



FEASIBILITY STUDY

Proposed Limited-Service Hotel Grandview

WINE COUNTRY ROAD
GRANDVIEW, Washington

SUBMITTED TO:

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PREPARED BY:

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March 12, 2019

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Re: Proposed Limited-Service Hotel Grandview
Grandview, Washington
HVS Reference: 2019020158

Dear Mr. Kidd:

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

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

Sincerely,
TS Worldwide, LLC

A handwritten signature in black ink, which appears to read 'Desiree Flanary', is positioned above the typed name of the signatory.

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Addenda

Qualifications

Copy of Appraisal License

Legal Descriptions for Site Parcels

STR Trend Report 2019

1. Executive Summary

Subject of the Feasibility Study

The subject of the feasibility study is a 911,710-square-foot (20.93-acre) site to be improved with a limited-service lodging facility; the hotel will be associated with a nationally recognized, limited-service brand; however, a specific one has not been determined as of our date of inspection. The property, which is expected to open on January 1, 2021, will feature 65 rooms, a breakfast dining area, an outdoor pool, a fitness room, a lobby workstation, a market pantry, a guest laundry room, and vending areas. The hotel will also contain the appropriate parking capacity (estimated 67) and all necessary back-of-the-house space.

The proposed limited-service hotel is expected to be part of a 20-acre mixed-use development in Grandview with frontage along Interstate 82. Following its opening, the proposed subject hotel would be the first nationally branded hotel in Grandview and the only hotel within a 25-mile radius. Retail and restaurant space is also expected to be constructed along Wine Country Road as part of the larger development. The subject site's location is Wine Country Road, Grandview, Washington, 98930.

Pertinent Dates

The effective date of the report is March 12, 2019. The subject site was inspected by Eileen Bosworth on February 5, 2019. In addition to the inspection, Eileen Bosworth participated in the research for this assignment and assisted in the report's preparation. Desiree M. Flanary, MAI, participated in the analysis and reviewed the findings but did not personally inspect the property.

Ownership, Franchise, and Management Assumptions

The subject site consists of three parcels, which are all owned by Grandview Investments LLC. The site's 16.93-acre parcel was purchased by Mary and Tim Nelson in 1997 from an undisclosed third party for a reported price of \$151,800. In 2013, this parcel was transferred at no cost to Grandview Investments LLC. Furthermore, the 2.2-acre parcel of the site was last sold in 2007 by Denton Morrow at a reported price of \$546,000 and then transferred to Grandview Investments LLC at no cost in 2008. Similarly, Morrow transferred another 1.8-acre parcel at no cost to Grandview Investments LLC in 1997. No other transfers of the parcels have reportedly occurred since 1997. The subject site is not under contract for purchase, but is listed for sale at an undisclosed price.

Details pertaining to management terms were not yet determined at the time of this report; however, we assume that the 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.

We recommend that the proposed subject hotel operate as an upper-midscale, limited-service property. While we have placed heavy consideration on the Fairfield Inn by Marriott brand, which is affiliated with Marriott, a specific franchise affiliation and/or brand has yet to be finalized. Based on our assumption that the property will be franchised with a nationally recognized brand, our franchise fee is reflected in our forecasts with a royalty fee of 5% of rooms revenue, and a marketing assessment of 2.5% of rooms revenue.

Summary of Hotel Market Trends

During the illustrated historical period, occupancy first peaked for this selected set of competitive hotels in 2016, with average rate growth since 2015. As a result, RevPAR peaked at nearly \$52 in 2016. Subsequent to the opening of the 75-room Holiday Inn Express in Prosser, occupancy began to decline in 2017. As this new supply was absorbed, the occupancy decline continued in 2018, and RevPAR dropped to nearly \$47 that year after also declining in 2017. Conversely, average rates continued to rise in 2017 and 2018, with rate growth driven largely by the entrance of the Holiday Inn Express, which operates at a higher price point and allows other market hotels to command higher rates. The entrance of this nationally branded hotel and the overall growing local economy have contributed to the latest trend. The near-term outlook is cautionary as the competitive market further adjusts to the new supply. Notable expansions and relocations of companies to the area in 2018 bode well for Grandview, which seeks to attract additional businesses in the future. However, it is important to note that no major business expansions were in the pipeline at the time of this report.

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

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

Average Daily		Occupied Room								
Year	Room Count	Available Room Nights	Change	Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2015	300	109,500	—	66,715	—	60.9 %	\$79.35	—	\$48.35	—
2016	300	109,500	0.0 %	68,398	2.5 %	62.5	82.13	3.5 %	51.30	6.1 %
2017	331	120,975	10.5	71,623	4.7	59.2	83.68	1.9	49.54	(3.4)
2018	375	136,875	13.1	75,187	5.0	54.9	86.14	2.9	47.32	(4.5)
Average Annual Compounded Change: 2015 - 2018			7.7		4.1			2.8		(0.7)
Hotels Included in Sample			Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened	Comments		
Rodeway Inn Sunnyside			Economy Class	Primary	69	Dec 2014	Jan 1979	Lobby is undergoing renovation.		
Quality Inn & Suites Toppenish Yakima Valley			Midscale Class	Secondary	44	Jan 2009	Jan 1979	Guestroom remodel in 2018 included new bedding, linens, refrigerators and microwaves.		
Best Western Plus The Inn @ Horse Heaven			Upper Midscale Class	Primary	85	Jul 2011	Aug 1994	The property is underwent a lobby renovation in 2018 and is expected to add granite vanities in the guestroom bathrooms.		
Quality Inn Sunnyside Heart Of Wine Country			Midscale Class	Primary	48	Mar 2014	Jun 1997	Last guestroom remodel in 2014/2015 included new bedding and FFE replacement.		
Best Western Plus Grapevine Inn			Upper Midscale Class	Primary	54	Jul 2011	Oct 2004	Offers views of adjacent vineyard. Under renovation to add 28 rooms.		
Holiday Inn Express & Suites Prosser Yakima Valley Wine			Upper Midscale Class	Primary	75	Aug 2017	Aug 2017	Under same ownership as adjacent Love's Travel Stop & Country Store.		
Total					375					
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 1-2 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Est. Segmentation				Estimated 2017				Estimated 2018					
	Number of Rooms	Leisure	Commercial	Group	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Holiday Inn Express & Suites Prosser Yakima Valley Wine	75	40 %	45 %	15 %	25	25 - 30 %	\$105 - \$110	\$30 - \$35	75	55 - 60 %	\$100 - \$105	\$55 - \$60	100 - 110 %	120 - 130 %
Best Western Plus Grapevine Inn	54	50	40	10	54	60 - 65	90 - 95	55 - 60	54	50 - 55	85 - 90	45 - 50	95 - 100	90 - 95
Best Western Plus The Inn at Horse Heaven	85	50	40	10	85	60 - 65	95 - 100	60 - 65	85	50 - 55	95 - 100	50 - 55	100 - 110	100 - 110
Quality Inn Sunnyside Heart of Wine Country	48	60	35	5	48	55 - 60	80 - 85	45 - 50	48	50 - 55	80 - 85	40 - 45	95 - 100	85 - 90
Sub-Totals/Averages	262	49 %	41 %	11 %	212	58.4 %	\$91.47	\$53.44	262	54.7 %	\$92.94	\$50.85	99.7 %	106.0 %
Secondary Competitors	113	66 %	32 %	2 %	85	60.6 %	\$69.94	\$42.39	85	55.4 %	\$70.58	\$39.13	101.0 %	81.5 %
Totals/Averages	375	53 %	38 %	8 %	297	59.0 %	\$85.16	\$50.28	347	54.9 %	\$87.42	\$47.99	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 1-3 SECONDARY COMPETITORS – OPERATING PERFORMANCE

Property	Est. Segmentation				Total Competitive Level	Estimated 2017				Estimated 2018			
	Number of Rooms	Leisure	Commercial	Group		Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Quality Inn & Suites Toppenish	44	60 %	35 %	5 %	75 %	33	55 - 60 %	\$80 - \$85	\$45 - \$50	33	50 - 55 %	\$80 - \$85	\$40 - \$45
Rodeway Inn Sunnyside	69	70	30	0	75	52	60 - 65	60 - 65	35 - 40	52	55 - 60	65 - 70	35 - 40
Totals/Averages	113	66 %	32 %	2 %	75 %	85	60.6 %	\$69.94	\$42.39	85	55.4 %	\$70.58	\$39.13

** 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 53% 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 1-4 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

Calendar Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
Market ADR	\$87.42	\$89.61	\$91.85	\$94.60	\$97.44	\$100.36	\$103.37	\$106.48	\$109.67
Projected Market ADR Growth Rate	—	2.5%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Property ADR (As-If Stabilized)	\$100.00	\$102.50	\$105.06	\$108.21	\$111.46	\$114.80	\$118.25	\$121.80	\$125.45
ADR Growth Rate	—	2.5%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Stabilized ADR Penetration	114%	114%	114%	114%	114%	114%	114%	114%	114.4%
Fiscal Year									
				2021	2022	2023	2024	2025	2026
Proposed Subject Property Average Rate				\$108.21	\$111.46	\$114.80	\$118.25	\$121.80	\$125.45
Opening Discount				5.0%	2.0%	0.0%	0.0%	0.0%	0.0%
Average Rate After Discount				\$102.80	\$109.23	\$114.80	\$118.25	\$121.80	\$125.45
Real Average Rate Growth				—	6.3%	5.1%	3.0%	3.0%	3.0%
Market ADR				\$94.60	\$97.44	\$100.36	\$103.37	\$106.48	\$109.67
Proposed Subject ADR Penetration (After Discount)				109%	112%	114%	114%	114%	114%
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate				\$95.00	\$98.00	\$100.00	\$100.00	\$100.00	\$100.00

Summary of Forecast Income and Expense Statement

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

FIGURE 1-5 DETAILED FORECAST OF INCOME AND EXPENSE

	2021 (Calendar Year)				2022				2023				Stabilized				2025			
Number of Rooms:	65				65				65				65				65			
Occupancy:	45%				52%				53%				53%				53%			
Average Rate:	\$102.80				\$109.23				\$114.80				\$118.25				\$121.80			
RevPAR:	\$46.26				\$56.80				\$60.85				\$62.67				\$64.55			
Days Open:	365				365				365				365				365			
Occupied Rooms:	10,676	%Gross	PAR	POR	12,337	%Gross	PAR	POR	12,574	%Gross	PAR	POR	12,574	%Gross	PAR	POR	12,574	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	\$1,098	99.2 %	\$16,892	\$102.85	\$1,348	99.3 %	\$20,738	\$109.26	\$1,444	99.3 %	\$22,215	\$114.84	\$1,487	99.3 %	\$22,877	\$118.26	\$1,531	99.3 %	\$23,554	\$121.76
Other Operated Departments	6	0.6	100	0.61	7	0.5	107	0.56	7	0.5	111	0.57	7	0.5	114	0.59	8	0.5	118	0.61
Miscellaneous Income	3	0.2	40	0.24	3	0.2	43	0.23	3	0.2	44	0.23	3	0.2	46	0.24	3	0.2	47	0.24
Total Operating Revenues	1,107	100.0	17,032	103.70	1,358	100.0	20,889	110.06	1,454	100.0	22,371	115.64	1,497	100.0	23,037	119.09	1,542	100.0	23,719	122.61
DEPARTMENTAL EXPENSES *																				
Rooms	320	29.1	4,918	29.94	348	25.8	5,350	28.19	361	25.0	5,552	28.70	372	25.0	5,719	29.56	383	25.0	5,890	30.45
Total Expenses	323	29.2	4,969	30.25	351	25.9	5,404	28.47	365	25.1	5,608	28.99	375	25.1	5,776	29.86	387	25.1	5,949	30.75
DEPARTMENTAL INCOME	784	70.8	12,063	73.44	1,007	74.1	15,485	81.59	1,090	74.9	16,763	86.65	1,122	74.9	17,261	89.23	1,155	74.9	17,770	91.86
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	114	10.3	1,751	10.66	122	9.0	1,877	9.89	127	8.7	1,952	10.09	131	8.7	2,010	10.39	135	8.7	2,070	10.70
Info & Telecom Systems	20	1.8	309	1.88	22	1.6	331	1.75	22	1.5	344	1.78	23	1.5	355	1.83	24	1.5	365	1.89
Marketing	35	3.2	541	3.29	37	2.7	563	2.97	37	2.6	574	2.97	38	2.6	591	3.06	40	2.6	609	3.15
Franchise Fee	82	7.4	1,267	7.71	101	7.4	1,555	8.19	108	7.4	1,666	8.61	112	7.4	1,716	8.87	115	7.4	1,767	9.13
Prop. Operations & Maint.	42	3.8	649	3.95	48	3.5	734	3.87	52	3.6	804	4.15	54	3.6	828	4.28	55	3.6	853	4.41
Utilities	67	6.0	1,030	6.27	72	5.3	1,104	5.82	75	5.1	1,148	5.94	77	5.1	1,183	6.11	79	5.1	1,218	6.30
Total Expenses	361	32.5	5,547	33.77	401	29.5	6,165	32.48	422	28.9	6,488	33.54	434	28.9	6,682	34.54	447	28.9	6,882	35.57
GROSS HOUSE PROFIT	424	38.3	6,516	39.67	606	44.6	9,320	49.11	668	46.0	10,275	53.11	688	46.0	10,579	54.68	708	46.0	10,888	56.28
Management Fee	33	3.0	511	3.11	41	3.0	627	3.30	44	3.0	671	3.47	45	3.0	691	3.57	46	3.0	712	3.68
INCOME BEFORE NON-OPR. INC. & EXP.	390	35.3	6,005	36.56	565	41.6	8,694	45.80	624	43.0	9,604	49.64	643	43.0	9,888	51.11	661	43.0	10,176	52.60
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	81	7.3	1,246	7.59	83	6.1	1,277	6.73	86	5.9	1,316	6.80	88	5.9	1,355	7.01	91	5.9	1,396	7.22
Insurance	18	1.6	271	1.65	18	1.3	279	1.47	19	1.3	287	1.48	19	1.3	296	1.53	20	1.3	304	1.57
Reserve for Replacement	22	2.0	341	2.07	41	3.0	627	3.30	58	4.0	895	4.63	60	4.0	921	4.76	62	4.0	949	4.90
Total Expenses	121	10.9	1,858	11.31	142	10.4	2,183	11.50	162	11.2	2,498	12.91	167	11.2	2,572	13.30	172	11.2	2,649	13.69
EBITDA LESS RESERVE	\$270	24.4 %	\$4,147	\$25.25	\$423	31.2 %	\$6,511	\$34.30	\$462	31.8 %	\$7,106	\$36.73	\$475	31.8 %	\$7,315	\$37.81	\$489	31.8 %	\$7,527	\$38.91

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

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

	2021		2022		2023		2024		2025		2026		2027		2028		2029		2030	
Number of Rooms:	65		65		65		65		65		65		65		65		65		65	
Occupied Rooms:	10,676		12,337		12,574		12,574		12,574		12,574		12,574		12,574		12,574		12,574	
Occupancy:	45%		52%		53%		53%		53%		53%		53%		53%		53%		53%	
Average Rate:	\$102.80	% of	\$109.23	% of	\$114.80	% of	\$118.25	% of	\$121.80	% of	\$125.45	% of	\$129.21	% of	\$133.09	% of	\$137.08	% of	\$141.20	% of
RevPAR:	\$46.26	Gross	\$56.80	Gross	\$60.85	Gross	\$62.67	Gross	\$64.55	Gross	\$66.49	Gross	\$68.48	Gross	\$70.54	Gross	\$72.65	Gross	\$74.83	Gross
OPERATING REVENUE																				
Rooms	\$1,098	99.2 %	\$1,348	99.3 %	\$1,444	99.3 %	\$1,487	99.3 %	\$1,531	99.3 %	\$1,577	99.3 %	\$1,625	99.3 %	\$1,674	99.3 %	\$1,724	99.3 %	\$1,775	99.3 %
Other Operated Departments	6	0.6	7	0.5	7	0.5	7	0.5	8	0.5	8	0.5	8	0.5	8	0.5	9	0.5	9	0.5
Miscellaneous Income	3	0.2	3	0.2	3	0.2	3	0.2	3	0.2	3	0.2	3	0.2	3	0.2	3	0.2	4	0.2
Total Operating Revenues	1,107	100.0	1,358	100.0	1,454	100.0	1,497	100.0	1,542	100.0	1,588	100.0	1,636	100.0	1,686	100.0	1,736	100.0	1,787	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	320	29.1	348	25.8	361	25.0	372	25.0	383	25.0	394	25.0	406	25.0	418	25.0	431	25.0	444	25.0
Total Expenses	323	29.2	351	25.9	365	25.1	375	25.1	387	25.1	398	25.1	410	25.1	423	25.1	435	25.1	448	25.1
DEPARTMENTAL INCOME	784	70.8	1,007	74.1	1,090	74.9	1,122	74.9	1,155	74.9	1,190	74.9	1,226	74.9	1,263	74.9	1,301	74.9	1,339	74.9
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	114	10.3	122	9.0	127	8.7	131	8.7	135	8.7	139	8.7	143	8.7	147	8.7	151	8.7	156	8.7
Info & Telecom Systems	20	1.8	22	1.6	22	1.5	23	1.5	24	1.5	24	1.5	25	1.5	26	1.5	27	1.5	28	1.5
Marketing	35	3.2	37	2.7	37	2.6	38	2.6	40	2.6	41	2.6	42	2.6	43	2.6	45	2.6	46	2.6
Franchise Fee	82	7.4	101	7.4	108	7.4	112	7.4	115	7.4	118	7.4	122	7.4	126	7.4	129	7.4	133	7.4
Prop. Operations & Maint.	42	3.8	48	3.5	52	3.6	54	3.6	55	3.6	57	3.6	59	3.6	61	3.6	62	3.6	64	3.6
Utilities	67	6.0	72	5.3	75	5.1	77	5.1	79	5.1	82	5.1	84	5.1	87	5.1	89	5.1	92	5.1
Total Expenses	361	32.6	401	29.5	422	29.0	434	29.0	447	29.0	461	29.0	475	29.0	489	29.0	504	29.0	519	29.0
GROSS HOUSE PROFIT	424	38.2	606	44.6	668	45.9	688	45.9	708	45.9	729	45.9	751	45.9	774	45.9	797	45.9	821	45.9
Management Fee	33	3.0	41	3.0	44	3.0	45	3.0	46	3.0	48	3.0	49	3.0	51	3.0	52	3.0	54	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	390	35.2	565	41.6	624	42.9	643	42.9	661	42.9	681	42.9	702	42.9	724	42.9	745	42.9	767	42.9
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	81	7.3	83	6.1	86	5.9	88	5.9	91	5.9	93	5.9	96	5.9	99	5.9	102	5.9	105	5.9
Insurance	18	1.6	18	1.3	19	1.3	19	1.3	20	1.3	20	1.3	21	1.3	22	1.3	22	1.3	23	1.3
Reserve for Replacement	22	2.0	41	3.0	58	4.0	60	4.0	62	4.0	64	4.0	65	4.0	67	4.0	69	4.0	71	4.0
Total Expenses	121	10.9	142	10.4	162	11.2	167	11.2	172	11.2	177	11.2	183	11.2	188	11.2	194	11.2	200	11.2
EBITDA LESS RESERVE	\$270	24.3 %	\$423	31.2 %	\$462	31.7 %	\$475	31.7 %	\$489	31.7 %	\$504	31.7 %	\$520	31.7 %	\$535	31.7 %	\$551	31.7 %	\$567	31.7 %

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

Feasibility Conclusion

The Feasibility Analysis chapter of this report converts these cash flows into a net present value indication assuming set-forth debt and equity requirements. The conclusion of this analysis indicates that an equity investor contributing \$2,376,000 (roughly 35% of the \$6,800,000 development cost) could expect to receive a 5.0% internal rate of return over a ten-year holding period, assuming that the investor obtains financing at the time of the project's completion at the loan-to-value ratio and interest rate set forth. Based on our market analysis, there is not sufficient market support for the proposed limited-service hotel. Our review of investor surveys indicates equity returns ranging from 12.7% to 26.1%, with an average of 18.8%. Based on market parameters, the calculated return to the equity investor, 5.0%, is below the average and the range of market-level returns given the anticipated cost to build a hotel of this type, estimated to be approximately \$6,800,000. In order for a project of this type to be feasible, it would need the support of the city and/or county government via incentives to help offset the construction cost. These incentives could include (but are not limited to) property tax exemptions, providing the land at no cost, waiving the development and impact fees, and providing discounted or free utilities connections. In addition, Grandview would need to attract more local employers, particularly employers that utilize overnight lodging, for a hotel of this type to remain successful in the long term.

Assignment Conditions

"Extraordinary Assumption" is defined in USPAP as follows:

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis.¹

The analysis is based on the extraordinary assumption that the described improvements have been completed as of the stated date of opening. The reader should understand that the completed subject property does not yet exist as of the date of this report. Our feasibility study does not address unforeseeable events that could alter the proposed project, and/or the market conditions reflected in the analyses; we assume that no significant changes, other than those anticipated and explained in this report, shall take place between the date of inspection and stated

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

date of opening. The use of this extraordinary assumption may have affected the assignment results. We have made no other extraordinary assumptions specific to this feasibility study. However, several important general assumptions have been made that apply to this feasibility study and our studies of proposed hotels in general. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.

Intended Use of the Feasibility Study

This feasibility report is being prepared for use by the client to determine if enough lodging demand currently exists for the development of a limited-service hotel in the City of Grandview, Washington.

Identification of the Client and Intended User(s)

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

Scope of Work

The methodology used to develop this study is based on the market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled *The Valuation of Hotels and Motels*,² *Hotels, Motels and Restaurants: Valuations and Market Studies*,³ *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*,⁴ *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*,⁵ and *Hotels and Motels – Valuations and Market Studies*.⁶

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

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

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

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

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

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

3. 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.
4. 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.
5. 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.
6. Documentation for an occupancy and ADR projection is derived utilizing the build-up approach based on an analysis of lodging activity.
7. A detailed projection of income and expense made in accordance with the Uniform System of Accounts for the Lodging Industry sets forth the anticipated economic benefits of the proposed subject property.
8. A feasibility analysis is performed, in which the market equity yield that an investor would expect is compared to the equity yield that an investor must accept.

2. Description of the Site and Neighborhood

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

The subject site is located in North Grandview, to the east of the intersection formed by the Interstate 82/U.S. Highway 12 entrance ramp and Wine Country Road. This site is in the city of Grandview, Washington.

Physical Characteristics

The subject site measures approximately 20.93 acres, or 911,710 square feet. The parcel's adjacent uses are set forth in the following table.

FIGURE 2-1 SUBJECT PARCEL'S ADJACENT USES

Direction	Adjacent Use
North	Interstate 82/U.S. Highway 12
East	North Euclid Road
South	Wine Country Road
West	Wine Country Road

VIEW OF SUBJECT SITE



Topography and Site Utility

The topography of the site is generally flat, and the shape of the site should permit efficient use of the site for building and site improvements, including ingress and egress. The subject site is favorably situated for commercial use. With easy access to Interstate 82/ U.S. Highway 12, the site is well suited for a variety of uses, including mixed-use space, hotel use, and multi-family residential. The hotel site is currently part of a nearly 21-acre, three-parcel site that is expected to be subdivided as the master development plan is implemented. We assume that the hotel site will be subdivided into its own parcel as part of the process; therefore, upon completion of construction, the subject site will not contain any significant portion of undeveloped land that could be sold, entitled, and developed for alternate use. It is expected that the site will be developed fully with building and site improvements, thus contributing to the overall profitability of the hotel.

AERIAL PHOTOGRAPH



VIEW FROM SITE TO THE NORTH



VIEW FROM SITE TO THE SOUTH



VIEW FROM SITE TO THE EAST



VIEW FROM SITE TO THE WEST



Access and Visibility

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

MAP OF REGIONAL ACCESS ROUTES



Regional access to/from the city of Grandview and the subject site, in particular, is considered very good. The subject market is served by a variety of additional local highways, which are illustrated on the map.

Primary vehicular access to the subject site will be provided by Wine Country Road. The subject site is located along Interstate 82/U.S. Highway 12 and is relatively simple to locate from this highway. The proposed subject hotel is anticipated to have adequate signage at the street, as well as on its façade. The hotel would also be anticipated to be featured on the adjacent highway's lodging options sign for Grandview Exit 73. Overall, the subject site benefits from very good accessibility, and the proposed hotel is expected to enjoy favorable visibility from within its local neighborhood.

Airport Access

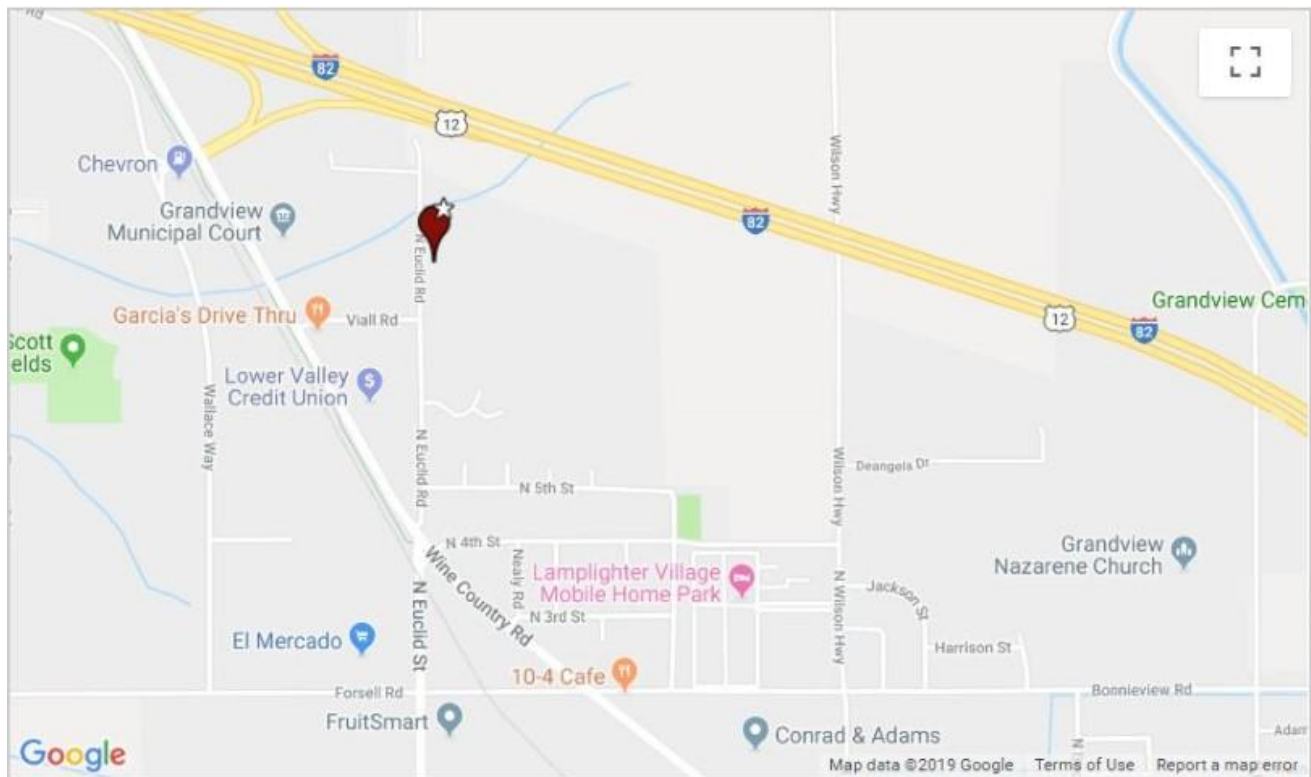
The proposed subject hotel will be served by the Tri-Cities Airport, which is located approximately 38 miles to the east of the subject site.

Neighborhood

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

The neighborhood that surrounds the subject site is generally defined by Interstate 82/U.S. Highway 12 to the north, North Euclid Road to the east, West 2nd Street to the south, and Puterbaugh Road to the west. The neighborhood is characterized by restaurants, office buildings, and industrial parks along the primary thoroughfares, with residential areas located along the secondary roadways. Some specific businesses and entities in the area include the Yakima Valley Fair & Rodeo grounds, FruitSmart, and Fast Mobile Service Truck Repair; nearby hotels include the Apple Valley Motel. Restaurants located near the subject site include Subway, Garcia's Drive Thru, and New Hong Kong Restaurant. In general, this neighborhood is in the stable stage of its life cycle. Notable recent changes in this neighborhood include Byam Business Park and Wallace Way Business Park both reaching full tenancy in 2018. The proposed subject hotel's opening should be a positive influence on the area; the hotel will be in character with and will complement surrounding land uses.

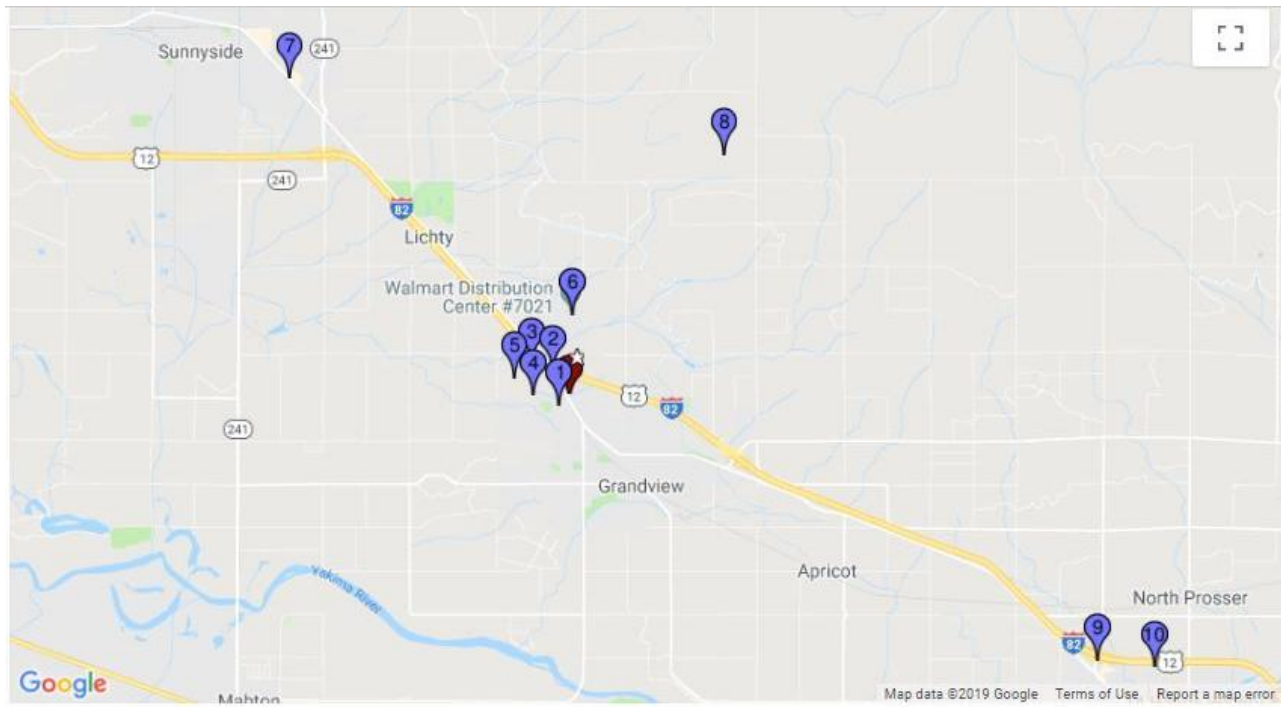
MAP OF NEIGHBORHOOD
























Proximity to Local Demand Generators and Attractions

The subject site is located near the area's primary generators of lodging demand. A sample of these demand generators is reflected on the following map, including respective distances from and drive times to the subject site. Overall, the subject site is well situated with respect to demand generators.

ACCESS TO DEMAND GENERATORS AND ATTRACTIONS



 Demand Generator	Approx. Driving Time from Subject Property	Approx. Driving Distance
 Subject Property		
 1 Yakima Valley Fair & Rodeo	 1 minute	↔ 0 mile
 2 Henningsen Cold Storage	 1 minute	↔ 0 mile
 3 Indian River Transport	 2 minutes	↔ 1 mile
 4 Fast Mobile Service Truck Repair	 2 minutes	↔ 1 mile
 5 Bestebreur Bros. Construction, Inc.	 2 minutes	↔ 1 mile
 6 Walmart Distribution Center #7021	 5 minutes	↔ 2 miles
 7 Popeye's Louisiana Kitchen	 7 minutes	↔ 5 miles
 8 Bill's Berry Farm	 10 minutes	↔ 6 miles
 9 Love's Travel Stop	 7 minutes	↔ 7 miles
 10 Airfield Estates Winery, Prosser	 10 minutes	↔ 8 miles

Utilities

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

**Seismicity, Soil and
Subsoil Conditions**

The site is located within the identified Seismic Zone 2B. This condition is consistent with the surrounding real estate and does not affect the subject site's utility or marketability. Geological and soil reports were not provided to us or made available for our review during the preparation of this report. We are not qualified to evaluate soil conditions other than by a visual inspection of the surface; no extraordinary conditions were apparent.

