

CASE STUDY

Neighborhood and Market Area Analysis

NEIGHBORHOOD ANALYSIS

This section of the study investigates the subject property's neighborhood and evaluates pertinent locational factors that could affect its occupancy, average rate, food and beverage revenues, and overall profitability.

Character of Surrounding Area

The neighborhood surrounding the subject property is characterized by a mixture of first-class retail and office space along Central Avenue (State Route 59) and middle-income residential housing on the secondary streets leading from and running parallel to Central Avenue. This area has a suburban character, compared with the more developed downtown district situated two miles north of the Embassy Suites. The commercial strip on Central Avenue extends from a regional shopping mall just south of the subject property to the southern perimeter of Spring Valley's central business district.

Development of Neighborhood

Development in the subject property's neighborhood began approximately twenty-five years ago as a result of the natural expansion of the Spring Valley area. Growth occurred rapidly; within ten years, most of the property along Central Avenue north of the New York State Thruway was improved with high-quality retail outlets and mid-rise office buildings. Tract developers undertook construction in the surrounding residential areas at the same time.

The subject parcel was formerly a drive-in movie theater constructed forty years ago, shortly after the opening of the New York State Thruway. Because the theater was removed from the improved areas of Spring Valley and easily accessible from the Thruway, it achieved a high level of success during its early years. As the neighborhood became more improved and drive-in theaters declined in popularity, normal economic pressure was exerted to discontinue movie operations and upgrade the property's image. The parcel was sold

to its current owners three years ago; these individuals were successful in obtaining the RS (regional shopping district) zoning classification, which permits hotel use.

Property along Central Avenue south of the Thruway only recently captured the interest of developers. Historically, the Thruway inhibited the southward expansion of Spring Valley. This situation changed rapidly in the mid-1970s, when a 500,000-square foot regional shopping center known as the Spring Valley Mall was constructed just south of the subject property, in the southwestern quadrant of the intersection formed by Central Avenue and the New York State Thruway. The mall is anchored by Saks Fifth Avenue and Macy's and contains sixty-seven outlets typical of those found in regional malls throughout the United States. These first-class retail establishments enhance the image of the area. The parcels adjoining the mall to the west are improved with well-maintained single-family homes.

Several office complexes and multifamily apartment buildings are under construction on sites surrounding the mall. Although the area south of the Thruway maintains a favorable image, property located here is still not considered the equal of sites situated farther north on Central Avenue.

Commercial Properties in Neighborhood

The following real estate inventory of the neighborhood provides an overview of the various types of commercial improvements located along Central Avenue.

A one-story strip shopping center containing approximately fifteen retail outlets is located immediately north of the subject property, on the western side of Central Avenue. The tenants include a men's wear shop, a women's lingerie boutique, a travel agent, a real estate broker, a jeweler, an ice cream shop, a liquor store, and an antique dealer. The quality and variety of these shops would complement a nearby lodging facility, though they would also compete with similar facilities contained in a nearby hotel. Facilities located immediately north of the strip mall include a Mer-

cedes-Benz dealer, a three-story medical building, and an office building housing the regional headquarters of IBM Office Equipment Marketing. This branch of the national computer firm is responsible for developing marketing programs in the northeastern United States and training all sales representatives. Numerous conferences are held in this building as a result of these training programs; a majority of the attendees are housed in nearby commercial lodging facilities.

Eight additional retail outlets are clustered north of the IBM building; these buildings were among the first commercial improvements constructed south of the downtown district. This shopping center is intended to serve local residents and includes a grocery store, a pharmacy, a hairdresser, and a bank branch. Similar retail, office, and commercial improvements stretch north into downtown Spring Valley.

The land on the eastern side of Central Avenue, directly across from the Spring Valley Mall, is unimproved. Proposals for future development include office space, a fast-food restaurant, and strip-type retail establishments. Planning officials predict that most of this property will be fully developed during the next five years.

The residential neighborhoods that flank Central Avenue are characterized by attractive middle-income housing. Most of the residents living in this area are employed by local businesses; approximately 10 percent commute to jobs in New York City.

Conclusion

The neighborhood surrounding the proposed subject property appears to be well suited for the operation of a transient lodging facility. A base level of commercial and meeting visitation can be expected to be generated by the nearby offices, particularly the IBM meeting complex. The retail improvements, including the nearby regional mall, would provide a source of both entertainment and diversion for the hotel's guests. The neighborhood's attractive and safe surroundings along with its first-class image would enhance the subject property's market position, and we observed no adverse influences that are likely to have a detrimental impact on the hotel's attainable occupancy, average rate, or food and beverage volume. Some vacant land is available south of the Thruway, which may encourage additional development and have a beneficial impact on local lodging facilities.

MARKET AREA ANALYSIS

The purpose of the market area analysis is to review all available historical and projected economic and demographic data to determine whether the local market area will experience future economic growth, stability, or decline. In addition to predicting the direction of the economy, the rate of future change must be quantified. These trends are then correlated on the basis of their propensity to reflect variances in lodging demand with the objective of forecasting the amount of growth or decline in transient visitation by individual market segments (i.e., commercial, meeting and convention, leisure).

Definition and Geographic Character

The primary market area encompassing the subject property is mostly suburban in character, and can be defined generally as southern New York State and northern New Jersey. More specifically, the subject property's market area consists of Rockland County in New York and the northern portion of the neighboring Bergen County in New Jersey. Some demand may also originate from the New York Counties of Westchester, Putnam, and Orange and the New Jersey County of Passaic, all of which surround Rockland County; their impact on transient visitation would be minimal, however.

Overall, the area is mainly a rolling terrain composed of somewhat rocky and rugged hills ranging from 200 to 500 feet in height. With the exception of its geographically undefined border with New Jersey, Rockland County is isolated from its neighboring counties by the Hudson River on the east and the Ramapo Mountains along the western border. The county is a natural extension of northeastern New Jersey by virtue of the Ramapo Mountains, the Hackensack, Passaic, Saddle, and Ramapo River Valleys, and its proximity to the Hudson River. The Palisades sill, which lies along the eastern edge of the county bordering on the Hudson River, turns inland just south of the Town of Haverstraw, forming an east-west mastiff known as South Mountain and High Tor. Within the bowl formed by the Palisades on the east and the Ramapo Mountains on the west, the topography rises in a series of steps toward the west in a north-south orientation.

The natural north-south contours of the land have had a significant impact on the development of a transportation system of highways and railways that generally conforms to this geographic model. The significant exception to the north-south

highway pattern is the New York State Thruway (I-77/1-277), which traverses the southern part of Rockland County in a mostly east-west direction, cutting through the rugged hills and intersecting with each of the north-south highways. The fact that virtually all east- and westbound traffic occurs on a single roadway benefits the adjacent subject property in terms of both access and visibility.

Rockland County, representing a major portion of the proposed subject property's market area, is the state's smallest county north of New York City. Its triangle-shaped area contains approximately 176 square miles, with borders measuring 17 by 19 by 20 miles. The county is politically divided into 5 towns, 13 villages, and numerous hamlets.

Rockland County is part of the New York City Metropolitan Statistical Area (MSA). The MSA is the most standard definition used in comparative studies of metropolitan areas. The federal government defines an MSA as a large population nucleus, which, together with adjacent counties, has a high degree of social integration. The subject MSA contains the counties of Bronx, Kings, New York, Putnam, Queens, Richmond, Rockland, and Westchester, all of which are located in the state of New York.

In recent decades, Rockland County's economy has been characterized by its role as a distribution and industrial center, a function of the area's proximity to New York City. In the 1950s, the construction of the Tappan Zee Bridge, the New York State Thruway, the Garden State Parkway, and the Palisades Interstate Parkway opened the county to many new firms seeking the benefits of a suburban location with ready access to New York City and its regional markets. Since the development of this infrastructure, the subject market area has experienced normal cyclical swings over the short term, while a strong positive growth trend has been observed over the long term.

Population

Although there is no direct correlation between an area's population and its specific level of transient visitation, historical and projected population trends often reflect the economic climate of a locale. Exhibit 7-7 sets forth historical and projected population data for Rockland County, the New York MSA, New York State, and the United States as a whole.

