

HOSPITALITY ADVISORS' LODGING COMMENTARY

Hospitality Advisors in conjunction with the Michigan Hotel, Motel, and Resort Association
Spring/Summer 2017

Vol 27 Number 1

Skelton's Comments

Two thousand sixteen was a good year for the hotel industry in Michigan. Performance was solid in most markets and new development has begun. All good. We are at the point in our cycle where gains in occupancy will be much slower while rate will continue to increase, but at more reasonable pace. I think 2017 will be a solid year with softening coming in 2018 and 2019. To what degree that softening takes place really depends on what happens nationally and I am not qualified to guess at that but let's just relish our rebound and celebrate the good times

The downtown Detroit market is seeing an influx of new boutique and independent hotels many retrofitting existing, unique buildings will bring a fresh addition to hotel supply, and the night life and eating spots that are popping up are giving downtown more character and life. Great to see. It is amazing what happens when unique living spaces are provided for young professionals who seek that urban environment. Ten years ago, virtually no one lived downtown and now not only are they living there but suburbanites are travelling down there to witness the environs. Wonderful. I can't wait to see the next steps.

The Cobo Convention Center, in its renovated version, is getting rave reviews and will I am sure attract business that it previously could never have dreamed of attracting. Coupled with the sports teams, bars and restaurant activity, and the newly arrived residents, the D is heading into the century reclaiming some of its glory as the 1940's and 1950's when it was truly a world class city and an engine for the Midwest. Nice.

Michigan Overview

Year-end 2016 for the State continued to show increases in the majority markets as Michigan continues to strengthen economically. Commercially-oriented markets benefited from continued improvement in corporate business while leisure/tourism continued to benefit from summer weather which was more summer-like than recent years. Many markets that showed increases in supply saw that construction slow a bit. According to our survey, demand in Southeast Michigan grew by approximately 1.5% overall while average daily rates grew by 2.2%. Additionally, statewide, demand grew by 4.4% and average rates grew approximately 5.4% overall.

Again, this year, most Michigan markets we surveyed were up over the previous year. This year we did not have any outstate markets showing declines year-over-year, although Northern Michigan was flat demand-wise with increases in ADR of less than 1%.

Ann Arbor's growth slowed as new supply opened and was absorbed although occupancy still came in at 67% and \$116 average rate in our survey. Detroit's performance should be interesting going forward as new supply comes online with the Foundation Hotel, Wurlitzer Hotel and element Hotel. Additionally, every outstate market except Northern Michigan showed gains in occupancy and ADR over last year. Demand growth seems to have returned to most of Michigan after years of lagging behind ADR as a driver of 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:

Note: Numbers may not foot due to rounding

State of Michigan						
	2016 YE			2015 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	59.4%	\$109.89	\$65.23	56.9%	\$104.29	\$59.32
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	47.6%	10.8%	41.5%	47.6%	11.0%	41.5%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	59.4%	\$125.22	\$74.35	56.9%	\$118.91	\$67.63
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.8%	20.9%	38.4%	40.5%	20.9%	38.6%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	59.3%	\$95.46	\$56.65	56.9%	\$90.20	\$51.32
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	54.1%	1.4%	44.5%	54.3%	1.5%	44.2%

Southeast Michigan						
	2016 YE			2015 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	58.8%	\$114.11	\$67.13	58.0%	\$111.65	\$64.70
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	46.4%	11.9%	41.7%	46.1%	12.0%	41.9%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	59.6%	\$130.36	\$77.68	58.9%	\$128.15	\$75.53
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.3%	21.5%	38.2%	39.8%	21.6%	38.6%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	58.0%	\$96.68	\$56.10	56.9%	\$93.54	\$53.24
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	52.9%	1.6%	45.5%	52.9%	1.5%	45.6%

