



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

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June 2005

Value Change – United States

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
Value Per Room	\$33,000	\$24,000	\$24,000	\$28,000	\$34,000	\$43,000	\$52,000
Change Per Room	(\$3,000)	(\$9,000)	\$100	\$4,000	\$6,000	\$9,000	\$9,000
Percentage	-9%	-28%	0%	18%	22%	27%	20%

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Value Per Room	\$66,000	\$66,000	\$66,000	\$77,000	\$58,000	\$54,000
Change Per Room	\$14,000	(\$300)	\$100	\$11,000	(\$19,000)	(\$4,000)
Percentage	27%	0%	0%	17%	-25%	-7%

	<u>2003</u>	<u>2004</u>
Value Per Room	\$54,000	\$71,000
Change Per Room	(\$300)	\$18,000
Percentage	-1%	33%

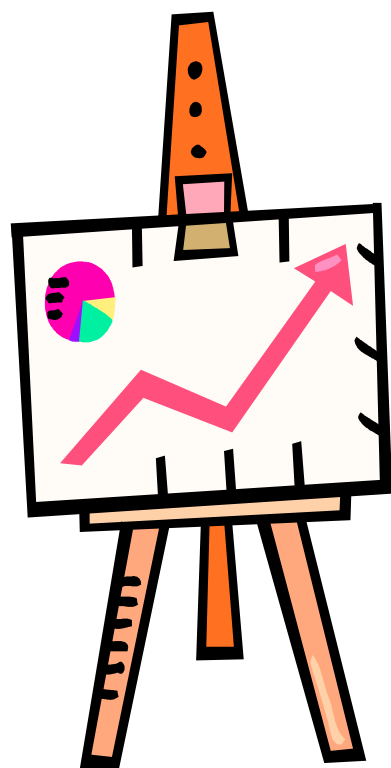
2004 Value Change

0-10% = 35%

11-20% = 50%

21-30% = 15%

How Much Will U.S. Hotel Values Increase in 2005?



- A) 0% to 10%
- B) 11% to 20%
- C) 21% to 30%

Value Change – United States

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	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>			
Value Per Room	\$54,000	\$71,000	\$91,000	\$112,000			
Change Per Room	(\$300)	\$18,000	\$20,000	\$21,000			
Percentage	-1%	33%	28%	23%			

Per-Room Change in Value: 2004

<u>Rank</u>			<u>Rank</u>		
1	New York	\$126,000	37	Sacramento	\$5,000
2	Oahu	\$66,000	38	Denver	\$5,000
3	Washington, DC	\$41,000	39	Salt Lake City	\$4,000
4	Boston	\$38,000	40	Kansas City	\$4,000
5	Miami	\$35,000	41	Austin	\$3,000
6	Orlando	\$33,000	42	Cincinnati	\$2,000
7	Los Angeles	\$32,000	43	Detroit	\$1,000
8	Las Vegas	\$30,000	44	Chicago	\$1,000
9	San Francisco	\$29,000	45	Albuquerque	(\$3,000)
10	Ft. Lauderdale	\$28,000	46	Long Island	(\$9,000)
12	USA	\$18,000			

Percentage Change in Value: 2004

<u>Rank</u>			<u>Rank</u>		
1	Charlotte	184%	37	Tucson	14%
2	Dallas	107%	38	Baltimore	12%
3	Pittsburgh	95%	39	San Diego	6%
4	Cleveland	79%	40	Austin	6%
5	Portland	76%	41	New Orleans	6%
6	Atlanta	73%	42	Sacramento	5%
7	Boston	71%	43	San Antonio	5%
8	New York	61%	44	Chicago	4%
9	Los Angeles	55%	45	Long Island	-10%
10	Ft. Lauderdale	54%	46	Albuquerque	-35%
20	USA	33%			

