

Hotel Valuation and Transaction Trends For the U.S. Lodging Industry

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Value Change – United States



	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Value Per Room	\$32,000	\$27,000	\$30,000	\$33,000	\$37,000	\$45,000
Percent Change		-14%	8%	10%	14%	20%
Change Per Room		(\$5,000)	\$3,000	\$3,000	\$4,000	\$8,000
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Value Per Room	\$50,000	\$59,000	\$60,000	\$61,000	\$69,000	\$52,000
Percent Change	12%	18%	1%	2%	13%	-24%
Change Per Room	\$5,000	\$9,000	\$1,000	\$1,000	\$8,000	(\$17,000)
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Value Per Room	\$52,000	\$51,000	\$65,000	\$82,000	\$100,000	\$116,000
Percent Change	0%	-1%	28%	26%	22%	16%
Change Per Room	\$0	(\$1,000)	\$14,000	\$17,000	\$18,000	\$16,000
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Value Per Room	\$124,000	\$128,000	\$126,000	\$121,000	\$115,000	\$112,000
Percent Change	7%	3%	-1%	-5%	-4%	-3%
Change Per Room	\$8,000	\$4,000	(\$2,000)	(\$5,000)	(\$6,000)	(\$3,000)

Per Room Change in Value: 2006



Rank

1	New York	\$68,000
2	Chicago	\$52,000
3	Seattle	\$49,000
4	Austin	\$47,000
5	San Jose	\$46,000
6	Phoenix	\$38,000
7	San Diego	\$37,000
8	San Francisco	\$36,000
9	Denver	\$35,000
10	Charlotte	\$34,000

35 USA \$18,000

Rank

58	Norfolk	\$5,000
59	Boca Raton	\$4,000
60	Tallahassee	\$3,000
61	Jacksonville	\$3,000
62	Dayton	\$3,000
63	Syracuse	\$2,000
64	Long Island	(\$8,000)
65	Las Vegas	(\$13,000)
66	Washington, DC	(\$17,000)
67	New Orleans	(\$20,000)

Percentage Change in Value: 2006



Rank

1	Rochester, NY	53%
2	Austin	53%
3	San Jose	52%
4	Charlotte	51%
5	Cleveland	48%
6	Raleigh-Durham	43%
7	Nashville	43%
8	Milwaukee	40%
9	Denver	40%
10	Seattle	38%
33	USA	22%

Rank

58	Santa Fe	5%
59	Tallahassee	5%
60	West Palm Beach	4%
61	Syracuse	4%
62	Jacksonville	2%
63	Boca Raton	2%
64	Long Island	-5%
65	Las Vegas	-6%
66	Washington, DC	-6%
67	New Orleans	-14%

Change in Value Per Room: 2006-2011



Rank

1	New York	\$233,000
2	San Francisco	\$196,000
3	Oahu	\$178,000
4	Miami	\$142,000
5	Chicago	\$135,000
6	Boston	\$134,000
7	Anaheim	\$118,000
8	Denver	\$100,000
9	Los Angeles	\$96,000
10	Washington, DC	\$93,000
52	USA	\$21,000

Rank

58	Tallahassee	\$11,000
59	Sacramento	\$11,000
60	Hartford	\$11,000
61	St. Louis	\$10,000
62	Pittsburgh	\$10,000
63	Huntsville	\$10,000
64	Cincinnati	\$9,000
65	Syracuse	\$5,000
66	Dayton	\$1,000
67	Norfolk	(\$7,000)

Percentage Change in Value 2006-2011



Rank

1	San Francisco	81%
2	Charlotte	73%
3	Dallas	73%
4	Chicago	70%
5	Anaheim	69%
6	San Jose	66%
7	Miami	61%
8	New York	60%
9	Boston	60%
10	Atlanta	59%
51	USA	21%

Rank

58	St. Louis	16%
59	Huntsville	16%
60	Hartford	15%
61	Tallahassee	15%
62	Cincinnati	13%
63	Pittsburgh	13%
64	Sacramento	11%
65	Syracuse	8%
66	Dayton	3%
67	Norfolk	-10%

Highest Value Cities



<u>Rank</u>		<u>2000 Value Per Room</u>		<u>2006 Value Per Room</u>		<u>2011 Value Per Room</u>
1	San Francisco	\$331,000	New York	\$388,000	New York	\$620,000
2	New York	\$303,000	Oahu	\$366,000	Oahu	\$544,000
3	Boston	\$293,000	Washington, DC	\$243,000	San Francisco	\$438,000
4	San Jose	\$238,000	San Francisco	\$242,000	Miami	\$374,000
5	Long Island	\$191,000	W. Palm Beach	\$239,000	Boston	\$358,000
6	Washington, DC	\$168,000	Miami	\$232,000	Washington, DC	\$337,000
7	Oahu	\$167,000	San Diego	\$229,000	Chicago	\$327,000
8	San Diego	\$159,000	Boston	\$224,000	Los Angeles	\$298,000
9	Chicago	\$153,000	Las Vegas	\$206,000	San Diego	\$296,000
10	Stamford, CT	\$152,000	Los Angeles	\$201,000	Anaheim	\$289,000

