Hotels & Hospitality Group | December 2014

Hotel Investor Sentiment Survey

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Table of Contents

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In the last five years, the team completed more transactions than any other hotels and hospitality real estate advisor in the world totaling nearly US$36 billion, while also completing approximately 4,000 advisory and valuation assignments. The group's hotels and hospitality specialists provide independent and expert advice to clients, backed by industry-leading research.

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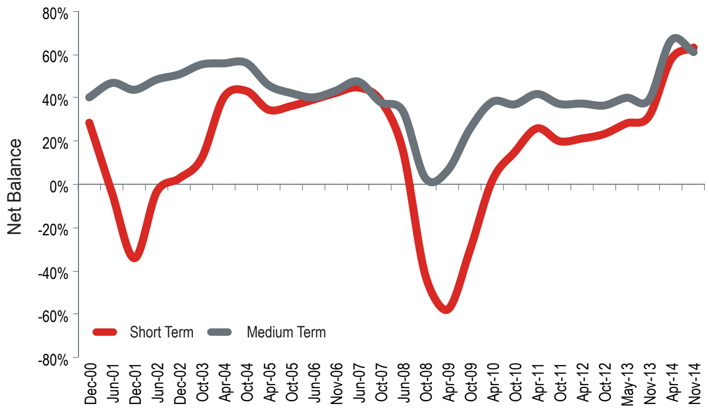
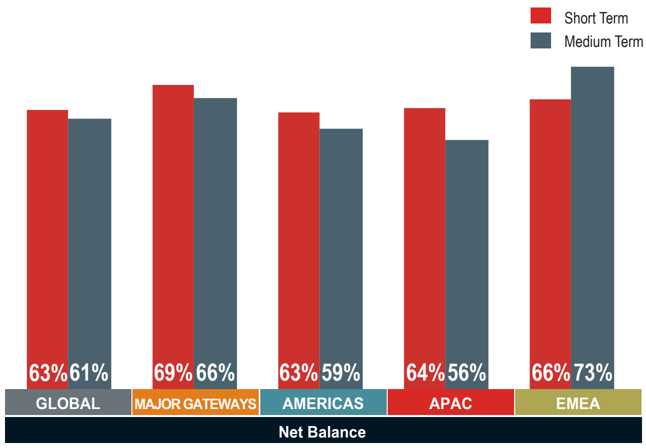
To view JLL's Hotel Investor Sentiment Survey online please visit www.jll.com/HISS-2014

Global Trading Performance Expectations 2000 to 2014^



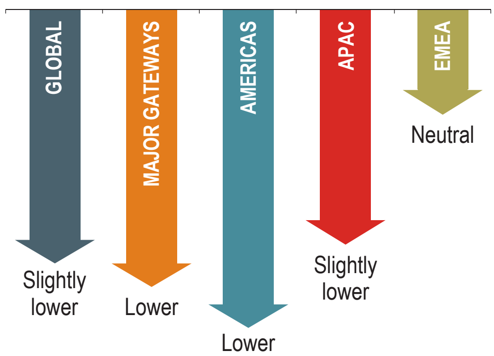
Trading Performance Expectations^



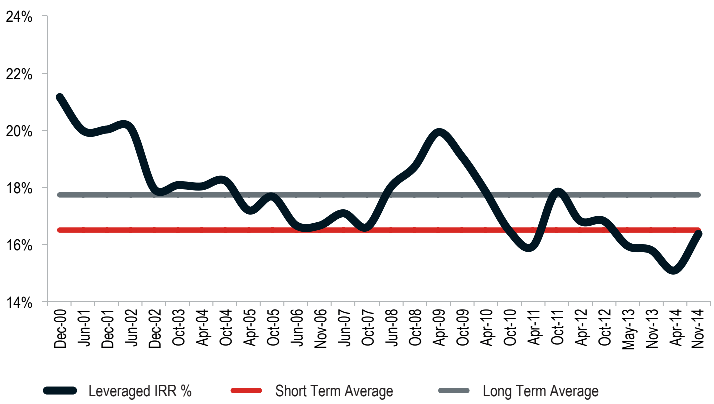
Investment Yield Requirements^

	GLOBAL	MAJOR GATEWAYS	AMERICAS	APAC	EMEA
Leveraged IRR %	16.4%	15.4%	18.0%	12.8%	13.9%
Cap Rate (Initial Yield) %	7.2%	6.6%	7.3%	7.0%	6.8%

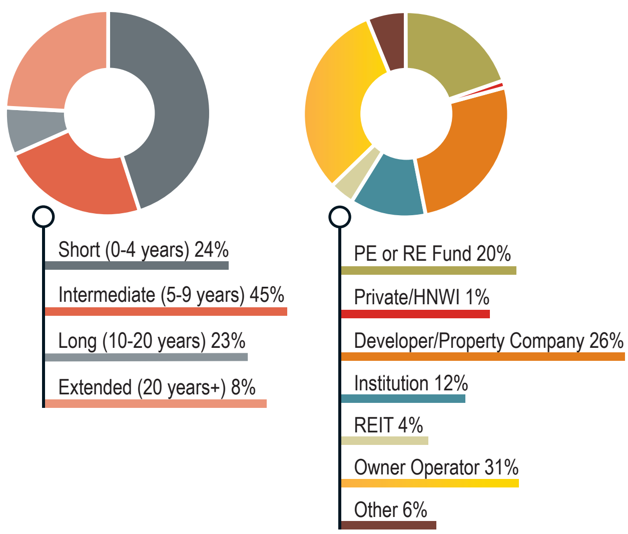
Short Term Cap Rate Trend^



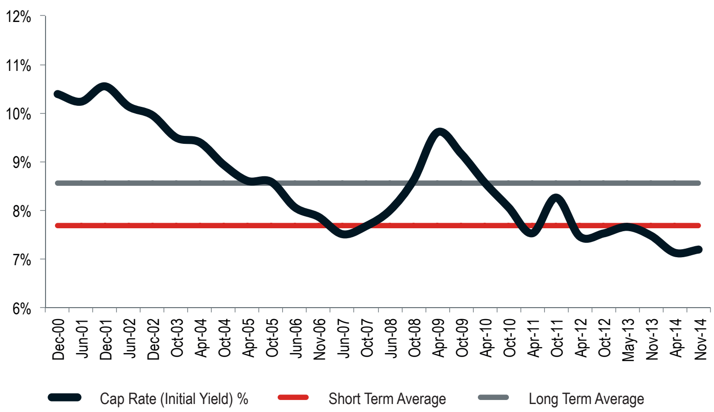
Global Leveraged IRR Requirements 2000 to 2014^



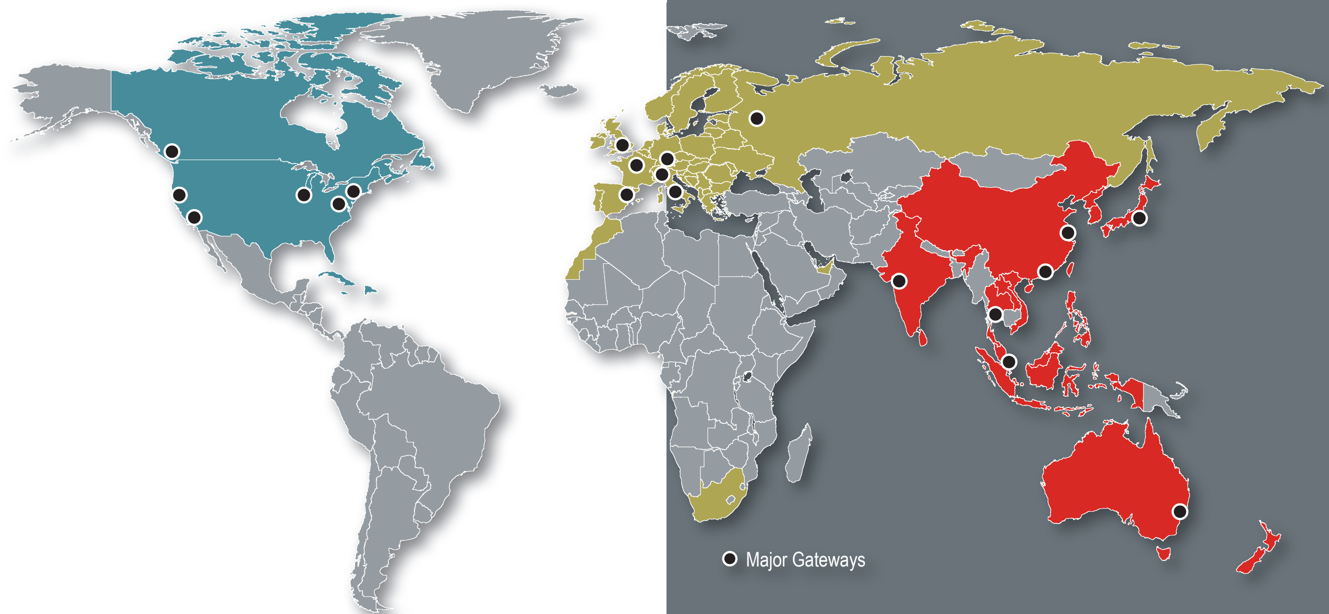
Investor Profile



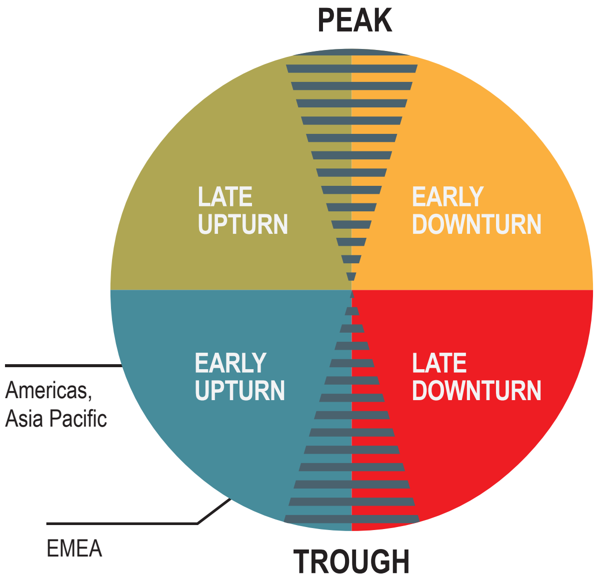
Global Cap Rate (Initial Yield) Requirements 2000 to 2014^



