



2017 U.S. Hotel Property Tax Study

October 5, 2017

Objective

The objective of this study was to estimate the total volume of property taxes paid by U.S. hoteliers in 2016, as well as provide an estimate of total property taxes for each state. This research was funded by grant awarded from the American Hotel & Lodging Educational Foundation.

Methodology

In order to estimate the volume of hotel property taxes paid for each state in the United States, STR utilized its database of rooms revenues data from over 30,000 hotels, broken down by market. Rooms revenues from the remaining hotels within each market were estimated using modeled data based on the performance of hotels in that same market and class.

Property Taxes were then estimated using HOST P&L data for 2014, 2015, and 2016. STR collected HOST P&L data for over 5,000 hotels each of these three years. This data includes actual real estate tax expense, personal property taxes, and other property tax expense.

As property taxes are determined at the local level of government, we modeled total property taxes based on a ratio of rooms revenues for each individual market (STR defines 164 individual markets for the United States). The relationship between rooms revenues and property taxes was determined to yield the highest correlation of any other methods analyzed. The market-level property taxes were then extrapolated to the state level to attain a total tax expense for each state.

This analysis assumes that all hotels in each state are paying full property taxes based on local property tax assessments. While some hotels may receive tax incentives and do not pay any property taxes or only a partial amount, we are unable to determine or estimate the number of hotels that have these tax incentive agreements in place.

Property Taxes Defined

Property taxes collected in the HOST P&L program include real estate taxes, personal property taxes, and other property taxes. The HOST program uses the Uniformed System of Accounts for the Lodging Industry (USALI) as a basis of data collection. Data submissions are provided and accounted for by our third-party data providers. STR assumes this data is accounted and allocated properly as instructed by the USALI. The 11th edition USALI defines three types of property taxes as follows:

Real Estate Taxes – Includes all taxes assessed against the real property by a government or public agency.

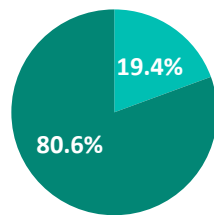
Personal Property Taxes – Taxes on furnishings, fixtures, and equipment. This also includes any professional fees incurred by the property in appealing a tax assessment.

Other Taxes – Any taxes other than income, payroll, or those listed above are charged to this line item. Business Improvement District (BID) is included in this category

Study Findings

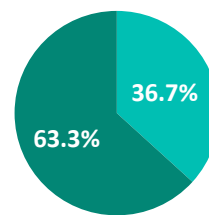
In this study, we estimated total property tax expense by both state and market. There are 164 STR-defined markets and 50 states, in addition to the District of Columbia. There are 53,406 hotels in the United States, whereby STR has performance data for approximately 32,000 of these hotels. Combining both actual and modeled rooms revenues for all 53,406 hotels, total rooms revenues for the entire U.S. were estimated to be \$149 billion in 2016. Approximately 81 percent of all U.S. hotels are limited-service properties, while 19 percent are considered to be full-service. In terms of total rooms, there were over 5 million in 2016, where 63 percent were limited-service and 37 percent were full-service.

Census Properties



■ Full Service ■ Limited Service

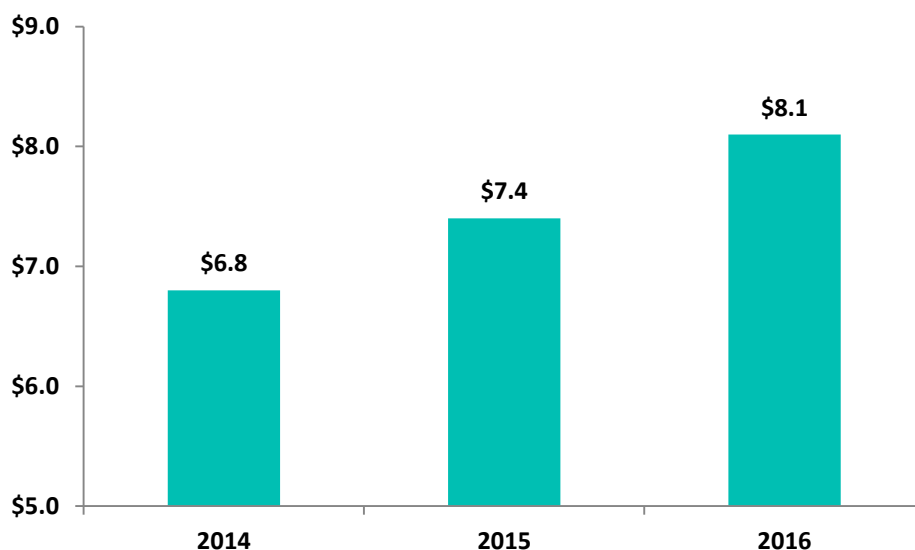
Census Rooms



■ Full Service ■ Limited Service

For 2016, total estimated property tax expense equaled \$8.1 billion in the U.S. This is an increase of +9.7% from 2015, when the estimated property tax expense equaled \$7.4 billion, and up +19.8% from 2014, when property taxes equaled \$6.8 billion. For comparison, rooms revenues for the U.S. increased +4.8% in 2016 compared to 2015, and +11.0% from 2014.

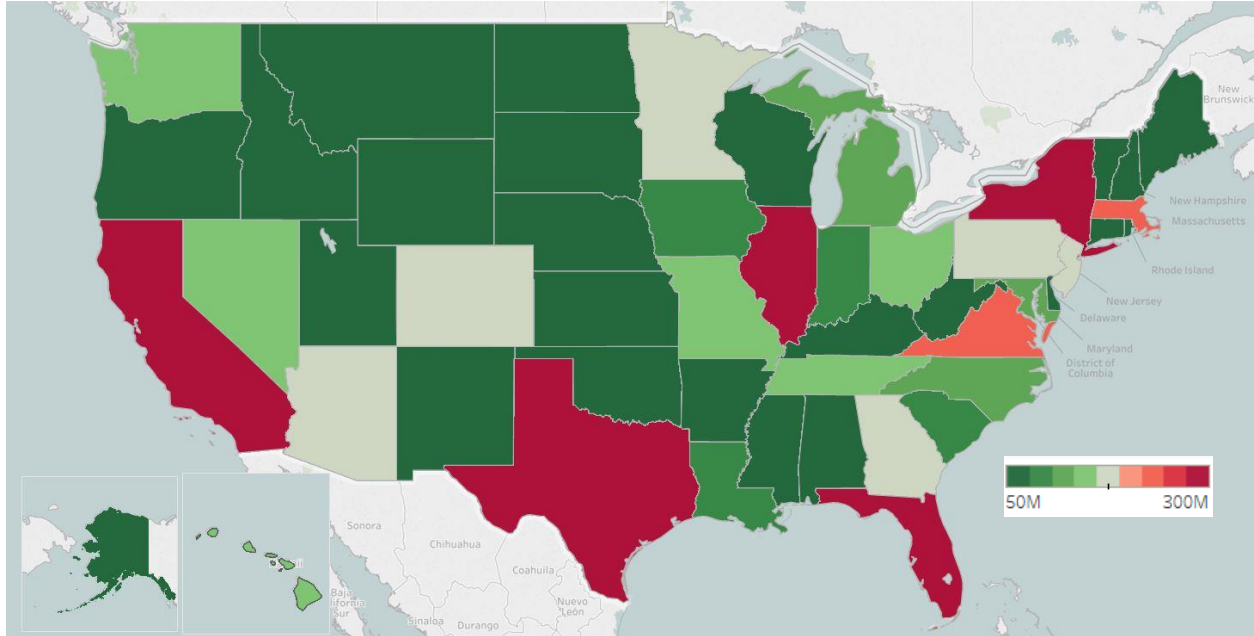
Total Estimated Property Tax Expense by Year (Billions)



