

CHAPTER 7

Neighborhood and Market Area Analysis

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¶ 7.01 **INTRODUCTION**

A neighborhood and market area analysis, which assesses the economic climate in which the proposed lodging facility would operate, is an essential step in a market study and appraisal. The neighborhood portion of the analysis involves the evaluation of current and projected land uses and the identification of economic and demographic trends within the immediate area of the proposed property. The market area portion incorporates a broader range of economic and demographic data; it involves a much larger geographic area and identifies probable future changes. Historical and projected data pertaining to both the economy and the population of the area are employed, first to evaluate current conditions and identify probable future changes, and then to forecast future growth or decline in transient visitation to the area by market segment and thereby predict future demand for transient lodging.

An actual example of a neighborhood and market area analysis is provided by the case study located at the end of this chapter.

¶ 7.02 **NEIGHBORHOOD ANALYSIS**

A neighborhood can be defined as a grouping of complementary land uses that are similarly influenced by any forces that affect property value. Neighborhoods usually have an observable uniformity and exhibit a greater degree of commonality than the larger market area in which they are found.

Neighborhood boundaries are generally delineated by changes in land use, types of building occupants, or street patterns; natural boundaries, such as bodies of water or abrupt changes in topography; and man-made improvements, such as highways, railroad tracks, or power lines. The neighborhood of a lodging facility does not usually extend more than five driving minutes from the facility and typically includes areas of commercial zoning occupied by office buildings and retail businesses.

[1] **Observation**

The basis of a neighborhood analysis is a survey of the salient characteristics of the neighborhood in which the proposed property is located. To perform this survey, the appraiser, using a local street map, usually drives around the immediate area and determines the apparent boundaries of the neighborhood by noting changes in land use around the subject property on the map. The finished map might be accompanied by the following information:

- A list of different land uses in the neighborhood, categorized in broad terms (e.g., retail, office, industrial, rural, suburban, or urban).
- An inventory of specific land uses within one-quarter to one-half of a mile (depending on density) of the subject property (e.g., strip shopping center) with the following tenants:
 - Single-use office building
 - Free-standing mid-price chain restaurant
 - Driving range (among others)
- Characteristics of properties situated near the subject property, including:
 - Age
 - Condition
 - Style
 - Class
 - Image
- A review of neighborhood development, including:
 - Density of existing development in the area
 - Description of any development in progress
 - Identification of vacant land that could be developed
- An evaluation of the competitive environment, including the identification of other lodging facilities and food, beverage, and entertainment establishments.

[2] Economic Trends

After identifying and analyzing the salient characteristics of the subject property's neighborhood, the appraiser should obtain information on local economic trends from the municipality's planning and building departments, zoning officials, economic development agencies, real estate counselors, and Chamber of Commerce. In most instances, these sources provide information for a large area rather than for a specific locale, but important data can usually be obtained, including the following:

- The history of the neighborhood's development and growth.
- Sites of likely future development.
- Current vacancy rates for different types of properties along with historical and projected data for vacancies.
- Types of new businesses moving into the area and other types of demand generators likely to be developed in the neighborhood.
- A master plan for the neighborhood, including any recent zoning changes; if there have been changes, a description of trends in use and density.

The statistical data and other information obtained from local sources, in conjunction with personal observations regarding the characteristics and composition of the neighborhood, should allow the appraiser to provide answers to the following essential questions.

- What is the present character of the neighborhood, and how might it change in the future? (Local land uses should be identified and the condition, style, and class of neighborhood buildings should be described.)
- How will the characteristics of the neighborhood affect the local demand for transient accommodations and the operation of a lodging facility?
- What is the current economic base of the neighborhood and how will it change in the future? (The existing types of business concerns and other demand-generating growth trends and new development potential should be discussed.)
- How will the local economy affect the quality and desirability of the neighborhood, the demand for transient accommodations, and the operation of a lodging facility?

The answers to these questions will help in the decision whether or not the local area is suited over the long term to the proposed subject property. The most important neighborhood characteristics in terms of support for a transient lodging facility are:

- Land uses that generate transient visitation
- Land uses that provide recreation and entertainment
- Land uses that provide attractive surroundings
- Newly-developed areas, or those showing rapidly improving trends
- Safe, low-crime areas
- Class and style similar to that of the subject property

If the neighborhood of the subject property has one or more of these characteristics, and it can be shown that a positive economic climate exists and will continue to exist, conducting the market area analysis is generally warranted.

¶ 7.03 **MARKET AREA ANALYSIS**

A market area includes the immediate neighborhood surrounding a lodging facility as well as the larger geographic territory within most of the lodging demand for which a hotel will compete is found. The market area defines the boundaries of lodging demand and includes most of the lodging facilities that would compete with the subject property.

[1] **Boundary Definition**

The first task in the market area analysis is to define the boundaries of the market area in geographic terms. The perimeter of a market area is set by the farthest generators of transient visitation whose visitors would be likely to utilize the subject property. Most of the subject property's competition is also located within the market area.

Overnight travelers generally seek lodging accommodations that are convenient with respect to the demand generator that they are visiting. In most instances, transient visitors will travel up to twenty minutes from a generator of visitation, or demand generator, to their lodging accommodations. Therefore, the market area

perimeter surrounding the subject property generally has a radius of approximately twenty travel minutes. In most instances, where the primary mode of transportation is the automobile, twenty travel minutes is the same as twenty driving minutes. Depending on the highway patterns, the market area perimeter may take on a variety of shapes showing the various distances that can be traveled over a twenty-minute period. It will, for example, be elongated along the path of an interstate highway, and shortened where travel is restricted to local streets.

The twenty-travel-minute rule of thumb generally applies in suburban areas. In rural regions, the travel time radius is often significantly increased, while a central business district might have a more compact market area. The appraiser can verify the local market area radius by conducting interviews with overnight travelers.

[2] Economic and Demographic Data

Once the boundaries of the market area have been defined, the appraiser should start to collect economic and demographic data in order to identify and analyze future trends in transient lodging demand. (See Appendix 1 for a checklist of the type used by appraisers when they collect this sort of information.) The importance of information about future trends cannot be overemphasized. Because of a constantly changing economic environment, historical results may not accurately portray future trends. For an appraiser, reliable projections of demographic and economic data are the most useful sort of information on which to base predictions of future market demand. Unfortunately, this kind of information is scarce; appraisers usually develop their demand projections using, for the most part, historical economic data.

Some of the data that an appraiser collects may not, at first, appear to have much bearing on the condition of the lodging market, but categories such as the age distribution of the population, characteristics of the area work force, and the types of businesses and industries in the area constitute economic elements that, taken together, assist in determining the strength of lodging demand and the likelihood of success for a new facility in the lodging market.

[a] Population Age Distribution

While there is no direct correlation between the composition of a local population and the level of transient visitation in a market area, historical data and future expectations regarding changes in population often reflect the economic climate of a locale; from this consideration an experienced appraiser can draw general conclusions regarding the vitality of the lodging market in the area.

The age distribution of the population in a market area provides an indication of the probable spending patterns in locally generated food, beverage, and banquet patronage. A growing population under the age of 24 should produce greater banquet business in the form of weddings, proms, bar mitzvahs, award dinners, and the like. Growth in the 25- to 34-year-old age group is likely to create increased lounge and entertainment patronage. The 35- to 49-year-old age group generally has the largest disposable income and represents potentially the most significant restaurant-related food and beverage business.

[b] Retail Sales

Trends in retail sales reflect overall changes in population and changes in the ability and desire of area inhabitants and visitors to spend money for retail goods. As with

population trends, retail sales have no direct correlation with hotel room-night demand; rather, they gauge the economic health and vitality of a market area.

Another statistic often cited in conjunction with retail sales figures is effective buying income (EBI), the amount of an individual's gross income that is available after taxes to purchase goods and services. Trends in EBI reflect the ability of area residents to spend money on the goods and services offered by lodging facilities.

[c] Work Force Characteristics

The characteristics of an area's work force provide an indication of the type and amount of transient visitation likely to be generated by local businesses. Sectors such as finance, insurance, and real estate (FIRE), wholesale trade, and service generally produce a high level of visitation, which is typically not rate sensitive. The governmental sector often generates transient room-nights, but the low per-diem reimbursement allowance typically given government employees limits the accommodations they select to budget and mid-priced lodging facilities. The manufacturing and construction sectors, as well as the transportation, communications, and public utilities (TCPU) sectors are least likely to generate significant numbers of transient visitors.

[d] Major Businesses and Industries

The types and sizes of major businesses and industries within a market area provide an indication of the potential for commercial transient visitation. For example, nationally oriented firms attract more visitors than local companies serving nearby areas. Labor-intensive and financial activities are also more likely to create overnight visitation than are highly mechanized firms employing few people.

[e] Office Space

Trends in occupied office space often directly reflect transient lodging demand within a market area because businesses that occupy office space are generally the strongest generators of commercial visitation. While it is difficult to directly quantify commercial transient demand on the basis of the amount of occupied office space in a particular area, any increase or decrease in the amount of occupied space generally has a proportional impact on commercial lodging demand and a less direct effect on transient meeting demand.

[f] Highway Traffic

The quantity of highway traffic that passes through a market area sometimes relates directly to the level of transient commercial and leisure demand. It also has an indirect effect on meeting demand because of later recognition of the facility as a possible site when a decision is made regarding where a meeting will be held.

[g] Airport Statistics

Airport passenger counts are important indicators of transient lodging demand. Depending on the type and location of a particular airfield, a sizable percentage of arriving passengers may have need for hotel and motel accommodations. Trends in passenger counts also reflect local business activity and the overall economic health of an area.

[3] Data Collection

Most published economic and demographic data are subdivided by county, Metropolitan Statistical Area (MSA), or Consolidated Metropolitan Statistical Area (CMSA). If the market area is contained within one county, MSA, or CMSA, only this data is generally used. If the market area overlaps two or more counties, it may be necessary to consider a broader range of data that would include each county.

Much of the economic and demographic data can be obtained from governmental agencies, chambers of commerce, and various specialized publications. Exhibit 7-1 lists several valuable publications that provide economic and demographic data and the types of information that each publication offers.

Exhibit 7-1 Published Sources of Economic and Demographic Data

BL Sources	Data
Sales and Marketing Management	Population levels Age Distribution Retail Sales Eating and drinking place sites Effective buying income (EBI)
Woods & Poole, Inc.	Population levels (general and by age group) Income levels (by source, e.g. wages, dividends) Household (number of households, persons/ household, mean income) Employment (by sector: agriculture, mining, construction, etc.)
Federal Aviation Administration	Air carrier emplanements Operations projections
Restaurant Business	Restaurant activity index (RAI) Restaurant growth index (RGI)

Exhibit 7-2 lists information and data commonly used in a hotel economic market study and appraisal that may not be available from published sources. Most of this information can be gathered during the fieldwork phase of a market study and appraisal through discussions and interviews with local officials and other knowledgeable people.

[4] Data Analysis

After the appraiser collects the necessary data, the data should be put into tabular form for analysis. The primary purpose of the analysis is to develop a basis for forecasting future trends or changes in lodging demand. To do so, the appraiser should focus not only on the direction of change in a given category (i.e., growing, stable, or declining) but also on the probable rate of change. To accomplish these objectives, the data collected should reflect a span of at least two years and should be uniform in quality over the period of time during which it was collected. For example, in the case of traffic counts as set forth in Exhibit 7-3, the counter used to collect data should be placed in the same location during the same periods each year it is used.

