

Real Estate Market Review

Seattle Hotel

Lodging markets in and near Seattle recorded modest growth in demand during 2018, though in some cases this growth was more than offset by additions to the competitive supply. Room prices edged up slightly, but occupancy rates declined in several submarkets. Over 3,300 rooms opened during 2018, and nearly 2,400 more were under construction at year-end. As the full impact of the new hotels becomes apparent, we are projecting further weakening in occupancy accompanied by stable or declining room rates.

Hotel Performance

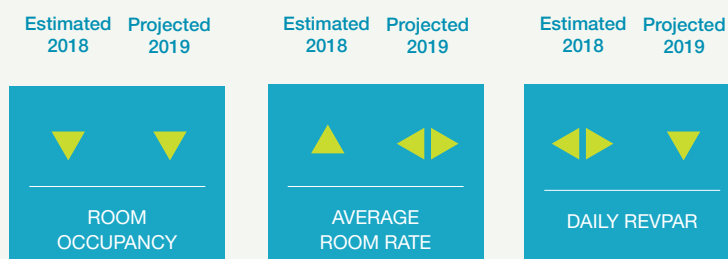
During 2018, Kidder Mathews appraised 40 hotels in Washington, Oregon, and Idaho. The results discussed below reflect the performance of selected Washington submarkets. Measures of demand include the market occupancy rate, the market average room rate, and revenue per available room. Sources of historical data include individual property managers, franchise representatives, and targeted surveys. Estimates for 2018 were extrapolated from partial year results and adjusted for seasonality.

Lodging demand increased modestly in most markets, but the opening of new hotels in Bellevue, SeaTac, and South Lake Union resulted in lower rates of occupancy. More significant declines in hotel occupancy are anticipated for 2019.

Despite flat or declining occupancy, room prices rose in nearly every market. The average increases were 1.4% for the tri-county area (King, Pierce, and Snohomish) and 1.5% statewide. In most cases, rate growth more than offset the drop in occupancy, producing fractional increases in revenue per available room.

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Market Forecast Trends



Market Up Close

Lodging demand remained strong in most markets.

Hotel occupancy rates declined in markets with significant growth in supply.

Despite softening occupancy, room prices increased modestly.

Fourteen new hotels opened in the tri-county area during 2018.

At year end, 16 additional hotels were under construction.

There were 21 significant hotel sales.

Hotel Performance

Market	Room Occupancy			Average Room Rate			Daily RevPAR		
	2017	2018	Change	2017	2018	Change	2017	2018	Change
Arlington/Marysville	66.8%	65.2%	-2.4%	\$130	\$131	0.6%	\$87	\$85	-1.8%
Bellevue CBD	72.3%	70.9%	-1.9%	\$201	\$202	0.5%	\$145	\$143	-1.5%
East King County	72.2%	73.2%	1.4%	\$242	\$238	-1.5%	\$174	\$174	-0.1%
Federal Way	71.8%	71.3%	-0.7%	\$129	\$134	3.6%	\$93	\$96	2.8%
Kent	76.5%	74.4%	-2.7%	\$109	\$113	4.0%	\$83	\$84	1.2%
SeaTac, Midscale	78.7%	80.3%	2.0%	\$125	\$127	1.8%	\$98	\$102	3.8%
SeaTac, Upscale	83.5%	82.0%	-1.8%	\$136	\$139	2.0%	\$114	\$114	0.2%
Seattle CBD, Midscale	85.6%	85.8%	0.2%	\$222	\$227	2.4%	\$190	\$195	2.6%
Seattle CBD, Upscale	83.3%	84.3%	1.2%	\$265	\$270	1.7%	\$221	\$228	2.9%
South Lake Union	85.6%	83.4%	-2.6%	\$206	\$209	1.6%	\$176	\$174	-1.1%
King/Pierce/Snohomish	77.6%	77.1%	-0.7%	\$176	\$179	1.4%	\$137	\$138	0.7%
Bellingham	64.9%	63.5%	-2.2%	\$95	\$100	5.7%	\$61	\$64	3.4%
Ellensburg	61.8%	60.2%	-2.6%	\$109	\$111	1.8%	\$67	\$67	-0.8%
Oak Harbor/Burlington	74.3%	75.5%	1.6%	\$109	\$111	2.1%	\$81	\$84	3.7%
Olympia/Lacey/Tumwater	62.8%	63.1%	0.5%	\$98	\$98	0.5%	\$61	\$62	1.0%
Port Angeles/Sequim	55.7%	55.9%	0.4%	\$127	\$127	0.1%	\$71	\$71	0.4%
Spokane CBD	68.6%	71.4%	4.1%	\$111	\$111	0.4%	\$76	\$79	4.5%
Walla Walla	54.6%	54.6%	0.0%	\$114	\$113	-0.8%	\$62	\$62	-0.8%
Wenatchee	68.9%	64.1%	-7.0%	\$103	\$107	3.5%	\$71	\$69	-3.7%
Other Washington	64.0%	63.5%	-0.6%	\$108	\$110	1.5%	\$69	\$70	0.9%
Sample Average	71.6%	71.1%	-0.7%	\$146	\$148	1.5%	\$105	\$105	0.8%