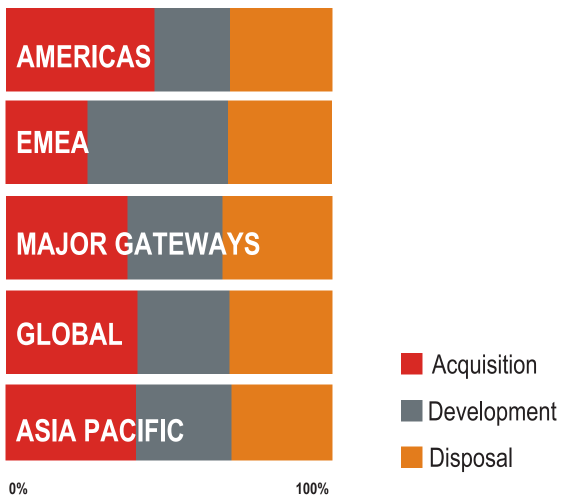
^ Weighted by number of responses
IRR = Internal Rate of Return
Source: JLL's Hotel Investor Sentiment Survey
Note: Net balance is the percentage of respondents who respond positively minus the percentage of respondents who respond negatively. The maximum score of + or – 100% indicates that all respondents have given a positive or negative response respectively. A score of 0% indicates the same number of positive and negative responses to a particular question.
Note 2: Major gateways include Bangkok, Barcelona, Chicago, Hong Kong, London, Los Angeles, Milan, Mumbai, Munich, Moscow, New York, Paris, Rome, San Francisco, Shanghai, Sydney, Tokyo, Washington D.C. and Vancouver.



Stage in the Investment Cycle^



Short Term Investment Intentions^



Global

Highlights

- *Investors' near-term sentiment for trading globally has increased over the past six months with investor short term expectations up 5.4 percentage points to 63.2%. Medium term sentiment softened by a modest 5.5 percentage points to 61.1%.*
- *Fundamentals remain strong as access to capital continues to improve and investors move ahead. Markets that had been less active are witnessing increasing activity.*
- *Major Gateways rank highest for short term trading at 68.8% followed by EMEA at 65.6%. Over the medium term, investors favour hotel markets in EMEA at 72.9% and major gateways at 65.9%.*
- *Globally, investors' primary strategy over the next six months is acquisition at 40.3%, disposal at 31.1% and development at 28.3%.*
- *Investor expectations for global leveraged IRRs recorded a 130 basis point increase to 16.4%. Leveraged IRR expectations are lowest for Asia Pacific at 12.8% and highest for the Americas at 18.0%.*
- *Global cap rate expectations recorded a 10 basis point bump averaging 7.2%. Cap rate expectations are lowest for the major gateways at 6.6% and EMEA at 6.8%. Investors expect global cap rates to contract slightly over the next six months with the downward trend most evident in the Americas.*

Americas

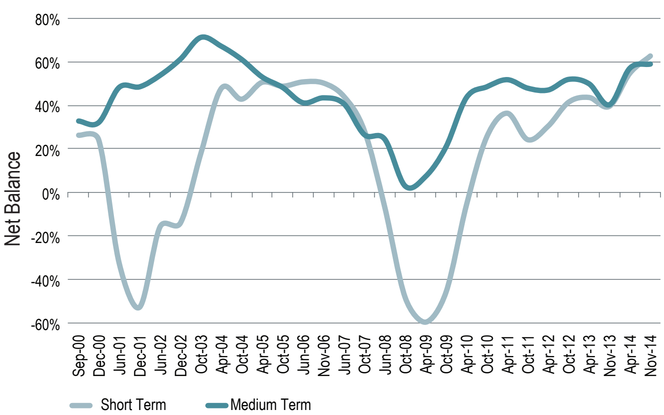
Highlights

- *Hotel investors across North America remain optimistic about the outlook for hotel investments, and investors' hotel performance sentiment has improved from the last survey.*
- *For the next six months, investors have the most favourable view on San Francisco, Seattle and Houston; in the two-year timeframe the Caribbean ranked highest, followed by Los Angeles, Vancouver, and San Francisco.*
- *Investors' targeted cap rates compressed by 10 basis points since the last survey period to 7.3% for acquisitions across the region, indicative of lower cost of both debt and equity capital, which will result in rising real estate values.*
- *JLL has produced a separate Hotel Investor Sentiment Survey on Latin America which is available at www.jll.com/hospitality.*

Short-term and medium-term optimism increases; suggesting continued growth

Economic news remains encouraging across North America. As the U.S. economy continues to expand at a healthy clip, hotel performance is exhibiting steady growth as well. Of the top-25 U.S. markets, 21 have reached their pre-recession revenue per available room peaks. Driven by more positive hotel operating profits, hotel investors have a resoundingly positive outlook for continued lodging sector growth.

Americas Trading Performance Expectations 2000 to 2014^

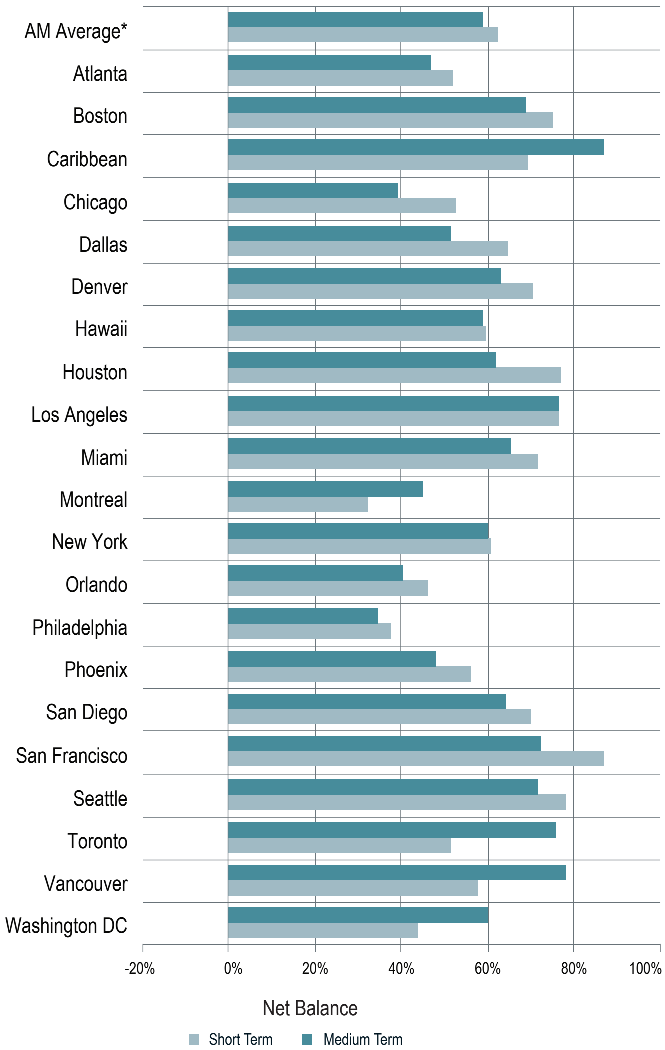


Note: ^ Weighted by the number of responses
Source: JLL's Hotel Investor Sentiment Survey

JLL calculates a net balance of investor sentiment representing the percentage of respondents who indicate a positive performance outlook, minus the proportion of respondents who expect negative performance for the given time frames. Broadly, the net balance sentiment of approximately 60% is indicative of 80% of investors having a positive performance outlook versus only 20% that have a negative outlook.

In the most recent survey, the net balance of investors' short-term hotel performance sentiment is at a survey high, nearly eight percentage points above the previous survey results. Medium term net balance is nearly two percentage points above the previous survey results. On a market-by-market basis, cities with highly positive performance expectations include the Caribbean, Los Angeles, Vancouver, San Francisco and Seattle.

Trading Performance Expectations



Note: * Weighted by the number responses
Source: JLL's Hotel Investor Sentiment Survey

In the six-month timeframe, the net balance of performance expectations became more positive in nearly every market surveyed. Seattle, Atlanta, Dallas, Phoenix, Philadelphia and San Francisco experienced double-digit increases in investors' weight of positive opinion since the previous survey, as corporate and group demand continue to grow.

Cities where investors' net balance of performance expectations are positive but below the U.S. average include Dallas, Phoenix, Atlanta, Orlando, Chicago and Philadelphia. However, as previously mentioned, many of these markets experienced significant increases in performance expectations since the prior survey.

Dallas continues to benefit from improving performance expectations due to the state's strong economy and demographic trends. In Phoenix, increasing hotel demand is now absorbing new supply that caused the market to have a slow recovery. Atlanta's hotel performance is on the rise as RevPAR is up nearly 14% in 2014. Orlando continues to face below-peak group room nights, though market-wide demand is up 6% in 2014. Philadelphia experienced modest operating growth in 2014. In Chicago, net balance scores are below some of the other gateway markets due to supply concerns; however, investors' net balance has increased since the last survey in the short term by four percentage points.

Both Houston and Dallas are expected to post double digit RevPAR increases in 2014 and investors' performance expectations for the next six months improved since the last survey. In Houston, increasing demand and favourable economic conditions has led to the development of a 1,000-room convention centre hotel, which is expected to open in late 2016.

Of the three Canadian markets, Vancouver's medium-term performance outlook is most encouraging, followed by Toronto and Montreal, respectively. Vancouver and Toronto garnered among the highest medium-term performance expectations in the Americas. Given the emerging fundamentals and rising investment activity in the region, we have spun off our coverage of Latin America into our dedicated and separate *Latin America Hotel Investor Sentiment Survey*, which covers 18 markets across the region in depth.

In terms of investors' target strategies for the next six months, 46% of respondents are primarily pursuing acquisitions, while 31% are focusing on selling assets. These results should continue to lead to an increase in transaction activity across the country; investment volume is forecast to end 2014 at USD25 billion in the U.S., marking a six-year high.

