EUROPEAN INVESTMENT ACTIVITY

Improving trading conditions encourage investors

Confidence in the European lodging industry is on the rise. Following the doom and gloom of 2003, European trading markets had a good start in the first half of 2004. By the summer, most markets were on their way to recovery with consistent RevPar growth for the first time after a continued period of challenging trading conditions. During the second half of the year, the RevPar growth compared to 2003 numbers slowed down slightly, but nonetheless by the end of the year two thirds of the European markets showed an improvement in their performance over the previous year.

The improved trading for 2004 was driven by a number of factors:

- Increased corporate travel fuelled by the improvement in global economic conditions.
- Growth in leisure tourists who took advantage of discounted hotel rates and the expansion of low cost air carriers.
- General acceptance that terrorism will always be a threat but should not prevent travel.

The RevPar growth has primarily been as a result of higher occupancy levels and in most destinations demand is not yet strong enough to enable hoteliers to increase rates significantly. It is anticipated that rate growth will come through in 2005.

From a regional perspective, Eastern Europe was the clear winner in terms of RevPAR growth. Following their accession to the EU on 1 May 2004, many cities in Eastern Europe saw a strong growth in corporate demand. In addition, increased accessibility via low-cost airlines improved their appeal as a tourist destination. In stark contrast was the continued decline in RevPar in Warsaw, where a large increase in room supply over the past few years continued to hinder any RevPar growth for hoteliers.

Other cities that demonstrated strong trading improvements were Athens and Lisbon, which benefited from hosting the Olympic Games and the Euro 2004 Football Championships respectively. As these high profile events are non-recurring, the trading performance in these cities is expected to reverse in 2005.

However, the news was not all positive as some markets in Europe suffered during the past year. Both Madrid and Barcelona were affected by the terrorist attack in Madrid in March 2004 and the situation was exacerbated by the recent influx of new supply into these cities. A multi-speed recovery is clearly underway.

The Howard Hotel

Sold to Samosir Limited for £75m

Much of the investment activity over the past 24 months was built on the faith that the European trading markets would recover in the medium term. In particular, opportunistic buyers have been seeking deals that would provide healthy returns on investments made at the bottom of the cycle. As a number of markets are approaching the route to recovery, appetite for hotel acquisitions has been growing and many investors have been seeking to place their funds before the markets get to a mature level or interest rates rise further. This is supported by the fact that the various world stock markets are still considered to be lack lustre and investors are becoming increasingly familiar with the dynamics of hotel property investments, appreciating in

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particular the relatively quick recovery potential associated with this sector.

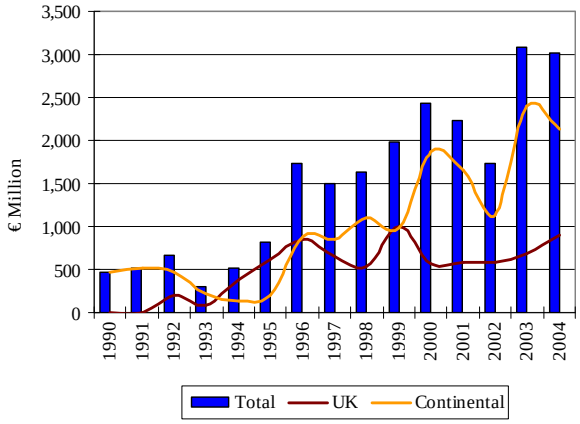
Availability of product, especially quality assets in strategic locations, remains the number one constraint in the market. Many of those owners who have been patiently holding on to their properties for the duration of the trough in the trading cycle are still waiting to bring their assets to the market in order to achieve their high price expectations once the markets improve.

Single assets – A stellar year

2004 proved to be another extremely active year for the European hotel investment market, with a total transaction volume just slightly under the record levels achieved in 2003.

The European single asset transaction volume (those over €10 million) reached €3.0 billion, which is 2% below 2003 results. Investment activity, however, was still 24% ahead of the previous peak experienced in 2000 (€2.4 billion) and surpassed the results of 2001 (€2.2 billion) and 2002 (€1.7 billion) by 35% and 75% respectively.

European Single Asset Transactions by Volume



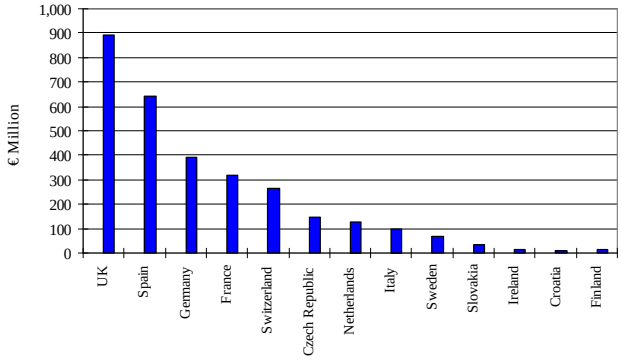
Source: Jones Lang LaSalle Hotels

Although fewer than in the prior year, a number of trophy assets changed ownership during 2004 including the Monte Carlo Grand in Monte Carlo, the Noga Hilton in Geneva and the Howard Hotel* in London. Other significant transactions include the La Manga Resort in Portugal, the Grosvenor House Hotel Serviced Apartments in London, the Hilton Prague* (and Ibis Karlín) and the Mindanao* in Madrid. These seven transactions accounted for over one third of the total single-asset transaction volume in Europe in 2004.

