



MARKET AND FEASIBILITY STUDY

Proposed Hotel at the Maxwell Center

NEW HOPE ROAD AND WAYNE MEMORIAL DRIVE
GOLDSBORO, NORTH CAROLINA

SUBMITTED TO:

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Mr. Scott Stevens
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Re: Proposed Hotel at the Maxwell Center
Goldsboro, North Carolina
HVS Reference: 2018020662, 2018250019

Dear Mr. Honeycutt, Mr. Stevens, and Ms. Glatthar:

Pursuant to your request, we herewith submit our market and feasibility study pertaining to the above-captioned property. We have inspected the real estate and analyzed the hotel market conditions in the Goldsboro, North Carolina area. The Maxwell Center has been investigated as it pertains to potential room night generation. Furthermore, we have made recommendations for the proposed hotel improvements, and the results of our fieldwork and regional analyses, as well as our hotel and convention center analyses, are presented in this report. Our report was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation.

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

Sincerely,
TS Worldwide, LLC



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Table of Contents

SECTION	TITLE	PAGE
1.	Summary of Salient Data and Conclusions	7
	Ownership, Franchise, and Management Assumptions	8
	Summary of Market Trends	9
	Summary of Forecast Occupancy and Average Rate	14
	Summary of Forecast Income and Expense Statement	14
	Feasibility Conclusion	17
2.	Description of the Site and Neighborhood	21
	Physical Characteristics	21
	Access and Visibility	24
	Airport Access	26
	Neighborhood	26
	Flood Zone	30
3.	Market Area Analysis	33
	Workforce Characteristics	37
	Radial Demographic Snapshot	40
	Unemployment Statistics	41
	Major Business and Industry	42
	Convention Activity	44
	Airport Traffic	46
	Tourist Attractions	48
4.	Maxwell Center Demand Analysis and Hotel Impact	51
	The Maxwell Center	51
	Historical Demand	53
	Other Local Venues	53
	Comparable Venues	53
	Exhibit Space Assessment	55
	Ballroom Space Assessment	55

	Meeting/Break-out Room Assessment	57
	Adjacent Hotel Capacity	58
	Market-Wide Hotel Rooms	59
	Market Population and Business	60
	Destination Analysis	62
	Summary of Destination Indicators	65
	Destination Ranking	66
	Event Planner Survey	68
	Survey Respondents	68
	Past Events	69
	Meeting Planner Perceptions	72
	Adjacent Hotel Development	78
	Event Characteristics and Facility Requirements	78
	Lodging Requirements	84
	Event Infrastructure Needs	85
	Survey Conclusions and Implications for the Goldsboro	85
	Historical Demand	86
	Demand Projections	87
	Comparable Venue Demand	91
5.	Supply and Demand Analysis	93
	Definition of Subject Hotel Market	93
	National Trends Overview	93
	Historical Supply and Demand Data	97
	Seasonality	100
	Patterns of Demand	104
	Regional Comparable Hotels	107
	Primary Competition	109
	Secondary Competitors	117
	Supply Changes	119
	Demand Analysis Using Market Segmentation	120
	Base Demand Growth Rates	123

	Latent Demand	124
	Accommodated Demand and Market-wide Occupancy	126
6.	Description of the Proposed Improvements	128
	Project Overview	128
	Summary of the Facilities	132
	Site Improvements and Hotel Structure	133
	Planned Facilities	133
	Public Areas	134
	Guestrooms	138
	Construction Budget	139
	Conclusion	141
7.	Projection of Occupancy and Average Rate	142
	Historical Penetration Rates by Market Segment	142
	Forecast of Subject Property's Occupancy	143
	Average Rate Analysis	145
	Competitive Position	146
8.	Projection of Income and Expense	150
	Comparable Operating Statements	150
	Forecast of Revenue and Expense	154
	Rooms Revenue	157
	Food and Beverage Revenue	157
	Other Operated Departments Revenue	158
	Miscellaneous Income	158
	Rooms Expense	159
	Food and Beverage Expense	159
	Other Operated Departments Expense	160
	Administrative and General Expense	160
	Information and Telecommunications Systems Expense	160
	Marketing Expense	160
	Franchise Fee	161
	Property Operations and Maintenance	161

	Utilities Expense	162
	Management Fee	163
	Property Taxes	163
	Insurance Expense	166
	Reserve for Replacement	167
	Forecast of Revenue and Expense Conclusion	168
9.	Feasibility Analysis	169
	Assumed Development Costs	169
	Mortgage Component	170
	Equity Component	172
	Terminal Capitalization Rate	176
	Mortgage-Equity Method	178
	Conclusion	180
10.	Statement of Assumptions and Limiting Conditions	182
11.	Certification	185

Addenda

Qualifications

Copy of Appraisal License

1. Summary of Salient Data and Conclusions

Subject of the Feasibility Study

The subject of the feasibility study is a portion of an approximately 6-acre parcel to be improved with a select-service lodging facility. The hotel is recommended to be affiliated with an upscale, select-service lodging brand. For the purposes of this analysis, the property is assumed to open on January 1, 2021 and should feature 130 guestrooms, a restaurant and bar, an outdoor pool, a fitness room, lobby workstations or a business center, a market pantry, outdoor patios, and a fire pit. The hotel should also contain the appropriate parking capacity (self-parking) and all necessary back-of-the-house space.

TYPICAL SELECT-SERVICE HOTEL RENDERING



Following the 2018 opening of the Maxwell Center, the potential development of a hotel on the site located adjacent to the center is under consideration by representatives of the City of Goldsboro and Wayne County. The City of Goldsboro has retained six acres located in the south corner of New Hope Road and Wayne Memorial Drive for the potential development of a hotel and a restaurant. Reportedly, after five years of due diligence, should the development of a hotel not

be pursued, the city will retain three acres of the land for a potential hotel and either pursue the development or disposition of the remaining three acres. As part of this due diligence period, officials seek to analyze the potential viability of a new hotel located adjacent to the Maxwell Center in order to accommodate demand that will be generated by the Maxwell Center. As a future potential step, city and county representatives may seek private investment for development of the subject hotel. The subject site's location is New Hope Road and Wayne Memorial Drive, Goldsboro, North Carolina, 27534.

Pertinent Dates

The effective date of the report is July 31, 2018. The subject site and the Maxwell Center were inspected by Bethany Cronk, MAI, MBA on June 12, 2018. In addition to the inspection, Bethany Cronk, MAI, MBA conducted research and analysis for this assignment and participated in the report preparation. Catherine Sarrett, MBA conducted research and analysis for this assignment and participated in the report preparation but did not conduct property inspections.

Ownership, Franchise, and Management Assumptions

Representatives from Wayne County, the City of Goldsboro, and the Travel & Tourism Department are conducting due diligence to analyze the viability of a vacant site located adjacent to the Maxwell Center for hotel development. The City of Goldsboro has retained six acres located in the south corner of New Hope Road and Wayne Memorial Drive for the potential development of a hotel and a restaurant. Reportedly, after five years of due diligence, should the development of a hotel not be pursued, the city will retain three acres of the land for a potential hotel and either pursue the development or disposition of the remaining three acres. No information regarding prior ownership of the subject site was available. The site is neither listed nor under contract for sale, and we have no knowledge of any recent listings.

Details pertaining to management terms were not yet determined at the time of this report; however, we assume that the proposed hotel would be managed by a professional hotel-operating company, with fees deducted at rates consistent with current market standards. We have assumed a market-appropriate total management fee of 3.0% of total revenues in our study.

We have positioned the proposed subject hotel as an upscale, select-service property. Examples of upscale select-service hotel brands including AC by Marriott, Cambria Suites, Courtyard by Marriott, EVEN Hotels, Hilton Garden Inn, and Hyatt Place. Given the meeting planner survey responses regarding hotel and brand preferences, we have placed heavy consideration on the Hilton Garden Inn brand, which is affiliated with Hilton Hotels & Resorts. While a specific franchise affiliation and/or brand has yet to be determined, for the purposes of this analysis, our projections reflect franchise fees appropriate for a Hilton Garden Inn or similar select-service brand affiliation. Based on our review of the agreement's terms or

expected terms, the Independent franchise is reflected in our forecasts with a royalty fee of 5.5% of rooms revenue, and a marketing assessment of 4% of rooms revenue.

Summary of Market Trends

Located in southern Goldsboro, the Seymour Johnson Air Force Base is the largest employer in Wayne County with over 6,600 employees. The 3,300-acre base in Goldsboro is responsible for training all F-15E aircrews for the Air Force. In 2019, the Seymour Johnson Air Force Base is expected to grow as it becomes the home of the Boeing KC-46 Refueling Aircraft. In addition to the Air Force base, agriculture and food production are major economic drivers in Goldsboro. Case Farms, Goldsboro Milling Company, and Mount Olive Pickle Company are three of the top ten employers in Wayne County, collectively employing over 2,500 people. This industry is expected to continue to grow with the expectation that Stormberg Foods, a South African producer of beef jerky, will invest \$2.48 million to open its first United States production facility in Goldsboro, creating 60 jobs over three years. Given the presence of U.S. Highways 13 and 70, as well as Interstate 795, the transportation industry is also important to the Goldsboro economy. The various economic anchors in Goldsboro, as well as forecasted growth at Seymour Johnson Air Force base, should bolster the area's economy in the near term. The city of Goldsboro, in collaboration with the University of North Carolina, conducted an economic development study to analyze strategy for spurring growth; the findings of this study indicated the city should pursue attracting the advanced manufacturing industry.

During the illustrated historical period, occupancy for this selected set of competitive hotels reached the 61% mark in 2008 along with average rate in the high \$70s. RevPAR, which had reached the high \$40s in 2008, dropped to the low-point illustrated in this trend of \$44.00 because of the national recession. A recovery began in 2010 and extended through 2012, at which time the prior RevPAR peak was exceeded by nearly \$12.00. In 2013, occupancy and average rate declined due to the federal sequestration and military spending cuts. Occupancy further declined in 2014 and 2015 as available rooms outpaced demand, owing predominantly to the opening of the Holiday Inn Express Hotel & Suites and TownePlace Suites by Marriott. The entry of both upper-midscale hotels, however, illustrated two beneficial responses in the market. The first positive indicator was the evidence that new hotel product induced new demand to the area. The second indicator showed that new lodging product of a higher brand class bolstered average rate reflecting less rate resistance by consumers. By 2016, the market experienced spikes in both occupancy and ADR due to atypical demand generated from Hurricane Matthew, as well as ongoing construction projects including the U.S. Highway 70 Bypass. The local lodging market continued to benefit from residual demand from the hurricane in early 2017; however, demand has reportedly tapered off. Meanwhile, average

rate continued to increase in 2017, largely attributed to improving market conditions.

Year-to-date 2018 lodging performance illustrates a correction in occupancy, as the market transitioned from atypical peak demand periods to more normal levels, along with continued strengthening in ADR. The outlook for the remaining months of 2018 reflects normalizing demand patterns at higher rates. Continued growth of corporate room nights and the stability of government demand in the market bode well for hotel rates. Additionally, the Goldsboro Suites should remain closed for the rest of 2018 until the renovation and conversion are completed in 2019; during that time, area hotels should continue to absorb the demand that the Goldsboro Suites may have otherwise captured. The near-term outlook is positive due to the recent completion of demand generators including the Maxwell Center and the Bryan Sports Park, as well as continued economic strength.

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) – LOCAL COMPETITION

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2008	364	132,860	—	81,629	—	61.4 %	\$76.55	—	\$47.03	—
2009	364	132,860	0.0 %	79,530	(2.6) %	59.9	73.68	(3.7) %	44.11	(6.2) %
2010	364	132,860	0.0	86,180	8.4	64.9	75.98	3.1	49.29	11.7
2011	364	132,860	0.0	93,396	8.4	70.3	80.87	6.4	56.85	15.3
2012	408	149,052	12.2	106,730	14.3	71.6	81.74	1.1	58.53	3.0
2013	452	164,980	10.7	109,946	3.0	66.6	82.50	0.9	54.98	(6.1)
2014	506	184,668	11.9	117,330	6.7	63.5	84.04	1.9	53.39	(2.9)
2015	601	219,532	18.9	136,356	16.2	62.1	87.33	3.9	54.24	1.6
2016	642	234,330	6.7	164,737	20.8	70.3	91.20	4.4	64.12	18.2
2017	642	234,330	0.0	163,543	(0.7)	69.8	93.45	2.5	65.22	1.7
<u>Year-to-Date Through May</u>										
2017	642	96,942	—	68,431	—	70.6 %	\$93.19	—	\$65.78	—
2018	642	96,942	0.0 %	62,603	(8.5) %	64.6	95.51	2.5 %	61.68	(6.2) %
Average Annual Compounded Change:										
2008 - 2011			0.0 %	4.6 %			1.8 %			6.5 %
2011 - 2017			9.9	9.8			2.4			2.3
Hotels Included in Sample			Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened			
Best Western Plus Goldsboro Hotel			Upper Midscale Class	Primary	120	Mar 2014	Apr 1988			
Hampton Inn Goldsboro			Upper Midscale Class	Primary	111	Jul 1995	Jul 1995			
Country Inn & Suites Goldsboro			Upper Midscale Class	Primary	66	Nov 2000	Nov 2000			
Quality Inn Goldsboro			Midscale Class	Secondary	67	Dec 2012	Nov 2000			
Sleep Inn & Suites Mount Olive			Midscale Class	Secondary	88	Jul 2012	Jul 2012			
Holiday Inn Express & Suites Goldsboro			Upper Midscale Class	Primary	92	Jun 2014	Jun 2014			
TownePlace Suites Goldsboro			Upper Midscale Class	Primary	98	Jun 2015	Jun 2015			
Total					642					
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 – ESTIMATED OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation			Estimated 2016				Estimated 2017					
		Meeting and Group	Commercial/Government	Leisure	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Best Western Plus Goldsboro	120	20 %	50 %	30 %	120	70 - 75 %	\$95 - \$100	\$65 - \$70	120	65 - 70 %	\$95 - \$100	\$65 - \$70	95 - 100 %	100 - 110 %
Country Inn & Suites Goldsboro	66	10	60	30	66	65 - 70	80 - 85	55 - 60	66	65 - 70	85 - 90	60 - 65	95 - 100	85 - 90
Hampton Inn Goldsboro	111	10	50	40	111	70 - 75	95 - 100	70 - 75	111	65 - 70	100 - 105	70 - 75	95 - 100	100 - 110
Holiday Inn Express & Suites Goldsboro Base Area	92	20	40	40	92	70 - 75	100 - 105	70 - 75	92	70 - 75	100 - 105	70 - 75	100 - 110	110 - 120
TownePlace Suites Goldsboro	98	10	60	30	98	70 - 75	90 - 95	65 - 70	98	70 - 75	95 - 100	70 - 75	100 - 110	100 - 110
Sub-Totals/Averages	487	14 %	51 %	34 %	487	71.5 %	\$95.20	\$68.06	487	70.8 %	\$97.18	\$68.83	101.1 %	104.3 %
Secondary Competitors	155	5 %	60 %	35 %	106	65.0 %	\$76.83	\$49.92	106	66.5 %	\$79.82	\$53.06	94.9 %	80.4 %
Totals/Averages	642	13 %	53 %	34 %	593	70.3 %	\$92.15	\$64.81	593	70.0 %	\$94.22	\$66.00	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 – ESTIMATED OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation			Total Competitive Level	Estimated 2016				Estimated 2017			
		Meeting and Group	Commercial/Government	Leisure		Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Quality Inn Goldsboro	67	0 %	60 %	40 %	80 %	54	60 - 65 %	\$65 - \$70	\$40 - \$45	54	60 - 65 %	\$65 - \$70	\$40 - \$45
Sleep Inn & Suites Mount Olive	88	10	60	30	60	53	65 - 70	85 - 90	55 - 60	53	65 - 70	90 - 95	60 - 65
Totals/Averages	155	5 %	60 %	35 %	69 %	106	65.0 %	\$76.83	\$49.92	106	66.5 %	\$79.82	\$53.06

** 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 68% and a base-year rate position of \$116.00 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	\$94.22	\$96.58	\$99.48	\$102.46	\$106.05	\$110.29	\$114.15	\$117.58	\$121.10
Projected Market ADR Growth Rate	—	2.5%	3.0%	3.0%	3.5%	4.0%	3.5%	3.0%	3.0%
Proposed Subject Property ADR (As-If Stabilized)	\$116.00	\$118.90	\$122.47	\$126.14	\$132.45	\$137.75	\$142.57	\$146.84	\$151.25
ADR Growth Rate	—	2.5%	3.0%	3.0%	5.0%	4.0%	3.5%	3.0%	3.0%
Proposed Subject Stabilized ADR Penetration	123%	123%	123%	123%	125%	125%	125%	125%	124.9%
Fiscal Year	2020 2021 2022 2023 2024 2025								
Proposed Subject Property Average Rate	\$126.14 \$132.45 \$137.75 \$142.57 \$146.84 \$151.25								
Real Average Rate Growth	— 5.0% 4.0% 3.5% 3.0% 3.0%								
Market ADR	\$102.46 \$106.05 \$110.29 \$114.15 \$117.58 \$121.10								
Proposed Subject ADR Penetration (After Discount)	123% 125% 125% 125% 125% 125%								
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate	\$116.57 \$118.83 \$119.98 \$120.57 \$120.57 \$120.57								

Summary of Forecast Income and Expense Statement

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

FIGURE 1-5 DETAILED FORECAST OF INCOME AND EXPENSE

	2021 (Calendar Year)				2022				Stabilized				2024				2025			
Number of Rooms:	130				130				130				130				130			
Occupancy:	59%				64%				68%				68%				68%			
Average Rate:	\$132.45				\$137.75				\$142.57				\$146.84				\$151.25			
RevPAR:	\$78.14				\$88.16				\$96.95				\$99.85				\$102.85			
Days Open:	365				365				365				365				365			
Occupied Rooms:	27,996	%Gross	PAR	POR	30,368	%Gross	PAR	POR	32,266	%Gross	PAR	POR	32,266	%Gross	PAR	POR	32,266	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	\$3,708	88.9 %	\$28,523	\$132.45	\$4,183	89.2 %	\$32,177	\$137.74	\$4,600	89.5 %	\$35,385	\$142.56	\$4,738	89.5 %	\$36,446	\$146.84	\$4,880	89.5 %	\$37,538	\$151.24
Food & Beverage	392	9.4	3,013	13.99	428	9.1	3,294	14.10	461	9.0	3,549	14.30	475	9.0	3,656	14.73	489	9.0	3,765	15.17
Other Operated Departments	52	1.2	398	1.85	55	1.2	420	1.80	57	1.1	440	1.77	59	1.1	453	1.83	61	1.1	467	1.88
Miscellaneous Income	21	0.5	159	0.74	22	0.5	168	0.72	23	0.4	176	0.71	24	0.4	181	0.73	24	0.4	187	0.75
Total Operating Revenues	4,172	100.0	32,094	149.03	4,688	100.0	36,059	154.36	5,142	100.0	39,550	159.35	5,296	100.0	40,737	164.13	5,454	100.0	41,958	169.05
DEPARTMENTAL EXPENSES *																				
Rooms	862	23.3	6,634	30.80	916	21.9	7,045	30.16	966	21.0	7,431	29.94	995	21.0	7,654	30.84	1,025	21.0	7,883	31.76
Food & Beverage	366	93.3	2,812	13.06	386	90.2	2,972	12.72	406	88.0	3,123	12.58	418	88.0	3,217	12.96	431	88.0	3,313	13.35
Other Operated Departments	27	51.4	205	0.95	28	50.6	213	0.91	29	50.0	220	0.89	29	50.0	227	0.91	30	50.0	234	0.94
Total Expenses	1,255	30.1	9,651	44.82	1,330	28.4	10,229	43.79	1,401	27.2	10,774	43.41	1,443	27.2	11,097	44.71	1,486	27.2	11,430	46.05
DEPARTMENTAL INCOME	2,918	69.9	22,443	104.22	3,358	71.6	25,829	110.57	3,741	72.8	28,776	115.94	3,853	72.8	29,639	119.42	3,969	72.8	30,527	122.99
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	427	10.2	3,281	15.24	448	9.6	3,448	14.76	469	9.1	3,607	14.53	483	9.1	3,715	14.97	497	9.1	3,826	15.42
Info & Telecom Systems	49	1.2	377	1.75	51	1.1	396	1.69	54	1.0	414	1.67	55	1.0	426	1.72	57	1.0	439	1.77
Marketing	238	5.7	1,829	8.49	250	5.3	1,922	8.23	261	5.1	2,010	8.10	269	5.1	2,071	8.34	277	5.1	2,133	8.59
Franchise Fee	352	8.4	2,710	12.58	397	8.5	3,057	13.09	437	8.5	3,362	13.54	450	8.5	3,462	13.95	464	8.5	3,566	14.37
Prop. Operations & Maint.	157	3.8	1,205	5.60	185	4.0	1,424	6.10	215	4.2	1,655	6.67	222	4.2	1,705	6.87	228	4.2	1,756	7.08
Utilities	136	3.3	1,049	4.87	143	3.1	1,102	4.72	150	2.9	1,153	4.65	154	2.9	1,188	4.78	159	2.9	1,223	4.93
Total Expenses	1,359	32.6	10,450	48.53	1,475	31.6	11,349	48.58	1,586	30.8	12,201	49.16	1,634	30.8	12,567	50.63	1,683	30.8	12,943	52.15
GROSS HOUSE PROFIT	1,559	37.3	11,993	55.69	1,882	40.0	14,480	61.99	2,155	42.0	16,575	66.78	2,219	42.0	17,073	68.79	2,286	42.0	17,584	70.85
Management Fee	125	3.0	963	4.47	141	3.0	1,082	4.63	154	3.0	1,187	4.78	159	3.0	1,222	4.92	164	3.0	1,259	5.07
INCOME BEFORE NON-OPR. INC. & EXP.	1,434	34.3	11,030	51.22	1,742	37.0	13,398	57.35	2,001	39.0	15,389	62.00	2,061	39.0	15,850	63.86	2,122	39.0	16,325	65.77
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	72	1.7	551	2.56	155	3.3	1,191	5.10	160	3.1	1,227	4.94	164	3.1	1,264	5.09	169	3.1	1,302	5.24
Insurance	47	1.1	362	1.68	49	1.0	373	1.60	50	1.0	384	1.55	51	1.0	396	1.59	53	1.0	408	1.64
Reserve for Replacement	83	2.0	642	2.98	141	3.0	1,082	4.63	206	4.0	1,582	6.37	212	4.0	1,629	6.57	218	4.0	1,678	6.76
Total Expenses	202	4.8	1,555	7.22	344	7.3	2,646	11.33	415	8.1	3,193	12.87	428	8.1	3,289	13.25	440	8.1	3,388	13.65
EBITDA LESS RESERVE	\$1,232	29.5 %	\$9,475	\$44.00	\$1,398	29.7 %	\$10,752	\$46.03	\$1,585	30.9 %	\$12,195	\$49.14	\$1,633	30.9 %	\$12,561	\$50.61	\$1,682	30.9 %	\$12,937	\$52.12

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

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

	2021		2022		2023		2024		2025		2026		2027		2028		2029		2030	
Number of Rooms:	130		130		130		130		130		130		130		130		130		130	
Occupied Rooms:	27,996		30,368		32,266		32,266		32,266		32,266		32,266		32,266		32,266		32,266	
Occupancy:	59%		64%		68%		68%		68%		68%		68%		68%		68%		68%	
Average Rate:	\$132.45	% of	\$137.75	% of	\$142.57	% of	\$146.84	% of	\$151.25	% of	\$155.79	% of	\$160.46	% of	\$165.27	% of	\$170.23	% of	\$175.34	% of
RevPAR:	\$78.14	Gross	\$88.16	Gross	\$96.95	Gross	\$99.85	Gross	\$102.85	Gross	\$105.94	Gross	\$109.11	Gross	\$112.39	Gross	\$115.76	Gross	\$119.23	Gross
OPERATING REVENUE																				
Rooms	\$3,708	88.9 %	\$4,183	89.2 %	\$4,600	89.5 %	\$4,738	89.5 %	\$4,880	89.5 %	\$5,027	89.5 %	\$5,177	89.5 %	\$5,333	89.5 %	\$5,493	89.5 %	\$5,658	89.5 %
Food & Beverage	392	9.4	428	9.1	461	9.0	475	9.0	489	9.0	504	9.0	519	9.0	535	9.0	551	9.0	567	9.0
Other Operated Departments	52	1.2	55	1.2	57	1.1	59	1.1	61	1.1	63	1.1	64	1.1	66	1.1	68	1.1	70	1.1
Miscellaneous Income	21	0.5	22	0.5	23	0.4	24	0.4	24	0.4	25	0.4	26	0.4	27	0.4	27	0.4	28	0.4
Total Operating Revenues	4,172	100.0	4,688	100.0	5,142	100.0	5,296	100.0	5,454	100.0	5,619	100.0	5,786	100.0	5,961	100.0	6,140	100.0	6,324	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	862	23.3	916	21.9	966	21.0	995	21.0	1,025	21.0	1,056	21.0	1,087	21.0	1,120	21.0	1,153	21.0	1,188	21.0
Food & Beverage	366	93.3	386	90.2	406	88.0	418	88.0	431	88.0	444	88.0	457	88.0	471	88.0	485	88.0	499	88.0
Other Operated Departments	27	51.4	28	50.6	29	50.0	29	50.0	30	50.0	31	50.0	32	50.0	33	50.0	34	50.0	35	50.0
Total Expenses	1,255	30.1	1,330	28.4	1,401	27.2	1,443	27.2	1,486	27.2	1,531	27.2	1,576	27.2	1,624	27.2	1,672	27.2	1,723	27.2
DEPARTMENTAL INCOME	2,918	69.9	3,358	71.6	3,741	72.8	3,853	72.8	3,969	72.8	4,088	72.8	4,210	72.8	4,337	72.8	4,467	72.8	4,601	72.8
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	427	10.2	448	9.6	469	9.1	483	9.1	497	9.1	512	9.1	528	9.1	544	9.1	560	9.1	577	9.1
Info & Telecom Systems	49	1.2	51	1.1	54	1.0	55	1.0	57	1.0	59	1.0	61	1.0	62	1.0	64	1.0	66	1.0
Marketing	238	5.7	250	5.3	261	5.1	269	5.1	277	5.1	286	5.1	294	5.1	303	5.1	312	5.1	321	5.1
Franchise Fee	352	8.4	397	8.5	437	8.5	450	8.5	464	8.5	478	8.5	492	8.5	507	8.5	522	8.5	538	8.5
Prop. Operations & Maint.	157	3.8	185	4.0	215	4.2	222	4.2	228	4.2	235	4.2	242	4.2	249	4.2	257	4.2	265	4.2
Utilities	136	3.3	143	3.1	150	2.9	154	2.9	159	2.9	164	2.9	169	2.9	174	2.9	179	2.9	184	2.9
Total Expenses	1,359	32.6	1,475	31.6	1,586	30.8	1,634	30.8	1,683	30.8	1,733	30.8	1,785	30.8	1,839	30.8	1,894	30.8	1,951	30.8
GROSS HOUSE PROFIT	1,559	37.3	1,882	40.0	2,155	42.0	2,219	42.0	2,286	42.0	2,355	42.0	2,425	42.0	2,498	42.0	2,573	42.0	2,651	42.0
Management Fee	125	3.0	141	3.0	154	3.0	159	3.0	164	3.0	169	3.0	174	3.0	179	3.0	184	3.0	190	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	1,434	34.3	1,742	37.0	2,001	39.0	2,061	39.0	2,122	39.0	2,186	39.0	2,251	39.0	2,319	39.0	2,389	39.0	2,461	39.0
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	72	1.7	155	3.3	160	3.1	164	3.1	169	3.1	174	3.1	180	3.1	185	3.1	190	3.1	196	3.1
Insurance	47	1.1	49	1.0	50	1.0	51	1.0	53	1.0	55	1.0	56	1.0	58	1.0	60	1.0	61	1.0
Reserve for Replacement	83	2.0	141	3.0	206	4.0	212	4.0	218	4.0	225	4.0	231	4.0	238	4.0	246	4.0	253	4.0
Total Expenses	202	4.8	344	7.3	415	8.1	428	8.1	440	8.1	454	8.1	467	8.1	481	8.1	496	8.1	511	8.1
EBITDA LESS RESERVE	\$1,232	29.5 %	\$1,398	29.7 %	\$1,585	30.9 %	\$1,633	30.9 %	\$1,682	30.9 %	\$1,733	30.9 %	\$1,784	30.9 %	\$1,838	30.9 %	\$1,893	30.9 %	\$1,950	30.9 %

*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.

Feasibility Conclusion

The Feasibility Analysis chapter of this report converts these cash flows into a net present value indication assuming set-forth debt and equity requirements. The conclusion of this analysis indicates that an equity investor contributing \$6,929,000 (roughly 35% of the \$19,800,000 development cost) could expect to receive a 13.47828% internal rate of return over a ten-year holding period, assuming that the investor obtains financing at the time of the project's completion at the loan-to-value ratio and interest rate set forth. The proposed subject hotel has an opportunity to be a key part of a hotel and conference center package to be offered in Goldsboro/Wayne County, in conjunction with the recently-opened Maxwell Center. Based upon our Maxwell Center demand analysis, as the newly-opened facility ramps up in the market, increased levels of utilization and new demand are forecast to be attracted across a variety of event types. Furthermore, the majority of meeting planner survey responses indicate that a select-service or full-service hotel in the upper-midscale or upscale class would comply with their selection criteria for choosing an event destination. An assumed, new select-service hotel located adjacent to the Maxwell Center should enhance the amount of meeting and group demand that is attracted to the area. Furthermore, as the proposed subject property's planned select-service hotel product is not currently offered in Goldsboro, induced demand is also expected in the commercial/government and leisure market segments. The results of our market analysis indicate there is sufficient market support for a proposed select-service hotel that offers a moderate level of in-house meeting space and a select-service dining venue. Our conclusions are based primarily on the range of existing hotel products in the local area, as well as our research of similar types of properties located in eight eastern North Carolina markets that also feature event venues.

We have assumed a total development cost for the proposed hotel based on a range of hotel development budgets for this type of property including land, hard costs, soft costs, furniture fixtures & equipment, pre-opening and working capital costs, and entrepreneurial incentive; the reader should understand that the actual development costs may vary from this estimate. We note that an estimated site cost is included as a percentage of total developments costs; therefore, depending on the negotiated price of the land to be applied to the hotel project, the development cost estimate could change. Our review of investor surveys indicates equity returns ranging from 12.7% to 26.1%, with an average of 19.3%. Based on these parameters, the calculated return to the equity investor, 13.5%, is below the average and at the low end of the range of market-level returns given an estimated development cost of \$152,000 per key (\$19,800,000 total) for a 130-room hotel.

Assignment Conditions

“Extraordinary Assumption” is defined in USPAP as follows:

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

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

Intended Use of the Feasibility Study

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

Identification of the Client and Intended Users

The clients for this engagement are Wayne County, North Carolina; the City of Goldsboro, North Carolina; and the Goldsboro-Wayne County Travel & Tourism Department. This report is intended for the addressee firms and may not be distributed to or relied upon by other persons or entities.

Scope of Work

The methodology used to develop this study is based on the market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled *The Valuation of Hotels and Motels*,² *Hotels, Motels and*

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

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

Restaurants: Valuations and Market Studies,³ *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*,⁴ *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*,⁵ and *Hotels and Motels – Valuations and Market Studies*.⁶

1. All information was collected and analyzed by the staff of TS Worldwide, LLC and HVS Convention, Sports & Entertainment Facilities Consulting - Chicago. Information was supplied by the client, representatives of the Maxwell Center, and third parties based on our research.
2. The subject site has been evaluated from the viewpoint of its physical utility for the future operation of a hotel, as well as access, visibility, and other relevant factors.
3. The subject property's proposed improvements have been reviewed for their expected quality of construction, design, and layout efficiency.
4. The surrounding economic environment, on both an area and neighborhood level, has been reviewed to identify specific hostelry-related economic and demographic trends that may have an impact on future demand for hotels.
5. A detailed convention center demand analysis was conducted, which included a meeting planner survey and a review of regional comparable facilities.
6. 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.
7. 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.

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

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

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

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

8. Documentation for an occupancy and average rate projection is derived utilizing the build-up approach based on an analysis of lodging activity.
9. 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.
10. A feasibility analysis is performed, in which the market equity yield an investor would expect is compared to the equity yield an investor must accept.

2. Description of the Site and Neighborhood

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

The subject site is located in northeast Goldsboro, approximately three miles northeast of downtown, one mile southwest of the Wayne Memorial Drive Exit of the U.S. Route 70 Bypass, and four miles east of Interstate 795. Situated in the south quadrant of the intersection formed by Wayne Memorial Drive and New Hope Road, the assumed hotel site is located adjacent to the Maxwell Center. This site is in the city of Goldsboro, North Carolina.

Physical Characteristics

The subject site is assumed to constitute a portion of an approximately 6-acre parcel. The greater parcel's adjacent uses are set forth in the following table.

FIGURE 2-1 PARCEL'S ADJACENT USES

Direction	Adjacent Use
Northeast	New Hope Road
Southeast	Vacant Land
Southwest	Maxwell Center
Northwest	Wayne Memorial Drive

It is assumed that the subject site will comprise a portion of the current vacant parcel that is situated directly northeast of the Maxwell Center. Given the preliminary stage of this assumed project, no site plan of the prospective hotel site was available for review.

PLAT MAP



VIEW OF A PORTION OF SUBJECT SITE ALONG WAYNE MEMORIAL DRIVE



VIEW OF A PORTION OF SUBJECT SITE ADJACENT TO THE MAXWELL CENTER

**Topography and
Site Utility**

The topography of the greater site that includes the assumed hotel site is generally flat, and the shape should permit efficient use of the site for building and site improvements. We have also assumed that the site would allow for proper ingress and egress via New Hope Road and highly trafficked Wayne Memorial Drive. 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.

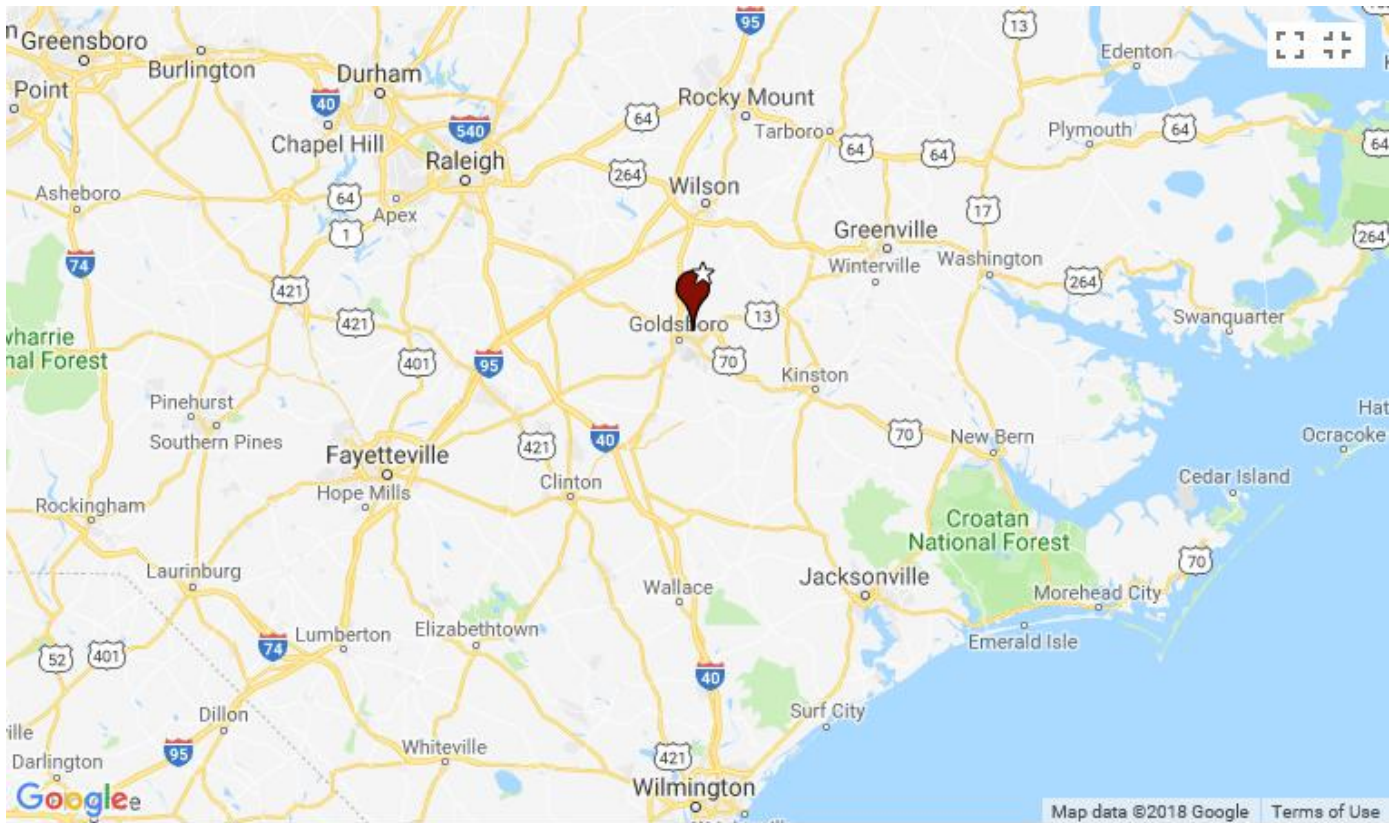
AERIAL PHOTOGRAPH



Access and Visibility

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

MAP OF REGIONAL ACCESS ROUTES



Regional access through the area is provided by north/south Interstates 95 and 795, as well as east/west Interstate 40. Regional access to/from the city of Goldsboro and the subject site, in particular, is considered very good, given the 2016 opening of the U.S. Route 70 Bypass. The U.S. Route 70 Bypass runs along the north side of Goldsboro, bypassing the downtown area, and extending approximately twenty miles from near State Highway 581 (Wayne County) to just east of Promise Land Road (Lenoir County). The subject market is served by a variety of additional local highways, which are illustrated on the map.

Primary vehicular access to the subject site should be provided by Wayne Memorial Drive. Access should also be available from New Hope Road. The subject site is located near a busy intersection and is relatively simple to locate from downtown Goldsboro and from the U.S. Highway 70 Bypass, which is the nearest major highway. Given its location adjacent to the Maxwell Center, the subject site should offer convenient pedestrian and motor vehicle access between the two sites. The

proposed subject hotel is assumed to have adequate signage at the street, as well as on its façade. Overall, the subject site benefits from very good accessibility, and the proposed hotel is expected to enjoy very good visibility from within its local neighborhood.

Airport Access

The proposed subject market is served by the Raleigh-Durham International Airport, which is located approximately 70 miles to the northwest of Goldsboro.

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.

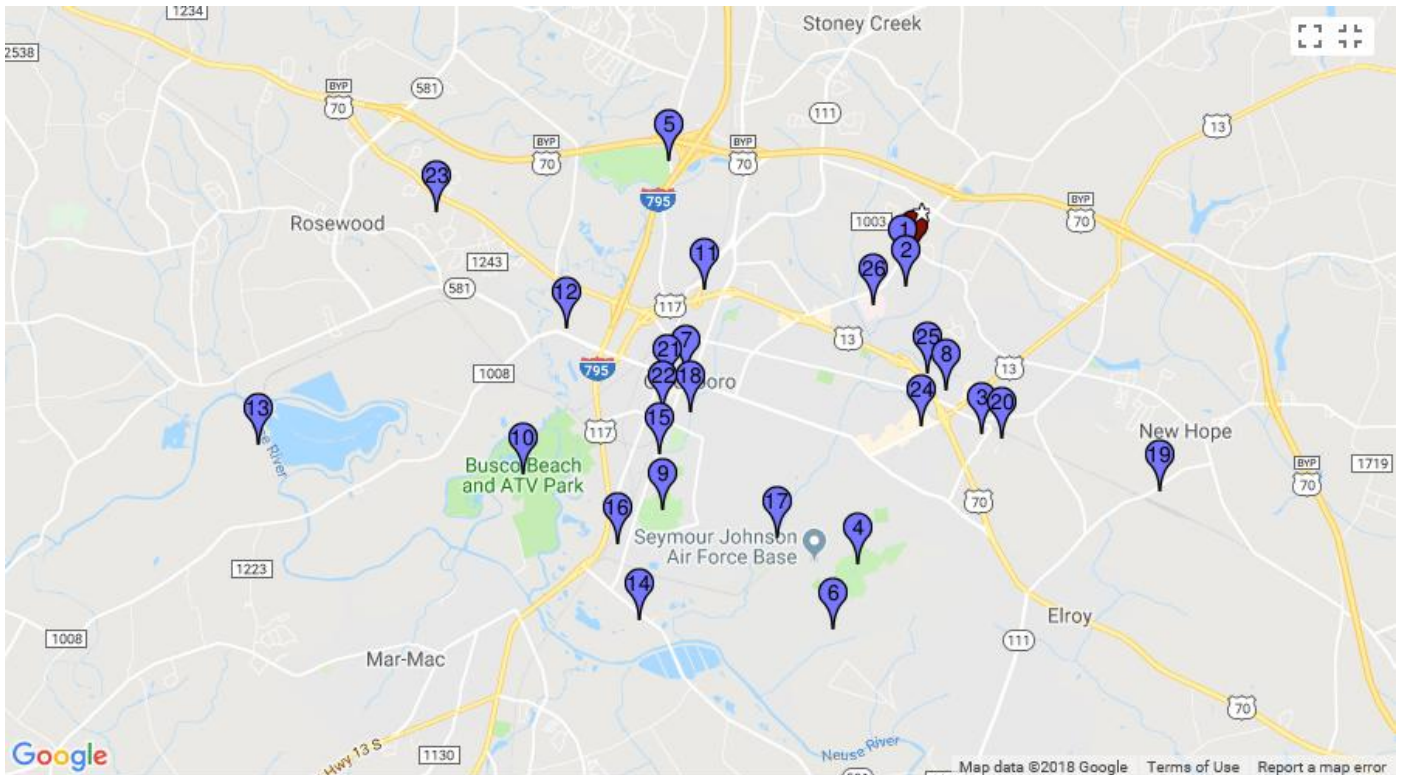
The subject property's neighborhood is generally defined as the Wayne Memorial Drive/State Road 1556 corridor located in northeast Goldsboro that extends between Highway 70/U.S. Highway 13 and the U.S. Highway 70 Bypass. Facilitated by the opening of the U.S. Highway 70 Bypass, the neighborhood is characterized as a relatively new ingress/egress route to/from Downtown Goldsboro and the Bypass. The corridor features retail shopping centers, restaurants, small office buildings, residential areas, agricultural land, worship centers, healthcare facilities, educational institutions, and an event venue. Some specific businesses and entities in the area include Wal-Mart Neighborhood Store, Memorial Commons, Ray of Hope Church, Goshen Medical Center, Wayne UNC Healthcare, Tommy's Road Elementary School, Wayne Community College, and the Maxwell Center. Restaurants located near the subject site include Pizza Hut, Starbucks, McDonalds, PT's Olde Fashioned Grille, Hardee's, and Taco Bell; the proximity of these restaurants is considered supportive of the operation of a lodging property. While the Country Inn & Suites is the only hotel situate along the Wayne Memorial Drive/State Road 1556 corridor, immediately to the south of this neighborhood and along Highway 70/U.S. Highway 13 are the locations of two clusters of economy and midscale/upper-midscale hotels.






















































The following maps illustrate the area surrounding the subject site's neighborhood, as well as its proximity to local demand generators and attractions.

MAP OF NEIGHBORHOOD



MAP OF LOCAL DEMAND GENERATORS



	<u>Demand Generator</u>	<u>Approx. Driving Time from Subject Property</u>	<u>Approx. Driving Distance</u>
	Subject Property		
	Maxwell Center	 right there	↔ 0 mile
	Wayne Community College	 1 minute	↔ 0 mile
	Butterball	 7 minutes	↔ 4 miles
	Three Eagles Golf Course	 7 minutes	↔ 4 miles
	Lane Tree Golf Course	 7 minutes	↔ 5 miles
	Seymour Johnson Air Force Base	 15 minutes	↔ 10 miles
	Downtown Goldsboro Development Corporation	 10 minutes	↔ 4 miles
	North Carolina Wesleyan College	 4 minutes	↔ 3 miles
	Goldsboro Municipal Golf Course	 13 minutes	↔ 7 miles
	Busco Beach and ATV Park	 20 minutes	↔ 11 miles
	Best Distributing Company	 6 minutes	↔ 3 miles
	Cherry Hospital	 9 minutes	↔ 5 miles
	Duke Energy	 17 minutes	↔ 11 miles
	Uchiyama America Inc	 13 minutes	↔ 8 miles
	UniFirst Uniform Services - Goldsboro	 12 minutes	↔ 7 miles
	Southco Distributing Co	 13 minutes	↔ 8 miles
	Wayne County Public Schools	 12 minutes	↔ 6 miles
	Wayne County Courthouse	 11 minutes	↔ 4 miles
	Goldsboro Milling Co	 10 minutes	↔ 6 miles
	AGRO Merchants Group	 8 minutes	↔ 5 miles
	Terrace Room	 12 minutes	↔ 5 miles
	Paramount Theatre	 11 minutes	↔ 5 miles
	The Southern Room	 13 minutes	↔ 10 miles
	Berkeley Mall	 5 minutes	↔ 3 miles
	Pepsi Bottling Ventures	 4 minutes	↔ 3 miles
	Wayne UNC Health Care	 3 minutes	↔ 1 mile

Utilities

It is assumed that the subject site will be served by all necessary utilities.