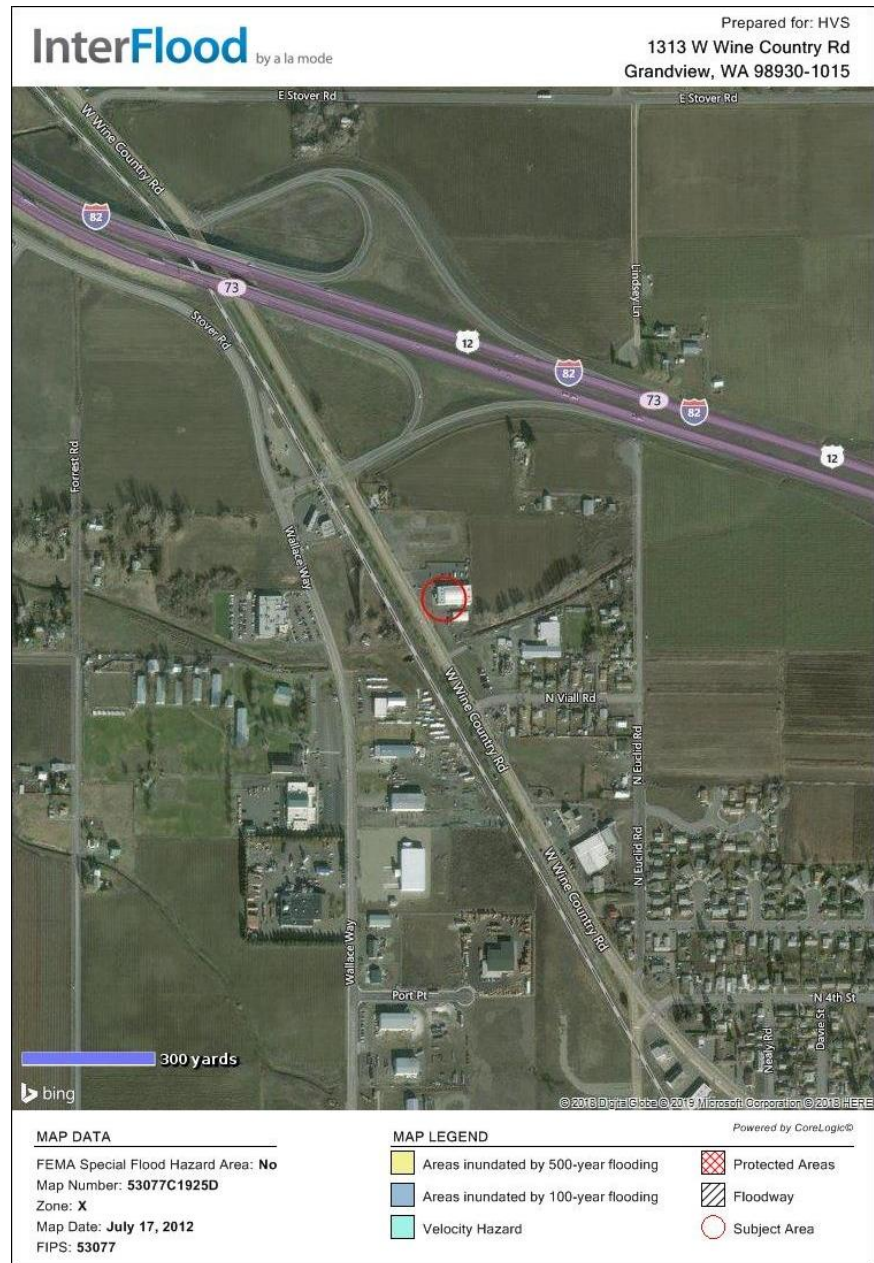
**Nuisances
and Hazards**

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

Flood Zone

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

COPY OF FLOOD MAP AND COVER



The flood zone definition for the designation is as follows: Zone X

Zoning

According to the local planning office, the subject property is zoned as follows: C2 - General Business. Additional details pertaining to the proposed subject property's zoning regulations are summarized in the following table.

FIGURE 2-2 ZONING

Municipality Governing Zoning	Yakima County
Current Zoning	C2 - General Business
Current Use	Agricultural, General Commercial
Is Current Use Permitted?	Yes
Is Change in Zoning Likely?	No
Permitted Uses	Office Use, Retail Sales , Department Stores, Hotels, Motels, Grocery Stores, Wineries, Theaters, Gasoline Station
Hotel Allowed	Yes
Legally Non-Conforming	No

Legal Description, Easements and Encroachments

A copy of the subject property's legal description is provided in the addenda to this report. We are not experts in interpreting legal descriptions. The description appears to be accurate; however, we suggest obtaining verification of this description from a qualified expert. We are not aware of any easements attached to the property that would significantly affect the utility of the site or marketability of this project.

Conclusion

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities. The subject site is favorably located near the interstate along a well-traveled commercial corridor. In general, the site should be well suited for future hotel use, with acceptable access, visibility, and topography for an effective operation.

3. Market Area Analysis

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

Market Area Definition

The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject site is located in the city of Grandview, the county of Yakima, and the state of Washington. The city of Grandview is part of the Yakima Valley economic base, located 40 miles from Yakima to the northwest and Kennewick, which is part of the Tri-Cities, to the east. Grandview is defined by its views of Mount Rainier, Mount Adams, the Rattlesnake Hills, and Horse Heaven Hills. The area is known for its agricultural production, spanning fruits and vegetables such as apples, cherries, concord and wine grapes, hops, asparagus, corn, and wheat. The area's economic base is also supported by processing plants, cold storage facilities, healthcare facilities, vineyards, and a Walmart distribution center. The city's convenient location along Interstate 82 and U.S Highway 12 provides further economic opportunity, as multiple vacant sites are available for manufacturing development.

GRANDVIEW



The subject property's market area can be defined by its Metropolitan Statistical Area (MSA): Yakima, WA MSA. The following exhibit illustrates the market area.

MAP OF MARKET AREA



Economic and Demographic Review

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

These data are summarized in the following table.

FIGURE 3-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	2000	2010	2018	2025	Average Annual Compounded Change			
					2000-10	2010-18	2018-25	
Resident Population (Thousands)								
Yakima County	222.6	244.3	252.5	263.3	0.9 %	0.4 %	0.6 %	
State of Washington	5,910.5	6,743.2	7,472.1	8,172.6	1.3	1.3	1.3	
United States	282,162.4	309,348.1	328,910.9	350,937.2	0.9	0.8	0.9	
Per-Capita Personal Income*								
Yakima County	\$27,032	\$31,459	\$37,094	\$40,648	1.5	2.1	1.3	
Yakima, WA MSA	27,032	31,459	37,094	40,648	1.5	2.1	1.3	
State of Washington	39,502	41,508	50,949	54,680	0.5	2.6	1.0	
United States	36,812	39,622	46,097	50,233	0.7	1.9	1.2	
W&P Wealth Index								
Yakima County	74.7	79.3	80.8	81.1	0.6	0.2	0.1	
Yakima, WA MSA	74.7	79.3	80.8	81.1	0.6	0.2	0.1	
State of Washington	107.3	105.4	111.4	110.1	(0.2)	0.7	(0.2)	
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0	
Food and Beverage Sales (Millions)*								
Yakima County	\$207	\$215	\$284	\$309	0.4	3.5	1.2	
Yakima, WA MSA	207	215	284	309	0.4	3.5	1.2	
State of Washington	7,977	9,515	12,118	13,429	1.8	3.1	1.5	
United States	368,829	447,728	597,451	662,610	2.0	3.7	1.5	
Total Retail Sales (Millions)*								
Yakima County	\$2,532	\$2,496	\$2,926	\$3,143	(0.1)	2.0	1.0	
Yakima, WA MSA	2,532	2,496	2,926	3,143	(0.1)	2.0	1.0	
State of Washington	83,348	107,261	144,044	162,642	2.6	3.8	1.7	
United States	3,902,830	4,130,414	5,081,233	5,598,240	0.6	2.6	1.4	

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population has grown at an average annual compounded rate of 0.8% from 2010 through 2018. The county's population has grown more slowly than the nation's population; the average annual growth rate of 0.4% between 2010 and 2018 reflects a gradually expanding area. Following this population trend, per-capita personal income increased modestly, at 2.1% on average annually for the county between 2010 and 2018. Local wealth indexes have remained stable in recent years, registering a relatively modest 80.8 level for the county in 2018.

Food and beverage sales totaled \$284 million in the county in 2018, versus \$215 million in 2010. This reflects a 3.5% average annual change, which is stronger than the 0.4% pace recorded in the prior decade, the latter years of which were adversely affected by the recession. Over the long term, the pace of growth is forecast to moderate to a more sustainable level of 1.2%, which is forecast through 2025. The retail sales sector demonstrated an annual decline of -0.1% registered in the decade 2000 to 2010, followed by an increase of 2.0% in the period 2010 to 2018. An increase of 1.0% average annual change is expected in county retail sales through 2025.

Workforce Characteristics

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

The following table sets forth the county workforce distribution by business sector in 2000, 2010, and 2018, as well as a forecast for 2025.

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

Industry	2000	Percent of Total	2010	Percent of Total	2018	Percent of Total	2025	Percent of Total	Average Annual Compounded Change		
									2000- 2010	2010- 2018	2018- 2025
Farm	15.6	13.8 %	15.5	13.0 %	18.4	13.4 %	19.6	13.2 %	(0.1) %	2.2 %	0.9 %
Forestry, Fishing, Related Activities And Other	4.9	4.3	7.9	6.6	10.7	7.8	12.1	8.1	5.0	3.9	1.7
Mining	0.0	0.0	0.1	0.1	0.2	0.1	0.2	0.1	14.3	2.9	1.3
Utilities	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.1	(1.1)	(1.7)	0.1
Construction	4.5	4.0	4.3	3.6	5.5	4.0	5.9	3.9	(0.5)	3.1	1.0
Manufacturing	11.6	10.3	8.0	6.7	9.5	6.9	9.5	6.4	(3.7)	2.3	0.0
Total Trade	17.0	15.1	16.9	14.1	19.3	14.1	20.7	13.9	(0.1)	1.7	1.0
Wholesale Trade	5.0	4.4	4.5	3.8	5.3	3.9	5.5	3.7	(0.9)	2.1	0.5
Retail Trade	12.1	10.7	12.4	10.4	14.0	10.2	15.2	10.2	0.2	1.6	1.2
Transportation And Warehousing	3.2	2.8	3.8	3.2	4.4	3.2	4.5	3.1	1.9	1.8	0.5
Information	1.2	1.1	0.9	0.8	1.0	0.7	1.1	0.7	(2.6)	0.5	1.4
Finance And Insurance	2.7	2.4	3.1	2.6	3.2	2.3	3.6	2.4	1.7	0.2	1.8
Real Estate And Rental And Lease	2.7	2.4	3.5	2.9	3.9	2.9	4.2	2.8	2.7	1.6	0.8
Total Services	32.8	29.1	36.8	30.8	42.2	30.7	46.6	31.4	1.2	1.7	1.4
Professional And Technical Services	3.1	2.8	3.4	2.9	3.4	2.5	3.6	2.5	0.9	(0.2)	1.1
Management Of Companies And Enterprises	0.6	0.5	0.5	0.4	0.7	0.5	0.8	0.5	(0.7)	4.0	0.7
Administrative And Waste Services	3.1	2.8	2.8	2.4	2.9	2.1	3.1	2.1	(1.0)	0.2	1.0
Educational Services	1.2	1.1	1.7	1.4	2.2	1.6	2.5	1.7	3.5	3.4	1.7
Health Care And Social Assistance	12.1	10.7	15.2	12.8	17.9	13.0	20.3	13.7	2.3	2.0	1.8
Arts, Entertainment, And Recreation	1.4	1.3	1.6	1.4	1.9	1.4	2.1	1.4	1.3	2.0	1.1
Accommodation And Food Services	5.6	4.9	6.2	5.2	7.6	5.6	8.1	5.5	1.1	2.6	0.9
Other Services, Except Public Administration	5.6	5.0	5.3	4.4	5.6	4.1	6.1	4.1	(0.7)	0.8	1.2
Total Government	16.5	14.6	18.3	15.4	18.8	13.7	20.5	13.8	1.0	0.3	1.2
Federal Civilian Government	1.6	1.4	1.4	1.2	1.2	0.9	1.2	0.8	(1.2)	(1.3)	(0.5)
Federal Military	0.9	0.8	0.8	0.7	0.8	0.6	0.8	0.5	(0.3)	(1.0)	0.1
State And Local Government	14.1	12.5	16.1	13.5	16.8	12.2	18.5	12.5	1.3	0.5	1.4
TOTAL	113.0	100.0 %	119.3	100.0 %	137.3	100.0 %	148.6	100.0 %	0.5 %	1.8 %	1.1 %
MSA	113.0	—	119.3	—	137.3	—	148.6	—	0.5 %	1.8 %	1.1 %
U.S.	165,372.0	—	173,034.7	—	202,637.9	—	223,254.5	—	1.1	2.0	1.4

Source: Woods & Poole Economics, Inc.

Unemployment Statistics

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 0.5%. This trend was on par with the growth rate recorded by the MSA and also lagged the national average. More recently, the pace of total employment growth in the county accelerated to 1.8% on an annual average from 2010 to 2018, reflecting the initial years of the recovery.

Of the primary employment sectors, Total Services recorded the highest increase in number of employees during the period from 2010 to 2018, increasing by 5,400 people, or 14.7%, and rising from 30.8% to 30.7% of total employment. Of the various service sub-sectors, Health Care And Social Assistance and Accommodation And Food Services were the largest employers. Strong growth was also recorded in the Farm sector, as well as the Farm sector, which expanded by 18.9% and 35.5%, respectively, in the period 2010 to 2018. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 1.1% on average annually through 2025. The trend is below the forecast rate of change for the U.S. as a whole during the same period.

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

FIGURE 3-3 UNEMPLOYMENT STATISTICS

Year	County	State	U.S.
2008	7.3 %	5.4 %	5.8 %
2009	9.0	9.2	9.3
2010	10.6	10.0	9.6
2011	10.7	9.3	8.9
2012	10.6	8.1	8.1
2013	10.0	7.0	7.4
2014	8.7	6.1	6.2
2015	8.1	5.7	5.3
2016	7.5	5.3	4.9
2017	6.8	4.8	4.4
<i>Recent Month - Dec</i>			
2017	8.1 %	4.9 %	4.1 %
2018	8.3	4.7	3.9

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% each month during the first quarter of 2018, as well as the last quarter of 2017, roughly six points below the October 2009 peak of 10.0%. From September through November of 2018, the rate remained low at 3.7%, before rising to 3.9% in December. Total nonfarm payroll employment increased by 274,000, 176,000, and 312,000 jobs in October, November, and December of 2018, respectively. Gains in December occurred in the health care, food services and drinking places, construction, manufacturing, and retail trade 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. The unemployment rate fell to a 48-year low in September, a trend that continued through November. By the end of 2018, the number of unemployed persons was 6.3 million (versus 6.6 million at the end of 2017).

Locally, the unemployment rate was 6.8% in 2017; for this same area in 2018, the most recent month's unemployment rate was registered at 8.3%, versus 8.1% for the same month in 2017. Unemployment rose in 2009 because of the national recession, and this trend continued through 2012. Overall, the region fared relatively well, primarily due to funding provided for the Hanford Site cleanup. However, in 2011, the stimulus bill that helped fund the cleanup efforts was depleted, causing a loss of approximately 2,000 jobs; layoffs at the Hanford Site continued through 2012. Unemployment began to recover in 2013. The most recent comparative period illustrates that the unemployment rate has improved, as indicated by the latest available data for 2018. Local economic development officials noted that the job market is now believed to be relatively stable, with no large businesses planning to enter or leave the area.

Major Business and Industry

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

FIGURE 3-4 MAJOR EMPLOYERS

Rank	Firm	Number of Employees
1	Wal-Mart Grocery Distribution Center No. 7021	719
2	Grandview School District	562
3	Yakima Valley Farm Workers Clinic	116
4	FruitSmart	150
5	Conrad Adams Fruit (seasonal)	100-416
6	Bleyhl Farm Services	89
7	J.M. Smucker Company	75
8	Yakima Valley College	70
9	Welch's Foods	60
10	Shonan USA	50

Source: Port of Grandview, 2019

The opening of the Walmart Distribution Center in 2004, now the biggest employer in Grandview, was a growth catalyst in the region. To support and attract new development, the Port of Grandview strategically developed vacant land into the 67-acre Byam Business Park and 28-acre Wallace Business Park. According to port representatives, both sites are now virtually full, with a majority of new business entering in 2018. One of the most significant additions was the 142,000-square-foot, temperature-controlled warehouse for Henningsen Cold Storage Company. Phase I of the project was completed in June 2018 for \$30 million. Phases II and III are expected to further expand the existing warehouse. Furthermore, Indian River Transport, a food-grade liquid-handler and transporting company, relocated to Grandview and added a new terminal that includes a repair facility and a food-grade tank wash. Bestebreuer Bros. Construction, Inc. moved its main office to a three-acre site in Grandview in 2018. According to local news source, Fast Mobile Services (FMS) relocated to Grandview from Sunnyside in 2018. The company acquired 8.5 acres to construct a 15,000-square-foot diesel mechanic and fleet maintenance facility and new office and retail space. Moreover, in 2017, a 24-acre site adjacent to the Walmart Distribution Center was purchased by the Port of Grandview and is pending further development.

The neighboring community of Sunnyside is also experiencing economic growth. Ostrom's Mushroom expects to open a new, \$45-million farm facility on a 43-acre site in the Port of Sunnyside. The plant is anticipated to employ approximately 200 to 300 people after completion in the spring of 2019. Furthermore, several breweries and incubator-style wineries are slated to open in 2019, and a Popeyes Louisiana Kitchen opened in 2018. A new 58-bed, \$120 million community hospital

is proposed for construction in Sunnyside. As of March 2019, this project is seeking seed funding from the U.S. Department of Agriculture and is under review for approval by the Department of Health. According to local economic development officials, the neighboring city of Prosser experienced a lodging tax revenue increase of 12% in 2018 compared to the previous year, mainly attributed to increased traffic along Interstate 82 and the August 2017 opening of the 75-room Holiday Inn Express adjacent to the Love's Travel Stops & Country Stores. The truck stop opened in May 2017.

Airport Traffic

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

The Tri-Cities Airport, located in Pasco, is the third-largest commercial airport in the state of Washington and serves the communities of southeastern Washington and northeastern Oregon. The terminal building offers passenger comfort and convenience with services including restaurants, shops, and rental-car agencies. A considerable expansion of the airport was completed in January 2017; the \$42-million project doubled the size of the terminal.

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

FIGURE 3-5 AIRPORT STATISTICS - TRI-CITIES AIRPORT

Year	Passenger Traffic	Percent Change*	Percent Change**
2009	504,808	—	—
2010	616,760	22.2 %	22.2 %
2011	651,612	5.7	13.6
2012	659,614	1.2	9.3
2013	651,203	(1.3)	6.6
2014	657,557	1.0	5.4
2015	692,887	5.4	5.4
2016	744,730	7.5	5.7
2017	746,826	0.3	5.0
2018	784,953	5.1	5.0

Year-to-date, January

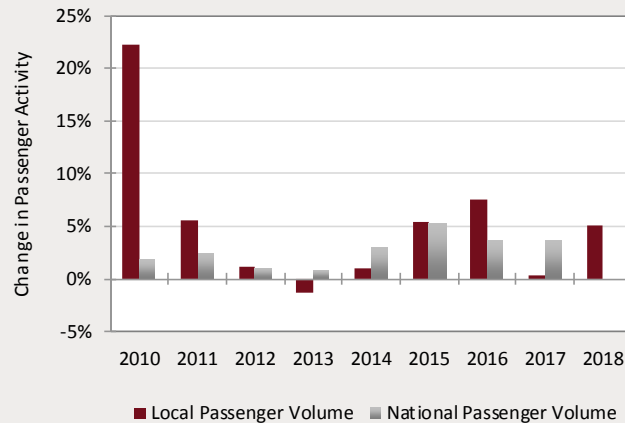
2018	55,546	—	—
2019	65,872	18.6 %	—

*Annual average compounded percentage change from the previous year

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

Source: Tri-Cities Airport

FIGURE 3-6 LOCAL PASSENGER TRAFFIC VS. NATIONAL TREND



Source: HVS, Local Airport Authority

This facility recorded 784,953 passengers in 2018. The change in passenger traffic between 2017 and 2018 was 5.1%. The average annual change during the period shown was 5.0%. The increase in passenger traffic shown by the most recent data can be attributed in large part to additional flights by Delta, Alaska, and United. New service includes a new daily flight to Denver (now three a day) and a second daily flight to Minneapolis-St. Paul for six months of the year instead of three.

The following table illustrates recent operating statistics for the Yakima Air Terminal-McAllister Field, which is the secondary airport facility serving the proposed subject property's submarket.

FIGURE 3-7 AIRPORT STATISTICS – YAKIMA AIR TERMINAL-MCALLISTER FIELD

Year	Passenger Traffic	Percent Change*	Percent Change**
2008	121,931	—	—
2009	121,931	—	—
2010	109,716	(10.0) %	(10.0) %
2011	113,072	3.1	(3.7)
2012	112,637	(0.4)	(2.6)
2013	108,931	(3.3)	(2.8)
2014	115,541	6.1	(1.1)
2015	127,964	10.8	0.8
2016	144,079	12.6	2.4
2017	144,302	0.2	2.1
2018	141,805	(1.7)	1.7

*Annual average compounded percentage change from the previous year

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

Source: Yakima Air Terminal-McAllister Field

Air traffic registered 144,302 passengers in 2017. The change in passenger traffic between 2016 and 2017 was 0.2%.

Tourist Attractions

The subject market benefits from a limited number of tourism and leisure attractions in the area. Leisure demand consists primarily of travelers passing through en route to other destinations and people visiting friends or relatives. Other leisure demand generators include historic wineries and wine tasting rooms of the Yakima Valley American Viticultural Area (AVA), pick-your-own fruit farms, and the Yakima Valley Fair Grounds. Special events also play a role during key weekends, such as the annual No Rhyme Or Reason Country Flea Market in October and the Yakima Valley Fair and Rodeo in August. No major changes related to these attributes of the market are expected in the near future.

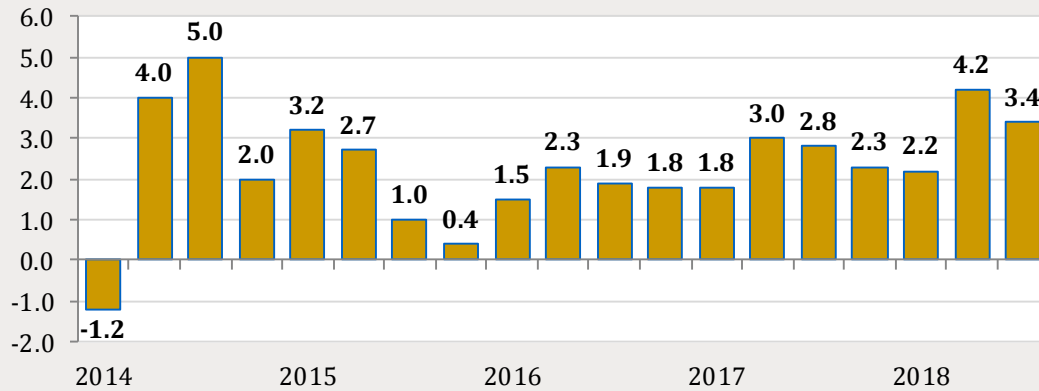
YAKIMA VALLEY FAIR AND RODEO



Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. Grandview is experiencing a period of economic stability, primarily led by the agricultural, wine and packaging industry. Our market interviews and research revealed that a majority of the region's growth is occurring in the neighboring communities of Sunnyside and Prosser, as both locations benefit from superior infrastructure. The outlook for the market area remains positive and stable.

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. Most recently, the U.S. economy expanded by 2.2%, 4.2%, and 3.5% in the first three quarters of 2018, respectively. In the third quarter of 2018, gains were notable in personal consumption expenditures (PCE), private inventory investment, state and local government spending, federal government spending, and nonresidential fixed investment. These advances were partly offset by negative contributions from exports and residential fixed investment.

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 2018, demand growth through September registered 2.5%, just under the 2.7% level recorded in 2017. The economic growth, low unemployment, higher levels of personal income, and stability in the U.S. economy as of late 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.

Definition of Subject Hotel Market

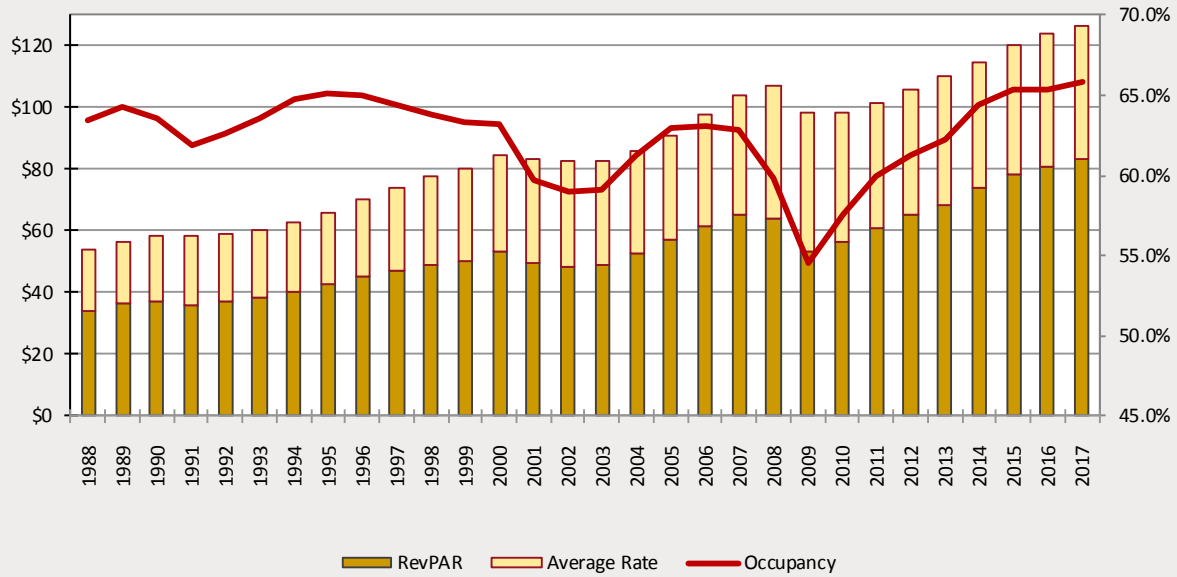
The subject site is located in the greater Yakima County lodging market. Within this greater market, the proposed subject hotel will compete with a smaller set of hotels based on various factors, such as highway access, price point, and service level.

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

Source: STR - December 2018 Lodging Review

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

	Occupancy			Average Rate			RevPAR			Percent Change	
	2016	2017	% Change	2016	2017	% Change	2016	2017	% Change	Rms. Avail.	Rms. Sold
United States	65.4 %	65.9 %	0.9 %	\$124.13	\$126.72	2.1 %	\$81.15	\$83.57	3.0 %	1.8 %	2.7 %
Region											
New England	64.1 %	64.8 %	1.1 %	\$151.20	\$153.78	1.7 %	\$96.96	\$99.67	2.8 %	1.5 %	2.6 %
Middle Atlantic	67.2	67.8	0.9	163.54	162.88	(0.4)	109.91	110.50	0.5	2.8	3.8
South Atlantic	67.1	68.0	1.4	119.92	123.40	2.9	80.45	83.91	4.3	1.5	2.9
E. North Central	61.0	61.4	0.5	108.32	109.53	1.1	66.12	67.20	1.6	1.9	2.4
E. South Central	61.3	61.5	0.3	94.88	98.23	3.5	58.15	60.37	3.8	1.9	2.2
W. North Central	59.0	58.0	(1.7)	96.10	97.47	1.4	56.71	56.54	(0.3)	1.4	(0.3)
W. South Central	61.4	62.5	1.9	98.73	100.32	1.6	60.57	62.70	3.5	3.0	4.9
Mountain	65.3	66.3	1.6	114.36	118.51	3.6	74.63	78.61	5.3	1.1	2.8
Pacific	73.8	73.9	0.3	158.63	162.60	2.5	116.99	120.23	2.8	1.6	1.9
Class											
Luxury	70.8 %	71.0 %	0.3 %	\$282.44	\$286.27	1.4 %	\$199.95	\$203.28	1.7 %	2.1 %	2.4 %
Upper-Upscale	72.5	72.7	0.3	178.13	181.00	1.6	129.17	131.67	1.9	1.7	2.0
Upscale	71.9	72.4	0.7	139.04	141.20	1.6	100.03	102.28	2.3	4.3	5.0
Upper-Midscale	67.1	67.6	0.8	114.07	115.86	1.6	76.54	78.34	2.3	4.0	4.8
Midscale	59.8	60.5	1.2	92.16	94.36	2.4	55.07	57.07	3.6	0.2	1.5
Economy	58.4	58.9	0.9	69.79	71.95	3.1	40.74	42.36	4.0	(0.4)	0.5
Location											
Urban	73.1 %	73.5 %	0.7 %	\$177.36	\$178.94	0.9 %	\$129.57	\$131.61	1.6 %	3.1 %	3.8 %
Suburban	66.7	67.0	0.4	105.74	108.10	2.2	70.57	72.47	2.7	1.9	2.4
Airport	73.3	73.7	0.6	113.60	116.17	2.3	83.27	85.67	2.9	1.4	2.0
Interstate	56.5	57.2	1.3	83.14	85.04	2.3	46.97	48.67	3.6	1.5	2.9
Resort	68.4	69.6	1.8	169.02	173.57	2.7	115.60	120.88	4.6	0.9	2.7
Small Town	56.7	57.3	1.0	99.91	102.23	2.3	56.70	58.59	3.3	1.5	2.5
Chain Scale											
Luxury	73.8 %	74.0 %	0.3 %	\$317.29	\$323.74	2.0 %	\$234.09	\$239.54	2.3 %	1.6 %	1.9 %
Upper-Upscale	74.2	74.2	0.0	179.54	182.04	1.4	133.25	135.15	1.4	2.1	2.1
Upscale	73.7	73.8	0.1	138.28	140.19	1.4	101.97	103.45	1.5	6.0	6.1
Upper-Midscale	67.5	67.9	0.7	111.43	113.09	1.5	75.18	76.84	2.2	3.3	4.0
Midscale	59.3	60.0	1.2	85.23	86.99	2.1	50.53	52.17	3.3	1.3	2.4
Economy	57.7	58.1	0.6	60.86	62.48	2.7	35.14	36.28	3.2	0.1	0.7
Independents	62.0	62.9	1.4	123.00	126.49	2.8	76.27	79.56	4.3	0.0	1.5

Source: STR - December 2017 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.

