

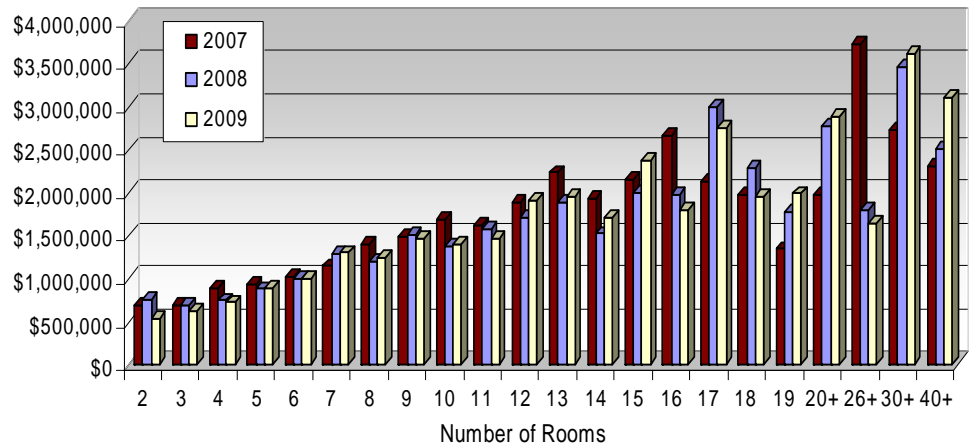
across the entire sample, and only created a wider spread of prices rather than demonstrated any specific decline in values.

Remarkably, the general statistics show that average asking prices for inns and B&Bs are rising, up from last year by a factor of 0.7% nationally across all classes, 1.5% in the 5 – 10 room class and 10.9% in the 12 – 15 room class. Prices did however drop for larger inns (17 – 40 rooms) by almost 2%.

The least expensive property found in the 2009 Study was in Arizona (\$120,000, 3 rooms). Although *not* a bank sale, this property seems to be an anomaly as B&Bs at this price level in that state, indeed anywhere, are extremely rare. Overall, the Midwest is still the most affordable part of the country in which to purchase an inn, with more than a dozen properties showing up this year under \$275,000. The highest priced inns and B&Bs are still to be found in states which traditionally have high real estate values, despite the heaviest declines in those values over the past year: Florida, New Jersey, California and Hawaii. The most expensive property included this year is a 22 room B&B (no restaurant) for sale in California for \$9M.

Average asking prices for inns and B&Bs are rising, up from last year by a factor of 0.7% nationally across all classes, 1.5% in the 5 – 10 room class and 10.9% in the 12 – 15 room class.

National Average Price Of Inns



The average price of an inn or B&B in the 5 – 10 room class was calculated to be \$1.2M, up 1.5% from last year but still lower than the price seen at the same time in 2007. The average price of an inn in the 12 – 15 room class was \$1.9M, up 10.9% from 2008.

Average Price vs. Median Price

Many of the data sets this year contained one or two very large (or very small) values creating a situation where the average price was becoming heavily skewed and thus unrepresentative. The Median (or mid-point) value was therefore calculated for all regions and states where it was deemed more accurate, and shown alongside the average values for comparison. It is expected that in the future, median values will become the norm for statistical analysis in this Study. Average values were still

Inns and Bed & Breakfasts for Sale - 2009

considered to be relevant where the data set represented the number of rooms at a property.

