Kidder Mathews

4th Quarter
2017

Real Estate Market Review

Seattle Hotel

The year 2017 likely will mark the peak of the current business cycle for hotels in Western Washington. In most markets, occupancy rates were near those recorded in 2016. Room prices rose during the year, but the rate of increase moderated, and the strongest growth was achieved in markets outside the downtown core. With more than 4,000 rooms expected to open during 2018, we are projecting lower rates of occupancy and stagnation in room prices.

Hotel Performance

During 2017, Kidder Mathews appraised hotels in Washington, Oregon, Idaho, and California. The results discussed here reflect the performance of selected Washington submarkets. Measures of demand include the market occupancy rate, the market average room rate, and revenue per available room. Sources of historical data include individual property managers, franchise representatives, and targeted surveys. Estimates for 2017 were extrapolated from partial year results and adjusted for seasonality.

Among the markets studied in the past year, hotels in Seattle and SeaTac generated the highest room prices. The average daily room rate in the South Lake Union market was $192, a 2.1% increase over the prior year. The market ADR was $158 in North Seattle and $146 among the upscale hotels in SeaTac.

Seattle and SeaTac were also the top performers in terms of occupancy, with annual averages of over 80%. In most other parts of the state, occupancy rates remained near those of the prior year. One exception was Bellingham, which continues to feel the effects of very significant increases in the competitive supply.

Market Forecast Trends

	Estimated 2017	Projected 2018
ROOM OCCUPANCY	↔	↓
AVERAGE ROOM RATE	↑	↔
DAILY REVPAR	↑	↓

Market Up Close

During 2017, hotel occupancy rates were essentially unchanged from the prior year, both within and outside the Seattle metro area.

Growth in room prices is moderating.

13 new hotels opened in the past year, and at least 21 are under construction.

There were 26 significant hotel sales in the tri-county area during 2017.

Hotel Performance

Market	Tier	Room Occupancy			Average Room Rate			Daily RevPAR		
		2016	2017 est.	Change	2016	2017 est.	Change	2016	2017 est.	Change
Arlington/Marysville	Midscale	67%	67%	0.0%	$119	$126	5.9%	$80	$84	5.9%
Auburn/Sumner	Midscale	67%	70%	4.5%	$102	$106	3.9%	$68	$74	8.6%
Federal Way	Midscale	69%	70%	1.4%	$128	$130	1.6%	$88	$91	3.0%
Renton	Midscale	72%	70%	-2.8%	$118	$122	3.4%	$85	$85	0.5%
SeaTac	Upscale	81%	83%	2.5%	$141	$146	3.5%	$114	$121	6.1%
SeaTac	Midscale	84%	83%	-1.2%	$123	$129	4.9%	$103	$107	3.6%
SeaTac	Budget	75%	75%	0.0%	$74	$75	1.4%	$56	$56	1.4%
Seattle Lake Union	Upscale	84%	84%	0.0%	$188	$192	2.1%	$158	$161	2.1%
Seattle North	Overall	76%	77%	1.3%	$150	$158	5.3%	$114	$122	6.7%
King/Pierce/Snohomish		**75%**	**75%**	**0.6%**	**$127**	**$132**	**3.6%**	**$95**	**$99**	**4.2%**
Bellingham	Midscale	69%	66%	-4.3%	$108	$109	0.9%	$75	$72	-3.5%
Kennewick	Midscale	66%	67%	1.5%	$95	$97	2.1%	$63	$65	3.7%
Moses Lake/Ritzville	Overall	62%	60%	-3.2%	$98	$99	1.0%	$61	$59	-2.2%
Walla Walla	Midscale	56%	55%	-1.8%	$112	$114	1.8%	$63	$63	0.0%
Wenatchee	Midscale	72%	74%	2.8%	$113	$119	5.3%	$81	$88	8.2%
Yakima	Midscale	64%	64%	0.0%	$107	$111	3.7%	$68	$71	3.7%
Other Washington		**65%**	**64%**	**-0.8%**	**$106**	**$108**	**2.5%**	**$68**	**$70**	**1.7%**
Sample Average		**71%**	**71%**	**0.1%**	**$118**	**$122**	**3.2%**	**$85**	**$88**	**3.4%**