Exhibit 7-2 Other Sources of Economic and Demographic Data

Types of Data	Sources
Office space absorption	Real estate brokers Chamber of Commerce
Office vacancies	Real estate brokers Chamber of Commerce
Office space under development	Real estate brokers Chamber of Commerce Building department
Inventory of:	
Office space	Real estate brokers Chamber of Commerce
Retail space	Real estate brokers Chamber of Commerce
Industrial space	Real estate brokers Chamber of Commerce
Highway traffic counts	Highway department
Origination and destination studies	Highway department
Major businesses by employment sector	Chamber of commerce
Number of employees	Economic Development Authority Department of Labor
Unemployment percentages	Department of Labor
Building permits	Building Department
Housing starts	Building Department
Hotel rooms tax	Tax Collector
Visitor counts to area attractions	Visitors' and Convention Bureau
New businesses entering area	Chamber of Commerce Economic Development Authority
Businesses leaving area	Chamber of Commerce Economic Development Authority
Convention center usage	Visitors' and Convention Bureau
Number of groups	
Number of attendees	
Types of events	
Expenditure per attendee	
Average length of stay	
Headquarters hotels	
Advertising budget	
Assessed values of real estate	Assessor
Air cargo data	Federal Aviation Authority Airport Authority
Tourist visitation	Tourism Authority Visitors' and Convention Bureau

Exhibit 7-3 State Thruway Traffic Counts

Year	Count	Percent Change From Previous Year
1991	12,566,764	—
1992	12,943,767	3.0%
1993	12,614,836	(2.5)
1994	13,522,145	7.2
1995	14,377,202	6.3

Direction and rate of change are determined by dividing the data for the more recent year by that of an earlier year. For example, using the data in Exhibit 7-3, the change in highway traffic between 1991 and 1992 is calculated as follows:

$$1992 \div 1991 = 12,943,767 \div 12,566,764 = 1.03 - 1.00 = +3\%$$

The change between 1992 and 1993 was

$$1993 \div 1992 = 12,614,736 \div 12,943,767 = 0.975 - 1.00 = -2.5\%$$

Between 1991 and 1992, the direction of change was positive, which suggests growth; between 1992 and 1993, however, the direction of change was negative, which indicates a decline.

Calculating change over a period of years is somewhat more complicated because the appraiser must determine annual compounded percent change. The basic components of market studies and appraisals, such as projected demand, should be shown as annual compounded percent change.

For example, using again the data in Exhibit 7-3, the annual compounded percent change in traffic counts between 1991 and 1995 is determined by the following formula:

$$-1 + (A \div B)^{1/(N-1)} = C$$

- where: A = Data for last year
- B = Data for first year
- N = Number of years of compounding
- C = Annual compounded percent change

Thus, the annual compounded percent change for the years 1991 through 1995 is

$$-1 + (14,377,202 \div 12,566,764)^{1/(5-1)} = 3.4\%$$

Annual compounded percent change calculations are particularly useful for projections that involve lodging demand. The unit of lodging demand (room-night) is a real number that is unaffected by factors such as inflation; therefore, it is necessary to calculate all growth rates in real terms, using constant, rather than current, inflated dollars.

Exhibit 7-4 Rockland County Retail Sales (\$000,000)

Year	Retail Sales (current \$)	Retail Sales (1995 \$)	% Change From Previous Year
1991	\$1,118,539	\$1,251,581	—
1992	1,223,391	1,328,901	6.2%
1993	1,310,534	1,382,183	4.0
1994	1,407,998	1,447,901	4.8
1995	1,451,832	1,451,832	0.3
Annual compounded percent change (1991–1995)			3.8%

Exhibit 7-4 shows retail sales in Rockland County from 1991 to 1995. According to this information, sales increased a total of 30 percent, using current (inflated)

dollars. Performing the same calculation using 1995 (constant) dollars shows a 16 percent increase, which is the amount of real growth in retail sales during the same period. The difference between the inflated dollar calculation (30 percent) and the constant dollar calculation (16 percent) is attributed to inflation rather than real growth in retail demand. The annual compounded percent change in real terms over this period is 3.7 percent.

To determine constant dollar amounts, calculations are made using the Consumer Price Index (CPI). Exhibit 7-5 shows the CPI for the eleven-year period from 1975 to 1995.

Exhibit 7-5 Consumer Price Index

Sources: Bureau of Labor Statistics

Year	CPI	Percent Change From Previous Year
1985	107.6	—
1986	109.6	1.9%
1987	113.6	3.6
1988	118.3	4.1
1989	124.0	4.8
1990	130.7	5.4
1991	136.2	4.2
1992	140.3	3.0
1993	144.5	3.0
1994	148.2	2.6
1995	152.4	2.8
1996	156.9	3.0
1997	160.5	2.3
1998	163.0	1.6

To adjust 1994 current dollars to 1995 constant dollars, the 1995 CPI is divided by the 1994 CPI:

$$1995 \text{ CPI} \div 1994 \text{ CPI} = (152.4 \div 147.2) \times (\$1,407,997 \div 1) = \$1,447,901$$

The current dollar amount for 1993 is converted to 1995 constant dollars in the same way:

$$1995 \text{ CPI} \div 1993 \text{ CPI} = (152.4 \div 144.5) \times (\$1,310,534 \div 1) = \$1,372,173$$

It is important when performing these calculations to avoid basing an annual compounded percent change calculation on a starting point that goes too far back in time. The analysis should focus on recent trends and movements in economic and demographic data; extending the historical term beyond five to eight years may sometimes yield misleading findings. For example, a new suburban area may experience rapid growth for the first ten years of its existence and then settle down to a 3 percent annual increase. The annual compounded percent change in the early years might be extremely high because the initial population base is so small and new development so intense. However, if the same calculation is performed later, the growth rate might be only 3 percent, which is a more realistic indication for the future. The use of shorter periods also more clearly shows the impacts of normal business cycles, which often contain periodic downturns.

[5] Estimate of Future Transient Demand

After all the economic and demographic data have been accumulated and the annual compounded percent change calculated for each type of data, the appraiser analyzes the resulting historical and projected trends, along with other pertinent information gathered during the study, in order to estimate the probable direction and future rate of change in hotel transient demand. The accuracy of these projections depends on the accuracy with which the various types of economic and demographic data reflect changes in hotel room-night demand. Naturally, the data that most closely reflect trends in transient visitation are given the greatest weight in this analysis. Changes in hotel demand generally depend on the type of visitation, so this analysis is usually performed for individual market segments (i.e., commercial, meeting and convention, leisure, or other specialized segments if relevant). Exhibit 7-6 shows the three primary market segments and the types of data that best reflect changes in the hotel room-night demand that they generate.

Exhibit 7-6 Data Used for Analysis of Transient Visitation

Commercial	Meeting and Convention	Leisure
Total employment by sector	Convention center patronage	Tourist visitation
Office space absorption	Total employment by sector	Highway traffic counts
Office vacancy rates	Airport emplanements	Visitor counts at attractions
Office space being developed	Air cargo data	Total employment by sector
Inventory of office space	Tourist visitation	Restaurant Activity Index (RAI)
Inventory of retail space	Retail sales	Restaurant Growth Index (RGI)
Inventory of industrial space	Visitor counts at attractions	
New businesses entering area	Office space absorption	
Highway traffic counts	Office vacancy rates	
Airport emplanements	Office space being developed	
Air cargo data	Inventory of office space	
Commercial building permits	Inventory of retail space	
Housing starts	Inventory of industrial space	
Assessed values	New businesses entering area	
Population		
Retail sales		
Effective buying income		
Personal income		

[a] Commercial Market Segment

The commercial market segment is composed of businesspeople visiting the various firms within the subject property's market area. Commercial demand is strongest Monday through Thursday nights, declines significantly Friday and Saturday, and increases somewhat on Sunday. The typical length of stay ranges from one to three days and the rate of double occupancy is a low 1.2 to 1.3 percent. Commercial demand is relatively constant throughout the year, with some drop-off noticeable in late December and during other holiday periods.

Individual business travelers tend not to be overly price sensitive and generally use a hotel's food, beverage, and recreational facilities. The commercial segment represents a highly desirable and lucrative market segment for hotels and motels because it provides a consistent level of demand at room rates approaching the upper limit for the area.

Commercial hotel demand is largely influenced by trends related to business activity such as office space absorption; employment (particularly wholesale and retail trade, FIRE, and services); new businesses established in the area; and airport activity. Population growth, although not a strong indicator of changes in commercial demand, usually sets the floor for potential growth in commercial visitation. For example, if an area's population is expected to grow at an annual compounded rate of 1.5 percent, it is likely that commercial hotel demand will grow at least at the same rate.

[b] Meeting and Convention Market Segment

The meeting and convention market includes attendees of meetings, seminars, trade association shows, and similar gatherings of ten or more people. Peak demand typically occurs in the spring and fall. The summer months represent the slowest period for this market segment because so many people take vacations during that time; winter demand can be variable. The average length of stay typically ranges from three to five days. Most commercial groups meet during the weekday period of Monday through Thursday, but associations and social groups sometimes meet on weekends. Commercial groups tend to have a low double occupancy rate (1.3 percent to 1.5 percent) whereas social groups are likely to have somewhat higher double occupancy rates, ranging from 1.5 percent to 1.9 percent.

Meeting and convention patronage is generally quite profitable for hotels and motels. Although room rates are sometimes discounted for large groups, the hotel benefits from use of meeting space and the inclusion of in-house banquets and cocktail receptions. Facilities required to attract meetings and conventions include meeting and banquet rooms with adequate space for breakout rooms, meal functions, and receptions; recreational amenities; and an adequate number of guestrooms to house the attendees.

There are fewer economic and demographic indicators of meeting and convention demand than there are for the commercial segment. Most provide only an indirect indication of demand trends. Convention center activity, particularly usage that generates visitation from outside the area, is probably the best indicator of meeting and convention demand. Commercial activity, such as employment trends and office and industrial space absorption provides an indirect indication of meeting and convention demand because many meetings are the result of business activity. Meeting and convention demand is also created through the efforts of individual hotels using their in-house sales departments; this is known as induced demand. (For a discussion of the methods used to forecast induced demand, see Chapter 10.)

[c] Leisure Market Segment

The leisure market segment consists of individuals and families either visiting a particular location or passing through en route to other destinations. Their purpose for travel may be, among others, sightseeing, recreation, relaxation, or visiting friends or relatives. Leisure demand is strongest Friday through Saturday nights and all week during holiday periods and the summer months. These peak periods of demand are nearly the opposite of those generated by the commercial market segments, which means that if a lodging facility can attract both segments it will experience stable occupancy rates throughout the year.

The typical length of stay for leisure travelers ranges from one to four days, depending on the guests' destination and purpose for traveling. The rate of double occupancy is generally a high 1.7 percent to 2.5 percent.

Leisure travelers tend to be the most price-sensitive segment in the lodging market. They typically prefer low-rise accommodations where parking is convenient to the rooms and require extensive recreational facilities and amenities. Ease of highway access and proximity to vacation-related attractions are important hotel locational considerations for this segment.

Leisure demand has the fewest indicators on which to rely. However, if visitor statistics are available, particularly in resort areas, some good indications of leisure demand trends can be obtained from them. Attendance data for area tourist attractions can also be useful.

[d] Conclusion

The actual estimated change in hotel demand is generally projected by market segment for periods ranging from 3 to 10 years. When forecasting lodging demand, the projection period should be kept as short as possible. The annual percent change should reflect the most probable trend in hotel room-night demand. Many studies project a positive growth in lodging demand, but growth is not necessarily always positive, nor does growth always increase at the same percentage each year.