Number of Markets Where Hotel Values Declined

Number of Markets

1991	35
1995	3
2000	9
2001	44
2002	33
2003	31
2004	2



Highest Value Cities

<u>Rank</u>		1991 Value Per Room		2000 Value Per Room		2004 Value Per Room
1	Oahu	\$159,000	New York	\$388,000	New York	\$333,000
2	San Francisco	\$76,000	San Francisco	\$305,000	Oahu	\$273,000
3	San Antonio	\$61,000	San Jose	\$231,000	Las Vegas	\$232,000
4	New Orleans	\$60,000	Boston	\$216,000	San Diego	\$155,000
5	Miami	\$59,000	Oahu	\$204,000	San Francisco	\$148,000
6	Orlando	\$58,000	Las Vegas	\$164,000	Washington, DC	\$140,000
7	Seattle	\$54,000	Long Island	\$157,000	Miami	\$130,000
8	Las Vegas	\$52,000	New Orleans	\$146,000	San Antonio	\$114,000
9	New York	\$51,000	San Diego	\$140,000	New Orleans	\$113,000
10	Portland	\$48,000	Oakland	\$133,000	Baltimore	\$101,000

Change in Value per Room: 2004-2006

Rank

1	New York	\$265,000
2	Oahu	\$166,000
3	Miami	\$78,000
4	Washington, DC	\$77,000
5	San Francisco	\$74,000
6	Boston	\$68,000
7	Las Vegas	\$64,000
8	Los Angeles	\$61,000
9	Orlando	\$54,000
10	Phoenix	\$49,000
11	USA	\$41,000

Rank

37	Indianapolis	\$16,000
38	Dallas	\$14,000
39	Charlotte	\$14,000
40	Houston	\$14,000
41	Cincinnati	\$13,000
42	Long Island	\$12,000
43	Austin	\$12,000
44	Denver	\$10,000
45	Albuquerque	\$5,000
46	Detroit	\$1,000

Per-Room Change in Value: 2000-2006

Rank

1	Oahu	\$235,000
2	New York	\$210,000
3	Las Vegas	\$131,000
4	Washington, DC	\$96,000
5	Miami	\$85,000
6	Los Angeles	\$65,000
7	Ft. Lauderdale	\$60,000
8	Anaheim	\$57,000
9	Phoenix	\$53,000
10	Orlando	\$52,000
23	USA	\$35,000

Rank

37	Denver	(\$17,000)
38	Dallas	(\$30,000)
39	Detroit	(\$32,000)
40	Austin	(\$42,000)
41	Chicago	(\$49,000)
42	Boston	(\$57,000)
43	Long Island	(\$60,000)
44	Oakland	(\$64,000)
45	San Francisco	(\$84,000)
46	San Jose	(\$141,000)

Index of Volatility: Relative Risk

Rank

1	Detroit	57%
2	San Jose	52%
3	Chicago	44%
4	Charlotte	42%
5	Oakland	41%
6	Boston	37%
7	Long Island	35%
8	Los Angeles	33%
9	Salt Lake City	33%
10	New York	32%

Rank

37	USA	19%
38	Baltimore	18%
39	Oahu	18%
40	San Diego	15%
41	Sacramento	15%
42	Las Vegas	14%
43	Tucson	14%
44	New Orleans	13%
45	San Antonio	12%
46	St. Louis	5%

Markets with Low Volatility and Large Increases in Value

<u>Rank</u>	<u>Index of Volatility</u>		<u>Percent Change 2004-2006</u>	<u>Index of Volatility</u>		<u>Per-Room Change 2004-2006</u>
1	21%	Portland	111%	18%	Oahu	\$166,000
2	21%	Tampa	68%	20%	Miami	\$78,000
3	18%	Oahu	61%	21%	Washington, DC	\$77,000
4	20%	Miami	60%	14%	Las Vegas	\$64,000
5	19%	USA	58%	21%	Orlando	\$54,000
6	21%	Minneapolis	56%	19%	USA	\$41,000
7	20%	Phoenix	56%	21%	Tampa	\$39,000
8	21%	Washington, DC	55%	15%	San Diego	\$34,000
9	21%	Orlando	54%	18%	Baltimore	\$31,000
10	5%	St. Louis	51%	12%	San Antonio	\$27,000

