



MARKET STUDY

Proposed Hampton Inn by Hilton Redmond

SOUTHWEST 21ST STREET
REDMOND, OREGON

SUBMITTED TO:

Mr. Ali Bhatti
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PREPARED BY:

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January 4, 2018

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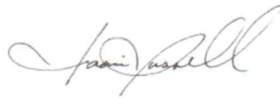
Re: Proposed Hampton by Hilton Redmond
Redmond, Oregon
HVS Reference: 2017022142

Dear Mr. Bhatti:

Pursuant to your request, we herewith submit our market study pertaining to the above-captioned property. We have inspected the real estate and analyzed the hotel market conditions in the Redmond, Oregon 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.

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 cursive script, appearing to read 'Kasia Russell'.

Kasia M. Russell, MAI, Managing Director, Senior Partner
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Table of Contents

SECTION	TITLE	PAGE
1.	Executive Summary	1
	Subject of the Market Study	1
	Ownership, Franchise, and Management Assumptions	1
	Summary of Hotel Market Trends	1
	Summary of Forecast Occupancy and Average Rate	6
	Summary of Forecast Income and Expense Statement	6
	Scope of Work	9
2.	Description of the Site and Neighborhood	11
	Physical Characteristics	11
	Access and Visibility	14
	Airport Access	15
	Neighborhood	16
	Flood Zone	17
	Zoning	18
3.	Market Area Analysis	19
	Workforce Characteristics	22
	Radial Demographic Snapshot	24
	Unemployment Statistics	26
	Major Business and Industry	27
	Convention Activity	28
	Airport Traffic	29
	Tourist Attractions	30
4.	Supply and Demand Analysis	32
	Definition of Subject Hotel Market	32
	Historical Supply and Demand Data	32
	Competitive Supply	34
	Supply Changes	37

	Demand Analysis Using Market Segmentation	39
	Latent Demand	40
	Unaccommodated Demand	41
	Induced Demand	42
	Accommodated Demand and Market-wide Occupancy	42
5.	Description of the Proposed Improvements	44
	Project Overview	44
	Summary of the Facilities	45
	ADA and Environmental	52
	Capital Expenditures	52
6.	Projection of Occupancy and Average Rate	54
	Forecast of Subject Property's Occupancy	54
	Average Rate Analysis	55
7.	Projection of Income and Expense	58
	Comparable Operating Statements	58
	Forecast of Revenue and Expense	62
	Property Taxes	65
	Conclusion	68
8.	Statement of Assumptions and Limiting Conditions	69

Addenda

Qualifications

1. Executive Summary

Subject of the Market Study

The subject of the market study is a 86,248-square-foot (1.98-acre) parcel to be improved with a limited-service lodging facility; the hotel will be affiliated with the Hampton by Hilton brand. The property, which is expected to open on June 1, 2020, will feature 107 rooms, a breakfast dining area, 500 square feet of meeting space, an indoor pool, a fitness room, a business center, a market pantry, and a guest laundry room. The hotel will also contain the appropriate parking capacity (109 (estimated)) and all necessary back-of-the-house space.

The subject site's location is Southwest 21st Street, Redmond, Oregon.

Pertinent Dates

The effective date of the report is December 18, 2017. The subject site was inspected by Kirsten Z. Smiley on December 4, 2017. In addition to the inspection, Kirsten Z. Smiley participated in the research for this assignment and assisted in the report's preparation. Kasia M. Russell, MAI participated in the analysis and reviewed the findings, but did not personally inspect the property.

Ownership, Franchise, and Management Assumptions

The developer of the proposed subject hotel is Heritage Hospitality Group, which is based in Ridgeland, Mississippi. The subject site is part of a larger parcel, which is now under contract for purchase by the developer for an undisclosed price. The site was not listed for sale on the open market, and we have no knowledge of any recent listings. The subject site was last sold in 2014; Paul C. Cahill has owned the site since that time, having purchased it from Wachovia Bank for a reported price of \$350,000.

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.

The proposed subject hotel will reportedly operate under a franchise agreement with Hilton Inc. as a Hampton by Hilton; the agreement, which was not provided for our review, is expected to span 20 years. Based on our review of the agreement's terms or expected terms, the Hampton by Hilton franchise is reflected in our forecasts with a royalty fee of 6% of rooms revenue, and a marketing assessment of 4% of rooms revenue.

Summary of Hotel Market Trends

We note that the Redmond competitive market is relatively small, with just over 500 hotel rooms (and just over 600 including the smaller, non-reporting hotels), and

most of the supply comprises independent, economy hotels. RevPAR first peaked for this selected set of competitive hotels in 2007, at nearly \$50, before declining to a low point of roughly \$36 by year-end 2009 because of the recession and the opening of the Sleep Inn & Suites. Market-wide demand fluctuated in 2010 and 2011. In 2012, occupied room nights surpassed the prior peak, allowing the market to absorb the new supply as the local and national economies continued to strengthen. RevPAR continued to register double-digit growth from 2013 through 2016, largely attributed to the increasing passenger levels at the Redmond Municipal Airport, the growing popularity of Deschutes County as a tourist destination, and the expanding manufacturing industry in Redmond. Additionally, the improving performance at the Expo Center also supported the positive trend. Year-to-date 2017 data illustrate continued strengthening in occupancy and a roughly \$5 gain in average rate; the expanding economy in Redmond and the lack of new supply have contributed to the latest trend. The near-term outlook is favorable given the strong demand levels.

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		Available Room		Occupied Room		Average				
Year	Room Count	Nights	Change	Nights	Change	Occupancy	Rate	Change	RevPAR	Change
2007	409	149,285	—	92,211	—	61.8 %	\$80.19	—	\$49.53	—
2008	452	165,034	10.5 %	84,760	(8.1) %	51.4	83.06	3.6 %	42.66	(13.9) %
2009	506	184,690	11.9	87,295	3.0	47.3	76.01	(8.5)	35.93	(15.8)
2010	506	184,690	0.0	92,437	5.9	50.0	78.19	2.9	39.13	8.9
2011	506	184,690	0.0	88,560	(4.2)	48.0	75.83	(3.0)	36.36	(7.1)
2012	506	184,690	0.0	95,656	8.0	51.8	78.22	3.2	40.51	11.4
2013	506	184,690	0.0	103,030	7.7	55.8	81.48	4.2	45.45	12.2
2014	506	184,690	0.0	114,210	10.9	61.8	85.76	5.3	53.03	16.7
2015	506	184,537	(0.1)	115,621	1.2	62.7	94.52	10.2	59.22	11.7
2016	505	184,325	(0.1)	123,955	7.2	67.2	100.78	6.6	67.77	14.4
Year-to-Date Through October										
2016	505	153,520	—	108,506	—	70.7 %	\$102.96	—	\$72.77	—
2017	505	153,520	0.0 %	112,322	3.5 %	73.2	107.34	4.3 %	78.53	7.9 %
Average Annual Compounded Change:										
2007 - 2010			7.4	0.1			(0.8)			(7.6)
2010 - 2016			(0.0)	5.0			4.3			9.6
Hotels Included in Sample			Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened			
Holiday Inn Resort The Lodge @ Eagle Crest			Upper Midscale Class	Secondary	100	Feb 2012	Dec 1989			
Best Western Plus Rama Inn			Upper Midscale Class	Primary	73	Jul 2011	Feb 1992			
Super 8 Redmond			Economy Class	Secondary	85	Jun 1997	Jun 1997			
Motel 6 Redmond			Economy Class	Secondary	83	Sep 1998	Sep 1998			
Comfort Suites Redmond Airport			Upper Midscale Class	Primary	92	Aug 2002	Aug 2002			
Sleep Inn & Suites Redmond			Midscale Class	Primary	72	Oct 2008	Oct 2008			
Total					505					

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	Number of Rooms	Est. Segmentation			Weighted Annual Room Count	Estimated 2016			Weighted Annual Room Count	Estimated 2017			Occupancy Penetration	Yield Penetration
		Commercial	Leisure	Group		Occ.	Average Rate	RevPAR		Occ.	Average Rate	RevPAR		
Best Western Redmond	73	50 %	35 %	15 %	73	70 - 75 %	\$120 - \$125	\$85 - \$90	73	70 - 75 %	\$125 - \$130	\$90 - \$95	100 - 110 %	120 - 130 %
Sleep Inn & Suites Redmond	92	45	40	15	92	65 - 70	95 - 100	60 - 65	92	70 - 75	100 - 105	70 - 75	100 - 110	90 - 95
Comfort Suites Redmond	72	60	20	20	72	70 - 75	100 - 105	75 - 80	72	75 - 80	105 - 110	80 - 85	110 - 120	100 - 110
Sub-Totals/Averages	237	51 %	32 %	17 %	237	70.3 %	\$105.08	\$73.84	237	74.4 %	\$110.65	\$82.27	105.2 %	107.6 %
Secondary Competitors	268	37 %	42 %	20 %	173	64.6 %	\$101.06	\$65.28	173	65.6 %	\$104.54	\$68.54	92.8 %	89.6 %
Totals/Averages	505	46 %	36 %	18 %	410	67.9 %	\$103.47	\$70.23	410	70.7 %	\$108.26	\$76.49	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					Estimated 2016				Estimated 2017			
	Number of Rooms	Commercial	Leisure	Group	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Holiday Inn Resort The Lodge Hotel at Eagle Crest	100	30 %	40 %	30 %	80 %	80	60 - 65 %	\$125 - \$130	\$80 - \$85	80	60 - 65 %	\$130 - \$140	\$80 - \$85
Super 8 Redmond	85	45	40	15	60	51	65 - 70	85 - 90	55 - 60	51	65 - 70	90 - 95	60 - 65
Motel 6 Redmond	83	40	50	10	50	42	60 - 65	70 - 75	45 - 50	42	65 - 70	75 - 80	50 - 55
Totals/Averages	268	37 %	42 %	20 %	64 %	173	64.6 %	\$101.06	\$65.28	173	65.6 %	\$104.54	\$68.54

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

Summary of Forecast Occupancy and Average Rate

Based on our analysis presented in the Projection of Occupancy and Average Rate chapter, we have chosen to use a stabilized occupancy level of 76% and a base-year rate position of \$130.00 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	2017	2018	2019	2020	2021	2022	2023	2024	2025
Market ADR	\$108.26	\$113.13	\$117.09	\$121.19	\$124.82	\$128.57	\$132.43	\$136.40	\$140.49
Projected Market ADR Growth Rate	—	4.5%	3.5%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Property ADR (Before Discount)	\$130.00	\$135.85	\$140.60	\$145.53	\$149.89	\$154.39	\$159.02	\$163.79	\$168.70
ADR Growth Rate	—	4.5%	3.5%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject ADR Penetration (Before Discount)	120%	120%	120%	120%	120%	120%	120%	120%	120.1%
Fiscal Year									
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26			
Proposed Subject Property Average Rate	\$147.33	\$151.75	\$156.30	\$160.99	\$165.82	\$170.80			
Opening Discount	3.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
Average Rate After Discount	\$142.91	\$151.75	\$156.30	\$160.99	\$165.82	\$170.80			
Real Average Rate Growth	—	6.2%	3.0%	3.0%	3.0%	3.0%			
Market ADR	\$122.69	\$126.37	\$130.17	\$134.07	\$138.09	\$142.24			
Proposed Subject ADR Penetration (After Discount)	116%	120%	120%	120%	120%	120%			
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate	\$132.06	\$136.15	\$136.15	\$136.15	\$136.15	\$136.15			

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

	2020/21 Begins June				2021/22				Stabilized				2023/24				2024/25			
Number of Rooms:	107				107				107				107				107			
Occupancy:	66%				75%				76%				76%				76%			
Average Rate:	\$142.91				\$151.75				\$156.30				\$160.99				\$165.82			
RevPAR:	\$94.32				\$113.81				\$118.79				\$122.36				\$126.03			
Days Open:	365				365				365				365				365			
Occupied Rooms:	25,776	%Gross	PAR	POR	29,291	%Gross	PAR	POR	29,682	%Gross	PAR	POR	29,682	%Gross	PAR	POR	29,682	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	\$3,684	98.5 %	\$34,430	\$142.92	\$4,445	98.7 %	\$41,542	\$151.75	\$4,639	98.7 %	\$43,355	\$156.29	\$4,779	98.7 %	\$44,664	\$161.01	\$4,922	98.7 %	\$46,000	\$165.83
Other Operated Departments	47	1.3	438	1.82	50	1.1	468	1.71	52	1.1	484	1.74	53	1.1	498	1.80	55	1.1	513	1.85
Miscellaneous Income	8	0.2	73	0.30	8	0.2	78	0.28	9	0.2	81	0.29	9	0.2	83	0.30	9	0.2	86	0.31
Total Operating Revenues	3,739	100.0	34,941	145.04	4,503	100.0	42,088	153.74	4,699	100.0	43,919	158.33	4,841	100.0	45,245	163.10	4,986	100.0	46,599	167.98
DEPARTMENTAL EXPENSES *																				
Rooms	787	21.4	7,357	30.54	851	19.2	7,956	29.06	881	19.0	8,238	29.70	908	19.0	8,485	30.59	935	19.0	8,740	31.51
Other Operated Departments	29	61.7	270	1.12	30	60.2	281	1.03	31	60.0	290	1.05	32	60.0	299	1.08	33	60.0	308	1.11
Total Expenses	816	21.8	7,627	31.66	881	19.6	8,238	30.09	913	19.4	8,528	30.74	940	19.4	8,784	31.67	968	19.4	9,048	32.62
DEPARTMENTAL INCOME	2,923	78.2	27,314	113.38	3,622	80.4	33,850	123.65	3,787	80.6	35,391	127.58	3,901	80.6	36,460	131.44	4,018	80.6	37,551	135.37
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	360	9.6	3,369	13.99	385	8.6	3,599	13.15	398	8.5	3,719	13.41	410	8.5	3,831	13.81	422	8.5	3,946	14.22
Info & Telecom Systems	45	1.2	421	1.75	48	1.1	450	1.64	50	1.1	465	1.68	51	1.1	479	1.73	53	1.1	493	1.78
Marketing	142	3.8	1,327	5.51	159	3.5	1,485	5.42	149	3.2	1,395	5.03	154	3.2	1,437	5.18	158	3.2	1,480	5.33
Franchise Fee	368	9.9	3,443	14.29	445	9.9	4,154	15.18	464	9.9	4,336	15.63	478	9.9	4,466	16.10	492	9.9	4,600	16.58
Prop. Operations & Maint.	122	3.3	1,137	4.72	137	3.0	1,282	4.68	149	3.2	1,395	5.03	154	3.2	1,437	5.18	158	3.2	1,480	5.33
Utilities	113	3.0	1,053	4.37	120	2.7	1,125	4.11	124	2.6	1,162	4.19	128	2.6	1,197	4.32	132	2.6	1,233	4.45
Total Expenses	1,150	30.8	10,750	44.62	1,294	28.8	12,095	44.18	1,334	28.5	12,471	44.96	1,375	28.5	12,847	46.31	1,416	28.5	13,231	47.70
GROSS HOUSE PROFIT	1,772	47.4	16,564	68.76	2,328	51.6	21,755	79.47	2,452	52.1	22,920	82.62	2,527	52.1	23,614	85.13	2,602	52.1	24,319	87.67
Management Fee	112	3.0	1,048	4.35	135	3.0	1,263	4.61	141	3.0	1,318	4.75	145	3.0	1,357	4.89	150	3.0	1,398	5.04
INCOME BEFORE NON-OPR. INC. & EXP.	1,660	44.4	15,516	64.41	2,193	48.6	20,493	74.86	2,311	49.1	21,602	77.87	2,381	49.1	22,257	80.23	2,453	49.1	22,921	82.63
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	199	5.3	1,861	7.73	205	4.6	1,917	7.00	211	4.5	1,975	7.12	218	4.5	2,034	7.33	224	4.5	2,095	7.55
Insurance	35	0.9	329	1.36	36	0.8	339	1.24	37	0.8	349	1.26	38	0.8	359	1.29	40	0.8	370	1.33
Reserve for Replacement	75	2.0	699	2.90	135	3.0	1,263	4.61	188	4.0	1,757	6.33	194	4.0	1,810	6.52	199	4.0	1,864	6.72
Total Expenses	309	8.2	2,889	11.99	376	8.4	3,518	12.85	437	9.3	4,080	14.71	450	9.3	4,203	15.15	463	9.3	4,329	15.60
EBITDA LESS RESERVE	\$1,351	36.2 %	\$12,627	\$52.42	\$1,816	40.2 %	\$16,974	\$62.01	\$1,875	39.8 %	\$17,522	\$63.17	\$1,932	39.8 %	\$18,054	\$65.08	\$1,989	39.8 %	\$18,593	\$67.03

