



MARKET STUDY

Proposed Inn & Suites

100 HOTEL DRIVE
STARS HALLOW, LOUISIANA



SUBMITTED TO:

Mr. Client Name
Client Hotel Company
1000 Client Street
City, State 10000

+1 (000) 000-0000

PREPARED BY:

HVS Consulting & Valuation
Division of TS Worldwide, LLC
HVS Street Address
HVS City, State Zip Code

+1 (000) 000-0000

February 25, 2017

Mr. Client Name
Client Hotel Company
1000 Client Street
City, State 10000

Re: Proposed Inn & Suites
Stars Hallow, Louisiana
HVS Reference: 2017020000

HVS

HVS Street Address

HVS City, State Zip Code

+1 (000) 000-0000

+1 (000) 000-0000 FAX

www.hvs.com

Dear Mr. Client:

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

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

Sincerely,
TS Worldwide, LLC

DRAFT DOCUMENT

Associate Name, Associate Title
associate@hvs.com, +1 (000) 000-0000

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1. Executive Summary

Subject of the Market Study

The subject of the market study is a 90,000-square-foot (2.07-acre) parcel to be improved with an Extended-Stay lodging facility; the hotel will be affiliated with the [Proposed Brand] brand. The property, which is expected to open on July 1, 2019, will feature 238 rooms, a breakfast dining area and lounge, 874 square feet of meeting space, a fitness room, a lobby workstation, a market pantry, and a guest laundry room. The hotel will also contain the appropriate parking capacity (valet parking) and all necessary back-of-the-house space.

The proposed subject property is expected to be an upscale, extended-stay hotel in the heart of the Stars Hollow CBD, situated on Main Street between Pine Avenue and Mountain Street. The hotel will be constructed on a vacant site fronting Main Street and adjacent to the InterContinental Stars Hollow; the site is currently used as a surface parking lot. The proposed subject property will enjoy a location near Stars Hollow' numerous cultural and historical attractions and entertainment venues, as well as corporate headquarters in the Stars Hollow CBD. The subject site's location is 100 Hotel Drive, Stars Hollow, Louisiana, 70000.

Pertinent Dates

The effective date of the report is January 20, 2017. The subject site was inspected by Associate Name and Associate Name on January 20, 2017. In addition to the inspection, Associate Name participated in the research for this assignment and assisted in the report's preparation.

Ownership, Franchise, and Management Assumptions

The developer of the proposed subject hotel is Local Hotel Company LLC; the parent company of this owning partnership is Regional Hotel Company LLC, which is based in Anytown, Louisiana. The subject site was last sold in February 2013; Local Hotel Company LLC has owned the site since February 2013 and purchased it at that time from Prior Owner LLC for a reported price of \$3,900,000. The site is neither listed nor under contract for sale; furthermore, we have no knowledge of any recent listings.

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

The proposed subject hotel will reportedly operate under a franchise agreement with Marriott International, Inc. as a [Proposed Brand]; a copy of this agreement

Summary of Hotel Market Trends

was not provided. Based on our review of the agreement's terms or expected terms, the [Proposed Brand] franchise is reflected in our forecasts with a royalty fee of 6% of rooms revenue, and a marketing assessment of 2.5% of rooms revenue.

After a temporary occupancy spike in 2005 due to recovery from Hurricane Katrina, new supply entering the market and the demand influx spike allowed rate to increase to almost \$125 in 2006. The dissipation of this recovery-related demand led to over 20% in RevPAR loss in 2007 before the market corrected in 2008. Another decline in rate and occupancy occurred in 2009 because of the recession. A rapid recovery began in 2010, and the prior RevPAR peak was surpassed in 2011. RevPAR continued to rise through 2015 due to high-profile events in Stars Hallow and the entry of higher-rated new supply.

Year-end 2016 data illustrate an uptick in occupancy and a roughly \$3.50 loss in average rate. RevPAR peaked in the spring of 2016 before the slower summer months. Given the roughly 10% increase in supply at year end, occupancy has remained relatively stable; however, managers report that rate discounting has been necessary to maintain occupancy given a slow convention schedule and low festival attendance during the first half of the year. The outlook for 2017 is positive due to the anticipated ramp-up of high-rated new supply and a forecasted strong convention year.

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	
2005	1,699	620,043	—	415,230	—	67.0 %	\$115.75	—	\$77.52	—	
2006	1,924	702,260	13.3	462,200	11.3	65.8	124.91	7.9	82.21	6.1	
2007	1,924	702,260	0.0	399,722	(13.5)	56.9	113.42	(9.2)	64.56	(21.5)	
2008	1,882	686,988	(2.2)	455,666	14.0	66.3	114.53	1.0	75.97	17.7	
2009	1,897	692,466	0.8	430,197	(5.6)	62.1	107.41	(6.2)	66.73	(12.2)	
2010	1,924	702,260	1.4	493,425	14.7	70.3	111.29	3.6	78.19	17.2	
2011	1,924	702,260	0.0	490,834	(0.5)	69.9	118.81	6.8	83.04	6.2	
2012	1,924	702,260	0.0	503,799	2.6	71.7	133.31	12.2	95.63	15.2	
2013	1,946	710,411	1.2	508,444	0.9	71.6	145.23	8.9	103.94	8.7	
2014	1,964	716,756	0.9	528,347	3.9	73.7	144.44	(0.5)	106.47	2.4	
2015	2,165	790,390	10.3	582,462	10.2	73.7	151.71	5.0	111.80	5.0	
2016	2,375	866,779	9.7	647,688	11.2	74.7	148.23	(2.3)	110.77	(0.9)	
Year-to-Date Through December											
2015	2,165	790,390	—	582,462	—	73.7 %	\$151.71	—	\$111.80	—	
2016	2,375	866,779	9.7 %	647,688	11.2 %	74.7	148.23	(2.3) %	110.77	(0.9) %	
2008 - 2011			0.7		2.5		3.48	1.2		3.0	
2011 - 2016			4.3		5.7			4.5		5.9	
Hotels Included in Sample				Competitive Status	Number of Rooms	Year Affiliated	Year Opened				
MOXY New Orleans Downtown French Quarter Area				Secondary	108	May 2016	Jan 2002				
Holiday Inn Express New Orleans Downtown				Secondary	129	Mar 2015	Jan 1999				
Drury Inn & Suites New Orleans				Secondary	214	Jun 2000	Jun 2000				
Homewood Suites New Orleans Downtown French Quarter				Primary	166	Nov 2002	Nov 2002				
Country Inn & Suites New Orleans French Quarter				Secondary	155	Oct 2005	Jan 2005				
Hyatt House New Orleans				Primary	194	Oct 2015	Oct 2015				
aloft New Orleans Downtown				Secondary	188	Mar 2015	Mar 2015				
Hampton Inn & Suites New Orleans Downtown French Quarter Area				Secondary	210	Dec 2005	Dec 1994				
Courtyard New Orleans Downtown				Primary	140	Oct 2005	Aug 1995				
Hilton Garden Inn New Orleans French Quarter				Secondary	155	Oct 2005	Sep 2004				
Hotel 504				Not Competitive	157	Nov 2015	Mar 2001				
La Quinta Inns & Suites New Orleans Downtown				Secondary	166	Mar 2009	May 1999				
Staybridge Suites New Orleans French Quarter Downtown				Primary	208	Oct 2005	Feb 2004				
Residence Inn New Orleans Downtown				Primary	231	Oct 2005	Aug 1997				
Total					2,421						

Source: STR

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

FIGURE 1-2 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Est. Segmentation					Estimated 2014				Estimated 2015				Estimated 2016						
	Number of Rooms	Leisure	Extended-Stay	Group	Commercial	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	RevPAR Change	Occupancy Penetration	Yield Penetration
Residence Inn by Marriott New Orleans Downtown	231	35 %	30 %	15 %	20 %	231	81 %	\$130.00	\$105.30	231	79 %	\$148.00	\$116.92	231	81 %	\$144.00	\$116.64	(0.2) %	106.4 %	102.5 %
Courtyard by Marriott New Orleans Downtown Near the French Quarter	140	25	5	20	50	140	81	164.00	132.84	140	89	168.00	149.52	140	91	164.00	149.24	(0.2)	119.6	131.2
Homewood Suites by Hilton New Orleans	166	40	35	5	20	166	77	166.00	127.82	166	76	165.00	125.40	166	78	161.00	125.58	0.1	102.5	110.4
Staybridge Suites New Orleans French Quarter Downtown	197	35	30	15	20	182	74	142.00	105.08	182	72	141.00	101.52	197	74	137.00	101.38	(0.1)	97.2	89.1
Hyatt House New Orleans Downtown	194	25	35	20	20	0	0	0.00	0.00	49	55	155.00	85.25	194	65	155.00	100.75	18.2	85.4	88.6
Sub-Totals/Averages	928	32 %	27 %	15 %	25 %	719	78.3 %	\$147.89	\$115.81	768	77.0 %	\$154.61	\$119.03	928	77.1 %	\$151.14	\$116.59	(2.0) %	101.4 %	102.5 %
Secondary Competitors	1,482	55 %	5 %	15 %	25 %	855	72.7 %	\$143.70	\$104.50	946	73.9 %	\$151.58	\$112.03	979	75.1 %	\$147.86	\$111.05	(0.9) %	98.7 %	97.6 %
Totals/Averages	2,410	44 %	16 %	15 %	25 %	1,574	75.3 %	\$145.69	\$109.66	1,714	75.3 %	\$152.97	\$115.17	1,907	76.1 %	\$149.48	\$113.75	(1.2) %	100.0 %	100.0 %

FIGURE 1-3 SECONDARY COMPETITORS – OPERATING PERFORMANCE

Property	Est. Segmentation					Total Competitive Level	Estimated 2014				Estimated 2015				Estimated 2016			
	Number of Rooms	Leisure	Extended-Stay	Group	Commercial		Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Hampton Inn & Suites New Orleans Downtown French Quarter Area	210	45 %	5 %	15 %	35 %	80 %	168	82 %	\$148.00	\$121.36	168	79 %	\$171.00	\$135.09	168	82 %	\$167.00	\$136.94
Holiday Inn Express New Orleans Downtown	129	60	5	20	15	80	86	32	105.00	33.60	87	55	140.00	77.00	103	58	136.00	78.88
MOXY New Orleans Downtown French Quarter Area	108	60	5	20	15	80	80	52	133.00	69.16	60	61	131.00	79.91	58	53	127.00	67.31
Drury Inn & Suites New Orleans	214	60	5	10	25	80	156	77	141.00	108.57	171	76	141.00	107.16	171	78	137.00	106.86
La Quinta Inn & Suites New Orleans French Quarter	166	60	5	15	20	80	133	74	140.00	103.60	133	73	139.00	101.47	133	75	135.00	101.25
Country Inn & Suites New Orleans French Quarter	155	60	5	15	20	80	124	89	148.00	131.72	124	88	150.00	132.00	124	90	146.00	131.40
Hilton Garden Inn New Orleans French Quarter	155	40	5	15	40	60	93	84	161.00	135.24	93	83	164.00	136.12	93	85	160.00	136.00
Aloft New Orleans Downtown	188	60	5	20	15	60	0	0	0.00	0.00	95	64	165.00	105.60	113	66	161.00	106.26
Hotel 504	157	65	5	15	15	10	16	54	118.00	63.72	16	52	118.00	61.36	16	54	114.00	61.56
Totals/Averages	1,482	55 %	5 %	15 %	25 %	68 %	855	72.7 %	\$143.70	\$104.50	946	73.9 %	\$151.58	\$112.03	979	75.1 %	\$147.86	\$111.05

**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 78% and a base-year rate position of \$165.00 for the proposed subject hotel. The following table reflects a summary of our market-wide and proposed subject hotel occupancy and average rate projections.

FIGURE 1-4 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

Year	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	76.1 %	—	\$149.48	—	—	\$165.00	110.4 %
2017	74.3	1.0 %	150.97	—	1.0 %	166.65	110.4
2018	73.3	5.0	158.52	—	5.0	174.98	110.4
2019	71.7	3.0	163.28	66.0 %	3.0	180.23	110.4
2020	71.1	3.0	168.18	75.0	3.0	185.64	110.4
2021	71.3	3.0	173.22	78.0	3.0	191.21	110.4
2022	71.3	3.0	178.42	78.0	3.0	196.94	110.4

The following table summarizes the proposed subject hotel’s forecast, reflecting fiscal years and opening-year rate discounts as applicable.

FIGURE 1-5 FORECAST OF AVERAGE RATE

Year	Occupancy	Average Rate Before Discount	Discount	Average Rate After Discount
2019/20	71 %	\$182.91	3.0 %	\$177.43
2020/21	76	188.40	1.0	186.52
2021/22	78	194.05	0.0	194.05

**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 1-6 DETAILED FORECAST OF INCOME AND EXPENSE

	2019/20 Begins July				2020/21				Stabilized				2022/23				2023/24			
Number of Rooms:	238				238				238				238				238			
Occupancy:	71%				76%				78%				78%				78%			
Average Rate:	\$177.43				\$186.52				\$194.05				\$199.87				\$205.87			
RevPAR:	\$125.97				\$141.75				\$151.36				\$155.90				\$160.58			
Days Open:	365				365				365				365				365			
Occupied Rooms:	61,678	%Gross	PAR	POR	66,021	%Gross	PAR	POR	67,759	%Gross	PAR	POR	67,759	%Gross	PAR	POR	67,759	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	\$10,943	89.6 %	\$45,979	\$177.42	\$12,314	89.8 %	\$51,739	\$186.52	\$13,149	89.8 %	\$55,248	\$194.06	\$13,543	89.8 %	\$56,903	\$199.87	\$13,949	89.8 %	\$58,609	\$205.87
Food	98	0.8	414	1.60	110	0.8	462	1.67	118	0.8	495	1.74	121	0.8	510	1.79	125	0.8	525	1.82
Beverage	225	1.8	946	3.65	254	1.9	1,067	3.85	275	1.9	1,155	4.06	283	1.9	1,190	4.18	292	1.9	1,226	4.26
Other Operated Departments	137	1.1	575	2.22	148	1.1	623	2.25	157	1.1	660	2.32	162	1.1	680	2.39	167	1.1	700	2.43
Parking	739	6.1	3,106	11.98	812	5.9	3,411	12.29	864	5.9	3,631	12.75	890	5.9	3,740	13.14	917	5.9	3,852	13.52
Miscellaneous Income	68	0.6	288	1.11	74	0.5	312	1.12	79	0.5	330	1.16	81	0.5	340	1.19	83	0.5	350	1.22
Total Operating Revenues	12,211	100.0	51,307	197.98	13,712	100.0	57,614	207.69	14,642	100.0	61,520	216.09	15,080	100.0	63,363	222.56	15,533	100.0	65,263	228.04
DEPARTMENTAL EXPENSES *																				
Rooms	2,509	22.9	10,543	40.68	2,653	21.5	11,148	40.19	2,761	21.0	11,602	40.75	2,844	21.0	11,950	41.97	2,929	21.0	12,308	42.56
Food & Beverage	175	54.0	734	2.83	187	51.3	785	2.83	196	50.0	825	2.90	202	50.0	850	2.99	208	50.0	876	3.08
Other Operated Departments	87	63.4	365	1.41	91	61.2	381	1.37	94	60.0	396	1.39	97	60.0	408	1.43	100	60.0	420	1.47
Parking	317	42.9	1,331	5.14	332	40.9	1,396	5.03	346	40.0	1,452	5.10	356	40.0	1,496	5.25	367	40.0	1,541	5.32
Total Expenses	3,088	25.3	12,973	50.06	3,263	23.8	13,711	49.43	3,398	23.2	14,276	50.14	3,500	23.2	14,704	51.65	3,605	23.2	15,145	52.15
DEPARTMENTAL INCOME	9,124	74.7	38,334	147.92	10,449	76.2	43,903	158.27	11,244	76.8	47,244	165.94	11,581	76.8	48,659	170.91	11,928	76.8	50,118	175.88
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	853	7.0	3,582	13.82	896	6.5	3,766	13.57	931	6.4	3,913	13.74	959	6.4	4,031	14.16	988	6.4	4,151	14.58
Info & Telecom Systems	63	0.5	265	1.02	66	0.5	279	1.01	69	0.5	290	1.02	71	0.5	299	1.05	73	0.5	308	1.08
Marketing	568	4.7	2,388	9.22	597	4.4	2,510	9.05	621	4.2	2,609	9.16	640	4.2	2,687	9.44	659	4.2	2,768	9.72
Franchise Fee	930	7.6	3,908	15.08	1,047	7.6	4,398	15.85	1,118	7.6	4,696	16.49	1,151	7.6	4,837	16.99	1,186	7.6	4,982	17.50
Prop. Operations & Maint.	354	2.9	1,486	5.73	418	3.1	1,757	6.33	483	3.3	2,029	7.13	497	3.3	2,090	7.34	512	3.3	2,153	7.55
Utilities	417	3.4	1,751	6.76	438	3.2	1,841	6.64	455	3.1	1,913	6.72	469	3.1	1,970	6.92	483	3.1	2,030	7.13
Total Expenses	3,185	26.1	13,381	51.64	3,463	25.3	14,551	52.45	3,677	25.1	15,450	54.27	3,787	25.1	15,913	55.90	3,901	25.1	16,391	57.00
GROSS HOUSE PROFIT	5,939	48.6	24,953	96.29	6,986	50.9	29,352	105.81	7,567	51.7	31,794	111.68	7,794	51.7	32,746	115.02	8,027	51.7	33,727	118.88
Management Fee	366	3.0	1,539	5.94	411	3.0	1,728	6.23	439	3.0	1,846	6.48	452	3.0	1,901	6.68	466	3.0	1,958	6.88
INCOME BEFORE NON-OPR. INC. & EXP.	5,572	45.6	23,414	90.35	6,574	47.9	27,624	99.58	7,128	48.7	29,948	105.19	7,341	48.7	30,845	108.34	7,561	48.7	31,770	112.00
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	655	5.4	2,754	10.63	675	4.9	2,836	10.23	695	4.7	2,922	10.26	716	4.7	3,009	10.57	738	4.7	3,099	10.88
Insurance	91	0.7	383	1.48	94	0.7	394	1.42	97	0.7	406	1.43	99	0.7	418	1.47	102	0.7	431	1.50
Reserve for Replacement	244	2.0	1,026	3.96	411	3.0	1,728	6.23	586	4.0	2,461	8.64	603	4.0	2,535	8.90	621	4.0	2,611	9.17
Total Expenses	991	8.1	4,162	16.06	1,180	8.6	4,959	17.88	1,378	9.4	5,788	20.33	1,419	9.4	5,962	20.94	1,461	9.4	6,140	21.55
EBITDA LESS RESERVE	\$4,582	37.5 %	\$19,251	\$74.29	\$5,394	39.3 %	\$22,665	\$81.71	\$5,750	39.3 %	\$24,160	\$84.86	\$5,922	39.3 %	\$24,884	\$87.40	\$6,100	39.3 %	\$25,629	\$90.33

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

FIGURE 1-7 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2019/20		2020/21		2021/22		2022/23		2023/24		2024/25		2025/26		2026/27		2027/28		2028/29		
Number of Rooms:	238		238		238		238		238		238		238		238		238		238		
Occupied Rooms:	61,678		66,021		67,759		67,759		67,759		67,759		67,759		67,759		67,759		67,759		
Occupancy:	71%		76%		78%		78%		78%		78%		78%		78%		78%		78%		
Average Rate:	\$177.43	% of	\$186.52	% of	\$194.05	% of	\$199.87	% of	\$205.87	% of	\$212.05	% of	\$218.41	% of	\$224.96	% of	\$231.71	% of	\$238.66	% of	
RevPAR:	\$125.97	Gross	\$141.75	Gross	\$151.36	Gross	\$155.90	Gross	\$160.58	Gross	\$165.40	Gross	\$170.36	Gross	\$175.47	Gross	\$180.73	Gross	\$186.16	Gross	
OPERATING REVENUE																					
Rooms	\$10,943	89.6 %	\$12,314	89.8 %	\$13,149	89.8 %	\$13,543	89.8 %	\$13,949	89.8 %	\$14,368	89.8 %	\$14,799	89.8 %	\$15,243	89.8 %	\$15,700	89.8 %	\$16,171	89.8 %	
Food	98	0.8	110	0.8	118	0.8	121	0.8	125	0.8	129	0.8	133	0.8	137	0.8	141	0.8	145	0.8	
Beverage	225	1.8	254	1.9	275	1.9	283	1.9	292	1.9	300	1.9	309	1.9	319	1.9	328	1.9	338	1.9	
Other Operated Departments	137	1.1	148	1.1	157	1.1	162	1.1	167	1.1	172	1.1	177	1.1	182	1.1	188	1.1	193	1.1	
Parking	739	6.1	812	5.9	864	5.9	890	5.9	917	5.9	944	5.9	973	5.9	1,002	5.9	1,032	5.9	1,063	5.9	
Miscellaneous Income	68	0.6	74	0.5	79	0.5	81	0.5	83	0.5	86	0.5	88	0.5	91	0.5	94	0.5	97	0.5	
Total Operating Revenues	12,211	100.0	13,712	100.0	14,642	100.0	15,080	100.0	15,533	100.0	15,999	100.0	16,479	100.0	16,973	100.0	17,482	100.0	18,007	100.0	
DEPARTMENTAL EXPENSES *																					
Rooms	2,509	22.9	2,653	21.5	2,761	21.0	2,844	21.0	2,929	21.0	3,017	21.0	3,108	21.0	3,201	21.0	3,297	21.0	3,396	21.0	
Food & Beverage	175	54.0	187	51.3	196	50.0	202	50.0	208	50.0	215	50.0	221	50.0	228	50.0	235	50.0	242	50.0	
Other Operated Departments	87	63.4	91	61.2	94	60.0	97	60.0	100	60.0	103	60.0	106	60.0	109	60.0	113	60.0	116	60.0	
Parking	317	42.9	332	40.9	346	40.0	356	40.0	367	40.0	378	40.0	389	40.0	401	40.0	413	40.0	425	40.0	
Total Expenses	3,088	25.3	3,263	23.8	3,398	23.2	3,500	23.2	3,605	23.2	3,713	23.2	3,824	23.2	3,939	23.2	4,057	23.2	4,179	23.2	
DEPARTMENTAL INCOME																					
	9,124	74.7	10,449	76.2	11,244	76.8	11,581	76.8	11,928	76.8	12,286	76.8	12,655	76.8	13,035	76.8	13,425	76.8	13,828	76.8	
UNDISTRIBUTED OPERATING EXPENSES																					
Administrative & General	853	7.0	896	6.5	931	6.4	959	6.4	988	6.4	1,018	6.4	1,048	6.4	1,080	6.4	1,112	6.4	1,145	6.4	
Info & Telecom Systems	63	0.5	66	0.5	69	0.5	71	0.5	73	0.5	75	0.5	78	0.5	80	0.5	82	0.5	85	0.5	
Marketing	568	4.7	597	4.4	621	4.2	640	4.2	659	4.2	678	4.2	699	4.2	720	4.2	741	4.2	764	4.2	
Franchise Fee	930	7.6	1,047	7.6	1,118	7.6	1,151	7.6	1,186	7.6	1,221	7.6	1,258	7.6	1,296	7.6	1,335	7.6	1,375	7.6	
Prop. Operations & Maint.	354	2.9	418	3.1	483	3.3	497	3.3	512	3.3	528	3.3	544	3.3	560	3.3	577	3.3	594	3.3	
Utilities	417	3.4	438	3.2	455	3.1	469	3.1	483	3.1	498	3.1	512	3.1	528	3.1	544	3.1	560	3.1	
Total Expenses	3,185	26.1	3,463	25.3	3,677	25.1	3,787	25.1	3,901	25.1	4,018	25.1	4,139	25.1	4,263	25.1	4,391	25.1	4,522	25.1	
GROSS HOUSE PROFIT																					
	5,939	48.6	6,986	50.9	7,567	51.7	7,794	51.7	8,027	51.7	8,268	51.7	8,516	51.7	8,772	51.7	9,035	51.7	9,306	51.7	
Management Fee	366	3.0	411	3.0	439	3.0	452	3.0	466	3.0	480	3.0	494	3.0	509	3.0	524	3.0	540	3.0	
INCOME BEFORE NON-OPR. INC. & EXP.																					
	5,572	45.6	6,574	47.9	7,128	48.7	7,341	48.7	7,561	48.7	7,788	48.7	8,022	48.7	8,263	48.7	8,510	48.7	8,766	48.7	
NON-OPERATING INCOME & EXPENSE																					
Property Taxes	655	5.4	675	4.9	695	4.7	716	4.7	738	4.7	760	4.7	783	4.7	806	4.7	830	4.7	855	4.7	
Insurance	91	0.7	94	0.7	97	0.7	99	0.7	102	0.7	106	0.7	109	0.7	112	0.7	115	0.7	119	0.7	
Reserve for Replacement	244	2.0	411	3.0	586	4.0	603	4.0	621	4.0	640	4.0	659	4.0	679	4.0	699	4.0	720	4.0	
Total Expenses	991	8.1	1,180	8.6	1,378	9.4	1,419	9.4	1,461	9.4	1,505	9.4	1,550	9.4	1,597	9.4	1,645	9.4	1,694	9.4	
EBITDA LESS RESERVE																					
	\$4,582	37.5 %	\$5,394	39.3 %	\$5,750	39.3 %	\$5,922	39.3 %	\$6,100	39.3 %	\$6,283	39.3 %	\$6,472	39.3 %	\$6,666	39.3 %	\$6,866	39.3 %	\$7,071	39.3 %	

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

Scope of Work

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.

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

1. All information was collected and analyzed by the staff of TS Worldwide, LLC. Information was supplied by the client and/or the property's development team.
2. The subject site has been evaluated from the viewpoint of its physical utility for the future operation of a hotel, as well as access, visibility, and other relevant factors.
3. The subject property's proposed improvements have been reviewed for their expected quality of construction, design, and layout efficiency.
4. The surrounding economic environment, on both an area and neighborhood level, has been reviewed to identify specific 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.

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

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

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

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

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

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

Sample

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 the heart of the Stars Hollow Central Business District (CBD), in the southeast quadrant of the intersection formed by Main Street and Gravier Street. The site is also situated two blocks north of the intersection formed by Main Street and Pine Avenue. This site is in the city of Stars Hollow, Louisiana.

Physical Characteristics

The subject site measures approximately 2.07 acres, or 90,000 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	Bienvenue Bar & Grill
South	InterContinental New Orleans
East	Whitney Parking Garage
West	St. Charles Avenue

VIEW OF SUBJECT SITE



Topography and Site Utility

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

AERIAL PHOTOGRAPH



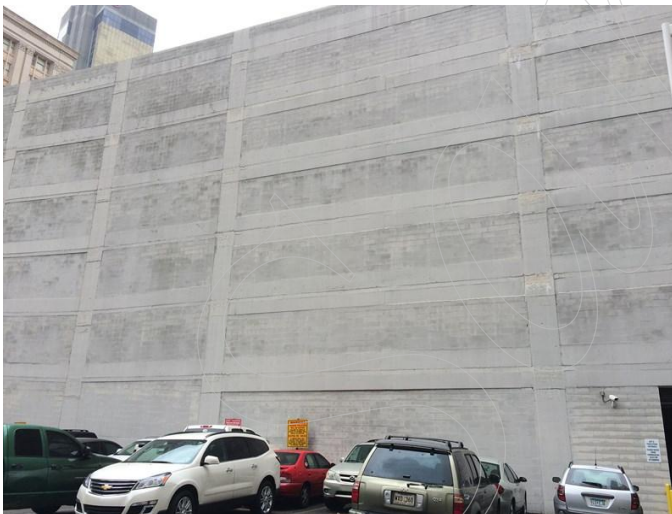
VIEW FROM SITE TO THE NORTH



VIEW FROM SITE TO THE SOUTH



VIEW FROM SITE TO THE EAST



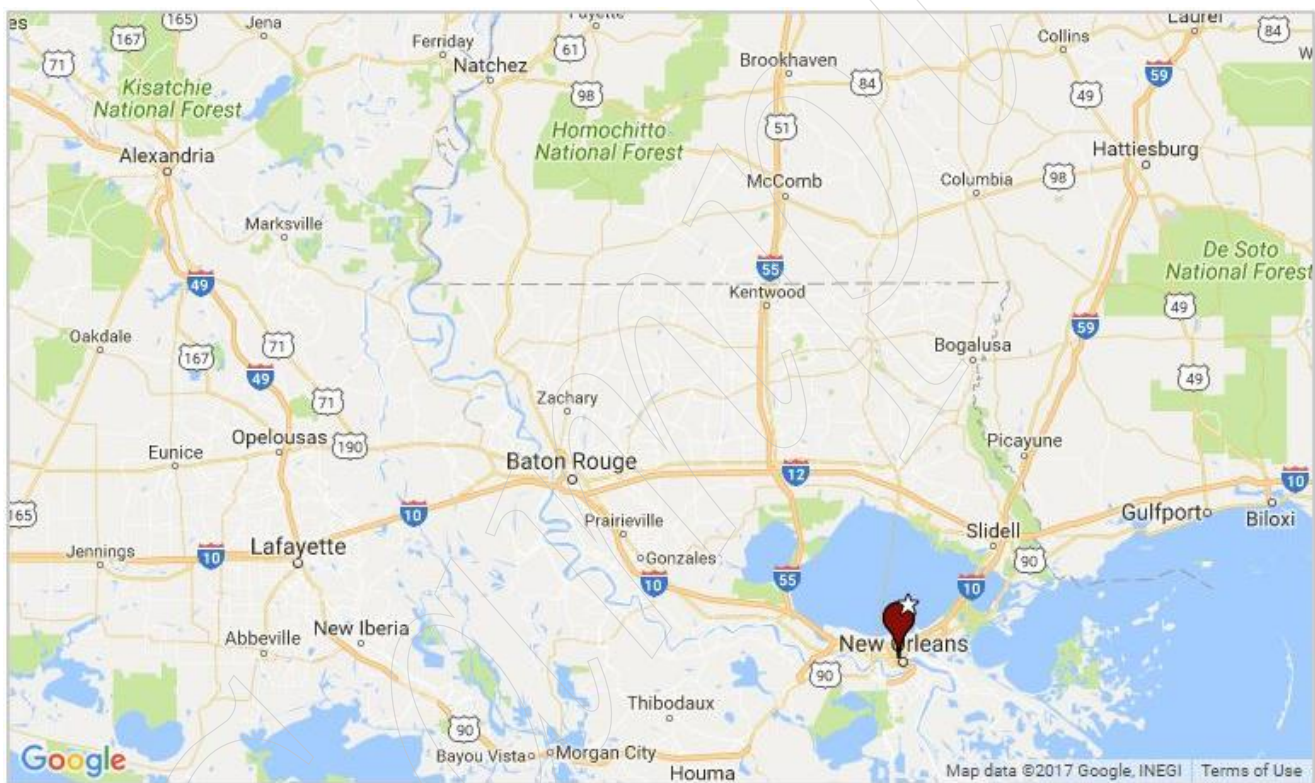
VIEW FROM SITE TO THE WEST



Access and Visibility

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

MAP OF REGIONAL ACCESS ROUTES



Primary regional access through the area is provided by east/west Interstate 10, which extends to Mobile, Alabama, to the east and to such cities as Baton Rouge and Houston, Texas, to the west. North/south Interstate 55, which originates near Stars Hallow, provides access to Jackson, Mississippi, and Memphis, Tennessee, to the north. North/south Interstate 59, which also originates near Stars Hallow, provides access to central Mississippi, including Hattiesburg and Meridian. U.S. Highway 90 extends eastward to Gulfport, Mississippi, and westward to Lafayette. The subject market is served by a variety of additional local highways, which are illustrated on the map.

