

NEWSLETTER

TEAM INSTRUCTORS LEADING THE WAY

TEAM Consulting has a long history of having its instructors fill leadership positions in the assessment community. The tradition continues in 2022.



KARA ENDICOTT, CAE, RES, RMA

Kara Endicott, CAE, RES, RMA, has been elected to the International Association of Assessing Officers (IAAO) Executive Board. Endicott just finished three years chairing IAAO's Education Committee and also received IAAO's 2021 Instructor of the Year award. Endicott's three-year term on the board begins in January 2022. Endicott is the real property valuation manager at the Johnson County, Kansas Appraisers Office.



BOBBY T. LEE, Esq., AAS,

TEAM instructor Bobby T. Lee, Esq., AAS, was elected to serve a three-year term on the IAAO Executive Board. After a 30-year stint with the Tennessee Comptroller of the Treasury, Lee currently practices law at his own firm where he works with assessment officials on property tax issues.

The Georgia Association of Assessing Officials has elected TEAM instructor Stephen White



STEPHEN WHITE

as president of their organization. White is currently the chief appraiser for the Cobb County Board of Assessors in Marietta, Georgia. Congratulations to Kara, Bobby and Stephen!

A complete list of TEAM Consulting instructors can be found at: www.teamconsulting.cc/team-consultants. Please contact Brad Eldridge (eldridge.brad@gmail.com) for workshop information. ■

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WORKSHOP SPOTLIGHT: VALUING DIFFERENT TYPES OF OWNERSHIP CONDOMINIUMS, COOPERATIVES AND PUDS

BY LATH HARRIS, CAE, SRA

Source: Microsoft Stock Images

Over the past three to four years, we have seen an increase in alternative residential properties to detached homes. This is driven by many things like cost of land, demographics of our aging population and others who are looking for less yard work and more time for recreation and work. In this course, we will review some USPAP needs and the appraisal of condominiums, cooperatives and planned unit developments. The course is approached as an appraisal and appraisal review course.

Within the course, forms of ownership and their differences are discussed. Presentations on conversions of other property types into condominiums is included. Discussion will address what the appraiser must identify in these situations, such as the paperwork the appraiser must review and a list of general information appraisers should know. A short demonstration is made of the letter of engagement and its importance.

Paperwork – such as bylaws, condominium declarations and common rules that govern the property – are presented and the impact on value for the individual unit is discussed.

This class deals with the specific issues that are important to condominium, cooperative and PUD housing appraisal. There are several appraisal problems and a case study throughout the course material. The class is designed for seven hours of continuing education and no exam is given.

If you would like to schedule this workshop, please contact Brad Eldridge at eldridge.brad@gmail.com. ■

**To schedule this workshop:
Contact Brad Eldridge at
eldridge.brad@gmail.com**

MEET OUR TEAM

Brent Bailey, ASA
Kishin Bharwani
Fred Chmura, AAS, FIAAO
Ed Crapo, CFA, ASA, AAS, FIAAO
Keith Cunningham, PhD
Pete Davis
George Donatello, CMS, FIAAO
Brad Eldridge, MAI, CAE
Lath Harris, CAE, SRA
Jeff Holsapple, CAE, RES, RMA
Marion Johnson, CAE, FIAAO
Dan Muthard
Richard Norejko, CMS
Henry Riley, CAE, PhD
Ron Schultz, CFA
Rick Stuart, CAE, FIAAO
Ken Voss, MAI, AI-GRS, SRA, CAE

Market Update: Hotels

BY BRAD ELDRIDGE, MAI, CAE

Since the COVID-19 pandemic began, the lodging industry has had difficulty achieving occupancy levels seen prior to 2020. In this article, we will look at the latest data available on the hotel market. Most of this data is on a national basis – local markets may or may not be performing the same as the U.S. overall perspective. Variances are influenced by the type of demand supporting the local market (business, transient, or leisure), as well as the seasonality of the market – think ski season in the mountains or snowbirds who head south for the winter. I hope to be a snowbird one day.