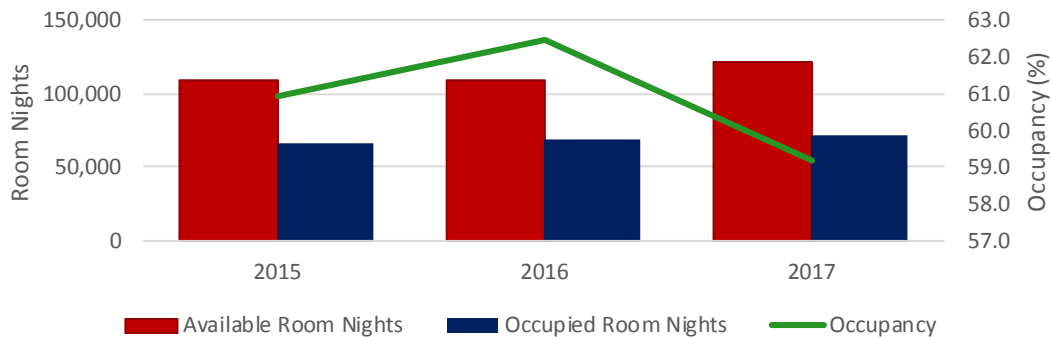
In 2015, demand growth continued to outpace supply growth, a relationship that has been in place since 2010. With a 2.9% increase in room nights, the nation's occupancy level reached a record high of 65.4% in 2015. Supply growth intensified modestly in 2015 (at 1.1%), following annual supply growth levels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

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

Average Daily		Occupied Room									
Year	Room Count	Available Room Nights	Change	Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change	
2015	300	109,500	—	66,715	—	60.9 %	\$79.35	—	\$48.35	—	
2016	300	109,500	0.0 %	68,398	2.5 %	62.5	82.13	3.5 %	51.30	6.1 %	
2017	331	120,975	10.5	71,623	4.7	59.2	83.68	1.9	49.54	(3.4)	
2018	375	136,875	13.1	75,187	5.0	54.9	86.14	2.9	47.32	(4.5)	
Average Annual Compounded Change:											
2015 - 2018			7.7		4.1			2.8		(0.7)	
Hotels Included in Sample				Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened	Comments		
Rodeway Inn Sunnyside				Economy Class	Primary	69	Dec 2014	Jan 1979	Lobby is undergoing renovation.		
Quality Inn & Suites Toppenish Yakima Valley				Midscale Class	Secondary	44	Jan 2009	Jan 1979	Guestroom remodel in 2018 included new bedding, linens, refrigerators and microwaves.		
Best Western Plus The Inn @ Horse Heaven				Upper Midscale Class	Primary	85	Jul 2011	Aug 1994	The property is underwent a lobby renovation in 2018 and is expected to add granite vanities in the guestroom bathrooms.		
Quality Inn Sunnyside Heart Of Wine Country				Midscale Class	Primary	48	Mar 2014	Jun 1997	Last guestroom remodel in 2014/2015 included new bedding and FFE replacement.		
Best Western Plus Grapevine Inn				Upper Midscale Class	Primary	54	Jul 2011	Oct 2004	Offers views of adjacent vineyard. Under renovation to add 28 rooms.		
Holiday Inn Express & Suites Prosser Yakima Valley Wine				Upper Midscale Class	Primary	75	Aug 2017	Aug 2017	Under same ownership as adjacent Love's Travel Stop & Country Store.		
Total						375					
Source: STR											

FIGURE 4-5 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)

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

The STR data for the competitive set reflect a market-wide occupancy level of 2017 in 59.2%, which compares to 62.5% for 2016. The overall average occupancy level for the calendar years presented equates to 60.8%. The STR data for the competitive set reflect a market-wide average rate level of \$83.68 in 2017, which compares to \$82.13 For 2016. The average across all calendar years presented for average rate equates to \$81.77. These occupancy and average rate trends resulted in a RevPAR level of \$49.54 in 2017.

During the illustrated historical period, occupancy first peaked for this selected set of competitive hotels in 2016, with average rate growth since 2015. As a result, RevPAR peaked at nearly \$52 in 2016. Subsequent to the opening of the 75-room Holiday Inn Express in Prosser, occupancy began to decline in 2017. As this new supply was absorbed, the occupancy decline continued in 2018, and RevPAR dropped to nearly \$47 that year after also declining in 2017. Conversely, average rates continued to rise in 2017 and 2018, with rate growth driven largely by the entrance of the Holiday Inn Express, which operates at a higher price point and allows other market hotels to command higher rates. The entrance of this nationally branded hotel and the overall growing local economy have contributed to the latest trend. The near-term outlook is cautionary as the competitive market further adjusts to the new supply. Notable expansions and relocations of companies to the

area in 2018 bode well for Grandview, which seeks to attract additional businesses in the future. However, it is important to note that no major business expansions were in the pipeline at the time of this report.

Seasonality

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

FIGURE 4-6 MONTHLY OCCUPANCY TRENDS

Month	2015	2016	2017
January	41.1 %	49.6 %	46.5 %
February	54.9	56.5	51.1
March	63.5	63.3	61.6
April	60.2	68.3	68.1
May	68.5	70.8	72.0
June	75.7	75.5	76.7
July	72.1	68.5	71.8
August	71.6	65.0	72.8
September	68.7	69.0	61.4
October	61.3	62.3	55.4
November	48.9	52.2	43.7
December	44.4	48.6	35.6
Annual Occupancy	60.9 %	62.5 %	59.2 %

Source: STR

FIGURE 4-7 MONTHLY AVERAGE RATE TRENDS

Month	2015	2016	2017
January	\$75.32	\$75.31	\$70.89
February	72.23	74.13	73.95
March	76.80	79.24	80.70
April	81.00	83.17	82.60
May	81.61	83.99	83.14
June	83.79	85.74	85.77
July	81.85	85.47	87.49
August	82.10	85.47	91.19
September	82.96	88.69	91.36
October	80.20	83.65	86.83
November	75.67	78.81	79.94
December	70.52	75.09	75.48
Annual Average Rate	\$79.35	\$82.13	\$83.68

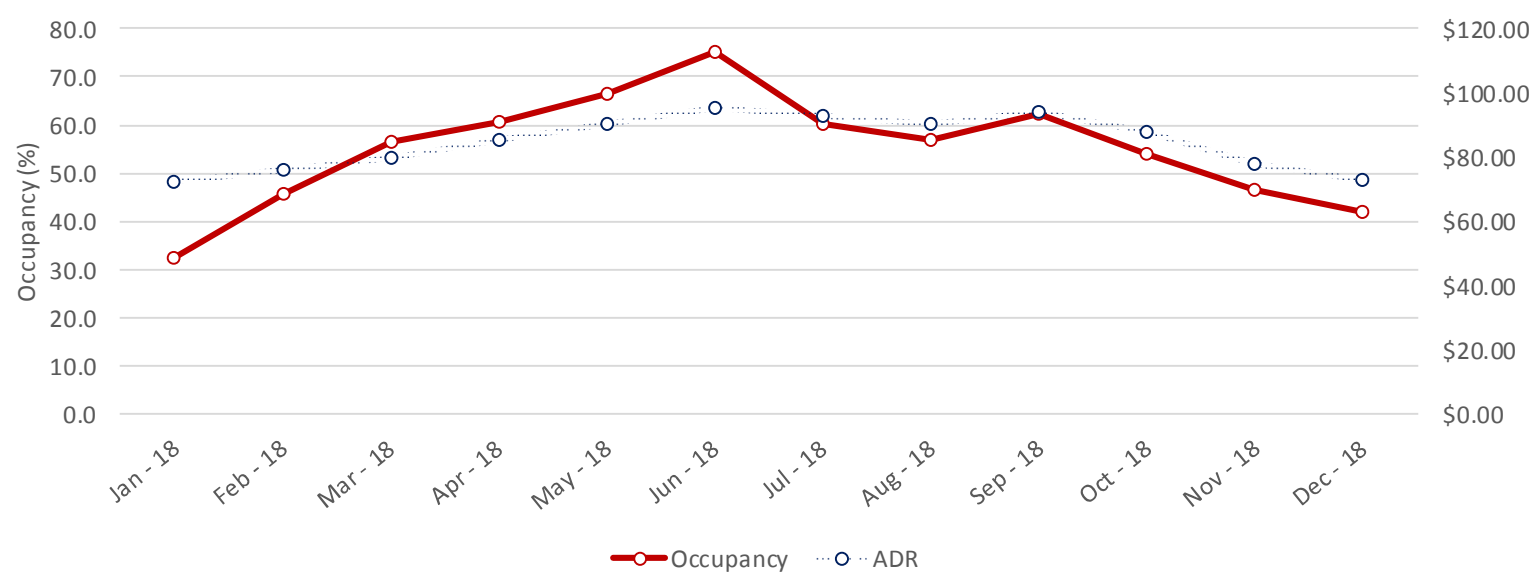
Source: STR

FIGURE 4-8 SEASONALITY

	2015	2016	2017
High Season - May, June, July, August			
Occupancy	71.9 %	69.9 %	73.3 %
Average Rate	\$82.35	\$85.16	\$87.15
RevPAR	59.24	59.53	63.86
Shoulder Season - February, March, April, September, October			
Occupancy	61.8 %	64.0 %	59.5 %
Average Rate	\$78.93	\$82.16	\$83.95
RevPAR	48.79	52.54	49.95
Low Season - January, November, December			
Occupancy	44.8 %	50.1 %	41.6 %
Average Rate	\$73.84	\$76.43	\$75.63
RevPAR	33.05	38.29	31.46

Source: Smith Travel Research

FIGURE 4-9 MONTHLY OCCUPANCY AND ADR TRENDS (TRAILING 12 MONTHS)



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.

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 4-10 OCCUPANCY BY DAY OF WEEK (TRAILING 12 MONTHS)

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jan - 18	23.0 %	31.7 %	37.5 %	37.8 %	34.3 %	29.9 %	30.8 %	32.5 %
Feb - 18	32.4	43.3	49.4	54.6	43.3	49.6	47.5	45.7
Mar - 18	39.7	52.6	61.2	57.3	57.5	60.9	62.6	56.4
Apr - 18	39.4	52.4	60.3	61.7	59.1	78.8	79.0	60.5
May - 18	50.8	58.7	66.2	65.0	59.1	77.3	91.5	66.6
Jun - 18	52.8	70.8	76.3	78.3	72.1	78.6	92.5	75.2
Jul - 18	46.2	56.4	58.5	61.4	58.5	67.4	78.4	60.3
Aug - 18	40.2	50.1	57.0	60.5	51.9	62.0	75.8	56.9
Sep - 18	47.1	50.4	58.9	62.2	53.7	75.3	87.4	62.5
Oct - 18	38.5	48.6	53.3	52.5	53.0	58.9	73.5	53.8
Nov - 18	35.1	46.9	52.0	50.7	47.6	49.2	43.9	46.6
Dec - 18	33.1	45.8	50.0	51.5	47.2	33.0	36.8	42.1
Average	40.0 %	50.3 %	56.5 %	57.5 %	53.2 %	60.3 %	66.9 %	54.9 %

Source: STR

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

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jan - 18	\$67.11	\$72.73	\$74.22	\$74.29	\$71.92	\$71.29	\$72.04	\$72.42
Feb - 18	70.67	74.77	76.45	76.87	72.53	80.17	80.21	76.32
Mar - 18	71.96	76.79	79.57	78.12	77.61	85.08	84.16	79.81
Apr - 18	75.67	78.13	80.21	80.93	79.71	97.15	97.06	85.33
May - 18	84.36	82.77	84.75	85.25	82.72	100.12	105.85	90.31
Jun - 18	81.34	86.41	89.60	91.10	90.51	103.30	109.73	95.27
Jul - 18	85.66	88.46	91.22	90.23	88.94	98.60	104.42	92.98
Aug - 18	80.52	84.15	86.30	88.23	86.12	97.73	102.19	90.57
Sep - 18	83.82	85.07	87.54	87.59	85.54	106.02	107.68	94.25
Oct - 18	76.94	82.71	84.05	84.16	84.32	96.15	100.55	87.86
Nov - 18	72.41	75.39	75.98	77.75	77.26	82.49	80.84	77.77
Dec - 18	67.94	72.63	75.40	74.42	74.13	69.81	74.68	72.96
Average	\$77.79	\$80.60	\$82.88	\$83.21	\$81.70	\$93.64	\$97.44	\$86.14

Source: STR

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

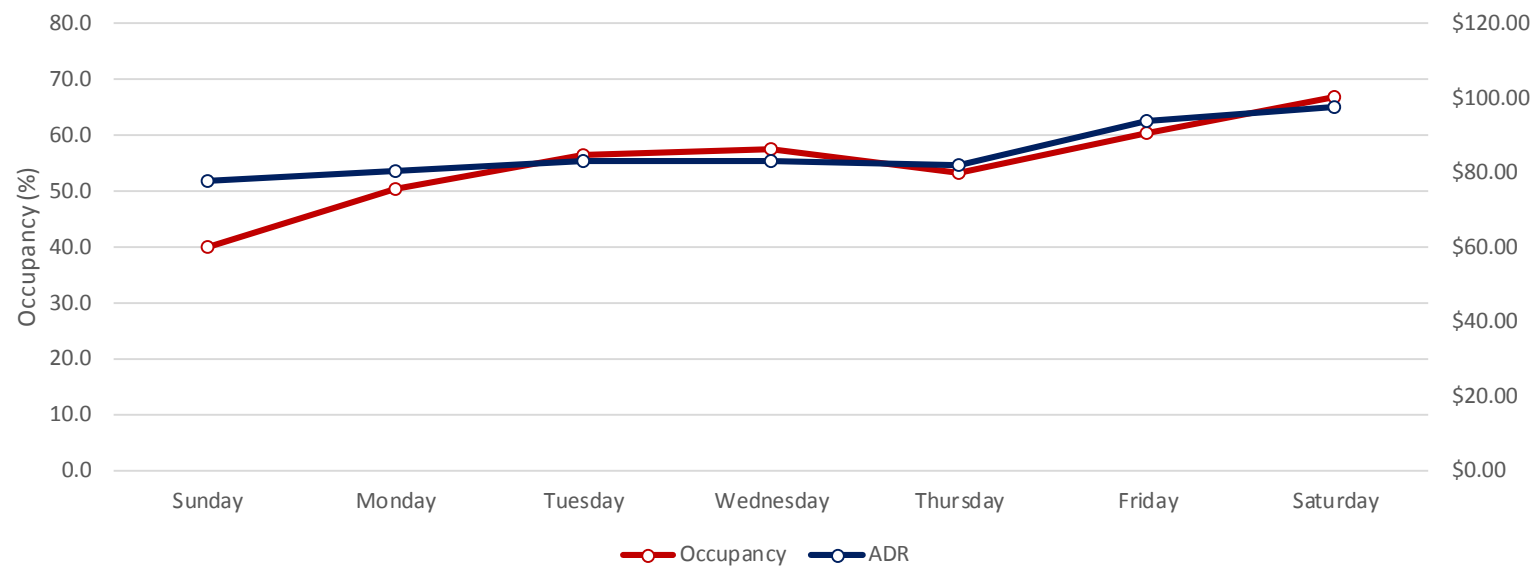


FIGURE 4-13 OCCUPANCY, AVERAGE RATE, AND REVPAR BY DAY OF WEEK (MULTIPLE YEARS)

Occupancy (%)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jan 16 - Dec 16	46.0 %	59.2 %	66.2 %	66.0 %	58.8 %	66.9 %	74.0 %	62.5 %
Jan 17 - Dec 17	43.5	56.2	61.0	63.4	56.3	64.4	69.8	59.2
Jan 18 - Dec 18	40.0	50.3	56.5	57.5	53.2	60.3	66.9	54.9
<u>Change (Occupancy Points)</u>								
FY 16 - FY 17	(2.5)	(3.0)	(5.1)	(2.5)	(2.4)	(2.5)	(4.1)	(3.3)
FY 17 - FY 18	(3.5)	(5.9)	(4.5)	(5.9)	(3.2)	(4.1)	(3.0)	(4.3)
ADR (\$)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jan 16 - Dec 16	\$75.66	\$78.18	\$79.66	\$79.83	\$79.86	\$87.08	\$90.67	\$82.13
Jan 17 - Dec 17	78.04	79.75	81.71	81.03	80.48	88.97	92.23	83.68
Jan 18 - Dec 18	77.79	80.60	82.88	83.21	81.70	93.64	97.44	86.14
<u>Change (Dollars)</u>								
FY 16 - FY 17	\$2.38	\$1.57	\$2.05	\$1.19	\$0.62	\$1.89	\$1.56	\$1.55
FY 17 - FY 18	(0.26)	0.85	1.17	2.18	1.22	4.67	5.21	2.46
<u>Change (Percent)</u>								
FY 16 - FY 17	3.1 %	2.0 %	2.6 %	1.5 %	0.8 %	2.2 %	1.7 %	1.9 %
FY 17 - FY 18	(0.3)	1.1	1.4	2.7	1.5	5.2	5.7	2.9
RevPAR (\$)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jan 16 - Dec 16	\$34.77	\$46.29	\$52.71	\$52.66	\$46.94	\$58.25	\$67.07	\$51.30
Jan 17 - Dec 17	33.92	44.80	49.86	51.39	45.35	57.33	64.40	49.54
Jan 18 - Dec 18	31.10	40.54	46.82	47.84	43.45	56.45	65.17	47.32
<u>Change (Dollars)</u>								
FY 16 - FY 17	(\$0.85)	(\$1.49)	(\$2.84)	(\$1.27)	(\$1.60)	(\$0.92)	(\$2.67)	(\$1.76)
FY 17 - FY 18	(2.82)	(4.26)	(3.04)	(3.55)	(1.90)	(0.88)	0.76	(2.22)
<u>Change (Percent)</u>								
FY 16 - FY 17	(2.4) %	(3.2) %	(5.4) %	(2.4) %	(3.4) %	(1.6) %	(4.0) %	(3.4) %
FY 17 - FY 18	(8.3)	(9.5)	(6.1)	(6.9)	(4.2)	(1.5)	1.2	(4.5)

Source: STR

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

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 Competition

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

FIGURE 4-14 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Est. Segmentation				Estimated 2017				Estimated 2018					
	Number of Rooms	Leisure	Commercial	Group	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Holiday Inn Express & Suites Prosser Yakima Valley Wine	75	40 %	45 %	15 %	25	25 - 30 %	\$105 - \$110	\$30 - \$35	75	55 - 60 %	\$100 - \$105	\$55 - \$60	100 - 110 %	120 - 130 %
Best Western Plus Grapevine Inn	54	50	40	10	54	60 - 65	90 - 95	55 - 60	54	50 - 55	85 - 90	45 - 50	95 - 100	90 - 95
Best Western Plus The Inn at Horse Heaven	85	50	40	10	85	60 - 65	95 - 100	60 - 65	85	50 - 55	95 - 100	50 - 55	100 - 110	100 - 110
Quality Inn Sunnyside Heart of Wine Country	48	60	35	5	48	55 - 60	80 - 85	45 - 50	48	50 - 55	80 - 85	40 - 45	95 - 100	85 - 90
Sub-Totals/Averages	262	49 %	41 %	11 %	212	58.4 %	\$91.47	\$53.44	262	54.7 %	\$92.94	\$50.85	99.7 %	106.0 %
Secondary Competitors	113	66 %	32 %	2 %	85	60.6 %	\$69.94	\$42.39	85	55.4 %	\$70.58	\$39.13	101.0 %	81.5 %
Totals/Averages	375	53 %	38 %	8 %	297	59.0 %	\$85.16	\$50.28	347	54.9 %	\$87.42	\$47.99	100.0 %	100.0 %

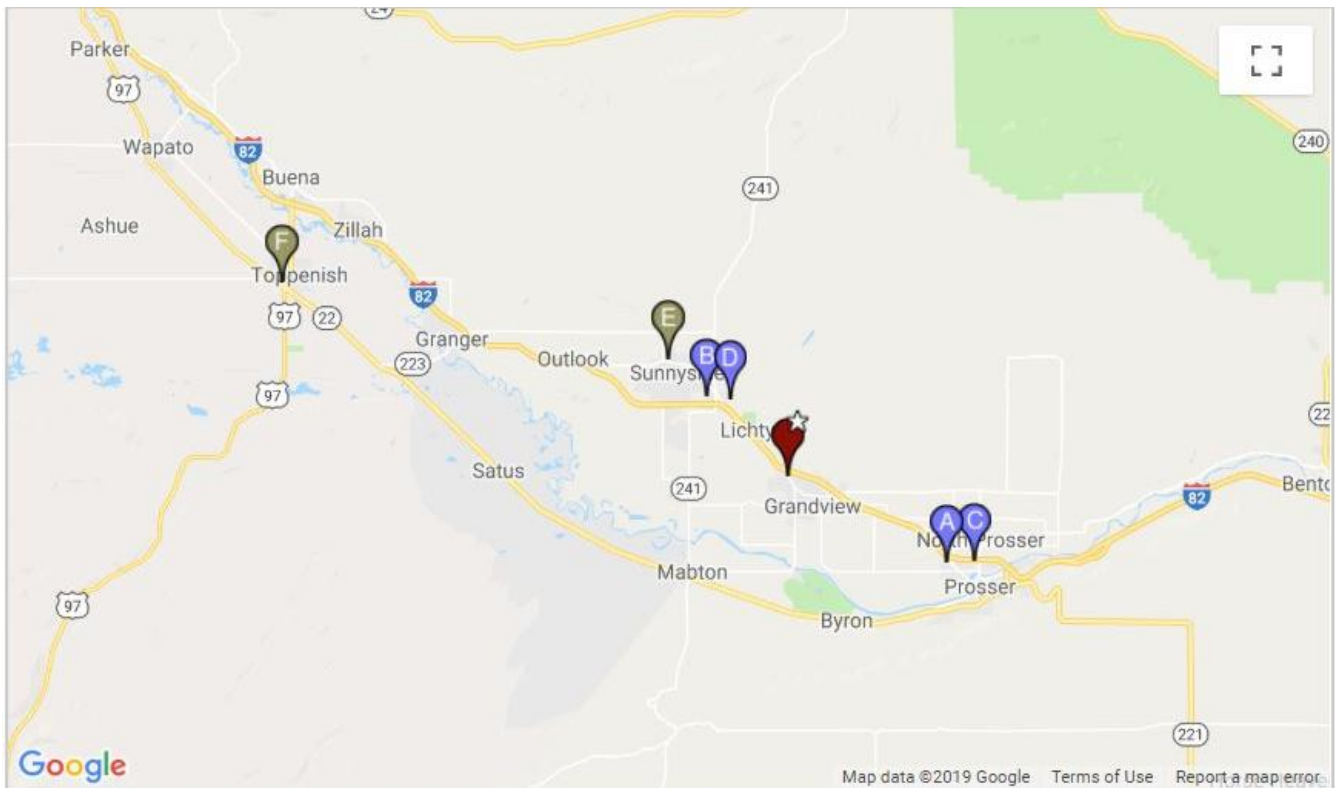
* Specific occupancy and average rate data were utilized in our analysis, but are presented in ranges in the above table for the purposes of confidentiality.

FIGURE 4-15 PRIMARY COMPETITORS – FACILITY PROFILES

Property	Number of Rooms	Year Opened	Last Major Renovation(s)	Approx. Miles To Subject Property	Food and Beverage Outlets	Indoor Meeting Space (SF)	Meeting Space per Room	Facilities & Amenities	Renovation Notes
Holiday Inn Express & Suites Prosser Yakima Valley Wine 680 Wine Country Road	75	2017	—	7.0	Breakfast Dining Area	726	9.7	Business Center; Guest Laundry Area; Indoor Swimming Pool; Fitness Room; Vending Area(s); Outdoor Patio & Fire Pit	Ground-up Construction
Best Western Plus Grapevine Inn 1849 Quail Lane	54	2004	2018/2019	4.0	Breakfast Dining Area	Capacity: 56 pax	Unknown	Guest Laundry Area; Indoor Swimming Pool; Indoor Whirlpool; Fitness Room; Lobby Workstation; Vending Area(s); Truck Parking	The property is undergoing renovations and adding 28 additional guest rooms.
Best Western Plus The Inn at Horse Heaven 259 Merlot Drive	85	1994	2018/2019	7.0	Breakfast Dining Area	900	10.6	Business Center; Guest Laundry Area; Indoor Swimming Pool; Fitness Center; Indoor Whirlpool; Sauna; Coffee Station; Vending Area(s); Outdoor Patio & Barbecue Area; Truck Parking; Outdoor Whirlpool	The property is underwent a lobby renovation in 2018 and is expected to add granite vanities in the guestroom bathrooms.
Quality Inn Sunnyside Heart of Wine Country 3209 Picard Place	48	1997	2014/2015	4.0	Breakfast Dining Area	600	12.5	Guest Laundry Area; Indoor Swimming Pool; Truck Parking	Last remodel in 2014/2015 included new bedding and FFE replacement.

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

MAP OF COMPETITION



Proposed Limited-Service Hotel

Holiday Inn Express & Suites Prosser Yakima Valley Wine

Best Western Plus Grapevine Inn

Best Western Plus The Inn at Horse Heaven



Quality Inn Sunnyside Heart of Wine Country

Rodeway Inn Sunnyside (Secondary)

Quality Inn & Suites Toppenish (Secondary)

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

**PRIMARY COMPETITOR #1 - HOLIDAY INN EXPRESS & SUITES PROSSER
YAKIMA VALLEY WINE**



**Holiday Inn Express &
Suites Prosser Yakima
Valley Wine
680 Wine Country
Road
Prosser, WA**

FIGURE 4-16 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2017	25	25 - 30	105 - 110	30 - 35	45 - 50	60 - 65
Est. 2018	75	55 - 60	100 - 105	55 - 60	100 - 110	120 - 130

This hotel is the newest nationally branded hotel in Prosser and is the RevPAR market leader due to its product offering and class of amenities. Furthermore, the hotel benefits from its proximity to a highway interchange and location next to Love's Travel Stop & Country Store. The hotel and adjacent truck stop share the same ownership group and offer discounts and coupons to joint customers. Overall, the property appeared to be in excellent condition. Its accessibility is similar to that of the subject site, and its visibility is similar to the expected visibility of the Proposed Limited-Service Hotel Grandview.

PRIMARY COMPETITOR #2 - BEST WESTERN PLUS GRAPEVINE INN



**Best Western Plus
Grapevine Inn
1849 Quail Lane
Sunnyside, WA**

FIGURE 4-17 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2016	54	60 - 65 %	\$85 - \$90	\$55 - \$60	100 - 110 %	100 - 110 %
Est. 2017	54	60 - 65	90 - 95	55 - 60	100 - 110	110 - 120
Est. 2018	54	50 - 55	85 - 90	45 - 50	95 - 100	90 - 95

This hotel offers a hilltop terrace featuring scenic views of the adjacent vineyard. According to hotel representatives, the hotel is expected to undergo a 28-room expansion in 2019. This hotel is slightly disadvantaged by its location set back from the main roads. Overall, the property appeared to be in very good condition. Its accessibility is inferior to that of the subject site, and its visibility is inferior to the expected visibility of the Proposed Limited-Service Hotel Grandview.

PRIMARY COMPETITOR #3 - BEST WESTERN PLUS THE INN AT HORSE HEAVEN

**Best Western Plus The
Inn at Horse Heaven
259 Merlot Drive
Prosser, WA**

FIGURE 4-18 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2016	85	60 - 65 %	\$95 - \$100	\$60 - \$65	100 - 110 %	110 - 120 %
Est. 2017	85	60 - 65	95 - 100	60 - 65	100 - 110	120 - 130
Est. 2018	85	50 - 55	95 - 100	50 - 55	100 - 110	100 - 110

This hotel is known for its indoor swimming pool, which is popular among families traveling with children. Furthermore, the hotel benefits from its location within walking distance of multiple restaurants. This hotel is slightly disadvantaged by its age and dated residential-style, two-building configuration. However, the hotel underwent a renovation to the lobby that was completed in 2018. Overall, the property appeared to be in very good condition. Its accessibility is similar to that of the subject site, and its visibility is similar to the expected visibility of the Proposed Limited-Service Hotel Grandview.

PRIMARY COMPETITOR #4 - QUALITY INN SUNNYSIDE HEART OF WINE COUNTRY



**Quality Inn Sunnyside
Heart of Wine Country
3209 Picard Place
Sunnyside, WA**

FIGURE 4-19 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2016	48	60 - 65 %	\$80 - \$85	\$45 - \$50	95 - 100 %	90 - 95 %
Est. 2017	48	55 - 60	80 - 85	45 - 50	100 - 110	95 - 100
Est. 2018	48	50 - 55	80 - 85	40 - 45	95 - 100	85 - 90

This hotel benefits from its excellent visibility and accessibility from Interstate 82 and U.S. Highway 12. As its last guestroom renovation, including new bedding, fixtures, and furniture in the guestrooms, occurred in 2014/15, the property appears more dated than its competitors. Overall, the property appeared to be in good condition. Its accessibility is inferior to that of the subject site, and its visibility is inferior to the expected visibility of the Proposed Limited-Service Hotel Grandview.

**Secondary
Competitors**

We have also reviewed other area lodging facilities to determine whether any may compete with the proposed subject hotel on a secondary basis. To represent the secondary competitors, we have used the data set from the STR trend that excludes the primary competitors. This set has been weighted to reflect the different facilities, market positions, branding, and other factors that are expected to be less competitive with the proposed subject hotel than those of the primary competitors. The following table sets forth the pertinent operating characteristics of the secondary competitors.

FIGURE 4-20 SECONDARY COMPETITOR(S) – OPERATING PERFORMANCE

Property	Est. Segmentation					Estimated 2017				Estimated 2018			
	Number of Rooms	Leisure	Commercial	Group	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Quality Inn & Suites Toppenish	44	60 %	35 %	5 %	75 %	33	55 - 60 %	\$80 - \$85	\$45 - \$50	33	50 - 55 %	\$80 - \$85	\$40 - \$45
Rodeway Inn Sunnyside	69	70	30	0	75	52	60 - 65	60 - 65	35 - 40	52	55 - 60	65 - 70	35 - 40
Totals/Averages	113	66 %	32 %	2 %	75 %	85	60.6 %	\$69.94	\$42.39	85	55.4 %	\$70.58	\$39.13

* 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.

Supply Changes

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

FIGURE 4-21 AREA DEVELOPMENT ACTIVITY

Proposed Hotel Name	Estimated Number of Rooms	Hotel Product Tier	Development Stage	Expected Qtr. & Year of Opening	Address
Home2 Suites - Yakima Airport	107	Upper-Midscale	Under Construction	Q2 '19	2420 West Nob Hill Boulevard, Yakima, WA

We note that a 28-guestroom addition is proposed for the Best Western Plus Grapevine Inn in Sunnyside, which is located approximately four miles from the subject site. The expansion is expected to begin in the spring of 2019 and be complete in May 2020. These additional hotel rooms are expected to compete with the proposed subject hotel given this property's status as a primary competitor, based on its proximity and similar limited-service profile; therefore, the additional rooms have also been weighted as fully competitive new supply in our analysis.

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

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 Grandview submarket. The Proposed Limited-Service Hotel Grandview 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 4-22 HISTORICAL MARKET TRENDS

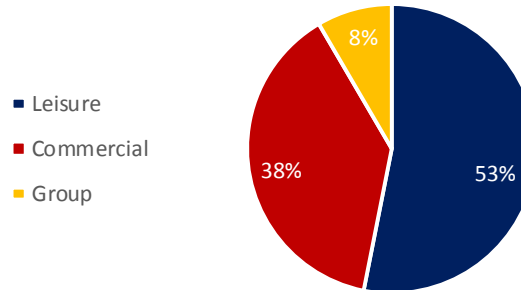
Year	Accommodated		Room Nights		Market		Market		Market
	Room Nights	% Change	Available	% Change	Occupancy	Market ADR	% Change	RevPAR	% Change
Est. 2016	62,019	—	99,189	—	62.5 %	\$83.66	—	\$52.31	—
Est. 2017	63,969	3.1 %	108,339	9.2 %	59.0	85.16	1.8 %	50.28	(3.9) %
Est. 2018	69,473	8.6	126,564	16.8	54.9	87.42	2.7	47.99	(4.6)
Avg. Annual Compounded									
Chg., Est. 2016-Est. 2018:		5.8 %		13.0 %			2.2 %		(4.2) %

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 2018 distribution of accommodated-room-night demand as follows.

FIGURE 4-23 ACCOMMODATED ROOM-NIGHT DEMAND

Market Segment	Marketwide	
	Accommodated Demand	Percentage of Total
Leisure	36,924	53 %
Commercial	26,696	38
Group	5,854	8
Total	69,473	100 %

FIGURE 4-24 MARKET-WIDE ACCOMMODATED-ROOM-NIGHT DEMAND

The market's demand mix comprises leisure demand, with this segment representing roughly 53% of the accommodated room nights in this Grandview submarket. The commercial segment comprises 38% of the total, with the final portions group in nature, reflecting 8%.

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.

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 this highway-adjacent market is generated primarily by motorists on Interstate 82 and U.S. Highway 12 seeking a convenient stopover en route to other destinations, as well as by those visiting friends and family in the area. The AVA wineries in the area, such as Yakima Valley Vintners, Barrell Springs Winery, and Pontin del Roza Winery, also generate leisure 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. Corporate travelers for nearby corporations and construction crews working on local projects generate nominal commercial demand for local hotels.

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. Social groups represent primary sources of group demand during weekend and holiday periods, often correlating with events at the Yakima Valley Fair and Rodeo.