Continental Europe – Spain in pole position

Transaction volume in Continental Europe contracted by 12% over 2004 and represented 70% of the total European investment volume.

European Single Asset Transactions by Country



Source: Jones Lang LaSalle Hotels

Once again **Spain** recorded the strongest activity with an investment volume of €643 million, a 6% increase over 2003 and 22% of the total European volume. As Madrid and Barcelona are struggling to absorb the recent influx of new supply, investor focus shifted to secondary markets and only one transaction was recorded in each of Barcelona and Madrid.

Whilst **Germany** remains one of the more active markets in Europe, transaction volume at €391 million was 27% lower than in 2003, when the market benefited from contra-cyclical buying. As trading conditions remain challenging, many hotel owners are holding on to their assets, resulting in a lack of quality product being released to the market. Noteworthy transactions comprised the Maritim Hotel Dresden, the Melia Hotel Berlin and Strategic Hotel Capital's sale of the 277-room Marriott Hamburg* to the German fund DIFA. In this transaction, Strategic replicated the innovative sale and leaseback structure they employed

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in the successful sale of the Marriott Champs Elysées* in 2003.

Single asset transaction activity in **France** was down compared to the prior year both in terms of total value (25% decline to €317 million) and number of transactions (down 60%) to five deals. As trading performance, particularly in Paris, continues to struggle fewer hotel owners have brought their assets to the market. The most significant transaction in 2004 was the sale of the Monte Carlo Grand for €250 million, which accounted for over two-thirds of the total French investment volume.

Sofitel Demeure Le Castille

Sold to Starhotel Limited for €31m

Investment activity in **Switzerland** more than tripled in 2004, driven by the sale of the Noga Hilton for €192 million, which accounted for about 72% of the Swiss investment market.

In the **Czech Republic**, the sale of the Ibis and Hilton Prague* for €147 million presented the only reported hotel transaction in 2004 and the highest price ever paid for a single asset in the country.

UK transaction activity continues to expand

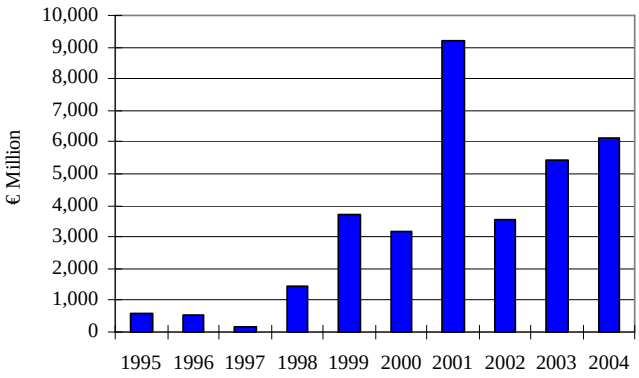
The UK continued to be the most liquid of the European hotel investment markets and accounted for 30% of all single asset sales. Whereas the overall European market saw a decline in transaction volume, London and the regional markets reported an increase over 2003 of 41% and 15% respectively. This was largely due to the greater availability of high quality product particularly in London, where 68% of the total sales volume of £609 million (€892 million) was generated.

The London market was dominated by the sale of the Grosvenor House Hotel Serviced Apartments (£100 million/ €143 million) and the Howard Hotel* for (£75 million/ €107 million), which together accounted for over 40% of the market. Significant transactions in the regional market included the sale of the Midland Manchester* (£36 million/ €53 million) and the Radisson SAS Manchester Airport. The latter was sold to DIFA and marked the first hotel acquisition by a German open-ended fund in the UK.

Portfolio sales driven by the UK

Portfolio transaction activity in 2004 was dominated by the UK market, which accounted for about 55% of the total volume of €6.1 billion. Overall, European portfolio sales were 12% above 2003 and 71% above 2002, yet 33% below the record year of 2001, when portfolio volumes surpassed €9 billion.

European Portfolio Transactions



Source: Jones Lang LaSalle Hotels

The most prominent deal in 2004 was the sale of the 772-key Savoy Group*, a portfolio including four trophy hotels in London. Quinlan Private, an Irish-based consortium, acquired the group for £750 million/ €1.1 billion. This represented the highest price on a per

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key basis (£970,000/ €1.4 million per key) ever paid for hotel assets in the UK.

Another significant transaction was the long talked about disposal of the QMH portfolio (more than 80 properties in the UK, Germany and the Netherlands) to the Whitehall Fund in partnership with Westmont Hospitality for £544 million/ €818 million. The new owner subsequently delisted the group from the London Stock Exchange.

