

Hospitality Newsletter

2nd Quarter 2013

The first quarter of 2013 was the biggest quarter for visitation in the history of Florida tourism, with 26 million visitors. This puts Florida on track for a record year for tourism three years in a row. This is a welcome trend after the hospitality industry suffered during the real estate crash and recession over the past five years. We are seeing a steady increase in number of transactions and sale prices, as well as improving market conditions for new development.

Development Trend

After adding nearly 328 new hotels between 2000 and 2009, new hotel construction since 2010 has been very cautious with only 17 properties added. However, with record visitors improving occupancies and RevPar, as well as low interest rates and banks more willing to lend, hotel construction is increasing. New hotel construction is concentrated in the upper-midscale segment, including brands like Courtyard by Marriott, Staybridge Suites, and Hampton Inn. This segment has lower construction and labor costs than a full service hotel.

Nationally, construction volume has increased as well. There are currently 67,640 hotel rooms under construction in the U.S., 25% more than in 2011. However, volume is still roughly a third of 2007 levels when 185,118 rooms were under construction.

Hotel branding is very important to developers in terms of securing financing as well as matching the demographics of the market. For example, we have seen multiple Aloft brand hotels being developed in Florida's urban markets with a "Gen Y" population. Liberty Group and Convergent Capital Partners are currently redeveloping a vacant office building in downtown Tampa into a 130-room Aloft Hotel. Aloft brand hotels are also under construction in Brickell, South Beach, and downtown Orlando.

In addition, the iconic Bern's Steakhouse is joint venturing with Mainsail Development to build the 137-room boutique hotel in Tampa's Hyde Park. The hotel will be flagged Marriott's Autograph Collection flag.

Transactions & Pricing

In 2005 Florida hospitality sale transactions hit an all-time high with 170 annual transactions. This number fell to 26 transactions in 2009, and has been steady with 27 transactions in 2013 year to date.

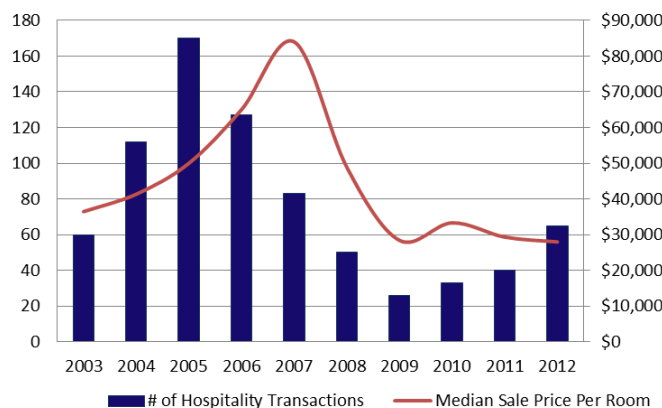
The most transacted hotel brand in Florida in 2012 and 2013 has been Hampton Inn, followed by Sleep Inn and Comfort Inn. Hampton Inn has the highest average price per room in sales during 2012-2013 at \$ 60,423 per room (with an average number of 104 rooms).

Some notable sales in 2013 include: The Miami Beach Resort & Spa which sold on 3/21/2013 for \$117 million (\$275,943 per room), The Pier House Resort and Caribbean Spa in Key West which sold on 5/14/2013 for \$90 million (\$633,802 per room), and a Residence Inn in Miami which sold on 6/18/13 for \$21.8 million (\$155,714 per room).

The median sales price per room in Florida is \$34,963 thus far in 2013, which is just slightly lower than the pre real estate boom prices in the early 2000's. Price per room spiked in 2007 at \$83,990 and then declined sharply until 2009, when prices leveled out. The current median price per building square foot for hotels in Florida is \$75.47.

