



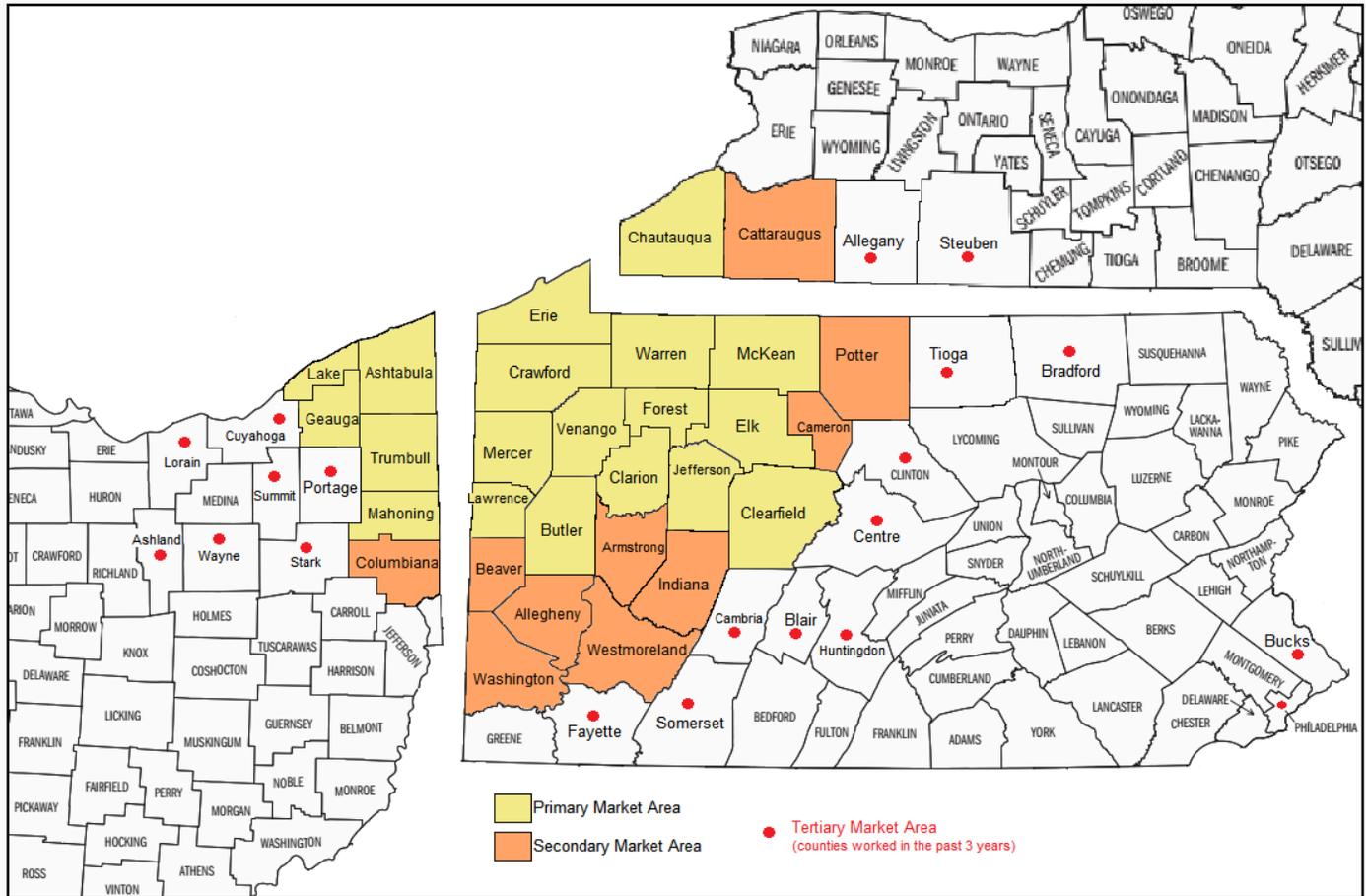
SAMMARTINO, STOUT & LO PRESTI
REAL ESTATE ANALYSTS, APPRAISERS & CONSULTANTS

Commercial and Industrial Real Estate Review and Outlook

2017 Edition

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A Regional Appraisal Company



Our coverage area includes Pennsylvania, Ohio and New York.

