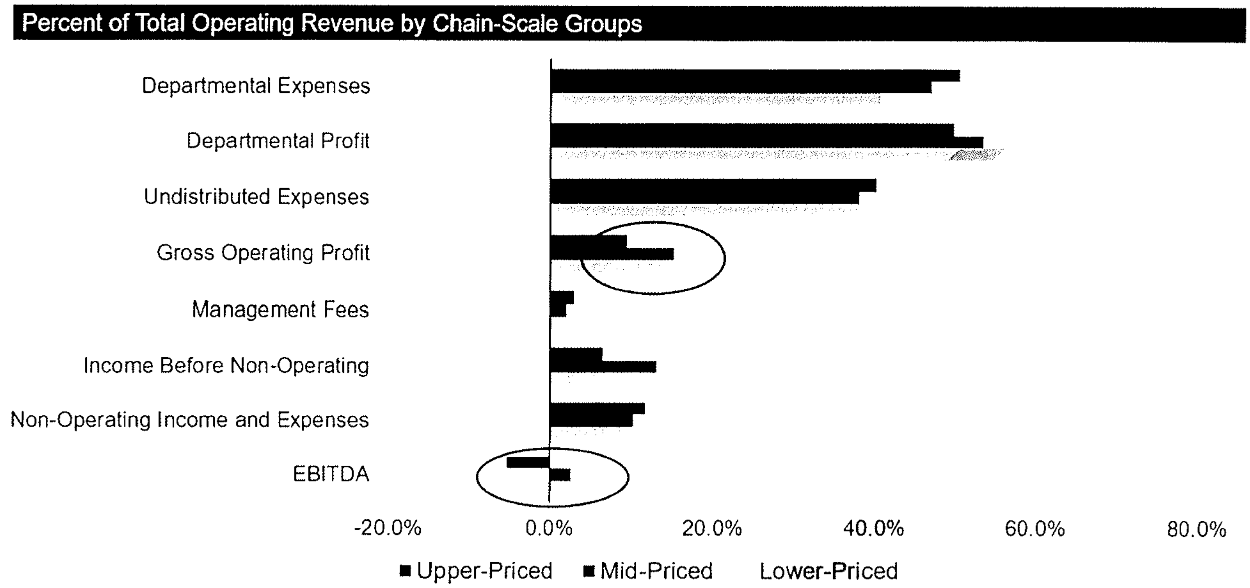
U.S. HOTEL PERFORMANCE BY CHAIN-SCALE GROUPS
BASED ON PROJECTED 2020 ANNUAL OCCUPANCY LEVEL



Note: Upper-Price (Luxury, Upper-Upscale), Mid-Priced (Upscale, Upper-Midscale), Lower-Priced (Midscale, Economy)
Source: CBRE, Trends® in the Hotel Industry, Sample of hotels reporting occupancy proximate to 2020 forecast for respective chain-scale, May 11, 2020

While it is no solace, U.S. hotels entered this recession in a much more profitable position than past recessions. Occupancy levels reached another record high in 2019 and profit margins were 450 bps greater than the long-run average. Challenging times are expected for the U.S. lodging industry, but travel and the services associated with it should once again recover and quickly outpace historical peaks once the pandemic is eradicated.

THE SILVER LINING

As a result of the COVID-19 virus, markets are exceptionally volatile. The hospitality sector among the most severely disrupted; businesses suspended non-essential travel and implemented remote working policies. Major sporting, social and business events across the country were postponed or cancelled. The practice of social distancing and shelter in place measures, either government mandated or self-enforced, are the new societal norm and expected to continue for the coming months and possibly years. The impact of COVID-19 is severe, spanning across all geographies and chain scales. Still, a cause for optimism during otherwise bleak conditions. While the CBRE forecasts suggest the impact is severe, the recovery should start relatively soon. In the current Baseline forecast, the hotel sector is projected to rebound in 2021. Other factors included to support the economy include the following:

PAYCHECK PROTECTION PROGRAM (PPP):

This is the centerpiece of the CARES Act, which pumped more than $2 trillion into the economy, including more than $350 billion to small businesses. Funds were used so quickly Congress appropriated another $310 billion in business aid. The positive impact of the PPP on the real estate industry were evidenced by stronger-than-expected rent collections in April and May 2020.

The program ended August 8, 2020 but the SBA is expected to forgive loans if all employee retention criteria are met.

ENHANCED UNEMPLOYMENT INSURANCE:

The government provided an extra $600 per week to unemployed workers. Combined with one-time stimulus payments of up to $3,400 for most American taxpayers, this effectively protected the necessity-retail and multifamily sectors.

FORBEARANCE:

The mortgage forbearance programs led by Fannie May and Freddy Mac in exchange for non-eviction of tenants were particularly effective. While the single-family market was hit with a significant number of mortgage forbearance requests, the commercial multifamily sector saw a much lower amount than expected in part because of the effectiveness of unemployment insurance and the provided the resources for many residents the ability to pay rent.

TALF:

The Term Asset-Backed Securities Loan Facility, which involved bond purchases, provided a significant boost to the CMBS market, causing bond spreads to narrow from their peak of more than 1,000 basis points in mid-March to allow for a modest reopening of the CMBS market.

LIABILITY INSURANCE:

Congress is considering protecting business from liability for claims of COVID-19 infections in the workplace.

EXPANSION OF MAIN STREET LENDING:

The Federal Reserve Board expanded its Main Street Lending Program to allow more small and medium sized businesses to receive more support. The Board lowered the minimum loan amount, raised the maximum loan limit, adjusted the principal repayment schedule to begin after two years, and extended the term to five years, providing borrowers with greater flexibility in repaying the loans. The Board expects the Main Street program to be open for lender registration soon and to be actively buying loans shortly afterwards.

ADDITIONAL STIMULUS:

In late November, a group of 127 economists published an open letter to Congress urging a stimulus bill which is 'big, immediate, and direct and lasting." The pressure on both parties in Congress is mounting to approve additional stimulus by year's end.

FEDERAL PANDEMIC INSURANCE:

The CARES Act gives individual states the option of extending unemployment compensation to independent contractors and other workers who are ordinarily ineligible for unemployment benefits.

NATIONAL CONCLUSION

CBRE is forecasting drastic reductions in travel for 2020. The current Baseline scenario indicates approximately 48 months for RevPAR to recover. The steep reductions in 2020 are followed by strong increases during 2021, 2022 and 2023. Average Daily Rates are expected to take another year, on average, but longer in markets which feel prolonged impacts of the recession. Supply growth is expected to halt after an initial wave of deliveries in 2020 and early 2021, some temporary closures will become permanent in 2021, and some hotels will convert to alternate uses. The impact was harsh for 2020 but recovery may be just around the corner. To date, three vaccine candidates are proving effective against COVID-19 and currently being deployed. The hotel market should recover over the next several years, as confidence returns and travelers feel safe.

Houston Lodging Market Overview: Through the first nine months of 2020 the Houston market has seen an occupancy decline of -33.8% and an ADR decline of -21.5%. The net result is a RevPAR decrease of -48.0%. With market conditions forecast to improve during the fourth quarter, CBRE is projecting the RevPAR decline to be just negative 47.1% on an annual basis for 2020.

The market is expected to begin recovery next year. For 2021, CBRE is forecasting a RevPAR gain of 31.7%. RevPAR for Houston hotels is not expected to surpass 2019 levels until 2024.

Annual Performance - Five Year History and Forecast

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2015	67.4%	-3.0%	$116.25	3.5%	$78.40	0.4%
2016	61.5%	-8.8%	$110.02	-5.4%	$67.63	-13.7%
2017	65.6%	6.7%	$112.32	2.1%	$73.70	9.0%
2018	62.0%	-5.5%	$109.12	-2.8%	$67.67	-8.2%
2019	62.6%	0.9%	$104.41	-4.3%	$65.35	-3.4%
2020F	42.5%	-32.2%	$81.38	-22.1%	$34.56	-47.1%
2021F	52.7%	24.2%	$86.28	6.0%	$45.50	31.7%
2022F	59.7%	13.2%	$93.88	8.8%	$56.03	23.2%
2023F	62.4%	4.6%	$101.00	7.6%	$63.06	12.5%
2024F	63.5%	1.7%	$108.38	7.3%	$68.80	9.1%

Long Run Averages 2000 to 2019

Occupancy: 62.5%, ADR Change: 1.5%, RevPAR Change: 2.0%

Historical Performance and Outlook

According to Hotel Horizons®, the hotel outlook for all properties in the Houston lodging market is shown below.

Houston Forecast - All Hotels

YEAR	PERIOD	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR	Δ SUPPLY	Δ DEMAND
2015	Annual	67.4%	-3.0%	$116.25	3.5%	$78.40	0.4%	1.8%	-1.3%
2016	Annual	61.5%	-8.8%	$110.02	-5.4%	$67.63	-13.7%	5.9%	-3.5%
2017	1	63.3%	-3.3%	$121.14	4.1%	$76.71	0.6%	6.5%	3.0%
2017	2	62.1%	-6.1%	$107.90	-6.4%	$66.95	-12.1%	5.0%	-1.4%
2017	3	66.6%	13.4%	$106.00	2.5%	$70.55	16.3%	3.3%	17.2%
2017	4	70.4%	25.9%	$114.20	10.1%	$80.44	38.7%	3.3%	30.1%
2017	Annual	65.6%	6.7%	$112.32	2.1%	$73.70	9.0%	4.5%	11.6%
2018	1	67.5%	6.6%	$114.45	-5.5%	$77.23	0.7%	2.8%	9.6%
2018	2	65.0%	4.8%	$111.95	3.8%	$72.82	8.8%	3.1%	8.0%
2018	3	58.5%	-12.1%	$104.10	-1.8%	$60.92	-13.6%	3.4%	-9.1%
2018	4	57.1%	-19.0%	$104.81	-8.2%	$59.81	-25.6%	2.1%	-17.3%
2018	Annual	62.0%	-5.5%	$109.12	-2.8%	$67.67	-8.2%	2.9%	-2.8%
2019	1	63.1%	-6.5%	$109.79	-4.1%	$69.24	-10.3%	2.8%	-3.9%
2019	2	65.8%	1.1%	$107.13	-4.3%	$70.45	-3.3%	3.5%	4.7%
2019	3	61.1%	4.5%	$99.89	-4.0%	$61.06	0.2%	4.0%	8.7%
2019	4	60.5%	5.9%	$100.57	-4.0%	$60.80	1.7%	4.1%	10.3%
2019	Annual	62.6%	0.9%	$104.41	-4.3%	$65.35	-3.4%	3.6%	4.6%
2020	1	55.8%	-11.5%	$100.79	-8.2%	$56.24	-18.8%	3.2%	-8.7%
2020	2	29.8%	-54.7%	$64.33	-40.0%	$19.17	-72.8%	2.9%	-53.4%
2020	3	40.3%	-34.1%	$72.04	-27.9%	$29.01	-52.5%	2.4%	-32.6%
2020F	4	44.1%	-27.1%	$77.05	-23.4%	$33.95	-44.2%	2.1%	-25.6%
2020F	Annual	42.5%	-32.2%	$81.38	-22.1%	$34.56	-47.1%	2.6%	-30.4%
2021F	Annual	52.7%	24.2%	$86.28	6.0%	$45.50	31.7%	2.5%	27.3%
2022F	Annual	59.7%	13.2%	$93.88	8.8%	$56.03	23.2%	1.0%	14.3%
2023F	Annual	62.4%	4.6%	$101.00	7.6%	$63.06	12.5%	1.4%	6.1%
2024F	Annual	63.5%	1.7%	$108.38	7.3%	$68.80	9.1%	2.4%	4.1%
2019 3Q	Year to Date	63.3%	-0.6%	$105.66	-4.3%	$66.90	-4.9%	3.5%	2.9%
2020 3Q	Year to Date	41.9%	-33.8%	$82.91	-21.5%	$34.76	-48.0%	2.8%	-31.9%
2020 3Q	Trailing 4 Qtrs	46.5%	-24.7%	$88.59	-16.0%	$41.21	-36.7%	3.1%	-22.3%

Source: CBRE Hotels Research, Kalibri Labs, Q3 2020

Impact of Airbnb

The sharing economy has become a prominent though not well understood economic phenomenon over the past several years. Airbnb is the market leader as it relates to the temporary accommodations industry. CBRE Hotels' Americas Research compiled select information from STR, Inc. and Airdna, a company which provides data on Airbnb, to assess the relevancy of this sharing platform to the traditional hotel industry.

