



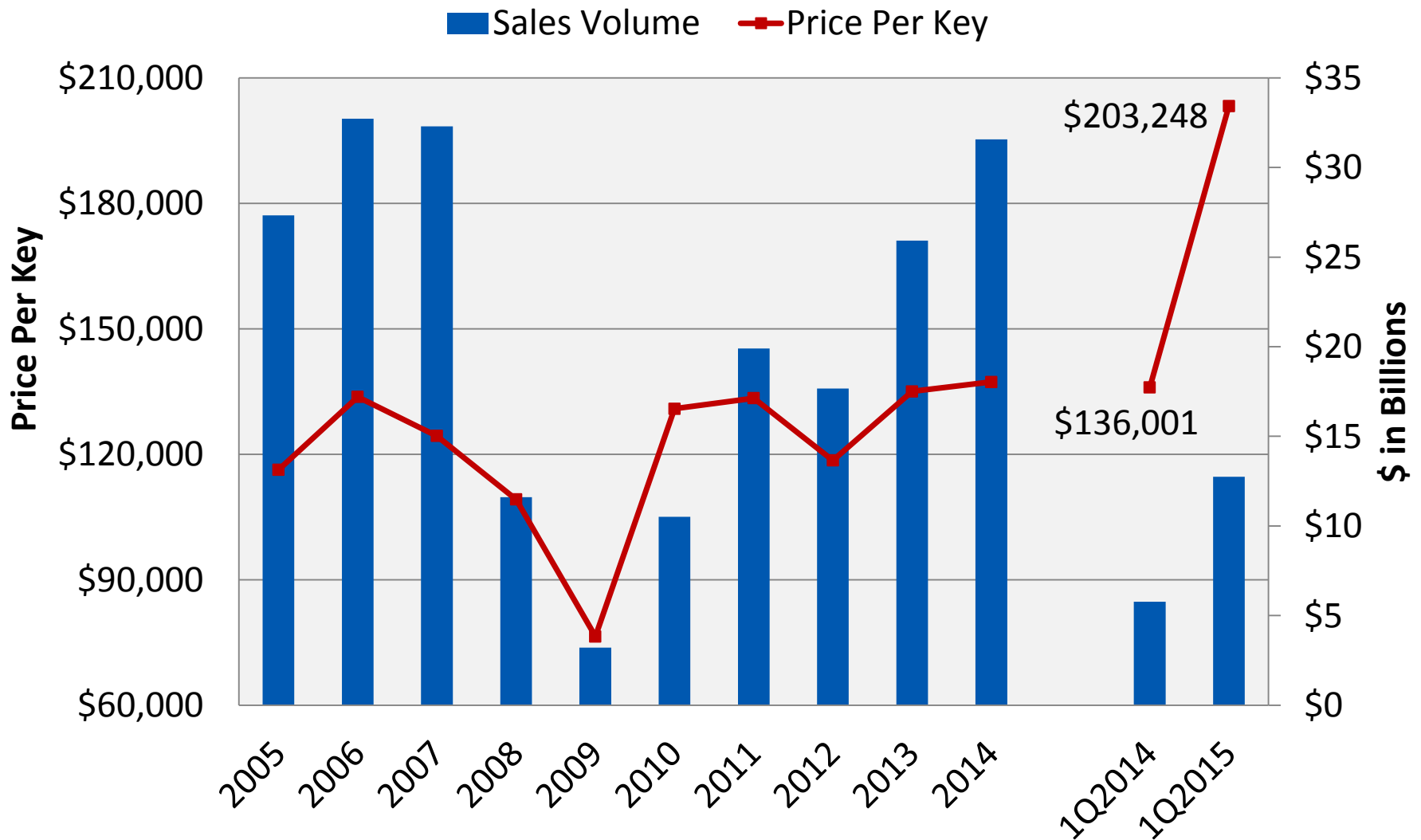
# Hotel Values & CAP Rates

## Meet The Money<sup>®</sup> 2015

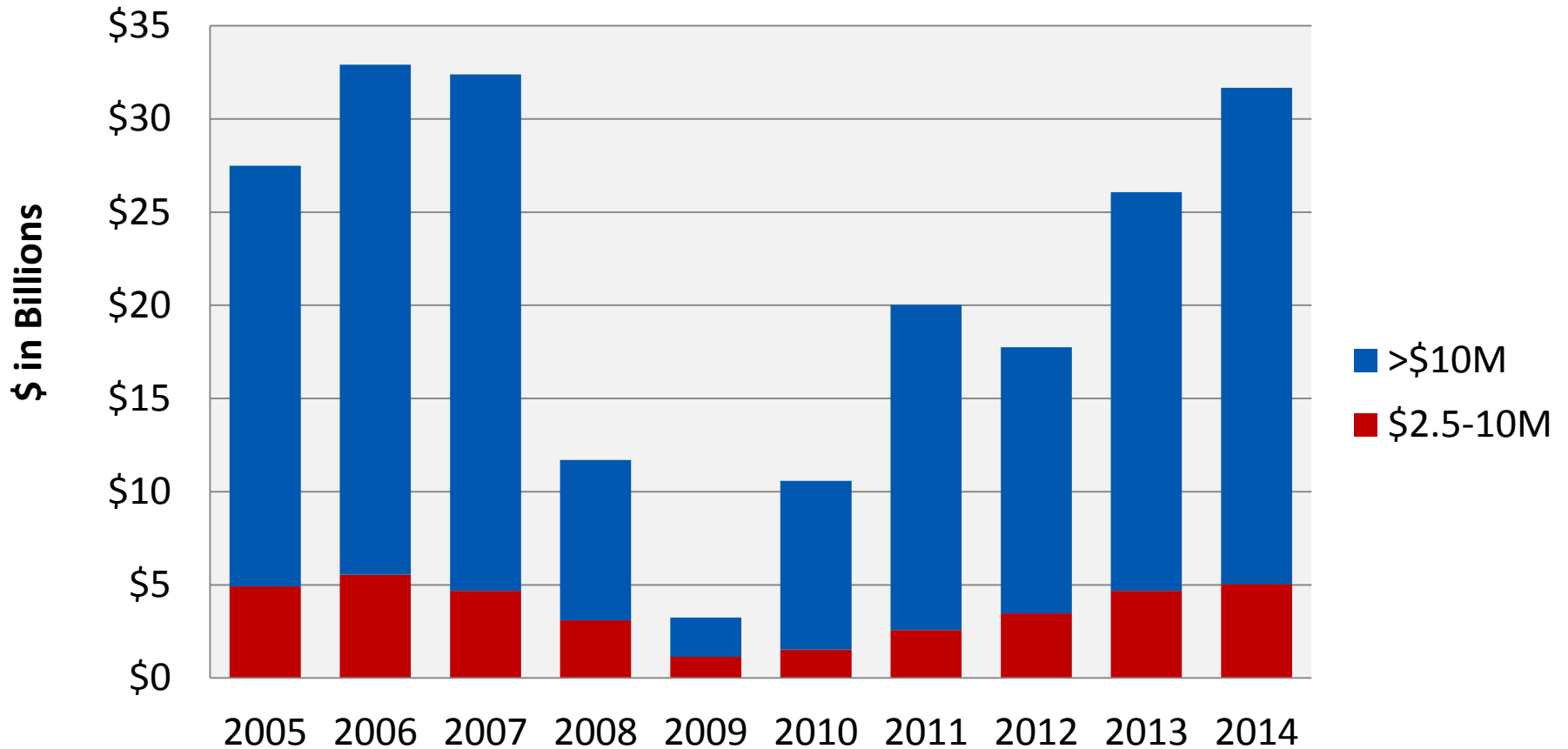
May 6, 2015 – Sheraton Gateway Hotel Los Angeles

*Presented by:*      *Suzanne Mellen, MAI, CRE, FRICS, ISHC*  
*Senior Managing Director*  
*Hotel and Casino Consulting & Valuation*  
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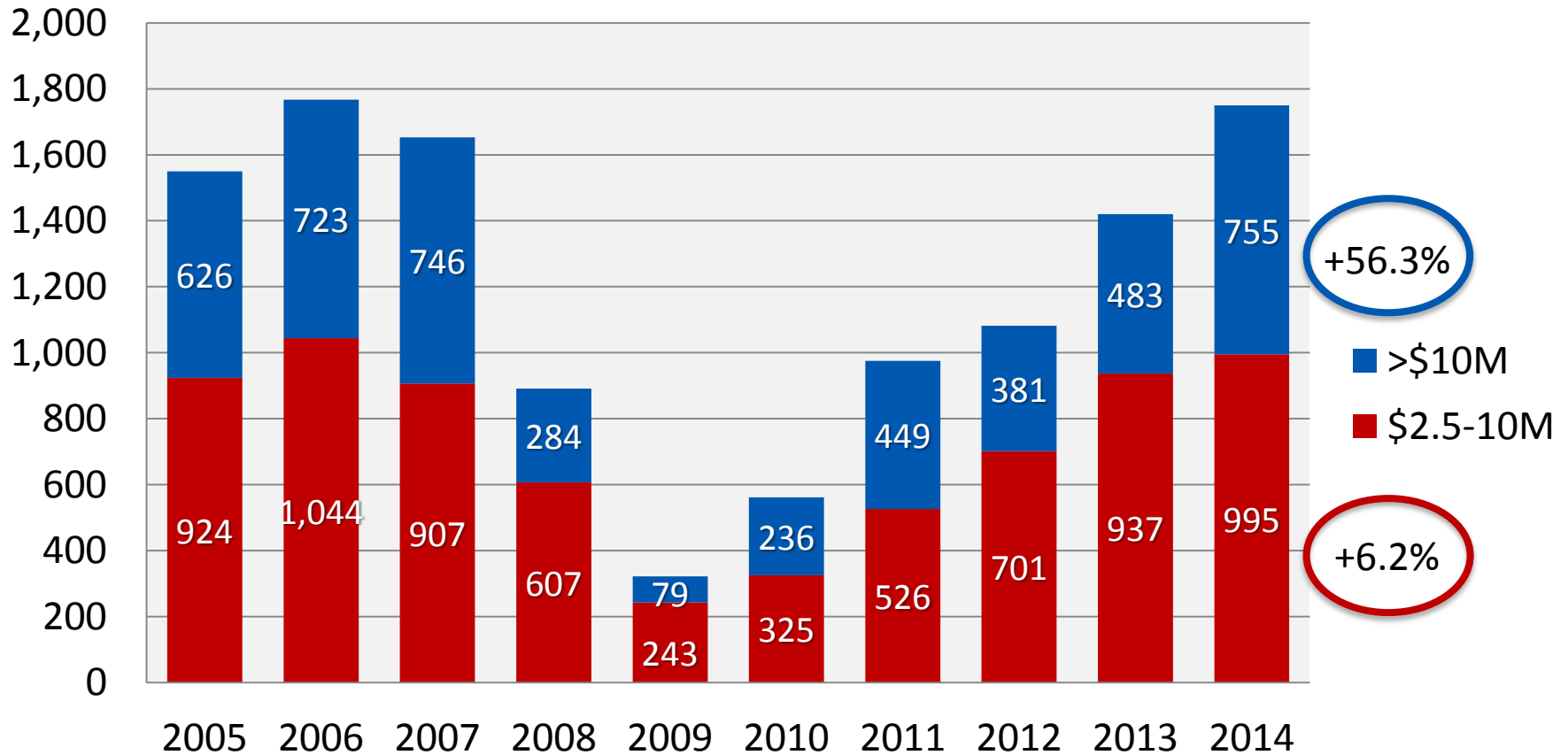
# Historical Sales (Total Assets >\$2.5M)



