



MARKET STUDY

Proposed Currituck County Hotel

CURRITUCK COUNTY, NORTH CAROLINA



SUBMITTED TO:

Mr. Larry Lombardi
Currituck County Economic Development
Department
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Currituck, North Carolina, 27929

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PREPARED BY:

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May 10, 2018

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Re: Proposed Currituck County Hotel
Currituck County, North Carolina
HVS Reference: 2017021981

Dear Mr. Lombardi:

Pursuant to your request, we herewith submit our market study pertaining to the above-captioned property. We have inspected the greater market and analyzed the hotel market conditions in the Currituck County, North Carolina area. The results of our fieldwork and analysis are presented in this report. We have also made recommendations regarding the location for the proposed hotel and recommendations regarding the improvements.

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



Janet L. Snyder, Managing Director
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Addenda

Qualifications

1. Executive Summary

Subject of the Market Study

The subject of the market study is a proposed hotel, which we recommend be affiliated with a midscale, limited-service brand. The property is forecast to open on January 1, 2020, and is suggested to feature 75 rooms, a breakfast dining area, an indoor or outdoor pool, a fitness room, a lobby workstation, a sundries counter, a guest laundry room, and vending areas. The hotel should also contain the appropriate parking capacity and all necessary back-of-the-house space.

For purposes of our analysis, we have positioned the proposed subject hotel as a midscale, limited-service property, such as a Tru by Hilton, Avid by Intercontinental Hotels Group, or Best Western. However, a specific franchise affiliation or brand is not recommended as part of this study. We suggest the proposed hotel include guest amenities typical for this scale of property in a similar location, such as an indoor swimming pool, business center, fitness room, guest laundry room, and vending areas. The hotel should also contain all necessary back-of-the-house space.

Pertinent Dates

The effective date of the report is April 18, 2018. The subject market was toured by Janet L. Snyder on November 14, 2017. In addition to the inspection, Janet L. Snyder researched and prepared this assignment.

Franchise and Management Assumptions

We assume that any proposed hotel will be managed by a professional hotel-operating company, with fees deducted at rates consistent with current market standards. We have assumed a market-appropriate total management fee of 3.0% of total revenues in our study.

For purposes of our analysis, we have utilized an opening date of January 1, 2020 and a room count of 75 guestrooms. Given the nature of travel through Currituck County and the demand generators currently operating in the area, a full-service or select-service hotel with a food and beverage operation and large meeting space would not be recommended. Rather than operating independently, we believe the hotel would benefit from a franchise affiliation and the visibility that a national reservations system would afford it. We recommend that the proposed subject hotel operate as a midscale, limited-service property, such as a Tru by Hilton, Avid by Intercontinental Hotels Group, or Best Western. Such brand positioning would allow the hotel to capture its fair share of demand and average rate as forecast in our report, and such hotels are typically able to be constructed for a more modest budget than an upper-midscale hotel (i.e. Hampton Inn by Hilton, Fairfield Inn by Marriott, etc.). A specific franchise affiliation or brand is not recommended as part of this study. We suggest the proposed hotel include guest amenities typical for this

scale of property in a similar location, such as a swimming pool, a lobby workstation, a fitness room, a sundries counter, a guest laundry room, and vending areas. The hotel should also contain all necessary back-of-the-house space. Based on our review of various midscale brands, we have forecast a royalty fee of 5% of rooms revenue and a marketing assessment of 4% of rooms revenue.

For the sake of comparison, the following is a list of Upper-Midscale, Midscale, and Economy brands.

FIGURE 1-1 BRAND CHAINSCALE COMPARISON

Upper-Midscale	Midscale (Recommended Chainscale)	Economy
Ayres	3 Palms Hotels & Resorts	Affordable Suites of America
Aqua Hotels	AmericInn	America's Best Inn
Best Western Plus	Avid by IHG	America's Best Value Inn
Boarders Inn & Suites	Baymont Inn & Suites	Budget Host
Centerstone Hotels	Best Western	Budget Suites of America
Chase Suites	Candlewood Suites	Budgetel
Clarion	ClubHouse	Country Hearth Inn
Cobblestone	Crossings by Grand Stay	Crestwood Suites
Comfort Inn	Crystal Inn	Crossland Suites
Comfort Suites	FairBridge Inn	Days Inn
Country Inn & Suites by Carlson	GrandStay Residential Suites	Econo Lodge
DoubleTree Club by Hilton	Hawthorn Suites by Wyndham	Extended Stay America
Drury Inn	InnSuites Hotel	E-Z 8
Drury Inn & Suites	Lakeview Distinctive Hotels	Family Inns of America
Drury Plaza Hotel	La Quinta Inn & Suites	Good Nite Inn
Drury Suites	MainStay Suites	GuestHouse Inn
Fairfield Inn by Marriott	Oak Tree Inn	Home-Towne Suites
Golden Tulip	Quality Inn	Howard Johnson
Hampton by Hilton	Ramada	InTown Suites
Hampton Inn & Suites by Hilton	Red Lion Inn & Suites	Jameson Inn
Holiday Inn	Settle Inn	Key West Inn
Holiday Inn Express	Shilo Inn	Knights Inn
Home2 Suites by Hilton	Sleep Inn	Lite Hotels
Isle of Capri	Tru by Hilton	Masters Inn
Lexington	Vista	Microtel Inn & Suites by Wyndham
OHANA	Wingate by Wyndham	Motel 6
Oxford Suites	Yotel	National 9
Park Inn		Passport Inn
Phoenix Inn		Pear Tree Inn
Ramada Plaza		Red Carpet Inn
Red Lion Hotels		Red Roof Inn
Silver Cloud		Rodeway Inn
Sonesta ES Suites		Savannah Suites
TRYP by Wyndham		Scottish Inn
TownePlace Suites by Marriott		Select Inn
Westmark		Studio 6
Wyndham Garden Hotel		Suburban Extended Stay
Xanterra		Sun Suites Hotels
		Super 8
		Travelodge
		Value Place
		WoodSpring Suites

While estimating a construction budget is outside of the scope of this report, as part of our criteria in selecting a suggested chainscale, we reviewed 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 survey represents a fairly wide range of costs, given its national perspective and the variability in construction budgets across various locales. The results of the development cost survey are presented in the following table.

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

	Land	Building and Site Improvements	Soft Costs	FF&E	Pre-Opening and Working Capital	Total
2017						
Budget/Economy Hotels	\$1,300 - \$20,400	\$23,800 - \$93,500	\$2,200 - \$42,500	\$3,300 - \$28,700	\$800 - \$5,900	\$47,800 - \$155,400
Limited-Service Hotels	600 - 242,000	36,800 - 206,700	2,300 - 100,700	3,800 - 42,400	300 - 35,300	66,100 - 447,800
Extended-Stay Hotels (Midscale)	1,300 - 37,500	25,000 - 108,000	1,900 - 64,300	5,600 - 27,300	500 - 13,600	70,300 - 158,600
Extended-Stay Hotels (Upscale)	1,500 - 166,000	54,100 - 213,200	4,700 - 65,100	8,000 - 29,600	400 - 19,600	86,100 - 460,700
Dual-Branded Hotels	11,800 - 46,700	77,000 - 221,700	6,500 - 84,200	5,400 - 41,000	1,900 - 30,600	126,000 - 371,600
Select-Service Hotels	5,600 - 176,500	66,400 - 235,100	3,900 - 93,700	3,200 - 38,200	700 - 17,200	90,200 - 424,300
Full-Service Hotels	1,000 - 242,300	91,100 - 378,000	11,800 - 200,000	9,800 - 51,500	1,000 - 31,900	136,000 - 871,600
Lifestyle/Soft-Branded Hotels	100 - 248,500	68,000 - 495,000	7,600 - 105,000	6,300 - 49,000	1,400 - 32,900	92,900 - 682,200
Luxury Hotels	4,800 - 198,000	224,600 - 531,600	4,300 - 280,100	17,300 - 195,400	8,400 - 81,800	369,600 - 1,095,200

Source: HVS

While we are not suggesting a single franchise affiliation, we have further reviewed average published construction costs for various Midscale brands. According to Hilton Hotels as of late 2016, the average total cost to construct a Tru by Hilton is roundly \$85,000 per key. According to Best Western, the average total construction cost ranges between \$80,000 and \$85,000 per key. Per Intercontinental Hotels Group, the average cost to construct their newest midscale hotel product, Avid an IHG Hotel, in a suburban, low-barriers-to-entry market in the Southeast, is roundly \$89,000 per key. Construction costs have continued to increase in recent years, particularly beginning in 2017 following numerous natural disasters, which increase demand for building supplies and construction crews; the rising cost of steel has put upward pressure on construction budgets as well. These costs may also vary between developers based on the level of finish they choose, any amenities they choose to add, efficiencies they may realize if they have established relationships with general contractors, etc. However, we believe our forecasts of income and expense will support the cost to construct a straightforward prototypical Midscale hotel within Currituck County.

Summary of Hotel Market Trends

As there are currently no hotels on the mainland of Currituck County and only one hotel on the Outer Banks area of the county, we have researched other hotels in the region as a basis for our analysis. These hotels have varying degrees of competitiveness given the differences in demand they currently attract. Visitors to the Outer Banks often stay at hotels in Elizabeth City prior to checking into their vacation rentals. The city offers a wide array of restaurants and retail services and is favorably located along U.S. Highway 158, which leads directly to mainland Currituck County. The city is also home to numerous other demand generators, including Elizabeth City State University, The College of the Albemarle, USCG Air Station, and the Aviation Technical Training Center. Occupancy has been low at these hotels in recent years, attributed to the effects of the federal government's sequestration, internal controversies at Elizabeth City State University, and the renovation and rebranding of several hotels. We have also considered the hotels on the Outer Banks of Currituck and Dare Counties. These hotels are primarily limited-service in nature and, similar to the vacation rentals in this area, they operate at peak levels during the summer months. However, these properties often have shorter minimum-stay requirements during the peak season and are attractive to guests traveling through the area at other times of the year as well. The hotels in Chesapeake, Virginia, are competitive given their location just north of the county on State Highway 168. These hotels are also limited-service in nature, but they benefit from their location amidst a variety of commercial demand generators and retail services. According to our interviews, these are the primary areas where guests visiting or doing business in the area are currently staying overnight.

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

FIGURE 1-2 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)

Year	Average Daily			Occupied Room			Average			
	Room Count	Available Room Nights	Change	Nights	Change	Occupancy	Rate	Change	RevPAR	Change
2007	914	333,764	—	202,598	—	60.7 %	\$96.94	—	\$58.84	—
2008	1,049	383,007	14.8 %	191,469	(5.5) %	50.0	97.63	0.7 %	48.81	(17.1) %
2009	1,215	443,475	15.8	216,084	12.9	48.7	90.95	(6.8)	44.32	(9.2)
2010	1,214	443,169	(0.1)	239,760	11.0	54.1	91.41	0.5	49.45	11.6
2011	1,214	443,110	(0.0)	267,459	11.6	60.4	90.58	(0.9)	54.67	10.6
2012	1,214	443,110	0.0	268,960	0.6	60.7	93.31	3.0	56.64	3.6
2013	1,213	442,645	(0.1)	252,589	(6.1)	57.1	96.21	3.1	54.90	(3.1)
2014	1,199	437,635	(1.1)	257,779	2.1	58.9	97.25	1.1	57.28	4.3
2015	1,199	437,635	0.0	268,509	4.2	61.4	101.55	4.4	62.31	8.8
2016	1,199	437,635	0.0	279,055	3.9	63.8	103.15	1.6	65.77	5.6
Year-to-Date Through October										
2016	1,199	364,496	—	241,272	—	66.2 %	\$106.71	—	\$70.63	—
2017	1,199	364,496	0.0 %	242,475	0.5 %	66.5	106.96	0.2 %	71.15	0.7 %
Average Annual Compounded Change:										
2007 - 2010			9.9 %		5.8 %			(1.9) %		(5.6) %
2010 - 2016			(0.2)		2.6			2.0		4.9
Hotels Included in Sample		Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened				
Comfort Inn On The Ocean Kill Devil Hills		Upper Midscale Class	Secondary	105	May 2009	Jun 1973				
Best Western Ocean Reef Suites		Midscale Class	Secondary	71	Feb 1986	Feb 1986				
Baymont Inn & Suites Kitty Hawk Outer Banks		Midscale Class	Primary	98	Dec 2015	Apr 1987				
Quality Inn Carolina Oceanfront		Midscale Class	Secondary	118	Jan 2010	May 1989				
Comfort Suites Chesapeake		Upper Midscale Class	Secondary	124	Jun 1990	Jun 1990				
Comfort Inn Elizabeth City		Upper Midscale Class	Primary	79	Dec 2013	Jul 1990				
Fairfield Inn & Suites Chesapeake		Upper Midscale Class	Secondary	105	Aug 1995	Aug 1995				
Hampton Inn Elizabeth City		Upper Midscale Class	Primary	101	Jun 1997	Jun 1997				
Best Western Plus Elizabeth City Inn & Suites		Upper Midscale Class	Primary	65	Nov 2013	Feb 2000				
Fairfield Inn & Suites Elizabeth City		Upper Midscale Class	Primary	97	Sep 2007	Sep 2007				
Springhill Suites Chesapeake Greenbrier		Upscale Class	Secondary	132	Sep 2008	Sep 2008				
Hampton Inn & Suites Chesapeake Battlefield Blvd		Upper Midscale Class	Secondary	104	Oct 2008	Oct 2008				
				Total	1,199					

Source: STR

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 1-3 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation			Estimated 2016				Estimated 2017				Occupancy Penetration	Yield Penetration
		Commercial	Group	Leisure	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR		
Baymont Inn & Suites Kitty Hawk Outer Banks	98	15 %	5 %	80 %	98	65 - 70 %	\$95 - \$100	\$65 - \$70	98	60 - 65 %	\$95 - \$100	\$55 - \$60	95 - 100 %	90 - 95 %
Best Western Plus Elizabeth City Inn & Suites	65	70	5	25	65	50 - 55	90 - 95	45 - 50	65	50 - 55	90 - 95	45 - 50	80 - 85	70 - 75
Comfort Inn Elizabeth City	79	70	5	25	79	50 - 55	90 - 95	45 - 50	79	50 - 55	90 - 95	45 - 50	80 - 85	70 - 75
Hampton Inn Elizabeth City	101	75	10	15	101	70 - 75	105 - 110	75 - 80	101	65 - 70	105 - 110	70 - 75	100 - 110	110 - 120
Fairfield Inn & Suites by Marriott Elizabeth City	97	75	10	15	97	70 - 75	105 - 110	75 - 80	97	70 - 75	105 - 110	75 - 80	110 - 120	110 - 120
Sub-Totals/Averages	440	60 %	7 %	32 %	440	65.1 %	\$100.59	\$65.46	440	61.9 %	\$100.45	\$62.19	98.2 %	95.9 %
Secondary Competitors	759	48 %	13 %	39 %	493	61.8 %	\$105.08	\$64.91	493	64.1 %	\$104.86	\$67.23	101.6 %	103.7 %
Totals/Averages	1,199	54 %	10 %	36 %	933	63.3 %	\$102.90	\$65.17	933	63.1 %	\$102.82	\$64.86	100.0 %	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 1-4 SECONDARY COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation			Total Competitive Level	Weighted Annual Room Count	Estimated 2016			Weighted Annual Room Count	Estimated 2017		
		Commercial	Group	Leisure			Occ.	Average Rate	RevPAR		Occ.	Average Rate	RevPAR
Comfort Suites Chesapeake	124	65 %	10 %	25 %	65 %	81	50 - 55 %	\$90 - \$95	\$45 - \$50	81	45 - 50 %	\$90 - \$95	\$45 - \$50
Fairfield Inn & Suites by Marriott Chesapeake	105	60	15	25	65	68	65 - 70	85 - 90	55 - 60	68	75 - 80	80 - 85	65 - 70
Hampton Inn & Suites Chesapeake Battlefield Boulevard	104	65	10	25	65	68	70 - 75	105 - 110	75 - 80	68	75 - 80	105 - 110	80 - 85
SpringHill Suites by Marriott Chesapeake Greenbrier	132	60	20	10	65	86	75 - 80	90 - 95	70 - 75	86	75 - 80	95 - 100	75 - 80
Best Western Ocean Reef Suites	71	20	5	75	65	46	55 - 60	125 - 130	70 - 75	46	55 - 60	125 - 130	70 - 75
Comfort Inn On The Ocean	105	15	15	70	65	68	55 - 60	120 - 125	65 - 70	68	55 - 60	120 - 125	65 - 70
Quality Inn Carolina Oceanfront	118	15	5	80	65	77	55 - 60	125 - 130	70 - 75	77	55 - 60	125 - 130	70 - 75
Totals/Averages	759	48 %	13 %	39 %	65 %	493	61.8 %	\$105.08	\$64.91	493	64.1 %	\$104.86	\$67.23

* 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 62% and a base-year rate position of \$100.00 for the proposed subject hotel. The following table reflects a summary of our market-wide and proposed subject hotel occupancy and average rate projections.

FIGURE 1-5 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

Calendar Year	2017	2018	2019	2020	2021	2022	2023	2024	2025
Market ADR	\$102.82	\$105.39	\$108.55	\$111.81	\$115.16	\$118.62	\$122.18	\$125.84	\$129.62
Projected Market ADR Growth Rate	—	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Property ADR (As-If Stabilized)	\$100.00	\$102.50	\$105.58	\$108.74	\$112.00	\$115.36	\$118.83	\$122.39	\$126.06
ADR Growth Rate	—	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Stabilized ADR Penetration	97%	97%	97%	97%	97%	97%	97%	97%	97.3%
Fiscal Year				2020	2021	2022	2023	2024	2025
Proposed Subject Property Average Rate				\$108.74	\$112.00	\$115.36	\$118.83	\$122.39	\$126.06
Opening Discount				2.0%	1.0%	0.0%	0.0%	0.0%	0.0%
Average Rate After Discount				\$106.57	\$112.00	\$115.36	\$118.83	\$122.39	\$126.06
Real Average Rate Growth				—	5.1%	3.0%	3.0%	3.0%	3.0%
Market ADR				\$111.81	\$115.16	\$118.62	\$122.18	\$125.84	\$129.62
Proposed Subject ADR Penetration (After Discount)				95%	97%	97%	97%	97%	97%
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate				\$98.48	\$100.49	\$100.49	\$100.49	\$100.49	\$100.49

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

FIGURE 1-6 FORECAST OF AVERAGE RATE

Year	Occupancy	Average Rate
		Before Discount
2020	53 %	\$108.74
2021	58	112.00
2022	62	115.36

**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 1-7 DETAILED FORECAST OF INCOME AND EXPENSE

	2020 (Calendar Year)				2021				Stabilized			
Number of Rooms:	75				75				75			
Occupancy:	53%				58%				62%			
Average Rate:	\$106.57				\$112.00				\$115.36			
RevPAR:	\$56.48				\$64.96				\$71.53			
Days Open:	365				365				365			
Occupied Rooms:	14,509	%Gross	PAR	POR	15,878	%Gross	PAR	POR	16,973	%Gross	PAR	POR
OPERATING REVENUE												
Rooms	\$1,546	98.7 %	\$20,613	\$106.56	\$1,778	98.8 %	\$23,707	\$111.98	\$1,958	98.9 %	\$26,107	\$115.36
Other Operated Departments	11	0.7	152	0.79	12	0.7	161	0.76	13	0.6	169	0.75
Miscellaneous Income	9	0.6	117	0.61	9	0.5	124	0.58	10	0.5	130	0.57
Total Operating Revenues	1,566	100.0	20,883	107.95	1,799	100.0	23,991	113.33	1,980	100.0	26,405	116.68
DEPARTMENTAL EXPENSES *												
Rooms	417	27.0	5,563	28.76	444	25.0	5,926	27.99	470	24.0	6,266	27.69
Other Operated Departments	8	67.1	102	0.53	8	65.9	106	0.50	8	65.0	110	0.49
Total Expenses	425	27.1	5,665	29.29	452	25.1	6,032	28.49	478	24.1	6,375	28.17
DEPARTMENTAL INCOME	1,141	72.9	15,217	78.66	1,347	74.9	17,959	84.83	1,502	75.9	20,030	88.51
UNDISTRIBUTED OPERATING EXPENSES												
Administrative & General	140	9.0	1,869	9.66	148	8.2	1,974	9.32	155	7.8	2,066	9.13
Info & Telecom Systems	14	0.9	187	0.97	15	0.8	197	0.93	15	0.8	207	0.91
Marketing	74	4.7	987	5.10	78	4.3	1,042	4.92	82	4.1	1,091	4.82
Franchise Fee	139	8.9	1,855	9.59	160	8.9	2,134	10.08	176	8.9	2,350	10.38
Prop. Operations & Maint.	72	4.6	956	4.94	85	4.7	1,135	5.36	99	5.0	1,320	5.83
Utilities	78	5.0	1,039	5.37	82	4.6	1,097	5.18	86	4.3	1,148	5.07
Total Expenses	517	33.1	6,892	35.63	568	31.5	7,579	35.80	614	30.9	8,182	36.15
GROSS HOUSE PROFIT	624	39.8	8,325	43.04	779	43.4	10,380	49.03	889	45.0	11,848	52.36
Management Fee	47	3.0	626	3.24	54	3.0	720	3.40	59	3.0	792	3.50
INCOME BEFORE NON-OPR. INC. & EXP.	577	36.8	7,699	39.80	725	40.4	9,660	45.63	829	42.0	11,056	48.86
NON-OPERATING INCOME & EXPENSE												
Insurance	24	1.6	325	1.68	25	1.4	334	1.58	26	1.3	344	1.52
Reserve for Replacement	31	2.0	418	2.16	54	3.0	720	3.40	79	4.0	1,056	4.67
Total Expenses	106	6.8	1,418	7.33	131	7.3	1,750	8.26	159	8.0	2,117	9.35
EBITDA LESS RESERVE	\$471	30.0 %	\$6,281	\$32.47	\$593	33.1 %	\$7,911	\$37.37	\$670	34.0 %	\$8,939	\$39.50

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

FIGURE 1-8 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2020		2021		2022		2023		2024		2025		2026		2027		2028		2029	
Number of Rooms:	75		75		75		75		75		75		75		75		75		75	
Occupied Rooms:	14,509		15,878		16,973		16,973		16,973		16,973		16,973		16,973		16,973		16,973	
Occupancy:	53%		58%		62%		62%		62%		62%		62%		62%		62%		62%	
Average Rate:	\$106.57	% of	\$112.00	% of	\$115.36	% of	\$118.83	% of	\$122.39	% of	\$126.06	% of	\$129.84	% of	\$133.74	% of	\$137.75	% of	\$141.88	% of
RevPAR:	\$56.48	Gross	\$64.96	Gross	\$71.53	Gross	\$73.67	Gross	\$75.88	Gross	\$78.16	Gross	\$80.50	Gross	\$82.92	Gross	\$85.41	Gross	\$87.97	Gross
OPERATING REVENUE																				
Rooms	\$1,546	98.7 %	\$1,778	98.8 %	\$1,958	98.9 %	\$2,017	98.9 %	\$2,077	98.9 %	\$2,140	98.9 %	\$2,204	98.9 %	\$2,270	98.9 %	\$2,338	98.9 %	\$2,408	98.9 %
Other Operated Departments	11	0.7	12	0.7	13	0.6	13	0.6	13	0.6	14	0.6	14	0.6	15	0.6	15	0.6	16	0.6
Miscellaneous Income	9	0.6	9	0.5	10	0.5	10	0.5	10	0.5	11	0.5	11	0.5	11	0.5	12	0.5	12	0.5
Total Operating Revenues	1,566	100.0	1,799	100.0	1,980	100.0	2,040	100.0	2,101	100.0	2,164	100.0	2,229	100.0	2,296	100.0	2,365	100.0	2,436	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	417	27.0	444	25.0	470	24.0	484	24.0	499	24.0	514	24.0	529	24.0	545	24.0	561	24.0	578	24.0
Other Operated Departments	8	67.1	8	65.9	8	65.0	8	65.0	9	65.0	9	65.0	9	65.0	10	65.0	10	65.0	10	65.0
Total Expenses	425	27.1	452	25.1	478	24.1	493	24.1	507	24.1	522	24.1	538	24.1	554	24.1	571	24.1	588	24.1
DEPARTMENTAL INCOME																				
	1,141	72.9	1,347	74.9	1,502	75.9	1,548	75.9	1,593	75.9	1,642	75.9	1,691	75.9	1,742	75.9	1,794	75.9	1,847	75.9
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	140	9.0	148	8.2	155	7.8	160	7.8	164	7.8	169	7.8	174	7.8	180	7.8	185	7.8	191	7.8
Info & Telecom Systems	14	0.9	15	0.8	15	0.8	16	0.8	16	0.8	17	0.8	17	0.8	18	0.8	19	0.8	19	0.8
Marketing	74	4.7	78	4.3	82	4.1	84	4.1	87	4.1	89	4.1	92	4.1	95	4.1	98	4.1	101	4.1
Franchise Fee	139	8.9	160	8.9	176	8.9	182	8.9	187	8.9	193	8.9	198	8.9	204	8.9	210	8.9	217	8.9
Prop. Operations & Maint.	72	4.6	85	4.7	99	5.0	102	5.0	105	5.0	108	5.0	111	5.0	115	5.0	118	5.0	122	5.0
Utilities	78	5.0	82	4.6	86	4.3	89	4.3	91	4.3	94	4.3	97	4.3	100	4.3	103	4.3	106	4.3
Total Expenses	517	33.1	568	31.5	614	30.9	632	30.9	651	30.9	671	30.9	691	30.9	711	30.9	733	30.9	755	30.9
GROSS HOUSE PROFIT																				
	624	39.8	779	43.4	889	45.0	916	45.0	943	45.0	971	45.0	1,000	45.0	1,030	45.0	1,061	45.0	1,093	45.0
Management Fee	47	3.0	54	3.0	59	3.0	61	3.0	63	3.0	65	3.0	67	3.0	69	3.0	71	3.0	73	3.0
INCOME BEFORE NON-OPR. INC. & EXP.																				
	577	36.8	725	40.4	829	42.0	854	42.0	880	42.0	906	42.0	933	42.0	961	42.0	990	42.0	1,020	42.0
NON-OPERATING INCOME & EXPENSE																				
Insurance	24	1.6	25	1.4	26	1.3	27	1.3	27	1.3	28	1.3	29	1.3	30	1.3	31	1.3	32	1.3
Reserve for Replacement	31	2.0	54	3.0	79	4.0	82	4.0	84	4.0	87	4.0	89	4.0	92	4.0	95	4.0	97	4.0
Total Expenses	106	6.8	131	7.3	159	8.0	164	8.0	168	8.0	174	8.0	179	8.0	184	8.0	190	8.0	195	8.0
EBITDA LESS RESERVE																				
	\$471	30.0 %	\$593	33.1 %	\$670	34.0 %	\$691	34.0 %	\$711	34.0 %	\$733	34.0 %	\$755	34.0 %	\$777	34.0 %	\$801	34.0 %	\$824	34.0 %

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

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.