Between 1970 and 1994, Rockland County, the New York MSA, and the State of New York all registered average annual population growth factors of 0.3 percent, a level considerably lower than the 1.0 percent annual average gain registered by the nation during the same period. The subject county's population actually decreased in 1977 and 1978, before beginning to record stronger positive gains in 1991 and 1992. At the same time, the New York MSA's population growth has remained flat in recent years, below state and national levels. The region's limited population gains are partially attributable to the high cost of living and doing business in the northeastern United States and the taxes paid by New York State residents, which have discouraged large-scale migration to the area in recent years. Forecasts indicate that the population of Rockland County will continue to increase at a slow rate through 2020, with growth rates generally above those of the MSA and in line with those of the state,

Although these demographic trends are not particularly auspicious, the slight population gains anticipated in Rockland County suggest that lodging demand in the local market will rise slowly. The rate of population growth generally establishes a minimum rate of increase for commercial segment hotel demand; this observation also holds true for the meeting and convention segment if a majority of the meetings are business-oriented.

Age Distribution

The age distribution of an area's population provides an indication of probable spending patterns, food, beverage and banquet patronage, and the propensity to travel. A growing local population under the age of 20 is likely to yield greater banquet business in the form of weddings, proms, award dinners, and similar functions. Growth in the 20- to 39-year age group is likely to create increased lounge patronage and demand for entertainment facilities. Individuals aged 40 to 64 generally have the largest amount of disposable income, and thus represent potential restaurant and lounge patrons. Exhibit 7-6 shows the expected trends in the population age distribution for Rockland County as compared with those of the United States.

Exhibit 7-7 Historical and Projected Population Trends

Source: Woods & Poole Economics, Inc.

Year	Rockland County			New York, NY MSA			State of New York			United States		
	Population	Percent Change ¹	Percent Change ²	Population	Percent Change ¹	Percent Change ²	Population	Percent Change ¹	Percent Change ²	Population	Percent Change ¹	Percent Change ²
1970	231.1	—	—	9,078.7	—	—	18,264.5	—	—	203,982.3	—	—
1975	247.6	1.4%	—	8,694.9	(0.9)%	—	18,044.0	(0.2)%	—	215,465.2	1.1%	—
1980	259.6	1.0	—	8,277.1	(1.0)	—	17,566.4	(0.5)	—	227,225.6	1.1	—
1985	264.4	0.4	0.4%	8,491.4	0.5	0.5%	17,791.8	0.3	0.3%	237,924.8	0.9	0.9%
1986	265.5	0.4	0.4	8,536.8	0.5	0.5	17,833.5	0.2	0.3	240,133.9	0.9	0.9
1987	264.6	(0.3)	0.3	8,560.9	0.3	0.5	17,868.9	0.2	0.2	242,289.9	0.9	0.9
1988	264.6	(0.0)	0.2	8,575.9	0.2	0.4	17,941.4	0.4	0.3	244,499.8	0.9	0.9
1989	264.8	0.1	0.2	8,567.4	(0.1)	0.4	17,983.1	0.2	0.3	246,819.8	0.9	0.9
1990	265.9	0.4	0.2	8,547.5	(0.2)	0.3	18,001.6	0.1	0.2	249,399.4	1.0	0.9
1991	268.4	0.9	0.3	8,540.6	(0.1)	0.3	18,046.9	0.3	0.2	252,137.0	1.1	1.0
1992	270.9	0.9	0.4	8,551.8	0.1	0.3	18,109.5	0.3	0.3	255,077.4	1.2	1.0
1993	271.6	0.3	0.3	8,564.5	0.1	0.3	18,163.5	0.3	0.3	257,919.5	1.1	1.0
1994	272.4	0.3	0.3	8,574.5	0.1	0.3	18,211.8	0.3	0.3	260,663.9	1.1	1.0
1995	272.9	0.2	0.3	8,577.7	0.0	0.2	18,245.9	0.2	0.3	263,211.0	1.0	1.0
2000	274.7	0.1	0.3	8,571.1	(0.0)	0.2	18,368.1	0.1	0.2	275,260.0	0.9	1.0
2005	276.0	0.1	0.2	8,548.8	(0.1)	0.1	18,455.8	0.1	0.2	286,757.8	0.8	0.9
2010	277.6	0.1	0.2	8,536.1	(0.0)	0.1	18,564.1	0.1	0.2	298,528.7	0.8	0.9
2015	279.7	0.1	0.2	8,537.8	0.0	0.1	18,703.6	0.1	0.2	310,788.2	0.8	0.9
2020	281.7	0.1	0.2	8,538.9	0.0	0.1	18,841.9	0.1	0.2	323,023.5	0.8	0.9

¹ annual average compounded percentage change from previous year shown

² annual average compounded percentage change from 1980

Exhibit 7-8**Population Age Distribution***Source: Woods and Poole Economics, Inc.*

Age Group	Rockland County				USA
	1980	1990	1994	2000	1994
Under 20	34.2%	28.9%	28.6%	28.3%	28.7%
20-39	29.7	30.1	28.9	26.9	31.4
40-64	26.1	30.4	33.1	36.2	23.2
65 and over	10.0	10.6	9.5	8.6	16.6
Median Age	31.2	34.0	35.1	36.7	34.1

Between 1970 and 1994, the median age of the Rockland County population increased from 31.1 to 35.2 years, a median age slightly higher than the 1994 national median age of 34.1 years. The shift in the county's age distribution during this period was associated with a decline in the percentage of residents under 20 and an increase in the percentage of the county population in the age groups of 40 to 64 and 65 and over. Projections suggest continued aging of the county population through the year 2000 with the median age expected to reach 36.7. The percentage of county residents in age groups of under 20, 20 to 39, and 65 and over are expected to decline between 1993 and 2000, while the 40-to-64 age group increases substantially.

The under-20 age group typically represents entry-level workers, and its growth or decline can have mixed effects. Workers in this age group typically earn lower wages than older members of the work force; thus, a lack of available employees in this age range may cause an increase in the area's cost of doing business. Conversely, this group is associated with a relatively high level of unemployment.

The baby boom generation, which is represented in both the 20-to-39 and 40-to-64 age categories, has become an important factor in national spending patterns. These residents typically represent a strong market for homes, consumable and durable goods, leisure activities, and other products and services. Growth in this age group is a favorable trend for the lodging industry, because these individuals are associated with a disproportionately large share of total travel expenditures in the United States. Increases in the number of two-worker households and the attendant rise in income levels are expected to further contribute to this group's propensity to travel. The increasing affluence of these well-educated Americans and subsidiary trends such as smaller and double-income fami

lies are expected to engender a greater consumption of meals away from home. Primary beneficiaries of these events are the nation's hotels and restaurants, which will accommodate the added patronage.

With the 40-to-64 age group becoming more prominent in Rockland County local restaurants and lounges should benefit from the higher spending patterns typically exhibited by this group. In addition, local hotels and motels will probably experience some increased demand from children and grandchildren of the older local residents returning home during vacation and holiday periods.

Retail Sales

Retail sales levels reflect both population trends and the propensity to spend money on retail goods. Although there is no direct correlation between retail sales and hotel demand, retail sales trends tend to gauge the economic health and vitality of the market. Retail sales growth should cause local businesses to prosper and make it more likely for new firms to enter the market, thus causing an increase in the demand for lodging facilities. In areas in which tourism is a significant economic factor, retail sales also reflect the amount of visitation. Exhibit 7-9 shows historical and projected retail sales trends in Rockland County, the New York MSA, New York State, and the United States as a whole. All figures have been adjusted to reflect 1977 dollars; thus, the growth rates represent real change.

Between 1970 and 1994, retail sales in Rockland County increased at a real average annual compounded rate of 0.7 percent, slightly exceeding the 0.5 percent growth factor recorded by the New York MSA, and slightly behind the 0.9 percent growth factor recorded by New York State. All of these indicators lagged behind the national average annual growth rate: 1.3 percent. The impact of the national economic recession on retail sales in all statistical areas was noted in 1990 and 1991, while Rockland County's retail sales also declined in 1993.

Projections indicate a recovery in retail sales between 1995 and 2000; Rockland County, the New York MSA, and the state of New York are all expected to post real annual gains above 2.0 percent, while the national growth rate is expected to exceed 3.0 percent in future years.

Exhibit 7-9 Historical and Projected Retail Sales Trends

Source: Woods & Poole Economics, Inc.

