ATTACHMENT B

PLAN21-00019 Hotel Market Analysis

Proposed Hotel Victorville

US 395 AT DOS PALMAS ROAD
VICTORVILLE, CALIFORNIA

SUBMITTED TO:

Mr. Kaushik Patel
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PREPARED BY:

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December 22, 2020

Mr. Kaushik Patel
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Re: Proposed Hotel Victorville
Victorville, California
HVS Reference: 2020021699

Dear Mr. Patel:

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

This report was produced amid significant market disruption related to COVID-19. The impact of the pandemic is addressed throughout and considers market perspectives and information available on or about the effective date of the report. The prevailing market outlook is that the direct impact of the pandemic on the travel industry will affect demand at varying levels through the remainder of 2020. A gradual recovery in the hospitality industry is anticipated to occur over the following two to four years. However, the situation is unprecedented and, as of the effective date of this report, remains highly uncertain.

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

Adam R. Lair, MAI, MRICS,
Managing Director, Senior Partner
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1. Executive Summary

Subject of the Feasibility Study

The subject of the feasibility study is a 200,270-square-foot (4.60-acre) site to be subdivided and improved with an extended-stay lodging facility; the hotel is expected to be affiliated with a nationally recognized extended-stay brand. The property, which is expected to open on January 1, 2023, is recommended to feature 100 rooms, a breakfast dining area, 450 square feet of meeting space, an outdoor pool with sundeck, an outdoor whirlpool, a fitness room, a lobby workstation, a market pantry, a guest laundry room, and an outdoor patio and barbecue area. The hotel should also contain the appropriate parking capacity (as needed) and all necessary back-of-the-house space.

The subject site's location is US 395 at Dos Palmas Road, Victorville, California 92392.

Pertinent Dates

The effective date of the report is December 22, 2020. The subject site was inspected by Michael B. Evans on December 2, 2020. In addition to the inspection, Michael B. Evans participated in the research for this assignment and assisted in the report's preparation. Adam R. Lair, MAI, MRICS participated in the analysis and reviewed the findings but did not personally inspect the property.

COVID-19

In December 2019, a novel coronavirus known as SARS-CoV-2 was first identified in China, causing outbreaks of the COVID-19 disease that has since spread to the majority of countries worldwide. The first reported case in the U.S. occurred in the state of Washington on January 21, 2020, from an individual that had traveled to Wuhan, China. Additional cases arose in late January and February, mostly involving individuals that had also traveled to the infected regions in Asia. On January 31, 2020, the Secretary of Health and Human Services (HHS) declared COVID-19 a public health emergency; at that point, the United States restricted entry from travelers that had visited China in the last 14 days. By late February, additional cases involving evidence of community transmission appeared in the states of Washington and California. In late February and early March, the worldwide stock markets declined notably, with the Dow Jones Industrial Average declining 10% the week of February 28. By mid-March, the Dow had declined by 30% from the prior peak. Oil prices also fell significantly in early March (most notably on March 9), declining to under $30 per barrel.

The World Health Organization (WHO) officially declared COVID-19 a global pandemic on March 11, 2020, as the spread of the disease continued to increase across the world. At that time, travel restrictions for entry into the U.S. were

implemented for 26 countries in the Schengen Area of Europe. On March 13, the President of the United States declared the COVID-19 outbreak a national emergency. By mid-to-late March, the number of cases started to grow exponentially within all 50 states, in addition to other countries around the world. The pandemic has led to global economic disruptions, as cities and countries have slowed the spread of the disease by implementing lockdowns and social-distancing measures. In terms of the hospitality industry, travel restrictions and cancellations of events and conferences have resulted in a sharp drop in lodging demand.

The year-to-date data through September 2020 reflect the onset and spread of the COVID-19 pandemic. Occupancy declined substantially, while ADR declined by roughly $26.00, resulting in a RevPAR loss of 46.6% when compared to the same period in 2019. In an effort to further understand the nature and degree of the impact thus far, we have reviewed the following weekly data for the U.S. lodging industry, as published by STR. As illustrated, both occupancy and ADR began to decline significantly during the week of March 7, 2020, resulting in a double-digit RevPAR decrease. The pace of decline accelerated through March and early April, with national occupancy reaching a nadir of 21%, and RevPAR declining roughly 84% for the week ending April 11, 2020. Modest improvements began in late April and continued through May, June, and July, as stay-at-home orders and travel restrictions were relaxed. However, with this relaxation, the number of cases once again begun to increase in many areas; moreover, the number of cases nationwide reached a historical high. As a result, the near-term outlook is uncertain, and occupancy and ADR are anticipated to remain well below 2019 levels through the balance of the year. The expectation of recovery over the long term remains, as recent travel activity demonstrates that many Americans are eager to travel (as conditions permit).

This report was produced amid significant market disruption related to COVID-19. The impact of the pandemic is addressed throughout and considers market perspectives and information available on or about the effective date of the report. The prevailing market outlook is that the direct impact of the pandemic on the travel industry will affect demand at varying levels through the remainder of 2020. A gradual recovery in the hospitality industry is anticipated to occur over the following two to four years. However, the situation is unprecedented and, as of the effective date of this report, remains highly uncertain.

Ownership History   The developer of the proposed subject hotel is Mr. Kaushik Patel, who resides in Corona, California. The subject site is part of a greater site, made up of three separate parcels, which is currently under consideration for purchase by Mr. Patel. The first parcel (3096-381-01) is currently owned by Vic Oxford Investments LLC, which has owned this parcel since November 2013, having purchased it for $1,150,000 from an undisclosed party. The second parcel (3096-381-09) is currently owned by MLS

Realtors Inc., which has owned this parcel since December 2013, having purchased it for $611,411 from an undisclosed party. The third and final parcel (3096-381-07) is currently owned by Prime A Investments LLC, which has owned this parcel since May 2014, having purchased it for $500,000 from an undisclosed party. The parcels that make up the subject site are neither listed nor under contract for sale, and we have no knowledge of any recent listings.

Management and Franchise History and Assumptions

Details pertaining to management terms were not yet determined at the time of this report; however, we assume that the proposed hotel will be managed by a professional hotel-operating company, with fees deducted at rates consistent with current market standards. Our projections reflect a total management fee of 3.0% of total revenues.

We recommend that the proposed subject hotel operate as a lower-rated upscale or upper-midscale, extended-stay lodging facility. While we have placed consideration on the TownePlace Suites by Marriott brand, which is affiliated with Marriott International, for the purpose of this study, a specific franchise affiliation and/or brand has yet to be finalized. We note other brands that fit the aforementioned description include Staybridge Suites, Cambria Suites, and Sonesta ES Suites. Additional midscale, extended-stay options include Candlewood Suites, Cabot Lodge, MainStay Suites, SureStay Plus, and WoodSpring Suites. Based on our review of the agreement's terms or expected terms, the TownePlace Suites by Marriott franchise is reflected in our forecasts with a royalty fee of 5.5% of rooms revenue, and a marketing assessment of 2% of rooms revenue.

Summary of Hotel Market Trends

Occupancy and ADR both declined in 2008 given the onset of the Great Recession. The year 2009 marked a low point for the U.S. lodging industry, when most markets realized the full impact of the declines in business and leisure travel that characterized the recession. Most markets began to recover in or shortly after 2010; the STR data for the competitive set of hotels reflects a similar pattern. Moreover, the construction of a Dr. Pepper Snapple Group facility that year contributed to a nearly 30% increase in RevPAR. The market then normalized in 2011, with RevPAR increasing year-over-year thereafter. We note that Boeing consolidated three of its operating divisions at Southern California Logistics Airport (SCLA) in 2013, resulting in a RevPAR increase of over 20% in 2014. Both occupancy and ADR trended upward through 2019, even with the entrance of new supply in 2018 and 2019. We note that ADR growth in the market generally follows a trend similar to that of the growth in the per-diem rate and is somewhat modest compared to the occupancy increases. The onset of the COVID-19 pandemic in April 2020 caused a slight decline in occupancy in the year-to-date period; however, strong ADR growth, stemming from the ramp-up of the recently opened Home2 Suites by Hilton, has offset this decline, with RevPAR increasing slightly. The near-term outlook is

positive in consideration of the upcoming construction of the high-speed train from Las Vegas to Victorville.

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)

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2007	507	185,055	—	139,452	—	75.4 %	$97.61	—	$73.56	—
2008	518	189,116	2.2 %	125,718	(9.8) %	66.5	94.47	(3.2) %	62.80	(14.6) %
2009	638	232,870	23.1	129,092	2.7	55.4	89.11	(5.7)	49.40	(21.3)
2010	638	232,870	0.0	171,810	33.1	73.8	86.43	(3.0)	63.77	29.1
2011	638	232,870	0.0	143,965	(16.2)	61.8	87.25	0.9	53.94	(15.4)
2012	638	232,870	0.0	151,519	5.2	65.1	87.25	0.0	56.77	5.3
2013	638	232,870	0.0	159,577	5.3	68.5	85.33	(2.2)	58.48	3.0
2014	638	232,870	0.0	180,211	12.9	77.4	91.65	7.4	70.93	21.3
2015	638	232,870	0.0	179,705	(0.3)	77.2	96.09	4.8	74.15	4.5
2016	638	232,870	0.0	180,335	0.4	77.4	96.67	0.6	74.86	1.0
2017	638	232,870	0.0	188,506	4.5	80.9	95.85	(0.9)	77.59	3.6
2018	656	239,275	2.8	192,053	1.9	80.3	98.87	3.2	79.36	2.3
2019	743	271,195	13.3	225,798	17.6	83.3	102.93	4.1	85.70	8.0
Year-to-Date Through October										
2019	743	225,872	—	187,407	—	83.0 %	$102.82	—	$85.31	—
2020	743	225,872	0.0 %	182,400	(2.7) %	80.8	107.90	4.9 %	87.13	2.1 %
Average Annual Compounded Change:										
2010 - 2013			0.0 %		(2.4) %			(0.4) %		(2.8) %
2013 - 2019			2.6		6.0			3.2		6.6

Hotels Included in Sample	Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
Holiday Inn Express & Suites Hesperia	Upper Midscale Class	*Primary*	100	Nov 2002	Nov 2002
Comfort Suites Victorville I 15	Upper Midscale Class	*Primary*	77	Feb 2014	Mar 2003
La Quinta Inns & Suites Hesperia Victorville	Upper Midscale Class	*Primary*	53	Oct 2003	Oct 2003
SpringHill Suites Victorville Hesperia	Upscale Class	*Primary*	63	Jun 2005	Jun 2005
Hawthorn Suites by Wyndham Victorville	Midscale Class	*Primary*	75	Dec 2010	Nov 2005
Hilton Garden Inn Victorville	Upscale Class	*Secondary*	139	Aug 2006	Aug 2006
Courtyard Victorville Hesperia	Upscale Class	*Secondary*	131	Dec 2008	Dec 2008
Home2 Suites by Hilton Victorville	Upper Midscale Class	*Primary*	105	Nov 2018	Nov 2018
		Total	**743**		

Source: STR

The following tables reflect our estimates of operating data for hotels on an individual basis. These trends are presented in detail in the Supply and Demand Analysis chapter of this report.

FIGURE 1-2   PRIMARY COMPETITORS – OPERATING PERFORMANCE

| Property | Number of Rooms | Est. Segmentation | | | | Estimated 2018 | | | | Estimated 2019 | | | | Occupancy Penetration | Yield Penetration |
		Commercial/Government	Leisure	Group	Extended-Stay	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR		
SpringHill Suites by Marriott Victorville Hesperia	63	55 %	25 %	5 %	15 %	63	80 - 85 %	$100 - $105	$80 - $85	63	80 - 85 %	$100 - $105	$85 - $90	100 - 110 %	100 - 110 %
Hawthorn Suites Victorville	75	20	35	5	40	75	90 - 95	95 - 100	90 - 95	75	90 - 95	100 - 105	90 - 95	110 - 120	110 - 120
Home2 Suites by Hilton Victorville	105	30	25	5	40	18	50 - 55	95 - 100	50 - 55	105	90 - 95	115 - 120	105 - 110	110 - 120	120 - 130
Holiday Inn Express & Suites Hesperia	100	50	30	5	15	100	70 - 75	95 - 100	70 - 75	100	75 - 80	95 - 100	75 - 80	90 - 95	90 - 95
La Quinta Inn & Suites Hesperia Victorville	53	50	35	5	10	53	75 - 80	85 - 90	65 - 70	53	80 - 85	90 - 95	75 - 80	95 - 100	85 - 90
Comfort Suites Victorville	77	50	35	5	10	77	75 - 80	85 - 90	65 - 70	77	80 - 85	90 - 95	75 - 80	95 - 100	85 - 90
Sub-Totals/Averages	**473**	**41 %**	**30 %**	**5 %**	**24 %**	**386**	**78.7 %**	**$95.10**	**$74.85**	**473**	**85.7 %**	**$101.43**	**$87**	**104 %**	**103.5 %**
Secondary Competitors	425	45 %	25 %	10 %	20 %	319	77.6 %	$100.03	$77.65	319	77.3 %	$103.10	$80	94 %	94.9 %
Totals/Averages	**898**	**42 %**	**28 %**	**7 %**	**22 %**	**704**	**78.2 %**	**$97.32**	**$76.12**	**792**	**82.3 %**	**$102.06**	**$84**	**100 %**	**100.0 %**

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

FIGURE 1-3   SECONDARY COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation				Total Competitive Level	Estimated 2018				Estimated 2019			
		Commercial/Government	Leisure	Group	Extended-Stay		Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Hilton Garden Inn Victorville	139	45 %	25 %	10 %	20 %	75 %	104	80 - 85 %	$110 - $115	$90 - $95	104	80 - 85 %	$105 - $110	$85 - $90
Courtyard by Marriott Victorville Hesperia	131	45	25	10	20	75	98	75 - 80	95 - 100	75 - 80	98	75 - 80	100 - 105	80 - 85
Holiday Inn Victorville	155	45	25	10	20	75	116	65 - 70	90 - 95	60 - 65	116	65 - 70	95 - 100	65 - 70
Totals/Averages	**425**	**45 %**	**25 %**	**10 %**	**20 %**	**75 %**	**319**	**77.6 %**	**$100.03**	**$77.65**	**319**	**77.3 %**	**$103.10**	**$79.73**

* 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 85% and a base-year rate position of $115.00 for the proposed subject hotel. The following table reflects a summary of our market-wide and proposed subject hotel occupancy and average rate (ADR) projections.

FIGURE 1-4   ADR FORECAST – MARKET AND PROPOSED SUBJECT PROPERTY

Calendar Year	2019	2020	2021	2022	2023	2024	2025	2026	2027
Market ADR	$102.06	$106.65	$108.25	$113.67	$120.49	$123.50	$126.59	$129.75	$133.00
Projected Market ADR Growth Rate	—	4.5%	1.5%	5.0%	6.0%	2.5%	2.5%	2.5%	2.5%
Proposed Subject Property ADR (As-If Stabilized)	$115.00	$120.18	$121.98	$128.08	$135.76	$139.16	$142.63	$146.20	$149.85
ADR Growth Rate	—	4.5%	1.5%	5.0%	6.0%	2.5%	2.5%	2.5%	2.5%
Proposed Subject Stabilized ADR Penetration	113%	113%	113%	113%	113%	113%	113%	113%	112.7%

Fiscal Year				2022	2023	2024	2025	2026	2027
Proposed Subject Property Average Rate				$128.08	$135.76	$139.16	$142.63	$146.20	$149.85
Opening Discount				0.0%	3.0%	1.0%	0.0%	0.0%	0.0%
Average Rate After Discount				**$128.08**	**$131.69**	**$137.76**	**$142.63**	**$146.20**	**$149.85**
Real Average Rate Growth				—	2.8%	4.6%	3.5%	2.5%	2.5%
Market ADR				$113.67	$120.49	$123.50	$126.59	$130.38	$134.30
Proposed Subject ADR Penetration (After Discount)				113%	109%	112%	113%	112%	112%
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate				$121.29	$121.67	$124.18	$125.43	$125.43	$125.43

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

	2023 (Calendar Year)				2024				Stabilized				2026				2027			
Number of Rooms:	100				100				100				100				100			
Occupancy:	73%				81%				85%				85%				85%			
Average Rate:	$131.69				$137.76				$142.63				$146.20				$149.85			
RevPAR:	$96.13				$111.59				$121.24				$124.27				$127.38			
Days Open:	365				365				365				365				365			
Occupied Rooms:	26,645	%Gross	PAR	POR	29,565	%Gross	PAR	POR	31,025	%Gross	PAR	POR	31,025	%Gross	PAR	POR	31,025	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	$3,509	98.2 %	$35,090	$131.69	$4,073	98.4 %	$40,730	$137.76	$4,425	98.4 %	$44,250	$142.63	$4,536	98.4 %	$45,360	$146.20	$4,649	98.4 %	$46,490	$149.85
Other Operated Departments	40	1.1	402	1.51	42	1.0	424	1.43	44	1.0	441	1.42	45	1.0	452	1.46	46	1.0	463	1.49
Miscellaneous Income	24	0.7	241	0.91	25	0.6	255	0.86	26	0.6	265	0.85	27	0.6	271	0.87	28	0.6	278	0.90
Total Operating Revenues	3,573	100.0	35,733	134.11	4,141	100.0	41,409	140.06	4,496	100.0	44,956	144.90	4,608	100.0	46,083	148.54	4,723	100.0	47,231	152.24
DEPARTMENTAL EXPENSES *																				
Rooms	894	25.5	8,942	33.56	953	23.4	9,531	32.24	996	22.5	9,957	32.09	1,021	22.5	10,206	32.89	1,046	22.5	10,461	33.72
Other Operated Departments	21	51.5	207	0.78	21	50.5	214	0.72	22	50.0	221	0.71	23	50.0	226	0.73	23	50.0	232	0.75
Total Expenses	915	25.6	9,149	34.34	975	23.5	9,745	32.96	1,018	22.6	10,177	32.80	1,043	22.6	10,432	33.62	1,069	22.6	10,692	34.46
DEPARTMENTAL INCOME	2,658	74.4	26,584	99.77	3,166	76.5	31,663	107.10	3,478	77.4	34,778	112.10	3,565	77.4	35,652	114.91	3,654	77.4	36,539	117.77
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	291	8.1	2,906	10.90	306	7.4	3,063	10.36	318	7.1	3,184	10.26	326	7.1	3,264	10.52	335	7.1	3,345	10.78
Info & Telecom Systems	42	1.2	415	1.56	44	1.1	438	1.48	45	1.0	455	1.47	47	1.0	466	1.50	48	1.0	478	1.54
Marketing	130	3.6	1,297	4.87	137	3.3	1,367	4.62	142	3.2	1,421	4.58	146	3.2	1,457	4.70	149	3.2	1,493	4.81
Franchise Fee	263	7.4	2,632	9.88	305	7.4	3,055	10.33	332	7.4	3,319	10.70	340	7.4	3,402	10.97	349	7.4	3,487	11.24
Prop. Operations & Maint.	101	2.8	1,012	3.80	128	3.1	1,280	4.33	148	3.3	1,478	4.76	152	3.3	1,515	4.88	155	3.3	1,553	5.01
Utilities	125	3.5	1,245	4.67	131	3.2	1,313	4.44	136	3.0	1,365	4.40	140	3.0	1,399	4.51	143	3.0	1,434	4.62
Total Expenses	951	26.6	9,507	35.68	1,052	25.5	10,515	35.57	1,122	25.0	11,222	36.17	1,150	25.0	11,503	37.08	1,179	25.0	11,790	38.00
GROSS OPERATING PROFIT	1,708	47.8	17,077	64.09	2,115	51.0	21,148	71.53	2,356	52.4	23,557	75.93	2,415	52.4	24,149	77.84	2,475	52.4	24,749	79.77
Management Fee	107	3.0	1,072	4.02	124	3.0	1,242	4.20	135	3.0	1,349	4.35	138	3.0	1,382	4.46	142	3.0	1,417	4.57
INCOME BEFORE NON-OPR. INC. & EXP.	1,601	44.8	16,005	60.07	1,991	48.0	19,906	67.33	2,221	49.4	22,208	71.58	2,277	49.4	22,766	73.38	2,333	49.4	23,332	75.20
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	189	5.3	1,889	7.09	193	4.7	1,927	6.52	197	4.4	1,965	6.33	200	4.3	2,004	6.46	204	4.3	2,045	6.59
Insurance	49	1.4	487	1.83	50	1.2	499	1.69	51	1.1	512	1.65	52	1.1	525	1.69	54	1.1	538	1.73
Total Expenses	238	6.7	2,376	8.92	243	5.9	2,426	8.21	248	5.5	2,477	7.98	253	5.4	2,529	8.15	258	5.4	2,582	8.32
EBITDA	1,363	38.1	13,630	51.15	1,748	42.1	17,480	59.12	1,973	43.9	19,731	63.60	2,024	44.0	20,237	65.23	2,075	44.0	20,750	66.88
Reserve for Replacement	71	2.0	715	2.68	124	3.0	1,242	4.20	180	4.0	1,798	5.80	184	4.0	1,843	5.94	189	4.0	1,889	6.09
EBITDA LESS RESERVE	$1,291	36.1 %	$12,915	$48.47	$1,624	39.1 %	$16,238	$54.92	$1,793	39.9 %	$17,933	$57.80	$1,839	40.0 %	$18,394	$59.29	$1,886	40.0 %	$18,861	$60.79

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

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

	2023		2024		2025		2026		2027		2028		2029		2030		2031		2032	
Number of Rooms:	100		100		100		100		100		100		100		100		100		100	
Occupied Rooms:	26,645		29,565		31,025		31,025		31,025		31,025		31,025		31,025		31,025		31,025	
Occupancy:	73%		81%		85%		85%		85%		85%		85%		85%		85%		85%	
Average Rate:	$131.69	% of	$137.76	% of	$142.63	% of	$146.20	% of	$149.85	% of	$153.60	% of	$157.44	% of	$161.38	% of	$165.41	% of	$169.55	% of
RevPAR:	$96.13	Gross	$111.59	Gross	$121.24	Gross	$124.27	Gross	$127.38	Gross	$130.56	Gross	$133.83	Gross	$137.17	Gross	$140.60	Gross	$144.11	Gross
OPERATING REVENUE																				
Rooms	$3,509	98.2 %	$4,073	98.4 %	$4,425	98.4 %	$4,536	98.4 %	$4,649	98.4 %	$4,765	98.4 %	$4,885	98.4 %	$5,007	98.4 %	$5,132	98.4 %	$5,260	98.4 %
Other Operated Departments	40	1.1	42	1.0	44	1.0	45	1.0	46	1.0	47	1.0	49	1.0	50	1.0	51	1.0	52	1.0
Miscellaneous Income	24	0.7	25	0.6	26	0.6	27	0.6	28	0.6	28	0.6	29	0.6	30	0.6	31	0.6	31	0.6
Total Operating Revenues	3,573	100.0	4,141	100.0	4,496	100.0	4,608	100.0	4,723	100.0	4,841	100.0	4,963	100.0	5,087	100.0	5,214	100.0	5,344	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	894	25.5	953	23.4	996	22.5	1,021	22.5	1,046	22.5	1,072	22.5	1,099	22.5	1,127	22.5	1,155	22.5	1,184	22.5
Other Operated Departments	21	51.5	21	50.5	22	50.0	23	50.0	23	50.0	24	50.0	24	50.0	25	50.0	26	50.0	26	50.0
Total Expenses	915	25.6	975	23.5	1,018	22.6	1,043	22.6	1,069	22.6	1,096	22.6	1,123	22.6	1,151	22.6	1,180	22.6	1,210	22.6
DEPARTMENTAL INCOME	2,658	74.4	3,166	76.5	3,478	77.4	3,565	77.4	3,654	77.4	3,745	77.4	3,840	77.4	3,935	77.4	4,034	77.4	4,134	77.4
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	291	8.1	306	7.4	318	7.1	326	7.1	335	7.1	343	7.1	351	7.1	360	7.1	369	7.1	378	7.1
Info & Telecom Systems	42	1.2	44	1.1	45	1.0	47	1.0	48	1.0	49	1.0	50	1.0	51	1.0	53	1.0	54	1.0
Marketing	130	3.6	137	3.3	142	3.2	146	3.2	149	3.2	153	3.2	157	3.2	161	3.2	165	3.2	169	3.2
Franchise Fee	263	7.4	305	7.4	332	7.4	340	7.4	349	7.4	357	7.4	366	7.4	376	7.4	385	7.4	395	7.4
Prop. Operations & Maint.	101	2.8	128	3.1	148	3.3	152	3.3	155	3.3	159	3.3	163	3.3	167	3.3	171	3.3	176	3.3
Utilities	125	3.5	131	3.2	136	3.0	140	3.0	143	3.0	147	3.0	151	3.0	154	3.0	158	3.0	162	3.0
Total Expenses	951	26.6	1,052	25.5	1,122	25.0	1,150	25.0	1,179	25.0	1,208	25.0	1,239	25.0	1,270	25.0	1,301	25.0	1,334	25.0
GROSS OPERATING PROFIT	1,708	47.8	2,115	51.0	2,356	52.4	2,415	52.4	2,475	52.4	2,537	52.4	2,601	52.4	2,666	52.4	2,732	52.4	2,800	52.4
Management Fee	107	3.0	124	3.0	135	3.0	138	3.0	142	3.0	145	3.0	149	3.0	153	3.0	156	3.0	160	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	1,601	44.8	1,991	48.0	2,221	49.4	2,277	49.4	2,333	49.4	2,391	49.4	2,452	49.4	2,513	49.4	2,576	49.4	2,640	49.4
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	189	5.3	193	4.7	197	4.4	200	4.3	204	4.3	209	4.3	213	4.3	217	4.3	221	4.2	226	4.2
Insurance	49	1.4	50	1.2	51	1.1	52	1.1	54	1.1	55	1.1	56	1.1	58	1.1	59	1.1	61	1.1
Total Expenses	238	6.7	243	5.9	248	5.5	253	5.4	258	5.4	264	5.4	269	5.4	275	5.4	281	5.3	287	5.3
EBITDA	1,363	38.1	1,748	42.1	1,973	43.9	2,024	44.0	2,075	44.0	2,128	44.0	2,183	44.0	2,238	44.0	2,295	44.1	2,353	44.1
Reserve for Replacement	71	2.0	124	3.0	180	4.0	184	4.0	189	4.0	194	4.0	199	4.0	203	4.0	209	4.0	214	4.0
EBITDA LESS RESERVE	$1,291	36.1 %	$1,624	39.1 %	$1,793	39.9 %	$1,839	40.0 %	$1,886	40.0 %	$1,934	40.0 %	$1,984	40.0 %	$2,035	40.0 %	$2,087	40.1 %	$2,140	40.1 %

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 and a development cost of $16,300,000. A detailed construction budget was not provided by the developer at the time of this report. As such, we have developed our own estimate of the total development costs, which includes hard costs, FF&E, soft costs, pre-opening costs, and working capital. Our development cost estimate is supported by reported costs of comparable projects and the annual *HVS Development Cost Survey*. We recommend that the development team obtain a more detailed development cost estimate from actual construction companies. It is also advised that developers consult more than one source in their hotel development process to more accurately assess the true cost of development.

The conclusion of this analysis indicates that an equity investor contributing $5,719,000 (roughly 35% of the $16,300,000 development cost) could expect to receive a 23.4% 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 bring a strongly branded product to the city of Victorville, while catering to the growing extended-stay demand segment within the greater market. Based on our market analysis, there is sufficient market support for the proposed TownePlace Suites by Marriott (or similar) hotel that we have recommended in this study. Our conclusions are based primarily on the long-term strength of this market given the ongoing development related to the aerospace, logistics and transportation, and warehousing/distribution industries. Our review of investor surveys indicates equity returns ranging from 12.7% to 22.9%, with an average of 18.5%. Based on these parameters, the calculated return to the equity investor, 23.4%, is well above the average and the range of market-level returns given the estimated cost of $16,300,000. We note that the calculated return is based upon the cost estimated by HVS, which includes the entrepreneurial incentive.

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

Intended Use of the Feasibility Study

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

Identification of the Client and Intended User(s)

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

Scope of Work

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

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[1] The Appraisal Foundation, *Uniform Standards of Professional Appraisal Practice*, 2020–2021 ed.

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

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

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

Investment Analysis, and Valuations,[5] and *Hotels and Motels – Valuations and Market Studies.[6]*

1. All information was collected and analyzed by the staff of TS Worldwide, LLC. Information was supplied by the client and/or the property's development team.

2. The subject site has been evaluated from the viewpoint of its physical utility for the future operation of a hotel, as well as access, visibility, and other relevant factors.

3. The subject property's proposed improvements have been reviewed for their expected quality of construction, design, and layout efficiency.

4. The surrounding economic environment, on both an area and neighborhood level, has been reviewed to identify specific hostelry-related economic and demographic trends that may have an impact on future demand for hotels.

5. Dividing the market for hotel accommodations into individual segments defines specific market characteristics for the types of travelers expected to utilize the area's hotels. The factors investigated include purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.

6. An analysis of existing and proposed competition provides an indication of the current accommodated demand, along with market penetration and the degree of competitiveness. Unless noted otherwise, we have inspected the competitive lodging facilities summarized in this report.

7. Documentation for an occupancy and ADR projection is derived utilizing the build-up approach based on an analysis of lodging activity.

8. A detailed projection of income and expense made in accordance with the Uniform System of Accounts for the Lodging Industry sets forth the anticipated economic benefits of the proposed subject property.

9. A feasibility analysis is performed, in which the market equity yield that an investor would expect is compared to the equity yield that an investor must accept.

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[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).

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 West Victorville, in the southeast quadrant of the intersection formed by U.S. Highway 395 and Dos Palmas Road. This site is in the city of Victorville, California.

Physical Characteristics

The subject site measures approximately 4.60 acres, or 200,270 square feet. The parcel's adjacent uses are set forth in the following table.

