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# Self-Contained Appraisal Report

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## Town Center Suites

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### Anytown, Anystate

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**Property Location:**

500 Main Street  
Anytown, Anystate 55555

**Prepared by:**

HVS Consulting and Valuation Services  
Division of Hotel Appraisals, LLC  
369 Willis Avenue  
Mineola, New York 11501  
(516) 248-8828 Phone  
(516) 742-3059 Fax

**Submitted to:**

Ms. Jane Doe  
Your City Bank  
100 Main Street  
Anytown, Anystate 55555  
(555) 555-5555  
(555) 555-5555 FAX



March 29, 2009

Ms. Jane Doe  
Your City Bank  
100 Main Street  
Anytown, Anystate 55555  
(555) 555-5555  
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369 Willis Avenue  
Mineola, New York 11501  
(516) 248-8828 Phone  
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www.hvs.com

Re: Town Center Suites  
Anytown, Anystate  
HVS Reference: 2009000000

Dear Ms. Doe:

Pursuant to your request, we herewith submit our self-contained appraisal report for the above-captioned hotel. We have inspected the real estate and analyzed the market conditions in the Anytown, Anystate area. Our report was prepared in accordance with, and is subject to, the requirements of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation.

Based on our analysis, it is our opinion that the “as is” market value of the fee simple interest in the Town Center Suites, as of March 15, 2009, is:

\$68,500,000

SIXTY-EIGHT MILLION FIVE HUNDRED THOUSAND DOLLARS

This value estimate equates to \$169,136 per room. We have also estimated the prospective market value of the subject property as of its projected date of stabilization. Based on our analysis, it is our opinion that the “when stabilized” prospective market value of the fee simple interest in the Town Center Suites, as of April 1, 2013, will be:

\$83,600,000

EIGHTY-THREE MILLION SIX HUNDRED THOUSAND DOLLARS

Atlanta  
Boston  
Boulder  
Chicago  
Dallas/Fort Worth  
Denver  
Mexico City  
Miami  
New York  
Newport  
San Francisco  
Toronto  
Vancouver  
Washington  
Athens  
Buenos Aires  
Dubai  
Hong Kong  
London  
Madrid  
Moscow  
Mumbai  
New Delhi  
Sao Paulo  
Shanghai  
Singapore

Specialists in Hotel Consulting and  
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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,  
Hotel Appraisals, LLC

*DRAFT DOCUMENT*

Stephen Rushmore, MAI, FRICS, CHA, Managing Member,  
[srushmore@hvs.com](mailto:srushmore@hvs.com) (516) 248-8828, ext. 204



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# 1. Summary of Salient Data and Conclusions

Property:	Town Center Suites
Location:	500 Main Street Anytown, Anystate 55555
Date of Inspection:	March 15, 2009
Date of Report:	March 29, 2009
Interest Appraised:	Fee Simple
Date of "As Is" Value:	March 15, 2009
Date of "When Stabilized" Value:	April 1, 2013

## Land Description

Area:	3.30 acres, or 143,748 square feet
Zoning:	C2 - Commercial
Assessor's Parcel Number(s):	1500-666-7849
Flood Zone:	X

## Improvements Description

Year Opened and Renovated:	1980; Renovated: 2005
Property Type:	Full-service lodging facility
Building Area:	285,000 square feet
Guestrooms:	405
Number of Stories:	Four
Food and Beverage Facilities:	A restaurant, a lounge
Meeting Space:	73,000 square feet
Additional Facilities:	An indoor pool, an indoor whirlpool, an exercise room, a business center, a gift shop, a vending area, and a guest laundry room
Parking Spaces:	1,200

**Summary of Value Parameters**

Highest and Best Use (as improved):	Full-service lodging facility
Number of Years to Stabilize:	Five
Stabilized Year:	2014/15

**Valuation Assumptions**

Mortgage Interest Rate:	8.50%
Amortization Period:	25 years
Debt Service Constant:	0.096627
Loan-to-Value Ratio:	60%
Stabilized Inflation Rate:	3.0%
Equity Yield Rate:	19.0%
Terminal Capitalization Rate:	10.0%
Selling Expenses:	2.0%
Holding Period:	10 years
Calculated Discount Rate:	13.79%
Derived Capitalization Rates:	7.9% (T12), 8.2% (First Year NOI)
Estimated Replacement Cost:	\$107,300,000
Estimated Insurable Value:	\$72,900,000
Estimated Depreciated Value of the FF&E:	\$2,279,000
Assumed Capital Deduction (if applicable):	\$0

**Opinions of "As Is" Market Value**

Income Capitalization Approach:	\$68,500,000
Sales Comparison Approach:	\$56,700,000 to \$77,000,000
Cost Approach:	Not Applicable
"As Is" Market Value, as of March 15, 2009:	\$68,500,000
Market Value Conclusion per Room:	\$169,136
"When Stabilized" Prospective Market Value, as of April 1, 2013:	\$83,600,000
Market Value Conclusion per Room:	\$206,420



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## 2. Nature of the Assignment

### **Subject of the Appraisal**

The subject of the appraisal is the fee simple interest in a 143,748-square-foot (3.30-acre) parcel improved with a full-service lodging facility known as the Town Center Suites. The property opened in 1980 and features 405 rooms, a restaurant, a lounge, 73,000 square feet of meeting space, an indoor pool, an indoor whirlpool, an exercise room, a business center, a gift shop, a vending area, and a guest laundry room. The hotel underwent a major renovation in 2005. The hotel also features all necessary back-of-the-house-space. The hotel's civic address is 500 Main Street, Anytown, Anystate, 55555.

