

## 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 during 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:

Number of Rooms	Occupancy	Nights Occupied
200	85%	62,050
300	80%	87,600
100	87%	31,755
175	85%	54,294
775		235,699

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:

Number of existing rooms	775
Number of new rooms (subject)	150
Total Rooms	925

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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