



MARKET STUDY

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# Anderson Township Hotel

KELLOGG ROAD  
CINCINNATI, OHIO

**SUBMITTED TO:**

Mr. Steve Sievers  
Anderson Township  
7850 Five Mile Road  
Anderson Township, Ohio 45230

+1 (513) 688-8400

**PREPARED BY:**

HVS Consulting & Valuation  
Division of TS Worldwide, LLC  
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October 13, 2022

Mr. Steve Sievers  
Anderson Township  
7850 Five Mile Road  
Anderson Township, Ohio 45230

Re: Anderson Township Hotel  
Cincinnati, Ohio  
HVS Reference: 2022021029

Dear Mr. Sievers:

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HVS CINCINNATI  
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Pursuant to your request, we herewith submit our market study pertaining to the above-captioned property. We have inspected the real estate and analyzed the hotel market conditions in the Cincinnati, Ohio, area. We have studied the proposed project, and the results of our fieldwork and analysis are presented in this report. We have also reviewed the proposed improvements for this site.

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

Sincerely,  
TS Worldwide, LLC



Brian Arevalo, Director - Cincinnati Leader  
barevalo@hvs.com, +1 (817) 680-7666

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# 1. Executive Summary

## Subject of the Market Study

For this study, we analyzed two potential sites for hotel development in Anderson Township. The first site is located in south Anderson Township, east of the intersection formed by Sutton Road and Kellogg Road (Kellogg Road site). A second site was considered for this study, located northeast of the intersection of Beechmont Avenue and Five Mile Road (Anderson Towne Center site). The Kellogg Road site has the advantage of its proximity to riverfront entertainment venues like Belterra Park, Coney Island Amusement Park, and Riverbend Music Center. Furthermore, this site offers the possibility for future retail and restaurant development on the remainder of the 36-acre parcel. The challenges of this site include the current lack of restaurant options in the neighborhood and the seasonal nature of the leisure attractions.

The Anderson Towne Center site may also be viable for hotel development. Advantages of this site include its proximity to multiple restaurants and shops in the Anderson Towne Center development, as well as its proximity to Mercy Health Anderson and Anderson Center. The challenges of this site include the lack of major employment centers that would create commercial hotel demand and the lack of highway visibility.

We recommend that the proposed subject hotel operate as an upscale limited- or select-service property, such as a SpringHill Suites by Marriott, an AC Hotel by Marriott, or a Hampton by Hilton. While we have placed heavy consideration on the SpringHill Suites by Marriott brand, which is affiliated with Marriott International, a specific franchise affiliation and/or brand has yet to be finalized.

The property, which could open as early as January 1, 2025, should feature approximately 100 rooms, a breakfast dining area, an indoor pool, a fitness room, a business center, a market pantry, and a guest laundry area. The hotel should also contain the appropriate parking capacity and all necessary back-of-the-house space.

Both sites present advantageous conditions for hotel development; however, each site also has challenges, as previously mentioned. Given the lack of existing supply in the Anderson Township market, as well as the proximity of the two sites to one another, either site has the capacity to support a potential hotel development.

We note this report focuses on the Kellogg Road site, and the neighborhood and access sections assume this site for development. We note that the performance of

the proposed hotel would only vary modestly if the Anderson Towne Center site was selected and would not affect the overall viability of the project.

The Anderson Township market area currently does not contain any hotels. The Township is primarily a bedroom community for the Greater Cincinnati area. While a particular brand has yet to be determined for this project, our study assumes that the proposed subject hotel will operate as an upscale limited- or select-service hotel under a brand not currently represented in the nearby submarkets. The subject site's location is Kellogg Road, Cincinnati, Ohio 45230.

#### **Pertinent Dates**

The effective date of the report is October 13, 2022. The subject site was inspected by Brian Arevalo on July 1, 2022.

#### **Global Considerations**

The hospitality industry has been, and continues to be, affected by a variety of external factors that influence both the lodging and the investment markets. The following paragraphs outline the global factors that are the most impactful to the lodging industry as of the effective date of this report.

The COVID-19 pandemic began in early 2020 and has had a significant impact throughout the world and on the respective economies. The onset of the pandemic resulted in decreased business activity, causing widespread economic hardships, including increases in unemployment. The hospitality industry was severely affected, as travel declined sharply and restrictions on group sizes resulted in the cancellations of meetings, conventions, and events. The depth and duration of this impact was influenced by the course of the pandemic and the nature and extent of restrictions on business and travel activity. In most areas, the period of greatest impact was 2020. With the availability of vaccines and lifting of restrictions, conditions generally improved in 2021, although the Omicron variant slowed the recovery in the latter part of the year. While the emergence of other variants may influence the pace of the recovery, the prevailing market outlook is that the peak impact of the pandemic on the travel industry is behind us. The U.S. economy is recovering, and demand is anticipated to continue to strengthen. Our market research reflects a general expectation that the U.S. lodging market will recover to 2019 levels by 2023/24; the timing and pace of recovery for individual markets will vary based on market-specific characteristics and conditions.

Exacerbated by rising oil and natural gas prices in the wake of the Russia-Ukraine conflict, the inflationary trends that first emerged during the pandemic have continued. Driven by supply-chain disruptions and pent-up consumer demand during the pandemic, prices for most goods and services have increased substantially. The Federal Reserve has made clear its intention to address inflation through interest rate hikes, and further increases in the federal funds rate are anticipated through the balance of the year. While these increases are expected to

curtail inflation, the impact on the balance of the economy is unknown. Higher fuel costs may affect both vehicle and air travel costs, and both inflation and increased interest rates may constrain consumer spending. These trends could in turn impact travel and lodging demand, although the degree of this effect remains unknown. The ongoing Russian invasion of Ukraine and the resulting war have also contributed to economic uncertainty. As of the current date, inflation levels are anticipated to remain elevated in the near term. Over the longer term, inflation is expected to moderate back to more normalized levels once the supply disruptions have been resolved and as consumer spending and investment slow following the interest-rate hikes.

By its nature, the hospitality industry is a major employer and thus heavily reliant on the cost and availability of labor. Following the onset of the pandemic, roughly 33.0% of jobs were lost across the hotel industry between February 2020 and January 2021, according to Tourism Economics. While many of these jobs have returned, the workforce has not kept pace with the increased employment opportunities, and many hotels are experiencing labor shortages. The industry has responded to this issue through wage increases, additional benefits, flexible schedules and the implementation of cross-training and job sharing, as well as increased use of technology. In response to the pandemic, many hotels revised, downsized, or eliminated some services, particularly in the food and beverage (F&B) and housekeeping departments. Given the ongoing labor shortages, operators are retaining some aspects of these solutions, which is expected to somewhat offset rising labor costs. Nevertheless, notable increases in labor costs are anticipated to continue in the near term.

In preparing this report, we have considered the impact of these factors on the lodging and investment markets to the best of our ability, inclusive of the subject of this report. However, our analysis only considers what is known at the time of the effective date of the report, and there is a high degree of uncertainty currently influencing the market and the economy.

### Ownership History

Currently, there is no developer attached to the proposed subject hotel. The 36-acre parcel containing the Kellogg Road site is owned by Boyd (OHIO) Propco LLC; the parent company of this owning partnership is Boyd Gaming, which is based in Las Vegas, Nevada. The subject site was last sold in 2018; Boyd (OHIO) Propco LLC has owned the site since that time, having purchased it from PNK Ohio LLC for a reported price of \$57,683,995. We note that this sale price includes the Belterra Park racetrack and casino. The site is neither listed nor under contract for sale, and we have no knowledge of any recent listings.

### Management and Franchise History and Assumptions

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

We recommend that the proposed subject hotel operate as an upscale limited- or select-service property, such as a SpringHill Suites by Marriott, an AC Hotel by Marriott, or a Hampton by Hilton. While we have placed heavy consideration on the SpringHill Suites by Marriott brand, which is affiliated with Marriott International, a specific franchise affiliation and/or brand has yet to be finalized. Based on currently published FDD terms, the SpringHill Suites by Marriott franchise is reflected in our forecasts with a royalty fee of 5.5% of rooms revenue, and a marketing assessment of 2.5% of rooms revenue.

### Summary of Hotel Market Trends

During the illustrated historical period, both occupancy and ADR generally followed a strengthening trend through 2019. We note occupancy fluctuated between the high 60s and low 70s throughout this period, primarily due to significant year-over-year supply growth between 2010 and 2018. Seven hotels opened within the market during that time. Demand generally kept pace with the supply increases, and occupancy reached its peak in 2019. This improvement in market conditions was driven largely by the strength of the local economy, the growth of Cincinnati as a leisure destination, and the entrance of new, high-rated supply in the market. In March 2020, the COVID-19 pandemic began to affect the local market, similar to the rest of the nation, resulting in stay-at-home orders, group cancellations, and decreased business travel; thus, occupancy declined significantly in 2020. As much of the demand remaining was lower rated in nature, ADR declined in 2020, as well. General improvement has been registered since the low point that year. By year-end 2021, occupancy and ADR had recovered a substantial portion of their 2020 losses, gaining traction in the latter half of the year after the wide distribution of vaccines. While the pandemic will continue to affect business and larger-scale groups to some degree in the near term, the overall outlook is optimistic given the dynamics of this market, the return to office operations, and the increase in group demand.

The following table provides a historical perspective on the supply and demand trends for a selected set of hotels, as provided by STR.

**FIGURE 1-1 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)**

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change	
2009	861	314,434	—	173,287	—	55.1 %	\$90.44	—	\$49.84	—	
2010	960	350,400	11.4 %	202,335	16.8 %	57.7	94.16	4.1 %	54.37	9.1 %	
2011	960	350,400	0.0	217,347	7.4	62.0	96.58	2.6	59.91	10.2	
2012	960	350,400	0.0	224,430	3.3	64.0	101.06	4.6	64.73	8.0	
2013	1,022	373,032	6.5	240,716	7.3	64.5	106.64	5.5	68.82	6.3	
2014	1,083	395,295	6.0	266,045	10.5	67.3	113.90	6.8	76.66	11.4	
2015	1,083	395,295	0.0	281,961	6.0	71.3	118.13	3.7	84.26	9.9	
2016	1,093	399,077	1.0	289,023	2.5	72.4	120.28	1.8	87.11	3.4	
2017	1,398	510,213	27.8	356,170	23.2	69.8	124.27	3.3	86.75	(0.4)	
2018	1,609	587,325	15.1	417,950	17.3	71.2	122.70	(1.3)	87.31	0.7	
2019	1,689	616,485	5.0	446,262	6.8	72.4	124.72	1.6	90.28	3.4	
2020	1,689	616,485	0.0	239,065	(46.4)	38.8	102.13	(18.1)	39.61	(56.1)	
2021	1,689	616,485	0.0	367,694	53.8	59.6	119.90	17.4	71.51	80.6	
<b>Year-to-Date Through May</b>											
2021	1,689	255,039	—	128,117	—	50.2 %	\$105.52	—	\$53.01	—	
2022	1,689	255,039	0.0 %	150,860	17.8 %	59.2	129.61	22.8 %	76.67	44.6 %	
Average Annual Compounded Change:											
2009 – 2019			7.0 %	2009 – 2019			9.9 %	2009 – 2019			6.1 %
2009 – 2020			6.3	2009 – 2020			3.0	2009 – 2020			(2.1)
<b>Hotels Included in Sample</b>											
Hotels Included in Sample	Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened	Comments					
Holiday Inn & Suites Cincinnati-Eastgate (I-275e)	Upper Midscale Class	Secondary	212	Mar 1983	Mar 1983						
Comfort Suites Newport-Cincinnati Riverfront	Upper Midscale Class	Secondary	124	Jun 1997	Jun 1997	Converted to Fairfield by Marriott Jul 2022					
Hampton Inn Cincinnati-Eastgate	Upper Midscale Class	Primary	120	Aug 1999	Aug 1999						
Comfort Inn & Suites Cincinnati Eastgate	Upper Midscale Class	Primary	72	Nov 2000	Nov 2000						
Fairfield Inn & Suites Cincinnati Eastgate	Upper Midscale Class	Primary	78	Jun 2020	Feb 2001	S/O Apr 2020; R/O Jun 2020					
Comfort Inn & Suites Northern Kentucky Wilder	Upper Midscale Class	Primary	74	Nov 2017	Apr 2006						
Holiday Inn Express & Suites Cincinnati Southeast Newport	Upper Midscale Class	Secondary	73	Dec 2007	Dec 2007						
SpringHill Suites Cincinnati Midtown	Upscale Class	Secondary	122	Apr 2009	Apr 2009						
Hampton by Hilton Inn & Suites Wilder	Upper Midscale Class	Primary	94	Jan 2010	Jan 2010						
Courtyard Cincinnati Midtown Rookwood	Upscale Class	Secondary	123	Jul 2013	Jul 2013						
Hampton Inn & Suites Newport Cincinnati	Upper Midscale Class	Secondary	122	Dec 2016	Dec 2016						
aloft Hotel Newport On The Levee	Upscale Class	Secondary	144	Jan 2017	Jan 2017						
Residence Inn Cincinnati Midtown Rookwood	Upscale Class	Secondary	118	Sep 2017	Sep 2017						
Holiday Inn Express & Suites Cincinnati South Wilder	Upper Midscale Class	Primary	93	Dec 2017	Dec 2017						
Hilton Garden Inn Cincinnati Midtown	Upscale Class	Secondary	120	Sep 2018	Sep 2018						
			<b>Total</b>			<b>1,689</b>					

\*S/O = Suspended Operations; R/O = Resumed Operations

Source: STR

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



**FIGURE 1-2 PRIMARY COMPETITORS – OPERATING PERFORMANCE**

Property	Number of Rooms	Est. Segmentation			Estimated 2019				Estimated 2021					
		Commercial	Leisure	Group	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Hampton by Hilton Cincinnati Eastgate	120	65 %	25 %	10 %	120	70 - 75 %	\$100 - \$105	\$75 - \$80	120	55 - 60 %	\$100 - \$105	\$60 - \$65	100 - 110 %	80 - 85 %
Fairfield by Marriott Cincinnati Eastgate	78	60	30	10	78	70 - 75	105 - 110	80 - 85	78	55 - 60	105 - 110	55 - 60	90 - 95	80 - 85
Comfort Inn & Suites Cincinnati	72	50	40	10	72	50 - 55	85 - 90	40 - 45	72	40 - 45	80 - 85	35 - 40	70 - 75	45 - 50
Hampton by Hilton Wilder	94	55	35	10	94	75 - 80	120 - 125	90 - 95	94	60 - 65	115 - 120	70 - 75	100 - 110	95 - 100
Holiday Inn Express & Suites Cincinnati South Wilder	93	55	35	10	93	65 - 70	110 - 115	75 - 80	93	55 - 60	115 - 120	65 - 70	95 - 100	90 - 95
Comfort Inn & Suites Northern Kentucky	74	55	35	10	74	65 - 70	105 - 110	70 - 75	74	45 - 50	105 - 110	50 - 55	80 - 85	70 - 75
<b>Sub-Totals/Averages</b>	<b>531</b>	<b>58 %</b>	<b>32 %</b>	<b>10 %</b>	<b>531</b>	<b>69.4 %</b>	<b>\$107.60</b>	<b>\$74.64</b>	<b>531</b>	<b>55.7 %</b>	<b>\$105.06</b>	<b>\$58</b>	<b>94 %</b>	<b>82.6 %</b>
Secondary Competitors	1,158	54 %	28 %	18 %	897	74.1 %	\$132.80	\$98.42	905	61.7 %	\$126.64	\$78	104 %	110.2 %
<b>Totals/Averages</b>	<b>1,689</b>	<b>55 %</b>	<b>29 %</b>	<b>15 %</b>	<b>1,428</b>	<b>72.3 %</b>	<b>\$123.81</b>	<b>\$89.58</b>	<b>1,436</b>	<b>59.5 %</b>	<b>\$119.17</b>	<b>\$71</b>	<b>100 %</b>	<b>100.0 %</b>

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

**FIGURE 1-3 SECONDARY COMPETITORS – OPERATING PERFORMANCE**

Property	Number of Rooms	Est. Segmentation			Total Competitive Level	Estimated 2019				Estimated 2021			
		Commercial	Leisure	Group		Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
SpringHill Suites by Marriott Cincinnati Midtown	122	60 %	20 %	20 %	80 %	98	70 - 75 %	\$130 - \$140	\$100 - \$105	98	55 - 60 %	\$110 - \$115	\$65 - \$70
Courtyard by Marriott Cincinnati Midtown/Rookwood	123	60	25	15	80	98	70 - 75	160 - 170	120 - 125	98	45 - 50	140 - 150	70 - 75
Hilton Garden Inn Cincinnati Midtown	120	60	25	15	80	96	70 - 75	140 - 150	95 - 100	96	70 - 75	125 - 130	90 - 95
Residence Inn by Marriott Cincinnati Midtown Rookwood	118	60	30	10	80	94	75 - 80	150 - 160	115 - 120	94	60 - 65	130 - 140	85 - 90
Aloft Newport on the Levee	144	60	30	10	80	115	75 - 80	125 - 130	100 - 105	115	70 - 75	140 - 150	105 - 110
Hampton by Hilton Newport Cincinnati	122	55	35	10	80	90	85 - 90	150 - 160	130 - 140	98	75 - 80	150 - 160	120 - 125
Fairfield by Marriott Newport	124	55	35	10	80	99	65 - 70	105 - 110	70 - 75	99	50 - 55	90 - 95	45 - 50
Holiday Inn Express Cincinnati Newport	73	55	35	10	80	58	65 - 70	115 - 120	80 - 85	58	50 - 55	105 - 110	55 - 60
Holiday Inn & Suites Cincinnati Eastgate	212	30	20	50	70	148	65 - 70	100 - 105	65 - 70	148	50 - 55	100 - 105	50 - 55
<b>Totals/Averages</b>	<b>1,158</b>	<b>54 %</b>	<b>28 %</b>	<b>18 %</b>	<b>78 %</b>	<b>897</b>	<b>74.1 %</b>	<b>\$132.80</b>	<b>\$98.42</b>	<b>905</b>	<b>61.7 %</b>	<b>\$126.64</b>	<b>\$78.10</b>

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

**Summary of Forecast  
Occupancy and  
Average Rate**

Based on our analysis presented in the Projection of Occupancy and Average Rate chapter, we have chosen to use a stabilized occupancy level of 71% and a base-year rate position of for the proposed subject hotel. The following table reflects a summary of our proposed subject hotel occupancy and average rate (ADR) projections.

**FIGURE 1-4 FORECAST OF OCCUPANCY AND AVERAGE RATE**

Year	Occupancy	Average Rate		Average Rate After Discount
		Before Discount	Discount	
2025	64 %	\$137.46	1.0 %	\$136.09
2026	69	141.59	1.0	140.17
2027	71	145.83	0.0	145.83

**Summary of Forecast  
Income and Expense  
Statement**

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

**FIGURE 1-5 DETAILED FORECAST OF INCOME AND EXPENSE**

	2025 (Calendar Year)				2026				Stabilized				2028				2029			
Number of Rooms:	100				100				100				100				100			
Occupancy:	64%				69%				71%				71%				71%			
Average Rate:	\$136.09				\$140.17				\$145.83				\$150.21				\$154.71			
RevPAR:	\$87.10				\$96.72				\$103.54				\$106.65				\$109.85			
Days Open:	365				365				365				365				365			
Occupied Rooms:	23,360	%Gross	PAR	POR	25,185	%Gross	PAR	POR	25,915	%Gross	PAR	POR	25,915	%Gross	PAR	POR	25,915	%Gross	PAR	POR
<b>OPERATING REVENUE</b>																				
Rooms	\$3,179	97.3 %	\$31,790	\$136.09	\$3,530	97.5 %	\$35,300	\$140.16	\$3,779	97.6 %	\$37,790	\$145.82	\$3,893	97.6 %	\$38,930	\$150.22	\$4,009	97.6 %	\$40,090	\$154.70
Other Operated Departments	58	1.8	577	2.47	61	1.7	607	2.41	63	1.6	631	2.43	65	1.6	650	2.51	67	1.6	669	2.58
Miscellaneous Income	29	0.9	289	1.24	30	0.8	304	1.21	32	0.8	315	1.22	32	0.8	325	1.25	33	0.8	335	1.29
<b>Total Operating Revenues</b>	<b>3,266</b>	<b>100.0</b>	<b>32,656</b>	<b>139.79</b>	<b>3,621</b>	<b>100.0</b>	<b>36,211</b>	<b>143.78</b>	<b>3,874</b>	<b>100.0</b>	<b>38,736</b>	<b>149.47</b>	<b>3,990</b>	<b>100.0</b>	<b>39,905</b>	<b>153.98</b>	<b>4,109</b>	<b>100.0</b>	<b>41,094</b>	<b>158.57</b>
<b>DEPARTMENTAL EXPENSES *</b>																				
Rooms	753	23.7	7,528	32.23	798	22.6	7,981	31.69	831	22.0	8,314	32.08	856	22.0	8,564	33.05	882	22.0	8,821	34.04
Other Operated Departments	27	46.0	265	1.14	27	45.3	275	1.09	28	45.0	284	1.10	29	45.0	292	1.13	30	45.0	301	1.16
<b>Total Expenses</b>	<b>779</b>	<b>23.9</b>	<b>7,793</b>	<b>33.36</b>	<b>826</b>	<b>22.8</b>	<b>8,256</b>	<b>32.78</b>	<b>860</b>	<b>22.2</b>	<b>8,598</b>	<b>33.18</b>	<b>886</b>	<b>22.2</b>	<b>8,856</b>	<b>34.17</b>	<b>912</b>	<b>22.2</b>	<b>9,122</b>	<b>35.20</b>
<b>DEPARTMENTAL INCOME</b>	<b>2,486</b>	<b>76.1</b>	<b>24,862</b>	<b>106.43</b>	<b>2,795</b>	<b>77.2</b>	<b>27,955</b>	<b>111.00</b>	<b>3,014</b>	<b>77.8</b>	<b>30,138</b>	<b>116.30</b>	<b>3,105</b>	<b>77.8</b>	<b>31,048</b>	<b>119.81</b>	<b>3,197</b>	<b>77.8</b>	<b>31,972</b>	<b>123.37</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	257	7.9	2,569	11.00	269	7.4	2,693	10.69	280	7.2	2,800	10.80	288	7.2	2,884	11.13	297	7.2	2,970	11.46
Info & Telecom Systems	45	1.4	447	1.91	47	1.3	468	1.86	49	1.3	487	1.88	50	1.3	502	1.94	52	1.3	517	1.99
Marketing	201	6.2	2,011	8.61	211	5.8	2,107	8.37	219	5.7	2,191	8.45	226	5.7	2,257	8.71	232	5.7	2,324	8.97
Franchise Fee	254	7.8	2,543	10.89	282	7.8	2,824	11.21	302	7.8	3,023	11.67	311	7.8	3,114	12.02	321	7.8	3,207	12.38
Prop. Operations & Maint.	125	3.8	1,251	5.36	148	4.1	1,475	5.86	170	4.4	1,704	6.58	176	4.4	1,755	6.77	181	4.4	1,808	6.98
Utilities	134	4.1	1,340	5.74	140	3.9	1,405	5.58	146	3.8	1,461	5.64	150	3.8	1,505	5.81	155	3.8	1,550	5.98
<b>Total Expenses</b>	<b>1,016</b>	<b>31.2</b>	<b>10,161</b>	<b>43.50</b>	<b>1,097</b>	<b>30.3</b>	<b>10,973</b>	<b>43.57</b>	<b>1,167</b>	<b>30.2</b>	<b>11,665</b>	<b>45.01</b>	<b>1,202</b>	<b>30.2</b>	<b>12,016</b>	<b>46.37</b>	<b>1,238</b>	<b>30.2</b>	<b>12,376</b>	<b>47.75</b>
<b>GROSS OPERATING PROFIT</b>	<b>1,470</b>	<b>44.9</b>	<b>14,701</b>	<b>62.93</b>	<b>1,698</b>	<b>46.9</b>	<b>16,982</b>	<b>67.43</b>	<b>1,847</b>	<b>47.6</b>	<b>18,473</b>	<b>71.28</b>	<b>1,903</b>	<b>47.6</b>	<b>19,032</b>	<b>73.44</b>	<b>1,960</b>	<b>47.6</b>	<b>19,596</b>	<b>75.62</b>
Management Fee	98	3.0	980	4.19	109	3.0	1,086	4.31	116	3.0	1,162	4.48	120	3.0	1,197	4.62	123	3.0	1,233	4.76
<b>INCOME BEFORE NON-OPR. INC. &amp; EXP.</b>	<b>1,372</b>	<b>41.9</b>	<b>13,721</b>	<b>58.74</b>	<b>1,590</b>	<b>43.9</b>	<b>15,896</b>	<b>63.12</b>	<b>1,731</b>	<b>44.6</b>	<b>17,311</b>	<b>66.80</b>	<b>1,784</b>	<b>44.6</b>	<b>17,835</b>	<b>68.82</b>	<b>1,836</b>	<b>44.6</b>	<b>18,364</b>	<b>70.86</b>
<b>NON-OPERATING INCOME &amp; EXPENSE</b>																				
Property Taxes	85	2.6	852	3.65	351	9.7	3,508	13.93	361	9.3	3,614	13.94	372	9.3	3,722	14.36	383	9.3	3,834	14.79
Insurance	34	1.1	344	1.47	35	1.0	355	1.41	37	0.9	365	1.41	38	0.9	376	1.45	39	0.9	387	1.49
<b>Total Expenses</b>	<b>120</b>	<b>3.7</b>	<b>1,196</b>	<b>5.12</b>	<b>386</b>	<b>10.7</b>	<b>3,863</b>	<b>15.34</b>	<b>398</b>	<b>10.2</b>	<b>3,979</b>	<b>15.35</b>	<b>410</b>	<b>10.2</b>	<b>4,098</b>	<b>15.81</b>	<b>422</b>	<b>10.2</b>	<b>4,221</b>	<b>16.29</b>
<b>EBITDA</b>	<b>1,253</b>	<b>38.2</b>	<b>12,526</b>	<b>53.62</b>	<b>1,203</b>	<b>33.2</b>	<b>12,033</b>	<b>47.78</b>	<b>1,333</b>	<b>34.4</b>	<b>13,332</b>	<b>51.44</b>	<b>1,374</b>	<b>34.4</b>	<b>13,737</b>	<b>53.01</b>	<b>1,414</b>	<b>34.4</b>	<b>14,143</b>	<b>54.57</b>
Reserve for Replacement	65	2.0	653	2.80	109	3.0	1,086	4.31	155	4.0	1,549	5.98	160	4.0	1,596	6.16	164	4.0	1,644	6.34
<b>EBITDA LESS RESERVE</b>	<b>\$1,187</b>	<b>36.2 %</b>	<b>\$11,872</b>	<b>\$50.82</b>	<b>\$1,095</b>	<b>30.2 %</b>	<b>\$10,947</b>	<b>\$43.46</b>	<b>\$1,178</b>	<b>30.4 %</b>	<b>\$11,782</b>	<b>\$45.47</b>	<b>\$1,214</b>	<b>30.4 %</b>	<b>\$12,141</b>	<b>\$46.85</b>	<b>\$1,250</b>	<b>30.4 %</b>	<b>\$12,499</b>	<b>\$48.23</b>