# Rms	# Inns for Sale			Average Price per Inn/B&B			Average Price per Room		
	2009	2008	2007	2009	2008	2007	2009	2008	2007
2	11	14	11	\$538,709	\$757,779	\$699,264	\$269,355	\$378,890	\$349,632
3	75	73	51	\$635,039	\$683,940	\$689,555	\$211,680	\$227,980	\$229,852
4	134	122	99	\$726,006	\$748,232	\$890,608	\$181,502	\$187,058	\$222,652
5	186	178	143	\$892,909	\$881,028	\$932,114	\$178,582	\$176,206	\$186,423
6	124	109	85	\$1,003,622	\$997,043	\$1,022,325	\$167,270	\$166,174	\$170,388
7	82	89	68	\$1,303,302	\$1,296,182	\$1,148,143	\$186,186	\$185,169	\$164,020
8	73	64	59	\$1,252,645	\$1,197,436	\$1,396,057	\$156,581	\$149,680	\$174,507
9	52	40	34	\$1,477,033	\$1,518,898	\$1,484,726	\$164,115	\$168,766	\$164,970
10	65	60	45	\$1,408,315	\$1,378,315	\$1,687,153	\$140,832	\$137,832	\$168,715
11	28	22	23	\$1,460,107	\$1,569,909	\$1,629,739	\$132,737	\$142,719	\$148,158
12	28	34	24	\$1,907,704	\$1,719,729	\$1,894,917	\$158,975	\$143,311	\$157,910
13	19	12	9	\$1,953,842	\$1,897,417	\$2,231,667	\$150,296	\$145,955	\$171,667
14	19	19	17	\$1,707,368	\$1,522,526	\$1,940,412	\$121,955	\$108,752	\$138,601
15	9	10	11	\$2,370,556	\$1,997,900	\$2,164,000	\$158,037	\$133,193	\$144,267
16	12	10	8	\$1,792,908	\$1,969,800	\$2,655,750	\$112,057	\$123,113	\$165,984
17	9	16	8	\$2,747,222	\$2,988,688	\$2,128,125	\$161,601	\$175,805	\$125,184
18	8	8	10	\$1,965,000	\$2,292,375	\$1,980,000	\$109,167	\$127,354	\$110,000
19	4	4	2	\$1,990,000	\$1,776,250	\$1,347,500	\$104,737	\$93,487	\$70,921
20+	29	29	16	\$2,882,790	\$2,770,068	\$1,976,188	\$129,389	\$122,353	\$89,582
26+	9	10	6	\$1,655,225	\$1,804,990	\$3,720,000	\$61,808	\$65,876	\$136,114
30+	10	5	6	\$3,611,000	\$3,465,000	\$2,724,167	\$110,091	\$99,712	\$81,733
40+	4	3	4	\$3,100,000	\$2,500,000	\$2,313,750	\$72,515	\$59,060	\$53,190
	990	931	739						

Number of inns for sale 2009:
990

Asking price range:
\$120,000 (3 rooms, Arizona) to \$9M (22 rooms, California)

Average price:
\$1,222,377

Median price:
\$895,000

Price range with highest % of inns:
\$750K - \$1M (21.4%)

Average/Median price 5 - 10 rooms:
\$1,129,193/
\$895,000

Average/Median price 12 - 15 rooms:
\$1,924,183/
\$1,600,000

Inns on the market from 2008:
444 (48.0%)

Inns on the market from 2007:
208 (28.0%)

2008 vs. 2009:

Inns/B&Bs from 2008 Study found to be:

Foreclosed: 1

No longer operating (NLO): 91

Off Market: 148

Sold: 76

Sold as Residence: 6

Undetermined: 119

Aggregated Post-Sales Data:

Sample Size: 35

Av. # rooms: 11

Av. asking price: \$1,792,451

Av. transfer price: \$1,533,111

% transfer of asking price: 85.5%

Median # rooms: 10

Median asking price: \$1,300,000

Median transfer price: \$1,200,000

% transfer of asking price: 92.3%

Rev/Room Range (B&B only): \$5,250 - \$37,961

Rev/Room Range (Other): \$10,941 - \$94,364

GRM: 2.1 - 17.1

Comparisons with 2008

Length of time on market

With a deep seated recession now firmly in place, longer selling cycles are now the norm with 48% (444) of the properties on the 2008 Study, and 28% (208) of the properties on the 2007 Study, still advertised for sale during the same period in 2009. These percentages are up from last year from 43.6% and 24.2% respectively. Overall, including the large number of properties new to the Study this year, 21% of inns and B&Bs found at the time of this research have been on the market for two or more years and 5% have been there for three or more.

