

HOTEL LAND SALES TRANSACTION RESEARCH REPORT (PRELIMINARY)

Land value is most accurately estimated by the sales comparison approach using comparable land sales. Sales price comparison and average selling price per room are the most commonly used and preferred method of valuing land for hotel transactions.

The reliability of the land sales comparison approach depends on three factors:

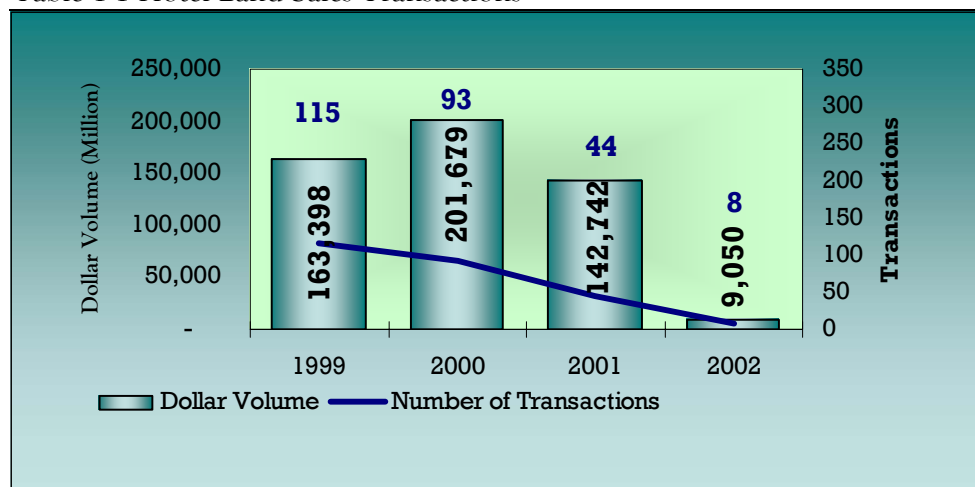
1. The availability of timely, comparable sales data.
2. An understanding of the true terms of the sales and the motivation of the buyer and seller.
3. The degree of comparability or the extent of the adjustments needed to reflect differences between the subject property and the comparable property.

Land is valued primarily by a sales comparison approach using comparable land sales. A secondary approach is to value the income stream from land via a ground lease analysis approach. That method is based on the economic value generated by an improvement representing the subject site's highest and best use. The sales comparison approach involves analyzing the amounts paid for land that is comparable and that was vacant at the time of sale. Examples of comparison are location and use. This report examines both and further analyzes use into property type and brand. In markets where barriers to entry are significant an analysis of previously developed sites whose buildings are nearing the end of their useful economic lives, and thus are candidates for razing and redevelopment, as well as properly zoned and currently available.

LAND SALES TRANSACTION OVERVIEW

An analysis of hotel land acquisitions within HCI' National Land Sales Database indicates that hotel land sales transactions have declined by 93% since 1999. Historically, hotel land sales dollar volume increased by 23.4% from \$163 million during 1999 to a peak of \$201 million achieved in 2000. Since 2000, hotel land sales volume has decreased significantly by 95% to \$9 million in 2002. This corresponds with the decline in development following the 2001 downturn and the affects of 9/11 on the hotel industry. We acknowledge that not all sales are accounted for in our database. Table 1-1 presents the volume of sales that we have identified on a national; level.

Table 1-1 Hotel Land Sales Transactions



LAND SALES TRANSACTION AND LAND ACQUISITION COST

The following table 1-2 presents hotel land sales transactions by property type and location for the years 1999-2002. Since that period hotel land sales have slowed significantly as the industry battled oversupply issues.

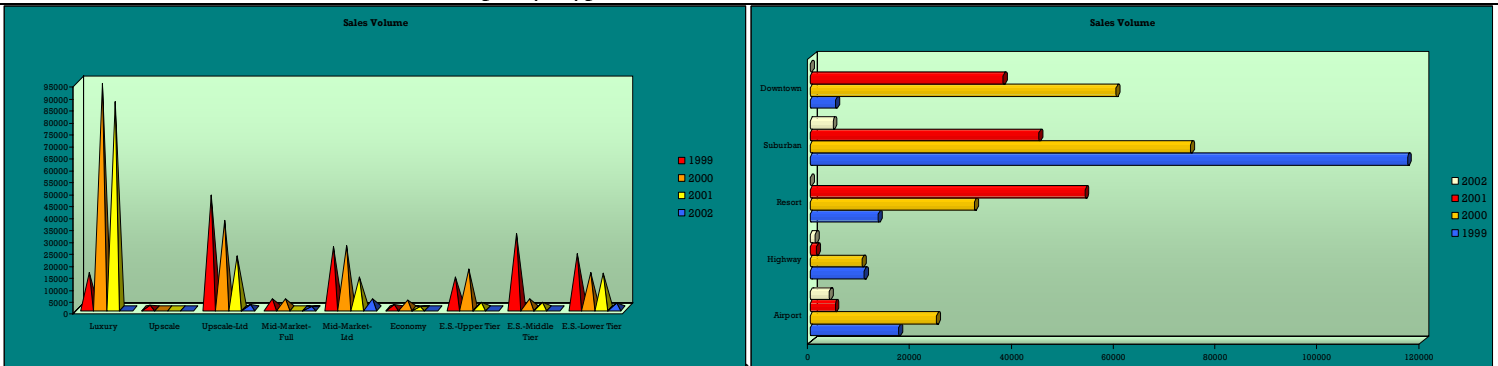
Table 1-2 Land Sales Transactions – Property Type & Location

