WHAT'S THE DEAL?

How To Perform A Study Of Your Property's Market

Most hotel/motel market studies and appraisals quantify the demand for transient accommodations using a

factor known as a room night. This unit of demand equates to one room occupied by one or more people for one night. If a 150 room motel is expected to attract 38,200 room nights dur-



ing the year, it would operate at a 70% occupancy:

$$\frac{38,200}{150 \times 365} = 70\%$$

By quantifying the total number of room nights within a given city or market area and allocating this demand to the various local lodging facilities, an analyst can predict the future occupancy level for the subject property.

Assume within a given area there are four existing motels attracting the following room night demand:

Occupancy	Nights Occupied
85%	62,050
80%	87,600
87%	31,755
85%	54,294
	235,699
	85% 80% 87%

If a fifth property with 150 rooms were to open in this market and attract its fair share or average market share of the available room night demand, it could expect the following level of occupancy:

Subject's average market share:

$$\frac{150}{925} = 16.2\%$$

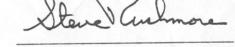
Subject's expected room nights captured:

 $235,699 \times .162 = 38,200$

Subject's expected occupancy:

$$\frac{38,200}{54,750} = 70\%$$

This simplified example shows the basis for a hotel market study and appraisal. Adjustments and refinements such as market growth factors, market share calculations and unaccommodated demand estimates can be incorporated to provide a realistic picture of the local lodging market.



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