



FEASIBILITY STUDY

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# Proposed Dual-Branded Hotels at Florida Atlantic University

GLADES ROAD  
BOCA RATON, FLORIDA

**SUBMITTED TO:**

Mr. Tom Donaudy  
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Boca Raton, Florida, 33431

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**PREPARED BY:**

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October 2, 2013

Mr. Tom Donaudy  
Florida Atlantic University  
777 Glades Road  
Boca Raton, Florida, 33431

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Re: Proposed Dual-Branded Hotels at Florida Atlantic University  
Boca Raton, Florida  
HVS Reference: 2013020786

Dear Mr. Donaudy:

Pursuant to your request, we herewith submit our feasibility study pertaining to the above-captioned property. We have inspected the real estate and analyzed the hotel market conditions in the Boca Raton, Florida area. We have studied the proposed project, and the results of our fieldwork and analysis are presented in this report. We have also reviewed the proposed improvements for this site. Our report was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation.

We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

Sincerely,  
TS Worldwide, LLC



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# 1. Executive Summary

## Subject of the Feasibility Study

The subject of the feasibility study is a 130,680-square-foot (3.00-acre) parcel to be improved with select-service and extended-stay lodging facilities. The hotels are expected to open on January 1, 2016. The select-service hotel is expected to feature 110 rooms, a restaurant and lounge, an exercise room and a business center. The extended-stay hotel is expected to feature 140 rooms, a breakfast dining area, an outdoor pool, an outdoor whirlpool, a market pantry, an exercise room, a business center, and a guest laundry facility. The hotels are also expected to share 10,000 square feet of meeting space, an outdoor pool, an outdoor whirlpool, and an outdoor patio. Each hotel will also feature all necessary back-of-the-house space.

The proposed subject property will be part of the Boca Raton Campus Master Plan of Florida Atlantic University (FAU). Originally adopted on September 15, 1995, the Boca Raton Campus Master Plan was updated on November 18, 2009 to include a number of planned facilities expected to aid in the University's planned transition to a traditional campus model, which is expected to transform FAU into a first-class public university and research institution. Founded in 1964, Florida Atlantic University was the first public university in southeast Florida. FAU now comprises a 700-acre main campus in Boca Raton and five satellite campuses throughout southeast Florida. The University offers 147 undergraduate and graduate degree programs across ten schools, including the Charles E. Schmidt College of Medicine, which opened in 2010; in the fall of 2012, FAU's enrollment reached a milestone, exceeding 30,000 students for the first time in the school's history. Additional developments since the adoption of the 2009 Master Plan have included the construction of a \$70-million, 24,419-seat football stadium and the \$121-million Innovation Village student apartment complex, both of which were completed in 2011, as well as the opening of the \$46-million Parliament Hall housing complex in August of 2013. Future plans include the development of additional student housing buildings, classroom facilities, and sports complexes throughout the main campus. The proposed subject property is expected to be the first component of a larger mixed-use development that will occupy a portion of a vacant 42-acre parcel situated along Glades Road at the southeast corner of the Boca Raton campus. The subject site's location is Glades Road, Boca Raton, Florida, 33431.

## Pertinent Dates

The effective date of the report is October 2, 2013. The subject site was inspected by Adam R. Lair, MAI on April 3, 2013. Michael E. Brophy participated in the analysis and reviewed the findings, but did not personally inspect the property.

### Ownership, Franchise, and Management Assumptions

The developer of the proposed subject property is Florida Atlantic University, a public entity. The subject site is not yet subdivided but is expected to be situated within a larger 42-acre parcel at the southeastern corner of the Florida Atlantic University main campus in Boca Raton. According to the Palm Beach County Property Appraiser, this 42-acre parcel comprises publicly owned land, portions of which are owned by the Board of Trustees of the Internal Improvement Trust Fund of the State of Florida (TIITF) and the United States Government. The subject parcel has not been sold in several years and is neither listed for sale nor under contract.

We assume that the proposed dual-branded subject property will be managed by a single professional management company that is experienced in the operation of upscale, select-service and extended-stay hotels in this region. The management team had not been selected as of the date of this study; therefore, details pertaining to management terms had yet to be determined. Our forecast fees represent an estimate of what would be expected on a base-fee and incentive-fee basis. We have assumed a market-appropriate total management fee of 3.0% of total revenues in our study.

We recommend that the proposed subject property operate as a dual-branded hotel offering separate upscale, select-service and extended-stay products that should share a central, connected conference center facility and select outdoor amenities. While we have not recommended a specific pair of brands for the proposed subject property, pairings available in this market include the Aloft and Element by Westin and the Hyatt Place and Hyatt House, and our forecasts reflect franchise terms typical of these brands. Additional select-service and extended-stay brand pairings include the Hilton Garden Inn and Homewood Suites by Hilton and the Courtyard by Marriott and Residence Inn by Marriott; however, we note that the Hilton Garden Inn, Courtyard by Marriott, and Residence Inn by Marriott brands currently exist in the subject market.

### Summary of Hotel Market Trends

Local employers and headquarter offices in the area, including those of Office Depot and The ADT Corporation, as well as Florida Atlantic University, Lynn University, and Boca Raton Regional Hospital, represent the primary sources of demand for this market. No new supply has entered this market since the opening of the Hilton Garden Inn in 2002. Demand and occupancy fluctuated during the first half of the last decade, with occupancy levels peaking in 2004 and remaining above 70% through 2006 as a result of the temporary influx of demand from cleanup crews following particularly strong hurricane seasons, including the landfalls of major named storms such as Jeanne and Wilma. As temporary demand dissipated, market occupancy levels declined significantly in 2007, and this negative trend continued in 2008 and 2009 as the economic recession limited corporate spending and leisure travel to the market. Demand began to recover in

late 2009 and exhibited strong increases in 2010 and 2011. Occupancy increased at a more modest pace in 2012; however, market-wide occupancy levels for that year reached their highest point since 2005. The latest year-to-date data for 2013 show continued but slowing demand increases as local hotel operators shift their focus to rate-driven revenue growth now that demand is nearing a historic peak.

The following table provides a historical perspective on the supply and demand trends for a selected set of hotels, as provided by Smith Travel Research.

**FIGURE 1-1 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)**

Year	Average Daily	Available Room	Change	Occupied Room	Change	Occupancy	Average	Change	RevPAR	Change
	Room Count	Nights		Nights			Rate			
2001	1,813	661,745	—	432,400	—	65.3 %	\$105.97	—	\$69.24	—
2002	1,949	711,511	7.5	445,774	3.1	62.7	98.79	(6.8)	61.90	(10.6)
2003	1,962	716,130	0.6	458,294	2.8	64.0	96.33	(2.5)	61.65	(0.4)
2004	1,962	716,130	0.0	536,529	17.1	74.9	102.09	6.0	76.49	24.1
2005	1,962	716,130	0.0	519,065	(3.3)	72.5	117.15	14.7	84.91	11.0
2006	1,962	716,130	0.0	511,574	(1.4)	71.4	125.16	6.8	89.41	5.3
2007	1,962	716,130	0.0	480,918	(6.0)	67.2	130.27	4.1	87.49	(2.1)
2008	1,962	716,130	0.0	469,947	(2.3)	65.6	121.92	(6.4)	80.01	(8.5)
2009	1,962	716,130	0.0	440,349	(6.3)	61.5	102.33	(16.1)	62.92	(21.4)
2010	1,962	716,130	0.0	468,329	6.4	65.4	101.28	(1.0)	66.23	5.3
2011	1,962	716,130	0.0	500,011	6.8	69.8	100.97	(0.3)	70.50	6.4
2012	1,962	716,130	0.0	515,822	3.2	72.0	107.66	6.6	77.55	10.0
Average Annual Compounded Change:										
2000-2012			0.7 %		1.5 %			0.1 %		0.9 %
<b>Year-to-Date Through February</b>										
2012	1,962	115,758	—	97,101	—	83.9 %	\$137.32	—	\$115.19	—
2013	1,962	115,758	0.0 %	98,198	1.1 %	84.8	146.16	6.4 %	123.99	7.6 %
<b>Hotels Included in Sample</b>				<b>Number</b>	<b>Year</b>	<b>Year</b>				
				<b>of Rooms</b>	<b>Affiliated</b>	<b>Opened</b>				
Wyndham Boca Raton Hotel				184	Jun-12	Feb-82				
Renaissance Boca Raton				189	Sep-01	Jun-82				
Embassy Suites Boca Raton				263	Jul-91	Jun-85				
Marriott Boca Raton @ Boca Center				256	Aug-87	Aug-87				
Hilton Boca Raton				199	Jan-05	Apr-88				
Residence Inn Boca Raton				120	May-88	May-88				
Courtyard Boca Raton				152	Apr-92	Apr-92				
Hampton Inn Boca Raton				94	Dec-96	Dec-96				
Springhill Suites Boca Raton				146	Jun-99	Jun-99				
TownePlace Suites Boca Raton				91	Jul-99	Jul-99				
Fairfield Inn & Suites Boca Raton Airport				119	Oct-00	Oct-00				
Hilton Garden Inn Boca Raton				149	Feb-02	Feb-02				
<b>Total</b>				<b>1,962</b>						

Source: STR Global

The following tables reflect our estimates of operating data for hotels on an individual basis. These trends are presented in detail in the Supply and Demand Analysis chapter of this report.

**FIGURE 1-2 PRIMARY COMPETITORS – OPERATING PERFORMANCE**

Property	Number of Rooms	Est. Segmentation				Estimated 2010				Estimated 2011				Estimated 2012						
		Commercial	Meeting and Group	Leisure	Extended-Stay	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	RevPAR Change	Occupancy Penetration	Yield Penetration
Courtyard by Marriott Boca Raton	152	55 %	10 %	20 %	15 %	152	54 %	\$97.00	\$52.38	152	63 %	\$94.00	\$59.22	152	68 %	\$101.00	\$68.68	16.0 %	94.4 %	89.1 %
Embassy Suites Boca Raton	263	40	25	15	20	263	74	102.00	75.48	263	74	105.00	77.70	263	76	111.00	84.36	8.6	105.5	109.4
Hilton Garden Inn Boca Raton	149	55	10	20	15	149	55	104.00	57.20	149	68	99.00	67.32	149	59	98.00	57.82	(14.1)	81.9	75.0
Hilton Suites Boca Raton	199	45	10	25	20	199	71	114.00	80.94	199	74	114.00	84.36	199	79	118.00	93.22	10.5	109.6	120.9
Residence Inn by Marriott Boca Raton	120	20	15	25	40	120	62	92.00	57.04	120	70	91.00	63.70	120	75	96.00	72.00	13.0	104.1	93.4
Wyndham Garden Hotel Boca Raton	184	40	30	20	10	184	56	82.00	45.92	184	68	81.00	55.08	185	72	89.00	64.08	16.3	99.9	83.1
<b>Sub-Totals/Averages</b>	<b>1,067</b>	<b>42 %</b>	<b>18 %</b>	<b>20 %</b>	<b>19 %</b>	<b>1,067</b>	<b>63.5 %</b>	<b>\$100.00</b>	<b>\$63.48</b>	<b>1,067</b>	<b>70.1 %</b>	<b>\$98.96</b>	<b>\$69.38</b>	<b>1,068</b>	<b>72.2 %</b>	<b>\$104.06</b>	<b>\$75.18</b>	<b>8.4 %</b>	<b>100.3 %</b>	<b>97.5 %</b>
Secondary Competitors	895	41 %	16 %	31 %	12 %	573	68.0 %	\$103.20	\$70.15	573	69.2 %	\$104.31	\$72.21	573	71.7 %	\$112.52	\$80.69	11.7 %	99.5 %	104.6 %
<b>Totals/Averages</b>	<b>1,962</b>	<b>42 %</b>	<b>17 %</b>	<b>24 %</b>	<b>17 %</b>	<b>1,640</b>	<b>65.1 %</b>	<b>\$101.17</b>	<b>\$65.81</b>	<b>1,640</b>	<b>69.8 %</b>	<b>\$100.82</b>	<b>\$70.37</b>	<b>1,641</b>	<b>72.1 %</b>	<b>\$107.01</b>	<b>\$77.10</b>	<b>9.6 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

**FIGURE 1-3 SECONDARY COMPETITORS – OPERATING PERFORMANCE**

Property	Number of Rooms	Est. Segmentation				Estimated 2010				Estimated 2011				Estimated 2012				
		Commercial	Meeting and Group	Leisure	Extended-Stay	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Fairfield Inn & Suites by Marriott Boca Raton	119	50 %	10 %	30 %	10 %	60 %	71	58 %	\$80.00	\$46.40	71	65 %	\$77.00	\$50.05	71	68 %	\$86.00	\$58.48
Hampton Inn Boca Raton	94	45	10	35	10	75	71	61	106.00	64.66	71	65	103.00	66.95	71	67	109.00	73.03
Marriott Boca Raton at Boca Center	256	45	25	25	5	65	166	76	122.00	92.72	166	71	128.00	90.88	166	74	135.00	99.90
Renaissance Boca Raton	189	40	15	40	5	65	123	74	107.00	79.18	123	80	108.00	86.40	123	79	116.00	91.64
SpringHill Suites by Marriott Boca Raton	146	40	15	35	10	60	88	58	86.00	49.88	88	59	86.00	50.74	88	65	100.00	65.00
TownePlace Suites by Marriott	91	20	5	20	55	60	55	68	76.00	51.68	55	67	80.00	53.60	55	70	88.00	61.60
<b>Totals/Averages</b>	<b>895</b>	<b>41 %</b>	<b>16 %</b>	<b>31 %</b>	<b>12 %</b>	<b>64 %</b>	<b>573</b>	<b>68.0 %</b>	<b>\$103.20</b>	<b>\$70.15</b>	<b>573</b>	<b>69.2 %</b>	<b>\$104.31</b>	<b>\$72.21</b>	<b>573</b>	<b>71.7 %</b>	<b>\$112.52</b>	<b>\$80.69</b>



**Summary of Forecast  
Occupancy and  
Average Rate**

Based on our analysis presented in the Projection of Occupancy and Average Rate chapter, we have chosen to use a stabilized occupancy level of 70% and a base-year rate position of \$102.00 for the proposed select-service hotel. We have also chosen to use a stabilized occupancy level of 77% and a base-year rate position of \$95.00 for the proposed extended-stay hotel. The following tables reflect a summary of our market-wide and proposed subject property occupancy and average rate projections.

**FIGURE 1-4 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST – 110-ROOM SELECT-SERVICE**

Year	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	72.1 %	—	\$107.01	—	—	\$102.00	95.3 %
2013	73.3	7.0 %	114.50	—	7.0 %	109.14	95.3
2014	73.9	6.0	121.37	—	6.0	115.69	95.3
2015	73.5	5.0	127.44	—	5.0	121.47	95.3
2016	69.3	3.5	131.90	59.0 %	3.5	125.72	95.3
2017	69.3	3.0	135.86	67.0	3.0	129.50	95.3
2018	69.3	3.0	139.94	70.0	3.0	133.38	95.3

**FIGURE 1-5 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST – 140-ROOM EXTENDED-STAY**

Year	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	72.1 %	—	\$107.01	—	—	\$95.00	88.8 %
2013	73.3	7.0 %	114.50	—	7.0 %	101.65	88.8
2014	73.9	6.0	121.37	—	6.0	107.75	88.8
2015	73.5	5.0	127.44	—	5.0	113.14	88.8
2016	69.3	3.5	131.90	70.0 %	3.5	117.10	88.8
2017	69.3	3.0	135.86	75.0	3.0	120.61	88.8
2018	69.3	3.0	139.94	77.0	3.0	124.23	88.8

The following table summarizes the proposed subject property’s forecast, reflecting fiscal years and opening-year rate discounts as applicable.

**FIGURE 1-6 FORECAST OF AVERAGE RATE – 110-ROOM SELECT-SERVICE**

<u>Year</u>	<u>Occupancy</u>	<u>Average Rate Before Discount</u>	<u>Discount</u>	<u>Average Rate After Discount</u>
2016	59 %	\$125.72	3.0 %	\$121.95
2017	67	129.50	1.0	128.20
2018	70	133.38	0.0	133.38

**FIGURE 1-7 FORECAST OF AVERAGE RATE – 140-ROOM EXTENDED-STAY**

<u>Year</u>	<u>Occupancy</u>	<u>Average Rate Before Discount</u>	<u>Discount</u>	<u>Average Rate After Discount</u>
2016	70 %	\$117.10	0.0 %	\$117.10
2017	75	120.61	0.0	120.61
2018	77	124.23	0.0	124.23

**Summary of Forecast  
Income and Expense  
Statement**

Our positioning of each revenue and expense level for both hotels is supported by comparable operations or trends specific to this market. Our forecasts of income and expense for each hotel are presented in the following table.

**FIGURE 1-8 DETAILED FORECAST OF INCOME AND EXPENSE – 110-ROOM SELECT-SERVICE**

	2016 (Calendar Year)			2017			Stabilized			2019			2020							
<b>Number of Rooms:</b>	<b>110</b>			<b>110</b>			<b>110</b>			<b>110</b>			<b>110</b>							
<b>Occupancy:</b>	<b>59%</b>			<b>67%</b>			<b>70%</b>			<b>70%</b>			<b>70%</b>							
<b>Average Rate:</b>	<b>\$121.95</b>			<b>\$128.20</b>			<b>\$133.38</b>			<b>\$137.38</b>			<b>\$141.50</b>							
<b>RevPAR:</b>	<b>\$71.95</b>			<b>\$85.89</b>			<b>\$93.37</b>			<b>\$96.17</b>			<b>\$99.05</b>							
<b>Days Open:</b>	<b>365</b>			<b>365</b>			<b>365</b>			<b>365</b>			<b>365</b>							
<b>Occupied Rooms:</b>	<b>23,689</b>	<b>%Gross</b>	<b>PAR</b>	<b>POR</b>	<b>26,901</b>	<b>%Gross</b>	<b>PAR</b>	<b>POR</b>	<b>28,105</b>	<b>%Gross</b>	<b>PAR</b>	<b>POR</b>	<b>28,105</b>	<b>%Gross</b>	<b>PAR</b>	<b>POR</b>	<b>28,105</b>	<b>%Gross</b>	<b>PAR</b>	<b>POR</b>
<b>REVENUE</b>																				
<b>Rooms</b>	\$2,889	88.0 %	\$26,264	\$121.96	\$3,449	88.7 %	\$31,355	\$128.21	\$3,749	89.0 %	\$34,082	\$133.39	\$3,861	89.0 %	\$35,100	\$137.38	\$3,977	89.0 %	\$36,155	\$141.51
<b>Food</b>	221	6.7	2,010	9.33	250	6.4	2,271	9.29	266	6.3	2,417	9.46	274	6.3	2,490	9.74	282	6.3	2,564	10.04
<b>Beverage</b>	114	3.5	1,038	4.82	126	3.2	1,145	4.68	133	3.2	1,209	4.73	137	3.2	1,245	4.87	141	3.2	1,282	5.02
<b>Other Operated Departments</b>	6	0.2	54	0.25	6	0.2	58	0.24	7	0.2	60	0.24	7	0.2	62	0.24	7	0.2	64	0.25
<b>Rentals &amp; Other Income</b>	54	1.6	488	2.27	57	1.5	521	2.13	60	1.4	544	2.13	62	1.4	560	2.19	63	1.4	577	2.26
<b>Total Revenues</b>	3,284	100.0	29,855	138.63	3,888	100.0	35,350	144.55	4,214	100.0	38,312	149.95	4,340	100.0	39,457	154.43	4,471	100.0	40,642	159.07
<b>DEPARTMENTAL EXPENSES *</b>																				
<b>Rooms</b>	695	24.1	6,322	29.36	751	21.8	6,829	27.92	787	21.0	7,157	28.01	811	21.0	7,371	28.85	835	21.0	7,592	29.72
<b>Food &amp; Beverage</b>	293	87.5	2,666	12.38	313	83.4	2,848	11.65	327	82.0	2,973	11.64	337	82.0	3,062	11.98	347	82.0	3,154	12.34
<b>Other Operated Departments</b>	12	206.9	112	0.52	13	201.8	117	0.48	13	200.0	121	0.47	14	200.0	124	0.49	14	200.0	128	0.50
<b>Total</b>	1,001	30.5	9,100	42.26	1,077	27.7	9,794	40.05	1,128	26.8	10,250	40.12	1,161	26.8	10,558	41.32	1,196	26.8	10,875	42.56
<b>DEPARTMENTAL INCOME</b>	2,283	69.5	20,754	96.38	2,811	72.3	25,556	104.50	3,087	73.2	28,061	109.83	3,179	73.2	28,899	113.11	3,274	73.2	29,767	116.51
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
<b>Administrative &amp; General</b>	270	8.2	2,453	11.39	287	7.4	2,608	10.66	299	7.1	2,720	10.64	308	7.1	2,801	10.96	317	7.1	2,885	11.29
<b>Marketing</b>	170	5.2	1,546	7.18	181	4.7	1,644	6.72	189	4.5	1,715	6.71	194	4.5	1,766	6.91	200	4.5	1,819	7.12
<b>Franchise Fee</b>	274	8.4	2,495	11.59	328	8.4	2,979	12.18	356	8.5	3,238	12.67	367	8.5	3,335	13.05	378	8.5	3,435	13.44
<b>Prop. Operations &amp; Maint.</b>	108	3.3	981	4.56	129	3.3	1,174	4.80	150	3.5	1,360	5.32	154	3.5	1,401	5.48	159	3.5	1,443	5.65
<b>Utilities</b>	150	4.6	1,360	6.31	159	4.1	1,446	5.91	166	3.9	1,508	5.90	171	3.9	1,553	6.08	176	3.9	1,599	6.26
<b>Total</b>	972	29.7	8,834	41.02	1,083	27.9	9,850	40.28	1,159	27.5	10,540	41.25	1,194	27.5	10,855	42.49	1,230	27.5	11,181	43.76
<b>HOUSE PROFIT</b>	1,311	39.8	11,920	55.35	1,728	44.4	15,706	64.23	1,927	45.7	17,521	68.58	1,985	45.7	18,043	70.62	2,044	45.7	18,586	72.74
<b>Management Fee</b>	99	3.0	896	4.16	117	3.0	1,060	4.34	126	3.0	1,149	4.50	130	3.0	1,184	4.63	134	3.0	1,219	4.77
<b>INCOME BEFORE FIXED CHARGES</b>	1,213	36.8	11,024	51.19	1,611	41.4	14,646	59.89	1,801	42.7	16,372	64.08	1,855	42.7	16,860	65.99	1,910	42.7	17,367	67.97
<b>FIXED EXPENSES</b>																				
<b>Property Taxes</b>	129	3.9	1,171	5.44	131	3.4	1,189	4.86	133	3.2	1,213	4.75	137	3.2	1,249	4.89	142	3.2	1,287	5.04
<b>Insurance</b>	86	2.6	780	3.62	88	2.3	804	3.29	91	2.2	828	3.24	94	2.2	853	3.34	97	2.2	878	3.44
<b>Reserve for Replacement</b>	66	2.0	597	2.77	117	3.0	1,060	4.34	169	4.0	1,532	6.00	174	4.0	1,578	6.18	179	4.0	1,626	6.36
<b>Total</b>	280	8.5	2,549	11.83	336	8.7	3,053	12.48	393	9.4	3,573	13.98	405	9.4	3,680	14.40	417	9.4	3,790	14.84
<b>NET INCOME</b>	\$932	28.3 %	\$8,476	\$39.36	\$1,275	32.7 %	\$11,593	\$47.40	\$1,408	33.3 %	\$12,799	\$50.09	\$1,450	33.3 %	\$13,180	\$51.58	\$1,493	33.3 %	\$13,576	\$53.14

\*Departmental expenses are expressed as a percentage of departmental revenues.

**FIGURE 1-9 TEN-YEAR FORECAST OF INCOME AND EXPENSE – 110-ROOM SELECT-SERVICE**

	2016		2017		2018		2019		2020		2021		2022		2023		2024		2025	
<b>Number of Rooms:</b>	110		110		110		110		110		110		110		110		110		110	
<b>Occupied Rooms:</b>	23,689		26,901		28,105		28,105		28,105		28,105		28,105		28,105		28,105		28,105	
<b>Occupancy:</b>	59%		67%		70%		70%		70%		70%		70%		70%		70%		70%	
<b>Average Rate:</b>	\$121.95	% of	\$128.20	% of	\$133.38	% of	\$137.38	% of	\$141.50	% of	\$145.75	% of	\$150.12	% of	\$154.63	% of	\$159.26	% of	\$164.04	% of
<b>RevPAR:</b>	\$71.95	Gross	\$85.89	Gross	\$93.37	Gross	\$96.17	Gross	\$99.05	Gross	\$102.02	Gross	\$105.09	Gross	\$108.24	Gross	\$111.48	Gross	\$114.83	Gross
<b>REVENUE</b>																				
Rooms	\$2,889	88.0 %	\$3,449	88.7 %	\$3,749	89.0 %	\$3,861	89.0 %	\$3,977	89.0 %	\$4,096	89.0 %	\$4,219	89.0 %	\$4,346	89.0 %	\$4,476	89.0 %	\$4,610	89.0 %
Food	221	6.7	250	6.4	266	6.3	274	6.3	282	6.3	291	6.3	299	6.3	308	6.3	317	6.3	327	6.3
Beverage	114	3.5	126	3.2	133	3.2	137	3.2	141	3.2	145	3.2	150	3.2	154	3.2	159	3.2	163	3.2
Other Operated Departments	6	0.2	6	0.2	7	0.2	7	0.2	7	0.2	7	0.2	7	0.2	8	0.2	8	0.2	8	0.2
Rentals & Other Income	54	1.6	57	1.5	60	1.4	62	1.4	63	1.4	65	1.4	67	1.4	69	1.4	71	1.4	74	1.4
<b>Total</b>	<b>3,284</b>	<b>100.0</b>	<b>3,888</b>	<b>100.0</b>	<b>4,214</b>	<b>100.0</b>	<b>4,340</b>	<b>100.0</b>	<b>4,471</b>	<b>100.0</b>	<b>4,604</b>	<b>100.0</b>	<b>4,743</b>	<b>100.0</b>	<b>4,885</b>	<b>100.0</b>	<b>5,032</b>	<b>100.0</b>	<b>5,182</b>	<b>100.0</b>
<b>DEPARTMENTAL EXPENSES*</b>																				
Rooms	695	24.1	751	21.8	787	21.0	811	21.0	835	21.0	860	21.0	886	21.0	913	21.0	940	21.0	968	21.0
Food & Beverage	293	87.5	313	83.4	327	82.0	337	82.0	347	82.0	357	82.0	368	82.0	379	82.0	390	82.0	402	82.0
Other Operated Departments	12	206.9	13	201.8	13	200.0	14	200.0	14	200.0	15	200.0	15	200.0	15	200.0	16	200.0	16	200.0
<b>Total</b>	<b>1,001</b>	<b>30.5</b>	<b>1,077</b>	<b>27.7</b>	<b>1,128</b>	<b>26.8</b>	<b>1,161</b>	<b>26.8</b>	<b>1,196</b>	<b>26.8</b>	<b>1,232</b>	<b>26.8</b>	<b>1,269</b>	<b>26.8</b>	<b>1,307</b>	<b>26.8</b>	<b>1,346</b>	<b>26.8</b>	<b>1,387</b>	<b>26.8</b>
<b>DEPARTMENTAL INCOME</b>	<b>2,283</b>	<b>69.5</b>	<b>2,811</b>	<b>72.3</b>	<b>3,087</b>	<b>73.2</b>	<b>3,179</b>	<b>73.2</b>	<b>3,274</b>	<b>73.2</b>	<b>3,372</b>	<b>73.2</b>	<b>3,474</b>	<b>73.2</b>	<b>3,578</b>	<b>73.2</b>	<b>3,685</b>	<b>73.2</b>	<b>3,796</b>	<b>73.2</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	270	8.2	287	7.4	299	7.1	308	7.1	317	7.1	327	7.1	337	7.1	347	7.1	357	7.1	368	7.1
Marketing	170	5.2	181	4.7	189	4.5	194	4.5	200	4.5	206	4.5	212	4.5	219	4.5	225	4.5	232	4.5
Franchise Fee	274	8.4	328	8.4	356	8.5	367	8.5	378	8.5	389	8.5	401	8.5	413	8.5	425	8.5	438	8.5
Prop. Operations & Maint.	108	3.3	129	3.3	150	3.5	154	3.5	159	3.5	163	3.5	168	3.5	173	3.5	179	3.5	184	3.5
Utilities	150	4.6	159	4.1	166	3.9	171	3.9	176	3.9	181	3.9	187	3.9	192	3.9	198	3.9	204	3.9
<b>Total</b>	<b>972</b>	<b>29.7</b>	<b>1,083</b>	<b>27.9</b>	<b>1,159</b>	<b>27.5</b>	<b>1,194</b>	<b>27.5</b>	<b>1,230</b>	<b>27.5</b>	<b>1,267</b>	<b>27.5</b>	<b>1,305</b>	<b>27.5</b>	<b>1,344</b>	<b>27.5</b>	<b>1,384</b>	<b>27.5</b>	<b>1,426</b>	<b>27.5</b>
<b>HOUSE PROFIT</b>	<b>1,311</b>	<b>39.8</b>	<b>1,728</b>	<b>44.4</b>	<b>1,927</b>	<b>45.7</b>	<b>1,985</b>	<b>45.7</b>	<b>2,044</b>	<b>45.7</b>	<b>2,106</b>	<b>45.7</b>	<b>2,169</b>	<b>45.7</b>	<b>2,234</b>	<b>45.7</b>	<b>2,301</b>	<b>45.7</b>	<b>2,370</b>	<b>45.7</b>
Management Fee	99	3.0	117	3.0	126	3.0	130	3.0	134	3.0	138	3.0	142	3.0	147	3.0	151	3.0	155	3.0
<b>INCOME BEFORE FIXED CHARGES</b>	<b>1,213</b>	<b>36.8</b>	<b>1,611</b>	<b>41.4</b>	<b>1,801</b>	<b>42.7</b>	<b>1,855</b>	<b>42.7</b>	<b>1,910</b>	<b>42.7</b>	<b>1,967</b>	<b>42.7</b>	<b>2,027</b>	<b>42.7</b>	<b>2,088</b>	<b>42.7</b>	<b>2,150</b>	<b>42.7</b>	<b>2,214</b>	<b>42.7</b>
<b>FIXED EXPENSES</b>																				
Property Taxes	129	3.9	131	3.4	133	3.2	137	3.2	142	3.2	146	3.2	150	3.2	155	3.2	159	3.2	164	3.2
Insurance	86	2.6	88	2.3	91	2.2	94	2.2	97	2.2	99	2.2	102	2.2	106	2.2	109	2.2	112	2.2
Reserve for Replacement	66	2.0	117	3.0	169	4.0	174	4.0	179	4.0	184	4.0	190	4.0	195	4.0	201	4.0	207	4.0
<b>Total</b>	<b>280</b>	<b>8.5</b>	<b>336</b>	<b>8.7</b>	<b>393</b>	<b>9.4</b>	<b>405</b>	<b>9.4</b>	<b>417</b>	<b>9.4</b>	<b>429</b>	<b>9.4</b>	<b>442</b>	<b>9.4</b>	<b>456</b>	<b>9.4</b>	<b>469</b>	<b>9.4</b>	<b>483</b>	<b>9.4</b>
<b>NET INCOME</b>	<b>\$932</b>	<b>28.3 %</b>	<b>\$1,275</b>	<b>32.7 %</b>	<b>\$1,408</b>	<b>33.3 %</b>	<b>\$1,450</b>	<b>33.3 %</b>	<b>\$1,493</b>	<b>33.3 %</b>	<b>\$1,538</b>	<b>33.3 %</b>	<b>\$1,584</b>	<b>33.3 %</b>	<b>\$1,632</b>	<b>33.3 %</b>	<b>\$1,681</b>	<b>33.3 %</b>	<b>\$1,731</b>	<b>33.3 %</b>

\*Departmental expenses are expressed as a percentage of departmental revenues.

**FIGURE 1-10 DETAILED FORECAST OF INCOME AND EXPENSE – 140-ROOM EXTENDED-STAY**

	2016 (Calendar Year)				2017				Stabilized				2019				2020			
Number of Rooms:	140				140				140				140				140			
Occupancy:	70%				75%				77%				77%				77%			
Average Rate:	\$117.10				\$120.61				\$124.23				\$127.95				\$131.79			
RevPAR:	\$81.97				\$90.46				\$95.66				\$98.52				\$101.48			
Days Open:	365				365				365				365				365			
Occupied Rooms:	35,770	%Gross	PAR	POR	38,325	%Gross	PAR	POR	39,347	%Gross	PAR	POR	39,347	%Gross	PAR	POR	39,347	%Gross	PAR	POR
<b>REVENUE</b>																				
Rooms	\$4,189	98.1 %	\$29,921	\$117.11	\$4,622	98.1 %	\$33,014	\$120.60	\$4,888	98.2 %	\$34,914	\$124.23	\$5,035	98.2 %	\$35,964	\$127.96	\$5,186	98.2 %	\$37,043	\$131.80
Other Operated Departments	9	0.2	61	0.24	9	0.2	64	0.23	9	0.2	66	0.24	10	0.2	68	0.24	10	0.2	71	0.25
Rentals & Other Income	75	1.7	533	2.09	78	1.7	560	2.05	81	1.6	582	2.07	84	1.6	599	2.13	86	1.6	617	2.20
<b>Total Revenues</b>	<b>4,272</b>	<b>100.0</b>	<b>30,516</b>	<b>119.43</b>	<b>4,709</b>	<b>100.0</b>	<b>33,639</b>	<b>122.88</b>	<b>4,979</b>	<b>100.0</b>	<b>35,562</b>	<b>126.53</b>	<b>5,128</b>	<b>100.0</b>	<b>36,632</b>	<b>130.34</b>	<b>5,282</b>	<b>100.0</b>	<b>37,730</b>	<b>134.25</b>
<b>DEPARTMENTAL EXPENSES *</b>																				
Rooms	977	23.3	6,977	27.31	1,033	22.4	7,380	26.96	1,075	22.0	7,681	27.33	1,108	22.0	7,912	28.15	1,141	22.0	8,149	28.99
Other Operated Departments	17	203.9	124	0.49	18	201.1	129	0.47	19	200.0	133	0.47	19	200.0	137	0.49	20	200.0	141	0.50
<b>Total</b>	<b>994</b>	<b>23.3</b>	<b>7,101</b>	<b>27.79</b>	<b>1,051</b>	<b>22.3</b>	<b>7,509</b>	<b>27.43</b>	<b>1,094</b>	<b>22.0</b>	<b>7,814</b>	<b>27.80</b>	<b>1,127</b>	<b>22.0</b>	<b>8,048</b>	<b>28.64</b>	<b>1,161</b>	<b>22.0</b>	<b>8,290</b>	<b>29.50</b>
<b>DEPARTMENTAL INCOME</b>	<b>3,278</b>	<b>76.7</b>	<b>23,414</b>	<b>91.64</b>	<b>3,658</b>	<b>77.7</b>	<b>26,130</b>	<b>95.45</b>	<b>3,885</b>	<b>78.0</b>	<b>27,748</b>	<b>98.73</b>	<b>4,002</b>	<b>78.0</b>	<b>28,583</b>	<b>101.70</b>	<b>4,122</b>	<b>78.0</b>	<b>29,440</b>	<b>104.75</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	332	7.8	2,370	9.28	347	7.4	2,481	9.06	360	7.2	2,572	9.15	371	7.2	2,649	9.43	382	7.2	2,729	9.71
Marketing	145	3.4	1,035	4.05	152	3.2	1,084	3.96	157	3.2	1,123	4.00	162	3.2	1,157	4.12	167	3.2	1,192	4.24
Franchise Fee	398	9.3	2,843	11.13	439	9.3	3,136	11.46	464	9.3	3,317	11.80	478	9.3	3,417	12.16	493	9.3	3,519	12.52
Prop. Operations & Maint.	146	3.4	1,046	4.09	172	3.7	1,232	4.50	199	4.0	1,419	5.05	205	4.0	1,462	5.20	211	4.0	1,505	5.36
Utilities	198	4.6	1,417	5.54	208	4.4	1,483	5.42	215	4.3	1,537	5.47	222	4.3	1,583	5.63	228	4.3	1,631	5.80
<b>Total</b>	<b>1,219</b>	<b>28.5</b>	<b>8,710</b>	<b>34.09</b>	<b>1,318</b>	<b>28.0</b>	<b>9,416</b>	<b>34.40</b>	<b>1,396</b>	<b>28.0</b>	<b>9,968</b>	<b>35.47</b>	<b>1,437</b>	<b>28.0</b>	<b>10,268</b>	<b>36.53</b>	<b>1,481</b>	<b>28.0</b>	<b>10,576</b>	<b>37.63</b>
<b>HOUSE PROFIT</b>	<b>2,059</b>	<b>48.2</b>	<b>14,704</b>	<b>57.55</b>	<b>2,340</b>	<b>49.7</b>	<b>16,714</b>	<b>61.06</b>	<b>2,489</b>	<b>50.0</b>	<b>17,780</b>	<b>63.26</b>	<b>2,564</b>	<b>50.0</b>	<b>18,316</b>	<b>65.17</b>	<b>2,641</b>	<b>50.0</b>	<b>18,865</b>	<b>67.12</b>
Management Fee	128	3.0	915	3.58	141	3.0	1,009	3.69	149	3.0	1,067	3.80	154	3.0	1,099	3.91	158	3.0	1,132	4.03
<b>INCOME BEFORE FIXED CHARGES</b>	<b>1,930</b>	<b>45.2</b>	<b>13,789</b>	<b>53.97</b>	<b>2,199</b>	<b>46.7</b>	<b>15,705</b>	<b>57.37</b>	<b>2,340</b>	<b>47.0</b>	<b>16,713</b>	<b>59.47</b>	<b>2,410</b>	<b>47.0</b>	<b>17,217</b>	<b>61.26</b>	<b>2,483</b>	<b>47.0</b>	<b>17,733</b>	<b>63.09</b>
<b>FIXED EXPENSES</b>																				
Property Taxes	153	3.6	1,091	4.27	155	3.3	1,107	4.04	158	3.2	1,129	4.02	163	3.2	1,163	4.14	168	3.2	1,198	4.26
Insurance	109	2.6	780	3.05	113	2.4	804	2.94	116	2.3	828	2.95	119	2.3	853	3.03	123	2.3	878	3.12
Reserve for Replacement	85	2.0	610	2.39	141	3.0	1,009	3.69	199	4.0	1,422	5.06	205	4.0	1,465	5.21	211	4.0	1,509	5.37
<b>Total</b>	<b>347</b>	<b>8.2</b>	<b>2,481</b>	<b>9.71</b>	<b>409</b>	<b>8.7</b>	<b>2,920</b>	<b>10.67</b>	<b>473</b>	<b>9.5</b>	<b>3,380</b>	<b>12.02</b>	<b>487</b>	<b>9.5</b>	<b>3,481</b>	<b>12.39</b>	<b>502</b>	<b>9.5</b>	<b>3,586</b>	<b>12.76</b>
<b>NET INCOME</b>	<b>\$1,583</b>	<b>37.0 %</b>	<b>\$11,307</b>	<b>\$44.26</b>	<b>\$1,790</b>	<b>38.0 %</b>	<b>\$12,785</b>	<b>\$46.70</b>	<b>\$1,867</b>	<b>37.5 %</b>	<b>\$13,333</b>	<b>\$47.44</b>	<b>\$1,923</b>	<b>37.5 %</b>	<b>\$13,735</b>	<b>\$48.87</b>	<b>\$1,981</b>	<b>37.5 %</b>	<b>\$14,147</b>	<b>\$50.34</b>

\*Departmental expenses are expressed as a percentage of departmental revenues.

**FIGURE 1-11 TEN-YEAR FORECAST OF INCOME AND EXPENSE – 140-ROOM EXTENDED-STAY**

	2016		2017		2018		2019		2020		2021		2022		2023		2024		2025	
<b>Number of Rooms:</b>	140		140		140		140		140		140		140		140		140		140	
<b>Occupied Rooms:</b>	35,770		38,325		39,347		39,347		39,347		39,347		39,347		39,347		39,347		39,347	
<b>Occupancy:</b>	70%		75%		77%		77%		77%		77%		77%		77%		77%		77%	
<b>Average Rate:</b>	\$117.10	% of	\$120.61	% of	\$124.23	% of	\$127.95	% of	\$131.79	% of	\$135.75	% of	\$139.82	% of	\$144.01	% of	\$148.33	% of	\$152.78	% of
<b>RevPAR:</b>	\$81.97	Gross	\$90.46	Gross	\$95.66	Gross	\$98.52	Gross	\$101.48	Gross	\$104.52	Gross	\$107.66	Gross	\$110.89	Gross	\$114.22	Gross	\$117.64	Gross
<b>REVENUE</b>																				
Rooms	\$4,189	98.1 %	\$4,622	98.1 %	\$4,888	98.2 %	\$5,035	98.2 %	\$5,186	98.2 %	\$5,341	98.2 %	\$5,501	98.2 %	\$5,667	98.2 %	\$5,836	98.2 %	\$6,012	98.2 %
Other Operated Departments	9	0.2	9	0.2	9	0.2	10	0.2	10	0.2	10	0.2	10	0.2	11	0.2	11	0.2	11	0.2
Rentals & Other Income	75	1.7	78	1.7	81	1.6	84	1.6	86	1.6	89	1.6	92	1.6	94	1.6	97	1.6	100	1.6
<b>Total</b>	<b>4,272</b>	<b>100.0</b>	<b>4,709</b>	<b>100.0</b>	<b>4,979</b>	<b>100.0</b>	<b>5,128</b>	<b>100.0</b>	<b>5,282</b>	<b>100.0</b>	<b>5,440</b>	<b>100.0</b>	<b>5,603</b>	<b>100.0</b>	<b>5,772</b>	<b>100.0</b>	<b>5,944</b>	<b>100.0</b>	<b>6,124</b>	<b>100.0</b>
<b>DEPARTMENTAL EXPENSES*</b>																				
Rooms	977	23.3	1,033	22.4	1,075	22.0	1,108	22.0	1,141	22.0	1,175	22.0	1,210	22.0	1,247	22.0	1,284	22.0	1,323	22.0
Other Operated Departments	17	203.9	18	201.1	19	200.0	19	200.0	20	200.0	20	200.0	21	200.0	22	200.0	22	200.0	23	200.0
<b>Total</b>	<b>994</b>	<b>23.3</b>	<b>1,051</b>	<b>22.3</b>	<b>1,094</b>	<b>22.0</b>	<b>1,127</b>	<b>22.0</b>	<b>1,161</b>	<b>22.0</b>	<b>1,195</b>	<b>22.0</b>	<b>1,231</b>	<b>22.0</b>	<b>1,268</b>	<b>22.0</b>	<b>1,306</b>	<b>22.0</b>	<b>1,345</b>	<b>22.0</b>
<b>DEPARTMENTAL INCOME</b>	<b>3,278</b>	<b>76.7</b>	<b>3,658</b>	<b>77.7</b>	<b>3,885</b>	<b>78.0</b>	<b>4,002</b>	<b>78.0</b>	<b>4,122</b>	<b>78.0</b>	<b>4,245</b>	<b>78.0</b>	<b>4,372</b>	<b>78.0</b>	<b>4,504</b>	<b>78.0</b>	<b>4,638</b>	<b>78.0</b>	<b>4,778</b>	<b>78.0</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	332	7.8	347	7.4	360	7.2	371	7.2	382	7.2	393	7.2	405	7.2	417	7.2	430	7.2	443	7.2
Marketing	145	3.4	152	3.2	157	3.2	162	3.2	167	3.2	172	3.2	177	3.2	182	3.2	188	3.2	193	3.2
Franchise Fee	398	9.3	439	9.3	464	9.3	478	9.3	493	9.3	507	9.3	523	9.3	538	9.3	554	9.3	571	9.3
Prop. Operations & Maint.	146	3.4	172	3.7	199	4.0	205	4.0	211	4.0	217	4.0	224	4.0	230	4.0	237	4.0	244	4.0
Utilities	198	4.6	208	4.4	215	4.3	222	4.3	228	4.3	235	4.3	242	4.3	249	4.3	257	4.3	265	4.3
<b>Total</b>	<b>1,219</b>	<b>28.5</b>	<b>1,318</b>	<b>28.0</b>	<b>1,396</b>	<b>28.0</b>	<b>1,437</b>	<b>28.0</b>	<b>1,481</b>	<b>28.0</b>	<b>1,525</b>	<b>28.0</b>	<b>1,571</b>	<b>28.0</b>	<b>1,618</b>	<b>28.0</b>	<b>1,666</b>	<b>28.0</b>	<b>1,716</b>	<b>28.0</b>
<b>HOUSE PROFIT</b>	<b>2,059</b>	<b>48.2</b>	<b>2,340</b>	<b>49.7</b>	<b>2,489</b>	<b>50.0</b>	<b>2,564</b>	<b>50.0</b>	<b>2,641</b>	<b>50.0</b>	<b>2,720</b>	<b>50.0</b>	<b>2,801</b>	<b>50.0</b>	<b>2,886</b>	<b>50.0</b>	<b>2,972</b>	<b>50.0</b>	<b>3,062</b>	<b>50.0</b>
Management Fee	128	3.0	141	3.0	149	3.0	154	3.0	158	3.0	163	3.0	168	3.0	173	3.0	178	3.0	184	3.0
<b>INCOME BEFORE FIXED CHARGES</b>	<b>1,930</b>	<b>45.2</b>	<b>2,199</b>	<b>46.7</b>	<b>2,340</b>	<b>47.0</b>	<b>2,410</b>	<b>47.0</b>	<b>2,483</b>	<b>47.0</b>	<b>2,557</b>	<b>47.0</b>	<b>2,633</b>	<b>47.0</b>	<b>2,713</b>	<b>47.0</b>	<b>2,793</b>	<b>47.0</b>	<b>2,878</b>	<b>47.0</b>
<b>FIXED EXPENSES</b>																				
Property Taxes	153	3.6	155	3.3	158	3.2	163	3.2	168	3.2	173	3.2	178	3.2	183	3.2	189	3.2	194	3.2
Insurance	109	2.6	113	2.4	116	2.3	119	2.3	123	2.3	127	2.3	130	2.3	134	2.3	138	2.3	143	2.3
Reserve for Replacement	85	2.0	141	3.0	199	4.0	205	4.0	211	4.0	218	4.0	224	4.0	231	4.0	238	4.0	245	4.0
<b>Total</b>	<b>347</b>	<b>8.2</b>	<b>409</b>	<b>8.7</b>	<b>473</b>	<b>9.5</b>	<b>487</b>	<b>9.5</b>	<b>502</b>	<b>9.5</b>	<b>517</b>	<b>9.5</b>	<b>533</b>	<b>9.5</b>	<b>549</b>	<b>9.5</b>	<b>565</b>	<b>9.5</b>	<b>582</b>	<b>9.5</b>
<b>NET INCOME</b>	<b>\$1,583</b>	<b>37.0 %</b>	<b>\$1,790</b>	<b>38.0 %</b>	<b>\$1,867</b>	<b>37.5 %</b>	<b>\$1,923</b>	<b>37.5 %</b>	<b>\$1,981</b>	<b>37.5 %</b>	<b>\$2,040</b>	<b>37.5 %</b>	<b>\$2,101</b>	<b>37.5 %</b>	<b>\$2,164</b>	<b>37.5 %</b>	<b>\$2,229</b>	<b>37.5 %</b>	<b>\$2,296</b>	<b>37.5 %</b>

\*Departmental expenses are expressed as a percentage of departmental revenues.