Houston Airbnb: Below is an overview of Airbnb's presence in this market. The estimates of Airbnb performance come from Airdna, a firm which provides data and analytics on Airbnb rental performance for 4 million+ Airbnb listings worldwide. Figure 1 shows the total number of units available, sold and revenue generated during October 2019 – September 2020 along with the calculated Occupancy, Average Daily Rate (ADR), RevPAR, and year-over-year growth rates. Figure 2 shows the percent of units and revenue by unit type. Figure 3 shows the average daily number of active Airbnb units by month. More detailed data on Airbnb in your market can be purchased directly from Airdna at airdna.co.

Fig. 1: October 2019 – September 2020 Airbnb Performance

METRIC	2020	Y-o-Y CHANGE
Occupancy	51.2%	-5.5%
ADR	$128.91	8.9%
RevPAR	$66.00	2.9%
Available Supply	1,649,813	4.2%
Units Sold	844,461	-1.5%
Total Revenue	$108,859,714	7.2%

Source: AirDNA, CBRE Hotels Research, Q3 2020

Fig. 2: Percent of Active Units and Revenue by Listing Type

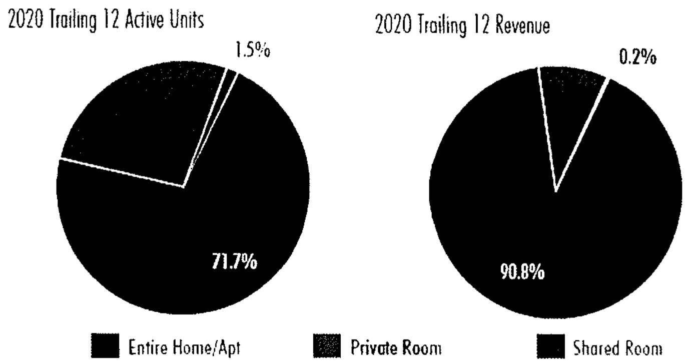
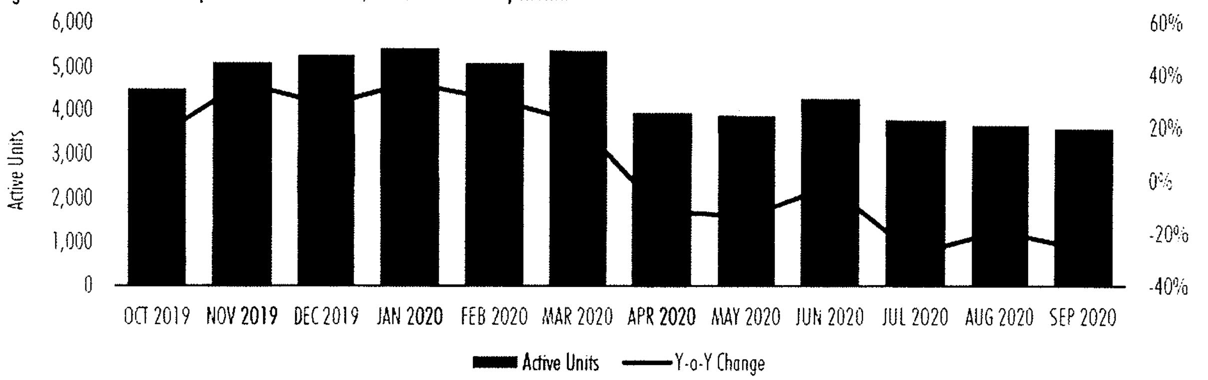


Fig. 3: October 2019 – September 2020 Active/Available Units by Month

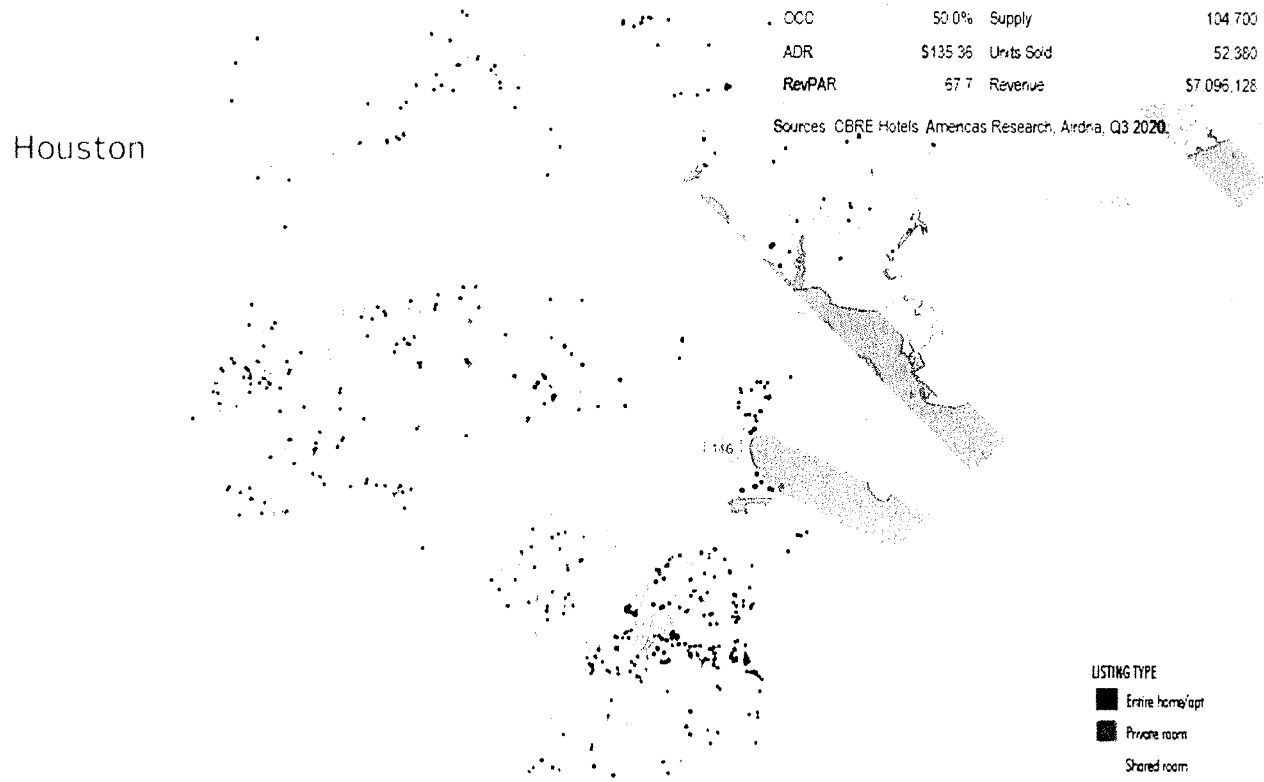


Units are generally available throughout the year, but often are taken on and off the market, dependent on the owner's availability to rent. Of the 1,649,813 available room nights the majority are entire apartments or homes, garnering some 71.7 percent of supply and 90.8 percent of revenue. Few private rooms and shared rooms are in this market. Units are most often placed on the market for rent in months with events both locally and city-wide. Houston sold 844,461 units through Airbnb from October 2019 through September 2020, achieving a 51.2 percent occupancy and an average daily rate of $128.91, resulting in $108,859,714 in revenue.

Airbnb plays a role in expanding the market supply, especially on fill nights, and while Airbnb may be capturing some level of demand from hotels, the number of available units and the rate for those units parallel hotel occupancy and rate trends. Airbnb ADR typically exceeds traditional hotel ADR, since most rented units are entire homes or apartments. However, occupancy is usually much lower than a traditional hotel.

Houston Airbnb: CBRE Hotels also tracks Airbnb supply and demand in the competitive market area. The following details Airbnb activity in the competitive hotels' geographic submarkets.

Houston, TX - HOU Airport - Houston, TX, Houston East/Channelview



Airbnb is unique due to daily fluctuating levels of supply. The number of available Airbnb units typically increases during high-peak periods, and contract during soft demand periods. During key fill nights and compression periods hotels can increase rates substantially. As a result, both the frequency and the intensity of peak nights decrease. Accordingly, the premium which hotels typically benefit from rate compression is suppressed during peak demand periods.

When seeking Airbnb accommodations, guests consider the price value, convenient amenities or unique experiences. When considering Airbnb's impact to the proposed Subject hotel, Airbnb units typically do not offer the luxury services, amenities and facilities typically offered by the proposed hotel. The Subject hotel should be able to offer unique experiences while offering safety and security, excellent services, facilities and amenities to visitors. Long-term, the Subject's offerings should mitigate impact to the Subject hotel from Airbnb rentals.

LOCAL COMPETITIVE SETS

In defining competitive hotels, it is important to understand and differentiate hotels which capture the primary segments of business available to and likely sought by the proposed Hyatt Regency Hotel and Conference Center. Accordingly, two competitive sets were identified: the larger, full service hotels desired by many leisure travelers, but more importantly, those with the facilities to accommodate top business travelers and groups, conventions, exhibitions and shows, and; select-service hotels used by travelers in the general geographic area selected by travelers primarily for convenience. All hotels within both competitive sets are branded within the brand families of Hilton, Marriott and Intercontinental Hotels. All hotels within both sets are located east of Hobby Airport and south to the Clear Lake area. The oldest hotel is approaching forty years, and the newest is just over two years of age.

The primary competitive supply is comprised of four hotel properties totaling 960 rooms, while the secondary set comprises eight hotels comprising a total of 742 rooms for a collective total of 1,702 rooms. The competitive sets are summarized in the table below.