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

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

	2025		2026		2027		2028		2029		2030		2031		2032		2033		2034	
<b>Number of Rooms:</b>	<b>100</b>		<b>100</b>		<b>100</b>		<b>100</b>		<b>100</b>		<b>100</b>		<b>100</b>		<b>100</b>		<b>100</b>		<b>100</b>	
<b>Occupied Rooms:</b>	<b>23,360</b>		<b>25,185</b>		<b>25,915</b>		<b>25,915</b>		<b>25,915</b>		<b>25,915</b>		<b>25,915</b>		<b>25,915</b>		<b>25,915</b>		<b>25,915</b>	
<b>Occupancy:</b>	<b>64%</b>		<b>69%</b>		<b>71%</b>		<b>71%</b>		<b>71%</b>		<b>71%</b>		<b>71%</b>		<b>71%</b>		<b>71%</b>		<b>71%</b>	
<b>Average Rate:</b>	<b>\$136.09</b>	% of	<b>\$140.17</b>	% of	<b>\$145.83</b>	% of	<b>\$150.21</b>	% of	<b>\$154.71</b>	% of	<b>\$159.36</b>	% of	<b>\$164.14</b>	% of	<b>\$169.06</b>	% of	<b>\$174.13</b>	% of	<b>\$179.36</b>	% of
<b>RevPAR:</b>	<b>\$87.10</b>	Gross	<b>\$96.72</b>	Gross	<b>\$103.54</b>	Gross	<b>\$106.65</b>	Gross	<b>\$109.85</b>	Gross	<b>\$113.14</b>	Gross	<b>\$116.54</b>	Gross	<b>\$120.03</b>	Gross	<b>\$123.63</b>	Gross	<b>\$127.34</b>	Gross
<b>OPERATING REVENUE</b>																				
Rooms	\$3,179	97.3 %	\$3,530	97.5 %	\$3,779	97.6 %	\$3,893	97.6 %	\$4,009	97.6 %	\$4,130	97.6 %	\$4,254	97.6 %	\$4,381	97.6 %	\$4,513	97.6 %	\$4,648	97.6 %
Other Operated Departments	58	1.8	61	1.7	63	1.6	65	1.6	67	1.6	69	1.6	71	1.6	73	1.6	75	1.6	78	1.6
Miscellaneous Income	29	0.9	30	0.8	32	0.8	32	0.8	33	0.8	34	0.8	36	0.8	37	0.8	38	0.8	39	0.8
<b>Total Operating Revenues</b>	<b>3,266</b>	<b>100.0</b>	<b>3,621</b>	<b>100.0</b>	<b>3,874</b>	<b>100.0</b>	<b>3,990</b>	<b>100.0</b>	<b>4,109</b>	<b>100.0</b>	<b>4,233</b>	<b>100.0</b>	<b>4,361</b>	<b>100.0</b>	<b>4,491</b>	<b>100.0</b>	<b>4,626</b>	<b>100.0</b>	<b>4,764</b>	<b>100.0</b>
<b>DEPARTMENTAL EXPENSES *</b>																				
Rooms	753	23.7	798	22.6	831	22.0	856	22.0	882	22.0	909	22.0	936	22.0	964	22.0	993	22.0	1,023	22.0
Other Operated Departments	27	46.0	27	45.3	28	45.0	29	45.0	30	45.0	31	45.0	32	45.0	33	45.0	34	45.0	35	45.0
<b>Total Expenses</b>	<b>779</b>	<b>23.9</b>	<b>826</b>	<b>22.8</b>	<b>860</b>	<b>22.2</b>	<b>886</b>	<b>22.2</b>	<b>912</b>	<b>22.2</b>	<b>940</b>	<b>22.2</b>	<b>968</b>	<b>22.2</b>	<b>997</b>	<b>22.2</b>	<b>1,027</b>	<b>22.2</b>	<b>1,057</b>	<b>22.2</b>
<b>DEPARTMENTAL INCOME</b>	<b>2,486</b>	<b>76.1</b>	<b>2,795</b>	<b>77.2</b>	<b>3,014</b>	<b>77.8</b>	<b>3,105</b>	<b>77.8</b>	<b>3,197</b>	<b>77.8</b>	<b>3,294</b>	<b>77.8</b>	<b>3,393</b>	<b>77.8</b>	<b>3,494</b>	<b>77.8</b>	<b>3,599</b>	<b>77.8</b>	<b>3,707</b>	<b>77.8</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	257	7.9	269	7.4	280	7.2	288	7.2	297	7.2	306	7.2	315	7.2	325	7.2	334	7.2	344	7.2
Info & Telecom Systems	45	1.4	47	1.3	49	1.3	50	1.3	52	1.3	53	1.3	55	1.3	56	1.3	58	1.3	60	1.3
Marketing	201	6.2	211	5.8	219	5.7	226	5.7	232	5.7	239	5.7	247	5.7	254	5.7	262	5.7	269	5.7
Franchise Fee	254	7.8	282	7.8	302	7.8	311	7.8	321	7.8	330	7.8	340	7.8	350	7.8	361	7.8	372	7.8
Prop. Operations & Maint.	125	3.8	148	4.1	170	4.4	176	4.4	181	4.4	186	4.4	192	4.4	198	4.4	203	4.4	210	4.4
Utilities	134	4.1	140	3.9	146	3.8	150	3.8	155	3.8	160	3.8	164	3.8	169	3.8	174	3.8	180	3.8
<b>Total Expenses</b>	<b>1,016</b>	<b>31.2</b>	<b>1,097</b>	<b>30.3</b>	<b>1,167</b>	<b>30.2</b>	<b>1,202</b>	<b>30.2</b>	<b>1,238</b>	<b>30.2</b>	<b>1,275</b>	<b>30.2</b>	<b>1,313</b>	<b>30.2</b>	<b>1,352</b>	<b>30.2</b>	<b>1,393</b>	<b>30.2</b>	<b>1,435</b>	<b>30.2</b>
<b>GROSS OPERATING PROFIT</b>	<b>1,470</b>	<b>44.9</b>	<b>1,698</b>	<b>46.9</b>	<b>1,847</b>	<b>47.6</b>	<b>1,903</b>	<b>47.6</b>	<b>1,960</b>	<b>47.6</b>	<b>2,019</b>	<b>47.6</b>	<b>2,080</b>	<b>47.6</b>	<b>2,142</b>	<b>47.6</b>	<b>2,206</b>	<b>47.6</b>	<b>2,272</b>	<b>47.6</b>
Management Fee	98	3.0	109	3.0	116	3.0	120	3.0	123	3.0	127	3.0	131	3.0	135	3.0	139	3.0	143	3.0
<b>INCOME BEFORE NON-OPR. INC. &amp; EXP.</b>	<b>1,372</b>	<b>41.9</b>	<b>1,590</b>	<b>43.9</b>	<b>1,731</b>	<b>44.6</b>	<b>1,784</b>	<b>44.6</b>	<b>1,836</b>	<b>44.6</b>	<b>1,892</b>	<b>44.6</b>	<b>1,949</b>	<b>44.6</b>	<b>2,007</b>	<b>44.6</b>	<b>2,068</b>	<b>44.6</b>	<b>2,129</b>	<b>44.6</b>
<b>NON-OPERATING INCOME &amp; EXPENSE</b>																				
Property Taxes	85	2.6	351	9.7	361	9.3	372	9.3	383	9.3	395	9.3	407	9.3	419	9.3	431	9.3	444	9.3
Insurance	34	1.1	35	1.0	37	0.9	38	0.9	39	0.9	40	0.9	41	0.9	42	0.9	44	0.9	45	0.9
<b>Total Expenses</b>	<b>120</b>	<b>3.7</b>	<b>386</b>	<b>10.7</b>	<b>398</b>	<b>10.2</b>	<b>410</b>	<b>10.2</b>	<b>422</b>	<b>10.2</b>	<b>435</b>	<b>10.2</b>	<b>448</b>	<b>10.2</b>	<b>461</b>	<b>10.2</b>	<b>475</b>	<b>10.2</b>	<b>489</b>	<b>10.2</b>
<b>EBITDA</b>	<b>1,253</b>	<b>38.2</b>	<b>1,203</b>	<b>33.2</b>	<b>1,333</b>	<b>34.4</b>	<b>1,374</b>	<b>34.4</b>	<b>1,414</b>	<b>34.4</b>	<b>1,457</b>	<b>34.4</b>	<b>1,501</b>	<b>34.4</b>	<b>1,546</b>	<b>34.4</b>	<b>1,592</b>	<b>34.4</b>	<b>1,640</b>	<b>34.4</b>
Reserve for Replacement	65	2.0	109	3.0	155	4.0	160	4.0	164	4.0	169	4.0	174	4.0	180	4.0	185	4.0	191	4.0
<b>EBITDA LESS RESERVE</b>	<b>\$1,187</b>	<b>36.2 %</b>	<b>\$1,095</b>	<b>30.2 %</b>	<b>\$1,178</b>	<b>30.4 %</b>	<b>\$1,214</b>	<b>30.4 %</b>	<b>\$1,250</b>	<b>30.4 %</b>	<b>\$1,288</b>	<b>30.4 %</b>	<b>\$1,327</b>	<b>30.4 %</b>	<b>\$1,366</b>	<b>30.4 %</b>	<b>\$1,407</b>	<b>30.4 %</b>	<b>\$1,449</b>	<b>30.4 %</b>

As illustrated, the hotel is expected to stabilize at a profitable level. Please refer to the Forecast of Income and Expense chapter of our report for a detailed explanation of the methodology used in deriving this forecast.

### Scope of Work

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

1. All information was collected and analyzed by the staff of TS Worldwide, LLC. Information was supplied by the client and/or the property's development team.
2. The subject site has been evaluated from the viewpoint of its physical utility for the future operation of a hotel, as well as access, visibility, and other relevant factors.
3. The subject property's proposed improvements have been reviewed for their expected quality of construction, design, and layout efficiency.
4. The surrounding economic environment, on both an area and neighborhood level, has been reviewed to identify specific hospitality-related economic and demographic trends that may have an impact on future demand for hotels.
5. Dividing the market for hotel accommodations into individual segments defines specific market characteristics for the types of travelers expected to utilize the area's hotels. The factors investigated include purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.

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

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

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

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

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

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

## 2. Description of the Site and Neighborhood

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

For this study, we analyzed two potential sites for hotel development in Anderson Township. The first site is located in south Anderson Township, east of the intersection formed by Sutton Road and Kellogg Road (Kellogg Road site). A second site was considered for this study, located northeast of the intersection of Beechmont Avenue and Five Mile Road (Anderson Towne Center site). The Kellogg Road site has the advantage of its proximity to riverfront entertainment venues like Belterra Park, Coney Island Amusement Park, and Riverbend Music Center. Furthermore, this site offers the possibility for future retail and restaurant development on the remainder of the 36-acre parcel. The challenges of this site include the current lack of restaurant options in the neighborhood and the seasonal nature of the leisure attractions. This site is in the city of Anderson Township, Ohio.



**LOCATION MAP**



**Physical Characteristics**

The Kellogg Road site is a 36-acre parcel controlled by Belterra Park Gaming. For the purpose of this study, we have assumed a hotel would be developed on a two-acre portion of this site with frontage along Kellogg Road. We have assumed the site size will be conducive to a hotel development. The parcel's adjacent uses are set forth in the following table.

**FIGURE 2-1 SUBJECT PARCEL'S ADJACENT USES**

<b>Direction</b>	<b>Adjacent Use</b>
North	Interstate 275
South	Kellogg Road
East	Residences
West	New Path Child and Family Solutions

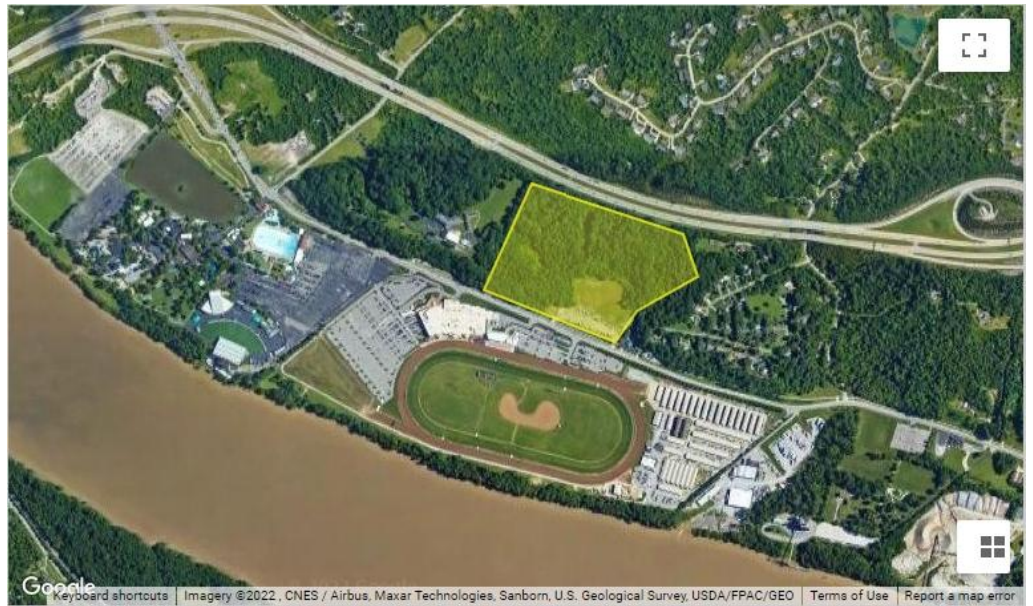
**Topography and Site Utility**

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

**SUBJECT SITE PLAT MAP**



## AERIAL PHOTOGRAPH



### Access and Visibility

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

## MAP OF REGIONAL ACCESS ROUTES



This market is served by a variety of major routes, including interstates and highways, as illustrated on the map. Regional access to/from the city of Cincinnati, Anderson Township, and the subject site, in particular, is considered very good.

Vehicular access to the Kellogg Road site will be provided by Kellogg Road. The subject site is located near a busy intersection and is relatively simple to locate from Interstate 275, which is the nearest major highway. The proposed subject hotel is anticipated to have adequate signage at the street, as well as on its façade. Overall, the subject site benefits from very good accessibility, and the proposed hotel is expected to enjoy very good visibility from within its local neighborhood.

### Airport Access

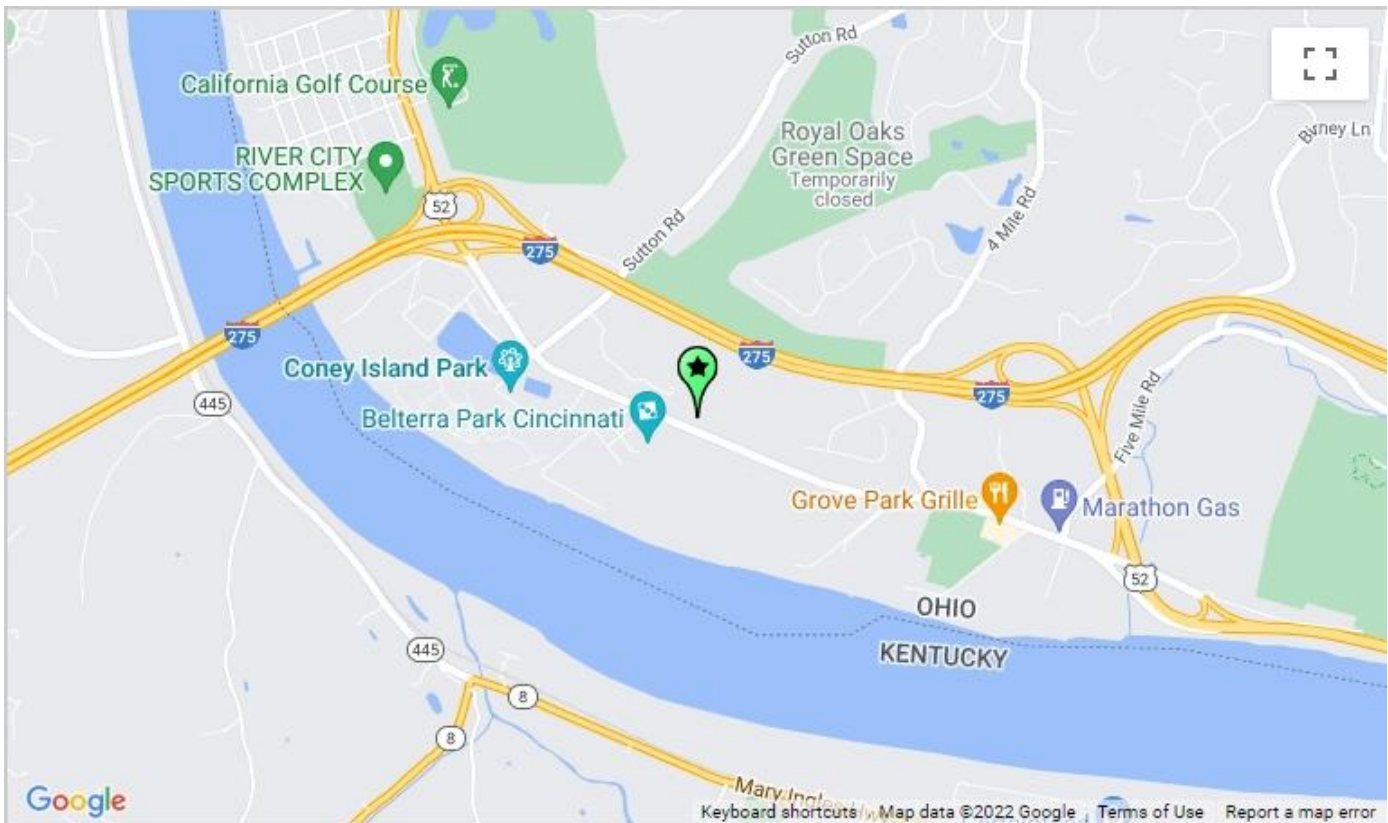
The proposed subject hotel will be served by the Cincinnati/Northern Kentucky International Airport, which is located approximately twelve miles to the southwest of the subject site.

## Neighborhood

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

The neighborhood that surrounds the Kellogg Road site is generally defined by Interstate 275 to the north and west, the Ohio River to the south, and U.S. Highway 52 to the east. The neighborhood is characterized by entertainment venues along the riverfront, with residential areas located along the secondary roadways. Some specific entities in the area include Belterra Park, Coney Island Park, and Riverbend Music Center; we note that there are no hotels located within this neighborhood. Restaurants located near the subject site include Grove Park Grille and several venues within Belterra Park. In general, this neighborhood is in the stable stage of its life cycle. In 2019, Coney Island ownership began removing all amusement park rides from the complex. This remodel was done to focus on the waterpark amenities. The proposed subject hotel's opening should be a positive influence on the area; the hotel should be in character with and will complement surrounding land uses.

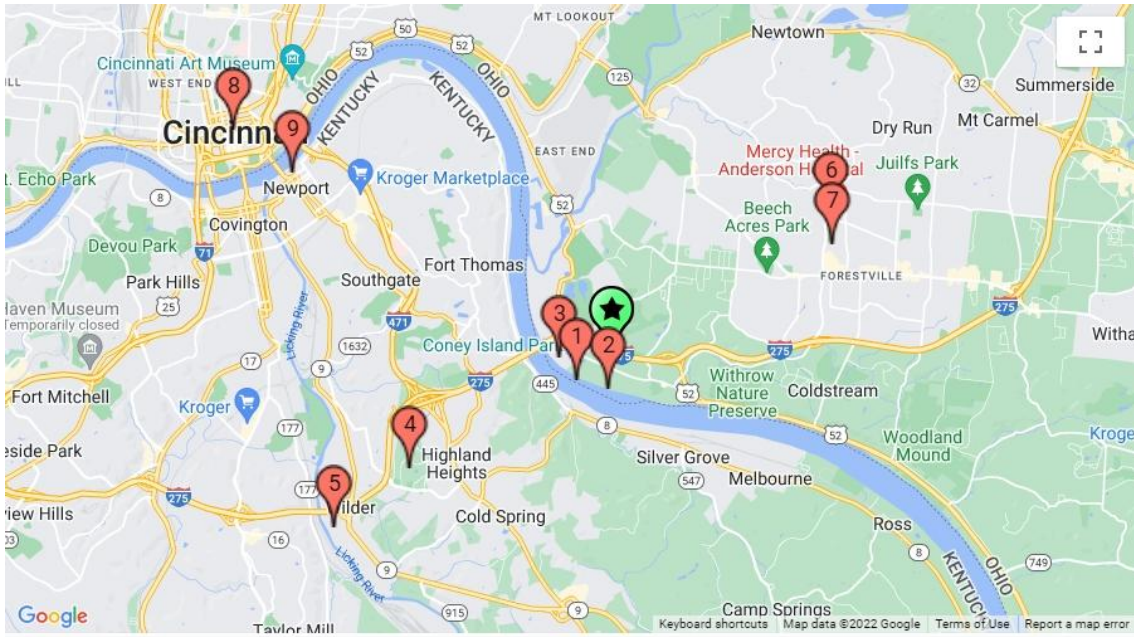
## MAP OF NEIGHBORHOOD



### Proximity to Local Demand Generators and Attractions

Both proposed subject sites are located near the area's primary generators of lodging demand. A sample of these demand generators is reflected on the following map, including respective distances from and drive times to the subject site. Additionally, the Kellogg Road site is proximate to several riverfront entertainment attractions, such as Belterra Park, Riverbend Music Center, and Coney Island. The Downtown site is proximate to Mercy Health and Anderson Towne Center. Overall, the subject sites are well situated with respect to demand generators.

## ACCESS TO DEMAND GENERATORS AND ATTRACTIONS



	<b>Demand Generator</b>	<b>Approx. Time from Subject Property</b>	<b>Approx. Distance</b>
	Subject Property		
1	Riverbend Music Center	🚗 2 minutes	0.5 mile
2	Belterra Park Gaming	🚗 right there	0.1 mile
3	Coney Island Amusement Park	🚗 1 minute	0.5 mile
4	Northern Kentucky University	🚗 7 minutes	4.5 miles
5	Town & Country Sports and Health Club	🚗 10 minutes	6.6 miles
6	Mercy Health - Anderson Hospital	🚗 12 minutes	5.9 miles
7	Anderson Center	🚗 11 minutes	5.2 miles
8	Downtown Cincinnati	🚗 13 minutes	9.4 miles
9	Newport Aquarium	🚗 13 minutes	8.6 miles

### Utilities

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

### Soil and Subsoil Conditions

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

### Nuisances and Hazards

We were not informed of any site-specific nuisances or hazards, and there were no visible signs of toxic ground contaminants at the time of our inspection. Because we

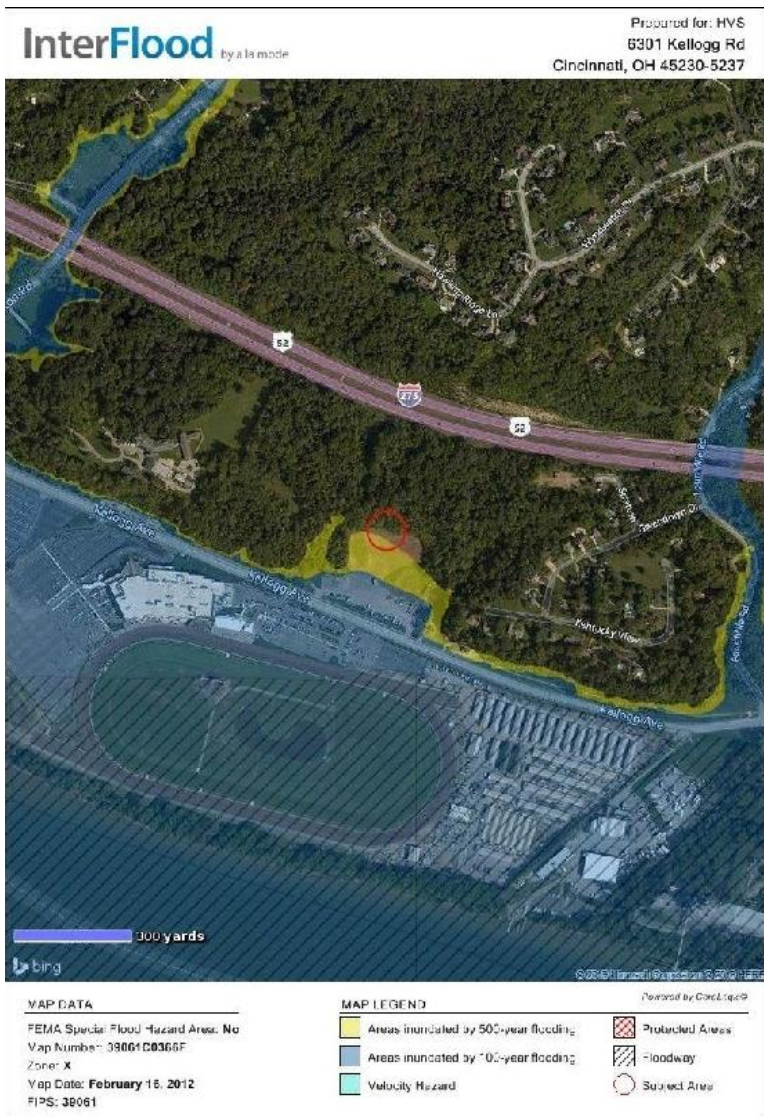


are not experts in this field, we do not warrant the absence of hazardous waste and urge the reader to obtain an independent analysis of these factors.

**Flood Zone**

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

**COPY OF FLOOD MAP AND COVER**



The flood zone definition for the Zone X designation is as follows: the flood insurance rate zone that corresponds to areas outside the 100-year floodplains, areas of 100-year sheet flow flooding where average depths are less than 1 foot, areas of 100-year stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 100-year flood by levees. No Base Flood Elevations or depths are shown within this zone.

**Zoning**

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

**FIGURE 2-2 ZONING**

Municipality Governing Zoning	Anderson Township
Current Zoning	Retail Business District
Current Use	Vacant
Is Current Use Permitted?	Yes
Is Change in Zoning Likely?	No
Permitted Uses	Retail, Restaurant, Hotel, Small Office
Hotel Allowed	Yes
Legally Non-Conforming	Not Applicable

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

**Legal Description, Easements and Encroachments**

A copy of the subject property's legal description is provided in the addenda to this report. We are not experts in interpreting legal descriptions. The description appears to be accurate; however, we suggest obtaining verification of this description from a qualified expert. We are not aware of any easements attached to the property that would significantly affect the utility of the site or marketability of this project.

**Conclusion**

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities. The Kellogg Road site is favorably located proximate to multiple entertainment venues along Kellogg Road, including Belterra Park, Coney Island, and Riverbend Music Center. Furthermore, the site is favorably located proximate to the interstate and near a major interchange. In general, the site should be well suited for future hotel use, with acceptable access, visibility, and topography for an effective operation.

### 3. Market Area Analysis

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

#### Market Area Definition

The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject site is located in the city of Cincinnati, the county of Hamilton, and the state of Ohio. Anderson Township is a bedroom community located approximately 13 miles southeast of Cincinnati, along the Ohio River. Cincinnati is located on the southeastern Ohio border along the Ohio River. The metropolitan area encompasses a three-state region, including parts of Indiana and Kentucky. Top firms in Cincinnati represent key industries such as aerospace, automotive, biotechnology, brand design, creative services, chemistry, financial services, IT services, and consumer goods. Together, these sectors have helped fortify the city's economic position in recent years. The city has been successful at not only retaining area businesses, but also at attracting new establishments. The area's low cost of living, aggressive development incentives and excellent accessibility via multiple transportation routes have brought national recognition to the MSA. The region fares well on a national scale, with a large presence of Fortune 500 and 1000 companies headquartered in the Cincinnati area.

## CINCINNATI

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

## MAP OF MARKET AREA



### Economic and Demographic Review

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

These data are summarized in the following table.

**FIGURE 3-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY**

	2010	2019	2021	2026	Average Annual Compounded Change		
					2010-19	2019-21	2021-26
<b>Resident Population (Thousands)</b>							
Hamilton County	802.3	817.5	816.7	818.1	0.2 %	(0.0) %	0.0 %
Cincinnati, OH-KY-IN MSA	2,140.7	2,221.2	2,238.3	2,290.9	0.4	0.4	0.5
Cincinnati-Wilmington-Maysville, OH-KY-IN CSA	2,200.1	2,280.2	2,297.5	2,350.5	0.4	0.4	0.5
State of Ohio	11,539.3	11,689.1	11,728.9	11,876.2	0.1	0.2	0.3
United States	309,321.6	328,241.4	332,219.5	343,776.8	0.7	0.6	0.7
<b>Per-Capita Personal Income*</b>							
Hamilton County	\$47,046	\$56,196	\$58,630	\$63,376	2.0	2.1	1.6
Cincinnati, OH-KY-IN MSA	42,177	51,009	52,849	57,026	2.1	1.8	1.5
Cincinnati-Wilmington-Maysville, OH-KY-IN CSA	42,020	50,750	52,564	56,711	2.1	1.8	1.5
State of Ohio	38,216	45,698	47,290	51,181	2.0	1.7	1.6
United States	42,366	51,424	53,262	57,739	2.2	1.8	1.6
<b>W&amp;P Wealth Index</b>							
Hamilton County	110.1	110.5	111.1	110.9	0.0	0.3	(0.0)
Cincinnati, OH-KY-IN MSA	99.0	99.4	99.4	99.0	0.0	0.0	(0.1)
Cincinnati-Wilmington-Maysville, OH-KY-IN CSA	98.6	98.9	98.9	98.5	0.0	(0.0)	(0.1)
State of Ohio	89.2	88.4	88.3	88.2	(0.1)	(0.0)	(0.0)
United States	100.0	100.0	100.0	100.0	(0.0)	0.0	0.0
<b>Food and Beverage Sales (Millions)*</b>							
Hamilton County	\$1,650	\$2,131	\$2,213	\$2,435	2.9	1.9	1.9
Cincinnati, OH-KY-IN MSA	3,511	4,484	4,684	5,191	2.8	2.2	2.1
Cincinnati-Wilmington-Maysville, OH-KY-IN CSA	3,587	4,577	4,781	5,299	2.7	2.2	2.1
State of Ohio	16,885	21,340	22,238	24,629	2.6	2.1	2.1
United States	475,553	683,513	718,507	814,042	4.1	2.5	2.5
<b>Total Retail Sales (Millions)*</b>							
Hamilton County	\$12,316	\$15,039	\$15,657	\$16,644	2.2	2.0	1.2
Cincinnati, OH-KY-IN MSA	31,106	40,681	42,762	46,566	3.0	2.5	1.7
Cincinnati-Wilmington-Maysville, OH-KY-IN CSA	31,951	41,608	43,730	47,598	3.0	2.5	1.7
State of Ohio	157,986	191,097	199,986	215,361	2.1	2.3	1.5
United States	4,387,108	5,538,706	5,846,867	6,434,974	2.6	2.7	1.9

\*Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population grew at an average annual compounded rate of 0.7% from 2010 through 2019. The county's population has grown more slowly than the nation's population; the average annual growth rate of 0.2% between 2010 and 2019 reflects a gradually expanding area. Following this population trend, per-capita personal income increased modestly, at 2.0% on average annually for the county between 2010 and 2019. Local wealth indexes have remained stable in recent years, registering a high 110.5 level for the county in 2019.