Major Transactions History

Year	Number of Hotels	Number of Rooms	Average Price per Room	% Change
1990	130	40,053	\$136,000	---
1991	56	16,489	\$96,000	-29.4 %
1992	70	26,751	\$82,000	-14.6 %
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	50	15,304	\$146,000	3.5 %



Ten Largest Sales Price per Room - 2004

Rank	Individual Hotel	Location	Rooms	Price per Room
1	Plaza Hotel	New York, NY	805	\$839,000
2	Fairmont Kea Lani	Wailea, HI	450	\$789,000
3	Four Seasons	Wailea, HI	380	\$737,000
4	Tides Hotel	Miami Beach, FL	45	\$588,889
5	Kona Village Resort	Kailua Kona, HI	125	\$480,000
6	Ritz-Carlton	Half Moon Bay, CA	261	\$477,000
7	Conrad Miami	Miami, FL	203	\$320,000
8	El Encanto	Santa Barbara, CA	83	\$313,000
9	InterContinental	New York, NY	207	\$307,000
10	Argyle Hotel	West Hollywood, CA	64	\$289,000

Sale of Plaza in New York City

	<u>Per Room</u>
Value as a Hotel/Condo Conversion	\$839,000
Value as a Pure Hotel	\$550,000
Loss in Value if Right to Convert is Withdrawn	25%-35%



Major Buyers in 2004

Company	Number of Hotels	Number Rooms	Average Price per Room
Highland Hospitality Corporation	14	4,184	\$119,981
Ashford Hospitality Trust	7	1,644	\$115,572
Diamond Rock Hospitality	4	1,053	\$150,997
HEI Hospitality Fund <i>(does not include HEI JV purchases)</i>	5	1,056	\$148,674
Equity Inns	5	587	\$126,065



Major Sellers in 2004

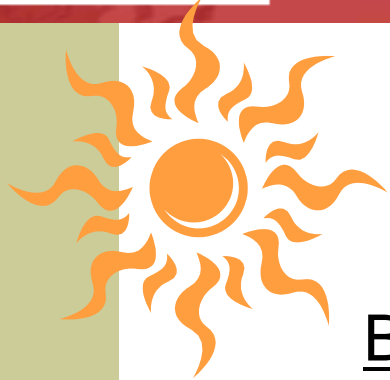
Company	Number of Hotels	Number Rooms	Average Price per Room
Wyndham International	10	3,757	\$85,441
Host Marriott Corporation	5	1,592	\$78,518
FelCor Lodging Trust	6	1,943	\$56,613
MeriStar Hospitality Corporation	3	639	\$89,202
Affiliates of W.I. Realty I, L.P.	4	432	\$108,796



Hotel Financing and Appraisal Rates

	<u>1999</u>	<u>2005</u>
Mortgage Interest Rates	7.5%-9%	6.0%-7.5%
Amortization	20-25 Years	20-25 Years
Loan to Value	60%-70%	70%-80%
 <u>Capitalization Rates</u>		
Luxury	9%-11%	6.5%-8%
Mid-Rate	10%-12%	8%-10%
Budget	11%-13%	9%-11%