**FIGURE 1-12 DETAILED FORECAST OF INCOME AND EXPENSE – PROPOSED SUBJECT PROPERTY TOTAL**

	2016 (Calendar Year)				2017				Stabilized				2019				2020			
Number of Rooms:	250				250				250				250				250			
Occupancy:	65%				71%				74%				74%				74%			
Average Rate:	\$119.04				\$123.74				\$128.05				\$131.89				\$135.84			
RevPAR:	\$77.38				\$87.86				\$94.75				\$97.60				\$100.53			
Days Open:	365				365				365				365				365			
Occupied Rooms:	59,459	%Gross	PAR	POR	65,226	%Gross	PAR	POR	67,452	%Gross	PAR	POR	67,452	%Gross	PAR	POR	67,452	%Gross	PAR	POR
<b>REVENUE</b>																				
Rooms	\$7,078	93.7 %	\$28,312	\$119.04	\$8,071	93.9 %	\$32,284	\$123.74	\$8,637	94.0 %	\$34,548	\$128.05	\$8,896	94.0 %	\$35,584	\$131.89	\$9,163	94.0 %	\$36,652	\$135.84
Food	221	2.9	884	3.72	250	2.9	999	3.83	266	2.9	1,063	3.94	274	2.9	1,095	4.06	282	2.9	1,128	4.18
Beverage	114	1.5	457	1.92	126	1.5	504	1.93	133	1.4	532	1.97	137	1.4	548	2.03	141	1.4	564	2.09
Other Operated Departments	15	0.2	58	0.24	15	0.2	61	0.24	16	0.2	64	0.24	16	0.2	66	0.24	17	0.2	68	0.25
Rentals & Other Income	128	1.7	514	2.16	136	1.6	543	2.08	141	1.5	565	2.09	145	1.5	582	2.16	150	1.5	599	2.22
<b>Total Revenues</b>	<b>7,556</b>	<b>100.0</b>	<b>30,225</b>	<b>127.08</b>	<b>8,598</b>	<b>100.0</b>	<b>34,392</b>	<b>131.82</b>	<b>9,193</b>	<b>100.0</b>	<b>36,772</b>	<b>136.29</b>	<b>9,469</b>	<b>100.0</b>	<b>37,875</b>	<b>140.38</b>	<b>9,753</b>	<b>100.0</b>	<b>39,011</b>	<b>144.59</b>
<b>DEPARTMENTAL EXPENSES *</b>																				
Rooms	1,672	23.6	6,689	28.12	1,784	22.1	7,138	27.36	1,863	21.6	7,450	27.61	1,918	21.6	7,674	28.44	1,976	21.6	7,904	29.30
Food & Beverage	293	87.5	1,173	4.93	313	83.4	1,253	4.80	327	82.0	1,308	4.85	337	82.0	1,347	4.99	347	82.0	1,388	5.14
Other Operated Departments	30	205.2	119	0.50	31	201.4	124	0.47	32	200.0	128	0.47	33	200.0	131	0.49	34	200.0	135	0.50
<b>Total</b>	<b>1,995</b>	<b>26.4</b>	<b>7,981</b>	<b>33.56</b>	<b>2,129</b>	<b>24.8</b>	<b>8,514</b>	<b>32.63</b>	<b>2,222</b>	<b>24.2</b>	<b>8,886</b>	<b>32.93</b>	<b>2,288</b>	<b>24.2</b>	<b>9,153</b>	<b>33.92</b>	<b>2,357</b>	<b>24.2</b>	<b>9,427</b>	<b>34.94</b>
<b>DEPARTMENTAL INCOME</b>	<b>5,561</b>	<b>73.6</b>	<b>22,244</b>	<b>93.53</b>	<b>6,469</b>	<b>75.2</b>	<b>25,877</b>	<b>99.18</b>	<b>6,972</b>	<b>75.8</b>	<b>27,886</b>	<b>103.35</b>	<b>7,181</b>	<b>75.8</b>	<b>28,722</b>	<b>106.45</b>	<b>7,396</b>	<b>75.8</b>	<b>29,584</b>	<b>109.65</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	602	8.0	2,406	10.12	634	7.4	2,537	9.72	659	7.2	2,637	9.77	679	7.2	2,716	10.07	699	7.2	2,798	10.37
Marketing	315	4.2	1,260	5.30	333	3.9	1,330	5.10	346	3.8	1,384	5.13	356	3.8	1,425	5.28	367	3.8	1,468	5.44
Franchise Fee	672	8.9	2,690	11.31	767	8.9	3,067	11.76	821	8.9	3,282	12.16	845	8.9	3,380	12.53	870	8.9	3,482	12.91
Prop. Operations & Maint.	254	3.4	1,017	4.28	302	3.5	1,206	4.62	348	3.8	1,393	5.16	359	3.8	1,435	5.32	369	3.8	1,478	5.48
Utilities	348	4.6	1,391	5.85	367	4.3	1,466	5.62	381	4.1	1,524	5.65	392	4.1	1,570	5.82	404	4.1	1,617	5.99
<b>Total</b>	<b>2,191</b>	<b>29.1</b>	<b>8,765</b>	<b>36.85</b>	<b>2,402</b>	<b>28.0</b>	<b>9,607</b>	<b>36.82</b>	<b>2,555</b>	<b>27.8</b>	<b>10,220</b>	<b>37.88</b>	<b>2,632</b>	<b>27.8</b>	<b>10,526</b>	<b>39.01</b>	<b>2,711</b>	<b>27.8</b>	<b>10,842</b>	<b>40.18</b>
<b>HOUSE PROFIT</b>	<b>3,370</b>	<b>44.5</b>	<b>13,479</b>	<b>56.67</b>	<b>4,068</b>	<b>47.2</b>	<b>16,271</b>	<b>62.36</b>	<b>4,417</b>	<b>48.0</b>	<b>17,666</b>	<b>65.48</b>	<b>4,549</b>	<b>48.0</b>	<b>18,196</b>	<b>67.44</b>	<b>4,686</b>	<b>48.0</b>	<b>18,742</b>	<b>69.46</b>
Management Fee	227	3.0	907	3.81	258	3.0	1,032	3.95	276	3.0	1,103	4.09	284	3.0	1,136	4.21	293	3.0	1,170	4.34
<b>INCOME BEFORE FIXED CHARGES</b>	<b>3,143</b>	<b>41.5</b>	<b>12,572</b>	<b>52.86</b>	<b>3,810</b>	<b>44.2</b>	<b>15,239</b>	<b>58.41</b>	<b>4,141</b>	<b>45.0</b>	<b>16,563</b>	<b>61.39</b>	<b>4,265</b>	<b>45.0</b>	<b>17,060</b>	<b>63.23</b>	<b>4,393</b>	<b>45.0</b>	<b>17,572</b>	<b>65.13</b>
<b>FIXED EXPENSES</b>																				
Property Taxes	282	3.7	1,126	4.74	286	3.3	1,143	4.38	292	3.2	1,166	4.32	300	3.2	1,201	4.45	309	3.2	1,237	4.58
Insurance	195	2.6	780	3.28	201	2.3	804	3.08	207	2.3	828	3.07	213	2.3	853	3.16	220	2.3	878	3.25
Reserve for Replacement	151	2.0	604	2.54	258	3.0	1,032	3.95	368	4.0	1,471	5.45	379	4.0	1,515	5.62	390	4.0	1,560	5.78
<b>Total</b>	<b>628</b>	<b>8.3</b>	<b>2,511</b>	<b>10.56</b>	<b>745</b>	<b>8.6</b>	<b>2,979</b>	<b>11.42</b>	<b>866</b>	<b>9.5</b>	<b>3,465</b>	<b>12.84</b>	<b>892</b>	<b>9.5</b>	<b>3,569</b>	<b>13.23</b>	<b>919</b>	<b>9.5</b>	<b>3,676</b>	<b>13.62</b>
<b>NET INCOME</b>	<b>\$2,515</b>	<b>33.2 %</b>	<b>\$10,061</b>	<b>\$42.30</b>	<b>\$3,065</b>	<b>35.6 %</b>	<b>\$12,260</b>	<b>\$46.99</b>	<b>\$3,275</b>	<b>35.5 %</b>	<b>\$13,098</b>	<b>\$48.55</b>	<b>\$3,373</b>	<b>35.5 %</b>	<b>\$13,491</b>	<b>\$50.00</b>	<b>\$3,474</b>	<b>35.5 %</b>	<b>\$13,896</b>	<b>\$51.50</b>

\*Departmental expenses are expressed as a percentage of departmental revenues.

**FIGURE 1-13 TEN-YEAR FORECAST OF INCOME AND EXPENSE – PROPOSED SUBJECT PROPERTY TOTAL**

	2016		2017		2018		2019		2020		2021		2022		2023		2024		2025	
<b>Number of Rooms:</b>	250		250		250		250		250		250		250		250		250		250	
<b>Occupied Rooms:</b>	59,459		65,226		67,452		67,452		67,452		67,452		67,452		67,452		67,452		67,452	
<b>Occupancy:</b>	65%		71%		74%		74%		74%		74%		74%		74%		74%		74%	
<b>Average Rate:</b>	\$119.04	% of	\$123.74	% of	\$128.05	% of	\$131.89	% of	\$135.84	% of	\$139.91	% of	\$144.10	% of	\$148.45	% of	\$152.88	% of	\$157.47	% of
<b>RevPAR:</b>	\$77.38	Gross	\$87.86	Gross	\$94.75	Gross	\$97.60	Gross	\$100.53	Gross	\$103.53	Gross	\$106.64	Gross	\$109.85	Gross	\$113.13	Gross	\$116.53	Gross
<b>REVENUE</b>																				
Rooms	\$7,078	93.7 %	\$8,071	93.9 %	\$8,637	94.0 %	\$8,896	94.0 %	\$9,163	94.0 %	\$9,437	94.0 %	\$9,720	94.0 %	\$10,013	94.0 %	\$10,312	94.0 %	\$10,622	94.0 %
Food	221	2.9	250	2.9	266	2.9	274	2.9	282	2.9	291	2.9	299	2.9	308	2.9	317	2.9	327	2.9
Beverage	114	1.5	126	1.5	133	1.4	137	1.4	141	1.4	145	1.4	150	1.4	154	1.4	159	1.4	163	1.4
Other Operated Departments	15	0.2	15	0.2	16	0.2	16	0.2	17	0.2	17	0.2	18	0.2	18	0.2	19	0.2	20	0.2
Rentals & Other Income	128	1.7	136	1.6	141	1.5	145	1.5	150	1.5	154	1.5	159	1.5	164	1.5	169	1.5	174	1.5
<b>Total</b>	<b>7,556</b>	<b>100.0</b>	<b>8,598</b>	<b>100.0</b>	<b>9,193</b>	<b>100.0</b>	<b>9,469</b>	<b>100.0</b>	<b>9,753</b>	<b>100.0</b>	<b>10,045</b>	<b>100.0</b>	<b>10,346</b>	<b>100.0</b>	<b>10,658</b>	<b>100.0</b>	<b>10,976</b>	<b>100.0</b>	<b>11,306</b>	<b>100.0</b>
<b>DEPARTMENTAL EXPENSES*</b>																				
Rooms	1,672	23.6	1,784	22.1	1,863	21.6	1,918	21.6	1,976	21.6	2,035	21.6	2,096	21.6	2,159	21.6	2,224	21.6	2,291	21.6
Food & Beverage	293	87.5	313	83.4	327	82.0	337	82.0	347	82.0	357	82.0	368	82.0	379	82.0	390	82.0	402	82.0
Other Operated Departments	30	205.2	31	201.4	32	200.0	33	200.0	34	200.0	35	200.0	36	200.0	37	200.0	38	200.0	39	200.0
<b>Total</b>	<b>1,995</b>	<b>26.4</b>	<b>2,129</b>	<b>24.8</b>	<b>2,222</b>	<b>24.2</b>	<b>2,288</b>	<b>24.2</b>	<b>2,357</b>	<b>24.2</b>	<b>2,427</b>	<b>24.2</b>	<b>2,500</b>	<b>24.2</b>	<b>2,575</b>	<b>24.2</b>	<b>2,653</b>	<b>24.2</b>	<b>2,732</b>	<b>24.2</b>
<b>DEPARTMENTAL INCOME</b>																				
	5,561	73.6	6,469	75.2	6,972	75.8	7,181	75.8	7,396	75.8	7,617	75.8	7,845	75.8	8,082	75.8	8,323	75.8	8,574	75.8
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	602	8.0	634	7.4	659	7.2	679	7.2	699	7.2	720	7.2	742	7.2	764	7.2	787	7.2	811	7.2
Marketing	315	4.2	333	3.9	346	3.8	356	3.8	367	3.8	378	3.8	389	3.8	401	3.8	413	3.8	425	3.8
Franchise Fee	672	8.9	767	8.9	821	8.9	845	8.9	870	8.9	897	8.9	923	8.9	951	8.9	980	8.9	1,009	8.9
Prop. Operations & Maint.	254	3.4	302	3.5	348	3.8	359	3.8	369	3.8	381	3.8	392	3.8	404	3.8	416	3.8	428	3.8
Utilities	348	4.6	367	4.3	381	4.1	392	4.1	404	4.1	416	4.1	429	4.1	442	4.1	455	4.1	469	4.1
<b>Total</b>	<b>2,191</b>	<b>29.1</b>	<b>2,402</b>	<b>28.0</b>	<b>2,555</b>	<b>27.8</b>	<b>2,632</b>	<b>27.8</b>	<b>2,711</b>	<b>27.8</b>	<b>2,792</b>	<b>27.8</b>	<b>2,875</b>	<b>27.8</b>	<b>2,962</b>	<b>27.8</b>	<b>3,051</b>	<b>27.8</b>	<b>3,142</b>	<b>27.8</b>
<b>HOUSE PROFIT</b>																				
	3,370	44.5	4,068	47.2	4,417	48.0	4,549	48.0	4,686	48.0	4,825	48.0	4,970	48.0	5,120	48.0	5,273	48.0	5,431	48.0
Management Fee	227	3.0	258	3.0	276	3.0	284	3.0	293	3.0	301	3.0	310	3.0	320	3.0	329	3.0	339	3.0
<b>INCOME BEFORE FIXED CHARGES</b>																				
	3,143	41.5	3,810	44.2	4,141	45.0	4,265	45.0	4,393	45.0	4,524	45.0	4,660	45.0	4,801	45.0	4,943	45.0	5,092	45.0
<b>FIXED EXPENSES</b>																				
Property Taxes	282	3.7	286	3.3	292	3.2	300	3.2	309	3.2	319	3.2	328	3.2	338	3.2	348	3.2	359	3.2
Insurance	195	2.6	201	2.3	207	2.3	213	2.3	220	2.3	226	2.3	233	2.3	240	2.3	247	2.3	255	2.3
Reserve for Replacement	151	2.0	258	3.0	368	4.0	379	4.0	390	4.0	402	4.0	414	4.0	426	4.0	439	4.0	452	4.0
<b>Total</b>	<b>628</b>	<b>8.3</b>	<b>745</b>	<b>8.6</b>	<b>866</b>	<b>9.5</b>	<b>892</b>	<b>9.5</b>	<b>919</b>	<b>9.5</b>	<b>946</b>	<b>9.5</b>	<b>975</b>	<b>9.5</b>	<b>1,004</b>	<b>9.5</b>	<b>1,034</b>	<b>9.5</b>	<b>1,065</b>	<b>9.5</b>
<b>NET INCOME</b>																				
	\$2,515	33.2 %	\$3,065	35.6 %	\$3,275	35.5 %	\$3,373	35.5 %	\$3,474	35.5 %	\$3,578	35.5 %	\$3,685	35.5 %	\$3,796	35.5 %	\$3,909	35.5 %	\$4,027	35.5 %

\*Departmental expenses are expressed as a percentage of departmental revenues.



As illustrated, each hotel is expected to stabilize at a profitable level. Please refer to the Forecast of Income and Expense chapter of our report for a detailed explanation of the methodology used in deriving this forecast.

#### **Feasibility Conclusion**

The Feasibility Analysis chapter of this report converts these cash flows into a net present value indication assuming set-forth debt and equity requirements. The conclusion indicates that an equity investor contributing \$12,590,000 (roughly 35% of a \$36,000,000 total value findings) would expect to receive a 17.5% internal rate of return over a ten-year holding period. Based on these parameters, the feasibility of the subject project is confirmed.

#### **Assignment Conditions**

“Extraordinary Assumption” is defined in USPAP as follows:

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions. Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conclusions external to the property, such as market conditions or trends; or about the integrity of the data used in an analysis.<sup>1</sup>

The analysis is based on the extraordinary assumption that the described improvements have been completed as of the stated date of opening. The reader should understand that the completed subject property does not yet, in fact, exist as of the date of this report. Our feasibility study does not address unforeseeable events that could alter the proposed project and/or the market conditions reflected in the analyses; we assume that no significant changes, other than those anticipated and explained in this report, will take place between the date of inspection and stated date of opening. We have made no other extraordinary assumptions specific to this feasibility study. However, several important general assumptions have been made that apply to this feasibility study and our studies of proposed hotels in general. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.

“Hypothetical Condition” is defined in USPAP as follows:

That which is contrary to what exists but is supposed for the purpose of analysis. Comment: Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as

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<sup>1</sup> Appraisal Institute, Uniform Standards of Professional Appraisal Practice, 2012 – 2013 ed.

market conditions or trends; or about the integrity of data used in an analysis.<sup>2</sup>

We have assumed no significant hypothetical conditions. We have not made any jurisdictional exceptions to the Uniform Standards of Professional Appraisal Practice in our analysis or report.

#### **Intended Use of the Feasibility Study**

This feasibility report is being prepared for use in the development of the proposed subject property.

#### **Identification of the Client and Intended User(s)**

The client for this engagement is Florida Atlantic University. This report is intended for the addressee firm, and may not be distributed to or relied upon by other persons or entities.

#### **Scope of Work**

The methodology used to develop this study is based on the market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled *The Valuation of Hotels and Motels*,<sup>3</sup> *Hotels, Motels and Restaurants: Valuations and Market Studies*,<sup>4</sup> *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*,<sup>5</sup> *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*,<sup>6</sup> and *Hotels and Motels – Valuations and Market Studies*.<sup>7</sup>

1. All information was collected and analyzed by the staff of TS Worldwide, LLC. Information was supplied by the client and/or the property's development team.
2. The subject site has been evaluated from the viewpoint of its physical utility for the future operation of a hotel, as well as access, visibility, and other relevant factors.

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<sup>2</sup> Appraisal Institute, *Uniform Standards of Professional Appraisal Practice*, 2012 – 2013 ed.

<sup>3</sup> Stephen Rushmore, *The Valuation of Hotels and Motels*. (Chicago: American Institute of Real Estate Appraisers, 1978).

<sup>4</sup> Stephen Rushmore, *Hotels, Motels and Restaurants: Valuations and Market Studies*. (Chicago: American Institute of Real Estate Appraisers, 1983).

<sup>5</sup> Stephen Rushmore, *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*. (Chicago: American Institute of Real Estate Appraisers, 1990).

<sup>6</sup> Stephen Rushmore, *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations* (Chicago: Appraisal Institute, 1992).

<sup>7</sup> Stephen Rushmore and Erich Baum, *Hotels and Motels – Valuations and Market Studies*. (Chicago: Appraisal Institute, 2001).

3. The subject property's proposed improvements have been reviewed for their expected quality of construction, design, and layout efficiency.
4. The surrounding economic environment, on both an area and neighborhood level, has been reviewed to identify specific hospitality-related economic and demographic trends that may have an impact on future demand for hotels.
5. Dividing the market for hotel accommodations into individual segments defines specific market characteristics for the types of travelers expected to utilize the area's hotels. The factors investigated include purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.
6. An analysis of existing and proposed competition provides an indication of the current accommodated demand, along with market penetration and the degree of competitiveness. Unless noted otherwise, we have inspected the competitive lodging facilities summarized in this report.
7. Documentation for an occupancy and average rate projection is derived utilizing the build-up approach based on an analysis of lodging activity.
8. A detailed projection of income and expense made in accordance with the Uniform System of Accounts for the Lodging Industry sets forth the anticipated economic benefits of the subject property.
9. A feasibility analysis is performed that compares the net present value of the forecast cash flows to the development cost of the hotel.

## 2. Description of the Site and Neighborhood

The suitability of the land for the operation of a lodging facility is an important consideration affecting the economic viability of a property and its ultimate marketability. Factors such as size, topography, access, visibility, and the availability of utilities have a direct impact on the desirability of a particular site.

The proposed subject site is located at the southeast corner of the Florida Atlantic University (FAU) campus in Boca Raton, in the east quadrant of the intersection formed by Glades Road and East University Drive. This site is in the city of Boca Raton, Florida.

### Physical Characteristics

The subject site measures approximately 3.00 acres, or 130,680 square feet. The parcel's adjacent uses are set forth in the following table.

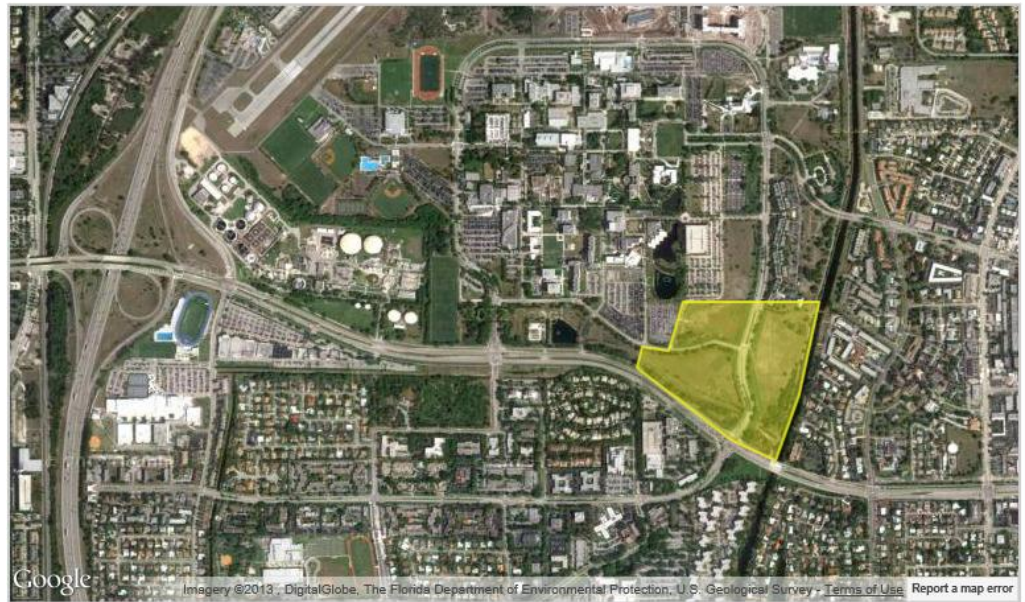
**FIGURE 2-1 SUBJECT PARCEL'S ADJACENT USES**

Direction	Adjacent Use
North	Florida Atlantic University Campus
South	Glades Road
East	El Rio Trail, Canal
West	Florida Atlantic University Campus

### VIEW OF SUBJECT SITE



**AERIAL PHOTOGRAPH**



**VIEW FROM SITE TO THE NORTH**



**VIEW FROM SITE TO THE SOUTH**





**VIEW FROM SITE TO THE EAST****VIEW FROM SITE TO THE WEST**

Primary vehicular access to the proposed subject property is expected to be provided by Glades Road, and the topography of the parcel is generally flat. We note that the proposed subject site is not yet subdivided; however, the site's shape is expected to be roughly rectangular.

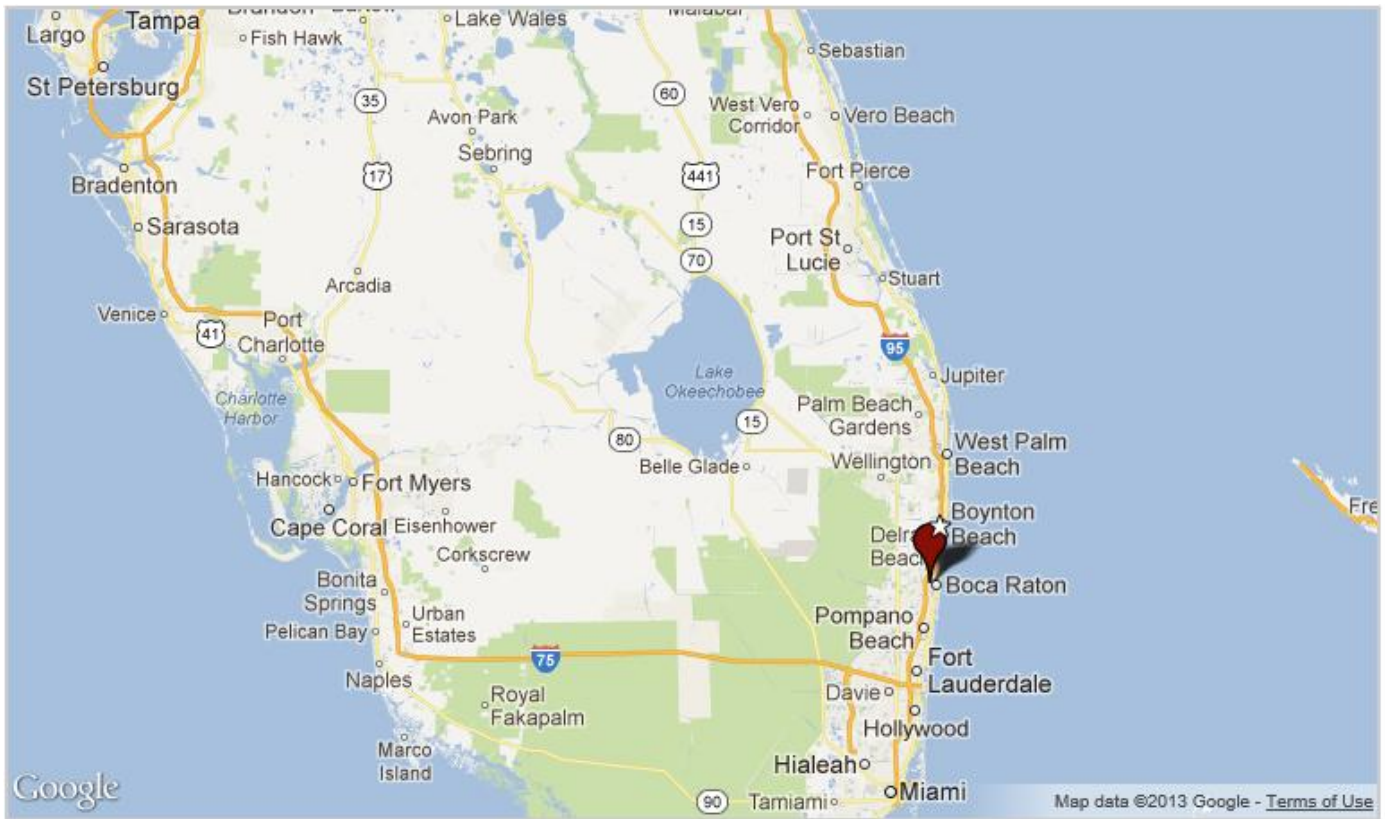
**Site Utility**

Upon completion of construction, the subject site will not contain any significant portion of undeveloped land that could be sold, entitled, and developed for alternate use. The site is expected to be fully developed with site or building improvements, which will contribute to the overall profitability of the hotel.

**Access and Visibility**

It is important to analyze the site in regard to ease of access with respect to regional and local transportation routes and demand generators. The subject site is readily accessible to a variety of local and county roads, as well as state and interstate highways.

## MAP OF REGIONAL ACCESS ROUTES



Primary regional access through the area is provided by north/south Interstate 95, which extends to such cities as Jacksonville to the north and Miami to the south. East/west Interstate 595 is another major highway that allows for convenient east/west travel through Fort Lauderdale and merges to the west into Interstate 75. Interstate 75 provides access to Gainesville to the north and terminates in Palm Springs North to the south. The subject market is served by a variety of additional local highways, which are illustrated on the map.

From Interstate 95, motorists take the State Route 808 East/Glades Road Exit and proceed east on this thoroughfare for approximately one mile to East University Drive. Motorists then execute a left turn onto East University Drive and continue to the anticipated subject site, which is expected to be located on the motorists' right-hand side. This particular subject site is located at a busy intersection. The proposed subject property is expected to have adequate signage at the street; thus, the proposed hotel should benefit from very good visibility from within its local

neighborhood. Overall, the subject site benefits from excellent accessibility, and the proposed hotel is expected to enjoy very good visibility attributes.

#### **Airport Access**

The proposed subject property will be served by the Fort Lauderdale-Hollywood International Airport, which is located approximately 20 miles to the south of the subject site. From the airport, motorists will follow signs to Interstate 95 and travel north on this thoroughfare, continuing to the subject site as noted previously. The proposed subject property will also be served by the Palm Beach International Airport, which is located approximately 22 miles to the north of the subject site.

#### **Neighborhood**

The neighborhood surrounding a lodging facility often has an impact on a hotel's status, image, class, style of operation, and sometimes its ability to attract and properly serve a particular market segment. This section of the report investigates the subject neighborhood and evaluates any pertinent location factors that could affect its future occupancy, average rate, and overall profitability.

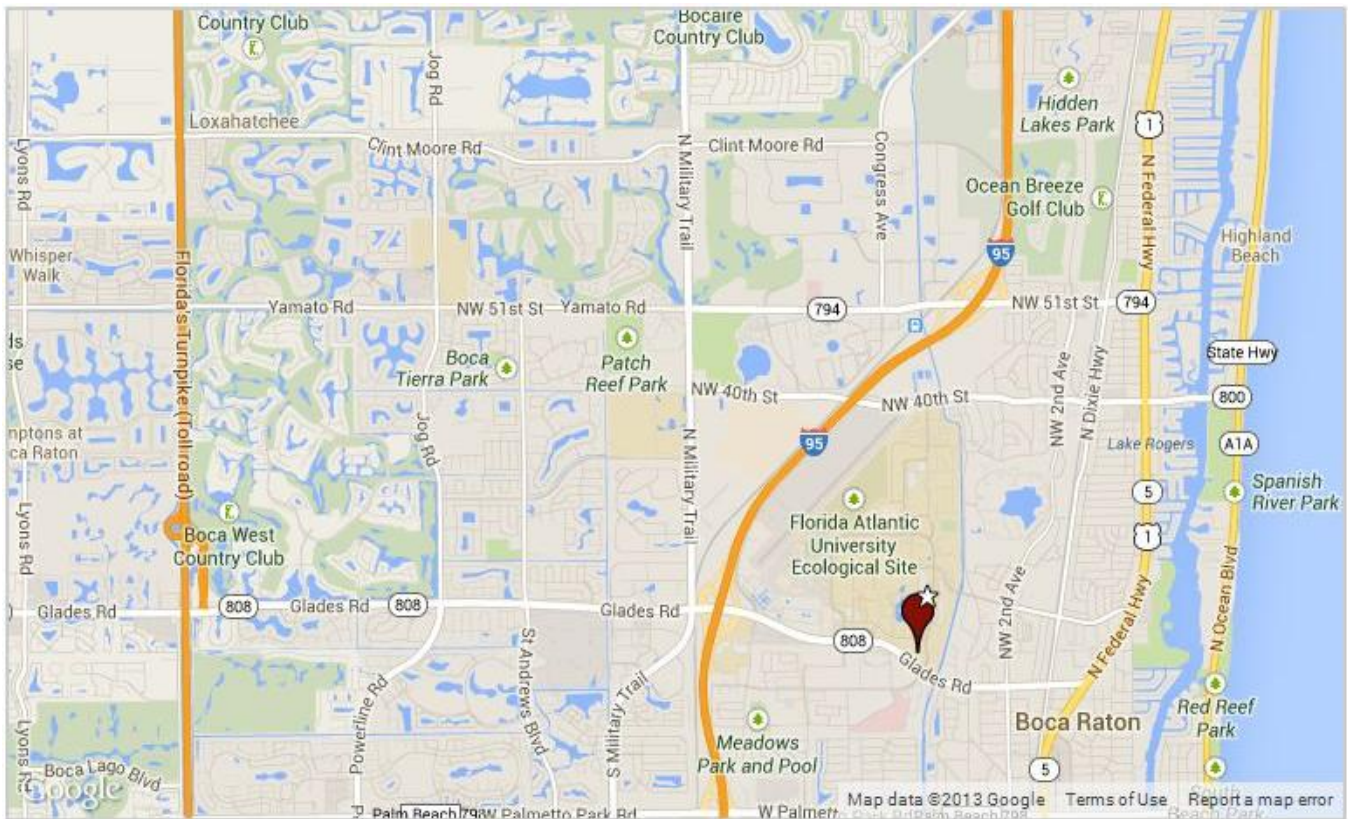
The proposed subject property's neighborhood is generally defined by Clint Moore Road and Jeffery Street to the north, U.S. Highway 1/North Federal Highway to the east, Glades Road/State Route 808 to the south, and Florida's Turnpike to the west. This neighborhood, which comprises a significant portion of the city of Boca Raton, is in the stable stage of its life cycle; however, a high concentration of corporate headquarter operations in and around the area's numerous office parks have spurred development in recent years along primary thoroughfares such as Yamato Road and Glades Road. Additionally, recent developments at Florida Atlantic University (FAU) include the construction of a \$70-million football stadium, the \$121-million and the 1,216-bed Innovation Village student apartment complex in 2011, as well as the opening of the \$46-million, 614-bed Parliament Hall housing complex in August of 2013, all part of the University's 2009 Master Plan update. In 2012, the Florida Department of Transportation announced plans to construct a new interchange at Interstate 95 and Yamato Road that will direct southbound traffic into the north entrance of the FAU campus; construction is expected to begin in December of 2013, with completion planned for 2016. Within the immediate proximity of the site, land use is primarily commercial in nature. The neighborhood is characterized by restaurants, retail shopping centers, office buildings and parks, hotels, and university uses along the primary thoroughfares, with residential areas located along the secondary roadways.

The area is characterized by the presence of the main campus of Florida Atlantic University in addition to those of other institutions of higher learning, such as Lynn University and Palm Beach State College, whose South Campus occupies a subleased portion of the FAU campus. The area is also home to multiple corporate demand generators located in and around Arvida Park of Commerce and Boca



Corporate Center & Campus, including The ADT Corporation, Bluegreen Corporation, and the corporate headquarters of Office Depot. Restaurants within immediate proximity of the proposed subject site include Mario's Osteria, P.F. Chang's China Bistro, J. Alexander's, Seasons 52, and McDonald's. In general, we would characterize the neighborhood as 35% office use, 20% retail/restaurant use, 20% residential use, 15% vacant, 5% hotel use, and 5% other. The proposed subject property's opening should be a positive influence on the area; the hotel is expected to be in character with and to complement surrounding land uses.

### MAP OF NEIGHBORHOOD



Overall, the supportive nature of the development in the immediate area is considered appropriate for and conducive to the operation of a hotel.

### Utilities

The subject site will reportedly be served by all necessary utilities.

**Soil and  
Subsoil Conditions**

Geological and soil reports were not provided to us or made available for our review during the preparation of this report. We are not qualified to evaluate soil conditions other than by a visual inspection of the surface; no extraordinary conditions were apparent.

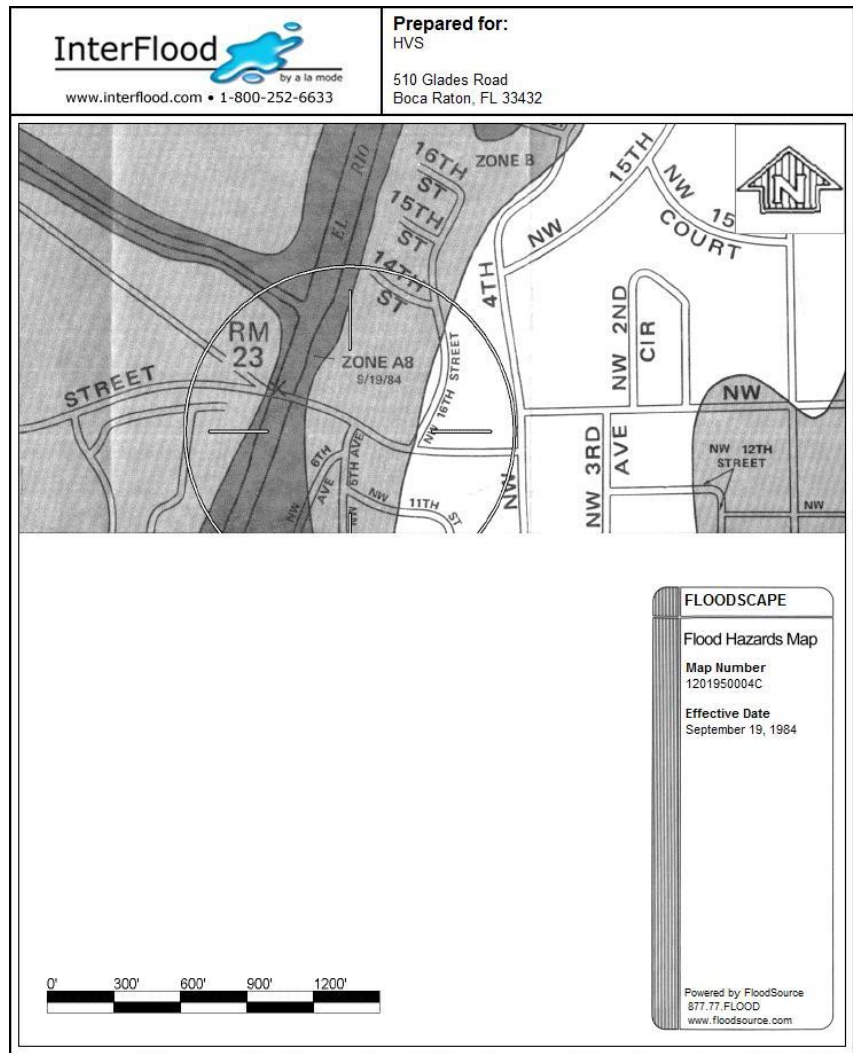
**Nuisances  
and Hazards**

We were not informed of any site-specific nuisances or hazards, and there were no visible signs of toxic ground contaminants at the time of our inspection. Because we are not experts in this field, we do not warrant the absence of hazardous waste and urge the reader to obtain an independent analysis of these factors.

**Flood Zone**

According to the Federal Emergency Management Agency map illustrated below, the subject site is located in flood zone B .

**COPY OF FLOOD MAP AND COVER**



The flood zone definition for the B designation is as follows: areas between limits of the 100-year and 500-year flood; certain areas subject to 100-year flooding with average depths of less than one foot or where the contributing drainage area is less than one square mile; areas protected by levees from the base flood.

**Zoning**

According to the local planning office, the subject property is zoned as follows: PL - Public Land. This zoning designation is intended to regulate the use or development of land that is owned or leased by a governmental entity. Uses of

public lands must be consistent with the comprehensive plan of the City of Boca Raton and must be approved by the City. We assume that all necessary permits and approvals will be secured (including the appropriate liquor license if applicable) and that the subject property will be constructed in accordance with local zoning ordinances, building codes, and all other applicable regulations. Our zoning analysis should be verified before any physical changes are made to the site.

**Easements and  
Encroachments**

We are not aware of any easements attached to the property that would significantly affect the utility of the site or marketability of this project.

**Conclusion**

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities. The chosen subject site is expected to be well located within Florida Atlantic University's master-planned expansion, which is scheduled to include additional student housing, sports and recreation facilities, and classroom buildings. The chosen subject site is also anticipated to be favorably situated along the well-traveled Glades Road corridor, proximate to Boca Raton Regional Hospital. In general, the site should be well suited for future hotel use, with acceptable access, visibility, and topography for an effective operation.

### 3. Market Area Analysis

The economic vitality of the market area and neighborhood surrounding the subject site is an important consideration in forecasting lodging demand and future income potential. Economic and demographic trends that reflect the amount of visitation provide a basis from which to project lodging demand. The purpose of the market area analysis is to review available economic and demographic data to determine whether the local market will undergo economic growth, stabilize, or decline. In addition to predicting the direction of the economy, the rate of change must be quantified. These trends are then correlated based on their propensity to reflect variations in lodging demand, with the objective of forecasting the amount of growth or decline in visitation by individual market segment (e.g., commercial, meeting and group, and leisure).

#### Market Area Definition

The market area for a lodging facilities is the geographical region where the sources of demand and the competitive supply are located. The subject site is located in the city of Boca Raton, the county of Palm Beach, and the state of Florida. Situated in southern Palm Beach County, Boca Raton is the largest city between West Palm Beach to the north and Pompano Beach in Broward County and forms part of the Miami-Fort Lauderdale-Pompano Beach MSA. The city was incorporated in 1926 and was named for a Spanish colonial term meaning "rocky inlet." Boca Raton's growth into a major commercial hub over the past half-century is primarily attributable to the presence of IBM's research and manufacturing campus, which served as the birthplace of the IBM personal computer in the 1980s. Although IBM relocated most of its Boca Raton operations to Texas and North Carolina in 1996, the city is still home to the headquarter operations of major corporate entities, including The ADT Corporation and Office Depot. In addition to its significant corporate presence, Boca Raton's warm tropical climate and coastal setting make it a popular destination for "snowbirds" and retirees from the Northeast.



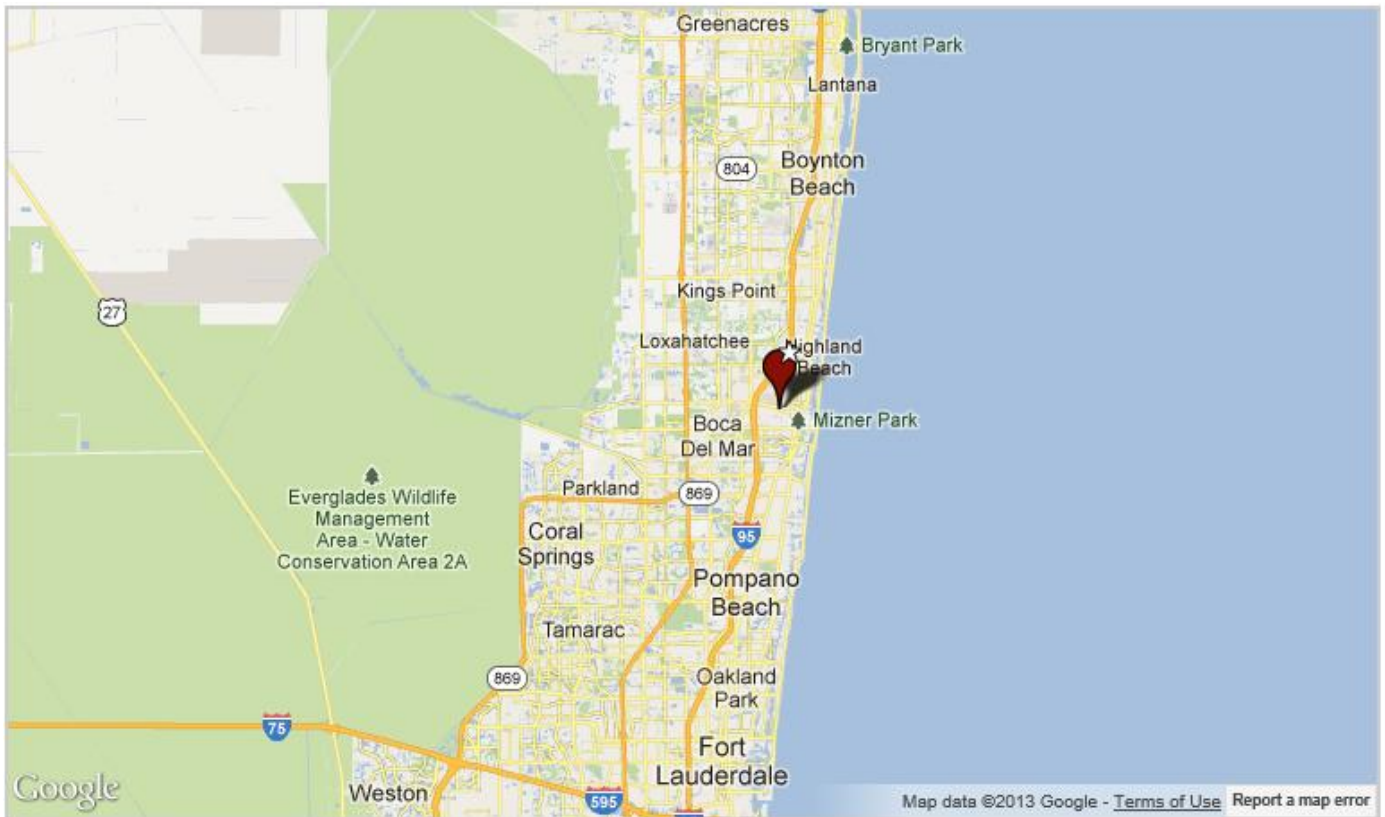
## BOCA RATON

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The subject property's market area can be defined by its Metropolitan Statistical Area (MSA): Miami-Fort Lauderdale-Pompano Beach, FL MSA. The MSA is the most standard definition used in comparative studies of metropolitan areas. The federal government defines an MSA as a large population nucleus, which, together with adjacent counties, has a higher degree of social integration. The following exhibit illustrates the market area.

## MAP OF MARKET AREA



### Economic and Demographic Review

A primary source of economic and demographic statistics used in this analysis is the *Complete Economic and Demographic Data Source* published by Woods & Poole Economics, Inc., a well-regarded forecasting service based in Washington, D.C. Using a database containing more than 900 variables for each county in the nation, Woods & Poole employs a sophisticated regional model to forecast economic and demographic trends. Historical statistics are based on census data and information published by the Bureau of Economic Analysis. Projections are formulated by Woods & Poole, and all dollar amounts have been adjusted for inflation, thus reflecting real change.

These data are summarized in the following table.

**FIGURE 3-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY**

	2000	2010	2012	2020	Average Annual Compounded Change		
					2000-10	2010-12	2012-20
<b>Resident Population (Thousands)</b>							
Palm Beach County	1,135.8	1,323.4	1,378.1	1,603.0	1.5 %	2.0 %	1.9 %
Miami-Fort Lauderdale-Pompano Beach, FL MSA	5,025.9	5,582.4	5,731.9	6,357.3	1.1	1.3	1.3
State of Florida	16,047.5	18,843.3	19,441.9	21,927.0	1.6	1.6	1.5
United States	282,162.4	309,349.7	315,387.6	341,069.5	0.9	1.0	1.0
<b>Per-Capita Personal Income*</b>							
Palm Beach County	\$48,697	\$51,179	\$50,598	\$54,789	0.5	(0.6)	1.0
Miami-Fort Lauderdale-Pompano Beach, FL MSA	35,402	39,652	40,094	44,060	1.1	0.6	1.2
State of Florida	32,390	35,621	35,878	39,522	1.0	0.4	1.2
United States	33,771	36,700	37,571	41,366	0.8	1.2	1.2
<b>W&amp;P Wealth Index</b>							
Palm Beach County	147.6	148.2	144.3	142.3	0.0	(1.3)	(0.2)
Miami-Fort Lauderdale-Pompano Beach, FL MSA	107.7	112.2	111.1	111.0	0.4	(0.5)	(0.0)
State of Florida	99.3	101.6	100.4	100.5	0.2	(0.6)	0.0
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
<b>Food and Beverage Sales (Millions)*</b>							
Palm Beach County	\$1,661	\$2,008	\$2,147	\$2,642	1.9	3.4	2.6
Miami-Fort Lauderdale-Pompano Beach, FL MSA	6,832	8,259	8,768	10,413	1.9	3.0	2.2
State of Florida	20,541	25,864	27,539	33,388	2.3	3.2	2.4
United States	341,525	406,373	427,462	498,869	1.8	2.6	1.9
<b>Total Retail Sales (Millions)*</b>							
Palm Beach County	\$18,391	\$21,199	\$23,339	\$29,406	1.4	4.9	2.9
Miami-Fort Lauderdale-Pompano Beach, FL MSA	74,155	78,844	85,681	103,299	0.6	4.2	2.4
State of Florida	223,684	250,335	272,909	332,657	1.1	4.4	2.5
United States	3,613,909	3,818,137	4,113,614	4,810,490	0.6	3.8	2.0

\* Inflation Adjusted

Source: Woods &amp; Poole Economics, Inc.



The U.S. population has grown at an average annual compounded rate of 1.0% from 2010 through 2012. The county's population has grown at a quicker pace than the nation's population; the average annual growth rate of 2.0% between 2010 and 2012 reflects a rapidly expanding area. Following this population trend, per-capita personal income decreased slowly, at -0.6% on average annually for the county between 2010 and 2012. Local wealth indexes have remained stable in recent years, registering a relatively high 144.3 level for the county in 2012.

Food and beverage sales totaled \$2,147 million in the county in 2012, versus \$2,008 million in 2010. This reflects a 3.4% average annual change, which is stronger than the 1.9% pace recorded in the prior decade, the latter years of which were adversely affected by the recession. The strong growth recorded in the period 2010 to 2012 reflects the impact of the recovery on the local economy. Over the long term, the pace of growth is forecast to moderate to a more sustainable level of 2.6%, which is forecast through 2020. The retail sales sector demonstrated a similar pattern, with a minimal annual increase of 1.4% in the decade 2000 to 2010, followed by an increase of 4.9% in the period 2010 to 2012. A more normalized increase of 2.9% average annual change is expected in county retail sales through 2020.

### Workforce Characteristics

The characteristics of an area's workforce provide an indication of the type and amount of transient visitation likely to be generated by local businesses. Sectors such as finance, insurance, and real estate (FIRE); wholesale trade; and services produce a considerable number of visitors who are not particularly rate-sensitive. The government sector often generates transient room nights, but per-diem reimbursement allowances often limit the accommodations selection to budget and mid-priced lodging facilities. Contributions from manufacturing, construction, transportation, communications, and public utilities (TCPU) employers can also be important, depending on the company type.

The following table sets forth the county workforce distribution by business sector in 2000, 2010, and 2012, as well as a forecast for 2020.

**FIGURE 3-2 HISTORICAL AND PROJECTED EMPLOYMENT (000S)**

Industry	2000	Percent of Total	2010	Percent of Total	2012	Percent of Total	2020	Percent of Total	Average Annual Compounded Change		
									2000-2010	2010-2012	2012-2020
Farm	7.6	1.2 %	4.5	0.6 %	4.5	0.6 %	5.2	0.6 %	(5.2) %	0.6 %	1.7 %
Forestry, Fishing, Related Activities And Other	6.1	1.0	4.3	0.6	4.4	0.6	4.8	0.5	(3.6)	1.4	1.2
Mining	0.9	0.1	2.8	0.4	3.0	0.4	3.9	0.4	12.2	3.0	3.4
Utilities	3.2	0.5	2.0	0.3	2.1	0.3	2.1	0.2	(4.9)	2.2	0.0
Construction	40.8	6.4	33.8	4.7	32.6	4.4	37.3	4.2	(1.9)	(1.8)	1.7
Manufacturing	27.8	4.3	18.2	2.5	17.9	2.4	17.5	2.0	(4.1)	(0.8)	(0.3)
Total Trade	96.8	15.1	103.1	14.3	107.9	14.7	136.5	15.4	0.6	2.3	3.0
Wholesale Trade	20.1	3.1	25.6	3.6	27.0	3.7	32.6	3.7	2.5	2.7	2.4
Retail Trade	76.7	11.9	77.4	10.8	80.9	11.0	103.9	11.7	0.1	2.2	3.2
Transportation And Warehousing	10.1	1.6	12.3	1.7	12.6	1.7	16.2	1.8	2.1	1.1	3.2
Information	14.2	2.2	11.8	1.6	12.2	1.7	14.2	1.6	(1.9)	1.5	2.0
Finance And Insurance	36.3	5.7	54.0	7.5	57.1	7.8	67.2	7.6	4.1	2.8	2.0
Real Estate And Rental And Lease	29.7	4.6	46.6	6.5	48.5	6.6	59.4	6.7	4.6	2.1	2.6
Total Services	307.8	48.0	359.6	50.0	367.5	49.9	444.7	50.1	1.6	1.1	2.4
Professional And Technical Services	44.6	7.0	57.7	8.0	60.3	8.2	72.4	8.2	2.6	2.2	2.3
Management Of Companies And Enterprises	7.8	1.2	9.7	1.3	9.9	1.4	11.2	1.3	2.1	1.5	1.5
Administrative And Waste Services	73.7	11.5	53.9	7.5	52.5	7.1	62.5	7.0	(3.1)	(1.2)	2.2
Educational Services	7.2	1.1	13.6	1.9	14.0	1.9	18.0	2.0	6.6	1.3	3.2
Health Care And Social Assistance	64.1	10.0	83.9	11.7	85.4	11.6	104.4	11.8	2.7	0.9	2.5
Arts, Entertainment, And Recreation	18.6	2.9	24.7	3.4	25.9	3.5	31.1	3.5	2.9	2.3	2.3
Accommodation And Food Services	44.8	7.0	59.3	8.2	61.5	8.4	74.0	8.3	2.8	1.9	2.3
Other Services, Except Public Administration	47.1	7.3	56.7	7.9	57.9	7.9	70.9	8.0	1.9	1.0	2.6
Total Government	60.2	9.4	66.4	9.2	65.6	8.9	78.0	8.8	1.0	(0.6)	2.2
Federal Civilian Government	5.8	0.9	6.4	0.9	6.6	0.9	7.6	0.9	1.0	1.2	1.9
Federal Military	2.5	0.4	2.6	0.4	2.5	0.3	2.6	0.3	0.2	(0.6)	0.1
State And Local Government	51.9	8.1	57.4	8.0	56.5	7.7	67.8	7.6	1.0	(0.8)	2.3
<b>TOTAL</b>	<b>641.5</b>	<b>100.0 %</b>	<b>719.2</b>	<b>100.0 %</b>	<b>735.8</b>	<b>100.0 %</b>	<b>887.0</b>	<b>100.0 %</b>	<b>1.1 %</b>	<b>1.1 %</b>	<b>2.4 %</b>
MSA	2,746.2	—	3,087.4	—	3,167.0	—	3,641.7	—	1.2 %	1.3 %	1.8 %
U.S.	165,370.9	—	172,936.0	—	175,736.3	—	195,598.1	—	0.5	0.8	1.3

Source: Woods & Poole Economics, Inc.