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 4-25 AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES

Market Segment	Annual Growth Rate					
	2019	2020	2021	2022	2023	2024
Leisure	5.5 %	4.5 %	3.5 %	2.0 %	1.0 %	0.0 %
Commercial	6.5	5.5	4.0	3.0	2.5	0.0
Group	3.5	2.5	2.0	1.0	1.5	0.0
Base Demand Growth	5.7 %	4.7 %	3.6 %	2.3 %	1.6 %	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 4-26 OCCUPANCY BY NIGHT OF THE WEEK

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jan - 18	23.0 %	31.7 %	37.5 %	37.8 %	34.3 %	29.9 %	30.8 %	32.5 %
Feb - 18	32.4	43.3	49.4	54.6	43.3	49.6	47.5	45.7
Mar - 18	39.7	52.6	61.2	57.3	57.5	60.9	62.6	56.4
Apr - 18	39.4	52.4	60.3	61.7	59.1	78.8	79.0	60.5
May - 18	50.8	58.7	66.2	65.0	59.1	77.3	91.5	66.6
Jun - 18	52.8	70.8	76.3	78.3	72.1	78.6	92.5	75.2
Jul - 18	46.2	56.4	58.5	61.4	58.5	67.4	78.4	60.3
Aug - 18	40.2	50.1	57.0	60.5	51.9	62.0	75.8	56.9
Sep - 18	47.1	50.4	58.9	62.2	53.7	75.3	87.4	62.5
Oct - 18	38.5	48.6	53.3	52.5	53.0	58.9	73.5	53.8
Nov - 18	35.1	46.9	52.0	50.7	47.6	49.2	43.9	46.6
Dec - 18	33.1	45.8	50.0	51.5	47.2	33.0	36.8	42.1
Average	40.0 %	50.3 %	56.5 %	57.5 %	53.2 %	60.3 %	66.9 %	54.9 %

Source: STR

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

FIGURE 4-27 UNACCOMMODATED DEMAND ESTIMATE

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand Percentage	Unaccommodated Room Night Demand
Leisure	36,924	0.9 %	326
Commercial	26,696	0.3	84
Group	5,854	1.0	56
Total	69,473	0.7 %	465

Accordingly, we have forecast unaccommodated demand equivalent to 0.7% of the base-year demand, resulting from our analysis of monthly and weekly peak demand and sell-out trends.

Induced Demand

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

Accommodated Demand and Market-wide Occupancy

Based upon a review of the market dynamics in the 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 4-28 FORECAST OF MARKET OCCUPANCY

	2018	2019	2020	2021	2022	2023	2024
Leisure							
Base Demand	36,924	38,955	40,708	42,132	42,975	43,405	43,405
Unaccommodated Demand	326	343	359	371	379	383	383
Total Demand	37,249	39,298	41,066	42,504	43,354	43,787	43,787
Growth Rate		5.5 %	4.5 %	3.5 %	2.0 %	1.0 %	0.0 %
Commercial							
Base Demand	26,696	28,431	29,995	31,194	32,130	32,933	32,933
Unaccommodated Demand	84	89	94	98	101	103	103
Total Demand	26,779	28,520	30,089	31,292	32,231	33,037	33,037
Growth Rate		6.5 %	5.5 %	4.0 %	3.0 %	2.5 %	0.0 %
Group							
Base Demand	5,854	6,059	6,210	6,334	6,398	6,494	6,494
Unaccommodated Demand	56	58	59	60	61	62	62
Total Demand	5,909	6,116	6,269	6,395	6,459	6,555	6,555
Growth Rate		3.5 %	2.5 %	2.0 %	1.0 %	1.5 %	0.0 %
Totals							
Base Demand	69,473	73,444	76,912	79,661	81,503	82,832	82,832
Unaccommodated Demand	465	490	512	530	541	548	548
Total Demand	69,938	73,934	77,424	80,191	82,043	83,380	83,380
less: Residual Demand	465	2,610	2,514	0	0	0	0
Total Accommodated Demand	69,473	71,325	74,911	80,191	82,043	83,380	83,380
Overall Demand Growth		2.7 %	5.0 %	7.0 %	2.3 %	1.6 %	0.0 %
Market Mix							
Leisure	53.1 %	53.2 %	53.0 %	53.0 %	52.8 %	52.5 %	52.5 %
Commercial	38.4	38.6	38.9	39.0	39.3	39.6	39.6
Group	8.4	8.3	8.1	8.0	7.9	7.9	7.9
Existing Hotel Supply	347	347	347	347	347	347	347
Proposed Hotels							
Proposed Subject Property ¹				65	65	65	65
Available Room Nights per Year	126,564	126,564	133,424	160,509	160,509	160,509	160,509
Nights per Year	365	365	365	365	365	365	365
Total Supply	347	347	366	440	440	440	440
Rooms Supply Growth	—	0.0 %	5.4 %	20.3 %	0.0 %	0.0 %	0.0 %
Marketwide Occupancy	54.9 %	56.4 %	56.1 %	50.0 %	51.1 %	51.9 %	51.9 %

¹ Opening in January 2021 of the 100% competitive, 65-room Proposed Subject Property

The defined competitive market of hotels should experience occupancy decline over the next few years due to the entrance of new hotel supply in the market. Based on historical occupancy levels in this market, and taking into consideration typical supply and demand cyclicalities, market occupancy is forecast to stabilize in the low 50s.

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

Project Overview

The Proposed Limited-Service Hotel Grandview will be a limited-service lodging facility containing 65 rentable units. The 2-story property is anticipated to open on January 1, 2021. The proposed limited-service hotel is expected to be part of a 20-acre mixed-use development in Grandview with frontage along Interstate 82. Following its opening, the proposed subject hotel would be the first nationally branded hotel in Grandview and the only hotel within a 25-mile radius. Retail and restaurant space is also expected to be constructed along Wine Country Road as part of the larger development.

TYPICAL LIMITED-SERVICE HOTEL EXTERIOR



Summary of the Facilities

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

FIGURE 5-1 PROPOSED FACILITIES SUMMARY

Estimated Guestroom Configuration		Number of Units
Queen/Queen		26
King		22
King Suite		15
Queen/Queen Suite		2
Total		65
Food & Beverage Facilities		Seating Capacity
Breakfast Dining Room		52
Indoor Meeting & Banquet Facilities		Square Footage
Meeting Room		TBD
Amenities & Services		
Outdoor Swimming Pool		Market Pantry
Fitness Room		Guest Laundry Room
Lobby Workstation		Vending Areas
Infrastructure		
Parking Spaces		Estimated 67
Elevators		1 Guest
Life-Safety Systems		Sprinklers, Smoke Detectors
Construction Details		Wood Frame, Poured Concrete

Site Improvements and Hotel Structure

The proposed hotel should comprise one two-story building. Surface parking is expected to be located around the building. Other site improvements are anticipated to include freestanding signage, located at the main entrance to the site, as well as landscaping and sidewalks. Additional signage is expected to be placed on the exterior of the building. The hotel's main entrance is anticipated to lead directly into the lobby, and the first (ground) floor should house the public areas and the back-of-the-house space. Guestrooms should be located on both floors. The site and building components are expected to be normal for a hotel of this type and should meet the standards for this rural highway market.

Planned Facilities

The hotel's breakfast dining area is expected to 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. The hotel is anticipated to offer one meeting room, which should be

located on the first floor; this meeting space should be adequate and appropriate for a hotel of this type. The hotel is expected to offer an outdoor pool and a fitness room as recreational facilities. Other amenities are likely to include a lobby workstation, a market pantry next to the front desk, a guest laundry area, and vending areas on select guestroom floors. Overall, the supporting facilities should be appropriate for a hotel of this type, and we assume that they will meet brand standards.

TYPICAL LIMITED-SERVICE LOBBY



TYPICAL LIMITED-SERVICE DINING AREA



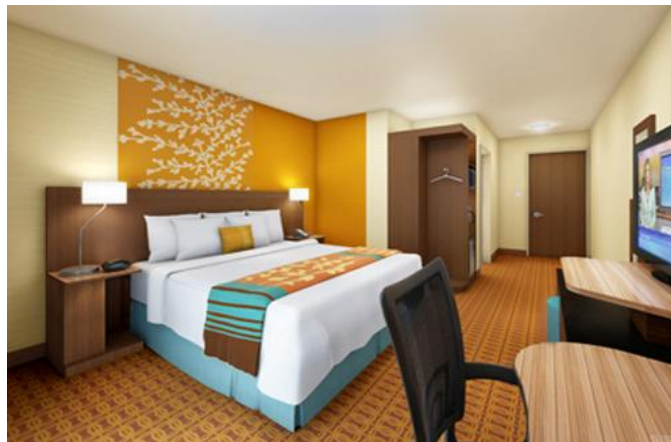
TYPICAL FIRST FLOOR PLAN



Guestrooms

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

TYPICAL LIMITED-SERVICE GUESTROOM



TYPICAL GUESTROOM FLOOR PLAN



Back-of-the-House

The hotel is expected to be served by the necessary back-of-the-house space, including an in-house laundry facility, administrative offices, and a prep kitchen to service the needs of the 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 are expected to be included in the hotel's design. We assume that the building will be fully open and operational on the stipulated opening date and will meet all local building codes and brand standards. Furthermore, we assume that the hotel staff will be adequately trained to allow for a successful opening and that pre-marketing efforts will have introduced the product to major local accounts at least six months in advance of the opening date.

6. Projection of Occupancy and Average Rate

Along with 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	Leisure	Commercial	Group	Overall
Holiday Inn Express & Suites Prosser Yakima Valley Wine	77 %	119 %	182 %	102 %
Best Western Plus Grapevine Inn	93	102	117	98
Best Western Plus The Inn at Horse Heaven	94	104	119	100
Quality Inn Sunnyside Heart of Wine Country	109	88	57	97
Secondary Competition	126	84	22	101

The secondary competition achieved the highest penetration rate within the leisure segment. The highest penetration rate in the commercial segment was achieved by the Holiday Inn Express & Suites Prosser Yakima Valley Wine, while the Holiday Inn Express & Suites Prosser Yakima Valley Wine led the market with the highest group 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	2021	2022	2023	2024
Leisure				
Demand	42,504	43,354	43,787	43,787
Market Share	12.4 %	14.3 %	14.3 %	14.3 %
Capture	5,258	6,192	6,254	6,254
Penetration	84 %	97 %	97 %	97 %
Commercial				
Demand	31,292	32,231	33,037	33,037
Market Share	14.1 %	15.4 %	15.4 %	15.4 %
Capture	4,412	4,962	5,086	5,086
Penetration	96 %	104 %	104 %	104 %
Group				
Demand	6,395	6,459	6,555	6,555
Market Share	14.0 %	17.0 %	20.4 %	20.4 %
Capture	892	1,101	1,339	1,339
Penetration	95 %	115 %	138 %	138 %
Total Room Nights Captured	10,562	12,255	12,680	12,680
Available Room Nights	23,660	23,725	23,725	23,725
Subject Occupancy	45 %	52 %	53 %	53 %
Market-wide Available Room Nights	160,509	160,509	160,509	160,509
Fair Share	15 %	15 %	15 %	15 %
Market-wide Occupied Room Nights	80,191	82,043	83,380	83,380
Market Share	13 %	15 %	15 %	15 %
Market-wide Occupancy	50 %	51 %	52 %	52 %
Total Penetration	89 %	101 %	103 %	103 %

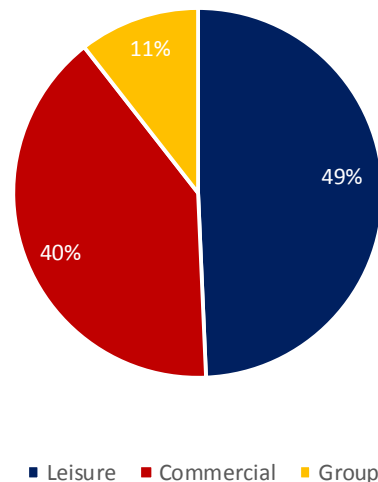
Within the leisure segment, the proposed subject hotel's occupancy penetration is positioned appropriately within the range of existing competitors, largely attributed to its anticipated strong brand recognition and associated brand loyalty among travelers. Within the commercial segment, the proposed subject hotel's occupancy penetration is positioned slightly below the market leader and above the remaining competitors, supported by its assumed national brand affiliation. The proposed subject hotel's occupancy penetration in the meeting and group segment is positioned slightly below the market leader and above the remaining competitors, supported by the leisure orientation of the assumed brand.

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

FIGURE 6-3 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2021	2022	2023	2024
Leisure	50 %	51 %	49 %	49 %
Commercial	42	40	40	40
Group	8	9	11	11
Total	100 %	100 %	100 %	100 %

FIGURE 6-4 STABILIZED MARKET SEGMENTATION– SUBJECT PROPERTY



Based on our analysis of the proposed subject hotel and market area, we have selected a stabilized occupancy level of 53%. 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 6-5 BASE-YEAR AVERAGE RATE AND REVPAR OF THE COMPETITORS

Property	Estimated 2018 Average Room Rate	Average Room Rate Penetration	Rooms Revenue Per Available Room (RevPAR)	RevPAR Penetration
Holiday Inn Express & Suites Prosser Yakima Valley Wine	\$100 - \$105	110 - 120 %	\$55 - \$60	120 - 130 %
Best Western Plus Grapevine Inn	85 - 90	95 - 100	45 - 50	90 - 95
Best Western Plus The Inn at Horse Heaven	95 - 100	100 - 110	50 - 55	100 - 110
Quality Inn Sunnyside Heart of Wine Country	80 - 85	90 - 95	40 - 45	85 - 90
Average - Primary Competitors	\$92.94	106.3 %	\$50.85	106.0 %
Average - Secondary Competitors	70.58	80.7	39.13	81.5
Overall Average	\$87.42	100.0 %	\$47.99	100.0 %
Subject As If Stabilized (In 2018 Dollars)	\$100.00	114.4 %	\$56.47	117.7 %

The defined primarily competitive market realized an overall average rate of \$92.94 in the 2018 base year, improving from the 2017 level of \$91.47. We have selected the rate position of \$100.00, in base-year dollars, for the proposed subject hotel.

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 2018.

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

	2016	2017	2018	Projected					
				2019	2020	2021	2022	2023	2024
Proposed Limited-Service Hotel Grandview									
Occupancy				— %	— %	44.6 %	51.7 %	53.4 %	53.4 %
Change in Points				—	—	—	7.0	1.8	0.0
Occupancy Penetration				—	—	89.4 %	101.1 %	102.9 %	102.9 %
Average Rate			\$100.00	\$102.50	\$105.06	\$102.80	\$109.23	\$114.80	\$118.25
Change				—	2.5 % 	(2.2) %	6.3 %	5.1 %	3.0 %
Average Rate Penetration				114.4 %	114.4 % 	108.7 %	112.1 %	114.4 %	114.4 %
RevPAR				—	—	\$45.89	\$56.42	\$61.36	\$63.20
Change				—	— 	—	22.9 %	8.7 %	3.0 %
RevPAR Penetration				—	—	97.1 %	113.3 %	117.7 %	117.7 %
	Historical (Estimated)			Projected					
	2017	2017	2018	2019	2020	2021	2022	2023	2024
Grandview Submarket									
Occupancy	62.5 %	59.0 %	54.9 %	56.4 %	56.1 %	50.0 %	51.1 %	51.9 %	51.9 %
Change in Points	—	(3.5)	(4.2)	1.5	(0.2)	(6.2)	1.2	0.8	0.0
Average Rate	\$83.66	\$85.16	\$87.42	\$89.61	\$91.85	\$94.60	\$97.44	\$100.36	\$103.37
Change	—	1.8 %	2.7 %	2.5 %	2.5 %	3.0 %	3.0 %	3.0 %	3.0 %
RevPAR	\$52.31	\$50.28	\$47.99	\$50.50	\$51.57	\$47.26	\$49.81	\$52.14	\$53.70
Change	—	(3.9) %	(4.6) %	5.2 %	2.1 %	(8.3) %	5.4 %	4.7 %	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, 2021 and corresponds with our financial projections, as shown below.

FIGURE 6-7 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

Calendar Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
Market ADR	\$87.42	\$89.61	\$91.85	\$94.60	\$97.44	\$100.36	\$103.37	\$106.48	\$109.67
Projected Market ADR Growth Rate	—	2.5%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Property ADR (As-If Stabilized)	\$100.00	\$102.50	\$105.06	\$108.21	\$111.46	\$114.80	\$118.25	\$121.80	\$125.45
ADR Growth Rate	—	2.5%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Stabilized ADR Penetration	114%	114%	114%	114%	114%	114%	114%	114%	114.4%
Fiscal Year				2021	2022	2023	2024	2025	2026
Proposed Subject Property Average Rate				\$108.21	\$111.46	\$114.80	\$118.25	\$121.80	\$125.45
Opening Discount				5.0%	2.0%	0.0%	0.0%	0.0%	0.0%
Average Rate After Discount				\$102.80	\$109.23	\$114.80	\$118.25	\$121.80	\$125.45
Real Average Rate Growth				—	6.3%	5.1%	3.0%	3.0%	3.0%
Market ADR				\$94.60	\$97.44	\$100.36	\$103.37	\$106.48	\$109.67
Proposed Subject ADR Penetration (After Discount)				109%	112%	114%	114%	114%	114%
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate				\$95.00	\$98.00	\$100.00	\$100.00	\$100.00	\$100.00

The competitive submarket should experience ADR 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, strong brand affiliation, and convenient highway location. The proposed subject hotel's ADR penetration level is forecast to reach 114.4 % by the stabilized period, consistent with our stabilized ADR positioning.

The proposed subject hotel's projected average rate (as if stabilized) is then fiscalized to correspond with the hotel's anticipated date of opening for each forecast year. Discounts of 5% and 2% have been applied to the stabilized room rates projected for the first two years of operation, as would be expected for a new property of this type as it builds its reputation and becomes established in the market.

The following occupancies and average rates will be used to project the subject property's rooms revenue; this forecast reflects years beginning on January 1, 2021, which correspond with our financial projections.

FIGURE 6-8 FORECASTS OF OCCUPANCY, AVERAGE RATE, AND REVPAR

Year	Occupancy	Average Rate Before Discount	Discount	Average Rate After Discount
2021	45 %	108.21	5.0 %	102.80
2022	52	111.46	2.0	109.23
2023	53	114.80	0.0	114.80

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:	2017	2017/18	2017	2016	2016	2018
Edition:	11	11	11	10	11	11
Number of Rooms:	30 to 50	70 to 100	60 to 90	80 to 100	70 to 100	65
Occupied Rooms:	9,834	18,569	17,253	17,889	18,146	12,574
Days Open:	365	365	365	365	365	365
Occupancy:	63%	62%	61%	55%	60%	53%
Average Rate:	\$89	\$88	\$72	\$101	\$93	\$100
RevPAR:	\$56	\$55	\$44	\$56	\$56	\$53
REVENUE						
Rooms	99.6 %	99.6 %	100.0 %	98.9 %	97.9 %	99.3 %
Other Operated Departments	0.0	0.3	0.0	0.6	2.1	0.5
Miscellaneous Income	0.4	0.1	0.0	0.5	0.0	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*						
Rooms	21.8	24.8	24.3	26.4	24.3	25.0
Other Operated Departments	0.0	203.8	0.0	106.7	44.7	50.0
Total	21.7	25.2	24.3	26.7	24.8	25.1
DEPARTMENTAL INCOME						
	78.3	74.8	75.7	73.3	75.2	74.9
OPERATING EXPENSES						
Administrative & General	8.4	8.1	10.5	5.4	18.1	8.7
Info. and Telecom. Systems	1.7	2.5	0.4	0.0	2.3	1.5
Marketing	1.8	5.4	1.8	4.1	6.5	2.6
Franchise Fee	9.9	7.8	13.6	4.9	7.4	7.4
Property Operations & Maintenance	4.8	4.7	4.7	5.1	2.3	3.6
Utilities	4.6	5.8	6.7	6.9	2.4	5.1
Total	31.1	34.3	37.8	26.5	39.1	29.0
HOUSE PROFIT						
	47.2	40.5	37.9	46.9	36.1	45.9
Management Fee	0.0	0.0	0.0	2.5	6.9	3.0
INCOME BEFORE FIXED CHARGES						
	47.2	40.4	37.9	44.3	29.3	42.9
FIXED EXPENSES						
Property Taxes	1.5	2.6	3.3	5.4	3.8	5.9
Insurance	0.1	0.5	1.2	1.3	1.7	1.3
Reserve for Replacement	0.0	0.0	0.0	0.0	0.0	4.0
Total	1.6	3.1	4.5	7.3	5.5	11.2
NET INCOME						
	45.6 %	37.3 %	33.4 %	37.0 %	23.8 %	31.7 %

* 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:	2017	2017/18	2017	2016	2016	2018
Edition:	11	11	11	10	11	11
Number of Rooms:	30 to 50	70 to 100	60 to 90	80 to 100	70 to 100	65
Occupied Rooms:	9,834	18,569	17,253	17,889	18,146	12,574
Days Open:	365	365	365	365	365	365
Occupancy:	63%	62%	61%	55%	60%	53%
Average Rate:	\$89	\$88	\$72	\$101	\$93	\$100
RevPAR:	\$56	\$55	\$44	\$56	\$56	\$53
REVENUE						
Rooms	\$20,393	\$19,895	\$16,039	\$20,329	\$20,260	\$19,345
Other Operated Departments	0	57	0	125	433	97
Miscellaneous Income	90	13	0	98	0	39
Total	20,483	19,966	16,039	20,552	20,692	19,480
DEPARTMENTAL EXPENSES						
Rooms	4,442	4,924	3,895	5,358	4,931	4,836
Other Operated Departments	0	117	0	133	193	48
Total	4,442	5,041	3,895	5,492	5,124	4,885
DEPARTMENTAL INCOME	16,041	14,924	12,144	15,060	15,568	14,596
OPERATING EXPENSES						
Administrative & General	1,723	1,609	1,685	1,102	3,748	1,700
Info. and Telecom. Systems	339	503	65	0	473	300
Marketing	361	1,069	282	847	1,352	500
Franchise Fee	2,020	1,567	2,187	1,016	1,526	1,451
Property Operations & Maintenance	983	943	761	1,055	484	700
Utilities	944	1,164	1,082	1,416	504	1,000
Total	6,370	6,855	6,062	5,436	8,088	5,651
HOUSE PROFIT	9,671	8,069	6,082	9,624	7,480	8,945
Management Fee	0	0	0	514	1,427	584
INCOME BEFORE FIXED CHARGES	9,671	8,070	6,082	9,110	6,054	8,360
FIXED EXPENSES						
Property Taxes	304	526	529	1,112	780	1,146
Insurance	26	100	198	270	350	250
Reserve for Replacement	0	0	0	0	0	779
Total	330	626	727	1,503	1,130	2,175
NET INCOME	\$9,341	\$7,444	\$5,355	\$7,607	\$4,924	\$6,185

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

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized \$
Year:	2017	2017/18	2017	2016	2016	2018
Edition:	11	11	11	10	11	11
Number of Rooms:	30 to 50	70 to 100	60 to 90	80 to 100	70 to 100	65
Occupied Rooms:	9,834	18,569	17,253	17,889	18,146	12,574
Days Open:	365	365	365	365	365	365
Occupancy:	63%	62%	61%	55%	60%	53%
Average Rate:	\$89	\$88	\$72	\$101	\$93	\$100
RevPAR:	\$56	\$55	\$44	\$56	\$56	\$53
REVENUE						
Rooms	\$89.17	\$87.86	\$71.58	\$101.14	\$92.67	\$100.00
Other Operated Departments	0.00	0.25	0.00	0.62	1.98	0.50
Miscellaneous Income	0.39	0.06	0.00	0.49	0.00	0.20
Total	89.56	88.17	71.58	102.25	94.65	100.70
DEPARTMENTAL EXPENSES						
Rooms	19.42	21.75	17.39	26.66	22.55	25.00
Other Operated Departments	0.00	0.52	0.00	0.66	0.88	0.25
Total	19.42	22.26	17.39	27.32	23.44	25.25
DEPARTMENTAL INCOME	70.14	65.91	54.20	74.93	71.21	75.45
OPERATING EXPENSES						
Administrative & General	7.53	7.11	7.52	5.48	17.15	8.79
Info. and Telecom. Systems	1.48	2.22	0.29	0.00	2.16	1.55
Marketing	1.58	4.72	1.26	4.21	6.18	2.58
Franchise Fee	8.83	6.92	9.76	5.06	6.98	7.50
Property Operations & Maintenance	4.30	4.16	3.40	5.25	2.21	3.62
Utilities	4.13	5.14	4.83	7.04	2.31	5.17
Total	27.85	30.27	27.05	27.04	36.99	29.21
HOUSE PROFIT	42.29	35.64	27.14	47.88	34.22	46.24
Management Fee	0.00	0.00	0.00	2.56	6.52	3.02
INCOME BEFORE FIXED CHARGES	42.29	35.64	27.14	45.32	27.69	43.22
FIXED EXPENSES						
Property Taxes	1.33	2.32	2.36	5.53	3.57	5.92
Insurance	0.12	0.44	0.88	1.34	1.60	1.29
Reserve for Replacement	0.00	0.00	0.00	0.00	0.00	4.03
Total	1.44	2.76	3.25	7.48	5.17	11.25
NET INCOME	\$40.85	\$32.88	\$23.89	\$37.84	\$22.52	\$31.97

The comparable statements' departmental income ranged from 73.3% to 78.3% of total revenue. The comparable properties achieved a house profit ranging from 36.1% to 47.2% of total revenue.

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 2018. 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, 2021, expressed in inflated dollars for each year.

FIGURE 7-4 DETAILED FORECAST OF INCOME AND EXPENSE

	2021 (Calendar Year)				2022				2023				Stabilized				2025			
Number of Rooms:	65				65				65				65				65			
Occupancy:	45%				52%				53%				53%				53%			
Average Rate:	\$102.80				\$109.23				\$114.80				\$118.25				\$121.80			
RevPAR:	\$46.26				\$56.80				\$60.85				\$62.67				\$64.55			
Days Open:	365				365				365				365				365			
Occupied Rooms:	10,676	%Gross	PAR	POR	12,337	%Gross	PAR	POR	12,574	%Gross	PAR	POR	12,574	%Gross	PAR	POR	12,574	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	\$1,098	99.2 %	\$16,892	\$102.85	\$1,348	99.3 %	\$20,738	\$109.26	\$1,444	99.3 %	\$22,215	\$114.84	\$1,487	99.3 %	\$22,877	\$118.26	\$1,531	99.3 %	\$23,554	\$121.76
Other Operated Departments	6	0.6	100	0.61	7	0.5	107	0.56	7	0.5	111	0.57	7	0.5	114	0.59	8	0.5	118	0.61
Miscellaneous Income	3	0.2	40	0.24	3	0.2	43	0.23	3	0.2	44	0.23	3	0.2	46	0.24	3	0.2	47	0.24
Total Operating Revenues	1,107	100.0	17,032	103.70	1,358	100.0	20,889	110.06	1,454	100.0	22,371	115.64	1,497	100.0	23,037	119.09	1,542	100.0	23,719	122.61
DEPARTMENTAL EXPENSES *																				
Rooms	320	29.1	4,918	29.94	348	25.8	5,350	28.19	361	25.0	5,552	28.70	372	25.0	5,719	29.56	383	25.0	5,890	30.45
Total Expenses	323	29.2	4,969	30.25	351	25.9	5,404	28.47	365	25.1	5,608	28.99	375	25.1	5,776	29.86	387	25.1	5,949	30.75
DEPARTMENTAL INCOME	784	70.8	12,063	73.44	1,007	74.1	15,485	81.59	1,090	74.9	16,763	86.65	1,122	74.9	17,261	89.23	1,155	74.9	17,770	91.86
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	114	10.3	1,751	10.66	122	9.0	1,877	9.89	127	8.7	1,952	10.09	131	8.7	2,010	10.39	135	8.7	2,070	10.70
Info & Telecom Systems	20	1.8	309	1.88	22	1.6	331	1.75	22	1.5	344	1.78	23	1.5	355	1.83	24	1.5	365	1.89
Marketing	35	3.2	541	3.29	37	2.7	563	2.97	37	2.6	574	2.97	38	2.6	591	3.06	40	2.6	609	3.15
Franchise Fee	82	7.4	1,267	7.71	101	7.4	1,555	8.19	108	7.4	1,666	8.61	112	7.4	1,716	8.87	115	7.4	1,767	9.13
Prop. Operations & Maint.	42	3.8	649	3.95	48	3.5	734	3.87	52	3.6	804	4.15	54	3.6	828	4.28	55	3.6	853	4.41
Utilities	67	6.0	1,030	6.27	72	5.3	1,104	5.82	75	5.1	1,148	5.94	77	5.1	1,183	6.11	79	5.1	1,218	6.30
Total Expenses	361	32.5	5,547	33.77	401	29.5	6,165	32.48	422	28.9	6,488	33.54	434	28.9	6,682	34.54	447	28.9	6,882	35.57
GROSS HOUSE PROFIT	424	38.3	6,516	39.67	606	44.6	9,320	49.11	668	46.0	10,275	53.11	688	46.0	10,579	54.68	708	46.0	10,888	56.28
Management Fee	33	3.0	511	3.11	41	3.0	627	3.30	44	3.0	671	3.47	45	3.0	691	3.57	46	3.0	712	3.68
INCOME BEFORE NON-OPR. INC. & EXP.	390	35.3	6,005	36.56	565	41.6	8,694	45.80	624	43.0	9,604	49.64	643	43.0	9,888	51.11	661	43.0	10,176	52.60
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	81	7.3	1,246	7.59	83	6.1	1,277	6.73	86	5.9	1,316	6.80	88	5.9	1,355	7.01	91	5.9	1,396	7.22
Insurance	18	1.6	271	1.65	18	1.3	279	1.47	19	1.3	287	1.48	19	1.3	296	1.53	20	1.3	304	1.57
Reserve for Replacement	22	2.0	341	2.07	41	3.0	627	3.30	58	4.0	895	4.63	60	4.0	921	4.76	62	4.0	949	4.90
Total Expenses	121	10.9	1,858	11.31	142	10.4	2,183	11.50	162	11.2	2,498	12.91	167	11.2	2,572	13.30	172	11.2	2,649	13.69
EBITDA LESS RESERVE	\$270	24.4 %	\$4,147	\$25.25	\$423	31.2 %	\$6,511	\$34.30	\$462	31.8 %	\$7,106	\$36.73	\$475	31.8 %	\$7,315	\$37.81	\$489	31.8 %	\$7,527	\$38.91

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

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

	2021		2022		2023		2024		2025		2026		2027		2028		2029		2030	
Number of Rooms:	65		65		65		65		65		65		65		65		65		65	
Occupied Rooms:	10,676		12,337		12,574		12,574		12,574		12,574		12,574		12,574		12,574		12,574	
Occupancy:	45%		52%		53%		53%		53%		53%		53%		53%		53%		53%	
Average Rate:	\$102.80	% of	\$109.23	% of	\$114.80	% of	\$118.25	% of	\$121.80	% of	\$125.45	% of	\$129.21	% of	\$133.09	% of	\$137.08	% of	\$141.20	% of
RevPAR:	\$46.26	Gross	\$56.80	Gross	\$60.85	Gross	\$62.67	Gross	\$64.55	Gross	\$66.49	Gross	\$68.48	Gross	\$70.54	Gross	\$72.65	Gross	\$74.83	Gross
OPERATING REVENUE																				
Rooms	\$1,098	99.2 %	\$1,348	99.3 %	\$1,444	99.3 %	\$1,487	99.3 %	\$1,531	99.3 %	\$1,577	99.3 %	\$1,625	99.3 %	\$1,674	99.3 %	\$1,724	99.3 %	\$1,775	99.3 %
Other Operated Departments	6	0.6	7	0.5	7	0.5	7	0.5	8	0.5	8	0.5	8	0.5	8	0.5	9	0.5	9	0.5
Miscellaneous Income	3	0.2	3	0.2	3	0.2	3	0.2	3	0.2	3	0.2	3	0.2	3	0.2	3	0.2	4	0.2
Total Operating Revenues	1,107	100.0	1,358	100.0	1,454	100.0	1,497	100.0	1,542	100.0	1,588	100.0	1,636	100.0	1,686	100.0	1,736	100.0	1,787	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	320	29.1	348	25.8	361	25.0	372	25.0	383	25.0	394	25.0	406	25.0	418	25.0	431	25.0	444	25.0
Total Expenses	323	29.2	351	25.9	365	25.1	375	25.1	387	25.1	398	25.1	410	25.1	423	25.1	435	25.1	448	25.1
DEPARTMENTAL INCOME	784	70.8	1,007	74.1	1,090	74.9	1,122	74.9	1,155	74.9	1,190	74.9	1,226	74.9	1,263	74.9	1,301	74.9	1,339	74.9
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	114	10.3	122	9.0	127	8.7	131	8.7	135	8.7	139	8.7	143	8.7	147	8.7	151	8.7	156	8.7
Info & Telecom Systems	20	1.8	22	1.6	22	1.5	23	1.5	24	1.5	24	1.5	25	1.5	26	1.5	27	1.5	28	1.5
Marketing	35	3.2	37	2.7	37	2.6	38	2.6	40	2.6	41	2.6	42	2.6	43	2.6	45	2.6	46	2.6
Franchise Fee	82	7.4	101	7.4	108	7.4	112	7.4	115	7.4	118	7.4	122	7.4	126	7.4	129	7.4	133	7.4
Prop. Operations & Maint.	42	3.8	48	3.5	52	3.6	54	3.6	55	3.6	57	3.6	59	3.6	61	3.6	62	3.6	64	3.6
Utilities	67	6.0	72	5.3	75	5.1	77	5.1	79	5.1	82	5.1	84	5.1	87	5.1	89	5.1	92	5.1
Total Expenses	361	32.6	401	29.5	422	29.0	434	29.0	447	29.0	461	29.0	475	29.0	489	29.0	504	29.0	519	29.0
GROSS HOUSE PROFIT	424	38.2	606	44.6	668	45.9	688	45.9	708	45.9	729	45.9	751	45.9	774	45.9	797	45.9	821	45.9
Management Fee	33	3.0	41	3.0	44	3.0	45	3.0	46	3.0	48	3.0	49	3.0	51	3.0	52	3.0	54	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	390	35.2	565	41.6	624	42.9	643	42.9	661	42.9	681	42.9	702	42.9	724	42.9	745	42.9	767	42.9
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	81	7.3	83	6.1	86	5.9	88	5.9	91	5.9	93	5.9	96	5.9	99	5.9	102	5.9	105	5.9
Insurance	18	1.6	18	1.3	19	1.3	19	1.3	20	1.3	20	1.3	21	1.3	22	1.3	22	1.3	23	1.3
Reserve for Replacement	22	2.0	41	3.0	58	4.0	60	4.0	62	4.0	64	4.0	65	4.0	67	4.0	69	4.0	71	4.0
Total Expenses	121	10.9	142	10.4	162	11.2	167	11.2	172	11.2	177	11.2	183	11.2	188	11.2	194	11.2	200	11.2
EBITDA LESS RESERVE	\$270	24.3 %	\$423	31.2 %	\$462	31.7 %	\$475	31.7 %	\$489	31.7 %	\$504	31.7 %	\$520	31.7 %	\$535	31.7 %	\$551	31.7 %	\$567	31.7 %

The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take four years for the proposed subject hotel to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the proposed subject hotel's operating budget and comparable income and expense statements. The forecast is based upon calendar years beginning January 1, 2021, expressed in inflated dollars for each year.

