

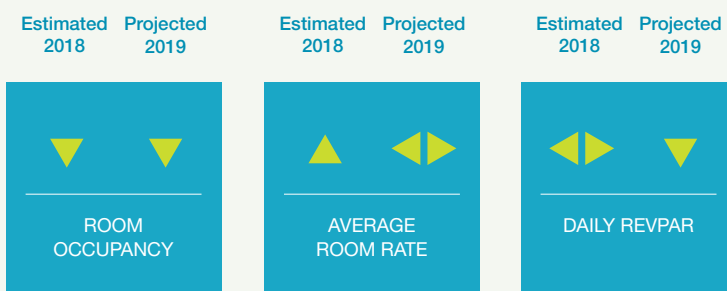
Seattle Hotel

With dozens of new hotels opened in the past few years, several urban markets are seeing a decline in occupancy rates. For example, in Bellingham, which experienced a near doubling of the room supply over a five-year interval, the market occupancy rate fell from 76% in 2012 to a 2018 estimate of 64%. In Downtown Bellevue, where six hotels have opened in the past four years, occupancy declined from 76% in 2013 to an estimated 70% in 2018. Ongoing development in South Lake Union is expected to have a similar impact.

Conditions are different outside the urban centers of Western Washington. In markets without a sudden surge in supply, occupancy rates have been generally stable and room prices are increasing at or near the overall rate of inflation. However, in at least three of these markets (Walla Walla, Wenatchee, and Yakima), some new hotels are on the horizon.

During the first half of 2018, there were 12 sales of hotels in King, Pierce, and Snohomish Counties at prices exceeding \$2MM, including three sales at or above \$70MM. Sale activity has slowed by a third since last year's record volume, but the weighted average price per room (\$260,429) was up 7% from the mean in early 2017.

Market Forecast Trends



Market Up Close

- Room occupancy rates softened in markets with substantial hotel development
- Most hotels recorded modest growth in room prices
- Ten new hotels with 1,651 guest rooms opened in the Tri-County area
- The number of hotel sales declined, but the price per room increased

Hotel Performance

Market	Room Occupancy			Average Room Rate			Daily RevPAR		
	2017	2018	Change	2017	2018	Change	2017	2018	Change
Bellevue CBD	72%	70%	-2.8%	\$201	\$205	2.0%	\$145	\$144	-0.9%
Bellingham	67%	64%	-4.5%	\$96	\$99	3.1%	\$64	\$63	-1.5%
Lynnwood	70%	72%	2.9%	\$114	\$117	2.6%	\$80	\$84	5.6%
Oak Harbor	72%	73%	1.4%	\$105	\$109	3.8%	\$76	\$80	5.3%
Olympia	63%	63%	0.0%	\$98	\$99	1.0%	\$62	\$62	1.0%
Port Angeles	56%	56%	0.0%	\$127	\$128	0.8%	\$71	\$72	0.8%
Walla Walla	55%	55%	0.0%	\$114	\$115	0.9%	\$63	\$63	0.9%
Yakima	65%	64%	-1.5%	\$101	\$104	3.0%	\$66	\$67	1.4%
Sample Average	65%	65%	-0.6%	\$120	\$122	2.1%	\$78	\$79	1.4%

Hotel Development

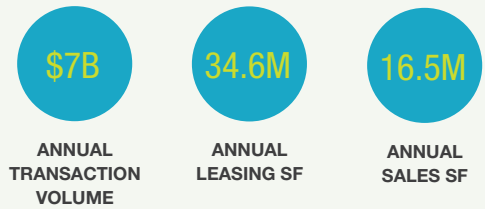
Name	Address	City	Type	Opened	Rooms
Woodspring Suites	7045 180th Avenue NE	Redmond	Extended	01/18	120
Moxy	1016 Republican Street	Seattle	Select	02/18	146
aloft	19030 28th Avenue S	SeaTac	Select	02/18	143
Embassy Suites	255 S King Street	Seattle	Full	04/18	278
Hilton Garden Inn	965 108th Avenue NE	Bellevue	Select	05/18	254
Residence Inn	19608 International Blvd	SeaTac	Extended	05/18	170
Hotel Interurban	223 Andover Park E	Tukwila	Full	05/18	195
Staybridge Suites	1119 Mercer Street	Seattle	Extended	05/18	112
EVEN Hotel	527 Fairview Avenue N	Seattle	Select	05/18	123
Woodspring Suites	15643 West Valley Hwy	Tukwila	Limited	05/18	110

Hotel Transactions

Name	Location	Opened	Rooms	Sale Date	Sale Price	Price/Room
Motif	Seattle	1996	297	01/18	\$145.0M	\$488,215
AC Hotel	Bellevue	2017	234	03/18	\$87.0M	\$371,795
Marriott Town Center	Redmond	2004	262	03/18	\$70.0M	\$267,176
Sleep Inn	SeaTac	1999	105	03/18	\$17.6M	\$167,619
Holiday Inn Express	Marysville	2007	100	03/18	\$17.4M	\$174,000
Hawthorn Suites	Kent	1990	152	02/18	\$17.0M	\$111,842
Holiday Inn Express	Lynnwood	2010	80	03/18	\$12.6M	\$157,500
La Quinta Inn & Suites	Auburn	2011	70	03/18	\$11.8M	\$167,857
Smokey Point Motor Inn	Arlington	1976	58	02/18	\$6.2M	\$106,034
Howard Johnson Suites	Tukwila	1942	64	01/18	\$4.3M	\$66,406
Northwest Motor Inn	Puyallup	1985	52	03/18	\$3.9M	\$75,731
Econo Lodge	Tukwila	1985	47	05/18	\$3.4M	\$72,872

Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with more than 700 real estate professionals and staff in 21 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, property management, consulting, project and construction management, and debt equity finance services for all property types.

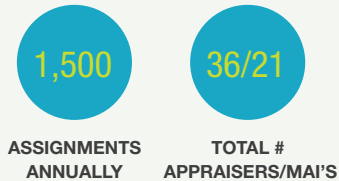
COMMERCIAL BROKERAGE



PROPERTY MANAGEMENT



VALUATION ADVISORY



Contact

Brian Hatcher
Executive VP, Brokerage
206.296.9600
bhatcher@kiddermathews.com

The information in this report was composed by the Kidder Mathews Valuation Advisory Group.

John D. Gordon, MAI, AI-GRS
425.454.7040 | jgordon@kiddermathews.com

kiddermathews.com



This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. CONSULT YOUR ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONAL ADVISOR.