The end result of the market area analysis should be a yearly estimate by market segment of the percentage growth or decline in transient lodging demand. The analysis should also conclude with an evaluation of how well suited the market area is for proposed hotel development over the long term, or in the case of an existing hotel, for continued use.

CASE STUDY **Neighborhood and Market Area Analysis**

NEIGHBORHOOD ANALYSIS

This section of the study investigates the subject property's neighborhood and evaluates pertinent locational factors that could affect its occupancy, average rate, food and beverage revenues, and overall profitability.

Character of Surrounding Area

The neighborhood surrounding the subject property is characterized by a mixture of first-class retail and office space along Central Avenue (State Route 59) and middle-income residential housing on the secondary streets leading from and running parallel to Central Avenue. This area has a suburban character, compared with the more developed downtown district situated two miles north of the Embassy Suites. The commercial strip on Central Avenue extends from a regional shopping mall just south of the subject property to the southern perimeter of Spring Valley's central business district.

Development of Neighborhood

Development in the subject property's neighborhood began approximately twenty-five years ago as a result of the natural expansion of the Spring Valley area. Growth occurred rapidly; within ten years, most of the property along Central Avenue north of the New York State Thruway was improved with high-quality retail outlets and mid-rise office buildings. Tract developers undertook construction in the surrounding residential areas at the same time.

The subject parcel was formerly a drive-in movie theater constructed forty years ago, shortly after the opening of the New York State Thruway. Because the theater was removed from the improved areas of Spring Valley and easily accessible from the Thruway, it achieved a high level of success during its early years. As the neighborhood became more improved and drive-in theaters declined in popularity, normal economic pressure was exerted to discontinue movie operations and upgrade the property's image. The parcel was sold

to its current owners three years ago; these individuals were successful in obtaining the RS (regional shopping district) zoning classification, which permits hotel use.

Property along Central Avenue south of the Thruway only recently captured the interest of developers. Historically, the Thruway inhibited the southward expansion of Spring Valley. This situation changed rapidly in the mid-1970s, when a 500,000-square foot regional shopping center known as the Spring Valley Mall was constructed just south of the subject property, in the southwestern quadrant of the intersection formed by Central Avenue and the New York State Thruway. The mall is anchored by Saks Fifth Avenue and Macy's and contains sixty-seven outlets typical of those found in regional malls throughout the United States. These first-class retail establishments enhance the image of the area. The parcels adjoining the mall to the west are improved with well-maintained single-family homes.

Several office complexes and multifamily apartment buildings are under construction on sites surrounding the mall. Although the area south of the Thruway maintains a favorable image, property located here is still not considered the equal of sites situated farther north on Central Avenue.

Commercial Properties in Neighborhood

The following real estate inventory of the neighborhood provides an overview of the various types of commercial improvements located along Central Avenue.

A one-story strip shopping center containing approximately fifteen retail outlets is located immediately north of the subject property, on the western side of Central Avenue. The tenants include a men's wear shop, a women's lingerie boutique, a travel agent, a real estate broker, a jeweler, an ice cream shop, a liquor store, and an antique dealer. The quality and variety of these shops would complement a nearby lodging facility, though they would also compete with similar facilities contained in a nearby hotel. Facilities located immediately north of the strip mall include a Mer-

cedes-Benz dealer, a three-story medical building, and an office building housing the regional headquarters of IBM Office Equipment Marketing. This branch of the national computer firm is responsible for developing marketing programs in the northeastern United States and training all sales representatives. Numerous conferences are held in this building as a result of these training programs; a majority of the attendees are housed in nearby commercial lodging facilities.

Eight additional retail outlets are clustered north of the IBM building; these buildings were among the first commercial improvements constructed south of the downtown district. This shopping center is intended to serve local residents and includes a grocery store, a pharmacy, a hairdresser, and a bank branch. Similar retail, office, and commercial improvements stretch north into downtown Spring Valley.

The land on the eastern side of Central Avenue, directly across from the Spring Valley Mall, is unimproved. Proposals for future development include office space, a fast-food restaurant, and strip-type retail establishments. Planning officials predict that most of this property will be fully developed during the next five years.

The residential neighborhoods that flank Central Avenue are characterized by attractive middle-income housing. Most of the residents living in this area are employed by local businesses; approximately 10 percent commute to jobs in New York City.

Conclusion

The neighborhood surrounding the proposed subject property appears to be well suited for the operation of a transient lodging facility. A base level of commercial and meeting visitation can be expected to be generated by the nearby offices, particularly the IBM meeting complex. The retail improvements, including the nearby regional mall, would provide a source of both entertainment and diversion for the hotel's guests. The neighborhood's attractive and safe surroundings along with its first-class image would enhance the subject property's market position, and we observed no adverse influences that are likely to have a detrimental impact on the hotel's attainable occupancy, average rate, or food and beverage volume. Some vacant land is available south of the Thruway, which may encourage additional development and have a beneficial impact on local lodging facilities.

MARKET AREA ANALYSIS

The purpose of the market area analysis is to review all available historical and projected economic and demographic data to determine whether the local market area will experience future economic growth, stability, or decline. In addition to predicting the direction of the economy, the rate of future change must be quantified. These trends are then correlated on the basis of their propensity to reflect variances in lodging demand with the objective of forecasting the amount of growth or decline in transient visitation by individual market segments (i.e., commercial, meeting and convention, leisure).

Definition and Geographic Character

The primary market area encompassing the subject property is mostly suburban in character, and can be defined generally as southern New York State and northern New Jersey. More specifically, the subject property's market area consists of Rockland County in New York and the northern portion of the neighboring Bergen County in New Jersey. Some demand may also originate from the New York Counties of Westchester, Putnam, and Orange and the New Jersey County of Passaic, all of which surround Rockland County; their impact on transient visitation would be minimal, however.

Overall, the area is mainly a rolling terrain composed of somewhat rocky and rugged hills ranging from 200 to 500 feet in height. With the exception of its geographically undefined border with New Jersey, Rockland County is isolated from its neighboring counties by the Hudson River on the east and the Ramapo Mountains along the western border. The county is a natural extension of northeastern New Jersey by virtue of the Ramapo Mountains, the Hackensack, Passaic, Saddle, and Ramapo River Valleys, and its proximity to the Hudson River. The Palisades sill, which lies along the eastern edge of the county bordering on the Hudson River, turns inland just south of the Town of Haverstraw, forming an east-west mastiff known as South Mountain and High Tor. Within the bowl formed by the Palisades on the east and the Ramapo Mountains on the west, the topography rises in a series of steps toward the west in a north-south orientation.

The natural north-south contours of the land have had a significant impact on the development of a transportation system of highways and railroads that generally conforms to this geographic model. The significant exception to the north-south

highway pattern is the New York State Thruway (I-77/I-277), which traverses the southern part of Rockland County in a mostly east-west direction, cutting through the rugged hills and intersecting with each of the north-south highways. The fact that virtually all east- and westbound traffic occurs on a single roadway benefits the adjacent subject property in terms of both access and visibility.

Rockland County, representing a major portion of the proposed subject property's market area, is the state's smallest county north of New York City. Its triangle-shaped area contains approximately 176 square miles, with borders measuring 17 by 19 by 20 miles. The county is politically divided into 5 towns, 13 villages, and numerous hamlets.

Rockland County is part of the New York City Metropolitan Statistical Area (MSA). The MSA is the most standard definition used in comparative studies of metropolitan areas. The federal government defines an MSA as a large population nucleus, which, together with adjacent counties, has a high degree of social integration. The subject MSA contains the counties of Bronx, Kings, New York, Putnam, Queens, Richmond, Rockland, and Westchester, all of which are located in the state of New York.

In recent decades, Rockland County's economy has been characterized by its role as a distribution and industrial center, a function of the area's proximity to New York City. In the 1950s, the construction of the Tappan Zee Bridge, the New York State Thruway, the Garden State Parkway, and the Palisades Interstate Parkway opened the county to many new firms seeking the benefits of a suburban location with ready access to New York City and its regional markets. Since the development of this infrastructure, the subject market area has experienced normal cyclical swings over the short term, while a strong positive growth trend has been observed over the long term.

Population

Although there is no direct correlation between an area's population and its specific level of transient visitation, historical and projected population trends often reflect the economic climate of a locale. Exhibit 7-7 sets forth historical and projected population data for Rockland County, the New York MSA, New York State, and the United States as a whole.

Between 1970 and 1994, Rockland County, the New York MSA, and the State of New York all registered average annual population growth factors of 0.3 percent, a level considerably lower than the 1.0 percent annual average gain registered by the nation during the same period. The subject county's population actually decreased in 1977 and 1978, before beginning to record stronger positive gains in 1991 and 1992. At the same time, the New York MSA's population growth has remained flat in recent years, below state and national levels. The region's limited population gains are partially attributable to the high cost of living and doing business in the northeastern United States and the taxes paid by New York State residents, which have discouraged large-scale migration to the area in recent years. Forecasts indicate that the population of Rockland County will continue to increase at a slow rate through 2020, with growth rates generally above those of the MSA and in line with those of the state.

Although these demographic trends are not particularly auspicious, the slight population gains anticipated in Rockland County suggest that lodging demand in the local market will rise slowly. The rate of population growth generally establishes a minimum rate of increase for commercial segment hotel demand; this observation also holds true for the meeting and convention segment if a majority of the meetings are business-oriented.

Age Distribution

The age distribution of an area's population provides an indication of probable spending patterns, food, beverage and banquet patronage, and the propensity to travel. A growing local population under the age of 20 is likely to yield greater banquet business in the form of weddings, proms, award dinners, and similar functions. Growth in the 20- to 39-year age group is likely to create increased lounge patronage and demand for entertainment facilities. Individuals aged 40 to 64 generally have the largest amount of disposable income, and thus represent potential restaurant and lounge patrons. Exhibit 7-8 shows the expected trends in the population age distribution for Rockland County as compared with those of the United States.

Exhibit 7-7 Historical and Projected Population Trends

Source: Woods & Poole Economics, Inc.