Competitive Set Profile

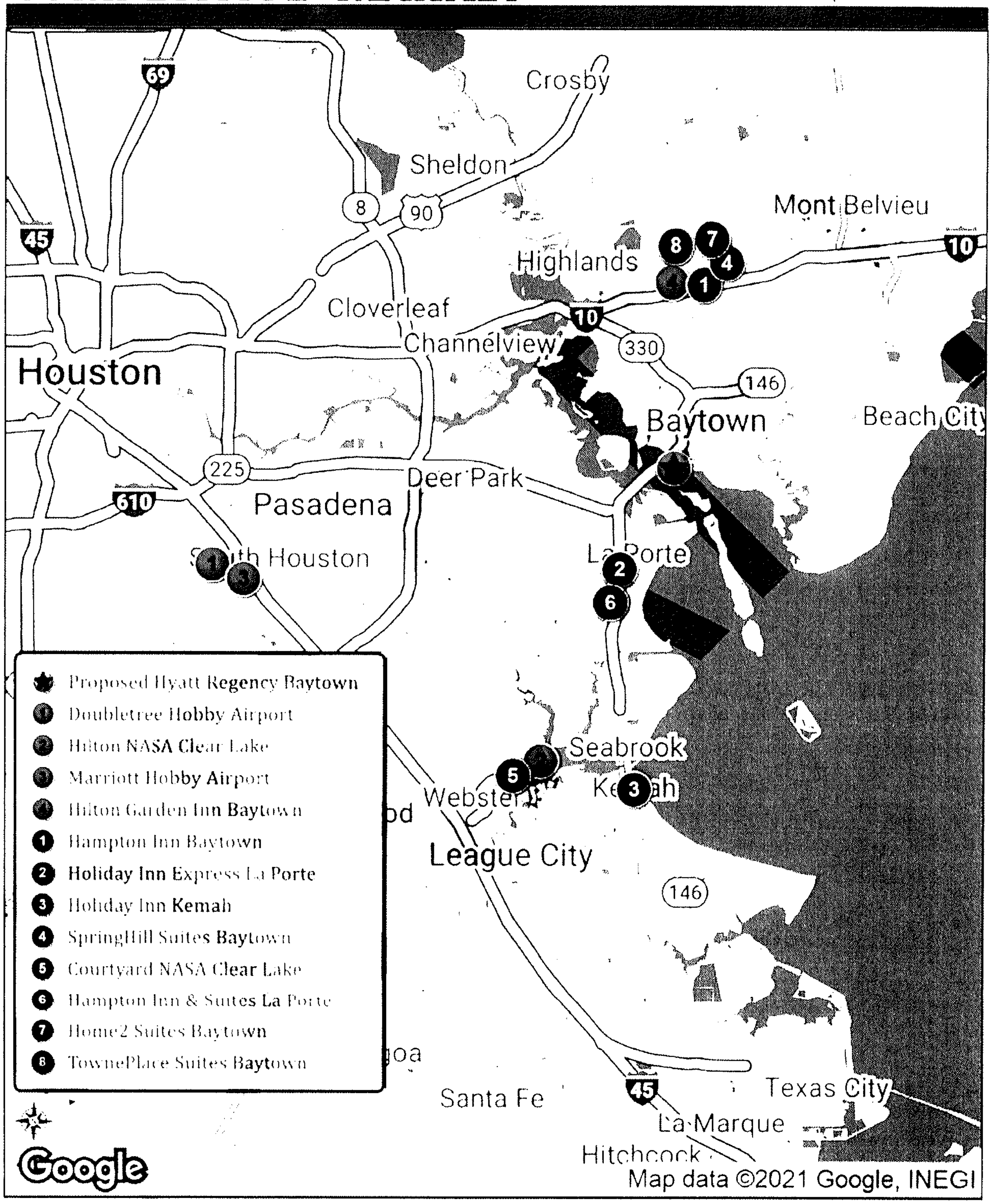
			Meeting Space (sq. ft.)					Performance (2019)	
	Rooms No.	Year Built	Total	Sq. ft. per room	F&B Outlet	Fitness Center	Pool	Occ	ADR
Primary Competition									
DoubleTree Hobby Airport	303	1982	17,800	59	Yes	Yes	Outdoor	60 - 65%	$120 - 125
Hilton Houston Clear Lake	242	1983	13,894	57	Yes	Yes	Outdoor	65 - 70%	$135 - 140
Marriott Hobby Airport	290	1986	11,396	39	Yes	Yes	Indoor	65 - 70%	$110 - 115
Hilton Garden Inn Houston Baytown	125	2017	6,336	51	No	Yes	Outdoor	65 - 70%	$110 - 115
Primary Competition Ave	*384*	*1992*	*12,357*	*32*	*N/A*	*N/A*	*N/A*	*70.3%*	*$110.97*
Secondary Competition									
Hampton Inn Baytown	70	1996	900	13	No	Yes	Outdoor	60 - 65%	$100 - 105
Holiday Inn Express & Suites La Porte	55	2006	1,800	33	Yes	Yes	Outdoor	65 - 70%	$105 - 110
Holiday Inn Kemah	128	2010	2,200	17	Yes	Yes	Outdoor	60 - 65%	$110 - 115
SpringHill Suites Baytown	101	2010	4,500	45	No	Yes	Outdoor	65 - 70%	$110 - 115
Courtyard Clear Lake	124	2012	1,917	15	Yes	Yes	Outdoor	70 - 75%	$130 - 135
Hampton La Porte	87	2015	625	7	No	Yes	Outdoor	65 - 70%	$100 - 105
Home2 Suites Baytown	96	2017	910	9	No	Yes	Outdoor	65 - 70%	$110 - 115
TownePlace Suites Baytown	81	2018	0	0	No	Yes	Indoor	70 - 75%	$110 - 115
Secondary Competition Ave	*165*	*2011*	*1,836*	*11*	*N/A*	*N/A*	*N/A*	*68.8%*	*$111.06*
Competitive Set Average	**274**	**2001**	**7,096**	**26**	**N/A**	**N/A**	**N/A**	**69.7%**	**$111.01**

Source: CBRE Hotels; individual property management and website

The map on the following page shows the location of competitive hotels within both the primary and secondary competitive sets as it relates to the proposed Hyatt Regency Hotel and Conference Center.

COMPETITIVE MARKET

Prepared by: CBRE Hotels Advisory
Prepared for: Garfield Public/Private



CBRE

HISTORIC MARKET PERFORMANCE

The following table summarizes the estimated performance of both competitive sets for the period 2015 through 2019 and October year-to-date 2020 compared to 2019.

Historical Performance of the PRIMARY Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	Market REVPAR	Percent Change
2015	303,680	N/A	227,991	N/A	75.1%	$115.89	N/A	$87.01	N/A
2016	303,680	0.0%	212,215	-6.9%	69.9%	115.76	-0.1%	80.89	-7.0%
2017	319,296	5.1%	235,720	11.1%	73.8%	121.89	5.3%	89.99	11.2%
2018	350,400	9.7%	248,584	5.5%	70.9%	115.94	-4.9%	82.25	-8.6%
2019	350,400	0.0%	246,401	-0.9%	70.3%	110.97	-4.3%	78.03	-5.1%
CAAG	3.6%		2.0%			-1.1%		-2.7%	
YTD 10/2019	292,000	N/A	213,744	N/A	73.2%	$111.43	N/A	$81.57	N/A
YTD 10/2020	292,000	0.0%	129,064	-39.6%	44.2%	96.78	-13.1%	42.78	-47.6%

Source: CBRE Hotels, STR Global

Historical Performance of the SECONDARY Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	Market REVPAR	Percent Change
2015	177,167	N/A	129,863	N/A	73.3%	$121.68	N/A	$89.19	N/A
2016	206,225	16.4%	139,408	7.3%	67.6%	117.81	-3.2%	79.64	-10.7%
2017	223,889	8.6%	173,290	24.3%	77.4%	120.79	2.5%	93.49	17.4%
2018	246,206	10.0%	165,943	-4.2%	67.4%	117.41	-2.8%	79.13	-15.4%
2019	270,830	10.0%	186,331	12.3%	68.8%	111.06	-5.4%	76.41	-3.4%
CAAG	11.2%		9.4%			-2.3%		-3.8%	
YTD 10/2019	225,570	N/A	159,929	N/A	70.9%	$112.21	N/A	$79.56	N/A
YTD 10/2020	225,570	0.0%	106,469	-33.4%	47.2%	100.69	-10.3%	47.53	-40.3%

Source: CBRE Hotels, STR Global

By separating the two competitive sets, performance between the two sets becomes clearer. Among the primary set, characterized as hotels with food, beverage and meeting facilities in excess of 5,000 square feet, the supply of new rooms increased in late 2017 with the opening of the Hilton Garden Inn. As the only change, which annualized affected both 2017 and 2018, the increase resulted in a compounded annual growth rate of 3.6 percent from 2015 through 2019. As expected, occupied rooms also increased in 2017 and 2018, resulting in an increase of 2.0 percent compounded annually over the same period. Although fluctuating over the past five years, Average Daily Rates decreased -1.1 percent compounded annually from 2015 through 2019. The decline in ADR is attributed to both a downturn in the energy industry and the general aging stock of hotels. The resulting RevPAR also declined -2.7 percent during the same period.

Among the secondary competitive set, characterized generally by select-service hotels with limited meeting space, the annual increases in the supply of available rooms were robust with 11.2 percent increase compounded annually from 2015 through 2019. The new rooms were readily absorbed, as demand for those rooms increased 9.4 percent during the same period. Average rates among the secondary competitors also declined -2.3 percent compounded annually from 2015 through 2019, due in part to the downturn in the energy industries and increased proliferation of new rooms in the area which are not directly competitive. Resulting RevPAR declined -3.8 percent during the same period.

Of interest, with the exception of 2017, the secondary set of competitive hotels ADR surpassed that of the primary set of hotels, yet lagged in occupancy. With respect to ADR, as new hotels were entering the market and competing with the older full-service hotels found in the primary set, these properties were able to compete with rates. With respect to the primary set outperforming the secondary set, the full-service hotels have been successful in attracting weekend groups and discounting leisure travelers to keep occupancies slightly higher.
The following table shows the combined performance of both primary and secondary set of competitive hotels.

Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2015	480,847	N/A	357,854	N/A	74.4%	$117.99	N/A	$87.81	N/A
2016	509,905	6.0%	351,623	-1.7%	69.0%	116.57	-1.2%	80.39	-8.5%
2017	543,185	6.5%	409,011	16.3%	75.3%	121.42	4.2%	91.43	13.7%
2018	596,606	9.8%	414,527	1.3%	69.5%	116.53	-4.0%	80.97	-11.4%
2019	621,230	4.1%	432,732	4.4%	69.7%	111.01	-4.7%	77.33	-4.5%
CAAG	6.6%		4.9%			-1.5%		-3.1%	
YTD 10/2019	517,570	N/A	373,672	N/A	72.2%	$111.76	N/A	$80.69	N/A
YTD 10/2020	517,570	0.0%	235,535	-37.0%	45.5%	98.55	-11.8%	44.85	-44.4%

Source: CBRE Hotels, STR Global

Collectively, the supply of new hotel rooms increased 6.6 percent compounded annually from 2015 through 2019, while the demand for those rooms increase 4.9 percent compounded annually over the same period. Average Daily Rate declined only slightly at -1.5 percent compounded annually from 2015 through 2019, and resulting RevPAR declined 3.1 percent during the same period.