OCCUPANCY, AVERAGE DAILY RATES AND REVENUE PER AVAILABLE ROOM

The hotel market has not made it back to pre-pandemic levels yet, but operating performance has improved since the “big drop” in March 2020, as shown in the graph on the left.

U.S. Hotel Occupancy and Average Daily Rate

Weeks ending 22 February 2020-25 December 2021



Christmas day 2021 occupancy (47.2%) was just above the previous high from 2015 (47.0%). Occupancy rates have historically trended downward during the winter months.

Most of the Smith Travel Research (STR) contemporary indicators look at 2019 as the index baseline in determining where we are in the recovery process. The data below was obtained from the most recent [STR Market Recovery Monitor](#).

Demand edged closer to 2019 comparable

U.S. weekly demand, indexed to 2019

Weekly Index 4-Week Moving Average



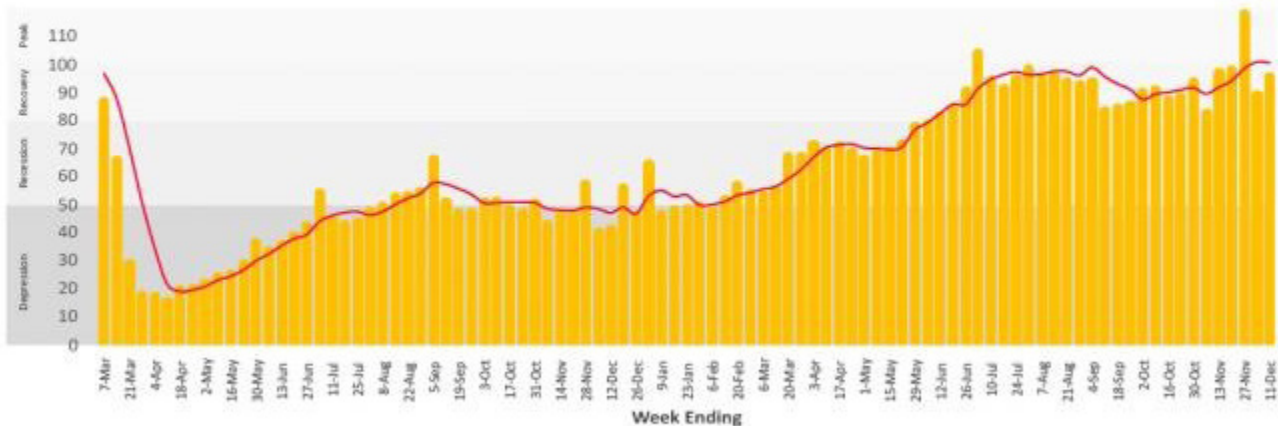
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For the week ending December 16, 2021, total U.S. occupancy reached 57%, indexing at 95, meaning occupancy was 5% lower than in 2019. Since the start of the pandemic, occupancy has indexed at 95 or higher five times – most of those instances have been post-Labor Day. Forty-three percent of the 166 STR-defined markets saw weekly occupancy surpass 2019, with most of the remaining markets indexing above 90.

RevPAR index to 2019 strengthened in the latest week

U.S. weekly RevPAR, indexed to 2019

Weekly RevPAR Index 4-Week Moving Average



Source: STR, © 2021 CoStar Group

Weekly revenue per available room (RevPAR) produced a solid week-on-week gain, up 5% with the index to 2019 climbing to 97. Real RevPAR indexed to 2019 was 90, with the four-week average at 93. On a market-level, 69% posted weekly RevPAR at “peak” (RevPAR index to 2019 above 100) with another 24% in “recovery” (RevPAR indexed to 2019 between 80 and 100). Adjusted for inflation, 45% of markets were at “peak” and another 42% were in “recovery.” Taking a longer view using the past 28 days, 78% of markets were at “peak,” the same percentage as a week ago. On an inflation-adjusted basis, 55% of markets showed a 28-day RevPAR above the comparable period in 2019. Thirty-five percent were in “recovery” with most of the others in “recession” (RevPAR indexed to 2019 between 50 and 80).

