

What's my hotel worth?

How much is your hotel worth? At the Canadian Hotel Investment Conference, held May 27-28 in Toronto, panelists were asked to evaluate three hypothetical hotels of varying sizes in a range of markets and different parts of the country. All of the panelists were experienced in evaluating hotel real estate. They included Reuben Danakody, BC Assessment; Betsy MacDonald, HVS International Vancouver; Paul Martin, Paul Martin and Company Ltd.; and Charles Suddaby, Colliers International Realty Advisors. The panel moderator was Brian Flood of CB Richard Ellis Ltd., CBRE Hotels.

Hotel #1—Greater Vancouver Area, over 1 million population

This hotel's clientele is 40 per cent commercial, 30 per cent meetings and groups and 30 per cent leisure. It is full service, and a national franchise. It has 250 guest rooms and 10,000 square feet of meeting space. The property is 15 years old. The ADR is \$140, and it grew in recent years. RevPAR is \$118. Total annual revenue is \$16.8 million. Net operating income (NOI) is 26 per cent before management fee. Since it is part of a large chain, there is a \$300,000 charge for head office fees.

What's it worth? And comments?

Betsy: \$55.7 million or \$223,000/room. She projected by market segment, keeping in mind that after the 2010 Olympics, occupancy declines.

Charles: \$50 million to \$58 million or \$200,000 to \$250,000/room. He said it is a solid, high appeal market. The rate shows that it is a little less than top notch, since the Vancouver ADR is 15 per cent above this hotel's.

Paul: \$37.6 million or \$152,000/room. He thought the hotel might be in suburban Vancouver, perhaps Richmond.

Reuben: \$44 million or \$176,000/room. Vancouver is a very strong market with strong potential growth rates and strengthening occupancy. He noted that RevPAR is \$118 vs. \$103 for the market. Occupancy was stable over the last two years at 74 per cent, so there is potential for growth in the ADR.

Hotel #2—Orillia, Ontario, 50,000 population

This hotel's clientele is 50 per cent commercial, 10 per cent meetings and groups, and 40 per cent leisure. It is full service, and includes a restaurant and lounge, 100 guest rooms, and 5,000 square feet of meeting space. It is mid-rise of concrete construction, 10 to 15 years old. Within the same market there are four branded limited service and two full service hotels. Occupancy is in the area is 60 per cent, up by 5 per cent in the last three years. Occupancy for this hotel is 65 per cent with \$135 ADR. Revenue is \$5 million per year. NOI is \$1.5 million (30 per cent) before PFE. The owner's daughter is being paid \$200,000 as general manager.

What's it worth? And comments?

Betsy: \$16.7 million or \$167,000/room. She used occupancy of 65 to 67 per cent for her calculations. She would cut the general manager's salary "way down".

Charles: \$12.5 million or \$125,000/room. Orillia is a tertiary market, a good fill-in location. There are six hotels in the area with a total of only 500 rooms—this is the largest hotel in the market. It's a good, solid-performing property for the market. He would pay the daughter \$100,000.

Paul: \$11.8 million or \$118,000/room. The strong ADR and occupancy show that it's the best game in town. It is unbranded, and the owner may have to look at branding. The NOI is high and can't be sustained. He would pay the



The hotel evaluation team, l to r: moderator Brian Flood, CBRE Hotels; Paul Martin, Paul Martin and Co. Ltd.; Reuben Danakody, BC Assessment; Betsy MacDonald, HVS International Vancouver; and Charles Suddaby, Colliers International Realty Advisors.

daughter \$100,000.

Reuben: \$12.2 million or \$122,000/room. It's an unbranded hotel in a tertiary market. Its RevPAR is \$69-\$70, which is \$20 higher than the market. He would pay the daughter \$80,000 to \$100,000.

Hotel #3—Halifax/Dartmouth area, 350,000 population

This is a two-year-old, limited services, 100-room hotel, with 500 square feet of meeting space. There are eight branded full service hotels in the market. Eighty per cent of revenue comes from guest room sales. Occupancy is 60 per cent, down 5.0 per cent over the past few years. The market ADR is \$100, while ADR for this hotel is \$95. Occupancy is 63 per cent. Total revenue is \$2.75 million. NOI is \$962,500 or

35 per cent. The property would require \$350 in new signage.

What's it worth? And comments?

Betsy: \$10.4 million or \$104,000 per room. She projected that the market would grow from 63 to 74 per cent occupancy over the next five years and then stabilize.

Charles: \$7.85 million or \$78,500 per room. He noted that the property had better than market occupancy, but below-market ADR.

Paul: \$7.83 million or \$78,300 per room. He noted that the hotel had a nice revenue mix.

Reuben: \$7.5 million or \$75,000 per room. He said that occupancy was not very strong and that RevPAR was only \$65 or \$66.

For more photos of the Hotel Investment Conference, go to www.can-lodgingnews.com.