FEASIBILITY STUDY

Proposed Hotel University City

UNIVERSITY CITY, MISSOURI

SUBMITTED TO:

Ms. Libbey Tucker
City of University City Missouri
6801 Delmar Boulevard
University City, Missouri 63130

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PREPARED BY:

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February 13, 2020

Ms. Libbey Tucker
City of University City Missouri
6801 Delmar Boulevard
University City, Missouri 63130

Re: Proposed Hotel University City
University City, Missouri
HVS Reference: 2019021933

Dear Ms. Tucker:

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 University City, Missouri, 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

Dan McCoy

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1. Executive Summary

Subject of the Feasibility Study

University City is centrally located within the greater Saint Louis metro area. The city is proximate to key institutions, business centers, tourist attractions, and transportation networks for the region; however, the city lacks any hotels and is primarily served by hotels in adjacent cities.

A specific site for the proposed hotel had yet to be determined at the time of this study. We have identified and evaluated four potential hotel locations around University City. We have ranked these locations based on four criteria relating to access, proximity to demand generators, and neighborhood attributes. Based on these rankings, location #3 on the southern side of University City, at the intersection of Forest Park Parkway and Forsyth Boulevard, was deemed the most attractive and supportive for potential hotel development. This location benefits from its proximity to ample commercial and leisure demand generators, with excellent transportation access and a supportive neighborhood. These attributes make this location ideal for the development of a select-service lodging facility; however, we note that we have not investigated the availability of specific development sites within the scope of this study.

Pertinent Dates

The effective date of the report is January 28, 2020.

Franchise and Management Assumptions

We assume that the proposed hotel will be managed by a professional management company that is experienced in the operation of select-service 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 projections reflect a total management fee of 3.0% of total revenues in our study.

We recommend that the proposed subject hotel operate as an upscale, select-service property. We have placed heavy consideration on the following brands: Hilton Garden Inn, AC Hotels by Marriott, Aloft Hotels, Even Hotels, Hyatt Place, Radisson Red, and Cambria Inn & Suites. Although a specific franchise affiliation and/or brand has yet to be finalized, based upon a review of several published franchise fees for brands that fall within the recommended product tier, we have selected a total franchise fee of 8.5% of rooms revenue in order to estimate the cost of a national franchise. Based on our review of the agreement's terms or expected terms, the Hyatt Place franchise is reflected in our forecasts with a royalty fee of 5.5% of rooms revenue, and a marketing assessment of 3% of rooms revenue.

Summary of Hotel Market Trends

The following table provides a historical perspective on the supply and demand trends for a selected set of hotels in the competitive submarket, as provided by STR.

STR is an independent research firm that compiles and publishes data on the lodging industry, and this information is routinely used by typical hotel buyers. In the following table, RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

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

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2009	2,196	801,477	—	447,648	—	55.9 %	$122.28	—	$68.30	—
2010	2,296	838,070	4.6 %	526,466	17.6 %	62.8	120.83	(1.2) %	75.91	11.1 %
2011	2,266	827,189	(1.3)	535,231	1.7	64.7	128.70	6.5	83.27	9.7
2012	2,329	850,085	2.8	571,090	6.7	67.2	130.34	1.3	87.56	5.1
2013	2,380	868,700	2.2	598,628	4.8	68.9	134.20	3.0	92.48	5.6
2014	2,480	905,364	4.2	635,217	6.1	70.2	140.82	4.9	98.80	6.8
2015	2,749	1,003,544	10.8	718,430	13.1	71.6	144.16	2.4	103.21	4.5
2016	2,802	1,022,730	1.9	724,876	0.9	70.9	148.66	3.1	105.37	2.1
2017	2,801	1,022,546	(0.0)	734,001	1.3	71.8	151.62	2.0	108.83	3.3
2018	2,801	1,022,365	(0.0)	760,131	3.6	74.4	152.66	0.7	113.51	4.3
Year-to-Date Through September										
2018	2,801	764,673	—	578,967	—	75.7 %	$153.27	—	$116.05	—
2019	2,848	777,372	1.7 %	567,265	(2.0) %	73.0	154.18	0.6 %	112.51	(3.0) %
Average Annual Compounded Change:										
2009 - 2012			2.0 %		8.5 %			2.1 %		8.6 %
2012 - 2018			3.1		4.9			2.7		4.4

Hotels Included in Sample	Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
Royal Sonesta Chase Park Plaza St Louis	Upscale Class	*Secondary*	389	Jun 2017	Jun 1922
Seven Gables Inn	Upper Upscale Class	*Secondary*	32	Jul 1926	Jul 1926
Holiday Inn Express St Louis Central West End	Upper Midscale Class	*Secondary*	127	Oct 2014	Jun 1958
Hampton by Hilton Inn & Suites Clayton/St Louis-Galleria Area	Upper Midscale Class	*Primary*	106	Aug 2014	Jun 1964
Sheraton Hotel Clayton Plaza St Louis	Upper Upscale Class	*Secondary*	259	Aug 1999	Jun 1964
Cheshire Inn	Upper Upscale Class	*Secondary*	108	Aug 2011	Jun 1964
Hilton St Louis Frontenac	Upper Upscale Class	*Secondary*	263	Mar 1993	Jun 1970
Residence Inn St Louis Galleria	Upscale Class	*Secondary*	152	Aug 1986	Aug 1986
Ritz-Carlton St Louis	Luxury Class	*Secondary*	299	Apr 1990	Apr 1990
Parkway Hotel	Upper Upscale Class	*Secondary*	217	Nov 2003	Nov 2003
Hampton Inn St Louis @ Forest Park	Upper Midscale Class	*Secondary*	126	May 2006	May 2006
SpringHill Suites St Louis Brentwood	Upscale Class	*Primary*	123	Aug 2008	Aug 2008
Moonrise Hotel	Luxury Class	*Secondary*	125	Apr 2009	Apr 2009
Homewood Suites by Hilton St Louis Galleria	Upscale Class	*Secondary*	158	Jul 2009	Jul 2009
Drury Inn & Suites St Louis Brentwood	Upper Midscale Class	*Primary*	210	Aug 2014	Aug 2014
Home2 Suites by Hilton St Louis Forest Park	Upper Midscale Class	*Secondary*	106	Jul 2015	Jul 2015
Courtyard St Louis Brentwood	Upscale Class	*Primary*	141	Jul 2019	Jul 2019
		Total	**2,941**		

During the illustrated historical period, occupancy followed a strengthening trend from 2009 through 2015 and then remained relatively stable in 2016 and 2017. Occupancy grew again in 2018, reaching an all-time high. Meanwhile, aside from a modest decline in 2010, both average rate and RevPAR increased steadily during this same time period. This improvement in market conditions was driven largely by a strong recovery from the national recession, followed by economic expansion and development throughout the greater Saint Louis area. Additionally, market performance was bolstered by a record volume of meeting and group demand at the America's Center Convention Complex in 2016 and 2017. Year-to-date 2019 data illustrate a softening in occupancy, yet a roughly $1 increase in average rate. The decline in RevPAR for 2019 reflects the impact of supply additions throughout the greater market, as well as renovation disruptions at multiple competitive properties. The near-term outlook is cautiously optimistic given the significant number of new hotel rooms that have recently opened or are under construction. However, the growing presence of strong economic anchors in this central Saint Louis submarket should help bolster demand in the near term.

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

		Est. Segmentation			Estimated 2018				Estimated 2019					
Property	Number of Rooms	Commercial	Meeting and Group	Leisure	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Hampton Inn and Suites Clayton Saint Louis Galleria Area	106	65 %	10 %	25 %	106	70 - 75 %	$150 - $160	$115 - $120	106	75 - 80 %	$150 - $160	$115 - $120	100 - 110 %	110 - 120 %
Courtyard by Marriott St Louis Brentwood	141	70	10	20	0	—	—	—	71	55 - 60	150 - 160	90 - 95	80 - 85	85 - 90
Drury Inn & Suites Saint Louis Brentwood	210	40	35	25	210	75 - 80	130 - 140	105 - 110	210	75 - 80	130 - 140	105 - 110	100 - 110	100 - 110
SpringHill Suites by Marriott St Louis Brentwood	123	65	5	30	123	80 - 85	130 - 140	110 - 115	123	75 - 80	140 - 150	105 - 110	100 - 110	100 - 110
Sub-Totals/Averages	**580**	**55 %**	**19 %**	**26 %**	**439**	**79.6 %**	**$140.42**	**$111.82**	**510**	**75.3 %**	**$143.36**	**$108**	**$105 %**	**101.6 %**
Secondary Competitors	2,603	42 %	30 %	28 %	1,610	72.4 %	$149.80	$108.42	1,565	70.2 %	$150.58	$106	$98 %	99.5 %
Totals/Averages	**3,183**	**45 %**	**27 %**	**27 %**	**2,049**	**73.9 %**	**$147.63**	**$109.15**	**2,075**	**71.4 %**	**$148.71**	**$106**	**$100 %**	**100.0 %**

** Specific occupancy and average rate data were utilized in our analysis, but are presented in ranges in the above table for the purposes of confidentiality.*

FIGURE 1-3 SECONDARY COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation: Commercial	Est. Segmentation: Meeting and Group	Est. Segmentation: Leisure	Total Competitive Level	Estimated 2018: Weighted Annual Room Count	Estimated 2018: Occ.	Estimated 2018: Average Rate	Estimated 2018: RevPAR	Estimated 2019: Weighted Annual Room Count	Estimated 2019: Occ.	Estimated 2019: Average Rate	Estimated 2019: RevPAR
Moonrise Hotel Saint Louis	125	40 %	20 %	40 %	70 %	88	60 - 65 %	$150 - $160	$100 - $105	88	65 - 70 %	$160 - $170	$110 - $115
Seven Gables Inn Saint Louis	32	50	10	40	70	22	50 - 55	140 - 150	75 - 80	22	55 - 60	150 - 160	90 - 95
Ritz Carlton Saint Louis	299	45	35	20	60	179	70 - 75	250 - 260	180 - 190	179	70 - 75	250 - 260	180 - 190
Clayton Plaza	242	30	40	30	60	145	60 - 65	105 - 110	65 - 70	145	60 - 65	105 - 110	65 - 70
Sheraton Clayton Plaza Saint Louis	259	45	35	20	70	181	60 - 65	125 - 130	80 - 85	136	50 - 55	125 - 130	65 - 70
Homewood Suites by Hilton St. Louis Galleria	158	60	15	25	70	111	75 - 80	140 - 150	115 - 120	111	80 - 85	140 - 150	115 - 120
Cheshire Inn & Lodge	108	50	20	30	60	65	65 - 70	140 - 150	95 - 100	65	65 - 70	140 - 150	95 - 100
Hampton Inn & Suites Saint Louis Forest Park	126	65	10	25	70	88	80 - 85	140 - 150	125 - 130	88	75 - 80	140 - 150	115 - 120
Residence Inn by Marriott St Louis Galleria	152	70	10	20	70	106	75 - 80	130 - 140	100 - 105	106	70 - 75	125 - 130	95 - 100
Chase Park Plaza a Royal Sonesta Hotel	389	30	50	20	50	195	70 - 75	160 - 170	125 - 130	195	70 - 75	170 - 180	120 - 125
Holiday Inn Express Saint Louis Central West End	127	25	40	35	70	89	65 - 70	105 - 110	70 - 75	89	60 - 65	105 - 110	65 - 70
Parkway Hotel	217	35	10	55	60	130	70 - 75	125 - 130	90 - 95	130	65 - 70	125 - 130	85 - 90
Home2 Suites by Hilton Saint Louis Forest Park	106	55	5	40	50	53	80 - 85	125 - 130	105 - 110	53	80 - 85	130 - 140	105 - 110
Hilton Saint Louis Frontenac	263	20	60	20	60	158	70 - 75	130 - 140	95 - 100	158	70 - 75	130 - 140	90 - 95
Totals/Averages	**2,603**	**42 %**	**30 %**	**28 %**	**62 %**	**1,610**	**72.4 %**	**$149.80**	**$108.42**	**1,565**	**70.2 %**	**$150.58**	**$105.65**

** Specific occupancy and average rate data was utilized in our analysis, but is presented in ranges in the above table for the purposes of confidentiality.*

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 76% and a base-year rate position of $155.00 for the proposed subject hotel. The following table reflects a summary of our proposed subject hotel occupancy and average rate (ADR) projections.

FIGURE 1-4 OCCUPANCYAND ADR FORECAST –PROPOSED SUBJECT PROPERTY

	Occupancy		Average Rate		RevPAR	
Year	Total	% Change	Total	% Change	Total	% Change
2022	66.0 %	—	$158.05	—	$104.31	—
2023	74.0	12.1 %	163.66	3.5 %	121.11	16.1 %
Stabilized	76.0	2.7	170.27	4.0	129.40	6.9
2025	76.0	0.0	175.38	3.0	133.29	3.0
2026	76.0	0.0	180.64	3.0	137.29	3.0

Summary of Forecast Income and Expense Statement

Our positioning of each revenue and expense level is supported by comparable operations or trends specific to this market. Our forecast of income and expense is presented in the following table.

FIGURE 1-5 DETAILED FORECAST OF INCOME AND EXPENSE

	2022	(Calendar Year)			2023				Stabilized				2025				2026			
Number of Rooms:	165				165				165				165				165			
Occupancy:	66%				74%				76%				76%				76%			
Average Rate:	$158.05				$163.66				$170.27				$175.38				$180.64			
RevPAR:	$104.31				$121.11				$129.40				$133.29				$137.29			
Days Open:	365				365				365				365				365			
Occupied Rooms:	39,749	%Gross	PAR	POR	44,567	%Gross	PAR	POR	45,771	%Gross	PAR	POR	45,771	%Gross	PAR	POR	45,771	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	$6,282	86.7 %	$38,073	$158.04	$7,294	87.4 %	$44,206	$163.67	$7,793	87.6 %	$47,230	$170.26	$8,027	87.6 %	$48,648	$175.37	$8,268	87.6 %	$50,109	$180.64
Food & Beverage	580	8.0	3,517	14.60	650	7.8	3,940	14.59	683	7.7	4,140	14.92	704	7.7	4,264	15.37	725	7.7	4,392	15.83
Other Operated Departments	357	4.9	2,163	8.98	380	4.5	2,301	8.52	394	4.4	2,389	8.61	406	4.4	2,460	8.87	418	4.4	2,534	9.13
Miscellaneous Income	24	0.3	144	0.60	25	0.3	153	0.57	26	0.3	159	0.57	27	0.3	164	0.59	28	0.3	169	0.61
Total Operating Revenues	7,243	100.0	43,897	182.22	8,349	100.0	50,600	187.34	8,896	100.0	53,918	194.37	9,164	100.0	55,537	200.21	9,439	100.0	57,204	206.22
DEPARTMENTAL EXPENSES *																				
Rooms	1,427	22.7	8,647	35.89	1,535	21.0	9,302	34.44	1,598	20.5	9,683	34.91	1,646	20.5	9,973	35.95	1,695	20.5	10,272	37.03
Food & Beverage	461	79.5	2,797	11.61	493	75.8	2,988	11.06	512	75.0	3,105	11.19	528	75.0	3,198	11.53	544	75.0	3,294	11.88
Other Operated Departments	184	51.4	1,112	4.62	191	50.3	1,157	4.28	197	50.0	1,194	4.31	203	50.0	1,230	4.43	209	50.0	1,267	4.57
Total Expenses	2,072	28.6	12,556	52.12	2,219	26.6	13,446	49.78	2,307	25.9	13,982	50.40	2,376	25.9	14,401	51.92	2,448	25.9	14,834	53.47
DEPARTMENTAL INCOME	5,171	71.4	31,341	130.10	6,130	73.4	37,154	137.56	6,589	74.1	39,936	143.97	6,787	74.1	41,135	148.29	6,991	74.1	42,371	152.74
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	604	8.3	3,658	15.19	638	7.6	3,869	14.32	663	7.5	4,018	14.48	683	7.5	4,139	14.92	703	7.5	4,263	15.37
Info & Telecom Systems	86	1.2	523	2.17	91	1.1	553	2.05	95	1.1	574	2.07	98	1.1	591	2.13	100	1.1	609	2.20
Marketing	379	5.2	2,300	9.55	365	4.4	2,211	8.18	379	4.3	2,296	8.28	390	4.3	2,365	8.53	402	4.3	2,436	8.78
Franchise Fee	534	7.4	3,236	13.43	620	7.4	3,758	13.91	662	7.4	4,015	14.47	682	7.4	4,135	14.91	703	7.4	4,259	15.35
Prop. Operations & Maint.	259	3.6	1,568	6.51	328	3.9	1,990	7.37	379	4.3	2,296	8.28	390	4.3	2,365	8.53	402	4.3	2,436	8.78
Utilities	224	3.1	1,359	5.64	237	2.8	1,437	5.32	246	2.8	1,492	5.38	254	2.8	1,537	5.54	261	2.8	1,583	5.71
Total Expenses	2,086	28.8	12,644	52.48	2,280	27.2	13,816	51.15	2,424	27.4	14,691	52.96	2,497	27.4	15,132	54.55	2,572	27.4	15,586	56.19
GROSS HOUSE PROFIT	3,085	42.6	18,697	77.62	3,851	46.2	23,338	86.41	4,165	46.7	25,245	91.01	4,291	46.7	26,003	93.74	4,419	46.7	26,784	96.56
Management Fee	217	3.0	1,317	5.47	250	3.0	1,518	5.62	267	3.0	1,618	5.83	275	3.0	1,666	6.01	283	3.0	1,716	6.19
INCOME BEFORE NON-OPR. INC. & EXP.	2,868	39.6	17,381	72.15	3,600	43.2	21,820	80.79	3,899	43.7	23,627	85.17	4,016	43.7	24,337	87.73	4,136	43.7	25,068	90.37
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	613	8.5	3,713	15.41	631	7.6	3,824	14.16	650	7.3	3,939	14.20	669	7.3	4,057	14.62	689	7.3	4,178	15.06
Insurance	80	1.1	487	2.02	83	1.0	502	1.86	85	1.0	517	1.86	88	1.0	532	1.92	90	1.0	548	1.98
Reserve for Replacement	145	2.0	878	3.64	250	3.0	1,518	5.62	356	4.0	2,157	7.77	367	4.0	2,221	8.01	378	4.0	2,288	8.25
Total Expenses	838	11.6	5,077	21.08	964	11.6	5,843	21.63	1,091	12.3	6,612	23.84	1,124	12.3	6,810	24.55	1,157	12.3	7,015	25.29
EBITDA LESS RESERVE	$2,030	28.0 %	$12,303	$51.07	$2,636	31.6 %	$15,977	$59.15	$2,808	31.4 %	$17,015	$61.34	$2,892	31.4 %	$17,527	$63.18	$2,979	31.4 %	$18,054	$65.08

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

FIGURE 1-6 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2022		2023		2024		2025		2026		2027		2028		2029		2030		2031	
Number of Rooms:	165		165		165		165		165		165		165		165		165		165	
Occupied Rooms:	39,749		44,567		45,771		45,771		45,771		45,771		45,771		45,771		45,771		45,771	
Occupancy:	66%		74%		76%		76%		76%		76%		76%		76%		76%		76%	
Average Rate:	$158.05	% of	$163.66	% of	$170.27	% of	$175.38	% of	$180.64	% of	$186.06	% of	$191.64	% of	$197.39	% of	$203.31	% of	$209.41	% of
RevPAR:	$104.31	Gross	$121.11	Gross	$129.40	Gross	$133.29	Gross	$137.29	Gross	$141.40	Gross	$145.65	Gross	$150.02	Gross	$154.52	Gross	$159.15	Gross
OPERATING REVENUE																				
Rooms	$6,282	86.7 %	$7,294	87.4 %	$7,793	87.6 %	$8,027	87.6 %	$8,268	87.6 %	$8,516	87.6 %	$8,772	87.6 %	$9,035	87.6 %	$9,306	87.6 %	$9,585	87.6 %
Food & Beverage	580	8.0	650	7.8	683	7.7	704	7.7	725	7.7	746	7.7	769	7.7	792	7.7	816	7.7	840	7.7
Other Operated Departments	357	4.9	380	4.5	394	4.4	406	4.4	418	4.4	431	4.4	444	4.4	457	4.4	471	4.4	485	4.4
Miscellaneous Income	24	0.3	25	0.3	26	0.3	27	0.3	28	0.3	29	0.3	30	0.3	30	0.3	31	0.3	32	0.3
Total Operating Revenues	7,243	100.0	8,349	100.0	8,896	100.0	9,164	100.0	9,439	100.0	9,722	100.0	10,014	100.0	10,314	100.0	10,624	100.0	10,942	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	1,427	22.7	1,535	21.0	1,598	20.5	1,646	20.5	1,695	20.5	1,746	20.5	1,798	20.5	1,852	20.5	1,908	20.5	1,965	20.5
Food & Beverage	461	79.5	493	75.8	512	75.0	528	75.0	544	75.0	560	75.0	577	75.0	594	75.0	612	75.0	630	75.0
Other Operated Departments	184	51.4	191	50.3	197	50.0	203	50.0	209	50.0	215	50.0	222	50.0	228	50.0	235	50.0	242	50.0
Total Expenses	2,072	28.6	2,219	26.6	2,307	25.9	2,376	25.9	2,448	25.9	2,521	25.9	2,597	25.9	2,674	25.9	2,755	25.9	2,837	25.9
DEPARTMENTAL INCOME	5,171	71.4	6,130	73.4	6,589	74.1	6,787	74.1	6,991	74.1	7,201	74.1	7,417	74.1	7,640	74.1	7,869	74.1	8,105	74.1
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	604	8.3	638	7.6	663	7.5	683	7.5	703	7.5	724	7.5	746	7.5	769	7.5	792	7.5	815	7.5
Info & Telecom Systems	86	1.2	91	1.1	95	1.1	98	1.1	100	1.1	103	1.1	107	1.1	110	1.1	113	1.1	116	1.1
Marketing	379	5.2	365	4.4	379	4.3	390	4.3	402	4.3	414	4.3	426	4.3	439	4.3	452	4.3	466	4.3
Franchise Fee	534	7.4	620	7.4	662	7.4	682	7.4	703	7.4	724	7.4	746	7.4	768	7.4	791	7.4	815	7.4
Prop. Operations & Maint.	259	3.6	328	3.9	379	4.3	390	4.3	402	4.3	414	4.3	426	4.3	439	4.3	452	4.3	466	4.3
Utilities	224	3.1	237	2.8	246	2.8	254	2.8	261	2.8	269	2.8	277	2.8	285	2.8	294	2.8	303	2.8
Total Expenses	2,086	28.8	2,280	27.2	2,424	27.4	2,497	27.4	2,572	27.4	2,649	27.4	2,728	27.4	2,810	27.4	2,895	27.4	2,981	27.4
GROSS HOUSE PROFIT	3,085	42.6	3,851	46.2	4,165	46.7	4,291	46.7	4,419	46.7	4,552	46.7	4,689	46.7	4,830	46.7	4,974	46.7	5,123	46.7
Management Fee	217	3.0	250	3.0	267	3.0	275	3.0	283	3.0	292	3.0	300	3.0	309	3.0	319	3.0	328	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	2,868	39.6	3,600	43.2	3,899	43.7	4,016	43.7	4,136	43.7	4,260	43.7	4,389	43.7	4,520	43.7	4,656	43.7	4,795	43.7
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	613	8.5	631	7.6	650	7.3	669	7.3	689	7.3	710	7.3	731	7.3	753	7.3	776	7.3	799	7.3
Insurance	80	1.1	83	1.0	85	1.0	88	1.0	90	1.0	93	1.0	96	1.0	99	1.0	102	1.0	105	1.0
Reserve for Replacement	145	2.0	250	3.0	356	4.0	367	4.0	378	4.0	389	4.0	401	4.0	413	4.0	425	4.0	438	4.0
Total Expenses	838	11.6	964	11.6	1,091	12.3	1,124	12.3	1,157	12.3	1,192	12.3	1,228	12.3	1,265	12.3	1,303	12.3	1,342	12.3
EBITDA LESS RESERVE	$2,030	28.0 %	$2,636	31.6 %	$2,808	31.4 %	$2,892	31.4 %	$2,979	31.4 %	$3,068	31.4 %	$3,161	31.4 %	$3,255	31.4 %	$3,353	31.4 %	$3,453	31.4 %

As illustrated, the 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

We have developed an estimate of the total development costs, which includes hard costs, FF&E, soft costs, pre-opening costs, and working capital, as well as the developer's fee and an allocation of land cost. Our development cost estimate is supported by actual cost comparables and the annual HVS Development Cost Survey. We recommend that the development team obtain a more detailed development cost estimate from actual construction companies. It is also advised that developers consult more than one source in their hotel development process to more accurately assess the true cost of development. The Feasibility Analysis chapter of this report converts the projected cash flows into a net present value indication assuming set-forth debt and equity requirements and a development cost of $35,000,000.

The conclusion of this analysis indicates that an equity investor contributing $12,247,000 (roughly 35% of the $35,000,000 development cost) could expect to receive a 17.0% internal rate of return over a ten-year holding period, assuming that the investor obtains financing at the time of the project's completion at the loan-to-value ratio and interest rate set forth.

The proposed subject hotel will serve a segment of business and leisure travelers that are not currently accommodated in University City. Based on our market analysis, there is sufficient market demand to support the profitable operation of the proposed subject hotel. Our review of investor surveys indicates equity returns ranging from 12.7% to 26.1%, with an average of 18.7%. Based on the anticipated cost of $35,000,000, the calculated return to the equity investor is near the average of this range, indicating that the project is feasible. We note that the calculated return is based upon the cost estimated by HVS, which includes the developer's administrative costs and an allocation for the cost of the land.

Assignment Conditions

"Extraordinary Assumption" is defined in USPAP as follows:

> An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Uncertain information might include physical, legal, or economic characteristics of the

subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis.[1]

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 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, shall take place between the date of inspection and stated date of opening. The use of this extraordinary assumption may have affected the assignment results. 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.

Intended Use of the Feasibility Study

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

Identification of the Client and Intended User(s)

The client for this engagement is the City of University City Missouri. 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,*[2] *Hotels, Motels and Restaurants: Valuations and Market Studies,*[3] *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations,*[4] *Hotels and Motels: A Guide to Market Analysis,*

[1] The Appraisal Foundation, *Uniform Standards of Professional Appraisal Practice*, 2018–2019 ed.

[2] Stephen Rushmore, *The Valuation of Hotels and Motels*. (Chicago: American Institute of Real Estate Appraisers, 1978).

[3] Stephen Rushmore, *Hotels, Motels and Restaurants: Valuations and Market Studies*. (Chicago: American Institute of Real Estate Appraisers, 1983).

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

Investment Analysis, and Valuations,[5] and *Hotels and Motels – Valuations and Market Studies.*[6]

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.
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 hostelry-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 ADR 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 proposed subject property.
9. A feasibility analysis is performed, in which the market equity yield that an investor would expect is compared to the equity yield that an investor must accept.

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[5] Stephen Rushmore, *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations* (Chicago: Appraisal Institute, 1992).

[6] Stephen Rushmore and Erich Baum, *Hotels and Motels – Valuations and Market Studies.* (Chicago: Appraisal Institute, 2001).

2. Recommendation 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.

A specific site for the proposed hotel had yet to be determined at the time of this study. We have identified and evaluated four potential hotel locations around University City. We have ranked these locations based on four criteria relating to access, proximity to demand generators, and neighborhood attributes.

MAP OF EVALUATED LOCATIONS

HVS

FIGURE 2-1 LOCATION RANKINGS

Site #	Transportation Access	Proximity to Commercial Demand Generators	Proximity to Leisure Demand Generators	Hotel Guest Services in Neighborhood	Overall Average
1 - Olive & 170	5	2	2	3*	3.00
2 - Delmar & 170	5	3	3	3	3.5
3 - Forsyth and Parkway	5	4	4	4	4.25
4 - Loop West	2	2	5	5	3.50

* Assumes redevelopment of site area
Scale: 5 = Excellent; 4 = Good; 3 = Adequate, 2 = Challanged; 1 = Poor

Based on these rankings, location #3 on the southern side of University City, at the intersection of Forest Park Parkway and Forsyth Boulevard, was deemed the most attractive and supportive for potential hotel development. This location benefits from its proximity to ample commercial and leisure demand generators, with excellent transportation access and a supportive neighborhood. These attributes make this location ideal for the development of a select-service lodging facility; however, we note that we have not investigated the availability of specific development sites within the scope of this study.

Potential location #1 was considered adequate for hotel development on the strength of its accessibility and the supportive nature of planned redevelopment in the immediate neighborhood. However, hotel development would be somewhat contingent on the planned redevelopment, as the neighborhood lacks immediate proximity to major demand generators.

Location #2 benefits from excellent access and adequate proximity to demand generators, as well as an adequately supportive neighborhood. These factors make the location a good candidate for potential development with a limited-service, select-service, or extended-stay hotel.

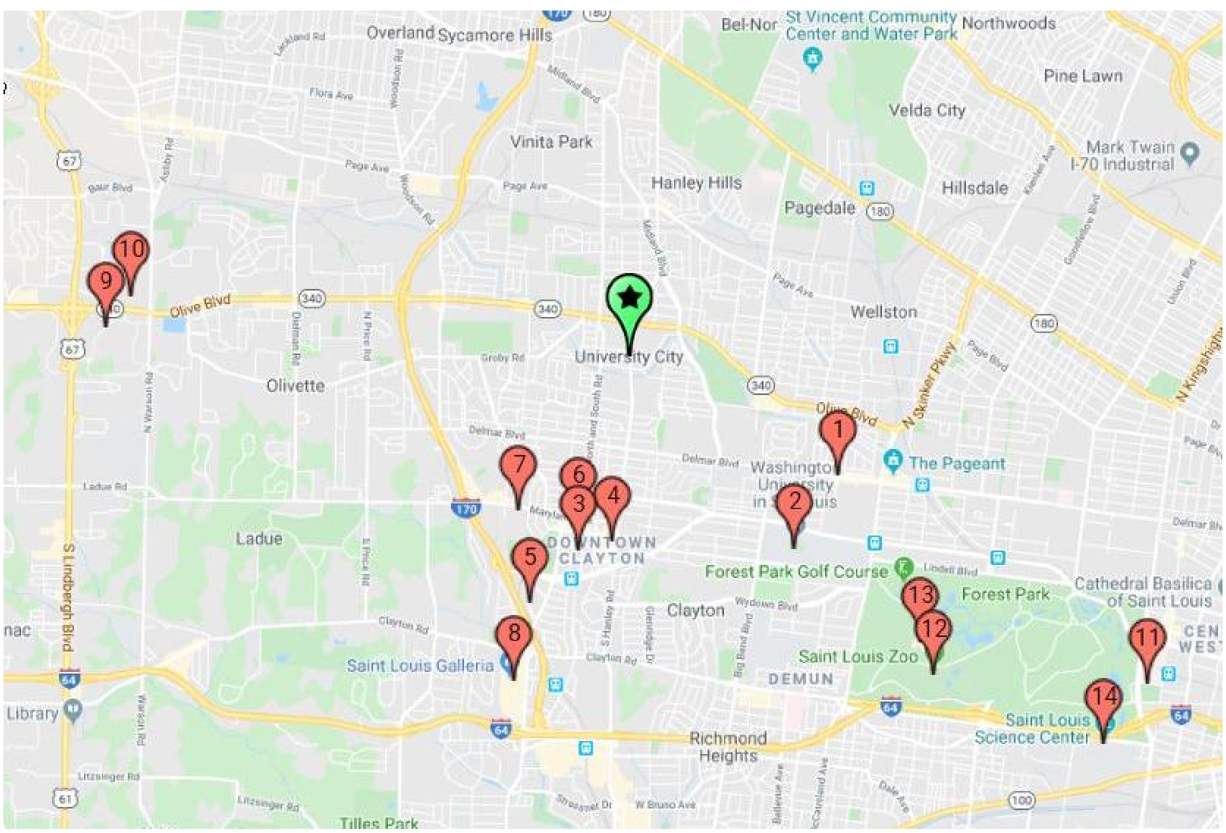
Location #4 benefits from a vibrant neighborhood and excellent proximity to leisure demand generators; however, it lacks ideal access and proximity to commercial demand generators. Given this balance, the location may serve as an ideal location for a modestly sized boutique hotel.

