

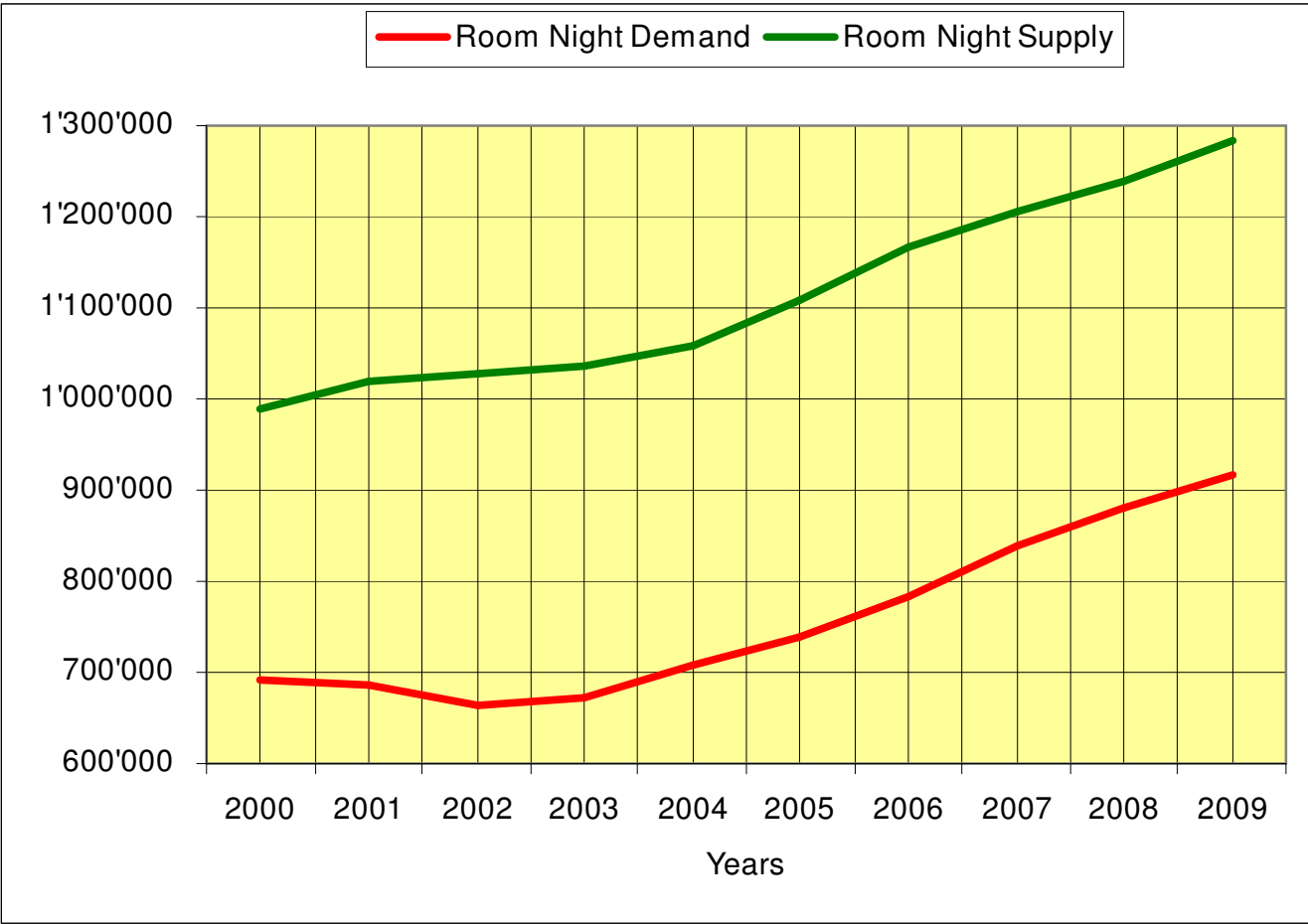
Market Study

- Three components to perform a market study and valuation:
 - Market Study
 - Forecast of Revenues & Expenses
 - Valuation

