Understanding the Value of Boutique Hotels

by

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Abstract

In recent decades, boutique hotels have witnessed a dramatic increase in popularity in the United States. The purpose of this paper is to provide the reader with an understanding of boutique hotel value and conditions that allow for boutique hotel success. First, it will provide a formal definition of boutique hotel, a definition which remains elusive despite the popularity of the hotel category. Second, it will provide a comparative analysis, based upon price-per-room paid by investors, of three different hotel categories: boutique, independent, and branded chain.

In defining boutique hotel, the paper relies upon both written definitions and interviews with real estate developers and real estate brokers. The boutique hotel category is defined, and then contrasted with the definitions of independent hotels and branded chain hotels.

In analyzing boutique hotel value, the paper considers hotels that have sold in the past five years in Boston, New York City, and Washington D.C. Price-per-room paid by investors for these hotels is compared across each of the three hotel categories, in each of the three cities. The paper analyzes the results of the value comparison of the different hotel categories. In conjunction with such analysis and interviews, tourism data for each city is reviewed in an attempt to gain a deeper understanding of boutique hotels.

In conclusion, the paper discusses conditions that allow for boutique hotel success, and potential cultural explanations for the boutique hotel movement. Potential shifts in American consumer interest are discussed, as well as the broader significance of the boutique hotel movement.

Thesis Supervisor: Peter Roth

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Introduction

In the United States, there has been a movement in the past twenty years toward boutique hotels. "The first boutique hotels were opened in the mid-'80's by developers who considered themselves not just hoteliers but tastemakers... The boutique-hotel phenomenon, which transformed the travel industry by introducing theatrical design and celebrity cachet with higher room rates, shows signs of continued growth...[1]". The quote, from Newsweek, is further supported by hotel industry groups. "The 'boutique' segment of the local hotel market is thriving... 'There's definitely a move toward boutique-style hotels,' said Alan Reay in 2000, president of Atlas Hospitality Group. 'That is the buzzword in the hotel business.'[2]"

Real estate investors considering the purchase of a hotel should be keenly aware of this burgeoning hotel product, as its popularity is clearly increasing. The strength of the boutique hotel movement is further described in the following quote by Marshall A. Calder, managing director at www.hotelexecutive.com. "We have seen an increased demand for smaller hotels, and we believe that the trend will continue as luxury travelers reject the homogeneity of standardized hotels in favor of those that afford them more individualized and unique experiences[3]."

Upon further research, what quickly becomes clear is that there currently exists no formal definition of boutique hotel upon which a real estate developer can rely upon. The definitions that do exist often overlap, being contradictory or vague. This paper will seek to provide real estate investors and developers with a deeper understanding of boutique hotels, and conditions that contribute to their value relative to other hotel categories.

[1] Stone, Brad. "It Sure Isn't Like Motel 6", Newsweek July 13, 2001.
[2] Hayes, Elizabeth. March 27, 2000. "Boutique Hotels Offering Personalized Service and Hip Design." www.boutiquehotelsandresorts.com.
[3] Calder, Marshall A. "The Unique Challenges of Marketing a Small Hotel." www.boutiquehotelsandresorts.com.

Definition | Boutique Hotel

Merriam-Webster defines boutique in the following way: “A boutique is a small fashionable shop, or a small company that offers highly specialized services or products[4].” The two words in Webster’s definition most applicable to a hotel product are “small” and “specialized.”

Wikepedia.org, an on-line encyclopedia, also defines boutique: “A boutique, from the French word for ‘shop,’ is a small shopping outlet, especially one that specializes in elite and fashionable items... It can also refer to a specialized firm... In such cases, the idea is that the operation is elite and highly specialized[5].” Wikipedia’s two most applicable words, as consistent with Webster, are “small” and “specialized.” Additionally, the word “elite” is used as part of the description.

Wikipedia offers a definition of boutique hotel as well: “Boutique hotel is a term originating in North America to describe intimate, usually luxurious or quirky hotel environments. Boutique hotels differentiate themselves from larger chain/branded hotels and motels by providing personalized level accommodation and services/facilities[6].”

In addition to the definitions provided by Webster’s and Wikipedia, there are definitions of boutique and boutique hotel that can be found online. Marketconscious.com is an online sales and marketing company. The company defines boutique in the following way: “An agency that provides a limited service... Usually, this refers to a relatively small company[7].” Again, the criteria seem to be small size and specialization in services.

Hometravelagency.com defines boutique in the following way: “Any business venture that seeks to provide an enhanced level of service, at a premium price, to a select clientele[8].” The website also defines boutique hotel: “A small property, typically offering an enhanced level of service and marketed to the affluent...[9]”

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[4] www.m-w.com
[5] www.wikipedia.org
[6] www.wikipedia.org
[7] www.marketconscious.com
[8] www.hometravelagency.com

The previously described definitions of boutique and boutique hotel all agree on the following characteristics:

- Small
- Specialized

In an effort to further define the boutique hotel, the author first interviewed Matthew Kenney, an investment sales broker who specializes in hotel sales. In 2005, Mr. Kenney acted as broker for $1.4 billion of hotel sales nationally, making him a national leader in hotel transactions. He is considered an expert in the hotel industry. His company, Pinnacle Realty Investments, is located in Boston, Massachusetts.

According to Mr. Kenney, any definition of a hotel category must consist of two components: quantitative (programming attributes such as number of rooms and amount meeting space), and qualitative (overall style). He quantified the word "small" in the following way: A boutique hotel must have fewer than 200 rooms, and less than 2,000 square feet of meeting space. Boutique hotels try to do the most with the least amount of space available. In regards to the word "specialized," Mr. Kenney noted that boutique hotels are very amenity oriented, with extremely high levels of service. This comment is concurred by a description in Newsweek of boutique hotels: "A new generation of hotels offers such amenities as broadband Internet access, mobile phone and iPod rentals, and other business friendly features....[10]."

The author also interviewed a developer in Boston who recently developed an 80-room boutique hotel called the Bulfinch Hotel, in an effort to confirm these parameters. The developer, William G. Curtis, founded a development company called Cresset. Mr. Curtis agreed with the quantitative definition, citing a maximum of 200 rooms for a boutique hotel. Although the Bulfinch hotel could only accommodate 80 rooms, he described 120 rooms as a "sweet spot" for boutique hotels. According to Mr. Curtis, boutique hotels are typically developed in urban locations, where the footprint of the site cannot accommodate the stringent requirements of the branded chain. These urban locations leverage the boutiques' ability to be marketed as culturally relevant.

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[9] www.hometravelagency.com
[10] "It Sure Isn't Like Motel 6", Newsweek, July 13, 2001.

Qualitatively, Mr. Kenney stated that the word "elite" can be applied to boutique hotels, specifically in the way in which they market their image. Boutique hotels are marketed as elite, not just with regard to their level of service, but also with regard to their level of trend awareness and image consciousness. Boutique hotels are typically marketed to the consumer who values style and image, and is willing to pay a premium for such attributes. Chekitan Dev, a professor of marketing at Cornell University's School of Hotel Administration, concurs Mr. Kenney's emphasis on image. "'Boutique hotels go beyond the functional purpose of providing a clean bed and bathrooms and feed the aspirations and desired self-image of their guests… A 55-year old business executive feels like a hip 25-year old." This component of the boutique hotel marketing strategy is critical, particularly when contrasted with the marketing strategy of the branded chain hotel (which will be discussed further).

In order to investigate further the qualitative component of boutique hotels, the author visited three boutique hotels in Boston, Massachusetts: XV Beacon, Nine Zero, and the Onyx Hotel. Most notably, the interior design of these three hotels is modern and contemporary, with high quality finishes. Such interior design and overall style is consistent with The New York Times' description of Hotel Plaza Athenee, a well known boutique hotel in New York City. The interior designer, Andree Putman, also served as interior designer for Morgans, the famous New York City boutique hotel that is considered one of the originals. "Mrs. Putman's very contemporary design, low-key and thoughtfully detailed, creates a restful and comfortable atmosphere…'The idea was to be discreet and to look like anything except a commercial hotel room,' Mrs. Putman said. For the designer, that meant keeping the color scheme to her signature black and white with a few modulated shades of gray…[11]." This emphasis on contemporary design seems to have characterized boutique hotels since their inception.

Another common characteristic of XV Beacon, Nine Zero, and the Onyx Hotel is that their development involved the adaptive reuse of older buildings. This attribute of boutique hotels is reflected in the growth strategy of Kimpton Hotels, a famous boutique hotel developer and operator. "Growth will continue to focus on urban locations and the preservation or restoration of old or historic buildings through the adaptive reuse program, a practice that has

[11] "Design Ideas in 2 New Small Hotels." Slesin, Suzanne. The New York Times. September 20, 1984.

allowed Kimpton Hotels to develop and restore prime real estate at the center of bustling urban locations.[12]" This adaptive reuse of old, urban buildings appears to be a common characteristic of many boutique hotels.