FUTURE ADDITIONS TO SUPPLY

Based on fieldwork, no additions to supply were identified, other than the Subject.

Other hotels are in various planning stages, but due to their tentative nature and relative uncertainty, or differences in competitive structure were not included in this analysis. Should any competitive supply additions occur beyond those listed above and the Subject, the estimates of occupancy (and possibly ADR) contained herein would thus be affected and a revision might be required.

MARKET DEMAND

Demand for hotel rooms is categorized in three ways:

- Demonstrated Demand: room night demand already captured at the competitive hotels;
- Induced Demand: the demand which does not presently seek accommodations in the competitive market but could be persuaded to do so through marketing efforts, room rates, facilities, services and amenities, and;
- Unsatisfied Demand: the demand which seeks accommodations in the market but is not satisfied due to one of several factors: sell-outs during peak periods; lack of a specific type of accommodation or specific facilities; or high room rates.

Demand captured by the competitive set shows a strong Corporate Individual segment, followed by the Leisure segment. By comparison, the Group segment is relatively small since only a few hotels have the facilities to accommodate groups, as indicated in the following table.

Competitive Market
2019 Mix of Demand

Market Segment	Room Nights	Ratio
Corp Individual	250,200	58%
Leisure	101,200	23%
Group	81,400	19%
Total	433,000	100%

Source: CBRE Hotels

Corporate Individual Demand

The largest demand source among the competitive hotels is from the Commercial Individual segment, estimated at 58 percent of the total market demand in 2019. This segment consists of business travelers, vendors and other related travelers. Timing for this segment typically occurs mid-week, with the highest volume on Tuesdays and Wednesdays, and Mondays and Thursdays considered shoulder periods. The average length of stay for this segment is estimated at approximately 1.75 nights.

Corporate Individual demand is estimated to have declined approximately -30 percent in 2020. Based on forecasts consistent with Hotel Horizons©, this segment is expected to return beginning in 2021, and increase 25 percent in 2021 and 20 percent in 2022 before returning to 4 percent in 2023 and 2024 and 3 percent thereafter.

Leisure Demand

Leisure demand is estimated to represent approximately 23 percent of the demand among the competitive properties in 2019. Leisure travelers are characterized by highway travelers stopping over, travelers visiting the tourist destinations, area sporting events, and those visiting friends and family. This demand typically occurs on weekends, but can be throughout the week, particularly during the summer months. Historically, this segment was price sensitive, but with the proliferation of select-service hotels in the area, the newer properties were successful in achieving higher rates on weekend. While some discounting occurs on weekends depending on occupancy, hotels achieve strong rates on weekends. The weekend discounting among hotels in the primary set of full-service is greater than the select-service hotels because the hotels are larger and have more rooms to fill.

Leisure demand is estimated to have decreased the least among the three segments in 2020, at approximately -20 percent. Throughout 2020, it became clear leisure travelers are the first segment returning to travel during the pandemic. Leisure demand is expected to increase 15 percent in 2021, 10 percent in 2022 before returning to historic increases of 4 percent in 2023 and 2024 and 3 percent thereafter.

Group Demand

Group demand is estimated at 19 percent of total room-night demand among the competitive properties in 2019. Group demand consists of travelers gathering for a common purpose which can be related to business, hobbies and special interests or family gatherings. This segment can be further defined as follows: conventions, conferences, assemblies, trade shows, consumer shows and special events.

The Group demand segment experienced the largest decline among the competitive properties in 2019, estimated at -75 percent and is expected to lag other market segments in its return to travel. Although large increases are expected, actual room nights in this segment are not expected to fully recover until 2024. In 2022 an increase of 60 percent is estimated, followed by 45 percent, 25 percent 15 percent and back to historic patterns, estimated at 3 percent in 2025 and thereafter.

Unsatisfied and Induced Demand

Unsatisfied demand occurs when facilities are unavailable. Typically, unsatisfied demand is attributed due to hotels are full and no rooms are available. But unsatisfied demand also includes those unable to book rooms due to the lack of available facilities, such as meeting space. Because this demand was not accommodated historically, it is not illustrated in the estimate of historic accommodated room night demand. As the Subject opens, the availability of a new supply of rooms and additional new facilities will accommodate a portion of this unsatisfied demand. A total of 6,000 room nights of induced demand were included in 2022 and another 19,000 room nights in 2023, all attributed to the opening of the Subject hotel.

Key Assumptions:

The key assumptions related to future market growth area, as follows:

- Economic growth continues in the Texas market in general and the Houston and Baytown areas.
- No major global, regional or local disruptions occur which would have a material adverse impact on local travel volume.
- No natural disasters occur which would disrupt the local economy during the projection period.
- No new additions to the competitive supply other than noted previously.

Presented in the table on the following page is the projected performance for the overall market for the period 2019 to 2025.

Proposed Hyatt Regency Baytown

Competitive Market

Estimated Future Growth in Lodging Supply and Demand

2019 - 2025

	2019	2020	2021	2022	2023	2024	2025
ROOMS SUPPLY	1,635						
Additions/(Deletions) to Supply							
Proposed Hyatt Regency Baytown				52	156		
Cumulative Rooms Supply	1,702	1,702	1,702	1,754	1,910	1,910	1,910
Total Annual Rooms Supply	621,230	621,230	621,230	640,366	697,150	697,150	697,150
Growth Over the Prior Year	4.1%	0.0%	0.0%	3.1%	8.9%	0.0%	0.0%
DEMONSTRATED DEMAND IN BASE YR							
Corp Individual	250,204	58%					
Leisure	101,155	23%					
Group	81,374	19%					
TOTAL DEMONSTRATED DEMAND	432,732	100%					
INDUCED/(UNSATISFIED) DEMAND							
Corp Individual		0	0	2,000	6,000	0	0
Leisure		0	0	1,000	4,000	0	0
Group		0	0	3,000	9,000	0	0
TOTAL INDUCED/(UNSATISFIED) DEMAND		0	0	6,000	19,000	0	0
GROWTH RATES							
Corp Individual		-30.0%	25.0%	20.0%	4.0%	4.0%	3.0%
Leisure		-20.0%	15.0%	10.0%	4.0%	4.0%	3.0%
Group		-75.0%	60.0%	45.0%	25.0%	15.0%	3.0%
PROJECTED DEMAND							
Corp Individual							
Demonstrated	250,204	175,143	218,928	262,714	275,432	292,827	301,612
Induced/(Unsatisfied)	0	0	0	2,000	6,000	0	0
Total	250,200	175,100	218,900	264,700	281,400	292,800	301,600
Growth Over Prior Year	N/A	-30.0%	25.0%	20.9%	6.3%	4.1%	3.0%
Leisure							
Demonstrated	101,155	80,924	93,062	102,369	107,554	116,071	119,553
Induced/(Unsatisfied)	0	0	0	1,000	4,000	0	0
Total	101,200	80,900	93,100	103,400	111,600	116,100	119,600
Growth Over Prior Year	N/A	-20.1%	15.1%	11.1%	7.9%	4.0%	3.0%
Group							
Demonstrated	81,374	20,343	32,550	47,197	62,771	82,571	85,048
Induced/(Unsatisfied)	0	0	0	3,000	9,000	0	0
Total	81,400	20,300	32,500	50,200	71,800	82,600	85,000
Growth Over Prior Year	N/A	-75.1%	60.1%	54.5%	43.0%	15.0%	2.9%
Total Market Demand	432,800	276,300	344,500	418,300	464,800	491,500	506,200
Growth Over Prior Year	N/A	-36.2%	24.7%	21.4%	11.1%	5.7%	3.0%
Market Occupancy	**70%**	**44%**	**55%**	**65%**	**67%**	**71%**	**73%**

Source: CBRE Hotels

Occupancy is estimated to have declined to 44 percent in 2020 directly attributed to the pandemic. Occupancy is expected to increase to 55 percent in 2021. In spite of the opening of the subject which frequently drops market occupancy, market occupancy is projected to increase to 65 and 67 percent in 2022 and 2023, respectively. The market continues to increase in occupancy, resulting in 71 percent in 2024 and stabilizing in 2025 at 73 percent.

SECTION V

ESTIMATED SUBJECT HOTEL PERFORMANCE

METHODOLOGY

In formulating estimates of the subject property's position in the competitive market, the Subject's fair market share and potential ability to penetrate the market were considered. Fair market share is defined as the percentage of demand allocated to a given property based on its ratio of available guestrooms to the total number of rooms in the competitive market. For example, the proposed subject hotel has 208 of the competitive market's 1,910 available rooms, equating to a fair market share of 10.9% (208 divided by 1,910) in 2023, the subject property's first full year of operation.

Market penetration is based on the attributes of a hotel relative to the competitive market. It is defined as the percentage of fair market share demand allocated to a property on the basis of such competitive characteristics as location, appearance, management expertise, physical condition, marketing orientation, rate structure, age, brand affiliation, reputation, size, facilities and amenities. Factors indicating a property will possess competitive advantages suggest a market penetration in excess of 100% of fair market share, while competitive disadvantages are reflected in penetration rates of less than 100%.

EXPECTED COMPETITIVE POSITION

Estimated future occupancy rates at the subject hotel are based upon an evaluation of its expected future advantages and/or disadvantages relative to the competitive hotels within the context of estimated levels of future supply and demand. The proposed subject hotel is expected to achieve a strong competitive position in the future competitive lodging market, as follows:

- The Subject will be well located in relation to activity centers and sources of room night and meetings demand in the subject market.
- The Subject hotel will commercial travelers seeking full-service accommodations and attract group business currently staying in the full-service hotels within the primary competitive set.
- The Hotel will be developed, designed and furnished with appropriate, quality facilities and amenities, as described in this report.
- The Hotel will be competently managed, aggressively marketed and will maintain high levels of service throughout the hotel.
- The Hotel will benefit from the national marketing and reservation systems of Hyatt Hotels Corporation.

ESTIMATED PENETRATION

The estimates of penetration by market segment for the subject hotel are presented on the following page.