Vehicular access to the subject site is provided by Main Street. The subject site is located near one of the primary intersections of the CBD and is relatively simple to

locate from Mountain Street, which is the nearest 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 Louis Armstrong Stars Hallow International Airport, which is located approximately ten miles to the west of the subject site.

Neighborhood

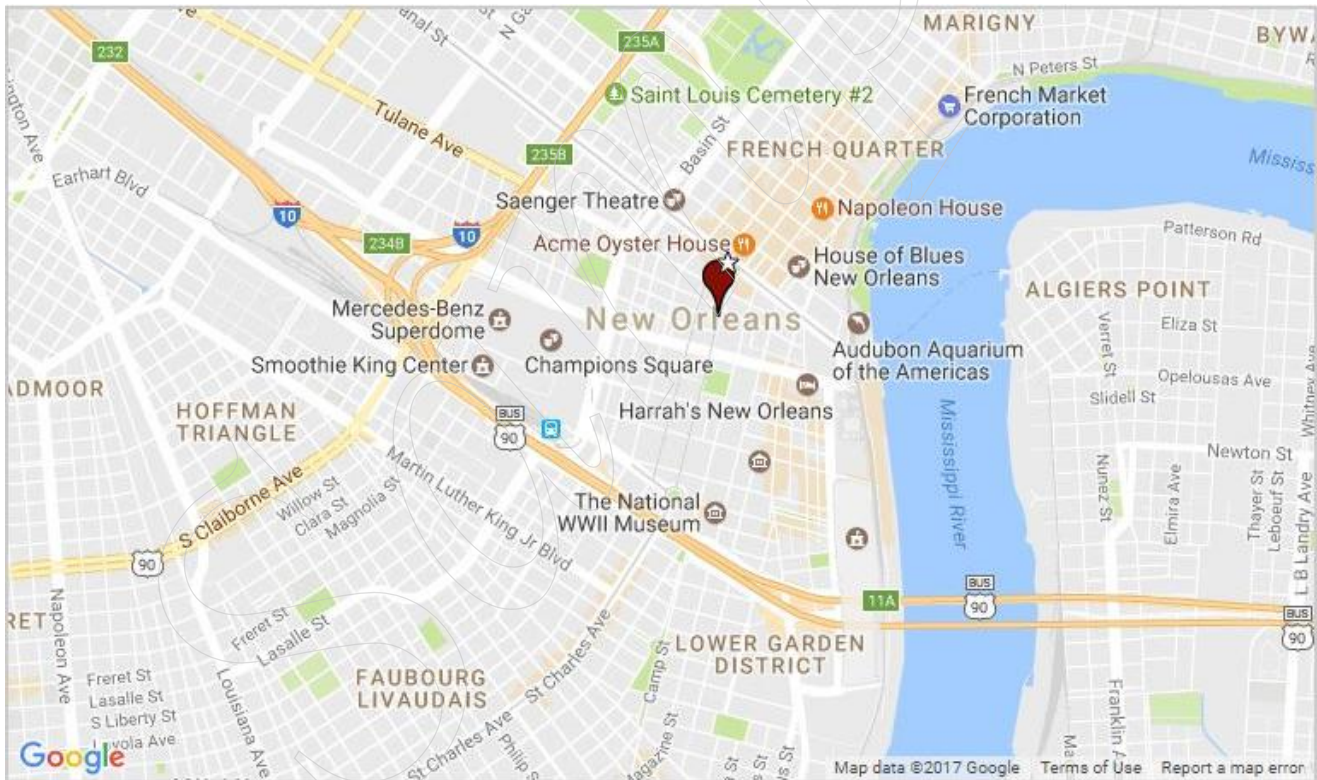
The neighborhood surrounding a lodging facility often has an impact on a hotel's status, image, class, style of operation, and sometimes its ability to attract and properly serve a particular market segment. This section of the report investigates the subject neighborhood and evaluates any pertinent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

This Stars Hallow CBD neighborhood is generally defined by Mountain Street to the northeast, Interstate 10 to the northwest, U.S. Highway 90/Pontchartrain Expressway to the southwest, and the Mississippi River to the east. In general, this neighborhood is in the revitalization phase of its life cycle as a result of both public- and private-sector investment since Hurricane Katrina in 2005. In addition to a \$50-million renovation of the Ernest N. Morial Convention Center and a \$34.5-million extension of the Mountain Street streetcar line along Loyola Avenue, both of which were completed in February 2013 in conjunction with the city's preparations for Super Bowl XLVII, the Saenger Theatre completed a \$52-million restoration and expansion project and reopened in September 2013. Additionally, the first phase of the \$200-million South Market District project was completed in October 2014; this consisted of the construction of the \$48.4-million Paramount at South Market, a mixed-use building located on the Loyola Avenue streetcar line. The second phase of the development project includes the \$39.6-million Beacon, a building with 124 planned apartments and 20,000 square feet of retail space; construction began in November 2014, and the development opened in March 2016.

Additionally, a number of hotel and residential developments have recently been completed or are planned for the CBD. According to an August 2016 Data Center report, 1,818 residences have been added to the CBD since 2010. In March 2015, a development team affiliated with the Four Seasons brand was chosen by city officials to redevelop the long-vacant World Trade Center at the foot of Mountain Street. In August 2016, the developer of the \$200-million mixed-use South Market District development began construction of an 89-unit apartment building on O'Keefe Street. The project, The Standard, is scheduled for completion in the spring of 2018. Other notable changes in the neighborhood include new hotel

developments such as the Ace Hotel, the Moxy, and The Troubadour, as well as the ongoing construction of the NPSI Hotel and the Cambria Suites. Furthermore, in 2015, site work began on a six-story mixed-use building on a public parking lot at the intersection of Pine Avenue and Loyola Avenue, adjacent to the Hyatt Regency. The building will house 18,000 square feet of ground-floor retail, a 393-space parking garage, and a 40,000-square-foot Dave & Buster's restaurant on the top floor; an additional restaurant, Aux 3 Garçons Bistro, was announced as part of the development in August 2016. Within the immediate proximity of the site, land use is primarily commercial in nature. The neighborhood is characterized by high-rise office and residential buildings, hotels, world-renowned restaurants, upscale shopping centers and retail shops, entertainment venues, and tourism attractions.

MAP OF NEIGHBORHOOD



Some specific facilities, businesses, and hotels in the area include the Ernest N. Morial Convention Center, Harrah's Stars Hollow casino and hotel, the Mercedes-Benz Superdome, the Smoothie King Center, Entergy Corporation, Shell Pipeline Corporation, Capital One, First NBC Bank, the Sheraton Stars Hollow Hotel, the Stars Hollow Marriott, and the Hilton Stars Hollow Riverside. Additionally, the

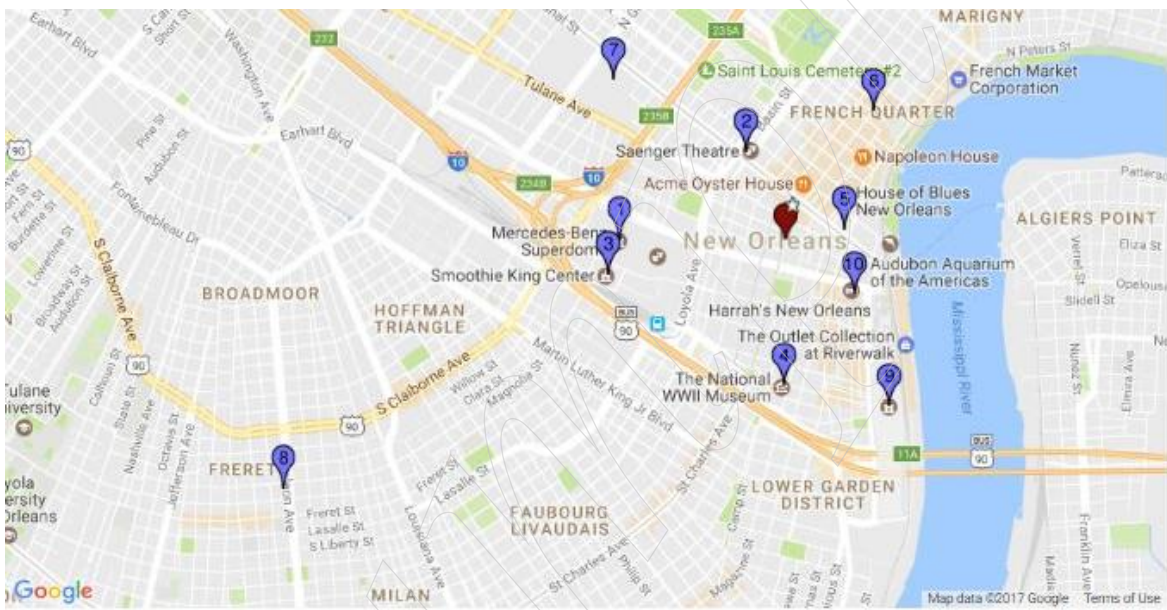
neighborhood is home to a number of world-renowned restaurants, such as Lüke, Domenica, Herbsaint, Cochon, Restaurant August, and Mother's Restaurant. The subject hotel will be in character with and will complement surrounding land uses. Overall, the supportive nature of the development in the immediate area is considered appropriate for and conducive to the operation of a hotel.

SAMPLE

Proximity to Local Demand Generators and Attractions

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

ACCESS TO DEMAND GENERATORS AND ATTRACTIONS



Demand Generator	Approx. Driving Time/Distance from Subject Property	
Subject Property		
Mercedes-Benz Superdome	4 minutes	1 mile
Saenger Theatre	5 minutes	1 mile
Smoothie King Center	6 minutes	1 mile
The National WWII Museum	6 minutes	1 mile
Audubon Butterfly Garden and Insectarium	8 minutes	1 mile
French Quarter	9 minutes	1 mile
University Medical Center New Orleans	8 minutes	2 miles
Ochsner Baptist - A Campus of Ochsner Medical Center	10 minutes	3 miles
Ernest N. Morial Convention Center	11 minutes	4 miles
Harrah's New Orleans Casino	13 minutes	4 miles

Utilities

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

**Soil and
Subsoil Conditions**

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

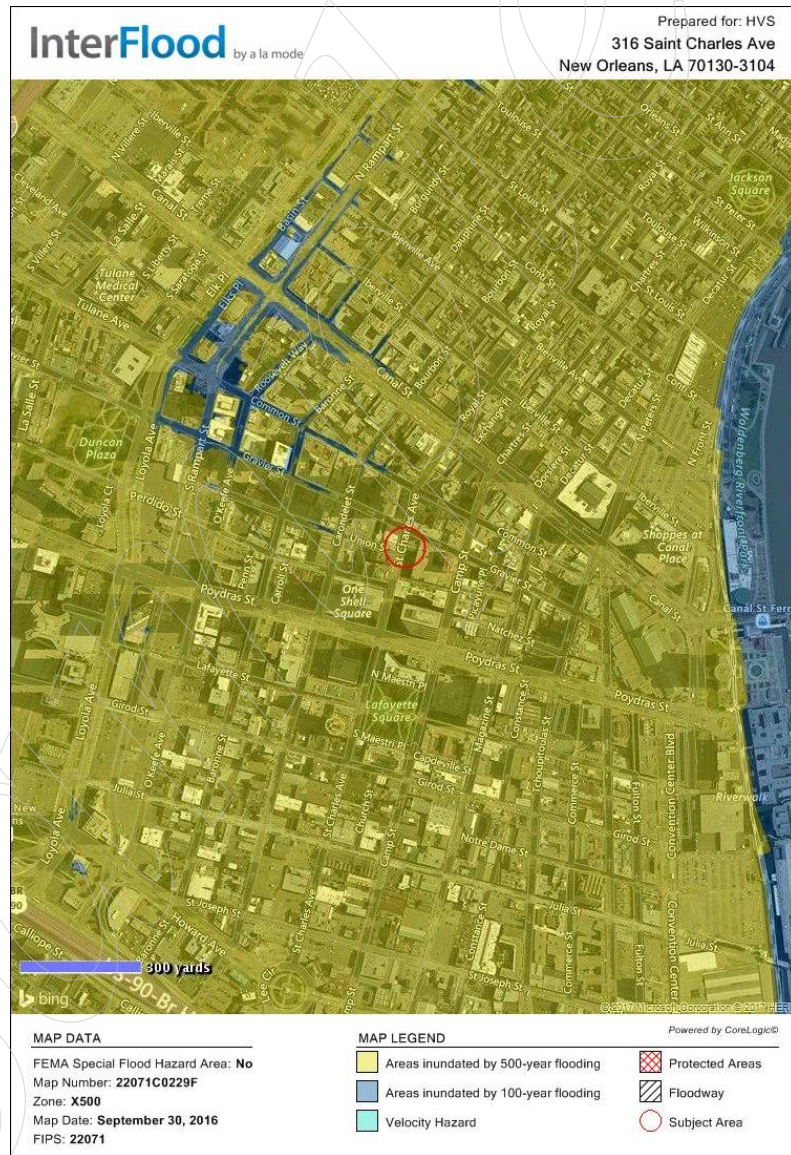
**Nuisances
and Hazards**

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

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: areas outside the 500-year flood plain; areas of the 500-year flood; areas of the 100-year flood with average depths of less than one foot or with drainage areas less than one square mile and areas protected by levees from the 100-year flood.

Zoning

According to the local planning office, the subject property is zoned as follows: HC - Highway Commercial. Additional details pertaining to the proposed subject property’s zoning regulations are summarized in the following table.

ZONING

Municipality Governing Zoning	City Planning Commission
Current Zoning	Core Central Business District and HU-B1A Use
Current Use	Restriction Overlay District
Is Current Use Permitted	Vacant Land
Is Change in Zoning Likely	Not Applicable
	No
Permitted Uses	large office, financial, and commercial services,
Hotel Allowed	multi-family housing, retail, entertainment, hotel,
Legally Non-Conforming	and institutional uses
	Yes
	Not Applicable

Restriction Type	Requirement
Required Onsite Parking	None
Building Size	None
Maximum Floor Area Ratio (FAR)	14
Floor Area Ratio (FAR)	14
Building Height	Maximum height controlled by FAR
Minimum Lot Size	None
Street Frontage	None
	None required, but a 5’ maximum
Frontage Building Setback	Larger front yard permitted by conditional use
Rear Building Setback	None
Side Building Setback	None
Landscaping	None
Impervious Cover Allowance	None
Open Space Requirement	None

**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. However, we note that the subject site is encumbered by a servitude easement allowing access to the parking garage on the adjacent parcel (Lot W-2). This easement measures 3,186 square feet and comprises the southernmost portion of the subject site. The Act of Servitude granting this easement was filed on January 11, 2001, between 350 St. Charles, LLC (grantor) and Whitney National Bank (grantee) and runs with the land. As part of the Act of Servitude, we note that the owner of the subject site is restricted from constructing improvements in the servitude area at an elevation of less than nine feet above the garage floor.

Conclusion

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities. The subject site enjoys a favorable location in the Stars Hallow CBD, within walking distance of a number of demand generators, including the French Quarter, the Mercedes-Benz Superdome, and the Smoothie King Center, as well as a number of corporate offices housed in the area's numerous high-rise buildings. In general, the site should be well suited for future hotel use, with acceptable access, visibility, and topography for an effective operation.

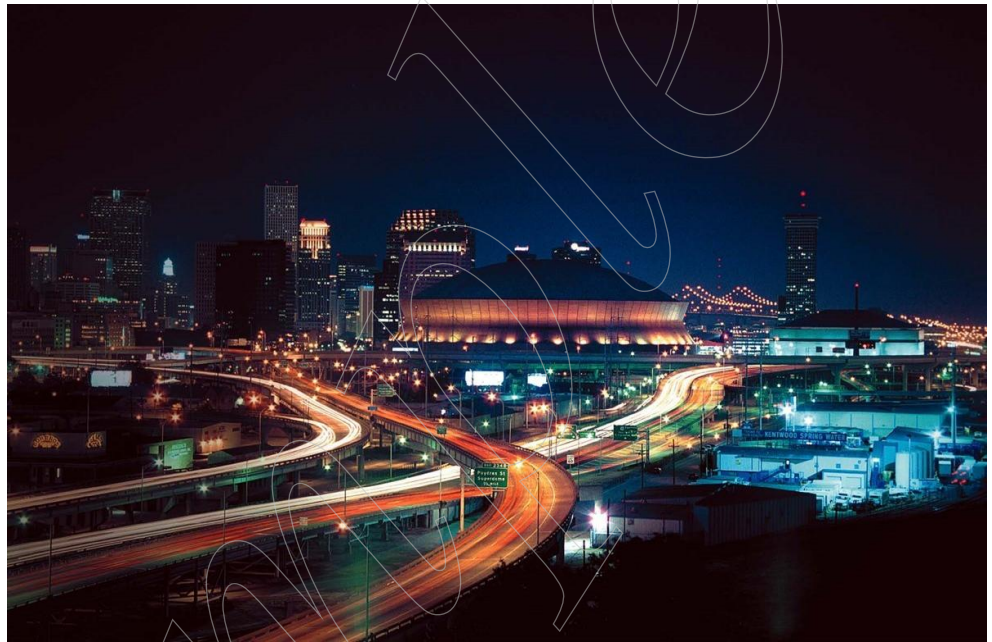
3. Market Area Analysis

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

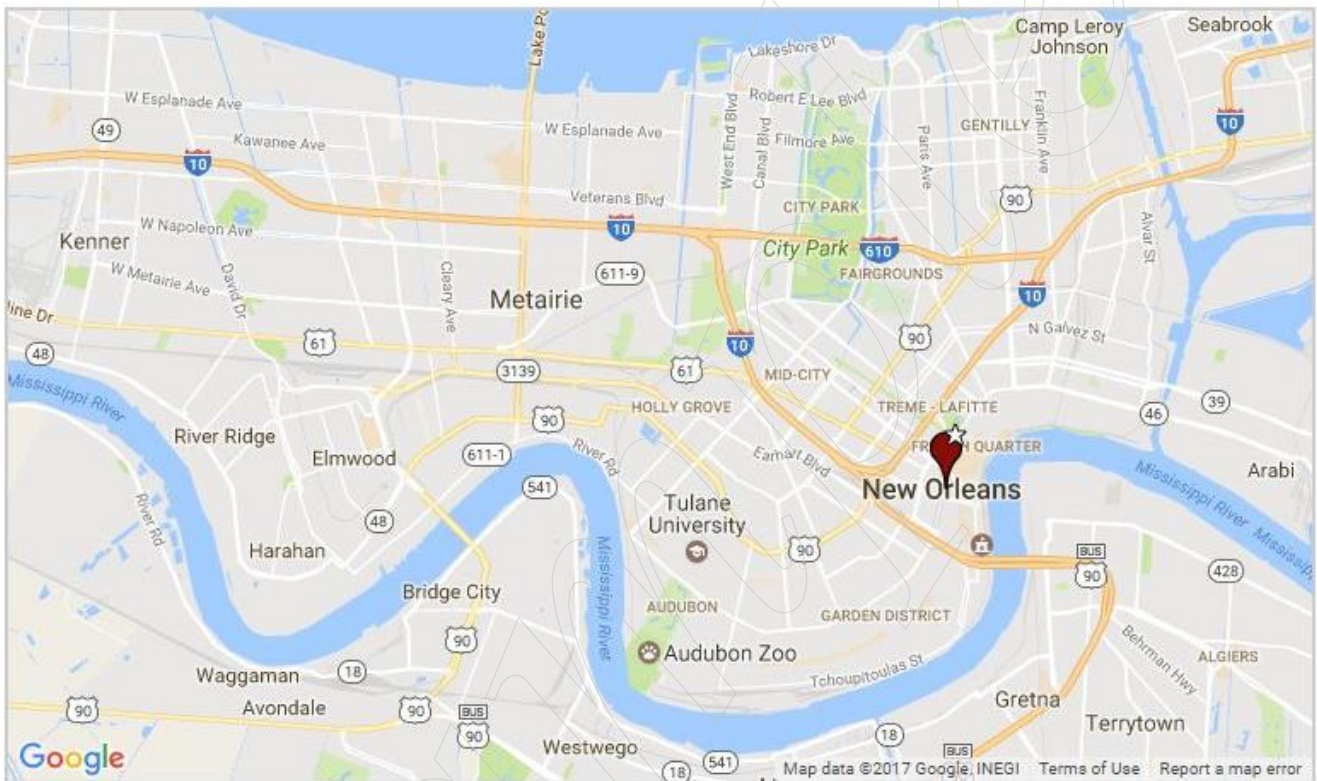
The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject site is located in the city of Stars Hollow, the county of Orleans, and the state of Louisiana. Known for its multicultural heritage and world-famous music and cuisine, Stars Hollow is predominantly recognized as a tourist destination. In addition to tourism, the greater Stars Hollow area is a significant logistics center, owing to its access to the Mississippi River, the Gulf of Mexico, and numerous railways. Stars Hollow serves as an access point for offshore drilling rigs, as well as an administrative hub for the companies that operate them. Although the area suffered greatly following Hurricane Katrina in 2005, the ongoing recovery from the storm has spurred significant investment in the city's infrastructure and has opened the door to new industries like bioscience and sustainable energy. The city's strategic geographical location, healthy mix of business and tourism, and transportation connectivity have allowed it to recover strongly from the negative effects of Hurricane Katrina, the 2009 economic recession, and the Deepwater Horizon oil spill.

STARS HALLOW



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

MAP OF MARKET AREA



Economic and Demographic Review

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

These data are summarized in the following table.

FIGURE 3-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	2000	2010	2016	2020	Average Annual Compounded Change		
					2000-10	2010-16	2016-20
Resident Population (Thousands)							
Orleans Parish	485.6	348.0	381.8	377.3	(3.3) %	1.6 %	(0.3) %
New Orleans-Metairie, LA MSA	1,339.3	1,195.8	1,262.8	1,286.9	(1.1)	0.9	0.5
New Orleans-Metairie-Hammond, LA-MS CSA	1,532.6	1,420.2	1,495.8	1,529.3	(0.8)	0.9	0.6
State of Louisiana	4,471.9	4,545.6	4,710.8	4,842.8	0.2	0.6	0.7
United States	282,162.4	309,347.1	324,506.9	336,690.4	0.9	0.8	0.9
Per-Capita Personal Income*							
Orleans Parish	\$31,463	\$41,617	\$44,030	\$47,004	2.8	0.9	1.6
New Orleans-Metairie, LA MSA	32,127	41,106	43,920	46,676	2.5	1.1	1.5
New Orleans-Metairie-Hammond, LA-MS CSA	30,953	39,335	41,926	44,517	2.4	1.1	1.5
State of Louisiana	28,353	36,622	39,783	42,328	2.6	1.4	1.6
United States	36,812	39,622	43,613	46,375	0.7	1.6	1.5
W&P Wealth Index							
Orleans Parish	85.7	107.5	105.1	105.4	2.3	(0.4)	0.1
New Orleans-Metairie, LA MSA	87.6	104.0	101.8	101.8	1.7	(0.3)	(0.0)
New Orleans-Metairie-Hammond, LA-MS CSA	84.4	99.1	96.9	96.7	1.6	(0.4)	(0.0)
State of Louisiana	78.3	92.1	91.3	91.3	1.6	(0.1)	0.0
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
Orleans Parish	\$1,065	\$1,096	\$1,436	\$1,463	0.3	4.6	0.5
New Orleans-Metairie, LA MSA	2,260	2,464	3,098	3,233	0.9	3.9	1.1
New Orleans-Metairie-Hammond, LA-MS CSA	2,433	2,685	3,379	3,536	1.0	3.9	1.1
State of Louisiana	5,351	6,583	8,424	8,936	2.1	4.2	1.5
United States	368,829	447,728	562,999	602,635	2.0	3.9	1.7
Total Retail Sales (Millions)*							
Orleans Parish	\$4,895	\$3,983	\$4,665	\$4,742	(2.0)	2.7	0.4
New Orleans-Metairie, LA MSA	17,634	17,144	19,585	20,562	(0.3)	2.2	1.2
New Orleans-Metairie-Hammond, LA-MS CSA	19,841	19,706	22,455	23,643	(0.1)	2.2	1.3
State of Louisiana	55,088	60,316	69,999	74,137	0.9	2.5	1.4
United States	3,902,830	4,130,414	4,846,834	5,181,433	0.6	2.7	1.7

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population has grown at an average annual compounded rate of 0.8% from 2010 through 2016. The county's population has grown at a quicker pace than the nation's population; the average annual growth rate of 1.6% between 2010 and 2016 reflects a gradually expanding area. Following this population trend, per-capita personal income increased slowly, at 0.9% on average annually for the county between 2010 and 2016. Local wealth indexes have remained stable in recent years, registering a relatively high 105.1 level for the county in 2016.

Food and beverage sales totaled \$1,436 million in the county in 2016, versus \$1,096 million in 2010. This reflects a 4.6% average annual change, which is stronger than the 0.3% 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 0.5%, which is forecast through 2020. The retail sales sector demonstrated an annual decline of -2.0% registered in the decade 2000 to 2010, followed by an increase of 2.7% in the period 2010 to 2016. An increase of 0.4% average annual change is expected in county retail sales through 2020.