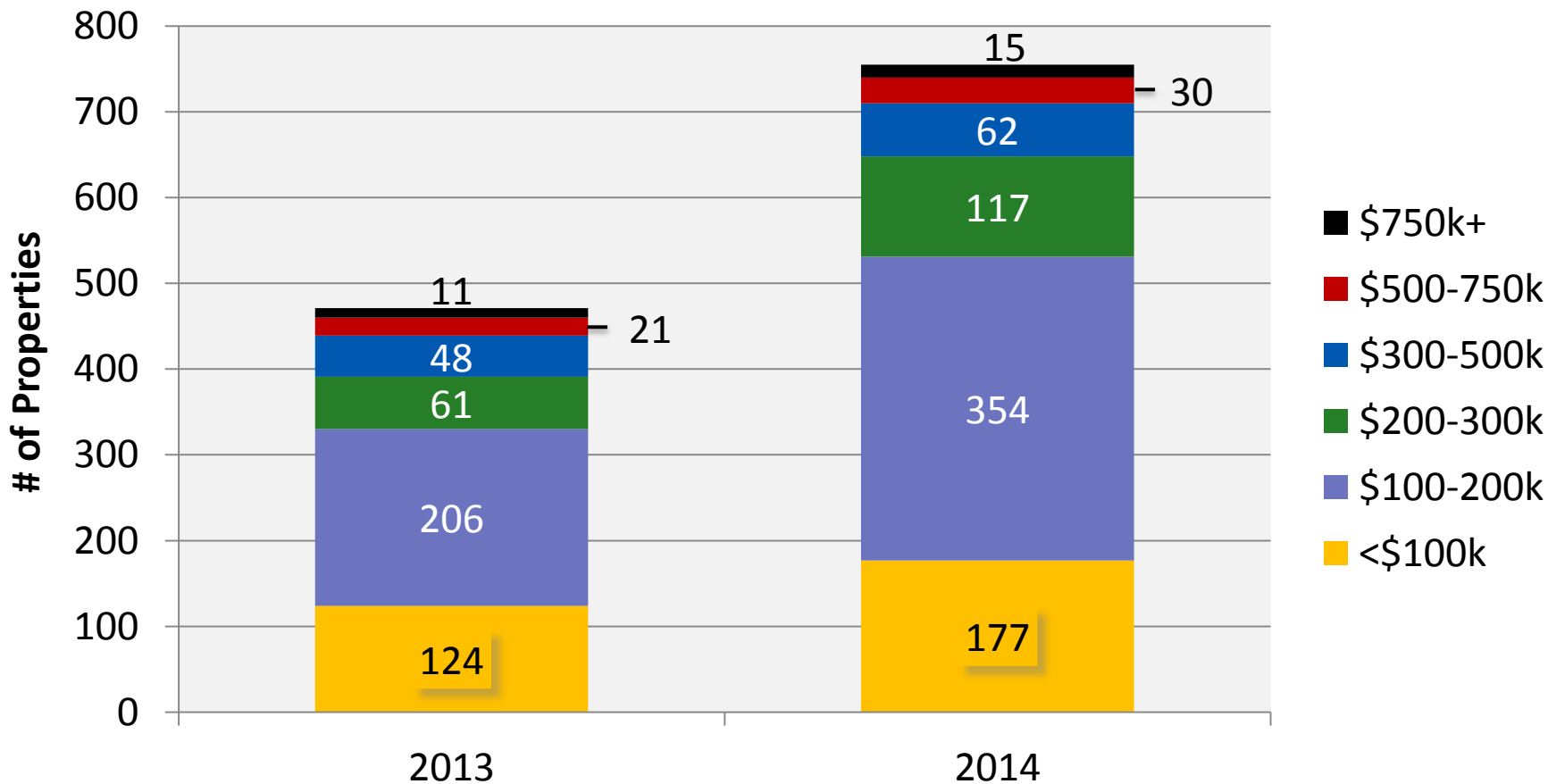
# Hotel Sales Volume Trends



# Comparison of # Properties Sold



# 2014 Sales By Price Per Room: \$10M+



# Portfolio Sales Driving Overall Sales Volume

## 1Q2015 Notable Portfolio Sales

### Equity Inns

116 Limited & Full Service Properties  
Buyer: American Realty Capital Hospitality Trust  
Seller: Whitehall Real Estate Funds  
Price: \$1,800,000,000  
Price/Room: \$132,120

### Prudential RE Investors

28 Full & Limited Service Properties  
Buyer: Ashford Hospitality Trust  
Seller: Prudential RE Investors  
Price: \$1,735,000,000  
Price/Room: \$227,094

### Apple Hospitality REIT

48 Limited & Full Service Properties  
Buyer: MCR Development LLC  
Seller: Apple Hospitality REIT  
Price: \$206,400,000  
Price/Room: \$114,730

# Major Hotel Sales Transactions (Assets \$10M+)

Year	Number of Hotels	% Change	Average Price per Room	% Change
1Q 2015	269	102%	\$286,860	49%
1Q 2014	133		\$192,870	
2014	755	56%	\$211,020	5%
2013	483	27%	\$200,905	6%
2012	381	-15%	\$189,393	-3%
2011	449	90%	\$196,147	5%
2010	236	199%	\$185,943	44%
2009	79	-72%	\$129,074	-30%
2008	284	-62%	\$183,409	4%
2007	746	3%	\$175,729	-9%
2006	723	15%	\$183,409	22%
2005	626		\$159,317	

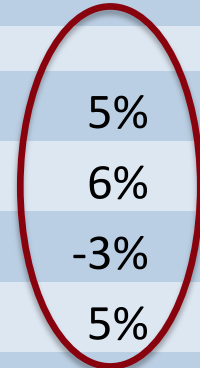
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# 5 Sales Exceeding \$1 Million Per Key YTD 2015



Malibu Beach Inn, Malibu, CA  
\$1,640,000 per key



Mandarin Oriental, San Francisco, CA  
\$1,000,000 per key



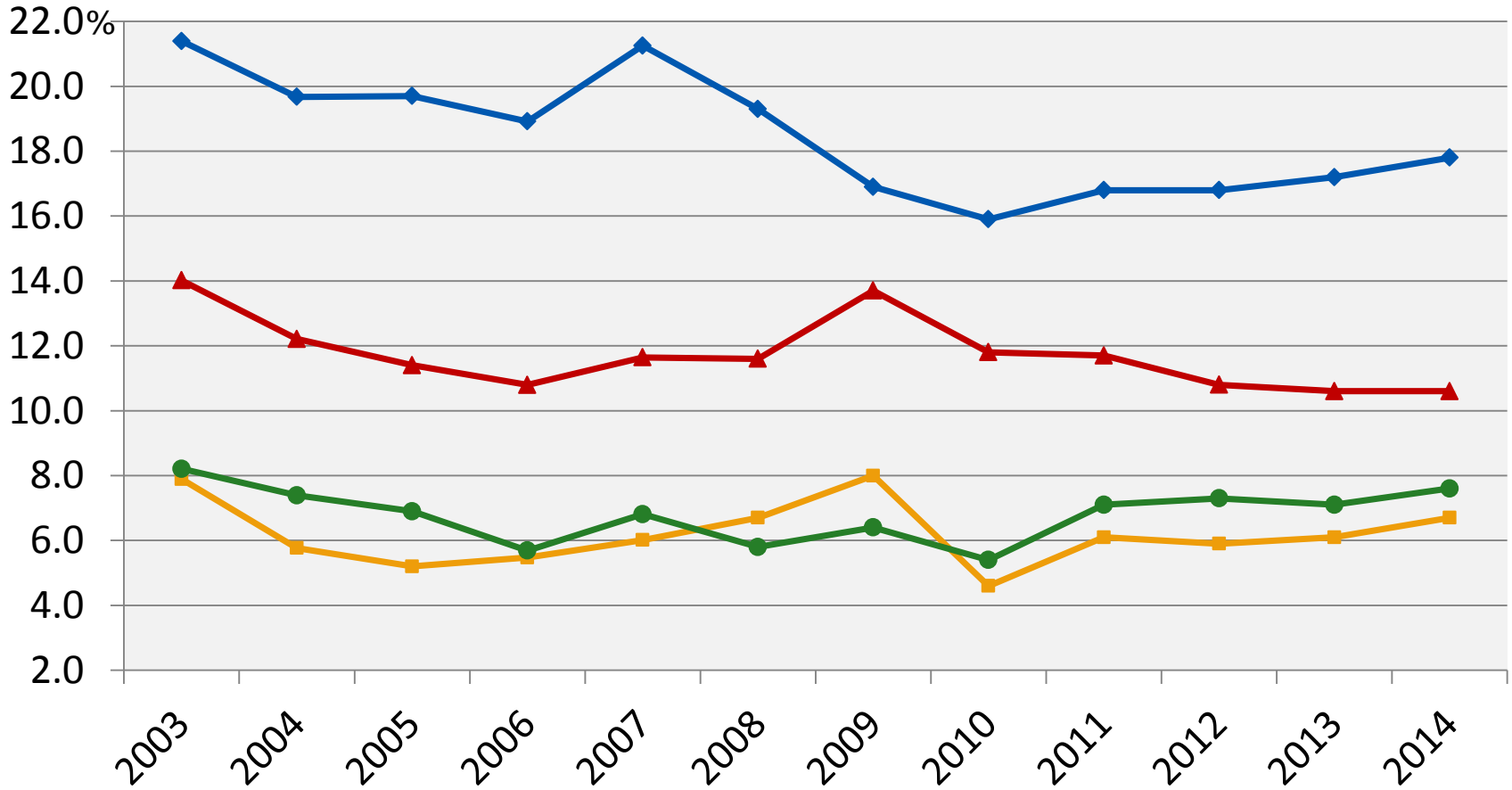
Waldorf Astoria, Manhattan, NY  
\$1,368,421 per key