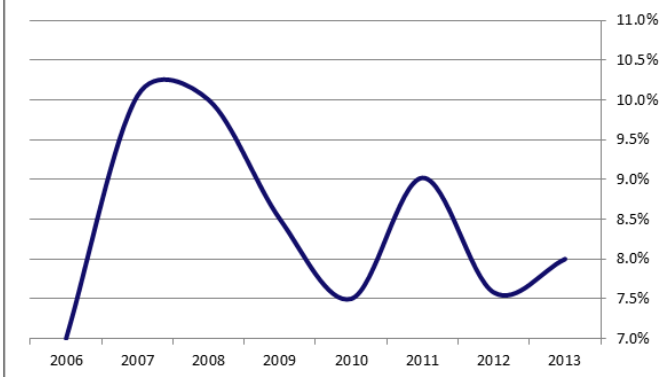
Prices are likely still in recovery because of the volume of distressed sales being transacted. Investors like Liberty Group are profiting with distressed properties by restructuring capital, changing management, and/or rebranding the hotel.

of Transactions & Median Sale Price Per Room in Florida
2003-2012



Source: CoStar

Median Hospitality Cap Rates in Florida
2006 - 2013



Source: CoStar

Top Hotel Brands in Florida by # of Sales

BRAND NAME	# Sold	Average \$/Room	Median \$/Room	Average # Rooms
Hampton Inn	10	\$ 60,423	\$ 46,268	104
Hilton Garden Inn	3	\$ 51,797	\$ 77,696	141
Holiday Inn	5	\$ 42,935	\$ 51,867	91
Best Western	5	\$ 40,378	\$ 53,922	73
Quality Inn	3	\$ 22,700	\$ 17,600	98
Comfort Inn	6	\$ 22,080	\$ 22,337	125
Sleep Inn	7	\$ 18,110	\$ 23,457	83
Ramada	3	\$ 16,642	\$ 16,644	177
Econo Lodge	3	\$ 16,320	\$ 15,663	85
Days Inn	5	\$ 14,723	\$ 11,584	134
Motel 6	3	\$ 10,551	\$ 15,827	118

Source: CoStar

Capitalization Rates

The median cap rate for Florida year to date is 8.00%, up slightly from 7.58% in 2011. Cap rates saw their peak in 2007 and 2008 at around 10.00%, reflecting the high risk market undergoing plummeting hotel earnings, lack of available capital, and market uncertainty. Rates declined as buyers acquired properties with depressed income levels, betting on significant NOI recovery in the future. Now that the major NOI rebound is behind us, we are seeing rates tick minimally upward.

Occupancy

Occupancy in Florida hotels took a hit in 2009 and 2010 during the recession and BP oil spill in Spring and Summer 2010. Occupancy, average daily rate and revenue per available room were down or flat during that time.

U.S. hotels have shown performance increases since May 2010 in occupancy (currently 63.8%), average daily rate (currently \$110.02), and revenue per available room (\$70.24). The Florida Keys, Miami and West Palm Beach/Boca Raton led all 13 markets in Florida in 2012 and thus far in 2013 in those three performance measures.

Orlando had a record year in 2012 for domestic and international visitation, convention and trade show attendance and hotel room nights sold (29.3 million). Disney World has a strong impact in Orlando with 21% of all rooms in the market. Nearby Port Canaveral recorded a 20% increase in cruise passengers in 2012 over 2011.

There are more than 370,000 hotel rooms in Florida and the Orlando area has 116,000 rooms. Both Orlando and Florida have seen strong increases in occupancy and average daily rate, outpacing the national growth.

Outlook

As the final rounds of distressed properties are transacted and interest rates begin to increase we expect to see Florida hotel prices to increase as well. Demand will continue increasing with rises in tourism spending. New development that is beginning now will fill that demand as those properties come online in the next year and supply growth will continue over the next 5 or so years. Transaction volume will increase for the next couple of years.

ABOUT OUR FIRM

Beshears and Associates is a commercial appraisal firm located in Tampa, Florida. In addition to covering apartments, office, industrial, land, and retail, we have specialty practices in gas stations, self-storage, hotels and bank branches. Our staff of 12 appraisers complete over 600 appraisals annually in Florida and Georgia.