Workforce Characteristics

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

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

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

Industry	2000	Percent of Total	2010	Percent of Total	2016	Percent of Total	2020	Percent of Total	Average Annual Compounded Change		
									2000-2010	2010-2016	2016-2020
Farm	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0	0.0 %	0.0 %	0.0 %	0.0 %
Forestry, Fishing, Related Activities And Other	0.6	0.2	0.5	0.2	0.5	0.2	0.5	0.2	(1.9)	0.2	1.4
Mining	6.6	2.1	4.4	1.8	4.0	1.4	3.9	1.4	(4.0)	(1.8)	(0.3)
Utilities	1.0	0.3	0.3	0.1	0.3	0.1	0.3	0.1	(11.8)	(0.4)	1.1
Construction	9.7	3.0	8.4	3.4	9.4	3.4	9.5	3.4	(1.5)	1.9	0.4
Manufacturing	11.8	3.7	5.3	2.2	4.8	1.7	4.5	1.6	(7.7)	(1.7)	(1.8)
Total Trade	33.1	10.3	18.8	7.7	22.2	8.1	22.2	7.9	(5.5)	2.9	(0.1)
Wholesale Trade	9.1	2.8	4.4	1.8	4.5	1.7	4.4	1.6	(7.1)	0.7	(0.5)
Retail Trade	24.0	7.5	14.4	5.9	17.7	6.5	17.7	6.3	(5.0)	3.5	0.0
Transportation And Warehousing	14.5	4.5	8.4	3.4	10.0	3.6	9.4	3.4	(5.3)	3.0	(1.4)
Information	6.0	1.9	4.4	1.8	4.7	1.7	4.8	1.7	(3.0)	1.0	0.2
Finance And Insurance	13.2	4.1	8.9	3.7	10.6	3.9	11.1	4.0	(3.9)	2.9	1.3
Real Estate And Rental And Lease	9.0	2.8	9.2	3.8	11.9	4.3	13.0	4.6	0.2	4.4	2.2
Total Services	153.5	47.6	129.1	53.1	155.9	57.0	161.2	57.5	(1.7)	3.2	0.8
Professional And Technical Services	20.5	6.3	20.5	8.4	23.9	8.7	24.7	8.8	0.0	2.6	0.8
Management Of Companies And Enterprises	5.4	1.7	4.0	1.6	3.0	1.1	3.0	1.1	(3.1)	(4.7)	0.2
Administrative And Waste Services	20.4	6.3	13.8	5.7	15.6	5.7	15.5	5.5	(3.8)	2.0	(0.1)
Educational Services	15.0	4.7	17.0	7.0	20.7	7.6	22.3	8.0	1.2	3.3	1.9
Health Care And Social Assistance	30.5	9.4	20.6	8.5	26.3	9.6	27.1	9.7	(3.8)	4.1	0.8
Arts, Entertainment, And Recreation	10.6	3.3	8.0	3.3	10.6	3.9	11.3	4.0	(2.7)	4.8	1.7
Accommodation And Food Services	35.1	10.9	31.6	13.0	39.5	14.4	40.4	14.4	(1.0)	3.8	0.6
Other Services, Except Public Administration	16.1	5.0	13.6	5.6	16.5	6.0	16.8	6.0	(1.7)	3.2	0.5
Total Government	63.2	19.6	45.7	18.8	39.4	14.4	40.2	14.3	(3.2)	(2.4)	0.5
Federal Civilian Government	13.3	4.1	9.9	4.1	9.0	3.3	9.2	3.3	(2.8)	(1.7)	0.6
Federal Military	6.0	1.9	3.9	1.6	3.8	1.4	3.9	1.4	(4.2)	(0.2)	0.1
State And Local Government	44.0	13.6	31.8	13.1	26.6	9.7	27.1	9.7	(3.2)	(3.0)	0.5
TOTAL	322.3	100.0 %	243.3	100.0 %	273.6	100.0 %	280.6	100.0 %	(2.8) %	2.0 %	0.6 %
MSA	769.6	—	723.5	—	791.6	—	826.6	—	(0.6) %	1.5 %	1.1 %
U.S.	165,370.9	—	173,034.7	—	191,870.8	—	203,418.4	—	0.9	1.7	1.5

Source: Woods & Poole Economics, Inc.

Woods & Poole Economics, Inc. reports that during the period from 2000 to 2010, total employment in the parish contracted at an average annual rate of -2.8%. This trend was below the growth rate recorded by the MSA and also lagged the national average. More recently, the pace of total employment growth in the parish accelerated to 2.0% on an annual average from 2010 to 2016, reflecting the initial years of the recovery.

Of the primary employment sectors, Total Services recorded the highest increase in number of employees during the period from 2010 to 2016, increasing by 26,776 people, or 20.7%, and rising from 53.1% to 57.0% of total employment. Of the various service sub-sectors, Accommodation And Food Services and Health Care And Social Assistance were the largest employers. Strong growth was also recorded in the Total Trade sector, as well as the Real Estate And Rental And Lease sector, which expanded by 18.4% and -9.8%, respectively, in the period 2010 to 2016. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the parish will change by 0.6% on average annually through 2020. The trend is below the forecast rate of change for the U.S. as a whole during the same period.

Radial Demographic Snapshot

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

FIGURE 3-3 DEMOGRAPHICS BY RADIUS

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
Population			
2022 Projection	15,895	197,466	396,632
2017 Estimate	14,920	185,613	374,678
2010 Census	12,756	162,239	332,199
2000 Census	14,475	221,389	449,251
Growth 2017 - 2022	6.5%	6.4%	5.9%
Growth 2010 - 2017	17.0%	14.4%	12.8%
Growth 2000 - 2010	-11.9%	-26.7%	-26.1%
Households			
2022 Projection	9,340	90,449	173,301
2017 Estimate	8,644	84,081	162,003
2010 Census	7,103	71,604	140,314
2000 Census	7,306	88,851	179,393
Growth 2017 - 2022	8.1%	7.6%	7.0%
Growth 2010 - 2017	21.7%	17.4%	15.5%
Growth 2000 - 2010	-2.8%	-19.4%	-21.8%
Income			
2017 Est. Average Household Income	\$84,473	\$63,810	\$68,201
2017 Est. Median Household Income	51,447	35,566	39,784
2017 Est. Civ. Employed Pop 16+ by Occupation			
Architect/Engineer	249	1,776	3,672
Arts/Entertainment/Sports	489	4,529	7,140
Building Grounds Maintenance	330	4,318	7,988
Business/Financial Operations	468	3,273	6,814
Community/Social Services	145	1,795	3,331
Computer/Mathematical	192	1,492	2,712
Construction/Extraction	224	4,297	9,698
Education/Training/Library	477	6,974	12,623
Farming/Fishing/Forestry	6	97	408
Food Prep/Serving	780	9,869	16,442
Health Practitioner/Technician	753	5,410	11,625
Healthcare Support	42	2,076	4,229
Maintenance Repair	77	1,353	3,618
Legal	407	2,702	5,043
Life/Physical/Social Science	77	1,014	1,923
Management	1,208	8,323	16,393
Office/Admin. Support	439	7,462	17,660
Production	83	2,274	5,095
Protective Services	111	1,896	3,938
Sales/Related	684	7,765	16,153
Personal Care/Service	276	3,077	6,005
Transportation/Moving	201	4,266	9,137

Source: The Nielsen Company

This source reports a population of 374,678 within a five-mile radius of the subject site, and 162,003 households within this same radius. Average household income within a five-mile radius of the subject site is currently reported at \$68,201, while the median is \$39,784.

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

FIGURE 3-4 HISTORICAL & PROJECTED EMPLOYMENT, HOUSEHOLDS, POPULATION, AND HOUSEHOLD INCOME STATISTICS

Year	Total		Office		Industrial		Households	% Chg	Population	% Chg	Household	
	Employment	% Chg	Employment	% Chg	Employment	% Chg					Avg. Income	% Chg
2003	622,670	—	184,683	—	76,835	—	518,700	—	1,361,700	—	\$77,471	—
2004	623,300	0.1 %	183,577	(0.6) %	74,810	(2.6) %	528,980	2.0 %	1,383,680	1.6 %	80,193	3.5 %
2006	510,130	—	147,803	—	66,924	—	412,900	—	1,067,520	—	108,637	—
2007	535,130	4.9	154,683	4.7	71,349	6.6	435,840	5.6	1,116,790	4.6	115,706	6.5
2008	538,900	0.7	154,587	(0.1)	69,567	(2.5)	448,500	2.9	1,149,440	2.9	110,646	(4.4)
2009	530,370	(1.6)	153,986	(0.4)	65,878	(5.3)	461,940	3.0	1,183,400	3.0	103,541	(6.4)
2010	534,670	0.8	154,950	0.6	64,179	(2.6)	469,990	1.7	1,205,660	1.9	107,035	3.4
2011	541,330	1.2	155,674	0.5	63,767	(0.6)	480,130	2.2	1,221,270	1.3	108,160	1.1
2012	547,370	1.1	156,047	0.2	62,814	(1.5)	489,260	1.9	1,234,990	1.1	115,756	7.0
2013	560,030	2.3	158,897	1.8	63,582	1.2	498,030	1.8	1,247,020	1.0	112,897	(2.5)
2014	571,570	2.1	161,276	1.5	62,771	(1.3)	504,950	1.4	1,257,020	0.8	116,760	3.4
2015	571,570	0.0	160,794	(0.3)	62,832	0.1	510,780	1.2	1,266,650	0.8	119,019	1.9
Forecasts												
2016	570,550	(0.2) %	159,933	(0.5) %	61,587	(2.0) %	515,950	1.0 %	1,275,680	0.7 %	\$122,934	3.3 %
2017	571,020	0.1	158,805	(0.7)	59,590	(3.2)	521,030	1.0	1,284,070	0.7	129,319	5.2
2018	571,890	0.2	159,033	0.1	58,426	(2.0)	526,110	1.0	1,291,640	0.6	135,260	4.6
2019	577,930	1.1	160,900	1.2	58,082	(0.6)	531,150	1.0	1,298,410	0.5	141,377	4.5
2020	581,370	0.6	162,135	0.8	57,695	(0.7)	536,090	0.9	1,305,030	0.5	147,616	4.4
Average Annual Compound Change												
2003 - 2015		(0.7) %		(1.1) %		(1.7) %		(0.1) %		(0.6) %		3.6 %
2003 - 2007		(3.7)		(4.3)		(1.8)		(4.3)		(4.8)		10.5
2007 - 2010		(0.0)		0.1		(3.5)		2.5		2.6		(2.6)
2010 - 2015		1.3		0.7		(0.4)		1.7		1.0		2.7
Forecast 2016 - 2020		0.5 %		0.3 %		(1.6) %		1.0 %		0.6 %		4.7 %

Source: REIS Report, 3rd Quarter, 2016

**Unemployment
Statistics**

For the Stars Hallow market, of the roughly 600,000 persons employed, 28% are categorized as office employees, while 11% are categorized as industrial employees. Total employment decreased by an average annual compound rate of 0.0% during the recession of 2008 to 2011, followed by an increase of 1.3% from 2011 to 2015. By comparison, office employment reflected compound change rates of 0.1% and 0.7%, during the same respective periods. Total employment is expected to contract by -0.2% in 2016, while office employment is forecast to contract by -0.5% in 2016. From 2015 through 2020, REIS anticipates that total employment will expand at an average annual compound rate of 0.5%, while office employment will expand by 0.3% on average annually during the same period.

The number of households is forecast to expand by 1.0% on average annually between 2015 and 2020. Population is forecast to expand during this same period, at an average annual compounded rate of 0.6%. Household average income is forecast to grow by 4.7% on average annually from 2015 through 2020.

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.
2006	(n) %	4.9 %	4.5 %	4.6 %
2007	5.1	4.0	4.3	4.6
2008	6.0	4.9	4.9	5.8
2009	7.9	6.7	6.8	9.3
2010	8.7	7.7	8.0	9.6
2011	8.6	7.7	7.8	8.9
2012	7.9	7.1	7.1	8.1
2013	7.4	6.7	6.7	7.4
2014	7.0	6.4	6.4	6.2
2015	6.5	6.0	6.3	5.3
<i>Recent Month - Nov</i>				
2015	5.5 %	5.1 %	5.4 %	5.0 %
2016	5.4	5.0	5.5	4.6

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

Source: U.S. Bureau of Labor Statistics

After the U.S. unemployment rate declined to an annual average of 4.6% in 2006 and 2007, the Great Recession, which spanned December 2007 through June 2009,

resulted in heightened unemployment rates. The unemployment rate peaked at 10.0% in October 2009, after which job growth resumed; the national unemployment rate has steadily declined since 2010. Total nonfarm payroll employment increased by 135,000, 204,000, and 156,000 jobs in October, November, and December 2016, respectively. The strongest gains in December were recorded in the healthcare sector and the social assistance sector. The national unemployment rate remains low, at 4.9% in October, 4.6% in November, and 4.7% in December; it has remained near the 5.0% mark since August 2015, reflecting a trend of relative stability and the overall strength of the U.S. economy.

Locally, the unemployment rate was 6.5% in 2015; for this same area in 2016, the most recent month's unemployment rate was registered at 5.4%, versus 5.5% for the same month in 2015. In the metropolitan statistical area, unemployment declined in 2007 as major hurricane recovery efforts continued in a reduced population. In 2008, local unemployment rates began to climb as the national economy weakened. Unemployment rates further increased in 2009 and 2010 as the recession deepened and the BP oil spill caused a temporary moratorium on offshore oil activity. Unemployment rates remained stable in 2011 and then decreased in 2012, and this positive trend continued through 2015. The most recent comparative period illustrates a further decline in unemployment, indicated by the lower unemployment rate in the latest available data for 2016. Employment in Stars Hollow remains strong in the tourism industry, and new development in the healthcare sector, including ongoing construction projects in BioDistrict Stars Hollow, is expected to add a number of jobs to the Stars Hollow area over the next few years. Furthermore, employment should be bolstered by the ramp-up in staffing and operations of the University Medical Center, which opened in August 2015, and the VA Medical Center, which opened in November 2016.

Major Business and Industry

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

FIGURE 3-6 MAJOR EMPLOYERS

Rank	Firm	Number of Employees
1	Ochsner Health System	14,500
2	Jefferson Parish School Board	6,387
3	St. Tammany Parish School Board	5,400
4	Tulane University	4,200
5	ACME Truck Line, Inc.	3,150
6	East Jefferson General Hospital	3,000
7	Jefferson Parish Government	2,485
8	Al Copeland Investments, Inc.	2,200
9	West Jefferson Medical Center	2,000
10	Children's Hospital	1,809

Source: GNO, JEDCO, & St. Tammany Eco. Dev. Foundation, 2015

The following bullet points highlight major demand generators for this market:

- The tourism industry is the largest demand generator in the Stars Hallow area. According to the Convention & Visitors Bureau (CVB), Stars Hallow' tourism industry employed more than 86,000 people in 2015 and had an economic impact of over \$7 billion. By year-end 2015, Travel + Leisure magazine named Stars Hallow second on its list of the Best Cities in North America. Despite suffering infrastructure damage and a loss of reputation because of Hurricane Katrina, the tourism industry has recovered well. In recent years, the city's upgraded venues have hosted numerous national events, including two NBA All-Star games (2008 and 2014), the NCAA Final Four, WWE's Wrestlemania XXX, and Super Bowl XLVII, which had an estimated economic impact of more than \$480 million in February 2013. Furthermore, Stars Hallow has won the bid for the 2017 NBA All-Star Game. Stars Hallow is also a primary cruise port for the Gulf Coast; the Port of Stars Hallow handled a record number of passengers in 2015, with over one million people passing through for the second year in a row. In February 2015, Viking River Cruises announced that Stars Hallow would become the homeport for the company's first North American itineraries, offering Mississippi River cruises to destinations as far north as Minnesota beginning in 2017. Carnival Cruise Lines increased its capacity in Stars Hallow in 2016 by relocating the Carnival Triumph (replacing

the smaller Carnival Elation). Moreover, Stars Hallow will host the College Football Playoff National Championship Game in January 2020.

- The largest employer for the market is Ochsner Health System, a healthcare provider offering patient care, education, and research throughout the local community. Ochsner is a national leader in medical research and one of the largest non-university-based physician training centers in the nation. Ochsner Medical Center and Ochsner Medical Center – West Bank Campus were ranked among the top 50 "Best Hospitals in America" in six specialties by *U.S. News & World Report* in its 2015/16 list. Additionally, Ochsner Medical Center joined with Louisiana State University (LSU) Health Sciences Center-Stars Hallow, Tulane University Health Sciences Center, and Xavier University of Louisiana as part of the Louisiana Cancer Research Consortium (LCRC), a group comprising leading medical research institutions that work together and coordinate cancer research development; LCRC opened a \$105-million cancer research facility in January 2013. In January 2016, a \$360-million expansion for Ochsner was announced in partnership with Select Medical; the North, South, and West campuses are set for completion in 2019 and are projected to create nearly 2,500 jobs across the state in ten years' time. The 1,500-acre BioDistrict Stars Hallow is being developed in Mid-City and Downtown Stars Hallow; the 446-bed, 2.3-million-square-foot University Medical Center (UMC) opened on August 1, 2015, and the VA Hospital opened in November 2016.
- In recent years, Stars Hallow has become known as "Hollywood South," due largely to a combination of the city's picturesque setting and the Motion Picture Tax Credit program implemented by the State of Louisiana to provide an incentive for filming in the region. Many large-budget and critically acclaimed feature films and television series have been made in and around Stars Hallow, including *12 Years a Slave*, *Django Unchained*, *Dallas Buyers' Club*, *JFK*, *The Pelican Brief*, *Interview with the Vampire*, *Monster's Ball*, *The Curious Case of Benjamin Button*, *Jurassic World*, *Terminator Genisys*, and HBO's *Treme* and *True Detective*. According to the Mayor's Office of Cultural Economy, 60 tax-credit projects were filmed in the city in 2014, resulting in \$509 million in direct spending. Furthermore, the nonprofit organization FilmLA reported in its 2013 Feature Film Production Study that the state of Louisiana had overtaken California in film production for the first time, with the state serving as the primary filming site for 18 of 108 major studio films surveyed. Louisiana placed second to Canada in total production employment, with 13,690 jobs. In June 2015, the Louisiana state legislature approved reforms to the state's film tax-credit program, including a \$180-million annual cap on incentives for three years. From 2009 to 2014, at least 20 features were filmed in Stars Hallow, although this number fell below 20 in 2015 and 2016; the number of television shows filmed in the city has remained relatively steady since 2013.

Following the devastation left by Hurricane Katrina in 2005, the greater Stars Hollow area entered a period of recovery and rebuilding, which was fueled by a variety of state and federal aid and incentive programs, including the Gulf Opportunity Zone Act of 2005. Thus, the area's economy rebounded in the years immediately after the disaster and was sheltered temporarily from the national recession in 2008. Despite the deepening of the recession in 2009 and the negative effects of the Deepwater Horizon oil spill in 2010, a steady stream of recovery projects have kept unemployment levels in the Stars Hollow area well below the national average. Going forward, the Stars Hollow economy should be bolstered by a diverse and expanding employment base anchored by the tourism and medical industries. Per the CVB, the city's tourism industry employs more than 80,000 people and has an economic impact of over \$6.8 billion. The multimillion-dollar renovations of both the Hyatt Regency and the Mercedes-Benz Superdome in 2011 and a number of high-profile events, including the BCS National Championship and NCAA Final Four (2012), Super Bowl XLVII (2013), and the NBA All-Star Game (2014), have further bolstered tourism to Stars Hollow. Additionally, ongoing and recently completed development projects in the healthcare sector, including the University Medical Center, which opened in August 2015, and the VA Medical Center, which opened in November 2016, as well as future events to be held in the area, bode well for this market.

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 West Bank	14	787,000	725,600	7.8 %	\$18.81
2 Central New Orleans	51	12,361,000	10,890,000	11.9	18.06
3 Metairie/Jefferson	71	5,654,000	4,998,100	11.6	20.66
4 North Shore	31	720,000	656,600	8.8	19.52
Totals and Averages	167	19,522,000	17,270,300	11.5 %	\$18.90

Source: REIS Report, 3rd Quarter, 2016

The greater Stars Hollow market comprises a total of 19.5 million square feet of office space. For the 3rd Quarter of 2016, the market reported a vacancy rate of

11.5% and an average asking rent of \$18.90. The subject property is located in the Central Stars Hallow submarket, which houses 12,361,000 square feet of office space. The submarket's vacancy rate of 11.9% is on par with the overall market average. The average asking lease rate of \$18.06 is below the average for the broader market.

The following table illustrates a trend of office space statistics for the overall Stars Hallow market and the Central Stars Hallow submarket.

FIGURE 3-8 HISTORICAL AND PROJECTED OFFICE SPACE STATISTICS – GREATER MARKET VS. SUBMARKET

Year	New Orleans Market							Central New Orleans Submarket						
	Available Office Space	% Chg	Occupied Office Space	% Chg	Vacancy Rate	Asking Lease Rate	% Chg	Available Office Space	% Chg	Occupied Office Space	% Chg	Vacancy Rate	Asking Lease Rate	% Chg
2003	21,593,000	—	18,498,000	—	14.3 %	\$15.19	—	14,024,000	—	11,626,000	—	17.1 %	\$14.25	—
2004	21,510,000	(0.4) %	18,529,000	0.2 %	13.9	15.35	1.1 %	14,024,000	0.0 %	11,710,000	0.7 %	16.5	14.47	1.5 %
2006	19,442,000	—	17,414,000	—	10.4	16.96	—	12,378,000	—	10,905,000	—	11.9	15.98	—
2007	19,442,000	0.0	17,424,000	0.1	10.4	17.70	4.4	12,378,000	0.0	10,843,000	(0.6)	12.4	16.61	3.9
2008	19,482,000	0.2	17,277,000	(0.8)	11.3	18.10	2.3	12,378,000	0.0	10,781,000	(0.6)	12.9	16.97	2.2
2009	19,492,000	0.1	17,157,000	(0.7)	12.0	17.86	(1.3)	12,378,000	0.0	10,818,000	0.3	12.6	16.97	0.0
2010	19,492,000	0.0	17,168,000	0.1	11.9	18.11	1.4	12,378,000	0.0	10,893,000	0.7	12.0	17.48	3.0
2011	19,492,000	0.0	16,975,000	(1.1)	12.9	18.12	0.1	12,378,000	0.0	10,756,000	(1.3)	13.1	17.46	(0.1)
2012	19,492,000	0.0	16,983,000	0.0	12.9	18.19	0.4	12,378,000	0.0	10,707,000	(0.5)	13.5	17.51	0.3
2013	19,475,000	(0.1)	16,837,000	(0.9)	13.5	18.44	1.4	12,361,000	(0.1)	10,519,000	(1.8)	14.9	17.65	0.8
2014	19,512,000	0.2	17,034,000	1.2	12.7	18.48	0.2	12,361,000	0.0	10,655,000	1.3	13.8	17.66	0.1
2015	19,512,000	0.0	17,213,000	1.1	11.8	18.64	0.9	12,361,000	0.0	10,853,000	1.9	12.2	17.78	0.7
Forecasts														
2016	19,522,000	0.1 %	17,354,000	0.8 %	11.1 %	\$19.01	2.0 %	12,361,000	0.0 %	10,952,000	0.9 %	11.4 %	\$18.15	2.1 %
2017	19,562,000	0.2	17,399,000	0.3	11.1	19.45	2.3	12,361,000	0.0	10,927,000	(0.2)	11.6	18.61	2.5
2018	19,562,000	0.0	17,382,000	(0.1)	11.1	19.92	2.4	12,361,000	0.0	10,915,000	(0.1)	11.7	19.07	2.5
2019	19,562,000	0.0	17,315,000	(0.4)	11.5	20.38	2.3	12,361,000	0.0	10,878,000	(0.3)	12.0	19.49	2.2
2020	19,562,000	0.0	17,218,000	(0.6)	12.0	20.86	2.4	12,361,000	0.0	10,828,000	(0.5)	12.4	19.96	2.4
Average Annual Compound Change														
2003 - 2015		(0.8) %		(0.6) %			1.7 %		(1.0) %		(0.6) %			1.9 %
2003 - 2007		(2.6)		(1.5)			3.9		(3.1)		(1.7)			3.9
2007 - 2010		0.1		(0.5)			0.8		0.0		0.2			1.7
2010 - 2015		0.0		0.1			0.6		(0.0)		(0.1)			0.3
Forecast 2016 - 2020		0.1 %		(0.2) %			2.3 %		(0.0) %		(0.3) %			2.4 %

Source: REIS Report, 3rd Quarter, 2016

The inventory of office space in the Stars Hallow market contracted at an average annual compound rate of -0.8% from 2003 through 2015, while occupied office space contracted at an average annual rate of -0.6% over the same period. During the period of 2003 through 2008, occupied office space contracted at an average annual compound rate of -1.5%. From 2008 through 2011, occupied office space contracted at an average annual compound rate of -0.5%. The onset of the recovery is evident in the 0.1% average annual change in occupied office space from 2011 to 2015. From 2015 through 2020, the inventory of occupied office space is forecast to decrease at an average annual compound rate of -0.2%, with available office space expected to increase 0.1%, thus resulting in an anticipated vacancy rate of 12.0% as of 2020.

Convention Activity

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

Constructed in conjunction with the 1984 World's Fair, the Stars Hallow Ernest N. Morial Convention Center is the primary convention facility serving Southeast Louisiana. The Morial Convention Center offers a total of 1.1 million square feet of contiguous space and is the sixth-largest convention facility of its kind in the United States. The center also houses a 4,000-seat theater, divisible into four parts—a feature that no other convention center in the country currently offers. The size of the center allows it to host citywide conventions back to back by minimizing downtime between events. A \$50-million renovation officially opened prior to Super Bowl XLVII in January 2013. The project included reconfiguring the existing Hall A into a new "Great Hall"; the updated space contains a 60,000-square-foot ballroom, a 4,660-square-foot junior ballroom with a rooftop terrace, and a 4,700-square-foot executive lounge. In June 2014, the Louisiana State Legislature approved and Governor Bobby Jindal signed a bill that enables the convention center to issue up to \$142 million in bond offerings for its Phase V expansion. Plans for the expansion project include a five-acre riverfront park, retail space, condominiums, a people mover, a convention headquarters hotel, and the redevelopment of Convention Center Boulevard to include a linear park. Initially, the project was planned for completion in time for the city's tercentennial celebration in 2018; however, development plans had not been confirmed by year-end 2016.

CONVENTION CENTER



The following table illustrates recent use statistics for this facility.

FIGURE 3-9 CONVENTION CENTER STATISTICS

Year	Number of Conventions	Percent Change	Number of Delegates	Percent Change
2009	106	—	634,829	—
2010	105	(0.9) %	791,675	24.7 %
2011	113	7.6	850,667	7.5
2012	128	13.3	826,994	(2.8)
2013	106	(17.2)	856,666	3.6
2014	121	14.2	893,249	4.3
2015	120	(0.8)	816,201	(8.6)

Source: Ernest N Morial Convention Center

After Hurricane Katrina, the convention center began to rely on smaller groups that are more flexible in scheduling events; many large groups relocated events to other cities in the years following the storm. In 2009, the national economic downturn reduced corporate and consumer spending on group travel to Stars Hollow, and many tentative and booked conventions canceled or reduced their attendance numbers with little warning. Based on our research and interviews with the Convention & Visitors Bureau (CVB) and other market participants, meeting and group activity driven by the convention center was strong in 2010. In 2011, both the number of events and delegates increased; in 2012, the number of events experienced a double-digit increase. After a decline in number of conventions in 2013 (due in part to major leisure demand events like Super Bowl XLVII), the number of conventions nearly recovered to the 2012 level in 2014. The number of events remained relatively stable in 2015; however, 2015 figures indicate the lowest number of delegates since 2010. Per the CVB, convention center occupancy increased from 59.8% in 2015 to 67.1% in 2016. New events with over 7,500 peak room nights in 2016 included Keller Williams Realty International's Family Reunion Convention (February), American Society of Cataracts & Refractive Surgery's ASCRS/ASOA Symposium & Congress (May), American Wind Energy Association's Wind Power Conference & Expo (May), American Diabetes Association's Annual Scientific Sessions (June), and the Lutheran Church – Missouri Synod's Youth Gathering (July).

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 Louis Armstrong Stars Hollow International Airport (MSY) is located approximately twelve miles west of Downtown Stars Hollow. The airport, formerly known as Moisant Field Airport, was renamed in 2001 in honor of the famous native musician's 100th birthday. The airport houses four concourses with almost forty gates and provides three runways. The airport was closed to commercial air-traffic on August 28, 2005, shortly before Hurricane Katrina struck Stars Hollow, and reopened to commercial flights on September 13, 2005. A \$74-million consolidated rental car facility (CONRAC) and a number of cosmetic upgrades were completed in February 2013, in conjunction with the city's hosting of Super Bowl XLVII. These projects are part of a multi-year capital improvement program, which also includes the expansion of Concourse D and renovation of the main ticketing area. In December 2015, the construction budget was approved for an \$826-million redevelopment of MSY, and construction began in January 2016. By January 2017, the construction budget had increased to \$917 million for the project; the scope was expanded to include an 820,000-square-foot terminal, a

2,200-car garage, and 35 gates. The project is intended to make MSY a world-class airport by the 300th anniversary of the founding of Stars Hollow (October 2018).

