

Atlas Hospitality Group California Hotel Sales Survey Year-End 2009



W Hotel San Francisco

Prepared by: **Atlas Hospitality Group**
2500 Michelson Dr, Ste 110
Irvine, CA 92612
Telephone (949) 622-3400
Facsimile (949) 622-3410



Alan X. Reay, President
E-mail: alan@atlashospitality.com



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Summary of California Highlights

- The number of California hotel sales dropped to a new low, plunging 52% from 2008 and 73% from 2007.
- The dollar volume dropped 75% from 2008 and 85% from 2007.
- The median price per room declined 30% from 2008 and 38% from 2007.
- The median price per room in Southern California dropped 40%.
- The median price per room in Northern California declined 24%.
- Los Angeles County, down 82%, had the steepest median price per room drop.
- Los Angeles County had the biggest drop in transactions, down 90%.
- The 404-room W in San Francisco was the largest California hotel sale of 2009. At \$90 million , it alone accounted for over 17% of the entire California dollar volume for the year.
- The 15-room Carmel Wayfarer Inn, at \$260,000 per key, had the highest price per room.
- 95% of the buyers were from California.
- Only San Bernardino County posted an increase in individual sales activity from 2008.

Southern California Highlights

Los Angeles County

Los Angeles County had a 90% decrease in the number of individual hotel sales in 2009, from 39 to 4. The total dollar volume was down 96%.

The county's average price per room dropped 66% and the median price per room was down 82%.

The largest sale and most expensive in Los Angeles County was the 208-room Hotel Angeleno in Los Angeles, which sold for \$35,000,000.



Hotel Angeleno Los Angeles

San Diego County

San Diego County had a 57% drop, from 14 to 6, in individual transactions. The total dollar volume decreased 65% to \$50.45 million.

San Diego County's average price per room dropped less than 1%. The median price per room decreased 28%.

The largest and most expensive sale was the \$28.25 million paid for the 145-room Homewood Suites in Carlsbad.



Homewood Suites Carlsbad

Orange County

Individual transactions in Orange County decreased 47%, from 15 to 8. The total sales volume dropped 74%, down to \$54.75 million.

The average price per room dropped 38% and the median price per room was down 29%.

The largest and most expensive hotel sale in Orange County was the \$21 million paid for the 238-room Wyndham Orange County in Costa Mesa.



Wyndham Orange County

Riverside County

Riverside County experienced a 61% decrease in transactions, from 18 to 7. The total dollar volume dropped to \$34.4 million, down 53%.

The average price per room dropped 36% and the median price per room decreased 22%.

The largest and most expensive sale came from the \$19.3 million paid for the 292-room Marriott in Riverside.



Marriott Riverside

San Bernardino County

San Bernardino, up 37%, was the only California market to see an increase in the number of sales transactions, from 8 to 11. The total dollar volume dropped 3%, down to \$24.4 million.

The average price per room dropped 13%, while the median price per room decreased 35%.

The largest and most expensive hotel sold was the 110-room Red Roof Inn in Ontario at \$5.65 million.



Red Roof Inn Ontario



Northern California Highlights

San Francisco County

San Francisco County had a 50% drop in individual transactions in 2009, from 4 to 2. The total dollar volume increased 316% to \$92 million.

The county's average and median price per room increased 6% and 20%, respectively.

The largest and most expensive hotel sold was the 404-room W in San Francisco. At \$90 million, it was the largest individual California sale in 2009.



W San Francisco

Alameda County

Alameda County had a 40% decrease in transactions, from 5 to 3. The total dollar volume dropped 68% to \$10.4 million.

The average price per room decreased 39% and the median price per room rose 8%.

The largest and most expensive sale was the \$5.29 million paid for the 54-room Comfort Suites in Castro Valley.



Comfort Suites Castro Valley

Santa Clara County

Transactions in Santa Clara County dropped 86%, from 7 to 1. The total dollar volume dropped 99% to \$190,000.

The average price per room dropped 57%. The median price per room was down 59%.

The only sale was the 4-room Apple Lane Inn in Aptos.



Apple Lane Inn Aptos

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San Mateo County

San Mateo County had a 50% decrease in transactions, from 2 to 1. The total dollar volume dropped 46% to \$2.1 million.

The average and median price per room increased 73%.