**Soil and
Subsoil Conditions**

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.

**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.

Flood Zone

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

The flood zone definition for the 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.

Conclusion

We have analyzed the issues of location, size, topography, access, and visibility of the subject site. The subject site is favorably located approximately one mile southwest of the U.S. Route 70 Bypass. However, the site's location approximately three miles northeast of Downtown Goldsboro is considered a weakness, as some of the areas' lodging demand generators and supporting amenities are located in and around downtown. Nonetheless, given its favorable proximity to the Maxwell Center, in general, the subject 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

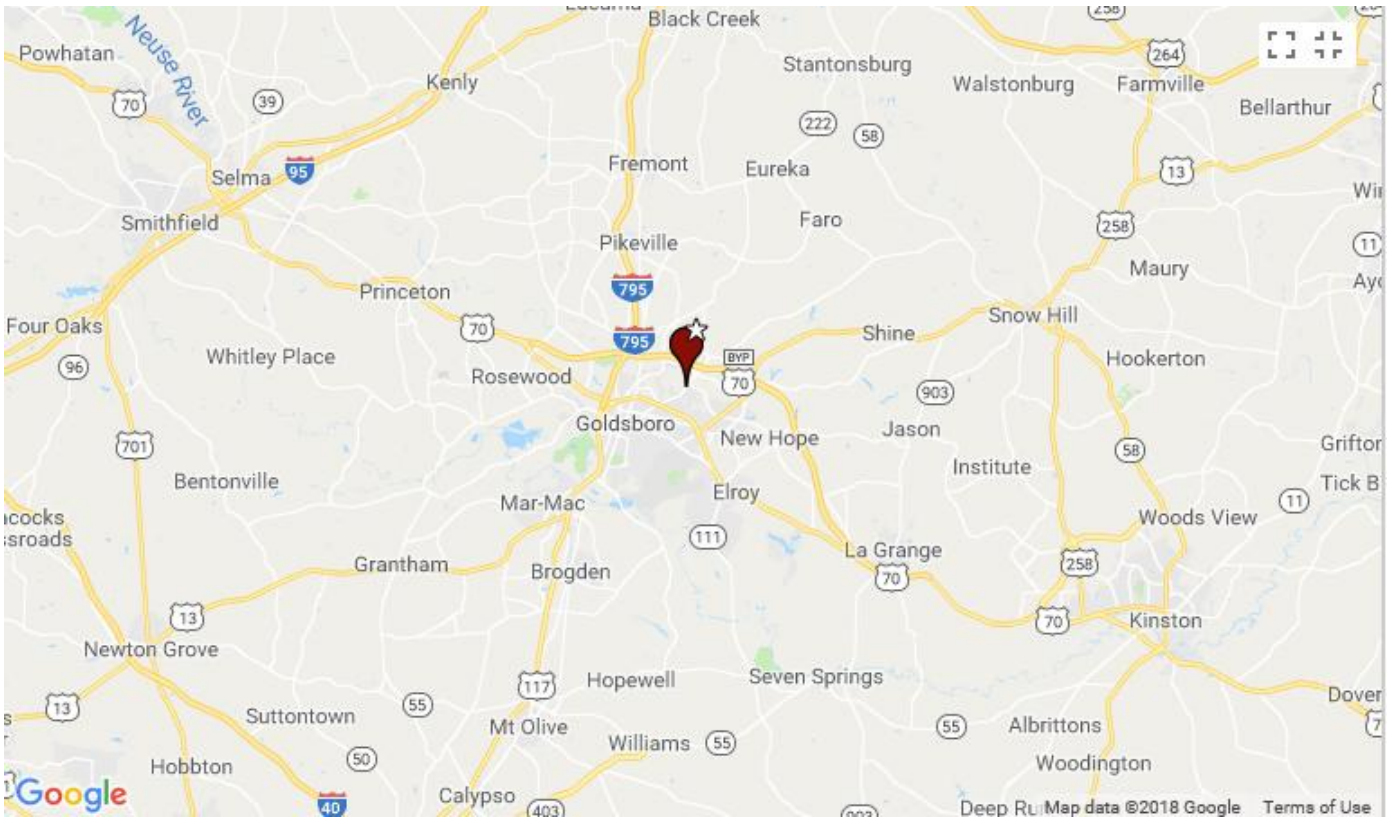
The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject site is located in the city of Goldsboro, the county of Wayne, and the state of North Carolina. The City of Goldsboro, which is the county seat of Wayne County, was originally named Goldsborough in honor of Major Matthew T. Goldsborough, an engineer with the local railroad company. The city became incorporated in 1847, and, due to its function as a major rail center, the area played an important role during the Civil War, particularly for stationing the Confederate troops and transporting their supplies. The Goldsborough name was officially shortened to Goldsboro in 1869. Goldsboro is home to the Seymour Johnson Air Force Base (AFB), one of the major employers in Wayne County. The city also boasts a relatively small, yet diversified, local economy comprising healthcare, manufacturing, and agribusiness companies and entities.

GOLDSBORO



The subject property's market area can be defined by its Metropolitan Statistical Area (MSA): Goldsboro, NC 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 higher degree of social integration. 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	2017	2020	Average Annual Compounded Change		
					2000-10	2010-17	2017-20
Resident Population (Thousands)							
Wayne County	113.6	122.9	126.8	129.2	0.8 %	0.4 %	0.6 %
Goldsboro, NC MSA	113.6	122.9	126.8	129.2	0.8	0.4	0.6
State of North Carolina	8,081.6	9,559.5	10,333.5	10,746.3	1.7	1.1	1.3
United States	282,162.4	309,347.1	327,505.1	336,690.4	0.9	0.8	0.9
Per-Capita Personal Income*							
Wayne County	\$27,806	\$31,031	\$33,614	\$35,306	1.1	1.1	1.7
Goldsboro, NC MSA	27,806	31,031	33,614	35,306	1.1	1.1	1.7
State of North Carolina	33,533	34,990	37,650	39,395	0.4	1.1	1.5
United States	36,812	39,622	44,290	46,375	0.7	1.6	1.5
W&P Wealth Index							
Wayne County	77.7	79.2	76.5	76.6	0.2	(0.5)	0.1
Goldsboro, NC MSA	77.7	79.2	76.5	76.6	0.2	(0.5)	0.1
State of North Carolina	91.9	88.9	85.8	85.8	(0.3)	(0.5)	(0.0)
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
Wayne County	\$107	\$121	\$146	\$152	1.2	2.7	1.3
Goldsboro, NC MSA	107	121	146	152	1.2	2.7	1.3
State of North Carolina	10,179	13,317	17,220	18,360	2.7	3.7	2.2
United States	368,829	447,728	571,731	602,635	2.0	3.6	1.8
Total Retail Sales (Millions)*							
Wayne County	\$1,407	\$1,468	\$1,713	\$1,780	0.4	2.2	1.3
Goldsboro, NC MSA	1,407	1,468	1,713	1,780	0.4	2.2	1.3
State of North Carolina	113,696	119,956	143,864	152,852	0.5	2.6	2.0
United States	3,902,830	4,130,414	4,932,756	5,181,433	0.6	2.6	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 2017. The county's population has grown more slowly than the nation's population; the average annual growth rate of 0.4% between 2010 and 2017 reflects a gradually expanding area. Following this population trend, per-capita personal income increased slowly, at 1.1% on average annually for the county between 2010 and 2017. Local wealth indexes have remained stable in recent years, registering a relatively low 76.5 level for the county in 2017.

Food and beverage sales totaled \$146 million in the county in 2017, versus \$121 million in 2010. This reflects a 2.7% average annual change, which is stronger than the 1.2% pace recorded in the prior decade, the latter years of which were adversely affected by the recession. Over the long term, the pace of growth is forecast to moderate to a more sustainable level of 1.3%, which is forecast through 2020. The retail sales sector demonstrated an annual increase of 0.4% registered in the decade 2000 to 2010, followed by an increase of 2.2% in the period 2010 to 2017. An increase of 1.3% 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 2017, as well as a forecast for 2020.

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

Industry	2000	Percent of Total	2010	Percent of Total	2017	Percent of Total	2020	Percent of Total	Average Annual Compounded Change		
									2000-2010	2010-2017	2017-2020
Farm	1.8	3.1 %	1.2	2.0 %	1.2	2.0 %	1.2	1.9 %	(4.5) %	0.1 %	0.0 %
Forestry, Fishing, Related Activities And Other	0.3	0.5	0.5	0.8	0.5	0.8	0.5	0.8	4.9	0.2	1.3
Mining	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.3	(0.9)	2.2
Utilities	0.2	0.4	0.2	0.4	0.2	0.4	0.2	0.4	(0.5)	0.0	(0.3)
Construction	3.7	6.2	2.5	4.4	2.4	4.0	2.5	4.1	(3.8)	(0.7)	1.6
Manufacturing	7.4	12.3	5.3	9.2	6.2	10.4	6.2	10.1	(3.2)	2.2	0.1
Total Trade	10.3	17.2	8.4	14.7	9.6	16.2	9.8	16.2	(2.0)	1.8	0.9
Wholesale Trade	2.4	4.0	2.3	4.1	2.8	4.6	2.8	4.7	(0.1)	2.4	1.0
Retail Trade	8.0	13.3	6.1	10.6	6.8	11.5	7.0	11.5	(2.6)	1.6	0.8
Transportation And Warehousing	1.2	2.0	0.8	1.4	0.8	1.4	0.8	1.4	(4.5)	1.1	(0.0)
Information	0.4	0.7	0.8	1.4	0.6	1.0	0.6	1.0	6.8	(4.7)	0.5
Finance And Insurance	1.8	3.0	1.7	3.0	2.0	3.4	2.2	3.6	(0.5)	2.6	2.7
Real Estate And Rental And Lease	1.0	1.7	1.1	2.0	1.2	2.0	1.2	2.0	1.2	0.4	1.9
Total Services	17.2	28.8	20.1	35.1	20.5	34.6	21.3	35.0	1.6	0.3	1.3
Professional And Technical Services	1.2	2.0	1.2	2.1	1.6	2.7	1.7	2.7	0.3	3.7	1.8
Management Of Companies And Enterprises	0.2	0.4	0.4	0.7	0.5	0.8	0.5	0.8	6.3	3.1	1.9
Administrative And Waste Services	2.1	3.5	2.5	4.4	1.9	3.3	2.0	3.2	2.0	(3.9)	0.6
Educational Services	0.6	1.1	1.7	2.9	1.2	2.1	1.3	2.1	10.1	(4.4)	2.1
Health Care And Social Assistance	6.0	10.1	7.1	12.4	7.1	12.0	7.2	11.9	1.7	(0.0)	0.7
Arts, Entertainment, And Recreation	0.4	0.7	0.6	1.1	0.6	1.1	0.7	1.1	3.8	0.3	2.6
Accommodation And Food Services	3.3	5.4	3.4	6.0	4.0	6.8	4.3	7.0	0.5	2.3	2.0
Other Services, Except Public Administration	3.4	5.7	3.2	5.5	3.6	6.0	3.7	6.0	(0.7)	1.7	1.0
Total Government	14.4	24.1	14.7	25.6	14.1	23.8	14.3	23.5	0.2	(0.5)	0.4
Federal Civilian Government	1.4	2.4	1.3	2.3	1.2	2.1	1.2	2.0	(0.9)	(1.0)	0.1
Federal Military	4.6	7.7	4.9	8.5	4.6	7.7	4.6	7.5	0.6	(0.9)	0.1
State And Local Government	8.4	14.0	8.5	14.8	8.3	14.0	8.5	14.0	0.1	(0.3)	0.7
TOTAL	59.9	100.0 %	57.4	100.0 %	59.3	100.0 %	60.9	100.0 %	(0.4) %	0.5 %	0.9 %
MSA	59.9	—	57.4	—	59.3	—	60.9	—	(0.4) %	0.5 %	0.9 %
U.S.	165,370.9	—	173,034.7	—	194,801.7	—	203,418.4	—	1.0	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 contracted at an average annual rate of -0.4%. This trend was on par with the growth rate recorded by the MSA and also lagged the national average. More recently, the pace of total employment growth in the county accelerated to 0.5% on an annual average from 2010 to 2017, reflecting the initial years of the recovery.

Of the primary employment sectors, Total Trade recorded the highest increase in number of employees during the period from 2010 to 2017, increasing by 1,152 people, or 13.7%, and rising from 14.7% to 16.2% of total employment. Of the various service sub-sectors, Health Care And Social Assistance and Accommodation And Food Services were the largest employers. Strong growth was also recorded in the Manufacturing sector, as well as the Total Services sector, which expanded by 16.1% and -5.0%, respectively, in the period 2010 to 2017. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 0.9% 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			
2023 Projection	17,621	78,005	108,370
2018 Estimate	16,698	73,971	101,903
2010 Census	15,221	67,604	90,697
2000 Census	10,648	52,344	62,326
Percent Change: 2018 to 2023	5.5%	5.5%	6.4%
Percent Change: 2010 to 2018	9.7%	9.4%	12.4%
Percent Change: 2000 to 2010	43.0%	29.2%	45.5%
Households			
2023 Projection	4,996	22,617	31,012
2018 Estimate	4,771	21,565	29,345
2010 Census	4,493	20,151	26,867
2000 Census	3,323	16,304	19,348
Percent Change: 2018 to 2023	4.7%	4.9%	5.7%
Percent Change: 2010 to 2018	6.2%	7.0%	9.2%
Percent Change: 2000 to 2010	35.2%	23.6%	38.9%
Income			
2018 Est. Average Household Income	\$88,606	\$96,268	\$102,272
2018 Est. Median Household Income	76,480	78,987	85,205
2018 Est. Civ. Employed Pop 16+ by Occupation			
Architecture/Engineering	270	916	1,451
Arts/Design/Entertainment/Sports/Media	111	424	610
Building/Grounds Cleaning/Maintenance	243	1,199	1,473
Business/Financial Operations	333	1,422	2,002
Community/Social Services	72	237	313
Computer/Mathematical	103	700	1,266
Construction/Extraction	508	2,455	3,210
Education/Training/Library	244	1,185	1,755
Farming/Fishing/Forestry	37	206	459
Food Preparation/Serving Related	524	1,697	2,164
Healthcare Practitioner/Technician	305	1,263	1,719
Healthcare Support	104	550	795
Installation/Maintenance/Repair	277	1,705	2,428
Legal	29	116	119
Life/Physical/Social Science	12	110	191
Management	704	3,496	4,851
Office/Administrative Support	975	4,100	5,410
Production	554	2,250	2,799
Protective Services	117	608	1,153
Sales/Related	1,142	5,117	6,882
Personal Care/Service	487	1,306	1,771
Transportation/Material Moving	985	3,456	4,484

Source: Environics Analytics

Unemployment Statistics

This source reports a population of 101,903 within a five-mile radius of the subject site, and 29,345 households within this same radius. Average household income within a five-mile radius of the subject site is currently reported at \$102,272, while the median is \$85,205.

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

FIGURE 3-4 UNEMPLOYMENT STATISTICS

Year	City	MSA	State	U.S.
2008	6.6 %	5.7 %	6.1 %	5.8 %
2009	9.6	8.8	10.6	9.3
2010	10.8	9.2	10.9	9.6
2011	10.9	9.0	10.3	8.9
2012	10.4	8.5	9.3	8.1
2013	9.4	7.8	8.0	7.4
2014	8.1	6.4	6.3	6.2
2015	7.8	6.1	5.7	5.3
2016	7.9	5.8	5.1	4.9
2017	6.8	5.1	4.6	4.4
<i>Recent Month - May</i>				
2017	6.7 %	4.9 %	4.3 %	4.3 %
2018	5.9	4.1	3.7	3.8

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

Source: U.S. Bureau of Labor Statistics

Current U.S. unemployment levels are now firmly below the annual averages of the last economic cycle peak of 2006 and 2007, when annual averages were 4.6%. National unemployment registered 4.1% each month during the first quarter of 2018, as well as the last quarter of 2017, roughly six points below the October 2009 peak of 10.0%. In April, May, and June of 2018, the rate remained low at 3.9%, 3.8%, and 4.0%, respectively. Total nonfarm payroll employment increased by 175,000, 244,000, and 213,000 jobs in April, May, and June of 2018, respectively. Gains in June occurred in the professional and business services, manufacturing, and healthcare sectors. Unemployment has remained under the 5.0% mark since May 2016, reflecting a trend of relative stability and the overall strength of the U.S. economy.

Major Business and Industry

Locally, the unemployment rate was 6.8% in 2017; for this same area in 2018, the most recent month's unemployment rate was registered at 5.9%, versus 6.7% for the same month in 2017. After showing year-over-year improvement, unemployment began to rise in 2008 as the region entered an economic slowdown, and this trend continued through the height of the national recession and into 2011. However, unemployment declined in 2012 as the economy rebounded, a trend that continued through 2017. The most recent comparative period illustrates improvement, indicated by the lower unemployment rate in the latest available data for 2018. Reportedly, local employment has remained strong within the manufacturing industry and the healthcare sector, including healthy employment levels at primary demand generators in the area such as Wayne Memorial Hospital, Butterball, and Mt. Olive Pickle Company.

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	Seymour Johnson Air Force Base	6,482
2	Wayne County Public Schools	2,997
3	Wayne UNC Healthcare	1,685
4	Case Farms	1,081
5	County of Wayne	1,112
6	Cherry Hospital	997
7	O'Berry Hospital	756
8	Goldsboro Milling Company	800
9	Mount Olive Pickle Company	674
10	Georgia-Pacific	559

Source: Wayne County Economic Development, 2016 (Latest Available)

Seymour Johnson Air Force Base (AFB), located in southeastern Goldsboro, maintains a strong presence in the area. Seymour Johnson AFB boasts the 4th Tactical Fighter Wing of the Air Combat Command (ACC), which is the host wing for the installation. The 916th Air Refueling Wing, a unit of the Air Force reserve, which provides air-to-air refueling missions, cargo and passenger lift, as well as aero medical evacuations, is situated as a tenant unit along with the 414th Fighter Group. Various on-base projects contribute to the strengthening of the local economy. In a 2015 intergovernmental agreement, Wayne County agreed to lend \$3 million to the

City of Goldsboro for the construction of a \$7-million multi-sports complex comprising eight multi-use fields. The Bryan Multi-Sports Complex is situated on 62 acres of land that is owned by Seymour Johnson AFB; an intent of the project is to provide the necessary recreational facilities for personnel and their dependents, as well as Wayne County residents. The Bryan Multi-Sports Complex opened April 23, 2018.

Agriculture and agribusiness have been key industries for the area since Wayne County was founded in 1779. Case Farms, a chicken processing company with over 1000 employees, is one of the community's top employers while Goldsboro Milling, also with over 1000 employees, is a feed grain milling operation. The Town of Mount Olive is renowned for Mt. Olive Pickle Company. In October 2015, Mt. Olive Pickle Company expanded into its new 55,000-square-foot facility in the Mount Olive Industrial Park. The facility, which can be expanded up to 100,000 square feet, is prepared to accommodate continued future growth. Furthermore, in March 2016, the Mt. Olive Pickle Company purchased the \$2.6-million former IMPulse NC and Triangle Spring facility, comprising a 22-acre tract with two buildings totaling 124,000 square feet. The 100,000-square-foot former IMPulse NC manufacturing facility will be used to warehouse finished products, while the smaller building will be used for the storage of product and production materials.

The manufacturing industry within Wayne County continues to strengthen, anchored by major employers such as Cooper Standard Automotive, Telair U.S. Cargo Systems (formerly AAR Cargo Systems), Georgia-Pacific and SPX Transformer Solutions. Local officials continue to heavily promote the 100-acre Mt. Olive Industrial Park in the Town of Mount Olive, and the certified industrial and commercial ParkEast site in the City of Goldsboro to further expand the advanced manufacturing industry. Pepsi Bottling Ventures supports this sector in Goldsboro, as well. Additionally, Wayne Community College provides education for a skilled workforce through programs such as the Advanced Manufacturing Programs/Applied Technologies.

The economic base is diverse in this market, with Seymour Johnson Air Force Base, as well as major employers in the manufacturing, healthcare, and agribusiness fields. The diversifying economy and growth among a variety of sectors bode well for the market. In December 2015, a new partnership was created between Wayne Memorial Hospital and UNC Health Care, which is anticipated to help the hospital achieve substantial cost savings, improve patient services, and increase hospital-based clinical services for patients. The construction of the new Cherry Hospital, which accommodates psychiatric patients, concluded in August 2016 after a three-year delay. The new hospital features 117 more beds than the original, older facility and reportedly added nearly 400 new jobs. Some retail development continues to take place in the market, as well. Wayne Community College is located in Goldsboro

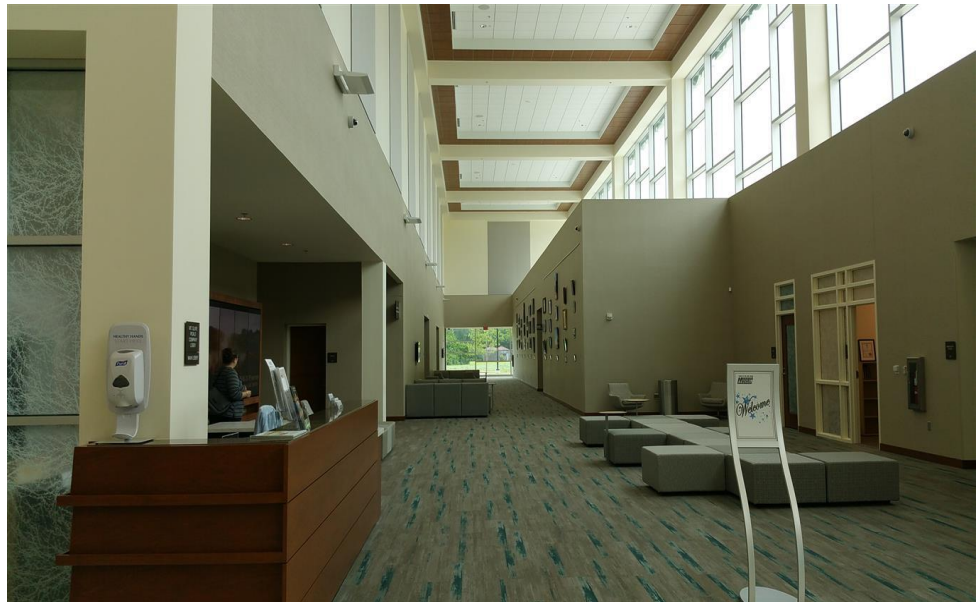
to the south of the Maxwell Center. The college features a 300,000-square-foot campus with nine buildings and over 14,000 curriculum and extension students enrolled annually. The U.S. Highway 70 Bypass (called the Goldsboro Bypass by the North Carolina Department of Transportation) just to the north of Goldsboro was completed in 2016. The Section of U.S. Highway 70 west of Goldsboro to just east of Smithfield is projected to be completed by 2025.

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 Maxwell Center, a brand-new 66,000-square-foot convention center in Goldsboro, opened in March of 2018 in the northeast part of Goldsboro, adjacent to Wayne Community College. Historically, Wayne County did not offer a sizeable convention center, with the exception of the Goldsboro Event Center; however, as part of a 2015 intergovernmental agreement, the City of Goldsboro offered a 12-acre site to Wayne County in exchange for an approximately \$3-million loan for the development of a multi-sports complex on property owned by Seymour Johnson Air Force Base. In February 2016, the naming rights were confirmed for the facility as the Maxwell Regional Agricultural & Convention Center. The two-wing building features Wayne County classroom spaces for use by multiple agricultural agencies, as well as a convention center with meeting and event spaces available for rental to the public. The center contains a divisible 14,515 square-foot multi-purpose ballroom, five meeting rooms totaling 4,730 square feet, 16,200 square feet of lobby and pre-function spaces, and a 9,500-square-foot outdoor event terrace, as well as a full banquet kitchen and storage areas. The facility and grounds also serve as the area's farmers' market.

MAXWELL CENTER LOBBY



MAXWELL CENTER MULTI-PURPOSE BALLROOM



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.

Raleigh-Durham International Airport (RDU) is located northeast of the town of Morrisville in Wake County, North Carolina and is serviced by major commercial airlines and regional carriers. The airport's General Aviation (GA) area is home to the 22,000-square-foot GA Terminal supporting two fixed-base operators. The complex offers 30 acres of aircraft parking space for a variety of aircraft sizes, corporate hangars, and two terminals. Construction of the \$570-million Terminal 2 (part of the airport's 20-year development program) was completed in 2011, and the \$68-million modernization of the LEED certified Terminal 1 was completed in 2014. Vision2040, a comprehensive master plan study, was initiated in 2015 to determine short- and long-term goals to support future aviation demand; the master plan was approved in 2016, and the financial and implementation analyses began at that time. In 2017, the Raleigh-Durham Airport Authority approved the purchase of four zero-emissions, electric transit buses that will replace the older diesel buses; a \$1.6-million grant from the Federal Aviation Administration was applied to this \$3.4-million investment.

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

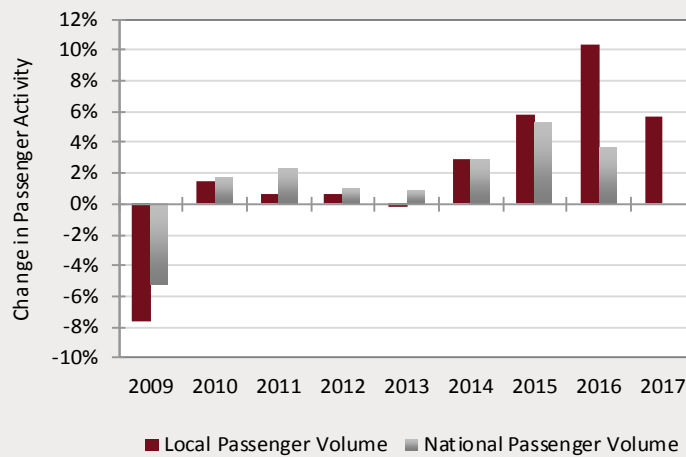
FIGURE 3-6 STATISTICS - RALEIGH-DURHAM INTERNATIONAL AIRPORT

Year	Passenger Traffic	Percent Change*	Percent Change**
2008	9,715,928	—	—
2009	8,970,725	(7.7) %	(7.7) %
2010	9,101,870	1.5	(3.2)
2011	9,161,279	0.7	(1.9)
2012	9,220,345	0.6	(1.3)
2013	9,197,760	(0.2)	(1.1)
2014	9,462,598	2.9	(0.4)
2015	10,015,244	5.8	0.4
2016	11,049,143	10.3	1.6
2017	11,671,693	5.6	2.1
<i>Year-to-date, Apr</i>			
2017	1,717,636	—	—
2018	1,862,353	8.4 %	—

*Annual average compounded percentage change from the previous year

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

Source: Raleigh-Durham International Airport

FIGURE 3-7 LOCAL PASSENGER TRAFFIC VS. U.S. TREND

Source: HVS, Local Airport Authority

This facility recorded 11,671,693 passengers in 2017. The change in passenger traffic between 2016 and 2017 was 5.6%. The average annual change during the period shown was 2.1%. The increase in passenger traffic illustrated over the last few years can be attributed in large part to the addition of new airline carriers and new routes. In May 2015, Allegiant began service at RDU, offering flights to three Orlando destinations, while Alaska Airlines began service in October 2015 with nonstop flights to Seattle. Additionally, Frontier Airlines added nonstop service to Atlanta, Orlando, and Philadelphia in April 2016. Delta Air Lines has also increased its presence at the airport, most notably with the addition of flight service to Paris, France, in May 2016. Moreover, Delta Air Lines added four new daily, nonstop flights to/from Washington, D.C. (Reagan National Airport) in August 2016 and two daily, nonstop flights to/from Austin in March 2017. In early 2017, larger aircraft were implemented to service the nonstop flights to/from London and Paris due to the popularity of the routes.

Tourist Attractions

The market benefits from a modest number of tourist and leisure attractions. The peak season for tourism in this area is from April to September. During other times of the year, weekend demand comprises travelers passing through en route to other destinations, people visiting friends or relatives, and other similar weekend demand generators. The Goldsboro Event Center and the W.A. Foster Recreation Center support visitation to the area. Furthermore, sports-related demand is expected to increase in this market with the recent opening of the eight-field Bryan Multi-Sports Complex. The first event at this complex was a 68-team North Carolina Youth Soccer Association tournament in April 2018. Special events also play a role during key weekends, such as the Wings of Wayne Festival and the North Carolina Pickle Festival. Attractions in the area include the following:

The Cliffs of the Neuse State Park is a popular attraction for local residents and visitors, featuring hiking trails and campgrounds. Although the 350 Yard Trail is the shortest trail, it offers an expansive view overlooking the Neuse River. Additionally, the park features an 11-acre swimming lake comprising a bathhouse and a beach; paddleboats and canoes are available for rental. Furthermore, anglers pursue blue and flathead catfish, as well as bass fishing, in the Neuse River. Tournaments, such as the Neuse Catfish Hunters Tournament in Goldsboro and the Eastern NC Catfish Tournament Trail in Kinston, attract visitors from all over the region.

Seymour Johnson AFB is open to the public for scheduled tours on the fourth Thursday of each month. Additionally, the Museum of Aviation attracts regional travelers for semi-annual "Wings over Wayne" air shows. Antique car shows are also held throughout the year at Seymour Johnson AFB.

SEYMOUR JOHNSON AFB



Local family-friendly festivals attract regional visitors throughout the year. The Town of Mount Olive hosts the annual North Carolina Pickle Festival, which is typically held during the last weekend in April. Additionally, the Wayne Regional Agricultural Fair, which runs for ten consecutive days, attracts many regional travelers, particularly people who live in areas that have limited entertainment venues. Furthermore, the annual Pig in the Park BBQ Celebration is held at the Old Waynesborough Historic Village in Goldsboro. The Kinston Lions Water Adventure is a waterpark that attracts regional visitation and spurs lodging in Goldsboro.

Public golf courses such as the Goldsboro Municipal Golf Course and Lane Tree Golf Club attract leisure demand from various parts of the region. The Goldsboro Municipal Golf Course, which was completely renovated in 1999 under the direction of golf architect John LaFoy, serves as a practice venue for golf enthusiasts of all ages and skill levels, as well as a site for amateur golf tournaments. Additionally, the Lane Tree Golf Club offers a clubhouse that is a popular venue for corporate meetings and functions, as well as SMERFE-related group events such as weddings.

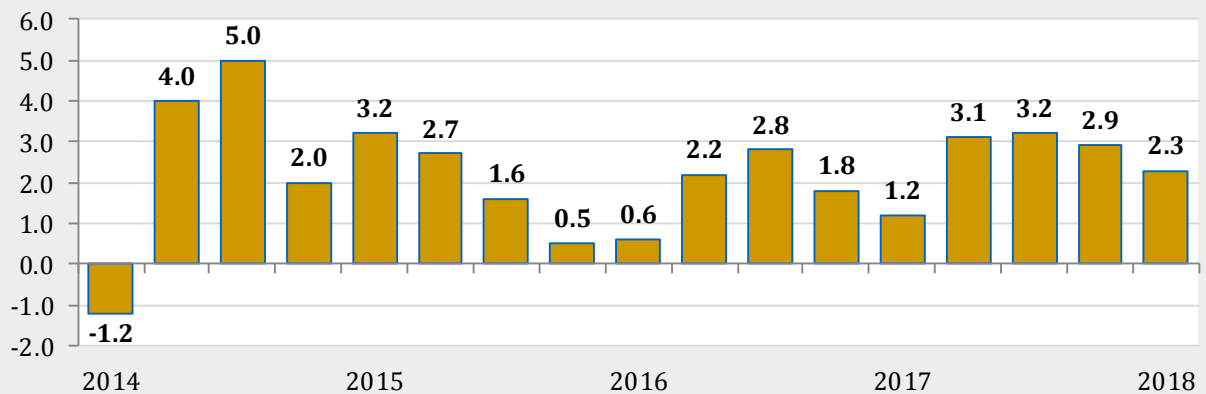
Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. Goldsboro and Wayne County are experiencing a period of gradual growth, primarily led by the military and healthcare sectors, as well as the agriculture and manufacturing industries. The new Maxwell Center and Bryan Multi-Sports Complex, which opened in 2018, are expected to bolster the volume of group and leisure events attracted to the area. The 2016 opening of the U.S. Route

70 Bypass has afforded greater access to the area, which is expected to continue to support commercial and leisure visitation and growth. As such, the outlook for the market area is positive.

Our analysis of the outlook for this specific market also considers the broader context of the national economy. The U.S. economy expanded during the last three years, with a relatively low point in growth occurring during the fourth quarter of 2015 and the first quarter of 2016, as well as the first quarter of 2017. Most recently, the U.S. economy expanded by 2.9% and 2.3% in the fourth quarter of 2017 and first quarter of 2018, respectively. The recent growth reflected strong nonresidential fixed investments, personal consumption expenditures (PCE), exports, private inventory investments, federal government spending, and state and local government spending.

FIGURE 3-8 UNITED STATES GDP GROWTH RATE



Source: tradingeconomics.com, Bureau of Economic Analysis

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

4. Maxwell Center Demand Analysis and Hotel Impact

HVS conducted a market study to assess the potential demand and impact a new hotel would have on the operation of the Maxwell Regional Agricultural and Convention Center (“the Maxwell Center”). To perform this analysis, HVS performed the following tasks.

1. Analyzed current demand and future booked events at the Maxwell Center,
2. Compiled data on 24 competitive and comparable hotel conference centers and stand-alone convention centers in central and eastern North Carolina to inform and test the reasonableness of demand projections,
3. Conducted a web-based survey of meeting and event planners to understand their event needs, their overall impressions of Goldsboro, and the likelihood of booking events at the Maxwell Center, and
4. Prepared a forecast of event demand, attendance and room night generation for the Maxwell Center assuming the development of an adjacent hotel.

The Maxwell Center

Opened in March of 2018, the 66,000-square foot Maxwell Center consists of two wings. One wing consists of offices for multiple agricultural agencies, while the second houses rental spaces available for rental for conventions, conferences, meetings, banquets, and other group events. Constructed on land supplied by the City of Goldsboro, Wayne County owns and manages the facility.

MAXWELL CENTER



The following figure presents the function spaces available for rent within the Maxwell Center.

FIGURE 4-1 MAXWELL CENTER FUNCTION SPACES

Event Space	Total Area (SF)	Capacities			Exhibit Booths (10'x10')
		Theatre	Banquet	Classroom	
Multipurpose Ballroom	14,515	1,613	829	1,001	71
Hall A1	2,244	249	128	155	11
Hall A2	2,604	289	149	180	13
Hall B	5,496	611	314	379	27
Hall C	4,171	463	238	288	20
Meeting Rooms					
Room D	850	94	49	59	
Room E	600	67	34	41	
Room F	900	100	51	62	
Room G	880	98	50	61	
Room H	1,500	167	86	103	
Total Meeting Space	4,730				
TOTAL FUNCTION SPACE	19,245				
Outside Courtyard	9,500				

Sources: Maxwell Center

Historical Demand Other Local Venues

In addition to the above function spaces, the Maxwell Center houses 16,200 square feet of lobby and pre-function spaces. The facility is suitable for a variety of events, including exhibit-based conventions and trade shows, conferences, business meetings, banquets, receptions, fundraisers, and performances.

In addition to the Maxwell Center, Goldsboro offers a variety of venues for business meetings and social events, including country clubs, hotels, banquet halls, historic sites, schools, and businesses. The following figure presents a summary of local meeting venues that have the capacity for banquets of 50 persons or more.

FIGURE 4-2 LOCAL VENUES

Conference & Banquet Venues	Banquet Capacity	Number of Guest Rooms
With Lodging		
Holiday Inn Express & Suites	100	92
Best Western Plus	72	122
Without Lodging		
Maxwell Center	850	
Walnut Creek Country Club	850	
Alumni Cultural Center	500	
Wayne Community College	380	
Lane Tree Golf & Conference Center	350	
Goldsboro Event Center	280	
Wayne Center	250	
Herman Park Center	228	
Southern Wayne Country Club	200	
The Terrace Room	199	

Source: Visit Goldsboro

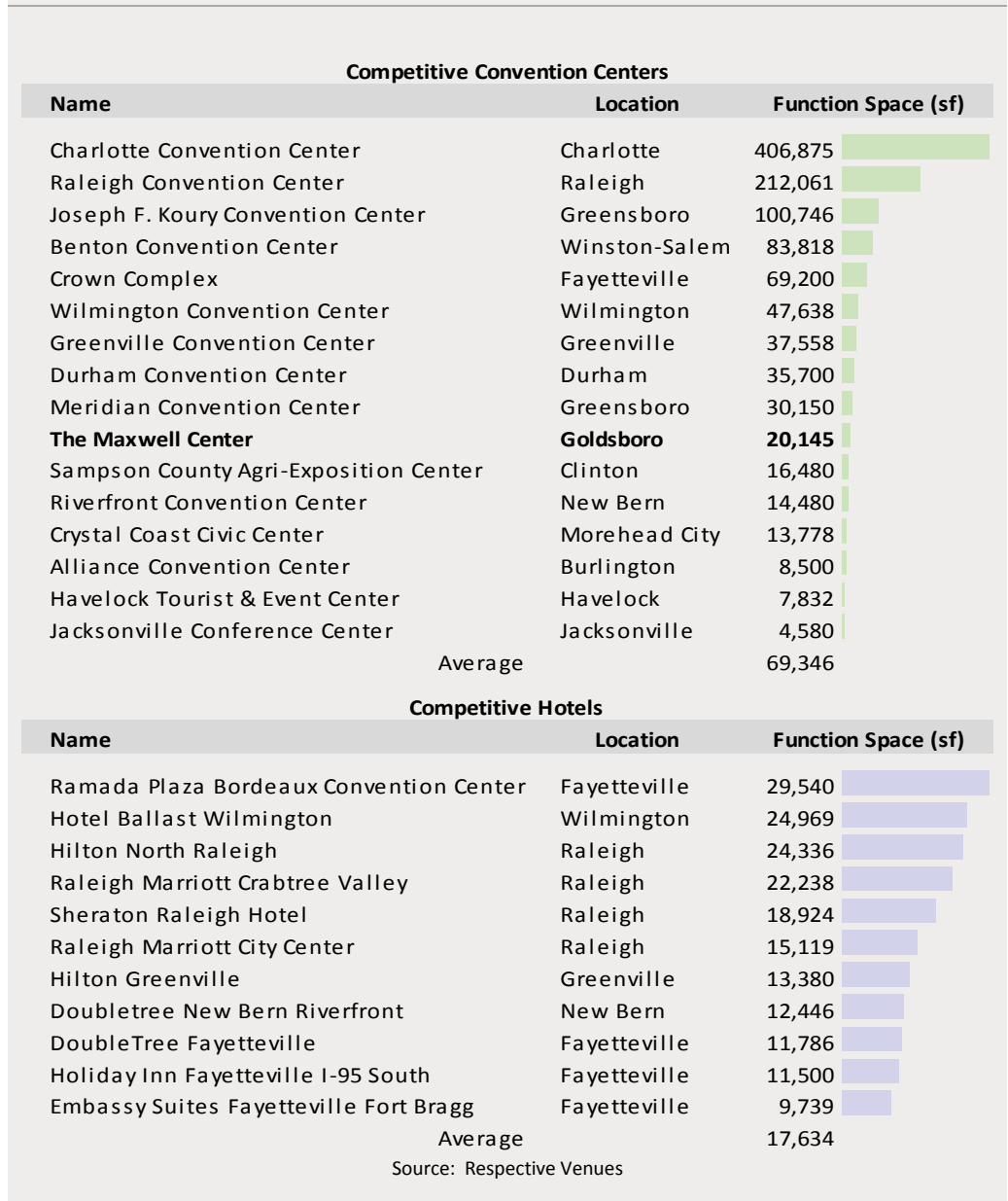
Local hotels in Goldsboro offer small amounts of meeting and banquet space. Larger local functions primarily rely on country clubs, the city-operated Goldsboro Event Center, and the new Maxwell Center. The local market lacks a large meeting venue with attached or adjacent lodging.

Comparable Venues

An analysis of competitive and comparable venues provides a basis for forecasts of event demand. The analysis compares the meeting function spaces in each of the facilities and adjacent hotel capacities. HVS analyzed 24 stand-alone convention centers and hotels in the state that compete with the Maxwell Center for group meeting business.

The following figure presents these properties and the total number of function space available in each.

FIGURE 4-3 COMPETITIVE VENUES IN NORTH CAROLINA



Each of the properties above offers meeting and conference space for a variety of group event types, including small conventions, conferences, meetings, weddings,

and other social events. The Maxwell Center has a relatively small amount of total function space when compared to stand-alone venues but compares favorably to most hotel conference center properties. An analysis of the sizes and capacities of the various components of the properties help inform demand potential for the Maxwell Center in Goldsboro.

Exhibit Space Assessment

Critical for several types of events such as conventions, tradeshow, and consumer shows, the amount and quality of exhibition space determine the size and type of events that a venue can accommodate. Large, stand-alone convention centers often house a dedicated exhibit hall, while smaller venues and hotels rely on ballrooms, lobbies, and other pre-function spaces to accommodate light exhibition needs. The following figure identifies the competitive venues with exhibit halls.

FIGURE 4-4 EXHIBIT SPACE IN COMPETITIVE VENUES

Competitive Convention Centers				
Name	Location	Exhibit Space (sf)		# Halls
Charlotte Convention Center	Charlotte	280,000	<div></div>	4
Raleigh Convention Center	Raleigh	146,843	<div></div>	3
Crown Complex	Fayetteville	60,000	<div></div>	2
Benton Convention Center	Winston-Salem	46,008	<div></div>	2
Wilmington Convention Center	Wilmington	30,173	<div></div>	1
Greenville Convention Center	Greenville	28,800	<div></div>	5
Durham Convention Center	Durham	18,120	<div></div>	3
Average		87,135		
Competitive Hotels				
Name	Location	Exhibit Space (sf)		# Halls
Ramada Plaza Bordeaux Convention Center	Fayetteville	6,000	<div></div>	1

Source: Respective Venues

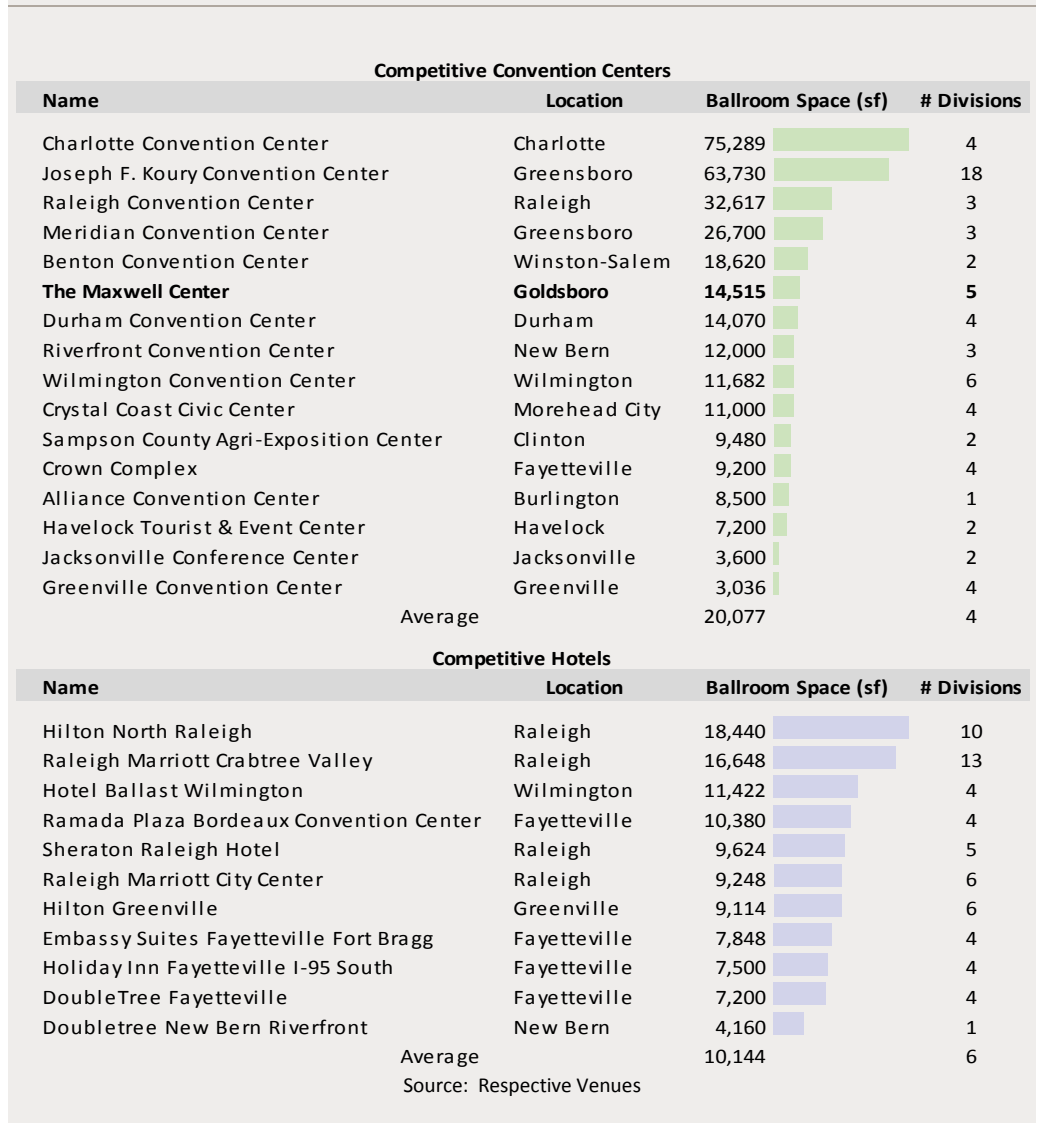
Several stand-alone convention centers in North Carolina house exhibit halls. Without an exhibit space. The Maxwell Center does not compete with large convention centers for conventions and trade shows that require large amounts of dedicated exhibit space.

