

# HOSPITALITY ADVISORS' LODGING COMMENTARY

Hospitality Advisors in conjunction with the Michigan Hotel, Motel, and Resort Association  
Spring 2013

Vol 23; Number 1

## Skelton's Comments

Pure Michigan has been a great boon for the tourism industry in Michigan. The year 2012 was a strong year for the State of Michigan with weather cooperating during the spring, summer and fall. The campaign that the State put together with Tim Allen as their spokes person has shown dividends and with little new supply and some economic rebound the impact was solid. Not only is the campaign well done it arouses interest at several levels with potential visitors. It is nostalgic, timeless and appealingly simple.

Of course timing is everything and as the economy inches forward on a national basis to a trend of slow growth but hopefully steady growth, the value that is intimated as well as the wide adversity of interests that are piqued combine to appeal to a broad range of potential visitors. If you have travelled "up north" during the past summer or two it is apparent that we are attracting folks from all over the country. License plates in parking lots tell the story. In 2012 the long spring and warm summer really helped and this campaigns impact should remain over a period of years so I think we have more to come.

The tourist segment was only part of the resurgence as corporate and other business travel came back in 2012 after sputtering a bit in 2010 and 2011. This segment which is the largest in the Upper Midwest came back as if it had never missed a beat. Occupancies increased and rates were pushed up as the many newly renovated properties pushed rates as demand became stronger.

Absent, however, was the group segment that showed some positive signs but never really exhibited a robust recovery. So many corporate budgets which adjusted in 2010 and 2011 to save travel monies were reluctant to open those purse strings again. This fact along with the online meeting culture belayed the stronger economy and left hoteliers with vacant meeting space during the week. It will be interesting to see how this segment responds in the coming years but social and other SMERFE (social, military, educational, religious, fraternal, and entertainment) groups fell short in replacing the corporate meeting segment.

Some new development will take place in 2013 but traditional lenders are still timid as hotels are not on their short list of preferred real estate types as of yet. Government subsidized loans are the rule and not the exception and could remain so for a while. Like the housing market some unsuccessful supply has gone back to the lenders and they are placing them back into the supply pool at discounted prices. The better managed and typically stronger branded properties with upgraded and redecorated rooms are capturing the demand and should continue to do well in the coming year.

## Michigan Overview

Year-end 2012 for the state showed increases in many markets. Most markets benefited from the early warm weather in the first half of the year with the second half of the year showing gains also. We found that there were fewer properties turning over as financing remained an issue. Additionally, there were fewer new properties added to the market, particularly in the Detroit Metro area. Rates increased in the full service segment in Southeast Michigan approximately 6.4% while the limited service segment saw rates grow by approximately 7.1%.

This year, most Michigan markets we surveyed were up over the previous year. Additionally, the Northern Resorts area eclipsed the 50% occupancy threshold on the back of a colder, snowier winter, which drove demand for skiing and snowmobiling. Ann Arbor continued to be the strongest occupancy in the state at 63.4% and Detroit's performance has continued to strengthen due to stability in the auto industry as well as the Cobo Center makeover and corporate relocations to downtown. Out-state, Grand Rapids was up versus last year, but Lansing, Southwest and the Flint/Tri-cities showed declines in occupancy over last year. Additionally, all of the outstate markets showed gains in ADR over last year.

Auburn Hills and the Airport markets showed declines in occupancy, which was mainly due to turnover in supply. Most markets in Southeast Michigan showed increases in both occupancy and ADR. Rate seems to be the main driver of increased hotel performance.

Included in our numbers are estimates and they should be used as guides only. Hospitality Advisors has taken care in the preparation but we do not guarantee the accuracy of the contents. The numbers are not to be depended upon in calculations of value and may not be used without written permission of Hospitality Advisors.

