

## **Prepared For**

Ms. Brenda Daniels  
ElectriCities of NC, Inc.  
1427 Meadow Wood Boulevard  
Raleigh, North Carolina 27604

## **Feasibility Study**



Proposed Hotel  
Louisburg, North Carolina

## **Prepared By**

Hotel and Club Associates of Virginia  
999 Waterside Drive, Suite 1200  
Norfolk, Virginia 23510

## **Date of Report**

August 10, 2016



APPRAISAL AND CONSULTING SERVICES

August 10, 2016

Ms. Brenda Daniels  
ElectriCities of NC, Inc.  
1427 Meadow Wood Boulevard  
Raleigh, North Carolina 27604

Reference: Feasibility Study  
Proposed Hotel  
Louisburg, North Carolina

Dear Ms. Daniels:

Per your request, we have analyzed the Louisburg, Franklin County, North Carolina lodging market as it pertains to a proposed hotel. Based on our research and analysis—noting that Franklin County adjoins Wake County to the north and west of the latter, and considering that significant Wake County residential and commercial growth is occurring in the direction of these shared boundaries—a midscale limited-service hotel best represents the type, cost, amenities and price point most suited to the current and anticipated lodging demand identified in the market.

Our analysis indicates that it would cost approximately \$3,800,000 to develop a 45-room, midscale limited-service hotel and the property should produce an unleveraged Internal Rate of Return (IRR) of 8.4%. This return is considered reasonable based on accepted market returns for similar hotel investments. If after your review you have any questions or require additional information, please feel free to contact us.

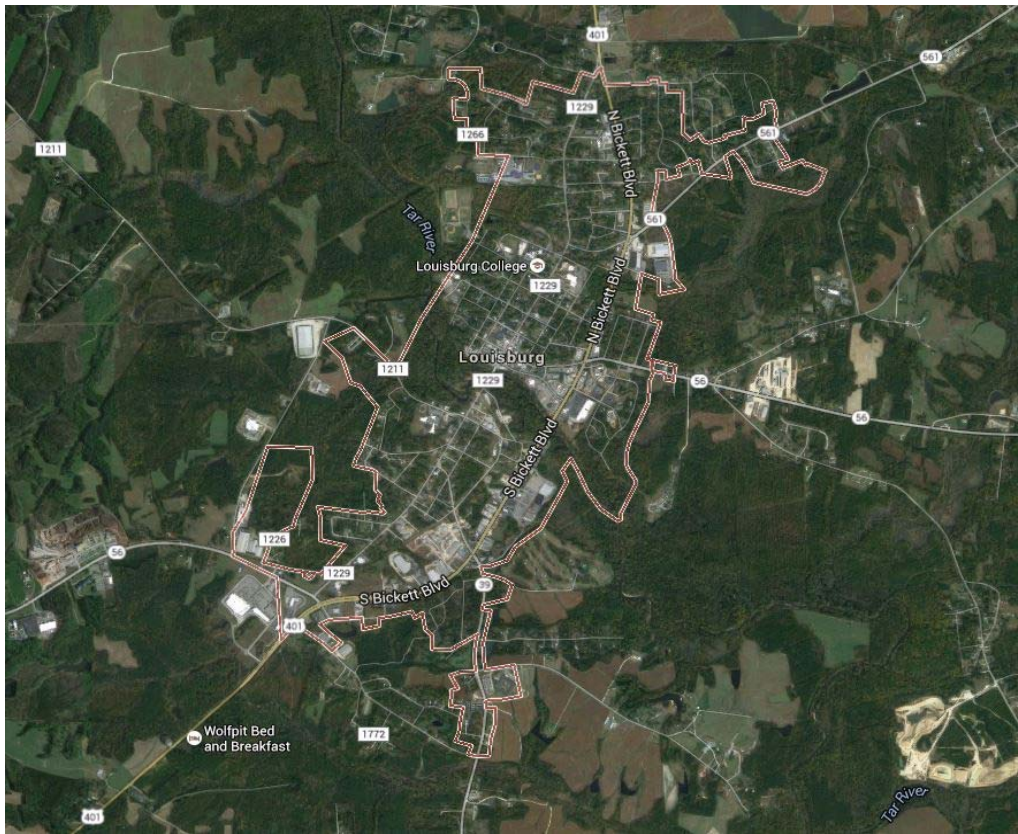
Respectfully submitted,

Hotel and Club Associates of Virginia

Michael P. Cummings, MAI, ISHC

J. Richard Keegan, MBA

# Executive Summary



**Aerial View of the Town of Louisburg, Franklin County, NC**  
*Population: 3,547 (Louisburg); 63,710 (Franklin County)*  
*(Sources: Google Maps and US Census Bureau July 2015 est.)*

<b>Name</b>	Proposed Hotel
<b>Location</b>	Town of Louisburg, Franklin County, North Carolina
<b>Client and Intended User</b>	Ms. Brenda Daniels, ElectriCities of NC, Inc.
<b>Client's Intended Use</b>	Internal analysis and decision making as it pertains to the development of a proposed hotel.
<b>Date of Report</b>	August 10, 2016

## Executive Summary (Continued)

### Project Summary

We analyzed the Louisburg, North Carolina market in an effort to determine the viability of developing a proposed hotel. Limited-service, select-service, full-service, all-suites and extended-stay hotels were contemplated, with focus on demand for, pricing alternatives available to, and current representation of each tier in the market.

### Summary of Recommendations

<i>STR Chain Scale</i>	Midscale (without food and beverage)
<i>Hotel Asset Class</i>	Limited-Service
<i>Number of Rooms</i>	45
<i>Published Rates</i>	\$95 - \$125
<i>Site Selection</i>	Assuming 1.5 usable acres are or can be made pad ready for approximately \$180,000, the following sites offer the most immediate potential:
	<ul style="list-style-type: none"><li>• Louisburg Plaza Parcels 3 and 4</li><li>• Burke Boulevard Parcel F</li><li>• “McDonald’s” Site</li></ul>

### Summary of Analysis

#### *Occupancy Forecast*

Year 1	56.4%
Year 2	62.1%
Year 3 (Stabilization)	66.0%

#### *ADR Forecast*

Year 1	\$90.00
Year 2	\$91.80
Year 3	\$93.64

#### *Cost Estimates<sup>1</sup>*

Building <sup>2</sup>	\$3,145,077	\$69,891 per room
FF&E	<u>450,000</u>	<u>10,000 per room</u>
Total Improvements	\$3,595,077	\$79,891 per room

<sup>1</sup> Based on Marshall Valuation Service data, October 2015, adjusted by current and local cost multipliers.

<sup>2</sup> Excluding land; including entrepreneurial incentive.

# Table of Contents

<b>ASSUMPTIONS AND LIMITING CONDITIONS .....</b>	<b>1</b>
<b>INTRODUCTION.....</b>	<b>5</b>
IDENTIFICATION OF THE PROPERTY .....	5
CLIENT AND INTENDED USER DISCLOSURE.....	16
CLIENT’S INTENDED USE DISCLOSURE .....	16
DATES OF ANALYSIS.....	16
OWNERSHIP AND PROPERTY HISTORY .....	16
SCOPE OF THE FEASIBILITY STUDY.....	17
<b>AREA OVERVIEW.....</b>	<b>18</b>
TOWN OF LOUISBURG, FRANKLIN COUNTY, RALEIGH, NC MSA - ANALYSIS .....	18
MARKET AREA .....	26
<b>LODGING TRENDS AND MARKET ANALYSIS.....</b>	<b>28</b>
NATIONAL TRENDS.....	28
LOCAL LODGING TRENDS - LEVEL III MARKET ANALYSIS.....	32
BASIS OF ASSUMPTIONS.....	58
ANALYSIS OF REVENUES .....	59
ANALYSIS OF OPERATING EXPENSES.....	62
NET OPERATING INCOME .....	68
ENTREPRENEURIAL INCENTIVE .....	71
<b>CONCLUSION .....</b>	<b>76</b>
<b>CONSULTANTS’ CERTIFICATION .....</b>	<b>79</b>

## ADDENDA

ENGAGEMENT LETTER  
CUSTOM SMITH TRAVEL TREND REPORT  
QUALIFICATIONS OF CONSULTANTS

## **Assumptions and Limiting Conditions**

1. The appraisers/consultants certify that, to the best of our knowledge and belief, the statements contained in this report, subject to the limiting conditions set forth herein, are correct; also that this report has been made in conformity with the accepted practices of the Appraisal Institute.
2. Properties/locations recommended for consideration have been analyzed as though free of all liens and encumbrances, unless otherwise stated herein. No responsibility is assumed for matters legal in nature, nor is any opinion of title rendered herewith. Good title is assumed.
3. The appraisers/consultants herein, by reason of this report, are not required to give testimony in court with reference to any property/location herein recommended for consideration, unless arrangements have been previously made.
4. Disclosure of the contents of this feasibility study is governed by the By-Laws and Regulations of the Appraisal Institute.
5. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers/consultants or the firm with which they are connected, or any reference to the Appraisal Institute or the MAI or SRA Designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without the prior written consent and approval of the undersigned.
6. Certain information in this report was furnished from sources believed to be reliable; however, such information is not guaranteed to be correct, although it has been checked insofar as possible and is believed to be correct.
7. Regarding any property or location recommended for consideration, we are not familiar with any engineering or geological studies made to determine the bearing capacity of the land or that indicate any mineral contents of a significant nature. Because improvements in the areas recommended appear to be structurally sound, we assume that soil and subsoil conditions are stable.
8. Plats, maps, and other exhibits in this report are used merely to help the reader visualize a recommended property and its surroundings, and no responsibility is assumed for their cartographic accuracy.