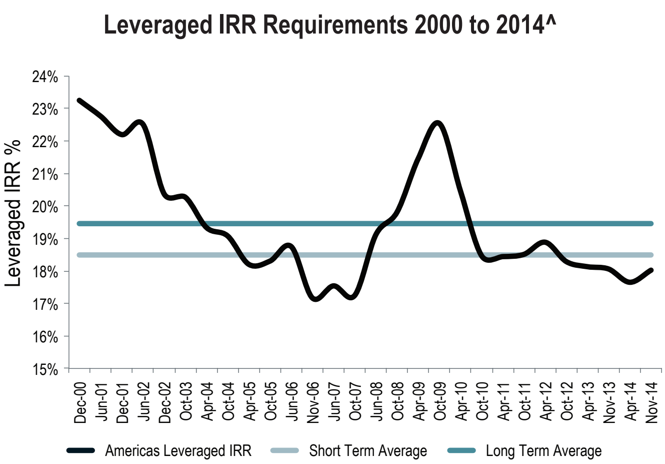
The proportion of respondents citing development as their main strategy, at 23%, represents a one percentage point increase since our last survey. Moreover, expectations suggesting a minor uptick in supply growth are consistent with national supply growth figures which are also slightly higher than those of last year. That said, the proportion of investors citing development intentions remains the lowest for North America among the regions in this survey, underlining the expectation that supply additions will continue to remain below the long-term average.

According to the survey, development intentions are highest in Boston, San Francisco, and Seattle and lowest in Phoenix, Orlando and Atlanta. This is an interesting result in that the latter three markets have historically been some of the lowest barrier to entry markets in the Americas. Branded mid-market hotels will make up the majority of new inventory as upscale select service properties comprise 60% of the region's active pipeline.

Leveraged IRR requirements increase slightly

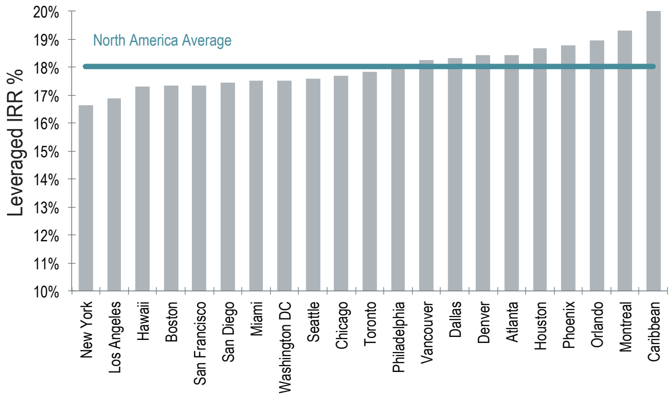
Across the board, investors are targeting leveraged IRRs of 18.0%. This is up 30 basis points since the last survey but remains 20 basis points below the most recent three-year average.

The overall tightening in leveraged IRRs is driven by improving economic conditions, as well as the low cost of debt and increasing competition for assets. New York and Los Angeles exhibited the lowest IRR requirements at 16.7% and 16.9%, respectively, given their low perceived risk profiles. Markets where survey respondents have higher requirements for leveraged IRRs include Phoenix, Orlando, Atlanta, Houston and Denver.



Note: ^ Weighted by the number of responses
Source: JLL's Hotel Investor Sentiment Survey

Leveraged IRR Requirements



Source: JLL's Hotel Investor Sentiment Survey

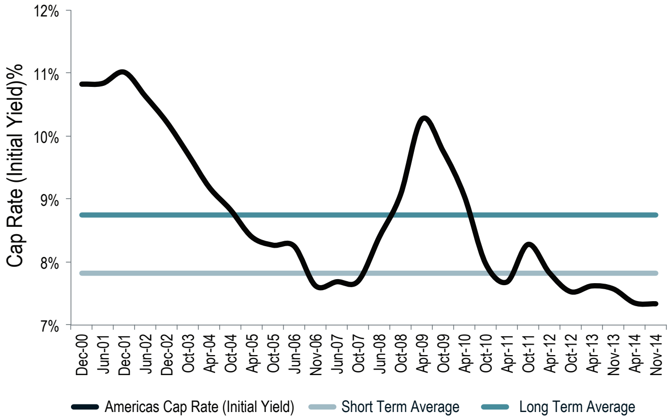
Debt continues to flow into the market, which should put further downward pressure on credit spreads and drive liquidity, which remain well above spreads earned by lenders during 2006 and 2007 allowing for further tightening. Treasury markets have stabilised and yields remain historically low even with the end of the Federal Reserve's quantitative easing program on the horizon. Also, capital from international sources is targeting high-profile hotels.

Government debt yields continue to decline, and the overall cost of capital is down to levels seen in mid-May. CMBS issuance across commercial real estate is up 14% year-over-year. Unsecured debt raised by REITs is strong, while balance sheet lenders such as life companies and commercial banks remain competitive.

Cap rate expectations hold steady

Across North America, investors' targeted capitalisation rates (initial yields) compressed by 10 basis points since the last survey to 7.3%. Respondents' expected cap rates are slightly lower than levels recorded in late 2006, and among the lowest on record. Cap rate expectations are 40 basis points below the most recent three-year average, with the compression being driven by favourable operating fundamentals, low cost of debt and high amount of equity pursuing the sector, which are cumulatively resulting in value appreciation.

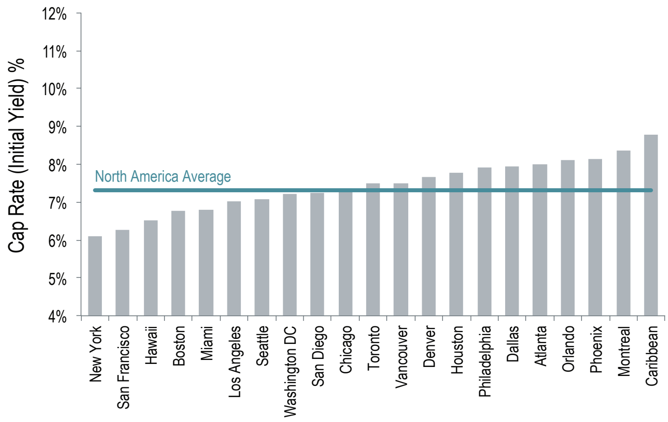
Americas Cap Rate (Initial Yield) Requirements 2000 to 2014^



Note: ^ Weighted by the number of responses
Source: JLL's Hotel Investor Sentiment Survey

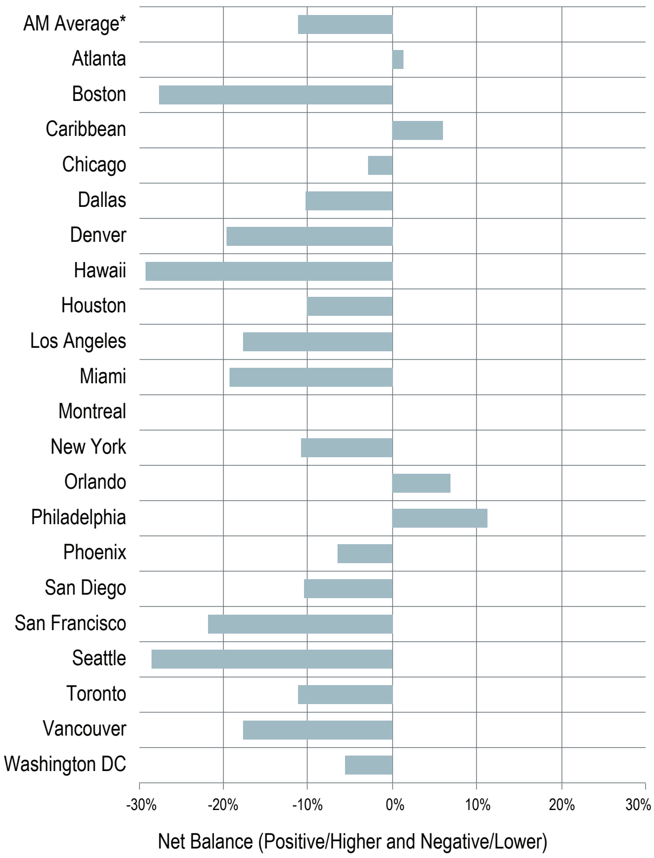
Across markets surveyed in the region, respondents have the lowest cap rate expectations for New York, San Francisco, Hawaii, Boston and Miami. Denver and Houston rank in the middle of the pack, and investors have the highest cap rate expectations for Montreal and the Caribbean. According to the survey, investors expect cap rates to trend downward over the next six months, as hotels continue to be a favored asset class.

Cap Rate (Initial Yield) Requirements



Source: JLL's Hotel Investor Sentiment Survey

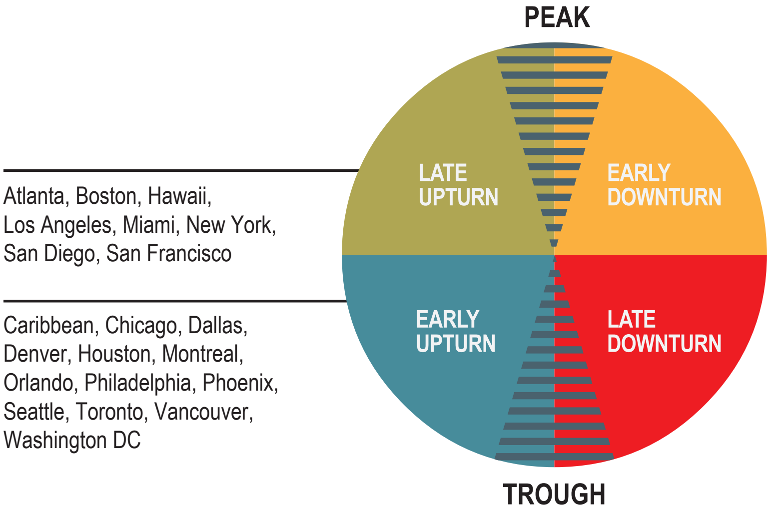
Short Term Cap Rate Trend



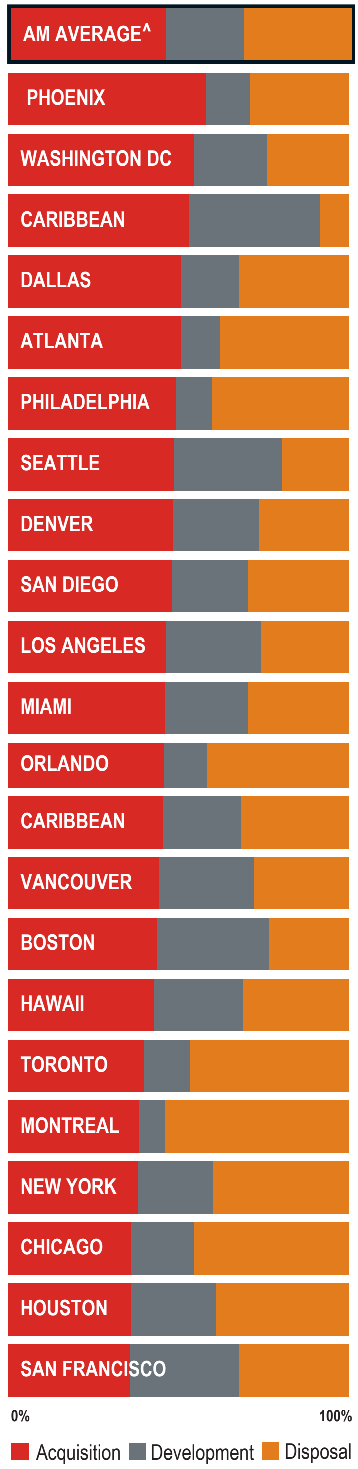
Note: * Weighted by the number of responses
Source: JLL's Hotel Investor Sentiment Survey