Woods & Poole Economics, Inc. reports that during the period from 2000 to 2010, total employment in the county grew at an average annual rate of 1.1%. This trend was below the growth rate recorded by the MSA and also outpaced the national average. More recently, the pace of total employment growth in the county accelerated to 1.1% on an annual average from 2010 to 2012, reflecting the initial years of the recovery.

Of the primary employment sectors, Total Services recorded the highest increase in number of employees during the period from 2010 to 2012, increasing by 7,963 people, or 2.2%, and rising from 50.0% to 49.9% of total employment. Of the various service sub-sectors, Health Care And Social Assistance and Accommodation And Food Services were the largest employers. Strong growth was also recorded in the Total Trade sector, as well as the Finance And Insurance sector, which expanded by 4.7% and -1.7%, respectively, in the period 2010 to 2012. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 2.4% on average annually through 2020. The trend is above the forecast rate of change for the U.S. as a whole during the same period.

### **Radial Demographic Snapshot**

The following table reflects radial demographic trends for our market area measured by three points of distance from the subject property.

**FIGURE 3-3 DEMOGRAPHICS BY RADIUS**

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
<b>Population</b>			
2017 Projection	10,717	76,121	192,832
2012 Estimate	10,757	76,355	193,318
2000 Census	10,289	75,153	193,751
1990 Census	9,644	66,737	160,790
Growth 2012-2017	-0.4%	-0.3%	-0.3%
Growth 2000-2012	4.5%	1.6%	-0.2%
Growth 1990-2000	6.7%	12.6%	20.5%
<b>Households</b>			
2017 Projection	3,664	33,574	90,659
2012 Estimate	3,676	33,739	90,927
2000 Census	3,785	33,322	91,064
1990 Census	3,714	29,048	74,939
Growth 2012-2017	-0.3%	-0.5%	-0.3%
Growth 2000-2012	-2.9%	1.3%	-0.2%
Growth 1990-2000	1.9%	14.7%	21.5%
<b>Income</b>			
2012 Est. Average Household Income	\$62,611	\$96,881	\$90,769
2012 Est. Median Household Income	43,250	60,197	56,707
2012 Est. Per Capita Income	23,271	43,186	42,943
<b>2012 Est. Civ Employed Pop 16+ by Occupation</b>			
Architect/Engineer	86	484	958
Arts/Entertain/Sports	96	990	2,216
Building Grounds Maint	166	1,158	2,908
Business/Financial Ops	226	2,023	4,956
Community/Soc Svcs	13	390	881
Computer/Mathematical	223	1,277	2,338
Construction/Extraction	275	1,319	3,652
Edu/Training/Library	334	1,937	3,847
Farm/Fish/Forestry	2	78	155
Food Prep/Serving	496	2,917	5,956
Health Practitioner/Tec	314	2,096	4,946
Healthcare Support	100	618	1,356
Maintenance Repair	128	903	1,963
Legal	52	922	2,148
Life/Phys/Soc Science	18	201	443
Management	559	5,443	12,127
Office/Admin Support	562	3,823	10,256
Production	118	909	2,148
Protective Svcs	165	662	1,599
Sales/Related	576	5,409	13,695
Personal Care/Svc	183	1,517	3,155
Transportation/Moving	399	1,310	3,144

Source: The Nielsen Company

This source reports a population of 193,318 within a five-mile radius of the subject property, and 90,927 households within this same radius. Average household income within a five-mile radius of the subject property is currently reported at \$90,769, while the median is \$56,707.

The following table illustrates historical and projected employment, households, population and average household income data as provided by REIS for the overall Palm Beach market.

**FIGURE 3-4 HISTORICAL & PROJECTED EMPLOYMENT, HOUSEHOLDS, POPULATION, AND HOUSEHOLD INCOME STATISTICS**

Year	Total		Office		Industrial		Households		Population		Household	
	Employment	% Chg	Employment	% Chg	Employment	% Chg	Households	% Chg	Population	% Chg	Avg. Income	% Chg
2000	494,130	—	155,888	—	54,795	—	480,310	—	1,147,030	—	\$104,938	—
2001	504,670	2.1 %	159,821	2.5 %	53,824	(1.8) %	491,980	2.4 %	1,176,040	2.5 %	104,720	(0.2) %
2002	514,200	1.9	163,313	2.2	53,615	(0.4)	503,220	2.3	1,204,500	2.4	106,019	1.2
2003	515,570	0.3	163,898	0.4	51,421	(4.1)	515,080	2.4	1,234,700	2.5	108,971	2.8
2004	536,330	4.0	172,997	5.6	51,412	(0.0)	528,010	2.5	1,267,730	2.7	119,599	9.8
2005	556,030	3.7	178,786	3.3	52,763	2.6	533,600	1.1	1,283,300	1.2	125,717	5.1
2006	565,470	1.7	180,614	1.0	52,885	0.2	533,350	(0.0)	1,284,910	0.1	137,287	9.2
2007	557,500	(1.4)	179,311	(0.7)	52,167	(1.4)	534,590	0.2	1,290,110	0.4	143,321	4.4
2008	529,370	(5.0)	170,981	(4.6)	49,951	(4.2)	538,010	0.6	1,300,540	0.8	137,880	(3.8)
2009	499,700	(5.6)	161,145	(5.8)	46,126	(7.7)	542,870	0.9	1,315,730	1.2	119,380	(13.4)
2010	501,130	0.3	162,757	1.0	45,393	(1.6)	547,900	0.9	1,330,950	1.2	127,291	6.6
2011	513,600	2.5	167,761	3.1	46,705	2.9	549,890	0.4	1,345,470	1.1	130,201	2.3
2012	522,130	1.7	170,834	1.8	47,476	1.7	552,620	0.5	1,365,450	1.5	136,723	5.0
<b>Forecasts</b>												
2013	533,540	2.2 %	174,985	2.4 %	47,133	(0.7) %	559,280	1.2 %	1,388,310	1.7 %	\$140,907	3.1 %
2014	547,820	2.7	179,577	2.6	47,638	1.1	570,010	1.9	1,420,530	2.3	148,226	5.2
2015	566,120	3.3	185,717	3.4	48,362	1.5	584,860	2.6	1,459,400	2.7	155,942	5.2
2016	582,240	2.8	190,800	2.7	48,989	1.3	600,150	2.6	1,500,980	2.8	162,742	4.4
2017	592,040	1.7	193,901	1.6	49,168	0.4	615,810	2.6	1,544,240	2.9	167,754	3.1
<b>Average Annual Compound Change</b>												
2000 - 2012	0.5 %		0.8 %		(1.2) %		1.2 %		1.5 %		2.2 %	
2000 - 2007	1.7		2.0		(0.7)		1.5		1.7		4.6	
2007 - 2010	(3.5)		(3.2)		(4.5)		0.8		1.0		(3.9)	
2010 - 2012	2.1		2.5		2.3		0.4		1.3		3.6	
Forecast 2012 - 2017	2.5 %		2.6 %		0.7 %		2.2 %		2.5 %		4.2 %	

Source: REIS Report, 2nd Quarter, 2013

**Unemployment  
Statistics**

For the Palm Beach market, of the roughly 500,000 persons employed, 33% work in offices and are categorized as office employees, while 9% are categorized as industrial employees. Total employment decreased by an average annual compound rate of -3.5 during the recession of 2007 to 2010, followed by an improvement of 2.1% from 2010 to 2012. By comparison, office employment reflected compound change rates of -3.2 and 2.5, during same respective periods. Total employment is expected to expand by 2.2% in 2013, while office employment is forecast to expand by 2.4% in 2013. Forecasts for the period 2012 through 2017 anticipate total employment will improve at an average annual compound rate of 2.5%, and office employment is forecast to improve by 2.6% on average annually during the same time frame.

The number of households are forecast to improve by 2.2% on average annually between 2012 and 2017. Population is forecast to expand during this same time frame, at an average annual compounded rate of 2.5%. Household average income is forecast to grow by 4.2% on average annually between 2012 through 2017.

The following table presents historical unemployment rates for the proposed subject property’s market area.

**FIGURE 3-5 UNEMPLOYMENT STATISTICS**

Year	County	MSA	State	U.S.
2003	5.7 %	5.7 %	5.3 %	6.0 %
2004	5.1	5.1	4.7	5.5
2005	4.2	4.2	3.8	5.1
2006	3.6	3.6	3.3	4.6
2007	4.2	3.9	4.0	4.6
2008	6.5(S)	6.0(S)	6.3(G)	5.8
2009	10.5(S)	10.3(S)	10.4(G)	9.3
2010	11.4(S)	11.2(S)	11.3(D)	9.6
2011	10.5(E)	10.2(E)	10.3(D)	8.9
2012	8.8(E)	8.5(E)	8.6(D)	8.1
<i>Recent Month - Jun</i>				
2012	9.2 %	9.1 %	9.1 %	8.2 %
2013	7.5	7.6	7.4	7.6

\* Letters shown next to data points (if any) reflect revised population controls and/or model re-estimation implemented by the BLS.

Source: U.S. Bureau of Labor Statistics

The unemployment rate for the U.S. fluctuated within the narrow range of 4.6% to 6.0% in the period spanning from 2003 to 2007. The recession and financial crisis in 2007 and 2008 resulted in heightened unemployment rates, which peaked at 10.0% in October of 2009. Job growth resumed in late 2009; the national unemployment rate has steadily declined since 2010. Total nonfarm payroll employment increased by 169,000 jobs in August of 2013, which brought down the unemployment rate to 7.3%, its lowest rate in over four years. This positive trend reflects steady progress by the U.S. economy, despite the contraction in government jobs caused by the sequestration. Retail trade and healthcare led the job gains in August.

Locally, the unemployment rate was 8.8(E)% in 2012; for this same area in 2013, the most recent month's unemployment rate was registered at 7.5%, versus 9.2% for the same month in 2012. Unemployment rates in this area declined mid-decade, concurrent with the general recovery trend after a difficult period earlier in the decade. Unemployment began to rise in 2007 as the region entered an economic slowdown, and this trend continued into 2010. However, a positive trend began in 2011 and continued in 2012. The most recent comparative period indicates substantial improvement, as employment has remained strong at local corporations such as Office Depot and ADT. Furthermore, an increase in construction projects has spurred additional job growth. Continued increases in tourism as consumer spending recovers have prompted hiring in the hospitality sector, as hotels, restaurants, and area attractions work to keep pace with growing demand.

### Major Business and Industry

Providing additional context for understanding the nature of the regional economy, the following table presents a list of the major employers in the subject property's market.



**FIGURE 3-6 MAJOR EMPLOYERS**

Rank	Firm	Number of Employees
1	Palm Beach County School District	20,810
2	Tenet Healthcare Corp.	6,100
3	Palm Beach County Government	5,383
4	NextEra Energy, Inc.	3,804
5	G4S	3,000
6	Florida Atlantic University	2,980
7	Hospital Corporation of America (HCA)	2,714
8	Veterans Health Administration	2,700
9	Bethesda Memorial Hospital	2,643
10	Boca Raton Regional Hospital	2,250

Source: Palm Beach County Business Development Board, 2012

The following bullet points highlight major demand generators for this market:

- Office Depot is one of the world's largest sellers of office products and an industry leader in various distribution channels, including stores, direct mail, contract delivery, Internet, and business-to-business electronic commerce. In 2008, the company completed a new 625,000-square-foot headquarters building in Boca Raton. According to city officials, Office Depot was offered \$15 million in tax incentives over the subsequent ten-year period in exchange for maintaining its headquarters within Palm Beach County. In 2012, Office Depot reported total sales of \$10.7 billion, which were down 7% compared to full year 2011. In early 2013, the company announced plans to merge with Naperville, Illinois-based OfficeMax. The move is expected to create a new entity with total estimated worth of \$1.2 billion and combined 2012 revenue of roughly \$18 billion. Following the merger agreement, Office Depot and OfficeMax announced plans to select a new CEO in the fall of 2013 and to decide whether the Boca Raton or Naperville campus will serve as the new company's headquarters moving forward.
- The healthcare sector remains a strong force in the economic stability for Boca Raton and the surrounding area. Tenet Healthcare Corp. is the largest provider of hospital services in Palm Beach County, with five general hospitals, one rehabilitation hospital, and approximately 1,700 inpatient beds; Tenet has a reported economic impact on the county of nearly \$350 million. In 2011, Tenet announced plans to construct a \$120-million, 80-bed teaching hospital in Palm Beach Gardens, which would operate in conjunction with the nearby Scripps Florida research facility. However, the status of the project is uncertain

following a May 2013 ruling by an administrative law judge that overturned the facility's initial approval by state regulators. Boca Raton Regional Hospital, the primary hospital facility in the city of Boca Raton and one of the largest employers in Palm Beach County, is a not-for-profit medical center offering 400 beds and a staff of more than 2,100 employees, including 800 general and specialty physicians. In 2013, Boca Raton Regional Hospital received Healthgrades' Distinguished Hospital Award for Clinical Excellence for the ninth year in a row; additionally, it was named a top-ranked hospital in two specialties in U.S. News & World Report's 2013-14 listing of America's Best Hospitals. In March of 2013, the hospital broke ground on the Marcus Neuroscience Institute, a planned 56,000-square-foot, 22-bed, state-of-the-art neurological care and research facility; the project is scheduled for completion in early 2014.

- Headquartered in Boca Raton, The ADT Corporation provides residential and small business security, fire alarm, and monitoring services to more than six million customers throughout North America, making it the largest security company in the United States and Canada. The company formerly operated as a subsidiary of Tyco International. In early 2010, Tyco International acquired Broadview Security, then the second-largest security company in North America, in a transaction valued at \$2 billion. Following the acquisition, Broadview Security's operations were integrated into those of ADT, adding 1.3 million customers and an estimated \$565 million of revenue to ADT's existing base. In June of 2011, Tyco International moved into a 171,000-square-foot campus on Yamato Road in Boca Raton following the execution of a long-term lease and extensive renovations to the facility. As a result of corporate restructuring, ADT split from Tyco International in October of 2012, and the campus became the corporate headquarters of The ADT Corporation. In November of that year, ADT announced plans to add 120 new jobs to its Boca Raton headquarters over a two-year period.

Although the Boca Raton market was negatively affected by the economic recession at the end of last decade, recent developments in the healthcare and education sectors, as well as expansions among major corporate entities, have resulted in a significant improvement of the local economy. Boca Raton benefits from its status as home to the corporate headquarters of both The ADT Corporation and Office Depot. Following its announced merger with OfficeMax, the status of Office Depot's Boca Raton headquarters remains uncertain, with the proposed entity yet to name a location for its future headquarters. However, investments by ADT in the local market, including the long-term lease of its Yamato Road headquarters facility and continuing expansion efforts, have helped to offset this uncertainty somewhat. The presence of other major corporate entities, such as Bluegreen Corporation, The Geo Group, and Tenet Healthcare Corporation, as well as additional projects, including the ongoing construction of

the Marcus Neuroscience Institute and the development of numerous facilities on the Boca Raton campus of Florida Atlantic University in conjunction with the University's 2009 Master Plan update, have further bolstered growth in the area. The continued presence of major corporate entities in Boca Raton and the strength of the healthcare and education sectors should anchor the local economy in the near term.

### Office Space Statistics

Trends in occupied office space are typically among the most reliable indicators of lodging demand, as firms that occupy office space often exhibit a strong propensity to attract commercial visitors. Thus, trends that cause changes in vacancy rates or in the amount of occupied office space may have a proportional impact on commercial lodging demand and a less direct effect on meeting demand. The following table details office space statistics for the pertinent market area.

**FIGURE 3-7 OFFICE SPACE STATISTICS – MARKET OVERVIEW**

Submarket	Inventory		Occupied Office Space	Vacancy Rate	Average Asking Lease Rate
	Buildings	Square Feet			
<b>1 Boca Raton East</b>	<b>58</b>	<b>3,178,000</b>	<b>2,618,700</b>	<b>17.6 %</b>	<b>\$29.10</b>
2 Boca Raton West	82	6,679,000	5,630,400	15.7	29.46
3 Delray Beach	29	1,704,000	1,218,400	28.5	19.90
4 Boynton Bch	45	1,509,000	1,174,000	22.2	20.94
5 W Palm Bch-Dwntwn	47	4,079,000	3,324,400	18.5	36.51
6 W Palm Bch-W of 95	38	1,402,000	1,198,700	14.5	26.37
7 North Palm Beach	51	1,967,000	1,612,900	18.0	22.30
8 Jupiter/Juno	60	3,081,000	2,341,600	24.0	27.30
<b>Totals and Averages</b>	<b>410</b>	<b>23,599,000</b>	<b>19,119,100</b>	<b>19.0 %</b>	<b>\$28.33</b>

Source: REIS Report, 2nd Quarter, 2013

The greater Palm Beach market comprises a total of 23.6 million square feet of office space. For the 2nd Quarter of 2013, the market reported a vacancy rate of 19.0% and an average asking rent of \$28.33. The subject property is located in the Boca Raton East submarket, which houses 3,178,000 square feet of office space. The submarket's vacancy rate of 17.6% is below the overall market average. The average asking lease rate of \$29.10 is above the average for the broader market.

The following table illustrates a trend of office space statistics for the overall Palm Beach market and the Boca Raton East submarket.

**FIGURE 3-8 HISTORICAL AND PROJECTED OFFICE SPACE STATISTICS – GREATER MARKET VS. SUBMARKET**

Year	Palm Beach Market							Boca Raton East Submarket						
	Available Office Space	% Chg	Occupied Office Space	% Chg	Vacancy Rate	Asking Lease Rate	% Chg	Available Office Space	% Chg	Occupied Office Space	% Chg	Vacancy Rate	Asking Lease Rate	% Chg
2000	21,742,000	—	19,751,000	—	9.2 %	\$22.61	—	3,269,000	—	3,079,000	—	5.8 %	\$23.11	—
2001	22,244,000	2.3 %	18,889,000	(4.4) %	15.1	22.48	(0.6) %	3,359,000	2.8 %	3,000,000	(2.6) %	10.7	23.74	2.7 %
2002	22,345,000	0.5	19,220,000	1.8	14.0	22.47	(0.0)	3,383,000	0.7	3,018,000	0.6	10.8	23.10	(2.7)
2003	22,510,000	0.7	19,225,000	0.0	14.6	23.00	2.4	3,522,000	4.1	3,036,000	0.6	13.8	24.17	4.6
2004	22,609,000	0.4	19,763,000	2.8	12.6	23.58	2.5	3,556,000	1.0	3,079,000	1.4	13.4	24.82	2.7
2005	22,237,000	(1.6)	20,159,000	2.0	9.3	24.57	4.2	3,489,000	(1.9)	3,172,000	3.0	9.1	25.46	2.6
2006	22,041,000	(0.9)	19,824,000	(1.7)	10.1	27.07	10.2	3,215,000	(7.9)	2,922,000	(7.9)	9.1	28.56	12.2
2007	22,074,000	0.1	19,558,000	(1.3)	11.4	28.77	6.3	3,215,000	0.0	2,826,000	(3.3)	12.1	29.82	4.4
2008	23,552,000	6.7	19,939,000	1.9	15.3	29.49	2.5	3,195,000	(0.6)	2,703,000	(4.4)	15.4	30.37	1.8
2009	23,501,000	(0.2)	18,996,000	(4.7)	19.2	29.04	(1.5)	3,178,000	(0.5)	2,657,000	(1.7)	16.4	29.54	(2.7)
2010	23,447,000	(0.2)	18,504,000	(2.6)	21.1	28.32	(2.5)	3,178,000	0.0	2,552,000	(4.0)	19.7	28.60	(3.2)
2011	23,561,000	0.5	18,513,000	0.0	21.4	28.18	(0.5)	3,178,000	0.0	2,616,000	2.5	17.7	29.01	1.4
2012	23,599,000	0.2	18,924,000	2.2	19.8	28.31	0.5	3,178,000	0.0	2,616,000	0.0	17.7	29.30	1.0
<b>Forecasts</b>														
2013	23,599,000	0.0 %	19,159,000	1.2 %	18.8 %	28.52	0.7 %	3,178,000	0.0 %	2,638,000	0.8 %	17.0 %	\$29.30	0.0 %
2014	23,736,000	0.6	19,336,000	0.9	18.5	29.16	2.2	3,197,000	0.6	2,660,000	0.8	16.8	29.83	1.8
2015	23,931,000	0.8	19,512,000	0.9	18.5	29.90	2.5	3,233,000	1.1	2,700,000	1.5	16.5	30.27	1.5
2016	24,267,000	1.4	20,001,000	2.5	17.6	30.87	3.2	3,289,000	1.7	2,771,000	2.6	15.8	31.20	3.1
2017	24,608,000	1.4	20,604,000	3.0	16.3	32.28	4.6	3,353,000	1.9	2,859,000	3.2	14.8	32.38	3.8
<b>Average Annual Compound Change</b>														
2000 - 2012	0.7 %		(0.4) %		1.9 %		(0.2) %		(1.3) %		2.0 %			
2000 - 2007	0.2		(0.1)		3.5		(0.2)		(1.2)		3.7			
2007 - 2010	2.0		(1.8)		(0.5)		(0.4)		(3.3)		(1.4)			
2010 - 2012	0.3		1.1		(0.0)		0.0		1.2		1.2			
Forecast 2012 - 2017	0.8 %		1.7 %		2.7 %		1.1 %		1.8 %		2.0 %			

Source: REIS Report, 2nd Quarter, 2013

The inventory of office space in the Palm Beach market increased at an average annual compound rate of 0.7% from 2000 through 2012, while occupied office space contracted at an average annual rate of -0.4% over the same period. During the period of 2000 through 2007, occupied office space contracted at an average annual compound rate of -0.1%. From 2007 through 2010, occupied office space contracted at an average annual compound rate of -1.8%, reflecting the impact of the recession. The onset of the recovery is evident in the 1.1% average annual change in occupied office space from 2010 to 2012. From 2012 through 2017, the inventory of occupied office space is forecast to increase at an average annual compound rate of 1.7%, with available office space expected to increase 0.8%, thus resulting in an anticipated vacancy rate of 16.3% as of 2017.

### Airport Traffic

Airport passenger counts are important indicators of lodging demand. Depending on the type of service provided by a particular airfield, a sizable percentage of arriving passengers may require hotel accommodations. Trends showing changes in passenger counts also reflect local business activity and the overall economic health of the area.

The following table illustrates recent operating statistics for the Fort Lauderdale Hollywood International Airport, which is the primary airport facility serving the proposed subject property's submarket.

**FIGURE 3-9 AIRPORT STATISTICS - FORT LAUDERDALE HOLLYWOOD INTERNATIONAL AIRPORT**

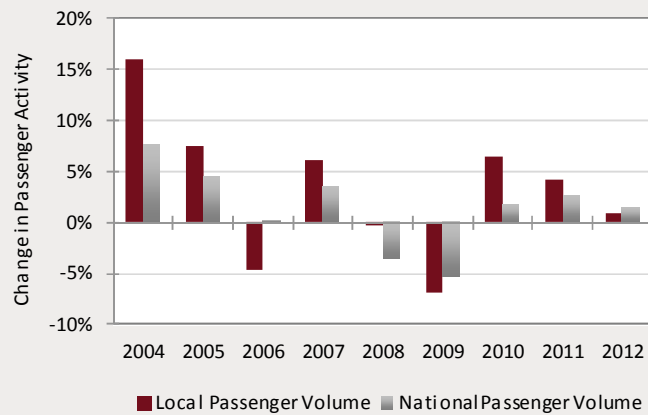
Year	Passenger Traffic	Percent Change*	Percent Change**
2003	17,937,708	—	—
2004	20,819,292	16.1 %	16.1 %
2005	22,390,285	7.5	11.7
2006	21,369,787	(4.6)	6.0
2007	22,681,903	6.1	6.0
2008	22,621,500	(0.3)	4.7
2009	21,060,131	(6.9)	2.7
2010	22,412,627	6.4	3.2
2011	23,349,835	4.2	3.4
2012	23,569,103	0.9	3.1
<i>Year-to-date, Jun</i>			
2012	12,496,355	—	—
2013	12,292,391	(1.6) %	—

\*Annual average compounded percentage change from the previous year

\*\*Annual average compounded percentage change from first year of data

Source: Fort Lauderdale Hollywood International Airport

**FIGURE 3-10 LOCAL PASSENGER TRAFFIC VS. NATIONAL TREND**



Source: HVS, Local Airport Authority

This facility recorded 23,569,103 passengers in 2012. The change in passenger traffic between 2011 and 2012 was 0.9%. The average annual change during the period shown was 3.1%.

The following table illustrates recent operating statistics for the Palm Beach International Airport, which is the secondary airport facility serving the proposed subject property’s submarket.

**FIGURE 3-11 AIRPORT STATISTICS – PALM BEACH INTERNATIONAL AIRPORT**

Year	Passenger Traffic	Percent Change*	Percent Change**
2003	6,014,186	—	—
2004	6,537,263	8.7 %	8.7 %
2005	7,014,237	7.3	8.0
2006	6,824,789	(2.7)	4.3
2007	6,936,449	1.6	3.6
2008	6,476,303	(6.6)	1.5
2009	5,994,606	(7.4)	(0.1)
2010	5,887,723	(1.8)	(0.3)
2011	5,769,583	(2.0)	(0.5)
2012	5,609,168	(2.8)	(0.8)
<i>Year-to-date, Jul</i>			
2012	2,040,087	—	—
2013	2,079,154	1.9 %	—

\*Annual average compounded percentage change from the previous year  
 \*\*Annual average compounded percentage change from first year of data

Source: Palm Beach International Airport

Palm Beach International Airport (PBI) is a public airport located just two and one-half miles west of West Palm Beach, Florida. Numerous airlines including United, US Airways, Delta, Southwest, and American Airlines, among others, service the airport and provide flights to major destinations across the U.S. Air Canada offers seasonal service to Montreal-Trudeau and Toronto-Pearson. Air traffic registered 5,609,168 passengers in 2012. The change in passenger traffic between 2011 and 2012 was -2.8%.

**Tourist Attractions**

The market benefits from a variety of tourist and leisure attractions in the area. This area benefits from a high amount of leisure demand throughout the year; during the winter, visitors from the north travel south, and this area experiences strong visitation levels. Throughout the year, weekend demand also comprises



travelers passing through en route to other destinations, people visiting friends or relatives, and other similar weekend demand generators. Primary attractions in the area include the following:

- Mizner Park is a mixed-use residential, commercial, and cultural center that has become the catalyst for growth in the downtown Boca Raton area. The attraction consists of 235,000 square feet of retail space, including 54 shops, seven restaurants, a department store, and a cinema complex.
- The Boca Raton Museum of Art presents national and international exhibits, and a wide range of educational programs, lectures, gallery tours, and studio art classes. The Museum's permanent collection is an assembly of modern works by Degas, Matisse, Modigliani, and Picasso.
- Red Reef Park encompasses 67 acres of protected land, located adjacent to the Atlantic Ocean. The area features swimming, fishing, and other beach-related activities. The park also includes the Gumbo Limbo Environmental Complex, which is designed to provide environmental education for the community through seminars, workshops, field trips, and research.
- Fort Lauderdale boasts more than seven miles of beaches that offer residents and visitors premier opportunities for recreation, relaxation, and enjoyment. The city's award-winning wave-wall and signature beachfront promenade highlight Fort Lauderdale's world famous coastline, which is punctuated by an array of shops, restaurants, sidewalk cafés, and entertainment venues. Beachgoers can participate in a wide range of activities from boating, wind surfing, jet skiing, and volleyball to snorkeling, scuba diving, deep-sea fishing, and rollerblading.

## MIZNER PARK

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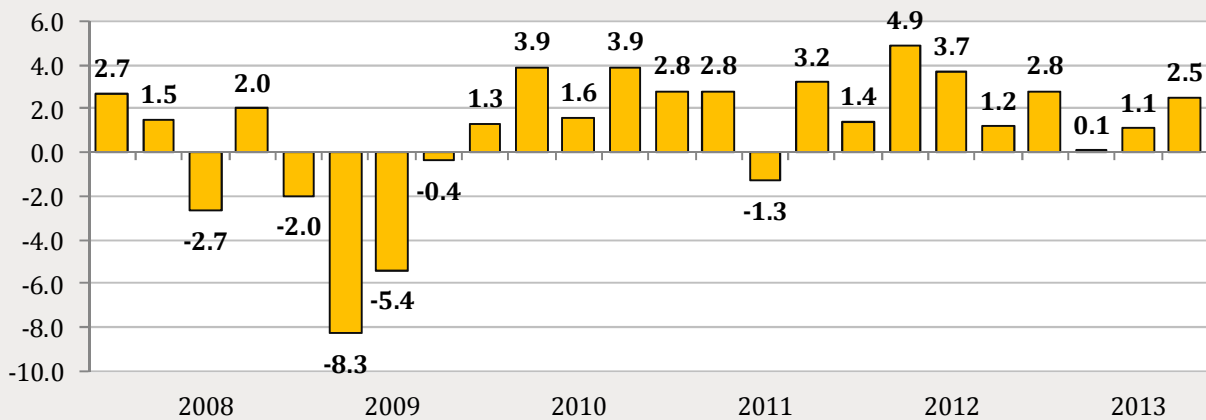
### Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. Boca Raton is experiencing a period of economic strength and expansion, led by local corporations with headquarter operations in the area, as well as the healthcare and education sectors. Although the merger of Office Depot with OfficeMax has resulted in uncertainty about the future of the company's Boca Raton headquarters, other entities anchoring the local economy, including The ADT Corporation, Boca Raton Regional Hospital, and Florida Atlantic University, continue to maintain a strong local presence. Following the corporate restructuring of Tyco in 2012, ADT has consolidated operations at its new Yamato Road campus and continues to add new jobs to the local economy. Furthermore, development at Boca Raton Regional Hospital and FAU's main campus have spurred further economic growth, resulting in significant declines in local unemployment levels. As such, the outlook for the market area is positive.

Our analysis of the outlook for this specific market also considers the broader context of the national economy. The U.S. economy entered a recession in December of 2007, which worsened in the fall of 2008 when the financial crisis shocked the world economy. The U.S. fell into economic decline for most of 2009, but the nation's gross domestic product (GDP) and corporate profits began to grow again in the third quarter of 2009. In 2010, the economy experienced four

consecutive quarters of economic growth, reflecting a rebound from the recession. Following a slight contraction in the first quarter of 2011, the economy has grown at positive, albeit fluctuating rates, as evidenced in the following table.

**FIGURE 3-12 UNITED STATES GDP GROWTH RATE**



Source: tradingeconomics.com, Bureau of Economic Analysis

Gross domestic product (GDP) increased at an annual rate of 2.5% in the second quarter of 2013, beating preliminary projections and substantially exceeding the 1.1% annual growth rate in the first quarter. Personal consumption expenditures (PCE), exports, nonresidential fixed investment, private inventory investment, and residential investment drove the increase in real GDP in the second quarter. This growth occurred despite the contraction in government spending. Real federal government consumption expenditures and gross investment decreased 1.6% in the second quarter, compared with a decrease of 8.4% in the first quarter. The economic outlook continues to be positive; GDP is projected to grow at an annual rate of 2.7% in 2014, according to a Bloomberg survey of economists.

## 4. Supply and Demand Analysis

In the lodging industry, price varies directly, but not proportionately, with demand and inversely, but not proportionately, with supply. Supply is measured by the number of guestrooms available, and demand is measured by the number of rooms occupied; the net effect of supply and demand toward equilibrium results in a prevailing price, or average rate. The purpose of this section is to investigate current supply and demand trends, as indicated by the current competitive market, and to set forth a basis for the projection of future supply and demand growth.

### Definition of Subject Hotel Market

The Proposed Dual-Branded Hotels at Florida Atlantic University will be located in Boca Raton, Florida. The greater market surrounding the subject site offers 75 hotels and motels, spanning 6,640 rooms. The two largest hotels are the 1,047-room Waldorf Astoria Boca Raton Resort and the 309-room Ritz-Carlton Palm Beach.

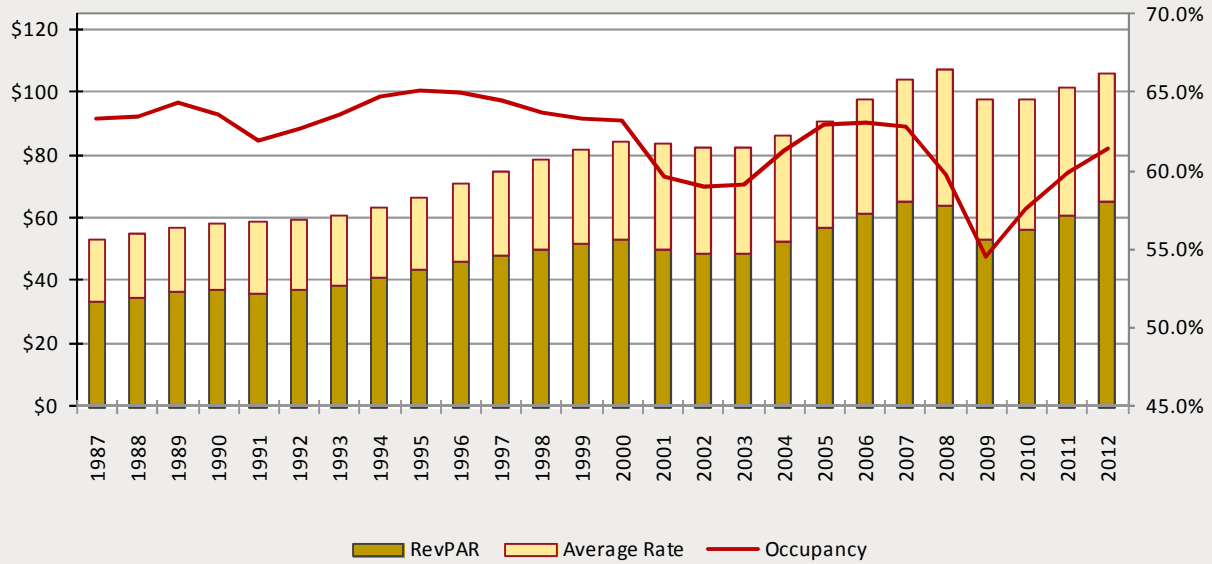
Of this larger supply set, the proposed subject property is expected to compete with a smaller set of hotels based on various factors. These factors may include location, price point, product quality, length of stay (such as an extended-stay focus vs. non-extended-stay focus), room type (all-suite vs. standard), hotel age, or brand, among other factors. We have reviewed these pertinent attributes and established an expected competitive set based upon this review. Our review of the proposed subject property's specific competitive set within the Boca Raton area begins after our review of national occupancy, average rate, and RevPAR trends.

### National Trends Overview

The proposed subject property's local lodging market is most directly affected by the supply and demand trends within the immediate area. However, individual markets are also influenced by conditions in the national lodging market. We have reviewed national lodging trends to provide a context for the forecast of the supply and demand for the proposed subject property's competitive set.

Smith Travel Research (STR) is an independent research firm that compiles data on the lodging industry, and this information is routinely used by typical hotel buyers. Figure 4-1 presents annual hotel occupancy and average rate data since 1987. Figures 4-2 and 4-3 illustrate the more recent trends, categorized by geography, price point, type of location, and chain scale. The statistics include occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

**FIGURE 4-1 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS**



Source: STR

**FIGURE 4-2 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS – YEAR-TO-DATE DATA**

	Occupancy - Thru July			Average Rate - Thru July			RevPAR - Thru July		
	2012	2013	% Change	2012	2013	% Change	2012	2013	% Change
United States	62.2 %	63.2 %	1.5 %	\$105.68	\$109.95	4.0 %	\$65.75	\$69.46	5.6 %
Region									
New England	59.6 %	60.6 %	1.7 %	\$124.28	\$127.42	2.5 %	\$74.09	\$77.23	4.2 %
Middle Atlantic	64.8	65.6	1.2	143.06	148.66	3.9	92.63	97.45	5.2
South Atlantic	63.4	64.3	1.5	106.14	109.81	3.5	67.24	70.60	5.0
East North Central	58.2	58.8	1.0	90.76	94.33	3.9	52.86	55.48	5.0
East South Central	57.8	58.5	1.1	79.52	81.99	3.1	45.98	47.94	4.2
West North Central	57.5	57.5	(0.1)	83.67	85.94	2.7	48.14	49.40	2.6
West South Central	62.2	63.3	1.7	89.29	93.66	4.9	55.57	59.31	6.7
Mountain	60.2	61.4	2.0	98.14	100.79	2.7	59.09	61.92	4.8
Pacific	68.2	69.9	2.5	125.28	132.49	5.8	85.46	92.62	8.4
Price									
Luxury	71.0 %	72.1 %	1.6 %	\$174.47	\$181.21	3.9 %	\$123.88	\$130.66	5.5 %
Upscale	66.6	67.0	0.7	128.62	133.22	3.6	85.62	89.31	4.3
Midprice	63.1	64.1	1.5	100.79	104.41	3.6	63.65	66.94	5.2
Economy	56.9	58.2	2.3	74.78	78.17	4.5	42.54	45.49	6.9
Budget	56.0	56.8	1.5	58.17	60.89	4.7	32.56	34.61	6.3
Location									
Urban	69.8 %	71.0 %	1.7 %	\$149.37	\$156.26	4.6 %	\$104.30	\$110.94	6.4 %
Suburban	62.5	63.7	2.0	89.41	92.64	3.6	55.86	59.05	5.7
Airport	69.1	71.2	3.1	94.57	97.91	3.5	65.37	69.75	6.7
Interstate	55.3	55.3	0.1	73.61	75.67	2.8	40.69	41.85	2.9
Resort	65.8	66.6	1.3	146.33	154.31	5.5	96.28	102.80	6.8
Small Metro/Town	54.6	55.1	0.9	85.67	88.14	2.9	46.78	48.54	3.8
Chain Scale									
Luxury	74.3 %	75.6 %	1.8 %	\$271.96	\$287.25	5.6 %	\$202.00	\$217.13	7.5 %
Upper Upscale	72.2	73.2	1.4	153.77	160.41	4.3	111.02	117.41	5.8
Upscale	72.1	72.9	1.2	116.32	121.54	4.5	83.83	88.63	5.7
Upper Midscale	64.0	64.8	1.1	96.95	100.08	3.2	62.07	64.81	4.4
Midscale	55.7	56.7	1.8	74.37	76.33	2.6	41.45	43.29	4.4
Economy	54.8	55.6	1.3	52.08	54.01	3.7	28.56	30.02	5.1
Independents	58.7	59.8	1.9	104.59	108.62	3.9	61.36	64.91	5.8

Source: STR - July 2013 Lodging Review

**FIGURE 4-3 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS – CALENDAR YEAR DATA**

	Occupancy			Average Rate			RevPAR		
	2011	2012	% Change	2011	2012	% Change	2011	2012	% Change
United States	59.9 %	61.4 %	2.5 %	\$101.85	\$106.10	4.2 %	\$61.02	\$65.17	8.2 %
Region									
New England	61.2 %	61.6 %	0.7 %	\$120.66	\$126.80	5.1 %	\$73.84	\$78.13	8.6 %
Middle Atlantic	65.4	66.5	1.8	145.05	150.55	3.8	94.80	100.15	8.1
South Atlantic	59.4	60.9	2.5	100.20	103.28	3.1	59.50	62.86	7.0
East North Central	56.5	58.5	3.6	88.20	92.28	4.6	49.82	53.98	8.4
East South Central	55.5	56.4	1.5	77.22	79.47	2.9	42.89	44.78	5.7
West North Central	56.2	57.4	2.2	80.92	83.82	3.6	45.48	48.13	6.5
West South Central	58.1	60.6	4.4	84.80	88.78	4.7	49.23	53.81	8.5
Mountain	59.1	59.2	0.2	93.39	96.57	3.4	55.20	57.20	8.4
Pacific	65.6	67.9	3.5	119.05	125.98	5.8	78.06	85.49	10.3
Price									
Luxury	68.3 %	69.7 %	2.0 %	\$167.35	\$173.50	3.7 %	\$114.26	\$120.86	8.2 %
Upscale	63.9	65.5	2.4	124.88	129.09	3.4	79.80	84.51	7.4
Midprice	60.5	62.1	2.6	96.51	100.30	3.9	58.37	62.27	8.0
Economy	53.9	55.6	3.1	72.78	76.12	4.6	39.24	42.30	7.2
Budget	54.9	56.1	2.1	54.54	57.49	5.4	29.97	32.26	7.2
Location									
Urban	67.5 %	69.5 %	2.9 %	\$147.44	\$153.94	4.4 %	\$99.53	\$106.91	8.2 %
Suburban	60.1	61.8	2.7	86.18	89.86	4.3	51.81	55.49	8.4
Airport	66.3	68.1	2.7	91.01	94.70	4.1	60.37	64.49	7.1
Interstate	53.3	54.6	2.4	71.66	74.18	3.5	38.22	40.53	6.7
Resort	61.8	63.3	2.3	135.45	141.60	4.5	83.75	89.60	9.8
Small Metro/Town	53.5	54.5	1.9	84.06	86.72	3.2	44.95	47.26	6.3
Chain Scale									
Luxury	71.0 %	73.2 %	3.1 %	\$262.64	\$274.51	4.5 %	\$186.43	\$200.98	11.2 %
Upper Upscale	69.3	70.9	2.3	147.99	154.36	4.3	102.60	109.43	6.6
Upscale	69.5	70.9	2.0	111.70	116.88	4.6	77.64	82.87	8.0
Mid-scale w/ F&B	61.3	63.0	2.8	93.93	97.41	3.7	57.58	61.36	8.6
Mid-scale w/o F&B	53.2	54.8	3.0	72.34	74.45	2.9	38.50	40.79	3.0
Economy	53.4	54.3	1.8	50.47	52.50	4.0	26.94	28.52	6.0
Independents	56.8	58.3	2.6	101.24	105.12	3.8	57.49	61.27	6.5

Source: STR - December 2012 Lodging Review



Following the significant occupancy and RevPAR decline experienced during the last recession, demand growth resumed in 2010, led by select markets that had recorded positive growth trends in the fourth quarter of 2009. The pace of demand growth accelerated through the year; in 2010, lodging demand in the U.S. increased by 7.7% over that registered in 2009. A return of business travel and some group activity contributed to these positive trends. The resurgence in demand was partly fueled by the significant price discounts that were widely available in the first half of 2010. These discounting policies were largely phased out in the latter half of the year, balancing much of the early rate loss. Average rate decreased by only 0.1% in 2010 when compared to 2009.

Strong demand growth continued in 2011 and 2012, at 5.0% and 3.0%, respectively. Demand increased 2.5% in the year-to-date through July 2013 period. Average rate rebounded by respective rates of 3.7% and 4.2%, in 2011 and 2012, followed by a 4.2% increase in the year-to-date through July 2013 period. In 2012, occupancy reached 61.4% (exceeding the ten-year average); moreover, occupancy is on track to gain another point in 2013. Average rate finished the year just over \$106 in 2012, with year-to-date trends suggesting that another \$4 to \$5 gain in rate in 2013 is likely. Demand and average rates should continue to strengthen in the near term. These trends, combined with the low levels of supply growth anticipated through 2014, should boost occupancy to just over 63% by year-end 2014. On a national average, strengthening occupancy levels should also permit hotels to increase room rates beyond the 4.2% achieved in 2012. HVS forecasts U.S. average rate growth of 4.5% for 2013 and 5.0% for 2014.

### Historical Supply and Demand Data

As previously noted, Smith Travel Research (STR) is an independent research firm that compiles and publishes data on the lodging industry, routinely used by typical hotel buyers. STR has compiled historical supply and demand data for a group of hotels considered applicable to this analysis for the proposed subject property. This information is presented in the following table, along with the market-wide occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

**FIGURE 4-4 HISTORICAL SUPPLY AND DEMAND TRENDS**

Year	Average Daily	Available Room	Occupied Room			Average		RevPAR	Change	
	Room Count	Nights	Change	Nights	Change	Occupancy	Rate			
2001	1,813	661,745	—	432,400	—	65.3 %	\$105.97	—	\$69.24	—
2002	1,949	711,511	7.5	445,774	3.1	62.7	98.79	(6.8)	61.90	(10.6)
2003	1,962	716,130	0.6	458,294	2.8	64.0	96.33	(2.5)	61.65	(0.4)
2004	1,962	716,130	0.0	536,529	17.1	74.9	102.09	6.0	76.49	24.1
2005	1,962	716,130	0.0	519,065	(3.3)	72.5	117.15	14.7	84.91	11.0
2006	1,962	716,130	0.0	511,574	(1.4)	71.4	125.16	6.8	89.41	5.3
2007	1,962	716,130	0.0	480,918	(6.0)	67.2	130.27	4.1	87.49	(2.1)
2008	1,962	716,130	0.0	469,947	(2.3)	65.6	121.92	(6.4)	80.01	(8.5)
2009	1,962	716,130	0.0	440,349	(6.3)	61.5	102.33	(16.1)	62.92	(21.4)
2010	1,962	716,130	0.0	468,329	6.4	65.4	101.28	(1.0)	66.23	5.3
2011	1,962	716,130	0.0	500,011	6.8	69.8	100.97	(0.3)	70.50	6.4
2012	1,962	716,130	0.0	515,822	3.2	72.0	107.66	6.6	77.55	10.0
Average Annual Compounded Change:										
2000-2012			0.7 %		1.5 %			0.1 %		0.9 %
<b><u>Year-to-Date Through February</u></b>										
2012	1,962	115,758	—	97,101	—	83.9 %	\$137.32	—	\$115.19	—
2013	1,962	115,758	0.0 %	98,198	1.1 %	84.8	146.16	6.4 %	123.99	7.6 %
<b>Hotels Included in Sample</b>				<b>Number</b>	<b>Year</b>	<b>Year</b>				
				<b>of Rooms</b>	<b>Affiliated</b>	<b>Opened</b>				
Wyndham Boca Raton Hotel				184	Jun-12	Feb-82				
Renaissance Boca Raton				189	Sep-01	Jun-82				
Embassy Suites Boca Raton				263	Jul-91	Jun-85				
Marriott Boca Raton @ Boca Center				256	Aug-87	Aug-87				
Hilton Boca Raton				199	Jan-05	Apr-88				
Residence Inn Boca Raton				120	May-88	May-88				
Courtyard Boca Raton				152	Apr-92	Apr-92				
Hampton Inn Boca Raton				94	Dec-96	Dec-96				
Springhill Suites Boca Raton				146	Jun-99	Jun-99				
TownePlace Suites Boca Raton				91	Jul-99	Jul-99				
Fairfield Inn & Suites Boca Raton Airport				119	Oct-00	Oct-00				
Hilton Garden Inn Boca Raton				149	Feb-02	Feb-02				
<b>Total</b>				<b>1,962</b>						

Source: STR Global

It is important to note some limitations of the STR data. Hotels are occasionally added to or removed from the sample, and not every property reports data in a consistent and timely manner; these factors can influence the overall quality of the information by skewing the results. These inconsistencies may also cause the STR data to differ from the results of our competitive survey. Nonetheless, STR data provide the best indication of aggregate growth or decline in existing supply and demand; thus, these trends have been considered in our analysis. Opening dates, as available, are presented for each reporting hotel in the previous table.

The STR data for the competitive set reflect an overall market occupancy level of 72.0% in 2012, which compares to 69.8% for 2011. The overall average occupancy level for the calendar years presented equates to 66.9%. Local employers and headquarter offices in the area, including those of Office Depot and The ADT Corporation, as well as Florida Atlantic University, Lynn University, and Boca Raton Regional Hospital, represent the primary sources of demand for this market. No new supply has entered this market since the opening of the Hilton Garden Inn in 2002. Demand and occupancy fluctuated during the first half of the last decade, with occupancy levels peaking in 2004 and remaining above 70% through 2006 as a result of the temporary influx of demand from cleanup crews following particularly strong hurricane seasons, including the landfalls of major named storms such as Jeanne and Wilma. As temporary demand dissipated, market occupancy levels declined significantly in 2007, and this negative trend continued in 2008 and 2009 as the economic recession limited corporate spending and leisure travel to the market. Demand began to recover in late 2009 and exhibited strong increases in 2010 and 2011. Occupancy increased at a more modest pace in 2012; however, market-wide occupancy levels for that year reached their highest point since 2005. The latest year-to-date data for 2013 show continued but slowing demand increases as local hotel operators shift their focus to rate-driven revenue growth now that demand is nearing a historic peak.