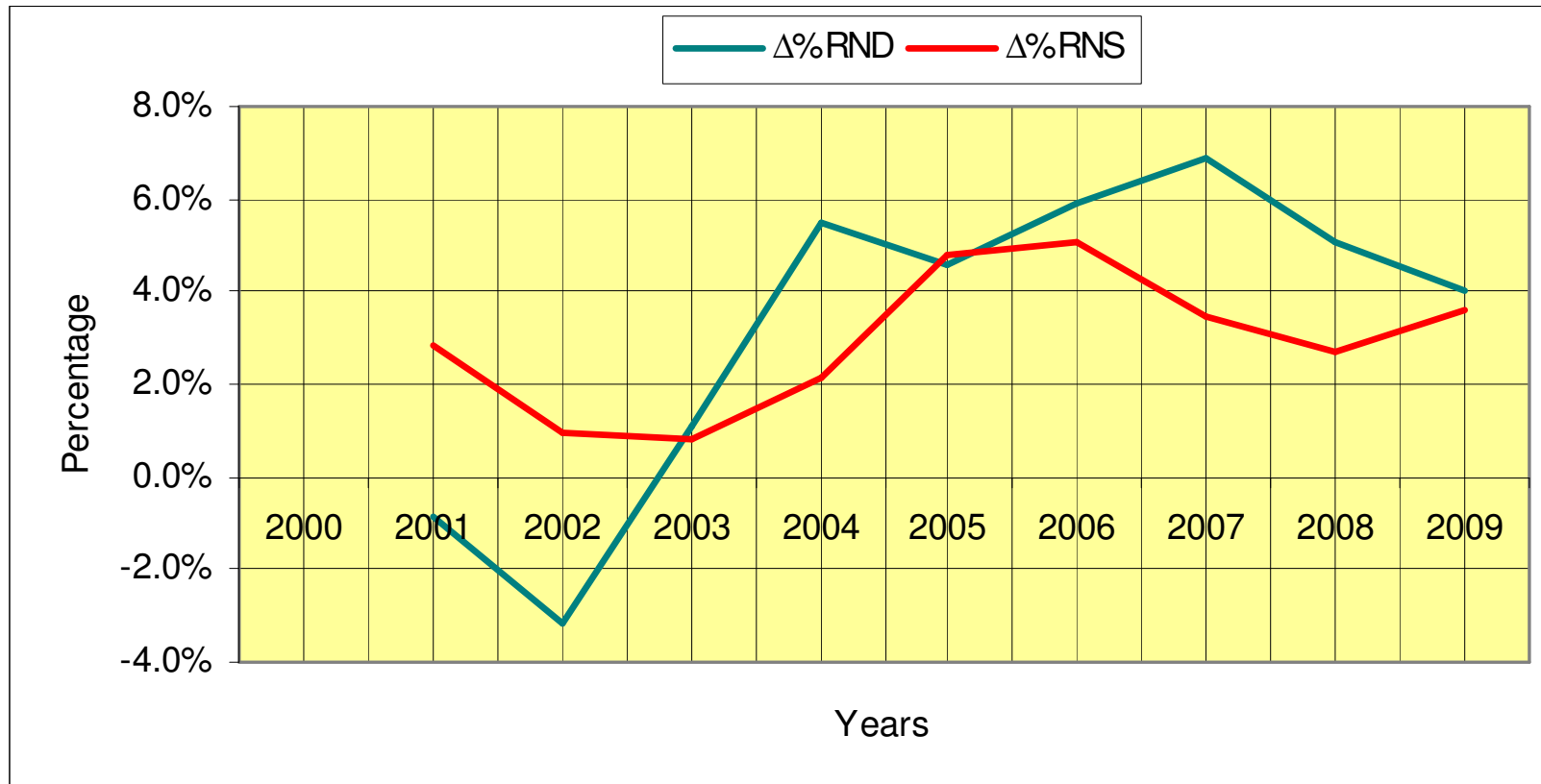
Define the primary market area

- **A market area is a perimeter** surrounding the subject property.
- determine the **primary segments** of demand presently using local hotels.
- The three markets segments generally found in most market areas are.
 - commercial travellers
 - meeting/convention visitors (group business)
 - and pleasure/leisure travellers
- Other segments often present include:
- government, airline crews, extended stay/relocation guests, sports teams, military, truck drivers, hospital/out patient, cruise ship, etc.