HVS

FIGURE 2-2 MARKET AREA DEMAND GENERATORS

Map	Name	Commercial	Leisure
1	Delmar Loop		X
2	Washington and Fontbonne Universities	X	X
3	St. Louis County Government Center	X	
4	Centene HQ	X	
5	Enterprise HQ	X	
6	GraybaR HQ	X	
7	Caleres HQ	X	
8	St. Louis Galleria		X
9	Bayer Crop Science HQ	X	
10	Danforth Plant Science Center	X	
11	Barnes/Wash U Medical Center	X	
12	St. Louis Zoo		X
13	St. Louis Art Museum		X
14	St. Louis Science Center		X

MAP OF DEMAND GENERATORS



Topography and Site Utility

We assume that the topography and shape of the selected site will permit efficient use of the site for building and site improvements, including ingress and egress.

Access and Visibility

It is important to analyze the site with respect to regional and local transportation routes and demand generators, including ease of access. 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

Regional access to/from University City and the recommended site location, in particular, is considered excellent. The subject market is served by a variety of additional local highways, which are illustrated on the map.

We have assumed that primary vehicular access to the subject site would be provided by Forsyth Boulevard, a well-traveled commercial thoroughfare. Additionally, the hotel would be proximate to Forest Park Parkway, a regional highway providing access to Interstate 170 and the Forsyth Metrolink station. The proposed subject hotel is anticipated to have adequate signage at the street, as well as on its façade. Overall, the subject site is expected to benefit from excellent regional accessibility and visibility from within its local neighborhood.

Airport and Metrorail Access

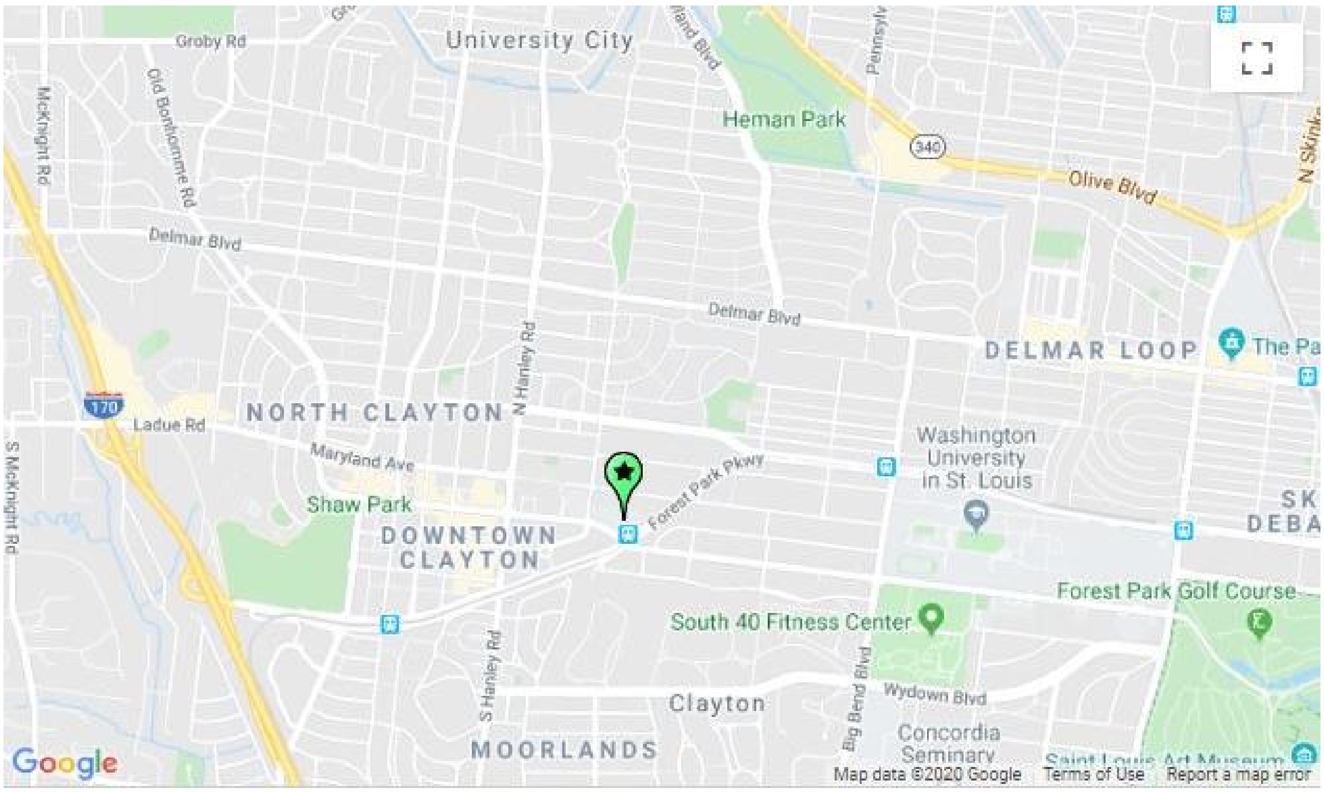
The proposed subject hotel will be served by the Saint Louis Lambert International Airport, which is located approximately ten miles to the northwest of the subject site. MetroLink is the light-rail transit system in the Greater St. Louis area of Missouri and the Metro East area of Illinois. The system consists of two lines, the Red Line and Blue Line, connecting Lambert-St. Louis International Airport and Shrewsbury, Missouri, with Scott Air Force Base near Shiloh, Illinois, through downtown St. Louis. The recommended site is adjacent to the Forsyth Station.

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 recommended subject location is on the eastern edge of a neighborhood that is generally defined by Maryland Avenue to the north, Forest Park Parkway to the south and east, and Brentwood Boulevard to the west. The neighborhood is characterized by high- and mid-rise office and residential apartment buildings mixed with low-rise retail shops and restaurants. Some specific businesses and entities in the area include Centene Corporation, the St. Louis County government complex, and Graybar; nearby hotels include The Ritz-Carlton St. Louis, Clayton Plaza Hotel, and Seven Gables. Restaurants located near the subject location include 801 Fish, The Capital Grille, and Cantina Laredo Clayton. In general, this neighborhood is in the revitalization stage of its life cycle, with many low-rise buildings being replaced with larger office and residential complexes. One significant change in this neighborhood is Centene Corporation's ongoing $770-million, multi-phase campus expansion that will include two office towers, as well as hotel, retail, residential, auditorium, and parking components. Additionally, the Sheraton Clayton Plaza Hotel St. Louis is currently undergoing a multi-million-dollar renovation, three new luxury apartment buildings have recently opened, and construction on a fourth luxury apartment building is expected to begin in the near future.

MAP OF NEIGHBORHOOD



Zoning

According to the local planning office, the subject property is zoned as follows: GC - General Commercial. Additional details pertaining to the proposed subject property's zoning regulations are summarized in the following table.

FIGURE 2-3 ZONING

Municipality Governing Zoning	University City
Current Zoning	General Commercial
Current Use	Commercial
Is Current Use Permitted?	Yes
Is Change in Zoning Likely?	No
Permitted Uses	Most Commercial
Hotel Allowed	Yes
Legally Non-Conforming	Not Applicable

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.

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 facility is the geographical region where the sources of demand and the competitive supply are located. The subject site is located in the city of University City, the county of St. Louis, and the state of Missouri. Located near the confluence of the Missouri and Mississippi Rivers, St. Louis has long been a regional center for commerce and transportation. The area was originally settled by French fur traders in the mid-1700s, prior to being transferred into Spanish and then American possession. Throughout the 1800s, the area grew and thrived as a major port for steamboats plying the waterways of the Midwest. In 1904, the city hosted the World's Fair, which helped establish it as a major metropolis. Today, the area continues to serve as an economic hub for the Midwest and is home to 14 of the Fortune 1000 companies.

The subject property's market area can be defined by its Combined Statistical Area (CSA): St. Louis-St. Charles-Farmington, MO-IL. The CSA represents adjacent metropolitan and micropolitan statistical areas that have a moderate degree of employment interchange. Micropolitan statistical areas represent urban areas in the United States based around a core city or town with a population of 10,000 to 49,999; the MSA requires the presence of a core city of at least 50,000 people and a total population of at least 100,000 (75,000 in New England). 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	2018	2025	Average Annual Compounded Change 2000-10	2010-18	2018-25
Resident Population (Thousands)							
St. Louis County	1,016.2	998.8	1,002.4	1,017.1	(0.2) %	0.0 %	0.2 %
St. Louis, MO-IL MSA	2,678.8	2,790.1	2,830.6	2,921.4	0.4	0.2	0.5
St. Louis-St. Charles-Farmington, MO-IL CSA	2,776.3	2,895.1	2,936.5	3,031.5	0.4	0.2	0.5
State of Missouri	5,607.3	5,996.1	6,165.8	6,441.0	0.7	0.3	0.6
United States	282,162.4	309,348.1	328,910.9	350,937.2	0.9	0.8	0.9
Per-Capita Personal Income*							
St. Louis County	$49,617	$52,905	$60,087	$67,047	0.6	1.6	1.6
St. Louis, MO-IL MSA	38,541	41,628	46,717	51,428	0.8	1.5	1.4
St. Louis-St. Charles-Farmington, MO-IL CSA	38,096	41,173	46,171	50,822	0.8	1.4	1.4
State of Missouri	33,660	36,135	40,479	44,236	0.7	1.4	1.3
United States	36,812	39,622	46,097	50,233	0.7	1.9	1.2
W&P Wealth Index							
St. Louis County	135.2	134.5	130.7	133.1	(0.1)	(0.4)	0.3
St. Louis, MO-IL MSA	105.3	105.4	101.6	102.4	0.0	(0.5)	0.1
St. Louis-St. Charles-Farmington, MO-IL CSA	104.0	104.2	100.4	101.1	0.0	(0.5)	0.1
State of Missouri	92.4	91.5	88.1	88.2	(0.1)	(0.5)	0.0
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
St. Louis County	$1,725	$1,795	$1,989	$2,023	0.4	1.3	0.2
St. Louis, MO-IL MSA	3,931	4,348	5,316	5,612	1.0	2.5	0.8
St. Louis-St. Charles-Farmington, MO-IL CSA	4,031	4,445	5,439	5,747	1.0	2.6	0.8
State of Missouri	7,298	8,150	10,328	11,129	1.1	3.0	1.1
United States	368,829	447,728	597,451	662,610	2.0	3.7	1.5
Total Retail Sales (Millions)*							
St. Louis County	$18,797	$21,760	$27,951	$29,305	1.5	3.2	0.7
St. Louis, MO-IL MSA	38,711	41,603	51,527	54,731	0.7	2.7	0.9
St. Louis-St. Charles-Farmington, MO-IL CSA	39,812	42,746	52,920	56,234	0.7	2.7	0.9
State of Missouri	79,652	84,891	104,472	112,664	0.6	2.6	1.1
United States	3,902,830	4,130,414	5,081,233	5,598,240	0.6	2.6	1.4

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population grew at an average annual compounded rate of 0.8% from 2010 through 2018. The county's population has grown more slowly than the nation's population; the average annual growth rate of 0.0% between 2010 and 2018 reflects a gradually expanding area. Following this population trend, per-capita personal income increased slowly, at 1.6% on average annually for the county between 2010 and 2018. Local wealth indexes have remained stable in recent years, registering a high 130.7 level for the county in 2018.

Food and beverage sales totaled $1,989 million in the county in 2018, versus $1,795 million in 2010. This reflects a 1.3% average annual change, stronger than the 0.4% pace recorded in the prior decade, the latter years of which were adversely affected by the recession. Over the long term, the pace of growth is forecast to moderate to a more sustainable level of 0.2%, which is projected through 2025. The retail sales sector demonstrated an annual increase of 1.5% in the decade spanning from 2000 to 2010, followed by an increase of 3.2% in the period from 2010 to 2018. An increase of 0.7% average annual change is expected in county retail sales through 2025.

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 2018, as well as a forecast for 2025.

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

Industry	2000	Percent of Total	2010	Percent of Total	2018	Percent of Total	2025	Percent of Total	Average Annual Compounded Change 2000-2010	2010-2018	2018-2025
Farm	0.5	0.1 %	0.3	0.0 %	0.3	0.0 %	0.3	0.0 %	(5.6) %	(0.0) %	0.3 %
Forestry, Fishing, Related Activities And Other	0.4	0.1	0.4	0.1	0.3	0.0	0.3	0.0	(1.4)	(3.0)	0.8
Mining	1.2	0.2	1.4	0.2	1.6	0.2	1.7	0.2	1.8	1.2	1.0
Utilities	1.4	0.2	1.1	0.2	1.0	0.1	1.1	0.1	(2.3)	(1.6)	0.6
Construction	45.0	5.8	34.6	4.7	39.6	4.8	42.8	4.7	(2.6)	1.7	1.1
Manufacturing	78.7	10.1	43.4	5.8	50.0	6.0	48.3	5.3	(5.8)	1.8	(0.5)
Total Trade	123.8	15.9	114.6	15.4	128.9	15.5	139.1	15.3	(0.8)	1.5	1.1
Wholesale Trade	38.1	4.9	37.5	5.0	41.7	5.0	44.8	4.9	(0.2)	1.4	1.0
Retail Trade	85.7	11.0	77.1	10.4	87.2	10.5	94.3	10.4	(1.0)	1.5	1.1
Transportation And Warehousing	28.0	3.6	20.7	2.8	24.0	2.9	24.6	2.7	(3.0)	1.9	0.4
Information	23.0	2.9	17.9	2.4	17.2	2.1	18.0	2.0	(2.4)	(0.5)	0.7
Finance And Insurance	45.6	5.8	47.5	6.4	55.5	6.7	60.5	6.7	0.4	2.0	1.2
Real Estate And Rental And Lease	29.8	3.8	38.3	5.1	43.9	5.3	48.0	5.3	2.5	1.7	1.3
Total Services	343.0	43.9	361.4	48.6	408.7	49.2	458.4	50.5	0.5	1.5	1.7
Professional And Technical Services	59.7	7.7	58.2	7.8	64.3	7.7	67.0	7.4	(0.3)	1.3	0.6
Management Of Companies And Enterprises	26.3	3.4	28.0	3.8	31.9	3.8	35.0	3.9	0.6	1.6	1.3
Administrative And Waste Services	51.5	6.6	50.2	6.8	58.6	7.1	65.0	7.2	(0.3)	1.9	1.5
Educational Services	26.0	3.3	26.0	3.5	24.5	3.0	29.0	3.2	(0.0)	(0.7)	2.4
Health Care And Social Assistance	73.8	9.4	92.4	12.4	113.9	13.7	140.4	15.5	2.3	2.6	3.0
Arts, Entertainment, And Recreation	15.1	1.9	18.3	2.5	17.8	2.1	18.8	2.1	2.0	(0.4)	0.8
Accommodation And Food Services	51.6	6.6	49.6	6.7	55.4	6.7	57.5	6.3	(0.4)	1.4	0.5
Other Services, Except Public Administration	39.0	5.0	38.7	5.2	42.3	5.1	45.8	5.0	(0.1)	1.1	1.1
Total Government	60.1	7.7	62.4	8.4	59.4	7.2	64.2	7.1	0.4	(0.6)	1.1
Federal Civilian Government	6.0	0.8	6.8	0.9	5.8	0.7	6.2	0.7	1.3	(1.9)	0.8
Federal Military	4.0	0.5	3.6	0.5	3.4	0.4	3.4	0.4	(1.1)	(0.7)	0.1
State And Local Government	50.0	6.4	52.0	7.0	50.2	6.0	54.6	6.0	0.4	(0.4)	1.2
TOTAL	780.6	100.0 %	744.2	100.0 %	830.3	100.0 %	907.3	100.0 %	(0.5) %	1.4 %	1.3 %
MSA	1,643.0	—	1,644.7	—	1,825.7	—	1,978.7	—	0.0 %	1.3 %	1.2 %
U.S.	165,372.0	—	173,034.7	—	202,637.9	—	223,254.5	—	1.1	2.0	1.4

Source: Woods & Poole Economics, Inc.

Woods & Poole Economics, Inc. reports that during the period from 2000 to 2010, total employment in the county contracted at an average annual rate of -0.5%. More recently, the pace of total employment growth in the county accelerated to 1.4% on an annual average from 2010 to 2018, 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 2018, increasing by 47,269 people, or 13.1%, and rising from 48.6% to 49.2% of total employment. Of the various service sub-sectors, Health Care And Social Assistance and Professional And Technical 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 12.5% and 15.1%, respectively, in the period from 2010 to 2018. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 1.3% on average annually through 2025. The trend is below the forecast rate of change for the U.S. as a whole during the same period.

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

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

Year	Total Employment	% Chg	Office Employment	% Chg	Industrial Employment	% Chg	Households	% Chg	Population	% Chg	Household Avg. Income	% Chg
2006	1,348,630	—	391,781	—	217,712	—	1,099,150	—	2,749,870	—	$99,498	—
2007	1,357,930	0.7 %	393,882	0.5 %	215,659	(0.9) %	1,107,410	0.8 %	2,761,670	0.4 %	103,164	3.7 %
2008	1,333,530	(1.8)	390,427	(0.9)	206,986	(4.0)	1,111,110	0.3	2,773,630	0.4	107,813	4.5
2009	1,278,800	(4.1)	381,344	(2.3)	184,569	(10.8)	1,113,030	0.2	2,785,130	0.4	103,511	(4.0)
2010	1,287,470	0.7	385,642	1.1	182,521	(1.1)	1,112,500	(0.0)	2,793,140	0.3	107,386	3.7
2011	1,296,770	0.7	388,182	0.7	184,913	1.3	1,120,930	0.8	2,795,780	0.1	110,765	3.1
2012	1,299,070	0.2	390,173	0.5	184,688	(0.1)	1,129,200	0.7	2,797,820	0.1	118,145	6.7
2013	1,310,770	0.9	397,496	1.9	185,998	0.7	1,138,760	0.8	2,801,300	0.1	114,121	(3.4)
2014	1,331,570	1.6	400,225	0.7	189,832	2.1	1,146,690	0.7	2,806,060	0.2	118,807	4.1
2015	1,358,730	2.0	406,842	1.7	190,163	0.2	1,155,850	0.8	2,806,760	0.0	121,157	2.0
2016	1,370,600	0.9	409,791	0.7	191,670	0.8	1,166,440	0.9	2,805,270	(0.1)	123,373	1.8
2017	1,381,370	0.8	410,016	0.1	194,234	1.3	1,174,000	0.6	2,806,230	0.0	126,931	2.9
2018	1,389,530	0.6	413,118	0.8	199,507	2.7	1,180,380	0.5	2,806,560	0.0	131,769	3.8
Forecasts												
2019	1,413,150	*1.7 %*	418,028	*1.2 %*	202,809	*1.7 %*	1,188,990	*0.7 %*	2,808,870	*0.1 %*	$136,419	*3.5 %*
2020	1,415,520	*0.2*	419,134	*0.3*	201,255	*(0.8)*	1,195,640	*0.6*	2,811,180	*0.1*	140,463	*3.0*
2021	1,417,100	*0.1*	420,045	*0.2*	199,608	*(0.8)*	1,203,010	*0.6*	2,813,780	*0.1*	145,584	*3.6*
2022	1,425,810	*0.6*	423,324	*0.8*	199,128	*(0.2)*	1,210,290	*0.6*	2,816,190	*0.1*	151,540	*4.1*
2023	1,431,440	*0.4*	425,707	*0.6*	198,111	*(0.5)*	1,216,640	*0.5*	2,818,240	*0.1*	157,260	*3.8*
Average Annual Compound Change												
2006 - 2018		0.2 %		0.4 %		(0.7) %		0.6 %		0.2 %		2.4 %
2007 - 2010		(1.8)		(0.7)		(5.4)		0.2		0.4		1.3
2010 - 2018		1.0		0.9		1.1		0.7		0.1		5.2
Forecast 2019 - 2023		*0.3 %*		*0.5 %*		*(0.6) %*		*0.6 %*		*0.1 %*		*3.6 %*

Source: REIS Report, 2nd Quarter, 2019

For the St. Louis market, of the roughly 1,400,000 persons employed, 30% are categorized as office employees, while 14% are categorized as industrial employees. Total employment decreased by an average annual compound rate of -1.8% during the recession of 2007 to 2010, followed by an increase of 1.0% from 2010 to 2018. By comparison, office employment reflected compound change rates of -0.7% and 0.9%, during the same respective periods. Total employment is expected to expand by 1.7% in 2019, while office employment is forecast to expand by 1.2% in 2019. From 2019 through 2023, REIS anticipates that total employment will expand at an average annual compound rate of 0.3%, while office employment will expand by 0.5% on average annually during the same period.

The number of households is forecast to expand by 0.6% on average annually between 2019 and 2023. Population is forecast to expand during this same period, at an average annual compounded rate of 0.1%. Household average income is forecast to grow by 3.6% on average annually from 2019 through 2023.

Radial Demographic Snapshot

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

HVS

FIGURE 3-4 DEMOGRAPHICS BY RADIUS

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
Population			
2024 Projection	22,203	127,717	323,854
2019 Estimate	22,328	128,944	327,823
2010 Census	22,791	132,945	339,589
2000 Census	23,378	141,786	369,994
Percent Change: 2019 to 2024	-0.6%	-1.0%	-1.2%
Percent Change: 2010 to 2019	-2.0%	-3.0%	-3.5%
Percent Change: 2000 to 2010	-2.5%	-6.2%	-8.2%
Households			
2024 Projection	8,344	57,330	144,080
2019 Estimate	8,359	57,542	144,924
2010 Census	8,443	58,313	147,431
2000 Census	8,789	61,039	156,464
Percent Change: 2019 to 2024	-0.2%	-0.4%	-0.6%
Percent Change: 2010 to 2019	-1.0%	-1.3%	-1.7%
Percent Change: 2000 to 2010	-3.9%	-4.5%	-5.8%
Income			
2019 Est. Average Household Income	$113,236	$95,144	$83,146
2019 Est. Median Household Income	65,226	55,047	50,627
2019 Est. Civ. Employed Pop 16+ by Occupation			
Architecture/Engineering	198	932	2,084
Arts/Design/Entertainment/Sports/Media	245	1,806	3,934
Building/Grounds Cleaning/Maintenance	330	2,136	6,350
Business/Financial Operations	606	3,869	8,780
Community/Social Services	332	1,422	3,207
Computer/Mathematical	388	2,106	5,000
Construction/Extraction	161	1,129	3,594
Education/Training/Library	1,545	5,876	12,059
Farming/Fishing/Forestry	8	90	260
Food Preparation/Serving Related	683	3,948	11,041
Healthcare Practitioner/Technician	827	5,419	11,894
Healthcare Support	225	1,633	5,276
Installation/Maintenance/Repair	74	949	2,713
Legal	332	2,045	3,609
Life/Physical/Social Science	344	1,483	3,056
Management	1,016	6,220	14,864
Office/Administrative Support	1,454	7,305	20,363
Production	224	1,828	6,185
Protective Services	93	811	2,715
Sales/Related	912	5,791	14,687
Personal Care/Service	255	1,759	5,196
Transportation/Material Moving	313	2,619	8,367

Source: Environics Analytics

This source reports a population of 327,823 and 144,924 households within a five-mile radius of the subject site. The average household income within this radius is reported at $83,146, while the median is $50,627.

Unemployment Statistics

The following table presents historical unemployment rates for the proposed subject hotel's market area.

FIGURE 3-5 UNEMPLOYMENT STATISTICS

Year	City	MSA	State	U.S.
2009	8.0 %	9.8 %	9.3 %	9.3 %
2010	8.6	9.6	9.6	9.6
2011	7.6	8.5	8.5	8.9
2012	6.0	7.3	6.9	8.1
2013	5.9	7.1	6.7	7.4
2014	5.7	6.2	6.1	6.2
2015	4.6	5.0	5.0	5.3
2016	4.2	4.6	4.6	4.9
2017	3.4	3.8	3.8	4.4
2018	3.0	3.4	3.2	3.9
Recent Month - Nov				
2018	2.5 %	2.9 %	2.5 %	3.7 %
2019	2.8	3.0	3.0	3.5

Source: U.S. Bureau of Labor Statistics

Current U.S. unemployment levels are now firmly below the 4.6% level recorded in 2006 and 2007, the peak years of the economic cycle prior to the Great Recession. The unemployment rate for July and August of 2019 was 3.7%, with the rate for September 2019 falling to 3.5%, a level not registered since late 1969. Total nonfarm payroll employment increased by 159,000, 130,000, and 136,000 jobs in July, August, and September, respectively. Gains in September occurred in the health care and professional/business services sectors. Unemployment has remained under the 5.0% mark since May 2016, reflecting a trend of relative stability and the overall strength of the U.S. economy. As of September 2019, the number of unemployed persons was 5.8 million (versus 6.0 million in August 2019).

Locally, the unemployment rate was 3.0% in 2018; for this same area in 2019, the most recent month's unemployment rate was registered at 2.8%, versus 2.5% for the same month in 2018. Unemployment stabilized at an inflated level in 2010 as the region was affected by the national recession. However, unemployment levels fell from 2011 through 2018 given the strengthening economy. The most recent comparative period illustrates a minor increase. Reportedly, however, local employment has remained strong within the healthcare, financial services, and high-tech sectors, including healthy job numbers at major employers such as BJC HealthCare and Wells Fargo Advisors.

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 proposed subject property's market.

FIGURE 3-6 MAJOR EMPLOYERS

Rank	Firm	Number of Employees
1	BJC HealthCare	28,975
2	Wal-Mart Stores, Inc.	22,290
3	Washington University in St. Louis	16,903
4	SSM Health Care	16,140
5	Mercy Health	15,174
6	Boeing	13,707
7	Scott Air Force Base	12,600
8	U.S. Postal Service	12,000
9	Schnuck Markets Inc.	9,510
10	Mercy Clinic	9,305

Source: St. Louis Regional Chamber, 2019

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 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 Buildings	Inventory Square Feet	Occupied Office Space	Vacancy Rate	Average Asking Lease Rate
1	Downtown	74	11,002,000	8,592,600	21.9 %	$18.76
2	**Clayton**	**92**	**6,805,000**	**6,002,000**	**11.8**	**26.84**
3	Illinois	93	1,419,000	1,108,200	21.9	17.85
4	Olive/Westport	132	7,413,000	6,115,700	17.5	21.97
5	Hwy 40 Corridor	155	7,843,000	7,137,100	9.0	25.81
6	South County	94	3,028,000	2,443,600	19.3	22.01
7	St. Louis City	65	2,283,000	1,972,500	13.6	18.21
8	North/St. Charles	120	5,926,000	4,503,800	24.0	19.68
	Totals and Averages	**825**	**45,719,000**	**37,875,500**	**17.2 %**	**$21.97**

Source: REIS Report, 2nd Quarter, 2019

The greater St. Louis market comprises a total of 45.7 million square feet of office space. For the 2nd Quarter of 2019, the market reported a vacancy rate of 17.2% and an average asking rent of $21.97. The subject property is located in the Clayton submarket, which houses 6,805,000 square feet of office space. The submarket's vacancy rate of 11.8% is below the overall market average. The average asking lease rate of $26.84 is above the average for the broader market.

The following table illustrates a trend of office space statistics for the overall St. Louis market and the Clayton submarket.

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

	St. Louis Market							Clayton Submarket						
Year	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
2006	44,984,000	—	38,110,000	—	15.3 %	$19.48	—	6,530,000	—	5,818,000	—	10.9 %	$23.28	—
2007	44,808,000	(0.4) %	38,192,000	0.2 %	14.8	19.94	2.4 %	6,376,000	(2.4) %	5,649,000	(2.9) %	11.4	23.93	2.8 %
2008	45,304,000	1.1	38,244,000	0.1	15.6	20.36	2.1	6,398,000	0.3	5,777,000	2.3	9.7	24.91	4.1
2009	45,465,000	0.4	37,209,000	(2.7)	18.2	20.15	(1.0)	6,338,000	(0.9)	5,577,000	(3.5)	12.0	24.74	(0.7)
2010	45,890,000	0.9	37,406,000	0.5	18.5	20.29	0.7	6,823,000	7.7	6,025,000	8.0	11.7	24.85	0.4
2011	45,502,000	(0.8)	37,145,000	(0.7)	18.4	20.42	0.6	6,823,000	0.0	5,977,000	(0.8)	12.4	24.95	0.4
2012	45,481,000	(0.0)	37,075,000	(0.2)	18.5	20.48	0.3	6,823,000	0.0	5,936,000	(0.7)	13.0	25.02	0.3
2013	45,499,000	0.0	37,256,000	0.5	18.1	20.62	0.7	6,823,000	0.0	5,888,000	(0.8)	13.7	25.29	1.1
2014	45,379,000	(0.3)	37,376,000	0.3	17.6	20.83	1.0	6,823,000	0.0	6,059,000	2.9	11.2	25.26	(0.1)
2015	45,135,000	(0.5)	37,609,000	0.6	16.7	21.18	1.7	6,805,000	(0.3)	5,954,000	(1.7)	12.5	25.86	2.4
2016	45,198,000	0.1	37,844,000	0.6	16.3	21.25	0.3	6,805,000	0.0	5,934,000	(0.3)	12.8	25.68	(0.7)
2017	45,586,000	0.9	38,284,000	1.2	16.0	21.56	1.5	6,805,000	0.0	6,022,000	1.5	11.5	26.17	1.9
2018	45,678,000	0.2	38,134,000	(0.4)	16.5	21.82	1.2	6,805,000	0.0	6,016,000	(0.1)	11.6	26.79	2.4
Forecasts														
2019	45,719,000	*0.1 %*	37,897,000	*(0.6) %*	17.1 %	$22.19	*1.7 %*	6,805,000	*0.0 %*	5,992,000	*(0.4) %*	12.0 %	$27.21	*1.6 %*
2020	46,778,000	*2.3*	38,532,000	*1.7*	17.6	22.56	*1.7*	7,455,000	*9.6*	6,414,000	*7.0*	14.0	27.73	*1.9*
2021	46,905,000	*0.3*	38,624,000	*0.2*	17.7	22.89	*1.5*	7,465,000	*0.1*	6,439,000	*0.4*	13.8	28.41	*2.5*
2022	47,164,000	*0.6*	38,782,000	*0.4*	17.8	23.19	*1.3*	7,483,000	*0.2*	6,464,000	*0.4*	13.6	29.02	*2.1*
2023	47,463,000	*0.6*	38,983,000	*0.5*	17.9	23.52	*1.4*	7,504,000	*0.3*	6,522,000	*0.9*	13.1	29.70	*2.3*
Average Annual Compound Change														
2006 - 2018		0.1 %		0.0 %			0.9 %		0.3 %		0.3 %			1.2 %
2007 - 2010		0.8		(0.7)			0.6		2.3		2.2			1.3
2010 - 2018		(0.1)		0.2			0.9		(0.0)		(0.0)			0.9
Forecast 2019 - 2023		*0.9 %*		*0.7 %*			*1.5 %*		*2.5 %*		*2.1 %*			*2.2 %*

Source: REIS Report, 2nd Quarter, 2019

The inventory of office space in the St. Louis market increased at an average annual compound rate of 0.1% from 2006 through 2018, while occupied office space remained relatively stable at an average annual rate of 0.0% over the same period. During the period of 2006 through 2007, occupied office space expanded at an average annual compound rate of 0.2%. From 2007 through 2010, occupied office space contracted at an average annual compound rate of -0.7%, reflecting the impact of the recession. The onset of the recovery is evident in the 0.2% average annual change in occupied office space from 2010 to 2018. From 2019 through 2023, the inventory of occupied office space is forecast to increase at an average annual compound rate of 0.7%, with available office space expected to increase 0.9%, thus resulting in an anticipated vacancy rate of 17.9% as of 2023. According to REIS, the Clayton office submarket is one of the strongest office markets in the greater Saint Louis area. This market is supported by several major office users, including Centene Corporation, Enterprise, Greybar, Caleres, and the St. Louis County government offices. Going forward, the Clayton submarket's vacancy rate is expected to increase modestly given the ongoing development of additional office space for Centene Corporation. However, asking rents are anticipated to increase steadily through 2023.