Ann Arbor Area						
	2016 YE			2015 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	66.9%	\$116.34	\$77.83	65.6%	\$109.89	\$72.08
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	51.1%	10.8%	38.2%	50.9%	10.9%	38.1%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	69.8%	\$136.88	\$95.53	68.2%	\$129.94	\$88.64
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	45.4%	23.4%	31.2%	45.4%	24.0%	30.6%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	65.3%	\$104.13	\$67.99	64.1%	\$97.61	\$62.55
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	54.5%	3.2%	42.3%	54.3%	2.9%	42.8%

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Auburn Hills						
	2016 YE			2015 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	58.0%	\$107.63	\$62.42	56.2%	\$103.31	\$58.04
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	55.6%	6.9%	37.5%	55.6%	6.8%	37.6%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	64.6%	\$126.02	\$81.46	62.6%	\$120.85	\$75.64
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	53.0%	14.3%	32.7%	53.1%	14.3%	32.7%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	54.9%	\$97.42	\$53.46	53.2%	\$100.00	\$50.00
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	57.1%	2.7%	40.2%	60.0%	10.0%	30.0%

Dearborn						
	2016 YE			2015 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	53.0%	\$110.06	\$58.36	52.7%	\$111.54	\$58.79
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	45.9%	14.5%	39.6%	45.9%	16.5%	37.5%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	50.6%	\$126.23	\$63.83	51.1%	\$124.97	\$63.88
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.7%	24.2%	33.2%	42.4%	24.5%	33.1%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	57.0%	\$86.92	\$49.55	56.1%	\$85.41	\$47.94
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.6%	0.6%	48.8%	52.8%	1.0%	46.2%

Detroit						
	2016 YE			2015 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	62.4%	\$141.79	\$88.54	59.8%	\$137.80	\$82.35
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.5%	24.0%	35.5%	39.8%	24.1%	36.1%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	62.4%	\$141.79	\$88.54	59.8%	\$137.80	\$82.35
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	40.5%	24.0%	35.5%	39.8%	24.1%	36.1%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	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						
	2016 YE			2015 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	60.0%	\$89.03	\$53.42	56.9%	\$86.93	\$49.45
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.5%	2.9%	53.6%	43.6%	3.3%	53.1%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	58.4%	\$96.21	\$56.20	53.6%	\$94.88	\$50.86
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	42.8%	13.6%	43.6%	42.4%	13.8%	43.8%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	60.5%	\$87.08	\$52.64	58.0%	\$84.40	\$48.96
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.7%	0.0%	56.3%	44.0%	0.0%	56.0%

East Area						
	2016 YE			2015 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	55.0%	\$96.37	\$52.99	53.7%	\$94.17	\$50.57
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	52.4%	2.8%	44.8%	52.4%	2.9%	44.7%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	45.4%	\$98.09	\$44.51	44.2%	\$97.28	\$42.98
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	48.9%	10.9%	40.2%	48.6%	11.3%	40.2%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	58.0%	\$95.95	\$55.66	56.7%	\$93.41	\$52.96
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	53.3%	0.8%	46.0%	53.4%	0.8%	45.9%

I-275 Area						
	2016 YE			2015 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	58.0%	\$107.77	\$62.49	58.3%	\$105.87	\$61.77
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.9%	11.4%	44.6%	43.8%	11.7%	44.5%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	58.0%	\$119.31	\$69.19	58.3%	\$117.07	\$68.23
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	35.9%	22.8%	41.3%	36.0%	22.8%	41.2%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	58.0%	\$98.03	\$56.83	58.4%	\$95.88	\$55.98
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.7%	1.8%	47.5%	50.8%	1.8%	47.4%

Airport/I-94 Corridor Area						
	2016 YE			2015 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	58.0%	\$112.68	\$65.34	58.3%	\$111.25	\$64.86
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	37.9%	12.4%	49.7%	37.2%	11.2%	51.6%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	59.4%	\$125.25	\$74.35	62.0%	\$130.09	\$80.67
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	35.0%	21.1%	43.9%	32.6%	21.2%	46.2%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	56.2%	\$95.26	\$53.52	54.7%	\$90.28	\$49.36
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	41.9%	0.4%	57.7%	42.4%	0.0%	57.6%