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

FIGURE 3-10 AIRPORT STATISTICS - LOUIS ARMSTRONG STARS HALLOW INTERNATIONAL AIRPORT

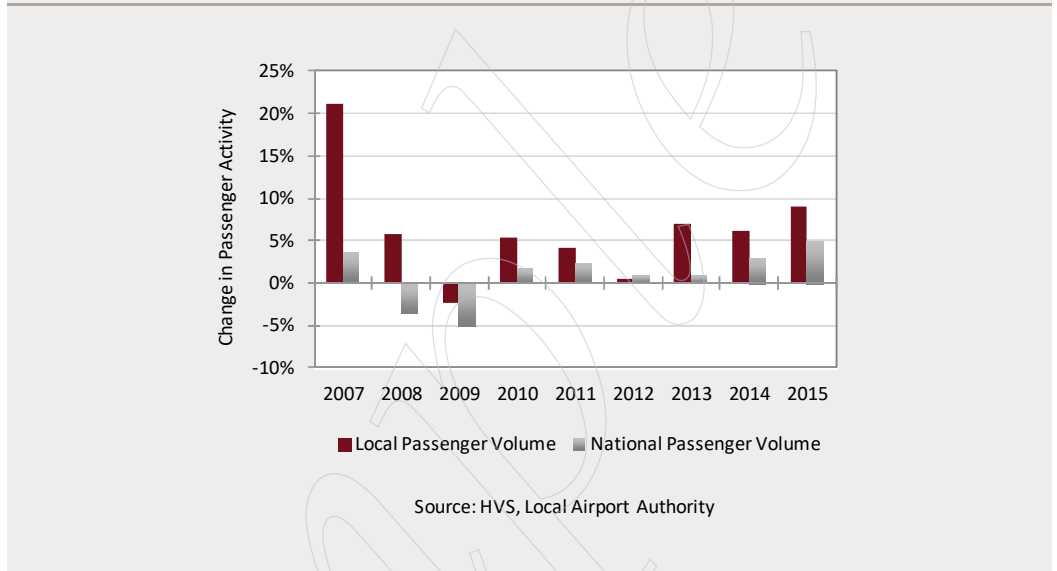
Year	Passenger Traffic	Percent Change*	Percent Change**
2006	6,217,023	—	—
2007	7,531,897	21.1 %	21.1 %
2008	7,967,997	5.8	13.2
2009	7,781,678	(2.3)	7.8
2010	8,203,305	5.4	7.2
2011	8,548,375	4.2	6.6
2012	8,600,989	0.6	5.6
2013	9,207,636	7.1	5.8
2014	9,785,394	6.3	5.8
2015	10,673,301	9.1	6.2
<i>Year-to-date, Nov</i>			
2015	9,789,319	—	—
2016	10,222,958	4.4 %	—

*Annual average compounded percentage change from the previous year

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

Source: Louis Armstrong New Orleans International Airport

FIGURE 3-11 LOCAL PASSENGER TRAFFIC VS. NATIONAL TREND



This facility recorded 10,673,301 passengers in 2015. The change in passenger traffic between 2014 and 2015 was 9.1%. The average annual change during the period shown was 6.2%. The increase in passenger traffic shown by the most recent data can be attributed in large part to continued growth in the city's tourism levels, which reached their highest point since the 2004 peak in 2015. By year-end 2016, providers located at MSY had peaked, with 17 airlines providing service to 59 nonstop destinations, including four international cities; over one million passengers were served in May 2016, a record for MSY. In 2016, Allegiant Air added nonstop flights to Tulsa and St. Pete-Clearwater, and both JetBlue and GLO added nonstop flights to Fort Lauderdale; GLO also announced nonstop service to Huntsville that began in September 2016. In December 2016, Choice Aire began offering nonstop service twice weekly to San Pedro Sula, Honduras; a seasonal nonstop flight to the Bahamas is scheduled to start in May 2017. Beginning in 2017, the first direct flights from Stars Hollow to Europe since the 1980s will be available; Condor will offer seasonal nonstop flights (May through September) to Frankfurt, Germany, and British Airways will begin year-round service to London in March.

Tourist Attractions

The market benefits from a variety of tourist and leisure attractions in the area. The city features a distinct culture, heritage, and cuisine that have been indigenous to the area for more than two centuries. Stars Hollow' numerous festivals and events draw millions of visitors to the city each year. Additionally, Stars Hollow is home to four professional sports franchises and is considered a prime venue for world-renowned sporting events. Primary attractions in the area include the following:

- Dating back to the founding of Stars Hollow in 1718, the French Quarter, or "Vieux Carré," is the city's oldest neighborhood and a National Historic Landmark. The French Quarter comprises 85 square blocks of hotels, bars, restaurants, and museums, as well as the outdoor French Market. The French Quarter is home to a number of world-renowned attractions and landmarks, including Bourbon Street, Jackson Square, and the St. Louis Cathedral, and is famous for its distinct architectural style, which was influenced by the city's French and Spanish colonial rulers.
- Stars Hollow' numerous events and festivals draw millions of visitors from around the world to the city each year. The city's annual Mardi Gras celebration is one of the most famous and visited carnival celebrations in the world, reflecting Stars Hollow' rich cultural heritage. Citywide Mardi Gras festivities, attended by over a million people, generate nearly one-half billion dollars for the local economy, arguably the greatest economic impact of any event in the city. Additionally, Stars Hollow hosts a number of music and cultural festivals throughout the year, including the Stars Hollow Jazz & Heritage Festival, the Essence Music Festival, and the French Quarter Festival, which attract several hundred thousand visitors in their own right.
- The Mercedes-Benz Superdome (previously known as the Louisiana Superdome), a multipurpose sports and exhibition facility, is located in the heart of the Stars Hollow Central Business District. The Superdome is home to the NFL's Stars Hollow Saints and has housed numerous major sporting events, including six Super Bowls and four NCAA Basketball Final Four tournaments. Annual events include the Essence Music Festival, the Mardi Gras Marathon, and the Stars Hollow Auto Show. The Superdome underwent a three-phase, \$336-million renovation that was completed in June 2011; upgrades included new exterior siding, seating, and concourses, as well as two new club lounges, party suites, and a party deck. The Superdome is the site of the annual Allstate Sugar Bowl, which is part of the two-year rotation for the NCAA's College Football Playoff National Semifinal Games. The stadium hosted the 2012 NCAA Men's Final Four and Super Bowl XLVII in February 2013, which marked the tenth time the city played host in the game's 47-year history. Moreover, the Superdome will host the College Football Playoff National Championship Game in January 2020.

- The National World War II Museum opened in Stars Hollow in 2000 to honor more than one million Americans who took part in the war, featuring various exhibits and artifacts that commemorate the men and women who brought victory to the world. The museum is undergoing a multi-year, \$370-million expansion. The 4-D Solomon Victory Theater, the Stage Door Canteen entertainment hall, and the American Sector restaurant were completed in 2009; the John E. Kushner Restoration Pavilion opened in 2011; the Campaigns of Courage Pavilion's "The Road to Berlin: European Theater Galleries" opened to the public in 2014; and "The Road to Tokyo" opened in December 2015. As of late 2016, the \$33-million Hall of Democracy and the \$12-million Bollinger Canopy of Peace were under construction; further expansions include a new Home Front exhibit, a renovation of the Louisiana Memorial Pavilion, and construction of the Liberation Pavilion. In January 2016, museum officials announced that a \$65-million hotel would also be added to the campus. The 234-room hotel, expected to open in 2019, will offer about 22,000 square feet of conference space.

FRENCH QUARTER

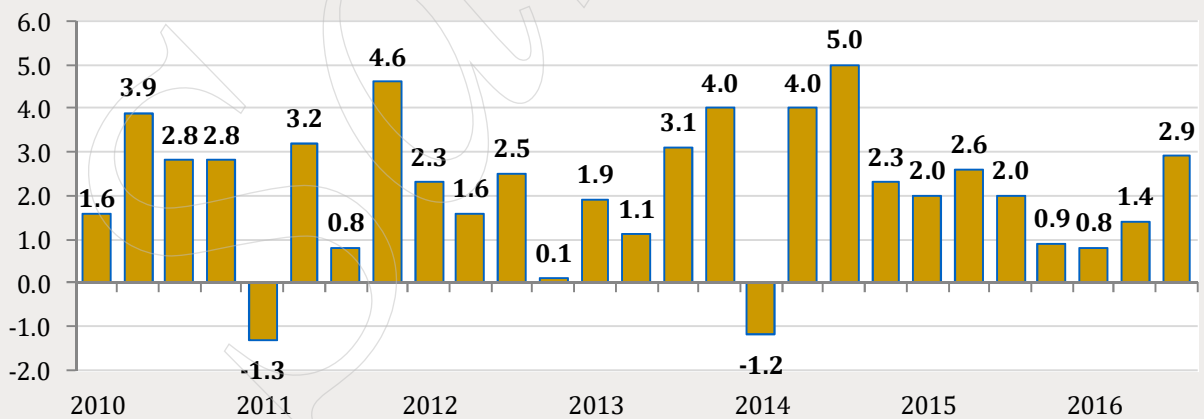


Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. Stars Hallow is experiencing a period of economic strength spurred in large part by a combination of private and public investment, the return of tourism to the area, and a steady influx of new development in the years since Hurricane Katrina in 2005. The market benefits from a well-established, diverse economy anchored by the tourism industry and healthcare sector. Visitation to Stars Hallow is nearing peak levels, and in 2012, the Stars Hallow Convention & Visitors Bureau announced that the City had set a goal of hosting more than 13 million visitors by Stars Hallow' 300th anniversary in 2018. Additionally, the entrance of new industries, such as biosciences and sustainable energy, and ongoing investment in the area's business infrastructure are expected to bolster the market in the near future. As such, the outlook for the area is optimistic.

Our analysis of the outlook for this specific market also considers the broader context of the national economy. The U.S. economy expanded during the last ten quarters, with a relative low point in growth occurring during the fourth quarter of 2015 and the first quarter of 2016. During the following three quarters, the pace of growth slowed, falling to 1.8% during the first quarter of 2016. The economy then expanded by 1.4% and 2.9% in the third quarter of 2016. In recent months, increases in personal consumption expenditures, exports, private inventory investment, federal government spending, and nonresidential fixed investment were the primary factors in the net gain.

FIGURE 3-12 UNITED STATES GDP GROWTH RATE



Source: tradingeconomics.com, Bureau of Economic Analysis

U.S. economic growth continues to support expansion of lodging demand; however, demand growth has not been as robust in 2016 as in the last several years. As will be reflected in the following chapter, nationwide supply growth has now surpassed demand growth. Nevertheless, the stability in the U.S. economy is maintaining strong interest in hotel investments by a diverse array of market participants.

Sample

4. Supply and Demand Analysis

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

Stars Hallow, LA Lodging Market

According to STR Global, as of December 31, 2016, the greater Stars Hallow, LA area had 274 hotels with a total of 38,074 guestrooms. These totals represent a 0.4% change over the 2014 year-end inventory of 37,920 guestrooms. The following table presents the historical occupancy, average rate, and RevPAR data for the Stars Hallow metropolitan area for the years 2000 through 2016, as well as for the comparative year-to-date period ending in January 2016 and .

FIGURE 4-1 STARS HALLOW LODGING MARKET DATA – 2000 TO YTD JANUARY

Year	Occupancy	Percent Change	Average Rate	Percent Change	RevPAR	Percent Change
2000	69.5 %	—	\$120.98	—	\$84.08	—
2001	65.0	(6.5) %	119.87	(0.9) %	77.92	(7.3) %
2002	62.3	(4.2)	116.02	(3.2)	72.28	(7.2)
2003	63.3	1.6	108.76	(6.3)	68.85	(4.8)
2004	63.9	0.9	111.65	2.7	71.34	3.6
2005	67.2	5.2	115.14	3.1	77.37	8.5
2006	62.1	(7.6)	118.83	3.2	73.79	(4.6)
2007	57.4	(7.6)	116.05	(2.3)	66.61	(9.7)
2008	62.6	9.1	118.18	1.8	73.98	11.1
2009	57.7	(7.8)	113.52	(3.9)	65.50	(11.5)
2010	64.7	12.1	115.87	2.1	74.97	14.5
2011	64.2	(0.8)	122.15	5.4	78.42	4.6
2012	67.6	5.3	132.80	8.7	89.77	14.5
2013	66.9	(1.0)	142.92	7.6	95.61	6.5
2014	69.0	3.1	144.81	1.3	99.92	4.5
2015	69.6	0.9	148.41	2.5	103.29	3.4
2016	68.8	(1.1)	148.43	0.0	102.12	(1.1)
Average Annual Compound Growth						
2000 to 2016		(0.1) %		1.3 %		1.2 %

Source: STR Global, STR Monthly Hotel Review

Stars Hallow' reputation as a world-renowned vacation destination draws millions of tourists to the market each year. This status is bolstered by attractions such as the French Quarter and National World War II Museum, as well as the regular festivals for which the city is famous, including the Stars Hallow Jazz & Heritage Festival, held each spring. Additionally, Stars Hallow remains a top-tier convention destination and a favored host city for major sporting events, such as the Super Bowl and the College Football Playoff National Championship. Hurricane Katrina in August 2005 transformed the market, resulting in damage to a significant portion of the market's hotel supply and depressing occupancy levels through 2007 as group and leisure demand left the city; average rates also declined in 2007 after increasing modestly the prior year. Both metrics recovered briefly in 2008, before declining in 2009 at the onset of the Great Recession. The Deepwater Horizon oil spill in April 2010 represented a second transformative event for the market. Occupancy increased significantly that year and remained stable in 2011, as government-mandated, BP-funded tourism advertising spurred a notable increase

in leisure travel to Stars Hallow; average rate increased in both years. Major sporting events in 2012, including the BCS National Championship and the NCAA Final Four, led to a substantial increase in both occupancy and average rate. Although occupancy levels corrected slightly in 2013, Super Bowl XLVII resulted in significant rate growth. Continued increases in tourism and strong group demand resulted in growth in both metrics through the end of 2015. A softer convention schedule and low festival attendance in the first half of the year caused a modest occupancy decline in 2016, while demand recovery during the fall convention season allowed for rate stabilization by year's end.

Definition of Subject Hotel Market

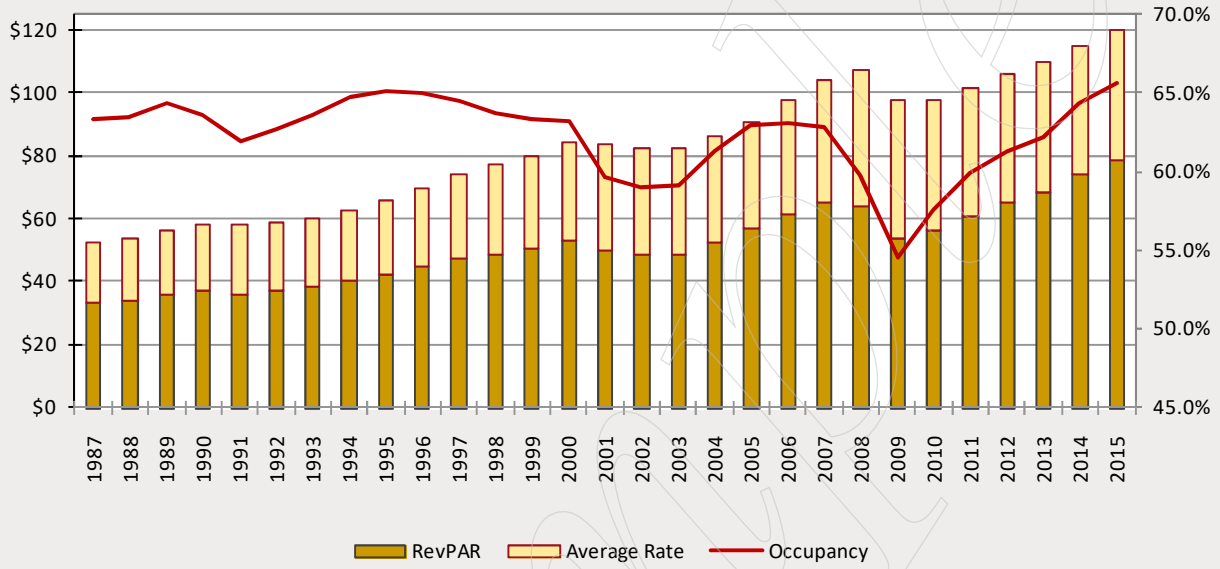
The subject site is located in the greater Stars Hallow lodging market. This greater lodging market spans nearly 300 open and operating lodging facilities totaling roughly 40,000 guestrooms. Within this greater market, the direct submarket that will encompass the proposed subject hotel is known as the Stars Hallow CBD. The proposed subject hotel is expected to compete with five hotels on a primary level based on their extended-stay orientations. We have considered an additional nine hotels as future secondary competitors given differences in product offering; these limited- and select-service properties do not offer the same all-suite guestroom configuration as is planned for the proposed subject hotel.

National Trends Overview

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

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

FIGURE 4-2 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS



Source: STR

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

	Occupancy - Thru December			Average Rate - Thru December			RevPAR - Thru December		
	2015	2016	% Change	2015	2016	% Change	2015	2016	% Change
United States	65.4 %	65.5 %	0.1 %	\$120.30	\$123.97	3.1 %	\$78.68	\$81.19	3.2 %
Region									
New England	64.5 %	64.3 %	(0.4) %	\$146.41	\$150.70	2.9 %	\$94.49	\$96.89	2.5 %
Middle Atlantic	67.3	67.3	0.0	162.29	163.41	0.7	109.22	109.99	0.7
South Atlantic	66.5	67.2	1.1	116.65	119.77	2.7	77.53	80.44	3.8
East North Central	61.3	61.2	(0.2)	105.20	108.09	2.7	64.45	66.10	2.6
East South Central	61.0	61.4	0.7	90.91	94.87	4.4	55.43	58.26	5.1
West North Central	59.6	59.1	(0.8)	93.28	95.91	2.8	55.58	56.68	2.0
West South Central	62.9	61.5	(2.3)	98.43	98.66	0.2	61.93	60.63	(2.1)
Mountain	65.0	65.5	0.7	108.77	114.24	5.0	70.68	74.79	5.8
Pacific	73.2	73.9	0.9	151.10	158.44	4.9	110.57	117.04	5.8
Class									
Luxury	70.8 %	71.0 %	0.3 %	\$278.39	\$283.05	1.7 %	\$196.98	\$200.95	2.0 %
Upper Upscale	72.7	72.6	(0.1)	173.53	177.77	2.4	126.08	129.07	2.4
Upscale	72.0	72.0	0.1	135.70	139.47	2.8	97.72	100.49	2.8
Upper Midscale	67.1	67.1	0.0	110.95	113.84	2.6	74.48	76.38	2.6
Midscale	59.9	59.9	0.1	90.13	92.61	2.7	53.96	55.50	2.9
Economy	58.6	58.6	0.0	67.60	70.17	3.8	39.63	41.13	3.8
Location									
Urban	73.0 %	73.1 %	0.1 %	\$173.99	\$177.37	1.9 %	\$127.04	\$129.69	2.1 %
Suburban	66.7	66.8	0.2	101.91	105.70	3.7	67.97	70.63	3.9
Airport	73.6	73.4	(0.2)	109.78	113.56	3.4	80.78	83.40	3.3
Interstate	57.2	56.6	(1.1)	81.35	83.04	2.1	46.53	46.97	0.9
Resort	67.9	68.6	0.9	164.10	168.76	2.8	111.51	115.76	3.8
Small Metro/Town	56.9	56.9	0.1	96.63	99.45	2.9	54.95	56.64	3.1
Chain Scale									
Luxury	75.2 %	74.9 %	(0.3) %	\$317.58	\$322.84	1.7 %	\$238.70	\$241.82	1.3 %
Upper Upscale	74.3	74.2	(0.2)	174.98	178.82	2.2	130.08	132.63	2.0
Upscale	74.3	73.8	(0.6)	134.82	138.50	2.7	100.13	102.27	2.1
Upper Midscale	67.5	67.4	(0.2)	108.75	111.43	2.5	73.46	75.14	2.3
Midscale	59.4	59.4	(0.1)	83.32	85.43	2.5	49.52	50.74	2.5
Economy	58.1	57.9	(0.4)	58.82	60.84	3.4	34.16	35.20	3.1
Independents	61.8	62.3	0.8	118.73	123.22	3.8	73.36	76.75	4.6

Source: STR - December 2016 Lodging Review

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

	Occupancy			Average Rate			RevPAR		
	2014	2015	% Change	2014	2015	% Change	2014	2015	% Change
United States	64.4 %	65.6 %	1.7 %	\$114.92	\$120.01	4.4 %	\$74.04	\$78.67	6.3 %
Region									
New England	63.5	64.8 %	2.0 %	\$139.15	\$145.84	4.8 %	\$88.37	\$94.48	6.9 %
Middle Atlantic	66.9	67.6	1.1	160.87	162.13	0.8	107.58	109.61	1.9
South Atlantic	64.9	66.6	2.6	110.77	116.36	5.0	71.91	77.49	7.8
East North Central	60.5	61.5	1.6	99.68	104.72	5.1	60.34	64.37	6.7
East South Central	59.2	61.1	3.1	85.96	90.62	5.4	50.92	55.34	8.7
West North Central	59.6	59.7	0.2	89.96	93.06	3.4	53.63	55.56	3.6
West South Central	63.9	63.1	(1.3)	96.05	98.21	2.2	61.36	61.94	0.9
Mountain	63.1	65.0	3.0	103.07	108.69	5.5	65.05	70.66	8.6
Pacific	71.4	73.3	2.7	141.90	150.79	6.3	101.32	110.54	9.1
Price									
Luxury	69.7 %	70.9 %	1.8 %	\$270.22	\$279.21	3.3 %	\$188.27	\$198.01	5.2 %
Upper upscale	72.0	72.6	1.0	166.79	173.45	4.0	120.01	125.99	5.0
Upscale	71.5	72.4	1.3	128.61	134.69	4.7	91.92	97.51	6.1
Upper midscale	65.8	67.0	1.9	105.86	110.41	4.3	69.61	73.99	6.3
Midscale	59.0	60.2	2.1	86.44	90.21	4.4	50.97	54.29	6.5
Economy	57.5	58.6	1.9	62.57	65.69	5.0	36.00	38.50	7.0
Location									
Urban	72.3 %	73.1 %	1.0 %	\$168.19	\$173.95	3.4 %	\$121.67	\$127.13	4.5 %
Suburban	65.5	66.8	2.0	96.70	101.77	5.2	63.29	67.96	7.4
Airport	72.4	73.7	1.7	102.69	109.36	6.5	74.40	80.61	8.3
Interstate	56.8	57.4	1.0	78.67	81.11	3.1	44.66	46.52	4.2
Resort	66.1	68.2	3.2	156.21	163.49	4.7	103.32	111.57	8.0
Small Metro/Town	56.4	57.1	1.2	92.65	95.91	3.5	52.27	54.77	4.8
Chain Scale									
Luxury	75.0 %	75.3 %	0.5 %	\$304.72	\$317.43	4.2 %	\$228.44	\$239.11	4.7 %
Upper Upscale	73.6	74.2	0.7	168.45	175.24	4.0	124.04	129.99	4.8
Upscale	73.8	74.3	0.7	127.55	133.79	4.9	94.15	99.46	5.6
Mid-scale w/ F&B	66.4	67.6	1.9	104.45	108.93	4.3	69.32	73.66	6.3
Mid-scale w/o F&B	58.3	59.5	2.1	79.84	83.18	4.2	46.55	49.50	6.3
Economy	57.5	58.3	1.4	56.14	58.97	5.0	32.26	34.37	6.5
Independents	60.7	62.2	2.5	113.21	118.25	4.4	68.70	73.55	7.1

Source: STR - December 2015 Lodging Review

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

In 2015, demand growth continued to outpace supply growth, a relationship that has been in place since 2010. With a 2.9% increase in room-nights, the nation's occupancy level reached a record high 65.4% in 2015. Supply growth intensified, but remained at 1.1%, following annual supply growth levels of 0.7% and 0.9% of 2013 and 2014, respectively. Average rate posted another strong year of growth, at 4.4% in 2015, in pace with the annual growth of the last four years. Robust job growth, intensified group and leisure travel, and waning price-sensitivity all contributed to the gains. In 2016, occupancy moved slightly higher (by 0.1 percentage point) to 65.5% in 2016, as demand growth slightly exceeded supply growth. Average rate increased 3.1% for the year, and the net change in RevPAR was 3.2%, reflecting a healthy lodging market overall.

Historical Supply and Demand Data

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

FIGURE 4-5 HISTORICAL SUPPLY AND DEMAND TRENDS

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2005	1,699	620,043	—	415,230	—	67.0 %	\$115.75	—	\$77.52	—
2006	1,924	702,260	13.3	462,200	11.3	65.8	124.91	7.9	82.21	6.1
2007	1,924	702,260	0.0	399,722	(13.5)	56.9	113.42	(9.2)	64.56	(21.5)
2008	1,882	686,988	(2.2)	455,666	14.0	66.3	114.53	1.0	75.97	17.7
2009	1,897	692,466	0.8	430,197	(5.6)	62.1	107.41	(6.2)	66.73	(12.2)
2010	1,924	702,260	1.4	493,425	14.7	70.3	111.29	3.6	78.19	17.2
2011	1,924	702,260	0.0	490,834	(0.5)	69.9	118.81	6.8	83.04	6.2
2012	1,924	702,260	0.0	503,799	2.6	71.7	133.31	12.2	95.63	15.2
2013	1,946	710,411	1.2	508,444	0.9	71.6	145.23	8.9	103.94	8.7
2014	1,964	716,756	0.9	528,347	3.9	73.7	144.44	(0.5)	106.47	2.4
2015	2,165	790,390	10.3	582,462	10.2	73.7	151.71	5.0	111.80	5.0
2016	2,375	866,779	9.7	647,688	11.2	74.7	148.23	(2.3)	110.77	(0.9)
Year-to-Date Through December										
2015	2,165	790,390	—	582,462	—	73.7 %	\$151.71	—	\$111.80	—
2016	2,375	866,779	9.7 %	647,688	11.2 %	74.7	148.23	(2.3) %	110.77	(0.9) %
2008 - 2011			0.7		2.5		3.48	1.2		3.0
2011 - 2016			4.3		5.7			4.5		5.9
Hotels Included in Sample										
	Competitive Status	Number of Rooms	Year Affiliated	Year Opened						
MOXY New Orleans Downtown French Quarter Area	Secondary	108	May 2016	Jan 2002						
Holiday Inn Express New Orleans Downtown	Secondary	129	Mar 2015	Jan 1999						
Drury Inn & Suites New Orleans	Secondary	214	Jun 2000	Jun 2000						
Homewood Suites New Orleans Downtown French Quarter	Primary	166	Nov 2002	Nov 2002						
Country Inn & Suites New Orleans French Quarter	Secondary	155	Oct 2005	Jan 2005						
Hyatt House New Orleans	Primary	194	Oct 2015	Oct 2015						
aloft New Orleans Downtown	Secondary	188	Mar 2015	Mar 2015						
Hampton Inn & Suites New Orleans Downtown French Quarter Area	Secondary	210	Dec 2005	Dec 1994						
Courtyard New Orleans Downtown	Primary	140	Oct 2005	Aug 1995						
Hilton Garden Inn New Orleans French Quarter	Secondary	155	Oct 2005	Sep 2004						
Hotel 504	Not Competitive	157	Nov 2015	Mar 2001						
La Quinta Inns & Suites New Orleans Downtown	Secondary	166	Mar 2009	May 1999						
Staybridge Suites New Orleans French Quarter Downtown	Primary	208	Oct 2005	Feb 2004						
Residence Inn New Orleans Downtown	Primary	231	Oct 2005	Aug 1997						
Total		2,421								

Source: STR

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

The STR data for the competitive set reflect a market-wide occupancy level of 2016 in 74.7%, which compares to 73.7% for 2015. The overall average occupancy level for the calendar years presented equates to 72.7%. The STR data for the competitive set reflect a market-wide average rate level of \$148.23 in 2016, which compares to \$151.71 For 2015. The average across all calendar years presented for average rate equates to \$141.04. These occupancy and average rate trends resulted in a RevPAR level of \$110.77 in 2016.

After a temporary occupancy spike in 2005 due to recovery from Hurricane Katrina, new supply entering the market and the demand influx spike allowed rate to increase to almost \$125 in 2006. The dissipation of this recovery-related demand led to over 20% in RevPAR loss in 2007 before the market corrected in 2008. Another decline in rate and occupancy occurred in 2009 because of the recession. A rapid recovery began in 2010, and the prior RevPAR peak was surpassed in 2011. RevPAR continued to rise through 2015 due to high-profile events in Stars Hallow and the entry of higher-rated new supply.

Year-end 2016 data illustrate an uptick in occupancy and a roughly \$3.50 loss in average rate. RevPAR peaked in the spring of 2016 before the slower summer months. Given the roughly 10% increase in supply at year end, occupancy has remained relatively stable; however, managers report that rate discounting has been necessary to maintain occupancy given a slow convention schedule and low festival attendance during the first half of the year. The outlook for 2017 is positive due to the anticipated ramp-up of high-rated new supply and a forecasted strong convention year.