Year	Rockland County			New York, NY MSA			State of New York			United States		
	Population	Percent Change ¹	Percent Change ²	Population	Percent Change ¹	Percent Change ²	Population	Percent Change ¹	Percent Change ²	Population	Percent Change ¹	Percent Change ²
1970	231.1	—	—	9,078.7	—	—	18,264.5	—	—	203,982.3	—	—
1975	247.6	1.4%	—	8,694.9	(0.9)%	—	18,044.0	(0.2)%	—	215,465.2	1.1%	—
1980	259.6	1.0	—	8,277.1	(1.0)	—	17,566.4	(0.5)	—	227,225.6	1.1	—
1985	264.4	0.4	0.4%	8,491.4	0.5	0.5%	17,791.8	0.3	0.3%	237,924.8	0.9	0.9%
1986	265.5	0.4	0.4	8,536.8	0.5	0.5	17,833.5	0.2	0.3	240,133.9	0.9	0.9
1987	264.6	(0.3)	0.3	8,560.9	0.3	0.5	17,868.9	0.2	0.2	242,289.9	0.9	0.9
1988	264.6	(0.0)	0.2	8,575.9	0.2	0.4	17,941.4	0.4	0.3	244,499.8	0.9	0.9
1989	264.8	0.1	0.2	8,567.4	(0.1)	0.4	17,983.1	0.2	0.3	246,819.8	0.9	0.9
1990	265.9	0.4	0.2	8,547.5	(0.2)	0.3	18,001.6	0.1	0.2	249,399.4	1.0	0.9
1991	268.4	0.9	0.3	8,540.6	(0.1)	0.3	18,046.9	0.3	0.2	252,137.0	1.1	1.0
1992	270.9	0.9	0.4	8,551.8	0.1	0.3	18,109.5	0.3	0.3	255,077.4	1.2	1.0
1993	271.6	0.3	0.3	8,564.5	0.1	0.3	18,163.5	0.3	0.3	257,919.5	1.1	1.0
1994	272.4	0.3	0.3	8,574.5	0.1	0.3	18,211.8	0.3	0.3	260,663.9	1.1	1.0
1995	272.9	0.2	0.3	8,577.7	0.0	0.2	18,245.9	0.2	0.3	263,211.0	1.0	1.0
2000	274.7	0.1	0.3	8,571.1	(0.0)	0.2	18,368.1	0.1	0.2	275,260.0	0.9	1.0
2005	276.0	0.1	0.2	8,548.8	(0.1)	0.1	18,455.8	0.1	0.2	286,757.8	0.8	0.9
2010	277.6	0.1	0.2	8,536.1	(0.0)	0.1	18,564.1	0.1	0.2	298,528.7	0.8	0.9
2015	279.7	0.1	0.2	8,537.8	0.0	0.1	18,703.6	0.1	0.2	310,788.2	0.8	0.9
2020	281.7	0.1	0.2	8,538.9	0.0	0.1	18,841.9	0.1	0.2	323,023.5	0.8	0.9

¹Annual average compounded percentage change from previous year shown

²Annual average compounded percentage change from 1980

Exhibit 7-8
Population Age Distribution

Source: Woods and Poole Economics, Inc.

Age Group	Rockland County				USA
	1980	1990	1994	2000	1994
Under 20	34.2%	28.9%	28.6%	28.3%	28.7%
20-39	29.7	30.1	28.9	26.9	31.4
40-64	26.1	30.4	33.1	36.2	23.2
65 and over	10.0	10.6	9.5	8.6	16.6
Median Age	31.2	34.0	35.1	36.7	34.1

Between 1970 and 1994, the median age of the Rockland County population increased from 31.1 to 35.2 years, a median age slightly higher than the 1994 national median age of 34.1 years. The shift in the county's age distribution during this period was associated with a decline in the percentage of residents under 20 and an increase in the percentage of the county population in the age groups of 40 to 64 and 65 and over. Projections suggest continued aging of the county population through the year 2000 with the median age expected to reach 36.7. The percentage of county residents in age groups of under 20, 20 to 39, and 65 and over are expected to decline between 1993 and 2000, while the 40-to-64 age group increases substantially.

The under-20 age group typically represents entry-level workers, and its growth or decline can have mixed effects. Workers in this age group typically earn lower wages than older members of the work force; thus, a lack of available employees in this age range may cause an increase in the area's cost of doing business. Conversely, this group is associated with a relatively high level of unemployment.

The baby boom generation, which is represented in both the 20-to-39 and 40-to-64 age categories, has become an important factor in national spending patterns. These residents typically represent a strong market for homes, consumable and durable goods, leisure activities, and other products and services. Growth in this age group is a favorable trend for the lodging industry, because these individuals are associated with a disproportionately large share of total travel expenditures in the United States. Increases in the number of two-worker households and the attendant rise in income levels are expected to further contribute to this group's propensity to travel. The increasing affluence of these well-educated Americans and subsidiary trends such as smaller and double-income fami-

lies are expected to engender a greater consumption of meals away from home. Primary beneficiaries of these events are the nation's hotel's and restaurants, which will accommodate the added patronage.

With the 40-to-64 age group becoming more prominent in Rockland County, local restaurants and lounges should benefit from the higher spending patterns typically exhibited by this group. In addition, local hotels and motels will probably experience some increased demand from children and grandchildren of the older local residents returning home during vacation and holiday periods.

Retail Sales

Retail sales levels reflect both population trends and the propensity to spend money on retail goods. Although there is no direct correlation between retail sales and hotel demand, retail sales trends tend to gauge the economic health and vitality of the market. Retail sales growth should cause local businesses to prosper and make it more likely for new firms to enter the market, thus causing an increase in the demand for lodging facilities. In areas in which tourism is a significant economic factor, retail sales also reflect the amount of visitation. Exhibit 7-9 shows historical and projected retail sales trends in Rockland County, the New York MSA, New York State, and the United States as a whole. All figures have been adjusted to reflect 1977 dollars; thus, the growth rates represent real change.

Between 1970 and 1994, retail sales in Rockland County increased at a real average annual compounded rate of 0.7 percent, slightly exceeding the 0.5 percent growth factor recorded by the New York MSA, and slightly behind the 0.9 percent growth factor recorded by New York State. All of these indicators lagged behind the national average annual growth rate: 1.3 percent. The impact of the national economic recession on retail sales in all statistical areas was noted in 1990 and 1991, while Rockland County's retail sales also declined in 1993.

Projections indicate a recovery in retail sales between 1995 and 2000; Rockland County, the New York MSA, and the state of New York are all expected to post real annual gains above 2.0 percent, while the national growth rate is expected to exceed 3.0 percent in future years.

Exhibit 7-9 Historical and Projected Retail Sales Trends

Source: Woods & Poole Economics, Inc.

Year	Rockland County			New York, NY MSA			New York State			United States		
	Retail Sales	Percent Change ¹	Percent Change ²	Retail Sales	Percent Change ¹	Percent Change ²	Retail Sales	Percent Change ¹	Percent Change ²	Retail Sales	Percent Change ¹	Percent Change ²
1970	\$1,141	---	---	\$43,572	---	---	\$92,696	---	---	\$1,053,857	---	---
1975	1,281	2.3%	---	38,979	(2.2)%	---	89,766	(0.6)%	---	1,202,708	2.7%	---
1980	1,395	1.7	---	38,577	(0.2)	---	91,866	0.5	---	1,340,769	2.2	---
1985	1,547	2.1	2.1%	41,554	1.5	1.5%	101,416	2.0	2.0%	1,481,856	2.0	2.0%
1986	1,569	1.4	2.0	42,042	1.2	1.4	103,970	2.5	2.1	1,511,054	2.0	2.0
1987	1,545	(1.5)	1.5	41,295	(1.8)	1.0	103,212	(0.7)	1.7	1,493,286	(1.2)	1.6
1988	1,578	2.1	1.6	42,251	2.3	1.1	105,848	2.6	1.8	1,540,698	3.2	1.8
1989	1,584	0.4	1.4	42,361	0.3	1.0	106,424	0.5	1.6	1,561,073	1.3	1.7
1990	1,569	(0.9)	1.2	41,784	(1.4)	0.8	105,209	(1.1)	1.4	1,558,277	(0.2)	1.5
1991	1,515	(3.4)	0.8	39,972	(4.3)	0.3	100,986	(4.0)	0.9	1,507,861	(3.2)	1.1
1992	1,541	1.7	0.8	40,376	1.0	0.4	102,179	1.2	0.9	1,613,742	1.3	1.3
1993	1,532	(0.6)	0.7	41,646	3.1	0.6	104,867	2.6	1.0	1,593,432	3.7	1.3
1994	1,535	0.2	0.7	41,397	(0.6)	0.5	104,822	(0.0)	0.9	1,613,742	1.3	1.3
1995	1,576	2.7	0.8	42,114	1.7	0.6	107,453	2.5	1.1	1,674,273	3.8	1.5
2000	1,774	2.3	1.2	46,499	2.0	0.9	121,632	2.5	1.4	1,991,623	3.4	2.0
2005	1,978	2.2	1.4	51,369	2.0	1.2	136,969	2.4	1.6	2,336,845	3.2	2.2
2010	2,196	2.1	1.5	56,760	2.0	1.3	153,868	2.4	1.7	2,718,832	3.1	2.4
2015	2,395	1.8	1.6	61,836	1.7	1.4	169,989	2.0	1.8	3,093,334	2.6	2.4
2020	2,624	1.8	1.6	67,905	1.9	1.4	188,855	2.1	1.8	3,520,729	2.6	2.4

¹Annual average compounded percentage change from previous year shown

²Annual average compounded percentage change from 1980

Personal Income

According to the procedures outlined in the National Income and Product Accounts, personal income is calculated by totaling earned income (wages, salaries, other labor income, and proprietor's income), non-earned income, and residence adjustments and subtracting personal contributions to social insurance. Trends in personal income reflect the spending ability of local residents. Like population trends, personal income has no direct correlation with hotel room night demand, but rather tends to gauge the economic health and vitality of a market area. Exhibit 7-10 sets forth historical and projected per-capita personal income levels in Rockland County, the New York MSA, New York State, and the United States.

Rockland County's 1994 per-capita personal income level was higher than those of the New York CMSA, New York State, and the nation. This relationship suggests that Rockland County residents are more affluent than typical Americans and more able to spend money on retail goods, travel, dining, and services. In addition, recent growth factors for the subject county have exceeded those of the MSA and the state, slightly trailing those of the nation. Projections indicate continued strong gains in personal income per capita, with growth factors remaining in the range of 1.5 percent per year over the long term. These trends are favorable, and reflect growth in the potential spending patterns for local residents.

Exhibit 7-11 shows the historical and projected total personal income in Rockland County, the New York MSA, New York State and the United States.

Workforce Characteristics

Exhibit 7-12 sets forth the Rockland County workforce distribution by business sector in 1970, 1990, and 1994, as well as a forecast for 2000. As the exhibit illustrates, the most rapid growth between 1970 to 1994 occurred in the services, TCPU, FIRE, wholesale trade, and construction sectors. Moderate growth was recorded in the agricultural services and retail trade sectors, whereas a decline in employment was noted in the farm, mining, manufacturing, and government sectors. Projections indicate a continuation of this slow rate of growth, with total employment expected to increase by only 0.1 percent per year between 1994 and 2000. Although total employment growth is anticipated to be sluggish, the wholesale trade and FIRE sectors are expected to record moderate gains; this is a positive indicator of future transient lodging demand.

The exhibit demonstrates the diversification of the Rockland County economy. In 1994, the services sector accounted for approximately 34 percent of the overall employment base, with trade, government, and manufacturing contributing 19 percent, 17 percent, and 11 percent, respectively. Because the local economy is not tied to the prosperity of any single sector, the impact of normal business cycles is cushioned.

Farm, Agricultural Services, Mining

The farm, agricultural services and mining employment sectors taken together represented only 0.7 percent of the total employment in Rockland County in 1994. Generally, these three sectors do not generate an appreciable amount of hotel demand, so their small presence as area employers is not a significant factor in this analysis.

Construction

The construction industry represents a relatively small portion of the Rockland County economy. Between 1970 and 1994, employment in the construction sector increased from 3,700 to 4,700, yielding an average annual compounded growth rate of 1.7 percent. However, analysis of this longer term is deceiving. Because of the recession and the fact that many real estate types were oversupplied in the late 1980s and early 1990s, construction employment receded substantially between 1990 and 1994, declining at an average annual rate of nearly 5 percent per year.

As illustrated in Exhibit 7-13, the number of residential construction permits issued in Rockland County has exhibited a downward trend since 1985. The sharpest drops occurred in the early 1990s, which reflects impact of the national recession and overbuilding during the 1980s.

Nonresidential construction has a greater impact on lodging demand than activity in the residential sector, because new commercial, industrial, and retail space generally foreshadows a favorable business climate. The introduction of new firms or the expansion of existing companies may result in increased visitation from individuals conducting business in the area; the direct effect on local hotels depends on the type of activity generated by those firms.