Discussions with Mr. Kenney and Mr. Curtis, in conjunction with the author's investigation, rendered the following definition of a boutique hotel:

Quantitative (Programming):

- Less than 200 rooms
- Less than 2,000 square feet of meeting space

Qualitative (Overall Style):

- Stylish and contemporary, having a unique sense of place
- Amenity oriented
- Adaptive reuse of old, urban buildings
- Smaller spaces, such as lobby size and room size

Images of boutique hotels in Boston, along with their characteristics, can be seen in the following photographs.

[12] "Kimpton Hotels: A Timeline of Innovative Firsts and Historical Highlights." www.kimptonhotels.com/pdfs

XV Beacon, a very popular boutique hotel located in Boston, Massachusetts.

The lobby of XV Beacon utilizes elements of the historic building, while simultaneously providing stylish, contemporary finishes.

The lobby of XV Beacon.

Nine Zero, a newly constructed boutique hotel located in Boston.

The entrance of the Bulfinch Hotel, a boutique hotel located in Boston.

The lobby of the Bulfinch Hotel offers contemporary style in the context of a turn of the century building.

Definition | Independent Hotel

In order to fully understand boutique hotels, Mr. Kenney said they should be considered in contrast to two other two hotel categories: the independent and the branded chain hotel. The independent hotel is a critical category because it is typically larger than a boutique hotel, allowing it to compete directly with the larger branded chains. Independent hotels are often landmarks, due to their larger size and unique identity. They are also distinct from branded chains in the way in which they are marketed and operated, since they do not have a chain affiliation to rely upon. Furthermore, in addition to being larger than boutique hotels, independent hotels typically offer a larger amount of meeting space[13].

Quantitative (Programming):

- More than 200 rooms
- More than 2,000 square feet of meeting space[14]

Qualitative (Overall Style):

- Often a landmark; unique
- Independent ownership

An image of the Park Plaza Hotel, an independent hotel located in Boston, can be seen in the following photograph.

[13] Kenney, Matthew. Pinnacle Realty Advisors. July 12, 2006.
[14] Typically consists of more than 10,000 square feet of meeting space.

The Park Plaza Hotel, an independent hotel located in Boston, offers a grander entrance than a boutique hotel.

Definition | Branded Chain

The branded chain is the final category of hotel defined for the purpose of this paper. It is a critical contrast to the boutique hotel, according to Mr. Kinney, primarily with regard to how it is marketed and operated. The branded chain does not typically try to compete with the boutique or independents with regard to uniqueness. Instead, the branded chain typically markets itself as reliable and consistent. It does not compete for style-conscious guests who seek out the trendy. Rather, it is marketed to guests who place a premium on dependability.

With regard to programming, the branded chain is not bound by any size restrictions, in terms of number of rooms or amount of meeting space. Mr. Curtis confirmed the description of a branded chain, noting that the stringent building specifications required for developing branded chains are indicative of their marketing strategy: predictable and dependable. The branded chain can be defined in the following manner.

Quantitative (Programming):

- Any number of rooms
- Any amount of meeting space

Qualitative (Overall Style):

- Chain affiliation promotes a feeling of dependability
- Operated based upon its chain affiliation

Images of branded chain hotels, along with their characteristics, can be seen the following photographs.

The Westin, a large branded chain hotel located in Boston.

The Long Wharf Marriott, a large branded chain hotel located in Boston.

In summary, this paper separates the world of hotels into three categories, as defined above. The three hotel categories, and their respective definitions, can be seen in the following tables:

Quantitative (Programming)		
Hotel Category	**Number of Rooms**	**Meeting Space**
Boutique	< 200	< 2,000 SF
Independent	> 200	> 2,000 SF[15]
Branded Chain	Any	Any

Qualitative (Overall Style)				
Hotel Category	**Interior Design**	**Lobby**	**Room Size**	**Origin**
Boutique	Contemporary & Stylish	Compact	Compact	Adaptive Reuse of an Old Building
Independent	Often Traditional	Medium or Large	Any	Typically a Historic Landmark
Branded Chain	Typically Uniform	Any	Any	Any

[15] Typically consists of more than 10,000 square feet of meeting space.

Data Analysis

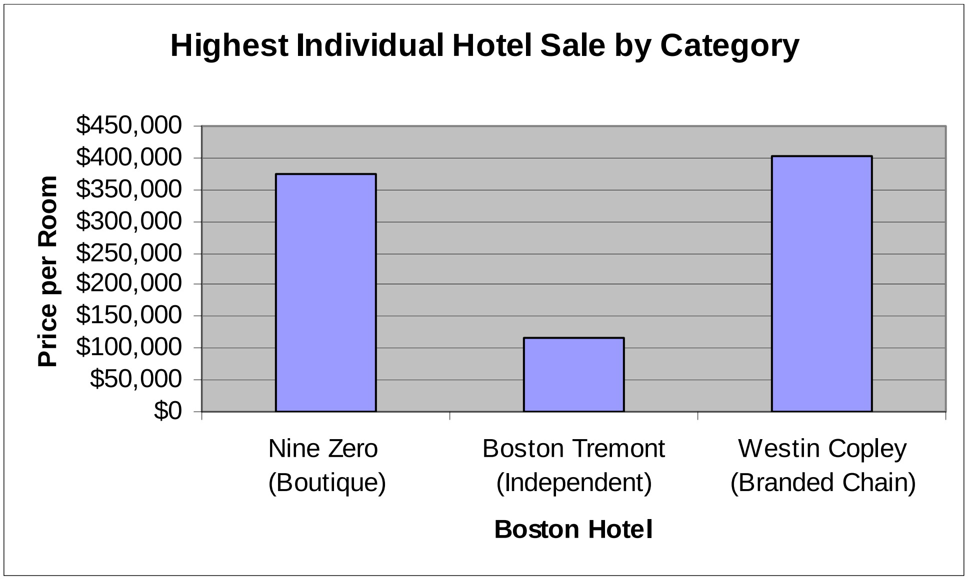
In order to gain a better understanding of the value of boutique hotels relative to other categories, this paper analyzes hotel sales data from 2001-2006 for three major U.S. cities: Boston, New York City, and Washington D.C. The subject cities were chosen due to their historical prominence as both strong real estate investment markets and strong hotel markets. Furthermore, each represents a different geographic region of the United States. This paper will analyze the data from each city separately, and then conclude with a discussion of all three cities.

<u>Boston</u>

For the period of 2001-2006, there were ten hotel sales in the city of Boston. Of these ten sales, three are boutique hotels, one is an independent hotel, and six are branded chain hotels. The Westin Copley, a branded chain located in Boston's backbay, sold for $403,487 per room. This was the highest price per room achieved by any hotel category during that period. The highest price per room paid for a boutique hotel was $375,661 for the Nine Zero Hotel, which is located downtown on Tremont Street. The only sale of an independent hotel during the same period was the sale of the Tremont Boston Hotel, located in the Theater District, which sold for $115,528.

Hotel Category	Hotel Name	Sale Price per Room
Boutique	Nine Zero Hotel	$375,661
Independent	Tremont Boston Hotel	$115,528
Branded Chain	Westin Copley	$403,487

The relative value of these hotel sales is illustrated in the following graph.



Despite the fact that the Nine Zero Hotel was not able sell for the highest price per room when compared to the Westin Copley, it was still able to generate significant value. The hotel is located in an excellent location and has received much acclaim since its development. Boston magazine named it the best boutique hotel in Boston from 2002-2004 as part of its "Best of Boston" series. "Nine Zero has swiftly wooed the city with its soft contemporary design and sleek sense of comfort… and you can't beat the hospitality and attention to detail…[16]"

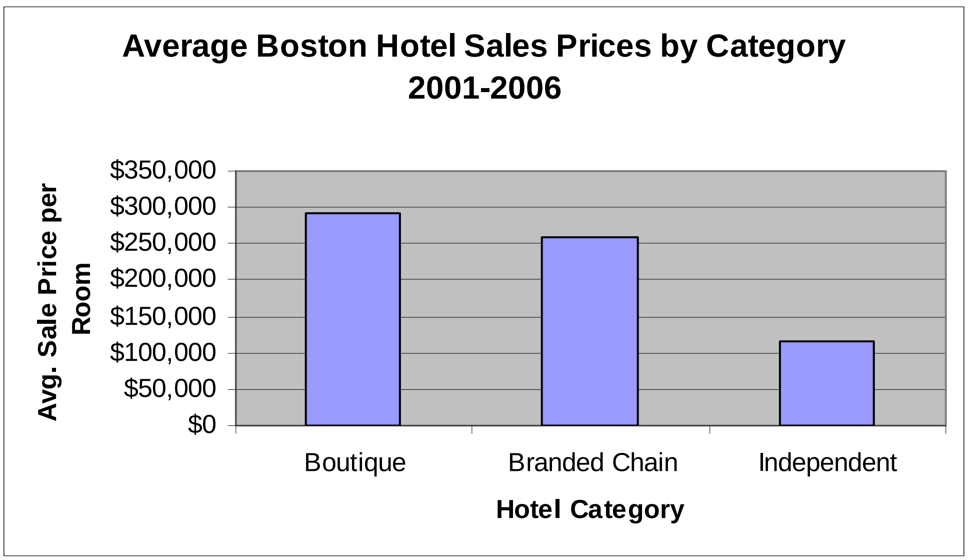
In addition to the Nine Zero Hotel, there were two other boutique hotel sales in Boston from 2001-2006, the Onyx Hotel and the Bulfinch Hotel. Both hotels are located in an area known as the Bulfinch Triangle. All three boutique hotel sales for the period are shown in the following table.