David Beshears,
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If you have questions about the newsletter or our practice, please contact David Beshears, MAI at 813.204.2885 x204 or dbeshears@beshears.net. Past newsletters can be found at www.beshears.net

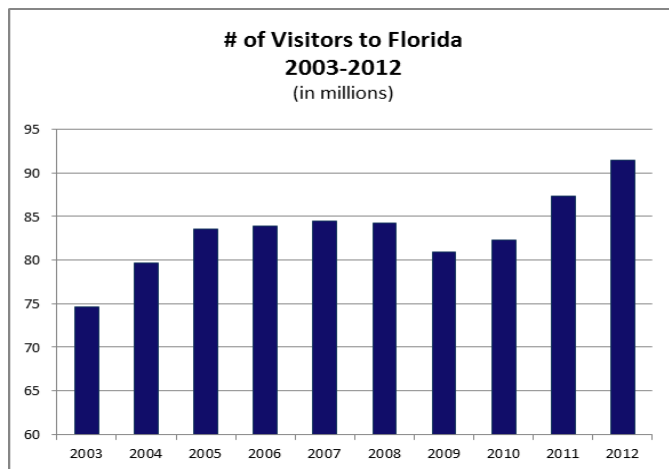
HOSPITALITY VALUATION GROUP

Mike Ahwash specializes in hospitality properties. Mike has over 21 years' experience in the commercial real estate sector. Mike began his real estate career at KPMG Consulting where he was a part of the Real Estate, Sports and Hospitality Consulting group. He has an undergraduate degree from West Virginia University and a Master's degree in Business Administration from the University of Tampa.

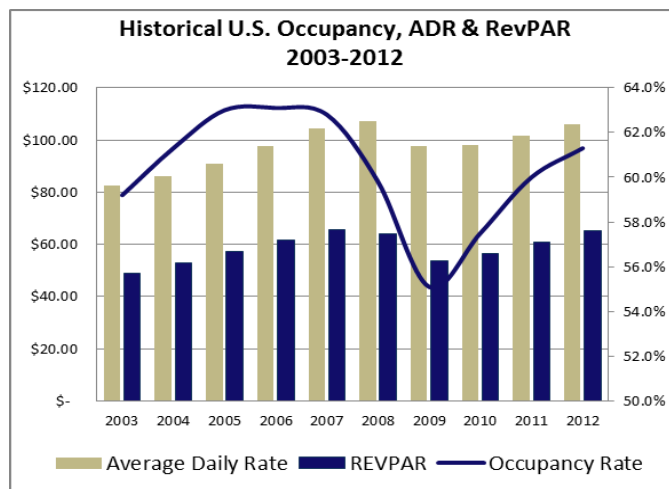


Michael Ahwash

You may also contact Mike Ahwash, Senior Valuation Analyst, at 813.254.2885 x212 or mahwash@beshears.net.



Source: VISIT FLORIDA Research



Source: Smith Travel Research, Inc.

Florida Hotel Occupancy and ADR

	2011	2012	YTD 2012	YTD 2013
Occupancy Rate				
Orlando	67.6%	68.8%	72.7%	74.0%
Florida	62.8%	64.8%	69.6%	71.5%
United States	59.9%	61.4%	59.0%	60.2%
Avg Daily Rate				
Orlando	\$94.11	\$96.88	\$103.90	\$107.94
Florida	\$108.61	\$113.14	\$124.01	\$130.34
United States	\$101.85	\$106.10	\$104.67	\$109.06
RevPar				
Orlando	\$63.62	\$66.65	\$75.54	\$79.88
Florida	\$68.21	\$73.31	\$86.31	\$93.19
United States	\$61.01	\$65.15	\$61.76	\$65.65

Source: Visit Orlando; Beshears & Associates market research