Property Tax Expense by State

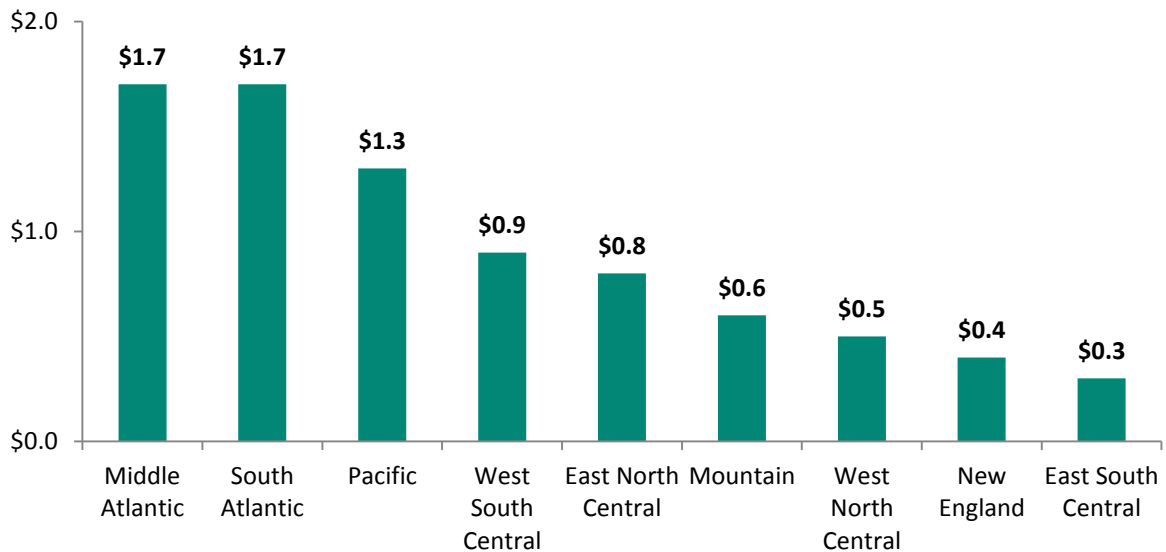
Total estimated property tax expense for the United States in 2016 was \$8.1 billion. In the map below, the states shaded in dark red had the highest estimated property tax expense, while the states in dark green saw the lowest levels of estimated property taxes. Overall, 22 states and the District of Columbia had an estimated property tax expense of over \$100 million, totaling \$7 billion for these states, and accounting for 86% of all property tax expense in 2016. The remaining 28 states saw total property taxes range from \$7.8 million (Wyoming) to \$98.5 million (Louisiana), and totaled \$1.1 billion.

Total Estimated Property Tax Expense by State



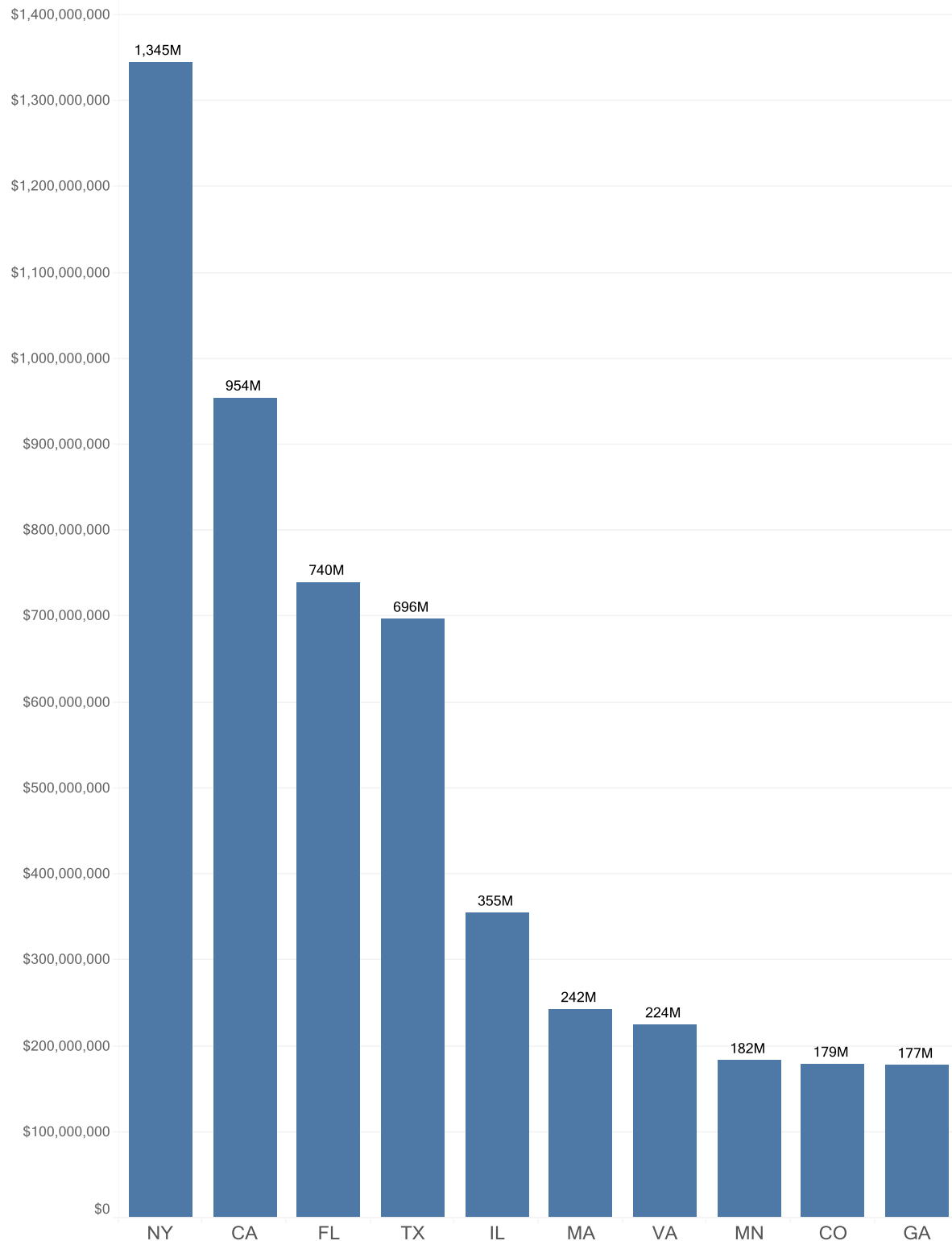
When breaking down property tax expense by region, the Middle Atlantic region accounted for the largest portion of property tax expense with \$1.67 billion, which was 20.6% of the total for the U.S. The South Atlantic region had the second highest total property tax expense at \$1.65 billion, followed by the Pacific region with \$1.34 billion.