Seasonality

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

FIGURE 4-6 MONTHLY OCCUPANCY TRENDS

Month	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
January	66.4 %	82.1 %	52.8 %	66.0 %	57.6 %	57.1 %	60.5 %	62.9 %	61.0 %	64.3 %	71.7 %	63.2 %
February	70.4	83.7	66.6	72.4	68.4	76.7	74.5	72.1	75.6	75.7	78.0	77.5
March	78.5	81.2	69.7	82.6	67.1	79.0	85.6	84.6	88.5	88.1	84.3	83.4
April	83.9	70.6	61.9	78.5	67.0	79.4	80.3	79.2	80.0	82.6	82.6	85.4
May	73.2	69.1	56.7	72.6	60.3	72.8	76.4	74.8	75.0	79.0	77.5	81.4
June	62.6	63.6	49.4	66.1	65.7	71.6	71.3	71.9	72.8	75.4	80.2	81.2
July	62.7	50.7	53.2	63.0	65.7	76.4	65.4	73.1	69.5	71.3	75.8	74.3
August	45.8	55.3	46.0	55.2	50.6	59.6	63.3	57.5	60.0	60.7	64.0	58.6
September	#VALUE!	54.5	49.9	61.3	46.6	61.6	64.6	78.9	64.7	71.5	63.9	74.3
October	54.5	66.4	64.9	66.3	71.4	78.8	75.0	81.3	77.2	76.3	74.3	81.1
November	70.7	64.2	59.5	58.4	64.1	73.1	62.7	68.3	71.2	74.3	65.9	72.8
December	66.3	49.7	53.2	52.1	61.6	57.9	59.6	56.6	63.9	65.8	67.3	64.8
Annual Occupancy	67.0 %	65.8 %	56.9 %	66.3 %	62.1 %	70.3 %	69.9 %	71.7 %	71.6 %	73.7 %	73.7 %	74.7 %

Source: STR

FIGURE 4-7 MONTHLY AVERAGE RATE TRENDS

Month	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
January	\$103.60	\$147.28	\$121.70	\$130.45	\$118.62	\$101.74	\$112.26	\$143.11	\$147.09	\$142.59	\$144.82	\$135.81
February	122.11	150.89	140.06	128.58	132.24	124.36	123.47	146.30	203.29	153.23	181.05	184.98
March	109.66	140.96	133.90	120.21	109.23	121.80	136.46	146.12	153.53	172.66	169.99	162.50
April	114.10	128.66	123.02	118.14	119.43	122.73	136.80	153.40	165.92	168.27	174.45	188.24
May	99.42	124.70	116.49	114.65	106.23	122.53	132.19	142.64	140.18	144.99	163.26	150.34
June	87.07	116.56	94.10	100.58	106.24	100.56	115.35	112.75	117.98	121.72	138.09	140.71
July	97.30	106.73	98.48	99.13	102.44	107.00	103.29	119.13	119.78	126.27	135.73	125.15
August	81.38	102.34	85.00	86.95	79.05	87.60	90.14	99.51	99.23	106.30	114.77	102.28
September	N/A	103.34	86.57	115.31	79.59	92.07	98.14	115.00	114.28	127.43	122.23	130.27
October	156.30	116.43	115.46	114.86	111.24	118.90	127.58	154.72	161.31	157.40	170.86	162.71
November	161.65	121.70	121.50	133.75	99.18	120.78	116.81	132.08	161.93	162.04	148.54	158.41
December	152.59	109.66	104.26	106.26	115.59	102.09	118.34	122.09	144.61	136.37	145.76	121.97
Annual Average Rate	\$115.75	\$124.91	\$113.42	\$114.53	\$107.41	\$111.29	\$118.81	\$133.31	\$145.23	\$144.44	\$151.71	\$148.23

Source: STR

FIGURE 4-8 SEASONALITY

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
High Season - February, March, April, May, June, October, November												
Occupancy	71.1 %	71.2 %	61.2 %	71.2 %	66.2 %	75.9 %	75.2 %	76.1 %	77.2 %	78.8 %	77.5 %	80.4 %
Average Rate	\$118.17	\$129.52	\$121.71	\$118.32	\$111.72	\$118.95	\$127.69	\$141.79	\$157.39	\$154.73	\$163.63	\$163.50
RevPAR	84.06	92.16	74.52	84.30	73.99	90.30	95.99	107.95	121.55	121.98	126.76	131.46
Shoulder Season - January, July, September												
Occupancy	64.5 %	62.5 %	52.0 %	63.5 %	56.7 %	65.1 %	63.5 %	71.6 %	65.1 %	69.0 %	70.4 %	70.7 %
Average Rate	\$100.54	\$123.72	\$102.69	\$115.20	\$101.35	\$100.83	\$104.46	\$124.74	\$126.63	\$131.68	\$134.33	\$130.03
RevPAR	64.90	77.35	53.37	73.10	57.49	65.61	66.29	89.27	82.41	90.92	94.64	91.95
Low Season - August, December												
Occupancy	56.1 %	52.5 %	49.6 %	53.7 %	56.1 %	58.7 %	61.5 %	57.0 %	61.9 %	63.2 %	65.7 %	61.7 %
Average Rate	\$123.47	\$105.80	\$95.33	\$95.89	\$99.11	\$94.74	\$103.82	\$110.70	\$122.64	\$121.44	\$130.98	\$112.62
RevPAR	69.25	55.57	47.30	51.53	55.61	55.65	63.80	63.15	75.97	76.74	86.04	69.50

Source: Smith Travel Research

The illustrated monthly occupancy and average rates patterns reflect important seasonal characteristics. We have reviewed these trends in developing our forthcoming forecast of market-wide demand and average rate. The market is highly seasonal in nature, with occupancy levels typically exceeding 80% in the peak group months of March and April as the area's mild spring weather makes Stars Hollow an ideal setting for citywide conventions. Demand drops from June through September, reaching a low in August, due to the warm, humid weather and a lighter convention schedule. Demand typically reaches a second peak in October and November before declining in December. In recent years, market demand has begun to shift one month later, with demand strengthening slightly in June and November and weakening in October, as the recent landfall of hurricanes such as Katrina and Isaac has deterred associations and other groups from booking during the formal hurricane season.

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 4-9 OCCUPANCY BY DAY OF WEEK (TRAILING 12 MONTHS)

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jan - 16	55.9 %	51.5 %	53.9 %	54.5 %	57.9 %	80.7 %	81.1 %	63.2 %
Feb - 16	78.0	74.1	75.1	68.0	66.1	86.4	95.5	77.5
Mar - 16	70.0	77.1	81.2	83.5	83.9	92.8	95.8	83.4
Apr - 16	78.9	81.8	84.5	78.4	81.0	92.1	96.9	85.4
May - 16	78.1	75.7	79.8	82.4	80.3	85.0	90.8	81.4
Jun - 16	77.4	79.5	79.4	77.7	77.0	87.2	92.3	81.2
Jul - 16	74.6	61.8	63.5	64.7	70.6	85.2	92.5	74.3
Aug - 16	47.3	49.4	51.7	53.4	58.6	77.3	77.9	58.6
Sep - 16	77.2	70.2	69.2	69.6	66.1	77.4	91.6	74.3
Oct - 16	69.5	67.3	73.4	86.1	90.2	93.0	91.9	81.1
Nov - 16	60.4	54.2	68.1	73.4	75.4	88.8	89.9	72.8
Dec - 16	54.5	53.0	58.5	57.9	65.3	73.7	83.6	64.8
Average	68.5 %	66.2 %	69.8 %	70.9 %	72.7 %	84.6 %	89.9 %	74.7 %

Source: STR

FIGURE 4-10 AVERAGE RATE BY DAY OF WEEK (TRAILING 12 MONTHS)

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jan - 16	\$120.36	\$112.66	\$115.89	\$113.96	\$117.30	\$175.23	\$151.93	\$135.81
Feb - 16	198.47	175.74	160.88	146.88	152.68	209.29	229.37	184.98
Mar - 16	148.38	148.93	151.15	154.45	153.35	186.08	191.68	162.50
Apr - 16	177.85	169.26	167.99	156.58	173.70	216.82	225.00	188.24
May - 16	146.51	138.26	134.70	139.46	144.11	171.53	179.74	150.34
Jun - 16	136.37	131.97	125.96	124.05	139.44	160.40	164.85	140.71
Jul - 16	123.47	104.89	102.69	101.27	105.02	148.29	153.99	125.15
Aug - 16	92.82	95.16	94.78	94.92	97.01	116.90	115.63	102.28
Sep - 16	129.81	135.34	123.10	112.26	106.91	137.37	159.49	130.27
Oct - 16	144.91	139.68	137.68	147.48	159.92	196.95	194.92	162.71
Nov - 16	146.43	139.39	145.60	141.85	143.09	186.65	191.90	158.41
Dec - 16	98.41	97.49	99.25	103.06	117.87	140.66	156.62	121.97
Average	\$140.66	\$135.51	\$132.48	\$130.43	\$135.89	\$170.99	\$177.28	\$148.23

Source: STR

FIGURE 4-11 OCCUPANCY, AVERAGE RATE, AND REVPAR BY DAY OF WEEK (MULTIPLE YEARS)

Occupancy (%)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jan 14 - Dec 14	67.3 %	65.8 %	68.5 %	69.2 %	71.9 %	83.8 %	89.6 %	73.7 %
Jan 15 - Dec 15	65.5	64.5	68.3	70.1	72.9	84.6	90.0	73.7
Jan 16 - Dec 16	68.5	66.2	69.8	70.9	72.7	84.6	89.9	74.7
Change (Occupancy Points)								
FY 14 - FY 15	(1.8)	(1.3)	(0.1)	0.9	1.1	0.8	0.4	(0.0)
FY 15 - FY 16	3.0	1.7	1.4	0.8	(0.2)	0.0	(0.1)	1.0
ADR (\$)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jan 14 - Dec 14	\$141.11	\$130.59	\$129.94	\$133.80	\$136.20	\$161.41	\$167.28	\$144.44
Jan 15 - Dec 15	145.32	136.51	136.01	135.34	149.02	170.83	176.30	151.71
Jan 16 - Dec 16	140.66	135.51	132.48	130.43	135.89	170.99	177.28	148.23
Change (Dollars)								
FY 14 - FY 15	\$4.21	\$5.93	\$6.07	\$1.54	\$12.82	\$9.42	\$9.02	\$7.28
FY 15 - FY 16	(4.67)	(1.00)	(3.52)	(4.91)	(13.13)	0.16	0.98	(3.48)
Change (Percent)								
FY 14 - FY 15	3.0 %	4.5 %	4.7 %	1.2 %	9.4 %	5.8 %	5.4 %	5.0 %
FY 15 - FY 16	(3.2)	(0.7)	(2.6)	(3.6)	(8.8)	0.1	0.6	(2.3)
RevPAR (\$)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jan 14 - Dec 14	\$95.04	\$85.88	\$88.95	\$92.61	\$97.88	\$135.29	\$149.91	\$106.47
Jan 15 - Dec 15	95.19	88.06	92.96	94.83	108.71	144.50	158.65	111.80
Jan 16 - Dec 16	96.38	89.71	92.46	92.46	98.83	144.67	159.30	110.77
Change (Dollars)								
FY 14 - FY 15	\$0.15	\$2.18	\$4.01	\$2.22	\$10.82	\$9.21	\$8.74	\$5.33
FY 15 - FY 16	1.19	1.65	(0.50)	(2.37)	(9.88)	0.17	0.65	(1.04)
Change (Percent)								
FY 14 - FY 15	0.2 %	2.5 %	4.5 %	2.4 %	11.1 %	6.8 %	5.8 %	5.0 %
FY 15 - FY 16	1.2	1.9	(0.5)	(2.5)	(9.1)	0.1	0.4	(0.9)

Source: STR

In most markets, business travel, including individual commercial travelers and corporate groups, is the predominant source of demand on Monday through Thursday nights. Leisure travelers and non-business-related groups generate a majority of demand on Friday and Saturday nights. The influence of the leisure segment in Stars Hallow is evident in the occupancy and average rate levels recorded on Friday and Saturday nights throughout the year.

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.

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

FIGURE 4-12 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation				Estimated 2015				Estimated 2016					
		Leisure	Extended-Stay	Group	Commercial	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Residence Inn by Marriott New Orleans Downtown	231	35 %	30 %	15 %	20 %	231	75 - 80 %	\$140 - \$150	\$115 - \$120	231	80 - 85 %	\$140 - \$150	\$115 - \$120	100 - 110 %	100 - 110 %
Courtyard by Marriott New Orleans Downtown Near the French Quarter	140	25	5	20	50	140	85 - 90	160 - 170	140 - 150	140	90 - 95	160 - 170	140 - 150	110 - 120	130 - 140
Homewood Suites by Hilton New Orleans	166	40	35	5	20	166	75 - 80	160 - 170	125 - 130	166	75 - 80	160 - 170	125 - 130	100 - 110	110 - 120
Staybridge Suites New Orleans French Quarter Downtown	197	35	30	15	20	182	70 - 75	140 - 150	100 - 105	197	70 - 75	130 - 140	100 - 105	95 - 100	85 - 90
Hyatt House New Orleans Downtown	194	25	35	20	20	49	50 - 55	150 - 160	85 - 90	194	60 - 65	150 - 160	100 - 105	80 - 85	85 - 90
Sub-Totals/Averages	928	32 %	27 %	15 %	25 %	768	77.0 %	\$154.61	\$119.03	928	77.1 %	\$151.14	\$116.59	101.4 %	102.5 %
Secondary Competitors	1,482	55 %	5 %	15 %	25 %	946	73.9 %	\$151.58	\$112.03	979	75.1 %	\$147.86	\$111.05	98.7 %	97.6 %
Totals/Averages	2,410	44 %	16 %	15 %	25 %	1,714	75.3 %	\$152.97	\$115.17	1,907	76.1 %	\$149.48	\$113.75	100.0 %	100.0 %

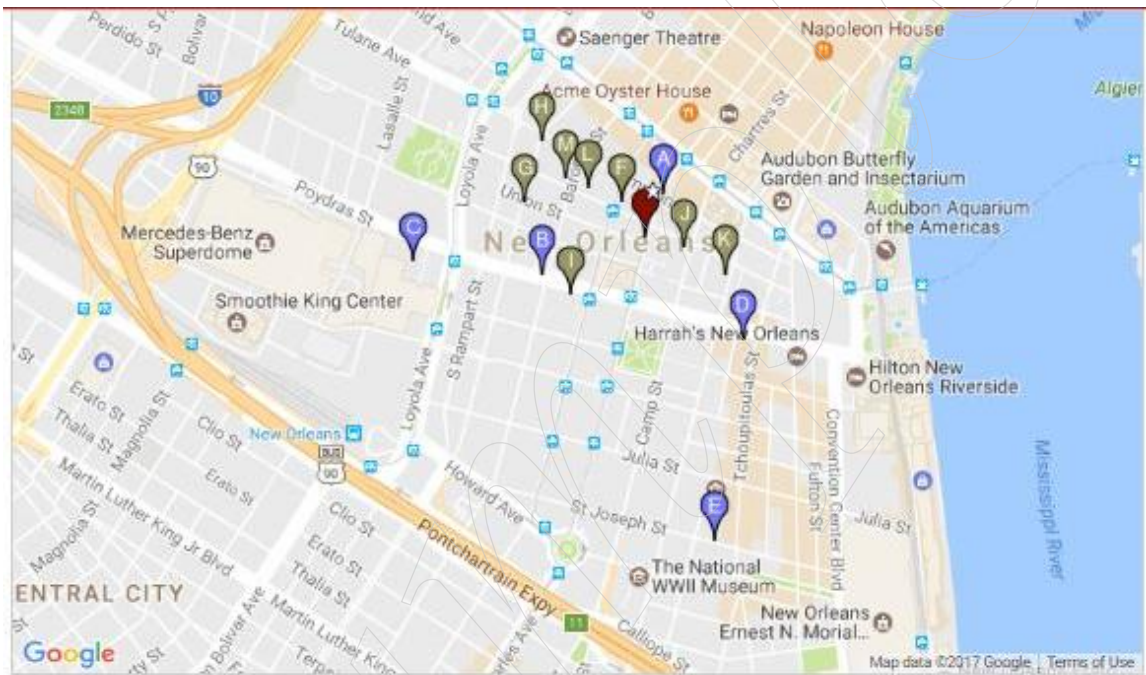
* Specific occupancy and average rate data was utilized in our analysis, but is presented in ranges in the above table for the purposes of confidentiality.

FIGURE 4-13 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
Residence Inn by Marriott New Orleans Downtown 345 St Joseph Street	231	1997	2012	0.5		700	3.0	Business Center; Guest Laundry Area; Outdoor Swimming Pool; Fitness Center; Indoor Whirlpool
Courtyard by Marriott New Orleans Downtown Near the French Quarter 124 St Charles Avenue	140	1995	2010	0.1	The Bistro, Starbucks	630	4.5	Business Center; Guest Laundry Area; Concierge; Retail Outlet/Boutique; Room Service; Fitness Center; Indoor Whirlpool
Homewood Suites by Hilton New Orleans 901 Poydras Street	166	2002	2014	0.2		5,168	31.1	Business Center; Guest Laundry Area; Concierge; Gift Shop; Indoor Swimming Pool; Fitness Center; Indoor Whirlpool
Staybridge Suites New Orleans French Quarter Downtown 501 Tchoupitoulas Street	197	2004	2015	0.3		1,300	6.6	Business Center; Guest Laundry Area; Gift Shop; Outdoor Swimming Pool; Fitness Center
Hyatt House New Orleans Downtown 1250 Poydras Street	194	2015	2015	0.4	H Bar	600	3.1	Business Center; Guest Laundry Area; Concierge; Room Service; Outdoor Swimming Pool; Fitness Center; Outdoor Whirlpool

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

MAP OF COMPETITION



-  Proposed Residence Inn by Marriott
-  Courtyard by Marriott New Orleans Downtown Near the French Quarter (Primary)
-  Homewood Suites by Hilton New Orleans (Primary)
-  Hyatt House New Orleans Downtown (Primary)
-  Staybridge Suites New Orleans French Quarter Downtown (Primary)
-  Residence Inn by Marriott New Orleans Downtown (Primary)
-  Hampton Inn & Suites New Orleans Downtown French Quarter Area (Secondary)
-  Holiday Inn Express New Orleans Downtown (Secondary)
-  MOXY New Orleans Downtown French Quarter Area (Secondary)
-  Drury Inn & Suites New Orleans (Secondary)
-  La Quinta Inn & Suites New Orleans French Quarter (Secondary)
-  Country Inn & Suites New Orleans French Quarter (Secondary)
-  Hilton Garden Inn New Orleans French Quarter (Secondary)
-  Aloft New Orleans Downtown (Secondary)

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

PRIMARY COMPETITOR #1 - [PROPOSED BRAND] STARS HALLOW DOWNTOWN



[Proposed Brand] Stars Hollow Downtown
 124 St Charles Avenue
 Stars Hollow, LA

FIGURE 4-14 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2014	231	80 - 85 %	\$130 - \$140	\$105 - \$110	100 - 110 %	95 - 100 %
Est. 2015	231	75 - 80	140 - 150	115 - 120	100 - 110	100 - 110
Est. 2016	231	80 - 85	140 - 150	115 - 120	100 - 110	100 - 110

This hotel benefits from its strong Marriott brand affiliation and popular rewards program, its broad offering of amenities, and its location near the cruise ship terminals and Ernest N. Morial Convention Center. 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 Inn & Suites.

**PRIMARY COMPETITOR #2 - COURTYARD BY MARRIOTT STARS HALLOW
DOWNTOWN NEAR THE FRENCH QUARTER**



**Courtyard by Marriott
Stars Hollow
Downtown Near the
French Quarter
901 Pine Avenue
Stars Hollow, LA**

FIGURE 4-15 ESTIMATED HISTORICAL OPERATING STATISTICS

<u>Year</u>	<u>Wtd. Annual Room Count</u>	<u>Occupancy</u>	<u>Average Rate</u>	<u>RevPAR</u>	<u>Occupancy Penetration</u>	<u>Yield Penetration</u>
Est. 2014	140	80 - 85 %	\$160 - \$170	\$130 - \$140	100 - 110 %	120 - 130 %
Est. 2015	140	85 - 90	160 - 170	140 - 150	110 - 120	120 - 130
Est. 2016	140	90 - 95	160 - 170	140 - 150	110 - 120	130 - 140

The hotel was constructed in 1995 in line with the architectural specifications of a building that occupied the site in the 19th century. This hotel benefits from its popular Marriott brand affiliation and rewards 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 Inn & Suites.

PRIMARY COMPETITOR #3 - HOMEWOOD SUITES BY HILTON STARS HALLOW



Homewood Suites by Hilton Stars Hallow
 1250 Pine Avenue
 Stars Hallow, LA

FIGURE 4-16 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2014	166	75 - 80 %	\$160 - \$170	\$125 - \$130	100 - 110 %	110 - 120 %
Est. 2015	166	75 - 80	160 - 170	125 - 130	100 - 110	100 - 110
Est. 2016	166	75 - 80	160 - 170	125 - 130	100 - 110	110 - 120

This hotel benefits from its strong Hilton brand affiliation and popular rewards program, as well as its prominent location on Pine Avenue and relatively large offering of meeting space. 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 Inn & Suites.

PRIMARY COMPETITOR #4 - STAYBRIDGE SUITES STARS HALLOW FRENCH QUARTER DOWNTOWN



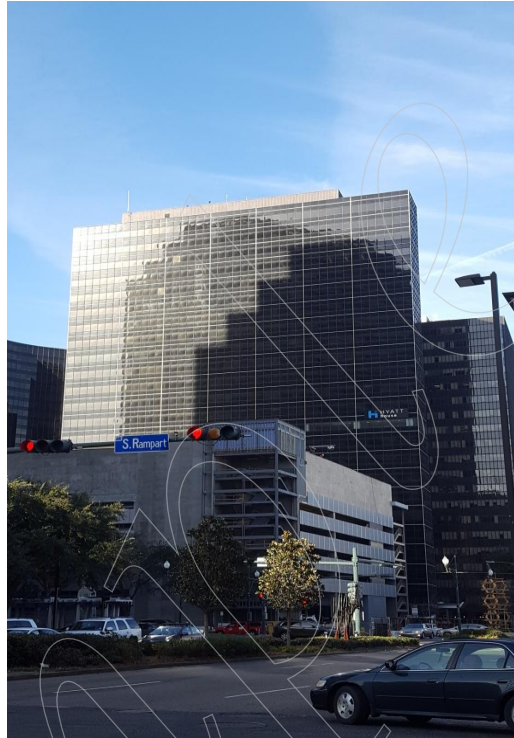
**Staybridge Suites Stars
Hallow French Quarter
Downtown**
501 Tchoupitoulas
Street
Stars Hallow, LA

FIGURE 4-17 ESTIMATED HISTORICAL OPERATING STATISTICS

<u>Year</u>	<u>Wtd. Annual Room Count</u>	<u>Occupancy</u>	<u>Average Rate</u>	<u>RevPAR</u>	<u>Occupancy Penetration</u>	<u>Yield Penetration</u>
Est. 2014	182	70 - 75 %	\$140 - \$150	\$105 - \$110	95 - 100 %	90 - 95 %
Est. 2015	182	70 - 75	140 - 150	100 - 105	90 - 95	85 - 90
Est. 2016	197	70 - 75	130 - 140	100 - 105	95 - 100	85 - 90

This hotel benefits from its strong InterContinental Hotels Group brand affiliation and popular rewards system, its prominent location on Pine Avenue, and its recent upgrades. 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 Inn & Suites.

PRIMARY COMPETITOR #5 - HYATT HOUSE STARS HALLOW DOWNTOWN



**Hyatt House Stars
Hallow Downtown**
345 St Joseph Street
Stars Hallow, LA

FIGURE 4-18 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2015	49	50 - 55	150 - 160	85 - 90	70 - 75	70 - 75
Est. 2016	194	60 - 65	150 - 160	100 - 105	80 - 85	85 - 90

This hotel benefits from its recent construction and its location near the Mercedes-Benz Superdome and Smoothie King Center. The hotel connects to the Hyatt Regency Stars Hallow via a second-floor sky bridge, and it benefits from the access to Hyatt Regency's amenities, including restaurants and expansive meeting space. Overall, the property appeared to be in very 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 Inn & Suites.

**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 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 4-19 SECONDARY COMPETITOR(S) – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation				Total Competitive Level	Estimated 2015				Estimated 2016			
		Leisure	Extended-Stay	Group	Commercial		Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Hampton Inn & Suites New Orleans Downtown French Quarter Area	210	45 %	5 %	15 %	35 %	80 %	168	75 - 80 %	\$170 - \$180	\$130 - \$140	168	80 - 85 %	\$160 - \$170	\$130 - \$140
Holiday Inn Express New Orleans Downtown	129	60	5	20	15	80	87	50 - 55	140 - 150	75 - 80	103	55 - 60	130 - 140	75 - 80
MOXY New Orleans Downtown French Quarter Area	108	60	5	20	15	80	60	60 - 65	130 - 140	75 - 80	58	50 - 55	125 - 130	65 - 70
Drury Inn & Suites New Orleans	214	60	5	10	25	80	171	75 - 80	140 - 150	105 - 110	171	75 - 80	130 - 140	105 - 110
La Quinta Inn & Suites New Orleans French Quarter	166	60	5	15	20	80	133	70 - 75	130 - 140	100 - 105	133	70 - 75	130 - 140	100 - 105
Country Inn & Suites New Orleans French Quarter	155	60	5	15	20	80	124	85 - 90	150 - 160	130 - 140	124	85 - 90	140 - 150	130 - 140
Hilton Garden Inn New Orleans French Quarter	155	40	5	15	40	60	93	80 - 85	160 - 170	130 - 140	93	80 - 85	160 - 170	130 - 140
Aloft New Orleans Downtown	188	60	5	20	15	60	95	60 - 65	160 - 170	105 - 110	113	65 - 70	160 - 170	105 - 110
Hotel 504	157	65	5	15	15	10	16	50 - 55	115 - 120	60 - 65	16	50 - 55	110 - 115	60 - 65
Totals/Averages	1,482	55 %	5 %	15 %	25 %	68 %	946	73.9 %	\$151.58	\$112.03	979	75.1 %	\$147.86	\$111.05

* 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 eight hotels that are expected to compete with the proposed subject hotel on a secondary level. The limited-service hotels, including the Holiday Inn Express Stars Hallow Downtown, MOXY Stars Hallow Downtown French Quarter Area, Drury Inn & Suites Stars Hallow, Country Inn & Suites by Carlson Stars Hallow French Quarter, La Quinta Inn & Suites Stars Hallow French Quarter, and Hampton Inn & Suites by Hilton Stars Hallow Downtown French Quarter Area, are anticipated to be competitive based on their locations in the Stars Hallow CBD; however, these hotels lack the all-suite guestroom arrangements that the subject hotel will provide. The select-service properties, including the Aloft Stars Hallow Downtown and the Hilton Garden Inn Stars Hallow French Quarter, will also be competitive based on their CBD locations; however, these properties, which offer revenue-generating food and beverage offerings, operate at a higher price point than is expected for the subject hotel.

Supply Changes

It is important to consider any new hotels that may have an impact on the proposed subject hotel's operating performance. The following chart sets forth the hotels that have recently opened, are under construction, or are in the stages of early development in the Stars Hallow area. The list is categorized by the principal submarkets within the city.