### **Property Rights Appraised**

The property rights appraised are the fee simple ownership of the land and improvements, including the furniture, fixtures, and equipment. The fee simple interest is defined as "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."<sup>1</sup>

### **Pertinent Dates**

The effective date of the "as is" market value conclusion is March 15, 2009. The effective date of the "when stabilized" prospective market value conclusion is April 1, 2013. The subject property was inspected by HVS Associate Name on March 15, 2009. Managing Director Name participated in the analysis and reviewed the findings, but did not personally inspect the property.

### **Ownership, Franchise, and Management History and Assumptions**

The subject property is currently owned by ABC Town Center Development, LLC; the parent company of this entity is the Town Center Hotel Group, which is based in St. Louis, Missouri. This entity is the original owner and developer of the subject hotel and conference center. No transfers of the property have reportedly occurred within the last three years. The hotel is not under contract for sale; this appraisal is being prepared for the financing of the purchase of the hotel's first mortgage note.

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<sup>1</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 4<sup>th</sup> ed. (Chicago Appraisal Institute, 2002).



The hotel is managed by Missouri Hotel Group, LLC. Terms of this agreement call for a base management fee of 2.0% of total revenues, with no additional incentive fee. We have assumed a market-appropriate total management fee of 3.0% of total revenues in our study. Please refer to the income capitalization approach chapter for additional discussion pertaining to our management fee assumptions.

The hotel is expected to remain franchised under its current brand name with ABC Hotel Brand; the agreement expires in 2025 and does not carry an option for renewal. The ABC Brand franchise is reflected in our forecasts with a royalty fee of 4% of rooms revenue, and a marketing assessment of 4% of rooms revenue. Reservations fees are also due, and are included in the rooms expense line item of our forecast. The ABC Brand franchise is reflected in our forecasts with a royalty fee of 4% of rooms revenue, and a marketing assessment of 4% of rooms revenue. Reservations fees are also due, and are included in the rooms expense line item of our forecast. A brand description for the subject property's brand would appear here in the report.

### **Objective of the Appraisal**

The objective of the appraisal is to develop an opinion of the subject property's market value. The following definition has been agreed upon by the agencies that regulate federal financial institutions in the United States:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and





## Summary of the Facilities

Based on our inspection and information provided by management representatives of the subject property, the following table summarizes the facilities available at the subject property.

**Table 3-2 Facilities Summary**

<b>Guestroom Configuration</b>		<b>Number of Units</b>
King Suite		205
Double/Double Suite		195
Executive Suite		5
Total		405
<b>Food &amp; Beverage Facilities</b>		<b>Seating Capacity</b>
Breakfast Dining Area		200
Town Center Creek Bistro & Lounge		100
<b>Meeting &amp; Banquet Facilities</b>		<b>Square Footage</b>
Pinnacle Ballroom		11,700
Commerce Ballroom		3,800
Razorback Room		1,200
Rogers Room		1,000
Bentonville Room		1,000
Trammel Boardroom		300
Grand Ballroom		42,000
Ambassador Ballroom		6,500
Salons A - H		4,000
Jackson Boardroom		1,000
Embassy Boardroom		500
Total		73,000
<b>Amenities</b>		
Indoor Swimming Pool & Whirlpool		Fitness Center and Exercise Room
Sauna		Three Business Centers
Spa Botanica		Manager's Reception Area
Game Room		Gift and Coffee Shop
<b>Infrastructure</b>		
Parking Spaces		1,200
Elevators		6 Guest, 2 Service
Life-Safety Systems		Sprinklers, Smoke Detectors
Construction Details		Steel, Reinforced Concrete



### Major Business and Industry

Woods & Poole Economics, Inc. reports that the most significant employment sector in this area is the Total Trade industry. In 2008, this sector represented 12.8% of total employment. This source reports that between 2000 and 2008, the most significant employment growth occurred in the Transportation And Warehousing sector. During this time frame, Transportation And Warehousing employment increased by 5,746 persons. Woods & Poole forecasts indicate expected employment growth at a rate of 2.7% annually through 2015, while the rate of change for national employment is forecast at 1.2% during the same time period.

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.

**Table 4-3 Major Employers**

Rank	Firm	Number of Employees
1	Wal-Mart Stores, Inc.	25,400
2	Tyson Foods, Inc.	8,400
3	University of Arkansas	6,745
4	J.B. Hunt Transport Services	2,500
5	Washington Regional Medical System	2,200
6	Arvest Bank Group, Inc.	2,200
7	Springdale School District	2,050
8	George's Inc.	2,000
9	Northwest Health System	1,925
10	Rogers School District	1,800

Source: Northwest Arkansas Business Journal

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

- The largest employer for the market is Wal-Mart, which is headquartered in Bentonville. The corporate headquarters contain numerous departments including information systems, human resources, merchandising, real estate, marketing, and other support divisions. In January of 2009, the company announced that it would take a number of restructuring measures, including cutting up to 800 jobs at its headquarters. In contrast, the company added over 1,000 jobs to its