Revenues associated with the proposed subject hotel's other operated departments and miscellaneous income category have been forecast to reflect the hotel's planned facilities and amenities. Collections from meeting-room rentals, market-pantry or vending-machine sales, and cancellation fees would be included in these income categories. Expense levels fall within a range of reasonableness given the provided comparable operating statements; furthermore, franchise and management fees are set forth in accordance with our assumptions provided earlier in our report.

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 53% with an average rate of \$118.25 in 2024. 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.

FIGURE 7-6 OTHER OPERATED DEPARTMENTS REVENUE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	0.0 %	0.3 %	0.0 %	0.6 %	2.1 %	0.6 %	0.5 %
Per Available Room	\$0	\$57	\$0	\$125	\$433	\$100	\$97
Per Occupied Room	\$0.00	\$0.25	\$0.00	\$0.62	\$1.98	\$0.61	\$0.50

Miscellaneous Income

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

FIGURE 7-7 MISCELLANEOUS INCOME

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	0.4 %	0.1 %	0.0 %	0.5 %	0.0 %	0.2 %	0.2 %
Per Available Room	\$90	\$13	\$0	\$98	\$0	\$40	\$39
Per Occupied Room	\$0.39	\$0.06	\$0.00	\$0.49	\$0.00	\$0.24	\$0.20

Rooms Expense

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

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

FIGURE 7-8 ROOMS EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	21.8 %	24.8 %	24.3 %	26.4 %	24.3 %	29.1 %	25.0 %
Per Available Room	\$4,442	\$4,924	\$3,895	\$5,358	\$4,931	\$4,918	\$4,836
Per Occupied Room	\$19.42	\$21.75	\$17.39	\$26.66	\$22.55	\$29.94	\$25.00

**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.

FIGURE 7-9 OTHER OPERATED DEPARTMENTS EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	0.0 %	203.8 %	0.0 %	106.7 %	44.7 %	51.7 %	50.0 %
Per Available Room	\$0	\$117	\$0	\$133	\$193	\$52	\$48
Per Occupied Room	\$0.00	\$0.52	\$0.00	\$0.66	\$0.88	\$0.31	\$0.25

Administrative and General Expense

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

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

FIGURE 7-10 ADMINISTRATIVE AND GENERAL EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	8.4 %	8.1 %	10.5 %	5.4 %	18.1 %	10.3 %	8.7 %
Per Available Room	\$1,723	\$1,609	\$1,685	\$1,102	\$3,748	\$1,751	\$1,700
Per Occupied Room	\$7.53	\$7.11	\$7.52	\$5.48	\$17.15	\$10.66	\$8.79

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.

Marketing Expense

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

The marketing category is unique in that all expense items, with the exception of fees and commissions, are totally controlled by management. Most hotel operators

establish an annual marketing budget that sets forth all planned expenditures. If the budget is followed, total marketing expenses can be projected accurately.

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

FIGURE 7-11 MARKETING EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	1.8 %	5.4 %	1.8 %	4.1 %	6.5 %	3.2 %	2.6 %
Per Available Room	\$361	\$1,069	\$282	\$847	\$1,352	\$541	\$500
Per Occupied Room	\$1.58	\$4.72	\$1.26	\$4.21	\$6.18	\$3.29	\$2.58

Franchise Fee

We recommend that the proposed subject hotel operate as an upper-midscale, limited-service property. While we have placed heavy consideration on the Fairfield Inn by Marriott brand, which is affiliated with Marriott, a specific franchise affiliation and/or brand has yet to be finalized. We have assumed franchise fees in line with a nationally-recognized, limited-service brand.

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.

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	2021	Deflated Stabilized
Percentage of Revenue	4.8 %	4.7 %	4.7 %	5.1 %	2.3 %	3.8 %	3.6 %
Per Available Room	\$983	\$943	\$761	\$1,055	\$484	\$649	\$700
Per Occupied Room	\$4.30	\$4.16	\$3.40	\$5.25	\$2.21	\$3.95	\$3.62

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	2021	Deflated Stabilized
Percentage of Revenue	4.6 %	5.8 %	6.7 %	6.9 %	2.4 %	6.0 %	5.1 %
Per Available Room	\$944	\$1,164	\$1,082	\$1,416	\$504	\$1,030	\$1,000
Per Occupied Room	\$4.13	\$5.14	\$4.83	\$7.04	\$2.31	\$6.27	\$5.17

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	Year Open	Land	Improvements	Personal	Total
Best Western Plus Grapevine Inn	2004	\$352,300	\$1,872,300	\$141,384	\$2,365,984
Best Western Plus The Inn at Horse Heaven	1994	573,590	4,729,340	0	5,302,930
Quality Inn Sunnyside Heart of Wine Country	1997	211,900	1,420,400	0	1,632,300
Rodeway Inn Sunnyside	1973	103,200	735,800	0	839,000
<i>Assessments per Room</i>	<i># of Rms</i>				
Best Western Plus Grapevine Inn	54	\$6,524	\$34,672	\$2,618	\$41,196
Best Western Plus The Inn at Horse Heaven	85	6,748	55,639	0	62,387
Quality Inn Sunnyside Heart of Wine Country	48	4,415	29,592	0	34,006
Rodeway Inn Sunnyside	69	1,496	10,664	0	12,159
Positioned Subject - Per Room	65	\$5,000	\$85,000	\$5,000	\$95,000
Positioned Subject - Total		\$325,000	\$5,525,000	\$325,000	\$6,175,000

Source: Yakima County Assessor

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 Best Western

Plus The Inn at Horse Heaven and the Best Western Plus Grapevine Inn because of the similarities, including product type; 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 12.48710%. The following table shows changes in the tax rate during the last several years.

FIGURE 7-15 COUNTY TAX RATES

<u>Year</u>	<u>Real Property Millage Rate</u>	<u>Personal Property Millage Rate</u>
2016	13.08110	13.08110
2017	12.65430	12.65430
2018	14.13570	14.13570
2019	12.48710	12.48710

Source: Yakima County Assessor

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)

	<u>Land</u>	<u>Real Property</u>	<u>Total</u>	<u>Personal Property</u>
Positioned (Assessed Value)	\$325,000	\$5,525,000	\$5,850,000	\$325,000
Equalization Rate			1.00000	
Millage Rate			12.48710	12.48710
Tax Burden as of Base Year			\$73,050	\$4,058

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	\$73,050	—		\$73,050
2021	\$73,050	5.1 %	100 %	\$76,748
2022	76,748	2.5	100	78,666
2023	78,666	3.0	100	81,026
2024	81,026	3.0	100	83,457

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	\$4,058	—		\$4,058
2021	\$4,058	5.1 %	100 %	\$4,264
2022	4,264	2.5	100	4,370
2023	4,370	3.0	100	4,501
2024	4,501	3.0	100	4,637

FIGURE 7-19 PROJECTED PROPERTY TAX EXPENSE – SUMMARY

Year	Taxes Payable			Total Tax Payable
	Real	Personal	Total	
Positioned	\$73,050	\$4,058	\$77,108	\$77,108
2021	\$76,748	\$4,264	\$81,011	\$81,011
2022	78,666	4,370	83,037	83,037
2023	81,026	4,501	85,528	85,528
2024	83,457	4,637	88,094	88,094

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	2021	Deflated Stabilized
Percentage of Revenue	0.1 %	0.5 %	1.2 %	1.3 %	1.7 %	1.6 %	1.3 %
Per Available Room	\$26	\$100	\$198	\$270	\$350	\$271	\$250
Per Occupied Room	\$0.12	\$0.44	\$0.88	\$1.34	\$1.60	\$1.65	\$1.29

Reserve for Replacement

Furniture, fixtures, and equipment are essential to the operation of a lodging facility, and their quality often influences a property's class. This category includes all non-real estate items that are capitalized, rather than expensed. The furniture, fixtures, and equipment of a hotel are exposed to heavy use and must be replaced at regular intervals. The useful life of these items is determined by their quality, durability, and the amount of guest traffic and use.

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

The International Society of Hospitality Consultants (ISHC) oversees a major industry-sponsored study of the capital expenditure requirements for full-service/luxury, select-service, and extended-stay hotels. The most recent study was published in 2014.⁷ Historical capital expenditures of well-maintained hotels were investigated through the compilation of data provided by most of the major hotel companies in the United States. A prospective analysis of future capital expenditure requirements was also performed based upon the cost to replace short- and long-lived building components over a hotel's economic life. The study showed that the capital expenditure requirements for hotels vary significantly from year to year and depend upon both the actual and effective ages of a property. The results of this

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

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 review 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.

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	2021	\$1,107,000	—	\$424,000	—	38.3 %	\$270,000	—	24.4 %
	2022	1,358,000	22.7 %	606,000	42.9 %	44.6	423,000	56.7 %	31.2
	2023	1,454,000	7.1	668,000	10.2	46.0	462,000	9.2	31.8
	2024	1,497,000	3.0	688,000	3.0	46.0	475,000	2.8	31.8
	2025	1,542,000	3.0	708,000	2.9	46.0	489,000	2.9	31.8

8. Feasibility Analysis

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

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

Mortgage Component

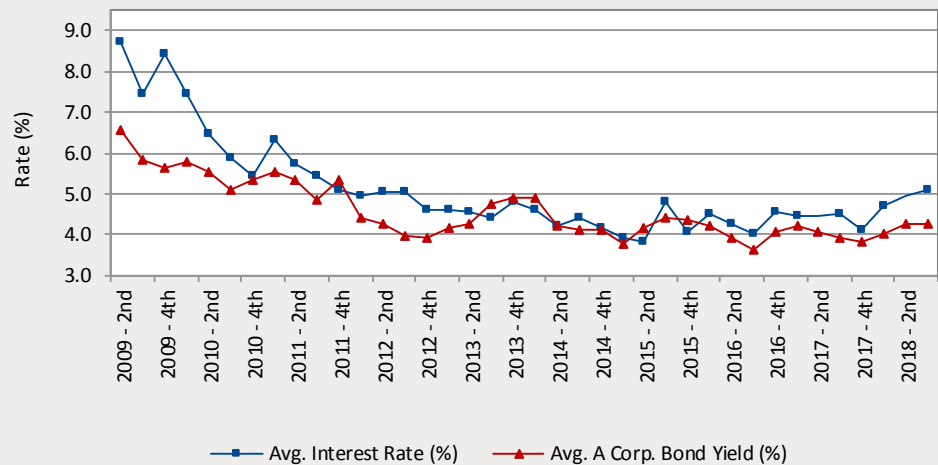
Hotel financing is available for most tiers of the lodging industry from a variety of lender types. The CMBS market is in a phase of strong activity, including lending in the hospitality sector. While many lenders remain active, underwriting standards are more stringent than ten years ago, and loan-to-value ratios remain in the 60% to 70% range. Lenders continue to be attracted to the lodging industry because of the higher yields generated by hotel financing relative to other commercial real estate, and the industry continues to perform strongly in most markets. Commercial banks, mortgage REITs, insurance companies, and CMBS and mezzanine lenders continue to pursue deals.

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

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

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

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



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

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

$$Y = 0.95670050 X + 0.76453169$$

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

The January 23, 2019, average yield on average-A corporate bonds, as reported by Moody's Investors Service, was 4.36%. When used in the previously presented equation, a factor of 4.36 produces an estimated hotel/motel interest rate of 4.94% (rounded).

Despite the recent interest-rate increases, hotel debt remains available at favorable interest rates from a variety of lender types as of late 2018 (e.g., CMBS, balance-sheet lenders, insurance companies, SBA lenders, and other sources). The most prevalent interest rates for single hotel assets are currently ranging from 5.0% to 7.0%, depending on the type of debt, loan-to-value ratio, and the quality of the asset and its market.

In addition to the mortgage interest rate estimate derived from this regression analysis, HVS constantly monitors the terms of hotel mortgage loans made by our institutional lending clients. Fixed-rate debt is being priced at roughly 250 to 500 basis points over the corresponding yield on treasury notes. As of January 23, 2019, the yield on the ten-year T-bill was 2.74%, indicating an interest rate range from 5.2% to 7.7%. The hotel investment market has been very active given the strong performance of this sector and low interest rates in recent years. The Federal Reserve raised the federal funds rate by 25 basis points in December 2016, March 2017, June 2017, March 2018, and June 2018; the Fed increased rates again in September 2018 to a range between 2.0% and 2.25%. Hotel mortgage interest rates have been affected modestly by the recent rate increases given the contraction in interest-rate spreads; however, future increases by the Fed raises the prospect of a higher cost of debt capital for hotel investors in late 2018 and 2019. Hotel values have not yet been affected by the rise in the Fed rate; furthermore, debt capital is expected to remain available at favorable interest rates in the near term. At present, we find that lenders that are active in the market are using loan-to-value ratios of 60% to 70%, and amortization periods of 20 to 30 years. Loan-to-value ratios in 2018 are not as robust as those from a couple of years ago, when ratios as high as 75% were available.

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

Equity Component

The remaining capital required for a hotel investment generally comes from the equity investor. The rate of return that an equity investor expects over a ten-year holding period is known as the equity yield. Unlike the equity dividend, which is a

short-term rate of return, the equity yield specifically considers a long-term holding period (generally ten years), annual inflation- adjusted cash flows, property appreciation, mortgage amortization, and proceeds from a sale at the end of the holding period. To establish an appropriate equity yield rate, we have used two sources of data: past appraisals and investor interviews.

Hotel Sales – Each appraisal performed by HVS uses a mortgage-equity approach in which income is projected and then discounted to a current value at rates reflecting the cost of debt and equity capital. In the case of hotels that were sold near the date of our valuation, we were able to derive the equity yield rate and unlevered discount rate by inserting the ten-year projection, total investment (purchase price and estimated capital expenditure and/or PIP) and debt assumptions into a valuation model and solving for the equity yield. The overall capitalization rates for the historical income and projected first-year income are based on the sales price “as is.” The following table shows a representative sample of hotels that were sold on or about the time that we appraised them, along with the derived equity return and discount rates based on the purchase price and our forecast.

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

Hotel	Location	Number of Rooms	Date of Sale	Total Property Yield	Equity Yield	Overall Rate Based on Sales Price	
						Historical Year	Projected Year One
Cavallo Point Lodge	Sausalito, CA	142	Dec-18	9.0 %	15.2 %	5.8 %	6.1 %
Grand Hotel	Minneapolis, MN	140	Dec-18	10.1	16.2	10.5	8.3
Sheraton Suites	Wilmington, DE	223	Nov-18	11.3	20.3	11.0	11.5
Ritz-Carlton	Kapalua, HI	458	Oct-18	9.7	15.6	3.8	6.7
Embassy Suites by Hilton	Williamsburg, VA	161	Jul-18	10.7	19.4	6.5	8.0
Hilton Washington DC North	Gaithersburg, MD	301	Jul-18	12.5	20.6	6.5	8.0
Embassy Suites by Hilton	Napa, CA	205	Jul-18	8.1	12.2	6.5	6.0
Atlantic Terrace	Montauk, NY	96	Jul-18	10.0	16.1	4.5	5.2
Hyatt Centric	Santa Barbara, CA	200	Jul-18	9.6	15.3	5.5	5.8
Holiday Inn Hotel & Suites	Mesa, AZ	246	Jun-18	10.6	17.9	7.4	9.4
Waldorf Astoria Biltmore	Phoenix, AZ	606	Apr-18	9.5	15.9	6.8	7.0
Waldorf Astoria Grand Wailea	Wailea, HI	776	Apr-18	8.9	14.5	5.2	5.5
Embassy Suites by Hilton	Indianapolis, IN	221	Feb-18	10.9	18.9	8.0	9.1
Westin Tysons Corner	Falls Church, VA	407	Feb-18	10.4	18.1	8.3	8.7
DoubleTree University Area	Minneapolis, MN	140	Feb-18	9.7	17.0	—	7.7
Mystic Hotel Union Square	San Francisco, CA	82	Jan-18	8.9	15.2	6.2	6.4
DoubleTree Guest Suites	Tampa, FL	203	Jan-18	11.1	18.3	8.8	7.6
Sheraton Suites	Plantation, FL	263	Jan-18	12.5	21.2	7.4	9.1
Marriott Key Bridge	Arlington, VA	583	Jan-18	8.3	13.0	5.1	5.8
Madeline Telluride	Telluride, CO	124	Dec-17	10.4	18.9	5.8	8.6
Turtle Bay Resort	Kahuku, HI	452	Dec-17	8.9	14.2	6.0	6.4
Smyth Tribeca Hotel	New York, NY	100	Nov-17	8.2	12.7	4.1	3.8
Hotel Minneapolis	Minneapolis, MN	222	Nov-17	9.6	15.7	7.3	5.2
Marriott at Legacy Town Center	Plano, TX	404	Nov-17	11.1	19.8	9.4	10.4
Marriott Key Bridge	Arlington, VA	582	Nov-17	8.3	13.0	5.1	5.8
MacArthur Place	Sonoma, CA	64	Oct-17	9.3	15.5	—	—
Madison A Hilton Hotel	Washington, DC	356	Sep-17	9.3	15.2	2.6	6.9
Sheraton Chicago O'Hare Airport	Rosemont, IL	296	Sep-17	11.2	18.4	10.8	10.1
Hamilton Hotel	Washington, DC	318	Sep-17	9.7	15.2	4.2	5.5
Hyatt Regency Riverfront	Jacksonville, FL	951	Aug-17	11.4	20.2	9.7	9.9
Westin Long Beach	Long Beach, CA	469	Aug-17	10.5	18.0	8.0	7.6
New York Manhattan Hotel	New York City, NY	171	Aug-17	9.2	15.0	4.9	4.9
Hilton Executive Meeting Center	Glendale, CA	351	Jul-17	10.4	17.2	7.7	6.8
Holiday Inn Airport	Albuquerque, NM	121	Jun-17	12.4	20.9	7.3	8.7
Pacific Edge Hotel	Laguna Beach, CA	109	Jun-17	9.4	15.2	5.7	5.6
Marriott Quorum Addison	Dallas, TX	547	Jun-17	11.2	18.4	8.7	9.6
Embassy Suites Anaheim	Orange, CA	230	May-17	9.6	16.3	6.4	7.6
Hilton Dallas Park Cities	Dallas, TX	224	Apr-17	9.4	16.2	6.8	7.2

Source: HVS

FIGURE 8-3 SAMPLE OF HOTELS SOLD – SELECT-SERVICE/EXTENDED-STAY

Hotel	Location	Number of Rooms	Date of Sale	Total Property Yield	Equity Yield	Overall Rate Based on Sales Price	
						Historical Year	Projected Year One
Hampton Inn & Suites	Saint Augustine, FL	93	Dec-18	9.5 %	15.3 %	7.6 %	7.9 %
Hampton Inn & Suites	McKinney, TX	79	Oct-18	10.1	18.6	9.6	9.0
Hampton Inn & Suites	Federal Way, WA	142	Oct-18	9.6	16.0	8.1	8.1
Residence Inn by Marriott	Springdale, AR	72	Sep-18	10.9	18.3	8.2	9.8
Hilton Garden Inn Tampa	Wesley Chapel, FL	125	Sep-18	10.8	18.6	—	8.9
Hyatt Place	Fair Lawn, NJ	143	Aug-18	10.4	18.0	7.5	8.1
Hotel Indigo	Traverse City, MI	107	Aug-18	10.9	17.8	8.8	8.2
Courtyard by Marriott	Farmington, NM	125	Aug-18	11.8	18.9	8.7	7.0
Courtyard by Marriott	Myrtle Beach, SC	157	Jun-18	11.3	19.4	8.9	9.2
SpringHill Suites	Fairfax, VA	140	Jun-18	9.3	17.9	6.7	7.0
Hampton Inn & Suites	Harrison, NJ	165	May-18	10.1	18.1	7.9	7.1
Aloft Silicon Valley	Newark, CA	174	May-18	10.0	17.0	7.3	7.6
SpringHill Suites	Centreville, VA	136	May-18	10.3	18.6	7.3	8.0
Staybridge Suites	Wilmington, NC	93	Apr-18	11.5	21.4	9.6	9.6
Aloft Harlem	New York, NY	124	Mar-18	9.8	15.5	6.0	3.8
Hampton Inn Financial District	New York, NY	81	Mar-18	8.3	12.7	4.5	5.0
Residence Inn by Marriott	Sacramento, CA	126	Feb-18	10.5	18.9	8.7	9.6
Hampton Inn Denver Southwest	Lakewood, CO	150	Feb-18	12.7	21.3	10.7	13.9
Hyatt Place	Chandler, AZ	129	Jan-18	9.4	15.7	7.5	6.8
Wyndham Garden	Greenville, SC	139	Jan-18	14.2	24.2	6.0	7.7
Hampton Inn Cincinnati	Fairfield, OH	100	Jan-18	12.2	20.9	10.5	10.7
Hampton Inn Atlanta	College Park, GA	127	Jan-18	9.3	15.0	10.1	10.0
Hampton Inn Atlanta Northwest	Atlanta, GA	127	Jan-18	14.9	26.1	11.0	10.0
Hilton Garden Inn Allentown West	Breinigsville, PA	111	Nov-17	10.8	18.9	8.1	8.6
Courtyard by Marriott Tucson Airport	Tucson, AZ	149	Nov-17	9.7	16.1	8.9	8.3
Hampton Inn Saint Augustine I-95	Saint Augustine, FL	67	Sep-17	11.9	21.0	11.3	10.8
Hampton Inn & Suites Palm Coast	Palm Coast, FL	94	Sep-17	12.5	21.2	10.2	10.6
Element Denver Park Meadows	Lone Tree, CO	123	Aug-17	10.3	18.7	5.9	8.1
SpringHill Suites by Marriott	Savannah, GA	79	Aug-17	12.1	20.8	4.0	9.3
TownePlace Suites by Marriott	Waco, TX	93	Aug-17	11.2	20.7	8.5	7.8
Courtyard SeaWorld Lackland	San Antonio, TX	96	Aug-17	11.0	18.9	7.9	7.8
Courtyard Kaua'i at Coconut Beach	Kapa'a, HI	311	Aug-17	11.5	19.4	6.4	4.1
Hampton Inn by Hilton Norfolk	Virginia Beach, VA	120	Jul-17	11.4	21.2	12.4	12.6
TownePlace Suites by Marriott	Tallahassee, FL	94	Jul-17	10.5	16.1	14.5	7.9
Hyatt Place US Capitol	Washington, D.C.	200	Jun-17	10.3	20.0	6.1	7.2
Hyatt Place San Jose Downtown	San Jose, CA	234	Jun-17	12.2	21.4	8.1	8.5
Courtyard by Marriott Boston	Cambridge, MA	207	Jun-17	9.0	14.9	5.5	6.0
Hilton Garden Inn Philadelphia	Fort Washington, PA	146	May-17	10.9	19.7	7.6	8.3

Source: HVS

Investor Interviews - During the course of our work, we continuously monitor investor equity-yield requirements through discussions with hotel investors and brokers. We find that equity yield rates currently range from a low in the low-to-mid teens for high-barrier-to-entry "trophy assets"; the upper teens for high quality, institutional-grade assets in strong markets; and the upper teens to low 20s for quality assets in more typical markets. Equity yield rates tend to exceed 20% for aging assets with functional obsolescence and/or other challenging property- or market-related issues. Equity return requirements also vary with an investment's level of leverage.

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

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

Source	Data Point Range	Average
HVS Hotel Sales - Full-Service & Luxury	12.2% - 21.2%	16.8%
HVS Hotel Sales - Select-Service & Extended-Stay	12.7% - 26.1%	18.8%
HVS Hotel Sales - Limited-Service	17% - 23.9%	20.2%
HVS Investor Interviews	13% - 25%	

Based on the assumed 65% loan-to-cost ratio, the risk inherent in achieving the projected income stream, and the anticipated market position of the subject property, it is our opinion that an equity investor could expect to receive a 5.0% internal rate of return over a 10-year holding period, assuming that the investor obtains financing at the time of the project's completion at the loan-to-cost ratio and interest rate set forth.

Terminal Capitalization Rate

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

We have reviewed several recent investor surveys. The following chart summarizes the averages presented for terminal capitalization rates in various investor surveys during the past decade.

FIGURE 8-5 HISTORICAL TRENDS OF TERMINAL CAPITALIZATION RATES

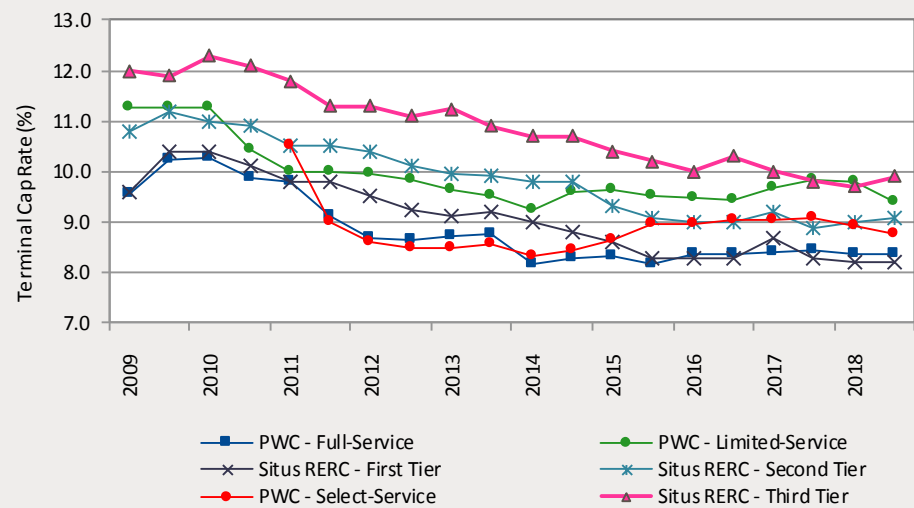


FIGURE 8-6 TERMINAL CAPITALIZATION RATES DERIVED FROM INVESTOR SURVEYS

Source	Data Point Range	Average
<i>HVS Brokers Survey - Fall 2018</i>		
Limited-Service & Economy Hotels	5.0% - 11.0%	8.8%
Select-Service Hotels	4.5% - 10.0%	8.3%
Full-Service Hotels	4.5% - 10.0%	7.7%
Luxury & Upper Upscale Hotels	5.0% - 10.0%	7.0%
<i>PWC Real Estate Investor Survey - 3rd Quarter 2018</i>		
Limited-Service Hotels	7.75% - 11.0%	9.4%
Select-Service Hotels	7.0% - 10.0%	8.8%
Full-Service Hotels	7.0% - 10.0%	8.4%
Luxury Hotels	5.5% - 9.5%	7.3%
<i>USRC Hotel Investment Survey - Mid-Year 2018</i>		
Full-Service Hotels	7.5% - 9.5%	8.3%
Limited-Service Hotels	8.0% - 9.5%	9.0%
<i>Situs RERC Real Estate Report - 2nd Quarter 2018</i>		
First Tier Hotels	5.2% - 10.5%	8.2%
Second Tier Hotels	6.5% - 11.3%	9.1%
Third Tier Hotels	8.5% - 11.8%	9.9%

For purposes of this analysis, we have applied a terminal capitalization rate of 10.50%. Our final position for the terminal capitalization rate reflects the current market for hotel investments and also considers the subject property's attributes. Terminal capitalization rates, in general, have remained stable over the past few years. Terminal cap rates are at the low end of the range for quality hotel assets in markets with high barriers to entry and at the high end of the range for older assets or for those suffering from functional obsolescence and/or weak market conditions, reflecting the market's recognition that certain assets have less opportunity for significant appreciation.

Mortgage-Equity Method

As the two participants in a real estate investment, investors and lenders must evaluate their equity and debt contributions based on their particular return requirements. After carefully weighing the risk associated with the projected economic benefits of a lodging investment, the participants will typically make their decision whether or not to invest in a hotel or resort by determining if their investment will provide an adequate yield over an established period. For the lender, this yield will typically reflect the interest rate required for a hotel mortgage over a period of what can range from seven to ten years. The yield to the equity

participant may consider not only the requirements of a particular investor, but also the potential payments to cooperative or ancillary entities such as limited partner payouts, stockholder dividends, and management company incentive fees.

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

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

Mortgage Component	\$4,412,000
Mortgage Constant	<u>0.073690</u>
Annual Debt Service	\$325,000

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

FIGURE 8-7 RETURN TO THE LENDER

Year	Total Annual Debt Service		Present Worth of \$1 Factor at 5.4%		Discounted Cash Flow
2021	\$325,000	x	0.948504	=	\$308,000
2022	325,000	x	0.899660	=	292,000
2023	325,000	x	0.853331	=	277,000
2024	325,000	x	0.809388	=	263,000
2025	325,000	x	0.767708	=	250,000
2026	325,000	x	0.728174	=	237,000
2027	325,000	x	0.690676	=	224,000
2028	325,000	x	0.655109	=	213,000
2029	325,000	x	0.621374	=	202,000
2030	3,641,000 *	x	0.589376	=	<u>2,146,000</u>
Value of Mortgage Component					\$4,412,000

*10th year debt service of \$325,000 plus outstanding mortgage balance of \$3,316,000

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

FIGURE 8-8 NET INCOME TO EQUITY

Year	Net Income Available for Debt Service		Total Annual Debt Service		Net Income to Equity
2021	\$270,000	-	\$325,000	=	(\$55,000)
2022	\$423,000	-	325,000	=	\$98,000
2023	\$462,000	-	325,000	=	\$137,000
2024	\$475,000	-	325,000	=	\$150,000
2025	\$489,000	-	325,000	=	\$164,000
2026	\$504,000	-	325,000	=	\$179,000
2027	\$520,000	-	325,000	=	\$195,000
2028	\$535,000	-	325,000	=	\$210,000
2029	\$551,000	-	325,000	=	\$226,000
2030	\$567,000	-	325,000	=	\$242,000

In order for the present value of the equity investment to equate to the \$2,376,000 capital outlay, the investor must accept a 5.0% return, as shown in the following table.