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*,¹ *Hotels, Motels and Restaurants: Valuations and Market Studies*,² *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*,³ *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*,⁴ and *Hotels and Motels – Valuations and Market Studies*.⁵

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.

¹ Stephen Rushmore, *The Valuation of Hotels and Motels*. (Chicago: American Institute of Real Estate Appraisers, 1978).

² Stephen Rushmore, *Hotels, Motels and Restaurants: Valuations and Market Studies*. (Chicago: American Institute of Real Estate Appraisers, 1983).

³ Stephen Rushmore, *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*. (Chicago: American Institute of Real Estate Appraisers, 1990).

⁴ Stephen Rushmore, *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations* (Chicago: Appraisal Institute, 1992).

⁵ Stephen Rushmore and Erich Baum, *Hotels and Motels – Valuations and Market Studies*. (Chicago: Appraisal Institute, 2001).

6. An analysis of existing and proposed competition provides an indication of the current accommodated demand, along with market penetration and the degree of competitiveness. Unless noted otherwise, we have inspected the competitive lodging facilities summarized in this report.
7. Documentation for an occupancy and average rate projection is derived utilizing the build-up approach based on an analysis of lodging activity.
8. A detailed projection of income and expense made in accordance with the Uniform System of Accounts for the Lodging Industry sets forth the anticipated economic benefits of the subject property.

Topography and Site Utility

The topography of the site should be generally flat, and the shape should permit efficient use of the site for building and site improvements, including ingress and egress. Upon completion of construction, the subject site is assumed to not contain any significant portion of undeveloped land that could be sold, entitled, and developed for alternate use. It is expected that the site will be developed fully with building and site improvements, thus contributing to the overall profitability of the hotel.

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



Primary regional access through the county is provided by east/west U.S. Highway 158, which provides access through the middle of the mainland, from Elizabeth City

in Pasquotank County to the west, proceeding east through the community of Barco and continuing south to the tip of the county in the community of Point Harbor. The subject market is served by a variety of additional local highways, which are illustrated on the map.

The subject site is assumed to be located near a busy intersection or on a major thoroughfare. The proposed subject hotel is anticipated to have adequate signage at the street, as well as on its façade. Overall, the subject site should benefit from very good accessibility, and the proposed hotel is assumed to enjoy very good visibility from within its local neighborhood.

Airport Access

The proposed subject hotel will be served by the Norfolk International Airport, which is located approximately 30 miles to the north of the Virginia/North Carolina border.

Neighborhood

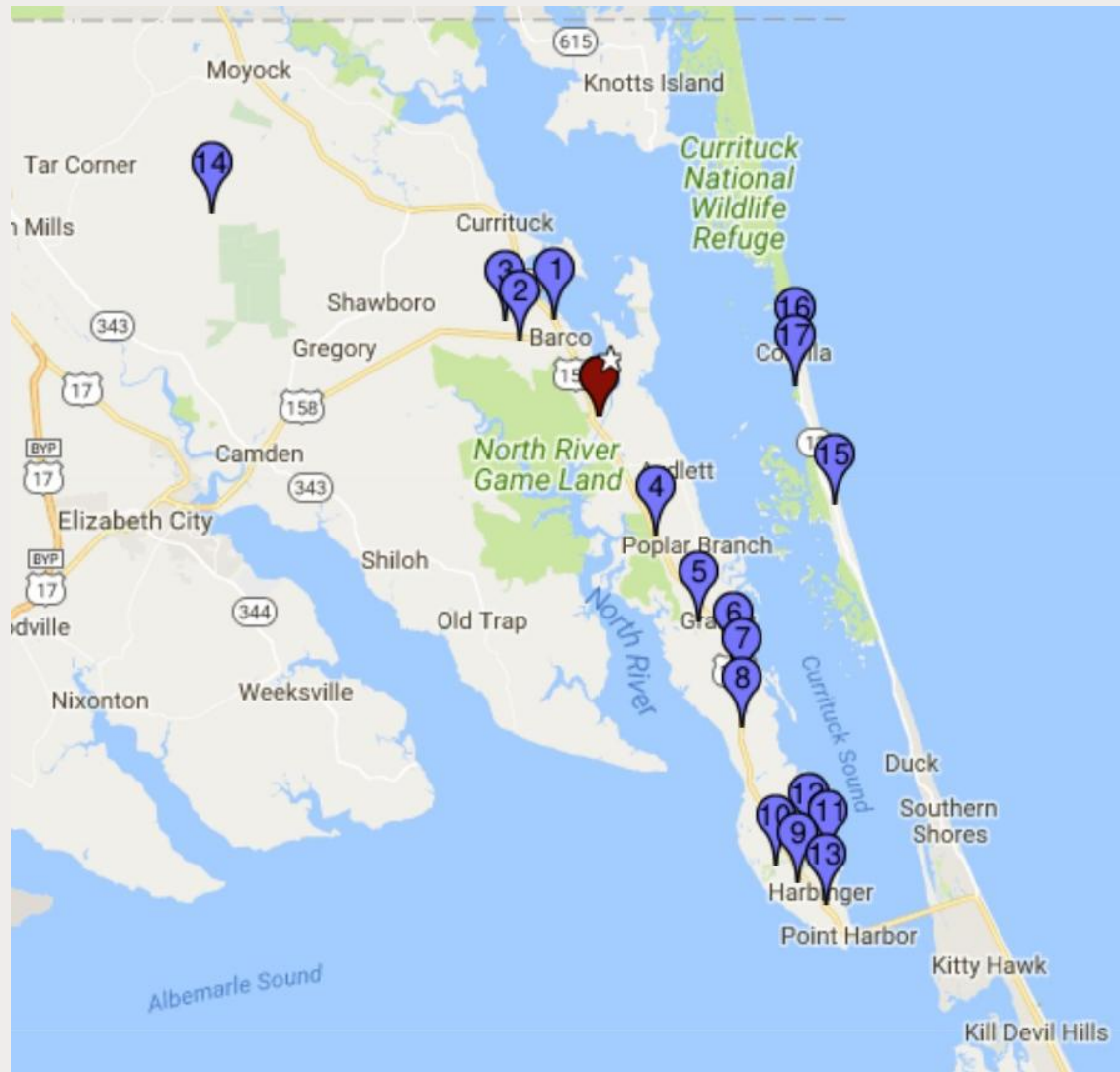
The neighborhood surrounding a lodging facility often has an impact on a hotel's status, image, class, style of operation, and sometimes its ability to attract and properly serve a particular market segment. This section of the report investigates the subject neighborhood and evaluates any pertinent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

The proposed subject hotel's opening should be a positive influence on the area; the hotel should be in character with and complement surrounding land uses. Overall, the supportive nature of the development in the greater Currituck County area is considered appropriate for and conducive to the operation of a mainland hotel.

Proximity to Local Demand Generators and Attractions

A sample of the area's primary generators of lodging demand is reflected on the following map. Overall, the subject site is assumed to be well situated with respect to demand generators.

ACCESS TO DEMAND GENERATORS AND ATTRACTIONS



Demand Generator	Approx. Driving Time/Distance from Subject Property	
Subject Property		
Morris Farm Market	5 minutes	4 miles
Currituck Cooperative Ext Services	8 minutes	5 miles
Maple Park	9 minutes	6 miles
Digger's Dungeon	6 minutes	6 miles
Carolina Club Drive	11 minutes	10 miles
Weeping Radish Farm Brewery	12 minutes	11 miles
Sanctuary Vineyards	13 minutes	12 miles
Historic Jarvisburg Colored School	15 minutes	13 miles
H2OBX	21 minutes	19 miles
Kilmarric Golf Club	22 minutes	19 miles
The Pointe Golf Club	22 minutes	19 miles
Currituck County Rural Center	22 minutes	19 miles
Holly Ridge Golf Course	22 minutes	21 miles
ACADEMI	33 minutes	25 miles
Currituck Clubhouse Drive	59 minutes	42 miles
Currituck Beach Lighthouse	1 hour, 9 minutes	48 miles
Whalehead Club	1 hour, 9 minutes	48 miles

Site Assumptions

The subject site should be served by all necessary utilities. We assume there will be no extraordinary soil conditions as related to the site. We assume there will be no site-specific nuisances or hazards, nor toxic ground contaminants.

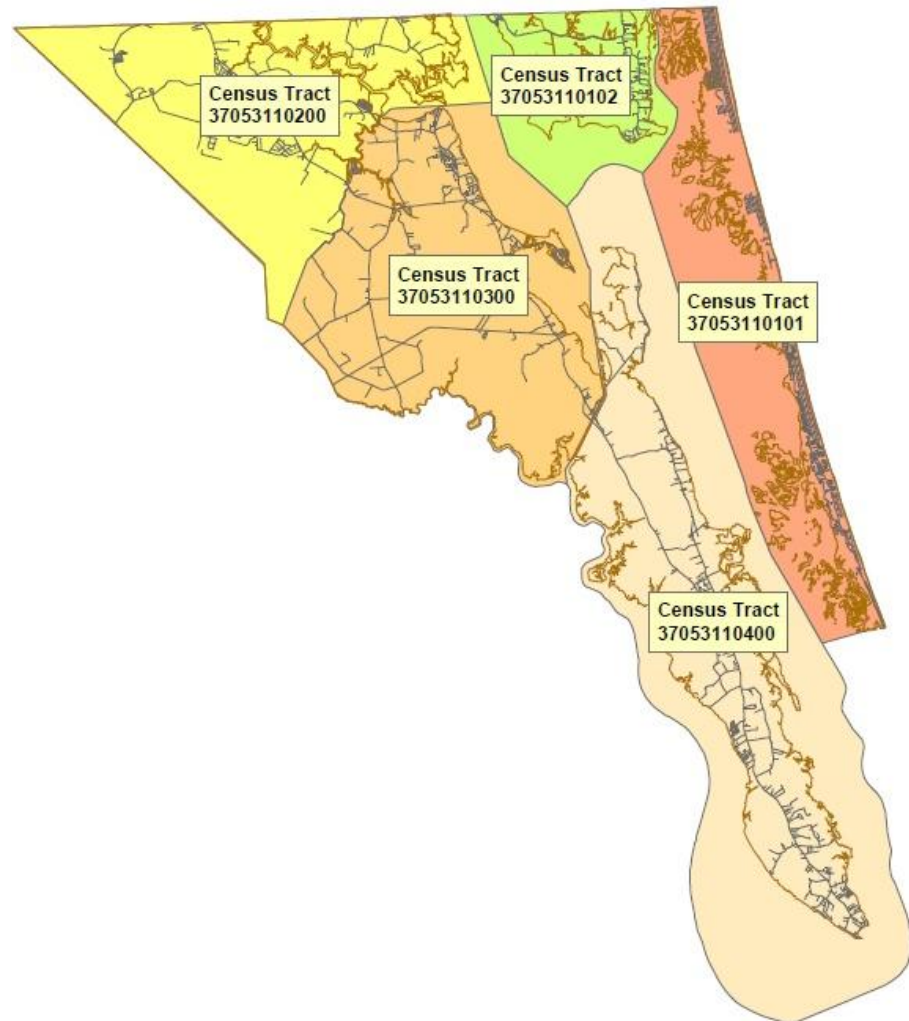
The proposed hotel is assumed to be situated in a zoning district that allows for the construction of hotels and motels. We assume that all necessary permits and approvals will be secured and that the subject property will be constructed in accordance with local zoning ordinances, building codes, and all other applicable regulations. Our zoning analysis should be verified before any physical changes are made to the site.

We assume there will be no easements attached to the property that would significantly affect the utility of the site or marketability of this project.

Site Recommendations

We have reviewed the geography and offerings of the mainland of Currituck County in order to make a recommendation of which area is most likely to sustain future hotel development. The mainland is separated from the Outer Banks and the MacKay Island National Wildlife Refuge areas by the Currituck Sound. East/west U.S. Highway 158 provides access through the middle of the mainland, from Elizabeth City in Pasquotank County to the west, proceeding east through the community of Barco and continuing south to the tip of the county in the community of Point Harbor. To access the Outer Banks, travelers cross the Wright Memorial Bridge at this southern-most point; the bridge is the only connector to the Outer Banks in the county. The highway continues north from Barco as State Highway 168 to the Virginia state line.

COUNTY CENSUS TRACT MAP



The county is divided into five census tracts, three of which comprise the mainland. The northern portion of the mainland features the community of Moyock. This is the fastest-growing area of the county, with almost half of the county's population living here. The area is primarily residential in nature, with the majority of the residents traveling into Virginia and the Hampton Roads market for work on a daily basis. The northern section has the most retail and restaurant development of any tract in the county. The only large commercial demand generator in this area of the county is

the ACADEMI training center, a high-security security and defense training facility with onsite lodging and dining. The long-studied Currituck Station (or Currituck Station Mega-Site) was approved mid-year 2017; the mixed-use development will feature medical facilities, offices, retail stores, restaurants, multi-family housing, and single-family dwellings. The site will also include greenways and parks, as well as light industrial and distribution facilities on sites farthest from the highway. The development is intended to attract more residents and businesses to the county, eventually curbing the number of workers who commute north daily into the Hampton Roads area. Initial development of the mega-site is anticipated to begin in the next few years, with the highway-adjacent commercial outlets being constructed first; the overall development is anticipated to take decades to build out in its entirety. While this section of the county has the best demographic profile, it currently has the fewest demand generators; it would not be considered a strong locale for hotel development at this time.

The central section of the county benefits from its significant amount of public investment. This submarket is home to the Currituck County Regional Airport, county offices, Department of Transportation offices, the Currituck County Public Library, Currituck County High School and Middle School, the Currituck County Community Center (which includes the YMCA and senior center), and the Currituck County Cooperative Extension Center. The extension center includes classrooms, a conference room, and an auditorium; it is a popular venue for regional events. The College of the Albemarle's Regional Aviation and Technical Training Center is also located in this section of the county. Commercial activity in this area is not as robust, but businesses include a Sentara medical facility, several gas stations and banks, and local (seasonal) restaurants. The most recent addition to this submarket is the Currituck County Sports Complex at the Currituck Community Park in Barco. Phase I opened in 2014; facilities include three multi-use fields, four picnic shelters, a playground, and a concession stand. Phase II opened in May 2017; facilities include three baseball/softball fields and a concession area with a full commercial kitchen. This facility is largely marketed for use by youth and adult traveling sports teams, and it has been generally well utilized since its opening. However, bookings are still somewhat limited by the lack of lodging facilities nearby, as multi-day tournaments are not able to be secured. The Maple Commerce Park is located adjacent to the community center; this shovel-ready development features eleven sites of various sizes, which are being marketed to a variety of businesses, including those related to the defense/aerospace, manufacturing, maritime, and agricultural industries. After several years, a potential tenant has been identified for the park. This area of the county benefits from the convergence of U.S. Highway 158 and State Highway 168, as well as the presence of demand generators.

The Mid-Currituck Bridge has been in the planning stages since 2010 with the Department of Transportation. The project has been vetted through several

environmental impact studies; the Record of Decision (RoD), which is the re-evaluation of the environmental impact statement for the bridge project, should be available summer 2018. Construction is to begin in 2020 and is expected to continue for several years; the bridge will connect the mainland, just south of Coinjock, to the community of Corolla on the Outer Banks. The opening of the bridge would ease congestion through the area during the peak travel season, as well as facilitate travel during evacuations in hurricane season. While travelers currently may choose to stay in their cars as they travel through the area in order to maintain their places in the flow of traffic, reduced congestion would allow for more retail services, which would entice travelers to spend more time on the mainland on the way to their final destinations. There would also likely be growth in commercial and retail services, specifically near the base of the bridge on the mainland.

The southern portion of the mainland is generally defined by the communities of Coinjock to the north and Powells Point to the south. Given its proximity to the Wright Memorial Bridge, the single route from the mainland to the Outer Banks, this area is more driven by tourism. Tourists are drawn to the submarket's golf courses, as well as the Weeping Radish Restaurant & Brewery and the Sanctuary Vineyards. H2OBX Waterpark opened in 2017, exceeding expectations for visitation in its first year; in addition to beach-going vacationers, the park attracted local and regional visitors, many of whom purchased annual passes. The world-famous monster truck Grave Digger is located in southern Currituck County; Digger's Dungeon is a popular attraction for fans. Equestrian events and other functions are held at the Currituck County Rural Center. There is also modest commercial and retail development. This submarket benefits from its location proximate to the beaches and attractions of the Outer Banks, but is disadvantaged by the volume of traffic and gridlock during the peak summer season. Visitors to the Outer Banks typically check-in to their vacation rental homes on a Friday afternoon and depart the following Friday morning. While this section of the county offers the best location in relation to the tourism demand generators, the demand is very seasonal in nature and many of the support services also operate on a seasonal basis. During times of peak demand, the area is highly congested with tourist traffic as travelers continue through the area to the Outer Banks.

Given the convergence of highways, current demand generators, and future potential growth, we are of the opinion that the most likely locale for future development of a hotel would be somewhere near the border between the central and southern sections of the county. A hotel situated in this area could serve as lodging for ACADEMI clients, as it would be equidistant as the facility is from the hotels they are currently utilizing in Chesapeake, Virginia. The hotel would also serve as a catalyst for future booking increases at the county's sports complex, allowing for multi-day tournaments given that families would not need to travel into Elizabeth City for overnight stays. The construction and opening of the Mid-

Currituck Bridge would also be near this border area; the construction of the bridge would likely induce demand from construction workers and engineers during the early phases, and would help spur retail and restaurant growth at the mainland terminus. This location would also be convenient for guests traveling in the southernmost area of the county. These travelers are primarily leisure-oriented, and this mainland lodging would provide a more cost-effective and convenient alternative to the oceanfront properties in Dare County. A mainland hotel would also be an attractive option for hunters who frequent the county's numerous game preserves; these visitors are currently staying overnight with their hunting guides, as there are no other nearby options.

Conclusion

The chosen subject site is assumed to be well suited for future hotel use, with acceptable access, visibility, and topography for an effective operation.

3. Market Area Analysis

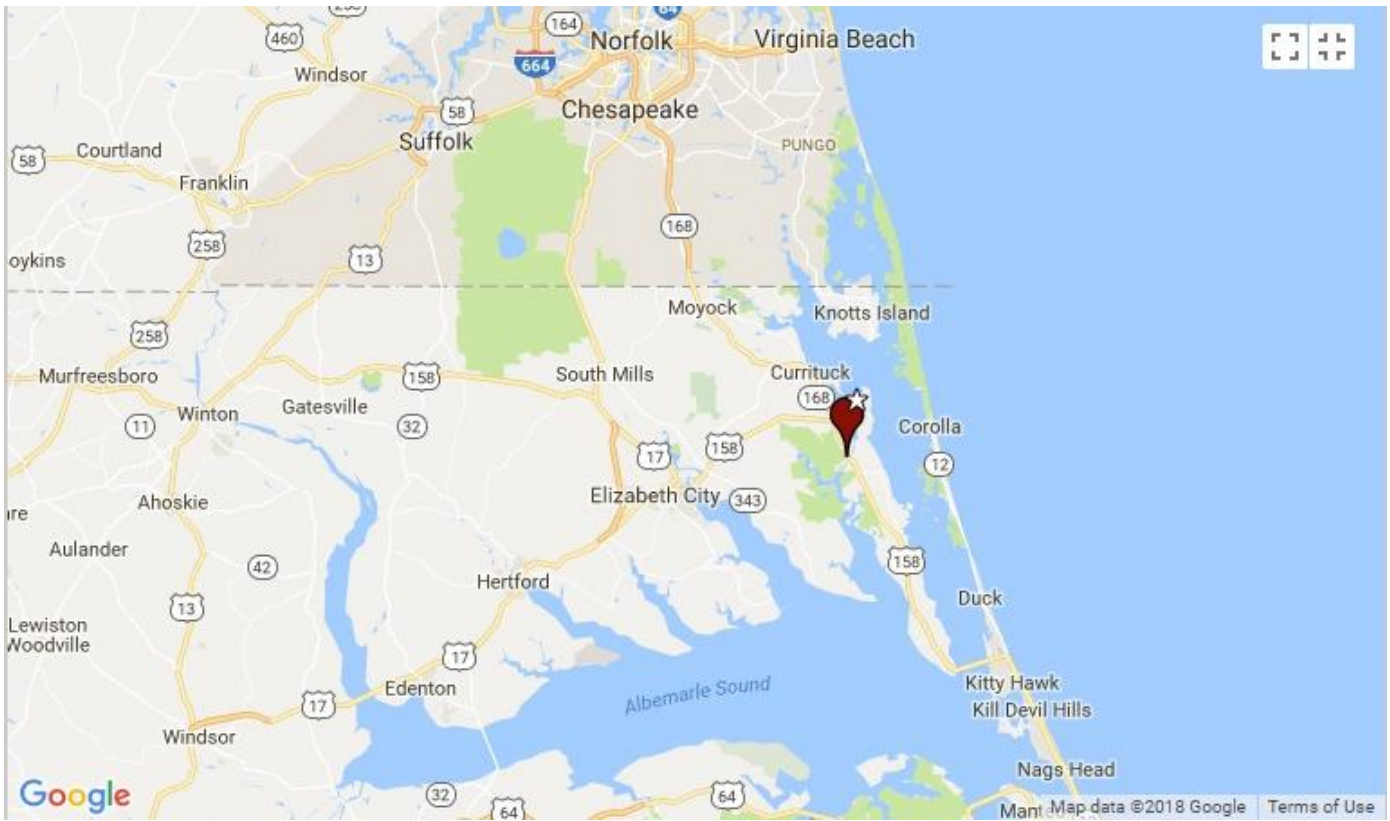
The economic vitality of the market area and neighborhood surrounding the subject site is an important consideration in forecasting lodging demand and future income potential. Economic and demographic trends that reflect the amount of visitation provide a basis from which to project lodging demand. The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

Market Area Definition

The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject site will be located on the mainland of Currituck County, in the state of North Carolina. Currituck County is the northeasternmost county in North Carolina. It was originally formed as a precinct of Albemarle County in 1668. It is one of only two counties in the state that is completely unincorporated, meaning that the county comprises communities rather than individual incorporated cities, resulting in one layer of government and a single low tax rate for all residents. The economy of the area is dominated by the tourism industry, as it is part of the state's Outer Banks area that features beaches, vacation homes, historic sites, and other tourist attractions. The mainland area of the county comprises clusters of commercial and residential development, agricultural uses, forest, and wetlands, with over 50% of the surface area covered by water. While the county may have a small scope and population, it is well situated for future growth given its Virginia-adjacent location and proximity to larger areas of population.

