

Real Estate Research
January 2014

Real Estate - Hotels

Hospitality Monthly

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Please refer to Important Disclosures and Analyst Certification on page 21-22.

Note: All prices, ratings, estimates and other data are as of 12/31/13 unless otherwise noted.

Hospitality Trends and Developments

- **Hotel Stocks End 2013 on a Strong Note; Index Ends Year Up Almost 30%**

The **Baird/STR Hotel Stock Index** increased 4.2% in December and outperformed both the broader market and other real estate sectors by 180 bps and 455 bps, respectively. Hotel stocks outperformed other real estate sectors for the sixth consecutive month, and ended the year up 29.8%, which resulted in over 3,100 bps of outperformance; additionally, hotel stocks narrowly outperformed the broader market due to strong performance in the back half of the year. However, hotel stocks have started the year off slowly and are underperforming both the broader market and other real estate stocks. As of January 1, the composition of the Index changed: Extended Stay America (STAY) and Hilton Worldwide Holdings (HLT) were added and Pebblebrook Hotel Trust (PEB) and Strategic Hotels & Resorts (BEE) were removed. The co-branded custom hotel stock index, developed by Baird and hosted on STR's www.hotelnewsnow.com, includes 15 of the largest hotel stocks traded in the U.S.

- **All Signs Point to Continued Growth in 2014; Baird Forecasts 5.9% RevPAR Growth**

The lodging upcycle is approaching its fourth anniversary (industry RevPAR growth turned positive in March 2010), and supply-and-demand fundamentals remain favorable for continued positive growth in 2014 and 2015. Industry-wide RevPAR growth is up 5.3% through November 2013, which is the slowest pace since 2010's 5.5% growth in part due to the negative impact of sequestration, the government shutdown, and toughening comparisons. However, we expect RevPAR growth to accelerate modestly in 2014 to 5.9% on improved demand growth and slightly higher ADR growth given near-peak or above-peak occupancy levels in most markets (1.1% supply, 2.6% demand, and 4.3% ADR growth). Looking out to 2015, we forecast 5.9% RevPAR growth; increased demand and ADR growth should be offset by increased supply (1.5% supply, 2.9% demand, and 4.5% ADR growth). Additionally, we expect the Top 25 markets to continue their outperformance relative to the broader industry; over the previous four years, the Top 25 markets have outperformed the industry average by at least 100 bps each year, which implies nearly 7% RevPAR growth in 2014 for these markets. Macroeconomic indicators remain positive and give us confidence that the lodging upcycle will continue through 2015; corporate profits remain healthy, employment continues to steadily improve, and inbound international travel remains robust (the National Travel and Tourism Office forecasts visitation to increase 4.0% in 2014, a slightly faster pace than 2013's 3.4% increase).

- **CMBS Market Remains Open, Likely to Support Increased Transaction Activity in 2014**

From a borrower's perspective, the debt market, specifically the CMBS market, remains open despite a slight uptick in rate in conjunction with the rise in Treasury yields. Recent CMBS offerings suggest lenders' appetite for hotel loans remains strong with loan-to-value ratios approaching 70% and trailing NOI debt yields hovering near 10%, based on our analysis of ten hotel loans in several recent CMBS offerings. The majority of the hotels are select-service or older full-service properties located in a variety of markets (Bellevue, downtown Chicago, Palm Beach downtown Philadelphia, and two airport locations). The median loan-to-value ratio was 66% (based on appraised or transaction value) with a median interest rate of 5.13%. Implied trailing NOI debt yields and cap rates were tightly bunched together; debt yields ranged from 9.0%-11.1% with a median of 10.1%; cap rates ranged from 5.9%-6.9% with a median of 6.6%. With loan-to-value ratios approaching 70%, borrowers, especially private equity buyers, looking to maximize leverage are likely to become more active. As such, we expect transaction activity to pick up in 1H14 as the still-strong CMBS debt market allows a larger pool of buyers to compete for acquisition opportunities and ultimately achieve their levered IRR targets.

Baird Hospitality Research Commentary

Hotel Sector Stance: Market-Weight Hotel REITs and C-Corps

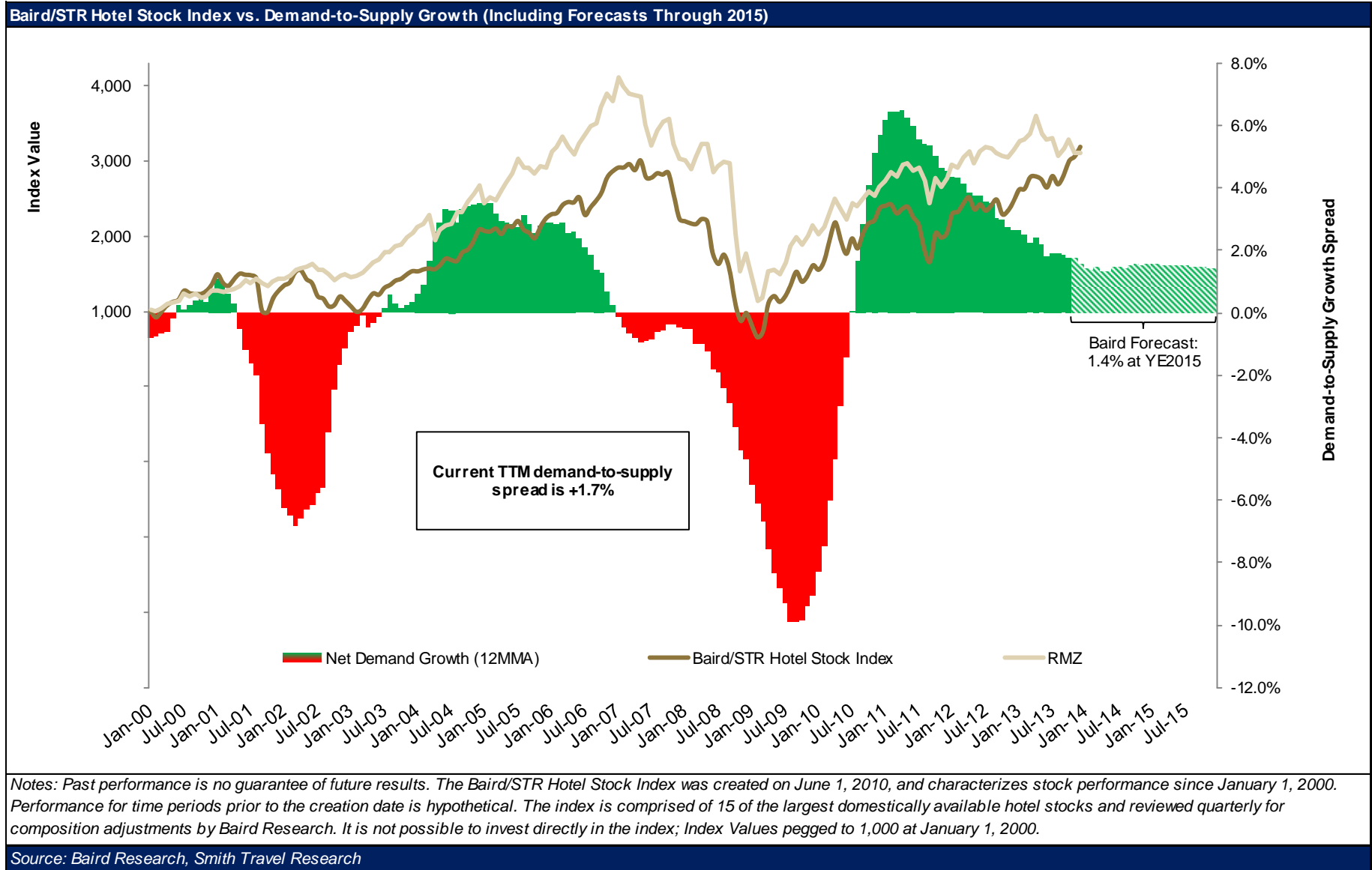
We are recommending a Market-Weight allocation to dedicated real estate investors for both hotel REITs and C-Corps due to full valuation given the sector's recent outperformance in 2H13; we believe much of the expected growth over the next 12 months is already reflected in share prices. Our longer-term view of the lodging recovery is unchanged, and we remain bullish on the outlook for continued fundamental improvement. The current demand-to-supply growth rate spread is 1.7% in favor of demand, well above historical norms, and the spread is likely to remain positive for at least two more years given still-limited supply growth and solid demand and ADR growth. Demand remains strong despite high levels of macroeconomic and political uncertainties, and high occupancy levels, particularly in urban gateway markets, have allowed operators to push rates more aggressively. Group trends are improving and the outlooks for 2014 and 2015 are promising. Currently, we see better value in the brands given their fee-based business models, strong growth profiles, and investment-grade balance sheets.

- **Marriott (MAR) is our top hotel brand pick** given that: (1) management and franchising are high-return businesses; (2) EDITION sales should unlock substantial value; and (3) the balance sheet remains well capitalized and allows for significant investment potential and return of capital to shareholders. Risks include brand equity and increased competition from other global brands.
- **Chesapeake (CHSP) is our top hotel REIT pick** given that: (1) the dividend has significant upside potential – we believe a 15% increase to \$0.30/share is possible; (2) significant West Coast exposure should lead to strong top- and bottom-line growth; (3) recent and current renovation and repositioning projects should create significant value for shareholders (Chicago, New Orleans, and New York City in 2014); and (4) the balance sheet supports an additional ~\$150 million of growth. Risks include a relatively smaller portfolio of 20 hotels and several ongoing renovations that could potentially cause greater-than-expected earnings disruption.