9. Any value estimates reported herein are under the purpose and land-use premise stated. They are not valid for any other purpose or premise and must not be used in conjunction with any other report, appraisal, or intended use.
10. Full compliance with all applicable federal, state, and local environmental regulations is assumed, as well as all applicable zoning, use, and occupancy regulations and restrictions as stated and considered in this report.
11. In this assignment, the existence of any hazardous or potentially hazardous material possibly located on any property or location recommended for consideration, such as urea formaldehyde foam insulation, asbestos, or toxic waste, etc., was not observed by the inspecting appraisers/consultants and has not been considered. The appraisers/consultants have no knowledge of any such materials on or in any of the sites recommended for consideration but are not qualified to detect such substances. The presence of such materials may have an effect on the value or use of the property. It is assumed that there are no hazardous material spills, etc. resulting from underground storage tanks or other causes associated with the proposed hotel. Full compliance with all environmental laws is assumed. The client is urged to retain an expert in this field if desired.
12. Any projections, forecasts, etc. regarding future patterns of income and/or expenses, prices/values, etc. represent the appraisers'/consultants' best estimates of investor anticipations with respect to these items, based on information available at the date of appraisal or analysis. Such information includes forecasts/projections published by recognized sources such as economists, financial publications, investor surveys, etc. Economic trends can affect future behavior of income, expenses, values, etc. Changes in these items caused by future occurrences could result in values different from those established in this report. We cannot accept responsibility for economic variables in the future that could not have been known or anticipated at the date of analysis (inflation rates, economic upswings or downturns, fiscal policy changes, etc.).
13. The indicated values are subject to the completion of a property or location recommended for consideration in accordance with construction budgets for like hotels and other project information which is to be provided by the prospective developer. We assume the construction will be completed with quality materials in a workmanlike, timely and quality manner.

14. The Americans with Disabilities Act (ADA) became effective January 26, 1992 setting strict and specific standards for disabled access to and within most commercial and public buildings. We have not made a specific compliance survey and analysis of any property or location recommended for consideration to determine whether or not it will be in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of any property or location recommended for consideration, together with a detailed analysis of the requirements of the ADA, could reveal that a property or location recommended for consideration will not be in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of the ADA in estimating the value or utility of any property or location recommended for consideration.
16. The estimated income and expense results are based upon competent, efficient management and responsible ownership. Other than as set forth in this report, we assume no significant change in the competitive position of the competitive facilities (supply) in the area.
17. It should be noted that any estimated development costs are based on our research and on the premise that no atypical unforeseen delays or problems occur. In a construction project of this scope, there are numerous complications that may occur. For example, unexpected drainage problems resulting from soil conditions, springs, or unusual precipitation can complicate and prolong the construction. Similarly, unanticipated environmental issues can cause construction delays or expensive corrective measures. Unexpected weather conditions or other unpredictable factors may also influence the cost of the project. In addition, problems associated with the building or site improvements may occur. Changes in prices or availability of materials or labor can impact costs. Also, problems with timely work, inspections or approvals can slow construction and impact costs. Finally, other events outside of the control of the developer, such as bankruptcy of the general contractor or subcontractors, could cause delays and cost overruns. We have made an inspection of the properties or locations recommended for consideration and, unless stated otherwise elsewhere in this report, have not noted any particular conditions that would indicate problems for the development process. We are not experts on soil conditions, subterranean rock, environmental issues or similar matters, but we simply have pointed out some important factors that can produce unexpected costs to construct a proposed project.



18. If applicable to the subject's market, a Trend Response Report from Smith Travel Research (STR) has been utilized to verify and augment our primary market research. Sole reliance is not made upon the STR data provided, specifically in instances when a period of non-reporting has occurred in one or more of the properties in the sample set. Due to the methodology used by Smith Travel, this situation may result in skewed data as the average of the reporting properties is assumed for the entire sample, including any non-reporting property or properties.
19. Unless specifically stated otherwise, we assume the subject's franchise agreements, if any, will extend through the specified holding period and beyond such that it will not affect the marketability or reversion price(s) forecast within this report. We have assumed that upon completion the hotel will meet all the requirements of the franchise and no substantial capital improvements will be required to maintain the agreement over the holding period and beyond.
20. The client has requested that the report focus on an appropriate hotel chain scale and asset class and not recommend a specific hotel brand. Additionally, we were asked to determine the number of additional rooms and price points the market could support, discuss specific demand generators, and identify potential locations (sites) for a hotel.

## **Introduction**

### **Identification of the Property**

The subject of this feasibility study is a proposed hotel to be located in Louisburg, North Carolina. The property is to be located in Zip Code District 27549. As of the date of analysis, no site has been optioned, subdivided, leased or acquired; accordingly, we are unable to discuss or provide tax parcel, deed or other relevant property identification information.

### **Site Selection**

While no specific site has been identified for the potential development of a hotel, the Client has requested that the consultants recommend for consideration sites deemed most suitable for such a development. Employing the criteria below, 11 available sites in Louisburg were deemed suitable to varying degrees:

- 4 in Louisburg Plaza
- 4 along Burke Boulevard
- 1 along US 401 near Moss Foods
- 1 along US 401 near McDonald's
- 1 along US 401 across from Louisburg Plaza

Considering leisure and commercial travelers seeking lodging accommodations will drive a reasonable distance from the event, school, business or government agency which occasioned their visit to the community, our research indicates travelers prefer convenient hotel locations situated near casual dining and retail venues. Accordingly, available sites—all reportedly zoned commercial with hotels as a permitted use—were evaluated in the context of asking price *vis à vis*:

- |             |                       |
|-------------|-----------------------|
| • Site Size | • Visibility          |
| • Shape     | • Topography/Drainage |
| • Frontage  | • Easements           |
| • Access    | • Utilities           |

We estimate the proposed hotel will require an estimated 1.5± acres of usable land. Noting that our conversations with each of the sellers indicated a willingness to negotiate price and parcel size, as of the date of our analysis the following potential sites have been identified.



**A. Louisburg Plaza Sites (4)**

By way of orientation, Louisburg Plaza is a modern 200,000+ square foot retail development with a trade area of 40,000±. It features big box and boutique retail stores, several casual and quick-service dining venues, and a gas station/convenience store. Louisburg Plaza is strategically located at the intersection of US 401/Bickett Boulevard and NC 56. Seller will consider re-platting and re-pricing at or near \$120,000 per acre for a complementary land use such as a midscale/upper-midscale hotel.

**Easements:** Apart from all Louisburg Plaza parcels sharing access via Retail Way, no atypical access, utility or drainage easements are known to encumber the subject parcels.

**Utilities:** All parcels are reported to be serviced by public water and sewer, electricity, natural gas and telephone. All utilities appear to be in adequate supply to service the projected needs of whichever site is selected.

**Parcels 3 and 4**

Source: Hotel and Club Associates

Parcels 3 and 4 are contiguous pad-ready sites each comprising 0.98 acres. These parcels are adjacent to, above street grade with, and highly visible from US 401/Bickett Boulevard, Louisburg's primary commercial thoroughfare. While the seller will entertain re-platting to accommodate a qualified developer's needs, negotiating a price for the combined 1.96 acres to allow for future expansion also should be considered.

**Future Development Parcel and Parcel 5**

Source: Hotel and Club Associates

The Future Development Parcel (left) comprises 4.76 pad-ready acres. It is located behind Louisburg Plaza's Asian Garden restaurant, west across Retail Way from Parcels 3 and 4. The site enjoys average visibility from US 401, with which it is above street grade, and excellent visibility from Retail Way, from which it is accessible and at street grade.