Hotel Name	Category	Sale Price per Room
Nine Zero Hotel	Boutique	$375,661
Onyx Hotel	Boutique	$255,357
Bulfinch Hotel	Boutique	$245,000
Average		**$292,006**

As shown, the three boutique hotel sales generated an average price per room of $292,006. The six branded chain sales that occurred during the same period generated a lower average price per room of $258,675. They are shown in the following table.

Hotel Name	Category	Sale Price per Room
Westin Copley Place	Branded Chain	$403,487
Residence Inn by Marriott	Branded Chain	$305,000
Courtyard by Marriott	Branded Chain	$289,894
Hilton Back Bay	Branded Chain	$285,714
Marriott Copley Place	Branded Chain	$187,884
Best Western Terrace	Branded Chain	$80,069
Average		**$258,675**

As stated previously, the only independent hotel to sell received a price of $115,528. The average price per room for all hotel sales in Boston from 2001-2006, sorted by category, is illustrated in the following graph.



The average price per room for branded chain hotels during this period is lower than that of boutique hotels, primarily due to the impact of outliers such as the Best Western Terrace, which sold for a price per room of $80,069. Despite the presence of such outliers, boutique hotels in Boston appear to hold their value well when compared to independent hotels and branded chain hotels.

<u>New York City</u>

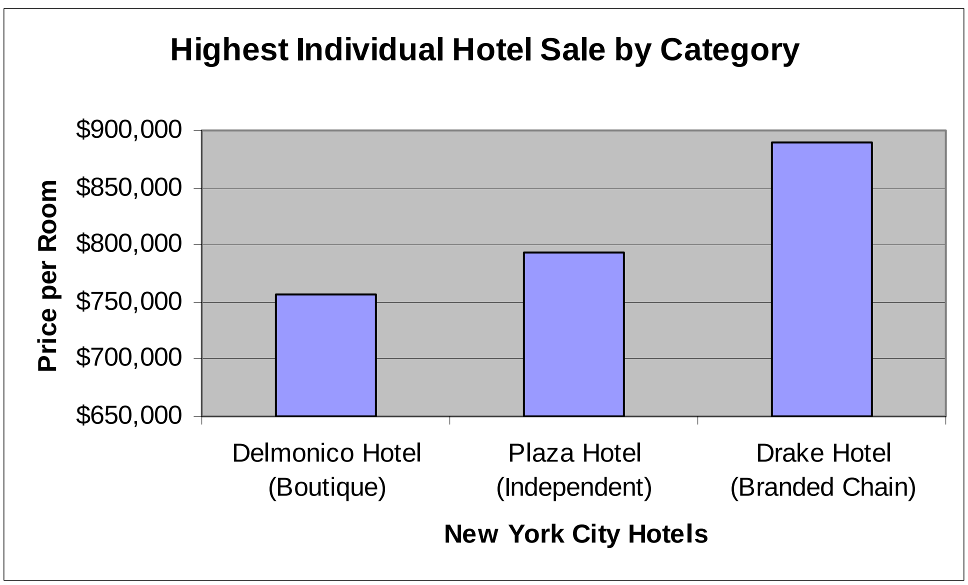
For the period of 2001-2006, there were thirty-one hotel sales in New York City. Of these thirty-one sales, thirteen are boutique hotels, five are independent hotels, and thirteen are branded chain hotels. The Drake Hotel (owned by

[16] www.ninezero.com/nnz-mediabuzz/index

Swissotel, a branded chain) sold for the highest price per room during that period: the 495-room luxury hotel sold for $888,889 per room. Donald Trump paid the highest price per room for a boutique hotel when he purchased the Delmonico Hotel for $756,579. Both the Drake Hotel and the Delmonico Hotel are located on Park Avenue. The Plaza Hotel, a landmark independent hotel, sold for $794,118 per room, the highest sale price for an independent hotel during the period.

Hotel Category	Hotel Name	Sale Price per Room
Boutique	Delmonico Hotel	$756,579
Independent	Plaza Hotel	$794,118
Branded Chain	Drake Hotel (Swissotel)	$888,889

The relative value of these hotel sales is illustrated in the following graph.



Despite the fact that the Delmonico Hotel did not achieve the highest sale price per room, it was still able to generate significant value due to its prime location on Park Avenue and its strong historic identity. The hotel was originally constructed in 1928 and was originally known as the Viceroy Hotel, until it was renamed one year later due to the popularity of its resident restaurant, Delmonico's[17]. In the book "Park Avenue, Street of Dreams," James Trager

[17] www.thecityreview.com/delmonico

noted that the famous hotel included an apartment known as "…the highest priced apartment in the world, a fifteen-room triplex occupying the three top floors that rented for $3,750 a month.[18]" In addition to the Delmonico Hotel, there were thirteen other boutique hotel sales in New York City from 2001-2006.

Hotel Name	**Category**	**Sale Price per Room**
Delmonico Hotel	Boutique	$756,579
The Carlyle	Boutique	$722,222
Algonquin Hotel[19]	Boutique	$425,287
Barbizon Hotel	Boutique	$320,000
Box Tree Inn	Boutique	$307,692
Algonquin Hotel	Boutique	$234,483
Lynden House Hotel	Boutique	$218,750
Empire Hotel	Boutique	$213,333
Paramount Hotel	Boutique	$210,833
Doral Park Avenue	Boutique	$202,128
Gorham Hotel	Boutique	$197,436
Hotel 5A	Boutique	$182,011
Roger Williams Hotel	Boutique	$147,222
Average		**$318,306**

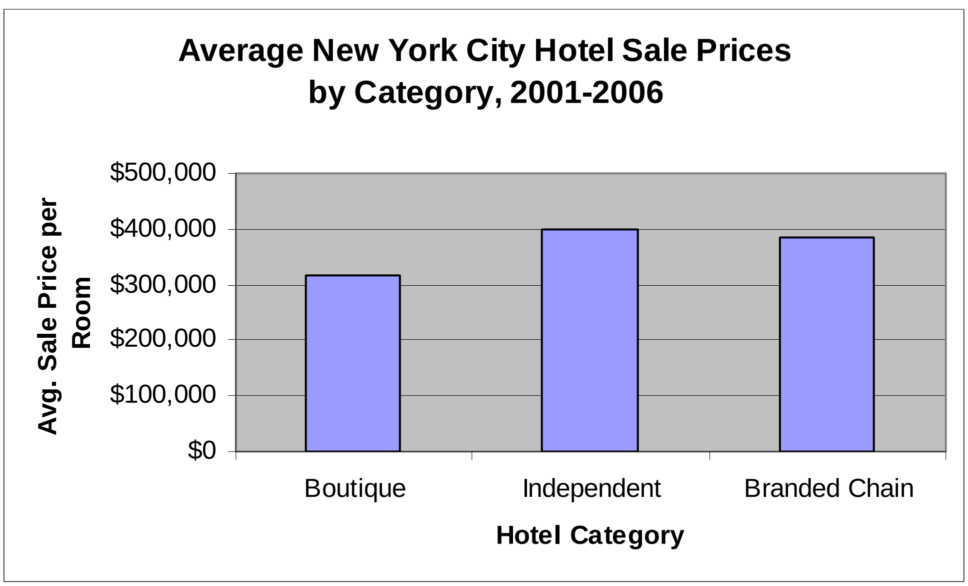
As shown in the table above, the twelve boutique hotel sales that occurred during this period generated an average price per room of $318,306. The average sale price per room during the same period was $399,570 for independent hotels and $385,101 for branded chain hotels. These sales figures can be seen in the following two tables.