Historical Supply & Demand in the market area



Historical Supply & Demand in the market area



Competition in the market area

- **Primary Competitors**
- **Secondary Competitors**

Primary Competitors

Primary competitors are those hotels that are similar to the subject property with respect to the class and type of facilities offered

Primary Competitors 2009

Primary Competitors					Market Segmentation		
Hotels	# Rooms	HARC	Average Rate	Occupancy	Commercial	Meeting & Convention	Leisure
Embassy Suites	200	200	151.00	78%	80%	5%	15%
Hilton Inn	275	275	136.00	72%	40%	50%	10%
Radisson Hotel	250	250	131.00	68%	45%	40%	15%
Holiday Inn	175	175	127.00	73%	55%	25%	20%
Courtyard	124	62	133.00	65%	75%	5%	20%
Ramada Inn	150	150	124.00	66%	65%	20%	15%
Island Inn	135	135	110.00	62%	60%	30%	10%
Quality Inn	175	175	125.00	78%	50%	10%	40%
Days Hotel	120	120	121.00	74%	70%	5%	25%
	1604	1542					

**The 124-room Courtyard by Marriott opened on July 1, 2009.
Its historic average room count (HARC) is 62 rooms**

Primary Competitors 2009

Total Rooms sold	Market Segmentation : Rooms sold			Annual Revenue
	Comm	Convention	Leisure	
56'940	45'552	2'847	8'541	8'597'940
72'270	28'908	36'135	7'227	9'828'720
62'050	27'923	24'820	9'308	8'128'550
46'629	25'646	11'657	9'326	5'921'851
14'710	11'032	735	2'942	1'956'364
36'135	23'488	7'227	5'420	4'480'740
30'551	18'330	9'165	3'055	3'360'555
49'823	24'911	4'982	19'929	6'227'813
32'412	22'688	1'621	8'103	3'921'852
401'518	228'478	99'190	73'850	52'424'384
	56.90%	24.70%	18.39%	130.57

Secondary Competitors

Secondary competition consists of those lodging facilities that would not normally attract the same type of visitor, but because of special circumstances (such as location) they become competitive.

Secondary Competitors 2009

						Market Segmentation			
Hotels	Rooms	HARC	CWF	HARC	AR	OCC%	Comm	Convent.	Leisure
Red Roof Inn	110	110	50%	55	45.25	82%	60%	5%	35%
Super 8	125	125	50%	63	42.50	78%	60%	5%	35%
Microtel	100	100	25%	25	35.75	90%	75%	0%	25%
Residence Inn	75	75	33%	25	98.00	77%	55%	10%	35%
Delta Inn	83	83	40%	33	41.50	63%	65%	10%	25%
Four Seasons	250	250	75%	188	150.00	72%	60%	30%	10%
	743	743		388					

Secondary Competitors CWF

Based on competitive criteria, competitive weighting factors (**CWF**) were assigned to each secondary hotel.

Secondary Competitors 2009

Hotels	Rooms sold	Comm	Convention	Leisure	Revenue
Red Roof Inn	16'462	9'877	823	5'762	744'883
Super 8	17'794	10'676	890	6'228	756'234
Microtel	8'213	6'159	-	2'053	293'597
Residence Inn	6'956	3'826	696	2'435	681'687
Delta Inn	7'634	4'962	763	1'909	316'825
Four Seasons	49'275	29'565	14'783	4'928	7'391'250
Total	106'333	65'066	17'954	23'313	10'184'476
		61.19%	16.88%	21.92%	AR 95.78

Primary competitors : supply & Demand - Year 2009

Hotels	Rooms sold	Supply
Embassy Suites	56'940	73'000
Hilton Inn	72'270	100'375
Radisson Hotel	62'050	91'250
Holiday Inn	46'629	63'875
Courtyard	14'710	22'630
Ramada Inn	36'135	54'750
Island Inn	30'551	49'275
Quality Inn	49'823	63'875
Days Hotel	32'412	43'800
	401'518	562'830