2004 also brought major ownership changes in the UK budget hotel market. Whitbread emerged as the winner in the auction for Spirit Group's Premier Lodge. This £505 million/ €760 million addition to Whitbread's Travel Inn portfolio secures its position as the largest budget hotel brand operator in the UK. In order to raise fresh equity, the group subsequently sold its Marriott by Courtyard portfolio for £79 million/ €112 million to a syndicate of private investors who have leased the assets to Kew Green Hotels Group.

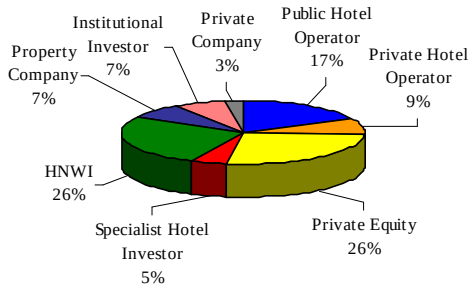
In order to fund its expansion plans, budget hotel operator Travelodge sold 135 hotels to Prestbury Hotels for €580 million and leased the assets back for periods of 25 to 35 years. The proceeds are expected to be reinvested over the next 12 to 18 months and Travelodge are keen to secure suitable existing hotels as well as development sites.

The largest portfolio transaction in Continental Europe was the public-to-private sale of Pandox to APES Holding AB, a joint-venture vehicle between Eiendomsspar AS and Sundt AS, for €400 million, which resulted in the company's delisting from the Stockholm Stock Exchange.

PROFILE OF INVESTORS

2004 saw some major shifts in the investor profile compared to prior years, in particular the increase of investments from high net worth individuals and declining activity from institutional investors.

European Single Asset and Portfolio Transactions by Investor Type 2004



Source: Jones Lang LaSalle Hotels

High net-worth individuals and private equity - the main source of financing

Private equity groups and high net-worth individuals (HNWI) dominated the European hotel investment activity in 2004, contributing 26% each to the total European hotel investment volume.

Although **private equity** investments decreased by 13% over 2003, this group continues to be one of the strongest sources of finance in the hotel investment market with a total volume of €2.4 billion. They represent 16% of all single-asset buyers and almost a third of all portfolio buyers in Europe.

Given their need to place larger sums of equity combined with their relatively high return-on-equity criteria, private equity groups have historically preferred hotel portfolio transactions to single-asset transactions. Whilst investment into portfolios still outweighs those into single assets (4:1), in 2004 investment in portfolios decreased by 24% to €1.9 billion whilst their placement of equity into single assets increased by almost 120% to €464 million. The latter was driven by the sales of the Monte Carlo Grand and the La Manga Resort, which together accounted for over 75% of all private equity single asset transactions.

The decline of portfolio investments by private equity groups was mainly caused by fewer acquisitions from US based groups. Given the increased level of

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available product in the USA over the past 12 months, combined with the unfavourable dollar exchange rate and the increasing competitiveness in Europe applying pressure on equity returns, many US groups have chosen to place their funds at home. Nonetheless, some of the most significant portfolio acquisitions were done by private equity groups such as QMH by the Whitehall fund (USA), Travelodge by Prestbury Hotels (UK) and Pandox by APES Holding AB (Norway).

Whilst private equity groups in previous years made headlines as investors, they were the main portfolio vendor in 2004, accounting for almost 50% of the total sales volume. With a hold time of between 3 to 5 years, 2004 became the time for many groups to capitalise on the acquisitions made in the early 2000s. Portfolios sold by private equity groups included the Savoy Group* (Blackstone / Colony Capital) and Premier Lodge (Spirit Group).

Claridge's Hotel, London

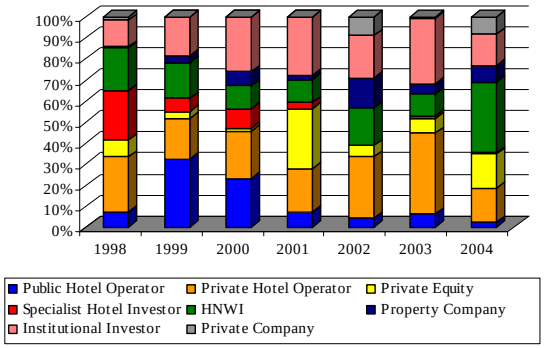
Sold to Quinlan as part of the Savoy Group disposal

Investments from **high net-worth individuals** (including both single individuals and syndicates of private individuals) increased by 48% over 2003, driven by an impressive 200% rise in the level of equity injected into single assets. As bond and stock market returns have become more benign and yields on more traditional property investments declined, HNWIs have investigated alternative investment options and became more comfortable in placing their funds into hotel assets. The growth in the popularity of such investments has been assisted by the availability of credible operators to manage the hotels and, in some instances, provide revenue guarantees. The total investment in 2004 amounted to € 963 million in single-asset deals and €1.4 billion in portfolio deals (respectively 34% and 23% of total deals in each category).

The most prominent single asset acquisitions by HNWIs included the Noga Hilton in Geneva, the Ibis and Hilton Prague* and the Grosvenor House Hotel Serviced Apartments in London.