Hotel Name	**Category**	**Sale Price per Room**
Plaza Hotel	Independent	$794,118
Rihga Royal Hotel	Independent	$386,000
Rihga Royal Hotel[20]	Independent	$362,376
Park Central Hotel	Independent	$229,947
Helmsley Hotel Windsor	Independent	$225,410
Average		**$399,570**

[18] Trager, James. Park Avenue, Street of Dreams. New York: Atheneum Books, 1989
[19] The Algonquin Hotel sold twice during the period of 2001-2006.
[20] The Rihga Royal Hotel sold twice during the period of 2001-2006.

Hotel Name	Category	Sale Price per Room
The Drake	Branded Chain	$888,889
The Mark	Branded Chain	$852,273
Essex House	Branded Chain	$727,273
Hilton Times Square	Branded Chain	$546,171
Marriott East Side	Branded Chain	$444,272
InterContinental	Branded Chain	$306,763
Sheraton Russell Manhattan	Branded Chain	$273,973
British Airways Hotel	Branded Chain	$250,000
Hampton Inn Chelsea	Branded Chain	$194,444
Metropolitan Hotel	Branded Chain	$150,970
Howard Johnson Express Inn	Branded Chain	$134,783
Quality Hotel	Branded Chain	$123,171
Crowne Plaza United Nations	Branded Chain	$113,333
Average		**$385,101**

The average price per room for all hotel sales in New York City from 2001-2006, sorted by category, is illustrated in the following graph.



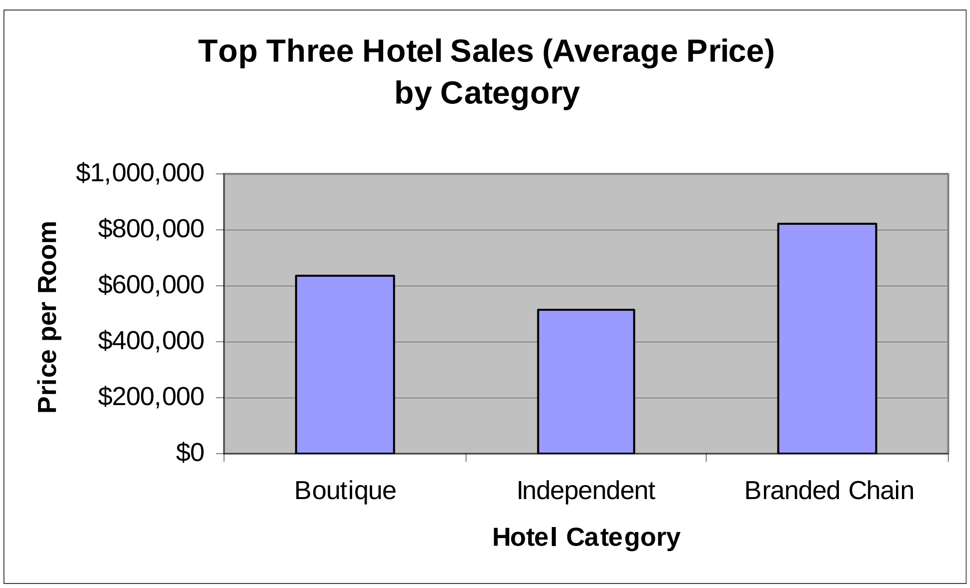
While boutique hotels in New York City received neither the highest actual price per room, nor the highest average price per room, they still seem to hold their value well when compared to independent hotels and branded chain hotels. In an effort to concentrate the analysis further, the following tables show only the top three sales for each category.

Hotel Name	Category	Sale Price per Room
Delmonico Hotel	Boutique	$756,579
The Carlyle	Boutique	$722,222
Algonquin Hotel	Boutique	$425,287
Average of Top Three Sales		**$646,696**

Hotel Name	Category	Sale Price per Room
Plaza Hotel	Independent	$794,118
Rihga Royal Hotel	Independent	$386,000
Rihga Royal Hotel	Independent	$362,376
Average of Top Three Sales		**$514,165**

Hotel Name	Category	Sale Price per Room
The Drake Hotel	Branded Chain	$888,889
The Mark Hotel	Branded Chain	$852,273
Essex House	Branded Chain	$727,273
Average of Top Three Sales		**$822,811**

Focusing on the top three sales for each category improves the relative value of boutique hotels, as illustrated in the following graph.



As shown, boutique hotels in New York City appear to hold their value well when compared to independent hotels and branded chain hotels. While boutique hotels may have generated neither the highest individual price per room nor the highest average price per room, they seem to remain competitive with both independent hotels and branded chain hotels in their ability to hold their value.

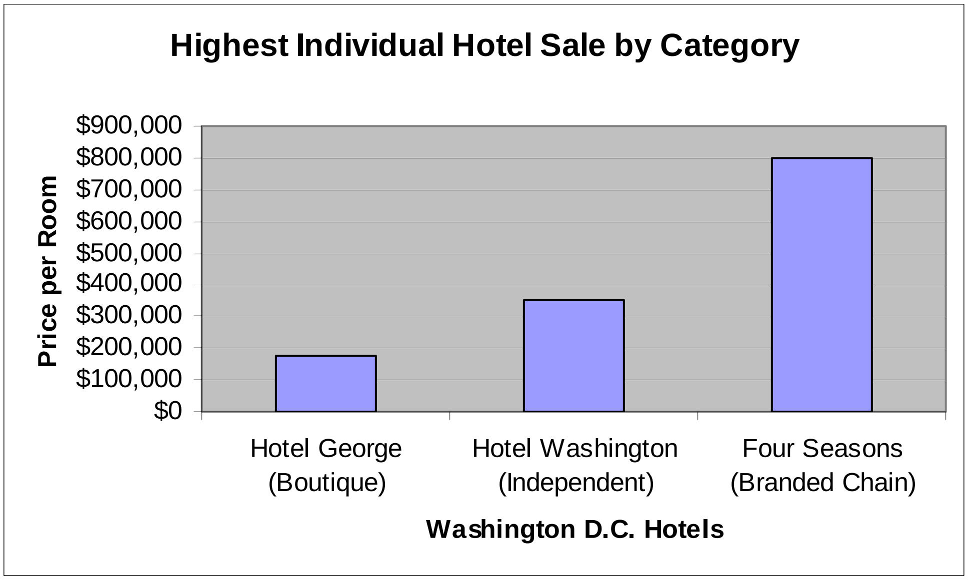
<u>Washington D.C.</u>

For the period of 2001-2006, there were twenty-eight hotel sales in Washington D.C. Of these twenty-eight sales, three are boutique hotels, five are independent hotels, and twenty are branded chain hotels. The Four Seasons sold for the highest price per room during that period. Located prominently on Pennsylvania Avenue, the luxury hotel sold for $800,474 per room. The Hotel George, a boutique hotel owned by Kimpton Hotels, sold in 2003 for $176,269 per room, making it the highest priced boutique hotel sale. The Hotel George describes itself in the following manner: "… neo-stylish, ultra-modern hotel at the forefront of a dramatic revolution in Washington D.C. hotel style… The Hotel George is the hippest choice of downtown Washington D.C. hotels for the contemporary traveler. Located at the nucleus of Capital Hill's government and culture, this style-conscious D.C. hotel is perfectly positioned for anything you could want to see or do in the nation's capitol.[21]" Hotel Washington, an independent hotel located across the street from the White House, sold for the highest amount during the period, at a price of $351,906 per room. Hotel Washington is landmark consisting of 341 rooms, and has been operating as a hotel since 1940.

Hotel Category	Hotel Name	Sale Price per Room
Boutique	Hotel George	$176,269
Independent	Hotel Washington	$351,906
Branded Chain	Four Seasons	$800,474

The relative value of these hotel sales is illustrated in the following graph.

[21] www.hotelgeorge.com



Hotel George, which received the highest price per room for boutique hotels in Washington D.C. from 2001-2006, did not appear to generate as much relative value when compared to the highest independent hotel sale and the highest branded chain sale. This might be due to the fact that Washington D.C. does not seem to have established a critical mass of boutique hotels. In 1999, Travel & Liesure described Hotel George in the following manner, alluding to the dearth of boutique hotels in Washington D.C.: "Washington D.C.'s hipness quotient has received a much needed boost with the George, the capitol's first style-conscious hotel.[22]" While an official count of the boutique hotel inventory in Washington D.C. was not available, the magazine's review implied that boutique hotels had yet to establish a presence there. Late in 1998, the Washington Post also described Hotel George as one of the first boutique hotels in Washington D.C.: "The boutique lodging trend, which is bringing a new style of hotel to cities across the United States, has finally arrived in Washington.[23]" The following table shows the boutique hotel sales that occurred in Washington D.C. from 2001-2006.

Hotel Name	Category	Sale Price per Room
Hotel George	Boutique	$176,259
One Washington Circle	Boutique	$142,384
Hotel Rouge	Boutique	$114,941
Average		**$144,528**

[22] Vangelova, Luba. "By George." Travel & Liesure. February 1, 1999.