Convention Activity

A convention center serves as a gauge of visitation trends to a particular market. Convention centers also generate significant levels of demand for area hotels and serve as a focal point for community activity. Typically, hotels within the closest proximity to a convention center—up to three miles away—will benefit the most. Hotels serving as headquarters for an event benefit the most by way of premium rates and hosting related banquet events. During the largest conventions, peripheral hotels may benefit from compression within the city as a whole.

America's Center, which includes the St. Louis Executive Conference Center and the Edward Jones Dome, is the area's primary meeting venue. Originally constructed in 1977 as the Cervantes Convention Center, the center was expanded in 1993; it now provides more than 500,000 square feet of prime exhibit space. The Dome at America's Center, a convention facility and stadium that was formerly known as the Edward Jones Dome, seats over 64,000 people; it was constructed in 1995 following the demolition of a Sheraton hotel, which had previously occupied the site. The St. Louis Executive Conference Center is located on the third floor of the America's Center. It is reportedly the only conference center in the U.S. located inside a convention center and certified by the International Association of Conference Centers. In 2012, a $48-million renovation of the convention center was completed. The project included upgrades to the roof, escalators, elevators, life-safety systems, HVAC system, kitchens, restrooms, signage, and interior finishes. In April 2019, a financing mechanism to fund approximately $175 million in renovations and upgrades to the center was approved. The AC Next Gen project is expected to include a new ballroom, expanded exhibit space, additional service space and loading docks, and exterior enhancements. The project in now in the planning and design phase, with a timeline for completion yet to be established.

CONVENTION CENTER

The following table illustrates recent usage statistics for this facility.

HVS

FIGURE 3-9 CONVENTION CENTER STATISTICS

Year	Number of Conventions	Percent Change	Room Nights Booked	Percent Change
2012	32	—	243,819	—
2013	31	(3.1) %	239,570	(1.7) %
2014	54	74.2	258,394	7.9
2015	65	20.4	300,767	16.4
2016	63	(3.1)	327,274	8.8
2017	65	3.2	322,113	(1.6)
2018	50	(23.1)	230,554	(28.4)

Source: Americas Center Convention Complex

While the number of room nights booked remained stable, the number of conventions declined in 2011. The number of booked room nights notably increased in 2012, as the convention center benefited from demand returning to the market and the completion of its renovation. The total number of events and booked room nights fell slightly in 2013. The number of events and room nights increased significantly in 2014 and 2015. The recent improvement was supported by renovations at several larger full-service hotels, as well as multiple new large conventions that were secured through 2017. Although the number of conventions decreased slightly, 2016 was another strong year, with the number of room nights booked reaching an all-time high. Statistics for 2017 show an increase in the number of conventions and a decrease in room nights year-over-year. In 2018, the number of events and resulting room nights dropped off sharply due to the loss of multiple larger events earlier in the year, including the Church of God in Christ Convocation. Officials reported a strong year in 2019 and are optimistic about 2020, with both years registering much stronger booking paces than 2018.

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.

Lambert St. Louis International Airport (STL) is the primary airport for St. Louis, Missouri, and the surrounding area. Many major commercial airlines service the airport. A $70-million modernization program of the airport took place from 2008 through 2013, including updates to the security checkpoints, restrooms, ticket counters, and concourses. Additionally, the dome ceiling was treated, a new baggage claim system was installed, and new roadway signage was installed as part of the $1.2-million Wayfinding Project. More recently, portions of the previously shuttered Concourse D have been renovated in order to accommodate service expansions by Southwest Airlines.

The following table illustrates recent operating statistics for the Lambert St. Louis International Airport, which is the primary airport facility serving the proposed subject hotel's submarket.

FIGURE 3-10 AIRPORT STATISTICS - LAMBERT ST. LOUIS INTERNATIONAL AIRPORT

Year	Passenger Traffic	Percent Change*	Percent Change**
2009	12,828,006	—	—
2010	12,331,436	(3.9) %	(3.9) %
2011	12,526,150	1.6	(1.2)
2012	12,683,011	1.3	(0.4)
2013	12,570,128	(0.9)	(0.5)
2014	12,395,860	(1.4)	(0.7)
2015	12,751,683	2.9	(0.1)
2016	13,959,126	9.5	1.2
2017	14,767,582	5.8	1.8
2018	15,632,586	5.9	2.2
Year-to-date, Nov			
2018	14,388,276	—	—
2019	14,588,795	1.4 %	—

*Annual average compounded percentage change from the previous year

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

Source: Lambert St. Louis International Airport

FIGURE 3-11 LOCAL PASSENGER TRAFFIC VS. NATIONAL TREND

Source: HVS, Local Airport Authority

This facility recorded 15,632,586 passengers in 2018. The change in passenger traffic between 2017 and 2018 was 5.9%. The average annual change during the period shown was 2.2%.

Tourist Attractions

The subject market benefits from a variety of local tourism and leisure attractions. Tourism demand is largely generated by attractions throughout the greater St. Louis area, including Busch Stadium, Forest Park, the St. Louis Zoo, and a number of casinos. We note that a multi-year renovation to revitalize Union Station as a tourist destination occurred in 2019 with the opening of a 200-foot-tall Ferris wheel in October and a new aquarium in December. Furthermore, St. Louis was awarded a Major League Soccer franchise in 2019. Construction on a new stadium is expected to begin in 2020 for an inaugural season in 2022.

UNION STATION

Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. St. Louis is experiencing a period of economic strength and expansion, primarily led by the financial services, high-tech, and life-science sectors. The significant presence of healthcare entities also supplies consistent economic benefits to the region. Furthermore, many of the corporations or institutions that support this area, such as Wells Fargo Advisors, Stifel Financial Corporation, BJC HealthCare, Nestlé Purina PetCare, and Anheuser-Busch InBev, are renowned entities working with a multitude of clients. The outlook for the market area is positive.

4. Supply and Demand Analysis

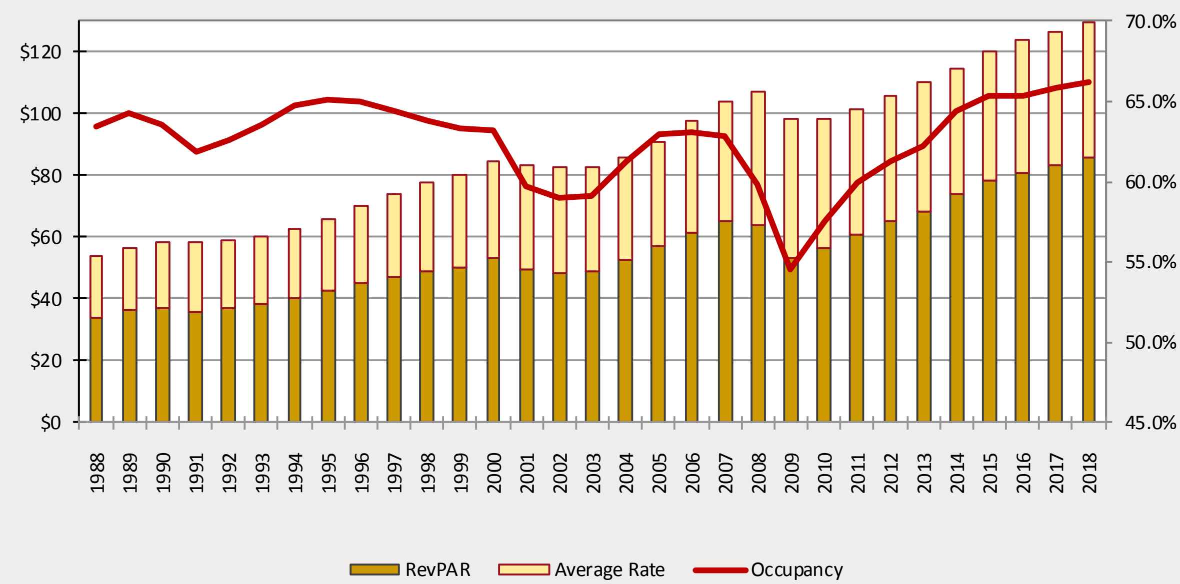
In the lodging industry, price varies directly, but not proportionately, with demand and inversely, but not proportionately, with supply. Supply is measured by the number of guestrooms available, and demand is measured by the number of rooms occupied; the net effect of supply and demand toward equilibrium results in a prevailing price, or average daily rate (ADR). 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.

National Trends Overview

A hotel'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 hotel's competitive set.

STR is an independent research firm that compiles and publishes data on the lodging industry, and this information is routinely used by typical hotel buyers. The following STR diagram presents annual hotel occupancy and ADR data since 1988. The next two tables contain information that is more recent; the data are categorized by geographical region, price point, type of location, and chain scale, and 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, AVERAGE RATE, AND REVPAR TRENDS



Source: STR

FIGURE 4-2 NATIONAL OCCUPANCY AND ADR TRENDS – YEAR-TO-DATE DATA

	Occupancy - YTD August			ADR - YTD August			RevPAR - YTD August			Percent Change	
	2018	2019	% Change	2018	2019	% Change	2018	2019	% Change	Rms. Avail.	Rms. Sold
United States	67.6 %	67.6 %	0.1 %	$130.55	$131.95	1.1 %	$88.19	$89.24	1.2 %	2.0 %	2.1 %
Region											
New England	65.9 %	65.4 %	(0.7) %	$157.81	$160.48	1.7 %	$103.92	$104.92	1.0 %	1.6 %	0.9 %
Middle Atlantic	70.4	69.5	(1.3)	159.44	159.71	0.2	112.22	110.98	(1.1)	2.5	1.2
South Atlantic	69.8	69.8	0.1	129.25	131.38	1.7	90.18	91.73	1.7	2.0	2.0
E. North Central	62.7	62.5	(0.4)	112.16	112.54	0.3	70.37	70.33	(0.1)	2.1	1.7
E. South Central	62.8	64.0	2.0	100.65	103.27	2.6	63.19	66.13	4.6	2.8	4.8
W. North Central	58.9	59.7	1.5	100.33	100.23	(0.1)	59.05	59.86	1.4	2.1	3.6
W. South Central	64.3	64.4	0.1	103.10	102.57	(0.5)	66.34	66.08	(0.4)	2.6	2.8
Mountain	67.0	68.5	1.1	121.33	124.33	2.5	82.26	85.23	3.6	1.1	2.2
Pacific	75.4	75.2	(0.3)	170.85	173.80	1.7	128.81	130.68	1.4	1.5	1.2
Class											
Luxury	72.5 %	72.4 %	(0.1) %	$297.73	$301.09	1.1 %	$215.75	$217.88	1.0 %	2.7 %	2.6 %
Upper-Upscale	74.6	74.0	(0.7)	186.19	188.82	1.4	138.85	139.77	0.7	2.5	1.7
Upscale	73.4	73.0	(0.5)	143.77	144.87	0.8	105.49	105.78	0.3	3.6	3.1
Upper-Midscale	69.3	69.2	(0.1)	116.39	117.28	0.8	80.67	81.20	0.7	3.6	3.5
Midscale	61.5	61.4	0.0	96.71	97.25	0.6	59.44	59.76	0.5	1.0	1.0
Economy	60.3	60.9	1.0	75.36	75.73	0.5	45.44	46.13	1.5	(0.3)	0.7
Location											
Urban	74.5 %	74.0 %	(0.7) %	$179.02	$180.01	0.6 %	$133.34	$133.18	(0.1) %	3.1 %	2.5 %
Suburban	68.4	68.3	(0.1)	111.61	112.46	0.8	76.30	76.80	0.7	2.2	2.1
Airport	75.5	75.5	1.2	119.40	120.49	0.9	90.09	90.99	1.0	2.3	2.3
Interstate	58.9	59.4	0.8	87.44	88.55	1.3	51.51	52.61	2.1	1.7	2.6
Resort	72.7	72.5	(0.2)	183.63	187.51	2.1	133.50	135.99	1.9	1.4	1.1
Small Town	59.0	59.6	1.1	106.71	108.49	1.7	62.91	64.68	2.8	1.1	2.2
Chain Scale											
Luxury	75.8 %	74.5 %	(1.7) %	$332.09	$338.93	2.1 %	$251.65	$252.48	0.3 %	1.1 %	(0.7) %
Upper-Upscale	75.9	75.2	(0.8)	186.45	189.63	1.7	141.42	142.67	0.9	1.9	1.0
Upscale	74.8	74.1	(0.9)	142.69	143.52	0.6	106.69	106.31	(0.4)	4.7	3.7
Upper-Midscale	69.4	69.2	(0.3)	113.82	114.44	0.5	79.02	79.19	0.2	3.5	3.1
Midscale	60.1	60.0	(0.2)	88.09	88.00	(0.1)	52.97	52.79	(0.3)	2.5	2.3
Economy	59.5	60.2	1.1	64.57	64.66	0.1	38.45	38.94	1.3	(1.6)	(0.5)
Independents	64.6	65.2	0.9	131.49	133.49	1.5	84.91	87.02	2.5	1.4	2.4

Source: STR - August 2019 Lodging Review

FIGURE 4-3 NATIONAL OCCUPANCY AND ADR TRENDS – CALENDAR-YEAR DATA

	Occupancy			Average Rate			RevPAR			Percent Change	
	2017	2018	% Change	2017	2018	% Change	2017	2018	% Change	Rms. Avail.	Rms. Sold
United States	65.9 %	66.2 %	0.5 %	$126.77	$129.83	2.4 %	$83.53	$85.96	2.9 %	2.0 %	2.5 %
Region											
New England	64.6 %	65.9 %	2.1 %	$154.39	$157.96	2.3 %	$99.72	$104.16	4.5 %	2.0 %	4.1 %
Middle Atlantic	68.4	69.8	2.1	162.05	166.18	2.5	110.77	116.00	4.7	2.4	4.5
South Atlantic	67.9	67.9	0.1	123.57	126.45	2.3	83.88	85.88	2.4	1.8	1.8
E. North Central	61.3	61.6	0.5	109.90	112.44	2.3	67.37	69.30	2.9	2.0	2.6
E. South Central	61.5	62.0	0.7	98.23	100.79	2.6	60.46	62.45	3.3	2.2	2.9
W. North Central	58.0	58.0	(0.1)	97.70	99.00	1.3	56.65	57.38	1.3	2.1	2.0
W. South Central	62.5	62.7	0.4	100.36	102.53	2.2	62.69	64.29	2.5	2.6	3.0
Mountain	65.9	66.2	0.5	118.02	119.06	0.9	77.81	78.88	1.4	1.4	1.9
Pacific	73.8	73.8	0.0	162.89	168.55	3.5	120.25	124.45	3.5	1.8	1.8
Class											
Luxury	70.7 %	71.3 %	0.9 %	$286.91	$294.86	2.8 %	$202.87	$210.29	3.7 %	2.4 %	3.3 %
Upper-Upscale	72.8	72.7	(0.1)	181.74	185.59	2.1	132.26	134.88	2.0	2.4	2.2
Upscale	72.3	72.2	(0.2)	141.05	143.86	2.0	101.99	103.81	1.8	4.4	4.2
Upper-Midscale	67.7	67.8	0.2	115.32	117.22	1.6	78.08	79.52	1.8	3.9	4.1
Midscale	60.6	60.8	0.4	93.42	95.44	2.2	56.58	58.01	2.5	0.6	0.9
Economy	58.7	59.3	1.1	72.23	73.94	2.4	42.38	43.84	3.5	(0.5)	0.6
Location											
Urban	73.4 %	73.4 %	(0.1) %	$178.72	$183.14	2.5 %	$131.26	$134.41	2.4 %	3.1 %	3.0 %
Suburban	67.0	67.0	0.1	108.24	110.57	2.2	72.48	74.11	2.2	2.3	2.4
Airport	73.7	73.8	0.1	116.23	118.24	1.7	85.63	87.24	1.9	1.7	1.9
Interstate	57.2	58.0	1.5	85.11	86.92	2.1	48.65	50.43	3.7	1.6	3.1
Resort	70.0	70.2	0.3	172.87	179.24	3.7	120.96	125.84	4.0	1.2	1.6
Small Town	57.1	57.9	1.4	102.37	104.34	1.9	58.45	60.42	3.4	1.3	2.7
Chain Scale											
Luxury	74.0 %	74.5 %	0.7 %	$323.95	$336.04	3.7 %	$239.66	$250.25	4.4 %	2.1 %	2.8 %
Upper-Upscale	74.2	74.0	(0.3)	182.15	185.96	2.1	135.21	137.69	1.8	2.5	2.2
Upscale	73.8	73.5	(0.4)	140.21	142.87	1.9	103.43	104.94	1.5	5.2	4.8
Upper-Midscale	67.9	67.8	(0.1)	112.94	114.67	1.5	76.68	77.78	1.4	4.1	4.0
Midscale	59.9	60.1	0.3	86.93	88.58	1.9	52.09	53.25	2.2	1.0	1.3
Economy	58.0	58.6	1.0	62.48	63.79	2.1	36.23	37.38	3.2	(0.7)	0.4
Independents	62.7	63.4	1.0	126.21	129.66	2.7	79.17	82.17	3.8	0.5	1.6

Source: STR - December 2018 Lodging Review

In the preceding tables, the subject recommended site is located within the West North Central region and is considered a suburban location. The recommended product type falls in the upscale class and chain scale.

Following the significant RevPAR decline experienced during the last recession, demand growth resumed in 2010, led by select markets that had recorded growth trends in the fourth quarter of 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. Demand growth remained strong, but decelerated from 2011 through 2013, increasing at rates of 4.7%, 2.8%, and 2.0%, respectively. Demand growth then surged to 4.0% in 2014, driven by a strong economy, a robust oil and gas sector, and limited new supply, among other factors. By 2014, occupancy had surpassed the 64% mark. Average rate rebounded similarly during this time, bracketing 4.0% annual gains from 2011 through 2014.

In 2015, demand growth continued to outpace supply growth, a relationship that has been in place since 2010. With a 2.9% increase in room nights, the nation's occupancy level reached a record high of 65.4% in 2015. Supply growth intensified modestly in 2015 (at 1.1%), following annual supply growth levels of 0.7% and 0.9% in 2013 and 2014, respectively. Average rate posted another strong year of growth, at 4.7% in 2015, in pace with the annual growth of the last four years. Robust job growth, heightened group and leisure travel, and waning price-sensitivity all contributed to the gains. In 2016, occupancy showed virtually no change, as demand growth kept pace with supply additions. Occupancy then moved even higher in 2017 and 2018, to new highs of 65.9% and 66.2%, respectively. Average rate increased 2.1% and 2.4% in 2017 and 2018, respectively. By year-end 2018, the net change in RevPAR was 2.9%, reflecting a healthy lodging market overall. Year-to-date statistics through August 2019 reflect no change in occupancy, while average rate increased by just over $1.00, resulting in a 1.2% upward change in RevPAR.

St. Louis, MO - IL Lodging Market

According to STR, as of December 31, 2018, the greater St. Louis, MO - IL area had 339 hotels with a total of 39,522 guestrooms. These totals represent a 1.7% change over the 2017 year-end inventory of 38,878 guestrooms. The following table presents the historical occupancy, average rate, and RevPAR data for the St. Louis metropolitan area for the years 2000 through 2018, as well as for the comparative year-to-date period ending in August 2018 and 2019.

FIGURE 4-4 ST. LOUIS LODGING MARKET DATA – 2000 TO YTD AUGUST 2019

Year	Occupancy	Percent Change	Average Rate	Percent Change	RevPAR	Percent Change
2000	62.9 %	—	$71.26	—	$44.82	—
2001	60.6	(3.7) %	72.06	1.1 %	43.67	(2.6) %
2002	60.3	(0.5)	72.23	0.2	43.55	(0.3)
2003	58.2	(3.5)	72.93	1.0	42.45	(2.5)
2004	59.4	2.1	75.98	4.2	45.13	6.3
2005	60.0	1.0	78.97	3.9	47.38	5.0
2006	60.3	0.5	81.25	2.9	48.99	3.4
2007	60.2	(0.2)	84.91	4.5	51.12	4.3
2008	58.5	(2.8)	87.19	2.7	51.01	(0.2)
2009	54.7	(6.5)	81.54	(6.5)	44.60	(12.6)
2010	57.0	4.2	81.11	(0.5)	46.23	3.7
2011	58.5	2.6	83.78	3.3	49.01	6.0
2012	60.8	3.9	85.73	2.3	52.12	6.4
2013	61.9	1.8	90.49	5.6	56.01	7.5
2014	64.1	3.6	96.04	6.1	61.56	9.9
2015	65.4	2.0	99.06	3.1	64.79	5.2
2016	65.9	0.8	100.83	1.8	66.45	2.6
2017	65.3	(0.9)	104.63	3.8	68.32	2.8
2018	64.7	(0.9)	105.24	0.6	68.09	(0.3)
Year to date through August						
2018	66.4 %		$105.68		$70.17	
2019	65.8	(0.9) %	107.40	1.6 %	70.67	0.7 %
Average Annual Compound Growth						
2000 to 2018		0.2 %		2.2 %		2.4 %

Source: STR Global, STR Monthly Hotel Review

Since the dawn of the last decade, the greater St. Louis market has experienced two lodging cycles. In the early 2000s, the market suffered occupancy declines because of recessionary influences; despite this trend, average rate ticked slightly upward. In the mid-2000s, the market realized a rebound in demand that fostered stronger increases in average rate; however, this trend was accompanied by significant growth in supply, preventing occupancy from rising beyond 60%. As the Great Recession took hold in 2008 and 2009, occupancy levels dropped to the mid-50s and average rate followed suit, declining in 2009 and 2010. Demand and occupancy levels began to recover in 2010, and steady growth continued through 2015. This positive occupancy trend was supported by a decrease in hotel supply over that period as a number of older, obsolete properties were closed. The positive supply and demand fundamentals also provided a foundation for healthy rate growth, and the market experienced five consecutive years of RevPAR growth over 5.0%. In 2016, occupancy levels and average rates remained strong, but the pace of growth slowed for both metrics as supply levels began to increase. By 2017, continued supply growth slightly outpaced demand increases, which resulted in a minimal occupancy dip. Nonetheless, average rates improved at a healthy pace, allowing the market to achieve its eighth consecutive year of RevPAR growth. In 2018, continuing supply growth and a relatively weak convention calendar caused occupancy to decline further and placed downward pressure on pricing. RevPAR fell slightly for the year, marking the first annual RevPAR loss in almost ten years. The modest decline in occupancy continued through mid-year 2019, as steadily increasing demand was outpaced by supply growth. However, a stronger convention calendar has provided a foundation for healthier pricing power, resulting in nominal ADR and RevPAR growth thus far in 2019. The overall outlook for the market is an expectation of relative stability, as the supply and demand trends of recent years are anticipated to remain in place for the remainder of 2019 and 2020.

Definition of Subject Hotel Market

The subject site is located in the greater Saint Louis lodging market. Within this greater market, the proposed subject hotel will compete with a smaller set of hotels based on various factors, such as location, size, service level, and product type.

Historical Supply and Demand Data

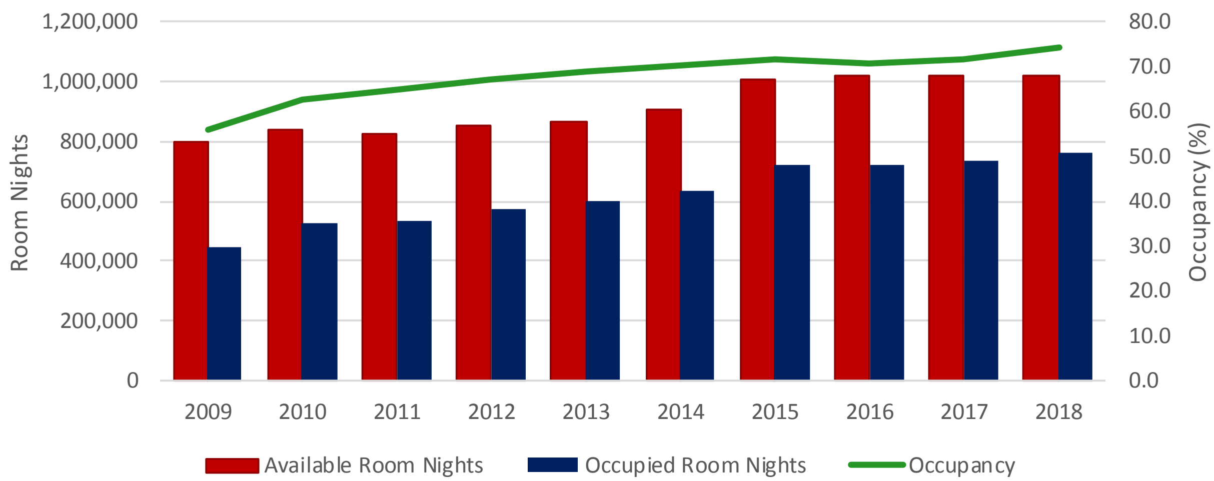
As noted previously, STR is an independent research firm that compiles and publishes data on the lodging industry, routinely used by typical hotel buyers. HVS has ordered and analyzed an STR Trend Report of historical supply and demand data for a group of hotels considered applicable to this analysis for the proposed subject hotel. 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 4-5 HISTORICAL SUPPLY AND DEMAND TRENDS

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2009	2,196	801,477	—	447,648	—	55.9 %	$122.28	—	$68.30	—
2010	2,296	838,070	4.6 %	526,466	17.6 %	62.8	120.83	(1.2) %	75.91	11.1 %
2011	2,266	827,189	(1.3)	535,231	1.7	64.7	128.70	6.5	83.27	9.7
2012	2,329	850,085	2.8	571,090	6.7	67.2	130.34	1.3	87.56	5.1
2013	2,380	868,700	2.2	598,628	4.8	68.9	134.20	3.0	92.48	5.6
2014	2,480	905,364	4.2	635,217	6.1	70.2	140.82	4.9	98.80	6.8
2015	2,749	1,003,544	10.8	718,430	13.1	71.6	144.16	2.4	103.21	4.5
2016	2,802	1,022,730	1.9	724,876	0.9	70.9	148.66	3.1	105.37	2.1
2017	2,801	1,022,546	(0.0)	734,001	1.3	71.8	151.62	2.0	108.83	3.3
2018	2,801	1,022,365	(0.0)	760,131	3.6	74.4	152.66	0.7	113.51	4.3
Year-to-Date Through September										
2018	2,801	764,673	—	578,967	—	75.7 %	$153.27	—	$116.05	—
2019	2,848	777,372	1.7 %	567,265	(2.0) %	73.0	154.18	0.6 %	112.51	(3.0) %
Average Annual Compounded Change:										
2009 - 2012			2.0 %		8.5 %			2.1 %		8.6 %
2012 - 2018			3.1		4.9			2.7		4.4

Hotels Included in Sample	Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
Royal Sonesta Chase Park Plaza St Louis	Upscale Class	*Secondary*	389	Jun 2017	Jun 1922
Seven Gables Inn	Upper Upscale Class	*Secondary*	32	Jul 1926	Jul 1926
Holiday Inn Express St Louis Central West End	Upper Midscale Class	*Secondary*	127	Oct 2014	Jun 1958
Hampton by Hilton Inn & Suites Clayton/St Louis-Galleria Area	Upper Midscale Class	*Primary*	106	Aug 2014	Jun 1964
Sheraton Hotel Clayton Plaza St Louis	Upper Upscale Class	*Secondary*	259	Aug 1999	Jun 1964
Cheshire Inn	Upper Upscale Class	*Secondary*	108	Aug 2011	Jun 1964
Hilton St Louis Frontenac	Upper Upscale Class	*Secondary*	263	Mar 1993	Jun 1970
Residence Inn St Louis Galleria	Upscale Class	*Secondary*	152	Aug 1986	Aug 1986
Ritz-Carlton St Louis	Luxury Class	*Secondary*	299	Apr 1990	Apr 1990
Parkway Hotel	Upper Upscale Class	*Secondary*	217	Nov 2003	Nov 2003
Hampton Inn St Louis @ Forest Park	Upper Midscale Class	*Secondary*	126	May 2006	May 2006
SpringHill Suites St Louis Brentwood	Upscale Class	*Primary*	123	Aug 2008	Aug 2008
Moonrise Hotel	Luxury Class	*Secondary*	125	Apr 2009	Apr 2009
Homewood Suites by Hilton St Louis Galleria	Upscale Class	*Secondary*	158	Jul 2009	Jul 2009
Drury Inn & Suites St Louis Brentwood	Upper Midscale Class	*Primary*	210	Aug 2014	Aug 2014
Home2 Suites by Hilton St Louis Forest Park	Upper Midscale Class	*Secondary*	106	Jul 2015	Jul 2015
Courtyard St Louis Brentwood	Upscale Class	*Primary*	141	Jul 2019	Jul 2019
		Total	**2,941**		

FIGURE 4-6 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)



It is important to note some limitations of the STR data. Hotels are occasionally added to or removed from the sample; furthermore, 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, and 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 a market-wide occupancy level of 2018 in 74.4%, which compares to 71.8% for 2017. The STR data for the competitive set reflect a market-wide ADR level of $152.66 in 2018, which compares to $151.62 for 2017. These occupancy and ADR trends resulted in a RevPAR level of $113.51 in 2018.