Prior to 2003, HNWIs had not been widely recognised as investors in hotel portfolios. This changed when Andy Ruhan acquired Thistle Hotels and John Jarvis, together with Lioncourt, took Jarvis Hotels private. In 2004, portfolio acquisition by HNWIs included the Savoy Group* by Quinlan Private and the Marriott by Courtyard chain by a syndicate of HNWIs.

European Single Asset Transactions by Investor Type



Source: Jones Lang LaSalle Hotels

Public hotel operators look at portfolios again

Public hotel operators accounted for 17% of the European hotel buyers in 2004. Whilst this group acquired only a few single-assets, a number of public hotel operators took the opportunity to expand through portfolio acquisitions. At €1.5 billion, portfolio investments by public hotel operators were more than three times greater than in 2003 but still significantly below the €2.5 to €3.0 billion being invested each year during the great consolidation phase between 1998 and 2001. In contrast to those days when acquisitions were mainly being made by the big international operators,

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we now see greater buying activity from smaller, more specialised public hotel operators.

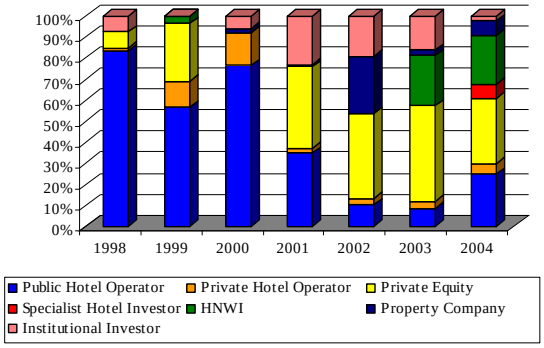
Portfolio transactions in 2004 by public hotel operators included the sale of Premier Lodge to Whitbread for £505 million/ €760 million, Accor's acquisition of a stake in Club Med for €252 million and Capona's purchase of 19 Home Invest Hotels in Sweden for €174 million.

Private hotel operators less active

In comparison with the record year of 2003, investments from private hotel operators declined by 43% during 2004.

In 2004, private hotel operators accounted for 9% of all European Investments and acquired single-assets totalling €463 million (16% of single-asset investment volume). This was about 60% below the levels achieved in 2003, when investments from private hotel operators contributed almost 40% of the total volume, primarily due to the acquisitions of trophy assets such as the Principe di Savoia* in Milan by Dorchester Group Hotels (€275 million) and the InterContinental Mayfair* in London by Radisson Edwardian (£115 million/ €167 million). There were only a few of these outstanding opportunities in 2004 and private hotel operators were outbid on these by equity rich HNWIs and private equity groups. The largest single-asset acquisitions in 2004 included Le Richemond in Geneva by Rocco Forte Hotels (€64 million) and the Holiday Inn Victoria in London by Hesperia for €51 million.

European Portfolio Transactions by Investor Type



Source: Jones Lang LaSalle Hotels

Institutional interest weaker

Whilst institutional investors were one of the main players between 2001 and 2003, investment activity from this group has declined by 67% to €609 in 2004 (7% of all investments, 17% of all single-asset investments and 2% of all portfolio investments). German open-ended funds remain the driving force behind these investments, and accounted for over 70% of all institutional deals in 2004.

Historically, institutional investment was driven by domestic deals. With changed legislation and more experience in other markets, institutional investors have placed almost one third of funds outside their home country. The major transactions in 2004 included WestInvest's acquisition of the Moevenpick Hotel Project in Amsterdam and DIFA's investments in the Radisson SAS Manchester Airport and Marriott Hamburg*.

Hotel investment more international

Since the late 1990's, hotel investment activity in Europe was dominated by domestic transactions, accounting for well over half of the total investment volume.

Whilst still being the largest source of funding (about 50% of all single-asset and portfolio transactions), domestic investors experienced increased competition from international players, which led to a 10% decrease in domestic single-asset investments. With greater transparency in the European hotel markets – supported by the single currency of most EU countries – European and global investors have shown a greater willingness to diversify their investments across different countries, in order to gain broader exposure to the potential growth opportunities provided by varying market cycles.

The total volume of trans-European transactions in 2004 at €3.1 billion (32% of single-asset, 36% of portfolio transactions) was 41% above the level achieved in the prior year. Whilst trans-European single-asset investment volume stayed relatively stable, portfolio investment almost doubled. This was

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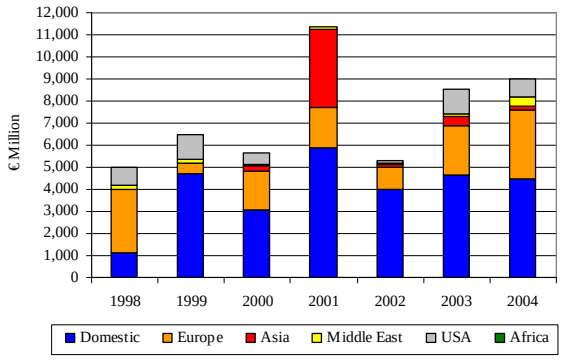
primarily due to Irish based Quinlan's acquisition of the Savoy Group* in London, which accounted for over 50% of all trans European portfolio deals. The most prominent trans-European single-asset transaction was the sale of the Hilton Prague* to another Irish investor, Quinn Group.