Year	Rockland County			New York, NY MSA			New York State			United States		
	Retail Sales	Percent Change ¹	Percent Change ²	Retail Sales	Percent Change ¹	Percent Change ²	Retail Sales	Percent Change ¹	Percent Change ²	Retail Sales	Percent Change ¹	Percent Change ²
1970	\$1,141	—	—	\$43,572	—	—	\$92,696	—	—	\$1,053,857	—	—
1975	1,281	2.3%	—	38,979	(2.2)%	—	89,766	(0.6)%	—	1,202,708	2.7%	—
1980	1,395	1.7	—	38,577	(0.2)	—	91,866	0.5	—	1,340,769	2.2	—
1985	1,547	2.1	2.1%	41,554	1.5	1.5%	101,416	2.0	2.0%	1,481,856	2.0	2.0%
1986	1,569	1.4	2.0	42,042	1.2	1.4	103,970	2.5	2.1	1,511,054	2.0	2.0
1987	1,545	(1.5)	1.5	41,295	(1.8)	1.0	103,212	(0.7)	1.7	1,493,286	(1.2)	1.6
1988	1,578	2.1	1.6	42,251	2.3	1.1	105,848	2.6	1.8	1,540,698	3.2	1.8
1989	1,584	0.4	1.4	42,361	0.3	1.0	106,424	0.5	1.6	1,561,073	1.3	1.7
1990	1,569	(0.9)	1.2	41,784	(1.4)	0.8	105,209	(1.1)	1.4	1,558,277	(0.2)	1.5
1991	1,515	(3.4)	0.8	39,972	(4.3)	0.3	100,986	(4.0)	0.9	1,507,861	(3.2)	1.1
1992	1,541	1.7	0.8	40,376	1.0	0.4	102,179	1.2	0.9	1,613,742	1.3	1.3
1993	1,532	(0.6)	0.7	41,646	3.1	0.6	104,867	2.6	1.0	1,593,432	3.7	1.3
1994	1,535	0.2	0.7	41,397	(0.6)	0.5	104,822	(0.0)	0.9	1,613,742	1.3	1.3
1995	1,576	2.7	0.8	42,114	1.7	0.6	107,453	2.5	1.1	1,674,273	3.8	1.5
2000	1,774	2.3	1.2	46,499	2.0	0.9	121,632	2.5	1.4	1,991,623	3.4	2.0
2005	1,978	2.2	1.4	51,369	2.0	1.2	136,969	2.4	1.6	2,336,845	3.2	2.2
2010	2,196	2.1	1.5	56,760	2.0	1.3	153,868	2.4	1.7	2,718,832	3.1	2.4
2015	2,395	1.8	1.6	61,836	1.7	1.4	169,989	2.0	1.8	3,093,334	2.6	2.4
2020	2,624	1.8	1.6	67,905	1.9	1.4	188,855	2.1	1.8	3,520,729	2.6	2.4

¹Annual average compounded percentage change from previous year shown

²Annual average compounded percentage change from 1980

Personal Income

According to the procedures outlined in the National Income and Product Accounts, personal income is calculated by totaling earned income (wages, salaries, other labor income, and proprietor's income), non-earned income, and residence adjustments and subtracting personal contributions to social insurance. Trends in personal income reflect the spending ability of local residents. Like population trends, personal income has no direct correlation with hotel room night demand, but rather tends to gauge the economic health and vitality of a market area. Exhibit 7-10 sets forth historical and projected per-capita personal income levels in Rockland County, the New York MSA, New York State, and the United States.

Rockland County's 1994 per-capita personal income level was higher than those of the New York CMSA, New York State, and the nation. This relationship suggests that Rockland County residents are more affluent than typical Americans and more able to spend money on retail goods, travel, dining, and services. In addition, recent growth factors for the subject county have exceeded those of the MSA and the state, slightly trailing those of the nation. Projections indicate continued strong gains in personal income per capita, with growth factors remaining in the range of 1.5 percent per year over the long term. These trends are favorable, and reflect growth in the potential spending patterns for local residents.

Exhibit 7-11 shows the historical and projected total personal income in Rockland County, the New York MSA, New York State and the United States.

Workforce Characteristics

Exhibit 7-12 sets forth the Rockland County workforce distribution by business sector in 1970, 1990, and 1994, as well as a forecast for 2000. As the exhibit illustrates, the most rapid growth between 1970 to 1994 occurred in the services, TCPU, FIRE, wholesale trade, and construction sectors. Moderate growth was recorded in the agricultural services and retail trade sectors, whereas a decline in employment was noted in the farm, mining, manufacturing, and government sectors. Projections indicate a continuation of this slow rate of growth, with total employment expected to increase by only 0.1 percent per year between 1994 and 2000. Although total employment growth is anticipated to be sluggish, the wholesale trade and FIRE sectors are expected to record moderate gains; this is a positive indicator of future transient lodging demand.

The exhibit demonstrates the diversification of the Rockland County economy. In 1994, the services sector accounted for approximately 34 percent of the overall employment base, with trade, government, and manufacturing contributing 19 percent, 17 percent, and 11 percent, respectively. Because the local economy is not tied to the prosperity of any single sector, the impact of normal business cycles is cushioned.

Farm, Agricultural Services, Mining

The farm, agricultural services and mining employment sectors taken together represented only 0.7 percent of the total employment in Rockland County in 1994. Generally, these three sectors do not generate an appreciable amount of hotel demand, so their small presence as area employers is not a significant factor in this analysis.

Construction

The construction industry represents a relatively small portion of the Rockland County economy. Between 1970 and 1994, employment in the construction sector increased from 3,700 to 4,700, yielding an average annual compounded growth rate of 1.7 percent. However, analysis of this longer term is deceiving. Because of the recession and the fact that many real estate types were over-supplied in the late 1980s and early 1990s, construction employment receded substantially between 1990 and 1994, declining at an average annual rate of nearly 5 percent per year.

As illustrated in Exhibit 7-13, the number of residential construction permits issued in Rockland County has exhibited a downward trend since 1985. The sharpest drops occurred in the early 1990s, which reflects impact of the national recession and overbuilding during the 1980s.

Nonresidential construction has a greater impact on lodging demand than activity in the residential sector, because new commercial, industrial, and retail space generally foreshadows a favorable business climate. The introduction of new firms or the expansion of existing companies may result in increased visitation from individuals conducting business in the area; the direct effect on local hotels depends on the type of activity generated by those firms.

Exhibit 7-14 outlines the assessed value of all non-residential property in Rockland County. The figures are expressed in constant 1995 dollars, and thus percent change represents real growth or Exhibit 7-14

Exhibit 7-10 Historical and Projected Personal Income per Capita

Source: Woods & Poole Economics, Inc.

Year	Rockland County			New York, NY MSA			New York State			United States		
	Per Capita	Percent Change ¹	Percent Change ²	Per Capita	Percent Change ¹	Percent Change ²	Per Capita	Percent Change ¹	Percent Change ²	Per Capita	Percent Change ¹	Percent Change ²
1970	\$13,239	—	—	\$15,125	—	—	\$13,658	—	—	\$11,358	—	—
1975	15,004	2.5%	—	15,386	0.3%	—	14,081	0.6%	—	12,362	1.7%	—
1980	17,188	2.8	—	16,424	1.3	—	15,274	1.6	—	13,924	2.4	—
1985	19,537	2.6	2.6%	18,856	2.8	2.8%	17,459	2.7	2.7%	15,205	1.8	1.8%
1986	20,101	2.9	2.6	19,535	3.6	2.9	18,143	3.9	2.9	15,529	2.1	1.8
1987	20,796	3.5	2.8	19,967	2.2	2.8	18,443	1.7	2.7	15,640	0.7	1.7
1988	21,705	4.4	3.0	20,690	3.6	2.9	18,917	2.6	2.7	15,943	1.9	1.7
1989	21,838	0.6	2.7	21,020	1.6	2.8	19,198	1.5	2.6	16,184	1.5	1.7
1990	21,898	0.3	2.5	21,463	2.1	2.7	19,427	1.2	2.4	16,246	0.4	1.6
1991	21,087	(3.7)	1.9	21,188	1.3	2.3	19,103	(1.7)	2.1	16,009	(1.5)	1.3
1992	21,314	1.1	1.8	21,894	3.3	2.4	19,510	2.1	2.1	16,279	1.7	1.3
1993	21,558	1.1	1.8	21,653	(1.1)	2.1	19,594	0.4	1.9	16,505	1.4	1.3
1994	21,687	0.6	1.7	21,658	0.0	2.0	19,653	0.3	1.8	16,630	0.8	1.3
1995	21,977	1.3	1.7	21,777	0.5	1.9	19,852	1.0	1.8	16,862	1.4	1.3
2000	23,625	1.5	1.6	23,165	1.5	1.7	21,363	1.6	1.7	18,315	1.7	1.4
2005	25,525	1.6	1.6	25,040	1.6	1.7	23,249	1.7	1.7	19,993	1.8	1.5
2010	27,639	1.6	1.6	27,247	1.7	1.7	25,416	1.8	1.7	21,836	1.8	1.5
2015	29,988	1.6	1.6	29,820	1.8	1.7	27,890	1.9	1.7	23,846	1.8	1.5
2020	32,633	1.7	1.6	32,841	1.9	1.7	30,738	2.0	1.8	26,063	1.8	1.6

¹Annual average compounded percentage change from previous year shown

²Annual average compounded percentage change from 1980

Exhibit 7-11 Historical and Projected Personal Income

Source: Woods & Poole Economics, Inc.