Montage Laguna Beach  
\$1,440,000 per key

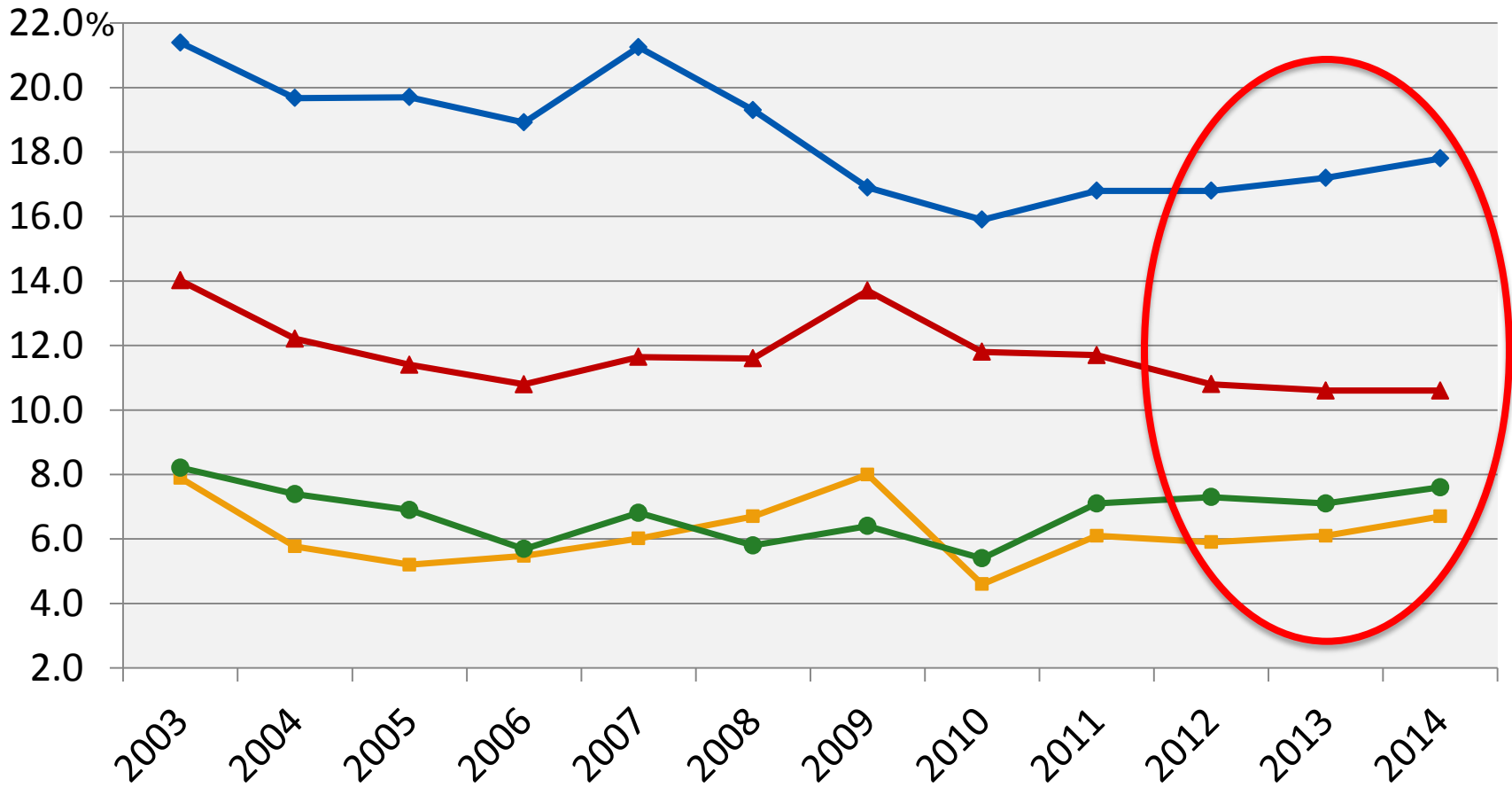
# Cap and Discount Rates – Derived from Sales

- Cap Rate - Historical NOI
- Cap Rate - 1st Yr. Projected NOI
- Unlevered Discount Rate
- Equity Yield

