

HOTEL MOTEL MODEL

Revaluation Cycle – January 1, 2025 to December 31, 2028
Base Date: January 1, 2023

HOTEL MOTEL MODEL

Model Identification

The Hotel Motel Model is an income model that values hotel and motel properties.

The Hotel Motel Model is city-wide in application.

Hotels and motels are stratified into **five stratifications**:

- Conference
- Full-Service
- Select Service
- Limited Service and
- Motel

Revaluation Cycle – January 1, 2025 to December 31, 2028

Effective Date of Valuation – January 1, 2023

Date of Report – January 1, 2025



Model Summary

Stratification	ADR	Occupancy	RevPar	Food & Beverage	Other Revenue	Expenses
Conference	139.47	37.74%	52.64	58.72%	10.61%	87.38%
Full-Service	109.99	40.26%	44.28	52.71%	3.77%	91.93%
Select Service	116.86	51.80%	60.55	N/A	1.38%	80.14%
Limited Service	89.97	50.22%	45.18	N/A	0.96%	86.21%
Motel	85.60	43.40%	37.15	N/A	2.44%	86.21%

Sales

Roll #	Address	Rooms	Fully Adjusted Sale Price	NOI	ADR	RevPar	Expense	Cap Rate	Asmnt	Other Comp Asmt	ASR
515230490	1301 8th St E	80	13,092,300	715,291	116.86	60.55	80.14%	5.46%	13,188,400	6,669,196	1.01
505050400	90 22nd St E	180	15,332,500	739,051	139.47	52.64	87.38%	4.82%	13,534,700	0	0.88
464804750	2002 Airport Dr	250	4,250,000	1,026,460	139.47	52.64	87.38%	24.15%	18,798,100	0	4.42

Ratio Study

Number of Sales	3
Median Assessment to Sale Price Ration (ASR)	1.01
Coefficient of Dispersion (COD)	117.15%

Scope of Data and Analysis

Valuation Approach

The valuation process to value a typical hotel in the city is outlined and explained below:

- i. Collect request for information data from hotel property owners.
- ii. Analyze the data and establish stratifications.
- iii. Stabilize hotel income and expense data to determine typical income and expense and valuation parameters.
- iv. Deduct typical expenses from typical revenues to establish net income (NOI), including deductions for management and business interests.
- v. Apply appropriate capitalization rate.
- vi. Add/deduct value of any ancillary income and/or other value to determine a market value-based assessment of the property.
- vii. Test results.

Stratification

Each hotel has been placed into a stratification based on a combination of:

- Overall physical characteristics
- ADR – Average Daily Rate, Occupancy, Rev/PAR – Revenue Per Available Room
- Similarity in revenue streams

In Saskatoon there is a mixture of owner-managed properties as well as franchised hotels. The hotel stratifications are defined as follows:

Convention

- designed to accommodate large groups and functions
- large ballroom(s) with break-out areas
- meeting and conference rooms, consisting of at least 30 sq ft/guest room
- restaurant(s) and lounge on site
- recreational facilities
- variety of amenities

Full-Service

- restaurant and/or lounge facilities on site
- meeting and conference rooms, consisting of at least 30 sq ft/guest room
- recreational facilities
- variety of amenities

Select Service

- hybrid between full-service and limited-service hotels
- some amenities provided (i.e. pool, meeting/conference space (to be <30 sq ft/Room), restaurant/lounge)
- amenities less elaborate than at a full-service hotel

- may provide complimentary breakfast

Limited Service

- may offer limited and simple amenities
- limited common area
- may provide complimentary breakfast

Motels

- typically has rooms adjacent to a parking area
- typically an I, L, or U-shaped structure(s)
- may have amenities on site (i.e. pool, restaurant/lounge)
- may provide complimentary breakfast

Based on the descriptions above and a review of the revenue streams, the 40 hotels in the city were stratified. The following table shows the results:

Stratification	Count
Conference	5
Full Service	6
Select Service	20
Limited Service	4
Motel	5
Total	40