During the illustrated historical period, occupancy followed a strengthening trend from 2009 through 2015 and then remained relatively stable in 2016 and 2017. Occupancy grew again in 2018, reaching an all-time high. Meanwhile, aside from a modest decline in 2010, both average rate and RevPAR increased steadily during this same time period. This improvement in market conditions was driven largely by a strong recovery from the national recession, followed by economic expansion and development throughout the greater Saint Louis area. Additionally, market performance was bolstered by a record volume of meeting and group demand at the America's Center Convention Complex in 2016 and 2017. Year-to-date 2019 data illustrate a softening in occupancy, yet a roughly $1 increase in average rate. The decline in RevPAR for 2019 reflects the impact of supply additions throughout the greater market, as well as renovation disruptions at multiple competitive properties. The near-term outlook is cautiously optimistic given the significant number of new hotel rooms that have recently opened or are under construction. However, the growing presence of strong economic anchors in this central Saint Louis submarket should help bolster demand in the near term.

Seasonality

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

FIGURE 4-7 MONTHLY OCCUPANCY TRENDS

Month	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
January	42.7 %	41.8 %	47.3 %	47.9 %	48.7 %	52.4 %	52.5 %	52.8 %	51.6 %	55.4 %	54.1 %
February	49.5	50.9	53.5	54.8	58.0	65.6	61.8	66.7	64.4	68.9	67.9
March	56.0	59.2	66.6	68.5	64.5	74.0	73.5	68.0	74.0	76.0	76.0
April	60.2	64.7	67.6	71.0	76.5	78.2	77.9	80.2	78.0	80.9	79.6
May	58.7	64.0	69.0	72.7	74.2	75.4	74.5	73.2	76.7	77.9	75.4
June	62.1	71.8	74.0	79.9	78.9	79.6	81.7	81.5	80.3	85.2	82.2
July	58.1	73.4	70.4	71.4	73.3	79.4	80.9	77.8	77.0	75.7	70.7
August	58.8	69.9	68.6	72.6	77.3	72.1	74.0	75.8	78.2	81.5	75.3
September	59.8	73.1	71.2	73.4	74.6	74.3	82.8	78.2	76.5	79.8	75.5
October	66.2	71.9	73.2	76.0	77.9	76.6	75.9	75.8	74.9	80.2	—
November	52.3	62.6	64.2	65.5	69.6	65.4	66.0	66.6	70.9	71.4	—
December	44.2	49.5	50.2	51.8	53.2	51.2	57.0	54.3	58.8	59.4	—
Annual Occupancy	**55.9 %**	**62.8 %**	**64.7 %**	**67.2 %**	**68.9 %**	**70.2 %**	**71.6 %**	**70.9 %**	**71.8 %**	**74.4 %**	**—**
Year-to-Date	**56.4 %**	**63.3 %**	**65.5 %**	**68.1 %**	**69.6 %**	**72.3 %**	**73.4 %**	**72.7 %**	**73.0 %**	**75.7 %**	**73.0 %**

Source: STR

FIGURE 4-8 MONTHLY ADR TRENDS

Month	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
January	$118.00	$115.02	$119.27	$122.66	$124.56	$126.38	$128.19	$130.87	$135.35	$138.05	$134.76
February	118.00	113.56	121.52	122.33	126.76	129.95	134.09	136.26	140.11	140.05	143.00
March	117.69	114.84	123.88	127.41	127.65	134.39	140.55	144.38	147.29	143.42	145.10
April	122.08	120.50	127.35	133.73	135.13	143.19	148.27	151.91	155.17	153.62	155.44
May	135.07	131.80	139.17	141.69	148.56	153.72	158.47	159.16	163.14	163.70	168.56
June	123.52	121.83	129.20	130.50	135.75	143.24	146.98	150.19	152.84	157.40	160.10
July	122.35	119.18	128.72	128.31	129.42	144.58	145.74	147.56	150.58	153.77	154.71
August	121.19	121.35	129.69	129.85	135.55	144.62	143.16	150.79	157.50	165.83	159.29
September	122.94	122.04	129.68	131.34	134.40	143.85	147.13	154.66	158.64	155.53	158.50
October	128.56	126.58	139.92	138.06	143.81	149.15	151.54	162.00	157.90	160.45	—
November	117.33	119.95	125.44	127.84	131.78	135.81	142.09	147.81	149.76	149.80	—
December	114.41	117.03	122.00	122.13	128.06	129.85	132.73	136.73	140.33	138.69	—
Annual Average Rate	**$122.28**	**$120.83**	**$128.70**	**$130.34**	**$134.20**	**$140.82**	**$144.16**	**$148.66**	**$151.62**	**$152.66**	**—**
Year-to-Date	**$122.67**	**$120.51**	**$128.19**	**$130.33**	**$133.78**	**$141.25**	**$144.52**	**$148.18**	**$152.11**	**$153.27**	**$154.18**

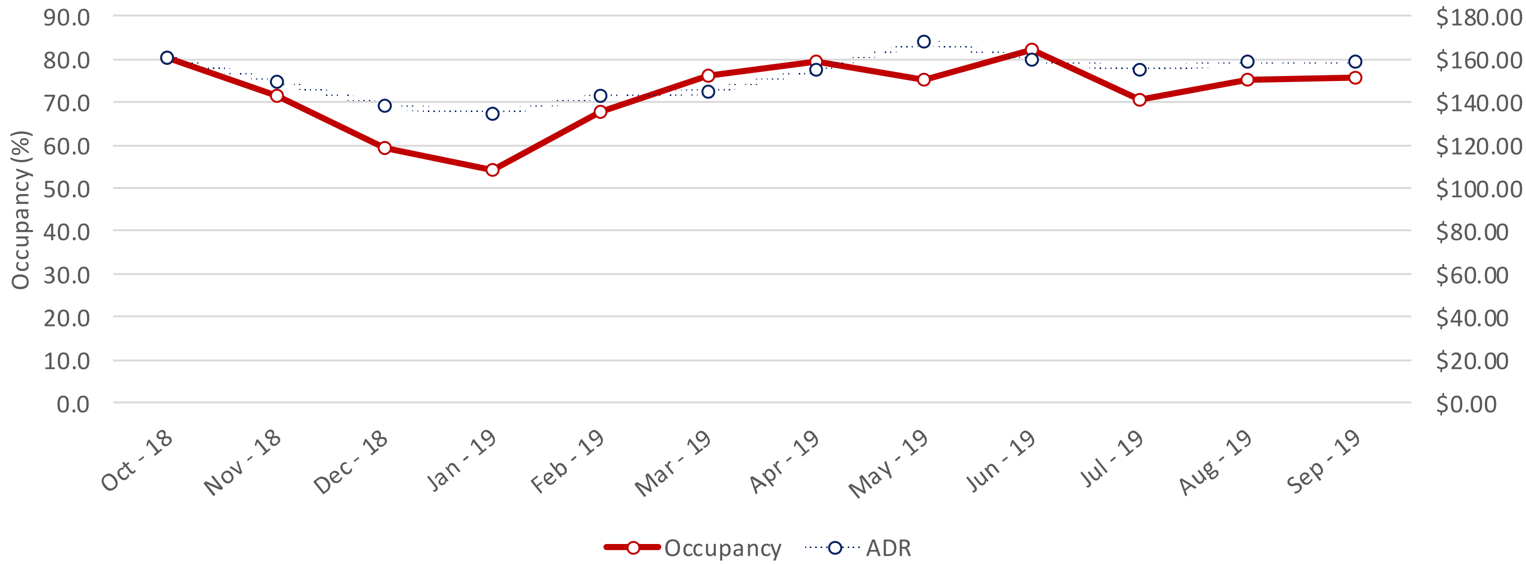
Source: STR

FIGURE 4-9 SEASONALITY

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
High Season - April, June, July, August, September, October											
Occupancy	60.8 %	70.8 %	70.8 %	74.1 %	76.4 %	76.6 %	78.8 %	78.2 %	77.5 %	80.5 %	76.5 %
Average Rate	$123.57	$121.94	$130.92	$131.99	$135.76	$144.87	$147.13	$152.81	$155.41	$157.85	$157.65
RevPAR	75.19	86.37	92.76	97.74	103.74	110.96	115.99	119.46	120.38	127.13	120.66
Shoulder Season - February, March, May, November											
Occupancy	54.3 %	59.3 %	63.6 %	65.6 %	66.7 %	70.1 %	69.1 %	68.7 %	71.7 %	73.7 %	73.3 %
Average Rate	$122.56	$120.66	$128.07	$130.61	$134.55	$139.02	$144.53	$147.44	$150.78	$149.76	$152.81
RevPAR	66.52	71.58	81.41	85.74	89.81	97.45	99.91	101.27	108.10	110.33	111.98
Low Season - January, December											
Occupancy	43.5 %	45.5 %	48.7 %	49.9 %	51.0 %	51.8 %	54.8 %	53.6 %	55.2 %	57.4 %	54.1 %
Average Rate	$116.06	$116.09	$120.71	$122.38	$126.39	$128.20	$130.59	$133.84	$138.00	$138.38	$134.76
RevPAR	50.48	52.85	58.84	61.03	64.41	66.35	71.54	71.70	76.16	79.45	72.88

Source: Smith Travel Research

FIGURE 4-10 MONTHLY OCCUPANCY AND ADR TRENDS (TRAILING 12 MONTHS)



The illustrated monthly occupancy and ADR patterns reflect important seasonal characteristics. We have reviewed these trends in developing our forthcoming forecast of market-wide demand and average rate.

Patterns of Demand

A review of the trends in occupancy and average rate by day of the week provides some insight into the impact that the current economic conditions have had on the competitive lodging market. The data, as provided by STR, are illustrated in the following table(s).

FIGURE 4-11 OCCUPANCY BY DAY OF WEEK (TRAILING 12 MONTHS)

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Oct - 18	55.4 %	79.0 %	85.2 %	81.7 %	80.2 %	88.3 %	90.3 %	80.2 %
Nov - 18	47.4	72.7	77.1	79.3	72.5	74.8	74.5	71.4
Dec - 18	41.0	65.9	69.2	64.8	56.7	55.4	64.6	59.4
Jan - 19	34.8	64.8	66.7	66.8	51.7	43.2	44.9	54.1
Feb - 19	46.7	74.7	81.8	76.2	64.1	63.0	68.8	67.9
Mar - 19	50.0	78.3	86.3	85.1	76.8	76.9	83.2	76.0
Apr - 19	54.0	80.9	87.3	86.7	76.5	84.7	84.9	79.6
May - 19	52.6	72.1	84.9	84.4	71.9	80.0	79.5	75.4
Jun - 19	60.2	87.4	94.4	93.7	77.6	80.5	85.9	82.2
Jul - 19	54.7	74.1	77.3	72.9	61.1	72.0	79.8	70.7
Aug - 19	51.1	78.1	83.1	78.6	72.7	78.8	82.6	75.3
Sep - 19	52.7	72.2	87.8	89.1	74.2	78.3	81.1	75.5
Average	**50.2 %**	**74.9 %**	**81.6 %**	**79.7 %**	**69.5 %**	**73.4 %**	**76.9 %**	**72.3 %**

Source: STR

FIGURE 4-12 AVERAGE RATE BY DAY OF WEEK (TRAILING 12 MONTHS)

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Oct - 18	$147.66	$154.35	$157.64	$159.30	$159.46	$170.51	$170.60	$160.45
Nov - 18	136.48	149.71	156.28	158.44	150.77	144.09	148.42	149.80
Dec - 18	131.78	145.19	146.12	143.97	134.44	132.21	133.26	138.69
Jan - 19	125.99	138.21	141.48	140.63	135.57	123.66	122.73	134.76
Feb - 19	131.60	145.22	151.61	147.71	142.67	137.52	138.19	143.00
Mar - 19	132.62	147.65	154.35	153.79	143.89	139.52	141.94	145.10
Apr - 19	140.36	153.27	159.20	162.26	156.62	153.90	156.30	155.44
May - 19	141.52	155.28	168.01	177.98	179.79	175.74	164.86	168.56
Jun - 19	150.50	161.71	164.34	163.84	157.57	156.65	162.94	160.10
Jul - 19	141.94	155.76	163.79	162.22	146.32	147.99	155.14	154.71
Aug - 19	142.96	157.64	160.92	161.54	161.29	161.55	161.67	159.29
Sep - 19	144.10	156.61	163.81	165.02	155.87	157.00	163.23	158.50
Average	**$139.91**	**$152.24**	**$157.77**	**$159.00**	**$153.44**	**$152.48**	**$153.40**	**$153.34**

Source: STR

FIGURE 4-13 OCCUPANCY AND AVERAGE RATE BY DAY OF WEEK (TRAILING 12 MONTHS)

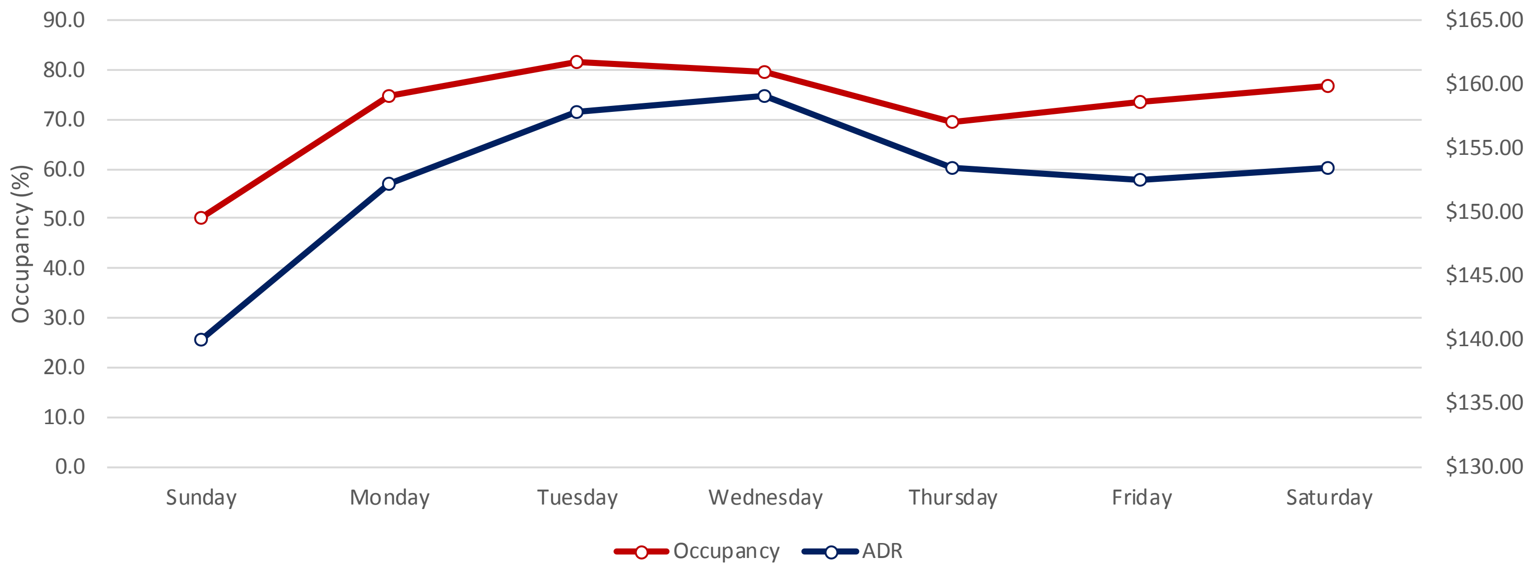


FIGURE 4-14 OCCUPANCY, AVERAGE RATE, AND REVPAR BY DAY OF WEEK (MULTIPLE YEARS)

Occupancy (%)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Oct 16 - Sep 17	47.9 %	70.5 %	80.7 %	80.7 %	69.8 %	71.7 %	76.5 %	71.1 %
Oct 17 - Sep 18	51.2	74.8	83.3	82.8	72.8	74.3	77.9	73.8
Oct 18 - Sep 19	50.2	74.9	81.6	79.7	69.5	73.4	76.9	72.3
Change (Occupancy Points)								
FY 17 - FY 18	3.3	4.3	2.6	2.1	3.0	2.5	1.4	2.7
FY 18 - FY 19	(1.1)	0.2	(1.8)	(3.2)	(3.4)	(0.9)	(1.0)	(1.5)

ADR ($)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Oct 16 - Sep 17	$140.60	$149.32	$153.27	$154.78	$152.54	$152.99	$153.77	$151.68
Oct 17 - Sep 18	138.75	151.40	156.75	157.56	153.09	152.47	152.44	152.52
Oct 18 - Sep 19	139.91	152.24	157.77	159.00	153.44	152.48	153.40	153.34
Change (Dollars)								
FY 17 - FY 18	($1.85)	$2.07	$3.48	$2.78	$0.54	($0.52)	($1.33)	$0.84
FY 18 - FY 19	1.16	0.84	1.02	1.43	0.36	0.01	0.96	0.83
Change (Percent)								
FY 17 - FY 18	(1.3) %	1.4 %	2.3 %	1.8 %	0.4 %	(0.3) %	(0.9) %	0.6 %
FY 18 - FY 19	0.8	0.6	0.6	0.9	0.2	0.0	0.6	0.5

RevPAR ($)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Oct 16 - Sep 17	$67.34	$105.21	$123.68	$124.98	$106.49	$109.72	$117.56	$107.88
Oct 17 - Sep 18	71.08	113.21	130.62	130.48	111.48	113.22	118.69	112.57
Oct 18 - Sep 19	70.19	114.09	128.69	126.66	106.60	111.89	117.98	110.88
Change (Dollars)								
FY 17 - FY 18	$3.74	$8.00	$6.95	$5.50	$4.99	$3.50	$1.13	$4.69
FY 18 - FY 19	(0.90)	0.87	(1.93)	(3.82)	(4.88)	(1.33)	(0.71)	(1.69)
Change (Percent)								
FY 17 - FY 18	5.6 %	7.6 %	5.6 %	4.4 %	4.7 %	3.2 %	1.0 %	4.3 %
FY 18 - FY 19	(1.3)	0.8	(1.5)	(2.9)	(4.4)	(1.2)	(0.6)	(1.5)

Source: STR

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. This submarket captures a large amount of commercial demand from the Clayton CBD, as well as local educational and healthcare institutions, resulting in high occupancy levels on Tuesday and

Wednesday nights. Additionally, relatively strong weekend demand is generated by visitors to Forest Park, as well as sporting events and tourist attractions in Downtown Saint Louis.

SUPPLY

The hotels comprising the identified competitive set represent a variety of hotel product classes and service levels. The following table divides the selection of hotels by service level, with the class, brand family and room count also noted.

FIGURE 4-15 COMPETITIVE HOTELS SERVICE LEVEL AND CLASS

Full-Service

Name	Class	Brand Family	Room Count
Ritz-Carlton	Luxury	Marriott	299
Clayton Plaza	Upscale	None	242
Sheraton (to be Le Meridien)	Upper Upscale	Marriott	259
Chase Park Plaza Royal Sonesta	Upper Upscale	None	389
Hilton Frontenac	Upper Upscale	Hilton	263
		Total:	**1,452**

Boutique

Name	Class	Brand Family	Room Count
Monnrise Hotel	Luxury	None	125
Seven Gables Inn	Upper Upscale	None	32
Cheshire Inn	Upper Upscale	None	108
		Total:	**265**

Limited-Service

Name	Class	Brand Family	Room Count
Hampton Inn & Suites Clayton	Upper Midscale	Hilton	106
Drury Inn & Suites	Upper Midscale	Drury	210
SpringHill Suites	Upscale	Marriott	123
Hampton Inn & Suites Forest Park	Upper Midscale	Hilton	126
Parkway Hotel	Upscale	None	217
Holiday Inn Express (to be Hotel Indigo)	Upper Midscale (to be Upper Upscale)	IHG	127
		Total:	**909**

Extended-Stay

Name	Class	Brand Family	Room Count
Homewood Suites	Upscale	Hilton	158
Residence Inn	Upscale	Marriott	152
Home2 Suites	Upper Midscale	Hilton	106
		Total:	**416**

Select-Service

Name	Class	Brand Family	Room Count
Courtyard by Marriott	Upscale	Marriott	141

In order to help determine the ideal product type and class for the proposed subject property, we have evaluated the performance of the market by service level and class, as illustrated in the following tables.

FIGURE 4-16 MARKET PERFORMANCE BY SERVICE LEVEL

	2017	2018	2019	% Change 2017-2018	% Change 2018-2019	2019 Index
Full-Service						
Occupancy	66.7 %	71.2 %	67.9 %	6.8 %	-4.6 %	95.4 %
Average Rate	$162.19	$163.60	$166.09	0.9	1.5	110.5
RevPAR	108.11	116.42	112.76	7.7	(3.1)	105.4
Select-Service						
Occupancy			60.0 %			84.3 %
Average Rate			$155.00			103.1
RevPAR			93.00			87.0
Extended-Stay						
Occupancy	80.8 %	80.2 %	79.1 %	-0.8 %	-1.4 %	111.1 %
Average Rate	$134.95	$134.87	$134.80	-0.1	-0.1	89.7
RevPAR	109.03	108.14	106.57	(0.8)	(1.4)	99.7
Limited-Service						
Occupancy	75.4 %	77.0 %	74.4 %	2.2 %	-3.4 %	104.6 %
Average Rate	$133.37	$134.64	$134.61	0.9	0.0	89.6
RevPAR	100.54	103.71	100.20	3.2	-3.4	93.7
Boutique						
Occupancy	65.0 %	64.8 %	67.6 %	-0.3 %	4.3 %	95.0 %
Average Rate	$157.22	$151.34	$153.67	-3.7	1.5	102.3
RevPAR	102.17	98.03	103.84	(4.1)	5.9	97.1

Source: HVS

HVS

FIGURE 4-17 COMPETITIVE HOTELS SERVICE LEVEL AND CLASS

	2017	2018	2019	% Change 2017-2018	% Change 2018-2019	2019 Index	2019 Index to National Average
Luxury							
Occupancy	65.0 %	74.0 %	71.0 %	13.8 %	-4.1 %	99.8 %	96.1 %
Average Rate	$250.00	$254.00	$255.00	1.6	0.4	169.7	74.2
RevPAR	162.50	187.96	181.05	15.7	(3.7)	169.3	71.4
Upper Upscale							
Occupancy	67.7 %	70.3 %	68.0 %	3.9 %	-3.2 %	95.6 %	92.1 %
Average Rate	$151.01	$148.00	$150.30	-2.0	1.6	100.0	79.2
RevPAR	$102.17	$104.00	102.26	1.8	-1.7	95.6	72.9
Upscale							
Occupancy	72.7 %	74.1 %	71.1 %	1.9 %	-4.1 %	99.9 %	98.0 %
Average Rate	$127.22	$127.44	$129.25	0.2	1.4	86.0	90.7
RevPAR	92.53	94.47	91.92	2.1	(2.7)	86.0	88.8
Upper Midscale							
Occupancy	77.4 %	78.5 %	76.4 %	1.4 %	-2.7 %	107.4 %	113.0 %
Average Rate	$133.02	$134.97	$135.08	1.5	0.1	89.9	119.5
RevPAR	102.99	105.94	103.20	2.9	-2.6	96.5	135.2

Source: HVS

The market has been underserved by modern upscale hotels, particularly within the select-service product class. Given the attributes of the subject site and the performance o the existing competitors, we have recommended an upscale-select service hotel as the ideal product type for the proposed subject hotel.

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 a selection of properties that are expected to be primarily competitive with the proposed subject hotel. The remaining lodging facilities in the submarket have been 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 hotel to some extent.

Primary Competition

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, online resources, and our in-house database of operating and hotel facility data.

FIGURE 4-18 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation: Commercial	Est. Segmentation: Meeting and Group	Est. Segmentation: Leisure	Estimated 2018: Weighted Annual Room Count	Estimated 2018: Occ.	Estimated 2018: Average Rate	Estimated 2018: RevPAR	Estimated 2019: Weighted Annual Room Count	Estimated 2019: Occ.	Estimated 2019: Average Rate	Estimated 2019: RevPAR	Occupancy Penetration	Yield Penetration
Hampton Inn and Suites Clayton Saint Louis Galleria Area	106	65 %	10 %	25 %	106	70 - 75 %	$150 - $160	$115 - $120	106	75 - 80 %	$150 - $160	$115 - $120	100 - 110 %	110 - 120 %
Courtyard by Marriott St Louis Brentwood	141	70	10	20	0	—	—	—	71	55 - 60	150 - 160	90 - 95	80 - 85	85 - 90
Drury Inn & Suites Saint Louis Brentwood	210	40	35	25	210	75 - 80	130 - 140	105 - 110	210	75 - 80	130 - 140	105 - 110	100 - 110	100 - 110
SpringHill Suites by Marriott St Louis Brentwood	123	65	5	30	123	80 - 85	130 - 140	110 - 115	123	75 - 80	140 - 150	105 - 110	100 - 110	100 - 110
Sub-Totals/Averages	**580**	**55 %**	**19 %**	**26 %**	**439**	**79.6 %**	**$140.42**	**$111.82**	**510**	**75.3 %**	**$143.36**	**$108**	**$105 %**	**101.6 %**
Secondary Competitors	2,603	42 %	30 %	28 %	1,610	72.4 %	$149.80	$108.42	1,565	70.2 %	$150.58	$106	$98 %	99.5 %
Totals/Averages	**3,183**	**45 %**	**27 %**	**27 %**	**2,049**	**73.9 %**	**$147.63**	**$109.15**	**2,075**	**71.4 %**	**$148.71**	**$106**	**$100 %**	**100.0 %**

** Specific occupancy and average rate data were utilized in our analysis, but are presented in ranges in the above table for the purposes of confidentiality.*

FIGURE 4-19 PRIMARY COMPETITORS – FACILITY PROFILES

Property	Number of Rooms	Year Opened	Last Major Renovation(s)	Approx. Miles To Subject Property	Food and Beverage Outlets	Indoor Meeting Space (SF)	Meeting Space per Room	Facilities & Amenities
Hampton Inn and Suites Clayton Saint Louis Galleria Area 216 North Meramec Avenue	106	1964	2014	1.0	Breakfast Dining Area; Danielle's Bar	851	8.0	Business Center; Guest Laundry Area; Indoor Swimming Pool; Fitness Room; Market Pantry
Courtyard by Marriott St Louis Brentwood 8101 Dale Avenue	141	2019		2.8	The Bistro Restaurant; The Bistro Bar	1,229	8.7	Guest Laundry Area; Fitness Room; Lobby Workstation; Market Pantry; Vending Area(s); Outdoor Patio & Fire Pit; Car-Rental Service; Laundry/Valet Service
Drury Inn & Suites Saint Louis Brentwood 8700 Eager Road	210	2014		2.9	Complimentary Services Area	4,728	22.5	Business Center; Guest Laundry Area; Concierge; Outdoor Swimming Pool; Fitness Center; Indoor Whirlpool; Outdoor Whirlpool; Indoor/Outdoor Swimming Pool
SpringHill Suites by Marriott St Louis Brentwood 1231 Strassner Drive	123	2008	2016	3.1	Breakfast Dining Area	450	3.7	Guest Laundry Area; Retail Outlet/Boutique; Indoor Swimming Pool; Fitness Room; Lobby Workstation; Market Pantry; Sundries Counter; Coffee Station; Laundry/Valet Service

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

MAP OF COMPETITION

- ★ Proposed Hotel University City
- A Hampton Inn and Suites Clayton Saint Louis Galleria Area (Primary)
- B Courtyard by Marriott St Louis Brentwood (Primary)
- C Drury Inn & Suites Saint Louis Brentwood (Primary)
- D SpringHill Suites by Marriott St Louis Brentwood (Primary)
- E Moonrise Hotel Saint Louis (Secondary)
- F Seven Gables Inn Saint Louis (Secondary)
- G Ritz Carlton Saint Louis (Secondary)
- H Clayton Plaza (Secondary)
- I Sheraton Clayton Plaza Saint Louis to be Le Meridian (Secondary)
- J Homewood Suites by Hilton St. Louis Galleria (Secondary)
- K Cheshire Inn & Lodge (Secondary)
- L Hampton Inn & Suites Saint Louis Forest Park (Secondary)
- M Residence Inn by Marriott St Louis Galleria (Secondary)
- N Chase Park Plaza a Royal Sonesta Hotel (Secondary)
- O Holiday Inn Express Saint Louis Central West End to be Hotel Indigo (Secondary)
- P Parkway Hotel (Secondary)
- Q Home2 Suites by Hilton Saint Louis Forest Park (Secondary)
- R Hilton Saint Louis Frontenac (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 - HAMPTON INN AND SUITES CLAYTON SAINT LOUIS GALLERIA AREA

Hampton Inn and Suites Clayton Saint Louis Galleria Area 216 North Meramec Avenue Clayton, MO

FIGURE 4-20 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2017	106	70 - 75 %	$150 - $160	$110 - $115	100 - 110 %	100 - 110 %
Est. 2018	106	70 - 75	150 - 160	115 - 120	100 - 110	100 - 110
Est. 2019	106	75 - 80	150 - 160	115 - 120	100 - 110	110 - 120

This hotel benefits from its Hilton affiliation, including its participation in the Hilton Honors program. Furthermore, this hotel benefits from its 2014 redevelopment, when the hotel was completely remodeled and reopened. Overall, the property appeared to be in very good condition. Its accessibility is inferior to that of the subject site, and its visibility is inferior to the expected visibility of the Proposed Hotel University City.

PRIMARY COMPETITOR #2 - COURTYARD BY MARRIOTT ST LOUIS BRENTWOOD

Courtyard by Marriott
St Louis Brentwood
8101 Dale Avenue
Richmond Heights , MO

FIGURE 4-21 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2019	71	55 - 60	150 - 160	90 - 95	80 - 85	85 - 90

This hotel benefits from its 2019 construction, well-known Marriott brand affiliation, and a clearly visible location from Interstate 64. Overall, the property appeared to be in excellent condition. Its accessibility is similar to that of the subject site, and its visibility is similar to the expected visibility of the Proposed Hotel University City.

PRIMARY COMPETITOR #3 - DRURY INN & SUITES SAINT LOUIS BRENTWOOD

Drury Inn & Suites
Saint Louis Brentwood
8700 Eager Road
Brentwood , MO

FIGURE 4-22 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2017	210	75 - 80 %	$130 - $140	$105 - $110	110 - 120 %	100 - 110 %
Est. 2018	210	75 - 80	130 - 140	105 - 110	100 - 110	95 - 100
Est. 2019	210	75 - 80	130 - 140	105 - 110	100 - 110	100 - 110

This hotel benefits from its well-known brand name, complimentary manager's reception, and location near several retail shopping areas and restaurants. 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 Hotel University City.

