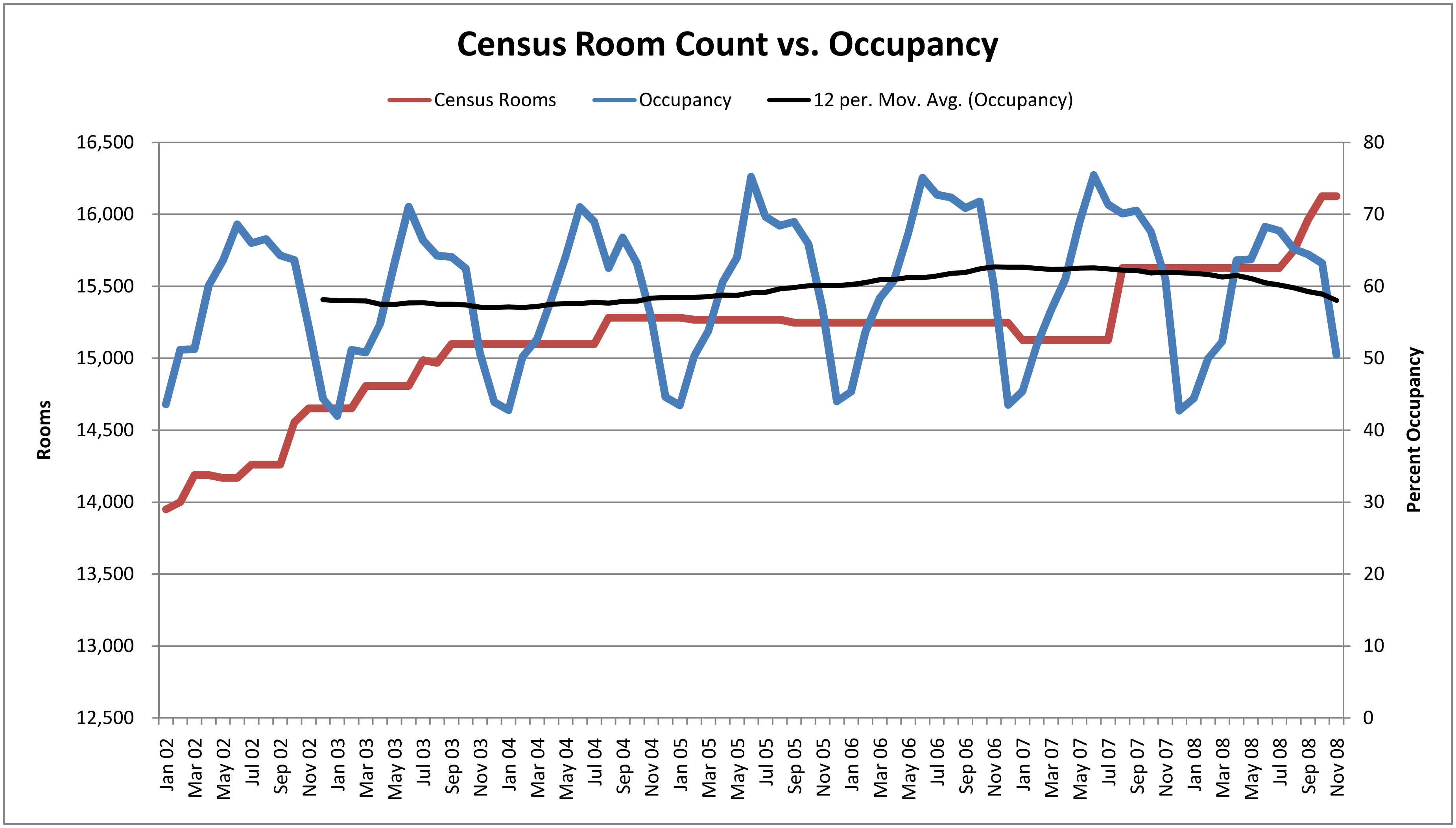
	Current Month - November 2008 vs November 2007												Year to Date - November 2008 vs November 2007												Participation			
	Occ %		ADR		RevPAR		Percent Change from November 2007						Occ %		ADR		RevPAR		Percent Change from YTD 2007						Properties		Rooms	
	2008	2007	2008	2007	2008	2007	Occ	ADR	RevPAR	Room Rev	Room Avail	Room Sold	2008	2007	2008	2007	2008	2007	Occ	ADR	RevPAR	Room Rev	Room Avail	Room Sold	Census	Sample	Census	Sample
United States	51.9	58.1	101.81	104.47	52.86	60.68	-10.6	-2.5	-12.9	-10.1	3.2	-7.8	61.8	64.4	107.02	104.12	66.18	67.07	-4.0	2.8	-1.3	1.2	2.6	-1.5	49504	26609	4623987	3186095
Chicago, IL	57.0	67.4	132.29	142.34	75.38	95.92	-15.4	-7.1	-21.4	-17.6	4.9	-11.3	65.2	69.2	132.88	130.74	86.62	90.45	-5.8	1.6	-4.2	-1.3	3.1	-2.9	711	492	106238	91500
Chicago CBD	69.0	79.5	204.70	223.85	141.32	177.93	-13.1	-8.6	-20.6	-16.7	4.9	-8.9	73.7	76.9	204.29	202.02	150.64	155.37	-4.1	1.1	-3.0	1.2	4.3	0.0	84	77	31610	30206
Chicago North	54.2	63.8	100.32	104.98	54.35	66.98	-15.1	-4.4	-18.9	-16.3	3.1	-12.5	62.3	67.0	103.08	101.08	64.25	67.73	-7.0	2.0	-5.1	-4.3	0.8	-6.2	37	25	5370	4856
Chicago Northwest	48.1	59.3	80.25	85.12	38.62	50.51	-18.9	-5.7	-23.6	-21.8	2.3	-17.0	58.8	64.2	85.48	84.25	50.27	54.10	-8.4	1.5	-7.1	-6.8	0.4	-8.1	106	92	13281	12639