Exhibit 7-14 outlines the assessed value of all non-residential property in Rockland County. The figures are expressed in constant 1995 dollars, and thus percent change represents real growth or

NEIGHBORHOOD AND MARKET AREA ANALYSIS

Exhibit 7-10 Historical and Projected Personal Income per Capita

Source: Woods & Poole Economics, Inc.

Year	Rockland County			New York, NY MSA			New York State			United States		
	Per Capita	Percent Change ¹	Percent Change ²	Per Capita	Percent Change ¹	Percent Change ²	Per Capita	Percent Change ¹	Percent Change ²	Per Capita	Percent Change ¹	Percent Change ²
1970	\$13,239	—	—	\$15,125	—	—	\$13,658	—	—	\$11,358	—	—
1975	15,004	2.5%	—	15,386	0.3%	—	14,081	0.6%	—	12,362	1.7%	—
1980	17,188	2.8	—	16,424	1.3	—	15,274	1.6	—	13,924	2.4	—
1985	19,537	2.6	2.6%	18,856	2.8	2.8%	17,459	2.7	2.7%	15,205	1.8	1.8%
1986	20,101	2.9	2.6	19,535	3.6	2.9	18,143	3.9	2.9	15,529	2.1	1.8
1987	20,796	3.5	2.8	19,967	2.2	2.8	18,443	1.7	2.7	15,640	0.7	1.7
1988	21,705	4.4	3.0	20,690	3.6	2.9	18,917	2.6	2.7	15,943	1.9	1.7
1989	21,838	0.6	2.7	21,020	1.6	2.8	19,198	1.5	2.6	16,184	1.5	1.7
1990	21,898	0.3	2.5	21,463	2.1	2.7	19,427	1.2	2.4	16,246	0.4	1.6
1991	21,087	(3.7)	1.9	21,188	1.3	2.3	19,103	(1.7)	2.1	16,009	(1.5)	1.3
1992	21,314	1.1	1.8	21,894	3.3	2.4	19,510	2.1	2.1	16,279	1.7	1.3
1993	21,558	1.1	1.8	21,653	(1.1)	2.1	19,594	0.4	1.9	16,505	1.4	1.3
1994	21,687	0.6	1.7	21,658	0.0	2.0	19,653	0.3	1.8	16,630	0.8	1.3
1995	21,977	1.3	1.7	21,777	0.5	1.9	19,852	1.0	1.8	16,862	1.4	1.3
2000	23,625	1.5	1.6	23,165	1.5	1.7	21,363	1.6	1.7	18,315	1.7	1.4
2005	25,525	1.6	1.6	25,040	1.6	1.7	23,249	1.7	1.7	19,993	1.8	1.5
2010	27,639	1.6	1.6	27,247	1.7	1.7	25,416	1.8	1.7	21,836	1.8	1.5
2015	29,988	1.6	1.6	29,820	1.8	1.7	27,890	1.9	1.7	23,846	1.8	1.5
2020	32,633	1.7	1.6	32,841	1.9	1.7	30,738	2.0	1.8	26,063	1.8	1.6

¹Annual average compounded percentage change from previous year shown

²Annual average compounded percentage change from 1980

Exhibit 7-11 Historical and Projected Personal Income

Source: Woods & Poole Economics, Inc.

Year	Rockland County			New York, NY MSA			New York State			United States		
	Personal Income	Percent Change ¹	Percent Change ²	Personal Income	Percent Change ¹	Percent Change ²	Personal Income	Percent Change ¹	Percent Change ²	Personal Income	Percent Change ¹	Percent Change ²
1970	\$3,059	—	—	\$137,318	—	—	\$249,460	—	—	\$2,316,919	—	—
1975	3,715	4.0%	—	133,778	(0.5)%	—	\$254,076	0.4%	—	\$2,663,665	2.8%	—
1980	4,462	3.7	—	135,939	0.3	—	268,310	1.1	—	3,163,874	3.5	—
1985	5,165	3.0	3.0%	160,114	3.3	3.3%	310,633	3.0	3.0%	3,617,690	2.7	2.7%
1986	5,337	3.3	3.0	168,769	4.2	3.5	323,550	4.2	3.2	3,728,942	3.1	2.8
1987	5,503	3.1	3.0	170,931	2.5	3.3	329,553	1.9	3.0	3,789,297	1.6	2.6
1988	5,743	4.4	3.2	177,437	3.8	3.4	339,403	3.0	3.0	3,898,086	2.9	2.6
1989	5,783	0.7	2.9	180,087	1.5	3.2	345,236	1.7	2.8	3,994,634	2.5	2.6
1990	5,823	0.7	2.7	183,455	1.9	3.0	349,724	1.3	2.7	4,051,715	1.4	2.5
1991	5,659	(2.8)	2.2	180,957	(1.4)	2.6	344,748	(1.4)	2.3	4,036,505	(0.4)	2.2
1992	5,773	2.0	2.2	187,233	3.5	2.7	353,323	2.5	2.3	4,152,529	2.9	2.3
1993	5,856	1.4	2.1	185,450	(1.0)	2.4	355,902	0.7	2.2	4,256,884	2.5	2.3
1994	5,907	0.9	2.0	185,703	0.1	2.3	357,908	0.6	2.1	4,334,933	1.8	2.3
1995	5,997	1.5	2.0	186,796	0.6	2.1	362,220	1.2	2.0	4,438,159	2.4	2.3
2000	6,489	1.6	1.9	198,555	1.4	1.9	392,395	1.7	1.9	5,041,480	2.6	2.4
2005	7,045	1.7	1.8	214,061	1.5	1.8	429,073	1.8	1.9	5,733,093	2.6	2.4
2010	7,673	1.7	1.8	232,584	1.7	1.8	471,832	1.9	1.9	6,518,595	1.6	2.4
2015	8,387	1.8	1.8	254,599	1.8	1.8	521,641	2.0	1.9	7,411,153	2.6	2.5
2020	9,194	1.9	1.8	280,424	2.0	1.8	579,156	2.1	1.9	8,419,104	2.6	2.5

¹Annual average compounded percentage change from previous year shown²Annual average compounded percentage change from 1980

Exhibit 7-13 Rockland County Dwelling Units Authorized by Building Permit*Source: Rockland County Economic Development Authority*

Year	Single Family		Multi-Family		Total	
	Number of Units	Percent Change	Number of Units	Percent Change	Number of Units	Percent Change
1985	529	—	1,144	—	1,673	—
1986	508	(4.0)%	972	(15.0)%	1,480	(11.5)%
1987	467	(8.1)	875	(10.0)	1,342	(9.3)
1988	475	1.7	770	(12.0)	1,245	(7.2)
1989	502	5.7	768	(0.3)	1,270	2.0
1990	460	(8.4)	624	(18.8)	1,084	(14.6)
1991	367	(20.2)	525	(15.9)	892	(17.7)
1992	287	(21.8)	492	(6.3)	779	(12.7)
1993	285	(0.7)	497	1.0	782	0.4
1994	302	6.0	510	2.6	812	3.8
1995	325	7.6	535	4.9	860	5.9
Average Annual percent Change 1985–1995		(4.8)%		(7.3)%		(6.4)%
Proj. 1996–2000 annual increases	330	—	545	—	875	—

**Exhibit 7-14
Total Rockland County Nonresidential
Property Assessment***Source: Rockland County Assessment Department*

Year	Assessed Value in 1995 Dollars	Percent Change
1985	\$1,105,000	—
1986	1,116,000	1.0%
1987	1,149,000	3.0
1988	1,195,000	4.0
1989	1,208,000	1.1
1990	1,198,000	(0.8)
1991	1,164,000	(2.8)
1992	1,102,000	(5.3)
1993	1,057,000	(4.1)
1994	1,105,000	4.5
1995	1,207,000	9.2
Avg. Annual percent Change 1985–1995		0.9%

decline after adjustment for inflation from factors such as new construction.

Between 1985 and 1995, Rockland County's nonresidential tax base increased a total of 9 percent, or an average annual compound increase of 0.9 percent per year after adjustment for inflation. After consistent increases through the mid- to late 1970s, the assessed value of nonresidential real estate declined in each year between 1990 and 1993, owing to the adverse impact of the recession. In 1994 and 1995, strong increases in the assessed value of nonresidential real estate were noted. Projections suggest a continuation of the recovery, and construction employment in Rockland County is expected to increase at an average annual compounded rate of 0.7 percent between 1994 and 2000. This moderate growth should result in some increases in lodging demand.

Manufacturing

Employment in Rockland County's manufacturing firms declined at an average annual compounded

rate of 4.2 percent between 1970 and 1994, and a more severe drop of 5.9 percent annually occurred from 1990 to 1994. According to information provided by the Chamber of Commerce, there were more than 100 manufacturing plants in Rockland County in 1994 and these plants shipped products worth more than \$1.2 billion out of the area, representing an approximate 9 percent increase from 1977. Rockland represents slightly more than 4 percent of total manufacturing production in the New York metropolitan area. Between 1972 and 1994, two manufacturing plants terminated operations in Rockland County. A total of 407 major manufacturing plants closed in the New York metropolitan area during this ten-year period. Projections indicate a further decline of 0.1 percent per year in manufacturing employment in Rockland County between 1994 and 2000.

Rockland County's manufacturing base is relatively diversified, although pharmaceutical and cosmetics firms show some prominence. This diversification is beneficial, and helps to offset declines in any one industry. Exhibit 7-15 lists the major manufacturing firms in Rockland County.

Exhibit 7-15
Major Manufacturing Firms—Rockland County

Source: Rockland County Chamber of Commerce

Firm	Product	Number of Employees
Lederle Laboratories	Pharmaceuticals	3,600
Avon Products, Inc.	Cosmetics	1,200
Chromalloy Corp.	Metals	650
BSR	Electronics	600
Ciba-Geigy	Pharmaceuticals	500
Materials Research	Plastics	460
RCA	Electronics	350

The division of manufacturing employment between the production of durable and nondurable goods can also have an impact on an area's stability; during periods of economic downturn, durable goods manufacturers tend to suffer more than firms engaged in the production of nondurable goods. According to the New York State Department of Labor, approximately 60 percent of Rockland County's manufacturing employees are involved in the production of nondurable goods.

A 1994 survey, conducted by the Private Industry Council of Rockland County, found that 35 percent of local manufacturing firms anticipated an increase in their number of employees, and 22

percent had plans for plant expansions. New manufacturing capacity, particularly in high technology industries, often has a favorable impact on local hotels. Manufacturing firms tend to attract visitors such as superintendents, auditors, and salespeople; high-technology manufacturers also attract engineers and consultants who are likely to need lodging accommodations.

It is important to consider the subject property's distance from the county's manufacturing firms. Although most out-of-town visitors are willing to travel a reasonable distance from their hotel to their final destination, a twenty-minute drive is usually the maximum limit. The subject site's central location adjacent to the New York State Thruway enhances its ability to attract demand generated by the county's manufacturing firms. A survey of local manufacturers shows that more than 90 percent are located within a twenty-minute drive of the subject site.

Transportation, Communications, and Public Utilities

In 1994, the transportation, communications, and public utilities sector represented a minor portion of the Rockland County employment base; most of these employees work for either postal services or telephone companies. Between 1970 and 1994, employment in this sector increased at an average annual compounded rate of 3.5 percent. Firms in this sector have a mixed propensity to generate hotel demand. Communications firms and utilities are not highly labor intensive and are unlikely to produce significant lodging demand. Projections indicate that TCPU employment will remain flat between 1994 and 2000.