Ballroom Space Assessment

Banquet space is important for conference centers as facility operators attempt to grow foodservice revenues at their facilities and event planners seek a higher level of service for their attendees. In addition to social events (such as weddings and fundraisers) that host banquets, other types of events, such as conferences, typically require food services in a ballroom setting. Consequently, the size of the ballroom can determine a venue's event size capacity. Whether the ballroom is divisible bears on its ability to host simultaneous events that require banquet

space. The figure below compares the available banquet space in the competitive properties.

FIGURE 4-5 BALLROOM SPACE IN COMPETITIVE VENUES



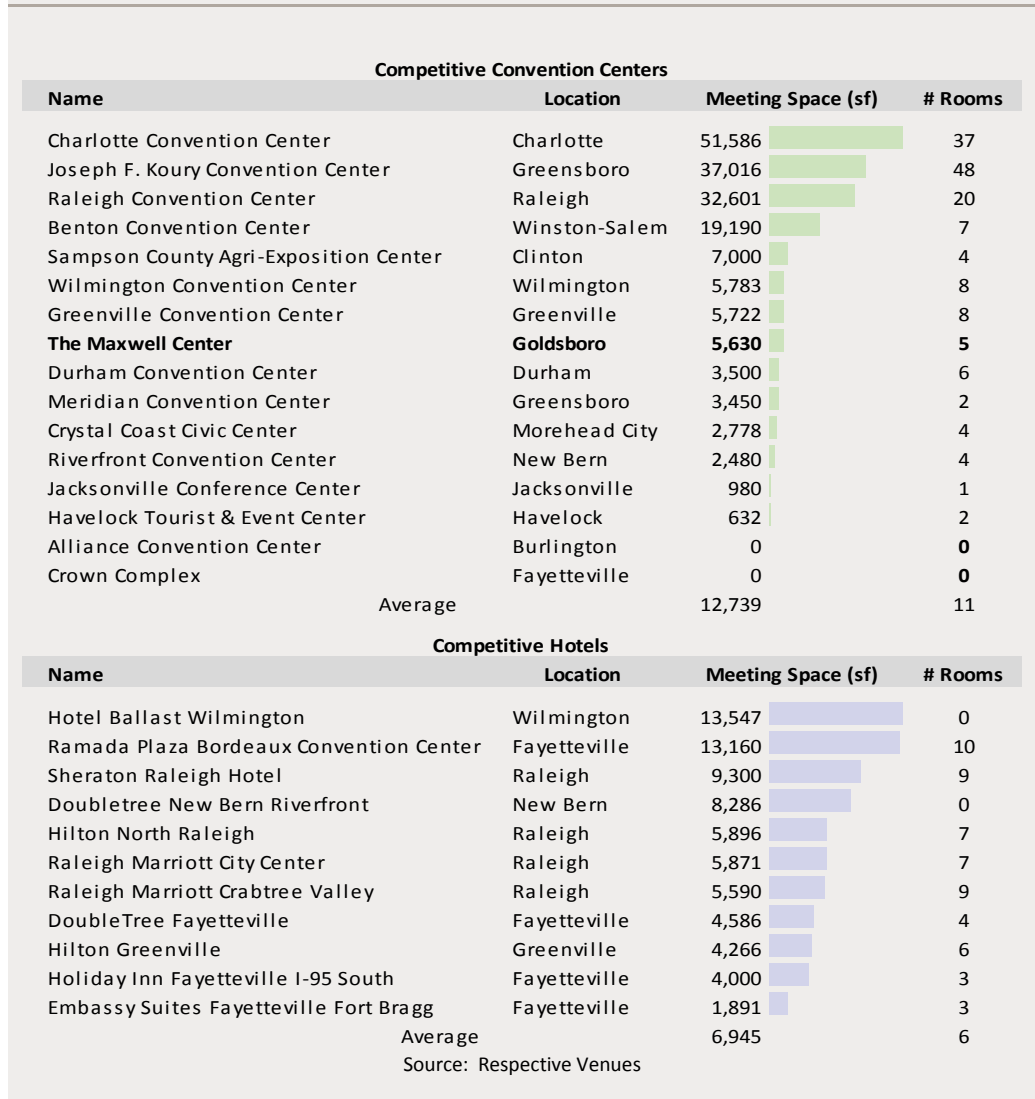
All the comparable properties have at least one ballroom which typically divides into several smaller spaces. Many offer multiple ballroom options and can accommodate simultaneous events. Ballroom sizes vary with an average size between 10,000 and 23,000 square feet. Divisibility of ballroom spaces allows for room flexibility and the ability to use ballrooms as breakout meeting space. The

Meeting/Break-out Room Assessment

Maxwell Center offers a larger and more flexible ballroom than many competing venues in the state.

Meeting rooms can accommodate sub-groups as they break out of larger general sessions at conventions and conferences. Additionally, these smaller rooms can accommodate self-contained meetings, training sessions, seminars, classes, and a variety of small meeting functions. The optimum amount of meeting space can vary depending on a facility's target market. The following figure presents a comparison of available meeting space in the comparable properties.

FIGURE 4-6 MEETING SPACE IN COMPETITIVE VENUES



**Adjacent Hotel
Capacity**

Most facilities offer multiple breakout meeting rooms of various sizes. On average, the comparable properties contain 7,000 to 14,000 square feet of meeting space. While below average, the Maxwell Center's meeting spaces are comparable to many competing venues.

The quality and proximity of hotel supply represent two of the most important selection factors for facility users in recent years. To attract out-of-town groups, an adequate supply of nearby hotel rooms should support the lodging needs of delegates, exhibitors, and other attendees. Event planners consider proximity and connectivity as critical factors when evaluating the overall hotel packages available in competing communities. Generally, the number of rooms offered at hotels adjacent or connected to a conference center is the key point of comparison. Other important factors include hotel brands, service levels, building ages, management, ease of access, and available meeting and banquet spaces in these hotels.

The figure below compares the number of adjacent hotel rooms in the comparable venues and the ratio of meeting function space per guest room. In the figure, we only consider those venues with adjacent or attached lodging.

FIGURE 4-7 ADJACENT HOTEL ROOMS

Competitive Convention Centers			
Name	Location	Adjacent Hotel Rooms	Function Space per Room
Joseph F. Koury Convention Center	Greensboro	990	102
Charlotte Convention Center	Charlotte	700	581
Benton Convention Center	Winston-Salem	461	182
Greenville Convention Center	Greenville	412	91
Raleigh Convention Center	Raleigh	400	530
Durham Convention Center	Durham	187	191
Wilmington Convention Center	Wilmington	0	182
Meridian Convention Center	Greensboro	0	102
Average		525	245
Competitive Hotels			
Name	Location	Adjacent Hotel Rooms	Function Space per Room
Raleigh Marriott City Center	Raleigh	400	38
Raleigh Marriott Crabtree Valley	Raleigh	379	59
Sheraton Raleigh Hotel	Raleigh	353	54
Hilton North Raleigh	Raleigh	333	73
Ramada Plaza Bordeaux Convention Center	Fayetteville	295	100
Hotel Ballast Wilmington	Wilmington	272	92
Holiday Inn Fayetteville I-95 South	Fayetteville	198	58
Doubletree New Bern Riverfront	New Bern	171	73
Embassy Suites Fayetteville Fort Bragg	Fayetteville	167	58
DoubleTree Fayetteville	Fayetteville	148	80
Hilton Greenville	Greenville	142	94
Average		260	71
Source: Respective Venues			

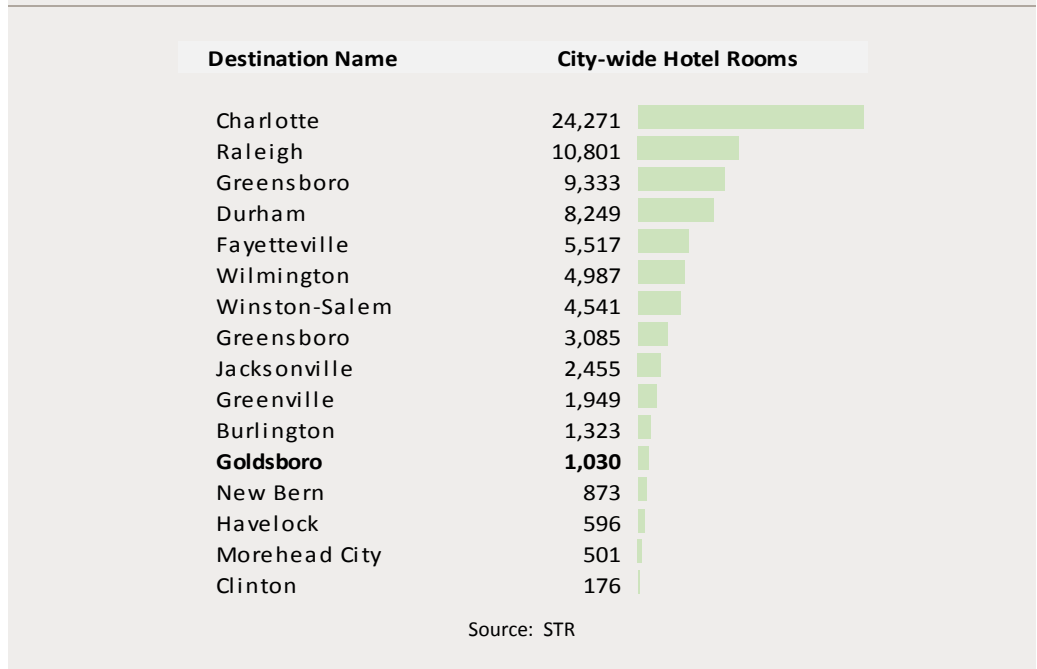
The competitive hotels offer integrated hotel and conference center operations in which meeting function space primarily supports the integrated hotel rooms. Convention centers and hotels with more function space and higher function space ratios can accommodate market-wide events that produce hotel room nights in other local hotels.

Market-Wide Hotel Rooms

Larger convention events or banquets require the use of multiple hotels to accommodate event attendees. The overall number of hotel rooms available in the market provides an indicator of capacity to provide adequate room blocks for large events.

The figure below shows the number of city-wide hotel rooms in Goldsboro and the comparable markets.

FIGURE 4-8 CITY-WIDE HOTEL ROOMS IN COMPETITIVE MARKETS



Compared to other markets in central and eastern North Carolina, Goldsboro has a below average number of hotel rooms available to support large events but ranks above New Bern and Morehead City.

Market Population and Business

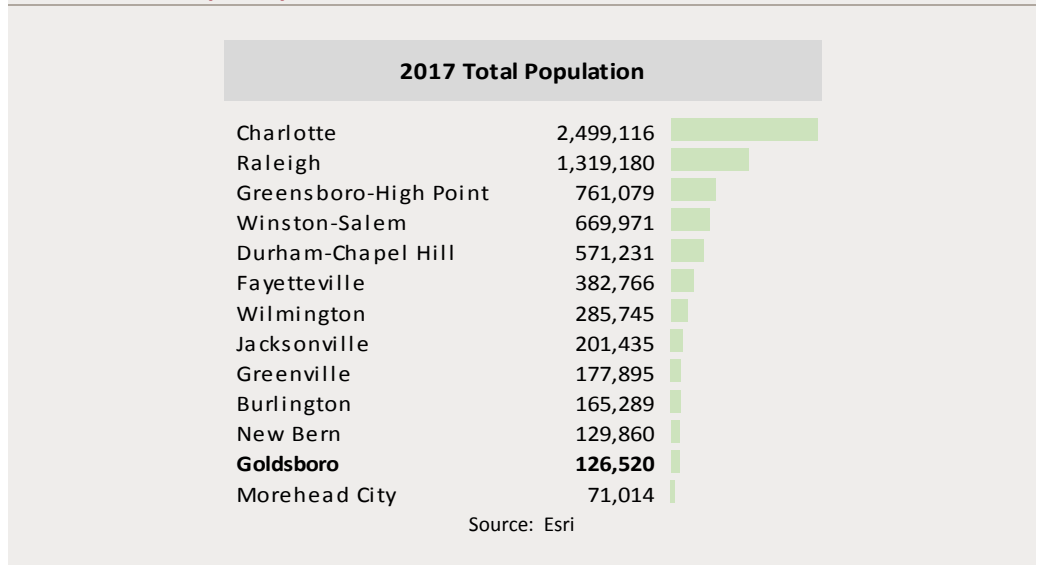
Local area population data can provide evidence of a community's overall size and ability to support public services and visitor amenities for conference center users. Population data can provide a basis for understanding a community's ability to support and sustain a conference center, the surrounding neighborhood, and market. Additionally, population data can determine the demand potential for certain types of events such as locally generated meetings and banquets.

The density and breadth of a city's corporate base indicate demand potential in the meetings industry. Businesses generate demand for conventions, conferences, training, and other industry-specific events.

The following figures present population and number of business establishments for the metropolitan areas surrounding each comparable venue. Because they are not part of a metropolitan area, we do not include Clinton and Havelock in this

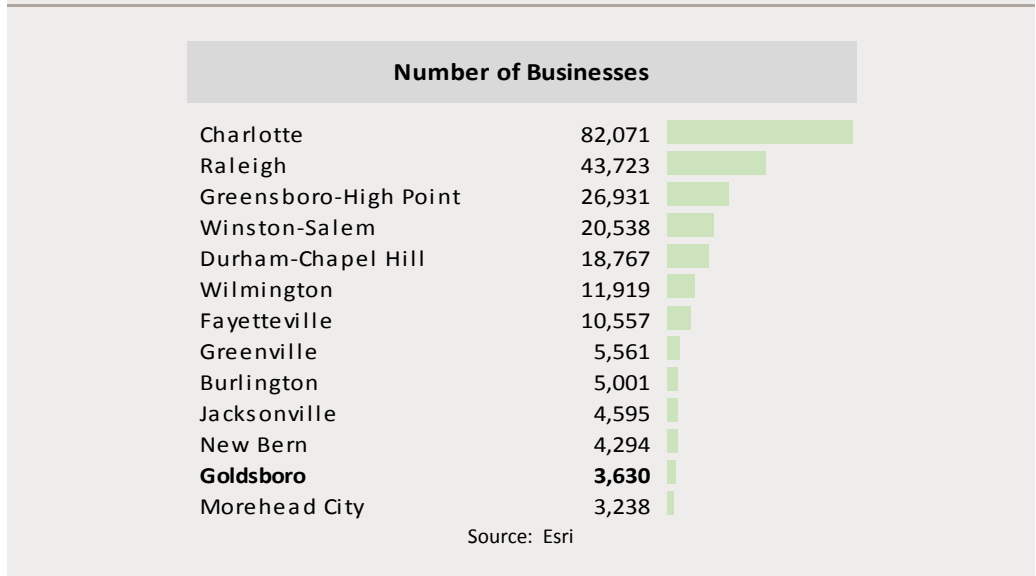
analysis. Most of the comparable markets contain a stand-alone convention center. Fayetteville also has multiple integrated hotel properties.

FIGURE 4-9 METROPOLITAN POPULATION OF COMPARABLE MARKETS (2017)



Goldsboro has a relatively small population when compared with other metropolitan markets in the central and eastern North Carolina.

FIGURE 4-10 NUMBER OF BUSINESS ESTABLISHMENTS IN COMPARABLE MARKETS



Roughly following population, Goldsboro area has a below average number of business establishments compared to the comparable regional markets. A smaller corporate base suggests a reduced ability to generate event demand.

Destination Analysis

The availability of amenities that support visitation and the overall attractiveness of a destination play important roles in event planner decisions. To assess the suitability of a city for convention center events, we defined the destination as the city the venue is located in.

HVS used Esri Business Analyst Online (“Esri”) to compare the suitability of an event destination to competitive cities. Esri is a well-regarded forecasting service that applies geographic information system technology (“GIS”) to produce extensive demographic, consumer spending, and business data analyses. Esri employs a sophisticated location-based model to forecast economic and demographic trends. Esri models rely on U.S. census data, the American Community Survey, and other primary research.

Using ESRI data and other sources, HVS ranked the convention centers in the comparable venue set and the regionally competitive set on six indicators of destination quality.

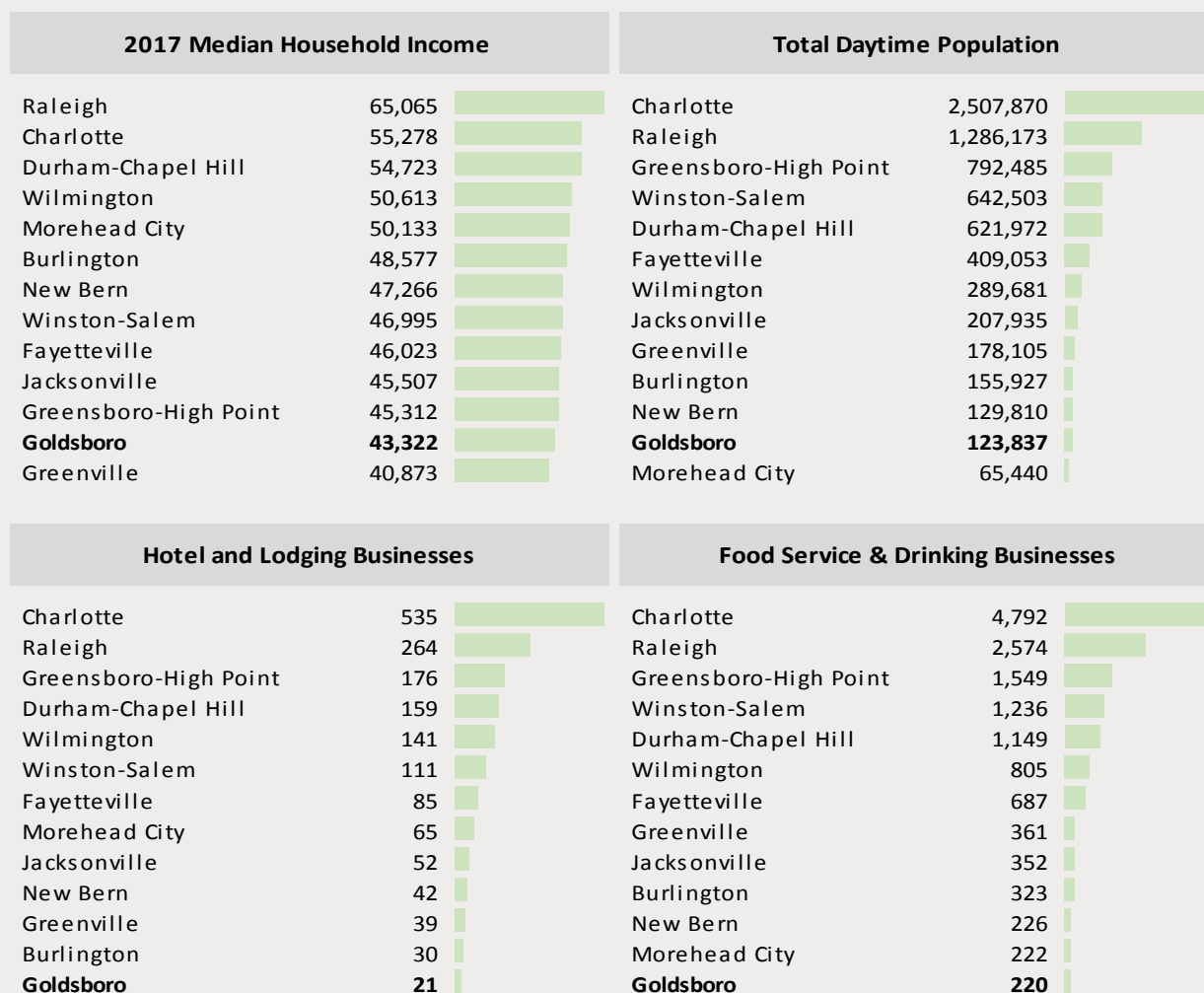
- 2017 Median Household Income—Median household income provides an overall measure of a community’s well-being. It indicates a community’s

ability to support and sustain a venue and its surrounding neighborhood and market.

- **Total Daytime Population**—Daytime population indicates the number of people who are in the area during the day. This includes those who work and those who live in the area but are too young to work, unemployed or not in the labor force. It indicates an area's ability to handle an influx of visitors and provide adequate food, beverage, and entertainment options.
- **Hotel and Lodging Businesses**—The quality and proximity of hotel supply represents one of the most important selection factors for facility users in recent years. To attract out-of-town groups, an adequate supply of nearby hotel rooms should support the lodging needs of delegates, exhibitors, and other attendees.
- **Food Service & Drinking Businesses**—The number of food service and drinking businesses measures the presence of restaurants, bars and other outlets that support local and tourism visitation.
- **Arts, Entertainment, & Recreation Businesses** —Arts, entertainment, and recreation business enhance the quality and attractiveness of a destination.
- **Storefront Businesses**—A sum of the number of food and beverage stores, clothing and accessory stores, sports, hobby and music stores, general merchandise and miscellaneous stores. This indicates the presence of retail shopping, restaurants and bars, and other destination attractions for visitors.
- **Cost Index** -- The cost index is from the Bureau of Economic Analysis and uses the Regional Price Parity (RPP) statistic. RPP is based on a combination of price quotas from the Consumer Price Index and rent data from the American Community Survey. It provides a general indication of the cost of goods and services in that destination along with the cost of food, lodging, and entertainment. An RPP index of 100 indicates the national average. RPP data for Morehead City and Clinton is not available.

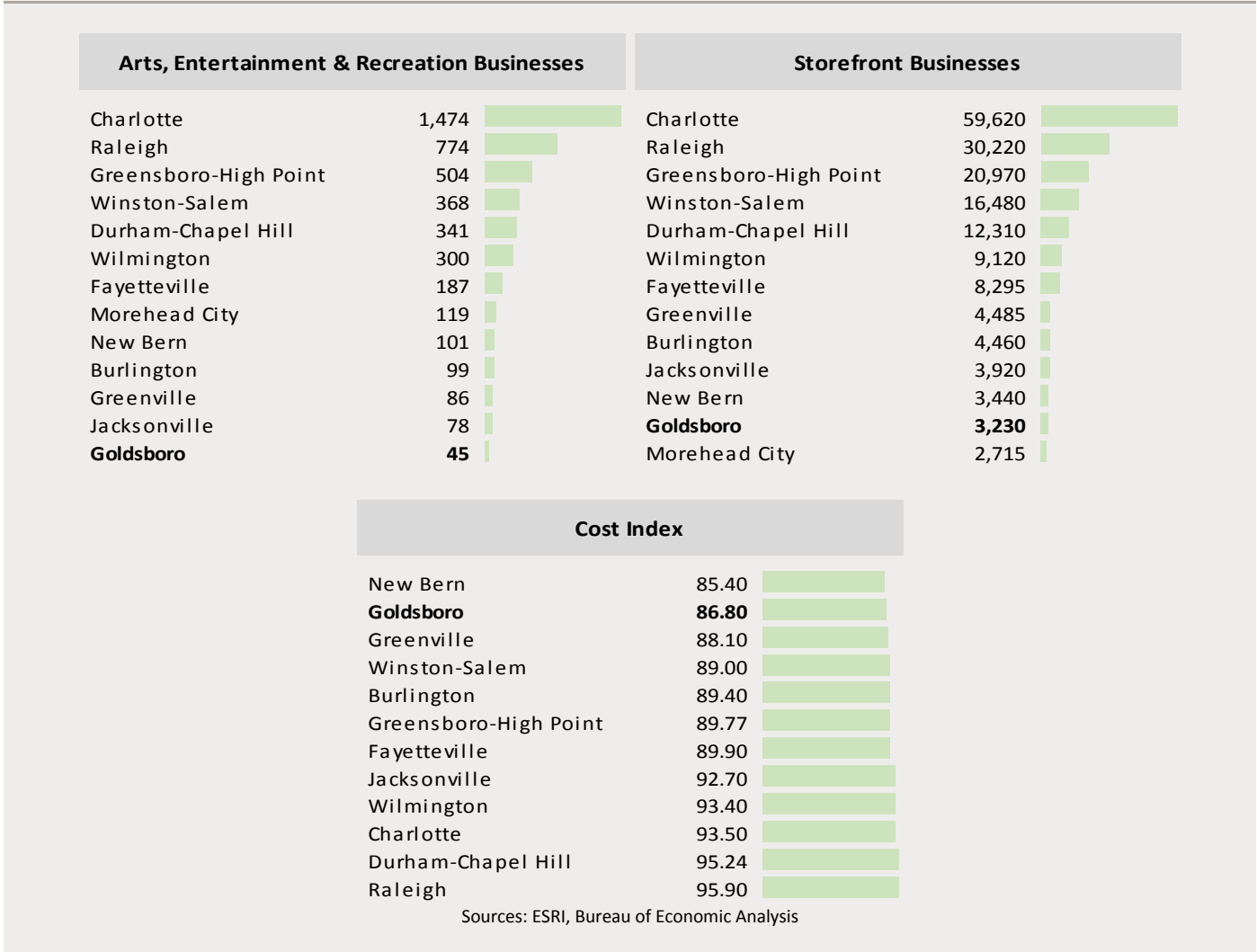
The figures below rank Goldsboro among a combination of the set of competitive venue cities on each of the criteria described above within the city limits of the destination.

FIGURE 4-11 COMPETITIVE DESTINATION ANALYSIS



Source: Esri

FIGURE 4-12 COMPETITIVE DESTINATION ANALYSIS (CONTINUED)



Summary of Destination Indicators

Goldsboro's median household income and daytime population are the third lowest in the set. The number of businesses in Goldsboro—hotel and lodging, food service and drinking, arts and entertainment and storefront businesses—are all near the bottom of the set. The analysis suggests that, based on visitor amenities, Goldsboro has a below average ability to attract event planners and attendees. But, Goldsboro ranks favorably on cost, indicating that it can offer event attendees lower cost options when traveling to the City.

Destination Ranking

To assess the overall relative strength of each destination, HVS calculated a score for each convention area's ranking within the criteria. Destination quality criteria were weighted to reflect their importance to event planners. Food service and drinking businesses and storefront businesses were weighted higher than the other categories due to their importance among event planners in choosing a destination. The figure below shows the overall rank among the competitive cities and the weights for each criterion.

FIGURE 4-13 RANK ON ALL DESTINATION CRITERIA

Weight (1 to 5)	3	3	5	4	2	2	3	
City in North Carolina	Total Daytime Population	2017 Median Household Income	Hotel and Lodging Businesses	Food Service & Drinking Businesses	Arts, Entertainment & Recreation Businesses	Storefront Businesses	Cost Index	Weighted Score
Charlotte	1.00	0.71	1.00	1.00	1.00	1.00	0.21	0.852
Raleigh	0.51	1.00	0.49	0.53	0.52	0.50	0.00	0.506
Greensboro-High Point	0.31	0.41	0.32	0.32	0.34	0.34	0.55	0.366
Winston-Salem	0.25	0.46	0.20	0.25	0.25	0.27	0.63	0.320
Durham-Chapel Hill	0.24	0.69	0.29	0.23	0.23	0.20	0.06	0.282
Wilmington	0.11	0.57	0.25	0.16	0.20	0.14	0.22	0.240
New Bern	0.05	0.46	0.07	0.04	0.06	0.05	1.00	0.238
Fayetteville	0.16	0.43	0.15	0.14	0.12	0.13	0.54	0.235
Burlington	0.06	0.50	0.04	0.06	0.06	0.06	0.59	0.189
Goldsboro	0.04	0.35	0.03	0.04	0.03	0.04	0.85	0.188
Greenville	0.06	0.27	0.06	0.07	0.05	0.06	0.72	0.181
Jacksonville	0.08	0.41	0.09	0.07	0.05	0.05	0.28	0.146
Morehead City	0.02	0.55	0.11	0.04	0.08	0.03		0.120

Goldsboro ranks ninth overall in the destination ranking, well behind the larger metropolitan areas of Charlotte, Raleigh, and Greensboro. Among the smaller metropolitan areas in the state, Goldsboro ranks ahead of Jacksonville and Greenville, but behind New Bern and Wilmington.

Event Planner Survey

HVS designed and conducted a survey of event planners to provide a basis for an indication of event planner interest in locating events in Goldsboro, which is useful in assessing the potential demand for the Maxwell Center given the proposed adjacent hotel development.

HVS collected contact information of event planners from Visit Goldsboro and the Maxwell Center. HVS successfully sent emails to 692 of the event planners on this list. The email introduced the purpose of the survey and provided a link to the web-based survey. There were 104 responses for an overall response rate of 12%. The true response rate is unknown spam filters may have blocked a significant number of emails.

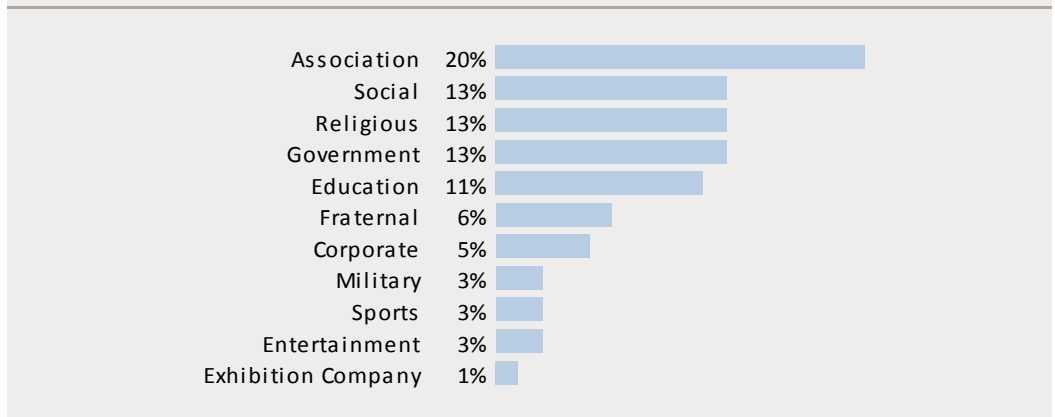
The following summary of responses highlights key results.

Survey Respondents

To indicate whether this group of respondents fairly represents a cross-section of the meetings industry, HVS collected data on the type of organization they represent and the types of events they plan. Survey respondents reside in 11 states with around 84% from the state of North Carolina. Responders represent 45 cities (34 in North Carolina) with 25% of responders from Goldsboro and 16% from Raleigh.

To understand the types of organizations responding to the survey, HVS asked respondents to describe the organizations they represent. Respondents may represent more than one type of organization, as shown in the figure below.

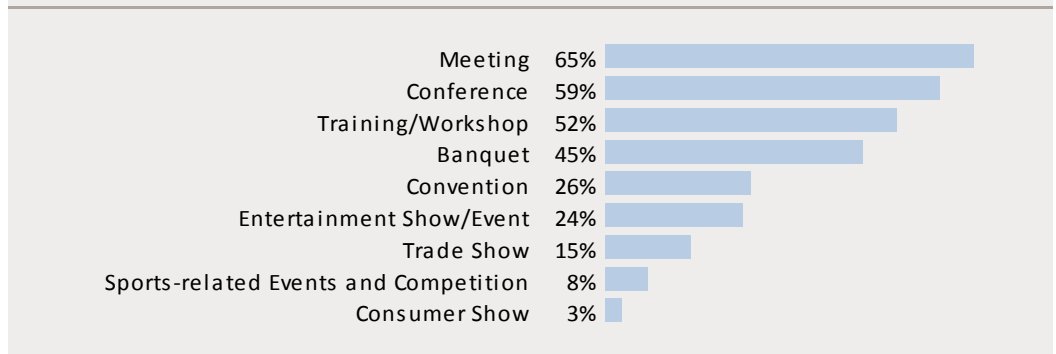
FIGURE 4-14 RESPONDING ORGANIZATION BY TYPE



Event planners representing associations make up 20% of the sample. SMERF (social, military, educational, religious and fraternal) organizers make up in total 56%. Sports, military, and government organizations round out the survey respondents. The sample obtained through this survey appears to reflect a broad cross-section of event planners that are typical of the makeup of the regional meetings industry.

HVS asked event planners to identify the all the types of events they plan.

FIGURE 4-15 TYPES OF EVENTS PLANNED

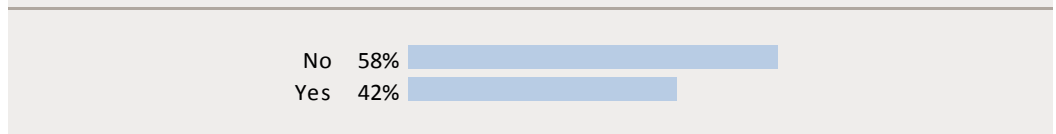


Meeting planners organize a wide variety of event types. Planners cited meetings and conferences most often. Around half of planners organize training workshops and banquets. A lower percentage of event planners plan conventions, trade shows, and entertainment events.

Past Events

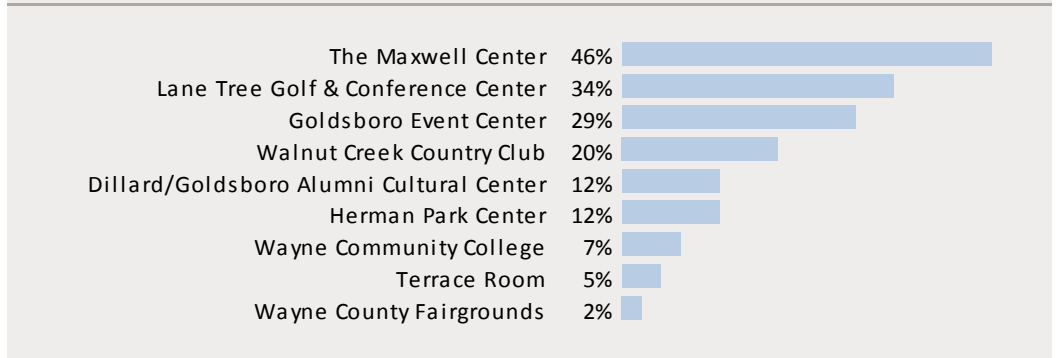
HVS asked event planners if they had planned an event in Goldsboro during the past five years. See the figure below.

FIGURE 4-16 EVENT HELD DURING PAST 5 YEARS



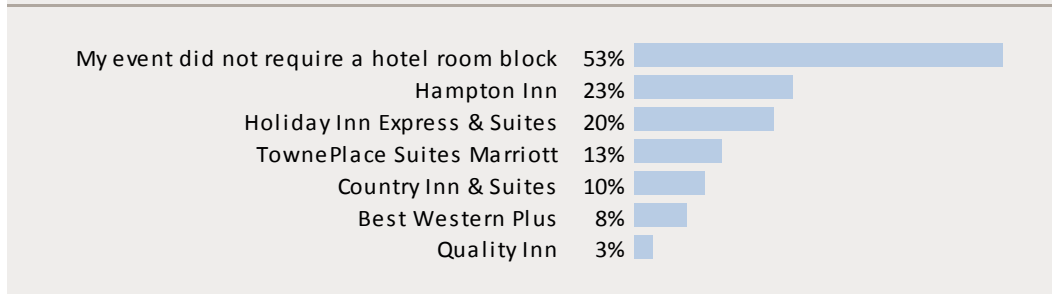
Over 40% of the respondents had held an event in Goldsboro during the past five years. For those planners who responded “yes” to the above question, HVS asked them to identify the primary event venue and the hotels that participated in their hotel room block.

FIGURE 4-17 PRIMARY EVENT VENUE



Nearly half of event planners have used the Maxwell Center for their events. The Lane Tree Golf & Conference Center and Goldsboro Event Center are also popular venues. Other event properties include the Walnut Creek Country Club and the Herman Park Center facilities.

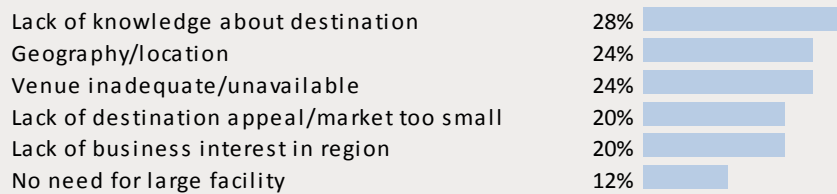
FIGURE 4-18 HOTELS IN ROOM BLOCK



Over half of the event planners indicated that their events did not require a hotel room block. For those events requiring lodging, respondents most frequently mentioned the Hampton Inn and the Holiday Inn Express & Suites. Other popular hotels include the TownPlace Suites and Country Inn & Suites.

For planners who have not held an event in Goldsboro, we asked for the reasons in an open response format. HVS classified their answers into the categories shown in the figure below.

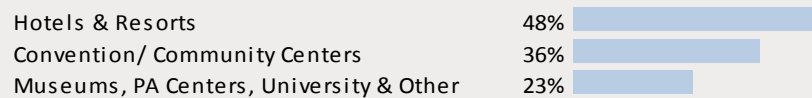
FIGURE 4-19 REASONS FOR NOT HOSTING EVENT IN GOLDSBORO



When explaining why they have not hosted an event in Goldsboro, event planners cite a lack of knowledge about the destination (28%) and geography (24%). Around one-quarter of planners noted that an adequate facility is not available in Goldsboro. Other planners note the lack of destination appeal and the lack of a business interest in the market.

HVS asked all event planners to identify up to five other facilities and cities in which they have recently held events. Respondents noted a variety of hotels, convention centers, and other venues. The following table shows the percentage of venues used by type.

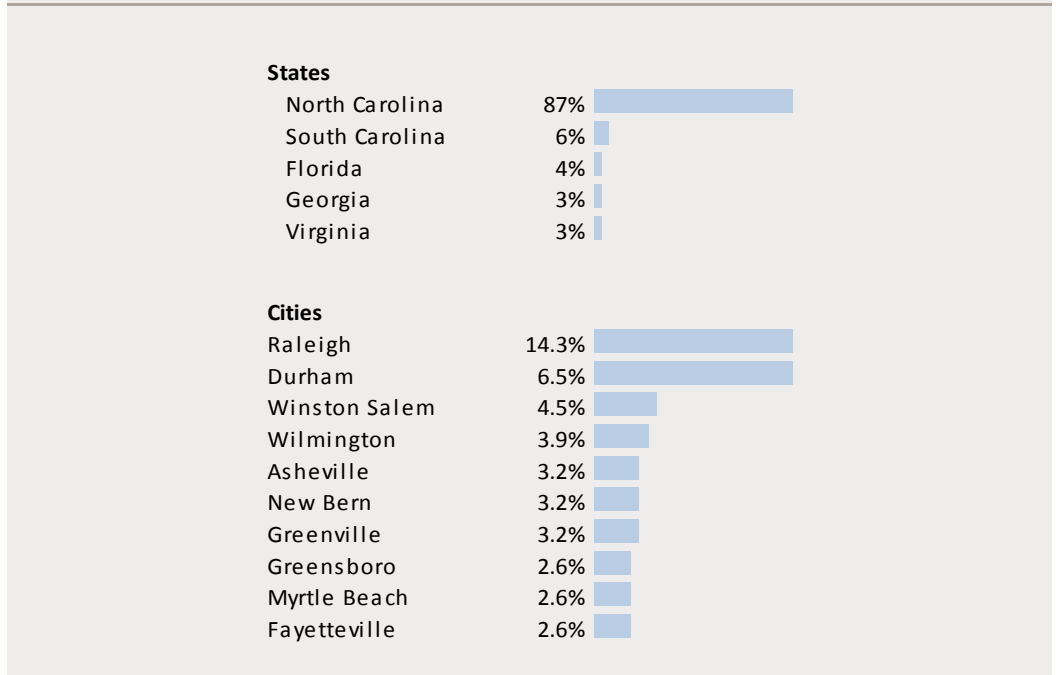
FIGURE 4-20 VENUES BY TYPE



Hotels and resorts make up almost half of all other venues in which event planners have booked events. Stand-alone convention and conference centers make up another 36%. Other venues include university venues, sports venues, restaurants, and business locations.

Planners reported hosting events in around 70 cities across the U.S. The following figures show the most popular cities and states in which event planners most frequently place events.

FIGURE 4-21 EVENT LOCATIONS



A majority of event planners (87%) have hosted events in North Carolina, with some planners identifying venues in South Carolina, Florida, Georgia, and Virginia. The most popular city is Raleigh with Durham, Winston-Salem, and Wilmington also receiving several mentions.

Meeting Planner Perceptions

HVS asked event planners to identify the three most attractive markets for planning their events from a competitive set of cities in the region. The following figures rank the destinations by event planner preference. We have separated the results for local and non-local planners.

FIGURE 4-22 TOP REGIONAL DESTINATIONS – LOCAL EVENT PLANNERS

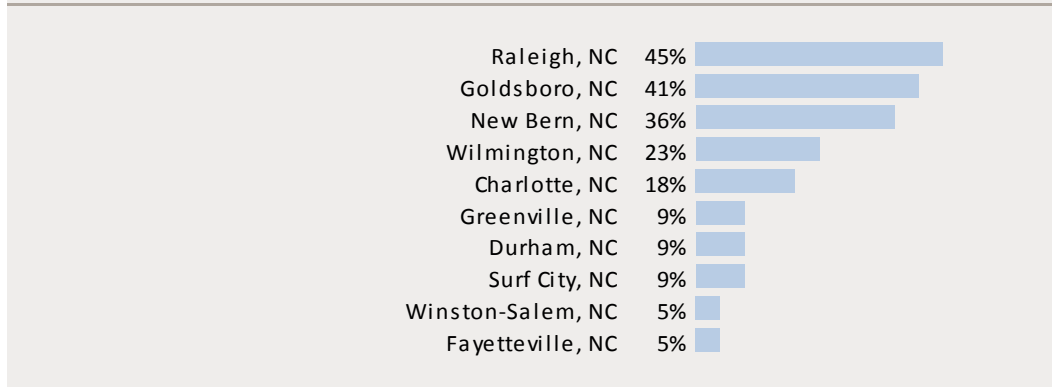
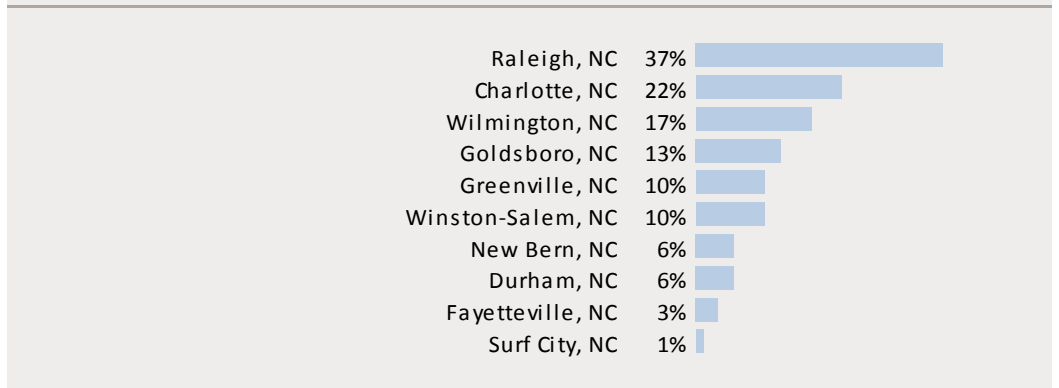


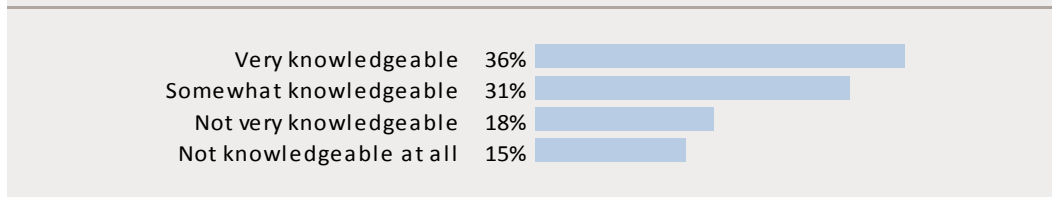
FIGURE 4-23 TOP REGIONAL DESTINATIONS – NON-LOCAL EVENT PLANNERS



Raleigh received the most mentions from both local and non-local planners. Goldsboro ranked much higher for local planners, while Charlotte is a popular destination for non-local planners.