GROSS PROFIT, OPERATING EXPENSES AND NET OPERATING INCOME

According to the results of CBRE’s 2021 edition of Trends® in the Hotel Industry, total operating revenue during 2020 declined by 62.2%, which resulted in an 82.6% drop in gross operating profits (GOP). Declines in revenue and gross operating profits had an impact on hotel management and operating personnel. The need to reduce staffing resulted in a 48% drop in total labor costs. Concurrently, the fees paid to hotel management companies fell by 64%.

Of the 7,000 hotels that participated in CBRE’s Trends®, nearly half (46.8%) were unable to achieve positive earnings before interest, taxes, depreciation

HOTEL CONVERSIONS

Several hotels across the country saw adaptive reuse of hotels.

Below are just few:

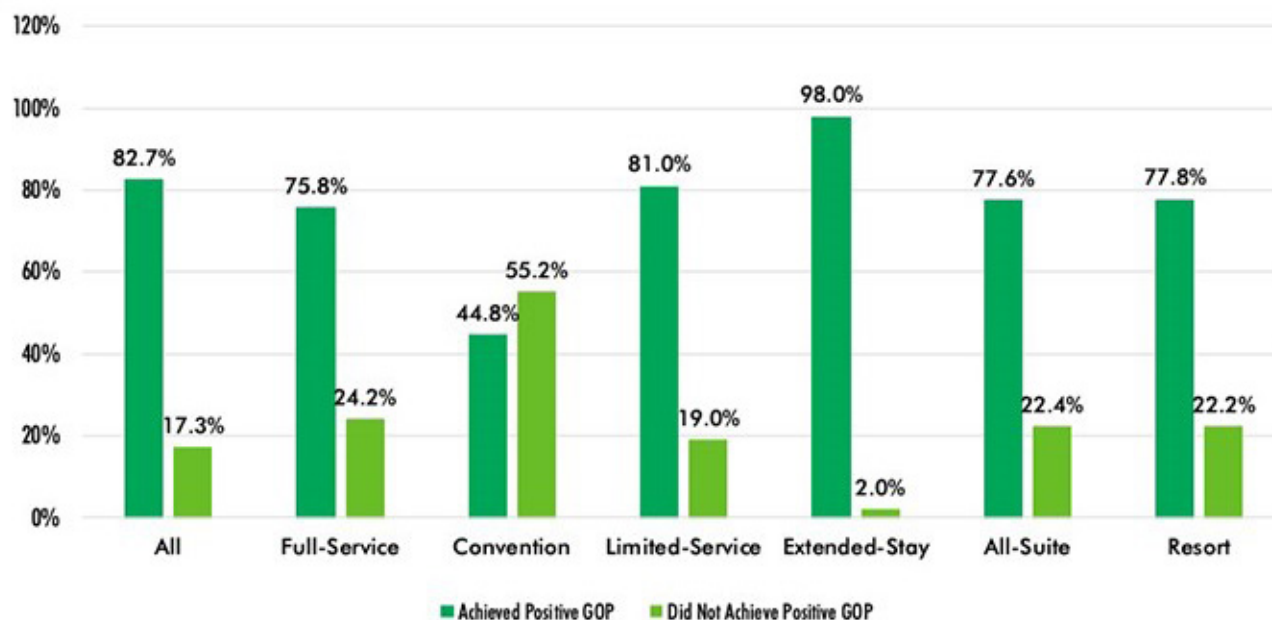
- Phoenix – Holiday Inn Express to Veteran Housing – The City of Phoenix
- Phoenix – Victory Inn Bell Rd to Affordable Housing – Nonprofit Organization
- Phoenix – Quality Inn to Apartment Conversion
- Flagstaff, Ariz. – Travelodge to Homeless Housing – Nonprofit Organization
- Tempe, Ariz. – Rodeway Inn to Homeless Housing – The City of Tempe
- Sierra Vista, Ariz. – Quality Inn to Affordable Housing
- Large Metro City of Arizona – Confidential Hotel to Multi-Family Housing
- San Antonio – Staybridge Suites to Apartment Conversions
- New Braunfels, Texas – Ramada to Multi-Family Housing

and amortization (EBITDA). EBITDA represents the cash flows available for debt service payments and ownership/investor distributions, which is the same figure appraisers call Net Operating Income (NOI).