FIGURE 2-1   SUBJECT PARCEL'S ADJACENT USES

Direction	Adjacent Use
North	Dos Palmas Road
South	Vacant Land
East	Vacant Land, Cantina Drive
West	U.S. Route 395

Topography and Site Utility

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

VIEW OF SUBJECT SITE

AERIAL PHOTOGRAPH

VIEW FROM SITE TO THE NORTH

VIEW FROM SITE TO THE SOUTH

VIEW FROM SITE TO THE EAST

VIEW FROM SITE TO THE WEST

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

MAP OF REGIONAL ACCESS ROUTES
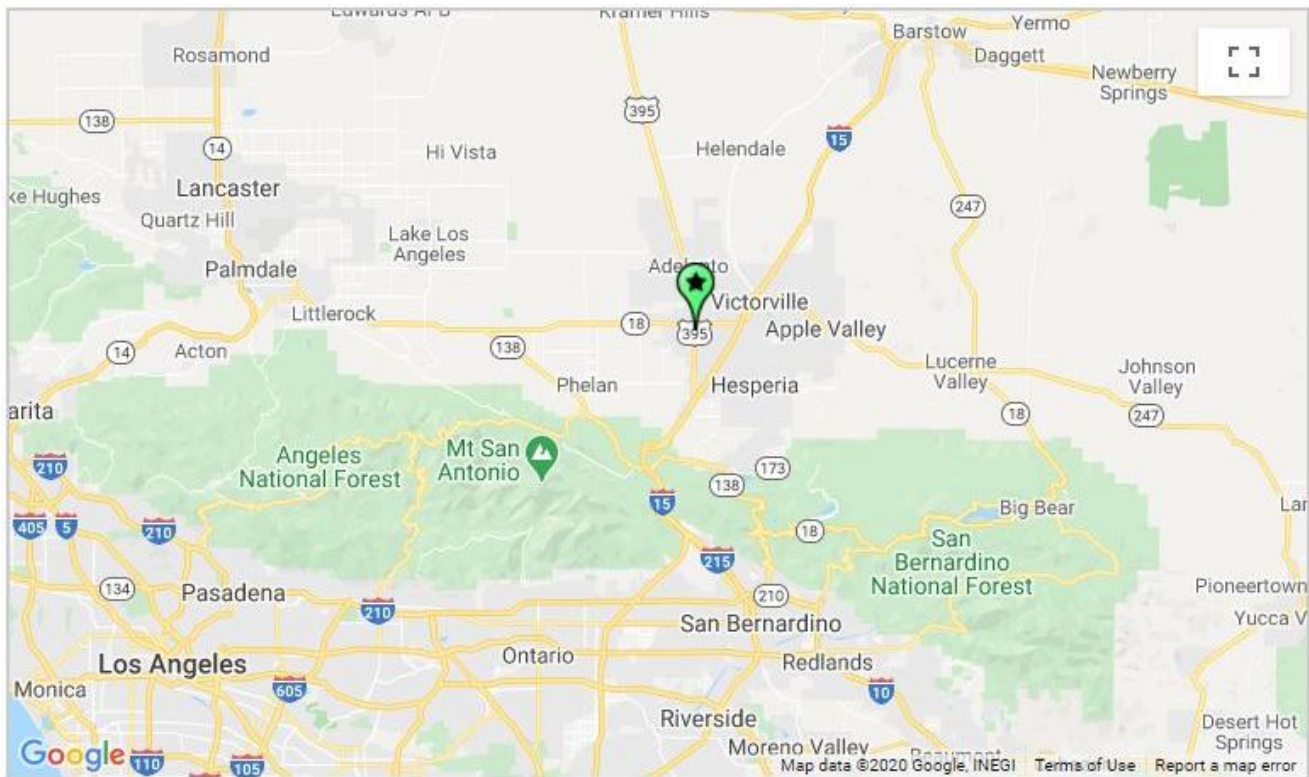
This market is served by a variety of major routes, including interstates and highways, as illustrated on the map. Regional access to/from the city of Victorville and the subject site, in particular, is considered very good.

Vehicular access to the subject site will be provided by Dos Palmas Road. The subject site is located near a busy intersection and is relatively simple to locate from Interstate 15, which is the closest major thoroughfare. The proposed subject hotel is anticipated to have adequate signage at the street, as well as on its façade. Overall, the subject site 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 hotel will be served by the Ontario International Airport, which is located approximately 30 miles to the north of the subject site.

Neighborhood

The neighborhood surrounding a lodging facility often has an impact on a hotel's status, image, class, style of operation, and sometimes its ability to attract and properly serve a particular market segment. This section of the report investigates

the subject neighborhood and evaluates any pertinent location factors that could affect its future occupancy, average rate, and overall profitability.

The neighborhood that surrounds the subject site is generally defined as the U.S. Highway 395 corridor between Palmdale Road to the north and La Mesa Road to the south. The corridor is currently characterized by vacant land and residential developments; additional residential development is anticipated to continue throughout the neighborhood, as there are a number of developments planned nearby. The Adelanto Market Place Shopping Mall sits in the northern part of the U.S. Highway 395 corridor and features a number of restaurant and retail establishments. Some specific businesses in the area include Walmart Supercenter, Walgreens, and AutoZone Auto Parts; nearby hotels include the Holiday Inn, Home2 Suites by Hilton, and the Hilton Garden Inn. Restaurants located near the subject site include Starbucks, Wingstop, and El Tejocote. In general, this neighborhood is in the growth stage of its life cycle, largely attributed to new housing developments planned by DR Horton, Evergreen Homes, Frontier Homes, GJH Development, KB Homes, and Legacy Homes. The proposed subject hotel's opening should be a positive influence on the area; the hotel is expected to be in character with and to complement surrounding land uses.

MAP OF NEIGHBORHOOD

Proximity to Local Demand Generators and Attractions

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

ACCESS TO DEMAND GENERATORS AND ATTRACTIONS
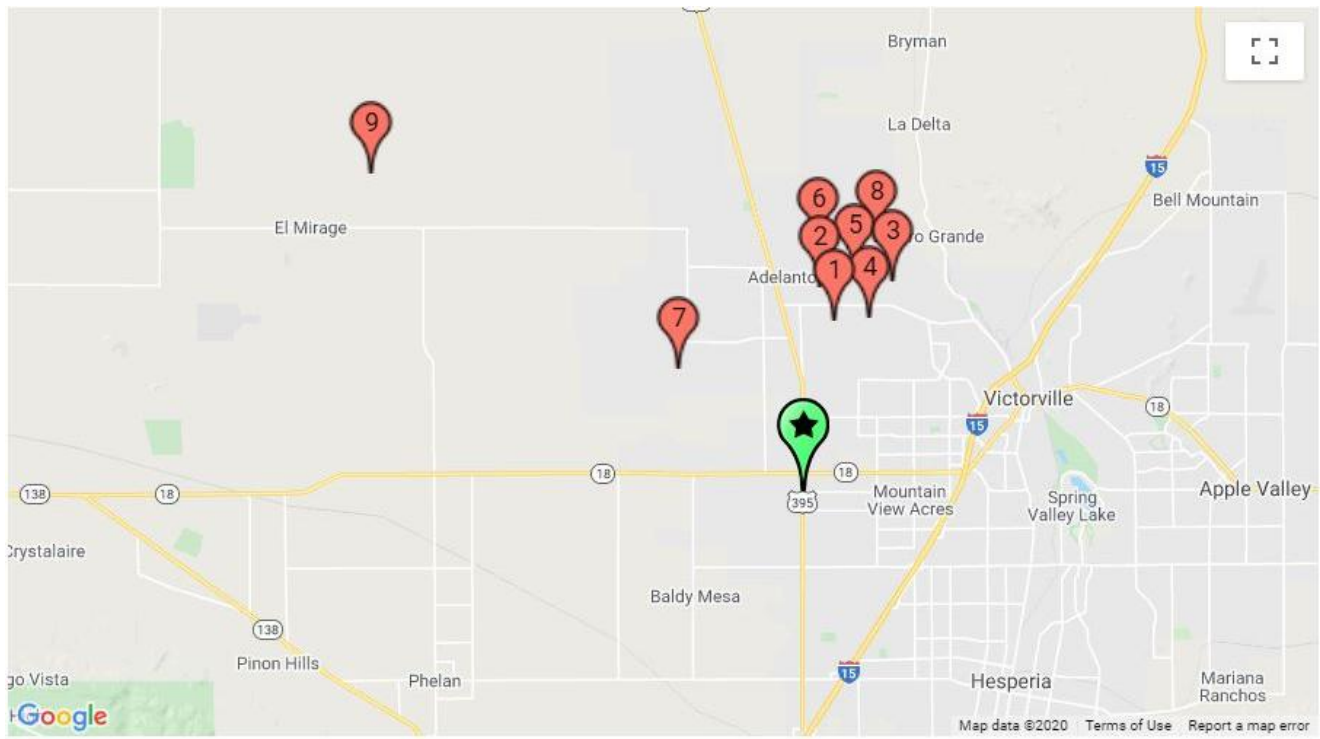
	Demand Generator	Approx. Time from Subject Property	Approx. Distance
	Subject Property		
1	Exel-Mars Victorville	🚗 9 minutes	6.1 miles
2	DR PEPPER SNAPPLE	🚗 10 minutes	6.0 miles
3	Boeing Co	🚗 11 minutes	7.1 miles
4	Newell Rubbermaid	🚗 11 minutes	7.2 miles
5	General Electric Aircraft Engines	🚗 11 minutes	7.5 miles
6	Southern California Logistics Airport	🚗 12 minutes	7.3 miles
7	High Desert Detention Center	🚗 13 minutes	8.0 miles
8	International Aerospace Coatings (IAC) - Victorville	🚗 13 minutes	8.0 miles
9	General Atomics	🚗 24 minutes	20.0 miles

Utilities

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

Seismicity, Soil and Subsoil Conditions

The property is not located within an identified earthquake fault zone, liquefaction zone, landslide zone, or seismic zone; however, the State of California is considered to be seismically active. This condition is consistent with the surrounding real estate and does not affect the subject site's utility or marketability. Geological and soil

reports were not provided to us or made available for our review during the preparation of this report. We are not qualified to evaluate soil conditions other than by a visual inspection of the surface; no extraordinary conditions were apparent.

Nuisances and Hazards

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

Flood Zone

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

COPY OF FLOOD MAP AND COVER
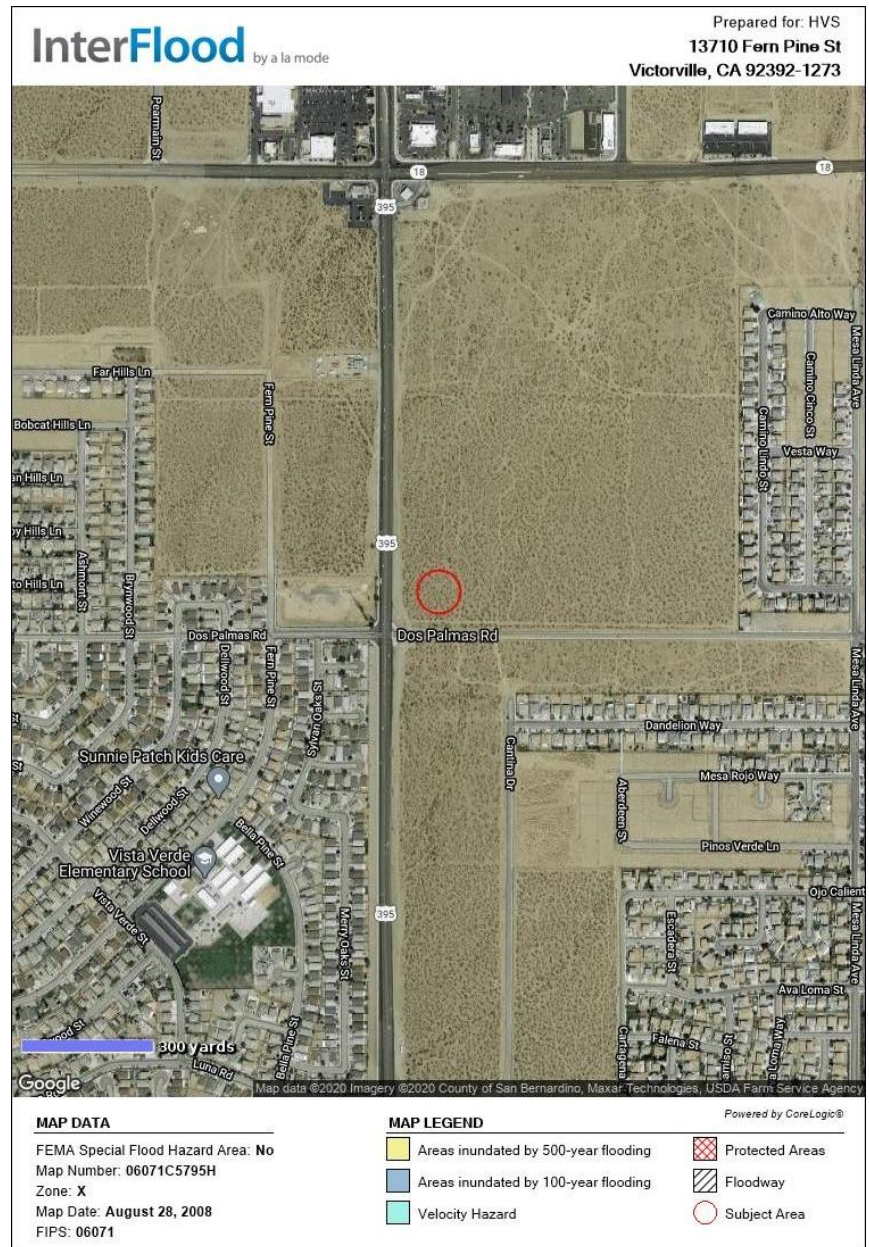
The flood zone definition for the Zone X designation is as follows: the flood insurance rate zone that corresponds to areas outside the 100-year floodplains, areas of 100-year sheet flow flooding where average depths are less than 1 foot,

areas of 100-year stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 100-year flood by levees. No Base Flood Elevations or depths are shown within this zone.

Zoning

According to the local planning office, the subject property is zoned as follows: C-1 - Neighborhood Service Commercial. Additional details pertaining to the proposed subject property's zoning regulations are summarized in the following table.

FIGURE 2-2   ZONING

Municipality Governing Zoning	City of Victorville
Current Zoning	Neighborhood Service Commercial
Current Use	Vacant Land
Is Current Use Permitted?	Not Applicable
Is Change in Zoning Likely?	No
Permitted Uses	Retail, Restaurant, Hotel/Motel (Conditional Permit Required)
Hotel Allowed	Yes (Conditional Permit Required)
Legally Non-Conforming	Not Applicable

We assume that all necessary permits and approvals will be secured (including the appropriate liquor license as applicable) and that the subject property will be constructed in accordance with local zoning ordinances, building codes, and all other applicable regulations. Our zoning analysis should be verified before any physical changes are made to the site.

Easements and Encroachments

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

Conclusion

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities. The subject site is favorably located along U.S. Highway 395, a well-traveled commercial corridor that leads directly to the area's largest demand generator, the Southern California Logistics Airport. In general, the site should be well suited for future hotel use, with acceptable access, visibility, and topography for an effective operation.

3.   Market Area Analysis

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

Market Area Definition

The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject site is located in the city of Victorville, the county of San Bernardino, and the state of California. Incorporated in 1988, Victorville is strategically located approximately 30 miles north of the city of San Bernardino, 62 miles northeast of Los Angeles County, and 166 miles southwest of Las Vegas. Heading north from the Los Angeles Basin, Victorville is among the first cities at the top of the Cajon Pass, making it one of the most commuter-accessible cities in the High Desert. The High Desert area comprises four other communities: Hesperia, Apple Valley, Barstow, and Adelanto. Victorville's relatively low cost of land and low business-operating costs have attracted investors in recent years to start up new businesses or relocate from other markets like Los Angeles, where costs of operating a business are significantly higher. Due to its proximity to the Southern California Logistics Airport (SCLA), LA/Ontario International Airport, Burlington Northern Santa Fe Railway, and numerous interstate and state highways, Victorville benefits from excellent transportation access, making it an ideal location for transportation/logistics-related businesses.

VICTORVILLE

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

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. Please note that these forecasts were formulated prior to the COVID-19 pandemic.

FIGURE 3-1   ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	2000	2010	2019	2025	Average Annual Compounded Change		
					2000-10	2010-19	2019-25
Resident Population (Thousands)							
San Bernardino County	1,718.0	2,041.6	2,235.2	2,439.5	1.7 %	1.0 %	1.5 %
Riverside-San Bernardino-Ontario, CA MSA	3,277.0	4,243.8	4,760.4	5,265.0	2.6	1.3	1.7
Los Angeles-Long Beach, CA CSA	16,426.2	17,912.2	19,237.8	20,407.0	0.9	0.8	1.0
State of California	33,988.0	37,332.7	40,426.4	42,929.9	0.9	0.9	1.0
United States	282,162.4	309,348.1	331,969.3	350,937.2	0.9	0.8	0.9
Per-Capita Personal Income*							
San Bernardino County	$27,036	$28,792	$34,953	$37,084	0.6	2.2	1.0
Riverside-San Bernardino-Ontario, CA MSA	28,036	29,360	35,084	37,422	0.5	2.0	1.1
Los Angeles-Long Beach, CA CSA	36,170	40,562	49,797	53,355	1.2	2.3	1.2
State of California	39,811	42,612	53,237	56,849	0.7	2.5	1.1
United States	36,812	39,622	46,751	50,233	0.7	1.9	1.2
W&P Wealth Index							
San Bernardino County	73.9	73.8	75.8	75.0	(0.0)	0.3	(0.2)
Riverside-San Bernardino-Ontario, CA MSA	77.4	75.8	76.6	76.2	(0.2)	0.1	(0.1)
Los Angeles-Long Beach, CA CSA	98.7	103.1	106.4	106.1	0.4	0.4	(0.0)
State of California	108.0	107.9	113.3	112.7	(0.0)	0.6	(0.1)
United States	100.0	100.0	100.0	100.0	0.0	(0.0)	0.0
Food and Beverage Sales (Millions)*							
San Bernardino County	$1,719	$2,298	$3,042	$3,428	2.9	3.2	2.0
Riverside-San Bernardino-Ontario, CA MSA	3,393	4,829	6,555	7,494	3.6	3.5	2.3
Los Angeles-Long Beach, CA CSA	22,070	28,257	37,274	40,771	2.5	3.1	1.5
State of California	46,670	58,066	77,292	84,651	2.2	3.2	1.5
United States	368,829	447,728	606,351	662,610	2.0	3.4	1.5
Total Retail Sales (Millions)*							
San Bernardino County	$19,132	$23,211	$29,825	$33,445	2.0	2.8	1.9
Riverside-San Bernardino-Ontario, CA MSA	37,865	47,998	61,810	70,218	2.4	2.8	2.1
Los Angeles-Long Beach, CA CSA	210,178	229,402	281,532	306,578	0.9	2.3	1.4
State of California	446,480	480,529	599,909	654,145	0.7	2.5	1.5
United States	3,902,830	4,130,414	5,156,220	5,598,240	0.6	2.5	1.4

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population grew at an average annual compounded rate of 0.8% from 2010 through 2019. The county's population has increased at a quicker pace than the nation's population; the average annual growth rate of 1.0% between 2010 and 2019 reflects a gradually expanding area. Following this population trend, per-capita personal income increased modestly, at 2.2% on average annually for the county between 2010 and 2019. Local wealth indexes have remained stable in recent years, registering a low 75.8 level for the county in 2019.

Food and beverage sales totaled $3,042 million in the county in 2019, versus $2,298 million in 2010. This reflects a 3.2% average annual change, stronger than the 2.9% 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 2.0%, which is projected through 2025. The retail sales sector demonstrated an annual increase of 2.0% in the decade spanning from 2000 to 2010, followed by an increase of 2.8% in the period from 2010 to 2019. An increase of 1.9% average annual change is expected in county retail sales through 2025.

Workforce Characteristics

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

The following table sets forth the county workforce distribution by business sector in 2000, 2010, and 2019, as well as a forecast for 2025. Please note that these forecasts were formulated prior to the COVID-19 pandemic.

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

Industry	2000	Percent of Total	2010	Percent of Total	2019	Percent of Total	2025	Percent of Total	Average Annual Compounded Change		
									2000-2010	2010-2019	2019-2025
Farm	5.4	0.8 %	2.8	0.3 %	2.5	0.2 %	2.5	0.2 %	(6.5) %	(1.0) %	(0.3) %
Forestry, Fishing, Related Activities And Other	1.3	0.2	1.0	0.1	0.9	0.1	0.9	0.1	(2.7)	(1.7)	1.0
Mining	0.8	0.1	1.4	0.2	1.5	0.1	1.6	0.1	4.8	1.0	1.0
Utilities	3.7	0.5	4.3	0.5	4.2	0.4	4.4	0.4	1.6	(0.3)	0.9
Construction	44.8	6.3	41.3	5.0	65.6	6.1	71.0	6.0	(0.8)	5.3	1.3
Manufacturing	69.1	9.8	50.8	6.1	65.2	6.0	65.5	5.5	(3.0)	2.8	0.1
Total Trade	114.0	16.1	132.0	15.9	182.2	16.9	207.8	17.4	1.5	3.6	2.2
Wholesale Trade	27.3	3.9	35.7	4.3	53.0	4.9	58.8	4.9	2.7	4.5	1.7
Retail Trade	86.7	12.2	96.3	11.6	129.2	12.0	149.1	12.5	1.1	3.3	2.4
Transportation And Warehousing	38.6	5.4	54.9	6.6	87.5	8.1	98.7	8.3	3.6	5.3	2.0
Information	9.4	1.3	7.9	0.9	7.6	0.7	8.0	0.7	(1.7)	(0.5)	1.0
Finance And Insurance	21.8	3.1	31.0	3.7	37.9	3.5	46.9	3.9	3.6	2.2	3.6
Real Estate And Rental And Lease	22.9	3.2	33.4	4.0	38.6	3.6	41.8	3.5	3.9	1.6	1.3
Total Services	257.5	36.4	332.9	40.0	439.6	40.7	486.1	40.8	2.6	3.1	1.7
Professional And Technical Services	26.5	3.7	37.8	4.5	43.3	4.0	46.9	3.9	3.6	1.5	1.4
Management Of Companies And Enterprises	7.9	1.1	6.2	0.7	6.9	0.6	6.9	0.6	(2.4)	1.2	0.1
Administrative And Waste Services	52.2	7.4	69.9	8.4	82.1	7.6	90.9	7.6	3.0	1.8	1.7
Educational Services	8.7	1.2	13.5	1.6	17.1	1.6	18.8	1.6	4.5	2.7	1.5
Health Care And Social Assistance	66.3	9.4	86.7	10.4	130.8	12.1	148.6	12.5	2.7	4.7	2.1
Arts, Entertainment, And Recreation	10.6	1.5	12.7	1.5	16.6	1.5	17.7	1.5	1.9	3.0	1.1
Accommodation And Food Services	42.5	6.0	53.7	6.5	73.0	6.8	77.6	6.5	2.4	3.5	1.0
Other Services, Except Public Administration	43.0	6.1	52.4	6.3	69.8	6.5	78.6	6.6	2.0	3.2	2.0
Total Government	119.0	16.8	138.3	16.6	146.8	13.6	156.5	13.1	1.5	0.7	1.1
Federal Civilian Government	11.2	1.6	15.2	1.8	14.3	1.3	15.9	1.3	3.1	(0.7)	1.8
Federal Military	18.4	2.6	21.4	2.6	19.4	1.8	19.5	1.6	1.5	(1.1)	0.1
State And Local Government	89.4	12.6	101.6	12.2	113.1	10.5	121.1	10.2	1.3	1.2	1.1
TOTAL	708.3	100.0 %	831.9	100.0 %	1,080.1	100.0 %	1,191.7	100.0 %	1.6 %	2.9 %	1.7 %
MSA	1,355.5	—	1,640.1	—	2,212.9	—	2,491.0	—	1.9 %	3.4 %	2.0 %
U.S.	165,372.0	—	173,034.7	—	205,736.3	—	223,254.5	—	1.2	1.9	1.4

Source: Woods & Poole Economics, Inc.

Woods & Poole Economics, Inc. reports that during the period from 2000 to 2010, total employment in the county grew at an average annual rate of 1.6%. More recently, the pace of total employment growth in the county accelerated to 2.9% on an annual average from 2010 to 2019, reflecting the initial years of the recovery.

Of the primary employment sectors, Total Services recorded the highest increase in number of employees during the period from 2010 to 2019, increasing by 106,678 people, or 32.0%, and rising from 40.0% to 40.7% of total employment. Of the various service sub-sectors, Health Care And Social Assistance and Administrative And Waste Services were the largest employers. Strong growth was also recorded in the Total Trade sector, as well as the Transportation And Warehousing sector, which expanded by 38.0% and 28.2%, respectively, in the period from 2010 to 2019. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 1.7% on average annually through 2025. The trend is above the forecast rate of change for the U.S. as a whole during the same period.

The following table illustrates historical and projected employment, households, population, and average household income data, as provided by REIS for the overall San Bernardino/Riverside market.

Year	Total Employment	% Chg	Office Employment	% Chg	Industrial Employment	% Chg	Households	% Chg	Population	% Chg	Household Avg. Income	% Chg
2007	1,286,030	—	346,541	—	184,432	—	1,292,000	—	4,093,490	—	$98,150	—
2008	1,221,800	(5.0) %	337,232	(2.7) %	164,454	(10.8) %	1,293,470	0.1 %	4,133,020	1.0 %	96,918	(1.3) %
2009	1,151,000	(5.8)	321,867	(4.6)	145,413	(11.6)	1,300,360	0.5	4,201,090	1.6	95,375	(1.6)
2010	1,152,630	0.1	323,001	0.4	146,276	0.6	1,311,060	0.8	4,272,500	1.7	99,582	4.4
2011	1,160,630	0.7	320,643	(0.7)	147,368	0.7	1,331,620	1.6	4,315,640	1.0	102,271	2.7
2012	1,200,000	3.4	324,076	1.1	153,329	4.0	1,347,780	1.2	4,351,550	0.8	107,604	5.2
2013	1,252,570	4.4	333,491	2.9	158,725	3.5	1,363,620	1.2	4,391,520	0.9	107,905	0.3
2014	1,316,200	5.1	350,452	5.1	165,870	4.5	1,377,400	1.0	4,438,250	1.1	113,581	5.3
2015	1,382,830	5.1	365,596	4.3	173,001	4.3	1,391,460	1.0	4,485,820	1.1	118,831	4.6
2016	1,419,130	2.6	364,842	(0.2)	174,153	0.7	1,408,870	1.3	4,539,280	1.2	123,435	3.9
2017	1,476,000	4.0	375,346	2.9	177,237	1.8	1,421,710	0.9	4,590,380	1.1	127,399	3.2
2018	1,520,700	3.0	383,757	2.2	182,036	2.7	1,436,410	1.0	4,632,560	0.9	132,601	4.1
2019	1,548,730	1.8	389,879	1.6	181,199	(0.5)	1,453,580	1.2	4,665,490	0.7	140,019	5.6
Forecasts												
2020	*1,421,890*	*(8.2) %*	*363,219*	*(6.8) %*	*170,988*	*(5.6) %*	*1,469,450*	*1.1 %*	*4,727,630*	*1.3 %*	*138,789*	*(0.9) %*
2021	*1,462,460*	*2.9*	*373,526*	*2.8*	*174,916*	*2.3*	*1,487,820*	*1.3*	*4,787,890*	*1.3*	*139,108*	*0.2*
2022	*1,519,780*	*3.9*	*388,846*	*4.1*	*178,939*	*2.3*	*1,510,260*	*1.5*	*4,846,570*	*1.2*	*145,082*	*4.3*
2023	*1,567,200*	*3.1*	*401,501*	*3.3*	*181,203*	*1.3*	*1,535,640*	*1.7*	*4,906,090*	*1.2*	*150,587*	*3.8*
2024	*1,588,080*	*1.3*	*407,630*	*1.5*	*181,176*	*(0.0)*	*1,561,770*	*1.7*	*4,964,050*	*1.2*	*154,945*	*2.9*
Average Annual Compound Change												
2007 - 2019		1.6 %		1.0 %		(0.1) %		1.0 %		1.1 %		3.0 %
2007 - 2008		(5.0)		(2.7)		(10.8)		0.1		1.0		(1.3)
2008 - 2010		(2.9)		(2.1)		(5.7)		0.7		1.7		1.4
2010 - 2019		3.3		2.1		2.4		1.2		1.0		8.9
Forecast 2020 - 2024		*2.8 %*		*2.9 %*		*1.5 %*		*1.5 %*		*1.2 %*		*2.8 %*

Source: REIS Report, 3rd Quarter, 2020

For the San Bernardino/Riverside market, of the roughly 1,500,000 persons employed, 25% are categorized as office employees, while 12% are categorized as industrial employees. Total employment is expected to contract by -8.2% in 2020, while office employment is forecast to contract by -6.8% in 2020. By 2023, total employment is anticipated to rebound to 2019 levels.

The number of households is forecast to expand by 1.5% on average annually between 2020 and 2024. Population is forecast to expand during this same period, at an average annual compounded rate of 1.2%. Household average income is forecast to grow by 2.8% on average annually from 2020 through 2024.

Radial Demographic Snapshot

The following table reflects radial demographic trends for our market area measured by three points of distance from the subject site. Please note that these forecasts were formulated prior to the COVID-19 pandemic.

FIGURE 3-4   DEMOGRAPHICS BY RADIUS

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
Population			
2025 Projection	12,719	93,896	154,606
2020 Estimate	11,823	87,830	145,347
2010 Census	9,775	73,875	124,424
2000 Census	2,180	26,404	64,665
Percent Change: 2020 to 2025	7.6%	6.9%	6.4%
Percent Change: 2010 to 2020	21.0%	18.9%	16.8%
Percent Change: 2000 to 2010	348.4%	179.8%	92.4%
Households			
2025 Projection	3,055	23,629	41,158
2020 Estimate	2,874	22,348	39,032
2010 Census	2,555	19,838	34,768
2000 Census	651	7,914	19,692
Percent Change: 2020 to 2025	6.3%	5.7%	5.5%
Percent Change: 2010 to 2020	12.5%	12.7%	12.3%
Percent Change: 2000 to 2010	292.5%	150.7%	76.6%
Income			
2020 Est. Average Household Income	$86,192	$74,611	$71,634
2020 Est. Median Household Income	69,572	61,056	56,862
2020 Est. Civ. Employed Pop 16+ by Occupation			
Architecture/Engineering	8	111	269
Arts/Design/Entertainment/Sports/Media	65	294	508
Building/Grounds Cleaning/Maintenance	109	989	1,621
Business/Financial Operations	86	690	1,150
Community/Social Services	276	1,068	1,473
Computer/Mathematical	84	394	574
Construction/Extraction	214	1,745	3,235
Education/Training/Library	395	1,934	2,855
Farming/Fishing/Forestry	6	90	144
Food Preparation/Serving Related	165	1,455	2,996
Healthcare Practitioner/Technician	173	1,305	1,972
Healthcare Support	46	532	1,108
Installation/Maintenance/Repair	154	1,246	2,487
Legal	4	75	126
Life/Physical/Social Science	0	97	175
Management	323	1,993	3,119
Office/Administrative Support	489	4,371	7,284
Production	249	1,963	2,854
Protective Services	166	1,078	1,729
Sales/Related	548	3,765	6,270
Personal Care/Service	370	2,425	3,452
Transportation/Material Moving	302	3,740	6,411

Source: Environics Analytics

This source reports a population of 145,347 and 39,032 households within a five-mile radius of the subject site. The average household income within this radius is reported at $71,634, while the median is $56,862.

Unemployment Statistics

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

FIGURE 3-5   UNEMPLOYMENT STATISTICS

Year	City		MSA		State		U.S.	
2010	14.4	%	13.7	%	12.2	%	9.6	%
2011	13.7		13.0		11.7		8.9	
2012	12.2		11.5		10.4		8.1	
2013	10.5		9.8		8.9		7.4	
2014	8.6		8.1		7.5		6.2	
2015	6.9		6.6		6.2		5.3	
2016	7.8		6.0		5.5		4.9	
2017	6.8		5.1		4.8		4.4	
2018	5.8		4.3		4.3		3.9	
2019	5.5		4.0		4.0		3.7	
Recent Month - Sep								
2019	5.2	%	3.8	%	3.6	%	3.5	%
2020	13.4		10.4		10.8		7.9	

Source: U.S. Bureau of Labor Statistics

Recent U.S. unemployment levels were firmly below the 4.6% level recorded in 2006 and 2007, the peak years of the economic cycle prior to the Great Recession. The unemployment rate for February 2020 was 3.5%. The unemployment rate had remained in the 3.5% to 3.7% range since April 2019, reflecting a trend of stability and strength of the U.S. economy. However, in April 2020, unemployment rose to 14.7%, and employment dropped by 20.7 million because of the COVID-19 pandemic. Steady declines in unemployment have been registered since April; most recently, the national unemployment rate fell to 6.9% in October. While improving, the recovery of the nation's labor market has recently showed signs of slowing with the lack of additional fiscal stimulus from the U.S. government, coupled with an increase in the number of COVID-19 infections.