Land Sales By Property Type											1999			2000			2001			2002		
Property Type	# of Trans.	Avg. # Rooms	Avg Selling Price/Room	Modal Sales Price	Modal Selling Price/Room	Avg. # Acres	Avg Selling Price/Acre	Avg Selling Price/SF	Avg Room Density	# of Trans.	Avg. # Rooms	Avg Selling Price/Room	# of Trans.	Avg. # Rooms	Avg Selling Price/Room	# of Trans.	Avg. # Rooms	Avg Selling Price/Room	# of Trans.	Avg. # Rooms	Avg Selling Price/Room	
Luxury/First Class	32	409	19,505	2,500,000	10,000	7.0	1,138,477	26.14	58.37	8	289	8,285	8	509	23,343	3	750	38,427	0	N/AVAIL	N/AVAIL	
Upscale	2	337	4,751	#N/A	#N/A	2.8	566,919	13.01	119.33	1	404	3,153	0	N/AVAIL	N/AVAIL	0	N/AVAIL	N/AVAIL	0	N/AVAIL	N/AVAIL	
Upscale (Ltd Service)	90	146	12,336	750,000	#N/A	3.4	536,595	12.32	43.50	29	149	12,196	22	136	13,839	13	156	10,890	1	145	12,207	
MidMarket (Full Service)	21	164	8,383	#N/A	#N/A	3.6	386,082	8.86	46.06	5	91	8,837	3	166	8,277	0	N/AVAIL	N/AVAIL	1	185	4,351	
MidMarket (Ltd Service)	135	102	8,523	750,000	12,500	2.8	310,837	7.14	36.47	31	94	9,651	37	103	8,603	18	94	9,344	4	120	8,709	
Economy/Budget	20	85	8,111	#N/A	#N/A	1.9	358,444	8.23	44.19	4	70	7,982	8	68	6,766	2	80	5,220	0	N/AVAIL	N/AVAIL	
Extended Stay (Upper Tier)	41	140	12,794	1,050,000	#N/A	3.2	552,088	12.67	43.15	10	132	10,124	9	167	11,044	3	128	12,862	0	N/AVAIL	N/AVAIL	
Extended Stay (Middle Tier)	33	125	13,251	1,900,000	#N/A	3.5	468,110	10.75	35.33	17	131	14,064	3	106	12,875	1	151	18,212	0	N/AVAIL	N/AVAIL	
Extended Stay (Lower Tier)	92	129	11,382	750,000	#N/A	3.5	417,993	9.60	36.72	18	116	10,962	12	117	10,769	10	114	15,425	2	119	9,717	
Grand Total Sales	466	145	\$12,492	#N/A	#N/A	3.3	\$540,719	\$12.41	43.3	123	133	\$10,729	102	149	\$14,052	50	156	\$19,289	8	131	\$8,653	

Land Sales By Location											1999			2000			2001			2002		
Property Type	# of Trans.	Avg. # Rooms	Avg Selling Price/Room	Modal Sales Price	Modal Selling Price/Room	Avg. # Acres	Avg Selling Price/Acre	Avg Selling Price/SF	Avg Room Density	# of Trans.	Avg. # Rooms	Avg Selling Price/Room	# of Trans.	Avg. # Rooms	Avg Selling Price/Room	# of Trans.	Avg. # Rooms	Avg Selling Price/Room	# of Trans.	Avg. # Rooms	Avg Selling Price/Room	
Airport	66	130	10,694	750,000	#N/A	3.0	460,728	10.58	43.08	19	115	9,850	12	144	15,746	7	146	8,944	2	123	14,996	
Highway	61	113	8,961	600,000	#N/A	3.2	317,910	7.30	35.48	14	94	8,370	17	95	6,257	2	69	9,125	1	100	9,422	
Resort	36	228	17,502	1,450,000	#N/A	5.4	737,352	16.93	42.13	10	148	12,812	5	224	29,625	3	576	31,588	0	N/AVAIL	N/AVAIL	
Suburban	281	133	11,082	750,000	12,500	3.5	421,541	9.68	38.04	76	140	11,034	61	120	11,323	34	121	11,113	5	140	6,326	
Downtown	22	301	20,218	1,110,000	#N/A	1.3	4,769,455	109.49	235.91	4	174	8,863	7	486	17,634	4	200	49,688	0	N/AVAIL	N/AVAIL	
Grand Total Sales	466	145	\$12,492	750,000	#N/A	3.3	\$540,719	\$12.41	43.3	123	133	\$10,729	102	149	\$14,052	50	156	\$19,289	8	131	\$8,653	