Roll	Address	Hotel	Stratification
464804750	2002 Airport Dr	Saskatoon Inn	Conference
505039630	405 20th St E	Delta (Radisson)	Conference
505042150	612 Spadina Cres E	Sheraton Cavalier	Conference
505046880	601 Spadina Cres E	Delta Bessborough	Conference
505050400	90 22nd St E	Hilton Garden Inn	Conference
454905010	106 Circle Dr W	Travelodge	Full Service
464805690	102 Cardinal Cres	Heritage Inn	Full Service
464931190	1715 Idylwyld Dr N	Quality Inn & Suites	Full Service
485003590	806 Idylwyld Dr N	Ramada	Full Service
495127750	924 Spadina Cres E	Park Town	Full Service
504504200	3330 Fairlight Dr	Confederation Inn	Full Service
454917420	617 Cynthia St	Country Inn & Suites	Limited Service
455000930	2155 Northridge Dr	Comfort Inn	Limited Service
455104250	706 Circle Dr E	Super 8 (Circle)	Limited Service
494823040	1414 22nd St W	Super 8 (22nd)	Limited Service
464929100	2001 Ave B N	Riviera Motor Inn	Motel
464932340	1825 Idylwyld Dr N	Thriftlodge	Motel
495004640	706 Idylwyld Dr N	Venture Inn	Motel

495004690	610 Idylwyld Dr N	City Center Inn & Suites	Motel
505022300	243 21st St E	Senator	Select Service
414904000	203 Bill Hunter Ave	Comfort Suites	Select Service
414907400	231 Marquis Dr W	Motel 6	Select Service
444920301	333 Aerogreen Cres	Courtyard Marriott	Select Service
444920500	317 Aerogreen Cres	Best Western Plus Airport	Select Service
444920600	110 Gateway Blvd	Hampton Inn & Suites	Select Service
454903000	310 Circle Dr W	Sandman (Circle)	Select Service
465001600	125 Circle Dr E	Days Inn	Select Service
494917600	315 Idylwyld Dr N	Holiday Inn Express	Select Service
504203600	306 Shillington Cres	Best Western (Blairmore)	Select Service
505002330	101 Pacific Ave	Holiday Inn	Select Service
505027220	480 2nd Ave S	Alt Hotel	Select Service
505042150	612 Spadina Cres E	James	Select Service
505301150	1850 College Dr	Holiday Inn Express & Staybridge	Select Service
515230490	1301 8th St E	Colonial Square	Select Service
515530510	3331 8th St E	Best Western Plus (8th Street)	Select Service
545029380	2815 Lorne Ave	Sandman (Lorne)	Select Service
565208550	503 Cope Way	Sheraton Four Points	Select Service
565208600	105 Stonebridge Blvd	Hampton Inn South	Select Service
565379650	247 Willis Cres	Towne Place Suites	Select Service
565380700	253 Willis Cres	Home Inn & Suites	Select Service

Revenues and Expenses

Hotels have many different sources of revenue such as rooms, restaurants, beverage rooms, video lottery terminals, and off-sale. Assessments only reflect the value of the real estate (land and building).

Value that is generated as a result of personal property such as furniture, fixtures, equipment, *and* intangibles such as hotel management (going concern of the business) must be removed from the equation:

- Video lottery terminal (VLT) revenue and off-sale revenue are also removed from the revenue and expense streams.
- VLT and off-sale do not form part of the real estate as they cannot be related back to any specific building spaces.

In order to develop typical revenue and expense information, an analysis was completed based on each hotel stratification. The analysis included determining the medians of applicable revenues and expenses for the years 2019, 2020, 2021, and 2022 for each stratification.

The medians were stabilized based upon the selected values of all four years using their median. However, for income and expenses, only positive values were used in the median calculation.

Valuation Parameters

The valuation parameters are the typical incomes and expenses developed for each stratification.

The Assessor compiled data in a format similar to the standards found in the *Uniform System of Accounts for the Lodging Industry*. This system has been widely adopted within the hotel industry.

Using a standardized accounting process provides the ability to easily compare performance among similar hotel operations. In this accounting system, the revenue and expenses are broken down into categories such as revenues, departmental expenses, undistributed expenses, and fixed expenses.

The following is a brief explanation of each category and how it was used to develop valuation parameters for hotel valuation:

- **Revenues and Department Expenses** - Revenues are broken down into departments. The most common revenue departments are room and food & beverage. The expenses associated to each department are called departmental expenses. The departmental expenses directly associated to the department revenues were analyzed to establish typical expense to revenue ratios. These ratios were used to develop valuation parameters.
- **Total Expenses (Including):**
 - Undistributed Expenses – These expenses cannot be associated with one particular revenue department. They represent expenses that are attributed to the operation as a whole such as energy and power. Energy and power are used by every department and; therefore, their expense is attributed to the whole operation. Typical expense ratios were developed based on their relationship to total revenue.
 - Management expense (which is also an undistributed expense) - Decreases income raised by a hotel due to the efforts of management and other intangibles. The business portion of the hotel management function is also taken into account in the deduction for the management fees and wages.
 - Fixed Expenses – These are expenses that occur regardless of occupancy.
 - A reserve for replacement was included as a deduction under fixed expenses. This deduction recognizes the need for replacement of furniture, fixtures, and equipment. Even though many of these items are chattels, the cash outlay affects the owner's cash flow. The fact that these items are essential to the operation of the hotel cannot be ignored, and an appropriate deduction was warranted.

