

# Hotel & Leisure Advisors

## Hotels & Waterpark Industry – Insights, Trends and Valuation Keys

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# Hotel & Leisure Advisors

## Presentation Outline:

1. National Hotel Overview
2. National Waterparks Overview
3. Appraisal and Market Analysis for Hotels and Waterparks



# National Hotel Overview

## Operating Performance Forecasts

- Smith Travel Research (STR) reported 2015 was the strongest on record for the hotel industry. Records were set for supply (more than 1.8 billion room nights) and demand (almost 1.2 billion room nights). Performance metrics were the highest STR has ever benchmarked with occupancy at 65.5%, ADR at \$120.01 and RevPAR at \$78.67.

Overall U.S. Lodging Performance						
	Occupancy	% Change	ADR	% Change	RevPAR	% Change
2011	60.0%	4.2%	\$101.71	3.8%	\$61.03	8.1%
2012	61.4%	2.3%	\$105.96	4.2%	\$65.06	6.6%
2013	62.2%	1.3%	\$110.09	3.9%	\$68.49	5.3%
2014	64.4%	3.5%	\$115.03	4.5%	\$74.04	8.2%
2015	65.5%	1.7%	\$120.01	4.4%	\$78.67	6.3%

Source: Smith Travel Research

# National Hotel Overview

## Regional Hotel Overview

- Smith Travel Research also tracks key performance metrics by region. The following table shows the performance of U.S. hotels by region for the past four years, based on statistics from Smith Travel Research's *Hotel Review*.

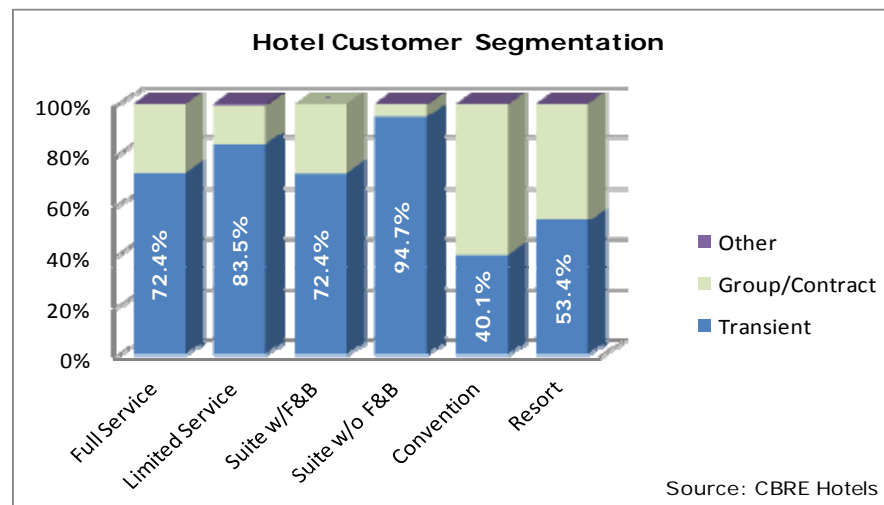
U.S. Hotel Performance by Regions												
	Occupancy				ADR				RevPAR			
	2012	2013	2014	2015	2012	2013	2014	2015	2012	2013	2014	2015
<b>New England</b>	61.4%	62.4%	63.5%	64.8%	\$127.18	\$131.85	\$139.15	\$145.84	\$78.11	\$82.22	\$88.37	\$94.48
<b>Middle Atlantic</b>	66.5%	65.9%	66.9%	67.6%	\$150.64	\$155.90	\$160.87	\$162.13	\$100.12	\$102.73	\$107.58	\$109.61
<b>South Atlantic</b>	60.8%	61.9%	64.9%	66.6%	\$103.49	\$106.63	\$110.77	\$116.36	\$62.89	\$65.96	\$71.91	\$77.49
<b>East North Central</b>	58.4%	59.0%	60.5%	61.5%	\$92.47	\$95.54	\$99.68	\$104.72	\$53.97	\$56.47	\$60.34	\$64.37
<b>East South Central</b>	56.2%	56.8%	59.2%	61.1%	\$79.48	\$82.00	\$85.96	\$90.62	\$44.69	\$46.54	\$50.92	\$55.34
<b>West North Central</b>	57.3%	57.7%	59.6%	59.7%	\$84.20	\$86.52	\$89.96	\$93.06	\$48.23	\$49.97	\$53.63	\$55.56
<b>West South Central</b>	60.5%	61.4%	63.9%	63.1%	\$88.87	\$93.06	\$96.05	\$98.21	\$53.75	\$57.10	\$61.36	\$61.94
<b>Mountain</b>	59.1%	60.2%	63.1%	65.0%	\$96.20	\$98.97	\$103.07	\$108.69	\$56.86	\$59.62	\$65.05	\$70.66
<b>Pacific</b>	67.8%	69.4%	71.4%	73.3%	\$126.30	\$133.75	\$141.90	\$150.79	\$85.65	\$92.83	\$101.32	\$110.54
<b>Total U.S.</b>	61.3%	62.2%	64.4%	65.6%	\$106.25	\$110.30	\$114.92	\$120.01	\$65.15	\$68.58	\$74.04	\$78.67

Source: Smith Travel Research

# National Hotel Overview

## Occupancy by Demand Segment

- According to the *2015 TRENDS in the Hotel Industry* report from CBRE Hotels/PKF, transient business dominates segmentation across all property types (except convention hotels), followed by group/contract business. Of note is that from 2014 to 2015, transient demand at resort properties decreased while group demand increased. Contract demand makes up a very small portion of demand and was included in the group segment since those rooms are usually booked by the group sales team. Other demand makes up less than 1.3% in each category.