Locally, the unemployment rate was 5.5% in 2019; for this same area in 2020, the most recent month's unemployment rate was registered at 13.4%, versus 5.2% for

the same month in 2019. Unemployment rates in this area began to decline in 2011, concurrent with the general recovery trend in the wake of the Great Recession. Aside from a slight uptick in 2016, unemployment in Victorville generally trended downward from 2011 through 2019. However, the most recent comparative period illustrates a significant increase, indicated by the higher unemployment rate in the latest available data. At the time of this report, the COVID-19 pandemic and concurrent economic crisis were resulting in substantial layoffs and increases in unemployment.

Major Business and Industry

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

FIGURE 3-6   MAJOR EMPLOYERS

Rank	Firm
1	Victor Valley Community College District
2	City of Victorville
3	Walmart (#1588)
4	Macy's Inc.
5	E&T Foods (King Ranch Market)
6	Desert Valley Medical Group, Inc.
7	Walmart (#4392)
8	The United States Air Force
9	Costco Wholesale Corporation
10	Federal Bureau of Prisons

Source: Economic Development, City of Victorville 2020

Per conversations with Victorville's Department of Economic Development, retail, manufacturing, logistics and transportation, and warehousing/distribution are the biggest economic demand drivers in the greater Victorville market area. Much of this business is located at or around the Southern California Logistics Airport (SCLA). Converted from the former George Air Force Base, which closed in 1993, the SCLA is a dedicated air-cargo facility and an 8,500-acre multimodal business complex with manufacturing, industrial, and office facilities. In addition to logistics solutions, the airport's core businesses include military defense programs, flight testing, advanced flight training, and aviation maintenance. Boeing leases several buildings and hangars at SCLA. In 2019, Boeing leased an additional 85,000 square feet of space to expand its flight-testing operation for Boeing 737 Max and 777-X.

Other major aviation-related businesses operating out of SCLA include General Electric (GE) Aviation's Flight Test Operations center and International Aerospace Coatings (IAC). The IAC facility is recognized as one of the top aircraft-paint facilities in North America and paints over 300 aircrafts annually. Aside from aviation-related businesses, Keurig, Dr. Pepper, and Newell-Rubbermaid maintain large facilities on the SCLA campus.

It is important to note that many employers, specifically in the retail sector, temporarily shut down operations in response to the COVID-19 pandemic in March 2020; however, per local and state guidelines, businesses began to reopen (with safety precautions) in May 2020. According to Victorville's Department of Economic Development, despite the pitfalls experienced by the retail/services sector, local manufacturing, logistics and transportation, and warehousing/distribution companies have continued to operate rather normally, with some companies even reporting increased levels of business. Nevertheless, the potential impact of the virus outbreak on any future hiring efforts and/or planned expansions remains uncertain at this time.

Office Space Statistics Trends in occupied office space are typically among the most reliable indicators of lodging demand, as firms that occupy office space often exhibit a strong propensity to attract commercial visitors. Thus, trends that cause changes in vacancy rates or occupied office space may have a proportional impact on commercial lodging demand and a less direct effect on meeting demand. The following table details office space statistics for the pertinent market area.

FIGURE 3-7   OFFICE SPACE STATISTICS – MARKET OVERVIEW

| Submarket | Inventory | | Occupied Office Space | Vacancy Rate | Average Asking Lease Rate |
	Buildings	Square Feet			
1 Chino/Montclair/Upland	29	1,248,000	1,084,500	13.1 %	$22.40
2 Colton/Redlands/San Bernardino	100	5,483,000	4,150,600	24.3	21.47
3 Corona/Riverside/Moreno Valley	122	5,762,000	5,082,100	11.8	24.33
4 Palm Springs/Palm Desert	65	1,154,000	948,600	17.8	21.85
5 Rancho Cucamonga/Ontario/Fontana	105	4,641,000	3,926,300	15.4	24.75
6 Temecula Valley/Murrieta	46	1,153,000	985,800	14.5	23.59
Totals and Averages	**467**	**19,441,000**	**16,177,900**	**16.8 %**	**$23.31**

Source: REIS Report, 3rd Quarter, 2020

The greater San Bernardino/Riverside market comprises a total of 19.4 million square feet of office space. For the 3rd Quarter of 2020, the market reported a vacancy rate of 16.8% and an average asking rent of $23.31.

The following table illustrates a trend of office space statistics for the overall San Bernardino/Riverside market. Please note that these forecasts were formulated prior to the COVID-19 pandemic.

	San Bernardino/Riverside Market						
Year	Available Office Space	% Chg	Occupied Office Space	% Chg	Vacancy Rate	Asking Lease Rate	% Chg
2007	18,576,000	—	16,077,000	—	13.5 %	$22.65	—
2008	19,687,000	6.0 %	15,615,000	(2.9) %	20.7	22.61	(0.2) %
2009	19,972,000	1.4	14,920,000	(4.5)	25.3	21.97	(2.8)
2010	19,944,000	(0.1)	15,182,000	1.8	23.9	21.36	(2.8)
2011	19,781,000	(0.8)	15,190,000	0.1	23.2	21.33	(0.1)
2012	19,713,000	(0.3)	15,320,000	0.9	22.3	21.28	(0.2)
2013	19,713,000	0.0	15,522,000	1.3	21.3	21.24	(0.2)
2014	19,607,000	(0.5)	15,456,000	(0.4)	21.2	21.54	1.4
2015	19,640,000	0.2	15,746,000	1.9	19.8	21.89	1.6
2016	19,411,000	(1.2)	16,050,000	1.9	17.3	22.02	0.6
2017	19,441,000	0.2	16,143,000	0.6	17.0	22.51	2.2
2018	19,441,000	0.0	16,180,000	0.2	16.8	22.93	1.9
2019	19,441,000	0.0	16,226,000	0.3	16.5	23.23	1.3
Forecasts							
2020	*19,441,000*	*0.0 %*	*16,039,000*	*(1.2) %*	*17.5 %*	*23.00*	*(1.0) %*
2021	*19,441,000*	*0.0*	*15,718,000*	*(2.0)*	*19.2*	*22.38*	*(2.7)*
2022	*19,441,000*	*0.0*	*15,655,000*	*(0.4)*	*19.5*	*22.42*	*0.2*
2023	*19,641,000*	*1.0*	*15,756,000*	*0.6*	*19.8*	*22.68*	*1.2*
2024	*19,876,000*	*1.2*	*16,061,000*	*1.9*	*19.2*	*22.98*	*1.3*
Average Annual Compound Change							
2007 - 2019		0.4 %		0.1 %			0.2 %
2007 - 2008		6.0		(2.9)			(0.2)
2008 - 2010		0.7		(1.4)			(2.8)
2010 - 2019		(0.3)		0.7			0.9
Forecast 2020 - 2024		*0.6 %*		*0.0 %*			*(0.0) %*

Source: REIS Report, 3rd Quarter, 2020

Airport Traffic

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

The Ontario International Airport (ONT) is located in Ontario, California. This three-terminal facility is the only major commercial airport to serve the growing Inland Empire region of California. The airport is located 46 miles east of Downtown Los Angeles and serves as the West Coast air-and-truck hub for UPS, as well as being a major distribution point for FedEx. The City of Ontario filed a lawsuit against the City of Los Angeles, Los Angeles World Airports, and the Los Angeles Board of Airport Commissioners asking for the City to relinquish control of the facility due to the significant reduction in the number of flights to and from the airport since 2007. On November 1, 2016, the transfer was completed; the airport is now owned and operated under a joint-power agreement between the City of Ontario and San Bernardino County. Since that time, the airport has launched direct flights to Asia, with the first flight occurring on March 25, 2018, and landing in Taiwan. ONT was the first airport in Southern California other than LAX to offer a transpacific flight.

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

FIGURE 3-9   AIRPORT STATISTICS - ONTARIO INTERNATIONAL AIRPORT

Year	Passenger Traffic	Percent Change*	Percent Change**
2010	4,812,142	—	—
2011	4,551,875	(5.4) %	(5.4) %
2012	4,318,994	(5.1)	(5.3)
2013	3,971,136	(8.1)	(6.2)
2014	4,127,280	3.9	(3.8)
2015	4,217,366	2.2	(2.6)
2016	4,251,903	0.8	(2.0)
2017	4,552,702	7.1	(0.8)
2018	5,115,894	12.4	0.8
2019	5,583,732	9.1	1.7
Year-to-date, Sep			
2019	4,062,754	—	—
2020	1,917,300	(52.8) %	—

*Annual average compounded percentage change from the previous year

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

Source: Ontario International Airport

FIGURE 3-10   LOCAL PASSENGER TRAFFIC VS. NATIONAL TREND
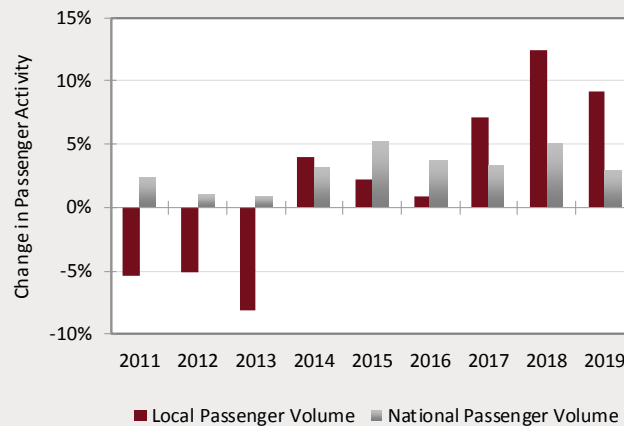
Source: HVS, Local Airport Authority

This facility recorded 5,583,732 passengers in 2019. The change in passenger traffic between 2018 and 2019 was 9.1%. The average annual change during the period shown was 1.7%. Passenger activity in year-to-date 2020 was significantly down, with numerous domestic and international cancellations related to the ongoing COVID-19 pandemic. Given the ongoing COVID-19 pandemic, demand for both domestic and international travel is expected to be curbed at varying levels through the upcoming year. However, the situation is unprecedented and, as of the effective date of this report, remains highly uncertain.

Tourist Attractions

The subject market has historically benefited from a modest number of tourism and leisure attractions in the area. Leisure demand consists primarily of travelers on Interstate 5 or U.S. Highway 395 who are passing through en route to other destinations or who may be visiting friends or relatives in the area. Leisure demand generators in the area include Hesperia Lake Park & Campground, Mojave Narrows Regional Park, and Adelanto Stadium. Special events also typically play a role during key weekends, such as San Bernardino County Fair. However, given the ongoing COVID-19 pandemic, most events have been postponed or canceled until COVID-19 restrictions are lifted and/or conditions improve.

SAN BERNARDINO COUNTY FAIR

Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. Prior to the onset of the COVID-19 pandemic, Victorville was experiencing a period of economic strength and expansion, primarily led by the manufacturing and aerospace industries. Although the retail/services sector (including restaurants) has suffered from decreased business because of the COVID-19 pandemic, our market interviews and research revealed that much of the local economy has been resilient given the continued strength of other industries, such as logistics and transportation, manufacturing, and warehousing/distribution. As such, the near-term outlook for the market is cautiously optimistic at this time, as the full impact of the virus has yet to be realized.

Our analysis of the outlook for this specific market also considers the broader context of the national economy. The U.S. economy expanded at an overall rate of 2.3% in 2019, a decline from the 2.9% level achieved in 2018. A strong 3.1% growth rate in the first quarter of 2019 was followed by more moderate growth rates of 2.0%, 2.1%, and 2.1% in the following three quarters of 2019, as the economy started to slow. The slowdown and impact of COVID-19 became more evident in the first quarter of 2020, when GDP declined by 5.0%. As shutdowns halted major components of the U.S. economy from mid-March through May, and partial, halting re-openings continued to dampen business activity, the U.S. economy contracted by an annualized rate of 31.7% in the second quarter, the largest such decline in U.S. history. The decline affected virtually every corner of the economy, with major decreases in personal consumption, exports, private inventory investment, residential and nonresidential fixed investment, and state and local government spending.

FIGURE 3-11   UNITED STATES GDP GROWTH RATE
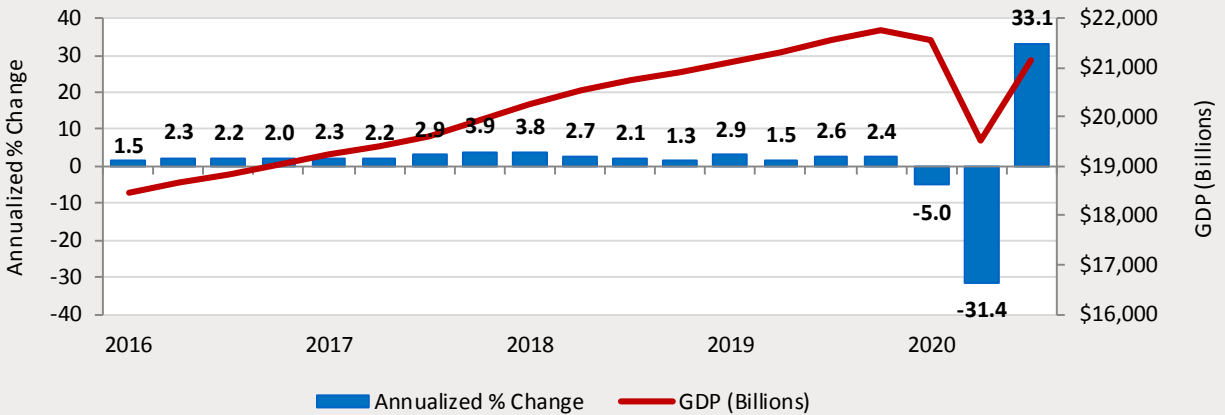
Sources: tradingeconomics.com, Bureau of Economic Analysis

While shocking, the second-quarter GDP decline was offset by a significant rebound in economic activity in the third quarter, greatly moderating the overall impact for the year. The U.S. economy grew by 33.1% on an annualized basis in the third quarter. Mid-year, the Federal Reserve projected a 6.5% contraction for full-year 2020. The extent of the 2020 decline and pace of economic recovery going forward will depend, in large part, on the continued response of the federal government. In March, the Federal Reserve pledged to maintain liquidity in debt markets by purchasing as many government and corporate-backed bonds, as necessary. Also, in March, the U.S. Congress passed the $2-trillion CARES economic-aid package, which provided support to state unemployment systems, credit for small and large businesses, and direct cash payments to low- and middle-income Americans, among other items. The prognosis for additional federal economic aid packages is uncertain at this time. In addition, the recovery will depend on the capacity of the country to control the pandemic and avoid more waves of infections. Despite these concerns, the U.S. financial system remains strong, and significant capital has been raised to participate in the rebound of the lodging sector as economic growth resumes.

4. Supply and Demand Analysis

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

Definition of Subject Hotel Market

The subject site is located in the greater Victorville-Hesperia lodging market. The proposed subject hotel is expected to compete with six hotels on a primary level based on location and price point. We have considered an additional three hotels as future secondary competitors given differences in product offering.

National Trends Overview

A hotel'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 ADR data since 1988. The next two tables contain information that is more recent; the data are categorized by geographical region, price point, type of location, and chain scale, and the statistics include occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

FIGURE 4-1   NATIONAL OCCUPANCY, AVERAGE RATE, AND REVPAR TRENDS
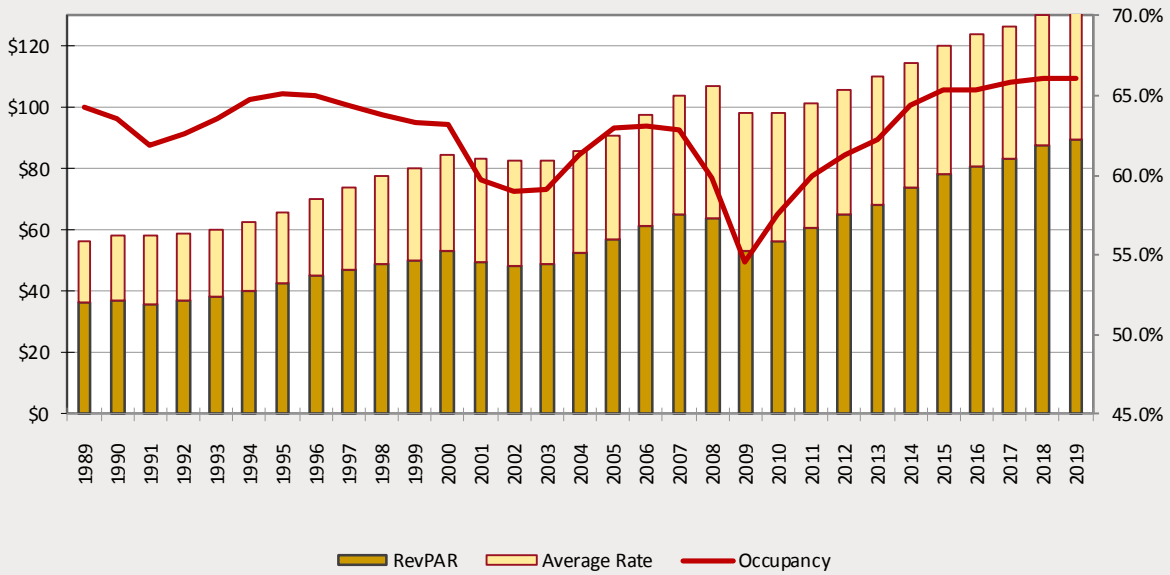
Source: STR

FIGURE 4-2 NATIONAL OCCUPANCY AND ADR TRENDS – CALENDAR-YEAR DATA

	Occupancy			Average Rate			RevPAR			Percent Change	
	2018	2019	% Change	2018	2019	% Change	2018	2019	% Change	Rms. Avail.	Rms. Sold
United States	66.1 %	66.1 %	0.0 %	$129.97	$131.21	1.0 %	$85.91	$86.73	0.8 %	2.0 %	2.0 %
Region											
New England	65.8 %	65.0 %	(1.1) %	$158.93	$159.91	0.6 %	$104.56	$104.00	(5.0) %	1.6 %	0.5 %
Middle Atlantic	69.7	69.1	(0.9)	166.57	166.33	(0.1)	116.10	114.91	(1.0)	2.5	1.6
South Atlantic	67.9	67.6	(0.4)	126.38	128.40	1.6	85.76	86.81	1.2	2.0	1.7
E. North Central	61.5	61.2	(0.6)	112.57	112.69	0.1	69.28	68.96	(0.5)	2.0	1.5
E. South Central	61.9	62.6	1.1	100.91	103.45	2.5	62.44	64.71	3.6	2.8	3.9
W. North Central	57.7	58.5	1.2	99.03	99.26	0.2	57.18	58.02	1.5	2.0	3.3
W. South Central	62.7	62.7	0.1	102.56	101.88	(0.7)	64.26	63.92	(0.5)	2.6	2.7
Mountain	66.2	66.9	1.0	119.09	122.23	2.6	78.86	81.76	3.7	1.2	2.2
Pacific	73.8	73.7	(0.1)	168.77	171.42	1.6	124.52	126.36	1.5	1.6	1.5
Class											
Luxury	71.1 %	71.2 %	0.1 %	$298.12	$301.60	1.2 %	$211.97	$214.60	1.2 %	2.7 %	2.8 %
Upper-Upscale	72.9	72.6	(0.4)	186.47	188.71	1.2	135.96	137.40	0.8	2.2	1.8
Upscale	71.8	71.5	(0.4)	143.22	143.92	0.5	102.86	102.93	0.1	3.7	3.3
Upper-Midscale	67.8	67.6	(0.3)	115.40	115.93	0.5	78.21	78.34	0.2	3.6	3.3
Midscale	59.9	59.6	(0.4)	95.68	95.94	0.3	57.31	57.22	(0.2)	1.2	0.7
Economy	59.2	59.4	0.5	73.96	74.24	0.4	43.75	44.13	0.9	(0.3)	0.2
Location											
Urban	73.4 %	73.1 %	(0.4) %	$183.22	$183.71	0.3 %	$134.52	$134.36	(0.1) %	3.2 %	2.8 %
Suburban	66.9	66.8	(0.2)	110.56	111.23	0.5	74.07	74.32	0.3	2.3	2.1
Airport	73.7	73.8	0.1	118.33	119.19	0.7	87.21	87.91	0.8	2.2	2.2
Interstate	57.9	58.0	0.1	87.01	87.79	0.9	50.41	50.90	1.0	1.7	1.8
Resort	70.2	70.1	(0.1)	178.81	182.96	2.3	125.51	128.29	2.2	1.2	1.1
Small Town	57.7	58.0	0.4	105.16	106.72	1.5	60.73	61.90	1.9	1.2	1.6
Chain Scale											
Luxury	74.5 %	73.9 %	(0.9) %	$336.12	$343.44	2.2 %	$250.47	$253.02	1.3 %	0.5 %	(0.3) %
Upper-Upscale	74.2	73.9	(0.5)	187.10	189.74	1.4	138.91	142.84	0.9	1.9	1.4
Upscale	73.2	72.6	(0.8)	142.14	142.58	0.3	103.98	105.75	(0.5)	4.9	4.0
Upper-Midscale	67.9	67.6	(0.5)	112.72	113.03	0.3	76.52	78.34	(0.2)	3.4	2.9
Midscale	58.6	58.2	(0.7)	86.94	86.56	(0.4)	50.95	51.84	(1.1)	2.8	2.1
Economy	58.5	58.8	0.5	63.85	63.68	(0.3)	37.36	38.33	0.2	(1.2)	(0.7)
Independents	63.2	63.6	0.7	130.21	130.24	1.6	82.27	85.44	2.2	1.2	1.9

Source: STR - December 2019 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 (ADR) rebounded similarly during that 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. ADR 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, reaching 65.9% in 2017 and surpassing 66% in 2018 and 2019. ADR increased 2.1%, 2.4%, and 1.0% in 2017, 2018, and 2019, respectively.

FIGURE 4-3   NATIONAL OCCUPANCY AND ADR TRENDS – YEAR-TO-DATE DATA

	Occupancy - YTD October			Average Rate - YTD October			RevPAR - YTD October			Percent Change	
	2019	2020	% Change	2019	2020	% Change	2019	2020	% Change	Rms. Avail.	Rms. Sold
United States	67.7 %	45.2 %	(33.2) %	$132.07	$105.26	(20.3) %	$89.39	$47.56	(46.8) %	(3.9) %	(35.9) %
Region											
New England	66.7 %	40.0 %	(40.1) %	$164.70	$126.92	(22.9) %	$109.90	$50.77	(53.8) %	(5.6) %	(43.4) %
Middle Atlantic	70.2	42.8	(39.1)	164.14	117.79	(28.2)	115.28	50.38	(56.3)	(8.5)	(44.3)
South Atlantic	68.9	46.5	(32.4)	129.33	110.06	(14.9)	89.08	51.22	(42.5)	(3.9)	(35.1)
E. North Central	63.2	40.6	(35.7)	113.99	88.39	(22.5)	72.05	35.91	(50.2)	(2.5)	(37.3)
E. South Central	64.2	46.2	(28.0)	104.52	86.49	(17.3)	67.07	39.95	(40.4)	0.4	(27.7)
W. North Central	60.4	40.4	(33.1)	100.39	84.71	(15.6)	60.62	34.24	(43.5)	0.1	(33.0)
W. South Central	64.1	45.7	(28.7)	102.70	84.07	(18.1)	65.82	38.40	(41.7)	(0.5)	(29.1)
Mountain	68.9	48.2	(30.1)	123.12	107.71	(12.5)	84.84	51.90	(38.8)	(4.9)	(33.5)
Pacific	75.2	48.7	(35.3)	172.93	132.56	(23.3)	130.11	64.52	(50.4)	(7.7)	(40.3)
Class											
Luxury	72.2 %	39.0 %	(46.0) %	$302.72	$286.11	(5.5) %	$218.48	$111.45	(49.0) %	(16.9) %	(55.1) %
Upper-Upscale	74.2	36.6	(50.7)	189.62	162.91	(14.1)	140.63	59.62	(57.6)	(14.0)	(57.6)
Upscale	73.2	43.9	(40.1)	145.06	120.67	(16.8)	106.20	52.95	(50.1)	(2.9)	(41.8)
Upper-Midscale	69.3	46.2	(33.4)	117.06	100.63	(14.0)	81.15	46.46	(42.8)	(0.1)	(33.4)
Midscale	61.5	45.5	(26.0)	96.94	85.74	(11.6)	59.58	38.97	(34.6)	(0.8)	(26.7)
Economy	60.9	50.1	(17.7)	76.20	66.14	(13.2)	46.38	33.12	(28.6)	(1.3)	(18.8)
Location											
Urban	74.7 %	39.5 %	(47.1) %	$183.84	$131.25	(28.6) %	$137.31	$51.90	(62.2) %	(11.0) %	(52.9) %
Suburban	68.4	47.4	(30.7)	112.51	90.46	(19.6)	76.92	42.84	(44.3)	(1.0)	(31.4)
Airport	75.3	45.3	(39.8)	120.58	96.19	(20.2)	90.81	43.62	(52.0)	(1.4)	(40.6)
Interstate	59.7	45.6	(23.6)	88.62	79.71	(10.1)	52.90	36.33	(31.3)	0.7	(23.2)
Resort	71.2	44.7	(37.2)	182.73	172.96	(5.3)	130.02	77.29	(40.6)	(14.3)	(46.2)
Small Town	59.9	45.5	(24.0)	108.86	98.43	(9.6)	65.19	44.79	(31.3)	(0.2)	(24.2)
Chain Scale											
Luxury	74.5 %	34.5 %	(53.7) %	$339.65	$328.58	(3.3) %	$253.15	$113.44	(55.2) %	(24.0) %	(64.8) %
Upper-Upscale	75.4	35.2	(53.3)	190.63	162.89	(14.5)	143.78	57.42	(60.1)	(14.6)	(60.1)
Upscale	74.3	44.0	(40.8)	143.78	118.03	(17.9)	106.77	51.93	(51.4)	(1.2)	(41.5)
Upper-Midscale	69.4	46.3	(33.3)	114.17	97.81	(14.3)	79.21	45.24	(42.9)	0.9	(32.7)
Midscale	60.1	45.2	(24.8)	87.76	78.36	(10.7)	52.72	35.40	(32.9)	0.9	(24.1)
Economy	60.2	51.7	(14.0)	64.52	58.69	(9.0)	38.81	30.35	(21.8)	(0.3)	(14.3)
Independents	65.1	46.0	(29.3)	133.78	112.49	(15.9)	87.04	51.75	(40.5)	(6.0)	(33.5)

Source: STR - October 2020 Lodging Review

In December 2019, a novel coronavirus known as SARS-CoV-2 was first identified in China, causing outbreaks of the COVID-19 disease that has since spread to the

majority of countries worldwide. The first reported case in the U.S. occurred in the state of Washington on January 21, 2020, from an individual that had traveled to Wuhan, China. Additional cases arose in late January and February, mostly involving individuals that had also traveled to the infected regions in Asia. On January 31, 2020, the Secretary of Health and Human Services (HHS) declared COVID-19 a public health emergency; at that point, the United States restricted entry from travelers that had visited China in the last 14 days. By late February, additional cases involving evidence of community transmission appeared in the states of Washington and California. In late February and early March, the worldwide stock markets declined notably, with the Dow Jones Industrial Average declining 10% the week of February 28. By mid-March, the Dow had declined by 30% from the prior peak. Oil prices also fell significantly in early March (most notably on March 9), declining to under $30 per barrel.

The World Health Organization (WHO) officially declared COVID-19 a global pandemic on March 11, 2020, as the spread of the disease continued to increase across the world. At that time, travel restrictions for entry into the U.S. were implemented for 26 countries in the Schengen Area of Europe. On March 13, the President of the United States declared the COVID-19 outbreak a national emergency. By mid-to-late March, the number of cases started to grow exponentially within all 50 states, in addition to other countries around the world. The pandemic has led to global economic disruptions, as cities and countries have slowed the spread of the disease by implementing lockdowns and social-distancing measures. In terms of the hospitality industry, travel restrictions and cancellations of events and conferences have resulted in a sharp drop in lodging demand.

The year-to-date data through September 2020 reflect the onset and spread of the COVID-19 pandemic. Occupancy declined substantially, while ADR declined by roughly $26.00, resulting in a RevPAR loss of 46.6% when compared to the same period in 2019. In an effort to further understand the nature and degree of the impact thus far, we have reviewed the following weekly data for the U.S. lodging industry, as published by STR. As illustrated, both occupancy and ADR began to decline significantly during the week of March 7, 2020, resulting in a double-digit RevPAR decrease. The pace of decline accelerated through March and early April, with national occupancy reaching a nadir of 21%, and RevPAR declining roughly 84% for the week ending April 11, 2020. Modest improvements began in late April and continued through May, June, and July, as stay-at-home orders and travel restrictions were relaxed. However, with this relaxation, the number of cases once again begun to increase in many areas; moreover, the number of cases nationwide reached a historical high. As a result, the near-term outlook is uncertain, and occupancy and ADR are anticipated to remain well below 2019 levels through the balance of the year. The expectation of recovery over the long term remains, as

recent travel activity demonstrates that many Americans are eager to travel (as conditions permit).