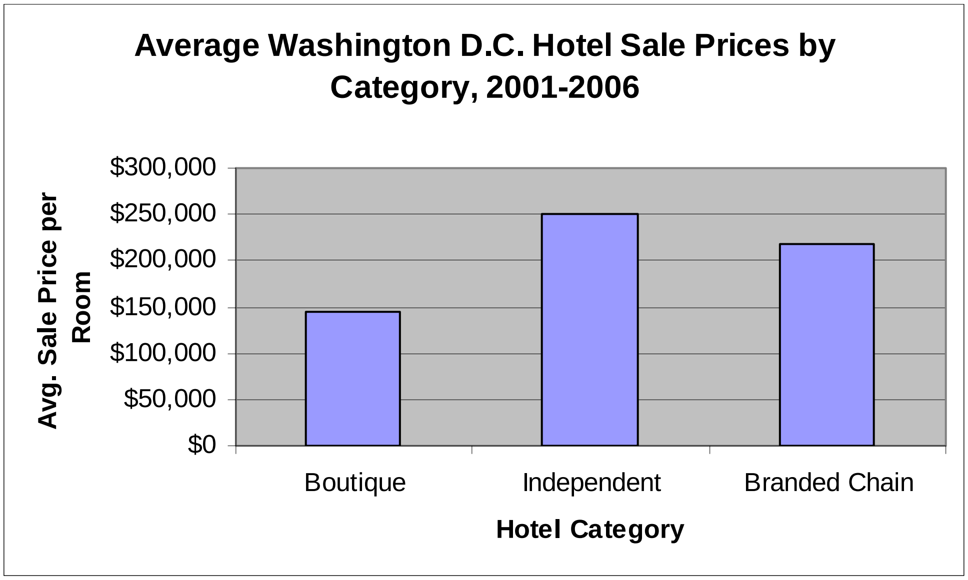
As shown in previous table, the three boutique hotel sales that occurred during the period resulted in an average price per room of $144,528. The average sale price per room during the same period was $250,405 for independent hotels and $218,132 for branded chain hotels. These sales figures can be seen in the following two tables.

Hotel Name	Category	Sale Price per Room
Hotel Washington	Independent	$351,906
Churchill Hotel	Independent	$338,542
The Watergate Hotel	Independent	$219,124
Washington Terrace Hotel	Independent	$201,136
Churchill Hotel	Independent	$141,319
Average		**$250,405**

Hotel Name	Category	Sale Price per Room
Four Seasons	Branded Chain	$800,474
Fairmont Hotel	Branded Chain	$354,217
Hyatt Regency	Branded Chain	$328,537
Melrose Hotel	Branded Chain	$316,667
St. Regis Hotel	Branded Chain	$243,523
Madison Hotel	Branded Chain	$226,629
Marriott Wardman Park Hotel	Branded Chain	$224,888
Holiday Inn Downtown	Branded Chain	$210,377
Hyatt Regency Capital Hill	Branded Chain	$188,249
Hilton Capital	Branded Chain	$187,845
Doubletree Guest Suites	Branded Chain	$171,429
Marriott Crystal Gateway	Branded Chain	$153,515
Four Points by Sheraton	Branded Chain	$147,170
Lincoln Suites Downtown	Branded Chain	$146,465
Radisson	Branded Chain	$133,764
Hilton Garden Inn	Branded Chain	$127,479
Doubletree Park Terrace	Branded Chain	$124,521
Holiday Inn Downtown	Branded Chain	$122,170
Springhill Suites	Branded Chain	$119,248
Best Western Capitol Skyline	Branded Chain	$35,468
Average		**$218,132**

As stated previously, the three boutique hotel sales that occurred during the period resulted in an average price per room of $144,528. This price, likely due to the lack of boutique hotel presence in Washington D.C., is significantly less than average pricing for both independent hotels and branded chain hotels, as illustrated by the following graph.

[23] Lee, Gary. "The Boutiquing of Washington." The Washington Post. November 1, 1998.



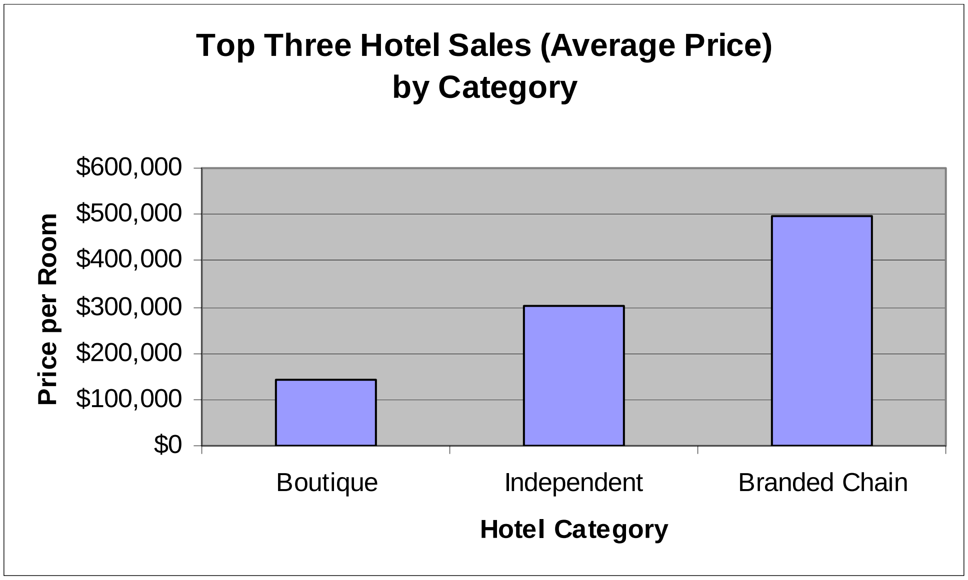
The presence of outliers in the branded chain data allows for independent hotels to generate the highest average value for the period. In an effort to concentrate the analysis further, the following tables show only the top three sales for each category.

Hotel Name	Category	Sale Price per Room
Hotel George	Boutique	$176,259
One Washington Circle	Boutique	$142,384
Hotel Rouge	Boutique	$114,941
Average of Top Three Sales		**$144,528**

Hotel Name	Category	Sale Price per Room
Hotel Washington	Independent	$351,906
Churchill Hotel	Independent	$338,542
The Watergate Hotel	Independent	$219,124
Average of Top Three Sales		**$250,405**

Hotel Name	Category	Sale Price per Room
Four Seasons	Branded Chain	$800,474
Fairmont Hotel	Branded Chain	$354,217
Hyatt Regency	Branded Chain	$328,537
Average of Top Three Sales		**$214,686**

Focusing on the top three sales for each category does not improve the relative value of boutique hotels, as illustrated by the following graph.



Unlike the results for New York City, restricting the data to the top three sales for each category does not improve the relative value of boutique hotels. The available sales data shows that boutique hotels do not appear to hold their value in Washington D.C. when compared to either independent hotels or branded chain hotels. Potential explanations for these results will be discussed in greater detail.

Discussion

In Boston, the Westin Copley generated the highest price per room during the period of 2001-2006. Why was it able to outperform the Nine Zero Hotel? The most obvious difference between the two hotels is their size: the Westin Copley consists of 803 rooms, while the Nine Zero consists of 189 rooms. The Westin Copley also offers 50,000 square feet of meeting space and is connected via a sky bridge to the Hynes Convention Center, which features an additional 360,000 square feet of meeting space. The large, branded chain hotel seems to be able to take advantage of its large scale, as the presence of such meeting space caters to customers reserving large blocks of rooms at a time. Complementing this strong appeal to such guests, the Westin Copley is located above Copley Place, a prime shopping destination for Boston visitors.

With regard to relative value, it seems difficult for boutique hotels to compete with large, branded chains that have the ability to reserve large blocks of rooms at once due to the presence of large amounts of meeting space. Regardless, the Nine Zero Hotel was still able to hold its value well when compared to the Copley Westin. Its sale price of $375,661 per room was only 7% less than the Westin Copley's sale price of $403,487 per room. Why was the Nine Zero Hotel able to hold its value this well, despite the large discrepancy in size?

While lacking the ability to take advantage of large scale, the Nine Zero Hotel was instead able to take advantage of a small footprint in a great location. The nature of the site disqualified many of Nine Zero's branded chain competitors from being able to operate a hotel on the small site. The adaptive reuse of small sites in great locations appears to be a competitive advantage of boutique hotels, based upon the relative success of the Nine Zero Hotel.