Secondary competitors : supply & Demand - Year 2009

Hotels	Rooms sold	Supply
Red Roof Inn	16'462	20'075
Super 8	17'794	22'813
Microtel	8'213	9'125
Residence Inn	6'956	9'034
Delta Inn	7'634	12'118
Four Seasons	49'275	68'438
	106'333	141'602

Total supply & Demand - Year 2009

	Rooms sold	Supply
Primary	401'518	562'830
Secondary	106'333	141'602
Total Market	507'851	704'432

Fair Share

The **fair share** for a given property is that property's room count as a percent of the total room count in the competitive set

Fair Share

Hotels	Occupancy	Rooms	Rooms Sold	Fair Share
A	80%	200	160	40%
B	60%	300	180	60%
Market	68%	500	340	

$$\text{Fair Share} = \frac{\text{Rooms available of a Hotel}}{\text{Rooms available on the market}}$$

Primary Competitors 2009

Fair Share

Hotels	OCC%	HARC	Rooms sold	Fair share
Embassy Suites	78.00%	200	56'940	10.4%
Hilton Inn	72.00%	275	72'270	14.2%
Radisson Hotel	68.00%	250	62'050	13.0%
Holiday Inn	73.00%	175	46'629	9.1%
Courtyard	65.00%	62	14'710	3.2%
Ramada Inn	66.00%	150	36'135	7.8%
Island Inn	62.00%	135	30'551	7.0%
Quality Inn	78.00%	175	49'823	9.1%
Days Hotel	74.00%	120	32'412	6.2%
	71.3%	1542	401'518	79.9%

Secondary Competitors 2009

Fair Share

Hotels	OCC%	Eff HARC	Rooms sold	Fair share
Red Roof Inn	82.00%	55	16'462	2.8%
Super 8	78.00%	63	17'794	3.2%
Microtel	90.00%	25	8'213	1.3%
Residence Inn	77.00%	25	6'956	1.3%
Delta Inn	63.00%	33	7'634	1.7%
Four Seasons	72.00%	188	49'275	9.7%
	75.1%	388	106'333	20.1%

Market Competitors 2009

Fair Share

	OCC%	HARC	Rooms sold	Fair share
Primary	71.3%	1'542	401'518	79.90%
Secondary	75.1%	388	106'333	20.10%
Total Market	72.1%	1'930	507'851	100.00%

Market Penetration

The **market penetration** is used to assess the *relative competitiveness* of each hotel, as a whole and within each market segment.

$$\text{Overall} \cdot \text{Penetration} \cdot \text{factor} = \frac{\text{Hotel} \cdot \text{Occupancy}}{\text{Market} \cdot \text{Occupancy}}$$

Overall Market Penetration Factor Example

Hotels	OCC	Rooms	Fair Share	Rooms Sold	Market Segment %			Market Segment Rooms Sold		
					Comm	Meet	Leis	Comm	Meetg	Leisure
A	80%	200	40 %	160	60%	10%	30%	35040	5840	17520
B	60%	300	60 %	180	50%	30%	20%	32850	19710	13140
Market	68%	500		340				67890	25550	30660

Overall Market Penetration Factor

		Market Segment PEN factors		
Hotels	Overall PEN	Commercial	Meeting	Leisure
A	118%	129%	57%	143%
B	88%	81%	129%	71%

$$OMPF(A) = \frac{80\%}{68\%} = 118\%$$

The market segment penetration factor (MSPF)

The market segment penetration factor (MSPF) results from calculating the within segment actual rooms sold as a percent of the within segment fair share

- Example :

$$\text{Commercial} \cdot \text{MSPF} = \frac{\text{Commercial} \cdot \text{Rooms} \cdot \text{sold}}{\text{Fair} \cdot \text{Share} \times \text{Total} \cdot \text{Commercial} \cdot \text{Rooms} \cdot \text{sold}}$$

The market segment penetration factor (MSPF)