Recent Baird Research

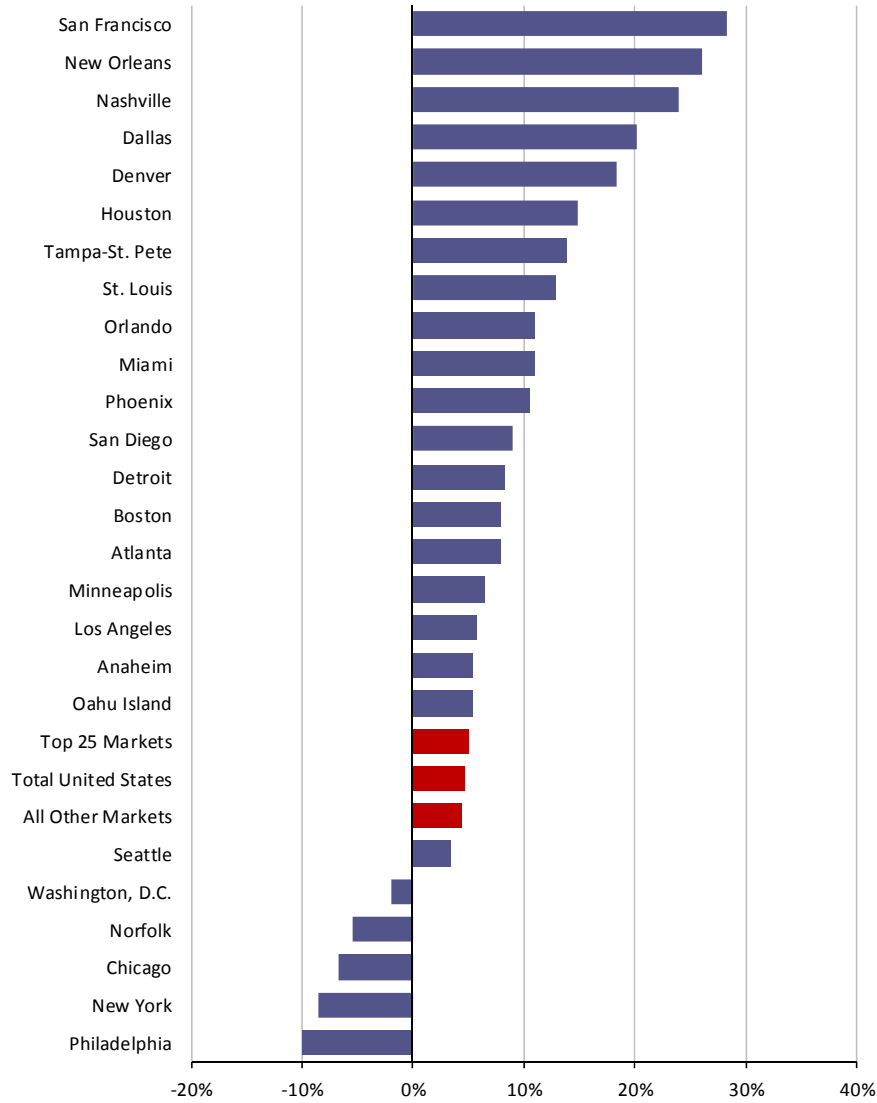
12/10/2013	PEB Pebblebrook Hotel Trust Acquires Radisson Fisherman's Wharf and Retail: Incrementally Positive
12/17/2013	HT Hersha Hospitality Trust South Florida Presence Continues to Grow; Acquiring Two Hotels in Miami
12/19/2013	IHG InterContinental Hotels Group PLC Selling InterContinental Barclay, Retaining 20% Stake; Renovation Planned
12/23/2013	STAY Extended Stay America, Inc. Initiating at Neutral: Full Valuation Reflects Expected Outsized Growth
12/31/2013	CHSP Chesapeake Lodging Trust Top Hotel REIT Pick for 2014; Increasing Price Target to \$28