Americas Investment Intentions

Stage in the Investment Cycle^



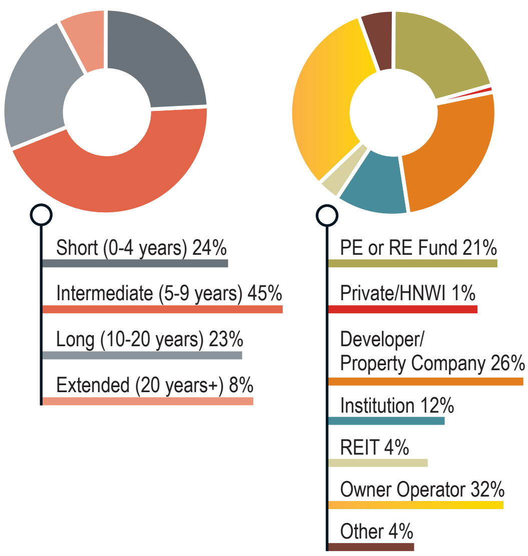
Short Term Investment Intentions



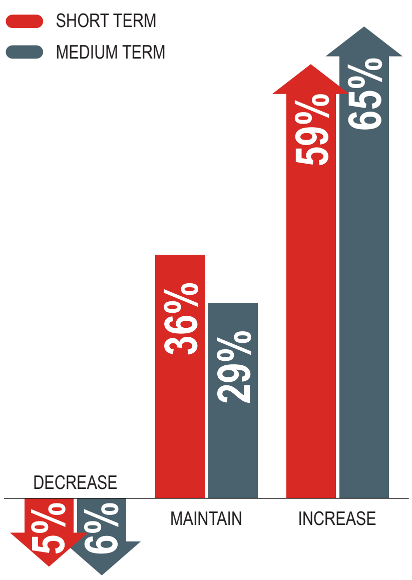
Most Acquisitive Groups

Investment Fund / Private Equity | **REIT** | **Hotel Operator**

Investor Profile



Exposure to Hotel Real Estate



Planned Nature of Investment

25% New hotel acquisition opportunities	**21%** New conversion acquisition opportunities	**14%** Refurbishment of existing stock	**15%** Acquisition of land for development	**14%** New hotel management opportunities	**6%** New hotel lending opportunities	**5%** Development of land-banked stock

Note: ^ Weighted by the number of responses   Source: JLL's Hotel Investor Sentiment Survey

Asia Pacific

Highlights

- *Investor sentiment for trading in Asia Pacific hotel markets has increased substantially compared to the April 2014 survey with short term expectations surging to 63.5% and medium term increasing to 56.3%.*
- *Investor expectations for leveraged IRRs fell slightly, averaging 12.8%, with higher expectations for Australasian assets which increased to 12.0% from 10.8% (April 2014). This was offset by a slight reduction in expectations for Asia, reflecting the premium which is being channeled to the large volume of capital chasing hotel assets.*
- *Asia Pacific cap rate expectations tightened further as outbound capital continues to chase hotels with new entrants attracted to the sector and few assets available for sale. Cap rate expectations tightened by a respectable 20 basis points to average 7.0%. This is now the lowest level ever recorded in our survey.*
- *Divergent cap rates are expected over the next six months across Asia Pacific but further rate compression is anticipated in Brisbane, Ho Chi Minh City, Jakarta, Kuala Lumpur, Manila, Osaka, Phuket, Singapore, Sydney and Tokyo.*
- *A new ruling set by the Chinese Ministry of Commerce (MOC) came into effect on 6 October 2014. Under the previous rules, any overseas investment project worth more than USD100 million required MOC approval. This requirement has now been abolished and is set to further increase outbound investment for hotel assets abroad.*

Trading sentiment continues to improve across most capital city markets

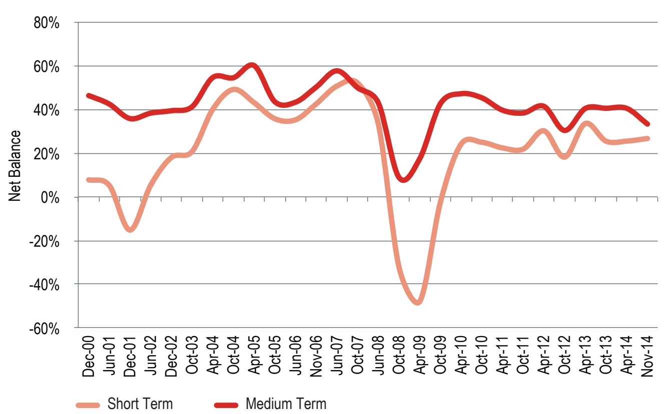
Investor sentiment for trading in Asia Pacific's hotel markets has increased substantially compared to the April 2014 survey with short term expectations surging to 63.5% and medium term increasing to 56.3%.

A sound regional economy, burgeoning travel markets (led by mainland Chinese tourism) and a moderation in development projects are underpinning this shift in sentiment.

Growth in Japan's economy slowed after the April 2014 sales tax increase, which stalled consumer and investment spending. The BOJ has just halved its GDP forecast for the fiscal year to Q1 2015 to 0.5%. Provided the second sales tax rise is delayed, growth should lift towards 0.7% for 2015 and 1.3% in 2016, as net exports gain from a weaker Yen.

Beijing has eased fiscal and monetary stimulus for 18 months, and there's no sign of a broad easing. However, an array of new monetary policy tools have been used to inject liquidity to ensure funding for targeted projects and overall GDP growth around 7% in mainland China next year. Short term trading expectations are in negative territory for both Beijing and Shanghai, with the latter moving to positive over the medium term.

Asia Pacific Trading Performance Expectations 2000 to 2014^

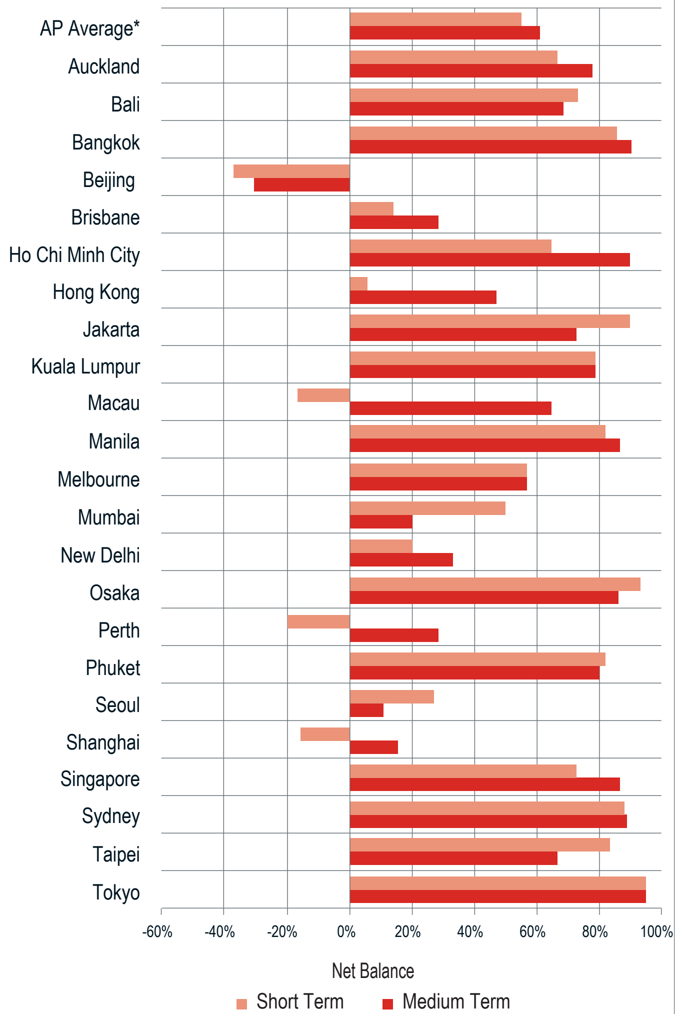


Note: ^ Weighted by the number of responses
Source: JLL's Hotel Investor Sentiment Survey

The impact of the commodities market downturn is slowing growth in Australia. Softer business sentiment is discouraging spending by non-mining firms, while soft consumer sentiment (at near five-year lows) is limiting household spending. These factors are expected to slow GDP growth to around 2.0% per annum in 2015 and 2016. That said, trading expectations are generally strong and this is especially the case in Sydney and Melbourne.

Tokyo is witnessing a sharp increase in tourism which is underpinning very strong trading performance expectations. Foreign visitor numbers to Japan are growing at an annualised rate of 26% to reach record levels. A number of factors have come into play – the relaxing of requirements for tourist visas issued to mainland Chinese and ASEAN nationals, the streamlining of immigration procedures for overseas visitors, the expansion of low-cost carriers, improving tourism infrastructure and the depreciation of the Yen against other major currencies.

Trading Performance Expectations ^



Note: ^ Weighted by the number of responses
Source: JLL's Hotel Investor Sentiment Survey

IRR expectations remain mixed; Australasia increasing whilst Asia was down

Investor expectations for leveraged IRRs fell slightly, averaging 12.8%, yet were still driven by higher expectations for Australasia which increased to 12.0% from 10.8%. This was offset by a similar reduction in expectations for Asia, reflecting the premium which is being afforded to capital chasing hotel assets.