**Table 5-5 Historical Supply and Demand Trends (\$TR)**

Year	Average Daily Room Count	Available Room Nights	Occupied Room Nights	Change	Change	Occupancy	Average Rate	Change	RevPAR	Change
2001	493	179,945	115,571	—	—	64.2 %	\$94.06	—	\$60.41	—
2002	580	211,769	135,431	17.7 %	17.2 %	64.0	97.71	3.9 %	62.49	3.4 %
2003	763	278,665	172,418	31.6	27.3	61.9	103.51	5.9	64.04	2.5
2004	845	308,425	191,583	10.7	11.1	62.1	106.22	2.6	65.98	3.0
2005	883	322,119	202,736	4.4	5.8	62.9	107.94	1.6	67.93	3.0
2006	886	323,390	204,037	0.4	0.6	63.1	116.61	8.0	73.58	8.3
2007	946	345,246	213,491	6.8	4.6	61.8	119.11	2.1	73.65	0.1
2008	1,316	480,263	251,575	39.1	17.8	52.4	120.37	1.1	63.05	(14.4)
<b>Year-to-Date Through January</b>										
2008	1,037	32,147	15,593	—	—	48.5 %	\$120.61	—	\$58.50	—
2009	1,434	44,454	18,161	38.3 %	16.5 %	40.9	111.98	(7.1) %	45.75	(21.8) %
Average Annual Compounded Change: 2001-2008				15.1 %	11.8 %			3.6 %		0.6 %
<b>Hotels Included in Sample</b>										
				<b>Number of Rooms</b>	<b>Year Opened</b>					
Holiday Inn Springdale				206	Aug-89					
Courtyard Bentonville				90	Nov-96					
Clarion Hotel Bentonville & Conf Ctr				105	Jun-98					
Hilton Garden Inn Bentonville				133	Apr-00					
Hyatt Place Rogers Bentonville				103	Mar-02					
Embassy Suites Rogers Bentonville NW Hotel				400	May-03					
Doubletree Guest Stes Bentonville Rogers				140	Feb-08					
aloft Hotel Rogers Bentonville				130	Jun-08					
Holiday Inn & Suites SE Bentonville Rogers				127	Jun-08					
<b>Total</b>				<b>1,434</b>						

Source: Smith Travel Research

**Table 5-11 Primary Competitors – Operating Performance**

Est. Segmentation		Estimated 2006				Estimated 2007				Estimated 2008													
Property	Number of Rooms	Commercial		Meeting and Group		Leisure		Weighted Annual Room Count		Average Rate		RevPAR		Weighted Annual Room Count		Average Rate		RevPAR		Occupancy Penetration		Yield Penetration	
Town Center Suites	405	45 %	45 %	10 %	10 %	248	71.0 %	\$141.55	\$100.52	321	65.8 %	\$142.83	\$94.04	405	58.6 %	\$136.97	\$80.26	110.6 %	123.9 %				
DoubleTree Guest Suites	140	55	35	10		0	0	0.00	0.00	0	0	0.00	0.00	128	45	135.00	60.75	84.9	93.8				
Holiday Inn & Convention Center	206	50	40	10		206	58	98.00	56.84	206	60	100.00	60.00	206	50	95.00	47.50	94.4	73.3				
Clarion	105	55	35	10		105	50	108.00	54.00	105	53	110.00	58.30	105	45	105.00	47.25	84.9	72.9				
Sub-Totals/Averages	856	49 %	41 %	10 %		559	62.3 %	\$121.54	\$75.68	632	61.8 %	\$124.59	\$77.00	844	52.7 %	\$123.61	\$65.20	99.6 %	100.6 %				
Secondary Competitors	583	81 %	10 %	8 %		185	65.0 %	\$108.55	\$70.52	185	63.5 %	\$117.69	\$74.68	279	53.7 %	\$118.32	\$63.52	101.3 %	98.1 %				
Totals/Averages	1,439	57 %	34 %	10 %		744	62.9 %	\$118.21	\$74.40	817	62.2 %	\$122.99	\$76.47	1,123	53.0 %	\$122.28	\$64.78	100.0 %	100.0 %				


**Primary Competitor #2 - Holiday Inn & Convention Center**


**Holiday Inn &  
Convention Center**  
1500 South 48th Street  
Springdale, AR

**Table 5-13 Estimated Historical Operating Statistics**

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Estimated 2006	206	58 %	\$98	\$57	92.2 %	76.4 %
Estimated 2007	206	60	100	60	96.5	78.5
Estimated 2008	206	50	95	48	94.4	73.3

The Holiday Inn & Convention Center is owned by Atrium Hospitality and is operated by the John Q. Hammons Hotel Management LLC. Facilities include the Atrium Grill restaurant, the Athletic Club restaurant and lounge, an indoor pool and whirlpool, an exercise room, a business center, a gift shop, and 45,956 square feet of meeting space. The hotel, which was built in 1989, has not been recently renovated; however, a renovation that will bring the hotel into compliance with current brand standards is expected to begin in 2009 and continue through 2010. This hotel benefits from its location in Springdale, proximate to Tyson foods. Overall, the property appeared to be in fair condition, inferior to the subject property's condition. Its accessibility is similar to that of the subject hotel, and its visibility is similar to the Town Center Suites.