FIGURE 4-20 AREA DEVELOPMENT ACTIVITY

Proposed Hotel Name	Estimated Number of Rooms	Hotel Product Tier	Development Stage	Expected Qtr. & Year of Opening	Address
<i>Central New Orleans</i>					
St. Peter & Paul Church Redevelopment	71	Upscale	Approved	Q2 '17	2317 Burgundy Street, Marigny
Homewood Suites by Hilton French Quarter	207	Upscale	Under Construction	Q2 '17	317 North Rampart Street, French Quarter
Alder Hotel	90	Upper-Midscale	Under Construction	Q2 '17	4545 Magnolia Street, Uptown
NOPSI Building	217	Luxury	Under Construction	Q3 '17	317 Baronne Street, CBD
Cambria Warehouse District	162	Upscale	Under Construction	Q3 '17	632 Tchoupitoulas Street, Warehouse District
700 Frenchmen Street	19	Midscale	Approved	Q3 '17	700 Frenchmen Street, Marigny
Former Canal Street Hotel	224	Upper-Midscale	Under Construction	Q1 '18	1630 Canal Street, CBD
Canal Street/North Rampart Street Hotel	353	Undisclosed	Under Construction	Q2 '18	1031 Canal Street, CBD
Former Jung Hotel	124	Upscale	Under Construction	Q2 '18	1500 Canal Street, CBD
Former UNO Tower SpringHill Suites by Marriott	78	Upscale	Under Construction	Q2 '18	1600 Canal Street, CBD
Former UNO Tower TownePlace Suites by Marriott	105	Upper-Midscale	Under Construction	Q2 '18	1600 Canal Street, CBD
Canopy by Hilton (Oil & Gas Building)	182	Upscale	Under Construction	Q4 '18	1100 Tulane Avenue, CBD
Canal Street Extended-Stay Hotel	165	Undisclosed	Early Development	Q4 '18	Canal Street, Mid-City
Tulane Avenue Extended Stay Hotel	88	Undisclosed	Speculative	2019	2537 Tulane Avenue, Mid-City
Moxy Warehouse/Arts District	96	Upscale	Approved	2019	744 St. Charles Avenue, Warehouse District
Virgin Hotel New Orleans	225	Luxury	Early Development	2019	550 Baronne Street, CBD
Stateside Bywater Poshtel	44	Undisclosed	Approved	2019	1201 St. Bernard Avenue, Bywater
Select-Service Mid City Hotel	150	Undisclosed	Early Development	2019	Canal Street, Mid-City
Four Seasons World Trade Center	350	Luxury	Site Work Underway	2019	2 Canal Street, French Quarter
Extended-Stay Hotel St. Charles	200	Undisclosed	Early Development	2019	St. Charles Avenue, CBD
Hotel Loren	132	Luxury	Seeking Entitlements	2020	2001 Canal Street, Midcity
Warehouse Convention Center Hotels	380	Upper-Upscale	Approved	2020	1148 South Peters Street, Warehouse District
Ernest N. Morial Convention Center Headquarters Hotel	1200	Undisclosed	Early Development	2020	Warehouse District
Boutique Hotel Lafitte Greenway	100	Undisclosed	Speculative	2020	Conti Street and North Cortez Street, Mid-City
Julia Street/Baronne Street Hotel	138	Undisclosed	Speculative	2020	740 Baronne Street, CBD
Royal Cosmopolitan Hotel	126	Undisclosed	Speculative	2020	121 Royal Street, French Quarter
Royal Cosmopolitan Hotel	126	Undisclosed	Speculative	2020	121 Royal Street, French Quarter

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

FIGURE 4-21 NEW SUPPLY

Proposed Property	Number of Rooms	Total Competitive Level	Weighted Room Count	Estimated Opening Date	Developer	Development Stage
Proposed Residence Inn by Marriott	238	100 %	238	July 1, 2019	Guidry Enterprises	Early Development
Homewood Suites by Hilton French Quarter	207	100	207	June 1, 2017	HRI Properties	Under Construction
Former Canal Street Hotel	224	10	22	January 1, 2018	Michael Valentino	Under Construction
Canal Street/North Rampart Street Hotel	353	10	35	April 1, 2018	Kailas Companies	Under Construction
Former Jung Hotel	124	30	37	April 1, 2018	Joseph Jaeger	Under Construction
Former UNO Tower SpringHill Suites by Marriott	78	10	8	April 1, 2018	NewcrestImage	Under Construction
Former UNO Tower TownePlace Suites by Marriott	105	50	53	April 1, 2018	NewcrestImage	Under Construction
Canal Street Extended-Stay Hotel	165	10	17	October 1, 2018	Not Disclosed	Early Development
Tulane Avenue Extended Stay Hotel	88	10	9	January 1, 2019	Feil Organization	Speculative
Hotel Loren	132	10	13	July 1, 2020	Dr. Narinda Gupta	Seeking Entitlements
Totals/Averages	1,714		639			

The Homewood Suites by Hilton French Quarter is under construction on Rampart Street, one-half mile north of the proposed subject site. This development will be similar to the proposed subject hotel in terms of product offering and service level; therefore, this hotel is expected to be fully competitive. The former UNO Tower is being converted to a dual-branded SpringHill Suites by Marriott and TownePlace Suites by Marriott, with some extended-stay rooms; however, these proposed hotel components have been weighed as secondarily competitive because only minimal construction work appears to have begun on the property. We note that there are six additional hotels in various stages of planning and development within the CBD. However, given the distance of these projects from the proposed subject property, we have weighted them as minimally competitive. These developments are being considered as part of mixed-use developments or building conversions, and none have announced specific branding or opening timelines.

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

Supply Conclusion

We have identified various properties that are expected to be competitive to some degree with the proposed subject hotel. We have also investigated potential increases in competitive supply in this Stars Hollow submarket. The Proposed Inn & Suites should enter a dynamic market of varying product types and price points. Next, we will present our forecast for demand change, using the historical supply data presented as a starting point.

DEMAND

The following table presents the most recent trends for the subject hotel market as tracked by HVS. These data pertain to the competitors discussed previously in this section; performance results are estimated, rounded for the competition, and in some cases weighted if there are secondary competitors present. In this respect, the information in the table differs from the previously presented STR data and is consistent with the supply and demand analysis developed for this report.

FIGURE 4-22 HISTORICAL MARKET TRENDS

Year	Accommodated		Room Nights		Market			Market	
	Room Nights	% Change	Available	% Change	Occupancy	Market ADR	% Change	RevPAR	% Change
Est. 2014	432,565	—	574,681	—	75.3 %	\$145.69	—	\$109.66	—
Est. 2015	470,865	8.9 %	625,435	8.8 %	75.3	152.97	5.0 %	115.17	5.0 %
Est. 2016	529,636	12.5	696,004	11.3	76.1	149.48	(2.3)	113.75	(1.2)
Avg. Annual Compounded Chg., Est. 2014-Est. 2016:		10.7 %		10.1 %			1.3 %		1.8 %

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 2016 distribution of accommodated-room-night demand as follows.

FIGURE 4-23 ACCOMMODATED ROOM-NIGHT DEMAND

Market Segment	Marketwide	
	Accommodated Demand	Percentage of Total
Leisure	232,399	44 %
Extended-Stay	84,855	16
Group	79,921	15
Commercial	132,461	25
Total	529,636	100 %

The market's demand mix comprises leisure demand, with this segment representing roughly 44% of the accommodated room nights in this Stars Hallow submarket. The Extended-Stay comprises 16% of the total, with the final portions Group and Commercial in nature (15% and 25%, 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.

Leisure Segment

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

Stars Hallow offers a diverse array of leisure attractions, anchored by its famed French Quarter, which withstood Hurricane Katrina remarkably well. Mardi Gras is the city's biggest event, bringing in thousands of tourists worldwide during the months of February and March. The Stars Hallow Jazz & Heritage Festival (held each May) is another major event in the city. Harrah's Stars Hallow, the city's largest and most popular casino, reopened in early 2006 and has been instrumental in convincing potential visitors that Stars Hallow is back and ready for business. The cruise ships that utilize the Port of Stars Hallow as an embarkation and debarkation point also generate lodging demand in the leisure segment. Cruise ship passengers typically require hotel accommodations if they choose to arrive in Stars Hallow prior to their cruise or if they stay in the city after their cruise. Furthermore, following the Deepwater Horizon oil spill in 2010, BP PLC launched a multimillion-dollar advertising campaign aimed at Gulf Coast tourism, which has led to a significant influx of leisure travelers to the market. Stars Hallow hosted both the BCS National Championship and the NCAA Final Four in early 2012, Super Bowl XLVII in February 2013, and Wrestlemania XXX in April 2014. Significant developments are planned, including the expansion of the Louis Armstrong International Airport, in order to reach the CVB's stated goal of 13.7 million visitors by 2018, the year of the Stars Hallow tercentennial. Given the

**Extended-Stay
Segment**

strengthening market conditions, we forecast growth within this demand segment to continue throughout the projection period.

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.

Extended-stay demand in the Stars Hallow CBD is mainly generated by corporate entities and government offices in the CBD. With the opening of the Stars Hallow BioDistrict, a new demand source will be introduced to the market. The University Medical Center opened in August 2015; within the first year of operations, the UMC operation employed 25% more people than its state-run predecessor reported in 2013. As home to the state's largest academic training center, the facility recorded more than 5,000 attendees for classes or rotations in its first year of operation; UMC is also home to the region's only Level 1 trauma center. The first phase of the adjacent VA Hospital opened in December 2016, and the remaining 1.6-million-square-foot medical center will open in stages throughout 2017. The Southeast Louisiana Veterans Health Care System predicts that the facility will serve 70,000 veterans from a 23-parish area, totaling 550,000 annual visits. The ramp-up of these facilities will bring doctors, nurses, students, and other staff, in addition to vendors; patients are anticipated to travel with families or caretakers as well. Much of this medical-related travel is anticipated to create a need for longer stays than have been typical in the Stars Hallow market; therefore, we have forecast a strong increase in extended-stay demand through the stabilized year.

Group Segment

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

The group market segment contributes a significant amount of lodging demand to the market. Stars Hollow offers one of the nation's largest and most flexible convention centers, surrounded by many additional hotels and attractions. The group segment includes significant room-night contributions from citywide conventions held at the Ernest N. Morial Convention Center, association meetings, SMERFE-related demand, civic groups, professional societies, and corporate groups holding training sessions, small exhibits, product announcements, meetings, and seminars. In addition, the area's educational and medical facilities, such as Tulane University, Xavier University of Louisiana, Loyola University, and Louisiana State's Health Sciences Center, also generate demand for area hotels. Since the reopening of the convention center on February 17, 2006, following Hurricane Katrina, convention activity has recovered significantly. Although compression from the convention center has also been limited somewhat in recent years by longer booking cycles for major conventions and fewer major citywide events (10,000+ peak room-nights), many hotels have been able to offset this trend with greater in-house group demand. Advanced bookings for 2017 have strengthened and have created some balance in near-term scheduling; however, 2019 is expected to be a softer convention year after significant growth in 2018. As such, we have forecast modest demand growth in this segment through 2018.

Commercial Segment

Commercial demand consists mainly of individual businesspeople passing through the subject market or visiting area businesses, in addition to high-volume corporate accounts generated by local firms. Brand loyalty (particularly frequent-traveler programs), as well as location and convenience with respect to businesses and amenities, influence lodging choices in this segment. Companies typically designate hotels as "preferred" accommodations in return for more favorable rates, which are discounted in proportion to the number of room nights produced by a commercial client. Commercial demand is strongest Monday through Thursday nights, declines significantly on Friday and Saturday, and increases somewhat on Sunday night. It is relatively constant throughout the year, with marginal declines in late December and during other holiday periods.

The commercial market segment consists of individual business travelers visiting the numerous firms located in Stars Hollow. Large firms that generate lodging demand include Shell, BellSouth Communications, First National Bank of Commerce, and Entergy. Industries with a significant presence in the city include oil and gas, transportation, and health care. In recent years, the city's medical and research institutions began to generate more commercial demand. Government travelers are also included in this market segment. Commercial demand in Stars Hollow is strongest from Monday through Thursday nights, and the city's hotels typically accommodate a fair amount of commercial demand on these nights. The diversity and depth of companies in the area should provide stability over the long term as the U.S. economy continues to improve. We have forecast modest growth

within this segment in the first and second years, in line with recent trends. Increases in demand should be bolstered by the ramp-up of the University Medical Center, which opened in 2015, and the VA Medical Center, which opened in November 2016; new corporate accounts and individual business travelers directly associated with each facility are anticipated to enter the market in the coming years.

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

FIGURE 4-24 AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES

Market Segment	Annual Growth Rate					
	2017	2018	2019	2020	2021	2022
Leisure	2.0 %	5.0 %	2.0 %	1.5 %	0.5 %	0.0 %
Extended-Stay	4.0	3.0	2.0	1.5	0.5	0.0
Group	1.0	1.0	0.0	0.0	0.0	0.0
Commercial	1.0	1.0	0.0	0.0	0.0	0.0
Base Demand Growth	1.9 %	3.1 %	1.2 %	0.9 %	0.3 %	0.0 %

Latent Demand

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

Unaccommodated Demand

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

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

FIGURE 4-25 OCCUPANCY BY NIGHT OF THE WEEK

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jan - 16	55.9 %	51.5 %	53.9 %	54.5 %	57.9 %	80.7 %	81.1 %	63.2 %
Feb - 16	78.0	74.1	75.1	68.0	66.1	86.4	95.5	77.5
Mar - 16	70.0	77.1	81.2	83.5	83.9	92.8	95.8	83.4
Apr - 16	78.9	81.8	84.5	78.4	81.0	92.1	96.9	85.4
May - 16	78.1	75.7	79.8	82.4	80.3	85.0	90.8	81.4
Jun - 16	77.4	79.5	79.4	77.7	77.0	87.2	92.3	81.2
Jul - 16	74.6	61.8	63.5	64.7	70.6	85.2	92.5	74.3
Aug - 16	47.3	49.4	51.7	53.4	58.6	77.3	77.9	58.6
Sep - 16	77.2	70.2	69.2	69.6	66.1	77.4	91.6	74.3
Oct - 16	69.5	67.3	73.4	86.1	90.2	93.0	91.9	81.1
Nov - 16	60.4	54.2	68.1	73.4	75.4	88.8	89.9	72.8
Dec - 16	54.5	53.0	58.5	57.9	65.3	73.7	83.6	64.8
Average	68.5 %	66.2 %	69.8 %	70.9 %	72.7 %	84.6 %	89.9 %	74.7 %

Source: STR

Our interviews with market participants found that the market generally sells out most days of the week during the peak travel and convention season from February through April, as well as most weekends in the shoulder and low seasons. Special events such as Mardi Gras and the Stars Hallow Jazz & Heritage Festival, as well as major sporting events such as the Sugar Bowl, regularly sell out competitive hotels. A portion of this demand, which is currently turned away, should return to the market concurrent with the supply increase. The following table presents our estimate of unaccommodated demand in the subject market.

FIGURE 4-26 UNACCOMMODATED DEMAND ESTIMATE

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand Percentage	Unaccommodated Room Night Demand
Leisure	232,399	27.7 %	64,456
Extended-Stay	84,855	13.6	11,576
Group	79,921	10.4	8,278
Commercial	132,461	4.5	5,927
Total	529,636	17.0 %	90,237

Accordingly, we have forecast unaccommodated demand equivalent to 17.0% of the base-year demand, resulting from our analysis of monthly and weekly peak demand and sell-out trends.

Induced Demand

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

Accommodated Demand and Market-wide Occupancy

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

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

FIGURE 4-27 FORECAST OF MARKET OCCUPANCY

	2019	2020	2021	2022
Leisure				
Base Demand	253,878	257,686	258,974	258,974
Unaccommodated Demand	70,413	71,469	71,827	71,827
Total Demand	324,291	329,155	330,801	330,801
Growth Rate	2.0 %	1.5 %	0.5 %	0.0 %
Extended-Stay				
Base Demand	92,715	94,106	94,576	94,576
Unaccommodated Demand	12,649	12,838	12,902	12,902
Total Demand	105,363	106,944	107,479	107,479
Growth Rate	2.0 %	1.5 %	0.5 %	0.0 %
Group				
Base Demand	81,527	81,527	81,527	81,527
Unaccommodated Demand	8,444	8,444	8,444	8,444
Total Demand	89,972	89,972	89,972	89,972
Growth Rate	0.0 %	0.0 %	0.0 %	0.0 %
Commercial				
Base Demand	135,123	135,123	135,123	135,123
Unaccommodated Demand	6,046	6,046	6,046	6,046
Total Demand	141,170	141,170	141,170	141,170
Growth Rate	0.0 %	0.0 %	0.0 %	0.0 %

FIGURE 4-28 FORECAST OF MARKET OCCUPANCY (CONTINUED)

Totals				
Base Demand	563,243	568,442	570,201	570,201
Unaccommodated Demand	97,552	98,798	99,220	99,220
Total Demand	660,795	667,240	669,421	669,421
less: Residual Demand	16,328	969	0	0
Total Accommodated Demand	644,467	666,271	669,421	669,421
Overall Demand Growth	5.6 %	3.4 %	0.5 %	0.0 %
Market Mix				
Leisure	49.1 %	49.3 %	49.4 %	49.4 %
Extended-Stay	15.9	16.0	16.1	16.1
Group	13.6	13.5	13.4	13.4
Commercial	21.4	21.2	21.1	21.1
Existing Hotel Supply	1,954	1,935	1,935	1,935
Proposed Hotels				
Proposed Residence Inn by Marriott	¹ 121	238	238	238
Homewood Suites by Hilton French Quarter	² 207	207	207	207
Former Canal Street Hotel	³ 22	22	22	22
Canal Street/North Rampart Street Hotel	⁴ 35	35	35	35
Former Jung Hotel	⁵ 37	37	37	37
Former UNO Tower SpringHill Suites by Marriott	⁶ 8	8	8	8
Former UNO Tower TownePlace Suites by Marriott	⁷ 53	53	53	53
Canal Street Extended-Stay Hotel	⁸ 17	17	17	17
Tulane Avenue Extended Stay Hotel	⁹ 9	9	9	9
Hotel Loren	¹⁰	7	13	13
Available Room Nights per Year	898,742	937,109	939,498	939,498
Nights per Year	365	365	365	365
Total Supply	2,462	2,567	2,574	2,574
Rooms Supply Growth	7.9 %	4.3 %	0.3 %	0.0 %
Marketwide Occupancy	71.7 %	71.1 %	71.3 %	71.3 %

- ¹ Opening in July 2019 of the 100% competitive, 238-room Proposed Residence Inn by Marriott
- ² Opening in June 2017 of the 100% competitive, 207-room Homewood Suites by Hilton French Quarter
- ³ Opening in January 2018 of the 10% competitive, 224-room Former Canal Street Hotel
- ⁴ Opening in April 2018 of the 10% competitive, 353-room Canal Street/North Rampart Street Hotel
- ⁵ Opening in April 2018 of the 30% competitive, 124-room Former Jung Hotel
- ⁶ Opening in April 2018 of the 10% competitive, 78-room Former UNO Tower SpringHill Suites by Marriott
- ⁷ Opening in April 2018 of the 50% competitive, 105-room Former UNO Tower TownePlace Suites by Marriott
- ⁸ Opening in October 2018 of the 10% competitive, 165-room Canal Street Extended-Stay Hotel
- ⁹ Opening in January 2019 of the 10% competitive, 88-room Tulane Avenue Extended Stay Hotel
- ¹⁰ Opening in July 2020 of the 10% competitive, 132-room Hotel Loren

The entry of competitive new supply in 2017 and 2018 is expected to restrict occupancy growth in the defined competitive market. However, given the strong convention forecasts and the upcoming tercentennial, we anticipate occupancy to normalize by the stabilized year. Based on historical occupancy levels in this market, and taking into consideration typical supply and demand cyclicity, market occupancy is forecast to stabilize in the low 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 Proposed Inn & Suites will be a Extended-Stay lodging facility containing 238 rentable units. The 0-story property will open on July 1, 2019. The proposed subject property is expected to be an upscale, extended-stay hotel in the heart of the Stars Hollow CBD, situated on Main Street between Pine Avenue and Mountain Street. The hotel will be constructed on a vacant site fronting Main Street and adjacent to the InterContinental Stars Hollow; the site is currently used as a surface parking lot. The proposed subject property will enjoy a location near Stars Hollow' numerous cultural and historical attractions and entertainment venues, as well as corporate headquarters in the Stars Hollow CBD.

[Proposed Brand] is Marriott's upscale, extended-stay, all-suite product. Jack DeBoer founded [Proposed Brand] in 1973 as the first extended-stay hotel concept aimed at business travelers staying for multiple nights. A typical [Proposed Brand] property contains a breakfast dining area (where a complimentary evening social is also held), a business center or lobby workstation, a market pantry, a guest laundry room, a fitness room, a swimming pool, and meeting space. Many hotels also offer an outdoor sports court. As of year-end 2015, there were 669 [Proposed Brand] properties (81,387 rooms) in operation across North America. Typical competitors of the [Proposed Brand] brand include the Homewood Suites by Hilton, Hyatt House, and Staybridge Suites, among others. In 2015, the brand's North American hotels achieved an average occupancy level of 79.4%, an average daily rate of \$139.51, and an average RevPAR of \$110.75.

TYPICAL [PROPOSED BRAND] EXTERIOR



Summary of the Facilities

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

FIGURE 5-1 PROPOSED FACILITIES SUMMARY

Guestroom Configuration		Number of Units
King		107
Queen/Queen		121
Accessible (ADA-Compliant Room)		10
Total		238
Food & Beverage Facilities		Seating Capacity
Breakfast Dining Area		65
Lounge		36
Indoor Meeting & Banquet Facilities		Square Footage
Boardroom		874
Amenities & Services		
Fitness Room		
Lobby Workstation		
Market Pantry		
Guest Laundry Area		
Infrastructure		
Parking Spaces		Valet Parking
Elevators		3 Guest, Service
Life-Safety Systems		Sprinklers, Smoke Detectors
Construction Details		Steel, Reinforced Concrete

Site Improvements and Hotel Structure

Once guests enter the site, valet parking is expected to be available at the hotel's front entrance and will be operated by a third party. Self-parking should also be available in the public parking structure adjacent to the subject site. Given the density of development in the Stars Hollow CBD, site improvements are expected to be minimal. Signage is anticipated to be placed on the exterior of the building, and we assume that all signage will adequately identify the property and meet brand standards. City sidewalks are located along Main Street and will provide pedestrian access to the proposed hotel; the area's landscaping is expected to be minimal and should be limited to a small number of decorative trees and planters along the perimeter of the hotel. Overall, the site improvements for the property are expected to be adequate and meet the standards of the chosen brand.

The hotel structure should comprise one single building, which is expected to be constructed of steel and reinforced concrete. The exterior of the hotel should be

finished with stucco and should be designed in keeping with the architectural elements and standards of surrounding historic structures in this portion of the Stars Hollow CBD. Several stairways and elevators are expected to provide internal vertical transportation within the main structure. The hotel's flat roof is anticipated to be constructed of concrete and a rubber membrane roofing system. Double-paned windows are expected to reduce noise transmission into the rooms. Heating and cooling should be provided by VTAC units in the guestrooms and several large air-handling units for the public areas. Overall, the building components are expected to be normal for a hotel of this type and should meet the standards for this market. We assume that all structural components will meet local building codes and that no significant defaults will occur during construction that would affect the future operating potential of the hotel or delay its assumed opening date.

Public Areas

Guests will enter the hotel lobby through a single set of automatic doors, which will open to a vestibule, and then through a second set of automatic doors. The lobby will be of an appropriate size for a [Proposed Brand]. The lobby walls will be finished with wallcovering, and the floor is expected to be finished with carpeting and stone tiles. The front desk will feature a granite countertop, installed with appropriate property management and telephone systems. The furnishings and finishes in this space should offer an appropriate first impression, and the design of the space should lend itself to adequate efficiency. We assume that all property management and guestroom technology will be appropriately installed for the effective management of hotel operations.

TYPICAL [PROPOSED BRAND] LOBBY



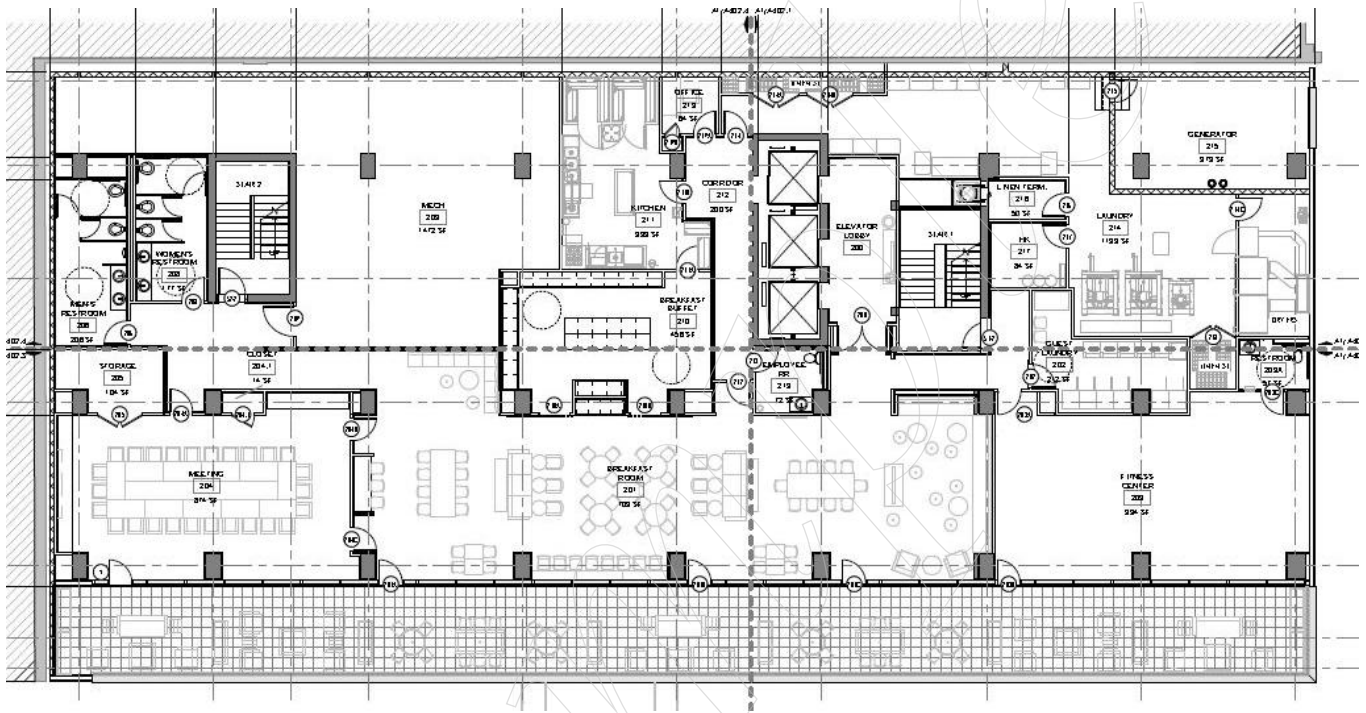
The hotel will include a breakfast dining area and a lobby lounge. The hotel's lounge will be located on the first floor, adjacent to the lobby. Its planned size and layout appear appropriate for the hotel. The hotel's breakfast dining area will be located on the second floor; aside from the complimentary breakfast, a complimentary manager's reception is expected to be held in this space as well. Its planned size and layout appear to be appropriate for the hotel. The furnishings of the space are anticipated to be of a similar style and finish as lobby and guestroom furnishings.

TYPICAL [PROPOSED BRAND] DINING AREA



Solo

SECOND FLOOR PLAN



The hotel will offer one meeting room, which will be located on the second floor of the building. This planned meeting space appears to be appropriate for a hotel of this type and is assumed to meet brand standards. Public restrooms near the entrance to the meeting space should enhance the overall functionality of the area.

The hotel will offer a fitness room; restrooms will be located adjacent to the fitness room.

Other amenities will include a lobby workstation, The Market (a 24-hour pantry), and a guest laundry room, as well as ice machines on each floor. Overall, the supporting facilities should be appropriate for a hotel of this type, and we assume that they will meet brand standards.

Guestrooms

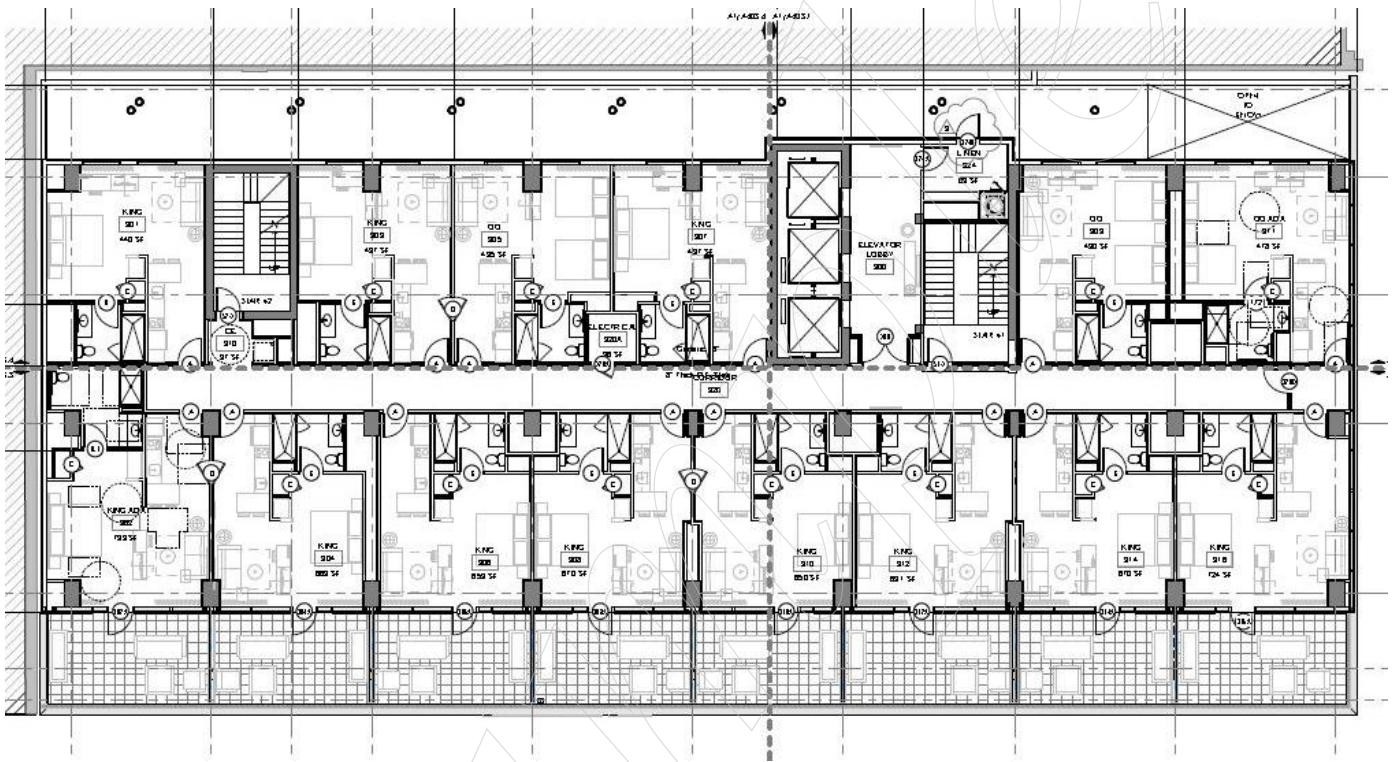
The hotel will feature suite-style guestroom configurations with distinct living, sleeping, and working areas. The guestroom suites will be present on levels three through nineteen of the property's proposed single building. The guestroom suites will offer typical amenities for this upscale, extended-stay product type, including a fully equipped kitchen with dining area and a living room. In addition to the standard furnishings, in-room amenities will include wireless, high-speed Internet access and an iron and ironing board. Overall, the guestroom suites should offer a competitive product for this Stars Hallow CBD neighborhood.