Weather Forecast for Markets



Buys

- **Portland, OR**
- **Miami**
- **Orlando**
- **Tampa**
- **Washington, DC**



Sell

- **Long Island**
- **New Orleans**

Weather Forecast for Markets



Caution

- **Detroit**
- **Austin**
- **Sacramento**

Build

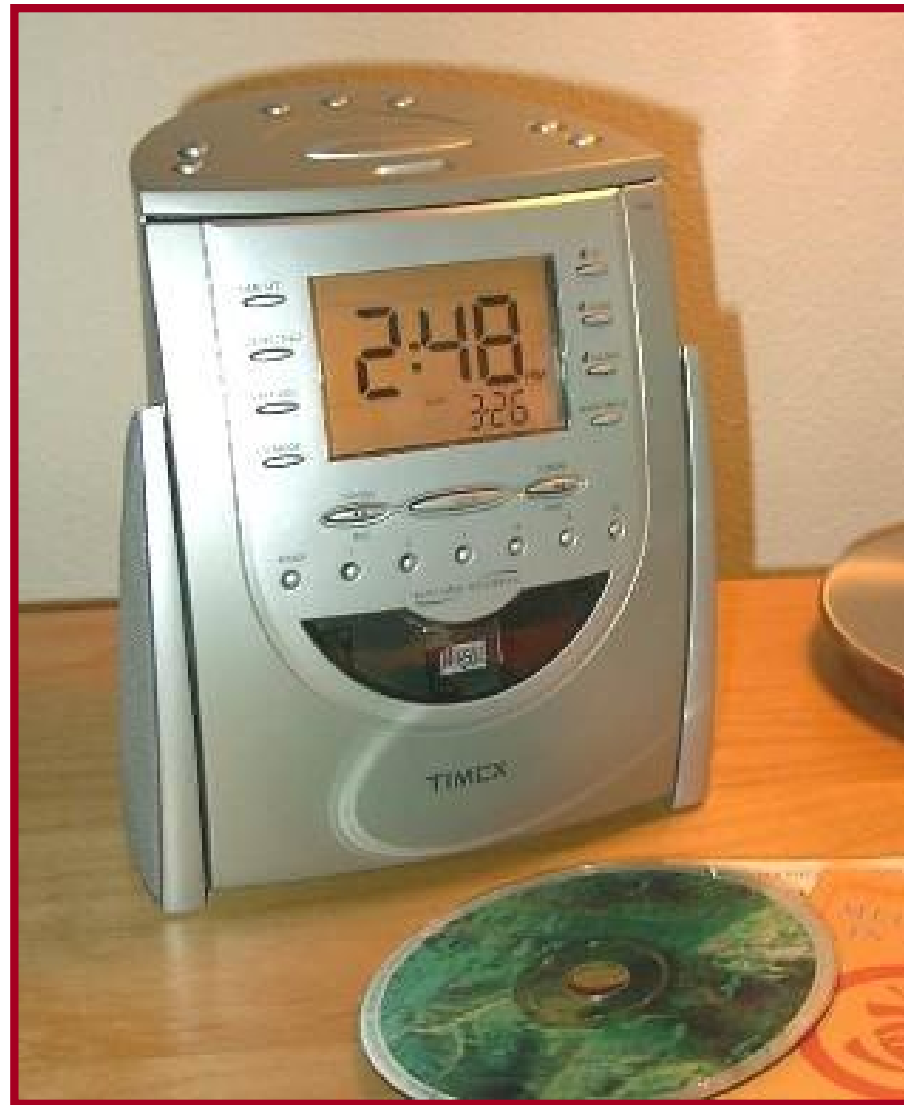
- **Oahu**
- **Las Vegas**

- Excellent buying opportunity – Values are heading up
- If you are a seller – Now is the time to put your hotel on the market
- If you have not refinanced your hotel – Do it now to lock in the lowest interest rates in memory
- Room rates will rise at 2 times the CPI in most markets

Rushmore's Biggest Concern Facing the Lodging Industry

- Condo Hotels
 - Primary or secondary residential condominium components as part of a mixed-use hotel project are OK
 - Ordinary transient hotels where each guest unit is sold to an “investor” who can participate in a rental program may be problematic
 - Units often sell at highly inflated prices
 - Little economic feasibility
 - Buyers will become dissatisfied
 - Potential recipe for litigation

Alarm Clock Radio!



Alarm Clock Radio!



The Clam Box – Ipswich, MA