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

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

	2020/21		2021/22		2022/23		2023/24		2024/25		2025/26		2026/27		2027/28		2028/29		2029/30	
Number of Rooms:	107		107		107		107		107		107		107		107		107		107	
Occupied Rooms:	25,776		29,291		29,682		29,682		29,682		29,682		29,682		29,682		29,682		29,682	
Occupancy:	66%		75%		76%		76%		76%		76%		76%		76%		76%		76%	
Average Rate:	\$142.91	% of	\$151.75	% of	\$156.30	% of	\$160.99	% of	\$165.82	% of	\$170.80	% of	\$175.92	% of	\$181.20	% of	\$186.64	% of	\$192.23	% of
RevPAR:	\$94.32	Gross	\$113.81	Gross	\$118.79	Gross	\$122.36	Gross	\$126.03	Gross	\$129.81	Gross	\$133.70	Gross	\$137.71	Gross	\$141.84	Gross	\$146.10	Gross
OPERATING REVENUE																				
Rooms	\$3,684	98.5 %	\$4,445	98.7 %	\$4,639	98.7 %	\$4,779	98.7 %	\$4,922	98.7 %	\$5,070	98.7 %	\$5,222	98.7 %	\$5,378	98.7 %	\$5,540	98.7 %	\$5,706	98.7 %
Other Operated Departments	47	1.3	50	1.1	52	1.1	53	1.1	55	1.1	57	1.1	58	1.1	60	1.1	62	1.1	64	1.1
Miscellaneous Income	8	0.2	8	0.2	9	0.2	9	0.2	9	0.2	9	0.2	10	0.2	10	0.2	10	0.2	11	0.2
Total Operating Revenues	3,739	100.0	4,503	100.0	4,699	100.0	4,841	100.0	4,986	100.0	5,136	100.0	5,290	100.0	5,448	100.0	5,612	100.0	5,780	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	787	21.4	851	19.2	881	19.0	908	19.0	935	19.0	963	19.0	992	19.0	1,022	19.0	1,053	19.0	1,084	19.0
Other Operated Departments	29	61.7	30	60.2	31	60.0	32	60.0	33	60.0	34	60.0	35	60.0	36	60.0	37	60.0	38	60.0
Total Expenses	816	21.8	881	19.6	913	19.4	940	19.4	968	19.4	997	19.4	1,027	19.4	1,058	19.4	1,090	19.4	1,122	19.4
DEPARTMENTAL INCOME	2,923	78.2	3,622	80.4	3,787	80.6	3,901	80.6	4,018	80.6	4,139	80.6	4,263	80.6	4,390	80.6	4,522	80.6	4,658	80.6
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	360	9.6	385	8.6	398	8.5	410	8.5	422	8.5	435	8.5	448	8.5	461	8.5	475	8.5	489	8.5
Info & Telecom Systems	45	1.2	48	1.1	50	1.1	51	1.1	53	1.1	54	1.1	56	1.1	58	1.1	59	1.1	61	1.1
Marketing	142	3.8	159	3.5	149	3.2	154	3.2	158	3.2	163	3.2	168	3.2	173	3.2	178	3.2	184	3.2
Franchise Fee	368	9.9	445	9.9	464	9.9	478	9.9	492	9.9	507	9.9	522	9.9	538	9.9	554	9.9	571	9.9
Prop. Operations & Maint.	122	3.3	137	3.0	149	3.2	154	3.2	158	3.2	163	3.2	168	3.2	173	3.2	178	3.2	184	3.2
Utilities	113	3.0	120	2.7	124	2.6	128	2.6	132	2.6	136	2.6	140	2.6	144	2.6	148	2.6	153	2.6
Total Expenses	1,150	30.8	1,294	28.8	1,334	28.5	1,375	28.5	1,416	28.5	1,458	28.5	1,502	28.5	1,547	28.5	1,593	28.5	1,641	28.5
GROSS HOUSE PROFIT	1,772	47.4	2,328	51.6	2,452	52.1	2,527	52.1	2,602	52.1	2,681	52.1	2,761	52.1	2,843	52.1	2,929	52.1	3,017	52.1
Management Fee	112	3.0	135	3.0	141	3.0	145	3.0	150	3.0	154	3.0	159	3.0	163	3.0	168	3.0	173	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	1,660	44.4	2,193	48.6	2,311	49.1	2,381	49.1	2,453	49.1	2,526	49.1	2,602	49.1	2,680	49.1	2,761	49.1	2,843	49.1
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	199	5.3	205	4.6	211	4.5	218	4.5	224	4.5	231	4.5	238	4.5	245	4.5	252	4.5	260	4.5
Insurance	35	0.9	36	0.8	37	0.8	38	0.8	40	0.8	41	0.8	42	0.8	43	0.8	45	0.8	46	0.8
Reserve for Replacement	75	2.0	135	3.0	188	4.0	194	4.0	199	4.0	205	4.0	212	4.0	218	4.0	224	4.0	231	4.0
Total Expenses	309	8.2	376	8.4	437	9.3	450	9.3	463	9.3	477	9.3	491	9.3	506	9.3	521	9.3	537	9.3
EBITDA LESS RESERVE	\$1,351	36.2 %	\$1,816	40.2 %	\$1,875	39.8 %	\$1,932	39.8 %	\$1,989	39.8 %	\$2,049	39.8 %	\$2,111	39.8 %	\$2,174	39.8 %	\$2,239	39.8 %	\$2,306	39.8 %
*Departmental expenses are expressed as a percentage of departmental revenues.																				

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

Scope of Work

The methodology used to develop this study is based on the market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled *The Valuation of Hotels and Motels*,¹ *Hotels, Motels and Restaurants: Valuations and Market Studies*,² *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*,³ *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*,⁴ and *Hotels and Motels – Valuations and Market Studies*.⁵

1. All information was collected and analyzed by the staff of TS Worldwide, LLC. Information was supplied by the client and/or the property's development team.
2. The subject site has been evaluated from the viewpoint of its physical utility for the future operation of a hotel, as well as access, visibility, and other relevant factors.
3. The subject property's proposed improvements have been reviewed for their expected quality of construction, design, and layout efficiency.
4. The surrounding economic environment, on both an area and neighborhood level, has been reviewed to identify specific hospitality-related economic and demographic trends that may have an impact on future demand for hotels.
5. Dividing the market for hotel accommodations into individual segments defines specific market characteristics for the types of travelers expected to utilize the area's hotels. The factors investigated include purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.

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

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

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

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

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

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

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 near the Redmond Municipal Airport, in the west quadrant of the intersection formed by Southwest 21st Place and Southeast Airport Way. This site is in the city of Redmond, Oregon.

Physical Characteristics

The subject site measures approximately 1.98 acres, or 86,248 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	Fitness 1440
South	Vacant Land
East	U.S. Highway 97
West	Vacant Land

VIEW OF SUBJECT SITE



Topography and Site Utility

The topography of the site gently slopes from east to west, and the shape should permit efficient use of the site for building and site improvements, including ingress and egress. Upon completion of construction, the subject site 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**

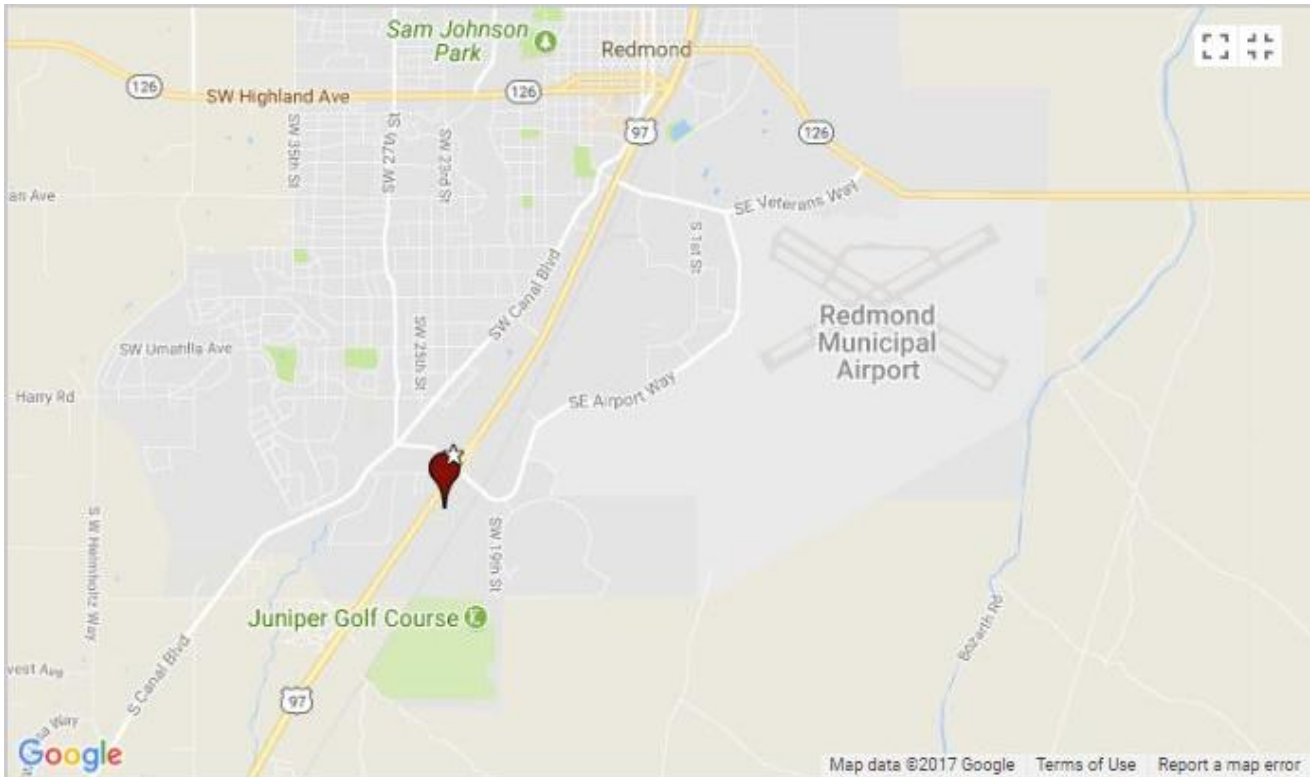
It is important to analyze the site with respect to regional and local transportation routes and demand generators, including ease of access. The subject site is readily accessible to a variety of local and county roads, as well as state and interstate highways.

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 airport neighborhood that surrounds the subject site is generally defined by State Highway 126 to the north, Bozarth Road to the east, Juniper Golf Course to the south, and U.S. Highway 97 to the west. The neighborhood is characterized by the Redmond Municipal Airport, an expo center, a golf course, light-industrial facilities, low-rise office buildings, and retail and service shops. Some specific businesses and entities in the area include Peterson Cat, Deschutes County Fair & Expo, BasX Solutions, and Ferguson Waterworks; nearby hotels include the Super 8, Comfort Suites, and Best Western Plus Rama Inn. Restaurants located near the subject site include Kim & Karla's Pasta, Timber's Bar & Grill Redmond, and Applebee's Neighborhood Grill & Bar. In general, this neighborhood is in the growth stage of its life cycle. Expansion plans for the airport are currently under review; passenger traffic at the airport has increased, with more flights to be added in the near future. BasX Solutions opened a new manufacturing facility in the neighborhood in 2014; reportedly, it will continue to expand its presence. In addition, several smaller commercial and light-industrial development projects are in the planning phases and are expected to add more jobs to the community. 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



Utilities

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

Seismicity, Soil and Subsoil Conditions

The site is located within an identified Seismic Zone 3. 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, the subject site is located in flood zone X. The flood zone definition for the Zone X designation is as follows: areas outside the 500-year flood plain; areas of the 500-year flood; areas of the 100-

year flood with average depths of less than one foot or with drainage areas less than one square mile and areas protected by levees from the 100-year flood.

Zoning

According to the local planning office, the subject property is zoned as follows: M-1 - Light Industrial Zone. Additional details pertaining to the proposed subject property's zoning regulations are summarized in the following table.

FIGURE 2-2 ZONING

Municipality Governing Zoning	City of Redmond
Current Zoning	Light Industrial Zone
Current Use	Vacant
Is Current Use Permitted?	N/A
Is Change in Zoning Likely?	No
Permitted Uses	Retail, Industrial Facilities, Offices
Hotel Allowed	Permitted Conditionally
Legally Non-Conforming	Not Applicable

Easements and Encroachments

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

Conclusion

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities. The subject site is favorably located less than two miles from the airport and adjacent to a major regional highway. 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

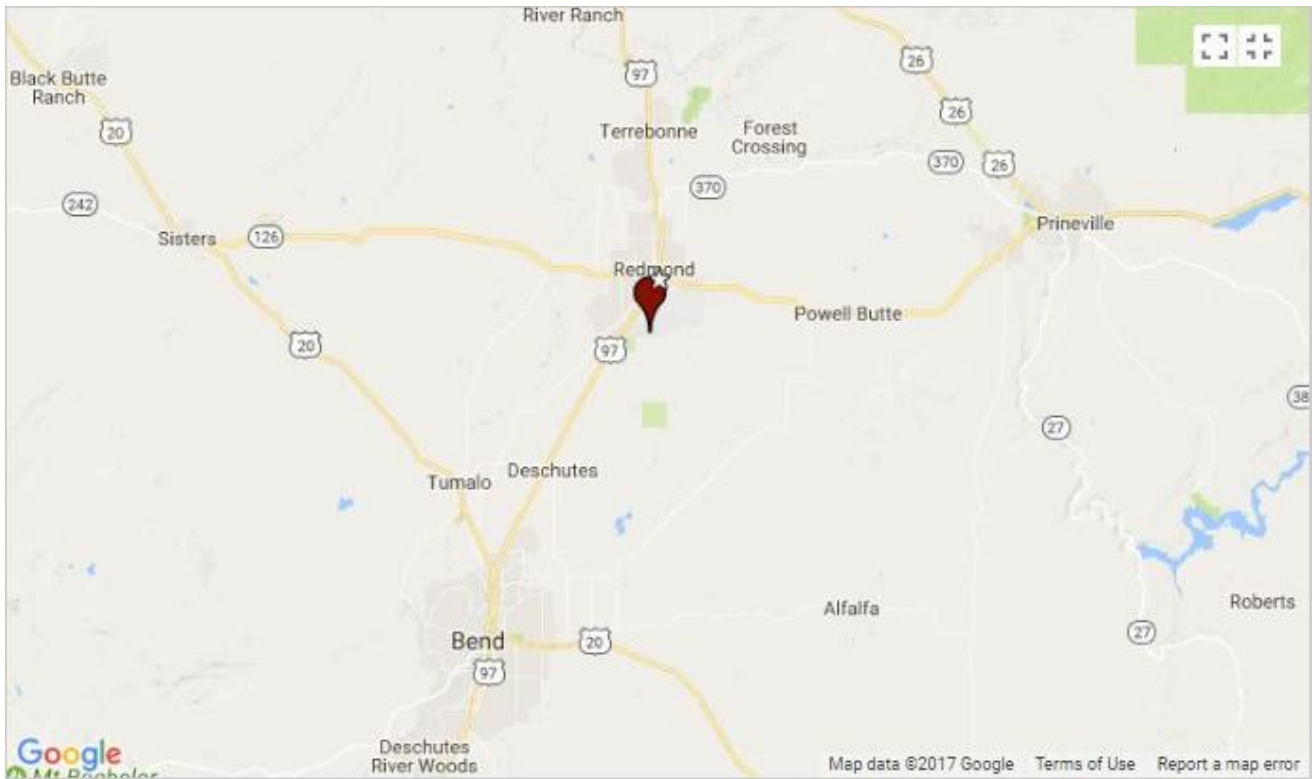
The economic vitality of the market area and neighborhood surrounding the subject site is an important consideration in forecasting lodging demand and future income potential. Economic and demographic trends that reflect the amount of visitation provide a basis from which to project lodging demand. The 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 Redmond, the county of Nassau, and the state of Oregon. The City of Redmond, located on the eastern side of Oregon's Cascade Mountain Range, is considered the geographical heart of the Central Oregon region, within easy access to a multitude of recreational opportunities. The City of Redmond is the operator of the region's only commercial-airline service airport, Redmond Municipal Airport. Located approximately 15 miles north of Bend, Central Oregon's largest city, Redmond has experienced tremendous population growth within the last decade. Thousands of retirees, families, and outdoor enthusiasts have migrated to this region in recent years for its relatively low cost of living and outdoor recreational activities. Redmond's population has surpassed 27,000, and the city continues to register population growth around 8% annually; moreover, it is becoming a manufacturing hub for the region.