# National Hotel Overview

## New Supply of Lodging Rooms

- With demand at an all-time high, the potential for oversupply of rooms is a concern; however, current projections point to continued absorption of new supply and steady occupancy rates. In late 2015, Lodging Econometrics reported that new hotel openings will accelerate over the next two years and peak in 2018-19.

<b>Hotel Openings 2012-2017</b>	
<b>Year</b>	<b>No. of Hotels</b>
2012	412
2013	488
2014	557
2015	742
2016	845
2017	998

Source: Lodging Econometrics

# National Hotel Overview

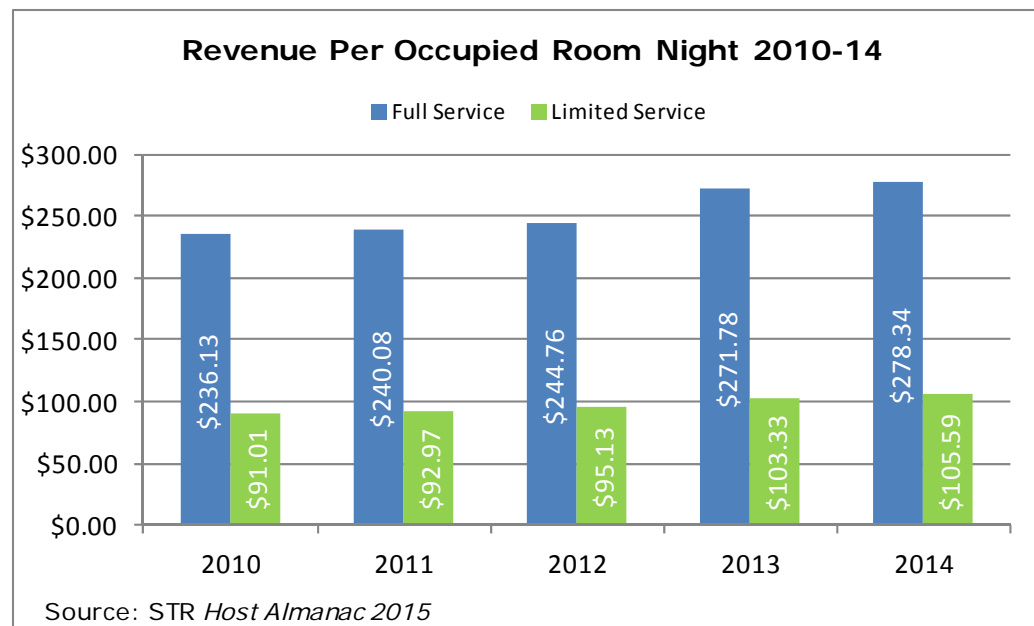
## U.S. Pipeline by Chain Scale Segment

U.S. Pipeline by Chain Scale Segment						
Chain scale	Preliminary Existing Supply	% Change vs. Previous Year	In Construction	% Change vs. Previous Year	Total Under Contract	% Change vs. Previous Year
<b>Luxury</b>	108,485	0.4%	7,440	35.0%	11,549	18.7%
<b>Upper Upscale</b>	583,906	2.7%	11,524	-13.5%	38,885	23.4%
<b>Upscale</b>	660,640	4.7%	49,203	10.8%	135,580	18.1%
<b>Upper Midscale</b>	888,843	1.4%	47,954	36.1%	157,034	23.9%
<b>Midscale</b>	479,040	-0.8%	5,321	1.3%	29,533	17.0%
<b>Economy</b>	784,149	1.3%	1,512	130.8%	6,801	70.0%
<b>Unaffiliated</b>	1,533,422	-0.2%	17,749	13.2%	89,757	-11.0%
<b>Total</b>	5,038,485	1.2%	140,703	17.2%	469,139	13.6%
Note: Rooms under contract includes projects in In Construction, Final Planning and Planning stages.						
Source: STR						