What does this mean? Well for now, buyers should expect to have more bargaining power as the pool of available properties increases and gets older, and sellers should expect to have to hold onto their inns for longer than in the past. Obviously there are exceptions. Of the post-sales data received, 6 inns did not match with any on the last Study, implying that those properties were listed and transferred between March and December 2008, i.e. within the year. As more actual sales data is able to be collected in the future, we expect to be able to track the length of time on market with better accuracy.

Representation

Trying to sell your own inn is still a popular option, and as in previous studies, over a third of inns and B&Bs are For Sale By Owner (FSBO). Although many of these are located in areas not well served by an industry real estate specialist, nearly half are located in states where professional representation is available, such as North Carolina, Florida and Colorado.

It's unclear whether inns and B&Bs listed with a major real estate company stay on the market for a shorter time than those without professional representation. However, 38% of the inns and B&Bs reported in 2007 and still listed in 2009 are FSBO properties. Of inns that were verifiably sold during 2008, just 13 out of 82 (15.9%) were FSBO transactions.

Asking Prices

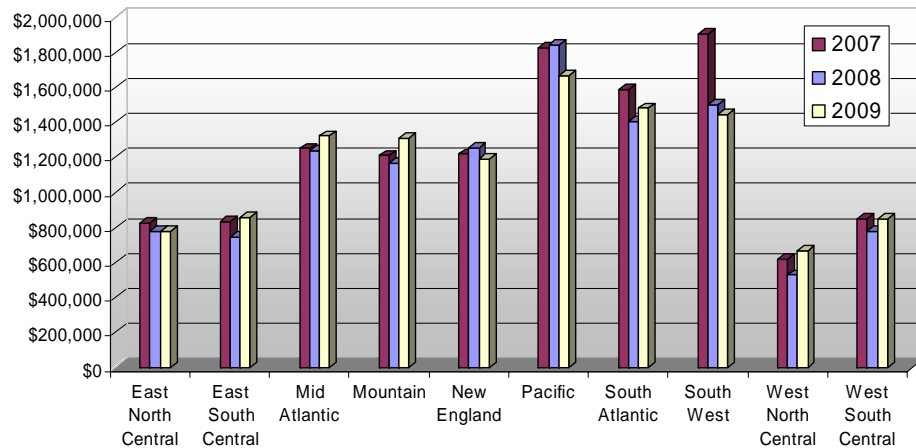
Properties still for sale one year on fall into all classes from 2 rooms up to 43 rooms. Asking prices range from \$150,000 to \$8M. Despite falling real estate values, a glut of inns for sale and a buyers market, a number of property owners decided that for whatever reasons, their inns are worth more than in prior years. 37 properties are for sale at more than their 2008 asking price by an average of \$246,652 or 21.1%, a greater amount even than that seen from 2007 to 2008 (18.8%). On the flip side, 174 inns are less expensive by an average \$197,113 (14.3%). The most popular amount by which to increase or decrease a price was \$50,000. 233 inn owners made no change from last year.

Regional Statistics

The country was divided into regions along U.S. Census divisions with exceptions as described earlier.

As expected, the Pacific region again showed the highest average and median asking prices, with the South Atlantic and the South West in second and third positions. Surprisingly, despite some speculation in the industry that asking prices are dropping as real estate values fall and sellers and their brokers adjust to a smaller and generally less enabled pool of buyers, only the New England, Pacific and South West regions actually showed this. In every other region, except East North Central which remained static, average asking prices actually *increased*, between 5.4% and 26.3%. The most affordable region in which to look for a B&B or inn is still the West North Central (the Dakotas, Nebraska, Kansas, Minnesota, Iowa and Missouri) where the highest percentage of properties for sale are listed under \$500K.

