

Understanding Hotel Investment & Valuation Methodologies and Pro-Formas/Analysis

Presented by
Rick Pastorino, REVPAR International, Inc.
Rachel Roginsky, Pinnacle Advisory

Presenters



- Richard (Rick) Pastorino is the founder and principal of REVPAR International, a boutique hospitality asset management and advisory firm providing services throughout the U.S., Caribbean, Latin America and Europe.
- Rick has extensive experience in all areas of hospitality advisory and asset management including new development and acquisition; economic valuation, workouts, deal structure, branding, financial and operational analysis, market feasibility and expert witness, litigation support.
- Rick is actively involved in the industry including the *International Society of Hospitality Consultants*; he has authored industry-related research including *CapEx 2000 – A Study of Capital Expenditures in the U.S. Hotel Industry*, guest lectures, and speaks at numerous industry-related events.



- Rachel Roginsky, Principal, Pinnacle Advisory, a premier hospitality consulting firm that provides advisory services throughout the US and Caribbean.
- For more than 30 years she has provided advisory services for the hospitality industry to include market and economic feasibility studies, operational analysis, appraisals, litigation support, and asset management.
- In addition to active participation in on-going consultation, Ms. Roginsky continues to lecture at some of the nation's top Universities (Cornell School of Hotel Administration, MIT, Boston University Hotel School) and at national hotel industry conferences.

Agenda/Topics of Discussion

1. Terminology
2. STR Chain Scales
3. Hotel Options
4. Real Estate and Market Cycles
5. Ownership/Operating Structures
6. Risk Profile of Hotels Compared to Other Commercial Real Estate
7. Historical Average Overall Cap Rate Indices
8. U.S Hotel Industry Statistics
9. Independent vs. Branded
10. Process for New Hotel Development
 - a. Market Analysis
 - b. Facility Analysis
 - c. Financial Analysis
 - d. Investment Analysis
11. Other Discussion Points
12. Questions

Terminology

Performance	Financial	Valuation
1. Available room nights	1. Uniform System of Accounts	1. Capitalization (Cap) Rate
2. Occupied room nights	2. GRR (Gross Rooms Revenue)	2. DCF (Discounted Cash Flow)
3. Occupancy rate	3. Revenue	3. RRM (Rooms Revenue Multiplier)
4. Average Daily Rate (ADR)	4. Departmental Expenses	4. DSCR (Debt Service Coverage Ratio)
5. RevPAR	5. Undistributed Operating Expenses	5. IRR (International Rate of Return)
6. Penetration rate	6. Fixed Expenses	6. NPV (Net Present Value)
7. ADR Index	7. Gross Operating Profit.	7. Payback Period
8. Yield	8. NOI	a. Going-in Rate
9. STR (Smith Travel Research)	9. EBIDTA	b. Terminal Rate
	10. STR HOST Report	

2011 STR Chain Scales

Luxury	Upper Upscale	Upscale	Upper Midscale	Midscale	Economy
Fairmont	Embassy Suites	aloft Hotel	Best Western Plus	Best Western Candlewood Sts.	Days Inn
Four Seasons	Hilton	Cambria Suites	Clarion	Country Inn & Suites	Econo Lodge
InterContinental	Hyatt	Courtyard	Comfort Inn	Hawthorn Suites	Motel 6
Loews	Kimpton	Crowne Plaza	Fairfield Inn	Howard Johnson	Red Roof Inn
Ritz Carlton	Marriott	Element	Hampton Inn	La Quinta Inn	Super 8
W Hotel	Omni	Four Points	Holiday Inn	Mainstay Suites	Travelodge
	Sheraton	Hilton Garden Inn	Ramada	Quality Inn	
	Westin	Homewood Sts.	TownePlace Suites	Sleep Inn	
		Residence Inn	Wyndham Garden	Wingate	
		SpringHill Suites			

Hotel Options

Hotel Products	Hotel Types	Hotel Affiliations
1. Traditional	1. Boutique	1. Branded
2. All-Suite	2. Conference	2. Independent
3. Extended-Stay	3. Convention	
	4. Destination Resort	
	5. Gaming/Casino	
	6. Golf	
	7. Ski	
	8. Spa	
	9. Waterpark	