Wholesale and Retail Trade

In 1994, trade was the second largest sector in the Rockland County economy. Retail trade contributed approximately 75 percent of this sector's employment, and the remaining 25 percent represented wholesale activity. Firms engaged in trade (and wholesale trade in particular) often generate considerable hotel demand. Rockland County's trade sector is well diversified, and no particular industry exhibits a dominance in terms of employment.

The trade sector's prominent position in the local economy is attributable to Rockland County's role as a regional market for the tri-state area formed by New York, Pennsylvania, and New Jersey. The well-established transportation network and the presence of a number of industrial parks

and distribution centers further enhance the dominance of the trade sector.

Between 1970 and 1994, trade employment in Rockland County increased at an average annual compounded rate of 0.7 percent; largely as a result of the national recession, a 1.1 percent decline was registered between 1990 and 1994. No real growth is projected through the remainder of the decade.

Finance, Insurance, and Real Estate (FIRE)

The finance, insurance, and real estate sector occupies a strategic position with respect to the control of investment capital, property transfers, and the provision of insurance. The professional firms operating in this sector often generate a considerable amount of commercial hotel demand. Despite flat growth from 1990 to 1994, Rockland County's FIRE sector enjoyed one of highest employment growth rates from 1970 to 1994; projections indicate a moderate increase of 0.7 percent annually between 1994 and 2000. Because FIRE employment is highly correlated to hotel demand, this increase should have a favorable impact on the local lodging industry.

Services

The services industry is the largest employment sector in Rockland County, and health care contributes a significant share of this category. Between 1970 and 1994, services sector employment increased at a strong 3.6 percent average annual compounded rate.

A strong services sector is generally a favorable indicator of lodging demand. Firms engaged in service-related activities tend to attract out-of-town visitors who must use local lodging facilities. In addition, many service firms are relatively immune to fluctuations in the national economy, and thus provide a stabilizing influence. Between 1994 and 2000, services employment in Rockland County is expected to increase at an average annual compounded rate of 0.3 percent, which is considerably lower than the gains registered historically.

Government

Employing more than 21,000 people, government was the third-largest employment sector in Rockland County in 1994. This category includes employees of local municipalities and state, regional, and federal agencies. Between 1970 and 1994, government employment in Rockland County declined at an average annual compounded rate of

0.1 percent, with more rapid declines registered between 1990 and 1994. Projections indicate no real growth between 1994 and 2000.

Although the government sector generates significant hotel demand, which has a favorable impact on local lodging facilities, much of this business is tied to a governmental per diem that is lower than the prevailing rates charged by moderate-rate and first-class lodging facilities. Although this rate-sensitivity characteristic may limit the number of government employees accommodated by the subject property, this type of demand does contribute room nights in lower-rated facilities, and thus serves to increase the area's overall occupancy level.

Major Businesses and Industries

An analysis of the market's major businesses and industries can provide an indication of the potential for commercial hotel demand. For example, more visitors are attracted by national firms than by local companies serving nearby areas. Labor-intensive businesses and financial activities are more likely to generate hotel demand than are highly mechanized firms that employ few people.

The major employers in Rockland County represent a cross-section of hotel demand potential. Some are national in scope, while others operate on a more local basis; some are engaged in product manufacturing, and others are active in research and development. Although this diversification may not maximize the area's hotel demand, it does tend to stabilize the local economy during its various cycles. Exhibit 7-16 outlines some of the major employers in Rockland County.

Most of Rockland County's major employers operate from office and industrial parks situated along the New York State Thruway. All are within a twenty-minute drive of the subject property and can be considered primary demand generators.

Office Space

Trends in occupied office space are among the most reliable indicators of lodging demand; firms that occupy office space often exhibit a strong propensity to attract commercial visitors. Although it is difficult to quantify hotel demand on the basis of the amount of occupied office space, trends that cause changes in the amount of occupied office space or office space vacancy rates may have a proportional impact on commercial lodging demand and a less direct effect on meeting demand.

Exhibit 7-16

Major Employers in Rockland County

Source: Rockland County Chamber of Commerce

Firm	Product	Number of Employees
Lederle Laboratories	Pharmaceuticals	3,600
Avon Products, Inc.	Cosmetics	1,200
Chromalloy Corp.	Metals	650
BSR	Electronics	600
Lamon Geological	Geological Research	600
Ciba-Geigy	Pharmaceuticals	500
Swivelieri Co.	Light Fixtures	500
Le Croy	Electronics	475
Materials Research	Plastics	460
Grant Hardware Co.	Hardware	450
St. Regis Paper	Research	450
Federal Paper	Cartons	425
Prentice Hall	Publishing	425
Xerox	Research	400
IBM	Research	400
Chrysler Motors	Automobiles	390
RCA	Electronics	350

Office space in Rockland County is concentrated in several office parks located along the New York State Thruway in Nyack, Spring Valley, and Suffern. Some additional office developments are located in the downtown districts of these areas. Most of the companies occupying office space in Rockland County are local firms or branch offices of national organizations. The area's largest office parks are summarized as follows:

Nyack Office Center:

Location: Exit 11, N.Y.S. Thruway, Nyack, New York

Size: 500 acres

Number of Firms: 250

Occupied Office Space: 2,145,400 square feet

Total Office Space: 2,524,500 square feet

Vacancy Rate: 15 percent

Major Tenants: Avon Products, Inc., Ciba-Geigy, Lederle Laboratories, U.S. Polychemical

Comments: This office park, situated approximately two miles east of the subject property, is considered the top corporate location in Rockland County. Approximately 75 percent of the available land is currently utilized and park owners expect occupied office space to increase at a rate of 2 percent to 3 percent annually.

Eastwood Office Park:

Location: Exit 14A, N.Y.S. Thruway, Spring Valley, New York

Size: 300 acres

Number of Firms: 125

Occupied Office Space: 752,300 square feet

Total Office Space: 947,000 square feet

Vacancy Rate: 10 percent

Major Tenants: Chromalloy American Corp., Materials Research, BSR

Comments: This office park typically attracts research-oriented companies. It is the largest concentration of office space closest to the subject property, which benefits directly from the transient commercial and meeting demand generated by the tenants. Approximately 60 percent of the Eastwood Office Park is currently developed, and the owners expect the amount of occupied office space to increase at an annual rate of 2 percent to 3 percent.

Suffern Corporate Center:

Location: Exit 14, N.Y.S. Thruway, Suffern, New York

Size: 600 acres

Number of Firms: 73

Occupied Office Space: 367,700 square feet

Total Office Space: 461,000 square feet

Vacancy Rate: 20 percent

Major Tenants: Chrysler Motors, World-Wide Volkswagen

Comments: This new office park, situated approximately twelve miles west of the subject property, opened in 1973. It is currently 25 percent developed, primarily with manufacturing firms. Future growth expectations for this area are 1 percent to 2 percent annually.

The Rockland County Real Estate Board maintains an inventory of occupied and available office space in the county. Exhibit 7-17 summarizes this information.

Between 1975 and 1995, available office space in Rockland County increased from approximately 6,545,000 to 7,735,000 square feet, which yields an average annual compounded growth rate of 1.7 percent. During the same period, occupied office space increased from 5,745,000 to 6,637,000 square feet, or 1.3 percent compounded annually. As growth in supply outstripped the pace of absorption, the vacancy

Exhibit 7-17 Inventory of Rockland County Office Space in Square Feet*Source: Rockland County Real Estate Board*

Year	Available Space	Percent Change	Occupied Space	Percent Change	Vacancy Rate
1985	6,545,000	—	5,845,000	—	10.7%
1986	6,617,000	1.1%	6,200,000	6.1%	6.3
1987	6,637,000	0.3	6,278,000	1.3	5.4
1988	6,697,000	0.9	6,362,000	1.3	5.0
1989	7,234,000	8.0	6,398,000	0.6	11.6
1990	7,459,000	3.1	6,278,000	(1.9)	15.8
1991	7,601,000	1.9	6,123,000	(2.5)	19.4
1992	7,639,000	0.5	6,145,000	0.4	19.6
1993	7,635,000	(0.1)	6,232,000	1.4	18.4
1994	7,669,000	0.4	6,452,000	3.5	15.9
1995	7,735,000	0.9	6,637,000	2.9	14.2
Avg. Annual percent Change 1985-1995		1.7%		1.3%	

rate increased from 10.7 percent in 1975 to 14.2 percent in 1995. Nevertheless, the most recent trends indicate that the pace of new supply additions has slowed dramatically, allowing market conditions to become more balanced. Vacancy rates reached nearly 20 percent in 1992 because of oversupply and recessionary influences. Despite somewhat unfavorable trends in the local office space market, the subject site occupies a strong location with respect to a number of local business concentrations. Furthermore, the fact that a significant portion of available office space exists suggests that there is capacity for further growth in the amount of occupied space.

Highway Traffic

The subject site occupies a prominent location adjacent to the New York State Thruway and within several miles of the Garden State and Palisades Parkways. The amount of traffic passing through the market area has a direct impact on commercial and leisure demand and an indirect effect on meeting demand. Exhibit 7-18 illustrates annual traffic counts on the New York State Thruway at the Spring Valley toll plaza, on the Garden State Parkway at its intersection with the New York State Thruway, and on the Palisades Parkway at its intersection with the New York State Thruway.

Between 1974 and 1995, traffic on the New York State Thruway, the Garden State Parkway, and the Palisades Parkway increased at average annual compounded rates of 1.3 percent, 1.4 percent, and 1.6 percent, respectively. Much of the rising traffic volume can be attributed to an increase in commercial activity in the subject property's vicinity, a conclusion that is supported by the lower growth rates, and, in some cases, declines registered between 1979 and 1992, when the region was struggling through an economic recession. Traffic count trends at each location have generally been positive since 1992, though the gains have been considerably more modest than in prior years.

Airport Traffic

Airport passenger counts are important indicators of lodging demand. Depending on the type of service provided by a particular airfield, a sizable percentage of arriving passengers may require hotel accommodations. Trends showing changes in passenger counts also reflect local business activity and the overall economic health of the area.

The subject property is situated approximately ten miles south of Stewart Airport, which is located in Newburgh, New York. This regional air facility is served by American and Delta Airlines, as well as

Exhibit 7-18 Highway Traffic Counts

Source: New York State Department of Highways

Year	New York State Thruway ¹	Percent Change	Garden State Parkway ²	Percent Change	Palisades Parkway ³	Percent Change
1984	12,566,764	—	6,153,928	—	5,431,492	—
1985	12,943,767	3.0%	6,369,315	3.5%	5,632,457	3.7%
1986	13,614,836	5.2	6,604,980	3.7	5,846,490	3.8
1987	13,522,145	(0.7)	6,803,129	3.0	6,056,964	3.6
1988	14,377,202	6.3	7,068,451	3.9	6,299,243	4.0
1989	14,528,352	1.1	7,153,254	1.2	6,342,102	0.7
1990	14,423,351	(0.7)	7,159,265	0.1	6,423,012	1.3
1991	14,395,230	(0.2)	7,002,341	(2.2)	6,397,123	(0.4)
1992	14,412,023	0.1	7,100,256	1.4	6,445,251	0.8
1993	14,385,178	(0.2)	7,209,356	1.4	6,445,251	0.8
1994	14,525,108	1.0	7,211,369	0.0	6,428,798	0.5
1995	14,528,397	0.0	7,205,446	(0.1)	6,439,555	0.2
Avg. Annual percent Change 1984-1995		1.3%		1.4%		1.6%

¹Spring Valley toll plaza

²Intersection of Garden State Parkway and New York State Thruway

³Intersection of Palisades Parkway and New York State Thruway

several commuter carriers. The popularity of Stewart Airport has increased in recent years as businesses have relocated to Rockland and Putnam Counties and the New York City airports have grown more congested.