PRIMARY COMPETITOR #4 - SPRINGHILL SUITES BY MARRIOTT ST LOUIS BRENTWOOD

SpringHill Suites by Marriott St Louis Brentwood
1231 Strassner Drive
Brentwood, MO

FIGURE 4-23 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2017	123	80 - 85 %	$130 - $140	$110 - $115	110 - 120 %	100 - 110 %
Est. 2018	123	80 - 85	130 - 140	110 - 115	110 - 120	100 - 110
Est. 2019	123	75 - 80	140 - 150	105 - 110	100 - 110	100 - 110

This hotel benefits from its Marriott affiliation, including its participation in the Marriott Bonvoy program, and its relatively recent renovation in 2016. Overall, the property appeared to be in very good condition. Its accessibility is inferior to that of the subject site, and its visibility is inferior to the expected visibility of the Proposed Hotel University City.

Secondary Competitors

We have also reviewed other area lodging facilities to determine whether any may compete with the proposed subject hotel on a secondary basis. The room count of each anticipated secondary competitor has been weighted based on its assumed degree of competitiveness in the future with the proposed subject hotel. By assigning degrees of competitiveness, we can assess how the proposed subject hotel 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 4-24 SECONDARY COMPETITOR(S) – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation: Commercial	Est. Segmentation: Meeting and Group	Est. Segmentation: Leisure	Total Competitive Level	Estimated 2018: Weighted Annual Room Count	Estimated 2018: Occ.	Estimated 2018: Average Rate	Estimated 2018: RevPAR	Estimated 2019: Weighted Annual Room Count	Estimated 2019: Occ.	Estimated 2019: Average Rate	Estimated 2019: RevPAR
Moonrise Hotel Saint Louis	125	40 %	20 %	40 %	70 %	88	60 - 65 %	$150 - $160	$100 - $105	88	65 - 70 %	$160 - $170	$110 - $115
Seven Gables Inn Saint Louis	32	50	10	40	70	22	50 - 55	140 - 150	75 - 80	22	55 - 60	150 - 160	90 - 95
Ritz Carlton Saint Louis	299	45	35	20	60	179	70 - 75	250 - 260	180 - 190	179	70 - 75	250 - 260	180 - 190
Clayton Plaza	242	30	40	30	60	145	60 - 65	105 - 110	65 - 70	145	60 - 65	105 - 110	65 - 70
Sheraton Clayton Plaza Saint Louis	259	45	35	20	70	181	60 - 65	125 - 130	80 - 85	136	50 - 55	125 - 130	65 - 70
Homewood Suites by Hilton St. Louis Galleria	158	60	15	25	70	111	75 - 80	140 - 150	115 - 120	111	80 - 85	140 - 150	115 - 120
Cheshire Inn & Lodge	108	50	20	30	60	65	65 - 70	140 - 150	95 - 100	65	65 - 70	140 - 150	95 - 100
Hampton Inn & Suites Saint Louis Forest Park	126	65	10	25	70	88	80 - 85	140 - 150	125 - 130	88	75 - 80	140 - 150	115 - 120
Residence Inn by Marriott St Louis Galleria	152	70	10	20	70	106	75 - 80	130 - 140	100 - 105	106	70 - 75	125 - 130	95 - 100
Chase Park Plaza a Royal Sonesta Hotel	389	30	50	20	50	195	70 - 75	160 - 170	125 - 130	195	70 - 75	170 - 180	120 - 125
Holiday Inn Express Saint Louis Central West End	127	25	40	35	70	89	65 - 70	105 - 110	70 - 75	89	60 - 65	105 - 110	65 - 70
Parkway Hotel	217	35	10	55	60	130	70 - 75	125 - 130	90 - 95	130	65 - 70	125 - 130	85 - 90
Home2 Suites by Hilton Saint Louis Forest Park	106	55	5	40	50	53	80 - 85	125 - 130	105 - 110	53	80 - 85	130 - 140	105 - 110
Hilton Saint Louis Frontenac	263	20	60	20	60	158	70 - 75	130 - 140	95 - 100	158	70 - 75	130 - 140	90 - 95
Totals/Averages	**2,603**	**42 %**	**30 %**	**28 %**	**62 %**	**1,610**	**72.4 %**	**$149.80**	**$108.42**	**1,565**	**70.2 %**	**$150.58**	**$105.65**

** Specific occupancy and average rate data was utilized in our analysis, but is presented in ranges in the above table for the purposes of confidentiality.*

We have identified fourteen hotels that are expected to compete with the proposed subject hotel based their central Saint Louis locations. The Moonrise Hotel, Cheshire Inn & Lodge, and Seven Gables Inn offer boutique products; the Ritz Carlton, Clayton Plaza, Sheraton Clayton Plaza, Chase Park Plaza, and Hilton offer full-service products; and the Homewood Suites by Hilton, Residence Inn by Marriott, and Home2 Suites by Hilton offer extended-stay products. Given the various differences in product type, these hotels target somewhat different customer bases than what is anticipated for the proposed subject property. Additionally, the Hampton Inn & Suites Forest Park, Holiday Inn Express, and Parkway Hotel offer similar product types to what has been recommended for the proposed subject property; however, these hotels are located in an adjacent submarket with a somewhat different set of primary demand generators. We note that the Sheraton Clayton Plaza was closed in 2019 for conversion to a Le Méridian hotel and the Holiday Inn Express Central West End is in the process of being converted to a Hotel Indigo; the rebranding of these hotels are not expected to substantially change the competitive levels.

Supply Changes

It is important to consider any new hotels that may have an impact on the proposed subject hotel's operating performance. The hotels that have recently opened, are under construction, or are in the stages of early development (if any) in the University City market are noted below. The list is categorized by the principal submarkets within the city.

FIGURE 4-25 AREA DEVELOPMENT ACTIVITY

Proposed Hotel Name	Estimated Number of Rooms	Hotel Product Tier	Development Stage	Expected Qtr. & Year of Opening	Address
Aloft	129	Upscale	Under Construction	2020 Q2	4248 Forest Park Avenue, St. Louis
Element	153	Upscale	Under Construction	2020 Q2	3763 Forest Park Avenue, St. Louis
AC by Marriott	192	Upscale	Site Work Underway	2021 Q2	221 York Avenue, St. Louis
TownePlace Suites	128	Upper-Midscale	Approved	2021 Q2	1695 S. Hanley Rd., Brentwood
AC Hotel Clayton	206	Upscale	Approved	TBD	227 South Central Avenue, Clayton
Residence Inn by Marriott	168	Upscale	Seeking Entitlements	TBD	8125 Forsyth Boulevard, Clayton
Tru by Hilton	108	Midscale	Seeking Entitlements	TBD	711 Kingsland Avenue, University City
Element (Delcrest Plaza)	133	Upscale	Seeking Entitlements	TBD	8420 Delmar Blvd., University City
Gateway Plaza	135	Upscale	Early Development	TBD	Olive Boulevard & Interstate 170
Centene Campus Hotel	200	TBD	Early Development	TBD	Forsyth Blvd. & Forest Park Pkwy., Clayton

Of the hotels listed in the preceding table, we have identified the following new supply that is expected to have some degree of competitive interaction with the proposed subject hotel based on location, anticipated market orientation and price point, and/or operating profile.

FIGURE 4-26 NEW SUPPLY

Proposed Property	Number of Rooms	Total Competitive Level	Weighted Room Count	Estimated Opening Date	Development Stage
Proposed Subject Property	165	100 %	165	January 1, 2022	Early Development
Aloft	129	50	65	April 1, 2020	Under Construction
AC by Marriott	192	70	134	June 1, 2021	Site Work Underway
TownePlace Suites	128	70	90	June 1, 2021	Approved
Totals/Averages	**614**		**454**		

The proposed Aloft and AC Hotel by Marriott will be similar to the proposed subject hotel in terms of product offerings and service levels; however, given these hotels' locations on the eastern end of this submarket, they have been weighted secondarily competitive in our analysis. Furthermore, we note that a TownePlace Suites by Marriott is proposed for a location less than two miles from the subject site; however, given this hotel's extended-stay product type, it has been weighted secondarily competitive in our analysis. Additionally, The Sheraton Clayton Plaza Saint Louis closed in 2019 to undergo renovations and will reopen as the Le Méridian St. Louis Clayton with an additional nine rooms; however, given this hotel's full-service product type, it has been weighted secondarily competitive in our analysis. Lastly, a number of other hotels have been proposed outside of the competitive submarket in the greater Saint Louis area; however, they have only been considered qualitatively in our analysis.

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 on the market will be. Depending on the outcome of current and future projects, the future operating potential of the proposed subject hotel may be 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.

HVS

Supply Conclusion

We have identified various properties that are expected to be competitive to some degree with the proposed subject hotel. We have also investigated potential increases in competitive supply in this University City submarket. The Proposed Hotel University City 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 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 4-27 HISTORICAL MARKET TRENDS

Year	Accommodated Room Nights	% Change	Room Nights Available	% Change	Market Occupancy	Market ADR	% Change	Market RevPAR	% Change
Est. 2017	535,915	—	747,958	—	71.7 %	$146.89	—	$105.24	—
Est. 2018	552,999	3.2 %	747,958	0.0 %	73.9	147.63	0.5 %	109.15	3.7 %
Est. 2019	540,840	(2.2)	757,222	1.2	71.4	148.71	0.7	106.21	(2.7)
Avg. Annual Compounded Chg., Est. 2017-Est. 2019:		0.5 %		0.6 %			0.6 %		0.5 %

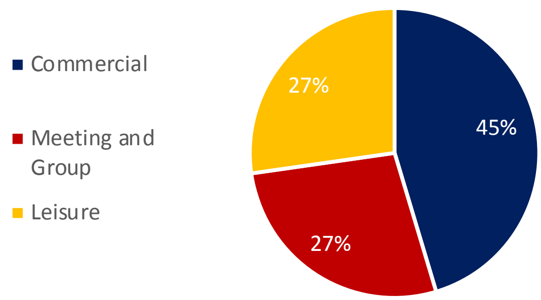
Demand Analysis Using Market Segmentation

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 2019 distribution of accommodated-room-night demand as follows.

FIGURE 4-28 ACCOMMODATED-ROOM-NIGHT DEMAND

Market Segment	Marketwide Accommodated Demand	Marketwide Percentage of Total
Commercial	245,354	45 %
Meeting and Group	148,059	27
Leisure	147,427	27
Total	**540,840**	**100 %**

FIGURE 4-29 MARKET-WIDE ACCOMMODATED-ROOM-NIGHT DEMAND



The market's demand mix comprises commercial demand, with this segment representing roughly 45% of the accommodated room nights in this University City submarket. The meeting and group segment comprises 27% of the total, with the final portion leisure in nature, reflecting 27%.

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.

Primary commercial demand generators for this market include major corporate offices in the area, such as Centene Corporation, Enterprise Holdings, Caleres, and Graybar. Additionally, the county government complex, Washington University, and Barnes-Jewish Hospital generate significant commercial demand.

HVS

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 the meeting or event.

Meeting and group demand in this market is highly driven by the local corporate entities and major institutions in and around the University City and Clayton areas. In addition, SMERFE groups represent consistent sources of demand during weekend and holiday periods.

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 on 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 for this market is primarily generated by tourist attractions in Forest Park and Downtown Saint Louis, as well as events held at Washington University. Additionally, leisure demand is supplemented by travelers visiting friends and family in the area.

Base Demand Growth Rates

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, three segments were defined as representing the proposed subject hotel'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 4-30 AVERAGE ANNUAL COMPOUNDED MARKET-SEGMENT GROWTH RATES

	Annual Growth Rate				
Market Segment	**2020**	**2021**	**2022**	**2023**	**2024**
Commercial	4.0 %	8.0 %	5.0 %	3.0 %	1.5 %
Meeting and Group	3.0	5.0	3.0	1.5	1.0
Leisure	3.0	3.0	2.0	1.0	0.5
Base Demand Growth	**3.5 %**	**5.8 %**	**3.7 %**	**2.1 %**	**1.1 %**

Latent Demand

A table presented earlier in this section illustrated the accommodated-room-night demand in the proposed subject hotel'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, further classified as either unaccommodated demand or 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 may sell out certain nights during the year. To evaluate the incidence of unaccommodated demand in the market, we have reviewed the average occupancy by the night of the week for the past twelve months for the competitive set, as reflected in the STR data. This is set forth in the following table.

FIGURE 4-31 OCCUPANCY BY NIGHT OF THE WEEK

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Oct - 18	55.4 %	79.0 %	85.2 %	81.7 %	80.2 %	88.3 %	90.3 %	80.2 %
Nov - 18	47.4	72.7	77.1	79.3	72.5	74.8	74.5	71.4
Dec - 18	41.0	65.9	69.2	64.8	56.7	55.4	64.6	59.4
Jan - 19	34.8	64.8	66.7	66.8	51.7	43.2	44.9	54.1
Feb - 19	46.7	74.7	81.8	76.2	64.1	63.0	68.8	67.9
Mar - 19	50.0	78.3	86.3	85.1	76.8	76.9	83.2	76.0
Apr - 19	54.0	80.9	87.3	86.7	76.5	84.7	84.9	79.6
May - 19	52.6	72.1	84.9	84.4	71.9	80.0	79.5	75.4
Jun - 19	60.2	87.4	94.4	93.7	77.6	80.5	85.9	82.2
Jul - 19	54.7	74.1	77.3	72.9	61.1	72.0	79.8	70.7
Aug - 19	51.1	78.1	83.1	78.6	72.7	78.8	82.6	75.3
Sep - 19	52.7	72.2	87.8	89.1	74.2	78.3	81.1	75.5
Average	**50.2 %**	**74.9 %**	**81.6 %**	**79.7 %**	**69.5 %**	**73.4 %**	**76.9 %**	**72.3 %**

Source: STR

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

FIGURE 4-32 UNACCOMMODATED DEMAND ESTIMATE

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand Percentage	Unaccommodated Room Night Demand
Commercial	245,354	10.8 %	26,469
Meeting and Group	148,059	4.7	6,905
Leisure	147,427	4.7	6,905
Total	**540,840**	**7.4 %**	**40,279**

Accordingly, we have forecast unaccommodated demand equivalent to 7.4% of the base-year demand, resulting from our 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 proposed subject hotel'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 4-33 FORECAST OF MARKET OCCUPANCY

	2019	2020	2021	2022	2023	2024
Commercial						
Base Demand	245,354	255,168	275,582	289,361	298,041	302,512
Unaccommodated Demand	26,469	27,528	29,730	31,217	32,153	32,636
Total Demand	271,823	282,696	305,312	320,577	330,195	335,148
Growth Rate		4.0 %	8.0 %	5.0 %	3.0 %	1.5 %
Meeting and Group						
Base Demand	148,059	152,501	160,126	164,930	167,404	169,078
Unaccommodated Demand	6,905	7,112	7,468	7,692	7,807	7,885
Total Demand	154,965	159,613	167,594	172,622	175,211	176,963
Growth Rate		3.0 %	5.0 %	3.0 %	1.5 %	1.0 %
Leisure						
Base Demand	147,427	151,850	156,405	159,533	161,129	161,934
Unaccommodated Demand	6,905	7,112	7,326	7,472	7,547	7,584
Total Demand	154,332	158,962	163,731	167,005	168,675	169,519
Growth Rate		3.0 %	3.0 %	2.0 %	1.0 %	0.5 %
Totals						
Base Demand	540,840	559,519	592,113	613,824	626,574	633,524
Unaccommodated Demand	40,279	41,752	44,524	46,381	47,507	48,105
Total Demand	581,119	601,271	636,637	660,205	674,081	681,630
less: Residual Demand	40,279	55,576	25,797	3,225	6,468	8,731
Total Accommodated Demand	540,840	545,695	610,840	656,980	667,613	672,899
Overall Demand Growth		0.9 %	11.9 %	7.6 %	1.6 %	0.8 %
Total Supply	2,075	2,120	2,392	2,650	2,650	2,650
Rooms Supply Growth	—	2.2 %	12.8 %	10.8 %	0.0 %	0.0 %
Marketwide Occupancy	**71.4 %**	**70.5 %**	**70.0 %**	**67.9 %**	**69.0 %**	**69.6 %**

The defined competitive market of hotels should experience a decline in occupancy over the first three projection years as new supply enters the market. Thereafter, we anticipate a slight uptick in occupancy, as increasing meeting and group demand and commercial activity should help the market absorb supply increases. Based on historical occupancy levels in this market, and taking into consideration typical supply and demand cyclicality, market occupancy is forecast to stabilize near 70%.

5. Description of the Proposed Improvements

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 outlines the subject property's recommended physical improvements and personal property in an effort to determine how they are expected to contribute to attainable cash flows.

Project Overview

University City is centrally located within the greater Saint Louis metro area. The city is proximate to key institutions, business centers, tourist attractions, and transportation networks for the region; however, the city lacks any hotels and is primarily served by hotels in adjacent cities. We have evaluated the commercial development clusters within the city for potential hotel use. Based on this evaluation, we have recommended the subject location as the most attractive for potential hotel development of an upscale, select-service hotel with 150 to 175 rooms. The recommended site and product would be ideal to capture demand from the Clayton Central Business District, Forest Park, the Delmar Loop, and local universities.

The following table summarizes the facilities that are recommended to be available at the proposed subject hotel.

FIGURE 5-1 PROPOSED FACILITIES SUMMARY

Guestroom Configuration	Portion of Units
King	55% - 65%
Queen/Queen	35% - 45%
Suite	5% - 10%
Total	165

Food & Beverage Facilities
Bistro

Indoor Meeting & Banquet Facilities	Est. Square Footage
Meeting Facilities	3,500

Amenities & Services
Fitness Room
Business Center
Market Pantry

Site Improvements and Hotel Structure

The proposed hotel is anticipated to comprise one multi-story building with structured parking. Other site improvements are expected to include freestanding signage, located at the main entrance to the site. Given the urban nature of the site, landscaping is anticipated to be limited to small beds and planters. Additional signage is expected to be placed on the exterior of the building. The hotel's main entrance should lead directly into the lobby, and the first (ground) floor should house the public areas and the back-of-the-house space. Guestrooms are expected to be located on the upper floors. The site and building components are expected to be normal for a hotel of this type and should meet the standards for this market.

Public Areas

The hotel should offer a bistro-style restaurant, a modest amount of meeting space, and a fitness room. Other amenities are likely to include a business center and a market pantry. The furnishings of the spaces are expected to be upscale and high quality in nature, consistent with applicable brand standards. Overall, the supporting facilities should be appropriate and typical for an upscale select-service hotel in this market.

Guestrooms

The hotel is expected to feature standard and suite-style room configurations, with guestrooms present on the upper floors of the building. The standard guestrooms should offer typical amenities for this product type, while the suites are expected to feature a larger living area and additional amenities such as a microwave and small refrigerator. The guestroom bathrooms should be of a standard size, with a shower, commode, and single sink with vanity area, featuring a stone countertop. The floors are expected to be finished with tile, and the walls will likely be finished with knockdown texture (consistent with brand standards). Overall, the guestrooms should offer a competitive product for this central Saint Louis neighborhood.

Back-of-the-House

The hotel is expected to be served by the necessary back-of-the-house space, including an in-house laundry facility, administrative offices, and a prep kitchen to service the needs of the bistro. These spaces should be adequate for a hotel of this type and should allow for the efficient operation of the property under competent management.

ADA and Environmental

We assume that the 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 the hotel will require ongoing upgrades and periodic renovations after its opening in order to maintain its competitive level in this market and to remain compliant with brand standards. 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 hotel 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 the hotel's design. We assume that the building 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 hotel staff 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 ADR 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 and beverage, other operated departments, and miscellaneous 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 proposed subject hotel's forecasted market share and occupancy levels are based upon its anticipated competitive position within the market, as quantified by its penetration rate. The penetration rate is the ratio of a hotel's market share to its fair share.

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	Overall
Hampton Inn and Suites Clayton Saint Louis Galleria Area	154 %	39 %	99 %	108 %
Courtyard by Marriott St Louis Brentwood	130	31	62	84
Drury Inn & Suites Saint Louis Brentwood	96	140	100	109
SpringHill Suites by Marriott St Louis Brentwood	156	20	120	109
Secondary Competition	91	108	100	98

The SpringHill Suites by Marriott St Louis Brentwood achieved the highest penetration rate within the commercial segment. The highest penetration rate in the meeting and group segment was achieved by the Drury Inn & Suites Saint Louis Brentwood, while the SpringHill Suites by Marriott St Louis Brentwood led the market with the highest leisure penetration rate.

Forecast of Subject Property's Occupancy

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 proposed subject hotel account for these types of adjustments to market share within the defined competitive market.

The proposed subject hotel's occupancy forecast is set forth as follows, with the adjusted projected penetration rates used as a basis for calculating the amount of captured market demand.

FIGURE 6-2 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY

Market Segment	2022	2023	2024
Commercial			
Demand	319,034	327,032	330,839
Market Share	7.7 %	8.1 %	8.3 %
Capture	24,418	26,649	27,417
Penetration	123 %	131 %	133 %
Meeting and Group			
Demand	171,767	173,528	174,705
Market Share	2.9 %	3.7 %	4.0 %
Capture	5,044	6,431	7,020
Penetration	47 %	60 %	65 %
Leisure			
Demand	166,178	167,054	167,354
Market Share	6.3 %	6.7 %	6.7 %
Capture	10,521	11,193	11,185
Penetration	102 %	108 %	107 %
Total Room Nights Captured	**39,984**	**44,272**	**45,622**
Available Room Nights	60,225	60,225	60,225
Subject Occupancy	**66 %**	**74 %**	**76 %**
Market-wide Available Room Nights	967,250	967,250	967,250
Fair Share	**6 %**	**6 %**	**6 %**
Market-wide Occupied Room Nights	656,980	667,613	672,899
Market Share	**6 %**	**7 %**	**7 %**
Market-wide Occupancy	**68 %**	**69 %**	**70 %**
Total Penetration	**98 %**	**107 %**	**109 %**

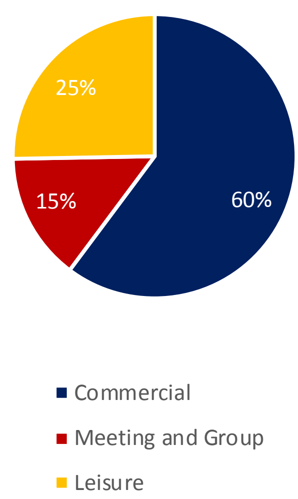
Within the commercial segment, the proposed subject hotel’s occupancy penetration is positioned well above the market-average level, supported by its location at the edge of the Clayton CBD, as well as the proposed hotel's anticipated modern, upscale, select-service product offering. The proposed subject hotel's occupancy penetration in the group segment is positioned well below the range of existing competitors and market-average level given the proposed hotel's recommended room count and offering of meeting space. Within the leisure segment, the proposed subject hotel's occupancy penetration is positioned slightly above the market-average level, largely attributed to its excellent location and visibility, as well as its anticipated strong brand affiliation and modern product offering.

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

FIGURE 6-3 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2022	2023	2024
Commercial	61 %	60 %	60 %
Meeting and Group	13	15	15
Leisure	26	25	25
Total	100 %	100 %	100 %

FIGURE 6-4 STABILIZED MARKET SEGMENTATION – SUBJECT PROPERTY



Based on our analysis of the proposed subject hotel and market area, we have selected a stabilized occupancy level of 76%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life given all changes in the life cycle of the hotel. 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 proposed subject hotel 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 ADR analysis presented here follows the occupancy projection, these two statistics are highly correlated; 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, RevPAR, and respective ADR and RevPAR penetration levels for the proposed subject property’s competitors. The stabilized average rate and RevPAR levels that have been projected for the proposed subject hotel, expressed in base-year dollars, are also presented to understand the ADR positioning anticipated for the property upon stabilization. The basis for our ADR projection follows later in this section of the report.

FIGURE 6-5 BASE-YEAR ADR AND REVPAR OF THE COMPETITORS

Property	Estimated 2019 Average Room Rate	Average Room Rate Penetration	Rooms Revenue Per Available Room (RevPAR)	RevPAR Penetration
Hampton Inn and Suites Clayton Saint Louis Galleria Area	$150 - $160	100 - 110 %	$115 - $120	110 - 120 %
Courtyard by Marriott St Louis Brentwood	150 - 160	100 - 110	90 - 95	85 - 90
Drury Inn & Suites Saint Louis Brentwood	130 - 140	90 - 95	105 - 110	100 - 110
SpringHill Suites by Marriott St Louis Brentwood	140 - 150	90 - 95	105 - 110	100 - 110
Average - Primary Competitors	$143.36	96.4 %	$107.93	101.6 %
Average - Secondary Competitors	150.58	101.3	105.65	99.5
Overall Average	**$148.71**	100.0 %	**$106.21**	100.0 %
Subject As If Stabilized (In 2019 Dollars)	**$155.00**	**104.2 %**	**$120.55**	**113.5 %**

The defined primarily competitive market realized an overall average rate of $143.36 in the 2019 base year, improving from the 2018 level of $140.42. We have selected the rate position of $155.00, in base-year dollars, for the proposed subject hotel.

This central Saint Louis market should experience modest ADR growth through the near term. The proposed subject hotel's rate has been positioned at the top of the range of the primary competitors because of its anticipated strong brand affiliation and modern product offering, as well as its excellent location and visibility. Going forward, the positioned ADR should reflect growth on pace with the overall market.

The proposed subject hotel's projected average rate is fiscalized to correspond with the hotel's anticipated date of opening for each forecast year. Discounts of 2% and 1% have been applied to the stabilized room rates projected for the first two years of operation, as would be expected for a new property of this type as it builds its reputation and becomes established in the market.

The following table presents the proposed subject hotel's ADR penetration level, followed by the average rate deflated to base-year dollars by the assumed underlying inflation rate, for each year of the forecast. Note that we have assumed an underlying inflation rate of 2.5% in the first projection year, 2.5% in the second projection year, and 3.0% in the third projection year (and thereafter) in our forecast of income and expense, which follows later in this report.

FIGURE 6-6 ADR FORECAST – MARKET AND PROPOSED SUBJECT PROPERTY

Calendar Year	2019	2020	2021	2022	2023	2024	2025	2026	2027
Market ADR	$148.71	$151.68	$153.20	$154.73	$158.60	$163.36	$168.26	$173.31	$178.50
Projected Market ADR Growth Rate	—	2.0%	1.0%	1.0%	2.5%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Property ADR (As-If Stabilized)	$155.00	$158.10	$159.68	$161.28	$165.31	$170.27	$175.38	$180.64	$186.06
ADR Growth Rate	—	2.0%	1.0%	1.0%	2.5%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Stabilized ADR Penetration	104%	104%	104%	104%	104%	104%	104%	104%	104.2%

Fiscal Year	2022	2023	2024	2025	2026	2027
Proposed Subject Property Average Rate	$161.28	$165.31	$170.27	$175.38	$180.64	$186.06
Opening Discount	2.0%	1.0%	0.0%	0.0%	0.0%	0.0%
Average Rate After Discount	**$158.05**	**$163.66**	**$170.27**	**$175.38**	**$180.64**	**$186.06**
Real Average Rate Growth	—	3.5%	4.0%	3.0%	3.0%	3.0%
Market ADR	$154.73	$158.60	$163.36	$168.26	$173.31	$178.50
Proposed Subject ADR Penetration (After Discount)	102%	103%	104%	104%	104%	104%
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate	$146.05	$146.83	$148.31	$148.31	$148.31	$148.31

The proposed subject hotel's ADR penetration level is forecast to reach 104.2% by the stabilized period, consistent with our stabilized ADR positioning.

The following table sets forth our concluding forecast of the proposed subject hotel's occupancy, average rate, and RevPAR, with corresponding penetration levels, for the first projection year through the stabilized year of operation. The market's historical and projected occupancy, average rate, and RevPAR are presented for comparison, with the projections fiscalized to correspond with the proposed subject hotel's forecast, as appropriate.

FIGURE 6-7 COMPARISON OF HISTORICAL AND PROJECTED OCCUPANCY, ADR, AND REVPAR – PROPOSED SUBJECT PROPERTY AND MARKET

				Projected					
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Proposed Hotel University City									
Occupancy				— %	— %	66.4 %	73.5 %	75.8 %	75.8 %
Change in Points				—	—	—	7.1	2.2	0.0
Occupancy Penetration				—	—	97.7 %	106.5 %	108.9 %	108.9 %
Average Rate			$155.00	$158.10	$159.68	$158.05	$163.66	$170.27	$175.38
Change				—	1.0 %	(1.0) %	3.5 %	4.0 %	3.0 %
Average Rate Penetration				104.2 %	104.2 %	102.1 %	103.2 %	104.2 %	104.2 %
RevPAR				—	—	$104.93	$120.31	$128.98	$132.85
Change				—	—	—	14.7 %	7.2 %	3.0 %
RevPAR Penetration				—	—	99.8 %	109.9 %	113.5 %	113.5 %

	Historical (Estimated)			Projected					
	2018	2018	2019	2020	2021	2022	2023	2024	2025
University City Submarket									
Occupancy	71.7 %	73.9 %	71.4 %	70.5 %	70.0 %	67.9 %	69.0 %	69.6 %	69.6 %
Change in Points	—	2.3	(2.5)	(0.9)	(0.6)	(2.0)	1.1	0.5	0.0
Average Rate	$146.89	$147.63	$148.71	$151.68	$153.20	$154.73	$158.60	$163.36	$168.26
Change	—	0.5 %	0.7 %	2.0 %	1.0 %	1.0 %	2.5 %	3.0 %	3.0 %
RevPAR	$105.24	$109.15	$106.21	$106.96	$107.17	$105.10	$109.47	$113.64	$117.05
Change	—	3.7 %	(2.7) %	0.7 %	0.2 %	(1.9) %	4.2 %	3.8 %	3.0 %

The final forecast reflects years beginning on January 1, 2022, and corresponds with our financial projections, as shown below.

The following occupancies and average rates will be used to project the proposed subject hotel's rooms revenue; this forecast reflects years beginning on January 1, 2022, which correspond with our financial projections.