The STR data for the competitive set reflect an overall market average rate level of \$107.66 in 2012, which compares to \$100.97 for 2011. The average across all calendar years presented for average rate equates to \$110.75. Average rate in the local market registered positive growth mid-decade from 2004 through much of 2007. The strength of the economy during that time, with little rate-resistance from corporate accounts such as Office Depot and Tyco International (ADT), allowed hotel operators to increase rates; temporary demand resulting from hurricane cleanup and recovery efforts in 2004 and 2005 further bolstered market-wide rates over that period. As temporary demand exited the market and corporate spending and leisure travel slowed significantly with the onset of the national recession, average rates declined in 2008. This downward trend continued through early 2011; however, average rates bottomed out in the low \$80s that year. Average rates rebounded in 2012 as significant levels of demand

returned to the market; this rate growth was further bolstered by a double-digit increase in October of that year due to the presidential debate held at Lynn University. The latest year-to-date 2013 data illustrate equally strong month-over-month increases, indicating that rate recovery is underway as market-wide demand levels near a historic peak. These occupancy and average rate trends resulted in a RevPAR level of \$77.55 in 2012.

### Seasonality

Monthly occupancy and average rate trends are presented in the following tables.

**FIGURE 4-5 MONTHLY OCCUPANCY TRENDS**

Month	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
January	80.0 %	74.9 %	70.6 %	73.3 %	80.2 %	83.6 %	75.2 %	73.8 %	68.5 %	73.2 %	74.4 %	78.6 %	81.5 %
February	89.1	83.2	83.1	91.6	90.6	90.7	86.9	83.5	75.1	83.7	86.7	89.7	88.5
March	79.1	72.7	72.0	85.5	85.8	86.5	85.1	78.6	68.3	75.0	83.8	87.3	—
April	76.0	69.2	68.2	81.7	79.3	76.5	72.1	71.6	63.6	64.5	74.7	77.5	—
May	63.8	57.9	57.5	65.4	71.7	69.3	65.9	63.6	56.3	58.9	66.1	65.0	—
June	56.8	49.5	55.2	62.8	65.2	63.3	57.7	60.0	54.3	62.9	61.6	63.0	—
July	55.6	50.4	54.9	63.1	58.9	57.1	55.8	61.3	56.1	64.2	62.6	63.2	—
August	58.7	56.5	55.3	63.6	65.4	59.9	59.9	57.8	53.1	58.0	63.7	62.3	—
September	42.5	50.9	50.5	74.8	62.8	55.9	49.8	52.3	49.3	50.3	57.2	58.0	—
October	58.8	58.7	62.7	86.0	55.5	68.6	64.4	61.3	60.6	60.5	64.1	66.9	—
November	60.7	64.8	71.0	82.3	81.0	73.4	65.8	59.7	64.5	64.1	71.1	76.0	—
December	64.3	65.5	68.3	70.9	75.0	73.8	68.5	65.0	68.8	70.6	73.1	78.0	—
<b>Annual Occupancy</b>	<b>65.3 %</b>	<b>62.7 %</b>	<b>64.0 %</b>	<b>74.9 %</b>	<b>72.5 %</b>	<b>71.4 %</b>	<b>67.2 %</b>	<b>65.6 %</b>	<b>61.5 %</b>	<b>65.4 %</b>	<b>69.8 %</b>	<b>72.0 %</b>	<b>—</b>
<b>Year-to-Date</b>	<b>84.3</b>	<b>79.0</b>	<b>76.6</b>	<b>82.0</b>	<b>85.1</b>	<b>87.0</b>	<b>80.7 %</b>	<b>78.4 %</b>	<b>71.6 %</b>	<b>78.2 %</b>	<b>80.2 %</b>	<b>83.9 %</b>	<b>84.8 %</b>

Source: STR Global

**FIGURE 4-6 MONTHLY AVERAGE RATE TRENDS**

Month	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
January	\$136.26	\$120.80	\$118.55	\$120.60	\$135.33	\$157.53	\$157.81	\$166.84	\$135.96	\$127.81	\$121.78	\$132.48	\$140.89
February	150.94	137.33	131.55	137.33	156.44	174.85	189.91	175.04	149.48	139.91	135.73	142.02	151.53
March	137.19	122.36	118.44	126.28	145.89	160.37	167.33	161.41	132.25	127.90	127.76	134.28	—
April	105.06	96.33	95.98	103.70	116.81	135.76	133.08	126.65	104.60	101.94	103.29	104.80	—
May	90.95	85.85	82.99	82.39	98.88	109.96	109.51	105.20	88.19	89.41	90.49	95.08	—
June	85.33	81.19	81.90	82.92	91.91	100.64	101.93	97.34	84.59	87.20	84.88	90.73	—
July	84.26	80.15	77.90	78.77	87.27	96.19	99.69	91.61	80.08	81.86	80.73	86.92	—
August	83.43	80.52	76.17	79.91	90.95	95.04	99.90	90.70	79.24	82.71	81.17	85.85	—
September	82.30	84.67	79.99	90.00	101.94	96.97	101.17	94.56	78.43	81.38	82.17	85.54	—
October	88.40	87.23	86.18	97.99	102.52	106.95	114.82	104.56	86.72	86.60	90.35	105.82	—
November	86.27	86.22	85.87	98.44	124.50	107.55	116.22	100.35	87.60	89.46	92.54	97.71	—
December	95.82	95.14	96.84	107.57	122.83	117.46	125.48	108.03	95.46	95.18	98.21	104.80	—
<b>Annual Average Rate</b>	<b>\$105.97</b>	<b>\$98.79</b>	<b>\$96.33</b>	<b>\$102.09</b>	<b>\$117.15</b>	<b>\$125.16</b>	<b>\$130.27</b>	<b>\$121.92</b>	<b>\$102.33</b>	<b>\$101.28</b>	<b>\$100.97</b>	<b>\$107.66</b>	<b>—</b>
<b>Year-to-Date</b>	<b>\$143.62</b>	<b>\$129.40</b>	<b>\$125.25</b>	<b>\$129.47</b>	<b>\$145.99</b>	<b>\$166.10</b>	<b>\$174.20</b>	<b>\$170.99</b>	<b>\$142.69</b>	<b>\$133.96</b>	<b>\$128.93</b>	<b>\$137.32</b>	<b>\$146.16</b>

Source: STR Global

The illustrated monthly occupancy and average rates patterns reflect important seasonal characteristics. We have reviewed these trends in developing our forthcoming forecast of market-wide demand and average rate. Like other markets in the greater South Florida region, Boca Raton is highly seasonal, with leisure travel generating significant demand in the first quarter of the year. The warm, tropical climate and pristine Atlantic beaches of the South Florida region draw travelers seeking to escape the colder winter months in other parts of the country. Occupancy levels generally exceed 75% from December through March as "snowbirds," seasonal transplants from northern cities such as New York, vacation in the area. Occupancy levels then decline steadily over the summer months, typically reaching a low in the 50s in September before increasing once more.

#### Patterns of Demand

A review of the trends in occupancy, average rate, and RevPAR per day of the week over the past three fiscal years provides some insight into the impact that the current economic conditions have had on the competitive lodging market. The data, as provided by Smith Travel Research, are illustrated in the following table.

**FIGURE 4-7 OCCUPANCY, AVERAGE RATE AND REVPAR BY DAY OF WEEK**

<b>Occupancy (%)</b>	<b>Sunday</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>	<b>Saturday</b>	<b>Total Year</b>
Mar 10 - Feb 11	51.1 %	64.9 %	73.7 %	74.7 %	68.5 %	63.3 %	63.9 %	65.7 %
Mar 11 - Feb 12	55.3	70.1	78.4	79.2	71.0	68.7	69.8	70.4
Mar 12 - Feb 13	57.3	72.5	79.5	80.7	72.7	70.2	72.5	72.2
<b><u>Change (Occupancy Points)</u></b>								
FY 10 - FY 11	4.3	5.3	4.7	4.4	2.5	5.4	5.9	4.7
FY 11 - FY 12	2.0	2.3	1.0	1.5	1.7	1.5	2.7	1.8
<b>ADR (\$)</b>	<b>Sunday</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>	<b>Saturday</b>	<b>Total Year</b>
Mar 10 - Feb 11	\$96.33	\$104.25	\$106.23	\$106.16	\$102.17	\$93.29	\$91.70	\$100.45
Mar 11 - Feb 12	98.38	106.61	109.45	109.84	104.20	94.54	93.55	102.82
Mar 12 - Feb 13	106.11	114.39	114.74	114.73	111.03	101.83	100.94	109.41
<b><u>Change (Dollars)</u></b>								
FY 10 - FY 11	\$2.04	\$2.36	\$3.22	\$3.68	\$2.03	\$1.26	\$1.86	\$2.37
FY 11 - FY 12	7.73	7.78	5.29	4.88	6.83	7.29	7.39	6.59
<b><u>Change (Percent)</u></b>								
FY 10 - FY 11	2.1 %	2.3 %	3.0 %	3.5 %	2.0 %	1.3 %	2.0 %	2.4 %
FY 11 - FY 12	7.9	7.3	4.8	4.4	6.6	7.7	7.9	6.4
<b>RevPAR (\$)</b>	<b>Sunday</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>	<b>Saturday</b>	<b>Total Year</b>
Mar 10 - Feb 11	\$49.18	\$67.65	\$78.34	\$79.35	\$69.97	\$59.05	\$58.58	\$66.02
Mar 11 - Feb 12	54.42	74.78	85.86	86.97	74.01	64.92	65.30	72.40
Mar 12 - Feb 13	60.77	82.88	91.18	92.54	80.77	71.49	73.14	78.97
<b><u>Change (Dollars)</u></b>								
FY 10 - FY 11	\$5.24	\$7.13	\$7.51	\$7.62	\$4.03	\$5.87	\$6.72	\$6.37
FY 11 - FY 12	6.35	8.10	5.32	5.57	6.77	6.57	7.84	6.57
<b><u>Change (Percent)</u></b>								
FY 10 - FY 11	10.6 %	10.5 %	9.6 %	9.6 %	5.8 %	9.9 %	11.5 %	9.7 %
FY 11 - FY 12	11.7	10.8	6.2	6.4	9.1	10.1	12.0	9.1

Source: STR Global

In most markets, business travel, including individual commercial travelers and corporate groups, is the predominant source of demand on Monday through Thursday nights. Leisure travelers and non-business-related groups generate a majority of demand on Friday and Saturday nights.



**SUPPLY**

Based on an evaluation of the occupancy, rate structure, market orientation, chain affiliation, location, facilities, amenities, reputation, and quality of each area hotel, as well as the comments of management representatives, we have identified several properties that are expected to be primarily competitive with the proposed subject property. If applicable, additional lodging facilities may be judged only secondarily competitive; although the facilities, rate structures, or market orientations of these hotels prevent their inclusion among the primary competitive supply, they are expected to compete with the proposed subject property to some extent.

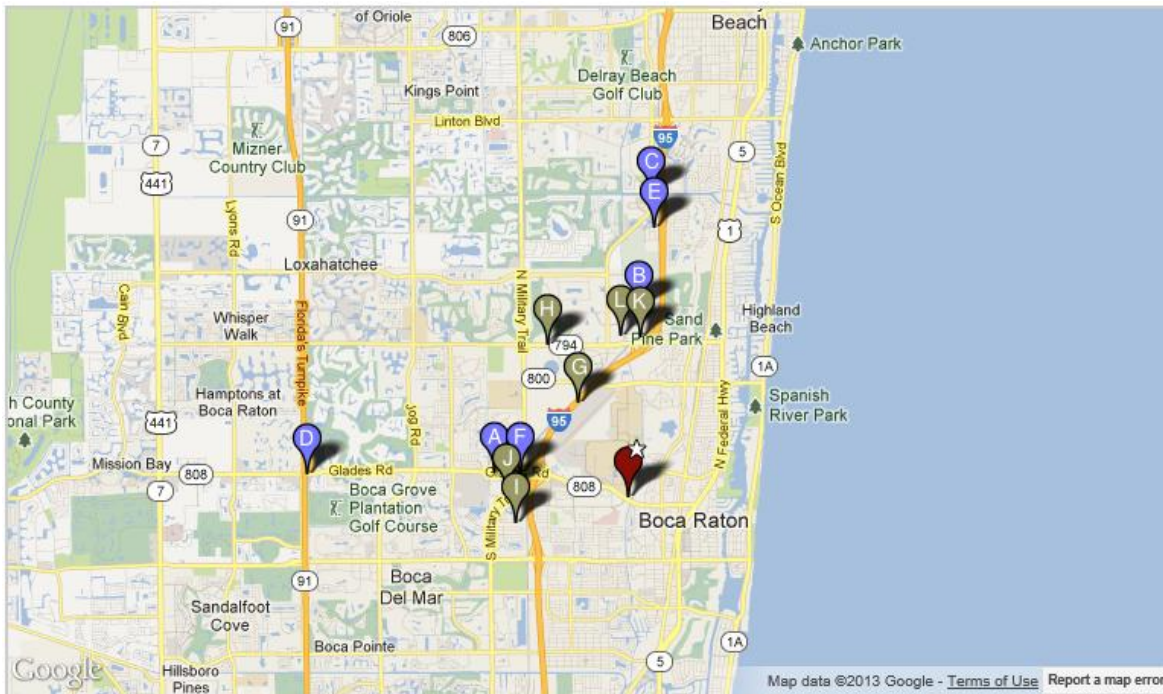
The following table summarizes the important operating characteristics of the future primary competitors and the aggregate secondary competitors (if applicable). This information was compiled from personal interviews, inspections, lodging directories, and our in-house library of operating data. The table also sets forth each property's penetration factors; penetration is the ratio between a specific hotel's operating results and the corresponding data for the market. If the penetration factor is greater than 100%, the property is performing better than the market as a whole; conversely, if the penetration is less than 100%, the hotel is performing at a level below the market-wide average.














**FIGURE 4-8 PRIMARY COMPETITORS – OPERATING PERFORMANCE**

Property	Number of Rooms	Est. Segmentation				Estimated 2010				Estimated 2011				Estimated 2012						
		Commercial	Meeting and Group	Leisure	Extended-Stay	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	RevPAR Change	Occupancy Penetration	Yield Penetration
Courtyard by Marriott Boca Raton	152	55 %	10 %	20 %	15 %	152	54 %	\$97.00	\$52.38	152	63 %	\$94.00	\$59.22	152	68 %	\$101.00	\$68.68	16.0 %	94.4 %	89.1 %
Embassy Suites Boca Raton	263	40	25	15	20	263	74	102.00	75.48	263	74	105.00	77.70	263	76	111.00	84.36	8.6	105.5	109.4
Hilton Garden Inn Boca Raton	149	55	10	20	15	149	55	104.00	57.20	149	68	99.00	67.32	149	59	98.00	57.82	(14.1)	81.9	75.0
Hilton Suites Boca Raton	199	45	10	25	20	199	71	114.00	80.94	199	74	114.00	84.36	199	79	118.00	93.22	10.5	109.6	120.9
Residence Inn by Marriott Boca Raton	120	20	15	25	40	120	62	92.00	57.04	120	70	91.00	63.70	120	75	96.00	72.00	13.0	104.1	93.4
Wyndham Garden Hotel Boca Raton	184	40	30	20	10	184	56	82.00	45.92	184	68	81.00	55.08	185	72	89.00	64.08	16.3	99.9	83.1
<b>Sub-Totals/Averages</b>	<b>1,067</b>	<b>42 %</b>	<b>18 %</b>	<b>20 %</b>	<b>19 %</b>	<b>1,067</b>	<b>63.5 %</b>	<b>\$100.00</b>	<b>\$63.48</b>	<b>1,067</b>	<b>70.1 %</b>	<b>\$98.96</b>	<b>\$69.38</b>	<b>1,068</b>	<b>72.2 %</b>	<b>\$104.06</b>	<b>\$75.18</b>	<b>8.4 %</b>	<b>100.3 %</b>	<b>97.5 %</b>
Secondary Competitors	895	41 %	16 %	31 %	12 %	573	68.0 %	\$103.20	\$70.15	573	69.2 %	\$104.31	\$72.21	573	71.7 %	\$112.52	\$80.69	11.7 %	99.5 %	104.6 %
<b>Totals/Averages</b>	<b>1,962</b>	<b>42 %</b>	<b>17 %</b>	<b>24 %</b>	<b>17 %</b>	<b>1,640</b>	<b>65.1 %</b>	<b>\$101.17</b>	<b>\$65.81</b>	<b>1,640</b>	<b>69.8 %</b>	<b>\$100.82</b>	<b>\$70.37</b>	<b>1,641</b>	<b>72.1 %</b>	<b>\$107.01</b>	<b>\$77.10</b>	<b>9.6 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

The following map illustrates the locations of the proposed subject property and its future competitors.

**MAP OF COMPETITION**



-  Proposed Hotel, Florida Atlantic University, Boca Raton, FL
-  Courtyard by Marriott Boca Raton (Primary)
-  Embassy Suites Boca Raton (Primary)
-  Hilton Garden Inn Boca Raton (Primary)
-  Hilton Suites Boca Raton (Primary)
-  Residence Inn by Marriott Boca Raton (Primary)
-  Wyndham Garden Hotel Boca Raton (Primary)
-  Fairfield Inn & Suites by Marriott Boca Raton (Secondary)
-  Hampton Inn Boca Raton (Secondary)
-  Marriott Boca Raton at Boca Center (Secondary)
-  Renaissance Boca Raton (Secondary)
-  SpringHill Suites by Marriott Boca Raton (Secondary)
-  TownePlace Suites by Marriott (Secondary)

Our survey of the primarily competitive hotels in the local market shows a range of lodging types and facilities. Each primary competitor was inspected and evaluated. Descriptions of our findings are presented below.

**PRIMARY COMPETITOR #1 - COURTYARD BY MARRIOTT BOCA RATON**



**Courtyard by Marriott  
Boca Raton**  
2000 Northwest  
Executive Center Court  
Boca Raton, FL

**FIGURE 4-9 ESTIMATED HISTORICAL OPERATING STATISTICS**

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Estimated 2010	152	54 %	\$97	\$52	83.0 %	79.6 %
Estimated 2011	152	63	94	59	90.3	84.2
Estimated 2012	152	68	101	69	94.4	89.1

The Courtyard by Marriott Boca Raton is owned and operated by Marriott International. Facilities include The Bistro, an outdoor pool and whirlpool, a fitness room, a business center, a market pantry, and 1,274 square feet of meeting space. The hotel, which opened in 1992, underwent a comprehensive, property-wide renovation in 2009/10; upgrades included new guestroom case goods, softgoods, fixtures, and finishes, as well as a full renovation of the lobby and the installation of The Bistro in conjunction with the brand's "Refreshing Business" concept. This hotel benefits from its popular Marriott brand affiliation and its location along the Glades Road commercial corridor, proximate to a number of retail outlets and corporate demand generators. Overall, the property appeared to be in very good condition. Its accessibility is similar to that of the subject site, and its visibility is inferior to the expected visibility of the Proposed Dual-Branded Hotels at Florida Atlantic University.

**PRIMARY COMPETITOR #2 - EMBASSY SUITES BOCA RATON**



**Embassy Suites Boca Raton**  
 661 Northwest 53rd Street  
 Boca Raton, FL

**FIGURE 4-10 ESTIMATED HISTORICAL OPERATING STATISTICS**

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Estimated 2010	263	74 %	\$102	\$75	113.8 %	114.7 %
Estimated 2011	263	74	105	78	106.0	110.4
Estimated 2012	263	76	111	84	105.5	109.4

The Embassy Suites Boca Raton is owned by FelCor Lodging Trust and is operated by Hilton Worldwide. The Twin Palms restaurant serves lunch and dinner, while a separate dining area offers a complimentary breakfast and evening reception. Other facilities include an outdoor pool, a fitness room, a business center, a gift shop, a guest laundry facility, and approximately 15,000 square feet of meeting space. The hotel, which opened in 1985, underwent a partial guestroom and meeting space renovation in 2008. The hotel is reportedly scheduled to undergo a comprehensive renovation of the guestrooms and public areas in late 2013. This hotel benefits from its popular Hilton brand affiliation and its location proximate to the Yamato Road corridor; however, it is disadvantaged somewhat by its lack of recent, extensive renovations. Overall, the property appeared to be in good condition. Its accessibility is inferior to that of the subject site, and its visibility is inferior to the expected visibility of the Proposed Dual-Branded Hotels at Florida Atlantic University.



**PRIMARY COMPETITOR #3 - HILTON GARDEN INN BOCA RATON**



**Hilton Garden Inn Boca Raton**  
 8201 Congress Avenue  
 Boca Raton, FL

**FIGURE 4-11 ESTIMATED HISTORICAL OPERATING STATISTICS**

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Estimated 2010	149	55 %	\$104	\$57	84.5 %	86.9 %
Estimated 2011	149	68	99	67	97.4	95.7
Estimated 2012	149	59	98	58	81.9	75.0

The Hilton Garden Inn is owned by Apple REIT and is operated by White Lodging Services. Facilities include the Great American Grill & Lounge, the Pavilion Pantry, an outdoor pool, an exercise room, a business center, a guest laundry facility, and 1,850 square feet of meeting space. The hotel, which opened in 2002, underwent renovations in 2009 to the pool area, restaurant, and lounge. In addition, the guestroom corridors received new vinyl wall-covering and carpeting in 2012. The property was foreclosed upon in 2011 and was sold to Apple REIT in 2012. This hotel benefits from its popular Hilton brand affiliation but is somewhat disadvantaged by its location; the hotel is not as conveniently located near local demand generators as its competitors. Overall, the property appeared to be in very good condition. Its accessibility is similar to that of the subject site, and its visibility is similar to the expected visibility of the Proposed Dual-Branded Hotels at Florida Atlantic University.

**PRIMARY COMPETITOR #4 - HILTON SUITES BOCA RATON**



**Hilton Suites Boca Raton**  
 7920 Glades Road  
 Boca Raton, FL

**FIGURE 4-12 ESTIMATED HISTORICAL OPERATING STATISTICS**

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Estimated 2010	199	71 %	\$114	\$81	109.1 %	123.0 %
Estimated 2011	199	74	114	84	106.0	119.9
Estimated 2012	199	79	118	93	109.6	120.9

The Hilton Suites Boca Raton is owned by Stanford Hotels Group and is operated by Hilton Worldwide. Facilities include City Fish Market (serving lunch and dinner), Soleil (serving a complimentary breakfast), the Palms Lounge, an outdoor pool, a fitness room, a business center, a gift shop, a guest laundry facility, and 2,025 square feet of meeting space. The hotel, which opened in 1988, received select upgrades to the restaurant, bar, and meeting space in the summer of 2012. This hotel benefits from its popular Hilton brand affiliation and its all-suite guestroom product; however, it is somewhat disadvantaged by its lack of recent, extensive guestroom upgrades. Overall, the property appeared to be in good condition. Its accessibility is inferior to that of the subject site, and its visibility is inferior to the expected visibility of the Proposed Dual-Branded Hotels at Florida Atlantic University.

**PRIMARY COMPETITOR #5 - RESIDENCE INN BY MARRIOTT BOCA RATON**



**Residence Inn by  
Marriott Boca Raton**  
525 Northwest 77th  
Street  
Boca Raton, FL

**FIGURE 4-13 ESTIMATED HISTORICAL OPERATING STATISTICS**

Year	Wtd. Annual		Average		Occupancy Penetration	Yield Penetration
	Room Count	Occupancy	Rate	RevPAR		
Estimated 2010	120	62 %	\$92	\$57	95.3 %	86.7 %
Estimated 2011	120	70	91	64	100.3	90.5
Estimated 2012	120	75	96	72	104.1	93.4

The Residence Inn by Marriott Boca Raton is owned by Clarion Partners LLC and is operated by Marriott International. Facilities and amenities include a breakfast dining area (a complimentary breakfast is served), an outdoor pool with two whirlpools, a fitness room, a lobby workstation, a market pantry, a guest laundry facility, a sport court, an outdoor barbeque area, and 875 square feet of meeting space. The hotel, which opened in 1988, underwent complete guestroom, lobby, and breakfast-area renovations and received new furniture for the outdoor pool and barbeque areas in 2011. This hotel benefits from its Marriott brand affiliation, its broad offering of amenities, and its recent, extensive renovations. This Residence Inn is somewhat disadvantaged by its location; the hotel is not as conveniently located near local demand generators as its competitors. Overall, the property appeared to be in very good condition. Its accessibility is inferior when compared to the subject site, and its visibility is inferior when compared to the expected visibility of the Proposed Dual-Branded Hotels at Florida Atlantic University.



**PRIMARY COMPETITOR #6 - WYNDHAM GARDEN HOTEL BOCA RATON**



**Wyndham Garden  
Hotel Boca Raton**  
1950 Glades Road  
Boca Raton, FL

**FIGURE 4-14 ESTIMATED HISTORICAL OPERATING STATISTICS**

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Estimated 2010	184	56 %	\$82	\$46	86.1 %	69.8 %
Estimated 2011	184	68	81	55	97.4	78.3
Estimated 2012	185	72	89	64	99.9	83.1

The Wyndham Garden Hotel Boca Raton is owned by Robbins Property Associates LP and is operated by Asset Partners FL, Inc. Facilities and amenities include Red Steakhouse and Rosso Italia (both serving lunch and dinner), as well as the TrendTea lounge, an outdoor pool and whirlpool, a lobby workstation, a guest laundry facility, a fitness center, a yoga studio, a sport court, and 3,890 square feet of meeting space. The hotel, which opened in 1982, was renovated in 2012; upgrades included the installation of the yoga studio and the construction of the kitchen and all three food and beverage outlets. This hotel benefits from its broad offering of amenities and its location near the Glades Road commercial corridor. Overall, the property appeared to be in very good condition. Its accessibility is similar when compared to the subject site, and its visibility is inferior when compared to the expected visibility of the Proposed Dual-Branded Hotels at Florida Atlantic University.

**Secondary  
Competitors**

We have also reviewed other area lodging facilities to determine whether any may compete with the proposed subject property on a secondary basis. The room count of each secondary competitor has been weighted based on its assumed degree of competitiveness the future with the proposed subject property. By assigning degrees of competitiveness, we can assess how the proposed subject property and its future competitors may react to various changes in the market, including new supply, changes to demand generators, and renovations or franchise changes of existing supply. The following table sets forth the pertinent operating characteristics of the secondary competitors.

**FIGURE 4-15 SECONDARY COMPETITOR(S) – OPERATING PERFORMANCE**

Property	Number of Rooms	Est. Segmentation				Total Competitive Level	Estimated 2010				Estimated 2011				Estimated 2012			
		Commercial	Meeting and Group	Leisure	Extended-Stay		Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Fairfield Inn & Suites by Marriott Boca Raton	119	50 %	10 %	30 %	10 %	60 %	71	58 %	\$80.00	\$46.40	71	65 %	\$77.00	\$50.05	71	68 %	\$86.00	\$58.48
Hampton Inn Boca Raton	94	45	10	35	10	75	71	61	106.00	64.66	71	65	103.00	66.95	71	67	109.00	73.03
Marriott Boca Raton at Boca Center	256	45	25	25	5	65	166	76	122.00	92.72	166	71	128.00	90.88	166	74	135.00	99.90
Renaissance Boca Raton	189	40	15	40	5	65	123	74	107.00	79.18	123	80	108.00	86.40	123	79	116.00	91.64
SpringHill Suites by Marriott Boca Raton	146	40	15	35	10	60	88	58	86.00	49.88	88	59	86.00	50.74	88	65	100.00	65.00
TownePlace Suites by Marriott	91	20	5	20	55	60	55	68	76.00	51.68	55	67	80.00	53.60	55	70	88.00	61.60
<b>Totals/Averages</b>	<b>895</b>	<b>41 %</b>	<b>16 %</b>	<b>31 %</b>	<b>12 %</b>	<b>64 %</b>	<b>573</b>	<b>68.0 %</b>	<b>\$103.20</b>	<b>\$70.15</b>	<b>573</b>	<b>69.2 %</b>	<b>\$104.31</b>	<b>\$72.21</b>	<b>573</b>	<b>71.7 %</b>	<b>\$112.52</b>	<b>\$80.69</b>

We have identified six hotels that are expected to compete with the proposed subject property on a secondary level. The Fairfield Inn & Suites by Marriott, Hampton Inn, and SpringHill Suites by Marriott are expected to compete with the proposed subject hotels on the basis of their proximate locations; however, these hotels all offer limited-service products and operate at price points lower than what would be anticipated at the proposed hotels. The Marriot and Renaissance are also expected to compete on the basis of location; however, these hotels offer full-service products and operate at significantly higher price points than what would be anticipated at the proposed hotels. Finally, the TownePlace Suites by Marriott is expected to be competitive on the basis of its location and extended-stay product; however, given its relatively low price point, this hotel is not anticipated to compete directly with the proposed subject hotels.

### Supply Changes

It is important to consider any new hotels that may have an impact on the proposed subject property’s operating performance. Based upon our research and inspection (as applicable), new supply considered in our analysis is presented in the following table.

**FIGURE 4-16 NEW SUPPLY**

<b>Proposed Property</b>	<b>Number of Rooms</b>	<b>Total Competitive Level</b>	<b>Estimated Opening Date</b>	<b>Developer</b>	<b>Development Stage</b>
Proposed Select-Service Hotel at FAU	110	100 %	January 1, 2016	Florida Atlantic University	Early Development
Proposed Extended-Stay Hotel at FAU	140	100	January 1, 2016	Florida Atlantic University	Early Development
University Village Hotel	250	25	July 1, 2015	Penn-Florida	Speculative
<b>Totals/Averages</b>	<b>500</b>				

A 265,000-square-foot, 250-room hotel is proposed for the University Village development, although the proposed hotel's branding and product type have not yet been announced. University Village is a planned mixed-use development by Penn-Florida to be situated on approximately 80 acres north of the FAU campus and bounded by Spanish River Boulevard to the south, Northwest Fifth Avenue to the east, and Interstate 95 to the west. The planned hotel would be located within two miles from the proposed subject site. However, we note that plans for the University Village hotel remain speculative. Although the project received initial approval from the Boca Raton City Council on August 27, 2013, council members noted that the scope of the project has decreased substantially from the original proposal. As such, we have weighted the proposed University Village hotel at a 25% competitive level to reflect the uncertainty of development going forward.

While we have taken reasonable steps to investigate proposed hotel projects and their status, due to the nature of real estate development, it is impossible to determine with certainty every hotel that will be opened in the future, or what their marketing strategies and effect in the market will be. Depending on the outcome of current and future projects, the future operating potential of the proposed subject property may be positively or negatively affected. Future improvement in market conditions will raise the risk of increased competition. Our forthcoming forecast of stabilized occupancy and average rate is intended to reflect such risk.

### Supply Conclusion

We have identified various properties that are expected to be competitive to some degree with the proposed subject property. We have also investigated potential increases in competitive supply in this Boca Raton submarket. The Proposed Dual-Branded Hotels at Florida Atlantic University should enter a dynamic market of varying product types and price points. Next, we will present our forecast for demand change, using the historical supply data presented as a starting point.

### DEMAND

The following table presents the most recent trends for the subject hotel market as tracked by HVS. These data pertain to the competitors discussed previously in this section; performance results are estimated, rounded for the competition, and in some cases weighted if there are secondary competitors present. In this respect, the information in the table differs from the previously presented STR data and is consistent with the supply and demand analysis developed for this report.

**FIGURE 4-17 HISTORICAL MARKET TRENDS**

Year	Accommodated		Room Nights		Market			Market	
	Room Nights	% Change	Available	% Change	Occupancy	Market ADR	% Change	RevPAR	% Change
Est. 2010	389,494	—	598,728	—	65.1 %	\$101.17	—	\$65.81	—
Est. 2011	417,927	7.3 %	598,728	0.0 %	69.8	100.82	(0.3) %	70.37	6.9 %
Est. 2012	431,553	3.3	598,912	0.0	72.1	107.01	6.1	77.10	9.6

Avg. Annual Compounded

### Demand Analysis Using Market Segmentation

For the purpose of demand analysis, the overall market is divided into individual segments based on the nature of travel. Based on our fieldwork, area analysis, and knowledge of the local lodging market, we estimate the 2012 distribution of accommodated-room-night demand as follows.

**FIGURE 4-18 ACCOMMODATED ROOM NIGHT DEMAND**

Market Segment	Marketwide	
	Accommodated Demand	Percentage of Total
Commercial	181,484	42 %
Meeting and Group	74,293	17
Leisure	103,982	24
Extended-Stay	71,794	17
<b>Total</b>	<b>431,553</b>	<b>100 %</b>

The market’s demand mix comprises commercial demand, with this segment representing roughly 42% of the accommodated room nights in this Boca Raton submarket. The meeting and group comprises 17% of the total, with the final portions leisure and extended-stay in nature (24% and 17%, respectively).

Using the distribution of accommodated hotel demand as a starting point, we will analyze the characteristics of each market segment in an effort to determine future trends in room-night demand.

**Commercial Segment**

Commercial demand consists mainly of individual businesspeople passing through the subject market or visiting area businesses, in addition to high-volume corporate accounts generated by local firms. Brand loyalty (particularly frequent-traveler programs), as well as location and convenience with respect to businesses and amenities, influence lodging choices in this segment. Companies typically designate hotels as “preferred” accommodations in return for more favorable rates, which are discounted in proportion to the number of room nights produced by a commercial client. Commercial demand is strongest Monday through Thursday nights, declines significantly on Friday and Saturday, and increases somewhat on Sunday night. It is relatively constant throughout the year, with marginal declines in late December and during other holiday periods.

A major factor considered in the development of our growth rates is the presence of major corporations in the Boca Raton area, including Office Depot, The ADT Corporation, Bluegreen Corporation, Tenet Healthcare Corporation, Tyco Integrated Security (ADT), and The GEO Group, Inc. Other important demand generators in the market include Florida Atlantic University, Lynn University, and Boca Ration Regional Hospital. These corporate, education, and healthcare entities provide area hotels with a significant level of year-round base demand, sustaining local occupancy levels outside of the market's traditional peak season. Expansions at FAU and Boca Raton Regional Hospital have created increased commercial

demand for the market, while demand from major corporations continues to grow in conjunction with the overall economic recovery. The future of demand generated by Office Depot, a major anchor corporation for the local economy, is currently in question as the company decides on a headquarters location following the announcement of its planned merger with OfficeMax; however, Boca Raton remains an attractive location for major corporate operations, and other entities should continue to bolster commercial demand. As such, we expect modest growth to occur in this segment through the stabilized year. Considering both current and historical trends, we project demand change rates of 3.0% in 2013, 2.0% in 2014, and 1.0% in 2015. After these first three projection years, we have forecast demand change rates of 0.5% in 2016 and 0.0% in 2017.

### Meeting and Group Segment

The meeting and group market includes meetings, seminars, conventions, trade association shows, and similar gatherings of ten or more people. Peak convention demand typically occurs in the spring and fall. Although there are numerous classifications within the meeting and group segment, the primary categories considered in this analysis are corporate groups, associations, and SMERFE (social, military, ethnic, religious, fraternal, and educational) groups. Corporate groups typically meet during the business week, most commonly in the spring and fall months. These groups tend to be the most profitable for hotels, as they typically pay higher rates and usually generate ancillary revenues including food and beverage and/or banquet revenue. SMERFE groups are typically price-sensitive and tend to meet on weekends and during the summer months or holiday season, when greater discounts are usually available; these groups generate limited ancillary revenues. Association demand is generally divided on a geographical basis, with national, regional, and state associations representing the most common sources. Professional associations and/or those supported by members' employers often meet on weekdays, while other associations prefer to hold events on weekends. The profile and revenue potential of associations varies depending on the group and the purpose of their meeting or event.

Meeting and group demand in the Boca Raton market is highly driven by the local corporate entities in the area. As such, the relatively high concentration of major headquarter operations is expected to continue to bolster group room-block needs locally. Furthermore, recruiting and training activities associated with area businesses and entities, such as Office Depot and The ADT Corporation, should intensify as economic conditions continue to improve. A smaller portion of meeting and group demand in the market is associated with SMERFE-related sources; when combined with demand generated by FAU and Lynn University, these sources provide substantial off-peak base demand, particularly on weekends. A measurable percentage of the market make-up comprises first-class, suburban residential neighborhoods; as such, the area is also attractive for weddings and reunions. We expect modest growth to occur in this segment in the



near term as group activity continues to strengthen in line with the economic recovery. Considering both current and historical trends, we project demand change rates of 1.5% in 2013, 0.5% in 2014, and 0.0% in 2015. After these first three projection years, we have forecast demand change rates of 0.0% in 2016 and 0.0% in 2017.

### Leisure Segment

Leisure demand consists of individuals and families spending time in an area or passing through en route to other destinations. Travel purposes include sightseeing, recreation, or visiting friends and relatives. Leisure demand also includes room nights booked through Internet sites such as Expedia, hotels.com, and Priceline; however, leisure may not be the purpose of the stay. This demand may also include business travelers and group and convention attendees who use these channels to take advantage of any discounts that may be available on these sites. Leisure demand is strongest Friday and Saturday nights and all week during holiday periods and the summer months. These peak periods represent the inverse of commercial visitation trends, underscoring the stabilizing effect of capturing weekend and summer tourist travel. Future leisure demand is related to the overall economic health of the region and the nation. Trends showing changes in state and regional unemployment and disposable personal income correlate strongly with leisure travel levels.

Leisure demand in the area is highly seasonal and is driven largely by the area's tropical setting, warm weather, and Atlantic coast beaches. Long-term stays by northern "snowbirds" during the first quarter of the year are supplemented by a high level of short-term tourism to the area, resulting in a near sellout of the local hotel market from December through April. Regional retail and entertainment venues, including those located at Mizner Park, are popular demand generators during off-peak holiday and back-to-school periods. Additionally, events such as football games held at the new FAU stadium and other events held on campus, such as the presidential debate held at Lynn University in October of 2012, provide transient leisure demand to the market. The area is also convenient to attractions in nearby Miami and the Florida Keys. In recent years, the recovery of leisure travel, particularly to traditional vacation destinations such as South Florida, and the relative lack of disruptions caused by major hurricanes have worked in concert to draw a substantial number of visitors to the Boca Raton area. As such, we expect continued, if somewhat more modest, demand growth in the leisure segment in the near term. Considering both current and historical trends, we project demand change rates of 1.5% in 2013, 0.5% in 2014, and 0.0% in 2015. After these first three projection years, we have forecast demand change rates of 0.0% in 2016 and 0.0% in 2017.



**Extended-Stay  
Segment**

Extended-stay demand consists of individuals who require accommodations for more than five nights; typically, the length of stay ranges from ten to fourteen nights, but can stretch to a month or more. The three principal categories of extended-stay demand are business-related (typically associated with long-term projects), family-oriented, and relocation demand. Extended-stay patrons usually prefer hotels located near shopping centers, restaurants, entertainment venues, and service-retail uses such as grocery stores, dry cleaners, and fueling stations. Extended-stay demand tends to trend in line with an area's corporate expansion and/or population growth; commercial growth has a direct correlation on longer-term training activities that may be occurring in the area, while changes in population typically support related relocation demand. Large-scale construction projects, prevalent in growing metropolitan areas, also generate significant levels of extended-stay demand.

Extended-stay demand in this market is generated primarily by the corporate operations present in the Boca Raton area. Easy access to restaurants, shops, and entertainment venues is sought after by travelers in the area on longer-term stays, and these establishments are prevalent throughout the market; the proximity to local access routes, major interstates, and South Florida's beaches and tourist attractions make the area a preferred choice for long-term stays. Additional demand generators in the education and healthcare sectors, such as the FAU and Boca Raton Regional Hospital, further bolster extended-stay demand in the market, with long-term stays by visiting families, university officials, patients, and healthcare professionals. Expansions on the FAU campus and at Boca Raton Regional Hospital, including the construction of the Marcus Neuroscience Institute, should increase the need for extended-stay lodging facilities as new types of long-term demand are added to the existing base. As such, we expect modest growth in this segment through the stabilized year. Considering these historical trends, we project demand change rates of 2.5% in 2013, 1.5% in 2014, and 1.0% in 2015. After these first three projection years, we have forecast demand change rates of 0.5% in 2016 and 0.0% in 2017.

**Conclusion**

The purpose of segmenting the lodging market is to define each major type of demand, identify customer characteristics, and estimate future growth trends. Starting with an analysis of the local area, four segments were defined as representing the subject property's lodging market. Various types of economic and demographic data were then evaluated to determine their propensity to reflect changes in hotel demand. Based on this procedure, we forecast the following average annual compounded market-segment growth rates.

**FIGURE 4-19 AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES**

Market Segment	Annual Growth Rate						
	2013	2014	2015	2016	2017	2018	2019
Commercial	3.0 %	2.0 %	1.0 %	0.5 %	0.0 %	0.0 %	0.0 %
Meeting and Group	1.5	0.5	0.0	0.0	0.0	0.0	0.0
Leisure	1.5	0.5	0.0	0.0	0.0	0.0	0.0
Extended-Stay	2.5	1.5	1.0	0.5	0.0	0.0	0.0
<b>Base Demand Growth</b>	<b>2.3 %</b>	<b>1.3 %</b>	<b>0.6 %</b>	<b>0.3 %</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>

**Latent Demand**

A table presented earlier in this section illustrated the accommodated-room-night demand in the subject property’s competitive market. Because this estimate is based on historical occupancy levels, it includes only those hotel rooms that were used by guests. Latent demand reflects potential room-night demand that has not been realized by the existing competitive supply; this type of demand can be divided into unaccommodated demand and induced demand.

**Unaccommodated Demand**

Unaccommodated demand refers to individuals who are unable to secure accommodations in the market because all the local hotels are filled. These travelers must defer their trips, settle for less desirable accommodations, or stay in properties located outside the market area. Because this demand did not yield occupied room nights, it is not included in the estimate of historical accommodated-room-night demand. If additional lodging facilities are expected to enter the market, it is reasonable to assume that these guests will be able to secure hotel rooms in the future, and it is therefore necessary to quantify this demand.

Unaccommodated demand is further indicated if the market is at all seasonal, with distinct high and low seasons; such seasonality indicates that although year-end occupancy may not average in excess of 70%, the market sells out many nights during the year.

The following table presents our estimate of unaccommodated demand in the subject market.

**FIGURE 4-20 UNACCOMMODATED DEMAND ESTIMATE**

<b>Market Segment</b>	<b>Accommodated Room Night Demand</b>	<b>Unaccommodated Demand Percentage</b>	<b>Unaccommodated Room Night Demand</b>
Commercial	181,484	7.4 %	13,403
Meeting and Group	74,293	4.5	3,310
Leisure	103,982	15.0	15,627
Extended-Stay	71,794	16.0	11,459
<b>Total</b>	<b>431,553</b>	<b>10.1 %</b>	<b>43,799</b>

Our interviews with market participants found that the market generally sells out nearly every night of the week during the first quarter of the year (January through March), as well as Monday through Saturday nights in December and April, as "snowbirds" book long-term stays at area hotels. Sellout nights also occur sporadically within other periods throughout the year. A portion of this demand, which is currently turned away, should return to the market concurrent with the supply increase. Accordingly, we have forecast 10.1% of the base-year demand to be classified as unaccommodated based upon an analysis of monthly and weekly peak demand and sell-out trends.

**Induced Demand**

Induced demand represents the additional room nights that are expected to be attracted to the market following the introduction of a new demand generator. Situations that can result in induced demand include the opening of a new manufacturing plant, the expansion of a convention center, or the addition of a new hotel with a distinct chain affiliation or unique facilities. Although increases in demand are expected in the local market, we have accounted for this growth in the determination of market segment growth rates rather than induced demand.

**Accommodated Demand and Market-wide Occupancy**

Based upon a review of the market dynamics in the subject property’s competitive environment, we have forecast growth rates for each market segment. Using the calculated potential demand for the market, we have determined market-wide accommodated demand based on the inherent limitations of demand fluctuations and other factors in the market area.

The following table details our projection of lodging demand growth for the subject market, including the total number of occupied room nights and any residual unaccommodated demand in the market.

**FIGURE 4-21 FORECAST OF MARKET OCCUPANCY**

	2016	2017	2018	2019
<b>Commercial</b>				
Base Demand	193,536	193,536	193,536	193,536
Unaccommodated Demand	14,293	14,293	14,293	14,293
Total Demand	207,830	207,830	207,830	207,830
Growth Rate	0.5 %	0.0 %	0.0 %	0.0 %
<b>Meeting and Group</b>				
Base Demand	75,785	75,785	75,785	75,785
Unaccommodated Demand	3,377	3,377	3,377	3,377
Total Demand	79,161	79,161	79,161	79,161
Growth Rate	0.0 %	0.0 %	0.0 %	0.0 %
<b>Leisure</b>				
Base Demand	106,070	106,070	106,070	106,070
Unaccommodated Demand	15,941	15,941	15,941	15,941
Total Demand	122,011	122,011	122,011	122,011
Growth Rate	0.0 %	0.0 %	0.0 %	0.0 %
<b>Extended-Stay</b>				
Base Demand	75,817	75,817	75,817	75,817
Unaccommodated Demand	12,101	12,101	12,101	12,101
Total Demand	87,918	87,918	87,918	87,918
Growth Rate	0.5 %	0.0 %	0.0 %	0.0 %
<b>Totals</b>				
Base Demand	451,207	451,207	451,207	451,207
Unaccommodated Demand	45,712	45,712	45,712	45,712
Total Demand	496,919	496,919	496,919	496,919
less: Residual Demand	3,019	3,019	3,019	3,019
Total Accommodated Demand	493,900	493,900	493,900	493,900
<b>Overall Demand Growth</b>	10.1 %	0.0 %	0.0 %	0.0 %
<b>Market Mix</b>				
Commercial	41.8 %	41.8 %	41.8 %	41.8 %
Meeting and Group	15.9	15.9	15.9	15.9
Leisure	24.6	24.6	24.6	24.6
Extended-Stay	17.7	17.7	17.7	17.7
<b>Existing Hotel Supply</b>	1,640	1,640	1,640	1,640
<b>Proposed Hotels</b>				
Proposed Select-Service Hotel at FAU <sup>1</sup>	110	110	110	110
Proposed Extended-Stay Hotel at FAU <sup>2</sup>	140	140	140	140
University Village Hotel <sup>3</sup>	63	63	63	63
Available Rooms per Night	712,790	712,790	712,790	712,790
Nights per Year	365	365	365	365
<b>Total Supply</b>	1,953	1,953	1,953	1,953
Rooms Supply Growth	16.8 %	0.0 %	0.0 %	0.0 %
<b>Marketwide Occupancy</b>	<b>69.3 %</b>	<b>69.3 %</b>	<b>69.3 %</b>	<b>69.3 %</b>

<sup>1</sup> Opening in January 2016 of the 100% competitive, 110-room Proposed Select-Service Hotel at FAU

<sup>2</sup> Opening in January 2016 of the 100% competitive, 140-room Proposed Extended-Stay Hotel at FAU

<sup>3</sup> Opening in July 2015 of the 25% competitive, 250-room University Village Hotel

These room-night projections for the market area will be used in forecasting the proposed subject property's occupancy and average rate in Chapter 6.

## 5. Description of the Proposed Project

The quality of a lodging facility's physical improvements has a direct influence on marketability, attainable occupancy, and average room rate. The design and functionality of the structure can also affect operating efficiency and overall profitability. This section investigates the subject property's proposed physical improvements and personal property in an effort to determine how they are expected to contribute to attainable cash flows.

### Project Overview

The Proposed Dual-Branded Hotels at Florida Atlantic University is expected to comprise two hotels, a select-service lodging facility containing 110 rentable units and an extended-stay lodging facility containing 140 rentable units. The proposed subject property is expected to open on January 1, 2016. The proposed subject property will be part of the Boca Raton Campus Master Plan of Florida Atlantic University (FAU). Originally adopted on September 15, 1995, the Boca Raton Campus Master Plan was updated on November 18, 2009 to include a number of planned facilities expected to aid in the University's planned transition to a traditional campus model, which is expected to transform FAU into a first-class public university and research institution. Founded in 1964, Florida Atlantic University was the first public university in southeast Florida. FAU now comprises a 700-acre main campus in Boca Raton and five satellite campuses throughout southeast Florida. The University offers 147 undergraduate and graduate degree programs across ten schools, including the Charles E. Schmidt College of Medicine, which opened in 2010; in the fall of 2012, FAU's enrollment reached a milestone, exceeding 30,000 students for the first time in the school's history. Additional developments since the adoption of the 2009 Master Plan have included the construction of a \$70-million, 24,419-seat football stadium and the \$121-million Innovation Village student apartment complex, both of which were completed in 2011, as well as the opening of the \$46-million Parliament Hall housing complex in August of 2013. Future plans include the development of additional student housing buildings, classroom facilities, and sports complexes throughout the main campus. The proposed subject property is expected to be the first component of a larger mixed-use development that will occupy a portion of a vacant 42-acre parcel situated along Glades Road at the southeast corner of the Boca Raton campus.

### Summary of the Facilities

Based on information provided by the proposed subject property's development representatives, the following table summarizes the facilities that are expected to be available at the proposed subject property.

