

Potential Hotel Development in the North Coast Highway Area

The Coast Highway Vision
& Strategic Plan

PKF Consulting
Los Angeles, CA



Site Analysis

- The site benefits from good visibility and access from the I-5
- It is located in the strong and growing corporate hotel market of the Northern Coast of San Diego
- Does not offer easy and convenient access to the beach
- The surrounding area is planned for redevelopment with the Coast Highway Vision & Strategic Plan

Upscale Full-Service Hotel Development Potential

- Upscale full-service hotels offer at least one three-meal restaurant, bar or lounge, meeting space, and additional amenities such as a concierge, fitness room, room service, and other amenities and services
- Examples of upscale full-service brands are Westin and Sheraton Hotels by Starwood, Hyatt Hotels, Hilton Hotels, Intercontinental Hotels, Renaissance and Marriott Hotels by Marriott, among several brands

Upscale Full-Service Hotel Development Potential on Coast Highway

- The location of the sites is secondary compared to existing and proposed upscale full-service hotels, such as the proposed Beach Resort Hotel in Downtown, along the Northern Coast of San Diego
- Access to the beach, the main amenity in the area, size of the site, and site environs do not lend support for the development of an upscale full-service hotel
- The cost for the development of an upscale full-service hotel would be difficult to justify financially
- Therefore, the development of an upscale full-service hotel is not supported in the current market

Recommended Hotel Type

- Hotels should primarily be a highway oriented commercial property
- Secondly, it should be a leisure oriented hotel
- In terms of quality, the hotels would likely be a limited service, select service, upscale extended stay, or mid-scale extended stay hotel

Definition of Hotel Types

- **Limited service hotels** do not offer food and beverage services, with the exception of a complimentary breakfast, and offer less amenities.
- **Select service hotels** offer more food and beverage options than a limited service hotel, such as a three-meal restaurant or lounge and a more elaborate complimentary breakfast.
- **Mid-scale extended stay hotels** are designed to meet the needs of guests staying for a week or more. The accommodations for an extended stay include larger rooms, complete kitchens, separate living and sleeping areas.
- **Upscale extended stay hotels** offer the same facilities as the mid-scale versions with additional amenities such as more elaborate complimentary breakfasts, and evening receptions.