### Markets:

State of Michigan						
	2012 YE			2011 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
<b>Total Market</b>	53.4%	\$94.08	\$50.26	53.1%	\$88.99	\$47.24
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	48.2%	11.3%	40.5%	49.0%	10.8%	40.2%
<b>Full Service</b>	53.4%	\$107.07	\$57.23	52.3%	\$101.45	\$53.09
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.6%	21.0%	38.4%	40.6%	20.6%	38.7%
<b>Limited Service</b>	53.4%	\$80.14	\$42.79	53.9%	\$76.47	\$41.20
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	56.3%	1.0%	42.7%	57.4%	0.8%	41.7%

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Southeast Michigan						
	2012 YE			2011 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
<b>Total Market</b>	53.4%	\$97.24	\$51.92	51.6%	\$90.81	\$46.86
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	46.0%	12.7%	41.3%	45.7%	12.7%	41.6%
<b>Full Service</b>	54.6%	\$110.55	\$60.35	52.4%	\$103.49	\$54.21
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.0%	21.8%	38.1%	39.6%	21.9%	38.6%
<b>Limited Service</b>	52.0%	\$80.33	\$41.73	50.6%	\$74.64	\$37.80
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	53.6%	1.1%	45.3%	53.5%	1.0%	45.5%

Ann Arbor Area						
	2012 YE			2011 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
<b>Total Market</b>	63.4%	\$90.76	\$57.54	62.5%	\$85.76	\$53.60
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.8%	11.3%	38.0%	48.7%	11.2%	40.1%
<b>Full Service</b>	65.0%	\$104.65	\$67.98	64.1%	\$99.29	\$63.70
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	46.1%	24.0%	29.9%	43.3%	23.1%	33.6%
<b>Limited Service</b>	62.4%	\$81.27	\$50.69	61.3%	\$75.54	\$46.32
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	53.9%	2.6%	43.5%	52.7%	2.3%	45.0%

Auburn Hills						
	2012 YE			2011 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
<b>Total Market</b>	52.0%	\$88.47	\$46.03	53.2%	\$82.39	\$43.85
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	55.0%	7.4%	37.6%	56.2%	7.3%	36.5%
<b>Full Service</b>	56.3%	\$102.57	\$57.77	54.2%	\$94.87	\$51.41
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	53.6%	13.6%	32.8%	54.3%	13.6%	32.2%
<b>Limited Service</b>	49.4%	\$78.79	\$38.95	52.6%	\$74.26	\$39.07
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	56.1%	3.1%	40.9%	57.4%	3.2%	39.3%

Dearborn						
	2012 YE			2011 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
<b>Total Market</b>	52.6%	\$98.75	\$51.91	51.0%	\$94.83	\$48.35
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	46.3%	18.2%	35.5%	45.6%	19.0%	35.4%
<b>Full Service</b>	52.6%	\$108.36	\$56.95	51.5%	\$104.06	\$53.62
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	41.8%	25.5%	32.7%	41.2%	26.4%	32.4%
<b>Limited Service</b>	52.6%	\$75.89	\$39.91	49.7%	\$72.01	\$35.78
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	57.0%	0.9%	42.1%	56.5%	0.8%	42.8%

Detroit						
	2012 YE			2011 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
<b>Total Market</b>	54.7%	\$124.72	\$68.19	47.4%	\$116.01	\$54.97
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.4%	25.2%	34.4%	39.9%	25.7%	34.4%
<b>Full Service</b>	54.7%	\$124.72	\$68.19	47.4%	\$116.01	\$54.97
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.4%	25.2%	34.4%	39.9%	25.7%	34.4%
<b>Limited Service</b>	N/A	N/A	N/A	N/A	N/A	N/A
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	N/A	N/A	N/A	N/A	N/A	N/A

Downriver Area						
	2012 YE			2011 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
<b>Total Market</b>	51.3%	\$77.12	\$39.58	45.5%	\$72.02	\$32.79
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.8%	4.2%	53.0%	42.6%	4.1%	53.3%
<b>Full Service</b>	52.0%	\$89.81	\$46.69	52.6%	\$77.98	\$41.01
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.3%	13.8%	43.8%	43.1%	13.5%	43.5%
<b>Limited Service</b>	51.0%	\$71.57	\$36.52	43.0%	\$69.42	\$29.85
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.0%	0.0%	57.0%	42.6%	4.1%	53.3%