**Table 5-19 Accommodated Demand**

	2008	2009	2010	2011	2012	2013	2014	2015
<b>Commercial</b>								
Base Demand	123,316	126,399	130,191	136,050	143,532	152,144	156,709	160,626
Total Demand		126,399	130,191	136,050	143,532	152,144	156,709	160,626
Growth Rate		2.5 %	3.0 %	4.5 %	5.5 %	6.0 %	3.0 %	2.5 %
<b>Meeting and Group</b>								
Base Demand	72,954	74,048	75,529	78,550	82,085	84,958	87,082	88,388
Total Demand		74,048	75,529	78,550	82,085	84,958	87,082	88,388
Growth Rate		1.5 %	2.0 %	4.0 %	4.5 %	3.5 %	2.5 %	1.5 %
<b>Leisure</b>								
Base Demand	20,825	20,825	21,241	22,728	24,319	25,535	26,301	26,695
Total Demand		20,825	21,241	22,728	24,319	25,535	26,301	26,695
Growth Rate		(0.0) %	2.0 %	7.0 %	7.0 %	5.0 %	3.0 %	1.5 %
<b>Totals</b>								
Base Demand	217,095	221,272	226,961	237,328	249,936	262,637	270,092	275,710
Total Demand		221,272	226,961	237,328	249,936	262,637	270,092	275,710
less: Residual Demand		0	0	0	1,015	2,734	4,106	5,570
Total Accommodated Demand		221,272	226,961	237,328	248,921	259,903	265,986	270,140
<b>Overall Demand Growth</b>		1.9 %	2.6 %	4.6 %	4.9 %	4.4 %	2.3 %	1.6 %
<b>Market Mix</b>								
Commercial	56.8 %	57.1 %	57.4 %	57.3 %	57.4 %	57.9 %	58.0 %	58.3 %
Meeting and Group	33.6	33.5	33.3	33.1	32.8	32.3	32.2	32.1
Leisure	9.6	9.4	9.4	9.6	9.7	9.7	9.7	9.7
<b>Existing Hotel Supply</b>	1,123	1,201	1,201	1,201	1,201	1,201	1,201	1,201
Available Rooms per Night	409,782	438,365	438,365	438,365	438,365	438,365	438,365	438,365
Nights per Year	365	365	365	365	365	365	365	365
<b>Total Supply</b>	1,123	1,201	1,201	1,201	1,201	1,201	1,201	1,201
Rooms Supply Growth	—	7.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Marketwide Occupancy</b>	53.0 %	50.5 %	51.8 %	54.1 %	56.8 %	59.3 %	60.7 %	61.6 %

These room night projections for the market area will be used in forecasting the subject property's occupancy and average rate in the following chapter.

**Table 6-1 Historical Trends**

	2003	2004	2005	2006	2007	2008	Year-to-Date Through January	
							2008	2009
<b>Town Center Suites</b>								
Occupancy	56.7 %	63.9 %	68.4 %	71.0 %	65.8 %	58.6 %		
Change	—	12.7 %	7.0 %	3.8 %	(7.3) %	(11.0) %		
Occupancy Penetration	91.6 %	102.9 %	108.7 %	112.5 %	106.5 %	111.9 %		
Average Rate	\$128.67	\$127.74	\$131.00	\$141.55	\$142.83	\$136.97		
Change	—	(0.7) %	2.6 %	8.1 %	0.9 %	(4.1) %		
Average Rate Penetration	124.3 %	120.3 %	121.4 %	121.4 %	119.9 %	113.8 %		
RevPAR	\$72.96	\$81.63	\$89.60	\$100.52	\$94.04	\$80.26		
Change	—	11.9 %	9.8 %	12.2 %	(6.4) %	(14.7) %		
RevPAR Penetration	113.9 %	123.7 %	131.9 %	136.6 %	127.7 %	127.3 %		
<b>Anytown Submarket</b>								
Occupancy	61.9 %	62.1 %	62.9 %	63.1 %	61.8 %	52.4 %	48.5 %	40.9 %
Change	(3.3)	0.4 %	1.3 %	0.2 %	(2.0) %	(15.3) %	—	(15.8) %
Average Rate	\$103.51	\$106.22	\$107.94	\$116.61	\$119.11	\$120.37	\$120.61	\$111.98
Change	5.9	2.6 %	1.6 %	8.0 %	2.1 %	1.1 %	—	(7.1) %
RevPAR	\$64.04	\$65.98	\$67.93	\$73.58	\$73.65	\$63.05	\$58.50	\$45.75
Change	2.5	3.0 %	3.0 %	8.3 %	0.1 %	(14.4) %	—	(21.8) %

Source: Smith Travel Research

The Town Center Suites experienced a -7.2-point occupancy change in 2008, decreasing from 65.8% in 2007 to 58.6% in 2008. As a result of this change, occupancy penetration relative to the Smith Travel Research set of reporting hotels equaled 111.9% in 2008. During the historical period shown, occupancy for the subject property has illustrated a fluctuating trend. Following the hotel's opening in 2003, occupancy levels increased each year, reaching a peak in 2006. The addition of 152 guestrooms (construction of the spa tower) in 2007 caused the subject property's occupancy performance to soften as the new guest units were introduced to the property's inventory. Significant increases in the market's room supply and declining economic conditions led to a further decrease in the subject property's 2008 occupancy level.



The subject property'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.