Total Estimated Property Tax Expenses by Region (Billions)



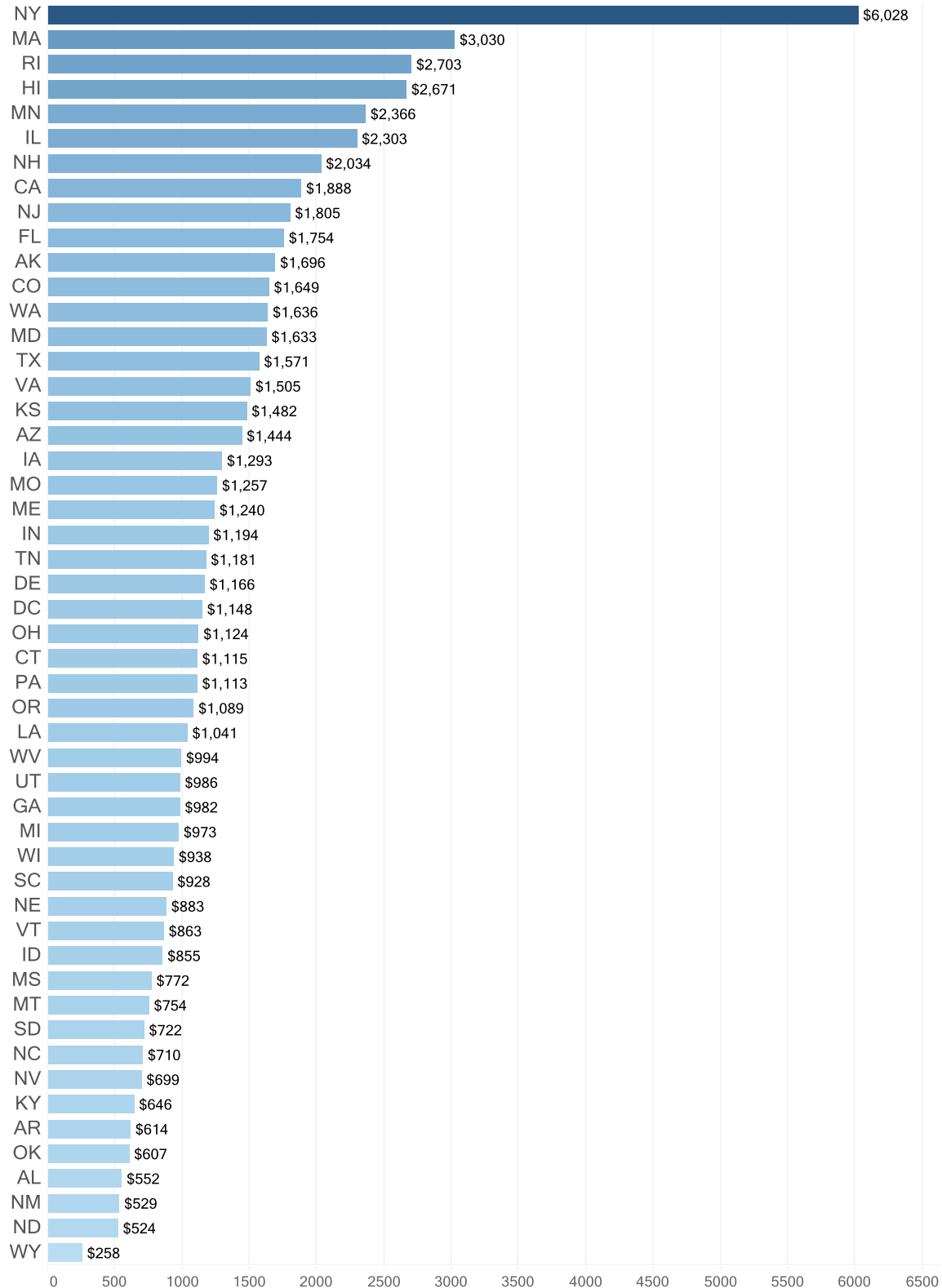
States with Largest Total Property Tax Expense

New York had the highest total property tax expense in 2016 with an estimated \$1.3 billion. The state with the second highest property tax expense was California, followed by Florida and Texas. The top ten states totaled \$5 billion in property tax expense, and accounted for 64% of total property taxes for the U.S in 2016.



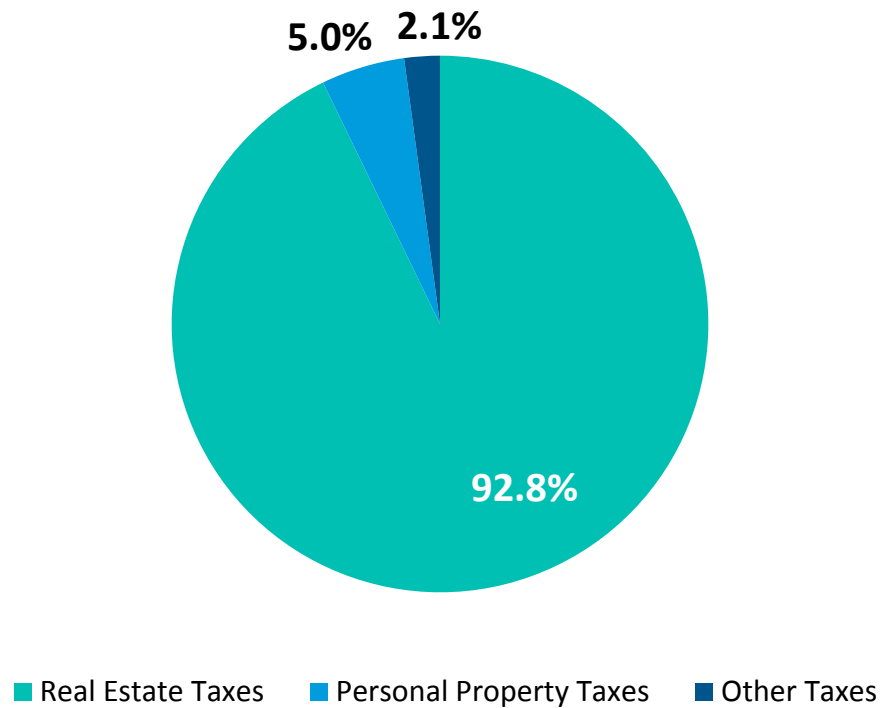
Total Estimated Property Tax per Available Room by State

New York also had the highest estimated property tax expense per available room (PAR) with an estimated \$6,028 PAR, which was nearly double any other state. The state with the second highest estimated property taxes per available room was Massachusetts, followed by Rhode Island and Hawaii.