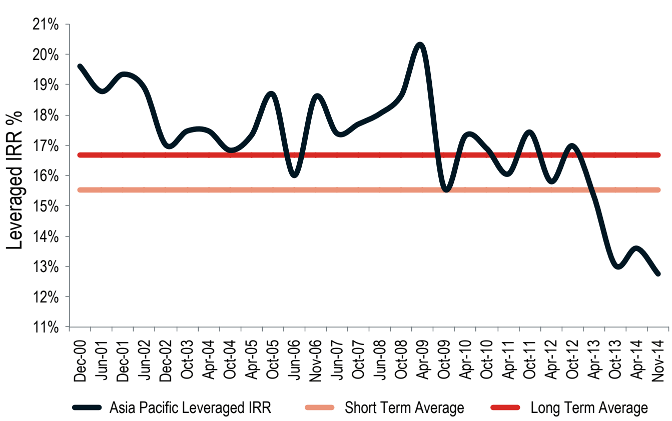
The overall trend was underpinned by a shift in expectations for Australasia (+120 basis points to 12.0%), whereas expectations for Asia tightened by 130 basis points to average 12.9%.

Leveraged IRR expectations range between 10.5% in Tokyo and 18.7% in Mumbai. Cities ranked below the regional average (12.8%) include Hong Kong (12.5%), Brisbane (12.3%), Manila and Shanghai (12.2%), Perth (12.0%), Osaka (11.9%), Singapore and Sydney (11.8%), Melbourne (10.7%) and Tokyo (10.5%).

A reduction in leveraged IRR expectations is thought to reflect the increased premium paid in today's financial markets for market transparency, liquidity and price discovery, as well as the limited number of transparent markets in Asia.

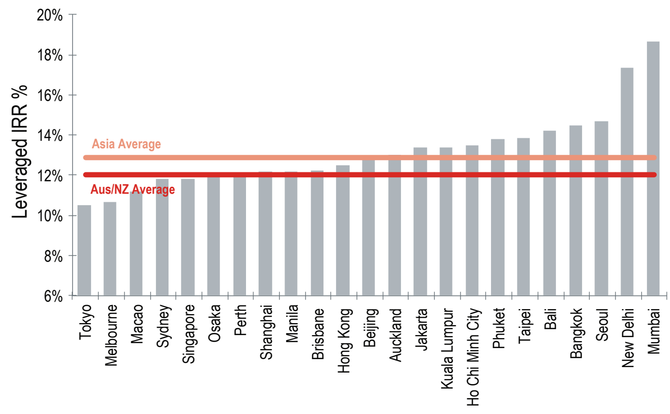
The JLL Transparency index shows improving global transparency in recent surveys, but in the Asia Pacific region improvement has been from a relatively low base. Australia and New Zealand are global and regional transparency leaders.

Asia Pacific Leveraged IRR Requirements 2000 to 2014^



Note: ^ Weighted by the number of responses
Source: JLL's Hotel Investor Sentiment Survey

Asia Pacific Expectations for Leveraged IRRs for a New Acquisition

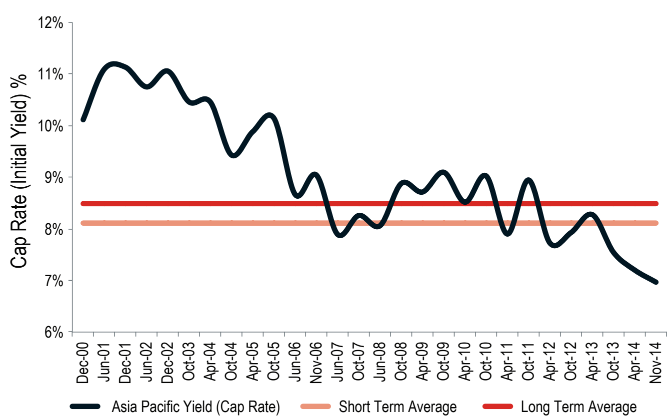


Source: JLL's Hotel Investor Sentiment Survey

Cap rate compression shows no signs of abating

Investor expectations for Asia Pacific cap rates have tightened as confidence has strengthened along with the weight of equity now chasing hotel assets. Against this backdrop, investor cap rate expectations firmed by 20 basis points compared to April 2014 to be at the lowest level ever recorded averaging 7.0%. This was 50 basis points under the observed rate 12 months prior.

Asia Pacific Cap Rate (Initial Yield) Requirements 2000 to 2014^



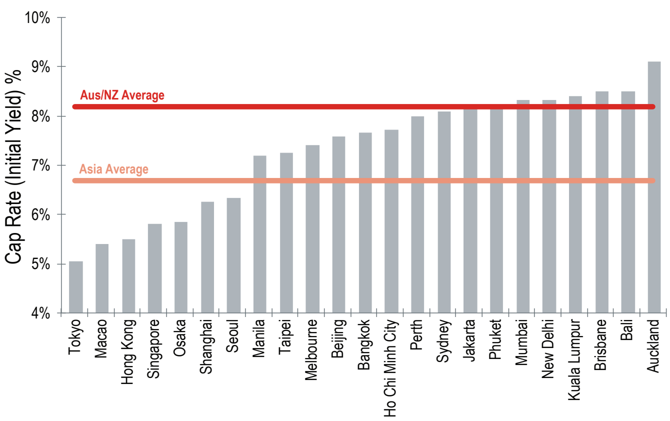
Note: ^ Weighted by number of responses
Source: JLL's Hotel Investor Sentiment Survey

Whilst the downward trend is evident across the region, the shift in expectations was most pronounced for Asia firming by 50 basis points to 6.7%. Cap rate expectations for Australia and New Zealand ranged between 7.4% in Melbourne and 9.1% in Auckland in our most recent survey.

Cap rates are on the whole lower across Asia, ranging between 5.0% in Tokyo and 8.5% in Bali. Five markets were ranked at sub-6.0%, namely Osaka (5.9%), Singapore (5.8%), Hong Kong (5.5%), Macau (5.4%) and Tokyo (5.0%).

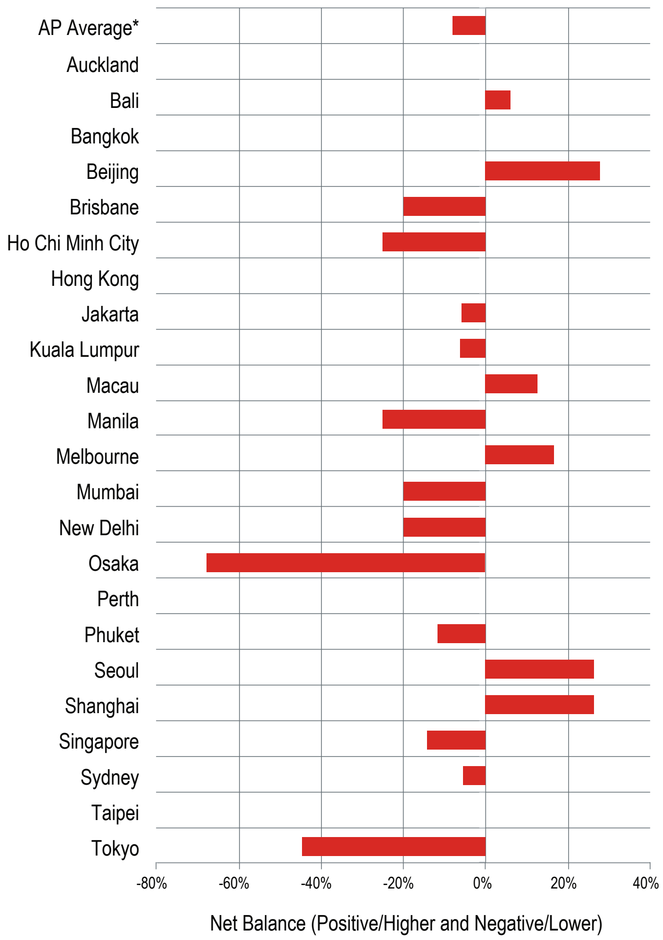
With few assets available for sale and a growing weight of capital, investors expect further downward pressure on cap rates across most Asia Pacific markets going forward.

Cap Rate (Initial Yield) Requirements



Source: JLL's Hotel Investor Sentiment Survey

Short Term Cap Rate Trend*



Note: * Weighted by the number of responses
Source: JLL's Hotel Investor Sentiment Survey

In our most recent survey private equity groups, hotel operators and developer / property companies were identified as the most acquisitive groups targeting Asia Pacific hotel assets.

New rules making it easier for mainland Chinese firms to invest in overseas real estate projects are likely to benefit Australia, the United States and the United Kingdom in particular.

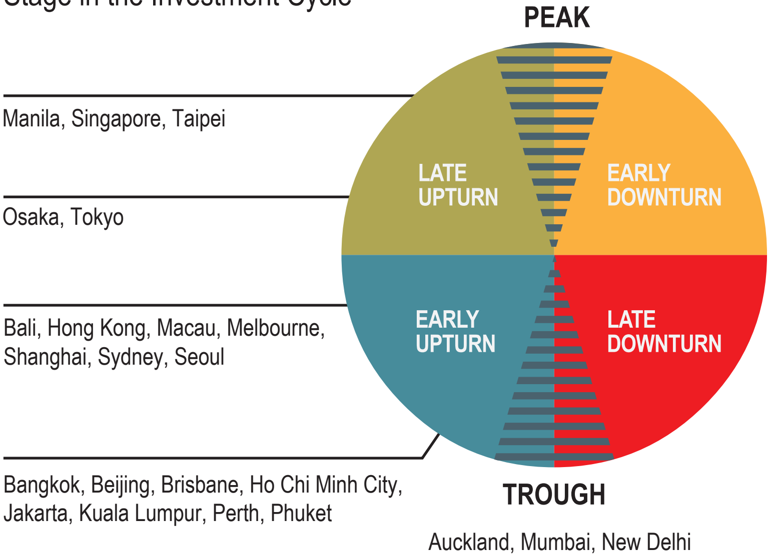
A new ruling set by the Chinese Ministry of Commerce (MOC) came into effect on 6 October 2014. Under the previous rules, any overseas investment project worth more than USD100 million required MOC approval. This requirement has now been abolished and is set to further increase outbound investment for hotel assets abroad.

The new ruling may also benefit the domestic economy where the Chinese government is looking to reduce investment in areas with excess capacity. The ability to channel investment capital into more productive uses outside of the mainland will assist with rebalancing the domestic economy. The greater deployment of capital overseas could also help in reducing China's foreign exchange reserves.

