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“Why Hospitality is a Good Business”

Case Study: Westin Headquarters Hotel Boston, MA, USA

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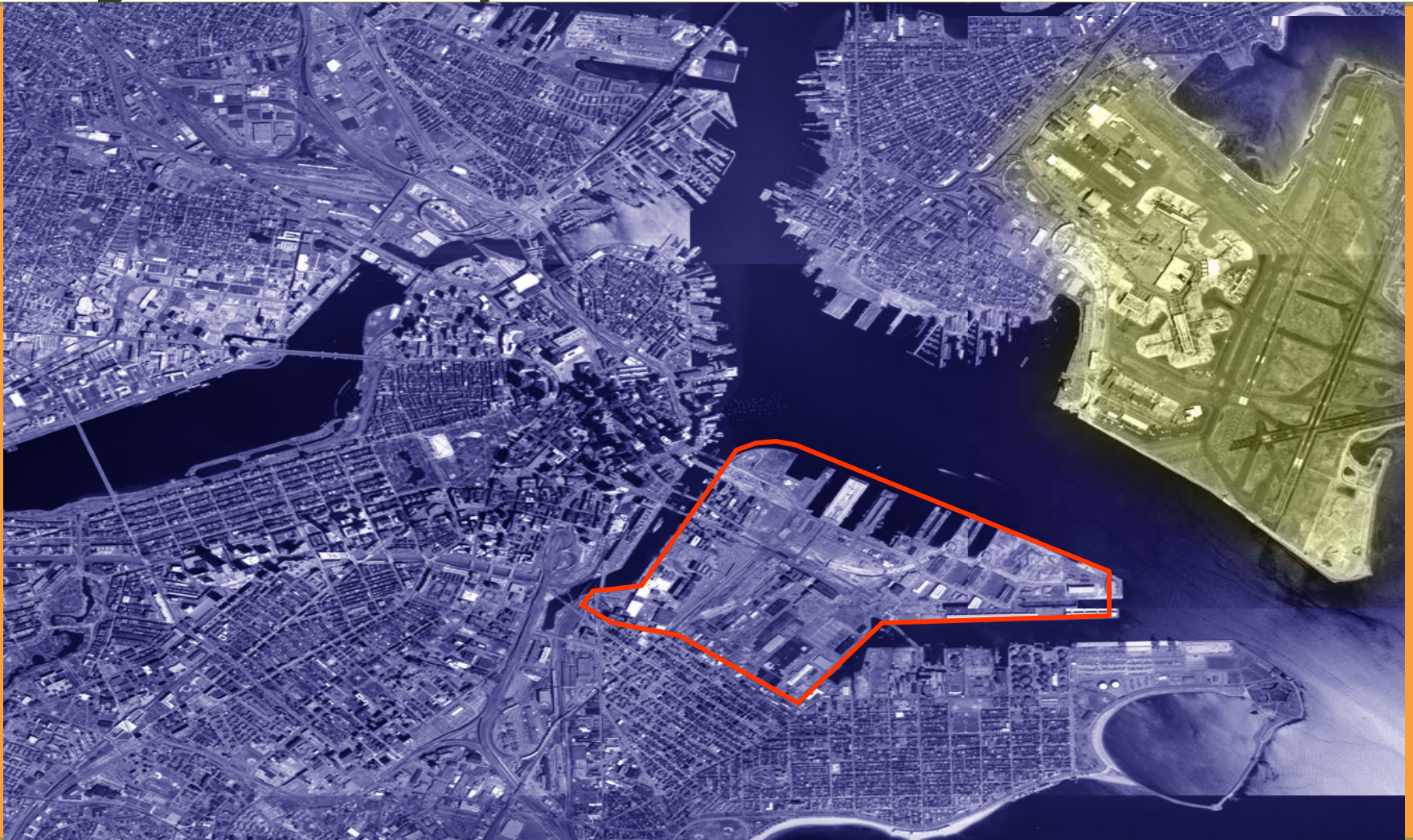
Background

- 1995 - City and State Goal: Development of the Seaport District
 - Industrial Waterfront Area
 - Over 1,000 Acres of land
 - Excellent accessibility and infrastructure