The proposed subject property's market area can be defined by its Combined Statistical Area (CSA): Virginia Beach-Norfolk, VA-NC. 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	2016	2020	Average Annual Compounded Change		
					2000-10	2010-16	2016-20
Resident Population (Thousands)							
Currituck County	18.3	23.7	26.0	28.3	2.6 %	1.6 %	2.1 %
Virginia Beach-Norfolk-Newport News, VA-NC M	1,584.8	1,680.1	1,740.9	1,793.2	0.6	0.6	0.7
Virginia Beach-Norfolk, VA-NC CSA	1,672.3	1,782.7	1,845.5	1,901.6	0.6	0.6	0.8
State of North Carolina	8,081.6	9,559.5	10,199.4	10,746.3	1.7	1.1	1.3
United States	282,162.4	309,347.1	324,506.9	336,690.4	0.9	0.8	0.9
Per-Capita Personal Income*							
Currituck County	\$31,978	\$35,096	\$35,826	\$37,898	0.9	0.3	1.4
Virginia Beach-Norfolk-Newport News, VA-NC M	33,487	40,364	42,881	45,671	1.9	1.0	1.6
Virginia Beach-Norfolk, VA-NC CSA	33,264	40,019	42,510	45,274	1.9	1.0	1.6
State of North Carolina	33,533	34,990	37,087	39,395	0.4	1.0	1.5
United States	36,812	39,622	43,613	46,375	0.7	1.6	1.5
W&P Wealth Index							
Currituck County	88.3	89.9	83.5	83.2	0.2	(1.2)	(0.1)
Virginia Beach-Norfolk-Newport News, VA-NC M	96.2	104.7	101.1	101.2	0.9	(0.6)	0.0
Virginia Beach-Norfolk, VA-NC CSA	95.4	103.7	100.1	100.2	0.8	(0.6)	0.0
State of North Carolina	91.9	88.9	85.8	85.8	(0.3)	(0.6)	(0.0)
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
Currituck County	\$19	\$38	\$61	\$69	7.2	8.3	3.0
Virginia Beach-Norfolk-Newport News, VA-NC M	2,013	2,456	3,017	3,204	2.0	3.5	1.5
Virginia Beach-Norfolk, VA-NC CSA	2,212	2,691	3,310	3,519	2.0	3.5	1.5
State of North Carolina	10,179	13,317	16,893	18,360	2.7	4.0	2.1
United States	368,829	447,728	562,999	602,635	2.0	3.9	1.7
Total Retail Sales (Millions)*							
Currituck County	\$209	\$280	\$347	\$388	3.0	3.7	2.8
Virginia Beach-Norfolk-Newport News, VA-NC M	20,173	21,299	24,323	25,825	0.5	2.2	1.5
Virginia Beach-Norfolk, VA-NC CSA	21,791	23,054	26,293	27,925	0.6	2.2	1.5
State of North Carolina	113,696	119,956	140,816	152,852	0.5	2.7	2.1
United States	3,902,830	4,130,414	4,846,834	5,181,433	0.6	2.7	1.7

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population has grown at an average annual compounded rate of 0.8% from 2010 through 2016. The county's population has grown at a quicker pace than the nation's population; the average annual growth rate of 1.6% between 2010 and 2016 reflects a gradually expanding area. Following this population trend, per-capita personal income increased slowly, at 0.3% on average annually for the county between 2010 and 2016. Local wealth indexes have remained stable in recent years, registering a relatively modest 83.5 level for the county in 2016.

Food and beverage sales totaled \$61 million in the county in 2016, versus \$38 million in 2010. This reflects a 8.3% average annual change, which is stronger than the 7.2% 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 3.0%, which is forecast through 2020. The retail sales sector demonstrated an annual increase of 3.0% registered in the decade 2000 to 2010, followed by an increase of 3.7% in the period 2010 to 2016. An increase of 2.8% average annual change is expected in county retail sales through 2020.

Workforce Characteristics

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

The following table sets forth the county workforce distribution by business sector in 2000, 2010, and 2016, as well as a forecast for 2020.

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

Industry	2000	Percent of Total	2010	Percent of Total	2016	Percent of Total	2020	Percent of Total	Average Annual Compounded Change		
									2000-2010	2010-2016	2016-2020
Farm	0.2	2.6 %	0.1	1.4 %	0.2	1.5 %	0.2	1.3 %	(2.4) %	4.2 %	(0.6) %
Forestry, Fishing, Related Activities And Other	0.1	2.3	0.2	1.9	0.3	2.8	0.3	2.8	1.5	10.4	2.2
Mining	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	7.0	2.7
Utilities	0.0	0.3	0.0	0.2	0.0	0.3	0.0	0.3	0.0	7.5	0.7
Construction	1.0	15.5	1.0	11.2	1.1	9.9	1.2	9.9	0.1	1.4	2.3
Manufacturing	0.2	2.8	0.1	0.8	0.1	0.9	0.1	0.8	(8.7)	5.6	0.0
Total Trade	1.1	16.8	1.3	15.1	1.6	15.2	1.8	14.9	2.4	3.5	1.9
Wholesale Trade	0.1	1.8	0.2	1.7	0.2	1.7	0.2	1.7	3.1	3.2	2.5
Retail Trade	0.9	15.0	1.2	13.4	1.5	13.5	1.6	13.2	2.3	3.6	1.8
Transportation And Warehousing	0.2	2.6	0.4	4.1	0.5	4.8	0.6	5.0	8.3	6.3	3.0
Information	0.0	0.5	0.0	0.5	0.0	0.4	0.0	0.4	2.9	1.6	0.6
Finance And Insurance	0.1	1.6	0.3	3.4	0.3	2.7	0.3	2.8	11.8	(0.4)	3.3
Real Estate And Rental And Lease	0.6	10.2	1.2	13.9	1.2	10.6	1.3	10.6	6.8	(1.2)	2.3
Total Services	1.8	28.3	2.9	32.7	4.2	38.6	4.7	39.1	5.0	6.3	2.7
Professional And Technical Services	0.2	3.6	0.2	2.6	0.4	3.9	0.5	3.9	0.2	10.7	2.3
Administrative And Waste Services	0.3	4.5	0.7	7.4	1.1	9.9	1.2	10.3	8.8	8.6	3.4
Educational Services	0.0	0.3	0.0	0.5	0.1	1.3	0.2	1.4	10.9	20.5	3.9
Health Care And Social Assistance	0.2	3.7	0.4	4.3	0.7	6.1	0.8	6.5	4.9	9.7	4.2
Arts, Entertainment, And Recreation	0.2	2.9	0.3	3.2	0.3	2.8	0.3	2.7	4.6	1.2	1.5
Accommodation And Food Services	0.4	6.9	0.6	6.9	0.8	7.1	0.8	6.9	3.5	4.0	1.7
Other Services, Except Public Administration	0.4	6.6	0.7	7.9	0.8	7.6	0.9	7.4	5.4	2.6	1.9
Total Government	1.0	16.6	1.3	14.7	1.3	12.2	1.4	12.1	2.3	0.2	2.2
Federal Civilian Government	0.1	0.9	0.1	0.6	0.0	0.4	0.0	0.3	(0.7)	(6.0)	1.3
Federal Military	0.1	0.8	0.1	0.7	0.1	0.6	0.1	0.5	1.7	0.8	0.0
State And Local Government	0.9	14.9	1.2	13.5	1.2	11.3	1.3	11.3	2.5	0.4	2.4
TOTAL	6.3	100.0 %	8.9	100.0 %	10.9	100.0 %	11.9	100.0 %	3.5 %	3.4 %	2.4 %
MSA	952.2	—	992.2	—	1,039.3	—	1,095.1	—	0.4 %	0.8 %	1.3 %
U.S.	165,370.9	—	173,034.7	—	191,870.8	—	203,418.4	—	0.9	1.7	1.5

Source: Woods & Poole Economics, Inc.

Woods & Poole Economics, Inc. reports that during the period from 2000 to 2010, total employment in the county grew at an average annual rate of 3.5%. This trend was above the growth rate recorded by the MSA and also outpaced the national average. More recently, the pace of total employment growth in the county slowed to 3.4% on an annual average from 2010 to 2016.

Of the primary employment sectors, Total Services recorded the highest increase in number of employees during the period from 2010 to 2016, increasing by 1,287 people, or 44.3%, and rising from 32.7% to 38.6% of total employment. Of the various service sub-sectors, Administrative And Waste Services and Other Services, Except Public Administration were the largest employers. Strong growth was also recorded in the Total Trade sector, as well as the Transportation And Warehousing sector, which expanded by 23.1% and 38.9%, respectively, in the period 2010 to 2016. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 2.4% on average annually through 2020. The trend is above the forecast rate of change for the U.S. as a whole during the same period.

Radial Demographic Snapshot

The following table reflects radial demographic trends for our market area measured by three points of distance from the unincorporated community of Coinjock (five, twelve, and twenty miles). This city was chosen due to its location near the midpoint of the county just south of the convergence of U.S. Highway 158 and State Highway 168, in order to illustrate general trends for the larger market.

FIGURE 3-3 DEMOGRAPHICS BY RADIUS

	0.00 - 5.00 miles	0.00 - 12.00 miles	0.00 - 20.00 miles
Population			
2023 Projection	3,079	20,250	74,997
2018 Estimate	2,935	19,129	72,440
2010 Census	2,659	17,336	69,717
2000 Census	2,258	13,393	55,006
Percent Change: 2018 to 2023	4.9%	5.9%	3.5%
Percent Change: 2010 to 2018	10.4%	10.3%	3.9%
Percent Change: 2000 to 2010	17.8%	29.4%	26.7%
Households			
2023 Projection	1,160	28,168	28,168
2018 Estimate	1,099	27,236	27,236
2010 Census	997	25,977	25,977
2000 Census	844	21,024	21,024
Percent Change: 2018 to 2023	5.6%	5.8%	3.4%
Percent Change: 2010 to 2018	10.2%	9.4%	4.9%
Percent Change: 2000 to 2010	18.1%	27.9%	23.6%
Income			
2018 Est. Average Household Income	\$64,509	\$77,911	\$73,036
2018 Est. Median Household Income	47,839	61,438	57,310
2018 Est. Civ. Employed Pop 16+ by Occupation			
Architecture/Engineering	18	148	521
Arts/Design/Entertainment/Sports/Media	3	59	367
Building/Grounds Cleaning/Maintenance	112	569	1,568
Business/Financial Operations	36	233	958
Community/Social Services	19	161	628
Computer/Mathematical	22	169	484
Construction/Extraction	183	833	2,699
Education/Training/Library	67	456	2,255
Farming/Fishing/Forestry	17	77	319
Food Preparation/Serving Related	102	555	2,071
Healthcare Practitioner/Technician	64	436	1,678
Healthcare Support	7	92	645
Installation/Maintenance/Repair	130	579	1,932
Legal	4	51	222
Life/Physical/Social Science	0	10	66
Management	79	771	2,696
Office/Administrative Support	129	1,123	4,063
Production	61	386	1,586
Protective Services	39	279	925
Sales/Related	160	1,082	3,960
Personal Care/Service	47	284	837
Transportation/Material Moving	118	476	1,880

Source: Environics Analytics

**Unemployment
Statistics**

This source reports a population of 72,440 within a twenty-mile radius of Coinjock, and 27,236 households within this same radius. Average household income within a twenty-mile radius of Coinjock is currently reported at \$73,036, while the median is \$57,310.

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

FIGURE 3-4 UNEMPLOYMENT STATISTICS

<u>Year</u>	<u>County</u>	<u>MSA</u>	<u>State</u>	<u>U.S.</u>
2007	3.2 %	3.2 %	4.7 %	4.6 %
2008	4.3	4.2	6.1	5.8
2009	6.9	6.9	10.6	9.3
2010	8.9	7.6	10.9	9.6
2011	9.1	7.3	10.3	8.9
2012	8.5	6.8	9.3	8.1
2013	7.9	6.2	8.0	7.4
2014	6.3	5.7	6.3	6.2
2015	5.8	4.9	5.8	5.3
2016	5.2	4.6	5.1	4.9
<i>Recent Month - Nov</i>				
2016	5.0 %	4.3 %	4.9 %	4.6 %
2017	4.5	4.1	4.5	4.1

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

Source: U.S. Bureau of Labor Statistics

Current U.S. unemployment levels are now firmly below the annual averages of the last economic cycle peak of 2006 and 2007, when annual averages were 4.6%. National unemployment registered 4.1% in the final three months of 2017, roughly six points below the October 2009 peak of 10.0%. Total nonfarm payroll employment increased by 252,000 and 148,000 jobs in November and December of 2017, respectively. The highest gains were made in the professional and healthcare, manufacturing, and construction 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.

Locally, the unemployment rate was 5.2% in 2016; for this same area in 2017, the most recent month’s unemployment rate was registered at 4.5%, versus 5.0% for

Major Business and Industry

the same month in 2016. Unemployment rose in 2008 as the region entered an economic slowdown, and this trend continued through 2011 beyond the height of the national recession. However, unemployment declined in 2012 as the economy rebounded, a trend that continued through 2016. The most recent comparative period illustrates improvement, indicated by the lower unemployment rate in the latest available data. Our interviews with economic development officials reflect a positive employment outlook, primarily attributed to continued growth within the tourism industry, as well as future development of the greater countywide economy.

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

FIGURE 3-5 MAJOR EMPLOYERS

Rank	Firm	Number of Employees
1	Huntington Ingalls Industries, Inc.	20,000+
2	Sentara Healthcare	20,000+
3	Virginia Beach City Public Schools	6,000-10,000+
4	Norfolk Naval Shipyard	6,000-10,000+
5	Riverside Health System	6,000-10,000+
6	Virginia Beach City Government	6,000-10,000+
7	Norfolk City Public Schools	6,000-10,000+
8	NASA Langley Research Center	3,001-5,000+
9	Newport News City	3,001-5,000+
10	Naval Medical Center Portsmouth	3,001-5,000+

Source: Hampton Roads Economic Development Alliance, 2018

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

- Currituck County's economy is largely centered on tourism. The Outer Banks area is popular with vacationers and sportsmen given its pristine beauty, abundant wildlife, and historic attractions. Over two million tourists visit the Outer Banks each season. Tourism is at its peak from June through August, while April, May, and October are considered shoulder seasons, with high levels of weekend travel. In 2016, direct tourist spending amounted to more than \$154 million, a 4.9% increase in tourism spending between 2015 and 2016; spending is expected to increase in 2017 given the opening of the new sports fields and the H2OBX Waterpark. The area remains popular with golfers and hunters,

throughout the year; Kilmarlic Golf Club has constructed three small homes to be used as rentals for golfing groups, with plans to build an additional 15 homes. The opening of the H2OBX Waterpark should also generate greater tourism on the mainland during the summer, which should help spur further commercial development in that area in the future. The owners of the waterpark also are eyeing further development of the balance of their larger site, to possibly include conference facilities, lodging, restaurants, and more. The tourism industry also provides jobs for local residents, with more than 1,600 residents directly employed in this field; vacation-rental management companies represent some of the largest employers for the market.

- The agriculture industry remains a cornerstone of the county's economy. Most of the local farming is of commodity crops, those harvested for non-food supply uses. The main crops cultivated are corn, soybeans, wheat, and cotton. As of the 2012 Census of Agriculture (the census is conducted every five years, with the 2017 data to be published later in 2018), the county contained 82 farms, spanning over 35,000 acres total; the market value of product sold by these farms was over \$25 million. While much of the farming is of commodity crops, there are numerous local farms that have roadside stands of various sizes, offering fresh produce and local products.
- ACADEMI is located on the northern edge of the county in the community of Moyock. ACADEMI provides elite security services training. The Moyock facility is located on 7,000 acres and is the company's flagship training center, offering unique training facilities, such as two airstrips, three drop zones, fifty tactical ranges, and five ballistic houses. ACADEMI specializes in training for a variety of industries and purposes, including maritime, technology, commercial, and logistics security. Because of the sensitive nature of the training, most of the attendees remain within the confines of the facility through the duration of their stay; the facility can provide lodging accommodations for up to 363 people. For times when the lodging facilities are at capacity, they partner with several hotels in Chesapeake, Virginia for overflow bookings at contracted rates of \$39 to \$59 per person.

While the county continues to be dominated by the tourism industry, local officials are looking to take advantage of opportunities to grow the local economy. By working to attract more business and industry, local government hopes to be able to grow and retain the local workforce, strengthening the overall economic profile of the county. This should help further drive population growth, and retail growth would be expected to follow. The development of the Currituck Station on the north side of the county over the long term should contribute significantly to this growth. Furthermore, the agriculture industry will continue to be an important economic anchor for the county.

Airport Traffic

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

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

FIGURE 3-6 AIRPORT STATISTICS - NORFOLK INTERNATIONAL AIRPORT

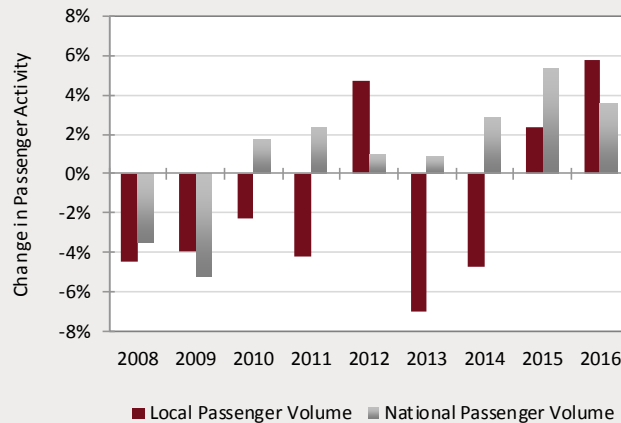
Year	Passenger Traffic	Percent Change*	Percent Change**
2007	3,714,323	—	—
2008	3,549,204	(4.4) %	(4.4) %
2009	3,409,456	(3.9)	(4.2)
2010	3,332,466	(2.3)	(3.6)
2011	3,193,388	(4.2)	(3.7)
2012	3,344,151	4.7	(2.1)
2013	3,112,355	(6.9)	(2.9)
2014	2,965,306	(4.7)	(3.2)
2015	3,034,407	2.3	(2.5)
2016	3,209,185	5.8	(1.6)
<i>Year-to-date, Sep</i>			
2016	2,409,496	—	—
2017	2,501,236	3.8 %	—

*Annual average compounded percentage change from the previous

**Annual average compounded percentage change from first year of

Source: Norfolk International Airport

FIGURE 3-7 LOCAL PASSENGER TRAFFIC VS. NATIONAL TREND



Source: HVS, Local Airport Authority

This facility recorded 3,209,185 passengers in 2016. The change in passenger traffic between 2015 and 2016 was 5.8%. The average annual change during the period shown was -1.6%.

Tourist Attractions

As previously noted, tourism drives the Currituck County market. The peak season for tourism in this area is June through August. Weekend demand remains high in April, May, and September. Primary attractions in the area include the following:

- Visitors to the Outer Banks primarily come to take advantage of the pristine beaches and family-friendly atmosphere. With thousands of vacation rental homes to choose from, families and friends often vacation together, renting 2- to 23-bedroom homes for a week or more. The homes are clustered in various communities, offering sound, ocean, or inland views and a variety of amenities. The Outer Banks area offers numerous restaurants and shopping venues to cater to these visitors; many of these businesses are seasonal in nature, open only during the peak season.
- The Corolla Wild Horses have been part of the Outer Banks for the last 400 years. These horses are descendants of the Spanish Mustang, which was designated the official state horse in 2010. Visitors can view the horses on private tours, but to keep the horses wild, tourists cannot be within 50 feet of them. The Corolla Wild Horse Museum educates the public about the horses and their history, and also provides children's activities during the summer.

- There are numerous historic attractions in the market. Whalehead, a restored 1920's Art Nouveau residence, is open for museum tours. These tours highlight not only the history and architecture of the home, but also provide a snapshot of what life was like in the Outer Banks at that time. The Currituck Beach Lighthouse is another popular attraction; it still houses its original lens and continues to operate today, with a beacon that can be seen for 18 nautical miles. Other important historic attractions include the Currituck County Historic Jail & Courthouse and the Historic Jarvisburg Colored School.
- The county is also popular with outdoor enthusiasts. There are six golf courses in the county, three on the mainland and three on the Outer Banks. Given the market's location, water sports and fishing are popular activities as well. Hunting, crabbing, and birding are other popular outdoor activities enjoyed by visitors to the market throughout the year.
- The 30-acre H2OBX Waterpark opened in May 2017. The \$46-million project contains more than 20 thrill, family, and kid rides and slides; an 'adventure' river; a wave pool; food and beverage outlets; a gift shop; and cabanas. The park's actual attendance exceeded their original forecast for the inaugural season, with a high number of season passes sold. Management is working to improve the facilities for the 2018 season, by reconfiguring some areas and expanding the number of rental cabanas. The balance of the larger 95-acre site could be developed in the future; ownership is considering numerous options, such as lodging, restaurant, entertainment venues, and more.

H2OBX WATER PARK



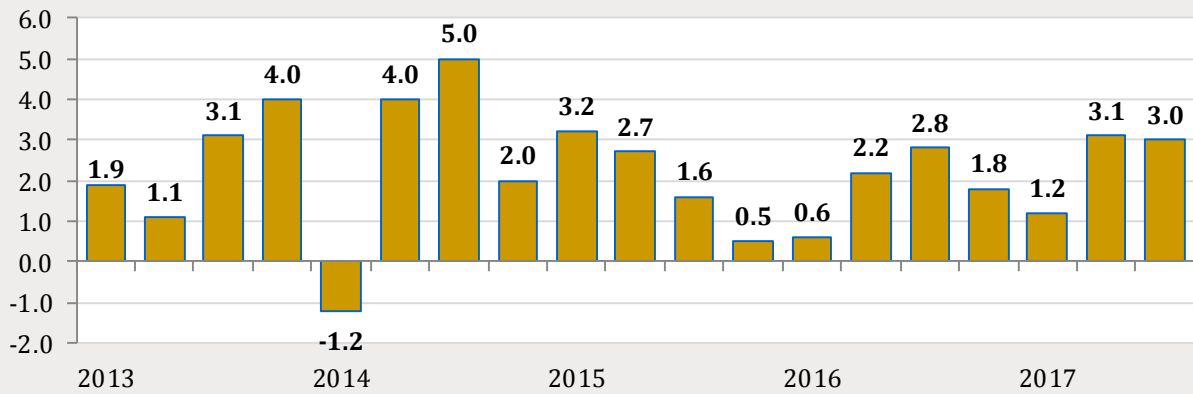
Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. Currituck County has experienced a period of strong population growth in recent years, and this growth should continue into the future. However, a large percentage of the residents currently leave the county for jobs in other markets. The county's positive business climate, low tax rate, and attractive location have the potential to draw additional commercial businesses in the future. This would allow for more residents to live and work within Currituck County, which should further drive the growth of housing, retail, and services. County officials should continue to improve infrastructure throughout the market and look for ways to market the county as tourist destination in the shoulder and off-season. The future construction of the Mid-Currituck Bridge should further enhance the market by providing additional revenue through the collection of tolls, by easing highway congestion during the peak tourist season, and by spurring commercial growth at the base of the bridge on the mainland. The outlook for the market area is cautiously optimistic.