Ownership/Operating Structures

1

Owner

Operator

Independent
Management
Company

Individual
Person

Branded
Operator

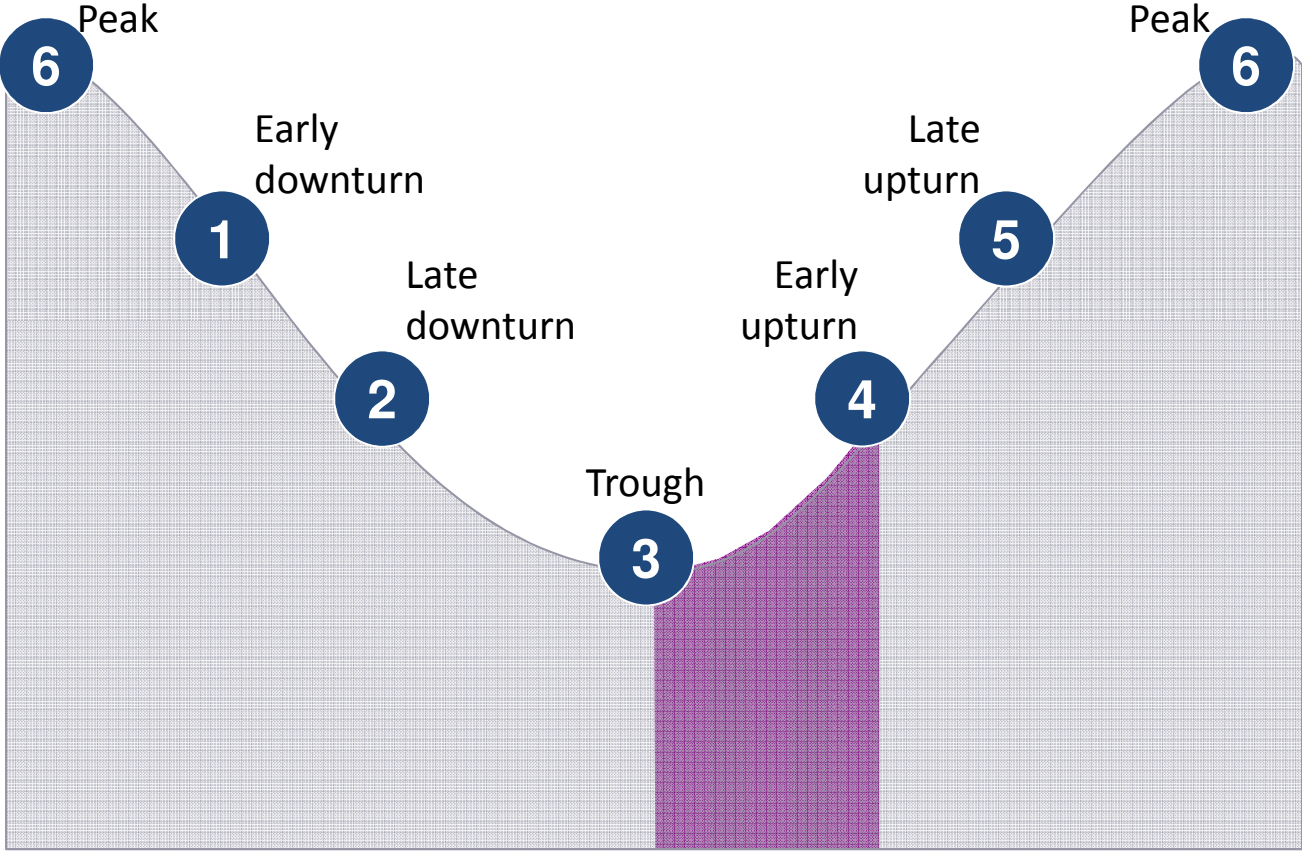
Interstate Hotels & Resorts
Davidson Hotels and Resorts
Crescent Hotels & Resorts
Marshall Management

Marriott International
Hilton Hotels Worldwide
Intercontinental Hotel Group
Starwood Hotels and Resorts
Wyndham Hotels and Resorts
Hyatt Hotels and Resorts
Kimpton Hotels

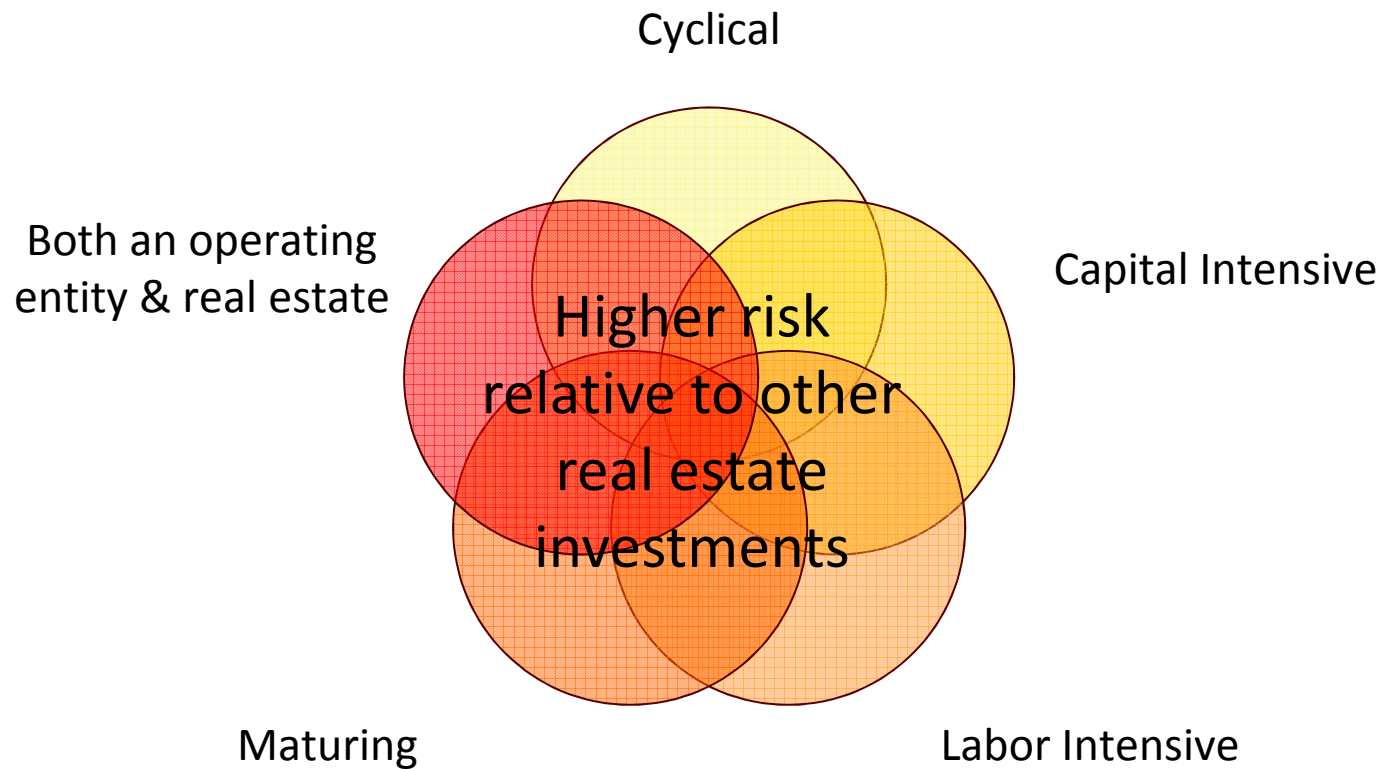
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Owner is
the Operator