Year	Rockland County			New York, NY MSA			New York State			United States		
	Personal Income	Percent Change ¹	Percent Change ²	Personal Income	Percent Change ¹	Percent Change ²	Personal Income	Percent Change ¹	Percent Change ²	Personal Income	Percent Change ¹	Percent Change ²
1970	\$3,059	—	—	\$137,318	—	—	\$249,460	—	—	\$2,316,919	—	—
1975	3,715	4.0%	—	133,778	(0.5)%	—	\$254,076	0.4%	—	\$2,663,665	2.8%	—
1980	4,462	3.7	—	135,939	0.3	—	268,310	1.1	—	3,163,874	3.5	—
1985	5,165	3.0	3.0%	160,114	3.3	3.3%	310,633	3.0	3.0%	3,617,690	2.7	2.7%
1986	5,337	3.3	3.0	168,769	4.2	3.5	323,550	4.2	3.2	3,728,942	3.1	2.8
1987	5,503	3.1	3.0	170,931	2.5	3.3	329,553	1.9	3.0	3,789,297	1.6	2.6
1988	5,743	4.4	3.2	177,437	3.8	3.4	339,403	3.0	3.0	3,898,086	2.9	2.6
1989	5,783	0.7	2.9	180,087	1.5	3.2	345,236	1.7	2.8	3,994,634	2.5	2.6
1990	5,823	0.7	2.7	183,455	1.9	3.0	349,724	1.3	2.7	4,051,715	1.4	2.5
1991	5,659	(2.8)	2.2	180,957	(1.4)	2.6	344,748	(1.4)	2.3	4,036,505	(0.4)	2.2
1992	5,773	2.0	2.2	187,233	3.5	2.7	353,323	2.5	2.3	4,152,529	2.9	2.3
1993	5,856	1.4	2.1	185,450	(1.0)	2.4	355,902	0.7	2.2	4,256,884	2.5	2.3
1994	5,907	0.9	2.0	185,703	0.1	2.3	357,908	0.6	2.1	4,334,933	1.8	2.3
1995	5,997	1.5	2.0	186,796	0.6	2.1	362,220	1.2	2.0	4,438,159	2.4	2.3
2000	6,489	1.6	1.9	198,555	1.4	1.9	392,395	1.7	1.9	5,041,480	2.6	2.4
2005	7,045	1.7	1.8	214,061	1.5	1.8	429,073	1.8	1.9	5,733,093	2.6	2.4
2010	7,673	1.7	1.8	232,584	1.7	1.8	471,832	1.9	1.9	6,518,595	1.6	2.4
2015	8,387	1.8	1.8	254,599	1.8	1.8	521,641	2.0	1.9	7,411,153	2.6	2.5
2020	9,194	1.9	1.8	280,424	2.0	1.8	579,156	2.1	1.9	8,419,104	2.6	2.5

¹Annual average compounded percentage change from previous year shown

²Annual average compounded percentage change from 1980

Exhibit 7-13 Rockland County Dwelling Units Authorized by Building Permit

Source: Rockland County Economic Development Authority

Single Family			Multi-Family Total				
Number Year	of Units	Percent Change	Number of Units	Percent Change	Number of Units	Percent Change	
1985	529	—	1,144	—	1,673	—	
1986	508	(4.0)%	972	(15.0)%	1,480	(11.5)%	
1987	467	(8.1)	875	(10.0)	1,342	(9.3)	
1988	475	1.7	770	(12.0)	1,245	(7.2)	
1989	502	5.7	768	(0.3)	1,270	2.0	
1990	460	(8.4)	624	(18.8)	1,084	(14.6)	
1991	367	(20.2)	525	(15.9)	892	(17.7)	
1992	287	(21.8)	492	(6.3)	779	(12.7)	
1993	285	(0.7)	497	1.0	782	0.4	
1994	302	6.0	510	2.6	812	3.8	
1995	325	7.6	535	4.9	860	5.9	
Average Annual percent Change 1985-1995		(4.8)%		(7.3)%		(6.4)%	
Proj. 1996-2000 annual increases		330	—	545	—	875	—

**Total County Nonresidential
Property Assessment**

Source: Rockland County Assessment Department

Year	Assessed Value in 1995 Dollars	Percent
1985	\$1,105,000	—
1986	1,116,000	1.0%
1987	1,149,000	3.0
1988	1,195,000	4.0
1989	1,208,000	1.1
1990	1,198,000	(0.8)
1991	1,164,000	(2.8)
1992	1,102,000	(5.3)
1993	1,057,000	(4.1)
1994	1,105,000	4.5
1995	1,207,000	9.2
Avg. Annual	% Change 1985-1995	0.9%

decline after adjustment for inflation from factors such as new construction.

Between 1985 and 1995, Rockland County's nonresidential tax base increased a total of 9 percent, or an average annual compound increase of 0.9 percent per year after adjustment for inflation. After consistent increases through the mid- to late 1970s, the assessed value of nonresidential real estate declined in each year between 1990 and 1993, owing to the adverse impact of the recession. In 1994 and 1995, strong increases in the assessed value of nonresidential real estate were noted. Projections suggest a continuation of the recovery, and construction employment in Rockland County is expected to increase at an average annual compounded rate of 0.7 percent between 1994 and 2000. This moderate growth should result in some increases in lodging demand.

Manufacturing

Employment in Rockland County's manufacturing firms declined at an average annual compounded

rate of 4.2 percent between 1970 and 1994, and a more severe drop of 5.9 percent annually occurred from 1990 to 1994. According to information provided by the Chamber of Commerce, there were more than 100 manufacturing plants in Rockland County in 1994 and these plants shipped products worth more than \$1.2 billion out of the area, representing an approximate 9 percent increase from 1977. Rockland represents slightly more than 4 percent of total manufacturing production in the New York metropolitan area. Between 1972 and 1994, two manufacturing plants terminated operations in Rockland County. A total of 407 major manufacturing plants closed in the New York metropolitan area during this ten-year period. Projections indicate a further decline of 0.1 percent per year in manufacturing employment in Rockland County between 1994 and 2000.

Rockland County's manufacturing base is relatively diversified, although pharmaceutical and cosmetics firms show some prominence. This diversification is beneficial, and helps to offset declines in any one industry. Exhibit 7-15 lists the major manufacturing firms in Rockland County.

Exhibit 7-15
Major Manufacturing Firms—Rockland County

Source: *Rockland County Chamber of Commerce*

Firm	Product	Number of Employees
Lederle	Pharmaceutical	3,600
Avon Products, Inc.	Cosmetics	1,200
Chromalloy Corp.	Metals	650
BSR	Electronics	600
Ciba-Geigy	Pharmaceutical	500
Materials Research	Plastics	460
RCA	Electronics	350

The division of manufacturing employment between the production of durable and nondurable goods can also have an impact on an area's stability; during periods of economic downturn, durable goods manufacturers tend to suffer more than firms engaged in the production of nondurable goods. According to the New York State Department of Labor, approximately 60 percent of Rockland County's manufacturing employees are involved in the production of nondurable goods.

A 1994 survey, conducted by the Private Industry Council of Rockland County, found that 35 percent of local manufacturing firms anticipated an increase in their number of employees, and 22 percent had plans for plant expansions. New manufacturing capacity,

particularly in high technology industries, often has a favorable impact on local hotels. Manufacturing firms tend to attract visitors such as superintendents, auditors, and salespeople; high-technology manufacturers also attract engineers and consultants who are likely to need lodging accommodations.