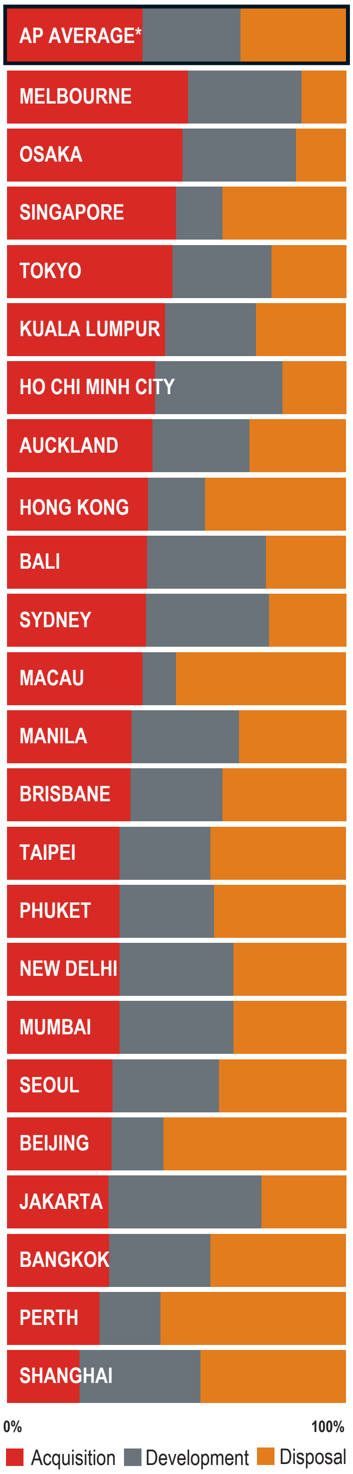
With investor expectations for cap rates for the region's global cities averaging 7.0%, wide yield spreads between real estate markets (e.g. CBD, resort and secondary) and segments (e.g. luxury, upscale, budget) offer generous incentives to migrate along the risk curve and contemplate alternative locations and sectors, particularly as capital costs increase.

Asia Pacific Investment Intentions

Stage in the Investment Cycle^



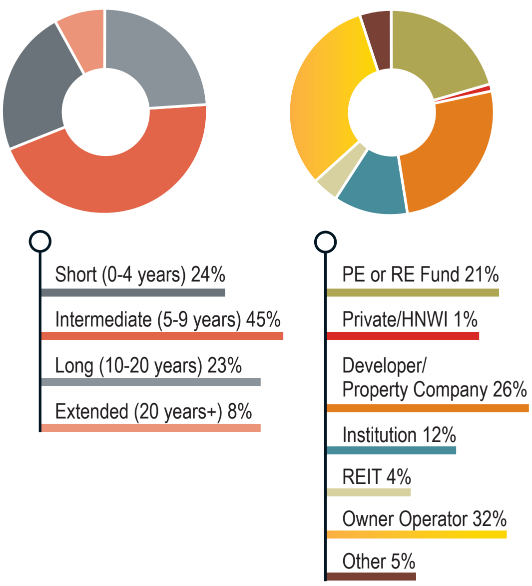
Short Term Investment Intentions



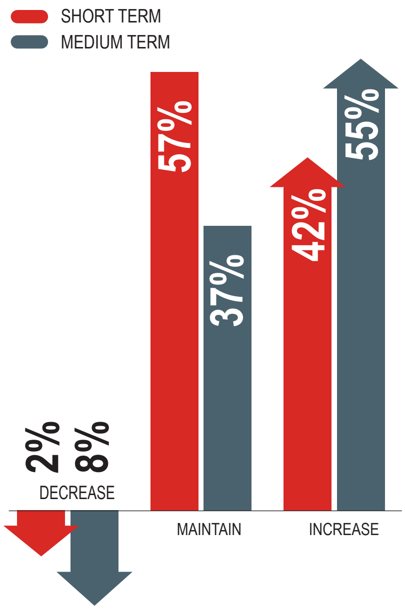
Most Acquisitive Groups

Investment Fund / Private Equity | **Hotel Operator** | **Developer / Property Company**

Investor Profile



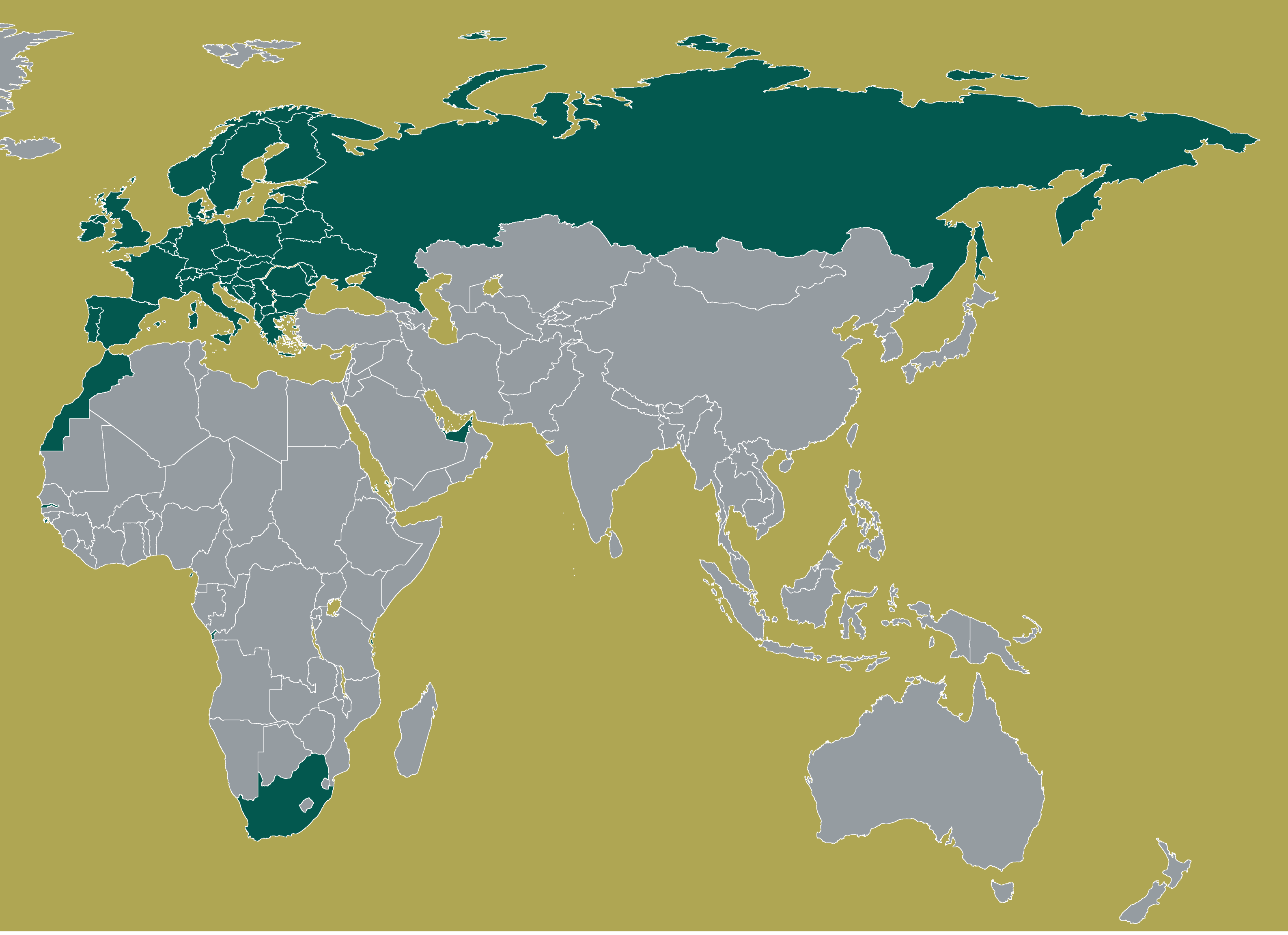
Exposure to Hotel Real Estate



Planned Nature of Investment

- **26%** New hotel acquisition opportunities
- **18%** New conversion acquisition opportunities
- **11%** Refurbishment of existing stock
- **13%** Acquisition of land for development
- **14%** New hotel management opportunities
- **10%** New hotel lending opportunities
- **8%** Development of land-banked stock

Note: ^ Weighted by the number of responses   Source: JLL's Hotel Investor Sentiment Survey



EMEA

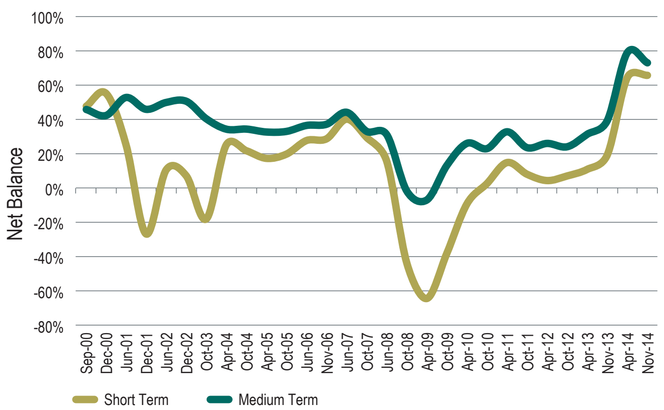
Highlights

- Short term trading expectations across Europe, Middle East and Africa reported a slight uptick since April 2014, rising 10 basis points to 65.6%, while investor sentiment for the medium term, has softened slightly falling 60 basis points to 72.9%.
- At 14.2%, leveraged IRR requirements are 130 basis points below the long term average of 15.5%, confirming the strength of the market, notwithstanding underlying fears of a recession in some Eurozone countries.
- London reported the lowest IRR requirements at 10%, remaining stable since the last survey.
- Cap rates are expected to rise slightly to 7.1%, 80 basis points lower than the most recent three-year average of 7.9%. Cap rate expectations are lowest for Edinburgh and London at 5.5%.

Short and medium term trading growth fuels investor interest in EMEA

Investor sentiment for trading in EMEA's hotel markets has increased marginally compared to the previous survey, with short term expectations rising to a net balance of 65.6%. However, with the ongoing caution about the future of the European economy, medium term expectations have fallen to 72.9%. Net balance is the percentage of respondents who responded positively minus the percentage of respondents who respond negatively.