A separate study conducted by CBRE used a 2,000 property sample reflecting a diverse set of hotels

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Properties That Did, Or Did Not, Achieve Positive Gross Operating Profit (GOP)



Source: CBRE Hotels Research

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based on property type and chain scale. In that study, 82.7% grossed enough revenues to cover their direct operating expenses and achieve a positive GOP. The following graph shows differences across lodging segments for hotels that did or did not achieve positive GOP.

SALES AND CAPITALIZATION RATES

After period of caution, buyers look to hotels again. As with most down markets, there are bottom feeders, waiting to strike at a bargain when things are at their worst for a property owner. The prominent hotel brokerage firm, NewGen Advisory Group, indicated in their year-end email newsletter that “What investors thought the hospitality industry would be in 2021 turned out it would not be.”

The shift from the much-anticipated asset discounts did not keep investors on the sidelines for too long. Investors got creative in using the traditional hotel box and converting them to housing solutions for the homeless, low-income families, veterans and even students.

According to Lodging Econometrics, there were 75 property transfers by way of mergers and acquisitions in 2019. The first nine months of 2021 saw an increase of 802% to 676 property transfers.

Recovery Drives Cap Rate Compression



* Through 3Q

Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Real Capital Analytics

NewGen Advisory also indicated that “Hotel valuations are being restored from the pandemic-era lows. The price of hotels is back to pre-Covid levels, if not higher, but from a profitability standpoint, RevPar is not.” Since new hotel development essentially stopped during the pandemic, there is speculation that as demand returns to “normal”, there will be less supply to meet that demand, which makes for a favorable position for existing hotels. ■



Management Matters: Dealing with Anxiety

BY BRAD ELDRIDGE, MAI, CAE

Yes. Here it comes...another new year. Did it sneak up on you this time? For those of us in assessment, we have to keep the Flux Capacitor warmed up and ready in our DeLorean on a daily basis to navigate to/from issues in prior, current and future tax years. We usually are aware of when the new year is approaching. Are you thinking about doing anything in particular in 2022 to change your approach to work?

Anxiety seems to be common for a lot of us these days. We face frustrated taxpayers, cope with the stress of defending values at hearings, try to figure out how much property values are really going up or down, and this dang pandemic keeps on lingering like a salsa stain on a white shirt.

There are a variety of tools we can use to work through anxiety that align with the different ways it manifests. Jeff Steen suggests that we can reduce anxiety by expanding our comfort zone so that we can better handle those stressful situations and questions of the unknown. The following content is from his recent article [*I Used The '1-2-3 Change Model' to Expand My Comfort Zone and Cut My Anxiety. It's More Successful Than I Imagined.*](#)

We tend to find ourselves jumping straight into the “panic zone,” which triggers trauma and makes us resist future uncomfortable situations. An alternative is to work in a “growth zone,” where we nudge ourselves in the direction we want to go, but we do not push ourselves so hard that we get PTSD. Steen

offers a **1-2-3 Change Model** to help set this up. The following section is taken from his article:

1. There isn't just one comfort zone, and not all comfort zones need expanding.

If you commit to “stepping outside your comfort zone” in the new year, be clear about what this means. Which comfort zone? Do you want to improve work relationships by being more communicative with colleagues? Or do you want to take on more investors by increasing outreach? Whatever your goal, be specific about an end point – and don't be tempted to engage in “comfort zone creep.”

2. Spend time mapping out critical landmarks on your growth journey.

The first step is to know the lowest threshold for panic. At what point – what action, event, or engagement – will you experience panic when trying to expand a specific comfort zone? That's your cut off.

Next, what incremental steps make sense to get you to the furthest point in your growth zone before you hit panic?

Lastly, how long (realistically) will it take you to hit each step? With these questions answered, you not only have a clear map to success, but you have a timeline and a clear end point that doesn't risk a terrifying trip to the panic zone.

3. Create an anchor to manage bouts of fear and anxiety.

Much of our anxiety comes from the unknown. Your mind takes a swirling mass of possibilities and picks the worst-case scenario, then runs with it.