Chicago Airport	55.0	70.0	116.71	131.27	64.20	91.95	-21.5	-11.1	-30.2	-24.9	7.6	-15.5	68.7	74.0	119.03	122.52	81.80	90.68	-7.1	-2.8	-9.8	-6.9	3.2	-4.1	49	37	11483	10832
Chicago DuPage County	50.8	60.9	92.41	99.39	46.96	60.56	-16.6	-7.0	-22.5	-20.0	3.2	-13.9	59.5	63.7	99.03	98.97	58.92	63.07	-6.6	0.1	-6.6	-3.8	2.9	-3.9	107	93	16126	14813
Chicago South	52.2	57.5	78.22	83.76	40.80	48.16	-9.3	-6.6	-15.3	-10.7	5.5	-4.3	60.0	60.8	81.94	82.09	49.14	49.88	-1.3	-0.2	-1.5	0.8	2.4	1.0	115	51	9347	5884
Chicago Downtown	68.1	78.3	195.80	213.45	133.29	167.17	-13.1	-8.3	-20.3	-16.9	4.2	-9.4	72.8	76.0	195.27	191.88	142.19	145.92	-4.2	1.8	-2.6	0.8	3.5	-0.9	132	84	34762	30634
Lake County, IL	51.4	62.6	89.63	90.18	46.08	56.50	-17.9	-0.6	-18.4	-8.4	12.4	-7.8	61.0	67.0	94.57	91.61	57.65	61.41	-9.1	3.2	-6.1	1.8	8.4	-1.4	82	56	8332	6850
Chicago Southwest	51.7	61.0	79.57	82.63	41.18	50.38	-15.1	-3.7	-18.3	-13.9	5.4	-10.5	60.9	65.1	85.40	83.23	51.99	54.22	-6.6	2.6	-4.1	-1.0	3.2	-3.6	83	54	7537	4992
Chicago, IL Luxury	63.5	74.7	185.93	203.60	118.14	152.10	-14.9	-8.7	-22.3	-16.4	7.7	-8.4	70.8	74.5	186.07	185.67	131.72	138.32	-5.0	0.2	-4.8	1.1	6.2	0.9	128	121	45663	43961
Chicago, IL Upscale	54.5	68.3	112.28	121.36	61.25	82.90	-20.1	-7.5	-26.1	-21.6	6.1	-15.3	64.8	70.3	116.19	116.39	75.34	81.86	-7.8	-0.2	-8.0	-5.4	2.7	-5.3	111	97	19152	16506