Our analysis of the outlook for this specific market also considers the broader context of the national economy. The U.S. economy expanded during the last three years, with a relatively low point in growth occurring during the fourth quarter of 2015 and the first quarter of 2016, as well as the first quarter of 2017. Most recently,

the U.S. economy expanded by 3.1% and 3.0% in the second and third quarters of 2017, respectively. The recent acceleration reflected strong personal consumption expenditures (PCE), private inventory investment, nonresidential fixed investment, exports, and federal government spending.

FIGURE 3-8 UNITED STATES GDP GROWTH RATE



Source : tradingeconomics.com, Bureau of Economic Analysis

U.S. economic growth continues to support expansion of lodging demand. In 2017, demand growth through November registered 2.7%, stronger than the 1.6% level recorded in 2016. The economic growth, low unemployment, higher levels of personal income, and stability in the U.S. economy as of early 2018 is helping to maintain strong interest in hotel investments by a diverse array of market participants.

4. Supply and Demand Analysis

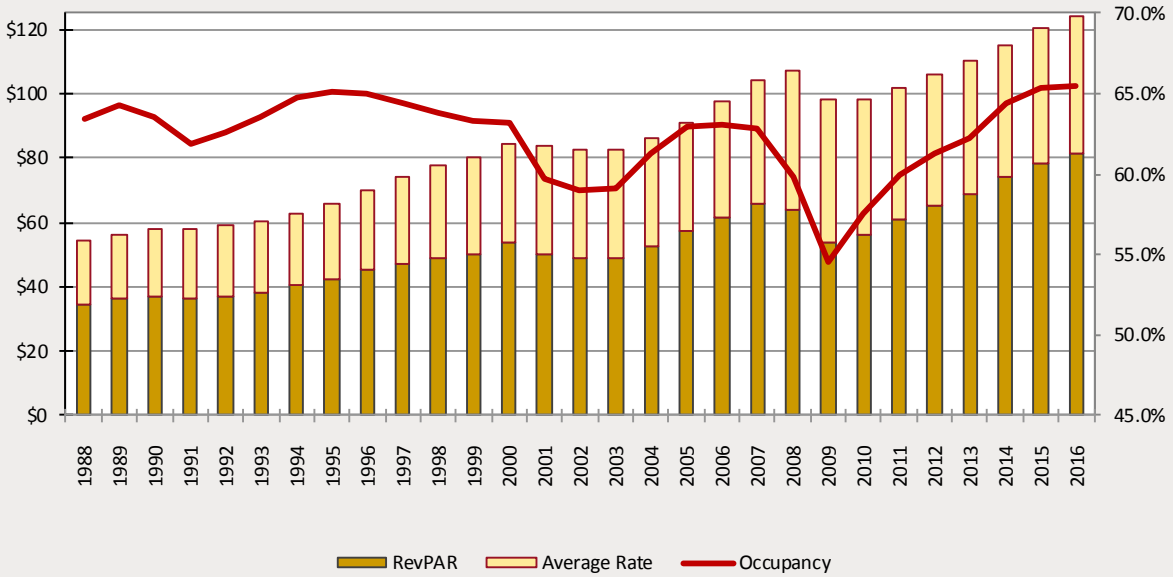
In the lodging industry, price varies directly, but not proportionately, with demand and inversely, but not proportionately, with supply. Supply is measured by the number of guestrooms available, and demand is measured by the number of rooms occupied; the net effect of supply and demand toward equilibrium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

National Trends Overview

The subject property's local lodging market is most directly affected by the supply and demand trends within the immediate area. However, individual markets are also influenced by conditions in the national lodging market. We have reviewed national lodging trends to provide a context for the forecast of the supply and demand for the proposed subject 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 average rate data since 1987. 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 AND AVERAGE RATE TRENDS



Source: STR

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

	Occupancy - YTD November			Average Rate - YTD November			RevPAR - YTD November			Percent Change	
	2016	2017	% Change	2016	2017	% Change	2016	2017	% Change	Rms. Avail.	Rms. Sold
United States	66.5 %	67.1 %	0.8 %	\$124.49	\$127.07	2.1 %	\$82.85	\$85.22	2.9 %	1.8 %	2.6 %
Region											
New England	65.6 %	66.2 %	0.9 %	\$152.85	\$155.59	1.8 %	\$100.30	\$103.02	2.7 %	1.5 %	2.5 %
Middle Atlantic	68.1	68.7	0.7	162.14	161.49	(0.4)	110.49	110.87	0.3	2.9	3.6
South Atlantic	68.1	69.0	1.3	120.34	123.58	2.7	81.91	85.21	4.0	1.5	2.8
East North Central	62.5	62.8	0.4	109.22	110.48	1.2	68.29	69.38	1.6	1.9	2.3
East South Central	62.6	62.7	0.2	95.46	98.76	3.5	59.72	61.90	3.6	1.9	2.0
West North Central	60.4	59.4	(1.8)	96.65	98.01	1.4	58.40	58.18	(0.4)	1.4	(0.4)
West South Central	62.4	63.4	1.5	99.43	100.83	1.4	62.07	63.91	3.0	3.0	4.6
Mountain	66.6	67.7	1.7	114.44	119.01	4.0	76.17	80.55	5.8	1.1	2.8
Pacific	74.8	75.0	0.3	159.33	163.38	2.5	119.25	122.59	2.8	1.6	1.8
Class											
Luxury	71.8 %	72.0 %	0.3 %	\$280.61	\$284.35	1.3 %	\$201.40	\$204.60	1.6 %	2.2 %	2.4 %
Upper-Upscale	73.8	74.0	0.2	178.90	181.83	1.6	132.04	134.49	1.9	1.7	1.9
Upscale	73.2	73.6	0.5	139.62	141.78	1.5	102.17	104.31	2.1	4.3	4.8
Upper-Midscale	68.5	68.9	0.6	114.74	116.53	1.6	78.57	80.29	2.2	4.0	4.7
Midscale	60.9	61.6	1.2	92.65	94.81	2.3	56.44	58.45	3.6	0.3	1.4
Economy	59.3	59.8	0.8	70.15	72.29	3.1	41.63	43.24	3.9	(0.4)	0.4
Location											
Urban	74.3 %	74.7 %	0.5 %	\$177.94	\$179.60	0.9 %	\$132.13	\$134.09	1.5 %	3.1 %	3.6 %
Suburban	68.0	68.2	0.3	106.48	108.82	2.2	72.37	74.22	2.6	1.9	2.3
Airport	74.4	74.8	0.5	114.48	116.97	2.2	85.18	87.50	2.7	1.4	2.0
Interstate	57.6	58.4	1.3	83.53	85.39	2.2	48.15	49.85	3.5	1.5	2.8
Resort	69.3	70.5	1.7	168.08	172.54	2.7	116.41	121.59	4.4	0.9	2.7
Small Metro/Town	58.0	58.5	0.9	100.44	102.81	2.4	58.28	60.19	3.3	1.5	2.4
Chain Scale											
Luxury	74.7 %	74.7 %	0.1 %	\$314.64	\$320.99	2.0 %	\$234.88	\$239.93	2.2 %	1.6 %	1.7 %
Upper-Upscale	75.5	75.5	(0.1)	180.50	183.00	1.4	136.32	138.13	1.3	2.1	2.0
Upscale	75.0	74.9	(0.1)	138.99	140.87	1.4	104.31	105.58	1.2	6.0	5.9
Upper-Midscale	68.8	69.2	0.6	112.15	113.81	1.5	77.21	78.80	2.1	3.2	3.8
Midscale	60.5	61.1	1.1	85.73	87.45	2.0	51.84	53.47	3.2	1.3	2.4
Economy	58.7	59.0	0.5	61.20	62.77	2.6	35.92	37.04	3.1	0.1	0.7
Independents	63.1	64.0	1.4	123.06	126.63	2.9	77.64	81.00	4.3	0.0	1.4

Source: STR - November 2017 Lodging Review

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

	Occupancy			Average Rate			RevPAR			Percent Change	
	2015	2016	% Change	2015	2016	% Change	2015	2016	% Change	Rms. Avail.	Rms. Sold
United States	65.4 %	65.5 %	0.1 %	\$120.30	\$123.97	3.1 %	\$78.68	\$81.19	3.2 %	1.6 %	1.7 %
Region											
New England	64.5 %	64.3 %	(0.4) %	\$146.41	\$150.70	2.9 %	\$94.49	\$96.89	2.5 %	1.3 %	1.0 %
Middle Atlantic	67.3	67.3	0.0	162.29	163.41	0.7	109.22	109.99	0.7	2.8	2.8
South Atlantic	66.5	67.2	1.1	116.65	119.77	2.7	77.53	80.44	3.8	1.3	1.3
East North Central	61.3	61.2	(0.2)	105.20	108.09	2.7	64.45	66.10	2.6	1.6	1.4
East South Central	61.0	61.4	0.7	90.91	94.87	4.4	55.43	58.26	5.1	1.7	2.5
West North Central	59.6	59.1	(0.8)	93.28	95.91	2.8	55.58	56.68	2.0	1.5	0.7
West South Central	62.9	61.5	(2.3)	98.43	98.66	0.2	61.93	60.63	(2.1)	2.7	0.3
Mountain	65.0	65.5	0.7	108.77	114.24	5.0	70.68	74.79	5.8	0.8	1.5
Pacific	73.2	73.9	0.9	151.10	158.44	4.9	110.57	117.04	5.8	0.9	1.9
Class											
Luxury	70.8 %	71.0 %	0.3 %	\$278.39	\$283.05	1.7 %	\$196.98	\$200.95	2.0 %	2.8 %	3.1 %
Upper-Upscale	72.7	72.6	(0.1)	173.53	177.77	2.4	126.08	129.07	2.4	1.2	1.2
Upscale	72.0	72.0	0.1	135.70	139.47	2.8	97.72	100.49	2.8	3.9	3.9
Upper-Midscale	67.1	67.1	0.0	110.95	113.84	2.6	74.48	76.38	2.6	3.3	3.2
Midscale	59.9	59.9	0.1	90.13	92.61	2.7	53.96	55.50	2.9	0.4	0.6
Economy	58.6	58.6	0.0	67.60	70.17	3.8	39.63	41.13	3.8	(0.4)	(0.4)
Location											
Urban	73.0 %	73.1 %	0.1 %	\$173.99	\$177.37	1.9 %	\$127.04	\$129.69	2.1 %	2.9 %	3.0 %
Suburban	66.7	66.8	0.2	101.91	105.70	3.7	67.97	70.63	3.9	1.4	1.6
Airport	73.6	73.4	(0.2)	109.78	113.56	3.4	80.78	83.40	3.3	1.0	0.8
Interstate	57.2	56.6	(1.1)	81.35	83.04	2.1	46.53	46.97	0.9	1.5	0.4
Resort	67.9	68.6	0.9	164.10	168.76	2.8	111.51	115.76	3.8	0.9	1.8
Small Metro/Town	56.9	56.9	0.1	96.63	99.45	2.9	54.95	56.64	3.1	1.4	1.5
Chain Scale											
Luxury	75.2 %	74.9 %	(0.3) %	\$317.58	\$322.84	1.7 %	\$238.70	\$241.82	1.3 %	2.8 %	2.4 %
Upper-Upscale	74.3	74.2	(0.2)	174.98	178.82	2.2	130.08	132.63	2.0	1.6	1.4
Upscale	74.3	73.8	(0.6)	134.82	138.50	2.7	100.13	102.27	2.1	5.6	5.0
Upper-Midscale	67.5	67.4	(0.2)	108.75	111.43	2.5	73.46	75.14	2.3	2.1	1.9
Midscale	59.4	59.4	(0.1)	83.32	85.43	2.5	49.52	50.74	2.5	1.2	1.1
Economy	58.1	57.9	(0.4)	58.82	60.84	3.4	34.16	35.20	3.1	0.3	(0.1)
Independents	61.8	62.3	0.8	118.73	123.22	3.8	73.36	76.75	4.6	0.2	1.0

Source: STR - December 2016 Lodging Review

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 4.4% 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 increased minimally (by 0.1%) to 65.5%, as demand growth modestly exceeded supply growth. Average rate increased 3.1% for the year, and the net change in RevPAR was 3.2%, reflecting a healthy lodging market overall. Year-to-date November 2017 data show this trend continuing, with a 0.6-point occupancy increase to 67.1%, while average rate increased by just over \$2.50 to roughly \$127.00, resulting in a 2.9% upward change in RevPAR.

Historical Supply and Demand Data

As previously noted, 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 4-4 HISTORICAL SUPPLY AND DEMAND TRENDS

Year	Average Daily			Occupied Room		Average			RevPAR	Change
	Room Count	Available Room Nights	Change	Nights	Change	Occupancy	Rate	Change		
2007	914	333,764	—	202,598	—	60.7 %	\$96.94	—	\$58.84	—
2008	1,049	383,007	14.8 %	191,469	(5.5) %	50.0	97.63	0.7 %	48.81	(17.1) %
2009	1,215	443,475	15.8	216,084	12.9	48.7	90.95	(6.8)	44.32	(9.2)
2010	1,214	443,169	(0.1)	239,760	11.0	54.1	91.41	0.5	49.45	11.6
2011	1,214	443,110	(0.0)	267,459	11.6	60.4	90.58	(0.9)	54.67	10.6
2012	1,214	443,110	0.0	268,960	0.6	60.7	93.31	3.0	56.64	3.6
2013	1,213	442,645	(0.1)	252,589	(6.1)	57.1	96.21	3.1	54.90	(3.1)
2014	1,199	437,635	(1.1)	257,779	2.1	58.9	97.25	1.1	57.28	4.3
2015	1,199	437,635	0.0	268,509	4.2	61.4	101.55	4.4	62.31	8.8
2016	1,199	437,635	0.0	279,055	3.9	63.8	103.15	1.6	65.77	5.6
Year-to-Date Through October										
2016	1,199	364,496	—	241,272	—	66.2 %	\$106.71	—	\$70.63	—
2017	1,199	364,496	0.0 %	242,475	0.5 %	66.5	106.96	0.2 %	71.15	0.7 %
Average Annual Compounded Change:										
2007 - 2010			9.9 %			5.8 %			(1.9) %	(5.6) %
2010 - 2016			(0.2)			2.6			2.0	4.9
Hotels Included in Sample										
			Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened			
Comfort Inn On The Ocean Kill Devil Hills			Upper Midscale Class	Secondary	105	May 2009	Jun 1973			
Best Western Ocean Reef Suites			Midscale Class	Secondary	71	Feb 1986	Feb 1986			
Baymont Inn & Suites Kitty Hawk Outer Banks			Midscale Class	Primary	98	Dec 2015	Apr 1987			
Quality Inn Carolina Oceanfront			Midscale Class	Secondary	118	Jan 2010	May 1989			
Comfort Suites Chesapeake			Upper Midscale Class	Secondary	124	Jun 1990	Jun 1990			
Comfort Inn Elizabeth City			Upper Midscale Class	Primary	79	Dec 2013	Jul 1990			
Fairfield Inn & Suites Chesapeake			Upper Midscale Class	Secondary	105	Aug 1995	Aug 1995			
Hampton Inn Elizabeth City			Upper Midscale Class	Primary	101	Jun 1997	Jun 1997			
Best Western Plus Elizabeth City Inn & Suites			Upper Midscale Class	Primary	65	Nov 2013	Feb 2000			
Fairfield Inn & Suites Elizabeth City			Upper Midscale Class	Primary	97	Sep 2007	Sep 2007			
Springhill Suites Chesapeake Greenbrier			Upscale Class	Secondary	132	Sep 2008	Sep 2008			
Hampton Inn & Suites Chesapeake Battlefield Blvd			Upper Midscale Class	Secondary	104	Oct 2008	Oct 2008			
					Total	1,199				

Source: 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 2016 in 63.8%, which compares to 61.4% for 2015. The overall average occupancy level for the calendar years presented equates to 60.4%. The STR data for the competitive set reflect a market-wide average rate level of \$103.15 in 2016, which compares to \$101.55 For 2015. The average across all calendar years presented for average rate equates to \$97.06. These occupancy and average rate trends resulted in a RevPAR level of \$65.77 in 2016.

As there are currently no hotels on the mainland of Currituck County and only one hotel on the Outer Banks area of the county, we have researched other hotels in the region as a basis for our analysis. These hotels have varying degrees of competitiveness given the differences in demand they currently attract. Visitors to the Outer Banks often stay at hotels in Elizabeth City prior to checking into their vacation rentals. The city offers a wide array of restaurants and retail services and is favorably located along U.S. Highway 158, which leads directly to mainland Currituck County. The city is also home to numerous other demand generators, including Elizabeth City State University, The College of the Albemarle, USCG Air Station, and the Aviation Technical Training Center. Occupancy has been low at these hotels in recent years, attributed to the effects of the federal government's sequestration, internal controversies at Elizabeth City State University, and the renovation and rebranding of several hotels. We have also considered the hotels on the Outer Banks of Currituck and Dare Counties. These hotels are primarily limited-service in nature and, similar to the vacation rentals in this area, they operate at peak levels during the summer months. However, these properties often have shorter minimum-stay requirements during the peak season and are attractive to guests traveling through the area at other times of the year as well. The hotels in Chesapeake, Virginia, are competitive given their location just north of the county on State Highway 168. These hotels are also limited-service in nature, but they benefit from their location amidst a variety of commercial demand generators and retail services. According to our interviews, these are the primary areas where guests visiting or doing business in the area are currently staying overnight.

Seasonality

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

FIGURE 4-5 MONTHLY OCCUPANCY TRENDS

Month	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
January	39.2 %	31.4 %	29.0 %	30.1 %	41.4 %	44.6 %	35.9 %	33.9 %	41.9 %	45.6 %	50.9 %
February	45.5	38.7	34.8	35.9	51.9	49.5	44.9	43.9	45.0	52.5	54.3
March	58.2	46.3	40.0	49.1	58.6	61.4	50.4	52.7	58.2	64.0	56.2
April	69.0	56.4	50.3	58.0	62.1	66.9	58.7	62.0	63.5	68.1	67.0
May	72.8	57.9	54.1	64.0	65.3	66.0	63.2	69.1	65.6	65.8	68.0
June	78.0	70.0	66.2	70.6	71.0	76.4	73.8	74.2	78.8	78.2	77.2
July	80.8	72.1	71.8	78.7	76.0	77.9	80.4	79.2	82.0	82.3	81.8
August	80.7	74.7	65.9	70.6	75.7	77.3	76.7	76.8	75.9	77.6	73.9
September	69.2	46.5	52.3	61.2	70.7	70.2	63.9	67.1	69.3	64.7	64.2
October	62.4	47.1	50.6	54.5	61.0	58.9	55.4	60.1	56.7	62.2	70.9
November	43.9	37.9	39.7	41.1	49.4	43.0	44.8	46.4	52.0	57.4	—
December	31.7	29.1	29.1	34.3	40.8	35.6	35.5	40.5	46.3	46.1	—
Annual Occupancy	60.7 %	50.0 %	48.7 %	54.1 %	60.4 %	60.7 %	57.1 %	58.9 %	61.4 %	63.8 %	—
Year-to-Date	65.7 %	54.0 %	51.6 %	57.4 %	63.4 %	65.0 %	60.4 %	62.0 %	63.8 %	66.2 %	66.5 %

Source: STR

FIGURE 4-6 MONTHLY AVERAGE RATE TRENDS

Month	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
January	\$70.23	\$78.79	\$77.64	\$71.79	\$68.92	\$73.56	\$74.08	\$73.91	\$73.00	\$75.40	\$74.89
February	72.11	80.24	77.75	72.62	71.54	73.28	74.22	75.49	75.05	77.30	78.84
March	75.04	81.34	79.27	74.50	71.71	72.63	77.31	75.61	77.86	84.37	82.81
April	86.95	85.60	82.36	80.53	81.59	84.14	84.50	85.92	89.91	90.80	94.52
May	96.28	99.38	91.96	88.83	90.59	92.17	96.72	99.23	105.84	107.52	108.71
June	118.62	114.69	96.45	103.36	107.72	112.40	115.64	116.05	121.21	122.53	127.94
July	128.99	126.01	114.62	119.86	121.71	124.03	128.71	130.94	140.69	145.55	145.15
August	124.29	123.08	111.50	112.44	114.32	119.36	121.77	124.63	132.19	130.40	130.78
September	96.79	91.69	92.19	92.25	92.44	91.19	93.83	93.54	103.68	105.57	103.05
October	84.84	86.24	80.54	82.75	83.10	83.79	83.36	87.30	89.14	91.93	90.67
November	79.32	79.90	72.92	75.42	74.45	77.54	74.12	76.95	78.72	83.74	—
December	77.18	74.95	69.87	71.58	70.86	72.44	71.35	71.86	74.89	76.39	—
Annual Average Rate	\$96.94	\$97.63	\$90.95	\$91.41	\$90.58	\$93.31	\$96.21	\$97.25	\$101.55	\$103.15	—
Year-to-Date	\$99.26	\$100.59	\$93.54	\$93.74	\$93.11	\$95.50	\$99.29	\$100.45	\$105.36	\$106.71	\$106.96

Source: STR

FIGURE 4-7 SEASONALITY

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
High Season - June, July, August											
Occupancy	79.8 %	72.3 %	68.0 %	73.3 %	74.3 %	77.2 %	77.0 %	76.7 %	78.9 %	79.4 %	77.6 %
Average Rate	\$124.09	\$121.42	\$107.83	\$112.27	\$114.81	\$118.70	\$122.30	\$124.12	\$131.59	\$133.17	\$134.96
RevPAR	99.06	87.79	73.29	82.34	85.27	91.64	94.18	95.24	103.82	105.72	104.77
Shoulder Season - May, September											
Occupancy	71.0 %	51.9 %	53.2 %	62.6 %	67.9 %	68.1 %	63.6 %	68.1 %	67.4 %	65.3 %	66.1 %
Average Rate	\$96.54	\$95.78	\$92.07	\$90.47	\$91.53	\$91.67	\$95.29	\$96.47	\$104.75	\$106.57	\$106.01
RevPAR	68.51	49.71	48.99	56.64	62.17	62.40	60.56	65.71	70.61	69.58	70.11
Low Season - January, February, March, April, October, November, December											
Occupancy	49.8 %	40.7 %	39.1 %	43.3 %	52.1 %	51.4 %	46.5 %	48.5 %	52.0 %	56.5 %	59.9 %
Average Rate	\$79.08	\$81.68	\$77.78	\$76.46	\$75.25	\$77.38	\$77.80	\$79.13	\$80.58	\$83.71	\$85.27
RevPAR	39.39	33.24	30.40	33.12	39.24	39.79	36.19	38.39	41.90	47.34	51.09

Source: Smith Travel Research

The illustrated monthly occupancy and average rates patterns reflect important seasonal characteristics. We have reviewed these trends in developing our forthcoming forecast of market-wide demand and average rate. The market area is highly seasonal in nature, with occupancy levels typically exceeding 70% during the months of June, July, August, and October; weekends in May are also popular, as school sessions wrap up and vacation travel begins. The non-beachfront hotels in the competitive set also realize high levels of demand during this period, as visitors travel through the areas to the Outer Banks, stay in Chesapeake to be near the Virginia Beach market, and travel to visit family, etc. Demand drops significantly from December through March given the cold coastal temperatures during that time and limited tourism offerings. Average rate levels follow similar trends to those of occupancy, allowing for average rates over \$140 at the peak of the summer travel season.