In these moments, step back from what you're doing and identify three things that anchor you to reality and wellbeing as a counter to what your anxious mind is telling you. These can be as simple as passing compliments or kudos. For example, “I'm not failing. My colleagues said in the last meeting that I'm doing a great job.”

This derails the anxiety train and gets you back into a growth mindset where you can focus on progress, not pitfalls.

Bonus: Be willing to pivot and adjust as you progress.

Life happens and things get in the way. Don't be discouraged, but be ready to alter your path to growth as events unfold. I would also urge you to live moment by moment (or one step at a time). The ultimate value to stepping outside your comfort zone – and the growth it creates – is in the journey, not the destination. ■

TIPS TO MANAGE STRESS AND ANXIETY AT WORK

Getting stressed out at work happens to everyone, and it's perfectly normal. But stress that is persistent, irrational, overwhelming and impairs daily functioning may indicate an anxiety disorder. Keep these ideas in mind to keep your work life manageable:

WORK!

In addition to financial reasons, working can be important for your self-esteem and it adds to your social identity.

TELL A TRUSTED COWORKER

Knowing that someone accepts your condition can be comforting and may reduce any anticipatory anxiety about having a panic attack at work.

EDUCATE YOURSELF

Learn to recognize the symptoms of your disorder and how to handle them if you experience any at work.

PRACTICE TIME MANAGEMENT

Make to-do lists and prioritize your work. Schedule enough time to complete each task or project.

PLAN AND PREPARE

Get started on major projects as early as possible. Set mini-deadlines for yourself. Anticipate problems and work to prevent them.

DO IT RIGHT THE FIRST TIME

Spend the extra time at the outset and save yourself a headache later when you have to redo your work.

BE REALISTIC

Don't over commit or offer to take on projects if you don't realistically have enough time.

ASK FOR HELP

If you're feeling overwhelmed, ask a coworker for help. Later, you can return the favor.

COMMUNICATE

Speak up calmly and diplomatically if you have too much to handle. Your supervisor may not realize you're overextended.

STAY ORGANIZED

Filing and clearing your desk and computer desktop may rank low on your priority list, but they can save you time in the long run and may prevent a crisis later.

AVOID TOXIC COWORKERS

Try to ignore negativity and gossip in your workplace.

TAKE BREAKS

A walk around the block or a few minutes of deep breathing can help clear your head.

SET BOUNDARIES

Try not to bring work home with you. Don't check your work e-mail or voice mail after hours.

SAVOR SUCCESS

Take a moment to celebrate your good work before moving on to the next project. Thank everyone who helped you.

PLAN A VACATION

You'll be rejuvenated and ready to work when you come back.

TAKE ADVANTAGE OF EMPLOYER RESOURCES AND BENEFITS

Your workplace may offer an Employee Assistance Program (EAP), discounts to gyms, or skill-building courses. Learn what's available to you.

BE HEALTHY

Eat healthy, get enough sleep, exercise regularly and limit caffeine and alcohol. Try to keep your body and mind in shape to handle challenging situations.

Whatever your situation is, I hope you have a great start to the New Year and may we all experience less anxiety in 2022! ■

Will That Ever Sell?

BY BRAD ELDRIDGE, MAI, CAE

For some reason, the internet algorithms keep sending me details about boats and houses on the water. Have I mentioned that I want to be a snowbird?



Check out this listing of a former floating wedding chapel that has been converted to a two-bedroom residence. It cost a reported \$1.3 million to build and convert, but has been listed as low as \$600,000. This former knot-tying venue is back on the market with a \$399,000 asking price. Lifejackets included.

<https://robbreport.com/shelter/homes-for-sale/chapel-bay-water-front-luxury-condo-1234570761/>



For only \$1,100,000 you can own your own Arizona Ghost Town Museum! Step back in time to the turn-of-the-century Wild West Ghost Town of Pearce, Ariz. This listing includes hundreds of historical relics. Who was the lucky one to fill out the personal property rendition?

<https://specialfinds.com/listings/arizona-ghost-town-museum/>

Video: <https://youtu.be/IN2EXrLSEvs> ■