FIGURE 8-9 EQUITY COMPONENT YIELD

Year	Net Income to Equity		Present Worth of \$1 Factor at 5.0%		Discounted Cash Flow
2021	-\$55,000	x	0.952317	=	-\$52,000
2022	\$98,000	x	0.906908	=	89,000
2023	\$137,000	x	0.863664	=	118,000
2024	\$150,000	x	0.822483	=	123,000
2025	\$164,000	x	0.783265	=	128,000
2026	\$179,000	x	0.745916	=	134,000
2027	\$195,000	x	0.710349	=	139,000
2028	\$210,000	x	0.676478	=	142,000
2029	\$226,000	x	0.644221	=	146,000
2030	\$2,296,000 *	x	0.613503	=	1,409,000
Value of Equity Component					\$2,376,000

*10th year net income to equity of \$242,316 plus sales proceeds of \$2,054,000

Conclusion

In determining the potential feasibility of the Proposed Limited-Service Hotel Grandview, we analyzed the lodging market, researched the area's economics, reviewed the estimated development cost, and prepared a ten-year forecast of

income and expense, which was based on our review of the current and historical market conditions, as well as comparable income and expense statements.

The conclusion of this analysis indicates that an equity investor contributing \$2,376,000 (roughly 35% of the \$6,800,000 development cost) could expect to receive a 5.0% internal rate of return over a ten-year holding period, assuming that the investor obtains financing at the time of the project's completion at the loan-to-value ratio and interest rate set forth. Based on our market analysis, there is not sufficient market support for the proposed limited-service hotel. Our review of investor surveys indicates equity returns ranging from 12.7% to 26.1%, with an average of 18.8%. Based on market parameters, the calculated return to the equity investor, 5.0%, is below the average and the range of market-level returns given the anticipated cost to build a hotel of this type, estimated to be approximately \$6,800,000. In order for a project of this type to be feasible, it would need the support of the city and/or county government via incentives to help offset the construction cost. These incentives could include (but are not limited to) property tax exemptions, providing the land at no cost, waiving the development and impact fees, and providing discounted or free utilities connections. In addition, Grandview would need to attract more local employers, particularly employers that utilize overnight lodging, for a hotel of this type to remain successful in the long term.

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

9. Statement of Assumptions and Limiting Conditions

1. This report is set forth as a feasibility study of the proposed subject hotel; this is not an appraisal report.
2. This report is to be used in whole and not in part.
3. No responsibility is assumed for matters of a legal nature, nor do we render any opinion as to title, which is assumed marketable and free of any deed restrictions and easements. The property is evaluated as though free and clear unless otherwise stated.
4. We assume that there are no hidden or unapparent conditions of the sub-soil or structures, such as underground storage tanks, that would affect the property's development potential. No responsibility is assumed for these conditions or for any engineering that may be required to discover them.
5. We have not considered the presence of potentially hazardous materials or any form of toxic waste on the project site. We are not qualified to detect hazardous substances and urge the client to retain an expert in this field if desired.
6. The Americans with Disabilities Act (ADA) became effective on January 26, 1992. We have assumed the proposed hotel would be designed and constructed to be in full compliance with the ADA.
7. We have made no survey of the site, and we assume no responsibility in connection with such matters. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the described real estate will be within the boundaries of the property described, and that no encroachment will exist.
8. All information, financial operating statements, estimates, and opinions obtained from parties not employed by TS Worldwide, LLC are assumed true and correct. We can assume no liability resulting from misinformation.
9. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject 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; the use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
21. Evaluating and comprising financial forecasts for hotels is both a science and an art. Although this analysis employs various mathematical calculations to provide value indications, the final forecasts are subjective and may be influenced by our experience and other factors not specifically set forth in this report.
22. This study was prepared by TS Worldwide, LLC. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of TS Worldwide, LLC as employees, rather than as individuals.

10. Certification

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

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;
4. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
6. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined result or direction in performance that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this study;
7. our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
8. Eileen Bosworth personally inspected the property described in this report; Desiree M. Flanary, MAI, participated in the analysis and reviewed the findings, but did not personally inspect the property;
9. Eileen Bosworth provided significant assistance to Desiree M. Flanary, MAI, and that no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this report; Desiree M. Flanary, MAI, has not performed services, as an appraiser or in any other capacity, on the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment;
10. the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute;

11. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and
12. as of the date of this report, Desiree M. Flanary, MAI, has completed the continuing education program for Designated Members of the Appraisal Institute.



Desiree M. Flanary, MAI
Senior Vice President
TS Worldwide, LLC
State Appraiser License (WA) 1102154

Desiree Flanary, MAI

EMPLOYMENT

2006 to present	HVS CONSULTING AND VALUATION SERVICES Portland, Oregon
2004 – 2006	AEROTEK Denver, Colorado
2003 – 2004	TIMBERHOUSE SKI LODGE Winter Park, Colorado

EDUCATION AND OTHER TRAINING

BS – University of Northern Colorado

Other Specialized Training Classes Completed:

Uniform Standards of Professional Appraisal Practice – 15 hours

Basic Appraisal Principles – 30 hours

Basic Appraisal Procedures – 30 hours

General Appraiser Income Approach (Parts I and II) – 60 hours

General Appraiser Market Analysis and HBU – 30 hours

Nevada Appraisal Laws

Business Practices and Ethics – 8 hours

Statistics, Modeling and Finance – 15 hours

General Appraiser Site Valuation and Cost Approach – 30 hours

General Appraiser Sales Comparison Approach – 30 hours

General Appraiser Report Writing and Case Studies – 30 hours

Advanced Income Capitalization – 40 hours

Advanced Sales and Cost – 30 hours

Federal and State Appraiser Law – 4 hours

Fundamentals of Separating Real, Personal Property, and Intangible Business Assets – 15 hours

Appraising and Analyzing Retail Shopping Centers for Mortgage Underwriting – 7 hours

Land and Site Valuation – 7 hours

Ad Valorem Tax Consultation – 2 hours

Even Odder – More Oddball Appraisals – 7 hours

General Demonstration Report – Capstone

Appraisal of Land Subject to Ground Leases – 7 hours

Introduction to Legal Descriptions – 2 hours

Litigation Appraising – 16 hours

Appraiser as an Expert Witness – 15 hours

**EDUCATION
(CONTINUED)**

Condemnation Appraising – 21 hours
Biennial USPAP Updates

STATE CERTIFICATIONS

California, Idaho, Montana, Nevada, Oregon, Utah, Washington

**PROFESSIONAL
AFFILIATIONS**

Appraisal Institute – Designated Member (MAI)

PUBLISHED ARTICLES

<i>HVS Journal</i>	"HVS Market Pulse: Reno, NV," April 2017
<i>HVS Journal</i>	"Key Takeaways: The CREF/MBA Conference 2017," co-authored with Brett Russell, March 2017
<i>HVS Journal</i>	"HVS Market Pulse: Portland, OR," September 2016
<i>HVS Journal</i>	"Key Hotel-Related Takeaways: MBA CREF16," co-authored with Brett Russell, February 2016
<i>HVS Journal</i>	"In Focus: Seattle, WA," co-authored with Kasia Russell, December 2015
<i>HVS Journal</i>	"Hotel-Related Takeaways: Mortgage Bankers Association's CREF / Multifamily Housing Convention & Expo 2015," co-authored with Brett Russell, February 2015
<i>HVS Journal</i>	"In Focus: Hyatt Brands Performance Update," co-authored with Ryan Mark, October 2014
<i>HVS Journal</i>	"Market Intelligence Report 2013: Seattle," co-authored with Kasia Russell, July 2013
<i>HVS Journal</i>	"Portland Market Intelligence Report 2013," co-authored with Kasia Russell, July 2013
<i>HVS Journal</i>	"Demand High, Hotel Supply Low in Eastern Montana and Western North Dakota," co-authored with Sara Olson, January 2013
<i>HVS Journal</i>	"Starwood's Reinvention: Sheraton and Four Points by Sheraton Hotels," co-authored with Amanda Repert, May 2009
<i>HVS Journal</i>	"A Starwood Product Story: New Brands and New Ideas," co-authored with Amanda Repert, March 2009
<i>HVS Journal</i>	"HVS Market Intelligence Report: Reno, Nevada," June 2008
<i>HVS Journal</i>	"Hotel Rooms Remain In Short Supply throughout Wyoming's Energy Corridors," September 2007

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED**ALASKA**

Coast International Inn, Anchorage
Proposed Candlewood Suites,
Fairbanks

ARIZONA

Sheraton Crescent Hotel, Phoenix
Proposed Hampton Inn, Williams

ARKANSAS

Days Inn, Osceola

CALIFORNIA

Proposed Fairfield Inn & Suites by
Marriott, Alameda
Sheraton, Anaheim
Comfort Inn, Arcata
Proposed Hampton Inn & Suites,
Arroyo Grande
Summerfield Suites, Belmont
Ventana Inn & Spa, Big Sur
Bodega Coast Inn & Suites, Bodega Bay
Residence Inn by Marriott, Burbank
Crowne Plaza, Burlingame
Holiday Inn Express SFO, Burlingame
Cameron Park Inn, Cameron Park
Courtyard by Marriott, Carlsbad
Residence Inn by Marriott, Carlsbad
SpringHill Suites by Marriott, Carlsbad
Radisson Hotel, Chatsworth
Vacant Land, Chatsworth
Proposed Woodsprings Suites, Chula
Vista
DoubleTree, Commerce
Proposed Comfort Suites, Dixon
Yosemite Cedar Lodge, El Portal
Yosemite View Lodge, El Portal
Residence Inn by Marriott, El Segundo
Econo Lodge, Fairfield
North Cliff Hotel, Fort Bragg

Quality Inn, Fort Bragg
Residence Inn, Fremont
Proposed Hilton Garden Inn, Grover
Beach
Holiday Inn, Long Beach
Radisson Chatsworth, Los Angeles
Comfort Inn, Marina
Proposed Hotel, Merced
Comfort Suites, Mission Valley
Super 8, Modesto
DoubleTree, Monrovia
Hotel Pacific, Monterey
Residence Inn by Marriott, Mountain
View
Proposed Fairfield Inn by Marriott,
Mule Creek
Chase Suite Hotel, Newark
TownePlace Suites, Newark
Best Western Plus Airport Inn & Suites
Oakland, Oakland
Hampton Inn & Suites, Ontario
Embassy Suites, Orange
Palm Mountain Resort, Palm Springs
Courtyard, Rancho Cucamonga
Hilton Garden Inn, Rancho Cucamonga
Homewood Suites, Rancho Cucamonga
Siena Hotel, Reno
Proposed Country Inn & Suites, Ripon
Proposed Hyatt Summerfield Suites,
Roseville
Courtyard Midtown, Sacramento
Hawthorn Suites, Sacramento
Proposed Hilton Garden Inn,
Sacramento
Residence Inn Airport, Sacramento
Holiday Inn Express (conversion to
Fairfield Inn), San Diego
Holiday Inn Mission Valley, San Diego
Lafayette Hotel & Suites, San Diego
Proposed Renaissance, San Diego
US Grant, San Diego
Comfort Suites, San Jose
Proposed Home2 Suites by Hilton, San
Jose
Courtyard by Marriott, San Luis
Obispo

Franklin Hotel Redevelopment, San
Mateo
Residence Inn by Marriott SF Airport,
San Mateo
Residence Inn, San Mateo
Biltmore Hotel & Suites, Santa Clara
Dream Inn, Santa Cruz
Casa Madrona, Sausalito
Heavenly Inn, South Lake Tahoe
High Country Lodge, South Lake Tahoe
Proposed Unscripted, South Lake
Tahoe
Secrets Inn, South Lake Tahoe
Holiday Inn Express, Temecula
Courtyard by Marriott, Thousand Oaks
TownePlace Suites by Marriott,
Thousand Oaks
Marriott, Walnut Creek
Holiday Inn Express, Watsonville
Proposed Limited-Service Hotel, West
Sacramento
Proposed Home2 Suites and Land,
Woodland

COLORADO

Comfort Inn, Colorado Springs
Courtyard DIA, Denver
Proposed Holiday Inn, Durango
Proposed Union Station Hotel, Denver
Rocky Mountain Park Inn, Estes Park
Proposed Hotel & Water Park,
Leadville
Proposed Residence Inn by Marriott,
Vail
James Peak Property, Winter Park

FLORIDA

Hilton Tampa Westshore, Tampa
Residence Inn Downtown, Tampa

GEORGIA

Georgia Tech Hotel & Conference
Center, Atlanta

IDAHO

DoubleTree, Boise
 Hampton Inn, Boise
 Hyatt Place Downtown, Boise
 SpringHill Suites, Boise
 Ramada Inn, Pocatello
 Comfort Inn, Twin Falls
 Hampton Inn, Twin Falls

ILLINOIS

Holiday Inn Crystal Lake, Chicago
 Holiday Inn Express, Chicago
 Holiday Inn Express, Oakbrook
 Quality Suites, Rockford

INDIANA

Days Inn, Indianapolis
 Proposed Hotel & Events Center,
 Lawrenceburg

IOWA

Proposed Element, Des Moines
 Glenview Motel, Dubuque
 Days Inn, Shenandoah

KANSAS

Best Western Surf Motel, Marysville

KENTUCKY

Proposed Resort, Slade

LOUISIANA

Holiday Inn, Lafayette

MINNESOTA

Homewood Suites, Bloomington
 Proposed Cambria Suites, Duluth
 Microtel Inn & Suites, Owatonna
 Super 8, Rochester

MISSISSIPPI

Wingate Inn, D'Iberville
 Fairfield Inn, Gulfport
 Hampton Inn, Hattiesburg

MISSOURI

Holiday Inn, St. Joseph

MONTANA

Proposed Hotel, Big Sky
 Super 8, Billings
 TownePlace Suites by Marriott,
 Billings
 Comfort Suites, Bozeman
 Proposed Etha Hotel, Bozeman
 Best Western Butte Plaza Inn, Butte
 Hampton Inn, Butte
 Proposed Best Western Plus, East
 Glacier Park
 Proposed Holiday Inn Express,
 Glendive
 Wingate Inn, Helena
 DoubleTree, Missoula
 Proposed Hotel, Missoula
 Proposed Residence Inn, Missoula
 Proposed TownePlace Suites, Missoula
 TownePlace Suites by Marriott,
 Missoula
 Best Western, Sidney
 TownePlace Suites by Marriott,
 Missoula

NEBRASKA

Marriott Hotel, Omaha

NEVADA

Battle Mountain Inn & Suites, Battle
 Mountain
 Comfort Inn, Carlin
 Frontier Hotel, Carson City
 Holiday Inn Express, Carson City

Holiday Inn Express, Elko
 Shilo Inn & Suites, Elko
 Proposed Tru and Home2 Suites by
 Hilton, Henderson
 Hampton Inn & Suites Las Vegas
 Airport, Las Vegas
 La Quinta Inn & Suites Las Vegas
 Airport North Convention, Las Vegas
 La Quinta Inn & Suites Las Vegas
 Summerlin Tech Center, Las Vegas
 Baymont Inn, Reno
 Courtyard by Marriott, Reno
 Hawthorn Suites, Reno
 Homewood Suites, Reno
 Hyatt Place, Reno
 La Quinta Inn, Reno
 Proposed Courtyard by Marriott, Reno
 Proposed Downtown Hotel, Reno
 Proposed Hotel Terminal Way Reno,
 Reno
 Renaissance, Reno
 Rodeway Inn, Reno
 Travelodge, Reno
 Whitney Peak Hotel, Reno

NEW MEXICO

Microtel Inn & Suites, Owatonna
 Holiday Inn Express, Portales
 Holiday Inn Express, Santa Rosa
 La Quinta Inn, Santa Rosa

NORTH CAROLINA

Proposed InterContinental, Charlotte
 Great Wolf Lodge, Concord
 Wyndham Garden Hotel, Durham

NORTH DAKOTA

Grand Inn, Fargo

OREGON

Best Western, Astoria
 El Dorado Inn, Baker City
 Rodeway Inn, Baker City

Hilton Garden Inn Portland Beaverton,
Beaverton
Best Western Pier Point Inn, Florence
Larkspur Landing, Hillsboro
Proposed Staybridge Suites, Hillsboro
Proposed Boutique Hotel,
Independence
Best Western, Lakeview
Fremont Inn, Lakeview
Windmill Inn, Medford
Shilo Inn, Newport
Proposed La Quinta Inn & Suites,
Phoenix
Embassy Suites, Portland
Proposed Hyatt Convention Hotel,
Portland
Red Lion, Salem
Proposed Limited-Service Hotel,
Sherwood
Proposed Hotel, Sisters
Shilo Inn, The Dalles
Shilo Inn, Warrenton
Quality Inn, Wilsonville

SOUTH CAROLINA

Holiday Inn Express, Myrtle Beach
Marina Inn at Grand Dunes, Myrtle
Beach

SOUTH DAKOTA

Best Value Inn, Hot Springs

TENNESSEE

Hampton Inn, Memphis

TEXAS

La Quinta Inn El Paso Cielo Vista, El
Paso
Holiday Inn Express, Longview
Courtyard by Marriott, San Antonio
Fairfield Inn by Marriott (2), San
Antonio

Residence Inn by Marriott, San
Antonio
Candlewood Suites, Texarkana
Comfort Suites, Tyler

UTAH

Value Place, American Fork
Proposed Resort, Cannonville
Hampton Inn, Layton
Proposed Homewood Suites by Hilton,
Moab
Hampton Inn & Suites Salt Lake City
Airport, Salt Lake City
Hilton Downtown, Salt Lake City
Hilton Garden Inn Downtown Salt
Lake City, Salt Lake City
Peery Hotel, Salt Lake City
Residence Inn by Marriott City Center,
Salt Lake City
Home2 Suites by Hilton, South Jordan
Pioneer Lodge, Springdale
Best Western Capitol Reef, Torrey
Capitol Reef Resort, Torrey
Value Place, West Haven
Value Place, West Valley City

WASHINGTON

Embassy Suites, Bellevue
Hilton, Bellevue
Larkspur Landing, Bellevue
Residence Inn Seattle Bellevue
Downtown, Bellevue
Proposed Hotel, Bellevue
La Quinta Inn & Suites, Bellingham
Proposed Limited-Service Hotel,
Blaine
Red Lion Inn & Suites, Bothell
SpringHill Suites by Marriott Seattle
Bothell, Bothell
Proposed La Quinta Inn & Suites,
Centralia
Proposed Hotel Silver Lake, Everett
La Quinta Inn & Suites Seattle Bellevue
Kirkland, Kirkland
Embassy Suites, Lynwood

Proposed Hilton Garden Inn,
Lynnwood
Proposed Home2 Suites, Marysville
Proposed Hampton Inn Moses Lake,
Moses Lake
Holiday Inn Express, Pasco
Sleep Inn, Pasco
Proposed Hastings Landing Hotel, Port
Townsend
Proposed Courtyard by Marriott,
Redmond
Larkspur Landing, Renton
Travelodge, Renton
Motel 6 Richland Kennewick, Richland
Lodge at Columbia Point, Richland
Proposed Homewood Suites, Richland
Proposed Springhill Suites by Marriott,
Richland
Shilo Inn, Richland
Comfort Inn & Suites Sea-Tac, Seattle
DoubleTree by Hilton South Center,
Seattle
Hilton Seattle, Seattle
Hilton Seattle Airport, Seattle
Homewood Suites by Hilton
Downtown, Seattle
Hyatt at Olive 8, Seattle
La Quinta Inn & Suites Seattle SeaTac
Airport, Seattle
Marriott, Seattle
Marriott Seattle Waterfront Hotel,
Seattle
Proposed AC Hotel by Marriott, Seattle
Renaissance Hotel, Seattle
Sheraton Seattle Hotel & Towers,
Seattle
Proposed Sleep Inn and Mainstay
Suites, Spokane
SpringHill Suites by Marriott, Seattle
Quality Inn Valley Suites, Spokane
Courtyard by Marriott, South Federal
Way
La Quinta Inn & Suites Tacoma Seattle,
Tacoma
Proposed Penrose Hotel, Walla Walla

WYOMING

Settle Inn & Suites, Gillette
Hampton Inn & Suites, Green River
Proposed Hampton Inn & Suites, Green
River
Alpenhof Hotel, Jackson
Homewood Suites, Jackson
The Lodge at Jackson Hole (Best
Western), Jackson
Rustic Inn, Jackson
Super 8, Laramie
La Quinta, Rock Springs
Proposed Fairfield Inn & Suites, Rock
Springs
Proposed SpringHill Suites, Rock
Springs

INTERNATIONAL

MEXICO

Desire, Los Cabos
Tesoro, Los Cabos
Proposed Hotel, Puerto Pensaco



State of Montana
Business Standards Division
Board of Real Estate Appraisers

This certificate verifies licensure as:
CERTIFIED GENERAL APPRAISER

REA-RAG-LIC-4165

Status: **Active**
Expires: **03/31/2020**

DESIREE M FLANARY
TS WORLDWIDE LLC DBA HVS
8134 BIG BEND BLVD
WEBSTER GROVES, MO 63119

 Montana Department of
LABOR & INDUSTRY
RENEW OR VERIFY YOUR LICENSE AT:
<https://ebiz.mt.gov/pol>

Renew online at <https://ebiz.mt.gov/pol> by signing in with your username and password.

The renewal cycle for your board opens 60 days prior to the expiration date on your current license.

Renew your license prior to your expiration date to avoid being charged a late fee(s).

Remember to maintain your online account information with a password, security question and a valid email address. You can update your account information by accessing the 'Account Management' link when logged in.

December 2, 2018

Casey Kidd
Chief Executive Officer
NaviRetail, LLC
5100 Poplar Avenue
Memphis, Tennessee 37137
(662) 419-8098
Casey@NaviRetail.com

HVS NASHVILLE
1816 Stonewater Drive
Hermitage, TN 37076
(615) 473-2447
(516) 742-3059 Fax
www.hvs.com

Re: Proposed Limited-Service Hotel
Grandview, Washington

Dear Mr. Kidd:

Thank you for your recent inquiry pertaining to your Grandview, Washington project; we are pleased to submit this proposal for our services. We are certain that we will be able to provide you with the precise mix of experience and skills you will need for this engagement. HVS is internationally recognized as the leader in hospitality consulting, providing the highest-quality experience in this arena. HVS is unique among hospitality consulting firms and offers NaviRetail, LLC unparalleled credibility, specialized experience, and a track record of success.

The attached proposal sets forth a description of the objectives and scope of the assignment, along with a detailed description of the methodology to be employed, an estimate of the time requirements, and a schedule of professional fees. The proposal also includes a list of requested information that we would require for completing the study.

Additionally, for your convenience, we have enclosed a confirmation letter detailing this proposal. If the proposal meets your acceptance, please sign, and then return a copy of the accompanying confirmation, together with your retainer check. If you have any questions regarding the contents of the proposal, please do not hesitate to contact me. Thank you for the opportunity to submit this proposal for your project.

Very truly yours,
HVS, Division of TS Worldwide, LLC



Jai B. Patel, Director
jpatel@hvs.com
(615) 473-2447 - Direct



PROPOSAL FOR A SUMMARY MARKET STUDY WITH
FACILITY RECOMMENDATION AND FEASIBILITY ANALYSIS

**Proposed Limited-Service Hotel,
Grandview, Washington**

SUBMITTED TO:

Casey Kidd
Chief Executive Officer
NaviRetail, LLC
5100 Poplar Avenue
Memphis, Tennessee 37137
(662) 419-8098
Casey@NaviRetail.com

PREPARED BY:

HVS NASHVILLE
Division of TS Worldwide, LLC
1816 Stonewater Drive
Hermitage, TN 37076
(615) 473-2447
(516) 742-3059 FAX

December 2, 2018

Proposal for a Summary Market Study with Facility Recommendation and Feasibility Analysis

Pursuant to our conversation, we are pleased to submit this proposal for services of the HVS division of TS Worldwide LLC in connection with the proposed hotel project in Grandview, Washington. This letter sets forth a description of the objectives and scope of the assignment, along with the methodology to be employed, an estimate of the time requirements, and a schedule of professional fees.

Objective

The objective of this assignment is to perform a summary market study with facility recommendation and feasibility analysis for the purpose of evaluating the market demand, analyzing the economics, projecting income and expense, and determining the feasibility of a Proposed Limited-Service Hotel in Grandview, Washington. Our study will also include a recommendation of the size, quality and type of lodging facility, and an optimal brand chain scale for the hotel.

Phase One: Fieldwork

To accomplish the objective described above, our work will be conducted in three phases, which typically include the following steps:

1. An onsite inspection of the subject site will be made. The physical orientation of the subject site with respect to access and visibility to highways, other forms of transportation, and the local demand for accommodations will be analyzed. We will also review the supportive nature of surrounding land uses as they relate to the subject site.
2. The demand for hotel accommodations will be investigated to identify the various generators of visitation operating within the local market. The current and anticipated potential of each of these market segments will be evaluated to determine the extent of existing and future demand. Interviews with officials of business and government, as well as statistical data collected during the fieldwork, are useful in locating and quantifying transient demand. In conjunction with the identification of potential demand, an investigation will be made of the respective strengths of these markets in terms of seasonality, weekly demand fluctuations, vulnerability to economic trends and changes in travel patterns, and other related factors. Similar market-research procedures are utilized in estimating the demand for food, beverage, banquet, and other facilities, if applicable.

3. The market orientation of nearby lodging facilities will be evaluated to determine their competitive position with respect to the subject site. Those properties displaying similar market attributes will receive a physical inspection, along with selective management interviews, to estimate levels of occupancy, room rates, market segmentation, and other pertinent operational characteristics. Some of the competitive factors that will be specifically reviewed include location, type and quality of facilities, physical condition, management expertise, and chain affiliation.
4. Statistical data relating to general economic and demographic trends often foreshadow future potential for market areas and neighborhoods. Interviews with local Chambers of Commerce, economic development agencies, and other related organizations, along with an investigation of the proposed subject property's primary market area, will reveal patterns reflecting growth, stability, or decline.
5. Through interviews with hotel operators, developers, governmental officials, and others, we will ascertain the status of projects under construction, proposed, or rumored that might be competitive with the proposed subject property.

Phase Two: Analysis

The following analysis phase will utilize data and information gathered during the fieldwork phase, along with our extensive library of actual hotel operating statements, financial statistics, area hotel trends, and investor requirements.

We will first compose a facilities and brand chain-scale recommendation. This recommendation will be based on the demands of the local and pertinent regional market and will address the following points:

- Room count and room type mix (suites vs. standard rooms)
- Food and beverage facilities
- Meeting and function space
- Recreational amenities
- Brand chain scale

These recommendations will include comparisons for each category to the relevant competitive market. Based on the above noted recommendations,

We will then perform a supply-and-demand analysis for the proposed subject property to forecast its market orientation and competitive position with respect to other lodging facilities. The supply-and-demand analysis typically encompasses the following steps:

- a) Using the occupancy levels and market segmentations of the competitive properties, the number of room nights accommodated in each segment is calculated by multiplying each property's room count by its occupancy, market segmentation, and 365 days, which yields the accommodated-room-night demand. The annual number of room nights occupied per room in each segment is also calculated (room nights occupied per year divided by the room count), and the resulting figure serves as a competitive index.
- b) Latent demand (unaccommodated and induced demand) is estimated for each market segment.
- c) Growth rates are projected for each of the market segments.
- d) The total usable room-night demand, which consists of usable latent demand and accommodated demand, is projected.
- e) The area's guestroom supply and total room nights available are quantified for each projection year.
- f) The overall competitive occupancy is calculated for each projection year.
- g) Using competitive indexes, the relative competitiveness of each of the area hotels is evaluated.
- h) This analysis will result in a quantification and documentation of probable future trends in the proposed subject property's occupancy, average rate, and overall rooms revenues.

A similar procedure will be utilized in projecting food, beverage, and other revenues, if applicable. Using actual income and expense statements of comparable lodging facilities, we will develop income and expense estimates corresponding to the level of activity and quality of operations indicated by the projected occupancy and average rate.

A projection of income and expenses representing future expectations of income potential will be made for a ten-year period. This analysis will utilize HVS Software—a sophisticated, computerized, financial analysis package that was developed by Steve Rushmore and Suzanne Mellen. The logic behind the projection of income and expense is based on the premise that hotel revenue and expenses have one component that is fixed and another that varies directly with occupancy and facility usage. The software takes a known level of revenue or expense and calculates the fixed and variable components. The fixed component is then held constant, while the variable component is adjusted for the percent change between the projected occupancy and facility usage that produced the known level of revenue or expense. Our projected income statements conform with the *Uniform System of Accounts for the Lodging Industry* and include a detailed line-by-line account of all revenue sources and expenses.

**Phase Three:
Feasibility Analysis**

For a proposed hotel, the total project cost is estimated by applying industry cost parameters to the planned facilities and concept. Included in the final figure are all hard costs, such as building construction; furniture, fixtures, and equipment (FF&E); and land value, as well as soft costs, such as legal and architectural fees, financing costs, insurance, and taxes during construction. The final figure also includes pre-opening expenses, operating capital, contingencies, and a developer's profit. Data from applicable sources, including the Hotel Development Cost Survey published annually by HVS, shall be used to determine costs of similar projects.

The current market for hotel/motel transfers, mortgage rates, and hostelry equity investment requirements will be researched. Following the recommended procedures and industry standards set forth in the textbooks *The Valuation of Hotels and Motels*, *Hotels, Motels and Restaurants: Valuations and Market Studies*, and *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations* that we authored, a return on investment (ROI) analysis will be made to determine the potential internal rate of return (IRR) for the equity participant(s). Based on this rate, an opinion of feasibility will be offered.

OPTIONAL – Economic Impact Analysis: HVS has the ability to provide an economic impact analysis of the proposed subject property and conference center. HVS will estimate three types of spending impacts in the analysis:

- Direct impacts include the visitor expenditures, payroll, and employment resulting from the opening of the proposed subject property.
- Indirect impacts are the supply of goods and services resulting from the initial direct facility-related spending.
- Induced impacts represent the change in local consumption due to the personal spending by employees whose incomes are affected by direct and indirect spending.

Indirect and induced impacts are often referred to as the multiplier effects, which vary depending upon the types of spending and the characteristics of the local economy.

HVS will use the IMPLAN input-output model to estimate indirect and induced impacts. IMPLAN is a nationally recognized model commonly used to estimate economic impacts. An input-output model generally describes the commodities and income that normally flow through the various sectors of the economy. The indirect and induced expenditure, payroll, and employment effects result from

the estimated changes in the flow of income and goods caused by the projected direct impacts. IMPLAN data are available by state, county, and zip code levels.

Moreover, fiscal impacts represent the incremental tax revenue collected by the City, County, and State associated with the net new spending related to the activity at the facility. For example, our analysis estimates the hotel tax revenue from an overnight stay by an event attendee and considers this a fiscal impact.

**Phase Four:
Written Report**

Complete documentation of our fieldwork and analyses will be set forth in a written report and will contain the following sections:

1. Purpose of the study
2. Description of the site and neighborhood
3. Review of the market area
4. Analysis of the market for hotel accommodations
5. Examination of existing and proposed competition
6. Facilities and brand chain-scale recommendation
7. Projection of occupancy and average rate
8. Income and expense projections
9. ROI analysis and feasibility conclusion

When appropriate, we will include graphics such as photographs, maps, surveys, plans, and charts to assist in visualizing our findings.

**Additional
Services**

Following the completion of this engagement, HVS can be engaged for additional development consulting services at the client's discretion, including:

- Design and Architecture
- Development Project Management
- Construction Management
- Financing
- Franchise / Brand Search and Contract Negotiations
- Management / Operator Search and Contract Negotiations
- Hotel Management
- Asset Management

**Requested
Information**

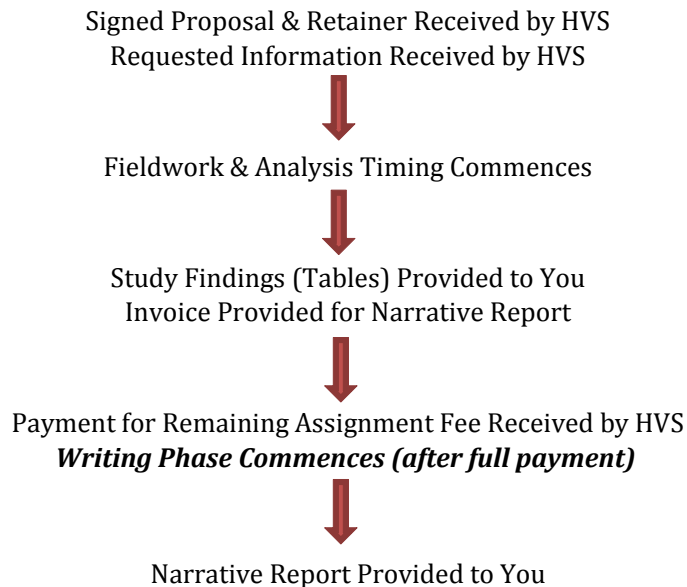
To aid us in performing this assignment, we request that you provide us with the following information (where applicable):

6. Name of contact person for site tour
7. Terms of purchase or sale of the site, including options and listings, as well as the price, date, and financing information; please include a copy of the contract and closing statement
8. Capital budget (cost) projections
9. The most recent real property tax bill for the land
10. Name of legal owner and detailed ownership history for the subject site for the last five years
11. Architectural/floor plans and plot plans, survey, and legal description in PDF
12. If available: operating budgets, projections, marketing plans, etc.
13. If available: any preliminary management contracts and franchise agreements that may be in place
14. If available: past appraisals, market and feasibility studies, impact studies, prospectuses, Smith Travel STAR reports; any Phase I or Phase II environmental audit reports

Timing

We anticipate that Phases I, II, and III of the feasibility study will be completed within approximately 21 to 24 days from the date we receive the signed proposal, all requested information, and the retainer check. At that time, we will provide you with a *verbal* summary of findings; for this conference, we will provide you with various charts and data tables that support our findings.