East Area						
	2012 YE			2011 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
<b>Total Market</b>	50.1%	\$81.34	\$40.79	49.7%	\$74.57	\$37.07
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	51.5%	3.3%	45.2%	51.7%	3.3%	45.1%
<b>Full Service</b>	41.2%	\$84.38	\$34.78	43.1%	\$78.09	\$33.63
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	44.5%	11.8%	43.7%	44.6%	11.8%	43.7%
<b>Limited Service</b>	53.6%	\$80.45	\$43.09	52.1%	\$73.51	\$38.32
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	53.5%	0.8%	45.7%	53.8%	0.7%	45.5%

I-275 Area						
	2012 YE			2011 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
<b>Total Market</b>	51.8%	\$91.42	\$47.34	51.0%	\$84.22	\$42.92
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.8%	11.8%	44.4%	43.7%	12.2%	44.2%
<b>Full Service</b>	55.6%	\$100.18	\$55.66	55.3%	\$92.28	\$51.01
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	36.2%	22.7%	41.1%	36.2%	22.7%	41.0%
<b>Limited Service</b>	48.2%	\$81.86	\$39.45	46.8%	\$74.92	\$35.03
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	52.1%	0.0%	47.9%	52.2%	0.0%	47.8%

Airport/I-94 Corridor Area						
	2012 YE			2011 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
<b>Total Market</b>	50.8%	\$98.18	\$49.87	51.2%	\$94.11	\$48.15
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.3%	12.3%	47.4%	40.4%	12.1%	47.5%
<b>Full Service</b>	52.2%	\$109.89	\$57.32	52.2%	\$106.14	\$55.36
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	33.2%	21.2%	45.6%	33.3%	21.1%	45.6%
<b>Limited Service</b>	49.0%	\$81.99	\$40.18	49.9%	\$77.80	\$38.80
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.0%	0.0%	50.0%	50.0%	0.0%	50.0%

Southfield						
	2012 YE			2011 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
<b>Total Market</b>	50.5%	\$94.15	\$47.55	48.3%	\$86.65	\$41.84
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.3%	10.3%	47.4%	42.1%	10.0%	47.9%
<b>Full Service</b>	55.8%	\$103.72	\$57.90	54.4%	\$96.88	\$52.75
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	30.8%	16.5%	52.7%	30.6%	16.5%	52.8%
<b>Limited Service</b>	43.8%	\$78.86	\$34.57	41.4%	\$71.70	\$29.72
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	60.6%	0.5%	38.9%	59.0%	0.5%	40.6%

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Vol 23; Number 1

Troy						
	2012 YE			2011 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
<b>Total Market</b>	53.4%	\$109.46	\$58.47	52.8%	\$103.24	\$54.51
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	47.6%	12.8%	39.6%	47.4%	12.9%	39.7%
<b>Full Service</b>	55.2%	\$126.53	\$69.80	55.1%	\$118.87	\$65.46
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	41.6%	20.7%	37.7%	41.5%	20.7%	37.8%
<b>Limited Service</b>	50.9%	\$82.54	\$42.01	49.5%	\$77.94	\$38.58
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	56.9%	0.4%	42.7%	56.9%	0.4%	42.7%

Southwest Michigan						
	2012 YE			2011 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
<b>Total Market</b>	55.7%	\$79.20	\$44.14	58.3%	\$78.65	\$45.87
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	55.1%	7.2%	37.7%	55.2%	7.3%	37.5%
<b>Full Service</b>	53.1%	\$87.80	\$46.64	54.7%	\$85.83	\$46.97
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.2%	16.7%	40.2%	43.2%	16.7%	40.1%
<b>Limited Service</b>	57.8%	\$73.04	\$42.19	61.2%	\$73.48	\$44.98
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	63.6%	0.5%	35.9%	63.9%	0.5%	35.7%