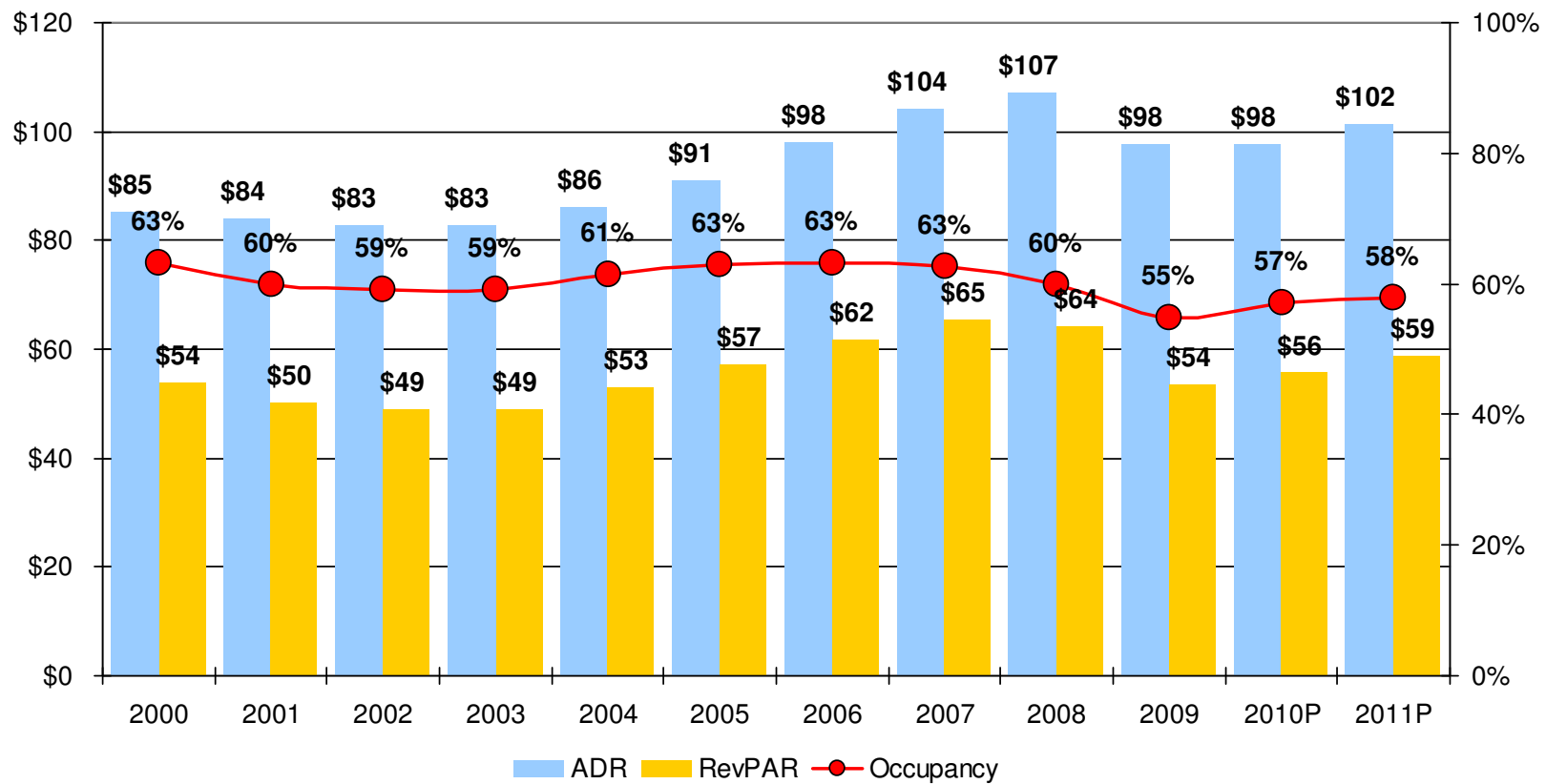
Real Estate & Market Cycle



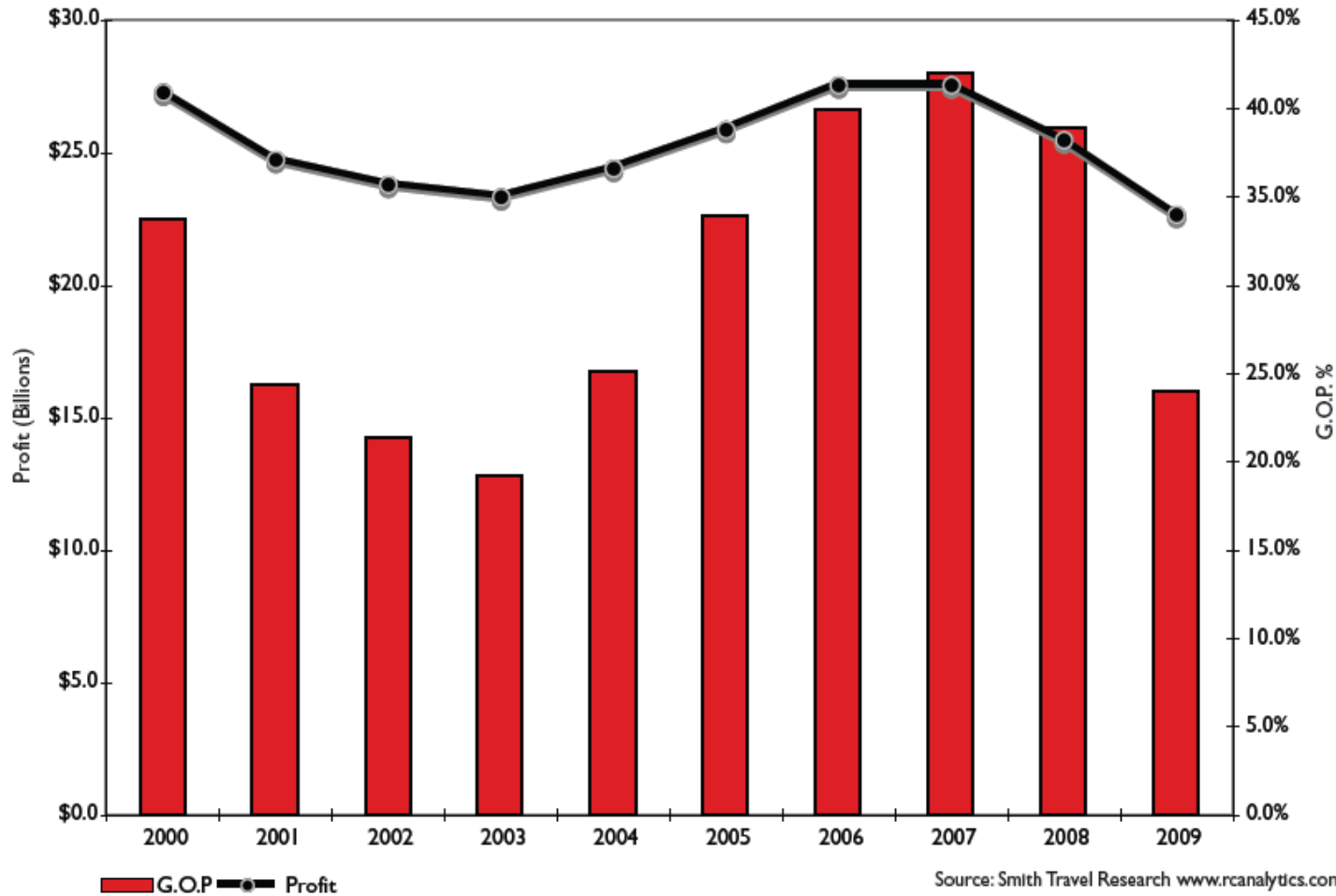
Risk Profile of Hotels Compared to Other Commercial Real Estate