It is important to consider the subject property's distance from the county's manufacturing firms. Although most out-of-town visitors are willing to travel a reasonable distance from their hotel to their final destination, a twenty-minute drive is usually the maximum limit. The subject site's central location adjacent to the New York State Thruway enhances its ability to attract demand generated by the county's manufacturing firms. A survey of local manufacturers shows that more than 90 percent are located within a twenty-minute drive of the subject site.

Transportation, Communications, and Public Utilities

In 1994, the transportation, communications, and public utilities sector represented a minor portion of the Rockland County employment base; most of these employees work for either postal services or telephone companies. Between 1970 and 1994, employment in this sector increased at an average annual compounded rate of 3.5 percent. Firms in this sector have a mixed propensity to generate hotel demand. Communications firms and utilities are not highly labor intensive and are unlikely to produce significant lodging demand. Projections indicate that TCPU employment will remain flat between 1994 and 2000,

Wholesale and Retail Trade

In 1994, trade was the second largest sector in the Rockland County economy. Retail trade contributed approximately 75 percent of this sector's employment, and the remaining 25 percent represented wholesale activity. Firms engaged in trade (and wholesale trade in particular) often generate considerable hotel demand. Rockland County's trade sector is well diversified, and no particular industry exhibits a dominance in terms of employment,

The trade sector's prominent position in the local economy is attributable to Rockland County's role as a regional market for the tri-state area formed by New York, Pennsylvania, and New Jersey. The well-established transportation network and the presence of a number of industrial parks

and distribution centers further enhance the dominance of the trade sector.

Between 1970 and 1994, trade employment in Rockland County increased at an average annual compounded rate of 0.7 percent; largely as a result of the national recession, a 1.1 percent decline was registered between 1990 and 1994. No real growth is projected through the remainder of the decade.

Finance, Insurance, and Real Estate (FIRE)

The finance, insurance, and real estate sector occupies a strategic position with respect to the control of investment capital, property transfers, and the provision of insurance. The professional firms operating in this sector often generate a considerable amount of commercial hotel demand. Despite flat growth from 1990 to 1994, Rockland County's FIRE sector enjoyed one of highest employment growth rates from 1970 to 1994; projections indicate a moderate increase of 0.7 percent annually between 1994 and 2000. Because FIRE employment is highly correlated to hotel demand, this increase should have a favorable impact on the local lodging industry.

Services

The services industry is the largest employment sector in Rockland County, and health care contributes a significant share of this category. Between 1970 and 1994, services sector employment increased at a strong 3.6 percent average annual compounded rate.

A strong services sector is generally a favorable indicator of lodging demand. Firms engaged in service-related activities tend to attract out-of-town visitors who must use local lodging facilities. In addition, many service firms are relatively immune to fluctuations in the national economy, and thus provide a stabilizing influence. Between 1994 and 2000, services employment in Rockland County is expected to increase at an average annual compounded rate of 0.3 percent, which is considerably lower than the gains registered historically.

Government

Employing more than 21,000 people, government was the third-largest employment sector in Rockland County in 1994. This category includes employees of local municipalities and state, regional, and federal agencies. Between 1970 and 1994, government employment in Rockland County declined at an average annual compounded rate of

0.1 percent, with more rapid declines registered between 1990 and 1994. Projections indicate no real growth between 1994 and 2000.

Although the government sector generates significant hotel demand, which has a favorable impact on local lodging facilities, much of this business is tied to a governmental per diem that is lower than the prevailing rates charged by moderate-rate and first-class lodging facilities. Although this rate-sensitivity characteristic may limit the number of government employees accommodated by the subject property, this type of demand does contribute room nights in lower-rated facilities, and thus serves to increase the area's overall occupancy level.

Major Businesses and Industries

An analysis of the market's major businesses and industries can provide an indication of the potential for commercial hotel demand. For example, more visitors are attracted by national firms than by local companies serving nearby areas. Labor-intensive businesses and financial activities are more likely to generate hotel demand than are highly mechanized firms that employ few people.

The major employers in Rockland County represent a cross-section of hotel demand potential. Some are national in scope, while others operate on a more local basis; some are engaged in product manufacturing, and others are active in research and development. Although this diversification may not maximize the area's hotel demand, it does tend to stabilize the local economy during its various cycles. Exhibit 7-16 outlines some of the major employers in Rockland County.

Most of Rockland County's major employers operate from office and industrial parks situated along the New York State Thruway. All are within a twenty-minute drive of the subject property and can be considered primary demand generators.

Office Space

Trends in occupied office space are among the most reliable indicators of lodging demand; firms that occupy office space often exhibit a strong propensity to attract commercial visitors. Although it is difficult to quantify hotel demand on the basis of the amount of occupied office space, trends that cause changes in the amount of occupied office space or office space vacancy rates may have a proportional impact on commercial lodging demand and a less direct effect on meeting demand.

Exhibit 7-16

Major Employers In Rockland County

Source; *Rockland County Chamber of Commerce*

Firm	Product	Number of Employee
Lederle	Pharmaceuticals	3,600
Avon Products, Inc.	Cosmetics	1,200
Chromalloy Corp.	Metals	650
BSR	Electronics	600
Lamon Geological	Geological	600
Ciba-Geigy	Pharmaceuticals	500
Swivelieri Co.	Light Fixtures	500
Le Croy	Electronics	475
Materials Research	Plastics	460
Grant Hardware	Hardware	450
St. Regis Paper	Research	450
Federal Paper	Cartons	425
Prentice Hall	Publishing	425
Xerox	Research	400
IBM	Research	400
Chrysler Motors	Automobiles	390
RCA	Electronics	350

Office space in Rockland County is concentrated in several office parks located along the New York State Thruway in Nyack, Spring Valley, and Suffern. Some additional office developments are located in the downtown districts of these areas. Most of the companies occupying office space in Rockland County are local firms or branch offices of national organizations. The area's largest office parks are summarized as follows:

Nyack Office Center:

Location: Exit 11, N.Y.S. Thruway, Nyack, New York

Size: 500 acres
Number of Firms: 250

Occupied Office Space: 2,145,400 square feet
Total Office Space: 2,524,500 square feet
Vacancy Rate: 15 percent
Major Tenants; Avon Products, Inc., Ciba-Geigy, Lederle Laboratories, U.S. Polychemical

Comments: This office park, situated approximately two miles east of the subject property, is considered the top corporate location in Rockland County. Approximately 75 percent of the available land is currently utilized and park owners expect occupied office space to increase at a rate of 2 percent to 3 percent annually.

Eastwood Office Park:

Location: Exit 14A, N.Y.S. Thruway, Spring Valley, New York

Size: 300 acres
Number of Firms: 125
Occupied Office Space: 752,300 square feet
Total Office Space: 947,000 square feet
Vacancy Rate: 10 percent
Major Tenants: Chromalloy American Corp., Materials Research, BSR

Comments: This office park typically attracts research-oriented companies. It is the largest concentration of office space closest to the subject property, which benefits directly from the transient commercial and meeting demand generated by the tenants. Approximately 60 percent of the Eastwood Office Park is currently developed, and the owners expect the amount of occupied office space to increase at an annual rate of 2 percent to 3 percent.

Suffern Corporate Center:

Location: Exit 14, N.Y.S. Thruway, Suffern, New York

Size: 600 acres
Number of Firms: 73
Occupied Office Space: 367,700 square feet
Total Office Space: 461,000 square feet
Vacancy Rate: 20 percent
Major Tenants: Chrysler Motors, World-Wide Volkswagen

Comments: This new office park, situated approximately twelve miles west of the Subject property, opened in 1973. It is currently 25 percent developed, primarily with manufacturing firms. Future growth expectations for this area are 1 percent to 2 percent annually,

The Rockland County Real Estate Board maintains an inventory of occupied and available office space in the county. Exhibit 7-17 summarizes this information.