Hotel Cycles: Demand-To-Supply Spread



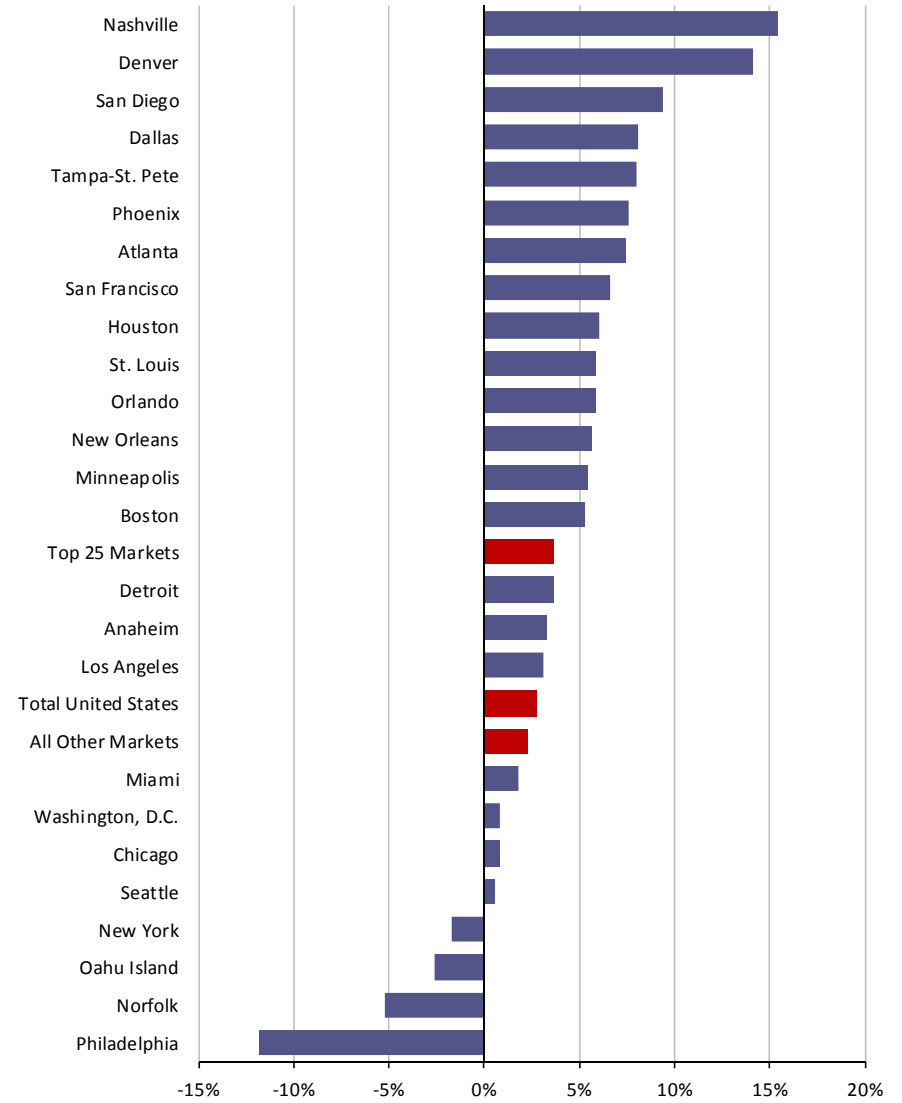
Hotel Market Performance

November RevPAR - Market Data



Source: Smith Travel Research

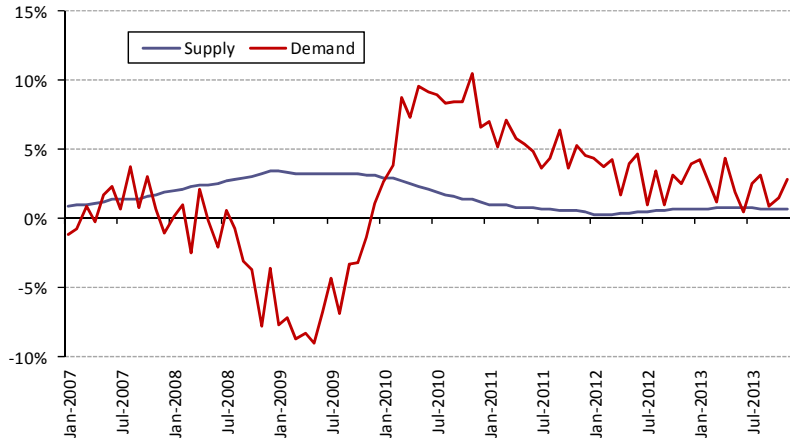
November Demand - Market Data



Source: Smith Travel Research

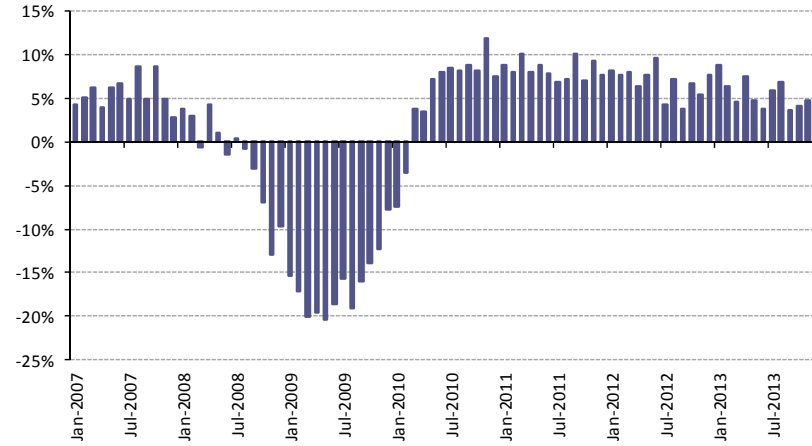
Fundamental Hotel Data

Hotel Supply/Demand Growth, January 2007-Present



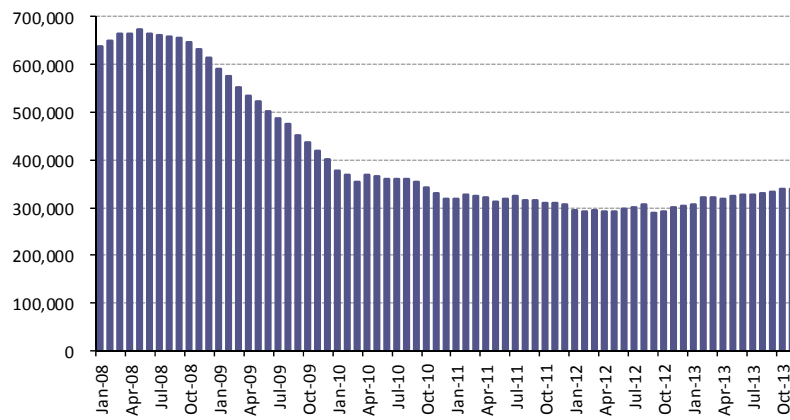
Source: Smith Travel Research

Monthly RevPAR Growth, January 2007-Present



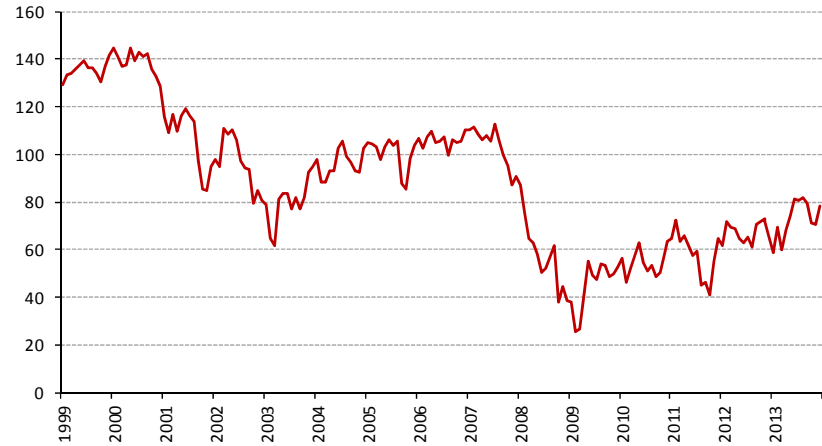
Source: Smith Travel Research

U.S. Hotel Development Pipeline (Rooms), January 2008-Present



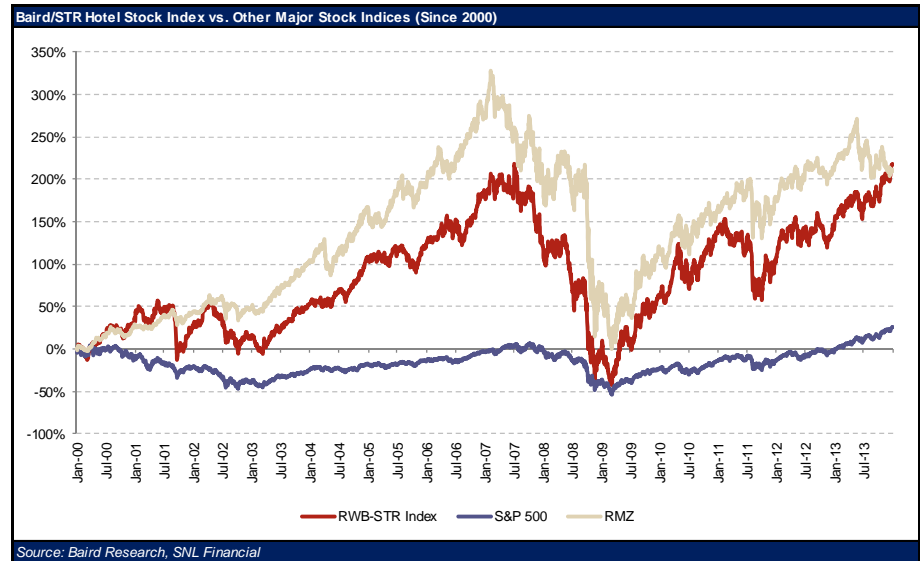
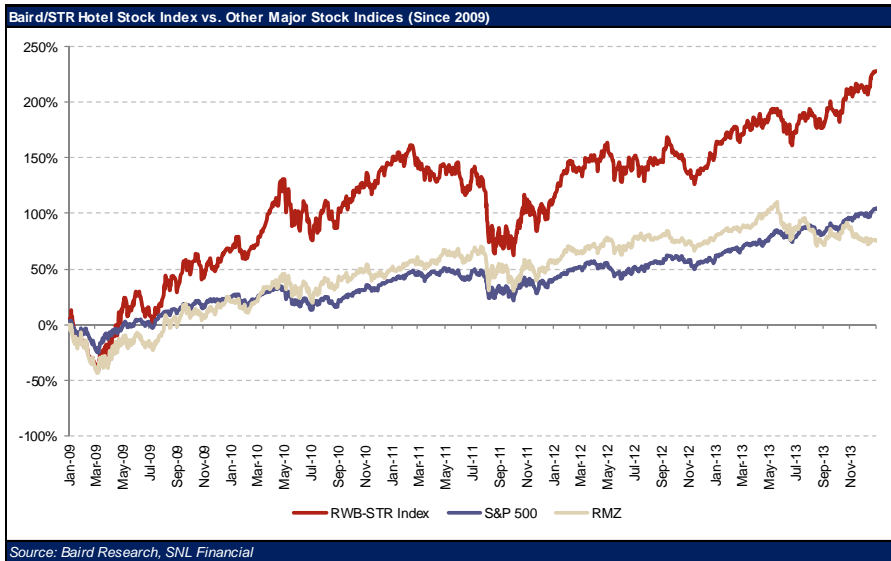
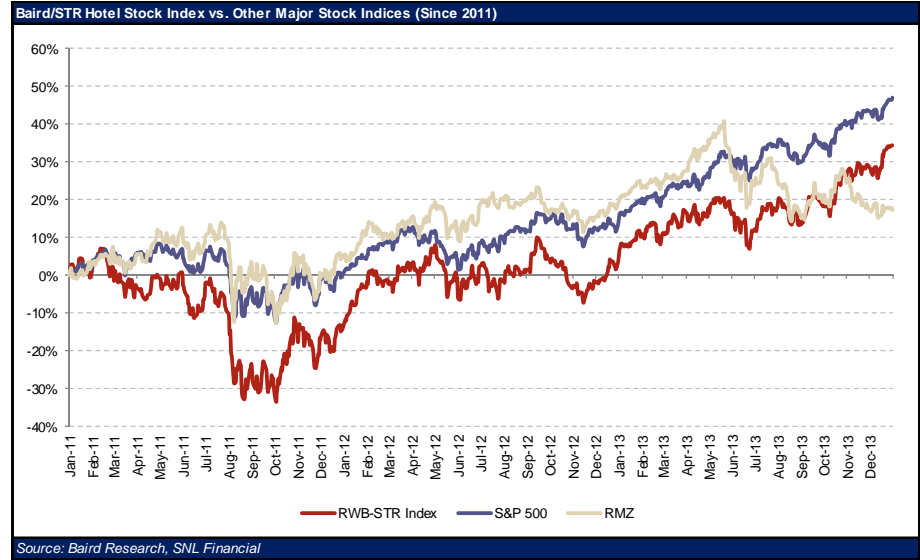
Source: Smith Travel Research

Consumer Confidence, 1999-Present



Source: The Conference Board

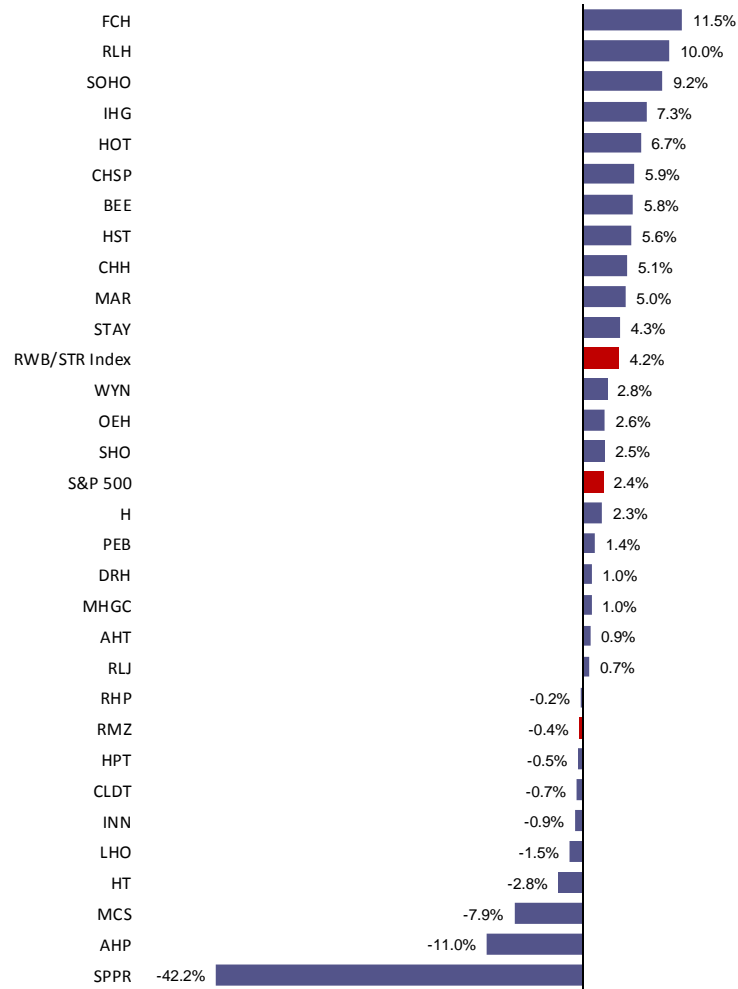
Baird / STR Hotel Stock Index



Notes: Past performance is no guarantee of future results. The Baird/STR Hotel Stock Index was created on June 1, 2010, and characterizes stock performance since January 1, 2000. Performance for time periods prior to the creation date is hypothetical. The index is comprised of 15 of the largest domestically available hotel stocks and reviewed quarterly for composition adjustments by Baird Research. It is not possible to invest directly in the index; Index Values pegged to 1,000 at January 1, 2000.