Food and beverage sales totaled \$2,131 million in the county in 2019, versus \$1,650 million in 2010. This reflects a 2.9% average annual change. The pace of growth is anticipated to be 1.9% through 2026. The retail sales sector demonstrated an annual increase of 2.2% in the decade spanning from 2010 to 2019. An increase of 1.2% average annual change is expected in county retail sales through 2026.

### Workforce Characteristics

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

The following table sets forth the county workforce distribution by business sector in 2019, 2020, and 2019, as well as a forecast for 2026.

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

Industry	2019		2020		2021		2026		Average Annual Compounded Change		
	Employment	Percent of Total	Employment	Percent of Total	Employment	Percent of Total	Employment	Percent of Total	2019-2020	2020-2021	2021-2026
Farm	0.4	0.1 %	0.4	0.1 %	0.4	0.1 %	0.4	0.1 %	(0.2) %	0.0 %	(0.2) %
Forestry, Fishing, Related Activities And Other	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	(6.3)	5.4	(0.7)
Mining	0.4	0.1	0.3	0.1	0.4	0.1	0.4	0.1	(15.3)	16.5	(0.6)
Utilities	1.4	0.2	1.4	0.2	1.4	0.2	1.3	0.2	(0.7)	(0.7)	(0.8)
Construction	31.0	4.6	30.4	4.8	30.9	4.6	30.7	4.4	(2.0)	1.8	(0.1)
Manufacturing	52.6	7.9	50.5	7.9	52.2	7.7	50.0	7.1	(4.0)	3.3	(0.9)
Total Trade	75.2	11.3	72.3	11.4	74.4	11.0	72.3	10.3	(3.8)	2.9	(0.6)
Wholesale Trade	26.3	3.9	25.4	4.0	25.9	3.8	25.0	3.6	(3.3)	2.0	(0.7)
Retail Trade	48.9	7.3	46.9	7.4	48.5	7.2	47.3	6.8	(4.1)	3.4	(0.5)
Transportation And Warehousing	22.3	3.3	21.8	3.4	22.3	3.3	22.2	3.2	(2.1)	2.3	(0.1)
Information	10.4	1.6	9.9	1.6	10.3	1.5	9.9	1.4	(5.3)	4.1	(0.7)
Finance And Insurance	45.5	6.8	47.0	7.4	48.6	7.2	55.4	7.9	3.2	3.4	2.7
Real Estate And Rental And Lease	29.1	4.4	28.1	4.4	29.5	4.4	31.3	4.5	(3.7)	5.1	1.2
Total Services	337.4	50.6	314.1	49.3	345.7	51.0	365.0	52.2	(6.9)	10.1	1.1
Professional And Technical Services	56.4	8.5	56.4	8.9	58.4	8.6	62.9	9.0	(0.0)	3.6	1.5
Management Of Companies And Enterprises	26.5	4.0	25.6	4.0	26.5	3.9	26.3	3.8	(3.1)	3.3	(0.1)
Administrative And Waste Services	42.3	6.3	38.6	6.1	42.6	6.3	43.1	6.2	(8.7)	10.4	0.2
Educational Services	16.5	2.5	15.5	2.4	17.5	2.6	20.0	2.9	(5.7)	12.6	2.7
Health Care And Social Assistance	97.7	14.6	95.6	15.0	100.4	14.8	107.4	15.3	(2.1)	5.0	1.4
Arts, Entertainment, And Recreation	18.7	2.8	13.9	2.2	19.5	2.9	21.3	3.1	(25.7)	40.1	1.8
Accommodation And Food Services	49.0	7.3	40.5	6.4	50.5	7.5	54.0	7.7	(17.4)	24.7	1.3
Other Services, Except Public Administration	30.4	4.6	27.9	4.4	30.3	4.5	30.0	4.3	(8.1)	8.6	(0.2)
Total Government	61.4	9.2	60.2	9.5	61.1	9.0	60.4	8.6	(1.9)	1.5	(0.2)
Federal Civilian Government	8.5	1.3	8.9	1.4	8.4	1.2	8.2	1.2	4.5	(5.4)	(0.5)
Federal Military	2.2	0.3	2.2	0.3	2.2	0.3	2.2	0.3	0.0	(0.0)	0.0
State And Local Government	50.7	7.6	49.1	7.7	50.5	7.5	50.0	7.2	(3.0)	2.8	(0.2)
TOTAL	667.5	100.0 %	636.7	100.0 %	677.5	100.0 %	699.6	100.0 %	(4.6) %	6.4 %	0.6 %
MSA	1,414.6	—	1,346.5	—	1,445.0	—	1,516.4	—	(4.8) %	7.3 %	1.0 %
U.S.	203,809.5	—	191,619.5	—	209,319.1	—	222,948.2	—	(6.0)	9.2	1.3

Source: Woods & Poole Economics, Inc.



Woods & Poole Economics, Inc. reports that during the period from 2019 to 2021, total employment in the county grew at an average annual rate of 0.8%. Of the primary employment sectors, Total Services recorded the highest increase in number of employees during the period from 2019 to 2021, increasing by 8,307 people, or 10.1%, and rising from 50.6% to 51.0% of total employment. Of the various service sub-sectors, Health Care And Social Assistance and Professional And Technical Services were the largest employers. Strong growth was also recorded in the Finance And Insurance sector, as well as the Real Estate And Rental And Lease sector, which expanded by 3.4% and 4.1%, respectively, in the period from 2019 to 2021. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 0.6% on average annually through 2026. The trend is below the forecast rate of change for the U.S. as a whole during the same period.

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

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

Year	Total		Office		Industrial		Households	% Chg	Population	% Chg	Household	
	Employment	% Chg	Employment	% Chg	Employment	% Chg					Avg. Income	% Chg
2009	983,200	—	298,834	—	171,753	—	827,580	—	2,113,260	—	\$100,237	—
2010	985,000	0.2 %	301,989	1.1 %	169,880	(1.1) %	827,290	(0.0) %	2,120,700	0.4 %	106,982	6.7 %
2011	998,270	1.3	305,844	1.3	172,004	1.3	832,330	0.6	2,125,960	0.2	112,739	5.4
2012	1,014,000	1.6	312,094	2.0	174,801	1.6	837,430	0.6	2,134,020	0.4	117,775	4.5
2013	1,032,570	1.8	317,480	1.7	177,344	1.5	843,230	0.7	2,144,250	0.5	115,941	(1.6)
2014	1,050,000	1.7	321,684	1.3	181,536	2.4	847,870	0.6	2,153,850	0.4	121,962	5.2
2015	1,069,700	1.9	325,234	1.1	185,104	2.0	852,320	0.5	2,163,450	0.4	125,923	3.2
2016	1,086,530	1.6	331,155	1.8	187,089	1.1	857,190	0.6	2,174,420	0.5	129,337	2.7
2017	1,099,230	1.2	332,333	0.4	188,576	0.8	861,080	0.5	2,184,740	0.5	134,162	3.7
2018	1,113,430	1.3	334,524	0.7	191,543	1.6	865,980	0.6	2,193,690	0.4	139,846	4.2
2019	1,126,070	1.1	338,094	1.1	191,993	0.2	869,240	0.4	2,202,990	0.4	144,589	3.4
2020	1,067,770	(5.2)	326,654	(3.4)	179,196	(6.7)	869,630	0.0	2,210,280	0.3	151,618	4.9
2021	1,095,200	2.6	332,018	1.6	182,976	2.1	877,420	0.9	2,220,780	0.5	158,533	4.6
<b>Forecasts</b>												
2022	1,114,000	1.7 %	337,046	1.5 %	187,378	2.4 %	884,050	0.8 %	2,232,590	0.5 %	165,956	4.7 %
2023	1,126,290	1.1	339,606	0.8	188,403	0.5	889,630	0.6	2,242,660	0.5	173,938	4.8
2024	1,135,390	0.8	342,560	0.9	189,290	0.5	893,970	0.5	2,250,950	0.4	182,008	4.6
2025	1,137,980	0.2	343,797	0.4	189,186	(0.1)	897,800	0.4	2,258,430	0.3	189,561	4.1
2026	1,139,450	0.1	345,254	0.4	188,672	(0.3)	901,180	0.4	2,265,560	0.3	197,244	4.1
<b>Average Annual Compound Change</b>												
2009 - 2021		0.9 %		0.9 %		0.5 %		0.5 %		0.4 %		3.9 %
Forecast 2022 - 2026		0.6 %		0.6 %		0.2 %		0.5 %		0.4 %		4.4 %

Source: REIS Report, 2nd Quarter, 2022

For the Cincinnati market, of the roughly 1,100,000 persons employed, 30% are categorized as office employees, while 17% are categorized as industrial employees. Total employment is expected to expand by 1.7% in 2022, while office employment is forecast to expand by 1.5% in 2022. By 2022, total employment is anticipated to rebound to 2019 levels.

The number of households is forecast to expand by 0.5% on average annually between 2022 and 2026. Population is forecast to expand during this same period, at an average annual compounded rate of 0.4%. Household average income is forecast to grow by 4.4% on average annually from 2022 through 2026.

### Radial Demographic Snapshot

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

**FIGURE 3-4 DEMOGRAPHICS BY RADIUS**

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
<b>Population</b>			
2027 Projection	1,058	35,292	123,330
2022 Estimate	1,034	34,877	120,991
2010 Census	995	34,434	116,770
2000 Census	959	34,670	117,251
Percent Change: 2022 to 2027	2.3%	1.2%	1.9%
Percent Change: 2010 to 2022	3.9%	1.3%	3.6%
Percent Change: 2000 to 2010	3.8%	-0.7%	-0.4%
<b>Households</b>			
2027 Projection	387	14,778	51,851
2022 Estimate	378	14,544	50,681
2010 Census	362	14,147	48,247
2000 Census	346	14,561	47,720
Percent Change: 2022 to 2027	2.4%	1.6%	2.3%
Percent Change: 2010 to 2022	4.4%	2.8%	5.0%
Percent Change: 2000 to 2010	4.6%	-2.8%	1.1%
<b>Income</b>			
2022 Est. Average Household Income	\$173,174	\$109,719	\$109,722
2022 Est. Median Household Income	137,203	79,717	77,271
<b>2022 Est. Civ. Employed Pop 16+ by Occupation</b>			
Architecture/Engineering	13	315	1,052
Arts/Design/Entertainment/Sports/Media	6	324	1,338
Building/Grounds Cleaning/Maintenance	14	389	1,329
Business/Financial Operations	75	1,639	5,615
Community/Social Services	15	367	1,402
Computer/Mathematical	12	857	2,753
Construction/Extraction	18	565	1,712
Education/Training/Library	25	1,349	4,398
Farming/Fishing/Forestry	0	21	62
Food Preparation/Serving Related	38	943	3,436
Healthcare Practitioner/Technician	66	1,306	4,660
Healthcare Support	14	391	1,131
Installation/Maintenance/Repair	9	378	1,314
Legal	21	296	1,064
Life/Physical/Social Science	19	250	929
Management	61	2,380	8,124
Office/Administrative Support	40	1,727	6,045
Production	18	652	2,802
Protective Services	7	337	1,085
Sales/Related	64	2,016	6,937
Personal Care/Service	21	488	1,301
Transportation/Material Moving	22	962	3,663

Source: Environics Analytics

**Unemployment Statistics**

This source reports a population of 120,991 and 50,681 households within a five-mile radius of the subject site. The average household income within this radius is reported at \$109,722, while the median is \$77,271.

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

**FIGURE 3-5 UNEMPLOYMENT STATISTICS**

Year	City	MSA	State	U.S.
2012	8.0 %	7.4 %	7.4 %	8.1 %
2013	8.0	7.3	7.5	7.4
2014	6.1	5.5	5.8	6.2
2015	5.0	4.5	4.9	5.3
2016	4.9	4.4	5.0	4.9
2017	4.8	4.3	5.0	4.4
2018	4.5	4.0	4.5	3.9
2019	4.2	3.7	4.1	3.7
2020	9.1	7.0	8.2	8.1
2021	5.6	4.4	5.1	5.4
<i>Recent Month - May</i>				
2021	5.7 %	4.3 %	5.1 %	5.8 %
2022	3.5	3.0	3.6	3.6

Source: U.S. Bureau of Labor Statistics

Prior to the pandemic, U.S. unemployment levels were firmly below the 4.6% level recorded in 2006 and 2007, the peak years of the economic cycle prior to the Great Recession. The unemployment rate for February 2020 was 3.5%. The unemployment rate had remained in the 3.5% to 3.7% range since April 2019, reflecting a trend of stability and strength of the U.S. economy. However, in April 2020, unemployment rose to 14.7%, and employment dropped by 20.7 million because of the COVID-19 pandemic. Steady declines in unemployment have been registered since April 2020; most recently, the national unemployment rate was 3.5% in July 2022. A 386,000-, 398,000-, and 528,000-person rise in employment was registered in May, June, and July 2022, respectively. In July, the most significant

gains were reported in the leisure and hospitality, professional and business services, and healthcare industries.

Locally, the unemployment rate was 5.6% in 2021; for this same area in 2022, the most recent month's unemployment rate was registered at 3.5%, versus 5.7% for the same month in 2021. As illustrated in the foregoing table, unemployment remained stable in 2013 and declined in 2014; this positive trend generally continued through 2019. Reportedly, strong employment within the fields of healthcare, distribution, and manufacturing, including at such major employers as The Kroger Company and the University of Cincinnati, contributed to this trend. However, unemployment data for 2020 illustrate a sharp increase given the effects of the COVID-19 pandemic and related global economic crisis, which included massive furloughs/layoffs. Unemployment declined in 2021 as the economy began to rebound, and the most recent comparative period shows where the local market stands in 2022 relative to the same month of 2021, reflecting improvement given the strengthening economic conditions.

#### **Major Business and Industry**

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

**FIGURE 3-6 MAJOR EMPLOYERS**

<b>Rank</b>	<b>Firm</b>	<b>Number of Employees</b>
1	The Kroger Co.	18,000
2	Cincinnati Children's Hospital	16,478
3	TriHealth	12,000
4	St. Elizabeth Healthcare	10,282
5	University of Cincinnati	10,196
6	UC Health	10,112
7	Procter & Gamble	10,000
8	GE Aviation	9,000
9	Bon Secours Mercy Health	7,700
10	Fifth Third Bancorp	7,521

Source: Cincinnati Business Courier, 2021

The region's major employers are primarily related to consumer goods, higher education, and health care. Greater Cincinnati is home to many Fortune 500 and 1000 headquarters, including Kroger, Procter & Gamble, and Cintas Corp, as well as headquarters for several financial services firms, such as American Financial Group, Fifth Third Bancorp, Western & Southern Financial Group, and Cincinnati Financial. In recent years, the region has become a focal point for distribution and logistics operations. In 2022, Total Quality Logistics announced plans to expand its headquarters, representing its third expansion since 2019, which is expected to add over 1,000 jobs to the region. In northern Kentucky, much of the growth has been related to the Cincinnati/Northern Kentucky International Airport (CVG). In 2016, DHL completed a \$108-million expansion of its cargo hub at CVG; in 2021, DHL announced plans to increase its workforce by 1,000. Furthermore, in 2021, Amazon completed its \$1.49-billion air-services hub at CVG, which now serves as its global air-freight headquarters. Although many employers in the market temporarily reduced staffing and/or suspended operations following the onset of the COVID-19 pandemic in March 2020, an economic recovery began in May 2020 when regulations began to be lifted; moreover, tourism rebounded rapidly during the summer of 2021. The return of international travel, increasing convention activity,

and improving office-space occupancy should bolster the economic recovery going forward.

### Office Space Statistics

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

**FIGURE 3-7 OFFICE SPACE STATISTICS – MARKET OVERVIEW**

Submarket	Inventory		Occupied Office Space	Vacancy Rate	Average Asking Lease Rate
	Buildings	Square Feet			
1 Blue Ash	85	5,169,000	3,605,000	30.3 %	\$20.21
2 Butler/Warren Counties	60	3,064,000	2,315,000	24.4	19.79
3 Central Business District	66	11,746,000	10,013,000	14.8	20.24
<b>4 E Hamilton-Clermont Counties</b>	<b>32</b>	<b>1,369,000</b>	<b>1,128,000</b>	<b>17.6</b>	<b>16.85</b>
5 I-71 North	52	3,747,000	3,148,000	16.0	20.60
6 Midtown	43	2,011,000	1,555,000	22.7	20.27
7 North Cincinnati/I-75	32	2,420,000	1,593,000	34.2	18.53
8 Northern Kentucky	84	4,493,000	3,813,000	15.1	18.97
9 West Hamilton	26	1,181,000	839,000	29.0	\$15.96
<b>Totals and Averages</b>	<b>480</b>	<b>35,200,000</b>	<b>28,009,000</b>	<b>20.4 %</b>	<b>\$19.68</b>

Source: REIS Report, 2nd Quarter, 2022

The greater Cincinnati market comprises a total of 35.2 million square feet of office space. For the 2nd Quarter of 2022, the market reported a vacancy rate of 20.4% and an average asking rent of \$19.68. The subject property is located in the E Hamilton-Clermont Counties submarket, which houses 1,369,000 square feet of office space. The submarket's vacancy rate of 17.6% is below the overall market average. The average asking lease rate of \$16.85 is below the average for the broader market.

The following table illustrates a trend of office space statistics for the overall Cincinnati market and the E Hamilton-Clermont Counties submarket.



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

Year	Cincinnati Market							E Hamilton-Clermont Counties Submarket						
	Available Office Space	% Chg	Occupied Office Space	% Chg	Vacancy Rate	Asking Lease Rate	% Chg	Available Office Space	% Chg	Occupied Office Space	% Chg	Vacancy Rate	Asking Lease Rate	% Chg
2009	32,742,000	—	26,435,000	—	19.3 %	\$18.74	—	1,369,000	—	1,073,000	—	21.6 %	\$15.67	—
2010	33,000,000	0.8 %	26,499,000	0.2 %	19.7	18.67	(0.4) %	1,369,000	0.0 %	1,031,000	(3.9) %	24.7	16.18	3.3 %
2011	33,800,000	2.4	26,848,000	1.3	20.6	18.64	(0.2)	1,369,000	0.0	1,029,000	(0.2)	24.8	16.26	0.5
2012	33,800,000	0.0	26,825,000	(0.1)	20.6	18.62	(0.1)	1,369,000	0.0	1,008,000	(2.0)	26.4	16.19	(0.4)
2013	33,948,000	0.4	27,315,000	1.8	19.5	18.74	0.6	1,369,000	0.0	1,061,000	5.3	22.5	16.61	2.6
2014	33,797,000	(0.4)	27,164,000	(0.6)	19.6	19.07	1.8	1,369,000	0.0	1,069,000	0.8	21.9	16.95	2.0
2015	33,896,000	0.3	27,941,000	2.9	17.6	19.25	0.9	1,369,000	0.0	1,064,000	(0.5)	22.3	17.38	2.5
2016	34,758,000	2.5	28,631,000	2.5	17.6	19.49	1.2	1,369,000	0.0	1,095,000	2.9	20.0	17.58	1.2
2017	34,900,000	0.4	28,202,000	(1.5)	19.2	19.67	0.9	1,369,000	0.0	1,117,000	2.0	18.4	18.12	3.1
2018	34,720,000	(0.5)	28,190,000	(0.0)	18.8	19.90	1.2	1,369,000	0.0	1,094,000	(2.1)	20.1	18.42	1.7
2019	34,720,000	0.0	28,146,000	(0.2)	18.9	20.04	0.7	1,369,000	0.0	1,124,000	2.7	17.9	18.70	1.5
2020	35,120,000	1.2	28,627,000	1.7	18.5	20.04	0.0	1,369,000	0.0	1,131,000	0.6	17.4	18.46	(1.3)
2021	35,200,000	0.2	28,361,000	(0.9)	19.4	19.82	(1.1)	1,369,000	0.0	1,071,000	(5.3)	21.8	17.17	(7.0)
<b>Forecasts</b>														
2022	35,600,000	1.1 %	28,269,000	(0.3) %	20.6 %	19.82	0.0 %	1,369,000	0.0 %	1,121,000	4.7 %	18.1 %	16.89	(1.6) %
2023	35,600,000	0.0	28,461,000	0.7	20.0	19.97	0.8	1,369,000	0.0	1,107,000	(1.2)	19.1	16.93	0.2
2024	35,990,000	1.1	28,959,000	1.7	19.5	20.28	1.6	1,369,000	0.0	1,101,000	(0.5)	19.6	17.12	1.1
2025	36,112,000	0.3	29,204,000	0.8	19.1	20.63	1.7	1,369,000	0.0	1,111,000	0.9	18.8	17.34	1.3
2026	36,304,000	0.5	29,542,000	1.2	18.6	21.03	1.9	1,369,000	0.0	1,123,000	1.1	18.0	17.58	1.4
<b>Average Annual Compound Change</b>														
2009 - 2021		0.6 %		0.6 %			0.5 %		(0.0) %		(0.0) %			0.8 %
Forecast 2022 - 2026		0.5 %		1.1 %			1.5 %		0.0 %		0.0 %			1.0 %

Source: REIS Report, 2nd Quarter, 2022

The level of occupied office space is forecast to initially increase in this Cincinnati market, to roughly 1,100,000 square feet in 2022. Occupied office space recovers to 1,100,000 by 2026.

### Airport Traffic

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

Many major commercial airlines service the Cincinnati/Northern Kentucky International Airport (CVG). The airport is centrally located in Hebron, Kentucky and is convenient to several major markets such as Columbus (90 miles), Dayton (68 miles), Indianapolis (96 miles), Louisville (79 miles), and Lexington (68 miles). In May 2012, the main terminal, passenger tunnel, and Concourse A reopened after a \$36.5-million renovation including new technology enhancements and the addition of new shopping and dining options. Concourse A was expanded from eight gates to sixteen. All airlines currently operate out of one main terminal, with Delta utilizing Concourse B and all other carriers utilizing Concourse A. In 2017, Terminals 1 and 2 were demolished to make room for a centralized rental-car facility. Construction of this \$150-million project began in February 2018. In the summer of 2018, a portion of the Terminal 2 parking garage was demolished to make way for a new entry road. The new entry road was completed in August 2019, while the 1.4-million-square-foot rental facility was completed in October 2021.

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

**FIGURE 3-9 AIRPORT STATISTICS - CINCINNATI/NORTHERN KENTUCKY INTERNATIONAL AIRPORT**

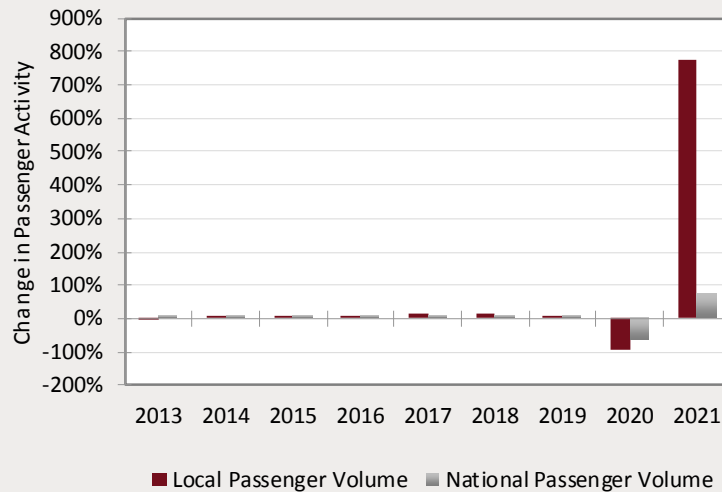
<b>Year</b>	<b>Passenger Traffic</b>	<b>Percent Change*</b>	<b>Percent Change**</b>
2012	6,038,817	—	—
2013	5,718,255	(5.3) %	(5.3) %
2014	5,908,711	3.3	(1.1)
2015	6,316,332	6.9	1.5
2016	6,773,905	7.2	2.9
2017	7,842,149	15.8	5.4
2018	8,865,568	13.1	6.6
2019	9,103,554	2.7	6.0
2020	718,487	(92.1)	(23.4)
2021	6,282,253	774.4	0.4
<b><i>Year-to-date, Jun</i></b>			
2021	2,614,476	—	—
2022	3,515,737	34.5 %	—

\*Annual average compounded percentage change from the previous year

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

Source: Cincinnati/Northern Kentucky International Airport

**FIGURE 3-10 LOCAL PASSENGER TRAFFIC VS. NATIONAL TREND**



Source: HVS, Local Airport Authority

This facility recorded 6,282,253 passengers in 2021. The change in passenger traffic between 2020 and 2021 was 774.4%. The average annual change during the period shown was 0.4%. Following years of record growth in passenger traffic, data from 2020 illustrate a significant decline given the impact of the COVID-19 pandemic and the travel restrictions that were implemented. However, the 2021 data show a rebound in passenger traffic, a trend that has continued thus far in 2022, per the latest statistics. Passenger volume should continue to recover and improve now that most travel restrictions have been rescinded and economic activity has begun to rebound.

**Tourist Attractions**

The subject market benefits from a variety of tourism and leisure attractions in the area. Leisure demand generators within Anderson Township include Coney Island Amusement Park, Riverbend Music Center, and Belterra Park. Leisure demand generators in the greater Cincinnati area include the Cincinnati Bengals professional football team, the Cincinnati Reds professional baseball team, FC Cincinnati professional soccer team, The Newport Aquarium, and the Cincinnati Zoo & Botanical Gardens. Special events also typically play a role during key weekends, such as the Cincinnati Music Festival and the Western & Southern Open. Furthermore, youth sports tournaments generate notable leisure demand throughout Anderson Township and greater Cincinnati. The region contains multiple recreational sports facilities such as Clearcreek Park, Riverside Park,

Northern Kentucky University, and Towne & Country Sports. These venues and others host tournaments throughout the year. We note in the summer of 2022, Anderson Township conducted a survey of residents regarding local hotel demand. From the responses, many community members noted that visiting relatives generate some additional leisure demand within Anderson Township.

However, we note that many of the tourist attractions and entertainment venues were temporarily closed or enacted visitor restrictions because of the COVID-19 pandemic in 2020 and the first part of 2021, although restrictions were lifted in early June 2021. In May 2021, TQL Stadium, the new, \$250-million home of FC Cincinnati, opened in the West End District. Additionally, two state-of-the-art concert venues have been developed near Downtown Cincinnati. The MegaCorp Pavilion at Ovation (formerly PromoWest Pavilion) was completed in May 2021 in Downtown Newport, Kentucky. The Andrew J. Brady Music Center (formerly ICON Music Center) in the Banks District of Cincinnati was completed in June 2021. These two venues are expected to attract top-tier artists and performers year-round. In September 2022, the inaugural Kroger Queen City Championship tournament was held at Kenwood Country Club. This marked the first LPGA event in Cincinnati in over 30 years. The tournament will return in 2023 and 2024.

