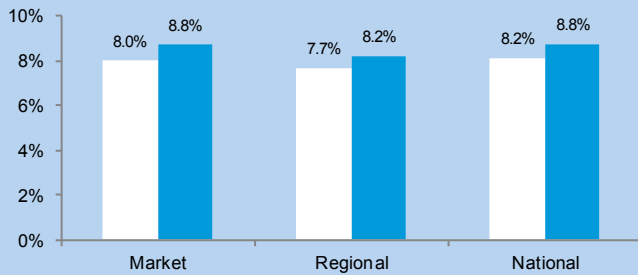
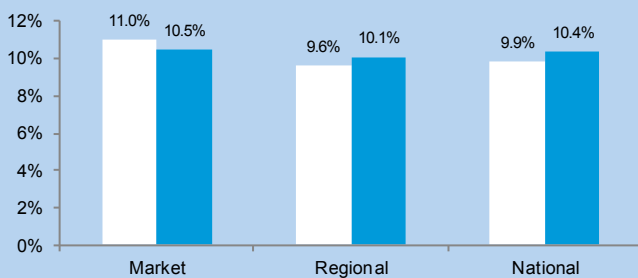


### Lodging Snapshot

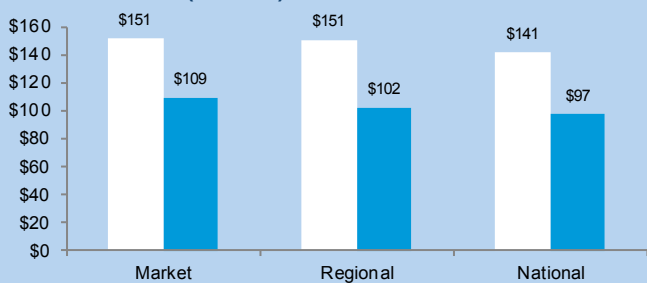
#### GOING IN CAP RATE (%)



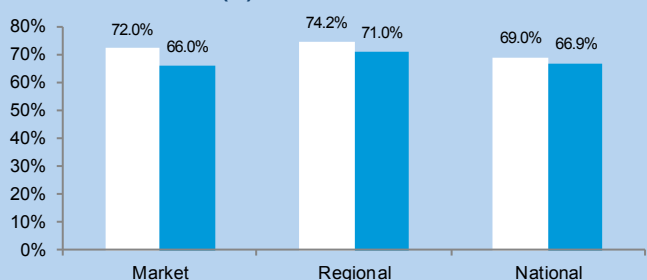
#### DISCOUNT RATE (%)



#### LODGING RATE (\$/ROOM)



#### OCCUPANCY RATE (%)



#### Legend

■ Full Service Lodging ■ Limited Service Lodging

### Market Commentary

Arizona's statewide lodging occupancy rates rose to 58.5% in 2013 with an average daily rate of \$100.04. This equates to a RevPar of \$58.53 which was a 5% increase over 2012. The Arizona market's RevPar is well below the United States' 2013 average of \$68.69, but in line with the Mountain Region's average of \$59.67.

#### CHANGE IN VALUE

Time	Full Service Lodging	Limited Service Lodging
Previous 36 Months	Increase 2% - 3.9%	Increase 2% - 3.9%
Previous 12 Months	Remain Steady - no change	Remain Steady - no change
Future 12 Months	Remain Steady - no change	Remain Steady - no change
Future 36 Months	Increase .1% - 1.9%	Increase 2% - 3.9%

#### TOP SEVEN CAP RATE FACTORS

- 1 Local economy, job growth, unemployment
- 2 Property income growth
- 3 Supply/demand
- 4 Interest rates
- 5 Availability of financing
- 6 National economic conditions/GDP growth
- 7 Risk premium of private real estate

The Metro Phoenix market's 2014 year-to-date figures had Occupancy, ADR and RevPAR increasing by 6.0%, 4.8% and 11.1%, from 2013 to 2014, to 74.6%, \$136.88 and \$102.16. This improvement in both the State of Arizona and the Phoenix MSA figures further supports that improvement in the Arizonan lodging industry.

Tourism is one of the largest industries in Arizona with over 40 million people visiting the state each year. The significant improvement in the lodging industry over the past two to three years is welcomed news to the Arizona economy. Despite the improving market, sales of hotels with prices over \$50,000 per room have been extremely limited, and the velocity of hotel transactions in general continues to be slow.



# 2014 MID-YEAR VIEWPOINT

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## PHOENIX FORECASTS

Categories	Full Service Lodging	Limited Service Lodging
Going In Cap Rate	Remain Steady - no change	Remain Steady - no change
Discount Rate	Decrease 1-24 bps	Decrease 1-24 bps
Lodging Rate Change (%)	3.00%	3.00%
Expense Change (%)	3.00%	3.00%
Construction (Rooms)	1,500	
Years to Balance	4	4

## About IRR

Integra Realty Resources (IRR) is the largest independent commercial real estate valuation and consulting firm in North America, with over 200 MAI-designated members of the of the Appraisal Institute among over 900 professions based in our 66 offices throughout the United States and the Caribbean. Founded in 1999, the firm specializes in real estate appraisals, feasibility and market studies, expert testimony, and related property consulting services across all local and national markets. Our valuation and counseling services span all commercial property types and locations, from individual properties to large portfolio assignments. For more information, visit [www.irr.com](http://www.irr.com) or [blog.irr.com](http://blog.irr.com).

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