Hotel Transactions

Property Name	Address	Year Built	Sale Date	Opening	Rooms	$/Rooms	$/SF
Hilton Garden Inn	Seattle	2015	Mar-17	$88,000,000	222	$396,396	$615
Pan Pacific Hotel	Seattle	2006	Feb-17	$79,000,000	153	$516,340	$657
Kimpton Alexis Hotel	Seattle	1904/1982	Mar-17	$71,625,000	121	$591,942	$556
Hotel Deca	Seattle	1931	Jan-17	$55,000,000	158	$348,101	$549
Hampton Inn	Tukwila	1990	Jul-17	$17,000,000	154	$110,390	$271
Red Lion Hotel	Tacoma	1964	Jul-17	$11,000,000	119	$92,437	$134
Comfort Inn & Suites	Seattle	1990	Feb-17	$10,700,000	71	$150,704	$257
GuestHouse Inn & Suites	Renton	1987	Jul-17	$9,000,000	116	$77,586	$253
Red Lion Inn & Suites	Federal Way	1982	Feb-17	$8,800,000	90	$97,778	$159
Towne & Country Suites	Tukwila	1967	May-17	$8,241,200	88	$93,650	$249
Evergreen Inn & Suites	Monroe	1999	Apr-17	$7,070,000	66	$107,121	$186
Red Lion Inn & Suites	Kent	1998	Jan-17	$6,600,000	60	$110,000	$191
GuestHouse Inn	Auburn	1990	Jun-17	$6,200,000	85	$72,941	$155
Travelodge Suites	Auburn	1998	Feb-17	$5,925,000	95	$62,368	$137
Quality Inn & Suites	Everett	1969	Feb-17	$5,500,000	82	$67,073	$113
Everspring Inn	Seattle	1997	Oct-17	$4,200,000	33	$127,273	$222
Best Lynnwood Motor Inn	Lynnwood	1997	Nov-17	$3,700,000	37	$100,000	$294
Days Inn	Federal Way	1994	Jun-17	$3,600,000	54	$66,667	$198
Sumner Motor Inn	Sumner	1990	Jan-17	$3,150,000	39	$80,769	$238
Island Country Inn	Bainbridge Island	1994	Nov-17	$2,900,000	45	$64,444	$149
Comfort Inn	Lynnwood	1992	Feb-17	$2,785,000	46	$60,543	$174
Eastwind Motel	Federal Way	1950	Jun-17	$2,650,000	36	$73,611	$230
Rodeway Inn	Auburn	1982	Aug-17	$2,200,000	35	$62,857	$162