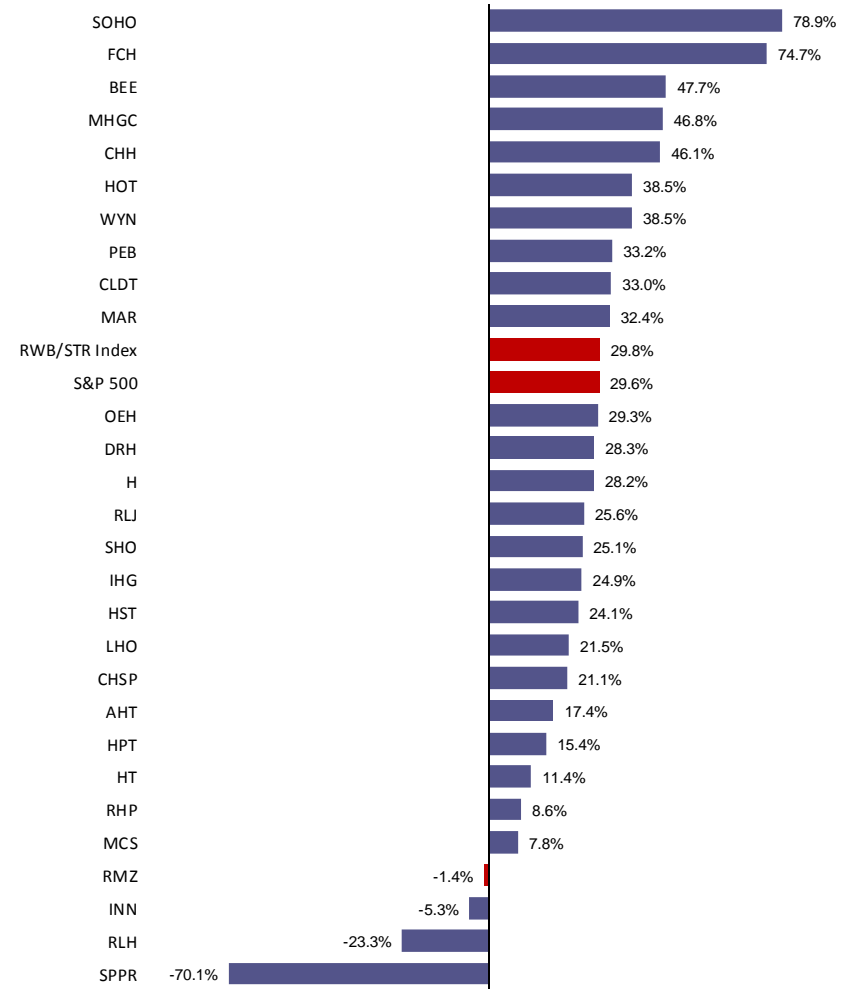
Share Performance

Past Month



Source: Baird Research, FactSet

Past Year



Source: Baird Research, FactSet

Recent Hotel Transactions

Selected Hotel Transactions: 2013 and 2014

Date	Hotel Name	Rooms	MSA	Price	Per Key (w/ capex)	Buyer	Seller	Comments
Oct 2013	Loews New Orleans	285	New Orleans	\$74,500	\$261	Inland		Loews will continue to manage; 7% TTM cap rate (reported by CoStar)
Oct 2013	Hawks Cay Resort	177	Key West	\$133,825	\$850	Carey Watermark		Northview Hotel Group, Five Star Realty Partners LLC acquired 2/2007 for \$75mm
Oct 2013	Residence Inn Seattle Bellevue/ Downtown	231	Seattle	\$73,200	\$317	CLDT	Miller Global Fund	Projected 7.8% NTM cap rate; \$131 RevPAR YTD thru 3Q13; Island Hospitality will manage
Oct 2013	Hampton Inn & Suites (Poway)	108	San Diego	\$15,200	\$153	INN	Ocean Park Hotels	Ocean Park will continue to manage; built in 2008; low-to-mid 8% NTM cap rate
Oct 2013	Hampton Inn & Suites (Camarillo)	115	Ventura	\$15,800	\$149	INN	Ocean Park Hotels	Ocean Park will continue to manage; built in 2004; low-to-mid 8% NTM cap rate
Oct 2013	Lorien Hotel & Spa	107	DC	\$45,000	\$421	Inland	DSF Group	Built for \$50 million (began Aug 2007, opened Feb 2009); Kimpton will continue to manage
Oct 2013	Marriott Charlotte City Center Westin and Aloft San Francisco	438	Charlotte	\$115,000	\$263	MAR	Cornerstone	Marriott was managing; will renovate, sell, retain management
Oct 2013	Airport	649	San Francisco	\$125,000	\$193	Ultima Hospitality	HOT	Franchise agreements with Ultima
Oct 2013	London West Hollywood 3-Hotel, Hotel Monaco Portfolio:	200	Los Angeles	\$195,000	\$975	Northwood	BX	Fee simple; 5.2% TTM cap rate (reported by CoStar)
Nov 2013	Chicago, Denver, SLC	605	Various	\$189,000	\$312	Inland	Cornerstone	
Nov 2013	Portland Marriott Waterfront	503	Portland	\$87,000	\$173	DiNapoli	HST	\$55mm loan; sale price includes \$4 million for FF&E replacement fund
Nov 2013	Hyatt Key West Resort and Spa	118	Key West	\$76,000	\$644	Inland	H	Hyatt will continue to manage
Nov 2013	Viceroy Hotel	240	New York City	\$148,500	\$619	ARC NY Recovery	ARK Real Estate	New hotel, expected to open in October 2013; ARC acquired the leasehold interest; on 57th Street between 6th and 7th Avenues
Nov 2013	Torrance Marriott South Bay	487	Los Angeles	\$76,000	\$156	XLD Group Cascade	DRH	14.1x TTM EBITDA multiple; estimated 6.1% 2014 cap rate (~5.8% 2013E)
Nov 2013	Four Seasons Hotel Atlanta	244	Atlanta	\$62,000	\$254	Investments	HST	Sale includes 99k SF of associated office space
Nov 2013	Latham Hotel	133	DC	\$45,400	\$341	SB-Urban	Lone Star Funds	Closed since June 2012, will be converted to condos
Dec 2013	Hyatt Regency San Francisco	802	San Francisco	\$262,500	\$327	SHO	DiNapoli, Dune	14.2x 2014E EBITDA; 5.5% cap rate on 2014E NOI
Dec 2013	Sheraton Gateway Los Angeles (Airport)	802	Los Angeles	\$96,000	\$120	Hazens Investment	Long Wharf	Will continue to be managed by Pyramid
Dec 2013	Renaissance Chicago Downtown	553	Chicago	\$139,000	\$293	Carey Watermark	RBS	Purchased leasehold interest; Marriott will continue to manage; financed with \$90 million of debt
Dec 2013	Shore Club - South Beach	309	Miami	\$175,300	\$567	HFZ Capital Group, CFSC Holdings	MHGC (7%) , Phillips International	June 2013: secured \$160.5mm first mortgage, \$12mm second mortgage from Fortress (12/24/2013 maturity)
Jan 2014	Philadelphia Marriott Downtown	1,408	Philadelphia	\$303,400	\$215	Oaktree and Clearview	HST	Sold an 89% interest; Host retaining the remaining 11% interest
Total (all 2013 sales with a price)		41,995		\$10,945,371	\$261			
Total REIT purchases		11,872		\$2,874,829	\$242			
Total REIT dispositions		5,440		\$980,700	\$180			

