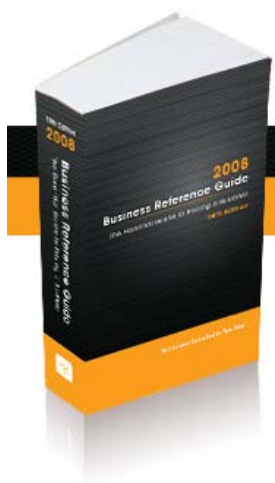


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Motels

SIC: 7011**NAICS:** 721110**Number of Businesses / Units:**
Unavailable

See Also

[▶ Hotels & Motels](#)

This industry comprises establishments primarily engaged in providing short-term lodging in facilities known as hotels, motor hotels, resort hotels, and motels. The establishments in this industry may offer food and beverage services, recreational services, conference rooms and convention services, laundry services, parking, and other services.

Rules of Thumb

2.25 to 3.5 times annual revenues (sales); up to 5 times for resort properties

7 to 9 times SDE

\$20,000 per room
2.5 to 3 times room revenues

7.5 times SDE

8 times EBIT

9 times EBITDA

10 to 12 percent cap rate

General Information

Top Ten Hotel/Motel Chains

1. Best Western
2. Holiday Inn
3. Marriott
4. Comfort
5. Hilton
6. Days Inn of America
7. Express by Intercontinental
8. Hampton Inn
9. Sheraton
10. Super 8 Motels

Source: MKG Consulting Database, June 2007

Pricing Tips

Rank	Individual Hotel	Location	Rooms	Price per Room
1	W Hotel Union Square	New York, NY	270	\$1,050,000
2	The Mark Hotel	New York, NY	177	\$850,000
3	Ritz-Carlton	Dana Point, CA	393	\$840,000
4	Chatham Bars Inn	Chatham, MA	205	\$800,000
5	Four Seasons	Washington DC	211	\$800,000
6	Holiday Isle Resort	Islamorada, FL	151	\$650,000
7	Four Seasons Las Col.	Irving, TX	397	\$580,000
8	Hilton Times Square	New York, NY	444	\$550,000
9	Swissotel The Drake	New York, NY	495	\$545,000
2007 Sales				
1	Mandarin Oriental	New York, NY	248	\$1,371,000
2	Ritz-Carlton	Boston, MA	273	\$620,000
3	Marriott Long Wharf	Boston, MA	402	\$570,000
4	Westin Boston Wtrfrnt.	Boston, MA	793	\$415,000
Value Per Room (2007)				\$116,000

Source: From -- Stephen Rushmore's Report June 4, 2007, HVS, www.hvs.com

Expert Comments

"Prices are coming down slowly"

Seller Financing

"10 to 20 years—depends on age and size of property. One assumption—seller financing seldom exceeds time of original note. Last five sales have all been different with different interest rates."

Questions

"Contract on the Brand Franchise? Age of equipment? Age of property? And all paperwork?"

"We use several approaches to establish value. One is the Performance Index Method— developing a valuation table showing (a) cap rate (b) economic value (c) value per room (d) multiple of room revenue and (e) multiple of total revenue. One can then determine economic value by using either desired cap rate (best method), per room rates, X gross or Y total revenue. We also use discounted future earnings, discretionary cash flow, book value, market value and rule of thumb. We usually provide a range of values based on profitability, income risk, desirability, business type, business trend in location, competition, industry, terms of sale, along with a few other factors."

"Most ask 3 times, but sales result usually under 2.5 times—for larger and older properties, usually around 2 times gross. We usually use several approaches to establish value. We use the Performing Indexing Method showing: (1) cap rate percent (2) economic value (3) value per room (4) multiple of room revenue (5) multiple of total revenue. One can determine the economic value by selecting either the desired cap rate (best method) or the per-room rate, or the times room gross or times total revenue."

"Our general analysis using a high and low range utilizes several approaches to value (1) the income approach (2) excess earnings (3) discounted future earnings (4) discretionary cash (5) book value (6) market value (7) rule of thumb—then we have value comparisons and then a correlation and final opinion of value range and finally an opinion of value. We base the above on: profitability, income risk, desirability, business type, leasehold, and product exclusivity. A factor is assigned to each of the above for both high and low range."

"Limited-service operating expenses—50 to 65 percent; full-service operating expenses—75 to 80 percent (age influences pricing heavily). Current franchise status or possible entry? New competition coming into market?"

"Room revenue multiplier (2x to 6x), net operating income multiplier (6x to 12x). The multiplier you choose determines the capitalization rate."

"2.3 to 3 x annual gross sales. We try to avoid 'times gross' pricing. We prefer to price based on cap rate. The 'x' net room sales of 2.5 to 3 is better than using total sales. Location, age, structure, franchised or not, all make a difference in value. Some people (buyers and sellers) price based on \$ per room."

"Location—highway changes—age—obsolescence—market conditions—affiliation."

Benchmarks

"Revenue approx \$53 per room and 61% occupancy nationally"

Expenses as a Percentage of Sales

▶ Cost Of Goods	1%
▶ Payroll/Labor Costs	20%
▶ Occupancy Costs	18%
▶ Profit (pretax)	22%

Industry Trend

"Slowly getting to be a buyer's market"

Additional Resources

Trade Publications

- ▶ The Computerized Income Approach to Hotel-Motel Market Studies and Valuations published by The Appraisal Institute, 875 N. Michigan Ave., Ste 2400, Chicago, IL 60611-1980 (312) 335-4100.
- ▶ Hotel Investments: A Guide for Lenders and Owners by Stephen Rushmore, published by Warren, Gorham & Lamont

Associations

- ▶ [AmericanHotel and Lodging Association](#)

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