# National Hotel Overview

## Financial Performance

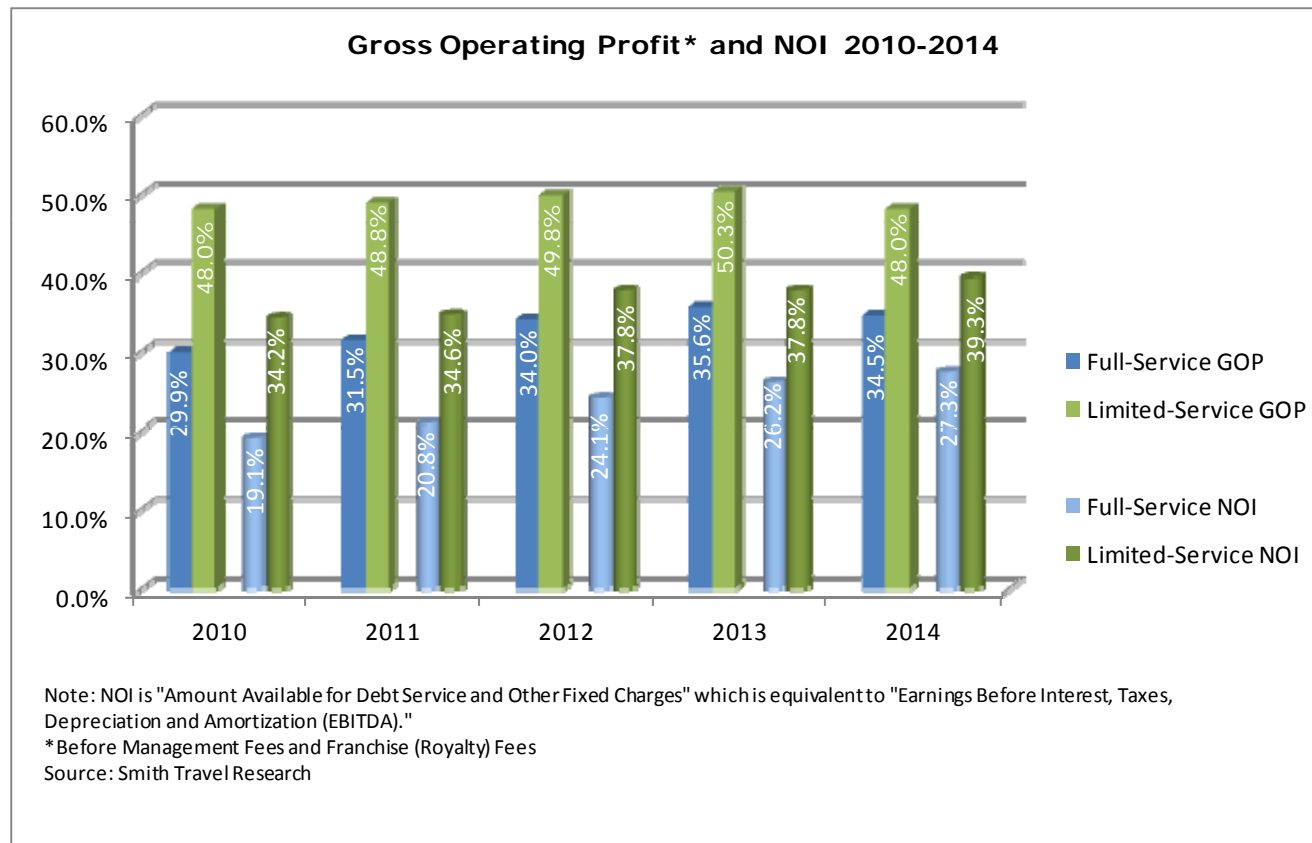
- These are financial statistics published in Smith Travel Research's Host Almanac 2015, derived from income and expense statements of more than 5,300 hotels for year-end 2014 and trend data from more than 30,000 hotels.





# National Hotel Overview

## Financial Performance



# National Hotel Overview

## Hotel Sales

In its *2015 Hotel Transaction Almanac*, STR Analytics reported \$27.8 billion in U.S. hotel transactions occurred in 2014. During the year, \$18.5 billion in hotel assets changed hands while the remaining \$9.3 billion resulted in new hotel openings.

- The average price per key was a record \$219,000, a 15.3% increase over 2013
- The total investment for acquisitions increased to \$249,000, while the average cost for construction was \$186,000
- Distressed sales fell to normal levels, with only 4% of hotel trades involving a struggling asset
- The average cap rate declined to 8.2%, the lowest on record

# National Hotel Overview

## Hotel Sales

<b>Hotel Sales by Chain Scale</b>					
	<b>Transactions</b>	<b>Percentage of Transaction Activity</b>	<b>Average Room Count</b>	<b>Average Price per Room</b>	<b>Room Revenue Multiplier</b>
<b>Luxury</b>	18	4%	366	\$462,000	6.53
<b>Upper Upscale</b>	52	11%	381	\$214,000	6.92
<b>Upscale</b>	178	40%	153	\$227,000	6.42
<b>Upper Midscale</b>	61	14%	132	\$111,000	4.12
<b>Midscale</b>	30	7%	129	\$55,000	2.84
<b>Economy</b>	21	5%	96	\$40,000	3.24
<b>Independent</b>	87	19%	196	\$296,000	6.82
<b>Total</b>	447	100%	189	\$219,000	5.50

Source: STR Hotel Transaction Almanac 2015

# National Hotel Overview

## Hotel Industry Outlook

- Looking ahead to 2016, projections from STR, CBRE Hotels, and PricewaterhouseCoopers (PwC) show similar forecasts. Demand is expected to outpace supply, and ADR and RevPAR growth will remain strong. The only noticeable difference between the forecasts is that STR is forecasting more conservative ADR growth.