U.S. Hotel Performance Statistics



U.S. Hotel GOP & Profitability



Competitive Set for Hotel

Competitive Supply	
Competitive Hotels	Number of Rooms
Doubletree	230
Independent Property 1	264
Independent Property 2	70
Holiday Inn Express	100
Hilton Garden Inn	229
Marriott	401
Crowne Plaza	299
Omni	361
Total	1,954

Historical Operating Performance

Defined Competitive Lodging Supply

Year	Occupied Room Nights	Available Room Nights	Annual Occ %	Average Daily Rate	RevPAR
2005	414,079	629,625	65.8%	\$111.46	\$73.31
2006	412,281	629,625	65.5%	\$119.91	\$78.51
2007	391,262	629,625	62.1%	\$133.36	\$82.88
2008	380,793	629,625	60.5%	\$131.30	\$79.41
2009	378,281	713,210	53.0%	\$120.09	\$63.70
CAG	(2.2%)	3.2%	--	1.9%	(3.5%)

Demand Generator Summary

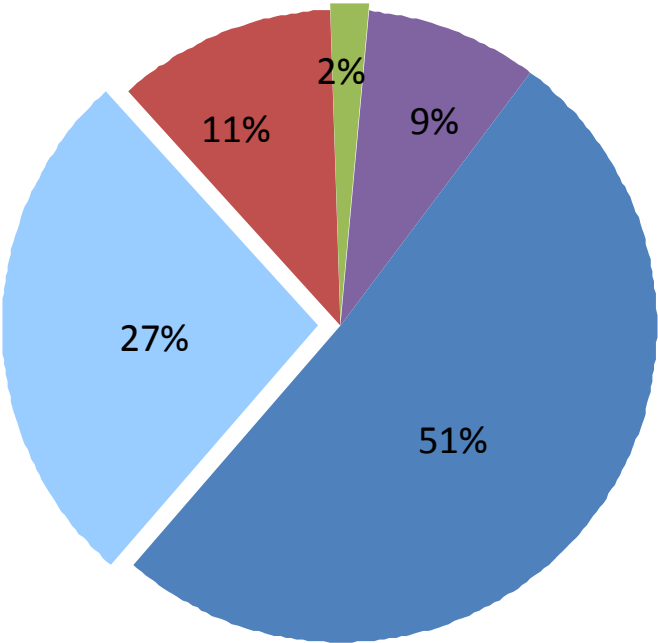
Segment	Room Nights	% Total
Business 1	500	11%
Business 2	430	10%
Business 3	290	6%
Association 1	140	3%
ABC Museum	130	3%
Weddings	1,210	27%
Military Installation	300	7%
Other SMERF Activities (1)	1,510	33%
Total	4,510	100%

Note: (1) Includes all events and activities for market.

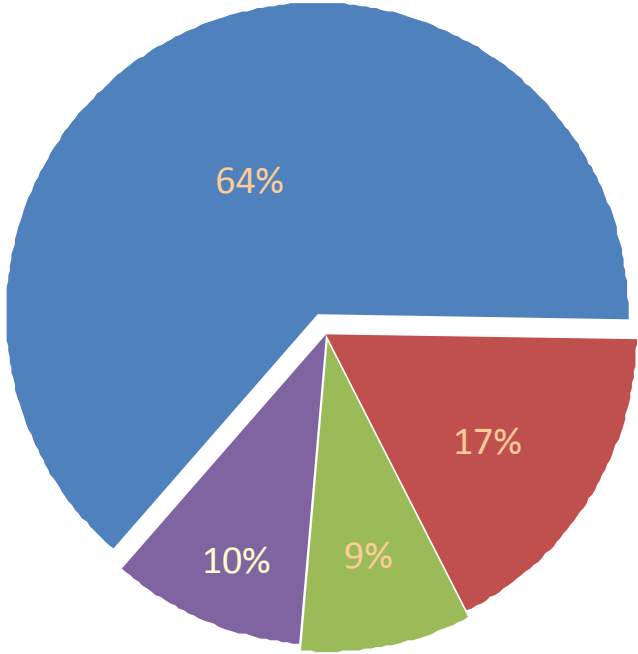
Market Segmentation for Local Supply and Proposed Hotel