**FIGURE 5-1 PROPOSED FACILITIES SUMMARY – 110-ROOM SELECT-SERVICE**

<b>Guestroom Configuration</b>		<b>Number of Units</b>
King		70
Queen/Queen		28
Studio Suite		12
<b>Total</b>		<b>110</b>
<b>Food &amp; Beverage Facilities</b>		<b>Seating Capacity</b>
Restaurant		TBD
Lounge		TBD
<b>Indoor Meeting &amp; Banquet Facilities (Shared)</b>		<b>Square Footage</b>
Ballroom		4,500
Breakout Rooms		3,000
Auditorium		2,500
<b>Total</b>		<b>10,000</b>
<b>Amenities &amp; Services</b>		
Outdoor Swimming Pool (Shared)	Outdoor Patio (Shared)	
Outdoor Whirlpool (Shared)	Business Center	
Exercise Room	Vending Areas	
<b>Infrastructure</b>		
Parking Spaces		TBD
Elevators		TBD
Life-Safety Systems	Sprinklers, Smoke Detectors	
Construction Details	Steel, Reinforced Concrete	

**FIGURE 5-2 PROPOSED FACILITIES SUMMARY – 140-ROOM EXTENDED-STAY**

<b>Guestroom Configuration</b>		<b>Number of Units</b>
Studio Suite		50
One-Bedroom Suite		78
Two-Bedroom Suite		12
<b>Total</b>		<b>140</b>
<b>Food &amp; Beverage Facilities</b>		<b>Seating Capacity</b>
Breakfast Dining Area		TBD
<b>Indoor Meeting &amp; Banquet Facilities (Shared)</b>		<b>Square Footage</b>
Ballroom		4,500
Breakout Rooms		3,000
Auditorium		2,500
<b>Total</b>		<b>10,000</b>
<b>Amenities &amp; Services</b>		
Outdoor Swimming Pool (Shared)	Outdoor Patio (Shared)	
Outdoor Whirlpool (Shared)	Guest Laundry Facility	
Exercise Room	Market Pantry	
Business Center	Vending Areas	
<b>Infrastructure</b>		
Parking Spaces		TBD
Elevators		TBD
Life-Safety Systems	Sprinklers, Smoke Detectors	
Construction Details	Steel, Reinforced Concrete	

**Site Improvements and Hotel Structure**

Once guests enter the site, ample parking is expected to be available on the surface lot around the perimeter of the hotel buildings. Site improvements should include freestanding signage, which should be located at the site entrance (additional signage will be placed on the exterior of the building). We assume that all signage will adequately identify the property and meet the standards of the selected brands. Planned landscaping should allow for a positive guest impression and competitive exterior appearance. Sidewalks should be present along the front entrance and around the perimeter of the hotel. Other site improvements are expected to include a common amenity area between the two hotel buildings, which is anticipated to feature an outdoor pool and whirlpool with sundeck and an



outdoor patio area. A trash area is also expected to be provided toward the rear of the subject site. Overall, the site improvements for the property should be adequate.

The hotel structure is expected to comprise two hotel buildings offering separate select-service and extended-stay products, which will be linked by shared conference center building and a common outdoor amenity area. Both hotel structures and the conference center building are anticipated to be constructed of steel and reinforced concrete. The exterior of all buildings should be finished with stucco and should feature a design aesthetic in keeping with those of surrounding university buildings. Multiple stairways and elevators are expected to provide internal vertical transportation within both hotel structures. Each building's roof is anticipated to be constructed of concrete with a rubber membrane roofing system. Double-paned windows should reduce noise transmission into the rooms. Heating and cooling is expected to be provided by through-the-wall units and several large units for the public areas. Overall, the building components should be normal for a hotel of this type and should meet the standards for this market. We assume that all structural components will meet local building codes and that no significant defaults will occur during construction that may impact the future operating potential of the hotel or delay its assumed opening date.

### **Lobby**

Three separate entrances should provide guests access to the subject property, one at the front of each hotel building and a third at the front of the conference center building. All entrances should feature a single set of automatic doors, which open to a vestibule, and a second set of automatic doors. Each hotel's lobby is expected to be average in size and appropriate for an upscale, select-service or extended-stay product. In keeping with the current design standards of most upscale brands, each lobby is anticipated to feature an open design concept, which should incorporate a social gathering area, and other varied seating areas integrated into the adjacent dining areas and business centers. The walls of each lobby should be attractively finished with an upscale material that is in line with brand standards. Each hotel's front desk is expected to feature a granite countertop and to be installed with appropriate property management and telephone systems. The furnishings and finishes in each space should offer an appropriate first impression, and the design of the space should lend itself to adequate efficiency. We assume that all property management and guestroom technology will be appropriately installed for the effective management of each hotel's operations.

### **Food and Beverage Facilities**

The proposed subject property's select-service hotel is expected to offer a restaurant where guests may purchase a variety of made-to-order menu items, as well as a lobby lounge, while the extended-stay hotel is expected to feature a breakfast dining area offering a variety of complimentary items. The furnishings of

these spaces are anticipated to be of a similar style and finish as lobby and guestroom furnishings, and each dining area should be integrated into the adjacent public space in line with the open lobby design concept.

Each hotel is anticipated to provide a competitive offering of food and beverage facilities for an upscale property.

### **Meeting and Banquet Space**

The proposed subject property is expected to feature a central conference center facility connecting the separate hotel buildings. The conference center should comprise approximately 10,000 square feet of total meeting space, including a fully divisible main ballroom, an auditorium, and multiple breakout rooms. The meeting space is anticipated to be outfitted with state-of-the-art technology, including laptop hook-ups, DVD players, projection screens, and flat-panel televisions. Public restrooms near the entrance to the conference center building should enhance the overall functionality of the area.

### **Recreational Amenities**

The proposed subject property is anticipated to feature a common amenity area located adjacent to the conference center building and between the two hotel buildings. This area should offer an outdoor pool with sundeck, an outdoor whirlpool, and an outdoor patio area with a grill. Additionally, each hotel is expected to offer an exercise room that can be accessed 24 hours a day with a guest room key.

### **Additional Amenities**

Other amenities are expected to include an open business center in the lobby of each hotel, which should be integrated into the surrounding public spaces, as well as vending areas on select guestroom floors. Overall, the supporting facilities should be appropriate for a hotel of this type, and we assume that they will meet brand standards.

### **Guestrooms**

The proposed subject property's select-service hotel is anticipated to feature both standard and suite-style guestroom configurations, and guestrooms should be present on all levels of the hotel building. The guestrooms are expected to be of a standard size and to offer typical amenities for an upscale, select-service product. The guestrooms should feature modern and contemporary furnishings and 42-inch flat-panel televisions, as well as an iron and ironing board, a coffeemaker, and wireless, high-speed Internet access. Studio suites should be available for a premium rate and are expected to feature a larger living area with a sleeper sofa. Conversely, the proposed subject property's extended-stay hotel is anticipated to offer an all-suite guestroom product, featuring studio, one-bedroom, and two-bedroom suites. The guestroom suites should be located on all levels of the hotel building and are expected to offer typical amenities for this upscale, extended-stay product type, including a fully equipped kitchen. In addition to the standard furnishings, in-room amenities are anticipated to include wireless, high-speed

Internet access and an iron and ironing board. Overall, the guestroom suites should offer a competitive product for the Boca Raton market.

Guestroom bathrooms in each hotel are expected to be of a standard size, with a shower-in-tub, commode, and single sink with vanity area, featuring a stone countertop. The floors should be finished with stone tiles, and the walls will likely be finished with vinyl wall-covering. Bathrooms are anticipated to feature a hairdryer and complimentary toiletries. Overall, the bathroom design should be appropriate for an upscale, select-service or extended-stay product.

The interior guestroom corridors in each hotel are expected to be wide and functional, permitting the easy passage of housekeeping carts. Corridor carpet, vinyl wall-covering, signage, and lighting should be in keeping with the overall look and design of the rest of the property.

#### **Back-of-the-House**

Each hotel is expected to be served by the necessary back-of-the-house space, including an in-house laundry facility, administrative offices, and a kitchen to service the needs of the dining area. These spaces should be adequate for an upscale, select-service or extended-stay hotel and should allow for the efficient operation of both hotels under competent management.

#### **ADA and Environmental**

We assume that the proposed subject property will be built according to all pertinent codes and brand standards. Moreover, we assume its construction will not create any environmental hazards (such as mold) and that the property will fully comply with the Americans with Disabilities Act.

#### **Capital Expenditures**

Our analysis assumes that, after their openings, the hotels will require ongoing upgrades and periodic renovations in order to maintain their competitive levels in this market and to remain compliant with the standards of the selected brands. These costs should be adequately funded by the forecasted reserve for replacement, as long as a successful, ongoing preventive-maintenance program is employed by hotel staff.

#### **Conclusion**

Overall, the proposed subject property should offer a well-designed, functional layout of support areas and guestrooms. All typical and market-appropriate features and amenities are expected to be included in each hotel's design. We assume that the buildings will be fully open and operational on the stipulated opening date and will meet all local building codes and brand standards. Furthermore, we assume that the staff of each hotel will be adequately trained to allow for a successful opening and that pre-marketing efforts will have introduced the product to major local accounts at least six months in advance of the opening date.

## 6. Projection of Occupancy and Average Rate

Along with average rate results, the occupancy levels achieved by a hotel are the foundation of the property's financial performance and market value. Most of a lodging facility's other revenue sources (such as food, beverages, and telephone income) are driven by the number of guests, and many expense levels vary with occupancy. To a certain degree, occupancy attainment can be manipulated by management. For example, hotel operators may choose to lower rates in an effort to maximize occupancy. Our forecasts reflect an operating strategy that we believe would be implemented by a typical, professional hotel management team to achieve an optimal mix of occupancy and average rate.

### Penetration Rate Analysis

The forecasted market share and occupancy levels for each proposed hotel are based upon its anticipated competitive position within the market, as quantified by its penetration rate. The penetration rate is the ratio of a property's market share to its fair share. A complete discussion of the concept of penetration is presented in the addenda.

### Historical Penetration Rates by Market Segment

In the following table, the penetration rates attained by the primary competitors and the aggregate secondary competitors are set forth for each segment for the base year.

**FIGURE 6-1 HISTORICAL PENETRATION RATES**

Property	Commercial	Meeting and Group	Leisure	Extended Stay	Overall
Courtyard by Marriott Boca Raton	123 %	55 %	78 %	85 %	94 %
Embassy Suites Boca Raton	100	153	66	127	105
Hilton Garden Inn Boca Raton	107	48	68	74	82
Hilton Suites Boca Raton	117	64	114	132	110
Residence Inn by Marriott Boca Raton	50	91	108	250	104
Wyndham Garden Hotel Boca Raton	95	174	83	60	100
Secondary Competition	98	92	129	69	100

The Courtyard by Marriott Boca Raton achieved the highest penetration rate within the commercial segment. The highest penetration rate in the meeting and

**Forecast of Subject  
Property's Occupancy**

group segment was achieved by the Wyndham Garden Hotel Boca Raton, while the secondary competition led the market with the highest leisure penetration rate.

Because the supply and demand balance for the competitive market is dynamic, there is a circular relationship between the penetration factors of each hotel in the market. The performance of individual new hotels has a direct effect upon the aggregate performance of the market, and consequently upon the calculated penetration factor for each hotel in each market segment. The same is true when the performance of existing hotels changes, either positively (following a refurbishment, for example) or negatively (when a poorly maintained or marketed hotel loses market share).

A hotel's penetration factor is calculated as its achieved market share of demand divided by its fair share of demand. Thus, if one hotel's penetration performance increases, thereby increasing its achieved market share, this leaves less demand available in the market for the other hotels to capture and the penetration performance of one or more of those other hotels consequently declines (other things remaining equal). This type of market share adjustment takes place every time there is a change in supply, or a change in the relative penetration performance of one or more hotels in the competitive market.

Our projections of penetration, demand capture, and occupancy performance for the subject property account for these types of adjustments to market share within the defined competitive market. Consequently, the actual penetration factors applicable to the subject property and its competitors for each market segment in each projection year may vary somewhat from the penetration factors delineated in the previous tables.

The following tables set forth, by market segment, the projected adjusted penetration rates for the proposed subject hotels and each hotel in the competitive set.

**FIGURE 6-2 COMMERCIAL SEGMENT ADJUSTED PENETRATION RATES**

Hotel	2012	2013	2014	2015	2016	2017	2018	2019
Courtyard by Marriott Boca Raton	123 %	123 %	122 %	123 %	128 %	126 %	125 %	125 %
Embassy Suites Boca Raton	100	100	105	106	110	108	108	108
Hilton Garden Inn Boca Raton	107	107	106	106	111	109	109	109
Hilton Suites Boca Raton	117	117	116	118	123	121	120	120
Residence Inn by Marriott Boca Raton	50	50	49	49	51	50	50	50
Wyndham Garden Hotel Boca Raton	95	95	94	94	98	97	96	96
Secondary Competition	98	98	97	97	101	100	99	99
<b>Proposed Select-Service Hotel at FAU</b>	—	—	—	—	<b>109</b>	<b>122</b>	<b>127</b>	<b>127</b>
<b>Proposed Extended-Stay Hotel at FAU</b>	—	—	—	—	<b>41</b>	<b>48</b>	<b>51</b>	<b>51</b>
University Village Hotel	—	—	—	79	93	98	97	97

The subject proposed select-service hotel is expected to become the foremost choice for corporate transient demand among the primary competitors due to its modern, high-quality facility; its anticipated business-oriented product; and its proximity to major corporate demand generators. Furthermore, the proposed select-service hotel is expected to operate in conjunction with Florida Atlantic University to accommodate commercial demand generated by the Boca Raton campus. As such, we have positioned the proposed select-service hotel's penetration level well above fair share in the commercial segment and just above the nearest primary competitor, the Courtyard by Marriott. Conversely, we expect the subject proposed extended-stay hotel to stabilize at a penetration level well below the market average given its orientation toward long-term stays. As such, this hotel's penetration level is positioned in line with that of the market's only other extended-stay hotel, the Residence Inn by Marriott.

**FIGURE 6-3 MEETING AND GROUP SEGMENT ADJUSTED PENETRATION RATES**

Hotel	2012	2013	2014	2015	2016	2017	2018	2019
Courtyard by Marriott Boca Raton	55 %	55 %	54 %	54 %	55 %	54 %	53 %	53 %
Embassy Suites Boca Raton	153	153	161	161	163	160	159	159
Hilton Garden Inn Boca Raton	48	48	47	47	47	47	46	46
Hilton Suites Boca Raton	64	64	63	63	64	63	62	62
Residence Inn by Marriott Boca Raton	91	91	89	90	90	89	88	88
Wyndham Garden Hotel Boca Raton	174	174	171	172	174	171	170	170
Secondary Competition	92	92	90	91	92	90	90	90
<b>Proposed Select-Service Hotel at FAU</b>	—	—	—	—	<b>95</b>	<b>105</b>	<b>112</b>	<b>112</b>
<b>Proposed Extended-Stay Hotel at FAU</b>	—	—	—	—	<b>90</b>	<b>98</b>	<b>101</b>	<b>101</b>
University Village Hotel	—	—	—	84	97	103	102	102

Within the meeting and group segment, the penetration levels of the proposed subject hotels are positioned above the market average by stabilization. As noted

previously, area hotels benefit from significant demand during football season and numerous special events generated by FAU. The location of the proposed subject hotels on the FAU campus and the proposed conference facility attached to both hotels is expected to allow these hotels to capture a significant portion of meeting and group demand generated by the University. Additionally, the proposed subject property's considerable amount of on-site meeting space should place both hotels among the foremost choices for corporation training and recruiting activities in the market.

**FIGURE 6-4 LEISURE SEGMENT ADJUSTED PENETRATION RATES**

Hotel	2012	2013	2014	2015	2016	2017	2018	2019
Courtyard by Marriott Boca Raton	78 %	78 %	78 %	78 %	80 %	78 %	78 %	78 %
Embassy Suites Boca Raton	66	66	69	69	71	70	69	69
Hilton Garden Inn Boca Raton	68	68	68	68	69	68	68	68
Hilton Suites Boca Raton	114	114	113	114	116	115	114	114
Residence Inn by Marriott Boca Raton	108	108	107	107	110	108	108	108
Wyndham Garden Hotel Boca Raton	83	83	82	83	84	83	83	83
Secondary Competition	129	129	128	128	131	129	128	128
<b>Proposed Select-Service Hotel at FAU</b>	—	—	—	—	<b>66</b>	<b>77</b>	<b>83</b>	<b>83</b>
<b>Proposed Extended-Stay Hotel at FAU</b>	—	—	—	—	<b>102</b>	<b>107</b>	<b>110</b>	<b>110</b>
University Village Hotel	—	—	—	85	96	98	98	98

The penetration rates of the proposed hotels in the leisure segment are positioned appropriately within the range of existing competitors, with the extended-stay hotel's level positioned above the market average and the select-service hotel's level below fair share. This positioning is supported by the hotels' location on the FAU campus and along the Glades Road corridor, which is replete with upscale retail outlets and restaurants; this location also provides for easy access to local beaches, golf courses, and entertainment venues, including those in nearby Mizner Park. With the proposed hotels' location being so favorable to weekend uses, we would expect the proposed subject hotels to experience high levels of peak weekends, with weekend-transient leisure supplemented by strong weekend group.



**FIGURE 6-5 LEISURE SEGMENT ADJUSTED PENETRATION RATES**

Hotel	2012	2013	2014	2015	2016	2017	2018	2019
Courtyard by Marriott Boca Raton	85 %	85 %	84 %	85 %	77 %	76 %	76 %	76 %
Embassy Suites Boca Raton	127	127	133	134	122	121	120	120
Hilton Garden Inn Boca Raton	74	74	73	73	67	66	66	66
Hilton Suites Boca Raton	132	132	130	132	121	119	118	118
Residence Inn by Marriott Boca Raton	250	250	247	249	227	224	223	223
Wyndham Garden Hotel Boca Raton	60	60	59	60	55	54	54	54
Secondary Competition	69	69	68	68	63	62	61	61
<b>Proposed Select-Service Hotel at FAU</b>	—	—	—	—	<b>50</b>	<b>56</b>	<b>58</b>	<b>58</b>
<b>Proposed Extended-Stay Hotel at FAU</b>	—	—	—	—	<b>250</b>	<b>260</b>	<b>263</b>	<b>263</b>
University Village Hotel	—	—	—	55	59	63	62	62

The subject proposed extended-stay hotel is expected to become the foremost choice for extended-stay demand in the Boca Raton area, with its all-suite product and in-room kitchens being designed for this type of demand. The proposed hotel's location on the FAU campus, proximate to Boca Raton Regional Hospital and nearby corporate campuses and business parks, should allow it to maximize its capture of long-term demand produced by the market's major extended-stay demand generators. Furthermore, the proposed extended-stay hotel is expected to outperform the Residence Inn by Marriott by a relatively wide margin given its more central location and its anticipated status as the primary choice for long-term lodging related to FAU. Conversely, the extended-stay penetration level of the adjoining proposed select-service hotel is positioned below the penetration rates of the Courtyard by Marriott and Hilton Garden Inn, as the adjacent proposed extended-stay hotel is expected to capture the majority of the extended-stay demand that would normally be accommodated by the select-service facility.

These positioned segment penetration rates result in the following market segmentation forecasts.

**FIGURE 6-6 MARKET SEGMENTATION FORECAST – 110-ROOM SELECT-SERVICE**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Commercial	53 %	53 %	52 %	52 %
Meeting and Group	18	17	18	18
Leisure	19	20	20	20
Extended-Stay	10	10	10	10
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

**FIGURE 6-7 MARKET SEGMENTATION FORECAST – 140-ROOM EXTENDED-STAY**

	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Commercial	17 %	19 %	19 %	19 %
Meeting and Group	14	14	15	15
Leisure	25	24	24	24
Extended-Stay	44	43	42	42
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

The proposed subject hotels’ occupancy forecasts are set forth as follows, with the adjusted projected penetration rates used as a basis for calculating the amount of captured market demand.

**FIGURE 6-8 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY – 110-ROOM SELECT-SERVICE**

<b>Market Segment</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Commercial</b>				
Demand	206,558	206,558	206,558	206,558
Market Share	6.1 %	6.9 %	7.1 %	7.1 %
Capture	12,651	14,231	14,749	14,749
Penetration	109 %	122 %	127 %	127 %
<b>Meeting and Group</b>				
Demand	78,660	78,660	78,660	78,660
Market Share	5.3 %	5.9 %	6.3 %	6.3 %
Capture	4,199	4,652	4,964	4,964
Penetration	95 %	105 %	112 %	112 %
<b>Leisure</b>				
Demand	121,216	121,216	121,216	121,216
Market Share	3.7 %	4.3 %	4.7 %	4.7 %
Capture	4,505	5,269	5,648	5,648
Penetration	66 %	77 %	83 %	83 %
<b>Extended-Stay</b>				
Demand	87,361	87,361	87,361	87,361
Market Share	2.8 %	3.1 %	3.3 %	3.3 %
Capture	2,459	2,731	2,850	2,850
Penetration	50 %	56 %	58 %	58 %
<b>Total Room Nights Captured</b>	<b>23,813</b>	<b>26,884</b>	<b>28,212</b>	<b>28,212</b>
Available Room Nights	40,150	40,150	40,150	40,150
<b>Subject Occupancy</b>	<b>59 %</b>	<b>67 %</b>	<b>70 %</b>	<b>70 %</b>
Marketwide Available Room Nights	712,790	712,790	712,790	712,790
<b>Fair Share</b>	<b>6 %</b>	<b>6 %</b>	<b>6 %</b>	<b>6 %</b>
Marketwide Occupied Room Nights	493,796	493,796	493,796	493,796
<b>Market Share</b>	<b>5 %</b>	<b>5 %</b>	<b>6 %</b>	<b>6 %</b>
<b>Marketwide Occupancy</b>	<b>69 %</b>	<b>69 %</b>	<b>69 %</b>	<b>69 %</b>
<b>Total Penetration</b>	<b>86 %</b>	<b>97 %</b>	<b>101 %</b>	<b>101 %</b>

**FIGURE 6-9 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY – 140-ROOM EXTENDED-STAY**

<b>Market Segment</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Commercial</b>				
Demand	206,558	206,558	206,558	206,558
Market Share	3.0 %	3.4 %	3.6 %	3.6 %
Capture	6,134	7,094	7,509	7,509
Penetration	41 %	48 %	51 %	51 %
<b>Meeting and Group</b>				
Demand	78,660	78,660	78,660	78,660
Market Share	6.4 %	7.0 %	7.3 %	7.3 %
Capture	5,062	5,534	5,714	5,714
Penetration	90 %	98 %	101 %	101 %
<b>Leisure</b>				
Demand	121,216	121,216	121,216	121,216
Market Share	7.3 %	7.7 %	7.9 %	7.9 %
Capture	8,821	9,319	9,527	9,527
Penetration	102 %	107 %	110 %	110 %
<b>Extended-Stay</b>				
Demand	87,361	87,361	87,361	87,361
Market Share	17.9 %	18.6 %	18.8 %	18.8 %
Capture	15,647	16,260	16,463	16,463
Penetration	250 %	260 %	263 %	263 %
<b>Total Room Nights Captured</b>	<b>35,665</b>	<b>38,207</b>	<b>39,212</b>	<b>39,212</b>
Available Room Nights	51,100	51,100	51,100	51,100
<b>Subject Occupancy</b>	<b>70 %</b>	<b>75 %</b>	<b>77 %</b>	<b>77 %</b>
Marketwide Available Room Nights	712,790	712,790	712,790	712,790
<b>Fair Share</b>	<b>7 %</b>	<b>7 %</b>	<b>7 %</b>	<b>7 %</b>
Marketwide Occupied Room Nights	493,796	493,796	493,796	493,796
<b>Market Share</b>	<b>7 %</b>	<b>8 %</b>	<b>8 %</b>	<b>8 %</b>
<b>Marketwide Occupancy</b>	<b>69 %</b>	<b>69 %</b>	<b>69 %</b>	<b>69 %</b>
<b>Total Penetration</b>	<b>101 %</b>	<b>108 %</b>	<b>111 %</b>	<b>111 %</b>

Based on our analysis of the proposed subject property and market area, we have selected stabilized occupancy levels of 70% for the proposed select-service hotel and 77% for the extended-stay hotel. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life, given all changes in the life cycles of the hotels. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and

demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the subject hotels may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

### Average Rate Analysis

One of the most important considerations in estimating the value of a lodging facility is a supportable forecast of its attainable average rate, which is more formally defined as the average rate per occupied room. Average rate can be calculated by dividing the total rooms revenue achieved during a specified period by the number of rooms sold during the same period. The projected average rate and the anticipated occupancy percentage are used to forecast rooms revenue, which in turn provides the basis for estimating most other income and expense categories.

### Competitive Position

Although the average rate analysis presented here follows the occupancy projection, these two statistics are highly correlated; in reality, one cannot project occupancy without making specific assumptions regarding average rate. This relationship is best illustrated by revenue per available room (RevPAR), which reflects a property's ability to maximize rooms revenue. The following table summarizes the historical average rate and the RevPAR of the subject property's future primary competitors.

**FIGURE 6-10 BASE-YEAR AVERAGE RATE AND REVPAR OF THE COMPETITORS**

<b>Property</b>	<b>Estimated 2012 Average Room Rate</b>	<b>Average Room Rate Penetration</b>	<b>Rooms Revenue Per Available Room (RevPAR)</b>	<b>RevPAR Penetration</b>
Courtyard by Marriott Boca Raton	\$101.00	94.4 %	\$68.68	89.1 %
Embassy Suites Boca Raton	111.00	103.7	84.36	109.4
Hilton Garden Inn Boca Raton	98.00	91.6	57.82	75.0
Hilton Suites Boca Raton	118.00	110.3	93.22	120.9
Residence Inn by Marriott Boca Raton	96.00	89.7	72.00	93.4
Wyndham Garden Hotel Boca Raton	89.00	83.2	64.08	83.1
Average - Primary Competitors	\$104.06	97.3 %	\$75.18	97.5 %
Average - Secondary Competitors	112.52	105.2	80.69	104.6
<b>Overall Average</b>	<b>\$107.01</b>		<b>\$77.10</b>	

The defined primarily competitive market realized an overall average rate of \$104.06 in the 2012 base year, improving from the 2011 level of \$98.96. The

Marriott Boca Raton at Boca Center achieved the highest estimated average rate in the local competitive market, by a significant margin, because of its full-service product and popular Marriott brand affiliation. An important aspect of this market is its seasonality, which forces local operators to significantly lower rates in the weaker summer and early fall months; leisure groups provide substantial weekend demand during this period, which bolsters the rate positioning of hotels offering suite-style and extended-stay guestroom products. The selected rate position for the proposed subject hotels, in base-year dollars, takes into consideration factors such as their anticipated modern, upscale design and their select-service and extended-stay products. We have selected the rate position of \$102.00, in base-year dollars, for the proposed subject hotel.

As illustrated previously, the average rate for the primarily competitive market averaged \$98.96 in 2011, before reaching \$104.06 in 2012. Market-wide rates began to trend upward in late 2011. Now that demand is nearing the peak levels experienced during the abnormally active hurricane seasons in 2004 and 2005, we expect average rates to continue exhibit strong increases. Local operators report that the market has now reached near-capacity occupancy levels throughout the peak season, creating compression to less desirable surrounding markets and increasing the pricing power of area hotels during the first quarter of the year.

Based on these considerations, the following table illustrates the projected average rate and the growth rates assumed. As a context for the average rate growth factors, note that we have applied a base underlying inflation rate of 3.0% annually throughout our projection period.

**FIGURE 6-11 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST – 110-ROOM SELECT-SERVICE**

Year	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	72.1 %	—	\$107.01	—	—	\$102.00	95.3 %
2013	73.3	7.0 %	114.50	—	7.0 %	109.14	95.3
2014	73.9	6.0	121.37	—	6.0	115.69	95.3
2015	73.5	5.0	127.44	—	5.0	121.47	95.3
2016	69.3	3.5	131.90	59.0 %	3.5	125.72	95.3
2017	69.3	3.0	135.86	67.0	3.0	129.50	95.3
2018	69.3	3.0	139.94	70.0	3.0	133.38	95.3

**FIGURE 6-12 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST – 140-ROOM EXTENDED-STAY**

Year	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	72.1 %	—	\$107.01	—	—	\$95.00	88.8 %
2013	73.3	7.0 %	114.50	—	7.0 %	101.65	88.8
2014	73.9	6.0	121.37	—	6.0	107.75	88.8
2015	73.5	5.0	127.44	—	5.0	113.14	88.8
2016	69.3	3.5	131.90	70.0 %	3.5	117.10	88.8
2017	69.3	3.0	135.86	75.0	3.0	120.61	88.8
2018	69.3	3.0	139.94	77.0	3.0	124.23	88.8

As illustrated above, a 7.0% rate of change is expected for each proposed hotel's positioned 2012 room rate in 2013. This is followed by growth rates of 6.0% and 5.0% in 2014 and 2015, respectively. The Boca Raton market should enjoy positive rate growth through the near term. The rate positioning of the proposed hotels should reflect growth similar to market trends because of the hotels' modern, high-quality products; their strong brand affiliation; and their location on the campus of Florida Atlantic University, proximate to Boca Raton Regional Hospital. The proposed select-service hotel's penetration rate is forecast to reach 95.3% by the stabilized period, while the proposed extended-stay hotel's penetration rate is forecast to reach 88.8%.

The North American lodging market bottomed out in late 2009, at which time demand rebounded and the supply pipeline diminished. In 2010, occupancy rebounded strongly, and by 2011, average rates in most U.S. markets showed increases. In many urban markets, strong occupancy levels are allowing hotel operators to continue to make aggressive average rate gains in 2013, while in some less-robust markets, average rate growth is still constrained by weak demand levels. With demand largely recovered from the correction in 2009, and new supply remaining muted in 2013 and 2014, markets should be able to support healthy average rate gains in the near term.

A new property must establish its reputation and a client base in the market during its ramp-up period; as such, the proposed subject property's average rates in the initial operating period have been discounted to reflect this likelihood. We forecast 3.0% and 1.0% discounts to each proposed hotel's forecast room rates in the first two operating years, which would be typical for a new operation of this type.



The following occupancies and average rates will be used to project each proposed hotel's rooms revenue; this forecast reflects years beginning on January 1, 2016, which correspond with our financial projections.

**FIGURE 6-13 FORECAST OF OCCUPANCY, AVERAGE RATE, AND REVPAR – 110-ROOM SELECT-SERVICE**

Year	Occupancy	Average Rate		RevPAR
		Before Discount	Discount	
2016	59 %	\$125.72	3.0 %	\$71.95
2017	67	129.50	1.0	85.90
2018	70	133.38	0.0	93.37

**FIGURE 6-14 FORECAST OF OCCUPANCY, AVERAGE RATE, AND REVPAR – 140-ROOM EXTENDED-STAY**

Year	Occupancy	Average Rate		RevPAR
		Before Discount	Discount	
2016	70 %	\$117.10	0.0 %	\$81.97
2017	75	120.61	0.0	90.46
2018	77	124.23	0.0	95.66

## 7. Projection of Income and Expense

In this chapter of our report, we have compiled a forecast of income and expense for the proposed subject property. This forecast is based on the facilities program set forth previously, as well as the occupancy and average rate forecast discussed previously.

The forecast of income and expense is expressed in current dollars for each year. The stabilized year is intended to reflect the anticipated operating results of each hotel over its remaining economic life, given any or all applicable stages of build-up, plateau, and decline in the life cycle of the hotel. Thus, income and expense estimates from the stabilized year forward exclude from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusual revenues or expenses. The ten-year period reflects the typical holding period of large real estate assets such as hotels. In addition, the ten-year period provides for the stabilization of income streams and comparison of yields with alternate types of real estate. The forecasted income streams reflect the future benefits of owning specific rights in income-producing real estate.

### Comparable Operating Statements

In order to project future income and expense for the proposed subject property, we have included a sample of individual comparable operating statements from our database of hotel statistics. All financial data are presented according to the three most common measures of industry performance: ratio to sales (RTS), amounts per available room (PAR), and amounts per occupied room night (POR). These historical income and expense statements will be used as benchmarks in our forthcoming forecast of income and expense.

**FIGURE 7-1 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES – 110-ROOM SELECT-SERVICE**

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2011/12	2011/12	2011/12	2011/12	2010/11	2012
Number of Rooms:	100 to 130	120 to 160	120 to 150	120 to 160	110 to 150	110
Days Open:	365	366	366	366	365	365
Occupancy:	69%	77%	53%	65%	55%	70%
Average Rate:	\$117	\$131	\$121	\$100	\$105	\$112
RevPAR:	\$81	\$100	\$64	\$65	\$58	\$78
<b>REVENUE</b>						
Rooms	93.0 %	93.7 %	93.8 %	88.1 %	88.7 %	89.0 %
Food & Beverage	7.0	4.9	5.8	7.9	9.8	9.5
Other Operated Departments	0.0	0.0	0.0	4.0	(0.0)	0.2
Rentals & Other Income	0.0	1.4	0.4	0.0	1.5	1.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
<b>DEPARTMENTAL EXPENSES*</b>						
Rooms	21.2	18.0	16.9	21.7	22.5	21.0
Food & Beverage	82.9	63.1	71.1	85.3	78.7	82.0
Rentals & Other Income	0.0	118.4	0.0	0.0	0.0	0.0
Total	25.5	21.6	20.0	28.8	27.9	26.8
<b>DEPARTMENTAL INCOME</b>						
	74.5	78.4	80.0	71.2	72.1	73.2
<b>OPERATING EXPENSES</b>						
Administrative & General	7.6	9.7	13.4	6.0	8.8	7.1
Marketing	4.7	7.0	8.9	4.4	2.7	4.5
Franchise Fee	6.9	8.9	8.9	7.8	8.3	8.5
Property Operations & Maintenance	3.8	3.6	3.0	4.2	3.4	3.6
Utilities	4.7	3.3	4.3	6.0	3.7	3.9
Total	27.7	32.6	38.5	28.3	26.9	27.5
<b>HOUSE PROFIT</b>						
	46.8	45.8	41.5	42.9	45.2	45.7
Management Fee	3.3	4.0	3.0	3.0	1.5	3.0
<b>INCOME BEFORE FIXED CHARGES</b>						
	43.5	41.8	38.5	39.9	43.7	42.7

\* Departmental expense ratios are expressed as a percentage of departmental revenues

**FIGURE 7-2 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER AVAILABLE ROOM – 110-ROOM SELECT-SERVICE**

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2011/12	2011/12	2011/12	2011/12	2010/11	2012
Number of Rooms:	100 to 130	120 to 160	120 to 150	120 to 160	110 to 150	110
Days Open:	365	366	366	366	365	365
Occupancy:	69%	77%	53%	65%	55%	70%
Average Rate:	\$117	\$131	\$121	\$100	\$105	\$112
RevPAR:	\$81	\$100	\$64	\$65	\$58	\$78
<b>REVENUE</b>						
Rooms	\$29,522	\$36,664	\$23,485	\$23,711	\$21,169	\$28,540
Food & Beverage	2,221	1,936	1,449	2,113	2,346	3,036
Other Operated Departments	0	0	0	1,085	(8)	51
Rentals & Other Income	0	543	110	0	369	455
Total	31,743	39,143	25,044	26,908	23,877	32,083
<b>DEPARTMENTAL EXPENSES</b>						
Rooms	6,265	6,586	3,971	5,155	4,769	5,994
Food & Beverage	1,841	1,221	1,029	1,803	1,846	2,490
Rentals & Other Income	0	643	0	0	0	0
Total	8,106	8,450	5,000	7,746	6,654	8,584
<b>DEPARTMENTAL INCOME</b>						
	23,637	30,693	20,044	19,162	17,223	23,498
<b>OPERATING EXPENSES</b>						
Administrative & General	2,425	3,800	3,360	1,606	2,108	2,278
Marketing	1,496	2,729	2,235	1,190	654	1,436
Franchise Fee	2,204	3,493	2,235	2,092	1,977	2,712
Property Operations & Maintenance	1,195	1,421	743	1,120	800	1,139
Utilities	1,478	1,307	1,074	1,613	885	1,263
Total	8,796	12,750	9,647	7,620	6,423	8,827
<b>HOUSE PROFIT</b>						
	14,841	17,943	10,397	11,542	10,800	14,671
Management Fee	1,044	1,564	757	810	369	963
<b>INCOME BEFORE FIXED CHARGES</b>						
	13,796	16,379	9,640	10,732	10,431	13,709

**FIGURE 7-3 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER OCCUPIED ROOM – 110-ROOM SELECT-SERVICE**

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2011/12	2011/12	2011/12	2011/12	2010/11	2012
Number of Rooms:	100 to 130	120 to 160	120 to 150	120 to 160	110 to 150	110
Days Open:	365	366	366	366	365	365
Occupancy:	69%	77%	53%	65%	55%	70%
Average Rate:	\$117	\$131	\$121	\$100	\$105	\$112
RevPAR:	\$81	\$100	\$64	\$65	\$58	\$78
<b>REVENUE</b>						
Rooms	\$116.93	\$130.72	\$121.03	\$100.01	\$104.84	\$111.70
Food & Beverage	8.80	6.90	7.46	8.91	11.62	11.88
Other Operated Departments	0.00	0.00	0.00	4.57	(0.04)	0.20
Rentals & Other Income	0.00	1.94	0.57	0.00	1.83	1.78
Total	125.73	139.56	129.06	113.49	118.25	125.57
<b>DEPARTMENTAL EXPENSES</b>						
Rooms	24.82	23.48	20.46	21.74	23.62	23.46
Food & Beverage	7.29	4.35	5.30	7.60	9.14	9.74
Rentals & Other Income	0.00	2.29	0.00	0.00	0.00	0.00
Total	32.11	30.13	25.77	32.67	32.95	33.60
<b>DEPARTMENTAL INCOME</b>						
	93.62	109.43	103.29	80.82	85.30	91.97
<b>OPERATING EXPENSES</b>						
Administrative & General	9.60	13.55	17.32	6.77	10.44	8.91
Marketing	5.92	9.73	11.52	5.02	3.24	5.62
Franchise Fee	8.73	12.45	11.52	8.82	9.79	10.61
Property Operations & Maintenance	4.73	5.07	3.83	4.72	3.96	4.46
Utilities	5.85	4.66	5.53	6.80	4.38	4.94
Total	34.84	45.46	49.71	32.14	31.81	34.55
<b>HOUSE PROFIT</b>						
	58.78	63.97	53.58	48.68	53.49	57.42
Management Fee	4.14	5.58	3.90	3.42	1.83	3.77
<b>INCOME BEFORE FIXED CHARGES</b>						
	54.65	58.40	49.68	45.27	51.66	53.66

**FIGURE 7-4 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES – 140-ROOM EXTENDED-STAY**

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2012	2011/12	2011/12	2011/12	2011/12	2012
Number of Rooms:	80 to 100	100 to 140	130 to 170	90 to 120	100 to 130	140
Days Open:	365	366	366	366	366	365
Occupancy:	75%	79%	66%	80%	80%	77%
Average Rate:	\$95	\$103	\$106	\$111	\$97	\$104
RevPAR:	\$71	\$82	\$70	\$89	\$78	\$80
<b>REVENUE</b>						
Rooms	100.0 %	97.9 %	98.1 %	100.0 %	100.0 %	98.2 %
Food & Beverage	0.0	0.0	0.7	0.0	0.0	0.0
Other Operated Departments	0.0	0.0	1.1	0.0	0.0	0.2
Rentals & Other Income	0.0	2.1	0.0	0.0	0.0	1.6
Total	100.0	100.0	100.0	100.0	100.0	100.0
<b>DEPARTMENTAL EXPENSES*</b>						
Rooms	23.9	24.3	21.0	20.4	21.6	22.0
Food & Beverage	0.0	0.0	121.4	0.0	0.0	0.0
Other Operated Departments	0.0	0.0	295.3	0.0	0.0	200.0
Rentals & Other Income	0.0	24.7	0.0	0.0	0.0	0.0
Total	23.9	24.3	24.8	20.4	21.6	22.0
<b>DEPARTMENTAL INCOME</b>						
	76.1	75.7	75.2	79.6	78.4	78.0
<b>OPERATING EXPENSES</b>						
Administrative & General	7.8	6.0	6.3	10.2	7.8	7.2
Marketing	3.1	2.1	5.1	3.7	2.7	3.2
Franchise Fee	7.4	7.8	8.0	6.0	8.0	9.3
Property Operations & Maintenance	4.2	1.7	4.0	3.6	3.8	4.0
Utilities	4.6	3.4	6.2	5.0	3.3	4.3
Total	27.1	21.0	29.6	28.5	25.6	28.0
<b>HOUSE PROFIT</b>						
	49.0	54.7	45.6	51.1	52.8	50.0
Management Fee	4.2	3.0	3.0	3.2	3.4	3.0
<b>INCOME BEFORE FIXED CHARGES</b>						
	44.7	51.7	42.6	47.9	49.4	47.0

\* Departmental expense ratios are expressed as a percentage of departmental revenues

**FIGURE 7-5 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER AVAILABLE ROOM – 140-ROOM EXTENDED-STAY**

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2012	2011/12	2011/12	2011/12	2011/12	2012
Number of Rooms:	80 to 100	100 to 140	130 to 170	90 to 120	100 to 130	140
Days Open:	365	366	366	366	366	365
Occupancy:	75%	79%	66%	80%	80%	77%
Average Rate:	\$95	\$103	\$106	\$111	\$97	\$104
RevPAR:	\$71	\$82	\$70	\$89	\$78	\$80
<b>REVENUE</b>						
Rooms	\$26,078	\$29,877	\$25,469	\$32,550	\$28,448	\$29,240
Food & Beverage	0	0	190	0	0	0
Other Operated Departments	0	0	293	0	0	56
Rentals & Other Income	0	631	0	0	0	487
Total	26,078	30,508	25,952	32,550	28,448	29,783
<b>DEPARTMENTAL EXPENSES</b>						
Rooms	6,244	7,254	5,354	6,642	6,147	6,433
Food & Beverage	0	0	231	0	0	0
Other Operated Departments	0	0	864	0	0	111
Rentals & Other Income	0	156	0	0	0	0
Total	6,244	7,410	6,449	6,642	6,147	6,544
<b>DEPARTMENTAL INCOME</b>						
	19,833	23,098	19,503	25,908	22,302	23,239
<b>OPERATING EXPENSES</b>						
Administrative & General	2,022	1,820	1,626	3,312	2,224	2,154
Marketing	811	639	1,327	1,202	776	941
Franchise Fee	1,933	2,393	2,075	1,954	2,284	2,778
Property Operations & Maintenance	1,100	508	1,041	1,174	1,069	1,188
Utilities	1,200	1,041	1,612	1,633	931	1,287
Total	7,067	6,402	7,680	9,275	7,284	8,348
<b>HOUSE PROFIT</b>						
	12,766	16,696	11,823	16,633	15,018	14,890
Management Fee	1,100	918	776	1,037	974	893
<b>INCOME BEFORE FIXED CHARGES</b>						
	11,667	15,779	11,048	15,596	14,043	13,997



**FIGURE 7-6 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER OCCUPIED ROOM – 140-ROOM EXTENDED-STAY**

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2012	2011/12	2011/12	2011/12	2011/12	2012
Number of Rooms:	80 to 100	100 to 140	130 to 170	90 to 120	100 to 130	140
Days Open:	365	366	366	366	366	365
Occupancy:	75%	79%	66%	80%	80%	77%
Average Rate:	\$95	\$103	\$106	\$111	\$97	\$104
RevPAR:	\$71	\$82	\$70	\$89	\$78	\$80
<b>REVENUE</b>						
Rooms	\$95.32	\$103.21	\$105.70	\$110.75	\$96.75	\$104.04
Food & Beverage	0.00	0.00	0.79	0.00	0.00	0.00
Other Operated Departments	0.00	0.00	1.21	0.00	0.00	0.20
Rentals & Other Income	0.00	2.18	0.00	0.00	0.00	1.73
Total	95.32	105.39	107.71	110.75	96.75	105.97
<b>DEPARTMENTAL EXPENSES</b>						
Rooms	22.83	25.06	22.22	22.60	20.90	22.89
Food & Beverage	0.00	0.00	0.96	0.00	0.00	0.00
Other Operated Departments	0.00	0.00	3.59	0.00	0.00	0.40
Rentals & Other Income	0.00	0.54	0.00	0.00	0.00	0.00
Total	22.83	25.60	26.76	22.60	20.90	23.28
<b>DEPARTMENTAL INCOME</b>						
	72.50	79.79	80.94	88.15	75.85	82.69
<b>OPERATING EXPENSES</b>						
Administrative & General	7.39	6.29	6.75	11.27	7.56	7.66
Marketing	2.96	2.21	5.51	4.09	2.64	3.35
Franchise Fee	7.07	8.27	8.61	6.65	7.77	9.88
Property Operations & Maintenance	4.02	1.76	4.32	4.00	3.64	4.23
Utilities	4.39	3.60	6.69	5.56	3.17	4.58
Total	25.83	22.11	31.88	31.56	24.77	29.70
<b>HOUSE PROFIT</b>						
	46.67	57.68	49.07	56.59	51.07	52.98
Management Fee	4.02	3.17	3.22	3.53	3.31	3.18
<b>INCOME BEFORE FIXED CHARGES</b>						
	42.64	54.50	45.85	53.07	47.76	49.80

For the proposed select-service hotel, the comparables' departmental income ranged from 71.2% to 80.0% of total revenue. The comparable properties achieved a house profit ranging from 41.5% to 46.8% of total revenue. For the proposed extended-stay hotel, the comparables' departmental income ranged from 75.2% to 79.6% of total revenue. The comparable properties achieved a house profit ranging from 45.6% to 54.7% of total revenue. We will refer to the comparable operating data in our discussion of each line item, which follows later in this section of the report.

### Fixed and Variable Component Analysis

HVS uses a fixed and variable component model to project a lodging facility's revenue and expense levels. This model is based on the premise that hotel revenues and expenses have one component that is fixed and another that varies directly with occupancy and facility usage. A projection can be made by taking a known level of revenue or expense and calculating its fixed and variable components. The fixed component is then increased in tandem with the underlying rate of inflation, while the variable component is adjusted for a specific measure of volume such as total revenue.

The actual forecast is derived by adjusting each year's revenue and expense by the amount fixed (the fixed expense multiplied by the inflated base-year amount) plus the variable amount (the variable expense multiplied by the inflated base-year amount) multiplied by the ratio of the projection year's occupancy to the base-year occupancy (in the case of departmental revenue and expense) or the ratio of the projection year's revenue to the base year's revenue (in the case of undistributed operating expenses). Fixed expenses remain fixed, increasing only with inflation. Our discussion of the revenue and expense forecast in this report is based upon the output derived from the fixed and variable model. This forecast of revenue and expense is accomplished through a systematic approach, following the format of the *Uniform System of Accounts for the Lodging Industry*. Each category of revenue and expense is estimated separately and combined at the end in the final statement of income and expense.

### Inflation Assumption

A general rate of inflation must be established that will be applied to most revenue and expense categories. The following table shows inflation estimates made by economists at some noted institutions and corporations.

**FIGURE 7-7 INFLATION ESTIMATES**

Name	Firm	Projected Increase in Consumer Price Index (Annualized Rate Versus 12 Months Earlier)					
		June	Dec.	June	Dec.	June	Dec.
		2013	2013	2014	2014	2015	2015
Paul Ashworth	Capital Economics	1.5 %	1.8 %	1.8 %	2.0 %	2.0 %	2.0 %
Ram Bhagavatula	Combinatorics Capital	1.6	2.2	2.6	2.8	2.8	3.0
Beth Ann Bovino	Standard and Poor's	1.3	1.2	2.0	1.9	1.9	1.9
Jay Brinkmann	Mortgage Bankers Association	1.8	2.0	2.1	2.0	2.1	2.1
Michael Carey	Credit Agricole CIB	1.5	1.5	1.7	1.6	1.7	1.7
Joseph Carson	AllianceBernstein	1.9	2.2	2.5	2.5	2.5	2.7
Julia Coronado	BNP Paribas	1.8	2.0	1.9	2.1	2.3	2.5
Mike Cosgrove	Econoclast	1.8	1.9	2.1	2.2	2.4	2.4
Lou Crandall	Wrightson ICAP	1.5	1.6	2.2	2.4	2.4	2.5
J. Dewey Daane	Vanderbilt University	1.2	2.0	2.0	2.0	2.0	2.0
Douglas Duncan	Fannie Mae	1.4	1.2	1.6	1.5	1.7	1.9
Maria Fiorini Ramirez/Joshua Shapiro	MFR, Inc.	1.2	1.0	1.6	1.8	—	—
Nigel Gault	IHS Global Insight	1.4	1.4	1.8	1.7	1.7	1.7
Ethan Harris	Bank of America Securities- Merrill Lynch	1.8	2.0	1.8	1.2	—	—
Maury Harris	UBS	1.3	1.2	2.0	2.3	—	—
Jan Hatzius	Goldman, Sachs & Co.	1.3	1.2	1.9	1.7	1.9	2.1
Tracy Herrick	Avidbank	2.8	2.7	2.9	3.0	3.5	4.0
Stuart Hoffman	PNC Financial Services Group	1.4	1.6	2.4	2.5	2.5	2.5
Gene Huang	FedEx Corp.	1.4	1.6	2.1	2.2	2.3	2.3
Joseph LaVorgna	Deutsche Bank Securities, Inc.	2.1	2.4	2.6	2.5	2.5	2.5
Edward Leamer/David Shulman	UCLA Anderson Forecast	1.4	1.4	2.0	2.2	2.3	2.2
John Lonski	Moody's Investors Service	1.6	1.6	2.0	2.1	2.2	1.8
Dean Maki	Barclays Capital	1.7	2.1	2.3	2.3	—	—
Jim Meil/Arun Raha	Eaton Corp.	1.2	1.8	2.0	2.0	2.1	2.2
Robert Mellman	JP Morgan Chase & Co.	1.3	1.5	1.7	1.7	1.8	1.8
Mark Nielson	MacroEcon Global Advisors	1.5	1.9	2.3	2.7	3.2	3.5
Michael P. Niemira	International Council of Shopping Centers	1.9	1.9	2.3	2.5	2.5	2.6
Jim O'Sullivan	High Frequency Economics	1.4	1.8	2.3	2.4	2.5	2.6
Dr. Joel Prakken/ Chris Varvares	Macroeconomic Advisers	1.3	1.2	1.6	1.4	1.5	1.6
Vincent Reinhart	Morgan Stanley	2.0	1.6	1.5	1.7	—	—
John Ryding/Conrad DeQuadros	RDQ Economics	1.5	1.7	2.1	2.3	—	—
Ian Shepherdson	Pantheon Macroeconomic Advisors	1.7	1.6	1.7	1.6	2.0	2.0
John Silvia	Wells Fargo & Co.	1.4	1.8	2.5	2.2	—	—
Allen Sinai	Decision Economics, Inc.	1.4	1.6	1.8	2.0	2.1	2.3
James F. Smith	Parsec Financial Management	1.1	1.0	0.8	1.0	1.1	1.0
Sean M. Snaith	University of Central Florida	1.3	1.0	1.7	1.7	1.6	1.7
Sung Won Sohn	California State University	1.7	1.8	1.5	1.8	1.7	1.7
Neal Soss	CSFB	1.4	1.3	1.4	1.8	—	—
Stephen Stanley	Pierpont Securities	1.7	1.9	2.5	2.9	3.0	3.2
Susan M. Sterne	Economic Analysis Associates Inc.	1.5	2.4	2.6	2.5	2.1	1.9
Diane Swonk	Mesirow Financial	1.5	1.4	1.5	1.7	1.7	1.8
Carl Tannenbaum	The Northern Trust	1.4	1.5	1.8	1.9	2.1	2.0
Bart van Ark	The Conference Board	1.6	1.5	1.5	1.6	1.7	1.8
Brian S. Wesbury/ Robert Stein	First Trust Advisors, L.P.	1.7	2.2	3.2	3.4	3.7	4.0
Lawrence Yun	National Association of Realtors	1.2	1.8	2.8	3.2	3.4	3.4
Ellen Zentner	Nomura Securities International	1.4	1.5	1.9	1.6	—	—
		1.5 %	1.7 %	2.0 %	2.1 %	2.2 %	2.3 %

Source: wsj.com, July 2, 2013

As the preceding table indicates, the financial analysts who were surveyed in June of 2013 anticipated inflation rates ranging from 1.1% to 2.8% (on an annualized basis) for June 2013; the average of these data points was 1.5%. The same group expects a slightly higher annualized 2.0% inflation rate for June 2014. These rates are lower than the inflation rate averages for December 2014 and June 2015, shown at 2.1% and 2.2%, respectively.