Hotel Development

Property Name	Address	City	Type	Opening	Rooms
Fairfield Inn & Suites	1500 Wilmington Drive	Dupont	Limited	Mar-17	90
SpringHill Suites	1185 NW Maple Street	Issaquah	Select	Mar-17	145
Woodspring Suites	7707 Broadway	Everett	Extended	Mar-17	122
Hampton Inn & Suites	17770 NE 78th Place	Redmond	Limited	Apr-17	130
Home2 Suites	600 Station Drive	Dupont	Extended	Jun-17	140
aloft	15220 NE Shen Street	Redmond	Select	Jun-17	150
element	15220 NE Shen Street	Redmond	Extended	Jun-17	131
Hampton Inn & Suites	1200 Lake Washington Boulevard	Renton	Limited	Jun-17	110
W Hotel	10455 NE 5th Place	Bellevue	Full	Jun-17	245
Hyatt Regency	1083 Lake Washington Blvd N	Renton	Full	Jul-17	347
Marriott AC	210 106th Place NE	Bellevue	Select	Aug-17	234
TownePlace Suites	11700 Pacific Highway SW	Lakewood	Extended	Dec-17	120
Residence Inn	1815 Terry Avenue	Seattle	Extended	Dec-17	302
Moxy	1016 Republican Street	Seattle	Select	Jan-18	146
aloft	19030 28th Avenue S	SeaTac	Select	Jan-18	143
Holiday Inn Express	501 Tukwila Parkway	Tukwila	Limited	Jan-18	92
Woodspring Suites	7045 180th Avenue NE	Redmond	Extended	Jan-18	120
Home2 Suites	4070 116th Street NE	Marysville	Extended	Feb-18	90
Hilton Garden Inn	965 108th Avenue NE	Bellevue	Select	Mar-18	254
Embassy Suites	255 S King Street	Seattle	Full	Apr-18	278
Residence Inn	19608 International Boulevard	SeaTac	Extended	Jun-18	170
Archer Hotel	7210 164th Avenue NE	Redmond	Boutique	2018	160
McMenamins Elks Lodge	565 Broadway	Tacoma	Boutique	2018	45
TBD (formerly SLS)	801 5th Avenue	Seattle	Full	2018	189
Hotel Interurban	223 Andover Park E	Tukwila	Full	2018	195
Woodspring Suites	156XX West Valley Highway	Tukwila	Limited	2018	114
The Charter - Curio Collection	1608 2nd Avenue	Seattle	Select	2018	230
Hyatt Regency	800 Howell Street	Seattle	Convention	2018	1,260
EVEN/Staybridge	527 Fairview Avenue N	Seattle	Dual Brand	2018	235
Hilton Garden Inn	3801 Alderwood Mall Boulevard	Lynnwood	Select	2018	155
Hilton Garden Inn	3056 S 188th Street	SeaTac	Select	2018	152
Hotel Indigo	2116 4th Avenue	Seattle	Boutique	2019	142
Hyatt Place/Hyatt House	17224 International Boulevard	SeaTac	Dual Brand	2019	380

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Hotel Development

Four new hotels were completed in King, Pierce, and Snohomish Counties during 2014, eight opened in 2015, and five opened in 2016. Excluding bed & breakfast inns and older independent motels, the tri-county lodging market now encompasses about 300 properties and about 45,000 guest rooms. At year-end, 20 hotels with 4,550 guest rooms were under construction, and additional projects with at least as many rooms were proposed.

Most of the recent openings were in East King County. The W Hotel and the AC Hotel opened in Downtown Bellevue. Redmond saw the completion of a dual brand structure housing an aloft and an element, as well as a Hampton Inn & Suites. A second Hampton opened in Renton, as did the Hyatt Regency at Southport and the SpringHill Suites in Issaquah.

Elsewhere, a Fairfield Inn & Suites and a Home2 Suites opened in Dupont. The region's first Woodspring Suites was completed in South Everett and a TownePlace Suites opened in Lakewood. Three of these four properties are extended stay hotels that include in-room kitchens. The new Residence Inn near the Seattle CBD is also targeted to guests on extended stays.

Hotel Transactions

During 2017, and excluding national portfolios, resorts, and potential tear downs, there were 23 sales of hotels in King, Pierce, and Snohomish Counties at prices exceeding $2M. The aggregate transaction volume was $415M. With 2,005 guest rooms, the weighted average price per room was $206,906. This was 10% less than the record average of $228,871 observed in 2016.

There were four hotel sales at prices in excess of $50M. The 222-room Hilton Garden Inn on the northern edge of the Seattle CBD sold for $88M, or just under $400,000/room. Two other downtown properties, the Pan Pacific Hotel and the Kimpton Alexis Hotel, each sold at over $500,000/room. The Hotel Deca in Seattle's University District was purchased for $55M, or about $350,000/room.

Three sales closed at prices between $10M and $20M. These included the Hampton Inn in Tukwila, the Red Lion Hotel in South Tacoma, and the Comfort Inn & Suites in North Seattle. There also were 16 hotel sales priced between $2M and $10M.

Among the sales under $20M, prices ranged from $60,543/room to $150,704/room and from $113/s.f. to $294/s.f. For the four sales at the top of the market, prices ranged from $348,101/room to $591,942/room and from $549/s.f. to $657/s.f.