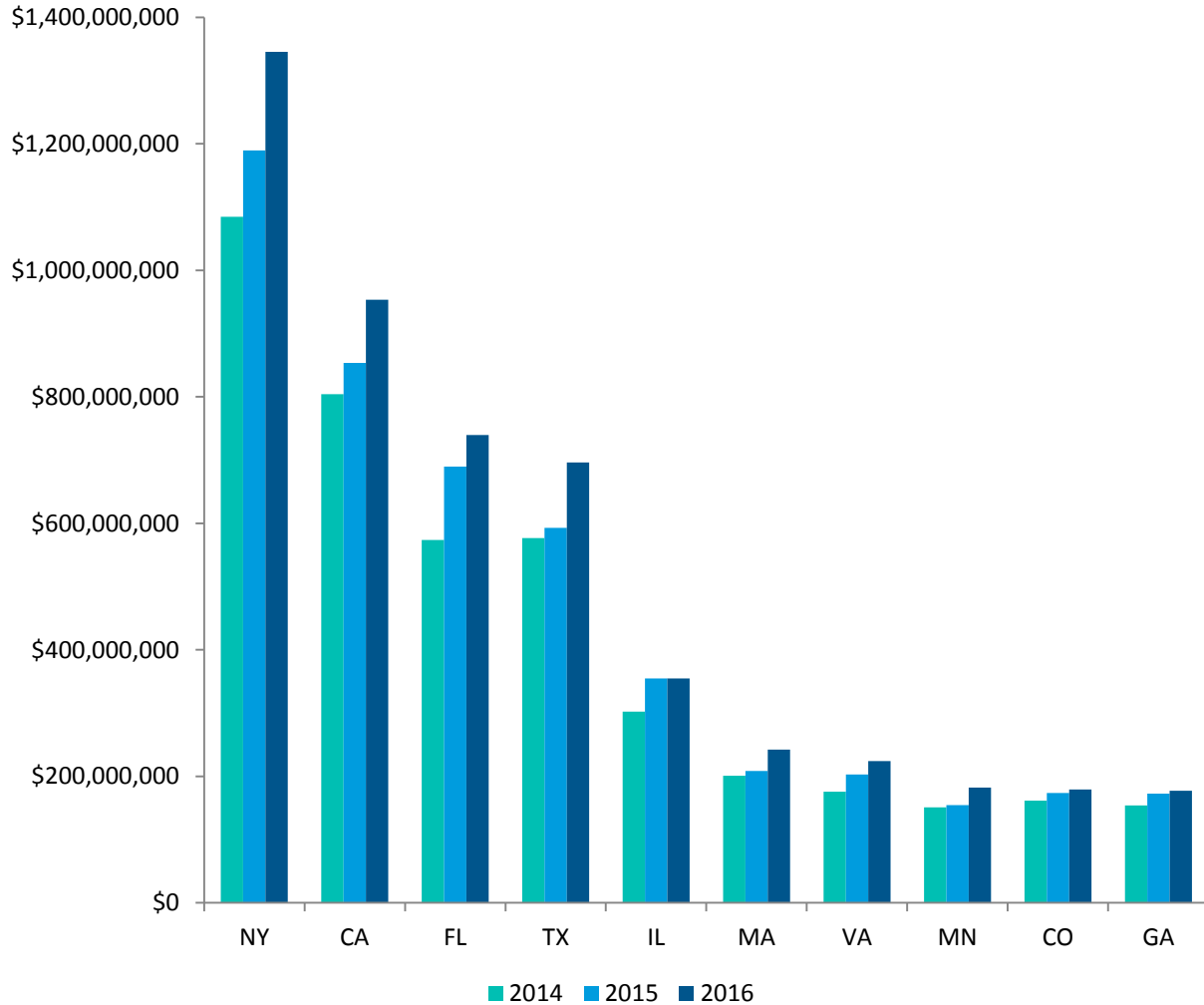
Total Property Tax Expense by Type

The chart below shows a breakdown of property tax types for the entire United States. Real estate taxes account for the vast majority of total property tax expense, accounting for nearly 93% of all property taxes. Personal property taxes accounted for 5% of property tax expense, while other taxes accounted for only 2%.