As a further check on these inflation projections, we have reviewed historical increases in the Consumer Price Index (CPI-U). Because the value of real estate is predicated on cash flows over a relatively long period, inflation should be considered from a long-term perspective.

**FIGURE 7-8 NATIONAL CONSUMER PRICE INDEX (ALL URBAN CONSUMERS)**

<u>Year</u>	<u>National Consumer Price Index</u>	<u>Percent Change from Previous Year</u>
2002	179.9	—
2003	184.0	2.3 %
2004	188.9	2.7
2005	195.3	3.4
2006	201.6	3.2
2007	207.3	2.8
2008	215.3	3.8
2009	214.5	-0.4
2010	218.1	1.6
2011	224.9	3.1
2012	229.6	2.1
Average Annual Compounded Change		
	2002 - 2012:	2.5 %
	2007 - 2012:	2.1
Source: Bureau of Labor Statistics		

Between 2002 and 2012, the national CPI increased at an average annual compounded rate of 2.5%; from 2007 to 2012, the CPI rose by a slightly lower average annual compounded rate of 2.1%. In 2012, the CPI rose by 2.1%, a decrease from the level of 3.1% recorded in 2011.

In consideration of the most recent trends, the projections set forth previously, and our assessment of probable property appreciation levels, we have applied underlying inflation rates of 2.5%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2012. This stabilized inflation rate takes into account normal, recurring inflation cycles. Inflation is likely to fluctuate above and

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below this level during the projection period. Any exceptions to the application of the assumed underlying inflation rate are discussed in our write-up of individual income and expense items.

Based on an analysis that will be detailed throughout this section, we have formulated a forecast of income and expense for each hotel, followed by a forecast for the overall proposed subject property. The first tables present detailed forecasts through the fifth projection year, including amounts per available room and per occupied room. The second tables illustrate our ten-year forecast of income and expense, presented with a lesser degree of detail. The forecasts pertain to years that begin on January 1, 2016, expressed in inflated dollars for each year.

**FIGURE 7-9 DETAILED FORECAST OF INCOME AND EXPENSE – 110-ROOM SELECT-SERVICE**

	2016 (Calendar Year)				2017				Stabilized				2019				2020			
Number of Rooms:	110				110				110				110				110			
Occupancy:	59%				67%				70%				70%				70%			
Average Rate:	\$121.95				\$128.20				\$133.38				\$137.38				\$141.50			
RevPAR:	\$71.95				\$85.89				\$93.37				\$96.17				\$99.05			
Days Open:	365				365				365				365				365			
Occupied Rooms:	23,689	%Gross	PAR	POR	26,901	%Gross	PAR	POR	28,105	%Gross	PAR	POR	28,105	%Gross	PAR	POR	28,105	%Gross	PAR	POR
<b>REVENUE</b>																				
Rooms	\$2,889	88.0 %	\$26,264	\$121.96	\$3,449	88.7 %	\$31,355	\$128.21	\$3,749	89.0 %	\$34,082	\$133.39	\$3,861	89.0 %	\$35,100	\$137.38	\$3,977	89.0 %	\$36,155	\$141.51
Food	221	6.7	2,010	9.33	250	6.4	2,271	9.29	266	6.3	2,417	9.46	274	6.3	2,490	9.74	282	6.3	2,564	10.04
Beverage	114	3.5	1,038	4.82	126	3.2	1,145	4.68	133	3.2	1,209	4.73	137	3.2	1,245	4.87	141	3.2	1,282	5.02
Other Operated Departments	6	0.2	54	0.25	6	0.2	58	0.24	7	0.2	60	0.24	7	0.2	62	0.24	7	0.2	64	0.25
Rentals & Other Income	54	1.6	488	2.27	57	1.5	521	2.13	60	1.4	544	2.13	62	1.4	560	2.19	63	1.4	577	2.26
<b>Total Revenues</b>	<b>3,284</b>	<b>100.0</b>	<b>29,855</b>	<b>138.63</b>	<b>3,888</b>	<b>100.0</b>	<b>35,350</b>	<b>144.55</b>	<b>4,214</b>	<b>100.0</b>	<b>38,312</b>	<b>149.95</b>	<b>4,340</b>	<b>100.0</b>	<b>39,457</b>	<b>154.43</b>	<b>4,471</b>	<b>100.0</b>	<b>40,642</b>	<b>159.07</b>
<b>DEPARTMENTAL EXPENSES *</b>																				
Rooms	695	24.1	6,322	29.36	751	21.8	6,829	27.92	787	21.0	7,157	28.01	811	21.0	7,371	28.85	835	21.0	7,592	29.72
Food & Beverage	293	87.5	2,666	12.38	313	83.4	2,848	11.65	327	82.0	2,973	11.64	337	82.0	3,062	11.98	347	82.0	3,154	12.34
Other Operated Departments	12	206.9	112	0.52	13	201.8	117	0.48	13	200.0	121	0.47	14	200.0	124	0.49	14	200.0	128	0.50
<b>Total</b>	<b>1,001</b>	<b>30.5</b>	<b>9,100</b>	<b>42.26</b>	<b>1,077</b>	<b>27.7</b>	<b>9,794</b>	<b>40.05</b>	<b>1,128</b>	<b>26.8</b>	<b>10,250</b>	<b>40.12</b>	<b>1,161</b>	<b>26.8</b>	<b>10,558</b>	<b>41.32</b>	<b>1,196</b>	<b>26.8</b>	<b>10,875</b>	<b>42.56</b>
<b>DEPARTMENTAL INCOME</b>	<b>2,283</b>	<b>69.5</b>	<b>20,754</b>	<b>96.38</b>	<b>2,811</b>	<b>72.3</b>	<b>25,556</b>	<b>104.50</b>	<b>3,087</b>	<b>73.2</b>	<b>28,061</b>	<b>109.83</b>	<b>3,179</b>	<b>73.2</b>	<b>28,899</b>	<b>113.11</b>	<b>3,274</b>	<b>73.2</b>	<b>29,767</b>	<b>116.51</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	270	8.2	2,453	11.39	287	7.4	2,608	10.66	299	7.1	2,720	10.64	308	7.1	2,801	10.96	317	7.1	2,885	11.29
Marketing	170	5.2	1,546	7.18	181	4.7	1,644	6.72	189	4.5	1,715	6.71	194	4.5	1,766	6.91	200	4.5	1,819	7.12
Franchise Fee	274	8.4	2,495	11.59	328	8.4	2,979	12.18	356	8.5	3,238	12.67	367	8.5	3,335	13.05	378	8.5	3,435	13.44
Prop. Operations & Maint.	108	3.3	981	4.56	129	3.3	1,174	4.80	150	3.5	1,360	5.32	154	3.5	1,401	5.48	159	3.5	1,443	5.65
Utilities	150	4.6	1,360	6.31	159	4.1	1,446	5.91	166	3.9	1,508	5.90	171	3.9	1,553	6.08	176	3.9	1,599	6.26
<b>Total</b>	<b>972</b>	<b>29.7</b>	<b>8,834</b>	<b>41.02</b>	<b>1,083</b>	<b>27.9</b>	<b>9,850</b>	<b>40.28</b>	<b>1,159</b>	<b>27.5</b>	<b>10,540</b>	<b>41.25</b>	<b>1,194</b>	<b>27.5</b>	<b>10,855</b>	<b>42.49</b>	<b>1,230</b>	<b>27.5</b>	<b>11,181</b>	<b>43.76</b>
<b>HOUSE PROFIT</b>	<b>1,311</b>	<b>39.8</b>	<b>11,920</b>	<b>55.35</b>	<b>1,728</b>	<b>44.4</b>	<b>15,706</b>	<b>64.23</b>	<b>1,927</b>	<b>45.7</b>	<b>17,521</b>	<b>68.58</b>	<b>1,985</b>	<b>45.7</b>	<b>18,043</b>	<b>70.62</b>	<b>2,044</b>	<b>45.7</b>	<b>18,586</b>	<b>72.74</b>
Management Fee	99	3.0	896	4.16	117	3.0	1,060	4.34	126	3.0	1,149	4.50	130	3.0	1,184	4.63	134	3.0	1,219	4.77
<b>INCOME BEFORE FIXED CHARGES</b>	<b>1,213</b>	<b>36.8</b>	<b>11,024</b>	<b>51.19</b>	<b>1,611</b>	<b>41.4</b>	<b>14,646</b>	<b>59.89</b>	<b>1,801</b>	<b>42.7</b>	<b>16,372</b>	<b>64.08</b>	<b>1,855</b>	<b>42.7</b>	<b>16,860</b>	<b>65.99</b>	<b>1,910</b>	<b>42.7</b>	<b>17,367</b>	<b>67.97</b>
<b>FIXED EXPENSES</b>																				
Property Taxes	129	3.9	1,171	5.44	131	3.4	1,189	4.86	133	3.2	1,213	4.75	137	3.2	1,249	4.89	142	3.2	1,287	5.04
Insurance	86	2.6	780	3.62	88	2.3	804	3.29	91	2.2	828	3.24	94	2.2	853	3.34	97	2.2	878	3.44
Reserve for Replacement	66	2.0	597	2.77	117	3.0	1,060	4.34	169	4.0	1,532	6.00	174	4.0	1,578	6.18	179	4.0	1,626	6.36
<b>Total</b>	<b>280</b>	<b>8.5</b>	<b>2,549</b>	<b>11.83</b>	<b>336</b>	<b>8.7</b>	<b>3,053</b>	<b>12.48</b>	<b>393</b>	<b>9.4</b>	<b>3,573</b>	<b>13.98</b>	<b>405</b>	<b>9.4</b>	<b>3,680</b>	<b>14.40</b>	<b>417</b>	<b>9.4</b>	<b>3,790</b>	<b>14.84</b>
<b>NET INCOME</b>	<b>\$932</b>	<b>28.3 %</b>	<b>\$8,476</b>	<b>\$39.36</b>	<b>\$1,275</b>	<b>32.7 %</b>	<b>\$11,593</b>	<b>\$47.40</b>	<b>\$1,408</b>	<b>33.3 %</b>	<b>\$12,799</b>	<b>\$50.09</b>	<b>\$1,450</b>	<b>33.3 %</b>	<b>\$13,180</b>	<b>\$51.58</b>	<b>\$1,493</b>	<b>33.3 %</b>	<b>\$13,576</b>	<b>\$53.14</b>

\*Departmental expenses are expressed as a percentage of departmental revenues.

**FIGURE 7-10 TEN-YEAR FORECAST OF INCOME AND EXPENSE – 110-ROOM SELECT-SERVICE**

	2016		2017		2018		2019		2020		2021		2022		2023		2024		2025	
<b>Number of Rooms:</b>	110		110		110		110		110		110		110		110		110		110	
<b>Occupied Rooms:</b>	23,689		26,901		28,105		28,105		28,105		28,105		28,105		28,105		28,105		28,105	
<b>Occupancy:</b>	59%		67%		70%		70%		70%		70%		70%		70%		70%		70%	
<b>Average Rate:</b>	\$121.95	% of	\$128.20	% of	\$133.38	% of	\$137.38	% of	\$141.50	% of	\$145.75	% of	\$150.12	% of	\$154.63	% of	\$159.26	% of	\$164.04	% of
<b>RevPAR:</b>	\$71.95	Gross	\$85.89	Gross	\$93.37	Gross	\$96.17	Gross	\$99.05	Gross	\$102.02	Gross	\$105.09	Gross	\$108.24	Gross	\$111.48	Gross	\$114.83	Gross
<b>REVENUE</b>																				
Rooms	\$2,889	88.0 %	\$3,449	88.7 %	\$3,749	89.0 %	\$3,861	89.0 %	\$3,977	89.0 %	\$4,096	89.0 %	\$4,219	89.0 %	\$4,346	89.0 %	\$4,476	89.0 %	\$4,610	89.0 %
Food	221	6.7	250	6.4	266	6.3	274	6.3	282	6.3	291	6.3	299	6.3	308	6.3	317	6.3	327	6.3
Beverage	114	3.5	126	3.2	133	3.2	137	3.2	141	3.2	145	3.2	150	3.2	154	3.2	159	3.2	163	3.2
Other Operated Departments	6	0.2	6	0.2	7	0.2	7	0.2	7	0.2	7	0.2	7	0.2	8	0.2	8	0.2	8	0.2
Rentals & Other Income	54	1.6	57	1.5	60	1.4	62	1.4	63	1.4	65	1.4	67	1.4	69	1.4	71	1.4	74	1.4
<b>Total</b>	<b>3,284</b>	<b>100.0</b>	<b>3,888</b>	<b>100.0</b>	<b>4,214</b>	<b>100.0</b>	<b>4,340</b>	<b>100.0</b>	<b>4,471</b>	<b>100.0</b>	<b>4,604</b>	<b>100.0</b>	<b>4,743</b>	<b>100.0</b>	<b>4,885</b>	<b>100.0</b>	<b>5,032</b>	<b>100.0</b>	<b>5,182</b>	<b>100.0</b>
<b>DEPARTMENTAL EXPENSES*</b>																				
Rooms	695	24.1	751	21.8	787	21.0	811	21.0	835	21.0	860	21.0	886	21.0	913	21.0	940	21.0	968	21.0
Food & Beverage	293	87.5	313	83.4	327	82.0	337	82.0	347	82.0	357	82.0	368	82.0	379	82.0	390	82.0	402	82.0
Other Operated Departments	12	206.9	13	201.8	13	200.0	14	200.0	14	200.0	15	200.0	15	200.0	15	200.0	16	200.0	16	200.0
<b>Total</b>	<b>1,001</b>	<b>30.5</b>	<b>1,077</b>	<b>27.7</b>	<b>1,128</b>	<b>26.8</b>	<b>1,161</b>	<b>26.8</b>	<b>1,196</b>	<b>26.8</b>	<b>1,232</b>	<b>26.8</b>	<b>1,269</b>	<b>26.8</b>	<b>1,307</b>	<b>26.8</b>	<b>1,346</b>	<b>26.8</b>	<b>1,387</b>	<b>26.8</b>
<b>DEPARTMENTAL INCOME</b>	<b>2,283</b>	<b>69.5</b>	<b>2,811</b>	<b>72.3</b>	<b>3,087</b>	<b>73.2</b>	<b>3,179</b>	<b>73.2</b>	<b>3,274</b>	<b>73.2</b>	<b>3,372</b>	<b>73.2</b>	<b>3,474</b>	<b>73.2</b>	<b>3,578</b>	<b>73.2</b>	<b>3,685</b>	<b>73.2</b>	<b>3,796</b>	<b>73.2</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	270	8.2	287	7.4	299	7.1	308	7.1	317	7.1	327	7.1	337	7.1	347	7.1	357	7.1	368	7.1
Marketing	170	5.2	181	4.7	189	4.5	194	4.5	200	4.5	206	4.5	212	4.5	219	4.5	225	4.5	232	4.5
Franchise Fee	274	8.4	328	8.4	356	8.5	367	8.5	378	8.5	389	8.5	401	8.5	413	8.5	425	8.5	438	8.5
Prop. Operations & Maint.	108	3.3	129	3.3	150	3.5	154	3.5	159	3.5	163	3.5	168	3.5	173	3.5	179	3.5	184	3.5
Utilities	150	4.6	159	4.1	166	3.9	171	3.9	176	3.9	181	3.9	187	3.9	192	3.9	198	3.9	204	3.9
<b>Total</b>	<b>972</b>	<b>29.7</b>	<b>1,083</b>	<b>27.9</b>	<b>1,159</b>	<b>27.5</b>	<b>1,194</b>	<b>27.5</b>	<b>1,230</b>	<b>27.5</b>	<b>1,267</b>	<b>27.5</b>	<b>1,305</b>	<b>27.5</b>	<b>1,344</b>	<b>27.5</b>	<b>1,384</b>	<b>27.5</b>	<b>1,426</b>	<b>27.5</b>
<b>HOUSE PROFIT</b>	<b>1,311</b>	<b>39.8</b>	<b>1,728</b>	<b>44.4</b>	<b>1,927</b>	<b>45.7</b>	<b>1,985</b>	<b>45.7</b>	<b>2,044</b>	<b>45.7</b>	<b>2,106</b>	<b>45.7</b>	<b>2,169</b>	<b>45.7</b>	<b>2,234</b>	<b>45.7</b>	<b>2,301</b>	<b>45.7</b>	<b>2,370</b>	<b>45.7</b>
Management Fee	99	3.0	117	3.0	126	3.0	130	3.0	134	3.0	138	3.0	142	3.0	147	3.0	151	3.0	155	3.0
<b>INCOME BEFORE FIXED CHARGES</b>	<b>1,213</b>	<b>36.8</b>	<b>1,611</b>	<b>41.4</b>	<b>1,801</b>	<b>42.7</b>	<b>1,855</b>	<b>42.7</b>	<b>1,910</b>	<b>42.7</b>	<b>1,967</b>	<b>42.7</b>	<b>2,027</b>	<b>42.7</b>	<b>2,088</b>	<b>42.7</b>	<b>2,150</b>	<b>42.7</b>	<b>2,214</b>	<b>42.7</b>
<b>FIXED EXPENSES</b>																				
Property Taxes	129	3.9	131	3.4	133	3.2	137	3.2	142	3.2	146	3.2	150	3.2	155	3.2	159	3.2	164	3.2
Insurance	86	2.6	88	2.3	91	2.2	94	2.2	97	2.2	99	2.2	102	2.2	106	2.2	109	2.2	112	2.2
Reserve for Replacement	66	2.0	117	3.0	169	4.0	174	4.0	179	4.0	184	4.0	190	4.0	195	4.0	201	4.0	207	4.0
<b>Total</b>	<b>280</b>	<b>8.5</b>	<b>336</b>	<b>8.7</b>	<b>393</b>	<b>9.4</b>	<b>405</b>	<b>9.4</b>	<b>417</b>	<b>9.4</b>	<b>429</b>	<b>9.4</b>	<b>442</b>	<b>9.4</b>	<b>456</b>	<b>9.4</b>	<b>469</b>	<b>9.4</b>	<b>483</b>	<b>9.4</b>
<b>NET INCOME</b>	<b>\$932</b>	<b>28.3 %</b>	<b>\$1,275</b>	<b>32.7 %</b>	<b>\$1,408</b>	<b>33.3 %</b>	<b>\$1,450</b>	<b>33.3 %</b>	<b>\$1,493</b>	<b>33.3 %</b>	<b>\$1,538</b>	<b>33.3 %</b>	<b>\$1,584</b>	<b>33.3 %</b>	<b>\$1,632</b>	<b>33.3 %</b>	<b>\$1,681</b>	<b>33.3 %</b>	<b>\$1,731</b>	<b>33.3 %</b>

\*Departmental expenses are expressed as a percentage of departmental revenues.



**FIGURE 7-11 DETAILED FORECAST OF INCOME AND EXPENSE – 140-ROOM EXTENDED-STAY**

	2016 (Calendar Year)				2017				Stabilized				2019				2020			
Number of Rooms:	140				140				140				140				140			
Occupancy:	70%				75%				77%				77%				77%			
Average Rate:	\$117.10				\$120.61				\$124.23				\$127.95				\$131.79			
RevPAR:	\$81.97				\$90.46				\$95.66				\$98.52				\$101.48			
Days Open:	365				365				365				365				365			
Occupied Rooms:	35,770	%Gross	PAR	POR	38,325	%Gross	PAR	POR	39,347	%Gross	PAR	POR	39,347	%Gross	PAR	POR	39,347	%Gross	PAR	POR
<b>REVENUE</b>																				
Rooms	\$4,189	98.1 %	\$29,921	\$117.11	\$4,622	98.1 %	\$33,014	\$120.60	\$4,888	98.2 %	\$34,914	\$124.23	\$5,035	98.2 %	\$35,964	\$127.96	\$5,186	98.2 %	\$37,043	\$131.80
Other Operated Departments	9	0.2	61	0.24	9	0.2	64	0.23	9	0.2	66	0.24	10	0.2	68	0.24	10	0.2	71	0.25
Rentals & Other Income	75	1.7	533	2.09	78	1.7	560	2.05	81	1.6	582	2.07	84	1.6	599	2.13	86	1.6	617	2.20
<b>Total Revenues</b>	<b>4,272</b>	<b>100.0</b>	<b>30,516</b>	<b>119.43</b>	<b>4,709</b>	<b>100.0</b>	<b>33,639</b>	<b>122.88</b>	<b>4,979</b>	<b>100.0</b>	<b>35,562</b>	<b>126.53</b>	<b>5,128</b>	<b>100.0</b>	<b>36,632</b>	<b>130.34</b>	<b>5,282</b>	<b>100.0</b>	<b>37,730</b>	<b>134.25</b>
<b>DEPARTMENTAL EXPENSES *</b>																				
Rooms	977	23.3	6,977	27.31	1,033	22.4	7,380	26.96	1,075	22.0	7,681	27.33	1,108	22.0	7,912	28.15	1,141	22.0	8,149	28.99
Other Operated Departments	17	203.9	124	0.49	18	201.1	129	0.47	19	200.0	133	0.47	19	200.0	137	0.49	20	200.0	141	0.50
<b>Total</b>	<b>994</b>	<b>23.3</b>	<b>7,101</b>	<b>27.79</b>	<b>1,051</b>	<b>22.3</b>	<b>7,509</b>	<b>27.43</b>	<b>1,094</b>	<b>22.0</b>	<b>7,814</b>	<b>27.80</b>	<b>1,127</b>	<b>22.0</b>	<b>8,048</b>	<b>28.64</b>	<b>1,161</b>	<b>22.0</b>	<b>8,290</b>	<b>29.50</b>
<b>DEPARTMENTAL INCOME</b>	<b>3,278</b>	<b>76.7</b>	<b>23,414</b>	<b>91.64</b>	<b>3,658</b>	<b>77.7</b>	<b>26,130</b>	<b>95.45</b>	<b>3,885</b>	<b>78.0</b>	<b>27,748</b>	<b>98.73</b>	<b>4,002</b>	<b>78.0</b>	<b>28,583</b>	<b>101.70</b>	<b>4,122</b>	<b>78.0</b>	<b>29,440</b>	<b>104.75</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	332	7.8	2,370	9.28	347	7.4	2,481	9.06	360	7.2	2,572	9.15	371	7.2	2,649	9.43	382	7.2	2,729	9.71
Marketing	145	3.4	1,035	4.05	152	3.2	1,084	3.96	157	3.2	1,123	4.00	162	3.2	1,157	4.12	167	3.2	1,192	4.24
Franchise Fee	398	9.3	2,843	11.13	439	9.3	3,136	11.46	464	9.3	3,317	11.80	478	9.3	3,417	12.16	493	9.3	3,519	12.52
Prop. Operations & Maint.	146	3.4	1,046	4.09	172	3.7	1,232	4.50	199	4.0	1,419	5.05	205	4.0	1,462	5.20	211	4.0	1,505	5.36
Utilities	198	4.6	1,417	5.54	208	4.4	1,483	5.42	215	4.3	1,537	5.47	222	4.3	1,583	5.63	228	4.3	1,631	5.80
<b>Total</b>	<b>1,219</b>	<b>28.5</b>	<b>8,710</b>	<b>34.09</b>	<b>1,318</b>	<b>28.0</b>	<b>9,416</b>	<b>34.40</b>	<b>1,396</b>	<b>28.0</b>	<b>9,968</b>	<b>35.47</b>	<b>1,437</b>	<b>28.0</b>	<b>10,268</b>	<b>36.53</b>	<b>1,481</b>	<b>28.0</b>	<b>10,576</b>	<b>37.63</b>
<b>HOUSE PROFIT</b>	<b>2,059</b>	<b>48.2</b>	<b>14,704</b>	<b>57.55</b>	<b>2,340</b>	<b>49.7</b>	<b>16,714</b>	<b>61.06</b>	<b>2,489</b>	<b>50.0</b>	<b>17,780</b>	<b>63.26</b>	<b>2,564</b>	<b>50.0</b>	<b>18,316</b>	<b>65.17</b>	<b>2,641</b>	<b>50.0</b>	<b>18,865</b>	<b>67.12</b>
Management Fee	128	3.0	915	3.58	141	3.0	1,009	3.69	149	3.0	1,067	3.80	154	3.0	1,099	3.91	158	3.0	1,132	4.03
<b>INCOME BEFORE FIXED CHARGES</b>	<b>1,930</b>	<b>45.2</b>	<b>13,789</b>	<b>53.97</b>	<b>2,199</b>	<b>46.7</b>	<b>15,705</b>	<b>57.37</b>	<b>2,340</b>	<b>47.0</b>	<b>16,713</b>	<b>59.47</b>	<b>2,410</b>	<b>47.0</b>	<b>17,217</b>	<b>61.26</b>	<b>2,483</b>	<b>47.0</b>	<b>17,733</b>	<b>63.09</b>
<b>FIXED EXPENSES</b>																				
Property Taxes	153	3.6	1,091	4.27	155	3.3	1,107	4.04	158	3.2	1,129	4.02	163	3.2	1,163	4.14	168	3.2	1,198	4.26
Insurance	109	2.6	780	3.05	113	2.4	804	2.94	116	2.3	828	2.95	119	2.3	853	3.03	123	2.3	878	3.12
Reserve for Replacement	85	2.0	610	2.39	141	3.0	1,009	3.69	199	4.0	1,422	5.06	205	4.0	1,465	5.21	211	4.0	1,509	5.37
<b>Total</b>	<b>347</b>	<b>8.2</b>	<b>2,481</b>	<b>9.71</b>	<b>409</b>	<b>8.7</b>	<b>2,920</b>	<b>10.67</b>	<b>473</b>	<b>9.5</b>	<b>3,380</b>	<b>12.02</b>	<b>487</b>	<b>9.5</b>	<b>3,481</b>	<b>12.39</b>	<b>502</b>	<b>9.5</b>	<b>3,586</b>	<b>12.76</b>
<b>NET INCOME</b>	<b>\$1,583</b>	<b>37.0 %</b>	<b>\$11,307</b>	<b>\$44.26</b>	<b>\$1,790</b>	<b>38.0 %</b>	<b>\$12,785</b>	<b>\$46.70</b>	<b>\$1,867</b>	<b>37.5 %</b>	<b>\$13,333</b>	<b>\$47.44</b>	<b>\$1,923</b>	<b>37.5 %</b>	<b>\$13,735</b>	<b>\$48.87</b>	<b>\$1,981</b>	<b>37.5 %</b>	<b>\$14,147</b>	<b>\$50.34</b>

\*Departmental expenses are expressed as a percentage of departmental revenues.

**FIGURE 7-12 TEN-YEAR FORECAST OF INCOME AND EXPENSE – 140-ROOM EXTENDED-STAY**

	2016		2017		2018		2019		2020		2021		2022		2023		2024		2025	
<b>Number of Rooms:</b>	140		140		140		140		140		140		140		140		140		140	
<b>Occupied Rooms:</b>	35,770		38,325		39,347		39,347		39,347		39,347		39,347		39,347		39,347		39,347	
<b>Occupancy:</b>	70%		75%		77%		77%		77%		77%		77%		77%		77%		77%	
<b>Average Rate:</b>	\$117.10	% of	\$120.61	% of	\$124.23	% of	\$127.95	% of	\$131.79	% of	\$135.75	% of	\$139.82	% of	\$144.01	% of	\$148.33	% of	\$152.78	% of
<b>RevPAR:</b>	\$81.97	Gross	\$90.46	Gross	\$95.66	Gross	\$98.52	Gross	\$101.48	Gross	\$104.52	Gross	\$107.66	Gross	\$110.89	Gross	\$114.22	Gross	\$117.64	Gross
<b>REVENUE</b>																				
Rooms	\$4,189	98.1 %	\$4,622	98.1 %	\$4,888	98.2 %	\$5,035	98.2 %	\$5,186	98.2 %	\$5,341	98.2 %	\$5,501	98.2 %	\$5,667	98.2 %	\$5,836	98.2 %	\$6,012	98.2 %
Other Operated Departments	9	0.2	9	0.2	9	0.2	10	0.2	10	0.2	10	0.2	10	0.2	11	0.2	11	0.2	11	0.2
Rentals & Other Income	75	1.7	78	1.7	81	1.6	84	1.6	86	1.6	89	1.6	92	1.6	94	1.6	97	1.6	100	1.6
<b>Total</b>	<b>4,272</b>	<b>100.0</b>	<b>4,709</b>	<b>100.0</b>	<b>4,979</b>	<b>100.0</b>	<b>5,128</b>	<b>100.0</b>	<b>5,282</b>	<b>100.0</b>	<b>5,440</b>	<b>100.0</b>	<b>5,603</b>	<b>100.0</b>	<b>5,772</b>	<b>100.0</b>	<b>5,944</b>	<b>100.0</b>	<b>6,124</b>	<b>100.0</b>
<b>DEPARTMENTAL EXPENSES*</b>																				
Rooms	977	23.3	1,033	22.4	1,075	22.0	1,108	22.0	1,141	22.0	1,175	22.0	1,210	22.0	1,247	22.0	1,284	22.0	1,323	22.0
Other Operated Departments	17	203.9	18	201.1	19	200.0	19	200.0	20	200.0	20	200.0	21	200.0	22	200.0	22	200.0	23	200.0
<b>Total</b>	<b>994</b>	<b>23.3</b>	<b>1,051</b>	<b>22.3</b>	<b>1,094</b>	<b>22.0</b>	<b>1,127</b>	<b>22.0</b>	<b>1,161</b>	<b>22.0</b>	<b>1,195</b>	<b>22.0</b>	<b>1,231</b>	<b>22.0</b>	<b>1,268</b>	<b>22.0</b>	<b>1,306</b>	<b>22.0</b>	<b>1,345</b>	<b>22.0</b>
<b>DEPARTMENTAL INCOME</b>																				
<b>Total</b>	<b>3,278</b>	<b>76.7</b>	<b>3,658</b>	<b>77.7</b>	<b>3,885</b>	<b>78.0</b>	<b>4,002</b>	<b>78.0</b>	<b>4,122</b>	<b>78.0</b>	<b>4,245</b>	<b>78.0</b>	<b>4,372</b>	<b>78.0</b>	<b>4,504</b>	<b>78.0</b>	<b>4,638</b>	<b>78.0</b>	<b>4,778</b>	<b>78.0</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	332	7.8	347	7.4	360	7.2	371	7.2	382	7.2	393	7.2	405	7.2	417	7.2	430	7.2	443	7.2
Marketing	145	3.4	152	3.2	157	3.2	162	3.2	167	3.2	172	3.2	177	3.2	182	3.2	188	3.2	193	3.2
Franchise Fee	398	9.3	439	9.3	464	9.3	478	9.3	493	9.3	507	9.3	523	9.3	538	9.3	554	9.3	571	9.3
Prop. Operations & Maint.	146	3.4	172	3.7	199	4.0	205	4.0	211	4.0	217	4.0	224	4.0	230	4.0	237	4.0	244	4.0
Utilities	198	4.6	208	4.4	215	4.3	222	4.3	228	4.3	235	4.3	242	4.3	249	4.3	257	4.3	265	4.3
<b>Total</b>	<b>1,219</b>	<b>28.5</b>	<b>1,318</b>	<b>28.0</b>	<b>1,396</b>	<b>28.0</b>	<b>1,437</b>	<b>28.0</b>	<b>1,481</b>	<b>28.0</b>	<b>1,525</b>	<b>28.0</b>	<b>1,571</b>	<b>28.0</b>	<b>1,618</b>	<b>28.0</b>	<b>1,666</b>	<b>28.0</b>	<b>1,716</b>	<b>28.0</b>
<b>HOUSE PROFIT</b>																				
<b>Total</b>	<b>2,059</b>	<b>48.2</b>	<b>2,340</b>	<b>49.7</b>	<b>2,489</b>	<b>50.0</b>	<b>2,564</b>	<b>50.0</b>	<b>2,641</b>	<b>50.0</b>	<b>2,720</b>	<b>50.0</b>	<b>2,801</b>	<b>50.0</b>	<b>2,886</b>	<b>50.0</b>	<b>2,972</b>	<b>50.0</b>	<b>3,062</b>	<b>50.0</b>
Management Fee	128	3.0	141	3.0	149	3.0	154	3.0	158	3.0	163	3.0	168	3.0	173	3.0	178	3.0	184	3.0
<b>INCOME BEFORE FIXED CHARGES</b>																				
<b>Total</b>	<b>1,930</b>	<b>45.2</b>	<b>2,199</b>	<b>46.7</b>	<b>2,340</b>	<b>47.0</b>	<b>2,410</b>	<b>47.0</b>	<b>2,483</b>	<b>47.0</b>	<b>2,557</b>	<b>47.0</b>	<b>2,633</b>	<b>47.0</b>	<b>2,713</b>	<b>47.0</b>	<b>2,793</b>	<b>47.0</b>	<b>2,878</b>	<b>47.0</b>
<b>FIXED EXPENSES</b>																				
Property Taxes	153	3.6	155	3.3	158	3.2	163	3.2	168	3.2	173	3.2	178	3.2	183	3.2	189	3.2	194	3.2
Insurance	109	2.6	113	2.4	116	2.3	119	2.3	123	2.3	127	2.3	130	2.3	134	2.3	138	2.3	143	2.3
Reserve for Replacement	85	2.0	141	3.0	199	4.0	205	4.0	211	4.0	218	4.0	224	4.0	231	4.0	238	4.0	245	4.0
<b>Total</b>	<b>347</b>	<b>8.2</b>	<b>409</b>	<b>8.7</b>	<b>473</b>	<b>9.5</b>	<b>487</b>	<b>9.5</b>	<b>502</b>	<b>9.5</b>	<b>517</b>	<b>9.5</b>	<b>533</b>	<b>9.5</b>	<b>549</b>	<b>9.5</b>	<b>565</b>	<b>9.5</b>	<b>582</b>	<b>9.5</b>
<b>NET INCOME</b>																				
<b>Total</b>	<b>\$1,583</b>	<b>37.0 %</b>	<b>\$1,790</b>	<b>38.0 %</b>	<b>\$1,867</b>	<b>37.5 %</b>	<b>\$1,923</b>	<b>37.5 %</b>	<b>\$1,981</b>	<b>37.5 %</b>	<b>\$2,040</b>	<b>37.5 %</b>	<b>\$2,101</b>	<b>37.5 %</b>	<b>\$2,164</b>	<b>37.5 %</b>	<b>\$2,229</b>	<b>37.5 %</b>	<b>\$2,296</b>	<b>37.5 %</b>

\*Departmental expenses are expressed as a percentage of departmental revenues.

**FIGURE 7-13 DETAILED FORECAST OF INCOME AND EXPENSE – PROPOSED SUBJECT PROPERTY TOTAL**

	2016 (Calendar Year)				2017				Stabilized				2019				2020			
Number of Rooms:	250				250				250				250				250			
Occupancy:	65%				71%				74%				74%				74%			
Average Rate:	\$119.04				\$123.74				\$128.05				\$131.89				\$135.84			
RevPAR:	\$77.38				\$87.86				\$94.75				\$97.60				\$100.53			
Days Open:	365				365				365				365				365			
Occupied Rooms:	59,459	%Gross	PAR	POR	65,226	%Gross	PAR	POR	67,452	%Gross	PAR	POR	67,452	%Gross	PAR	POR	67,452	%Gross	PAR	POR
<b>REVENUE</b>																				
Rooms	\$7,078	93.7 %	\$28,312	\$119.04	\$8,071	93.9 %	\$32,284	\$123.74	\$8,637	94.0 %	\$34,548	\$128.05	\$8,896	94.0 %	\$35,584	\$131.89	\$9,163	94.0 %	\$36,652	\$135.84
Food	221	2.9	884	3.72	250	2.9	999	3.83	266	2.9	1,063	3.94	274	2.9	1,095	4.06	282	2.9	1,128	4.18
Beverage	114	1.5	457	1.92	126	1.5	504	1.93	133	1.4	532	1.97	137	1.4	548	2.03	141	1.4	564	2.09
Other Operated Departments	15	0.2	58	0.24	15	0.2	61	0.24	16	0.2	64	0.24	16	0.2	66	0.24	17	0.2	68	0.25
Rentals & Other Income	128	1.7	514	2.16	136	1.6	543	2.08	141	1.5	565	2.09	145	1.5	582	2.16	150	1.5	599	2.22
<b>Total Revenues</b>	<b>7,556</b>	<b>100.0</b>	<b>30,225</b>	<b>127.08</b>	<b>8,598</b>	<b>100.0</b>	<b>34,392</b>	<b>131.82</b>	<b>9,193</b>	<b>100.0</b>	<b>36,772</b>	<b>136.29</b>	<b>9,469</b>	<b>100.0</b>	<b>37,875</b>	<b>140.38</b>	<b>9,753</b>	<b>100.0</b>	<b>39,011</b>	<b>144.59</b>
<b>DEPARTMENTAL EXPENSES *</b>																				
Rooms	1,672	23.6	6,689	28.12	1,784	22.1	7,138	27.36	1,863	21.6	7,450	27.61	1,918	21.6	7,674	28.44	1,976	21.6	7,904	29.30
Food & Beverage	293	87.5	1,173	4.93	313	83.4	1,253	4.80	327	82.0	1,308	4.85	337	82.0	1,347	4.99	347	82.0	1,388	5.14
Other Operated Departments	30	205.2	119	0.50	31	201.4	124	0.47	32	200.0	128	0.47	33	200.0	131	0.49	34	200.0	135	0.50
<b>Total</b>	<b>1,995</b>	<b>26.4</b>	<b>7,981</b>	<b>33.56</b>	<b>2,129</b>	<b>24.8</b>	<b>8,514</b>	<b>32.63</b>	<b>2,222</b>	<b>24.2</b>	<b>8,886</b>	<b>32.93</b>	<b>2,288</b>	<b>24.2</b>	<b>9,153</b>	<b>33.92</b>	<b>2,357</b>	<b>24.2</b>	<b>9,427</b>	<b>34.94</b>
<b>DEPARTMENTAL INCOME</b>	<b>5,561</b>	<b>73.6</b>	<b>22,244</b>	<b>93.53</b>	<b>6,469</b>	<b>75.2</b>	<b>25,877</b>	<b>99.18</b>	<b>6,972</b>	<b>75.8</b>	<b>27,886</b>	<b>103.35</b>	<b>7,181</b>	<b>75.8</b>	<b>28,722</b>	<b>106.45</b>	<b>7,396</b>	<b>75.8</b>	<b>29,584</b>	<b>109.65</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	602	8.0	2,406	10.12	634	7.4	2,537	9.72	659	7.2	2,637	9.77	679	7.2	2,716	10.07	699	7.2	2,798	10.37
Marketing	315	4.2	1,260	5.30	333	3.9	1,330	5.10	346	3.8	1,384	5.13	356	3.8	1,425	5.28	367	3.8	1,468	5.44
Franchise Fee	672	8.9	2,690	11.31	767	8.9	3,067	11.76	821	8.9	3,282	12.16	845	8.9	3,380	12.53	870	8.9	3,482	12.91
Prop. Operations & Maint.	254	3.4	1,017	4.28	302	3.5	1,206	4.62	348	3.8	1,393	5.16	359	3.8	1,435	5.32	369	3.8	1,478	5.48
Utilities	348	4.6	1,391	5.85	367	4.3	1,466	5.62	381	4.1	1,524	5.65	392	4.1	1,570	5.82	404	4.1	1,617	5.99
<b>Total</b>	<b>2,191</b>	<b>29.1</b>	<b>8,765</b>	<b>36.85</b>	<b>2,402</b>	<b>28.0</b>	<b>9,607</b>	<b>36.82</b>	<b>2,555</b>	<b>27.8</b>	<b>10,220</b>	<b>37.88</b>	<b>2,632</b>	<b>27.8</b>	<b>10,526</b>	<b>39.01</b>	<b>2,711</b>	<b>27.8</b>	<b>10,842</b>	<b>40.18</b>
<b>HOUSE PROFIT</b>	<b>3,370</b>	<b>44.5</b>	<b>13,479</b>	<b>56.67</b>	<b>4,068</b>	<b>47.2</b>	<b>16,271</b>	<b>62.36</b>	<b>4,417</b>	<b>48.0</b>	<b>17,666</b>	<b>65.48</b>	<b>4,549</b>	<b>48.0</b>	<b>18,196</b>	<b>67.44</b>	<b>4,686</b>	<b>48.0</b>	<b>18,742</b>	<b>69.46</b>
Management Fee	227	3.0	907	3.81	258	3.0	1,032	3.95	276	3.0	1,103	4.09	284	3.0	1,136	4.21	293	3.0	1,170	4.34
<b>INCOME BEFORE FIXED CHARGES</b>	<b>3,143</b>	<b>41.5</b>	<b>12,572</b>	<b>52.86</b>	<b>3,810</b>	<b>44.2</b>	<b>15,239</b>	<b>58.41</b>	<b>4,141</b>	<b>45.0</b>	<b>16,563</b>	<b>61.39</b>	<b>4,265</b>	<b>45.0</b>	<b>17,060</b>	<b>63.23</b>	<b>4,393</b>	<b>45.0</b>	<b>17,572</b>	<b>65.13</b>
<b>FIXED EXPENSES</b>																				
Property Taxes	282	3.7	1,126	4.74	286	3.3	1,143	4.38	292	3.2	1,166	4.32	300	3.2	1,201	4.45	309	3.2	1,237	4.58
Insurance	195	2.6	780	3.28	201	2.3	804	3.08	207	2.3	828	3.07	213	2.3	853	3.16	220	2.3	878	3.25
Reserve for Replacement	151	2.0	604	2.54	258	3.0	1,032	3.95	368	4.0	1,471	5.45	379	4.0	1,515	5.62	390	4.0	1,560	5.78
<b>Total</b>	<b>628</b>	<b>8.3</b>	<b>2,511</b>	<b>10.56</b>	<b>745</b>	<b>8.6</b>	<b>2,979</b>	<b>11.42</b>	<b>866</b>	<b>9.5</b>	<b>3,465</b>	<b>12.84</b>	<b>892</b>	<b>9.5</b>	<b>3,569</b>	<b>13.23</b>	<b>919</b>	<b>9.5</b>	<b>3,676</b>	<b>13.62</b>
<b>NET INCOME</b>	<b>\$2,515</b>	<b>33.2 %</b>	<b>\$10,061</b>	<b>\$42.30</b>	<b>\$3,065</b>	<b>35.6 %</b>	<b>\$12,260</b>	<b>\$46.99</b>	<b>\$3,275</b>	<b>35.5 %</b>	<b>\$13,098</b>	<b>\$48.55</b>	<b>\$3,373</b>	<b>35.5 %</b>	<b>\$13,491</b>	<b>\$50.00</b>	<b>\$3,474</b>	<b>35.5 %</b>	<b>\$13,896</b>	<b>\$51.50</b>

\*Departmental expenses are expressed as a percentage of departmental revenues.

**FIGURE 7-14 TEN-YEAR FORECAST OF INCOME AND EXPENSE – PROPOSED SUBJECT PROPERTY TOTAL**

	2016		2017		2018		2019		2020		2021		2022		2023		2024		2025	
<b>Number of Rooms:</b>	250		250		250		250		250		250		250		250		250		250	
<b>Occupied Rooms:</b>	59,459		65,226		67,452		67,452		67,452		67,452		67,452		67,452		67,452		67,452	
<b>Occupancy:</b>	65%		71%		74%		74%		74%		74%		74%		74%		74%		74%	
<b>Average Rate:</b>	\$119.04	% of	\$123.74	% of	\$128.05	% of	\$131.89	% of	\$135.84	% of	\$139.91	% of	\$144.10	% of	\$148.45	% of	\$152.88	% of	\$157.47	% of
<b>RevPAR:</b>	\$77.38	Gross	\$87.86	Gross	\$94.75	Gross	\$97.60	Gross	\$100.53	Gross	\$103.53	Gross	\$106.64	Gross	\$109.85	Gross	\$113.13	Gross	\$116.53	Gross
<b>REVENUE</b>																				
Rooms	\$7,078	93.7 %	\$8,071	93.9 %	\$8,637	94.0 %	\$8,896	94.0 %	\$9,163	94.0 %	\$9,437	94.0 %	\$9,720	94.0 %	\$10,013	94.0 %	\$10,312	94.0 %	\$10,622	94.0 %
Food	221	2.9	250	2.9	266	2.9	274	2.9	282	2.9	291	2.9	299	2.9	308	2.9	317	2.9	327	2.9
Beverage	114	1.5	126	1.5	133	1.4	137	1.4	141	1.4	145	1.4	150	1.4	154	1.4	159	1.4	163	1.4
Other Operated Departments	15	0.2	15	0.2	16	0.2	16	0.2	17	0.2	17	0.2	18	0.2	18	0.2	19	0.2	20	0.2
Rentals & Other Income	128	1.7	136	1.6	141	1.5	145	1.5	150	1.5	154	1.5	159	1.5	164	1.5	169	1.5	174	1.5
Total	7,556	100.0	8,598	100.0	9,193	100.0	9,469	100.0	9,753	100.0	10,045	100.0	10,346	100.0	10,658	100.0	10,976	100.0	11,306	100.0
<b>DEPARTMENTAL EXPENSES*</b>																				
Rooms	1,672	23.6	1,784	22.1	1,863	21.6	1,918	21.6	1,976	21.6	2,035	21.6	2,096	21.6	2,159	21.6	2,224	21.6	2,291	21.6
Food & Beverage	293	87.5	313	83.4	327	82.0	337	82.0	347	82.0	357	82.0	368	82.0	379	82.0	390	82.0	402	82.0
Other Operated Departments	30	205.2	31	201.4	32	200.0	33	200.0	34	200.0	35	200.0	36	200.0	37	200.0	38	200.0	39	200.0
Total	1,995	26.4	2,129	24.8	2,222	24.2	2,288	24.2	2,357	24.2	2,427	24.2	2,500	24.2	2,575	24.2	2,653	24.2	2,732	24.2
<b>DEPARTMENTAL INCOME</b>	5,561	73.6	6,469	75.2	6,972	75.8	7,181	75.8	7,396	75.8	7,617	75.8	7,845	75.8	8,082	75.8	8,323	75.8	8,574	75.8
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	602	8.0	634	7.4	659	7.2	679	7.2	699	7.2	720	7.2	742	7.2	764	7.2	787	7.2	811	7.2
Marketing	315	4.2	333	3.9	346	3.8	356	3.8	367	3.8	378	3.8	389	3.8	401	3.8	413	3.8	425	3.8
Franchise Fee	672	8.9	767	8.9	821	8.9	845	8.9	870	8.9	897	8.9	923	8.9	951	8.9	980	8.9	1,009	8.9
Prop. Operations & Maint.	254	3.4	302	3.5	348	3.8	359	3.8	369	3.8	381	3.8	392	3.8	404	3.8	416	3.8	428	3.8
Utilities	348	4.6	367	4.3	381	4.1	392	4.1	404	4.1	416	4.1	429	4.1	442	4.1	455	4.1	469	4.1
Total	2,191	29.1	2,402	28.0	2,555	27.8	2,632	27.8	2,711	27.8	2,792	27.8	2,875	27.8	2,962	27.8	3,051	27.8	3,142	27.8
<b>HOUSE PROFIT</b>	3,370	44.5	4,068	47.2	4,417	48.0	4,549	48.0	4,686	48.0	4,825	48.0	4,970	48.0	5,120	48.0	5,273	48.0	5,431	48.0
Management Fee	227	3.0	258	3.0	276	3.0	284	3.0	293	3.0	301	3.0	310	3.0	320	3.0	329	3.0	339	3.0
<b>INCOME BEFORE FIXED CHARGES</b>	3,143	41.5	3,810	44.2	4,141	45.0	4,265	45.0	4,393	45.0	4,524	45.0	4,660	45.0	4,801	45.0	4,943	45.0	5,092	45.0
<b>FIXED EXPENSES</b>																				
Property Taxes	282	3.7	286	3.3	292	3.2	300	3.2	309	3.2	319	3.2	328	3.2	338	3.2	348	3.2	359	3.2
Insurance	195	2.6	201	2.3	207	2.3	213	2.3	220	2.3	226	2.3	233	2.3	240	2.3	247	2.3	255	2.3
Reserve for Replacement	151	2.0	258	3.0	368	4.0	379	4.0	390	4.0	402	4.0	414	4.0	426	4.0	439	4.0	452	4.0
Total	628	8.3	745	8.6	866	9.5	892	9.5	919	9.5	946	9.5	975	9.5	1,004	9.5	1,034	9.5	1,065	9.5
<b>NET INCOME</b>	\$2,515	33.2 %	\$3,065	35.6 %	\$3,275	35.5 %	\$3,373	35.5 %	\$3,474	35.5 %	\$3,578	35.5 %	\$3,685	35.5 %	\$3,796	35.5 %	\$3,909	35.5 %	\$4,027	35.5 %

\*Departmental expenses are expressed as a percentage of departmental revenues.