Chicago, IL Midprice	49.6	61.1	84.81	90.00	42.07	55.02	-18.9	-5.8	-23.5	-21.3	2.9	-16.5	60.0	64.9	88.86	88.16	53.34	57.22	-7.5	0.8	-6.8	-5.8	1.1	-6.5	199	157	21812	19059
Chicago, IL Economy	51.5	58.1	56.27	58.33	28.96	33.87	-11.4	-3.5	-14.5	-14.6	-0.1	-11.5	58.7	61.8	59.36	58.12	34.85	35.92	-5.0	2.1	-3.0	-3.8	-0.9	-5.8	142	70	10404	6586
Chicago, IL Budget	53.2	56.8	45.25	47.60	24.08	27.05	-6.4	-4.9	-11.0	-10.9	0.1	-6.3	58.1	61.2	47.80	48.01	27.78	29.36	-5.0	-0.4	-5.4	-6.5	-1.2	-6.1	131	47	9207	5388
Chicago, IL Less Than 75 Rooms	52.7	59.1	69.39	73.32	36.55	43.34	-10.9	-5.4	-15.7	-16.0	-0.4	-11.3	59.9	62.5	72.95	71.58	43.73	44.71	-4.1	1.9	-2.2	-4.5	-2.3	-6.3	255	84	11808	4996
Chicago, IL 75 - 149 Rooms	53.3	62.8	80.88	86.48	43.09	54.28	-15.1	-6.5	-20.6	-15.5	6.4	-9.7	61.8	66.3	84.57	83.68	52.25	55.50	-6.9	1.1	-5.9	-3.1	3.0	-4.1	262	226	29958	26318
Chicago, IL 150 - 299 Rooms	55.1	67.3	126.45	136.63	69.69	91.91	-18.1	-7.5	-24.2	-19.1	6.7	-12.6	64.4	68.8	127.67	126.03	82.26	86.75	-6.4	1.3	-5.2	-0.9	4.5	-2.2	120	112	24992	23396
Chicago, IL 300 - 500 Rooms	57.0	68.0	181.07	199.67	103.30	135.77	-16.1	-9.3	-23.9	-19.5	5.7	-11.3	64.9	69.7	178.95	178.57	116.17	124.55	-6.9	0.2	-6.7	-0.5	6.7	-0.7	52	50	19963	19166
Chicago, IL Greater Than 500 Rooms	67.6	79.0	188.15	197.41	127.17	155.92	-14.4	-4.7	-18.4	-16.1	2.9	-11.9	74.8	77.6	187.31	184.11	140.14	142.93	-3.6	1.7	-2.0	-0.6	1.3	-2.3	22	20	19517	17624