<b>Industry Forecasts 2016</b>			
	<b>STR</b>	<b>CBRE</b>	<b>PwC</b>
Supply	1.5%	1.8%	1.9%
Demand	2.3%	2.1%	2.1%
Occupancy	0.8%	0.3%	0.2%
ADR	4.8%	5.2%	5.2%
RevPAR	5.7%	5.5%	5.5%

Source: STR/Hotel & Leisure Advisors

# National Hotel Overview

## Hotel Industry Outlook

- H&LA's analysis indicates that the lodging industry will continue to enjoy the steady success it has seen over the past few years
- We project continued improvement in 2016 with higher percentage ADR gains for upscale, upper upscale and luxury properties
- Occupancy and ADR will start to show slight declines beginning in 2017 or 2018 on a national basis due to supply additions

# National Waterpark Overview

## Types of Waterparks:

- An outdoor waterpark is a facility offering three or more water slides and other aquatic facilities.
- An indoor waterpark resort is a lodging establishment containing an indoor aquatic facility with a minimum of 10,000 square feet of indoor waterpark space and inclusive of amenities such as slides, tubes, and a variety of indoor water play features.
- A standalone indoor waterpark is an aquatic center without an attached hotel, having a minimum of 10,000 square feet, inclusive of at least three amenities such as slides, tubes, and a variety of indoor water play features.
- A resort hotel with outdoor waterpark is a hotel with three or more water play features, such as slides, lazy rivers, or wave pools that require lifeguards.

# National Waterpark Overview

2016 U.S. Open Waterpark Supply by Region			
U.S. Outdoor Waterparks			
Region	Municipal	Private	Total
Northeast	8	63	71
Midwest	223	48	271
South	144	123	267
West	68	53	121
<b>Total</b>	<b>443</b>	<b>287</b>	<b>730</b>

Note: Outdoor waterpark defined as an aquatic facility without attached hotel having 3 or more slides

U.S. Indoor Waterpark Resorts			
Region	Franchise	Independent	Total
Northeast	7	9	16
Midwest	35	64	99
South	0	13	13
West	4	5	9
<b>Total</b>	<b>46</b>	<b>91</b>	<b>137</b>

Note: Indoor waterpark resort defined as a hotel with a minimum of 10,000 square feet of indoor waterpark space

U.S. Standalone Indoor Waterparks			
Region	Municipal	Private	Total
Northeast	2	1	3
Midwest	22	1	23
South	9	0	9
West	34	2	36
<b>Total</b>	<b>67</b>	<b>4</b>	<b>71</b>

Note: Standalone indoor waterpark defined as having a minimum of 10,000 square feet of aquatic area and featuring multiple water features

U.S. Resorts with Outdoor Waterparks Only			
Region	Franchise	Independent	Total
Northeast	0	2	2
Midwest	0	2	2
South	15	19	34
West	12	6	18
<b>Total</b>	<b>27</b>	<b>29</b>	<b>56</b>

Note: Resort with outdoor waterpark defined as a resort hotel having an outdoor waterpark with at least 3 features (e.g. slide, lazy river, wave pool, etc.). This count excludes those that also have indoor waterparks.

**Combined Total Number of U.S. Waterparks** **994**

Source: Hotel & Leisure Advisors, LLC, February 2016

# National Waterpark Overview

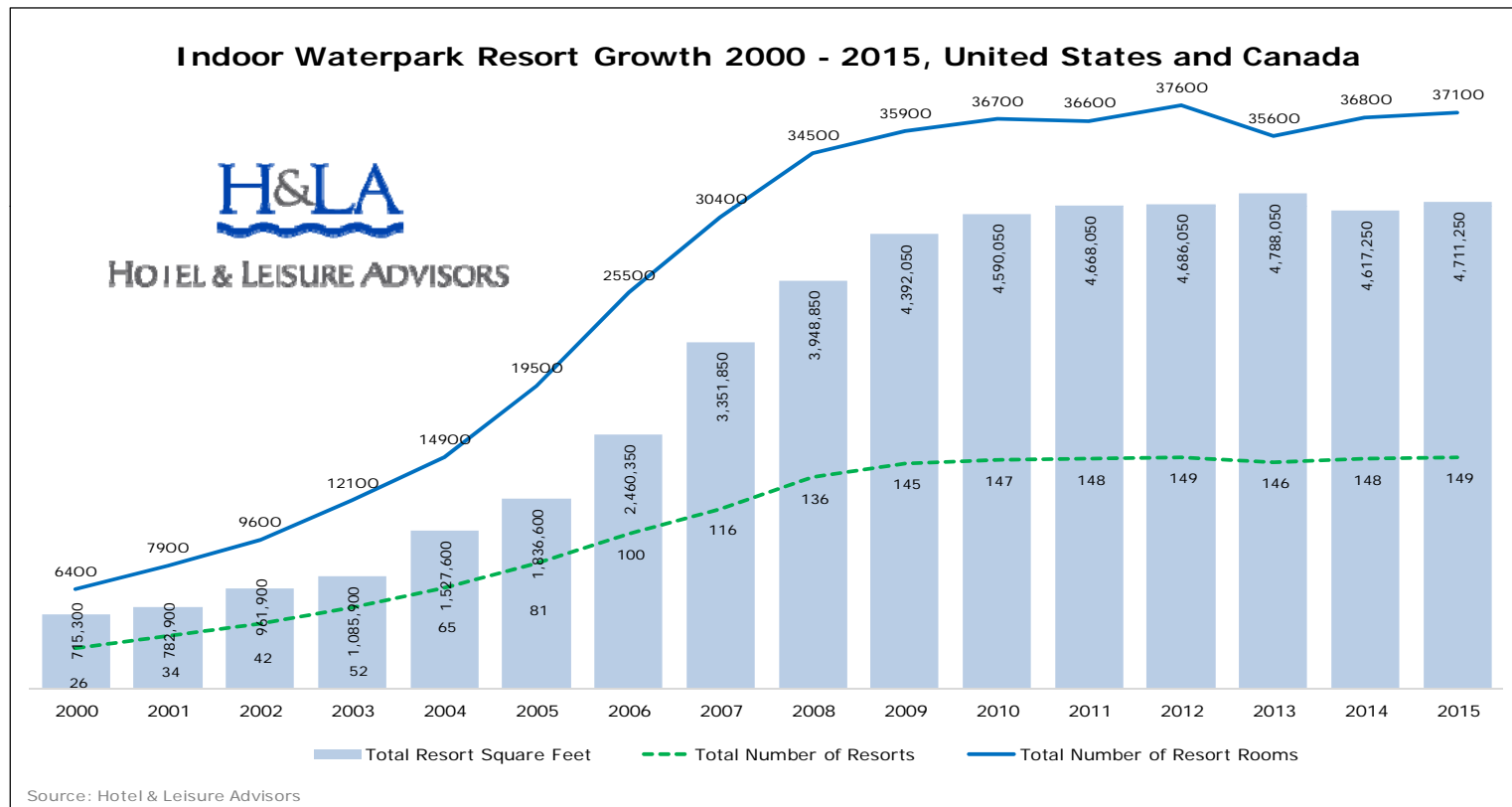
**Types of Indoor Waterparks in Lodging Establishments**