Before responding to a series of questions regarding their perception of Goldsboro as a group event location, HVS asked meeting planners to identify their level of knowledge about the destination.

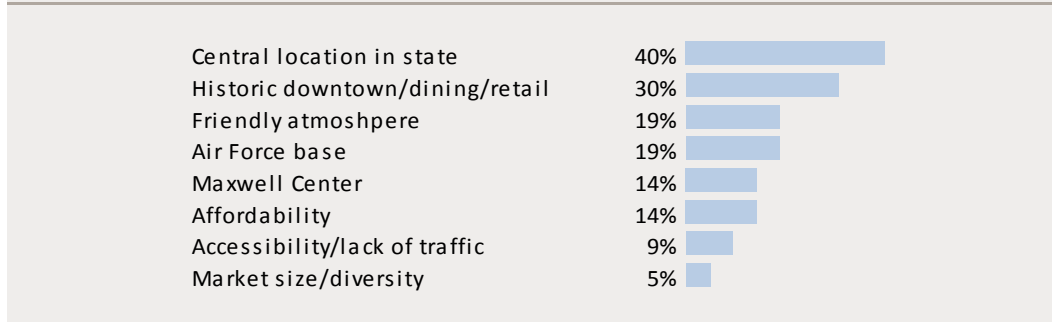
FIGURE 4-24 KNOWLEDGE OF GOLDSBORO AS AN EVENT DESTINATION



Over 65% of survey respondents report that they are very or somewhat knowledgeable of Goldsboro and its event venues. The remaining 35% of event planners claim to have little or no knowledge of Goldsboro as an event destination.

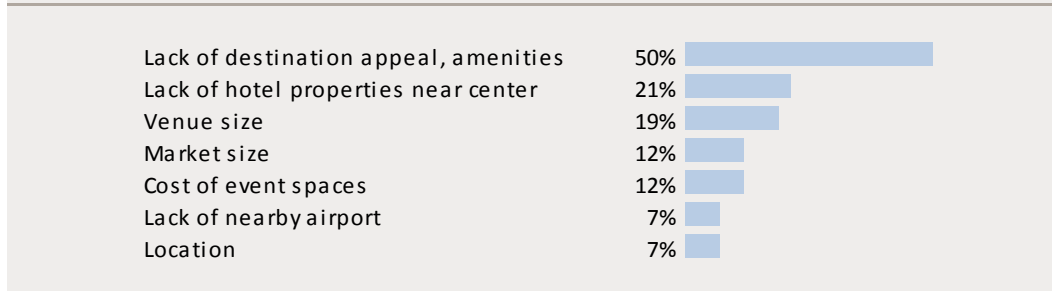
HVS asked meeting planners to identify Goldsboro's main strengths and weaknesses as an event destination. We classified their unaided responses as shown in the following figures.

FIGURE 4-25 STRENGTHS AS AN EVENT DESTINATION



Goldsboro's central location in the state and downtown amenities were cited most often by event planners. A friendly atmosphere, affordability, the Air Force base, and the Maxwell Center also received several mentions.

FIGURE 4-26 WEAKNESSES AS AN EVENT DESTINATION



Half of the event planners mentioned Goldsboro's lack of destination appeal and amenities as a primary weakness as an event destination. Over 20% noted the lack of a hotel near the Maxwell Center. The size of the market and event venues also received several mentions. While several consider Goldsboro a lower cost destination, others perceive the cost of hosting events as high.

HVS asked survey respondents to identify their five most important criteria when selecting an event destination. We have separated results into local and non-local

planners. The following figures present the percentage of survey respondents who indicated which selection criteria ranked in their top five.

FIGURE 4-27 IMPORTANCE OF SELECTION CRITERIA – LOCAL PLANNERS

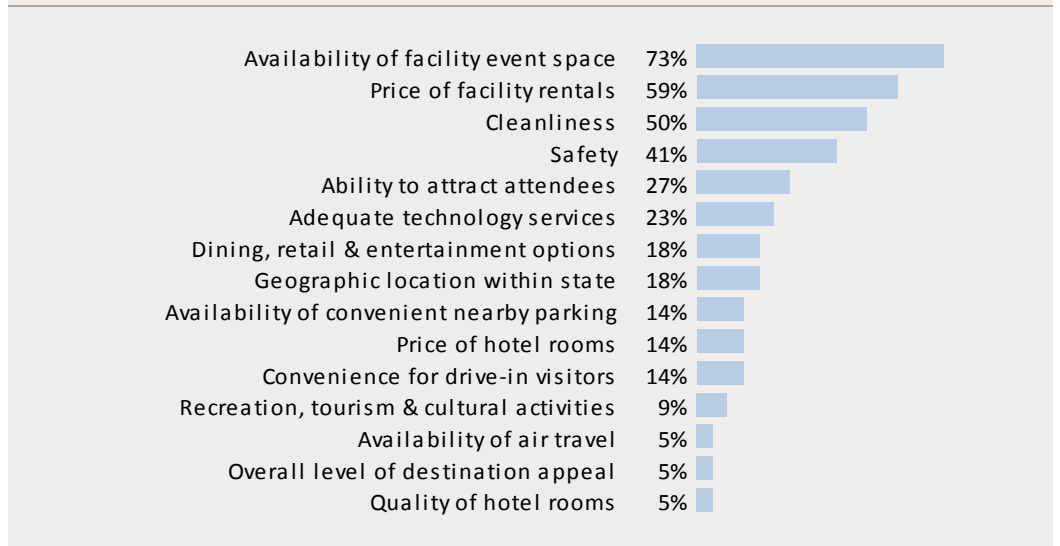
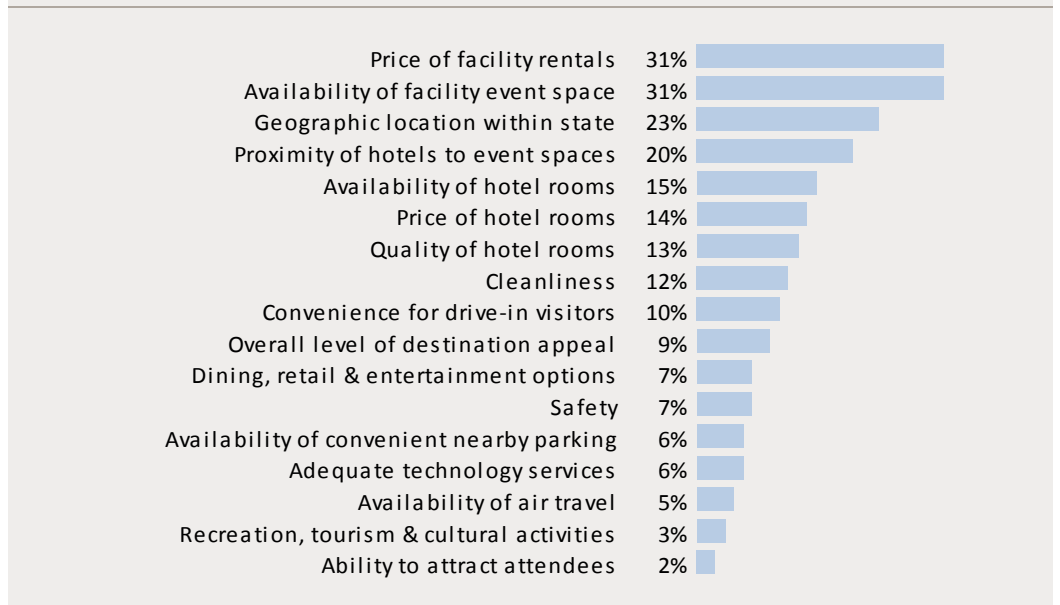


FIGURE 4-28 IMPORTANCE OF SELECTION CRITERIA – NON-LOCAL PLANNERS



Most local and non-local event planners cited the price and availability of event space as the most important criteria when selecting an event location. Geographic location in the state, proximity of hotel rooms, and price and availability of hotel rooms also ranked high for non-local planners. Local planners consider cleanliness and safety as important factors.

HVS then asked event planners to rate Goldsboro on these same criteria. In the following figures, a rating of five means excellent and a rating of one means poor.

FIGURE 4-29 GOLDSBORO'S ON SELECTION CRITERIA – LOCAL PLANNERS

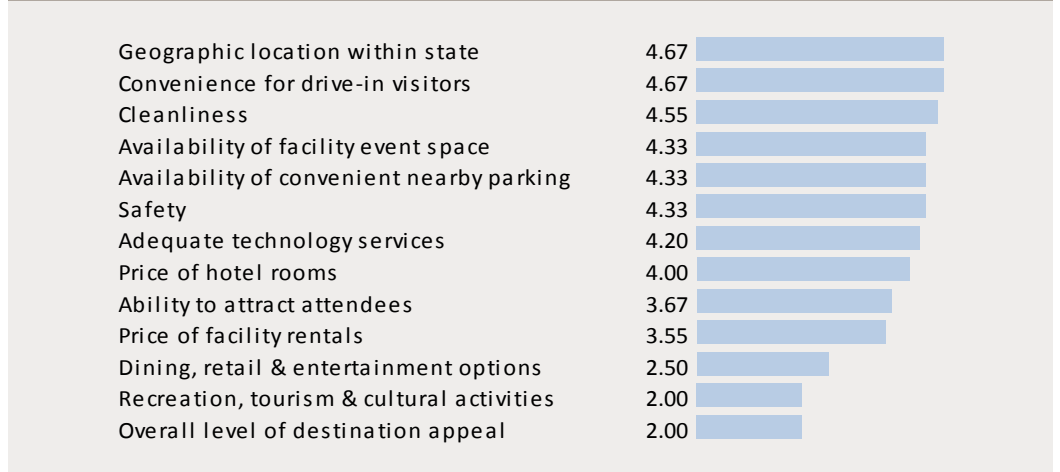
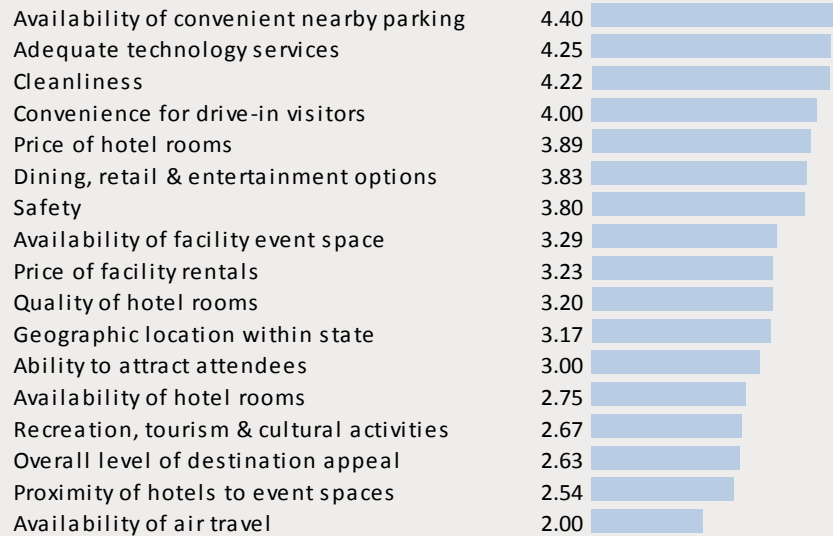


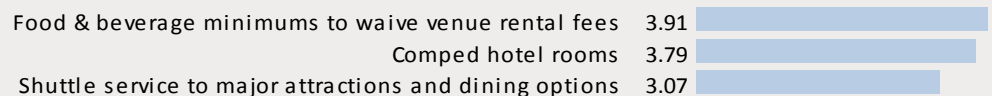
FIGURE 4-30 GOLDSBORO'S ON SELECTION CRITERIA – NON-LOCAL PLANNERS



For non-local planners, Goldsboro ranks high on some criteria, such as cleanliness, parking, and technology. It received average ratings for the most important criteria of availability and price of event space. Goldsboro received below average ratings on quality and availability of hotel rooms and a low rating on the proximity of hotels to event spaces. For local planners, location and convenience rank high, while price and destination appeal rank low.

We asked event planners to rank the importance of some common accommodations offered by cities and convention bureaus to attract events. In the following figure, a rating of five means very important and a rating of one means not important at all. For questions regarding hotel rooms and shuttle service, we are reporting non-local attendee responses only.

FIGURE 4-31 IMPORTANCE OF MARKETING ACCOMMODATIONS

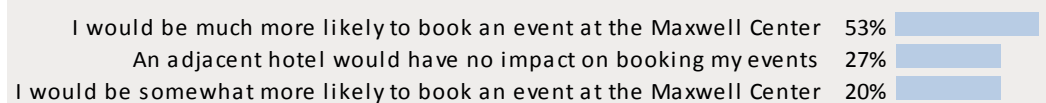


**Adjacent Hotel
Development**

Planners consider all the accommodations to be of medium to high importance. An offer to waive rent if minimum food and beverage fees are met received the highest score, followed by comped hotel rooms and shuttle service.

HVS told event planners that Goldsboro is considering the development of a hotel on a site adjacent to the Maxwell Center. We asked respondents how likely they would be to book an event at the Maxwell Center if the venue and hotel package met their event needs. The following figure presents the results of these responses.

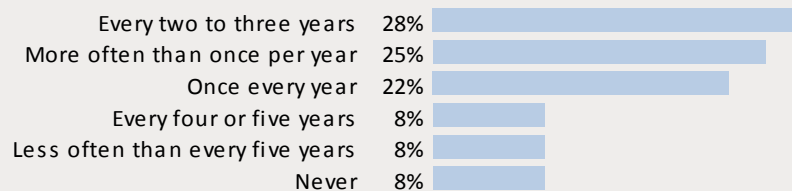
FIGURE 4-32 LIKELIHOOD OF BOOKING EVENTS AT MAXWELL CENTER GIVEN HOTEL DEVELOPMENT



Around three-quarters of the event planners (73%) would be more likely to book an event at the Maxwell Center if an adjacent hotel is developed. This figure compares favorably with the 46% that have booked the Maxwell Center in the past.

The figure below shows the frequency with which event planners would book events at the Maxwell Center.

FIGURE 4-33 FREQUENCY OF EVENTS AT MAXWELL CENTER



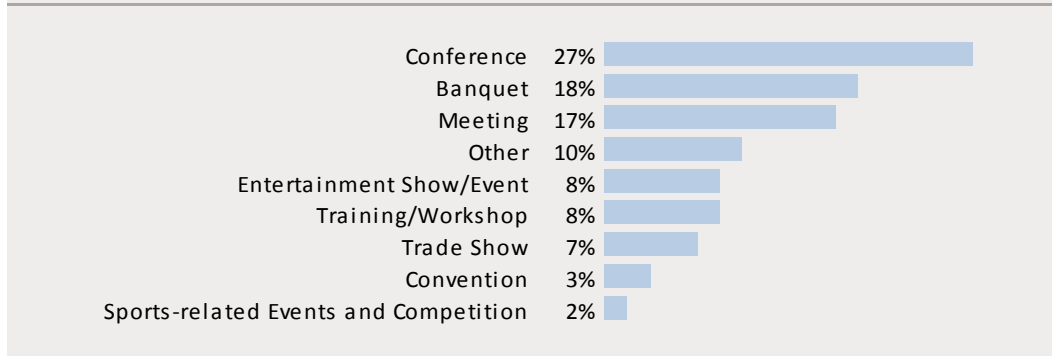
The greatest majority of planners (47%) would host at the Maxwell Center every year or more frequently. Around 30% would book an event every two to three years.

**Event Characteristics
and Facility
Requirements**

To determine preferences for events, HVS asked event planners to identify and describe their most typical or important event. This information included the name of the event, the type of event, venue needs, approximate attendance, scheduling, and lodging requirements.

The following figure breaks down the events by type.

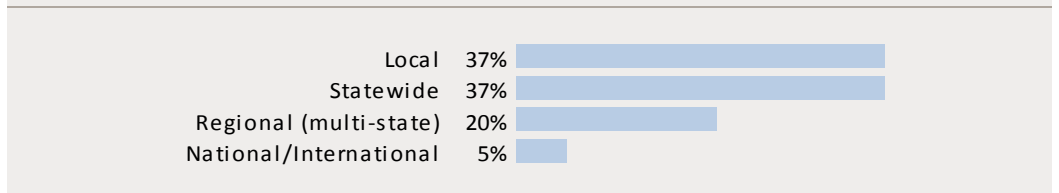
FIGURE 4-34 EVENTS BY TYPE



Over one-quarter of the events described by meeting planners are conferences with another 18% described as banquets. Meetings and workshops make up an additional 25%. Conventions and trade shows represent 10% of events.

HVS asked survey participants to identify the scope (geographic origin of attendees) of their most typical event.

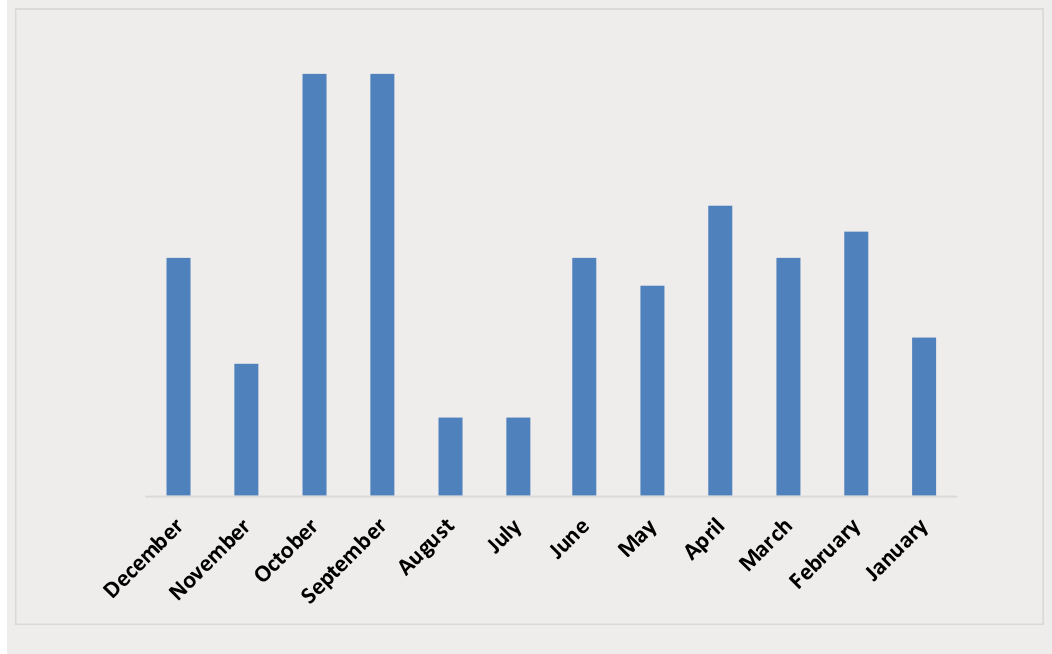
FIGURE 4-35 GEOGRAPHIC ORIGIN OF ATTENDEES



Events represent a wide range of attendee origins. Nearly three-quarters attract local and statewide attendees, with remaining events attracting a regional or national base of attendees.

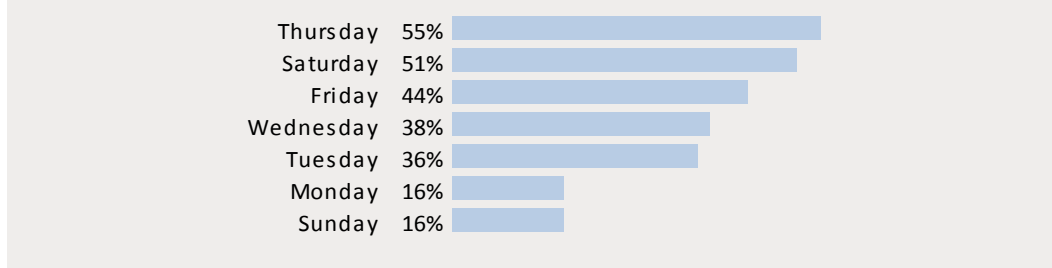
HVS asked event planners to identify the month and the days of the week in which the typical event takes place.

FIGURE 4-36 EVENTS BY MONTH



Events occur year-round, with the most activity in the fall and spring. The fewest events occur in July and August.

FIGURE 4-37 EVENTS BY DAY OF WEEK



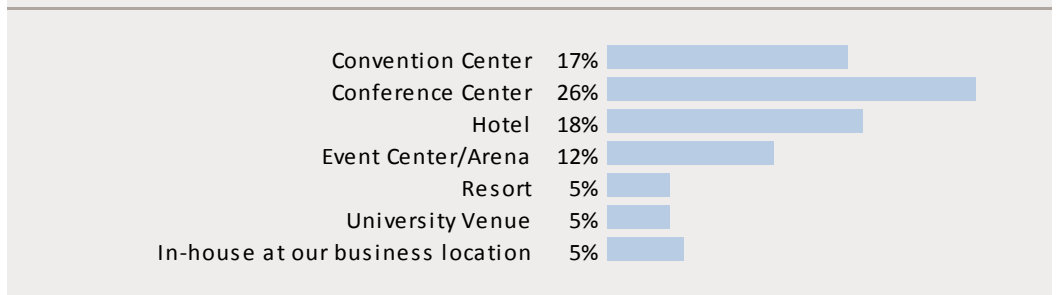
Events take place throughout the week with most occurring Tuesday through Saturday. Mondays and Sundays have the fewest events.

HVS asked event planners to indicate the level of attendance at their events. Event attendance levels indicate the quantity and size of function spaces that events require. HVS calculated the average attendance for each event type reported as presented in the following figure.

FIGURE 4-38 AVERAGE ATTENDANCE BY TYPE OF EVENT

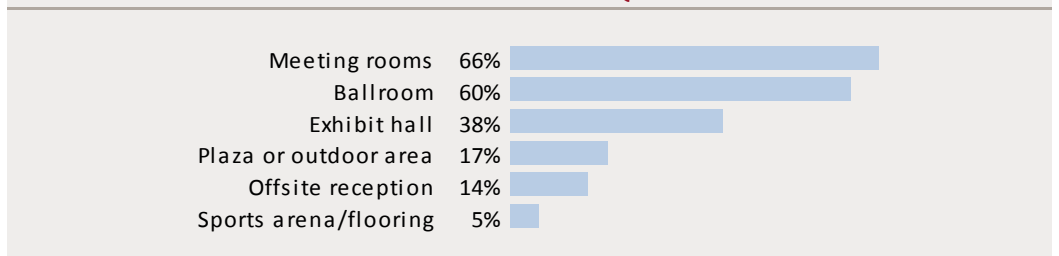
Average attendance levels requirements vary by event type. Trade shows and conventions have the most attendees, followed by conferences. Meetings, banquets, and workshops tend to have lower attendance.

HVS asked event planners to identify the typical type of venue in which they place their event.

FIGURE 4-39 TYPE OF VENUE PREFERRED FOR EVENT

Most event planners prefer to host events at a convention or conference center (43%). Hotels and resorts make up another 23%.

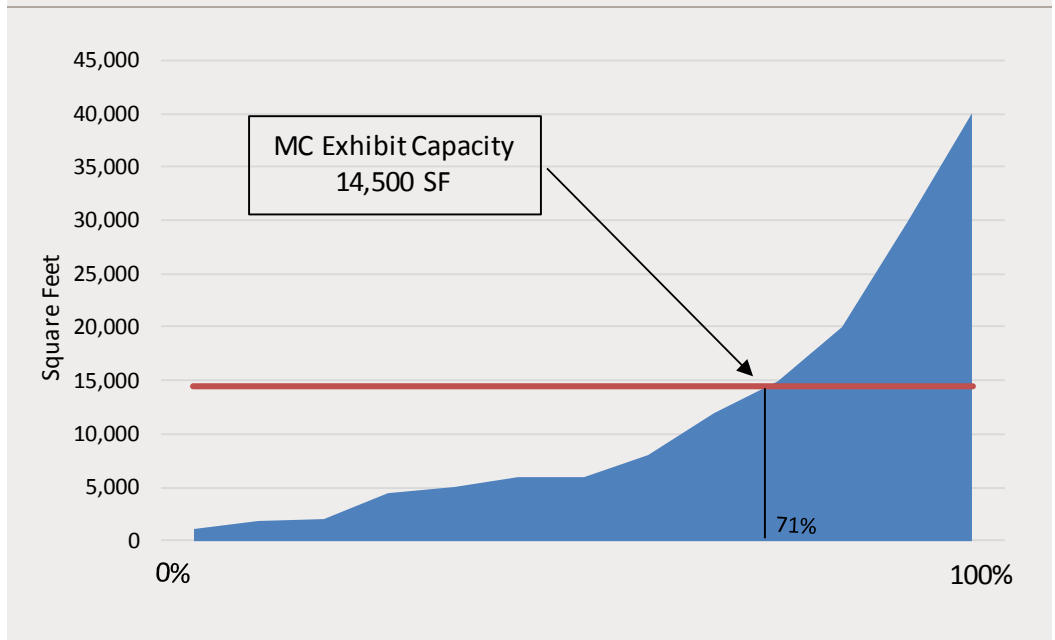
To further understand the facility needs of events, we asked planners to identify the types of functions space required by their event.

FIGURE 4-40 TYPES OF FUNCTION SPACE REQUIRED FOR EVENT

Most events require a mix of meeting rooms and ballroom spaces. Around 40% of the events require an exhibit hall. Less than 20% of the planners noted the desire to use outdoor spaces or host an off-site reception.

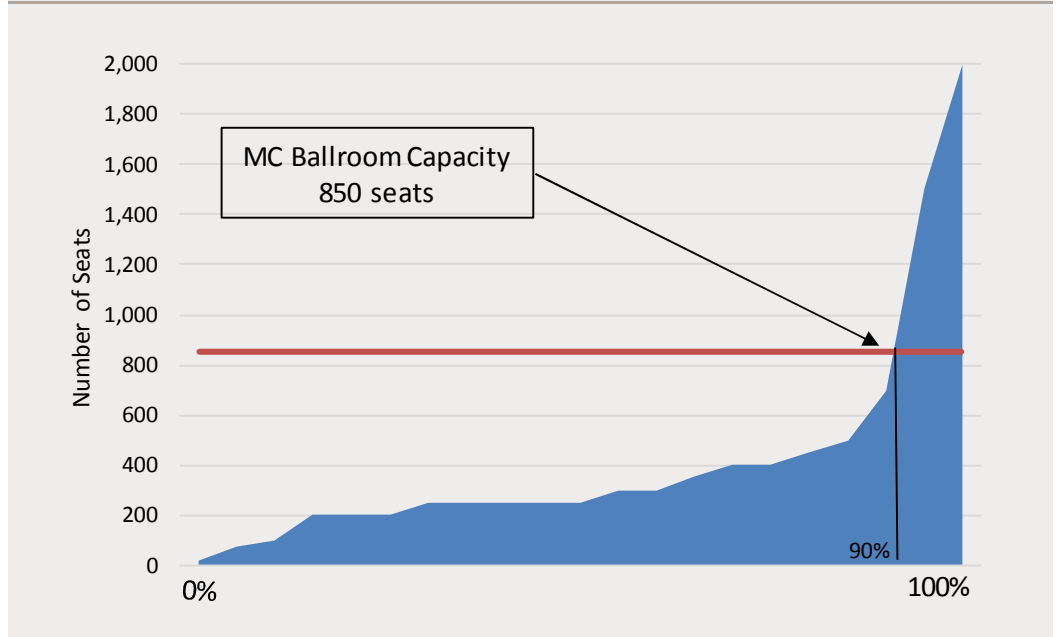
HVS asked event planners to identify the specific exhibit space, banquet seating, and meeting room needs for their events. We considered only those events which require a specific function space. We also removed events from planners who indicated that they would be unlikely to host an event at the Maxwell Center. The following figures present distributions of space requirements for exhibit space, banquet seating, and number of meeting rooms.

FIGURE 4-41 EXHIBIT SPACE NEEDS



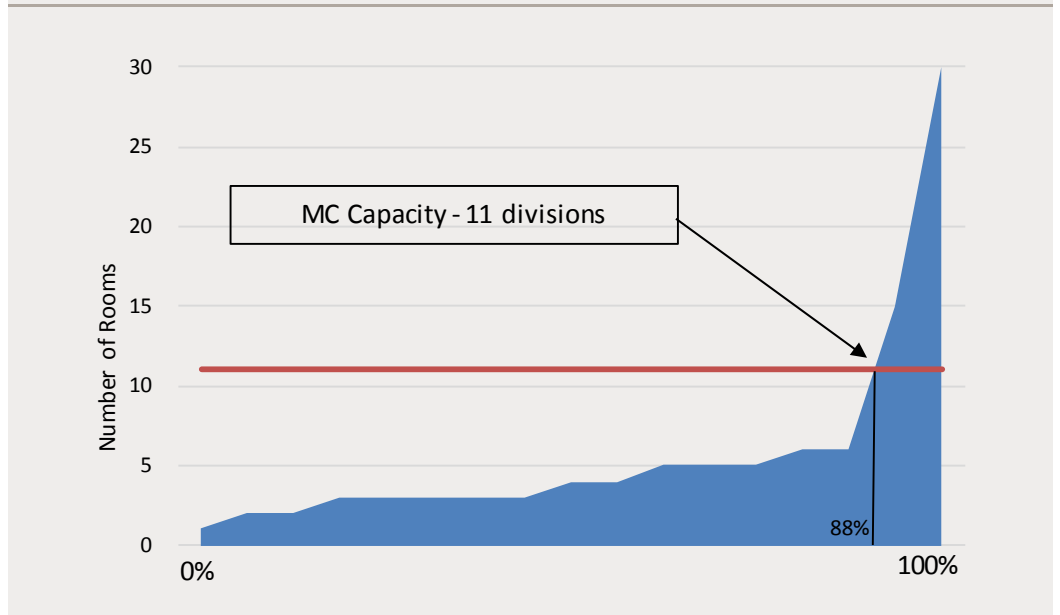
Most events require little to no exhibit space a could be accommodated by the Maxwell Center's multipurpose space and the facility's prefunction spaces. Approximately 30% of the events described by event planners would require more exhibit capacity than available at the Maxwell Center.

FIGURE 4-42 BANQUET SEATING REQUIREMENTS



The Maxwell Centers multipurpose space can accommodate around 90% of the events described by event planners.

FIGURE 4-43 MEETING ROOM REQUIREMENTS

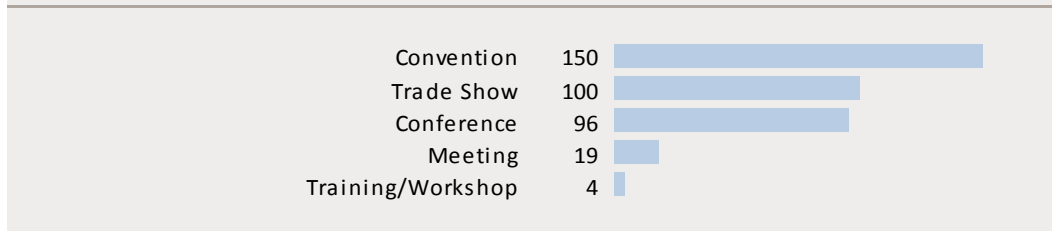


Lodging Requirements

The Maxwell Center has sufficient breakout meeting room divisions to accommodate nearly 90% of events described by event planners.

HVS asked event planners to indicate the peak room night needs for their events. Not all events require a hotel room block. For those that do, we calculated the average peak room nights for each event type reported as presented in the following figure. The figure below

FIGURE 4-44 PEAK ROOM BLOCK BY TYPE OF EVENT



Conventions and trade shows attract a greater number of attendees that require lodging and have relatively higher peak room night requirements. Conference require slightly fewer peak rooms but still have significant lodging needs.

HVS asked event planners to identify the hotel service level, hotel chain scale, and hotel brand they prefer for their event attendees.

FIGURE 4-45 PREFERRED HOTEL SERVICE LEVEL

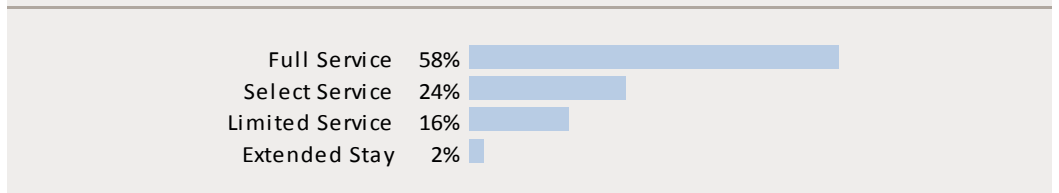


FIGURE 4-46 PREFERRED HOTEL CHAIN SCALE

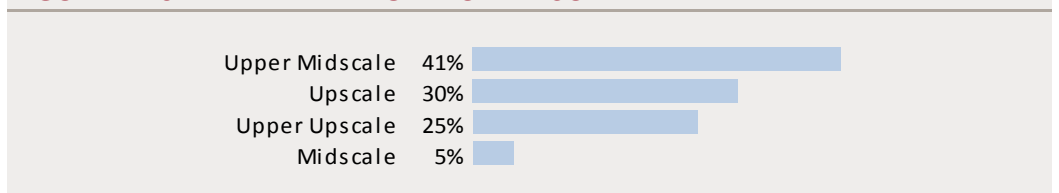
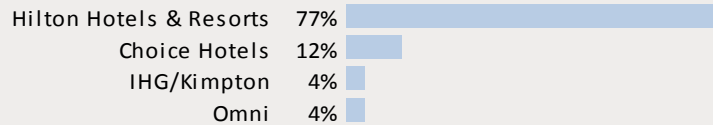


FIGURE 4-47 PREFERRED HOTEL BRAND

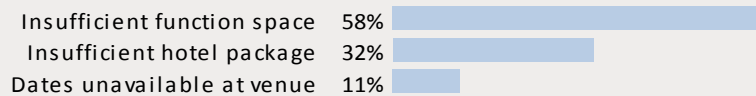


Most planners (58%) prefer a full-service hotel with fewer preferring a select service or limited service property. Only 2% prefer an extended stay property. Upper midscale and upscale brands are most popular with nearly three-quarters of planners preferring these properties. Upper upscale brands are also popular. A significant majority of planners prefer Hilton hotel brands. No planners indicated a preference for Marriott, Radisson, or Hyatt brands.

Event Infrastructure Needs

To further evaluate hotel needs in Goldsboro, HVS asked event planners whether they had ever wanted to host an event at the Goldsboro but did not due to insufficient event infrastructure. Approximately 25% of survey respondents reported that they had been unable to host an event at in Goldsboro for this reason. HVS asked them to specify all reasons they have encountered.

FIGURE 4-48 REASONS FOR NOT BOOKING DUE TO EVENT INFRASTRUCTURE



A majority of planners (58%) indicated that they have been unable to book in Goldsboro due to insufficient function space. Around one-third cited an insufficient hotel package.

For planners who indicated an insufficient hotel package, 80% indicated that there were not enough hotel rooms within walking distance of the event venue.

Survey Conclusions and Implications for the Goldsboro

Survey respondents provide a good sample for evaluating the perception of the Goldsboro, North Carolina and the Maxwell Center as an event destination. The majority plan events for associations and SMERF groups. They represent a variety of entities and plan a range of meeting and event types and sizes. Key findings and conclusions include the following:

- Based on historical bookings and event planner preferences, Goldsboro's competitors include hotels convention/conference centers, and other venues in the state of North Carolina. The most popular destination is Raleigh.

- Goldsboro has several strengths as a group event destination, including its central location in the state, its downtown and restaurant scene, friendly atmosphere, and presence of the Seymour Johnson Air Force Base.
- Aside from external factors, such as geographic location, the greatest deterrents to event planners considering Goldsboro for an event include the lack of destination appeal and the lack of hotel properties near the Maxwell Center
- Over 60% of events require a combination of meeting and banquet space. The Maxwell Center can accommodate the banquet and meeting needs of over 90% of events described by survey respondents. Around 38% of events require an exhibit hall, and 25% of these events have exhibit needs that exceed the capacity of the Maxwell Center.
- Most planners prefer a full-service hotel property with an upper midscale brand. The Hilton hotel brand is most popular.
- Around three-quarters of the event planners would be more likely to book an event at the Maxwell Center if an adjacent hotel is developed. This figure compares favorably with the 46% that have booked the Maxwell Center in the past.

Historical Demand

Visit Goldsboro and the Maxwell Center provided HVS with a list of events at the Maxwell Center and the Goldsboro Event Center in 2018. The Goldsboro Event Center has operated for the past several years as a banquet and meeting venue. To date, in 2018, the Goldsboro Event Center has booked over 90 events and has another 12 events pending through the end of the year. Around 85% of events are banquets and social event with meetings making up the remaining events.

Since opening in March 2018, the Maxwell Center has booked approximately 70 events through the end of the calendar year. Based on information provided by the Maxwell Center, HVS reviewed this data and categorized events into standard event categories. The following figure presents Maxwell Center events, attendance, and room nights generated for the ten months from March through December 2018.

FIGURE 4-49 MAXWELL CENTER HISTORICAL DEMAND

	Mar - Dec 2018
Events	
Conferences	1
Meetings	10
Trade & Consumer Shows	5
Local Meetings	5
Banquets	37
Assemblies	7
Other	3
Total	68
Attendees	
Conferences	150
Meetings	1,715
Trade & Consumer Shows	5,200
Local Meetings	810
Banquets	6,405
Assemblies	1,730
Other	1,400
Total	17,410
Occupied Room Nights	
Conferences	80
Meetings	137
Trade & Consumer Shows	na
Local Meetings	na
Banquets	440
Assemblies	90
Other	100
Total	847

Source: The Maxwell Center

To date, the Maxwell Center has primarily booked events with local attendees. Over half of the events are social functions, including banquets, luncheons, weddings, parties, and reunions. Few meetings and conferences require overnight lodging for out-of-town attendees. Banquets, assemblies, and other events also generate small amounts of lodging demand.

Demand Projections

HVS based event demand projections at the Maxwell Center following the development of an adjacent hotel on the following research and analysis:

- an in-depth user survey,

- industry data and trends reports,
- key market and economic indicators,
- comparable venue program data, and
- discussions with representatives from the Maxwell Center and Visit Goldsboro

For the purposes of this study, HVS assumes that the hotel development recommended in this report are completed by January 1, 2021. HVS estimates that event demand would stabilize in 2022, the third year of operation. Demand projections also assume the continued presence of a highly qualified, professional sales and management team for the Maxwell Center.

HVS's analysis suggests that the proposed hotel development should allow Goldsboro to compete more effectively in the conference and group meeting market and attract a greater share of high impact conferences and meetings that would bring a greater number of out-of-town visitors who require lodging.

In developing demand projections prior to the opening of the proposed hotel, we assume that the Maxwell Center will continue to ramp up demand and attendance above the levels reached during its first few months of operation

HVS calculated the potential generation of room nights by Maxwell Center events both before and after hotel development. While most attendees would elect to stay at the proposed adjacent hotel property, these room nights represent the total room nights generated in the market. The following figure presents HVS's assumptions used to generate room night estimates. HVS based room night assumptions on historical event data, comparable venue data, and industry research.

FIGURE 4-50 ROOM NIGHT ASSUMPTIONS

Event Type	Occupied Room Nights Parameters					
	Percent Lodgers		Length of Stay		Lodgers per Room	
	Base 2019	Stabilized 2023	Base 2019	Stabilized 2023	Base 2019	Stabilized 2023
Conferences	35%	65%	1.0	2.0	1.25	1.25
Meetings	10%	20%	1.0	1.0	1.25	1.25
Trade & Consumer Shows	0%	10%	1.0	1.0	1.50	1.50
Banquets	10%	12%	1.0	1.0	1.50	1.50
Assemblies	11%	11%	1.0	1.0	1.50	1.50
Other	8%	8%	1.0	1.0	1.50	1.50

In addition to attracting events with more out of town users, the Maxwell Center will continue to be a valuable public asset providing event space to a variety of local groups, including local government, civic organizations, nonprofits, schools, charities, and businesses.

The figure below breaks down Maxwell Center event, attendance, and room nights projections by type of event. Projections begin in the 2019 calendar year and go through 2023, one year following stabilized demand after hotel development. Total attendance figures represent individual event attendees.

FIGURE 4-51 DEMAND PROJECTIONS

	Opening				Stabilized
	2019	2020	2021	2022	2023
Events					
Conferences	3	3	6	8	10
Meetings	20	20	40	50	60
Trade & Consumer Shows	10	10	12	14	15
Local Meetings	25	25	26	28	30
Banquets	40	40	45	50	55
Assemblies	7	7	8	9	10
Other	5	5	6	7	8
Total	110	110	143	166	188
Attendees					
Conferences	450	450	2,400	3,200	4,000
Meetings	3,500	3,500	7,000	8,750	10,500
Trade & Consumer Shows	10,000	10,000	12,000	14,000	15,000
Local Meetings	4,000	4,000	4,160	4,480	4,800
Banquets	7,000	7,000	7,875	8,750	9,625
Assemblies	1,750	1,750	2,000	2,250	2,500
Other	2,350	2,350	3,000	3,500	4,000
Total	29,050	29,050	38,435	44,930	50,425
Occupied Room Nights					
Conferences	126	126	2,496	3,328	4,160
Meetings	280	280	1,120	1,400	1,680
Trade & Consumer Shows	0	0	800	933	1,000
Banquets	467	467	630	700	770
Assemblies	128	128	146	165	183
Other	125	125	160	186	213
Total	1,126	1,126	5,352	6,712	8,006

By a stabilized year, we project the Maxwell Center would host nearly 190 events, attracting 50,000 annual attendees, and generating over 8,000 room nights in the local market. A brief description of event types and demand assumptions follows.

Conferences—Conferences are multi-day events that require a mix of banquet and breakout space set-up and occasional assembly space, but they typically do not require a large exhibit set-up. Lobbies and portions of the ballroom could serve as light exhibit space as needed. The source of conferences would be state and regional associations with some state and regional corporate groups booking as well. This demand category also includes religious and other SMERF groups that would rotate to Goldsboro for their annual or seasonal events. HVS projects conference demand levels consistent with that found in comparable venues and markets

Meetings—Meetings require breakout meeting space but would not use banquet or exhibit space. Food service is typically limited to coffee breaks, breakfasts, or luncheons in meeting rooms. Local and regional corporations, state associations, religious groups, and government agencies all host meetings. Although the size of the meetings ranges from ten to over 1,000 persons, many meetings are small events that have fewer than 100 attendees and take place in breakout meeting space. Ballroom divisions could also handle large meetings or several smaller simultaneous meetings as needed.

Trade and Consumer Shows – Tradeshows provide a means for wholesalers and retailers to transact business with industry buyers. As such, tradeshows are typically exhibit-oriented events in which people display and demonstrate products. Consumer shows are ticketed public events that attract local and regional attendees, such as home and garden shows and car shows. These events require some meeting space for support and back of house uses.

Local Meetings—Local government, civic organizations, businesses, and other local groups would use meeting space for meetings, information sessions, seminars, training, and exams. These events would typically not generate significant food and beverage revenue and would largely attract local attendees.

Banquets—Banquets are stand-alone social events, weddings, luncheons, and other meals typically booked by local corporations, social and civic organizations, and private clients. The flexibility of the ballroom and pre-function spaces would allow for a variety of banquet sizes and multiple simultaneous events. Since the ballroom must also accommodate the needs of the venue's conference clients, this flexibility is crucial to operating the facility with minimal scheduling conflicts.

**Comparable Venue
Demand**

Assemblies—Assemblies include graduations, religious services, and lectures. Produced by any type of organization, assemblies are always public events. Additionally, assemblies only require a plenary set-up.

Other—Other events would include a variety of local-oriented facility rentals, which include such events as school functions, event staging, blood drives, political rallies, fundraisers, and other civic uses.

HVS intends demand projections to show smooth growth over time. However, event demand and booking cycles are not predictable. Event demand will vary with business, local, and national economic factors. Event demand often runs in cycles, rotation patterns, and other market conditions. HVS demand projections should be interpreted as a mid-point of a range of possible outcomes and as an average of multiple years.

A good test for the reasonableness of demand projections is an analysis of demand at similarly sized venues in comparable markets. To evaluate demand projections for the proposed conference center, HVS expanded its comparable analysis to include a much broader selection of markets with venues of similar size to the Maxwell Center. The following figure compares the average of several years of recent demand for 15 venues with similar sized function spaces. These venues represent a wide range of markets with a mix of population size, economic breadth, and destination appeal. Because of the unique operating characteristics of exhibit and meeting facilities, no single facility or market can be considered a direct comparable to Goldsboro. The average demand from a large set of venues provides evidence for the reasonableness of projections.