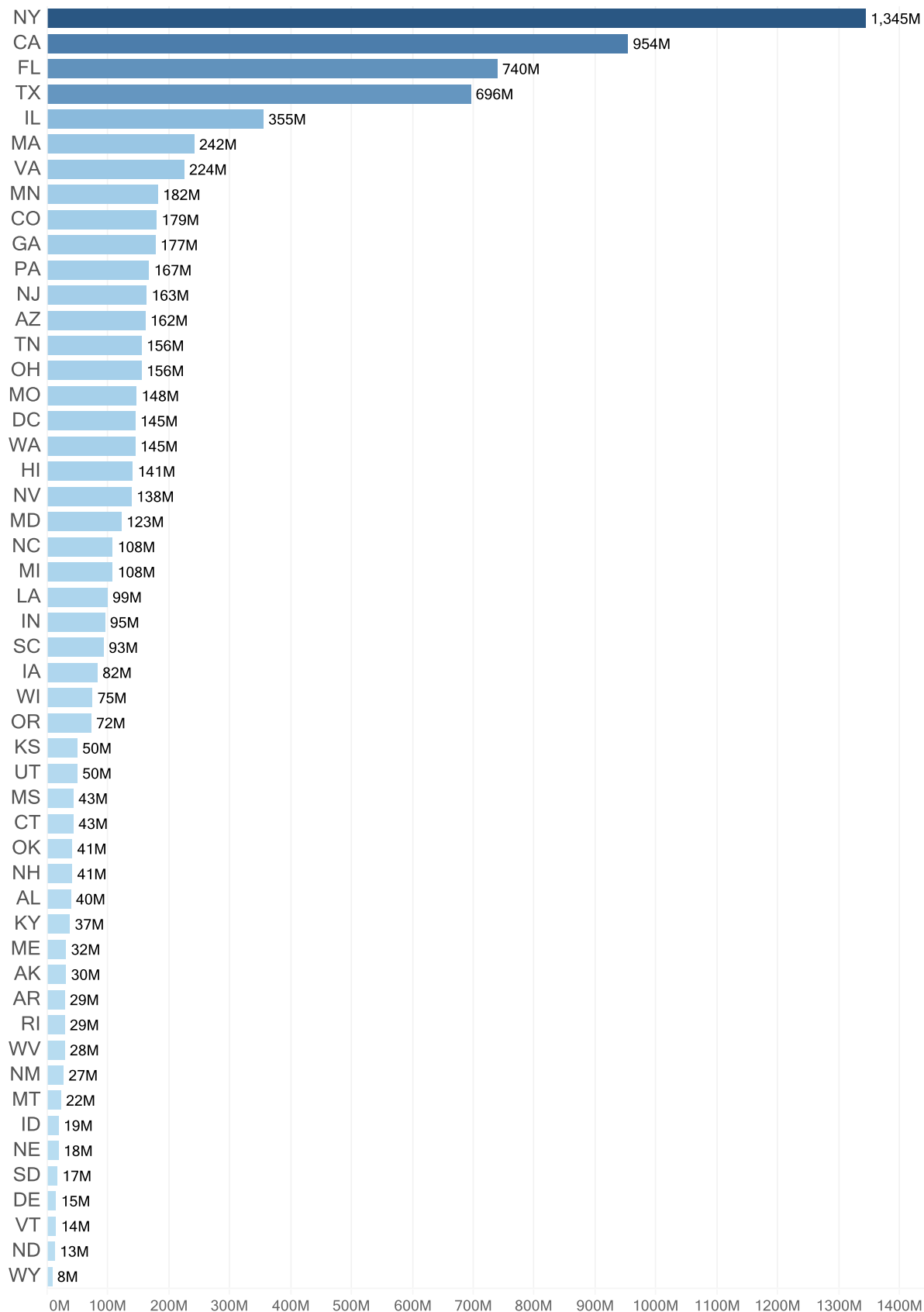


Top States for Estimated Property Tax Expense by Year

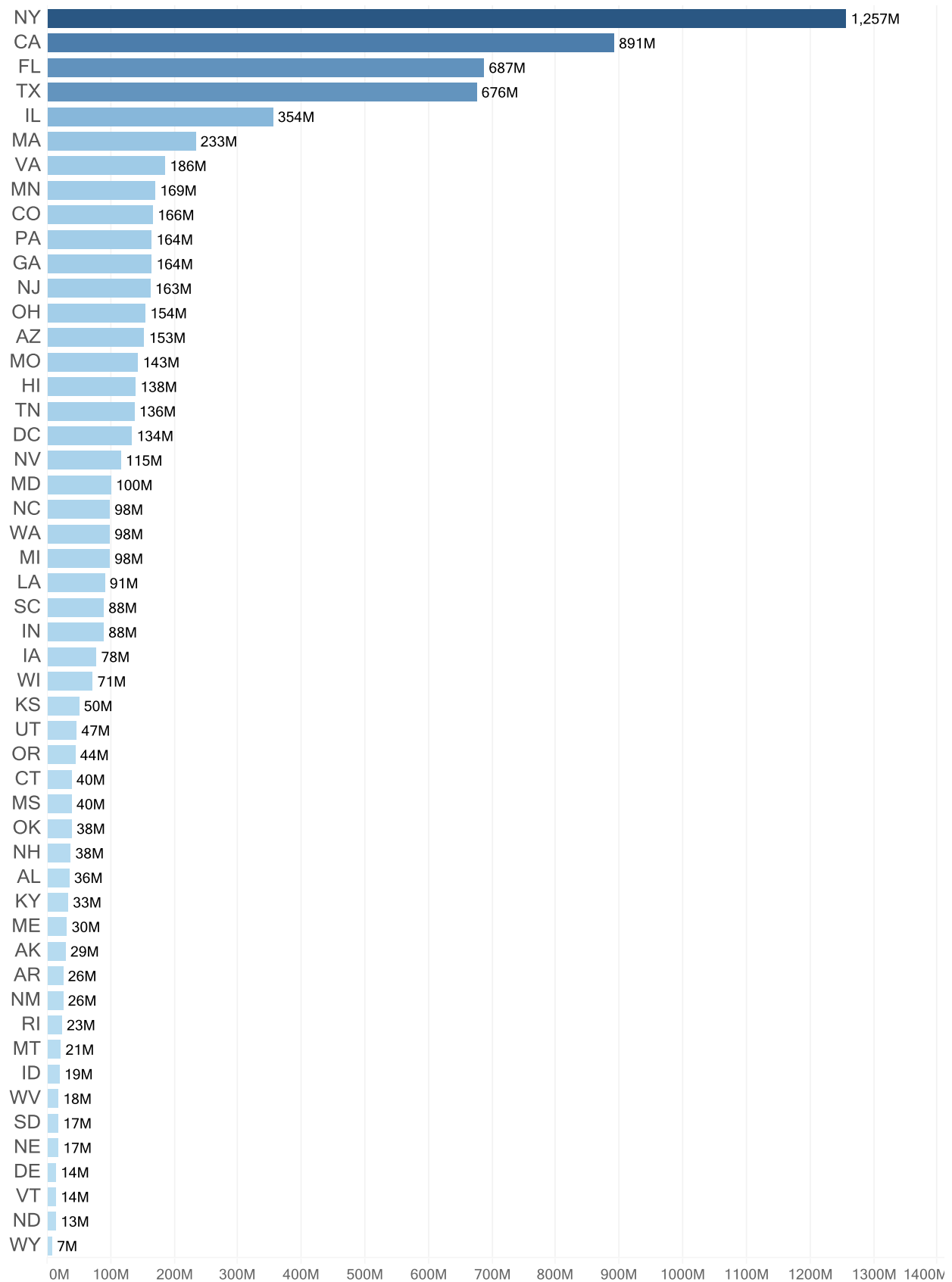
Total property tax expense has grown significantly over the past three years across the U.S. The ten states with the highest property taxes in 2016 have experienced property tax growth by a compound annual growth rate (CAGR) of +10% each year. Florida has experienced the largest growth over the past three years, growing +13.6% annually. The state with the second most growth was Virginia with a +12.9% annual increase, followed by New York with + 11.4% growth.