Two other boutiques hotels sold in Boston during the same period: the Onyx Hotel and the Bulfinch Hotel. Both hotels were recently developed in an area known as the Bulfinch Triangle, which has become a popular location for boutique hotels. The neighborhood's accessibility is reflected in the following Boston Globe review of the Bulfinch Hotel. "The Bulfinch is the latest attempt to capitalize on the post-Big-Dig accessibility of the Bulfinch Triangle area near North Station. The Onyx Hotel opened around the corner in 2004, and developers are hoping to build condos, retail space, and even a supermarket nearby. With good reason. The new hotels are close to the TD Banknorth Garden (formerly known as the FleetCenter), and visitors can easily stroll to Faneuil Hall, the North End, and Beacon Hill.[24]” Like the Nine Zero Hotel, boutique hotels in the Bulfinch Triangle are able to take advantage of a great location that might otherwise exclude their competitors due to the small lot sizes, odd-shaped footprints and old buildings. To gain additional insight, the author spoke with Mr. Curtis, developer of the Bulfinch Hotel. Mr. Curtis described site requirements as the reason why Bulfinch Hotel was developed as a boutique. The site would not have accommodated a larger independent or branded chain hotel. The narrow footprint of the Bulfinch Hotel can be seen in the following photograph.

[24] Yonan, Joe. “Prospects Improving All Around the Bulfinch.” The Boston Globe. January 22, 2006.

While boutique hotels are unable to take advantage of large scale, they seem to be able to take advantage of something else: sites that exist at great locations yet disqualify independent and branded chain hotels from development due to the sites' small size or odd shape.

In order to remain competitive with the larger hotels, boutique hotels like the Nine Zero Hotel seem to utilize specialization in order to leverage their small size. This specialization allows them to exploit the style-conscious segment of the hotel consumer population. This combination of a prime location and specialization seems to combine to create a condition in which boutique hotels are able to hold their value quite well when compared to independent hotels and branded chain hotels.

Based upon the available data, boutique hotels also hold their value well in New York City. The high density and presence of old buildings provides and excellent environment for adaptive reuse. Furthermore, the strong presence of the fashion, media, arts and entertainment industries provide a great opportunity to exploit via specialization the style-conscious hotel consumer. In 2005, New York City was home to 250 feature films and 40,000 location shoots. They city is renowned as an icon for style, image, and culture, and is home to such internationally known events as "Fashion Week". This rich environment for boutique hotels seems to be reflected by the fact that boutique hotels accounted for almost 40% of the thirty-three hotel sales in New York City from 2001-2006. In addition to the large quantity of boutique hotels, an analysis of the top three sales for each category showed that they were able to hold their value better than the independent hotels, while remaining competitive with the branded chain hotels.

Contrary to the results for boutique hotels in Boston and New York City, boutique hotels in Washington D.C. did not seem to hold their relative value well during this period. The highest sale price per room for the period was generated by the Four Seasons, a branded chain hotel that is able to take advantage of its large scale and excellent brand recognition. Why did boutique hotels under-perform their competitors in Washington D.C., while remaining competitive in Boston and New York City? The two most influential factors in the success of boutique hotels in Boston and New York City seemed to be density (allowing for the adaptive reuse of small, old sites that independent and branded chain hotels cannot accommodate), and the presence of an image-conscious consumer (allowing for leverage via specialization). Does Washington D.C. lack one of these two characteristics?

Washington D.C. seems to have urban neighborhoods dense enough to allow for the creation of boutique hotels, in such locations as Georgetown and the downtown area. The author consulted Mr. Kenney, who attributes the poor relative performance of boutique hotels in Washington D.C. to the lack of an image-conscious hotel consumer, rather than to a lack of density. According to Mr. Kenney, branded chains are comparatively successful in Washington D.C. due to inherent aspects of the city's identity. The strong presence of the federal government agencies creates an atmosphere that discounts qualities such as style or image. Knowledge of the city's relatively bland taste, according to Mr. Kinney, impacts a visitor's choice of hotel product, discouraging the consumer from placing excess emphasis on style.

Mr. Kenney elaborated, stating that Washington D.C. does not necessarily attract a different hotel consumer than Boston or New York City. Rather, the same consumer may be inclined to spend more on style when visiting a city such as New York or Boston than when visiting a city such as Washington D.C. Mr. Kenney feels that hotel consumers in New York City take a greater interest in boutique hotels because there are inherent aspects of the city's identity, influenced by such stylized industries as fashion and entertainment, which influence a visitor's choice of hotel product. Therefore, this image-conscious demand, as a prerequisite for boutique hotel value, is not necessarily due to the fact that different cities attract different visitors. Instead, visitor choice is actually influenced by the host city's identity. The following table shows recent tourism data for all three cities[25].

City	Annual Tourists	Percent. Leisure	Percent. Business	Percent. International	Occupancy Percent.	ADR
Boston	16.3m	62%	38%	5%	74%	$166
New York City	42.6m	N/A	N/A	16%	84%	$191
Washington D.C.	18.7m	67%	33%	5%	72%	$158

As shown by the available data, there does not appear to be any significant difference in the profile of the actual tourists visiting Boston and Washington D.C. However, Boston appears to generate much stronger boutique hotel value based upon available sales data. This may be attributed to consumer choice influenced by inherent characteristics of the host city, as Mr. Kenney described, not to differences in the actual consumer.

[25] Most recent comparable data is from 2004.

Conclusion

What can be concluded about boutique hotel value, based upon the information discussed thus far? Specifically, what conditions drive boutique hotel creation and subsequent value to investors? The author has concluded that boutique hotel value is driven by two components. First, boutique hotel value seems to exist in dense environments that allow for the adaptive reuse of small sites and old buildings. Second, boutique hotel value seems to exist in places where there exists a critical mass of image-conscious hotel consumers, allowing the boutique hotels to take advantage of specialization.

There appears to be a boutique hotel movement occurring in the United States, as evidenced by the surging popularity of boutique hotels in the past two decades. One explanation for the boutique hotel movement in the United States might be that consumer interest in style and design has evolved, expanding into peoples' choice in hotels. Today, people seem willing to pay extra money to stay at a hotel that offers a unique sense of place. Such hotels are considered actual destinations, rather than simply a place to stay while seeking out other destinations. What is responsible for this shift in taste?

One potential explanation may be the influence of other cultures on American culture, increased recently by globalization. The small spaces of the boutique hotel are reminiscent of the smaller hotels found across Europe. As the typical American feels more connected to the rest of the world due to technological advances such as the internet, there may be a natural tendency to act upon this influence, seeking out items of greater cultural value and interest. Boutique hotels may be benefiting from this shift in consumer preference.

Furthermore, as families increasingly become dual income households, leisure time is increasingly scarce. American families have a reputation for working long hours, lessening the amount of time they are able to spend with each other. These work hours are described in an article by Silja J.A. Talvi, of The Christian Science Monitor. "Today, more than 25 million Americans work more than 49 hours each week. Of that number, 11 million spend 60 hours or more at work each week, according to the Bureau of Labor Statistics. The sheer number of hours put in by Americans has already earned the US the dubious distinction of being the most overworked nation in the industrialized world.[26]" This scarcity of time may be increasing people's interest in finding hotels that offer a more distinct, shared experience. There may be less focus on pure dependability, and greater focus on aesthetics and overall quality of experience.

Another potential explanation for the increased number of boutique hotels relates to constrained supply. In many older, land supply-constrained cities such as Boston and New York, it is difficult to build large hotels, due to the lack of available sites. As a result, in order to fulfill the demand for new hotels, developers seek out the adaptive reuse of older, historic buildings. These buildings, as discussed, often hold the potential to offer a unique sense of place, mixing contemporary interior design in a historic setting. This yields a unique quality that consumers are increasingly drawn toward (something that branded chains and independent hotels are often unable to offer). Specifically, their small, intimate ambience and unique identity are difficult to replicate. As developers have added more of these hotels to the overall hotel inventory, often due to a lack of alternatives, the increase in supply may have subtly increased consumers' interest in the hotel category.

For investors attempting to understand the relative value of boutique hotels, a critical point is to be sensitive to each market as a unique identity. Boutique hotel performance in one market is not indicative of the hotel category's potential success in another market, as shown by the case of Washington D.C. Rather, boutique hotel value potential seems to transcend the results of basic market analysis, requiring a deeper understanding of the subject city's character. Specifically, does the city's character hold the potential to generate hotel demand from an image-conscious consumer?

Finally, it is important to recognize that due to boutique hotels' inability to take advantage of large scale, they may not often be able to outperform large branded chain hotels on an absolute basis, as was the case in Boston, New York City, and Washington D.C from 2001-2006. However, boutique hotels generally seem to remain quite competitive with these larger hotels, particularly when analyzing the top three sales for each category. Considering their small size, this might be considered a tribute to boutique hotels' talent for value creation.

[26] Talvi, Silja J.A. "Lights out for Long Hours." The Christian Science Monitor. December 17, 2001.

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Figures

All photos appear courtesy of the author.

Appendix A[27]:

Subject data for the City of Boston, Massachusetts, is profiled in the section below, sorted by sale price per room.