FIGURE 4-52 COMPARABLE VENUE MEETING DEMAND

	Average of Comparable Venues	Proposed Conference Center
Number of Events *		
Conventions & Conferences	16	10
Trade & Consumer Shows	21	15
Banquets/Social Events	57	55
Meetings	117	90
<i>*Average the only available data.</i>		
Sources: Event Data from Respective Facilities as Classified by HVS		

Taking market factors into consideration, the demand projections for the proposed conference center are consistent with event demand currently found in other

venues throughout the U.S. Fewer conventions, conferences, and meetings reflect the size and breadth of the surrounding economy, resulting in a reduced potential to generate meeting events through local industry and lower potential as an event destination. An average number of banquets results from similar population bases and competing venues. Additionally, the Maxwell Center does not house a large, dedicated exhibit hall, but it would continue to host a relatively small number of public consumer shows and fairs.

5. 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

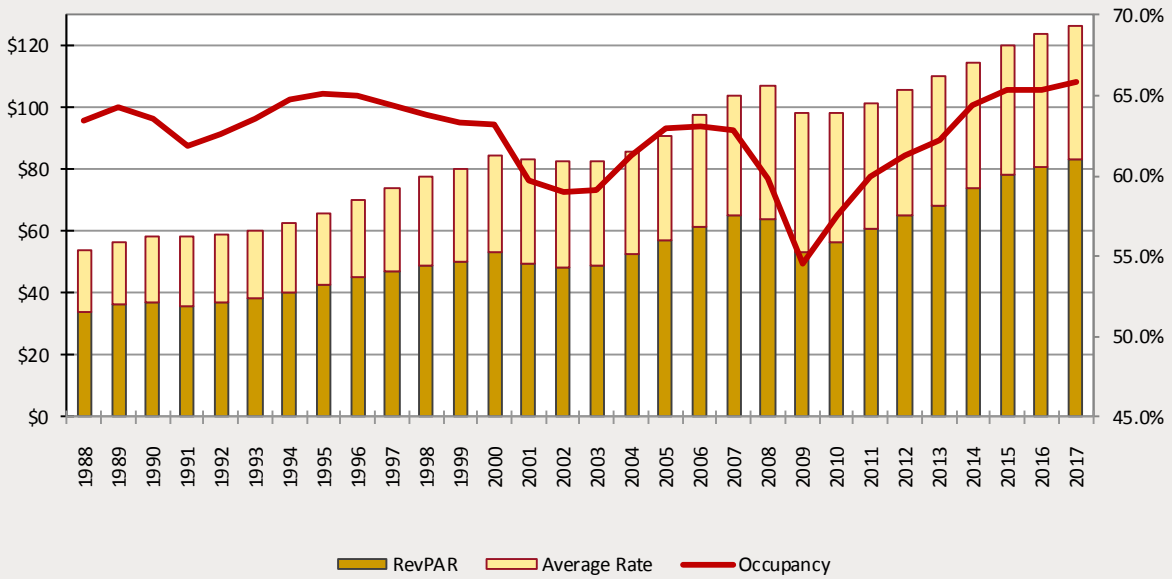
The subject property is located in the greater Wayne County lodging market. This greater lodging market spans approximately 15 open and operating lodging facilities totaling roughly 1,118 guestrooms. Within this greater market, the direct submarket that will include the proposed subject hotel constitutes the hotels with a brand class of upper-midscale or midscale. Brand class is published by STR. The proposed subject hotel is expected to compete with five hotels on a primary level based on their upper-midscale class. We have considered an additional two hotels as future secondary competitors given differences in either brand class (midscale) or location (Mount Olive).

National Trends Overview

The subject property's local lodging market is most directly affected by the supply and demand trends within the immediate area. However, individual markets are also influenced by conditions in the national lodging market. We have reviewed national lodging trends to provide a context for the forecast of the supply and demand for the proposed subject hotel's competitive set.

STR is an independent research firm that compiles and publishes data on the lodging industry, and this information is routinely used by typical hotel buyers. The following STR diagram presents annual hotel occupancy and average rate data since 1987. The next two tables contain information that is more recent; the data are categorized by geographical region, price point, type of location, and chain scale, and the statistics include occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

FIGURE 5-1 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS



Source: STR

FIGURE 5-2 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS – YEAR-TO-DATE DATA

	Occupancy - YTD June			Average Rate - YTD June			RevPAR - YTD June			Percent Change	
	2017	2018	% Change	2017	2018	% Change	2017	2018	% Change	Rms. Avail.	Rms. Sold
United States	65.3 %	65.9 %	1.0 %	\$125.90	\$129.36	2.7 %	\$82.20	\$85.29	3.8 %	2.0 %	3.0 %
Region											
New England	60.0 %	61.6 %	2.7 %	\$142.52	\$146.90	0.9 %	\$87.32	\$90.51	3.7 %	2.0 %	4.7 %
Middle Atlantic	65.0	67.4	3.6	152.58	156.21	2.4	99.22	105.26	6.1	2.2	5.9
South Atlantic	69.0	69.4	0.6	127.84	132.02	3.3	88.24	91.65	3.9	1.6	2.2
East North Central	59.1	59.5	0.8	106.75	108.96	2.1	63.07	64.87	2.9	2.0	2.8
East South Central	61.4	61.7	0.5	97.01	100.14	3.2	59.56	61.81	3.8	2.1	2.7
West North Central	56.2	56.0	(0.5)	95.90	98.23	2.4	53.92	54.97	1.9	2.2	1.7
West South Central	62.7	64.6	3.1	101.97	104.89	2.9	63.91	67.79	6.1	2.7	5.9
Mountain	66.1	66.0	(0.1)	120.62	121.94	1.1	79.71	80.50	1.0	1.6	1.5
Pacific	73.4	73.3	(0.2)	159.61	165.75	3.8	117.22	121.52	3.7	2.1	1.9
Class											
Luxury	70.6 %	71.8 %	1.6 %	\$284.71	\$292.98	2.9 %	\$201.04	\$210.21	4.6 %	2.1 %	3.7 %
Upper-Upscale	73.1	73.4	0.3	182.20	185.70	1.9	133.22	136.21	2.2	2.2	2.6
Upscale	72.2	72.6	0.6	140.77	143.78	2.1	101.63	104.43	2.8	4.4	5.0
Upper-Midscale	66.9	67.6	1.1	113.88	116.15	2.0	76.13	78.50	3.1	3.9	5.0
Midscale	59.5	60.1	1.1	91.68	94.44	3.0	54.51	56.77	4.1	0.4	1.5
Economy	57.6	58.1	0.9	69.61	72.03	3.5	40.11	41.87	4.4	(0.2)	0.6
Location											
Urban	73.2 %	73.3 %	0.2 %	\$175.32	\$179.65	2.5 %	\$128.26	\$131.66	2.6 %	3.2 %	3.4 %
Suburban	66.6	67.1	0.7	107.56	110.42	2.7	71.66	74.10	3.4	2.4	3.2
Airport	74.2	75.1	1.1	116.62	119.57	2.5	86.55	89.74	3.7	1.5	2.7
Interstate	55.6	56.6	1.8	82.96	85.23	2.7	46.10	48.22	4.6	1.6	3.4
Resort	70.8	71.6	1.2	178.09	185.22	4.0	126.12	132.69	5.2	0.6	1.7
Small Metro/Town	54.9	55.9	1.7	97.47	99.75	2.3	53.54	55.74	4.1	1.5	3.2
Chain Scale											
Luxury	74.4 %	75.6 %	1.7 %	\$324.75	\$337.35	3.9 %	\$241.55	\$255.19	5.6 %	1.6 %	3.3 %
Upper-Upscale	74.9	75.0	0.3	183.35	187.02	2.0	137.26	140.36	2.3	2.5	2.7
Upscale	73.8	74.1	0.4	140.21	143.14	2.1	103.41	106.04	2.5	5.4	5.9
Upper-Midscale	67.1	67.7	1.0	111.74	113.98	2.0	74.93	77.21	3.0	4.1	5.1
Midscale	58.9	59.6	1.2	85.45	87.85	2.8	50.32	52.34	4.0	0.9	2.1
Economy	57.2	57.6	0.8	60.83	62.85	3.3	34.80	36.22	4.1	0.2	1.0
Independents	61.7	62.4	1.1	123.76	127.57	3.1	76.41	79.64	4.2	0.2	1.3

Source: STR - June 2018 Lodging Review

FIGURE 5-3 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS – CALENDAR YEAR DATA

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

Source: STR - December 2017 Lodging Review

Following the significant RevPAR decline experienced during the last recession, demand growth resumed in 2010, led by select markets that had recorded growth trends in the fourth quarter of 2009. A return of business travel and some group activity contributed to these positive trends. The resurgence in demand was partly fueled by the significant price discounts that were widely available in the first half of 2010. These discounting policies were largely phased out in the latter half of the year, balancing much of the early rate loss. Demand growth remained strong, but decelerated from 2011 through 2013, increasing at rates of 4.7%, 2.8%, and 2.0%, respectively. Demand growth then surged to 4.0% in 2014, driven by a strong economy, a robust oil and gas sector, and limited new supply, among other factors. By 2014, occupancy had surpassed the 64% mark. Average rate rebounded similarly during this time, bracketing 4.0% annual gains from 2011 through 2014.

In 2015, demand growth continued to outpace supply growth, a relationship that has been in place since 2010. With a 2.9% increase in room nights, the nation's occupancy level reached a record high of 65.4% in 2015. Supply growth intensified modestly in 2015 (at 1.1%), following annual supply growth levels of 0.7% and 0.9% in 2013 and 2014, respectively. Average rate posted another strong year of growth, at 4.7% in 2015, in pace with the annual growth of the last four years. Robust job growth, heightened group and leisure travel, and waning price-sensitivity all contributed to the gains. In 2016, occupancy showed virtually no change, as demand growth kept pace with supply additions. Occupancy then moved even higher in 2017, to a new peak of 65.9%. Average rate increased roughly 3% and 2% in 2016 and 2017, respectively. By year-end 2017, the net change in RevPAR was 3.0%, reflecting a healthy lodging market overall. However, we note that industry experts report that the strong 2017 industry performance was enhanced by demand generated by the hurricanes, floods, and fires experienced throughout the U.S. in September and October. The performance of several major markets indicates that many areas continue to benefit in 2018 from the demand generated by insurance adjusters, displaced residents, and contractors. Year-to-date statistics through June reflect a 0.6-point occupancy increase, while average rate increased by just over \$3.00, resulting in a 3.8% upward change in RevPAR.

Historical Supply and Demand Data

As previously noted, STR is an independent research firm that compiles and publishes data on the lodging industry, routinely used by typical hotel buyers. HVS has ordered and analyzed an STR Trend Report of historical supply and demand data for a group of hotels considered applicable to this analysis for the proposed subject hotel. This information is presented in the following table, along with the market-wide occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

FIGURE 5-4 HISTORICAL SUPPLY AND DEMAND TRENDS – LOCAL COMPETITION

Average Daily		Available Room		Occupied Room		Average				
Year	Room Count	Nights	Change	Nights	Change	Occupancy	Rate	Change	RevPAR	Change
2008	364	132,860	—	81,629	—	61.4 %	\$76.55	—	\$47.03	—
2009	364	132,860	0.0 %	79,530	(2.6) %	59.9	73.68	(3.7) %	44.11	(6.2) %
2010	364	132,860	0.0	86,180	8.4	64.9	75.98	3.1	49.29	11.7
2011	364	132,860	0.0	93,396	8.4	70.3	80.87	6.4	56.85	15.3
2012	408	149,052	12.2	106,730	14.3	71.6	81.74	1.1	58.53	3.0
2013	452	164,980	10.7	109,946	3.0	66.6	82.50	0.9	54.98	(6.1)
2014	506	184,668	11.9	117,330	6.7	63.5	84.04	1.9	53.39	(2.9)
2015	601	219,532	18.9	136,356	16.2	62.1	87.33	3.9	54.24	1.6
2016	642	234,330	6.7	164,737	20.8	70.3	91.20	4.4	64.12	18.2
2017	642	234,330	0.0	163,543	(0.7)	69.8	93.45	2.5	65.22	1.7
Year-to-Date Through May										
2017	642	96,942	—	68,431	—	70.6 %	\$93.19	—	\$65.78	—
2018	642	96,942	0.0 %	62,603	(8.5) %	64.6	95.51	2.5 %	61.68	(6.2) %
Average Annual Compounded Change:										
2008 - 2011			0.0 %	4.6 %			1.8 %			6.5 %
2011 - 2017			9.9	9.8			2.4			2.3
Hotels Included in Sample			Class		Competitive Status	Number of Rooms	Year Affiliated	Year Opened		
Best Western Plus Goldsboro Hotel			Upper Midscale Class		Primary	120	Mar 2014	Apr 1988		
Hampton Inn Goldsboro			Upper Midscale Class		Primary	111	Jul 1995	Jul 1995		
Country Inn & Suites Goldsboro			Upper Midscale Class		Primary	66	Nov 2000	Nov 2000		
Quality Inn Goldsboro			Midscale Class		Secondary	67	Dec 2012	Nov 2000		
Sleep Inn & Suites Mount Olive			Midscale Class		Secondary	88	Jul 2012	Jul 2012		
Holiday Inn Express & Suites Goldsboro			Upper Midscale Class		Primary	92	Jun 2014	Jun 2014		
TownePlace Suites Goldsboro			Upper Midscale Class		Primary	98	Jun 2015	Jun 2015		
Total						642				

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 2017 in 69.8%, which compares to 70.3% for 2016. The overall average occupancy level for the calendar years presented equates to 67.3%. The STR data for the competitive set reflect a market-wide average rate level of \$93.45 in 2017, which compares to \$91.20 For 2016. The average across all calendar years presented for average rate equates to \$87.49. These occupancy and average rate trends resulted in a RevPAR level of \$65.22 in 2017.

During the illustrated historical period, occupancy for this selected set of competitive hotels reached the 61% mark in 2008 along with average rate in the high \$70s. RevPAR, which had reached the high \$40s in 2008, dropped to the low-point illustrated in this trend of \$44.00 because of the national recession. A recovery began in 2010 and extended through 2012, at which time the prior RevPAR peak was exceeded by nearly \$12.00. In 2013, occupancy and average rate declined due to the federal sequestration and military spending cuts. Occupancy further declined in 2014 and 2015 as available rooms outpaced demand, owing predominantly to the opening of the Holiday Inn Express Hotel & Suites and TownePlace Suites by Marriott. The entry of both upper-midscale hotels, however, illustrated two beneficial responses in the market. The first positive indicator was the evidence that new hotel product induced new demand to the area. The second indicator showed that new lodging product of a higher brand class bolstered average rate reflecting less rate resistance by consumers. By 2016, the market experienced spikes in both occupancy and ADR due to atypical demand generated from Hurricane Matthew, as well as ongoing construction projects including the U.S. Highway 70 Bypass. The local lodging market continued to benefit from residual demand from the hurricane in early 2017; however, demand has reportedly tapered off. Meanwhile, average rate continued to increase in 2017, largely attributed to improving market conditions.

Year-to-date 2018 lodging performance illustrates a correction in occupancy, as the market transitioned from atypical peak demand periods to more normal levels, along with continued strengthening in ADR. The outlook for the remaining months of 2018 reflects normalizing demand patterns at higher rates. Continued growth of corporate room nights and the stability of government demand in the market bode

well for hotel rates. Additionally, the Goldsboro Suites should remain closed for the rest of 2018 until the renovation and conversion are completed in 2019; during that time, area hotels should continue to absorb the demand that the Goldsboro Suites may have otherwise captured. The near-term outlook is positive due to the recent completion of demand generators including the Maxwell Center and the Bryan Sports Park, as well as continued economic strength.

Seasonality

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

FIGURE 5-5 MONTHLY OCCUPANCY TRENDS – LOCAL COMPETITION

Month	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
January	51.5 %	49.4 %	45.2 %	63.9 %	64.9 %	55.1 %	52.3 %	43.2 %	47.2 %	63.6 %	49.4 %
February	63.4	66.9	57.7	68.4	73.7	66.3	68.0	62.2	63.3	73.1	61.2
March	55.9	60.3	64.5	65.8	78.9	71.4	66.9	64.2	69.2	73.7	68.5
April	55.1	61.4	59.2	68.0	77.0	64.1	64.1	64.8	70.8	67.1	71.5
May	62.9	64.8	61.2	73.6	78.8	71.4	72.5	69.9	72.5	75.5	72.1
June	64.4	65.6	72.1	71.3	85.9	75.7	73.9	64.4	72.6	81.2	—
July	81.4	66.5	68.9	74.0	71.3	78.2	66.6	69.1	74.3	76.1	—
August	65.7	65.4	76.9	77.8	74.4	72.1	66.5	63.9	73.3	73.9	—
September	56.8	62.5	78.2	80.4	69.0	69.3	61.9	61.4	69.1	77.1	—
October	69.9	60.4	69.8	72.3	69.1	64.2	64.6	64.6	83.3	67.7	—
November	60.4	52.1	69.1	70.1	66.0	61.3	57.0	65.1	81.4	59.0	—
December	49.8	43.8	55.5	58.0	56.5	50.8	49.7	51.9	66.4	49.9	—
Annual Occupancy	61.4 %	59.9 %	64.9 %	70.3 %	71.6 %	66.6 %	63.5 %	62.1 %	70.3 %	69.8 %	—
Year-to-Date	57.7 %	60.4 %	57.6 %	67.9 %	74.7 %	65.6 %	64.7 %	60.8 %	64.6 %	70.6 %	64.6 %

Source: STR

FIGURE 5-6 MONTHLY AVERAGE RATE TRENDS – LOCAL COMPETITION

Month	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
January	\$77.89	\$73.35	\$71.50	\$78.14	\$81.10	\$81.30	\$81.85	\$83.69	\$85.22	\$90.98	\$89.66
February	79.22	72.57	74.96	79.54	80.91	81.29	81.43	83.06	86.28	92.59	94.61
March	78.20	73.07	74.01	81.74	80.60	81.00	81.06	86.55	88.72	92.86	94.88
April	77.87	75.55	73.93	80.24	82.32	80.53	81.42	86.29	89.20	91.93	96.68
May	78.27	73.88	76.64	81.46	84.48	85.01	83.30	91.87	91.36	96.97	99.69
June	75.97	74.78	75.57	80.71	83.35	83.09	87.93	88.70	90.54	94.47	—
July	76.29	74.14	76.75	79.37	82.24	83.18	85.74	88.27	93.09	94.24	—
August	77.85	73.81	76.55	82.95	81.63	82.78	87.23	88.95	90.22	92.80	—
September	76.85	73.19	78.23	83.54	81.15	81.94	85.47	87.70	91.50	94.28	—
October	74.03	74.45	77.85	81.72	82.76	85.10	84.89	87.90	96.08	94.50	—
November	74.45	73.19	77.01	82.21	81.23	82.64	83.75	86.01	94.40	93.26	—
December	71.79	71.35	76.39	77.30	78.29	81.16	80.89	86.10	93.64	90.99	—
Annual Average Rate	\$76.55	\$73.68	\$75.98	\$80.87	\$81.74	\$82.50	\$84.04	\$87.33	\$91.20	\$93.45	—
Year-to-Date	\$78.31	\$73.69	\$74.34	\$80.27	\$81.94	\$81.91	\$81.85	\$86.67	\$88.46	\$93.19	\$95.51

Source: STR

FIGURE 5-7 SEASONALITY – LOCAL COMPETITION

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
High Season - May, June, July, August, September											
Occupancy	66.3 %	65.0 %	71.4 %	75.4 %	75.3 %	73.3 %	68.1 %	65.7 %	72.4 %	76.7 %	72.1 %
Average Rate	\$77.02	\$73.97	\$76.77	\$81.65	\$82.53	\$83.21	\$86.03	\$89.06	\$91.35	\$94.56	\$99.69
RevPAR	51.08	48.05	54.82	61.58	62.14	61.02	58.61	58.48	66.11	72.55	71.90
Shoulder Season - February, March, April, October, November											
Occupancy	60.9 %	60.1 %	64.2 %	68.9 %	72.5 %	65.5 %	63.8 %	64.2 %	73.8 %	68.1 %	67.2 %
Average Rate	\$76.61	\$73.78	\$75.66	\$81.13	\$81.60	\$82.10	\$82.62	\$86.10	\$91.39	\$93.03	\$95.45
RevPAR	46.67	44.37	48.57	55.93	59.13	53.77	52.72	55.31	67.41	63.36	64.16
Low Season - January, December											
Occupancy	50.7 %	46.6 %	50.4 %	60.9 %	60.3 %	52.9 %	50.9 %	47.9 %	56.8 %	56.8 %	49.4 %
Average Rate	\$74.89	\$72.41	\$74.20	\$77.74	\$79.64	\$81.23	\$81.34	\$85.10	\$90.14	\$90.99	\$89.66
RevPAR	37.94	33.74	37.36	47.38	47.98	43.00	41.40	40.74	51.23	51.64	44.32

Source: Smith Travel Research

The illustrated monthly occupancy and average rates patterns reflect important seasonal characteristics. We have reviewed these trends in developing our forthcoming forecast of market-wide demand and average rate. The competitive market is characterized by a moderate degree of seasonality, which is evident in the monthly occupancy statistics. The strongest occupancy levels are recorded in the spring, summer, and early fall months, when demand from leisure travelers supplements the commercial segment that has historically been the principal source of demand in this market. Average rate levels reflect a similar pattern.

Patterns of Demand

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

FIGURE 5-8 OCCUPANCY BY DAY OF WEEK (TRAILING 12 MONTHS) – LOCAL COMPETITION

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jun - 17	52.5 %	82.8 %	89.8 %	87.4 %	81.6 %	86.0 %	87.2 %	81.2 %
Jul - 17	54.5	72.5	75.4	78.3	78.3	87.2	89.3	76.1
Aug - 17	51.5	75.9	84.9	79.3	70.1	74.7	77.9	73.9
Sep - 17	52.2	73.1	82.7	85.6	78.7	80.4	84.4	77.1
Oct - 17	41.9	65.9	72.4	72.6	67.0	77.1	82.5	67.7
Nov - 17	35.4	57.9	63.0	67.1	63.2	64.4	59.4	59.0
Dec - 17	33.6	52.4	56.2	54.7	49.8	52.5	52.7	49.9
Jan - 18	33.5	46.9	57.8	58.5	48.4	48.7	48.4	49.4
Feb - 18	37.9	61.6	67.8	66.5	66.4	63.0	64.9	61.2
Mar - 18	46.4	72.7	78.7	74.6	68.5	73.1	65.4	68.5
Apr - 18	45.7	72.0	77.2	74.3	70.2	84.2	83.5	71.5
May - 18	48.7	59.1	75.1	77.2	73.2	82.9	86.5	72.1
Average	44.4 %	65.9 %	73.4 %	72.8 %	68.3 %	72.9 %	73.5 %	67.3 %

Source: STR

FIGURE 5-9 AVERAGE RATE BY DAY OF WEEK (TRAILING 12 MONTHS) – LOCAL COMPETITION

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jun - 17	\$90.72	\$93.10	\$93.09	\$93.88	\$92.38	\$97.72	\$98.46	\$94.47
Jul - 17	91.44	91.65	92.43	92.20	92.76	97.44	99.25	94.24
Aug - 17	90.31	91.51	92.80	91.79	90.02	96.48	96.62	92.80
Sep - 17	92.03	92.93	93.07	93.72	92.33	95.40	98.12	94.28
Oct - 17	88.56	92.49	93.52	94.69	90.92	99.05	99.83	94.50
Nov - 17	86.71	92.36	93.95	95.62	92.71	93.88	94.05	93.26
Dec - 17	85.97	87.04	91.67	93.20	88.55	93.92	93.86	90.99
Jan - 18	86.36	89.41	91.84	91.52	87.88	89.03	88.61	89.66
Feb - 18	91.55	94.58	95.91	94.52	93.64	95.94	94.89	94.61
Mar - 18	91.94	96.84	95.38	95.37	93.14	93.81	96.88	94.88
Apr - 18	92.66	96.20	95.01	95.13	91.86	101.79	101.77	96.68
May - 18	97.20	97.06	97.73	97.63	95.59	104.85	106.67	99.69
Average	\$90.74	\$93.08	\$93.92	\$94.15	\$92.10	\$96.98	\$98.05	\$94.38

Source: STR

FIGURE 5-10 OCCUPANCY, AVERAGE RATE, AND REVPAR BY DAY OF WEEK (MULTIPLE YEARS) – LOCAL COMPETITION

Occupancy (%)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jun 15 - May 16	41.1 %	61.6 %	69.1 %	69.8 %	61.7 %	70.2 %	71.7 %	63.6 %
Jun 16 - May 17	50.7	71.4	79.5	79.4	70.9	77.4	80.0	72.8
Jun 17 - May 18	44.4	65.9	73.4	72.8	68.3	72.9	73.5	67.3
<u>Change (Occupancy Points)</u>								
FY 15 - FY 16	9.6	9.8	10.4	9.7	9.2	7.2	8.3	9.2
FY 16 - FY 17	(6.3)	(5.5)	(6.2)	(6.6)	(2.6)	(4.5)	(6.5)	(5.5)
ADR (\$)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jun 15 - May 16	\$84.39	\$87.02	\$88.74	\$88.60	\$86.70	\$88.79	\$90.13	\$88.03
Jun 16 - May 17	89.96	91.57	92.62	92.47	90.99	95.46	96.53	93.00
Jun 17 - May 18	90.74	93.08	93.92	94.15	92.10	96.98	98.05	94.38
<u>Change (Dollars)</u>								
FY 15 - FY 16	\$5.58	\$4.55	\$3.89	\$3.87	\$4.29	\$6.67	\$6.40	\$4.98
FY 16 - FY 17	0.78	1.51	1.30	1.67	1.11	1.52	1.52	1.38
<u>Change (Percent)</u>								
FY 15 - FY 16	6.6 %	5.2 %	4.4 %	4.4 %	4.9 %	7.5 %	7.1 %	5.7 %
FY 16 - FY 17	0.9	1.6	1.4	1.8	1.2	1.6	1.6	1.5
RevPAR (\$)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jun 15 - May 16	\$34.65	\$53.61	\$61.32	\$61.83	\$53.49	\$62.35	\$64.61	\$55.99
Jun 16 - May 17	45.61	65.42	73.64	73.47	64.51	73.86	77.22	67.69
Jun 17 - May 18	40.30	61.37	68.90	68.55	62.86	70.67	72.03	63.53
<u>Change (Dollars)</u>								
FY 15 - FY 16	\$10.96	\$11.81	\$12.32	\$11.63	\$11.02	\$11.51	\$12.62	\$11.70
FY 16 - FY 17	(5.31)	(4.04)	(4.74)	(4.92)	(1.65)	(3.19)	(5.20)	(4.17)
<u>Change (Percent)</u>								
FY 15 - FY 16	31.6 %	22.0 %	20.1 %	18.8 %	20.6 %	18.5 %	19.5 %	20.9 %
FY 16 - FY 17	(11.6)	(6.2)	(6.4)	(6.7)	(2.6)	(4.3)	(6.7)	(6.2)

Source: STR

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

SMERFE-related group segments, particularly demand generated by youth sports groups and people en route to/from the northeast and the southern coastal destinations, is evident in the occupancy and average rate levels recorded on Friday and Saturday nights of April through September. These sources also generate supplemental demand during the week in the summer months.

Regional Comparable Hotels

We have further analyzed a set of regional hotels located in eastern North Carolina, which are located small-to-midsize markets that feature a convention center, a conference center, and/or an event venue. The hotel set represents a range of select-service and full-service property types, as well as upscale, upper-midscale, and midscale brand classes. The following table illustrates the historical composite performance for these hotels, including occupancy, average rate, and RevPAR. Each market's event venue, as well as each hotel's brand class is shown.

FIGURE 5-11 HISTORICAL SUPPLY AND DEMAND TRENDS (STR) – SELECTED REGIONAL HOTELS

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2012	2,576	940,355	—	577,996	—	61.5 %	\$102.05	—	\$62.73	—
2013	2,615	954,409	1.5 %	586,833	1.5 %	61.5	104.83	2.7 %	64.46	2.8 %
2014	2,726	995,161	4.3	622,065	6.0	62.5	107.84	2.9	67.41	4.6
2015	2,722	993,701	(0.1)	629,765	1.2	63.4	111.10	3.0	70.41	4.4
2016	2,734	997,820	0.4	659,885	4.8	66.1	115.04	3.6	76.08	8.1
2017	2,788	1,017,494	2.0	672,690	1.9	66.1	116.35	1.1	76.92	1.1
Year-to-Date Through May										
2017	2,734	412,834	—	274,895	—	66.6 %	\$115.12	—	\$76.65	—
2018	2,862	432,162	4.7 %	280,208	1.9 %	64.8	113.84	(1.1) %	73.81	(3.7) %
Average Annual Compounded Change:										
2012 - 2017			1.6 %				3.1 %			
								2.7 %		
								4.2 %		

Hotels Included in Sample	City/Market	Proximate Convention, Conference, and Event Venue	Hotel Brand Class	Number of Rooms	Year Affiliated	Year Opened
Best Western Plus Burlington	Burlington	Alliance Convention Center	Upper Midscale Class	144	Apr 2011	Jan 1972
Tapestry Collection Hotel Ballast Wilmington	Wilmington	Wilmington Convention Center	Upscale Class	272	Apr 2018	Jun 1972
Ramada Plaza Fayetteville Fort Bragg Area	Fayetteville	C.R. Agricultural Expo Center; Crown Center	Midscale Class	199	Aug 2015	Jun 1974
Holiday Inn Fayetteville I 95	Fayetteville	C.R. Agricultural Expo Center; Crown Center	Upper Midscale Class	198	Jun 1983	Jun 1983
Holiday Inn Greenville	Greenville	Greenville Convention Center	Upper Midscale Class	170	Jun 2015	Jun 1984
Doubletree Fayetteville	Fayetteville	C.R. Agricultural Expo Center; Crown Center	Upscale Class	148	May 2008	Mar 1986
Doubletree Rocky Mount	Rocky Mount	Gateway Convention Ctr.; Rose Hill Plantation	Upscale Class	166	Aug 2008	Jul 1986
DoubleTree New Bern Riverfront	New Bern	New Bern Riverfront Convention Center	Upscale Class	171	Apr 2012	Nov 1986
Hilton Greenville	Greenville	Greenville Convention Center	Upper Upscale Class	142	Mar 1987	Mar 1987
Best Western Plus Coastline Inn	Wilmington	Wilmington Convention Center	Upper Midscale Class	53	Mar 2011	Feb 1989
Courtyard New Bern	New Bern	New Bern Riverfront Convention Center	Upscale Class	98	Jul 2013	May 1993
Courtyard Rocky Mount	Rocky Mount	Gateway Convention Ctr.; Rose Hill Plantation	Upscale Class	90	Sep 2000	Sep 2000
Hampton Inn Havelock	Havelock	Havelock Tourist & Event Center	Upper Midscale Class	60	Oct 2001	Oct 2001
Hampton Inn Suites Burlington	Burlington	Alliance Convention Center	Upper Midscale Class	92	Sep 2006	Sep 2006
Holiday Inn Rocky Mount I 95 @ US 64	New Bern	New Bern Riverfront Convention Center	Upper Midscale Class	135	Apr 2008	Apr 2008
Hampton Inn Greenville	Greenville	Greenville Convention Center	Upper Midscale Class	100	Jun 2009	Jun 2009
Holiday Inn Express & Suites Havelock New Bern	Havelock/New Bern	Havelock Tourist & Event Center	Upper Midscale Class	95	Apr 2011	Apr 2011
Embassy Suites Fayetteville Fort Bragg	Fayetteville	C.R. Agricultural Expo Center; Crown Center	Upper Upscale Class	165	Apr 2012	Apr 2012
Courtyard Wilmington Downtown Historic District	Wilmington	Wilmington Convention Center	Upscale Class	124	Feb 2014	Feb 2014
Courtyard Jacksonville	Jacksonville	Jacksonville Conference Center	Upscale Class	112	Sep 2015	Sep 2015
Hilton Garden Inn Jacksonville	Jacksonville	Jacksonville Conference Center	Upscale Class	128	Aug 2017	Aug 2017
Total				2,862		

Source: STR, HVS

SUPPLY

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

Primary Competition

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

FIGURE 5-12 PRIMARY COMPETITORS – ESTIMATED OPERATING PERFORMANCE

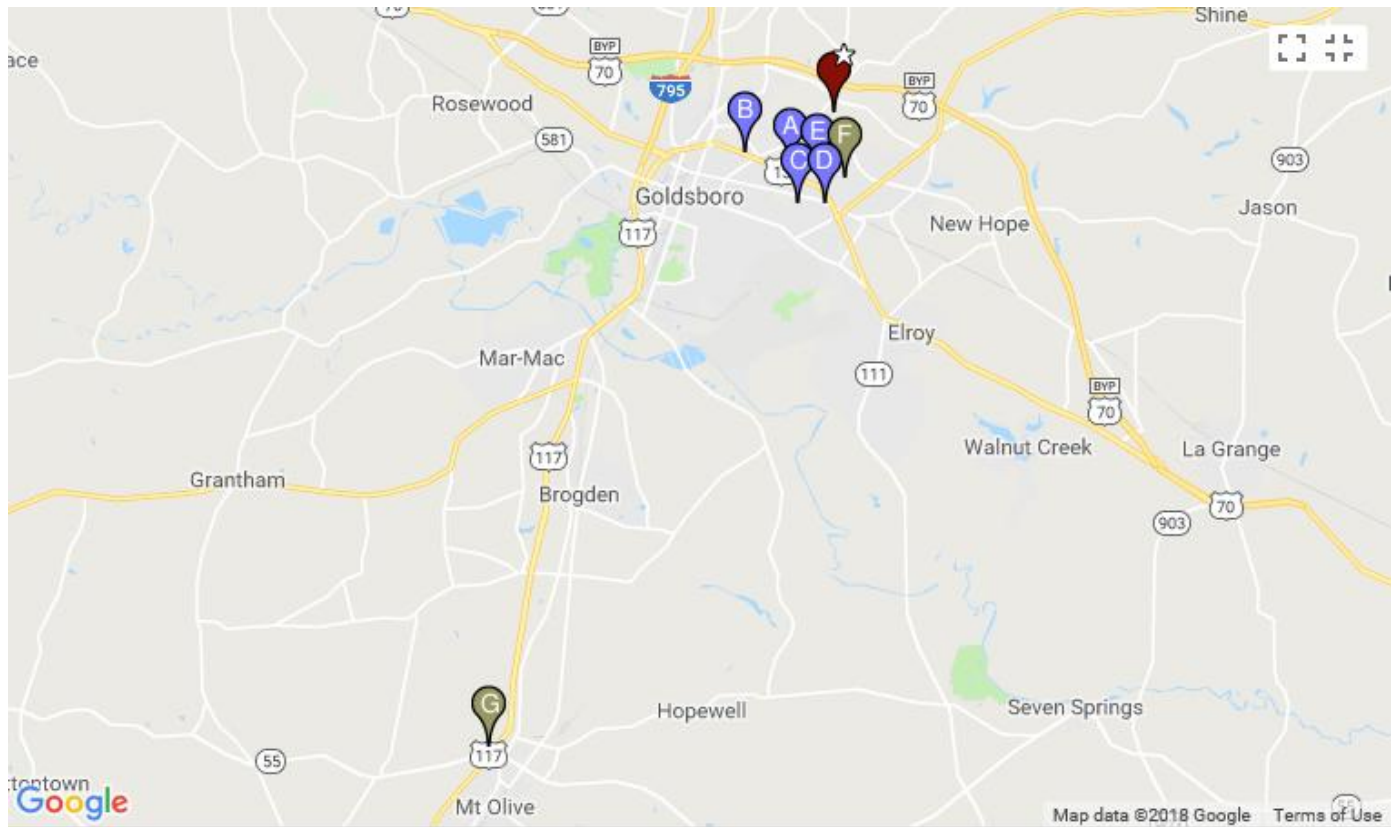
Property	Number of Rooms	Est. Segmentation			Estimated 2016				Estimated 2017					
		Meeting and Group	Commercial/Government	Leisure	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Best Western Plus Goldsboro	120	20 %	50 %	30 %	120	70 - 75 %	\$95 - \$100	\$65 - \$70	120	65 - 70 %	\$95 - \$100	\$65 - \$70	95 - 100 %	100 - 110 %
Country Inn & Suites Goldsboro	66	10	60	30	66	65 - 70	80 - 85	55 - 60	66	65 - 70	85 - 90	60 - 65	95 - 100	85 - 90
Hampton Inn Goldsboro	111	10	50	40	111	70 - 75	95 - 100	70 - 75	111	65 - 70	100 - 105	70 - 75	95 - 100	100 - 110
Holiday Inn Express & Suites Goldsboro Base Area	92	20	40	40	92	70 - 75	100 - 105	70 - 75	92	70 - 75	100 - 105	70 - 75	100 - 110	110 - 120
TownePlace Suites Goldsboro	98	10	60	30	98	70 - 75	90 - 95	65 - 70	98	70 - 75	95 - 100	70 - 75	100 - 110	100 - 110
Sub-Totals/Averages	487	14 %	51 %	34 %	487	71.5 %	\$95.20	\$68.06	487	70.8 %	\$97.18	\$68.83	101.1 %	104.3 %
Secondary Competitors	155	5 %	60 %	35 %	106	65.0 %	\$76.83	\$49.92	106	66.5 %	\$79.82	\$53.06	94.9 %	80.4 %
Totals/Averages	642	13 %	53 %	34 %	593	70.3 %	\$92.15	\$64.81	593	70.0 %	\$94.22	\$66.00	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 5-13 PRIMARY COMPETITORS – FACILITY PROFILES

Property	Number of Rooms	Year Opened	Last Major Renovation	Estimated Distance to Maxwell Center	Food and Beverage Offering	Indoor Meeting Space (SF)	Meeting Space per Room	Facilities & Amenities
Best Western Plus Goldsboro 909 North Spence Avenue	120	1988	2014	2.7 Miles	Complimentary Hot Breakfast	1,620	13.5	Business Center; Suite Shop; Guest Laundry Area; Fitness Room; Outdoor Swimming Pool; Guestroom Refrigerators and Microwaves
Country Inn & Suites Goldsboro 2302 Norwood Avenue	66	2000	2018	1.9 Miles	Complimentary Continental Breakfast	850	12.9	Business Center; Guest Laundry Area; Fitness Room; Outdoor Swimming Pool and Whirlpool
Hampton Inn Goldsboro 905 N Spence Ave	111	1995	N/A	3.0 Miles	Complimentary Hot Breakfast; On the Run Breakfast Bags	576	5.2	Business Center; Guest Laundry Area; Fitness Room; Outdoor Swimming Pool
Holiday Inn Express & Suites Goldsboro I 1003 Sunburst Drive	92	2014	2017	3.2 Miles	Complimentary Hot Breakfast	1,200	13.0	Business Center; Guest Laundry Area; Fitness Room; Indoor Swimming Pool
TownePlace Suites Goldsboro 2603 North Park Drive	98	2015	—	2.5 Miles	Complimentary Continental and Hot Breakfast	0	—	Computer Work Station; Market Pantry; Guest Laundry; Fitness Room; Outdoor Swimming Pool; Outdoor Barbecue Patio; Guestroom Full Kitchens

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

MAP OF COMPETITION INCLUDING MOUNT OLIVE HOTEL



- | | | | |
|---|--|---|--|
|  | Proposed Maxwell Center Hotel |  | Holiday Inn Express & Suites Goldsboro Base Area (Primary) |
|  | Best Western Plus Goldsboro (Primary) |  | TownePlace Suites Goldsboro (Primary) |
|  | Country Inn & Suites Goldsboro (Primary) |  | Quality Inn Goldsboro (Secondary) |
|  | Hampton Inn Goldsboro (Primary) |  | Sleep Inn & Suites Mount Olive (Secondary) |

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

PRIMARY COMPETITOR #1 - BEST WESTERN PLUS GOLDSBORO



**Best Western Plus
Goldsboro**

FIGURE 5-14 ESTIMATED HISTORICAL OPERATING STATISTICS

<u>Year</u>	<u>Wtd. Annual Room Count</u>	<u>Occupancy</u>	<u>Average Rate</u>	<u>RevPAR</u>	<u>Occupancy Penetration</u>	<u>Yield Penetration</u>
Est. 2015	120	60 - 65 %	\$90 - \$95	\$55 - \$60	100 - 110 %	100 - 110 %
Est. 2016	120	70 - 75	95 - 100	65 - 70	100 - 110	100 - 110
Est. 2017	120	65 - 70	95 - 100	65 - 70	95 - 100	100 - 110

PRIMARY COMPETITOR #2 - COUNTRY INN & SUITES GOLDSBORO



**Country Inn & Suites
Goldsboro**

FIGURE 5-15 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2015	66	60 - 65 %	\$75 - \$80	\$45 - \$50	95 - 100 %	85 - 90 %
Est. 2016	66	65 - 70	80 - 85	55 - 60	95 - 100	85 - 90
Est. 2017	66	65 - 70	85 - 90	60 - 65	95 - 100	85 - 90

PRIMARY COMPETITOR #3 - HAMPTON INN GOLDSBORO



Hampton Inn
Goldsboro

FIGURE 5-16 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2015	111	65 - 70 %	\$95 - \$100	\$60 - \$65	100 - 110 %	110 - 120 %
Est. 2016	111	70 - 75	95 - 100	70 - 75	100 - 110	100 - 110
Est. 2017	111	65 - 70	100 - 105	70 - 75	95 - 100	100 - 110

**PRIMARY COMPETITOR #4 - HOLIDAY INN EXPRESS & SUITES GOLDSBORO
BASE AREA**



**Holiday Inn Express &
Suites Goldsboro Base
Area**

FIGURE 5-17 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2015	92	65 - 70 %	\$100 - \$105	\$65 - \$70	100 - 110 %	120 - 130 %
Est. 2016	92	70 - 75	100 - 105	70 - 75	100 - 110	110 - 120
Est. 2017	92	70 - 75	100 - 105	70 - 75	100 - 110	110 - 120

PRIMARY COMPETITOR #5 - TOWNEPLACE SUITES GOLDSBORO



**TownePlace Suites
Goldsboro**

FIGURE 5-18 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2015	57	50 - 55 %	\$90 - \$95	\$50 - \$55	85 - 90 %	90 - 95 %
Est. 2016	98	70 - 75	90 - 95	65 - 70	100 - 110	100 - 110
Est. 2017	98	70 - 75	95 - 100	70 - 75	100 - 110	100 - 110

Secondary Competitors

FIGURE 5-19 SECONDARY COMPETITORS – ESTIMATED OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation			Total Competitive Level	Weighted Annual Room Count	Estimated 2016			Estimated 2017			
		Meeting and Group	Commercial/Government	Leisure			Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Quality Inn Goldsboro	67	0 %	60 %	40 %	80 %	54	60 - 65 %	\$65 - \$70	\$40 - \$45	54	60 - 65 %	\$65 - \$70	\$40 - \$45
Sleep Inn & Suites Mount Olive	88	10	60	30	60	53	65 - 70	85 - 90	55 - 60	53	65 - 70	90 - 95	60 - 65
Totals/Averages	155	5 %	60 %	35 %	69 %	106	65.0 %	\$76.83	\$49.92	106	66.5 %	\$79.82	\$53.06

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

Supply Changes

It is important to consider any new hotels that may have an impact on the proposed subject hotel's operating performance. 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 5-20 NEW SUPPLY

Proposed Property	Number of Rooms	Total Competitive Level	Weighted Room Count	Estimated Opening Date	Development Stage
Proposed Subject Property	130	100 %	130	January 1, 2021	Due Diligence Period
Home2 Suites by Hilton (conversion)	83	100	83	February 1, 2019	Under Construction
Totals/Averages	213		213		

The proposed Home2 Suites by Hilton project constitutes the redevelopment of the Goldsboro Suites property that closed in August 2016 and also formerly operate as the Comfort Suites. According to our research, the converted hotel is on track to open as the Home2 Suites by Hilton Goldsboro by February 2019, if not earlier. While the property will offer an extended-stay product in the upper-midscale class, it is expected to be fully competitive with the subject property given its anticipated new product in Goldsboro, as well as its expected price point.

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 Goldsboro submarket. The Proposed Hotel at the Maxwell Center 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 5-21 HISTORICAL MARKET TRENDS

Year	Accommodated		Room Nights		Market			Market	
	Room Nights	% Change	Available	% Change	Occupancy	Market ADR	% Change	RevPAR	% Change
Est. 2015	126,459	—	201,793	—	62.7 %	\$88.37	—	\$55.38	—
Est. 2016	152,322	20.5 %	216,591	7.3 %	70.3	92.15	4.3 %	64.81	17.0 %
Est. 2017	151,720	(0.4)	216,591	0.0	70.0	94.22	2.2	66.00	1.8
Avg. Annual Compounded									
Chg., Est. 2015-Est. 2017:		9.5 %		3.6 %			3.3 %		9.2 %

**Demand Analysis
Using Market
Segmentation**

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

FIGURE 5-22 ACCOMMODATED ROOM-NIGHT DEMAND

Market Segment	Marketwide	
	Accommodated Demand	Percentage of Total
Meeting and Group	19,393	13 %
Commercial/Government	80,271	53
Leisure	52,056	34
Total	151,720	100 %

The market's demand mix comprises meeting and group demand, with this segment representing roughly 13% of the accommodated room nights in this Goldsboro market. The commercial/government segment comprises approximately 53% of the total, with the final portion of market demand leisure in nature, reflecting 34% of the total.