A blank row indicates insufficient data.


DuPage Historic Performance (2008 Est.)
ADR
RevPAR
Occupancy
$120
$100
$80
$60
$40
$20
$0
80%
70%
60%
50%
40%
30%
20%
10%
0%
2000
2001
2002
2003
2004
2005
2006
2007
2008



Supply, Demand, Occupancy 12-Month Moving Avg.
Supply
Demand
Occupancy
Room Nights
Percent Occupancy
500,000
450,000
400,000
350,000
300,000
250,000
200,000
93
83
73
63
53
43
33
Dec 02
Mar 03
Jun 03
Sep 03
Dec 03
Mar 04
Jun 04
Sep 04
Dec 04
Mar 05
Jun 05
Sep 05
Dec 05
Mar 06
Jun 06
Sep 06
Dec 06
Mar 07
Jun 07
Sep 07
Dec 07
Mar 08
Jun 08
Sep 08

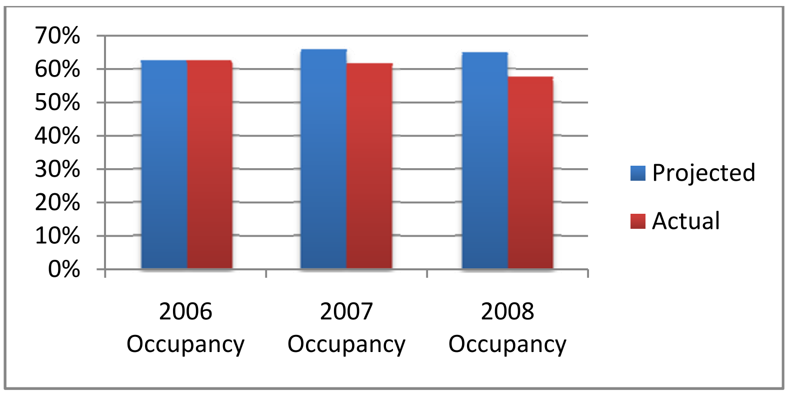

Census Room Count vs. Occupancy
Census Rooms
Occupancy
12 per. Mov. Avg. (Occupancy)
Rooms
Percent Occupancy
16,500
16,000
15,500
15,000
14,500
14,000
13,500
13,000
12,500
80
70
60
50
40
30
20
10
0
Jan 02
Mar 02
May 02
Jul 02
Sep 02
Nov 02
Jan 03
Mar 03
May 03
Jul 03
Sep 03
Nov 03
Jan 04
Mar 04
May 04
Jul 04
Sep 04
Nov 04
Jan 05
Mar 05
May 05
Jul 05
Sep 05
Nov 05
Jan 06
Mar 06
May 06
Jul 06
Sep 06
Nov 06
Jan 07
Mar 07
May 07
Jul 07
Sep 07
Nov 07
Jan 08
Mar 08
May 08
Jul 08
Sep 08
Nov 08

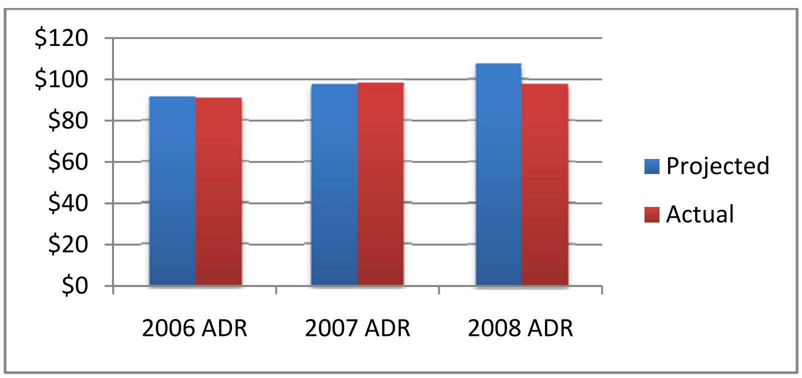
Pipeline Information

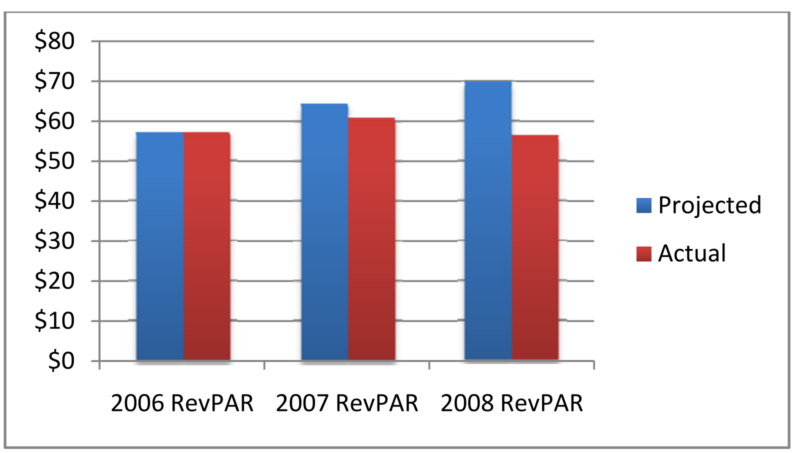
New Arrivals for 2007-2008			
Name of Establishment	**City**	**Open Date**	**Rooms**
Westin Lombard Yorktown Center	Lombard	Aug-07	500
Preferred Hotel Arista @ Citygate Centre	Naperville	Sep-08	144
Intercontinental Hotel Chicago O'Hare	Rosemont	Sep-08	556
Hilton Garden Inn Naperville Warrenville	Warrenville	Sep-08	135
Holiday Inn Express Hotel & Suites Hillside	Hillside	Jan-09	135
		Total	1470

Projects in Discussion			
Name	**Location**	**Rooms**	**Status**
Aloft - Clearwater	22nd and Clearwater, Oak Brook	139	On-Hold
Cambria Suites	1000 Royce Boulevard, Oakbrook Terrace	97	On-Hold
Holiday Inn	Butterfield Road, Oakbrook Terrace	200	On-Hold
Seven Bridges	Route 53, Woodridge IL	140	On-Hold
Hinsdale Boutique Hotel	Ogden and 294, Hinsdale IL	180	On-Hold
Oak Brook Drake Addition/Expansion	2301 York Road, Oak Brook, IL	160 +100	On-Hold
	Total	856	