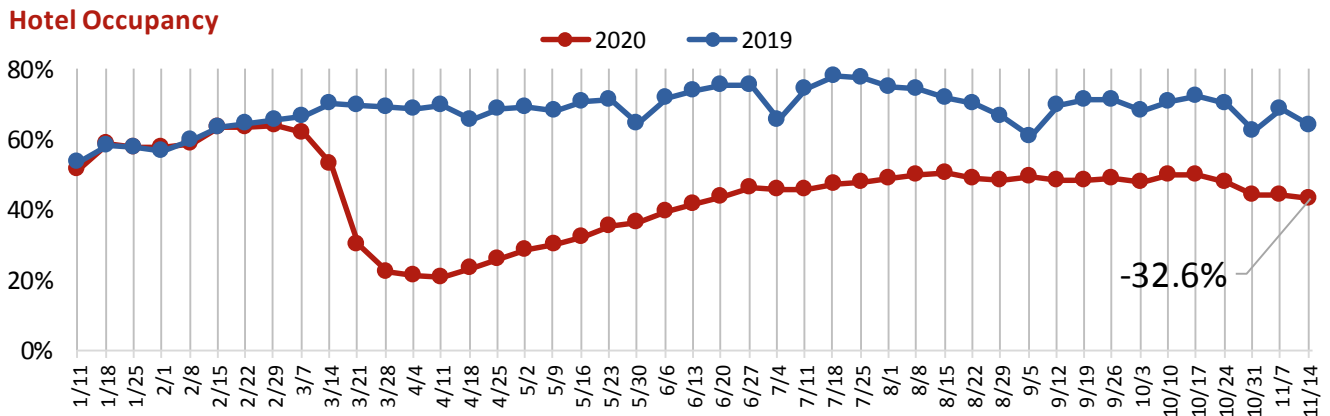**FIGURE 4-4   NATIONAL OCCUPANCY TRENDS – WEEKLY DATA**

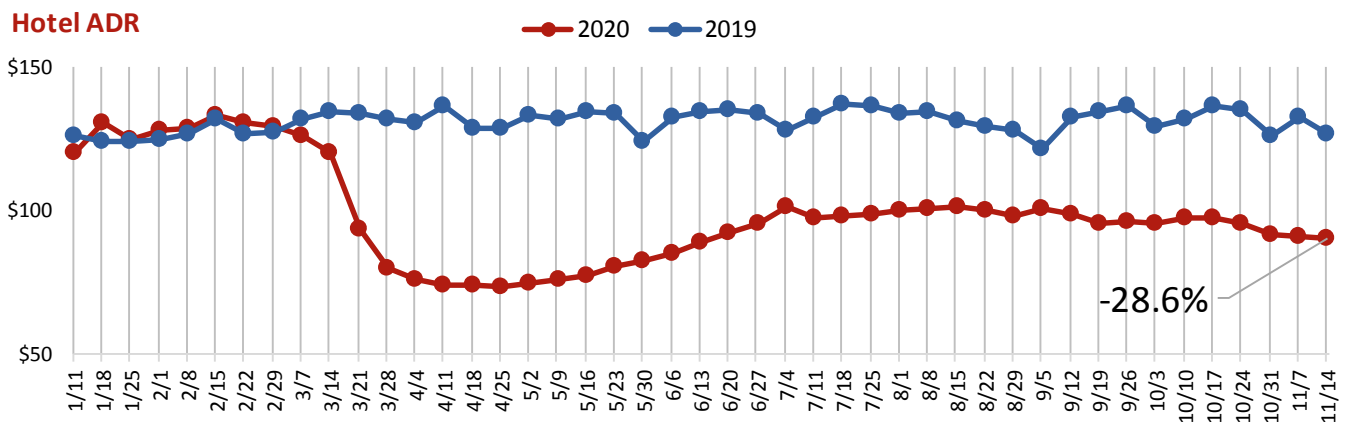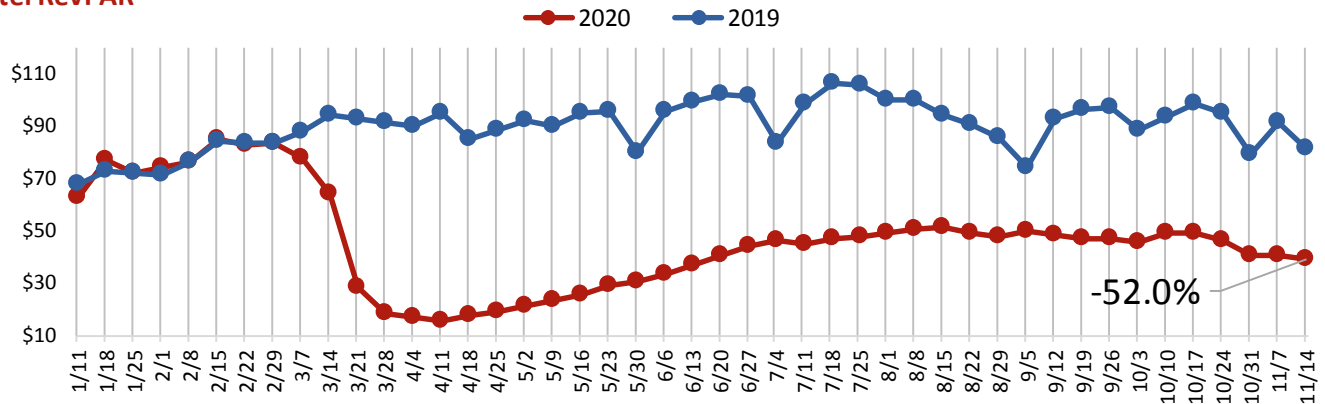**FIGURE 4-5   NATIONAL ADR TRENDS – WEEKLY DATA**

FIGURE 4-6   NATIONAL REVPAR TRENDS – WEEKLY DATA

Hotel RevPAR

While the drop in demand has affected the entire industry, hotels relying on group demand and/or air travel have been hit the hardest. Transient-oriented hotels relying more on highway travelers and those in drive-to destinations have fared better. Extended-stay properties have benefited from occupancy generated by pandemic-related demand, including medical and other essential workers. In response to these trends, numerous hotels in markets across the nation initially ceased operations; many of these have since reopened, while others are waiting until demand recovers more substantially. As travel restrictions and shelter-in-place regulations have been relaxed, occupancy has improved from the lows registered in the second quarter; however, occupancy and ADR are anticipated to remain substantially below 2019 levels through the remainder of 2020. Furthermore, recent increases in infection rates may result in new restrictions, which could reverse the most recent trends. A significant rebound is anticipated in 2021, as regulatory constraints are expected to be lifted and as social-distancing measures ease, with consumers returning to previous travel patterns; a widely available vaccine would influence and accelerate these trends. The recovery is anticipated to continue in 2022 and 2023, with national RevPAR expected to return to 2019 levels by 2024.

Historical Supply and Demand Data

As noted previously, 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.

In response to the travel restrictions and the decline in demand associated with the COVID-19 pandemic, numerous hotels in markets across the nation initially ceased operations; many of these have since reopened, while others are waiting until demand recovers more substantially. During these suspensions, hotels are typically closing to the public, with the majority of staff furloughed; however, key management and maintenance staff are retained to preserve the property and to be ready to reopen the hotel quickly when market conditions improve. While some hotels in the greater subject market may still undergo similar reductions in operations, they would still be expected to reopen in 2020 or in early 2021. Our analysis considers the full supply of competitive rooms, including any hotels that have temporarily suspended operations. However, we note that none of the hotels within the selected competitive set closed or suspended operations.

FIGURE 4-7 **HISTORICAL SUPPLY AND DEMAND TRENDS**

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2007	507	185,055	—	139,452	—	75.4 %	$97.61	—	$73.56	—
2008	518	189,116	2.2 %	125,718	(9.8) %	66.5	94.47	(3.2) %	62.80	(14.6) %
2009	638	232,870	23.1	129,092	2.7	55.4	89.11	(5.7)	49.40	(21.3)
2010	638	232,870	0.0	171,810	33.1	73.8	86.43	(3.0)	63.77	29.1
2011	638	232,870	0.0	143,965	(16.2)	61.8	87.25	0.9	53.94	(15.4)
2012	638	232,870	0.0	151,519	5.2	65.1	87.25	0.0	56.77	5.3
2013	638	232,870	0.0	159,577	5.3	68.5	85.33	(2.2)	58.48	3.0
2014	638	232,870	0.0	180,211	12.9	77.4	91.65	7.4	70.93	21.3
2015	638	232,870	0.0	179,705	(0.3)	77.2	96.09	4.8	74.15	4.5
2016	638	232,870	0.0	180,335	0.4	77.4	96.67	0.6	74.86	1.0
2017	638	232,870	0.0	188,506	4.5	80.9	95.85	(0.9)	77.59	3.6
2018	656	239,275	2.8	192,053	1.9	80.3	98.87	3.2	79.36	2.3
2019	743	271,195	13.3	225,798	17.6	83.3	102.93	4.1	85.70	8.0

Year-to-Date Through October

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2019	743	225,872	—	187,407	—	83.0 %	$102.82	—	$85.31	—
2020	743	225,872	0.0 %	182,400	(2.7) %	80.8	107.90	4.9 %	87.13	2.1 %

Average Annual Compounded Change:

2010 - 2013			0.0 %		(2.4) %			(0.4) %		(2.8) %
2013 - 2019			2.6		6.0			3.2		6.6

Hotels Included in Sample	Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
Holiday Inn Express & Suites Hesperia	Upper Midscale Class	*Primary*	100	Nov 2002	Nov 2002
Comfort Suites Victorville I 15	Upper Midscale Class	*Primary*	77	Feb 2014	Mar 2003
La Quinta Inns & Suites Hesperia Victorville	Upper Midscale Class	*Primary*	53	Oct 2003	Oct 2003
SpringHill Suites Victorville Hesperia	Upscale Class	*Primary*	63	Jun 2005	Jun 2005
Hawthorn Suites by Wyndham Victorville	Midscale Class	*Primary*	75	Dec 2010	Nov 2005
Hilton Garden Inn Victorville	Upscale Class	*Secondary*	139	Aug 2006	Aug 2006
Courtyard Victorville Hesperia	Upscale Class	*Secondary*	131	Dec 2008	Dec 2008
Home2 Suites by Hilton Victorville	Upper Midscale Class	*Primary*	105	Nov 2018	Nov 2018
		Total	**743**		

Source: STR

FIGURE 4-8   HISTORICAL SUPPLY AND DEMAND TRENDS (STR)
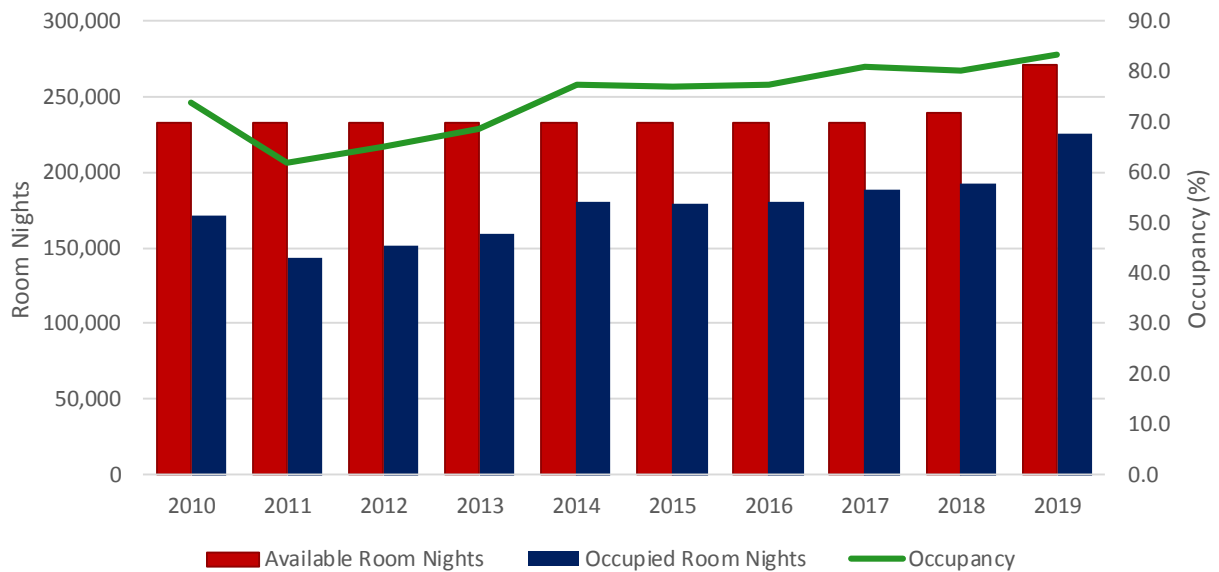
It is important to note some limitations of the STR data. Hotels are occasionally added to or removed from the sample; furthermore, not every property reports data in a consistent and timely manner. These factors can influence the overall quality of the information by skewing the results, and these inconsistencies may also cause the STR data to differ from the results of our competitive survey. Nonetheless, STR data provide the best indication of aggregate growth or decline in existing supply and demand; thus, these trends have been considered in our analysis. Opening dates, as available, are presented for each reporting hotel in the previous table.

The STR data for the competitive set reflect a market-wide occupancy level of 2019 in 83.3%, which compares to 80.3% for 2018. The STR data for the competitive set reflect a market-wide ADR level of $102.93 in 2019, which compares to $98.87 for 2018. These occupancy and ADR trends resulted in a RevPAR level of $85.70 in 2019.

Occupancy and ADR both declined in 2008 given the onset of the Great Recession. The year 2009 marked a low point for the U.S. lodging industry, when most markets realized the full impact of the declines in business and leisure travel that characterized the recession. Most markets began to recover in or shortly after 2010; the STR data for the competitive set of hotels reflects a similar pattern. Moreover, the construction of a Dr. Pepper Snapple Group facility that year contributed to a nearly 30% increase in RevPAR. The market then normalized in 2011, with RevPAR

increasing year-over-year thereafter. We note that Boeing consolidated three of its operating divisions at Southern California Logistics Airport (SCLA) in 2013, resulting in a RevPAR increase of over 20% in 2014. Both occupancy and ADR trended upward through 2019, even with the entrance of new supply in 2018 and 2019. We note that ADR growth in the market generally follows a trend similar to that of the growth in the per-diem rate and is somewhat modest compared to the occupancy increases. The onset of the COVID-19 pandemic in April 2020 caused a slight decline in occupancy in the year-to-date period; however, strong ADR growth, stemming from the ramp-up of the recently opened Home2 Suites by Hilton, has offset this decline, with RevPAR increasing slightly. The near-term outlook is positive in consideration of the upcoming construction of the high-speed train from Las Vegas to Victorville.

Seasonality
Seasonality trends are presented in the following tables.

FIGURE 4-9   SEASONALITY

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
High Season - February, May, June													
Occupancy	72.5 %	57.8 %	85.4 %	67.6 %	72.2 %	72.7 %	83.6 %	83.4 %	81.2 %	80.8 %	82.3 %	83.2 %	80.7 %
Average Rate	$94.70	$90.98	$87.96	$87.31	$88.92	$87.12	$93.30	$97.26	$97.54	$94.34	$100.22	$102.69	$105.61
RevPAR	68.69	52.57	75.14	59.04	64.21	63.29	78.04	81.16	79.18	76.22	82.51	85.43	85.19
Shoulder Season - March, April, July, August, September, October													
Occupancy	68.4 %	56.9 %	74.8 %	60.2 %	65.4 %	69.2 %	78.2 %	78.3 %	78.3 %	84.1 %	83.4 %	84.1 %	80.4 %
Average Rate	$93.81	$89.53	$86.56	$87.87	$86.67	$85.38	$91.59	$96.61	$96.64	$97.24	$99.23	$103.52	$109.03
RevPAR	64.17	50.90	64.73	52.88	56.64	59.05	71.60	75.60	75.67	81.82	82.79	87.02	87.66
Low Season - January, November, December													
Occupancy	57.5 %	50.3 %	60.5 %	59.5 %	57.6 %	63.3 %	69.8 %	68.9 %	72.1 %	74.7 %	72.7 %	81.7 %	83.1 %
Average Rate	$95.68	$86.10	$84.04	$85.93	$86.55	$83.26	$89.86	$93.52	$95.80	$94.29	$96.80	$101.95	$107.75
RevPAR	55.05	43.33	50.86	51.12	49.84	52.68	62.69	64.47	69.07	70.45	70.41	83.31	89.57

Source: STR

The illustrated occupancy and ADR 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 early summer months of May and June when demand from leisure travelers typically supplements the commercial segment that is the principal source of demand in this submarket. ADR 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 4-10   OCCUPANCY BY DAY OF WEEK (TRAILING 12 MONTHS)

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Nov - 19	70.8 %	85.8 %	90.4 %	91.1 %	90.9 %	90.0 %	92.6 %	87.6 %
Dec - 19	66.9	80.0	90.1	88.9	85.2	79.2	84.9	81.9
Jan - 20	68.6	85.5	91.1	84.1	80.0	83.3	89.6	83.1
Feb - 20	76.5	88.6	95.3	95.4	90.7	92.5	95.1	90.7
Mar - 20	63.6	71.2	72.1	76.3	74.2	65.4	66.9	69.9
Apr - 20	42.5	50.6	53.8	52.7	50.9	46.9	46.6	49.3
May - 20	62.2	64.7	68.5	68.6	67.6	66.1	72.3	67.1
Jun - 20	76.3	83.1	87.4	87.3	87.1	83.9	91.8	85.3
Jul - 20	76.0	89.1	90.1	85.7	82.4	85.5	92.4	85.8
Aug - 20	83.5	95.4	95.9	95.0	95.0	95.3	96.9	93.7
Sep - 20	86.3	91.3	95.1	94.8	93.9	96.2	98.1	93.8
Oct - 20	77.4	88.1	92.1	91.2	88.2	89.7	97.5	89.4
Average	**70.7 %**	**81.2 %**	**85.2 %**	**83.8 %**	**81.6 %**	**81.3 %**	**85.9 %**	**81.4 %**

Source: STR

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

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Nov - 19	$101.12	$105.89	$105.64	$105.38	$103.84	$103.40	$104.67	$104.35
Dec - 19	99.41	103.78	105.65	104.35	102.33	100.16	100.88	102.58
Jan - 20	103.35	109.29	110.71	108.40	106.30	106.75	108.69	107.75
Feb - 20	105.17	110.77	112.51	112.15	109.72	110.59	110.75	110.40
Mar - 20	100.12	105.95	106.04	106.94	102.16	103.97	104.97	104.37
Apr - 20	98.56	98.32	98.41	99.50	99.84	100.01	101.81	99.49
May - 20	99.14	98.98	99.06	99.21	102.01	100.27	100.80	99.96
Jun - 20	104.53	105.21	104.95	104.23	104.65	106.08	108.50	105.46
Jul - 20	106.69	108.24	108.48	107.02	107.23	108.64	110.50	108.12
Aug - 20	106.34	107.17	107.97	108.33	107.50	110.19	112.05	108.56
Sep - 20	112.79	113.57	112.36	113.34	112.72	116.00	119.63	114.29
Oct - 20	111.70	113.40	113.16	113.05	111.99	112.87	118.83	113.78
Average	**$104.41**	**$107.15**	**$107.62**	**$107.36**	**$106.32**	**$107.18**	**$109.30**	**$107.13**

Source: STR

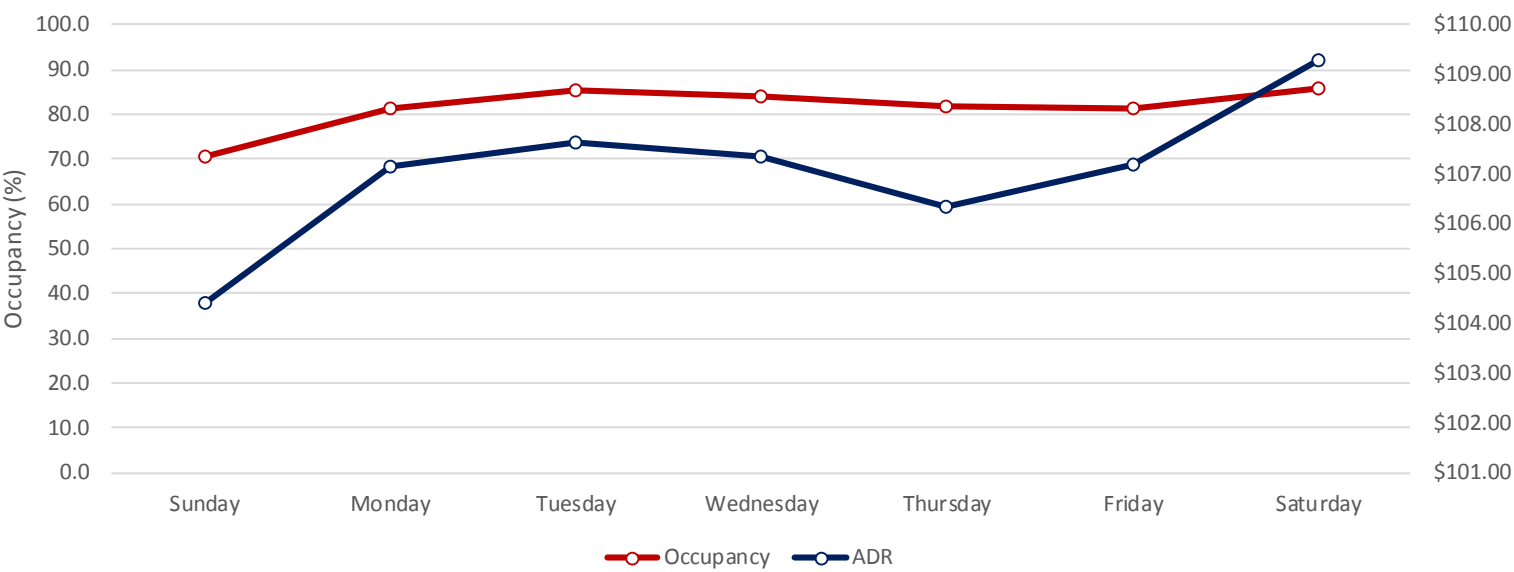**FIGURE 4-12   OCCUPANCY AND AVERAGE RATE BY DAY OF WEEK (TRAILING 12 MONTHS)**

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

Occupancy (%)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Nov 17 - Oct 18	66.3 %	80.5 %	86.2 %	85.3 %	78.9 %	81.7 %	90.1 %	81.3 %
Nov 18 - Oct 19	65.2	80.9	86.0	85.6	79.1	80.4	89.4	80.9
Nov 19 - Oct 20	70.7	81.2	85.2	83.8	81.6	81.3	85.9	81.4
Change (Occupancy Points)								
FY 18 - FY 19	(1.1)	0.4	(0.3)	0.3	0.2	(1.3)	(0.7)	(0.4)
FY 19 - FY 20	5.5	0.3	(0.8)	(1.7)	2.5	0.9	(3.5)	0.5

ADR ($)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Nov 17 - Oct 18	$94.29	$99.10	$100.63	$100.32	$95.18	$97.85	$101.55	$98.62
Nov 18 - Oct 19	97.64	101.72	103.36	102.51	99.96	102.08	104.37	101.84
Nov 19 - Oct 20	104.41	107.15	107.62	107.36	106.32	107.18	109.30	107.13
Change (Dollars)								
FY 18 - FY 19	$3.35	$2.62	$2.72	$2.19	$4.78	$4.23	$2.82	$3.21
FY 19 - FY 20	6.78	5.43	4.26	4.85	6.37	5.10	4.93	5.29
Change (Percent)								
FY 18 - FY 19	3.5 %	2.6 %	2.7 %	2.2 %	5.0 %	4.3 %	2.8 %	3.3 %
FY 19 - FY 20	6.9	5.3	4.1	4.7	6.4	5.0	4.7	5.2

RevPAR ($)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Nov 17 - Oct 18	$62.55	$79.78	$86.79	$85.57	$75.12	$79.95	$91.47	$80.19
Nov 18 - Oct 19	63.67	82.27	88.88	87.70	79.08	82.09	93.32	82.42
Nov 19 - Oct 20	73.86	87.00	91.72	90.02	86.80	87.14	93.85	87.22
Change (Dollars)								
FY 18 - FY 19	$1.12	$2.49	$2.09	$2.13	$3.96	$2.14	$1.85	$2.23
FY 19 - FY 20	10.19	4.74	2.84	2.32	7.72	5.04	0.53	4.80
Change (Percent)								
FY 18 - FY 19	1.8 %	3.1 %	2.4 %	2.5 %	5.3 %	2.7 %	2.0 %	2.8 %
FY 19 - FY 20	16.0	5.8	3.2	2.6	9.8	6.1	0.6	5.8

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 commercial/government segment, particularly demand generated by the SCLA, is evident in the occupancy and ADR levels recorded on Tuesday and Wednesday

nights of June through October. We note that occupancy and ADR levels have historically peaked on Saturday nights, supplemented by additional weekend leisure travel.

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 (as applicable). This information was compiled from personal interviews, inspections, online resources, and our in-house database of operating and hotel facility data.

FIGURE 4-14   PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation				Estimated 2018				Estimated 2019				Occupancy Penetration	Yield Penetration
		Commercial/Government	Leisure	Group	Extended-Stay	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR		
SpringHill Suites by Marriott Victorville Hesperia	63	55 %	25 %	5 %	15 %	63	80 - 85 %	$100 - $105	$80 - $85	63	80 - 85 %	$100 - $105	$85 - $90	100 - 110 %	100 - 110 %
Hawthorn Suites Victorville	75	20	35	5	40	75	90 - 95	95 - 100	90 - 95	75	90 - 95	100 - 105	90 - 95	110 - 120	110 - 120
Home2 Suites by Hilton Victorville	105	30	25	5	40	18	50 - 55	95 - 100	50 - 55	105	90 - 95	115 - 120	105 - 110	110 - 120	120 - 130
Holiday Inn Express & Suites Hesperia	100	50	30	5	15	100	70 - 75	95 - 100	70 - 75	100	75 - 80	95 - 100	75 - 80	90 - 95	90 - 95
La Quinta Inn & Suites Hesperia Victorville	53	50	35	5	10	53	75 - 80	85 - 90	65 - 70	53	80 - 85	90 - 95	75 - 80	95 - 100	85 - 90
Comfort Suites Victorville	77	50	35	5	10	77	75 - 80	85 - 90	65 - 70	77	80 - 85	90 - 95	75 - 80	95 - 100	85 - 90
Sub-Totals/Averages	**473**	**41 %**	**30 %**	**5 %**	**24 %**	**386**	**78.7 %**	**$95.10**	**$74.85**	**473**	**85.7 %**	**$101.43**	**$87**	**104 %**	**103.5 %**
Secondary Competitors	425	45 %	25 %	10 %	20 %	319	77.6 %	$100.03	$77.65	319	77.3 %	$103.10	$80	94 %	94.9 %
Totals/Averages	**898**	**42 %**	**28 %**	**7 %**	**22 %**	**704**	**78.2 %**	**$97.32**	**$76.12**	**792**	**82.3 %**	**$102.06**	**$84**	**100 %**	**100.0 %**

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

FIGURE 4-15   PRIMARY COMPETITORS – FACILITY PROFILES

Property	Number of Rooms	Year Opened	Last Major Renovation(s)	Approx. Miles To Subject Property	Food and Beverage Outlets	Indoor Meeting Space (SF)	Meeting Space per Room	Facilities & Amenities
SpringHill Suites by Marriott Victorville Hesperia 9625 Mariposa Road	63	2005	2014	5.3	Breakfast Dining Area	240	3.8	Guest Laundry Area; Indoor Swimming Pool; Indoor Whirlpool; Fitness Room; Lobby Workstation; Market Pantry; Coffee Station; Car-Rental Service; Laundry/Valet Service
Hawthorn Suites Victorville 11750 Dunia Road	75	2005	—	3.6	Breakfast Dining Area	1,058	14.1	Guest Laundry Area; Outdoor Swimming Pool; Fitness Room; Lobby Workstation; Market Pantry; Vending Area(s); Sport Court; Outdoor Patio & Barbecue Area; Truck Parking; Outdoor Whirlpool
Home2 Suites by Hilton Victorville 12792 Amargosa Road	105	2018	—	3.7	Breakfast Dining Area	—	—	Guest Laundry Area; Indoor Swimming Pool; Fitness Room; Lobby Workstation; Market Pantry; Outdoor Patio & Fire Pit; Laundry/Valet Service; Electric Vehicle Chargers
Holiday Inn Express & Suites Hesperia 9750 Key Point Avenue	100	2002	2018	7.6	Breakfast Dining Area	541	5.4	Airport/Local Shuttle; Guest Laundry Area; Indoor Swimming Pool; Indoor Whirlpool; Fitness Room; Lobby Workstation; Market Pantry; Outdoor Whirlpool
La Quinta Inn & Suites Hesperia Victorville 12000 Mariposa Road	53	2003	—	3.7	Breakfast Dining Area	940	17.7	Guest Laundry Area; Outdoor Swimming Pool; Fitness Room; Lobby Workstation; Truck Parking; Outdoor Whirlpool; Laundry/Valet Service
Comfort Suites Victorville 12281 Mariposa Road	77	2003	—	3.7	Breakfast Dining Area	1,700	22.1	Business Center; Guest Laundry Area; Outdoor Swimming Pool; Fitness Room; Market Pantry; Coffee Station; Truck Parking; Outdoor Whirlpool

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

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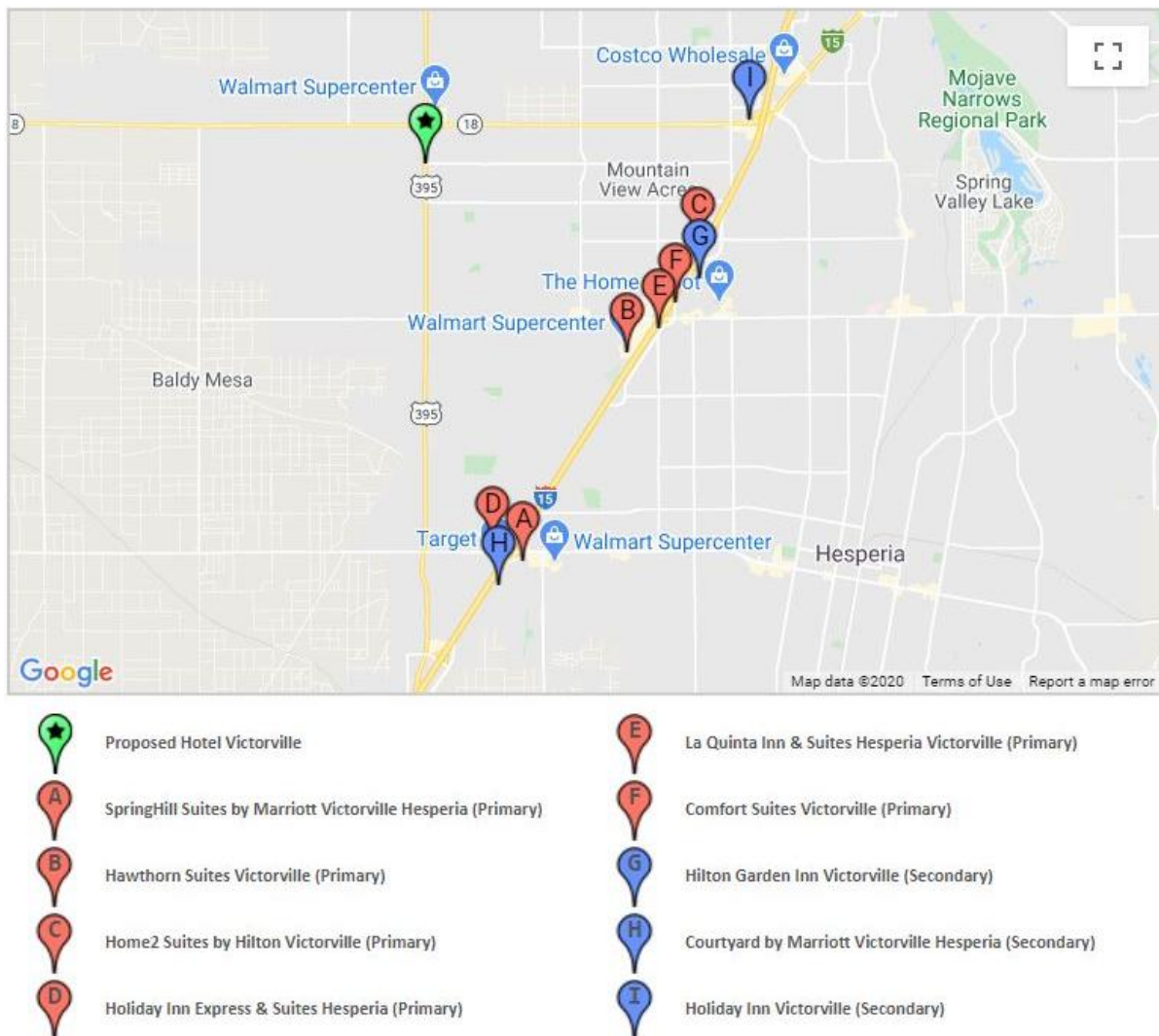
Our survey of the primarily competitive hotels in the local market shows a range of lodging types and facilities. Each primary competitor was inspected and evaluated. Descriptions of our findings are presented below.

SpringHill Suites by Marriott Victorville Hesperia
9625 Mariposa Road
Hesperia, CA

FIGURE 4-16   ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2017	63	85 - 90 %	$100 - $105	$85 - $90	110 - 120 %	120 - 130 %
Est. 2018	63	80 - 85	100 - 105	80 - 85	100 - 110	110 - 120
Est. 2019	63	80 - 85	100 - 105	85 - 90	100 - 110	100 - 110

The SpringHill Suites by Marriott benefits from its all-suite guestroom product and strong Marriott affiliation, including its participation in the Bonvoy loyalty program. Overall, the property appeared to be in good condition. Its accessibility is similar to that of the subject site, and its visibility is similar to the expected visibility of the Proposed Hotel Victorville.

