

# Feasibility Study

**3 Palms Hotel**

**Scottsdale, AZ**

Purchase Price Assumption: **\$25,000,000**

## 1. Portfolio Overview

### Portfoliosize:

- 1 property
- ~130–140 keys (estimated based on RevPAR/GOP)
- Full-service hotel amenities

**Status:** Stabilized (Operating asset with value-add potential)

### Property:

3 Palms Hotel

### Location

7707 E McDowell Rd,  
Scottsdale, AZ

### Asset Type:

Hospitality (Hotel /  
Multifamily Hybrid)

## 2. Stabilized Income

Based on provided operating metrics:

Occupancy Rate:  
**82.26%**

ADR (Average Daily Rate):  
**\$81.03**

RevPAR:  
**\$66.65**

Annual Room Revenue:  
**≈ \$3,300,000**

Total Gross Revenue:  
**≈ \$3,700,000**

Annual Revenue Calculation  
**Assuming ~135 rooms**

Other Income (amenities, services):  
**≈ \$400,000**

### Operating Performance

GOP (Quarterly):  
**\$459,004**

Annual GOP:  
**≈ \$1,836,000**

Net Operating Income (NOI):  
**≈ \$1,600,000 – \$1,850,000**

Underwritten NOI:  
**\$1,750,000**

Operating Expenses (Hotel typical ~45%–  
55%):  
**≈ \$1,900,000**

### 3. Cap Rate at Negotiated Price

Purchase price:  
**\$25,000,000**

NOI:  
**\$1,750,000**

Cap rate:  
**≈ 7.0%**

This is **in line with hospitality assets**, with upside driven by operational improvements.

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### 4. Revenue Per SQ Unit Analysis

Total rooms:  
**≈ 135**

Annual  
revenue:  
**≈ \$3,700,000**

Revenue per key:  
**≈ \$27,400**  
annually

Monthly per  
key:  
**≈ \$2,280**

This indicates **moderate performance with room for upside.**

# 5. Value Creation Potential

## Post-Improvement Assumptions:

- ADR increase to \$95–\$110
- Occupancy improvement to 85%
- Operational efficiency gains

## Stabilized NOI (post value-add):

≈ \$2,300,000

## Market Cap Rates (Hospitality):

Cap Rate	Property Value
8%	\$28,750,000
7%	\$32,850,000
6.5%	\$35,380,000

# 6. Immediate Equity Created

Purchase price:  
**\$25,000,000**

Value at 7%  
(stabilized):  
**\$32,850,000**

Projected  
equity:  
**≈ \$7,800,000**

# 7. 5-Year Investment Projection

## Assumptions:

- ADR growth + occupancy optimization
- NOI growth from \$1.75M → \$2.5M
- Exit cap rate: 7%

Year-5 NOI:  
**≈ \$2,500,000**

Exit value:  
 $\$2,500,000 \div 7\%$   
**≈ \$35,700,000**

Total profit:  
 $\$35.7M - \$25M$   
**≈ \$10.7M**

Equity Multiple:  
**≈ 2.2x – 2.8x**

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# 8. Market Feasibility

## Scottsdale hospitality fundamentals:

- Strong tourism demand
- High-end leisure destination
- Proximity to major attractions
- Year-round travel activity

## Hospitality demand driven by:

- Tourism
  - Events & conventions
  - Business travel
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# 9. Demand Drivers

## Key demand factors:

- Proximity to Old Town Scottsdale
- Nearby attractions (zoo, botanical gardens, parks)
- Strong leisure travel demand
- High couple/travel rating appeal
- Year-round occupancy stability

This creates **consistent revenue flow with upside potential.**

# 10. Risk Analysis

## Operational Risk

Hotel performance depends on management quality.

Mitigation: Professional operator + revenue optimization.

## Seasonality Risk

Tourism fluctuations.

Mitigation: Scottsdale's diversified demand base.

## Market Competition

Competing hotels in area.

Mitigation: Location + repositioning potential.

## Interest Rate Risk

Exit valuation sensitivity.

Mitigation: NOI growth strategy.

# 11. Investment Score

Category	Rating
Location	9.5/10
Demand	9/10
Cash Flow	8.5/10
Growth	9.5/10

**Overall Investment: Very Strong (Value-Add Hospitality Deal)**

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## Our Honest Opinion

**If executed at:**

**\$ 25M**

This becomes a **strong hospitality repositioning opportunity.**

This is a **management-driven value-add deal**, not just a yield play.

## Key reasons:

- Solid in-place cash flow
  - \$7M+ equity upside
  - ADR growth potential
  - Strong Scottsdale tourism market
  - 2–3x equity potential
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# One Important Strategic Insight for You

**Most investors focus only on occupancy.**

**But the real value driver is:**

ADR (Average Daily Rate)

**Even a small increase in ADR (e.g., \$80 → \$100) can:**

- Dramatically increase NOI
- Boost valuation significantly

**Combined with branding/repositioning, this asset can reach:**

**\$35M+ valuation within 3–5 years**