Change in Value Per Room from 2000



	<u>2006</u>		<u>2007</u>
San Jose	(\$103,000)	San Jose	(\$65,000)
San Francisco	(\$89,000)	San Francisco	(\$39,000)
Boston	(\$69,000)	Boston	(\$33,000)
Oakland	(\$45,000)	Long Island	(\$29,000)
Long Island	(\$42,000)	Oakland	(\$28,000)
Stamford	(\$36,000)	New Orleans	(\$27,000)
New Orleans	(\$31,000)	Stamford	(\$22,000)
Hartford	(\$17,000)	Hartford	(\$11,000)
Detroit	(\$16,000)	Detroit	(\$10,000)
New Haven	(\$8,000)	New Haven	(\$5,000)
Cleveland	(\$2,000)		

Index of Volatility: Relative Risk



Rank

1	St. Louis	12%
2	Syracuse	12%
3	New Orleans	13%
4	Baltimore	13%
5	Albuquerque	13%
6	San Antonio	13%
7	Sacramento	13%
8	Cincinnati	13%
9	Santa Fe	14%
10	San Diego	14%
	USA	16%

Rank

58	Detroit	24%
59	Boston	24%
60	Wilmington, DE	25%
61	Charlotte	27%
62	Oakland	28%
63	Austin	29%
64	San Francisco	29%
65	Miami	33%
66	San Jose	39%
67	New York	48%

Low Volatility Index High Change in Value Between 2006-2011



<u>Volatility Index</u>		<u>Change in Value Per Room</u>
13%	New Orleans	\$69,000
14%	San Diego	\$66,000
13%	San Antonio	\$48,000
16%	Tampa	\$48,000
14%	Jacksonville	\$46,000
13%	Baltimore	\$43,000
14%	Santa Fe	\$40,000

High Volatility Index High Change in Value Between 2006-2011



Volatility Index		Change in Value Per Room
48%	New York	\$233,000
29%	San Francisco	\$196,000
24%	Oahu	\$178,000
33%	Miami	\$142,000
22%	Chicago	\$135,000
24%	Boston	\$134,000
20%	Anaheim	\$118,000
21%	Denver	\$100,000
24%	Los Angeles	\$96,000
18%	Washington, DC	\$93,000

Major Transactions History



Year	Number of Hotels	Number of Rooms	Average Price Per Room	% Change
1993	53	20,026	\$93,000	13.4 %
1994	108	38,579	\$81,000	-12.9 %
1995	147	48,619	\$80,000	-1.2 %
1996	227	77,916	\$106,000	32.5 %
1997	280	82,867	\$117,000	10.4 %
1998	241	78,865	\$136,000	16.2 %
1999	128	34,408	\$148,000	8.8 %
2000	148	39,759	\$125,000	-15.5 %
2001	117	29,608	\$153,000	22.4 %
2002	105	31,626	\$111,000	-27.5 %
2003	121	33,292	\$138,000	24.3 %
2004	178	56,822	\$141,000	2.2 %
2005	237	71,531	\$160,000	13.5 %
2006	257	76,137	\$203,000	26.9 %
YTD March 2006	81	24,269	\$202,000	---
YTD March 2007	87	14,180	\$263,000	30.1 %

Top Largest Sales Price Per Room - 2006



Rank	Individual Hotel	Location	Rooms	Price per Room
1	W Hotel Union Square	New York, NY	270	\$1,050,000
2	The Mark Hotel	New York, NY	177	\$850,000
3	Ritz-Carlton	Dana Point, CA	393	\$840,000
4	Chatham Bars Inn	Chatham, MA	205	\$800,000
5	Four Seasons	Washington, DC	211	\$800,000
6	Holiday Isle Resort	Islamorada, FL	151	\$650,000
7	Four Seasons Las Col.	Irving, TX	397	\$580,000
8	Hilton Times Square	New York, NY	444	\$550,000
9	Swissotel The Drake	New York, NY	495	\$545,000
<u>2007 Sales</u>				
1	Mandarin Oriental	New York, NY	248	\$1,371,000
2	Ritz-Carlton	Boston, MA	273	\$620,000
3	Marriott Long Wharf	Boston, MA	402	\$570,000
4	Westin Boston Wtrfrnt.	Boston, MA	793	\$415,000