Most of the passengers arriving at Stewart Airport are commercial travelers visiting firms in Rockland and Putnam Counties. Local agencies report that airport car rentals average approximately three days, and it is reasonable to conclude that many of the arriving passengers who rent automobiles also stay in area hotels. Exhibit 7-19 shows historical and projected air passenger enplanements at Stewart Airport; cargo tonnage statistics are also presented because they provide a useful indication of manufacturing trends.

Although the actual amount of cargo shipped from Stewart Airport is small, the strong historical and projected growth rates are a favorable trend. Similarly, although the increases in enplanements are auspicious and provide some benefit to local lodging facilities, the overall impact on the area's hotel demand is minimized by the small number of passengers actually using Stewart Airport.

Rockland County Convention and Exhibition Center

Meeting and convention visitation took on greater significance in the local economy with the 1974 opening of the Rockland County Convention and Exhibition Center. This county-operated facility is located in downtown Suffern, approximately eight miles west of the subject property, and currently offers a 50,000-square-foot exhibition hall that can accommodate groups of 5,000 to 7,500 people. Fifteen additional meeting rooms seat between 25 and 500 people each.

Most of the functions presently held at the Rockland County Convention and Exhibition Center consist of retail trade shows and entertainment and sporting events. Although these activities do not generate significant lodging demand, the facility typically draws 40 to 50 meetings annually that do contribute room nights to area hotels. Exhibit 7-20 outlines the attendance figures and the number of conventions held at the Rockland County Convention and Exhibition Center since its opening.

Exhibit 7-19 Stewart Airport Statistics*Source: Stewart Airport Authority*

Year	Passenger Emplanement	Percent Change ¹	Percent Change ²	Cargo Tons	Percent Change ¹	Percent Change ²
1978	197,105	—	—	53,120	—	—
1983	245,628	4.5%	4.5%	67,796	5.0%	5.0%
1988	297,423	3.9	4.2	88,189	5.4	5.2
1992	372,420	5.8	4.6	117,171	7.4	5.8
1995	388,876	1.5	4.1	133,288	4.4	5.6
1998	475,321	4.1	4.5	149,217	4.1	5.3
2003	609,546	5.1	4.6	194,099	5.4	5.3

¹Annual average compounded percentage change from previous year²Annual average compounded percentage change from 1978

Note: 1988 and 2003 projections provided by the Federal Aviation Administration

**Exhibit 7-20
Rockland County Convention and Exhibition Center
Conventions Requiring Overnight Accommodations***Source: Rockland County Convention Bureau*

Year	Number of Conventions	Percent Change	Number of Delegates	Percent Change
1984	14	—	7,000	—
1985	22	57.1%	12,100	72.9%
1986	36	63.6	20,700	71.1
1987	30	(16.7)	18,000	(13.0)
1988	41	36.7	25,825	43.5
1989	45	9.8	29,250	13.3
1990	46	2.2	29,623	1.3
1991	49	6.5	31,875	7.6
1992	51	4.1	33,071	3.8
1993	49	(3.9)	32,456	(1.9)
1994	47	(4.1)	32,799	1.1
1995	58	23.4	43,799	33.5
Avg. Annual percent Change 1984-1995		13.8%	18.1%	

In 1993 and 1994, the Center underwent a complete renovation and expansion, designed to allow the facility to attract larger and more upscale meetings and conventions. As a result of disruptions related to this project, convention statistics declined during those two years. However, with the completion of the project, the center's visitation increased substantially in 1995, as the number of conventions and attending delegates each reached record highs. The center now features 75,000 square feet of

space; it can now host groups of 7,500 to 10,000 people. An additional ten meeting rooms seating between 50 and 250 people provide ample breakout space. The entire facility has been upgraded with state-of-the-art convention and conference amenities. Continued growth is projected through the near term as awareness of the facility's expansion grows.

Leisure Travel

More than 35 percent of the land in Rockland County is reserved for recreational use; thus, trends in leisure travel are key indicators of the area's lodging demand. Leisure demand is extremely beneficial to hotels because these travelers often seek accommodations on weekends, holidays, and during the summer months, when commercial demand is low. This additional patronage helps to smooth operational peaks and valleys, allowing for increased efficiency and higher profits. The New York State Department of Tourism compiles data on out-of-state tourist visitation. Exhibit 7-21 outlines these trends.

Although Rockland County receives far less tourism than the metropolitan area and New York State as a whole, these travelers do represent potential demand for local lodging facilities. The exhibit shows moderate historical increases over the long term, with some fluctuations attributed to the recent recession. On a monthly basis, Rockland County tourism activity undergoes normal seasonal peaks and valleys. Exhibit 7-22 illustrates these cycles.

Exhibit 7-21 Out-of-State Tourist Visitation (in millions)

Source: New York State Department of Tourism

Year	Rockland County	Percent Change	Metro New York	Percent Change	New York State	Percent Change
1984	1.5	—	15.2	—	25.8	—
1985	1.5	0.0%	17.5	15.1%	28.2	9.3%
1986	1.6	6.7	17.1	(2.3)	28.8	2.1
1987	1.7	6.3	17.0	(0.6)	29.1	1.0
1988	1.7	0.0	16.9	(0.6)	29.6	1.7
1989	1.8	5.9	17.1	1.2	31.2	5.4
1990	1.8	0.0	17.1	0.0	31.1	(0.3)
1991	1.7	(5.6)	17.0	(0.6)	30.6	(1.6)
1992	1.7	0.0	16.9	(0.6)	30.5	(0.3)
1993	1.6	(5.9)	16.8	(0.6)	30.1	(1.3)
1994	1.8	12.5	17.0	1.2	30.7	2.0
1995	1.9	5.6	17.5	2.9	30.9	0.7
Avg. Annual percent Change 1984-1995		2.2%	1.3%		1.7%	

Exhibit 7-22 Rockland County Visitation by Month

Source: New York State Board of Tourism

Month	Percent of Annual Total
January	7%
February	8
March	4
April	3
May	3
June	12
July	15
August	15
September	11
October	12
November	4
December	6

Approximately 42 percent of Rockland County's leisure demand occurs during the months of June, July, and August. As a result of the region's natural beauty during the fall foliage season, weekend demand is also strong in September and October. Skiers and other winter sports enthusiasts often generate weekend hotel demand in January and February. The summer months and fall and winter weekends are slow periods for commercial visitation; the leisure de-

mand base therefore has a stabilizing effect on the market.

The point of origin of leisure travelers influences the demand for local lodging facilities; markets that draw vacationers from distant areas enjoy stronger hotel demand and longer lengths of stay than those that attract a more local clientele. According to information provided by the New York State Tourism Commission, the five states that provide the greatest amount of leisure demand in Rockland County are New York, Pennsylvania, Massachusetts, New Jersey, and Connecticut. Because all of these states are relatively close to Rockland County, much of this visitation is likely to consist of one- or two-day stays, which may benefit local hotels to some degree.

Tourist Attractions

The following descriptions of the area's tourist attractions show the variety of activities that draw leisure travelers to Rockland County, either as a destination or as a stopping point on a longer journey. By virtue of the area's well-developed highway system, numerous travelers pass through Rockland County bound for destinations outside of the subject property's market area; some of these individuals use local lodging facilities.

Palisades Interstate Park System. The Palisades Interstate Park System consists of eleven recreational areas. These parks provide more than 6,000 acres of land for a variety of recreational uses, including golf courses, tennis courts and water sports, as well as scenic spots for picnicking or hiking.

U.S. Military Academy. This nationally known, time-honored institution, located approximately fifteen miles north of Spring Valley in West Point, New York, is among the area's most popular tourist attractions. West Point offers a variety of visitor activities: the Information Center features films and displays on cadet training, the West Point Museum has exhibits on military history and ordinance, and nearby Fort Putnam is a fully restored Revolutionary War fortification. Visitor counts at the West Point Information Center show moderate historical growth. As Exhibit 7-23 indicates, the recent recession affected visitation during the early 1990s.

Exhibit 7-23

West Point Visitor Trends

Source: West Point Information Center

Year	Number of Visitors	Percent Change
1985	232,793	—%
1986	242,338	4.1
1987	237,249	(2.1)
1988	244,366	3.0
1989	246,890	1.0
1990	253,852	2.8
1991	248,325	(2.2)
1992	241,230	(2.9)
1993	240,339	(0.4)
1994	249,782	3.9
1995	250,856	0.4
Avg. Annual percent change 1985–1995		0.8%

Between 1975 and 1995, visitation to West Point increased at an average annual compounded rate of 0.7 percent. Although the absolute visitor count has some importance in evaluating local hotel demand, the average annual compounded increase provides a solid benchmark for projecting growth in the leisure market segment. Discussions with West Point officials indicate that they expect future increases that are similar to those registered historically. It should be noted that 75 percent of West Point visitation is concentrated in the months

of June, July, and August. The remaining 25 percent is largely contributed by weekend guests or individuals attending special events at the Academy.

Sunnyside. Washington Irving's Hudson River estate is in Tarrytown, approximately eight miles east of the subject property. This beautifully landscaped estate, which was constructed in 1735, contains Irving's furnishings, personal effects, and library.

Philipsburg Manor. Situated in North Tarrytown, Philipsburg Manor is a restored seventeenth-century manor house that features an operating gristmill, a granary, a wharf, and a wooden dam across a local river.

Old Dutch Church of Sleepy Hollow. This quaint Dutch church was built in Tarrytown in 1690 on what had been the manor of Frederick Philipse. The building is fully restored, and includes a replica of the original pulpit.

Stony Point Battlefield and Museum. This restoration of the historic Stony Point Battlefield is located approximately eight miles north of the subject property. The park features a number of cannons and bunkers, as well as a museum displaying an extensive collection of firearms from the Revolutionary War.

Nyack's "antique row." Nyack, eight miles east of Spring Valley, is a popular destination for antiques enthusiasts.

Our review of various economic and demographic data indicates that the subject property's market area has undergone moderate growth since 1970, although the national and regional recession caused some declines during the early 1990s. Projections suggest an economic recovery, although growth rates are not expected to reach the levels registered during the 1970s.

Summary of Market Conditions

Demand for transient accommodations in the Rockland County area is primarily generated by three market segments: commercial, meeting and convention, and leisure (see Exhibit 7-24). Fieldwork, area analysis, and knowledge of the local lodging market allow the following estimate of the distribution of the accommodated hotel roomnight demand during 1995 to be made.

Using the distribution of accommodated hotel demand as a starting point, an analysis of each market segment follows that defines the various segment characteristics and presents an estimate of future trends in room-night demand. All figures in the exhibits that follow that include dollar

amounts have been adjusted for inflation, and thus reflect real change.

Exhibit 7-24
Market Demand Segmentation

Segment	Room-Nights	Percent of Total
Commercial	45	45.0%
Meeting & Convention	25	25.0
Leisure	20	20
Airline	10	10.0
Totals	100	100.0%

Commercial Market Demand

In the market surrounding the proposed subject property, the commercial segment consists primarily of individual business people visiting local firms. In addition, a smaller portion of commercial demand represents business travelers passing through the area en route to another destination who stop at local highway-oriented lodging facilities because they provide a convenient resting point.