**Table 6-3 Forecast of Subject Property's Occupancy**

Market Segment	2008	2009	2010	2011	2012	2013	2014	2015
<b>Commercial</b>								
Demand	123,316	126,399	130,191	136,050	142,949	150,560	154,326	157,381
Market Share	31.6 %	29.1 %	28.8 %	28.6 %	28.6 %	28.6 %	28.6 %	28.6 %
Capture	38,980	36,762	37,433	38,927	40,901	43,079	44,156	45,030
Penetration	88 %	86 %	85 %	85 %	85 %	85 %	85 %	85 %
<b>Meeting and Group</b>								
Demand	72,954	74,048	75,529	78,550	81,752	84,074	85,758	86,603
Market Share	53.4 %	52.4 %	52.7 %	53.0 %	53.0 %	53.0 %	53.0 %	53.0 %
Capture	38,980	38,766	39,798	41,612	43,308	44,538	45,431	45,878
Penetration	148 %	155 %	156 %	157 %	157 %	157 %	157 %	157 %
<b>Leisure</b>								
Demand	20,825	20,825	21,241	22,728	24,220	25,269	25,901	26,156
Market Share	41.6 %	38.7 %	38.5 %	38.5 %	38.5 %	38.5 %	38.5 %	38.5 %
Capture	8,662	8,060	8,179	8,751	9,326	9,730	9,973	10,071
Penetration	115 %	115 %	114 %	114 %	114 %	114 %	114 %	114 %
<b>Total Room Nights Captured</b>	<b>86,622</b>	<b>83,588</b>	<b>85,410</b>	<b>89,291</b>	<b>93,535</b>	<b>97,347</b>	<b>99,560</b>	<b>100,980</b>
Available Room Nights	147,825	147,825	147,825	147,825	147,825	147,825	147,825	147,825
<b>Subject Occupancy</b>	<b>59 %</b>	<b>57 %</b>	<b>58 %</b>	<b>60 %</b>	<b>63 %</b>	<b>66 %</b>	<b>67 %</b>	<b>68 %</b>
Marketwide Available Room Nights	409,782	438,365	438,365	438,365	438,365	438,365	438,365	438,365
<b>Fair Share</b>	<b>36 %</b>	<b>34 %</b>	<b>34 %</b>	<b>34 %</b>	<b>34 %</b>	<b>34 %</b>	<b>34 %</b>	<b>34 %</b>
Marketwide Occupied Room Nights	217,095	221,272	226,961	237,328	248,921	259,903	265,986	270,140
<b>Market Share</b>	<b>40 %</b>	<b>38 %</b>	<b>38 %</b>	<b>38 %</b>	<b>38 %</b>	<b>37 %</b>	<b>37 %</b>	<b>37 %</b>
<b>Marketwide Occupancy</b>	<b>53 %</b>	<b>50 %</b>	<b>52 %</b>	<b>54 %</b>	<b>57 %</b>	<b>59 %</b>	<b>61 %</b>	<b>62 %</b>
<b>Total Penetration</b>	<b>111 %</b>	<b>112 %</b>	<b>112 %</b>	<b>112 %</b>	<b>111 %</b>	<b>111 %</b>	<b>111 %</b>	<b>111 %</b>

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



**Table 9-5 Comparable Operating Statements: Amounts Per Occupied Room**

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
<b>Year:</b>	<b>2007</b>	<b>2007</b>	<b>2006/07</b>	<b>2006/07</b>	<b>2006/07</b>	<b>2006</b>
<b>Number of Rooms:</b>	<b>350 to 440</b>	<b>450 to 550</b>	<b>540 to 660</b>	<b>350 to 440</b>	<b>350 to 440</b>	<b>290 to 370</b>
<b>Days Open:</b>	<b>365</b>	<b>365</b>	<b>365</b>	<b>365</b>	<b>365</b>	<b>365</b>
<b>Occupancy:</b>	<b>65%</b>	<b>65%</b>	<b>66%</b>	<b>69%</b>	<b>59%</b>	<b>67%</b>
<b>Average Rate:</b>	<b>\$133</b>	<b>\$134</b>	<b>\$127</b>	<b>\$138</b>	<b>\$156</b>	<b>\$135</b>
<b>RevPAR:</b>	<b>\$86</b>	<b>\$87</b>	<b>\$84</b>	<b>\$96</b>	<b>\$92</b>	<b>\$90</b>
<b>REVENUE</b>						
Rooms	\$132.52	\$133.63	\$127.04	\$138.29	\$156.09	\$134.88
Food & Beverage	64.75	85.45	62.88	93.77	35.05	40.01
Telephone	2.40	3.38	1.55	3.17	0.47	1.97
Other Operating Departments	0.00	6.43	0.00	0.00	0.00	0.00
Other Income	2.31	2.86	5.23	13.31	9.35	28.56
Total	201.97	231.76	196.69	248.54	200.95	205.42
<b>DEPARTMENTAL EXPENSES</b>						
Rooms	29.97	31.10	23.64	37.72	35.42	28.86
Food & Beverage	46.28	59.44	35.74	61.73	35.77	25.73
Telephone	2.53	1.50	2.43	2.37	0.82	1.74
Other Operating Departments	0.00	4.65	0.00	0.00	0.00	0.00
Other Expenses	0.69	0.87	3.22	3.46	3.46	5.30
Total	79.48	97.56	65.03	105.28	75.46	61.62
<b>DEPARTMENTAL INCOME</b>	<b>122.50</b>	<b>134.20</b>	<b>131.65</b>	<b>143.26</b>	<b>125.49</b>	<b>143.80</b>
<b>OPERATING EXPENSES</b>						
Administrative & General	17.83	20.67	16.48	23.40	18.41	18.75
Marketing	12.17	16.49	19.68	15.85	10.16	19.28
Franchise Fee	0.00	0.00	7.74	0.00	11.53	4.90
Property Operations & Maintenance	11.75	9.11	8.48	8.47	5.89	11.13
Utilities	6.43	9.53	11.89	7.88	4.92	14.33
Total	48.18	55.80	64.27	55.60	50.91	68.40
<b>HOUSE PROFIT</b>	<b>74.32</b>	<b>78.41</b>	<b>67.39</b>	<b>87.66</b>	<b>74.58</b>	<b>75.41</b>
Management Fee	6.06	6.95	4.91	7.46	10.04	4.62
<b>INCOME BEFORE FIXED CHARGES</b>	<b>68.25</b>	<b>71.45</b>	<b>62.47</b>	<b>80.20</b>	<b>64.54</b>	<b>70.79</b>
<b>FIXED EXPENSES</b>						
Property Taxes	9.83	8.16	8.27	3.76	4.13	7.41
Insurance	1.34	2.02	3.24	2.06	2.53	1.64
Miscellaneous Fixed Expenses	8.16	2.51	0.04	6.55	10.49	0.15
Reserve for Replacement	5.03	3.06	0.00	0.00	0.00	4.10
Total	24.36	15.75	11.56	12.38	17.16	13.29
<b>NET INCOME</b>	<b>\$43.89</b>	<b>\$55.70</b>	<b>\$50.91</b>	<b>\$67.82</b>	<b>\$47.38</b>	<b>\$57.50</b>