Source: Baird Research; Price and Per Key metrics in 000s

Recent Capital Markets Activity

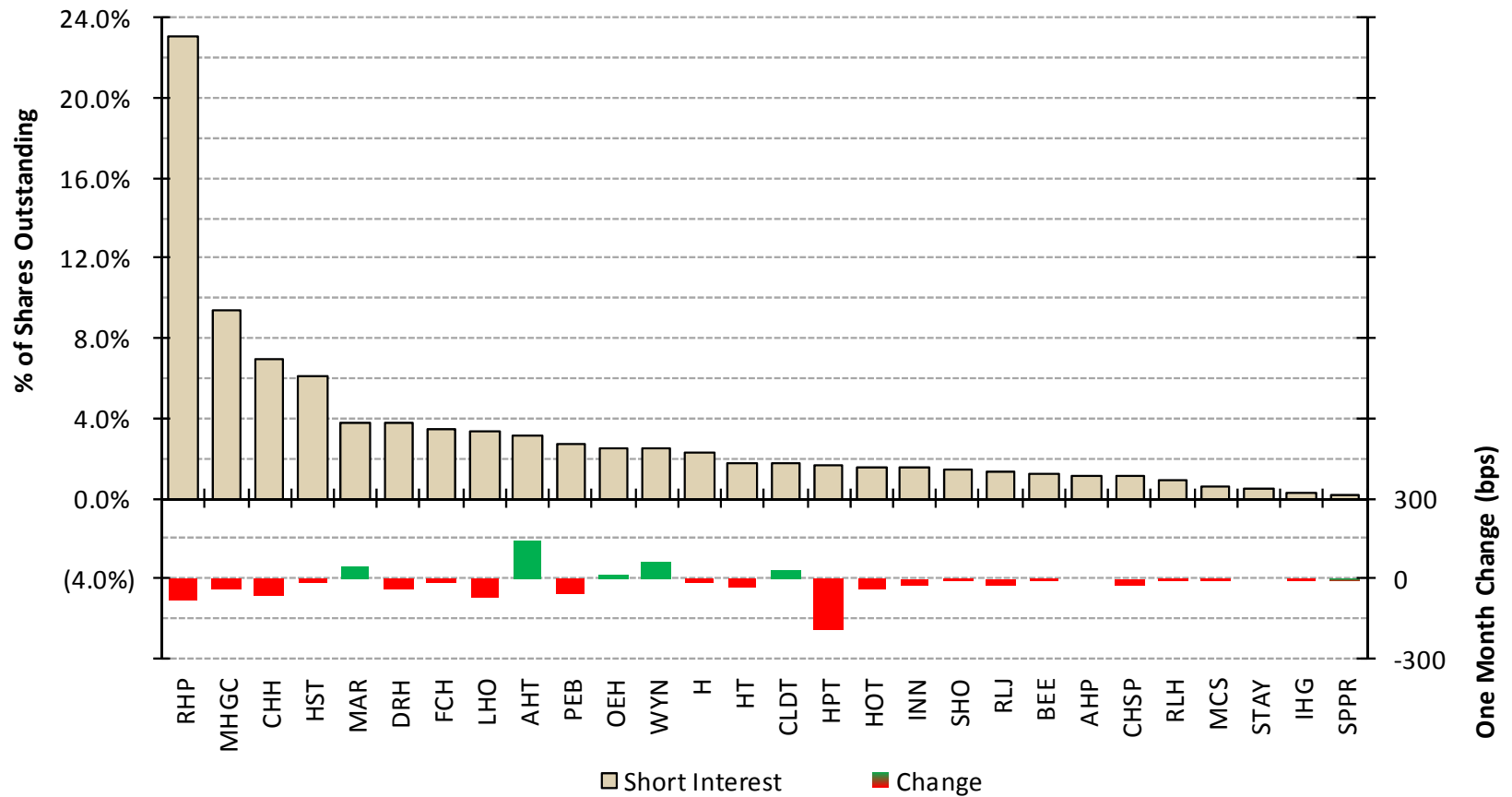
Recent Selected Hotel Capital Markets Activity

Date	Company	Financing Type	Collateral/Asset	Value	Rate	Maturity	LTV	Comments
May 2013	Summit	Bridge Loan	White Lodging Portfolio	\$92,000	L + 225	6 + 6 months	60%	Proceeds used to partially fund acquisition
June 2013	Chatham	Equity Issuance	-	\$73,575	-	-	-	Proceeds used to acquire Hyatt Place Downtown Pittsburgh/North Shore; 4.5 million shares at \$16.35
June 2013	Ashford	Equity Issuance	-	\$147,009	-	-	-	Proceeds will be used to capitalize Ashford Prime upon spin-off; 11.0 million shares at \$12.00 (plus partial exercise of green shoe)
June 2013	Chatham	Mortgage	Hyatt Place Pittsburgh	\$24,175	4.65%	10 years	60%	Non-recourse, interest-only CMBS loan from Barclays; proceeds used to fund acquisition; ~11.5% TTM NOI debt yield
July 2013	Chesapeake	Mortgage	Le Meridien San Francisco	\$92,500	3.50%	7 years	approx. 55%-60%	Non-recourse, interest-only loan from PNC Bank N.A.; proceeds used to repay line of credit balance
July 2013	Chesapeake	Mortgage	W Chicago - City Center	\$93,000	4.25%	10 years	56%	CMBS loan from Goldman Sachs; 11.2% TTM NOI debt yield; proceeds used to pay down line of credit
July 2013	Summit	Mortgage	Courtyard and Fairfield Inn & Suites - Louisville	\$38,700	4.95%	10 years	65%	CMBS loan from KeyBank; 12.4% TTM NOI debt yield; proceeds used to pay down senior secured interim term loan
Sept 2013	RLJ	Term Loan	-	\$350,000	L + 165-240	5 years	-	Proceeds used to retire higher-rated property-specific CMBS debt
Sept 2013	Chesapeake	Equity Issuance	-	\$100,000	-	-	-	\$100 million at-the-market offering announced
Sept 2013	Ashford	Mortgage	Pier House Resort	\$69,000	L + 490	2 + 1 + 1 + 1 years	77%	No LIBOR floor
Sept 2013	Summit	Equity Issuance	-	\$158,700	-	-	-	Proceeds will be used for acquisitions (\$165mm under LOI/contract); 17.25mm shares at \$9.20; green shoe fully exercised
Sept 2013	Chatham	Equity Issuance	-	\$59,638	-	-	-	Proceeds used to acquire Hilton Garden Inn Denver Tech Center and Residence Inn Bellevue Downtown; 3.25 million shares at \$18.35
Sept 2013	Marriott	Senior Notes	-	\$350,000	3.38%	7 years	-	Proceeds used for general corporate purposes; 145 bps spread to comparable Treasurys
Sept 2013	Sotherly Hotels	Senior Notes	-	\$27,600	8.00%	5 years	-	Proceeds used for general corporate purposes and to redeem 100% of the 12% Series A Cumulative Redeemable Preferred Stock
Oct 2013	LaSalle	Equity Issuance	-	\$228,530	-	-	-	Proceeds used to reduce outstanding amounts under the senior unsecured credit facility.
Oct 2013	Sunstone	Equity Issuance	-	\$311,880	-	-	-	Proceeds used to acquire the 802-room hotel Hyatt Regency San Francisco for \$262.5 million.
Oct 2013	Pebblebrook	Equity Issuance	-	\$74,534	-	-	-	Proceeds used for general corporate purposes and to fund future acquisition activity
Nov 2013	HPT	Equity Issuance	-	\$262,068	-	-	-	Proceeds used to reduce outstanding amounts under the unsecured revolving credit facility.
Nov 2013	Chatham	Mortgage	Residence Inn Seattle Bellevue Downtown	\$47,580	4.97%	10 years	65%	Loan amortizes over a 30-year period; proceeds used to pay down line of credit balance
Nov 2013	Sotherly Hotels	Mortgage	Crowne Plaza Houston Downtown	\$21,500	4.50%			Loan amortizes over a 25-year period; provided by Mutual of Omaha Bank
Dec 2013	Ashford	Mortgage	Residence Inn Jacksonville and Residence Inn Hartford	\$18,200	5.49%	10 years		
Dec 2013	Carey Watermark	Mortgage	Renaissance Chicago Downtown	\$90,000	4.71%	7 years		CMBS loan; proceeds used to acquire leasehold interest in the property; matures January 2021