The proposed subject property's market area can be defined by its Combined Statistical Area (CSA): New York-Newark, NY-NJ-CT-PA. The CSA represents adjacent metropolitan and micropolitan statistical areas that have a moderate degree of employment interchange. Micropolitan statistical areas represent urban areas in the United States based around a core city or town with a population of 10,000 to 49,999; the MSA requires the presence of a core city of at least 50,000 people and a total population of at least 100,000 (75,000 in New England). The following exhibit illustrates the market area.

MAP OF MARKET AREA



Economic and Demographic Review

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

These data are summarized in the following table.

FIGURE 3-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	2000	2010	2016	2020	Average Annual		
					Compounded Change		
					2000-10	2010-16	2016-20
Resident Population (Thousands)							
Deschutes County	116.6	157.8	177.6	193.3	3.1 %	2.0 %	2.1 %
Bend-Redmond, OR MSA	116.6	157.8	177.6	193.3	3.1	2.0	2.1
Bend-Redmond-Prineville, OR CSA	135.8	178.7	198.9	215.1	2.8	1.8	2.0
State of Oregon	3,429.7	3,837.1	4,051.5	4,225.2	1.1	0.9	1.1
United States	282,162.4	309,347.1	324,506.9	336,690.4	0.9	0.8	0.9
Per-Capita Personal Income*							
Deschutes County	\$34,069	\$35,503	\$39,611	\$42,569	0.4	1.8	1.8
Bend-Redmond, OR MSA	34,069	35,503	39,611	42,569	0.4	1.8	1.8
Bend-Redmond-Prineville, OR CSA	32,904	34,690	38,769	41,768	0.5	1.9	1.9
State of Oregon	34,738	35,209	39,016	41,416	0.1	1.7	1.5
United States	36,812	39,622	43,613	46,375	0.7	1.6	1.5
W&P Wealth Index							
Deschutes County	97.4	93.6	94.4	95.2	(0.4)	0.1	0.2
Bend-Redmond, OR MSA	97.4	93.6	94.4	95.2	(0.4)	0.1	0.2
Bend-Redmond-Prineville, OR CSA	94.4	91.5	92.3	93.2	(0.3)	0.2	0.2
State of Oregon	95.6	90.5	90.3	90.2	(0.5)	(0.0)	(0.0)
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
Deschutes County	\$182	\$263	\$335	\$377	3.8	4.1	3.0
Bend-Redmond, OR MSA	182	263	335	377	3.8	4.1	3.0
Bend-Redmond-Prineville, OR CSA	197	278	353	395	3.5	4.1	2.9
State of Oregon	4,833	5,699	7,059	7,598	1.7	3.6	1.9
United States	368,829	447,728	562,999	602,635	2.0	3.9	1.7
Total Retail Sales (Millions)*							
Deschutes County	\$2,224	\$2,591	\$3,003	\$3,363	1.5	2.5	2.9
Bend-Redmond, OR MSA	2,224	2,591	3,003	3,363	1.5	2.5	2.9
Bend-Redmond-Prineville, OR CSA	2,349	2,755	3,206	3,577	1.6	2.6	2.8
State of Oregon	50,238	50,429	57,540	61,820	0.0	2.2	1.8
United States	3,902,830	4,130,414	4,846,834	5,181,433	0.6	2.7	1.7

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population has grown at an average annual compounded rate of 0.8% from 2010 through 2016. The county's population has grown more slowly than the nation's population; the average annual growth rate of 0.3% between 2010 and 2016 reflects a gradually expanding area. Following this population trend, per-capita personal income increased slowly, at 1.7% on average annually for the county between 2010 and 2016. Local wealth indexes have remained stable in recent years, registering a relatively high 153.9 level for the county in 2016.

Food and beverage sales totaled \$335 million in the county in 2016, versus \$263 million in 2010. This reflects a 3.1% average annual change, which is stronger than the 1.4% 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 1.0%, which is forecast through 2020. The retail sales sector demonstrated an annual decline of -0.5% registered in the decade 2000 to 2010, followed by an increase of 2.5% in the period 2010 to 2016. An increase of 1.0% average annual change is expected in county retail sales through 2020.

Workforce Characteristics

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

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

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

Industry	2000	Percent of Total	2010	Percent of Total	2016	Percent of Total	2020	Percent of Total	Average Annual Compounded Change		
									2000- 2010	2010- 2016	2016- 2020
Farm	1.9	2.5 %	1.6	1.8 %	1.6	1.4 %	1.6	1.3 %	(1.4) %	(0.6) %	0.8 %
Forestry, Fishing, Related Activities And Other	0.6	0.8	0.8	0.9	0.9	0.8	0.9	0.8	3.4	1.8	1.4
Mining	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.8	7.4	1.1
Utilities	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.1	(1.0)	1.3
Construction	7.7	10.3	6.3	6.9	7.8	7.2	8.7	7.3	(2.0)	3.8	2.7
Manufacturing	6.0	8.1	4.5	5.0	6.0	5.5	6.2	5.2	(2.9)	4.8	0.9
Total Trade	11.6	15.5	12.8	14.1	15.9	14.7	17.5	14.7	1.0	3.7	2.4
Wholesale Trade	1.4	1.9	1.9	2.0	2.5	2.3	2.7	2.3	2.6	5.0	2.1
Retail Trade	10.1	13.6	11.0	12.1	13.5	12.4	14.8	12.4	0.8	3.5	2.5
Transportation And Warehousing	1.5	2.0	1.4	1.5	2.0	1.8	2.0	1.7	(0.7)	5.9	0.9
Information	1.7	2.3	1.8	2.0	2.0	1.8	2.1	1.7	0.7	1.5	1.2
Finance And Insurance	2.7	3.6	4.1	4.5	4.5	4.2	5.1	4.3	4.3	1.6	3.1
Real Estate And Rental And Lease	4.5	6.0	7.4	8.1	7.8	7.2	8.6	7.2	5.1	1.0	2.4
Total Services	28.4	38.0	40.9	45.0	50.1	46.2	55.8	46.7	3.7	3.4	2.7
Professional And Technical Services	4.1	5.5	6.4	7.0	7.7	7.1	8.6	7.2	4.5	3.2	2.7
Management Of Companies And Enterprises	0.3	0.5	0.3	0.4	0.4	0.3	0.4	0.3	0.3	0.5	0.9
Administrative And Waste Services	3.8	5.1	5.6	6.1	6.5	6.0	7.2	6.0	3.9	2.8	2.4
Educational Services	0.8	1.1	1.4	1.6	2.0	1.8	2.3	2.0	6.0	5.9	3.9
Health Care And Social Assistance	6.6	8.8	10.9	11.9	13.3	12.3	15.3	12.8	5.1	3.5	3.5
Arts, Entertainment, And Recreation	2.3	3.1	3.1	3.4	3.7	3.4	4.1	3.4	3.0	3.0	2.3
Accommodation And Food Services	6.2	8.4	8.0	8.7	9.9	9.1	10.8	9.0	2.5	3.7	2.2
Other Services, Except Public Administration	4.2	5.6	5.3	5.8	6.5	6.0	7.2	6.0	2.4	3.5	2.5
Total Government	7.7	10.4	8.8	9.7	9.4	8.6	10.2	8.6	1.3	1.0	2.2
Federal Civilian Government	0.9	1.2	1.0	1.1	0.9	0.8	0.9	0.8	1.3	(2.4)	0.6
Federal Military	0.4	0.5	0.4	0.5	0.5	0.4	0.5	0.4	1.5	0.4	0.1
State And Local Government	6.5	8.7	7.3	8.1	8.0	7.4	8.9	7.4	1.3	1.5	2.5
TOTAL	74.7	100.0 %	90.9	100.0 %	108.5	100.0 %	119.4	100.0 %	2.0 %	3.0 %	2.4 %
MSA	74.7	—	90.9	—	108.5	—	119.4	—	2.0 %	3.0 %	2.4 %
U.S.	165,370.9	—	173,034.7	—	191,870.8	—	203,418.4	—	0.9	1.7	1.5

Source: Woods & Poole Economics, Inc.

Woods & Poole Economics, Inc. reports that during the period from 2000 to 2010, total employment in the county grew at an average annual rate of 0.6%. This trend was below 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 1.5% on an annual average from 2010 to 2016, 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 2016, increasing by 42,646 people, or 11.1%, and rising from 47.7% to 48.4% of total employment. Of the various service sub-sectors, Health Care And Social Assistance and Professional And Technical Services were the largest employers. Strong growth was also recorded in the Finance And Insurance sector, as well as the Total Trade sector, which expanded by 15.9% and 8.1%, respectively, in the period 2010 to 2016. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 1.2% on average annually through 2020. The trend is below the forecast rate of change for the U.S. as a whole during the same period.

Radial Demographic Snapshot

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

FIGURE 3-3 DEMOGRAPHICS BY RADIUS

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
Population			
2022 Projection	4,189	25,985	39,473
2017 Estimate	3,918	23,890	36,188
2010 Census	3,527	20,538	30,927
2000 Census	2,931	12,129	18,576
Percent Change: 2017 to 2022	6.9%	8.8%	9.1%
Percent Change: 2010 to 2017	11.1%	16.3%	17.0%
Percent Change: 2000 to 2010	20.3%	69.3%	66.5%
Households			
2022 Projection	1,772	10,082	15,254
2017 Estimate	1,634	9,256	13,973
2010 Census	1,421	7,919	11,902
2000 Census	1,097	4,732	7,225
Percent Change: 2017 to 2022	8.5%	8.9%	9.2%
Percent Change: 2010 to 2017	15.0%	16.9%	17.4%
Percent Change: 2000 to 2010	29.5%	67.4%	64.7%
Income			
2017 Est. Average Household Income	\$52,316	\$54,863	\$58,584
2017 Est. Median Household Income	41,433	42,202	45,265
2017 Est. Civ. Employed Pop 16+ by Occupation			
Architecture/Engineering	14	47	84
Arts/Design/Entertainment/Sports/Media	46	332	443
Building/Grounds Cleaning/Maintenance	50	327	477
Business/Financial Operations	45	229	374
Community/Social Services	32	262	307
Computer/Mathematical	14	80	118
Construction/Extraction	86	356	527
Education/Training/Library	149	573	877
Farming/Fishing/Forestry	82	265	282
Food Preparation/Serving Related	79	606	951
Healthcare Practitioner/Technician	37	323	530
Healthcare Support	26	224	402
Installation/Maintenance/Repair	83	390	538
Legal	4	25	49
Life/Physical/Social Science	27	106	146
Management	76	406	881
Office/Administrative Support	213	1,148	1,661
Production	114	925	1,250
Protective Services	34	171	269
Sales/Related	233	1,121	1,851
Personal Care/Service	90	557	880
Transportation/Material Moving	61	585	884

Source: Environics Analytics

Unemployment Statistics

This source reports a population of 36,188 within a five-mile radius of the subject site, and 13,973 households within this same radius. Average household income within a five-mile radius of the subject site is currently reported at \$58,584, while the median is \$45,265.

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

FIGURE 3-4 UNEMPLOYMENT STATISTICS

Year	County	State	U.S.
2007	5.0 %	5.2 %	4.6 %
2008	8.2	6.5	5.8
2009	14.9	11.3	9.3
2010	13.8	10.6	9.6
2011	12.3	9.5	8.9
2012	11.3	8.8	8.1
2013	9.5	7.9	7.4
2014	7.8	6.8	6.2
2015	5.9	5.6	5.3
2016	4.9	4.9	4.9
<i>Recent Month - Oct</i>			
2016	4.5 %	4.5 %	4.8 %
2017	4.2	4.1	4.1

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

Source: U.S. Bureau of Labor Statistics

After the U.S. unemployment rate declined to an annual average of 4.6% in 2006 and 2007, the Great Recession, which spanned December 2007 through June 2009, resulted in heightened unemployment rates. The unemployment rate peaked at 10.0% in October 2009, after which job growth resumed; the national unemployment rate has steadily declined since 2010. Total nonfarm payroll employment increased by 138,000 and 208,000 jobs in July and August 2017, respectively. In contrast, employment increased by only 18,000 in September, attributed primarily to the effects of Hurricanes Irma and Harvey, which most significantly affected food services and drinking places, as well as some other industries, according to the BLS. Job growth resumed in October, with 261,000

Major Business and Industry

positions added; the highest gains were made in the professional and business services, manufacturing, and health care sectors. The national unemployment rate remains low, registering at 4.4% in August, 4.2% in September, and 4.1% in October; it has remained under the 5.0% mark since May 2016, reflecting a trend of relative stability and the overall strength of the U.S. economy.

Locally, the unemployment rate was 4.9% in 2016; for this same area in 2017, the most recent month's unemployment rate was registered at 4.2%, versus 4.5% for the same month in 2016. Unemployment rose in 2008 as the region entered an economic slowdown, and this trend continued in 2009 as the height of the national recession took hold. However, unemployment declined in 2010 as the economy rebounded, a trend that continued through 2016. The most recent comparative period illustrates improvement, indicated by the lower unemployment rate in the latest available data. According to U.S. Bureau of Economic Analysis, the Bend-Redmond metropolitan area ranked first in GDP growth among all U.S. metropolitan areas in 2016, registering 8.3% growth that year. The strong economic growth was reportedly supported by the real estate, finance, and insurance industries.