PRIMARY COMPETITOR #2 - HAWTHORN SUITES VICTORVILLE

Hawthorn Suites Victorville
11750 Dunia Road
Victorville, CA

FIGURE 4-17   ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2017	75	85 - 90 %	$90 - $95	$80 - $85	110 - 120 %	110 - 120 %
Est. 2018	75	90 - 95	95 - 100	90 - 95	110 - 120	110 - 120
Est. 2019	75	90 - 95	100 - 105	90 - 95	110 - 120	110 - 120

The Hawthorn Suites benefits from its all-suite guestroom product, as well as from its proximity to Victorville's Walmart Supercenter. Overall, the property appeared to be in good condition. Its accessibility is similar to that of the subject site, and its visibility is similar to the expected visibility of the Proposed Hotel Victorville.

Home2 Suites by Hilton Victorville
12792 Amargosa Road
Victorville, CA

FIGURE 4-18   ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2018	18	50 - 55	95 - 100	50 - 55	65 - 70	65 - 70
Est. 2019	105	90 - 95	115 - 120	105 - 110	110 - 120	120 - 130

The Home2 Suites by Hilton benefits from its status as the newest hotel in Victorville, having opened in November 2018, and its proximity to the Mall of Victor Valley. This hotel mainly accommodates corporate travelers from Boeing and the SCLA. Overall, the property appeared to be in very good condition. Its accessibility is similar to that of the subject site, and its visibility is similar to the expected visibility of the Proposed Hotel Victorville.

**Holiday Inn Express &
Suites Hesperia
9750 Key Point Avenue
Hesperia, CA**

FIGURE 4-19   ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2017	100	70 - 75 %	$90 - $95	$65 - $70	95 - 100 %	90 - 95 %
Est. 2018	100	70 - 75	95 - 100	70 - 75	90 - 95	90 - 95
Est. 2019	100	75 - 80	95 - 100	75 - 80	90 - 95	90 - 95

The Holiday Inn Express & Suites Hesperia benefits from its location near a major Interstate 15 interchange and its strong InterContinental Hotels Group (IHG) brand affiliation. Overall, the property appeared to be in very good condition. Its accessibility is similar to that of the subject site, and its visibility is similar to the expected visibility of the Proposed Hotel Victorville.

PRIMARY COMPETITOR #5 - LA QUINTA INN & SUITES HESPERIA VICTORVILLE

**La Quinta Inn & Suites
Hesperia Victorville
12000 Mariposa Road
Hesperia, CA**

FIGURE 4-20 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2017	53	70 - 75 %	$80 - $85	$55 - $60	90 - 95 %	80 - 85 %
Est. 2018	53	75 - 80	85 - 90	65 - 70	95 - 100	85 - 90
Est. 2019	53	80 - 85	90 - 95	75 - 80	95 - 100	85 - 90

The La Quinta Inn & Suites is known for accommodating commercial travelers, such as truckers and construction workers, and also benefits from its visibility from Interstate 15. Overall, the property appeared to be in good condition. Its accessibility is similar to the accessibility attributes of the subject site, while its visibility is similar to the expected visibility of the Proposed Hotel Victorville.

PRIMARY COMPETITOR #6 - COMFORT SUITES VICTORVILLE

**Comfort Suites
Victorville
12281 Mariposa Road
Victorville, CA**

FIGURE 4-21   ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2017	77	70 - 75 %	$80 - $85	$55 - $60	90 - 95 %	80 - 85 %
Est. 2018	77	75 - 80	85 - 90	65 - 70	95 - 100	85 - 90
Est. 2019	77	80 - 85	90 - 95	75 - 80	95 - 100	85 - 90

The Comfort Suites benefits from its location near a major Interstate 15 interchange and its proximity to the Mall of Victor Valley, a major retail draw for travelers passing through the area. Furthermore, this hotel is known for accommodating soccer and softball teams during the local tournament season. Overall, the property appeared to be in good condition. Its accessibility is similar to the accessibility attributes of the subject site, while its visibility is similar to the expected visibility of the Proposed Hotel Victorville.

Secondary Competitors   We have also reviewed other area lodging facilities to determine whether any may compete with the proposed subject hotel on a secondary basis. The room count of each anticipated secondary competitor has been weighted based on its assumed degree of competitiveness in the future with the proposed subject hotel. By assigning degrees of competitiveness, we can assess how the proposed subject hotel and its future competitors may react to various changes in the market, including new supply, changes to demand generators, and renovations or franchise changes of existing supply. The following table sets forth the pertinent operating characteristics of the secondary competitors.

FIGURE 4-22   SECONDARY COMPETITOR(S) – OPERATING PERFORMANCE

Property	Number of Rooms	Commercial/Government	Leisure	Group	Extended-Stay	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
		Est. Segmentation					Estimated 2018				Estimated 2019			
Hilton Garden Inn Victorville	139	45 %	25 %	10 %	20 %	75 %	104	80 - 85 %	$110 - $115	$90 - $95	104	80 - 85 %	$105 - $110	$85 - $90
Courtyard by Marriott Victorville Hesperia	131	45	25	10	20	75	98	75 - 80	95 - 100	75 - 80	98	75 - 80	100 - 105	80 - 85
Holiday Inn Victorville	155	45	25	10	20	75	116	65 - 70	90 - 95	60 - 65	116	65 - 70	95 - 100	65 - 70
Totals/Averages	**425**	**45 %**	**25 %**	**10 %**	**20 %**	**75 %**	**319**	**77.6 %**	**$100.03**	**$77.65**	**319**	**77.3 %**	**$103.10**	**$79.73**

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

We have identified three hotels that are expected to compete with the proposed subject hotel on a secondary level. The Hilton Garden Inn Victorville, Courtyard by Marriott Victorville Hesperia, and the Holiday Inn Victorville are anticipated to be competitive based on their proximity to the proposed subject property; however, these hotels offer a more comprehensive product, inclusive of F&B operations, as select- and full-service properties.

Supply Changes

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

FIGURE 4-23   AREA DEVELOPMENT ACTIVITY

Proposed Hotel Name	Estimated Number of Rooms	Hotel Product Tier	Development Stage	Expected Qtr. & Year of Opening	Address
Best Western Plus (Dual-Brand)	48	Midscale	Approved	Q2 '22	14590 Highway 395, Adelanto
Executive Residency (Dual-Brand)	42	Midscale	Approved	Q2 '22	14590 Highway 395, Adelanto
Hampton Inn by Hilton	85	Upper-Midscale	Approved	TBD	Mariposa Road & Talpa Street, Victorville
AVID Hotel	80	Upper-Midscale	Early Development	TBD	Cottonwood Avenue & Monarch Boulevard, Victorville
Texas Roadhouse Hotel	TBD	TBD	Speculative	TBD	9601 Mariposa Road, Hesperia

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

FIGURE 4-24   NEW SUPPLY

Proposed Property	Number of Rooms	Total Competitive Level	Weighted Room Count	Estimated Opening Date	Developer	Development Stage
Proposed Subject Property	100	100 %	100	January 1, 2023	Kaushik Patel	Early Development
Best Western Plus (Dual-Brand)	48	100	48	June 1, 2022	Kaushik Patel	Approved
Executive Residency (Dual-Brand)	42	100	42	June 1, 2022	Kaushik Patel	Approved
Totals/Averages	**190**		**190**			

Several hotel projects have been proposed for the Adelanto, Victorville, and Hesperia markets. A dual-brand Best Western Plus and Executive Residency have been proposed for development in Adelanto, approximately two miles north of the subject site. Given the location and anticipated product offerings of these hotels, they have been weighted as fully competitive new supply in our analysis. A Hampton

by Hilton and an AVID hotel have also been proposed for development in Victorville; however, given the fluid timeline related to their development, these proposed hotels have only been considered qualitatively in our analysis of new supply.

In response to the travel restrictions and the decline in demand associated with the COVID-19 pandemic, numerous hotels in markets across the nation initially ceased operations; many of these have since reopened, while others are waiting until demand recovers more substantially. During these suspensions, hotels are typically closing to the public, with the majority of staff furloughed; however, key management and maintenance staff are retained to preserve the property and to be ready to reopen the hotel quickly when market conditions improve. While some hotels in the greater subject market may still undergo similar reductions in operations, they would still be expected to reopen in 2020 or in early 2021. Our analysis considers the full supply of competitive rooms, including any hotels that have temporarily suspended operations. However, we note that none of the hotels within the selected competitive set closed or suspended operations.

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 on 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 Victorville submarket. The Proposed Hotel Victorville 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 weighted if there are secondary competitors present. In this respect, the information in the table differs from the previously presented STR data and is consistent with the supply and demand analysis developed for this report.

FIGURE 4-25   HISTORICAL MARKET TRENDS

Year	Accommodated Room Nights	% Change	Room Nights Available	% Change	Market Occupancy	Market ADR	% Change	Market RevPAR	% Change
Est. 2017	194,695	—	250,664	—	77.7 %	$94.16	—	$73.13	—
Est. 2018	201,075	3.3 %	257,069	2.6 %	78.2	97.32	3.4 %	76.12	4.1 %
Est. 2019	237,981	18.4	288,989	12.4	82.3	102.06	4.9	84.05	10.4
Avg. Annual Compounded Chg., Est. 2017-Est. 2019:		10.6 %		7.4 %			4.1 %		7.2 %

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 2019distribution of accommodated-room-night demand as follows.

FIGURE 4-26   ACCOMMODATED-ROOM-NIGHT DEMAND

	Marketwide	
Market Segment	Accommodated Demand	Percentage of Total
Commercial/Government	100,780	42 %
Leisure	67,374	28
Group	16,398	7
Extended-Stay	53,430	22
Total	**237,981**	**100 %**

FIGURE 4-27   MARKET-WIDE ACCOMMODATED-ROOM-NIGHT DEMAND
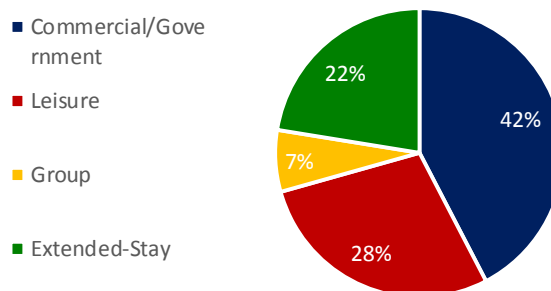
The market's demand mix comprises commercial/government demand, with this segment representing roughly 42% of the accommodated room nights in this Victorville submarket. The leisure comprises 28% of the total, with the final portions group and extended-stay in nature (7% and 22%, respectively).

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

Commercial/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.

Primary commercial demand generators for this market typically include the SCLA and affiliated distribution centers and warehouses, as well as such major corporate offices as Boeing, Clark Pacific, and General Atomics. Additionally, pilots who fly aircraft to SCLA for maintenance generally require two- or three-day accommodations while their aircraft are serviced. Finally, truckers en route to/from Las Vegas, Bakersfield, and Los Angeles also represent a major source of demand. While corporate travel has declined in 2020 because of the COVID-19 pandemic, this demand is anticipated to return as the local economy continues to rebound.

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 on Friday and Saturday nights and all week during holiday periods and the summer months. These peak periods represent the inverse of commercial visitation trends, underscoring the stabilizing effect of capturing weekend and summer tourist travel. Future leisure demand is related to the overall

economic health of the region and the nation. Trends showing changes in state and regional unemployment and disposable personal income correlate strongly with leisure travel levels.

Leisure demand for this highway-adjacent market is typically generated by motorists on U.S. Highway 395 and nearby Interstate 15 seeking a convenient stopover en route to other destinations, as well as by those visiting friends and family in the area. Furthermore, according to city representatives, the Adelanto ICE Processing Center and the county jail have historically produced some overnights stays from out-of-town family members visiting detainees and inmates. We have considered the impact of the COVID-19 pandemic on leisure demand in our forecasts. While currently low, demand within this segment is anticipated to return as the economy rebounds and travel levels increase between nearby cities such as Las Vegas, Los Angeles, and Phoenix.

Group Segment

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

Training groups from nearby facilities and surrounding industries, such as the SCLA, have historically generated group demand for local hotels; furthermore, social groups have historically represented primary sources of demand during weekend and holiday periods. However, this demand has recently been non-existent given the implications associated with the COVID-19 pandemic; thus, we have considered the impact of the pandemic in our forecasts.

Extended-Stay Segment

Extended-stay demand consists of individuals who require accommodations for more than five nights; typically, the length of stay ranges from ten to fourteen nights, but can stretch to a month or more. The three principal categories of extended-stay demand are business-related (typically associated with long-term projects), family-oriented, and relocation demand. Extended-stay patrons usually prefer hotels located near shopping centers, restaurants, entertainment venues, and service-retail uses such as grocery stores, dry cleaners, and fueling stations. Extended-stay demand tends to trend in line with an area's corporate expansion and/or population growth; commercial growth has a direct correlation with longer-term training activities that may be occurring in the area, while changes in population typically support related relocation demand. Large-scale construction projects, prevalent in growing metropolitan areas, also generate significant levels of extended-stay demand.

The SCLA and other businesses related to the airport, as well as construction crews, have historically generated high levels of extended-stay demand associated with training sessions or infrastructure and development projects that often last at least one week. This demand reportedly decreased significantly between March 2020 and May 2020 because of the COVID-19 pandemic, prior to rebounding once government ordinances and safety precautions were established in June; thus, we have considered the impact of the pandemic in our forecasts.

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, four segments were defined as representing the proposed subject hotel's lodging market. Various types of economic and demographic data were then evaluated to determine their propensity to reflect changes in hotel demand. Based on this procedure, we forecast the following average annual compounded market-segment growth rates.

FIGURE 4-28   AVERAGE ANNUAL COMPOUNDED MARKET-SEGMENT GROWTH RATES

Market Segment	Annual Growth Rate					
	2020	**2021**	**2022**	**2023**	**2024**	**2025**
Commercial/Government	-0.5 %	1.5 %	2.5 %	4.5 %	2.0 %	1.0 %
Leisure	-1.5	2.0	2.0	3.0	2.0	1.0
Group	-30.0	15.0	15.0	12.0	4.0	1.0
Extended-Stay	1.5	1.0	1.5	4.0	1.5	1.0
Base Demand Growth	**-2.4 %**	**2.2 %**	**2.8 %**	**4.4 %**	**2.0 %**	**1.0 %**

Latent Demand

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

Unaccommodated Demand

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

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

FIGURE 4-29   OCCUPANCY BY NIGHT OF THE WEEK

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Nov - 19	70.8 %	85.8 %	90.4 %	91.1 %	90.9 %	90.0 %	92.6 %	87.6 %
Dec - 19	66.9	80.0	90.1	88.9	85.2	79.2	84.9	81.9
Jan - 20	68.6	85.5	91.1	84.1	80.0	83.3	89.6	83.1
Feb - 20	76.5	88.6	95.3	95.4	90.7	92.5	95.1	90.7
Mar - 20	63.6	71.2	72.1	76.3	74.2	65.4	66.9	69.9
Apr - 20	42.5	50.6	53.8	52.7	50.9	46.9	46.6	49.3
May - 20	62.2	64.7	68.5	68.6	67.6	66.1	72.3	67.1
Jun - 20	76.3	83.1	87.4	87.3	87.1	83.9	91.8	85.3
Jul - 20	76.0	89.1	90.1	85.7	82.4	85.5	92.4	85.8
Aug - 20	83.5	95.4	95.9	95.0	95.0	95.3	96.9	93.7
Sep - 20	86.3	91.3	95.1	94.8	93.9	96.2	98.1	93.8
Oct - 20	77.4	88.1	92.1	91.2	88.2	89.7	97.5	89.4
Average	**70.7 %**	**81.2 %**	**85.2 %**	**83.8 %**	**81.6 %**	**81.3 %**	**85.9 %**	**81.4 %**

Source: STR

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

FIGURE 4-30   UNACCOMMODATED DEMAND ESTIMATE

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand Percentage	Unaccommodated Room Night Demand
Commercial/Government	100,780	5.5 %	5,586
Leisure	67,374	12.4	8,379
Group	16,398	5.7	931
Extended-Stay	53,430	7.0	3,724
Total	**237,981**	**7.8 %**	**18,620**

Accordingly, we have forecast unaccommodated demand equivalent to 7.8% of the base-year demand, resulting from our analysis of monthly and weekly peak demand and sell-out trends.

Induced Demand

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

Accommodated Demand and Market-wide Occupancy

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

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

FIGURE 4-31   FORECAST OF MARKET OCCUPANCY

	2019	2020	2021	2022	2023	2024	2025
Commercial/Government							
Base Demand	100,780	100,276	101,780	104,324	109,019	111,199	112,311
Unaccommodated Demand	5,586	5,558	5,641	5,782	6,043	6,164	6,225
Total Demand	106,366	105,834	107,421	110,107	115,062	117,363	118,537
Growth Rate		(0.5) %	1.5 %	2.5 %	4.5 %	2.0 %	1.0 %
Leisure							
Base Demand	67,374	66,363	67,690	69,044	71,116	72,538	73,263
Unaccommodated Demand	8,379	8,253	8,418	8,587	8,844	9,021	9,111
Total Demand	75,753	74,616	76,109	77,631	79,960	81,559	82,375
Growth Rate		(1.5) %	2.0 %	2.0 %	3.0 %	2.0 %	1.0 %
Group							
Base Demand	16,398	11,478	13,200	15,180	17,002	17,682	17,859
Unaccommodated Demand	931	652	749	862	965	1,004	1,014
Total Demand	17,329	12,130	13,950	16,042	17,967	18,686	18,873
Growth Rate		(30.0) %	15.0 %	15.0 %	12.0 %	4.0 %	1.0 %
Extended-Stay							
Base Demand	53,430	54,231	54,774	55,595	57,819	58,686	59,273
Unaccommodated Demand	3,724	3,780	3,818	3,875	4,030	4,090	4,131
Total Demand	57,154	58,011	58,591	59,470	61,849	62,777	63,404
Growth Rate		1.5 %	1.0 %	1.5 %	4.0 %	1.5 %	1.0 %
Totals							
Base Demand	237,981	232,349	237,444	244,144	254,955	260,105	262,706
Unaccommodated Demand	18,620	18,243	18,627	19,106	19,882	20,279	20,482
Total Demand	256,601	250,591	256,071	263,250	274,838	280,384	283,188
less: Residual Demand	18,620	18,243	18,627	15,950	360	825	1,060
Total Accommodated Demand	237,981	232,349	237,444	247,300	274,478	279,560	282,128
Overall Demand Growth	18.4 %	(2.4) %	2.2 %	4.2 %	11.0 %	1.9 %	0.9 %
Market Mix							
Commercial/Government	42.3 %	42.2 %	41.9 %	41.8 %	41.9 %	41.9 %	41.9 %
Leisure	28.3	29.8	29.7	29.5	29.1	29.1	29.1
Group	6.9	4.8	5.4	6.1	6.5	6.7	6.7
Extended-Stay	22.5	23.1	22.9	22.6	22.5	22.4	22.4
Existing Hotel Supply	792	792	792	792	792	792	792
Proposed Hotels							
Proposed Subject Property [1]					100	100	100
Best Western Plus (Dual-Brand) [2]				28	48	48	48
Executive Residency (Dual-Brand) [3]				25	42	42	42
Available Room Nights per Year	288,989	288,989	288,989	308,249	358,339	358,339	358,339
Nights per Year	365	365	365	365	365	365	365
Total Supply	792	792	792	845	982	982	982
Rooms Supply Growth	12.4 %	0.0 %	0.0 %	6.7 %	16.2 %	0.0 %	0.0 %
Marketwide Occupancy	**82.3 %**	**80.4 %**	**82.2 %**	**80.2 %**	**76.6 %**	**78.0 %**	**78.7 %**

[1]   Opening in January 2023 of the 100% competitive, 100-room Proposed Subject Property

[2]   Opening in June 2022 of the 100% competitive, 48-room Best Western Plus (Dual-Brand)

[3]   Opening in June 2022 of the 100% competitive, 42-room Executive Residency (Dual-Brand)

Despite this markets resilience, the defined competitive market of hotels is anticipated to experience an occupancy decline in 2020 due to the severe downturn in travel associated with the COVID-19 pandemic. The drop in demand is expected to be temporary, and demand levels should recover and improve as travel restrictions are rescinded and economic activity rebounds. Thereafter, the defined competitive market of hotels should experience modest occupancy growth over the next few years given the economic diversification of the greater Victorville market, expansion of businesses surrounding the SCLA, and several ongoing Caltrans construction projects in the pipeline. Based on historical occupancy levels in this market, and taking into consideration typical supply and demand cyclicality, market occupancy is forecast to stabilize in the high 70s.

5. Description of the Proposed Improvements

The quality of a lodging facility's physical improvements has a direct influence on marketability, attainable occupancy, and average room rate. The design and functionality of the structure can also affect operating efficiency and overall profitability. This section investigates the subject property's proposed physical improvements and personal property in an effort to determine how they are expected to contribute to attainable cash flows.

Project Overview

The subject of this study, the Proposed Hotel Victorville, is recommended to be an extended-stay lodging facility containing 100 rentable units. The property should open on January 1, 2023.

Summary of the Facilities

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

FIGURE 5-1   PROPOSED FACILITIES SUMMARY

Recommended Guestroom Configuration	Number of Units
King Suite	75
Queen/Queen Suite	25
Total	100

Food & Beverage Facilities	Seating Capacity
Breakfast Dining Area	TBD

Indoor Meeting & Banquet Facilities	Square Footage
Boardroom	450

Recommended Amenities & Services	
Outdoor Swimming Pool	Lobby Workstation
Outdoor Whirlpool	Market Pantry
Outdoor Sundeck	Guest Laundry Area
Fitness Room	Outdoor Patio & Barbecue Area

Infrastructure	
Parking Spaces	As needed
Elevators	As needed
Life-Safety Systems	Sprinklers, Smoke Detectors
Construction Details	Wood Framing, Poured Concrete

Site Improvements and Hotel Structure

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

Public Areas

The hotel's breakfast dining area is anticipated to be located off the lobby. Its size and layout should be appropriate for the hotel. The furnishings of the space are expected to be of a similar style and finish as lobby and guestroom furnishings. The hotel is anticipated to offer one meeting room, which should be located on the first

floor; this meeting space should be adequate and appropriate for a hotel of this type. The hotel should offer an outdoor pool with sundeck, an outdoor whirlpool, and a fitness room as recreational facilities. Other amenities are likely to include a lobby workstation, a market pantry, a guest laundry room, and an outdoor patio and barbecue area. Overall, the supporting facilities should be appropriate for a hotel of this type, and we assume that they will meet the selected brand's standards.

Guestrooms

The hotel is anticipated to feature an all-suite guestroom configuration, with guestroom suites present on all levels of the property's proposed single building. The guestrooms should offer typical amenities for this product type, including fully equipped kitchens in every suite. The guestroom bathrooms are anticipated to be of a standard size, with a shower-in-tub, commode, and single sink with vanity area, featuring a stone countertop. The floors are expected to be finished with tile, and the walls are likely to be finished with knockdown texture (or a material that is consistent with the selected brand's standards). Overall, the guestrooms should offer a competitive product for this Victorville neighborhood.

Back-of-the-House

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

ADA and Environmental

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

Capital Expenditures

Our analysis assumes that the hotel will require ongoing upgrades and periodic renovations after its opening 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

We note that a construction budget for the 90-room proposed subject hotel was not available upon request at the time of this report.

Conclusion

Overall, the proposed subject property should offer a well-designed, functional layout of support areas and guestrooms. All typical and market-appropriate features and amenities are expected to be included in the hotel's design. We assume that the building will be fully open and operational on the stipulated opening date and will meet all local building codes and brand standards. Furthermore, we assume that the hotel staff will be adequately trained to allow for a successful opening and

that pre-marketing efforts will have introduced the product to major local accounts at least six months in advance of the opening date.

6. Projection of Occupancy and Average Rate

Along with ADR 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 and beverage, other operated departments, and miscellaneous 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 proposed subject hotel'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 hotel's market share to its fair share.

Historical Penetration Rates by Market Segment

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

FIGURE 6-1   HISTORICAL PENETRATION RATES

Property	Commercial/ Government	Leisure	Group	Extended- Stay	Overall
SpringHill Suites by Marriott Victorville Hesperia	134 %	91 %	75 %	69 %	103 %
Hawthorn Suites Victorville	53	140	82	201	113
Home2 Suites by Hilton Victorville	79	99	81	199	112
Holiday Inn Express & Suites Hesperia	113	102	70	64	96
La Quinta Inn & Suites Hesperia Victorville	118	123	72	44	100
Comfort Suites Victorville	118	123	72	44	100
Secondary Competition	100	83	136	84	94

The SpringHill Suites by Marriott Victorville Hesperia achieved the highest penetration rate within the commercial/government segment. The highest penetration rate in the leisure segment was achieved by the Hawthorn Suites Victorville, while the secondary competition led the market with the highest group

penetration rate. The Hawthorn Suites Victorville achieved the highest penetration rate within the extended-stay segment.

Forecast of Subject Property's Occupancy

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

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

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

FIGURE 6-2   FORECAST OF SUBJECT PROPERTY'S OCCUPANCY

Market Segment	2023	2024	2025
Commercial/Government			
Demand	114,915	117,026	118,103
Market Share	6.8 %	7.7 %	8.2 %
Capture	7,857	9,038	9,679
Penetration	67 %	76 %	80 %
Leisure			
Demand	79,851	81,309	82,053
Market Share	7.8 %	8.7 %	9.2 %
Capture	6,258	7,081	7,527
Penetration	77 %	85 %	90 %
Group			
Demand	17,944	18,632	18,804
Market Share	6.6 %	7.6 %	8.1 %
Capture	1,184	1,414	1,521
Penetration	65 %	75 %	79 %
Extended-Stay			
Demand	61,769	62,593	63,169
Market Share	18.6 %	19.3 %	19.7 %
Capture	11,472	12,094	12,450
Penetration	182 %	190 %	193 %
Total Room Nights Captured	**26,771**	**29,627**	**31,178**
Available Room Nights	36,500	36,500	36,500
Subject Occupancy	**73 %**	**81 %**	**85 %**
Market-wide Available Room Nights	358,339	358,339	358,339
Fair Share	**10 %**	**10 %**	**10 %**
Market-wide Occupied Room Nights	274,478	279,560	282,128
Market Share	**10 %**	**11 %**	**11 %**
Market-wide Occupancy	**77 %**	**78 %**	**79 %**
Total Penetration	**96 %**	**104 %**	**108 %**

Within the commercial/government segment, the proposed subject hotel's occupancy penetration is positioned appropriately within the range of existing competitors, supported by the recommended brand's strong focus on attracting corporate travelers. Within the leisure segment, the proposed subject hotel's occupancy penetration is positioned appropriately within the range of existing competitors, largely attributed to the subject site's convenient location and anticipated visibility along U.S. Highway 395. The proposed subject hotel's

occupancy penetration in the group segment is positioned below the market-average level given the proposed hotel's anticipated limited meeting space capacity. Finally, the proposed subject hotel's extended-stay occupancy penetration is positioned above the market average level, largely attributed to the proposed hotel's extended-stay product offering and new facility.

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

FIGURE 6-3   MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2023	2024	2025
Commercial/Government	29 %	31 %	31 %
Leisure	23	24	24
Group	4	5	5
Extended-Stay	43	41	40
Total	100 %	100 %	100 %

FIGURE 6-4   STABILIZED MARKET SEGMENTATION – SUBJECT PROPERTY
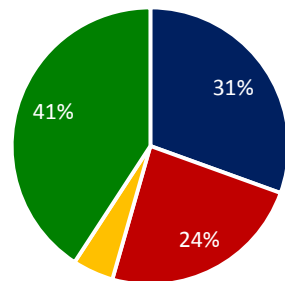
- Commercial/Government
- Leisure
- Group
- Extended-Stay

Based on our analysis of the proposed subject hotel and market area, we have selected a stabilized occupancy level of 85%. The stabilized occupancy is intended

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

Average Rate Analysis

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 ADR analysis presented here follows the occupancy projection, these two statistics are highly correlated; 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, RevPAR, and respective ADR and RevPAR penetration levels for the proposed subject property's competitors. The stabilized average rate and RevPAR levels that have been projected for the proposed subject hotel, expressed in base-year dollars, are also presented to understand the ADR positioning anticipated for the property upon stabilization. The basis for our ADR projection follows later in this section of the report.

FIGURE 6-5   BASE-YEAR ADR AND REVPAR OF THE COMPETITORS

Property	Estimated 2019 Average Room Rate	Average Room Rate Penetration	Rooms Revenue Per Available Room (RevPAR)	RevPAR Penetration
SpringHill Suites by Marriott Victorville Hesperia	$100 - $105	95 - 100 %	$85 - $90	100 - 110 %
Hawthorn Suites Victorville	100 - 105	95 - 100	90 - 95	110 - 120
Home2 Suites by Hilton Victorville	115 - 120	110 - 120	105 - 110	120 - 130
Holiday Inn Express & Suites Hesperia	95 - 100	90 - 95	75 - 80	90 - 95
La Quinta Inn & Suites Hesperia Victorville	90 - 95	85 - 90	75 - 80	85 - 90
Comfort Suites Victorville	90 - 95	85 - 90	75 - 80	85 - 90
Average - Primary Competitors	$101.43	99.4 %	$86.95	103.5 %
Average - Secondary Competitors	103.10	101.0	79.73	94.9
Overall Average	**$102.06**	100.0 %	**$84.05**	100.0 %
Subject As If Stabilized (In 2019 Dollars)	**$115.00**	**112.7 %**	**$102.75**	**122.2 %**

The defined primarily competitive market realized an overall average rate of $101.43 in the 2019 base year, improving from the 2018 level of $95.10. We have selected the rate position of $115.00, in base-year dollars, for the proposed subject hotel.

Based on these considerations, the following table sets forth the basis for our projection of the proposed subject hotel's average rate. We have positioned the proposed subject hotel's stabilized average rate in base-year dollars at $115.00, which reflects an ADR penetration of 112.7%. Based on our review of the proposed improvements and the anticipated profile of the product and its operation, it is our opinion that the ADR penetration level should be achievable with appropriate management and marketing. The positioned stabilized average rate is projected to increase at the same rate as the overall market's average rate, prior to consideration

of any ADR discounting during the hotel's ramp-up period. Note that we have assumed an underlying inflation rate of 1.0% in the first projection year, 2.0% in the second projection year, and 2.5% in the third projection year (and thereafter) in our forecast of income and expense, which follows later in this report.

The proposed subject hotel's projected average rate (as if stabilized) is then fiscalized to correspond with the hotel's anticipated date of opening for each forecast year. Discounts of 3% and 1% have been applied to the stabilized room rates projected for the first two years of operation, as would be expected for a new property of this type as it builds its reputation and becomes established in the market.

The following table presents the proposed subject hotel's ADR penetration level, followed by the average rate deflated to base-year dollars by the assumed underlying inflation rate, for each year of the forecast.