The subject data includes all known hotel sales from January 2001 – June 2006.

1) Westin Copley Place

Market Position	Category	Seller	Buyer
Upscale, Full Service	Branded Chain	Enpro	LaSalle Hotel Properties
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$324,000,000	803	$403,487

2) Nine Zero

Market Position	Category	Seller	Buyer
Luxury/Boutique	Boutique	Intercontinental	Kimpton Hotel & Restaurant Group
Sale Year	**Price**	**Rooms**	**Price per Room**
2006	$71,000,000	189	$375,861

3) Residence Inn by Marriot

Market Position	Category	Seller	Buyer
Upscale – Limited Service	Branded Chain	N/A	RLJ
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$67,405,000	221	$305,000

4) Courtyard by Marriot Boston/Brookline

Market Position	Category	Seller	Buyer
Upscale, Limited Service	Branded Chain	Webster Street Hotel, LLC	Hersha
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$54,500,000	188	$289,894

5) Hilton Back Bay

Market Position	Category	Seller	Buyer
Upscale, Full-Service	Branded Chain	Hilton Hotels Corp.	Highland Hospitality Corp.
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$110,000,000	385	$285,714

6) Onyx Hotel

Market Position	Category	Seller	Buyer
Boutique	Boutique	Norwich Partners	LaSalle Hotel Properties
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$28,600,000	112	$255,357

[27] Data provided by Pinnacle Realty Advisors.

7) Bulfinch Hotel

Market Position	Category	Seller	Buyer
Boutique	Boutique	Cresset Development	Innkeepers USA Trust
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$19,600,000	80	$245,000

8) Marriot Copley Place

Market Position	Category	Seller	Buyer
Upscale – Full Service	Branded Chain	Overseas Partners Capital	Host Marriot
Sale Year	**Price**	**Rooms**	**Price per Room**
2002	$214,000,000	1139	$187,884

9) Tremont Boston

Market Position	Category	Seller	Buyer
Upscale	Independent	Wyndham International	Highland Hospitality Corp.
Sale Year	**Price**	**Rooms**	**Price per Room**
2004	$37,200,000	322	$115,528

10) Best Western Terrace

Market Position	Category	Seller	Buyer
Mid-Level	Branded Chain	Terrace Trust	Linchris Hotel Group
Sale Year	**Price**	**Rooms**	**Price per Room**
2004	$5,765,000	72	$80,069

Appendix B[28]:

Subject data for the City of New York, New York, is profiled in the section below, sorted by sale price per room.

The subject data includes all known hotel sales from January 2001 – June 2006.

1) The Drake | Swissotel

Market Position	Category	Seller	Buyer
Upscale – Full Service	Branded Chain	Host Marriot	Mackiowe Organization
Sale Year	**Price**	**Rooms**	**Price per Room**
2006	$440,000,000	495	$888,889

2) The Mark

Market Position	Category	Seller	Buyer
Luxury	Branded Chain	Mandarin Oriental	Izak Senbahar & S. Elias
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$150,000,000	176	$852,273

3) Plaza Hotel

Market Position	Category	Seller	Buyer
Upscale – Full Service	Independent	Prince Alwaleed bin Talal	Elad Properties
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$675,000,000	850	$794,118

4) Hotel Delmonico

Market Position	Category	Seller	Buyer
Luxury	Boutique	Estate of Sarah Korein	Donald Trump
Sale Year	**Price**	**Rooms**	**Price per Room**
2002	$115,000,000	152	$756,579

5) Essex House | Westin

Market Position	Category	Seller	Buyer
Upscale – Full Service	Branded Chain	Strategic Hotel Capital	Dubai Investment Group
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$440,000,000	605	$727,273

6) The Carlyle

Market Position	Category	Seller	Buyer
Luxury	Boutique	Norman I. Peck	Maritz Wolff & Co.
Sale Year	**Price**	**Rooms**	**Price per Room**
2001	$130,000,000	180	$722,222

[28] Data provided by Pinnacle Realty Advisors.

7) Hilton Times Square

Market Position	Category	Seller	Buyer
Upscale – Full Service	Branded Chain	Forrest City Developers	Sunstone Hotel Investors
Sale Year	**Price**	**Rooms**	**Price per Room**
2006	$242,500,000	444	$546,171

8) Marriot East Side

Market Position	Category	Seller	Buyer
Upscale – Full Service	Branded Chain	Strategic Hotel Capital	Morgan Stanley
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$287,000,000	646	$444,272

9) Algonquin Hotel

Market Position	Category	Seller	Buyer
Boutique	Boutique	Miller Global Properties	HEI Hospitality
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$74,000,000	174	$425,287

10) Rihga Royal Hotel

Market Position	Category	Seller	Buyer
Luxury	Independent	Royal Hotels, Lmt.	Thayer Lodging Group
Sale Year	**Price**	**Rooms**	**Price per Room**
2001	$193,000,000	500	$386,000

11) Rihga Royal Hotel

Market Position	Category	Seller	Buyer
Luxury	Independent	Lehman Brothers	Blackstone Group
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$183,000,000	505	$362,276

12) Barbizon Hotel[29]

Market Position	Category	Seller	Buyer
Luxury	Boutique	Ian Schrager	Berwind Property Group
Sale Year	**Price**	**Rooms**	**Price per Room**
2001	$96,000,000	300	$320,000

13) Box Tree Inn

Market Position	Category	Seller	Buyer
Luxury	Boutique	Augustin V. Paege	252 E. 49th LLC
Sale Year	**Price**	**Rooms**	**Price per Room**
2002	$4,000,000	13	$307,692

[29] This hotel is considered an outlier. Despite its 300 rooms, it is categorized as a boutique hotel due to Ian Schrager's involvement.

14) Intercontinental Central Park South

Market Position	Category	Seller	Buyer
Upscale – Full Service	Branded Chain	InterContintental	Anbau Enterprises
Sale Year	**Price**	**Rooms**	**Price per Room**
2004	$63,500,000	207	$306,763

15) Sheraton Russell Manhattan

Market Position	Category	Seller	Buyer
Upscale – Full Service	Branded Chain	Starwood Hotels & Resorts	SJP Residential
Sale Year	**Price**	**Rooms**	**Price per Room**
2004	$40,000,000	146	$273,973

16) British Airways Hotel

Market Position	Category	Seller	Buyer
Upscale	Branded Chain	British Airways	Affiliate Hotel Properties
Sale Year	**Price**	**Rooms**	**Price per Room**
2002	$31,000,000	124	$250,000

17) Algonquin Hotel

Market Position	Category	Seller	Buyer
Luxury	Boutique	Olympus Real Estate	Miller Global Properties
Sale Year	**Price**	**Rooms**	**Price per Room**
2002	$40,800,000	174	$234,483

18) Park Central Hotel

Market Position	Category	Seller	Buyer
Luxury	Independent	Lehman Brothers	Highgate Holdings
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$215,000	935	$229,947

19) Helmsley Hotel Windsor

Market Position	Category	Seller	Buyer
Upscale	Independent	Leona Helmsley	Joseph & Jack Cherit
Sale Year	**Price**	**Rooms**	**Price per Room**
2003	$55,000,000	244	$225,410

20) Lynden House Hotel

Market Position	Category	Seller	Buyer
Upscale	Boutique	Affinia Hospitality	Animal Medical Center
Sale Year	**Price**	**Rooms**	**Price per Room**
2003	$17,500,000	80	$218,750

21) Empire Hotel

Market Position	Category	Seller	Buyer
Mid-Scale	Boutique	Ian Schrager	N/A
Sale Year	**Price**	**Rooms**	**Price per Room**
2004	$80,000,000	375	$213,333

22) Paramount Hotel[30]

Market Position	Category	Seller	Buyer
Upscale	Boutique	Ian Schrager	Becker Ventures
Sale Year	**Price**	**Rooms**	**Price per Room**
2004	$126,500,000	600	$210,833

23) Doral Park Avenue Hotel

Market Position	Category	Seller	Buyer
Upscale	Boutique	Hayman Corp.	Whitehall Funds (G. Sachs)
Sale Year	**Price**	**Rooms**	**Price per Room**
2003	$38,000,000	188	$202,128

24) Gorham Hotel

Market Position	Category	Seller	Buyer
Upscale – Full Service	Boutique	Private Investor (N/A)	Richard Born & Ira Krukier
Sale Year	**Price**	**Rooms**	**Price per Room**
2003	$23,100,000	117	$197,436

25) Hampton Inn Chelsea

Market Position	Category	Seller	Buyer
Mid-Scale	Branded Chain	N/A	CNL & Hersha (JV)
Sale Year	**Price**	**Rooms**	**Price per Room**
2003	$28,000,000	144	$194,444

26) Hotel 5A

Market Position	Category	Seller	Buyer
Mid-Scale	Boutique	N/A	Diamond Rock
Sale Year	**Price**	**Rooms**	**Price per Room**
2004	$34,400,000	189	$182,011

[30] This hotel is considered an outlier. Despite its 600 rooms, it is categorized as a boutique hotel due to Ian Schrager's involvement.