As evident from the previous table, the luxury and extended stay (middle tier) hotel types attained the highest average land acquisition cost per room of \$21,626 and \$13,336, respectively. The luxury properties tend to require the greatest area of land with an average 9.1 acres per transaction. The downtown hotel location achieved the highest average land acquisition cost per acre of \$6.05 million. Additionally, the downtown location attained the highest average room density of 280.46, and the upscale tier achieved the highest room density of 119.33. The average room density serves as a gauge to measure the ratio of total rooms to acres. Also reflected are the modal land acquisition costs, or most typical sales price, and the modal land acquisition cost per room. The upscale limited service and extended stay middle tiers attained the highest modal acquisition cost of \$1.9 million. The extended stay lower tier and the suburban hotel location achieved a modal acquisition cost of \$1.2 million. The mid-market limited service tier and the airport and highway locations achieved a modal acquisition cost of \$750,000. The mid-market limited service tier and the suburban location attained a modal land acquisition cost of \$12,500 per room.

Chart 1-3 Land Sales Transactions – Property Type



HCI National Land Database. The Marriott Courtyard and Hampton Inn brands followed closely with 26 transactions. As expected the average cost of land per room for limited service hotels was more affordable over land used for full service hotels. 27 sales of land that were acquired for Residence Inn development averaged \$13,212 per room. Our data base shows 113 land sales to Extended Stay America that averaged \$13,535 higher than many of the upscale limited service brands. In the limited service category Summerfield Suites and Sierra Suites land sales were the highest acquisition cost per room at \$18,046 and \$18,048. Acquisition cost averages below \$5,000 included well know brands Sleep inn and Super 8. The average room count per acre for the upscale limited service was 43.5 rooms per acres with the Courtyard by Marriott and AmeriSuites maximizing the number of rooms per acres at 47.5 and 47.6 rooms per acres. Four sales recorded to a new brand eSuites that is under development were at 54.9 units per acre. Mid-market limited service averaged 46.06 units per acre with Sleep in developing an average 57.6 per acre. In the extended stay sector Candlewood Suites recorded the maximum rooms per acre while the Staybridge Suites achieved only 30.4 per acres. Both brands had 8 land sales each in our database.

LAND SALES TRANSACTION BY LOCATION

Further analysis of HCI's National Land Database reveals that a significant portion of hotel land sales transactions occurred in Florida and Texas. Florida and Illinois achieved the greatest amount of sales by volume with \$141.7 million and \$74.2 million, respectively. The volume of land sales correspond with the level of development activity in the state. Outside of New York, Illinois and Florida were the most expensive for land per room at \$22,643 and \$18,754, respectively. South Carolina and Oregon attained the lowest land sales price per room of \$5,905 and \$6,670, respectively.

Table 1-5 Summary of Hotel Land Sales Transactions By State

Hotel Land Sales Transactions by State (1999-2003)				
Top Ten States by Sales Volume		Top Ten States - Price Per Room		
1	Florida	\$141.7 MM	1 New York	\$62,089
2	Illinois	\$74.2 MM	2 Illinois	\$22,643
3	New York	\$35.9 MM	3 Florida	\$18,754
4	California	\$33 MM	4 Massachusetts	\$16,202
5	Texas	\$32.6 MM	5 Virginia	\$14,425
6	Massachusetts	\$29.1 MM	6 North Carolina	\$12,846
7	New Jersey	\$25.4 MM	7 Pennsylvania	\$12,341
8	Virginia	\$21.3 MM	8 Washington	\$12,007
9	Colorado	\$18.8 MM	9 Maryland	\$11,797
10	Arizona	\$16.8 MM	10 California	\$11,234
Top Ten States by # of Transactions		Bottom Ten States - Price Per Room		
1	Florida	45	1 South Carolina	\$5,905
2	Texas	34	2 Oregon	\$6,670
3	California	22	3 Texas	\$6,835
4	New Jersey	16	4 Nevada	\$8,331
5	Colorado	16	5 Georgia	\$8,491
6	Georgia	15	6 Ohio	\$8,666
7	Arizona	14	7 Arizona	\$8,842
8	Illinois	13	8 Minnesota	\$9,490
9	Massachusetts	13	9 Colorado	\$9,598
10	Ohio	10	10 Michigan	\$10,280