Southfield						
	2016 YE			2015 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	54.1%	\$102.60	\$55.47	54.4%	\$103.17	\$56.12
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	44.9%	8.8%	46.3%	44.6%	8.9%	46.5%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	60.4%	\$117.02	\$70.73	61.3%	\$115.39	\$70.70
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	32.6%	15.6%	51.8%	32.1%	15.7%	52.2%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	47.9%	\$85.16	\$40.82	47.8%	\$88.13	\$42.13
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	59.8%	0.5%	39.7%	60.0%	0.5%	39.4%

Troy						
	2016 YE			2015 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	58.7%	\$124.35	\$73.02	57.8%	\$123.99	\$71.62
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	52.1%	11.2%	36.7%	50.8%	11.2%	38.0%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	58.8%	\$147.82	\$86.92	58.8%	\$148.83	\$87.51
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	41.2%	21.1%	37.7%	40.8%	20.8%	38.4%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	58.6%	\$101.40	\$59.46	56.7%	\$97.95	\$55.55
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	62.7%	1.6%	35.8%	61.4%	1.1%	37.6%

Flint/Tri-Cities/Port Huron						
	2016 YE			2015 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	57.1%	\$96.55	\$55.11	54.6%	\$92.00	\$50.25
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	49.8%	10.1%	40.2%	51.9%	9.9%	38.2%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Full Service	58.0%	\$109.98	\$49.30	52.9%	\$104.00	\$55.04
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	55.1%	0.4%	44.4%	42.3%	23.6%	34.2%
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Limited Service	57.5%	\$87.03	\$50.02	55.8%	\$83.78	\$46.79
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	55.1%	0.4%	44.4%	58.6%	0.5%	40.9%

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Grand Rapids/Holland						
	2016 YE			2015 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	64.4%	\$110.34	\$71.04	61.9%	\$103.71	\$64.17
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.6%	9.3%	40.1%	50.6%	9.1%	40.3%
Full Service	64.2%	\$123.30	\$79.20	60.8%	\$115.93	\$70.51
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	39.3%	17.8%	42.9%	39.0%	17.6%	43.4%
Limited Service	64.5%	\$98.02	\$63.26	62.9%	\$92.43	\$58.12
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	50.6%	9.3%	40.1%	61.3%	1.2%	37.5%

Lansing/Jackson						
	2016 YE			2015 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	63.5%	\$102.02	\$64.77	60.5%	\$97.33	\$58.85
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	51.2%	7.0%	41.8%	51.3%	7.0%	41.7%
Full Service	61.2%	\$112.21	\$68.70	57.2%	\$104.37	\$59.75
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	44.0%	18.6%	37.4%	43.9%	18.5%	37.6%
Limited Service	64.7%	\$96.74	\$62.62	62.3%	\$93.72	\$58.35
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	54.9%	1.1%	44.0%	55.1%	1.1%	43.8%

Northern Michigan						
	2016 YE			2015 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	57.4%	\$113.68	\$65.30	57.4%	\$112.83	\$64.76
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	41.2%	12.7%	46.1%	41.1%	12.6%	46.3%
Full Service	60.0%	\$180.00	\$108.00	57.1%	\$124.46	\$71.01
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	45.0%	25.0%	30.0%	40.6%	22.3%	37.1%
Limited Service	57.5%	\$101.02	\$58.06	57.8%	\$100.70	\$58.16
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	41.8%	2.6%	55.7%	41.6%	2.5%	55.9%