		Market Segment PEN factors		
Hotels	Overall PEN	Commercial	Meeting	Leisure
A	118%	129%	57%	143%
B	88%	81%	129%	71%

$$MSPF(A) = \frac{35'040}{40\% \times 67'890} = \frac{35'040}{27'156} = 129\%$$

Overall Market Penetration

Primary :	OCC	OMP
Embassy Suites	78.0%	108.2%
Hilton Inn	72.0%	99.9%
Radisson Hotel	68.0%	94.3%
Holiday Inn	73.0%	101.3%
Courtyard	65.0%	90.2%
Ramada Inn	66.0%	91.5%
Island Inn	62.0%	86.0%
Quality Inn	78.0%	108.2%
Days Hotel	74.0%	102.6%
Total Primary	71.3%	99.0%

Overall Market Penetration

Secondary	OCC	OMP
Red Roof Inn	82%	113.7%
Super 8	78%	108.2%
Microtel	90%	124.8%
Residence Inn	77%	106.8%
Delta Inn	63%	87.4%
Four Seasons	72%	99.9%
Total Secondary	75.1%	104.2%
Market	72.1%	100.0%

$$OMPF(\text{Red} \cdot \text{Roof}) = \frac{\text{Red} \cdot \text{Roof} \cdot \text{Occupancy}}{\text{Market} \cdot \text{Occupancy}} = \frac{82\%}{72.1\%} = 113.7\%$$

The market segment penetration factor

Primary	Fair Share	Comm	Convention	Leisure	Totaux
Embassy Suites	10.4%	45'552	2'847	8'541	56'940
Hilton Inn	14.2%	28'908	36'135	7'227	72'270
Radisson Hotel	13.0%	27'923	24'820	9'308	62'050
Holiday Inn	9.1%	25'646	11'657	9'326	46'629
Courtyard	3.2%	11'032	735	2'942	14'710
Ramada Inn	7.8%	23'488	7'227	5'420	36'135
Island Inn	7.0%	18'330	9'165	3'055	30'551
Quality Inn	9.1%	24'911	4'982	19'929	49'823
Days Hotel	6.2%	22'688	1'621	8'103	32'412
Total	79.9%	228'478	99'190	73'850	401'518

The market segment penetration factor

Secondary	Fair Share	Comm	Convention	Leisure	Totaux
Red Roof Inn	2.8%	9'877	823	5'762	16'462
Super 8	3.2%	10'676	890	6'228	17'794
Microtel	1.3%	6'159	-	2'053	8'213
Residence Inn	1.3%	3'826	696	2'435	6'956
Delta Inn	1.7%	4'962	763	1'909	7'634
Four Seasons	9.7%	29'565	14'783	4'928	49'275
Total	20.1%	65'066	17'954	23'313	106'333
Total market	100.0%	293'544	117'144	97'164	507'851

The market segment penetration factor

Primary	Market Segment Rooms Sold			
	OCC	Comm	Convention	Leisure
Embassy Suites	78.0%	150%	23%	85%
Hilton Inn	72.0%	69%	216%	52%
Radisson Hotel	68.0%	73%	164%	74%
Holiday Inn	73.0%	96%	110%	106%
Courtyard	65.0%	117%	20%	94%
Ramada Inn	66.0%	103%	79%	72%
Island Inn	62.0%	89%	112%	45%
Quality Inn	78.0%	94%	47%	226%
Days Hotel	74.0%	124%	22%	134%
Total Primary	71.3%	97.4%	106.0%	95.1%

The market segment penetration factor

Market Segment Rooms Sold				
Secondary :	OCC	Comm	Convention	Leisure
Red Roof Inn	82%	118%	25%	208%
Super 8	78%	112%	23%	198%
Microtel	90%	162%	0%	163%
Residence Inn	77%	102%	46%	195%
Delta Inn	63%	98%	38%	114%
Four Seasons	72%	104%	130%	52%
Total Secondary	75.1%	110.3%	76.2%	119.4%
All segments	72.1%	100.0%	100.0%	100.0%

$$\text{Commercial} \cdot \text{MSPF}(\text{Red} \cdot \text{Roof}) = \frac{9'877}{2.8\% \times 293'544} = 118\%$$