Source: Baird Research

Hospitality Psychometric Indicators

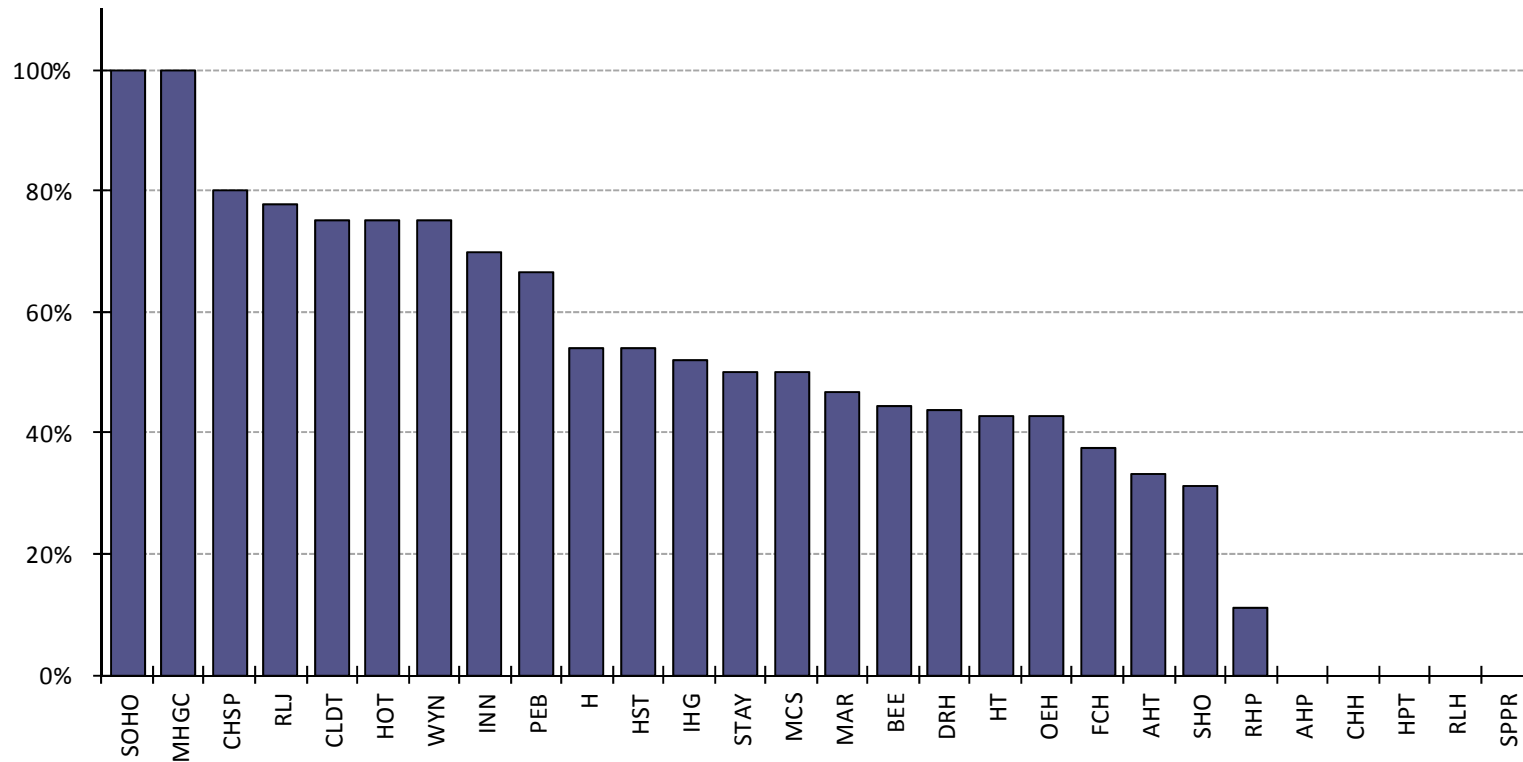
Short Interest



Source: FactSet & SNL Financial

Hospitality Psychometric Indicators

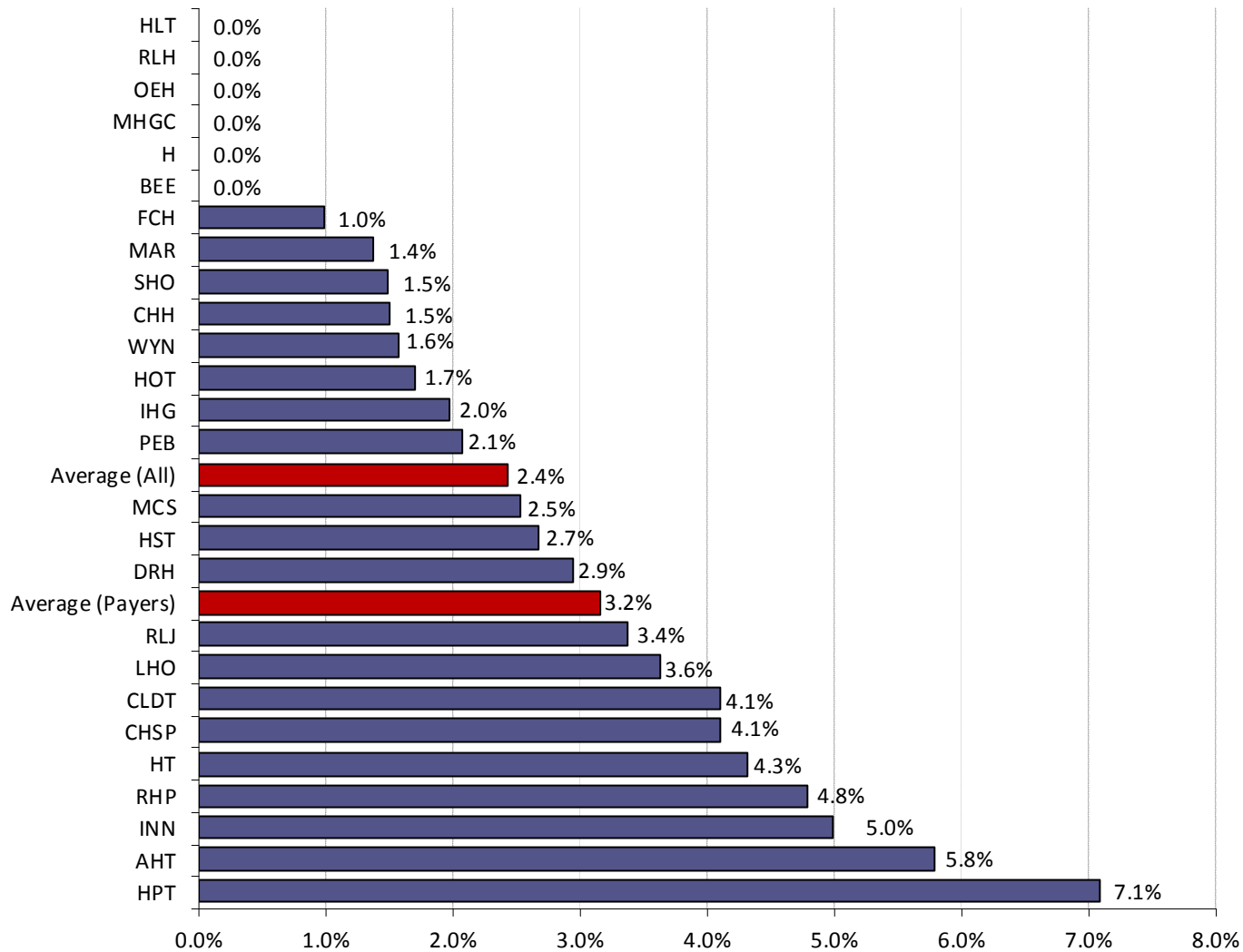
Analyst Sentiment - Percentage Buy Rated



Source: Thomson First Call

Dividend Yield

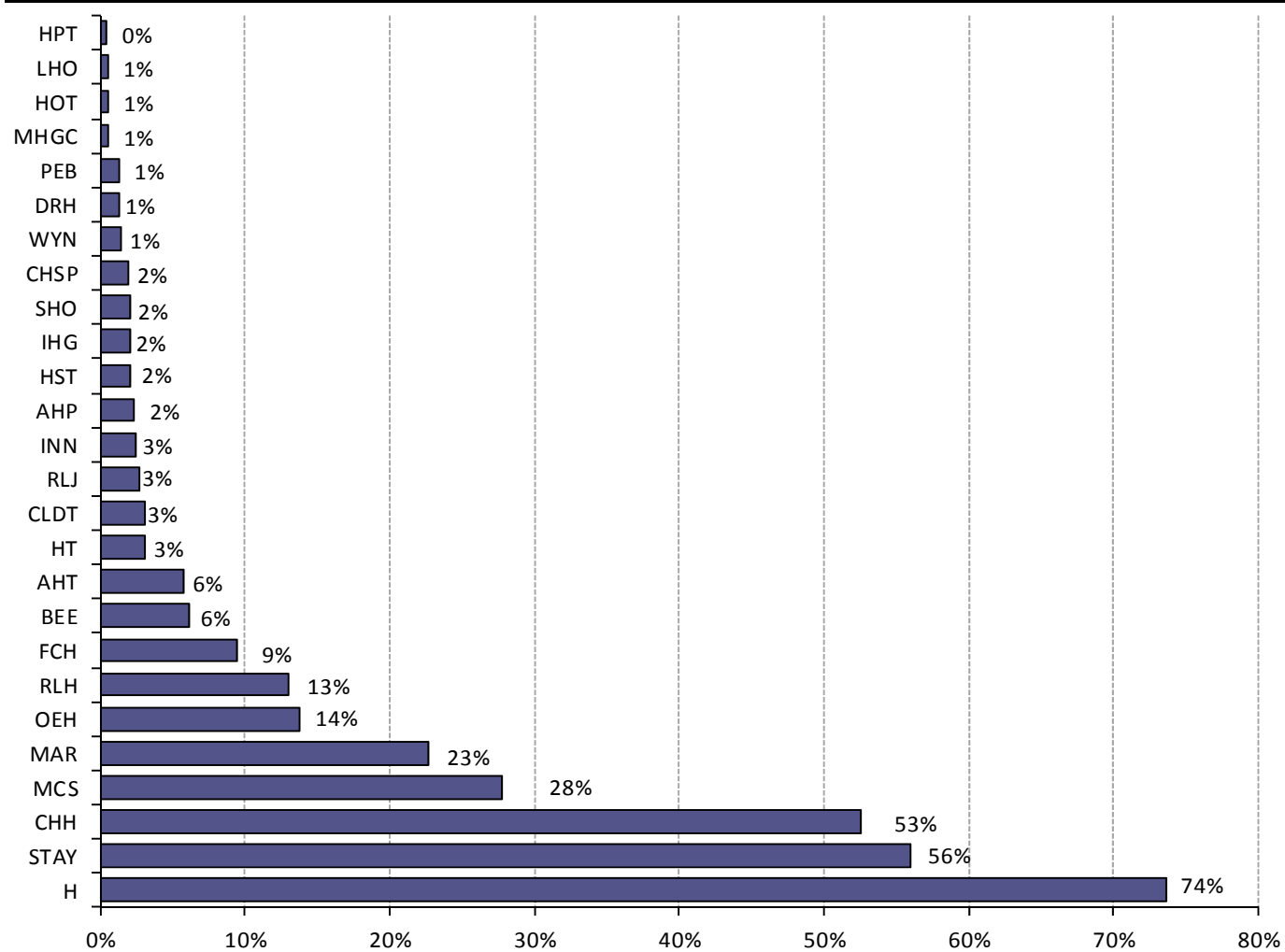
Hotel Company Dividend Yields



Source: SNL Financial

Hospitality Stock Ownership: Insiders

Hotel Company Stakeholder/Insider Ownership⁽¹⁾



⁽¹⁾ Stakeholders/Insiders includes private equity owners and data include all classes of common shares but excludes OP units.

Source: SNL Financial

H & MCS have Class B stock owned by family insiders which vote 10:1 versus the publicly traded Class A shares. Percentages are based on equity ownership – all classes of shares but excluding OP units – not voting rights.