**Table 9-18 Sample of Hotels Sold**

Hotel	Location	Number of Rooms	Date of Sale	Total Property Yield	Equity Yield	Overall Rate Based on Net Operating Income			
						Historical Year	Projected Year One	Stabilized Year	Equity Dividend
Hyatt Regency	Phoenix, AZ	696	Jul-08	12.5 %	19.5 %	10.3 %	9.0 %	9.6 %	9.0 %
Hilton Lincoln Center	Dallas, TX	500	Jun-08	11.0	17.3	6.9	4.4	9.4	4.4
Holiday Inn Sunspree Resort	Lake Buena Vista, FL	507	May-08	14.5	21.8	—	1.4	11.5	1.4
Sheraton Hotel	Iowa City, IA	234	Apr-08	11.0	19.5	3.0	5.6	8.8	5.6
Four Points Columbus Airport	Columbus, OH	177	Jan-08	12.9	24.7	8.4	8.7	9.9	8.7
Hotel 57	New York, NY	200	Jan-08	10.1	16.7	4.9	3.6	7.5	3.6
Hyatt Regency	Milwaukee, WI	483	Jan-08	11.9	20.7	6.1	8.5	8.7	10.8
JW Marriott	New Orleans, LA	494	Jan-08	11.0	19.8	—	1.5	8.1	—
Sheraton Hotel	Salt Lake City, UT	362	Dec-07	12.0	20.1	7.4	6.0	9.9	2.2
Hyatt Regency	New Orleans, LA	1184	Dec-07	16.3	26.4	8.1	6.8	13.4	3.8
Aberdeen Woods Conference Center	Peachtree City, GA	233	Nov-07	11.5	19.2	1.1	1.6	9.7	—
Marriott BWI Airport Hotel	Linthicum, MD	309	Nov-07	10.7	21.9	8.8	7.9	7.8	10.9
Crown Plaza	Phoenix, AZ	248	Oct-07	10.7	19.2	7.3	8.0	8.5	8.2
Westin Airport	Atlanta, GA	495	Aug-07	11.6	21.7	6.6	8.1	9.0	8.7
Holiday Inn LAX	Los Angeles, CA	405	Aug-07	13.8	26.8	6.9	7.7	10.2	7.6
Hilton Downtown	St. Louis, MO	195	Aug-07	11.3	20.8	6.8	7.8	8.6	7.8
Hotel Palomar	San Francisco, CA	195	Aug-07	11.1	21.0	5.0	7.6	8.8	8.7
Sheraton Hotel	Nashua, NH	336	Jun-07	13.2	25.2	5.5	8.0	10.4	7.9
Sheraton	Oklahoma City, OK	395	Apr-07	13.8	27.5	7.4	9.2	10.6	9.2
St. Louis Marriott West	St. Louis, MO	300	Mar-07	10.2	18.2	5.8	6.8	8.0	6.8
Renaissance Mayflower	Washington, DC	657	Feb-07	9.6	17.7	3.9	5.5	7.5	5.5
Villa Florence	San Francisco, CA	182	Feb-07	9.1	15.1	3.5	5.2	7.0	5.2
Hilton Westchase & Towers	Houston, TX	297	Feb-07	8.6	13.9	5.8	7.2	7.5	7.2
Sheraton Austin	Austin, TX	365	Jan-07	11.5	21.2	5.3	6.6	8.9	6.6
Stanford Court Hotel	San Francisco, CA	393	Dec-06	8.1	11.7	—	1.4	8.0	1.4
Sheraton Hotel	North Charleston, NC	289	Nov-06	11.0	20.4	4.9	8.1	8.3	8.1
Hyatt Regency	Lexington, KY	365	Nov-06	12.0	21.2	2.3	2.7	10.7	2.7
Sheraton	Danbury, CT	242	Oct-06	9.8	16.3	3.9	4.0	8.2	—
Hilton Arlington	Arlington, TX	308	Oct-06	10.0	17.5	4.8	7.2	8.3	4.9
Westin Southfield Detroit	Southfield, MI	388	Oct-06	9.7	17.4	8.6	8.8	7.9	13.1
Sheraton	College Park, MD	462	Oct-06	12.5	23.7	7.7	7.5	9.6	7.7
Westin Hotel	Stamford, CT	462	Oct-06	9.3	15.1	4.1	4.0	7.9	4.0

Source: HVS

The longer-term historical trend of equity yield rates (alternately known as “leveraged” yield rates), as tracked by HVS, is illustrated in the following chart.

**Table 9-24 Eleven-Year Forecast of Net Income and Ten-Year Forecast of Net Income to Equity**

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Occupancy	57 %	58 %	61 %	64 %	66 %	66 %	66 %	66 %	66 %	66 %	66 %
Average Rate	\$131.49	\$132.79	\$139.11	\$148.13	\$155.16	\$159.81	\$164.61	\$169.55	\$174.63	\$179.87	\$185.27
Net Income Before Debt Service	5,598	5,914	6,868	8,017	8,834	8,994	9,191	9,467	9,751	10,043	10,344 *
Less: Debt Service	3,969	3,969	3,969	3,969	3,969	3,969	3,969	3,969	3,969	3,969	3,969
<b>Net Income to Equity</b>	<b>\$1,629</b>	<b>\$1,945</b>	<b>\$2,899</b>	<b>\$4,048</b>	<b>\$4,865</b>	<b>\$5,025</b>	<b>\$5,222</b>	<b>\$5,498</b>	<b>\$5,782</b>	<b>\$6,074</b>	
Debt Coverage Ratio	1.41	1.49	1.73	2.02	2.23	2.27	2.32	2.39	2.46	2.53	
Cash-on-Cash Return	5.9 %	7.1 %	10.6 %	14.8 %	17.8 %	18.4 %	19.1 %	20.1 %	21.1 %	22.2 %	

\* The eleventh year's net income is projected prior to the deduction of real estate taxes. The overall going-out rate used to capitalize the eleventh year's net income is loaded with the applicable real estate tax rate to derive a reversionary value estimate, as of the end of year ten, which takes into account the reassessment of the property upon sale.