Hotel Transactions

Property Name	Address	Year Built	Sale Date	Opening	Rooms	\$/Rooms	\$/SF
Motif	Seattle	1973	Jan-18	\$145,000,000	297	\$488,215	\$532
AC Hotel by Marriott	Bellevue	2017	Mar-18	\$87,000,000	234	\$371,795	\$595
Marriott Town Center	Redmond	2004	Mar-18	\$70,000,000	262	\$267,176	\$439
Palladian Hotel (fee equivalent)	Seattle	1910	Aug-18	\$38,380,000	97	\$395,670	\$639
Embassy Suites	Lynnwood	1992	Dec-18	\$37,371,134	240	\$155,713	\$155
Hampton Inn & Suites	Federal Way	2010	Oct-18	\$33,600,000	142	\$236,620	\$386
Sleep Inn	SeaTac	1999	Mar-18	\$17,600,000	105	\$167,619	\$325
Holiday Inn Express	Marysville	2007	Mar-18	\$17,400,000	100	\$174,000	\$276
Hawthorn Suites	Kent	1990	Feb-18	\$17,000,000	152	\$111,842	\$112
Ramada Inn	Kent	1987	Sep-18	\$12,600,000	125	\$100,800	\$203
Holiday Inn Express	Lynnwood	2010	Mar-18	\$12,600,000	80	\$157,500	\$265
La Quinta Inn & Suites	Auburn	2011	May-18	\$11,750,000	70	\$167,857	\$314
Bothell Inn & Suites	Bothell	1999	Aug-18	\$9,528,750	84	\$113,438	\$196
Red Lion Inn & Suites	Kent	1998	Sep-18	\$7,200,000	60	\$120,000	\$208
Smokey Point Motor Inn	Arlington	1976	Feb-18	\$6,150,000	58	\$106,034	\$259
Quality Inn (leasehold)	Arlington	1998	Sep-18	\$4,250,000	52	\$81,731	\$201
Howard Johnson Suites	Tukwila	1942	Jan-18	\$4,250,000	64	\$66,406	\$104
Welcome Inn	Everett	1990	Jul-18	\$4,000,000	42	\$95,238	\$248
Northwest Motor Inn	Puyallup	1985	Mar-18	\$3,938,000	52	\$75,731	\$237
Econo Lodge	Tukwila	1985	May-18	\$3,425,000	47	\$72,872	\$187
Eastwind Motel	Federal Way	1950	Aug-18	\$3,225,000	36	\$89,583	\$279

