

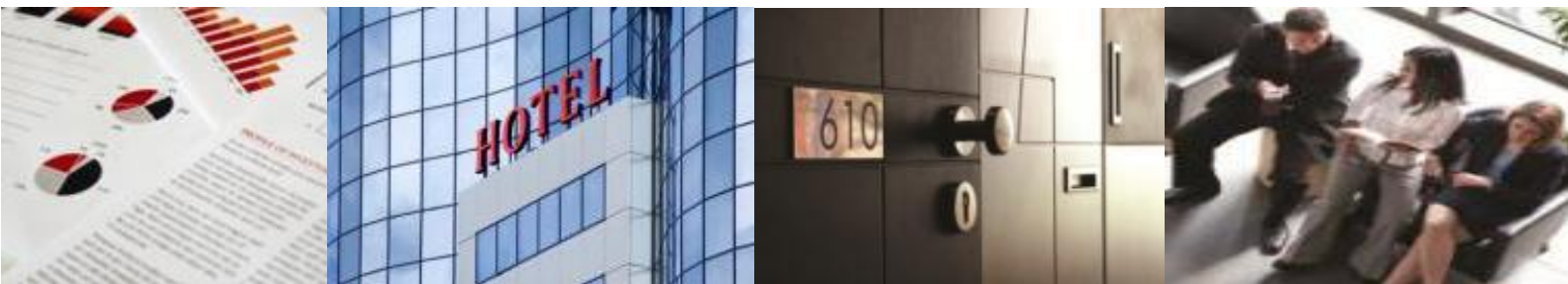


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THE ECONOMIC LIFE OF ECONOMY HOTELS

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Methodology

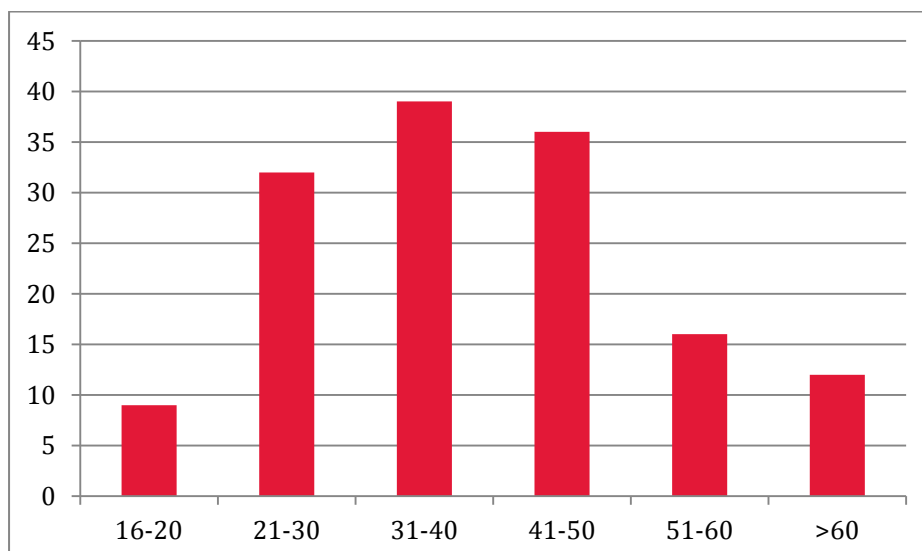


Economic life is an important component in determining development feasibility of hotels. Economic life is defined in the Appraisal Institute's *Dictionary of Real Estate Appraisal* as "the period over which improvements to real property contribute to property value." A deteriorating property can lead to a depreciation of the value of the asset, and owners of an aging property may determine that the expenses associated with improving the property cannot be justified. When improvements cease to contribute to value, the property's economic life comes to an end.

The authors have collected data from approximately 150 economy tier hotel properties from across the United States to determine the average economic life of these properties. Outliers with an economic life of fifteen years or fewer were eliminated from our data set. This study considers only properties that were closed by *normal wear and tear* associated with age. Other reasons for the closing of properties that are not associated with normal wear and tear, such as natural disasters, have been excluded from our collection. Data on opening and closing dates of properties were gathered through the extensive HVS database of hospitality assets, STR participation lists, and interviews conducted by the authors.

Conclusions

We have determined that the average (arithmetic mean) economic life of an economy hotel property is as follows: **40.4** years. The median value is 39 years. The frequency distribution is presented in the figure below. The range of economic life, excluding properties that closed prior to sixteen years in operation, is reported on the horizontal axis. The vertical axis reports the number of properties within each period.





About HVS

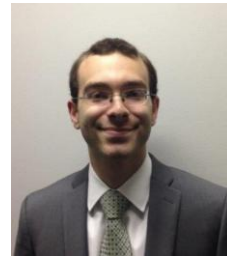
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