Between 1975 and 1995, available office space in Rockland County increased from approximately 6,545,000 to 7,735,000 square feet, which yields an average annual compounded growth rate of 1.7 percent. During the same period, occupied office space increased from 5,745,000 to 6,637,000 square feet, or 1.3 percent compounded annually. As growth in supply outstripped the pace of absorption, the vacancy

Exhibit 7-18 Highway Traffic Counts

Source: New York State Department of Highways

New York State Year Thruway ¹	Percent Change	Garden State Parkway ²	Percent Change	Palisades Parkway ³	Percent Change
1984 12,566,764	—	6,153,928	—	5,431,492	—
1985 12,943,767	3.0%	6,369,315	3.5%	5,632,457	3.7%
1986 13,614,836	5.2	6,604,980	3.7	5,846,490	3.8
1987 13,522,145	(0.7)	6,803,129	3.0	6,056,964	3.6
1988 14,377,202	6.3	7,068,451	3.9	6,299,243	4.0
1989 14,528,352	1.1	7,153,254	1.2	6,342,102	0.7
1990 14,423,351	(0.7)	7,159,265	0.1	6,423,012	1.3
1991 14,395,230	(0.2)	7,002,341	(2.2)	6,397,123	(0.4)
1992 14,412,023	0.1	7,100,256	1.4	6,445,251	0.8
1993 14,385,178	(0.2)	7,209,356	1.4	6,445,251	0.8
1994 14,525,108	1.0	7,211,369	0.0	6,428,798	0.5
1995 14,528,397	0.0	7,205,446	(0.1)	6,439,555	0.2
Avg. Annual percent Change 1984-1995	1.3%		1.4%	1.6%	

¹ Spring Valley toll plaza

² Intersection of Garden State Parkway and New York State Thruway

³ Intersection of Palisades Parkway and New York State Thruway

several commuter carriers. The popularity of Stewart Airport has increased in recent years as businesses have relocated to Rockland and Putnam Counties and the New York City airports have grown more congested.

Most of the passengers arriving at Stewart Airport are commercial travelers visiting firms in Rockland and Putnam Counties. Local agencies report that airport car rentals average approximately three days, and it is reasonable to conclude that many of the arriving passengers who rent automobiles also stay in area hotels. Exhibit 7-19 shows historical and projected air passenger enplanements at Stewart Airport; cargo tonnage statistics are also presented because they provide a useful indication of manufacturing trends.

Although the actual amount of cargo shipped from Stewart Airport is small, the strong historical and projected growth rates are a favorable trend. Similarly, although the increases in enplanements are auspicious and provide some benefit to local lodging facilities, the overall impact on the area's hotel demand is minimized by the small number of passengers actually using Stewart Airport.

Rockland County Convention and Exhibition Center

Meeting and convention visitation took on greater significance in the local economy with the 1974 opening of the Rockland County Convention and Exhibition Center. This county-operated facility is located in downtown Suffern, approximately eight miles west of the subject property, and currently offers a 50,000-square-foot exhibition hall that can accommodate groups of 5,000 to 7,500 people. Fifteen additional meeting rooms seat between 25 and 500 people each.

Most of the functions presently held at the Rockland County Convention and Exhibition Center consist of retail trade shows and entertainment and sporting events. Although these activities do not generate significant lodging demand, the facility typically draws 40 to 50 meetings annually that do contribute room nights to area hotels. Exhibit 7-20 outlines the attendance figures and the number of conventions held at the Rockland County Convention and Exhibition Center since its opening,

Exhibit 7-19 Stewart Airport Statistics

Source: Stewart Airport Authority

Year	Passenger Enplanement	Percent Change ¹	Percent Change ²	Cargo Tons	Percent Change ¹	Percent Change ²
1978	197,105	—	—	53,120	—	—
1983	245,628	4.5%	4.5%	67,796	5.0%	5.0%
1988	297,423	3.9	4.2	88,189	5.4	5.2
1992	372,420	5.8	4.6	117,171	7.4	5.8
1995	388,876	1.5	4.1	133,288	4.4	5.6
1998	475,321	4.1	4.5	149,217	4.1	5.3
2003	609,546	5.1	4.6	194,099	5.4	5.3

¹ Annual average compounded percentage change from previous year

² Annual average compounded percentage change from 1978

Note: 1988 and 2003 projections provided by the Federal Aviation Administration

Exhibit 7-20

Rockland County Convention and Exhibition Center Conventions Requiring Overnight

Source: Rockland County Convention Bureau

Year	Number of Convention	Percent Change	Number Delegates	Percent Change
1984	14	—	7,000	—
1985	22	57.1%	12,100	72.9%
1986	36	63.6	20,700	71.1
1987	30	(16.7)	18,000	(13.0)
1988	41	36.7	25,825	43.5
1989	45	9.8	29,250	13.3
1990	46	2.2	29,623	1.3
1991	49	6.5	31,875	7.6
1992	51	4.1	33,071	3.8
1993	49	(3.9)	32,456	(1.9)
1994	47	(4.1)	32,799	1.1
1995	58	23.4	43,799	33.5
Avg. Annual percent				
Change 1984-1995		13.8%	18.1%	

In 1993 and 1994, the Center underwent a complete renovation and expansion, designed to allow the facility to attract larger and more upscale meetings and conventions. As a result of disruptions related to this project, convention statistics declined during those two years. However, with the completion of the project, the center's visitation increased substantially in 1995, as the number of conventions and attending delegates each reached record highs. The center now features 75,000 square feet of

space; it can now host groups of 7,500 to 10,000 people. An additional ten meeting rooms seating between 50 and 250 people provide ample breakout space. The entire facility has been upgraded with state-of-the-art convention and conference amenities. Continued growth is projected through the near term as awareness of the facility's expansion grows.

Leisure Travel

More than 35 percent of the land in Rockland County is reserved for recreational use; thus, trends in leisure travel are key indicators of the area's lodging demand. Leisure demand is extremely beneficial to hotels because these travelers often seek accommodations on weekends, holidays, and during the summer months, when commercial demand is low. This additional patronage helps to smooth operational peaks and valleys, allowing for increased efficiency and higher profits. The New York State Department of Tourism compiles data on out-of-state tourist visitation. Exhibit 7-21 outlines these trends.

Although Rockland County receives far less tourism than the metropolitan area and New York State as a whole, these travelers do represent potential demand for local lodging facilities. The exhibit shows moderate historical increases over the long term, with some fluctuations attributed to the recent recession. On a monthly basis, Rockland County tourism activity undergoes normal seasonal peaks and valleys. Exhibit 7-22 illustrates these cycles.

Exhibit 7-21 Out-of-State Tourist Visitation (in millions)Source: *New York State Department of Tourism*

Year	Rockland County	Percent Change	Metro New York	Percent Change	New York State	Percent Change
1984	1.5	—	15.2	—	25.8	—
1985	1.5	0.0%	17.5	15.1%	28.2	9.3%
1986	1.6	6.7	17.1	(2.3)	28.8	2.1
1987	1.7	6.3	17.0	(0.6)	29.1	1.0
1988	1.7	0.0	16.9	(0.6)	29.6	1.7
1989	1.8	5.9	17.1	1.2	31.2	5.4
1990	1.8	0.0	17.1	0.0	31.1	(0.3)
1991	1.7	(5.6)	17.0	(0.6)	30.6	(1.6)
1992	1.7	0.0	16.9	(0.6)	30.5	(0.3)
1993	1.6	(5.9)	16.8	(0.6)	30.1	(1.3)
1994	1.8	12.5	17.0	1.2	30.7	2.0
1995	1.9	5.6	17.5	2.9	30.9	0.7
Avg. Annual percent						
Change 1984-1995		2.2%	1.3%		1.7%	

**Exhibit 7-22
Rockland County Visitation by Month**Source: *New York State Board of Tourism*

Month	Percent of Annual Total
January	7%
February	8
March	4
April	3
May	3
June	12
July	15
August	15
September	11
October	12
November	4
December	6

Approximately 42 percent of Rockland County's leisure demand occurs during the months of June, July, and August. As a result of the region's natural beauty during the fall foliage season, weekend demand is also strong in September and October. Skiers and other winter sports enthusiasts often generate weekend hotel demand in January and February. The summer months and fall and winter weekends are slow periods for commercial visitation; the leisure de

mand base therefore has a stabilizing effect on the market.

The point of origin of leisure travelers influences the demand for local lodging facilities; markets that draw vacationers from distant areas enjoy stronger hotel demand and longer lengths of stay than those that attract a more local clientele. According to information provided by the New York State Tourism Commission, the five states that provide the greatest amount of leisure demand in Rockland County are New York, Pennsylvania, Massachusetts, New Jersey, and Connecticut. Because all of these states are relatively close to Rockland County, much of this visitation is likely to consist of one- or two-day stays, which may benefit local hotels to some degree.