Corporate
Contract
Leisure

College-Related
Group



Corporate Transient
Leisure Transient
Group
Gov't/Military



Market Penetration Analysis

Year	2013	2014	2015	2016	2017	2018	2019
Available Rooms in Comp. Set	2,070	2,070	2,070	2,070	2,070	2,070	2,070
Available Room Nights							
Subject Hotel	34,675	34,675	34,675	34,675	34,675	34,675	34,675
Total Market	755,550	755,550	755,550	755,550	755,550	755,550	755,550
Subject's Fair Share	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
Corporate							
Total Segment Demand	104,800	107,900	110,100	110,100	110,100	110,100	110,100
Fair Share of Demand	4,810	4,952	5,053	5,053	5,053	5,053	5,053
Penetration Rate	63%	71%	69%	69%	69%	69%	69%
Demand Captured	3,000	3,500	3,500	3,500	3,500	3,500	3,500
	14%	15%	14%	14%	14%	14%	14%
Government							
Total Segment Demand	66,200	67,500	68,800	68,800	68,800	68,800	68,800
Fair Share of Demand	3,038	3,098	3,157	3,157	3,157	3,157	3,157
Penetration Rate	81%	82%	94%	94%	94%	94%	94%
Demand Captured	2,500	2,500	3,000	3,000	3,000	3,000	3,000
	12%	10%	12%	12%	12%	12%	12%
Group							
Total Segment Demand	160,100	164,900	169,800	169,800	169,800	169,800	169,800
Fair Share of Demand	7,348	7,568	7,793	7,793	7,793	7,793	7,793
Penetration Rate	47%	59%	57%	57%	57%	57%	57%
Demand Captured	3,500	4,500	4,500	4,500	4,500	4,500	4,500
	16%	19%	18%	18%	18%	18%	18%
Leisure							
Total Segment Demand	75,700	77,200	78,800	78,800	78,800	78,800	78,800
Fair Share of Demand	3,474	3,543	3,616	3,616	3,616	3,616	3,616
Penetration Rate	143%	155%	165%	165%	165%	165%	165%
Demand Captured	5,000	5,500	6,000	6,000	6,000	6,000	6,000
	23%	23%	24%	24%	24%	24%	24%
University-Related							
Total Segment Demand	39,100	40,000	40,800	40,800	40,800	40,800	40,800
Fair Share of Demand	1,794	1,836	1,872	1,872	1,872	1,872	1,872
Penetration Rate	420%	435%	425%	425%	425%	425%	425%
Demand Captured	7,500	8,000	8,000	8,000	8,000	8,000	8,000
	35%	33%	32%	32%	32%	32%	32%
Total Demand							
Total Market Demand	445,800	457,500	468,300	468,300	468,300	468,300	468,300
Fair Share of Demand	20,459	20,996	21,492	21,492	21,492	21,492	21,492
Penetration Overall	105%	114%	116%	116%	116%	116%	116%
Demand Captured	21,500	24,000	25,000	25,000	25,000	25,000	25,000
	100%	100%	100%	100%	100%	100%	100%
Estimated Subject Occ.	62%	69%	72%	72%	72%	72%	72%
Estimated Market Occ.	59%	61%	62%	62%	62%	62%	62%

Summary of Estimated Operating Results

Year	Stabilized	2013	2014	2015	2016	2017
Occupancy and Average Daily Rate						
Number of Rooms	95	95	95	95	95	95
Available Rooms Nights	34,675	34,675	34,675	34,675	34,675	34,675
Occupied Rooms Nights	24,966	21,499	23,926	24,966	24,966	24,966
Occupancy	72%	62%	69%	72%	72%	72%
Average Daily Rate	\$118.00	\$125.00	\$133.00	\$137.00	\$141.00	\$145.00
RevPAR	\$84.96	\$77.50	\$91.77	\$98.64	\$101.52	\$104.40
Market Segmentation						
Corporate	14%	14%	15%	14%	14%	14%
Government	12%	12%	10%	12%	12%	12%
Group	18%	16%	19%	18%	18%	18%
Leisure	24%	23%	23%	24%	24%	24%
University-Related	32%	35%	33%	32%	32%	32%
Total	100%	100%	100%	100%	100%	100%
Operating Results						
Total Revenue (000)	\$3,224,000	\$2,949,000	\$3,483,000	\$3,742,000	\$3,852,000	\$3,963,000
Operating Expenses (000) (1)	\$2,142,000	\$2,095,000	\$2,334,000	\$2,496,000	\$2,564,000	\$2,635,000
Operating Expenses Percent of Total Revenue	66%	71%	67%	67%	67%	66%
Net Operating Income (000)	\$1,082,000	\$854,000	\$1,149,000	\$1,246,000	\$1,288,000	\$1,328,000
Net Operating Income Percent of Total Revenue	34%	29%	33%	33%	33%	34%

Three Approaches to Value

Valuation should replicate the motivations and methodologies of the marketplace.

1. **Income Approach** - Model future revenues and expenses, discount cash flow to a present value and as such, represents the anticipated future benefits attributable to ownership.
2. **Sales Comparison** - Compare sales of similar properties to the subject with adjustments made to the reflected price per room for differences. This approach is driven by the economic principle of substitution whereby no investor would pay more for the subject property than it would cost him to purchase another hotel with similar income characteristics and functional utility.
3. **Cost** - Based on the cost to reproduce or replace the subject improvements. Requires an estimate of land value as well as the cost to construct the improvements and an accurate understanding of depreciation of the asset over time. This approach is not typically employed by savvy real estate investors when pricing hotel properties.