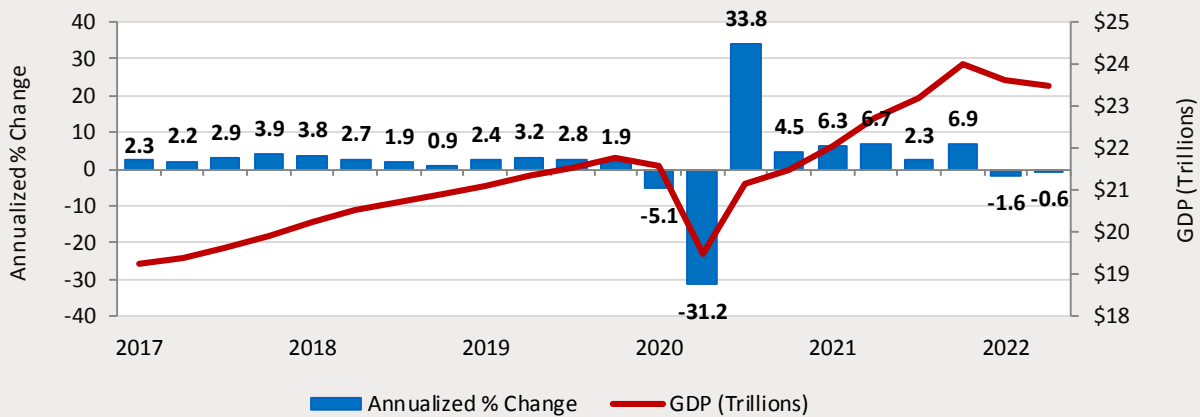
## Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. Prior to the onset of the COVID-19 pandemic and the corresponding economic crisis, Cincinnati was experiencing a period of economic strength and expansion, primarily led by the healthcare and distribution sectors, as well as the consumer goods industry. Our market interviews and research revealed that the diverse economy spurred population growth, which had previously been declining for over forty years. The greater Cincinnati market has fared better than other major cities in Ohio, bolstered by major redevelopment projects Downtown and in the urban core. While the COVID-19 pandemic continues to affect the local market, resulting in decreased business activity, inclusive of the hospitality industry, the distribution, healthcare, and higher-education sectors are strong and growing. As such, the near-term outlook for the market is best described as one of caution at this time, the long-term outlook is more optimistic.

Our analysis of the outlook for this specific market also considers the broader context of the national economy. The U.S. economy expanded at an overall rate of 2.3% in 2019, a decline from the 2.9% level achieved in 2018. For the seven quarters leading up to 2020, GDP quarterly growth ranged between 1.3% and 2.9%, reflecting moderate economic expansion. The slowdown and impact of COVID-19 became more evident in the first quarter of 2020, when GDP declined by 5.0%. As shutdowns halted major components of the U.S. economy from mid-March through May, and partial, halting re-openings continued to dampen business activity, the U.S.

economy contracted by an annualized rate of 31.2% in the second quarter, the largest such decline in U.S. history. The decline affected virtually every corner of the economy, with major decreases in personal consumption, exports, private inventory investment, residential and nonresidential fixed investment, and state and local government spending.

**FIGURE 3-11 UNITED STATES GDP GROWTH RATE**



Sources: tradingeconomics.com, Bureau of Economic Analysis

While shocking, the GDP decline during the second quarter of 2020 was offset by a significant rebound in economic activity in the third quarter of 2020, greatly moderating the overall impact for the year. The U.S. economy grew by 33.8% on an annualized basis in the third quarter, followed by more modest gains in the five quarters that followed through the end of 2021 (GDP surpassed the pre-pandemic peak by the first quarter of 2021). In the most recent two quarters, GDP contracted 1.6% and 0.6%, respectively, on an annualized basis, driven in part by the trade deficit and a decline in inventory investment and government spending. Despite the contraction, the 2022 GDP thus far remains 12.0% above the 2019 peak. Moreover, employment continues to expand and consumer spending, although slowing, remains strong, which bodes well for the hospitality industry. However, high inflation persists, and the recent and expected increases in the federal funds rate may result in a slowing economy, which could in turn suppress travel activity. Hotel investors remain optimistic about the long-term outlook for the industry, based primarily upon the strong results achieved in the first half of the year, citing factors such as the rebound in travel, rising hotel performance levels, and opportunities to generate significant returns.

## 4. Supply and Demand Analysis

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

### Definition of Subject Hotel Market

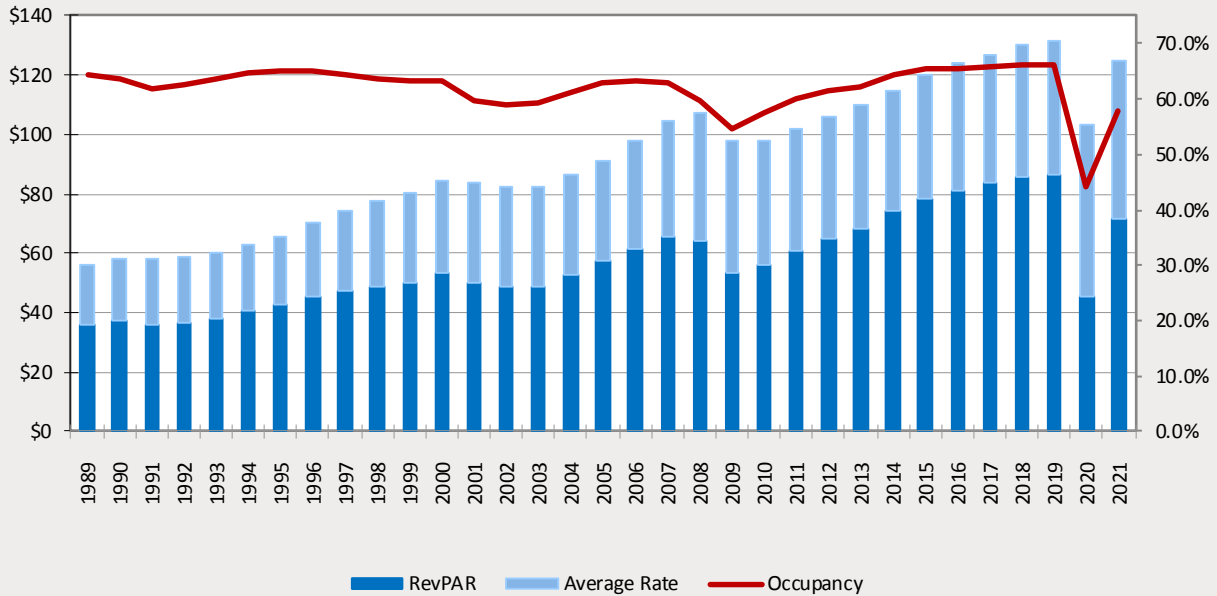
The subject site is located in the greater Cincinnati lodging market, which encompasses nearly 290 lodging facilities totaling roughly 30,000 guestrooms. Within this greater market, the direct submarket that will include the proposed subject hotel is known as Anderson Township. The proposed subject hotel is expected to compete with six hotels on a primary level based on similarities in product and location. We have considered an additional nine hotels as future secondary competitors given differences in submarket, price point, and service level.

### National Trends Overview

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

STR is an independent research firm that compiles data on the lodging industry, and this information is routinely used by typical hotel buyers. The following STR diagram presents annual hotel occupancy, average daily rate (ADR), and rooms revenue per available room (RevPAR) data since 1989. RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

**FIGURE 4-1 NATIONAL OCCUPANCY, AVERAGE RATE, AND REVPAR TRENDS**



Source: STR

The preceding chart illustrates the impact of the recessions of the early 1990s, 2000s, the financial crisis of 2008/09, and the recent pandemic on the U.S. lodging industry. In each case, the downturn caused lodging demand to drop, resulting in an occupancy decline. The aggregate ADR also fell, as hoteliers used price as a marketing tool to attract demand and support occupancy levels. As occupancy recovered, ADR growth resumed, although the ADR recovery lagged somewhat behind occupancy levels, as price discounts contributed to the initial recovery of demand. Following the financial crisis of the Great Recession, occupancy fell by over eight points, and ADR declined by 5.9%, resulting in an 18.3% decrease in RevPAR. The market recovered steadily thereafter, with occupancy surpassing the 65.0% mark in 2015, and ADR also consistently growing, albeit at a decelerating pace.



**FIGURE 4-2 NATIONAL OCCUPANCY AND ADR TRENDS: 2019, 2020, 2021**

	Occupancy					Average Rate					RevPAR					Percent Change	
	2019	2020	% Change	2021	% Change	2019	2020	% Change	2021	% Change	2019	2020	% Change	2021	% Change	Rms. Avail.	Rms. Sold
United States	66.0 %	44.0 %	(33.3) %	57.7 %	31.1 %	\$131.23	\$103.25	(21.3) %	\$124.68	20.7 %	\$86.64	\$45.48	(47.5) %	\$71.88	58.2 %	5.2 %	37.8 %
<b>Region</b>																	
New England	64.7 %	38.8 %	(40.1) %	55.7 %	44.4 %	\$161.08	\$123.17	(23.5) %	\$156.04	25.8 %	\$104.25	\$47.77	(54.2) %	\$86.93	81.6 %	5.6 %	52.5 %
Middle Atlantic	69.0	41.3	(40.1)	55.4	34.1	166.27	115.26	(30.7)	143.60	24.1	114.81	47.65	(58.5)	79.52	66.4	4.8	40.6
South Atlantic	67.5	45.7	(32.2)	59.9	31.2	128.41	107.99	(15.9)	130.29	20.7	86.68	49.40	(43.0)	78.08	58.3	6.2	39.3
E. North Central	61.1	39.1	(36.0)	52.4	34.2	112.64	86.72	(23.0)	105.15	20.6	68.82	33.93	(50.7)	55.11	61.9	4.5	40.2
E. South Central	62.4	45.7	(26.8)	59.5	30.6	103.58	85.74	(17.2)	104.49	21.8	64.61	39.18	(39.4)	62.21	59.0	3.1	34.6
W. North Central	58.3	39.1	(32.9)	51.1	31.1	99.28	83.65	(15.7)	97.01	15.7	57.88	32.72	(43.5)	49.58	51.7	2.4	34.3
W. South Central	62.6	44.9	(28.2)	58.2	29.7	101.84	82.88	(18.6)	95.84	15.8	63.77	37.25	(41.6)	55.73	50.1	3.4	34.0
Mountain	66.9	46.7	(30.1)	59.6	28.2	121.89	105.70	(13.3)	124.82	18.5	81.54	49.39	(39.4)	74.44	51.9	6.3	36.3
Pacific	73.6	47.1	(36.0)	60.3	27.6	171.40	129.57	(24.4)	157.57	22.1	126.16	61.01	(51.6)	94.97	55.8	7.2	36.8
<b>Class</b>																	
Luxury	70.9 %	36.8 %	(48.1) %	52.3 %	42.0 %	\$304.11	\$285.78	(6.0) %	\$342.63	19.7 %	\$215.73	\$105.29	(51.2) %	\$179.24	70.0 %	18.3 %	68.0 %
Upper-Upscale	72.6	34.8	(52.1)	49.8	43.4	188.24	159.14	(15.5)	179.35	12.6	136.67	55.30	(59.5)	89.39	61.5	13.3	62.5
Upscale	71.5	42.8	(40.1)	59.3	38.8	143.60	117.80	(18.0)	133.72	13.4	102.68	50.45	(50.9)	79.35	57.4	7.1	48.6
Upper-Midscale	67.5	45.3	(32.9)	61.1	35.1	115.91	98.80	(14.8)	114.82	16.1	78.20	44.72	(42.8)	70.20	56.8	4.2	40.7
Midscale	59.5	44.4	(25.4)	57.0	28.8	95.82	84.47	(11.8)	99.25	17.9	57.03	37.52	(34.2)	56.59	51.8	2.5	32.0
Economy	59.4	49.2	(17.1)	58.8	20.0	75.50	65.45	(13.3)	77.94	18.1	44.83	32.30	(28.2)	45.83	41.8	0.0	20.0
<b>Location</b>																	
Urban	73.2 %	37.9 %	(48.2) %	51.8 %	35.9 %	\$183.20	\$127.80	(30.2) %	\$153.22	20.2 %	\$134.12	\$48.47	(63.9) %	\$79.30	63.3 %	9.9 %	49.4 %
Suburban	66.7	46.4	(30.4)	60.0	29.3	111.26	88.81	(20.2)	104.76	17.9	74.24	41.24	(44.4)	62.88	52.5	3.5	33.9
Airport	73.7	44.5	(39.6)	60.5	35.8	119.22	93.71	(21.4)	104.53	11.4	87.85	41.72	(52.5)	63.20	51.3	2.8	39.5
Interstate	57.9	44.8	(22.7)	57.8	29.5	87.86	79.05	(10.0)	92.05	16.6	50.85	35.39	(30.4)	53.22	50.9	2.0	32.1
Resort	70.0	42.9	(38.6)	57.9	35.4	182.74	170.36	(6.8)	208.73	22.4	127.85	73.13	(42.8)	120.93	65.7	14.3	54.7
Small Town	57.8	44.4	(23.1)	57.0	28.9	107.26	96.95	(9.6)	116.63	20.0	61.98	43.07	(30.5)	66.43	54.8	2.0	31.6
<b>Chain Scale</b>																	
Luxury	73.8 %	32.0 %	(56.7) %	47.8 %	49.7 %	\$343.02	\$329.54	(3.9) %	\$383.64	16.1 %	\$253.17	\$105.40	(58.4) %	\$183.44	73.8 %	23.2 %	84.3 %
Upper-Upscale	73.9	33.4	(54.8)	48.7	45.6	189.25	158.86	(16.1)	175.87	10.8	139.80	53.10	(62.0)	85.69	61.3	14.7	67.0
Upscale	72.6	43.0	(40.7)	59.7	38.9	142.38	115.11	(19.2)	128.58	11.7	103.32	49.52	(52.1)	76.75	55.1	6.8	48.4
Upper-Midscale	67.5	45.4	(32.7)	61.6	35.9	112.80	96.04	(14.9)	111.18	15.8	76.14	43.61	(42.7)	68.53	57.3	4.2	41.6
Midscale	58.1	44.2	(23.8)	56.6	28.1	86.61	77.29	(10.8)	89.42	15.7	50.30	34.19	(32.0)	50.61	48.2	1.5	30.1
Economy	58.7	50.9	(13.2)	59.7	17.6	63.70	58.21	(8.6)	66.80	14.8	37.36	29.64	(20.7)	39.89	35.0	(1.3)	16.0
Independents	63.5	44.8	(29.5)	57.2	28.2	133.08	110.74	(16.8)	137.78	24.8	84.44	49.56	(41.3)	78.87	60.0	4.6	34.1

Source: STR - December 2020 and December 2021 Lodging Reviews

The onset of the COVID-19 pandemic in March 2020 had a severe impact on the lodging industry, causing occupancy, ADR, and RevPAR to decline by unprecedented levels. The impact on the national lodging industry peaked mid-April; for the week ending April 11, 2020, STR reported that national RevPAR was 83.6% lower than the level recorded for the same week in 2019. By the conclusion of 2020, occupancy had declined 22 points, with ADR decreasing by roughly \$28.00, resulting in a RevPAR loss of 48.0% (rounded). The sharp downturn in travel caused by COVID-19 continued into early 2021, as the months of January and February 2020 had not been notably affected by the pandemic.

Hotels that traditionally derive a significant component of their demand from the larger group and convention subsegment were the hardest hit by the pandemic, followed by properties in markets with a high proportion of business and international travel. For this reason, the major metropolitan areas reported deep RevPAR declines through the first half of 2021. Hotels in locations that depend primarily on automobile traffic have fared better (including drive-to leisure destinations), and the extended-stay category has also outperformed the national average, fueling the illustrated 2021 recovery. Gaining traction in the summer of 2021, group demand began to show signs of recovery, albeit at a slower pace. Accordingly, by the end of 2021, nationwide occupancy had rebounded to nearly 58.0%, with ADR reaching roughly \$125, representing a RevPAR gain of 58.0% (rounded).

Many corporations and institutions have begun to return to offices, at least in some capacity. Group travel is recovering at an accelerating pace, as participants feel increasingly comfortable gathering in larger numbers. Leisure demand, which led the recovery in many markets, remains strong, with ADR levels in most destinations surpassing historical levels. Accordingly, hotel owners, operators, and investors generally anticipate the hospitality industry to recover at an accelerating pace, as vaccines, medical therapies, and public confidence, combined with few pandemic-related restrictions, support a return of travel. The overall economic upswing supported strong results in the first half of the year. However, the elevated inflation rate and related increases in the federal funds rate may impact the degree of growth over the balance of the year.

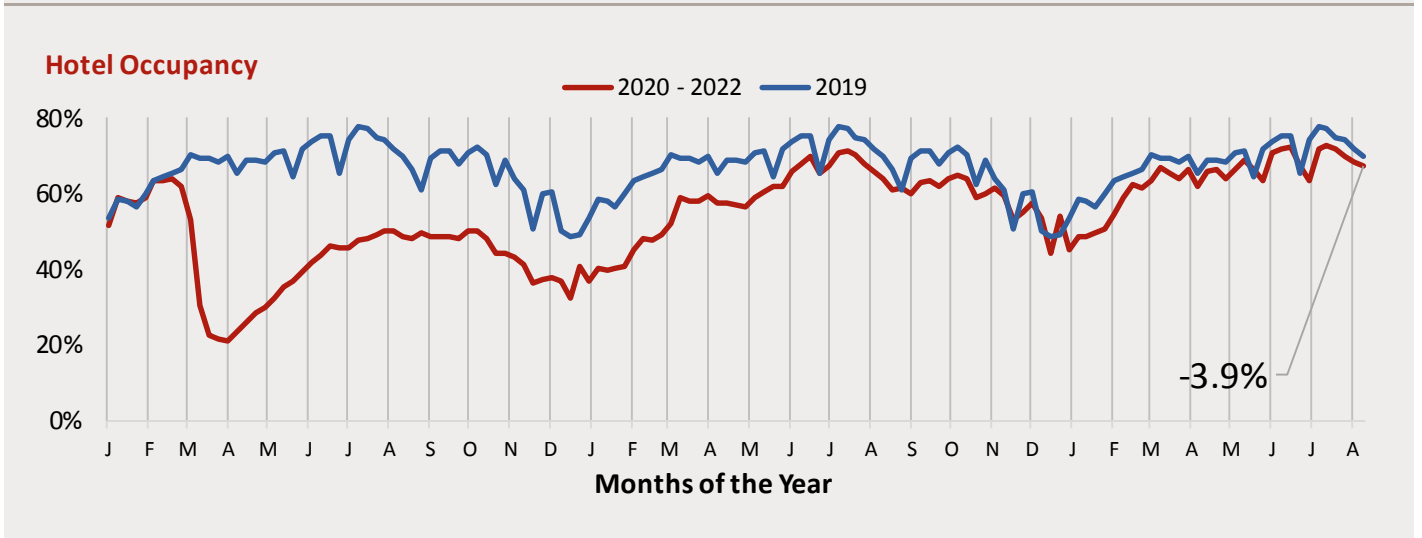
**FIGURE 4-3 RECENT NATIONAL OCCUPANCY AND ADR TRENDS**

	Occupancy - YTD July			Average Rate - YTD July			RevPAR - YTD July			Percent Change	
	2021	2022	% Change	2021	2022	% Change	2021	2022	% Change	Rms. Avail.	Rms. Sold
United States	51.1 %	59.9 %	17.1 %	\$106.75	\$142.82	33.8 %	\$54.56	\$85.50	56.7 %	3.4 %	21.1 %
<b>Region</b>											
New England	50.2 %	61.8 %	23.2 %	\$138.55	\$177.68	28.2 %	\$69.52	\$109.81	57.9 %	2.8 %	26.6 %
Middle Atlantic	51.0	60.6	18.8	126.10	168.96	34.0	64.31	102.36	59.2	7.6	27.8
South Atlantic	60.1	66.0	9.8	129.32	155.98	20.6	77.73	102.98	32.5	3.1	13.3
E. North Central	49.5	56.7	14.6	97.64	120.62	23.5	48.36	68.44	41.5	2.6	17.6
E. South Central	58.9	62.4	6.0	99.41	118.67	19.4	58.58	74.10	26.5	1.7	7.7
W. North Central	49.3	54.9	11.4	93.62	107.82	15.2	46.15	59.22	28.3	0.5	11.9
W. South Central	57.7	61.7	6.9	90.66	112.07	23.6	52.32	69.14	32.1	1.3	8.3
Mountain	57.8	64.3	11.2	117.93	146.27	24.0	68.18	93.99	37.9	1.2	12.5
Pacific	57.8	67.4	16.7	146.25	190.62	30.3	84.51	128.50	52.0	3.9	21.2
<b>Class</b>											
Luxury	48.3 %	62.3 %	28.9 %	\$316.82	\$369.01	16.5 %	\$153.16	\$229.94	50.1 %	7.4 %	38.5 %
Upper-Upscale	46.0	62.4	35.7	165.33	206.96	25.2	75.98	129.07	69.9	7.9	46.4
Upscale	57.1	66.6	16.5	124.88	155.23	24.3	71.36	103.33	44.8	4.2	21.3
Upper-Midscale	60.0	65.5	9.2	108.93	129.10	18.5	65.31	84.53	29.4	2.8	12.2
Midscale	56.0	59.1	5.5	95.46	109.90	15.1	53.45	64.93	21.5	0.2	5.7
Economy	58.7	59.2	0.8	73.56	83.87	14.0	43.21	49.68	15.0	(0.9)	(0.1)
<b>Location</b>											
Urban	47.8 %	61.9 %	29.5 %	\$135.14	\$190.56	41.0 %	\$64.64	\$118.02	82.6 %	9.0 %	41.1 %
Suburban	58.6	64.3	9.7	98.55	122.26	24.1	57.75	78.63	36.1	1.5	11.3
Airport	58.2	68.6	17.8	98.20	126.17	28.5	57.18	86.56	51.4	1.6	19.7
Interstate	57.0	59.1	3.7	88.90	100.55	13.1	50.67	59.42	17.3	0.6	4.4
Resort	56.8	66.8	17.6	206.69	242.75	17.4	117.48	162.20	38.1	4.8	23.2
Small Town	56.0	58.1	3.8	112.12	126.53	12.8	62.77	73.51	17.1	0.6	4.4
<b>Chain Scale</b>											
Luxury	42.2 %	62.2 %	47.6 %	\$370.81	\$428.24	15.5 %	\$156.40	\$266.52	70.4 %	8.6 %	60.2 %
Upper-Upscale	44.2	62.6	41.7	165.31	209.92	27.0	73.03	131.40	79.9	8.8	54.2
Upscale	57.4	67.2	17.0	121.16	151.97	25.4	69.59	102.17	46.8	4.6	22.4
Upper-Midscale	60.4	65.9	9.2	106.25	125.77	18.4	64.15	82.89	29.2	3.4	12.9
Midscale	55.9	58.2	4.2	86.49	98.65	14.1	48.32	57.43	18.9	(0.2)	4.0
Economy	59.8	59.8	(0.1)	64.72	72.38	11.8	38.71	43.27	11.8	(2.3)	(2.4)
Independents	55.9	60.6	8.4	131.26	158.33	20.6	73.33	95.90	30.8	1.9	10.4

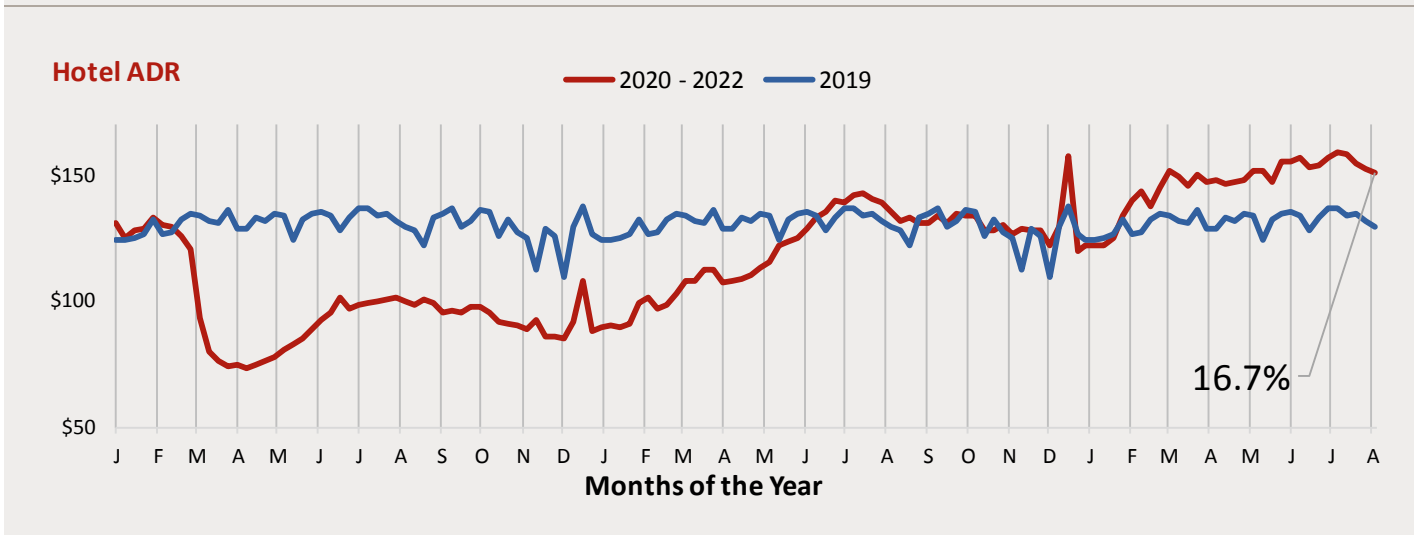
Source: STR - July 2022 Lodging Review

To further understand the nature, timing, and degree of the impact of the pandemic and subsequent recovery, we have reviewed the following weekly data for the U.S. lodging industry, as published by STR.

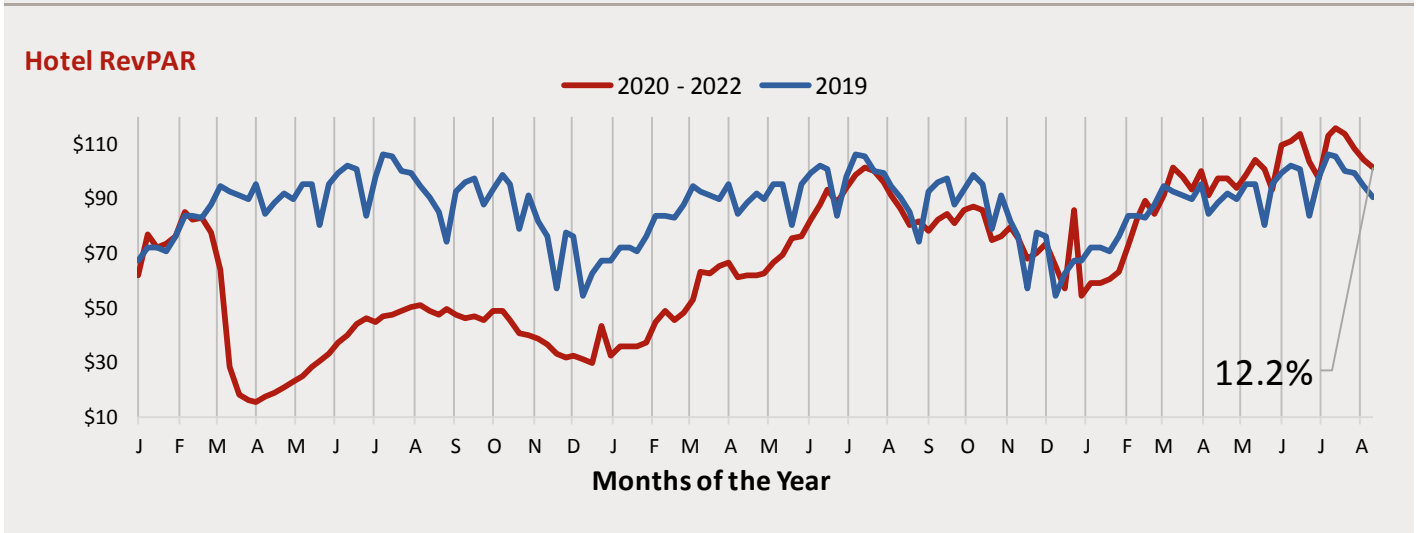
**FIGURE 4-4 NATIONAL OCCUPANCY TRENDS – WEEKLY DATA**



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



**FIGURE 4-6 NATIONAL REVPAR TRENDS – WEEKLY DATA**



**Historical Supply and Demand Data**

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

In response to the travel restrictions and the decline in demand associated with the COVID-19 pandemic, numerous hotels in markets across the nation temporarily suspended operations. During these suspensions, hotels were typically closed to the public, with the majority of staff furloughed; however, key management and maintenance staff were retained to preserve the property and prepare for reopening. One hotel in the competitive subject market suspended operations because of the COVID-19 pandemic; however, it has since reopened. Our analysis considers the full supply of competitive rooms, including any hotels that may have temporarily suspended operations. It is important to note that we have adjusted STR data to reflect the total available rooms in the market and true occupancy, regardless of suspended operations at competitive hotels.