Parcel 5 comprises 1.87 acres and will require minimal clearing and grading. It is located south of and downhill from the existing shops of Louisburg Plaza. The site is immediately west of the US 401/Bickett Boulevard entrance along lower Retail Way. It has average visibility from US 401, with which it is at street grade, and excellent visibility from lower Retail Way, from which it is accessible and at street grade.

**B. Burke Boulevard Sites (4)**

By way of orientation, Burke Boulevard is a semi-circular commercial loop essentially running parallel to US 401/ Bickett Boulevard diagonally across from Louisburg Plaza. Noting the seller is open to negotiating price for a complementary land use such as a midscale/upper-midscale hotel, the wide variance in asking prices and anticipated site preparation costs have been taken into consideration when prioritizing the following options.

Map of Sites for Sale



Source: Tri Properties, Inc.

Burke Boulevard Parcels F & E



*Parcel F (left)*

- \$365,250 asking price
- 5.59 acres
- \$65,000± per acre
- Shape Irregular
- Frontage Burke Boulevard
- Access Via one or two curb cuts along Burke Boulevard
- Visibility Excellent from Burke Boulevard; fair from US 401



- Easements No atypical access, utility or drainage easements are known
- Utilities Public water, sewer and gas available
- Topography Street grade with Burke Boulevard; below street grade with US 401; site requires clearing and grading

***Parcel E***

- \$500,000 asking price
- 3.66 acres
- \$135,000± per acre
- Shape Irregular
- Frontage Burke Boulevard
- Access Via one or two curb cuts along Burke Boulevard
- Visibility Excellent from Burke Boulevard; fair from US 401
- Easements No atypical access, utility or drainage easements are known
- Utilities Public water, sewer and gas available
- Topography Street grade with Burke Boulevard; below street grade with US 401; site requires clearing and grading

**Burke Boulevard Parcels G & J**

Source: Hotel and Club Associates

***Parcel G***

- \$1,100,000 asking price
- 2.30 acres
- \$475,000± per acre

- Shape Rectangular
- Frontage US 401 and Burke Boulevard; adjacent to Walgreens
- Access Via curb cuts along US 401 and Burke Boulevard
- Visibility Excellent from US 401 and Burke Boulevard
- Easements No atypical access, utility or drainage easements are known
- Utilities Public water, sewer and gas available
- Topography Street grade with US 401; slopes gently south to street grade with Burke Boulevard; site is cleared and graded

***Parcel J***

- \$725,000 asking price
- 1.85 acres
- \$390,000± per acre
- Shape Rectangular
- Frontage US 401 and Burke Boulevard; adjacent to automotive shop
- Access Via curb cuts along US 401 and Burke Boulevard
- Visibility Excellent from US 401 and Burke Boulevard
- Easements No atypical access, utility or drainage easements are known
- Utilities Public water, sewer and gas available
- Topography Street grade with US 401; slopes gently south to street grade with Burke Boulevard; site is cleared and graded

**C. US 401 Site (Tri Properties)**

By way of orientation, this site is directly across US 401 from the Burke Boulevard sites and across NC 56 from the Louisburg Plaza sites. At 14.29 acres, this subdividable land currently has three curb cuts along US 401 in anticipation of commercial development. The Seller is open to negotiating price and platting to accommodate a desirable land use such as a midscale/upper-midscale hotel.



**US 401 Site**

Source: Hotel and Club Associates

***Discussion***

- \$2,500,000 asking price
- 14.29 acres
- \$175,000± per acre (as a large parcel)
- Shape Irregular; subdivide to rectangular parcel
- Frontage US 401 and Louisburg Bike Trail
- Access Via curb cut along US 401; possibly along Main Street
- Visibility Excellent from US 401; good from Main Street
- Easements No atypical access, utility or drainage easements are known
- Utilities Public water, sewer and gas available
- Topography The site is hilly and mostly above street grade with US 401, from which it currently is highly visible. It slopes downward from the bike trail/Main Street to US 401/Bickett Boulevard, from which there are three curb cuts in place. Significant site work and grading will be required.

**D. “McDonald’s” Site (Dickens)**

By way of orientation, the site referred to locally as the “McDonald’s site” actually is adjacent to Papa John’s Pizza along Bickett Boulevard ±1 mile from the US 401/NC 56 intersection. While minimal site information was available as of the date of this report, the seller confirmed a willingness to negotiate a reasonable sale price or long-term lease to accommodate a desirable land use such as a midscale/upper-midscale hotel.



Source: Bing Maps

The property depicted above has been graded level. It is shovel-ready and at street grade. The site enjoys good visibility and access from US 401/Bickett Boulevard. It is surrounded by mostly complementary mature growth commercial land uses, including Papa John’s Pizza, McDonald’s, Burger King, Wendy’s and more. All utilities are available to the site.

**E. Discount Tobacco Shop Site (Dickens)**

By way of orientation, the subject site is located immediately south of the US 401 and NC 56 intersection across US 401/Bickett Boulevard from Louisburg Plaza and south/southwest of Burke Boulevard.

**Discount Tobacco Shop Site**



Source: Bing Maps

The parcel depicted above has been graded level and currently is improved with two commercial buildings, the Louisburg Chiropractic Clinic and the Discount Tobacco Shop. These existing improvements will require demolition and removal. The site enjoys good visibility and access from US 401/Bickett Boulevard. Nearby land uses include SECU, Walgreens and, across US 401, Louisburg Plaza. With the exception of natural gas, which the seller could not confirm, all utilities reportedly are available to the site.

### ***Improvements***

While no specific developer has been identified for the development of a proposed hotel and, consequently, no building plans have been provided, the Client has requested that the consultants recommend for consideration any hotel chain scale and asset class deemed suitable for such a development. As of the date of our analysis, a midscale limited-service hotel has been identified as being the most suitable.

Smith Travel Research and others often categorize hotels into seven average-rate-driven chain-scales: Luxury, Upper-Upscale, Upscale, Upper-Midscale, Midscale (with food & beverage), Midscale (without food & beverage), and Budget/Economy. These categories then are used by Smith Travel and others to modify three industry-wide hotel asset classes: Limited-Service, Select-Service, and Full-Service.

A typical midscale limited-service hotel in a low barrier-to-entry market such as Louisburg will feature a three- or four-story, interior-corridor design with good furnishings and finishes, and a limited range of services and amenities which will appeal to transient, commercial, and small-group clientele, most often including wireless internet access, multiple electrical outlet/USB charging stations in the lobby and guestrooms, a business center or kiosk, a small-to-medium-sized meeting room, sundry shop, guest laundry, fitness center, and optional swimming pool. Due to the emerging nature of the Louisburg submarket (for example, the widening of US 401 from Raleigh), we have recommended a smaller-than-average regional-/national-branded hotel of 45 rooms versus 72-to-80 rooms.

It is again noted that no developer has been selected and we have not been provided building plans; however, the proposed building is assumed to be a masonry structure with a decorative brick and/or stucco/EIFS exterior, a flat roof, tempered and plate glass windows in aluminum frames, and a lobby/reception area with a vestibule and dual commercial grade window/door wall entry system. Interior room doors are assumed to be wood with metal frames and feature a contactless RFID key entry system. The interior walls and ceilings typically will be textured and painted, and the floors will have good quality carpeting, tile, upscale faux-wood interlocking laminate and/or luxury vinyl finishes. HVAC will be provided by through-wall heat-pump units in the guestrooms; common areas will be centrally heated and cooled. It is noted our cost estimates include an indoor swimming pool.

Each guestroom and all public restroom areas are assumed to have adequate plumbing fixtures and electrical supply to serve the needs of the proposed hotel's clientele. Lighting will be provided by energy-efficient LED ceiling fixtures and lamps throughout the hotel. Fire protection is assumed to be provided by hard-wired smoke detectors and a sprinkler system. Most midscale limited-service hotel development standards require properties to be adequately landscaped and provide sufficient onsite parking to meet the needs of guests and employees. The property is assumed to have exterior wall-mounted and monument signage, and a freestanding pylon sign ideally visible from US 401/Bickett Boulevard and NC 56.

### **Client and Intended User Disclosure**

The client and intended user of this feasibility study is Ms. Brenda Daniels of ElectriCities of NC. Ms. Daniels authorized the preparation of this analysis in accordance with that certain letter of proposal dated June 2, 2016 and subsequently executed by the Client. Any use of this report by third parties is unauthorized without the written consent of the Client and Hotel and Club Associates of Virginia.

### **Client's Intended Use Disclosure**

The intent of this feasibility study is to determine market demand, if any, for a proposed hotel development utilizing market-derived occupancy and average daily rate (ADR) estimates for the Client's use in internal analysis and decision-making.