## Forecast of Income and Expense

The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take three years for both subject hotels to reach stabilized levels of operation. Each revenue and expense item has been forecast based upon our review of the proposed subject property's operating budget and comparable income and expense statements. The forecast is based upon calendar years beginning January 1, 2016, expressed in inflated dollars for each year.

## Rooms Revenue

Rooms revenue is determined by two variables: occupancy and average rate. We projected occupancy and average rate in a previous section of this report. The proposed select-service hotel is expected to stabilize at an occupancy level of 70% with an average rate of \$133.38 in 2018. Meanwhile, the proposed extended-stay hotel is expected to stabilize at an occupancy level of 77% with an average rate of \$124.23 in 2018. Following the stabilized year, the subject hotels' average rates are projected to increase along with the underlying rate of inflation.

## Food and Beverage Revenue

Food and beverage revenue is generated by a hotel's restaurants, lounges, coffee shops, snack bars, banquet rooms, and room service. In addition to providing a source of revenue, these outlets serve as an amenity that assists in the sale of guestrooms. With the exception of properties with active lounges or banquet facilities that draw local residents, in-house guests generally represent a substantial percentage of a hotel's food and beverage patrons. In the case of the proposed select-service hotel, the food and beverage department will include a restaurant and lounge, while the food and beverage department of the proposed extended-stay hotel will include a breakfast dining area; moreover, shared banquet space is expected to span 10,000 square feet.

Although food and beverage revenue varies directly with changes in occupancy, the small portion generated by banquet sales and outside capture is relatively fixed. The comparable statements illustrated food and beverage revenue between 5.3% and 11.1% of rooms revenue, or \$6.90 and \$11.62 per occupied room.

The food and beverage operation of the proposed subject property's select-service hotel is expected to be an important component. Therefore, based upon our review of comparable operating statements, we have positioned an appropriate revenue level given the hotel's planned facility and price point. We would expect future moderate growth to occur within this category after the hotel's opening. We note that the proposed subject property's extended-stay hotel is not expected to include a revenue-generating food and beverage operation. We project food and beverage revenue for the select-service hotel to be \$9.33 and \$4.82 per occupied room, respectively, in the first projection year, or respectively 7.7% and 4.0% of rooms revenue. These per-occupied-room amounts increase to \$9.46 and \$4.73 for respective food and beverage revenue categories by the stabilized year, or respectively 7.1% and 3.5% of rooms revenue. On a percentage of food revenue,

beverage revenue is forecast at 51.7% in the first projection year, stabilizing at 50.0%.

### Other Operated Departments Revenue

According to the Uniform System of Accounts, other operated departments include any major or minor operated department other than rooms and food and beverage. These departmental revenues and expenses are presented in the other operated departments revenue and expense line items on a summary operating statement; sub-schedules set forth the individual departmental revenues and expenses in more detail. Any other operated departments revenue and expense may be presented in the summary statement if it is considered a significant factor in the hotel's operation. Telephone revenue and expense is now considered a component of other operated departments and is being reported as a separate line item more infrequently now that telephone revenue has become so inconsequential.

The proposed subject hotels' other operated departments revenue sources are expected to include each hotel's telephone charges. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for each proposed hotel. For the proposed select-service hotel, the comparable operating statements illustrate other operated departments revenue ranging from 4.6% to 4.6% of rooms revenue and \$4.57 to \$4.57 per occupied room. We forecast this hotel's other operated departments revenue to stabilize at 0.2% of rooms revenue or \$0.24 per occupied room by the stabilized year, 2018.

For the proposed extended-stay hotel, the comparable operating statements illustrate other operated departments revenue ranging from 1.1% to 1.1% of rooms revenue and \$1.21 to \$1.21 per occupied room. We forecast this hotel's other operated departments revenue to stabilize at 0.2% of rooms revenue or \$0.24 per occupied room by the stabilized year, 2018.

### Rentals & Other Income

The rentals and other income sources comprise those other than guestrooms, food and beverage, and the other operated departments. The proposed subject hotels' rentals and other income revenues are expected to be generated primarily by each hotels' market pantry, meeting space rentals, business center services, in-room movie and game charges, and vending areas, as well as the guest laundry fees of the extended-stay hotel. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject property. In the case of the proposed select-service hotel, rentals and other income revenue for the comparables ranged 0.5% to 1.7% of rooms revenue or \$0.57 to \$1.94 on a per-occupied-room basis. Changes in this revenue item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy. We forecast this hotel's rentals

and other income to stabilize at \$2.13 per occupied room by the stabilized year, 2018.

In the case of the proposed extended-stay hotel, rentals and other income revenue for the comparables ranged 2.1% to 2.1% of rooms revenue or \$2.18 to \$2.18 on a per-occupied-room basis. Changes in this revenue item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy. We forecast this hotel's rentals and other income to stabilize at \$2.07 per occupied room by the stabilized year, 2018.

### Rooms Expense

Rooms expense consists of items related to the sale and upkeep of guestrooms and public space. Salaries, wages, and employee benefits account for a substantial portion of this category. Although payroll varies somewhat with occupancy and managers can generally scale the level of service staff on hand to meet an expected occupancy level, much of a hotel's payroll is fixed. A base level of front desk personnel, housekeepers, and supervisors must be maintained at all times. As a result, salaries, wages, and employee benefits are only moderately sensitive to changes in occupancy.

Commissions and reservations are usually based on room sales, and thus are highly sensitive to changes in occupancy and average rate. While guest supplies vary 100% with occupancy, linens and other operating expenses are only slightly affected by volume.

For the proposed select-service hotel, the comparables illustrated rooms expense ranging between 16.9% and 22.5% of rooms revenue; on a per-occupied-room basis, the range was between \$20.46 and \$24.82. We have projected rooms expense for this hotel at 24.1% in the first year (or \$29.36 per occupied room), stabilizing at 21.0% in 2018 (or \$28.01 per occupied room).

For the proposed extended-stay hotel, the comparables illustrated rooms expense ranging between 20.4% and 24.3% of rooms revenue; on a per-occupied-room basis, the range was between \$20.90 and \$25.06. We have projected rooms expense for this hotel at 23.3% in the first year (or \$27.31 per occupied room), stabilizing at 22.0% in 2018 (or \$27.33 per occupied room). The rooms department expense for each proposed hotel has been positioned based upon our review of the comparable operating data and our understanding of each hotel's future service level and price point.

### Food and Beverage Expense

Food expenses consist of items necessary for the primary operation of a hotel's food and banquet facilities. The costs associated with food sales and payroll are moderately to highly correlated to food revenues. Items such as china, linen and uniforms are less dependent on volume. Although the other expense items are



basically fixed, they represent a relatively insignificant factor. Beverage expenses consist of items necessary for the operation of a hotel's lounge and bar areas. The costs associated with beverage sales and payroll are moderately to highly correlated to beverage revenues.

In the case of the proposed select-service hotel, the comparables illustrate food and beverage expense ranging between 63.1% and 85.3% of food and beverage revenue. We have projected a stabilized expense ratio of 82.0% in 2018. The proposed select-service hotel's food and beverage operation is expected to be efficiently managed and operate at an expense level that is in line with other comparable operations.

#### **Other Operated Departments Expense**

Other operated departments expense includes all expenses reflected in the summary statements for the divisions associated in these categories. This was previously discussed in this chapter. For the proposed select-service hotel, the comparables illustrated other operated departments expense ranging between \$0.00 and \$3.33 per occupied room. We have projected a stabilized expense ratio of 200.0% in 2018.

For the proposed extended-stay hotel, the comparables illustrated other operated departments expense ranging between \$0.00 and \$3.59 per occupied room. We have projected a stabilized expense ratio of 200.0% in 2018. The proposed subject hotels' other operated departments revenue sources are expected to include each hotel's telephone charges. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for each proposed hotel.

#### **Administrative and General Expense**

Administrative and general expense includes the salaries and wages of all administrative personnel who are not directly associated with a particular department. Expense items related to the management and operation of the property are also allocated to this category.

Most administrative and general expenses are relatively fixed. The exceptions are cash overages and shortages; commissions on credit card charges; provision for doubtful accounts, which are moderately affected by the number of transactions or total revenue; and salaries, wages, and benefits, which are very slightly influenced by volume.

As a percentage of total revenue, the comparable operations for the proposed select-service hotel indicate an administrative and general expense range from 6.0% to 13.4%, or \$1,606 to \$3,800 per available room. The comparable operations for the proposed extended-stay hotel indicate an administrative and general expense range from 6.0% to 10.2%, or \$1,626 to \$3,312 per available

room. Based upon our review of the comparable operating data and the expected scope of the proposed hotels, we have positioned the administrative and general expense level for each hotel at a market- and property-supported level.

In the first projection year, we have projected administrative and general expense for the proposed select-service hotel to be \$2,453 per available room, or 8.2% of total revenue. By the 2018 stabilized year, these amounts change to \$2,720 per available room and 7.1% of total revenue.

In the first projection year, we have projected administrative and general expense for the proposed extended-stay hotel to be \$2,370 per available room, or 7.8% of total revenue. By the 2018 stabilized year, these amounts change to \$2,572 per available room and 7.2% of total revenue.

## Marketing Expense

Marketing expense consists of all costs associated with advertising, sales, and promotion; these activities are intended to attract and retain customers. Marketing can be used to create an image, develop customer awareness, and stimulate patronage of a property's various facilities.

The marketing category is unique in that all expense items, with the exception of fees and commissions, are totally controlled by management. Most hotel operators establish an annual marketing budget that sets forth all planned expenditures. If the budget is followed, total marketing expenses can be projected accurately.

Marketing expenditures are unusual because although there is a lag period before results are realized, the benefits are often extended over a long period. Depending on the type and scope of the advertising and promotion program implemented, the lag time can be as short as a few weeks or as long as several years. However, the favorable results of an effective marketing campaign tend to linger, and a property often enjoys the benefits of concentrated sales efforts for many months.

As a percentage of total revenue, the comparable operations for the proposed select-service hotel indicate a marketing expense range from 2.7% to 8.9%, or \$654 to \$2,729 per available room. The comparable operations for the proposed extended-stay hotel indicate a marketing expense range from 2.1% to 5.1%, or \$639 to \$1,327 per available room. Based upon our review of the comparable operating data and the expected scope of the proposed hotels, we have positioned the marketing expense level for each hotel at a market- and property-supported level.

In the first projection year, we have projected marketing expense for the proposed select-service hotel to be \$1,546 per available room, or 5.2% of total revenue. By

the 2018 stabilized year, these amounts change to \$1,715 per available room and 4.5% of total revenue.

In the first projection year, we have projected marketing expense for the proposed extended-stay to be \$1,035 per available room, or 3.4% of total revenue. By the 2018 stabilized year, these amounts change to \$1,123 per available room and 3.2% of total revenue.

### Franchise Fee

As previously discussed, the franchise affiliation of the proposed subject property has not yet been finalized. The franchise costs reflected in our forecasts are representative of select-service and extended-stay pairings available in the market.

### Property Operations and Maintenance

Property operations and maintenance expense is another expense category that is largely controlled by management. Except for repairs that are necessary to keep the facility open and prevent damage (e.g., plumbing, heating, and electrical items), most maintenance can be deferred for varying lengths of time.

Maintenance is an accumulating expense. If management elects to postpone performing a required repair, they have not eliminated or saved the expenditure; they have only deferred payment until a later date. A lodging facility that operates with a lower-than-normal maintenance budget is likely to accumulate a considerable amount of deferred maintenance.

The age of a lodging facility has a strong influence on the required level of maintenance. A new or thoroughly renovated property is protected for several years by modern equipment and manufacturers' warranties. However, as a hostelry grows older, maintenance expenses escalate. A well-organized preventive maintenance system often helps delay deterioration, but most facilities face higher property operations and maintenance costs each year, regardless of the occupancy trend. The quality of initial construction can also have a direct impact on future maintenance requirements. The use of high-quality building materials and construction methods generally reduces the need for maintenance expenditures over the long term.

As a percentage of total revenue, the comparable operations for the proposed select-service hotel indicate a property operations and maintenance expense range from 3.0% to 4.2%, or \$743 to \$1,421 per available room. The comparable operations for the proposed extended-stay hotel indicate a property operations and maintenance expense range from 1.7% to 4.2%, or \$508 to \$1,174 per available room. We expect each hotel's maintenance operation to be well managed, and expense levels should stabilize at typical levels for properties of this type.

Changes in this expense item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

In the first projection year, we have projected property operations and maintenance expense for the proposed select-service hotel to be \$981 per available room, or 3.3% of total revenue. By the 2018 stabilized year, these amounts change to \$1,360 per available room and 3.5% of total revenue.

In the first projection year, we have projected property operations and maintenance expense for the proposed extended-stay hotel to be \$1,046 per available room, or 3.4% of total revenue. By the 2018 stabilized year, these amounts change to \$1,419 per available room and 4.0% of total revenue.

### Utilities Expense

The utilities consumption of a lodging facility takes several forms, including water and space heating, air conditioning, lighting, cooking fuel, and other miscellaneous power requirements. The most common sources of hotel utilities are electricity, natural gas, fuel oil, and steam. This category also includes the cost of water service.

Total energy cost depends on the source and quantity of fuel used. Electricity tends to be the most expensive source, followed by oil and gas. Although all hotels consume a sizable amount of electricity, many properties supplement their utility requirements with less expensive sources, such as gas and oil, for heating and cooking.

As a percentage of total revenue, the comparable operations for the proposed select-service hotel indicate a utilities expense range from 3.3% to 6.0%, or \$885 to \$1,613 per available room. The changes in this utilities line item through the projection period are a result of the application of the underlying inflation rate and projected changes in occupancy. In the first projection year, we have projected utilities expense for this hotel to be \$1,360 per available room, or 4.6% of total revenue. By the 2018 stabilized year, these amounts change to \$1,508 per available room and 3.9% of total revenue.

The comparable operations for the proposed extended-stay hotel indicate a utilities expense range from 3.3% to 6.2%, or \$931 to \$1,633 per available room. In the first projection year, we have projected utilities expense for this hotel to be \$1,417 per available room, or 4.6% of total revenue. By the 2018 stabilized year, these amounts change to \$1,537 per available room and 4.3% of total revenue.

### Management Fee

Management expense consists of the fees paid to the managing agent contracted to operate the property. Some companies provide management services and a brand-name affiliation (first-tier management company), while others provide

management services alone (second-tier management company). Some management contracts specify only a base fee (usually a percentage of total revenue), while others call for both a base fee and an incentive fee (usually a percentage of defined profit). Basic hotel management fees are often based on a percentage of total revenue, which means they have no fixed component. While base fees typically range from 2% to 4% of total revenue, incentive fees are deal-specific and often are calculated as a percentage of income available after debt service and, in some cases, after a preferred return on equity. Total management fees for the subject property have been forecast at 3.0% of total revenue.

### Property Taxes

Property (or ad valorem) tax is one of the primary revenue sources of municipalities. Based on the concept that the tax burden should be distributed in proportion to the value of all properties within a taxing jurisdiction, a system of assessments is established. Theoretically, the assessed value placed on each parcel bears a definite relationship to market value, so properties with equal market values will have similar assessments and properties with higher and lower values will have proportionately larger and smaller assessments.

Depending on the taxing policy of the municipality, property taxes can be based on the value of the real property or the value of the personal property and the real property. We have based our estimate of the proposed subject property's market value (for tax purposes) on an analysis of assessments of comparable hotel properties in the local municipality.

**FIGURE 7-15 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS - 110-ROOM SELECT-SERVICE**

Hotel	Number of Rooms	Total Assessment		
		Real*	Personal	Total
Courtyard by Marriott Boca Raton	152	\$7,402,084	\$139,033	\$7,541,117
Residence Inn by Marriott Boca Raton	120	4,620,000	922,164	5,542,164
Hampton Inn Boca Raton	94	4,312,779	618,780	4,931,559
<i>Assessments per Room</i>				
Courtyard by Marriott Boca Raton		\$48,698	\$915	\$49,613
Residence Inn by Marriott Boca Raton		38,500	7,685	46,185
Hampton Inn Boca Raton		45,881	6,583	52,463
<b>Positioned Subject - Per Room</b>	<b>110</b>	<b>\$50,000</b>	<b>\$7,000</b>	<b>\$57,000</b>
<b>Positioned Subject - Total</b>		<b>\$5,500,000</b>	<b>\$770,000</b>	<b>\$6,270,000</b>

Source: Palm Beach County Property Appraiser

**FIGURE 7-16 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS - 140-ROOM EXTENDED-STAY**

Hotel	Number of Rooms	Total Assessment		
		Improvements	Personal	Total
Courtyard by Marriott Boca Raton	152	\$7,402,084	\$139,033	\$7,541,117
Residence Inn by Marriott Boca Raton	120	4,620,000	922,164	5,542,164
Hampton Inn Boca Raton	94	4,312,779	618,780	4,931,559
<i>Assessments per Room</i>				
Courtyard by Marriott Boca Raton		\$48,698	\$915	\$49,613
Residence Inn by Marriott Boca Raton		38,500	7,685	46,185
Hampton Inn Boca Raton		45,881	6,583	52,463
<b>Positioned Subject - Per Room</b>	<b>140</b>	<b>\$46,000</b>	<b>\$7,000</b>	<b>\$53,000</b>
<b>Positioned Subject - Total</b>		<b>\$6,440,000</b>	<b>\$980,000</b>	<b>\$7,420,000</b>

Source: Type in tax office name on fieldwork form

We have positioned each hotel's future assessment levels based upon the illustrated comparable data. We have positioned the proposed select-service hotel's assessment closest to the Courtyard by Marriott because of the similarity in product type, while we have positioned the proposed extended-stay hotel's assessment near the high end of the comparable range. Overall, the positioned assessments are well supported by the market data.

Tax rates are based on the city and county budgets, which change annually. The most recent tax rate in this jurisdiction for real property was reported at 19.91900%. The following table shows changes in the tax rate during the last several years.

**FIGURE 7-17 COUNTY TAX RATES**

Year	Personal Property Tax Rate	Real Property Tax Rate
2010	20.39000	20.39000
2011	20.03460	20.03460
2012	23.40000	19.91900

Source: Palm Beach County Property Appraiser

Based on comparable assessments and the tax rate information, the proposed subject property's projected property tax expense levels are calculated as follows.

**FIGURE 7-18 PROJECTED PROPERTY TAX EXPENSE – 110-ROOM SELECT-SERVICE**

Year	Assessed Value			Total	Pers. Prop. Tax Rate	Property Tax Rate	Tax Forecast
	Land	Improvements	Personal				
Positioned	\$0	\$5,500,000	\$770,000	\$6,270,000	23.40	19.92	\$127,573
2016	\$0	\$5,500,000	\$770,000	\$6,270,000	23.63	20.12	\$128,848
2017	0	5,500,000	770,000	6,270,000	23.99	20.42	130,781
2018	0	5,500,000	770,000	6,270,000	24.47	20.83	133,397

**FIGURE 7-19 PROJECTED PROPERTY TAX EXPENSE – 140-ROOM EXTENDED-STAY**

Year	Assessed Value			Total	Pers. Prop. Tax Rate	Property Tax Rate	Tax Forecast
	Land	Improvements	Personal				
Positioned	\$0	\$6,440,000	\$980,000	\$7,420,000	23.40	19.92	\$151,210
2016	\$0	\$6,440,000	\$980,000	\$7,420,000	23.63	20.12	\$152,722
2017	0	6,440,000	980,000	7,420,000	23.99	20.42	155,013
2018	0	6,440,000	980,000	7,420,000	24.47	20.83	158,114

**Insurance Expense**

The insurance expense category consists of the cost of insuring the hotel and its contents against damage or destruction by fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, and so forth. General insurance costs also include premiums relating to liability, fidelity, and theft coverage. Insurance rates are based on many factors, including building design and construction, fire detection and extinguishing equipment, fire district, distance from the firehouse, and the area's fire experience. Insurance expenses do not vary with occupancy.

Based on comparable data and the structural attributes of the proposed project, we have forecast the proposed select-service hotel's insurance expense at \$828 per available room by the stabilized year (positioned at \$700 on a per-available-room basis in base-year dollars) and the proposed extended-stay hotel's insurance expense at \$828 per available room by the stabilized year (positioned at \$700 on a per-available-room basis in base-year dollars). These forecasts equate to 2.2% and 2.3% of total revenue, respectively, on a stabilized basis. In subsequent years, this amount is assumed to increase in tandem with inflation.

**Reserve for Replacement**

Furniture, fixtures, and equipment are essential to the operation of a lodging facility, and their quality often influences a property's class. This category includes all non-real estate items that are capitalized, rather than expensed. The furniture, fixtures, and equipment of a hotel are exposed to heavy use and must be replaced



at regular intervals. The useful life of these items is determined by their quality, durability, and the amount of guest traffic and use.

Periodic replacement of furniture, fixtures, and equipment is essential to maintain the quality, image, and income-producing potential of a lodging facility. Because capitalized expenditures are not included in the operating statement but affect an owner's cash flow, a forecast of income and expense should reflect these expenses in the form of an appropriate reserve for replacement.

The International Society of Hospitality Consultants (ISHC) undertook a major industry-sponsored study of the capital expenditure requirements for full-service/luxury, select-service, and extended-stay hotels. The most recent findings of the study were published in a report in 2007.<sup>8</sup> Historical capital expenditures of well-maintained hotels were investigated through the compilation of data provided by most of the major hotel companies in the United States. A prospective analysis of future capital expenditure requirements was also performed based upon the cost to replace short- and long-lived building components over a hotel's economic life. The study showed that the capital expenditure requirements for hotels vary significantly from year to year and depend upon both the actual and effective ages of a property. The results of this study showed that hotel lenders and investors are requiring reserves for replacement ranging from 4% to 5% of total revenue.

Based on the results of this study, our review of the subject asset and comparable lodging facilities, and our industry expertise, we estimate that a reserve for replacement of 4% of total revenues is sufficient to provide for the timely and periodic replacement of the subject property's furniture, fixtures, and equipment. This amount is ramped up during the initial projection period.

## Conclusion

In conclusion, our analysis reflects a profitable operation for the subject property as a whole, with net income expected to total 35.5% of total revenue by the stabilized year. The stabilized total revenue comprises primarily rooms and food and beverage revenue, with a secondary portion derived from other income sources. On the cost side, departmental expenses total 24.2% of revenue by the stabilized year, while undistributed operating expenses total 27.8% of total revenues; this assumes that the hotels will be operated competently by a well-known hotel operator. After a 3.0% of total revenues management fee, and 9.5% of total revenues in fixed expenses, a net income ratio of 35.5% is forecast by the stabilized year.

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<sup>8</sup> The International Society of Hotel Consultants, *CapEx 2007, A Study of Capital Expenditure in the U.S. Hotel Industry*.



## 8. Feasibility Analysis

Return on investment can be defined as the future benefits of an income-producing property relative to its acquisition or construction cost. The first step in performing a return on investment analysis is to determine the amount to be initially invested. For a proposed property, this amount is most likely to be the development cost of the hotel. Based on the total development cost, the individual investor will utilize a return on investment analysis to determine if the future cash flow from a current cash outlay meets his or her own investment criteria and at what level above or below this amount such an outlay exceeds or fails to meet these criteria.

As an individual or company considering investment in hotel real estate, the decision to use one's own cash, an equity partner's capital, or lender financing will be an internal one. Because hotels typically require a substantial investment, only the largest investors and hotel companies generally have the means to purchase properties with all cash. We would anticipate the involvement of some financing by a third party for the typical investor or for those who may be entering the market for hotel acquisitions at this time. In leveraged acquisitions and developments where investors typically purchase or build upon real estate with a small amount of equity cash (20% to 50%) and a large amount of mortgage financing (50% to 80%), it is important for the equity investor to acknowledge the return requirements of the debt participant (mortgagee), as well as his or her own return requirements. Therefore, we will begin our rate of return analysis by reviewing the debt requirements of typical hotel mortgagees.

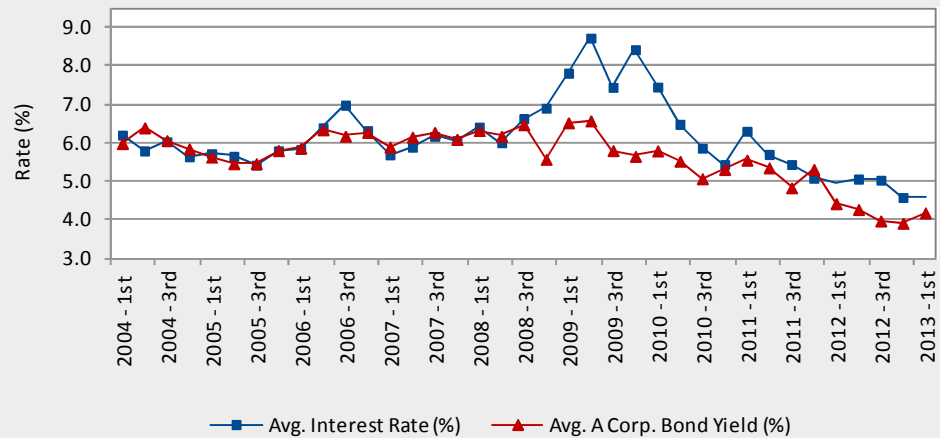
### Mortgage Component

Data for the mortgage component may be developed from statistics of actual hotel mortgages made by long-term lenders. The American Council of Life Insurance, which represents 20 large life-insurance companies, publishes quarterly information pertaining to the hotel mortgages issued by its member companies.

Because of the six- to nine-month lag time in reporting and publishing hotel mortgage statistics, it was necessary to update this information to reflect current lending practices. Our research indicates that the greatest degree of correlation exists between the average interest rate of a hotel mortgage and the concurrent yield on an average-A corporate bond.

The following chart summarizes the average mortgage interest rates of the hotel loans made by these lenders. For the purpose of comparison, the average-A corporate bond yield (as reported by *Moody's Bond Record*) is also shown.

**FIGURE 8-1 AVERAGE MORTGAGE INTEREST RATES AND AVERAGE-A CORPORATE BOND YIELDS**



Sources: American Council of Life Insurance, Moody's Bond Record, HVS

The relationship between hotel interest rates and the yields from the average-A corporate bond can be detailed through a regression analysis, which is expressed as follows.

$$Y = 0.92561800 X + 1.08736900$$

Where: Y = Estimated Hotel/Motel Mortgage Interest Rate  
 X = Current Average-A Corporate Bond Yield  
 (Coefficient of correlation is 93%)

The September 11, 2013, average yield on average-A corporate bonds, as reported by Moody's Investors Service, was 4.92%. When used in the previously presented equation, a factor of 4.92 produces an estimated hotel/motel interest rate of 5.64% (rounded).

Yields on U.S. treasuries and average-A corporate bonds remain at low levels despite their recent uptick, providing a very favorable financing environment. Interest rates for single hotel assets are currently ranging from 5.5% to 7.0%, depending on the type of debt, loan-to-value ratio, and the quality of the asset and its market.

In addition to the mortgage interest rate estimate derived from this regression analysis, HVS constantly monitors the terms of hotel mortgage loans made by our institutional lending clients. Hotel financing is currently very active at all tiers of the lodging industry. Lenders are attracted to the lodging industry because of the higher yields generated by hotel financing relative to other commercial real estate, and the industry is performing strongly, with supply growth constrained. Commercial banks, mortgage REITs, insurance companies, and CMBS and mezzanine lenders are aggressively pursuing deals. Financing is also increasingly available for hotels that require a turnaround. 200 to 500 basis points over the corresponding yield on treasury notes. As of September 11, 2013, the yield on the ten-year T-bill was 2.9%, indicating an interest rate range from 4.9% to 7.9%. While hotel mortgage interest rates have risen from their recent historic low, they are still at very favorable levels due to the low interest rate environment being maintained by the Federal Reserve.

At present, we find that lenders who are active in the market are using loan-to-value ratios of 50% to 75% and amortization periods of 20 to 30 years.

Based on our analysis of the current lodging industry mortgage market and adjustments for specific factors, such as the property's site, proposed facility, and conditions in the Boca Raton hotel market, it is our opinion that a 5.50% interest, 25-year amortization mortgage with a 0.073690 constant is appropriate for the proposed subject property. In the mortgage-equity analysis, we have applied a loan-to-value ratio of 65%, which is reasonable to expect based on this interest rate and the current parameters.

### Equity Component & Equity Yield Rate

The remaining capital required for a hotel investment generally comes from the equity investor. The rate of return that an equity investor expects over a ten-year holding period is known as the equity yield. Unlike the equity dividend, which is a short-term rate of return, the equity yield specifically considers a long-term holding period (generally ten years), annual inflation-adjusted cash flows, property appreciation, mortgage amortization, and proceeds from a sale at the end of the holding period. In order to establish an appropriate equity yield rate, we have used two sources of data: past appraisals and investor interviews.

**Hotel Sales** – Each appraisal performed by HVS uses a mortgage-equity approach in which income is projected and then discounted to a current value at rates reflecting the cost of debt and equity capital. In the case of hotels that were sold near the date of our valuation, we were able to determine an appropriate equity yield rate and total investment discount rate by inserting the projection into a valuation model and adjusting the appraised value to reflect the total investment (purchase price and estimated capital expenditure and/or PIP) by modifying the return assumptions. The overall capitalization rates for the historical income and

projected first-year income are based on the sales price “as is.” The following table shows a representative sample of hotels that were sold shortly after we appraised them, along with the imputed equity return and discount rates based on our valuation approach.

**FIGURE 8-2 SAMPLE OF HOTELS SOLD – FULL-SERVICE & LUXURY**

Hotel	Location	Number of Rooms	Date of Sale	Total Property Yield	Equity Yield	Overall Rate Based on Sales Price	
						Historical Year	Projected Year One
Sheraton Suites Atlanta Galleria	Atlanta, GA	278	Jul-13	10.7 %	18.0 %	6.3 %	8.2 %
Hutton Hotel	Nashville, TN	247	May-13	9.7	18.1	7.7	8.1
Marriott San Jose	San Jose, CA	506	May-13	11.4	19.7	6.2	7.2
Savoy Suites	Washington, DC	154	Mar-13	11.0	17.5	5.6	6.6
Miami Beach Resort	Miami Beach, FL	424	Mar-13	9.4	15.0	—	—
Sheraton North Houston	Houston, TX	420	Mar-13	10.7	17.1	6.6	7.2
Intercontinental New Orleans	New Orleans, LA	479	Jan-13	10.4	16.6	5.3	6.8
Carlyle Suites	Washington, DC	173	Dec-12	11.9	19.2	6.8	7.5
Eastgate Tower	New York, NY	187	Nov-12	10.4	15.2	5.0	6.3
Westin Atlanta Perimeter	Atlanta, GA	372	Oct-12	11.0	17.3	6.1	8.2
Doubletree Cocoa Beach	Cocoa Beach, FL	148	Oct-12	11.4	19.0	7.6	8.1
Hyatt Regency Mission Bay	San Diego, CA	429	Sep-12	11.1	17.8	5.7	7.4
Anaheim Hilton	Anaheim, CA	1572	Aug-12	11.7	19.7	6.9	8.9
Marriott St. Louis Airport	St. Louis, MO	601	Jul-12	11.1	17.4	3.7	6.9
Hilton Hotel	Burlington, VT	258	Jul-12	10.6	17.3	7.8	8.5
Westin San Diego	San Diego, CA	436	Jul-12	10.2	16.1	5.7	6.1
Hilton Boston Financial District	Boston, MA	362	Jul-12	10.0	15.8	5.3	6.8
Doubletree Denver Southwest	Aurora, CO	248	Jul-12	12.2	17.8	7.4	7.7
Gaige House	Glen Ellen, CA	23	Jun-12	11.8	15.8	1.5	5.1
Colony Palms Hotel	Palm Springs, CA	57	Jun-12	12.3	19.1	11.7	10.7
Embassy Suites Valencia	Valencia, CA	156	May-12	10.8	16.4	6.5	7.9
Fairmont San Francisco	San Francisco, CA	591	Mar-12	10.8	15.7	4.1	6.4
Sonoma Mission Inn	Sonoma, CA	226	Mar-12	10.1	14.2	4.0	5.5
Hotel Palomar	San Francisco, CA	196	Jan-12	9.9	15.8	5.4	6.1
Hotel Abri	San Francisco, CA	91	Jan-12	9.2	13.4	6.2	8.2
Ritz-Carlton Cleveland	Cleveland, OH	205	Dec-11	11.0	16.6	—	7.0
Hilton Crystal City	Arlington, VA	386	Dec-11	10.4	15.9	6.6	6.0
Park Central Hotel	New York, NY	934	Nov-11	10.3	15.4	5.4	5.7
Fairmont Dallas	Fairmont, TX	545	Aug-11	11.9	21.1	6.3	7.3
Hotel Adagio	San Francisco, CA	171	Jul-11	10.0	14.1	4.7	6.2
Wyndham Princeton Forrestal	Plainsboro, NJ	364	Jun-11	13.7	18.8	7.5	—
Hilton Suites Lexington	Lexington, KY	174	May-11	10.9	17.9	10.0	8.0
Red Lion Fifth Avenue	Seattle, WA	297	May-11	9.0	12.0	6.0	5.6
Embassy Suites Phoenix	Tempe, AZ	224	May-11	11.8	18.7	6.3	8.8
Xona Suites	Scottsdale, AZ	431	Apr-11	13.2	17.4	—	3.6
Inn at Morro Bay	Morro Bay, CA	98	Apr-11	12.0	15.4	3.6	6.2
Sheraton Bay Keauhou Resort	Kailua-Kona, HI	521	Apr-11	12.2	14.9	—	—

Source: HVS

**FIGURE 8-3 SAMPLE OF HOTELS SOLD – SELECT UPSCALE & UPPER MIDSACLE**

Hotel	Location	Number of Rooms	Date of Sale	Total Property Yield	Equity Yield	Overall Rate Based on Sales Price	
						Historical Year	Projected Year One
Residence Inn Coconut Grove	Miami, FL	140	Jun-13	10.0 %	16.1 %	7.2 %	6.7 %
Holiday Inn Express & Suites	Elk Grove, CA	116	Jun-13	10.8	17.4	7.6	8.2
Hyatt Place North Shore	Pittsburgh, PA	178	Jun-13	10.6	18.8	7.1	7.5
Courtyard by Marriott	San Diego, CA	245	May-13	9.8	16.1	4.7	6.2
Hilton Garden Inn	Dublin, OH	100	Apr-13	12.5	20.5	9.2	10.5
Hyatt Place	Germantown, TN	127	Apr-13	11.9	20.8	7.5	9.1
Holiday Inn Express	Tucson, AZ	98	Mar-13	11.5	18.7	4.4	8.5
Courtyard Shadyside	Pittsburg, PA	132	Mar-13	10.5	16.5	8.3	8.7
Courtyard Medical Center	Houston, TX	197	Feb-13	10.2	16.0	5.7	7.1
Courtyard	Santa Rosa, CA	138	Feb-13	12.9	22.5	10.2	9.5
Holiday Inn Express & Suites	San Francisco, CA	252	Feb-13	11.5	18.3	5.6	6.7
Holiday Inn Express South	Minot, SD	66	Feb-13	12.2	19.9	14.2	14.8
Hampton Inn & Suites	Ontario, CA	91	Feb-13	11.7	17.1	2.5	9.4
Hampton Inn	Portland, OR	122	Dec-12	10.0	17.1	9.6	10.1
Holiday Inn Southaven	Memphis, TN	121	Dec-12	13.0	20.6	11.7	12.6
Homewood Suites Conversion	New York, NY	241	Nov-13	9.5	13.8	—	11.9
Red Lion Denver Southeast	Aurora, CO	288	Oct-12	13.5	22.0	—	8.3
Hilton Garden Inn	Fort Worth, TX	96	Oct-12	10.7	17.1	6.9	9.3
Hilton Garden Inn	Clarksville, TN	111	Sep-12	11.1	18.4	9.5	10.0
Courtyard Ventura	Oxnard, CA	166	Aug-12	12.1	19.1	5.6	8.2
Hilton Garden Inn	Odessa, TX	100	Aug-12	14.1	24.1	9.6	10.9
Homewood Suites	Egg Harbor Twncshp, NJ	120	May-12	12.1	19.9	—	8.7
Hilton Garden Inn	Dowell, MD	100	May-12	11.2	18.4	8.4	8.7
Hampton Inn & Suites	Smyrna, TN	83	May-12	12.0	19.5	9.1	9.1
Residence Inn Dallas Arlington	Arlington, TX	96	May-12	10.1	16.5	7.9	7.3
Courtyard Dallas Arlington	Arlington, TX	103	May-12	10.8	17.1	6.5	7.1
Hilton Garden Inn	Smyrna, TN	112	May-12	11.2	17.9	7.4	8.5
Courtyard Upper East Side	New York, NY	226	May-12	10.3	14.3	4.4	5.7
Courtyard	Atlanta, GA	150	Mar-12	10.6	17.7	4.0	7.5
Springhill Suites	Boise, ID	119	Feb-12	12.4	19.4	6.3	8.3
Hilton Garden Inn Lakeshore	Birmingham, AL	95	Feb-12	11.2	17.4	9.0	8.2
Hilton Garden Inn SE Liberty	Birmingham, AL	130	Feb-12	12.1	19.3	7.4	8.7
Holiday Inn Express Burlingame	Burlingame, CA	146	Dec-11	12.5	19.1	8.7	8.5
Springhill Suites	Lincolnshire, IL	161	Nov-11	13.1	20.3	8.8	10.5
Hampton Inn	Orlando, FL	147	Nov-11	10.8	17.0	9.6	9.1
Holiday Inn Express	Temecula, CA	90	Aug-11	11.9	18.1	2.0	7.4
Residence Inn Midtown	Atlanta, GA	160	Jul-11	10.2	15.2	6.5	7.0

Source: HVS

**Investor Interviews** - During the course of our work, we continuously monitor investor equity-yield requirements through discussions with hotel investors and brokers. While equity still looks to yield high returns for the risk of hotel investment, the low yield environment, coupled with increased competition for

quality assets, has placed downward pressure on equity yield returns. We find that equity yield rates currently range from a low in the low to mid-teens for high-quality, institutional-grade assets in markets with high barriers to entry to the upper teens for quality assets in more typical markets; equity yield rates tend to near or exceed 20% for aging assets with functional obsolescence and/or other challenging property- or market-related issues. Equity return requirements also vary with an investment’s level of leverage. Higher loan-to-value ratios are becoming more prevalent, allowing for increased equity returns.

The following table summarizes the range of equity yields indicated by hotel sales and investor interviews. We note that there tends to be a lag between the sales data and current market conditions, and thus, the full effect of the change in the economy and capital markets may not yet be reflected.

**FIGURE 8-4 SUMMARY OF EQUITY YIELD OR INTERNAL RATE OF RETURN REQUIREMENTS**

<u>Source</u>	<u>Data Point Range</u>	<u>Average</u>
HVS Hotel Sales - Full-Service & Luxury	12% - 21.1%	16.8%
HVS Hotel Sales - Select Upscale and Upper Midscale	13.8% - 24.1%	18.3%
HVS Hotel Sales - Budget/Economy	16.7% - 26.2%	20.4%
HVS Investor Interviews	12% - 22%	

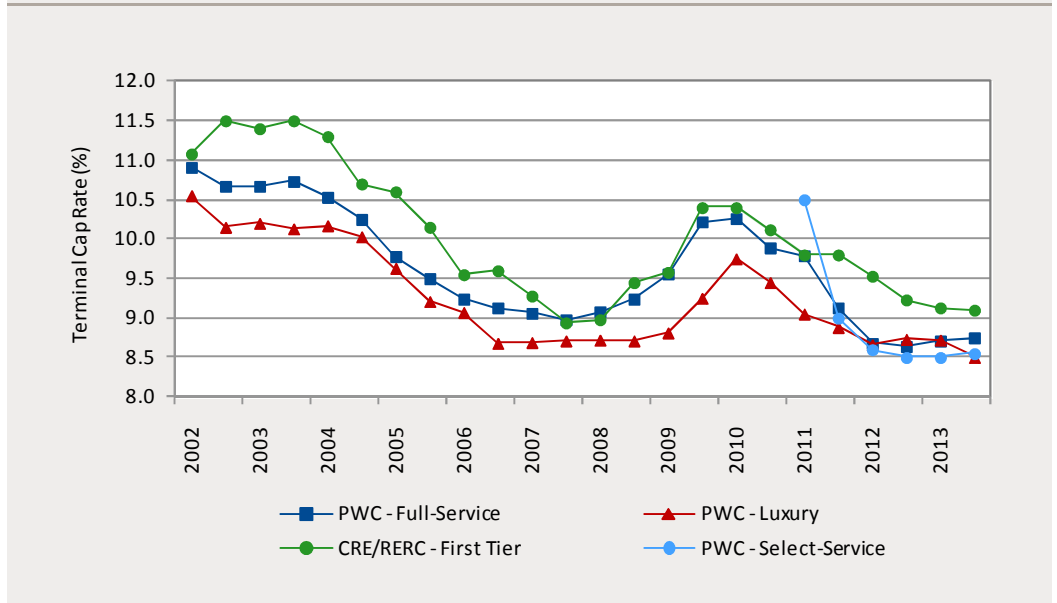
Based on the assumed 65% loan-to-value ratio, the risk inherent in achieving the projected income stream, and the age, condition, and anticipated market position of the subject property, it is our opinion that an equity investor is likely to require an equity yield rate of 17.5%. The lack of attainable yields on alternate investments has continued to put downward pressure on equity yield rates, despite the desire of investors to yield higher returns. Competition for quality assets is increasing amongst all hotel asset types. These influences are keeping equity yields from increasing significantly. Equity return requirements remain elevated for the more challenged hotel assets.

**Terminal Capitalization Rate**

Inherent in this valuation process is the assumption of a sale at the end of the ten-year holding period. The estimated reversionary sale price as of that date is calculated by capitalizing the projected eleventh-year net income by an overall terminal capitalization rate. An allocation for the selling expenses is deducted from this sale price, and the net proceeds to the equity interest (also known as the equity residual) are calculated by deducting the outstanding mortgage balance from the reversion.

We have reviewed several recent investor surveys. The following chart summarizes the averages presented for terminal capitalization rates in various investor surveys during the past decade. Note that survey data lag the market and do not necessarily reflect the most current market conditions.

**FIGURE 8-5 HISTORICAL TRENDS OF TERMINAL CAPITALIZATION RATES**



**FIGURE 8-6 TERMINAL CAPITALIZATION RATES DERIVED FROM INVESTOR SURVEYS**

Source	Data Point Range	Average
PWC Real Estate Investor Survey - 3rd Quarter 2013		
Select-Service Hotels	5.0% - 12.0%	8.6%
Full-Service Hotels	6.5% - 12.0%	8.8%
Luxury Hotels	6.0% - 12.0%	8.5%
CRE/RERC Real Estate Report - Summer 2013		
First Tier Hotels	6.0% - 12.0%	9.1%

For purposes of this analysis, we have applied a terminal capitalization rate of 9.0%. Our final position for the terminal capitalization rate reflects the current market for hotel investments. In tandem with overall lower return expectations, terminal capitalization rates for quality hotel assets in markets with high barriers to entry have returned to their 2005 to 2007 lows, while terminal capitalization



**Mortgage-Equity  
Method –  
Opinion of Net Present  
Value**

rates for older assets or for those suffering from functional obsolescence and/or weak market conditions remain elevated, reflecting the market's recognition that certain assets have less opportunity for significant appreciation.

As the two participants in a real estate investment, investors and lenders must evaluate their equity and debt contributions based on their particular return requirements. After carefully weighing the risk associated with the projected economic benefits of a lodging investment, the participants will typically make their decision whether or not to invest in a hotel or resort by determining if their investment will provide an adequate yield over an established period. For the lender, this yield will typically reflect the interest rate required for a hotel mortgage over a period of what can range from seven to ten years. The yield to the equity participant may consider not only the requirements of a particular investor, but also the potential payments to cooperative or ancillary entities such as limited partner payouts, stockholder dividends, and management company incentive fees.

The return on investment analysis in a hotel acquisition would not be complete without recognizing and reflecting the yield requirements of both the equity and debt participants. The analysis will now calculate the yields to the mortgage and equity participants during a ten-year projection period.

The annual debt service is calculated by multiplying the mortgage component by the mortgage constant.

Mortgage Component	\$23,378,000
Mortgage Constant	<u>0.073690</u>
Annual Debt Service	\$1,722,736

The yield to the lender based on a 65% debt contribution equates to an interest rate of 5.50%, which is calculated as follows.

**FIGURE 8-7 RETURN TO THE LENDER**

Year	Total Annual Debt Service		Present Worth of \$1 Factor at 5.4%	=	Discounted Cash Flow
2016	\$1,723,000	x	0.948455	=	\$1,634,000
2017	1,723,000	x	0.899567	=	1,550,000
2018	1,723,000	x	0.853199	=	1,470,000
2019	1,723,000	x	0.809221	=	1,394,000
2020	1,723,000	x	0.767510	=	1,322,000
2021	1,723,000	x	0.727949	=	1,254,000
2022	1,723,000	x	0.690427	=	1,190,000
2023	1,723,000	x	0.654839	=	1,128,000
2024	1,723,000	x	0.621086	=	1,070,000
2025	19,293,000 *	x	0.589072	=	11,365,000
Value of Mortgage Component					\$23,377,000

\*10th year debt service of \$1,723,000 plus outstanding mortgage balance of \$17,570,000

The following table illustrates the cash flow available to the equity position, after deducting the debt service from the projected net income.

**FIGURE 8-8 NET INCOME TO EQUITY**

Year	Net Income Available for Debt Service		Total Annual Debt Service	=	Net Income to Equity
2016	\$2,515,000	-	\$1,723,000	=	\$792,000
2017	3,065,000	-	1,723,000	=	1,342,000
2018	3,275,000	-	1,723,000	=	1,552,000
2019	3,373,000	-	1,723,000	=	1,650,000
2020	3,474,000	-	1,723,000	=	1,751,000
2021	3,578,000	-	1,723,000	=	1,855,000
2022	3,685,000	-	1,723,000	=	1,962,000
2023	3,796,000	-	1,723,000	=	2,073,000
2024	3,909,000	-	1,723,000	=	2,186,000
2025	4,027,000	-	1,723,000	=	2,304,000

In order for the present value of the equity investment to equate to the \$12,590,000 capital outlay, the investor must accept a 17.5% return, as shown in the following table.

**FIGURE 8-9 EQUITY COMPONENT YIELD**

Year	Net Income to Equity		Present Worth of \$1 Factor at 17.5%	=	Discounted Cash Flow
2016	\$792,000	x	0.851075	=	\$674,000
2017	1,342,000	x	0.724328	=	972,000
2018	1,552,000	x	0.616457	=	957,000
2019	1,650,000	x	0.524651	=	866,000
2020	1,751,000	x	0.446517	=	782,000
2021	1,855,000	x	0.380019	=	705,000
2022	1,962,000	x	0.323425	=	635,000
2023	2,073,000	x	0.275259	=	571,000
2024	2,186,000	x	0.234266	=	512,000
2025	29,671,000 *	x	0.199377	=	5,916,000
Value of Equity Component					\$12,590,000

\*10th year net income to equity of \$2,304,000 plus sales proceeds of \$27,367,000

**Conclusion**

In determining the potential feasibility of the Proposed Dual-Branded Hotels at Florida Atlantic University, we analyzed the lodging market, researched the area’s economics, reviewed the estimated development cost, and prepared a ten-year forecast of income and expense, which was based on our review of the current and historical market conditions, as well as comparable income and expense statements.

The conclusion of this analysis indicates that an equity investor contributing \$12,590,000 (roughly 35% of the \$36,000,000 value findings) could expect to receive a 17.5% internal rate of return over a ten-year holding period. Based on these parameters, the feasibility of the subject project is confirmed.

We have assumed no significant hypothetical conditions. The analysis is based on the extraordinary assumption that the described improvements have been completed as of the stated date of opening. The reader should understand that the completed subject property does not yet, in fact, exist as of the date of this report. Our feasibility study does not address unforeseeable events that could alter the proposed project and/or the market conditions reflected in the analyses; we assume that no significant changes, other than those anticipated and explained in this report, will take place between the date of inspection and stated date of opening. We have made no other extraordinary assumptions specific to this feasibility study. However, several important general assumptions have been made that apply to this feasibility study and our studies of proposed hotels in general. These aspects are set forth in the Assumptions and Limiting Conditions

chapter of this report. We have not made any jurisdictional exceptions to the Uniform Standards of Professional Appraisal Practice in our analysis or report.

## 9. Statement of Assumptions and Limiting Conditions

1. This report is set forth as a feasibility study of the proposed subject property; this is not an appraisal report.
2. This report is to be used in whole and not in part.
3. No responsibility is assumed for matters of a legal nature, nor do we render any opinion as to title, which is assumed to be marketable and free of any deed restrictions and easements. The property is evaluated as though free and clear unless otherwise stated.
4. We assume that there are no hidden or unapparent conditions of the sub-soil or structures, such as underground storage tanks, that would impact the property's development potential. No responsibility is assumed for these conditions or for any engineering that may be required to discover them.
5. We have not considered the presence of potentially hazardous materials or any form of toxic waste on the project site. The consultants are not qualified to detect hazardous substances, and we urge the client to retain an expert in this field if desired.
6. The Americans with Disabilities Act (ADA) became effective on January 26, 1992. We have assumed the proposed hotel would be designed and constructed to be in full compliance with the ADA.
7. We have made no survey of the site, and we assume no responsibility in connection with such matters. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the described real estate will be within the boundaries of the property described, and that no encroachment will exist.
8. All information, financial operating statements, estimates, and opinions obtained from parties not employed by TS Worldwide, LLC are assumed to be true and correct. We can assume no liability resulting from misinformation.
9. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.
10. The property is assumed to be in full compliance with all applicable federal, state, local, and private codes, laws, consents, licenses, and regulations (including a liquor license where appropriate), and that all

licenses, permits, certificates, franchises, and so forth can be freely renewed or transferred to a purchaser.

11. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.
12. None of this material may be reproduced in any form without our written permission, and the report cannot be disseminated to the public through advertising, public relations, news, sales, or other media.
13. We are not required to give testimony or attendance in court by reason of this analysis without previous arrangements, and only when our standard per-diem fees and travel costs are paid prior to the appearance.
14. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
15. We take no responsibility for any events or circumstances that take place subsequent to the date of our field inspection.
16. The quality of a lodging facility's on-site management has a direct effect on a property's economic viability. The financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results.
17. The financial analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease because of market volatility and economic forces outside the control of the hotel's management. We assume that the price of hotel rooms, food, beverages, and other sources of revenue to the hotel will be adjusted to offset any increases or decreases in related costs. We do not warrant that our estimates will be attained, but they have been developed based upon information obtained during the course of our market research and are intended to reflect the expectations of a typical hotel investor as of the stated date of the report.
18. This analysis assumes continuation of all Internal Revenue Service tax code provisions as stated or interpreted on either the date of value or the date of our field inspection, whichever occurs first.
19. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity,

most numbers have been rounded to the nearest tenth of a percent. Thus, these figures may be subject to small rounding errors.

20. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
21. Evaluating and comprising financial forecasts for hotels is both a science and an art. Although this analysis employs various mathematical calculations to provide value indications, the final forecasts are subjective and may be influenced by our experience and other factors not specifically set forth in this report.
22. This study was prepared by TS Worldwide, LLC. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of TS Worldwide, LLC as employees, rather than as individuals.

## 10. Certification

The undersigned hereby certify that, to the best of our knowledge and belief:

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved;
4. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
6. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined result or direction in performance that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this study;
7. our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
8. Adam R. Lair, MAI personally inspected the property described in this report; Michael E. Brophy participated in the analysis and reviewed the findings, but did not personally inspect the property;
9. no one provided significant assistance to Michael E. Brophy and Adam R. Lair, MAI, and that no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this report; neither Adam R. Lair, MAI nor Michael E. Brophy has performed appraisal or consulting work on this property within the past three years;
10. the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute;



11. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and
12. as of the date of this report, Michael E. Brophy has completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members; and as of the date of this report, Adam R. Lair, MAI has completed the requirements of the continuing education program of the Appraisal Institute.



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Michael E. Brophy  
Senior Vice President, Partner  
TS Worldwide, LLC  
State-certified general real estate appraiser RZ3482



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Adam R. Lair, MAI  
Senior Vice President, Partner  
TS Worldwide, LLC  
State-certified general real estate appraiser RZ3493

## Penetration Explanation

Let us illustrate the penetration adjustment with an example.

A market has three existing hotels with the following operating statistics:

### BASE-YEAR OCCUPANCY AND PENETRATION LEVELS

Property	Number of Rooms	Fair Share	Commercial	Meeting and Group	Leisure	Occupancy	Penetration
Hotel A	100	23.5 %	60 %	20 %	20 %	75.0 %	100.8 %
Hotel B	125	29.4	70	10	20	65.0	87.4
Hotel C	200	47.1	30	60	10	80.0	107.5
<b>Totals/Average</b>	<b>425</b>	<b>100.0 %</b>	<b>47 %</b>	<b>38 %</b>	<b>15 %</b>	<b>74.4 %</b>	<b>100.0 %</b>

Based upon each hotel's room count, market segmentation, and annual occupancy, the annual number of room nights accommodated in the market from each market segment can be quantified, as set forth below.

### MARKET-WIDE ROOM NIGHT DEMAND

Market Segment	Annual Room Night Demand	Percentage of Total
Commercial	54,704	47.4 %
Meeting and Group	43,481	37.7
Leisure	17,246	14.9
<b>Total</b>	<b>115,431</b>	<b>100.0 %</b>

The following discussion will be based upon an analysis of the commercial market segment. The same methodology is applied for each market segment to derive an estimate of a hotel's overall occupancy. The table below sets forth the commercial demand accommodated by each hotel. Each hotel's commercial penetration factor is computed by:

- 1) calculating the hotel's market share % of commercial demand (commercial room nights accommodated by subject hotel divided by total commercial room nights accommodated by all hotels) and
- 2) dividing the hotel's commercial market share % by the hotel's fair share %.

The following table sets forth each hotel's fair share, commercial market share, and commercial penetration factor.

<b>COMMERCIAL SEGMENT PENETRATION FACTORS</b>					
<b>Property</b>	<b>Number of Rooms</b>	<b>Fair Share</b>	<b>Commercial Capture</b>	<b>Commercial Market Share</b>	<b>Commercial Penetration</b>
Hotel A	100	23.5 %	16,425	30.0 %	127.6 %
Hotel B	125	29.4	20,759	37.9	129.0
Hotel C	200	47.1	17,520	32.0	68.1
<b>Totals/Average</b>	<b>425</b>	<b>100.0 %</b>	<b>54,704</b>	<b>100.0 %</b>	<b>100.0 %</b>

If a new 100-room hotel enters the market, the fair share of each hotel changes because of the new denominator, which has increased by the 100 rooms that have been added to the market.

<b>COMMERCIAL SEGMENT FAIR SHARE</b>		
<b>Property</b>	<b>Number of Rooms</b>	<b>Fair Share</b>
Hotel A	100	19.0 %
Hotel B	125	23.8
Hotel C	200	38.1
New Hotel	100	19.0
<b>Total</b>	<b>525</b>	<b>100.0 %</b>

The new hotel's penetration factor is projected for its first year of operation. It is estimated that the hotel will capture (penetrate) only 85% of its fair share as it establishes itself in the market. The new hotel's market share and room night capture can be calculated based upon the hotel's estimated penetration factor. When the market share of the existing hotels and that of the new hotel are added up, they no longer equal 100% because of the new hotel's entry into the market. The market share of each hotel must be adjusted to reflect the change in the denominator that comprises the sum of each hotel's market share.

This adjustment can be mathematically calculated by dividing each hotel's market share percentages by the new denominator of 97.1%. The resulting calculations reflect each hotel's new adjusted market share. The sum of the adjusted market shares equals 100%, indicating that the adjustment has been successfully completed. Once the market shares have been calculated, the penetration factors can be recalculated (adjusted market share divided by fair share) to derive the adjusted penetration factors based upon the new hotel's entry into the market. Note that each existing hotel's penetration factor actually increases because the new hotel is capturing (penetrating) less than its fair share of demand.

### COMMERCIAL SEGMENT PROJECTIONS (YEAR 1)

Property	Number of Rooms	Fair Share	Hist./Proj. Penetration Factor	Hist./Proj. Market Share	Adjusted Market Share	Adjusted Penetration Factor	Projected Capture
Hotel A	100	19.0 %	127.6 %	24.3 %	25.0 %	131.4 %	13,688
Hotel B	125	23.8	129.0	30.7	31.6	132.8	17,299
Hotel C	200	38.1	68.1	25.9	26.7	70.1	14,600
New Hotel	100	19.0	85.0	16.2	16.7	87.5	9,117
<b>Totals/Average</b>	<b>525</b>	<b>100.0 %</b>		<b>97.1 %</b>	<b>100.0 %</b>		<b>54,704</b>

In its second year of operation, the new hotel is projected to penetrate above its fair share of demand. A penetration rate of 130% has been chosen, as the new hotel is expected to perform at a level commensurate with Hotel A and Hotel B in this market segment. The same calculations are performed to adjust market share and penetration factors. Note that now the penetration factors of the existing hotels decline below their original penetration rates because of the new hotel's above-market penetration. Also, note that after the market share adjustment, the new hotel retains a penetration rate commensurate with Hotel A and Hotel B, though the penetration rates of all three hotels have declined by approximately nine percentage points because of the reapportionment of demand.

Once the market shares of each hotel have been adjusted to reflect the entry of the new hotel into the market, the commercial room nights captured by each hotel may be projected by multiplying the hotel's market share percentage by the total commercial room-night demand. This calculation is shown below.

## COMMERCIAL SEGMENT PROJECTIONS (YEAR 2)

<b>Property</b>	<b>Number of Rooms</b>	<b>Fair Share</b>	<b>Hist./Proj. Penetration Factor</b>	<b>Hist./Proj. Market Share</b>	<b>Adjusted Market Share</b>	<b>Adjusted Penetration Factor</b>	<b>Projected Capture</b>
Hotel A	100	19.0 %	131.4 %	25.0 %	23.1 %	121.5 %	12,662
Hotel B	125	23.8	132.8	31.6	29.3	122.9	16,004
Hotel C	200	38.1	70.1	26.7	24.7	64.8	13,507
New Hotel	100	19.0	130.0	24.8	22.9	120.3	12,531
<b>Totals/Average</b>	<b>525</b>	<b>100.0 %</b>		<b>108.1 %</b>	<b>100.0 %</b>		<b>54,704</b>

## Explanation of the Simultaneous Valuation Formula

The algebraic equation known as the simultaneous valuation formula, which solves for the total property value using a ten-year mortgage and equity technique, was developed by Suzanne R. Mellen, CRE, MAI, FRICS, ISHC, Managing Director of the San Francisco office of HVS. A complete discussion of the technique is presented in her article entitled "Simultaneous Valuation: A New Technique."<sup>9</sup>

The process of solving for the value of the mortgage and equity components begins by deducting the annual debt service from the projected income before debt service, leaving the net income to equity for each year. The net income as of the eleventh year is capitalized into a reversionary value using the terminal capitalization rate. The equity residual, which is the total reversionary value less the mortgage balance at that point in time and less any brokerage and legal costs associated with the sale, is discounted to the date of value at the equity yield rate. The net income to equity for each projection year is also discounted back to the date of value. The sum of these discounted values equals the value of the equity component. Because the equity component comprises a specific percentage of the total value, the value of the mortgage and the total property can be computed easily. This process can be expressed in two algebraic equations that set forth the mathematical relationships between the known and unknown variables using the following symbols.

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<sup>9</sup>Suzanne R. Mellen. "Simultaneous Valuation: A New Technique," *Appraisal Journal*, April, 1983.

NI	=	Net income available for debt service
V	=	Value
M	=	Loan-to-value ratio
f	=	Annual debt service constant
n	=	Number of years in the projection period
d <sub>e</sub>	=	Annual cash available to equity
d <sub>r</sub>	=	Residual equity value
b	=	Brokerage and legal cost percentage
P	=	Fraction of the loan paid off during the projection period
f <sub>p</sub>	=	Annual constant required to amortize the entire loan during the projection period
R <sub>r</sub>	=	Overall terminal capitalization rate that is applied to net income to calculate the total property reversion (sales price at the end of the projection period)
1/S <sup>n</sup>	=	Present worth of \$1 factor (discount factor) at the equity yield rate

Using these symbols, the following formulas can be used to express some of the components of this mortgage and equity valuation process.

**Debt Service** – A property's debt service is calculated by first determining the mortgage amount that equals the total value (V) multiplied by the loan-to-value ratio (M). Debt service is derived by multiplying the mortgage amount by the annual debt service constant (f). The following formula represents debt service.

$$f \times M \times V = \text{Debt Service}$$

**Net Income to Equity (Equity Dividend)** – The net income to equity (d<sub>e</sub>) is the property's net income before debt service (NI) less debt service. The following formula represents the net income to equity.

$$NI - (f \times M \times V) = d_e$$

**Reversionary Value** – The value of the hotel at the end of the tenth year is calculated by dividing the eleventh-year net income before debt service (NI<sup>11</sup>) by the terminal capitalization rate (R<sub>r</sub>). The following formula represents the property's tenth-year reversionary value.

$$(NI^{11}/R_r) = \text{Reversionary Value}$$

**Brokerage and Legal Costs** – When a hotel is sold, certain costs are associated with the transaction. Normally, the broker is paid a commission and the attorney collects legal fees. In the case of hotel transactions, brokerage and legal costs typically range from 1% to 4% of the sales price. Because these expenses reduce the proceeds to the seller, they are usually deducted from the reversionary value in the mortgage and equity valuation process. Brokerage and legal costs (b), expressed as a percentage of reversionary value ( $NI^{11}/R_r$ ), are calculated by application of the following formula.

$$b (NI^{11}/R_r) = \text{Brokerage and Legal Costs}$$

**Ending Mortgage Balance** – The mortgage balance at the end of the tenth year must be deducted from the total reversionary value (debt and equity) in order to determine the equity residual. The formula used to determine the fraction of the loan remaining (expressed as a percentage of the original loan balance) at any point in time (P) takes the annual debt service constant of the loan over the entire amortization period (f) less the mortgage interest rate (i), and divides it by the annual constant required to amortize the entire loan during the ten-year projection period ( $f_p$ ) less the mortgage interest rate. The following formula represents the fraction of the loan paid off (P).

$$(f - i)/(f_p - i) = P$$

If the fraction of the loan paid off (expressed as a percentage of the initial loan balance) is P, then the remaining loan percentage is expressed as 1 - P. The ending mortgage balance is the fraction of the remaining loan (1 - P) multiplied by the initial loan amount (M x V). The following formula represents the ending mortgage balance.

$$(1 - P) \times M \times V$$

**Equity Residual Value** – The value of the equity upon the sale at the end of the projection period ( $d_r$ ) is the reversionary value less the brokerage and legal costs and the ending mortgage balance. The following formula represents the equity residual value.

$$(NI^{11}/R_r) - (b (NI^{11}/R_r) - ((1 - P) \times M \times V)) = d_r$$

**Annual Cash Flow to Equity** – The annual cash flow to equity consists of the equity dividend for each projection year plus the equity residual at the end of the tenth year. The following formula represents the annual cash flow to equity.



$$NI^1 - (f \times M \times V) = d_e^1$$

$$NI^2 - (f \times M \times V) = d_e^2$$

$$NI^{10} - (f \times M \times V) = d_e^{10}$$

$$(NI^{11}/R_r) - (b (NI^{11}/R_r) - ((1 - P) \times M \times V)) = d_r$$

**Value of the Equity** – If the initial mortgage amount is calculated by multiplying the loan-to-value ratio (M) by the property value (V), then the equity value is one minus the loan-to-value ratio multiplied by the property value. The following formula represents the value of the equity.

$$(1 - M) V$$

**Discounting the Cash Flow to Equity to the Present Value** – The cash flow to equity in each projection year is discounted to the present value at the equity yield rate ( $1/S^n$ ). The sum of these cash flows is the value of the equity  $(1 - M) V$ . The following formula represents the calculation of equity as the sum of the discounted cash flows.

$$(d_e^1 \times 1/S^1) + (d_e^2 \times 1/S^2) + \dots + (d_e^{10} \times 1/S^{10}) + (d_r \times 1/S^{10}) = (1 - M) V$$

**Combining the Equations: Annual Cash Flow to Equity and Discounting the Cash Flow to Equity to the Present Value** – The last step is to arrive at one overall equation that shows that the annual cash flow to equity plus the yearly discounting to the present value equals the value of the equity.

$$((NI^1 - (f \times M \times V)) 1/S^1) + ((NI^2 - (f \times M \times V)) 1/S^2) + \dots$$

$$((NI^{10} - (f \times M \times V)) 1/S^{10}) +$$

$$(((NI^{11}/R_r) - (b (NI^{11}/R_r) - ((1 - P) \times M \times V)) 1/S^{10}) = (1 - M) V$$

Because the only unknown in this equation is the property's value (V), it can be solved readily.

**Ten-Year Projection of Income and Expense** – Because the fixed and variable forecast of income and expense is carried out only to the stabilized year, it is necessary to continue the projection to the eleventh year. In most cases, net income before debt service beyond the stabilized year is projected at an assumed inflation rate. By increasing a property's revenue and expenses at the same rate of inflation, net income remains constant as a percentage of total revenue, and the dollar amount escalates at the annual inflation rate. The ten-year forecast of

income and expense illustrates the subject property's net income, which is assumed to increase by 3.0% annually subsequent to the hotel's stabilized year of operation.

The following values are assigned to the variable components for the purposes of this valuation.

### SUMMARY OF KNOWN VARIABLES

Annual Net Income	NI	See Ten-Year Forecast
Loan-To-Value Ratio	M	65 %
Interest Rate	<i>i</i>	5.50 %
Debt Service Constant	f	0.073690
Equity Yield	Ye	17.5 %
Transaction Costs	b	2.5 %
Annual Constant Required to Amortize the Loan in Ten Years	fp	0.130232
Terminal Capitalization Rate	Rr	9.0 %

The following table illustrates the present worth of a \$1 factor at the 17.5% equity yield rate.

### PRESENT WORTH OF \$1 FACTOR AT THE EQUITY YIELD RATE

Year Ending	Present Worth of \$1 Factor at 17.5%
2016	0.851075
2017	0.724328
2018	0.616457
2019	0.524651
2020	0.446517
2021	0.380019
2022	0.323425
2023	0.275259
2024	0.234266
2025	0.199377

Using these known variables, the following intermediary calculations must be made before applying the simultaneous valuation formula. The fraction of the loan paid off during the projection period is calculated as follows.

$$P = ( 0.07369 - 0.0550 ) / ( 0.13023 - 0.0550 ) = 0.248440$$

The annual debt service is calculated as  $f \times M \times V$ .

$$(f \times M \times V) = 0.07369 \times 0.65 \times V = ( 0.0479 )V$$

Inserting the known variables into the hotel valuation formula produces the following.

( 2,515,000 -	0.04790 V ) x	0.85106 +
( 3,065,000 -	0.04790 V ) x	0.72431 +
( 3,275,000 -	0.04790 V ) x	0.61643 +
( 3,373,000 -	0.04790 V ) x	0.52462 +
( 3,474,000 -	0.04790 V ) x	0.44649 +
( 3,578,000 -	0.04790 V ) x	0.37999 +
( 3,685,000 -	0.04790 V ) x	0.3234 +
( 3,796,000 -	0.04790 V ) x	0.27523 +
( 3,909,000 -	0.04790 V ) x	0.23424 +
( 4,027,000 -	0.04790 V ) x	0.19935 +

$$((( 4,148,000 / 0.090 ) - ( 0.025 \times ( 4,148,000 / 0.090 ) ) - (( 1 - 0.248440 ) \times 0.7 \times V)) \times 0.199352 ) = ( 1 - 0.65 ) V$$

Like terms are combined as follows.

$$\begin{aligned} \$23,972,675 - 0.316530V &= (1 - 0.65)V \\ \$23,972,675 &= 0.66653V \\ V &= \$23,972,675 / 0.66653 \\ V &= \$35,966,398 \end{aligned}$$

Total Property Value as Indicated by  
the Income Capitalization  
Approach (Say) = \$36,000,000

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# Michael Brophy

## EMPLOYMENT

2004 to present

HVS CONSULTING AND VALUATION SERVICES  
Atlanta, Georgia

2001 – 2003

TWO RIVERS CONVENTION CENTER/AVALON THEATRE  
Grand Junction, Colorado

1998 – 2001

SOUTHFORK RANCH EVENT AND CONFERENCE CENTER  
Dallas, Texas

1995 – 1998

WYNDHAM INTERNATIONAL  
San Rafael, California; Commerce, California; Dallas, Texas

## EDUCATION AND OTHER TRAINING

BS – East Stroudsburg State University

*Certified General Appraiser Classes Completed:*

Basic Real Estate Appraisal – 60 hours

Uniform Residential Appraisal Report – 15 hours

Uniform Standards of Professional Appraisal Practice – 15 hours

Basic Income Capitalization – 39 hours

Apartment Appraisal – 15 hours

Residential Report Writing and Case Studies – 15 hours

General Appraiser Market Analysis and HBU – 30 hours

General Appraiser Site Valuation and Cost Approach – 30 hours

General Appraiser Sales Comparison Approach – 30 hours

Real Estate Finance, Statistics, and Valuation Modeling – 15 hours

General Appraiser Report Writing and Case Studies – 30 hours

General Appraiser Income Approach, Part II – 30 hours

Advanced Income Capitalization – 40 hours

**EDUCATION AND OTHER TRAINING (CON'T)**

General Demonstration Appraisal Report Writing Report Seminar – 7 hours  
 Advanced Sales & Cost – 40 hours  
 Report Writing and Valuation Analysis – 40 hours  
 Business Practices and Ethics – 7 hours  
 Fundamentals of Separating Real, Personal Property, and Intangible Business Assets – 15 hours  
 Advanced Applications – 40 hours  
 Forecasting Revenue – 7 hours  
 PA Law Class – 2 hours  
 USPAP Update – 2008, 2011, 2012

**STATE CERTIFICATIONS**

Alabama, Georgia, Florida, Illinois, Mississippi, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee

**PUBLISHED ARTICLES**

*HVS Journal* “Market Intelligence Report 2013: Atlanta,” June 2013  
*HVS Journal* “Hotel Performance, Transactions, and Values: News from the 25th Annual Hunter Hotel Conference,” April 2013  
*HVS Journal* “HVS Hotel Market Snapshot: Atlanta,” April 2011  
*HVS Journal* “HVS Reflections on the 2010 Hunter Hotel Conference,” co-authored with Janet Snyder, May 2010  
*HVS Journal* “What You Need to Consider Before Buying a Distressed Property,” co-authored with Li Chen, August 2009  
*HVS Journal* “Brand Power: InterContinental Hotels Group,” March 2009

**PROFESSIONAL AFFILIATIONS**

Flower Mound Chamber of Commerce  
 American Hotel & Lodging Association

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**EXAMPLES OF CORPORATE AND INSTITUTIONAL CLIENTS SERVED**

AEW  
 Aldridge, Inc.  
 American Hotel Development Partners  
 American Property Management  
 Archon Hospitality  
 Ardmore Tourism Authority  
 Arnall Golden Gregory LLP  
 Ascent Hospitality LLC  
 Assent Capital LLC  
 Avista  
 Aztec Group, Inc.  
 B&H Hospitality  
 Baha Mar Development Company  
 Bankers Bank  
 Bank MidWest  
 Bank of America  
 Bank of Hampton Roads  
 Bank of Jackson Hole  
 Barclays  
 Bear Stearns  
 Behringer Harvard  
 Benchmark Development  
 Berkshire Hotels Group  
 Blanchard & Calhoun  
 BNA Associates  
 Branch Banking & Trust Co.  
 Brotherhood Bank & Trust  
 Buena Vista Hospitality Group  
 Cabi Developers  
 Camden National Bank  
 Capital Funding Group  
 Cathay Bank  
 Cava Construction  
 CB Richard Ellis  
 Centerline Capital Group  
 Cheeca Holdings, LLC  
 CIBC World Markets  
 CIT  
 Citigroup  
 City of Acworth  
 City of Chattanooga  
 Clarion Partners  
 Columbus Bank & Trust  
 Column Financial

Commerce National Bank  
 Cornerstone Bank  
 Countrywide  
 Credit Suisse  
 CS First Boston  
 CU Business Capital  
 CWCcapital  
 Delco Development  
 Deutsche Bank  
 Dillon Read  
 Dimension Development  
 Eastside Commercial Bank  
 Elm Street Center, LLC  
 Falor Companies  
 Fidelity Bank  
 First Hartford Realty  
 Foxhall Resort and Sporting Club  
 Galleria Ventures  
 Ganesh Ventures LLC  
 GE Capital  
 Gencom  
 Goldman Sachs  
 GS Development LLC  
 Guy Mitchell  
 Hall Financial  
 Harrell Hospitality  
 Holland Development Group  
 Holloway Lodging REIT  
 HomePlace Developers  
 The HUB Mixed Use LLC  
 iCAP Realty Advisors  
 Impact Properties  
 ING Investment Management  
 Investcorp  
 Jackson State Bank & Trust  
 JER Partners  
 Johnson Resort Properties  
 Jones Lang LaSalle  
 JPMorgan Chase  
 Kent State University  
 KMW Real Estate  
 Lake Real Estate  
 Latitude Hospitality, Inc.  
 Laureate Capital  
 Lehman Brothers  
 Lennar  
 Lexden Capital

Love Funding  
 LRP  
 Manchester Texas Financial Group  
 MainSource Bank  
 Mellon Bank  
 Merrill Lynch  
 MetLife  
 MetroFund Group  
 Midland Loan Services  
 MMA Realty, Inc.  
 Mockingbird Properties  
 Moody National Companies  
 Morgan Stanley  
 Mutual Bank  
 Natixis Real Estate Capital  
 Neptune Hospitality  
 Nock Investments, Inc.  
 Nomura  
 North Ocean Management Group  
 Northview Hotel Group  
 NRF Capital  
 NXT Capital, LLC  
 Oakworth Capital Bank  
 O'Connor Capital  
 Palmetto Bank  
 Paragon Hotel Company  
 Park Hospitality Group  
 Park National Bank  
 PB Capital Corporation  
 Peachtree Hotel Group  
 Peoples Bank Biloxi  
 Pleasant Hill Partners  
 Potomac Business Services  
 Prescient Capital  
 Principal Real Estate Investors  
 ProHomes, LLC  
 Prudential  
 Purdue University  
 Quarterage Hotel  
 Quincy Investments  
 Ranger Properties  
 RBS  
 Remington  
 Resort Management Group LLC  
 Rialto Capital  
 Rilea Group  
 River Hall Partnership

Robinson McFadden Attorney  
 Rolarco Services  
 Sabra Enterprises  
 Self-Help Bank  
 Shore Land Ventures, LLC  
 Silverton Bank  
 Site Realty  
 Smith, Gambrell & Russell, LLP  
 Somerock University Mall Holdings,  
 LLC  
 SouthCity Bank  
 Specialty Finance Group  
 State Bank of Texas  
 Steiner  
 Summit Financial  
 Summit Hotel Group  
 Textron Financial  
 The Blackstone Group  
 Third Ward Park Holding LLC  
 TIB Bank  
 TJ, LLC  
 Torgerson Properties  
 Tramz Hotels  
 TriState Bank  
 True North Development Group  
 TVO North America  
 UBS Investment Bank  
 University of West Florida  
 Upscale Companies  
 US Bank  
 Valuation Management Group  
 Vieste Development  
 Vintage Companies  
 Vision Hospitality Group  
 WG Yates and Sons Construction  
 Windmill Development  
 Winslow Homes, LLC  
 WPM Construction LLC

**EXAMPLES OF PROPERTIES APPRAISED  
 OR EVALUATED**

**PORTFOLIO ANALYSIS**

Quarterly Portfolio of 57 Clarion-  
 Owned Properties, Various  
 Locations

**ALABAMA**

Hampton Inn & Suites, Athens  
 Hampton Inn, Bessemer  
 Hampton Inn, Birmingham  
 Hilton, Birmingham  
 Proposed aloft, Birmingham  
 Residence Inn by Marriott,  
 Birmingham  
 Proposed Fairfield Inn by Marriott,  
 Greenville  
 Embassy Suites, Hoover  
 Hilton Garden Inn, Huntsville  
 Hampton Inn, Montgomery  
 Proposed Hilton Garden Inn,  
 Montgomery  
 Baymont Inn & Suites, Oxford

**ARIZONA**

Phoenix Highland Hotel, Phoenix  
 Phoenix Inn, Phoenix  
 Phoenix Place Hotel and Suites  
 (DoubleTree Conversion), Phoenix  
 Radisson, Phoenix  
 Proposed Summerfield Suites, Tempe  
 DoubleTree, Tucson

**ARKANSAS**

Radisson, Fayetteville  
 Embassy Suites, Little Rock  
 La Quinta, Little Rock  
 Proposed Embassy Suites, Little Rock  
 Proposed Sheraton, Rogers  
 Hampton Inn & Suites, Springdale  
 Holiday Inn, Springdale

**CALIFORNIA**

Ventana Inn & Spa, Big Sur  
 DoubleTree, Commerce  
 Homewood Suites by Hilton, La Quinta  
 Sheraton Four Points, Los Angeles  
 Westin Century Plaza, Los Angeles  
 Embassy Suites, Monterey Bay  
 Best Western, Poway  
 Proposed Hyatt Summerfield Suites,  
 Roseville  
 La Quinta, San Diego  
 Casa Madrona, Sausalito  
 Embassy Suites Monterey Bay, Seaside  
 Fairmont Mission Inn, Sonoma

**COLORADO**

Homewood Suites, Boulder  
 Sheraton, Colorado Springs

**CONNECTICUT**

Sheraton, Stamford  
 Mayflower Inn & Spa, Washington  
 Courtyard by Marriott, Waterbury

**DELAWARE**

Courtyard by Marriott, Wilmington  
 McIntosh Hotel, Wilmington

**DISTRICT OF COLUMBIA**

Capitol Hill Suites  
 Courtyard by Marriott Navy Yard  
 DoubleTree

**FLORIDA**

South Seas Resort, Captiva Island  
 Hilton, Clearwater Beach  
 Hilton, Cocoa Beach



Mayfair Hotel & Spa, Coconut Grove  
 Omni, Coral Gables  
 Holiday Inn, Daytona Beach  
 Hawk's Cay, Duck Key  
 Red Roof Inn, Fort Lauderdale  
 Fairfield Inn & Suites, Gainesville  
 Ramada Inn, Hialeah  
 Proposed Hotel, Indian Rocks Beach  
 Cheeca Lodge & Spa, Islamorada  
 Sheraton, Key Largo  
 Crowne Plaza, Key West  
 Inn at Key West, Key West  
 Proposed Hotel, Key West  
 Proposed Hampton Inn & Suites,  
 Lake Buena Vista  
 Hilton, Melbourne  
 Quality Suites, Melbourne  
 Mayfair, Miami  
 Hacienda Hotel, New Port Richey  
 Proposed Hampton Inn, New Smyrna  
 Beach  
 Best Western, Ocala  
 Hilton Garden Inn, Orange Park  
 DoubleTree, Orlando  
 International Plaza Resort, Orlando  
 Proposed Condo Hotel, Orlando  
 Coral Sands Hotel, Ormond Beach  
 Hilton, Palm Beach  
 Ocean Club Beach Resort, Palm Beach  
 Proposed Hotel – UWF, Pensacola  
 Proposed Hyatt Place & Conference  
 Center, Pensacola  
 Days Inn, Port Charlotte  
 Hampton Inn, Port Charlotte  
 SpringHill Suites, Port St. Lucie  
 Sanibel Inn, Sanibel Island  
 Seaside Inn, Sanibel Island  
 Song of the Sea, Sanibel Island  
 Sundial Beach Resort, Sanibel Island  
 Sunset Beach Resort, Sanibel Island  
 Tradewinds Resort, St. Petersburg  
 Holiday Inn, Tallahassee  
 Proposed element, Tampa  
 Proposed Holiday Inn, Tampa

## GEORGIA

Proposed Hotel, Acworth  
 Proposed Hampton Inn & Suites,  
 Adairsville  
 Courtyard Atlanta Executive Park,  
 Atlanta  
 Courtyard Atlanta  
 Glenridge/Perimeter, Atlanta  
 Courtyard Buckhead, Atlanta  
 Crowne Plaza Ravinia, Atlanta  
 The Glenn Hotel, Atlanta  
 Homewood Suites, Atlanta  
 Mansion on Peachtree, Atlanta – *expert  
 testimony*  
 Red Roof Inn, Atlanta  
 Renaissance Concourse, Atlanta  
 Residence Inn, Atlanta  
 Ritz-Carlton Downtown, Atlanta  
 Westin Airport, Atlanta  
 W Hotel, Atlanta  
 W Midtown, Atlanta  
 Candlewood Suites, Athens  
 Proposed Candlewood Suites, Athens  
 Proposed Hotel Condo Conversion,  
 Athens  
 Proposed Select-Service Hotel,  
 Augusta  
 Proposed TownePlace Suites, Augusta  
 Quality Inn & Suites, Bremen  
 SpringHill Suites, Buckhead  
 Proposed Courtyard by Marriott,  
 Buford  
 Proposed Cambria Suites, College Park  
 Proposed Foxhall Resort, Douglas  
 County  
 Hilton Garden Inn, Duluth  
 Holiday Inn Gwinnett Center, Duluth  
 Residence Inn, Hapeville  
 Embassy Suites, Kennesaw  
 Proposed Four Points, Kennesaw  
 Proposed Hotel, Lake Oconee  
 Proposed Full-Service Hotel,  
 Lawrenceville  
 Proposed Hotel, Macon  
 Hilton Atlanta Northeast, Norcross  
 Proposed aloft, Perimeter

Proposed Luxury Collection, Rising  
 Fawn  
 Proposed Cambria Suites, Savannah  
 Proposed Extended-Stay Hotel,  
 Savannah  
 Proposed Indigo Hotel, Savannah  
 Fairfield Inn & Suites, Valdosta  
 Wingate Inn, Valdosta

## ILLINOIS

Proposed Hotel & Conference Center,  
 Alton  
 Hotel Allegro, Chicago  
 Lenox Suites, Chicago  
 Proposed Renaissance, Chicago  
 Proposed Wyndham, Chicago  
 Radisson, Chicago  
 Wyndham Downtown, Chicago  
 Wyndham O'Hare, Chicago  
 Residence Inn, Deerfield  
 Wyndham Northwest, Itasca  
 Crowne Plaza Chicago O'Hare,  
 Rosemont

## INDIANA

Marriott, Evansville  
 Proposed Hotel/Impact Study, West  
 Lafayette  
 Proposed Union Club Hotel, West  
 Lafayette

## IOWA

Proposed Hilton Garden Inn &  
 Conference Center, Amana  
 Marriott (Collins Plaza), Cedar Rapids  
 Proposed Sheraton, Davenport  
 Radisson, Davenport

## LOUISIANA

Proposed Candlewood Suites, Baton Rouge  
 Holiday Inn Westbank, Gretna  
 Proposed Candlewood Suites, Lafayette  
 Proposed Homewood Suites, Lafayette  
 Proposed Holiday Inn, New Orleans

**MAINE**

Econo Lodge Inn & Suites, Augusta  
 Hilton Garden Inn, Portland

**MARYLAND**

Proposed Staybridge Suites, Baltimore  
 Proposed Select-Service Hotel & Conference Center, Queen Anne’s County

**MASSACHUSETTS**

Nine Zero, Boston  
 Proposed Courtyard, Pittsfield  
 Sierra Suites, Waltham  
 DoubleTree, Westborough  
 Sierra Suites, Westborough  
 Sierra Suites, Woburn

**MICHIGAN**

Residence Inn, Kalamazoo

**MINNESOTA**

DoubleTree Park Place, Minneapolis  
 Proposed Homewood Suites, New Brighton  
 Proposed Homewood Suites, St. Louis Park

**MISSISSIPPI**

Holiday Inn, Biloxi  
 Proposed Four Points, Biloxi  
 Proposed Hilton Garden Inn, Biloxi  
 Proposed Hilton Hotel, Biloxi  
 Proposed Independent Hotel, Biloxi  
 Dancing Rabbit Inn, Philadelphia

**MISSOURI**

Colonnade Hotel, Branson  
 Proposed Indigo Hotel, Clayton  
 Hotel President, Kansas City  
 Proposed Full-Service Hotel, Kansas City  
 Proposed Indigo Hotel, Kansas City  
 Quarterage Hotel, Kansas City  
 Courtyard by Marriott, Springfield  
 Holiday Inn Airport West, St. Louis  
 Holiday Inn Riverport, St. Louis

**NEBRASKA**

Country Inn & Suites, Omaha

**NEW HAMPSHIRE**

Hampton Inn & Suites, Tilton

**NEW JERSEY**

Clarion Hotel Conversion, Cherry Hill  
 Fairfield Inn, East Rutherford  
 Proposed SpringHill Suites, East Rutherford  
 Sheraton, Eatontown  
 DoubleTree Newark Airport, Elizabeth  
 Four Points Newark Airport, Elizabeth  
 Proposed Sheraton Hotel, Elmwood Park  
 Crowne Plaza, Jamesburg  
 Proposed Hampton Inn, Jersey City

Proposed Homewood Suites, Jersey City  
 Proposed Hotel, Mt. Laurel  
 Proposed Hotel, Lakewood  
 Courtyard by Marriott, Lyndhurst  
 Proposed Fairfield Inn, Millville  
 Proposed Hotel, Millville  
 Proposed TownePlace Suites, Millville  
 Hilton, Newark  
 Renaissance, Rutherford  
 Crowne Plaza, Somerset  
 Hampton Inn, Woodbridge

**NEW MEXICO**

Albuquerque Grand Airport Hotel, Albuquerque  
 SpringHill Suites, Las Cruces  
 Hilton, Santa Fe

**NEW YORK**

DoubleTree, East Syracuse  
 Proposed Hotel, Ithaca  
 Holiday Inn, Jamaica  
 Barton Hill, Lewiston  
 Proposed Hotel, New York City  
 Land Appraisal, Ronkonkoma  
 Proposed Homewood Suites, Ronkonkoma  
 Staten Island Hotel, Staten Island  
 Proposed Courtyard by Marriott, Syracuse  
 Proposed Residence Inn by Marriott, Syracuse  
 Proposed Homewood Suites, Vestal

**NORTH CAROLINA**

Hampton Inn, Aberdeen  
 Proposed Homewood Suites by Hilton, Asheville  
 Sheraton, Atlantic Beach

Proposed Tweetsie Railroad Hotel,  
Blowing Rock  
Hampton Inn, Boone  
Proposed Hilton Garden Inn, Carolina  
Beach  
Proposed Hilton Garden Inn, Cary  
Proposed SpringHill Suites, Charlotte  
Proposed Hyatt Place, Concord  
Proposed 21c Hotel, Durham  
Proposed Hotel Indigo, Greensboro  
Comfort Suites, Huntersville  
Sea Ranch Hotel, Kill Devil Hills  
SpringHill Suites, Pinehurst  
Proposed element, Raleigh-Durham  
Residence Inn by Marriott, Southern  
Pines  
Hilton Garden Inn, Winston-Salem

#### **NORTH DAKOTA**

Hilton Garden Inn, Grand Forks

#### **OHIO**

InnPlace Suites, Akron  
Proposed Hotel, Akron  
Residence Inn, Akron  
Proposed Conference Center Hotel,  
Canton  
Residence Inn, Cincinnati  
Proposed Cambria Suites, Columbus  
Proposed Hyatt Place, Columbus  
Proposed Hotel Developments,  
Rockside

#### **OKLAHOMA**

Proposed Lake Murray Resort,  
Ardmore  
Holiday Inn Express, Jenks  
Courtyard by Marriott, Oklahoma City  
Four Points, Oklahoma City  
Sheraton, Oklahoma City  
Staybridge Suites, Tulsa

#### **OREGON**

Embassy Suites, Portland

#### **PENNSYLVANIA**

Marriott Pittsburgh Airport,  
Coraopolis  
Proposed Embassy Suites, Erie  
Comfort Inn, Langhorne  
Crowne Plaza Airport, Pittsburgh  
Residence Inn by Marriott, Pittsburgh  
SpringHill Suites, Pittsburgh  
Proposed Staybridge Suites,  
Royersford  
Shawnee Resort, Shawnee on the  
Delaware

#### **SOUTH CAROLINA**

Hampton Inn & Suites, Bluffton  
Proposed Radisson Hotel, Charleston  
Hilton Garden Inn, Columbia  
InnPlace Suites, Columbia  
Holiday Inn Express, Fort Mill  
Holiday Inn Express, Greenville  
Quality Inn, Greenville  
Wild Dunes, Isle of Palms  
Holiday Inn Express, Murrells Inlet  
Crowne Reef Resort Conversion,  
Myrtle Beach  
Springmaid Beach Resort, Myrtle  
Beach  
Proposed Courtyard by Marriott,  
Summerville

#### **TENNESSEE**

Proposed Full-Service Hotel,  
Chattanooga  
Embassy Suites, Franklin  
Hilton Hotel, Knoxville  
Marriott Vanderbilt, Nashville

Sheraton Music City, Nashville

#### **TEXAS**

Crowne Plaza, Addison  
InterContinental Dallas, Addison  
Residence Inn, Addison  
Summerfield Suites, Addison  
Residence Inn, Arlington  
Bradford Suites, Austin  
DoubleTree Club, Austin  
Holiday Inn Express, Austin  
Park Plaza (old Hilton), Austin  
Proposed Convention Center Hotel,  
Austin  
Proposed Galleria Hotel, Dallas  
Radisson Love Field, Dallas  
Radisson, Dallas  
The Stoneleigh, Dallas  
Wyndham Market Center, Dallas  
Proposed Hotel, Edinburg  
Proposed Hilton Garden Inn, El Paso  
Residence Inn, Fort Worth  
Proposed Hilton Garden Inn, Frisco  
Proposed Sheraton, Frisco  
Westin Stonebriar, Frisco  
Proposed Hotel, Georgetown  
Hyatt Place, Grand Prairie  
AmeriSuites, Grapevine  
Embassy Suites, Grapevine  
Courtyard by Marriott, Irving  
Proposed element, Irving  
SpringHill Suites Las Colinas, Irving  
Summerfield Suites Las Colinas, Irving  
Holiday Inn Express, Plainview  
Courtyard by Marriott Riverwalk, San  
Antonio  
Hawthorn Suites, San Antonio  
Homewood Suites, San Antonio  
Proposed element, San Antonio  
Proposed Embassy Suites, San Antonio  
Proposed Four Points, San Antonio  
Proposed Hilton Garden Inn, San  
Antonio  
Proposed Omni, San Antonio

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Proposed Starwood Luxury Collection,  
San Antonio  
Sheraton Gunter, San Antonio  
Wyndham St. Anthony, San Antonio  
Proposed Hotel, Waco  
Holiday Inn Express, Weatherford

#### **UTAH**

Homewood Suites, Midvale  
Best Western Capitol Reef, Torrey

#### **VIRGINIA**

Alexandria Monaco, Alexandria  
Morrison House, Alexandria  
Proposed Beacon Hotel, Charlottesville  
Best Western, Exmore  
Homewood Suites, Glen Allen  
Monaco, Alexandria  
Morrison House, Alexandria  
Proposed Courtyard by Marriott,  
Newport News  
Residence Inn, Norfolk  
DoubleTree Airport, Richmond  
Residence Inn by Marriott, Tysons  
Corner  
Proposed Hotel, Virginia Beach  
Lexington George Washington Inn,  
Williamsburg

#### **WASHINGTON**

Hilton Garden Inn, Seattle

#### **WISCONSIN**

Cambria Suites, Appleton

#### **WYOMING**

Best Western, Jackson

Best Western The Lodge at Jackson  
Hole, Jackson Hole  
The Rustic Inn, Jackson Hole

#### **INTERNATIONAL**

#### **THE BAHAMAS**

The Villas at Grand Isle Resort & Spa,  
Emerald Bay  
Grand Isles Condos, Great Exuma

#### **MEXICO**

Park Royal, Acapulco  
Hyatt Cancun Caribe, Cancun  
Park Royal Piramides, Cancun  
Park Royal, Cozumel  
Radisson Resort, Ixtapa  
Park Royal, Los Cabos  
Proposed Hotel, Playa del Carmen

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## Adam Lair, MAI

### EMPLOYMENT

2011 to present

HVS CONSULTING AND VALUATION SERVICES  
Atlanta, Georgia

2007 – 2011

AXIA VALUATION  
New Orleans, Louisiana

### EDUCATION AND OTHER TRAINING

BA – Louisiana State University

*Other Specialized Training Classes Completed:*

National USPAP Course – 15 hours

National USPAP Course Update – 7 hours

Basic Appraisal Principles – 30 hours

Basic Appraisal Procedures – 30 hours

Real Estate Finance, Statistics, Valuation Modeling – 15 hours

General Appraiser Market Analysis and Highest & Best Use – 30 hours

General Appraiser Sales Comparison Approach – 30 hours

General Appraiser Site Valuation and Cost Approach – 30 hours

General Appraiser Income Approach – 60 hours

General Appraiser Report Writing and Case Studies – 30 hours

Advanced Sales Comparison and Cost Approaches – 40 hours

Business Practices and Ethics – 7 hours

Advanced Concepts and Case Studies – 40 hours

Advanced Income Capitalization – 40 hours

Florida Law Class – 3 hours

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**STATE CERTIFICATIONS**

Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Texas

**PROFESSIONAL  
AFFILIATIONS**

Appraisal Institute – Designated Member (MAI)

**PUBLISHED ARTICLES**

*HVS Journal*

“HVS Hotel Market Intelligence Report: New Orleans, Louisiana,” January 2012

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**EXAMPLES OF CORPORATE AND INSTITUTIONAL CLIENTS SERVED**

Adams and Reese LLP  
 Archetype Mortgage Capital  
 Bancorp South  
 BB&T  
 Biltmore Company  
 BNA Associates  
 Borrego Springs Bank  
 Business First Bank  
 Cantor Commercial Real Estate Lending LLC  
 Capital Bank  
 Capital One  
 Capsule Group  
 Citi  
 Citizens National Bank of Meriden  
 Citizens National Bank  
 Clarion Partners  
 Cornerstone Commercial Mortgages, LLC  
 Cushman & Wakefield  
 CWB Bank  
 CW Capital  
 Deutsche Bank  
 DRDC-Citymarket LLC  
 Eastern Capital  
 EKS&H  
 Fidelity Bank  
 Fine Hospitality Group  
 First Jackson Bank  
 First NBC Bank  
 First National Bank of Talladega  
 First NBC Bank  
 Foxhall Event & Sporting Club  
 Gainesville Stimulus Fund  
 Glacier Club  
 Greenspoon Marder  
 Hana Small Business Lending  
 HDG Mansur  
 The HUB Mixed Use LLC  
 International Bank of Commerce  
 JPMorgan Chase  
 Kennebunk Savings  
 Legence Bank  
 Merrill Trust Communities & Resorts

Metro City Bank  
 Midfirst Bank  
 Mountain 1<sup>st</sup> Bank & Trust  
 NBT Bank  
 Noah Bank  
 Northern Riverfront Marina & Hotel LLLP  
 NXT Capital, LLC  
 Oxbox Ventures  
 Patriot Group  
 PCCP, LLC  
 Prudential  
 Quadrant Financial  
 Ram Hotel Development  
 Redwood Commercial Mortgage  
 Regions Bank  
 Robinson McFadden Attorney  
 Simon Properties  
 Summit Hotel Properties  
 Susquehanna  
 Total Bank  
 UrbanAmerica  
 USB  
 US Bank  
 Valuation Management Group, LLC  
 Vieste Development  
 Wells Fargo  
 Wilshire Bank  
 WPM Construction

**EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED**

**ALABAMA**

Holiday Inn Express, Auburn  
 Comfort Inn & Suites, Birmingham  
 Hilton, Birmingham  
 Best Western Daphne  
 City Lodge, Florence  
 Best Western, Gadsden  
 Country Inn & Suites, Homewood  
 Homewood Suites, Huntsville  
 Comfort Inn, Mobile  
 Homewood Suites, Mobile  
 Best Western, Montgomery  
 Proposed Courtyard, Phenix City  
 Quality Inn, Phenix City  
 Days Inn, Saraland

**ARIZONA**

Palm Inn, Yuma

**CALIFORNIA**

Proposed Hilton Garden Inn, Burbank  
 Residence Inn by Marriott  
 Days Inn & Suites, Palmdale

**COLORADO**

Proposed Hotel Glacier Club, Durango  
 The Peaks Resort and Spa, Telluride

**DISTRICT OF COLUMBIA**

Proposed Cambria Suites

**FLORIDA**

Proposed Select-Service Hotel, Boca Raton  
 Hampton Inn, Clermont  
 Daytona Beach Resort, Daytona Beach  
 Comfort Inn, Jupiter  
 Hilton Garden Inn, Lake Mary  
 Proposed Courtyard by Marriott, Marathon  
 Candlewood Suites, Melbourne  
 Proposed Hotel Dadeland Mall, Miami  
 DoubleTree Orlando at SeaWorld, Orlando  
 Fairfield Inn, Orlando

**GEORGIA**

Clermont Hotel, Atlanta  
 Comfort Inn, Atlanta  
 Country Inn, Atlanta  
 Crowne Plaza Ravinia, Atlanta  
 Quality Inn, Atlanta  
 Ritz-Carlton Downtown, Atlanta  
 Westin Perimeter North, Atlanta  
 Hilton Garden Inn, College Park  
 Quality Inn & Suites, College Park  
 Proposed Boutique Hotel, Douglas County  
 Proposed Westin, Douglas County  
 Quality Inn, Savannah  
 Proposed Fairfield Inn & Suites, Stockbridge  
 Fairfield Inn & Suites, Valdosta

**ILLINOIS**

Allegro, Chicago

**INDIANA**

Hampton Inn, Warsaw

**LOUISIANA**

Holiday Inn, Baton Rouge  
 Country Inn & Suites, Covington  
 Travelodge, Harvey  
 Courtyard by Marriott, Houma  
 Crowne Plaza, Kenner  
 Super 8, Lake Charles  
 Courtyard, Metairie  
 Residence Inn, Metairie  
 Courtyard Convention Center, New Orleans  
 Courtyard French Quarter, New Orleans  
 InterContinental, New Orleans  
 Proposed Hyatt House, New Orleans  
 SpringHill Suites Convention Center, New Orleans

**MAINE**

Econo Lodge, Freeport

**MARYLAND**

Ramada Inn, Perryville  
 Quality Inn Econo Lodge, Takoma Park

**MISSISSIPPI**

Proposed Hampton Inn & Suites, Gulfport  
 Proposed Hotel University of Mississippi Medical Center, Jackson  
 Comfort Inn, Laurel  
 Super 8, Moss Point  
 America's Best Inns & Suites, Tupelo

**NEVADA**

Holiday Inn Express Nellis, Las Vegas

**NEW HAMPSHIRE**



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Country Inn & Suites, New Bedford

**NEW JERSEY**

Comfort Inn, Princeton

**NORTH CAROLINA**

Proposed Hotel – Biltmore Estate,  
Asheville  
Proposed Wyndham, Greensboro  
Courtyard by Marriott, Raleigh  
Proposed Indigo, Wilmington

**OHIO**

Econo Lodge, Columbus

**PENNSYLVANIA**

Crowne Plaza, Trevoese

**SOUTH CAROLINA**

Comfort Inn, Charleston  
Proposed Radisson Hotel, Charleston  
Comfort Suites, Lexington  
Crown Reef Resort, Myrtle Beach

**TENNESSEE**

Sheraton Road House, Chattanooga

**TEXAS**

Proposed Holiday Inn Express,  
Baytown  
Ramada, Dallas  
Days Inn, Decatur

Candlewood Suites DFW Airport  
South, Fort Worth  
Holiday Inn DFW Airport South, Fort  
Worth  
Staybridge Suites Plano, Plano

**VIRGINIA**

Alexandria Monaco, Alexandria  
Morrison House, Alexandria  
Comfort Suites, Manassas  
Quality Inn West End, Richmond

**WISCONSIN**

Ramada, Fond du Lac