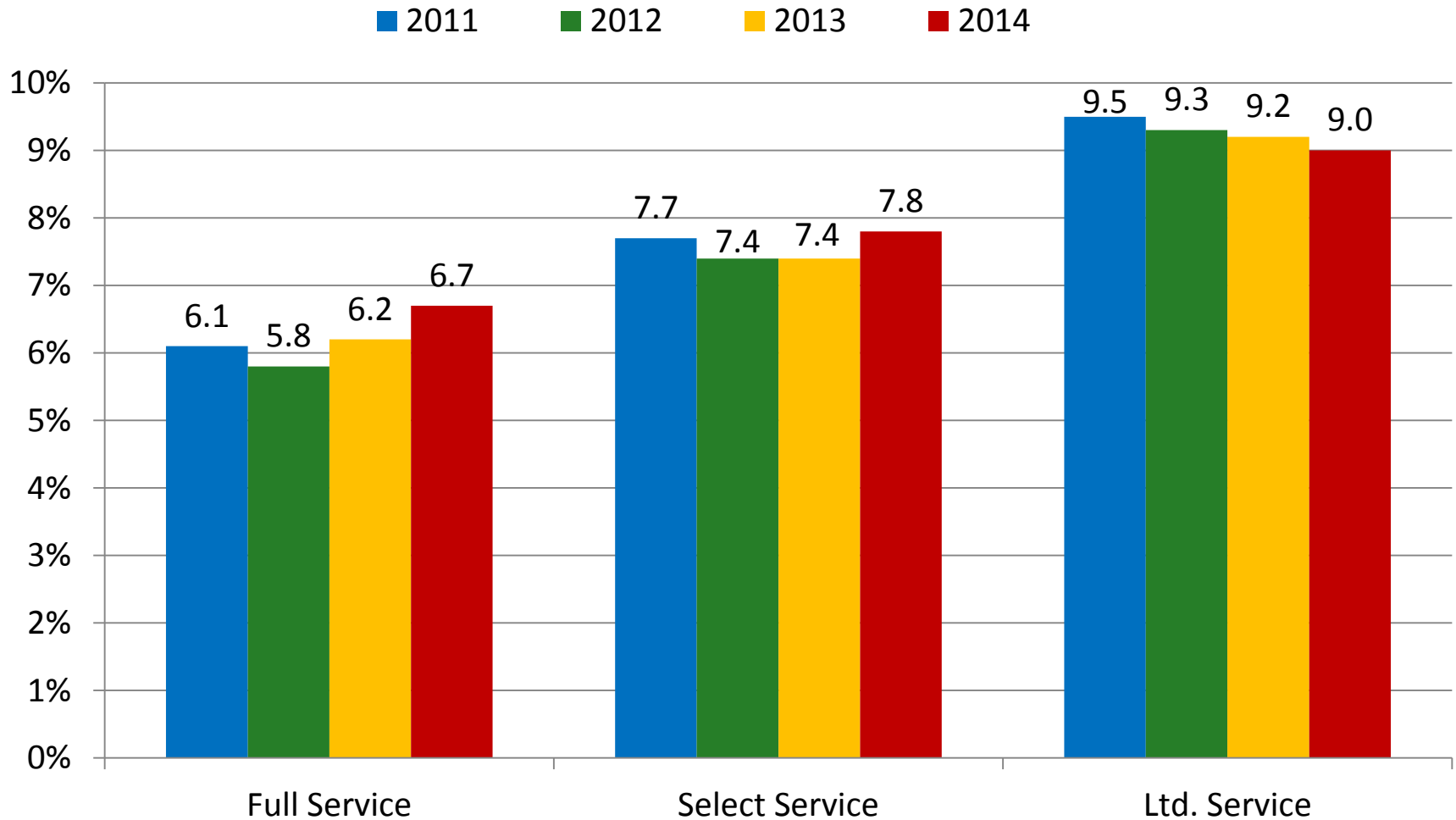


# Cap and Discount Rates – Derived from Sales

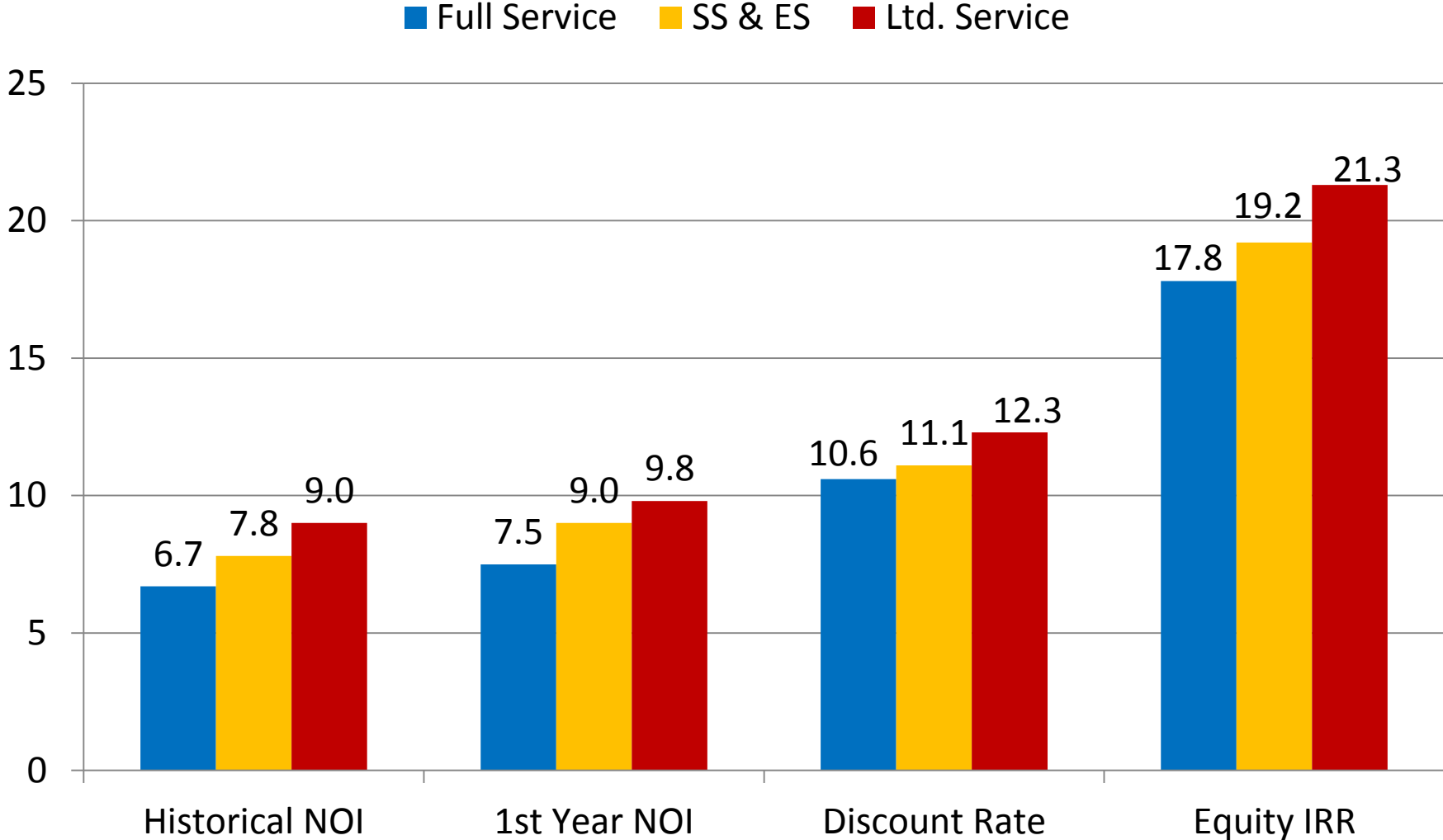
- Cap Rate - Historical NOI
- Cap Rate - 1st Yr. Projected NOI
- Unlevered Discount Rate
- Equity Yield



# Derived Cap Rates Steady (based on historical NOI)



# Comparative Rates of Return



# Luxury Hotel Cap Rates in High Barrier to Entry Markets

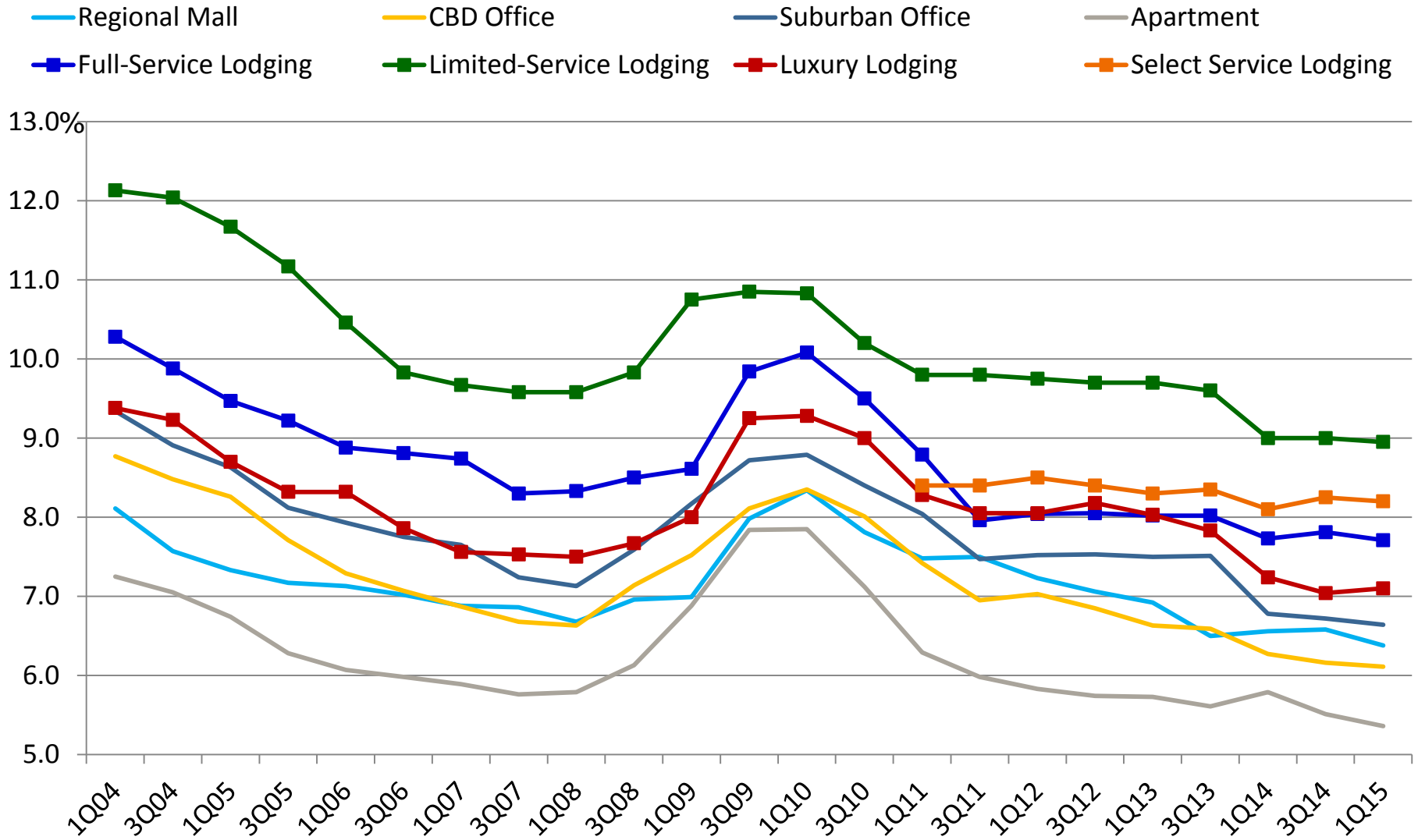
Location	Sale Date	Price	Rooms	Price/Rm	Overall Cap
San Diego, California	Apr-15	\$260,227,273	249	\$1,045,089	2.2%
San Francisco, California	Feb-15	\$530,000,000	1,024	\$517,578	5.0%
Malibu, California	Feb-15	\$79,900,000	47	\$1,700,000	3.2%
Laguna Beach, California	Jan-15	\$360,000,000	248	\$1,451,613	5.0%
Honolulu, Hawaii	Oct-14	\$286,238,820	338	\$846,860	2.6%
Seattle, Washington	Jul-14	\$62,000,000	120	\$516,667	3.4%
Wailea Maui, Hawaii	Jul-14	\$325,500,000	544	\$598,346	5.2%
Fort Lauderdale, Florida	Jul-14	\$159,000,000	296	\$537,162	2.2%
New York, New York	Jun-14	\$273,600,000	480	\$570,000	2.1%
Coronado, California	Jun-14	\$787,000,000	757	\$1,039,630	4.8%
Napa, California	Jun-14	\$60,000,000	86	\$697,674	5.4%