FIGURE 6-8 FORECASTS OF OCCUPANCY AND AVERAGE RATE

Year	Occupancy	Average Rate Before Discount	Discount	Average Rate After Discount
2022	66 %	$161.28	2.0 %	$158.05
2023	74	165.31	1.0	163.66
2024	76	170.27	0.0	170.27

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 hotel. This forecast is based on the facilities program set forth previously, as well as the occupancy and ADR 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 the property 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 hotel, 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

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized $
Year:	2018/19	2018	2017/18	2017/18	2018/19	2019
Edition:	11	11	11	11	11	11
Number of Rooms:	110 to 140	180 to 240	190 to 250	110 to 140	110 to 150	165
Days Open:	365	365	365	365	365	365
Occupancy:	81%	73%	76%	84%	76%	76%
Average Rate:	$131	$146	$156	$156	$144	$148
RevPAR:	$106	$107	$119	$131	$109	$113
REVENUE						
Rooms	94.1 %	86.4 %	86.3 %	84.3 %	91.7 %	87.6 %
Food & Beverage	5.1	7.6	11.0	9.5	7.3	7.7
Other Operated Departments	0.7	5.8	1.0	6.1	0.9	4.4
Miscellaneous Income	0.0	0.2	1.7	0.1	0.1	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*						
Rooms	21.8	20.2	20.8	17.7	20.8	20.5
Food & Beverage	54.4	91.5	70.7	76.2	107.5	75.0
Other Operated Departments	216.8	54.5	35.2	81.2	58.5	50.0
Total	24.8	27.6	26.1	27.1	27.4	25.9
DEPARTMENTAL INCOME	75.2	72.4	73.9	72.9	72.6	74.1
OPERATING EXPENSES						
Administrative & General	6.6	7.1	9.2	8.7	8.1	7.5
Info. and Telecom. Systems	0.8	1.6	1.0	1.5	1.9	1.1
Marketing	5.5	12.6	7.3	7.3	4.4	4.3
Franchise Fee	6.1	0.0	0.0	6.8	7.1	7.4
Property Operations & Maintenance	6.6	3.6	4.2	3.1	5.1	4.3
Utilities	2.5	2.9	2.9	2.6	2.5	2.8
Total	28.1	27.9	24.7	29.9	29.1	27.2
HOUSE PROFIT	47.1	44.5	49.2	43.0	43.5	46.8
Management Fee	4.0	4.0	7.0	4.2	3.0	3.0
INCOME BEFORE FIXED CHARGES	43.1	40.5	42.2	38.8	40.5	43.8

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

FIGURE 7-2 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER AVAILABLE ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized $
Year:	2018/19	2018	2017/18	2017/18	2018/19	2019
Edition:	11	11	11	11	11	11
Number of Rooms:	110 to 140	180 to 240	190 to 250	110 to 140	110 to 150	165
Days Open:	365	365	365	365	365	365
Occupancy:	81%	73%	76%	84%	76%	76%
Average Rate:	$131	$146	$156	$156	$144	$148
RevPAR:	$106	$107	$119	$131	$109	$113
REVENUE						
Rooms	$38,560	$39,088	$43,593	$47,904	$39,712	$41,142
Food & Beverage	2,090	3,450	5,548	5,391	3,177	3,606
Other Operated Departments	295	2,618	514	3,474	370	2,081
Miscellaneous Income	15	68	846	72	62	139
Total	40,960	45,224	50,500	56,840	43,321	46,967
DEPARTMENTAL EXPENSES						
Rooms	8,389	7,900	9,086	8,466	8,248	8,434
Food & Beverage	1,136	3,156	3,920	4,106	3,414	2,705
Other Operated Departments	639	1,426	181	2,820	217	1,040
Total	10,165	12,483	13,187	15,392	11,878	12,179
DEPARTMENTAL INCOME	30,795	32,741	37,313	41,448	31,442	34,788
OPERATING EXPENSES						
Administrative & General	2,692	3,197	4,648	4,918	3,502	3,500
Info. and Telecom. Systems	344	711	509	832	829	500
Marketing	2,243	5,719	3,680	4,164	1,915	2,000
Franchise Fee	2,493	0	0	3,849	3,084	3,497
Property Operations & Maintenance	2,705	1,644	2,145	1,761	2,189	2,000
Utilities	1,033	1,326	1,478	1,476	1,080	1,300
Total	11,510	12,598	12,460	17,000	12,600	12,797
HOUSE PROFIT	19,285	20,143	24,853	24,448	18,842	21,991
Management Fee	1,644	1,809	3,535	2,389	1,301	1,409
INCOME BEFORE FIXED CHARGES	17,641	18,334	21,318	22,060	17,541	20,582

FIGURE 7-3 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER OCCUPIED ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized $
Year:	**2018/19**	**2018**	**2017/18**	**2017/18**	**2018/19**	**2019**
Edition:	11	11	11	11	11	**11**
Number of Rooms:	**110 to 140**	**180 to 240**	**190 to 250**	**110 to 140**	**110 to 150**	**165**
Days Open:	**365**	**365**	**365**	**365**	**365**	**365**
Occupancy:	**81%**	**73%**	**76%**	**84%**	**76%**	**76%**
Average Rate:	**$131**	**$146**	**$156**	**$156**	**$144**	**$148**
RevPAR:	**$106**	**$107**	**$119**	**$131**	**$109**	**$113**
REVENUE						
Rooms	$130.97	$146.50	$156.28	$155.82	$143.56	$148.31
Food & Beverage	7.10	12.93	19.89	17.53	11.48	13.00
Other Operated Departments	1.00	9.81	1.84	11.30	1.34	7.50
Miscellaneous Income	0.05	0.26	3.03	0.23	0.23	0.50
Total	139.12	169.50	181.04	184.89	156.61	169.31
DEPARTMENTAL EXPENSES						
Rooms	28.49	29.61	32.57	27.54	29.82	30.40
Food & Beverage	3.86	11.83	14.05	13.36	12.34	9.75
Other Operated Departments	2.17	5.35	0.65	9.17	0.78	3.75
Total	34.52	46.78	47.27	50.07	42.94	43.90
DEPARTMENTAL INCOME	104.59	122.71	133.76	134.82	113.67	125.41
OPERATING EXPENSES						
Administrative & General	9.14	11.98	16.66	16.00	12.66	12.62
Info. and Telecom. Systems	1.17	2.66	1.82	2.71	3.00	1.80
Marketing	7.62	21.43	13.19	13.55	6.92	7.21
Franchise Fee	8.47	0.00	0.00	12.52	11.15	12.61
Property Operations & Maintenance	9.19	6.16	7.69	5.73	7.91	7.21
Utilities	3.51	4.97	5.30	4.80	3.91	4.69
Total	39.09	47.22	44.67	55.30	45.55	46.13
HOUSE PROFIT	65.50	75.50	89.09	79.52	68.12	79.28
Management Fee	5.58	6.78	12.67	7.77	4.70	5.08
INCOME BEFORE FIXED CHARGES	59.92	68.72	76.42	71.75	63.41	74.20

The departmental income of the comparable properties ranged from 72.4% to 75.2% of total revenue. The comparable properties achieved a house profit ranging from 43.0% to 49.2% 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

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 2019. This stabilized inflation rate takes into account normal, recurring inflation cycles. Inflation is likely to fluctuate above and 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.

Forecast of Revenue and Expense

Based on an analysis that will be detailed throughout this section, we have formulated a forecast of income and expense. The following table presents a detailed forecast through the fifth projection year, including amounts per available room and per occupied room. The second table illustrates 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, 2022, expressed in inflated dollars for each year.

FIGURE 7-4 DETAILED FORECAST OF INCOME AND EXPENSE

	2022	(Calendar Year)			2023				Stabilized				2025				2026			
Number of Rooms:	165				165				165				165				165			
Occupancy:	66%				74%				76%				76%				76%			
Average Rate:	$158.05				$163.66				$170.27				$175.38				$180.64			
RevPAR:	$104.31				$121.11				$129.40				$133.29				$137.29			
Days Open:	365				365				365				365				365			
Occupied Rooms:	39,749	%Gross	PAR	POR	44,567	%Gross	PAR	POR	45,771	%Gross	PAR	POR	45,771	%Gross	PAR	POR	45,771	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	$6,282	86.7 %	$38,073	$158.04	$7,294	87.4 %	$44,206	$163.67	$7,793	87.6 %	$47,230	$170.26	$8,027	87.6 %	$48,648	$175.37	$8,268	87.6 %	$50,109	$180.64
Food & Beverage	580	8.0	3,517	14.60	650	7.8	3,940	14.59	683	7.7	4,140	14.92	704	7.7	4,264	15.37	725	7.7	4,392	15.83
Other Operated Departments	357	4.9	2,163	8.98	380	4.5	2,301	8.52	394	4.4	2,389	8.61	406	4.4	2,460	8.87	418	4.4	2,534	9.13
Miscellaneous Income	24	0.3	144	0.60	25	0.3	153	0.57	26	0.3	159	0.57	27	0.3	164	0.59	28	0.3	169	0.61
Total Operating Revenues	7,243	100.0	43,897	182.22	8,349	100.0	50,600	187.34	8,896	100.0	53,918	194.37	9,164	100.0	55,537	200.21	9,439	100.0	57,204	206.22
DEPARTMENTAL EXPENSES *																				
Rooms	1,427	22.7	8,647	35.89	1,535	21.0	9,302	34.44	1,598	20.5	9,683	34.91	1,646	20.5	9,973	35.95	1,695	20.5	10,272	37.03
Food & Beverage	461	79.5	2,797	11.61	493	75.8	2,988	11.06	512	75.0	3,105	11.19	528	75.0	3,198	11.53	544	75.0	3,294	11.88
Other Operated Departments	184	51.4	1,112	4.62	191	50.3	1,157	4.28	197	50.0	1,194	4.31	203	50.0	1,230	4.43	209	50.0	1,267	4.57
Total Expenses	2,072	28.6	12,556	52.12	2,219	26.6	13,446	49.78	2,307	25.9	13,982	50.40	2,376	25.9	14,401	51.92	2,448	25.9	14,834	53.47
DEPARTMENTAL INCOME	5,171	71.4	31,341	130.10	6,130	73.4	37,154	137.56	6,589	74.1	39,936	143.97	6,787	74.1	41,135	148.29	6,991	74.1	42,371	152.74
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	604	8.3	3,658	15.19	638	7.6	3,869	14.32	663	7.5	4,018	14.48	683	7.5	4,139	14.92	703	7.5	4,263	15.37
Info & Telecom Systems	86	1.2	523	2.17	91	1.1	553	2.05	95	1.1	574	2.07	98	1.1	591	2.13	100	1.1	609	2.20
Marketing	379	5.2	2,300	9.55	365	4.4	2,211	8.18	379	4.3	2,296	8.28	390	4.3	2,365	8.53	402	4.3	2,436	8.78
Franchise Fee	534	7.4	3,236	13.43	620	7.4	3,758	13.91	662	7.4	4,015	14.47	682	7.4	4,135	14.91	703	7.4	4,259	15.35
Prop. Operations & Maint.	259	3.6	1,568	6.51	328	3.9	1,990	7.37	379	4.3	2,296	8.28	390	4.3	2,365	8.53	402	4.3	2,436	8.78
Utilities	224	3.1	1,359	5.64	237	2.8	1,437	5.32	246	2.8	1,492	5.38	254	2.8	1,537	5.54	261	2.8	1,583	5.71
Total Expenses	2,086	28.8	12,644	52.48	2,280	27.2	13,816	51.15	2,424	27.4	14,691	52.96	2,497	27.4	15,132	54.55	2,572	27.4	15,586	56.19
GROSS HOUSE PROFIT	3,085	42.6	18,697	77.62	3,851	46.2	23,338	86.41	4,165	46.7	25,245	91.01	4,291	46.7	26,003	93.74	4,419	46.7	26,784	96.56
Management Fee	217	3.0	1,317	5.47	250	3.0	1,518	5.62	267	3.0	1,618	5.83	275	3.0	1,666	6.01	283	3.0	1,716	6.19
INCOME BEFORE NON-OPR. INC. & EXP.	2,868	39.6	17,381	72.15	3,600	43.2	21,820	80.79	3,899	43.7	23,627	85.17	4,016	43.7	24,337	87.73	4,136	43.7	25,068	90.37
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	613	8.5	3,713	15.41	631	7.6	3,824	14.16	650	7.3	3,939	14.20	669	7.3	4,057	14.62	689	7.3	4,178	15.06
Insurance	80	1.1	487	2.02	83	1.0	502	1.86	85	1.0	517	1.86	88	1.0	532	1.92	90	1.0	548	1.98
Reserve for Replacement	145	2.0	878	3.64	250	3.0	1,518	5.62	356	4.0	2,157	7.77	367	4.0	2,221	8.01	378	4.0	2,288	8.25
Total Expenses	838	11.6	5,077	21.08	964	11.6	5,843	21.63	1,091	12.3	6,612	23.84	1,124	12.3	6,810	24.55	1,157	12.3	7,015	25.29
EBITDA LESS RESERVE	$2,030	28.0 %	$12,303	$51.07	$2,636	31.6 %	$15,977	$59.15	$2,808	31.4 %	$17,015	$61.34	$2,892	31.4 %	$17,527	$63.18	$2,979	31.4 %	$18,054	$65.08

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

FIGURE 7-5 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2022		2023		2024		2025		2026	
Number of Rooms:	**165**		**165**		**165**		**165**		**165**	
Occupied Rooms:	**39,749**		**44,567**		**45,771**		**45,771**		**45,771**	
Occupancy:	**66%**		**74%**		**76%**		**76%**		**76%**	
Average Rate:	**$158.05**	**% of**	**$163.66**	**% of**	**$170.27**	**% of**	**$175.38**	**% of**	**$180.64**	**% of**
RevPAR:	**$104.31**	**Gross**	**$121.11**	**Gross**	**$129.40**	**Gross**	**$133.29**	**Gross**	**$137.29**	**Gross**
OPERATING REVENUE										
Rooms	$6,282	86.7 %	$7,294	87.4 %	$7,793	87.6 %	$8,027	87.6 %	$8,268	87.6 %
Food & Beverage	580	8.0	650	7.8	683	7.7	704	7.7	725	7.7
Other Operated Departments	357	4.9	380	4.5	394	4.4	406	4.4	418	4.4
Miscellaneous Income	24	0.3	25	0.3	26	0.3	27	0.3	28	0.3
Total Operating Revenues	7,243	100.0	8,349	100.0	8,896	100.0	9,164	100.0	9,439	100.0
DEPARTMENTAL EXPENSES *										
Rooms	1,427	22.7	1,535	21.0	1,598	20.5	1,646	20.5	1,695	20.5
Food & Beverage	461	79.5	493	75.8	512	75.0	528	75.0	544	75.0
Other Operated Departments	184	51.4	191	50.3	197	50.0	203	50.0	209	50.0
Total Expenses	2,072	28.6	2,219	26.6	2,307	25.9	2,376	25.9	2,448	25.9
DEPARTMENTAL INCOME	5,171	71.4	6,130	73.4	6,589	74.1	6,787	74.1	6,991	74.1
UNDISTRIBUTED OPERATING EXPENSES										
Administrative & General	604	8.3	638	7.6	663	7.5	683	7.5	703	7.5
Info & Telecom Systems	86	1.2	91	1.1	95	1.1	98	1.1	100	1.1
Marketing	379	5.2	365	4.4	379	4.3	390	4.3	402	4.3
Franchise Fee	534	7.4	620	7.4	662	7.4	682	7.4	703	7.4
Prop. Operations & Maint.	259	3.6	328	3.9	379	4.3	390	4.3	402	4.3
Utilities	224	3.1	237	2.8	246	2.8	254	2.8	261	2.8
Total Expenses	2,086	28.8	2,280	27.2	2,424	27.4	2,497	27.4	2,572	27.4
GROSS HOUSE PROFIT	3,085	42.6	3,851	46.2	4,165	46.7	4,291	46.7	4,419	46.7
Management Fee	217	3.0	250	3.0	267	3.0	275	3.0	283	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	2,868	39.6	3,600	43.2	3,899	43.7	4,016	43.7	4,136	43.7
NON-OPERATING INCOME & EXPENSE										
Property Taxes	613	8.5	631	7.6	650	7.3	669	7.3	689	7.3
Insurance	80	1.1	83	1.0	85	1.0	88	1.0	90	1.0
Reserve for Replacement	145	2.0	250	3.0	356	4.0	367	4.0	378	4.0
Total Expenses	838	11.6	964	11.6	1,091	12.3	1,124	12.3	1,157	12.3
EBITDA LESS RESERVE	$2,030	28.0 %	$2,636	31.6 %	$2,808	31.4 %	$2,892	31.4 %	$2,979	31.4 %

	2027		2028		2029		2030		2031	
Number of Rooms:	**165**		**165**		**165**		**165**		**165**	
Occupied Rooms:	**45,771**		**45,771**		**45,771**		**45,771**		**45,771**	
Occupancy:	**76%**		**76%**		**76%**		**76%**		**76%**	
Average Rate:	**$186.06**	**% of**	**$191.64**	**% of**	**$197.39**	**% of**	**$203.31**	**% of**	**$209.41**	**% of**
RevPAR:	**$141.40**	**Gross**	**$145.65**	**Gross**	**$150.02**	**Gross**	**$154.52**	**Gross**	**$159.15**	**Gross**
OPERATING REVENUE										
Rooms	$8,516	87.6 %	$8,772	87.6 %	$9,035	87.6 %	$9,306	87.6 %	$9,585	87.6 %
Food & Beverage	746	7.7	769	7.7	792	7.7	816	7.7	840	7.7
Other Operated Departments	431	4.4	444	4.4	457	4.4	471	4.4	485	4.4
Miscellaneous Income	29	0.3	30	0.3	30	0.3	31	0.3	32	0.3
Total Operating Revenues	9,722	100.0	10,014	100.0	10,314	100.0	10,624	100.0	10,942	100.0
DEPARTMENTAL EXPENSES *										
Rooms	1,746	20.5	1,798	20.5	1,852	20.5	1,908	20.5	1,965	20.5
Food & Beverage	560	75.0	577	75.0	594	75.0	612	75.0	630	75.0
Other Operated Departments	215	50.0	222	50.0	228	50.0	235	50.0	242	50.0
Total Expenses	2,521	25.9	2,597	25.9	2,674	25.9	2,755	25.9	2,837	25.9
DEPARTMENTAL INCOME	7,201	74.1	7,417	74.1	7,640	74.1	7,869	74.1	8,105	74.1
UNDISTRIBUTED OPERATING EXPENSES										
Administrative & General	724	7.5	746	7.5	769	7.5	792	7.5	815	7.5
Info & Telecom Systems	103	1.1	107	1.1	110	1.1	113	1.1	116	1.1
Marketing	414	4.3	426	4.3	439	4.3	452	4.3	466	4.3
Franchise Fee	724	7.4	746	7.4	768	7.4	791	7.4	815	7.4
Prop. Operations & Maint.	414	4.3	426	4.3	439	4.3	452	4.3	466	4.3
Utilities	269	2.8	277	2.8	285	2.8	294	2.8	303	2.8
Total Expenses	2,649	27.4	2,728	27.4	2,810	27.4	2,895	27.4	2,981	27.4
GROSS HOUSE PROFIT	4,552	46.7	4,689	46.7	4,830	46.7	4,974	46.7	5,123	46.7
Management Fee	292	3.0	300	3.0	309	3.0	319	3.0	328	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	4,260	43.7	4,389	43.7	4,520	43.7	4,656	43.7	4,795	43.7
NON-OPERATING INCOME & EXPENSE										
Property Taxes	710	7.3	731	7.3	753	7.3	776	7.3	799	7.3
Insurance	93	1.0	96	1.0	99	1.0	102	1.0	105	1.0
Reserve for Replacement	389	4.0	401	4.0	413	4.0	425	4.0	438	4.0
Total Expenses	1,192	12.3	1,228	12.3	1,265	12.3	1,303	12.3	1,342	12.3
EBITDA LESS RESERVE	$3,068	31.4 %	$3,161	31.4 %	$3,255	31.4 %	$3,353	31.4 %	$3,453	31.4 %

The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take three years for the proposed subject hotel to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the proposed subject hotel's operating budget and comparable income and expense statements. The forecast is based upon calendar years beginning January 1, 2022, 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 subject hotel is expected to stabilize at an occupancy level of 76% with an average rate of $170.27 in 2024. Following the stabilized year, the proposed subject hotel's average rate is projected to increase along with the underlying rate of inflation.

Food and Beverage Revenue

Food and beverage (F&B) 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 F&B patrons. In the case of the Proposed Hotel University City, the F&B department will include a bistro; moreover, banquet space is expected to encompass 3,500 square feet.

Although F&B revenue varies directly with changes in occupancy, the small portion generated by banquet sales and outside capture is relatively fixed.

FIGURE 7-6 FOOD AND BEVERAGE REVENUE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2022	Deflated Stabilized
Food & Beverage Revenue							
Percentage of Revenue	5.1 %	7.6 %	11.0 %	9.5 %	7.3 %	8.0 %	7.7 %
Per Available Room	$2,090	$3,450	$5,548	$5,391	$3,177	$3,517	$3,606
Per Occupied Room	$7.10	$12.93	$19.89	$17.53	$11.48	$14.60	$13.00

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 (F&B).

FIGURE 7-7 OTHER OPERATED DEPARTMENTS REVENUE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2022	Deflated Stabilized
Percentage of Revenue	0.7 %	5.8 %	1.0 %	6.1 %	0.9 %	4.9 %	4.4 %
Per Available Room	$295	$2,618	$514	$3,474	$370	$2,163	$2,081
Per Occupied Room	$1.00	$9.81	$1.84	$11.30	$1.34	$8.98	$7.50

Miscellaneous Income

The miscellaneous income sources comprise those other than guestrooms, F&B, and the other operated departments. Changes in this revenue item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

FIGURE 7-8 MISCELLANEOUS INCOME

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2022	Deflated Stabilized
Percentage of Revenue	0.0 %	0.2 %	1.7 %	0.1 %	0.1 %	0.3 %	0.3 %
Per Available Room	$15	$68	$846	$72	$62	$144	$139
Per Occupied Room	$0.05	$0.26	$3.03	$0.23	$0.23	$0.60	$0.50

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.

FIGURE 7-9 ROOMS EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2022	Deflated Stabilized
Percentage of Revenue	21.8 %	20.2 %	20.8 %	17.7 %	20.8 %	22.7 %	20.5 %
Per Available Room	$8,389	$7,900	$9,086	$8,466	$8,248	$8,647	$8,434
Per Occupied Room	$28.49	$29.61	$32.57	$27.54	$29.82	$35.89	$30.40

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.

FIGURE 7-10 FOOD AND BEVERAGE EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2022	Deflated Stabilized
Percentage of Revenue	54.4 %	91.5 %	70.7 %	76.2 %	107.5 %	79.5 %	75.0 %
Per Available Room	$1,136	$3,156	$3,920	$4,106	$3,414	$2,797	$2,705
Per Occupied Room	$3.86	$11.83	$14.05	$13.36	$12.34	$11.61	$9.75

Other Operated Departments Expense

Other operated departments expense includes all expenses reflected in the summary statements for the divisions associated in these categories, as discussed previously in this chapter.

FIGURE 7-11 OTHER OPERATED DEPARTMENTS EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2022	Deflated Stabilized
Percentage of Revenue	216.8 %	54.5 %	35.2 %	81.2 %	58.5 %	51.4 %	50.0 %
Per Available Room	$639	$1,426	$181	$2,820	$217	$1,112	$1,040
Per Occupied Room	$2.17	$5.35	$0.65	$9.17	$0.78	$4.62	$3.75

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.

FIGURE 7-12 ADMINISTRATIVE AND GENERAL EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2022	Deflated Stabilized
Percentage of Revenue	6.6 %	7.1 %	9.2 %	8.7 %	8.1 %	8.3 %	7.5 %
Per Available Room	$2,692	$3,197	$4,648	$4,918	$3,502	$3,658	$3,500
Per Occupied Room	$9.14	$11.98	$16.66	$16.00	$12.66	$15.19	$12.62

Information and Telecommunications Systems Expense

Information and telecommunications systems expense consists of all costs associated with a hotel’s technology infrastructure. This includes the costs of cell phones, administrative call and Internet services, and complimentary call and Internet services. Expenses in this category are typically organized by type of technology or the area benefiting from the technology solution.

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.

FIGURE 7-13 MARKETING EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2022	Deflated Stabilized
Percentage of Revenue	5.5 %	12.6 %	7.3 %	7.3 %	4.4 %	5.2 %	4.3 %
Per Available Room	$2,243	$5,719	$3,680	$4,164	$1,915	$2,300	$2,000
Per Occupied Room	$7.62	$21.43	$13.19	$13.55	$6.92	$9.55	$7.21

Franchise Fee

We recommend that the proposed subject hotel operate as an upscale, select-service property. We have placed heavy consideration on the following brands: Hilton Garden Inn, AC Hotels by Marriott, Aloft Hotels, Even Hotels, Hyatt Place, Radisson Red, and Cambria Inn & Suites. Although a specific franchise affiliation and/or brand has yet to be finalized, based upon a review of several published franchise fees for brands that fall within the recommended product tier, we have selected a total franchise fee of 8.5% of rooms revenue in order to estimate the cost of a national franchise.

Marketing expense and franchise fees are often analyzed in total because hotels may account for some components of franchise expense in the marketing expense category. The subject property's total marketing and franchise expense has been forecast at 11.7% of total revenue on a stabilized basis; the comparable operating statements show a range from 7.3% to 14.1% of total revenue.

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, the expenditure has not been eliminated, only deferred 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.

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

FIGURE 7-14 PROPERTY OPERATIONS AND MAINTENANCE EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2022	Deflated Stabilized
Percentage of Revenue	6.6 %	3.6 %	4.2 %	3.1 %	5.1 %	3.6 %	4.3 %
Per Available Room	$2,705	$1,644	$2,145	$1,761	$2,189	$1,568	$2,000
Per Occupied Room	$9.19	$6.16	$7.69	$5.73	$7.91	$6.51	$7.21

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. 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.

FIGURE 7-15 UTILITIES EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2022	Deflated Stabilized
Percentage of Revenue	2.5 %	2.9 %	2.9 %	2.6 %	2.5 %	3.1 %	2.8 %
Per Available Room	$1,033	$1,326	$1,478	$1,476	$1,080	$1,359	$1,300
Per Occupied Room	$3.51	$4.97	$5.30	$4.80	$3.91	$5.64	$4.69

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 proposed subject hotel 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 7-16 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS

Hotel	Year Open	Land	Improvements	Personal	Total
Hampton Inn and Suites Clayton Saint Louis Galleria Area	1964	$568,320	$2,895,136	$84,604	$3,548,060
Courtyard by Marriott St Louis Brentwood	2019	327,680	1,983,744	660	2,312,084
SpringHill Suites by Marriott St Louis Brentwood	2008	124,896	2,813,024	48,690	2,986,610
Seven Gables Inn Saint Louis	1986	259,200	699,552	33,800	992,552
Ritz Carlton Saint Louis	1990	3,125,856	16,100,704	912,565	20,139,125
Clayton Plaza	1967	912,000	1,625,632	88,960	2,626,592
Sheraton Clayton Plaza Saint Louis	1964	1,381,664	5,698,208	794,730	7,874,602
Homewood Suites by Hilton St. Louis Galleria	2009	220,000	4,477,120	17,690	4,714,810
Residence Inn by Marriott St Louis Galleria	1986	682,464	1,570,464	150,934	2,403,862
Hilton Saint Louis Frontenac	1970	1,775,904	6,603,008	383,350	8,762,262
Assessments per Room	*# of Rms*				
Hampton Inn and Suites Clayton Saint Louis Galleria Area	106	$5,362	$27,313	$798	$32,674
Courtyard by Marriott St Louis Brentwood	141	2,324	14,069	5	16,393
SpringHill Suites by Marriott St Louis Brentwood	123	1,015	22,870	396	23,886
Seven Gables Inn Saint Louis	32	8,100	21,861	1,056	29,961
Ritz Carlton Saint Louis	300	10,420	53,669	3,042	64,089
Clayton Plaza	242	3,769	6,717	368	10,486
Sheraton Clayton Plaza Saint Louis	259	5,335	22,001	3,068	27,335
Homewood Suites by Hilton St. Louis Galleria	158	1,392	28,336	112	29,729
Residence Inn by Marriott St Louis Galleria	152	4,490	10,332	993	14,822
Positioned Subject - Per Room	**165**	**$4,500**	**$28,000**	**$2,000**	**$34,500**
Positioned Subject - Total		**$742,500**	**$4,620,000**	**$330,000**	**$5,692,500**

Source: Saint Louis County

We have positioned the future assessment levels of the subject site and proposed improvements, as well as the planned personal property, based upon the illustrated comparable data. We have positioned these assessments closest to the Hampton Inn & Suites Clayton/St. Louis Galleria because of the similarities in location, service-level, and product, which was updated in 2014; 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 was reported at 10.06410%. The following table shows changes in the tax rate during the last several years.

FIGURE 7-17 COUNTY TAX RATES

Year	Real Property Tax Rate	Personal Property Tax Rate
2016	10.00280	7.66910
2017	9.52890	7.60820
2018	9.46730	7.59650
2019	10.06410	7.99460

Source: Saint Louis County

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 BURDEN (BASE YEAR)

	Real Property			Personal
	Land	Real Property	Total	Property
Positioned (Assessed Value)	$742,500	$4,620,000	$5,362,500	$330,000
Tax Rate			10.06410	7.99460
Tax Burden as of Base Year			$539,687	$26,382

FIGURE 7-19 PROJECTED PROPERTY TAX EXPENSE – REAL PROPERTY

	Real Property			
Year	Total Tax Burden (Positioned Prior to Increase)	Base Rate of Tax Burden Increase	% Positioned Tax Burden	Taxes Payable
Positioned	$539,687	—		$539,687
2022	$539,687	8.2 %	100 %	$584,019
2023	584,019	3.0	100	$601,540
2024	601,540	3.0	100	$619,586
2025	619,586	3.0	100	$638,174

FIGURE 7-20 PROJECTED PROPERTY TAX EXPENSE – PERSONAL PROPERTY

	Personal Property			
Year	Personal Tax Burden (Positioned Prior to Increase)	Base Rate of Tax Burden Increase	% of Positioned Tax Burden	Taxes Payable
Positioned	$26,382	—		$26,382
2022	$26,382	8.2 %	100 %	$28,549
2023	28,549	3.0	100	$29,406
2024	29,406	3.0	100	$30,288
2025	30,288	3.0	100	$31,197

FIGURE 7-21 PROJECTED PROPERTY TAX EXPENSE – SUMMARY

	Taxes Payable			Total Tax
Year	Real	Personal	Total	Payable
Positioned	$539,687	$26,382	$566,070	$566,070
2022	$584,019	$28,549	$612,569	$612,569
2023	$601,540	29,406	630,946	$630,946
2024	$619,586	30,288	649,874	$649,874
2025	$638,174	31,197	669,370	$669,370

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.

FIGURE 7-22 INSURANCE EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2022	Deflated Stabilized
Percentage of Revenue	1.6 %	0.9 %	0.4 %	0.8 %	0.8 %	1.1 %	1.0 %
Per Available Room	$662	$409	$189	$457	$348	$487	$450
Per Occupied Room	$2.25	$1.53	$0.68	$1.49	$1.26	$2.02	$1.62

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) oversees a major industry-sponsored study of the capital expenditure requirements for full-service/luxury, select-service, and extended-stay hotels. The most recent study was published in 2014.[7] 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 upon the results of our analysis, our review of the proposed subject asset, and current industry norms, a reserve for replacement equal to 4% of total revenues has been factored into our forecast of revenue and expense for funding the periodic

[7] The International Society of Hotel Consultants, *CapEx 2014, A Study of Capital Expenditure in the U.S. Hotel Industry*.

replacement of the proposed subject property's furniture, fixtures, and equipment. This amount has been ramped up during the initial projection period.