Hotel Development

Property Name	Address	City	Type	Opening	Rooms
Recent Openings					
Woodspring Suites	7045 180th Avenue NE	Redmond	Extended	Jan-18	120
Moxy	1016 Republican Street	Seattle	Select	Feb-18	146
aloft	19030 28th Avenue S	SeaTac	Select	Feb-18	143
Embassy Suites	255 S King Street	Seattle	Full	Mar-18	282
Staybridge Suites	1119 Mercer Street	Seattle	Extended	Apr-18	112
EVEN Hotel	527 Fairview Avenue N	Seattle	Select	Apr-18	123
Hilton Garden Inn	965 108th Avenue NE	Bellevue	Select	May-18	254
Residence Inn	19608 International Boulevard	SeaTac	Extended	May-18	170
Hotel Interurban	223 Andover Park E	Tukwila	Full	May-18	195
Woodspring Suites	15643 West Valley Highway	Tukwila	Limited	May-18	110
Charter Hotel, Curio by Hilton	1608 2nd Avenue	Seattle	Select	Aug-18	229
Holiday Inn Express	501 Tukwila Parkway	Tukwila	Limited	Aug-18	92
Palihotel	107 Pine Street	Seattle	Boutique	Nov-18	96
Hyatt Regency	800 Howell Street	Seattle	Convention	Dec-18	1,260
Under Construction					
Archer Hotel	7210 164th Avenue NE	Redmond	Boutique	2019	160
Citizen M	201 Westlake Avenue N	Seattle	Limited	2019	264
Comfort Inn	12700 Pacific Highway SW	Lakewood	Limited	2019	55
Hampton Inn & Suites	35228 Snoqualmie Parkway	Snoqualmie	Limited	2019	99
Hilton Garden Inn	3801 Alderwood Mall Boulevard	Lynnwood	Select	2019	155
Hilton Garden Inn	3056 S 188th Street	SeaTac	Select	2019	152
Home2 Suites	4070 116th Street NE	Marysville	Extended	2019	90
Marriott Hotel	300 Terry Avenue N	Seattle	Full	2019	267
McMenamins Elks Lodge	565 Broadway	Tacoma	Boutique	2019	45
Sound Hotel, Tapestry by Hilton	2116 4th Avenue	Seattle	Boutique	2019	142
State Hotel	1501 2nd Avenue	Seattle	Boutique	2019	90
The Mark	801 5th Avenue	Seattle	Full	2019	189
Wingate Hotel	19031 International Boulevard	SeaTac	Limited	2019	157
Hyatt House	17224 International Boulevard	SeaTac	Extended	2020	132
Hyatt Place	17224 International Boulevard	SeaTac	Select	2020	237
Residence Inn	1100 Lake Washington Boulevard	Renton	Extended	2020	140

Hotel Development

Excluding vacation cabins, bed & breakfast inns, and units rented through online services, the tri-county lodging market presently encompasses 414 hotels and 53,670 guestrooms. Over the past decade, 66 hotels have been developed in this market, increasing the room supply by 25%.

Recent hotel development activity has far outpaced the historical volume. Between 2001 and 2010, the average annual increase in the tri-county room supply was 859 guestrooms. From 2011 through 2015, annual supply growth averaged 606 guestrooms. The market supply increased by 974 rooms in 2016, by 2,266 rooms in 2017, and by 3,318 rooms in 2018.

Of the 14 hotels completed during 2018, seven are in the Seattle CBD or South Lake Union. The largest of these, the 1,260-room Hyatt Regency, opened in December. There also were three openings in Tukwila, two in SeaTac, and one apiece in Redmond and Bellevue.

At year-end, 16 hotels with 2,374 guestrooms were under construction, and additional projects with more than 3,000 rooms were proposed. There are four hotel projects underway in SeaTac and at least five in or near Downtown Seattle.

Hotel Transactions

During 2018, and excluding national portfolios and potential tear downs, there were 21 sales of hotels in King, Pierce, and Snohomish Counties at prices exceeding \$2MM. The aggregate transaction volume was \$546MM. With 2,399 guestrooms, the weighted average price per room was \$227,706, very near the record average of \$228,871 recorded in 2016.

The largest transaction was the purchase of Motif Seattle, a popular upscale hotel in the CBD, at a price of \$145.0MM. Marriott affiliates in Bellevue and Redmond sold for \$87.0MM and \$70.0MM. Investors acquired a partial interest in the new Palladian hotel at a fee equivalent price of \$38.4MM. The Embassy Suites in Lynnwood sold for \$37.4MM. The Hampton Inn & Suites was purchased for \$33.6MM.

The remaining sales involved midscale and budget hotels in suburban locations. Examples include the Sleep Inn in SeaTac, Holiday Inn Express affiliates in Marysville and Lynnwood, and three hotels in Kent.

Among the sales under \$20MM, prices ranged from \$66,406/room to \$174,000/room and from \$104/sq ft to \$325/sq ft. For the six sales at the top of the market, prices ranged from \$155,713/room to \$488,215/room and from \$155/sq ft to \$639/sq ft.

Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with more than 750 real estate professionals and staff in 21 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, property management, consulting, project and construction management, and debt equity finance services for all property types.

COMMERCIAL BROKERAGE

\$7B

ANNUAL
TRANSACTION
VOLUME

34.6M

ANNUAL
LEASING SF

16.5M

ANNUAL
SALES SF

380+

BROKERS

PROPERTY MANAGEMENT

50M+

MANAGEMENT
PORTFOLIO

1,500

ASSIGNMENTS
ANNUALLY

37/23

TOTAL #
APPRAISERS/MAI'S

VALUATION ADVISORY

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