



COMMERCIAL PROPERTIES COMMITTEE

Practice Note 35

REVALUATION 2005

Valuation of Budget Hotels/Lodges

1.0 INTRODUCTION

The Budget Hotel/Lodge has been the main growth area in the accommodation market since 1993. The major operators in Scotland are Travel Inn, Travelodge and Holiday Inn Express. There are also a number of other operators trying to establish brands in the market.

Budget hotels cater in general for overnight trade. The properties are usually purpose built in a format that allows optimum operation; however, some town centre properties are adapted office buildings.

These subjects are similar to, and are frequently operated in direct competition with, standard hotels. There are, however, certain distinguishing features of a budget hotel operation that influence the level of valuation:

- Operators have a scheme of standard prices throughout the country charged on a room only basis, often through a central booking system.
- Payment is made in advance, before take up of the room.
- The rooms are a standard size and layout.
- Limited room service.
- Restaurant and/or Bar facilities are available either in-house or in an adjacent property under the same occupation.

The emphasis on providing reasonably priced basic accommodation in a standard format has led to the properties achieving consistently higher occupancy levels with lower overheads than traditional hotels.

Where a budget hotel offers more services and a higher tariff, it will normally be appropriate to have regard also to the percentages recommended for full service hotels

This practice note also applies to all similar establishments that have tariffs, building characteristics, and levels of service similar to those of the major operators.

2.0 BASIS OF VALUATION

These subjects are valued by reference to turnover with a percentage applied to the accommodation turnover, which varies according to the income per DBU (double bed unit).

A standard bedroom will be treated as one DBU.

Where a different charge is made for non-standard rooms, adjust the DBU calculation in accordance with the table shown at paragraph 3.0.

Where local evidence suggests a higher level of value it may be appropriate to have regard to this. e.g. airport situation.

2.1 Accommodation

It is recommended, in the absence of local evidence, that the percentage to be applied to the accommodation element of the turnover is taken from the following table:

ACCOMMODATION RECEIPTS PER DBU (£)	% TO NET ANNUAL VALUE
£18,000 and over	17.5
£17,000 to £17,999	17.0
£16,000 to £16,999	16.5
£15,000 to £15,999	16.0
£14,000 to £14,999	15.0
£13,000 to £13,999	14.0
£11,000 to £12,999	13.0
£9,000 to £10,999	12.5
£7,000 to £8,999	12.0
£5,000 to £6,999	11.5
Under £5,000	11.0

Adjustments

Where the budget hotel is not purpose built resulting in a less than optimum layout, the above percentages should be reduced by 0.5%.

If the entry in the Roll comprises the basic lodge, i.e. bedrooms, reception and storage cupboards only, without breakfast restaurant, bar facilities or alternative eating establishment in the same occupation, the percentage should be reduced by 0.5%.

2.2 Turnover from Other Sources

In the case of a stand-alone budget hotel with an integral bar/restaurant, the accommodation should be valued on the scale shown above. Where food, liquor and other income in total amount to around 25% or less of total income that income should be valued at 9%. Where the property benefits from significant non-resident food and liquor

trade, and income from these sources is in excess of 25% of total income, regard should also be had to the recommendations for licensed premises.

Budget hotels are frequently unum quid with a public house or restaurant. In such cases it will be appropriate to value the public house/restaurant in accordance with the relevant practice note.

Where a cold/continental style breakfast is provided, in what is an extension to the reception area, the turnover for that element is not considered to add any extra value to the property and should not be valued separately but deemed to be included in the accommodation value. Holiday Inn Express tends to operate this way.

3.0 DOUBLE BED UNITS

Where a different charge is made for non-standard rooms, a double bed unit should be calculated using the following reduction factors: -

ROOM	RF En Suite	RF Without facilities	Size Guide
a) Double or Twin	1.00	0.75	10 - 20m ²
b) Single	0.70	0.45	Up to 10m ²
c) Family	1.25	1.00	20 - 30m ²
d) Suite - Standard	1.50	-	2 rooms or over 30m ²
e) Suite - Superior	2.00	-	2 rooms or over 30m ²