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

FIGURE 3-5 MAJOR EMPLOYERS

Rank	Firm	Number of Employees
1	Redmond School District	824
2	Northview Hotel Group	605
3	St. Charles Medical Center	567
4	Consumer Cellular	500
5	Opportunity Foundation	413
6	PCC Schlosser	396
7	Walmart - Redmond	340
8	Fred Meyer - Redmond	302
9	Safeway - Redmond	202
10	City of Redmond	175

Source: Redmond Economic Development, 2017

Redmond is growing into a manufacturing hub of the Central Oregon region due to its convenient access, including good transportation infrastructure by land and air; its sufficient land; and its low utility costs, as well as the offering of various

government incentives. According to Redmond Economic Development Inc., the manufacturing industry realized roughly 50% employment growth in the last five years. Industry clusters include aerospace, bioscience, brewing and distilling, high-technology, and building parts. PCC Schlosser is the largest employer in the manufacturing industry, employing roughly 400 people. In 2017, manufacturer BasX was ranked the fastest-growing private company in Oregon by Inc. Magazine. In addition, the area has been experiencing strong population growth in recent years, as more people are relocating from Portland, Seattle, and California; this growth is spurring developments in various sectors, such as retail, healthcare, and education, as well as residential real estate. Another major development project in Redmond is the \$2.5-million U.S. Forest Service Dispatch Center, which opened in June 2017.

Convention Activity

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

The following table illustrates recent use statistics for this facility.

FIGURE 3-6 CONVENTION CENTER STATISTICS

Year	Number of Events	Percent Change	Number of Delegates	Percent Change
2010/11	189	—	363,797	—
2011/12	190	0.5 %	448,185	23.2 %
2012/13	179	(5.8)	426,943	(4.7)
2013/14	190	6.1	448,094	5.0
2014/15	213	12.1	459,536	2.6
2015/16	244	14.6	535,401	16.5
2016/17	254	4.1	551,100	2.9

Source: Deschutes County Fair and Expo Center

The Deschutes County Fair and Expo Center represents a 320-acre site located in Redmond, placed strategically at the hub of the Tri-County area (Deschutes, Jefferson, and Crook Counties). The Expo Center hosts the largest annual county fair in Oregon and some of the largest conventions and events. Facilities include the First

Interstate Bank Center, a 239,000-square-foot multi-purpose arena; the Three Sisters Conference Center, which includes approximately 34,000 square feet of convention space in its three separate facilities; the High Desert Activity Center; the Equestrian and Livestock Complex, comprising five separate barns; and two outdoor arenas. Both the number of events and attendance levels have increased since the decline recorded in the 2012/13 fiscal year. According to management at the Expo Center, Deschutes County increased the collection of transient lodging tax by 1% in fiscal 2013/14, and 70% of the increased tax revenues are being used as marketing funds for the Expo Center, which has heightened the visibility of the facility on a national level. Management indicated that the booking pace for fiscal years 2017/18 through 2019/20 remains strong. Additionally, a feasibility study for the potential expansion of the facility has been conducted and is currently under review. Reportedly, one of the challenges is the limited hotel supply in Redmond, which has resulted in demand overflowing to Bend.

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 Redmond Municipal Airport, also known as Roberts Field, is operated by the City of Redmond. It is the fourth-largest commercial-service airport in Oregon, serving the Central Oregon region. Commercial service is provided by Alaska Airlines (operated by Horizon Air), as well as American, Delta, and United (all operated by SkyWest Airlines). The airport underwent a \$36-million expansion in 2009 and nearly quadrupled the original terminal size, bringing the terminal to over 110, 000 square feet. This project allowed for additional commercial routes. Furthermore, in May 2016, a \$20-million project was completed that upgraded the runway's design to meet current FAA standards. Airport officials are in the process of developing a 20-year master plan, which is anticipated to include runway and terminal expansions in response to increased flight service and growing passenger traffic.

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

FIGURE 3-7 AIRPORT STATISTICS - ROBERTS FIELD REDMOND MUNICIPAL AIRPORT

Year	Passenger Traffic	Percent Change*	Percent Change**
2007	491,356	—	—
2008	492,465	0.2 %	0.2 %
2009	464,774	(5.6)	(2.7)
2010	471,995	1.6	(1.3)
2011	483,583	2.5	(0.4)
2012	477,251	(1.3)	(0.6)
2013	489,510	2.6	(0.1)
2014	524,338	7.1	0.9
2015	574,236	9.5	2.0
2016	627,690	9.3	2.8
<i>Year-to-date, Nov</i>			
2016	571,172	—	—
2017	687,931	20.4 %	—

*Annual average compounded percentage change from the pre

**Annual average compounded percentage change from first year

Source: Roberts Field Redmond Municipal Airport

This facility recorded 627,690 passengers in 2016. The change in passenger traffic between 2015 and 2016 was 9.3%. The average annual change during the period shown was 2.8%. The increase in passenger traffic shown by the most recent data can be attributed in large part to the ongoing popularity of Bend as a travel destination, as well as company relocations to the area. Furthermore, additional nonstop air service has contributed to the growth. In February 2017, American Airlines added direct service to/from Phoenix, increasing the airport's nonstop destinations to six cities. We note that the significant increase in passenger traffic in the year-to-date 2017 period is partially due to the normalization of passenger levels; reportedly, passenger counts declined significantly in May 2016 during the runway upgrades.

Tourist Attractions

Central Oregon's varied topography of the Cascade Range and the high desert draws a multitude of outdoor enthusiasts year-round. Situated east of the Cascade Mountain Range, Central Oregon receives nearly 300 days of sunshine per year, making it an attractive leisure destination for Portland and Seattle residents. Leisure demand generators include Smith Rock State Park, Mt. Bachelor, and

Cascade Lakes, as well as numerous golf courses and breweries in the area. Recreational activities include downhill and cross-country skiing, hiking, biking, rafting, golfing, camping, fishing, picnicking, rock climbing, and general sightseeing. Special events also play a role during key weekends, such as the Deschutes County Fair and the Sisters Quilt Show. No major changes related to these attributes of the market are expected in the near future.

Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. Redmond is experiencing a period of economic strength and expansion, primarily led by the manufacturing industry and the growth associated with the airport. Our interviews and research indicated that the city is poised for further growth given its welcoming business environment, various relocations to the area, and continued population growth, which has positively influenced the retail, health care, and education sectors.

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 Deschutes County lodging market. Within this greater market, the proposed subject hotel will compete with a smaller set of hotels located in Redmond.

Historical Supply and Demand Data

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 4-1 HISTORICAL SUPPLY AND DEMAND TRENDS

Average Daily		Available Room		Occupied Room		Average				
Year	Room Count	Nights	Change	Nights	Change	Occupancy	Rate	Change	RevPAR	Change
2007	409	149,285	—	92,211	—	61.8 %	\$80.19	—	\$49.53	—
2008	452	165,034	10.5 %	84,760	(8.1) %	51.4	83.06	3.6 %	42.66	(13.9) %
2009	506	184,690	11.9	87,295	3.0	47.3	76.01	(8.5)	35.93	(15.8)
2010	506	184,690	0.0	92,437	5.9	50.0	78.19	2.9	39.13	8.9
2011	506	184,690	0.0	88,560	(4.2)	48.0	75.83	(3.0)	36.36	(7.1)
2012	506	184,690	0.0	95,656	8.0	51.8	78.22	3.2	40.51	11.4
2013	506	184,690	0.0	103,030	7.7	55.8	81.48	4.2	45.45	12.2
2014	506	184,690	0.0	114,210	10.9	61.8	85.76	5.3	53.03	16.7
2015	506	184,537	(0.1)	115,621	1.2	62.7	94.52	10.2	59.22	11.7
2016	505	184,325	(0.1)	123,955	7.2	67.2	100.78	6.6	67.77	14.4
Year-to-Date Through October										
2016	505	153,520	—	108,506	—	70.7 %	\$102.96	—	\$72.77	—
2017	505	153,520	0.0 %	112,322	3.5 %	73.2	107.34	4.3 %	78.53	7.9 %
Average Annual Compounded Change:										
2007 - 2010			7.4	0.1			(0.8)			(7.6)
2010 - 2016			(0.0)	5.0			4.3			9.6
Hotels Included in Sample			Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened			
Holiday Inn Resort The Lodge @ Eagle Crest			Upper Midscale Class	Secondary	100	Feb 2012	Dec 1989			
Best Western Plus Rama Inn			Upper Midscale Class	Primary	73	Jul 2011	Feb 1992			
Super 8 Redmond			Economy Class	Secondary	85	Jun 1997	Jun 1997			
Motel 6 Redmond			Economy Class	Secondary	83	Sep 1998	Sep 1998			
Comfort Suites Redmond Airport			Upper Midscale Class	Primary	92	Aug 2002	Aug 2002			
Sleep Inn & Suites Redmond			Midscale Class	Primary	72	Oct 2008	Oct 2008			
Total					505					

Source: STR

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

The STR data for the competitive set reflect a market-wide occupancy level of 2016 in 67.2%, which compares to 62.7% for 2015. The overall average occupancy level for the calendar years presented equates to 57.9%. The STR data for the competitive set reflect a market-wide average rate level of \$100.78 in 2016, which compares to \$94.52 For 2015. The average across all calendar years presented for average rate equates to \$87.06. These occupancy and average rate trends resulted in a RevPAR level of \$67.77 in 2016.

We note that the Redmond competitive market is relatively small, with just over 500 hotel rooms (and just over 600 including the smaller, non-reporting hotels), and most of the supply comprises independent, economy hotels. RevPAR first peaked for this selected set of competitive hotels in 2007, at nearly \$50, before declining to a low point of roughly \$36 by year-end 2009 because of the recession and the opening of the Sleep Inn & Suites. Market-wide demand fluctuated in 2010 and 2011. In 2012, occupied room nights surpassed the prior peak, allowing the market to absorb the new supply as the local and national economies continued to strengthen. RevPAR continued to register double-digit growth from 2013 through 2016, largely attributed to the increasing passenger levels at the Redmond Municipal Airport, the growing popularity of Deschutes County as a tourist destination, and the expanding manufacturing industry in Redmond. Additionally, the improving performance at the Expo Center also supported the positive trend. Year-to-date 2017 data illustrate continued strengthening in occupancy and a roughly \$5 gain in average rate; the expanding economy in Redmond and the lack of new supply have contributed to the latest trend. The near-term outlook is favorable given the strong demand levels.

Competitive Supply

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 4-2 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Est. Segmentation				Estimated 2016				Estimated 2017					
	Number of Rooms	Commercial	Leisure	Group	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Best Western Redmond	73	50 %	35 %	15 %	73	70 - 75 %	\$120 - \$125	\$85 - \$90	73	70 - 75 %	\$125 - \$130	\$90 - \$95	100 - 110 %	120 - 130 %
Sleep Inn & Suites Redmond	92	45	40	15	92	65 - 70	95 - 100	60 - 65	92	70 - 75	100 - 105	70 - 75	100 - 110	90 - 95
Comfort Suites Redmond	72	60	20	20	72	70 - 75	100 - 105	75 - 80	72	75 - 80	105 - 110	80 - 85	110 - 120	100 - 110
Sub-Totals/Averages	237	51 %	32 %	17 %	237	70.3 %	\$105.08	\$73.84	237	74.4 %	\$110.65	\$82.27	105.2 %	107.6 %
Secondary Competitors	268	37 %	42 %	20 %	173	64.6 %	\$101.06	\$65.28	173	65.6 %	\$104.54	\$68.54	92.8 %	89.6 %
Totals/Averages	505	46 %	36 %	18 %	410	67.9 %	\$103.47	\$70.23	410	70.7 %	\$108.26	\$76.49	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 4-3 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
Best Western Redmond 2630 Southwest 17th Place	73	1992	—	1.5	Breakfast Dining Area	None	N/A	Business Center; Guest Laundry Area; Fitness Room; Indoor Swimming Pool; Indoor Whirlpool
Sleep Inn & Suites Redmond 1847 North Highway 97	92	2008	—	1.4	Breakfast Dining Area	2,402	26.1	Business Center; Guest Laundry Area; Fitness Room; Market Pantry; Indoor Swimming Pool
Sleep Inn Redmond 1847 North Highway 97	72	2008	—	3.8	Breakfast Dining Area	1,500	20.8	Business Center; Guest Laundry Area; Fitness Room; Indoor Swimming Pool; Indoor Whirlpool

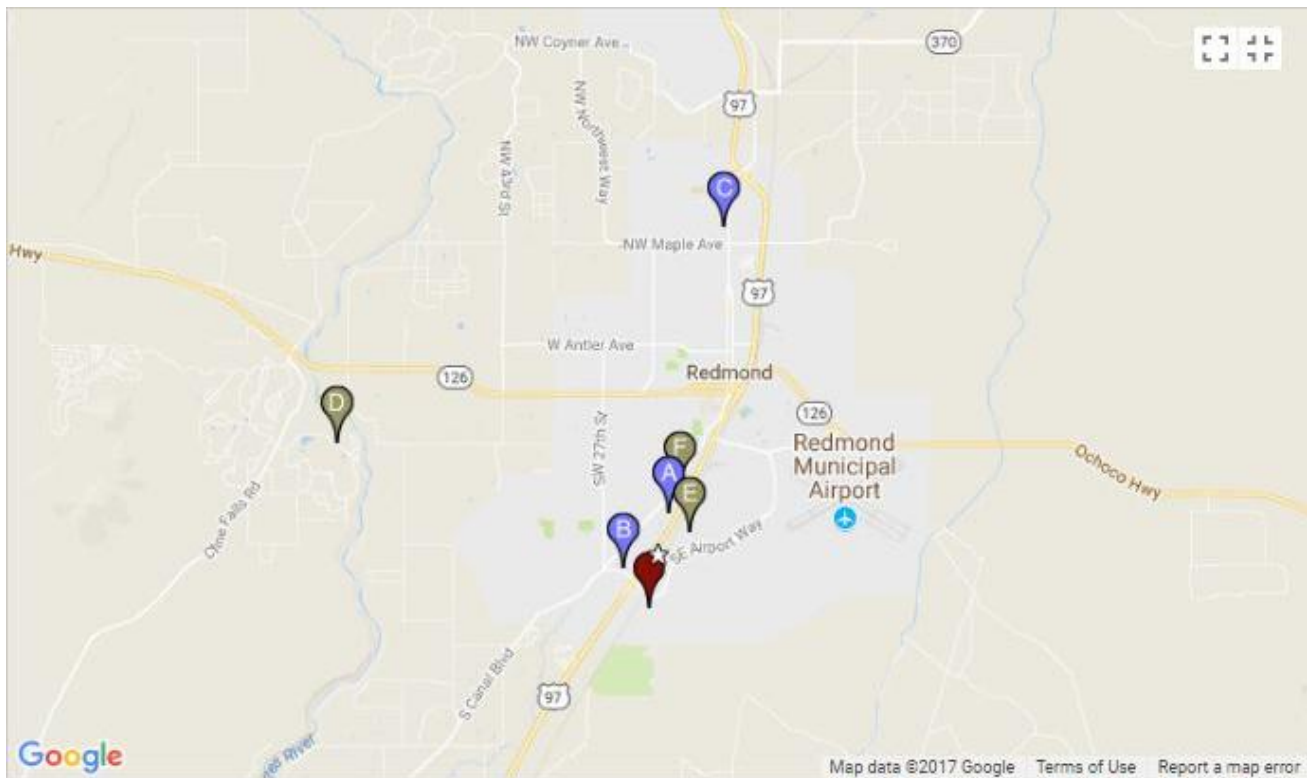
FIGURE 4-4 SECONDARY COMPETITOR(S) – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation			Total Competitive Level	Estimated 2016				Estimated 2017			
		Commercial	Leisure	Group		Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Holiday Inn Resort The Lodge Hotel at Eagle Crest	100	30 %	40 %	30 %	80 %	80	60 - 65 %	\$125 - \$130	\$80 - \$85	80	60 - 65 %	\$130 - \$140	\$80 - \$85
Super 8 Redmond	85	45	40	15	60	51	65 - 70	85 - 90	55 - 60	51	65 - 70	90 - 95	60 - 65
Motel 6 Redmond	83	40	50	10	50	42	60 - 65	70 - 75	45 - 50	42	65 - 70	75 - 80	50 - 55
Totals/Averages	268	37 %	42 %	20 %	64 %	173	64.6 %	\$101.06	\$65.28	173	65.6 %	\$104.54	\$68.54

** 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.*

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

MAP OF COMPETITION



- | | | | |
|--|--|--|---|
| | Proposed Hampton Inn by Hilton Redmond | | Holiday Inn Resort The Lodge Hotel at Eagle Crest (Secondary) |
| | Best Western Redmond (Primary) | | Super 8 Redmond (Secondary) |
| | Comfort Suites Redmond (Primary) | | Motel 6 Redmond (Secondary) |
| | Sleep Inn & Suites Redmond (Primary) | | |

Supply Changes

It is important to consider any new hotels that may have an impact on the proposed subject hotel's operating performance. The following chart sets forth the hotels that have recently opened, are under construction, or are in the stages of early

development in the Redmond area. The list is categorized by the principal submarkets within the city.