Southwest Michigan						
	2016 YE			2015 YE		
	Occ. %	ADR	RevPAR	Occ. %	ADR	RevPAR
Total Market	57.6%	\$91.98	\$52.94	55.4%	\$85.10	\$47.11
Total Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	55.8%	7.0%	37.2%	55.6%	7.1%	37.3%
Full Service	54.0%	\$101.83	\$55.01	53.1%	\$92.55	\$49.15
FS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	43.9%	16.2%	39.9%	43.7%	16.3%	40.0%
Limited Service	60.3%	\$85.16	\$51.35	57.1%	\$79.75	\$45.52
LS Market Mix	Corporate	Group	Leisure	Corporate	Group	Leisure
	64.0%	0.6%	35.4%	64.1%	0.6%	35.3%

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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	<u>2016</u>					
	FULL SERVICE			LIMITED SERVICE		
	%	PAR	POR	%	PAR	POR
REVENUES:						
ROOMS	83.0%	\$30,568	\$159.08	98.5%	\$27,223	\$110.19
FOOD	100.0%	\$5,850	\$30.44	-0.1%	\$0	\$0.00
BEVERAGE	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00
TELEPHONE	0.0%	\$2	\$0.01	0.1%	\$18	\$0.07
OTHER INCOME, NET	1.1%	\$387	\$2.02	1.5%	\$419	\$1.70
GROSS OPERATING REVENUE	100.0%	\$36,807	\$191.55	100.0%	\$27,630	\$111.84
DEPARTMENTAL EXPENSES:						
ROOMS	23.4%	\$7,154	\$37.23	18.4%	\$5,021	\$20.32
FOOD AND BEVERAGE	84.6%	\$4,947	\$25.75	0.0%	\$0	\$0.00
FD COGS	84.6%	\$4,947	\$25.75	0.0%	\$0	\$0.00
BEV COGS	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00
PAYROLL	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00
OTHER	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00
TELEPHONE	2066.1%	\$49	\$0.25	1365.1%	\$241	\$0.98
OTHER EXPENSE	51.8%	\$200	\$1.04	15.2%	\$64	\$0.26
TOTAL DEPARTMENTAL	33.6%	\$12,350	\$64.27	19.3%	\$5,326	\$21.56
CASH FLOW BEFORE DEBT SERVICE	66.4%	\$24,457	\$127.28	80.7%	\$22,304	\$90.28
UNDISTRIBUTED OPERATING EXPENSES:						
ADMINISTRATIVE AND GENERAL	9.6%	\$3,548	\$18.47	11.9%	\$3,279	\$13.27
TOTAL MANAGEMENT FEE	2.9%	\$1,056	\$5.50	3.1%	\$858	\$3.47
MARKETING	9.1%	\$3,353	\$17.45	6.4%	\$1,782	\$7.21
FRANCHISE FEE	3.5%	\$1,279	\$6.66	6.2%	\$1,702	\$6.89
PROPERTY OPER. & MAINT.	4.1%	\$1,494	\$7.78	5.3%	\$1,475	\$5.97
ENERGY	3.8%	\$1,406	\$7.32	5.3%	\$1,474	\$5.96
TOTAL UNDISTRIBUTED OPER. EXPENSES	33.0%	\$12,137	\$63.16	38.3%	\$10,569	\$42.78
INCOME BEFORE FIXED CHARGES	33.5%	\$12,320	\$64.12	42.5%	\$11,735	\$47.50
FIXED CHARGES:						
REAL & PERSONAL PROPERTY TAX	3.8%	\$1,405	\$7.31	4.7%	\$1,304	\$1.39
PROPERTY INSURANCE	0.6%	\$221	\$1.15	1.2%	\$343	\$1.39
CAPITAL REPLACEMENT RESERVE	0.0%	\$0	\$0.00	0.0%	\$3	\$0.01
TOTAL FIXED CHARGES	4.5%	\$1,658	\$8.63	6.0%	\$1,650	\$6.68
CASH FLOW BEFORE DEBT SERVICE	29.0%	\$10,662	\$55.49	36.5%	\$10,085	\$40.82
OCCUPANCY	52.6%			67.7%		
ADR		\$159.08			\$106.46	