Prepare Financial Pro Formas

Year (1)	2011		2012		2013		2014		2015		2016	
Number of Rooms:	498		502		502		502		502		502	
Occupancy:	80%		78%		79%		79%		79%		79%	
Average Rate:	\$161.38		\$170.80		\$187.53		\$200.39		\$206.40		\$212.59	
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
REVENUES												
Rooms	23,377	70.7%	24,408	70.1%	27,213	70.5%	29,079	70.2%	29,951	70.2%	30,850	70.2%
Food and Beverage	8,673	26.2%	9,360	26.9%	10,252	26.6%	11,116	26.9%	11,450	26.9%	11,793	26.9%
Other Operated Departments	516	1.6%	556	1.6%	610	1.6%	661	1.6%	681	1.6%	701	1.6%
Rentals & Other Income	486	1.5%	494	1.4%	514	1.3%	529	1.3%	545	1.3%	561	1.3%
Total	33,052	100.0%	34,818	100.0%	38,589	100.0%	41,385	100.0%	42,627	100.0%	43,905	100.0%
DEPARTMENTAL EXPENSES (2)												
Rooms	6,244	26.7%	6,389	26.2%	6,630	24.4%	6,829	23.5%	7,034	23.5%	7,245	23.5%
Food & Beverage	6,158	71.0%	6,552	70.0%	7,177	70.0%	7,538	67.8%	7,764	67.8%	7,997	67.8%
Other Operated Departments	797	154.5%	816	146.7%	844	138.4%	869	131.5%	895	131.4%	922	131.5%
Total	13,199	39.9%	13,757	39.5%	14,651	38.0%	15,236	36.8%	15,693	36.8%	16,164	36.8%
DEPARTMENTAL INCOME	19,853	60.1%	21,061	60.5%	23,939	62.0%	26,149	63.2%	26,934	63.2%	27,741	63.2%
OPERATING EXPENSES												
Administrative & General	2,493	7.5%	2,718	7.8%	2,975	7.7%	3,237	7.8%	3,335	7.8%	3,435	7.8%
Sales and Marketing	2,446	7.4%	2,519	7.2%	2,605	6.8%	2,689	6.5%	2,770	6.5%	2,853	6.5%
Property Oper. & Maintenance	1,376	4.2%	1,417	4.1%	1,465	3.8%	1,513	3.7%	1,558	3.7%	1,605	3.7%
Utilities	1,770	5.4%	1,822	5.2%	1,890	4.9%	1,954	4.7%	2,012	4.7%	2,073	4.7%
Total	8,085	24.5%	8,476	24.3%	8,935	23.2%	9,393	22.7%	9,675	22.7%	9,966	22.7%
GROSS OPERATING PROFIT	11,768	35.6%	12,585	36.2%	15,003	38.8%	16,756	40.5%	17,259	40.5%	17,775	40.5%
Management Fee	992	3.0%	1,045	3.0%	1,158	3.0%	1,242	3.0%	1,279	3.0%	1,317	3.0%
FIXED EXPENSES												
Rent	26	0.1%	27	0.1%	27	0.1%	28	0.1%	29	0.1%	30	0.1%
Property and Other Taxes	2,629	8.0%	2,708	7.8%	2,789	7.2%	2,873	6.9%	2,959	6.9%	3,048	6.9%
Insurance	294	0.9%	303	0.9%	313	0.8%	323	0.8%	332	0.8%	342	0.8%
Replacement Reserve	1,322	4.0%	1,393	4.0%	1,544	4.0%	1,655	4.0%	1,705	4.0%	1,756	4.0%
Total	4,271	13.0%	4,431	12.8%	4,673	12.1%	4,879	11.8%	5,025	11.8%	5,176	11.8%
NET OPERATING INCOME (3)	6,505	19.6%	7,109	20.4%	9,172	23.7%	10,635	25.7%	10,955	25.7%	11,282	25.7%

Financial Comparables

	Ratio to Sales				Per Available Room				Per Occ. Rm. Night			
	Comparables			Subject SOR	Comparables			Subject SOR	Comparables			Subject SOR
	Min	Max	Average		Min	Max	Average		Min	Max	Average	
Revenues												
Rooms	66.0%	84.4%	77.2%	71.0%	\$10,146	\$25,033	\$15,643	\$14,892	\$66.50	\$102.83	\$84.36	\$68.00
Food & Beverage	14.2%	28.9%	19.7%	28.1%	\$2,745	\$5,993	\$3,849	\$5,897	\$17.32	\$33.37	\$21.35	\$26.93
Other Operated Departments	0.0%	5.1%	2.4%	0.6%	\$1	\$1,054	\$505	\$133	\$0.01	\$5.87	\$2.69	\$0.61
Rentals and Other	0.0%	2.4%	0.7%	0.2%	\$0	\$398	\$106	\$51	\$0.00	\$2.71	\$0.71	\$0.23
Total	100.0%	100.0%	100.0%	100.0%	\$13,503	\$29,652	\$20,103	\$20,973	\$88.51	\$121.80	\$109.12	\$95.77
Departmental Expenses (1)												
Rooms	24.8%	33.9%	29.6%	32.0%	\$3,444	\$6,197	\$4,487	\$4,764	\$22.57	\$25.67	\$24.57	\$21.75
Food & Beverage	53.3%	124.9%	93.3%	80.0%	\$2,720	\$4,091	\$3,370	\$4,718	\$16.80	\$21.63	\$18.63	\$21.54
Other Operated Departments	29.5%	10057.1%	2069.9%	107.7%	\$143	\$681	\$325	\$144	\$0.97	\$3.65	\$1.76	\$0.66
Total	35.7%	47.0%	41.6%	45.9%	\$6,353	\$10,587	\$8,181	\$9,626	\$41.64	\$50.95	\$44.97	\$43.95
Departmental Income	53.0%	64.3%	58.4%	54.1%	\$7,150	\$19,065	\$11,922	\$11,347	\$46.86	\$78.31	\$64.15	\$51.82
Undistributed Operating Expenses												
Administrative and General	9.2%	16.3%	12.9%	13.8%	\$1,246	\$3,319	\$2,577	\$2,903	\$8.16	\$18.13	\$14.15	\$13.25
Sales and Marketing	10.4%	15.1%	13.1%	13.4%	\$1,785	\$4,441	\$2,657	\$2,805	\$11.70	\$18.24	\$14.35	\$12.81
Property Operations and Maintenance	6.2%	8.6%	7.7%	4.5%	\$1,162	\$1,843	\$1,512	\$949	\$7.57	\$9.55	\$8.38	\$4.33
Utilities	6.0%	14.7%	10.6%	6.2%	\$1,639	\$2,393	\$1,962	\$1,303	\$7.27	\$16.27	\$11.31	\$5.95
Total	38.3%	54.3%	44.4%	37.9%	\$6,123	\$11,350	\$8,708	\$7,960	\$40.13	\$60.28	\$48.19	\$36.34
Gross Operating Profit	4.7%	26.0%	14.0%	16.2%	\$769	\$7,715	\$3,215	\$3,387	\$5.23	\$31.69	\$15.96	\$15.48
Management Fee	0.0%	3.6%	1.9%	2.5%	\$0	\$1,071	\$442	\$523	\$0.00	\$4.40	\$2.27	\$2.39
Income Before Fixed Charges	1.7%	22.4%	12.1%	13.7%	\$279	\$6,644	\$2,773	\$2,864	\$1.90	\$27.29	\$13.69	\$13.09
Fixed Charges												
Rent	0.0%	0.7%	0.2%	0.5%	\$0	\$134	\$47	\$103	\$0.00	\$0.72	\$0.25	\$0.47
Property and Other Taxes	0.0%	4.7%	2.4%	2.7%	\$0	\$954	\$503	\$559	\$0.00	\$5.12	\$2.67	\$2.55
Insurance	0.0%	1.8%	0.5%	1.1%	\$0	\$539	\$134	\$231	\$0.00	\$2.21	\$0.59	\$1.05
Total	0.0%	5.4%	3.2%	4.3%	\$0	\$1,088	\$685	\$893	\$0.00	\$5.84	\$3.51	\$4.07
Net Operating Income	1.7%	18.7%	8.9%	9.4%	\$279	\$5,557	\$2,088	\$1,971	\$1.90	\$22.82	\$10.18	\$9.02
Less: Reserves for Replacement	0.0%	4.0%	1.6%	4.0%	\$0	\$1,186	\$403	\$841	\$0.00	\$4.87	\$1.90	\$3.84
Adjusted Net Operating Income (2)	1.7%	14.7%	7.3%	5.4%	\$279	\$4,371	\$1,685	\$1,130	\$1.90	\$17.95	\$8.29	\$5.18