Measure	Projected	Actual	Diff
2006 Occupancy	62.6%	62.7%	-0.2%
2007 Occupancy	66.0%	61.9%	6.6%
2008 Occupancy	65.0%	57.5%	13.0%
2006 ADR	$91	$91	0.0%
2007 ADR	$98	$99	-0.9%
2008 ADR	$107	$98	9.6%
2006 RevPAR	$57	$57	-0.2%
2007 RevPAR	$64	$61	5.6%
2008 RevPAR	$70	$56	23.9%







DuPage County Projected Occupancy

Month	2009	2010	2011	2012	2013
January	40.7%	41.8%	43.3%	45.1%	46.6%
February	46.8%	48.1%	49.8%	51.9%	53.6%
March	50.4%	51.8%	53.6%	55.9%	57.7%
April	55.8%	57.3%	59.4%	61.9%	63.9%
May	60.2%	61.8%	64.0%	66.8%	69.0%
June	65.9%	67.7%	70.1%	73.1%	75.5%
July	63.8%	65.5%	67.8%	70.7%	73.1%
August	62.5%	64.2%	66.5%	69.3%	71.6%
September	62.0%	63.7%	65.9%	68.7%	71.0%
October	61.0%	62.7%	64.9%	67.6%	69.9%
November	51.7%	53.1%	55.0%	57.4%	59.2%
December	39.2%	40.3%	41.7%	43.5%	44.9%
Annual	**55.0%**	**56.5%**	**58.5%**	**61.0%**	**63.0%**

DuPage County Projected ADR

Month	2009	2010	2011	2012	2013
January	$92.85	$95.25	$99.06	$103.02	$107.14
February	$93.34	$95.76	$99.59	$103.58	$107.72
March	$94.23	$96.67	$100.54	$104.56	$108.74
April	$96.75	$99.26	$103.23	$107.35	$111.65
May	$98.25	$100.79	$104.83	$109.02	$113.38
June	$99.81	$102.39	$106.49	$110.75	$115.18
July	$97.56	$100.08	$104.09	$108.25	$112.58
August	$98.77	$101.33	$105.38	$109.60	$113.98
September	$102.13	$104.78	$108.97	$113.33	$117.86
October	$100.80	$103.41	$107.55	$111.85	$116.33
November	$96.25	$98.75	$102.70	$106.81	$111.08
December	$87.26	$89.52	$93.10	$96.82	$100.70
Annual	**$96.50**	**$99.00**	**$102.96**	**$107.08**	**$111.36**

DuPage County Projected RevPAR

Month	2009	2010	2011	2012	2013
January	$37.78	$39.82	$42.87	$46.50	$49.94
February	$43.68	$46.03	$49.57	$53.75	$57.74
March	$47.47	$50.03	$53.88	$58.43	$62.76
April	$54.01	$56.92	$61.29	$66.47	$71.39
May	$59.15	$62.34	$67.13	$72.80	$78.19
June	$65.76	$69.30	$74.63	$80.93	$86.93
July	$62.23	$65.58	$70.62	$76.58	$82.25
August	$61.76	$65.08	$70.08	$76.00	$81.63
September	$63.30	$66.71	$71.84	$77.90	$83.67
October	$61.48	$64.80	$69.77	$75.67	$81.27
November	$49.77	$52.45	$56.48	$61.25	$65.79
December	$34.23	$36.07	$38.84	$42.12	$45.25
Annual	**$53.08**	**$55.94**	**$60.23**	**$65.32**	**$70.16**

TR Mandigo & Co.
Technology Consulting

Alex Siegman
Technology Consultant
alex@trmandigo.com
Phone: 630-464-7706

Scope of Services

TRM provides a variety of technology consulting services. We specialize in hotel and restaurant IT operations. We provide services on emergency, on-call, case-by-case, contract, and maintenance agreement basis.

Desktop Support / Help Desk:

- ✓ Software and Hardware troubleshooting
- ✓ Custom Microsoft Excel, Access, and Word Applications
- ✓ Over the phone support for common applications such as Microsoft Office
- ✓ Virus and Spyware Cleaning and Protection
- ✓ On-site support services for proprietary applications – will work with software vendors for customer as their on-site eyes and ears

Infrastructure Design:

- ✓ Network, server, and desktop planning and design services for new construction, remodels, or periodic property upgrades

Network and Communication Support:

- ✓ Internet Connectivity
- ✓ Wireless and Wired
- ✓ Switching and Routing
- ✓ VOIP / IP Telephony

Server Support:

- ✓ Hardware troubleshooting
- ✓ Microsoft application support
- ✓ Database support