### Discounted Cash Flow Analysis – “When Stabilized”

Our stabilized debt-coverage ratio takes into consideration the implications of the current credit markets. Current trends reflect more conservative ratio positions averaging from 1.4 to 1.6 by stabilization.

The preceding valuation process was repeated using the projected cash flows beginning as of the stabilized year. The remaining years' net income was projected through an eleven-year period. An adjustment, if applicable, is applied to the discount rate to reflect potential changes in the investment climate by the date of stabilization. The discounted cash flow procedure is summarized as follows.

**Table 9-35 Discounted Cash Flow Analysis—Stabilized Value**

	Stabilized Year	5	
	Discount Rate	13.50 %	
	Terminal Cap	10.0	
	Transaction Costs	2.0	
Year	Net Income	Discount Factor @ 13.5%	Discounted Cash Flow
2013/14	\$8,834,000	0.88106	\$7,783,000
2014/15	8,994,000	0.77626	6,982,000
2015/16	9,191,000	0.68393	6,286,000
2016/17	9,467,000	0.60258	5,705,000
2017/18	9,751,000	0.53091	5,177,000
2018/19	10,043,000	0.46776	4,698,000
2019/20	10,344,000	0.41213	4,263,000
2020/21	10,654,000	0.36311	3,869,000
2021/22	10,974,000	0.31992	3,511,000
2022/23	125,395,000 *	0.28187	35,344,000
		<b>Estimated Market Value</b>	<b>\$83,618,000</b>
		(SAY)	<b>\$83,600,000</b>
<b>Reversion Analysis</b>			
	11th Year's Net Income		\$11,642,000
	Capitalization Rate		10.0%
	Total Sales Proceeds		\$116,420,000
	Less: Transaction Costs @ 2.0%		2,328,000
	Net Sales Proceeds (Say)		114,092,000
*10th year net income of \$11,303,000 plus sales proceeds of \$114,092,000			

Based on this procedure, it is our opinion that the prospective market value, as of April 1, 2013, is \$83,600,000.



property, including brand affiliation and revenue-generating aspects. We have primarily focused on transactions that occurred within the last two years because of changes in market conditions since that time. The following transactions involved hotels that have some degree of similitude with the subject property.

**Table 10-3 Review of Pertinent Transactions**

Property	Location	Sale Date	Price	Rooms	Price/Rm
Sagamore Resort & Conference Center	Bolton Landing, New York	Sep-08	\$88,000,000	350	\$251,429
Hilton Lincoln Centre Dallas	Dallas, Texas	Jun-08	72,250,000	500	144,500
Residence Inn Kansas City Country Club Plaza	Kansas City, Missouri	Apr-08	17,350,000	106	163,679
Westin Saint Louis	Saint Louis, Missouri	Mar-08	53,500,000	255	209,804
Marriott Kansas City Country Club Plaza	Kansas City, Missouri	Mar-08	52,800,000	295	178,983
Fairfield Inn & Suites Rogers	Rogers, Arkansas	Feb-08	8,000,466	99	80,813
Residence Inn Rogers	Rogers, Arkansas	Feb-08	11,744,000	88	133,455
Hilton Hotel and Towers	Lafayette, Louisiana	Feb-08	76,251,168	327	233,184
Embassy Suites Los Angeles Downey	Downey, California	Jan-08	34,660,000	219	158,265
Westin Westminster	Westminster, Colorado	Dec-07	83,000,000	369	224,932
Hotel Derek	Houston, Texas	Oct-07	70,600,000	314	224,841
Hilton University of Florida & Conference Center	Gainesville, Florida	Sep-07	50,000,000	248	201,613
Hilton San Antonio Hill Country Hotel & Spa	San Antonio, Texas	Aug-07	34,500,000	227	151,982
Hilton Downtown	Saint Louis, Missouri	Aug-07	34,900,000	195	178,974
Embassy Suites Denver Tech Center	Centennial, Colorado	Jun-07	30,700,000	236	130,085
Embassy Suites Memphis	Memphis, Tennessee	Jun-07	27,000,000	220	122,727
Hyatt Regency Austin	Austin, Texas	May-07	83,000,000	448	185,268
Sheraton Steamboat Resort & Conference Center	Steamboat Springs, Colorado	May-07	58,000,000	315	184,127
Embassy Suites Richmond Commerce Center	Richmond, Virginia	Apr-07	39,000,000	226	172,566
Westin Dallas Fort Worth Airport	Irving, Texas	Apr-07	101,000,000	506	199,605

From these selected sales, we have chosen several primary transactions for further review and consideration in the development of an indication of value via this approach. These are illustrated in the following table.