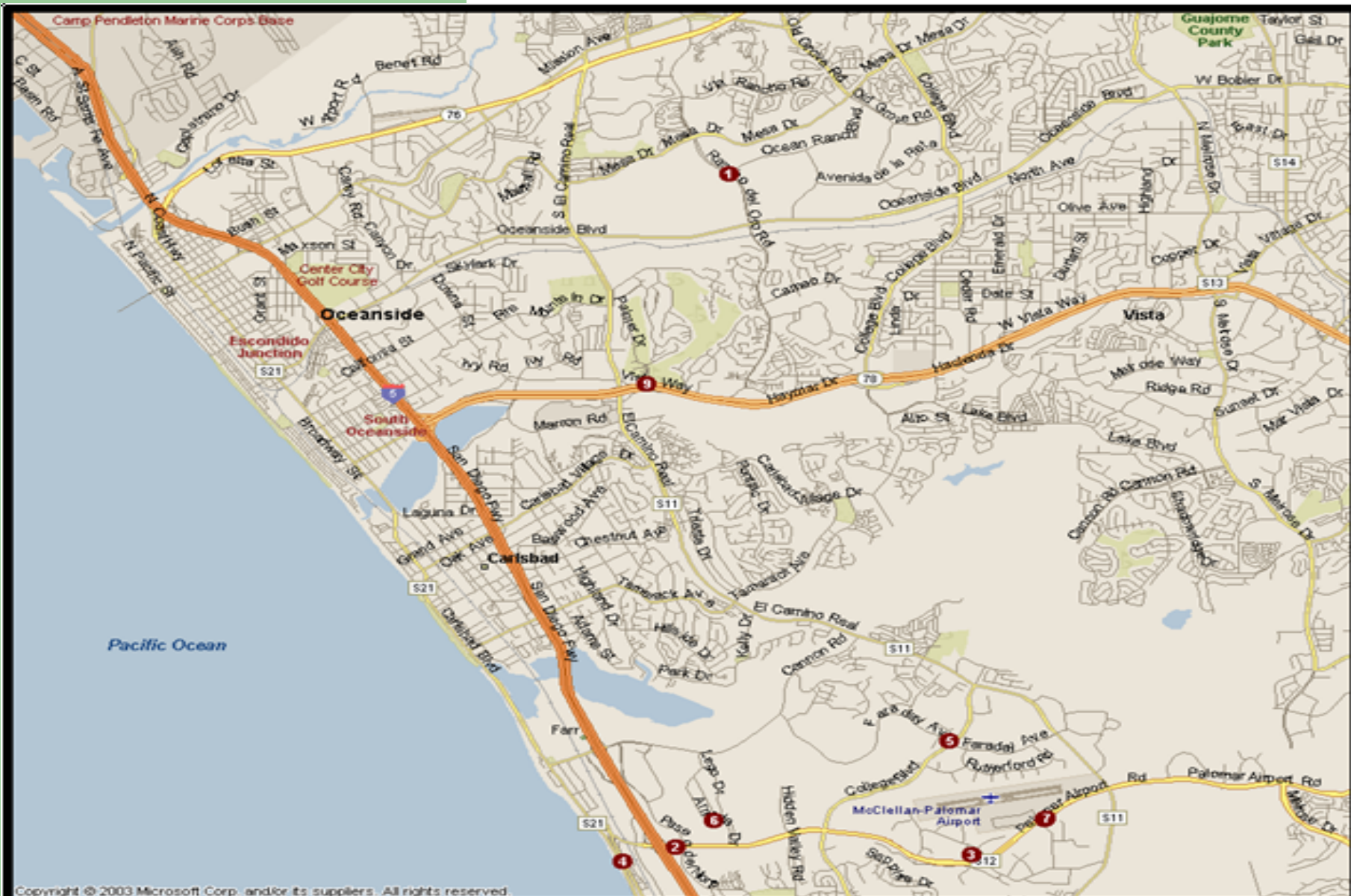
Brand Recommendations

- Limited Service Hotels
 - Hampton Inn by Hilton, Fairfield Inn by Marriott, and Holiday Inn Express by Intercontinental
- Select Service Hotels
 - Hyatt Place by Hyatt, Courtyard and Springhill Suites by Marriott, Hilton Garden Inn by Hilton, aloft by W, Cambria Suites by Choice Hotels, Hotel Indigo by Intercontinental Hotels
- Mid scale Extended Stay Hotels
 - TownePlace Suites by Marriott, Candlewood Suites by Marriott, Extended Stay America
- Upscale Extended Stay Hotels
 - Residence Inn by Marriott, Homewood Suites by Hilton, Element by Westin, Hyatt Summerfield Suites, Staybridge Suites by Intercontinental Hotels

Existing Competitive Hotels in the North County Region

In order to better understand the suitability of additional hotel development, it is necessary to analyze the performance of existing hotels in the North County region that would be competitive to any proposed hotels.

Competitive Supply		
Map Code	Property	Number of Rooms
1	Residence Inn Oceanside	125
2	Holiday Inn Carlsbad	148
3	Courtyard Carlsbad	145
4	Hilton Garden Inn Carlsbad	161
5	Residence Inn Carlsbad	121
6	Grand Pacific Palisades	90
7	Hampton Inn Carlsbad	94
8	Homewood Suites Carlsbad	145
9	Holiday Inn Express Oceanside	62
	Total Competitive Supply	1,091
Source: PKF Consulting		



Other New Hotel Development

- A 101-room Holiday Inn is under construction on Carmelo Drive and proposed to open in March of 2009
- The Beach Resort Hotel with a 289-room hotel, and a 47-room boutique hotel and 48 fractional timeshares between Pacific and Myers Street in downtown are proposed to start construction in late 2009 or early 2010
- A 127-room hotel is in the application process on the Guesthouse site.

Historical Performance of Competitive Supply in North County Region

Historical Market Performance of the Competitive Supply

Year	*Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2003	265,355	N/A	211,503	N/A	79.7%	\$116.96	N/A	\$93.22	N/A
2004	265,355	0.0%	210,440	-0.5%	79.3%	129.36	10.6%	102.59	10.0%
2005	265,355	0.0%	215,277	2.3%	81.1%	135.16	4.5%	109.65	6.9%
2006	265,355	0.0%	220,668	2.5%	83.2%	144.27	6.7%	119.97	9.4%
2007	279,590	5.4%	228,800	3.7%	81.8%	153.10	6.1%	125.29	4.4%
CAAG	1.3%		2.0%			7.0%		7.7%	
6/07 ytd	139,795	N/A	101,055	N/A	72.3%	\$152.30	N/A	\$110.09	N/A
6/08 ytd	199,290	42.6%	149,515	48.0%	75.0%	147.53	-3.1%	110.68	0.5%

* Total Room Nights Available

Source: PKF Consulting

North County Region Hotel Supply Analysis

- The Residence Inn Oceanside and Hampton Inn Carlsbad opened in 2007
- The Homewood Suites Carlsbad opened in 2008
- The opening of these hotels resulted in regional supply to increase 5.4% in 2007 and 42.6% year to date through June compared to last year.

Occupied Rooms and Market Occupancy Analysis - Competitive Set in North County Region

- Occupied rooms have grown steadily over the last five years with the exception of 2004
- Occupied rooms have increased 48%, higher than the rate at which supply grew
- Over the last five years, market occupancy has ranged from 79.3% to 83.2%, signifying a very robust hotel market

ARD Analysis - Competitive Set in the North County Region

- Average daily rate (ADR) has increased significantly over the last five years at an average annual rate of 7.0%
- Year to date through June, ADR is down 3.1% compared to last year, most likely as a result of the new supply and general economic slowdown
- The competitive set market ADR has ranged from \$116.96 to \$153.10 in the last five years

Issues to Consider

- The development of new hotels in the North Coast Highway Area would be more likely if done concurrently or after the redevelopment of the surrounding area
- The City's certified Local Coastal Plan encourages visitor serving hotel uses in the north end of Oceanside