Note: Numbers may not foot due to rounding

Flint/Tri-Cities/Port Huron						
	2012 YE			2011 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
<b>Total Market</b>	51.5%	\$87.36	\$45.01	51.6%	\$85.34	\$44.00
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	52.9%	8.9%	38.2%	52.9%	8.8%	38.2%
<b>Full Service</b>	52.0%	\$103.97	\$36.40	48.3%	\$101.53	\$49.09
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	57.2%	0.6%	42.2%	45.3%	23.5%	31.2%
<b>Limited Service</b>	53.1%	\$77.83	\$41.32	53.6%	\$76.26	\$40.84
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	57.2%	0.6%	42.2%	57.2%	0.6%	42.2%

Grand Rapids/Holland						
	2012 YE			2011 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
<b>Total Market</b>	54.5%	\$93.31	\$50.86	54.0%	\$92.68	\$50.03
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.0%	9.7%	40.3%	49.9%	9.7%	40.4%
<b>Full Service</b>	55.0%	\$103.21	\$56.72	55.2%	\$105.66	\$58.36
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	38.3%	18.0%	43.7%	38.2%	18.0%	43.8%
<b>Limited Service</b>	54.0%	\$82.89	\$44.79	52.7%	\$79.23	\$41.79
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.0%	9.7%	40.3%	61.9%	1.1%	37.0%

Lansing/Jackson						
	2012 YE			2011 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
<b>Total Market</b>	55.1%	\$84.60	\$46.59	57.6%	\$82.51	\$47.56
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	52.2%	7.7%	40.2%	51.6%	8.0%	40.4%
<b>Full Service</b>	50.6%	\$89.61	\$45.32	54.2%	\$87.86	\$47.63
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.9%	19.4%	36.7%	43.8%	19.2%	37.0%
<b>Limited Service</b>	58.1%	\$81.64	\$47.45	60.1%	\$79.09	\$47.51
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	57.0%	0.8%	42.2%	56.6%	0.9%	42.6%

Northern Michigan						
	2012 YE			2011 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
<b>Total Market</b>	50.7%	\$100.78	\$51.08	50.6%	\$97.14	\$49.17
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	47.4%	13.1%	39.5%	47.8%	13.1%	39.1%
<b>Full Service</b>	50.0%	\$150.00	\$75.00	49.0%	\$108.40	\$53.12
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	45.0%	25.0%	30.0%	40.8%	21.3%	37.9%
<b>Limited Service</b>	53.4%	\$85.02	\$45.42	53.3%	\$80.04	\$42.65
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	56.9%	1.3%	41.8%	58.6%	0.7%	40.8%

## Income Statement

The income statement we present on the following page is an average of operation results from full and limited service hotels throughout the state that participated in our survey. We intend this statement to provide a benchmark by which hotels may compare their own operations. Management may adjust the statement to fit their appropriate levels of utilization.

For the purpose of this Commentary, we consider full-service hotels to be those with food and beverage service, while limited service hotels do not have food or beverage operations. We present the income statement in the standard "Uniform System of Accounts for Hotels" format. As indicated, we show these results in Dollars per Room, Dollars per Occupied Room, and Percentage of Revenues. Percentages shown are of total revenues except Departmental Expenses, which we show as a percentage of Departmental Revenues. If you wish to be included in future samples, fax your Occupancy and Average Rate information to:

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*\*Your responses are always held in absolute confidence\**