Using the distribution of accommodated hotel demand as a starting point, we will analyze the characteristics of each market segment in an effort to determine future trends in room-night demand.

Meeting and Group Segment

The meeting and group market includes meetings, seminars, conventions, trade association shows, and similar gatherings of ten or more people. Peak convention demand typically occurs in the spring and fall. Although there are numerous classifications within the meeting and group segment, the primary categories considered in this analysis are corporate groups, associations, and SMERFE (social, military, ethnic, religious, fraternal, and educational) groups. Corporate groups typically meet during the business week, most commonly in the spring and fall months. These groups tend to be the most profitable for hotels, as they typically pay higher rates and usually generate ancillary revenues including food and beverage and/or banquet revenue. SMERFE groups are typically price-sensitive and tend to meet on weekends and during the summer months or holiday season, when greater discounts are usually available; these groups generate limited ancillary revenues. Association demand is generally divided on a geographical basis, with national, regional, and state associations representing the most common sources. Professional associations and/or those supported by members' employers often meet on weekdays, while other associations prefer to hold events on weekends. The profile and revenue potential of associations varies depending on the group and the purpose of the meeting or event.

The Maxwell Center is expected to be a strong generator of meeting and group room hotel demand in the area. The facility, which opened in March 2018, is forecast to reach a stabilized level of demand by 2023, in conjunction with the addition of a supporting adjacent hotel during its ramp-up period. Furthermore, in the Wayne County market, SMERFE-related events, such as weddings, family events, and school reunions, generate group demand for area hotels. Additionally, Wayne County is a popular area for participants and spectators of youth and amateur sporting events. Youth baseball and softball tournaments in the adjacent city of Kinston are anticipated to continue to generate overflow business for the area hotels, as many people often prefer to stay in Goldsboro due to the greater variety of dining and shopping options and reportedly safer environment. In 2017, Kinston will gain a minor league baseball team that is affiliated with the Texas Rangers. Home games at Grainger Stadium should boost overflow room-nights for Wayne County hotels. Furthermore, some of the companies that provide corporate transient demand also book group events at local hotels. Given the strengthening economy, moderate-to-strong growth within this demand segment should continue in the near future.

Commercial/ Government Segment

Commercial/government demand consists mainly of individual businesspeople passing through the subject market or visiting commercial firms or government institutions in the area, in addition to high-volume accounts generated by local

agencies. Brand loyalty (particularly frequent-traveler programs), as well as location and convenience with respect to businesses and amenities, influence lodging choices in this segment. Companies typically designate hotels as “preferred” accommodations in return for significantly discounted rates, including government per-diem rates; negotiated rates are discounted in proportion to the number of room nights produced by a corporate client. Government per-diem rates are established annually. Demand within this segment is strongest Monday through Thursday nights, declines significantly on Friday and Saturday, and increases somewhat on Sunday night. It is relatively constant throughout the year, with marginal declines in late December and during other holiday periods.

A major factor considered in the development of our growth rates for the commercial/government segment is the presence of the Seymour Johnson Air Force Base. The Seymour Johnson AFB officials do not maintain information on hotel usage by transient military personnel usage because travel vouchers are filed at the originating duty station. The on-base lodging facility, Southern Pines Inn, is filled before military personnel stay at offsite hotels. Families often prefer off-base lodging facilities due to the convenience and variety of restaurants and shops. Government contractors also stay at off-base lodging facilities. In 2015, the U.S. Air Force announced that Seymour Johnson AFB would be the premier Reserve-led facility to receive the KC-46A Pegasus tanker. The first tankers are slated to begin arriving at the base in 2019 and as such, hotel room night demand would be anticipated to be generated from contractors visiting the base. Additionally, in early 2016, Seymour Johnson AFB was selected to test the new Integrated Wing (I-Wing) concept designed to increase the efficiency and effectiveness of Air Force operations. The I-Wing initial operating capability occurred during the 2017 fiscal year, with the testing phase anticipated to take an additional roughly three years. Hotel room-night demand is anticipated to increase for area hotels, as contractors work on the testing processes. Furthermore, on-base construction projects and business from related aerospace and defense companies also provide commercial demand.

Additionally, continued growth at local companies, such as Mt. Olive Pickle Company and Butterball, is anticipated to continue supplying room-night volume for area lodging facilities. Commercial extended-stay demand (also defined as long-term stays) is generated by the same military and commercial sources. Area hospitals generate room nights for local hotels from traveling physicians, sales representatives, and people visiting family members at the medical facility. Construction crews working on commercial, residential, and infrastructure projects also contribute to the extended-stay demand for area hotels. Education facilities such as Wayne County Community College offer advanced manufacturing, healthcare, and aerospace programs that help strengthen workforce development to enhance the performance of local companies. Furthermore, local officials'

promotion of the ParkEast and Mount Olive Industrial Parks, as well as continued retail development, should bode well for the local economy. The diversity of industries in the area should provide stability and allow for moderate growth within this demand segment to continue through the projection period.

Leisure Segment

Leisure demand consists of individuals and families spending time in an area or passing through en route to other destinations. Travel purposes include sightseeing, recreation, or visiting friends and relatives. Leisure demand also includes room nights booked through Internet sites such as Expedia, Hotels.com, and Priceline; however, leisure may not be the purpose of the stay. This demand may also include business travelers and group and convention attendees who use these channels to take advantage of any discounts that may be available on these sites. Leisure demand is strongest Friday and Saturday nights, and all week during holiday periods and the summer months. These peak periods represent the inverse of commercial visitation trends, underscoring the stabilizing effect of capturing weekend and summer tourist travel. Future leisure demand is related to the overall economic health of the region and the nation. Trends showing changes in state and regional unemployment and disposable personal income correlate strongly with leisure travel levels.

Leisure demand in the area is primarily generated by people visiting family and friends who either reside in the area or are stationed at Seymour Johnson AFB. Regional travelers attending festivals or angler tournaments in the area also often require overnight accommodations. Tourism during the summer months boosts demand for local hotels. Additionally, the Wayne County area is often a stopping point for motorists traveling to/from the northeast and coastal destinations such as Wilmington. Local officials anticipate that the Maxwell Center and the Bryan Multi-Sports Complex should also attract leisure events to the area, which would generate lodging demand. Thus, we expect moderate growth to occur within this segment through the stabilized year.

Base Demand Growth Rates

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

FIGURE 5-23 AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES

Market Segment	Annual Growth Rate					
	2018	2019	2020	2021	2022	2023
Meeting and Group	-8.0 %	1.5 %	2.0 %	3.0 %	4.0 %	3.0 %
Commercial/Government	-7.0	2.5	3.0	3.5	4.0	3.0
Leisure	-7.0	2.5	2.5	3.0	4.0	3.0
Base Demand Growth	-7.1 %	2.4 %	2.7 %	3.3 %	4.0 %	3.0 %

Latent Demand

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

Unaccommodated Demand

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

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

FIGURE 5-24 OCCUPANCY BY NIGHT OF THE WEEK

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jun - 17	52.5 %	82.8 %	89.8 %	87.4 %	81.6 %	86.0 %	87.2 %	81.2 %
Jul - 17	54.5	72.5	75.4	78.3	78.3	87.2	89.3	76.1
Aug - 17	51.5	75.9	84.9	79.3	70.1	74.7	77.9	73.9
Sep - 17	52.2	73.1	82.7	85.6	78.7	80.4	84.4	77.1
Oct - 17	41.9	65.9	72.4	72.6	67.0	77.1	82.5	67.7
Nov - 17	35.4	57.9	63.0	67.1	63.2	64.4	59.4	59.0
Dec - 17	33.6	52.4	56.2	54.7	49.8	52.5	52.7	49.9
Jan - 18	33.5	46.9	57.8	58.5	48.4	48.7	48.4	49.4
Feb - 18	37.9	61.6	67.8	66.5	66.4	63.0	64.9	61.2
Mar - 18	46.4	72.7	78.7	74.6	68.5	73.1	65.4	68.5
Apr - 18	45.7	72.0	77.2	74.3	70.2	84.2	83.5	71.5
May - 18	48.7	59.1	75.1	77.2	73.2	82.9	86.5	72.1
Average	44.4 %	65.9 %	73.4 %	72.8 %	68.3 %	72.9 %	73.5 %	67.3 %

Source: STR

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

FIGURE 5-25 UNACCOMMODATED DEMAND ESTIMATE

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand Percentage	Unaccommodated Room Night Demand
Meeting and Group	19,393	2.6 %	511
Commercial/Govern	80,271	0.8	682
Leisure	52,056	1.0	511
Total	151,720	1.1 %	1,704

Accordingly, we have forecast unaccommodated demand equivalent to 1.1% of the base-year demand, resulting from our analysis of monthly and weekly peak demand and sell-out trends.

Induced Demand

Induced demand represents the additional room nights that are expected to be attracted to the market following the introduction of a new demand generator. Situations that can result in induced demand include the opening of a new manufacturing plant, the expansion of a convention center, or the addition of a new hotel with a distinct chain affiliation or unique facilities.

The Maxwell Center, a brand-new 66,000-square-foot convention center in Goldsboro, opened in March of 2018. Historically, Wayne County did not offer a sizeable convention center, with the exception of the Goldsboro Event Center. The opening of the Maxwell Center is expected to induce a moderate amount of lodging demand into this market annually through the forecast stabilized year of 2023. The Maxwell Center should draw new groups to this market, as these groups with planned meetings would have likely chosen an alternate destination if it were not for the availability of the new facility. The delivery and subsequent ramp up of occupancy of the subject hotel should also induce a moderate amount of commercial and leisure demand into this market, as companies and visitors would have likely chosen an alternate location if it were not for the availability of this new upscale, select-service lodging facility. The following table summarizes our estimate of induced demand.

FIGURE 5-26 INDUCED DEMAND CALCULATION

Market Segment	Induced Room Nights					
	2018	2019	2020	2021	2022	2023
Meeting and Group	847	1,126	1,126	7,003	9,445	11,394
Commercial/Government	0	1,973	3,599	7,566	9,189	10,171
Leisure	0	1,727	2,449	3,657	4,108	4,582
Total	847	4,826	7,174	18,227	22,742	26,148

Accordingly, we have incorporated 26,000 room nights (rounded) into our analysis, phased in over an appropriate ramp-up period.

Accommodated Demand and Market- wide Occupancy

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

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

FIGURE 5-27 FORECAST OF MARKET OCCUPANCY

	2021	2022	2023	2024
Meeting and Group				
Base Demand	19,026	19,787	20,381	20,584
Unaccommodated Demand	502	522	537	543
Induced Demand	7,003	9,445	11,394	11,394
Total Demand	26,531	29,754	32,312	32,521
Growth Rate	32.1 %	12.1 %	8.6 %	0.6 %
Commercial/Government				
Base Demand	81,573	84,836	87,381	88,254
Unaccommodated Demand	693	720	742	749
Induced Demand	7,566	9,189	10,171	10,171
Total Demand	89,832	94,745	98,294	99,175
Growth Rate	8.1 %	5.5 %	3.7 %	0.9 %
Leisure				
Base Demand	52,388	54,484	56,118	56,680
Unaccommodated Demand	514	535	551	557
Induced Demand	3,657	4,108	4,582	4,582
Total Demand	56,560	59,127	61,252	61,818
Growth Rate	5.1 %	4.5 %	3.6 %	0.9 %
Totals				
Base Demand	152,987	159,106	163,880	165,518
Unaccommodated Demand	1,709	1,777	1,830	1,849
Induced Demand	18,227	22,742	26,148	26,148
Total Demand	172,922	183,626	191,858	193,515
less: Residual Demand	0	0	0	0
Total Accommodated Demand	172,922	183,626	191,858	193,515
Overall Demand Growth	10.9 %	6.2 %	4.5 %	0.9 %
Market Mix				
Meeting and Group	15.3 %	16.2 %	16.8 %	16.8 %
Commercial/Government	51.9	51.6	51.2	51.2
Leisure	32.7	32.2	31.9	31.9
Existing Hotel Supply	594	593	593	593
Proposed Hotels				
Proposed Subject Property ¹	130	130	130	130
Home2 Suites by Hilton (conversion) ²	83	83	83	83
Available Room Nights per Year	294,336	294,336	294,336	294,336
Nights per Year	365	365	365	365
Total Supply	806	806	806	806
Rooms Supply Growth	19.2 %	0.0 %	0.0 %	0.0 %
Marketwide Occupancy	58.7 %	62.4 %	65.2 %	65.7 %

¹ Opening in January 2021 of the 100% competitive, 130-room Proposed Subject Property

² Opening in February 2019 of the 100% competitive, 83-room Home2 Suites by Hilton (conversion)

6. 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 Hotel at the Maxwell Center is recommended to be a select-service lodging facility containing 130 rentable units. For the purposes of this analysis, the upscale subject property is assumed to open on January 1, 2021. Following the 2018 opening of the Maxwell Center, the potential development of a hotel on the site located adjacent to the center is under consideration by representatives of the City of Goldsboro and Wayne County. The City of Goldsboro has retained six acres located in the south corner of New Hope Road and Wayne Memorial Drive for the potential development of a hotel and a restaurant. Reportedly, after five years of due diligence, should the development of a hotel not be pursued, the city will retain three acres of the land for a potential hotel and either pursue the development or disposition of the remaining three acres. As part of this due diligence period, officials seek to analyze the potential viability of a new hotel located adjacent to the Maxwell Center in order to accommodate demand that will be generated by the Maxwell Center. As a future potential step, city and county representatives may seek private investment for development of the subject hotel.

We have positioned the proposed subject hotel as an upscale, select-service property. Examples of upscale select-service hotel brands including AC by Marriott, Cambria Suites, Courtyard by Marriott, EVEN Hotels, Hilton Garden Inn, and Hyatt Place. Given the meeting planner survey responses regarding hotel and brand preferences, we have placed heavy consideration on the Hilton Garden Inn brand, which is affiliated with Hilton Hotels & Resorts. While a specific franchise affiliation and/or brand has yet to be determined, for the purposes of this analysis, our projections reflect franchise fees appropriate for a Hilton Garden Inn or similar select-service brand affiliation.

AC Hotel by Marriott - Originating in Spain, Marriott's AC Hotel brand was developed by Antonio Catalán in 1998. The brand brings a new, modern design-style to the select-service hotel segment. Characterized by signature public areas, including the AC Lounge, AC Library, and dedicated media rooms, AC Hotels offer design-inspired accommodations to guests. Representatives with Marriott indicate

that the brand will target urban, niche markets in North America, as the brand maintains an established presence in Europe. The first AC Hotel by Marriott in the U.S. opened in the French Quarter of New Orleans in November 2014. As of year-end 2017, there were 31 hotels (5,288 rooms total) operating in North America (115 properties located throughout Europe, North America, and Latin America. According to Marriott International, there are about 80 hotels in the pipeline that have either been approved for development or are under construction. The brand's performance statistics were not available.

Cambria Hotel & Suites - Cambria Hotel & Suites, by Choice Hotels International, is an all-suite hotel featuring spacious rooms, including a separate workspace with moveable desk and ergonomic chair. Guest suites feature luxurious bedding, flat-panel televisions with connectivity, complimentary Internet access, and a microwave, refrigerator, and coffeemaker. All hotels offer a swimming pool, state-of-the-art fitness room, and 24/7 convenience store, as well as a contemporary dining area featuring the barista gourmet coffee bar, hot breakfast buffet, and dinner menu. As of year-end 2017, there were 36 hotels (4,917 rooms) in the U.S. In 2017, the brand operated at an average occupancy level of 73.8%, with an average daily rate of \$137.86 and an average RevPAR of \$101.70 for its hotel properties in the U.S.

Courtyard by Marriott - The Courtyard by Marriott concept was developed by Marriott in 1985 to target business travelers. Courtyard by Marriott is a mid-rate, select-service product, commonly considered to be one of the strongest mid-rate products in the lodging industry. Each Courtyard by Marriott contains a restaurant/lounge (for either grab-and-go snacks or sit-down meals), a business center, a market pantry, a fitness room, a swimming pool, and meeting space. Main competitors of the Courtyard by Marriott brand include Hilton Garden Inn, Four Points by Sheraton, Wingate by Wyndham, Hampton Inn & Suites, La Quinta Inn & Suites, and Hyatt Place, among others. As of year-end 2017, there were 994 Courtyard by Marriott properties (139,326 rooms) in operation across North America. In 2017, the brand's North American hotels achieved an average occupancy level of 69.6%, an average daily rate of \$136.59, and an average RevPAR of \$95.09.

EVEN Hotels - In 2012, InterContinental Hotels Group (IHG) announced the launch of EVEN Hotels. The brand is designed for business and leisure travelers who maintain a healthy and active lifestyle and are looking for a complete wellness experience at a mainstream price point. Hotels feature modern guestrooms with space to work and work out, healthy-minded food and beverage options, complimentary filtered drinking water, best-in-class gyms, in-room workout options, and group exercise activities. As of year-end 2017, there were eight EVEN Hotels (1,238 rooms) in operation, all in the Americas. In 2017, the brand operated

at an average occupancy level of 74.7%, with an average daily rate of \$174.77 and an average RevPAR of \$130.55.

Hilton Garden Inn - Hilton Garden Inn properties are upscale, mid-priced, select-service hotels by Hilton Worldwide. The franchise primarily targets the individual business and the weekend leisure segments. The Hilton Garden Inn concept is “value-engineered” to provide those services expected of its targeted guests and eliminate expenses related to unsought amenities. Hilton Garden Inn hotels feature a complimentary 24/7 business center and free Wi-Fi access, a casual restaurant and lounge serving breakfast daily (lunch and dinner available at most locations, including evening room service), and the 24/7 Pavilion Pantry. Guestrooms offer the adjustable Garden Sleep System® bed and a comfortable work area with an ergonomically designed chair. Most properties offer a swimming pool, whirlpool, and fitness room, as well as a proprietary Stay Fit Kit for in-room exercise. As of year-end 2017, there were 771 hotels (111,438 rooms) operating under the Hilton Garden Inn brand. In 2017, the brand operated at an average occupancy level of 75.5%, with an average daily rate of \$132.87 and an average RevPAR of \$100.33 (worldwide).

Hyatt Place - As an upscale, select-service hotel by Hyatt Hotels Corporation, Hyatt Place is distinguished among hotels in its asset class through a variety of amenities and guest-service offerings. These include the Gallery, a lobby area featuring the option of self-service check-in kiosks and free access to computers and a printer; the Guest Kitchen and Bakery Café, offering “café-quality” food and beverage items (including beer and wine) for purchase, as well as a complimentary breakfast; and a Host assigned to each guest to fulfill requests during his or her stay. Catering chiefly to commercial and leisure travelers, Hyatt Place hotels typically range in size from 125 to 200 rooms and offer an indoor pool, a fitness room, and a limited amount of meeting space. Guestrooms feature high-tech equipment including Wi-Fi Internet access and 42-inch flat-panel televisions capable of accepting inputs from computers and smartphones. As of year-end 2017, there were 302 Hyatt Place properties (42,430 hotel rooms) in operation. In 2017, the brand operated at an average occupancy level of 74.0%, with an average daily rate of \$129.77 and an average RevPAR of \$96.02.

As published by the lodging brands, the following table illustrates a selection of brand performance data compiled by HVS.

FIGURE 6-1 LODGING BRAND PERFORMANCE

	OCCUPANCY							ADR						
	2015	2016	2017	% Change: 16 to 17	2017 - THRU MAR	2018- THRU MAR	% Change: 17 to 18	2015	2016	2017	% Change: 16 to 17	2017 - THRU MAR	2018- THRU MAR	% Change: 17 to 18
Marriott - North America														
Courtyard by Marriott	72.9%	72.9%	73.3%	0.5	68.9%	68.9%	(0.0)	\$136.59	\$139.24	\$139.45	0.2 %	\$137.45	\$136.68	(0.6)
Residence Inn by Marriott	79.1%	79.0%	79.3%	0.4	75.0%	76.0%	1.3	\$139.08	\$142.78	\$146.47	2.6	\$142.18	\$144.72	1.8
Fairfield Inn by Marriott	70.5%	70.1%	71.5%	2.0	65.3%	66.3%	1.5	\$109.09	\$111.20	\$113.15	1.8	\$108.64	\$110.19	1.4
Wyndham (worldwide)														
AmericInn	50.9%		47.7%			44.1%		\$67.26		\$91.56			\$89.75	
Baymont Inn & Suites	52.5%	51.8%	52.6%	1.5 %	46.1%	47.8%	3.7	\$68.50	\$70.63	\$72.61	2.8 %	\$66.85	\$69.08	3.3
Hawthorn Suites	66.5%	66.3%	65.3%	(1.5)	61.6%	62.1%	0.8	\$81.00	\$82.39	\$83.47	1.3	\$82.74	\$83.66	1.1
Microtel Inn & Suites	57.9%	57.4%	57.9%	0.9	52.1%	52.5%	0.8	\$69.23	\$68.89	\$71.24	3.4	\$65.65	\$69.32	5.6
Ramada	54.2%	53.6%	54.5%	1.7	50.0%	50.9%	1.8	\$75.08	\$73.72	\$71.39	(3.2)	\$69.58	\$70.30	1.0
TRYP by Wyndham	62.0%	65.6%	67.0%	2.1	58.0%	60.6%	4.5	\$80.39	\$77.79	\$82.77	6.4	\$73.59	\$85.09	15.6
Wingate by Wyndham	63.3%	62.7%	61.8%	(1.4)	57.1%	55.7%	(2.5)	\$89.17	\$90.70	\$91.16	0.5	\$85.49	\$87.71	2.6
Wyndham	60.5%	57.2%	59.1%	3.3	53.1%	56.2%	5.8	\$110.76	\$105.60	\$102.02	(3.4)	\$101.23	\$102.34	1.1
Choice (U.S. only)														
Comfort Inn	65.0%	65.6%	66.0%	0.6 %	58.5%	58.2%	(0.5)	\$89.68	\$92.56	\$94.23	1.8 %	\$87.03	\$88.73	2.0
Comfort Suites	68.3%	69.3%	70.1%	1.1	65.1%	65.7%	0.9	\$93.89	\$96.32	\$97.01	0.7	\$93.40	\$95.13	1.9
Sleep Inn	63.9%	65.1%	65.5%	0.6	60.0%	59.9%	(0.2)	\$80.41	\$82.08	\$82.96	1.1	\$79.20	\$81.40	2.8
Quality	58.2%	59.1%	59.8%	1.2	53.1%	54.2%	2.1	\$75.06	\$77.80	\$79.25	1.9	\$73.76	\$75.83	2.8
Clarion	57.2%	58.3%	59.3%	1.7	53.6%	51.9%	(3.2)	\$79.85	\$82.35	\$84.64	2.8	\$78.05	\$79.62	2.0
Ascend Collection	58.5%	58.1%	55.5%	(4.5)	51.3%	53.1%	3.5	\$127.27	\$129.97	\$127.96	(1.5)	\$117.29	\$115.98	(1.1)
Cambria Hotel & Suites			73.8%		68.1%	66.4%				\$137.86		\$122.24	\$129.05	
IHG (all of the Americas)														
EVER Hotels		69.5%	74.7%	7.5 %	67.0%	67.9%			\$130.02	\$174.77	34.4 %	\$151.39	\$141.37	
Staybridge Suites	77.2%	76.8%	76.5%	(0.4)	71.9%	73.3%	1.9	\$114.92	\$116.46	\$118.03	1.3	\$115.29	\$118.50	2.8
Hotel Indigo	74.2%	72.4%	71.9%	(0.7)	67.3%	69.7%	3.6	\$148.00	\$146.55	\$155.66	6.2	\$147.24	\$148.74	1.0
Crowne Plaza	68.2%	68.9%	68.8%	(0.1)	64.4%	63.9%	(0.8)	\$120.46	\$121.61	\$123.49	1.5	\$120.48	\$122.96	2.1
Holiday Inn Express	68.9%	68.8%	68.7%	(0.1)	63.2%	63.5%	0.5	\$111.71	\$111.52	\$112.64	1.0	\$107.82	\$110.20	2.2
Holiday Inn	66.6%	66.8%	66.6%	(0.3)	61.8%	61.9%	0.2	\$112.12	\$112.82	\$112.61	(0.2)	\$107.98	\$110.02	1.9
Candlewood Suites	75.4%	74.3%	74.3%	(0.0)	69.7%	69.4%	(0.4)	\$80.89	\$82.12	\$83.69	1.9	\$81.19	\$54.11	(33.4)
Hilton (worldwide)														
Hampton by Hilton	74.2%	73.7%	74.3%	0.8 %	68.6%	68.9%	0.4	\$118.52	\$120.81	\$122.02	1.0 %	\$117.54	\$119.44	1.6
Hilton Garden Inn	76.1%	74.7%	75.5%	1.1	71.3%	72.8%	2.1	\$130.09	\$132.08	\$132.87	0.6	\$127.64	\$128.25	0.5
Homewood Suites by Hilton	79.6%	78.6%	80.2%	2.0	75.4%	77.2%	2.4	\$131.33	\$135.10	\$136.32	0.9	\$133.22	\$136.70	2.6
Home2 Suites by Hilton	78.2%	75.8%	78.7%	3.8	73.7%	74.6%	1.2	\$114.74	\$115.64	\$116.91	1.1	\$111.84	\$113.51	1.5
Hilton	75.9%	73.7%	75.6%	2.6	71.2%	72.3%	1.5	\$165.44	\$166.48	\$167.48	0.6	\$127.64	\$171.91	34.7
DoubleTree by Hilton	74.4%	72.9%	74.2%	1.8	70.3%	70.5%	0.3	\$135.76	\$134.39	\$135.47	0.8	\$131.37	\$132.97	1.2
Embassy Suites by Hilton	78.9%	78.4%	79.1%	0.9	76.5%	75.6%	(1.2)	\$155.63	\$159.95	\$161.39	0.9	\$161.41	\$162.32	0.6
Hyatt (system-wide)														
Hyatt Place	76.8%	72.4%	74.0%	2.2	73.8%	73.2%	(0.8)	\$123.53	\$126.81	\$129.77	2.3	\$129.81	\$131.27	1.1
Hyatt House	79.9%	74.9%	77.0%	2.8	74.8%	77.0%	2.9	\$142.31	\$147.07	\$149.75	1.8	\$151.96	\$156.09	2.7

TYPICAL SELECT-SERVICE HOTEL 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 6-2 PROPOSED FACILITIES SUMMARY

Guestroom Configuration		Number of Units
King		50 - 70
Queen/Queen		60 - 80
Executive Rooms and Suites		5 - 10
Total		130
Food & Beverage Facilities		Seating Capacity
Restaurant with Open-Display Kitchen		TBD
Lobby Bar		TBD
The Shop (24-Hour Pantry with Fresh Food Options)		0
Indoor Meeting & Banquet Facilities		Square Footage
Meeting Rooms, Multi-Function Gathering Spaces		3,500
Net Total (Excludes Prefunction Areas)		3,500
Amenities & Services		
Swimming Pool		Fitness Room
Outdoor Patio and Fire Pit		Lobby Computer Workstations
Infrastructure		
Parking		Self-Parking
Elevators		Guest, Service
Life-Safety Systems		Sprinklers, Smoke Detectors

Site Improvements and Hotel Structure

The proposed hotel should comprise one multi-story building. Surface parking should be located around the building. Other site improvements should include freestanding signage, located at the main entrance to the site, as well as an outdoor swimming pool, outdoor patios, a fire pit, landscaping, and sidewalks. Additional signage is expected to be placed on the exterior of the building. The hotel's main entrance should lead directly into the lobby, and the first (ground) floor should house the public areas and the back-of-the-house space. Guestrooms may be located on all floors. The site and building components are expected to be normal for a hotel of this type and should meet the standards for this suburban corridor market.

Planned Facilities

Consistent with a select-service hotel offering, the property should feature a restaurant and lobby bar located off the lobby proximate to the check-in pods and lobby seating areas. The furnishings of the food and beverage spaces should be of a similar style and finish as the lobby and guestroom furnishings. The hotel should

offer meeting space located either on the lobby level or the top floor to afford views. As recreational facilities, the hotel should offer an outdoor pool with sundeck and a fitness room. Other amenities should include lobby computer workstations or a small business center, as well as a market pantry. The hotel should feature standard and suite-style room configurations and the typical in-room amenities associated with an upscale, select-service brand. Guestroom bathrooms should be of a standard size, with a walk-in shower or 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.

Public Areas

TYPICAL SELECT-SERVICE HOTEL LOBBY



TYPICAL SELECT-SERVICE HOTEL DINING AREA



TYPICAL SELECT-SERVICE HOTEL BAR AREA



TYPICAL SELECT-SERVICE HOTEL BOARDROOM



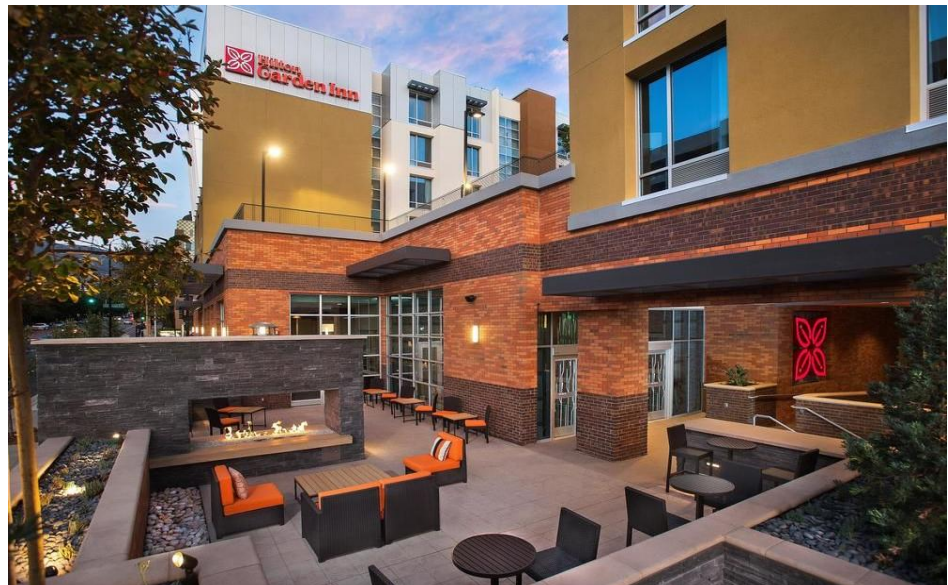
TYPICAL SELECT-SERVICE HOTEL MEETING ROOM



TYPICAL SELECT-SERVICE HOTEL MARKET



TYPICAL SELECT-SERVICE HOTEL OUTDOOR PATIO



Guestrooms

TYPICAL SELECT-SERVICE HOTEL GUESTROOM



TYPICAL SELECT-SERVICE HOTEL GUESTROOM BATHROOM



Back-of-the-House

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

ADA and Environmental

We assume that the property will be built according to all pertinent codes and brand standards. Moreover, we assume its construction will not create any environmental hazards (such as mold) and that the property will fully comply with the Americans with Disabilities Act.

Capital Expenditures

Our analysis assumes that, after its opening, the hotel will require ongoing upgrades and periodic renovations in order to maintain its competitive level in this market and to remain compliant with brand standards. These costs should be adequately funded by the forecasted reserve for replacement, as long as a successful, ongoing preventive-maintenance program is employed by hotel staff.

Construction Budget
















For a proposed hotel, the total project cost is estimated by applying industry cost parameters to the planned facilities and concept. Included in the final figure are all hard costs such as building construction, furniture, fixtures, and equipment, and land cost. The development cost total also includes soft costs and pre-opening expenses such as legal and architectural fees, financing costs, insurance, taxes during construction, operating capital, contingencies, and an assumed developer's profit. Data from applicable sources, including the Hotel Development Cost Survey published annually by Hospitality Valuation Services, was used to illustrate a range of development costs for similar projects. In addition, we consulted actual recent budgets for similar hotel projects in order to reflect typical costs. The following tables illustrate typical construction cost ranges by property type, according to the HVS Development Cost Survey.

FIGURE 6-3 DEVELOPMENT COST RANGES BY PROPERTY TYPE

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

Source: HVS

FIGURE 6-4 DEVELOPMENT COST RANGES BY PROPERTY TYPE

	Land	Building and Site Improvements	Soft Costs	FF&E	Opening and Working	Total
Budget/Economy Hotels						
Average	\$8,773	\$62,906	\$10,023	\$11,838	\$1,946	\$95,486
% of Total *	10%	66%	10%	12%	2%	
Limited-Service Hotels						
Average	\$23,151	\$98,089	\$20,238	\$15,826	\$3,809	\$159,396
% of Total *	11%	65%	11%	11%	2%	
Extended-Stay Hotels (Midscale)						
Average	\$10,965	\$70,241	\$16,846	\$16,827	\$3,200	\$118,078
% of Total *	9%	61%	13%	14%	3%	
Extended-Stay Hotels (Upscale)						
Average	\$22,000	\$126,800	\$20,500	\$18,100	\$3,900	\$191,300
% of Total *	14%	61%	13%	10%	2%	
Dual-Branded Hotels						
Average	\$22,900	\$129,800	\$29,900	\$21,400	\$5,100	\$209,100
% of Total *	13%	62%	14%	10%	2%	
Select-Service Hotels						
Average	\$43,800	\$129,600	\$30,000	\$19,000	\$4,400	\$226,700
% of Total *	11%	61%	13%	11%	3%	
Full-Service Hotels						
Average	\$38,500 	\$163,200 	\$52,600 	\$31,100 	\$8,100 	\$323,600
% of Total *	13%	62%	14%	10%	2%	
Lifestyle/Soft-Branded Hotels						
Average	\$54,500 	\$217,600 	\$55,600 	\$29,900 	\$8,400 	\$365,900
% of Total *	14%	60%	15%	9%	3%	
Luxury Hotels						
Average	\$60,200 	\$323,700 	\$83,100 	\$63,600 	\$19,800 	\$550,500
% of Total *	11%	61%	13%	11%	3%	

Source: HVS

Assumed development costs by sub-category are illustrated below for a 130-room select-service hotel. As HVS is not a cost estimating service, we recommend that a professional cost estimator, construction company, or design firm be consulted.

FIGURE 6-5 DEVELOPMENT COST CATEGORIES

Component Based on Sample Development Budgets	Estimate for 130-Room Hotel	Cost per Room	%of Total
Hard Costs & Site Improvements	\$11,700,000	\$90,000	59%
FF&E	1,950,000	15,000	10%
Pre-Opening Costs and Working Capital	650,000	5,000	3%
Soft Costs	1,950,000	15,000	10%
Subtotal (without Land and Developer's Fee)	\$16,250,000	\$125,000	
Assumed Site Component Cost at 10% of Total	\$1,950,000	\$15,000	10%
Subtotal (without Developer's Profit/Entrepreneurial Incentive)	\$18,200,000	\$140,000	
Developer's Profit/Entrepreneurial Incentive	\$1,625,000	\$12,500	8%
Total	\$19,800,000	\$152,000	100%

Conclusion

Overall, the proposed subject hotel should offer a well-designed, functional layout of support areas and guestrooms. All typical and market-appropriate features and amenities should be included in the hotel's design. We assume that the building will be fully open and operational on the 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.

7. Projection of Occupancy and Average Rate

Along with average rate results, the occupancy levels achieved by a hotel are the foundation of the property's financial performance and market value. Most of a lodging facility's other revenue sources (such as food, beverages, other operated departments, and rentals and other income) are driven by the number of guests, and many expense levels vary with occupancy. To a certain degree, occupancy attainment can be manipulated by management. For example, hotel operators may choose to lower rates in an effort to maximize occupancy. Our forecasts reflect an operating strategy that we believe would be implemented by a typical, professional hotel management team to achieve an optimal mix of occupancy and average rate.

Penetration Rate Analysis

The subject property's forecasted market share and occupancy levels are based upon its anticipated competitive position within the market, as quantified by its penetration rate. The penetration rate is the ratio of a property's market share to its fair share.

Historical Penetration Rates by Market Segment

In the following table, the penetration rates attained by the primary competitors and the aggregate secondary competitors are set forth for each segment for the base year.

FIGURE 7-1 HISTORICAL PENETRATION RATES

Property	Meeting and Group	Commercial/Government	Leisure	Overall
Best Western Plus Goldsboro	154 %	93 %	86 %	99 %
Country Inn & Suites Goldsboro	77	112	86	99
Hampton Inn Goldsboro	78	94	117	100
Holiday Inn Express & Suites Goldsboro Bas	163	79	121	104
TownePlace Suites Goldsboro	82	119	91	104
Secondary Competition	38	108	96	95

**Forecast of Subject
Property's Occupancy**

In the base year, the Holiday Inn Express & Suites Goldsboro Base Area is estimated to have achieved the highest penetration rate within the meeting and group segment. The highest penetration rate in the commercial/government segment is estimated to have been achieved by the TownePlace Suites Goldsboro, while the Holiday Inn Express & Suites Goldsboro Base Area is estimated to have led the market with the highest leisure penetration rate.

Because the supply and demand balance for the competitive market is dynamic, there is a circular relationship between the penetration factors of each hotel in the market. The performance of individual new hotels has a direct effect upon the aggregate performance of the market, and consequently upon the calculated penetration factor for each hotel in each market segment. The same is true when the performance of existing hotels changes, either positively (following a refurbishment, for example) or negatively (when a poorly maintained or marketed hotel loses market share).

A hotel's penetration factor is calculated as its achieved market share of demand divided by its fair share of demand. Thus, if one hotel's penetration performance increases, thereby increasing its achieved market share, this leaves less demand available in the market for the other hotels to capture and the penetration performance of one or more of those other hotels consequently declines (other things remaining equal). This type of market share adjustment takes place every time there is a change in supply, or a change in the relative penetration performance of one or more hotels in the competitive market. Our projections of penetration, demand capture, and occupancy performance for the subject property account for these types of adjustments to market share within the defined competitive market.

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

FIGURE 7-2 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY

Market Segment	2021	2022	2023
Meeting and Group			
Demand	26,531	29,754	32,312
Market Share	28.8 %	29.2 %	29.4 %
Capture	7,635	8,680	9,497
Penetration	179 %	181 %	182 %
Commercial/Government			
Demand	89,832	94,745	98,294
Market Share	13.7 %	14.2 %	14.5 %
Capture	12,332	13,438	14,213
Penetration	85 %	88 %	90 %
Leisure			
Demand	56,560	59,127	61,252
Market Share	14.4 %	14.2 %	13.9 %
Capture	8,139	8,369	8,500
Penetration	90 %	88 %	86 %
Total Room Nights Captured	28,106	30,487	32,209
Available Room Nights	47,320	47,450	47,450
Subject Occupancy	59 %	64 %	68 %
Market-wide Available Room Nights	294,336	294,336	294,336
Fair Share	16 %	16 %	16 %
Market-wide Occupied Room Nights	172,922	183,626	191,858
Market Share	16 %	17 %	17 %
Market-wide Occupancy	59 %	62 %	65 %
Total Penetration	101 %	103 %	104 %

The proposed subject hotel's occupancy penetration in the meeting and group segment is positioned above the market-average level given its assumed location adjacent to the Maxwell Center and its anticipated accommodation of guestroom blocks for Maxwell Center groups. Owing to a locational advantage, we have forecast the proposed subject property to benefit from joint marketing efforts with the Maxwell Center and to serve as the center's first choice for lodging referrals. As the commercial market segment also includes government demand, the proposed subject hotel's occupancy penetration is positioned below the range of existing competitors, as we expect a smaller contingent of per diem rates to be captured; as such, we have forecast the subject hotel as the market's commercial ADR leader. Within the leisure segment, the proposed subject hotel's occupancy penetration is

positioned appropriately within the range of existing competitors, largely attributed to its ability to capture higher-rated leisure demand as the first select-service hotel in the market. Accordingly, we expect effective yield management strategies to be implemented by property management that will allow the subject hotel to maximize occupancy, including Maxwell Center group bookings, while capturing optimal levels of the market's highest-rated commercial, meeting and group, and leisure room nights. This positioning is based on the hotel's assumed new product offering and strong brand affiliation, along with the recommended guestroom mix, food and beverage offering, recreational amenities, and meeting space.

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

FIGURE 7-3 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2021	2022	2023
Meeting and Group	27 %	28 %	29 %
Commercial/Government	44	44	44
Leisure	29	27	26
Total	100 %	100 %	100 %

Based on our analysis of the proposed subject hotel and market area, we have selected a stabilized occupancy level of 68%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life, given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the subject property may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

Average Rate Analysis

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

Competitive Position

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

FIGURE 7-4 BASE-YEAR AVERAGE RATE AND REVPAR OF THE COMPETITORS

Property	Estimated 2017 Average Room Rate	Average Room Rate Penetration	Rooms Revenue Per Available Room (RevPAR)	RevPAR Penetration
Best Western Plus Goldsboro	\$95 - \$100	100 - 110 %	\$65 - \$70	100 - 110 %
Country Inn & Suites Goldsboro	85 - 90	90 - 95	60 - 65	85 - 90
Hampton Inn Goldsboro	100 - 105	100 - 110	70 - 75	100 - 110
Holiday Inn Express & Suites Goldsboro Base Area	100 - 105	100 - 110	70 - 75	110 - 120
TownePlace Suites Goldsboro	95 - 100	100 - 110	70 - 75	100 - 110
Average - Primary Competitors	\$97.18	103.1 %	\$68.83	104.3 %
Average - Secondary Competitors	79.82	84.7	53.06	80.4
Overall Average	\$94.22		\$66.00	

The defined primarily competitive market realized an overall average rate of \$97.18 in the 2017 base year, improving from the 2016 level of \$95.20. We have selected the rate position of \$116.00, in base-year dollars, for the proposed subject hotel. Given the subject property would be the first select-service hotel in this market, we have also researched the average rate performance for a set of regional hotels, as well as ADR penetration levels for select-service branded hotels located in the southeastern U.S. Based on these considerations, the following table illustrates the projected average rate and the growth rates assumed. As a context for the average rate growth factors, note that we have applied underlying inflation rates of 2.5%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2017.

FIGURE 7-5 COMPARISON OF HISTORICAL AND PROJECTED OCCUPANCY, AVERAGE RATE, AND REVPAR – PROPOSED SUBJECT PROPERTY AND MARKET

	2015	2016	2017	Projected					
				2018	2019	2020	2021	2022	2023
Proposed Hotel at the Maxwell Center									
Occupancy				—	—	—	59.4 %	64.3 %	67.9 %
Change in Points				—	—	—	—	4.9	3.6
Occupancy Penetration				—	—	—	101.1 %	103.0 %	104.1 %
Average Rate		\$116.00		\$118.90	\$122.47	\$126.14	\$132.45	\$137.75	\$142.57
Change				—	3.0 %	3.0 %	5.0 %	4.0 %	3.5 %
Average Rate Penetration				123.1 %	123.1 %	123.1 %	124.9 %	124.9 %	124.9 %
RevPAR				—	—	—	\$78.67	\$88.50	\$96.78
Change				—	—	—	—	12.5 %	9.3 %
RevPAR Penetration				—	—	—	126.3 %	128.6 %	130.1 %
	Historical (Estimated)			Projected					
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Goldsboro Submarket									
Occupancy	62.7 %	70.3 %	70.0 %	65.4 %	61.3 %	63.2 %	58.7 %	62.4 %	65.2 %
Change in Points	—	7.7	(0.3)	(4.6)	(4.2)	1.9	(4.4)	3.6	2.8
Average Rate	\$88.37	\$92.15	\$94.22	\$96.58	\$99.48	\$102.46	\$106.05	\$110.29	\$114.15
Change	—	4.3 %	2.2 %	2.5 %	3.0 %	3.0 %	3.5 %	4.0 %	3.5 %
RevPAR	\$55.38	\$64.81	\$66.00	\$63.21	\$60.93	\$64.73	\$62.30	\$68.81	\$74.41
Change	—	17.0 %	1.8 %	(4.2) %	(3.6) %	6.2 %	(3.7) %	10.4 %	8.1 %

The final forecast reflects years beginning on January 1, 2021 and corresponds with our financial projections, as shown below.