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 4-8 OCCUPANCY BY DAY OF WEEK (TRAILING 12 MONTHS)

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Nov - 16	39.2 %	54.4 %	59.9 %	61.1 %	60.4 %	64.1 %	61.2 %	57.4 %
Dec - 16	34.9	47.5	53.0	51.5	44.3	44.2	47.8	46.1
Jan - 17	39.6	50.3	58.9	59.7	50.6	48.9	49.2	50.9
Feb - 17	38.6	53.8	61.7	60.3	53.1	53.9	58.6	54.3
Mar - 17	37.1	54.1	61.0	62.2	54.9	58.5	64.1	56.2
Apr - 17	40.3	62.8	73.6	74.5	65.8	79.2	76.8	67.0
May - 17	52.1	59.6	72.2	69.0	65.9	75.6	82.2	68.0
Jun - 17	52.0	78.1	81.9	82.9	74.4	84.6	85.5	77.2
Jul - 17	65.3	80.1	79.3	82.1	77.9	96.2	93.1	81.8
Aug - 17	52.3	70.9	76.9	74.9	67.3	90.3	85.3	73.9
Sep - 17	49.3	55.0	60.5	63.9	61.9	73.1	79.5	64.2
Oct - 17	48.1	67.5	72.4	77.8	73.0	81.6	82.2	70.9
Average	45.9 %	61.4 %	67.7 %	68.2 %	62.3 %	70.4 %	72.3 %	64.0 %

Source: STR

FIGURE 4-9 AVERAGE RATE BY DAY OF WEEK (TRAILING 12 MONTHS)

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Nov - 16	\$79.30	\$82.81	\$83.89	\$83.82	\$81.62	\$86.61	\$86.20	\$83.74
Dec - 16	75.00	77.77	77.92	75.55	75.20	77.28	75.77	76.39
Jan - 17	69.96	76.02	78.46	77.42	73.67	73.39	72.70	74.89
Feb - 17	71.23	77.97	82.17	80.18	78.89	79.70	78.96	78.84
Mar - 17	76.99	81.03	81.91	81.03	78.70	87.74	89.43	82.81
Apr - 17	84.39	86.75	88.93	89.91	90.05	106.58	105.92	94.52
May - 17	106.62	93.41	96.90	94.94	97.27	129.64	141.24	108.71
Jun - 17	115.04	113.43	117.11	116.79	113.60	154.96	152.34	127.94
Jul - 17	129.68	128.83	130.76	128.29	129.63	179.19	174.01	145.15
Aug - 17	119.27	116.19	119.09	119.02	119.62	163.96	151.91	130.78
Sep - 17	102.36	93.34	93.60	94.26	94.54	112.75	116.57	103.05
Oct - 17	82.66	82.44	85.05	84.68	85.32	104.70	107.63	90.67
Average	\$96.17	\$95.24	\$96.29	\$95.76	\$95.78	\$119.79	\$119.37	\$103.38

Source: STR

FIGURE 4-10 OCCUPANCY, AVERAGE RATE, AND REVPAR BY DAY OF WEEK (MULTIPLE YEARS)

Occupancy (%)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Nov 14 - Oct 15	42.3 %	58.0 %	65.3 %	64.4 %	57.9 %	66.6 %	68.2 %	60.4 %
Nov 15 - Oct 16	45.7	61.3	68.3	67.3	61.2	68.7	71.3	63.3
Nov 16 - Oct 17	45.9	61.4	67.7	68.2	62.3	70.4	72.3	64.0
Change (Occupancy Points)								
FY 15 - FY 16	3.4	3.3	3.0	2.9	3.3	2.2	3.1	2.9
FY 16 - FY 17	0.3	0.1	(0.7)	0.9	1.1	1.7	1.0	0.7
ADR (\$)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Nov 14 - Oct 15	\$96.11	\$93.41	\$94.14	\$94.17	\$94.70	\$117.10	\$116.90	\$101.66
Nov 15 - Oct 16	97.15	94.08	95.25	95.09	95.16	119.13	119.72	102.84
Nov 16 - Oct 17	96.17	95.24	96.29	95.76	95.78	119.79	119.37	103.38
Change (Dollars)								
FY 15 - FY 16	\$1.03	\$0.67	\$1.11	\$0.91	\$0.46	\$2.03	\$2.82	\$1.19
FY 16 - FY 17	(0.98)	1.16	1.04	0.67	0.62	0.67	(0.35)	0.53
Change (Percent)								
FY 15 - FY 16	1.1 %	0.7 %	1.2 %	1.0 %	0.5 %	1.7 %	2.4 %	1.2 %
FY 16 - FY 17	(1.0)	1.2	1.1	0.7	0.7	0.6	(0.3)	0.5
RevPAR (\$)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Nov 14 - Oct 15	\$40.64	\$54.20	\$61.50	\$60.63	\$54.79	\$77.95	\$79.78	\$61.41
Nov 15 - Oct 16	44.37	57.66	65.06	63.97	58.19	81.87	85.38	65.14
Nov 16 - Oct 17	44.18	58.51	65.14	65.30	59.65	84.34	86.30	66.20
Change (Dollars)								
FY 15 - FY 16	\$3.73	\$3.46	\$3.56	\$3.34	\$3.40	\$3.93	\$5.59	\$3.73
FY 16 - FY 17	(0.20)	0.85	0.08	1.34	1.46	2.47	0.93	1.06
Change (Percent)								
FY 15 - FY 16	9.2 %	6.4 %	5.8 %	5.5 %	6.2 %	5.0 %	7.0 %	6.1 %
FY 16 - FY 17	(0.4)	1.5	0.1	2.1	2.5	3.0	1.1	1.6

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.

SUPPLY

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

Primary Competitors

The following table summarizes the important operating characteristics of the future primary competitors and the aggregate secondary competitors. This information was compiled from personal interviews, inspections, online resources, and our in-house database of operating and hotel facility data.

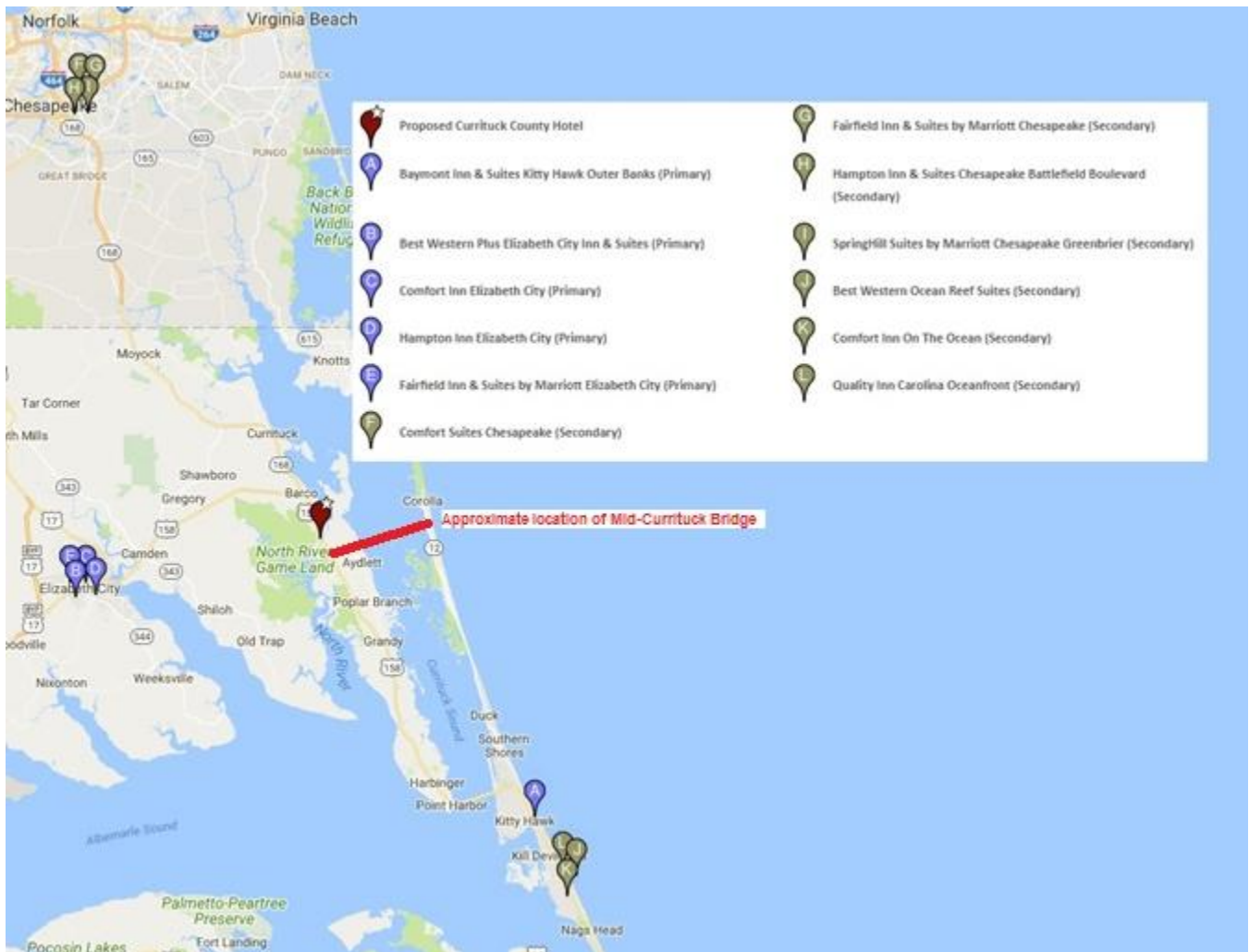
FIGURE 4-11 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Est. Segmentation			Estimated 2016				Estimated 2017				Occupancy Penetration	Yield Penetration	
	Number of Rooms	Commercial	Group	Leisure	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate			RevPAR
Baymont Inn & Suites Kitty Hawk Outer Banks	98	15 %	5 %	80 %	98	65 - 70 %	\$95 - \$100	\$65 - \$70	98	60 - 65 %	\$95 - \$100	\$55 - \$60	95 - 100 %	90 - 95 %
Best Western Plus Elizabeth City Inn & Suites	65	70	5	25	65	50 - 55	90 - 95	45 - 50	65	50 - 55	90 - 95	45 - 50	80 - 85	70 - 75
Comfort Inn Elizabeth City	79	70	5	25	79	50 - 55	90 - 95	45 - 50	79	50 - 55	90 - 95	45 - 50	80 - 85	70 - 75
Hampton Inn Elizabeth City	101	75	10	15	101	70 - 75	105 - 110	75 - 80	101	65 - 70	105 - 110	70 - 75	100 - 110	110 - 120
Fairfield Inn & Suites by Marriott Elizabeth City	97	75	10	15	97	70 - 75	105 - 110	75 - 80	97	70 - 75	105 - 110	75 - 80	110 - 120	110 - 120
Sub-Totals/Averages	440	60 %	7 %	32 %	440	65.1 %	\$100.59	\$65.46	440	61.9 %	\$100.45	\$62.19	98.2 %	95.9 %
Secondary Competitors	759	48 %	13 %	39 %	493	61.8 %	\$105.08	\$64.91	493	64.1 %	\$104.86	\$67.23	101.6 %	103.7 %
Totals/Averages	1,199	54 %	10 %	36 %	933	63.3 %	\$102.90	\$65.17	933	63.1 %	\$102.82	\$64.86	100.0 %	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.

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

MAP OF COMPETITION



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 - BAYMONT INN & SUITES KITTY HAWK OUTER BANKS



**Baymont Inn & Suites
Kitty Hawk Outer Banks
3919 North Croatan
Highway
Kitty Hawk, NC**

FIGURE 4-12 ESTIMATED HISTORICAL OPERATING STATISTICS

<u>Year</u>	<u>Wtd. Annual Room Count</u>	<u>Occupancy</u>	<u>Average Rate</u>	<u>RevPAR</u>	<u>Occupancy Penetration</u>	<u>Yield Penetration</u>
Est. 2015	98	65 - 70 %	\$95 - \$100	\$60 - \$65	100 - 110 %	100 - 110 %
Est. 2016	98	65 - 70	95 - 100	65 - 70	100 - 110	100 - 110
Est. 2017	98	60 - 65	95 - 100	55 - 60	95 - 100	90 - 95

This hotel was rebranded from a Holiday Inn Express in December 2015. It is one of the few branded properties located on the Outer Banks that is not situated beachfront. Overall, the property appeared to be in good condition.

PRIMARY COMPETITOR #2 - BEST WESTERN PLUS ELIZABETH CITY INN & SUITES



**Best Western Plus
Elizabeth City Inn & Suites
848 Halstead Boulevard
Elizabeth City, NC**

FIGURE 4-13 ESTIMATED HISTORICAL OPERATING STATISTICS

<u>Year</u>	<u>Wtd. Annual Room Count</u>	<u>Occupancy</u>	<u>Average Rate</u>	<u>RevPAR</u>	<u>Occupancy Penetration</u>	<u>Yield Penetration</u>
Est. 2015	65	50 - 55 %	\$90 - \$95	\$45 - \$50	80 - 85 %	75 - 80 %
Est. 2016	65	50 - 55	90 - 95	45 - 50	80 - 85	70 - 75
Est. 2017	65	50 - 55	90 - 95	45 - 50	80 - 85	70 - 75

This hotel was extensively renovated in 2013. Overall, the property appeared to be in good condition.

PRIMARY COMPETITOR #3 - COMFORT INN ELIZABETH CITY



**Comfort Inn Elizabeth City
306 South Hughes
Boulevard
Elizabeth City, NC**

FIGURE 4-14 ESTIMATED HISTORICAL OPERATING STATISTICS

<u>Year</u>	<u>Wtd. Annual Room Count</u>	<u>Occupancy</u>	<u>Average Rate</u>	<u>RevPAR</u>	<u>Occupancy Penetration</u>	<u>Yield Penetration</u>
Est. 2015	79	50 - 55 %	\$90 - \$95	\$45 - \$50	85 - 90 %	75 - 80 %
Est. 2016	79	50 - 55	90 - 95	45 - 50	80 - 85	70 - 75
Est. 2017	79	50 - 55	90 - 95	45 - 50	80 - 85	70 - 75

This hotel was extensively renovated in 2013. Overall, the property appeared to be in good condition.

PRIMARY COMPETITOR #4 - HAMPTON INN ELIZABETH CITY



Hampton Inn Elizabeth City
402 Halstead Boulevard
Elizabeth City, NC

FIGURE 4-15 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual			RevPAR	Occupancy	Yield
	Room Count	Occupancy	Average Rate		Penetration	Penetration
Est. 2015	101	60 - 65 %	\$100 - \$105	\$65 - \$70	100 - 110 %	100 - 110 %
Est. 2016	101	70 - 75	105 - 110	75 - 80	110 - 120	110 - 120
Est. 2017	101	65 - 70	105 - 110	70 - 75	100 - 110	110 - 120

This hotel benefits from its popular brand affiliation, but is somewhat disadvantaged by its lack of recent renovations. Overall, the property appeared to be in good condition.

**PRIMARY COMPETITOR #5 - FAIRFIELD INN & SUITES BY MARRIOTT
ELIZABETH CITY**



**Fairfield Inn & Suites by
Marriott Elizabeth City
1640 City Center
Boulevard
Elizabeth City, NC**

FIGURE 4-16 ESTIMATED HISTORICAL OPERATING STATISTICS

<u>Year</u>	<u>Wtd. Annual Room Count</u>	<u>Occupancy</u>	<u>Average Rate</u>	<u>RevPAR</u>	<u>Occupancy Penetration</u>	<u>Yield Penetration</u>
Est. 2015	97	70 - 75 %	\$100 - \$105	\$70 - \$75	110 - 120 %	110 - 120 %
Est. 2016	97	70 - 75	105 - 110	75 - 80	110 - 120	120 - 130
Est. 2017	97	70 - 75	105 - 110	75 - 80	110 - 120	110 - 120

This hotel benefits from its popular brand affiliation, and its status as the most recently opened hotel in Elizabeth City. It underwent modest brand-mandated renovations in recent years. Overall, the property appeared to be in very good condition.

**Secondary
Competitors**

We have considered the primary competitors as most competitive given their location and accessibility for travelers coming to the county for business and to the Outer Banks for leisure. We have also reviewed other regional lodging facilities to determine whether any may compete with the proposed subject hotel on a secondary basis. The room count of each secondary competitor has been weighted based on its assumed degree of competitiveness in the future with a 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 4-17 SECONDARY COMPETITOR(S) – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation			Total Competitive Level	Weighted Annual Room Count	Estimated 2016			Weighted Annual Room Count	Estimated 2017		
		Commercial	Group	Leisure			Occ.	Average Rate	RevPAR		Occ.	Average Rate	RevPAR
Comfort Suites Chesapeake	124	65 %	10 %	25 %	65 %	81	50 - 55 %	\$90 - \$95	\$45 - \$50	81	45 - 50 %	\$90 - \$95	\$45 - \$50
Fairfield Inn & Suites by Marriott Chesapeake	105	60	15	25	65	68	65 - 70	85 - 90	55 - 60	68	75 - 80	80 - 85	65 - 70
Hampton Inn & Suites Chesapeake Battlefield Boulevard	104	65	10	25	65	68	70 - 75	105 - 110	75 - 80	68	75 - 80	105 - 110	80 - 85
SpringHill Suites by Marriott Chesapeake Greenbrier	132	60	20	10	65	86	75 - 80	90 - 95	70 - 75	86	75 - 80	95 - 100	75 - 80
Best Western Ocean Reef Suites	71	20	5	75	65	46	55 - 60	125 - 130	70 - 75	46	55 - 60	125 - 130	70 - 75
Comfort Inn On The Ocean	105	15	15	70	65	68	55 - 60	120 - 125	65 - 70	68	55 - 60	120 - 125	65 - 70
Quality Inn Carolina Oceanfront	118	15	5	80	65	77	55 - 60	125 - 130	70 - 75	77	55 - 60	125 - 130	70 - 75
Totals/Averages	759	48 %	13 %	39 %	65 %	493	61.8 %	\$105.08	\$64.91	493	64.1 %	\$104.86	\$67.23

* 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 considered seven additional hotels that would be expected to compete with a future mainland hotel on a secondary level. The hotels are anticipated to be competitive based on their limited-service product types. The hotels located in Chesapeake, Virginia benefit from their locations in areas replete with retail stores and restaurants; these hotels are also situated closer to numerous commercial demand generators. The beachfront Outer Bank hotels benefit from high levels of demand during the peak travel season.

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 Currituck County submarket. The Proposed Currituck County Hotel should enter a dynamic market of varying product types and price points. Next, we will present our forecast for demand change, using the historical supply data presented as a starting point.

DEMAND

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

FIGURE 4-18 HISTORICAL MARKET TRENDS

Year	Accommodated		Room Nights		Market			Market	
	Room Nights	% Change	Available	% Change	Occupancy	Market ADR	% Change	RevPAR	% Change
Est. 2015	207,657	—	340,673	—	61.0 %	\$100.97	—	\$61.55	—
Est. 2016	215,760	3.9 %	340,673	0.0 %	63.3	102.90	1.9 %	65.17	5.9 %
Est. 2017	214,882	(0.4)	340,673	0.0	63.1	102.82	(0.1)	64.86	(0.5)
Avg. Annual Compounded Chg., Est. 2015-Est. 2017:		1.7 %		(0.0) %			0.9 %		2.7 %

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 2017 distribution of accommodated-room-night demand as follows.

FIGURE 4-19 ACCOMMODATED ROOM-NIGHT DEMAND

<u>Market Segment</u>	<u>Marketwide</u>	
	<u>Accommodated Demand</u>	<u>Percentage of Total</u>
Commercial	115,222	54 %
Group	22,162	10
Leisure	77,498	36
Total	214,882	100 %

The market’s demand mix comprises commercial demand, with this segment representing roughly 54% of the accommodated room nights in this Currituck County submarket. The group segment comprises 10% of the total, with the final portions leisure in nature, reflecting 36%.

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 the defined competitive set include employers and corporate offices in the Chesapeake, Virginia and Elizabeth City markets. There are a limited number of commercial demand generators in Currituck County, beyond ACADEMI.

Group Segment

In the limited-service sector, group demand is most commonly generated by groups that require ten or more room nights, but need little to no meeting space within the hotel. Examples of these groups include family reunions, sports teams, and bus tours. In some markets, limited-service hotels may also accommodate demand from

groups or individuals attending events at the local convention center or at one of the larger convention hotels in the area.

Training groups from companies in Chesapeake and Elizabeth City generate meeting demand for hotels in these submarkets. Social groups also represent sources of demand for all submarkets, especially 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 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 the defined competitive set is generated by visitors to the Outer Banks, golfers, hunters, and other travelers through the area, as well as by those 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 subject property's lodging market. Various types of economic and demographic data were then evaluated to determine their propensity to reflect changes in hotel demand. Based on this procedure, we forecast the following average annual compounded market-segment growth rates.

FIGURE 4-20 AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES

Market Segment	Annual Growth Rate				
	2018	2019	2020	2021	2022
Commercial Group	0.5 %	1.5 %	1.0 %	0.5 %	0.0 %
Leisure	1.0	1.0	1.0	0.5	0.0
Base Demand Growth	0.7 %	1.3 %	1.0 %	0.5 %	0.0 %

Latent Demand

A table presented earlier in this section illustrated the accommodated-room-night demand in the subject property’s competitive market. Because this estimate is based on historical occupancy levels, it includes only those hotel rooms that were used by guests. Latent demand reflects potential room-night demand that has not been realized by the existing competitive supply, 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 4-21 OCCUPANCY BY NIGHT OF THE WEEK

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Nov - 16	39.2 %	54.4 %	59.9 %	61.1 %	60.4 %	64.1 %	61.2 %	57.4 %
Dec - 16	34.9	47.5	53.0	51.5	44.3	44.2	47.8	46.1
Jan - 17	39.6	50.3	58.9	59.7	50.6	48.9	49.2	50.9
Feb - 17	38.6	53.8	61.7	60.3	53.1	53.9	58.6	54.3
Mar - 17	37.1	54.1	61.0	62.2	54.9	58.5	64.1	56.2
Apr - 17	40.3	62.8	73.6	74.5	65.8	79.2	76.8	67.0
May - 17	52.1	59.6	72.2	69.0	65.9	75.6	82.2	68.0
Jun - 17	52.0	78.1	81.9	82.9	74.4	84.6	85.5	77.2
Jul - 17	65.3	80.1	79.3	82.1	77.9	96.2	93.1	81.8
Aug - 17	52.3	70.9	76.9	74.9	67.3	90.3	85.3	73.9
Sep - 17	49.3	55.0	60.5	63.9	61.9	73.1	79.5	64.2
Oct - 17	48.1	67.5	72.4	77.8	73.0	81.6	82.2	70.9
Average	45.9 %	61.4 %	67.7 %	68.2 %	62.3 %	70.4 %	72.3 %	64.0 %

Source: STR

Our interviews with market participants found that the competitive set hotels sell out through much of the summer months. A portion of this demand, which is currently turned away, should return to the market concurrent with the supply increase. The following table presents our estimate of unaccommodated demand in the subject market.

FIGURE 4-22 UNACCOMMODATED DEMAND ESTIMATE

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand Percentage	Unaccommodated Room Night Demand
Commercial	115,222	0.0 %	8
Group	22,162	0.1	23
Leisure	77,498	2.9	2,220
Total	214,882	1.0 %	2,250

Accordingly, we have forecast unaccommodated demand equivalent to 1.0% 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. The following table summarizes our estimate of induced demand.

FIGURE 4-23 INDUCED DEMAND CALCULATION

Market Segment	Induced Room Nights				
	2018	2019	2020	2021	2022
Commercial	0	0	0	0	0
Group	0	0	7,478	11,217	14,956
Leisure	0	0	0	0	0
Total	0	0	7,478	11,217	14,956

The opening of a hotel on the mainland of Currituck County would largely accommodate a portion of demand that is currently being housed at the competitive hotels. However, the presence of a new hotel would also generate new demand for the market, particularly in the meeting and group segment. As this induced demand would be difficult to quantify, we have relied on prior estimates from county officials. With the opening of a mainland hotel, the Sports Complex would be able to schedule more tournaments that are two or more days in duration. The Cooperative Extension Center would also benefit by being able to book more regional meetings and training sessions, as well as SMERFE events. Finally, the Rural Center would benefit by being able to book larger multi-day equestrian events. The attendees of these events currently arrive from within a 150-mile radius and stay either at the other regional hotels or in their own RVs or trailers. Accordingly, we have incorporated 15,000 room nights (rounded) into our analysis, phased in over an appropriate ramp-up period.