Proposed Hyatt Regency Baytown

Market Penetration and Projected Occupancy

	2022	2023	2024
TOTAL ROOMS AVAILABLE			
Proposed Hyatt Regency Baytown	**19,136**	**75,920**	**75,920**
Competitive Market	640,366	697,150	697,150
	====	====	====
Fair Share of Supply	3.0%	10.9%	10.9%
	====	====	====
ESTIMATED TOTAL MARKET DEMAND			
Corp Individual	264,700	281,400	292,800
Leisure	103,400	111,600	116,100
Group	50,200	71,800	82,600
	-------	-------	-------
TOTAL	418,300	464,800	491,500
	-------	-------	-------
	418,300	464,800	491,500
FAIR SHARE OF DEMAND			
Corp Individual	7,900	30,600	31,900
Leisure	3,100	12,200	12,600
Group	1,500	7,800	9,000
	-------	-------	-------
TOTAL	12,500	50,600	53,500
	-------	-------	-------
SUBJECT PENETRATION			
Corp Individual	95%	98%	100%
Leisure	85%	90%	95%
Group	120%	123%	125%
	-------	-------	-------
ROOM NIGHTS CAPTURED			
Corp Individual	7,500	29,900	31,900
Leisure	2,600	10,900	12,000
Group	1,800	9,600	11,200
	-------	-------	-------
TOTAL CAPTURED DEMAND	11,900	50,400	55,100
	====	====	====
MARKET SHARE CAPTURED	2.8%	10.8%	11.2%
OVERALL MARKET PENETRATION	**95%**	**100%**	**103%**
	-------	-------	-------
SUBJECT OCCUPANCY	**62%**	**66%**	**73%**
	-------	-------	-------
MARKET MIX			
Corp Individual	63%	59%	58%
Leisure	22%	22%	22%
Group	15%	19%	20%
	-------	-------	-------
TOTAL	100%	100%	100%
	====	====	====

Source: CBRE Hotels

The proposed Hyatt Regency Baytown is expected to penetrate the market at approximately 95 percent of its fair share in its partial opening year of operation in 2022, resulting in an occupancy of 62 percent in. In its first full calendar year of operations, penetration is estimated to increase to 100 percent of its fair share, increasing occupancy to 66 percent. The Subject is expected to stabilize its market penetration by 2024 at 103 percent, resulting in a stabilized occupancy of 73 percent.

ESTIMATED MARKET SEGMENTATION

Estimated market segmentation for the proposed 208-room Hyatt Regency Hotel and Conference Center is, as follows:

Proposed Hyatt Regency Baytown
2024 Mix of Demand and Market Penetration

Market Segment	Room Nights	Ratio	Penetration
Corp Individual	31,900	58%	100%
Leisure	12,000	22%	95%
Group	11,200	20%	125%
Total	55,100	100%	103%

Source: CBRE Hotels

The Hyatt Regency Hotel and Conference Center is expected to capture its fair share of demand of the Corporate Individual and Leisure travelers due to its affiliation with Hyatt and the closest Hyatt product is more than 20 miles away from the Subject. Many commercial and leisure travelers prefer non-highway locations, and the Subject is located on a peninsula which should offer spectacular views of activity in and around the Galveston Bay area. The proposed Hyatt Regency should be able to capitalize on the commercial travelers currently staying at the select-service hotels for convenience and lack of full-service accommodations. Most importantly however, the proposed Hyatt Regency should penetrate the market well within the Group segment, as it will be the only hotel with ample significant meeting facilities within 15 miles and less than 35 years of age. Effectively, the proposed Hyatt Regency Hotel and Conference Center has an excellent opportunity to capture business not only in the immediate area, but a significant portion of business emanating east of Baytown along I-10.

ESTIMATED AVERAGE DAILY RATE

In positioning the estimated ADR for the Subject hotel, an analysis of rates achieved by the competitive hotels in 2019 was conducted. Based on that analysis, the property achieving the highest ADR was estimated at approximately $138.00. Since the proposed hotel will be the newest property in the market, one of few full-service hotels and developed with state-of-the-art facilities, a conservatively reasonable premium of $14.00 was used to position the hotel within the market in 2020 value dollars.

The following table shows the estimated occupancy and ADR for the proposed 208-room Hyatt Regency Hotel and Conference Center, stated in inflated dollars. The pandemic is expected to continue to impact ADR in 2021, but recovery beginning in 2022. Accordingly, an additional -5.0 percent discount of ADR was included in 2021, but increases of 6.0 percent and 4.0 percent were included in 2022 and 2023, respectively, before long-term inflationary increases of 3 percent throughout the projection period.

Average Daily Rate Projections

	Market w/o Subject		Subject		Competitive Market	
Year	ADR	Change	ADR	Change	ADR	Change
2019	111.01	-4.7%	0.00	N/A	111.01	-4.7%
2020	$100.00	-9.9%	$152.00	N/A	$100.00	-9.9%
2021	95.00	-5.0%	144.00	-5.0%	95.00	-5.0%
2022	101.00	6.0%	153.00	6.0%	102.00	7.9%
2023	105.00	4.0%	159.00	4.0%	111.00	8.2%
2024	108.00	3.0%	164.00	3.0%	114.00	3.1%
2025	111.00	3.0%	169.00	3.0%	117.00	2.7%
2026	114.00	3.0%	174.00	3.0%	121.00	2.7%
2027	118.00	3.0%	179.00	3.0%	125.00	3.4%
2028	121.00	3.0%	185.00	3.0%	128.00	2.7%
2029	125.00	3.0%	190.00	3.0%	132.00	3.2%
Source: CBRE Hotels				3.0%		

Factors Affecting Average Daily Rate

Several factors are affecting average daily rate increases which do not necessarily parallel changes in inflation. A lodging property's ability to raise room rates are influenced by several factors, and include:

Supply and Demand Relationships

The relationship between supply and demand is a strong determining factor for increases or decreases in a property's average daily rate. In markets where supply is limited, and demand is strong, increases in rates above inflationary levels are common. Conversely, markets which have low barriers to entry or declining demand are often characterized by little or no growth in rate.

Inflationary Pressures

Price increases caused by inflationary pressures tend to minimize profit margins, thereby forcing hotel operators to raise rates. However, this is only effective in markets where supply and demand exhibit a healthy relationship.

Conversion to Fiscal Year

The foregoing analysis reflects the projected ADR of the subject on a calendar year basis, and the cash flow forecasts for the hotel are based on a fiscal year beginning October 1. It becomes necessary to convert the annual projections into fiscal years beginning October 1st and ending on September 30. To accomplish the conversion for the first fiscal year, a weighted average of three months of the first calendar year and nine months of the second calendar year were used to derive the fiscal year projection. The calculation was identical for each subsequent fiscal year. The following table summarizes the ten-year projection period used in this report.

Conversion to Fiscal Year Occupancy & ADR Input

Year	Annual Available	Rooms Occupied	Occupancy	Inflated ADR
2022/23	75,920	49,600	65.3%	$158.00
2023/24	75,920	53,930	71.0%	$163.00
2024/25	75,920	55,400	73.0%	$168.00
2025/26	75,920	55,500	73.1%	$173.00
2026/27	75,920	55,500	73.1%	$178.00
2027/28	75,920	55,500	73.1%	$184.00
2028/29	75,920	55,500	73.1%	$189.00
2029/30	75,920	55,500	73.1%	$195.00
2030/31	75,920	55,500	73.1%	$201.00
2031/32	75,920	55,500	73.1%	$207.00
2032/33	75,920	55,500	73.1%	$213.00

Source: CBRE Hotels

UNDERLYING INFLATION ASSUMPTION

An integral part of this analysis is the assumption as to future expectation of general inflation and the resulting impact on revenues and operating expenses. Once this assumption has been established, the impact of real rate increases, or escalations which are not expected to keep pace with inflation, can be addressed on an individual basis.

Because of the cyclical nature of business trends, the longer-term historical trends are most appropriate. In general, hotels tend to adapt in response to changes in costs by raising room rates. Economists differ in their estimates of inflationary pressure in the foreseeable future, with many predicting continuing annual increases from 2.0% to above 5.0%. While the higher rates could be maintained in the short term, a longer-term perspective is appropriate, which would encompass both peaks and dips in inflationary pressures. Considering this, an annual inflation rate of 3.0% was used as long-term estimates in the 2024 projections and beyond.

SECTION VI

PROSPECTIVE FINANCIAL ANALYSIS

BASES OF ESTIMATIONS

On the basis of our evaluation of market findings relative to the proposed 208-room Hyatt Regency Hotel and Conference Center, schedules of estimated operating results were prepared, which could be generated by the operation of a facility of the type, size and caliber as described in the preceding sections of the report. The subject hotel is estimated to open in October 2022.

In estimating the future operating results, historical 2019 operating statements of nine comparable full-service hotels were analyzed. The hotels are not identified to protect the confidentiality of sample participants. The properties ranged in size from 182 to 261 rooms with an average of 221 rooms. Occupancy rates ranged from 66.0% to 77.1% with an average of 70.3%. The nine properties used in the analysis had an ADR range of $146 to $166 with an average of $150 in 2019 dollars. The amount of meeting space at the comparables ranged from 7,416 square feet to 25,654 square feet, with an average of 17,700 square feet.

Revenues and expenses were estimated based on the market analysis described herein, the performance of comparable properties, typical industry parameters, and premiums and efficiencies for a full-service hotel. In evaluating comparables, expenses as a percent of revenue, as well as per occupied room (POR) and per available room (PAR) were all considered. Using assumptions regarding inflation (3% per year), start-up period and market penetration rates, to generate the estimated annual operating results, presented at the end of this section. The estimates are for the fiscal year periods 2022/23 through 2032/33. All dollar financial POR and PAR are expressed in 2020 dollars.

The classification of income and expenses in the statements presented in this report generally follows the Uniform System of Accounts for Hotels, recommended by the American Hotel & Lodging Association.

DEPARTMENTAL REVENUES

Revenue from guestroom rentals is a result of two factors: occupancy level, or occupied room nights, and average daily room rate (ADR). Based on data presented in the Market Analysis section of this report, estimated occupancy levels, average daily room rates and resulting rooms revenue for the subject hotel over the projection period are summarized in the following table.

Estimated Rooms Revenue Proposed Hyatt Regency Baytown			
Year	Annual Occupancy	Average Daily Rate*	Rooms Revenue
2022/23	65%	$158	$7,837,000
2023/24	71%	$163	$8,791,000
2024/25	73%	$168	$9,307,000
2025/26	73%	$173	$9,602,000
2026/27	73%	$178	$9,879,000

* Stated Year Dollars, rounded to the nearest dollar.

Based on an ADR of $152 in 2020 dollars.

The subject hotel is estimated to open in October 2022/23

Source: CBRE Hotels

Additional sources of revenue include food and beverage, telephone, other operated departments and rentals and other income. Our stabilized year projections for additional revenue items are summarized below.

Departmental Revenues
Dollars Per Occupied Room

Items	Comparable Hotels					Subject Hotel Projections
	Range			Average	Median	Stabilized Year
Food & Beverage Revenue	$62.80	-	$153.67	$107.18	$120.63	$80.00
Other Operated Departments Revenue	$0.12	-	$19.27	$5.56	$2.97	$5.00
Miscellaneous Income	$0.07	-	$4.11	$1.89	$1.87	$3.75

Other Operated Departments Revenue

DEPARTMENTAL EXPENSES

Departmental Expenses are chargeable to a specific revenue-producing department, in this case Rooms, Food and Beverage, Telecommunications and Other Operated Departments.