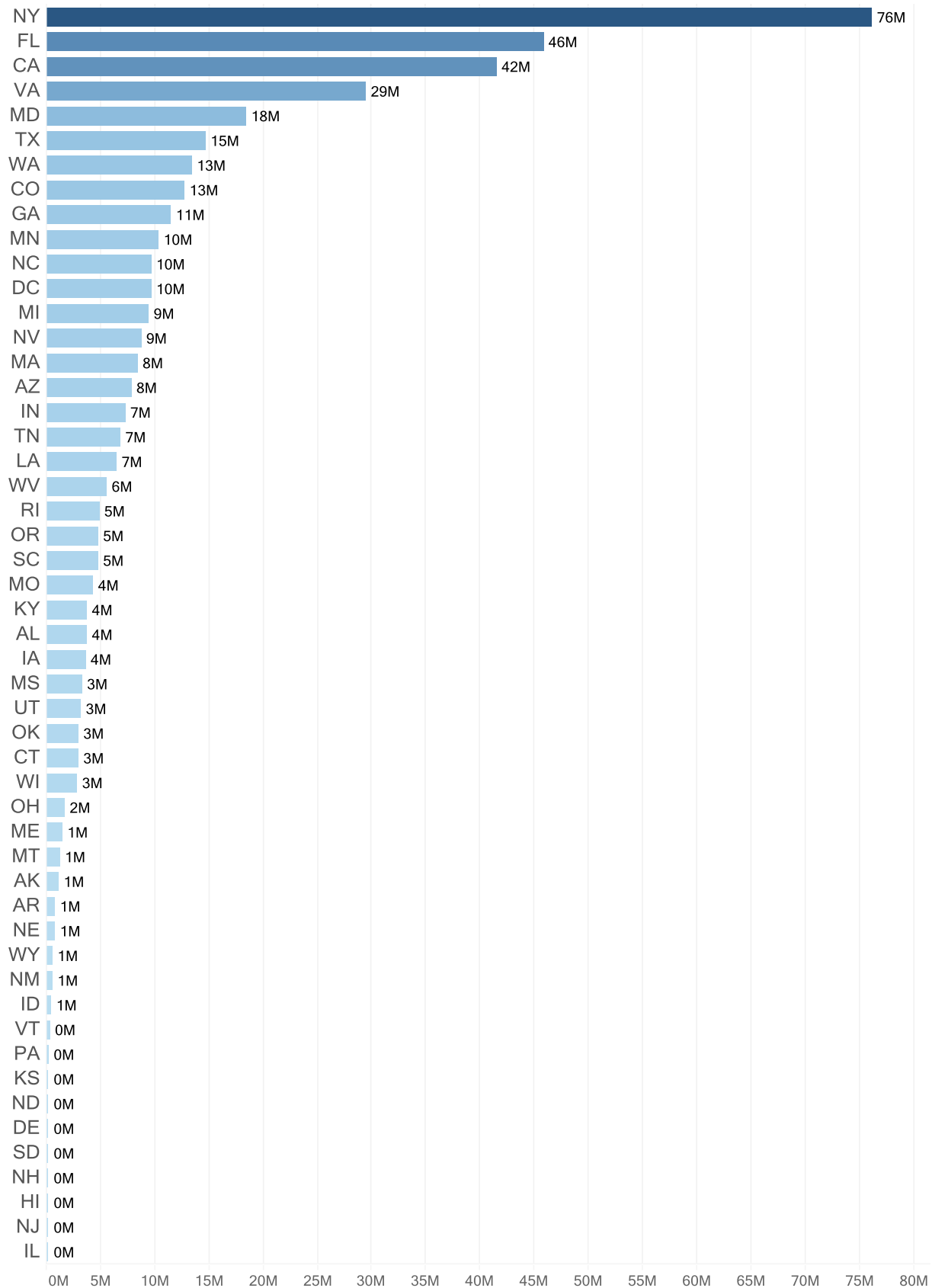
Total Estimated Property Tax by State



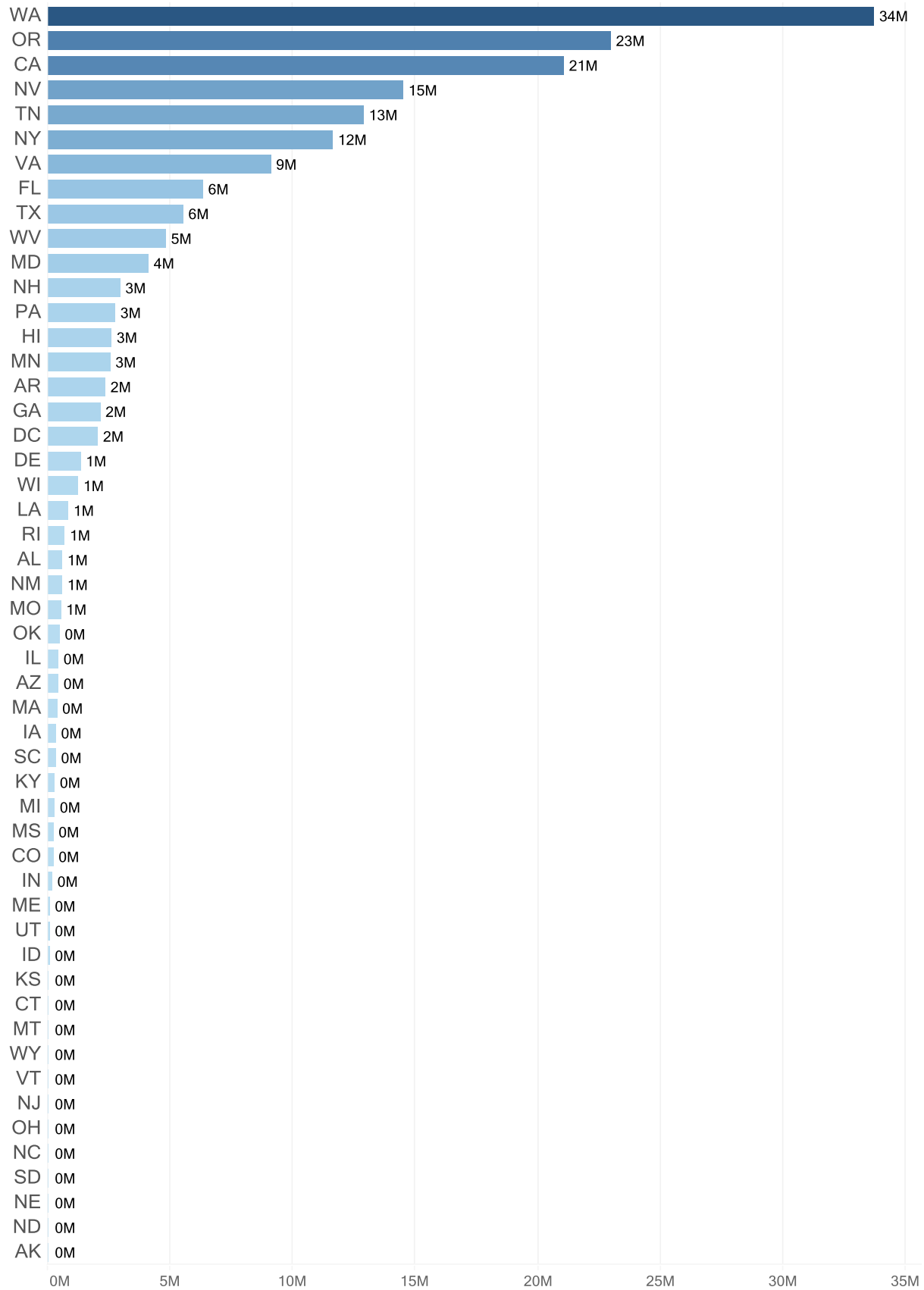
Real Estate Tax by State



Personal Property Tax by State



Other Property Tax by State



2016 Total Estimated Property Taxes by State and Type

| State | Real Estate Taxes (\$) | Personal Property Taxes(\$) | Other Taxes(\$) | Total Tax Expense(\$) |
|-------------------|------------------------|-----------------------------|-----------------|-----------------------|
| Alaska | 28,883,005 | 1,148,231 | - | 30,031,237 |
| Alabama | 35,707,932 | 3,728,690 | 616,136 | 40,052,758 |
| Arkansas | 25,785,017 | 827,798 | 2,383,372 | 28,996,187 |
| Arizona | 153,322,279 | 7,816,550 | 430,993 | 161,569,822 |
| California | 890,851,689 | 41,608,041 | 21,090,998 | 953,550,729 |
| Colorado | 166,105,944 | 12,793,579 | 227,668 | 179,127,190 |
| Connecticut | 39,532,097 | 2,925,168 | 55,238 | 42,512,503 |
| Dist. of Columbia | 133,600,838 | 9,649,963 | 2,048,590 | 145,299,391 |
| Delaware | 14,085,377 | - | 1,363,308 | 15,448,685 |
| Florida | 687,271,328 | 45,933,904 | 6,359,571 | 739,564,803 |
| Georgia | 163,510,850 | 11,448,598 | 2,167,224 | 177,126,672 |
| Hawaii | 138,026,790 | - | 2,626,188 | 140,652,978 |
| Iowa | 77,805,194 | 3,661,979 | 366,674 | 81,833,847 |
| Idaho | 18,630,974 | 500,023 | 76,410 | 19,207,408 |
| Illinois | 354,215,320 | - | 437,613 | 354,652,933 |
| Indiana | 87,861,279 | 7,261,699 | 180,375 | 95,303,353 |
| Kansas | 49,971,846 | 110,283 | 75,560 | 50,157,689 |
| Kentucky | 32,695,425 | 3,804,891 | 307,912 | 36,808,229 |
| Louisiana | 91,193,364 | 6,523,516 | 845,431 | 98,562,312 |
| Massachusetts | 233,314,367 | 8,444,918 | 401,720 | 242,161,005 |
| Maryland | 100,167,158 | 18,428,677 | 4,128,831 | 122,724,666 |
| Maine | 30,043,363 | 1,490,423 | 115,599 | 31,649,385 |
| Michigan | 97,843,151 | 9,494,570 | 292,382 | 107,630,102 |
| Minnesota | 169,458,285 | 10,371,077 | 2,569,451 | 182,398,813 |
| Missouri | 142,742,477 | 4,315,575 | 547,903 | 147,605,954 |
| Mississippi | 39,505,940 | 3,321,641 | 227,814 | 43,055,395 |
| Montana | 20,834,519 | 1,205,577 | 21,251 | 22,061,347 |
| North Carolina | 98,265,935 | 9,727,265 | - | 107,993,200 |
| North Dakota | 13,181,522 | - | - | 13,181,522 |
| Nebraska | 16,866,075 | 774,354 | - | 17,640,429 |
| New Hampshire | 37,624,301 | - | 2,975,968 | 40,600,269 |
| New Jersey | 162,927,474 | - | - | 162,927,474 |
| New Mexico | 25,758,160 | 525,312 | 585,151 | 26,868,624 |
| Nevada | 115,089,027 | 8,749,704 | 14,505,734 | 138,344,465 |
| New York | 1,257,380,512 | 76,121,331 | 11,670,365 | 1,345,172,208 |
| Ohio | 153,874,376 | 1,724,707 | - | 155,599,083 |
| Oklahoma | 38,002,477 | 2,973,700 | 481,622 | 41,457,798 |

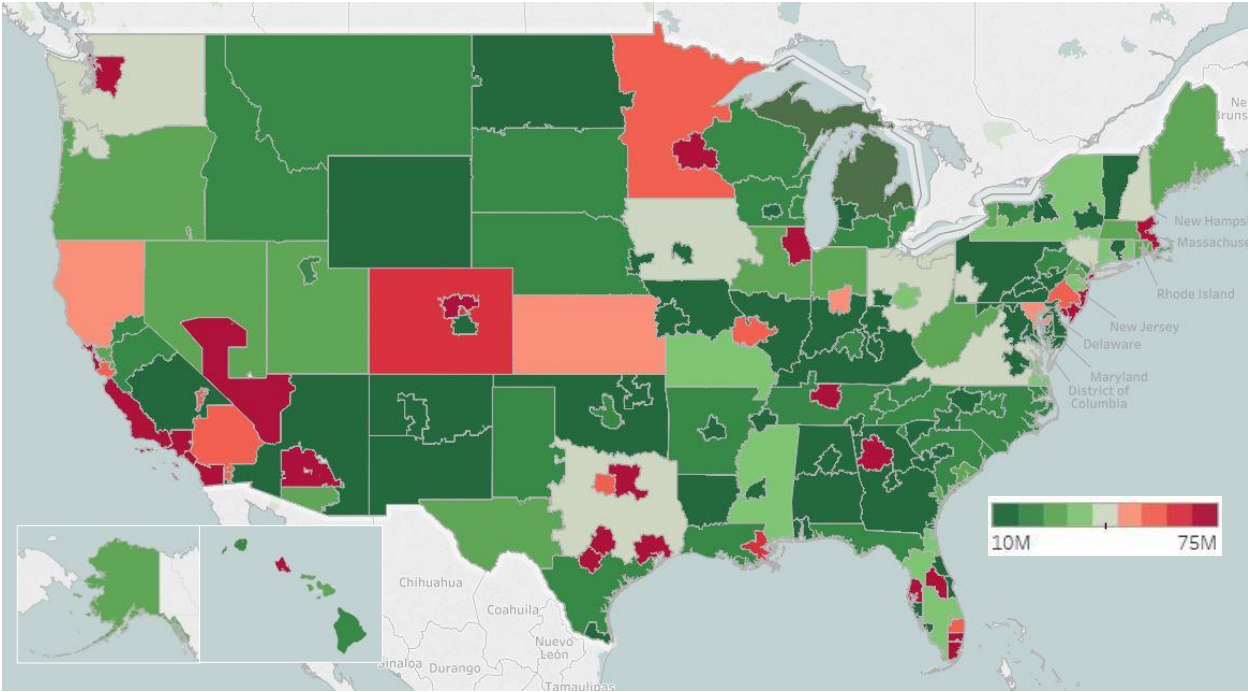
Total Estimated Property Taxes by State and Type (continued)