FIGURE 7-6 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

Calendar Year	2017	2018	2019	2020	2021	2022	2023	2024	2025
Market ADR	\$94.22	\$96.58	\$99.48	\$102.46	\$106.05	\$110.29	\$114.15	\$117.58	\$121.10
Projected Market ADR Growth Rate	—	2.5%	3.0%	3.0%	3.5%	4.0%	3.5%	3.0%	3.0%
Proposed Subject Property ADR (As-If Stabilized)	\$116.00	\$118.90	\$122.47	\$126.14	\$132.45	\$137.75	\$142.57	\$146.84	\$151.25
ADR Growth Rate	—	2.5%	3.0%	3.0%	5.0%	4.0%	3.5%	3.0%	3.0%
Proposed Subject Stabilized ADR Penetration	123%	123%	123%	123%	125%	125%	125%	125%	124.9%
Fiscal Year				2020	2021	2022	2023	2024	2025
Proposed Subject Property Average Rate				\$126.14	\$132.45	\$137.75	\$142.57	\$146.84	\$151.25
Real Average Rate Growth				—	5.0%	4.0%	3.5%	3.0%	3.0%
Market ADR				\$102.46	\$106.05	\$110.29	\$114.15	\$117.58	\$121.10
Proposed Subject ADR Penetration (After Discount)				123%	125%	125%	125%	125%	125%
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate				\$116.57	\$118.83	\$119.98	\$120.57	\$120.57	\$120.57

As illustrated above, a 2.5%% rate of change is expected for the proposed subject hotel's positioned 2017 room rate in 2018. This is followed by growth rates of 3.0%% and 3.0%% in 2019 and 2020, respectively. The market experienced a spike in both occupancy and average rate levels in 2016 due to atypical demand generated from Hurricane Matthew, as well as ongoing construction projects that year, particularly the U.S. Highway 70 Bypass. The market continued to benefit from residual demand from the hurricane in early 2017; however, this pattern has since normalized. Market ADR has also reportedly benefited from the ramp up of the TownePlace Suites by Marriott, which opened in 2015. The Goldsboro market should experience continued ADR growth through the near term. The proposed subject hotel's rate position should reflect growth superior to market trends in its initial year because of the proposed hotel's new facility, anticipated strong brand affiliation, and select-service product, which is not currently offered in this market. During the remainder of the projection period, we have forecast ADR growth for the subject hotel to be similar to market trends. The proposed subject hotel's penetration rate is forecast to reach 124.9% by the stabilized period.

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

FIGURE 7-7 FORECASTS OF OCCUPANCY AND AVERAGE RATE

Year	Occupancy	Average Rate
2021	59 %	\$132.45
2022	64	137.75
2023	68	142.57

8. Projection of Income and Expense

In this chapter of our report, we have compiled a forecast of income and expense for the proposed subject hotel. This forecast is based on the facilities program set forth previously, as well as the occupancy and average rate forecast discussed previously.

The forecast of income and expense is expressed in current dollars for each year. The stabilized year is intended to reflect the anticipated operating results of the property over its remaining economic life, given any or all applicable stages of build-up, plateau, and decline in the life cycle of the hotel. Thus, income and expense estimates from the stabilized year forward exclude from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusual revenues or expenses. The ten-year period reflects the typical holding period of large real estate assets such as hotels. In addition, the ten-year period provides for the stabilization of income streams and comparison of yields with alternate types of real estate. The forecasted income streams reflect the future benefits of owning specific rights in income-producing real estate.

Comparable Operating Statements

In order to project future income and expense for the proposed subject hotel, we have included a sample of individual comparable operating statements from our database of hotel statistics. All financial data are presented according to the three most common measures of industry performance: ratio to sales (RTS), amounts per available room (PAR), and amounts per occupied room night (POR). These historical income and expense statements will be used as benchmarks in our forthcoming forecast of income and expense.

FIGURE 8-1 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2016/17	2016/17	2016	2016	2016	2017
Edition:	11	11	11	11	11	11
Number of Rooms:	130 to 170	130 to 170	140 to 190	80 to 100	80 to 110	130
Occupied Rooms:	39,209	35,533	49,040	26,813	25,918	32,266
Days Open:	365	365	365	365	365	365
Occupancy:	74%	65%	82%	82%	76%	68%
Average Rate:	\$113	\$126	\$119	\$121	\$106	\$121
RevPAR:	\$83	\$81	\$97	\$99	\$81	\$82
REVENUE						
Rooms	92.2 %	90.7 %	87.0 %	91.7 %	93.3 %	89.5 %
Food & Beverage	6.2	7.9	12.2	6.5	5.7	9.0
Other Operated Departments	1.1	0.9	0.6	1.8	0.9	1.1
Miscellaneous Income	0.5	0.4	0.2	0.0	0.0	0.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*						
Rooms	18.4	22.5	20.5	21.1	22.6	21.0
Food & Beverage	87.1	66.8	99.6	92.0	121.5	88.0
Other Operated Departments	49.0	36.0	88.4	48.2	66.6	50.0
Total	22.9	26.0	30.6	26.2	28.7	27.2
DEPARTMENTAL INCOME	77.1	74.0	69.4	73.8	71.3	72.8
OPERATING EXPENSES						
Administrative & General	10.3	10.2	8.4	7.3	9.1	9.1
Info. and Telecom. Systems	1.1	1.2	0.6	1.0	2.7	1.0
Marketing	7.7	7.6	7.6	3.7	5.3	5.1
Franchise Fee	0.0	0.0	8.1	9.0	7.0	8.5
Property Operations & Maintenance	3.5	3.8	3.4	5.4	8.1	4.2
Utilities	2.8	3.2	2.7	4.0	0.0	2.9
Total	25.4	26.0	30.9	30.4	32.1	30.8
HOUSE PROFIT	51.7	48.0	38.5	43.4	39.2	41.9

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

FIGURE 8-2 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER AVAILABLE ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2016/17	2016/17	2016	2016	2016	2017
Edition:	11	11	11	11	11	11
Number of Rooms:	130 to 170	130 to 170	140 to 190	80 to 100	80 to 110	130
Occupied Rooms:	39,209	35,533	49,040	26,813	25,918	32,266
Days Open:	365	365	365	365	365	365
Occupancy:	74%	65%	82%	82%	76%	68%
Average Rate:	\$113	\$126	\$119	\$121	\$106	\$121
RevPAR:	\$83	\$81	\$97	\$99	\$81	\$82
REVENUE						
Rooms	\$30,455	\$29,738	\$35,579	\$35,994	\$29,600	\$29,924
Food & Beverage	2,058	2,598	5,002	2,539	1,820	3,001
Other Operated Departments	357	304	258	706	300	372
Miscellaneous Income	163	143	71	0	0	149
Total	33,032	32,782	40,910	39,240	31,720	33,447
DEPARTMENTAL EXPENSES						
Rooms	5,593	6,679	7,287	7,612	6,689	6,284
Food & Beverage	1,792	1,734	4,983	2,335	2,211	2,641
Other Operated Departments	175	109	229	341	200	186
Total	7,560	8,522	12,499	10,288	9,099	9,112
DEPARTMENTAL INCOME	25,473	24,260	28,411	28,952	22,620	24,335
OPERATING EXPENSES						
Administrative & General	3,397	3,329	3,431	2,868	2,882	3,050
Info. and Telecom. Systems	352	410	262	380	851	350
Marketing	2,535	2,485	3,114	1,436	1,675	1,700
Franchise Fee	0	0	3,321	3,538	2,216	2,843
Property Operations & Maintenance	1,167	1,231	1,403	2,134	2,568	1,400
Utilities	928	1,065	1,125	1,559	0	975
Total	8,378	8,519	12,655	11,916	10,192	10,318
HOUSE PROFIT	17,095	15,741	15,756	17,036	12,428	14,018

FIGURE 8-3 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER OCCUPIED ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2016/17	2016/17	2016	2016	2016	2017
Edition:	11	11	11	11	11	11
Number of Rooms:	130 to 170	130 to 170	140 to 190	80 to 100	80 to 110	130
Occupied Rooms:	39,209	35,533	49,040	26,813	25,918	32,266
Days Open:	365	365	365	365	365	365
Occupancy:	74%	65%	82%	82%	76%	68%
Average Rate:	\$113	\$126	\$119	\$121	\$106	\$121
RevPAR:	\$83	\$81	\$97	\$99	\$81	\$82
REVENUE						
Rooms	\$113.40	\$125.54	\$118.98	\$120.82	\$106.21	\$120.57
Food & Beverage	7.66	10.97	16.73	8.52	6.53	12.09
Other Operated Departments	1.33	1.28	0.86	2.37	1.08	1.50
Miscellaneous Income	0.61	0.60	0.24	0.00	0.00	0.60
Total	123.00	138.39	136.81	131.71	113.82	134.76
DEPARTMENTAL EXPENSES						
Rooms	20.82	28.19	24.37	25.55	24.00	25.32
Food & Beverage	6.67	7.32	16.67	7.84	7.93	10.64
Other Operated Departments	0.65	0.46	0.76	1.14	0.72	0.75
Total	28.15	35.98	41.80	34.53	32.65	36.71
DEPARTMENTAL INCOME	94.85	102.41	95.01	97.18	81.17	98.05
OPERATING EXPENSES						
Administrative & General	12.65	14.05	11.47	9.63	10.34	12.29
Info. and Telecom. Systems	1.31	1.73	0.88	1.28	3.05	1.41
Marketing	9.44	10.49	10.41	4.82	6.01	6.85
Franchise Fee	0.00	0.00	11.11	11.88	7.95	11.45
Property Operations & Maintenance	4.35	5.20	4.69	7.16	9.21	5.64
Utilities	3.46	4.49	3.76	5.23	0.00	3.93
Total	31.20	35.96	42.32	40.00	36.57	41.57
HOUSE PROFIT	63.65	66.45	52.69	57.18	44.60	56.48

The departmental income of the comparable properties ranged from 69.4% to 77.1% of total revenue. The comparable properties achieved a house profit ranging from 38.5% to 51.7% of total revenue. We will refer to the comparable operating data in our discussion of each line item, which follows later in this section of the report.

Fixed and Variable Component Analysis

HVS uses a fixed and variable component model to project a lodging facility's revenue and expense levels. This model is based on the premise that hotel revenues and expenses have one component that is fixed and another that varies directly with occupancy and facility usage. A projection can be made by taking a known level of revenue or expense and calculating its fixed and variable components. The fixed component is then increased in tandem with the underlying rate of inflation, while the variable component is adjusted for a specific measure of volume such as total revenue.

The actual forecast is derived by adjusting each year's revenue and expense by the amount fixed (the fixed expense multiplied by the inflated base-year amount) plus the variable amount (the variable expense multiplied by the inflated base-year amount) multiplied by the ratio of the projection year's occupancy to the base-year occupancy (in the case of departmental revenue and expense) or the ratio of the projection year's revenue to the base year's revenue (in the case of undistributed operating expenses). Fixed expenses remain fixed, increasing only with inflation. Our discussion of the revenue and expense forecast in this report is based upon the output derived from the fixed and variable model. This forecast of revenue and expense is accomplished through a systematic approach, following the format of the *Uniform System of Accounts for the Lodging Industry*. Each category of revenue and expense is estimated separately and combined at the end in the final statement of income and expense.

Inflation Assumption

In consideration of the most recent trends, the projections set forth previously, and our assessment of probable property appreciation levels, we have applied underlying inflation rates of 2.5%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2017. This stabilized inflation rate takes into account normal, recurring inflation cycles. Inflation is likely to fluctuate above and below this level during the projection period. Any exceptions to the application of the assumed underlying inflation rate are discussed in our write-up of individual income and expense items.

Forecast of Revenue and Expense

Based on an analysis that will be detailed throughout this section, we have formulated a forecast of income and expense. The following table presents a detailed forecast through the fifth projection year, including amounts per available room and per occupied room. The second table illustrates our ten-year forecast of income and expense, presented with a lesser degree of detail. The forecasts pertain to years that begin on January 1, 2021, expressed in inflated dollars for each year.

FIGURE 8-4 DETAILED FORECAST OF INCOME AND EXPENSE

	2021 (Calendar Year)				2022				Stabilized				2024				2025			
Number of Rooms:	130				130				130				130				130			
Occupancy:	59%				64%				68%				68%				68%			
Average Rate:	\$132.45				\$137.75				\$142.57				\$146.84				\$151.25			
RevPAR:	\$78.14				\$88.16				\$96.95				\$99.85				\$102.85			
Days Open:	365				365				365				365				365			
Occupied Rooms:	27,996	%Gross	PAR	POR	30,368	%Gross	PAR	POR	32,266	%Gross	PAR	POR	32,266	%Gross	PAR	POR	32,266	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	\$3,708	88.9 %	\$28,523	\$132.45	\$4,183	89.2 %	\$32,177	\$137.74	\$4,600	89.5 %	\$35,385	\$142.56	\$4,738	89.5 %	\$36,446	\$146.84	\$4,880	89.5 %	\$37,538	\$151.24
Food & Beverage	392	9.4	3,013	13.99	428	9.1	3,294	14.10	461	9.0	3,549	14.30	475	9.0	3,656	14.73	489	9.0	3,765	15.17
Other Operated Departments	52	1.2	398	1.85	55	1.2	420	1.80	57	1.1	440	1.77	59	1.1	453	1.83	61	1.1	467	1.88
Miscellaneous Income	21	0.5	159	0.74	22	0.5	168	0.72	23	0.4	176	0.71	24	0.4	181	0.73	24	0.4	187	0.75
Total Operating Revenues	4,172	100.0	32,094	149.03	4,688	100.0	36,059	154.36	5,142	100.0	39,550	159.35	5,296	100.0	40,737	164.13	5,454	100.0	41,958	169.05
DEPARTMENTAL EXPENSES *																				
Rooms	862	23.3	6,634	30.80	916	21.9	7,045	30.16	966	21.0	7,431	29.94	995	21.0	7,654	30.84	1,025	21.0	7,883	31.76
Food & Beverage	366	93.3	2,812	13.06	386	90.2	2,972	12.72	406	88.0	3,123	12.58	418	88.0	3,217	12.96	431	88.0	3,313	13.35
Other Operated Departments	27	51.4	205	0.95	28	50.6	213	0.91	29	50.0	220	0.89	29	50.0	227	0.91	30	50.0	234	0.94
Total Expenses	1,255	30.1	9,651	44.82	1,330	28.4	10,229	43.79	1,401	27.2	10,774	43.41	1,443	27.2	11,097	44.71	1,486	27.2	11,430	46.05
DEPARTMENTAL INCOME	2,918	69.9	22,443	104.22	3,358	71.6	25,829	110.57	3,741	72.8	28,776	115.94	3,853	72.8	29,639	119.42	3,969	72.8	30,527	122.99
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	427	10.2	3,281	15.24	448	9.6	3,448	14.76	469	9.1	3,607	14.53	483	9.1	3,715	14.97	497	9.1	3,826	15.42
Info & Telecom Systems	49	1.2	377	1.75	51	1.1	396	1.69	54	1.0	414	1.67	55	1.0	426	1.72	57	1.0	439	1.77
Marketing	238	5.7	1,829	8.49	250	5.3	1,922	8.23	261	5.1	2,010	8.10	269	5.1	2,071	8.34	277	5.1	2,133	8.59
Franchise Fee	352	8.4	2,710	12.58	397	8.5	3,057	13.09	437	8.5	3,362	13.54	450	8.5	3,462	13.95	464	8.5	3,566	14.37
Prop. Operations & Maint.	157	3.8	1,205	5.60	185	4.0	1,424	6.10	215	4.2	1,655	6.67	222	4.2	1,705	6.87	228	4.2	1,756	7.08
Utilities	136	3.3	1,049	4.87	143	3.1	1,102	4.72	150	2.9	1,153	4.65	154	2.9	1,188	4.78	159	2.9	1,223	4.93
Total Expenses	1,359	32.6	10,450	48.53	1,475	31.6	11,349	48.58	1,586	30.8	12,201	49.16	1,634	30.8	12,567	50.63	1,683	30.8	12,943	52.15
GROSS HOUSE PROFIT	1,559	37.3	11,993	55.69	1,882	40.0	14,480	61.99	2,155	42.0	16,575	66.78	2,219	42.0	17,073	68.79	2,286	42.0	17,584	70.85
Management Fee	125	3.0	963	4.47	141	3.0	1,082	4.63	154	3.0	1,187	4.78	159	3.0	1,222	4.92	164	3.0	1,259	5.07
INCOME BEFORE NON-OPR. INC. & EXP.	1,434	34.3	11,030	51.22	1,742	37.0	13,398	57.35	2,001	39.0	15,389	62.00	2,061	39.0	15,850	63.86	2,122	39.0	16,325	65.77
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	72	1.7	551	2.56	155	3.3	1,191	5.10	160	3.1	1,227	4.94	164	3.1	1,264	5.09	169	3.1	1,302	5.24
Insurance	47	1.1	362	1.68	49	1.0	373	1.60	50	1.0	384	1.55	51	1.0	396	1.59	53	1.0	408	1.64
Reserve for Replacement	83	2.0	642	2.98	141	3.0	1,082	4.63	206	4.0	1,582	6.37	212	4.0	1,629	6.57	218	4.0	1,678	6.76
Total Expenses	202	4.8	1,555	7.22	344	7.3	2,646	11.33	415	8.1	3,193	12.87	428	8.1	3,289	13.25	440	8.1	3,388	13.65
EBITDA LESS RESERVE	\$1,232	29.5 %	\$9,475	\$44.00	\$1,398	29.7 %	\$10,752	\$46.03	\$1,585	30.9 %	\$12,195	\$49.14	\$1,633	30.9 %	\$12,561	\$50.61	\$1,682	30.9 %	\$12,937	\$52.12

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

FIGURE 8-5 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2021		2022		2023		2024		2025		2026		2027		2028		2029		2030	
Number of Rooms:	130		130		130		130		130		130		130		130		130		130	
Occupied Rooms:	27,996		30,368		32,266		32,266		32,266		32,266		32,266		32,266		32,266		32,266	
Occupancy:	59%		64%		68%		68%		68%		68%		68%		68%		68%		68%	
Average Rate:	\$132.45	% of	\$137.75	% of	\$142.57	% of	\$146.84	% of	\$151.25	% of	\$155.79	% of	\$160.46	% of	\$165.27	% of	\$170.23	% of	\$175.34	% of
RevPAR:	\$78.14	Gross	\$88.16	Gross	\$96.95	Gross	\$99.85	Gross	\$102.85	Gross	\$105.94	Gross	\$109.11	Gross	\$112.39	Gross	\$115.76	Gross	\$119.23	Gross
OPERATING REVENUE																				
Rooms	\$3,708	88.9 %	\$4,183	89.2 %	\$4,600	89.5 %	\$4,738	89.5 %	\$4,880	89.5 %	\$5,027	89.5 %	\$5,177	89.5 %	\$5,333	89.5 %	\$5,493	89.5 %	\$5,658	89.5 %
Food & Beverage	392	9.4	428	9.1	461	9.0	475	9.0	489	9.0	504	9.0	519	9.0	535	9.0	551	9.0	567	9.0
Other Operated Departments	52	1.2	55	1.2	57	1.1	59	1.1	61	1.1	63	1.1	64	1.1	66	1.1	68	1.1	70	1.1
Miscellaneous Income	21	0.5	22	0.5	23	0.4	24	0.4	24	0.4	25	0.4	26	0.4	27	0.4	27	0.4	28	0.4
Total Operating Revenues	4,172	100.0	4,688	100.0	5,142	100.0	5,296	100.0	5,454	100.0	5,619	100.0	5,786	100.0	5,961	100.0	6,140	100.0	6,324	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	862	23.3	916	21.9	966	21.0	995	21.0	1,025	21.0	1,056	21.0	1,087	21.0	1,120	21.0	1,153	21.0	1,188	21.0
Food & Beverage	366	93.3	386	90.2	406	88.0	418	88.0	431	88.0	444	88.0	457	88.0	471	88.0	485	88.0	499	88.0
Other Operated Departments	27	51.4	28	50.6	29	50.0	29	50.0	30	50.0	31	50.0	32	50.0	33	50.0	34	50.0	35	50.0
Total Expenses	1,255	30.1	1,330	28.4	1,401	27.2	1,443	27.2	1,486	27.2	1,531	27.2	1,576	27.2	1,624	27.2	1,672	27.2	1,723	27.2
DEPARTMENTAL INCOME	2,918	69.9	3,358	71.6	3,741	72.8	3,853	72.8	3,969	72.8	4,088	72.8	4,210	72.8	4,337	72.8	4,467	72.8	4,601	72.8
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	427	10.2	448	9.6	469	9.1	483	9.1	497	9.1	512	9.1	528	9.1	544	9.1	560	9.1	577	9.1
Info & Telecom Systems	49	1.2	51	1.1	54	1.0	55	1.0	57	1.0	59	1.0	61	1.0	62	1.0	64	1.0	66	1.0
Marketing	238	5.7	250	5.3	261	5.1	269	5.1	277	5.1	286	5.1	294	5.1	303	5.1	312	5.1	321	5.1
Franchise Fee	352	8.4	397	8.5	437	8.5	450	8.5	464	8.5	478	8.5	492	8.5	507	8.5	522	8.5	538	8.5
Prop. Operations & Maint.	157	3.8	185	4.0	215	4.2	222	4.2	228	4.2	235	4.2	242	4.2	249	4.2	257	4.2	265	4.2
Utilities	136	3.3	143	3.1	150	2.9	154	2.9	159	2.9	164	2.9	169	2.9	174	2.9	179	2.9	184	2.9
Total Expenses	1,359	32.6	1,475	31.6	1,586	30.8	1,634	30.8	1,683	30.8	1,733	30.8	1,785	30.8	1,839	30.8	1,894	30.8	1,951	30.8
GROSS HOUSE PROFIT	1,559	37.3	1,882	40.0	2,155	42.0	2,219	42.0	2,286	42.0	2,355	42.0	2,425	42.0	2,498	42.0	2,573	42.0	2,651	42.0
Management Fee	125	3.0	141	3.0	154	3.0	159	3.0	164	3.0	169	3.0	174	3.0	179	3.0	184	3.0	190	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	1,434	34.3	1,742	37.0	2,001	39.0	2,061	39.0	2,122	39.0	2,186	39.0	2,251	39.0	2,319	39.0	2,389	39.0	2,461	39.0
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	72	1.7	155	3.3	160	3.1	164	3.1	169	3.1	174	3.1	180	3.1	185	3.1	190	3.1	196	3.1
Insurance	47	1.1	49	1.0	50	1.0	51	1.0	53	1.0	55	1.0	56	1.0	58	1.0	60	1.0	61	1.0
Reserve for Replacement	83	2.0	141	3.0	206	4.0	212	4.0	218	4.0	225	4.0	231	4.0	238	4.0	246	4.0	253	4.0
Total Expenses	202	4.8	344	7.3	415	8.1	428	8.1	440	8.1	454	8.1	467	8.1	481	8.1	496	8.1	511	8.1
EBITDA LESS RESERVE	\$1,232	29.5 %	\$1,398	29.7 %	\$1,585	30.9 %	\$1,633	30.9 %	\$1,682	30.9 %	\$1,733	30.9 %	\$1,784	30.9 %	\$1,838	30.9 %	\$1,893	30.9 %	\$1,950	30.9 %

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

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

Revenues associated with the proposed subject hotel's food and beverage department, other operated departments, and miscellaneous income category have been forecast to reflect the hotel's planned facilities and amenities, including a restaurant, bar, meeting space, and a market pantry. Expense levels fall within a range of reasonableness given the provided comparable operating statements; furthermore, franchise and management fees are set forth in accordance with our assumptions provided in the Nature of the Assignment chapter.

Rooms Revenue

Rooms revenue is determined by two variables: occupancy and average rate. We projected occupancy and average rate in a previous section of this report. The proposed subject hotel is expected to stabilize at an occupancy level of 68% with an average rate of \$142.57 in 2023. Following the stabilized year, the subject property's average rate is projected to increase along with the underlying rate of inflation.

Food and Beverage Revenue

Food and beverage revenue is generated by a hotel's restaurants, lounges, coffee shops, snack bars, banquet rooms, and room service. In addition to providing a source of revenue, these outlets serve as an amenity that assists in the sale of guestrooms. With the exception of properties with active lounges or banquet facilities that draw local residents, in-house guests generally represent a substantial percentage of a hotel's food and beverage patrons. In the case of the Proposed Hotel at the Maxwell Center, the food and beverage department should include a restaurant and bar; moreover, meeting and banquet space is expected to span 3,500 square feet.

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

FIGURE 8-6 FOOD AND BEVERAGE REVENUE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Food & Beverage Revenue							
Percentage of Revenue	6.2 %	7.9 %	12.2 %	6.5 %	5.7 %	9.4 %	9.0 %
Per Available Room	\$2,058	\$2,598	\$5,002	\$2,539	\$1,820	\$3,013	\$3,001
Per Occupied Room	\$7.66	\$10.97	\$16.73	\$8.52	\$6.53	\$13.99	\$12.09

Other Operated Departments Revenue

According to the Uniform System of Accounts, other operated departments include any major or minor operated department other than rooms and food and beverage, such as market pantry.

FIGURE 8-7 OTHER OPERATED DEPARTMENTS REVENUE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	1.1 %	0.9 %	0.6 %	1.8 %	0.9 %	1.2 %	1.1 %
Per Available Room	\$357	\$304	\$258	\$706	\$300	\$398	\$372
Per Occupied Room	\$1.33	\$1.28	\$0.86	\$2.37	\$1.08	\$1.85	\$1.50

Miscellaneous Income

The miscellaneous income sources comprise those other than guestrooms, food and beverage, and the other operated departments. Miscellaneous income sources include cancellation fees, no-show charges, vending, and commissions, among other fees. Changes in this revenue item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

FIGURE 8-8 MISCELLANEOUS INCOME

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	0.5 %	0.4 %	0.2 %	0.0 %	0.0 %	0.5 %	0.4 %
Per Available Room	\$163	\$143	\$71	\$0	\$0	\$159	\$149
Per Occupied Room	\$0.61	\$0.60	\$0.24	\$0.00	\$0.00	\$0.74	\$0.60

Rooms Expense

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

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

FIGURE 8-9 ROOMS EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	18.4 %	22.5 %	20.5 %	21.1 %	22.6 %	23.3 %	21.0 %
Per Available Room	\$5,593	\$6,679	\$7,287	\$7,612	\$6,689	\$6,634	\$6,284
Per Occupied Room	\$20.82	\$28.19	\$24.37	\$25.55	\$24.00	\$30.80	\$25.32

Food and Beverage Expense

Food expenses consist of items necessary for the primary operation of a hotel's food and banquet facilities. The costs associated with food sales and payroll are moderately to highly correlated to food revenues. Items such as china, linen and uniforms are less dependent on volume. Although the other expense items are basically fixed, they represent a relatively insignificant factor. Beverage expenses consist of items necessary for the operation of a hotel's lounge and bar areas. The costs associated with beverage sales and payroll are moderately to highly correlated to beverage revenues.

FIGURE 8-10 FOOD AND BEVERAGE EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	87.1 %	66.8 %	99.6 %	92.0 %	121.5 %	93.3 %	88.0 %
Per Available Room	\$1,792	\$1,734	\$4,983	\$2,335	\$2,211	\$2,812	\$2,641
Per Occupied Room	\$6.67	\$7.32	\$16.67	\$7.84	\$7.93	\$13.06	\$10.64

Other Operated Departments Expense

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

FIGURE 8-11 OTHER OPERATED DEPARTMENTS EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	49.0 %	36.0 %	88.4 %	48.2 %	66.6 %	51.4 %	50.0 %
Per Available Room	\$175	\$109	\$229	\$341	\$200	\$205	\$186
Per Occupied Room	\$0.65	\$0.46	\$0.76	\$1.14	\$0.72	\$0.95	\$0.75

Administrative and General Expense

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

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

FIGURE 8-12 ADMINISTRATIVE AND GENERAL EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	10.3 %	10.2 %	8.4 %	7.3 %	9.1 %	10.2 %	9.1 %
Per Available Room	\$3,397	\$3,329	\$3,431	\$2,868	\$2,882	\$3,281	\$3,050
Per Occupied Room	\$12.65	\$14.05	\$11.47	\$9.63	\$10.34	\$15.24	\$12.29

Information and Telecommunications Systems Expense

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

Marketing Expense

Marketing expense consists of all costs associated with advertising, sales, and promotion; these activities are intended to attract and retain customers. Marketing

can be used to create an image, develop customer awareness, and stimulate patronage of a property's various facilities.

The marketing category is unique in that all expense items, with the exception of fees and commissions, are totally controlled by management. Most hotel operators establish an annual marketing budget that sets forth all planned expenditures. If the budget is followed, total marketing expenses can be projected accurately.

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

FIGURE 8-13 MARKETING EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	7.7 %	7.6 %	7.6 %	3.7 %	5.3 %	5.7 %	5.1 %
Per Available Room	\$2,535	\$2,485	\$3,114	\$1,436	\$1,675	\$1,829	\$1,700
Per Occupied Room	\$9.44	\$10.49	\$10.41	\$4.82	\$6.01	\$8.49	\$6.85

Franchise Fee

The proposed subject property is expected to operate as an upscale, select-service hotel. For the purposes of this analysis, franchise fee costs associated with a select-service brand are summarized in the introductory chapter in this report. The comparable operating statements for franchised hotels illustrated combined expenses for marketing and franchise fees ranging from 12.3 % to 15.7 % of total revenues; the subject hotel is forecast to stabilize with combined marketing and franchise fee expense of 13.6% of total revenues.

Property Operations and Maintenance

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

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

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

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

FIGURE 8-14 PROPERTY OPERATIONS AND MAINTENANCE EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	3.5 %	3.8 %	3.4 %	5.4 %	8.1 %	3.8 %	4.2 %
Per Available Room	\$1,167	\$1,231	\$1,403	\$2,134	\$2,568	\$1,205	\$1,400
Per Occupied Room	\$4.35	\$5.20	\$4.69	\$7.16	\$9.21	\$5.60	\$5.64

Utilities Expense

The utilities consumption of a lodging facility takes several forms, including water and space heating, air conditioning, lighting, cooking fuel, and other miscellaneous power requirements. The most common sources of hotel utilities are electricity, natural gas, fuel oil, and steam. This category also includes the cost of water service.

Total energy cost depends on the source and quantity of fuel used. Electricity tends to be the most expensive source, followed by oil and gas. Although all hotels consume a sizable amount of electricity, many properties supplement their utility requirements with less expensive sources, such as gas and oil, for heating and cooking. The changes in this utilities line item through the projection period are a result of the application of the underlying inflation rate and projected changes in occupancy.

FIGURE 8-15 UTILITIES EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	2.8 %	3.2 %	2.7 %	4.0 %	0.0 %	3.3 %	2.9 %
Per Available Room	\$928	\$1,065	\$1,125	\$1,559	\$0	\$1,049	\$975
Per Occupied Room	\$3.46	\$4.49	\$3.76	\$5.23	\$0.00	\$4.87	\$3.93

Management Fee

Management expense consists of the fees paid to the managing agent contracted to operate the property. Some companies provide management services and a brand-name affiliation (first-tier management company), while others provide management services alone (second-tier management company). Some management contracts specify only a base fee (usually a percentage of total revenue), while others call for both a base fee and an incentive fee (usually a percentage of defined profit). Basic hotel management fees are often based on a percentage of total revenue, which means they have no fixed component. While base fees typically range from 2% to 4% of total revenue, incentive fees are deal specific and often are calculated as a percentage of income available after debt service and, in some cases, after a preferred return on equity. Total management fees for the proposed subject hotel have been forecast at 3.0% of total revenue.

Property Taxes

Property (or ad valorem) tax is one of the primary revenue sources of municipalities. Based on the concept that the tax burden should be distributed in proportion to the value of all properties within a taxing jurisdiction, a system of assessments is established. Theoretically, the assessed value placed on each parcel bears a definite relationship to market value, so properties with equal market values will have similar assessments and properties with higher and lower values will have proportionately larger and smaller assessments.

Depending on the taxing policy of the municipality, property taxes can be based on the value of the real property or the value of the personal property and the real property. We have based our estimate of the proposed subject property's market value (for tax purposes) on an analysis of assessments of comparable hotel properties in the local municipality.

FIGURE 8-16 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS

Hotel	Acres	Land A/V per SF	Assessed Values			
			Land	Improvements	Personal	Total
Wayne County						
Country Inn & Suites Goldsboro	2.89	\$2.15	\$270,940	\$2,707,210	\$147,511	\$3,125,661
Hampton Inn Goldsboro	2.44	3.44	366,000	5,999,330	718,332	7,083,662
Holiday Inn Express & Suites Goldsboro	2.26	1.78	175,000	5,255,270	437,876	5,868,146
TownePlace Suites Goldsboro	3.53	1.55	238,280	5,147,950	711,958	6,098,188
Best Western	2.24	5.46	532,800	4,523,550	420,971	5,477,321
Assessments per Room	Year Open	# of Rooms	Assessed Value Per Room			
Wayne County						
Country Inn & Suites Goldsboro	2000	66	\$4,105	\$41,018	\$2,235	\$45,123
Hampton Inn Goldsboro	1995	111	3,297	54,048	6,471	57,345
Holiday Inn Express & Suites Goldsboro	2014	92	1,902	57,123	4,760	59,025
TownePlace Suites Goldsboro	2015	98	2,431	52,530	7,265	54,962
Best Western	1998	120	4,440	37,696	3,508	42,136
HVS Positioned Subject - Per Room		130	\$4,400	\$65,000	\$7,300	\$76,700
HVS Positioned Subject - Total			\$572,000	\$8,450,000	\$949,000	\$9,971,000
Source: Wayne County Tax Department						

We have positioned the future assessment levels of the subject site and proposed improvements, as well as the planned personal property, based upon the illustrated comparable data. Given the more recent construction of the Holiday Inn Express & Suites and TownePlace Suites by Marriott, greater emphasis was placed on the improvements and personal assessment levels of these properties. To aid in our estimation of the proposed subject hotel's assessment for building improvements, given the lack of select-service hotel product in the local market, we have also analyzed the assessments for some of the regional hotel comparables located outside of Wayne County. Overall, the positioned assessments are well supported by the market data.

Tax rates are based on the city and county budgets, which change annually. The most recent tax rate in this jurisdiction was reported at 1.3135%. The following table shows changes in the tax rate during the last several years.

FIGURE 8-17 COUNTY TAX RATES

<u>Year</u>	<u>Real Property Tax Rate</u>
2018	1.3135
Wayne County	

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

FIGURE 8-18 PROJECTED PROPERTY TAX BURDEN (BASE YEAR)

	<u>Real Property</u>			<u>Personal Property</u>
	<u>Land</u>	<u>Real Property</u>	<u>Total</u>	
Positioned (Assessed Value)	\$572,000	\$8,450,000	\$9,022,000	\$949,000
Tax Rate			1.3135	1.3135
Tax Burden as of Base Year			\$118,504	\$12,465

FIGURE 8-19 PROJECTED PROPERTY TAX EXPENSE - REAL PROPERTY

<u>Year</u>	<u>Real Property</u>			
	<u>Total Tax Burden (Positioned Prior to Increase)</u>	<u>Base Rate of Tax Burden Increase</u>	<u>% Positioned Tax Burden</u>	<u>Taxes Payable</u>
Positioned	\$118,504	—		\$118,504
2021	\$118,504	14.8 %	50 %	\$68,024
2022	136,048	3.0	100	140,129
2023	140,129	3.0	100	144,333

FIGURE 8-20 PROJECTED PROPERTY TAX EXPENSE – PERSONAL PROPERTY

Personal Property					
Example	Year	Personal Tax Burden (Positioned Prior to Increase)	Base Rate of Tax Burden Increase	% Positioned Tax Burden	Taxes Payable
	Positioned	\$12,465	—		\$12,465
	2021	\$12,465	14.8 %	25 %	\$3,578
	2022	14,311	3.0	100	14,740
	2023	14,740	3.0	100	15,182

FIGURE 8-21 PROJECTED PROPERTY TAX EXPENSE – SUMMARY

Taxes Payable				
Year	Real	Personal	Total	Percentage Abatement
Positioned	\$118,504	\$12,465	\$130,969	0 %
2021	\$68,024	\$3,578	\$71,602	0 %
2022	140,129	14,740	154,869	0
2023	144,333	15,182	159,515	0

Insurance Expense

The insurance expense category consists of the cost of insuring the hotel and its contents against damage or destruction by fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, and so forth. General insurance costs also include premiums relating to liability, fidelity, and theft coverage.

Insurance rates are based on many factors, including building design and construction, fire detection and extinguishing equipment, fire district, distance from the firehouse, and the area's fire experience. Insurance expenses do not vary with occupancy.

FIGURE 8-22 INSURANCE EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	0.3 %	0.4 %	1.0 %	1.5 %	1.4 %	1.1 %	1.0 %
Per Available Room	\$114	\$115	\$389	\$605	\$459	\$362	\$325
Per Occupied Room	\$0.42	\$0.49	\$1.30	\$2.03	\$1.65	\$1.68	\$1.31

Reserve for Replacement

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

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

The International Society of Hospitality Consultants (ISHC) oversees a major industry-sponsored study of the capital expenditure requirements for full-service/luxury, select-service, and extended-stay hotels. The most recent study was published in 2014.⁷ Historical capital expenditures of well-maintained hotels were investigated through the compilation of data provided by most of the major hotel companies in the United States. A prospective analysis of future capital expenditure requirements was also performed based upon the cost to replace short- and long-lived building components over a hotel's economic life. The study showed that the capital expenditure requirements for hotels vary significantly from year to year and depend upon both the actual and effective ages of a property. The results of this study showed that hotel lenders and investors are requiring reserves for replacement ranging from 4% to 5% of total revenue.

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

Forecast of Revenue and Expense Conclusion

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

FIGURE 8-23 FORECAST OF REVENUE AND EXPENSE CONCLUSION

	Year	Total Revenue		House Profit		House Profit Ratio	EBITDA Less Replacement Reserve		
		Total	% Change	Total	% Change		Total	% Change	As a % of Ttl Rev
Projected	2021	\$4,172,000	—	\$1,559,000	—	37.3 %	\$1,232,000	—	29.5 %
	2022	4,688,000	12.4 %	1,882,000	20.7 %	40.0	1,398,000	13.5 %	29.7
	2023	5,142,000	9.7	2,155,000	14.5	42.0	1,585,000	13.4	30.9
	2024	5,296,000	3.0	2,219,000	3.0	42.0	1,633,000	3.0	30.9
	2025	5,454,000	3.0	2,286,000	3.0	42.0	1,682,000	3.0	30.9

9. Feasibility Analysis

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

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

Assumed Development Costs

Assumed development costs by major sub-category are illustrated below for a 130-room select-service hotel. As HVS is not a cost estimating service, we recommend that a professional cost estimator, construction company, or design firm be consulted.

FIGURE 9-1 CONSTRUCTION COST CATEGORIES

Component Based on Sample Development Budgets	Estimate for 130-Room Hotel	Cost per Room	% of Total
Hard Costs & Site Improvements	\$11,700,000	\$90,000	59%
FF&E	1,950,000	15,000	10%
Pre-Opening Costs and Working Capital	650,000	5,000	3%
Soft Costs	1,950,000	15,000	10%
Subtotal (without Land and Developer's Fee)	\$16,250,000	\$125,000	
Assumed Site Component Cost at 10% of Total	\$1,950,000	\$15,000	10%
Subtotal (without Developer's Profit/Entrepreneurial Incentive)	\$18,200,000	\$140,000	
Developer's Profit/Entrepreneurial Incentive	\$1,625,000	\$12,500	8%
Total	\$19,800,000	\$152,000	100%

Mortgage Component

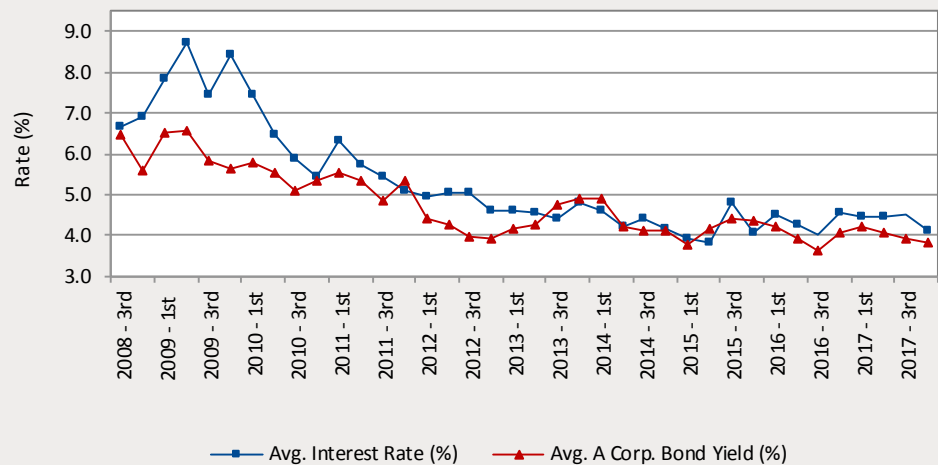
Hotel financing is available for most tiers of the lodging industry from a variety of lender types. The CMBS market is in a phase of strong activity, including lending in the hospitality sector. While many lenders remain active, underwriting standards are more stringent than ten years ago, and loan-to-value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

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

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

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

FIGURE 9-2 AVERAGE MORTGAGE INTEREST RATES AND AVERAGE-A CORPORATE BOND YIELDS



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

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

$$Y = 0.95798100 X + 0.75128500$$

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

The July 25, 2018, average yield on average-A corporate bonds, as reported by Moody's Investors Service, was 4.28%. When used in the previously presented equation, a factor of 4.28 produces an estimated hotel/motel interest rate of 4.85% (rounded).

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

In addition to the mortgage interest rate estimate derived from this regression analysis, HVS constantly monitors the terms of hotel mortgage loans made by our institutional lending clients. Fixed-rate debt is being priced at roughly 250 to 500 basis points over the corresponding yield on treasury notes. As of July 25, 2018, the yield on the ten-year T-bill was 2.95%, indicating an interest rate range from 5.5% to 8.0%. The hotel investment market has been very active given the strong performance of this sector and low interest rates in recent years. The Federal Reserve raised the federal funds rate by 25 basis points in December 2016, March 2017, June 2017, and March 2018; further increases are anticipated to occur in 2018. Hotel mortgage interest rates have only been slightly influenced by the recent rate increases by the Fed given the contraction in interest-rate spreads; however, future increases by the Fed raises the prospect of a higher cost of debt capital for hotel investors in 2018. Hotel values have not yet been affected by the rise in the Fed rate; furthermore, debt capital is expected to remain available at favorable interest rates in the near term. At present, we find that lenders that are active in the market are using loan-to-value ratios of 60% to 70%, and amortization periods of 20 to 30 years. Loan-to-value ratios in 2018 are not as robust as those from a couple of years ago, when ratios as high as 75% were available.

Based on our analysis of the current lodging industry mortgage market and adjustments for specific factors, such as the proposed property's location and conditions in the Goldsboro hotel market, it is our opinion that a 5.00% interest, 30-year amortization mortgage with a 0.064419 constant is appropriate for the proposed subject hotel. In the mortgage-equity analysis, we have applied a loan-to-cost ratio of 65%, which is reasonable to expect based on this interest rate and current parameters.

Equity Component

The remaining capital required for a hotel investment generally comes from the equity investor. The rate of return that an equity investor expects over a ten-year holding period is known as the equity yield. Unlike the equity dividend, which is a short-term rate of return, the equity yield specifically considers a long-term holding period (generally ten years), annual inflation-adjusted cash flows, property appreciation, mortgage amortization, and proceeds from a sale at the end of the holding period. To establish an appropriate equity yield rate, we have used two sources of data: past appraisals and investor interviews.

Hotel Sales – Each appraisal performed by HVS uses a mortgage-equity approach in which income is projected and then discounted to a current value at rates reflecting the cost of debt and equity capital. In the case of hotels that were sold near the date of our valuation, we were able to derive the equity yield rate and unlevered discount rate by inserting the ten-year projection, total investment (purchase price and estimated capital expenditure and/or PIP) and debt assumptions into a valuation model and solving for the equity yield. The overall capitalization rates for

the historical income and projected first-year income are based on the sales price “as is.” The following table shows a representative sample of hotels that were sold on or about the time that we appraised them, along with the derived equity return and discount rates based on the purchase price and our forecast.