Regional Average Asking Price per Inn



Region	Median Price	Average Price		
		2009	2008	% Change
East North Central	\$599,000	\$779,878	\$779,505	0.0%
East South Central	\$710,000	\$855,543	\$747,774	14.4%
Mid Atlantic	\$1,087,500	\$1,321,725	\$1,238,759	6.7%
Mountain	\$887,000	\$1,311,363	\$1,164,953	12.6%
New England	\$890,000	\$1,190,006	\$1,255,236	-5.2%
Pacific	\$1,300,000	\$1,665,969	\$1,843,011	-9.6%
South Atlantic	\$1,024,000	\$1,481,039	\$1,404,990	5.4%
South West	\$1,187,500	\$1,443,869	\$1,501,074	-3.8%
West North Central	\$514,000	\$664,723	\$526,463	26.3%
West South Central	\$550,000	\$846,559	\$779,646	8.6%

South Atlantic

States represented:

Florida, Georgia, South Carolina, North Carolina

Number of inns for sale 2009:
163

Asking price range: \$239,900 (16 rooms, Georgia) to \$8M (25 rooms, Florida)

Average price: \$1,481,039

Median price: \$1,024,000

Price range with highest % of inns: \$500K - \$750K, \$750K - \$1M & \$1.5M - \$2M (18.4%)

Average/Median price 5 – 10 rooms: \$1,407,337/\$1,125,000

Average/Median price 12 – 15 rooms: \$1,742,636/\$1,500,000

Inns on the market from 2008: 71 (43.6%)

Inns on the market from 2007: 37 (22.7%)

# Rooms	Number of Inns		Average Price/Inn		Average Price/Room	
	2009	2008	2009	2008	2009	2008
2		3		\$758,133		\$379,067
3	11	12	\$706,091	\$700,900	\$235,364	\$233,633
4	21	17	\$691,424	\$693,729	\$172,856	\$173,432
5	33	32	\$1,123,482	\$952,881	\$224,696	\$190,576
6	24	16	\$996,613	\$1,156,806	\$166,102	\$192,801
7	13	10	\$1,716,692	\$1,411,300	\$245,242	\$201,614
8	12	7	\$1,641,167	\$1,243,429	\$205,146	\$155,429
9	8	7	\$1,996,875	\$1,927,000	\$221,875	\$214,111
10	13	10	\$1,998,160	\$1,729,600	\$199,816	\$172,960
11	3	3	\$2,266,667	\$2,833,000	\$206,061	\$257,545
12	4	5	\$1,797,250	\$1,694,000	\$149,771	\$141,167
13	5	2	\$1,816,000	\$1,847,500	\$139,692	\$142,115
14	2	2	\$1,450,000	\$1,497,500	\$103,571	\$106,964
15		1		\$1,950,000		\$130,000
16	3	1	\$1,161,633	\$1,920,000	\$72,602	\$120,000
17	1	3	\$3,950,000	\$5,183,333	\$232,353	\$304,902
18	2	3	\$2,532,500	\$3,146,667	\$140,694	\$174,815
19						
20+	7	6	\$4,606,843	\$3,182,983	\$203,843	\$141,466
26+						
30+	1		\$3,450,000			
40+						
	163	140				

2008 vs. 2009:

Inns/B&Bs from 2008 Study found to be:

Foreclosed: 0

Sold: 11

No longer operating (NLO): 17

Sold as Residence: 1

Off Market: 21

Undetermined: 13

Aggregated Post-Sales Data:

Sample Size: 6

Av. # Rooms: 13

Median # rooms: 13

Av. asking price: \$2,349,583

Median asking price: \$2,600,000

Av. transfer price: \$1,983,563

Median transfer price: \$2,091,939

% transfer of asking price: 84.4%

% transfer of asking price: 80.5%

Rev/Room Range (B&B only): \$22,000 - \$37,961

Rev/Room Range (Other): Insufficient Data

GRM Range: 2.5 – 8.4