EMEA Trading Performance Expectations 2000 to 2014^



Note: ^ Weighted by the number of responses
Source: JLL's Hotel Investor Sentiment Survey

Of the 32 cities tracked, short term expectations are highest for Copenhagen, London, Stockholm and Warsaw. Looking further ahead, medium term sentiment is strongest in Dubai, Casablanca, Amsterdam and Paris.

Moscow is the only city that investors are anticipating trading performance to decline over the next six months. The ongoing political situation in Ukraine is impacting markets across the sub-region with investor sentiment is at an all-time low. Hotel performance is suffering and sanctions are still in place. The Russian financial markets are also suffering due to a combination of falling oil prices, sanctions and capital outflows. In addition, the rouble has depreciated by 40% since July 2014 and as a result of all these factors, GDP is expected to contract by 0.8% in 2015.

Short term expectations for Copenhagen are robust at 100%, falling to 69.2% over the medium term. The Danish capital reported some of the strongest RevPAR growth October 2014 YTD according to STR Global, up 15.5% driven by strong ADR growth.

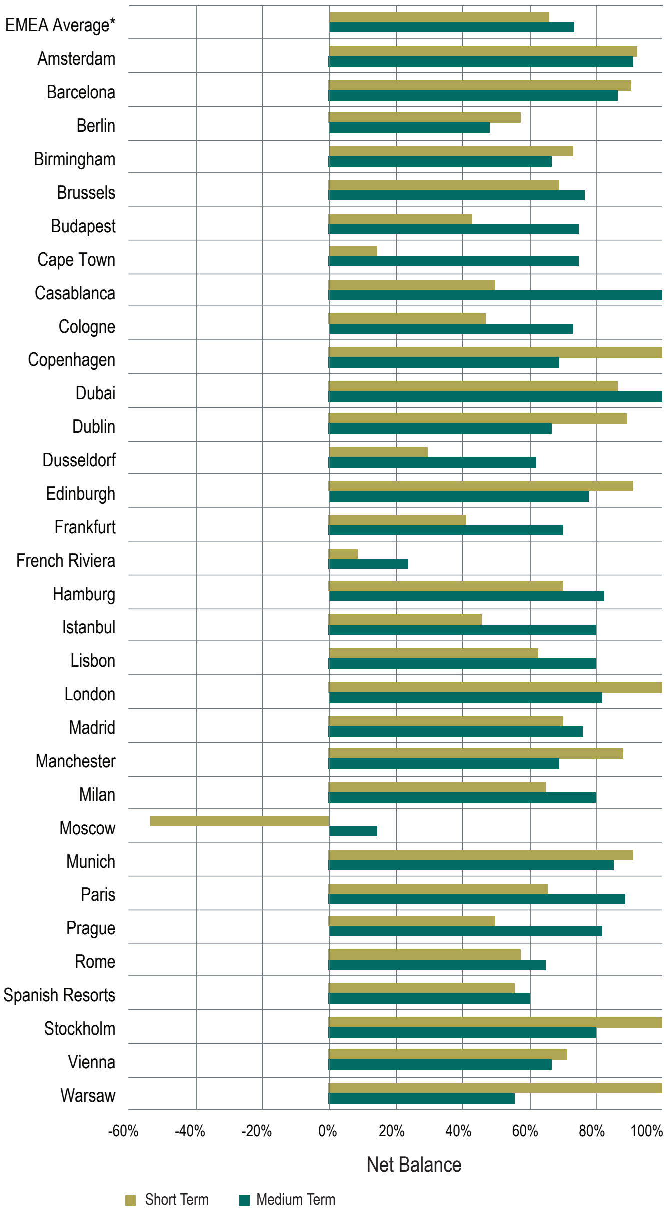
Trading expectations remain strong in the UK capital both in the short and medium term. International visitor arrivals during the first six months of 2014 rose 7.6% to nearly 8.5 million trips compared to the same time in 2013, driven by its world-class attractions. The outlook throughout the rest of the UK also looks promising, with strong trading expectations in both Edinburgh and Manchester. Manchester is the UK's third most visited city and boasts extensive conference and event facilities, major sporting stadia and the largest museum and theatre sectors outside London.

The short term trading outlook in a number of German cities has declined considerably since our last survey, with Cologne, Frankfurt and Dusseldorf all reporting a positive net balance of less than 50%. We have recently added Cologne to the survey; however, the latter two cities fell from a net balance of 78.6% and 63.3%, respectively since April. In October, there was another sharp fall in the Germany IFO Business Climate Index – the sixth consecutive monthly fall, taking the IFO back to its lowest level since the end of 2012. With this in mind, it is no surprise that investor sentiment has taken a slight back seat in the European powerhouse. However, we must note that sentiment in Munich is bucking this trend, with a net balance of more than 90%. With some of the highest occupancy and average room rates in Germany, the city remains on the 'wish list' of domestic and foreign investors in particular.

Investor sentiment remains strong in Dublin with short term expectations reporting a positive net balance of 74.4%, rising to over 90% in the medium term. The Irish capital has seen double-digit year-to-date RevPAR growth, driven by a strong uplift in average rates. Dublin has reported over EUR200 million of hotel transactions this year, a significant uplift compared to 2013, reinforcing strong investor interest in the city.

In the Middle East, investor sentiment remains strong in Dubai with a positive net balance of 86.7%. While developers are optimistic about building in Dubai – with more than 21,000 quality rooms and serviced apartments expected to enter the market by the end of 2017 in the upscale and upper-upscale segments, attaining Dubai's goal of attracting 20 million visitors by 2020 will require the Emirate to increase its midscale offering. There is also concern about where these extra visitors will come from. Dubai relies heavily on the Russian market, but with the depreciation of the rouble and political uncertainty, the number of visitors is expected to fall and it will be necessary to attract visitors from new feeder markets if they are to achieve this goal.

Trading Performance Expectations^

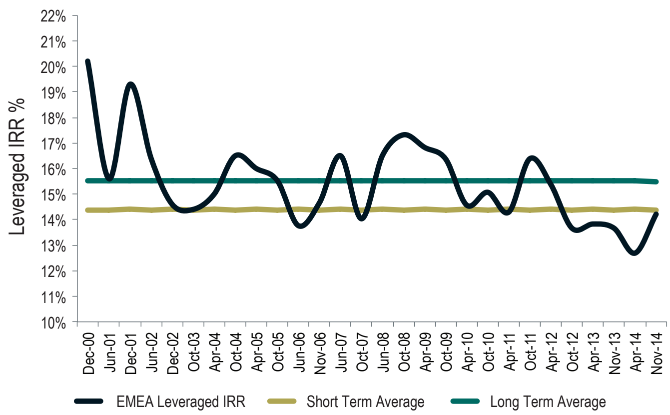


Note: ^ Weighted by the number of responses
Source: JLL's Hotel Investor Sentiment Survey

Investors look for higher returns

Expectations for leveraged IRR requirements reported a 150 basis point increase since our last survey and currently sit at 14.2%. This places IRR requirements 130 basis points lower than the long term average of 15.5% and shows that investors are seeking higher returns on their investments than they were six months ago.

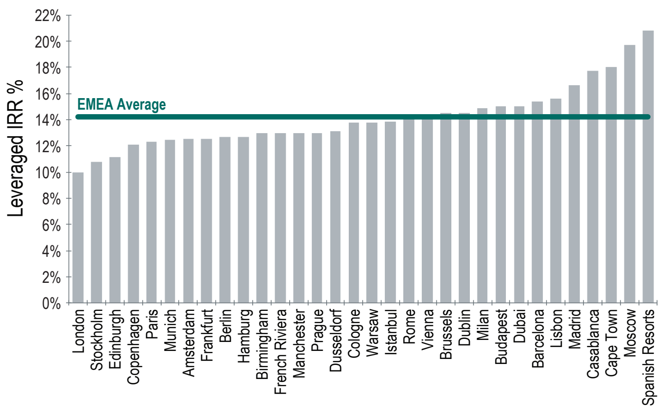
EMEA Leveraged IRR Requirements 2000 to 2014^



Note: ^ Weighted by the number of responses
Source: JLL's Hotel Investor Sentiment Survey

In terms of individual city IRR requirements, there has been some movement over the last six months. London reported the lowest IRR requirements at 10%, remaining stable since our last survey. An additional 18 markets reported below average IRR requirements including key cities such Paris, Frankfurt, Prague and Warsaw. At the other end of the scale, Moscow and the Spanish Resorts saw IRR requirements rise to over 18% in the last six months. A further 10 markets reported above average IRR requirements including a number of cities in Spain and Italy, as well as Budapest, Dubai and Dublin.

Leveraged IRRs Requirements

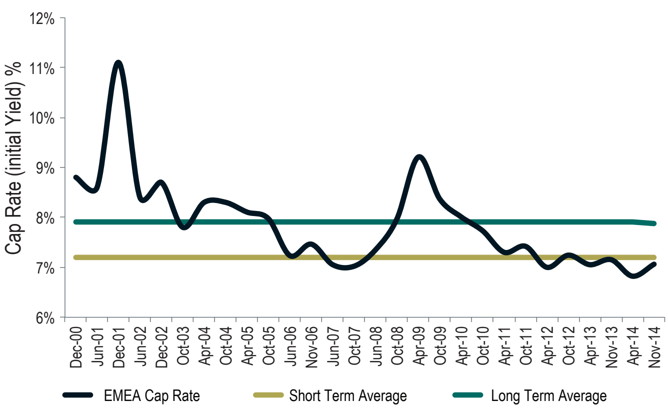


Source: JLL's Hotel Investor Sentiment Survey

Cap rates stable

Survey respondents expect capitalisation rates to shift marginally over the next six months, up 0.3% points to 7.1% compared to our last survey. These are 80 basis points lower than the most recent three-year average of 7.9%. Investors have remained upbeat about the future of hotel real estate as they continue to provide higher returns than alternative real estate options.