FIGURE 4-5 AREA DEVELOPMENT ACTIVITY

Proposed Hotel Name	Estimated Number of Rooms	Hotel Product Tier	Development Stage	Expected Qtr. & Year of Opening	Address
Redmond					
New Redmond Hotel	48	Upper-Midscale	Under Construction	Q1 '20	521 Southwest 6th Street, Redmond OR
Proposed WoodSpring Suites	122	Economy	Early Development	Q2 '20	Southeast 21st Street, Redmond OR
Proposed Hampton by Hilton	107	Upper-Midscale	Early Development	Q2 '20	Southeast 21st Street, Redmond OR

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

FIGURE 4-6 NEW SUPPLY

Proposed Property	Number of Rooms	Total Competitive Level	Weighted Room Count	Estimated Opening Date	Developer	Development Stage
Proposed Subject Property	107	100 %	107	June 1, 2020	Heritage Hospitality	Early Development
New Redmond Hotel	48	70	34	March 1, 2019	Alpha Wave Investors	Under Construction
Totals/Averages	277		196			

The New Redmond Hotel is under construction as part of a redevelopment project on a site located in Downtown Redmond, three miles from the subject site; however, given its anticipated boutique product type and independent status, it has been weighted secondarily competitive in our analysis. In addition, the developer of the proposed subject property is planning to develop a WoodSpring Suites adjacent to the subject site for the proposed Hampton by Hilton. While the proposed WoodSpring Suites will operate at a lower price point and target a different customer base, it has been weighted secondarily competitive in our analysis because of its proximity.

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 Redmond submarket. The Proposed Hampton by Hilton Redmond 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 4-7 HISTORICAL MARKET TRENDS

Year	Accommodated Room Nights	% Change	Room Nights Available	% Change	Market Occupancy	Market ADR	% Change	Market RevPAR	% Change
Est. 2016	101,459	7.0 %	149,468	(0.2) %	67.9	103.47	6.5 %	70.23	14.3 %
Est. 2017	105,604	4.1	149,468	0.0	70.7	108.26	4.6	76.49	8.9
Avg. Annual Compounded Chg., Est. 2015-Est. 2017:		5.5 %		(0.1) %			5.6 %		11.6 %

Demand Analysis Using Market Segmentation

For the purpose of demand analysis, the overall market is divided into individual segments based on the nature of travel. Based on our fieldwork, area analysis, and knowledge of the local lodging market, we estimate the 2017 distribution of accommodated-room-night demand as follows.

FIGURE 4-8 ACCOMMODATED ROOM-NIGHT DEMAND

Market Segment	Marketwide	
	Accommodated Demand	Percentage of Total
Commercial	48,399	46 %
Leisure	38,118	36
Group	19,087	18
Total	105,604	100 %

The market's demand mix comprises commercial demand, with this segment representing roughly 46% of the accommodated room nights in this Redmond submarket. The leisure segment comprises 36% of the total, with the final portions group in nature, reflecting 18%.

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

FIGURE 4-9 AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES

Market Segment	Annual Growth Rate					
	2018	2019	2020	2021	2022	2023
Commercial	4.0 %	4.0 %	13.0 %	9.0 %	1.5 %	0.0 %
Leisure	3.5	3.5	12.0	7.5	1.0	0.0
Group	3.5	3.5	6.0	4.0	0.5	0.0
Base Demand Growth	3.7 %	3.7 %	11.4 %	7.6 %	1.2 %	0.0 %

Latent Demand

A table presented earlier in this section illustrated the accommodated-room-night demand in the proposed subject hotel's competitive market. Because this estimate is based on historical occupancy levels, it includes only those hotel rooms that were used by guests. Latent demand reflects potential room-night demand that has not been realized by the existing competitive supply, further classified as either unaccommodated demand or induced demand.

Unaccommodated Demand

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

Unaccommodated demand is further indicated if the market is at all seasonal, with distinct high and low seasons; such seasonality indicates that although year-end occupancy may not average in excess of 70%, the market may sell out certain nights during the year. To evaluate the incidence of unaccommodated demand in the market, we have reviewed the average occupancy by the night of the week for the past twelve months for the competitive set, as reflected in the STR data. This is set forth in the following table.

FIGURE 4-10 OCCUPANCY BY NIGHT OF THE WEEK

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Nov - 16	34.3 %	50.3 %	56.3 %	54.4 %	62.5 %	67.2 %	57.7 %	54.7 %
Dec - 16	36.4	43.8	50.6	51.8	49.2	45.0	43.3	45.7
Jan - 17	40.6	45.4	50.7	53.7	55.2	53.5	55.3	50.2
Feb - 17	38.4	47.9	56.3	59.8	55.0	51.4	52.8	51.7
Mar - 17	56.3	57.7	66.0	65.4	64.3	86.2	87.5	69.3
Apr - 17	50.5	70.4	75.6	78.1	79.1	81.3	83.4	73.6
May - 17	63.2	64.1	74.5	82.7	89.9	93.0	89.9	79.0
Jun - 17	67.2	81.9	86.7	90.8	88.7	95.2	94.2	86.8
Jul - 17	72.7	81.9	86.1	94.2	93.7	97.3	96.7	88.5
Aug - 17	76.5	81.9	88.3	90.6	83.7	87.3	92.2	86.0
Sep - 17	59.5	72.1	80.1	82.1	75.4	80.5	77.6	75.6
Oct - 17	49.9	63.4	69.8	75.5	74.6	79.1	81.0	69.6
Average	53.8 %	63.4 %	69.9 %	73.3 %	72.5 %	76.5 %	75.9 %	69.3 %

Source: STR

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

FIGURE 4-11 UNACCOMMODATED DEMAND ESTIMATE

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand Percentage	Unaccommodated Room Night Demand
Commercial	48,399	4.3 %	2,072
Leisure	38,118	8.7	3,324
Group	19,087	18.8	3,597
Total	105,604	8.5 %	8,993

Accordingly, we have forecast unaccommodated demand equivalent to 8.5% of the base-year demand, resulting from our analysis of monthly and weekly peak demand and sell-out trends.

Induced Demand

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

Accommodated Demand and Market-wide Occupancy

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

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

FIGURE 4-12 FORECAST OF MARKET OCCUPANCY

	2017	2018	2019	2020	2021	2022	2023
Commercial							
Base Demand	48,399	50,335	52,348	59,153	64,477	65,444	65,444
Unaccommodated Demand		2,155	2,241	2,533	2,761	2,802	2,802
Total Demand		52,490	54,589	61,686	67,238	68,246	68,246
Growth Rate		8.5 %	4.0 %	13.0 %	9.0 %	1.5 %	0.0 %
Leisure							
Base Demand	38,118	39,452	40,833	45,733	49,163	49,655	49,655
Unaccommodated Demand		3,440	3,560	3,987	4,287	4,329	4,329
Total Demand		42,892	44,393	49,721	53,450	53,984	53,984
Growth Rate		12.5 %	3.5 %	12.0 %	7.5 %	1.0 %	0.0 %
Group							
Base Demand	19,087	19,755	20,446	21,673	22,540	22,653	22,653
Unaccommodated Demand		3,723	3,853	4,085	4,248	4,269	4,269
Total Demand		23,478	24,300	25,758	26,788	26,922	26,922
Growth Rate		23.0 %	3.5 %	6.0 %	4.0 %	0.5 %	0.0 %
Totals							
Base Demand	105,604	109,542	113,627	126,559	136,180	137,752	137,752
Unaccommodated Demand		9,318	9,655	10,605	11,295	11,401	11,401
Total Demand		118,860	123,282	137,164	147,475	149,152	149,152
less: Residual Demand		9,318	8,264	3,633	0	37	37
Total Accommodated Demand		109,542	115,019	133,531	147,475	149,116	149,116
Overall Demand Growth		3.7 %	5.0 %	16.1 %	10.4 %	1.1 %	0.0 %
Market Mix							
Commercial	45.8 %	44.2 %	44.3 %	45.0 %	45.6 %	45.8 %	45.8 %
Leisure	36.1	36.1	36.0	36.2	36.2	36.2	36.2
Group	18.1	19.8	19.7	18.8	18.2	18.0	18.0
Existing Hotel Supply	410	410	410	410	410	410	410
Proposed Hotels							
Proposed Subject Property ¹				63	107	107	107
New Redmond Hotel ²			28	34	34	34	34
Available Room Nights per Year	149,468	149,468	159,749	196,378	220,825	220,825	220,825
Nights per Year	365	365	365	365	365	365	365
Total Supply	410	410	438	538	605	605	605
Rooms Supply Growth	—	0.0 %	6.9 %	22.9 %	12.4 %	0.0 %	0.0 %
Marketwide Occupancy	70.7 %	73.3 %	72.0 %	68.0 %	66.8 %	67.5 %	67.5 %

¹ Opening in June 2020 of the 100% competitive, 107-room Proposed Subject Property

² Opening in March 2019 of the 70% competitive, 48-room New Redmond Hotel

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 Hampton by Hilton Redmond will be a limited-service lodging facility containing 107 rentable units. The four-story property will open on June 1, 2020.

Hampton by Hilton (Hampton Hotels, Hampton Inn, and Hampton Inn & Suites) is part of the Hilton Worldwide brand. Hampton has celebrated over 20 years as an award-winning leader in the mid-priced hotel segment. Hampton hotels offer comfortable surroundings and a service pledge backed by the 100% Hampton Satisfaction Guarantee. High-quality accommodations and services, combined with a vast network of locations, competitive rates, and a strong reputation for quality control and product consistency have made Hampton a leader in its segment and one of the fastest-growing hotel brands. Guests enjoy a complimentary hot breakfast, free local calls, and free high-speed Internet access. In addition, most properties offer swimming pools and fitness rooms. As of year-end 2016, there were 2,221 hotels (223,114 rooms) operating under the Hampton by Hilton brand in the U.S. In 2016, the brand operated at an average occupancy level of 74.0%, with an average daily rate of \$120.80 and an average RevPAR of \$89.38 (worldwide).

TYPICAL HAMPTON BY HILTON EXTERIOR



Summary of the Facilities

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

FIGURE 5-1 PROPOSED FACILITIES SUMMARY

Guestroom Configuration		Number of Units
King		42
Queen/Queen		59
Accessible King		3
Accessible Queen/Queen		3
Total		107
Food & Beverage Facilities		Seating Capacity
Breakfast Dining Area		38
Indoor Meeting & Banquet Facilities		Square Footage
Meeting Room		500
Amenities & Services		
Indoor Swimming Pool		Market Pantry
Fitness Room		Guest Laundry Room
Business Center		
Infrastructure		
Parking Spaces		109 (estimated)
Elevators		2 Guest
Life-Safety Systems		Sprinklers, Smoke Detectors
Construction Details		Wood Framing, Poured Concrete

The proposed hotel will comprise one four-story building. Surface parking will be located around the building. Other site improvements are expected 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 will lead directly into the lobby, and the first (ground) floor will house the public areas and the back-of-the-house space. Guestrooms are planned to be located on all four floors. The site and building components appeared normal for a hotel of this type and should meet the standards for this airport market.

The hotel's breakfast dining area will be located opposite the front desk in the lobby. The furnishings of the space are expected to be of a similar style and finish as lobby and guestroom furnishings. The hotel will offer one meeting room, which will be located on the first floor. The hotel is planned to offer an indoor pool and a fitness

room as recreational facilities. Other amenities will include a small business center, a market pantry, and a guest laundry room. The hotel will feature standard guestroom configurations and the typical in-room amenities associated with the Hampton by Hilton brand. Guestroom bathrooms should be of a standard size, with a shower-in-tub, commode, and single sink with vanity area, featuring a stone countertop. Overall, the facilities should be appropriate for a hotel of this type, and we assume that they will meet brand standards.

The hotel will 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.

TYPICAL HAMPTON BY HILTON LOBBY



TYPICAL HAMPTON BY HILTON DINING AREA



TYPICAL HAMPTON BY HILTON FITNESS ROOM



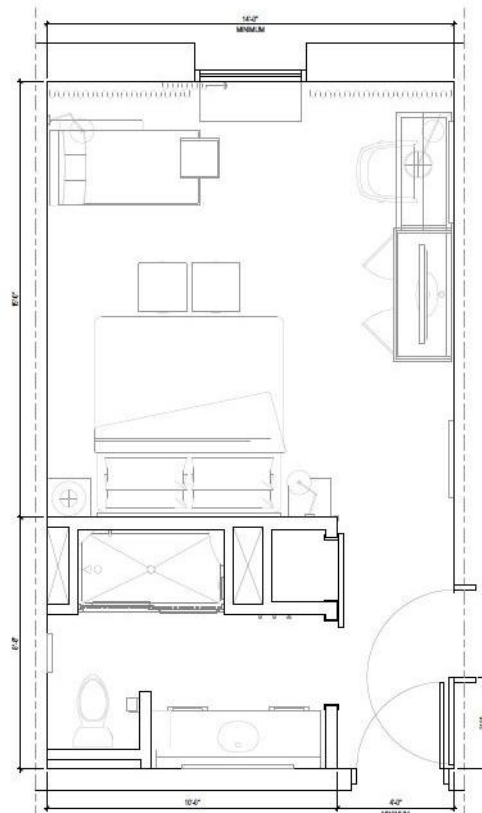
TYPICAL HAMPTON BY HILTON GUESTROOM



FIRST FLOOR PLAN



GUESTROOM FLOOR PLAN



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 appear 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.

Forecast of Subject Property's Occupancy

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 6-1 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY

Market Segment	2020	2021	2022	2023
Commercial				
Demand	60,818	67,238	68,231	68,231
Market Share	11.7 %	21.2 %	21.8 %	21.8 %
Capture	7,120	14,238	14,861	14,861
Penetration	100 %	120 %	123 %	123 %
Leisure				
Demand	48,355	53,450	53,971	53,971
Market Share	10.0 %	18.2 %	18.7 %	18.7 %
Capture	4,837	9,701	10,069	10,069
Penetration	86 %	103 %	105 %	105 %
Group				
Demand	24,358	26,788	26,914	26,914
Market Share	8.0 %	17.6 %	18.4 %	18.4 %
Capture	1,950	4,728	4,941	4,941
Penetration	69 %	100 %	104 %	104 %
Total Room Nights Captured	13,907	28,667	29,870	29,870
Available Room Nights	22,898	39,055	39,055	39,055
Subject Occupancy	61 %	73 %	76 %	76 %
Market-wide Available Room Nights	196,378	220,825	220,825	220,825
Fair Share	12 %	18 %	18 %	18 %
Market-wide Occupied Room Nights	133,531	147,475	149,116	149,116
Market Share	10 %	19 %	20 %	20 %
Market-wide Occupancy	68 %	67 %	68 %	68 %
Total Penetration	89 %	110 %	113 %	113 %

Within the commercial segment, the proposed subject hotel's occupancy penetration is positioned above the market-average level, supported by the brand's Hilton affiliation and the convenient airport location. The proposed subject hotel's occupancy penetration in the leisure segment is also positioned above the market-average level given the Hampton brand's popularity among families and leisure travelers, as well as the subject site's proximity to the Expo Center. Within the group segment, the proposed subject hotel's occupancy penetration is positioned just below the market-average level because of the hotel's anticipated price point, with an ADR level that is forecast to be higher than the market-wide ADR.