Departmental Expenses
Percent of Departmental Revenue

Items	Comparable Hotels					Subject Hotel Projections
	Range			Average	Median	Stabilized Year
Rooms Expense Per Occupied Room	$31.08	-	$42.71	$36.79	$36.92	$33.50
Food & Beverage Expense	60.9%	-	76.4%	69.5%	69.3%	62.5%
Other Operated Departments Expense	25.6%	-	111.6%	72.9%	72.8%	60.0%

Source: CBRE Hotels

UNDISTRIBUTED OPERATING EXPENSES

Undistributed operating expenses are necessary to the operation of the property though not directly chargeable to a revenue-producing department and include Administrative and General, Marketing (includes loyalty program, global distribution system and reservation charges), Property Operations and Maintenance (POM) and Utilities.

Undistributed Operating Expenses
Dollars Per Available Room

Items	Comparable Hotels Range			Average	Median	Subject Hotel Projections Stabilized Year
Administrative and General	$4,023	-	$7,759	$5,898	$5,666	$5,191
Marketing	$3,468	-	$11,257	$7,795	$7,868	$6,500
Property Operation and Maintenance	$1,183	-	$4,621	$2,830	$2,824	$2,250
Utility Costs	$1,057	-	$2,730	$1,926	$1,712	$1,750
Information and Telecommunications Systems	$683	-	$1,719	$1,189	$1,195	$1,000

Source: CBRE Hotels

FIXED EXPENSES

Fixed expenses are necessary to maintain the property's availability to guests and, except for management fees, do not necessarily vary with performance.

Fixed Expenses
Dollars Per Available Room

Items	Comparable Hotels Range			Average	Median	Subject Hotel Projections Stabilized Year
Base Management Fee	1.5%	-	6.8%	3.0%	2.7%	5.0%
Property Taxes	$0.00	-	$4,784	$2,062	$1,775	$0
Insurance	$270	-	$849	$450	$342	$500

*Estimates for Property Taxes and Insurance are based on local area hotels.

Source: CBRE Hotels

Based on information from the developer, the envisioned management agreement with Hyatt Hotels Corporation is expected to be 3 percent of Total Revenues in 2022/23, the first full year of operation, 4 percent the second full year of operation, and 4 percent thereafter.

Due to the ownership structure, the property plans to be exempt from all property taxes.

RESERVE FOR REPLACEMENT

The reserve for replacement provides for the replacement of furniture, fixtures and equipment, as well as certain building finishes and systems. This reserve has been tiered based on industry standards at 2% of total revenues in the first year, 3% in the second year and 4% throughout the remaining projections.

SCHEDULE OF PROSPECTIVE CASH FLOW BEFORE DEBT SERVICE

The following schedules reflect the estimate of future operating performance of the subject hotel. The schedules are presented in stated year (inflated) dollars.

Proposed Hyatt Regency Baytown
Projected Operating Results
Fiscal Years Beginning October 1

	2022/23		2023/24		2024/25		2025/26		2026/27	
Number of Units:	208		208		208		208		208	
Annual Occupancy:	65%		71%		73%		73%		73%	
Average Daily Rate:	$158.00		$163.00		$168.00		$173.00		$178.00	
Revenue Per Available Room:	$103.23		$115.78		$122.59		$126.47		$130.12	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	$7,837,000	61.6%	$8,791,000	62.1%	$9,307,000	62.2%	$9,602,000	62.2%	$9,879,000	62.2%
Food & Beverage	4,406,000	34.7%	4,848,000	34.2%	5,102,000	34.1%	5,263,000	34.1%	5,420,000	34.1%
Other Operated Departments	269,000	2.1%	301,000	2.1%	319,000	2.1%	329,000	2.1%	339,000	2.1%
Miscellaneous Income	202,000	1.6%	226,000	1.6%	239,000	1.6%	247,000	1.6%	254,000	1.6%
Total Revenues	12,714,000	100.0%	14,166,000	100.0%	14,967,000	100.0%	15,441,000	100.0%	15,892,000	100.0%
Departmental Expenses										
Rooms	1,910,000	24.4%	2,048,000	23.3%	2,138,000	23.0%	2,204,000	23.0%	2,270,000	23.0%
Food & Beverage	2,856,000	64.8%	3,058,000	63.1%	3,191,000	62.5%	3,289,000	62.5%	3,388,000	62.5%
Other Operated Departments	161,000	59.9%	181,000	60.1%	191,000	59.9%	197,000	59.9%	203,000	59.9%
Total Departmental Expenses	4,927,000	38.8%	5,287,000	37.3%	5,520,000	36.9%	5,690,000	36.8%	5,861,000	36.9%
Departmental Profit	7,787,000	61.2%	8,879,000	62.7%	9,447,000	63.1%	9,751,000	63.2%	10,031,000	63.1%
Undistributed Expenses										
Administrative & General	1,133,000	8.9%	1,196,000	8.4%	1,242,000	8.3%	1,280,000	8.3%	1,318,000	8.3%
Marketing	1,466,000	11.5%	1,510,000	10.7%	1,556,000	10.4%	1,602,000	10.4%	1,651,000	10.4%
Property Operation and Maintenance	508,000	4.0%	523,000	3.7%	539,000	3.6%	555,000	3.6%	571,000	3.6%
Utility Costs	395,000	3.1%	407,000	2.9%	419,000	2.8%	431,000	2.8%	444,000	2.8%
Information and Telecommunications Systems	226,000	1.8%	232,000	1.6%	239,000	1.6%	247,000	1.6%	254,000	1.6%
Total Undistributed Operating Expenses	3,728,000	29.3%	3,868,000	27.3%	3,995,000	26.7%	4,115,000	26.6%	4,238,000	26.7%
Gross Operating Profit	4,059,000	31.9%	5,011,000	35.4%	5,452,000	36.4%	5,636,000	36.5%	5,793,000	36.5%
Base Management Fee	381,000	3.0%	567,000	4.0%	748,000	5.0%	772,000	5.0%	795,000	5.0%
Fixed Expenses										
Property Taxes	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Insurance	113,000	0.9%	116,000	0.8%	120,000	0.8%	123,000	0.8%	127,000	0.8%
Total Fixed Expenses	113,000	0.9%	116,000	0.8%	120,000	0.8%	123,000	0.8%	127,000	0.8%
Net Operating Income	3,565,000	28.0%	4,328,000	30.6%	4,584,000	30.6%	4,741,000	30.7%	4,871,000	30.7%
FF&E Reserve	254,000	2.0%	425,000	3.0%	599,000	4.0%	618,000	4.0%	636,000	4.0%
Net Operating Income After Reserve	$3,311,000	26.0%	$3,903,000	27.6%	$3,985,000	26.6%	$4,123,000	26.7%	$4,235,000	26.6%

Source: CBRE Hotels

Fiscal Years Beginning October 1

Proposed Hyatt Regency Baytown
Projected Operating Results
Fiscal Years Beginning October 1

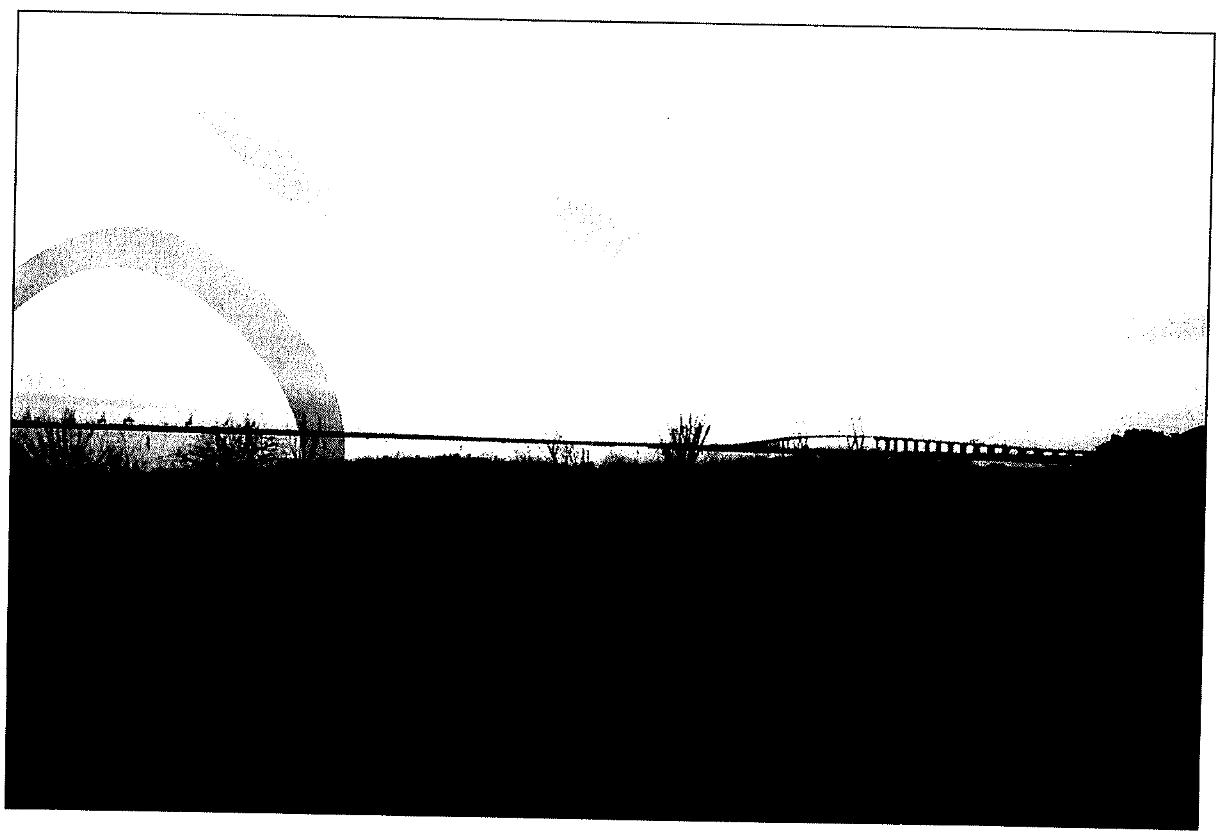
	2027/28		2028/29		2029/30		2030/31		2031/32	
Number of Units:	208		208		208		208		208	
Annual Occupancy:	73%		73%		73%		73%		73%	
Average Daily Rate:	$184.00		$189.00		$195.00		$201.00		$207.00	
Revenue Per Available Room:	$134.51		$138.17		$142.55		$146.94		$151.32	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	$10,212,000	62.2%	$10,490,000	62.2%	$10,823,000	62.2%	$11,156,000	62.2%	$11,489,000	62.2%
Food & Beverage	5,583,000	34.0%	5,751,000	34.1%	5,923,000	34.1%	6,101,000	34.0%	6,284,000	34.0%
Other Operated Departments	349,000	2.1%	359,000	2.1%	370,000	2.1%	381,000	2.1%	393,000	2.1%
Miscellaneous Income	262,000	1.6%	270,000	1.6%	278,000	1.6%	286,000	1.6%	295,000	1.6%
Total Revenues	16,406,000	100.0%	16,870,000	100.0%	17,394,000	100.0%	17,924,000	100.0%	18,461,000	100.0%
Departmental Expenses										
Rooms	2,338,000	22.9%	2,408,000	23.0%	2,480,000	22.9%	2,555,000	22.9%	2,631,000	22.9%
Food & Beverage	3,489,000	62.5%	3,594,000	62.5%	3,702,000	62.5%	3,813,000	62.5%	3,927,000	62.5%
Other Operated Departments	209,000	59.9%	216,000	60.2%	222,000	60.0%	229,000	60.1%	236,000	60.1%
Total Departmental Expenses	6,036,000	36.8%	6,218,000	36.9%	6,404,000	36.8%	6,597,000	36.8%	6,794,000	36.8%
Departmental Profit	10,370,000	63.2%	10,652,000	63.1%	10,990,000	63.2%	11,327,000	63.2%	11,667,000	63.2%
Undistributed Expenses										
Administrative & General	1,358,000	8.3%	1,398,000	8.3%	1,441,000	8.3%	1,484,000	8.3%	1,529,000	8.3%
Marketing	1,700,000	10.4%	1,751,000	10.4%	1,804,000	10.4%	1,858,000	10.4%	1,913,000	10.4%
Property Operation and Maintenance	588,000	3.6%	606,000	3.6%	624,000	3.6%	643,000	3.6%	662,000	3.6%
Utility Costs	458,000	2.8%	471,000	2.8%	486,000	2.8%	500,000	2.8%	515,000	2.8%
Information and Telecommunications Systems	262,000	1.6%	269,000	1.6%	277,000	1.6%	286,000	1.6%	294,000	1.6%
Total Undistributed Operating Expenses	4,366,000	26.6%	4,495,000	26.6%	4,632,000	26.6%	4,771,000	26.6%	4,913,000	26.6%
Gross Operating Profit	6,004,000	36.6%	6,157,000	36.5%	6,358,000	36.6%	6,556,000	36.6%	6,754,000	36.6%
Base Management Fee	820,000	5.0%	844,000	5.0%	870,000	5.0%	896,000	5.0%	923,000	5.0%
Fixed Expenses										
Property Taxes	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Insurance	131,000	0.8%	135,000	0.8%	139,000	0.8%	143,000	0.8%	147,000	0.8%
Total Fixed Expenses	131,000	0.8%	135,000	0.8%	139,000	0.8%	143,000	0.8%	147,000	0.8%
Net Operating Income	5,053,000	30.8%	5,178,000	30.7%	5,349,000	30.8%	5,517,000	30.8%	5,684,000	30.8%
FF&E Reserve	656,000	4.0%	675,000	4.0%	696,000	4.0%	717,000	4.0%	738,000	4.0%
Net Operating Income After Reserve	$4,397,000	26.8%	$4,503,000	26.7%	$4,653,000	26.8%	$4,800,000	26.8%	$4,946,000	26.8%