FIGURE 6-6   ADR FORECAST – MARKET AND PROPOSED SUBJECT PROPERTY

Calendar Year	2019	2020	2021	2022	2023	2024	2025	2026	2027
Market ADR	$102.06	$106.65	$108.25	$113.67	$120.49	$123.50	$126.59	$129.75	$133.00
Projected Market ADR Growth Rate	—	4.5%	1.5%	5.0%	6.0%	2.5%	2.5%	2.5%	2.5%
Proposed Subject Property ADR (As-If Stabilized)	$115.00	$120.18	$121.98	$128.08	$135.76	$139.16	$142.63	$146.20	$149.85
ADR Growth Rate	—	4.5%	1.5%	5.0%	6.0%	2.5%	2.5%	2.5%	2.5%
Proposed Subject Stabilized ADR Penetration	113%	113%	113%	113%	113%	113%	113%	113%	112.7%
Fiscal Year				**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Proposed Subject Property Average Rate				$128.08	$135.76	$139.16	$142.63	$146.20	$149.85
Opening Discount				0.0%	3.0%	1.0%	0.0%	0.0%	0.0%
Average Rate After Discount				**$128.08**	**$131.69**	**$137.76**	**$142.63**	**$146.20**	**$149.85**
Real Average Rate Growth				—	2.8%	4.6%	3.5%	2.5%	2.5%
Market ADR				$113.67	$120.49	$123.50	$126.59	$130.38	$134.30
Proposed Subject ADR Penetration (After Discount)				113%	109%	112%	113%	112%	112%
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate				$121.29	$121.67	$124.18	$125.43	$125.43	$125.43

The Victorville-Hesperia market should experience ADR growth through the near term. The rate position for the proposed subject hotel should reflect growth similar to market trends because of the proposed hotel's new facility and location along U.S. Highway 395. The proposed subject hotel's ADR penetration level is forecast to reach 112.7% by the stabilized period, consistent with our stabilized ADR positioning.

The following table sets forth our concluding forecast of the proposed subject hotel's occupancy, average rate, and RevPAR, with corresponding penetration

levels, for the first projection year through the stabilized year of operation. The market's historical and projected occupancy, average rate, and RevPAR are presented for comparison, with the projections fiscalized to correspond with the proposed subject hotel's forecast, as appropriate.

FIGURE 6-7   COMPARISON OF HISTORICAL AND PROJECTED OCCUPANCY, ADR, AND REVPAR – PROPOSED SUBJECT PROPERTY AND MARKET

	2017	2018	2019	2020	2021	2022	2023	2024	2025
							Projected		
Proposed Hotel Victorville									
Occupancy				—	—	—	73.3 %	81.2 %	85.4 %
Change in Points				—	—	—	—	7.8	4.2
Occupancy Penetration				—	—	—	95.8 %	104.0 %	108.5 %
Average Rate			$115.00	$120.18	$121.98	$128.08	$131.69	$137.76	$142.63
Change				—	1.5 %	5.0 %	2.8 %	4.6 %	3.5 %
Average Rate Penetration				112.7 %	112.7 %	112.7 %	109.3 %	111.5 %	112.7 %
RevPAR				—	—	—	$96.59	$111.82	$121.84
Change				—	—	—	—	15.8 %	9.0 %
RevPAR Penetration				—	—	—	104.7 %	116.1 %	122.2 %

	Historical (Estimated)			Projected					
	2018	2018	2019	2020	2021	2022	2023	2024	2025
Victorville Submarket									
Occupancy	77.7 %	78.2 %	82.3 %	80.4 %	82.2 %	80.2 %	76.6 %	78.0 %	78.7 %
Change in Points	—	0.5	4.1	(1.9)	1.8	(1.9)	(3.6)	1.4	0.7
Average Rate	$94.16	$97.32	$102.06	$106.65	$108.25	$113.67	$120.49	$123.50	$126.59
Change	—	3.4 %	4.9 %	4.5 %	1.5 %	5.0 %	6.0 %	2.5 %	2.5 %
RevPAR	$73.13	$76.12	$84.05	$85.75	$88.95	$91.19	$92.29	$96.35	$99.66
Change	—	4.1 %	10.4 %	2.0 %	3.7 %	2.5 %	1.2 %	4.4 %	3.4 %

The final forecast reflects years beginning on January 1, 2023, and corresponds with our financial projections, as shown below.

The following occupancies and average rates will be used to project the proposed subject hotel's rooms revenue; this forecast reflects years beginning on January 1, 2023, which correspond with our financial projections.

FIGURE 6-8   FORECASTS OF OCCUPANCY AND AVERAGE RATE

Year	Occupancy	Average Rate Before Discount	Discount	Average Rate After Discount
2023	73 %	$135.76	3.0 %	$131.69
2024	81	139.16	1.0	137.76
2025	85	142.63	0.0	142.63

7. Projection of Income and Expense

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

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

Comparable Operating Statements

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

FIGURE 7-1 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized $
Year:	2018/19	2018/19	2016/17	2016/17	2016/17	2019
Edition:	11	10	11	11	11	11
Number of Rooms:	90 to 120	70 to 100	80 to 100	80 to 100	110 to 150	100
Days Open:	365	365	365	365	306	365
Occupancy:	79%	80%	91%	84%	78%	85%
Average Rate:	$120	$137	$117	$136	$149	$125
RevPAR:	$94	$110	$107	$115	$116	$107
REVENUE						
Rooms	98.5 %	100.0 %	97.2 %	98.3 %	91.3 %	98.4 %
Other Operated Departments	0.7	0.0	1.9	1.7	1.7	1.0
Miscellaneous Income	0.8	0.0	0.9	0.0	7.0	0.6
Total	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*						
Rooms	25.5	12.9	21.4	22.1	18.6	22.5
Other Operated Departments	66.2	0.0	33.9	27.5	44.8	50.0
Total	25.6	12.9	21.5	22.2	17.7	22.6
DEPARTMENTAL INCOME	74.4	87.1	78.5	77.8	82.3	77.4
UNDISTRIBUTED OPERATING EXPENSES						
Administrative & General	3.3	6.2	8.2	7.9	6.3	7.1
Info. and Telecom. Systems	0.8	0.0	1.4	1.3	1.0	1.0
Marketing	2.7	2.1	3.3	3.7	3.2	3.2
Franchise Fee	9.9	11.1	7.8	7.4	8.2	7.4
Property Operations & Maintenance	3.1	3.9	2.2	3.8	1.5	3.3
Utilities	2.4	2.9	4.2	3.1	2.7	3.0
Total	22.2	26.2	27.1	27.2	23.0	25.0
GROSS OPERATING PROFIT	52.2	60.9	51.4	50.6	59.3	52.4
Management Fee	3.0	3.5	0.0	3.0	3.0	3.0
INCOME BEFORE NON-OPER. INC. & EXP.	49.2	57.4	51.4	47.6	56.3	49.4
EBITDA LESS RESERVE	45.7 %	50.9 %	47.9 %	40.3 %	52.0 %	39.9 %

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

FIGURE 7-2   COMPARABLE OPERATING STATEMENTS: AMOUNTS PER AVAILABLE ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized $
Year:	2018/19	2018/19	2016/17	2016/17	2016/17	2019
Edition:	11	10	11	11	11	11
Number of Rooms:	90 to 120	70 to 100	80 to 100	80 to 100	110 to 150	100
Days Open:	365	365	365	365	306	365
Occupancy:	79%	80%	91%	84%	78%	85%
Average Rate:	$120	$137	$117	$136	$149	$125
RevPAR:	$94	$110	$107	$115	$116	$107
REVENUE						
Rooms	$34,437	$40,096	$39,039	$41,985	$35,455	$38,915
Other Operated Departments	252	3	775	727	651	388
Miscellaneous Income	265	0	347	0	2,737	233
Total	34,954	40,099	40,161	42,712	38,842	39,536
DEPARTMENTAL EXPENSES						
Rooms	8,772	5,155	8,370	9,290	6,580	8,756
Other Operated Departments	167	0	263	200	291	194
Total	8,939	5,155	8,632	9,490	6,872	8,950
DEPARTMENTAL INCOME	26,015	34,944	31,529	33,222	31,970	30,586
UNDISTRIBUTED OPERATING EXPENSES						
Administrative & General	1,156	2,468	3,299	3,372	2,439	2,800
Info. and Telecom. Systems	268	0	557	557	404	400
Marketing	953	823	1,328	1,595	1,240	1,250
Franchise Fee	3,446	4,468	3,152	3,154	3,201	2,918
Property Operations & Maintenance	1,099	1,581	874	1,611	570	1,300
Utilities	848	1,169	1,671	1,322	1,068	1,200
Total	7,770	10,509	10,881	11,612	8,923	9,868
GROSS OPERATING PROFIT	18,245	24,435	20,648	21,610	23,047	20,717
Management Fee	1,033	1,402	0	1,281	1,165	1,186
INCOME BEFORE NON-OPER. INC. & EXP.	17,212	23,034	20,648	20,329	21,882	19,531
EBITDA LESS RESERVE	$16,009	$20,416	$19,227	$17,198	$20,185	$15,772

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

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized $
Year:	2018/19	2018/19	2016/17	2016/17	2016/17	2019
Edition:	11	10	11	11	11	11
Number of Rooms:	90 to 120	70 to 100	80 to 100	80 to 100	110 to 150	100
Days Open:	365	365	365	365	306	365
Occupancy:	79%	80%	91%	84%	78%	85%
Average Rate:	$120	$137	$117	$136	$149	$125
RevPAR:	$94	$110	$107	$115	$116	$107
REVENUE						
Rooms	$120.00	$137.14	$117.20	$136.41	$149.30	$125.43
Other Operated Departments	0.88	0.01	2.33	2.36	2.74	1.25
Miscellaneous Income	0.92	0.00	1.04	0.00	11.52	0.75
Total	121.80	137.15	120.57	138.78	163.56	127.43
DEPARTMENTAL EXPENSES						
Rooms	30.57	17.63	25.13	30.19	27.71	28.22
Other Operated Departments	0.58	0.00	0.79	0.65	1.23	0.63
Total	31.15	17.63	25.92	30.83	28.94	28.85
DEPARTMENTAL INCOME	90.65	119.52	94.66	107.94	134.63	98.58
UNDISTRIBUTED OPERATING EXPENSES						
Administrative & General	4.03	8.44	9.90	10.96	10.27	9.02
Info. and Telecom. Systems	0.93	0.00	1.67	1.81	1.70	1.29
Marketing	3.32	2.81	3.99	5.18	5.22	4.03
Franchise Fee	12.01	15.28	9.46	10.25	13.48	9.41
Property Operations & Maintenance	3.83	5.41	2.62	5.24	2.40	4.19
Utilities	2.96	4.00	5.02	4.29	4.50	3.87
Total	27.08	35.94	32.67	37.73	37.57	31.81
GROSS OPERATING PROFIT	63.58	83.58	61.99	70.21	97.05	66.78
Management Fee	3.60	4.80	0.00	4.16	4.91	3.82
INCOME BEFORE NON-OPER. INC. & EXP.	59.98	78.78	61.99	66.05	92.15	62.95
EBITDA LESS RESERVE	$55.79	$69.83	$57.72	$55.88	$85.00	$50.84

The departmental income of the comparable properties ranged from 74.4% to 87.1% of total revenue. The comparable properties achieved a gross operating profit ranging from 50.6% to 60.9% 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 1.0%, 2.0%, and 2.5% thereafter for each respective year following the base year of 2019. 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, 2023, expressed in inflated dollars for each year.

FIGURE 7-4 DETAILED FORECAST OF INCOME AND EXPENSE

	2023 (Calendar Year)				2024				Stabilized				2026				2027			
Number of Rooms:	100				100				100				100				100				
Occupancy:	73%				81%				85%				85%				85%				
Average Rate:	$131.69				$137.76				$142.63				$146.20				$149.85				
RevPAR:	$96.13				$111.59				$121.24				$124.27				$127.38				
Days Open:	365				365				365				365				365				
Occupied Rooms:	26,645	%Gross	PAR	POR	29,565	%Gross	PAR	POR	31,025	%Gross	PAR	POR	31,025	%Gross	PAR	POR	31,025	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	$3,509	98.2 %	$35,090	$131.69	$4,073	98.4 %	$40,730	$137.76	$4,425	98.4 %	$44,250	$142.63	$4,536	98.4 %	$45,360	$146.20	$4,649	98.4 %	$46,490	$149.85
Other Operated Departments	40	1.1	402	1.51	42	1.0	424	1.43	44	1.0	441	1.42	45	1.0	452	1.46	46	1.0	463	1.49
Miscellaneous Income	24	0.7	241	0.91	25	0.6	255	0.86	26	0.6	265	0.85	27	0.6	271	0.87	28	0.6	278	0.90
Total Operating Revenues	3,573	100.0	35,733	134.11	4,141	100.0	41,409	140.06	4,496	100.0	44,956	144.90	4,608	100.0	46,083	148.54	4,723	100.0	47,231	152.24
DEPARTMENTAL EXPENSES *																				
Rooms	894	25.5	8,942	33.56	953	23.4	9,531	32.24	996	22.5	9,957	32.09	1,021	22.5	10,206	32.89	1,046	22.5	10,461	33.72
Other Operated Departments	21	51.5	207	0.78	21	50.5	214	0.72	22	50.0	221	0.71	23	50.0	226	0.73	23	50.0	232	0.75
Total Expenses	915	25.6	9,149	34.34	975	23.5	9,745	32.96	1,018	22.6	10,177	32.80	1,043	22.6	10,432	33.62	1,069	22.6	10,692	34.46
DEPARTMENTAL INCOME	2,658	74.4	26,584	99.77	3,166	76.5	31,663	107.10	3,478	77.4	34,778	112.10	3,565	77.4	35,652	114.91	3,654	77.4	36,539	117.77
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	291	8.1	2,906	10.90	306	7.4	3,063	10.36	318	7.1	3,184	10.26	326	7.1	3,264	10.52	335	7.1	3,345	10.78
Info & Telecom Systems	42	1.2	415	1.56	44	1.1	438	1.48	45	1.0	455	1.47	47	1.0	466	1.50	48	1.0	478	1.54
Marketing	130	3.6	1,297	4.87	137	3.3	1,367	4.62	142	3.2	1,421	4.58	146	3.2	1,457	4.70	149	3.2	1,493	4.81
Franchise Fee	263	7.4	2,632	9.88	305	7.4	3,055	10.33	332	7.4	3,319	10.70	340	7.4	3,402	10.97	349	7.4	3,487	11.24
Prop. Operations & Maint.	101	2.8	1,012	3.80	128	3.1	1,280	4.33	148	3.3	1,478	4.76	152	3.3	1,515	4.88	155	3.3	1,553	5.01
Utilities	125	3.5	1,245	4.67	131	3.2	1,313	4.44	136	3.0	1,365	4.40	140	3.0	1,399	4.51	143	3.0	1,434	4.62
Total Expenses	951	26.6	9,507	35.68	1,052	25.5	10,515	35.57	1,122	25.0	11,222	36.17	1,150	25.0	11,503	37.08	1,179	25.0	11,790	38.00
GROSS OPERATING PROFIT	1,708	47.8	17,077	64.09	2,115	51.0	21,148	71.53	2,356	52.4	23,557	75.93	2,415	52.4	24,149	77.84	2,475	52.4	24,749	79.77
Management Fee	107	3.0	1,072	4.02	124	3.0	1,242	4.20	135	3.0	1,349	4.35	138	3.0	1,382	4.46	142	3.0	1,417	4.57
INCOME BEFORE NON-OPR. INC. & EXP.	1,601	44.8	16,005	60.07	1,991	48.0	19,906	67.33	2,221	49.4	22,208	71.58	2,277	49.4	22,766	73.38	2,333	49.4	23,332	75.20
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	189	5.3	1,889	7.09	193	4.7	1,927	6.52	197	4.4	1,965	6.33	200	4.3	2,004	6.46	204	4.3	2,045	6.59
Insurance	49	1.4	487	1.83	50	1.2	499	1.69	51	1.1	512	1.65	52	1.1	525	1.69	54	1.1	538	1.73
Total Expenses	238	6.7	2,376	8.92	243	5.9	2,426	8.21	248	5.5	2,477	7.98	253	5.4	2,529	8.15	258	5.4	2,582	8.32
EBITDA	1,363	38.1	13,630	51.15	1,748	42.1	17,480	59.12	1,973	43.9	19,731	63.60	2,024	44.0	20,237	65.23	2,075	44.0	20,750	66.88
Reserve for Replacement	71	2.0	715	2.68	124	3.0	1,242	4.20	180	4.0	1,798	5.80	184	4.0	1,843	5.94	189	4.0	1,889	6.09
EBITDA LESS RESERVE	$1,291	36.1 %	$12,915	$48.47	$1,624	39.1 %	$16,238	$54.92	$1,793	39.9 %	$17,933	$57.80	$1,839	40.0 %	$18,394	$59.29	$1,886	40.0 %	$18,861	$60.79

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

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

	2023		2024		2025		2026		2027		2028		2029		2030		2031		2032	
Number of Rooms:	100		100		100		100		100		100		100		100		100		100	
Occupied Rooms:	26,645		29,565		31,025		31,025		31,025		31,025		31,025		31,025		31,025		31,025	
Occupancy:	73%		81%		85%		85%		85%		85%		85%		85%		85%		85%	
Average Rate:	$131.69	% of	$137.76	% of	$142.63	% of	$146.20	% of	$149.85	% of	$153.60	% of	$157.44	% of	$161.38	% of	$165.41	% of	$169.55	% of
RevPAR:	$96.13	Gross	$111.59	Gross	$121.24	Gross	$124.27	Gross	$127.38	Gross	$130.56	Gross	$133.83	Gross	$137.17	Gross	$140.60	Gross	$144.11	Gross
OPERATING REVENUE																				
Rooms	$3,509	98.2 %	$4,073	98.4 %	$4,425	98.4 %	$4,536	98.4 %	$4,649	98.4 %	$4,765	98.4 %	$4,885	98.4 %	$5,007	98.4 %	$5,132	98.4 %	$5,260	98.4 %
Other Operated Departments	40	1.1	42	1.0	44	1.0	45	1.0	46	1.0	47	1.0	49	1.0	50	1.0	51	1.0	52	1.0
Miscellaneous Income	24	0.7	25	0.6	26	0.6	27	0.6	28	0.6	28	0.6	29	0.6	30	0.6	31	0.6	31	0.6
Total Operating Revenues	3,573	100.0	4,141	100.0	4,496	100.0	4,608	100.0	4,723	100.0	4,841	100.0	4,963	100.0	5,087	100.0	5,214	100.0	5,344	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	894	25.5	953	23.4	996	22.5	1,021	22.5	1,046	22.5	1,072	22.5	1,099	22.5	1,127	22.5	1,155	22.5	1,184	22.5
Other Operated Departments	21	51.5	21	50.5	22	50.0	23	50.0	23	50.0	24	50.0	24	50.0	25	50.0	26	50.0	26	50.0
Total Expenses	915	25.6	975	23.5	1,018	22.6	1,043	22.6	1,069	22.6	1,096	22.6	1,123	22.6	1,151	22.6	1,180	22.6	1,210	22.6
DEPARTMENTAL INCOME	2,658	74.4	3,166	76.5	3,478	77.4	3,565	77.4	3,654	77.4	3,745	77.4	3,840	77.4	3,935	77.4	4,034	77.4	4,134	77.4
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	291	8.1	306	7.4	318	7.1	326	7.1	335	7.1	343	7.1	351	7.1	360	7.1	369	7.1	378	7.1
Info & Telecom Systems	42	1.2	44	1.1	45	1.0	47	1.0	48	1.0	49	1.0	50	1.0	51	1.0	53	1.0	54	1.0
Marketing	130	3.6	137	3.3	142	3.2	146	3.2	149	3.2	153	3.2	157	3.2	161	3.2	165	3.2	169	3.2
Franchise Fee	263	7.4	305	7.4	332	7.4	340	7.4	349	7.4	357	7.4	366	7.4	376	7.4	385	7.4	395	7.4
Prop. Operations & Maint.	101	2.8	128	3.1	148	3.3	152	3.3	155	3.3	159	3.3	163	3.3	167	3.3	171	3.3	176	3.3
Utilities	125	3.5	131	3.2	136	3.0	140	3.0	143	3.0	147	3.0	151	3.0	154	3.0	158	3.0	162	3.0
Total Expenses	951	26.6	1,052	25.5	1,122	25.0	1,150	25.0	1,179	25.0	1,208	25.0	1,239	25.0	1,270	25.0	1,301	25.0	1,334	25.0
GROSS OPERATING PROFIT	1,708	47.8	2,115	51.0	2,356	52.4	2,415	52.4	2,475	52.4	2,537	52.4	2,601	52.4	2,666	52.4	2,732	52.4	2,800	52.4
Management Fee	107	3.0	124	3.0	135	3.0	138	3.0	142	3.0	145	3.0	149	3.0	153	3.0	156	3.0	160	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	1,601	44.8	1,991	48.0	2,221	49.4	2,277	49.4	2,333	49.4	2,391	49.4	2,452	49.4	2,513	49.4	2,576	49.4	2,640	49.4
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	189	5.3	193	4.7	197	4.4	200	4.3	204	4.3	209	4.3	213	4.3	217	4.3	221	4.2	226	4.2
Insurance	49	1.4	50	1.2	51	1.1	52	1.1	54	1.1	55	1.1	56	1.1	58	1.1	59	1.1	61	1.1
Total Expenses	238	6.7	243	5.9	248	5.5	253	5.4	258	5.4	264	5.4	269	5.4	275	5.4	281	5.3	287	5.3
EBITDA	1,363	38.1	1,748	42.1	1,973	43.9	2,024	44.0	2,075	44.0	2,128	44.0	2,183	44.0	2,238	44.0	2,295	44.1	2,353	44.1
Reserve for Replacement	71	2.0	124	3.0	180	4.0	184	4.0	189	4.0	194	4.0	199	4.0	203	4.0	209	4.0	214	4.0
EBITDA LESS RESERVE	$1,291	36.1 %	$1,624	39.1 %	$1,793	39.9 %	$1,839	40.0 %	$1,886	40.0 %	$1,934	40.0 %	$1,984	40.0 %	$2,035	40.0 %	$2,087	40.1 %	$2,140	40.1 %

The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take three years for the proposed subject hotel to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the proposed subject hotel's operating budget and comparable income and expense statements. The forecast is based upon calendar years beginning January 1, 2023, expressed in inflated dollars for each year.

Rooms Revenue

Rooms revenue is determined by two variables: occupancy and average rate. We projected occupancy and average rate in a previous section of this report. The proposed subject hotel is expected to stabilize at an occupancy level of 85% with an average rate of $142.63 in 2025. Following the stabilized year, the proposed subject hotel's average rate is projected to increase along with the underlying rate of inflation.

Other Operated Departments Revenue

According to the Uniform System of Accounts, other operated departments include any major or minor operated department other than rooms and food and beverage (F&B).

FIGURE 7-6   OTHER OPERATED DEPARTMENTS REVENUE

| | Comparable Operating Statements | | | | | Proposed Subject Property Forecast | |
	#1	#2	#3	#4	#5	2023	Deflated Stabilized
Percentage of Revenue	0.7 %	0.0 %	1.9 %	1.7 %	1.7 %	1.1 %	1.0 %
Per Available Room	$252	$3	$775	$727	$651	$402	$388
Per Occupied Room	$0.88	$0.01	$2.33	$2.36	$2.74	$1.51	$1.25

Miscellaneous Income

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

FIGURE 7-7   MISCELLANEOUS INCOME

| | Comparable Operating Statements | | | | | Proposed Subject Property Forecast | |
	#1	#2	#3	#4	#5	2023	Deflated Stabilized
Percentage of Revenue	0.8 %	0.0 %	0.9 %	0.0 %	7.0 %	0.7 %	0.6 %
Per Available Room	$265	$0	$347	$0	$2,737	$241	$233
Per Occupied Room	$0.92	$0.00	$1.04	$0.00	$11.52	$0.91	$0.75

Rooms Expense

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

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

FIGURE 7-8   ROOMS EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	**#2**	**#3**	**#4**	**#5**	**2023**	**Deflated Stabilized**
Percentage of Revenue	25.5 %	12.9 %	21.4 %	22.1 %	18.6 %	25.5 %	22.5 %
Per Available Room	$8,772	$5,155	$8,370	$9,290	$6,580	$8,942	$8,756
Per Occupied Room	$30.57	$17.63	$25.13	$30.19	$27.71	$33.56	$28.22

Other Operated Departments Expense

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

FIGURE 7-9   OTHER OPERATED DEPARTMENTS EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	**#2**	**#3**	**#4**	**#5**	**2023**	**Deflated Stabilized**
Percentage of Revenue	66.2 %	0.0 %	33.9 %	27.5 %	44.8 %	51.5 %	50.0 %
Per Available Room	$167	$0	$263	$200	$291	$207	$194
Per Occupied Room	$0.58	$0.00	$0.79	$0.65	$1.23	$0.78	$0.63

Administrative and General Expense

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

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

FIGURE 7-10   ADMINISTRATIVE AND GENERAL EXPENSE

| | Comparable Operating Statements | | | | | Proposed Subject Property Forecast | |
	#1	#2	#3	#4	#5	2023	Deflated Stabilized
Percentage of Revenue	3.3 %	6.2 %	8.2 %	7.9 %	6.3 %	8.1 %	7.1 %
Per Available Room	$1,156	$2,468	$3,299	$3,372	$2,439	$2,906	$2,800
Per Occupied Room	$4.03	$8.44	$9.90	$10.96	$10.27	$10.90	$9.02

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 benefiting from the technology solution.

Marketing Expense

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

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

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

FIGURE 7-11   MARKETING EXPENSE

| | Comparable Operating Statements | | | | | Proposed Subject Property Forecast | |
	#1	#2	#3	#4	#5	2023	Deflated Stabilized
Percentage of Revenue	2.7 %	2.1 %	3.3 %	3.7 %	3.2 %	3.6 %	3.2 %
Per Available Room	$953	$823	$1,328	$1,595	$1,240	$1,297	$1,250
Per Occupied Room	$3.32	$2.81	$3.99	$5.18	$5.22	$4.87	$4.03

Franchise Fee

As previously discussed, the proposed subject property is expected to be franchised under the TownePlace Suites by Marriott brand. Costs associated with this franchise are summarized in the introductory chapter in this report.

Marketing expense and franchise fees are often analyzed in total because hotels may account for some components of franchise expense in the marketing expense category. The subject property's total marketing and franchise expense has been forecast at 10.6% of total revenue on a stabilized basis; the comparable operating statements show a range from 11.1% to 13.2% of total revenue.

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, the expenditure has not been eliminated, only deferred until a later date. A lodging facility that operates with a lower-than-normal maintenance budget is likely to accumulate a considerable amount of deferred maintenance.

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

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

FIGURE 7-12   PROPERTY OPERATIONS AND MAINTENANCE EXPENSE

| | Comparable Operating Statements | | | | | Proposed Subject Property Forecast | |
	#1	#2	#3	#4	#5	2023	Deflated Stabilized
Percentage of Revenue	3.1 %	3.9 %	2.2 %	3.8 %	1.5 %	2.8 %	3.3 %
Per Available Room	$1,099	$1,581	$874	$1,611	$570	$1,012	$1,300
Per Occupied Room	$3.83	$5.41	$2.62	$5.24	$2.40	$3.80	$4.19

Utilities Expense

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

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

FIGURE 7-13   UTILITIES EXPENSE

| | Comparable Operating Statements | | | | | Proposed Subject Property Forecast | |
	#1	#2	#3	#4	#5	2023	Deflated Stabilized
Percentage of Revenue	2.4 %	2.9 %	4.2 %	3.1 %	2.7 %	3.5 %	3.0 %
Per Available Room	$848	$1,169	$1,671	$1,322	$1,068	$1,245	$1,200
Per Occupied Room	$2.96	$4.00	$5.02	$4.29	$4.50	$4.67	$3.87

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

Real estate in the state of California is assessed at 100% of market value upon the sale, expansion, or new construction of a property. Once established, the assessed value of a property can increase by no more than 2.0% per year, according to state law. A reassessment is triggered by the sale, expansion, or improvement of a property. Because this analysis is predicated upon a hypothetical sale, we have calculated the first year's property tax burden based on the estimated fee-simple market value of the subject property determined by our analysis. Real and personal property are taxed at the same rate. Property taxes are "stepped up" upon the assumed sale of the hotel at the end of the tenth year by loading the terminal capitalization rate with the tax rate.

FIGURE 7-14 HISTORIC SUBJECT PROPERTY TAX BURDEN (BASE YEAR)

	Real Property			
	Assessed Value			
Year	Land	Improvements	Real Property Total	Percent Change
2018	1,093,000	6,691,220	7,784,220	— %
2019	1,114,860	6,822,918	7,937,778	2.0

Source: San Bernardino Assessor's Office

In most states, the comparison of a hotel's assessed value with that of comparable hotels in the same taxing jurisdiction can provide insight into whether or not the property is fairly assessed. The assessed value of the land and improvements is divided by the hotel's number of rooms to provide a unit of comparison with other hotels. This is a useful tool in most states, where properties are periodically reassessed to market value. However, in California, the comparison of assessed values is generally irrelevant due to Proposition 13, enacted in 1978, which removed the relationship between a property's assessed value and its market value. Under Proposition 13, a property is reassessed upon sale to market value, which is generally presumed to be the sales price; thereafter, the assessed value is increased at a maximum of 2% per year. Trends in appreciation and depreciation caused by market fluctuations are not reflected in a property's assessed value in California, unless there is a sales transaction. Thus, comparable hotels in California can have markedly different assessed values, depending upon when the last sales transaction occurred. For this reason, we have not researched the assessed values of

comparable hotels to assess the reasonableness of the subject property's assessed value. The following table details the subject property's assessment history.

The proposed hotel will be subject to various special assessments, including those related to the Victorville water and sewer standby charges, as well as those related to the Mojave water bond #1 and bond #2 debt.

Tax rates are based on the city and county budgets, which change annually. The most recent tax rate in this jurisdiction was reported at 1.15590%. The following table shows changes in the tax rate during the last several years.

FIGURE 7-15   COUNTY TAX RATES

Year	Real Property Tax Rate	Personal Property Tax Rate
2020	1.15590	1.15590

Source: San Bernardino Assessor's Office

Based on state law and the current tax rate, the proposed subject property's projected property tax expense levels are calculated as follows.

FIGURE 7-16   SUBJECT PROPERTY TAX CALCULATION

Estimated Market Value of		Tax Rate	First Year's
$16,300,000	x	1.1559%	$188,412

Tax payments are due twice yearly. We estimate that property taxes for the Proposed Hotel Victorville will equal approximately $188,412 in the first forecast year of our projection period, increasing by 2.0% annually thereafter, the maximum allowed by state law

Insurance Expense

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

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

FIGURE 7-17   INSURANCE EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	**#2**	**#3**	**#4**	**#5**	**2023**	**Deflated Stabilized**
Percentage of Revenue	0.5 %	1.3 %	0.4 %	0.9 %	1.7 %	1.4 %	1.1 %
Per Available Room	$171	$528	$180	$401	$679	$487	$450
Per Occupied Room	$0.60	$1.81	$0.54	$1.30	$2.86	$1.83	$1.45

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.

Based upon the results of our analysis, our review of the proposed subject asset, and current industry norms, a reserve for replacement equal to 4% of total revenues has been factored into our forecast of revenue and expense for funding the periodic

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

replacement of the proposed subject property's furniture, fixtures, and equipment. This amount has been ramped up during the initial projection period.

Forecast of Revenue and Expense Conclusion

Projected total revenue, gross operating profit, and EBITDA Less Replacement Reserve are set forth in the following table.