	Hotel with Water Features	Hotel with Indoor Waterpark	Indoor Waterpark Destination Resort
Size of aquatic area	1,000 to less than 10,000 square feet	10,000 to 30,000 square feet	30,000+ square feet
Possible Amenities	swimming pool, slide, toddler area with mushroom, spray gun	multiple slides, tree house with slides, spray guns, tipping buckets, Jacuzzi, various pools, lazy river	multiple slides, tree house with slides, spray guns, tipping buckets, Jacuzzi, various pools, lazy river, wave pool, water coaster, surfing, outdoor waterpark features
Capacity	up to 250 people	250 to 750 people	750 to 5,000 people
Minimum Number of Lifeguards	1	3	10
Size	0 to 1,000 square feet	1,000 to 3,000 square feet	3,000 to 10,000 square feet
Source: Hotel & Leisure Advisors			



# National Waterpark Overview

## Growth in Indoor Waterpark Resorts in United States and Canada



# National Waterpark Overview

## Sizing of Indoor Waterparks

- The typical indoor waterpark resort property has approximately 150 square feet of net indoor waterpark space (waterpark area and play area but excluding arcade, gift shop, offices) per guestroom
- This correlates with research that indicates an indoor waterpark should have approximately 35 to 40 square feet of space per person
- Because a typical hotel room will house between three and four people, this calls for between 105 and 160 square feet of indoor waterpark space per guestroom. Some larger properties have up to 200 square feet of indoor waterpark per guestroom

# National Waterpark Overview

## Indoor Waterparks Occupancy and Average Room Rates

Waterpark resorts generally outperform the non-waterpark hotels in the same market. There are several reasons for this premium performance, including:

- Year-round destination resorts
- Elimination of weather-related vacation risks
- Wide appeal of water-based recreation
- Increasing demand for short drive-to getaway vacations
- Themes with varying levels of appeal
- Location proximate to customer base
- Location within established family vacation market

# National Waterpark Overview

## Great Wolf Resort Performance Figures

Great Wolf Resorts, Inc. Operating Statistics for 2008-2012					
	2012	2011	2010	2009	2008
All Properties					
Occupancy	66.4%	63.3%	59.7%	59.8%	63.6%
ADR	\$261.55	\$260.10	\$252.30	\$244.79	\$253.85
RevPAR	\$173.69	\$164.58	\$150.60	\$146.38	\$161.33
Total RevPOR	\$399.30	\$395.18	\$387.83	\$376.93	\$387.70
Total RevPAR	\$265.17	\$250.05	\$231.50	\$225.40	\$246.39
Generation I Resorts (Wisconsin Dells, Sandusky, Traverse City, Kansas City)					
Occupancy	58.9%	56.1%	52.7%	52.7%	56.6%
ADR	\$200.31	\$201.09	\$198.56	\$191.45	\$196.25
RevPAR	\$118.05	\$112.77	\$104.70	\$100.92	\$110.98
Total RevPOR	\$302.81	\$302.77	\$300.42	\$288.87	\$293.86
Total RevPAR		\$169.79	\$158.42	\$152.28	\$166.19
Generation II Resorts (Williamsburg, Poconos, Niagara Falls, Mason, Grapevine, Grand Mound and Concord)					
Occupancy	69.2%	66.0%	63.9%	63.7%	67.0%
ADR	\$281.24	\$279.05	\$271.86	\$263.95	\$279.58
RevPAR	\$194.71	\$184.15	\$173.76	\$168.14	\$187.44
Total RevPOR	\$430.33	\$424.84	\$419.92	\$408.36	\$421.50
Total RevPAR		\$280.37	\$268.39	\$260.14	\$282.60