EMEA Cap Rate (Initial Yield) Requirements 2000 to 2014^



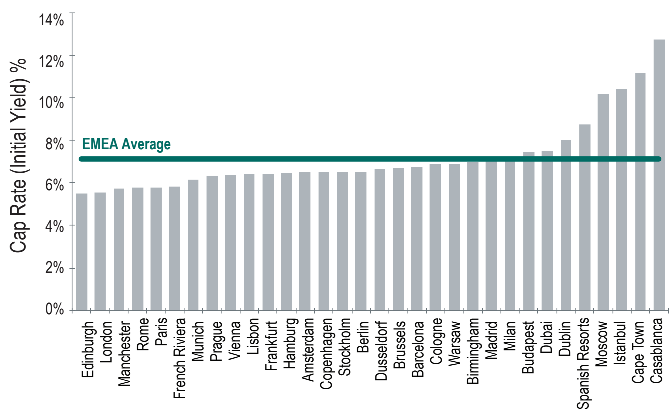
Note: ^ Weighted by the number of responses
Source: JLL's Hotel Investor Sentiment Survey

Respondents have the lowest cap rate expectations for Edinburgh and London at 5.5%. London continues to attract a bulk of interest from investors due to its stable market environment. As we approach the end of 2014, over EUR1.4 billion of hotel assets have transacted in the UK capital, reinforcing the appeal of London to global investors. Edinburgh also continues to hold its position as the UK city that tops hotel investor and brand requirement lists, after London. The city is expected to sprint out of the blocks once the new trams are fully operational, providing the city with an integrated transport system to rival leading European cities. Aside from the aforementioned cities, cap rate expectations fall below the regional average in a further 17 cities.

Markets which are associated with more "risk" include Casablanca, Cape Town and Istanbul. Cap rates in Moscow have moved from 8.4%, six months ago, to 10.2%. According to the survey results, investment funds and private equity groups are the most acquisitive groups currently targeting EMEA hotel real estate, followed by banks and institutional investors.

In terms of investor target strategies for the next six months, 43% are primarily focusing on developing hotels, 32% looking to dispose of assets while just 25% are looking to acquire assets.

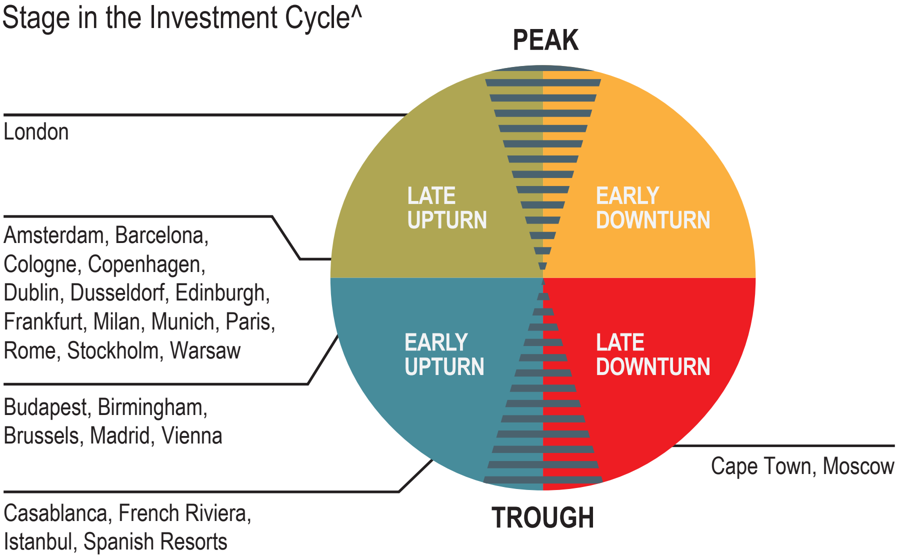
Cap Rate (Initial Yield) Requirements



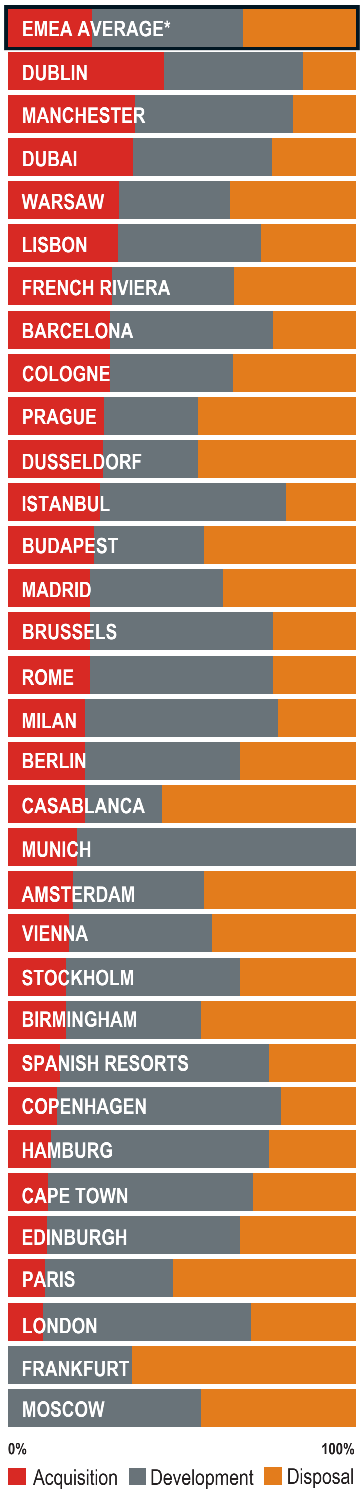
Source: JLL's Hotel Investor Sentiment Survey

EMEA Investment Intentions

Stage in the Investment Cycle^



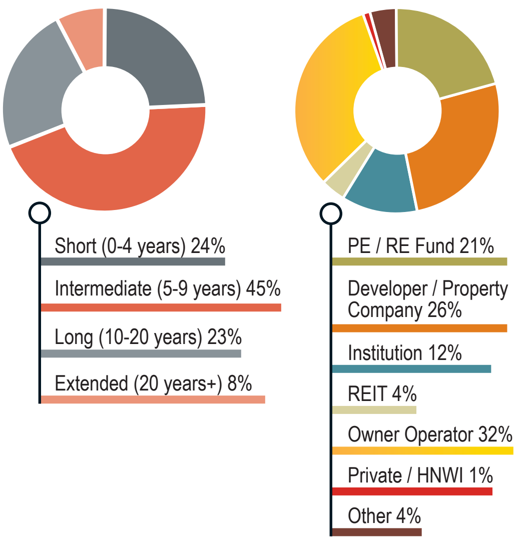
Short Term Investment Intentions



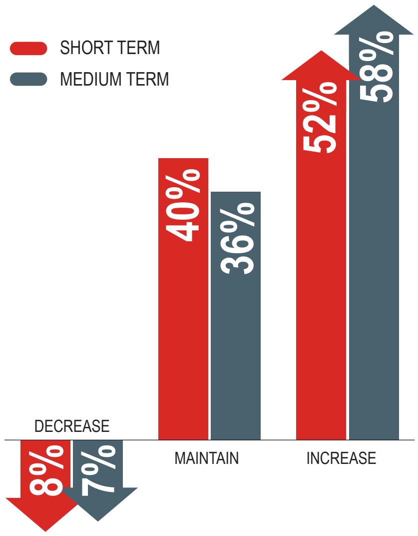
Most Acquisitive Groups

Investment Fund / Private Equity	Bank / Institutional Investor	Developer / Property Company

Investor Profile



Exposure to Hotel Real Estate



Planned Nature of Investment

21%	22%	15%	11%	15%	8%	8%
New hotel acquisition opportunities	New conversion acquisition opportunities	Refurbishment of existing stock	Acquisition of land for development	New hotel management opportunities	New hotel lending opportunities	Development of land-banked stock

Note: ^ Weighted by the number of responses   Source: JLL's Hotel Investor Sentiment Survey

Methodology

Trading performance expectations

The survey represents investors' expectations for trading performance in the short (six months) and medium (two years) term with results presented in line with the weight of opinion.

Net balance is the percentage of respondents who respond positively minus the percentage of respondents who respond negatively. The maximum score of + or – 100% indicates that all respondents have given a positive or negative response respectively. A score of 0% indicates the same number of positive and negative responses to a particular question.

Results are averaged across all respondents for each region and are not weighted by the size of the market (i.e. number of investment grade rooms). Weighting is only conducted for the regional and global averages, based on the number of responses for each city.

Investment yield requirements

The survey represents the investment yield (cap rate) level required to consummate a transaction for a stabilised upscale asset, excluding repositioning through capital expenditure or new management focus. These yields are those that investors seek, while yields required to successfully secure an investment are likely to be lower than the Hotel Investor Sentiment Survey average. These yields should not be applied in any valuation or appraisal assignment.

Results for each city are calculated using the average as a measure of central tendency given the nature of the survey, with results restricted to those that fall within three standard deviations of the mean. Current analysis is not framed with regard to specifc timeframes, asset classes or investment rationale on which the purchasing decision is based.

Results are averaged across all respondents for regional and global averages, based on the number of responses for each city.

Hotel investment cycle

The hotel investment cycle is a proprietary graphic of JLL, used to provide a snapshot of the state of the hotel investment market. Each quadrant describes the state of the market as indicated by survey respondents with respect to current hotel real estate investment values. We note that this does not necessarily represent Jones Lang LaSalle's appraised or house view.

For the markets in which they invest in or track, respondents were asked to select their perceived stage of the property cycle – out of six specified stages. The final positioning is calculated in accordance with the weight of opinion and regional averages calculated from that. The clock is a simple tool and should only be used in a broad impressionistic way. It is not intended to depict precise forecasts or property market cycles, and does not suggest that markets will move in a clockwise direction. The references to movement in hotel investment values are in local currency.

Definition of buyer and seller types

Developer: Property developers who buy with the intent of redevelopment

Institution: Direct investment by pension funds, banks and insurance companies

Listed REIT: Listed Real Estate Investment Trust or Property Trust

Private: High net worth individuals and private companies for whom investment in hotels is not their primary business activity and who do not operate hotels

Private Equity or Investment Fund: Companies, including investment banks, which invest on behalf of other investors. Investments are opportunistic and require an active management strategy

Owner Operator: Listed or unlisted companies that own and operate hotels or serviced apartments as their core business

Glossary

ADR = Average daily rate

IRR = Internal rate of return

RevPAR = Revenue per available room

CAGR = Compound annual growth rate

Major gateways include:

- Americas – Chicago, Los Angeles, Miami, New York, San Francisco and Vancouver
- Asia Pacific – Bangkok, Hong Kong, Mumbai, Shanghai, Singapore, Sydney and Tokyo
- EMEA – Barcelona, London, Milan, Moscow, Munich, Paris and Rome

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