27) Metropolitan Hotel

Market Position	Category	Seller	Buyer
Upscale	Independent	Loews Hotels	Whitehall Funds (G. Sachs)
Sale Year	**Price**	**Rooms**	**Price per Room**
2003	$109,000,000	722	$150,970

28) Roger Williams

Market Position	Category	Seller	Buyer
Upscale	Boutique	PTG Madison 31 Trust	NY Hotel Partners
Sale Year	**Price**	**Rooms**	**Price per Room**
2003	$26,500,000	180	$147,222

29) Howard Johnson Express Inn

Market Position	Category	Seller	Buyer
Economy	Branded Chain	Metro Three Hotels	Houston Lodging LLC
Sale Year	**Price**	**Rooms**	**Price per Room**
2002	$6,200,000	46	$134,783

30) Quality Hotel

Market Position	Category	Seller	Buyer
Economy	Branded Chain	Hampshire Hotels	Cushlin Limited
Sale Year	**Price**	**Rooms**	**Price per Room**
2004	$20,200,000	164	$123,171

31) Crown Plaza United Nations

Market Position	Category	Seller	Buyer
Upscale – Full Service	Branded Chain	InterContinental Hotels	Halifax Holdings
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$34,000,000	300	$113,333

Appendix C[31]:
Subject data for the Washington D.C. is profiled in the section below, sorted chronologically by sale price per room.

The subject data includes all known hotel sales from January 2001 – June 2006.

1) The Four Seasons

Market Position	Category	Seller	Buyer
Upscale – Full Service	Branded Chain	Forrest City Developers	Sunstone Hotel Investors
Sale Year	**Price**	**Rooms**	**Price per Room**
2006	$242,500,000	444	$546,171

2) Fairmont Hotel

Market Position	Category	Seller	Buyer
Upscale	Branded Chain	Destination Hotels	Legacy Hotels
Sale Year	**Price**	**Rooms**	**Price per Room**
2002	$147,000,000	415	$354,217

3) Hotel Washington

Market Position	Category	Seller	Buyer
Boutique	Independent	GalTex	Westbrook Partners
Sale Year	**Price**	**Rooms**	**Price per Room**
2006	$120,000,000	341	$351,906

4) Churchill Hotel

Market Position	Category	Seller	Buyer
Upscale	Independent	N/A	Highland Hospitality Corp.
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$48,750,000	144[32]	$338,542

5) Hyatt Regency Washington D.C.

Market Position	Category	Seller	Buyer
Upscale – Full Service	Branded Chain	Blackstone Group	Host Marriott
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$274,000,000	834	$328,537

6) Melrose Hotel

Market Position	Category	Seller	Buyer
Boutique	Independent	BPG Properties	Highland Hospitality
Sale Year	**Price**	**Rooms**	**Price per Room**
2006	$76,000,000	240	$316,667

[31] Data provided by Pinnacle Realty Advisors.
[32] Hotel was categorized as independent due to the fact that 43% of its rooms are oversized suites, and it is marketed as a corporate meeting and wedding destination.

7) St. Regis Hotel

Market Position	Category	Seller	Buyer
Upscale – Full Service	Branded Chain	Starwood Hotels & Resorts	Brickman & Associates
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$47,000,000	193	$243,523

8) Madison Hotel

Market Position	Category	Seller	Buyer
Upscale	Independent	Marshall B. Coyne Estate	Multi-Employer Property Trust Pension Fund
Sale Year	**Price**	**Rooms**	**Price per Room**
2002	$80,000,000	353	$226,629

9) Marriott Wardman Park Hotel

Market Position	Category	Seller	Buyer
Upscale – Full Service	Branded Chain	Thayer Lodging Group	JBG Companies
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$300,000,000	133	$224,888

10) The Watergate Hotel

Market Position	Category	Seller	Buyer
Luxury	Independent	Blackstone Group	Monument Realty
Sale Year	**Price**	**Rooms**	**Price per Room**
2004	$55,000,000	251	$219,124

11) Holiday Inn Downtown

Market Position	Category	Seller	Buyer
Mid-Scale – Full Service	Branded Chain	N/A	LaSalle Hotel Properties
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$44,600,000	212	$210,377

12) Washington Terrace Hotel

Market Position	Category	Seller	Buyer
Midscale – Full Service	Independent	Amstar Group	RLJ
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$44,250,000	220	$201,136

13) Hyatt Regency Capitol Hill

Market Position	Category	Seller	Buyer
Luxury	Branded Chain	Strategic Hotel Capital	Blackstone Group
Sale Year	**Price**	**Rooms**	**Price per Room**
2004	$157,000,000	834	$188,249

14) Hilton Capitol

Market Position	Category	Seller	Buyer
Upscale	Branded Chain	Hilton Hotels Corp.	CNL & Hilton (JV)
Sale Year	**Price**	**Rooms**	**Price per Room**
2002	$102,000,000	543	$187,845

15) Hotel George

Market Position	Category	Seller	Buyer
Luxury	Boutique	Angelo Gordon	LaSalle Hotel Properties
Sale Year	**Price**	**Rooms**	**Price per Room**
2003	$24,500,000	139	$176,259

16) Doubletree Guest Suites Downtown

Market Position	Category	Seller	Buyer
Upscale – Full Service	Branded Chain	N/A	N/A
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$18,000,000	105	$171,429

17) Marriott Crystal Gateway

Market Position	Category	Seller	Buyer
Upscale – Full Service	Branded Chain	EADS	Ashford Hospitality Trust
Sale Year	**Price**	**Rooms**	**Price per Room**
2006	$107,000,000	697	$153,515

18) Four Points by Sheraton

Market Position	Category	Seller	Buyer
Upscale - Branded	Branded Chain	Goldberg Company	JBG Companies
Sale Year	**Price**	**Rooms**	**Price per Room**
2004	$39,000,000	265	$147,170

19) Lincoln Suites Downtown

Market Position	Category	Seller	Buyer
Economy	Branded Chain	RLJ Development	Potomac Hospitality Services
Sale Year	**Price**	**Rooms**	**Price per Room**
2006	$14,500,000	99	$146,465

20) One Washington Circle

Market Position	Category	Seller	Buyer
Upscale	Boutique	SLT Realty/Starwood Hotels & Resorts	George Washington University
Sale Year	**Price**	**Rooms**	**Price per Room**
2001	$21,500,000	151	$142,384

21) Churchill Hotel

Market Position	Category	Seller	Buyer
Upscale	Boutique	Rolaco Services	Winston LLC
Sale Year	**Price**	**Rooms**	**Price per Room**
2001	$20,350,000	144	$141,319

22) Radisson

Market Position	Category	Seller	Buyer
Midscale – Full Service	Branded Chain	Barcelo Hotels	Kimpton Hotels
Sale Year	**Price**	**Rooms**	**Price per Room**
2004	$40,263,000	301	$133,764

23) Hilton Garden Inn

Market Position	Category	Seller	Buyer
Luxury	Brand Chain	ING Realty Partners	Urgo, Clairmont & Co.
Sale Year	**Price**	**Rooms**	**Price per Room**
2002	$45,000,000	353	$127,479

24) Doubletree Park Terrace

Market Position	Category	Seller	Buyer
Upscale	Branded Chain	Washington Park Hotel Association	ALG Investments
Sale Year	**Price**	**Rooms**	**Price per Room**
2001	$27,270,000	219	$124,521

25) Holiday Inn Downtown

Market Position	Category	Seller	Buyer
Economy	Branded Chain	Wright Investment Prop.	AEW Capital Management
Sale Year	**Price**	**Rooms**	**Price per Room**
2004	$25,900,000	212	$122,170

26) Springhill Suites

Market Position	Category	Seller	Buyer
Mid-Scale – Limited Service	Branded Chain	Buccini/Pollin	Ashford Hospitality Trust
Sale Year	**Price**	**Rooms**	**Price per Room**
2005	$15,860,000	133	$119,248

27) Hotel Rouge

Market Position	Category	Seller	Buyer
Upscale	Boutique	Taj International Hotels, Inc.	LHO Washington Hotel Three, LLC
Sale Year	**Price**	**Rooms**	**Price per Room**
2001	$15,746,946	186	$85,661

28) <u>Best Western Capitol Skyline</u>

Market Position	Category	Seller	Buyer
Mid-level	Branded Chain	Shankar Patel	Rubell Hotels
Sale Year	**Price**	**Rooms**	**Price per Room**
2002	$7,200,000	203	$35,468