

**Kitsap County
Hotel Model – Tax Year 2010**

Business Name	Location	Sale Date	Sale Price	Cap Rate	\$ per square feet
Oyster Bay Inn + Restaurant	Bremerton	19-May-04	\$2,550,000	9.1%	\$42,857
Holiday Inn Express Poulsbo	Poulsbo	28-May-04	\$4,229,000	13.7%	\$67,126
Chieftan Motel	Bremerton	12-Jul-05	\$1,265,000		\$28,111
Island Country Inn	Bainbridge Is	03-Oct-05	\$3,465,000		\$75,326
Oyster Bay Inn + Restaurant	Bremerton	30-May-06	\$4,850,000		\$62,987
The Dunes Motel	Bremerton	13-Sep-06	\$1,600,000		\$25,000
Island Country Inn	Bainbridge Is	07-Dec-06	\$4,150,000		\$101,219
Chieftan Motel	Bremerton	22-Mar-07	\$2,046,475	9.85%	\$45,477
Midway Motel	Bremerton	02-Apr-07	\$2,925,000		\$48,750
Days Inn	Port Orchard	25-Apr-07	\$3,800,000	7.2%	\$65,517
Holiday Inn Express	Port Orchard	28-Jun-07	\$5,750,000		\$91,269
Vista Motel	Port Orchard	11-Jan-08	\$1,200,000	10.1%	\$42,857

Table represents our study of Lodging. The occupancy is experiencing a decline in the occupancy levels and possible rise in the CAP rate. We have adjusted the rates to compensate for these changes.

Effective Age	Type of Unit	Grade	Ranking	Rate per Unit	Revised Rate per Unit
< 15 years	Single/Double	A	3 Star	\$113,630	\$107,948
	Single/Double	B	2+ Star	\$100,519	\$95,493
	Single/Double	C	2 Star	\$91,778	\$87,189
	Single/Double	D	1+ Star	\$83,038	\$78,886
	Single/Double	E	1 Star	\$69,926	\$66,429
> 15 years	Single/Double	A	3 Star	\$72,818	\$69,177
	Single/Double	B	2+ Star	\$65,153	\$61,895
	Single/Double	C	2 Star	\$52,697	\$50,062
	Single/Double	D	1+ Star	\$38,325	\$36,408
	Single/Double	E	1 Star	\$28,744	\$27,308
	Extended Stay	B	3 Star	\$139,853	\$132,860
		C	2 Star	\$113,630	\$107,948
		D	1 Star	\$91,778	\$87,189

Star Ratings - Samples may need to be adjusted up or down from these ratings due to other factors cited below.

1/1+ Star- Examples: The Dunes Motel, Chieftan Motel, Vista Motel

These units meet a budget-traveler's basic needs for comfort and convenience. They tend to be located near major attractions or thoroughfares and provide clean guest rooms. Many properties do not have a restaurant on site but are usually located within walking distance of dining establishments.

Economy 2 Star- Examples: Days Inn, Super 8 Motel, Oxford Inn, The Flagship Inn, Comfort Inn, Blue Water Inn (Smiley's) Motel, Midway

These limited-service establishments are expected to offer clean, basic accommodations with a few extra features, such as a coffee maker. They may offer some business services but usually lack meeting rooms, baggage assistance and fitness facilities. On-site dining is usually limited to coffee or Continental breakfast; off-site dining is usually located within walking distance. Public access and guest reception may not be available at all hours.

Value 2.5 Star- Examples: Quality Inn, Oyster Bay Inn, Country Inn, Holiday Inn Express.

These limited-service establishments offer more than the basic level of accommodations and are ideally suited for the value-conscious traveler. Additional features may include on-site dining, a residential look and feel in the lobby, larger-sized guestrooms, and a fitness or business center. Guestrooms are comfortably appointed and may offer a few extras, such as additional space or a dedicated desk or work area. These properties are usually located within walking distance of shopping or dining facilities.

Midscale 3 Star – Examples: Holiday Inn, Radisson, Doubletree, Quality Inn, Holiday Inn Express, Hampton Inn, Silverdale Hotel, Oxford Suites, Best Western Island Crossing, Clearwater Hotel.

These midscale establishments place a greater emphasis on style, comfort and personalized service than hotels with lower star ratings. The full-service properties usually feature traditional lobby décor, baggage assistance, on-site dining, room service and a gift shop. Additional on-site amenities -- such as a business center or fitness center -- may also be available.

Considerations for Effective Age of Building and Condition:

New or excellent condition, clean, landscaped, well lighted

Typical age and condition;

Old or poor condition, obsolete design, visible deferred maintenance.

Considerations for Location

Waterfront, water/mountain view, territorial view

Proximity to government service areas who contract from out of area

Blighted or declining areas

Hotel/Lodging overview

We obtained market information obtained from sources such as Korpacz, and Smith Travel Research. These sources indicated an upward trend in average daily rate, although in 2007 the growth was slowing. Consumer spending has been restrained due to higher energy prices, lower equity wealth, and continued declines in housing values. The impact of the restraints to discretionary spending appears to have impacted the occupancy levels of the midscale hotels. The national data indicated an occupancy level of 60 to 65% nationally. Kitsap County local data falls well within this range.

Survey data supplied in the publications indicated capitalization (CAP) rates had continued to decrease in 2007. The national CAP rates reported support CAP rates developed with our local sale and market data, and used in our model.