Hospitality Data Comparison

Hospitality Data Comparison

	Ticker	Exchange	12/31/13	Market Cap (millions)	Average	52 week high	52 week low	Stakeholder/ Ownership ⁽¹⁾		Annualized Dividend	Yield
					Volume (000s)			Insider Ownership ⁽²⁾	Institutional Ownership ⁽²⁾		
REITs											
Ashford Hospitality Trust	AHT	NYSE	\$8.28	\$824	670	\$9.57	\$6.93	6%	76%	\$0.48	5.8%
Ashford Hospitality Prime	AHP	NYSE	\$18.20	\$453	NA	\$22.10	\$17.20	2%	49%	\$0.20	1.1%
Chatham Lodging Trust	CLDT	NYSE	\$20.45	\$538	238	\$21.48	\$14.60	3%	84%	\$0.84	4.1%
Chesapeake Lodging Trust	CHSP	NYSE	\$25.29	\$1,254	291	\$25.69	\$19.85	2%	92%	\$1.04	4.1%
DiamondRock Hospitality	DRH	NYSE	\$11.55	\$2,264	1,809	\$11.83	\$8.50	1%	107%	\$0.34	2.9%
FelCor Lodging Trust	FCH	NYSE	\$8.16	\$1,018	619	\$8.23	\$4.71	9%	71%	\$0.08	1.0%
Hersha Hospitality Trust	HT	NYSE	\$5.57	\$1,167	1,334	\$6.30	\$5.07	3%	96%	\$0.24	4.3%
Hospitality Properties Trust	HPT	NYSE	\$27.03	\$4,044	1,069	\$32.64	\$23.66	0%	75%	\$1.92	7.1%
Host Hotels & Resorts	HST	NYSE	\$19.44	\$14,895	5,665	\$19.57	\$15.60	2%	104%	\$0.52	2.7%
LaSalle Hotel Properties	LHO	NYSE	\$30.86	\$3,217	847	\$32.21	\$22.84	1%	102%	\$1.12	3.6%
Pebblebrook Hotel Trust	PEB	NYSE	\$30.76	\$1,983	317	\$31.25	\$23.12	1%	102%	\$0.64	2.1%
RLJ Lodging Trust	RLJ	NYSE	\$24.32	\$3,005	649	\$25.57	\$19.72	3%	102%	\$0.82	3.4%
Strategic Hotels and Resorts	BEE	NYSE	\$9.45	\$1,951	1,366	\$9.69	\$6.44	6%	87%	\$0.00	0.0%
Summit Hotel Properties	INN	NYSE	\$9.00	\$776	498	\$10.56	\$8.54	3%	NA	\$0.45	5.0%
Sunstone Hotel Investors	SHO	NYSE	\$13.40	\$2,450	1,557	\$14.10	\$10.81	2%	89%	\$0.20	1.5%
Sector Average				\$2,656	1,209			3%	88%		3.2%
C-Corps											
Choice Hotels International	CHH	NYSE	\$49.11	\$2,876	116	\$49.79	\$34.00	53%	46%	\$0.74	1.5%
Extended Stay America	STAY	NYSE	\$26.26	\$5,378	NA	\$26.37	\$22.14	56%	27%	\$0.60	2.3%
Hilton Worldwide Holdings	HLT	NYSE	\$22.25	\$21,908	NA	\$25.95	\$21.15	NA	NA	\$0.00	0.0%
Hyatt Hotels Corporation	H	NYSE	\$49.46	\$7,744	316	\$50.43	\$37.74	74%	33%	\$0.00	0.0%
InterContinental Hotels Group	IHG	NYSE	\$33.43	\$8,664	219	\$33.60	\$26.62	2%	71%	\$0.66	2.0%
Marcus Corporation	MCS	NYSE	\$13.44	\$364	74	\$15.00	\$11.63	28%	54%	\$0.34	2.5%
Marriott International	MAR	NASDAQ	\$49.35	\$14,783	2,348	\$49.84	\$38.14	23%	56%	\$0.68	1.4%
Morgans Hotel Group	MHGC	NASDAQ	\$8.13	\$274	227	\$8.49	\$4.66	1%	57%	\$0.00	0.0%
Orient-Express Hotels	OEH	NYSE	\$15.11	\$1,562	482	\$15.70	\$9.12	14%	83%	\$0.00	0.0%
Red Lion Hotels	RLH	NYSE	\$6.05	\$121	54	\$9.30	\$5.10	13%	70%	\$0.00	0.0%
Starwood Hotels and Resorts	HOT	NYSE	\$79.45	\$15,228	1,580	\$79.77	\$57.76	1%	98%	\$1.35	1.7%
Wyndham Worldwide	WYN	NYSE	\$73.69	\$9,542	1,045	\$74.18	\$52.84	1%	NA	\$1.16	1.6%
Sector Average				\$7,370	646			24%	60%		1.1%

⁽¹⁾ Stakeholders/insiders include private equity owners and data includes all classes of common shares but excludes OP units.

⁽²⁾ Institutional ownership may eclipse 100% because (a) SNL data uses 13-F filings with different reporting dates, (b) shares shorted are reported owned by both the institutions lending and purchasing the shares, and (c) some institutions may dually report ownership of shares in which they share "investment discretion".

Source: SNL Financial

Hospitality Data Comparison

Hospitality Data Comparison

	<u>Ticker</u>	<u>12/31/13</u>	<u>Market Cap</u> (millions)	<u>Average</u> <u>Volume</u> (000s)	<u>Ent. Value/</u> <u>2014E EBITDA</u>	<u>Net debt /</u> <u>Ent. Value</u>	<u>Net debt /</u> <u>2013E EBITDA</u>	<u>Consensus NAV</u>	<u>(Discount)/</u> <u>Premium to</u> <u>Consensus NAV</u>
REITs									
Ashford Hospitality Trust	AHT	\$8.28	\$824	670	12.8	71%	6.4	\$12.10	-31.6%
Ashford Hospitality Prime	AHP	\$18.20	\$453	NA	NA	NA	NA	\$28.45	-36.0%
Chatham Lodging Trust	CLDT	\$20.45	\$538	238	12.4	41%	4.0	\$19.84	3.1%
Chesapeake Lodging Trust	CHSP	\$25.29	\$1,254	291	13.4	27%	6.3	\$24.84	1.8%
DiamondRock Hospitality	DRH	\$11.55	\$2,264	1,809	14.1	30%	5.4	\$10.97	5.3%
FelCor Lodging Trust	FCH	\$8.16	\$1,018	619	12.3	51%	8.1	\$5.42	50.6%
Hersha Hospitality Trust	HT	\$5.57	\$1,167	1,334	12.6	39%	5.7	\$6.32	-11.9%
Hospitality Properties Trust	HPT	\$27.03	\$4,044	1,069	11.3	38%	5.2	\$29.31	-7.8%
Host Hotels & Resorts	HST	\$19.44	\$14,895	5,665	13.9	24%	3.6	\$18.69	4.0%
LaSalle Hotel Properties	LHO	\$30.86	\$3,217	847	13.5	27%	5.7	\$29.19	5.7%
Pebblebrook Hotel Trust	PEB	\$30.76	\$1,983	317	16.0	25%	4.2	\$27.64	11.3%
RLJ Lodging Trust	RLJ	\$24.32	\$3,005	649	12.3	30%	4.0	\$24.82	-2.0%
Strategic Hotels and Resorts	BEE	\$9.45	\$1,951	1,366	15.5	37%	7.1	\$10.13	-6.7%
Summit Hotel Properties	INN	\$9.00	\$776	498	11.9	34%	6.8	\$10.20	-11.8%
Sunstone Hotel Investors	SHO	\$13.40	\$2,450	1,557	12.8	33%	5.6	\$13.08	2.4%
Sector Average			\$2,656	1,209	13.2	36%	5.6		
C-Corps									
Choice Hotels International	CHH	\$49.11	\$2,876	116	16.2	19%	3.3		
Extended Stay America	STAY	\$26.26	\$5,378	NA	NA	NA	5.7		
Hilton Worldwide Holdings	HLT	\$22.25	\$21,908	NA	NA	NA	NA		
Hyatt Hotels Corporation	H	\$49.46	\$7,744	316	11.8	16%	0.9		
InterContinental Hotels Group	IHG	\$33.43	\$8,664	219	13.2	10%	0.1		
Marcus Corporation	MCS	\$13.44	\$364	74	8.1	45%	3.0		
Marriott International	MAR	\$49.35	\$14,783	2,348	13.4	17%	2.7		
Morgans Hotel Group	MHGC	\$8.13	\$274	227	21.0	62%	21.8		
Orient-Express Hotels	OEH	\$15.11	\$1,562	482	17.2	31%	4.7		
Red Lion Hotels	RLH	\$6.05	\$121	54	NA	NA	3.4		
Starwood Hotels and Resorts	HOT	\$79.45	\$15,228	1,580	14.3	7%	0.8		
Wyndham Worldwide	WYN	\$73.69	\$9,542	1,045	10.8	34%	4.3		
Sector Average			\$7,370	646	14.0	27%	4.6		