Following Steps

- Forecast Market Demand
- Forecast Market Supply

Forecast Market Demand

Growth Rates

	Commercial	Convention	Leisure
2010	5.00%	2.00%	1.50%
2011	4.00%	2.50%	1.50%
2012	3.00%	2.75%	1.50%
2013	3.00%	2.75%	1.50%
2014	3.00%	2.75%	1.50%
2015	3.00%	2.75%	1.50%
2016	3.00%	2.75%	1.50%
2017	3.00%	2.75%	1.50%
2018	3.00%	2.75%	1.50%
2019	3.00%	2.75%	1.50%

Forecast Market Demand

	Commercial	Convention	Leisure	Total
2009	293'544	117'144	97'164	507'851
2010	308'221	119'487	98'621	526'329
2011	320'550	122'474	100'100	543'124
2012	330'166	125'842	101'602	557'610
2013	340'071	129'303	103'126	572'500
2014	350'273	132'859	104'673	587'805
2015	360'782	136'512	106'243	603'537
2016	371'605	140'266	107'837	619'708
2017	382'753	144'124	109'454	636'331
2018	394'236	148'087	111'096	653'419
2019	406'063	152'159	112'762	670'985

Forecast Market Supply

	2009	2010	2011	2012	2013
Existing rooms Primary	1'542	1'542	1'542	1'542	1'542
Existing rooms Secondary	388	388	388	388	388
Change in HARC (Courtyard)		62	62	62	62
Sheraton project (new hotel)				250	250
Marriott (new hotel)			200	200	200
Best Western (new hotel)		35	140	140	140
Total new rooms	-	97	305	250	-
Total Rooms	1'930	2'027	2'332	2'582	2'582
LT Supply Growth 2,93%/year					76
Total Supply	1'930	2'027	2'332	2'582	2'658
Total Rooms Nights available (Supply)	704'450	739'855	851'180	942'430	970'043
Total demand	507'851	526'329	543'124	557'610	572'500
Occupancy	72.09%	71.14%	63.81%	59.17%	59.02%

Forecast Market Supply

	2014	2015	2016	2017	2018	2019
Existing rooms Primary	1'542	1'542	1'542	1'542	1'542	1'542
Existing rooms Secondary	388	388	388	388	388	388
Change in HARC (Courtyard)	62	62	62	62	62	62
Sheraton project (new hotel)	250	250	250	250	250	250
Marriott (new hotel)	200	200	200	200	200	200
Best Western (new hotel)	140	140	140	140	140	140
Total new rooms	-	-	-	-	-	-
Total Rooms	2'582	2'582	2'582	2'582	2'582	2'582
LT Supply Growth 2,93%/year	154	234	316	401	488	577
Total Supply	2'736	2'816	2'898	2'983	3'070	3'159
Total Rooms Nights available (Supply)	998'465	1'027'697	1'057'761	1'088'681	1'120'483	1'153'190
Total demand	587'805	603'537	619'708	636'331	653'419	670'985
Occupancy	58.87%	58.73%	58.59%	58.45%	58.32%	58.19%

Long Term Supply Growth Rate

Years	Room Night Supply	$\Delta\%RNS$
2000	990'083	
2001	1'018'286	2.85%
2002	1'028'256	0.98%
2003	1'036'876	0.84%
2004	1'058'952	2.13%
2005	1'109'618	4.78%
2006	1'165'655	5.05%
2007	1'205'831	3.45%
2008	1'238'459	2.71%
2009	1'283'078	3.60%
Annual Average Growth Rate		2.93%