### **Dates of Analysis**

The subject market area and prospective sites most recently were inspected on June 23, 2016 and this date will serve as the effective date of the analysis. Based upon our analysis of the market, a project completed by January 1, 2018 should reach a stabilized level of occupancy on January 1, 2020.

### **Ownership and Property History**

As of the date of analysis, no site has been optioned, subdivided, leased or acquired, and no investor, developer or owner has been determined. Accordingly, we are unable to discuss or provide tax parcel, deed or other relevant ownership information.

### **Scope of the Feasibility Study**

The scope of this feasibility study includes the investigations necessary to gather sufficient data from which to derive an opinion of market conditions and trends, and encompasses the necessary research and analysis to prepare a report in accordance with its intended use, the Standards of Professional Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice.

An inspection of the market and appropriate neighborhoods was conducted to determine the physical features and condition of available hotel sites and the environments in which they are located. When deemed appropriate, contacts were made with municipal authorities (town managers, planning and zoning administration, etc.) to determine permitted uses and restrictions vis à vis local, state and federal regulations.

The subject market data is based upon information provided by Smith Travel Research; city, county and state officials and/or websites; market participants; and by area demand generators. Hotel properties of all types in the market were explored to determine existing/proposed hotel inventory, supply/demand, and the marketability of properties within or most proximate to the proposed hotel's classification. A thorough research effort was conducted to extract market data to be used in the feasibility study. To the best of our ability, the research, analysis and interpretation of the information in the marketplace were completed in accordance with sound analytical principles, and the opinions and conclusions are considered to be reasonable and reliable.

At the Client's request, the report focuses on identifying an appropriate hotel chain scale and asset class rather than recommending a specific brand or brand family. Additionally, we were asked to determine the number of additional rooms and price points the market could support, discuss specific demand generators, and identify potential locations for a hotel.

## **Area Overview**

This analysis summarizes important demographic trends that influence real estate values in a defined area. This analysis attempts to highlight important facets of the area economy and illustrates past, current and future growth trends. The general area has first been studied to gain an insight from a macro level, and then the market area has been studied with regards to surrounding land uses and growth patterns.

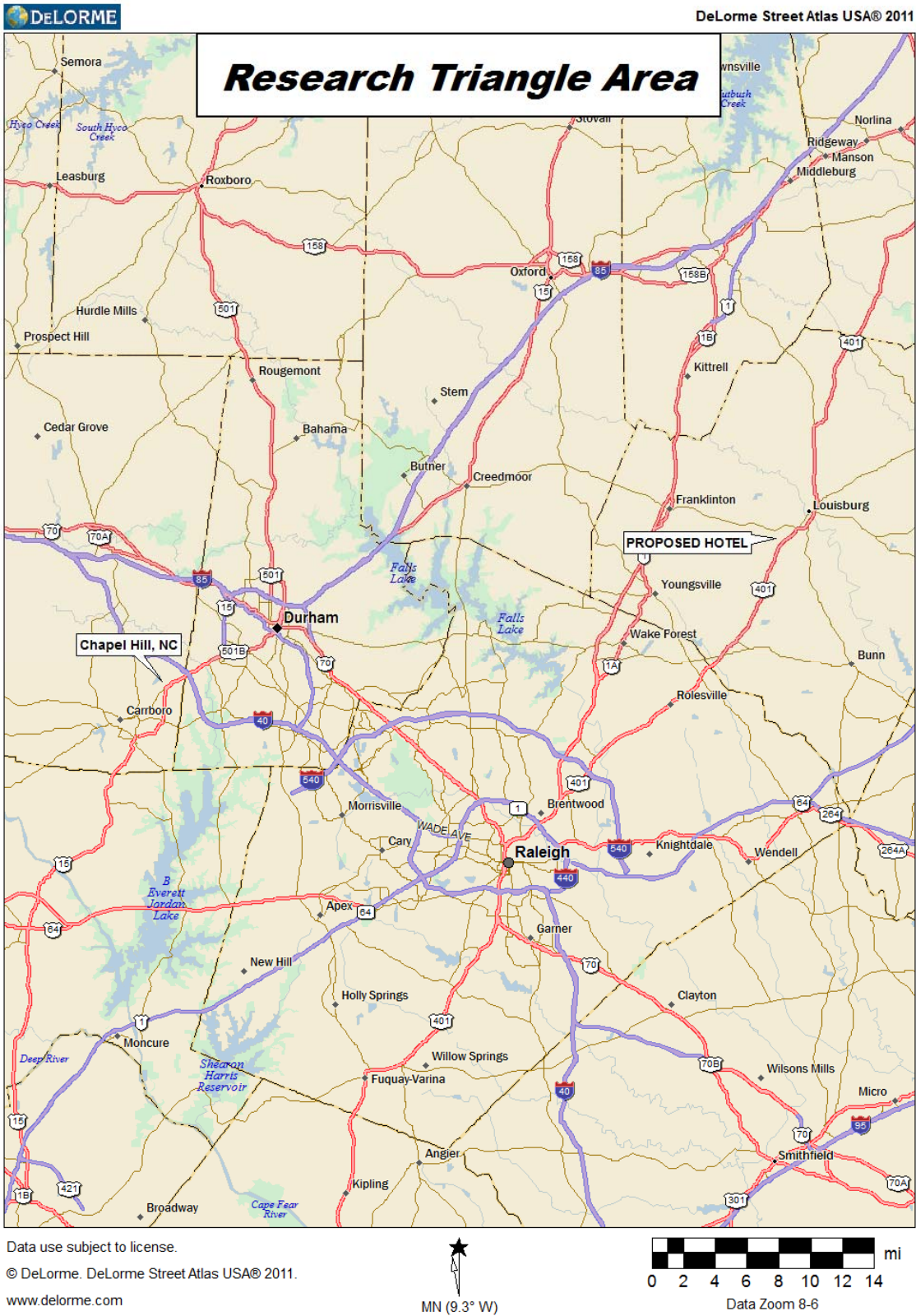
### **Town of Louisburg, Franklin County, Raleigh, NC MSA - Analysis**

Louisburg is a town in and the county seat of Franklin County, North Carolina. The town is located 30± miles northeast of Raleigh, the state's capital. Chartered in 1779 as the county seat, and named in honor of King Louis XVI of France, who was aiding the American Revolution at the time, Louisburg is located in the geographic center of the county on the banks of the Tar River with a population of 3,500+.

The Town of Louisburg provides a relaxed, village-like quality of living with access to all of the modern amenities. This exurb of Raleigh serves as the retail, educational, business, recreational, and cultural hub of Franklin County. Its retail trade area encompasses 40,000± people with an average household income of \$55,000±. Local leadership is working aggressively to reinforce residents' pride in their community through public-private restoration projects as part of the Township's revitalization efforts. It is noted U.S. Highway 401 North to Louisburg currently is under right-of-acquisition to expand to four lanes. This 15-mile extension will connect northeastern Wake County (Rolesville) to Triangle North Executive Airport immediately south of Louisburg.

Franklin County was established in 1779 and is home to five municipalities – Bunn, Franklinton, Centerville, Louisburg, and Youngsville. Located in the east central portion of North Carolina, Franklin County is 2.5 hours from the Outer Banks and 3.5 hours from the Blue Ridge Mountains and the famed "Appalachian Trail." With a growing economy and a 2015 population estimated at 68,000+, Franklin County is included in the Raleigh, NC Metropolitan Statistical Area, 34th largest MSA in the United States, which is included in the Raleigh-Durham-Cary-Chapel Hill, NC Combined Statistical Area.







The Research Triangle region (a/k/a The Triangle) is variously defined to include as few as the three core counties of Wake, Durham and Orange or as many as the 16 counties comprising the membership of the Research Triangle Regional Partnership (RTRP). The larger area is commonly referred to as the Raleigh–Durham–Cary–Chapel Hill CSA or the Piedmont Plateau, which is bounded to the east by Eastern North Carolina and the Coastal Plains region and to the west by the Piedmont Triad (Greensboro, Winston-Salem, High Point) and the Mountain region. The Raleigh–Durham–Cary–Chapel Hill CSA had a 2014 population estimate of 2,075,000±, making it the second-largest metropolitan area in the state of North Carolina behind Charlotte. The Triangle’s core is anchored by three research institutions of higher learning: North Carolina State University (Raleigh), Duke University (Durham), and the University of North Carolina (Chapel Hill).

### ***Population/Demographics***

According to The United States Census Bureau, Louisburg’s population increased by +5.6% between 2010 (3,359) and 2014 (3,547). According to the Research Triangle Regional Partnership, over the past five years ending 2015, Franklin County’s population increased at the significant compound annual growth rate of 2.4%. Franklin County had an April 2016 unemployment rate of 5.1%, compared to the state of North Carolina at 5.4%.