Forecast of Revenue and Expense Conclusion

Projected total revenue, house profit, and EBITDA Less Replacement Reserve are set forth in the following table.

FIGURE 7-23 FORECAST OF REVENUE AND EXPENSE CONCLUSION

		Total Revenue		House Profit		House	EBITDA Less Replacement Reserve		
	Year	Total	% Change	Total	% Change	Profit Ratio	Total	% Change	As a % of Ttl Rev
Projected	2022	$7,243,000	—	$3,085,000	—	42.6 %	$2,030,000	—	28.0 %
	2023	8,349,000	15.3 %	3,851,000	24.8 %	46.2	2,636,000	29.9 %	31.6
	2024	8,896,000	6.6	4,165,000	8.2	46.7	2,808,000	6.5	31.4
	2025	9,164,000	3.0	4,291,000	3.0	46.7	2,892,000	3.0	31.4
	2026	9,439,000	3.0	4,419,000	3.0	46.7	2,979,000	3.0	31.4

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 estimating construction costs and then reviewing the debt requirements of typical hotel mortgagees.

Construction Cost Estimate

We have developed an estimate of the total development costs, which includes hard costs, FF&E, soft costs, pre-opening costs, and working capital, as well as the developer's fee and an allocation of land cost. Our development cost estimate is supported by actual cost comparables and the annual HVS Development Cost Survey. We recommend that the development team obtain a more detailed development cost estimate from actual construction companies. It is also advised that developers consult more than one source in their hotel development process to more accurately assess the true cost of development.

Development Cost

As a basis for estimating the development costs, we have used a hotel development cost survey conducted by HVS. The survey presents the range of per-room costs associated with various components of hotel development, including improvements, furniture, and equipment; pre-opening expenses; and operating capital. Statistics are compiled for budget hotels, midscale hotels with and without food and beverage, extended-stay hotels, full-service hotels, and luxury hotels and resorts. The results of the development cost survey are presented in the following table.

FIGURE 8-1 HOTEL DEVELOPMENT COST SURVEY (AMOUNTS PER ROOM)

	Land			Building and Site Improvements			Soft Costs			FF&E			Pre-Opening and Working Capital			Total		
2015/16																		
Budget/Economy Hotels	$6,500	-	$31,200	$41,500	-	$103,700	$1,200	-	$13,400	$5,400	-	$17,900	$1,400	-	$7,100	$54,000	-	$166,200
Midscale Hotels w/o F&B	7,600	-	73,100	57,700	-	132,000	2,300	-	63,000	6,600	-	28,200	2,800	-	26,500	73,500	-	208,500
Extended-Stay Hotels	10,000	-	47,600	71,700	-	168,200	2,600	-	86,700	8,300	-	25,800	2,900	-	26,100	91,900	-	264,700
Midscale Hotels w/ F&B	10,000	-	68,100	88,600	-	187,300	3,800	-	53,000	10,900	-	39,200	3,500	-	19,500	111,000	-	355,100
Full-Service Hotels	23,600	-	124,900	139,000	-	408,900	4,700	-	99,300	23,200	-	57,900	14,000	-	88,100	206,000	-	769,100
Luxury Hotels and Resorts	45,700	-	266,800	234,400	-	635,300	24,300	-	120,400	37,900	-	129,300	19,100	-	83,000	513,600	-	1,005,500

Source: HVS

In addition to the survey data, we have also reviewed a selection of cost budgets from developers of comparable proposed hotels, as illustrated in the following table.

FIGURE 8-2 COMPARABLE COST BUDGETS

Item	Comp #1 Primary, MN Select-Service Approx. 190 Rooms Per Room	% of Total	Comp #2 Secondary, IN Select-Service Approx. 120 Rooms Per Room	% of Total	Comp #3 Primary, MO Select-Service Approx. 190 Rooms Per Room	% of Total	Comp #4 Primary, MO Limited-Service Approx. 140 Rooms Per Room	% of Total
Building	$188,081	73.9 %	$134,911	79.0 %	$143,475	66.6 %	$126,794	67.2 %
Soft Costs	32,681	12.8	7,345	4.3	33,083	15.4	28,930	15.3
Furniture, Fixtures, & Equipment	20,903	8.2	20,672	12.1	23,902	11.1	20,158	10.7
Pre-Opening Costs & Working Capital	12,795	5.0	2,542	1.5	6,251	2.9	6,074	3.2
Developer Fee (if Applicable)	0	0.0	5,323	3.1	8,594	4.0	6,618	3.5
Total (Excluding Site Cost)	$254,459	94.5 %	$170,792	89.1 %	$215,304	92.2 %	$188,574	93.6 %
Site Cost	$14,730	5.5 %	$20,875	10.9 %	$18,229	7.8 %	$12,868	6.4 %
Total (Including Site Cost)	**$269,189**	**100.0 %**	**$191,667**	**100.0 %**	**$233,533**	**100.0 %**	**$201,441**	**100.0 %**

Building and Site Improvements

Building and site improvements include all buildings and other relatively permanent structures located on, or attached to, the subject parcel. The cost of the improvements includes costs of materials, fees, and labor to construct the subject property’s improvements. We estimate the replacement cost of the proposed subject property's improvements to be roughly $135,000 per room, or a total of $22,275,000.

Furniture, Fixtures and Equipment

Furniture, fixtures, and equipment (FF&E) include all non-permanent, removable items at the subject property, such as guestroom furnishings, kitchen equipment, and items of décor. The cost of the FF&E, along with all fees associated with the installation of such items, comprise the total cost of FF&E. Based on our understanding of the expected quality of furnishings, we have estimate the replacement cost of the proposed subject property's FF&E (as if new) at approximately $20,000 per room, or a total of $3,300,000.

Pre-Opening and Working Capital Costs

Pre-opening costs include expenses such as marketing, staffing, training, and administrative expenditures. Working capital includes a working capital reserve to maintain adequate cash flow until the operation reaches a break-even point. We estimate the pre-opening costs for the proposed subject property to be roughly $5,000 per room, or a total of $825,000.

Soft Costs

Soft costs include items other than labor and material that are necessary for construction but are not typically part of the construction contract. Soft costs can include professional fees, financing costs and the interest paid on construction loans, taxes and the builder's or developer's all-risk insurance during construction, marketing, sales, and lease-up costs incurred to achieve occupancy or sales. We estimate the amount of soft costs for the proposed subject property to be approximately $30,000 per room, or a total of $4,950,000.

Developer's Fee

The developer's fee represents a recovery of costs to the project developer, including salaries, travel, administrative costs, and other expenses related to coordinating the development. It is separate from a developer's anticipated profit or entrepreneurial incentive. The developer's fee is typically dependent upon the complexity of project coordination and the length of the development timeline. In the case of relatively simple projects in markets with low barriers to entry, a developer's fee may not be considered, whereas complicated projects in high-barrier-to-entry markets may incur more substantial costs for coordination and administration during an extended planning and construction period. In some cases, the developer's administrative costs are included within other line times, rather than allocated to an individual developer's fee line item. We estimate the developer's fee for the proposed subject property to be approximately $5,000 per room, equating to 2.4% of the project cost.

Cost Summary

Based on the preceding analysis, we estimate the replacement cost of the proposed subject property as follows.

FIGURE 8-3 COST SUMMARY

Item	Cost per Room	Cost
Building	$135,000	$22,275,000
Soft Costs	30,000	4,950,000
Furniture, Fixtures, & Equipment	20,000	3,300,000
Pre-Opening Costs & Working Capital	5,000	825,000
Developer Fee (if Applicable)	5,000	825,000
Total Replacement Cost	**$195,000**	**$32,175,000**

The following table presents a comparison of this budget to the comparable cost budgets presented previously.

FIGURE 8-4 SUBJECT COST VS COMPABLE BUDGETS

	Minimum		Maximum		Average		Subject Property	
Item	**Per Room**	**% of Total**	**Per Room**	**% of Total**	**Per Room**	**% of Total**	**Per Room**	**% of Total**
Building	$126,794	66.6 %	$188,081	79.0 %	$148,315	71.7 %	$135,000	63.5 %
Soft Costs	7,345	4.3	33,083	15.4	25,510	12.0	30,000	14.1
Furniture, Fixtures, & Equipment	20,158	8.2	23,902	12.1	21,409	10.5	20,000	9.4
Pre-Opening Costs & Working Capital	2,542	1.5	12,795	5.0	6,915	3.2	5,000	2.4
Developer Fee (if Applicable)	0	0.0	8,594	4.0	6,845	2.7	5,000	2.4
Total (Excluding Site Cost)	$170,792	89.1 %	$254,459	94.5 %	$207,282	93.6 %	$195,000	91.7 %
Site Cost	$12,868	5.5 %	$20,875	10.9 %	16,675	7.6 %	$17,576	8.3 %
Total (Including Site Cost)	**$191,667**		**$269,189**		**$223,958**		**$212,576**	100.0 %

Land Allocation

A portion of the overall development cost includes the cost of the land. The range of per-room land cost was illustrated in the previously presented cost-survey data; land cost typically ranges from 5% to 20% of overall development cost but may be substantially higher for premium locations in markets with high barriers to entry. The portion of a hotel's overall net income that can be attributed to the land, like a ground-lease payment, is directly correlated to the cost or value of the site. Using the forecasted revenues for the proposed subject hotel and applying a typical hotel ground-lease rental formula, we can determine the income attributed to the land. The land cost can then be estimated by capitalizing the hypothetical ground rent. The self-adjusting aspect of this approach is a key element to its reliability.

Hotels are often constructed on leased land. While the lease terms differ somewhat from property to property, the basis for the rental calculation is often tied to a percentage-of-revenue formula. We have researched actual long-term ground leases encumbering hotels. The following table summarizes our findings, showing the property, its room count, and its rental formula.

FIGURE 8-5 SUMMARY OF HOTEL GROUND LEASES

Hotel	City	ST	Number of Rooms	Ground Lease Formula	Rental Based on Year 1 Revenue of the 165-Unit Subject Property: Dollar Amount (+000)	Percentage of Rooms Revenue	Percentage of Total Revenue
Commons Hotel	Minneapolis	MN	304	1% of gross rooms revenue and other commercial space rental and 0.5% of food and beverage revenue subject to a minimum of $96,000 per year.	$71	1.0 %	0.9 %
Marriott Hotel	Overland Park	KS	404	3% of rooms revenue, against a small minimum	204	3.0	2.6
Ameristar Council Bluffs	Council Bluffs	IA	160	5,000 in monthly installments plus 5% of the annual gross sales	387	5.7	5.0
Marriott Hotel	Tulsa	OK	338	3% of rooms revenue, against a small minimum	204	3.0	2.6
Hyatt House Richmond	Richmond	VA	134	4.5% Gross Rooms Revenue	305	4.5	3.9
Fairfield Inn	Indianapolis	IN	86	From 1994 38,000 annually until 1995, then 58,000 until 2000, then adjusted by the average minimum rental multiplied by 50% of the CPI or 80% of the average actual annual rental paid during such previous five-year period. The percentage used to determine rental in any fiscal year shall be as follows: 1989-1994 2.0%, 1995-2002 2.0%, 2003-2088 2.0% of gross room revenue.	155	2.3	2.0
Meridien Hotel	New Orleans	LA	505	Greater of 2.5% of rooms or 1.25% of total revenue	170	2.5	2.2
Fairfield Inn	Kansas City West	KS	135	From 1994 48,000 annually until 1995, then 54,000 until 2000, then adjusted by the average minimum rental multiplied by 50% of the CPI or 80% of the average actual annual rental paid during such previous five-year period. The percentage used to determine rental in any fiscal year shall be as follows: 1989-1994 3.0%, 1995-2002 3.0%, 2003-2088 5.0% of gross room revenue.	339	5.0	4.4
Holiday Inn Riverwalk	San Antonio	TX	313	2.5% of rooms revenue, 1% of food and beverage revenue, and 2% of other income	183	2.7	2.4

Our analysis of these ground-lease rental formulas indicates that economic ground rents for hotels such as the proposed subject hotel typically range from approximately 2% to 5% of rooms revenue. Hotels with a significant amount of land relative to the property's room count, hotels in resort areas, or hotels in land-sparse downtown markets may command higher ground rent.

Based on the revenue projections set forth for the proposed subject hotel as part of this feasibility study, the following table shows how the economic ground rent has been calculated. Note that the stabilized revenue level has been deflated back to first-projection-year dollars.

Deflated Stabilized Rooms Revenue	$6,958,000
Rental Percentage	2.5 %
Economic Ground Rent	**$173,950**

Rent generated from an unsubordinated ground lease represents a low-risk flow of income. Because the tenant improvements typically amount to more than five times the value of the land, the risk of default is almost nonexistent. For hotel ground leases where rent is tied to revenue, the property owner is also protected from the adverse effects of inflation. Based on these minimal risk factors and the current cost of long-term capital, it is our opinion that the appropriate overall capitalization rate would be as indicated in the following table because of the low level of risk.

Applying the indicated capitalization rate to the proposed subject hotel's economic ground rent results in the following estimate of land cost.

$$\frac{\text{Economic Ground Rent}}{\text{Capitalization Rate}} = \frac{\$173{,}950}{6.0\ \%} = \mathbf{\$2{,}899{,}167}$$

This indicates an estimated land cost of $2,900,000, or $44.40 per square foot, for the proposed subject hotel.

Conclusion

In the estimation of development cost for the proposed improvements, the costs of several components of the total property were quantified. The development cost was estimated based on a hotel development cost survey conducted by HVS. The following table summarizes our estimate of the total cost to develop the proposed subject property.

FIGURE 8-6 RECAP OF TOTAL COST ESTIMATE

Item	Cost per Room	Cost
Building	$135,000	$22,275,000
Soft Costs	30,000	4,950,000
Furniture, Fixtures, & Equipment	20,000	3,300,000
Pre-Opening Costs & Working Capital	5,000	825,000
Developer Fee (if Applicable)	5,000	825,000
Land	17,576	2,900,000
Entrepreneurial Incentive	0	0
Total Cost New Estimate (Rounded)	**$212,121**	**$35,000,000**

This estimate has been rounded to $35,000,000.

Mortgage Component

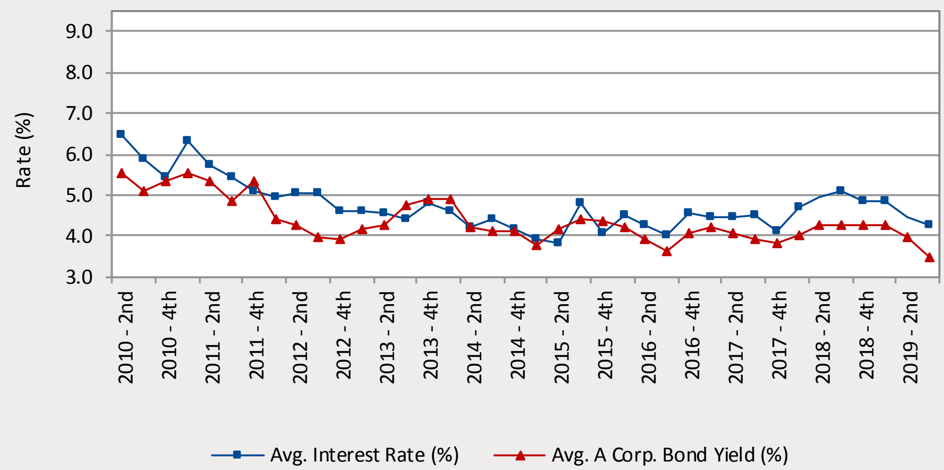
Hotel financing is available for most tiers of the lodging industry from a variety of lender types. While many lenders remain active, underwriting standards are more stringent than several years ago, and loan-to-value ratios remain in the 60% to 70% range. Lenders continue to be attracted to the lodging industry because of the higher yields generated by hotel financing relative to other commercial real estate. Commercial banks, mortgage REITs, private-debt investors, insurance companies, and CMBS and mezzanine lenders continue to pursue deals.

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.

$$Y = 0.95633038\ X + 0.76820181$$

Where: Y = Estimated Hotel Mortgage Interest Rate
X = Current Average-A Corporate Bond Yield
(Coefficient of correlation is 95%)

The January 30, 2020, average yield on average-A corporate bonds, as reported by Moody's Investors Service, was 3.13%. When used in the previously presented equation, a factor of 3.13 produces an estimated hotel/motel interest rate of 3.76% (rounded).

Financing for hotel debt is readily available at relatively low rates from a variety of lender types (e.g., CMBS, balance-sheet lenders, insurance companies, SBA lenders, and other sources). The most prevalent interest rates for single hotel assets are currently ranging from 3.25% to 5.5%, 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. Fixed-rate debt is being priced at roughly 150 to 350 basis points over the corresponding yield on treasury notes. As of January 30, 2020, the yield on the ten-year T-bill was 1.65%, indicating an interest rate range from 3.2% to 5.2%. The federal funds rate peaked most recently in December 2018, after three 25-basis-point increases by the Fed that year. The Fed began to cut rates in August 2019 for the first time since 2008, primarily due to the global economic slowdown and concern about the impact of the trade wars; it has subsequently cut rates two more times, reducing the Fed's target rate to its current level of 1.5% to 1.75% (where it was in March 2018). With slowing GDP growth, lower interest rates bode well for the cost of debt capital for hotel investors. Slowing RevPAR growth and rising operating expenses continue to put pressure on NOI growth, moderating equity yields. At present, we find that lenders that are active in the market are using loan-to-value ratios of 60% to 70%, and amortization periods of 20 to 30 years. Loan-to-value ratios in 2020 are not as robust as those from a few years ago when ratios as high as 75% were available.

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 University City hotel market, it is our opinion that a 4.00% interest, 30-year amortization mortgage with a 0.057290 constant is appropriate for the proposed subject hotel. In the mortgage-equity analysis, we have applied a loan-to-cost ratio of 65%, which is reasonable to expect based on this interest rate and current parameters.

Equity Component

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. To establish an estimate of the equity yield rate that a typical investor would require, 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 derive the equity yield rate and unlevered discount rate by inserting the ten-year projection, total investment (purchase price and estimated capital expenditure and/or PIP), and debt assumptions into a valuation model and solving for the equity yield. 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 on or about the time that we appraised them, along with the derived equity return and discount rates based on the purchase price and our forecast.

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FIGURE 8-2 SAMPLE OF HOTELS SOLD

Hotel	Location	Number of Rooms	Date of Sale	Total Property Yield	Equity Yield	Overall Rate Based on Sales Price: Historical Year	Overall Rate Based on Sales Price: Projected Year One
Home2 Suites by Hilton Alexandria	Alexandria , LA	89	Oct-19	11.7 %	21.4 %	9.9 %	9.6 %
Courtyard by Marriott SoHo	New York, NY	120	Oct-19	9.3	16.1	5.5	5.5
Hampton Inn Sierra Vista	Sierra Vista, AZ	58	Aug-19	11.9	20.5	6.7	9.7
Hotel Med Park, Ascend Collection	Sacramento, CA	32	Aug-19	9.7	16.9	3.4	6.9
Courtyard by Marriott Houston	Pearland, TX	110	Jun-19	10.4	17.2	7.6	7.5
Hampton Inn Rochester	Rochester, MN	103	Jun-19	10.3	17.1	7.6	8.5
Aloft Atlanta Downtown	Atlanta, GA	254	Jun-19	8.9	16.1	6.7	6.9
Courtyard by Marriott Berkeley	Richmond, CA	149	May-19	10.1	17.4	5.8	7.9
Hampton Inn Atlanta	Canton, GA	81	Mar-19	12.3	21.2	10.4	9.7
Hampton Inn	Wausau, WI	87	Mar-19	12.0	21.0	9.4	9.8
Hampton Inn & Suites	Pineville, NC	111	Mar-19	11.2	20.1	8.7	8.0
Towneplace Suites by Marriott	Greenville, SC	94	Feb-19	11.6	20.2	12.2	11.7
Home2 Suites by Hilton	Pensacola, FL	106	Feb-19	11.0	18.5	–	8.9
Hampton Inn & Suites	Tucson, AZ	101	Dec-18	10.0	17.4	9.3	8.5
Home2 Suites By Hilton I-65	Mobile, AL	105	Dec-18	11.1	19.4	–	7.1
Hampton Inn & Suites	Saint Augustine, FL	93	Dec-18	9.5	15.3	7.6	7.9
Hampton Inn & Suites	McKinney, TX	79	Oct-18	10.1	18.6	9.6	9.0
Hampton Inn & Suites	Federal Way, WA	142	Oct-18	9.6	16.0	8.1	8.1
Residence Inn by Marriott	Springdale, AR	72	Sep-18	10.9	18.3	8.2	9.8
Hilton Garden Inn Tampa	Wesley Chapel, FL	125	Sep-18	10.8	18.6	—	8.9
Hyatt Place	Fair Lawn, NJ	143	Aug-18	10.4	18.0	7.5	8.1
Hotel Indigo	Traverse City, MI	107	Aug-18	10.9	17.8	8.8	8.2
Courtyard by Marriott	Farmington, NM	125	Aug-18	11.8	18.9	8.7	7.0
Courtyard by Marriott	Myrtle Beach, SC	157	Jun-18	11.3	19.4	8.9	9.2
SpringHill Suites	Fairfax, VA	140	Jun-18	9.3	17.9	6.7	7.0
Hampton Inn & Suites	Harrison, NJ	165	May-18	10.1	18.1	7.9	7.1
Aloft Silicon Valley	Newark, CA	174	May-18	10.0	17.0	7.3	7.6
SpringHill Suites	Centreville, VA	136	May-18	10.3	18.6	7.3	8.0
Staybridge Suites	Wilmington, NC	93	Apr-18	11.5	21.4	9.6	9.6
Aloft Harlem	New York, NY	124	Mar-18	9.8	15.5	6.0	3.8
Hampton Inn Financial District	New York, NY	81	Mar-18	8.3	12.7	4.5	5.0
Residence Inn by Marriott	Sacramento, CA	126	Feb-18	10.5	18.9	8.7	9.6
Hampton Inn Denver Southwest	Lakewood, CO	150	Feb-18	12.7	21.3	10.7	13.9
Hyatt Place	Chandler, AZ	129	Jan-18	9.4	15.7	7.5	6.8
Wyndham Garden	Greenville, SC	139	Jan-18	14.2	24.2	6.0	7.7
Hampton Inn Cincinnati	Fairfield, OH	100	Jan-18	12.2	20.9	10.5	10.7
Hampton Inn Atlanta	College Park, GA	127	Jan-18	9.3	15.0	10.1	10.0
Hampton Inn Atlanta Northwest	Atlanta, GA	127	Jan-18	14.9	26.1	11.0	10.0
			Min:	8.3 %	12.7 %	3.4 %	3.8 %
			Mean:	10.8	18.5	8.1	8.4
			Median:	10.5	18.4	8.1	8.2
			Max:	14.9	26.1	12.2	13.9

Source: HVS

Investor Interviews: During the course of our work, we continuously monitor investor equity-yield requirements through discussions with hotel investors and brokers. We find that equity yield rates currently range from a low in the low-to-mid teens for high-barrier-to-entry "trophy assets"; the mid-to-upper teens for high-quality, institutional-grade assets in strong markets; and the upper teens to low 20s for quality assets in more typical markets. Equity yield rates tend to 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.

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; thus, the full effect of the change in the economy and capital markets may not yet be reflected.

FIGURE 8-3 SUMMARY OF EQUITY YIELD OR INTERNAL RATE OF RETURN REQUIREMENTS

Source	Data Point Range	Average
HVS Hotel Sales - Full-Service & Luxury	10.8% - 21.2%	16.8%
HVS Hotel Sales - Select-Service & Extended-Stay	12.7% - 26.1%	18.5%
HVS Hotel Sales - Limited-Service	17% - 24.6%	19.8%
HVS Investor Interviews	13% - 25%	

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.

FIGURE 8-4 HISTORICAL TRENDS OF TERMINAL CAPITALIZATION RATES

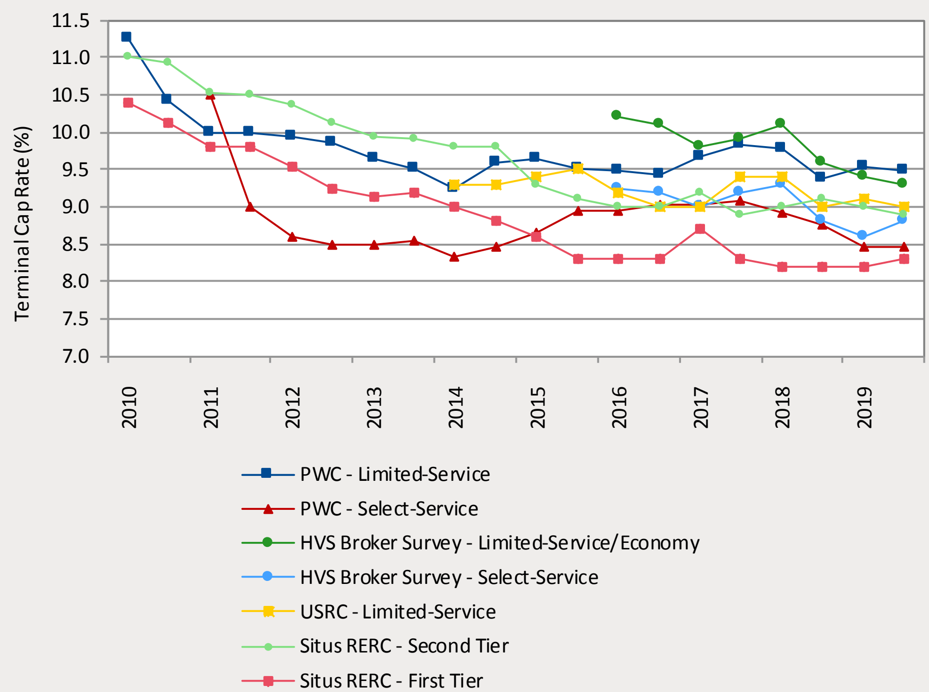

FIGURE 8-5 TERMINAL CAPITALIZATION RATES DERIVED FROM INVESTOR SURVEYS

Source	Data Point Range	Average
HVS Brokers Survey - Fall 2019		
Limited-Service & Economy Hotels	7.5% - 12.0%	9.3%
Select-Service Hotels	7.5% - 12.0%	8.8%
PWC Real Estate Investor Survey - 3rd Quarter 2019		
Limited-Service Hotels	7.75% - 12.0%	9.5%
Select-Service Hotels	7.0% - 10.0%	8.5%
USRC Hotel Investment Survey - Mid-Year 2019		
Limited-Service Hotels	8.5% - 9.8%	9.0%
Situs RERC Real Estate Report - 3rd Quarter 2019		
Second Tier Hotels	7.3% - 11.0%	8.9%
First Tier Hotels	6.0% - 10.0%	8.3%

For purposes of this analysis, we have applied a terminal capitalization rate of 8.00%. Our final position for the terminal capitalization rate reflects the current market for hotel investments and also considers the subject property's attributes. Terminal capitalization rates, in general, have remained stable over the past few years. Terminal cap rates are at the low end of the range for quality hotel assets in markets with high barriers to entry and at the high end of the range for older assets or for those suffering from functional obsolescence and/or weak market conditions, reflecting the market's recognition that certain assets have less opportunity for significant appreciation.

Mortgage-Equity Method

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 that 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	$22,744,000
Mortgage Constant	0.057290
Annual Debt Service	$1,303,000

The yield to the lender based on a 65% debt contribution equates to an interest rate of 4.00%, which is calculated as follows.

FIGURE 8-6 RETURN TO THE LENDER

Year	Total Annual Debt Service		Present Worth of $1 Factor at 4.0%		Discounted Cash Flow
2022	$1,303,000	x	0.961923	=	$1,253,000
2023	1,303,000	x	0.925296	=	1,206,000
2024	1,303,000	x	0.890064	=	1,160,000
2025	1,303,000	x	0.856173	=	1,116,000
2026	1,303,000	x	0.823573	=	1,073,000
2027	1,303,000	x	0.792214	=	1,032,000
2028	1,303,000	x	0.762049	=	993,000
2029	1,303,000	x	0.733033	=	955,000
2030	1,303,000	x	0.705121	=	919,000
2031	19,222,000 *	x	0.678272	=	13,038,000
			Value of Mortgage Component		$22,745,000

*10th year debt service of $1,303,000 plus outstanding mortgage balance of $17,919,000

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

FIGURE 8-7 NET INCOME TO EQUITY

Year	Net Income Available for Debt Service		Total Annual Debt Service		Net Income to Equity
2022	$2,030,000	-	$1,303,000	=	$727,000
2023	$2,636,000	-	1,303,000	=	$1,333,000
2024	$2,808,000	-	1,303,000	=	$1,505,000
2025	$2,892,000	-	1,303,000	=	$1,589,000
2026	$2,979,000	-	1,303,000	=	$1,676,000
2027	$3,068,000	-	1,303,000	=	$1,765,000
2028	$3,161,000	-	1,303,000	=	$1,858,000
2029	$3,255,000	-	1,303,000	=	$1,952,000
2030	$3,353,000	-	1,303,000	=	$2,050,000
2031	$3,453,000	-	1,303,000	=	$2,150,000

In order for the present value of the equity investment to equate to the $12,247,000 capital outlay, the investor must accept a 17.0% return, as shown in the following table.

FIGURE 8-8 EQUITY COMPONENT YIELD

Year	Net Income to Equity		Present Worth of $1 Factor at 17.0%		Discounted Cash Flow
2022	$727,000	x	0.854700	=	$621,000
2023	$1,333,000	x	0.730512	=	974,000
2024	$1,505,000	x	0.624369	=	940,000
2025	$1,589,000	x	0.533648	=	848,000
2026	$1,676,000	x	0.456109	=	764,000
2027	$1,765,000	x	0.389836	=	688,000
2028	$1,858,000	x	0.333193	=	619,000
2029	$1,952,000	x	0.284780	=	556,000
2030	$2,050,000	x	0.243402	=	499,000
2031	$27,582,000 *	x	0.208035	=	5,738,000
			Value of Equity Component		$12,247,000

*10th year net income to equity of $2,150,375 plus sales proceeds of $25,432,000

Conclusion

In determining the potential feasibility of the Proposed Hotel University City, 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 $12,247,000 (roughly 35% of the $35,000,000 development cost) could expect to receive a 17.0% internal rate of return over a ten-year holding period, assuming that the investor obtains financing at the time of the project's completion at the loan-to-value ratio and interest rate set forth. The proposed subject hotel will serve a segment of business and leisure travelers that are not currently accommodated in University City. Based on our market analysis, there is sufficient market demand to support the profitable operation of the proposed subject hotel. Our review of investor surveys indicates equity returns ranging from 12.7% to 26.1%, with an average of 18.7%. Based on the anticipated cost of $35,000,000, the calculated return to the equity investor is near the average of this range, indicating that the project is feasible. We note that the calculated return is based upon the cost estimated by HVS, which includes the developer's administrative costs and an allocation for the cost of the land.