Investor Survey

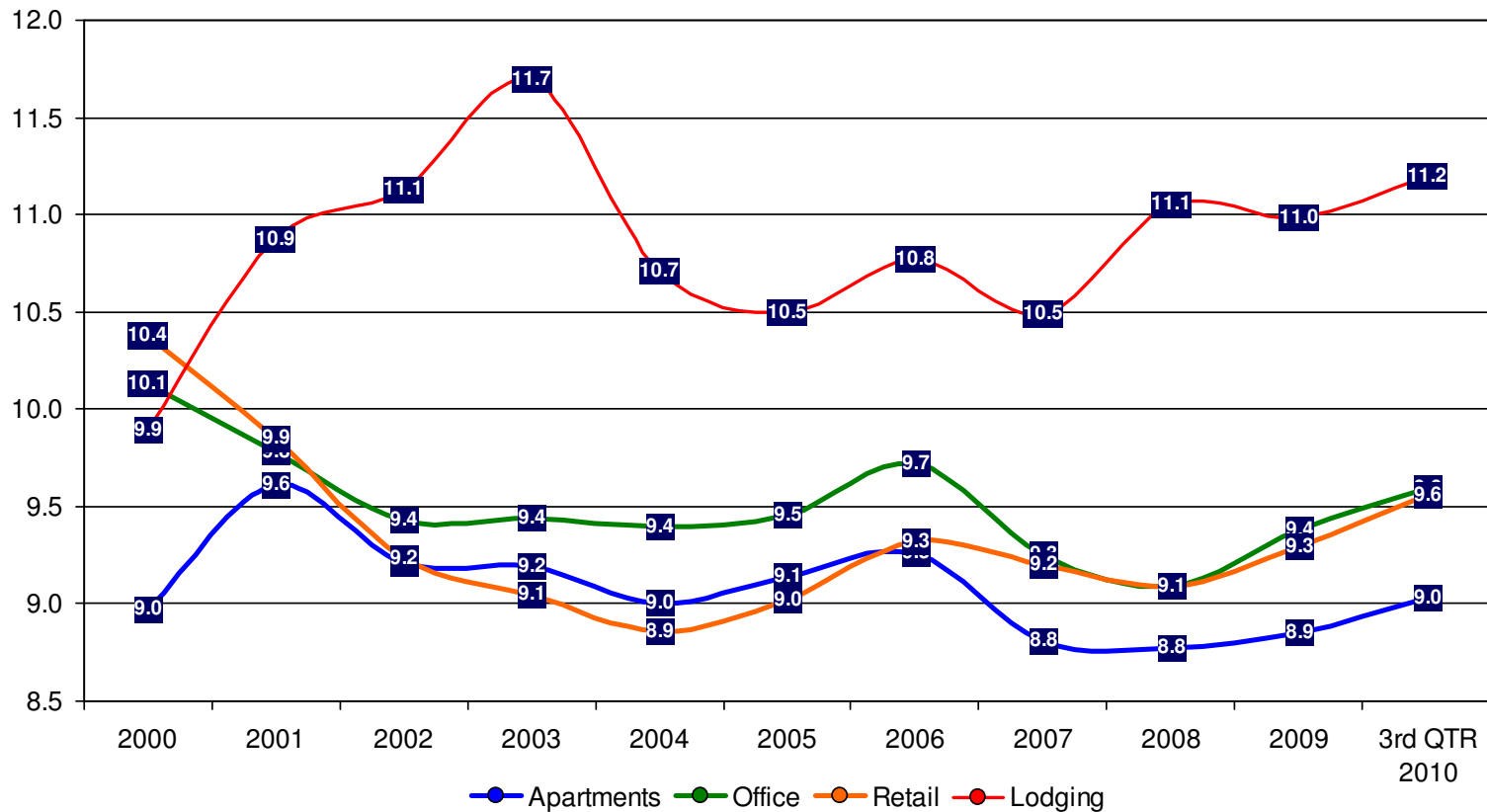
Investor Survey- Discount and Capitalization Rates