Guestroom bathrooms are anticipated to be of a standard size, with a shower, commode, and single sink with vanity area, featuring a stone countertop. The floors are expected to be finished with tile, and the walls are expected to be finished with wallcovering. Bathroom amenities should include a hairdryer and complimentary toiletries. Overall, the bathroom design appears to be appropriate for a product of this type.

TYPICAL [PROPOSED BRAND] GUESTROOM



GUESTROOM FLOOR PLAN



The interior guestroom corridors are expected to be wide and functional, permitting the easy passage of housekeeping carts. Corridor carpet, wallcovering, signage, and lighting will be in keeping with the overall look and design of the rest of the property.

Back-of-the-House

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

ADA and Environmental

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

Capital Expenditures

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

Conclusion

Overall, the proposed subject hotel should offer a well-designed, functional layout of support areas and guestrooms. All typical and market-appropriate features and amenities appear to be included in the hotel's design. We assume that the building will be fully open and operational on the stipulated opening date and will meet all local building codes and brand standards. Furthermore, we assume that the hotel staff will be adequately trained to allow for a successful opening and that pre-marketing efforts will have introduced the product to major local accounts at least six months in advance of the opening date.

6. Projection of Occupancy and Average Rate

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

Penetration Rate Analysis

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

Historical Penetration Rates by Market Segment

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

FIGURE 6-1 HISTORICAL PENETRATION RATES

Property	Leisure	Extended-Stay	Group	Commercial	Overall
Residence Inn by Marriott New Orleans Downtown	85 %	199 %	106 %	85 %	106 %
Courtyard by Marriott New Orleans Downtown Near the French Quarter	68	37	158	239	120
Homewood Suites by Hilton New Orleans	93	224	34	82	103
Staybridge Suites New Orleans French Quarter Downtown	78	182	97	78	97
Hyatt House New Orleans Downtown	49	187	113	68	85
Secondary Competition	124	31	100	97	99

The secondary competition achieved the highest penetration rate within the leisure segment. The highest penetration rate in the extended-stay segment was achieved by the Homewood Suites by Hilton Stars Hollow, while the Courtyard by Marriott Stars Hollow Downtown Near the French Quarter led the market with the highest group penetration rate.

**Forecast of Subject
Property's Occupancy**

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

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

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

FIGURE 6-2 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY

Market Segment	2019	2020	2021	2022
Leisure				
Demand	312,505	328,454	330,801	330,801
Market Share	3.6 %	8.5 %	8.9 %	8.9 %
Capture	11,170	27,931	29,391	29,384
Penetration	73 %	92 %	96 %	96 %
Extended-Stay				
Demand	103,246	106,818	107,479	107,479
Market Share	6.7 %	12.9 %	13.2 %	13.2 %
Capture	6,903	13,792	14,156	14,154
Penetration	136 %	139 %	142 %	142 %
Group				
Demand	88,558	89,889	89,972	89,972
Market Share	3.5 %	7.7 %	8.2 %	8.2 %
Capture	3,095	6,935	7,379	7,377
Penetration	71 %	83 %	89 %	89 %
Commercial				
Demand	140,158	141,110	141,170	141,170
Market Share	5.7 %	11.5 %	11.9 %	11.9 %
Capture	8,030	16,293	16,826	16,822
Penetration	117 %	125 %	129 %	129 %
Total Room Nights Captured	29,198	64,950	67,753	67,737
Available Room Nights	44,030	86,870	86,870	86,870
Subject Occupancy	66 %	75 %	78 %	78 %
Marketwide Available Room Nights	898,742	937,109	939,498	939,498
Fair Share	5 %	9 %	9 %	9 %
Marketwide Occupied Room Nights	644,467	666,271	669,421	669,421
Market Share	5 %	10 %	10 %	10 %
Marketwide Occupancy	72 %	71 %	71 %	71 %
Total Penetration	92 %	105 %	109 %	109 %

The proposed subject hotel is expected to stabilize with a strong penetration rate due to its new facility, its Marriott brand affiliation, and its favorable location on Main Street. Its anticipated very good visibility from St. Charles Street and proximity to the prominent Pine Avenue in the Stars Hallow CBD should also

contribute to its ability to realize a higher-than-average occupancy level in this Stars Hollow market. Additional insights by segment are presented as follows:

- The proposed subject hotel should benefit from a moderate amount of leisure demand because of its location in the heart of the Stars Hollow CBD, proximate to the French Quarter and most of Stars Hollow' attractions and event venues. The proposed hotel's penetration within the leisure segment should be bolstered by the hotel's expected strong brand affiliation. The hotel's all-suite product and inclusive food and beverage services should be popular with families, as these factors are key decision factors when choosing hotels for weekend stays. Within this segment, the proposed subject hotel's occupancy penetration is positioned at a below-market-average level by the stabilized period. The secondary competitors are expected to be the leaders in this segment given their shorter average lengths of stay and availability to accommodate leisure demand.
- The proposed subject [Proposed Brand] is expected to be a strong participant in the extended-stay market, with its all-suite product and in-room kitchens designed for this type of traveler. Additionally, the proposed subject hotel will be centrally located within easy walking distance of popular entertainment, retail, and commercial locations in the CBD. The proposed subject hotel is anticipated to slightly outperform some of the primary competitors given its upscale, extended-stay amenities and facilities and its strong brand recognition.
- [Proposed Brand] hotels are not known for group accommodations and do not generally offer a significant amount of meeting space; thus, the subject hotel is expected to be disadvantaged by its relatively limited meeting facilities. However, the proposed subject hotel's strong brand affiliation and upscale product offering should allow it to attract small corporate groups and SMERFE-related groups. These factors should lead to a modest group penetration rate for a property of this type, realizing a level below fair share by the stabilized year.
- The proposed subject hotel's occupancy penetration is positioned at a below-market-average level by the stabilized period due to its overall marketing focus on longer-term stays. The nearby Courtyard by Marriott, which is also located on Main Street, currently captures the largest portion of demand within the commercial segment, given its upscale product and select-service orientation. Nonetheless, travelers seeking an upscale, extended-stay hotel, as well as convenient access to several major employers in the CBD, will be drawn to the proposed [Proposed Brand]. The proposed subject hotel will be favorably suited for corporate demand

given the strength of the brand in capturing corporate demand associated with travelers loyal to Marriott.

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

FIGURE 6-3 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2019	2020	2021	2022
Leisure	38 %	43 %	43 %	43 %
Extended-Stay	24	21	21	21
Group	11	11	11	11
Commercial	28	25	25	25
Total	100 %	100 %	100 %	100 %

Based on our analysis of the proposed subject hotel and market area, we have selected a stabilized occupancy level of 78%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life, given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the subject property may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

Average Rate Analysis

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

Competitive Position

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

FIGURE 6-4 BASE YEAR AVERAGE RATE AND REVPAR OF THE COMPETITORS

Property	Estimated 2016 Average Room Rate	Average Room Rate Penetration	Rooms Revenue Per Available Room (RevPAR)	RevPAR Penetration
Residence Inn by Marriott New Orleans Downtown	\$140 - \$150	95 - 100 %	\$115 - \$120	100 - 110 %
Courtyard by Marriott New Orleans Downtown Near the French Quarter	160 - 170	100 - 110	140 - 150	130 - 140
Homewood Suites by Hilton New Orleans	160 - 170	100 - 110	125 - 130	110 - 120
Staybridge Suites New Orleans French Quarter Downtown	130 - 140	90 - 95	100 - 105	85 - 90
Hyatt House New Orleans Downtown	150 - 160	100 - 110	100 - 105	85 - 90
Average - Primary Competitors	\$151.14	101.1 %	\$116.59	102.5 %
Average - Secondary Competitors	147.86	98.9	111.05	97.6
Overall Average	\$149.48		\$113.75	

The defined primarily competitive market realized an overall average rate of \$151.14 in the 2016 base year, declining from the 2015 level of \$154.61. The Hampton Inn & Suites Stars Hallow Downtown French Quarter Area (a secondary competitor) achieved the highest estimated average rate in the local competitive market, by a minimal margin, because of its location in the Stars Hallow CBD, proximity to the French Quarter, and affiliation with the popular HHonors loyalty program. Of the primary competitive set, the Homewood Suites by Hilton Stars Hallow achieved the highest estimated average rate because of its Hilton branding and extended-stay product type. It is important to note that the Staybridge Suites and [Proposed Brand] accommodate more low-rated group business given their proximities to the convention center; additionally, the Hyatt House is still ramping up after its 2015 opening. The selected rate position for the proposed subject hotel, in base-year dollars, takes into consideration factors such as its extended-stay product and location in the CBD; moreover, high-rated leisure travelers are more likely to stay in the CBD within walking distance of the French Quarter and other leisure demand generators. We have selected the rate position of \$165.00, in base-year dollars, for the proposed subject.

Market-wide rates began to increase in 2015 with the addition of high-rated new supply; however, due to a slower festival and convention season in the first half of the year, rates declined moderately by year-end 2016. We expect average rates to stabilize going forward, supported by planned development in the CBD, the strong convention schedule in 2017, and the city's tercentennial celebration in 2018.

Based on these considerations, the following table illustrates the projected average rate and the growth rates assumed. As a context for the average rate growth factors, note that we have applied underlying inflation rates of 2.0%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2016.

FIGURE 6-5 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

Year	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	76.1 %	—	\$149.48	—	—	\$165.00	110.4 %
2017	74.3	1.0 %	150.97	—	1.0 %	166.65	110.4
2018	73.3	5.0	158.52	—	5.0	174.98	110.4
2019	71.7	3.0	163.28	66.0 %	3.0	180.23	110.4
2020	71.1	3.0	168.18	75.0	3.0	185.64	110.4
2021	71.3	3.0	173.22	78.0	3.0	191.21	110.4
2022	71.3	3.0	178.42	78.0	3.0	196.94	110.4

As illustrated above, a 1.0%% rate of change is expected for the proposed subject hotel's positioned 2016 room rate in 2017. This is followed by growth rates of 5.0%% and 3.0%% in 2018 and 2019, respectively. The Stars Hallow CBD market should enjoy positive rate growth through the near term. The proposed subject hotel's rate position should reflect growth similar to market trends because of the proposed hotel's new facility, anticipated strong brand affiliation, and location in the heart of the CBD. The proposed subject hotel's penetration rate is forecast to reach 110.4% by the stabilized period.

The following table provides a comparison of the historical performance and forecasts for the competitive set, as well as the forecasts for the proposed subject property.

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

	2014	2015	2016	Projected					
				2017	2018	2019	2020	2021	2022
Residence Inn by Marriott New Orleans Downtown									
Occupancy				—	—	66.3 %	74.8 %	78.0 %	78.0 %
Change in Points				—	—	—	8.5	3.2	(0.0)
Occupancy Penetration				—	—	92.5 %	105.2 %	109.5 %	109.4 %
Average Rate			\$165.00	\$166.65	\$174.98	\$180.23	\$185.64	\$191.21	\$196.94
Change				—	5.0 %	3.0 %	3.0 %	3.0 %	3.0 %
Average Rate Penetration				110.4 %	110.4 %	110.4 %	110.4 %	110.4 %	110.4 %
RevPAR				—	—	\$119.52	\$138.80	\$149.13	\$153.57
Change				—	—	—	16.1 %	7.4 %	3.0 %
RevPAR Penetration				—	—	102.1 %	116.1 %	120.8 %	120.8 %
	Historical (Estimated)			Projected					
	2015	2015	2016	2017	2018	2019	2020	2021	2022
New Orleans Submarket									
Occupancy	75.3 %	75.3 %	76.1 %	74.3 %	73.3 %	71.7 %	71.1 %	71.3 %	71.3 %
Change in Points	—	0.0	0.8	(1.8)	(1.0)	(1.6)	(0.6)	0.2	0.0
Average Rate	\$145.69	\$152.97	\$149.48	\$150.97	\$158.52	\$163.28	\$168.18	\$173.22	\$178.42
Change	—	5.0 %	(2.3) %	1.0 %	5.0 %	3.0 %	3.0 %	3.0 %	3.0 %
RevPAR	\$109.66	\$115.17	\$113.75	\$112.20	\$116.16	\$117.08	\$119.57	\$123.43	\$127.13
Change	—	5.0 %	(1.2) %	(1.4) %	3.5 %	0.8 %	2.1 %	3.2 %	3.0 %

* The forecast for the proposed subject property does not include rate discounts that are expected to occur during the initial year(s) of operation.

A new property must establish its reputation and a client base in the market during its ramp-up period; as such, the proposed subject hotel’s average rates in the initial operating period have been discounted to reflect this likelihood. We forecast 3.0% and 1.0% discounts to the proposed subject hotel’s forecast room rates in the first two operating years, which would be typical for a new operation of this type.

The following occupancies and average rates will be used to project the subject property's rooms revenue. This forecast reflects years beginning on July 1, 2019 and corresponds with our financial projections.

FIGURE 6-7 FORECAST OF OCCUPANCY, AVERAGE RATE, AND REVPAR

Year	Occupancy	Average Rate		Average Rate After Discount	RevPAR
		Before Discount	Discount		
2019/20	71 %	\$182.91	3.0 %	\$177.43	\$125.97
2020/21	76	188.40	1.0	186.52	141.75
2021/22	78	194.05	0.0	194.05	151.36

7. Projection of Income and Expense

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

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

Comparable Operating Statements

In order to project future income and expense for the proposed subject hotel, we have included a sample of individual comparable operating statements from our database of hotel statistics. All financial data are presented according to the three most common measures of industry performance: ratio to sales (RTS), amounts per available room (PAR), and amounts per occupied room night (POR). The following data reflect the performance of five hotels, which were chosen based on similarities in product, market orientation, brand affiliation, size, and price positioning. These historical income and expense statements will be used as benchmarks in our forthcoming forecast of income and expense.

FIGURE 7-1 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2015/16	2013	2013	2011	2013	2016
Number of Rooms:	140 to 190	140 to 180	170 to 220	130 to 170	250 to 320	238
Days Open:	365	365	365	365	365	365
Occupancy:	75%	84%	83%	72%	83%	78%
Average Rate:	\$158	\$153	\$179	\$141	\$145	\$167
RevPAR:	\$119	\$129	\$149	\$102	\$120	\$131
REVENUE						
Rooms	95.3 %	96.1 %	95.5 %	89.7 %	93.8 %	89.8 %
Food & Beverage	3.3	0.0	1.6	0.0	0.0	2.7
Other Operated Departments	1.3	3.9	2.9	8.7	0.1	7.0
Rentals & Other Income	0.1	0.0	0.0	1.6	6.0	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*						
Rooms	20.9	19.6	24.4	19.1	21.5	21.0
Food & Beverage	45.0	0.0	51.7	0.0	0.0	50.0
Garage/Parking	0.0	0.0	0.0	75.3	0.0	40.0
Other	82.6	6.7	17.1	921.9	501.7	60.0
Other Operated Departments	82.6	6.7	17.1	82.6	501.7	43.1
Total	22.5	19.1	24.6	24.3	20.7	23.2
DEPARTMENTAL INCOME						
	77.5	80.9	75.4	75.7	79.3	76.8
OPERATING EXPENSES						
Administrative & General	7.5	6.3	8.3	8.1	6.1	6.4
Info. and Telecom. Systems	0.9	0.0	0.0	0.0	0.0	0.5
Marketing	6.1	4.7	3.9	3.1	6.3	4.2
Franchise Fee	5.8	7.6	7.2	8.1	5.0	7.6
Property Operations & Maintenance	3.1	3.4	4.5	5.3	3.4	3.3
Utilities	3.4	3.0	3.5	4.1	3.0	3.1
Total	26.8	24.9	27.3	28.8	23.9	25.1
HOUSE PROFIT						
	50.7	56.0	48.1	46.9	55.4	51.7
Management Fee	3.0	3.0	3.0	3.0	3.0	3.0
INCOME BEFORE FIXED CHARGES						
	47.7	53.0	45.1	43.9	52.4	48.7

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

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

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2015/16	2013	2013	2011	2013	2016
Number of Rooms:	140 to 190	140 to 180	170 to 220	130 to 170	250 to 320	238
Days Open:	365	365	365	365	365	365
Occupancy:	75%	84%	83%	72%	83%	78%
Average Rate:	\$158	\$153	\$179	\$141	\$145	\$167
RevPAR:	\$119	\$129	\$149	\$102	\$120	\$131
REVENUE						
Rooms	\$43,387	\$47,249	\$54,426	\$37,086	\$43,694	\$47,656
Food & Beverage	1,515	0	906	0	0	1,424
Other Operated Departments	577	1,915	1,638	3,619	51	3,702
Rentals & Other Income	59	0	0	661	2,816	285
Total	45,538	49,164	56,970	41,365	46,560	53,067
DEPARTMENTAL EXPENSES						
Rooms	9,086	9,253	13,257	7,082	9,395	10,008
Food & Beverage	681	0	468	0	0	712
Garage/Parking	0	0	0	2,701	0	0
Other	477	128	280	286	254	342
Other Operated Departments	477	128	280	2,988	254	1,595
Total	10,244	9,380	14,005	10,069	9,649	12,314
DEPARTMENTAL INCOME						
	35,294	39,784	42,965	31,296	36,911	40,752
OPERATING EXPENSES						
Administrative & General	3,432	3,091	4,735	3,354	2,850	3,376
Info. and Telecom. Systems	392	0	0	0	0	250
Marketing	2,759	2,308	2,205	1,300	2,936	2,250
Franchise Fee	2,640	3,719	4,086	3,362	2,333	4,051
Property Operations & Maintenance	1,419	1,664	2,542	2,203	1,592	1,750
Utilities	1,560	1,480	1,979	1,687	1,403	1,650
Total	12,202	12,262	15,547	11,906	11,113	13,327
HOUSE PROFIT						
	23,092	27,522	27,418	19,390	25,798	27,425
Management Fee	1,366	1,475	1,707	1,241	1,397	1,592
INCOME BEFORE FIXED CHARGES						
	21,725	26,047	25,711	18,149	24,401	25,833

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

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2015/16	2013	2013	2011	2013	2016
Number of Rooms:	140 to 190	140 to 180	170 to 220	130 to 170	250 to 320	238
Days Open:	365	365	365	365	365	365
Occupancy:	75%	84%	83%	72%	83%	78%
Average Rate:	\$158	\$153	\$179	\$141	\$145	\$167
RevPAR:	\$119	\$129	\$149	\$102	\$120	\$131
REVENUE						
Rooms	\$158.38	\$153.44	\$179.36	\$141.05	\$144.60	\$167.39
Food & Beverage	5.53	0.00	2.99	0.00	0.00	5.00
Other Operated Departments	2.11	6.22	5.40	13.76	0.17	13.00
Rentals & Other Income	0.21	0.00	0.00	2.51	9.32	1.00
Total	166.23	159.66	187.74	157.32	154.09	186.39
DEPARTMENTAL EXPENSES						
Rooms	33.17	30.05	43.69	26.93	31.09	35.15
Food & Beverage	2.49	0.00	1.54	0.00	0.00	2.50
Garage/Parking	0.00	0.00	0.00	10.27	0.00	0.00
Other	1.74	0.41	0.92	1.09	0.84	1.20
Other Operated Departments	1.74	0.41	0.92	11.36	0.84	5.60
Total	37.40	30.46	46.15	38.30	31.93	43.25
DEPARTMENTAL INCOME						
	128.83	129.19	141.59	119.03	122.15	143.14
OPERATING EXPENSES						
Administrative & General	12.53	10.04	15.60	12.75	9.43	11.86
Info. and Telecom. Systems	1.43	0.00	0.00	0.00	0.00	0.88
Marketing	10.07	7.50	7.27	4.94	9.72	7.90
Franchise Fee	9.64	12.08	13.47	12.79	7.72	14.23
Property Operations & Maintenance	5.18	5.40	8.38	8.38	5.27	6.15
Utilities	5.69	4.81	6.52	6.41	4.64	5.80
Total	44.54	39.82	51.24	45.28	36.78	46.81
HOUSE PROFIT						
	84.29	89.38	90.35	73.75	85.37	96.33
Management Fee	4.99	4.79	5.63	4.72	4.62	5.59
INCOME BEFORE FIXED CHARGES						
	79.31	84.59	84.73	69.03	80.75	90.74

The comparables' departmental income ranged from 75.4% to 80.9% of total revenue. The comparable properties achieved a house profit ranging from 46.9% to 56.0% 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

A general rate of inflation must be established that will be applied to most revenue and expense categories. The following table shows inflation estimates made by economists at some noted institutions and corporations.

FIGURE 7-4 INFLATION ESTIMATES

Name (Sample from Survey)	Firm	Projected Increase in Consumer Price Index (Annualized Rate Versus 12 Months Earlier)				
		June 2017	Dec 2017	June 2018	Dec 2018	Dec 2016
Lewis Alexander	Nomura Securities International	2.6 %	2.4 %	2.1 %	2.2 %	2.2 %
Paul Ashworth	Capital Economics	2.8	3.0	3.2	3.3	3.3
Daniel Bachman	Deloitte LP	2.1	1.8	2.2	2.4	2.4
Bernard Baumohl	Economic Outlook Group	2.1	2.3	2.3	2.5	2.5
Nariman Behravesh	IHS Global Insight	2.5	2.2	2.4	2.4	2.4
David Berson	Nationwide Insurance	2.6	2.5	2.7	2.8	2.8
Brian Bethune	Tufts University	1.9	2.1	2.3	2.3	2.3
Steven Blitz	Pangea Market Advisory	2.2	1.9	2.5	3.0	3.0
Beth Ann Bovino	Standard and Poor's	2.5	2.1	2.2	2.3	2.3
Michael Carey	Credit Agricole CIB	2.3	2.2	2.4	2.6	2.6
Joseph Carson	AllianceBernstein	2.4	3.0	3.0	3.0	3.0
Mike Cosgrove	Econoclast	2.5	2.5	2.2	2.0	2.0
Lou Crandall	Wrightson ICAP	2.5	2.7	2.7	2.6	2.6
Amy Crews Cutts	Equifax	1.7	2.0	2.3	2.5	2.5
J. Dewey Daane	Vanderbilt University	1.8	2.0	2.3	2.5	2.5
Greg Daco	Oxford Economics	2.3	2.2	2.3	2.2	2.2
Rajeev Dhawan	Georgia State University	2.3	2.0	2.1	2.0	2.0
Robert Dietz	National Association of Home Builders	2.0	2.1	2.1	2.1	2.1
Douglas Duncan	Fannie Mae	2.5	2.3	2.2	2.1	2.1
Robert Dye	Comerica Bank	2.5	2.4	2.3	2.2	2.2
Maria Fiorini Ramirez/Joshua Shapiro	MFR, Inc.	2.4	2.2	0.0	—	—
Mike Fratantoni	Mortgage Bankers Association	2.6	2.3	2.4	2.6	2.6
Michael Gregory	BMO Capital	2.2	2.3	2.3	2.3	2.3
Jan Hatzius	Goldman, Sachs & Co.	2.4	2.6	2.1	2.2	2.2
Stuart Hoffman	PNC Financial Services Group	2.3	2.3	2.4	2.4	2.4
Derek Holt	Scotiabank	2.0	2.3	2.3	2.3	2.3
Constance Hunter	KPMG	2.2	2.4	2.1	2.1	2.1
Nathaniel Karp	BBVA Compass	2.2	2.4	2.6	2.8	2.8
Jack Kleinhenz	National Retail Federation	2.4	2.5	2.6	2.5	2.5
Joseph LaVorgna	Deutsche Bank Securities, Inc.	1.8	2.1	2.2	2.3	2.3
Edward Leamer/David Shulman	UCLA Anderson Forecast	2.3	2.5	2.8	2.7	2.7
John Lonski	Moody's Investors Service	1.9	1.6	1.5	1.6	1.6
Aneta Markowska	Societe Generale	2.5	2.8	2.3	2.2	2.2
Jim Meil	ACT Research	1.8	2.7	3.0	2.5	2.5
Michael Moran	Daiwa Capital	2.4	2.3	2.4	2.5	2.5
Chad Moutray	National Association of Manufacturers	2.3	2.8	2.7	2.6	2.6
Joel Naroff	Naroff Economic Advisors	2.6	2.8	3.0	2.8	2.8
Mark Nielson	MacroEcon Global Advisors	1.9	2.2	2.5	2.7	2.7
Frank Nothaft	Corelogic	2.3	2.4	2.5	2.5	2.5
Jim O'Sullivan	High Frequency Economics	2.2	2.7	2.8	2.9	2.9
Lindsey Piegza	Stifel, Nicoulas and Company, Incorporated (former)	1.8	1.3	1.2	—	—
Dr. Joel Prakken/ Chris Varvares	Macroeconomic Advisers	2.5	2.3	2.0	2.1	2.1
Russell Price	Ameriprise Financial	2.3	2.2	2.2	2.2	2.2
Lynn Reaser	Point Loma Nazarene University	1.8	2.0	2.1	2.2	2.2
Martin Regalia	Chamber of Commerce	1.8	1.8	—	—	—
Ian Shepherdson	Pantheon Macroeconomics	2.7	3.0	2.7	2.5	2.5
John Silvia	Wells Fargo & Co.	2.4	2.5	2.7	2.5	2.5
Allen Sinai	Decision Economics, Inc.	2.4	2.5	2.4	2.3	2.3
James F. Smith	Parsec Financial Management	1.6	1.6	1.7	1.8	1.8
Sean M. Snaith	University of Central Florida	3.1	3.3	3.4	3.3	3.3
Sung Won Sohn	California State University	2.3	2.3	2.3	2.4	2.4
Stephen Stanley	Pierpont Securities	2.9	3.3	3.4	3.3	3.3
Susan M. Sterne	Economic Analysis Associates Inc.	2.5	2.2	2.3	2.5	2.5
James Sweeney	CSFB	2.0	2.1	0.0	—	—
Kevin Swift	American Chemistry Council	2.3	2.5	2.5	2.3	2.3
Diane Swonk	Diane Swonk & Associates LLC	2.7	2.4	2.4	2.5	2.5
Carl Tannenbaum	The Northern Trust	2.0	2.0	2.0	2.0	2.0
US Economics Team	BNP Paribas	2.2	2.3	2.5	2.6	2.6
Bart van Ark	The Conference Board	2.2	2.4	0.0	—	—
Brian S. Wesbury/ Robert Stein	First Trust Advisors, L.P.	2.7	2.8	2.9	3.0	3.0
Lawrence Yun	National Association of Realtors	3.0	3.1	3.0	2.8	2.8

Averages: 2.3 % 2.4 % 1.8 % 2.5 % 2.5 %

Source: Wall Street Journal Economic Forecasting Survey, December 2016

As the preceding table indicates, the financial analysts who were surveyed in December 2016 anticipated inflation rates ranging from 1.6% to 3.1% (on an annualized basis) for June 2017; the average of these data points was 2.3%. The same group expects annualized inflation rates of 2.4% for both December 2017 and June 2018, slightly lower than the 2.5% average inflation rate forecast for December 2018.

As a further check on these inflation projections, we have reviewed historical increases in the Consumer Price Index (CPI-U). Because the value of real estate is predicated on cash flows over a relatively long period, inflation should be considered from a long-term perspective.

FIGURE 7-5 NATIONAL CONSUMER PRICE INDEX (ALL URBAN CONSUMERS)

Year	National Consumer Price Index	Percent Change from Previous Year
2006	201.6	—
2007	207.3	2.8 %
2008	215.3	3.8
2009	214.5	-0.4
2010	218.1	1.6
2011	224.9	3.1
2012	229.6	2.1
2013	233.0	1.5
2014	234.8	0.8
2015	236.5	0.7
2016	241.5	2.1
Average Annual Compounded Change		
	2006 - 2016:	1.8 %
	2011 - 2016:	1.4
Source: Bureau of Labor Statistics		

Between 2006 and 2016, the national CPI increased at an average annual compounded rate of 1.8%; from 2011 to 2016, the CPI rose by a slightly lower average annual compounded rate of 1.4%. In 2016, the CPI rose by 2.1%, an increase from the level of 0.7% recorded in 2015.

In consideration of the most recent trends, the projections set forth previously, and our assessment of probable property appreciation levels, we have applied underlying inflation rates of 2.0%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2016. This stabilized inflation rate takes into account normal, recurring inflation cycles. Inflation is likely to fluctuate above and

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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.

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 July 1, 2019, expressed in inflated dollars for each year.