European Single Asset & Portfolio Transactions by Investor Origin 2004



Source: Jones Lang LaSalle Hotels

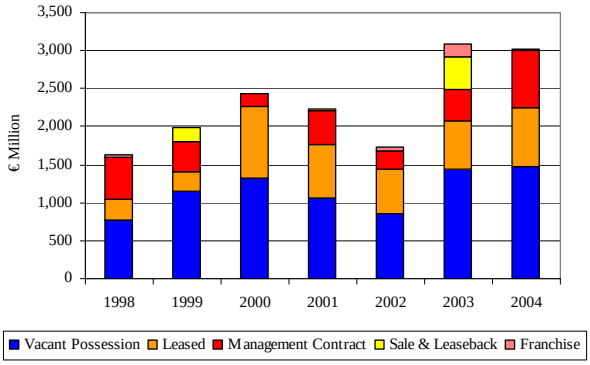
The USA has historically been a prime investor in the hotel real estate sector from outside of Europe. As stated earlier, Europe has become a more competitive market for US-based investors and as a result their investment volume decreased by 23% in 2004. The only two acquisitions from US investors were the QMH portfolio by the Whitehall fund and The Old Course Hotel in St. Andrews, Scotland by the private group Kohler Company. One of the groups that replaced the US investors were Middle Eastern HNWIs, who were responsible for four acquisitions totalling €353 million (€89 million in 2003).

After several years of absence, Asian investors have also returned to Europe as buyers as seen by the acquisition of the Howard Hotel* in London by Samosir Limited, a Hong Kong based private company.

PROFILE OF TRANSACTIONS

In line with historic trends, unencumbered / vacant-possession hotel transactions have been the dominant means of acquiring single hotel assets in 2004, accounting for almost half of all single-asset transactions. However, the proportion of single assets sold encumbered by a management contract increased significantly from 14% in 2003 to 25% in 2004.

European Single Asset Transactions by Type of Transaction

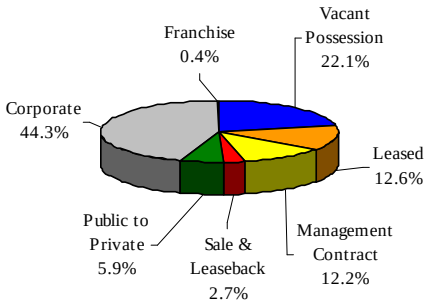


Source: Jones Lang LaSalle Hotels

On the portfolio side, corporate acquisitions of operators were the most dominant form of transaction in 2004, accounting for two thirds of all deals. This was mainly driven through the QMH, Premier Lodge and Travelodge sales.

Public-to-Private sales, which dominated the market in 2003, were scarce in 2004 and involved much smaller groups than before (Pandox AB, Gresham Hotels).

European Single Asset & Portfolio Transactions by Type of Transaction 2004



Source: Jones Lang LaSalle Hotels

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DEBT MARKETS ARE LIQUID

Availability of debt financing in Europe remains strong. As investments in hotel assets become increasingly transparent, a growing number of commercial banks are showing an interest in this sector in addition to traditional real estate banks.

Whilst German, UK and Dutch banks are active throughout Europe, restrictions remain for these players in countries such as Spain, Italy and France, where the market is dominated by national banks who have strong relationships with local buyers. Even across Europe, it appears that relationships are a driving factor in debt financing, as seen in the increased cross-border activity of Irish banks, which have followed their compatriots across Europe.

The accession of several Eastern European countries to the EU is anticipated to lead to an increased transaction activity in these markets, opening new opportunities for lenders to place funds. However, trans-European lenders are very selective in their choice of product and location and are focusing on existing assets with proven cash flows. Given the threat of oversupply in many of the emerging markets financing for new developments is scarce.

Whilst appetite for single-asset financing is strong, portfolio financing remains more challenging. As these large transactions represent a considerably bigger lot size, only a few of the global players are willing to act as lenders. Often, the existing lender continues to provide financing for the new owner. As they are familiar with the assets, they require less due diligence and can act quickly. An example of this is the sale of the Savoy Group* where Deutsche Bank remained as the lender when Quinlan purchased the assets from Blackstone.

Hilton Prague

Sold together with Ibis Hilton to Quinn Group for €147m

REITS IN THE UK PUT ON HOLD

In late 2004, Chancellor Gordon Brown ruled out any legislation on the introduction of real estate investment trusts (REITs or Property Investment Fund/ PIF as the Government has named it) in the UK in 2005. The government, however, continues to consider a tax reform in this area in order to improve the efficiency of the property market. A discussion paper is due to be published before the 2005 Budget together with the responses to the consultation of summer 2004.

The Government's initial consultation had suggested that a PIF should only be able to invest in property types where the rental returns reflect the underlying property asset and that real estate investments in the leisure sector would be excluded. In summer 2004, CMS Cameron McKenna, Hotel Analyst and Jones Lang LaSalle Hotels jointly produced a response to the Government. The group outlined the need for PIFs in the UK hotel industry, and emphasised why hotels should be a recognised asset class for PIF investment. With more time to review the outcome of the consultation, it is hoped that the Government will reconsider their opinion on the exclusion of leisure property from PIFs.