After your review of our findings, upon your authorization and payment of our invoice, we will then prepare the feasibility report, which will take an additional 10 to 14 days.



Professional Fees

Our fee for the Phases I, II, and III will be \$7,500, payable \$5,625 *upon execution* of this agreement, and the balance payable *upon request* for the feasibility study report (Phase IV).

It is our normal policy to provide an electronic draft copy of our final report for your review. After confirmation that our invoice for services has been paid in full, this draft will be provided in PDF and will include a watermark “Draft.” Upon your approval of this draft, we will commence preparation of the final report. This fee includes one electronic copy of the final report, which will be delivered to you via email in PDF. Upon your request, we can prepare one bound, hard copy that can be mailed to you at no additional cost. If more than one hard copy is required, additional copies of the report can be prepared for a fee of \$250 per copy. Reports are not transmitted in Microsoft Word format.

Related expenses are included in this fee.

If, upon completion of Phases I, II, and III of this assignment, our analysis should indicate that the project is not feasible, we will inform you of this conclusion. At that point, you may elect to have us cease work on this project. Our fee for these phases will be the retainer paid, plus out-of-pocket travel and related expenses (such as any Smith Travel Research trend report charges).

After completing the fieldwork phase of this assignment, should it become necessary to alter the parameters of the study, such as the property description, opening date, location, or any other factor that could change the final conclusions, the HVS division of TS Worldwide LLC will be entitled to charge an additional fee based on our current per-diem rates and the time required to incorporate the necessary changes into our analysis and report. In addition, the estimate of timing will be extended by an amount equal to the added work.

Payment Due Dates

If payment for professional fees and out-of-pocket travel and related expenses is not received within thirty (30) days of the billing date, HVS reserves the right to suspend all work until payment is made and apply a service charge of 1.5 percent per month, or fraction thereof, to the total unpaid sum. Should any type of action becomes necessary to enforce collection of bills rendered, it is further agreed that you will be responsible for all collection costs, including but not limited to court costs and reasonable legal fees. It is understood that HVS may extend the time for payment on any part of billings rendered without affecting the understanding outlined above.

Collection of Outstanding Professional Fees

The parties to this contract agree that any disputes regarding professional fees and/or other charges owed to HVS will be resolved in accordance with Texas law (TS Worldwide is a Texas-based LLC with a home office location of 2601 Sagebrush Drive, Suite 101, Flower Mound, Texas, 75028). The parties to this contract further agree that (a) any legal action regarding money owed to HVS will take place in Texas; (b) Texas courts have exclusive jurisdiction for resolution of disputes; and (c) the plaintiff will have the choice of venue in any county in the State of Texas.

Limitations of Liability

It is agreed that our company's liability, our employees, and anyone else associated with this assignment is limited to the amount of the fee paid as liquidated damages. You acknowledge that any opinions, recommendations, and conclusions expressed during this assignment will be rendered by the staff acting solely as employees and not as individuals. Our responsibility is limited to the client; use of our product by third parties shall be solely at the risk of the client and/or third parties. The study described in this proposal will be made subject to

certain assumptions and limiting conditions. A copy of our normal assumptions and limiting conditions will be provided upon request.

Conclusion

If the foregoing proposal meets with your acceptance, please sign, and then and return one copy of the accompanying confirmation, together with your retainer check in the amount of \$5,625. Your signature beneath the words "Agreed to and Accepted" signifies your agreement to employ the HVS division of TS Worldwide LLC for these services. In order to schedule our assignments and perform your study in accordance with the timing set forth above, we ask that you return an executed copy of this agreement by January 11, 2019. We appreciate the opportunity of submitting this proposal and look forward to working with you on this assignment.

Very truly yours,
HVS
Division of TS Worldwide, LLC



Jai B. Patel,
Director
jpatel@hvs.com
(615) 473-2447 - Direct

Jai B. Patel

Employment

<i>2012 to present</i>	HVS CONSULTING AND VALUATION SERVICES Nashville, Tennessee and Atlanta, Georgia
<i>2009 – 2012</i>	COUNTRY INN & SUITES BY CARLSON Nashville, Tennessee
<i>2009</i>	WELLS FARGO FINANCIAL Nashville, Tennessee
<i>2003 – 2006</i>	COUNTRY INN & SUITES BY CARLSON Nashville, Tennessee

Education and other Training

BS – Finance & Enterprise Management, The University of Tennessee, Knoxville

Other Specialized Training Classes Completed:

Uniform Standards of Professional Appraisal Practice – 15 hours
 Basic Appraisal Procedures – 30 hours
 Basic Appraisal Principles – 30 hours
 OH Fair Housing Class – 3 hours
 Residential Report Writing and Case Studies – 15 hours
 General Appraiser Income Approach (Parts I and II) – 60 hours
 General Appraiser Market Analysis and HBU – 30 hours
 General Appraiser Sales Comparison Approach – 30 hours
 Statistics, Modeling and Finance – 15 hours
 General Appraiser Site Valuation and Cost Approach – 30 hours
 General Appraiser Report Writing and Case Studies – 30 hours
 Advanced Income Capitalization – 35 hours
 Advanced Concepts and Case Studies – 40 hours
 Annual USPAP Updates

State Certifications

Indiana, Kentucky, Ohio, Tennessee

Professional Affiliations

Asian American Hotel Owners Association
 Middle Tennessee Hotel Association

Published Articles

HospitalityNet
Commercial Property Executive
HVS Journal
HVS Journal

"HVS Market Pulse: Indianapolis, IN," November 2017
"JW Marriott to Make Sweet Music in Nashville," Main Contributor, February 2017
"In Focus: Nashville, Tennessee," co-authored with J. Carter Allen, September 2014
"Market Intelligence Report 2013: Cleveland," October 2013

AWARDS & ACHIEVEMENTS

"Business Leader of the Year for 2012" in Nashville by *Business Leader Magazine*

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED

ALABAMA

Comfort Inn & Suites, Birmingham
 The Hotel Highland, Birmingham
 Comfort Suites, Cullman
 Sleep Inn & Suites, Cullman
 La Quinta Inn, Fultondale
 Proposed Holiday Inn Express, Huntsville
 Sleep Inn, Oxford
 Red Roof Inn, Mobile
 Holiday Inn Express, Montgomery
 Quality Roof Inn & Suites, Montgomery
 Best Western, Troy
 Courtyard by Marriott, Troy
 Hampton Inn, Troy

ARKANSAS

Holiday Inn Express, Forrest City
 Candlewood Suites, Hot Springs
 Proposed Holiday Inn Express & Suites, Jonesboro
 Holiday Inn Presidential Conference Center, Little Rock
 Proposed Embassy Suites Hotel & Conference Center, Jonesboro
 Proposed Holiday Inn Express, Jonesboro
 Proposed Holiday Inn, West Memphis

FLORIDA

Turnberry Isle, Miami

GEORGIA

Hilton Garden Inn, Atlanta
 SpringHill Suites Buckhead, Atlanta
 Parkway Inn, Augusta
 Proposed Residence Inn by Marriott, Augusta
 Red Roof Inn, Brunswick
 Hotel Indigo Atlanta Airport, College Park
 Regency Inn, East Point
 SpringHill Suites by Marriott, Lithia Springs
 Comfort Inn, Smyrna
 Best Western, Union City
 Ramada Inn, Warner Robins

INDIANA

Fairfield Inn by Marriott, Bloomington
 TownePlace Suites by Marriott, Bloomington
 Proposed Hotel, Brownsburg
 Proposed Fairfield Inn & Suites by Marriott, Fishers
 Courtyard by Marriott Downtown, Indianapolis
 Fairfield Inn & Suites by Marriott Indianapolis Airport, Indianapolis
 Hampton Inn NE Castleton, Indianapolis
 Hilton North, Indianapolis
 Holiday Inn Express Downtown, Indianapolis
 Motel 6 Indianapolis East, Indianapolis
 Motel 6 Indianapolis South, Indianapolis
 Proposed Boutique Hotel Downtown, Indianapolis
 Proposed Canopy by Hilton Hotel Downtown, Indianapolis
 Proposed Curio by Hilton Hotel Downtown, Indianapolis
 Proposed Hotel at Keystone Crossing, Indianapolis
 Proposed Hyatt Place/Hyatt House Downtown, Indianapolis
 Proposed Hyatt-Branded Hotel, Indianapolis
 Proposed InterContinental Downtown, Indianapolis
 Proposed Iron Works Hotel, Indianapolis
 Residence Inn by Marriott Indianapolis Airport, Indianapolis
 Sleep Inn Airport West, Indianapolis
 SpringHill Suites by Marriott Downtown, Indianapolis
 Staybridge Suites Downtown, Indianapolis
 Staybridge Suites Indianapolis City Centre, Indianapolis
 Proposed Hotel, Jeffersonville
 Proposed La Quinta Inn & Suites, Jeffersonville
 Best Western, Merrillville
 Holiday Inn Express & Suites, Noblesville
 Proposed Embassy Suites Hotel & Conference Center, Noblesville
 Proposed Holiday Inn Express & Suites, Noblesville
 Proposed Embassy Suites Hotel & Conference Center Indianapolis Airport, Plainfield
 Value Place, Plainfield
 Holiday Inn Express, Tell City

KENTUCKY

Proposed Hampton Inn by Hilton, Berea
 Courtyard by Marriott Bowling Green Convention Center, Bowling Green
 Proposed Home2 Suites by Hilton, Bowling Green
 TownePlace Suites by Marriott, Bowling Green
 Americas Best Value Inn, Elizabethtown

Value Place, Florence
 Comfort Inn, Glasgow
 Motel 6 Lexington East, Lexington
 Aloft Downtown, Louisville
 Courtyard by Marriott, Louisville
 Hilton Garden Inn East, Louisville
 Holiday Inn Louisville Airport Fair Expo, Louisville
 Proposed Boutique Hotel, Louisville
 Proposed Tru by Hilton East, Louisville
 Proposed WoodSpring Suites, Louisville
 Value Place Louisville South, Louisville
 Candlewood Suites Fort Campbell Oak Grove, Oak Grove
 Proposed Best Western Plus, Owensboro
 Motel 6, Paducah

LOUISIANA

Proposed Hotel, Baton Rouge
 Holiday Inn Express, Covington
 Comfort Suites, Gonzales
 Holiday Inn Express Hotel & Suites New Orleans Airport
 South, Saint Rose
 Holiday Inn Express East, New Orleans
 Candlewood Suites North Shore, Slidell

MISSISSIPPI

Comfort Suites, Biloxi
 Holiday Inn Express, Canton
 Best Western Goodman, Horn Lake
 Cottage Inn Tunica, Robinsville
 Hilton Garden Inn, Tupelo

MISSOURI

Holiday Inn (Conversion to DoubleTree), Joplin
 Hotel Joplin, Joplin

SOUTH CAROLINA

Quality Inn, Aiken
 Airport Inn, Cayce
 Holiday Inn, Rock Hill

TENNESSEE

La Quinta Inn & Suites Downtown, Chattanooga
 Super 8, Chattanooga
 Hampton Inn & Suites Nashville Franklin, Franklin
 Hyatt Place Nashville Franklin Cool Springs, Franklin
 Proposed Berry Farms Hotel, Franklin
 Proposed Candlewood Suites, Franklin
 TownePlace Suites by Marriott Cool Springs, Franklin
 Motel 6 Nashville Goodlettsville, Goodlettsville
 Old Hickory Inn, Jackson
 Proposed Fairfield Inn & Suites, Johnson City
 Courtyard by Marriott East Bill Morris Parkway, Memphis
 Holiday Inn Downtown, Memphis
 Madison Hotel, Memphis
 Motel 6 Memphis Downtown, Memphis
 Residence Inn by Marriott Downtown, Memphis
 Proposed Holiday Inn Southwind, Memphis
 Proposed Marriott-Branded Hotel, Mt. Juliet
 Aloft Nashville West End, Nashville
 Courtyard by Marriott Green Hills, Nashville
 Courtyard by Marriott Nashville Downtown, Nashville
 Courtyard by Marriott West End, Nashville
 DoubleTree by Hilton Downtown, Nashville
 Hampton Inn & Suites Airport, Nashville
 Hampton Inn & Suites Downtown, Nashville
 Hampton Inn Nashville Vanderbilt, Nashville
 Hampton Inn & Suites Nashville Vanderbilt Elliston Place,
 Nashville
 Holston House, Nashville
 Proposed Best Western GLo Airport, Nashville
 Proposed Bobby, Nashville
 Proposed Cambria Suites Downtown, Nashville
 Proposed Four Seasons, Nashville
 Proposed Margaritaville Hotel, Nashville
 Proposed Moxy by Marriott Downtown, Nashville
 Proposed Printing House, Nashville
 Proposed Staybridge Suites, Nashville
 Proposed The Joseph, Nashville
 Proposed Virgin Hotel, Nashville
 Proposed W Hotel, Nashville
 Renaissance, Nashville
 Thompson Hotel, Nashville
 Westin, Nashville
 WoodSpring Suites Nashville Southeast, Nashville
 Rodeway Inn, Pigeon Forge
 Candlewood Suites, Smyrna
 Proposed Best Western GLo, Smyrna
 Hampton Inn by Hilton, Tullahoma

CONFIRMATION

Client: Casey Kidd
NaviRetail, LLC
Date: December 2, 2018

Your signature beneath the words "Agreed to and Accepted" signifies your agreement to employ the HVS division of TS Worldwide LLC for the services described in the accompanying proposal titled "Proposal for a Summary Market Study with Facility Recommendation and Feasibility Analysis." A summary of the proposal's salient data is as follows:

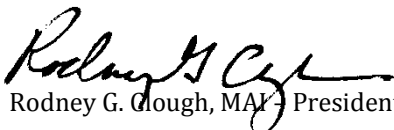
Type of Assignment:	Summary Market Study with Facility Recommendation and Feasibility Analysis
Property Name:	Proposed Limited-Service Hotel
Property Location:	Grandview, Washington
Timing:	Ph. I-III: 21 to 24 Days; Ph. IV: 10 to 14 Days
Total Fee (Phases I, II, III, IV):	\$7,500, includes expenses (Optional: Economic Impact add-on: \$3,000)
Number of Final Copies:	Electronic Copy Only (Hard Copy Upon Request)
Retainer:	\$5,625 (Add \$3,000 if Economic Impact option selected)

In order to schedule our assignments and perform your study in accordance with the timing set forth above, we ask that you return an executed copy of this agreement by January 11, 2019.

Payment must be made in U.S. dollars, using either a check drawn on a U.S. bank or a wire transfer of funds to the account of TS Worldwide LLC. After completing the fieldwork phase of this assignment, should it become necessary to alter the parameters of the assignment, such as the property description(s); date(s) of hotel opening(s); financial, management, or ownership structure(s); or any other factor that could change the final estimate(s) of operating results, the HVS division of TS Worldwide LLC will be entitled to charge an additional fee based on our current per-diem rates and the time required to incorporate the necessary changes into our analysis and reports. In addition, the estimate of timing will be extended by an amount equal to the added work. Notwithstanding the fee payment schedule set forth above, if, at any time while performing this assignment, it becomes necessary to suspend work for a period of 30 days or more, then the HVS division of TS Worldwide LLC will be entitled to bill for the portion of the assignment completed up to the suspension (less any retainer paid) at its current per-diem rates.

It is agreed that the liability of the HVS division of TS Worldwide LLC, its employees, and anyone else associated with this assignment is limited to the amount of the fee paid as liquidated damages. You acknowledge that any opinions, recommendations, and conclusions expressed during this assignment will be rendered by the staff of TS Worldwide LLC acting solely as employees and not as individuals. Any responsibility of HVS is limited to the client; use of our product by third parties shall be solely at the risk of the client and/or third parties. The study described in this proposal will be made subject to certain assumptions and limiting conditions. A copy of our normal assumptions and limiting conditions will be provided upon request.

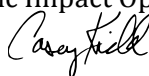
HVS, Division of TS Worldwide, LLC


Rodney G. Clough, MAY President - Americas


Jai B. Patel, Director

AGREED TO AND ACCEPTED: Casey Kidd, NaviRetail, LLC

Economic Impact Option: YES _____ NO X

By:  _____ Date: 1/15/19



INVOICE FOR RETAINER

Date: December 2, 2018
Terms: *Due Prior to Start of Assignment*

Casey Kidd
NaviRetail, LLC
5100 Poplar Avenue
Memphis, Tennessee 37137

HVS Accounting Office
1400 Old Country Road
Suite 105N
Westbury, New York 11590
(402) 312-8952
www.hvs.com

Re: Proposed Limited-Service Hotel
Grandview, Washington
(HVS staff member: Jai B. Patel)

<i>Project</i>	<i>Amount Due</i>
Summary Feasibility Study Report	\$5,625
(Add additional \$3,000 if Economic Impact option selected)	

Please make all checks payable to **HVS**
(dba of TS Worldwide, LLC - Tax ID #20-2762887)

Please remit to:
TS Worldwide, LLC – Accounting Office
1400 Old Country Road
Suite 105N
Westbury, NY 11590

Wire Instructions:

JPMorgan Chase Bank (please notify mculbertson@hvs.com of all wire transmissions):
267 Old Country Road
Carle Place, NY 11514
(516) 333-4691

Account Name: TS Worldwide, LLC
Transit ABA #: 021000021
Swift Code: CHASUS33
Account Number: 682090837

Abbreviated Legal Description:

Section 15 Township 09 Range 23 Quarter NE: BEG N 88[^] 19' 34" W 896.78 FT & N 29[^] 07' 02" W 399.4 FT OF SE COR NE1/4, TH N 29[^] 07' 02" W 325.6 FT, TH S 88[^] 59' 02" E 439 FT, TH S 02[^] 35' 02" E 248.21 FT, TH S 89[^] 13' 34" W 202.97 FT TH S 03[^] 44' 42" E 28.98 FT, TH S 86[^] 41' 04" W 86.63 FT TO BEG

Abbreviated Legal Description:

BEG N 88°19'34"W 896.78 FT OF SE COR NE1/4, TH N 29°07'02"W 399.4 FT, TH N 86°41'01"E 86.83 FT, TH N 03°44'42"W 28.98 FT, TH N 89°13'24"E 202.97 FT, TH S 02°35'02"E 338.49 FT TH S 68°48'58"W 119 FT TO BEG

Abbreviated Legal Description:

TH PT OF SE1/4 NE1/4 LY S'LY OF SR-82 EX BEG E1/4 COR, TH N 85[^]22'W 926.7 FT TH N 29[^]08'W 817 FT, TH E 135 FT, TH S 29[^]08'E 74 FT, TH S 65 FT, TH S 89[^]E 339 FT, TH S 02[^]36'E 586.7 FT, TH N 68[^]48'E 270 FT, TH N 50 FT, TH N 68[^]48'E 273 FT TH S 62.32 FT, TH N 64[^]19'E 47.48 FT, TH N 28[^]43'W 48.35 FT, TH N 57[^]35'E 384.02 FT TH S 494.3 FT TO BEG

Trend # 1055863_SADIM / Created February 11, 2019



Trend Report - Sunnyside-Grandview-Prosser, WA Area Selected Properties

January 2015 to December 2018 Currency : USD - US Dollar

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Tab 2 - Data by Measure

Sunnyside-Grandview-Prosser, WA Area Selected Properties
Job Number: 1055863_SADIM Staff: MB Created: February 11, 2019

Occupancy (%)														Total Year	Dec YTD
	January	February	March	April	May	June	July	August	September	October	November	December			
2015	41.1	54.9	63.5	60.2	68.5	75.7	72.1	71.6	68.7	61.3	48.9	44.4		60.9	60.9
2016	49.6	56.5	63.3	68.3	70.8	75.5	68.5	65.0	69.0	62.3	52.2	48.6		62.5	62.5
2017	46.5	51.1	61.6	68.1	72.0	76.7	71.8	72.8	61.4	55.4	43.7	35.6		59.2	59.2
2018	32.5	45.7	56.4	60.5	66.6	75.2	60.3	56.9	62.5	53.8	46.6	42.1		54.9	54.9
Avg	41.8	51.7	60.9	64.0	69.3	75.8	67.7	66.4	65.0	57.8	47.6	42.3		59.1	59.1

ADR (\$)														Total Year	Dec YTD
	January	February	March	April	May	June	July	August	September	October	November	December			
2015	75.32	72.23	76.80	81.00	81.61	83.79	81.85	82.10	82.96	80.20	75.67	70.52		79.35	79.35
2016	75.31	74.13	79.24	83.17	83.99	85.74	85.47	85.47	88.69	83.65	78.81	75.09		82.13	82.13
2017	70.89	73.95	80.70	82.60	83.14	85.77	87.49	91.19	91.36	86.83	79.94	75.48		83.68	83.68
2018	72.42	76.32	79.81	85.33	90.31	95.27	92.98	90.57	94.25	87.86	77.77	72.96		86.14	86.14
Avg	73.49	74.18	79.14	83.15	85.02	88.07	87.03	87.62	89.53	84.77	78.10	73.52		82.94	82.94

RevPAR (\$)														Total Year	Dec YTD
	January	February	March	April	May	June	July	August	September	October	November	December			
2015	30.94	39.63	48.75	48.74	55.89	63.42	59.03	58.75	57.01	49.20	37.01	31.33		48.34	48.34
2016	37.33	41.89	50.13	56.76	59.43	64.72	58.56	55.57	61.24	52.08	41.14	36.49		51.30	51.30
2017	32.95	37.80	49.68	56.21	59.82	65.82	62.81	66.42	56.13	48.12	34.92	26.91		49.54	49.54
2018	23.54	34.88	45.00	51.61	60.15	71.67	56.03	51.56	58.88	47.28	36.25	30.72		47.32	47.32
Avg	30.74	38.34	48.19	53.23	58.90	66.72	58.93	58.18	58.22	49.00	37.14	31.08		49.03	49.03

Supply														Total Year	Dec YTD
	January	February	March	April	May	June	July	August	September	October	November	December			
2015	9,300	8,400	9,300	9,000	9,300	9,000	9,300	9,300	9,000	9,300	9,000	9,300		109,500	109,500
2016	9,300	8,400	9,300	9,000	9,300	9,000	9,300	9,300	9,000	9,300	9,000	9,300		109,500	109,500
2017	9,300	8,400	9,300	9,000	9,300	9,000	9,300	11,625	11,250	11,625	11,250	11,625		120,975	120,975
2018	11,625	10,500	11,625	11,250	11,625	11,250	11,625	11,625	11,250	11,625	11,250	11,625		136,875	136,875
Avg	9,881	8,925	9,881	9,563	9,881	9,563	9,881	10,463	10,125	10,463	10,125	10,463		119,213	119,213

Demand														Total Year	Dec YTD
	January	February	March	April	May	June	July	August	September	October	November	December			
2015	3,820	4,609	5,904	5,415	6,369	6,812	6,707	6,655	6,185	5,705	4,402	4,132		66,715	66,715
2016	4,610	4,747	5,884	6,143	6,580	6,794	6,372	6,047	6,214	5,790	4,698	4,519		68,398	68,398
2017	4,323	4,294	5,725	6,125	6,692	6,907	6,677	8,467	6,912	6,442	4,915	4,144		71,623	71,623
2018	3,778	4,799	6,555	6,805	7,742	8,463	7,005	6,618	7,028	6,255	5,244	4,895		75,187	75,187
Avg	4,133	4,612	6,017	6,122	6,846	7,244	6,690	6,947	6,585	6,048	4,815	4,423		70,481	70,481

Revenue (\$)														Total Year	Dec YTD
	January	February	March	April	May	June	July	August	September	October	November	December			
2015	287,705	332,911	453,421	438,618	519,767	570,789	548,993	546,387	513,082	457,543	333,119	291,370		5,293,705	5,293,705
2016	347,160	351,879	466,225	510,884	552,661	582,523	544,631	516,812	551,137	484,305	370,256	339,350		5,617,823	5,617,823
2017	306,448	317,553	461,986	505,909	556,341	592,379	584,173	772,141	631,466	559,378	392,900	312,771		5,993,445	5,993,445
2018	273,608	366,242	523,157	580,656	699,217	806,241	651,333	599,412	662,387	549,595	407,837	357,146		6,476,831	6,476,831
Avg	303,730	342,146	476,197	509,017	581,997	637,983	582,283	608,688	589,518	512,705	376,028	325,159		5,845,451	5,845,451

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Tab 3 - Percent Change from Previous Year - Detail by Measure

Sunnyside-Grandview-Prosser, WA Area Selected Properties
Job Number: 1055863_SADIM Staff: MB Created: February 11, 2019

Occupancy														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Dec YTD
2016	20.7	3.0	-0.3	13.4	3.3	-0.3	-5.0	-9.1	0.5	1.5	6.7	9.4	2.5	2.5
2017	-6.2	-9.5	-2.7	-0.3	1.7	1.7	4.8	12.0	-11.0	-11.0	-16.3	-26.6	-5.2	-5.2
2018	-30.1	-10.6	-8.4	-11.1	-7.4	-2.0	-16.1	-21.8	1.7	-2.9	6.7	18.1	-7.2	-7.2
Avg	-5.2	-5.7	-3.8	0.7	-0.8	-0.2	-5.4	-6.3	-3.0	-4.1	-1.0	0.3	-3.3	-3.3

ADR														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Dec YTD
2016	-0.0	2.6	3.2	2.7	2.9	2.3	4.4	4.1	6.9	4.3	4.1	6.5	3.5	3.5
2017	-5.9	-0.2	1.8	-0.7	-1.0	0.0	2.4	6.7	3.0	3.8	1.4	0.5	1.9	1.9
2018	2.2	3.2	-1.1	3.3	8.6	11.1	6.3	-0.7	3.2	1.2	-2.7	-3.3	2.9	2.9
Avg	-1.2	1.9	1.3	1.8	3.5	4.5	4.4	3.4	4.4	3.1	1.0	1.2	2.8	2.8

RevPAR														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Dec YTD
2016	20.7	5.7	2.8	16.5	6.3	2.1	-0.8	-5.4	7.4	5.8	11.1	16.5	6.1	6.1
2017	-11.7	-9.8	-0.9	-1.0	0.7	1.7	7.3	19.5	-8.3	-7.6	-15.1	-26.3	-3.4	-3.4
2018	-28.6	-7.7	-9.4	-8.2	0.5	8.9	-10.8	-22.4	4.9	-1.7	3.8	14.2	-4.5	-4.5
Avg	-6.5	-3.9	-2.5	2.4	2.5	4.2	-1.4	-2.8	1.3	-1.2	-0.1	1.5	-0.6	-0.6

Supply														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Dec YTD
2016	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2017	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.0	25.0	25.0	25.0	25.0	10.5	10.5
2018	25.0	25.0	25.0	25.0	25.0	25.0	25.0	0.0	0.0	0.0	0.0	0.0	13.1	13.1
Avg	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	8.3	7.9	7.9

Demand														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Dec YTD
2016	20.7	3.0	-0.3	13.4	3.3	-0.3	-5.0	-9.1	3.3	0.5	1.5	9.4	2.5	2.5
2017	-6.2	-9.5	-2.7	-0.3	1.7	1.7	4.8	40.0	11.2	11.3	4.6	-8.3	4.7	4.7
2018	-12.6	11.8	14.5	11.1	15.7	22.5	4.9	-21.8	1.7	-2.9	6.7	18.1	5.0	5.0
Avg	0.6	1.7	3.8	8.1	6.9	8.0	1.6	3.0	4.5	3.3	6.0	6.4	4.1	4.1

Revenue														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Dec YTD
2016	20.7	5.7	2.8	16.5	6.3	2.1	-0.8	-5.4	7.4	5.8	11.1	16.5	6.1	6.1
2017	-11.7	-9.8	-0.9	-1.0	0.7	1.7	7.3	49.4	14.6	15.5	6.1	-7.8	6.7	6.7
2018	-10.7	15.3	13.2	14.8	25.7	36.1	11.5	-22.4	4.9	-1.7	3.8	14.2	8.1	8.1
Avg	-0.6	3.8	5.1	10.1	10.9	13.3	6.0	7.2	9.0	6.5	7.0	7.6	7.0	7.0

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Tab 4 - Percent Change from Previous Year - Detail by Year

Sunnyside-Grandview-Prosser, WA Area Selected Properties

Job Number: 1055863_SADIM Staff: MB Created: February 11, 2019

	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	Total Year	Dec YTD
Occ	20.7	3.0	-0.3	13.4	3.3	-0.3	-5.0	-9.1	0.5	1.5	6.7	9.4	2.5	2.5
ADR	-0.0	2.6	3.2	2.7	2.9	2.3	4.4	4.1	6.9	4.3	4.1	6.5	3.5	3.5
RevPAR	20.7	5.7	2.8	16.5	6.3	2.1	-0.8	-5.4	7.4	5.8	11.1	16.5	6.1	6.1
Supply	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Demand	20.7	3.0	-0.3	13.4	3.3	-0.3	-5.0	-9.1	0.5	1.5	6.7	9.4	2.5	2.5
Revenue	20.7	5.7	2.8	16.5	6.3	2.1	-0.8	-5.4	7.4	5.8	11.1	16.5	6.1	6.1

	Jan 17	Feb 17	Mar 17	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Total Year	Dec YTD
Occ	-6.2	-9.5	-2.7	-0.3	1.7	1.7	4.8	12.0	-11.0	-11.0	-16.3	-26.6	-5.2	-5.2
ADR	-5.9	-0.2	1.8	-0.7	-1.0	0.0	2.4	6.7	3.0	3.8	1.4	0.5	1.9	1.9
RevPAR	-11.7	-9.8	-0.9	-1.0	0.7	1.7	7.3	19.5	-8.3	-7.6	-15.1	-26.3	-3.4	-3.4
Supply	0.0	0.0	0.0	0.0	0.0	0.0	0.0	25.0	25.0	25.0	25.0	25.0	10.5	10.5
Demand	-6.2	-9.5	-2.7	-0.3	1.7	1.7	4.8	40.0	11.2	11.3	4.6	-8.3	4.7	4.7
Revenue	-11.7	-9.8	-0.9	-1.0	0.7	1.7	7.3	49.4	14.6	15.5	6.1	-7.8	6.7	6.7

	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18	Jul 18	Aug 18	Sep 18	Oct 18	Nov 18	Dec 18	Total Year	Dec YTD
Occ	-30.1	-10.6	-8.4	-11.1	-7.4	-2.0	-16.1	-21.8	1.7	-2.9	6.7	18.1	-7.2	-7.2
ADR	2.2	3.2	-1.1	3.3	8.6	11.1	6.3	-0.7	3.2	1.2	-2.7	-3.3	2.9	2.9
RevPAR	-28.6	-7.7	-9.4	-8.2	0.5	8.9	-10.8	-22.4	4.9	-1.7	3.8	14.2	-4.5	-4.5
Supply	25.0	25.0	25.0	25.0	25.0	25.0	25.0	0.0	0.0	0.0	0.0	0.0	13.1	13.1
Demand	-12.6	11.8	14.5	11.1	15.7	22.5	4.9	-21.8	1.7	-2.9	6.7	18.1	5.0	5.0
Revenue	-10.7	15.3	13.2	14.8	25.7	36.1	11.5	-22.4	4.9	-1.7	3.8	14.2	8.1	8.1

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Tab 5 - Twelve Month Moving Average

Sunnyside-Grandview-Prosser, WA Area Selected Properties
Job Number: 1055863_SADIM Staff: MB Created: February 11, 2019

Occupancy (%)												
	January	February	March	April	May	June	July	August	September	October	November	December
2016	61.6	61.8	61.8	62.4	62.6	62.6	62.3	61.7	61.8	61.8	62.1	62.5
2017	62.2	61.8	61.6	61.6	61.7	61.8	62.1	63.0	62.4	61.7	60.7	59.2
2018	57.6	57.1	56.7	56.2	56.0	56.3	55.5	54.2	54.3	54.1	54.4	54.9

ADR (\$)												
	January	February	March	April	May	June	July	August	September	October	November	December
2016	79.30	79.42	79.63	79.84	80.07	80.27	80.60	80.88	81.41	81.71	81.90	82.13
2017	81.88	81.92	82.05	82.00	81.92	81.93	82.14	82.95	83.26	83.55	83.61	83.68
2018	83.86	83.95	83.83	84.07	84.81	85.89	86.40	86.23	86.51	86.60	86.42	86.14

RevPAR (\$)												
	January	February	March	April	May	June	July	August	September	October	November	December
2016	48.89	49.06	49.18	49.84	50.14	50.24	50.21	49.94	50.28	50.53	50.87	51.30
2017	50.93	50.62	50.58	50.53	50.57	50.66	51.02	52.24	51.92	51.52	50.74	49.54
2018	48.34	47.92	47.53	47.28	47.53	48.32	47.99	46.73	46.96	46.89	47.00	47.32

Supply												
	January	February	March	April	May	June	July	August	September	October	November	December
2016	109,500	109,500	109,500	109,500	109,500	109,500	109,500	109,500	109,500	109,500	109,500	109,500
2017	109,500	109,500	109,500	109,500	109,500	109,500	109,500	111,825	114,075	116,400	118,650	120,975
2018	123,300	125,400	127,725	129,975	132,300	134,550	136,875	136,875	136,875	136,875	136,875	136,875

Demand												
	January	February	March	April	May	June	July	August	September	October	November	December
2016	67,505	67,643	67,623	68,351	68,562	68,544	68,209	67,601	67,630	67,715	68,011	68,398
2017	68,111	67,658	67,499	67,481	67,593	67,706	68,011	70,431	71,129	71,781	71,998	71,623
2018	71,078	71,583	72,413	73,093	74,143	75,699	76,027	74,178	74,294	74,107	74,436	75,187

Revenue (\$)												
	January	February	March	April	May	June	July	August	September	October	November	December
2016	5,353,160	5,372,128	5,384,932	5,457,198	5,490,092	5,501,826	5,497,464	5,467,889	5,505,944	5,532,706	5,569,843	5,617,823
2017	5,577,111	5,542,785	5,538,546	5,533,571	5,537,251	5,547,107	5,586,649	5,841,978	5,922,307	5,997,380	6,020,024	5,993,445
2018	5,960,605	6,009,294	6,070,465	6,145,212	6,288,088	6,501,950	6,569,110	6,396,381	6,427,302	6,417,519	6,432,456	6,476,831

High value is boxed.