Note: Data are Baird estimates for covered companies

Source: SNL Financial

Appendix

Hospitality Stock Performance Table

Company Name	Ticker	12/31/2013	% change		52 week	
		Price	vs. Last Month	vs. Last Year	High	Low
Ashford Hospitality Prime	AHP	\$18.20	-11.0%	NA	\$24.03	\$17.20
Ashford Hospitality Trust	AHT	\$8.28	0.9%	17.4%	\$9.57	\$6.93
Chatham Lodging Trust	CLDT	\$20.45	-0.7%	33.0%	\$21.48	\$14.60
Chesapeake Lodging Trust	CHSP	\$25.29	5.9%	21.1%	\$25.69	\$19.85
Choice Hotels International	CHH	\$49.11	5.1%	46.1%	\$49.79	\$33.08
DiamondRock Hospitality	DRH	\$11.55	1.0%	28.3%	\$11.83	\$8.50
Extended Stay America	STAY	\$26.26	4.3%	NA	\$26.37	\$22.14
FelCor Lodging Trust	FCH	\$8.16	11.5%	74.7%	\$8.23	\$4.53
Hersha Hospitality Trust	HT	\$5.57	-2.8%	11.4%	\$6.30	\$4.85
Hilton Worldwide Holdings	HLT	\$22.25	NA	NA	\$25.95	\$21.15
Hospitality Properties Trust	HPT	\$27.03	-0.5%	15.4%	\$32.64	\$22.95
Host Hotels & Resorts	HST	\$19.44	5.6%	24.1%	\$19.57	\$15.28
Hyatt Hotels Corporation	H	\$49.46	2.3%	28.2%	\$50.43	\$37.61
InterContinental Hotels Group	IHG	\$33.43	7.3%	24.9%	\$33.60	\$26.62
LaSalle Hotel Properties	LHO	\$30.86	-1.5%	21.5%	\$32.21	\$22.84
Marcus Corporation	MCS	\$13.44	-7.9%	7.8%	\$15.00	\$11.63
Marriott International	MAR	\$49.35	5.0%	32.4%	\$49.84	\$36.24
Morgans Hotel Group	MHGC	\$8.13	1.0%	46.8%	\$8.49	\$4.66
Orient-Express Hotels	OEH	\$15.11	2.6%	29.3%	\$15.70	\$9.12
Pebblebrook Hotel Trust	PEB	\$30.76	1.4%	33.2%	\$31.25	\$22.59
Red Lion Hotels	RLH	\$6.05	10.0%	-23.3%	\$9.30	\$5.10
RLJ Lodging Trust	RLJ	\$24.32	0.7%	25.6%	\$25.57	\$19.05
Ryman Hospitality Properties	RHP	\$41.78	-0.2%	8.6%	\$48.35	\$32.97
Sotherly Hotels	SOHO	\$5.94	9.2%	78.9%	\$5.95	\$3.10
Starwood Hotels and Resorts	HOT	\$79.45	6.7%	38.5%	\$79.77	\$55.56
Strategic Hotels and Resorts	BEE	\$9.45	5.8%	47.7%	\$9.69	\$6.27
Summit Hotel Properties	INN	\$9.00	-0.9%	-5.3%	\$10.56	\$8.54
Sunstone Hotel Investors	SHO	\$13.40	2.5%	25.1%	\$14.10	\$10.40
Supertel Hospitality	SPPR	\$2.44	-42.2%	-70.1%	\$9.84	\$2.21
Wyndham Worldwide	WYN	\$73.69	2.8%	38.5%	\$74.18	\$52.07
Baird / STR Hotel Stock Index		3,177	4.2%	29.8%	3,177	2,527
S&P 500		1,848	2.4%	29.6%	1,849	1,398
RMZ		892	-0.4%	-1.4%	1,079	868

Source: FactSet

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		Hotels																																				
		Ashford Hospitality Trust Inc.	Chesapeake Lodging Trust	Choice Hotels International, Inc.	DiamondRock Hospitality Corporation	Extended Stay America, Inc.	FelCor Lodging Trust Incorporated	Hyatt Hotels Corporation	Hospitality Properties Trust	Hersha Hospitality Trust	Host Hotels and Resorts Inc.																											
General	Ticker	AHT	CHSP	CHH	DRH	STAY	FCH	H	HPT	HT	HST																											
	Rating	Neutral	Outperform	Underperform	Outperform	Neutral	Neutral	Outperform	Neutral	Outperform	Neutral																											
	Risk	Higher	Average	Average	Average	Average	Higher	Average	Average	Average	Average																											
	Price 12/31/13	\$8.28	\$25.29	\$49.11	\$11.55	\$26.26	\$8.16	\$49.46	\$27.03	\$5.57	\$19.44																											
	Price Target (\$)	14	28	41	12	23	7	53	28	7	20																											
	52 wk. H - L (\$)	14 - 8	26 - 20	50 - 34	12 - 9	26 - 22	8 - 5	50 - 38	33 - 24	6 - 5	20 - 16																											
	Equity Cap (\$mil.)	824	1,254	2,876	2,264	5,378	1,018	7,744	4,044	1,167	14,895																											
	Avg. Vol. (thous.)	670	291	116	1,809	NA	619	NA	1,069	1,334	5,665																											
Yield	5.8%	4.1%	1.5%	2.9%	2.4%	0.0%	0.0%	7.1%	4.3%	2.7%																												
NAV (\$)	13.59	25.80	NA	10.82	NA	5.42	NA	28.40	6.47	18.74																												
Earnings	Core FFO & AFFO (\$)																																					
		2011	PI/FFO	PI/AFFO	FFO Gr.	PI/FFO	PI/AFFO	FFO Gr.	P/E	-	EPS Gr.	PI/FFO	PI/AFFO	FFO Gr.	P/E	-	EPS Gr.	PI/FFO	PI/AFFO	FFO Gr.	PI/FFO	PI/AFFO	FFO Gr.	P/E	-	EPS Gr.	PI/FFO	PI/AFFO	FFO Gr.	P/E	-	EPS Gr.	PI/FFO	PI/AFFO	FFO Gr.	P/E	-	EPS Gr.
		2012	4.5	4.2	24%	22.7	27.4	55%	25.5	-	5%	18.6	27.9	0%	NA	-	NA	59.2	NA	-249%	89.6	-	72%	8.2	10.1	2%	14.7	18.5	7%	21.1	31.5	24%	21.1	31.5	24%			
	2013E	5.6	8.9	-20%	15.7	19.0	45%	25.3	-	6%	14.9	20.4	-25%	NA	-	NA	35.2	149.9	68%	76.6	-	17%	8.9	11.1	-8%	14.5	18.9	1%	17.7	28.9	19%	17.7	28.9	19%				
2013E	6.1	10.0	-10%	14.4	17.4	9%	25.7	-	-1%	15.8	21.8	-6%	NA	-	1%	21.9	52.4	61%	52.2	-	47%	9.1	10.8	-2%	13.6	17.3	7%	15.0	21.4	19%	15.0	21.4	19%					
Capital Structure	Capital Structure																																					
	Ent. Value (\$ mil)	3,348		1,898		3,540		3,281		NA		3,100		8,769		7,203		2,233		19,137																		
Details	Sector	Upper Midscale, Upscale		Upscale, Upper upscale		Midscale and economy		Upscale, Upper upscale		Midscale, Economy		Upper Midscale, Upscale		Franchise, Mgmt, Owner		Lim. Ser. NNN, travel center		Upscale Limited Service		Upper upscale, Luxury																		
	Largest Brand(s)	Marriott		Diversified		N/A		Marriott		Extended Stay		Hilton		N/A		Marriott/IHG		Marriott/Hilton		Marriott																		
	Key Locations	Washington, DC Los Angeles		Boston Chicago San Francisco		North America		Chicago Denver New York		North America		California Florida		North America		California Texas		New York Philadelphia Boston		New York Florida Washington, DC																		

Source: Company reports, SNL Financial, and Robert W. Baird & Co. estimates

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Hotels																												
General	Intercontinental Hotels Group PLC	LaSalle Hotel Properties	Marriott International Inc.	Marcus Corporation	Pebblebrook Hotel Trust	RLJ Lodging Trust	Starwood Hotels & Resorts Worldwide Inc.	Summit Hotel Properties	Sunstone Hotel Investors, Inc.																			
Ticker	IHG	LHO	MAR	MCS	PEB	RLJ	HOT	INN	SHO																			
Rating	Neutral	Neutral	Outperform	Neutral	Neutral	Outperform	Neutral	Outperform	Outperform																			
Risk	Average	Average	Average	Average	Average	Average	Average	Average	Average																			
Price 12/31/13	\$33.43	\$30.86	\$49.35	\$14.08	\$30.76	\$24.32	\$79.45	\$9.00	\$13.40																			
Price Target (\$)	32	30	50	14	29	26	68	11	14																			
52 wk. H - L (\$)	NA	32 - 23	50 - 38	15 - 12	31 - 23	26 - 20	80 - 58	11 - 9	14 - 11																			
Equity Cap (\$mil.)	9,762	3,217	14,783	364	1,983	3,005	15,228	776	2,450																			
Avg. Vol. (thous.)	NA	847	2,348	74	317	649	1,580	498	1,557																			
Yield	2.0%	3.6%	1.4%	2.4%	1.7%	3.4%	1.7%	5.0%	1.5%																			
NAV (\$)	NA	28.47	NA	NA	26.42	NA	NA	10.01	13.56																			
Earnings	Core FFO & AFFO (\$)																											
2011	P/E	-	EPS Gr.	P/FFO	P/AFFO	FFO Gr.	P/E	-	EPS Gr.	P/FFO	P/AFFO	FFO Gr.	P/E	-	EPS Gr.	P/FFO	P/AFFO	FFO Gr.	P/E	-	EPS Gr.	P/FFO	P/AFFO	FFO Gr.				
2012	26.4	-	32%	19.6	26.1	12%	35.3	-	22%	NA	-	-13%	30.8	39.0	293%	16.5	22.6	118%	48.0	-	32%	12.7	15.9	19%	15.5	19.3	53%	
2013E	24.1	-	10%	14.8	18.8	32%	28.7	-	23%	NA	-	62%	26.2	32.6	17%	14.0	18.2	18%	30.5	-	58%	11.0	14.6	16%	13.3	15.2	17%	
2013E	20.6	-	17%	13.5	16.8	45%	24.7	-	16%	NA	-	12%	21.5	26.5	22%	11.9	14.5	18%	24.0	-	27%	11.3	14.1	-3%	14.3	17.3	-8%	
Capital Structure	Capital Structure																											
	Ent. Value (\$ mil)	10,825			4,941			17,795			626			2,744			3,971			16,198			1,341			3,947		
Details	Sector	Upscale, Upper Midscale			Upper upscale			Franchise and Mgmt			Theatres / Full-service htls			Upper Upscale			Midscale			Franchise, Mgmt, Owner			Upscale Limited Service			Upscale, Upper upscale		
	Largest Brand(s)	N/A			Independent			N/A			Hilton/Starwood			Diversified			N/A			N/A			Marriott, Hilton			Marriott		
	Key Locations	Global			Washington, DC Boston San Diego			Global			Milwaukee, WI			New York San Francisco Los Angeles			North America			North America			Atlanta, Boise, Denver, Portland, Scottsdale			Southern California New York		

Source: Company reports, SNL Financial, and Robert W. Baird & Co. estimates

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