Tourist Attractions

The following descriptions of the area's tourist attractions show the variety of activities that draw leisure travelers to Rockland County, either as a destination or as a stopping point on a longer journey. By virtue of the area's well-developed highway system, numerous travelers pass through Rockland County bound for destinations outside of the subject property's market area; some of these individuals use local lodging facilities.

Palisades Interstate Park System. The Palisades Interstate Park System consists of eleven recreational areas. These parks provide more than 6,000 acres of land for a variety of recreational uses, including golf courses, tennis courts and water sports, as well as scenic spots for picnicking or hiking.

U.S. Military Academy. This nationally known, time-honored institution, located approximately fifteen miles north of Spring Valley in West Point, New York, is among the area's most popular tourist attractions. West Point offers a variety of visitor activities: the Information Center features films and displays on cadet training, the West Point Museum has exhibits on military history and ordinance, and nearby Fort Putnam is a fully restored Revolutionary War fortification. Visitor counts at the West Point Information Center show moderate historical growth. As Exhibit 7-23 indicates, the recent recession affected visitation during the early 1990s.

Exhibit 7-23

West Point Visitor Trends

Source: West Point Information Center

Year	Number of Visitors	Percent Change
1985	232,793	-%
1986	242,338	4.1
1987	237,249	(2.1)
1988	244,366	3.0
1989	246,890	1.0
1990	253,852	2.8
1991	248,325	(2.2)
1992	241,230	(2.9)
1993	240,339	(0.4)
1994	249,782	3.9
1995	250,856	0.4

Avg. Annual percent

change 1985-1995 0.8%

Between 1975 and 1995, visitation to West Point increased at an average annual compounded rate of 0.7 percent. Although the absolute visitor count has some importance in evaluating local hotel demand, the average annual compounded increase provides a solid benchmark for projecting growth in the leisure market segment. Discussions with West Point officials indicate that they expect future increases that are similar to those registered historically. It should be noted that 75 percent of West Point visitation is concentrated in the months of June, July, and August. The remaining 25 per

cent is largely contributed by weekend guests or individuals attending special events at the Academy.

Sunnyside. Washington Irving's Hudson River estate is in Tarrytown, approximately eight miles east of the subject property. This beautifully landscaped estate, which was constructed in 1735, contains Irving's furnishings, personal effects, and library.

Philipsburg Manor. Situated in North Tarrytown, Philipsburg Manor is a restored seventeenth-century manor house that features an operating gristmill, a granary, a wharf, and a wooden dam across a local river.

Old Dutch Church of Sleepy Hollow. This quaint Dutch church was built in Tarrytown in 1690 on what had been the manor of Frederick Philipse. The building is fully restored, and includes a replica of the original pulpit.

Stony Point Battlefield and Museum. This restoration of the historic Stony Point Battlefield is located approximately eight miles north of the subject property. The park features a number of cannons and bunkers, as well as a museum displaying an extensive collection of firearms from the Revolutionary War.

Nyack's "antique row." Nyack, eight miles east of Spring Valley, is a popular destination for antiques enthusiasts.

Our review of various economic and demographic data indicates that the subject property's market area has undergone moderate growth since 1970, although the national and regional recession caused some declines during the early 1990s. Projections suggest an economic recovery, although growth rates are not expected to reach the levels registered during the 1970s.

Summary of Market Conditions

Demand for transient accommodations in the Rockland County area is primarily generated by three market segments: commercial, meeting and convention, and leisure (see Exhibit 7-24). Field-work, area analysis, and knowledge of the local lodging market allow the following estimate of the distribution of the accommodated hotel room night demand during 1995 to be made.

Using the distribution of accommodated hotel demand as a starting point, an analysis of each market segment follows that defines the various segment characteristics and presents an estimate of future trends in room-night demand. All figures in the exhibits that follow that include dollar amounts have been adjusted for inflation, and thus

reflect real change.

**Exhibit 7-24
Market Demand Segmentation**

Segment	Room Nights	Percent of Total
Commercial	45	45.0%
Meeting & Convention	25	25.0
Leisure	20	20
Airline	10	10.0
Totals	100	100.0%

Commercial Market Demand

In the market surrounding the proposed subject property, the commercial segment consists primarily of individual business people visiting local firms. In addition, a smaller portion of commercial demand represents business travelers passing through the area en route to another destination who stop at local highway-oriented lodging facilities because they provide a convenient resting point.

Commercial demand in the subject market is generated by a wide variety of corporations, with the computer industry and other high-technology employers exhibiting some dominance. This high-technology environment is considered favorable, because these industries are likely to undergo strong growth over the long term. Large firms operating in the area include IBM; Xerox; Lederle Laboratories; Avon Products, Inc.; Chromalloy American Corp.; BSR; Lamon Geological; Ciba-Geigy; Materials Research; and Prentice Hall. Individuals visiting smaller local companies also contribute a significant portion of the area's hotel demand. In addition, business travelers passing through Spring Valley en route to other destinations may stop at local lodging facilities because they provide a convenient resting point along the area's major highways.

The recent recession had a negative impact on commercial demand throughout the United States, and the northeastern region was particularly vulnerable. A number of local firms have undergone cutbacks during the past several years, and layoffs at IBM were particularly well publicized. Despite the lingering effects of the economic downturn, some experts are beginning to note signs of recovery. Our projections reflect an economic rebound during the next several years, although growth rates are not expected to return to the levels achieved during the mid-1970s.

To reach a specific forecast of commercial demand growth, the data that most clearly reflects changes in commercial visitation has

been evaluated. The data listed in Exhibit 7-25 is relevant in forecasting future trends in commercial visitation.

Projections indicate renewed growth trends, but at lower levels than those experienced during the 1970s. Between 1994 and 2000, population is expected to increase at an annual rate of only 0.1 percent. Employment in wholesale trade, FIRE, and services sectors are projected to grow at 1.9 percent, 0.7 percent, and 0.3 percent per year, which is somewhat slower than the previous decade. Office space absorption is still positive, and airport passenger enplanements are expected to increase at 6.9 percent per year between 1995 and 1997,

On the basis of this economic and demographic data, one can estimate that commercial hotel demand in the Spring Valley market probably grew at rates of 5 percent to 6 percent per year during the 1970s. A multiplier effect can generally be found between employment growth in the important sectors set forth and the actual percentage increase in commercial lodging demand (i.e. one new FIRE employee will generate more than one new transient visitor). With the recent slow-down in local economic growth, a concurrent reduction in the increase of commercial hotel demand can be anticipated. However, as the national and international economy recovers and the many prominent local businesses start to increase their levels of production and employment, commercial hotel demand can be expected to demonstrate consistent, if modest, growth. Specifically, projections indicate that the commercial segment will increase by 2.5 percent per year through 1998.

Meeting and Convention Market Demand

Most meeting and convention demand in Rockland County is generated by local businesses; events may include training sessions, small exhibits, product announcements, meetings, and seminars. These small functions generally range from twenty to fifty people. Civic groups and professional societies are a secondary source of meeting and convention demand; attendance at these non-commercial events usually ranges from 75 to 250 people. Most meetings and conventions in the subject property's market area are held at local hotels;

large groups that require more space generally use the Rockland County Convention and Exhibition Center.