# Hotel Cap Rates in Energy Driven Markets With Low Barriers to Entry

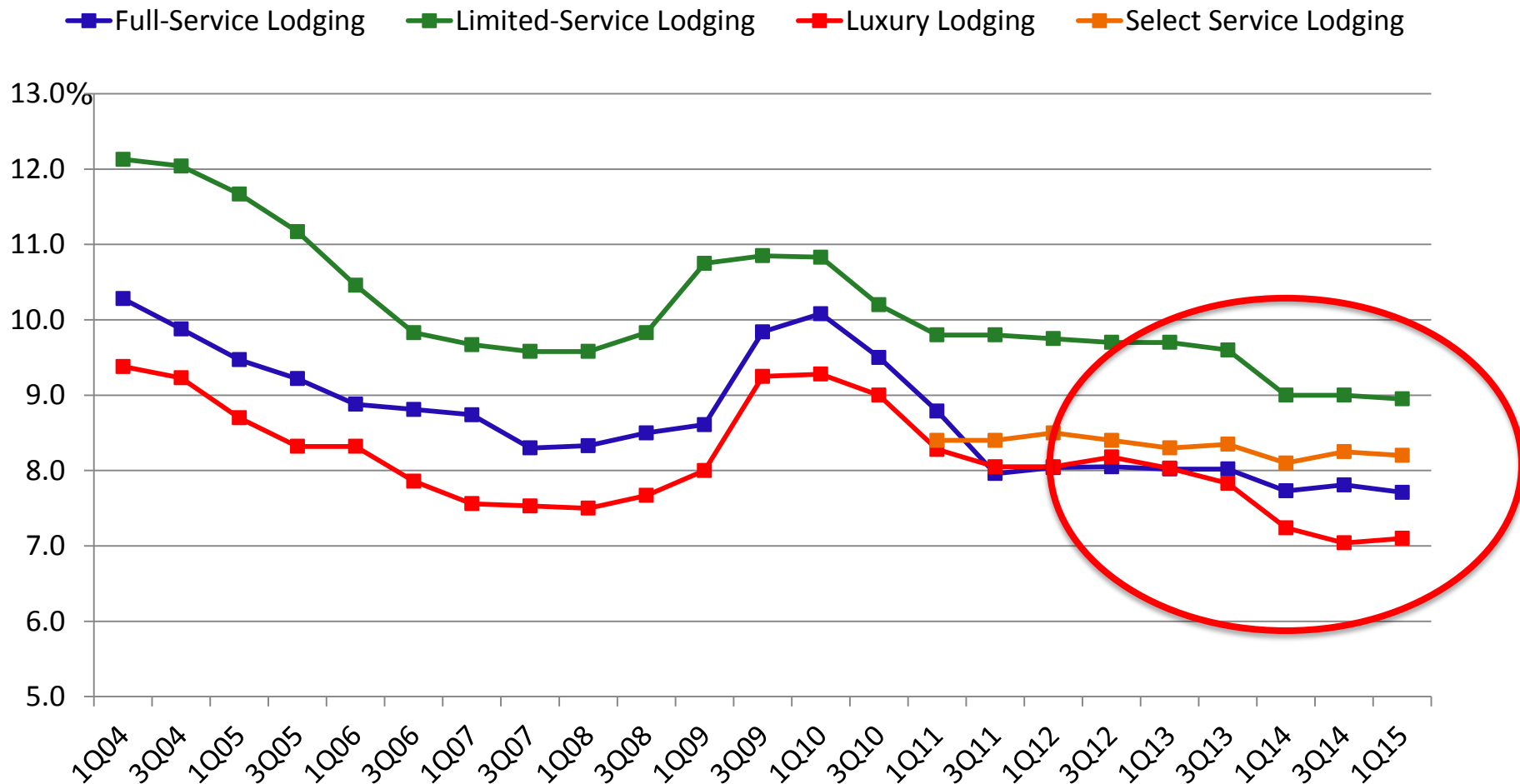
Location	Sale Date	Price	Rooms	Price/Rm	Overall Cap	Year Opened
Kenedy, Texas	Jan-15	\$8,700,000	68	\$127,941	33.6%	2013
Pearsall, Texas	Aug-14	\$9,300,000	66	\$140,909	8.5%	2012
Cotulla, Texas	Aug-14	\$9,990,000	73	\$136,849	23.1%	2013
Pleasanton, Texas	Aug-14	\$8,900,000	63	\$141,270	25.1%	2012
Beeville, Texas	Dec-13	\$8,700,000	70	\$124,286	9.9%	2012
Odessa, Texas	Aug-13	\$12,000,000	118	\$101,695	35.4%	1973
Sonora, Texas	Aug-13	\$3,900,000	54	\$72,222	18.6%	2000
Midland, Texas	Apr-13	\$6,500,000	66	\$98,485	16.0%	2009
Victoria, Texas	Feb-13	\$9,500,000	82	\$115,854	25.0%	2009
Hobbs, New Mexico	Jan-13	\$2,750,000	54	\$50,926	15.6%	1996



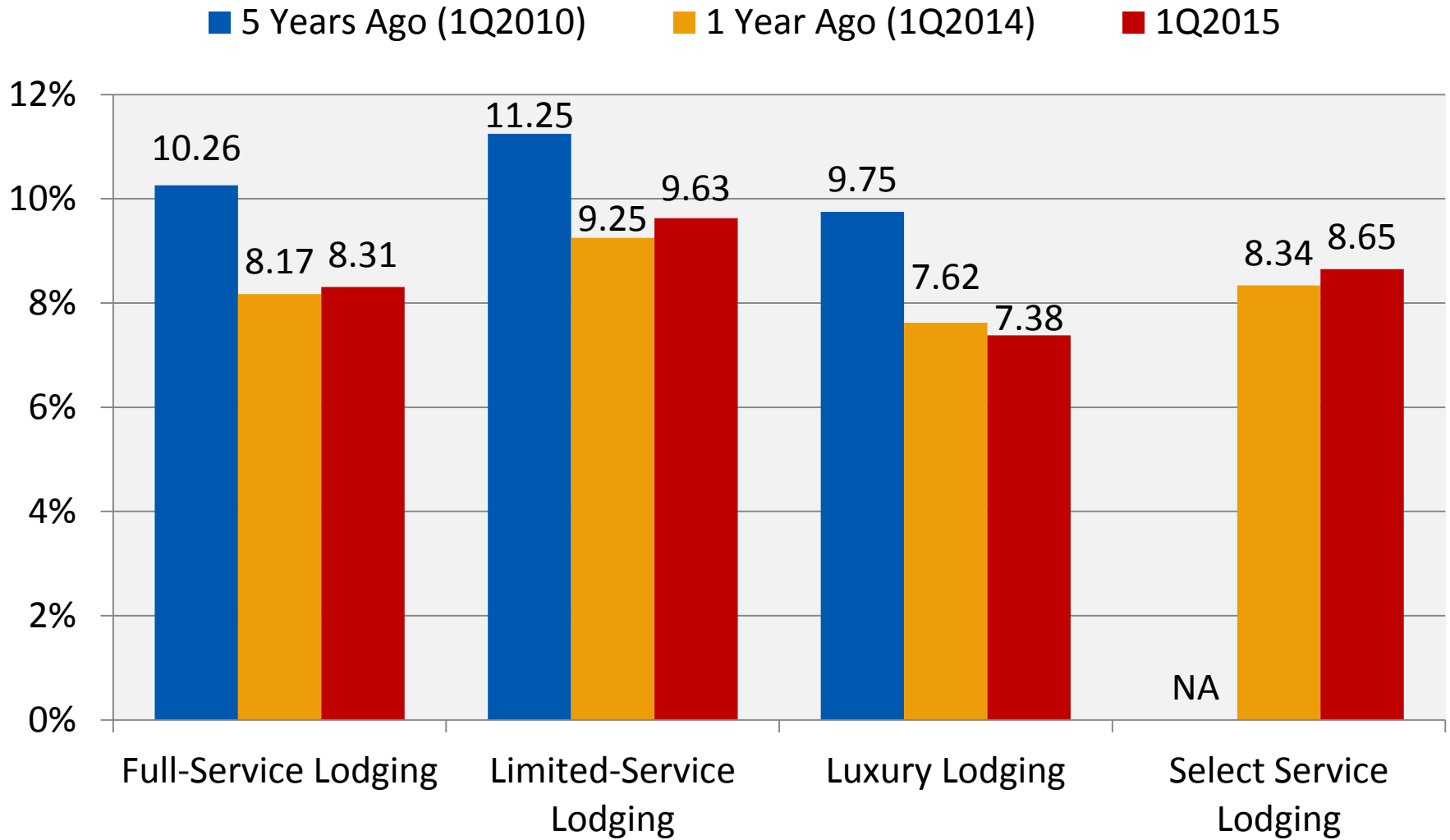
# Hotels Maintain Return Premium



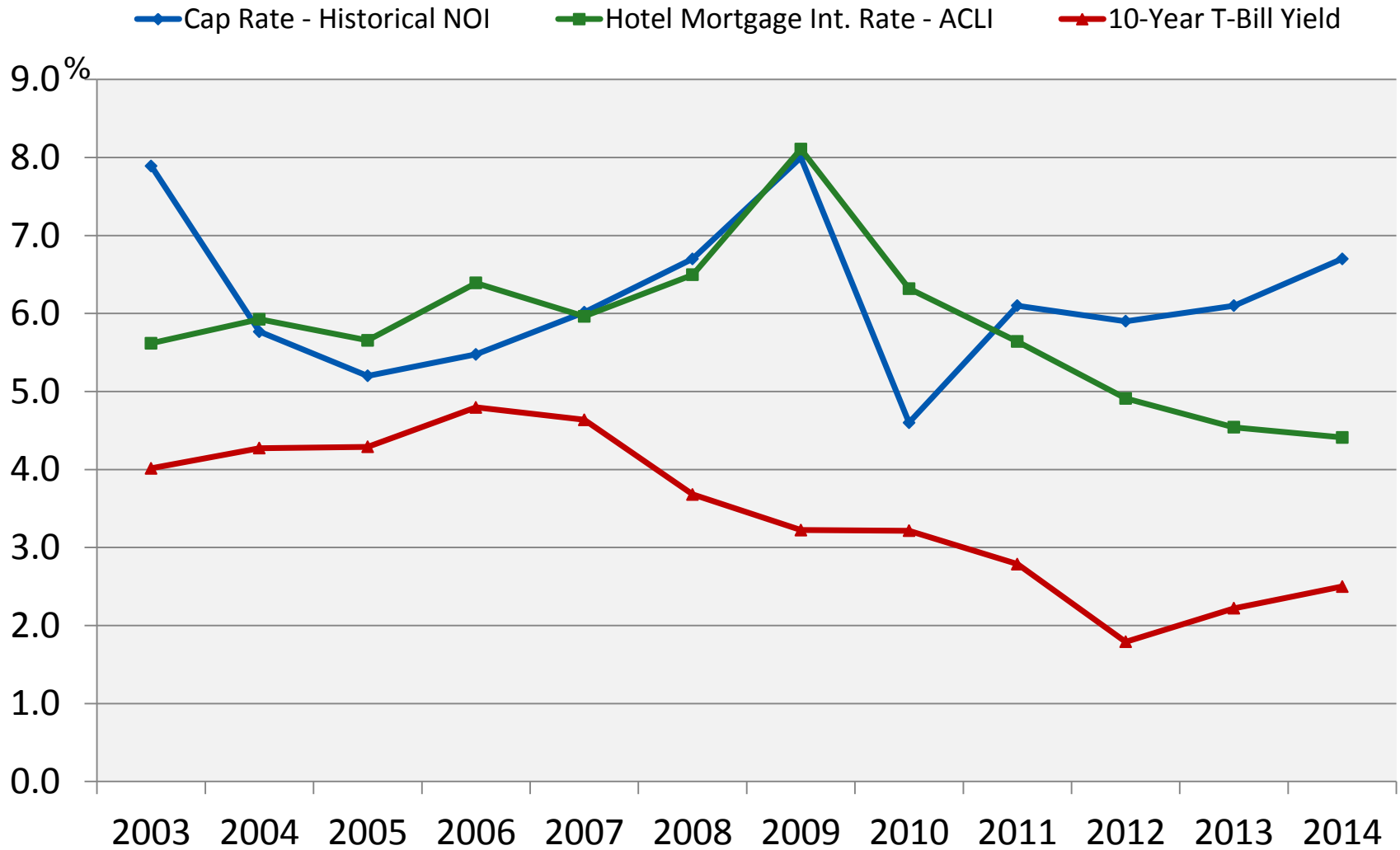
# Luxury Cap Rates Dip Below Full Service