The only sale was the 33-room Travel Inn Motel in San Carlos, which sold for \$2.1 million.



Travel Inn Motel San Carlos

Recap

In reviewing our forecast from the beginning of 2009, we predicted the following:

- *Sales will continue to decline in the first half of the year and pick up in the second half.*
Sales activity jumped 20% in the second half of the year.
- *The market will be dominated by distressed sales.*
Lenders have continued to delay the foreclosure process, opting instead to extend and forebear. So even though we now have foreclosed hotels that equal 73% of the entire number of 2009 sales transactions, the vast majority of these have not been resold.
- *The number of sales will decline 10-20%.*
Sales were down 51%, much greater than predicted.
- *Prices are set to fall dramatically, between 20-40%.*
The median price per room declined 30%.
- *The shortage of buyers and lack of financing will add more downward pressure on prices.*
We continue to see prices heading down.
- *Many hospitality lenders will simply go out of business in 2009.*
140 American banks failed in 2009. Of these, 16 were in California.
- *Lenders will look to sell their hotel loans (some at huge discounts) to avoid foreclosing and becoming hotel operators.*
Lenders have sold hotel loans, but not anywhere near the level we expected.

Forecast

For 2010, we predict the following:

- Sales activity will increase dramatically from the 2009 record low; we expect to see 150-175 transactions.
- Dollar volume will also increase, almost double 2009's number.
- Prices will decline 10-20%.
- The sale of hotel loans will rise substantially.
- Lender sales will account for over 50% of transactions.

California Hotel Sales Comparable Summary

Year-End Report -- 2009 vs. 2008

Northern California vs. Southern California

Entire California Summary

	No. Transaction			Sales Price			No. of Rms			Price/Rm		
	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg
Total	187	92	-50.80%	\$2,132,615,269	\$524,992,868	-75.38%	16,269	6,040	-62.87%			
Average				\$12,048,674	\$5,706,444	-52.64%	87	66	-24.54%	\$97,391	\$71,132	-26.96%
Median				\$4,300,000	\$2,130,000	-50.47%	56	46	-18.75%	\$80,667	\$56,528	-29.92%
Transactions Above \$5,000,000												
Total	82	25	-69.51%	\$1,901,418,194	\$408,146,000	-78.53%	11,914	3,240	-72.81%			
Average				\$23,767,727	\$16,325,840	-31.31%	145	130	-10.80%	\$130,398	\$120,287	-7.75%
Median				\$9,050,000	\$11,150,000	23.20%	106	95	-10.38%	\$114,567	\$108,511	-5.29%

Northern California Summary

	No. Transaction			Sales Price			No. of Rms			Price/Rm		
	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg
Total	86	51	-40.70%	\$592,101,711	\$289,027,825	-51.19%	6,741	2,921	-56.67%			
Average				\$7,494,958	\$5,667,212	-24.39%	78	57	-26.93%	\$81,819	\$72,524	-11.36%
Median				\$4,150,000	\$2,100,000	-49.40%	61	41	-32.23%	\$70,245	\$53,333	-24.07%

Southern California Summary

	No. Transaction			Sales Price			No. of Rms			Price/Rm		
	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg
Total	101	41	-59.41%	\$1,540,513,558	\$235,965,043	-84.68%	9,528	3,119	-67.26%			
Average				\$15,719,526	\$5,755,245	-63.39%	94	76	-19.36%	\$131,173	\$69,402	-47.09%
Median				\$4,350,000	\$2,700,000	-37.93%	54	64	18.52%	\$110,000	\$66,096	-39.91%

California Hotel Sales Comparable Summary

Year-End Report -- 2009 vs. 2008

Southern California Counties

Los Angeles County

	No. Transaction			Sales Price			No. of Rms			Price/Rm		
	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg
Total	39	4	-89.74%	\$1,076,318,778	\$41,100,000	-96.18%	4,610	510	-88.94%			
Average				\$27,597,917	\$10,275,000	-62.77%	118	128	7.86%	\$154,046	\$52,790	-65.73%
Median				\$5,900,000	\$3,050,000	-48.31%	55	140	154.55%	\$121,429	\$21,446	-82.34%

