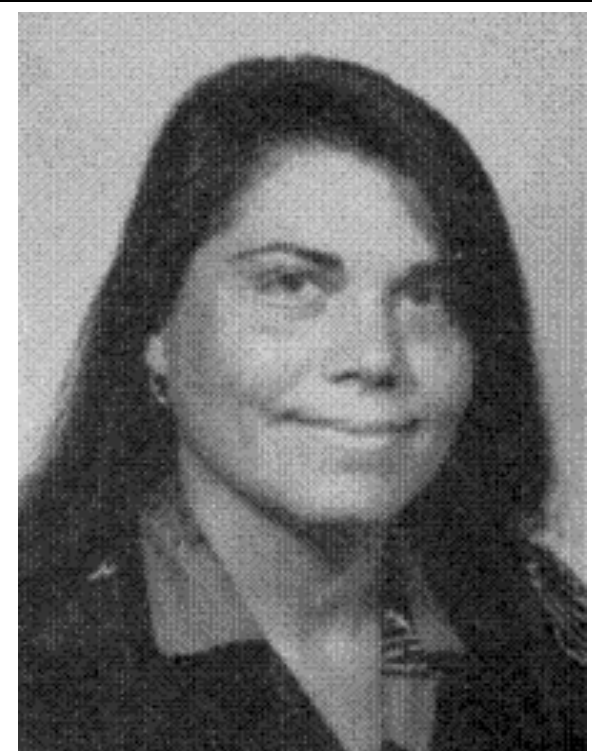


Pinnacle Advisory Group

The nation's leading full-service hospitality consulting firm



Rachel J. Roginsky, ISHC

Principal

*Pinnacle Advisory Group
76 Canal Street
Boston, MA 02114*

*rroginsky@pinnacle-advisory.com
www.pinnacle-advisory.com*



Hotel Impact Studies

Base Impact and Incremental Impact

*Still On The Fast Track!...
For How Long?*

Hotel Impact Implies:

- Protection of Franchisees' Rights
- Expansion of Franchise Presence in a Specific Market
- Erosion of Demand Generated Through Central Reservations System

Two Tiers of Impact:

- Base Impact
- Incremental Impact



Base Impact:

- Effects of New Competition on Existing Property Due to New (or Newly Competitive) Hotel Rooms in Competitive Market
- Example:
 - A 125-Room Hilton Garden Inn Opens in Downtown, USA Adjacent to an Existing 95-Room Courtyard

Incremental Impact:

- Effects of New Competition on Existing Property Due to New Hotel Rooms in Competitive Market Operating Under the Same Brand, Franchise Company, or Reservation System
- Example:
 - A New Best Western Hotel Opens 10 Miles from an Existing Best Western Hotel



Base Impact vs. Incremental Impact:

- New Supply May Cause Base Impact, But New Supply Within the Same Franchise or Reservation Network May Cause *Base and Incremental Impact*
- Incremental Impact is the Additional Impact Incurred Due to the Dilution of the Franchise Company-Generated Business



Considerations in Determining Impact:

- Geographic Characteristics
- Target Markets and Market Mixes
- Hotel Rate Structures
- Central Reservations System Contribution



The Impact Policy:

- Notification/Timing
- Objection Process
- Evaluation
- Impact Findings



Determining Impact: The Impact Study

- Evaluate the Existing Property
- Analyze the Competitive Market
- Profile the Applicant Property
- Profile the Franchise Company and its Brands
- Project Occupancy and Average Rate for Existing Property
- Determine the Impact



Scenario One:

There is an Existing Gateway Hotel and Hilton Hotel in Downtown, USA. Both Have Been Open for 10 Years.

The Gateway Hotel Undergoes Renovation and Re-Opens as a Hilton Garden Inn.

- Who Faces Potential Impact?
- What Kind of Impact?



Scenario Two:

Developer A Submits an Application to Build a Courtyard in Suburbia, USA. The Existing Residence Inn, Located in the Next Town Objects Claiming Impact.

- What Type of Impact May the Residence Inn Face?
- What May be Some Potential Causes of the Impact?



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Rachel J. Roginsky, ISHC
Daniel C. Hanrahan II, MAI, CRE
Gregory T. Bohan, ISHC

76 Canal Street, Boston, MA 02114 ~ 617.722.9916
238 South State Street, Newtown, PA 18940 ~ 215.579.1804
3418 Norfolk Street, Pompano Beach, FL ~ 954.786.2019

rroginsky@pinnacle-advisory.com
www.pinnacle-advisory.com