**Population Growth 1990 to 2014\* and Percent Change: 2010 to 2014\***

<b>Area</b>	<b>1990</b>	<b>2000</b>	<b>2010</b>	<b>Est. 2014*</b>	<b>% Change</b>
Louisburg, Town of	3,037	3,111	3,359	3,547	+5.6%
Franklin County*	36,414	47,260	60,792	68,474*	+13.0%*
North Carolina	6,628,637	8,049,313	9,535,471	10,042,802	+5.3%

*\*2015 Franklin County population per the Research Triangle Regional Partnership (RTRP)*

*Source: U.S. Bureau of Census*

### ***Transportation***

**By Road** - North Carolina maintains the largest state highway system in the nation. Toll-free, four-lane Interstates (40, 77, 85, and 95) provide easy access to all North Carolina borders. Interstate I-40 highway transects the state east to west from Wilmington, a port city on the Atlantic Ocean, to Tennessee via Raleigh, Durham, Winston-Salem and Asheville, NC. Interstates I-85 and I-95 transect the state south to north from South Carolina to Virginia.

Other major highways include:

- Interstate 77 (partially completed)
- U.S. Highways 1, 64, and 401, which transects the state south from South Carolina north via Raleigh and Louisburg to Interstate 85 near Wise, NC
- State highways NC 39, 56, 96, 98, 561 and 581

**Air** - Triangle North Executive Airport is a county-owned, public-use airport in Franklin County. It is located seven miles southwest of the central business district of Louisburg. The airport covers an area of 388 acres at an elevation of 369 feet above mean sea level. It has one runway designated 5/23 with an asphalt surface measuring 5,498 by 100 feet.

Raleigh-Durham International Airport (RDU) has nearly 400 daily arrivals and departures. Eight major airlines and their regional partners (Air Canada, American Airlines, Delta, JetBlue, Southwest, and United) provide daily flights to nearly 40 non-stop destinations in the United States, Canada, Mexico, and Europe. The airport is located 40 miles southwest of downtown Louisburg.

**Public Transit/Freight/Rail** - Sixty-six freight carriers provide Franklin County business overnight service to cities within a 400-mile radius. A CSX north/south line traverses western Franklin County parallel to U.S. 1 in the county's predominately industrial-zoned area.

### ***By Water***

- 140± miles northwest of the Port of Wilmington, NC with 50 bulk freight handlers/shippers and 10 container freight handlers/shippers
- 160± miles northwest of the Port of Morehead City, NC with 50 bulk freight handlers/shippers
- 165 miles southwest of the Port of Norfolk, VA with 70 bulk freight handlers/shippers and 70 container freight handlers/shippers

### ***Education***

Franklin County Schools operates 16 schools throughout the county ranging from pre-kindergarten through twelfth grade, including four high schools, four middle schools and eight elementary schools which served 8,800± students in the 2014-15 school year.

Louisburg College is a two-year residential college located in downtown Louisburg that focuses on getting students ready for the next step to a four-year school offering baccalaureate degrees. Louisburg College offers an Associate in Arts degree, Associate in Science degree, and an Associate in Business degree. It also offers these special programs: Academy (tutoring support for all students), the Learning Partners Program (for students with learning disabilities and/or ADHD), and the Crossroads Program (for first-year students as they handle the transition from high school). Louisburg College has comprehensive transfer agreements with many public and private colleges and universities, including the 16 branches of the University of North Carolina system, that allow Louisburg College graduates to make a seamless transition upon entering four-year schools as full-fledged juniors.

Thirty-seven colleges and other institutions of higher learning are located within a two-hour drive of Louisburg. Among them are three world-class research universities: North Carolina State University (30 miles), Duke University (40 miles), and the University of North Carolina at Chapel Hill (50 miles). Additional higher education institutions within the area include: Meredith College, North Carolina Central University, Peace College, Shaw University, and Saint Augustine's College.

Vance-Granville Community College (VGCC) serves Vance, Granville, Franklin, and Warren counties. It was established in 1969 by the North Carolina General Assembly. The Southern Association of Colleges and Schools has accredited it to award associate degrees. In addition to its main campus in Henderson, VGCC maintains three satellite campuses, of which the Franklin Campus—located one mile west of Louisburg along NC 56 between Louisburg and Franklinton—is one.

### ***Healthcare***

Located within the Triangle region of North Carolina, Franklin County residents have access to excellent medical care. With three major medical systems, including two top-rated teaching hospitals, within 30 minutes of each other, adjacent Wake County offers access to some of the finest healthcare in the country, including (listed in order of proximity to the Town of Louisburg):

- Duke Raleigh Hospital, 186 Beds, 25 miles southwest along the I-440 section of the Raleigh Beltline in northeast Raleigh
- WakeMed Health & Hospitals in Raleigh and Cary, 884 beds, 30 miles southwest inside the I-440 Raleigh Beltline in east Raleigh
- UNC Rex Healthcare, 660 beds, 35 miles southwest in the northwest quadrant of Interstate 40 and the I-440 Raleigh Beltline in northwest Raleigh

- Duke University Health System, 1,326 beds, 40 miles west in Durham northwest of Raleigh
- UNC Medical Center, 803 Beds, 55 miles southwest in Chapel Hill

With the recent passage of enabling legislation and \$18 million in state funding, Duke Lifepoint and WakeMed are vying for the opportunity to take over services at the former Franklin County regional hospital in Louisburg. The repurposed facility will provide emergency medical services to a county population of 68,000 and serve as a multi-county, behavioral-health and substance-abuse treatment facility and short-term crisis center to serve children and adolescents. Louisburg also is home to two outpatient dialysis facilities: Davita Dialysis Care of Franklin County and Tar River Fresenius Medical Center (due to open August 2016).

### ***Economy***

Louisburg was an early center of commercial activity in Franklin County, beginning with the marketing of locally grown cotton, wheat, and, eventually, tobacco. As agribusiness markets and services expanded and population grew, the economy became more diversified and began to attract a wider range of business and professional services.

Today, over 800,000 people live within a 30-mile radius of Louisburg, the county seat of Franklin County. The total civilian labor force in Franklin County and surrounding counties is more than 720,000. The Triangle region's economy is fueled by cutting-edge life sciences, technology and defense clusters. In addition, three research universities and numerous private and federal labs attract more than \$2 billion a year in federal research funding, fueling discoveries that create new products, services, companies and ultimately, jobs.

The Triangle region is ranked among the top three in the nation for life sciences, particularly pharmaceuticals, and the number one vaccine producer in the world. The largest concentration of contract research organizations in the country provides a unique support structure for companies in every stage of product development. Technology leaders such as Cisco, Red Hat and SAS Institute create an information technology infrastructure that supports business intelligence, communications and productivity.

The largest industry sector in Franklin County is Manufacturing at 20.7 percent, followed by Education at 12.9 percent; Retail Trade at 12.1 percent; Health Care and Social Assistance at 11.6%; Public Administration at 10.1 percent; Construction 7.5 percent and Accommodations and Food Service at 7.1 percent; all other sectors fall below five percent.

**Franklin County's Major Manufacturing Employers**

<b>Company</b>	<b>Product</b>	<b>Employees</b>
Novozymes North America	Food & Industrial Grade Enzymes	516
Eaton Corporation	Surge Protection Devices	184
Amcor Rigid Plastics	Specialty Packaging	150
K-Flex USA	Foam Insulation Products	150
Captive-Aire Systems	Commercial Kitchen Ventilation Systems	130
Palziv North America	Polyethylene Foam	120
Sirchie Acquisition Company LLC	Law Enforcement Products	116
Trulite Glass & Aluminum Solutions	Decorative Glass and Aluminum	105
Majestic Marble & Glass/Constrata Div.	Countertops/Shower Enclosures	98
Southern Lithoplate	Lithoplates for Printing	90

*Source: Franklin County Development Commission*

Novozymes is a global biotechnology company headquartered in Bagsværd/Copenhagen, Denmark. In 2015, Novozymes' worldwide workforce stood at 6,485 employees, of which 1,322, or 20%, were employed by Novozymes North America, Inc., whose headquarters are in Franklin County, NC. In addition to Denmark and the United States, the company has operations in Argentina, Brazil, Canada, China, India, and the United Kingdom. The company's focus is the research, development and production of industrial enzymes, microorganisms, and biopharmaceutical ingredients. As of 2015, the company holds an estimated 48% of the global enzyme market, making it the world's largest producer of industrial enzymes.