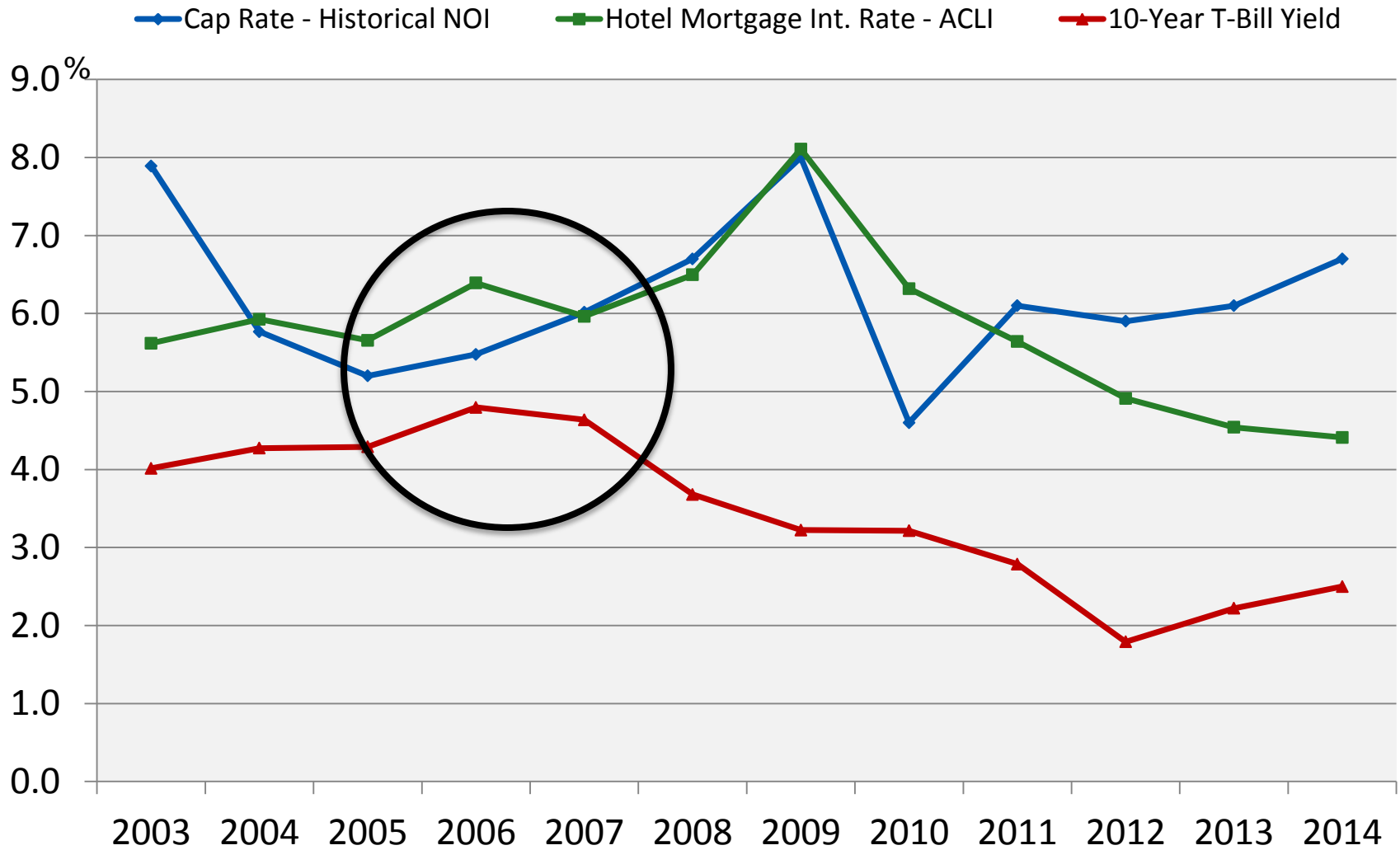
# Slight Uptick in Terminal Cap Rates



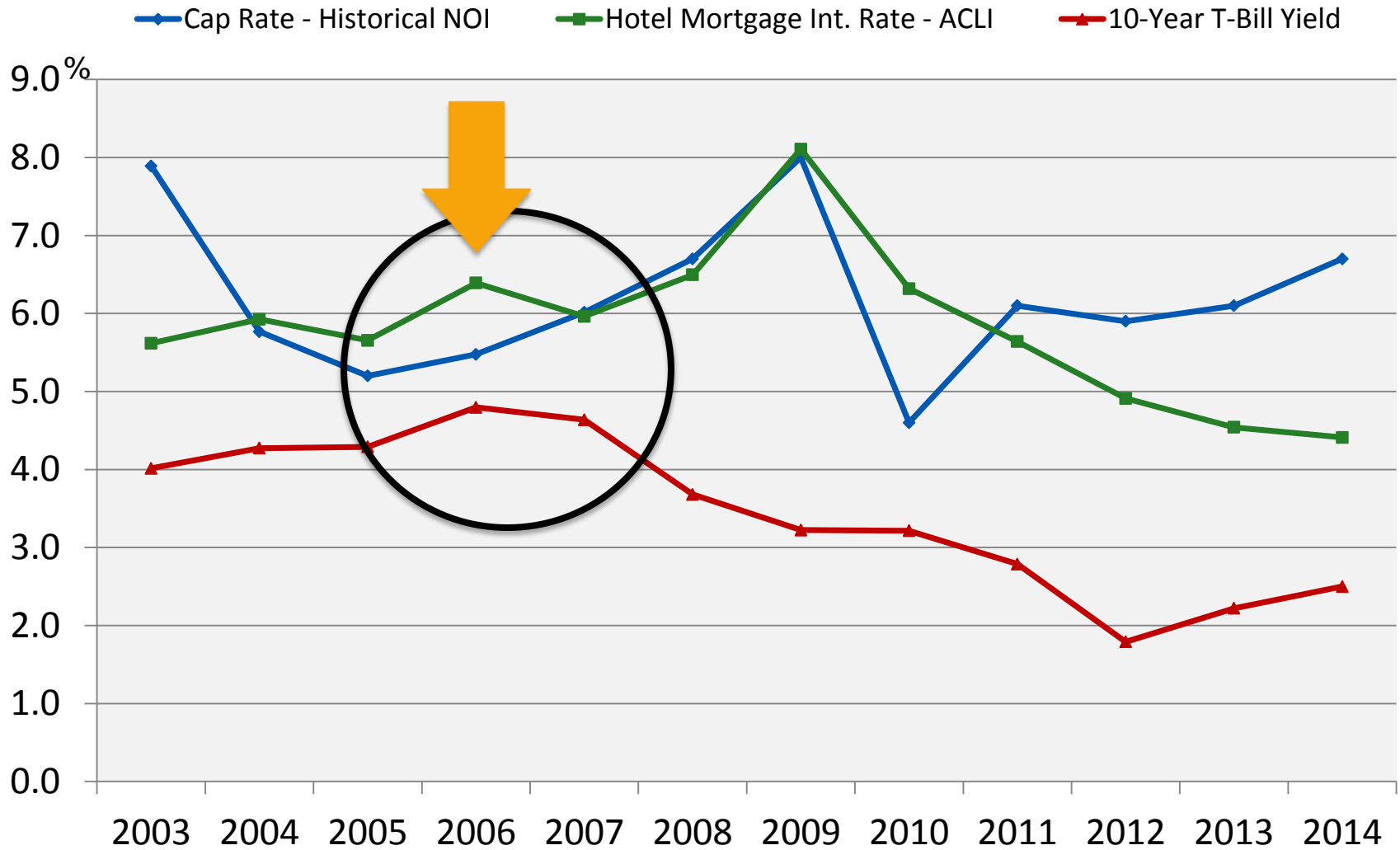
# Cap Rates Remain Well Above Hotel Mortgage Interest Rates