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	2012					
	FULL SERVICE			LIMITED SERVICE		
	%	PAR	POR	%	PAR	POR
<b>REVENUES:</b>						
ROOMS	58.2%	\$31,813	\$125.81	98.4%	\$20,909	\$88.54
FOOD	72.4%	\$15,944	\$63.06	0.0%	\$0	\$0.00
BEVERAGE	27.6%	\$6,075	\$24.02	0.0%	\$0	\$0.00
TELEPHONE	0.0%	\$6	\$0.02	0.1%	\$21	\$0.09
OTHER INCOME, NET	1.4%	\$792	\$3.13	1.5%	\$312	\$1.32
<b>GROSS OPERATING REVENUE</b>	<b>100.0%</b>	<b>\$54,629</b>	<b>\$216.05</b>	<b>100.0%</b>	<b>\$21,241</b>	<b>\$89.95</b>
<b>DEPARTMENTAL EXPENSES:</b>						
ROOMS	38.0%	\$12,080	\$47.77	24.7%	\$5,171	\$21.90
FOOD AND BEVERAGE	51.1%	\$11,249	\$44.49	0.0%	\$0	\$0.00
FD COGS	27.8%	\$6,132	\$24.25	0.0%	\$0	\$0.00
BEV COGS	1.6%	\$362	\$1.43	0.0%	\$0	\$0.00
PAYROLL	18.9%	\$4,162	\$16.46	0.0%	\$0	\$0.00
OTHER	2.7%	\$592	\$2.34	0.0%	\$0	\$0.00
TELEPHONE	1752.4%	\$97	\$0.39	732.3%	\$151	\$0.64
OTHER EXPENSE	36.3%	\$288	\$1.14	19.7%	\$61	\$0.26
<b>TOTAL DEPARTMENTAL</b>	<b>43.4%</b>	<b>\$23,714</b>	<b>\$93.78</b>	<b>25.3%</b>	<b>\$5,384</b>	<b>\$22.80</b>
<b>CASH FLOW BEFORE DEBT SERVICE</b>	<b>56.6%</b>	<b>\$30,916</b>	<b>\$122.26</b>	<b>74.7%</b>	<b>\$15,858</b>	<b>\$67.15</b>
<b>UNDISTRIBUTED OPERATING EXPENSES:</b>						
ADMINISTRATIVE AND GENERAL	9.0%	\$4,897	\$19.37	10.9%	\$2,308	\$9.77
TOTAL MANAGEMENT FEE	1.5%	\$833	\$3.29	3.3%	\$695	\$2.94
MARKETING	7.4%	\$4,067	\$16.09	4.0%	\$858	\$3.63
FRANCHISE FEE	1.9%	\$1,025	\$4.05	7.5%	\$1,592	\$6.74
PROPERTY OPER. & MAINT.	5.0%	\$2,709	\$10.71	6.3%	\$1,348	\$5.71
ENERGY	4.7%	\$2,572	\$10.17	5.7%	\$1,213	\$5.14
<b>TOTAL UNDISTRIBUTED OPER. EXPENSES</b>	<b>29.5%</b>	<b>\$16,104</b>	<b>\$63.69</b>	<b>37.7%</b>	<b>\$8,013</b>	<b>\$33.93</b>
<b>INCOME BEFORE FIXED CHARGES</b>	<b>27.1%</b>	<b>\$14,812</b>	<b>\$58.58</b>	<b>36.9%</b>	<b>\$7,844</b>	<b>\$33.22</b>
<b>FIXED CHARGES:</b>						
REAL & PERSONAL PROPERTY TAX	2.6%	\$1,436	\$5.68	5.3%	\$1,123	\$1.07
PROPERTY INSURANCE	1.4%	\$785	\$3.10	1.2%	\$252	\$1.07
CAPITAL REPLACEMENT RESERVE	0.6%	\$307	\$1.21	0.0%	\$0	\$0.00
<b>TOTAL FIXED CHARGES</b>	<b>4.2%</b>	<b>\$2,622</b>	<b>\$10.37</b>	<b>6.5%</b>	<b>\$1,375</b>	<b>\$5.82</b>
<b>CASH FLOW BEFORE DEBT SERVICE</b>	<b>22.3%</b>	<b>\$12,190</b>	<b>\$48.21</b>	<b>30.5%</b>	<b>\$6,469</b>	<b>\$27.39</b>
<b>OCCUPANCY</b>	<b>69.3%</b>			<b>64.7%</b>		
<b>ADR</b>		<b>\$125.81</b>			<b>\$88.54</b>	