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FAVOURABLE TRADING OUTLOOK

Following the growth in RevPar in many of the European hotel markets in 2004, there is optimism that hotel trading will continue to improve in 2005.

It is expected that the traditionally strong performing markets such as London, Paris and Rome will show healthy growth, due to their underlying corporate and leisure appeal and their protective barriers to the entry of new product.

Furthermore, the new joiners to the EU, in particular Prague and Budapest, should continue to see an increase in demand and improvement in their trading performance.

Markets that are likely to show only nominal growth in the current environment are those that have seen recent and ongoing increase in the supply of bed stock coupled with relatively stable demand, such as Barcelona and Madrid.

Steigenberger La Canaria

Sold to Hoteles Dunas

APPETITE FOR INVESTMENTS REMAINS STRONG

As confidence in the recovery of the European lodging industry generally increase, capital continues to flow into the hotel sector.

At the start of the year, a number of possible transactions are already emerging on the horizon. InterContinental Hotel Group's disposal of their UK portfolio* is anticipated to be one of the landmark deals in 2005. The sale is subject to existing brand retention through a long-term management contract.

Furthermore, the sale of a portfolio of 11 Hilton hotels in the UK is in full swing. Hilton is understood to be flexible with regard to brand retention of these assets, thus likely to attract a wide range of investor groups.

Speculation about the future of Le Meridien continues and we are waiting to see if any fundamental changes will occur over the next 12 months.

On the single-asset side, a number of trophy and high-quality assets across Europe are anticipated to change hands in 2005. Hotels such as the InterContinental Paris* or the two Schrager hotels in London* have raised strong interest from both domestic and international investors who are seeking to enter major gateway cities in Europe.

Contra-cyclical opportunities will remain and investors are anticipated to focus on cities that have now gone through the bottom of the cycle, such as Budapest. In destinations where the recent influx of new hotel rooms still needs to be absorbed, e.g. Warsaw, Barcelona and Madrid, sellers are likely to adopt a wait and see attitude and hold on to their assets until the trading markets begin to recover.

With a good pipeline of assets on offer and continued strong capital markets, 2005 is anticipated to be another exciting year for the hotel investment industry.

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Selected Top European Single-Asset Investment Deals 2004

Hotel	Location	Rooms	Approx Price (€ million)	Price per room (€)	Investor
Monte Carlo Grand	Monte Carlo	618	250	405,000	Consortium (HBOS, Fairmont, Kingdom Holding)
Noga Hilton	Geneva	410	c. 192	c. 468,000	Middle Eastern Private Investor
Ibis and Hilton Prague*	Prague	1,014	147	145,000	Quinn Group
La Manga Resort	Murcia	420	146	348,000	MedGroup
Grosvenor Hotel Serviced Apartments	London	140	143	1,022,000	Bourne Capital
Howard Hotel*	London	189	107	568,000	Samosir Limited
Mindanao	Madrid	281	105	374,000	Nozar
Melia Hotel Berlin	Berlin	364	N/A	N/A	Middle Eastern Private Investor
Moevenpick Hotel Project	Amsterdam	410	N/A	N/A	WestInvest
Radisson SAS Manchester Airport	Manchester	360	N/A	N/A	DIFA
Cicerone	Rome	292	70	240,000	Danilo Coppola
Le Richemond	Geneva	98	64	653,000	Rocco Forte Hotels
Maritim Hotel Dresden	Dresden	328	60	183,000	Axa Immobilien
Marriott Marble Arch	London	240	54	227,000	Solomon Noe

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Selected Top European Portfolio Deals 2004

Company	Location	Rooms	Approx Price (€ million)	Price per room (€)	Investor
Savoy Group*	London	772	1,111	1,440,000	Quinlan Private
QMH	UK	5,330	818	153,000	Whitehall Fund (managed by Goldman Sachs)
Premier Lodge	UK, London	9,133	760	83,000	Whitbread Plc
Travelodge Portfolio	Regional UK	N/A	580	N/A	Prestbury Hotels
Pandox AB	Sweden	8,373	400	48,000	Eiendoomspar AS / Sundt AS
Paramount Hotel*	Regional UK	1,803	324	180,000	Dawnay Shore Hotels Plc
Dividum	Finland	5,600	300	54,000	London & Regional
Club Med	Europe	N/A	252	N/A	Accor
Home Invest Hotels	Sweden	3,224	174	54,000	Capona
Gresham Hotels	Europe	990	117	118,000	Precinct Investment