| State | Real Estate Taxes (\$) | Personal Property Taxes(\$) | Other Taxes(\$) | Total Tax Expense(\$) |
|--------------------|-------------------------------|------------------------------------|------------------------|------------------------------|
| Oregon | 44,243,762 | 4,775,517 | 22,974,711 | 71,993,990 |
| Pennsylvania | 163,962,572 | 227,155 | 2,775,191 | 166,964,918 |
| Rhode Island | 23,074,854 | 4,929,601 | 716,427 | 28,720,882 |
| South Carolina | 88,087,160 | 4,740,434 | 345,244 | 93,172,838 |
| South Dakota | 17,392,543 | - | - | 17,392,543 |
| Tennessee | 136,098,766 | 6,865,478 | 12,917,423 | 155,881,667 |
| Texas | 676,095,853 | 14,673,591 | 5,568,881 | 696,338,325 |
| Utah | 46,647,681 | 3,203,833 | 87,351 | 49,938,865 |
| Virginia | 185,696,430 | 29,450,294 | 9,152,144 | 224,298,868 |
| Vermont | 13,529,663 | 315,519 | 9,326 | 13,854,508 |
| Washington | 98,087,870 | 13,478,109 | 33,716,422 | 145,282,401 |
| Wisconsin | 70,928,578 | 2,897,829 | 1,262,311 | 75,088,718 |
| West Virginia | 17,767,396 | 5,541,363 | 4,819,534 | 28,128,294 |
| Wyoming | 7,297,872 | 525,998 | 17,406 | 7,841,275 |
| Grand Total | 7,530,846,666 | 409,036,463 | 174,545,426 | 8,114,428,556 |

Property Tax Expense by Market

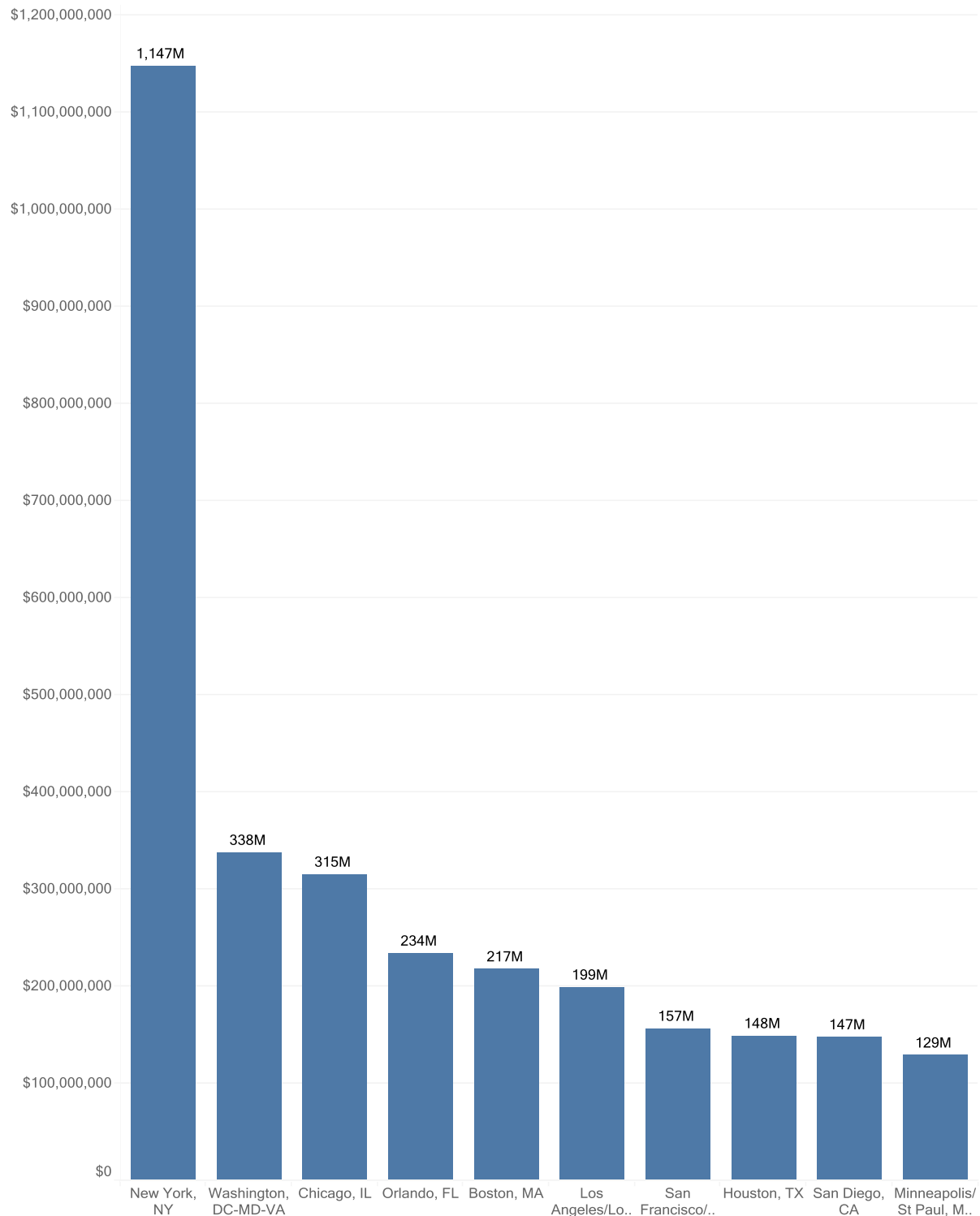
In the map below, the markets shaded in dark red had the highest total estimated property tax expense, while the markets in dark green saw much lower estimated property tax expense. Overall, 21 of the 164 markets totaled property tax expense of over \$100 million. The total amount of the property tax expense for these 21 markets was \$4.3 billion, which was 53% of all property tax expense in 2016. The remaining 143 markets saw total property taxes range from \$1.5 million (Georgia North) to \$96.4 million (Oahu Island, HI), totaling \$3.8 billion.