The principal employers in Louisburg include (alphabetically):

- Britthaven of Louisburg—166-bed nursing home
- Cal-Maine Foods—egg distributor to Food Lion, Harris Teeter, Walmart and more
- County of Franklin
- Food Lion
- Franklin County Schools
- Palziv North America, cross-linked, closed-cell polyethylene forms
- Louisburg College, a private, Methodist-affiliated, two-year college
- Vance-Granville Community College
- Walmart

### ***Recreation***

In Franklin County residents enjoy a relaxed lifestyle with easy access to the cultural amenities of the adjacent Town of Wake Forest and the big-city amenities of nearby Raleigh, the state capital, Durham and Chapel Hill. The region's attractions include NCAA Division I athletics (Duke, NC State and UNC), major league hockey, minor league baseball, art, science and history museums, North Carolina Symphony, the American Dance Festival and Broadway touring performances, as well as outdoor recreation, fine dining and shopping variety.

Louisburg offers parks and recreation opportunities for all ages, including youth sports and senior activities. The Tar River provides fishing and canoeing possibilities. River Bend Park and Joyner Park offer all types of outdoor exercise or casual viewing of picturesque natural settings. Walkers, joggers and bikers will enjoy the new Louisburg Bike Trail, a paved rail to trail attraction. For the more adventurous, Louisburg is home to the very popular Triangle Skydiving Center at Triangle North Executive Airport, which offers tandem and accelerated freefall (AFF) training and recreational skydiving opportunities to the public, with special discounts offered to military and EMS personnel, firefighters, law enforcement and active students—as many as 350 skydivers some weekends.

Annual events and festivals draw thousands of tourists annually to Franklin County and Louisburg, including:

- National Whistlers Convention (April), which attracts whistling performers from around the world and crowns winners by age group
- The Louisburg College Allen de Hart Concert Series (September – April), which features headliner entertainment in its 1,200-seat auditorium/theater complex
- Tar River Barbeque Festival (September), a popular entertainment venue entertainment
- Hill Ridge Farms, which attracts 80,000± out-of-town visitors annually, features a farm-themed park with a farm-animal corral, fish-feeding dock, kids' play land, picnic grounds, an 80-foot slide, train rides, pony rides, and such special events as:
  - Fall Pumpkin and Harvest Festival (fall, Halloween, Thanksgiving), a pumpkin patch, live music and
  - Festival of Lights (winter, Christmas), covered hay wagon and train rides
- Norris Creek
- PreddyFest Bluegrass Festival (August)
- Lake Royale Triathlon (September)

Louisburg has many homes listed on the National Register of Historic Places. With more than 250 structures in the Louisburg Historic District, visitors can observe numerous forms of residential architecture from the 1700s and 1800s. Green Hill Place in Louisburg, home of Major Green Hill, a leading colonial-era figure, is associated with the birth of Methodism in North Carolina. The house was built during the 1760s and was known to Methodists as a landmark of the North Carolina circuit, the course of travel a pastor would follow in preaching throughout the state.

## **Market Area**

The principal commercial land use in the southernmost portion of the Town of Louisburg—the neighborhood deemed most suitable for a proposed hotel due to recent commercial growth trends—is the 200,000 square foot Louisburg Plaza, a retail center in the southwest quadrant of the intersection of U.S. 401/Bickett Boulevard and NC-56 comprising:

- developable, commercial lots along or parallel to U.S. 401
  - 5-6 pad-ready retail sites
    - two prime sites above grade with and highly visible from U.S. 401
    - one secondary site above grade with U.S. 401
    - two secondary sites at grade with U.S. 401
- retail/dining/automotive venues
  - Walmart Supercenter (anchor store)
  - Asian Garden (restaurant)
  - Best Beauty (cosmetics)
  - Beverly Nails (nail salon)
  - Dollar Tree
  - Eye Care Associates (MyEyeDr)
  - Fiesta Mexicana Restaurante
  - Game Stop
  - H&R Block
  - Murphy Express (gas station, c-store)
  - Michaelangelo's Pizza
  - Radio Shack
  - Raffles Hair Salon
  - Rent-A-Center
  - Rue 21 etc. (apparel)
  - Shoe Show
  - Tobacco Vapor
  - U.S. Cellular
  - Zaxby's

Other commercial land uses at this intersection include:

- developable, commercial sites fronting along or immediately parallel to U.S. 401
  - eight pad-ready retail sites along Bickett and/or Burke Boulevard between Walgreens and BB&T Bank
  - one large, elevated and divisible site between the Armory and Moss Foods fronting along Bickett Boulevard (with three curb cuts)
  - one development site south of SECU/Burke Boulevard; currently improved with a discount tobacco store and chiropractic clinic (demolition required)
- retail/dining/automotive venues
  - Bojangle's
  - Domino's Pizza
  - Enterprise Rent-a-Car
  - Johnny's Barbecue
  - Louisburg Motors (auto dealer)
  - Pete Smith Tire & Lube
  - Moss Foods (grocery store)
  - NAPA (auto parts)
  - Walgreens
- office/financial services/government venues
  - BB&T (branch bank)
  - Louisburg Armory (NC Army National Guard)
  - SECU (State Employees Credit Union)



## **Lodging Trends and Market Analysis**

The following analysis will examine hotel/motel supply and demand trends as well as factors that influence the hotel investment market.

### **National Trends**

The history of the lodging industry is characterized by periods of rapid expansion and development, followed by periods of adjustment and recovery. The paragraphs that follow discuss historical and current industry supply and demand, occupancy, average daily rate (ADR) and revenue per available room (RevPAR). The principal sources for the following discussion on national lodging industry trends and the U.S. economy include: Smith Travel Research, Hotel News Now (STR), Pricewaterhouse Coopers, Forbes, and FocusEconomics.

### ***Historical Industry Trends and Future Outlook***

The U.S. economy expanded 2.4% in 2015, which matched 2014's growth rate. However, Q4 GDP expansion slowed to a seasonally adjusted annualized rate of 1%, half of what it had been the previous quarter. This slowdown is due to (1) a deceleration in domestic demand, as evidenced by lower private consumption, higher savings, and weaker investment, and (2) a continuing drop-off in demand for U.S.-manufactured goods attributable to a strong dollar and a slowdown in global economic activity, a trend which is expected to continue as the Fed increases interest rates and further strengthens the dollar. Accordingly, economists have revised their 2016 GDP forecast downward by 0.3 percentage points to a sub-par growth rate of 2.1% year over year.

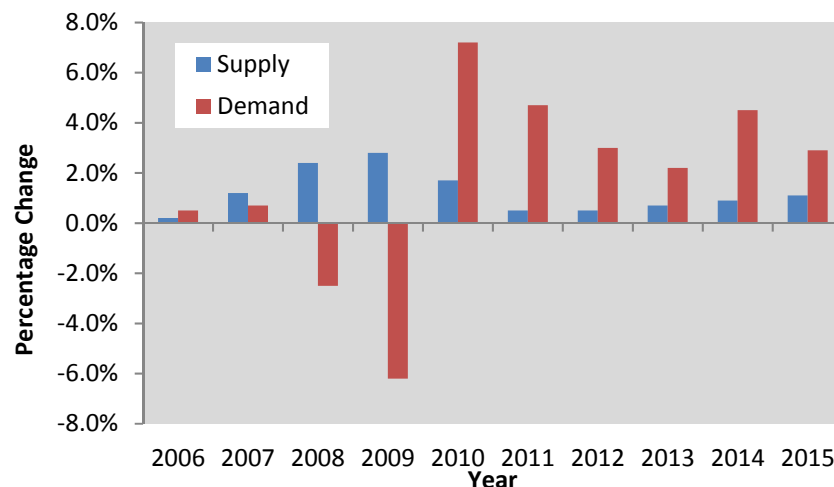
Following the recession of 2008 and 2009, hotel and resort operating fundamentals from 2010 through 2014 improved and the lodging industry experienced a notable turnaround, with the breadth of the recovery encompassing the entire spectrum of chain-scale segments, particularly the luxury, upper upscale and upscale segments, which include increasingly popular select-service and lifestyle brands. During this period, rooms supply growth remained modest relative to overall demand growth; however, in 2015 historical industry trends exhibited cautionary signs of change: supply growth rates reached their highest level since 2011; demand growth remained healthy but slowed significantly from 2014; occupancy and ADR growth rates decelerated; and Q2 through Q4 2015 RevPAR growth rates slowed from record highs in 2014 and Q1 2015.

### *Room Supply and Demand*

On the heels of the 2008 – 2009 recession, when lodging supply growth dangerously outstripped demand by 4.9% and 9.0%, respectively, regulators, lenders and investors responded and construction activity slowed significantly. In 2010, the rate of lodging supply growth declined 40% versus 2009, and year over year from 2011 through 2014, supply growth rates remained below 1%. Notably, annual supply growth is now back over 1%, ending 2015 at 1.1%, its highest level since 2011.