**Table 10-4 Summary of Selected Comparable Sales**

Property	Location	Sale Date	Price	Rooms	Price/Rm
Hilton Lincoln Centre Dallas	Dallas, Texas	Jun-08	\$72,250,000	500	\$144,500
Westin Saint Louis	Saint Louis, Missouri	Mar-08	53,500,000	255	209,804
Westin Westminster	Westminster, Colorado	Dec-07	83,000,000	369	224,932
Hilton University of Florida & Conference Center	Gainesville, Florida	Sep-07	50,000,000	248	201,613



**Sale #4**  
**Hilton University of**  
**Florida & Conference**  
**Center**  
**Gainesville, Florida**  
**248 Rooms**

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**Transaction Data**

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Date of Sale:	September-07
Interest Conveyed:	Fee Simple
Buyer:	Inland American Realty Trust, LLC
Seller:	Cornerstone Real Estate Advisors, LLC
Sales Price:	\$50,000,000
Price per Room:	\$201,613
Occupancy (Jan 1 2006 - Dec 31 2006):	73.6%
Average Rate (Jan 1 2006 - Dec 31 2006):	\$115
RevPAR (Jan 1 2006 - Dec 31 2006):	\$85
Rooms Revenue Multiplier:	6.5
Reported Capitalization Rate:	Not Disclosed
Confirmation:	Broker

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**Property Data**

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Year Opened:	2000
Property Class:	First Class
Facilities/Amenities:	# Stories: 7, # F&B Outlets: 2, Total SF Meeting Space: 25,000, Amenities: Conference/Convention Services, Business Center, Airport Shuttle, Laundry/Valet, Concierge, Room Service, Gift Shop, Outdoor Pool, Fitness Center, Whirlpool
Condition at Sale:	Good
Type of Location:	Urban

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This property is located on the southwest corner of the University of Florida campus and is within walking distance of the Harn Museum, the Curtis M. Phillips Center for Performing Arts, Royal Park Stadium, and Ben Hill Griffin Stadium. At the time of sale, the buyers planned to conduct minor refurbishments to the property. The hotel will continue to operate as a Hilton under the management of Davidson Hotel Company.

**Table 11-5 Replacement Cost Summary**

Item	Cost per Room	Cost
Building	\$175,000	\$70,875,000
Furniture, Fixtures, & Equipment	22,500	9,112,500
Pre-Opening Costs & Working Capital	16,000	6,480,000
Soft Costs	32,500	13,162,500
<b>Total Replacement Cost</b>	<b>\$246,000</b>	<b>\$99,630,000</b>

### Allocation of Developer's Profit

Developer's profit represents the entrepreneurial incentive anticipated by hotel developers to induce the construction of a new hotel project. As a result of economic conditions in the hotel industry, developer's profit has not always been in evidence. If the economic value of a new hotel does not exceed development cost, indicating that developers will not earn any profit from their effort, it would most likely not be a project which would be completed since the financial incentive is not present.

As the subject property's highest and best use as vacant is to hold for speculative development, no estimate of developer's profit will be made in this estimate of development cost.

### Conclusion

In the estimation of development cost for the subject property, the costs of several components of the total property were quantified. For fee simple interests, the land value was estimated by the ground lease approach. The replacement cost of the building improvements was estimated based on a hotel development cost survey conducted by HVS. If applicable, a developer's incentive was considered. The following table summarizes our estimate of the total cost new to rebuild the subject property.

**Table 11-6 Recap of Total Cost New Estimate**

Item	Cost
Building, Pre-Opening & Working Capital, Soft Costs	\$90,517,500
Furniture, Fixtures, & Equipment	9,112,500
Land	7,700,000
Developer's Incentive	0
<b>Total Cost New Estimate</b>	<b>\$107,330,000</b>



**Table 12-1 Allocation of Real Property Value**

<b>Property Value Component Represented</b>		<b>Allocation</b>
Real Property		\$66,221,000
Building Allocation	\$58,521,000	
Land Allocation	7,700,000	
Excess Land Allocation (if app.)	0	
Personal Property		2,279,000
Business Interest (Value Not Included In Appraisal)		0
<b>Total Market Value</b>		<b>\$68,500,000</b>



Using these known variables, the following intermediary calculations must be made before applying the simultaneous valuation formula. The fraction of the loan paid off during the projection period is calculated as follows.

$$P = (0.096627 - 0.0850) / (0.148783 - 0.0850) = 0.182294$$

The annual debt service is calculated as  $f \times M \times V$ .

$$(f \times M \times V) = 0.096627 \times 0.60 \times V = (0.057976) V$$

Inserting the variables into the valuation formula produces the following.

$$\begin{aligned} & (5,598,000 - 0.05798 V) \times 0.840336 + \\ & (5,914,000 - 0.05798 V) \times 0.706165 + \\ & (6,868,000 - 0.05798 V) \times 0.593416 + \\ & (8,017,000 - 0.05798 V) \times 0.498669 + \\ & (8,834,000 - 0.05798 V) \times 0.419049 + \\ & (8,994,000 - 0.05798 V) \times 0.352142 + \\ & (9,191,000 - 0.05798 V) \times 0.295918 + \\ & (9,467,000 - 0.05798 V) \times 0.248671 + \\ & (9,751,000 - 0.05798 V) \times 0.208967 + \\ & (10,043,000 - 0.05798 V) \times 0.175602 + \\ & (((10,344,000 / 0.100) - (0.020 \times (10,344,000 / 0.100))) - \\ & ((1 - 0.182294) \times 0.6 \times V)) \times 0.1756024 = (1 - 0.6) V \end{aligned}$$

Like terms are combined as follows.

$$\begin{aligned} \$50,499,097 - 0.337710V &= (1 - 0.60)V \\ \$50,499,097 &= 0.73771V \\ V &= \$50,499,097 / 0.73771 \\ V &= \$68,453,838 \end{aligned}$$

Total Property Value as Indicated by  
the Income Capitalization  
Approach (Say) = \$68,500,000

It is important to note that this analysis does not reflect any capital deductions (if applicable).