Future meeting and convention demand is

Exhibit 7-25 Commercial Visitation Data for Rockland County

Data Type	Period	Data Point	Data Point	Avg. Annual Comp. Change
Population				
Historical	1980-1994	259.6	272.4	0.3%
	1990-1994	265.9	272.4	0.6
Projected	1994-2000	272.4	274.7	0.1
Retail Sales				
Historical	1980-1994	1,394.7	1,534.8	0.7
	1990-1994	1,569.5	1,534.8	(0.6)
Projected	1994-2000	1,534.8	1,774.1	2.4
Personal Income				
Historical	1980-1994	4,461.8	5,907.2	2.0
	1990-1994	5,823.2	5,907.2	0.4
Projected	1994-2000	5,907.2	6,489.5	1.6
Personal Income Per Capita				
Historical	1980-1994	17,188.0	21,687.0	1.7
	1990-1994	21,898.0	21,687.0	0.4
Projected	1994-2000	21,687.0	23,625.0	
Historical Employment				
Construction	1980-1994	3.7	4.7	1.7
Manufacturing	1980-1994	16.4	14.6	(0.8)
Transportation, Communications & Public Utilities	1980-1994	4.1	6.6	3.5
Total Trade	1980-1994	22.2	24.5	0.7
Wholesale Trade	1980-1994	4.9	6.6	2.2
Retail Trade	1980-1994	17.3	17.9	0.3
Finance, Insurance & Real Estate	1980-1994	7.2	11.1	3.2
Services	1980-1994	26.8	43.9	3.6
Total Government	1980-1994	21.4	21.1	(0.1)
Total Employment	1980-1994	102.7	127.5	1.6
Projected Employment				
Construction	1994-2000	4.7	4.6	(0.1)
Manufacturing	1994-2000	14.6	14.4	(0.2)
Transportation, Communications & Public Utilities	1994-2000	6.6	6.6	0.0
Total Trade	1994-2000	24.5	24.4	(0.1)
Wholesale Trade	1994-2000	6.6	7.4	1.9
Retail Trade	1994-2000	17.9	17.0	(0.9)
Finance, Insurance & Real Estate	1994-2000	11.1	11.6	0.8
Services	1994-2000	43.9	44.6	0.3
Total Government	1994-2000	21.1	21.2	0.0
Total Employment	1994-2000	102.7	127.5	1.6
Office Space				
Available	1985-1995	6,545.0	7,735.0	1.7
Occupied	1985-1995	5,845.0	6,637.0	1.3
Non-Residential Building Activity	1985-1995	1,105.0	1,207.0	0.9
Traffic Counts				
New York State Thruway	1984-1995	12,566.8	14,528.4	1.3
Garden State Parkway	1984-1995	6,153.9	7,205.4	1.4
Palisades Parkway	1984-1995	5,431.5	6,439.6	1.6

Exhibit 7-25 Commercial Visitation Data for Rockland County (cont.)

Avg. Annual				
Data Type	Period	Data Point	Data Point	Comp. Change
Airport Statistics				
Historical Passenger Enplanements	1978-1995	197.1	388.9	4.1
Projected Passenger Enplanements	1995-1998	388.9	475.3	6.9
Historical Air Freight	1978-1995	53.1	133.3	5.6
Projected Air Freight	1995-1998	133.3	149.2	3.8

closely related to growth in the commercial segment. Because most meetings have either a direct or an indirect business purpose, the economic considerations that have an impact on commercial travel also affect meeting and convention demand. The exception is non-commercial meetings, which are tied to the economic factors that influence leisure travel, it should be noted that meetings and conventions are booked in advance; consequently, growth in this segment lags slightly behind increases in commercial demand. The relevant economic and demographic data for the meeting and convention market segment includes all the data used in assessing the commercial segment (see Exhibit 7-25), plus the following additional information presented in Exhibit 7-26.

Local commercial activity is expected to show a modest, consistent gain during the next several years as the national and international economies improve and local businesses start to increase their levels of production and employment. These factors will also have a positive impact on business-oriented meetings and conventions, which constitute the bulk of the demand in this segment,

Specific meeting- and convention-related data

involves the Rockland County Convention and Exhibition Center, According to officials of the Rockland County Convention Bureau, the recent sales and marketing efforts have been extremely positive, and a sizable amount of new hotel demand was accommodated in 1995 as a result of this facility's increased capacity.

Meeting and convention demand in the Rockland County area has historically grown at an annual compounded rate of between 1 percent to 2 percent. Because of the recent recession, this rate of growth has not been achieved during the past several years, but indications are good that future leisure demand in the area will once again pick up to this slow to moderate level of growth.

Given this economic and demographic data, along with consideration of the demand potential of the renovated and enlarged convention and exhibition center, it is fair to estimate that meeting and convention demand in the Spring Valley market area will increase by 4.0 percent in 1996, with the rate of growth decelerating to 3.0 percent in 1997 and 2.0 percent in 1997 and each year thereafter.

Exhibit 7-26 Meeting and Convention Visitation Data—Rockland County

Data Type	Period	Data Point	Data Point	Avg. Annual Comp. Change
Convention Activity—Rockland County Convention & Exhibition Center				
Convention Attendance	1984-1995	7.0	43.8	18.1%
Number of Conventions	1984-1995	14.0	58.0	13.8
Tourist Visitation				
Rockland County	1984-1995	1,500.0	1,900.0	2.2
West Point Visitation	1985-1995	232.8	250.9	0.8

Leisure Market Demand

In the area surrounding the subject property, leisure demand is generated by the many sites and attractions previously described in this study. The excellent highway system and the New York State Thruway in particular create demand from travelers en route to other destinations.

Future leisure demand is related to the overall economic health of the nation. Trends showing changes in state and regional unemployment and disposable personal income generally have a strong correlation with noncommercial visitation. Traffic counts on nearby highways and attendance levels at local attractions can also form a basis for projections.

As shown by the data set forth in Exhibit 7-27, trends in tourism provide the most supportable base from which to forecast growth in leisure demand. Traffic counts are of less importance, because they are influenced by commercial travel. Leisure visitation to Rockland County between 1974 to 1995 increased at an annual compounded rate of 2.2 percent, with a recent uptick noted following the years of recession in the early 1990s. The largest local tourist destination, West Point, has experienced a 0.7 percent annual visitor growth since 1974.

On the basis of this specific economic and demographic data for the Spring Valley market area, along with a general sense of the economic recovery taking place in the regional (northeastern) economy and the nation as a whole, leisure demand can be expected to show a moderate long-term growth trend. Specifically, leisure hotel demand can be projected to increase at annual rates of 1.0 percent throughout the projection period of this case study.

Airline Market Demand

For purposes of this case study, a fourth demand segment has been identified as being distinct and significant in size. Airline demand is generated by airline crews and delayed passengers making use of nearby airport facilities. The airlines typically contract rooms in nearby hotels and motels for extended periods of time to ensure the availability of accommodations. Because they are able to guarantee a specific usage on a daily basis, airlines

are usually able to negotiate a highly discounted room rate. This type of demand can be beneficial for a lodging facility because it provides a base level of occupancy for extended periods of time, which normally include weekends and slow periods of the year. Offsetting the occupancy benefit is the low contract room rates, which will adversely affect the average rate of the property. Skilled hotel operators will use airline patronage to fill in periods of low demand and will quickly displace this type of occupancy when other, higher-rated market segments offer better potential.

As Exhibit 7-19 showed, passenger enplanements at Stewart Airport increased at an average annual compounded rate of 4.1 percent between 1977 and 1995 and projections indicate slightly stronger growth of 6.9 percent per year between 1995 and 1997. Air freight levels historically increased at 5.6 percent per annum and is expected to grow at 3.7 percent per year during the next three years.

While these figures indicate a favorable trend for future airline activity at Stewart Airport, it must be noted that this facility is situated ten miles north of the Spring Valley hotel market area. As a result of this distance, airlines generally use the Spring Valley hotels as overflow for their crews favoring lodging facilities more conveniently located near Stewart Airport. For that reason, the Spring Valley overflow airport room-night demand can be expected to grow at 1.0 percent per year.

Conclusion

Various economic and demographic data has been evaluated here to determine how clearly it reflects future changes in transient demand. On the basis of this procedure, and adding a degree of conservatism because the subject property as yet has no track record, the following forecast of market segment growth rates has been made (see Exhibit 7-27).

Exhibit 7.27

Projected Market Segment Growth Rates

Segment	1996	1997	1998	1999	2000
Commercial	2.5%	2.5%	2.5%	2.5%	2.5
Meeting and	4.0	3.0	2.0	2.0	2.0
Leisure	1.0	1.0	1.0	1.0	1.0

Questions

1. What are the positives and negatives of the proposed site and how would you leverage the advantages?
2. What type of hotel is suitable for the proposed site? Why?
3. What are some characteristics of the site that will impact the design and facilities of the proposed hotel?
4. What is the "ideal size" hotel for this site? Why?
5. What would be the "ideal" target market for this location? Why?
6. What types of facilities should the proposed hotel have? Why?
7. How many stories would you recommend for a hotel at this site? Why?
8. What are the potential demand generators for this site?
9. How would you overcome the site related challenges?
10. What potential "regulation/zoning issues" could impede development of a hotel at this site?