

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

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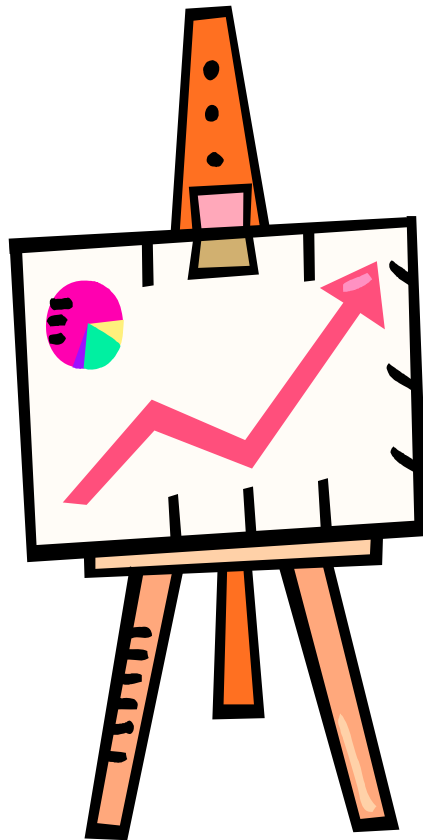
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# Value Change – United States

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Value Per Room	\$37,000	\$37,000	\$38,000	\$32,000	\$27,000	\$30,000	\$33,000
Percentage Change		0%	3%	-16%	-16%	11%	10%
Change Per Room		\$0	\$1,000	(\$6,000)	(\$5,000)	\$3,000	\$3,000
	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Value Per Room	\$37,000	\$45,000	\$50,000	\$59,000	\$60,000	\$61,000	\$69,000
Percentage Change	12%	22%	11%	18%	2%	2%	13%
Change Per Room	\$4,000	\$8,000	\$5,000	\$9,000	\$1,000	\$1,000	\$8,000
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>			
Value Per Room	\$52,000	\$52,000	\$51,000	\$65,000			
Percentage Change	-25%	0%	-2%	27%			
Change Per Room	(\$17,000)	\$0	(\$1,000)	\$14,000			

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

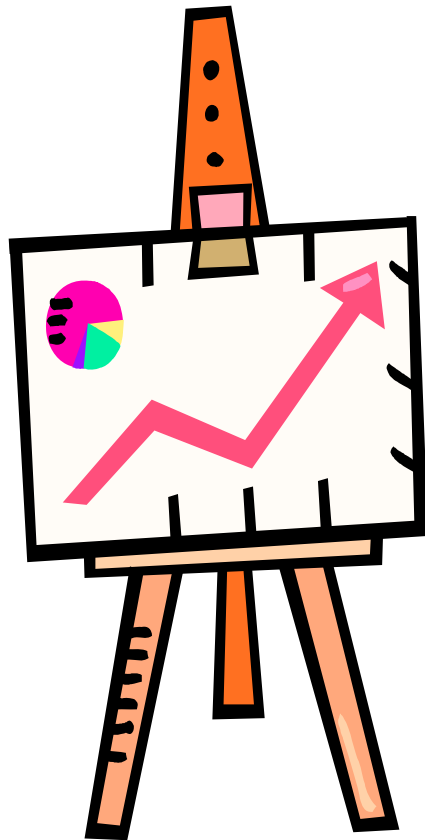


- A) 0% to 10%
- B) 11% to 20%
- C) 21% to 30%

# Value Change – United States

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	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>		
Value Per Room	\$52,000	\$52,000	\$51,000	\$65,000	\$82,000		
Percentage Change	-25%	0%	-2%	27%	26%		
Change Per Room	(\$17,000)	\$0	(\$1,000)	\$14,000	\$17,000		

# When Will the Bubble Burst?



A) 2007 – 2008

B) 2009 – 2010

C) 2011 – 2013

# Value Change – United States

	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Value Per Room	\$37,000	\$37,000	\$38,000	\$32,000	\$27,000	\$30,000	\$33,000
Percentage Change		0%	3%	-16%	-16%	11%	10%
Change Per Room		\$0	\$1,000	(\$6,000)	(\$5,000)	\$3,000	\$3,000
	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Value Per Room	\$37,000	\$45,000	\$50,000	\$59,000	\$60,000	\$61,000	\$69,000
Percentage Change	12%	22%	11%	18%	2%	2%	13%
Change Per Room	\$4,000	\$8,000	\$5,000	\$9,000	\$1,000	\$1,000	\$8,000
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Value Per Room	\$52,000	\$52,000	\$51,000	\$65,000	\$82,000	\$94,000	\$102,000
Percentage Change	-25%	0%	-2%	27%	26%	15%	9%
Change Per Room	(\$17,000)	\$0	(\$1,000)	\$14,000	\$17,000	\$12,000	\$8,000
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	
Value Per Room	\$107,000	\$107,000	\$102,000	\$98,000	\$94,000	\$94,000	
Percentage Change	5%	0%	-5%	-4%	-4%	0%	
Change Per Room	\$5,000	\$0	(\$5,000)	(\$4,000)	(\$4,000)	\$0	