Abraham Lincoln was once quoted as saying, “A lawyer’s time and advice are his stock in trade.” At Sammartino, Stout & Lo Presti we say, “An appraiser’s data and resources are his stock in trade.” Since real property is uniquely influenced by locational attributes, specific economic and demographic data are of the utmost importance in developing a quality appraisal report. To that end, the Competency Rule of the Uniform Standards of Professional Appraisal Practice (USPAP) requires that an appraiser’s knowledge include competency about the property type, geographic/ demographic market,

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as well as laws and regulations affecting real estate. As shown, our practice area includes much of Pennsylvania, northeastern Ohio, and southwestern New York. Because Sammartino, Stout & Lo Presti is committed to excellence in appraisal development and reporting and is bound by the Uniform Standards, as well as the Standards of the Appraisal Institute (required of Appraisal Institute designated - MAI - members), we have developed a proprietary regional database managed by our research staff. This includes a periodic review of real estate activity by location and property type.



Bayfront Centre
Medical Office Building

Our regional practice area has been developed over the past 25+ years and augmented with up-to-date information obtained from our in-house research staff as well as our long-standing relationships with fellow appraisers, developers, assessors, bankers, and other market participants. Before accepting an assignment, we confirm the resources needed to properly develop, understand, and report all influences on property value. In addition to appraising typical commercial, office, retail, industrial and multi-family property types, we have appraised numerous special use properties including: rail yards,

rail corridors, hotels, private country clubs, car washes, marinas, sport recreation parks, campgrounds, mobile home parks, etc. Furthermore, property rights must be considered and may vary from leased fee, leasehold, to fee simple. Our adherence to the above standards as well as our years of experience, on-going research, and long-term relationships assures our clients of the utmost in appraisal quality.

Market Watch

Is your Assessed Value in-line with Market Value?

When developing an appraisal, we compare the market value conclusion with the assessor's market value to ascertain if they are within a reasonable range. Oftentimes, there are discrepancies, which can impact a property tax bill. This can be caused by numerous factors such as: out-dated assessments, inaccurate new assessments, or changes in the STEB (State Tax Equalization Board) Common Level Ratio (CLR). CLR is the ratio of "Market Value" to "Assessed Value" (a ratio of 1.00 means that assessment and market value are equal). Over time, assessments become outdated and the CLR is changed by the Commonwealth as property sales (market value) data is accumulated. What does this have to do with your (or your client's) real estate? Although your assessment may not have changed, the implied market value can vary significantly. The table above illustrates an example from Clarion County, PA.

Acceptance Date		CLR Factor
From	To	
7/1/2010	6/30/2011	3.80
7/1/2011	6/30/2012	3.38
7/1/2012	6/30/2013	2.89
7/1/2013	6/30/2014	3.45
7/1/2014	6/30/2015	3.89
7/1/2015	6/30/2016	4.20
7/1/2016	6/30/2017	2.65

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As shown, the CLR factor in 2012 was 2.89 and changed to 4.20 in 2015. This means that a property assessed for \$1,000,000 in July 2012 had an implied market value of \$2,890,000, and the same property in July 2015 had an implied market value of \$4,200,000 (a 45% increase over 3 years). If the appraised market value is closer to the \$2,900,000 value, a tax appeal in 2015 would have been warranted with significant tax savings. As part of our services, we can assist in monitoring these local changes for your commercial or industrial real estate. Contact us today for a review of your assessment.

Market Perspectives

A TALE OF TWO HOTEL MARKETS

Since 2010, the U.S. Lodging Industry has enjoyed growing occupancy, Average Daily Rates (ADR), and Revenues Per Available Room (RevPAR). Now, near term projections (2017) point to stabilization of occupancy levels and slowing ADR growth. Although national trends are important to review in any hotel valuation, local trends can vary significantly from national trends given the impact of “Room Night Demand” and new competition. The information below details lodging trends of upper mid-scale hotels in both a northeast Ohio market and a northwest Pennsylvania market.