Statistics

		Revenues					Expenses
		ADR(\$)	Occupancy	RevPAR(\$)	Food and Beverage	Total Other Revenue	
Conference	Stabilized	139.47	37.74%	52.64	58.72%	10.61%	87.38%
	Median	139.47	37.74%	52.64	58.72%	10.61%	87.38%
	Mean	137.31	41.78%	58.33	50.87%	12.16%	88.32%
	Min	109.11	15.20%	17.37	15.96%	3.04%	79.59%
	Max	170.83	71.39%	111.85	73.39%	33.06%	97.41%
Full Service	Stabilized	109.99	40.26%	43.70	52.71%	3.77%	91.93%
	Median	108.54	40.26%	43.70	72.15%	3.77%	91.93%
	Mean	109.47	40.16%	44.64	77.65%	7.29%	90.69%
	Min	92.23	17.38%	22.64	24.89%	0.04%	75.98%
	Max	140.75	61.00%	81.89	160.50%	34.43%	99.77%
Select Service	Stabilized	116.86	51.81%	60.55	N/A	1.38%	80.13%
	Median	116.86	51.81%	60.55	N/A	1.38%	80.13%
	Mean	121.91	49.84%	60.88	N/A	4.17%	78.73%
	Min	82.16	12.00%	11.24	N/A	0.12%	36.75%
	Max	255.92	77.50%	144.59	N/A	100.54%	99.74%
Limited Service	Stabilized	89.97	50.22%	45.18	N/A	0.96%	86.21%
	Median	89.97	50.22%	45.18	N/A	0.96%	86.21%
	Mean	88.00	47.66%	40.27	N/A	1.00%	82.37%
	Min	50.00	14.42%	11.34	N/A	0.01%	40.98%
	Max	102.29	67.01%	68.06	N/A	2.27%	98.50%
Motel	Stabilized	85.60	43.40%	37.15	N/A	2.44%	86.21%
	Median	85.60	43.40%	37.15	N/A	2.44%	86.21%
	Mean	78.43	45.22%	31.06	N/A	2.61%	82.37%
	Min	28.87	29.00%	10.51	N/A	0.46%	40.98%
	Max	100.15	68.00%	46.11	N/A	5.95%	98.50%

*Motel - Combined LS and Motel for Expenses

Other Components

There are several hotels that generate other revenue streams within the hotel or on the parcel they are situated on.

An example is the Delta Bessborough:

- Within the Delta Bessborough, there are numerous offices rented and a spa.
- The offices are valued on the office model, and the spa is valued on the retail model.
- The NOI for the office and retail revenue streams are added together, and the hotel cap rate is then applied to determine the assessed value of the other revenue streams.
- The assessed value of the other revenue streams is then added to the assessed value of the hotel to derive a final assessed value.

Office and retail areas are atypical within a hotel and are not accounted for in the hotel model. In order to capture the value of these areas, the appropriate model must be applied.

Furniture Fixtures and Equipment (FF&E)

- The assessed value only represents the real estate.
- In order to reconcile this, the Assessor followed up with the purchasers to determine the value of the FF&E included in the reported sale prices for all three sales.
- A portion of the reported value is often attributed to personal property or FF&E.
- In all three sales, the Assessor was able to determine the value of the FF&E and deduct it from the sale prices to determine capitalization rates.

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Ratio Study

- In mass appraisal, the most effective means of evaluating the accuracy of appraisals is a ratio study.
- A ratio study compares the appraised values produced by the valuation models to arm's length sale transactions in the marketplace.
- The legislated statistical requirement affecting the assessment of hotel and motel properties in Saskatchewan is for the median ratio of a city-wide assessment-to-sale ratio study to be within the range of 0.95 to 1.05.
- The median assessment-to-sale ratio and Coefficient of Dispersion (COD) for this Hotel/Motel Model is provided below:

Number of Sales	3
Median Assessment to Sale Price Ration (ASR)	1.01
Coefficient of Dispersion (COD)	117.15%