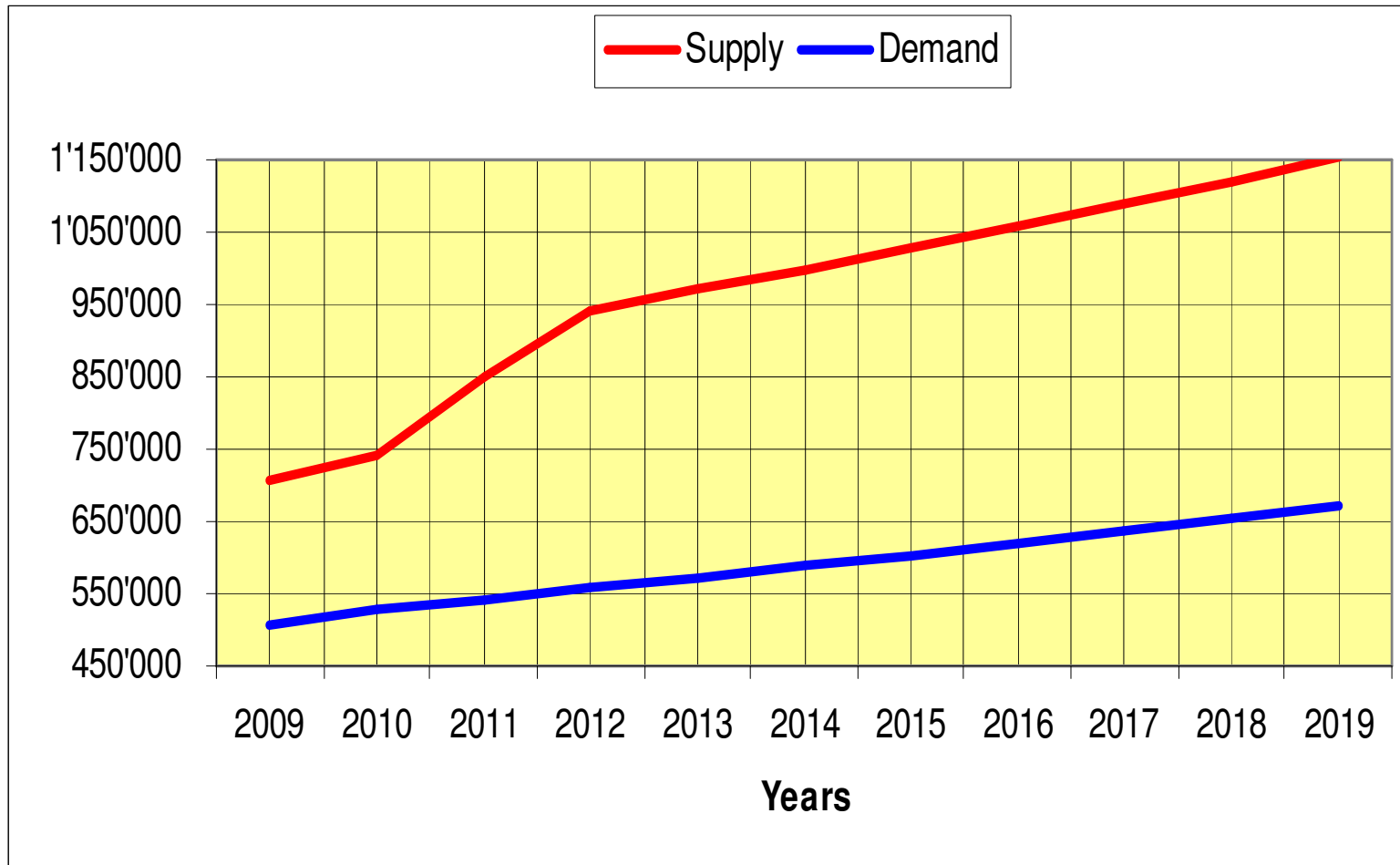
New Rooms from 2013

Year	Rooms	Add Rooms	Rooms cumul
2012	2'582		
2013	2'658	76	76
2014	2'733	78	154
2015	2'811	80	234
2016	2'891	82	316
2017	2'974	85	401
2018	3'058	87	488
2019	3'145	90	577

Forecast Market D & S

Year	Supply	Demand	Occupancy
2009	704'450	507'851	72.09%
2010	739'855	526'329	71.14%
2011	851'180	543'124	63.81%
2012	942'430	557'610	59.17%
2013	970'043	572'500	59.02%
2014	998'465	587'805	58.87%
2015	1'027'697	603'537	58.73%
2016	1'057'761	619'708	58.59%
2017	1'088'681	636'331	58.45%
2018	1'120'483	653'419	58.32%
2019	1'153'190	670'985	58.19%

Forecast Market D & S



Next Steps

- Forecast Revenues & Costs
- Valuation

Sources

- *Source : Hotels & Motels Valuations And Market Studies, S. Rushmore, Eric Baum, 2001*
- *Real Estate course, Bernard Jaquier*