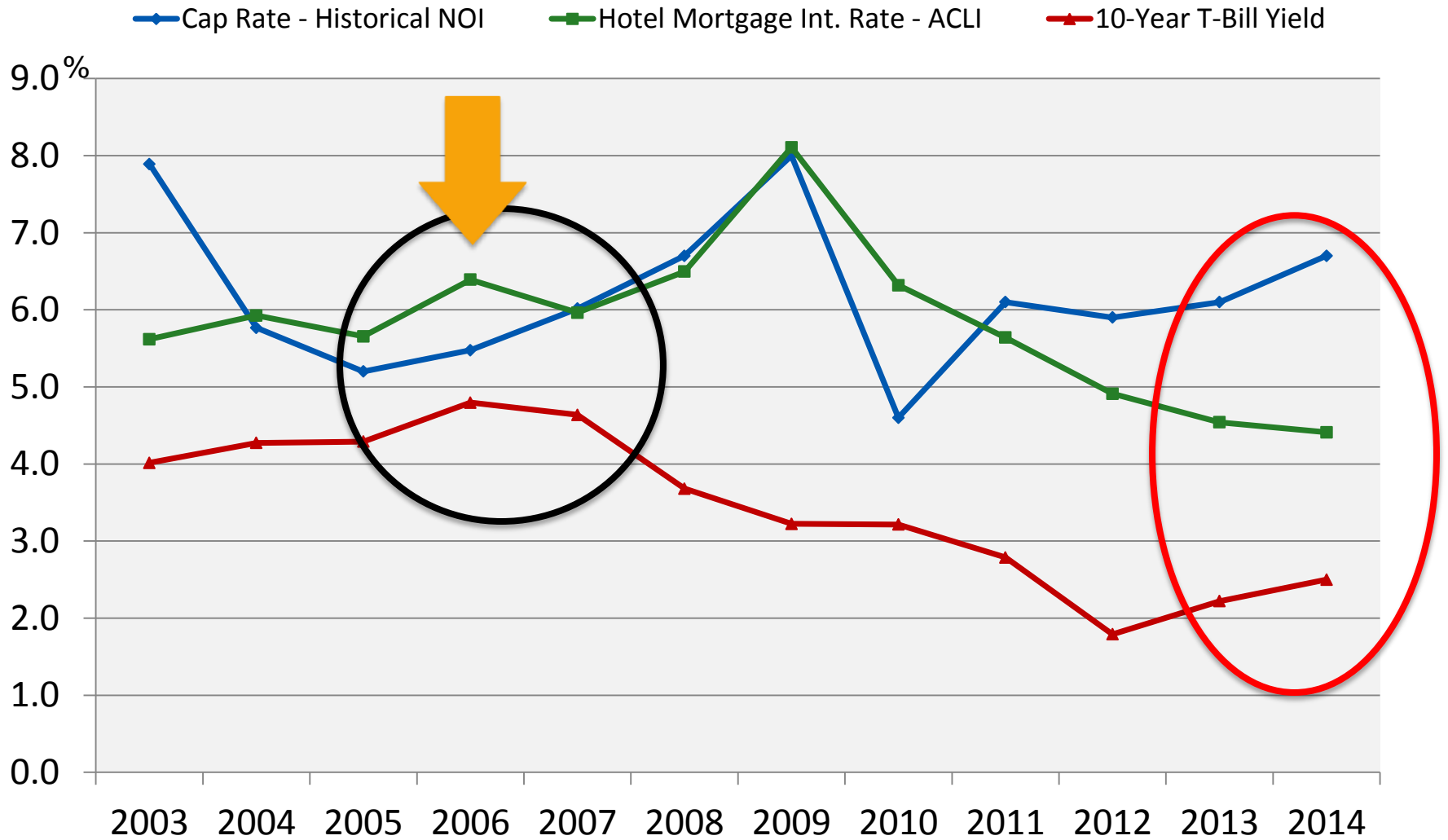
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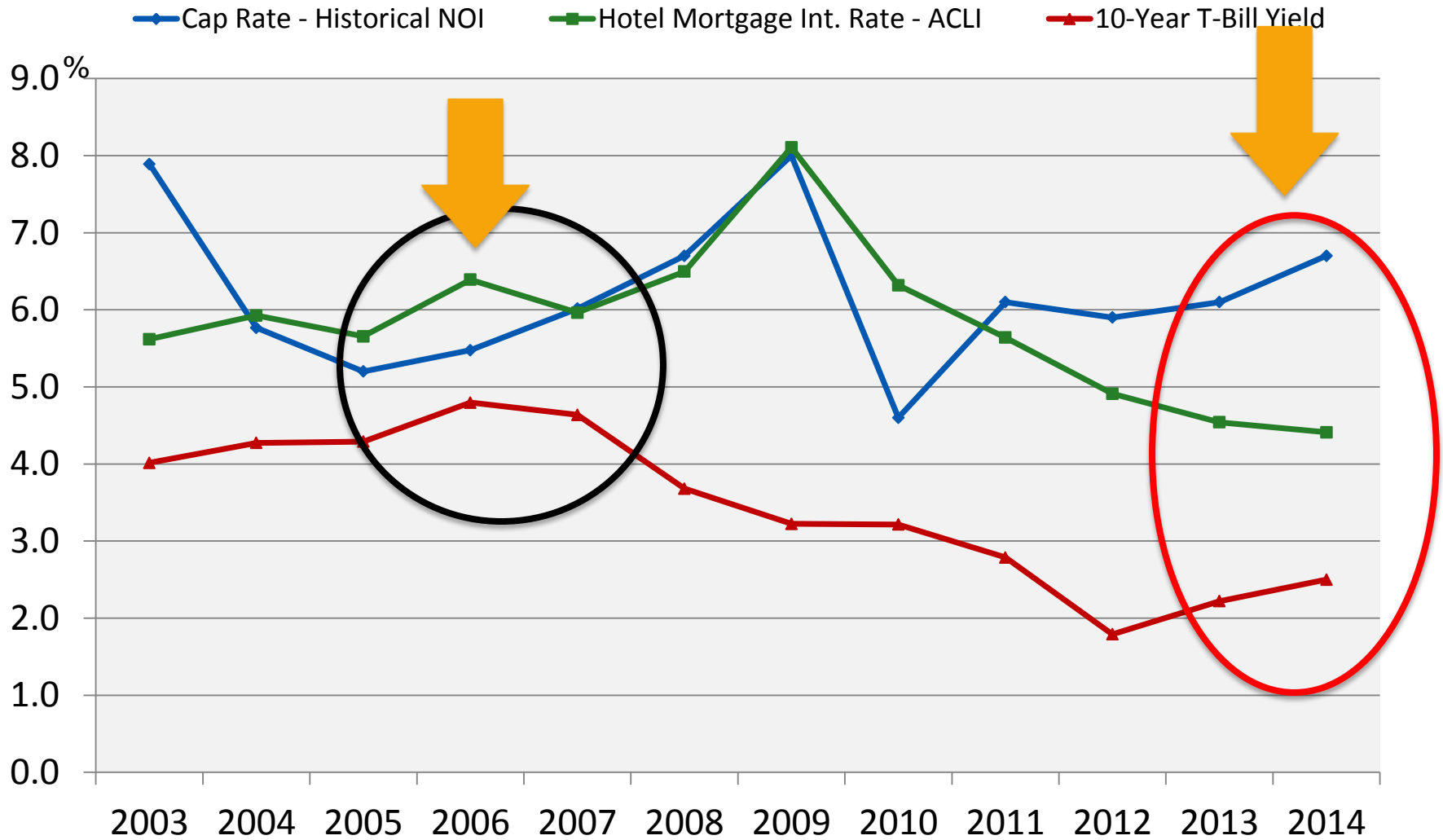
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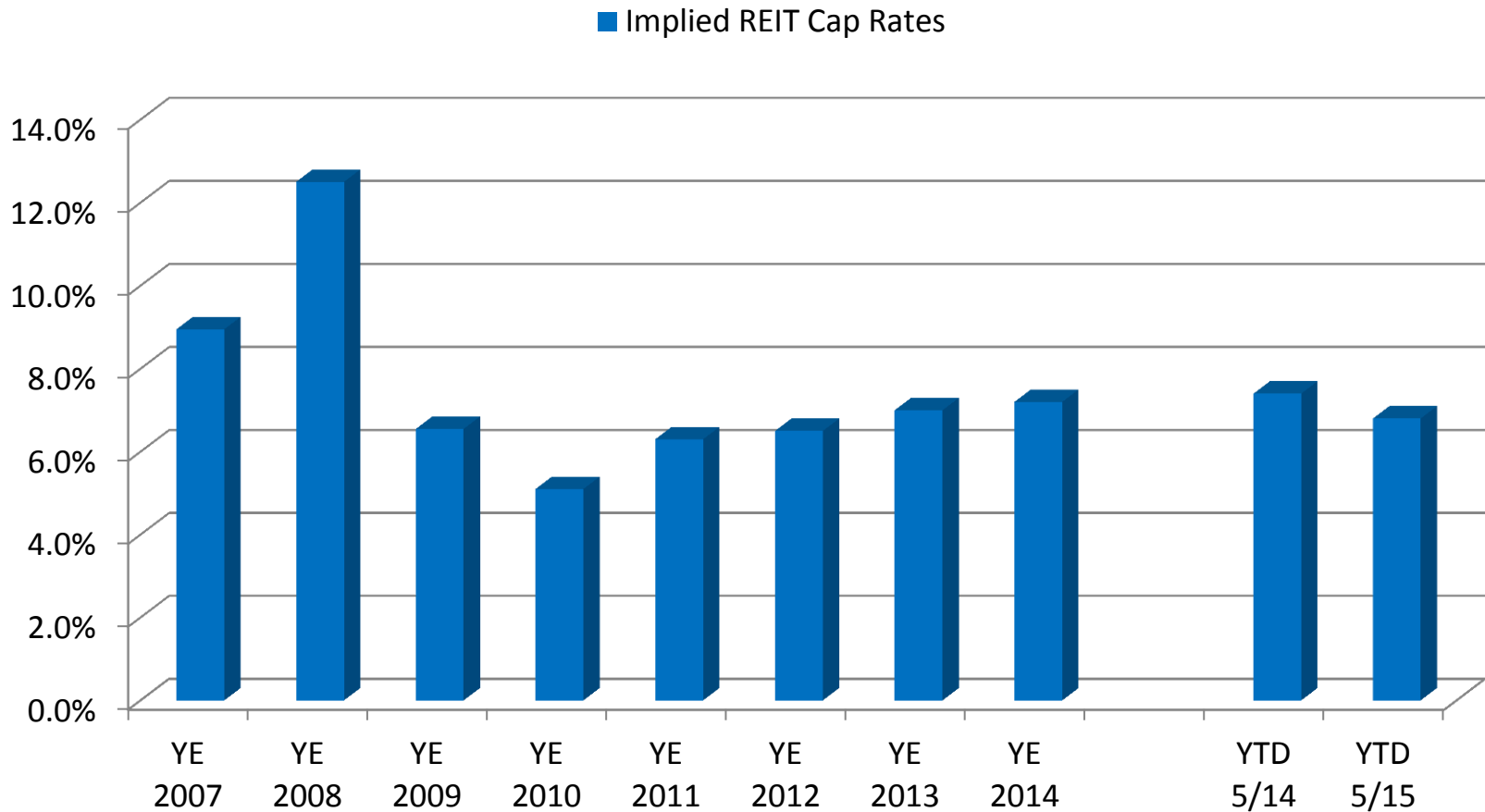