Total Estimated Property Tax Expense by Market



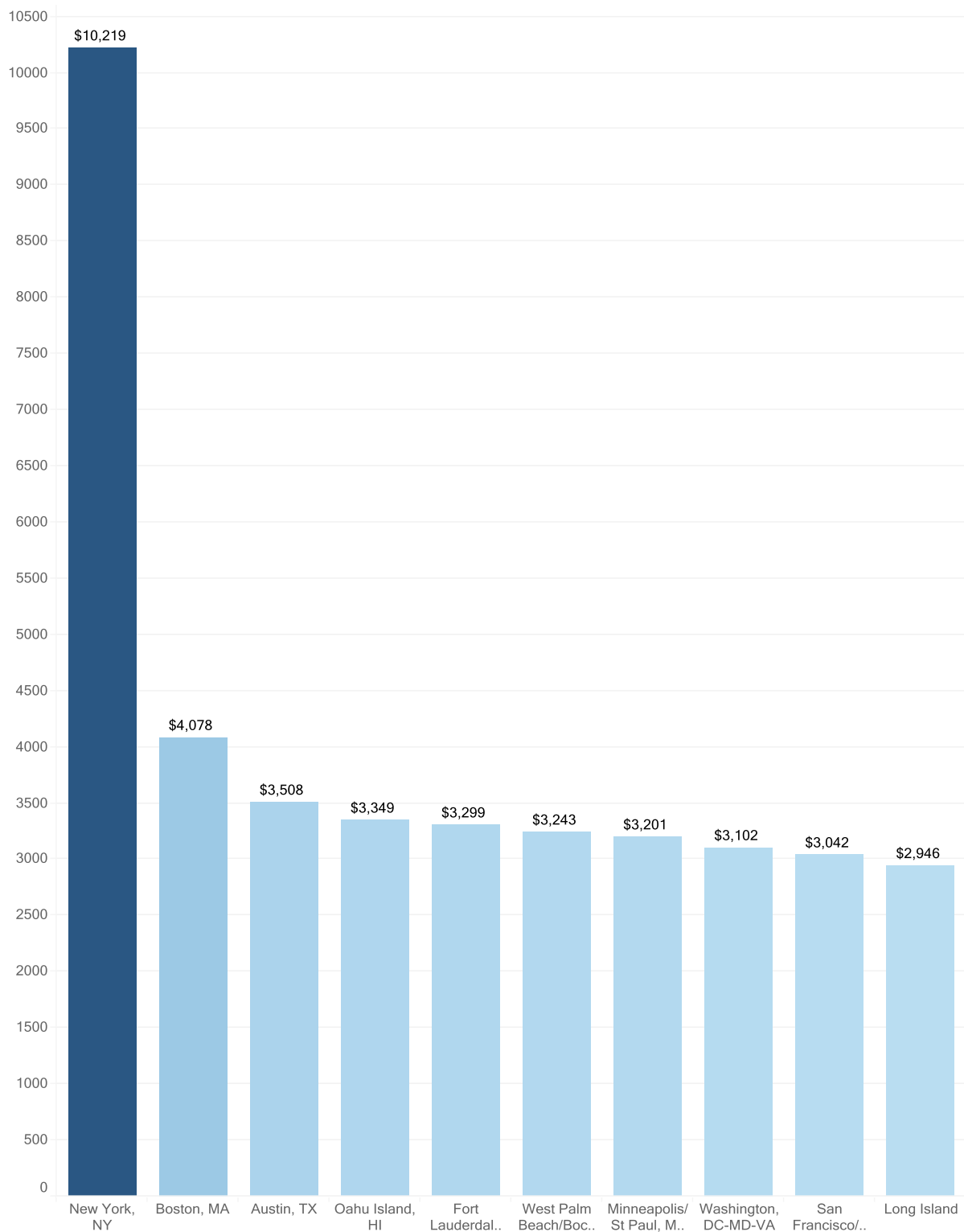
Markets with the Largest Total Property Tax Expense

The New York, NY market had the highest total estimated tax expense in 2016 with \$1.1 billion. After New York, the markets with highest total tax expense in 2016 were Washington, D.C., Chicago, Orlando, Boston, and Los Angeles. The top ten markets combined had an estimated total property tax expense of \$3.0 billion in 2016.



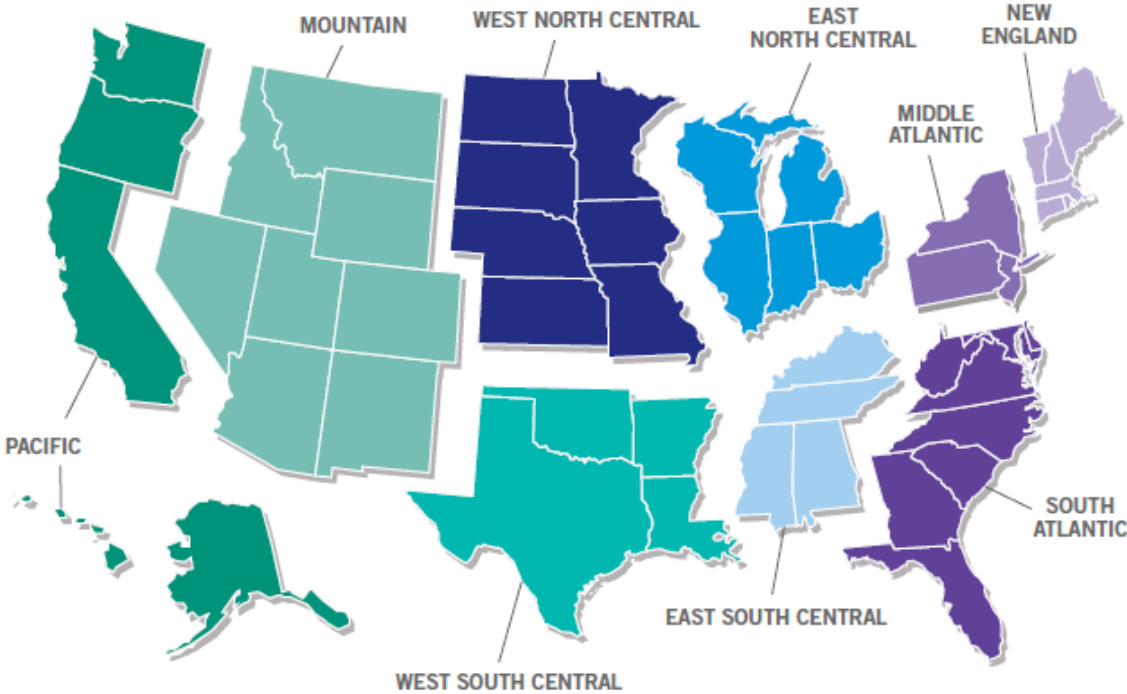
Largest Estimated Property Tax per Available Room

The New York market had the highest estimated property tax expense per available room (PAR) by a wide margin with an estimated \$10,219 PAR. Boston had the second highest total property tax expense per available room with \$4,078 PAR, followed by Austin, Oahu, and Ft. Lauderdale.



Additional Information

STR Region Map



| Pacific | West North Central | East North Central | South Atlantic | New England |
|-----------------|---------------------------|--------------------|----------------|------------------------|
| Alaska | Iowa | Illinois | Delaware | Connecticut |
| California | Kansas | Indiana | Florida | Maine |
| Hawaii | Minnesota | Michigan | Georgia | Massachusetts |
| Oregon | Missouri | Ohio | Maryland | New Hampshire |
| Washington | Nebraska | Wisconsin | North Carolina | Rhode Island |
| | North Dakota | | South Carolina | Vermont |
| | South Dakota | East South Central | Virginia | |
| Mountain | | Alabama | Washington, DC | Middle Atlantic |
| Arizona | West South Central | Kentucky | West Virginia | New Jersey |
| Colorado | Arkansas | Mississippi | | New York |
| Idaho | Louisiana | Tennessee | | Pennsylvania |
| Montana | Oklahoma | | | |
| Nevada | Texas | | | |
| New Mexico | | | | |
| Utah | | | | |
| Wyoming | | | | |



Additional Resources

For any questions regarding the methodology used to produce this analysis and report, please contact STR, Inc.

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For more information about the American Hotel and Lodging Association, please visit www.ahla.com.