# Per-Room Change in Value: 2005

## Rank

1	New York	\$124,000
2	Oahu	\$115,000
3	Miami	\$86,000
4	Washington, DC	\$56,000
5	San Francisco	\$55,000
6	West Palm Beach	\$51,000
7	Los Angeles	\$41,000
8	Chicago	\$39,000
9	Anaheim	\$38,000
10	Austin	\$36,000

29 USA \$16,000

## Rank

57	Pittsburgh	\$5,000
58	Indianapolis	\$5,000
59	Raleigh-Durham	\$5,000
60	Greensboro	\$3,000
61	Cleveland	\$1,000
62	Orlando	\$500
63	New Haven	\$0
64	Hartford	(\$3,000)
65	Norfolk	(\$4,000)
66	Las Vegas	(\$12,000)

# Percentage Change in Value: 2005

<u>Rank</u>			<u>Rank</u>		
1	Austin	68%	57	Greensboro	7%
2	Miami	66%	58	Indianapolis	6%
3	New York	65%	59	Baltimore	6%
4	Houston	63%	60	Sacramento	6%
5	San Jose	57%	61	Cleveland	2%
6	Oahu	50%	62	Orlando	0%
7	Charlotte	49%	63	New Haven	0%
8	Dallas	47%	64	Hartford	-5%
9	Tucson	44%	65	Las Vegas	-5%
10	Denver	42%	66	Norfolk	-6%
28	USA	25%			

# Change in Value per Room: 2005-2010

## Rank

1	New York	\$272,000
2	Oahu	\$168,000
3	San Francisco	\$161,000
4	Miami	\$137,000
5	Washington, DC	\$136,000
6	West Palm Beach	\$129,000
7	Long Island	\$128,000
8	Boston	\$125,000
9	Los Angeles	\$105,000
10	Chicago	\$94,000
54	USA	\$21,000

## Rank

57	St. Louis	\$17,000
58	Albuquerque	\$15,000
59	Syracuse	\$12,000
60	Pittsburgh	\$12,000
61	Indianapolis	\$11,000
62	Sacramento	\$11,000
63	Houston	\$10,000
64	Tallahassee	\$8,000
65	Rochester	\$7,000
66	Norfolk	(\$3,000)

# Percentage Change Value 2005-2010

<u>Rank</u>			<u>Rank</u>		
1	Cleveland	180%	57	Las Vegas	26%
2	Denver	102%	58	USA	25%
3	Austin	93%	59	Pittsburgh	20%
4	Tucson	92%	60	Syracuse	19%
5	New York	86%	61	Indianapolis	14%
6	Charlotte	85%	62	Rochester	13%
7	Dallas	83%	63	Sacramento	12%
8	San Jose	81%	64	Houston	12%
9	Long Island	81%	65	Tallahassee	10%
10	San Francisco	79%	66	Norfolk	-4%
58	USA	25%			

# Number of Markets Where Hotel Values Declined

## Number of Markets

1990	51
1995	2
2000	14
2001	65
2005	3



# Highest Value Cities

<b>Rank</b>		<b>1990 Value Per Room</b>		<b>2000 Value Per Room</b>		<b>2005 Value Per Room</b>
<b>1</b>	Oahu	\$146,000	San Francisco	\$330,000	Oahu	\$346,000
<b>2</b>	Santa Fe	\$128,000	New York	\$300,000	New York	\$315,000
<b>3</b>	San Francisco	\$108,000	Boston	\$293,000	Washington, DC	\$260,000
<b>4</b>	Boston	\$93,000	San Jose	\$237,000	West Palm Beach	\$234,000
<b>5</b>	Orlando	\$81,000	Long Island	\$191,999	Las Vegas	\$217,000
<b>6</b>	Seattle	\$70,000	Oahu	\$168,000	Miami	\$216,000
<b>7</b>	Washington, DC	\$66,000	Washington, DC	\$168,000	San Francisco	\$203,000
<b>8</b>	Portland	\$64,000	San Diego	\$159,000	San Diego	\$193,000
<b>9</b>	Syracuse	\$64,000	Chicago	\$153,000	Boston	\$190,000
<b>10</b>	Los Angeles	\$61,000	Stamford	\$152,000	Los Angeles	\$176,000