Though demand growth remained healthy, it slowed noticeably from 4.5% in 2014 to 2.9% in 2015, an estimated year-over-year growth rate decrease of 28%. In 2015, transient/leisure demand remained strong due in significant part to low oil prices, which sank to an 11-year low in December. Conversely, group demand subsided rapidly in 2015, reflecting a year of volatility in the stock market, which finished 2015 flat following a six-year rally. As group demand is largely corporate driven, this decelerating rate of growth suggests belt-tightening by companies in the face of slowing U.S. and global economies, as evidenced by declining U.S. exports stemming from a strong dollar; lower commodity prices due to a slowdown in China's GDP growth rate and the weakening of commodities-dependent emerging market economies (EMEs); and a sluggish European economy hampered by high levels of unemployment (10.7% in 2015). In 2015, the lodging industry sold more rooms than ever before and, the foregoing discussion and concerns voiced by Wall Street notwithstanding, STR projects demand growth of 2.3% in 2016. The following graph depicts the historical supply and demand growth of the lodging industry as a whole.

**Lodging Industry Supply and Demand Growth**



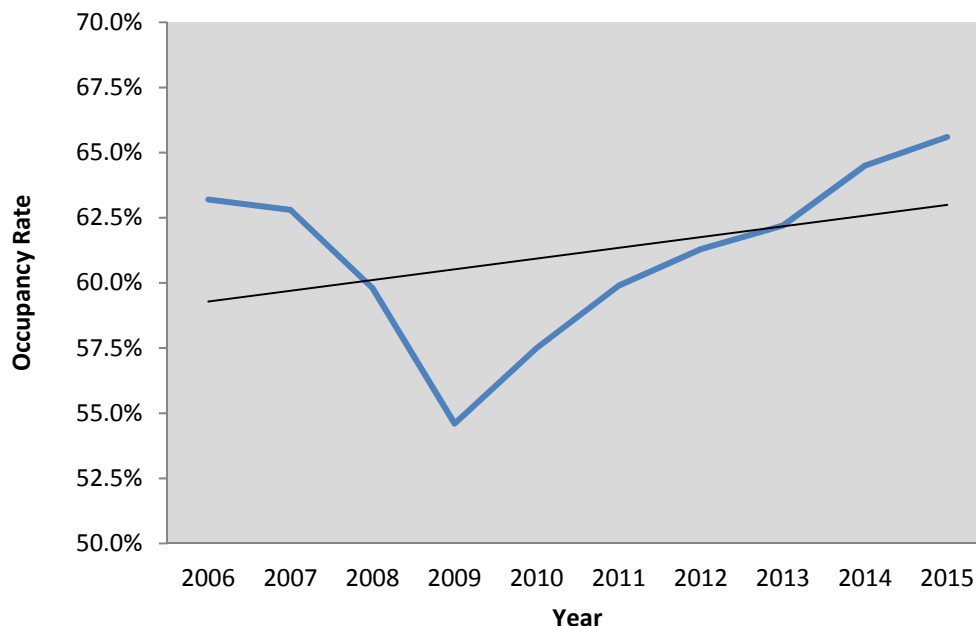
Source: Smith Travel Research

As illustrated by the foregoing graph, rooms supply growth rates outstripped demand growth from 2007 through 2009. Then, from 2010 through 2015 demand growth exceeded supply growth, posting year-over-year increases ranging from a high of 7.2% in 2010 to a low of 2.2% in 2013. Notably, demand growth in 2015 slowed to 2.9% from 4.5% the year prior, and STR projects modest demand growth of 2.3% in 2016.

### *Occupancy*

As a result of room night demand surpassing new room supply between the post-recession years of 2010 and 2015, the national occupancy rate increased significantly, ending 2015 at the highest level since 1995. More broadly, a still relatively strong U.S. economy expanded at a sub-par rate of 2.2% in 2015 as it confronted weakened exports and stock market volatility. During this period, as seen in the chart of historical rates below, the occupancy rate trend continued its upswing for the sixth year in a row, though at a noticeably slower rate of growth due to the aforementioned 2015 increase in the rate of rooms supply growth. According to Smith Travel Research, the 2015 national occupancy rate increased by a modest 1.7% to a 21-year high of 65.6%.

**National Occupancy Rates**



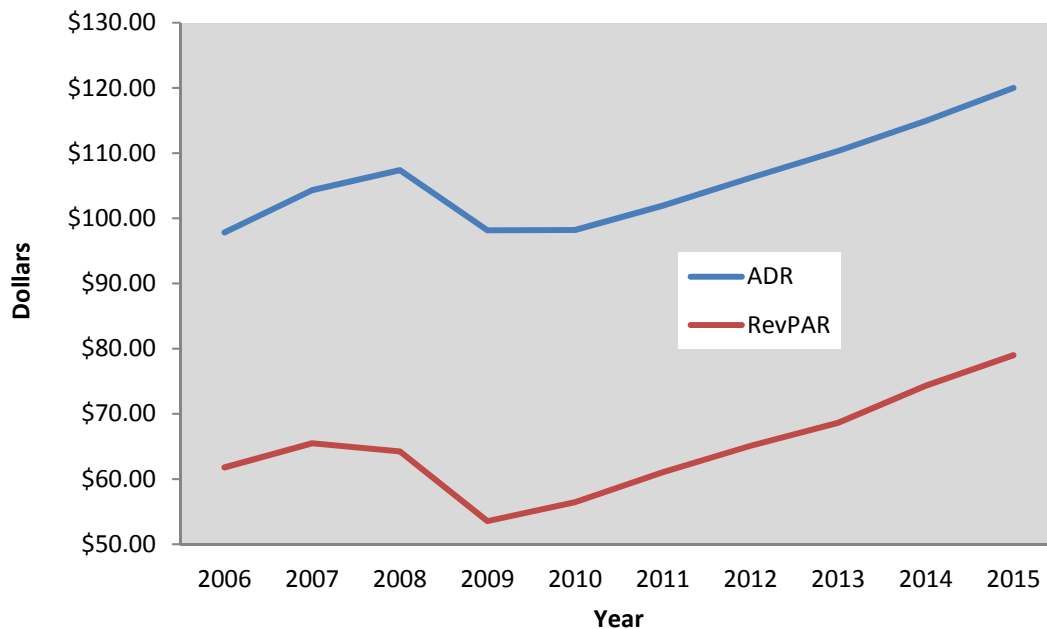
Source: Smith Travel Research

Smith Travel Research forecasts a very modest 0.6% occupancy rate increase to 66.0% in 2016.

### ADR and RevPAR

The two major historical revenue performance indicators are average daily rate (ADR) and revenue per available room (RevPAR). In recession year 2009, ADR and RevPAR decreased 8.6% and 16.6%, respectively, and in 2010 ADR remained flat while RevPAR experienced an occupancy-driven increase of 5.4%. From 2011 through 2014, RevPAR increases remained occupancy driven. In 2015, however, RevPAR increases across all chain scales—from luxury to economy—were ADR driven, with ADR gains outstripping occupancy gains by 2.0-to-8.4 times for midscale and luxury hotels, respectively. For 2015, Smith Travel Research reported national ADR and RevPAR increases of 4.4% and 6.3% to \$120 and \$79, respectively. The following table illustrates this trend.

**National ADR and RevPAR**



Source: Smith Travel Research

Smith Travel Research forecasts strong 2016 ADR and RevPAR increases of 4.4% and 5.0% to ±\$125 and \$83, respectively.

## **Local Lodging Trends - Level III Market Analysis**

The following paragraphs give an overview of the current and historical market conditions to *infer* future supply and demand conditions.

### ***Competitive Supply Analysis***

To properly evaluate the competitive lodging market, several supply factors have been considered in our analysis to include historic expansion, determining which existing lodging facilities will be most competitive with the proposed hotel and other potential new competition.