** Vendor advised by Jones Lang LaSalle Hotels* *Source: Jones Lang LaSalle Hotels*

Trading Market Update – YTD November 2004

City	Occupancy[1]	ADR €[1]	RevPar €[1]	Market Characteristics
Amsterdam	76.2%	155.14	118.21	Increase in demand, mainly driven by the leisure segment and an increase in the conference/ meeting business. Historically low rate declined further due to pressure from the leisure market. Supply growth in the city centre limited. Recent additions in airport area caused trading performance to be weaker.
% change[2]	*4.8%*	*-3.7%*	*0.9%*	
Barcelona	73.5%	199.90	146.92	Barcelona felt impact of the strong supply increases in recent years in both occupancy and rate. Despite further hotel additions in the short term, supply growth will considerably slow down in the medium term. In the short-term rates and occupancies are expected to remain under pressure.
% change[2]	*-5.4%*	*-2.4%*	*-7.6%*	
Berlin	67.0%	126.75	84.87	Whilst occupancy levels improved, the market suffered from a further decline in rate and growing supply. About 2,800 rooms were added in 2004, primarily in the four- and five-star segments, and 1,900 rooms are under construction (scheduled to open in 2005 and 2006).
% change[2]	*3.7%*	*-5.4%*	*-1.9%*	
Frankfurt	63.9%	119.32	76.29	Fewer trade fairs, combined with the ailing economy and recent additions to supply put significant pressure on rates. Increasing occupancy levels slowed revPAR decline down. Supply growth expected, with 1,200 rooms under construction (end of 2006) and another 2,800 planned.
% change[2]	*4.1%*	*-8.5%*	*-4.8%*	
London	72.7%	230.09	167.43	London saw a strong recovery in both occupancy and rate driven primarily by a recovery in corporate travel. Supply remains stable and with occupancy being close to historic levels, rate is projected to increase in 2005.
% change[2]	*9.1%*	*4.3%*	*13.8%*	
Madrid	60.3%	147.48	88.99	Despite an increase in bednight demand of approximately 10% in 2004, performance dropped significantly due to the constant growth of supply (~2,000 rooms in 2004). The erosion of the trading performance is expected to continue as supply is projected to increase further.
% change[2]	*-8.1%*	*-2.6%*	*-10.5%*	
Milan	60.4%	230.84	139.39	Demand levels remain sluggish with no significant improvement in domestic economic activity. The recent opening of the Bulgari and Park Hyatt Hotels also softened overall occupancy. Rates showed small decline. Further supply growth is restricted.
% change[2]	*-5.1%*	*-0.7%*	*-5.8%*	
Paris	67.6%	212.98	143.94	After a slow summer season, demand from the convention and business segments, especially in upmarket hotels, balanced the earlier weak demand. The city still lacks American visitors to which the high euro/dollar exchange is acting as a further demand inhibitor. However, recovery in corporate demand is expected to revive the market.
% change[2]	*0.1%*	*-0.2%*	*-0.1%*	
Rome	69.6%	200.37	139.39	Occupancy improved significantly driven by a return of US leisure travellers. Rates are still below last years level but expected to improve in 2005. With strong international leisure demand and limited additions to supply, the hotel market is well equipped to return to previous trading levels.
% change[2]	*9.1%*	*-1.7%*	*7.3%*	

[1] *Trading for the quality sample from HotelBenchmark Survey by Deloitte & Touche LLP © 2004*
[2] *% change over the same period the previous year.*

Single Assets for Sale

Property	Location	Facilities & Comments	Contact
Marriott Park Lane	London, UK	• Landmark building situated in fashionable Mayfair with frontages to Park Lane and Oxford Street. • Comprises 157-room Marriott hotel, meetings space, fitness club and 3 independent commercial units. • Management agreement with Marriott International with significant income security. • Part freehold and part long leasehold property.	London: Ian Chappell +44 (0)20 7399 5937
The Franklin Hotel	London, UK	• One of London's finest luxury hotels. • Discreet yet prime location in Knightsbridge near Harrods and the Museum district. • 47-room hotel with restaurant and bar • Elegantly decorated with views over Egerton Gardens • Member of Small Luxury Hotels of the World.	London: Tom Oakden +44 (0)20 7399 5787
InterContinental Paris	Paris, France	• Prime location a few steps away from the Louvre Museum, Place Vendome and Place de la Concorde. • With 438 guest rooms one of the largest hotel with one of the largest conferencing facility (1,983 sq.m.). • Prominent freehold site. • Growth potential through refurbishment and reconfiguration.	London: Arthur de Haast +44 (0)20 7399 5873
Le Parc	Paris, France	• Offered with vacant possession. • Four-star boutique hotel with 116 rooms and suites. • Set out in five attractive buildings around extensive inner gardens. • Unique opportunity to acquire a hotel in a central location in one of Paris's most sought-after areas.	Paris: Yves Marchal, +33 (0)1 4055 1718
Le Montalembert	Paris, France	• Offered with vacant possession • Luxury boutique hotel with 56 rooms and suites • Located on the left bank in the heart of Saint Germain des Prés • Opportunity to acquire a hotel in central Paris in an internationally renowned area	Paris: Yves Marchal, +33 (0)1 4055 1718
Hotel Danieli	Venice, Italy	• Historic landmark building with magnificent interiors • Large, prominent, freehold site in the heart of Venice • Well-established 5-star deluxe hotels with 233 rooms and excellent meeting and conference facilities • Available with long-term management agreement or free and clear of any management contract or lease. • Growth potential through refurbishment and reconfiguration.	Milan: Roberto Galano, +36 02 8586 8671

Single Assets for Sale (cont.)