Commercial demand in the subject market is generated by a wide variety of corporations, with the computer industry and other high-technology employers exhibiting some dominance. This high-technology environment is considered favorable, because these industries are likely to undergo strong growth over the long term. Large firms operating in the area include IBM; Xerox; Lederle Laboratories; Avon Products, Inc.; Chromalloy American Corp.; BSR; Lamon Geological; Ciba-Geigy; Materials Research; and Prentice Hall. Individuals visiting smaller local companies also contribute a significant portion of the area's hotel demand. In addition, business travelers passing through Spring Valley en route to other destinations may stop at local lodging facilities because they provide a convenient resting point along the area's major highways.

The recent recession had a negative impact on commercial demand throughout the United States, and the northeastern region was particularly vulnerable. A number of local firms have undergone cutbacks during the past several years, and layoffs at IBM were particularly well publicized. Despite the lingering effects of the economic downturn, some experts are beginning to note signs of recovery. Our projections reflect an economic rebound during the next several years, although growth rates are not expected to return to the levels achieved during the mid-1970s.

To reach a specific forecast of commercial demand growth, the data that most clearly reflects changes in commercial visitation has been evaluated. The data listed in Exhibit 7-25 is relevant in forecasting future trends in commercial visitation.

Projections indicate renewed growth trends, but at lower levels than those experienced during the 1970s. Between 1994 and 2000, population is expected to increase at an annual rate of only 0.1 percent. Employment in wholesale trade, FIRE, and services sectors are projected to grow at 1.9 percent, 0.7 percent, and 0.3 percent per year, which is somewhat slower than the previous decade. Office space absorption is still positive, and airport passenger enplanements are expected to increase at 6.9 percent per year between 1995 and 1997.

On the basis of this economic and demographic data, one can estimate that commercial hotel demand in the Spring Valley market probably grew at rates of 5 percent to 6 percent per year during the 1970s. A multiplier effect can generally be found between employment growth in the important sectors set forth and the actual percentage increase in commercial lodging demand (i.e. one new FIRE employee will generate more than one new transient visitor). With the recent slow-down in local economic growth, a concurrent reduction in the increase of commercial hotel demand can be anticipated. However, as the national and international economy recovers and the many prominent local businesses start to increase their levels of production and employment, commercial hotel demand can be expected to demonstrate consistent, if modest, growth. Specifically, projections indicate that the commercial segment will increase by 2.5 percent per year through 1998.

Meeting and Convention Market Demand

Most meeting and convention demand in Rockland County is generated by local businesses; events may include training sessions, small exhibits, product announcements, meetings, and seminars. These small functions generally range from twenty to fifty people. Civic groups and professional societies are a secondary source of meeting and convention demand; attendance at these non-commercial events usually ranges from 75 to 250 people. Most meetings and conventions in the subject property's market area are held at local hotels; large groups that require more space generally use the Rockland County Convention and Exhibition Center.

Exhibit 7-25 Commercial Visitation Data for Rockland County

Data Type	Period	Data Point	Data Point	Avg. Annual Comp. Change
Population				
Historical	1980-1994	259.6	272.4	0.3%
	1990-1994	265.9	272.4	0.6
Projected	1994-2000	272.4	274.7	0.1
Retail Sales				
Historical	1980-1994	1,394.7	1,534.8	0.7
	1990-1994	1,569.5	1,534.8	(0.6)
Projected	1994-2000	1,534.8	1,774.1	2.4
Personal Income				
Historical	1980-1994	4,461.8	5,907.2	2.0
	1990-1994	5,823.2	5,907.2	0.4
Projected	1994-2000	5,907.2	6,489.5	1.6
Personal Income Per Capita				
Historical	1980-1994	17,188.0	21,687.0	1.7
	1990-1994	21,898.0	21,687.0	0.4
Projected	1994-2000	21,687.0	23,625.0	
Historical Employment				
Construction	1980-1994	3.7	4.7	1.7
Manufacturing	1980-1994	16.4	14.6	(0.8)
Transportation, Communications & Public Utilities	1980-1994	4.1	6.6	3.5
Total Trade	1980-1994	22.2	24.5	0.7
Wholesale Trade	1980-1994	4.9	6.6	2.2
Retail Trade	1980-1994	17.3	17.9	0.3
Finance, Insurance & Real Estate	1980-1994	7.2	11.1	3.2
Services	1980-1994	26.8	43.9	3.6
Total Government	1980-1994	21.4	21.1	(0.1)
Total Employment	1980-1994	102.7	127.5	1.6
Projected Employment				
Construction	1994-2000	4.7	4.6	(0.1)
Manufacturing	1994-2000	14.6	14.4	(0.2)
Transportation, Communications & Public Utilities	1994-2000	6.6	6.6	0.0
Total Trade	1994-2000	24.5	24.4	(0.1)
Wholesale Trade	1994-2000	6.6	7.4	1.9
Retail Trade	1994-2000	17.9	17.0	(0.9)
Finance, Insurance & Real Estate	1994-2000	11.1	11.6	0.8
Services	1994-2000	43.9	44.6	0.3
Total Government	1994-2000	21.1	21.2	0.0
Total Employment	1994-2000	102.7	127.5	1.6
Office Space				
Available	1985-1995	6,545.0	7,735.0	1.7
Occupied	1985-1995	5,845.0	6,637.0	1.3
Non-Residential Building Activity	1985-1995	1,105.0	1,207.0	0.9
Traffic Counts				
New York State Thruway	1984-1995	12,566.8	14,528.4	1.3
Garden State Parkway	1984-1995	6,153.9	7,205.4	1.4
Palisades Parkway	1984-1995	5,431.5	6,439.6	1.6

Exhibit 7-25 Commercial Visitation Data for Rockland County (cont.)

Data Type	Period	Data Point	Data Point	Avg. Annual Comp. Change
Airport Statistics				
Historical Passenger Emplanements	1978-1995	197.1	388.9	4.1
Projected Passenger Emplanements	1995-1998	388.9	475.3	6.9
Historical Air Freight	1978-1995	53.1	133.3	5.6
Projected Air Freight	1995-1998	133.3	149.2	3.8

Future meeting and convention demand is closely related to growth in the commercial segment. Because most meetings have either a direct or an indirect business purpose, the economic considerations that have an impact on commercial travel also affect meeting and convention demand. The exception is non-commercial meetings, which are tied to the economic factors that influence leisure travel. It should be noted that meetings and conventions are booked in advance; consequently, growth in this segment lags slightly behind increases in commercial demand. The relevant economic and demographic data for the meeting and convention market segment includes all the data used in assessing the commercial segment (see Exhibit 7-25), plus the following additional information presented in Exhibit 7-26.

Local commercial activity is expected to show a modest, consistent gain during the next several years as the national and international economies improve and local businesses start to increase their levels of production and employment. These factors will also have a positive impact on business-oriented meetings and conventions, which constitute the bulk of the demand in this segment.

Specific meeting- and convention-related data involves the Rockland County Convention and Exhibition Center. According to officials of the Rockland County Convention Bureau, the recent sales and marketing efforts have been extremely positive, and a sizable amount of new hotel demand was accommodated in 1995 as a result of this facility's increased capacity.

Meeting and convention demand in the Rockland County area has historically grown at an annual compounded rate of between 1 percent to 2 percent. Because of the recent recession, this rate of growth has not been achieved during the past several years, but indications are good that future leisure demand in the area will once again pick up to this slow to moderate level of growth.

Given this economic and demographic data, along with consideration of the demand potential of the renovated and enlarged convention and exhibition center, it is fair to estimate that meeting and convention demand in the Spring Valley market area will increase by 4.0 percent in 1996, with the rate of growth decelerating to 3.0 percent in 1997 and 2.0 percent in 1997 and each year thereafter.

Exhibit 7-26 Meeting and Convention Visitation Data—Rockland County

Data Type	Period	Data Point	Data Point	Avg. Annual Comp. Change
Convention Activity—Rockland County				
Convention & Exhibition Center				
Convention Attendance	1984-1995	7.0	43.8	18.1%
Number of Conventions	1984-1995	14.0	58.0	13.8
Tourist Visitation				
Rockland County	1984-1995	1,500.0	1,900.0	2.2
West Point Visitation	1985-1995	232.8	250.9	0.8

Leisure Market Demand

In the area surrounding the subject property, leisure demand is generated by the many sites and attractions previously described in this study. The excellent highway system and the New York State Thruway in particular create demand from travelers en route to other destinations.

Future leisure demand is related to the overall economic health of the nation. Trends showing changes in state and regional unemployment and disposable personal income generally have a strong correlation with noncommercial visitation. Traffic counts on nearby highways and attendance levels at local attractions can also form a basis for projections.

As shown by the data set forth in Exhibit 7-27, trends in tourism provide the most supportable base from which to forecast growth in leisure demand. Traffic counts are of less importance, because they are influenced by commercial travel. Leisure visitation to Rockland County between 1974 to 1995 increased at an annual compounded rate of 2.2 percent, with a recent uptick noted following the years of recession in the early 1990s. The largest local tourist destination, West Point, has experienced a 0.7 percent annual visitor growth since 1974.

On the basis of this specific economic and demographic data for the Spring Valley market area, along with a general sense of the economic recovery taking place in the regional (northeastern) economy and the nation as a whole, leisure demand can be expected to show a moderate long-term growth trend. Specifically, leisure hotel demand can be projected to increase at annual rates of 1.0 percent throughout the projection period of this case study.

Airline Market Demand

For purposes of this case study, a fourth demand segment has been identified as being distinct and significant in size. Airline demand is generated by airline crews and delayed passengers making use of nearby airport facilities. The airlines typically contract rooms in nearby hotels and motels for extended periods of time to ensure the availability of accommodations. Because they are able to guarantee a specific usage on a daily basis, airlines

are usually able to negotiate a highly discounted room rate. This type of demand can be beneficial for a lodging facility because it provides a base level of occupancy for extended periods of time, which normally include weekends and slow periods of the year. Offsetting the occupancy benefit is the low contract room rates, which will adversely affect the average rate of the property. Skilled hotel operators will use airline patronage to fill in periods of low demand and will quickly displace this type of occupancy when other, higher-rated market segments offer better potential.

As Exhibit 7-19 showed, passenger enplanements at Stewart Airport increased at an average annual compounded rate of 4.1 percent between 1977 and 1995 and projections indicate slightly stronger growth of 6.9 percent per year between 1995 and 1997. Air freight levels historically increased at 5.6 percent per annum and is expected to grow at 3.7 percent per year during the next three years.

While these figures indicate a favorable trend for future airline activity at Stewart Airport, it must be noted that this facility is situated ten miles north of the Spring Valley hotel market area. As a result of this distance, airlines generally use the Spring Valley hotels as overflow for their crews favoring lodging facilities more conveniently located near Stewart Airport. For that reason, the Spring Valley overflow airport room-night demand can be expected to grow at 1.0 percent per year.

Conclusion

Various economic and demographic data has been evaluated here to determine how clearly it reflects future changes in transient demand. On the basis of this procedure, and adding a degree of conservatism because the subject property as yet has no track record, the following forecast of market segment growth rates has been made (see Exhibit 7-27).

Exhibit 7-27
Projected Market Segment Growth Rates

Segment	1996	1997	1998	1999	2000
Commercial	2.5%	2.5%	2.5%	2.5%	2.5%
Meeting and Convention	4.0	3.0	2.0	2.0	2.0
Leisure	1.0	1.0	1.0	1.0	1.0