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

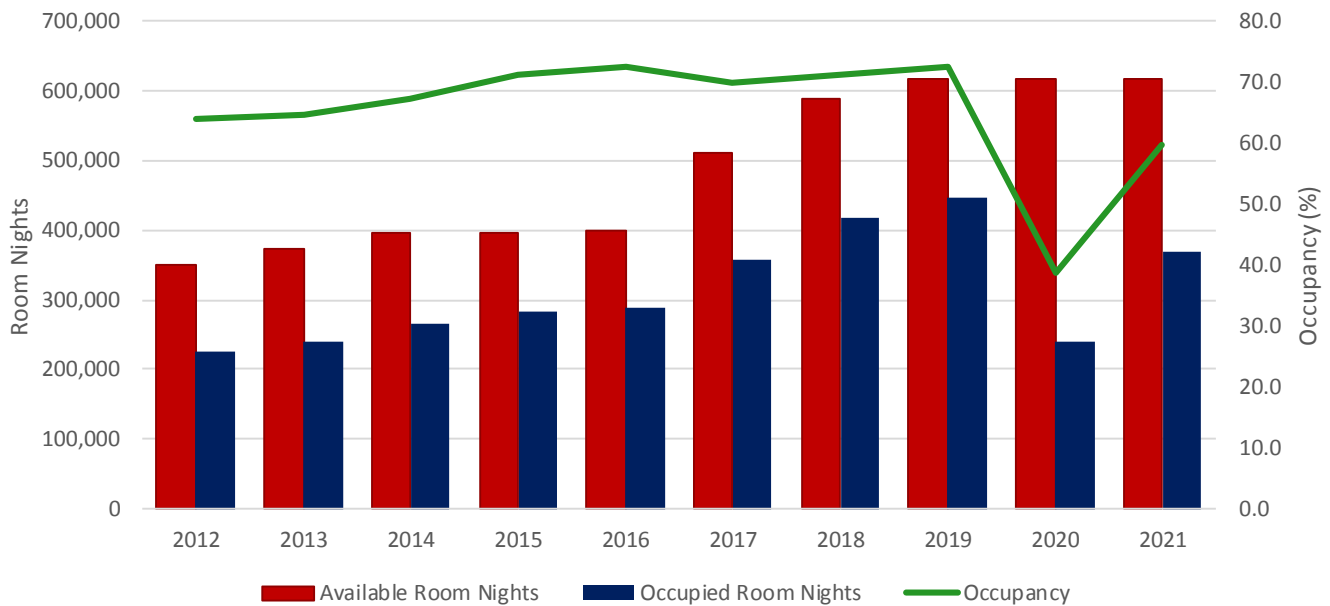
Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2009	861	314,434	—	173,287	—	55.1 %	\$90.44	—	\$49.84	—
2010	960	350,400	11.4 %	202,335	16.8 %	57.7	94.16	4.1 %	54.37	9.1 %
2011	960	350,400	0.0	217,347	7.4	62.0	96.58	2.6	59.91	10.2
2012	960	350,400	0.0	224,430	3.3	64.0	101.06	4.6	64.73	8.0
2013	1,022	373,032	6.5	240,716	7.3	64.5	106.64	5.5	68.82	6.3
2014	1,083	395,295	6.0	266,045	10.5	67.3	113.90	6.8	76.66	11.4
2015	1,083	395,295	0.0	281,961	6.0	71.3	118.13	3.7	84.26	9.9
2016	1,093	399,077	1.0	289,023	2.5	72.4	120.28	1.8	87.11	3.4
2017	1,398	510,213	27.8	356,170	23.2	69.8	124.27	3.3	86.75	(0.4)
2018	1,609	587,325	15.1	417,950	17.3	71.2	122.70	(1.3)	87.31	0.7
2019	1,689	616,485	5.0	446,262	6.8	72.4	124.72	1.6	90.28	3.4
2020	1,689	616,485	0.0	239,065	(46.4)	38.8	102.13	(18.1)	39.61	(56.1)
2021	1,689	616,485	0.0	367,694	53.8	59.6	119.90	17.4	71.51	80.6
<b>Year-to-Date Through May</b>										
2021	1,689	255,039	—	128,117	—	50.2 %	\$105.52	—	\$53.01	—
2022	1,689	255,039	0.0 %	150,860	17.8 %	59.2	129.61	22.8 %	76.67	44.6 %
Average Annual Compounded Change:										
2009 – 2019			7.0 %	9.9 %			3.3 %			6.1 %
2009 – 2020			6.3	3.0			1.1			(2.1)

Hotels Included in Sample	Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened	Comments
Holiday Inn & Suites Cincinnati-Eastgate (I-275e)	Upper Midscale Class	Secondary	212	Mar 1983	Mar 1983	
Comfort Suites Newport-Cincinnati Riverfront	Upper Midscale Class	Secondary	124	Jun 1997	Jun 1997	Converted to Fairfield by Marriott Jul 2022
Hampton Inn Cincinnati-Eastgate	Upper Midscale Class	Primary	120	Aug 1999	Aug 1999	
Comfort Inn & Suites Cincinnati Eastgate	Upper Midscale Class	Primary	72	Nov 2000	Nov 2000	
Fairfield Inn & Suites Cincinnati Eastgate	Upper Midscale Class	Primary	78	Jun 2020	Feb 2001	S/O Apr 2020; R/O Jun 2020
Comfort Inn & Suites Northern Kentucky Wilder	Upper Midscale Class	Primary	74	Nov 2017	Apr 2006	
Holiday Inn Express & Suites Cincinnati Southeast Newport	Upper Midscale Class	Secondary	73	Dec 2007	Dec 2007	
SpringHill Suites Cincinnati Midtown	Upscale Class	Secondary	122	Apr 2009	Apr 2009	
Hampton by Hilton Inn & Suites Wilder	Upper Midscale Class	Primary	94	Jan 2010	Jan 2010	
Courtyard Cincinnati Midtown Rookwood	Upscale Class	Secondary	123	Jul 2013	Jul 2013	
Hampton Inn & Suites Newport Cincinnati	Upper Midscale Class	Secondary	122	Dec 2016	Dec 2016	
aloft Hotel Newport On The Levee	Upscale Class	Secondary	144	Jan 2017	Jan 2017	
Residence Inn Cincinnati Midtown Rookwood	Upscale Class	Secondary	118	Sep 2017	Sep 2017	
Holiday Inn Express & Suites Cincinnati South Wilder	Upper Midscale Class	Primary	93	Dec 2017	Dec 2017	
Hilton Garden Inn Cincinnati Midtown	Upscale Class	Secondary	120	Sep 2018	Sep 2018	
			<b>Total</b>	<b>1,689</b>		

\*S/O = Suspended Operations; R/O = Resumed Operations

Source: STR

**FIGURE 4-8 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)**



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

The STR data for the competitive set reflect a market-wide occupancy level of 2021 in 59.6%, which compares to 38.8% for 2020. The STR data for the competitive set reflect a market-wide ADR level of \$119.90 in 2021, which compares to \$102.13 for 2020. These occupancy and ADR trends resulted in a RevPAR level of \$71.51 in 2021.

During the illustrated historical period, both occupancy and ADR generally followed a strengthening trend through 2019. We note occupancy fluctuated between the high 60s and low 70s throughout this period, primarily due to significant year-over-year supply growth between 2010 and 2018. Seven hotels opened within the market during that time. Demand generally kept pace with the supply increases, and occupancy reached its peak in 2019. This improvement in market conditions was

driven largely by the strength of the local economy, the growth of Cincinnati as a leisure destination, and the entrance of new, high-rated supply in the market. In March 2020, the COVID-19 pandemic began to affect the local market, similar to the rest of the nation, resulting in stay-at-home orders, group cancellations, and decreased business travel; thus, occupancy declined significantly in 2020. As much of the demand remaining was lower rated in nature, ADR declined in 2020, as well. General improvement has been registered since the low point that year. By year-end 2021, occupancy and ADR had recovered a substantial portion of their 2020 losses, gaining traction in the latter half of the year after the wide distribution of vaccines. While the pandemic will continue to affect business and larger-scale groups to some degree in the near term, the overall outlook is optimistic given the dynamics of this market, the return to office operations, and the increase in group demand.

### Seasonality

Seasonality trends are presented in the following tables.

**FIGURE 4-9 SEASONALITY**

	2015	2016	2017	2018	2019	2020	2021
<b>High Season - June, July, August, September, October</b>							
Occupancy	80.8 %	81.4 %	80.7 %	80.1 %	81.7 %	43.8 %	70.7 %
Average Rate	\$123.10	\$125.07	\$130.98	\$128.44	\$130.21	\$99.00	\$130.59
RevPAR	99.48	101.81	105.69	102.83	106.36	43.38	92.26
<b>Shoulder Season - February, March, April, May, November</b>							
Occupancy	68.3 %	71.3 %	67.4 %	70.4 %	70.9 %	32.2 %	55.6 %
Average Rate	\$115.98	\$118.54	\$120.10	\$120.11	\$122.46	\$104.77	\$110.86
RevPAR	79.22	84.55	80.89	84.53	86.80	33.74	61.66
<b>Low Season - January, December</b>							
Occupancy	55.2 %	54.0 %	49.7 %	51.2 %	53.1 %	42.2 %	42.2 %
Average Rate	\$106.66	\$108.64	\$111.37	\$109.13	\$111.14	\$105.30	\$104.55
RevPAR	58.92	58.62	55.35	55.91	59.02	44.46	44.15

Source: STR

The illustrated occupancy and ADR patterns reflect important seasonal characteristics. We have reviewed these trends in developing our forthcoming forecast of market-wide demand and average rate.

### Patterns of Demand

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



**FIGURE 4-10 OCCUPANCY BY DAY OF WEEK (TRAILING 12 MONTHS)**

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jun - 21	48.1 %	62.8 %	67.7 %	70.8 %	71.8 %	82.9 %	88.0 %	70.2 %
Jul - 21	54.0	65.9	75.7	71.2	73.1	87.8	90.7	75.0
Aug - 21	51.2	64.8	72.0	72.0	72.6	81.9	88.7	71.0
Sep - 21	56.4	58.0	69.8	68.4	68.2	82.8	93.2	70.8
Oct - 21	42.1	57.9	66.5	67.1	61.8	80.6	85.3	66.2
Nov - 21	39.5	51.0	57.5	62.0	62.7	76.5	77.9	60.6
Dec - 21	40.7	48.6	51.5	48.7	44.6	54.7	63.6	50.3
Jan - 22	29.2	37.0	43.8	45.1	39.1	50.0	53.9	42.3
Feb - 22	38.8	46.1	52.2	55.0	51.0	61.1	72.7	53.8
Mar - 22	41.4	55.9	62.8	63.1	59.8	74.4	82.8	62.8
Apr - 22	43.8	60.5	69.3	67.6	68.5	81.9	82.6	68.7
May - 22	50.2	57.8	72.3	70.7	63.1	79.6	87.2	67.9
<b>Average</b>	<b>44.5 %</b>	<b>55.3 %</b>	<b>63.7 %</b>	<b>63.4 %</b>	<b>61.4 %</b>	<b>74.7 %</b>	<b>80.4 %</b>	<b>63.3 %</b>

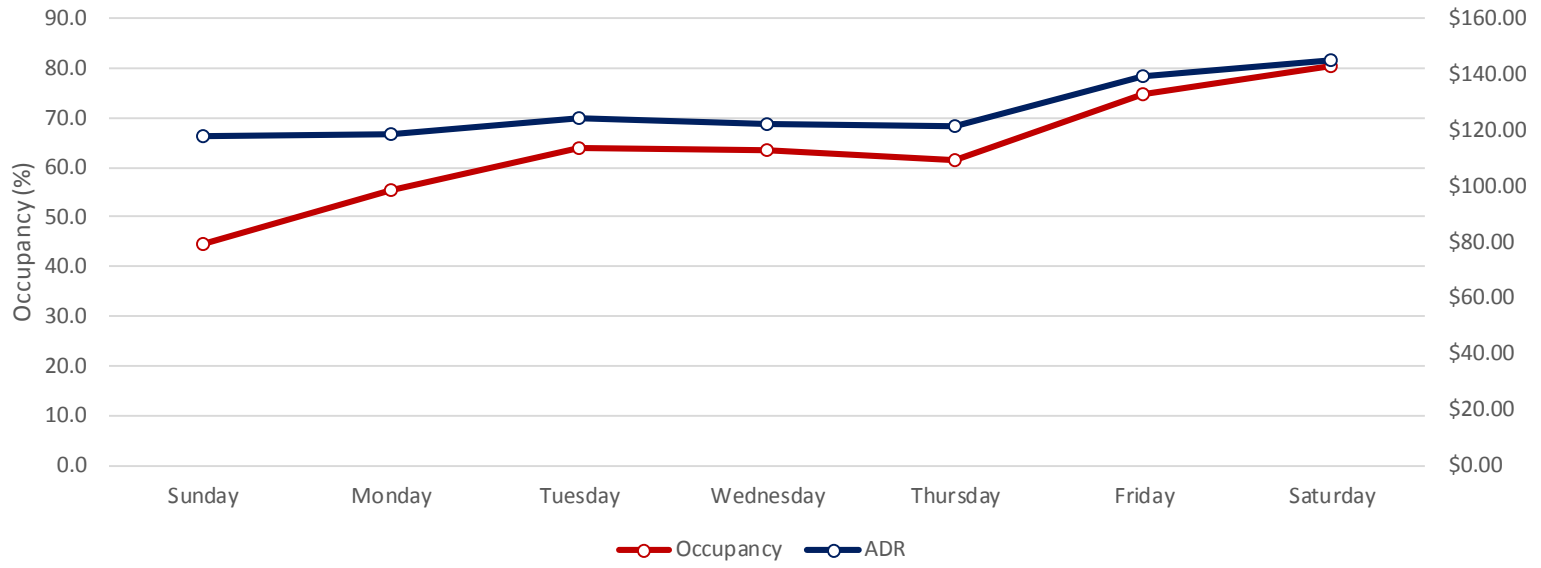
Source: STR

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

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jun - 21	\$115.22	\$116.22	\$118.91	\$118.28	\$118.85	\$134.38	\$137.26	\$123.64
Jul - 21	120.80	118.90	130.91	127.09	127.07	141.72	145.11	132.35
Aug - 21	119.07	123.80	128.41	128.15	128.83	142.19	148.01	131.88
Sep - 21	127.69	117.84	125.38	123.61	123.20	143.86	155.49	132.33
Oct - 21	118.38	118.60	122.47	122.19	123.31	146.59	151.98	132.54
Nov - 21	114.53	112.24	115.68	115.02	115.24	137.18	135.66	121.99
Dec - 21	108.67	110.20	112.86	113.51	108.68	115.84	119.97	113.28
Jan - 22	108.44	109.46	112.47	113.29	108.89	118.81	124.80	114.78
Feb - 22	110.18	110.51	116.16	115.12	110.27	119.31	126.07	116.33
Mar - 22	114.37	121.34	123.82	123.19	117.36	132.74	139.87	125.73
Apr - 22	120.05	125.44	131.91	129.09	130.86	154.13	158.68	139.41
May - 22	123.47	128.24	136.96	133.83	128.45	159.68	174.56	142.39
<b>Average</b>	<b>\$117.60</b>	<b>\$118.46</b>	<b>\$124.12</b>	<b>\$122.38</b>	<b>\$121.13</b>	<b>\$139.14</b>	<b>\$144.84</b>	<b>\$128.37</b>

Source: STR

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



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

<b>Occupancy (%)</b>	<b>Sunday</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>	<b>Saturday</b>	<b>Total Year</b>
Jun 19 - May 20	40.8 %	61.3 %	68.6 %	67.1 %	59.1 %	59.9 %	64.8 %	60.2 %
Jun 20 - May 21	31.2	39.4	43.3	43.7	42.2	52.8	59.3	44.6
Jun 21 - May 22	44.5	55.3	63.7	63.4	61.4	74.7	80.4	63.3
<b>Change (Occupancy Points)</b>								
FY 19 - FY 20	(9.6)	(21.9)	(25.3)	(23.4)	(16.9)	(7.1)	(5.5)	(15.6)
FY 20 - FY 21	13.3	15.9	20.4	19.7	19.1	21.8	21.0	18.8
<b>ADR (\$)</b>	<b>Sunday</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>	<b>Saturday</b>	<b>Total Year</b>
Jun 19 - May 20	\$111.17	\$120.44	\$127.51	\$125.15	\$118.27	\$122.38	\$126.98	\$122.41
Jun 20 - May 21	96.85	97.18	98.55	98.32	98.03	105.66	108.49	101.19
Jun 21 - May 22	117.60	118.46	124.12	122.38	121.13	139.14	144.84	128.37
<b>Change (Dollars)</b>								
FY 19 - FY 20	(\$14.32)	(\$23.26)	(\$28.97)	(\$26.83)	(\$20.24)	(\$16.72)	(\$18.48)	(\$21.22)
FY 20 - FY 21	20.74	21.28	25.57	24.07	23.10	33.48	36.34	27.18
<b>Change (Percent)</b>								
FY 19 - FY 20	(12.9) %	(19.3) %	(22.7) %	(21.4) %	(17.1) %	(13.7) %	(14.6) %	(17.3) %
FY 20 - FY 21	21.4	21.9	25.9	24.5	23.6	31.7	33.5	26.9
<b>RevPAR (\$)</b>	<b>Sunday</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>	<b>Saturday</b>	<b>Total Year</b>
Jun 19 - May 20	\$45.33	\$73.86	\$87.48	\$83.91	\$69.93	\$73.32	\$82.33	\$73.68
Jun 20 - May 21	30.20	38.32	42.71	42.96	41.39	55.80	64.35	45.09
Jun 21 - May 22	52.33	65.52	79.09	77.62	74.33	103.88	116.38	81.30
<b>Change (Dollars)</b>								
FY 19 - FY 20	(\$15.12)	(\$35.54)	(\$44.77)	(\$40.96)	(\$28.54)	(\$17.52)	(\$17.97)	(\$28.60)
FY 20 - FY 21	22.13	27.20	36.37	34.66	32.94	48.08	52.03	36.21
<b>Change (Percent)</b>								
FY 19 - FY 20	(33.4) %	(48.1) %	(51.2) %	(48.8) %	(40.8) %	(23.9) %	(21.8) %	(38.8) %
FY 20 - FY 21	73.3	71.0	85.1	80.7	79.6	86.2	80.8	80.3

Source: STR

In most markets, business travel, including individual commercial travelers and corporate groups, is the predominant source of demand on Monday through

Thursday nights. Leisure travelers and non-business-related groups generate a majority of demand on Friday and Saturday nights.

## **SUPPLY**

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

## **Primary Competitors**

The following table summarizes the important operating characteristics of the future primary competitors and the aggregate secondary competitors (as applicable). This information was compiled from personal interviews, inspections, online resources, and our in-house database of operating and hotel facility data. In cases where exact operating data for an individual property (or properties) were not available, we have used these resources, as well as the STR data, to estimate positioning within the market.

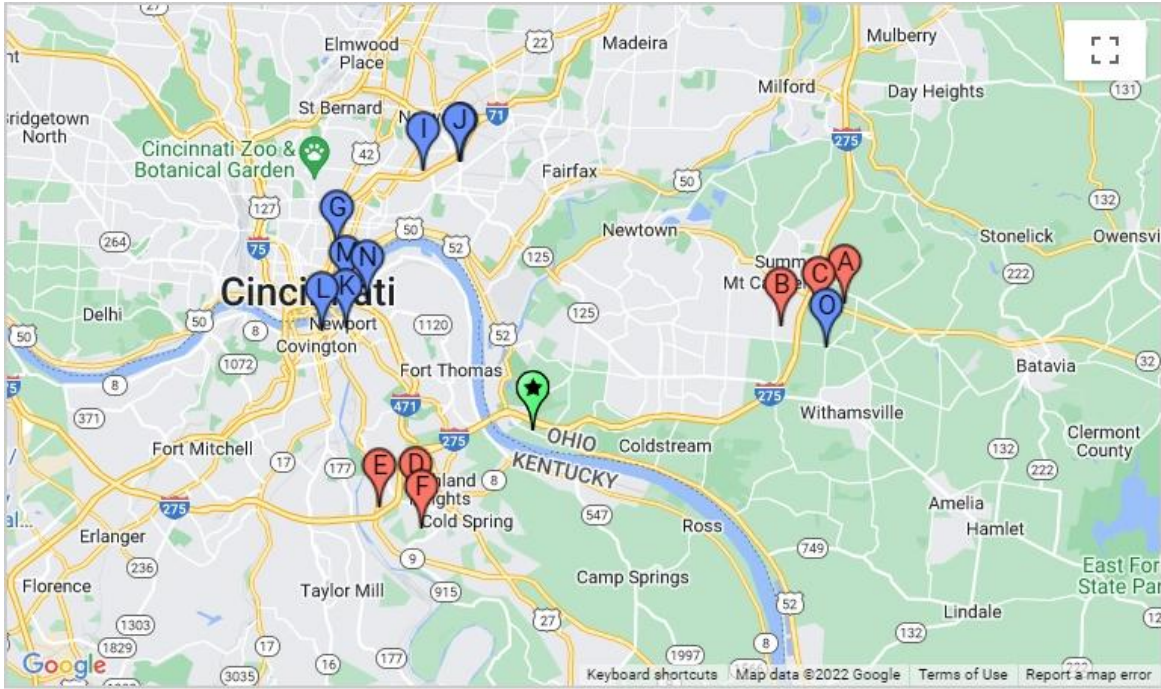
**FIGURE 4-14 PRIMARY COMPETITORS – OPERATING PERFORMANCE**

Property	Number of Rooms	Est. Segmentation			Estimated 2019				Estimated 2021					
		Commercial	Leisure	Group	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Hampton by Hilton Cincinnati Eastgate	120	65 %	25 %	10 %	120	70 - 75 %	\$100 - \$105	\$75 - \$80	120	55 - 60 %	\$100 - \$105	\$60 - \$65	100 - 110 %	80 - 85 %
Fairfield by Marriott Cincinnati Eastgate	78	60	30	10	78	70 - 75	105 - 110	80 - 85	78	55 - 60	105 - 110	55 - 60	90 - 95	80 - 85
Comfort Inn & Suites Cincinnati	72	50	40	10	72	50 - 55	85 - 90	40 - 45	72	40 - 45	80 - 85	35 - 40	70 - 75	45 - 50
Hampton by Hilton Wilder	94	55	35	10	94	75 - 80	120 - 125	90 - 95	94	60 - 65	115 - 120	70 - 75	100 - 110	95 - 100
Holiday Inn Express & Suites Cincinnati South Wilder	93	55	35	10	93	65 - 70	110 - 115	75 - 80	93	55 - 60	115 - 120	65 - 70	95 - 100	90 - 95
Comfort Inn & Suites Northern Kentucky	74	55	35	10	74	65 - 70	105 - 110	70 - 75	74	45 - 50	105 - 110	50 - 55	80 - 85	70 - 75
<b>Sub-Totals/Averages</b>	<b>531</b>	<b>58 %</b>	<b>32 %</b>	<b>10 %</b>	<b>531</b>	<b>69.4 %</b>	<b>\$107.60</b>	<b>\$74.64</b>	<b>531</b>	<b>55.7 %</b>	<b>\$105.06</b>	<b>\$58</b>	<b>94 %</b>	<b>82.6 %</b>
Secondary Competitors	1,158	54 %	28 %	18 %	897	74.1 %	\$132.80	\$98.42	905	61.7 %	\$126.64	\$78	104 %	110.2 %
<b>Totals/Averages</b>	<b>1,689</b>	<b>55 %</b>	<b>29 %</b>	<b>15 %</b>	<b>1,428</b>	<b>72.3 %</b>	<b>\$123.81</b>	<b>\$89.58</b>	<b>1,436</b>	<b>59.5 %</b>	<b>\$119.17</b>	<b>\$71</b>	<b>100 %</b>	<b>100.0 %</b>

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

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

**MAP OF COMPETITION**



- |   |  |   |   |
|---|--|---|---|
|  | Anderson Township Hotel  |  | Hilton Garden Inn Cincinnati Midtown (Secondary)                  |
|  | Hampton by Hilton Cincinnati Eastgate (Primary)                |  | Residence Inn by Marriott Cincinnati Midtown Rookwood (Secondary) |
|  | Fairfield by Marriott Cincinnati Eastgate (Primary)            |  | Aloft Newport on the Levee (Secondary)                            |
|  | Comfort Inn & Suites Cincinnati (Primary)                      |  | Hampton by Hilton Newport Cincinnati (Secondary)                  |
|  | Hampton by Hilton Wilder (Primary)                             |  | Comfort Suites Newport (Secondary)                                |
|  | Holiday Inn Express & Suites Cincinnati South Wilder (Primary) |  | Holiday Inn Express Cincinnati Newport (Secondary)                |
|  | Comfort Inn & Suites Northern Kentucky (Primary)               |  | Holiday Inn & Suites Cincinnati Eastgate (Secondary)              |
|  | SpringHill Suites by Marriott Cincinnati Midtown (Secondary)   |   |   |
|  | Courtyard by Marriott Cincinnati Midtown/Rookwood (Secondary)  |   |   |

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

## **Secondary Competitors**

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

**FIGURE 4-15 SECONDARY COMPETITOR(S) – OPERATING PERFORMANCE**

Property	Number of Rooms	Est. Segmentation			Total Competitive Level	Estimated 2019				Estimated 2021			
		Commercial	Leisure	Group		Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
SpringHill Suites by Marriott Cincinnati Midtown	122	60 %	20 %	20 %	80 %	98	70 - 75 %	\$130 - \$140	\$100 - \$105	98	55 - 60 %	\$110 - \$115	\$65 - \$70
Courtyard by Marriott Cincinnati Midtown/Rookwood	123	60	25	15	80	98	70 - 75	160 - 170	120 - 125	98	45 - 50	140 - 150	70 - 75
Hilton Garden Inn Cincinnati Midtown	120	60	25	15	80	96	70 - 75	140 - 150	95 - 100	96	70 - 75	125 - 130	90 - 95
Residence Inn by Marriott Cincinnati Midtown Rookwood	118	60	30	10	80	94	75 - 80	150 - 160	115 - 120	94	60 - 65	130 - 140	85 - 90
Aloft Newport on the Levee	144	60	30	10	80	115	75 - 80	125 - 130	100 - 105	115	70 - 75	140 - 150	105 - 110
Hampton by Hilton Newport Cincinnati	122	55	35	10	80	90	85 - 90	150 - 160	130 - 140	98	75 - 80	150 - 160	120 - 125
Fairfield by Marriott Newport	124	55	35	10	80	99	65 - 70	105 - 110	70 - 75	99	50 - 55	90 - 95	45 - 50
Holiday Inn Express Cincinnati Newport	73	55	35	10	80	58	65 - 70	115 - 120	80 - 85	58	50 - 55	105 - 110	55 - 60
Holiday Inn & Suites Cincinnati Eastgate	212	30	20	50	70	148	65 - 70	100 - 105	65 - 70	148	50 - 55	100 - 105	50 - 55
<b>Totals/Averages</b>	<b>1,158</b>	<b>54 %</b>	<b>28 %</b>	<b>18 %</b>	<b>78 %</b>	<b>897</b>	<b>74.1 %</b>	<b>\$132.80</b>	<b>\$98.42</b>	<b>905</b>	<b>61.7 %</b>	<b>\$126.64</b>	<b>\$78.10</b>

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



We have identified nine hotels that are expected to compete with the proposed subject hotel on a secondary level. The Courtyard by Marriott Cincinnati Midtown, Hilton Garden Inn Midtown, Residence Inn by Marriott Midtown, and the SpringHill Suites by Marriott Cincinnati Midtown are anticipated to be competitive based on their brands and locations in Cincinnati; however, these hotels are anticipated to be secondarily competitive based on their midtown locations and higher price points. The Aloft Newport, Hampton Inn & Suites Newport, Fairfield by Marriott Newport (formerly Comfort Suites Newport), Holiday Inn Express Cincinnati Newport are anticipated to be competitive based on their service levels and brand affiliations. However, due to their Northern Kentucky locations, these properties have been considered secondarily competitive. The Holiday Inn & Suites Cincinnati Eastgate is competitive based on its Eastgate location; however, this is a full-service hotel with extensive meeting space.

### Supply Changes

It is important to consider any new hotels that may have an impact on the proposed subject hotel’s operating performance. The hotels that have recently opened, are under construction, or are in the stages of early development (if any) in the Cincinnati market are noted below. The list is categorized by the principal submarkets within the city.