Holiday Inn Express
Limited Service Hotel

Northeast Ohio Market

HISTORIC MARKET DEMAND AND OCCUPANCY ANALYSIS						
	2010	2011	2012	2013	2014	2015
Number of Rooms	902	952	988	991	1,016	1,127
Available Room Nights	329,230	347,634	360,456	361,715	370,775	411,405
Market Room Night Demand	219,172	238,866	263,208	261,323	256,506	257,811
Room Night Demand Change Rate		9.0%	10.2%	-0.7%	-1.8%	0.5%
Market Occupancy	66.6%	68.7%	73.0%	72.2%	69.2%	62.7%
Market Average Daily Rate (ADR)	\$89.61	\$94.01	\$100.87	\$103.94	\$103.49	\$99.10
Revenue Per Available Room (RevPAR)	\$59.65	\$64.60	\$73.66	\$75.09	\$71.60	\$62.10

This northeast Ohio market saw strong growth in room night demand in 2011 and 2012, followed by a slight decline in room night demand in 2013 and 2014, and stabilization in 2015. The strong initial demand resulted in the addition of new hotels and 225 more rooms in the market. The added competition coupled with the slowing room night demand resulted in occupancy levels dropping from 73% in 2012 to 62.7% in 2015. Likewise, ADR dropped from \$103.94 in 2013 to \$99.10 in 2015. The combined impact from the decline in occupancy and ADR resulted in a drop in RevPAR from \$75.09 in 2013 to \$62.10 in 2015 (or a RevPAR decline of \$12.99).

Northwest Pennsylvania Market

HISTORIC MARKET DEMAND AND OCCUPANCY ANALYSIS						
	2010	2011	2012	2013	2014	2015
Number of Rooms	672	672	672	672	805	867
Available Room Nights	245,280	245,280	245,280	245,280	293,759	316,606
Market Room Night Demand	171,649	175,623	182,768	171,626	190,559	207,459
Room Night Demand Change Rate		2.3%	4.1%	-6.1%	11.0%	8.9%
Market Occupancy	70.0%	71.6%	74.5%	70.0%	64.9%	65.5%
Market Average Daily Rate (ADR)	\$93.98	\$98.34	\$99.92	\$98.14	\$102.85	\$104.69
Revenue Per Available Room (RevPAR)	\$65.77	\$70.41	\$74.45	\$68.67	\$66.72	\$68.60

Like the northeast Ohio market, the northwest PA market also added competition (195 more rooms). At the same time, unlike the northeast Ohio market, room night demand continued to grow with 24,691 more room nights from 2012 to 2015. Therefore, in spite of added competition, the northwest PA market saw a smaller drop in occupancy but growing ADR. The smaller drop in occupancy and the rising ADR resulted in a significantly smaller decline in RevPAR. The peak RevPAR of \$74.45 in 2012 dropped to \$66.72 in 2014 and now has started to rise again with a RevPAR of \$68.60 in 2015 (or a \$5.85 RevPAR decline).



Hampton Inn
Limited Service Hotel

In conclusion, changing room night demand coupled with new competition can significantly impact a hotels operation and value, but the severity of the impact can vary. Considering the above information, an average 85-room hotel in this northeast Ohio location would see room revenues decline by \$403,000, whereas the same 85-room hotel in this northwest PA market would only see a drop in room revenues of \$181,500. These considerations, along with likely future trends, are some of the factors that we consider in any hotel valuation.

Our Team

Sammartino, Stout & Lo Presti, Inc. comprises a staff of eight with the depth and breadth of experience to complete appraisal assignments that meet or exceed clients' expectations. The three principals: Raymond J. Sammartino, MAI, SRA, Robert G. Stout, Jr., MAI and Sergio S. Lo Presti, MAI are Appraisal Institute designated members. The MAI designation far exceeds the requirements of state certification and provides us with knowledge that allows us to understand and resolve unique appraisal problems. This is evident in our completion of complex assignments in a concise and timely manner. Contact us for any of your real property appraisal or consulting needs including: lending, eminent domain (condemnation), tax appeal, appraisal review, litigation support, highest and best use, or feasibility studies.