Publication	Property Type	Discount Rates	Terminal Capitalization Rates	Overall Capitalization Rates ¹
Korpacz Real Estate Investor Survey (3rd Qtr 2009)	Limited-Service	13.19% 10.00% to 18.00%	11.25% 9.00% to 14.00%	10.85% 9.00% to 14.00%
Korpacz Real Estate Investor Survey (3rd Qtr 2009)	Full-Service	11.69% 10.00% to 14.00%	10.22% 7.50% to 12.00%	9.84% 6.50% to 14.00%
IRR - Viewpoint (2010)	CBD Lodging - U.S. Avg.	11.43%	10.34%	10.30%
IRR - Viewpoint (2010)	CBD Lodging - Boston, MA	11.50%	10.25%	9.50%
USRC Hotel Investor Survey (Winter 2010)	Full-Service	12.10% 10.00% to 15.00%	9.30% 8.00% to 11.00%	9.30% 5.00% to 12.00%

¹ Based on a stabilized NOI.

Source: Respective publications

Historical Average Overall Cap Rate Indices



Discounted Cash Flow

Discount Rate	10.5%
Terminal Capitalization Rate	8.5%

Year	Cash Flow	Present Value		Cash on Cash Return
		Factor at 10.5%	Present Value Cash Flow	
2011	6,505,000	0.904977	5,886,875	5.8%
2012	7,109,000	0.818984	5,822,157	6.3%
2013	9,172,000	0.741162	6,797,938	8.2%
2014	10,635,000	0.670735	7,133,267	9.5%
2015	10,955,000	0.607000	6,649,685	9.7%
2016	11,282,000	0.549321	6,197,440	10.0%
2017	11,620,000	0.497123	5,776,569	10.3%
2018	11,971,000	0.449885	5,385,573	10.7%
2019	12,329,000	0.407136	5,019,580	11.0%
2020	12,699,000	0.368449	4,678,934	11.3%
Reversion	\$153,101,235	0.368449	56,409,997	
Indication of market value "as is"			\$115,758,015	

<u>Estimated reversion:</u>	
Terminal Year Expected Cash Flow (Year 2021)	13,079,000
Terminal capitalization rate	8.5%
Estimated sales price in Year 11	\$153,870,588
Less: Costs of sale (0.5%)	\$769,353
Amount of reversion	\$153,101,235
Indication of market value "as is"	\$115,758,015
Less: Capital Deduction	3,400,000
Indication of market value "as is"	\$112,358,015
(Rounded)	\$112,400,000

Summary of Comparable Sales

Summary of Comparable Sales

Sale	Hotel/ Location	Date of Sale	Unadjusted Sale Price per Unit	# of Units/ Year Opened	ADR/OCC/ RevPAR	NOI/Room Cap Rate RRM
1	Hyatt Regency Boston, MA	February-09	\$224,900	498 1985	\$200.29 79.6% \$159.43	\$14,181,352 12.7% 3.9
2	W Hotel San Francisco	July-09	\$222,772	404 1999	\$238.02 66.9% \$159.24	\$6,300,000 7.0% 3.8
3	LeMeridien Cambridge, MA	December-07	\$300,952 *\$340,952	210 1998	\$204.05 80.6% \$164.46	\$4,700,000 6.6% 5.0

*Price per key including renovation

Summary of Adjustments of Comparables Sales

Summary of Adjustments of Comparable Sales

	Sale 1	Sale 2	Sale 3
Unadjusted Price per Room	\$224,900	\$222,772	\$300,952
Interest Conveyed	Downward	Equal	Equal
Financing	Equal	Equal	Equal
Market Conditions	Upward	Upward	Downward
Condition of Property	Equal	Equal	Equal
Occupancy	Equal	Equal	Equal
Income Prospects	Equal	Downward	Equal
Amenities	Equal	Equal	Equal
Location	Equal	Equal	Upward
Facilities	Equal	Equal	Equal
Physical Characteristics	Equal	Equal	Equal
TOTAL ADJUSTMENTS	Equal	Equal	Downward
<i>Price per Room Adjusted</i>	\$ 224,900	\$ 222,772	\$ 210,666
<i>Price per Room Adjusted w/ Renov</i>	\$ 224,900	\$ 222,772	\$ 238,666
<i>Adjusted Price per Room</i>	\$ 224,900	\$ 222,800	\$ 250,700

RRM Approach

Projections	Projected Rooms Revenue	Room Revenue Multiplier	Indicated Value	Value Per Room
Management's 2010 Forecast ⁽¹⁾	\$2,251,464	1.5	<u>\$3,377,196</u>	<u>\$17,319</u>
		2.0	\$4,502,928	\$23,091
2011 Estimate	\$2,421,000	1.5	<u>\$3,631,500</u>	<u>\$18,623</u>
		2.0	\$4,842,000	\$24,831

Note: ⁽¹⁾ Based on year-to-date 2010 actual performance through August.

Cost Approach Summary

Replacement Cost New	\$84,800,000
Furniture, fixtures, and equipment (FF&E)	\$12,450,000
Soft cost allocation	\$12,640,000
Entrepreneurial profit	\$11,000,000
Total Cost New	\$120,890,000
Less: Depreciation	\$12,875,000
Less: Economic Obsolescence	\$31,700,000
Depreciated Cost	\$76,315,000
Add: Land Value	\$36,105,000
Indicated Value by the Cost Approach	\$112,420,000
Rounded	\$112,400,000

Other Factors to Talk About

- Variable vs. Fixed Costs in Hotels
- Labor - Highest Expense at Hotel
 - Management vs. Line Staff
 - Complexing and Cross Utilization
- Food and Beverage – internal vs external to hotel
- Looking forward vs. looking back depends on where you are in cycle
- Encumbered property and impact on value

Questions