Source: CBRE Hotels

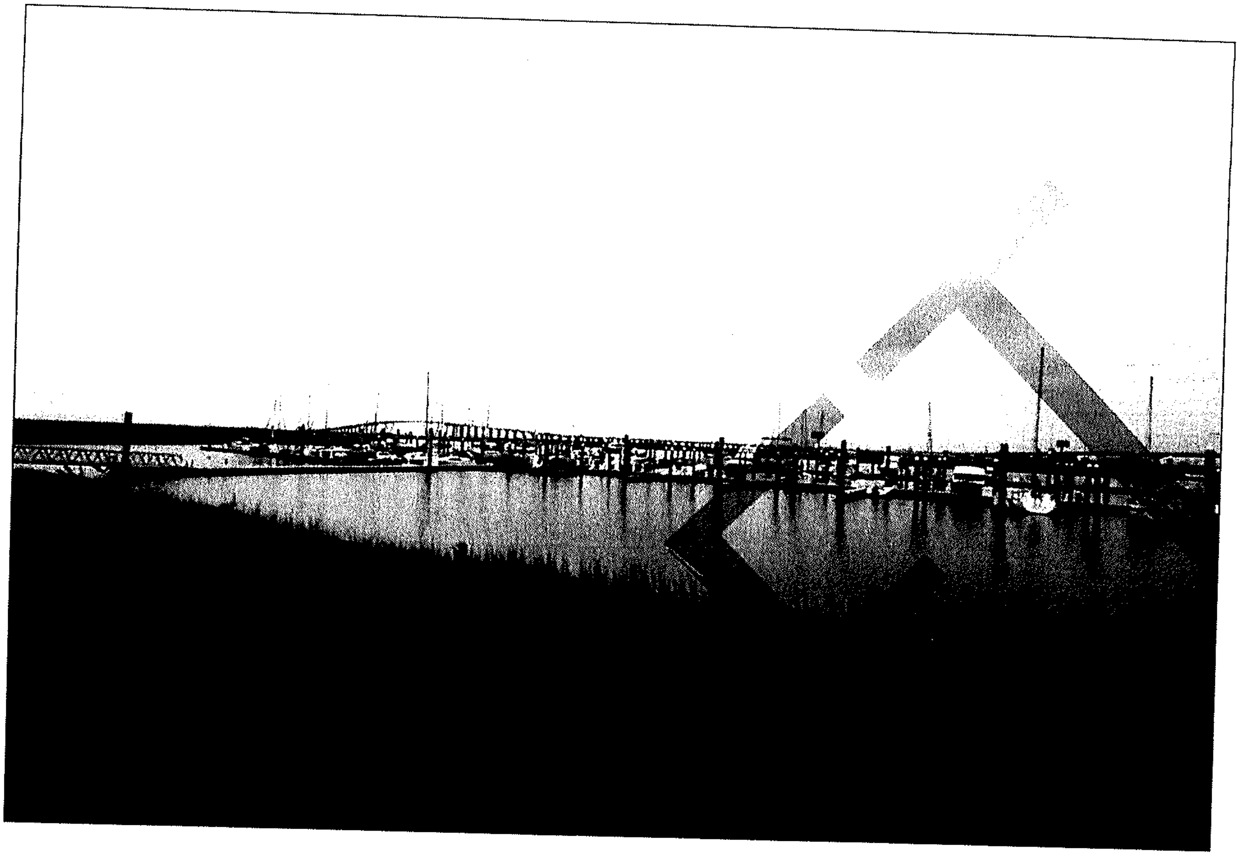
ADDENDUM A

PHOTOGRAPHS OF SUBJECT PROPERTY

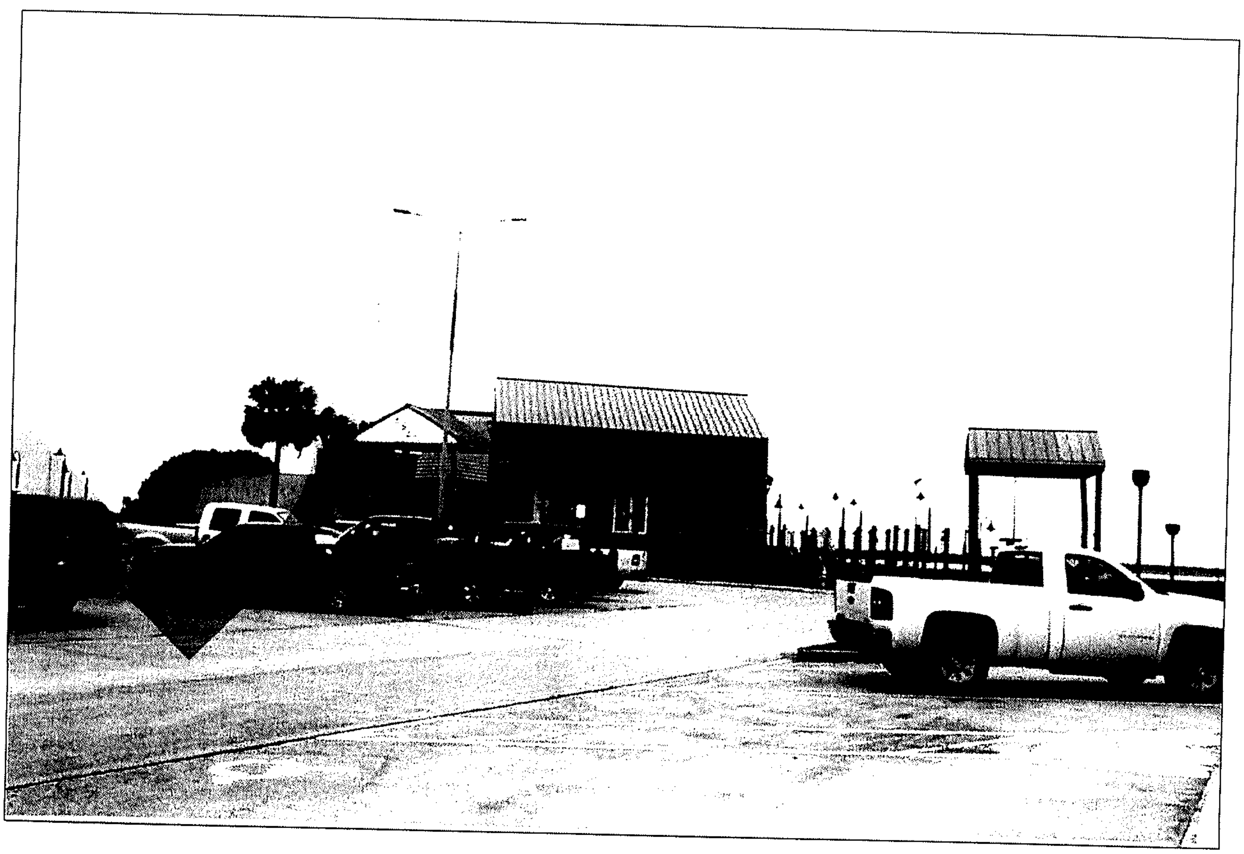
Arial View of Subject Site on Bayland Island