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

FIGURE 6-2 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2020	2021	2022	2023
Commercial	51 %	50 %	50 %	50 %
Leisure	35	34	34	34
Group	14	16	17	17
Total	100 %	100 %	100 %	100 %

Based on our analysis of the proposed subject hotel and market area, we have selected a stabilized occupancy level of 76%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life, given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the proposed subject hotel may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

Average Rate Analysis

The following table illustrates the projected average rate and the growth rates assumed. As a context for the average rate growth factors, note that we have applied underlying inflation rates of 2.5%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2017. This final forecast reflects years beginning on June 1, 2020 and corresponds with our financial projections.

FIGURE 6-3 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

Calendar Year	2017	2018	2019	2020	2021	2022	2023	2024	2025
Market ADR	\$108.26	\$113.13	\$117.09	\$121.19	\$124.82	\$128.57	\$132.43	\$136.40	\$140.49
Projected Market ADR Growth Rate	—	4.5%	3.5%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Property ADR (Before Discount)	\$130.00	\$135.85	\$140.60	\$145.53	\$149.89	\$154.39	\$159.02	\$163.79	\$168.70
ADR Growth Rate	—	4.5%	3.5%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject ADR Penetration (Before Discount)	120%	120%	120%	120%	120%	120%	120%	120%	120.1%
Fiscal Year									
Proposed Subject Property Average Rate				\$147.33	\$151.75	\$156.30	\$160.99	\$165.82	\$170.80
Opening Discount				3.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Rate After Discount				\$142.91	\$151.75	\$156.30	\$160.99	\$165.82	\$170.80
Real Average Rate Growth				—	6.2%	3.0%	3.0%	3.0%	3.0%
Market ADR				\$122.69	\$126.37	\$130.17	\$134.07	\$138.09	\$142.24
Proposed Subject ADR Penetration (After Discount)				116%	120%	120%	120%	120%	120%
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate				\$132.06	\$136.15	\$136.15	\$136.15	\$136.15	\$136.15

As illustrated above, a 4.5%% rate of change is expected for the proposed subject hotel's positioned 2017 room rate in 2018. This is followed by growth rates of 3.5%% and 3.5%% in 2019 and 2020, respectively. The Redmond market should experience rate growth through the near term due to the anticipated demand growth. 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 location near the airport and the Expo Center. The proposed subject hotel's penetration rate is forecast to reach 120.1% by the stabilized period.

A new property must establish its reputation and a client base in the market during its ramp-up period; as such, the proposed subject hotel's average rates in the initial operating period have been discounted to reflect this likelihood. We forecast 3.0% and 0.0% discounts to the proposed subject hotel's forecast room rates in the first two operating years, which would be typical for a new operation of this type

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

FIGURE 6-4 FORECASTS OF OCCUPANCY AND AVERAGE RATE

Year	Occupancy	Average Rate Before Discount	Discount	Average Rate After Discount
2020/21	66 %	\$147.33	3.0 %	\$142.91
2021/22	75	151.75	0.0	151.75
2022/23	76	156.30	0.0	156.30

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.

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:	2015	2016/17	2016	2014	2015/16	2017
Edition:	11	10	11	10	10	11
Number of Rooms:	90 to 130	110 to 150	110 to 150	70 to 100	90 to 120	107
Days Open:	365	365	365	365	365	365
Occupancy:	80%	82%	77%	73%	77%	76%
Average Rate:	\$150	\$117	\$116	\$119	\$147	\$134
RevPAR:	\$120	\$96	\$89	\$86	\$113	\$102
REVENUE						
Rooms	99.9 %	96.3 %	100.0 %	98.2 %	98.9 %	98.7 %
Other Operated Departments	0.1	3.2	0.0	0.6	0.8	1.1
Miscellaneous Income	0.0	0.5	0.0	1.2	0.3	0.2
Total	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*						
Rooms	16.0	25.2	24.9	18.9	18.6	19.0
Other Operated Departments	89.4	64.7	0.0	259.2	55.9	60.0
Total	16.1	26.3	26.1	20.1	18.8	19.4
DEPARTMENTAL INCOME						
	83.9	73.7	73.9	79.9	81.2	80.6
OPERATING EXPENSES						
Administrative & General	7.8	8.3	11.4	8.8	5.7	8.5
Info. and Telecom. Systems	0.7	0.0	0.2	0.0	0.0	1.1
Marketing	1.0	1.3	3.3	6.8	5.0	3.2
Franchise Fee	14.4	7.3	9.5	7.8	9.6	9.9
Property Operations & Maintenance	4.9	2.3	2.8	4.9	2.8	3.2
Utilities	3.4	2.0	4.2	4.4	2.8	2.6
Total	32.1	21.3	31.2	32.6	26.0	28.4
HOUSE PROFIT						
	51.8	52.4	42.7	47.3	55.2	52.2
Management Fee	0.0	2.9	2.2	0.0	3.0	3.0
INCOME BEFORE FIXED CHARGES						
	51.8	49.4	40.5	47.3	52.2	49.2

* 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:	2015	2016/17	2016	2014	2015/16	2017
Edition:	11	10	11	10	10	11
Number of Rooms:	90 to 130	110 to 150	110 to 150	70 to 100	90 to 120	107
Days Open:	365	365	365	365	365	365
Occupancy:	80%	82%	77%	73%	77%	76%
Average Rate:	\$150	\$117	\$116	\$119	\$147	\$134
RevPAR:	\$120	\$96	\$89	\$86	\$113	\$102
REVENUE						
Rooms	\$43,763	\$35,199	\$32,391	\$31,562	\$41,380	\$37,305
Other Operated Departments	48	1,183	0	192	347	416
Miscellaneous Income	0	174	5	374	116	69
Total	43,812	36,556	32,395	32,128	41,843	37,791
DEPARTMENTAL EXPENSES						
Rooms	7,005	8,856	8,062	5,961	7,692	7,088
Other Operated Departments	43	766	397	498	194	250
Total	7,048	9,622	8,459	6,458	7,886	7,338
DEPARTMENTAL INCOME	36,764	26,934	23,936	25,669	33,957	30,453
OPERATING EXPENSES						
Administrative & General	3,434	3,048	3,677	2,836	2,388	3,200
Info. and Telecom. Systems	291	0	55	0	0	400
Marketing	438	484	1,053	2,171	2,111	1,200
Franchise Fee	6,296	2,679	3,076	2,511	4,029	3,730
Property Operations & Maintenance	2,130	854	906	1,566	1,178	1,200
Utilities	1,478	731	1,350	1,404	1,168	1,000
Total	14,068	7,796	10,117	10,488	10,874	10,730
HOUSE PROFIT	22,696	19,138	13,819	15,181	23,083	19,723
Management Fee	0	1,073	711	0	1,255	1,134
INCOME BEFORE FIXED CHARGES	22,696	18,065	13,109	15,181	21,828	18,589

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

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2015	2016/17	2016	2014	2015/16	2017
Edition:	11	10	11	10	10	11
Number of Rooms:	90 to 130	110 to 150	110 to 150	70 to 100	90 to 120	107
Days Open:	365	365	365	365	365	365
Occupancy:	80%	82%	77%	73%	77%	76%
Average Rate:	\$150	\$117	\$116	\$119	\$147	\$134
RevPAR:	\$120	\$96	\$89	\$86	\$113	\$102
REVENUE						
Rooms	\$149.75	\$117.21	\$115.55	\$118.94	\$147.03	\$134.48
Other Operated Departments	0.17	3.94	0.00	0.72	1.23	1.50
Miscellaneous Income	0.00	0.58	0.02	1.41	0.41	0.25
Total	149.92	121.73	115.56	121.08	148.67	136.23
DEPARTMENTAL EXPENSES						
Rooms	23.97	29.49	28.76	22.46	27.33	25.55
Other Operated Departments	0.15	2.55	1.42	1.88	0.69	0.90
Total	24.12	32.04	30.18	24.34	28.02	26.45
DEPARTMENTAL INCOME	125.80	89.69	85.39	96.74	120.65	109.78
OPERATING EXPENSES						
Administrative & General	11.75	10.15	13.12	10.69	8.48	11.54
Info. and Telecom. Systems	1.00	0.00	0.19	0.00	0.00	1.44
Marketing	1.50	1.61	3.76	8.18	7.50	4.33
Franchise Fee	21.55	8.92	10.97	9.46	14.32	13.45
Property Operations & Maintenance	7.29	2.84	3.23	5.90	4.18	4.33
Utilities	5.06	2.44	4.82	5.29	4.15	3.60
Total	48.14	25.96	36.09	39.53	38.64	38.68
HOUSE PROFIT	77.66	63.73	49.30	57.21	82.02	71.10
Management Fee	0.00	3.57	2.54	0.00	4.46	4.09
INCOME BEFORE FIXED CHARGES	77.66	60.16	46.76	57.21	77.56	67.01

The comparables' departmental income ranged from 73.7% to 83.9% of total revenue. The comparable properties achieved a house profit ranging from 42.7% to 55.2% of total revenue.

Inflation Assumption

In consideration of the most recent trends, the projections set forth previously, and our assessment of probable property appreciation levels, we have applied underlying inflation rates of 2.5%, 2.5%, and 3.0% thereafter for each respective

year following the base year of 2017. This stabilized inflation rate takes into account normal, recurring inflation cycles. Inflation is likely to fluctuate above and below this level during the projection period. Any exceptions to the application of the assumed underlying inflation rate are discussed in our write-up of individual income and expense items.

Forecast of Revenue and Expense

Based on an analysis that will be detailed throughout this section, we have formulated a forecast of income and expense. The following table presents a detailed forecast through the fifth projection year, including amounts per available room and per occupied room. The second table illustrates our ten-year forecast of income and expense, presented with a lesser degree of detail. The forecasts pertain to years that begin on June 1, 2020, expressed in inflated dollars for each year.

FIGURE 7-4 DETAILED FORECAST OF INCOME AND EXPENSE

	2020/21 Begins June				2021/22				Stabilized				2023/24				2024/25			
Number of Rooms:	107				107				107				107				107			
Occupancy:	66%				75%				76%				76%				76%			
Average Rate:	\$142.91				\$151.75				\$156.30				\$160.99				\$165.82			
RevPAR:	\$94.32				\$113.81				\$118.79				\$122.36				\$126.03			
Days Open:	365				365				365				365				365			
Occupied Rooms:	25,776	%Gross	PAR	POR	29,291	%Gross	PAR	POR	29,682	%Gross	PAR	POR	29,682	%Gross	PAR	POR	29,682	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	\$3,684	98.5 %	\$34,430	\$142.92	\$4,445	98.7 %	\$41,542	\$151.75	\$4,639	98.7 %	\$43,355	\$156.29	\$4,779	98.7 %	\$44,664	\$161.01	\$4,922	98.7 %	\$46,000	\$165.83
Other Operated Departments	47	1.3	438	1.82	50	1.1	468	1.71	52	1.1	484	1.74	53	1.1	498	1.80	55	1.1	513	1.85
Miscellaneous Income	8	0.2	73	0.30	8	0.2	78	0.28	9	0.2	81	0.29	9	0.2	83	0.30	9	0.2	86	0.31
Total Operating Revenues	3,739	100.0	34,941	145.04	4,503	100.0	42,088	153.74	4,699	100.0	43,919	158.33	4,841	100.0	45,245	163.10	4,986	100.0	46,599	167.98
DEPARTMENTAL EXPENSES *																				
Rooms	787	21.4	7,357	30.54	851	19.2	7,956	29.06	881	19.0	8,238	29.70	908	19.0	8,485	30.59	935	19.0	8,740	31.51
Other Operated Departments	29	61.7	270	1.12	30	60.2	281	1.03	31	60.0	290	1.05	32	60.0	299	1.08	33	60.0	308	1.11
Total Expenses	816	21.8	7,627	31.66	881	19.6	8,238	30.09	913	19.4	8,528	30.74	940	19.4	8,784	31.67	968	19.4	9,048	32.62
DEPARTMENTAL INCOME	2,923	78.2	27,314	113.38	3,622	80.4	33,850	123.65	3,787	80.6	35,391	127.58	3,901	80.6	36,460	131.44	4,018	80.6	37,551	135.37
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	360	9.6	3,369	13.99	385	8.6	3,599	13.15	398	8.5	3,719	13.41	410	8.5	3,831	13.81	422	8.5	3,946	14.22
Info & Telecom Systems	45	1.2	421	1.75	48	1.1	450	1.64	50	1.1	465	1.68	51	1.1	479	1.73	53	1.1	493	1.78
Marketing	142	3.8	1,327	5.51	159	3.5	1,485	5.42	149	3.2	1,395	5.03	154	3.2	1,437	5.18	158	3.2	1,480	5.33
Franchise Fee	368	9.9	3,443	14.29	445	9.9	4,154	15.18	464	9.9	4,336	15.63	478	9.9	4,466	16.10	492	9.9	4,600	16.58
Prop. Operations & Maint.	122	3.3	1,137	4.72	137	3.0	1,282	4.68	149	3.2	1,395	5.03	154	3.2	1,437	5.18	158	3.2	1,480	5.33
Utilities	113	3.0	1,053	4.37	120	2.7	1,125	4.11	124	2.6	1,162	4.19	128	2.6	1,197	4.32	132	2.6	1,233	4.45
Total Expenses	1,150	30.8	10,750	44.62	1,294	28.8	12,095	44.18	1,334	28.5	12,471	44.96	1,375	28.5	12,847	46.31	1,416	28.5	13,231	47.70
GROSS HOUSE PROFIT	1,772	47.4	16,564	68.76	2,328	51.6	21,755	79.47	2,452	52.1	22,920	82.62	2,527	52.1	23,614	85.13	2,602	52.1	24,319	87.67
Management Fee	112	3.0	1,048	4.35	135	3.0	1,263	4.61	141	3.0	1,318	4.75	145	3.0	1,357	4.89	150	3.0	1,398	5.04
INCOME BEFORE NON-OPR. INC. & EXP.	1,660	44.4	15,516	64.41	2,193	48.6	20,493	74.86	2,311	49.1	21,602	77.87	2,381	49.1	22,257	80.23	2,453	49.1	22,921	82.63
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	199	5.3	1,861	7.73	205	4.6	1,917	7.00	211	4.5	1,975	7.12	218	4.5	2,034	7.33	224	4.5	2,095	7.55
Insurance	35	0.9	329	1.36	36	0.8	339	1.24	37	0.8	349	1.26	38	0.8	359	1.29	40	0.8	370	1.33
Reserve for Replacement	75	2.0	699	2.90	135	3.0	1,263	4.61	188	4.0	1,757	6.33	194	4.0	1,810	6.52	199	4.0	1,864	6.72
Total Expenses	309	8.2	2,889	11.99	376	8.4	3,518	12.85	437	9.3	4,080	14.71	450	9.3	4,203	15.15	463	9.3	4,329	15.60
EBITDA LESS RESERVE	\$1,351	36.2 %	\$12,627	\$52.42	\$1,816	40.2 %	\$16,974	\$62.01	\$1,875	39.8 %	\$17,522	\$63.17	\$1,932	39.8 %	\$18,054	\$65.08	\$1,989	39.8 %	\$18,593	\$67.03