**FIGURE 4-16 AREA DEVELOPMENT ACTIVITY**

<b>Proposed Hotel Name</b>	<b>Estimated Number of Rooms</b>	<b>Hotel Product Tier</b>	<b>Development Stage</b>	<b>Expected Qtr. &amp; Year of Opening</b>	<b>Address</b>
Home2 Suites Eastgate	86	Midscale	Under Construction	Q1 '23	858 Eastgate North Drive, Union Town
Homewood Suites by Hilton Ovation	124	Upscale	Under Construction	Q3 '23	101 West 4th Street, Newport, KY
Lunken Airport Hotel	55	Luxury	Early Development	TBD	Lunken Airport, Cincinnati, OH

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

**FIGURE 4-17 NEW SUPPLY**

<b>Proposed Property</b>	<b>Number of Rooms</b>	<b>Total Competitive Level</b>	<b>Weighted Room Count</b>	<b>Estimated Opening Date</b>	<b>Developer</b>	<b>Development Stage</b>
Proposed Subject Property	100	100 %	100	January 1, 2025	TBD	Early Development
Home2 Suites Eastgate	86	100	86	January 1, 2023	Eastgate Hospitality LLC	Under Construction
Homewood Suites by Hilton Ovation	124	80	99	July 1, 2023	Corporex	Under Construction
<b>Totals/Averages</b>	<b>310</b>		<b>285</b>			

The proposed Home2 Suites by Hilton Eastgate will be similar to the proposed subject hotel in terms of product offering and service level; therefore, this hotel is expected to be fully competitive. A Homewood Suites by Hilton is under construction in Downtown Newport, Kentucky; however, given its anticipated upscale, extended-stay product type, as well as its location, it has been weighted as secondarily competitive new supply in our analysis. A number of other hotels have been proposed for development throughout the market; however, given the speculative nature of these projects, they have only been considered qualitatively in our analysis.

In response to the travel restrictions and the decline in demand associated with the COVID-19 pandemic, numerous hotels in markets across the nation temporarily suspended operations. During these suspensions, hotels were typically closed to the public, with the majority of staff furloughed; however, key management and maintenance staff were retained to preserve the property and prepare for reopening. One hotel in the competitive subject market suspended operations because of the COVID-19 pandemic; however, it has since reopened. Our analysis considers the full supply of competitive rooms, including any hotels that may have temporarily suspended operations. It is important to note that we have adjusted STR data to reflect the total available rooms in the market and true occupancy, regardless of suspended operations at competitive hotels.

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

### Supply Conclusion

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

### DEMAND

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

**FIGURE 4-18 HISTORICAL MARKET TRENDS**

Year	Accommodated		Room Nights		Market			Market	
	Room Nights	% Change	Available	% Change	Occupancy	Market ADR	% Change	RevPAR	% Change
Est. 2019	377,146	—	521,293	—	72.3 %	\$123.81	—	\$89.58	—
Est. 2020	203,621	(46.0) %	524,213	0.6 %	38.8	101.30	(18.2) %	39.35	(56.1) %
Est. 2021	311,674	53.1	524,213	0.0	59.5	119.17	17.6	70.85	80.1
Avg. Annual Compounded									
Chg., Est. 2019-Est. 2021:		(9.1) %		0.3 %			(1.9) %		(11.1) %

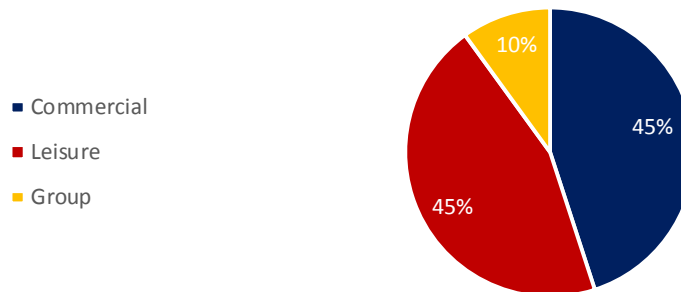
### Demand Analysis Using Market Segmentation

For the purpose of demand analysis, the overall market is divided into individual segments based on the nature of travel. Based on our fieldwork, area analysis, and knowledge of the local lodging market, we estimate the 2019 distribution of accommodated-room-night demand as follows.

**FIGURE 4-19 BASE-YEAR ACCOMMODATED-ROOM-NIGHT DEMAND**

Market Segment	2019 Marketwide		2021 Marketwide	
	Accommodated Demand	Percentage of Total	Accommodated Demand	Percentage of Total
Commercial	208,853	55 %	140,253	45 %
Leisure	110,818	29	140,253	45
Group	57,476	15	31,167	10
<b>Total</b>	<b>377,146</b>	<b>100 %</b>	<b>311,674</b>	<b>100 %</b>

**FIGURE 4-20 MARKET-WIDE ACCOMMODATED-ROOM-NIGHT DEMAND**



In the base year, the market’s demand mix comprised commercial demand, with this segment representing roughly 55% of the accommodated room nights in this Cincinnati submarket. The leisure segment comprised 29% of the total, with the final portion group in nature, reflecting 15%.

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

**Commercial Segment**

Commercial demand consists mainly of individual businesspeople passing through the subject market or visiting area businesses, in addition to high-volume corporate accounts generated by local firms. Brand loyalty (particularly frequent-traveler programs), as well as location and convenience with respect to businesses and amenities, influence lodging choices in this segment. Companies typically designate

hotels as “preferred” accommodations in return for more favorable rates, which are discounted in proportion to the number of room nights produced by a commercial client. Commercial demand is strongest Monday through Thursday nights, declines significantly on Friday and Saturday, and increases somewhat on Sunday night. It is relatively constant throughout the year, with marginal declines in late December and during other holiday periods.

Primary commercial demand generators for the greater Cincinnati market typically include major corporate offices in the area, such as Proctor & Gamble, Kroger, and GE. As mentioned previously, corporate demand within Anderson Township is minimal; however, Mercy Health Anderson typically creates a modest amount of commercial demand. Commercially driven demand declined notably in 2020 and early 2021 given the COVID-19 pandemic. As employees continue to return to offices and business travel increases, we expect commercial demand to rebound further in 2022, recovering by the stabilized year.

### Leisure Segment

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

Leisure demand in the area is typically driven by various attractions, such as the Cincinnati Art Museum, NFL's Cincinnati Bengals, MLB's Cincinnati Reds, MLS's FC Cincinnati, Cincinnati Zoo & Botanical Gardens, Hard Rock Casino, and University of Cincinnati. Within Anderson Township, leisure demand is also driven by riverfront attractions such as Belterra Park, Coney Island Park, and Riverbend Music Center. We have considered the impact of the COVID-19 pandemic on leisure demand in our forecasts. Leisure demand is a strong source of demand in this market, and while this demand segment declined notably in 2020, it has been recovering since the spring of 2021, noticeably more quickly than the other segments.

### Group Segment

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

Training groups from nearby companies have historically generated group demand for local hotels; furthermore, social groups, as well as youth sports tournaments, have represented primary sources of demand during weekend and holiday periods. However, this type of demand was almost non-existent in 2020 and early 2021 due to the COVID-19 pandemic. Groups have begun to return to the market, and larger events are anticipated to rebound more notably in 2022 and 2023. Demand within this segment is forecast to recover fully by the stabilized year.

### Base Demand Growth Rates

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

**FIGURE 4-21 AVERAGE ANNUAL COMPOUNDED MARKET-SEGMENT GROWTH RATES**

Market Segment	Annual Growth Rate					
	2022	2023	2024	2025	2026	2027
Commercial	25.0 %	20.0 %	5.0 %	8.0 %	3.0 %	1.0 %
Leisure	-5.0	-5.0	2.0	2.0	2.0	0.0
Group	20.0	50.0	5.0	5.0	3.0	3.0
<b>Base Demand Growth</b>	<b>11.0 %</b>	<b>13.6 %</b>	<b>4.0 %</b>	<b>5.7 %</b>	<b>2.7 %</b>	<b>1.0 %</b>

### Accommodated Demand and Market-wide Occupancy

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

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

**FIGURE 4-22 FORECAST OF MARKET OCCUPANCY**

	2019	2021	2022	2023	2024	2025	2026	2027
<b>Commercial</b>								
Total Demand	208,853	140,253	175,316	210,380	220,899	238,570	245,728	248,185
Growth Rate		(32.8) %	25.0 %	20.0 %	5.0 %	8.0 %	3.0 %	1.0 %
<b>Leisure</b>								
Total Demand	110,818	140,253	133,240	126,578	129,110	131,692	134,326	134,326
Growth Rate		26.6 %	(5.0) %	(5.0) %	2.0 %	2.0 %	2.0 %	0.0 %
<b>Group</b>								
Total Demand	57,476	31,167	37,401	56,101	58,906	61,852	63,707	65,618
Growth Rate		(45.8) %	20.0 %	50.0 %	5.0 %	5.0 %	3.0 %	3.0 %
<b>Totals</b>								
Base Demand	377,146	311,674	345,958	393,059	408,915	432,114	443,761	448,129
Total Demand	377,146	311,674	345,958	393,059	408,915	432,114	443,761	448,129
<b>Overall Demand Growth</b>	—	53.1 %	11.0 %	13.6 %	4.0 %	5.7 %	2.7 %	1.0 %
<b>Market Mix</b>								
Commercial	55.4 %	45.0 %	50.7 %	53.5 %	54.0 %	55.2 %	55.4 %	55.4 %
Leisure	29.4	45.0	38.5	32.2	31.6	30.5	30.3	30.0
Group	15.2	10.0	10.8	14.3	14.4	14.3	14.4	14.6
<b>Existing Hotel Supply</b>	1,428	1,436	1,436	1,436	1,436	1,436	1,436	1,436
<b>Proposed Hotels</b>								
Proposed Subject Property <sup>1</sup>						100	100	100
Home2 Suites Eastgate <sup>2</sup>				86	86	86	86	86
Homewood Suites by Hilton <sup>3</sup>				50	99	99	99	99
Available Room Nights per Year	521,293	524,213	524,213	573,856	591,811	628,311	628,311	628,311
Nights per Year	365	365	365	365	365	365	365	365
<b>Total Supply</b>	1,428	1,436	1,436	1,572	1,621	1,721	1,721	1,721
Rooms Supply Growth	0.6 %	0.0 %	0.0 %	9.5 %	3.1 %	6.2 %	0.0 %	0.0 %
<b>Marketwide Occupancy</b>	<b>72.3 %</b>	<b>59.5 %</b>	<b>66.0 %</b>	<b>68.5 %</b>	<b>69.1 %</b>	<b>68.8 %</b>	<b>70.6 %</b>	<b>71.3 %</b>

<sup>1</sup> Opening in January 2025 of the 100% competitive, 100-room Proposed Subject Property

<sup>2</sup> Opening in January 2023 of the 100% competitive, 86-room Home2 Suites Eastgate

<sup>3</sup> Opening in July 2023 of the 80% competitive, 124-room Homewood Suites by Hilton Ovation

The defined competitive market of hotels experienced a sharp occupancy decline in 2020 and early 2021 because of the severe downturn in travel associated with the COVID-19 pandemic. The recent recovery is expected to continue given the ongoing return of many employees to offices, stronger levels of both commercial and leisure travel, and an increase in group gatherings.

## 5. Description of the Proposed Improvements

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

### Project Overview

The Anderson Township Hotel should be a limited-service lodging facility containing 100 rentable units. The property is expected to open on January 1, 2025. The Anderson Township market area currently does not contain any hotels. The Township is primarily a bedroom community for the Greater Cincinnati area. While a particular brand has yet to be determined for this project, our study assumes that the proposed subject hotel will operate as an upscale limited- or select-service hotel under a brand not currently represented in the nearby submarkets.

We recommend that the proposed subject hotel operate as an upscale limited- or select-service property, such as a SpringHill Suites by Marriott, an AC Hotel by Marriott, or a Hampton by Hilton. While we have placed heavy consideration on the SpringHill Suites by Marriott brand, which is affiliated with Marriott International, a specific franchise affiliation and/or brand has yet to be finalized.

### Summary of the Facilities

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



**FIGURE 5-1 PROPOSED FACILITIES SUMMARY**

<b>Guestroom Configuration</b>		<b>Number of Units</b>
King		45
Queen/Queen		55
Total		100
<b>Food &amp; Beverage Facilities</b>		<b>Seating Capacity</b>
Breakfast Dining Area		40
<b>Indoor Meeting &amp; Banquet Facilities</b>		<b>Square Footage</b>
Meeting Room		1,200
<b>Amenities &amp; Services</b>		
Indoor Swimming Pool	Guest Laundry Area	
Fitness Room	Market Pantry	
Business Center		

**Site Improvements and Hotel Structure**

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

**Planned Facilities**

The hotel's breakfast dining area should be located opposite the front desk in the lobby. Its size and layout should be appropriate for the hotel. The furnishings of the space are expected to be of a similar style and finish as lobby and guestroom furnishings. The hotel is anticipated to offer one meeting room, which should be located on the first floor. This meeting space should be adequate and appropriate for a hotel of this type. The hotel should offer an indoor pool and a fitness room as recreational facilities. Other amenities are likely to include a small business center, a market pantry, and a guest laundry area. Overall, the supporting facilities should

be appropriate for a hotel of this type, and we assume that they will meet brand standards.

**TYPICAL LOBBY**

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## TYPICAL DINING AREA

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### Guestrooms

The hotel is expected to feature standard and suite-style room configurations, with guestrooms present on all levels of the property's proposed single building. The standard guestrooms should offer typical amenities for this product type, while the suites are expected to feature a larger living area and additional amenities such as a microwave and small refrigerator. The guestroom bathrooms are anticipated to be of a standard size, with a shower-in-tub, commode, and single sink with vanity area, featuring a stone countertop. The floors are expected to be finished with tile, and the walls will likely be finished with knockdown texture (consistent with brand standards). Overall, the guestrooms should offer a competitive product for this Anderson Township neighborhood.

## TYPICAL GUESTROOM



### Back-of-the-House, ADA, and Environmental

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

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

### Capital Expenditures

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

### Conclusion

Overall, the proposed subject property should offer a well-designed, functional layout of support areas and guestrooms. All typical and market-appropriate features and amenities are expected to be included in the hotel's design. We assume

that the building will be fully open and operational on the stipulated opening date and will meet all local building codes and brand standards. Furthermore, we assume that the hotel staff will be adequately trained to allow for a successful opening and that pre-marketing efforts will have introduced the product to major local accounts at least six months in advance of the opening date.

## 6. Projection of Occupancy and Average Rate

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

### Penetration Rate Analysis

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

### Base-Year Penetration Rates by Market Segment

In the following table, the penetration rates attained by the primary competitors and the aggregate secondary competitors are set forth for each segment for the base year. As discussed previously in the Supply and Demand Analysis chapter of this report, we are utilizing the market's performance prior to the onset of the COVID-19 pandemic as a benchmark for projecting a return to normalized performance.

**FIGURE 6-1 HISTORICAL PENETRATION RATES**

Property	Commercial	Leisure	Group	Overall
Hampton by Hilton Cincinnati Eastgate	117 %	85 %	68 %	100 %
Fairfield by Marriott Cincinnati Eastgate	122	114	77	113
Comfort Inn & Suites Cincinnati	69	104	53	77
Hampton by Hilton Wilder	97	115	67	98
Holiday Inn Express & Suites Cincinnati South Wilder	99	118	68	100
Comfort Inn & Suites Northern Kentucky	84	100	58	85
Secondary Competition	100	97	120	102

**Forecast of Subject  
Property's Occupancy**

The Fairfield by Marriott Cincinnati Eastgate achieved the highest penetration rate within the commercial segment. The highest penetration rate in the leisure segment was achieved by the Holiday Inn Express & Suites Cincinnati South Wilder, while the secondary competition led the market with the highest group penetration rate.

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

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

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

**FIGURE 6-2 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY**

<b>Market Segment</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>
<b>Commercial</b>			
Demand	238,570	245,728	248,185
Market Share	5.4 %	5.6 %	5.7 %
Capture	12,913	13,697	14,100
Penetration	93 %	96 %	98 %
<b>Leisure</b>			
Demand	131,692	134,326	134,326
Market Share	6.3 %	6.7 %	6.9 %
Capture	8,232	8,967	9,321
Penetration	108 %	115 %	119 %
<b>Group</b>			
Demand	61,852	63,707	65,618
Market Share	3.7 %	4.0 %	4.0 %
Capture	2,274	2,530	2,606
Penetration	63 %	68 %	68 %
<b>Total Room Nights Captured</b>	<b>23,419</b>	<b>25,194</b>	<b>26,026</b>
Available Room Nights	36,500	36,500	36,500
<b>Subject Occupancy</b>	<b>64 %</b>	<b>69 %</b>	<b>71 %</b>
Market-wide Available Room Nights	628,311	628,311	628,311
<b>Fair Share</b>	<b>6 %</b>	<b>6 %</b>	<b>6 %</b>
Market-wide Occupied Room Nights	432,114	443,761	448,129
<b>Market Share</b>	<b>5 %</b>	<b>6 %</b>	<b>6 %</b>
<b>Market-wide Occupancy</b>	<b>69 %</b>	<b>71 %</b>	<b>71 %</b>
<b>Total Penetration</b>	<b>93 %</b>	<b>98 %</b>	<b>100 %</b>

Within the commercial segment, the proposed subject hotel's occupancy penetration is positioned appropriately within the range of existing competitors,

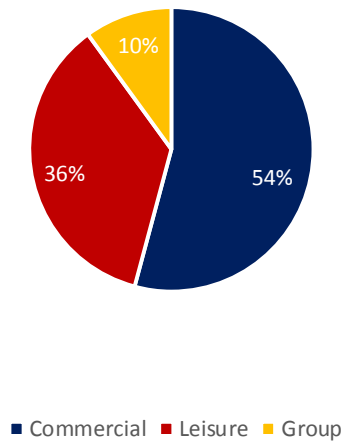


supported by the expected service level and strong brand affiliation. The proposed subject hotel's occupancy penetration in the group segment is positioned below the market-average level given the proposed hotel's limited meeting space and expected focus on leisure demand. Within the leisure segment, the proposed subject hotel's occupancy penetration is positioned above the market-average level, largely attributed to the proposed hotel's proximity to the riverfront entertainment venues and its easy access to Interstate 275.

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

**FIGURE 6-3 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY**

	<b>2025</b>	<b>2026</b>	<b>2027</b>
Commercial	55 %	54 %	54 %
Leisure	35	36	36
Group	10	10	10
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

**FIGURE 6-4 STABILIZED MARKET SEGMENTATION – SUBJECT PROPERTY**

Based on our analysis of the proposed subject hotel and market area, we have selected a stabilized occupancy level of 71%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the proposed subject hotel may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

#### Average Rate Analysis

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

#### Competitive Position

Although the average rate analysis presented here follows the occupancy projection, these two statistics are highly correlated; in reality, one cannot project occupancy without making specific assumptions regarding average rate. This relationship is best illustrated by revenue per available room (RevPAR), which reflects a property's

ability to maximize rooms revenue. The following table summarizes the historical average rate and the RevPAR of the proposed subject hotel's future primary competitors.

**FIGURE 6-5 BASE-YEAR AVERAGE RATE AND REVPAR OF THE COMPETITORS**

<b>Property</b>	<b>Estimated 2021 Average Room Rate</b>	<b>Rooms Revenue Per Available Room (RevPAR)</b>	<b>RevPAR Penetration</b>
Hampton by Hilton Cincinnati Eastgate	\$100 - \$105	\$60 - \$65	80 - 85 %
Fairfield by Marriott Cincinnati Eastgate	105 - 110	55 - 60	80 - 85
Comfort Inn & Suites Cincinnati	80 - 85	35 - 40	45 - 50
Hampton by Hilton Wilder	115 - 120	70 - 75	95 - 100
Holiday Inn Express & Suites Cincinnati South Wilder	115 - 120	65 - 70	90 - 95
Comfort Inn & Suites Northern Kentucky	105 - 110	50 - 55	70 - 75
Average - Primary Competitors	\$105.06	\$58.49	82.6 %
Average - Secondary Competitors	126.64	78.10	110.2
<b>Overall Average</b>	<b>\$119.17</b>	<b>\$70.85</b>	<b>100.0 %</b>
<b>Subject As If Stabilized (In 2021 Dollars)</b>	<b>\$115.00</b>	<b>\$68.36</b>	<b>96.5 %</b>

We have selected the rate position of \$115.00, in base-year dollars (2021), for the proposed subject hotel. We positioned the proposed subject hotel's stabilized ADR

in the 2021 base year in consideration of its new facility, strong brand affiliation, and proximity to leisure attractions. Average rates for this competitive market are anticipated to continue the strengthening trend that began in 2021, with the highest growth rate forecast for 2022 given the swift recovery from the particularly low ADRs in the first half of 2021. Month-over-month comparisons in the early weeks of 2022 have been strong. ADR growth should moderate in the following years. The projected recovery related to the market's ADR growth in our forecast is based upon the expectation that business travel will rebound as peak leisure demand levels recede and normalize.

The following table presents the market's and proposed subject hotel's ADR forecast on a calendar year basis, and the resulting ADR penetration level. The proposed subject hotel's projected average rate (as if stabilized) is then fiscalized to correspond with the hotel's anticipated date of opening for each forecast year.

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

Calendar Year	Historical		2022	2023	2024	2025	2026	2027	2028	2029
	2019	2021								
Market ADR	\$123.81	\$119.17	\$132.27	\$134.92	\$138.29	\$142.44	\$146.71	\$151.12	\$155.65	\$160.32
Projected Market ADR Growth Rate	—		11.0%	2.0%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Property ADR (As-If Stabilized)		<b>\$115.00</b>	\$127.65	\$130.20	\$133.46	\$137.46	\$141.59	\$145.83	\$150.21	\$154.71
ADR Growth Rate			11.0%	2.0%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Stabilized ADR Penetration		97%	97%	97%	97%	97%	97%	97%	97%	97%
<b>Fiscal Year</b>					<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>
Proposed Subject Property Average Rate					\$133.46	\$137.46	\$141.59	\$145.83	\$150.21	\$154.71
Opening Discount					0.0%	1.0%	1.0%	0.0%	0.0%	0.0%
<b>Average Rate After Discount</b>					<b>\$133.46</b>	<b>\$136.09</b>	<b>\$140.17</b>	<b>\$145.83</b>	<b>\$150.21</b>	<b>\$154.71</b>
Real Average Rate Growth					—	2.0%	3.0%	4.0%	3.0%	3.0%
Market ADR					\$138.29	\$142.44	\$146.71	\$151.12	\$155.65	\$160.32
Proposed Subject ADR Penetration (After Discount)					97%	96%	96%	97%	97%	97%
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate					\$118.62	\$117.43	\$117.43	\$118.62	\$118.62	\$118.62

The proposed subject hotel's ADR penetration level is forecast to reach 97% by the stabilized period, consistent with our stabilized ADR positioning. Based on our review of the proposed improvements and the anticipated profile of the product and its operation, it is our opinion that the ADR penetration level should be achievable with appropriate management and marketing. The positioned stabilized average rate is projected to increase at the same rate as the overall market's average rate, prior to consideration of any ADR discounting during the hotel's ramp-up period. Discounts of 1% and 1% have been applied to the stabilized room rates projected

for the first two years of operation, as would be expected for a new property of this type as it builds its reputation and becomes established in the market.

Note that our forecast of income and expense, which follows later in this report, assumes the following underlying inflation rates.

**FIGURE 6-7 INFLATION ASSUMPTIONS**

<u>Timeframe</u>	<u>Rate of Inflation Assumed</u>
2021 to 2022	5.0 %
2022 to 2023	3.0
2023 to 2024	3.0
2024 to 2025	3.0
2025 to 2026	3.0

The following table sets forth our concluding forecast of the proposed subject hotel’s occupancy, average rate, and RevPAR, with corresponding penetration levels, for the first projection year through the stabilized year of operation. The market’s historical and projected occupancy, average rate, and RevPAR are presented for comparison, with the projections fiscalized to correspond with the proposed subject hotel’s forecast, as appropriate.

**FIGURE 6-8 COMPARISON OF HISTORICAL AND PROJECTED OCCUPANCY, ADR, AND REVPAR – PROPOSED SUBJECT PROPERTY AND MARKET**

	2019	2020	2021	Projected					
				2022	2023	2024	2025	2026	2027
<b>Anderson Township Hotel</b>									
Occupancy				— %	— %	— %	64.2 %	69.0 %	71.3 %
Change in Points				—	—	—	—	4.9	2.3
Occupancy Penetration				—	—	—	93.3 %	97.7 %	100.0 %
Average Rate			\$115.00	\$127.65	\$130.20	\$133.46	\$136.09	\$140.17	\$145.83
Change				—	2.0 %	2.5 %	2.0 %	3.0 %	4.0 %
Average Rate Penetration				96.5 %	96.5 %	96.5 %	95.5 %	95.5 %	96.5 %
RevPAR				—	—	—	\$87.32	\$96.75	\$103.99
Change				—	—	—	—	10.8 %	7.5 %
RevPAR Penetration				—	—	—	89.1 %	93.4 %	96.5 %
	Historical			Projected					
	2019	2020	2021	2022	2023	2024	2025	2026	2027
<b>Cincinnati Submarket</b>									
Occupancy	72.3 %	38.8 %	59.5 %	66.0 %	68.5 %	69.1 %	68.8 %	70.6 %	71.3 %
Change in Points	—	(33.5)	20.6	6.5	2.5	0.6	(0.3)	1.9	0.7
Average Rate	\$123.81	\$101.30	\$119.17	\$132.27	\$134.92	\$138.29	\$142.44	\$146.71	\$151.12
Change	—	(18.2) %	17.6 %	11.0 %	2.0 %	2.5 %	3.0 %	3.0 %	3.0 %
RevPAR	\$89.58	\$39.35	\$70.85	\$87.30	\$92.41	\$95.55	\$97.96	\$103.62	\$107.78
Change	—	(56.1) %	80.1 %	23.2 %	5.9 %	3.4 %	2.5 %	5.8 %	4.0 %

The following occupancies and average rates will be used to project the proposed subject hotel’s rooms revenue; this forecast reflects years beginning on January 1, 2025, which correspond with our financial projections.

**FIGURE 6-9 FORECASTS OF OCCUPANCY AND AVERAGE RATE**

Year	Occupancy	Average Rate		Average Rate After Discount
		Before Discount	Discount	
2025	64 %	\$137.46	1.0 %	\$136.09
2026	69	141.59	1.0	140.17
2027	71	145.83	0.0	145.83

## 7. Projection of Income and Expense

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

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

### Comparable Operating Statements

In order to project future income and expense for the proposed subject hotel, we have included a sample of individual comparable operating statements from our database of hotel statistics. All financial data are presented according to the three most common measures of industry performance: ratio to sales (RTS), amounts per available room (PAR), and amounts per occupied room night (POR). These historical income and expense statements will be used as benchmarks in our forthcoming forecast of income and expense. The subject's stabilized statement of income and expense, deflated to 2021 dollars, is also presented.