Source: Great Wolf Resorts, Inc. (SEC Filings)

# National Waterpark Overview

## 2015 Indoor Waterpark Openings

Indoor Waterpark Additions & Indoor Waterpark Resorts Opened in 2015				
Indoor Waterparks and Resorts	City	State /Prov	New Rooms	Indoor Waterpark Sq. Ft.
Holiday Inn Express/Raptor Reef/Triple Play Laser Tag Arena and Ropes Course Addition	Hayden	ID	0	0
Camelback Lodge and Aquatopia Indoor Waterpark	Tannersville	PA	453	125,000
Kalahari Resort	Pocono Manor	PA	457	106,000
New Residence Inn at WaTiki Indoor Waterpark Resort	Rapid City	SD	144	0
Brookings Days Inn Waterpark Addition	Brookings	SD	0	12,000
Wilderness at the Smokies Boomerango Addition to OWP	Sevierville	TN	0	0
<b>Total</b>			<b>1,054</b>	<b>243,000</b>
Note: Resorts have a minimum of 10,000 square feet of indoor waterpark space				
Source: Hotel & Leisure Advisors, LLC				

# Camelback Lodge and Waterpark



# Camelback Lodge and Waterpark



# Camelback Lodge and Waterpark





# National Waterpark Overview

## 2016 Indoor Waterpark Openings

Indoor Waterpark Additions & Indoor Waterpark Resorts Open or Projected to Open in 2016				
Indoor Waterparks and Resorts	City	State / Prov	New Rooms	Indoor Waterpark Sq. Ft.
Great Wolf Lodge Southern California	Garden Grove	CA	603	105,000
Great Wolf Lodge	Colorado Springs	CO	311	65,000
Four Points by Sheraton Hotel with an Expanded Former CoCo Key Waterpark at Arlington Downs *	Arlington Heights	IL	161	10,000
Ascend Hotel and Parrot Cove Indoor Waterpark	Garden City	KS	96	20,000
Expansion of Cape Codder Resort	Hyannis	MA	0	20,000
Holiday Inn Express Expansion	Baxter	MN	25	3,000
Treasure Island Resort Waterpark Addition	Welch	MN	0	30,000
Sahara Sams Expansion	West Berlin	NJ	0	10,000
Great Wolf Lodge addition of Wolf Tail Waterslide	Niagara Falls	ON	0	0
Hershey Lodge Water Works Addition	Hershey	PA	0	30,000
Valcartier Vacation Village Indoor Waterpark Resort	Valcartier	QC	153	102,000
McKinney Indoor Waterpark & Fitness Center	McKinney	TX	0	24,000
<b>Total</b>			<b>1,349</b>	<b>419,000</b>

\* In addition to existing 47,000 sf of indoor waterpark space

# National Waterpark Overview

## Outdoor Waterparks

### Top Ten States with Outdoor Waterparks

Rank	State	# of Waterparks*
1	Texas	72
2	Illinois	59
3	Florida	44
4	California	39
5	Ohio	44
6	Missouri	49
7	Indiana	25
8	Pennsylvania	23
9	Minnesota	19
10	New Jersey	17

\* with three or more slides

Source: Hotel & Leisure Advisors

### Outdoor Waterpark and Population Comparison

Region	Number of Waterparks	Population	Number of People per Waterpark
Northeast	71	55,317,240	779,116
Midwest	271	66,927,001	246,963
South	267	114,555,744	429,048
West	121	71,945,553	594,591
<b>Total</b>	<b>730</b>	<b>308,745,538</b>	<b>422,939</b>

Source: Hotel & Leisure Advisors 2016 count of waterparks and 2010 U.S. Census

# National Waterpark Overview

## Outdoor Waterpark Top Attendance

Top 20 U.S. Waterparks by Annual Attendance					
<u>Rank</u>	<u>Park</u>	<u>Location</u>	<u>2014 Attendance</u>	<u>2013 Attendance</u>	<u>% Change over 2013</u>
1	Typhoon Lagoon at Walt Disney World	Orlando, FL	2,185,000	2,142,000	2.0%
2	Blizzard Beach at Walt Disney World	Orlando, FL	2,007,000	1,968,000	2.0%
3	Aquatica	Orlando, FL	1,569,000	1,553,000	1.0%
4	Wet 'n Wild	Orlando, FL	1,284,000	1,259,000	2.0%
5	Schlitterbahn	New Braunfels, TX	1,037,000	1,027,000	1.0%
6	Water Country USA	Williamsburg, VA	726,000	726,000	0.0%
7	Adventure Island	Tampa, FL	644,000	638,000	0.9%
8	Schlitterbahn	Galveston, TX	551,000	546,000	0.9%
9	Hyland Hills Water World	Denver, CO	527,000	538,000	-2.0%
10	Six Flags Hurricane Harbor	Arlington, TX	523,000	518,000	1.0%
11	Six Flags White Water	Marietta, GA	510,000	505,000	1.0%
12	Wet 'n Wild	Phoenix, AZ	467,000	472,000	-1.1%
13	Raging Waters	San Dimas, CA	429,000	423,000	1.4%
14	Six Flags Hurricane Harbor	Jackson, NJ	423,000	432,000	-2.1%
15	Splash-Splash	Riverhead, NY	421,000	411,000	2.4%
16	Zoombezi Bay	Powell, OH	416,000	360,000	15.6%
17	Dollywood's Splash Country	Pigeon Ford, TN	408,000	400,000	2.0%
18	Wet 'n Wild Emerald Point	Greensboro, NC	398,000	398,000	0.0%
19	Knott's Soak City USA	Buena Park, CA	372,000	368,000	1.1%
20	Soak City at Cedar Point	Sandusky, OH	371,000	379,000	-2.1%