FIGURE 9-3 SAMPLE OF HOTELS SOLD – FULL-SERVICE & LUXURY

Hotel	Location	Number of Rooms	Date of Sale	Total Property Yield	Equity Yield	Overall Rate Based on Sales Price	
						Historical Year	Projected Year One
Embassy Suites by Hilton	Indianapolis, IN	221	Feb-18	10.9 %	18.9 %	8.0 %	9.1 %
Westin Tysons Corner	Falls Church, VA	407	Feb-18	10.4	18.1	8.3	8.7
DoubleTree University Area	Minneapolis, MN	140	Feb-18	9.7	17.0	—	7.7
Mystic Hotel Union Square	San Francisco, CA	82	Jan-18	8.9	15.2	6.2	6.4
DoubleTree Guest Suites	Tampa, FL	203	Jan-18	11.1	18.3	8.8	7.6
Sheraton Suites	Plantation, FL	263	Jan-18	12.5	21.2	7.4	9.1
Marriott Key Bridge	Arlington, VA	583	Jan-18	8.3	13.0	5.1	5.8
Madeline Telluride	Telluride, CO	124	Dec-17	10.4	18.9	5.8	8.6
Turtle Bay Resort	Kahuku, HI	452	Dec-17	8.9	14.2	6.0	6.4
Smyth Tribeca Hotel	New York, NY	100	Nov-17	8.2	12.7	4.1	3.8
Hotel Minneapolis	Minneapolis, MN	222	Nov-17	9.6	15.7	7.3	5.2
Marriott at Legacy Town Center	Plano, TX	404	Nov-17	11.1	19.8	9.4	10.4
Marriott Key Bridge	Arlington, VA	582	Nov-17	8.3	13.0	5.1	5.8
MacArthur Place	Sonoma, CA	64	Oct-17	9.3	15.5	—	—
Madison A Hilton Hotel	Washington, DC	356	Sep-17	9.3	15.2	2.6	6.9
Sheraton Chicago O'Hare Airport	Rosemont, IL	296	Sep-17	11.2	18.4	10.8	10.1
Hamilton Hotel	Washington, DC	318	Sep-17	9.7	15.2	4.2	5.5
Hyatt Regency Riverfront	Jacksonville, FL	951	Aug-17	11.4	20.2	9.7	9.9
Westin Long Beach	Long Beach, CA	469	Aug-17	10.5	18.0	8.0	7.6
New York Manhattan Hotel	New York City, NY	171	Aug-17	9.2	15.0	4.9	4.9
Hilton Executive Meeting Center	Glendale, CA	351	Jul-17	10.4	17.2	7.7	6.8
Holiday Inn Airport	Albuquerque, NM	121	Jun-17	12.4	20.9	7.3	8.7
Pacific Edge Hotel	Laguna Beach, CA	109	Jun-17	9.4	15.2	5.7	5.6
Marriott Quorum Addison	Dallas, TX	547	Jun-17	11.2	18.4	8.7	9.6
Embassy Suites Anaheim	Orange, CA	230	May-17	9.6	16.3	6.4	7.6
Hilton Dallas Park Cities	Dallas, TX	224	Apr-17	9.4	16.2	6.8	7.2
Crowne Plaza JFK Airport	Jamaica, NY	330	Apr-17	11.2	19.1	8.6	9.2
Sheraton Sonoma County	Petaluma, CA	184	Apr-17	10.5	17.7	9.5	9.4
Clarion Inn Pocatello	Pocatello, ID	196	Apr-17	13.1	22.9	2.3	10.0
Hotel Triton	San Francisco, CA	140	Apr-17	13.1	21.1	9.8	10.1
Crowne Plaza JFK Airport	Jamaica, NY	330	Mar-17	10.7	18.1	8.3	8.9
Westin Atlanta Airport	Atlanta, GA	500	Mar-17	11.0	18.3	8.3	10.1
Ballantyne Charlotte	Charlotte, NC	244	Mar-17	11.7	20.1	5.2	9.1
Westin Maui Kaanapali	Lahaina, HI	759	Mar-17	9.5	16.1	9.1	9.0
Holiday Inn Interstate 94 East	Saint Paul, MN	195	Jan-17	12.6	21.2	7.6	8.4
JW Marriott Desert Springs Resort	Palm Desert, CA	884	Jan-17	12.7	22.1	9.5	10.5
Ritz-Carlton	San Francisco, CA	336	Dec-16	8.3	12.9	4.8	4.5
Stapineapple at The Alise	Chicago, IL	122	Dec-16	10.2	18.0	5.2	7.2

Source: HVS

FIGURE 9-4 SAMPLE OF HOTELS SOLD – SELECT-SERVICE/EXTENDED-STAY

Hotel	Location	Number of Rooms	Date of Sale	Total Property Yield	Equity Yield	Overall Rate Based on Sales Price	
						Historical Year	Projected Year One
Aloft Harlem	New York, NY	124	Mar-18	9.8 %	15.5 %	6.0 %	3.8 %
Hampton Inn Financial District	New York, NY	81	Mar-18	8.3	12.7	4.5	5.0
Residence Inn by Marriott	Sacramento, CA	126	Feb-18	10.5	18.9	8.7	9.6
Hampton Inn Denver Southwest	Lakewood, CO	150	Feb-18	12.7	21.3	10.7	13.9
Hyatt Place	Chandler, AZ	129	Jan-18	9.4	15.7	7.5	6.8
Wyndham Garden	Greenville, SC	139	Jan-18	14.2	24.2	6.0	7.7
Hampton Inn Cincinnati	Fairfield, OH	100	Jan-18	12.2	20.9	10.5	10.7
Hampton Inn Atlanta	College Park, GA	127	Jan-18	9.3	15.0	10.1	10.0
Hampton Inn Atlanta Northwest	Atlanta, GA	127	Jan-18	14.9	26.1	11.0	10.0
Hilton Garden Inn Allentown West	Breinigsville, PA	111	Nov-17	10.8	18.9	8.1	8.6
Courtyard by Marriott Tucson Airport	Tucson, AZ	149	Nov-17	9.7	16.1	8.9	8.3
Hampton Inn Saint Augustine I-95	Saint Augustine, FL	67	Sep-17	11.9	21.0	11.3	10.8
Hampton Inn & Suites Palm Coast	Palm Coast, FL	94	Sep-17	12.5	21.2	10.2	10.6
Element Denver Park Meadows	Lone Tree, CO	123	Aug-17	10.3	18.7	5.9	8.1
SpringHill Suites by Marriott	Savannah, GA	79	Aug-17	12.1	20.8	4.0	9.3
TownePlace Suites by Marriott	Waco, TX	93	Aug-17	11.2	20.7	8.5	7.8
Courtyard SeaWorld Lackland	San Antonio, TX	96	Aug-17	11.0	18.9	7.9	7.8
Courtyard Kaua'i at Coconut Beach	Kapa'a, HI	311	Aug-17	11.5	19.4	6.4	4.1
Hampton Inn by Hilton Norfolk	Virginia Beach, VA	120	Jul-17	11.4	21.2	12.4	12.6
TownePlace Suites by Marriott	Tallahassee, FL	94	Jul-17	10.5	16.1	14.5	7.9
Hyatt Place US Capitol	Washington, D.C.	200	Jun-17	10.3	20.0	6.1	7.2
Hyatt Place San Jose Downtown	San Jose, CA	234	Jun-17	12.2	21.4	8.1	8.5
Courtyard by Marriott Boston	Cambridge, MA	207	Jun-17	9.0	14.9	5.5	6.0
Hilton Garden Inn Philadelphia	Fort Washington, PA	146	May-17	10.9	19.7	7.6	8.3
Hampton Inn Northlake	Atlanta, GA	121	May-17	11.5	20.0	9.4	9.6
Hyatt House Denver Airport	Denver, CO	123	May-17	11.5	21.9	7.0	8.7
Courtyard by Marriott Maui	Kahului, HI	138	May-17	8.1	12.7	6.0	6.0
Courtyard by Marriott	Rock Hill, SC	90	Apr-17	12.5	23.6	15.2	11.1
Hampton Inn	DeKalb, IL	80	Mar-17	10.7	19.1	6.9	8.1
Hampton Inn	Ridgefield Park, NJ	83	Mar-17	9.8	17.1	6.4	6.6
Courtyard by Marriott	Tulsa, OK	122	Mar-17	12.3	21.4	12.3	10.3
Hilton Garden Inn	Overland Park, KS	125	Feb-17	10.6	19.4	8.1	8.5
TownePlace Suites by Marriott	Mount Laurel, NJ	94	Feb-17	8.7	16.1	5.8	8.3
Hyatt Place Charlotte Downtown	Charlotte, NC	172	Jan-17	10.5	19.4	6.7	8.1
Hotel 43	Boise, ID	112	Jan-17	11.0	20.2	8.8	8.9
Hyatt Place Airport Valley View Mall	Roanoke, VA	126	Jan-17	11.7	21.7	7.8	9.2
Hyatt Place Greenville Haywood	Greenville, SC	126	Jan-17	11.5	21.5	8.7	10.2
Hyatt Place Dallas Park Central	Dallas, TX	126	Jan-17	10.2	18.3	7.9	8.9

Source: HVS

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

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

FIGURE 9-5 SUMMARY OF EQUITY YIELD OR INTERNAL RATE OF RETURN REQUIREMENTS

Source	Data Point Range	Average
HVS Hotel Sales - Full-Service & Luxury	12.7% - 22.9%	17.5%
HVS Hotel Sales - Select-Service & Extended-Stay	12.7% - 26.1%	19.3%
HVS Hotel Sales - Limited-Service	16% - 26.1%	20.6%
HVS Investor Interviews	13% - 25%	

Based on the assumed 65% loan-to-cost ratio, the risk inherent in achieving the projected income stream, and the anticipated market position of the subject property, it is our opinion that an equity investor could expect to receive a 17.01213% internal rate of return over a 10-year holding period, assuming that the investor obtains financing at the time of the project's completion at the loan-to-cost ratio and interest rate set forth.

Terminal Capitalization Rate

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

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

FIGURE 9-6 HISTORICAL TRENDS OF TERMINAL CAPITALIZATION RATES

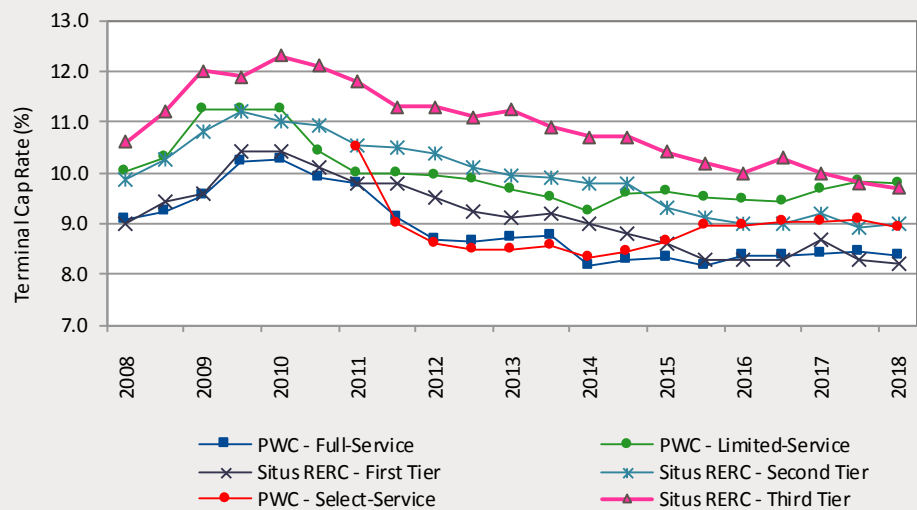


FIGURE 9-7 TERMINAL CAPITALIZATION RATES DERIVED FROM INVESTOR SURVEYS

Source	Data Point Range	Average
<i>HVS Brokers Survey - Spring 2018</i>		
Select-Service Hotels	8.0% - 11.0%	9.3%
Full-Service Hotels	7.5% - 11.5%	9.0%
Luxury & Upper Upscale Hotels	7.0% - 10.0%	8.3%
<i>PWC Real Estate Investor Survey - 1st Quarter 2018</i>		
Select-Service Hotels	7.0% - 10.75%	8.9%
Full-Service Hotels	7.0% - 10.0%	8.4%
Luxury Hotels	5.5% - 9.5%	7.2%
<i>USRC Hotel Investment Survey - Winter 2018</i>		
Full-Service Hotels	7.5% - 10.0%	8.3%
<i>Situs RERC Real Estate Report - 1st Quarter 2018</i>		
First Tier Hotels	6.0% - 10.5%	8.2%

Mortgage-Equity Method

For purposes of this analysis, we have applied a terminal capitalization rate of 9.5%. Our final position for the terminal capitalization rate reflects the current market for hotel investments and also considers the subject property's attributes. Terminal capitalization rates, in general, have remained stable over the past few years. Terminal cap rates are at the low end of the range for quality hotel assets in markets with high barriers to entry and at the high end of the range for older assets or for those suffering from functional obsolescence and/or weak market conditions, reflecting the market's recognition that certain assets have less opportunity for significant appreciation.

As the two participants in a real estate investment, investors and lenders must evaluate their equity and debt contributions based on their particular return requirements. After carefully weighing the risk associated with the projected economic benefits of a lodging investment, the participants will typically make their decision whether or not to invest in a hotel or resort by determining if their investment will provide an adequate yield over an established period. For the lender, this yield will typically reflect the interest rate required for a hotel mortgage over a period of what can range from seven to ten years. The yield to the equity participant may consider not only the requirements of a particular investor, but also the potential payments to cooperative or ancillary entities such as limited partner payouts, stockholder dividends, and management company incentive fees.

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

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

Mortgage Component	\$12,870,000
Mortgage Constant	<u>0.064419</u>
Annual Debt Service	\$829,000

The yield to the lender based on a 65% debt contribution equates to an interest rate of 5.00%, which is calculated as follows.

FIGURE 9-8 RETURN TO THE LENDER

Year	Total Annual Debt Service		Present Worth of \$1 Factor at 5.0%		Discounted Cash Flow
2021	\$829,000	x	0.952789	=	\$790,000
2022	829,000	x	0.907807	=	753,000
2023	829,000	x	0.864949	=	717,000
2024	829,000	x	0.824114	=	683,000
2025	829,000	x	0.785207	=	651,000
2026	829,000	x	0.748137	=	620,000
2027	829,000	x	0.712817	=	591,000
2028	829,000	x	0.679165	=	563,000
2029	829,000	x	0.647101	=	536,000
2030	11,298,000 *	x	0.616551	=	6,966,000

Value of Mortgage Component \$12,870,000

*10th year debt service of \$829,000 plus outstanding mortgage balance of \$10,469,000

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

FIGURE 9-9 NET INCOME TO EQUITY

Year	Net Income Available for Debt Service		Total Annual Debt Service		Net Income to Equity
2021	\$1,232,000	-	\$829,000	=	\$403,000
2022	\$1,398,000	-	829,000	=	\$569,000
2023	\$1,585,000	-	829,000	=	\$756,000
2024	\$1,633,000	-	829,000	=	\$804,000
2025	\$1,682,000	-	829,000	=	\$853,000
2026	\$1,733,000	-	829,000	=	\$904,000
2027	\$1,784,000	-	829,000	=	\$955,000
2028	\$1,838,000	-	829,000	=	\$1,009,000
2029	\$1,893,000	-	829,000	=	\$1,064,000
2030	\$1,950,000	-	829,000	=	\$1,121,000

In order for the present value of the equity investment to equate to the \$6,929,000 capital outlay, the investor must accept a 13.47828% return, as shown in the following table.

FIGURE 9-10 EQUITY COMPONENT YIELD

Year	Net Income to Equity		Present Worth of \$1 Factor at 13.5%		Discounted Cash Flow
2021	\$403,000	x	0.881221	=	\$355,000
2022	\$569,000	x	0.776550	=	442,000
2023	\$756,000	x	0.684313	=	517,000
2024	\$804,000	x	0.603031	=	485,000
2025	\$853,000	x	0.531403	=	453,000
2026	\$904,000	x	0.468284	=	423,000
2027	\$955,000	x	0.412661	=	394,000
2028	\$1,009,000	x	0.363646	=	367,000
2029	\$1,064,000	x	0.320452	=	341,000
2030	\$11,163,000 *	x	0.282389	=	3,152,000
Value of Equity Component					\$6,929,000

*10th year net income to equity of \$1,121,294 plus sales proceeds of \$10,042,000

Conclusion

In determining the potential feasibility of the Proposed Hotel at the Maxwell Center, we analyzed the lodging market, researched the area's economics, reviewed the estimated development cost, and prepared a ten-year forecast of income and expense, which was based on our review of the current and historical market conditions, as well as comparable income and expense statements.

The conclusion of this analysis indicates that an equity investor contributing \$6,929,000 (roughly 35% of the estimated \$19,800,000 development cost) could expect to receive a 13.47828% internal rate of return over a ten-year holding period, assuming that the investor obtains financing at the time of the project's completion at the loan-to-value ratio and interest rate set forth. The proposed subject hotel has an opportunity to be a key part of a hotel and conference center package to be offered in Goldsboro/Wayne County, in conjunction with the recently-opened Maxwell Center. Based upon our Maxwell Center demand analysis, as the newly-opened facility ramps up in the market, increased levels of utilization and new demand are forecast to be attracted across a variety of event types. Furthermore, the majority of meeting planner survey responses indicate that a select-service or full-service hotel in the upper-midscale or upscale class would comply with their selection criteria for choosing an event destination. An assumed, new select-service hotel located adjacent to the Maxwell Center should enhance the amount of meeting and group demand that is attracted to the area. Furthermore, as the proposed subject property's planned select-service hotel product is not currently offered in Goldsboro, induced demand is also expected in the commercial/government and leisure market segments. The results of our market

analysis indicate there is sufficient market support for a proposed select-service hotel that offers a moderate level of in-house meeting space and a select-service dining venue. Our conclusions are based primarily on the range of existing hotel products in the local area, as well as our research of similar types of properties located in eight eastern North Carolina markets that also feature event venues.

We have assumed a total development cost for the proposed hotel based on a range of hotel development budgets for this type of property including land, hard costs, soft costs, furniture fixtures & equipment, pre-opening and working capital costs, and entrepreneurial incentive; the reader should understand that the actual development costs may vary from this estimate. We note that an estimated site cost is included as a percentage of total developments costs; therefore, depending on the negotiated price of the land to be applied to the hotel project, the development cost estimate could change. Our review of investor surveys indicates equity returns ranging from 12.7% to 26.1%, with an average of 19.3%. Based on these parameters, the calculated return to the equity investor, 13.5%, is below the average and at the low end of the range of market-level returns given an estimated development cost of \$152,000 per key (\$19,800,000 total) for a 130-room hotel.

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

10. Statement of Assumptions and Limiting Conditions

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

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

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

11. Certification

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

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

of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute;

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



Catherine Sarrett, MBA
Senior Director
HVS Convention, Sports & Entertainment Facilities
Consulting - Chicago



Bethany Cronk, MAI, MBA
Senior Vice President
HVS Consulting & Valuation - Denver
TS Worldwide, LLC
Appraiser Permit (NC) #9440



CONVENTION, SPORTS
& ENTERTAINMENT
FACILITIES CONSULTING

Catherine Sarrett

SENIOR DIRECTOR



Consulting Experience

- Senior Director, HVS Convention, Sports & Entertainment Facilities Consulting
- Project Manager, C.H. Johnson Consulting, Chicago
- Program Manager, Stein & Company, Chicago

Academic Background

- M.B.A., Finance and Marketing, Wharton School, University of Pennsylvania
- B.S. Civil Engineering, Duke University

Catherine Sarrett consults for public and private clients seeking to plan, develop, and operate convention, sports, cultural, and entertainment facilities. Ms. Sarrett is currently a Project Manager at HVS Convention, Sports & Entertainment Facilities Consulting, which is dedicated to objective and independent market and financial analysis of public assembly facilities.

Ms. Sarrett began her career in the convention, sports and entertainment field as the Owner's Representative for the Philadelphia Spectrum Arena during the development stages of the Wachovia Center. She oversaw all stages of arena design, managed the development budget and served as the liaison between design professionals and facility operations and management. As a Program Manager with Stein & Company, Ms. Sarrett served as the lender representative on a variety of construction projects preparing monthly due diligence reports, ensuring that construction proceeded on schedule and approving construction draws for the lender. She also prepared a number of financial projections for a variety of land uses. With Johnson Consulting, Ms. Sarrett prepared market and feasibility studies including demand and financial projections, operational analyses, and funding models.

Catherine received her Bachelor of Science in Civil Engineering from Duke University and spent several years as a structural engineer with Hanson Engineers, Inc. before entering the Wharton School of the University of Pennsylvania where she received her Master of Business Administration in Finance and Marketing.

Catherine has provided the following services:

- feasibility analysis of a hotel and conference center in suburban Columbus, Ohio,
- expansion analysis of the Telluride Conference Center,
- feasibility analyses for proposed conference centers in Park City, Utah; Thackerville, Oklahoma; and Eagle River, Wisconsin,
- a feasibility analysis for a conference/convention center development in Cedar Rapids, Iowa,
- an expansion analysis for the Broward County, FL Convention Center,
- feasibility analysis for a convention center development in Tallahassee, Florida,
- feasibility analysis for the expansion of the Amarillo Civic Center in Amarillo, Texas,
- expansion options for the Fargodome in Fargo, North Dakota and the Wisconsin Center in Milwaukee.

Bethany Cronk, MAI

EMPLOYMENT

1998 to present	HVS CONSULTING AND VALUATION Denver, Colorado <i>Real Estate Appraiser and Consultant</i>
1996 – 1997	UNIVERSITY OF DENVER – Daniels College of Business Denver, Colorado <i>Instructor, Center for Managerial Communications</i>
1992 – 1995	SHERATON DENVER HOTEL & CONFERENCE CENTER Lakewood, Colorado <i>Director of Convention and Catering Sales</i>
1990 – 1992	AUSTIN HILTON HOTEL Austin, Texas <i>Director of Convention and Catering Sales</i>
1989 – 1990	DOUBLETREE (GUEST QUARTERS) SUITE HOTEL Austin, Texas <i>Director of Convention and Catering Sales</i>
1986 – 1988	HYATT HOTELS AND RESORTS Cambridge Massachusetts <i>Convention Services Director; Catering Sales Manager; Corporate Management Training Program</i>
1984	HYATT HOTELS AND RESORTS Maui, Hawaii <i>Food & Beverage Assistant Manager; Management Training Program</i>

**EDUCATION AND OTHER
TRAINING**

BS – School of Hotel Administration, Cornell University
MBA – Finance and Marketing, Daniels College of Business, University of Denver
Advanced Culinary Diploma – Ecole De Cuisine La Varenne (Paris, France)
French Studies – University of Strasbourg (Strasbourg France)

Certified General Appraiser Classes Completed:

NCRE-200 Registered Appraiser
NCRE-204 Basic Appraisal Applications
NCRE-202 Standards and Ethics
NCRE-209 Small Residential Income Properties
NCRE-211 Certified Residential
NCRE-215 Appraisal Principles
NCRE-216 Income Capitalization
NCRE-219 Commercial Case Studies

Other Specialized Training Classes Completed:

310 – Basic Income Capitalization
State of Colorado Statutes and Rules 2002
Scope of Work: Expanding Your Range of Services 2007
Internet Search Strategies for R.E. Appraisers 2014
Intro to GIS Applications for Real Estate Appraisal 2007
Analyzing Operating Expenses 2007
Small Hotel/Motel Valuation 2007
510 – Advanced Income Capitalization 2008
550 – Advanced Applications 2009
Advanced HBU and Market Analysis 2009
Business Practices & Ethics 2009 and 2013
USPAP Update 2003, 2005, 2007, 2009, 2011, 2012, 2013, 2014, 2015
Advanced Sales & Cost 2010
Advanced Report Writing 2010

EDUCATION (CONTINUED)

Fundamentals of Separating Real, Personal Property, and Intangible Business Assets 2012
 Discounted Cash Flow 2014
 Pennsylvania State Mandated Law 2007
 Pennsylvania State Mandated Law 2009
 Appraisal Applications of Regression Analysis 2013
 Appraisal Applications of Regression Analysis 2014
 Forecasting Revenue 2015
 Analyzing Operating Expenses 2015
 Online Florida Appraisal Laws and Regulations 2016
 Land and Site Valuation 2016
 Comparative Analysis 2017
 Rates and Ratios 2017

TEACHING AND LECTURE ASSIGNMENTS

Colorado Chapter of the Appraisal Institute – *Key Risk Factors in Hotel Appraisals and Colorado Lodging Market Trends* (2016)
 Society of Chief Appraisers Annual Conference (2016)

University of Colorado at Boulder – Leeds School of Business
 Lead Instructor and Course Creator – Senior-Level Tourism Class
Hotel Management & Operations
 Spring Semester 2003
 Fall Semester 2003
 Spring Semester 2004
 Fall Semester 2004
 Spring Semester 2005

University of Denver – Daniels College of Business
Center for Managerial Communication Courses Taught:
 Business Writing
 Presentation Skills
 Team Roles
 Effective Feedback

STATE CERTIFICATIONS

Arizona, Colorado, Texas

PUBLISHED ARTICLES

In Focus: Phoenix, Arizona, co-authored with Ryan Wall, 2015

HVS Journal

"Denver Market Intelligence Report 2013," July 2013

HVS Journal

"Trends and Transactions for Top-Tier Denver Hotels," co-authored with Tess Federer, July 2011

HVS Journal

"The Facts about Induced Demand," December 2005

Colorado Real Estate Journal

"Hotel Appraisals: Opportunities, Threats Exist Today," January 2001

HVS Journal

"The Marketing Plan and Hotel Operations: New Allies," January 2001

MENTIONS

Denver Business Journal

"Spring Convention-Goers Jamming Denver's Hotels," April 12-18, 2002

Bay City Times

"Economy Makes Center Feasible," November 2000

PROFESSIONAL AFFILIATIONS

Designated Member of the Appraisal Institute (MAI)

Cornell Hotel Society

Cornell Club of Colorado

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

Portfolio of 10 Hilton and Marriott Properties, Various Locations
 Portfolio of 4 Hilton and Marriott Properties, Texas and Massachusetts
 Portfolio of 365 La Quinta-Owned Hotels, Various Locations

ALABAMA

Proposed Tru by Hilton, Auburn

ALASKA

Sheraton Hotel, Anchorage

ARIZONA

Hilton, Chandler
 Holiday Inn & Suites, Chandler
 Proposed SpringHill Suites, Oro Valley
 Embassy Suites Phoenix North, Phoenix
 Hilton Tapatio Resort, Phoenix
 Hotel Palomar, Phoenix
 Pointe Hilton Tapatio Hills, Phoenix
 Proposed Boutique Hotel, Phoenix
 Proposed Camelback Hotel, Phoenix
 Proposed Cityscape Hotel, Phoenix
 Proposed Courtyard Downtown, Phoenix
 Proposed Convention Center Hotel, Phoenix
 Proposed Dual-Branded Hotel, Phoenix
 Proposed Hilton Garden Inn, Phoenix
 Proposed Hotel Monroe, Phoenix
 Proposed NYLO Hotel, Phoenix
 Proposed Westin Kierland Resort, Phoenix
 Proposed Palomar by Kimpton, Phoenix
 Sheraton Convention Center (open), Phoenix
 Proposed Courtyard & Residence Inn Downtown, Phoenix

Proposed Holiday Inn Express, San Luis
 Sheraton Crescent, Phoenix
 Sheraton Downtown, Phoenix
 Hilton Resort, Scottsdale
 Proposed Boutique Hotel (2), Scottsdale
 Proposed Lodge at Reata Ranch, Scottsdale
 Aloft, Tempe
 Proposed Hotel & Conference Center, Tempe
 Proposed Kimpton, Tempe
 Proposed Southbank Hotel & Conference Center, Tempe
 Proposed Boutique Hotel, Tubac
 Aloft University Plaza, Tucson

CALIFORNIA

Claremont Resort & Spa, Berkeley
 Homestead Studio Suites, Brea
 Larkspur Landing Hotel, Campbell
 Homewood Suites, Carlsbad
 Extended Stay America, Carson
 Hilton Orange County, Costa Mesa
 Homestead Studio Suites, Cypress
 Furnace Creek Resort, Death Valley
 Homestead Studio Suites, El Segundo
 Larkspur Landing Hotel, Folsom
 Crossland Studios, Garden Grove
 Residence Inn Anaheim/Garden Grove, Garden Grove
 Courtyard Hacienda Heights, Hacienda Heights
 Hilton, Irvine
 Marriott, Irvine
 Extended Stay America, La Mirada
 Extended Stay America, Long Beach
 Extended Stay America, Los Angeles
 Hilton Checkers, Los Angeles
 Proposed Metropolis Hotel, Los Angeles
 Hilton Garden Inn, Marina Del Rey
 Residence Inn by Marriott, Mira Mesa
 Residence Inn by Marriott, Mountain View
 Extended Stay America, Newport Beach
 Extended Stay America, Orange
 Courtyard Palm Springs, Palm Springs

Rancho Mirage Market Overview, Rancho Mirage
 Larkspur Landing Hotel, Roseville
 Larkspur Landing Hotel, Renton
 Proposed Hilton Garden Inn, Sabre Springs
 Rancho Bernardo Inn, San Diego
 Residence Inn by Marriott San Diego Mission Valley, San Diego
 Residence Inn by Marriott Gaslamp, San Diego
 Sheraton Mission Valley, San Diego
 Hilton Garden Inn, South San Francisco
 Residence Inn by Marriott SF Airport, San Mateo
 Larkspur Landing Hotel, South San Francisco
 Proposed Hilton Garden Inn, Sorrento Mesa
 Larkspur Landing Hotel, Sunnyvale
 Residence Inn by Marriott Silicon Valley (2), Sunnyvale
 Courtyard LA Torrance Palos Verdes, Torrance
 Extended Stay America Harbortgate Way, Torrance
 Extended Stay America Torrance Blvd, Torrance
 Homestead Studio Suites, Torrance
 Embassy Suites Walnut Creek, Walnut Creek
 Extended Stay America, Yorba Linda

COLORADO

Proposed Select-Service Hotel, Arvada
 Cambria Suites DIA, Aurora
 Proposed Hotel, Aurora
 Proposed Fitzsimons Hotel & Conference Center, Aurora
 Proposed Residence Inn by Marriott, Aurora
 Park Hyatt Beaver Creek, Avon
 Econo Lodge, Boulder
 Proposed Embassy Suites, Boulder
 Proposed Folsom Hotel, Boulder
 Proposed Hilton Garden Inn, Boulder

The Village Site, Boulder
 Proposed Arista Hotel, Broomfield
 Renaissance Hotel, Broomfield
 Hampton Inn, Castle Rock
 Proposed Hilton, Cherry Creek
 Antlers Hilton Colorado Springs,
 Colorado Springs
 DoubleTree by Hilton World Arena,
 Colorado Springs
 Hampton Inn, Colorado Springs
 Marriott, Colorado Springs
 Wyndham Hotel, Colorado Springs
 Country Inn & Suites DIA, Denver
 Courtyard by Marriott Colorado
 Boulevard, Denver
 Courtyard DIA, Denver
 Courtyard by Marriott Downtown,
 Denver
 Crowne Plaza Downtown, Denver
 The Curtis Downtown, Denver
 Fairfield Inn and Suites by Marriott
 Colorado Blvd, Denver
 Four Points by Sheraton Cherry Creek,
 Denver
 Four Seasons, Denver
 Hilton Garden Inn Denver Tech Center,
 Denver
 Holiday Inn Conversion to Crowne
 Plaza, Denver
 Homewood Suites by Hilton Denver
 Airport, Denver
 Hotel Monaco, Denver
 Hotel Teatro, Denver
 JW Marriott, Denver
 Magnolia Hotel, Denver
 Marriott Park Meadows, Denver
 Marriott City Center, Denver
 Proposed Cherry Creek Hotel, Denver
 Proposed DIA Terminal Hotel, Denver
 Proposed Dual-Brand Union Station,
 Denver
 Proposed Embassy Suites, Denver
 Proposed Fairfield Inn & Suites by
 Marriott DTC, Denver
 Proposed Four Seasons, Denver
 Proposed Hilton Garden Inn Union
 Station, Denver

Proposed Hilton Hotel, Denver
 Proposed Homewood Suites DIA,
 Denver
 Proposed Hotel Born Union Station
 Denver
 Proposed Hyatt Regency Convention
 Hotel, Denver
 Proposed JW Marriott Hotel, Denver
 Proposed Renaissance Hotel, Denver
 Proposed Residence Inn Downtown,
 Denver
 Proposed Ritz Carlton & Athletic Club,
 Denver
 Proposed Union Station Hotel, Denver
 Proposed W Hotel, Denver
 Proposed Westin DIA, Denver
 Proposed Courtyard by Marriott,
 Douglas County
 Ritz-Carlton, Denver
 Residence Inn Denver Downtown,
 Denver
 Residence Inn, Denver
 Wyndham DTC, Denver
 Proposed Residence Inn by Marriott,
 Douglas County
 Proposed Autograph Hotel, Fort Collins
 Proposed Boutique Hotel, Fort Collins
 Hilton Garden Inn, Glendale
 Hyatt Place, Glendale
 Holiday Inn & Suites, Grand Junction
 DoubleTree, Greenwood Village
 Greenwood Athletic Club, Greenwood
 Village
 Hilton, Greenwood Village
 Proposed Palomar by Kimpton,
 Greenwood Village
 Proposed Westin Denver Tech Center,
 Greenwood Village
 Sheraton DTC, Greenwood Village
 Proposed Suite Hotel, Gunbarrel
 Residence Inn, Golden
 Comfort Inn, Lakewood
 Courtyard by Marriott Denver
 Southwest Lakewood, Lakewood
 Hampton Inn Lakewood, Lakewood
 Proposed Hyatt House Belmar,
 Lakewood

Proposed TownePlace Suites by
 Marriott, Lakewood
 Residence Inn by Marriott Denver
 Southwest Lakewood, Lakewood
 Sheraton Denver West, Lakewood
 Holiday Inn Express, Limon
 Proposed Boutique Hotel, Loveland
 Proposed Embassy Suites, Loveland
 Courtyard by Marriott, Louisville
 Candlewood Suites, Parachute
 Proposed Town Center Hotel, Superior
 Chateau at Vail, Vail
 Vail Cascade Hotel & Club, Vail
 Vail Village Inn, Vail
 Proposed Fairfield Inn by Marriott,
 Westminster
 Proposed Cambria Suites, Westminster
 Proposed SpringHill Suites by Marriott,
 Westminster

CONNECTICUT

Marriott Hotel, Trumbull
 Homewood Suites, Farmington

DISTRICT OF COLUMBIA

Phoenix Park Hotel
 Proposed Embassy Suites
 Residence Inn by Marriott Thomas
 Circle
 Residence Inn by Marriott Foggy
 Bottom

FLORIDA

Residence Inn, Altamonte Springs
 Proposed Lodge at Legacy Golf Course,
 Bradenton
 Courtyard by Marriott, Fort Lauderdale
 Proposed Hilton Broward County, Fort
 Lauderdale
 Residence Inn by Marriott Intracostal II
 Lugano, Fort Lauderdale
 Four Points, Fort Walton Beach
 Courtyard Marriott Village, Lake Buena
 Vista

Fairfield Inn & Suites Marriott Village,
Lake Buena Vista
Hilton Walt Disney World, Lake Buena
Vista
Royal Plaza, Lake Buena Vista
SpringHill Suites Marriott Village, Lake
Buena Vista
Intercontinental, Miami
Homewood Suites by Hilton, Maitland
Hampton Inn, Naples
Radisson Parkway Resort, Orlando
Wyndham Westshore, Tampa
Renaissance Tampa International
Airport, Tampa
Homewood Suites, Maitland

GEORGIA

Fairfield Inn & Suites, Alpharetta
SpringHill Suites, Alpharetta
Marriott TownePlace Suites, Alpharetta
Fairfield Inn & Suites, Atlanta
Georgia Tech Hotel & Conference
Center, Atlanta
Sierra Suites, Atlanta
Summerfield Suites by Wyndham,
Bridgewater
Fairfield Inn & Suites, Buckhead
Summerfield Suites by Wyndham,
Burlington
Summerfield Suites by Wyndham,
Gaithersburg
Marriott TownePlace Suites, Kennesaw
Fairfield Inn & Suites, Macon
Hyatt Regency, Marietta
Sierra Suites, Pleasanton
Summerfield Suites by Wyndham,
Pleasanton
Canopy by Hilton, Savannah
SpringHill Suites by Marriott
Downtown, Savannah

IDAHO

DoubleTree, Boise
Holiday Inn, Boise
Proposed Ski Resort Hotel, Donnelly

ILLINOIS

InterContinental Hotel, Chicago
Proposed Boutique Loop Hotel, Chicago
Proposed Hyatt Place Downtown,
Chicago
Proposed Luxury Hotel, Chicago
Proposed St. Regis Hotel, Chicago
Ritz-Carlton, Chicago
Westin Michigan Avenue, Chicago
Wyndham Downtown, Chicago
Westin, Itasca
Wyndham Hotel, Lisle
Proposed Hotel Conference Center,
Naperville
Pere Marquette Redevelopment, Peoria
Proposed Courtyard by Marriott, Peoria
Proposed Courtyard by Marriott,
Schaumburg
Proposed Renaissance Convention
Hotel, Schaumburg
Proposed Residence Inn by Marriott,
Schaumburg
Proposed SpringHill Suites by Marriott,
Schaumburg
Radisson, Schaumburg
Wyndham Garden, Schaumburg
Proposed Residence Inn by Marriott,
Warrenville
Palwaukee Inn Hotel, Wheeling

INDIANA

Courtyard by Marriott & T.G.I. Friday's,
Indianapolis
Proposed Courtyard-SpringHill Suites
by Marriott Dual-Brand, Indianapolis
Proposed Fairfield Inn & Suites by
Marriott, Indianapolis
Proposed Hilton Garden Inn,
Indianapolis
Proposed Indianapolis Airport Hotel,
Indianapolis
Proposed JW Marriott, Indianapolis
Sheraton Four Points, Indianapolis
Wyndham North, Indianapolis

IOWA

Hotel Vetro, Iowa City
Proposed Rhythm City Casino River
Front Hotel, Davenport
Sheraton Hotel, Iowa City

KANSAS

Proposed Convention Hotel, Kansas City
Proposed Aloft/Element Kansas City,
North Kansas City

KENTUCKY

Super 8, Hazard
Baymont Inn & Suites, Lexington
Best Western Regency Inn, Lexington
Holiday Inn Express, Lexington
Holiday Inn Southwest, Louisville
Proposed Airport Hotel, Louisville
Proposed Courtyard by Marriott
Northeast, Louisville

LOUISIANA

Holiday Inn Convention Center,
Alexandria
Holiday Inn Select, Kenner
Courtyard by Marriott, Lafayette
Hilton & Towers, Lafayette
Quality Inn Conference Center, Metairie
Holiday Inn, Monroe

MAINE

Hampton Inn Downtown Waterfront,
Portland
Residence Inn, Scarborough
TownePlace Suites by Marriott,
Scarborough

MARYLAND

Holiday Inn, Belmont
Hilton, Columbia

Holiday Inn, Frederick
Hilton, Gaithersburg
Holiday Inn BWI Airport, Linthicum
Holiday Inn, Silver Spring
Holiday Inn - Cromwell Bridge, Towson
Days Inn, Waldorf

MASSACHUSETTS

Homewood Suites, Billerica
Wyndham Hotel, Billerica
Mandarin Oriental, Boston
Ritz-Boston Back Bay, Boston
Taj Hotel, Boston
Westin Copley Place, Boston
Wyndham Hotel, Boston
Wellbridge Athletic Club - Atlantic
Avenue, Boston
Wellbridge Athletic Club -
Commonwealth Avenue, Boston
Wellbridge Athletic Club - Charles
Square, Cambridge
TownePlace Suites by Marriott, Danvers
Residence Inn by Marriott, Dedham
Hampton Inn, Lawrence
Fairfield Inn by Marriott, Middleboro
Wellbridge Athletic Club, Newton
SpringHill Suites by Marriott, Peabody
Courtyard by Marriott, Revere
Residence Inn by Marriott, Tewksbury
TownePlace Suites by Marriott,
Tewksbury
Summerfield Suites by Wyndham,
Waltham
Courtyard by Marriott, Woburn
Fairfield Inn by Marriott, Woburn

MICHIGAN

Proposed DoubleTree Hotel and
Conference Center, Bay City
Proposed Holiday Inn Express & Suites,
Detroit
Gatehouse Suites, East Lansing
Gatehouse Suites, Grand Rapids
Proposed Marriott, Grand Rapids

Residence Inn by Marriott
Detroit/Livonia, Livonia
Gatehouse Suites, Troy
Residence Inn by Marriott, Troy

MINNESOTA

Hilton Minneapolis/St. Paul Airport,
Bloomington
Four Points Metrodome, Minneapolis
Homewood Suites Mall of America,
Minneapolis

MISSOURI

Hilton Promenade, Branson
Proposed Convention Hotel, Kansas City
Proposed Hotel, St. Louis

MONTANA

Red Lion Hotel, Missoula

NEBRASKA

Proposed Hotel, Grand Island
DoubleTree, Omaha
Marriott Hotel, Omaha
Proposed Convention Center Hotel,
Omaha
Redick Plaza Hotel (Phase 1 and 2),
Omaha

NEW HAMPSHIRE

Hampton Inn & Suites, Exeter

NEW JERSEY

Summerfield Suites by Wyndham,
Morristown
Summerfield Suites by Wyndham,
Whippany

NEW MEXICO

Rancho Encantado Resort, Santa Fe

NEW YORK

Residence Inn by Marriott, Holtsville
Residence Inn by Marriott, New
Rochelle
Residence Inn by Marriott, White Plains

NORTH CAROLINA

Marriott Crabtree Valley, Raleigh
Proposed Convention Hotel, Raleigh
Marriott, Winston-Salem
Embassy Suites, Winston-Salem

OHIO

Holiday Inn Conversion to DoubleTree,
Columbus

OKLAHOMA

Proposed Select-Service Hotel, Edmond

PENNSYLVANIA

Courtyard, Altoona
Proposed Erie Convention Center Hotel,
Erie
Residence Inn, Harrisburg
Proposed Hilton Garden Inn, Monaca
TownePlace Suites, Horsham
Courtyard by Marriott Downtown,
Philadelphia
Embassy Suites Airport, Philadelphia
Embassy Suites Philadelphia Airport,
Philadelphia
Hyatt Place, Pittsburgh
SpringHill Suites by Marriott,
Washington
Hampton Inn, Willow Grove

TENNESSEE

Homewood Suites, Brentwood
Hilton Hotel, Knoxville
Suburban Lodge, Knoxville

Radisson Hotel, Memphis
SpringHill Suites by Marriott, Nashville

TEXAS

Barton Creek Resort, Austin
Baymont Inn Highland Mall, Austin
Hilton Convention Hotel, Austin
La Quinta Inn Capitol, Austin
La Quinta Inn Highland Mall, Austin
La Quinta Inn and Suites Mopac North, Austin
La Quinta Inn Oltorf, Austin
La Quinta Inn and Suites Southwest at Mopac, Austin
La Quinta Inn and Suites Airport, Austin
La Quinta Inn I-35 South/Ben White Boulevard, Austin
La Quinta Inn and Suites Round Rock, Austin
Proposed Boutique Hotel, Colleyville
The Davis Hotel, Dallas
Homewood Suites Dallas Market Center, Dallas
Hotel Magnolia, Dallas
Residence Inn by Marriott Park Central, Dallas
Proposed Conference Hotel, Denton County
Courtyard by Marriott, Fort Worth
La Quinta Inn, Georgetown
Courtyard by Marriott, Houston
Courtyard by Marriott Medical Center, Houston
Residence Inn by Marriott, Houston
La Quinta Inn, Killeen
TownePlace Suites by Marriott, Plano
Hampton Inn, Richardson
La Quinta Inn, Round Rock
Homewood Suites San Antonio Riverwalk, San Antonio
Best Western, Spring
Proposed Best Western, Spring
La Quinta Inn, Temple
Best Western, Victoria
Proposed Best Western, Victoria
La Quinta Inn Waco University, Waco

Homewood Suites Market Center, Dallas
Hampton Inn & Suites Medical Center, Houston

UTAH

Proposed Curio by Hilton, Moab
DoubleTree Hotel, Salt Lake City
Quality Inn Midvalley, Salt Lake City
Sheraton Downtown, Salt Lake City

VIRGINIA

DoubleTree Crystal City, Arlington
Ritz-Carlton Pentagon City, Arlington
Proposed Hotel, Dulles
Remington Hotel, Herndon
Homestead Resort, Hot Springs
Sheraton Park South, Richmond
Residence Inn Tysons Corner Mall, Vienna

WASHINGTON

Residence Inn Seattle Bellevue Downtown, Bellevue
DoubleTree Hotel, Spokane

WEST VIRGINIA

Holiday Inn, Bridgeport
Holiday Inn Express, Charleston
Residence Inn by Marriott, Charleston
Holiday Inn, Fairmont

WISCONSIN

Telemark Resort, Hayward

INTERNATIONAL

CANADA

Radisson, Ottawa, Ontario



NORTH CAROLINA APPRAISAL BOARD

5830 SIX FORKS ROAD

RALEIGH, N.C. 27609

Telephone: 919/870-4854

Facsimile: 919/870-4859

Website: www.ncappraisalboard.org

Permit No: 9440

TEMPORARY PRACTICE PERMIT

Having satisfied the North Carolina Appraisal Board as to his (or her) qualifications for an Appraisal Temporary Practice Permit under the provisions of North Carolina Appraisal Board Rule 57A.0210, temporary appraiser licensing or certification privileges are hereby granted to the person named below for the exclusive and limited purpose of performing that appraisal assignment summarily described below. This Temporary Practice Permit shall become effective on the date of its issuance or the beginning date of the appraisal assignment, whichever shall come later; and unless extended by the Appraisal Board, shall expire upon the completion of the appraisal assignment or upon the expiration date set forth below, whichever shall come first.

Permittee Name: BETHANY CRONK

State in which Resident Appraiser License/Certificate Held: CO

Type and Number of License/Certificate

Held in Resident State: CERTIFIED GENERAL

No: CG40020961

Appraisal Assignment: 3114 Wayne Memorial Drive (and adjacent vacant hotel site), Goldsboro, NC 27534.
Purpose of appraisal is for a market and feasibility study and proposed hotel and Maxwell Center analysis.

Appraisal Beginning Date: 07/23/2018

Permit Issuance Date: 07/23/2018

Ending Date: 01/23/2019

Expiration Date: 01/23/2019

**Donald T. Rodgers
Executive Director
North Carolina Appraisal Board**

In issuing this permit, the North Carolina Appraisal Board has made no independent inquiry regarding the competency of the permittee or his (or her) qualifications to perform the appraisal assignment herein described.