**FIGURE 7-1 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES**

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2020/21	2019	2019	2019	2018	2021
Number of Rooms:	70 to 100	60 to 90	70 to 90	80 to 100	90 to 110	100
Days Open:	365	365	365	365	365	365
Occupancy:	76%	70%	73%	72%	70%	71%
Average Rate:	\$110	\$115	\$116	\$120	\$128	\$120
RevPAR:	\$84	\$80	\$84	\$87	\$89	\$85
<b>REVENUE</b>						
Rooms	98.9 %	99.4 %	98.0 %	98.7 %	97.4 %	97.6 %
Other Operated Departments	0.8	0.6	1.2	0.0	1.9	1.6
Miscellaneous Income	0.3	0.0	0.8	1.3	0.7	0.8
Total	100.0	100.0	100.0	100.0	100.0	100.0
<b>DEPARTMENTAL EXPENSES*</b>						
Rooms	22.2	21.1	19.7	21.2	24.7	22.0
Other Operated Departments	70.6	90.0	1.7	0.0	39.9	45.0
Total	22.5	21.5	19.3	20.9	24.8	22.2
<b>DEPARTMENTAL INCOME</b>						
	77.5	78.5	80.7	79.1	75.2	77.8
<b>UNDISTRIBUTED OPERATING EXPENSES</b>						
Administrative & General	8.2	6.8	7.5	6.0	6.6	7.2
Info. and Telecom. Systems	0.0	2.1	0.8	1.6	2.1	1.3
Marketing	4.1	4.0	0.1	3.4	6.4	5.7
Franchise Fee	9.9	9.0	14.7	10.0	7.8	7.8
Property Operations & Maintenance	2.7	3.1	7.0	4.6	3.8	4.4
Utilities	4.9	3.9	4.2	3.1	3.0	3.8
Total	29.7	28.9	34.3	28.8	29.7	30.1
<b>GROSS OPERATING PROFIT</b>						
	47.8	49.6	46.4	50.3	45.5	47.7
Management Fee	4.0	3.0	0.0	3.0	3.0	3.0
<b>INCOME BEFORE NON-OPER. INC. &amp; EXP.</b>						
	43.8	46.6	46.4	47.4	42.5	44.7
<b>EBITDA LESS RESERVE</b>						
	36.0 %	41.2 %	43.1 %	38.2 %	35.7 %	30.4 %

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

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

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized \$
Year:	2020/21	2019	2019	2019	2018	2021
Number of Rooms:	70 to 100	60 to 90	70 to 90	80 to 100	90 to 110	100
Days Open:	365	365	365	365	365	365
Occupancy:	76%	70%	73%	72%	70%	71%
Average Rate:	\$110	\$115	\$116	\$120	\$128	\$120
RevPAR:	\$84	\$80	\$84	\$87	\$89	\$85
<b>REVENUE</b>						
Rooms	\$30,625	\$29,365	\$30,650	\$31,712	\$32,636	\$31,048
Other Operated Departments	233	188	364	0	632	518
Miscellaneous Income	97	0	257	433	226	259
Total	30,954	29,553	31,271	32,145	33,494	31,825
<b>DEPARTMENTAL EXPENSES</b>						
Rooms	6,799	6,196	6,030	6,719	8,056	6,831
Other Operated Departments	164	169	6	0	252	233
Total	6,963	6,365	6,036	6,719	8,308	7,064
<b>DEPARTMENTAL INCOME</b>						
	23,991	23,188	25,235	25,426	25,186	24,762
<b>UNDISTRIBUTED OPERATING EXPENSES</b>						
Administrative & General	2,539	2,024	2,332	1,923	2,196	2,300
Info. and Telecom. Systems	6	631	243	527	702	400
Marketing	1,273	1,169	20	1,098	2,130	1,800
Franchise Fee	3,051	2,648	4,607	3,224	2,629	2,484
Property Operations & Maintenance	830	926	2,196	1,489	1,282	1,400
Utilities	1,503	1,145	1,318	987	1,016	1,200
Total	9,201	8,544	10,717	9,248	9,955	9,584
<b>GROSS OPERATING PROFIT</b>						
	14,790	14,644	14,518	16,178	15,231	15,178
Management Fee	1,238	887	0	951	1,005	955
<b>INCOME BEFORE NON-OPER. INC. &amp; EXP.</b>						
	13,551	13,757	14,518	15,227	14,226	14,223
<b>EBITDA LESS RESERVE</b>						
	\$11,131	\$12,147	\$13,490	\$12,263	\$11,934	\$9,682

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

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2020/21	2019	2019	2019	2018	2021
Number of Rooms:	70 to 100	60 to 90	70 to 90	80 to 100	90 to 110	100
Days Open:	365	365	365	365	365	365
Occupancy:	76%	70%	73%	72%	70%	71%
Average Rate:	\$110	\$115	\$116	\$120	\$128	\$120
RevPAR:	\$84	\$80	\$84	\$87	\$89	\$85
<b>REVENUE</b>						
Rooms	\$110.45	\$114.99	\$115.67	\$120.34	\$127.79	\$119.81
Other Operated Departments	0.84	0.74	1.37	0.00	2.47	2.00
Miscellaneous Income	0.35	0.00	0.97	1.64	0.88	1.00
Total	111.64	115.73	118.01	121.98	131.15	122.81
<b>DEPARTMENTAL EXPENSES</b>						
Rooms	24.52	24.26	22.76	25.50	31.54	26.36
Other Operated Departments	0.59	0.66	0.02	0.00	0.99	0.90
Total	25.11	24.93	22.78	25.50	32.53	27.26
<b>DEPARTMENTAL INCOME</b>						
	86.53	90.80	95.23	96.49	98.62	95.55
<b>UNDISTRIBUTED OPERATING EXPENSES</b>						
Administrative & General	9.16	7.93	8.80	7.30	8.60	8.88
Info. and Telecom. Systems	0.02	2.47	0.92	2.00	2.75	1.54
Marketing	4.59	4.58	0.07	4.17	8.34	6.95
Franchise Fee	11.00	10.37	17.39	12.24	10.29	9.58
Property Operations & Maintenance	2.99	3.63	8.29	5.65	5.02	5.40
Utilities	5.42	4.49	4.98	3.75	3.98	4.63
Total	33.19	33.46	40.44	35.10	38.98	36.98
<b>GROSS OPERATING PROFIT</b>						
	53.34	57.34	54.79	61.39	59.64	58.57
Management Fee	4.47	3.47	0.00	3.61	3.94	3.68
<b>INCOME BEFORE NON-OPER. INC. &amp; EXP.</b>						
	48.87	53.87	54.79	57.78	55.70	54.88
<b>EBITDA LESS RESERVE</b>						
	\$40.14	\$47.57	\$50.91	\$46.53	\$46.73	\$37.36

The departmental income of the comparable properties ranged from 75.2% to 80.7% of total revenue. The comparable properties achieved a gross operating profit ranging from 45.5% to 50.3% of total revenue. We will refer to the

comparable operating data in our discussion of each line item, which follows later in this section of the report.

### **Fixed and Variable Component Analysis**

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

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

**Inflation and  
Appreciation  
Assumptions**

In consideration of the trends in the Consumer Price Index (CPI), inflation factors that directly influence lodging properties, projections set forth by economists surveyed, and the Federal Reserve’s target inflation rate, we have applied the underlying inflation rates as reflected in the following table.

**FIGURE 7-4 INFLATION ASSUMPTIONS**

<b>Timeframe</b>		<b>Rate of Inflation Assumed</b>
2021	to 2022	5.0 %
2022	to 2023	3.0
2023	to 2024	3.0
2024	to 2025	3.0
2025	to 2026	3.0

Beyond the illustrated year, we have applied a 3.0% annual rate of growth to income and expenses to reflect the longer-term expectation of asset appreciation by typical investors. This position is based on interviews with numerous market participants indicating a distinction in the expectations of near-term cost inflation (i.e., related to labor and supplies) versus long-term income growth that drives appreciation. Any exceptions to the application of the assumed underlying inflation and EBITDA Less Replacement Reserve growth rates are discussed in our write-up of individual income and expense items.

**Forecast of Revenue  
and Expense**

Based on an analysis that will be detailed throughout this section, we have formulated a forecast of income and expense. The following table presents a detailed forecast through the fifth projection year, including amounts per available room and per occupied room. The second table illustrates our ten-year forecast of income and expense, presented with a lesser degree of detail. The forecasts pertain to years that begin on January 1, 2025, expressed in inflated dollars for each year.

**FIGURE 7-5 DETAILED FORECAST OF INCOME AND EXPENSE**

	2025 (Calendar Year)				2026				Stabilized				2028				2029				
Number of Rooms:	100				100				100				100				100				
Occupancy:	64%				69%				71%				71%				71%				
Average Rate:	\$136.09				\$140.17				\$145.83				\$150.21				\$154.71				
RevPAR:	\$87.10				\$96.72				\$103.54				\$106.65				\$109.85				
Days Open:	365				365				365				365				365				
Occupied Rooms:	23,360	%Gross	PAR	POR	25,185	%Gross	PAR	POR	25,915	%Gross	PAR	POR	25,915	%Gross	PAR	POR	25,915	%Gross	PAR	POR	
<b>OPERATING REVENUE</b>																					
Rooms	\$3,179	97.3 %	\$31,790	\$136.09	\$3,530	97.5 %	\$35,300	\$140.16	\$3,779	97.6 %	\$37,790	\$145.82	\$3,893	97.6 %	\$38,930	\$150.22	\$4,009	97.6 %	\$40,090	\$154.70	
Other Operated Departments	58	1.8	577	2.47	61	1.7	607	2.41	63	1.6	631	2.43	65	1.6	650	2.51	67	1.6	669	2.58	
Miscellaneous Income	29	0.9	289	1.24	30	0.8	304	1.21	32	0.8	315	1.22	32	0.8	325	1.25	33	0.8	335	1.29	
<b>Total Operating Revenues</b>	<b>3,266</b>	<b>100.0</b>	<b>32,656</b>	<b>139.79</b>	<b>3,621</b>	<b>100.0</b>	<b>36,211</b>	<b>143.78</b>	<b>3,874</b>	<b>100.0</b>	<b>38,736</b>	<b>149.47</b>	<b>3,990</b>	<b>100.0</b>	<b>39,905</b>	<b>153.98</b>	<b>4,109</b>	<b>100.0</b>	<b>41,094</b>	<b>158.57</b>	
<b>DEPARTMENTAL EXPENSES *</b>																					
Rooms	753	23.7	7,528	32.23	798	22.6	7,981	31.69	831	22.0	8,314	32.08	856	22.0	8,564	33.05	882	22.0	8,821	34.04	
Other Operated Departments	27	46.0	265	1.14	27	45.3	275	1.09	28	45.0	284	1.10	29	45.0	292	1.13	30	45.0	301	1.16	
<b>Total Expenses</b>	<b>779</b>	<b>23.9</b>	<b>7,793</b>	<b>33.36</b>	<b>826</b>	<b>22.8</b>	<b>8,256</b>	<b>32.78</b>	<b>860</b>	<b>22.2</b>	<b>8,598</b>	<b>33.18</b>	<b>886</b>	<b>22.2</b>	<b>8,856</b>	<b>34.17</b>	<b>912</b>	<b>22.2</b>	<b>9,122</b>	<b>35.20</b>	
<b>DEPARTMENTAL INCOME</b>	<b>2,486</b>	<b>76.1</b>	<b>24,862</b>	<b>106.43</b>	<b>2,795</b>	<b>77.2</b>	<b>27,955</b>	<b>111.00</b>	<b>3,014</b>	<b>77.8</b>	<b>30,138</b>	<b>116.30</b>	<b>3,105</b>	<b>77.8</b>	<b>31,048</b>	<b>119.81</b>	<b>3,197</b>	<b>77.8</b>	<b>31,972</b>	<b>123.37</b>	
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																					
Administrative & General	257	7.9	2,569	11.00	269	7.4	2,693	10.69	280	7.2	2,800	10.80	288	7.2	2,884	11.13	297	7.2	2,970	11.46	
Info & Telecom Systems	45	1.4	447	1.91	47	1.3	468	1.86	49	1.3	487	1.88	50	1.3	502	1.94	52	1.3	517	1.99	
Marketing	201	6.2	2,011	8.61	211	5.8	2,107	8.37	219	5.7	2,191	8.45	226	5.7	2,257	8.71	232	5.7	2,324	8.97	
Franchise Fee	254	7.8	2,543	10.89	282	7.8	2,824	11.21	302	7.8	3,023	11.67	311	7.8	3,114	12.02	321	7.8	3,207	12.38	
Prop. Operations & Maint.	125	3.8	1,251	5.36	148	4.1	1,475	5.86	170	4.4	1,704	6.58	176	4.4	1,755	6.77	181	4.4	1,808	6.98	
Utilities	134	4.1	1,340	5.74	140	3.9	1,405	5.58	146	3.8	1,461	5.64	150	3.8	1,505	5.81	155	3.8	1,550	5.98	
<b>Total Expenses</b>	<b>1,016</b>	<b>31.2</b>	<b>10,161</b>	<b>43.50</b>	<b>1,097</b>	<b>30.3</b>	<b>10,973</b>	<b>43.57</b>	<b>1,167</b>	<b>30.2</b>	<b>11,665</b>	<b>45.01</b>	<b>1,202</b>	<b>30.2</b>	<b>12,016</b>	<b>46.37</b>	<b>1,238</b>	<b>30.2</b>	<b>12,376</b>	<b>47.75</b>	
<b>GROSS OPERATING PROFIT</b>	<b>1,470</b>	<b>44.9</b>	<b>14,701</b>	<b>62.93</b>	<b>1,698</b>	<b>46.9</b>	<b>16,982</b>	<b>67.43</b>	<b>1,847</b>	<b>47.6</b>	<b>18,473</b>	<b>71.28</b>	<b>1,903</b>	<b>47.6</b>	<b>19,032</b>	<b>73.44</b>	<b>1,960</b>	<b>47.6</b>	<b>19,596</b>	<b>75.62</b>	
Management Fee	98	3.0	980	4.19	109	3.0	1,086	4.31	116	3.0	1,162	4.48	120	3.0	1,197	4.62	123	3.0	1,233	4.76	
<b>INCOME BEFORE NON-OPR. INC. &amp; EXP.</b>	<b>1,372</b>	<b>41.9</b>	<b>13,721</b>	<b>58.74</b>	<b>1,590</b>	<b>43.9</b>	<b>15,896</b>	<b>63.12</b>	<b>1,731</b>	<b>44.6</b>	<b>17,311</b>	<b>66.80</b>	<b>1,784</b>	<b>44.6</b>	<b>17,835</b>	<b>68.82</b>	<b>1,836</b>	<b>44.6</b>	<b>18,364</b>	<b>70.86</b>	
<b>NON-OPERATING INCOME &amp; EXPENSE</b>																					
Property Taxes	85	2.6	852	3.65	351	9.7	3,508	13.93	361	9.3	3,614	13.94	372	9.3	3,722	14.36	383	9.3	3,834	14.79	
Insurance	34	1.1	344	1.47	35	1.0	355	1.41	37	0.9	365	1.41	38	0.9	376	1.45	39	0.9	387	1.49	
<b>Total Expenses</b>	<b>120</b>	<b>3.7</b>	<b>1,196</b>	<b>5.12</b>	<b>386</b>	<b>10.7</b>	<b>3,863</b>	<b>15.34</b>	<b>398</b>	<b>10.2</b>	<b>3,979</b>	<b>15.35</b>	<b>410</b>	<b>10.2</b>	<b>4,098</b>	<b>15.81</b>	<b>422</b>	<b>10.2</b>	<b>4,221</b>	<b>16.29</b>	
<b>EBITDA</b>	<b>1,253</b>	<b>38.2</b>	<b>12,526</b>	<b>53.62</b>	<b>1,203</b>	<b>33.2</b>	<b>12,033</b>	<b>47.78</b>	<b>1,333</b>	<b>34.4</b>	<b>13,332</b>	<b>51.44</b>	<b>1,374</b>	<b>34.4</b>	<b>13,737</b>	<b>53.01</b>	<b>1,414</b>	<b>34.4</b>	<b>14,143</b>	<b>54.57</b>	
Reserve for Replacement	65	2.0	653	2.80	109	3.0	1,086	4.31	155	4.0	1,549	5.98	160	4.0	1,596	6.16	164	4.0	1,644	6.34	
<b>EBITDA LESS RESERVE</b>	<b>\$1,187</b>	<b>36.2 %</b>	<b>\$11,872</b>	<b>\$50.82</b>	<b>\$1,095</b>	<b>30.2 %</b>	<b>\$10,947</b>	<b>\$43.46</b>	<b>\$1,178</b>	<b>30.4 %</b>	<b>\$11,782</b>	<b>\$45.47</b>	<b>\$1,214</b>	<b>30.4 %</b>	<b>\$12,141</b>	<b>\$46.85</b>	<b>\$1,250</b>	<b>30.4 %</b>	<b>\$12,499</b>	<b>\$48.23</b>	

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

**FIGURE 7-6 TEN-YEAR FORECAST OF INCOME AND EXPENSE**

	2025		2026		2027		2028		2029		2030		2031		2032		2033		2034	
<b>Number of Rooms:</b>	<b>100</b>		<b>100</b>		<b>100</b>		<b>100</b>		<b>100</b>		<b>100</b>		<b>100</b>		<b>100</b>		<b>100</b>		<b>100</b>	
<b>Occupied Rooms:</b>	<b>23,360</b>		<b>25,185</b>		<b>25,915</b>		<b>25,915</b>		<b>25,915</b>		<b>25,915</b>		<b>25,915</b>		<b>25,915</b>		<b>25,915</b>		<b>25,915</b>	
<b>Occupancy:</b>	<b>64%</b>		<b>69%</b>		<b>71%</b>		<b>71%</b>		<b>71%</b>		<b>71%</b>		<b>71%</b>		<b>71%</b>		<b>71%</b>		<b>71%</b>	
<b>Average Rate:</b>	<b>\$136.09</b>	<b>% of</b>	<b>\$140.17</b>	<b>% of</b>	<b>\$145.83</b>	<b>% of</b>	<b>\$150.21</b>	<b>% of</b>	<b>\$154.71</b>	<b>% of</b>	<b>\$159.36</b>	<b>% of</b>	<b>\$164.14</b>	<b>% of</b>	<b>\$169.06</b>	<b>% of</b>	<b>\$174.13</b>	<b>% of</b>	<b>\$179.36</b>	<b>% of</b>
<b>RevPAR:</b>	<b>\$87.10</b>	<b>Gross</b>	<b>\$96.72</b>	<b>Gross</b>	<b>\$103.54</b>	<b>Gross</b>	<b>\$106.65</b>	<b>Gross</b>	<b>\$109.85</b>	<b>Gross</b>	<b>\$113.14</b>	<b>Gross</b>	<b>\$116.54</b>	<b>Gross</b>	<b>\$120.03</b>	<b>Gross</b>	<b>\$123.63</b>	<b>Gross</b>	<b>\$127.34</b>	<b>Gross</b>
<b>OPERATING REVENUE</b>																				
Rooms	\$3,179	97.3 %	\$3,530	97.5 %	\$3,779	97.6 %	\$3,893	97.6 %	\$4,009	97.6 %	\$4,130	97.6 %	\$4,254	97.6 %	\$4,381	97.6 %	\$4,513	97.6 %	\$4,648	97.6 %
Other Operated Departments	58	1.8	61	1.7	63	1.6	65	1.6	67	1.6	69	1.6	71	1.6	73	1.6	75	1.6	78	1.6
Miscellaneous Income	29	0.9	30	0.8	32	0.8	32	0.8	33	0.8	34	0.8	36	0.8	37	0.8	38	0.8	39	0.8
<b>Total Operating Revenues</b>	<b>3,266</b>	<b>100.0</b>	<b>3,621</b>	<b>100.0</b>	<b>3,874</b>	<b>100.0</b>	<b>3,990</b>	<b>100.0</b>	<b>4,109</b>	<b>100.0</b>	<b>4,233</b>	<b>100.0</b>	<b>4,361</b>	<b>100.0</b>	<b>4,491</b>	<b>100.0</b>	<b>4,626</b>	<b>100.0</b>	<b>4,764</b>	<b>100.0</b>
<b>DEPARTMENTAL EXPENSES *</b>																				
Rooms	753	23.7	798	22.6	831	22.0	856	22.0	882	22.0	909	22.0	936	22.0	964	22.0	993	22.0	1,023	22.0
Other Operated Departments	27	46.0	27	45.3	28	45.0	29	45.0	30	45.0	31	45.0	32	45.0	33	45.0	34	45.0	35	45.0
<b>Total Expenses</b>	<b>779</b>	<b>23.9</b>	<b>826</b>	<b>22.8</b>	<b>860</b>	<b>22.2</b>	<b>886</b>	<b>22.2</b>	<b>912</b>	<b>22.2</b>	<b>940</b>	<b>22.2</b>	<b>968</b>	<b>22.2</b>	<b>997</b>	<b>22.2</b>	<b>1,027</b>	<b>22.2</b>	<b>1,057</b>	<b>22.2</b>
<b>DEPARTMENTAL INCOME</b>																				
	<b>2,486</b>	<b>76.1</b>	<b>2,795</b>	<b>77.2</b>	<b>3,014</b>	<b>77.8</b>	<b>3,105</b>	<b>77.8</b>	<b>3,197</b>	<b>77.8</b>	<b>3,294</b>	<b>77.8</b>	<b>3,393</b>	<b>77.8</b>	<b>3,494</b>	<b>77.8</b>	<b>3,599</b>	<b>77.8</b>	<b>3,707</b>	<b>77.8</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	257	7.9	269	7.4	280	7.2	288	7.2	297	7.2	306	7.2	315	7.2	325	7.2	334	7.2	344	7.2
Info & Telecom Systems	45	1.4	47	1.3	49	1.3	50	1.3	52	1.3	53	1.3	55	1.3	56	1.3	58	1.3	60	1.3
Marketing	201	6.2	211	5.8	219	5.7	226	5.7	232	5.7	239	5.7	247	5.7	254	5.7	262	5.7	269	5.7
Franchise Fee	254	7.8	282	7.8	302	7.8	311	7.8	321	7.8	330	7.8	340	7.8	350	7.8	361	7.8	372	7.8
Prop. Operations & Maint.	125	3.8	148	4.1	170	4.4	176	4.4	181	4.4	186	4.4	192	4.4	198	4.4	203	4.4	210	4.4
Utilities	134	4.1	140	3.9	146	3.8	150	3.8	155	3.8	160	3.8	164	3.8	169	3.8	174	3.8	180	3.8
<b>Total Expenses</b>	<b>1,016</b>	<b>31.2</b>	<b>1,097</b>	<b>30.3</b>	<b>1,167</b>	<b>30.2</b>	<b>1,202</b>	<b>30.2</b>	<b>1,238</b>	<b>30.2</b>	<b>1,275</b>	<b>30.2</b>	<b>1,313</b>	<b>30.2</b>	<b>1,352</b>	<b>30.2</b>	<b>1,393</b>	<b>30.2</b>	<b>1,435</b>	<b>30.2</b>
<b>GROSS OPERATING PROFIT</b>																				
	<b>1,470</b>	<b>44.9</b>	<b>1,698</b>	<b>46.9</b>	<b>1,847</b>	<b>47.6</b>	<b>1,903</b>	<b>47.6</b>	<b>1,960</b>	<b>47.6</b>	<b>2,019</b>	<b>47.6</b>	<b>2,080</b>	<b>47.6</b>	<b>2,142</b>	<b>47.6</b>	<b>2,206</b>	<b>47.6</b>	<b>2,272</b>	<b>47.6</b>
Management Fee	98	3.0	109	3.0	116	3.0	120	3.0	123	3.0	127	3.0	131	3.0	135	3.0	139	3.0	143	3.0
<b>INCOME BEFORE NON-OPR. INC. &amp; EXP.</b>																				
	<b>1,372</b>	<b>41.9</b>	<b>1,590</b>	<b>43.9</b>	<b>1,731</b>	<b>44.6</b>	<b>1,784</b>	<b>44.6</b>	<b>1,836</b>	<b>44.6</b>	<b>1,892</b>	<b>44.6</b>	<b>1,949</b>	<b>44.6</b>	<b>2,007</b>	<b>44.6</b>	<b>2,068</b>	<b>44.6</b>	<b>2,129</b>	<b>44.6</b>
<b>NON-OPERATING INCOME &amp; EXPENSE</b>																				
Property Taxes	85	2.6	351	9.7	361	9.3	372	9.3	383	9.3	395	9.3	407	9.3	419	9.3	431	9.3	444	9.3
Insurance	34	1.1	35	1.0	37	0.9	38	0.9	39	0.9	40	0.9	41	0.9	42	0.9	44	0.9	45	0.9
<b>Total Expenses</b>	<b>120</b>	<b>3.7</b>	<b>386</b>	<b>10.7</b>	<b>398</b>	<b>10.2</b>	<b>410</b>	<b>10.2</b>	<b>422</b>	<b>10.2</b>	<b>435</b>	<b>10.2</b>	<b>448</b>	<b>10.2</b>	<b>461</b>	<b>10.2</b>	<b>475</b>	<b>10.2</b>	<b>489</b>	<b>10.2</b>
<b>EBITDA</b>																				
	<b>1,253</b>	<b>38.2</b>	<b>1,203</b>	<b>33.2</b>	<b>1,333</b>	<b>34.4</b>	<b>1,374</b>	<b>34.4</b>	<b>1,414</b>	<b>34.4</b>	<b>1,457</b>	<b>34.4</b>	<b>1,501</b>	<b>34.4</b>	<b>1,546</b>	<b>34.4</b>	<b>1,592</b>	<b>34.4</b>	<b>1,640</b>	<b>34.4</b>
Reserve for Replacement	65	2.0	109	3.0	155	4.0	160	4.0	164	4.0	169	4.0	174	4.0	180	4.0	185	4.0	191	4.0
<b>EBITDA LESS RESERVE</b>																				
	<b>\$1,187</b>	<b>36.2 %</b>	<b>\$1,095</b>	<b>30.2 %</b>	<b>\$1,178</b>	<b>30.4 %</b>	<b>\$1,214</b>	<b>30.4 %</b>	<b>\$1,250</b>	<b>30.4 %</b>	<b>\$1,288</b>	<b>30.4 %</b>	<b>\$1,327</b>	<b>30.4 %</b>	<b>\$1,366</b>	<b>30.4 %</b>	<b>\$1,407</b>	<b>30.4 %</b>	<b>\$1,449</b>	<b>30.4 %</b>

The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take three years for the proposed subject hotel to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the proposed subject hotel's operating budget and comparable income and expense statements. The forecast is based upon calendar years beginning January 1, 2025, expressed in inflated dollars for each year.

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

**Rooms Revenue**

Rooms revenue is determined by two variables: occupancy and average rate. We projected occupancy and average rate in a previous section of this report. The proposed subject hotel is expected to stabilize at an occupancy level of 71% with an average rate of \$145.83 in 2027. Following the stabilized year, the proposed subject hotel's ADR is projected to increase along with the underlying rate of growth assigned to EBITDA Less Replacement Reserve.

**Other Operated Departments Revenue**

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

**FIGURE 7-7 OTHER OPERATED DEPARTMENTS REVENUE**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2025	Deflated Stabilized
Percentage of Revenue	0.8 %	0.6 %	1.2 %	0.0 %	1.9 %	1.8 %	1.6 %
Per Available Room	\$233	\$188	\$364	\$0	\$632	\$577	\$518
Per Occupied Room	\$0.84	\$0.74	\$1.37	\$0.00	\$2.47	\$2.47	\$2.00

**Miscellaneous Income**

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



**FIGURE 7-8 MISCELLANEOUS INCOME**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2025	Deflated Stabilized
Percentage of Revenue	0.3 %	0.0 %	0.8 %	1.3 %	0.7 %	0.9 %	0.8 %
Per Available Room	\$97	\$0	\$257	\$433	\$226	\$289	\$259
Per Occupied Room	\$0.35	\$0.00	\$0.97	\$1.64	\$0.88	\$1.24	\$1.00

**Rooms Expense**

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

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

**FIGURE 7-9 ROOMS EXPENSE**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2025	Deflated Stabilized
Percentage of Revenue	22.2 %	21.1 %	19.7 %	21.2 %	24.7 %	23.7 %	22.0 %
Per Available Room	\$6,799	\$6,196	\$6,030	\$6,719	\$8,056	\$7,528	\$6,831
Per Occupied Room	\$24.52	\$24.26	\$22.76	\$25.50	\$31.54	\$32.23	\$26.36

**Other Operated Departments Expense**

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

**FIGURE 7-10 OTHER OPERATED DEPARTMENTS EXPENSE**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2025	Deflated Stabilized
Percentage of Revenue	70.6 %	90.0 %	1.7 %	0.0 %	39.9 %	46.0 %	45.0 %
Per Available Room	\$164	\$169	\$6	\$0	\$252	\$265	\$233
Per Occupied Room	\$0.59	\$0.66	\$0.02	\$0.00	\$0.99	\$1.14	\$0.90

**Administrative and General Expense**

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

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

**FIGURE 7-11 ADMINISTRATIVE AND GENERAL EXPENSE**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2025	Deflated Stabilized
Percentage of Revenue	8.2 %	6.8 %	7.5 %	6.0 %	6.6 %	7.9 %	7.2 %
Per Available Room	\$2,539	\$2,024	\$2,332	\$1,923	\$2,196	\$2,569	\$2,300
Per Occupied Room	\$9.16	\$7.93	\$8.80	\$7.30	\$8.60	\$11.00	\$8.88

**Information and Telecommunications Systems Expense**

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

**Marketing Expense**

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

The marketing category is unique in that all expense items, with the exception of fees and commissions, are totally controlled by management. Most hotel operators

establish an annual marketing budget that sets forth all planned expenditures. If the budget is followed, total marketing expenses can be projected accurately.