Property	Location	Facilities & Comments	Contact
The American Hotel	Amsterdam, The Netherlands	• Listed Art Nouveau monument built in the 1900s and one of Amsterdam's most important buildings. • 174-room landmark property located in the heart of the city's prime Museum Quarter. • Freehold property. • Rare rebranding and repositioning opportunity with asset being offered free and clear of management and brand affiliation.	London: Tom Oakden +44 (0)20 7399 5787
Park Hyatt Zurich	Zurich, Switzerland	• Newly-built property featuring a 142 room five-star hotel and office premises. • Located in the heart of the financial district and within walking distance of tourist attractions and shopping areas. • Opportunity to acquire the city's most up-to-date hotel, subject to a long-term management agreement.	Munich: René-P. Schappner +49 (89) 212 680 22

Portfolio Assets for Sale

Property	Location	Facilities & Comments	Contact
Schrager Hotels London	London, UK	• Impeccably maintained assets in excellent condition subject to premier hotel brand. • Situated in prime city centre locations in Europe's leading hotel market. • Strong trading potential with excellent NOI performance. • Freehold tenure at St Martins Lane and long-leasehold tenure at Sanderson.	London: Robert Seabrook +44 (0)20 7399 5633
Portfolio of Five Novotel Hotels, Germany	Hamburg Dusseldorf Mainz Mannheim Bielefeld	• Well-established portfolio of five Novotel hotels in Germany. • Comprising a total of 660 guest rooms with good conference and F&B provision. • Held on triple-net lease agreements. • Opportunity to secure national representation through a single acquisition and the benefit of economies of scale.	Munich: René-P. Schappner +49 (0)89 212 680 22
Portfolio of Three Sophia Hotels, France	Boulogne Billancourt Ivry sur Seine Calais Coquelles	• Freehold assets are offered for sale with vacant possession. • Available as portfolio or as individual assets. • Golden Tulip, Boulogne Billancourt - 180 guest rooms; substantial meeting facilities. • Tulip Inn, Ivry sur Seine - 152 guest rooms; on the bank of the Seine just outside Paris. • Holiday Inn, Calais Coquelles - 118 guest rooms; substantial meeting facilities.	Paris: Yves Marchal, +33 (0)1 4055 1718
Holiday Inn Portfolio, UK	London and regional UK	• Portfolio of 72 hotels with 11,420 rooms • Excellent geographic distribution across the UK • Mix of brands including Holiday Inn, Crowne Plaza and Express by Holiday Inn. • Subject to brand retention under a long-term management contract. • Properties have received significant capital investments of over £160 million since 2001.	London: Mark Wynne-Smith +44 (0)20 7399 5983

2004: Jones Lang LaSalle Hotels sell €2.0 billion of hotels in Europe

MWB GROUP PLC
Marylebone Warwick Balfour Group Plc

Sale of

the 189-room The Howard Hotel in London to Samosir Ltd

€107,000,000

Vendor's Agent

Jones Lang LaSalle Hotels
Experience: A World of Difference.

The Blackstone Group
ColonyCapital

Sale of

the 772-key Savoy Group to Quinlan Partnership

€1.1 billion

Vendor's Agent

Jones Lang LaSalle Hotels
Experience: A World of Difference.

Highbridge Partner
DB Real Estate
A Member of the Deutsche Bank Group

Sale of

788-room Hilton Prague and 226-room Ibis Prague to Quinn Hotels

c. €147,000,000

Vendor's Agent

Jones Lang LaSalle Hotels
Experience: A World of Difference.

Banco Pastor

Sale of

the 281-room Mindanao Hotel in Madrid to Nozar

€105,000,000

Vendor's Agent

Jones Lang LaSalle Hotels
Experience: A World of Difference.

PARAMOUNT
GROUP OF HOTELS

Sale of

the 1,800-room Paramount Group of Hotels to Dawnay Shore Hotels PLC

€325,000,000

Vendor's Agent

Jones Lang LaSalle Hotels
Experience: A World of Difference.

STEIGENBERGER
HOTEL GROUP

Sale of

the 249-room Steigenberger La Canaria in Gran Canaria to Hoteles Dunas

Confidential

Vendor's Agent

Jones Lang LaSalle Hotels
Experience: A World of Difference.

HOTELS

Sale of

the 107-room Sofitel Demeure Le Castille in Paris to Starhotel

€31,000,000

Vendor's Agent

Jones Lang LaSalle Hotels
Experience: A World of Difference.

INTERCONTINENTAL
HOTELS GROUP

Sale of

the 303-room Midland Crowne Plaza Manchester to Quintessential Hotels.

€53,000,000

Vendor's Agent

Jones Lang LaSalle Hotels
Experience: A World of Difference.

ALMAFIN

Sale of

the 131-room Holiday Inn in Nice to SDPNE

€19,000,000

Vendor's Agent

Jones Lang LaSalle Hotels
Experience: A World of Difference.