Low value is boxed and italicized.

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Tab 6 - Twelve Month Moving Average with Percent Change

Sunnyside-Grandview-Prosser, WA Area Selected Properties

Job Number: 1055863_SADIM Staff: MB Created: February 11, 2019

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue	
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg
Jan 16	61.6		79.30		48.89		109,500		67,505		5,353,160	
Feb 16	61.8		79.42		49.06		109,500		67,643		5,372,128	
Mar 16	61.8		79.63		49.18		109,500		67,623		5,384,932	
Apr 16	62.4		79.84		49.84		109,500		68,351		5,457,198	
May 16	62.6		80.07		50.14		109,500		68,562		5,490,092	
Jun 16	62.6		80.27		50.24		109,500		68,544		5,501,826	
Jul 16	62.3		80.60		50.21		109,500		68,209		5,497,464	
Aug 16	61.7		80.88		49.94		109,500		67,601		5,467,889	
Sep 16	61.8		81.41		50.28		109,500		67,630		5,505,944	
Oct 16	61.8		81.71		50.53		109,500		67,715		5,532,706	
Nov 16	62.1		81.90		50.87		109,500		68,011		5,569,843	
Dec 16	62.5	2.5	82.13	3.5	51.30	6.1	109,500	0.0	68,398	2.5	5,617,823	6.1
Jan 17	62.2	0.9	81.88	3.3	50.93	4.2	109,500	0.0	68,111	0.9	5,577,111	4.2
Feb 17	61.8	0.0	81.92	3.2	50.62	3.2	109,500	0.0	67,658	0.0	5,542,785	3.2
Mar 17	61.6	-0.2	82.05	3.0	50.58	2.9	109,500	0.0	67,499	-0.2	5,538,546	2.9
Apr 17	61.6	-1.3	82.00	2.7	50.53	1.4	109,500	0.0	67,481	-1.3	5,533,571	1.4
May 17	61.7	-1.4	81.92	2.3	50.57	0.9	109,500	0.0	67,593	-1.4	5,537,251	0.9
Jun 17	61.8	-1.2	81.93	2.1	50.66	0.8	109,500	0.0	67,706	-1.2	5,547,107	0.8
Jul 17	62.1	-0.3	82.14	1.9	51.02	1.6	109,500	0.0	68,011	-0.3	5,586,649	1.6
Aug 17	63.0	2.0	82.95	2.5	52.24	4.6	111,825	2.1	70,431	4.2	5,841,978	6.8
Sep 17	62.4	1.0	83.26	2.3	51.92	3.2	114,075	4.2	71,129	5.2	5,922,307	7.6
Oct 17	61.7	-0.3	83.55	2.3	51.52	2.0	116,400	6.3	71,781	6.0	5,997,380	8.4
Nov 17	60.7	-2.3	83.61	2.1	50.74	-0.3	118,650	8.4	71,998	5.9	6,020,024	8.1
Dec 17	59.2	-5.2	83.68	1.9	49.54	-3.4	120,975	10.5	71,623	4.7	5,993,445	6.7
Jan 18	57.6	-7.3	83.86	2.4	48.34	-5.1	123,300	12.6	71,078	4.4	5,960,605	6.9
Feb 18	57.1	-7.6	83.95	2.5	47.92	-5.3	125,400	14.5	71,583	5.8	6,009,294	8.4
Mar 18	56.7	-8.0	83.83	2.2	47.53	-6.0	127,725	16.6	72,413	7.3	6,070,465	9.6
Apr 18	56.2	-8.7	84.07	2.5	47.28	-6.4	129,975	18.7	73,093	8.3	6,145,212	11.1
May 18	56.0	-9.2	84.81	3.5	47.53	-6.0	132,300	20.8	74,143	9.7	6,288,088	13.6
Jun 18	56.3	-9.0	85.89	4.8	48.32	-4.6	134,550	22.9	75,699	11.8	6,501,950	17.2
Jul 18	55.5	-10.6	86.40	5.2	47.99	-5.9	136,875	25.0	76,027	11.8	6,569,110	17.6
Aug 18	54.2	-14.0	86.23	4.0	46.73	-10.5	136,875	22.4	74,178	5.3	6,396,381	9.5
Sep 18	54.3	-12.9	86.51	3.9	46.96	-9.6	136,875	20.0	74,294	4.4	6,427,302	8.5
Oct 18	54.1	-12.2	86.60	3.6	46.89	-9.0	136,875	17.6	74,107	3.2	6,417,519	7.0
Nov 18	54.4	-10.4	86.42	3.4	47.00	-7.4	136,875	15.4	74,436	3.4	6,432,456	6.9
Dec 18	54.9	-7.2	86.14	2.9	47.32	-4.5	136,875	13.1	75,187	5.0	6,476,831	8.1

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Tab 7 - Day of Week Analysis

Sunnyside-Grandview-Prosser, WA Area Selected Properties
Job Number: 1055863_SADIM Staff: MB Created: February 11, 2019

Occupancy (%)								Total Month
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Jan - 18	23.0	31.7	37.5	37.8	34.3	29.9	30.8	32.5
Feb - 18	32.4	43.3	49.4	54.6	43.3	49.6	47.5	45.7
Mar - 18	39.7	52.6	61.2	57.3	57.5	60.9	62.6	56.4
Apr - 18	39.4	52.4	60.3	61.7	59.1	78.8	79.0	60.5
May - 18	50.8	58.7	66.2	65.0	59.1	77.3	91.5	66.6
Jun - 18	52.8	70.8	76.3	78.3	72.1	78.6	92.5	75.2
Jul - 18	46.2	56.4	58.5	61.4	58.5	67.4	78.4	60.3
Aug - 18	40.2	50.1	57.0	60.5	51.9	62.0	75.8	56.9
Sep - 18	47.1	50.4	58.9	62.2	53.7	75.3	87.4	62.5
Oct - 18	38.5	48.6	53.3	52.5	53.0	58.9	73.5	53.8
Nov - 18	35.1	46.9	52.0	50.7	47.6	49.2	43.9	46.6
Dec - 18	33.1	45.8	50.0	51.5	47.2	33.0	36.8	42.1
Total Year	40.0	50.3	56.5	57.5	53.2	60.3	66.9	54.9

Three Year Occupancy (%)								Total Year
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Jan 16 - Dec 16	46.0	59.2	66.2	66.0	58.8	66.9	74.0	62.5
Jan 17 - Dec 17	43.5	56.2	61.0	63.4	56.3	64.4	69.8	59.2
Jan 18 - Dec 18	40.0	50.3	56.5	57.5	53.2	60.3	66.9	54.9
Total 3 Yr	42.9	54.9	60.9	62.0	55.9	63.6	70.0	58.6

ADR								Total Month
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Jan - 18	67.11	72.73	74.22	74.29	71.92	71.29	72.04	72.42
Feb - 18	70.67	74.77	76.45	76.87	72.53	80.17	80.21	76.32
Mar - 18	71.96	76.79	79.57	78.12	77.61	85.08	84.16	79.81
Apr - 18	75.67	78.13	80.21	80.93	79.71	97.15	97.06	85.33
May - 18	84.36	82.77	84.75	85.25	82.72	100.12	105.85	90.31
Jun - 18	81.34	86.41	89.60	91.10	90.51	103.30	109.73	95.27
Jul - 18	85.66	88.46	91.22	90.23	88.94	98.60	104.42	92.98
Aug - 18	80.52	84.15	86.30	88.23	86.12	97.73	102.19	90.57
Sep - 18	83.82	85.07	87.54	87.59	85.54	106.02	107.68	94.25
Oct - 18	76.94	82.71	84.05	84.16	84.32	96.15	100.55	87.86
Nov - 18	72.41	75.39	75.98	77.75	77.26	82.49	80.84	77.77
Dec - 18	67.94	72.63	75.40	74.42	74.13	69.81	74.68	72.96
Total Year	77.79	80.60	82.88	83.21	81.70	93.64	97.44	86.14

Three Year ADR								Total Year
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Jan 16 - Dec 16	75.66	78.18	79.66	79.83	79.86	87.08	90.67	82.13
Jan 17 - Dec 17	78.04	79.75	81.71	81.03	80.48	88.97	92.23	83.68
Jan 18 - Dec 18	77.79	80.60	82.88	83.21	81.70	93.64	97.44	86.14
Total 3 Yr	77.20	79.54	81.45	81.40	80.72	90.01	93.58	84.05

RevPAR								Total Month
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Jan - 18	15.43	23.04	27.87	28.09	24.69	21.34	22.19	23.54
Feb - 18	22.87	32.34	37.74	41.93	31.37	39.79	38.11	34.88
Mar - 18	28.59	40.39	48.70	44.79	44.62	51.77	52.65	45.00
Apr - 18	29.78	40.96	48.34	49.96	47.14	76.55	76.68	51.61
May - 18	42.86	48.61	56.14	55.38	48.88	77.36	96.82	60.15
Jun - 18	42.95	61.18	68.33	71.30	65.29	81.21	101.54	71.67
Jul - 18	39.59	49.90	53.34	55.36	52.03	66.44	81.86	56.03
Aug - 18	32.37	42.19	49.19	53.41	44.69	60.62	77.46	51.56
Sep - 18	39.47	42.88	51.53	54.48	45.90	79.87	94.07	58.88
Oct - 18	29.60	40.23	44.82	44.21	44.69	56.66	73.87	47.28
Nov - 18	25.44	35.33	39.51	39.39	36.75	40.61	35.52	36.25
Dec - 18	22.52	33.25	37.67	38.32	35.01	23.07	27.46	30.72
Total Year	31.10	40.54	46.82	47.84	43.45	56.45	65.17	47.32

Three Year RevPAR								Total Year
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Jan 16 - Dec 16	34.77	46.29	52.71	52.66	46.94	58.25	67.07	51.30
Jan 17 - Dec 17	33.92	44.80	49.86	51.39	45.35	57.33	64.40	49.54
Jan 18 - Dec 18	31.10	40.54	46.82	47.84	43.45	56.45	65.17	47.32
Total 3 Yr	33.13	43.63	49.58	50.44	45.11	57.28	65.49	49.24

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Tab 8 - Raw Data

Sunnyside-Grandview-Prosser, WA Area Selected Properties
Job Number: 1055863_SADIM Staff: MB Created: February 11, 2019

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue		Census & Sample %		
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	Census Props	Census Rooms	% Rooms STAR Participants
Jan 15	41.1		75.32		30.94		9,300		3,820		287,705		5	300	100.0
Feb 15	54.9		72.23		39.63		8,400		4,609		332,911		5	300	100.0
Mar 15	63.5		76.80		48.75		9,300		5,904		453,421		5	300	100.0
Apr 15	60.2		81.00		48.74		9,000		5,415		438,618		5	300	100.0
May 15	68.5		81.61		55.89		9,300		6,369		519,767		5	300	100.0
Jun 15	75.7		83.79		63.42		9,000		6,812		570,789		5	300	100.0
Jul 15	72.1		81.85		59.03		9,300		6,707		548,993		5	300	100.0
Aug 15	71.6		82.10		58.75		9,300		6,655		546,387		5	300	100.0
Sep 15	68.7		82.96		57.01		9,000		6,185		513,082		5	300	100.0
Oct 15	61.3		80.20		49.20		9,300		5,705		457,543		5	300	100.0
Nov 15	48.9		75.67		37.01		9,000		4,402		333,119		5	300	100.0
Dec 15	44.4		70.52		31.33		9,300		4,132		291,370		5	300	100.0
Jan 16	49.6	20.7	75.31	-0.0	37.33	20.7	9,300	0.0	4,610	20.7	347,160	20.7	5	300	100.0
Feb 16	56.5	3.0	74.13	2.6	41.89	5.7	8,400	0.0	4,747	3.0	351,879	5.7	5	300	100.0
Mar 16	63.3	-0.3	79.24	3.2	50.13	2.8	9,300	0.0	5,884	-0.3	466,225	2.8	5	300	100.0
Apr 16	68.3	13.4	83.17	2.7	56.76	16.5	9,000	0.0	6,143	13.4	510,884	16.5	5	300	100.0
May 16	70.8	3.3	83.99	2.9	59.43	6.3	9,300	0.0	6,580	3.3	552,661	6.3	5	300	100.0
Jun 16	75.5	-0.3	85.74	2.3	64.72	2.1	9,000	0.0	6,794	-0.3	582,523	2.1	5	300	100.0
Jul 16	68.5	-5.0	85.47	4.4	58.56	-0.8	9,300	0.0	6,372	-5.0	544,631	-0.8	5	300	100.0
Aug 16	65.0	-9.1	85.47	4.1	55.57	-5.4	9,300	0.0	6,047	-9.1	516,812	-5.4	5	300	100.0
Sep 16	69.0	0.5	88.69	6.9	61.24	7.4	9,000	0.0	6,214	0.5	551,137	7.4	5	300	100.0
Oct 16	62.3	1.5	83.65	4.3	52.08	5.8	9,300	0.0	5,790	1.5	484,305	5.8	5	300	100.0
Nov 16	52.2	6.7	78.81	4.1	41.14	11.1	9,000	0.0	4,698	6.7	370,256	11.1	5	300	82.0
Dec 16	48.6	9.4	75.09	6.5	36.49	16.5	9,300	0.0	4,519	9.4	339,350	16.5	5	300	71.7
Jan 17	46.5	-6.2	70.89	-5.9	32.95	-11.7	9,300	0.0	4,323	-6.2	306,448	-11.7	5	300	100.0
Feb 17	51.1	-9.5	73.95	-0.2	37.80	-9.8	8,400	0.0	4,294	-9.5	317,553	-9.8	5	300	100.0
Mar 17	61.6	-2.7	80.70	1.8	49.68	-0.9	9,300	0.0	5,725	-2.7	461,986	-0.9	5	300	100.0
Apr 17	68.1	-0.3	82.60	-0.7	56.21	-1.0	9,000	0.0	6,125	-0.3	505,909	-1.0	5	300	100.0
May 17	72.0	1.7	83.14	-1.0	59.82	0.7	9,300	0.0	6,692	1.7	556,341	0.7	5	300	100.0
Jun 17	76.7	1.7	85.77	0.0	65.82	1.7	9,000	0.0	6,907	1.7	592,379	1.7	5	300	100.0
Jul 17	71.8	4.8	87.49	2.4	62.81	7.3	9,300	0.0	6,677	4.8	584,173	7.3	5	300	100.0
Aug 17	72.8	12.0	91.19	6.7	66.42	19.5	11,625	25.0	8,467	40.0	772,141	49.4	6	375	80.0
Sep 17	61.4	-11.0	91.36	3.0	56.13	-8.3	11,250	25.0	6,912	11.2	631,466	14.6	6	375	100.0
Oct 17	55.4	-11.0	86.83	3.8	48.12	-7.6	11,625	25.0	6,442	11.3	559,378	15.5	6	375	100.0
Nov 17	43.7	-16.3	79.94	1.4	34.92	-15.1	11,250	25.0	4,915	4.6	392,900	6.1	6	375	100.0
Dec 17	35.6	-26.6	75.48	0.5	26.91	-26.3	11,625	25.0	4,144	-8.3	312,771	-7.8	6	375	100.0
Jan 18	32.5	-30.1	72.42	2.2	23.54	-28.6	11,625	25.0	3,778	-12.6	273,608	-10.7	6	375	100.0
Feb 18	45.7	-10.6	76.32	3.2	34.88	-7.7	10,500	25.0	4,799	11.8	366,242	15.3	6	375	100.0
Mar 18	56.4	-8.4	79.81	-1.1	45.00	-9.4	11,625	25.0	6,555	14.5	523,157	13.2	6	375	100.0
Apr 18	60.5	-11.1	85.33	3.3	51.61	-8.2	11,250	25.0	6,805	11.1	580,656	14.8	6	375	100.0
May 18	66.6	-7.4	90.31	8.6	60.15	0.5	11,625	25.0	7,742	15.7	699,217	25.7	6	375	100.0
Jun 18	75.2	-2.0	95.27	11.1	71.67	8.9	11,250	25.0	8,463	22.5	806,241	36.1	6	375	100.0
Jul 18	60.3	-16.1	92.98	6.3	56.03	-10.8	11,625	25.0	7,005	4.9	651,333	11.5	6	375	100.0
Aug 18	56.9	-21.8	90.57	-0.7	51.56	-22.4	11,625	0.0	6,618	-21.8	599,412	-22.4	6	375	100.0
Sep 18	62.5	1.7	94.25	3.2	58.88	4.9	11,250	0.0	7,028	1.7	662,387	4.9	6	375	100.0
Oct 18	53.8	-2.9	87.86	1.2	47.28	-1.7	11,625	0.0	6,255	-2.9	549,595	-1.7	6	375	100.0
Nov 18	46.6	6.7	77.77	-2.7	36.25	3.8	11,250	0.0	5,244	6.7	407,837	3.8	6	375	100.0
Dec 18	42.1	18.1	72.96	-3.3	30.72	14.2	11,625	0.0	4,895	18.1	357,146	14.2	6	375	100.0

Tab 8 - Raw Data

Sunnyside-Grandview-Prosser, WA Area Selected Properties
Job Number: 1055863_SADIM Staff: MB Created: February 11, 2019

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue		Census & Sample %		
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	Census Props	Census Rooms	% Rooms STAR Participants

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Tab 9 - Classic

Sunnyside-Grandview-Prosser, WA Area Selected Properties
Job Number: 1055863_SADIM Staff: MB Created: February 11, 2019

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue		Census & Sample %		
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	Census Props	Census Rooms	% Rooms STAR Participants
Jan 15	41.1		75.32		30.94		9,300		3,820		287,705		5	300	100.0
Feb 15	54.9		72.23		39.63		8,400		4,609		332,911		5	300	100.0
Mar 15	63.5		76.80		48.75		9,300		5,904		453,421		5	300	100.0
Apr 15	60.2		81.00		48.74		9,000		5,415		438,618		5	300	100.0
May 15	68.5		81.61		55.89		9,300		6,369		519,767		5	300	100.0
Jun 15	75.7		83.79		63.42		9,000		6,812		570,789		5	300	100.0
Jul 15	72.1		81.85		59.03		9,300		6,707		548,993		5	300	100.0
Aug 15	71.6		82.10		58.75		9,300		6,655		546,387		5	300	100.0
Sep 15	68.7		82.96		57.01		9,000		6,185		513,082		5	300	100.0
Oct 15	61.3		80.20		49.20		9,300		5,705		457,543		5	300	100.0
Nov 15	48.9		75.67		37.01		9,000		4,402		333,119		5	300	100.0
Dec 15	44.4		70.52		31.33		9,300		4,132		291,370		5	300	100.0
Dec YTD 2015	60.9		79.35		48.34		109,500		66,715		5,293,705				
Total 2015	60.9		79.35		48.34		109,500		66,715		5,293,705				
Jan 16	49.6	20.7	75.31	-0.0	37.33	20.7	9,300	0.0	4,610	20.7	347,160	20.7	5	300	100.0
Feb 16	56.5	3.0	74.13	2.6	41.89	5.7	8,400	0.0	4,747	3.0	351,879	5.7	5	300	100.0
Mar 16	63.3	-0.3	79.24	3.2	50.13	2.8	9,300	0.0	5,884	-0.3	466,225	2.8	5	300	100.0
Apr 16	68.3	13.4	83.17	2.7	56.76	16.5	9,000	0.0	6,143	13.4	510,884	16.5	5	300	100.0
May 16	70.8	3.3	83.99	2.9	59.43	6.3	9,300	0.0	6,580	3.3	552,661	6.3	5	300	100.0
Jun 16	75.5	-0.3	85.74	2.3	64.72	2.1	9,000	0.0	6,794	-0.3	582,523	2.1	5	300	100.0
Jul 16	68.5	-5.0	85.47	4.4	58.56	-0.8	9,300	0.0	6,372	-5.0	544,631	-0.8	5	300	100.0
Aug 16	65.0	-9.1	85.47	4.1	55.57	-5.4	9,300	0.0	6,047	-9.1	516,812	-5.4	5	300	100.0
Sep 16	69.0	0.5	88.69	6.9	61.24	7.4	9,000	0.0	6,214	0.5	551,137	7.4	5	300	100.0
Oct 16	62.3	1.5	83.65	4.3	52.08	5.8	9,300	0.0	5,790	1.5	484,305	5.8	5	300	100.0
Nov 16	52.2	6.7	78.81	4.1	41.14	11.1	9,000	0.0	4,698	6.7	370,256	11.1	5	300	82.0
Dec 16	48.6	9.4	75.09	6.5	36.49	16.5	9,300	0.0	4,519	9.4	339,350	16.5	5	300	71.7
Dec YTD 2016	62.5	2.5	82.13	3.5	51.30	6.1	109,500	0.0	68,398	2.5	5,617,823	6.1			
Total 2016	62.5	2.5	82.13	3.5	51.30	6.1	109,500	0.0	68,398	2.5	5,617,823	6.1			
Jan 17	46.5	-6.2	70.89	-5.9	32.95	-11.7	9,300	0.0	4,323	-6.2	306,448	-11.7	5	300	100.0
Feb 17	51.1	-9.5	73.95	-0.2	37.80	-9.8	8,400	0.0	4,294	-9.5	317,553	-9.8	5	300	100.0
Mar 17	61.6	-2.7	80.70	1.8	49.68	-0.9	9,300	0.0	5,725	-2.7	461,986	-0.9	5	300	100.0
Apr 17	68.1	-0.3	82.60	-0.7	56.21	-1.0	9,000	0.0	6,125	-0.3	505,909	-1.0	5	300	100.0
May 17	72.0	1.7	83.14	-1.0	59.82	0.7	9,300	0.0	6,692	1.7	556,341	0.7	5	300	100.0
Jun 17	76.7	1.7	85.77	0.0	65.82	1.7	9,000	0.0	6,907	1.7	592,379	1.7	5	300	100.0
Jul 17	71.8	4.8	87.49	2.4	62.81	7.3	9,300	0.0	6,677	4.8	584,173	7.3	5	300	100.0
Aug 17	72.8	12.0	91.19	6.7	66.42	19.5	11,625	25.0	8,467	40.0	772,141	49.4	6	375	80.0
Sep 17	61.4	-11.0	91.36	3.0	56.13	-8.3	11,250	25.0	6,912	11.2	631,466	14.6	6	375	100.0
Oct 17	55.4	-11.0	86.83	3.8	48.12	-7.6	11,625	25.0	6,442	11.3	559,378	15.5	6	375	100.0
Nov 17	43.7	-16.3	79.94	1.4	34.92	-15.1	11,250	25.0	4,915	4.6	392,900	6.1	6	375	100.0
Dec 17	35.6	-26.6	75.48	0.5	26.91	-26.3	11,625	25.0	4,144	-8.3	312,771	-7.8	6	375	100.0
Dec YTD 2017	59.2	-5.2	83.68	1.9	49.54	-3.4	120,975	10.5	71,623	4.7	5,993,445	6.7			
Total 2017	59.2	-5.2	83.68	1.9	49.54	-3.4	120,975	10.5	71,623	4.7	5,993,445	6.7			
Jan 18	32.5	-30.1	72.42	2.2	23.54	-28.6	11,625	25.0	3,778	-12.6	273,608	-10.7	6	375	100.0
Feb 18	45.7	-10.6	76.32	3.2	34.88	-7.7	10,500	25.0	4,799	11.8	366,242	15.3	6	375	100.0
Mar 18	56.4	-8.4	79.81	-1.1	45.00	-9.4	11,625	25.0	6,555	14.5	523,157	13.2	6	375	100.0
Apr 18	60.5	-11.1	85.33	3.3	51.61	-8.2	11,250	25.0	6,805	11.1	580,656	14.8	6	375	100.0
May 18	66.6	-7.4	90.31	8.6	60.15	0.5	11,625	25.0	7,742	15.7	699,217	25.7	6	375	100.0
Jun 18	75.2	-2.0	95.27	11.1	71.67	8.9	11,250	25.0	8,463	22.5	806,241	36.1	6	375	100.0
Jul 18	60.3	-16.1	92.98	6.3	56.03	-10.8	11,625	25.0	7,005	4.9	651,333	11.5	6	375	100.0
Aug 18	56.9	-21.8	90.57	-0.7	51.56	-22.4	11,625	0.0	6,618	-21.8	599,412	-22.4	6	375	100.0
Sep 18	62.5	1.7	94.25	3.2	58.88	4.9	11,250	0.0	7,028	1.7	662,387	4.9	6	375	100.0
Oct 18	53.8	-2.9	87.86	1.2	47.28	-1.7	11,625	0.0	6,255	-2.9	549,595	-1.7	6	375	100.0
Nov 18	46.6	6.7	77.77	-2.7	36.25	3.8	11,250	0.0	5,244	6.7	407,837	3.8	6	375	100.0

Tab 9 - Classic

Sunnyside-Grandview-Prosser, WA Area Selected Properties
Job Number: 1055863_SADIM Staff: MB Created: February 11, 2019

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue		Census & Sample %		
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	Census Props	Census Rooms	% Rooms STAR Participants
Dec 18	42.1	18.1	72.96	-3.3	30.72	14.2	11,625	0.0	4,895	18.1	357,146	14.2	6	375	100.0
Dec YTD 2018	54.9	-7.2	86.14	2.9	47.32	-4.5	136,875	13.1	75,187	5.0	6,476,831	8.1			
Total 2018	54.9	-7.2	86.14	2.9	47.32	-4.5	136,875	13.1	75,187	5.0	6,476,831	8.1			

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Tab 10 - Response Report

Sunnyside-Grandview-Prosser, WA Area Selected Properties
Job Number: 1055863_SADIM Staff: MB Created: February 11, 2019

STR Code	Name of Establishment	City & State	Zip Code	Class	Aff Date	Open Date	Rooms	Chg in Rms	2016																								2017																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																												
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3. MISCELLANEOUS

3.1 Liquidated Damages. In the event of a violation of Section 1.5 of these Standard Terms and Conditions, Licensee shall be required to pay STR an amount equal to the sum of (i) the highest aggregate price that STR, in accordance with its then-current published prices, could have charged the unauthorized recipients for the Licensed Materials that are the subject of the violation, and (ii) the full price of the lowest level of republishing rights that Licensee would have been required to purchase from STR in order to have the right to make the unauthorized distribution, regardless of whether Licensee has previously paid for any lower level of republishing rights, and (iii) fifteen percent (15%) of the total of the previous two items. This provision shall survive indefinitely the expiration or termination of this Agreement for any reason.

3.2 Obligations on Termination. Within thirty (30) days of the termination or expiration of this Agreement for any reason, Licensee shall cease all use of the Licensed Materials and shall return or destroy, at STR's option, all copies of the Licensed Materials and all other information relating thereto in Licensee's possession or control as of the such date. This provision shall survive indefinitely the expiration or termination of this Agreement for any reason.

3.3 Governing Law; Jurisdiction and Venue. This Agreement shall be governed by the substantive laws of the State of Tennessee, without regard to its or any other jurisdiction's laws governing conflicts of law. Any claims or actions regarding or arising out of this Agreement shall be brought exclusively in a court of competent jurisdiction located in Nashville, Tennessee, and the parties expressly consent to personal jurisdiction thereof. The parties also expressly waive any objections to venue.

3.4 Assignment. Licensee is prohibited from assigning this Agreement or delegating any of its duties under this Agreement without the prior written consent of STR.

3.5 Independent Relationship. The relationship between the parties is that of an independent contractor. Nothing in this Agreement shall be deemed to create an employer/employee, principal/agent, partnership or joint venture relationship.

3.6 Notices. All notices required or permitted to be given hereunder shall be in writing and shall be deemed given i) when delivered in person, at the time of such delivery; ii) when delivered by facsimile transmission or e-mail, at the time of transmission (provided, however, that notice delivered by facsimile transmission shall only be effective if such notice is also delivered by hand or deposited in the United States mail, postage prepaid, registered, certified or express mail or by courier service within two (2) business days after its delivery by facsimile transmission); iii) when delivered by a courier service or by express mail, at the time of receipt; or iv) five (5) business days after being deposited in the United States mail, postage prepaid, registered or certified mail, addressed (in any such case) to the addresses listed on the first page of this Agreement or to such other address as either party may notify the other in writing.

3.7 Waiver. No waiver of any breach of this Agreement will be deemed to constitute a waiver of any subsequent breach of the same or any other provision.

3.8 Entire Agreement. This Agreement constitutes the entire agreement of the parties with respect to the matters described herein, superseding in all respects any and all prior proposals, negotiations, understandings and other agreements, oral or written, between the parties.

3.9 Amendment. This Agreement may be amended only by the written agreement of both parties.

3.10 Recovery of Litigation Costs. If any legal action or other proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

3.11 Injunctive Relief. The parties agree that, in addition to any other rights or remedies which the other or STR may have, any party alleging breach or threatened breach of this Agreement will be entitled to such equitable and injunctive relief as may be available from any court of competent jurisdiction to restrain the other from breaching or threatening to breach any of the provisions of this Section, without posting bond or other surety.

3.12 Notice of Unauthorized Access. Licensee shall notify STR immediately upon Licensee's becoming aware of any facts indicating that a third party may have obtained or may be about to obtain unauthorized access to the Licensed Materials, and shall fully cooperate with STR in its efforts to mitigate the damages caused by any such breach or potential breach.

3.13 Conflicting Provisions. In the event that any provision of these Standard Terms and Conditions directly conflicts with any other provision of the Agreement, the conflicting terms of such other provision shall control.

3.14 Remedies. In addition to any other rights or remedies that STR may have, in the event of any termination by STR on account of a breach by Licensee, STR may, without refund, immediately terminate and discontinue any right of Licensee to receive additional Licensed Materials from STR.



How can we assist you?

Glossary:

For all STR definitions, please visit www.str.com/resources/glossary

Frequently Asked Questions (FAQ):

For all STR FAQs, please click here or visit www.str.com/resources/faq

Please visit our website at www.str.com, or if you need additional assistance please reach out to our Customer Support team.

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To learn more about the Hotel Data Conference, visit HotelDataConference.com.