Accommodated Demand and Market-wide Occupancy

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

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

FIGURE 4-24 FORECAST OF MARKET OCCUPANCY

	2020	2021	2022	2023
Commercial				
Base Demand	118,710	119,304	119,304	119,304
Unaccommodated Demand	8	8	8	8
Total Demand	118,718	119,312	119,312	119,312
Growth Rate	1.0 %	0.5 %	0.0 %	0.0 %
Group				
Base Demand	22,720	22,834	22,834	22,834
Unaccommodated Demand	23	23	23	23
Induced Demand	7,478	11,217	14,956	14,956
Total Demand	30,221	34,074	37,813	37,813
Growth Rate	34.2 %	12.7 %	11.0 %	0.0 %
Leisure				
Base Demand	79,846	80,245	80,245	80,245
Unaccommodated Demand	2,287	2,299	2,299	2,299
Total Demand	82,133	82,544	82,544	82,544
Growth Rate	1.0 %	0.5 %	0.0 %	0.0 %
Totals				
Base Demand	221,277	222,383	222,383	222,383
Unaccommodated Demand	2,318	2,330	2,330	2,330
Total Demand	231,073	235,930	239,669	239,669
less: Residual Demand	281	2,727	5,338	5,338
Total Accommodated Demand	230,791	233,203	234,331	234,331
Overall Demand Growth	6.6 %	1.0 %	0.5 %	0.0 %
Market Mix				
Commercial	51.4 %	50.6 %	49.8 %	49.8 %
Group	13.1	14.4	15.8	15.8
Leisure	35.5	35.0	34.4	34.4
Existing Hotel Supply	933	933	933	933
Proposed Hotels				
Proposed Subject Property ¹	75	75	75	75
Available Room Nights per Year	368,048	368,048	368,048	368,048
Nights per Year	365	365	365	365
Total Supply	1,008	1,008	1,008	1,008
Rooms Supply Growth	8.0 %	0.0 %	0.0 %	0.0 %
Marketwide Occupancy	62.7 %	63.4 %	63.7 %	63.7 %

¹ Opening in January 2020 of the 100% competitive, 75-room Proposed Subject Property

The defined competitive market of hotels should experience modest occupancy growth over the next few years. Based on historical occupancy levels in this market, and taking into consideration typical supply and demand cyclicity, occupancy for the competitive set is forecast to stabilize in the high 60s.

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 makes recommendations regarding the subject property's physical improvements and personal property in an effort to determine how they would be expected to contribute to attainable cash flows.

Project Overview

For purposes of our analysis, we have positioned the proposed subject hotel as a midscale, limited-service property, such as a Tru by Hilton, Avid by Intercontinental Hotels Group, or Best Western. However, a specific franchise affiliation or brand is not recommended as part of this study. We suggest the proposed hotel include guest amenities typical for this scale of property in a similar location, such as an indoor swimming pool, business center, fitness room, guest laundry room, and vending areas. The hotel should also contain all necessary back-of-the-house space.

TYPICAL TRU BY HILTON EXTERIOR



Summary of the Facilities

The following table summarizes the facilities that we would recommend to be available at the proposed subject hotel.

FIGURE 5-1 PROPOSED FACILITIES SUMMARY

Guestroom Configuration		Suggested Number of Units
King		17
Queen		50
Suite		8
Total		75
Food & Beverage Facilities		Estimated Seating Capacity
Breakfast Dining Area		20
Indoor Meeting Facilities		Square Footage
Meeting Room		600
Amenities & Services		
Swimming Pool	Guest Laundry Area	
Fitness Room	Vending Area(s)	
Lobby Workstation		
Sundries Counter		
Infrastructure		
Parking Spaces		85 (Estimated)
Elevators		1 Guest
Life-Safety Systems	Sprinklers, Smoke Detectors	
Construction Details	Reinforced Concrete, Wood Frame	

Site Improvements and Hotel Structure

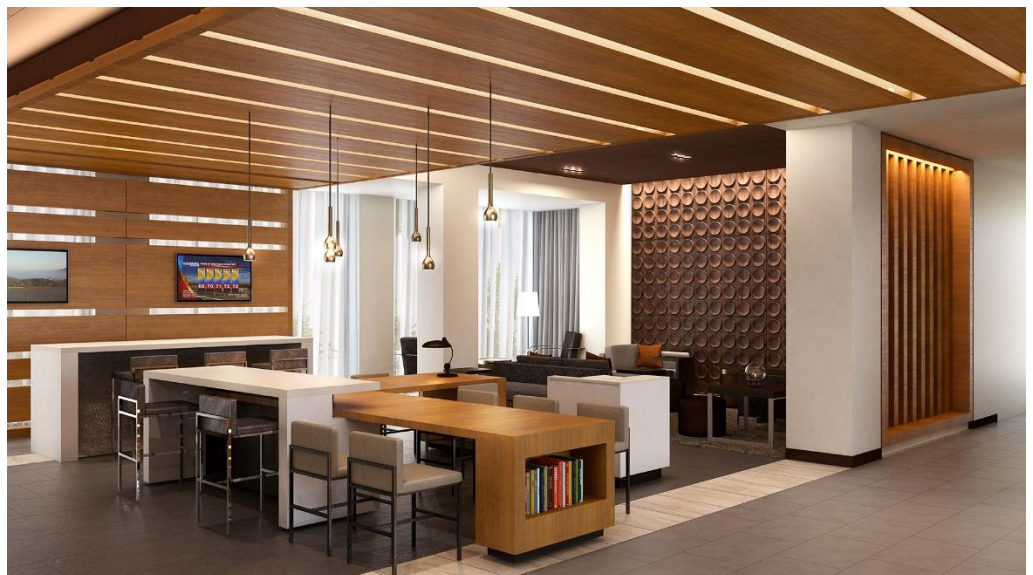
Once guests enter the site, ample parking should be available on the surface lot around the perimeter of the hotel. Site improvements should include freestanding signage (additional signage should be placed on the exterior of the building). We assume that all signage will adequately identify the property and meet brand standards. Professional landscaping should allow for a positive guest impression and competitive exterior appearance. Sidewalks should be present along the front entrance and around the perimeter of the hotel. Other site improvements could include an outdoor pool with sundeck (if an indoor pool is not included as part of the hotel's plans) or a barbeque and picnic area. A trash area is assumed to be located toward the rear of the property. Overall, the planned site improvements for the property should be adequate.

The hotel structure should comprise one single building, which we assume will be constructed of wood framing and reinforced concrete, with the exterior finished with EIFS or stucco. Two stairways and at least one elevator would be required to provide internal vertical transportation within the main structure. The hotel's roof is assumed to be made of wood trusses, covered with plywood and roof tiles or composition shingles. Double-paned windows should reduce noise transmission into the rooms. Heating and cooling is assumed to be provided by through-the-wall units and several large units for the public areas. Overall, the building components should be normal for a hotel of this type and should meet the standards for this market. We assume that all structural components will meet local building codes and that no significant defaults will occur during construction that would affect the future operating potential of the hotel or delay its forecast opening date.

Public Areas

Guests should enter the hotel through a single set of automatic doors, which will open to a vestibule, and then through a second set of automatic doors. The lobby should be adequate and appropriate for a midscale, limited-service hotel. The lobby walls should be finished with wallcovering, and the floor should be finished with carpet and stone tiles. The front desk should feature appropriate property management and telephone systems. The furnishings and finishes in this space should offer an appropriate first impression, and the design of the space should lend itself to adequate efficiency. We assume that all property management and guestroom technology will be appropriately installed for the effective management of hotel operations.

TYPICAL WINGATE BY WYNDHAM LOBBY



The hotel's breakfast dining area should be located opposite the front desk in the lobby. Its size and layout should be appropriate for the hotel. The furnishings of the space are expected to be of a similar style and finish as lobby and guestroom furnishings.

TYPICAL SLEEP INN DINING AREA



The hotel should offer one small meeting room, which should be located on the first floor. A moveable partition wall could enhance the functionality of the room. While a large meeting room would not be expected to generate significant additional revenues, a moderately-sized meeting room would enhance the hotel's ability to be utilized by sports teams and other SMERFE-related groups seeking a contracted guestroom block.

The hotel is anticipated to offer an indoor pool or an outdoor pool with sundeck, as well as a fitness room, as recreational facilities. The pool is anticipated to be a popular feature with summer leisure travelers, as well as with sports-related groups. The construction of an indoor/outdoor pool would extend the usability and attractiveness of this feature.

Other suggested amenities would include a lobby workstation, a sundries counter located near the front desk, and a guest laundry room on the first level of the hotel

building. Vending areas with ice machines are assumed to be located on select guestroom floors. Overall, the supporting facilities are assumed to be appropriate for a hotel of this type and are assumed to meet brand standards.

Guestrooms

The hotel is assumed to feature standard and suite-style room configurations, with guestrooms present on all levels of the property's proposed single building. The guestrooms should offer typical amenities for this product type. In addition to the standard furnishings, guestrooms should feature an iron and ironing board, a coffeemaker, and high-speed Internet access. Suites are likely to feature a larger living area and additional amenities, such as a microwave and small refrigerator. Overall, the guestrooms should offer a competitive product for this neighborhood.

Guestroom bathrooms are assumed to be of a standard size, with a shower-in-tub, commode, and single sink with vanity area, featuring a stone countertop. The floors should be finished with tile, and the walls should be finished with an upscale material that is in line with brand standards. Bathroom amenities will include a hairdryer and complimentary toiletries. Overall, the bathroom design should be appropriate for a product of this type.

TYPICAL AVID BY IHG GUESTROOM



The interior guestroom corridors should be wide and functional, permitting the easy passage of housekeeping carts. Corridor carpet, wallcovering, signage, and lighting should be in keeping with the overall look and design of the rest of the property.

Back-of-the-House

The hotel should be served by the necessary back-of-the-house space, including an in-house laundry facility, an administrative office, and a prep kitchen to service the needs of the breakfast dining area. 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, after its opening, the hotel will require ongoing upgrades and periodic renovations 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 should be included in the hotel's design. We assume that the building will be fully open and operational on the forecasted 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 and demand generators at least six months in advance of the opening date.

6. Projection of Occupancy and Average Rate

Along with average rate results, the occupancy levels achieved by a hotel are the foundation of the property's financial performance and market value. Most of a lodging facility's other revenue sources (such as food, beverages, other operated departments, and rentals and other 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 subject property'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 property'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	Group	Leisure	Overall
Baymont Inn & Suites Kitty Hawk Outer Banks	27 %	47 %	215 %	97 %
Best Western Plus Elizabeth City Inn & Suites	110	41	58	84
Comfort Inn Elizabeth City	112	42	59	86
Hampton Inn Elizabeth City	146	101	44	105
Fairfield Inn & Suites by Marriott Elizabeth City	157	109	47	113
Secondary Competition	91	126	111	102

The Fairfield Inn & Suites by Marriott Elizabeth City achieved the highest penetration rate within the commercial segment. The highest penetration rate in the group segment was achieved by the secondary competition, while the Baymont Inn & Suites Kitty Hawk Outer Banks 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 subject property 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	2020	2021	2022
Commercial			
Demand	118,576	117,942	116,670
Market Share	5.1 %	5.7 %	6.0 %
Capture	6,058	6,704	7,047
Penetration	69 %	76 %	81 %
Group			
Demand	30,187	33,677	36,955
Market Share	7.9 %	8.6 %	9.1 %
Capture	2,390	2,894	3,373
Penetration	106 %	116 %	123 %
Leisure			
Demand	82,028	81,583	80,706
Market Share	7.2 %	7.8 %	8.1 %
Capture	5,931	6,348	6,554
Penetration	97 %	105 %	109 %
Total Room Nights Captured	14,379	15,946	16,975
Available Room Nights	27,375	27,375	27,375
Subject Occupancy	53 %	58 %	62 %
Market-wide Available Room Nights	368,048	368,048	368,048
Fair Share	7 %	7 %	7 %
Market-wide Occupied Room Nights	230,791	233,203	234,331
Market Share	6 %	7 %	7 %
Market-wide Occupancy	63 %	63 %	64 %
Total Penetration	84 %	92 %	97 %

The proposed subject hotel is expected to stabilize with a strong penetration rate due to its new facility, its anticipated midscale branding, and its favorable location on the mainland of Currituck County. Its anticipated penetration rate will be just below its fair share, as a mainland hotel may struggle to capture commercial demand through the year, as well as group and leisure demand outside of the peak travel season. However, the proposed hotel has an opportunity to serve an underserved niche in the greater market. Additional insights by segment are presented as follows:

- Within the commercial segment, the proposed subject hotel's occupancy penetration is positioned at a below-market-average level by the stabilized period due to its mainland location and distance from the large commercial

demand generators that positively impact the hotels in Chesapeake and Elizabeth City. However, the hotel should be able to capture a decent amount of demand given its anticipated midscale affiliation and its status as the only hotel on the mainland of Currituck County.

- The proposed subject hotel's occupancy penetration in the group segment is positioned at an above-market-average level by the stabilized year. While it is not anticipated to offer much meeting space, if situated near the border between the middle and southern tracts of the county, the hotel would be expected to be popular with sports teams, golfing groups, training sessions through the Cooperative Extension Center, and events at the Rural Center.
- The proposed subject hotel's leisure penetration level is positioned appropriately within the range of existing competitors, supported by the hotel's proposed mainland location. The proposed location near the border of the middle and southern tracts of the county does not currently offer an array of retail or restaurant facilities nearby; however, the location is anticipated to realize growth in the coming years given the construction of the Mid-Currituck Bridge and continued growth throughout the county. We would expect the hotel to experience high levels of demand during the peak summer season, as travelers seek a budget-friendly hotel that is not too far from the beach. The proposed subject hotel is expected to realize a leisure penetration level above fair share by the stabilized year.

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

FIGURE 6-3 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2020	2021	2022
Commercial	42 %	42 %	42 %
Group	17	18	20
Leisure	41	40	39
Total	100 %	100 %	100 %

Based on our analysis of the proposed subject hotel and market area, we have selected a stabilized occupancy level of 62%. 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 subject property may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

Average Rate Analysis

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

Competitive Position

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

FIGURE 6-4 BASE YEAR AVERAGE RATE AND REVPAR OF THE COMPETITORS

Property	Estimated 2017		Rooms Revenue	
	Average Room Rate	Average Room Rate Penetration	Per Available Room (RevPAR)	RevPAR Penetration
Baymont Inn & Suites Kitty Hawk Outer Banks	\$95 - \$100	90 - 95 %	\$55 - \$60	90 - 95 %
Best Western Plus Elizabeth City Inn & Suites	90 - 95	85 - 90	45 - 50	70 - 75
Comfort Inn Elizabeth City	90 - 95	85 - 90	45 - 50	70 - 75
Hampton Inn Elizabeth City	105 - 110	100 - 110	70 - 75	110 - 120
Fairfield Inn & Suites by Marriott Elizabeth City	105 - 110	100 - 110	75 - 80	110 - 120
Average - Primary Competitors	\$100.45	97.7 %	\$62.19	95.9 %
Average - Secondary Competitors	104.86	102.0	67.23	103.7
Overall Average	\$102.82		\$64.86	

The defined primarily competitive market realized an overall average rate of \$100.45 in the 2017 base year, declining from the 2016 level of \$100.59. The hotels on the Outer Banks achieved the highest estimated average rates among the defined competitive set given the rate premiums they achieve throughout the peak travel season. The selected rate position for the proposed subject hotel, in base-year dollars, is positioned closest to the Baymont Inn & Suites Kitty Hawk given its distance from the beach but near the county's current demand generators. This rate position is also near that of the newer hotels in Elizabeth City because of the similarities in anticipated demand generators. A hotel on the mainland of the county would not be expected to achieve the same rate premiums as other hotels along the Outer Banks, largely due to their distance from the beach and limited demand drivers. We have selected the rate position of \$100.00, in base-year dollars, for the proposed subject.

Average rates among the defined competitive set began to trend in 2012 as demand improved following the national recession. We expect average rates to continue to improve because of continued growth throughout the greater region.

Based on these considerations, the following table illustrates the projected average rate and the growth rates assumed. As a context for the average rate growth factors, note that we have applied underlying inflation rates of 2.5%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2017.

FIGURE 6-5 COMPARISON OF HISTORICAL AND PROJECTED OCCUPANCY, AVERAGE RATE, AND REVPAR – PROPOSED SUBJECT PROPERTY AND MARKET

	2015	2016	2017	Projected					
				2018	2019	2020	2021	2022	2023
Proposed Currituck County Hotel									
Occupancy				—	—	52.5 %	58.3 %	62.0 %	62.0 %
Change in Points				—	—	—	5.7	3.8	0.0
Occupancy Penetration				—	—	83.8 %	91.9 %	97.4 %	97.4 %
Average Rate		\$100.00		\$102.50	\$105.58	\$108.74	\$112.00	\$115.36	\$118.83
Change				—	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %
Average Rate Penetration				97.3 %	97.3 %	97.3 %	97.3 %	97.3 %	97.3 %
RevPAR				—	—	\$57.12	\$65.24	\$71.53	\$73.68
Change				—	—	—	14.2 %	9.6 %	3.0 %
RevPAR Penetration				—	—	81.5 %	89.4 %	94.7 %	94.7 %
	Historical (Estimated)			Projected					
	2016	2016	2017	2018	2019	2020	2021	2022	2023
Currituck County Submarket									
Occupancy	61.0 %	63.3 %	63.1 %	63.3 %	63.6 %	62.7 %	63.4 %	63.7 %	63.7 %
Change in Points	—	2.4	(0.3)	0.2	0.3	(0.9)	0.7	0.3	0.0
Average Rate	\$100.97	\$102.90	\$102.82	\$105.39	\$108.55	\$111.81	\$115.16	\$118.62	\$122.18
Change	—	1.9 %	(0.1) %	2.5 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %
RevPAR	\$61.55	\$65.17	\$64.86	\$66.72	\$69.01	\$70.11	\$72.97	\$75.52	\$77.79
Change	—	5.9 %	(0.5) %	2.9 %	3.4 %	1.6 %	4.1 %	3.5 %	3.0 %

* The forecast for the proposed subject property does not include rate discounts that are expected to occur during the initial year(s) of operation.

The final forecast reflects years beginning on January 1, 2020 and corresponds with our financial projections, as shown below.

FIGURE 6-6 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

Calendar Year	2017	2018	2019	2020	2021	2022	2023	2024	2025
Market ADR	\$102.82	\$105.39	\$108.55	\$111.81	\$115.16	\$118.62	\$122.18	\$125.84	\$129.62
Projected Market ADR Growth Rate	—	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Property ADR (As-If Stabilized)	\$100.00	\$102.50	\$105.58	\$108.74	\$112.00	\$115.36	\$118.83	\$122.39	\$126.06
ADR Growth Rate	—	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Stabilized ADR Penetration	97%	97%	97%	97%	97%	97%	97%	97%	97.3%
Fiscal Year				2020	2021	2022	2023	2024	2025
Proposed Subject Property Average Rate				\$108.74	\$112.00	\$115.36	\$118.83	\$122.39	\$126.06
Opening Discount				2.0%	1.0%	0.0%	0.0%	0.0%	0.0%
Average Rate After Discount				\$106.57	\$112.00	\$115.36	\$118.83	\$122.39	\$126.06
Real Average Rate Growth				—	5.1%	3.0%	3.0%	3.0%	3.0%
Market ADR				\$111.81	\$115.16	\$118.62	\$122.18	\$125.84	\$129.62
Proposed Subject ADR Penetration (After Discount)				95%	97%	97%	97%	97%	97%
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate				\$98.48	\$100.49	\$100.49	\$100.49	\$100.49	\$100.49

As illustrated above, a 2.5%% rate of change is expected for the proposed subject hotel's positioned 2017 room rate in 2018. This is followed by growth rates of 3.0%% and 3.0%% in 2019 and 2020, respectively. The competitive set should experience rate growth through the near term. The proposed subject hotel's rate position should reflect growth similar to market trends because of the proposed hotel's new facility, midscale brand affiliation, and mainland location. The proposed subject hotel's penetration rate is forecast to reach 97.3% by the stabilized period.

A new property must establish its reputation and a client base in the market during its ramp-up period; as such, the proposed subject hotel's average rates in the initial operating period have been discounted to reflect this likelihood. We forecast 2.0% and 1.0% discounts to the proposed subject hotel's forecast room rates in the first two operating years, which would be typical for a new operation of this type.

The following occupancies and average rates will be used to project the subject property's rooms revenue; this forecast reflects years beginning on January 1, 2020, which correspond with our financial projections.

FIGURE 6-7 FORECASTS OF OCCUPANCY, AVERAGE RATE, AND REVPAR

<u>Year</u>	<u>Occupancy</u>	<u>Average Rate Before Discount</u>
2020	53 %	\$108.74
2021	58	112.00
2022	62	115.36

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 average rate forecast discussed previously.