View from Subject Site Facing Towards the Bay and Fred Hartman Bridge



View of Adjacent Marina



View of Adjacent Marina Building

ADDENDUM B

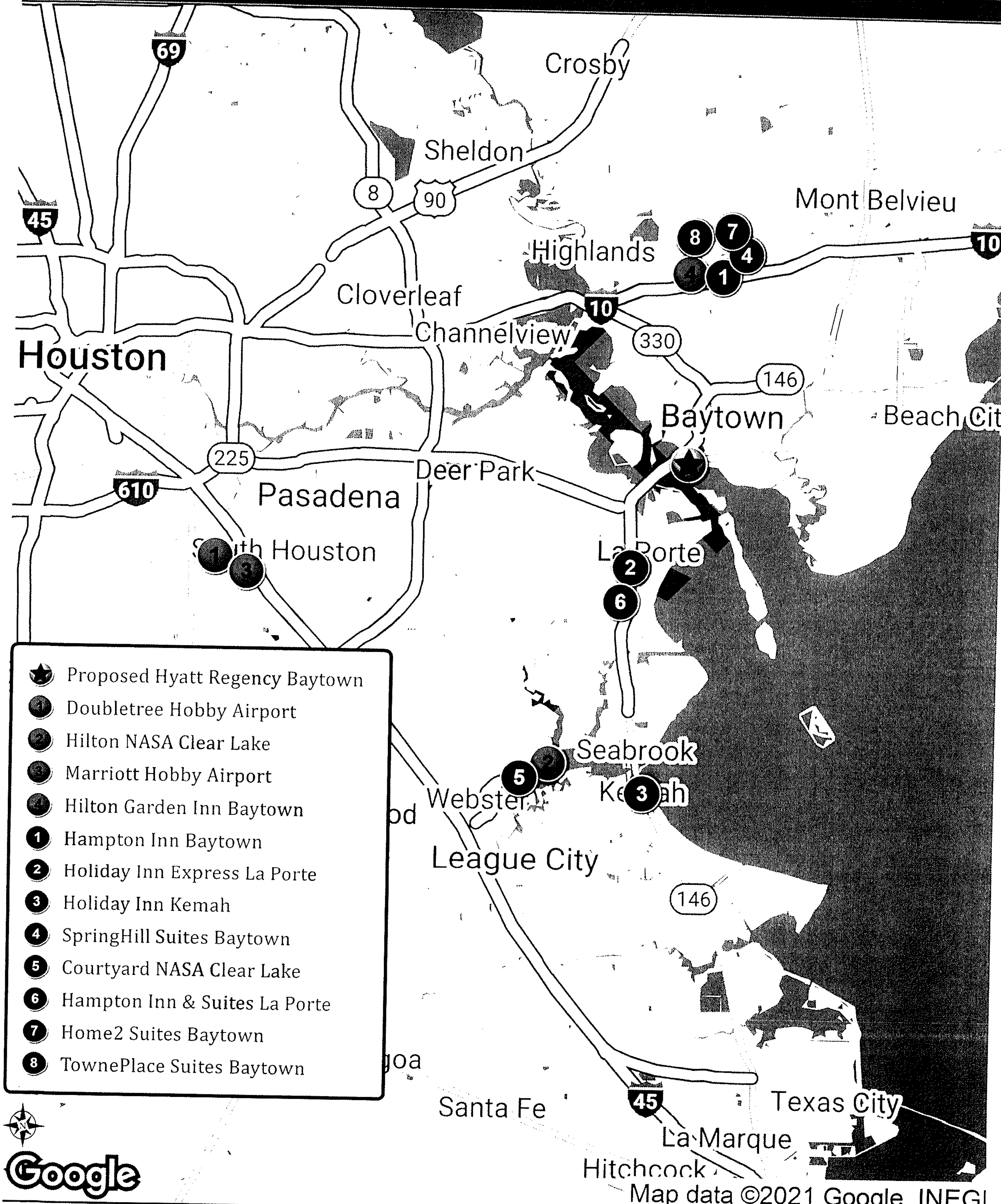
PHOTOGRAPHS OF COMPETITIVE PROPERTIES

ADDENDUM C

MAP OF COMPETITIVE PROPERTIES

COMPETITIVE MARKET

Prepared by: CBRE Hotels Advi
Prepared for: Garfield Public/Priv



CBRE

ADDENDUM D

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

Assumptions and Limiting Conditions

1. CBRE, Inc. through its advisor (collectively, "CBRE") has inspected through reasonable observation the subject property. However, it is not possible or reasonably practicable to personally inspect conditions beneath the soil and the entire interior and exterior of the improvements on the subject property. Therefore, no representation is made as to such matters.

2. The report, including its conclusions and any portion of such report (the "Report"), is as of the date set forth in the letter of transmittal and based upon the information, market, economic, and property conditions and projected levels of operation existing as of such date. The dollar amount of any conclusion as to value in the Report is based upon the purchasing power of the U.S. Dollar on such date. The Report is subject to change as a result of fluctuations in any of the foregoing. CBRE has no obligation to revise the Report to reflect any such fluctuations or other events or conditions which occur subsequent to such date.

3. Unless otherwise expressly noted in the Report, CBRE has assumed that:

   (i) Title to the subject property is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE has not examined title records (including without limitation liens, encumbrances, easements, deed restrictions, and other conditions that may affect the title or use of the subject property) and makes no representations regarding title or its limitations on the use of the subject property. Insurance against financial loss that may arise out of defects in title should be sought from a qualified title insurance company.

   (ii) If any, existing improvements on the subject property conform to applicable local, state, and federal building codes and ordinances, are structurally sound and seismically safe, and have been built and repaired in a workmanlike manner according to standard practices; all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; and the roof and exterior are in good condition and free from intrusion by the elements. CBRE has not retained independent structural, mechanical, electrical, or civil engineers in connection with this report and, therefore, makes no representations relative to the condition of improvements. CBRE advisors are not engineers and are not qualified to judge matters of an engineering nature, and furthermore structural problems or building system problems may not be visible. It is expressly assumed that any purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems.

   (iii) Any proposed improvements, on or off-site, as well as any alterations or repairs considered will be completed in a workmanlike manner according to standard practices.

   (iv) Hazardous materials are not present on the subject property. CBRE is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater, mold, or other potentially hazardous materials may affect the value of the property.

   (v) No mineral deposit or subsurface rights of value exist with respect to the subject property, whether gas, liquid, or solid, and no air or development rights of value may be transferred. CBRE has not considered any rights associated with extraction or exploration of any resources, unless otherwise expressly noted in the Report.

   (vi) There are no contemplated public initiatives, governmental development controls, rent controls, or changes in the present zoning ordinances or regulations governing use, density, or shape that would significantly affect the value of the subject property.

   (vii) All required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be readily obtained or renewed for any use on which the Report is based.

   (viii) The subject property is managed and operated in a prudent and competent manner, neither inefficiently or super-efficiently.

   (ix) The subject property and its use, management, and operation are in full compliance with all applicable federal, state, and local regulations, laws, and restrictions, including without limitation environmental laws, seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, and licenses.

   (x) The subject property is in full compliance with the Americans with Disabilities Act (ADA). CBRE is not qualified to assess the subject property's compliance with the ADA, notwithstanding any discussion of possible readily achievable barrier removal construction items in the Report.

   (xi) All information regarding the areas and dimensions of the subject property furnished to CBRE are correct, and no encroachments exist. CBRE has neither undertaken any survey of the boundaries of the subject property nor reviewed or confirmed the accuracy of any legal description of the subject property.

   Unless otherwise expressly noted in the Report, no issues regarding the foregoing were brought to CBRE's attention, and CBRE has no knowledge of any such facts affecting the subject property. If any information inconsistent with any of the foregoing assumptions is discovered, such information could have a substantial negative impact on the Report. Accordingly, if any such information is subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. CBRE assumes no responsibility for any conditions regarding the foregoing, or for any expertise or knowledge required to discover them. Any user of the Report is urged to retain an expert in the applicable field(s) for information regarding such conditions.

4. CBRE has assumed that all documents, data and information furnished by or behalf of the client, property owner, or owner's representative are accurate and correct, unless otherwise expressly noted in the Report. Such data and information include, without limitation, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any error in any of the above could have a substantial impact on the Report. Accordingly, if any such errors are subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. The client and intended user should carefully review all assumptions, data, relevant calculations, and conclusions of the Report and should immediately notify CBRE of any questions or errors within 30 days after the date of delivery of the Report.
5. CBRE assumes no responsibility (including any obligation to procure the same) for any documents, data or information not provided to CBRE, including without limitation any termite inspection, survey or occupancy permit.
6. Any cash flows included in the analysis are forecasts of estimated future operating characteristics based upon the information and assumptions contained within the Report. Any projections of income, expenses and economic conditions utilized in the Report, including such cash flows, should be considered as only estimates of the expectations of future income and expenses as of the date of the Report and not predictions of the future. Actual results are affected by a number of factors outside the control of CBRE, including without limitation fluctuating economic, market, and property conditions. Actual results may ultimately differ from these projections, and CBRE does not warrant any such projections.
7. The Report contains professional opinions and is expressly not intended to serve as any warranty, assurance or guarantee of the performance of the subject property. Accordingly, CBRE shall not be liable for any losses that arise from any investment or lending decisions based upon the Report that the client, intended user, or any buyer, seller, investor, or lending institution may undertake related to the subject property, and CBRE has not been compensated to assume any of these risks. Nothing contained in the Report shall be construed as any direct or indirect recommendation of CBRE to buy, sell, hold, or finance the subject property.
8. No opinion is expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by the advisors. Any user of the Report is advised to retain experts in areas that fall outside the scope of the advisor for such matters.
9. CBRE assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
10. Acceptance or use of the Report constitutes full acceptance of these Assumptions and Limiting Conditions and any special assumptions set forth in the Report. It is the responsibility of the user of the Report to read in full, comprehend and thus become aware of all such assumptions and limiting conditions. CBRE assumes no responsibility for any situation arising out of the user's failure to become familiar with and understand the same.
11. The Report applies to the property as a whole only, and any pro ration or division of the title into fractional interests will invalidate such conclusions, unless the Report expressly assumes such pro ration or division of interests.
12. The maps, plats, sketches, graphs, photographs, and exhibits included in this Report are for illustration purposes only and shall be utilized only to assist in visualizing matters discussed in the Report. No such items shall be removed, reproduced, or used apart from the Report.
13. The Report shall not be duplicated or provided to any unintended users in whole or in part without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Exempt from this restriction is duplication for the internal use of the intended user and its attorneys, accountants, or advisors for the sole benefit of the intended user. Also exempt from this restriction is transmission of the Report pursuant to any requirement of any court, governmental authority, or regulatory agency having jurisdiction over the intended user, provided that the Report and its contents shall not be published, in whole or in part, in any public document without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Finally, the Report shall not be made available to the public or otherwise used in any offering of the property or any security, as defined by applicable law. Any unintended user who may possess the Report is advised that it shall not rely upon the Report or its conclusions and that it should rely on its own consultants and advisors for any decision in connection with the subject property. CBRE shall have no liability or responsibility to any such unintended user.

ADDENDUM E

CERTIFICATION

CERTIFICATION

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions.
- We have no present or prospective interest in the project that is the subject of this report and we have no personal interest or bias with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon the developing or reporting of predetermined results.
- Our compensation is not contingent upon the development or reporting of predetermined results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this report.
- We have made a personal inspection of the proposed site that is the subject of this report.
- No one provided significant professional assistance to the persons signing below except as sourced within the body of this report.

Jeffrey W. Binford
Managing Director