Orange County

	No. Transaction			Sales Price			No. of Rms			Price/Rm		
	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg
Total	15	8	-46.67%	\$209,750,000	\$54,750,000	-73.90%	1,800	839	-53.39%			
Average				\$16,134,615	\$6,843,750	-57.58%	120	105	-12.60%	\$98,324	\$60,624	-38.34%
Median				\$9,100,000	\$4,250,000	-53.30%	85	83	-2.94%	\$97,683	\$69,444	-28.91%

Riverside County

	No. Transaction			Sales Price			No. of Rms			Price/Rm		
	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg
Total	18	7	-61.11%	\$73,807,530	\$34,491,590	-53.27%	1,091	549	-49.68%			
Average				\$4,100,418	\$4,927,370	20.17%	61	78	29.40%	\$94,080	\$60,076	-36.14%
Median				\$2,575,000	\$1,900,000	-26.21%	37	63	70.27%	\$85,045	\$66,096	-22.28%

San Bernardino County

	No. Transaction			Sales Price			No. of Rms			Price/Rm		
	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg
Total	8	11	37.50%	\$25,152,000	\$24,396,305	-3.00%	454	582	28.19%			
Average				\$3,144,000	\$2,217,846	-29.46%	57	53	-6.77%	\$59,731	\$51,889	-13.13%
Median				\$1,475,000	\$2,000,000	35.59%	33	36	10.77%	\$62,393	\$40,404	-35.24%

San Diego County

	No. Transaction			Sales Price			No. of Rms			Price/Rm		
	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg
Total	14	6	-57.14%	\$144,822,750	\$50,450,000	-65.16%	1,410	408	-71.06%			
Average				\$10,344,482	\$8,408,333	-18.72%	101	68	-32.48%	\$91,308	\$90,700	-0.67%
Median				\$7,475,000	\$2,325,000	-68.90%	98	53	-46.43%	\$89,737	\$64,929	-27.65%

California Hotel Sales Comparable Summary

Year-End Report -- 2009 vs. 2008

Northern California Highlights

San Francisco

	No. Transaction			Sales Price			No. of Rms			Price/Rm		
	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg
Total	4	2	-50.00%	\$22,100,000	\$92,050,000	316.52%	263	443	68.44%			
Average				\$5,525,000	\$46,025,000	733.03%	66	222	236.88%	\$130,398	\$137,668	5.58%
Median				\$5,100,000	\$46,025,000	802.45%	65	222	240.77%	\$114,567	\$137,668	20.16%

Alameda

	No. Transaction			Sales Price			No. of Rms			Price/Rm		
	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg
Total	5	3	-40.00%	\$32,843,500	\$10,390,000	-68.37%	320	120	-62.50%			
Average				\$6,568,700	\$3,463,333	-47.28%	64	40	-37.50%	\$112,329	\$68,825	-38.73%
Median				\$4,972,500	\$5,100,000	2.56%	70	47	-32.86%	\$90,679	\$97,963	8.03%

Santa Clara

	No. Transaction			Sales Price			No. of Rms			Price/Rm		
	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg
Total	7	1	-85.71%	\$64,012,000	\$190,000	-99.70%	563	4	-99.29%			
Average				\$10,668,667	\$190,000	-98.22%	80	4	-95.03%	\$110,202	\$47,500	-56.90%
Median				\$9,290,000	\$190,000	-97.95%	59	4	-93.22%	\$117,059	\$47,500	-59.42%

San Mateo

	No. Transaction			Sales Price			No. of Rms			Price/Rm		
	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg
Total	2	1	-50.00%	\$3,900,000	\$2,100,000	-46.15%	135	33	-75.56%			
Average				\$3,900,000	\$2,100,000	-46.15%	68	33	-51.11%	\$36,792	\$63,636	72.96%
Median				\$3,900,000	\$2,100,000	-46.15%	68	33	-51.11%	\$36,792	\$63,636	72.96%

Sacramento

	No. Transaction			Sales Price			No. of Rms			Price/Rm		
	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg	2008	2009	% Chg
Total	10	4	-60.00%	\$216,105,000	\$27,437,825	-87.30%	1,433	342	-76.13%			
Average				\$27,013,125	\$6,859,456	-74.61%	143	86	-40.33%	\$112,329	\$68,610	-38.92%
Median				\$11,037,500	\$4,825,000	-56.29%	122	79	-35.25%	\$90,679	\$66,810	-26.32%