The forecast of income and expense is expressed in current dollars for each year. The stabilized year is intended to reflect the anticipated operating results of 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:	2016/17	2016/17	2016	2016	2016	2017
Edition:	10	11	10	10	11	11
Number of Rooms:	50 to 80	80 to 110	80 to 110	70 to 90	70 to 90	75
Days Open:	365	365	365	365	365	365
Occupancy:	61%	65%	58%	65%	70%	62%
Average Rate:	\$94	\$99	\$97	\$100	\$103	\$100
RevPAR:	\$57	\$65	\$56	\$65	\$72	\$62
REVENUE						
Rooms	99.3 %	99.2 %	98.7 %	99.2 %	99.2 %	98.9 %
Other Operated Departments	0.7	0.1	0.8	0.0	0.8	0.6
Miscellaneous Income	0.0	0.7	0.4	0.8	0.0	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*						
Rooms	24.2	21.4	23.8	21.4	26.3	24.0
Other Operated Departments	68.7	590.1	21.4	0.0	40.0	65.0
Total	24.5	21.8	23.7	21.2	26.5	24.1
DEPARTMENTAL INCOME						
	75.5	78.2	76.3	78.8	73.5	75.9
OPERATING EXPENSES						
Administrative & General	9.6	7.5	5.9	8.7	6.6	7.8
Info. and Telecom. Systems	0.0	1.3	0.0	0.0	0.4	0.8
Marketing	2.5	5.6	2.3	6.4	0.6	4.1
Franchise Fee	9.6	8.9	13.6	8.9	13.7	8.9
Property Operations & Maintenance	6.5	5.5	4.0	3.6	4.5	5.0
Utilities	3.1	4.1	5.0	4.1	4.4	4.3
Total	31.2	33.0	30.8	31.7	30.2	31.0
HOUSE PROFIT						
	44.3	45.2	45.5	47.1	43.3	44.9
Management Fee	0.0	5.4	0.0	4.0	0.0	3.0
INCOME BEFORE FIXED CHARGES						
	44.3	39.9	45.5	43.2	43.4	41.9

* 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:	2016/17	2016/17	2016	2016	2016	2017
Edition:	10	11	10	10	11	11
Number of Rooms:	50 to 80	80 to 110	80 to 110	70 to 90	70 to 90	75
Days Open:	365	365	365	365	365	365
Occupancy:	61%	65%	58%	65%	70%	62%
Average Rate:	\$94	\$99	\$97	\$100	\$103	\$100
RevPAR:	\$57	\$65	\$56	\$65	\$72	\$62
REVENUE						
Rooms	\$20,953	\$23,663	\$20,614	\$23,718	\$26,187	\$22,740
Other Operated Departments	146	20	174	0	211	147
Miscellaneous Income	0	167	87	200	0	113
Total	21,099	23,850	20,875	23,918	26,398	23,001
DEPARTMENTAL EXPENSES						
Rooms	5,067	5,068	4,916	5,066	6,900	5,458
Other Operated Departments	100	120	37	0	84	96
Total	5,168	5,188	4,953	5,066	6,984	5,553
DEPARTMENTAL INCOME						
	15,931	18,662	15,921	18,851	19,414	17,447
OPERATING EXPENSES						
Administrative & General	2,024	1,778	1,232	2,069	1,745	1,800
Info. and Telecom. Systems	0	310	0	0	113	180
Marketing	530	1,345	487	1,528	160	950
Franchise Fee	2,027	2,128	2,836	2,135	3,620	2,047
Property Operations & Maintenance	1,363	1,312	829	872	1,175	1,150
Utilities	644	989	1,039	970	1,152	1,000
Total	6,588	7,862	6,423	7,574	7,966	7,127
HOUSE PROFIT						
	9,343	10,800	9,498	11,277	11,448	10,321
Management Fee	0	1,293	0	950	0	690
INCOME BEFORE FIXED CHARGES						
	9,343	9,507	9,499	10,327	11,448	9,631

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

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2016/17	2016/17	2016	2016	2016	2017
Edition:	10	11	10	10	11	11
Number of Rooms:	50 to 80	80 to 110	80 to 110	70 to 90	70 to 90	75
Days Open:	365	365	365	365	365	365
Occupancy:	61%	65%	58%	65%	70%	62%
Average Rate:	\$94	\$99	\$97	\$100	\$103	\$100
RevPAR:	\$57	\$65	\$56	\$65	\$72	\$62
REVENUE						
Rooms	\$93.96	\$99.18	\$96.94	\$99.82	\$102.64	\$100.49
Other Operated Departments	0.66	0.09	0.82	0.00	0.83	0.65
Miscellaneous Income	0.00	0.70	0.41	0.84	0.00	0.50
Total	94.61	99.97	98.17	100.66	103.47	101.64
DEPARTMENTAL EXPENSES						
Rooms	22.72	21.24	23.12	21.32	27.04	24.12
Other Operated Departments	0.45	0.50	0.18	0.00	0.33	0.42
Total	23.17	21.75	23.29	21.32	27.37	24.54
DEPARTMENTAL INCOME						
	71.44	78.22	74.87	79.34	76.10	77.10
OPERATING EXPENSES						
Administrative & General	9.08	7.45	5.79	8.71	6.84	7.95
Info. and Telecom. Systems	0.00	1.30	0.00	0.00	0.44	0.80
Marketing	2.38	5.64	2.29	6.43	0.63	4.20
Franchise Fee	9.09	8.92	13.33	8.98	14.19	9.04
Property Operations & Maintenance	6.11	5.50	3.90	3.67	4.61	5.08
Utilities	2.89	4.15	4.89	4.08	4.52	4.42
Total	29.54	32.95	30.20	31.88	31.22	31.49
HOUSE PROFIT						
	41.90	45.27	44.67	47.46	44.87	45.61
Management Fee	0.00	5.42	0.00	4.00	0.00	3.05
INCOME BEFORE FIXED CHARGES						
	41.90	39.85	44.67	43.46	44.87	42.56

The departmental income of the comparable properties ranged from 73.5% to 78.8% of total revenue. The comparable properties achieved a house profit ranging from 43.3% to 47.1% 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 2017. 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, 2020, expressed in inflated dollars for each year.

FIGURE 7-4 DETAILED FORECAST OF INCOME AND EXPENSE

	2020 (Calendar Year)				2021				Stabilized			
Number of Rooms:	75				75				75			
Occupancy:	53%				58%				62%			
Average Rate:	\$106.57				\$112.00				\$115.36			
RevPAR:	\$56.48				\$64.96				\$71.53			
Days Open:	365				365				365			
Occupied Rooms:	14,509	%Gross	PAR	POR	15,878	%Gross	PAR	POR	16,973	%Gross	PAR	POR
OPERATING REVENUE												
Rooms	\$1,546	98.7 %	\$20,613	\$106.56	\$1,778	98.8 %	\$23,707	\$111.98	\$1,958	98.9 %	\$26,107	\$115.36
Other Operated Departments	11	0.7	152	0.79	12	0.7	161	0.76	13	0.6	169	0.75
Miscellaneous Income	9	0.6	117	0.61	9	0.5	124	0.58	10	0.5	130	0.57
Total Operating Revenues	1,566	100.0	20,883	107.95	1,799	100.0	23,991	113.33	1,980	100.0	26,405	116.68
DEPARTMENTAL EXPENSES *												
Rooms	417	27.0	5,563	28.76	444	25.0	5,926	27.99	470	24.0	6,266	27.69
Other Operated Departments	8	67.1	102	0.53	8	65.9	106	0.50	8	65.0	110	0.49
Total Expenses	425	27.1	5,665	29.29	452	25.1	6,032	28.49	478	24.1	6,375	28.17
DEPARTMENTAL INCOME	1,141	72.9	15,217	78.66	1,347	74.9	17,959	84.83	1,502	75.9	20,030	88.51
UNDISTRIBUTED OPERATING EXPENSES												
Administrative & General	140	9.0	1,869	9.66	148	8.2	1,974	9.32	155	7.8	2,066	9.13
Info & Telecom Systems	14	0.9	187	0.97	15	0.8	197	0.93	15	0.8	207	0.91
Marketing	74	4.7	987	5.10	78	4.3	1,042	4.92	82	4.1	1,091	4.82
Franchise Fee	139	8.9	1,855	9.59	160	8.9	2,134	10.08	176	8.9	2,350	10.38
Prop. Operations & Maint.	72	4.6	956	4.94	85	4.7	1,135	5.36	99	5.0	1,320	5.83
Utilities	78	5.0	1,039	5.37	82	4.6	1,097	5.18	86	4.3	1,148	5.07
Total Expenses	517	33.1	6,892	35.63	568	31.5	7,579	35.80	614	30.9	8,182	36.15
GROSS HOUSE PROFIT	624	39.8	8,325	43.04	779	43.4	10,380	49.03	889	45.0	11,848	52.36
Management Fee	47	3.0	626	3.24	54	3.0	720	3.40	59	3.0	792	3.50
INCOME BEFORE NON-OPR. INC. & EXP.	577	36.8	7,699	39.80	725	40.4	9,660	45.63	829	42.0	11,056	48.86
NON-OPERATING INCOME & EXPENSE												
Insurance	24	1.6	325	1.68	25	1.4	334	1.58	26	1.3	344	1.52
Reserve for Replacement	31	2.0	418	2.16	54	3.0	720	3.40	79	4.0	1,056	4.67
Total Expenses	106	6.8	1,418	7.33	131	7.3	1,750	8.26	159	8.0	2,117	9.35
EBITDA LESS RESERVE	\$471	30.0 %	\$6,281	\$32.47	\$593	33.1 %	\$7,911	\$37.37	\$670	34.0 %	\$8,939	\$39.50

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

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

	2020		2021		2022		2023		2024		2025		2026		2027		2028		2029	
Number of Rooms:	75		75		75		75		75		75		75		75		75		75	
Occupied Rooms:	14,509		15,878		16,973		16,973		16,973		16,973		16,973		16,973		16,973		16,973	
Occupancy:	53%		58%		62%		62%		62%		62%		62%		62%		62%		62%	
Average Rate:	\$106.57	% of	\$112.00	% of	\$115.36	% of	\$118.83	% of	\$122.39	% of	\$126.06	% of	\$129.84	% of	\$133.74	% of	\$137.75	% of	\$141.88	% of
RevPAR:	\$56.48	Gross	\$64.96	Gross	\$71.53	Gross	\$73.67	Gross	\$75.88	Gross	\$78.16	Gross	\$80.50	Gross	\$82.92	Gross	\$85.41	Gross	\$87.97	Gross
OPERATING REVENUE																				
Rooms	\$1,546	98.7 %	\$1,778	98.8 %	\$1,958	98.9 %	\$2,017	98.9 %	\$2,077	98.9 %	\$2,140	98.9 %	\$2,204	98.9 %	\$2,270	98.9 %	\$2,338	98.9 %	\$2,408	98.9 %
Other Operated Departments	11	0.7	12	0.7	13	0.6	13	0.6	13	0.6	14	0.6	14	0.6	15	0.6	15	0.6	16	0.6
Miscellaneous Income	9	0.6	9	0.5	10	0.5	10	0.5	10	0.5	11	0.5	11	0.5	11	0.5	12	0.5	12	0.5
Total Operating Revenues	1,566	100.0	1,799	100.0	1,980	100.0	2,040	100.0	2,101	100.0	2,164	100.0	2,229	100.0	2,296	100.0	2,365	100.0	2,436	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	417	27.0	444	25.0	470	24.0	484	24.0	499	24.0	514	24.0	529	24.0	545	24.0	561	24.0	578	24.0
Other Operated Departments	8	67.1	8	65.9	8	65.0	8	65.0	9	65.0	9	65.0	9	65.0	10	65.0	10	65.0	10	65.0
Total Expenses	425	27.1	452	25.1	478	24.1	493	24.1	507	24.1	522	24.1	538	24.1	554	24.1	571	24.1	588	24.1
DEPARTMENTAL INCOME																				
	1,141	72.9	1,347	74.9	1,502	75.9	1,548	75.9	1,593	75.9	1,642	75.9	1,691	75.9	1,742	75.9	1,794	75.9	1,847	75.9
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	140	9.0	148	8.2	155	7.8	160	7.8	164	7.8	169	7.8	174	7.8	180	7.8	185	7.8	191	7.8
Info & Telecom Systems	14	0.9	15	0.8	15	0.8	16	0.8	16	0.8	17	0.8	17	0.8	18	0.8	19	0.8	19	0.8
Marketing	74	4.7	78	4.3	82	4.1	84	4.1	87	4.1	89	4.1	92	4.1	95	4.1	98	4.1	101	4.1
Franchise Fee	139	8.9	160	8.9	176	8.9	182	8.9	187	8.9	193	8.9	198	8.9	204	8.9	210	8.9	217	8.9
Prop. Operations & Maint.	72	4.6	85	4.7	99	5.0	102	5.0	105	5.0	108	5.0	111	5.0	115	5.0	118	5.0	122	5.0
Utilities	78	5.0	82	4.6	86	4.3	89	4.3	91	4.3	94	4.3	97	4.3	100	4.3	103	4.3	106	4.3
Total Expenses	517	33.1	568	31.5	614	30.9	632	30.9	651	30.9	671	30.9	691	30.9	711	30.9	733	30.9	755	30.9
GROSS HOUSE PROFIT																				
	624	39.8	779	43.4	889	45.0	916	45.0	943	45.0	971	45.0	1,000	45.0	1,030	45.0	1,061	45.0	1,093	45.0
Management Fee	47	3.0	54	3.0	59	3.0	61	3.0	63	3.0	65	3.0	67	3.0	69	3.0	71	3.0	73	3.0
INCOME BEFORE NON-OPR. INC. & EXP.																				
	577	36.8	725	40.4	829	42.0	854	42.0	880	42.0	906	42.0	933	42.0	961	42.0	990	42.0	1,020	42.0
NON-OPERATING INCOME & EXPENSE																				
Insurance	24	1.6	25	1.4	26	1.3	27	1.3	27	1.3	28	1.3	29	1.3	30	1.3	31	1.3	32	1.3
Reserve for Replacement	31	2.0	54	3.0	79	4.0	82	4.0	84	4.0	87	4.0	89	4.0	92	4.0	95	4.0	97	4.0
Total Expenses	106	6.8	131	7.3	159	8.0	164	8.0	168	8.0	174	8.0	179	8.0	184	8.0	190	8.0	195	8.0
EBITDA LESS RESERVE																				
	\$471	30.0 %	\$593	33.1 %	\$670	34.0 %	\$691	34.0 %	\$711	34.0 %	\$733	34.0 %	\$755	34.0 %	\$777	34.0 %	\$801	34.0 %	\$824	34.0 %

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

The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take three years for the subject property 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, 2020, 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 62% with an average rate of \$115.36 in 2022. Following the stabilized year, the subject property's average rate is projected to increase along with the underlying rate of inflation.

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. The proposed subject hotel's other operated departments revenue sources are expected to include the hotel's telephone charges, sundry counter sales, and guest laundry fees, and business service charges. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject hotel.

FIGURE 7-6 OTHER OPERATED DEPARTMENTS REVENUE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2020	Deflated Stabilized
Percentage of Revenue	0.7 %	0.1 %	0.8 %	0.0 %	0.8 %	0.7 %	0.6 %
Per Available Room	\$146	\$20	\$174	\$0	\$211	\$152	\$147
Per Occupied Room	\$0.66	\$0.09	\$0.82	\$0.00	\$0.83	\$0.79	\$0.65

Miscellaneous Income

The miscellaneous income sources comprise those other than guestrooms, food and beverage, and the other operated departments. The proposed subject hotel's miscellaneous income revenues are expected to be generated primarily by the commissions earned on the vending sales and other minor collections, such as cancellation fees. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject hotel. Changes in this revenue item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

FIGURE 7-7 MISCELLANEOUS INCOME

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2020	Deflated Stabilized
Percentage of Revenue	0.0 %	0.7 %	0.4 %	0.8 %	0.0 %	0.6 %	0.5 %
Per Available Room	\$0	\$167	\$87	\$200	\$0	\$117	\$113
Per Occupied Room	\$0.00	\$0.70	\$0.41	\$0.84	\$0.00	\$0.61	\$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. The proposed subject hotel's rooms department expense has been positioned based upon our review of the comparable operating data and our understanding of the hotel's future service level and price point.

FIGURE 7-8 ROOMS EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2020	Deflated Stabilized
Percentage of Revenue	24.2 %	21.4 %	23.8 %	21.4 %	26.3 %	27.0 %	24.0 %
Per Available Room	\$5,067	\$5,068	\$4,916	\$5,066	\$6,900	\$5,563	\$5,458
Per Occupied Room	\$22.72	\$21.24	\$23.12	\$21.32	\$27.04	\$28.76	\$24.12

Other Operated Departments Expense

Other operated departments expense includes all expenses reflected in the summary statements for the divisions associated in these categories. This was previously discussed in this chapter. The proposed subject hotel's other operated departments revenue sources are expected to include the hotel's telephone charges, sundry counter sales, and guest laundry fees, and business service charges. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject hotel.

FIGURE 7-9 OTHER OPERATED DEPARTMENTS EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2020	Deflated Stabilized
Percentage of Revenue	68.7 %	590.1 %	21.4 %	0.0 %	40.0 %	67.1 %	65.0 %
Per Available Room	\$100	\$120	\$37	\$0	\$84	\$102	\$96
Per Occupied Room	\$0.45	\$0.50	\$0.18	\$0.00	\$0.33	\$0.53	\$0.42

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

FIGURE 7-10 ADMINISTRATIVE AND GENERAL EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2020	Deflated Stabilized
Percentage of Revenue	9.6 %	7.5 %	5.9 %	8.7 %	6.6 %	9.0 %	7.8 %
Per Available Room	\$2,024	\$1,778	\$1,232	\$2,069	\$1,745	\$1,869	\$1,800
Per Occupied Room	\$9.08	\$7.45	\$5.79	\$8.71	\$6.84	\$9.66	\$7.95

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 benefitting from the technology solution. We expect the proposed subject hotel's information and telecommunications systems to be well managed. Expense levels should stabilize at a typical level for a property of this type.

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. Based upon our review of the comparable operating data and the expected scope of facility for the proposed subject hotel, we have positioned the marketing expense level at a market- and property-supported level.

FIGURE 7-11 MARKETING EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2020	Deflated Stabilized
Percentage of Revenue	2.5 %	5.6 %	2.3 %	6.4 %	0.6 %	4.7 %	4.1 %
Per Available Room	\$530	\$1,345	\$487	\$1,528	\$160	\$987	\$950
Per Occupied Room	\$2.38	\$5.64	\$2.29	\$6.43	\$0.63	\$5.10	\$4.20

Franchise Fee

As previously discussed, the proposed subject property is forecast to be franchised under a midscale, limited-service brand. Average costs associated with such a franchise are summarized in the introductory chapter in this report.

Property Operations and Maintenance

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

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

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

We expect the proposed subject hotel's maintenance operation to be well managed. Expense levels should stabilize at a typical level for a property of this type. Changes in this expense item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

FIGURE 7-12 PROPERTY OPERATIONS AND MAINTENANCE EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2020	Deflated Stabilized
Percentage of Revenue	6.5 %	5.5 %	4.0 %	3.6 %	4.5 %	4.6 %	5.0 %
Per Available Room	\$1,363	\$1,312	\$829	\$872	\$1,175	\$956	\$1,150
Per Occupied Room	\$6.11	\$5.50	\$3.90	\$3.67	\$4.61	\$4.94	\$5.08

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 7-13 UTILITIES EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2020	Deflated Stabilized
Percentage of Revenue	3.1 %	4.1 %	5.0 %	4.1 %	4.4 %	5.0 %	4.3 %
Per Available Room	\$644	\$989	\$1,039	\$970	\$1,152	\$1,039	\$1,000
Per Occupied Room	\$2.89	\$4.15	\$4.89	\$4.08	\$4.52	\$5.37	\$4.42

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 7-14 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS

Hotel		Land	Improvements	Personal	Total
Hampton Inn & Suites Outer Banks Corolla		\$5,676,300	\$13,492,100	\$974,475	\$20,142,875
Inn at Corolla Light		1,129,500	1,834,700	143,431	3,107,631
Midway Marina & Motel		118,600	135,400	49,653	303,653
Sea Oats Motel		118,800	125,500	3,099	247,399
<i>Assessments per Room</i>	<i># of Rms</i>				
Hampton Inn & Suites Outer Banks Corolla	123	\$46,149	\$109,692	\$7,923	\$155,841
Inn at Corolla Light	43	26,267	42,667	3,336	68,935
Midway Marina & Motel	5	23,720	27,080	9,931	50,800
Sea Oats Motel	11	10,800	11,409	282	22,209
Positioned Subject - Per Room	75	\$25,000	\$100,000	\$5,000	\$130,000
Positioned Subject - Total		\$1,875,000	\$7,500,000	\$375,000	\$9,750,000

Source: Currituck County Tax Department

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 Outer Banks Corolla, as it is the only franchised hotel in the county. 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 0.48000%. The following table shows changes in the tax rate during the last several years.

FIGURE 7-15 COUNTY TAX RATES

Year	Real Property Tax Rate	Personal Property Tax Rate
2014	0.48000	0.48000
2015	0.48000	0.48000
2016	0.48000	0.48000
2017	0.48000	0.48000

Source: Currituck County Tax Department

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

FIGURE 7-16 PROJECTED PROPERTY TAX BURDEN (BASE YEAR)

	Real Property			Personal Property
	Land	Improvements	Total	
Positioned (Assessed Value)	\$1,875,000	\$7,500,000	\$9,375,000	\$375,000
Tax Rate			0.48000	0.48000
Tax Burden as of Base Year			\$45,000	\$1,800

FIGURE 7-17 PROJECTED PROPERTY TAX EXPENSE - REAL PROPERTY

Year	Real Property			
	Total Tax Burden (Positioned Prior to Increase)	Base Rate of Tax Burden Increase	% Positioned Tax Burden	Taxes Payable
Positioned	\$45,000	—		\$45,000
2020	\$45,000	8.2 %	100 %	\$48,696
2021	48,696	3.0	100	50,157
2022	50,157	3.0	100	51,662
2023	51,662	3.0	100	53,212

FIGURE 7-18 PROJECTED PROPERTY TAX EXPENSE – PERSONAL PROPERTY

Year	Personal Property			
	Personal Tax Burden (Positioned Prior to Increase)	Base Rate of Tax Burden Increase	% of Positioned Tax Burden	Taxes Payable
Positioned	\$1,800	—		\$1,800
2020	\$1,800	8.2 %	100 %	\$1,948
2021	1,948	3.0	100	2,006
2022	2,006	3.0	100	2,066
2023	2,066	3.0	100	2,128

FIGURE 7-19 PROJECTED PROPERTY TAX EXPENSE – SUMMARY

Year	Taxes Payable			Total Tax Payable
	Real	Personal	Total	
Positioned	\$45,000	\$1,800	\$46,800	\$46,800
2020	\$48,696	\$1,948	\$50,644	\$50,644
2021	50,157	2,006	52,164	52,164
2022	51,662	2,066	53,729	53,729
2023	53,212	2,128	55,340	55,340

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 7-20 INSURANCE EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2020	Deflated Stabilized
Percentage of Revenue	3.3 %	1.8 %	1.2 %	0.9 %	1.5 %	1.6 %	1.3 %
Per Available Room	\$701	\$439	\$241	\$204	\$403	\$325	\$300
Per Occupied Room	\$3.14	\$1.84	\$1.14	\$0.86	\$1.58	\$1.68	\$1.33

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 2014.⁶ Historical capital expenditures of well-maintained hotels were investigated through the compilation of data provided by most of the major hotel companies in the United States. A prospective analysis of future capital expenditure requirements was also performed based upon the cost to replace short- and long-lived building components over a hotel's economic life. The study showed that the capital expenditure requirements for hotels vary significantly from year to year and depend upon both the actual and effective ages of a property. The results of this study showed that hotel lenders and investors are requiring reserves for replacement ranging from 4% to 5% of total revenue.

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

**Forecast of Revenue
and Expense
Conclusion**

Projected total revenue, House profit, and EBITDA less replacement reserves are set forth in the following table.

⁶ The International Society of Hotel Consultants, *CapEx 2014, A Study of Capital Expenditure in the U.S. Hotel Industry*.

FIGURE 7-21 FORECAST OF REVENUE AND EXPENSE CONCLUSION

	Year	Total Revenue		House Profit		House Profit Ratio	EBITDA Less Replacement Reserve		
		Total	% Change	Total	% Change		Total	% Change	As a % of Ttl Rev
Projected	2020	\$1,566,000	—	\$624,000	—	39.8 %	\$471,000	—	30.0 %
	2021	1,799,000	14.9 %	779,000	24.8 %	43.4	593,000	25.9 %	33.1
	2022	1,980,000	10.1	889,000	14.1	45.0	670,000	13.0	34.0
	2023	2,040,000	3.0	916,000	3.0	45.0	691,000	3.1	34.0
	2024	2,101,000	3.0	943,000	2.9	45.0	711,000	2.9	34.0

8. Statement of Assumptions and Limiting Conditions

1. This report is set forth as a market 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 property.
10. The property is assumed to be in full compliance with all applicable federal, state, local, and private codes, laws, consents, licenses, and regulations (including 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 Service tax code provisions as stated or interpreted on either the date of value or the date of our field inspection, whichever occurs first.
19. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded to the nearest tenth of a percent. Thus, these figures may be subject to small rounding errors.