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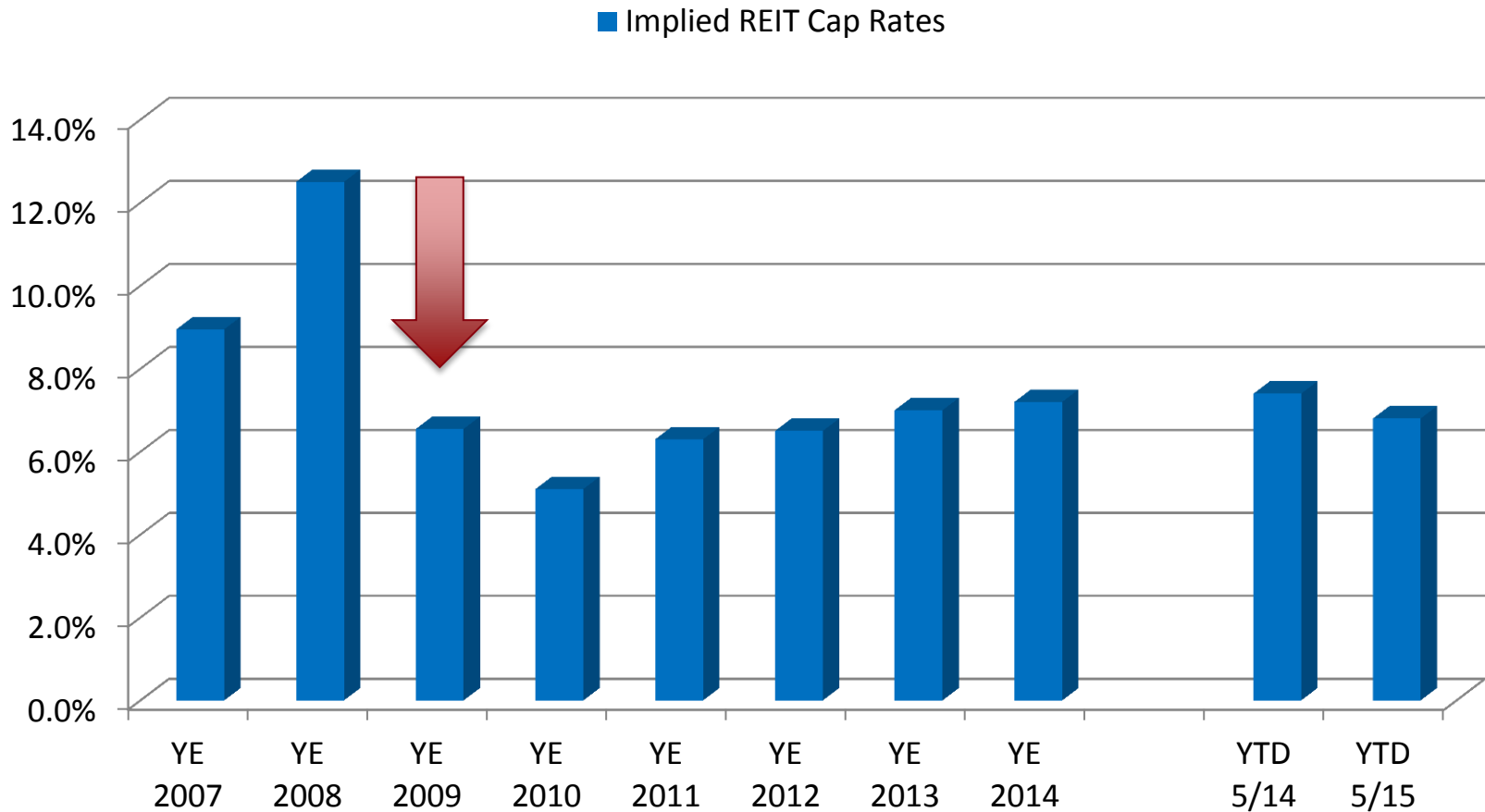




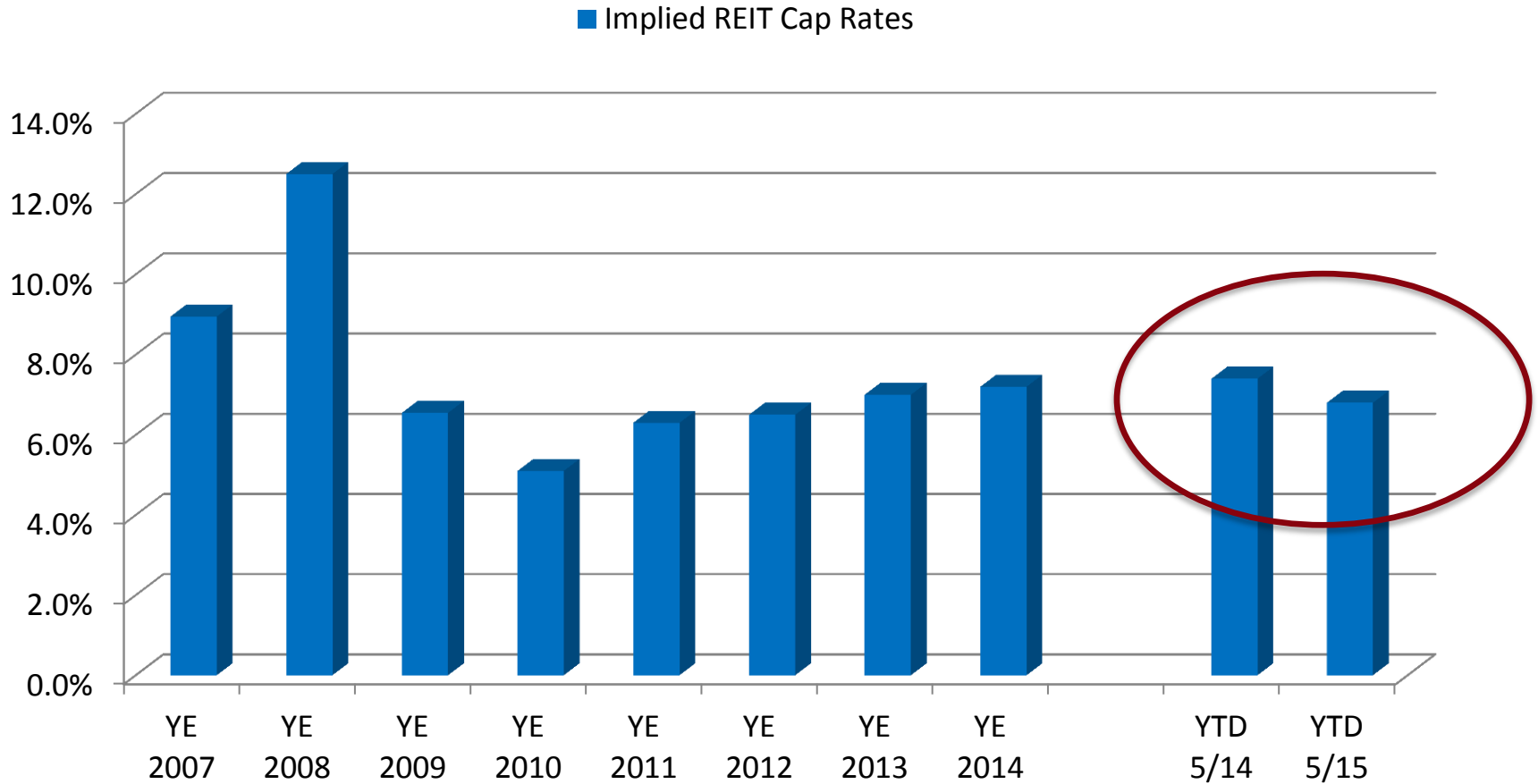
# REITS Outlook is Positive



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# REITS Outlook is Positive



# Summary

- Ideal conditions for another strong transaction year – activity expected to well exceed that of 2014 and prior peak achieved in 2006
- Wide array of buyers continue to pursue hotel investments
- More sellers are coming to the table as sales prices near peak pricing
- Availability of debt will continue, with lender competition putting pressure on interest rates and loan-to-value ratios
- Interest rates expected to rise only moderately – no major concern
- Capitalization rates expected to remain steady despite rise in NOI due to availability of capital and buyer competition for quality assets
- Values will continue to rise driven by ADR and profit gains coupled with low cost of capital and increasing leverage
- Values likely to peak within next two to three years

Please, Call Me or e-mail Me With  
Any Questions

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Thank You!

# Suzanne R. Mellen, MAI, CRE, FRICS, ISHC

Suzanne R. Mellen is the Senior Managing Director of Consulting & Valuation for HVS San Francisco, Los Angeles, and Las Vegas, and President of HVS Gaming Services. HVS is a full-service consulting and valuation firm specializing in hotel, gaming, and hospitality properties worldwide. HVS offices under her leadership are renowned for excellence and integrity. Ms. Mellen has appraised thousands of hotels, gaming assets, and related real estate over the past 37 years. She has authored numerous articles and is a frequent lecturer and expert witness on the valuation of hotels, casinos, and related issues.

Ms. Mellen has a B.S. degree in Hotel Administration from Cornell University and holds the following designations: MAI (Appraisal Institute), CRE (Counselor of Real Estate), FRICS (Fellow of the Royal Institution of Chartered Surveyors), and ISHC (International Society of Hospitality Consultants). Suzanne Mellen's professional experience includes consulting and appraisal positions with HVS New York, Morgan Guaranty Trust, Laventhol & Horwath, and Helmsley-Spear Hospitality Services, Inc. in New York City and Harley-Little Associates in Toronto, Canada.