FIGURE 7-18   FORECAST OF REVENUE AND EXPENSE CONCLUSION

	Year	Total Revenue Total	% Change	Gross Operating Profit Total	% Change	House Profit Ratio	EBITDA Less Replacement Reserve Total	% Change	As a % of Ttl Rev
Projected	2023	$3,573,000	—	$1,708,000	—	47.8 %	$1,291,000	—	36.1 %
	2024	4,141,000	15.9 %	2,115,000	23.8 %	51.0	1,624,000	25.8 %	39.1
	2025	4,496,000	8.6	2,356,000	11.4	52.4	1,793,000	10.4	39.9
	2026	4,608,000	2.5	2,415,000	2.5	52.4	1,839,000	2.6	40.0
	2027	4,723,000	2.5	2,475,000	2.5	52.4	1,886,000	2.6	40.0

8.   Feasibility Analysis

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

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

Construction Cost Estimate

A detailed construction budget was not provided by the developer at the time of this report. As such, we have developed our own estimate of the total development costs, which includes hard costs, FF&E, soft costs, pre-opening costs, and working capital. Our development cost estimate is supported by reported costs of comparable projects and the annual HVS Development Cost Survey. We recommend that the development team obtain a more detailed development cost estimate from actual construction companies. It is also advised that developers consult more than one source in their hotel development process to more accurately assess the true cost of development.

FIGURE 8-1   HVS COST ESTIMATE

Item	Cost per Room	Cost
Building	$100,000	$10,000,000
Soft Costs	10,000	1,000,000
Furniture, Fixtures, & Equipment	20,000	2,000,000
Pre-Opening Costs & Working Capital	2,500	250,000
Land	9,000	900,000
Entrepreneurial Incentive	21,225	2,122,500
Total Cost New Estimate (Rounded)	**$163,000**	**$16,300,000**

Mortgage Component

Hotel financing remains available for most tiers of the lodging industry from select lender types, as the near-term uncertainty and rapidly changing effects of COVID-19 have caused some lenders to limit or pause lending in the hospitality sector. The commercial mortgage back security (CMBS) market has experienced disruption from the recent drop in interest rates, as well as the economic crisis. While CMBS debt is largely unavailable to hotel owners, other sources of financing, including regional banks and life insurance companies, reportedly remain active. For those sources of debt that remain available, underwriting standards are more stringent than several years ago, and loan-to-value ratios have moderated to the 50% to 65% range.

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

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

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

FIGURE 8-2   AVERAGE MORTGAGE INTEREST RATES AND AVERAGE-A CORPORATE BOND YIELDS
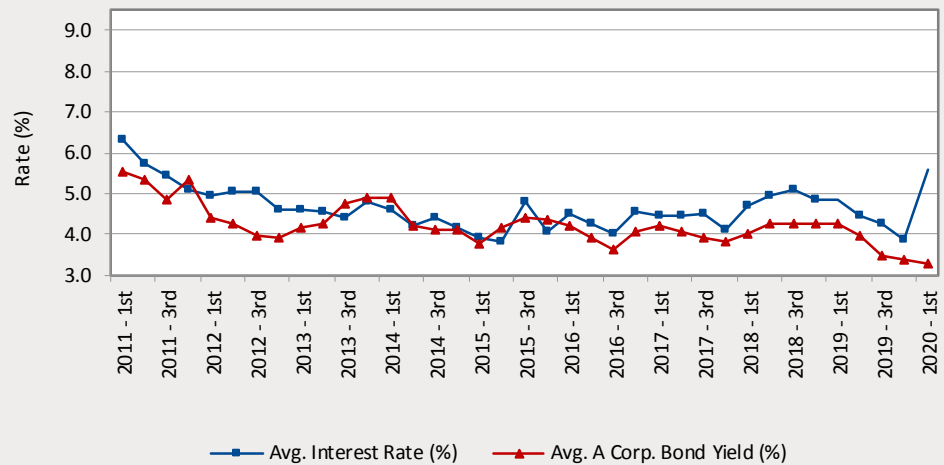
Sources: American Council of Life Insurance, Moody's Bond Record, HVS

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.

$$Y = 0.95165343\,X + 0.81443286$$

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

The November 19, 2020, average yield on average-A corporate bonds, as reported by Moody's Investors Service, was 2.76%. When used in the previously presented equation, a factor of 2.76 produces an estimated hotel/motel interest rate of 3.44% (rounded).

Financing for hotel debt is available at relatively low rates from select lender types. The most prevalent interest rates for single hotel assets are currently ranging from 3.0% to 5.5%, 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 300 to 500 basis points over the corresponding yield on treasury notes. As of November 19, 2020, the yield on the ten-year T-bill was 0.87%, indicating an interest rate range from 3.9% to 5.9%. The federal funds rate peaked most recently at 2.25% to 2.5% in December 2018, after three 25-basis-point increases by the Fed that year in response to the strength of the economy. Subsequently, in 2019, concern about the trade war and a slowing economy led the Fed to reduce rates three times from August through October 2019 to a target rate of 1.5% to 1.75%. The rate remained at this level until March 3, 2020, at which point the Fed cut the target rate by a full 50 bps to 1.0% to 1.25%, the first time the agency has instituted an emergency rate cut since 2008. This was followed up by a cut to the benchmark interest rate all the way to 0% on March 16. The Fed instituted these rate cuts to address the growing economic impact from COVID-19. Furthermore, on March 23, the Federal Reserve pledged to maintain liquidity in debt markets by purchasing as many government and corporate-backed bonds, as necessary. Lower interest rates bode well for the cost of debt capital for hotel investors during this period of uncertainty, although most lenders are increasing the spreads to offset the decline in the federal funds rate and to account for elevated levels of risk. Slowing RevPAR growth and rising operating expenses continue to put pressure on NOI growth, moderating equity yields. At present, we find that lenders remaining active in the market are using loan-to-value ratios of 50% to 65% and amortization periods of 20 to 30 years. Loan-to-value ratios have declined since February 2020, as lenders seek to minimize risk during this period of economic uncertainty.

Based on our analysis of the current lodging industry mortgage market and adjustments for specific factors, such as the property's site, proposed facility, and conditions in the Victorville hotel market, it is our opinion that a 4.50% interest, 25-year amortization mortgage with a 0.066700 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 estimate of the equity yield rate that a typical investor would require, we have used two sources of data: past appraisals and investor interviews.

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

FIGURE 8-3   SAMPLE OF HOTELS SOLD

Hotel	Location	Number of Rooms	Date of Sale	Total Property Yield	Equity Yield	Overall Rate Based on Sales Price	
						Historical Year	Projected Year One
Holiday Inn Casa Grande	Casa Grande, AZ	176	Jan-20	11.6 %	20.0 %	13.5 %	8.0 %
Marriott Griffin Gate Resort & Spa	Lexington, KY	409	Dec-19	11.0	19.3	11.7	9.3
Monarch Beach Resort	Dana Point, CA	400	Nov-19	8.1	14.9	5.5	5.3
Hilton Crystal City	Arlington, VA	393	Nov-19	10.6	18.3	6.3	8.3
Grand Hyatt Denver	Denver, CO	516	Sep-19	10.8	20.4	8.4	8.6
Kimpton Ink48 Hotel New York	New York, NY	222	Sep-19	10.6	16.6	2.4	3.6
Hyatt Regency Atlanta	Atlanta, GA	1,260	Sep-19	10.4	17.8	8.4	8.3
Hotel @ Fifth Avenue	New York, NY	182	Aug-19	10.1	15.1	1.7	5.5
Club Quarters Hotel Times Square	New York, NY	170	Aug-19	8.5	12.8	5.0	5.2
Irvine Marriott	Irvine, CA	496	Jul-19	9.4	15.8	7.2	7.2
Westin Tampa Bay	Tampa, FL	244	Jul-19	10.6	18.6	6.3	7.7
Westchester Marriott	Tarrytown, NY	444	Mar-19	11.3	19.2	7.1	7.7
Renaissance Cruise Port Hotel	Fort Lauderdale, FL	236	Mar-19	10.3	16.8	7.5	8.9
Marriott Mission Valley	San Diego, CA	353	Mar-19	10.4	16.9	8.2	7.8
Halcyon a Hotel in Cherry Creek	Denver, CO	154	Mar-19	9.6	16.7	4.0	6.3
Raleigh Hotel	Miami Beach, FL	105	Feb-19	10.4	16.3	–	4.0
Embassy Suites by Hilton	New York, NY	310	Jan-19	7.6	10.8	–	–
Snow King Resort	Jackson, WY	203	Dec-18	10.0	16.5	6.7	7.1
DoubleTree by Hilton Hotel	Westminster, CO	186	Dec-18	11.5	19.7	6.8	9.3
Topnotch at Stowe Resort & Spa	Stowe, VT	68	Dec-18	9.4	14.9	6.1	7.1
Cavallo Point Lodge	Sausalito, CA	142	Dec-18	9.0	15.2	5.8	6.1
Grand Hotel	Minneapolis, MN	140	Dec-18	10.1	16.2	10.5	8.3
Sheraton Suites	Wilmington, DE	223	Nov-18	11.3	20.3	11.0	11.5
Ritz-Carlton	Kapalua, HI	458	Oct-18	9.7	15.6	3.8	6.7
Embassy Suites by Hilton	Williamsburg, VA	161	Jul-18	10.7	19.4	6.5	8.0
Hilton Washington DC North	Gaithersburg, MD	301	Jul-18	12.5	20.6	6.5	8.0
Embassy Suites by Hilton	Napa, CA	205	Jul-18	8.1	12.2	6.5	6.0
Atlantic Terrace	Montauk, NY	96	Jul-18	10.0	16.1	4.5	5.2
Hyatt Centric	Santa Barbara, CA	200	Jul-18	9.6	15.3	5.5	5.8
Holiday Inn Hotel & Suites	Mesa, AZ	246	Jun-18	10.6	17.9	7.4	9.4
Waldorf Astoria Biltmore	Phoenix, AZ	606	Apr-18	9.5	15.9	6.8	7.0
Waldorf Astoria Grand Wailea	Wailea, HI	776	Apr-18	8.9	14.5	5.2	5.5
Embassy Suites by Hilton	Indianapolis, IN	221	Feb-18	10.9	18.9	8.0	9.1
Westin Tysons Corner	Falls Church, VA	407	Feb-18	10.4	18.1	8.3	8.7
DoubleTree University Area	Minneapolis, MN	140	Feb-18	9.7	17.0	—	7.7
Mystic Hotel Union Square	San Francisco, CA	82	Jan-18	8.9	15.2	6.2	6.4
DoubleTree Guest Suites	Tampa, FL	203	Jan-18	11.1	18.3	8.8	7.6
Sheraton Suites	Plantation, FL	263	Jan-18	12.5	21.2	7.4	9.1
			Min:	7.6 %	10.8 %	1.7 %	3.6 %
			Mean:	10.1	17.0	6.9	7.3
			Median:	10.4	16.8	6.7	7.7
			Max:	12.5	21.2	13.5	11.5

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 mid-to-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; thus, the full effect of the change in the economy and capital markets may not yet be reflected.

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

	Pre-COVID		Current	
Source	Data Point Range	Average	Data Point Range	Average
HVS Hotel Sales - Full-Service & Luxury	10.8% - 21.2%	17.0%	—	—
HVS Hotel Sales - Select-Service & Extended-Stay	12.7% - 22.9%	18.5%	—	—
HVS Hotel Sales - Limited-Service	17% - 24.6%	19.7%	—	—
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 a typical equity investor would anticipate a 19.0% internal rate of return over a ten-year holding period, assuming that the investor obtains financing at the time of the project's completion at the loan-to-cost ratio and interest rate set forth.

Terminal Capitalization Rate

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

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

FIGURE 8-5   HISTORICAL TRENDS OF TERMINAL CAPITALIZATION RATES
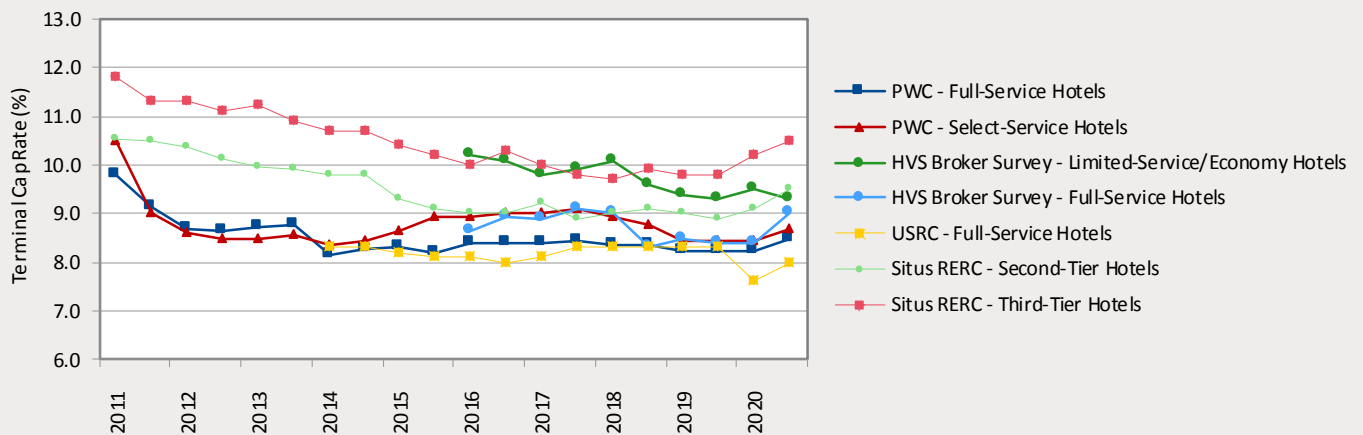
FIGURE 8-6   TERMINAL CAPITALIZATION RATES DERIVED FROM INVESTOR SURVEYS

Source	Pre-COVID		Current	
	Data Point Range	Average	Data Point Range	Average
HVS Brokers Survey	*Spring 2020 Survey*		*Fall 2020 Survey*	
Full-Service Hotels	5.5% - 11.0%	8.4%	7.5% - 13.0%	9.0%
Limited-Service & Economy Hotels	6.5% - 12.0%	9.5%	8.0% - 11.0%	9.3%
PWC Real Estate Investor Survey	*1st Quarter 2020 Survey*		*3rd Quarter 2020 Survey*	
Select-Service Hotels	7.0% - 10.0%	8.4%	7.0% - 10.5%	8.7%
Full-Service Hotels	7.0% - 10.0%	8.3%	7.0% - 10.0%	8.5%
USRC Hotel Investment Survey	*Winter 2020 Survey*		*Mid-Year 2020 Survey*	
Full-Service Hotels	5.5% - 8.5%	7.6%	7.0% - 10.5%	8.0%
Situs RERC Real Estate Report	*1st Quarter 2020 Report*		*2nd Quarter 2020 Report*	
Second Tier Hotels	7.3% - 11.5%	9.1%	7.5% - 12.0%	9.5%
Third Tier Hotels	8.0% - 12.0%	10.2%	7.8% - 15.0%	10.5%

For purposes of this analysis, we have applied a terminal capitalization rate of 9.00%. Our final position for the terminal capitalization rate reflects the current

market for hotel investments and also considers the subject property's attributes. Terminal capitalization rates, in general, have remained stable over the past few years. Terminal cap rates are at the low end of the range for quality hotel assets in markets with high barriers to entry and at the high end of the range for older assets or for those suffering from functional obsolescence and/or weak market conditions, reflecting the market's recognition that certain assets have less opportunity for significant appreciation.

Mortgage-Equity Method

As the two participants in a real estate investment, investors and lenders must evaluate their equity and debt contributions based on their particular return requirements. After carefully weighing the risk associated with the projected economic benefits of a lodging investment, the participants will typically make their decision whether or not to invest in a hotel or resort by determining if their investment will provide an adequate yield over an established period. For the lender, this yield will typically reflect the interest rate required for a hotel mortgage over a period that 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	$10,622,000
Mortgage Constant	0.066700
Annual Debt Service	$708,000

The yield to the lender based on a 65% debt contribution equates to an interest rate of 4.50%, which is calculated as follows.

FIGURE 8-7   RETURN TO THE LENDER

Year	Total Annual Debt Service		Present Worth of $1 Factor at 4.4%		Discounted Cash Flow
2023	$708,000	x	0.957541	=	$678,000
2024	708,000	x	0.916885	=	649,000
2025	708,000	x	0.877956	=	622,000
2026	708,000	x	0.840679	=	595,000
2027	708,000	x	0.804985	=	570,000
2028	708,000	x	0.770806	=	546,000
2029	708,000	x	0.738079	=	523,000
2030	708,000	x	0.706741	=	500,000
2031	708,000	x	0.676733	=	479,000
2032	8,426,000 *	x	0.648000	=	5,460,000
			Value of Mortgage Component		$10,622,000

*10th year debt service of $708,000 plus outstanding mortgage balance of $7,718,000

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

FIGURE 8-8   NET INCOME TO EQUITY

Year	Net Income Available for Debt Service		Total Annual Debt Service		Net Income to Equity
2023	$1,291,000	-	$708,000	=	$583,000
2024	$1,624,000	-	708,000	=	$916,000
2025	$1,793,000	-	708,000	=	$1,085,000
2026	$1,839,000	-	708,000	=	$1,131,000
2027	$1,886,000	-	708,000	=	$1,178,000
2028	$1,934,000	-	708,000	=	$1,226,000
2029	$1,984,000	-	708,000	=	$1,276,000
2030	$2,035,000	-	708,000	=	$1,327,000
2031	$2,087,000	-	708,000	=	$1,379,000
2032	$2,140,000	-	708,000	=	$1,432,000

In order for the present value of the equity investment to equate to the $5,719,000 capital outlay, the investor must accept a 23.4% return, as shown in the following table.

FIGURE 8-9   EQUITY COMPONENT YIELD

Year	Net Income to Equity		Present Worth of $1 Factor at 23.4%		Discounted Cash Flow
2023	$583,000	x	0.810335	=	$472,000
2024	$916,000	x	0.656643	=	601,000
2025	$1,085,000	x	0.532101	=	577,000
2026	$1,131,000	x	0.431180	=	488,000
2027	$1,178,000	x	0.349400	=	412,000
2028	$1,226,000	x	0.283131	=	347,000
2029	$1,276,000	x	0.229431	=	293,000
2030	$1,327,000	x	0.185916	=	247,000
2031	$1,379,000	x	0.150654	=	208,000
2032	$16,990,000 *	x	0.122081	=	2,074,000
			Value of Equity Component		$5,719,000

*10th year net income to equity of $1,431,554 plus sales proceeds of $15,558,000

Conclusion

In determining the potential feasibility of the Proposed Hotel Victorville, 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 $5,719,000 (roughly 35% of the $16,300,000 development cost) could expect to receive a 23.4% 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 bring a strongly branded product to the city of Victorville, while catering to the growing extended-stay demand segment within the greater market. Based on our market analysis, there is sufficient market support for the proposed TownePlace Suites by Marriott (or similar) hotel that we have recommended in this study. Our conclusions are based primarily on the long-term strength of this market given the ongoing development related to the aerospace, logistics and transportation, and warehousing/distribution industries. Our review of investor surveys indicates equity returns ranging from 12.7% to 22.9%, with an average of 18.5%. Based on these parameters, the calculated return to the equity investor, 23.4%, is well above the average and the range of market-level returns given the estimated cost of $16,300,000. We note that the calculated return is based upon the cost estimated by HVS, which includes the entrepreneurial incentive.

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

9. Statement of Assumptions and Limiting Conditions

1. This report is set forth as a feasibility study of the proposed subject hotel; this is not an appraisal report.

2. This report is to be used in whole and not in part.

3. No responsibility is assumed for matters of a legal nature, nor do we render any opinion as to title, which is assumed marketable and free of any deed restrictions and easements. The property is evaluated as though free and clear unless otherwise stated.

4. We assume that there are no hidden or unapparent conditions of the sub-soil or structures, such as underground storage tanks, that would affect the property's development potential. No responsibility is assumed for these conditions or for any engineering that may be required to discover them.

5. We have not considered the presence of potentially hazardous materials or any form of toxic waste on the project site. We are not qualified to detect hazardous substances and urge the client to retain an expert in this field if desired.

6. The Americans with Disabilities Act (ADA) became effective on January 26, 1992. We have assumed the proposed hotel would be designed and constructed to be in full compliance with the ADA.

7. We have made no survey of the site, and we assume no responsibility in connection with such matters. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the described real estate will be within the boundaries of the property described, and that no encroachment will exist.

8. All information, financial operating statements, estimates, and opinions obtained from parties not employed by TS Worldwide, LLC are assumed true and correct. We can assume no liability resulting from misinformation.

9. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject site.

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 Servicetax code provisions as stated or interpreted on either the date of value or the date of our field inspection, whichever occurs first.

19. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded to the nearest tenth of a percent. Thus, these figures may be subject to small rounding errors.

20. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client; the use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.

21. Evaluating and comprising financial forecasts for hotels is both a science and an art. Although this analysis employs various mathematical calculations to provide value indications, the final forecasts are subjective and may be influenced by our experience and other factors not specifically set forth in this report.

22. This study was prepared by TS Worldwide, LLC. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of TS Worldwide, LLC as employees, rather than as individuals.

10. Certification

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

1. the statements of fact presented in this report are true and correct;

2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;

3. we have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;

4. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;

5. our engagement in this assignment was not contingent upon developing or reporting predetermined results;

6. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined result or direction in performance that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this study;

7. our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;

8. Michael B. Evans personally inspected the property described in this report; Adam R. Lair, MAI, MRICS participated in the analysis and reviewed the findings, but did not personally inspect the property;

9. Michael B. Evans provided significant assistance to Adam R. Lair, MAI, MRICS, 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;

10. Adam R. Lair, MAI, MRICS, 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;

11. 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;

12.   the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and

13.   as of the date of this report, Adam R. Lair, MAI, MRICS, has completed the continuing education program for Designated Members of the Appraisal Institute.

Adam R. Lair, MAI, MRICS
Managing Director, Senior Partner
TS Worldwide, LLC
State Appraiser License (CA) 3003928

Adam Lair, MAI, MRICS

EMPLOYMENT

2011 to present   HVS CONSULTING AND VALUATION SERVICES
Atlanta, Georgia

2007 – 2011   AXIA VALUATION
New Orleans, Louisiana

EDUCATION AND OTHER TRAINING   BA – Louisiana State University

Litigation Professional Development Program, Appraisal Institute

Other Specialized Training Classes Completed:
National USPAP Course – 15 hours
Basic Appraisal Principles – 30 hours
Basic Appraisal Procedures – 30 hours
Real Estate Finance, Statistics, Valuation Modeling – 15 hours
General Appraiser Market Analysis and Highest & Best Use – 30 hours
General Appraiser Sales Comparison Approach – 30 hours
General Appraiser Site Valuation and Cost Approach – 30 hours
General Appraiser Income Approach (Parts I and II) – 60 hours
General Appraiser Report Writing and Case Studies – 30 hours
Advanced Sales Comparison and Cost Approaches – 40 hours
Business Practices and Ethics – 7 hours
Advanced Concepts and Case Studies – 40 hours
Advanced Income Capitalization – 40 hours
Business Ethics – 5 hours
Supervisor Trainee – 4 hours
Florida Law Class – 3 hours
REO and Foreclosures – 5 hours
Basic Hotel Appraising – 7 hours
California Law Class – 4 hours
Nevada Law Class – 3 hours
Advanced Hotel Appraising – 7 hours

EDUCATION AND OTHER TRAINING (CONT'D)	Risky Business – 5 hours
	Mortgage Fraud – Protect Yourself – 7 hours
	Even Odder – More Oddball Appraisals – 7 hours
	Appraiser as an Expert Witness – 15 hours
	Litigation Appraising – Specialized Topics – 15 hours
	Condemnation Appraising – 21 hours
	Appraisal of Ground Lease – 7 hours
	Market Analysis & Highest & Best Use – 28 hours
	Biennial USPAP Updates
STATE CERTIFICATIONS	Alabama, Arizona, California, Florida, Georgia, Hawaii, Louisiana, Mississippi, Nevada, North Carolina, Oregon, South Carolina, Tennessee, Texas
PROFESSIONAL AFFILIATIONS & MEMBERSHIPS	Appraisal Institute – Designated Member (MAI)
	Royal Institution of Chartered Surveyors – Chartered Member (MRICS)
	Americas Lodging Investment Summit (ALIS) Planning Committee, 2017, 2018, 2019
	ALIS Development of the Year Nominating Committee, 2019, 2020, 2021
SPEAKING AND LECTURE APPEARANCES	The Lodging Conference 2019 – *Industry Overview, Hotel Market Insight Think Tank*
	California Lodging Investment Conference (CLIC), 2019 – *Hotel Brand Panel (Moderator)*
	The Lodging Conference 2018 – *Industry Overview, Hotel Market Insight Think Tank*
	The Lodging Conference 2017 – *Industry Overview, Hotel Market Insight Think Tank*
	Trigild Lender Conference 2017 – *Property Update: Hotels*
	Bisnow BLIS West 2017 – *The Future of Hotel Development*
	Southern California 14th Chief Appraisers Meeting (2016) – *Hospitality Loan Appraisals – Assessing Real Risk*
	The Lodging Conference 2016 – *Industry Overview, Hotel Market Insight Think Tank*
	HP Hotels National Convention 2016 – *Industry Beat Panel*
	Fishing for Solutions Conference 2016 – *Hotel Valuation Update*
	The Lodging Conference 2015 – *Industry Overview, Hotel Market Insight Think Tank*

PUBLISHED ARTICLES

HVS Journal	"How Many Rooms Is Too Many?: Per-capita Demand and the Hotel Cycle," September 2019
HVS Journal	"HVS Market Pulse: Memphis – Rehabilitation, Revitalization, and Restoration," co-authored with Bunmi Adeboye, April 2019
HVS Journal	"In Focus: New Orleans, LA," October 2016
HVS Journal	"Five Key Takeaways – The Lodging Conference 2015," co-authored with Brett Russell and Ryan Wall, October 2015
HVS Journal	"In Focus: 2014 HVS Greater New Orleans Lodging Report," September 2014
HVS Journal	"Market Intelligence Report: 2013 New Orleans," August 2013
HVS Journal	"HVS Hotel Market Intelligence Report: New Orleans, Louisiana," January 2012

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED

PORTFOLIO ANALYSIS
Alliance Bank of AZ Portfolio of 9, Various Locations
Ashford Portfolio Valuation, Various Locations
Deutsche Bank Portfolio of 106, Various Locations
GE Franchise Finance Portfolio of 5, Georgia and South Carolina
GE Franchise Finance Portfolio of 10, Various Locations
GE Franchise Finance Portfolio of 7, Various Locations
JPMorgan Chase Portfolio of 18, Various Locations

ALABAMA
Holiday Inn Express, Auburn
Comfort Inn & Suites, Birmingham
Empire Hotel Autograph Collection, Birmingham
Hilton, Birmingham
Proposed Hotel, Birmingham
Best Western Daphne
Proposed Hotel, Fairhope
City Lodge, Florence
Best Western, Gadsden
Country Inn & Suites, Homewood
Homewood Suites, Huntsville
Proposed Holiday Inn Express & Suites, Huntsville
Admiral Semmes Hotel, Mobile
Ashbury Hotel Conversion, Mobile
Comfort Inn, Mobile
Homewood Suites, Mobile
La Quinta Inn & Suites, Mobile
Proposed Tru by Hilton, Mobile
Best Western, Montgomery
Holiday Inn Express Auburn Opelika, Opelika
Proposed Hotel Village Tannin, Orange Beach
Proposed Courtyard, Phenix City
Quality Inn, Phenix City

Super 8, Rainsville
Days Inn, Saraland

ALASKA
Courtyard by Marriott Anchorage Airport, Anchorage
Residence Inn by Marriott Anchorage Midtown, Anchorage
SpringHill Suites by Marriott Anchorage Midtown, Anchorage
SpringHill Suites by Marriott Anchorage University Lake, Anchorage

ARIZONA

Hilton Garden Inn, Avondale
Homewood Suites by Hilton, Avondale
Home2 Suites by Hilton Phoenix Chandler, Chandler
Proposed Holiday Inn Express Gilbert, Gilbert
Holiday Inn Express Phoenix Glendale, Glendale
Staybridge Suites Phoenix Glendale, Glendale
Crowne Plaza Phoenix Airport PHX, Phoenix
Proposed Fairfield Inn & Suites, Phoenix
Hilton Phoenix Airport, Phoenix
Holiday Inn & Suites Phoenix Airport North, Phoenix
Hotel San Carlos, Phoenix
Marriott Phoenix Airport, Phoenix
Proposed AC Hotel Marriott Phoenix Downtown, Phoenix
Proposed Hotel Phoenix, Phoenix
Courtyard by Marriott Scottsdale Old Town, Scottsdale
Hampton Inn, Surprise
Hampton Inn & Suites Tempe Phoenix Airport, Tempe
Aloft Tucson University, Tucson
Downtown Clifton Hotel, Tucson
Palm Inn, Yuma

ARKANSAS
Candlewood Suites Rogers Bentonville, Bentonville
TownePlace Suites by Marriott Bentonville, Bentonville
Proposed Hotel Indigo, El Dorado
Candlewood Suites, Little Rock

CALIFORNIA
Hilton, Anaheim
Hotel Menage, Anaheim
Proposed Hotel Platinum Triangle, Anaheim
Sheraton Park Hotel, Anaheim
Proposed Limited-Service Hotel Anderson, Anderson
Proposed Hotel Antioch, Antioch
Quality Inn, Arcata
Hotel Metropole, Avalon
Claremont Club & Spa a Fairmont Hotel, Berkeley
Embassy Suites, Brea
Proposed Hampton Inn, Brea
Proposed Hilton Garden Inn, Burbank
Carmel Resort Inn, Carmel
Proposed Staybridge Suites Cathedral City, Cathedral City
Staybridge Suites Cathedral City Golf Resort, Cathedral City
Sheraton, Cerritos
Radisson, Chatsworth
Proposed Holiday Inn Express, Chico
Proposed TownePlace Suites by Marriott, Chino Hills
Howard Johnson Inn & Suites, Chula Vista
Proposed WoodSpring Suites, Chula Vista
Proposed Hotel Clovis, Clovis
Proposed WoodSpring Suites Fresno-Clovis, Clovis
The GlenRoy, Coachella
Hyatt House Coachella, Coachella
Marriott Laguna Cliffs Resort & Spa, Dana Point
Proposed Five-Star Hotel at the Strand at Headlands, Dana Point

Proposed Four-Star Hotel at the Strand at Headlands, Dana Point
Proposed Luxury Hotel, Dana Point
Hallmark Inn UC Davis, Davis
Proposed Residence Inn by Marriott, Davis
Proposed Hotel, Duarte
Proposed Full-Service Hotel Dublin, Dublin
Proposed Limited-Service Hotel Dunnigan, Dunnigan
Courtyard by Marriott San Diego El Cajon, El Cajon
Hampton Inn & Suites LAX El Segundo, El Segundo
Proposed Hotel, Fairfield
Proposed Hyatt House Fairfield, Fairfield
Proposed Select-Service Hotel Foster City, Foster City
Proposed Dual-Brand AC Hotel & Residence Inn by Marriott, Fremont
Proposed Hotel Fresno, Fresno
Great Wolf Lodge Southern California, Garden Grove
Hyatt Regency Orange County, Garden Grove
Marriott Suites, Garden Grove
Quality Inn & Suites, Gilroy
Bacara Resort and Spa, Goleta
The Goodland Hotel, Goleta
Proposed Grass Valley Hotel, Grass Valley
Proposed Lodge on Russian River, Guerneville
Proposed Home2 Suites by Hilton, Hanford
Proposed Dual-Branded Hotel, Hawthorne
Proposed Healdsburg Suites, Healdsburg
Paséa Hotel & Spa, Huntington Beach
Rodeway Inn, Imperial
Proposed Tru by Hilton, Inglewood
Homewood Suites by Hilton Irvine John Wayne Airport, Irvine