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

Janet Snyder

EMPLOYMENT

2005 to present	HVS CONSULTING AND VALUATION SERVICES Atlanta, Georgia
2004 – 2005	HILTON DALLAS LINCOLN CENTRE Dallas, Texas
2002 – 2004	HILTON HOTELS Dallas, Texas

EDUCATION AND OTHER TRAINING

BA – Baylor University

Other Specialized Training Classes Completed:

Basic Appraisal Principles – 30 hours
 Basic Appraisal Procedures – 30 hours
 Uniform Standards of Professional Appraisal Practice – 15 hours
 Basic Income Capitalization – 39 hours
 General Appraiser Sales Comparison Approach – 30 hours
 Business Practices and Ethics – 8 hours
 General Appraiser Market Analysis and HBU – 30 hours
 General Appraiser Site Valuation and Cost Approach – 30 hours
 General Appraiser Report Writing and Case Studies – 30 hours
 Statistics, Modeling and Finance – 15 hours
 An Introduction to Valuing Green Buildings – 7 hours
 Condemnation Appraising: Principles & Applications – 22 hours
 Advanced Income Capitalization – 40 hours
 NC Trainee Supervisor Class – 4 hours
 FL Law Class – 3 hours
 Quantitative Analysis – 40 hours
 Advanced Concepts & Case Studies – 40 hours
 Comp Review Class
 Demo Report Writing – 7 hours
 FL Law Class – 4 hours
 Advanced Hotel Appraising – 7 hours
 USPAP Update – 2008, 2014, 2016

STATE CERTIFICATIONS

Alabama, Florida, Georgia, Kentucky, North Carolina, South Carolina, Tennessee, Virginia, West Virginia

PUBLISHED ARTICLES

<i>HVS Journal</i>	“In Focus: Asheville, NC,” August 2016
<i>HVS Journal</i>	“Key Takeaways: Hunter Hotel Conference,” co-authored with Michael Brophy and Kasia Russell, April 2016
<i>HVS Journal</i>	“In Focus: InterContinental Hotels Group,” April 2014
<i>HVS Journal</i>	“Market Intelligence Report 2013: Charlotte,” August 2013
<i>HVS Journal</i>	“HVS Hotel Market Intelligence Report: Asheville, North Carolina,” September 2012
<i>HVS Journal</i>	“HVS Reflections on the 2010 Hunter Hotel Conference,” co-authored with Michael Brophy, May 2010
<i>HVS Journal</i>	“HVS Market Intelligence Report: Asheville, North Carolina,” January 2009

PROFESSIONAL AFFILIATIONS

American Hotel & Lodging Association

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED

PORTFOLIO ANALYSIS

Portfolio of 4 Land Appraisals for Fillmore Capital Partners
 Portfolio of 4 Maryland and Virginia Hotels for Ladder Capital
 Portfolio of 23 Extended-Stay Hotels for Blackstone
 Portfolio of 10 Full-Service Hotels for Windsor Capital Group
 Portfolio of 9 Graduate Hotels for Blackstone Group
 Portfolio of 4 for Natixis Real Estate Capital

ALABAMA

Autograph Hotel, Birmingham
 Empire Hotel Autograph Collection, Birmingham
 Proposed Autograph Collection, Birmingham
 Ramada Inn, Birmingham
 Proposed Hilton Garden Inn, Anniston
 Proposed Hotel, Auburn
 Clarion Hotel, Birmingham
 Hilton, Birmingham
 Proposed Hotel, Conway
 Proposed Hampton Inn & Suites, Fairhope
 Proposed Hilton Garden Inn, Foley
 Proposed Home2Suites by Hilton, Fultondale
 Proposed Embassy Suites, Hoover
 Holiday Inn, Mobile
 Homewood Suites by Hilton, Mobile
 Proposed Home2 Suites by Hilton, Mobile
 Courtyard by Marriott, Montgomery
 Fairfield Inn & Suites, Montgomery
 Fairfield Inn & Suites by Marriott Montgomery EastChase, Montgomery

Proposed Limited-Service Hotel, Montgomery
 Proposed Hotel, Montgomery
 Proposed Hilton Garden Inn, Prattville
 Proposed Hotel, Prattville
 Proposed Hotel Indigo, Tuscaloosa
 Value Place, Tuscaloosa

ARIZONA

Proposed Aloft, Glendale
 Holiday Inn Express, Phoenix
 Fairfield Inn, Sierra Vista

ARKANSAS

Fairfield Inn & Suites, Conway
 Proposed Hotel, Conway
 Residence Inn by Marriott, Little Rock

CALIFORNIA

Proposed Hampton Inn & Suites, Lancaster
 Proposed Homewood Suites, Lancaster
 Proposed Element, Palmdale
 Pasadena Inn (Red Lion Conversion), Pasadena
 Proposed SpringHill Suites, Ridgecrest
 Best Western Miramar, San Diego

COLORADO

The Sky Hotel Aspen, Aspen
 The Hotel Telluride, Telluride

CONNECTICUT

Homewood Suites, Farmington

DELAWARE

Proposed Hampton Inn & Suites, Newark

DISTRICT OF COLUMBIA

Willard InterContinental Hotel and Office
 Courtyard Washington Navy Yard

FLORIDA

Holiday Inn Express Bradenton West, Bradenton
 Country Inn & Suites, Cape Canaveral
 Hampton Inn Clearwater Central, Clearwater
 Proposed Fairfield Inn & Suites, Crestview
 Daytona Beach Resort, Daytona Beach
 Fairfield Inn & Suites by Marriott, Delray Beach
 Candlewood Suites, Destin
 Westin, Fort Lauderdale
 Comfort Inn, Gainesville
 Crowne Plaza Hollywood Beach Sian, Hollywood
 Marriott, Hollywood Beach
 Cheeca Lodge & Spa, Islamorada
 Fairfield Inn & Suites by Marriott, Jacksonville
 Holiday Inn Express, Jacksonville
 Proposed Hyatt Place, Jacksonville
 Proposed Residence Inn by Marriott, Jacksonville
 Staybridge Suites, Jacksonville
 Suburban Extended Stay, Jacksonville
 Proposed Woodspring Suites, Kissimmee
 Fairfield Inn & Suites by Marriott, Lake City
 Candlewood Suites, Lake Mary
 Marriott Orlando Lake Mary, Lake Mary
 Homewood Suites, Maitland
 Proposed Hampton Inn & Suites, New Smyrna Beach
 Proposed SpringHill Suites, New Smyrna Beach
 Courtyard by Marriott, Ocala
 Fairfield Inn & Suites by Marriott, Ocala
 Residence Inn by Marriott, Ocala

Great Value Suites, Orlando
 International Plaza Resort, Orlando
 Proposed Limited-Service Hotel,
 Orlando
 Residence Inn by Marriott East UCF,
 Orlando
 Hampton Inn, Ormond Beach
 Proposed Home2 Suites, Pensacola
 Proposed Hotel, Pensacola
 Holiday Inn Express, Port Charlotte
 Sleep Inn, Port Charlotte
 Mainstay Suites, Port Saint Lucie
 Proposed Saba Hotel, Rosemary Beach
 Proposed Hampton Inn Orlando
 Sanford Airport, Sanford
 Proposed Hotel, Sanford
 Proposed Embassy Suites, St.
 Augustine
 Saint Augustine Beachfront Resort, St.
 Augustine
 Proposed Hampton Inn & Suites,
 Sarasota
 Proposed Woodspring Suites, Sarasota
 Proposed Hotel, Sebring
 Holiday Inn, Tallahassee
 Hampton Inn, Tampa
 Sheraton Tampa East, Tampa
 Proposed Hyatt Place, Wesley Chapel
 Proposed SpringHill Suites by
 Marriott, West Melbourne
 Crowne Plaza, West Palm Beach
 Proposed SpringHill Suites, Winter
 Park

GEORGIA

Embassy Suites, Alpharetta
 Proposed Hyatt Place, Athens
 Hilton Atlanta Airport, Atlanta
 Proposed Holiday Inn Downtown
 Atlanta, Atlanta
 Proposed InterContinental Hotels
 Group Hotel, Atlanta
 Proposed Tru by Hilton, Atlanta
 Proposed Hotel Downtown, Atlanta
 Sheraton Gateway Hotel Atlanta
 Airport, Atlanta

W Hotel, Atlanta
 Hampton Inn West, Augusta
 Home2 Suites by Hilton, Augusta
 Holiday Inn, Augusta
 Partridge Inn, Augusta
 Staybridge Suites, Augusta
 Wingate Inn, Augusta
 Embassy Suites, Brunswick
 SpringHill Suites, Buckhead
 Proposed Hotel, Carrollton
 Days Inn, Columbus
 Best Western Plus, Conyers
 Fairfield Inn by Marriott, Cordele
 Holiday Inn Express, Cordele
 Proposed Fairfield Inn & Suites, Dalton
 Proposed Lodge & Villas at Foxhall,
 Douglas County
 Proposed Westin at Foxhall, Douglas
 County
 Proposed Embassy Suites, Duluth
 Proposed Spruill Residence Inn,
 Dunwoody
 Holiday Inn Express, Forsyth
 Holiday Inn, Jekyll Island
 Proposed Limited-Service Hotel,
 LaGrange
 Hilton Garden Inn, Lithonia
 Proposed Hotel & Conference Center,
 Lookout Mountain
 Proposed Staybridge Suites,
 McDonough
 Proposed Tru by Hilton, McDonough
 Fairfield Inn by Marriott, Milledgeville
 Dolce Hotel (Conversion to Crowne
 Plaza), Peachtree City
 Proposed Aloft, Perimeter
 The Lodge & Spa at Callaway Gardens,
 Pine Mountain
 The Brice, Savannah
 Proposed Cambria Suites, Savannah
 Proposed Elm Street Hotels, Savannah
 Proposed Hotel Indigo, Savannah
 Red Roof Inn & Suites, Savannah
 Savannah Suites, Savannah
 Hampton Inn, Thomasville
 Fairfield Inn by Marriott, Warner
 Robins

INDIANA

Hampton Inn, Clarksville

KENTUCKY

Fairfield Inn & Suites by Marriott,
 Ashland
 Proposed Hampton Inn & Suites, Berea
 Holiday Inn, Bowling Green
 Proposed Candlewood Suites, Bowling
 Green
 Embassy Suites Rivercenter, Covington
 Proposed Fairfield Inn & Suites by
 Marriott, Florence
 Comfort Inn, Harlan
 Baymont Inn & Suites, Lexington
 Best Western Regency Inn, Lexington
 Courtyard by Marriott, Lexington
 DoubleTree Guest Suites, Lexington
 Holiday Inn Express, Lexington
 Value Place, Lexington
 Holiday Inn, Louisville
 Holiday Inn, Hurstbourne, Louisville
 Proposed Holiday Inn Express,
 Louisville
 Courtyard by Marriott, Paducah
 Proposed Courtyard by Marriott,
 Somerset

LOUISIANA

Proposed Courtyard by Marriott,
 Houma
 Hampton Inn, Lancaster
 Homewood Suites, Lancaster
 Proposed Hotel Indigo, New Orleans
 Holiday Inn Express Hotel & Suites
 New Orleans Airport South, Saint
 Rose
 Value Place, Shreveport

MAINE

TownePlace Suites, Scarborough
 Holiday Inn, Waterville

MARYLAND

Sheraton Washington North, Beltsville
 Hilton, Columbia
 Proposed Best Western Glo,
 Hagerstown
 Legacy Hotel, Rockville
 Holiday Inn Select, Solomon’s Island

MASSACHUSETTS

Homewood Suites, Billerica
 Seaport Hotel and Parking Garage,
 Boston
 Proposed Hotel at Patriot Place,
 Foxboro
 Clarion Nantasket Beach Resort Hotel
 and Spa, Hull
 TownePlace Suites, Tewksbury

MICHIGAN

Hilton Airport, Kentwood

MINNESOTA

Homewood Suites, Bloomington
 Proposed Westin, Minneapolis
 Proposed Cambria Suites, Rochester

MISSISSIPPI

Value Place, Byram
 Proposed TownePlace Suites, Flowood
 Proposed Embassy Suites, Jackson
 Candlewood Suites, Pearl
 Dancing Rabbit Inn, Philadelphia
 Hampton Inn by Hilton, Richland
 Hilton Garden Inn, Tupelo

MISSOURI

Proposed Indigo Hotel, Kansas City

NEW HAMPSHIRE

Proposed Courtyard, Keene

NEW JERSEY

Proposed Fairfield Inn & Suites,
 Millville
 Proposed Aloft, Newark
 Proposed Sheraton, Newark
 Proposed TRYP Wyndham, Newark
 Proposed Holiday Inn Express, West
 Long Branch

NEW MEXICO

TownePlace Suites, Farmington

NEW YORK

Land, Bronx
 Proposed Harbor Center Marriott
 Hotel, Buffalo
 Holiday Inn JFK (Hilton conversion),
 Jamaica
 Proposed Courtyard by Marriott, New
 York City
 Proposed Ludlow Hotel, New York City
 Proposed Hyatt Place, Riverhead
 Land, Ronkonkoma
 Sheraton, Smithtown

NORTH CAROLINA

Sleep Inn & Suites, Albemarle
 Brookstone Lodge, Asheville
 Clarion Inn Airport, Asheville
 Crowne Plaza, Asheville
 Days Inn, Asheville
 DoubleTree by Hilton Biltmore,
 Asheville
 Fairfield Inn & Suites South Biltmore,
 Asheville
 Four Points, Asheville
 Hilton Biltmore Park, Asheville
 Holiday Inn Airport, Asheville
 Hotel Indigo, Asheville
 Princess Anne Hotel, Asheville

Proposed Embassy Suites by Hilton
 Asheville Downtown, Asheville
 Proposed Holiday Inn, Asheville
 Proposed Homewood Suites, Asheville
 Proposed Hotel, Asheville
 Proposed Hotel – Biltmore Estate,
 Asheville
 Proposed Lodge at Biltmore Estate,
 Asheville
 Ramada, Asheville
 Red Roof Inn, Asheville
 Renaissance, Asheville
 SpringHill Suites by Marriott, Asheville
 Proposed Tweetsie Railroad Hotel,
 Blowing Rock
 Best Western Blue Ridge Plaza, Boone
 Country Inn & Suites by Carlson,
 Boone
 Hampton Inn, Boone
 Holiday Inn Express, Boone
 Quality Inn & Suites University, Boone
 Proposed Radisson Blu, Brights Creek
 Proposed Hilton Garden Inn, Carolina
 Beach
 Embassy Suites Raleigh - Durham
 Research Triangle East, Cary
 Hampton Inn Raleigh, Cary
 The Ballantyne Hotel, Charlotte
 Courtyard by Marriott Charlotte
 Arrowwood, Charlotte
 Courtyard by Marriott Charlotte Billy
 Graham Parkway, Charlotte
 Courtyard by Marriott Charlotte City
 Center, Charlotte
 Econo Lodge, Charlotte
 Embassy Suites Ayrley, Charlotte
 Four Points by Sheraton, Charlotte
 Hampton Inn, Charlotte
 Hilton Charlotte University Place,
 Charlotte
 Home2 Suites by Hilton Charlotte
 Uptown, Charlotte
 Marriott Charlotte SouthPark,
 Charlotte
 Proposed Best Western, Charlotte
 Proposed Courtyard/Residence Inn
 Dual-Branded Hotel, Charlotte

Proposed SpringHill Suites by
 Marriott, Charlotte
 Renaissance, Charlotte
 Sheraton Charlotte Airport, Charlotte
 SpringHill Suites Charlotte Airport,
 Charlotte
 Sun Suites of Charlotte-Matthews,
 Charlotte
 Holiday Inn Express, Clemmons
 Majors Estate, Clyde
 Great Wolf Lodge, Concord
 Hampton Inn & Suites, Concord
 Holiday Inn Express, Dillsboro
 Candlewood Suites, Durham
 Marriott Research Triangle Park,
 Durham
 Proposed Full-Service, Durham
 Proposed Hilton Garden Inn, Durham
 Proposed Hotel, Durham
 Comfort Inn, Fayetteville
 DoubleTree, Fayetteville
 Proposed Select-Service Hotel,
 Fayetteville
 Suburban Extended Stay, Fayetteville
 Fairfield Inn by Marriott Asheville
 Airport, Fletcher
 Proposed Boutique Hotel, Gastonia
 Holiday Inn Airport, Greensboro
 Marriott, Greensboro
 Proposed TownePlace Suites by
 Marriott, Greensboro
 Proposed Westin, Greensboro
 Proposed Wyndham, Greensboro
 Studio 6, Greensboro
 Suburban Extended Stay, Greensboro
 Red Roof Inn, Greenville
 Quality Inn & Suites, Hickory
 Red Roof Inn, Hickory
 Hawthorn Suites, Huntersville
 Proposed Hotel, Huntersville
 Home Towne Suites, Kannapolis
 Sea Ranch Hotel, Kill Devil Hills
 Comfort Inn, Lumberton
 Country Inn & Suites, Lumberton
 Fairfield Inn by Marriott, Lumberton
 Proposed Sonesta Resort/Land Impact
 Study, Mill Spring

Proposed Hotel, Mills River
 Quality Inn & Suites, Monroe
 Wingate Inn, Mooresville
 Candlewood Suites, New Bern
 Hampton Inn, New Bern
 SpringHill Suites by Marriott, New
 Bern
 Comfort Suites, Pineville
 Hampton Inn & Suites, Pineville
 Hilton Garden Inn, Pineville
 Hampton Inn, Pisgah Forest
 Candlewood Suites, Raleigh
 Car Wash, Raleigh
 Courtyard by Marriott North Raleigh,
 Raleigh
 Courtyard by Marriott North Triangle
 Town Center, Raleigh
 Embassy Suites Crabtree, Raleigh
 Holiday Inn Raleigh Downtown,
 Raleigh
 Homewood Suites, Raleigh
 Proposed Aloft, Raleigh
 Proposed Boutique Hotel, Raleigh
 Proposed Element, Raleigh
 Proposed Marriott, Raleigh
 Proposed Summerfield Suites, Raleigh
 Renaissance Hotel, Raleigh
 Sheraton, Raleigh
 Wingate Inn, Raleigh
 Candlewood Suites, Rocky Mount
 Proposed Fairfield Inn by Marriott,
 Rocky Mount
 Proposed Home2 Suites by Hilton,
 Sailsbury
 Hampton Inn, Shelby
 Residence Inn by Marriott, Southern
 Pines
 Wingate by Wyndham, Southport
 Masters Inn, Statesville
 Comfort Inn, Sylva
 Homewood Suites by Hilton,
 Wilmington
 Proposed Hotel Indigo, Wilmington
 Suburban Extended Stay, Wilmington
 Full-Service Restaurant, Winston-
 Salem
 Hilton Garden Inn, Winston-Salem

NORTH DAKOTA

Proposed Extended-Stay Hotel, Minot

OHIO

Hampton Inn, Akron
 Fairfield Inn, Austintown
 Marriott Airport, Cleveland
 Embassy Suites Columbus Dublin,
 Dublin
 Quality Inn, Durant
 Proposed Courtyard by Marriott,
 Grove City
 Embassy Suites Cleveland Rockside,
 Independence
 Hampton Inn, Kent
 Proposed Courtyard by Marriott, Stow

OKLAHOMA

Quality Inn, Durant
 Renaissance, Tulsa

PENNSYLVANIA

Wyndham, Harrisburg
 Proposed Candlewood Suites, Hazelton
 Le Meridien, Philadelphia
 Courtyard by Marriott Shadyside,
 Pittsburgh
 Proposed Staybridge Suites,
 Royersford

SOUTH CAROLINA

Home Towne Suites, Anderson
 Proposed Courtyard by Marriott,
 Cayce
 Francis Marion Hotel, Charleston
 Hilton Garden Inn Waterfront,
 Charleston
 Proposed Hilton Garden Inn,
 Charleston
 Proposed Hotel, Charleston
 Baymont Inn & Suites, Columbia

Hyatt Place, Columbia
 Marriott, Columbia
 Proposed Aloft, Columbia
 Proposed Sheraton, Columbia
 Ramada Inn, Columbia
 Proposed Comfort Suites, Duncan
 Value Place, Elgin
 Proposed Staybridge Suites, Florence
 Motel 6 Charlotte Carowinds, Fort Mill
 Embassy Suites, Greenville
 InTown Suites Greenville North,
 Greenville
 InTown Suites Greenville South,
 Greenville
 Proposed Hilton Garden Inn,
 Greenville
 Savannah Suites, Greenville
 Westin Poinsett, Greenville
 Proposed Hampton by Hilton,
 Hardeeville
 Hilton Head Marriott Resort & Spa,
 Hilton Head Island
 Holiday Inn, Mount Pleasant
 Aqua Beach Inn, Myrtle Beach
 Crown Reef Resort, Myrtle Beach
 Holiday Inn Express, Myrtle Beach
 Springmaid Beach Resort, Myrtle
 Beach
 Sun N Sand Resort, Myrtle Beach
 Quality Inn, North Charleston
 Proposed Home2 Suites, Orangeburg
 Courtyard by Marriott, Rock Hill
 Hilton Garden Inn, Rock Hill
 Proposed Embassy Suites, Rock Hill
 Marriott Spartanburg at Renaissance
 Park, Spartanburg
 Motel 6, Spartanburg
 Proposed Courtyard, Summerville
 Proposed Residence Inn, Summerville
 Holiday Inn Oceanfront, Surfside
 Beach

TENNESSEE

Homewood Suites, Brentwood
 Embassy Suites Chattanooga Hamilton
 Place, Chattanooga

Fairfield Inn & Suites, Chattanooga
 Residence Inn by Marriott,
 Chattanooga
 Sheraton Read House, Chattanooga
 Staybridge Suites, Chattanooga
 TownePlace Suites by Marriott,
 Chattanooga
 DoubleTree by Hilton, Johnson City
 Proposed Fairfield Inn & Suites,
 Johnson City
 Red Roof Inn, Johnson City
 Fitness Center, Knoxville
 Hilton Hotel, Knoxville
 Marriott, Knoxville
 Proposed Extended-Stay Hotel –
 Farragut Hotel, Knoxville
 Red Roof Inn Knoxville West, Knoxville
 Holiday Inn Select, Memphis
 Staybridge Suites, Memphis
 Wyndham Garden, Memphis
 Homewood Suites Brentwood,
 Nashville
 Proposed Hotel, Nashville
 Rodeway Inn, Pigeon Forge

TEXAS

Days Inn, Amarillo
 Super 8 University, Austin
 Homewood Suites Market Center,
 Dallas
 Holiday Inn Express, Frisco
 Proposed Hilton Garden Inn, Frisco
 Proposed Courtyard by Marriott,
 Galveston
 Hampton Inn Medical Center, Houston
 Hilton Garden Inn Northwest, Houston
 Wyndham DFW Airport North, Irving
 Proposed Hotel, Lubbock
 Proposed Focused-Service, New
 Braunfels
 Quality Inn & Suites, San Antonio
 Holiday Inn Express, Waxahachie
 Proposed Fairfield Inn & Suites,
 Westover Hill

UTAH

Capitol Reef Resort, Torrey

VIRGINIA

Hilton Garden Inn, Arlington
 Proposed Hampton Inn, Bedford
 Proposed Boutique Hotel, Bristol
 Proposed Sessions Hotel, Bristol
 Quality Inn & Suites, Bristol
 Courtyard by Marriott, Charlottesville
 Proposed Beacon Hotel, Charlottesville
 Aloft Hotel, Chesapeake
 InTown Suites
 Chesapeake/Greenbrier, Chesapeake
 Residence Inn by Marriott, Chesapeake
 AmeriSuites (Hyatt Place Conversion),
 Chester
 Riverview Inn, Colonial Beach
 Hampton Inn Petersburg Southpark
 Mall, Colonial Heights
 Holiday Inn Petersburg North Fort Lee,
 Colonial Heights
 Best Western, Exmore
 Candlewood Suites, Fairfax
 Candlewood Suites, Glen Allen
 SpringHill Suites by Marriott
 Richmond VA Center, Glen Allen
 Country Inn & Suites, Hampton
 Embassy Suites, Hampton
 Suburban Extended Stay, Hampton
 Candlewood Suites, Herndon
 Proposed Hyatt Place, Herndon
 Proposed Sheraton, Herndon
 Comfort Inn Gunston Corner, Lorton
 Holiday Inn & Suites, Newport News
 Omni, Newport News
 Proposed Courtyard by Marriott,
 Newport News
 Proposed Residence Inn, Newport
 News
 Courtyard by Marriott, Norfolk
 SpringHill Suites by Marriott, Norfolk
 Country Inn & Suites, Richmond
 Holiday Inn Richmond South-Bells
 Road, Richmond
 Proposed Hyatt Place, Richmond

Suburban Extended Stay, Richmond
Candlewood Suites, Sterling
Suburban Extended Stay, Sterling
Proposed Hotel, Virginia Beach
Fairfield Inn & Suites by Marriott,
Williamsburg

WEST VIRGINIA

Comfort Inn West Cross Lanes,
Charleston
Comfort Inn, Cross Lanes

WISCONSIN

Proposed Aloft, Green Bay
Crowne Plaza, Madison
Marriott, Madison
Proposed Staybridge Suites,
Milwaukee

WYOMING

Lodge at Jackson Hole, Jackson
Rustic Inn, Jackson

INTERNATIONAL

Mexico

Proposed Thompson Hotel, Los
Veneros

Jamaica

Proposed Resort