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 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, shall take place between the date of inspection and stated date of opening. The use of this extraordinary assumption may have affected the assignment results. 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.

9. Statement of Assumptions and Limiting Conditions

1. This report is set forth as a feasibility study of the proposed subject hotel; 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 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 affect 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. We are not qualified to detect hazardous substances and 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 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 site.
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 the appropriate liquor license if applicable), 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 because of this analysis without previous arrangements and shall do so only when our standard per-diem fees and travel costs have been 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 onsite 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 Servicetax 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; the 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.

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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 present or prospective interest in the property that is the subject of this report and no 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. Chris Cabrera provided significant assistance to Daniel P. McCoy, 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;
9. Daniel P. McCoy, MAI, has not performed services, as an appraiser or in any other capacity, on the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment;
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, Daniel P. McCoy, MAI, has completed the continuing education program for Designated Members of the Appraisal Institute.

Daniel P. McCoy, MAI
Managing Director, Senior Partner
TS Worldwide, LLC
State Appraiser License (MO) 2010001717

Daniel McCoy, MAI

EMPLOYMENT

2006 to present	HVS CONSULTING AND VALUATION SERVICES St. Louis, Missouri
2006	CONSUMER CREDIT COUNSELING SERVICE OF NORTHERN COLORADO Fort Collins, Colorado
2004 – 2005	ACADIA CORPORATION Bar Harbor, Maine

EDUCATION AND OTHER TRAINING

BS – Truman State University

Other Specialized Training Classes Completed:

Uniform Standards of Professional Appraisal Practice – 15 hours
Basic Appraisal Procedures – 30 hours
Basic Appraisal Principles – 30 hours
General Appraiser Income Approach (Parts I and II) – 60 hours
General Appraiser Market Analysis and HBU – 30 hours
General Appraiser Site Valuation and Cost Approach – 30 hours
Statistics, Modeling, and Finance – 15 hours
General Appraiser Report Writing and Case Studies – 30 hours
Business Practices and Ethics – 8 hours
General Appraiser Sales Comparison Approach – 30 hours
Advanced Sales Comparison and Cost Approaches – 40 hours
Advanced Income Capitalization – 40 hours
Report Writing and Valuation Analysis – 40 hours
Advanced Applications – 40 hours
Environmental Pollution & Mold – 2 hours
Mortgage Fraud – Protect Yourself – 7 hours
Foundations in Sustainability: Greening the RE – 7 hours
Land and Site Evaluation – 7 hours
General Demonstration Report Writing – 7 hours

EDUCATION AND OTHER TRAINING (CONTINUED)	Fundamentals of Separating Real, Personal Property, and Intangible Business Assets – 15 hours REO and Foreclosure – 5 hours The Evolution of Finance & the Mortgage Market – 4 hours Michigan Law – 2 hours Supervising Class – 4 hours Environmental Issues for Appraisers – 5 hours Risky Business – Ways to Minimize Your Liability – 5 hours Appraisal Applications of Regression Analysis – 7 hours Real Estate Statistics and Valuation Modeling – 15 hours Pennsylvania Law – 2 hours Basics of Expert Witness – 7 hours Appraisal of Land Subject to Ground Lease – 7 hours California Law – 4 hours Sales Comparison – 7 hours Condemnation Appraising – 22 hours Appraiser as an Expert Witness – 15 hours Biennial USPAP Updates
STATE CERTIFICATIONS	Arizona, California, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Michigan, Minnesota, Missouri, North Carolina, North Dakota, Ohio, Tennessee
PROFESSIONAL AFFILIATIONS	Appraisal Institute – Designated Member (MAI)
PUBLISHED ARTICLES	
HVS Journal	"The Suite Spot for Family Travel: Development Insights for Attracting Summer Travel Demand," July 2019
HVS Journal	"HVS Market Pulse: Destination Downtown St. Louis," April 2019
HVS Journal	"Market Pulse: Kansas City," co-authored with Sara Olson, November 2018
HVS Journal	"HVS Key Takeaways: The Southern Lodging Summit 2016," August 2016
HVS Journal	"In Focus: St. Louis, MO," August 2016
HVS Journal	"Five Key Takeaways: 2015 NYU International Hospitality Industry Investment Conference," co-authored with Sara Olson and Dorothy Jennings, June 2015

HVS Journal	"In Focus: Memphis, Tennessee," September 2014
HVS Journal	"Market Intelligence Report 2013: Nashville," co-authored with Ryan Wall, October 2013
HVS Journal	"Market Intelligence Report 2013: St. Louis," May 2013
HVS Journal	"HVS Market Intelligence Report: Nashville, Tennessee," June 2011
HVS Journal	"Performance Potential of Mid-Scale Hotels: Less May Be More," October 2009
HVS Journal	"St. Louis Hotels: Riding out the Economic Storm," June 2009
HVS Journal	"HVS Market Intelligence Report: Kansas City," January 2008
HVS Journal	"HVS Market Intelligence Report: Downtown St. Louis," August 2007

EXPERT WITNESS CONSULTING AND TESTIMONY EXPERIENCE

Wisconsin Department of Transportation v. Voyager Inn, Inc., et al.
Milwaukee County Case No. 12-CV-7392

Franncy Holdings, LLC v. Borrego Springs Bank N.A., Guardian Hospitality, LLC, United States Department of Treasury, Internal Revenue Service, and State of Wisconsin Department of Workforce Development
United States Bankruptcy Court Case No. 1-11-14159-tsu

Suky Jodi, Inc. v. Prak Properties, LLC
Sauk County Case No. 13-CV-390

Mirbeau of Geneva Lake, LLC, v. City of Lake Geneva, Todd Krause, Gary Dunham, Mary Jo Fesenmaier, Arleen Krohn, Larry Magee, Tom Spellman, Donald Tolar, William Chesen, Penny Roehrer, and Frank Marsala
U.S. District Court Eastern District of Wisconsin Case No. 08-CV-693

Dakota Ventures, LLC vs. Hospitality Builders, Inc.
American Arbitration Association Case No. 65 110 00025 14

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED

PORTFOLIO ANALYSIS
Barclays Capital Portfolio of 14, Various Locations
Portfolio of 40 Courtyard by Marriott Properties, Various Locations
CW Capital Portfolio of 6, Various Locations
GE Commercial Portfolio of 41, Various Locations
JPMorgan Chase & Deutsche Bank Portfolio of 15, Various Locations
Prime Finance Portfolio of 5, Various Locations
Rochester Resorts Portfolio of 4 Hotels, Florida
Portfolio of 4 Extended Stay America Hotels, St. Louis
Ladder Capital Portfolio of 21, Various Locations
American Hotel Income Properties REIT Portfolio of 9, Various Locations
Ladder Capital/Deutsche Bank Portfolio of 22, Various Locations
Sage Hospitality Portfolio of 10, Various Locations
JP Morgan Chase Portfolio of 66, Various Locations
Portfolio of 41 InTown Suites Properties, Various Locations
Portfolio of 16 Extended-Stay Hotels, Various Locations
Portfolio of 15 Extended-Stay Hotels, Various Locations
Portfolio of 4 Tennessee Properties

ALABAMA
Hampton Inn & Suites Downtown, Birmingham
Proposed Hotel Birmingham, Birmingham
Courtyard by Marriott, Dothan
Hampton Inn & Suites, Dothan

ALASKA
Bristol Bay Lodge, Bristol Bay
Comfort Inn, Kodiak

ARIZONA
Holiday Inn & Suites, Chandler
SpringHill Suites, Flagstaff
Dobson Ranch, Mesa
Hilton Phoenix East, Mesa
Courtyard by Marriott, Page
Proposed Holiday Inn Express Happy Valley, Phoenix
Red Roof Inn Phoenix Bell Road, Phoenix
Kings Ransom Hotel, Sedona
Proposed Summerfield Suites, Tempe
Red Roof Inn Phoenix Airport, Tempe

ARKANSAS
Proposed Hotel, Conway
Courtyard by Marriott, Hot Springs
Proposed Comfort Inn & Suites, Jonesboro
Proposed Embassy Suites, Jonesboro
Proposed Holiday Inn Express & Suites, Jonesboro
Hilton Garden Inn, Little Rock
Holiday Inn Express, North Little Rock
Proposed Comfort Inn & Suites, North Little Rock
Embassy Suites, Rogers
Hyatt Place, Rogers

CALIFORNIA
SLS Hotel, Beverly Hills
Proposed Hilton Garden Inn, Burbank
Residence Inn by Marriott, Burbank
The GlenRoy, Coachella
Proposed Dual-Brand AC Hotel & Residence Inn by Marriott, Fremont
Courtyard by Marriott, Long Beach
Belamar Hotel, Manhattan Beach
Hilton Garden Inn, Mountain View
Chase Suites, Newark
TownePlace Suites by Marriott, Newark
Residence Inn by Marriott, Oceanside
Ritz-Carlton, Rancho Mirage
Holiday Inn Express Otay Mesa, San Diego

COLORADO
Proposed Hotel, Breckenridge
Comfort Inn & Suites, Carbondale
Hyatt House, Colorado Springs
Silverleaf Suites, Eagle
Courtyard by Marriott, Glenwood Springs
Holiday Inn Express, Glenwood Springs
Residence Inn by Marriott, Glenwood Springs
Proposed Hotel, Hayden
Courtyard by Marriott, Lakewood
Residence Inn by Marriott, Lakewood
Tyme Square Inn, Limon
Residence Inn, Westminster
Proposed Wolcott Inn, Wolcott

DELAWARE
Red Roof Inn Newark Wilmington, Newark

DISTRICT OF COLUMBIA
Courtyard Washington Navy Yard
Marriott Wardman

FLORIDA
Country Inn & Suites, Cape Canaveral
Hyatt Place, Fort Lauderdale
Candlewood Suites Fort Myers Sanibel Gateway, Fort Myers
Proposed Hotel, Jacksonville
Proposed Legacy Hotel & Suites, Jacksonville
Red Roof Plus Miami Airport, Miami
West Wind Inn, Sanibel
SpringHill Suites by Marriott, Sarasota
Proposed Hotel, Tallahassee
Hampton Inn, Tampa
Proposed Westin, St. Petersburg

GEORGIA

Hampton Inn Atlanta Cumberland Mall Northwest, Atlanta
Meliá, Atlanta
Proposed Site, Atlanta
Red roof Plus Atlanta Buckhead, Atlanta
Hampton Inn Atlanta Airport, College Park
Hotel Indigo Atlanta Airport, College Park
Suburban Extended Stay, Duluth
Hyatt Place, Johns Creek
Embassy Suites, Kennesaw
Courtyard by Marriott, Tifton

ILLINOIS
Proposed Hotel & Conference Center, Alton
Proposed SpringHill Suites and Conference Center, Alton
Super 8, Beardstown
Baymont Inn & Suites, Bloomington
Proposed Hilton Garden Inn, Bolingbrook
Crowne Plaza, Burr Ridge
Marriott Chicago Southwest, Burr Ridge
Quality Inn (Conversion to Crowne Plaza), Burr Ridge
SpringHill Suites by Marriott, Burr Ridge
Days Inn, Carbondale
Proposed Downtown Hotel, Centralia
Proposed Limited-Service Hotel, Centralia
Allegro, Chicago
Proposed Hampton Inn (Chicago Motor Club Conversion), Chicago
Fairfield Inn by Marriott, Collinsville
Holiday Inn Express, Edwardsville
Proposed Holiday Inn Express, Edwardsville
Proposed Hotel and Conference Center, Edwardsville
Holiday Inn, Effingham
Best Western, Galesburg
Proposed Hotel & Conference Center, Galesburg
Holiday Inn Express, Lansing
Hyatt, Lisle
Hampton Inn, Marion
Holiday Inn, Matteson
Holiday Inn, Mount Prospect
Holiday Inn Mount Prospect Chicago, Mount Prospect
Hampton Inn, Mt. Vernon
Carleton Hotel, Oak Park
Hilton Garden Inn, O'Fallon
Settle Inn & Suites, O'Fallon
Proposed Best Western Plus, Olney
Crowne Plaza O'Hare, Rosemont
Hyatt, Rosemont
Days Inn, Sheffield
Proposed Holiday Inn Express, Troy
Holiday Inn Express, Urbana
Hyatt House, Warrenville
Hyatt Place, Warrenville

INDIANA
Comfort Suites, Auburn
Hampton Inn, Bloomington
Hotel Indigo, Columbus
Courtyard by Marriott, Evansville
Holiday Inn, Evansville
Proposed Hampton Inn, Fair Oaks
Big Splash Adventure Water Park & Resort, French Lick
Courtyard by Marriott, Goshen
Hilton, Indianapolis
Homewood Suites by Hilton Indianapolis Downtown, Indianapolis
Ramada Inn, Indianapolis
Hampton Inn, Marion
Days Inn, Merrillville

IOWA
Proposed Hilton Garden Inn & Conference Center, Amana
Proposed TownePlace Suites, Burlington
Days Inn, Davenport
Proposed Courtyard by Marriott, Des Moines
Proposed Hilton Des Moines Downtown, Des Moines
Super 8, Webster City

ILLINOIS
Proposed Best Western Vib, Arlington Heights
Ramada, Bolingbrook
Holiday Inn Carbondale Conference Center, Carbondale
Candlewood Suites Champaign Urbana University Area, Champaign
Holiday Inn & Suites, Decatur
Proposed Fairfield Inn & Suites, Des Plaines
Proposed Hotel, East Peoria
Holiday Inn Express & Suites, Edwardsville
Proposed Hotel, Edwardsville
Holiday Inn, Effingham
Hampton Inn & Suites Saint Louis Edwardsville, Glen Carbon
Red Roof Inn, Joliet
Drury Inn & Suites Mount Vernon, Mount Vernon
Red Roof Inn Chicago Naperville, Naperville
Country Inn & Suites, O'Fallon
Hilton Garden Inn St. Louis Shiloh O'Fallon, O'Fallon
Proposed Fairfield Inn, O'Fallon
Proposed Hampton Inn O'Fallon, O'Fallon
Best Western Plus, Olney
Holiday Inn Express Urbana Champaign U Of I Area, Urbana
Proposed TownePlace Suites by Marriott, Waukegan

INDIANA
Proposed Hyatt Place and Hyatt House, Fishers
Fort Wayne Hotel, Fort Wayne

KANSAS

Holiday Inn Express Hotel & Suites East Wichita I-35 Andover, Andover
Proposed Hard Rock Hotel, Edwardsville
Proposed Hyatt House, Edwardsville
Proposed Hampton Inn, Gardner
Candlewood Suites, Junction City
Proposed Hotel, Kansas City
Fairfield Inn & Suites by Marriott, Leavenworth
Proposed Home2 Suites by Hilton, Leavenworth
Proposed Leavenworth Hotel, Leavenworth
Proposed TownePlace Suites, Leavenworth
Crowne Plaza, Lenexa
Hyatt Place Kansas City Lenexa City Center, Lenexa
Proposed SpringHill Suites by Marriott, Lenexa
SpringHill Suites Kansas City Lenexa/City Center, Lenexa
Hampton Inn & Suites, Merriam
Chase Suites, Overland Park
Hilton Garden Inn, Overland Park
Red Roof Inn, Overland Park
Ambassador, Wichita
Clarion Hotel & Suites, Wichita
Fairfield Inn & Suites by Marriott Wichita Downtown, Wichita

KENTUCKY
TownePlace Suites by Marriott, Bowling Green
Hampton Inn, Covington
Proposed Hotel, Covington
Holiday Inn Express, Danville
Hyatt Place Cincinnati Airport, Florence
Proposed Staybridge Suites, Florence
Clarion Hotel Conference Center South, Lexington
Comfort Suites, Louisville
Holiday Inn, Louisville
Hyatt Place Louisville East, Louisville
Proposed Boutique Hotel, Louisville
Proposed Fairfield Inn & Suites, Louisville
Proposed Residence Inn by Marriott, Louisville
Red Roof Inn Louisville Expo Airport, Louisville
Proposed Country Inn & Suites, Madisonville
Days Inn, Mount Sterling
Best Western, Paducah
Courtyard by Marriott, Paducah
Econo Lodge, Paducah

LOUISIANA
Hampton Inn, Gonzales
Quality Inn, Lafayette
Holiday Inn & Suites, Lake Charles
Sleep Inn, Lake Charles
Sheraton, Metairie
Proposed Hotel Indigo, New Orleans
Proposed Union Street Hotel, New Orleans
Red Roof Inn, West Monroe

MARYLAND
Red Roof Inn Washington DC BW Parkway, Hanover
Comfort Inn, Hunt Valley
Legacy Hotel, Rockville
Red Roof Inn Baltimore North Timonium, Timonium

MASSACHUSETTS
Red Roof Inn, Saugus
Red Roof Inn, West Springfield

MICHIGAN
Bell Tower Hotel, Ann Arbor
Campus Inn, Ann Arbor
Hilton Suites, Auburn Hills
Hyatt Place Detroit/Auburn Hills, Auburn Hills
Holiday Inn Express, Birch Run
Holiday Inn Express, Brighton
Hilton Garden Inn Detroit Downtown, Detroit
Marriott Airport, Detroit
Marriott Southfield, Detroit
Proposed West Elm Hotel, Detroit
Residence Inn, East Lansing
Courtyard by Marriott, Flint
Days Inn, Flint
Holiday Inn, Flint
Super 8, Flint
Proposed Holiday Inn Express Downtown, Grand Rapids
Residence Inn, Grand Rapids
Holiday Inn, Kalamazoo
North Country Inn, Kalkaska
Econo Lodge, Lansing
Hyatt Place Lansing Eastwood Towne Center, Lansing
Proposed Hyatt Place, Lansing
Hyatt Place Detroit/Livonia, Livonia
Residence Inn, Livonia
Residence Inn, Madison Heights
Comfort Suites, Southgate
Comfort Inn & Suites, Taylor
Hilton, Troy
Residence Inn, Troy

MINNESOTA
Proposed Hampton Inn, Brooklyn Park
WoodSpring Suites Grand Rapids Holland, Holland
Marquette Hotel Curio Collection by Hilton, Minneapolis
DoubleTree Park Place, St. Louis Park
Embassy Suites by Hilton Saint Paul Downtown, Saint Paul
Windom Family Inn, Windom
Super 8, Worthington

MISSISSIPPI
Hilton Garden Inn, Jackson
Proposed Hampton by Hilton Fondren District, Jackson
Holiday Inn Express Hotel & Suites, Natchez
Holiday Inn Express Hotel & Suites, Winona

MISSOURI

Hampton Inn Kansas City Blue Springs, Blue Springs
Georgetown Inn, Branson
Hilton Branson Landing, Branson
Hilton Promenade, Branson
Residence Inn, Branson
Proposed TownePlace Suites by Marriott, Brentwood
Crowne Plaza, Bridgeton
Proposed Old Hinderhook Hotel, Camdenton
Hampton Inn & Suites, Chesterfield
Homewood Suites by Hilton St. Louis, Chesterfield
Hyatt Place St. Louis, Chesterfield
Proposed Hyatt Place, Chesterfield
Proposed Residence Inn, Chesterfield
Super 8, Chillicothe
Proposed Clayton Hotel, Clayton
Seven Gables Inn Saint Louis, Clayton
Sheraton Clayton Plaza Saint Louis, Clayton
Proposed Indigo Hotel, Clayton
Proposed Hotel, Clayton
Hampton Inn & Suites Columbia at The University, Columbia
Holiday Inn Columbia East, Columbia
La Quinta Inn & Suites, Columbia
Tiger Hotel, Columbia
Residence Inn by Marriott, Earth City
Elms Resort & Spa, Excelsior Springs
Holiday Inn Express, Fenton
Proposed Hampton Inn & Suites by Hilton, Festus
Proposed Cobblestone Hamilton, Hamilton
Comfort Inn, Hayti
La Quinta Inn, Hazelwood
Staybridge Suites, Independence
Holiday Inn (Conversion to DoubleTree), Joplin
Hotel Joplin, Joplin
Chase Suites, Kansas City
Embassy Suites Grand Reserve Kansas City, Kansas City
Hotel Indigo Kansas City Downtown, Kansas City
Hilton Kansas City Airport, Kansas City
Hotel Phillips Kansas City, Curio Collection by Hilton, Kansas City
Holiday Inn Aladdin, Kansas City
Marriott, Kansas City
Proposed Limited-Service Hotel, Kansas City
Proposed Marriott Marquis, Kansas City
Days Inn, Kennett
Holiday Inn Express, Kirksville
Country Club Hotel & Spa, Lake Ozark
Resort at Point Arrowhead, Lake Ozark
Holiday Inn Express & Suites Kansas City Lee's Summit, Lee's Summit
Proposed Staybridge Suites St. Louis, Maryland Heights
Staybridge Suites Saint Louis, Maryland Heights
Best Western, Mexico
Proposed Element and Aloft, North Kansas City
Holiday Inn Express, O'Fallon
Multi-use Commercial Property, O'Fallon
Proposed Sleep Inn, O'Fallon
Proposed Tru by Hilton, O'Fallon
Staybridge Suites, O'Fallon
Proposed Hotel, Olivette
Proposed Osage Beach Resort, Osage Beach
Tan-Tar-A Resort, Osage Beach
Hampton Inn, Poplar Bluff
Holiday Inn, Poplar Bluff
Proposed Hampton Inn, Poplar Bluff
Homewood Suites, Richmond Heights
Proposed Resort, Ridgedale
Restaurant, Springfield
Fairfield Inn & Suites by Marriott St. Louis St. Charles, Saint Charles
Hampton Inn, St. Charles
Hampton Inn, St. Joseph
Red Lion Hotel, St. Joseph
Cheshire Inn & Lodge, Saint Louis
Crowne Plaza Downtown, St. Louis
Econo Lodge Southwest St Louis, St. Louis
Embassy Suites, St. Louis
Hilton at the Ballpark, St. Louis
Hilton Downtown, St. Louis
Hilton (conversion to Le Meridien), St. Louis
Holiday Inn, St. Louis
Holiday Inn Airport West Earth City, St. Louis
Holiday Inn Express & Suites St. Louis Airport, St. Louis
Holiday Inn Riverport, St. Louis
Hotel Angad, St. Louis
Hotel Saint Louis, Autograph Collection, Saint Louis
La Quinta Inn & Suites, St. Louis
La Quinta Inn & Suites St. Louis Westport, St. Louis
Magnolia Hotel, St. Louis
Marriott at the Airport, St. Louis
Marriott St. Louis Grand Hotel, St. Louis
Millennium Hotel, St. Louis
Parkway Hotel, St. Louis
Proposed Boutique Hotel, St. Louis
Proposed DoubleTree by Hilton Hotel, St. Louis
Proposed EVEN St. Louis, St. Louis
Proposed Fairfield Inn & Suites, St. Louis
Proposed Holiday Inn, St. Louis
Proposed Hotel Blackhawk Autograph Collection, St. Louis
Proposed Hotel St. Louis, Saint Louis
Proposed Hyatt Place, St. Louis
Proposed Moxy, St. Louis
Proposed Residence Inn/Fairfield Inn, St. Louis
Proposed Staybridge Suites, St. Louis
Sheraton City Center, St. Louis
Sheraton Hotel Clayton Plaza, St. Louis
Courtyard by Marriott St Louis St Peters, Saint Peters
TownePlace Suites by Marriott St. Louis St. Charles, St. Charles
Proposed Best Western, Springfield
Riva D'Lago Resort, Sunrise Beach

Proposed Holiday Inn Resort, Table Rock Lake
Proposed Hyatt House, University City
Holiday Inn Express, Warrensburg

MONTANA
Proposed Red Lion Hotel, Polson

NEBRASKA
Hampton Inn Lincoln Airport, Lincoln
Proposed Kindler Hotel, Lincoln
Proposed TownePlace Suites by Marriott, Lincoln
Holiday Inn Express, North Platte
Carlisle Hotel, Omaha
Hyatt Place Omaha Downtown Old Market, Omaha
Proposed Aloft, Omaha

NEW JERSEY
Crowne Plaza, Jamesburg
TownePlace Suites by Marriott, Mount Laurel
Crowne Plaza, Somerset

NEW MEXICO
Hyatt Albuquerque, Albuquerque

NEW YORK
Red Roof Inn Binghamton, Johnson City
Red Roof Inn Long Island Garden City, Westbury

NORTH CAROLINA
Clarion Inn Airport, Asheville
Hilton Biltmore Park, Asheville
Holiday Inn Airport, Asheville
Red Roof Inn Asheville West, Asheville
Holiday Inn Express, Boone
Hampton Inn, Cape Hatteras
Proposed Residence Inn by Marriott, Charlotte
TownePlace Suites Charlotte Arrowood, Charlotte
Comfort Suites, Huntersville
Proposed Hotel, Raleigh
Proposed Residence Inn by Marriott, Steele Creek
Blockade Runner Beach Resort, Wrightsville Beach

NORTH DAKOTA
Proposed Staybridge Suites, Williston
Proposed Microtel Inn & Suites, Jamestown
Grand Inn, Fargo
Holiday Inn, Fargo
Hyatt House, Minot
Microtel Inn & Suites, Stanley
Value Place, Watford City

OHIO
Comfort Inn & Suites, Carbondale
Proposed Graduate, Columbus
Proposed Residence Inn by Marriott, Dublin
Country Inn & Suites, Fairborn
Hyatt Place Cleveland/Independence, Independence
Red Roof Inn Cleveland Independence, Independence
Proposed Hyatt Place, Cleveland
Residence Inn by Marriott Cleveland Independence, Independence
Residence Inn by Marriott Cleveland Mentor, Mentor
Hyatt Place Cincinnati Northeast, Mason
Red Roof Inn, North Canton
Hampton Inn North Olmsted Cleveland Airport, North Olmsted
Red Roof Inn, Saint Clairsville
Timberlane Inn, Salem
Courtyard by Marriott, Willoughby Hills
Residence Inn by Marriott, Worthington

OKLAHOMA
Crowne Plaza, Oklahoma City

OREGON
Best Inn & Suites, Albany
DoubleTree by Hilton, Bend
DoubleTree by Hilton, Salem
Shilo Inn, Newport

PENNSYLVANIA
Courtyard by Marriott, Bensalem
Clarion, DuBois
Proposed Holiday Inn, Erie
Red Roof Inn, Erie
DoubleTree by Hilton Pittsburgh Green Tree, Pittsburgh
Proposed Drury Plaza, Pittsburgh
Red Roof Inn Pittsburgh Airport, Pittsburgh
Residence Inn by Marriott Pittsburgh Airport Coraopolis, Pittsburgh

SOUTH CAROLINA
Comfort Suites, Columbia
Fairfield Inn, Orangeburg
Proposed Legacy Suites, Rock Hill

SOUTH DAKOTA
Super 8, Madison
Courtyard by Marriott, Sioux Falls
SpringHill Suites, Sioux Falls

TENNESSEE
Homewood Suites, Brentwood
Hyatt Place Nashville/Brentwood, Brentwood
Country Hearth Inn & Suites, Camden
Fairfield Inn & Suites, Chattanooga
Hilton Garden Inn, Clarksville
Holiday Inn Express Gatlinburg Downtown, Gatlinburg
Parkway Inn & Suites, Goodlettsville
Baymont Inn & Suites, Jackson
Proposed Quality Inn & Suites, Joelton
Red Roof Inn, Johnson City
Proposed Limited-Service Hotel McKenzie, McKenzie
Hampton Inn & Suites, Memphis
Hampton Inn Thousand Oaks, Memphis
Holiday Inn, Memphis

Hyatt Place Memphis Primacy Parkway, Memphis
Inland Suites Elvis Street, Memphis
Inland Suites Lamar Street, Memphis
Memphis Airport Hotel & Conference Center, Memphis
Proposed Aloft, Memphis
Proposed Best Western Vib, Memphis
Proposed Holiday Inn, Memphis
Proposed Hyatt Regency Memphis Convention Center, Memphis
Proposed Hilton Garden Inn and Tru Dual-Brand, Mount Juliet
Proposed Limited-Service Hotel, Murfreesboro
The Bobby Hotel, Nashville
DoubleTree by Hilton, Nashville
Hampton Inn & Suites Nashville Vanderbilt Elliston Place, Nashville
Hampton Inn Rudy Circle, Nashville
Renaissance, Nashville
Holiday Inn Express McGavock Pike, Nashville
Hotel Preston, Nashville
Hyatt Place Nashville Opryland, Nashville
Marriott Vanderbilt, Nashville
Proposed Dual-Branded Hilton Garden Inn/Home2 Suites by Hilton West End, Nashville
Proposed Fairmont Hotel & Residences Nashville, Nashville
Proposed Gulch Hotel, Nashville
Proposed Hotel, Nashville
Proposed InterContinental, Nashville
Proposed Margaritaville Hotel, Nashville
Proposed Tapestry Collection by Hilton Nashville Downtown, Nashville
Virgin Hotel, Nashville
Red Roof Inn, Nashville
Renaissance Hotel, Nashville
Sheraton Music City, Nashville
Westin, Nashville
Proposed Limited-Service Hotel, Paris
Country Hearth Inn, Union City

TEXAS
Courtyard, Abilene
Holiday Inn, Amarillo
Holiday Inn Express, Brownwood
Courtyard by Marriott, Corpus Christi
Hilton Dallas Lincoln Center, Dallas
La Quinta Inn El Paso Cielo Vista, El Paso
Holiday Inn, Fort Worth
Sheraton Downtown, Fort Worth
Proposed Hilton Garden Inn, Frisco
Candlewood Suites Medical Center, Houston
Residence Inn by Marriott, Houston
Quality Inn & Suites, Irving
Days Inn, Laredo
Red Roof Inn, Laredo
Proposed Extended-Stay Hotel, Midland
Holiday Inn Express, South Padre Island
Courtyard by Marriott, Sugarland
Residence Inn by Marriott, Sugarland
Holiday Inn Express, Sweetwater
Comfort Suites, Tomball
WoodSpring Suites, Tyler
Proposed Extended-Stay Hotel, The Woodlands

VIRGINIA
Alexandria Monaco, Alexandria
Morrison House, Alexandria
Proposed Residence Inn, Falls Church
Fairfield Inn & Suites by Marriott, Manassas
Red Roof Inn Manassas, Manassas
Holiday Inn Express Hotel & Suites, Manassas
Red Roof Inn Richmond South, Richmond
Proposed Hampton Inn, Springfield
Wedmore Place, Williamsburg

WASHINGTON
DoubleTree by Hilton, South Center, Seattle
DoubleTree by Hilton, Vancouver
Marcus Whitman Hotel, Walla Walla

WISCONSIN
Aloft, Green Bay
Hilton Inn, Milwaukee

WYOMING
Candlewood Suites, Cheyenne
Snow King Resort, Jackson

State of Missouri

Division of Professional Registration

State Certified General Real Estate Appraiser

VALID THROUGH JUNE 30, 2020
ORIGINAL CERTIFICATE/LICENSE NO. 2010001717
DANIEL PATRICK MCCOY
HVS
8134 BIG BEND BLVD
WEBSTER GROVES MO 63119
USA

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Vanessa Beauchamp
EXECUTIVE DIRECTOR

Kathleen Steele Danner
DIVISION DIRECTOR