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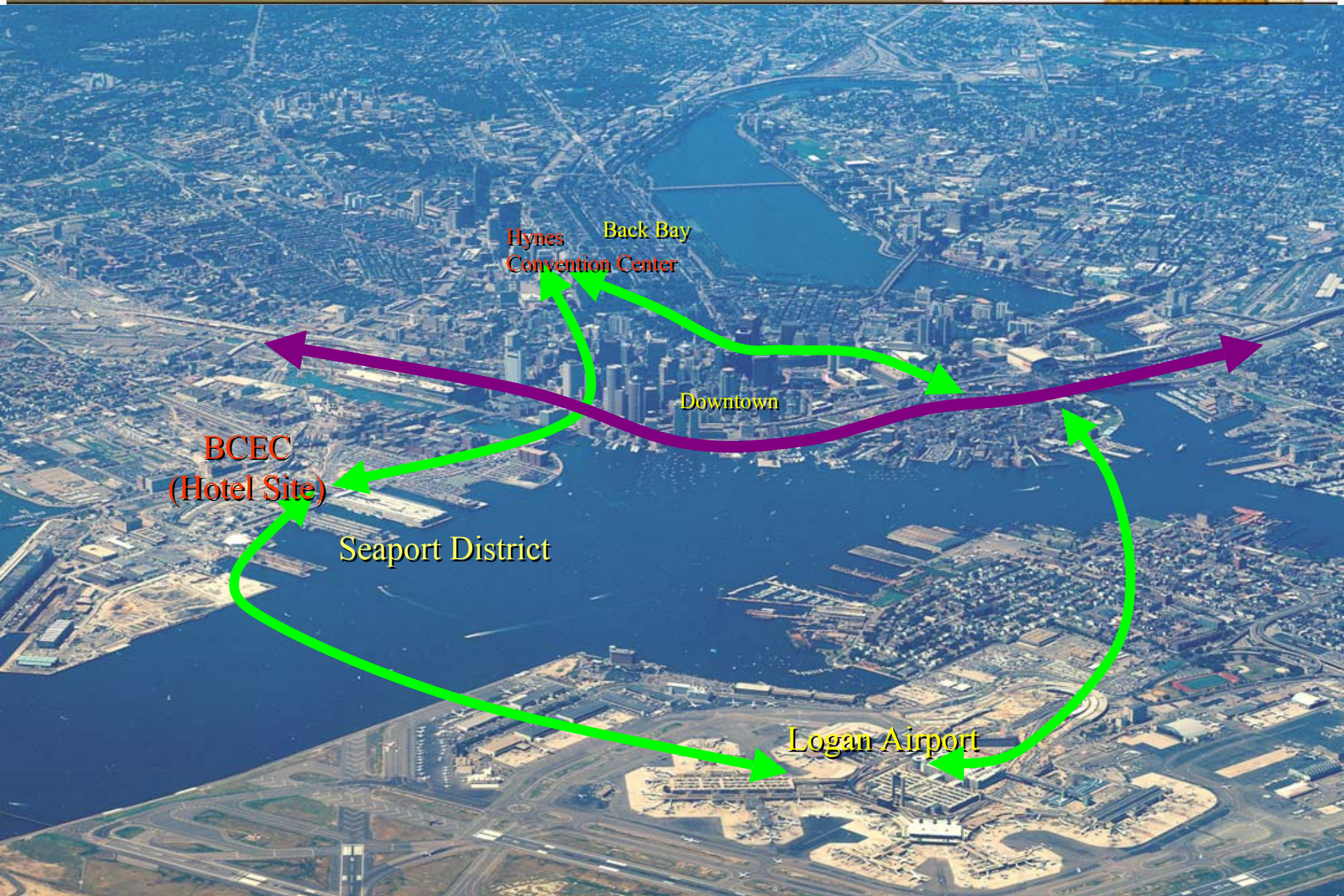
Background – Seaport District



Development Status: 2000



Seaport District Context





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Background

- 1997 – Authorization to Fund New Convention Center
 - 1.3 million square foot Boston Convention and Exhibition Center
 - Largest Facility North of New York City
 - Strong Leisure and Convention Market

Boston Convention and Exhibition Center



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Boston Convention and Exhibition Center 12/03





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Background

- 2000 – Starwood Selected as Developer/Operator
 - 1,120 Room Sheraton Hotel, Extensive Meeting Space
 - No Public Subsidies
- 2001 – Starwood Commits \$10 million (non-refundable) Deposit



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The Market – 1995-2000

1993-2000 Occupancy Levels Ranged from 75% to 79%

2000 Average Daily Rate for Boston was \$200.00

High Barriers to Entry

Strong Diverse Demand Base



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The Market – 2001-2004

Perfect Storm – 9/11, New Supply, Recession, Decline in Conventions

2004 Market Occupancy: 74%

2004 Average Daily Rate: \$166.00

2004 RevPAR was 20% Below 2000 levels



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Background

- 2002 – Starwood Changes Development Partners
- 2003 – Development Team Restructures the Deal
 - 794-Room Westin, Limited Meeting Space
 - Public Subsidies
- 2004 - Scotia Bank Leads Financing
- 2004 – Construction Begins



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Stakeholders

Massachusetts Convention Center Authority
Owner and Operator of the Convention Center

Starwood Hotels and Resorts
Selected Headquarters Hotel Developer/Operator

New England Development / Fallon Company
Local Developers/Equity Investors

Scotia Bank
Primary Lender



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Contributions

Massachusetts Convention Center Authority

- Favorable Lease Terms
- Infrastructure Improvements
- Tax Breaks

Starwood Hotels and Resorts

- Subordinated Equity
- Guaranteed Debt and Equity Payments in early years

New England Development / Fallon Company

- Equity
- Local Development Experience

Scotia Bank

- Debt



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Outcome

New 794-Room Westin Hotel to Open July 2006

Market Fundamentals Have Returned

Strong Bookings for the BCEC

Hotel is Forecasted to Meet or Exceed Projections

Recent Market Transactions Above Replacement Cost

Development of the Seaport District Continues



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Headquarters Hotel and Convention Center – 11/04





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Boston Westin Headquarters Hotel





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The Benefits

Massachusetts Convention Center Authority

Strong Luxury Brand

Strong Operator and Development Partners

Room Block Agreement

Starwood Hotels and Resorts

Long Term Management Agreement

Location, Location, Location

Retain Substantial Deposit



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The Benefits

New England Development / Fallon Company

- Control

- Strong Brand

- Guarantees in early years

Scotia Bank

- Low Basis

- Strong Brand

- Great Location

- Guarantees in early years



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Why This Was a Good Deal

There Were No Losers

Strong Experienced Participants

Highly Structured Deal

Strong Market Fundamentals

Distribution of Risk



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