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

**FIGURE 7-12 MARKETING EXPENSE**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2025	Deflated Stabilized
Percentage of Revenue	4.1 %	4.0 %	0.1 %	3.4 %	6.4 %	6.2 %	5.7 %
Per Available Room	\$1,273	\$1,169	\$20	\$1,098	\$2,130	\$2,011	\$1,800
Per Occupied Room	\$4.59	\$4.58	\$0.07	\$4.17	\$8.34	\$8.61	\$6.95

**Franchise Fee**

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

Marketing expense and franchise fees are often analyzed in total because hotels may account for some components of franchise expense in the marketing expense category. The subject property’s total marketing and franchise expense has been forecast at 13.5% of total revenue on a stabilized basis; the comparable operating statements show a range from 13.0% to 14.8% of total revenue.

**Property Operations and Maintenance**

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

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

The age of a lodging facility has a strong influence on the required level of maintenance. A new or thoroughly renovated property is protected for several years

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

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

**FIGURE 7-13 PROPERTY OPERATIONS AND MAINTENANCE EXPENSE**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2025	Deflated Stabilized
Percentage of Revenue	2.7 %	3.1 %	7.0 %	4.6 %	3.8 %	3.8 %	4.4 %
Per Available Room	\$830	\$926	\$2,196	\$1,489	\$1,282	\$1,251	\$1,400
Per Occupied Room	\$2.99	\$3.63	\$8.29	\$5.65	\$5.02	\$5.36	\$5.40

**Utilities Expense**

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

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

**FIGURE 7-14 UTILITIES EXPENSE**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2025	Deflated Stabilized
Percentage of Revenue	4.9 %	3.9 %	4.2 %	3.1 %	3.0 %	4.1 %	3.8 %
Per Available Room	\$1,503	\$1,145	\$1,318	\$987	\$1,016	\$1,340	\$1,200
Per Occupied Room	\$5.42	\$4.49	\$4.98	\$3.75	\$3.98	\$5.74	\$4.63

### Management Fee

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

### Property Taxes

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

**FIGURE 7-15 HISTORIC SUBJECT PROPERTY TAX BURDEN (BASE YEAR)**

Year	Real Property						
	Appraised Value			Assessed Value			
	Land	Real Property Total	Percent Change	Land	Improvements	Real Property Total	Percent Change
2018	\$459,860	\$459,860	—	\$160,951	\$0	\$160,951	—
2019	459,860	459,860	0.0 %	160,951	0	160,951	0.0 %
2020	492,050	492,050	7.0	172,218	0	172,218	7.0
2021	492,050	492,050	0.0	172,218	0	172,218	0.0

Source: Hamilton County Auditor

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

**FIGURE 7-16 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS**

Hotel	Year Open	Land	Improvements	Total
Subject Property	2019	\$172,218	\$0	\$172,218
<i>Hampton by Hilton Cincinnati Eastgate</i>	1999	\$162,715	\$1,789,480	\$1,952,195
<i>Fairfield by Marriott Cincinnati Eastgate</i>	2001	449,540	1,504,370	1,953,910
<i>Comfort Inn &amp; Suites Cincinnati</i>	2000	205,695	658,805	864,500
SpringHill Suites by Marriott Cincinnati Midtown	2009	838,842	3,508,260	4,347,102
Courtyard by Marriott Cincinnati Midtown/Rookwood	2013	614,912	4,515,970	5,130,882
Hilton Garden Inn Cincinnati Midtown	2018	84,402	4,533,848	4,618,250
Residence Inn by Marriott Cincinnati Midtown Rookwood	2017	545,020	4,683,686	5,228,706
<i>Holiday Inn &amp; Suites Cincinnati Eastgate</i>	1983	302,295	2,416,190	2,718,485
<i>Assessments per Room</i>	<i># of Rms</i>			
<i>Hampton by Hilton Cincinnati Eastgate</i>	120	\$1,356	\$14,912	\$16,268
<i>Fairfield by Marriott Cincinnati Eastgate</i>	78	5,763	19,287	25,050
<i>Comfort Inn &amp; Suites Cincinnati</i>	72	2,857	9,150	12,007
SpringHill Suites by Marriott Cincinnati Midtown	122	6,876	28,756	35,632
Courtyard by Marriott Cincinnati Midtown/Rookwood	123	4,999	36,715	41,714
Hilton Garden Inn Cincinnati Midtown	120	703	37,782	38,485
Residence Inn by Marriott Cincinnati Midtown Rookwood	118	4,619	39,692	44,311
<i>Holiday Inn &amp; Suites Cincinnati Eastgate</i>	212	1,426	11,397	12,823
<b>Positioned Subject - Per Room</b>	<b>100</b>	<b>\$2,000</b>	<b>\$30,000</b>	<b>\$32,000</b>
<b>Positioned Subject - Total</b>		<b>\$200,000</b>	<b>\$3,000,000</b>	<b>\$3,200,000</b>

*\*Eastgate properties are in Clermont County*

Source: Hamilton County Auditor

We have positioned the future assessment levels of the subject site and proposed improvements based upon the illustrated comparable data. We have positioned these assessments closest to the Courtyard by Marriott Cincinnati Rookwood because of the similarities in age and product type; overall, the positioned assessments are well supported by the market data.

Tax rates are based on the city and county budgets, which change annually. The most recent tax rate in this jurisdiction was reported at 95.55390. The following table shows changes in the tax rate during the last several years.

**FIGURE 7-17 COUNTY TAX RATES**

<u>Year</u>	<u>Real Property Millage Rate</u>
2018	95.19010
2019	99.73126
2020	94.71819
2021	95.55390

Source: Hamilton County Auditor

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

**FIGURE 7-18 PROJECTED PROPERTY TAX BURDEN (BASE YEAR)**

	<u>Real Property Total</u>
Positioned (Assessed Value)	\$3,200,000
Millage Rate	<u>95.55390</u>
Tax Burden as of Current Assessm	\$305,772

**FIGURE 7-19 PROJECTED PROPERTY TAX EXPENSE – REAL PROPERTY**

Year	Real Property		
	Real Tax Burden (Positioned Prior to Increase)	Base Rate of Tax Burden Increase	Taxes Payable
Positioned	\$305,772	—	\$305,772
2025	\$305,772	11.4 %	\$85,153
2026	340,614	3.0	\$350,832
2027	350,832	3.0	\$361,357
2028	361,357	3.0	\$372,198
2029	372,198	3.0	\$383,364
2030	383,364	3.0	\$394,865
2031	394,865	3.0	\$406,711

**Insurance Expense**

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

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

**FIGURE 7-20 INSURANCE EXPENSE**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2025	Deflated Stabilized
Percentage of Revenue	1.2 %	1.4 %	0.7 %	1.7 %	0.7 %	1.1 %	0.9 %
Per Available Room	\$377	\$424	\$211	\$544	\$235	\$344	\$300
Per Occupied Room	\$1.36	\$1.66	\$0.80	\$2.06	\$0.92	\$1.47	\$1.16

**Reserve for Replacement**

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



intervals. The useful life of these items is determined by their quality, durability, and the amount of guest traffic and use.

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

The International Society of Hospitality Consultants (ISHC) oversees a major industry-sponsored study of the capital expenditure requirements for full-service/luxury, select-service, and extended-stay hotels. The most recent study was published in 2014.<sup>6</sup> Historical capital expenditures of well-maintained hotels were investigated through the compilation of data provided by most of the major hotel companies in the United States. A prospective analysis of future capital expenditure requirements was also performed based upon the cost to replace short- and long-lived building components over a hotel's economic life. The study showed that the capital expenditure requirements for hotels vary significantly from year to year and depend upon both the actual and effective ages of a property. The results of this study showed that hotel lenders and investors are requiring reserves for replacement ranging from 4% to 5% of total revenue.

Based upon the results of our analysis, our review of the proposed subject asset, and current industry norms, a reserve for replacement equal to 4.0% of total revenues has been factored into our forecast of revenue and expense for funding the periodic replacement of the proposed subject property's furniture, fixtures, and equipment. This amount has been ramped up during the initial projection period.

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

### Forecast of Revenue and Expense Conclusion

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

**FIGURE 7-21 FORECAST OF REVENUE AND EXPENSE CONCLUSION**

	Year	Total Revenue		Gross Operating Profit		House Profit Ratio	EBITDA Less Replacement Reserve		
		Total	% Change	Total	% Change		Total	% Change	As a % of Ttl Rev
<b>Projected</b>	2025	\$3,266,000	—	\$1,470,000	—	44.9 %	\$1,187,000	—	36.2 %
	2026	3,621,000	10.9 %	1,698,000	15.5 %	46.9	1,095,000	(7.8) %	30.2
	2027	3,874,000	7.0	1,847,000	8.8	47.6	1,178,000	7.6	30.4
	2028	3,990,000	3.0	1,903,000	3.0	47.6	1,214,000	3.1	30.4
	2029	4,109,000	3.0	1,960,000	3.0	47.6	1,250,000	3.0	30.4

## 8. Statement of Assumptions and Limiting Conditions

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

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

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

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## Brian Arevalo

### EMPLOYMENT

2012 to present	HVS CONSULTING AND VALUATION SERVICES Cincinnati, Ohio
2011 – 2012	COLLEGE HOUSES COOPERATIVE Austin, Texas
2011	ABMARTIN Austin, Texas
2009 – 2011	EMBASSY SUITES OUTDOOR WORLD Grapevine, Texas

### EDUCATION AND OTHER TRAINING

BS – School of Merchandizing and Hospitality Management, University of North Texas  
MS – McCombs School of Business, University of Texas at Austin

*Other Specialized Training Classes Completed:*

Uniform Standards of Professional Appraisal Practice – 15 hours  
Basic Appraisal Procedures – 30 hours  
Basic Appraisal Principles – 30 hours  
General Appraiser Income Approach – 60 hours  
General Appraiser Market Analysis and HBU – 30 hours  
General Appraiser Site Valuation and Cost Approach – 30 hours  
General Appraiser Sales Comparison Approach – 30 hours  
General Appraiser Report Writing and Case Studies – 30 hours  
Statistics, Modeling and Finance – 15 hours  
Advanced Income Capitalization – 30 hours  
Expert Witness for Commercial Appraisers – 15 hours  
Basic Hotel Appraising – 7 hours  
West Virginia Law – 3 hours  
Commercial Appraisal Review – 15 hours  
Advanced Concepts and Case Studies – 30 hours  
Rates and Ratios – 7 hours  
Small Hotel/Motel Valuation – 7 hours  
Biennial USPAP Update

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**STATE CERTIFICATIONS**

Indiana, Kentucky, Ohio, West Virginia

**PUBLISHED ARTICLES**

*HVS Journal*

“HVS Market Pulse: Cincinnati,” June 2021

*HVS Journal*

“HVS Market Pulse: Cincinnati, OH,” October 2018

*HVS Journal*

“In Focus: Corpus Christi, Texas,” August 2014

*HVS Journal*

“HVS Hotel Market Intelligence Report: Corpus Christi, Texas,” April 2013

**EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED**

**PORTFOLIO WORK**

20 Extended Stay America Hotels

**ARIZONA**

Hampton Inn Phoenix Chandler, Chandler  
 Americana Hotel, Nogales  
 Red Roof Inn Phoenix Airport, Temple

**ARKANSAS**

Proposed Hotel, Hot Springs  
 Wyndham Garden, Texarkana

**CALIFORNIA**

Courtyard San Diego Carlsbad  
 McClellan-Palomar Airport, Carlsbad  
 Hotel Del Coronado, Coronado  
 Staybridge Suites Fairfield Napa Valley, Fairfield  
 Hilton Garden Inn, Oxnard  
 Hyatt Place Sacramento Rancho Cordova, Rancho Cordova

**FLORIDA**

Hyatt Place Lakeland Center, Lakeland  
 Hampton Inn, Largo  
 Holiday Inn Express, Largo  
 Proposed Pearl, Rosemary Beach  
 Hyatt Place Busch Gardens, Tampa

**GEORGIA**

Georgia Tech Hotel & Conference Center, Atlanta

**ILLINOIS**

SpringHill Suites by Marriott, Burr Ridge  
 Elk Grove Hotel, Elk Grove  
 Best Western Plus, Hillside  
 Proposed Home2 Suites, Normal  
 Days Inn, North Chicago  
 DoubleTree by Hilton Hotel Chicago North Shore Conference Center, Skokie

Hilton Garden Inn Oakbrook, Oakbrook Terrace  
 Hilton Suites Oakbrook, Oakbrook Terrace

**INDIANA**

Hyatt Place, Bloomington  
 Proposed Embassy Suites, Bloomington  
 Proposed Graduate, Bloomington  
 Proposed Home2 Suites, Brownsburg  
 Proposed Best Western, Clarksville  
 Proposed Hotel Crawfordsville, Crawfordsville  
 Proposed Hyatt Place and Hyatt House, Fishers  
 Courtyard by Marriott Indianapolis Northwest, Indianapolis  
 Holiday Inn Indianapolis Carmel, Indianapolis  
 La Quinta Inn Indianapolis Airport Executive Drive, Indianapolis  
 La Quinta Inn Indianapolis Airport Lynhurst, Indianapolis  
 La Quinta Inn Indianapolis East Post Drive, Indianapolis  
 Proposed Aloft Indianapolis, Indianapolis  
 Proposed Home2 Indianapolis, Indianapolis  
 Proposed Residence/SpringHill Suites, Indianapolis  
 Proposed Hilton Garden Inn/Homewood Suites, Jeffersonville  
 Proposed Hotel, Madison  
 Cambria Suites, Plainfield  
 Indianapolis Airport Suites, Plainfield  
 Proposed Extended-Stay Hotel, Plainfield  
 Newcastle Proposed Hotel, Spiceland  
 Candlewood Suites, Terre Haute  
 Proposed Hampton Inn, Vincennes

**KANSAS**

Hampton Inn, Derby  
 DoubleTree by Hilton, Wichita

**KENTUCKY**

Holiday Inn Express Cincinnati Newport, Bellevue  
 Embassy Suites Cincinnati Rivercenter Covington, Covington  
 Holiday Inn Cincinnati Riverfront, Covington  
 Courtyard by Marriott Cincinnati Airport South Florence, Florence  
 Hyatt Place Cincinnati Airport Florence, Florence  
 Proposed Staybridge Suites, Florence  
 Fort Thomas Proposed Hotel, Fort Thomas  
 Inn On Broadway Lexington, Lexington  
 La Quinta Inn, Lexington  
 Marriott Lexington Griffin Gate Resort & Spa, Lexington  
 Proposed Red Mile Hotel, Lexington  
 Proposed Home2 Suites, London  
 Aloft Louisville Downtown, Louisville  
 Four Points by Sheraton Louisville Airport, Louisville  
 Hilton Garden Inn Louisville East, Louisville  
 Holiday Inn Express & Suites Louisville Downtown, Louisville  
 Homewood Suites by Hilton Louisville Downtown, Louisville  
 Hyatt Place Louisville East, Louisville  
 Marriott Louisville East, Louisville  
 Proposed Luxury Boutique Hotel, Louisville  
 Proposed Medical Center Hotel Louisville, Louisville  
 Red Roof Inn Louisville Expo Airport, Louisville  
 Proposed Home2 Suites Middlesboro, Middlesboro  
 Aloft Newport on the Levee, Newport  
 Proposed Homewood Suites, Newport  
 Proposed Ark Encounter Hotel, Williamstown

**LOUISIANA**

Comfort Inn, Baton Rouge



Proposed Residence Inn by Marriott,  
Bossier City  
Quality Inn & Suites, Bossier City  
Wingate by Wyndham, Bossier City  
Best Western DeRidder Inn, DeRidder  
Hampton Inn, Houma  
Proposed Holiday Inn Express, Houma  
Best Western, Kinder  
Hotel Acadiana, Lafayette  
Proposed Holiday Inn Express Hotel &  
Suites, Marksville  
Proposed Hotel Alessandra, New  
Orleans  
Holiday Inn Express Hotel & Suites,  
Ruston

**MARYLAND**

Hilton, Rockville

**MICHIGAN**

Comfort Suites, Escanaba

**MINNESOTA**

Loews Minneapolis, Minneapolis  
Proposed Aloft, Plymouth

**MISSISSIPPI**

Wingate by Wyndham, Biloxi  
Courtyard by Marriott, Southaven  
Residence Inn by Marriott, Southaven

**MISSOURI**

Hilton Kansas City Airport, Kansas City

**NEBRASKA**

University Inn Midtown Crossing,  
Omaha

**NEW JERSEY**

Great Gorge Resort, McAfee  
Hyatt House Parsippany Whippany,  
Whippany

**NORTH CAROLINA**

Red Roof Inn Asheville West, Asheville

**OHIO**

Proposed Boutique Hotel, Akron  
Proposed Hotel and Spa, Amherst  
Embassy Suites Cleveland Beachwood,  
Beachwood  
Proposed Tru by Hilton, Beachwood  
Red Roof Inn, Blue Ash  
Courtyard by Marriott Dayton  
Beavercreek, Beavercreek  
Residence Inn by Marriott Dayton,  
Beavercreek  
Proposed SpringHill Suites,  
Beavercreek  
Proposed TownePlace Suites/Fairfield  
Inn by Marriott, Beavercreek  
SpringHill Suites Dayton Beavercreek,  
Beavercreek  
Proposed Hampton Inn, Bellefontaine  
Proposed Boutique Hotel, Berea  
Hyatt Place Cincinnati Blue Ash, Blue  
Ash  
McKinley Grand Hotel, Canton  
Proposed Hotel, Canton  
Anderson Township Hotel, Cincinnati  
Fairfield Inn & Suites by Marriott  
Cincinnati Uptown/University Area,  
Cincinnati  
Hilton Cincinnati Netherland Plaza,  
Cincinnati  
Holiday Inn & Suites Cincinnati  
Eastgate, Cincinnati  
La Quinta Inn & Suites Cincinnati  
Sharonville, Cincinnati  
Proposed Convention Hotel Cincinnati,  
Cincinnati  
Proposed Dual-Branded Residence Inn  
and Courtyard, Cincinnati  
Proposed Element, Cincinnati  
Proposed Element/Aloft Dual Brand  
Hotel, Cincinnati  
Proposed Homewood Suites  
Cincinnati, Cincinnati  
Proposed Hotel, Cincinnati  
Proposed Residence Inn by Marriott,  
Cincinnati  
Proposed Shilito Hotel, Cincinnati  
Ramada Plaza Cincinnati Sharonville,  
Cincinnati

Four Points by Sheraton Cleveland  
Airport, Cleveland  
La Quinta Inn Cleveland Airport North,  
Cleveland  
Holiday Inn Cleveland Clinic, Cleveland  
Hyatt Regency Cleveland at The  
Arcade, Cleveland  
Proposed Hotel Cleveland, Cleveland  
Proposed Hyatt Place, Cleveland  
Proposed Le Meridian Cleveland,  
Cleveland  
Proposed Select-Service Hotel,  
Cleveland  
Residence Inn by Marriott Cleveland  
Beachwood, Cleveland  
Americas Best Value Inn Columbus  
West, Columbus  
Country Inn & Suites, Columbus  
Courtyard by Marriott Columbus  
Downtown, Columbus  
Fairfield Inn & Suites by Marriott  
Columbus OSU, Columbus  
Four Points Columbus Airport,  
Columbus  
Hampton Inn & Suites Columbus  
Easton, Columbus  
Hilton Columbus Downtown,  
Columbus  
Hilton Columbus Easton, Columbus  
Holiday Inn Express Columbus  
University Area, Columbus  
Hyatt Place Columbus Worthington,  
Columbus  
Marriott Columbus Airport, Columbus  
Proposed Aloft, Columbus  
Proposed Boutique Hotel Columbus,  
Columbus  
Proposed Canopy, Columbus  
Proposed Hilton Garden  
Inn/Homewood Suites by Hilton,  
Columbus  
Proposed Homewood Suites,  
Columbus  
Proposed Hotel, Columbus  
Proposed Limited-Service Hotel,  
Columbus

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Residence Inn by Marriott Columbus Easton, Columbus	Fairfield Inn & Suites Washington Court House Jeffersonville, Jeffersonville	Proposed Cedar Point Sandusky Hotel, Sandusky
Staybridge Suites University Area OSU, Columbus	Hampton Inn Washington Court House, Jeffersonville	DoubleTree by Hilton Guest Suites Cincinnati, Sharonville
Westin, Columbus	Kent State University Hotel and Conference Center, Kent	Proposed Hotel Swisher, Somerset
Crowne Plaza Dayton, Dayton	Proposed Hotel Lakewood, Lakewood	La Quinta Inn Cincinnati North, Springdale
Proposed AC Hotel Dayton, Dayton	Nationwide Hotel and Conference Center, Lewis Center	Country Inn & Suites, Springfield
Hampton Inn Columbus Dublin, Dublin	AC Hotel Cincinnati at Liberty Center, Liberty Township	Proposed Hotel Springfield, Springfield
Holiday Inn Express Columbus Dublin, Dublin	Inn & Spa at Cedar Falls, Logan	Proposed Holiday Inn Express, Steubenville
Homewood Suites by Hilton Columbus Dublin, Dublin	La Quinta Inn & Suites Cleveland Macedonia, Macedonia	Proposed Boutique Hotel Tiffin, Tiffin
La Quinta Inn Columbus Dublin, Dublin	La Quinta Inn & Suites, Mansfield	Holiday Inn Express Toledo North, Toledo
Proposed DoubleTree by Hilton, Dublin	Holiday Inn Express Hotel & Suites, Marysville	Fairfield by Marriott Dayton Troy, Troy
Staybridge Suites Columbus Dublin, Dublin	Great Wolf Lodge Mason, Mason	Residence Inn by Marriott Dayton Troy, Troy
Proposed Boutique Hotel Elyria, Elyria	Hyatt Place Cincinnati Northeast, Mason	Fairfield by Marriott Warren Niles, Warren
Fairfield Inn by Marriott Dayton Fairborn, Fairborn	Proposed Mason Golf Hotel, Mason	Hampton by Hilton Cincinnati Union Centre, West Chester
Hampton Inn Dayton Fairborn, Fairborn	Residence Inn by Marriott Cleveland Mentor, Mentor	Proposed Aloft, West Chester
SpringHill Suites by Marriott Columbus Airport Gahanna, Gahanna	DoubleTree by Hilton Suites Dayton Miamisburg, Miamisburg	Proposed Union Center Hotel, West Chester
TownePlace Suites by Marriott Columbus Gahanna, Gahanna	Homewood Suites by Hilton Dayton South, Miamisburg	Proposed Hyatt Place, Westerville
Quality Inn Gallipolis, Gallipolis	Proposed Staybridge Suites, Miamisburg	Hampton Inn Cleveland Westlake, Westlake
Proposed Home2 Suites by Hilton, Huber Heights	Manchester Inn (Closed), Middletown	Holiday Inn Columbus Worthington, Worthington
Sawmill Creek Resort, Huron	Proposed TownePlace Suites by Marriott, Milford	Hope Hotel & Conference Center, Wright-Patterson AFB
Candlewood Suites Cleveland South Independence, Independence	Proposed Hyatt Place, New Albany	DoubleTree by Hilton Youngstown Downtown, Youngstown
Holiday Inn Cleveland Independence, Independence	Red Roof Inn Canton, North Canton	
Hyatt Place Cleveland Independence, Independence	Courtyard by Marriott North Dayton, North Dayton	<b>PENNSYLVANIA</b>
La Quinta Inn Cleveland Independence, Independence	Holiday Inn Express Columbus South – Obetz, Obetz	Proposed Hilton Garden Inn, Altoona
Red Roof Inn Cleveland Independence, Independence	Elms Hotel Oxford, Oxford	Hilton Garden Inn Pittsburgh Southpointe, Canonsburg
Residence Inn by Marriott Cleveland Independence, Independence	La Quinta Inn Columbus Airport Area, Reynoldsburg	Red Roof Inn, Erie
SpringHill Suites Cleveland Independence, Independence	Comfort Inn, Saint Clairsville	La Quinta Inn Pittsburgh Airport, Moon Township
	Fairfield by Marriott St Clairsville, Saint Clairsville	Red Roof Inn Pittsburgh Airport, Pittsburgh
	Hampton Inn, Saint Clairsville	George Washington Hotel, Washington
	Red Roof Inn, Saint Clairsville	
		<b>TENNESSEE</b>

Red Roof Inn Johnson City, Johnson City  
 Staybridge Suites, Memphis  
 Value Place (2), Memphis  
 Proposed Resort Whites Creek, Whites Creek

**TEXAS**

Holiday Inn Express, Abilene  
 Holiday Inn Austin Midtown, Austin  
 Days Inn, Baytown  
 Homewood Suites by Hilton, Beaumont  
 Value Place, Beaumont  
 Hilton Garden Inn College Station, Bryan  
 Texas Inn, Channel View  
 Four Points by Sheraton, College Station  
 Fairfield Inn by Marriott, The Colony  
 Residence Inn by Marriott, The Colony  
 Comfort Suites Calallen, Corpus Christi  
 Country Inn & Suites, Corpus Christi  
 Embassy Suites, Corpus Christi  
 Holiday Inn Airport, Corpus Christi  
 Holiday Inn Downtown, Corpus Christi  
 Candlewood Suites, Corpus Christi  
 La Quinta Inn & Suites Corpus Christi Northwest, Corpus Christi  
 Proposed Residence Inn and AC by Marriott Dual-Branded Hotel, Dallas  
 Super 8, Deer Park  
 La Quinta Inn El Paso Cielo Vista, El Paso  
 Super 8, Gainesville  
 Proposed Downtown Hotel, Galveston  
 Aloft Houston Galleria, Houston  
 Courtyard by Marriott I-10 West/Energy Corridor, Houston  
 Courtyard by Marriott West University, Houston  
 DoubleTree Suites by Hilton Houston Galleria, Houston  
 Fairfield Inn & Suites I-10, Houston  
 Fairfield Inn & Suites I-45, Houston  
 Holiday Inn Corpus Christi Downtown Marina, Corpus Christi

Hampton Inn Houston Interstate 10 West, Houston  
 Hilton Garden Inn Energy Corridor, Houston  
 Hilton Garden Inn Houston Northwest, Houston  
 Hilton Garden Inn Katy Freeway, Houston  
 Holiday Inn, Houston  
 La Quinta, Houston  
 Legacy Inn, Houston  
 Proposed 314 Hotel, Houston  
 Proposed Aloft, Houston  
 Proposed Americas Best Value Inn, Houston  
 Proposed Embassy Suites, Houston  
 Proposed Full-Service Hotel, Houston  
 Proposed Hotel Alessandra, Houston  
 Proposed Hotel, Houston  
 Proposed InterContinental Hotel, Houston  
 Proposed Le Méridien, Houston  
 Proposed Lifestyle Hotel, Houston  
 Proposed Select-Service Hotel, Houston  
 Proposed Staybridge Suites, Houston  
 Residence Inn by Marriott West University, Houston  
 Sam Houston Hotel (Curio Conversion), Houston  
 Knights Inn, Humble  
 Studio 6, Ingleside  
 DoubleTree by Hilton DFW Airport, Irving  
 Holiday Inn Express, Kenedy  
 South Shore Harbour Resort & Spa, League City  
 Super 8, Livingston  
 Staybridge Suites, Longview  
 Best Western Plus, Luling  
 La Quinta Inn & Suites, Lumberton  
 Renaissance, McAllen  
 Proposed Home2 Suites, McKinney  
 Proposed SpringHill Suites, McKinney  
 Candlewood Suites, Odessa  
 Holiday Inn Express Hotel & Suites, Pearland

Holiday Inn Express Hotel & Suites, Port Aransas  
 Proposed Hilton Garden Inn, Porter  
 Hilton San Antonio Airport, San Antonio  
 Hotel Valencia Riverwalk, San Antonio  
 Microtel Inn & Suites Airport, San Antonio  
 Microtel Inn & Suites SeaWorld, San Antonio  
 Quality Inn, Seabrook  
 Holiday Inn Express, South Padre Island  
 Holiday Inn Express, Sweetwater  
 Candlewood Suites, Texarkana  
 Best Western Inn & Suites, Texas City  
 La Quinta Inn & Suites, Tomball  
 Super 8, Victoria  
 Holiday Inn Express Space Center, Webster  
 Proposed Hotel, Webster

**UTAH**

Howard Johnson, St. George

**VIRGINIA**

Hyatt Place Roanoke Airport Valley View Mall, Roanoke

**WEST VIRGINIA**

Proposed Grand Patrician Resort, Milton  
 Hilton Garden Inn, Morgantown  
 Corduroy Inn, Snowshoe

**WISCONSIN**

Quality Inn, Rhinelander

**INTERNATIONAL**

Proposed Hotel, Guatemala City, Guatemala  
 Proposed La Quinta Inn, Panama City, Panama  
 Hyatt Regency, Cancun, Mexico  
 Yalmanan Resort, Cancun, Mexico