Hyatt House Irvine John Wayne Airport, Irvine
Marriott, Irvine
Proposed Element Hotel, Irvine
Best Western, Kettleman City
Proposed Hotel, Kingsburg
Hilton Torrey Pines, La Jolla
Proposed Holiday Inn Express La Mesa, La Mesa
Coast Inn, Laguna Beach
Laguna Beach Motor Inn, Laguna Beach
Montage Resort & Spa, Laguna Beach
Embassy Suites La Quinta Hotel & Spa, La Quinta
Proposed Extended-Stay Hotel Laguna Beach, Laguna Beach
Proposed Midscale Hotel Laguna Beach, Laguna Beach
Proposed Upscale Hotel Laguna Beach, Laguna Beach
Proposed Hotel Lathrop Towne Centre, Lathrop
Proposed La Quinta Inn, Lake Elsinore
Proposed Homewood Suites Livermore, Livermore
Proposed Residence Inn Livermore, Livermore
Proposed Motel 6, Livingston
Proposed Candlewood Suites, Lodi
Breakers Hotel, Long Beach
Concourse Hotel at LAX, Los Angeles
Hyatt Regency Los Angeles International Airport, Los Angeles
Proposed Broadway Hotel, Los Angeles
Proposed Dual-Branded Hyatt Place/Hyatt House, Los Angeles
Proposed Hampton Inn & Suites Koreatown, Los Angeles
Proposed Hyatt House USC Medical Center, Los Angeles
Proposed Hyatt Place & Hyatt House, Los Angeles
Proposed Morrison Hotel & Residences, Los Angeles

Proposed Spring Street Hotel, Los Angeles
Proposed Riverstone Hotel, Madera
Mammoth Creek Inn, Mammoth Lakes
Proposed Residence Inn Mammoth Lakes, Mammoth Lakes
Proposed Hampton Inn & Suites, Marina
SpringHill Suites by Marriott The Dunes On Monterey Bay, Marina
Proposed Hotel Mariposa, Mariposa
DoubleTree by Hilton, Monrovia
Hotel Pacific, Monterey
Monterey Hotel, Monterey
Proposed Ameswell Hotel, Mountain View
Proposed Luxury Hotel, Mountain View
Proposed Fairfield Inn Mule Creek, Mule Creek
Residence Inn by Marriott Temecula Murrieta, Murrieta
Hampton Inn & Suites Napa, Napa
Proposed Stanly Ranch, Napa
River Terrace Inn, Napa
SpringHill Suites by Marriott Napa Valley, Napa
Best Western Plus Marina Gateway, National City
Proposed Lankershim Hotel, North Hollywood
Proposed Select-Service Hotel, Northridge
Proposed Extended-Stay Hotel Oakdale
Homewood Suites by Hilton Oakland, Oakland
Homewood Suites by Hilton Oakland Waterfront, Oakland
Marriott Oakland City Center, Oakland
Proposed Embassy Suites Oakland, Oakland
Proposed Moxy, Oakland
Proposed West Elm Hotel, Oakland
Ojai Valley Inn & Spa, Ojai
Proposed Cambria Hotel Ontario, Ontario

Embassy Suites Anaheim Orange, Orange
Holiday Inn Express & Suites Pacifica, Pacifica
Days Inn & Suites, Palmdale
L' Horizon Hotel and Spa, Palm Springs
Tova Hotel & Beach Club, Palm Springs
Element Palmdale, Palmdale
dusitD2 Hotel Constance, Pasadena
Best Way Inn, Paso Robles
Sheraton Sonoma County Petaluma, Petaluma
Proposed SpringHill Suites by Marriott, Placentia
Proposed Limited-Service Hotel, Placerville
Proposed Hampton Inn & Suites, Rancho Cucamonga
Proposed Holiday Inn Express Redwood City, Redwood City
Pullman San Francisco Bay Hotel, Redwood City
Marina Bay Inn & Suites, Richmond
Proposed Hampton Inn Riverside, Riverside
Proposed Hampton Inn & Home2 Suites Riverside, Riverside
Riverside Convention Center, Riverside
Proposed Fairfield Inn & Suites - Rohnert Park, Rohnert Park
Proposed Hilton Garden Inn, Rohnert Park
Proposed Crowne Plaza, Rowland Heights
Courtyard by Marriott, Sacramento
Hampton Inn & Suites Sacramento at CSUS, Sacramento
Proposed Hampton Inn & Suites, Sacramento
Proposed Hilton Garden Inn, Sacramento
Proposed Home2 Suites by Hilton Sacramento CSUS, Sacramento
Proposed Hyatt Place Sacramento, Sacramento

TownePlace Suites by Marriott Cal Expo, Sacramento
Las Alcobas Hotel & Spa, Saint Helena
Fairmont Grand Del Mar, San Diego
Holiday Inn Express San Diego Seaworld Beach Area, San Diego
Hotel Palomar, San Diego
Proposed 2 Hotels Manchester Gateway, San Diego
Proposed Manchester Gateway (Two Hotels), San Diego
Proposed Moxy San Diego, San Diego
SpringHill Suites by Marriott San Diego Mission Valley, San Diego
The US Grant, a Luxury Collection Hotel, San Diego
Proposed Fairfield Inn & Suites San Dimas, San Dimas
Americania Hotel, San Francisco
Best Western Carriage Inn, San Francisco
The Buchanan, San Francisco
Courtyard by Marriott San Francisco Downtown, San Francisco
Da Vinci Villa Hotel, San Francisco
Executive Hotel Vintage Court San Francisco, San Francisco
Good Hotel, San Francisco
Hilton Parc 55, San Francisco
Hilton San Francisco Union Square, San Francisco
Hotel Diva, San Francisco
Hotel Triton San Francisco, San Francisco
Hotel Union Square, San Francisco
Hotel Vertigo, San Francisco
Hotel Whitcomb San Francisco, San Francisco
Hotel Zelos San Francisco, San Francisco
Marines Memorial Club & Hotel, San Francisco
Proposed Hotel 744 Harrison, San Francisco
Proposed Hyatt Place, San Francisco
Proposed Meininger San Francisco, San Francisco

Proposed Signature Inn San Francisco, San Francisco
Proposed SoMa Hotel, San Francisco
Proposed Yotel, San Francisco
Ritz-Carlton, San Francisco
Yotel San Francisco, San Francisco
Dual-Branded Residence Inn/SpringHill Suites by Marriott San Jose Airport, San Jose
Fairmont San Jose, San Jose
Holiday Inn Express San Jose Central City, San Jose
Proposed Cambria Hotel & Suites, San Jose
Proposed Holiday Inn Express San Jose, San Jose
Proposed La Quinta San Jose, San Jose
Proposed Wingate Hotel, San Jose
Residence Inn by Marriott San Jose Airport, San Jose
Embassy Suites San Luis Obispo, San Luis Obispo
DoubleTree by Hilton Club Orange County Airport, Santa Ana
Embassy Suites Santa Ana Orange County Airport North, Santa Ana
Hotel In Development, Santa Clara
Proposed Dual-Branded Hotel Santa Clara, Santa Clara
Proposed Hampton Inn & Suites Santa Ana, Santa Ana
Dream Inn, Santa Cruz
Hyatt Place, Santa Cruz
Proposed La Bahia Hotel, Santa Cruz
Quality Inn & Suites, Santa Maria
Proposed La Quinta, Santa Maria
Proposed Hyatt Place, Santa Rosa
Proposed Hotel, Santa Rosa
Proposed La Quinta, Santa Rosa
Proposed Hotel Santee, Santee
Magic Carpet Lodge, Seaside
Proposed Dual-Branded Simi Valley Hotel, Simi Valley
The Landsby, Solvang
MacArthur Place, Sonoma
Proposed B&B, Sonoma
Lake Tahoe Resort, South Lake Tahoe

Proposed Hampton Inn & Suites, Sunnyvale
Proposed Home2 Suites Sunnyvale, Sunnyvale
Quality Inn & Suites, Sunnyvale
Proposed Hotel Mount Palomar Winery, Temecula
Proposed Upscale Suites Temecula, Temecula
Fairfield Inn & Suites Visalia Tulare, Tulare
Hampton Inn, Union City
Quality Inn & Suites Vacaville, Vacaville
Great Western Inn (Conversion to Scottish Inn), Vallejo
Marriott Ventura Beach, Ventura
Proposed Hampton Inn, Walnut Creek
Proposed Home2 Suites by Hilton, Walnut Creek
Proposed Hyatt Place Walnut Creek, Walnut Creek
Proposed Residence Inn Walnut Creek, Walnut Creek
Renaissance ClubSport, Walnut Creek
The Charlie Hotel, West Hollywood
Proposed Best Western Plus Sacramento, West Sacramento
Radisson, Whittier
Proposed Fairfield Inn & Suites by Marriott, Winters
Proposed Avid Hotel Woodland, Woodland
Proposed Extended Stay Hotel, Woodland
Proposed Select-Service Hotel, Woodland Hills
Proposed Holiday Inn Express & Suites Yuba City, Yuba City

COLORADO
Proposed TownePlace Suites Denver, Denver
Proposed Hotel Glacier Club, Durango
SpringHill Suites Denver Tech Center, Greenwood Village

Fairfield Inn by Marriott, Steamboat Springs
The Peaks Resort and Spa, Telluride
Proposed Homewood Suites Thornton, Thornton

DISTRICT OF COLUMBIA
Proposed Cambria Suites

FLORIDA
Proposed Hotel Florida Atlantic University, Boca Raton
Proposed Select-Service Hotel, Boca Raton
Wyndham Hotel, Boca Raton
Proposed Homewood Suites Celebration, Celebration
Proposed Dual-Branded Residence Inn/SpringHill Suites by Marriott, Clearwater Beach
Hampton Inn, Clermont
Proposed Ascend Hotel, Dania Beach
Daytona Beach Resort, Daytona Beach
Westin, Daytona Beach
Hampton Inn Miami Airport West, Doral
Proposed Hotel, Hallandale Beach
Proposed Radisson Blu, Hallandale Beach
Hampton Inn & Suites Fort Lauderdale Airport, Hollywood
Hyatt Regency Jacksonville Riverfront, Jacksonville
Proposed TRYP by Wyndham, Jacksonville
Ramada Baymeadows Hotel & Conference Center, Jacksonville
Comfort Inn, Jupiter
La Quinta Inn & Suites, Jupiter
Proposed Hotel, Key Largo
Crowne Plaza Maingate, Kissimmee
Magnuson Grand Hotel Maingate West, Kissimmee
Star Island Resort & Club, Kissimmee
Proposed TownePlace Suites by Marriott, Lakeland
Hilton Garden Inn, Lake Mary

Hampton Inn & Suites, Largo
Holiday Inn Express Hotel & Suites, Largo
Proposed Extended Stay Hotel, Lutz
Proposed Hyatt Place, Lutz
Courtyard by Marriott, Madeira Beach
Proposed Courtyard by Marriott, Marathon
Candlewood Suites, Melbourne
Marriott Miami Dadeland, Miami
Proposed Hotel Dadeland Mall, Miami
Turnberry Isle, Miami
Proposed Hyatt Place Grand Boulevard, Miramar Beach
Proposed Hotel Indigo Grand Boulevard, Miramar Beach
Best Western Mulberry, Mulberry
Proposed Downtown Hotel, Naples
DoubleTree by Hilton at SeaWorld, Orlando
Fairfield Inn, Orlando
Proposed Best Western VIB, Orlando
Proposed Cambria Hotel & Suites Orlando, Orlando
Proposed Candlewood Suites, Orlando
Proposed Dual-Brand Hotel (Lake Buena Vista), Orlando
Proposed Residence Inn by Marriott, Orlando
Proposed Resort Hotel (Bonnet Creek), Orlando
Proposed Wyndham Garden Inn Orlando International Airport, Orlando
Marriott, Palm Beach Gardens
Microtel Inn & Suites, Panama City
Proposed Hotel, Panama City
Wyndham Bay Point Resort, Panama City Beach
Proposed Hotel, Pensacola
PG Waterfront Hotel & Suites, Punta Gorda
Hilton Garden Inn Tampa Southeast, Riverview
Proposed Hotel, Sanford
Proposed Woodspring Suites, Sanford
SpringHill Suites by Marriott, Sarasota

Proposed Hyatt House St. Petersburg, St. Petersburg
Hilton Garden Inn, Tallahassee
Proposed Hyatt Place, Tallahassee
Proposed Holiday Inn Express Tampa USF, Tampa
Westin Harbor Island, Tampa
Proposed DoubleTree by Hilton Miami International Airport, Virginia Gardens

GEORGIA
Proposed Curio - A Collection by Hilton – Alpharetta, Alpharetta
Proposed Embassy Suites Halcyon Village, Alpharetta
Clermont Hotel, Atlanta
Comfort Inn, Atlanta
Country Inn, Atlanta
Crowne Plaza Ravinia, Atlanta
Hampton Inn Atlanta Northlake, Atlanta
Hampton Inn & Suites by Hilton Atlanta Perimeter Dunwoody, Atlanta
Hyatt Regency Atlanta, Atlanta
Proposed Boutique Hotel Atlanta, Atlanta
Proposed Convention Center Hotel, Atlanta
Proposed Element, Atlanta
Proposed Hotel, Atlanta
Quality Inn, Atlanta
Ritz-Carlton Downtown, Atlanta
Savannah Suites, Atlanta
Sheraton Atlanta Perimeter North, Atlanta
Westin Perimeter North, Atlanta
Proposed Home2 Suites, Augusta
Proposed Residence Inn by Marriott, Augusta
Hilton Garden Inn, College Park
Proposed Hotel, College Park
Quality Inn & Suites, College Park
Proposed Convention Hotel, Columbus
Best Western Plus, Conyers
Proposed Hotel UNG, Dahlonega

Proposed Residence Inn by Marriott, Decatur
Proposed Boutique Hotel, Douglas County
Proposed Lodge & Villas at Foxhall, Douglas County
Proposed Westin Foxhall, Douglas County
Foxhall Resort, Douglasville
Hampton Inn Fayetteville, Fayetteville
Proposed Home2 Suites, Hindsville
Proposed Hyatt Place Macon Georgia, Macon
Proposed Hotel, Marietta
Radisson Hotel, Marietta
Proposed Lookout Mountain Resort, Rising Fawn
Cambria Suites, Savannah
Quality Inn, Savannah
Proposed Fairfield Inn & Suites, Stockbridge
Fairfield Inn & Suites, Valdosta

HAWAII
Grand Naniloa Hotel Hilo a DoubleTree by Hilton, Hilo
Hawaii Prince Hotel Waikiki & Golf Club, Honolulu
Hilton Hawaiian Village Waikiki Beach Resort, Honolulu
Hyatt Centric Waikiki Beach, Honolulu
Polynesian Plaza, Honolulu
Turtle Bay Resort, Kahuku
Courtyard by Marriott Maui Kahului Airport, Kahului
Coco Palms Resort, Kapa'a
Ritz-Carlton, Kapalua
Fairmont Orchid Hawaii Hotel, Kohala
Montage Kapalua Bay, Lahaina
Westin Maui Resort & Spa Ka'anapali, Lahaina
Westin Maui Resort & Spa Ka'anapali, Lahaina
Four Seasons Resort Maui at Wailea, Wailea-Makena
Hapuna Beach Prince Hotel, Waimea

Mauna Kea Beach Hotel, Autograph Collection, Waimea

ILLINOIS
Allegro, Chicago
InterContinental Chicago Magnificent Mile, Chicago
Hampton Inn Joliet I 80, Joliet
Hampton Inn, Rockford
Country Inn & Suites by Carlson, Romeoville

INDIANA
Hilton, Indianapolis
Holiday Inn Express, Indianapolis
Proposed Hyatt-Branded Hotel, Indianapolis
Proposed Embassy Suites, Noblesville
Comfort Suites University Area, South Bend
Hampton Inn, Warsaw

IOWA
Proposed Courtyard by Marriott at Mid-America Center, Council Bluffs
Fairfield Inn by Marriott, West Des Moines
SpringHill Suites by Marriott, West Des Moines

KANSAS
Proposed Crowne Plaza, Aquatic Center, and Sports Complex, Goddard
Proposed Element WSU Innovation Campus, Wichita

KENTUCKY
Comfort Inn, Glasgow
Comfort Inn, Harlan
Proposed Luxury Boutique Hotel Louisville, Louisville

LOUISIANA
Best Western Richmond Suites, Baton Rouge
Crestwood Suites, Baton Rouge

Holiday Inn, Baton Rouge
Knights Inn, Baton Rouge
Radisson, Baton Rouge
Country Inn & Suites by Carlson, Covington
Proposed Holiday Inn Express, Donaldsonville
Holiday Inn Express, Eunice
Proposed Crowne Plaza and Sports Complex, Goddard
La Quinta Inn & Suites, Gonzales
TownePlace Suites by Marriott, Gonzales
Proposed Hotel, Hackberry
Proposed Home2 Suites by Hilton, Harvey
Sun Suites, Harvey
Travelodge, Harvey
Courtyard by Marriott, Houma
Holiday Inn, Houma
Proposed Holiday Inn Express, Houma
Days Inn, Jennings
Hampton Inn & Suites, Jennings
Crowne Plaza, Kenner
Proposed WoodSpring Suites, Kenner
Wyndham Garden Lafayette, Lafayette
America's Best Suites, Lake Charles
Comfort Inn, Lake Charles
Courtyard by Marriott, Lake Charles
Proposed Staybridge Suites, Lake Charles
Super 8, Lake Charles
Wingate Inn, Lake Charles
Holiday Inn Express Hotel & Suites, LaPlace
Proposed Hotel at Belle Terre, LaPlace
Proposed TownePlace Suites by Marriott, LaPlace
Courtyard by Marriott, Metairie
Residence Inn by Marriott, Metairie
Sun Suites, Metairie
Proposed Hotel Monroe, Monroe
Catahoula New Orleans, New Orleans
Comfort Inn & Suites Downtown New Orleans, New Orleans
Country Inn & Suites by Carlson French Quarter, New Orleans

Courtyard by Marriott Convention Center, New Orleans
Courtyard by Marriott French Quarter, New Orleans
Courtyard by Marriott Monroe Airport, Monroe
DoubleTree by Hilton, New Orleans
Days Inn Canal Street Historic District, New Orleans
Historic Street Car Inn, New Orleans
Hotel Modern, New Orleans
Hyatt Regency, New Orleans
InterContinental, New Orleans
Maison St. Charles Hotel, New Orleans
Marriott New Orleans at the Convention Center, New Orleans
O'Keefe Plaza Hotel, New Orleans
NOPSI Hotel, New Orleans
Pontchartrain Hotel, New Orleans
Proposed Alder Hotel, New Orleans
Proposed BioDistrict Hotel, New Orleans
Proposed Boutique Hotel, New Orleans
Proposed Extended-Stay Hotel, New Orleans
Proposed GLo NOFSL Building New Orleans, New Orleans
Proposed Hotel, New Orleans
Proposed Hotel Reconcile, New Orleans
Proposed Hotel St. Vincent, New Orleans
Proposed Hyatt House, New Orleans
Proposed Luxury Boutique Hotel, New Orleans
Proposed Maestri Hotel, New Orleans
Proposed Margaritaville Hotel New Orleans, New Orleans
Proposed Moxy, New Orleans
Proposed Residence Inn by Marriott, New Orleans
Proposed Sonesta ES Suites New Orleans, New Orleans
Proposed Thompson, New Orleans
Proposed TownePlace Suites by Marriott, New Orleans

Proposed Virgin Hotel New Orleans Warehouse District, New Orleans
Roosevelt Hotel, New Orleans
Royal St Charles Hotel, New Orleans
SpringHill Suites Convention Center, New Orleans
Troubadour Hotel New Orleans, Tapestry Collection by Hilton, New Orleans
Westin New Orleans Canal Place, New Orleans
Whitney Hotel, New Orleans
Windsor Court Hotel, New Orleans
Wyndham Riverfront, New Orleans
Proposed La Quinta Inn & Suites, Port Allen
Proposed Boutique Hotel at The Bluffs, St. Francisville
Comfort Inn & Suites, Slidell
Proposed SpringHill Suites by Marriott, Slidell,
Proposed TownePlace Suites by Marriott, Slidell
Holiday Inn Lake Charles West Sulphur, Sulphur
Proposed Extended Stay America, Sulphur
Hampton Inn & Suites, Thibodaux

MAINE
Econo Lodge, Freeport

MARYLAND
Holiday Inn Express Hunt Valley, Hunt Valley
Proposed Aloft Hotel, Ocean City
Ramada Inn, Perryville
Comfort Inn Beacon Marina, Solomons
Quality Inn Econo Lodge, Takoma Park

MICHIGAN
Comfort Inn, Lansing
Best Western Premier Detroit Southfield Hotel, Southfield

MINNESOTA
Proposed Hampton Inn, St. Paul

MISSISSIPPI
Proposed Tru by Hilton, Biloxi
Hampton Inn, Canton
Proposed Cotton House Hotel, Cleveland
Proposed Statesman Hotel, Cleveland
Home2 Suites by Hilton, D'Iberville
Proposed Hotel, Flowood
Best Western Seaway, Gulfport
Proposed Hampton Inn & Suites, Gulfport
Sun Suites, Gulfport
Sun Suites, Hattiesburg
Hampton Inn Jackson North, Jackson
Proposed Hotel University of Mississippi Medical Center, Jackson
Proposed Boutique Hotel, Kosciusko
Comfort Inn, Laurel
Proposed Candlewood Suites, Madison
Hampton Inn & Suites, McComb
Super 8, Moss Point
Graduate Oxford, Oxford
Home2 Suites by Hilton, Oxford
Proposed Home2 Suites by Hilton, Oxford
Proposed Hyatt Place, Oxford
Proposed WoodSpring Suites, Pearl
Proposed WoodSpring Suites, Southaven
America's Best Inns & Suites, Tupelo

MONTANA
Holiday Inn, Billings
Super 8, Billings
TownePlace Suites by Marriott, Billings
Proposed Residence Inn by Marriott Missoula Merc, Missoula

NEVADA
Proposed Tru by Hilton and Home2 Suites, Henderson
SpringHill Suites and TownePlace Suites by Marriott, Henderson
Holiday Inn Express Nellis, Las Vegas

Home2 Suites Las Vegas Strip South, Las Vegas
Howard Johnson on East Tropicana, Las Vegas
Proposed Fairfield Inn & Suites, Winnemucca

NEW HAMPSHIRE
Country Inn & Suites, New Bedford

NEW JERSEY
Ramada, Bordentown
Motel 6, Brooklawn
Proposed Tru, Florence
Comfort Inn, Princeton
Proposed Courtyard by Marriott, Wayne

NEW MEXICO
TownePlace Suites by Marriott, Roswell
Hyatt Regency Tamaya Resort & Spa, Santa Ana Pueblo

NEW YORK
Comfort Inn, Jamaica
Proposed DoubleTree, Niagara Falls
Proposed Hyatt Place, Poughkeepsie
Days Inn Schenectady Albany, Schenectady
Proposed Comfort Inn, Scotia
Best Western New Baltimore Inn, West Coxsackie

NORTH CAROLINA
Proposed Hampton, Albemarle
Proposed Hotel – Biltmore Estate, Asheville
Proposed Wyndham Garden Asheville, Asheville
Sheraton, Atlantic Beach
Proposed TownePlace Suites, Boone
Proposed Autograph by Marriott, Brights Creek
Proposed Radisson Blu, Brights Creek
Proposed TownePlace Suites by Marriott, Boone

Mayton Inn, Cary
Carowinds Proposed Hotel, Charlotte
Hilton Garden Inn Charlotte North, Charlotte
Residence Inn by Marriott Charlotte Northlake, Charlotte
Comfort Suites, Greensboro
Proposed Wyndham, Greensboro
Proposed Holiday Inn Express, Kernersville
Hampton Inn, Laurinburg
Hilton Garden Inn Charlotte, Pineville
Courtyard by Marriott, Raleigh
Proposed Tru, Wake Forest
Proposed Indigo, Wilmington
Proposed Courtyard by Marriott Winston-Salem Downtown, Winston-Salem
Proposed Hotel, Winston-Salem

OHIO
Proposed Tru, Beachwood
Holiday Inn Youngstown South, Boardman
Econo Lodge, Columbus
Hampton Inn, Sidney
Hampton Inn, Streetsboro

OKLAHOMA
Proposed Dual-Brand Hotel, Tahlequah

OREGON
Staybridge Suites Hillsboro North, Hillsboro
Proposed 930 SW Third Avenue Hotel, Portland
Proposed Hotel Chamberlain, Portland
Proposed Hyatt-Branded Hotel, Portland

PENNSYLVANIA
Comfort Suites, Monaca
Aloft Philadelphia Airport, Philadelphia
Four Points by Sheraton Philadelphia Airport, Philadelphia

Proposed Aloft Liberty Building, Philadelphia
Hilton, Scranton
Skytop Lodge, Skytop
Crowne Plaza, Trevose
Comfort Inn & Suites, Washington

RHODE ISLAND
NYLO Hotel, Warwick

SOUTH CAROLINA
Charleston Place, Charleston
Comfort Inn, Charleston
Proposed Limelight Hotel at Seven Calhoun, Charleston
Proposed Radisson Hotel, Charleston
Proposed Roost, Charleston
Proposed Luxury Hotel, Greenville
Comfort Suites, Lexington
Crown Reef Resort, Myrtle Beach
Proposed Full-Service Hotel, North Charleston
Hilton Garden Inn, Rock Hill
Proposed Hyatt Place, Rock Hill
Proposed Hotel, Seabrook Island

SOUTH DAKOTA
Days Inn Sioux Falls North, Sioux Falls

TENNESSEE
Sheraton Road House, Chattanooga
Wingate by Wyndham, Cordova
Comfort Inn & Suites, Germantown
Proposed Marriott-Branded Hotel, Lebanon
Proposed Hotel & Conference Center, Memphis
Proposed Memphian Hotel, Memphis
Proposed Tapestry Collection at Overton Square, Memphis
Holston House, Nashville
Proposed Holiday Inn Express Inn & Suites, Nashville
Proposed Hotel Federal Reserve Building, Nashville
Proposed Hyatt Collection, Nashville
Proposed Lifestyle Hotel, Nashville

Proposed Hotel Federal Reserve Building, Nashville

TEXAS
Embassy Suites by Hilton Amarillo Downtown, Amarillo
Proposed Hilton Garden Inn Austin, Austin
Proposed Holiday Inn Express, Baytown
Days Inn, Beaumont
Howard Johnson, Beaumont
Homewood Suites by Hilton, College Station
Fairfield Inn & Suites Dallas North Galleria, Dallas
Proposed 1401 Elm Street Hotel, Dallas
Ramada, Dallas
Days Inn, Decatur
Hampton Inn, Eagle Pass
La Quinta Inn El Paso Cielo Vista, El Paso
Candlewood Suites DFW Airport South, Fort Worth
Holiday Inn DFW Airport South, Fort Worth
Best Western, Houston
Marriott Marquis Houston, Houston
Proposed Staybridge Suites, Houston
NYLO Dallas Las Colinas, Irving
Residence Inn by Marriott, Irving
Proposed Home2 Suites by Hilton, Kingwood
Homewood Suites by Hilton, Longview
Home2 Suites by Hilton, Lubbock
Sheraton McKinney Hotel, McKinney
Comfort Suites, Midland
Quality Suites, Midland
TownePlace Suites by Marriott Odessa, Odessa
Hampton Inn & Suites, Pasadena
Proposed Residence Inn by Marriott, Pasadena
NYLO Hotel, Plano
Staybridge Suites, Plano
Proposed Tru, Rockwall

Hyatt Place NW Medical Center, San Antonio
Proposed Hampton Inn, San Antonio
Proposed Tru by Hilton, San Antonio
Quality Inn, San Antonio
Proposed Holiday Inn, The Colony
Proposed Residence Inn by Marriott, Waco
Proposed Tru by Hilton, Waco

UTAH
Hilton Garden Inn, Layton
Home2 Suites by Hilton, Layton
Proposed Hotel Riverwalk Logan, Logan
Proposed Homewood Suites by Hilton, Moab
Hampton Inn & Suites Salt Lake City Airport, Salt Lake City
Peery Hotel, Salt Lake City

VIRGINIA
Alexandria Monaco, Alexandria
Morrison House, Alexandria
Comfort Suites, Manassas
Proposed Hampton Inn/Homewood Suites, Richmond
Quality Inn West End, Richmond
Sheraton Roanoke Hotel & Conference Center, Roanoke

WASHINGTON
The Roosevelt, Seattle
Proposed Hotel Indigo Spokane, Spokane
Candlewood Suites Vancouver-Camas, Vancouver
Proposed Tru by Hilton Vancouver North, Vancouver

WISCONSIN
Ramada, Fond du Lac

WYOMING
Holiday Inn, Cheyenne

July 24, 2020

Mr. Adam Lair   3003928
2386 Clower St, Ste E102
Snellville, GA 30078

Dear Mr. Adam Lair:

Congratulations!! Your California Real Estate Appraiser license is enclosed.

Please be advised that to renew this license, proof of completion of continuing education will be required and that education must have been completed <u>after</u> your continuing education cycle start date of July 18, 2020.

If your license expires, you may not legally perform real estate appraisals in federally related transactions. If you choose to renew this license after the expiration date, you may do so for up to two years. It will be considered a late renewal. A late fee of $125 will be required. In addition, a late renewal requires that an additional seven hours of acceptable continuing education, for each six-month period that you are late, be submitted the next time you renew.

Please note that, the California Code of Regulations, Title 10, Chapter 6.5, Section 3527, states:

> (a) All applicants for and holders of a license, temporary practice permit or course provider approval permit shall submit written notice to BREA of any change to the following within 10 days on the Change Notification and Miscellaneous Requests Form REA 3011 (Rev. 1/1/17), which is herein incorporated by reference: (1) Name; (2) Residence telephone number; (3) Business telephone number; (4) Business name; or (5) Mailing address.

If you have any questions or need further clarification, please contact BREA at the above address or by calling (916) 552-9000.

Enclosure

You can help us improve service by completing an online survey at:
http://www.brea.ca.gov/html/CustomerSurvey.html

BUREAU OF REAL ESTATE APPRAISERS
3075 Prospect Park Dr., Suite 190
Rancho Cordova, CA 95670
916-552-9000

BREA Charge Card

Date: 07/21/2020   02:27:01 PM

CREDIT CARD SALE

VISA
CARD NUMBER: **********8499 K

TOTAL AMOUNT: $1,030.00

APPROVAL CD: 01048G
RECORD #:   000
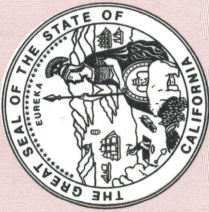CLERK ID: jimmy
CUST CODE: 3003
SALES TAX: $0.00
INVOICE #:   3003928

Thank you for your business!

Customer Copy

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Adam R. Lair

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: 3003928

Effective Date: July 18, 2020
Date Expires: July 17, 2022

Loretta Dillon
Loretta Dillon, Deputy Bureau Chief, BREA

3053659