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

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

	2020/21		2021/22		2022/23		2023/24		2024/25		2025/26		2026/27		2027/28		2028/29		2029/30	
Number of Rooms:	107		107		107		107		107		107		107		107		107		107	
Occupied Rooms:	25,776		29,291		29,682		29,682		29,682		29,682		29,682		29,682		29,682		29,682	
Occupancy:	66%		75%		76%		76%		76%		76%		76%		76%		76%		76%	
Average Rate:	\$142.91	% of	\$151.75	% of	\$156.30	% of	\$160.99	% of	\$165.82	% of	\$170.80	% of	\$175.92	% of	\$181.20	% of	\$186.64	% of	\$192.23	% of
RevPAR:	\$94.32	Gross	\$113.81	Gross	\$118.79	Gross	\$122.36	Gross	\$126.03	Gross	\$129.81	Gross	\$133.70	Gross	\$137.71	Gross	\$141.84	Gross	\$146.10	Gross
OPERATING REVENUE																				
Rooms	\$3,684	98.5 %	\$4,445	98.7 %	\$4,639	98.7 %	\$4,779	98.7 %	\$4,922	98.7 %	\$5,070	98.7 %	\$5,222	98.7 %	\$5,378	98.7 %	\$5,540	98.7 %	\$5,706	98.7 %
Other Operated Departments	47	1.3	50	1.1	52	1.1	53	1.1	55	1.1	57	1.1	58	1.1	60	1.1	62	1.1	64	1.1
Miscellaneous Income	8	0.2	8	0.2	9	0.2	9	0.2	9	0.2	9	0.2	10	0.2	10	0.2	10	0.2	11	0.2
Total Operating Revenues	3,739	100.0	4,503	100.0	4,699	100.0	4,841	100.0	4,986	100.0	5,136	100.0	5,290	100.0	5,448	100.0	5,612	100.0	5,780	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	787	21.4	851	19.2	881	19.0	908	19.0	935	19.0	963	19.0	992	19.0	1,022	19.0	1,053	19.0	1,084	19.0
Other Operated Departments	29	61.7	30	60.2	31	60.0	32	60.0	33	60.0	34	60.0	35	60.0	36	60.0	37	60.0	38	60.0
Total Expenses	816	21.8	881	19.6	913	19.4	940	19.4	968	19.4	997	19.4	1,027	19.4	1,058	19.4	1,090	19.4	1,122	19.4
DEPARTMENTAL INCOME	2,923	78.2	3,622	80.4	3,787	80.6	3,901	80.6	4,018	80.6	4,139	80.6	4,263	80.6	4,390	80.6	4,522	80.6	4,658	80.6
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	360	9.6	385	8.6	398	8.5	410	8.5	422	8.5	435	8.5	448	8.5	461	8.5	475	8.5	489	8.5
Info & Telecom Systems	45	1.2	48	1.1	50	1.1	51	1.1	53	1.1	54	1.1	56	1.1	58	1.1	59	1.1	61	1.1
Marketing	142	3.8	159	3.5	149	3.2	154	3.2	158	3.2	163	3.2	168	3.2	173	3.2	178	3.2	184	3.2
Franchise Fee	368	9.9	445	9.9	464	9.9	478	9.9	492	9.9	507	9.9	522	9.9	538	9.9	554	9.9	571	9.9
Prop. Operations & Maint.	122	3.3	137	3.0	149	3.2	154	3.2	158	3.2	163	3.2	168	3.2	173	3.2	178	3.2	184	3.2
Utilities	113	3.0	120	2.7	124	2.6	128	2.6	132	2.6	136	2.6	140	2.6	144	2.6	148	2.6	153	2.6
Total Expenses	1,150	30.8	1,294	28.8	1,334	28.5	1,375	28.5	1,416	28.5	1,458	28.5	1,502	28.5	1,547	28.5	1,593	28.5	1,641	28.5
GROSS HOUSE PROFIT	1,772	47.4	2,328	51.6	2,452	52.1	2,527	52.1	2,602	52.1	2,681	52.1	2,761	52.1	2,843	52.1	2,929	52.1	3,017	52.1
Management Fee	112	3.0	135	3.0	141	3.0	145	3.0	150	3.0	154	3.0	159	3.0	163	3.0	168	3.0	173	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	1,660	44.4	2,193	48.6	2,311	49.1	2,381	49.1	2,453	49.1	2,526	49.1	2,602	49.1	2,680	49.1	2,761	49.1	2,843	49.1
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	199	5.3	205	4.6	211	4.5	218	4.5	224	4.5	231	4.5	238	4.5	245	4.5	252	4.5	260	4.5
Insurance	35	0.9	36	0.8	37	0.8	38	0.8	40	0.8	41	0.8	42	0.8	43	0.8	45	0.8	46	0.8
Reserve for Replacement	75	2.0	135	3.0	188	4.0	194	4.0	199	4.0	205	4.0	212	4.0	218	4.0	224	4.0	231	4.0
Total Expenses	309	8.2	376	8.4	437	9.3	450	9.3	463	9.3	477	9.3	491	9.3	506	9.3	521	9.3	537	9.3
EBITDA LESS RESERVE	\$1,351	36.2 %	\$1,816	40.2 %	\$1,875	39.8 %	\$1,932	39.8 %	\$1,989	39.8 %	\$2,049	39.8 %	\$2,111	39.8 %	\$2,174	39.8 %	\$2,239	39.8 %	\$2,306	39.8 %

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

The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take three years for the subject property to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the proposed subject hotel's operating budget and comparable income and expense statements. The forecast is based upon fiscal years beginning June 1, 2020, expressed in inflated dollars for each year.

Revenues associated with the proposed subject hotel's other operated departments and its miscellaneous income category have been forecast to reflect the hotel's planned facilities and amenities, including the market pantry, guest laundry room, and meeting space. Expense levels should 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 in the Nature of the Assignment chapter.

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 7-6 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS

Hotel	Year Open	Real Market Value		Personal	Total	Taxable Real Property
		Land	Improvements			
Best Western Redmond	1992	\$911,160	\$4,910,470	\$270,220	\$6,091,850	\$3,486,850
Sleep Inn & Suites Redmond	2008	583,930	2,199,700	165,300	2,948,930	2,783,630
Comfort Suites Redmond	2002	1,138,560	8,336,020	299,220	9,773,800	5,558,950
Super 8 Redmond	1997	903,250	2,215,250	120,090	3,238,590	3,118,500
Motel 6 Redmond	1998	992,900	1,466,460	91,110	2,550,470	2,459,360
<i>Assessments per Room</i>	<i># of Rms</i>					
Best Western Redmond	49	\$18,595	\$100,214	\$5,515	\$118,809	\$71,160
Sleep Inn & Suites Redmond	72	8,110	30,551	2,296	38,662	38,662
Comfort Suites Redmond	92	12,376	90,609	3,252	102,985	60,423
Super 8 Redmond	85	10,626	26,062	1,413	36,688	36,688
Motel 6 Redmond	83	11,963	17,668	1,098	29,631	29,631
Positioned Subject - Per Room	107	\$5,000	\$130,000	\$10,000	\$145,000	\$85,000
Positioned Subject - Total		\$535,000	\$13,910,000	\$1,070,000	\$15,515,000	\$9,095,000

Source: Deschutes 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 because of the similar product type and asset class. We note the positioned assessments are higher than the comparables given the proposed hotel's new construction; however, the positioned assessments are supported by the market data. In addition, we have forecast the real property taxable value by applying a 65% ratio to the positioned real market value. According to the Deschutes County Assessor's Office, the total taxable value of all commercial properties in the county equated to roughly 65% of the total real market value in 2017.

Tax rates are based on the city and county budgets, which change annually. The most recent tax rate in this jurisdiction was reported at 18.10470%. The following table shows changes in the tax rate during the last several years.

FIGURE 7-7 COUNTY TAX RATES

Year	Real Property Millage Rate	Personal Property Millage Rate
2015	18.36280	18.36280
2016	18.39010	18.39010
2017	18.10470	18.10470

Source: Deschutes 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 7-8 PROJECTED PROPERTY TAX BURDEN (BASE YEAR)

	Real Property				Personal Property
	Land	Real Property	Total	Taxable	
Positioned (Assessed Value)	\$535,000	\$13,910,000	\$14,445,000	\$9,095,000	\$1,070,000
Equalization Rate			1.00000		
Millage Rate			18.10470	18.10470	18.10470
Tax Burden as of Base Year			\$261,522	\$164,662	\$19,372

FIGURE 7-9 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	\$164,662	—		\$164,662
2020/21	\$164,662	8.2 %	100 %	178,188
2021/22	178,188	3.0	100	183,534
2022/23	183,534	3.0	100	189,040
2023/24	189,040	3.0	100	194,711

FIGURE 7-10 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	\$19,372	—		\$19,372
2020/21	\$19,372	8.2 %	100 %	20,963
2021/22	20,963	3.0	100	21,592
2022/23	21,592	3.0	100	22,240
2023/24	22,240	3.0	100	22,907

FIGURE 7-11 PROJECTED PROPERTY TAX EXPENSE – SUMMARY

Year	Taxes Payable			Total Tax Payable
	Real	Personal	Total	
Positioned	\$164,662	\$19,372	\$184,034	\$184,034
2020/21	178,188	20,963	199,152	199,152
2021/22	183,534	21,592	205,126	205,126
2022/23	189,040	22,240	211,280	211,280
2023/24	194,711	22,907	217,618	217,618

Conclusion

In conclusion, our analysis reflects a profitable operation, with net income expected to total 39.8% of total revenue by the stabilized year. The stabilized total revenue comprises primarily rooms and food and beverage revenue, with a secondary portion derived from other income sources. On the cost side, departmental expenses total 19.4% of revenue by the stabilized year, while undistributed operating expenses total 28.5% of total revenues; this assumes that the property will be operated competently by a well-known hotel operator. After a 3.0% of total revenues management fee, and 9.3% of total revenues in fixed expenses, a net income ratio of 39.8% is forecast by the stabilized year.

8. Statement of Assumptions and Limiting Conditions

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

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

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

Kasia Russell, MAI

EMPLOYMENT

2006 to present	HVS CONSULTING AND VALUATION SERVICES Portland, Oregon
2005 – 2006	SKAGIT VALLEY CASINO RESORT Bow, Washington
2003 – 2004	HOTEL BELLWETHER Bellingham, Washington

EDUCATION AND OTHER TRAINING

BA – Western Washington University

Other Specialized Training Classes Completed:

Uniform Standards of Professional Appraisal Practice – 15 hours

Basic Appraisal Procedures – 30 hours

Basic Appraisal Principles – 30 hours

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

General Appraiser Market Analysis and HBU – 30 hours

General Appraiser Sales Comparison Approach – 30 hours

General Appraiser Site Valuation and Cost Approach – 30 hours

Business Practices and Ethics – 8 hours

Statistics, Modeling and Finance – 15 hours

General Appraiser Report Writing and Case Studies – 30 hours

Advanced Income – 35 hours

Report Writing and Valuation Analysis – 40 hours

Small Hotel Valuation – 7 hours

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

Advanced Market Analysis and Highest & Best Use – 35 hours

Advanced Concepts & Case Studies – 40 hours

General Demonstration Appraisal Report Writing (Demo)

OR Supervisor/Trainee Class – 4 hours

Advanced Income – 35 hours

EDUCATION (CONTINUED)

CA Laws and Regulations – 4 hours
 Nevada Law – 4 hours
 Mortgage Fraud – 7 hours
 Oddball Appraisals – 7 hours
 Business and Equipment Values in a Real Estate Appraisal – 2 hours
 Advanced Hotel Appraising – Full-Service Hotels – 7 hours
 Appraisal of Owner-Occupied Commercial Properties – 7 hours
 Appraisal of Land Subject to Ground Lease – 7 hours
 Annual USPAP Updates

STATE CERTIFICATIONS

Alaska, California, Hawaii, Idaho, Oregon, Utah, Washington

PUBLISHED ARTICLES

HVS Journal “2016/17 United States Hotel Franchise Fee Guide,” co-authored with Bomie Kim, September 2017

HVS Journal “HVS Perspectives: Center Stage at ALIS,” co-authored by Tanya Pierson and Jessica White, February 2017

HVS Journal “2015/16 United States Hotel Franchise Fee Guide,” co-authored with Bomie Kim, July 2016

HVS Journal “Key Takeaways: Hunter Hotel Conference,” co-authored with Michael Brophy and Janet Snyder, April 2016

HVS Journal “Market Intelligence Report 2013 Seattle,” co-authored with Desiree Flanary, July 2013

HVS Journal “Portland Market Intelligence Report 2013,” co-authored with Desiree Flanary, July 2013

HVS Journal “HVS Hotel Market Intelligence Report: Portland, Oregon,” June 2010

HVS Journal “The Recession’s Effects on Seattle’s Hotel Industry,” August 2009

HVS Journal “HVS Market Intelligence Report: Downtown Phoenix, Arizona,” August 2008

HVS Journal “HVS Market Intelligence Report: Minneapolis, Minnesota,” November 2007

PROFESSIONAL AFFILIATIONS

Appraisal Institute – Designated Member (MAI)

**EXAMPLES OF PROPERTIES APPRAISED
OR EVALUATED****PORTFOLIO ANALYSIS**

JPMorgan Portfolio of 6, Various Locations
 JPMorgan Portfolio of 9, Various Locations
 Natixis Portfolio of 14, Various Locations
 Quarterly Clarion Portfolio of 47, Various Locations
 Portfolio of 14 Shilo Inns, Various Locations in the Western U.S.