SAMPLE

FIGURE 7-6 DETAILED FORECAST OF INCOME AND EXPENSE

	2019/20 Begins July			2020/21			Stabilized			2022/23			2023/24						
Number of Rooms:	238			238			238			238			238						
Occupancy:	71%			76%			78%			78%			78%						
Average Rate:	\$177.43			\$186.52			\$194.05			\$199.87			\$205.87						
RevPAR:	\$125.97			\$141.75			\$151.36			\$155.90			\$160.58						
Days Open:	365			365			365			365			365						
Occupied Rooms:	61,678	%Gross	PAR	POR	66,021	%Gross	PAR	POR	67,759	%Gross	PAR	POR	67,759	%Gross	PAR	POR	67,759	%Gross	PAR
OPERATING REVENUE																			
Rooms	\$10,943	89.6 %	\$45,979	\$177.42	\$12,314	89.8 %	\$51,739	\$186.52	\$13,149	89.8 %	\$55,248	\$194.06	\$13,543	89.8 %	\$56,903	\$199.87	\$13,949	89.8 %	\$58,609
Food	98	0.8	414	1.60	110	0.8	462	1.67	118	0.8	495	1.74	121	0.8	510	1.79	125	0.8	525
Beverage	225	1.8	946	3.65	254	1.9	1,067	3.85	275	1.9	1,155	4.06	283	1.9	1,190	4.18	292	1.9	1,226
Other Operated Departments	137	1.1	575	2.22	148	1.1	623	2.25	157	1.1	660	2.32	162	1.1	680	2.39	167	1.1	700
Parking	739	6.1	3,106	11.98	812	5.9	3,411	12.29	864	5.9	3,631	12.75	890	5.9	3,740	13.14	917	5.9	3,852
Miscellaneous Income	68	0.6	288	1.11	74	0.5	312	1.12	79	0.5	330	1.16	81	0.5	340	1.19	83	0.5	350
Total Operating Revenues	12,211	100.0	51,307	197.98	13,712	100.0	57,614	207.69	14,642	100.0	61,520	216.09	15,080	100.0	63,363	222.56	15,533	100.0	65,263
DEPARTMENTAL EXPENSES *																			
Rooms	2,509	22.9	10,543	40.68	2,653	21.5	11,148	40.19	2,761	21.0	11,602	40.75	2,844	21.0	11,950	41.97	2,929	21.0	12,308
Food & Beverage	175	54.0	734	2.83	187	51.3	785	2.83	196	50.0	825	2.90	202	50.0	850	2.99	208	50.0	876
Other Operated Departments	87	63.4	365	1.41	91	61.2	381	1.37	94	60.0	396	1.39	97	60.0	408	1.43	100	60.0	420
Parking	317	42.9	1,331	5.14	332	40.9	1,396	5.03	346	40.0	1,452	5.10	356	40.0	1,496	5.25	367	40.0	1,541
Total Expenses	3,088	25.3	12,973	50.06	3,263	23.8	13,711	49.43	3,398	23.2	14,276	50.14	3,500	23.2	14,704	51.65	3,605	23.2	15,145
DEPARTMENTAL INCOME																			
	9,124	74.7	38,334	147.92	10,449	76.2	43,903	158.27	11,244	76.8	47,244	165.94	11,581	76.8	48,659	170.91	11,928	76.8	50,118
UNDISTRIBUTED OPERATING EXPENSES																			
Administrative & General	853	7.0	3,582	13.82	896	6.5	3,766	13.57	931	6.4	3,913	13.74	959	6.4	4,031	14.16	988	6.4	4,151
Info & Telecom Systems	63	0.5	265	1.02	66	0.5	279	1.01	69	0.5	290	1.02	71	0.5	299	1.05	73	0.5	308
Marketing	568	4.7	2,388	9.22	597	4.4	2,510	9.05	621	4.2	2,609	9.16	640	4.2	2,687	9.44	659	4.2	2,768
Franchise Fee	930	7.6	3,908	15.08	1,047	7.6	4,398	15.85	1,118	7.6	4,696	16.49	1,151	7.6	4,837	16.99	1,186	7.6	4,982
Prop. Operations & Maint.	354	2.9	1,486	5.73	418	3.1	1,757	6.33	483	3.3	2,029	7.13	497	3.3	2,090	7.34	512	3.3	2,153
Utilities	417	3.4	1,751	6.76	438	3.2	1,841	6.64	455	3.1	1,913	6.72	469	3.1	1,970	6.92	483	3.1	2,030
Total Expenses	3,185	26.1	13,381	51.64	3,463	25.3	14,551	52.45	3,677	25.1	15,450	54.27	3,787	25.1	15,913	55.90	3,901	25.1	16,391
GROSS HOUSE PROFIT																			
	5,939	48.6	24,953	96.29	6,986	50.9	29,352	105.81	7,567	51.7	31,794	111.68	7,794	51.7	32,746	115.02	8,027	51.7	33,727
Management Fee	366	3.0	1,539	5.94	411	3.0	1,728	6.23	439	3.0	1,846	6.48	452	3.0	1,901	6.68	466	3.0	1,958
INCOME BEFORE NON-OPR. INC. & EXP.																			
	5,572	45.6	23,414	90.35	6,574	47.9	27,624	99.58	7,128	48.7	29,948	105.19	7,341	48.7	30,845	108.34	7,561	48.7	31,770
NON-OPERATING INCOME & EXPENSE																			
Property Taxes	655	5.4	2,754	10.63	675	4.9	2,836	10.23	695	4.7	2,922	10.26	716	4.7	3,009	10.57	738	4.7	3,099
Insurance	91	0.7	383	1.48	94	0.7	394	1.42	97	0.7	406	1.43	99	0.7	418	1.47	102	0.7	431
Reserve for Replacement	244	2.0	1,026	3.96	411	3.0	1,728	6.23	586	4.0	2,461	8.64	603	4.0	2,535	8.90	621	4.0	2,611
Total Expenses	991	8.1	4,162	16.06	1,180	8.6	4,959	17.88	1,378	9.4	5,788	20.33	1,419	9.4	5,962	20.94	1,461	9.4	6,140
EBITDA LESS RESERVE																			
	\$4,582	37.5 %	\$19,251	\$74.29	\$5,394	39.3 %	\$22,665	\$81.71	\$5,750	39.3 %	\$24,160	\$84.86	\$5,922	39.3 %	\$24,884	\$87.40	\$6,100	39.3 %	\$25,629

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

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

	2019/20		2020/21		2021/22		2022/23		2023/24		2024/25		2025/26		2026/27		2027/28		2028/29	
Number of Rooms:	238		238		238		238		238		238		238		238		238		238	
Occupied Rooms:	61,678		66,021		67,759		67,759		67,759		67,759		67,759		67,759		67,759		67,759	
Occupancy:	71%		76%		78%		78%		78%		78%		78%		78%		78%		78%	
Average Rate:	\$177.43	% of	\$186.52	% of	\$194.05	% of	\$199.87	% of	\$205.87	% of	\$212.05	% of	\$218.41	% of	\$224.96	% of	\$231.71	% of	\$238.66	% of
RevPAR:	\$125.97	Gross	\$141.75	Gross	\$151.36	Gross	\$155.90	Gross	\$160.58	Gross	\$165.40	Gross	\$170.36	Gross	\$175.47	Gross	\$180.73	Gross	\$186.16	Gross
OPERATING REVENUE																				
Rooms	\$10,943	89.6 %	\$12,314	89.8 %	\$13,149	89.8 %	\$13,543	89.8 %	\$13,949	89.8 %	\$14,368	89.8 %	\$14,799	89.8 %	\$15,243	89.8 %	\$15,700	89.8 %	\$16,171	89.8 %
Food	98	0.8	110	0.8	118	0.8	121	0.8	125	0.8	129	0.8	133	0.8	137	0.8	141	0.8	145	0.8
Beverage	225	1.8	254	1.9	275	1.9	283	1.9	292	1.9	300	1.9	309	1.9	319	1.9	328	1.9	338	1.9
Other Operated Departments	137	1.1	148	1.1	157	1.1	162	1.1	167	1.1	172	1.1	177	1.1	182	1.1	188	1.1	193	1.1
Parking	739	6.1	812	5.9	864	5.9	890	5.9	917	5.9	944	5.9	973	5.9	1,002	5.9	1,032	5.9	1,063	5.9
Miscellaneous Income	68	0.6	74	0.5	79	0.5	81	0.5	83	0.5	86	0.5	88	0.5	91	0.5	94	0.5	97	0.5
Total Operating Revenues	12,211	100.0	13,712	100.0	14,642	100.0	15,080	100.0	15,533	100.0	15,999	100.0	16,479	100.0	16,973	100.0	17,482	100.0	18,007	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	2,509	22.9	2,653	21.5	2,761	21.0	2,844	21.0	2,929	21.0	3,017	21.0	3,108	21.0	3,201	21.0	3,297	21.0	3,396	21.0
Food & Beverage	175	54.0	187	51.3	196	50.0	202	50.0	208	50.0	215	50.0	221	50.0	228	50.0	235	50.0	242	50.0
Other Operated Departments	87	63.4	91	61.2	94	60.0	97	60.0	100	60.0	103	60.0	106	60.0	109	60.0	113	60.0	116	60.0
Parking	317	42.9	332	40.9	346	40.0	356	40.0	367	40.0	378	40.0	389	40.0	401	40.0	413	40.0	425	40.0
Total Expenses	3,088	25.3	3,263	23.8	3,398	23.2	3,500	23.2	3,605	23.2	3,713	23.2	3,824	23.2	3,939	23.2	4,057	23.2	4,179	23.2
DEPARTMENTAL INCOME																				
	9,124	74.7	10,449	76.2	11,244	76.8	11,581	76.8	11,928	76.8	12,286	76.8	12,655	76.8	13,035	76.8	13,425	76.8	13,828	76.8
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	853	7.0	896	6.5	931	6.4	959	6.4	988	6.4	1,018	6.4	1,048	6.4	1,080	6.4	1,112	6.4	1,145	6.4
Info & Telecom Systems	63	0.5	66	0.5	69	0.5	71	0.5	73	0.5	75	0.5	78	0.5	80	0.5	82	0.5	85	0.5
Marketing	568	4.7	597	4.4	621	4.2	640	4.2	659	4.2	678	4.2	699	4.2	720	4.2	741	4.2	764	4.2
Franchise Fee	930	7.6	1,047	7.6	1,118	7.6	1,151	7.6	1,186	7.6	1,221	7.6	1,258	7.6	1,296	7.6	1,335	7.6	1,375	7.6
Prop. Operations & Maint.	354	2.9	418	3.1	483	3.3	497	3.3	512	3.3	528	3.3	544	3.3	560	3.3	577	3.3	594	3.3
Utilities	417	3.4	438	3.2	455	3.1	469	3.1	483	3.1	498	3.1	512	3.1	528	3.1	544	3.1	560	3.1
Total Expenses	3,185	26.1	3,463	25.3	3,677	25.1	3,787	25.1	3,901	25.1	4,018	25.1	4,139	25.1	4,263	25.1	4,391	25.1	4,522	25.1
GROSS HOUSE PROFIT																				
	5,939	48.6	6,986	50.9	7,567	51.7	7,794	51.7	8,027	51.7	8,268	51.7	8,516	51.7	8,772	51.7	9,035	51.7	9,306	51.7
Management Fee	366	3.0	411	3.0	439	3.0	452	3.0	466	3.0	480	3.0	494	3.0	509	3.0	524	3.0	540	3.0
INCOME BEFORE NON-OPR. INC. & EXP.																				
	5,572	45.6	6,574	47.9	7,128	48.7	7,341	48.7	7,561	48.7	7,788	48.7	8,022	48.7	8,263	48.7	8,510	48.7	8,766	48.7
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	655	5.4	675	4.9	695	4.7	716	4.7	738	4.7	760	4.7	783	4.7	806	4.7	830	4.7	855	4.7
Insurance	91	0.7	94	0.7	97	0.7	99	0.7	102	0.7	106	0.7	109	0.7	112	0.7	115	0.7	119	0.7
Reserve for Replacement	244	2.0	411	3.0	586	4.0	603	4.0	621	4.0	640	4.0	659	4.0	679	4.0	699	4.0	720	4.0
Total Expenses	991	8.1	1,180	8.6	1,378	9.4	1,419	9.4	1,461	9.4	1,505	9.4	1,550	9.4	1,597	9.4	1,645	9.4	1,694	9.4
EBITDA LESS RESERVE																				
	\$4,582	37.5 %	\$5,394	39.3 %	\$5,750	39.3 %	\$5,922	39.3 %	\$6,100	39.3 %	\$6,283	39.3 %	\$6,472	39.3 %	\$6,666	39.3 %	\$6,866	39.3 %	\$7,071	39.3 %

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

Forecast of Income and Expense

The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take three years for the subject property to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the proposed subject hotel's operating budget and comparable income and expense statements. The forecast is based upon fiscal years beginning July 1, 2019, 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 78% with an average rate of \$194.05 in 2021/22. Following the stabilized year, the subject property's average rate is projected to increase along with the underlying rate of inflation.

Other Operated Departments Revenue

According to the Uniform System of Accounts, other operated departments include any major or minor operated department other than rooms and food and beverage. The proposed subject hotel's other operated departments revenue sources are expected to include the hotel's market pantry and telephone and Internet charges. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject hotel.

FIGURE 7-8 OTHER OPERATED DEPARTMENTS REVENUE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2019/20	Deflated Stabilized
Percentage of Revenue	1.3 %	3.9 %	2.9 %	8.7 %	0.1 %	6.1 %	5.9 %
Per Available Room	\$577	\$1,915	\$1,638	\$3,619	\$51	\$3,106	\$3,132
Per Occupied Room	\$2.11	\$6.22	\$5.40	\$13.76	\$0.17	\$11.98	\$11.00

Parking Income

The proposed subject hotel's parking operation is expected to be a featured component of the hotel's operation. Based upon our assessment of comparable operations, we have positioned this revenue at an appropriate level given its anticipated price point. We would expect future moderate growth to occur within this category after the hotel's opening. We forecast the proposed subject hotel's parking income to stabilize at \$12.75 per occupied room by the stabilized year, 2021/22.

Our projection of parking income is presented in the following tables.

FIGURE 7-9 PARKING INCOME/EXPENSE – PERCENTAGE OF REVENUE

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2014	2014	2013/14	2013/14	2012/13	2016
Number of Rooms:	280 to 350	450 to 560	330 to 410	180 to 230	450 to 1790	238
Days Open:	365	365	365	365	365	365
Occupancy:	74%	73%	79%	62%	71%	74%
Average Rate:	\$301	\$248	\$157	\$151	\$168	\$157
RevPAR:	\$222	\$182	\$123	\$93	\$118	\$116
REVENUE						
Garage/Parking	3.7	2.6	6.4	5.7	5.4	5.9
DEPARTMENTAL EXPENSES*						
Garage/Parking	38.8	41.7	41.9	71.3	35.2	40.0

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

FIGURE 7-10 PARKING INCOME/EXPENSE – PER AVAILABLE ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2014	2014	2013/14	2013/14	2012/13	2016
Number of Rooms:	280 to 350	450 to 560	330 to 410	180 to 230	450 to 1790	238
Days Open:	365	365	365	365	365	365
Occupancy:	74%	73%	79%	62%	71%	74%
Average Rate:	\$301	\$248	\$157	\$151	\$168	\$157
RevPAR:	\$222	\$182	\$123	\$93	\$118	\$116
REVENUE						
Garage/Parking	4,225	2,970	3,391	2,431	3,905	3,132
DEPARTMENTAL EXPENSES						
Garage/Parking	1,638	1,239	1,420	1,734	1,376	1,253

FIGURE 7-11 PARKING INCOME – PER OCCUPIED ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2014	2014	2013/14	2013/14	2012/13	2016
Number of Rooms:	280 to 350	450 to 560	330 to 410	180 to 230	450 to 1790	238
Days Open:	365	365	365	365	365	365
Occupancy:	74%	73%	79%	62%	71%	74%
Average Rate:	\$301	\$248	\$157	\$151	\$168	\$157
RevPAR:	\$222	\$182	\$123	\$93	\$118	\$116
REVENUE						
Garage/Parking	15.72	11.11	11.80	10.79	15.14	11.00
DEPARTMENTAL EXPENSES						
Garage/Parking	6.09	4.64	4.94	7.70	5.34	4.40

Miscellaneous Income

The miscellaneous income sources comprise those other than guestrooms, food and beverage, and the other operated departments. The proposed subject hotel's miscellaneous income revenues are expected to be generated primarily by the hotel's guest laundry, in-room movie charges, meeting room rentals, and minor collections, such as cancellation fees. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject hotel. Changes in this revenue item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

FIGURE 7-12 MISCELLANEOUS INCOME

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2019/20	Deflated Stabilized
Percentage of Revenue	0.1 %	0.0 %	0.0 %	1.6 %	6.0 %	0.6 %	0.5 %
Per Available Room	\$59	\$0	\$0	\$661	\$2,816	\$288	\$285
Per Occupied Room	\$0.21	\$0.00	\$0.00	\$2.51	\$9.32	\$1.11	\$1.00

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. The proposed subject hotel's rooms department expense has been positioned based upon our review of the comparable operating data and our understanding of the hotel's future service level and price point.

FIGURE 7-13 ROOMS EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2019/20	Deflated Stabilized
Percentage of Revenue	20.9 %	19.6 %	24.4 %	19.1 %	21.5 %	22.9 %	21.0 %
Per Available Room	\$9,086	\$9,253	\$13,257	\$7,082	\$9,395	\$10,543	\$10,008
Per Occupied Room	\$33.17	\$30.05	\$43.69	\$26.93	\$31.09	\$40.68	\$35.15

**Other Operated
Departments Expense**

Other operated departments expense includes all expenses reflected in the summary statements for the divisions associated in these categories. This was previously discussed in this chapter. The proposed subject hotel's other operated departments revenue sources are expected to include the hotel's market pantry and telephone and Internet charges. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject hotel.

FIGURE 7-14 OTHER OPERATED DEPARTMENTS EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2019/20	Deflated Stabilized
Percentage of Revenue	82.6 %	6.7 %	17.1 %	82.6 %	501.7 %	63.4 %	60.0 %
Per Available Room	\$477	\$128	\$280	\$2,988	\$254	\$365	\$342
Per Occupied Room	\$1.74	\$0.41	\$0.92	\$11.36	\$0.84	\$1.41	\$1.20

Parking Expense

The proposed subject hotel's garage operation is expected to be efficiently managed and operate at an expense level that is in line with other comparable operations. We have projected a stabilized expense ratio of 40.0% in 2021/22.

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. Based upon our review of the comparable operating data and the expected scope of facility for the proposed subject hotel, we have positioned the administrative and general expense level at a market- and property-supported level.

FIGURE 7-15 ADMINISTRATIVE AND GENERAL EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2019/20	Deflated Stabilized
Percentage of Revenue	7.5 %	6.3 %	8.3 %	8.1 %	6.1 %	7.0 %	6.4 %
Per Available Room	\$3,432	\$3,091	\$4,735	\$3,354	\$2,850	\$3,582	\$3,376
Per Occupied Room	\$12.53	\$10.04	\$15.60	\$12.75	\$9.43	\$13.82	\$11.86

Information and Telecommunications Systems Expense

Information and telecommunications systems expense consists of all costs associated with a hotel's technology infrastructure. This includes the costs of cell phones, administrative call and Internet services, and complimentary call and Internet services. Expenses in this category are typically organized by type of technology, or the area benefitting from the technology solution. We expect the proposed subject hotel's information and telecommunications systems to be well managed. Expense levels should stabilize at a typical level for a property of this type.

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. Based upon our review of the comparable operating data and the expected scope of facility for the proposed subject hotel, we have positioned the marketing expense level at a market- and property-supported level.

FIGURE 7-16 MARKETING EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2019/20	Deflated Stabilized
Percentage of Revenue	6.1 %	4.7 %	3.9 %	3.1 %	6.3 %	4.7 %	4.2 %
Per Available Room	\$2,759	\$2,308	\$2,205	\$1,300	\$2,936	\$2,388	\$2,250
Per Occupied Room	\$10.07	\$7.50	\$7.27	\$4.94	\$9.72	\$9.22	\$7.90

Franchise Fee

As previously discussed, the proposed subject property is expected to be franchised under the [Proposed Brand] brand. Costs associated with this franchise are summarized in the introductory chapter in this report.

Property Operations and Maintenance

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

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

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

construction methods generally reduces the need for maintenance expenditures over the long term.

We expect the proposed subject hotel's maintenance operation to be well managed. Expense levels should stabilize at a typical level for a property of this type. Changes in this expense item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

FIGURE 7-17 PROPERTY OPERATIONS AND MAINTENANCE EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2019/20	Deflated Stabilized
Percentage of Revenue	3.1 %	3.4 %	4.5 %	5.3 %	3.4 %	2.9 %	3.3 %
Per Available Room	\$1,419	\$1,664	\$2,542	\$2,203	\$1,592	\$1,486	\$1,750
Per Occupied Room	\$5.18	\$5.40	\$8.38	\$8.38	\$5.27	\$5.73	\$6.15

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 7-18 UTILITIES EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2019/20	Deflated Stabilized
Percentage of Revenue	3.4 %	3.0 %	3.5 %	4.1 %	3.0 %	3.4 %	3.1 %
Per Available Room	\$1,560	\$1,480	\$1,979	\$1,687	\$1,403	\$1,751	\$1,650
Per Occupied Room	\$5.69	\$4.81	\$6.52	\$6.41	\$4.64	\$6.76	\$5.80

Management Fee

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

Property Taxes

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

FIGURE 7-19 HISTORIC SUBJECT PROPERTY TAX BURDEN (BASE YEAR)

Year	Real Property					
	Appraised Value			Assessed Value		
	Land	Real Property Total	Percent Change	Land	Real Property Total	Percent Change
2014	2,000,000	2,000,000	— %	200,000	200,000	— %
2015	3,990,000	3,990,000	99.5	399,000	399,000	99.5
2016	945,800	945,800	(76.3)	94,580	94,580	(76.3)

Source: Orleans Parish Assessor's Office

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

FIGURE 7-20 PARISH-ASSESSED VALUE OF COMPARABLE HOTELS

Hotel	Year Open	Land	Improvements	Personal	Total
Subject Property	2018	\$94,580	\$0	\$0	\$94,580
Residence Inn by Marriott New Orleans Downtown	1997	\$259,572	\$960,642	\$230,550	\$1,450,764
Courtyard by Marriott New Orleans Downtown Near the French Quarter	1995	87,983	1,884,026	107,470	2,079,479
Homewood Suites by Hilton New Orleans	2002	164,940	1,775,295	270,240	2,210,475
Staybridge Suites New Orleans French Quarter Downtown	2004	120,810	2,432,085	93,940	2,646,835
Hyatt House New Orleans Downtown	2015	504,040	2,612,040	1,620	3,117,700
Hampton Inn & Suites New Orleans Downtown French Quarter Area	1994	105,456	2,899,132	406,120	3,410,708
Holiday Inn Express New Orleans Downtown	1999	224,844	1,275,234	13,180	1,513,258
MOXY New Orleans Downtown French Quarter Area	2016	61,200	1,158,810	78,750	1,298,760
Drury Inn & Suites New Orleans	2000	602,660	1,202,010	220,100	2,024,770
La Quinta Inn & Suites New Orleans French Quarter	1999	65,994	1,731,555	130,580	1,928,129
Country Inn & Suites New Orleans French Quarter	2005	180,612	2,355,957	128,880	2,665,449
Hilton Garden Inn New Orleans French Quarter	2004	94,824	1,880,514	127,690	2,103,028
Aloft New Orleans Downtown	2015	60,280	368,952	255,000	684,232
<i>Assessments per Room</i>	<i># of Rms</i>				
Residence Inn by Marriott New Orleans Downtown	231	\$1,124	\$4,159	\$998	\$5,282
Courtyard by Marriott New Orleans Downtown Near the French Quarter	140	628	13,457	768	14,086
Homewood Suites by Hilton New Orleans	166	994	10,695	1,628	11,688
Staybridge Suites New Orleans French Quarter Downtown	182	664	13,363	516	14,027
Hyatt House New Orleans Downtown	194	2,598	13,464	8	16,062
Hampton Inn & Suites New Orleans Downtown French Quarter Area	187	564	15,503	2,172	16,067
Holiday Inn Express New Orleans Downtown	129	1,743	9,886	102	11,629
MOXY New Orleans Downtown French Quarter Area	108	567	10,730	729	11,296
Drury Inn & Suites New Orleans	156	3,863	7,705	1,411	11,568
La Quinta Inn & Suites New Orleans French Quarter	166	398	10,431	787	10,829
Country Inn & Suites New Orleans French Quarter	155	1,165	15,200	831	16,365
Hilton Garden Inn New Orleans French Quarter	155	612	12,132	824	12,744
Aloft New Orleans Downtown	188	321	1,963	1,356	2,283
Positioned Subject - Per Room	238	\$397	\$13,500	\$1,600	\$15,497
Positioned Subject - Total		\$94,486	\$3,213,000	\$380,800	\$3,688,286

Source: Orleans Parish Assessor's Office

We have positioned the future assessment levels of the proposed improvements, as well as the planned personal property, based upon the illustrated comparable data. The assessments fall between the Homewood Suites by Hilton and the Hyatt House because of the similar extended-stay product type and the extent of the subject property's proposed improvements. Overall, the positioned assessments are well supported by the market data.

Tax rates are based on the city and parish budgets, which change annually. The most recent tax rate in this jurisdiction was reported at 166.54000%. The following table shows changes in the tax rate during the last several years.

FIGURE 7-21 PARISH TAX RATES

Year	Real Property Millage Rate	Personal Property Millage Rate
2014	163.53000	148.77000
2015	163.43000	148.67000
2016	166.54000	151.78000

Source: Orleans Parish Assessor's Office

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

FIGURE 7-22 PROJECTED PROPERTY TAX BURDEN (BASE YEAR)

	Real Property			Personal Property
	Land	Real Property	Total	
Positioned (Assessed Value)	\$94,486	\$3,213,000	\$3,307,486	\$380,800
Millage Rate			166.54000	151.78000
Tax Burden as of Base Year			\$550,829	\$57,798

FIGURE 7-23 PROJECTED PROPERTY TAX EXPENSE - REAL PROPERTY

Year	Real Property		
	Total Tax Burden (Positioned Prior to Increase)	Base Rate of Tax Burden Increase	Taxes Payable
Positioned	\$550,829	—	\$550,829
2019/20	\$550,829	7.7 %	\$593,168
2020/21	593,168	3.0	610,963
2021/22	610,963	3.0	629,292
2022/23	629,292	3.0	648,171

FIGURE 7-24 PROJECTED PROPERTY TAX EXPENSE – PERSONAL PROPERTY

Personal Property		
Personal Tax Burden (Positioned Prior to	Base Rate of Tax Burden Increase	Taxes Payable
\$57,798	—	\$57,798
\$57,798	7.7	\$62,240
62,240	3.0	64,108
64,108	3.0	66,031
66,031	3.0	68,012

FIGURE 7-25 PROJECTED PROPERTY TAX EXPENSE – SUMMARY

Taxes Payable		
Real	Personal	Total
\$550,829	\$57,798	\$608,627
\$593,168	\$62,240	\$655,409
610,963	64,108	675,071
629,292	66,031	695,323
648,171	68,012	716,183

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 7-26 INSURANCE EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2019/20	Deflated Stabilized
Percentage of Revenue	0.6 %	0.6 %	1.8 %	1.2 %	1.2 %	0.7 %	0.7 %
Per Available Room	\$279	\$286	\$1,031	\$482	\$582	\$383	\$350
Per Occupied Room	\$1.02	\$0.93	\$3.40	\$1.83	\$1.93	\$1.48	\$1.23

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 2014.⁶ 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 on the results of our analysis and on our review of the proposed subject asset and comparable lodging facilities, as well as on our industry expertise, we estimate that a reserve for replacement of 4% of total revenues is sufficient to provide for the timely and periodic replacement of the subject property's furniture, fixtures, and equipment. This amount has been ramped up during the initial projection period.

Forecast of Revenue and Expense Conclusion

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

⁶ The International Society of Hotel Consultants, *CapEx 2014, A Study of Capital Expenditure in the U.S. Hotel Industry*.

FIGURE 7-27 FORECAST OF REVENUE AND EXPENSE CONCLUSION

	Year	Total Revenue		House Profit		House Profit Ratio	EBITDA Less Replacement Reserve		
		Total	% Change	Total	% Change		Total	% Change	As a % of Ttl Rev
Projected	2019/20	\$12,211,000	—	\$5,939,000	—	48.6 %	\$4,582,000	—	37.5 %
	2020/21	13,712,000	12.3 %	6,986,000	17.6 %	50.9	5,394,000	17.7 %	39.3
	2021/22	14,642,000	6.8	7,567,000	8.3	51.7	5,750,000	6.6	39.3
	2022/23	15,080,000	3.0	7,794,000	3.0	51.7	5,922,000	3.0	39.3
	2023/24	15,533,000	3.0	8,027,000	3.0	51.7	6,100,000	3.0	39.3

8. Statement of Assumptions and Limiting Conditions

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

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

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