# Change in Value per Room from 2000

	<u>2005</u>		<u>2006</u>
San Jose	(\$148,000)	San Jose	(\$102,000)
San Francisco	(\$126,000)	Boston	(\$59,000)
Boston	(\$102,000)	San Francisco	(\$44,000)
Oakland	(\$71,000)	Oakland	(\$39,000)
Stamford	(\$61,000)	Stamford	(\$37,000)
Long Island	(\$34,000)	Detroit	(\$20,000)
Detroit	(\$30,000)	Hartford	(\$6,000)
Hartford	(\$22,000)	New Haven	(\$5,000)
Austin	(\$21,000)		
Cleveland	(\$20,000)		
Chicago	(\$14,000)		
New Haven	(\$14,000)		
New Orleans	(\$11,000)		
Dallas	(\$10,000)		
Raleigh-Durham	(\$4,000)		
Pittsburgh	(\$4,000)		
Orlando	(\$3,000)		
Greensboro	(\$3,000)		
Buffalo	(\$2,000)		
Dayton	(\$2,000)		
Kansas City	(\$1,000)		

# Index of Volatility: Relative Risk

## Rank

1	New Orleans	11%
2	Albuquerque	12%
3	Buffalo	12%
4	San Antonio	12%
5	Pittsburgh	12%
6	St. Louis	12%
7	Sacramento	13%
8	Syracuse	13%
9	Cincinnati	13%
10	Indianapolis	13%
20	USA	16%

## Rank

57	Wilmington, DE	25%
58	Boston	25%
59	Oahu	27%
60	Los Angeles	27%
61	Austin	27%
62	Oakland	29%
63	San Francisco	31%
64	Miami	37%
65	San Jose	40%
66	New York	55%

# Low Volatility Index High Change in Value Between 2005-2010

<u>Volatility Index</u>		<u>Change in Value Per Room</u>
11	New Orleans	\$61,000
12	San Antonio	\$55,000
13	San Diego	\$76,000
14	Seattle	\$52,000
14	Baltimore	\$52,000
14	Santa Fe	\$49,000
15	Jacksonville	\$57,000
16	Tucson	\$87,000
16	Tampa	\$54,000

# High Volatility Index High Change in Value Between 2005-2010

<u>Volatility Index</u>		<u>Change in Value Per Room</u>
55	New York	\$272,000
27	Oahu	\$168,000
31	San Francisco	\$161,000
37	Miami	\$137,000
25	Boston	\$125,000
27	Los Angeles	\$105,000

# Major Transactions History

<b>Year</b>	<b>Number of Hotels</b>	<b>Number of Rooms</b>	<b>Average Price per Room</b>	<b>% Change</b>
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	237	71,531	\$160,000	11.9 %
YTD 2006	87	28,519	\$192,400	16.8 %

# Ten Largest Sales Price per Room - 2005

Rank	Individual Hotel	Location	Rooms	Price per Room
1	Westin Essex House	New York, NY	605	\$661,000
2	Princeville Resort	Princeville, Kauai	252	\$639,000
3	Malibu Beach Inn	Malibu, CA	47	\$617,000
4	Hotel Ocean	Miami Beach, FL	27	\$562,000
5	The Coast Inn	Laguna Beach, FL	24	\$536,000
6	Fairmont Orchid	Kohala Coast, HI	540	\$463,000
7	Marriott East Side	New York, NY	646	\$444,000
8	Algonquin Hotel	New York, NY	174	\$426,000
9	Westin Copley Place	Boston, MA	803	\$403,000
10	Westin Century Plaza	Los Angeles, CA	728	\$402,000
<u>2006 Sales</u>				
1	The Mark Hotel	New York, NY	177	\$847,000
2	Four Seasons	Washington, DC	211	\$800,000

# Major Buyers in 2005

<b>Company</b>	<b>Number of Hotels</b>	<b>Number of Rooms</b>	<b>Average Price per Room</b>
Pyramid Hotel Advisors	14	3,815	\$112,975
DiamondRock Hospitality Co.	9	4,258	\$138,563
Sunstone Hotel Investors, Inc.	9	4,701	\$204,212
LaSalle Hotel Properties	7	2,032	\$307,087
The Procaccianti Group	7	2,372	\$176,644