ALABAMA

Homewood Suites, Huntsville
 Comfort Inn, Prattville
 Courtyard by Marriott, Prattville
 Proposed Homewood Suites, Prattville

ALASKA

Coast International Inn, Anchorage
 Proposed Home2 Suites, Anchorage

ARIZONA

Carefree Resort (Conversion to DoubleTree), Carefree
 Red Roof Inn, Chandler
 Best Western, Cottonwood
 Proposed Holiday Inn Express/Staybridge Suites, Goodyear
 Proposed Homewood Suites by Hilton, Lake Havasu
 Hilton Phoenix East, Mesa
 Candlewood Suites, Nogales
 Proposed Wingate Inn Page Arizona, Page
 Arizona Grand Resort, Phoenix
 Country Inn & Suites, Phoenix
 Crowne Plaza, Phoenix
 Hilton Garden Inn Airport North, Phoenix

Hilton Suites, Phoenix
 Hyatt Regency, Phoenix
 Red Roof Inn, Phoenix
 Sheraton Phoenix Downtown, Phoenix
 Travelodge, Phoenix
 Holiday Inn Express, Pinetop
 Days Inn, Sedona
 Holiday Inn Express, Show Low
 Candlewood Suites, Sierra Vista
 Holiday Inn Express, Sierra Vista
 Proposed Hilton Garden Inn/Home2 Suites by Hilton, Tempe
 Ramada, Tempe
 Red Roof Inn Phoenix Airport, Tempe
 Proposed Best Western, Topock
 Holiday Inn Express, Tucson
 Sheraton Hotel & Suites, Tucson
 Holiday Inn Express, Winslow

CALIFORNIA

Proposed Fairfield Inn & Suites, Alameda
 Hotel Menage, Anaheim
 Proposed Azusa Hotel, Azusa
 Chase Suites Hotel, Brea
 Proposed Hampton Inn, Buena Park
 Crowne Plaza, Burlingame
 Residence Inn by Marriott, Corona
 Residence Inn, Cupertino
 Propose Hotels, Davis
 Courtyard by Marriott, Fairfield
 Courtyard Airport, Fresno
 Radisson, Fresno
 Hyatt Regency Orange County, Garden Grove
 Residence Inn Anaheim/Garden Grove, Garden Grove
 Proposed Hilton Garden Inn, Irvine
 Proposed Hampton Inn & Suites by Hilton, La Habra
 La Jolla Inn (Conversion to Ascend Collection), La Jolla
 Proposed Select-Service Hotel, Lake Havasu
 Homewood Suites, La Quinta

Proposed Select-Service Hotel, Livermore
 Hilton Garden Inn, Lompoc
 Proposed Hilton Garden Inn, Lompoc
 Claremont Hotel Tiverton, Los Angeles
 Proposed Hampton Inn & Suites Korea Town, Los Angeles
 Proposed Hotel, Los Angeles
 The Standard Hotel, Los Angeles
 Proposed Residence Inn by Marriott, Mammoth Lakes
 Belamar Hotel, Manhattan Beach
 Proposed Autograph Hotel, Menlo Park
 Stanford Park Hotel, Menlo Park
 Marriott, Monterey
 Proposed Hotel, Napa
 Fairfield Inn & Suites Riverside Corona Norco, Norco
 Proposed Hampton by Hilton, Oakland
 Ontario Airport Hotel & Conference Center, Ontario
 Radisson Ontario Airport, Ontario
 Sheraton, Ontario
 Embassy Suites, Orange
 Proposed Autograph Hotel, Palm Desert
 Hampton Inn & Suites, Palm Desert
 Villa Royale Inn, Palm Springs
 Proposed Upscale Hotel, Palo Alto
 Lancer Motel, Pico Rivera
 Hilton at the Club Expansion, Pleasanton
 La Quinta Inn & Suites, Pomona
 Proposed Hotel, Rocklin
 Lexington Inn & Suites Sacramento Cal Expo, Sacramento
 Proposed Hampton Inn, Sacramento
 Proposed Hilton Garden Inn, Sacramento
 Proposed Hotel, Sacramento
 Fairfield Inn by Marriott, San Bernardino
 DoubleTree by Hilton Hotel San Diego Downtown, San Diego
 Best Western Americana, San Francisco
 Carriage Inn, San Francisco

Good Hotel, San Francisco
 Hotel Metropolis, San Francisco
 Hotel Vertigo, San Francisco
 Mark Twain Hotel, San Francisco
 Proposed Crowne Plaza, San Gabriel
 Proposed Sheraton Hotel, San Gabriel
 Proposed Hotel, San Jose
 Proposed Select-Service Hotel, San Luis Obispo
 Marriott San Mateo San Francisco Airport, San Mateo
 Crowne Plaza, San Pedro
 Travelodge, Santa Monica
 Proposed Lexington Hotel, Scotts Valley
 Proposed Unscripted, South Lake Tahoe
 Holiday Inn Express Stockton Southeast, Stockton
 Proposed Hampton Inn, Tehachapi
 Hotel Truckee Tahoe, Truckee
 Embassy Suites, Valencia
 Holiday Inn Express, Walnut Creek
 Proposed Fairfield Inn & Suites by Marriott, Woodland

COLORADO

Proposed Limited-Service Hotel, Breckenridge
 Hyatt Summerfield Suites, Colorado Springs
 Proposed Sheraton Downtown, Colorado Springs
 Cameron Motel, Denver
 Proposed Hyatt Place DIA, Denver
 Quality Inn (Brand Analysis), Denver
 Rocky Mountain Park Inn, Estes Park
 Gateway Canyons Resort, Gateway
 Regency Hotel (Brand Analysis), Greeley
 Proposed Hotel, Telluride

CONNECTICUT

Fairfield Inn by Marriott, Milford
 Fairfield Inn by Marriott, Wallingford

Fairfield Inn, Windsor Locks

FLORIDA

Wakulla Suites, Cocoa Beach
 Multi-use Commercial Property, Deerfield Beach
 Hampton Inn, Ft. Lauderdale
 Hampton Inn, Jacksonville
 Residence Inn, Jacksonville
 Residence Inn, West Palm Beach

GEORGIA

Candlewood Suites, Athens
 Embassy Suites, Kennesaw
 Hotel Indigo, Vinings

HAWAII

Courtyard by Marriott Kaua'i at Coconut Beach, Kapa'a

IDAHO

Motel 6 Boise Airport, Boise
 Holiday Inn Express, Coeur d'Alene
 Shilo Inn Suites, Coeur d'Alene
 Proposed SpringHill Suites, Coeur d'Alene
 SpringHill Suites by Marriott, Coeur d'Alene
 Proposed Hotel, Idaho Falls
 Shilo Inn, Idaho Falls
 Fairfield Inn & Suites, Moscow
 Proposed Fairfield Inn & Suites, Moscow
 Hampton Inn & Suites, Mountain Home
 Hampton Inn, Twin Falls
 Holiday Inn Express, Twin Falls
 Motel 6, Twin Falls
 Quality Inn, Twin Falls

ILLINOIS

Holiday Inn Merchandise Mart, Chicago
 Hilton Oak Lawn, Chicago

Proposed Renaissance Blackstone, Chicago
 Renaissance, Chicago
 Danville Inn & Convention Center, Danville
 Marriott Suites, Deerfield
 Proposed Hampton Inn & Suites, Edwardsville
 Comfort Inn, Elk Grove Village
 Days Inn, Matteson
 Holiday Inn, Moline
 Holiday Inn Express, Moline
 Candlewood Suites, O'Fallon
 Inn Town Motel, Rockford
 Days Inn, Sheffield
 Holiday Inn Express, Shiloh
 The Blue Star Inn, Urbana
 Holiday Inn, Willowbrook

INDIANA

Red Carpet Inn, Anderson
 Proposed Suburban Extended-Stay, Castleton
 Proposed Suburban Extended-Stay, Clarksville
 La Quinta Inn & Suites, Fort Wayne
 Quality Inn, Fort Wayne
 Sheraton Keystone Crossing, Indianapolis
 Quality Inn & Suites, Lebanon
 Ramada Inn, Logansport
 Super 8, Logansport
 Super 8, Markle
 Days Inn, Merrillville
 Holiday Inn, Merrillville
 Proposed Holiday Inn, Merrillville
 Knights Inn, South Bend
 Proposed Suburban Extended-Stay, South Bend
 Hilton Garden Inn, West Lafayette

IOWA

Days Inn, Davenport
 Hampton Inn, Des Moines
 Quality Inn, Newton

Econo Lodge, West Liberty

KANSAS

Econo Lodge, Wichita

KENTUCKY

Baymont Inn & Suites, Bowling Green
Rodeway Inn, Florence

LOUISIANA

Proposed Courtyard by Marriott,
Houma

MARYLAND

Hampton Inn, Lexington

MICHIGAN

Comfort Suites, Benton Harbor
Best Western, Grand Haven
Econo Lodge, Lansing
The Regent Inn, Lansing
Econo Lodge, Petoskey

MINNESOTA

Hampton Inn, Eagan
Hampton Inn, Eden Prairie
Proposed aloft, Edina
Super 8, Granite Falls
Super 8, Marshall
DoubleTree Park Place, Minneapolis
Hotel IVY, Minneapolis
Proposed Westin, Minneapolis
Westin, Minneapolis
Hampton Inn, Minnetonka

MISSISSIPPI

Car Wash, Magee

MISSOURI

Hampton Inn, Bloomington
Proposed Indigo Hotel, Kansas City

MONTANA

Proposed Limited-Service Hotel,
Culbertson
Proposed Best Western Plus, East
Glacier Park

NEBRASKA

Days Inn, McCook
Proposed Hotel, South Sioux City

NEVADA

Siena Hotel, Reno

NEW JERSEY

Sheraton, Eatontown
Rest Inn, Williamstown

NEW MEXICO

Hampton Inn, Albuquerque
Hawthorn Suites, Albuquerque
Hotel Parq Central, Albuquerque
Wyndham, Albuquerque
Proposed Home2 Suites, Farmington
Hotel Encanto de Las Cruces, Las
Cruces
Hotel St. Francis, Santa Fe

NEW YORK

Rodeway Inn, Ithaca
Fairfield Inn, Spring Valley
Proposed Hilton Garden Inn,
Williamsville

NORTH DAKOTA

Grand Williston Hotel & Conference
Center, Williston

OHIO

Comfort Inn, Austintown
Sheraton, Independence
The Elms Holiday Inn, Oxford

OREGON

DoubleTree, Beaverton
Proposed AC by Marriott, Beaverton
Proposed Limited-Service Hotel,
Beaverton
Proposed Hotel, Bend
Proposed Limited-Service Hotel,
Boardman
Holiday Inn Express, Corvallis
Proposed OSU Campus Hotel, Corvallis
Proposed EVEN Hotels, Eugene
Proposed Home2 Suites by Hilton,
Hillsboro
Courtyard Portland Hillsboro, Hillsboro
Proposed Full-Service Orenco Station,
Hillsboro
Proposed Residence Inn by Marriott,
Hillsboro
Proposed Staybridge Suites, Hillsboro
Residence Inn by Marriott Portland
West Hillsboro, Hillsboro
TownePlace Suites Portland Hillsboro,
Hillsboro
Best Western Olympic Inn, Klamath
Falls
Motel 6, Klamath Falls
Best Western Plus Rama Inn & Suites,
LaGrande
Hilton Garden Inn, Lake Oswego
Hampton Inn, Medford
Proposed Hilton Garden Inn, Medford
Best Western Agate Beach Inn,
Newport
Proposed Kiwanda Lodge & Spa, Pacific
City
Country Inn & Suites PDX, Portland
Courtyard by Marriott Portland
Downtown/Convention Center,
Portland
DoubleTree Lloyd Center, Portland

Hotel Lucia, Portland
 Proposed Canopy by Hilton Portland
 Pearl District, Portland
 Proposed Cornelius & Woodlark,
 Portland
 Proposed Hilton Garden Inn, Portland
 Proposed Hilton-Branded Hotel,
 Portland
 Proposed Hyatt Place, Portland
 Proposed St. Johns Hotel, Portland
 River's Edge Hotel & Spa, Portland
 Staybridge Suites PDX, Portland
 Westin, Portland
 Hilton Garden Inn, Springfield
 DoubleTree, Tigard
 Embassy Suites, Tigard
 Motel 6 Portland Tigard West, Tigard
 Proposed IHG Hotel, Tigard
 Washington Square Hotel, Tigard
 The Resort at the Mountain, Welches

PENNSYLVANIA

Courtyard by Marriott, Altoona
 Fairfield Inn by Marriott, Butler
 SpringHill Suites by Marriott,
 Washington

PUERTO RICO

Waldorf Astoria El Conquistador
 Resort, Fajardo
 El Conquistador, Las Croabas
 El San Juan Hotel & Casino, San Juan
 Hilton Condado Plaza Hotel & Casino,
 San Juan

TENNESSEE

Clarion Airport Graceland, Memphis
 Residence Inn, Nashville

TEXAS

Holiday Inn Express, Cedar Hill
 Proposed Hotel Developments, DFW
 Airport

DoubleTree by Hilton, El Paso
 La Quinta, Granbury
 Courtyard by Marriott Medical Center,
 Houston
 La Quinta Inn & Suites, Katy

UTAH

Proposed La Quinta, La Verkin
 Best Western Plus Midvale, Midvale
 Proposed Microtel, Naples
 TownePlace Suites, Orem
 Proposed Upscale Hotel, Park City
 Best Western, Richfield
 Super 8, Richfield
 Hilton Garden Inn, Saint George
 Rodeway Inn, Salina
 Peery Hotel, Salt Lake City
 Home2 Suites by Hilton Salt Lake City,
 South Jordan

VIRGINIA

Hampton Inn Petersburg Southpark
 Mall, Colonial Heights
 Holiday Inn Petersburg North Fort Lee,
 Colonial Heights
 DoubleTree Airport, Richmond
 Courtyard by Marriott, Vienna

WASHINGTON

Embassy Suites, Bellevue
 Fairfield Inn, Bellevue
 Proposed AC Hotel, Bellevue
 Proposed Marriott, Bellevue
 Proposed Upscale Hotel, Bellevue
 Residence Inn, Bellevue
 Westin, Bellevue
 Proposed Limited-Service Hotel, Blaine
 Proposed SpringHill Suites and
 TownePlace Suites, Bothell
 Residence Inn, Bothell
 SpringHill Suites, Bothell
 Proposed Holiday Inn Express, Camas
 Proposed Candlewood Suites, Camas
 Proposed Holiday Inn Express, Camas

Proposed Parker's Landing Hotel,
 Camas
 Hampton Inn & Suites, DuPont
 Proposed Limited-Service Hotel,
 DuPont
 Proposed Fairfield Inn & Suites by
 Marriott, East Wenatchee
 Proposed Hotel Silver Lake, Everett
 Proposed Hotel, Federal Way
 Proposed Limited-Service Hotel,
 Kennewick
 Value Inn, Kent
 Embassy Suites, Lynnwood
 Proposed Hilton Garden Inn,
 Lynnwood
 Residence Inn, Lynnwood
 Proposed Home2 Suites, Marysville
 Proposed Fairfield Inn & Suites, Moses
 Lake
 Shilo Inn, Moses Lake
 Belmont Hotel, Port Townsend
 Proposed Hastings Landing Hotel, Port
 Townsend
 Proposed Lodge at Columbia Point,
 Richland
 Cedarbrook Lodge & Conference
 Center, SeaTac
 Proposed Wingate Hotel, SeaTac
 DoubleTree Airport, Seattle
 DoubleTree Arctic Club Hotel, Seattle
 Hilton Airport, Seattle
 Hilton Downtown, Seattle
 Hilton Seattle, Seattle
 Homewood Suites, Seattle
 Mayflower Park Hotel, Seattle
 Proposed Autograph, Seattle
 Proposed Curio Hotel, Seattle
 Proposed Full-Service Hotel, Seattle
 Proposed Residence Inn, Seattle
 Residence Inn, Seattle
 Proposed Hotel, Shelton
 Proposed Limited Service Hotel,
 Silverdale
 Fairfield Inn, Spokane
 Quality Inn Spokane Valley (Conversion
 to Fairfield Inn), Spokane
 Proposed Hotel, Tacoma

Courtyard by Marriott Seattle South
Center, Tukwila
Home2 Suites by Hilton Seattle Airport,
Tukwila
Proposed Full-Service Hotel, Tukwila
Proposed Home2 Suites, Tukwila
Residence Inn, Tukwila
Candlewood Suites Vancouver-Camas,
Vancouver
Homewood Suites by Hilton, Vancouver
Proposed Hampton Inn, Vancouver
The Proposed Penrose Hotel, Walla
Walla
SpringHill Suites, Wenatchee
Proposed Home2 Suites by Hilton,
Yakima

WISCONSIN

Courtyard by Marriott, Brown Deer
Residence Inn, Glendale
Clearwaters Convention Center Hotel,
Marshfield
Holiday Inn Express, Milwaukee
Proposed Hotel, Verona

WYOMING

The Lodge at Jackson Hole (Best
Western), Jackson
Rustic Inn, Jackson
Best Western The Lodge at Jackson
Hole, Jackson Hole
The Rustic Inn, Jackson Hole
Paintbrush Motel, Riverto