Number of Markets Where Hotel Values Are Projected to Decline (Out of 67 Markets)



Number of Markets

2008	2
2009	1
2010	11
2011	31
2012	32
2013	25

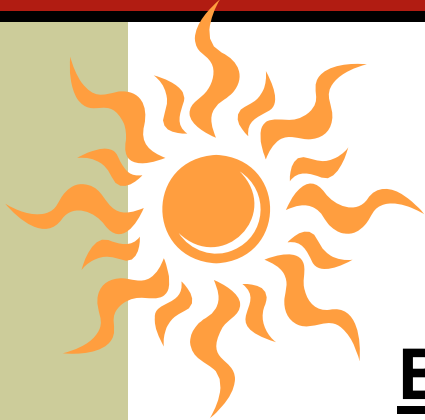


Projected Decline Markets



<u>Number of Markets</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1	Dayton	Norfolk	Phoenix	Minneapolis	San Antonio	San Francisco
2	Norfolk		Norfolk	United States	Minneapolis	Washington, DC
3			Portland	Albuquerque	United States	Austin
4			Hartford	Boca Raton	Nashville	Salt Lake City
5			Indianapolis	Nashville	Houston	United States
6			United States	Oakland	Albuquerque	San Antonio
7			Nashville	Oahu	Austin	Nashville
8			Sacramento	Phoenix	Buffalo	Portland
9			Syracuse	Indianapolis	Salt Lake City	Albuquerque
10			Dayton	Stamford, CT	Boca Raton	Cleveland
11			Cincinnati	Austin	Portland	Dayton
12				San Antonio	Cleveland	Buffalo
13				Portland	Milwaukee	Minneapolis
14				Fort Lauderdale	Charlotte	Phoenix
15				Rochester	Pittsburgh	Syracuse
16				Los Angeles	Winston-Salem	Raleigh-Durham
17				Buffalo	San Jose	Chicago
18				Norfolk	Baltimore	Houston
19				Syracuse	Phoenix	Winston-Salem
20				Milwaukee	Cincinnati	Columbia, SC
21				Seattle	Greensboro	Charlotte
22				Baltimore	Indianapolis	Pittsburgh
23				Salt Lake City	Raleigh-Durham	Milwaukee
24				Sacramento	Syracuse	Norfolk
25				St. Louis	Dayton	St. Louis
26				Greensboro	Norfolk	
27				Raleigh-Durham	St. Louis	
28				Winston-Salem	Fort Lauderdale	
29				Huntsville	Sacramento	
30				Dayton	Seattle	
31				Pittsburgh	Richmond	
32					Oakland	

	<u>1999</u>	<u>2006</u>
Mortgage Interest Rates	7.5%-9.0%	6.0%-6.75%
Amortization	20-25 Years	25-30 Years
Loan to Value	60%-70%	70%-80%
 <u>Capitalization Rates</u>		
Luxury	9.0%-11.0%	5.0%-6.5%
Mid-Rate	10.0%-12.0%	7.0%-9.0%
Budget	11.0%-13.0%	8.0%-11.0%



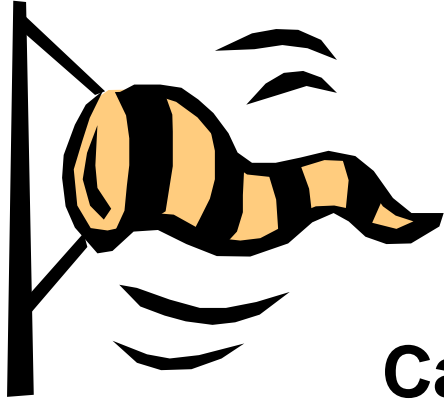
Buy

- New Orleans
- San Francisco
- Boston
- San Jose
- New York City
- Miami
- Chicago



Sell

- Norfolk
- Dayton
- Cincinnati



Caution

- Pittsburgh
- Syracuse
- St. Louis
- Sacramento



Build

- Oahu
- Any location where the market value is 10-20% higher than the total construction cost

- If you have not bought by now, you have missed the greatest hotel value increase since the 1990's.
- If you are thinking about selling - now is the time to take action. Hotel value increases will slow.
- Look for hotel values to start declining in some (but not all) markets between 2010-2013.
- The decline will not be as severe as in 1990 and 2001. It should be a soft landing this time around.
- Room rates will continue to increase faster than inflation - but the rate of growth will be less.
- The U.S. hotel industry still has some very good years ahead.