Source: TEA 2014 Theme Index, The Global Attractions Attendance Report (released 2015)

# National Waterpark Overview

## Outdoor Waterpark 2015 Openings

Outdoor Waterpark 2015 Openings				
	Park	Location		Total Slides
<b>Private</b>				
	Splash Kingdom	Nacogdoches	TX	8
	<b>Total</b>			<b>8</b>
<b>Municipal</b>				
	Parrot Island Waterpark	Fort Smith	AR	7
	Del Mar Family Aquatic Center	Aurora	CO	3
	Paradise Island	Commerce City	CO	5
	Surf Lagoon	Pooler	GA	4
	Freedom Springs	Greenwood	IN	4
	River Run Family Waterpark	New Albany	IN	5
	West River Community Center	Dickinson	NC	3
	Hillside Aquatics Center	Bismarck	ND	3
	Lyons City Pool	Lyons	NE	3
	Avon Municipal Aquatic Facility	Avon	OH	5
	Alameda Waterpark	Butler	PA	3
	Splash Island (at D.W. Wilson Community Center)	Tullahoma	TN	3
	Doug Russell Pool	Midland	TX	7
	Strawberry Park Pool	Pasadena	TX	5
	Kaiser Pool renovation	Wausau	WI	5
	Surf 'n Fun Waterpark	San German	PR	14
	<b>Total</b>			<b>79</b>

Source: Hotel & Leisure Advisors

# National Waterpark Overview

## Outdoor Waterpark 2016 Openings

2016 Outdoor Waterpark Proposed Openings				
Park	Location		Major Attractions	
<b>Private</b>				
Water World	Warner Robins	GA	11 slides, lazy river, wave pool	
Laguna Splash @ DelGrosso's Amusement Park	Tipton	PA	9 slides, lazy river, wave pool	
Lake Wylie Aquatic Center	Clover	SC	Olympic-size pool, children's pool with slides	
Sandy Harbor Family Fun Center @Ocean Lakes Family Campground	Myrtle Beach	SC	Adventure river, 4-lane mat racer, slide	
Scuttle's Island	North Augusta	SC	11 slides, lazy river, wave pool	
NLand Surf Park	Austin	TX	Surfing wave pool	
Splash Kingdom Air Patrol	Greenville	TX	12 slides, wave pool, lazy river	
Typhoon Texas	Katy	TX	27 slides, wave pool, lazy river	
<b>Municipal</b>				
Batesville Aquatic Center	Batesville	AR	2 large slides, lazy river, dive pool, wading pool, splash pad	
Cabot Aquatic Park	Cabot	AR	2 speed slides, a lazy river, a family slide and a zero-depth-entry pool with play structures	
The Pocahontas City Pool	Pocahontas	AR	5 slides, multiple pools, splash structure	
Municipal Pool	Carlsbad	CA	3 slides, children's area with three smaller slides, lazy river	
Longbranch Lagoon	Dodge City	KS	6 slides, wave pool, lazy river	
Southwest Aquatic Facility	Shawnee County	KS	Zip line (into pool), 5 slides, bow tie pool with wave feature	
American Legion Park Aquatic Center	Elizabethtown	KY	6 slides, lazy river, climbing wall	
Greenvview Park Waterpark	Columbia	SC	5 slides, children's pool, and lap pool	
Sisters of Mercy Waterpark	Laredo	TX	2 large slides, lazy river, children's area with slides and water features	
McKinney Aquatic & Fitness Center	McKinney	TX	4 slides, current channel, leisure and tot pools	
Victoria Municipal Pool and Waterpark	Victoria	TX	4 smaller slides, spray ground, lap lanes	

Source: Hotel and Leisure Advisors

# National Waterpark Overview

## Waterpark Industry Outlook

- The waterpark industry continues to expand in North America, with more than \$500 million of new investment in indoor and outdoor waterparks and their related resorts in 2015.
- Total waterpark related development spending is expected to grow in 2016 with a number of new facilities opening and many expansions of the existing waterparks occurring.
- We attribute the waterpark industry's continued growth to properties offering a variety of amenities and attractions that attract existing and new guests to the waterpark experience.
- The waterpark industry continues to face challenges in getting larger projects financed as investors and lenders perceive the industry to be more risky than more traditional real estate investments such as apartments.
- The industry has more risk due to a shorter operating season for outdoor waterparks, which are typically open during the summer season only.