# Major Sellers in 2005

<b>Company</b>	<b>Number of Hotels</b>	<b>Number Rooms</b>	<b>Average Price per Room</b>
Hilton Hotels Corporation	13	6,490	\$145,917
Thayer Lodging Group	9	3,537	\$160,305
Host Marriott Corporation	8	2,338	\$81,266
Wyndham International	6	1,400	\$96,429
Starwood Hotels & Resorts	7	1,987	\$181,178
CNL Hotels & Resorts	6	2,340	\$172,650
Marriott International	6	3,326	\$170,776

# Hotel Financing and Appraisal Rates

	<u>1999</u>	<u>2005</u>
Mortgage Interest Rates	7.5%-9%	6.0%-6.75%
Amortization	20-25 Years	20-30 Years
Loan to Value	60%-70%	65%-80%
 <b><u>Capitalization Rates</u></b>		
Luxury	9%-11%	6%-7.5%
Mid-Rate	10%-12%	7.5%-10%
Budget	11%-13%	8.5%-11%

# Do Hotel Investments Beat Inflation?

## Inflation Increase 1987-2005: 172%

<u>Rank</u>		<u>Value Increase 1987-2005</u>	<u>Rank</u>		<u>Value Increase 1987-2005</u>
1	Miami	948%	57	Norfolk	109%
2	Omaha	754%	58	Wilmington, DE	107%
3	New York	615%	59	Buffalo	107%
4	Tallahassee	602%	60	Albuquerque	103%
5	Las Vegas	563%	61	Winston-Salem	100%
6	Austin	547%	62	Dayton	92%
7	Houston	431%	63	New Haven	91%
8	Oahu	417%	64	Detroit	89%
9	West Palm Beach	408%	65	Hartford	81%
10	Jacksonville	386%	66	Rochester	76%
32	United States	220%			

# San Francisco Earthquake - October 1989



	<u>1988</u>	<u>1989</u>	<u>1990</u>
San Francisco	(\$9,000)	(\$4,000)	\$18,000
United States	(\$300)	\$1,000	(\$6,000)

# Hurricane Andrew – August 1992



	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Miami	\$10,000	\$4,000	\$37,000	(\$10,000)
Fort Lauderdale	(\$3,000)	(\$7,000)	\$27,000	(\$8,000)
United States	(\$6,000)	(\$4,000)	\$2,000	\$3,000

# Los Angeles Earthquake – January 1994

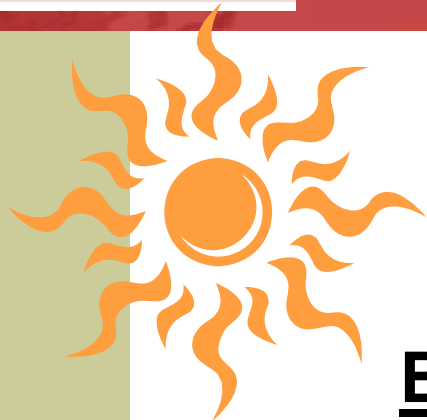


	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Los Angeles	(\$14,000)	(\$4,000)	\$16,000	\$2,000
United States	\$2,000	\$3,000	\$5,000	\$8,000

# Hurricane Katrina – August 2005



	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
New Orleans	(\$13,000)	\$9,000	\$20,000	\$21,000	\$12,000
United States	(\$1,000)	\$14,000	\$16,000	\$12,000	\$8,000



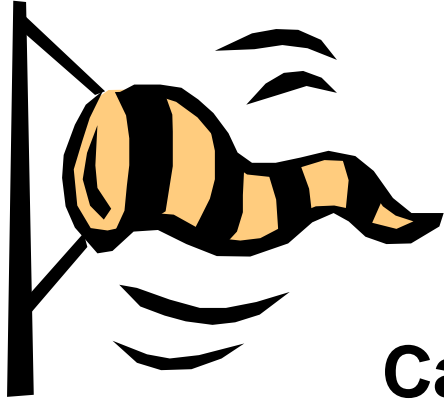
## Buy

- New Orleans
- San Francisco
- Boston
- San Diego
- Washington, DC
- Santa Fe
- San Antonio



## Sell

- Norfolk
- Houston
- Tallahassee



## Caution

- Phoenix
- Portland
- Indianapolis
- 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
- There is still an upside in hotel values for a while longer
- Look for hotel values to start declining in 2009-2011
- The decline will not be as severe as in 1990 and 2001
- Room rates will continue to increase faster than inflation
- Look for New Orleans to re-emerge as one of the top U.S. destinations

# Café du Monde