# Appraisal and Market Analysis of Hotels and Waterparks

## Appraisals have Unique Challenges

- Going concerns
- Very management intensive
- Hotels and waterparks have new customers every single day as compared to apartments and office buildings which have annual leases
- Waterparks are riskier than hotels as they are entertainment-based leisure real estate and are seasonal

# Appraisal and Market Analysis of Hotels and Waterparks

## Market Analysis

- A thorough market analysis of the local hospitality and indoor waterpark resort market is an essential component of an hotel or waterpark appraisal
- The value conclusion will depend heavily upon the data gathered for this section
- Market research encompasses a large range of data.



# Appraisal and Market Analysis of Hotels and Waterparks

## Market Analysis – Economics and Demographics

When gathering economic and demographic data, the appraiser should look within a market of the subject property and gather the following data:

- Population trends
- Household growth
- Household economics
- Area economics
- Area transportation
- Comparative data

# Appraisal and Market Analysis of Hotels and Waterparks

## Market Analysis – Economics and Demographics Understanding the Hotel Market

Smith Travel Research Trend report profiles the daily, monthly, and annual occupancy, average daily rate, and RevPAR of a market area.

- Existing competitors: How many competitors exist in the market? To what degree are they competitive? How have they performed in past years in terms of occupancy, ADR and RevPAR?
- Recent hotel openings: How many hotels have opened in the past few years in the market?
- Potential hotel openings: How many hotel projects are in the works? What types of hotels will they be? How many rooms? What is their projected impact?
- Market segmentation and market penetration: What is the market segmentation and penetration of each competitor in the market?
- Projections: Synthesize the data gathered in the previous steps and project the performance potential for the subject property. Based on the current market situation, is the subject likely to perform well in terms of occupancy and ADR? What are its potential penetration rates and market segmentation?

# Appraisal and Market Analysis of Hotels and Waterparks

## Market Analysis – Economics and Demographics Understanding the Waterpark Market

- Existing and potential competitors: How many other waterparks are there in the area? How many are proposed in the area? How are existing waterparks performing in terms of attendance? To what degree will existing and potential waterparks be competitive in terms of waterpark size, amenities, etc.?
- Waterpark pricing and usage: What are waterparks in the area charging for use of their waterpark? How many visitors do they receive in a year?
- Projections: Based on the data gathered above, how many waterpark visitors can the subject property expect, and will these visitors come from hotels or will they be local residents? What is a reasonable rate to charge for admission to the waterpark?

# Appraisal and Market Analysis of Hotels and Waterparks

## Market Analysis – Economics and Demographics Subject Property Data

Information specific to the subject property is collected in the following areas.

- Financial data: When appraising an existing property one needs to interview the management and obtain historical financial statements from them. For a proposed property, the interview will be with the developer, and the appraiser will need to obtain the financial forecast and the development budget.
- Performance data: If the property is existing, historical market segmentation reports, usage figures, and other performance statistics are needed.
- Physical plant information: For an existing property one will look at the building plans. For a proposed property, the appraiser will obtain the architectural plans.
- Governmental impacts: The subject's ad valorem taxes, zoning information, sales history, governmental restrictions, environmental regulations and other factors which may affect the subject property should be collected.

# Appraisal and Market Analysis of Hotels and Waterparks

## **The Valuation Process: Approaches to Value Income Capitalization Approach**

- The discounted cash flow (DCF) analysis is most appropriate for hospitality properties
- The appraiser should analyze and estimate various revenue and expense departments in determining the projected net operating income and value for the property

# Appraisal and Market Analysis of Hotels and Waterparks

## The Valuation Process: Sales Comparison Approach

- Because of this heavy reliance on market data, this approach is more difficult for properties with limited sales, such as hotels and waterparks
- When using the sales comparison approach, the appraiser should fully analyze sales of comparable quality.
- Information should be obtained on sale price, historical performance, ADR or per capita spending, financial performance, renovation cost information, amenity offerings of the property, and special circumstances concerning the sale.
- Once the sales data have been fully analyzed, the appraiser will probably find a wide range of values.
- Use an adjustment grid to account for differences in location, size of the property, time and circumstances of the sale, etc.

# Appraisal and Market Analysis of Hotels and Waterparks

## **The Valuation Process: Cost Approach**

In this approach, the cost to replace the improvements is estimated. Once replacement costs are determined, a deduction is made for any depreciation. The result is then combined with the estimated value of the underlying land. This approach is most appropriate when appraising a proposed development where development budgets and land cost are available.

It is typically not appropriate for an older hotel or waterpark due to the difficulty in estimating depreciation.

# Appraisal and Market Analysis of Hotels and Waterparks

## **The Valuation Process: Valuation Conclusion**

All three approaches to are reconciled to a final value conclusion:

- The income approach is generally given greatest consideration, while the sales comparison approach and the cost approach support the value conclusion



# Appraisal and Market Analysis of Hotels and Waterparks

## Breakdown of the Going Concern

- Personal Property
- Real Estate
- Business Value

# Appraisal and Market Analysis of Hotels and Waterparks

## Issues Related to Acquisitions

- Cost to Cure
- Before and After Value
- Estimate of Compensation

# Questions?

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# Largest Hotel and Indoor Waterpark in Ohio