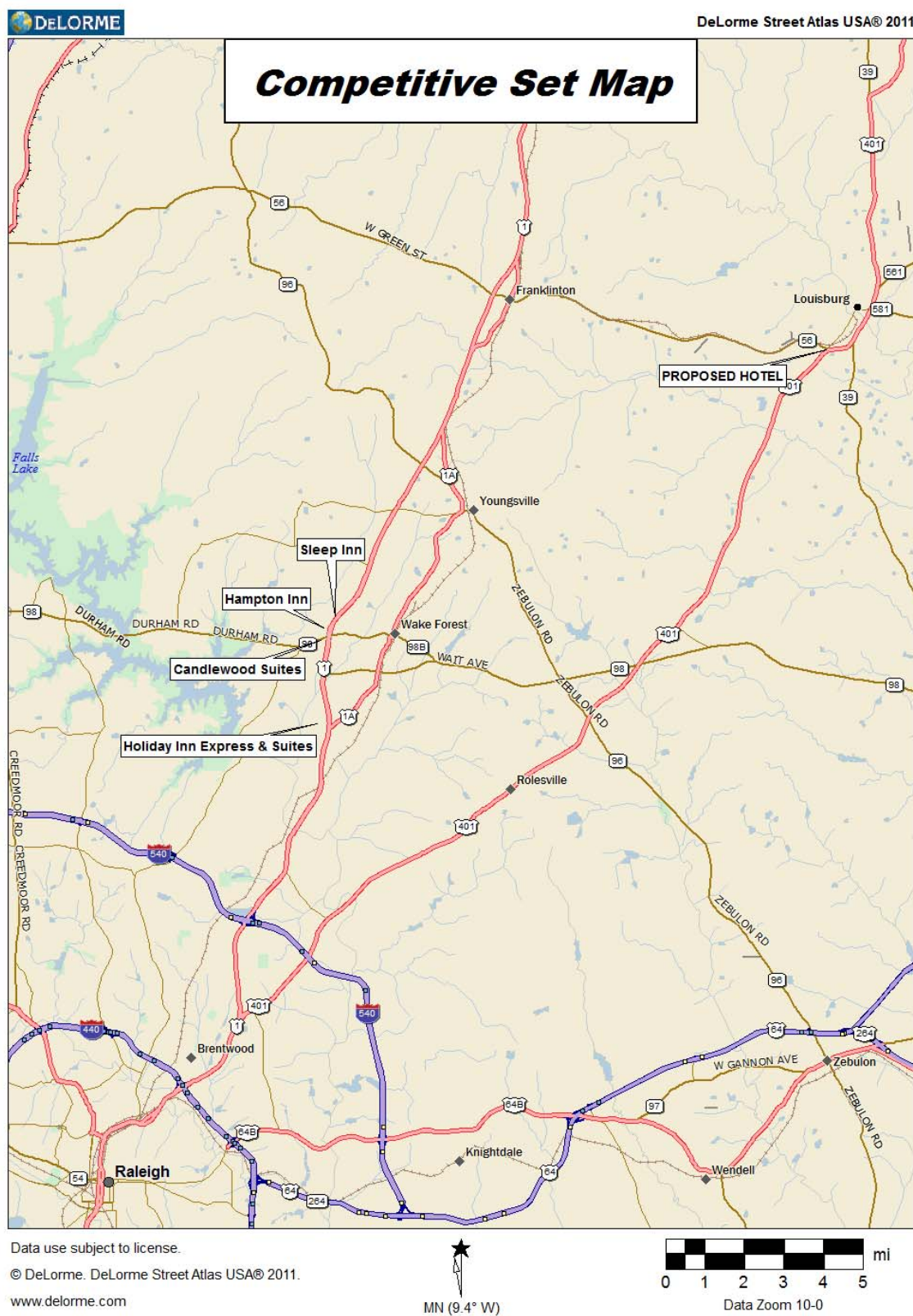
### ***Historical Supply***

In Louisburg there are two economy class hotels, a 53-room franchised Days Inn built in 2000 and a 28-room independent Economy Inn built in 1950. The closest hotel market featuring midscale+ accommodations is in the Raleigh North suburb of Wake Forest, 15 miles southeast of Louisburg. Within Wake Forest, rooms supply has increased at an annual compound rate of 1.6%. The most recent additions were the 121-room Value Place in April 2012 and 81-room Candlewood Suites in June 2011.

### ***Existing Supply***

Our market supply analysis involved a study of the competitive lodging facilities with which the proposed hotel will directly compete for demand. While the degree of competitiveness varies, several factors including room rate, relative location, amenities, level of service, quality of guest rooms and similar market positioning make a hotel a competitor.

At the time of our survey, only two economy hotels were located in Louisburg. It is noted that major demand generators in the market specifically indicated that the nearest accommodations suitable to their needs are found in Wake Forest, not locally. We therefore have expanded our survey to include four secondary competitors in the Raleigh North suburb of Wake Forest—the lodging node currently serving most of the hotel needs of Louisburg/Franklin County demand generators—that offer room rates and accommodations similar to the proposed hotel: Candlewood Suites, Sleep Inn, Hampton Inn, and Holiday Inn Express & Suites. Accordingly, these midscale and upper-midscale limited-service hotels have been used in our analysis of the market. Salient information compiled from our on-site interviews with management and other sources is included in the following section, beginning with a map depicting the location of each competitor on the next page.



### Competitive Supply Comparable 1



#### Location and Reference

Property:	Candlewood Suites
Location:	12050 Retail Drive
City/State:	Wake Forest, North Carolina

#### Property Summary

Classification:	Limited Service
Year Built:	2011
Condition:	Good
Rooms:	81
Room Mix:	Kings, Double Queens
Amenities:	Meeting Facility      Business Center
	Fitness Center      Patio & Grill
	Sundry Shop      Guest Laundry

#### Operating Summary

Estimated Occupancy Rate:	<b><u>TTM-16</u></b>
Estimated Average Daily Rate:	75.0%
Published Room Rates:	\$85.00
Estimated Marketing Mix:	\$104.00 - \$135.00 (and extended-stay discounts)
	Transient      30%
	Commercial      40%
	Group      5%
	Extended Stay      25%

#### Comments:

This hotel is near the Southeastern Baptist Theological Seminary in a popular office/retail/residential submarket of Wake Forest.



## Competitive Supply Comparable 2



### Location and Reference

Property:	Sleep Inn
Location:	12401 Wake Union Church Road
City/State:	Wake Forest, North Carolina

### Property Summary

Classification:	Limited Service
Year Built:	1999
Condition:	Average
Rooms:	80
Room Mix:	Kings, Double Queens
Amenities:	Business Center      Fitness Center Indoor Swimming Pool

### Operating Summary

Estimated Occupancy Rate:	<u><b>TTM-16</b></u> 70.0%
Estimated Average Daily Rate:	\$80.00
Published Room Rates:	\$75.00 - \$120.00
Estimated Marketing Mix:	Transient      60% Commercial      35% Group      5%

### Comments:

This hotel caters to transients and subcontractors.



### Competitive Supply Comparable 3



#### Location and Reference

Property:	Hampton Inn
Location:	12318 Wake Union Church Road
City/State:	Wake Forest, North Carolina

#### Property Summary

Classification:	Limited Service	
Year Built:	1994	
Condition:	Average	
Rooms:	110	
Room Mix:	Kings, Double Queens	
Amenities:	Meeting Facility	Business Center
	Fitness Center	Outdoor Pool

#### Operating Summary

Estimated Occupancy Rate:	<b><u>TTM-16</u></b>
Estimated Average Daily Rate:	75%
Published Room Rates:	\$95.00
Estimated Marketing Mix:	\$100.00 - \$155.00
	Transient 45%
	Commercial 50%
	Group 5%

#### Comments:

This hotel is near the Southeastern Baptist Theological Seminary in a popular office/retail/residential submarket of Wake Forest.

### Competitive Supply Comparable 4



#### Location and Reference

Property:	Holiday Inn Express & Suites
Location:	11400 Common Oaks Drive
City/State:	Wake Forest, North Carolina

#### Property Summary

Classification:	Limited Service
Year Built:	2002
Condition:	Good
Rooms:	94
Room Mix:	Kings, Double Queens and Suites
Amenities:	Meeting Facility      Business Center
	Indoor Swimming Pool      Fitness Center

#### Operating Summary

Estimated Occupancy Rate:	<b><u>TTM-16</u></b>
Estimated Average Daily Rate:	78.0%
Published Room Rates:	\$99.00
Estimated Marketing Mix:	\$105.00 - \$140.00
	Transient      30%
	Commercial      60%
	Group      10%

#### Comments:

This business-centric hotel is located near the affluent Wakefield Plantation Community and caters primarily to business clientele in north Wake and Franklin Counties.

### *Supply Forecast*

We have researched the area for future additions to the hotel supply that would potentially impact the proposed hotel facility and its competitive set. Based on discussions with local hoteliers, township and county representatives, we are aware of no new supply entering the market. The following table depicts this outlook and includes the proposed 45-room hotel in early 2018.

<b>Period</b>	<b>Fiscal 16</b>	<b>Fiscal 17</b>	<b>Fiscal 18</b>	<b>Fiscal 19</b>	<b>Fiscal 20+</b>
Room Night Supply	133,225	133,225	149,650	149,650	149,650
Growth	- - -	0.0%	12.3%	0.0%	0.0%

### *Competitive Demand Analysis*

This section focuses on the historical/existing demand in the competitive submarket as well as the basis for future demand projections.

#### *Historical Demand*

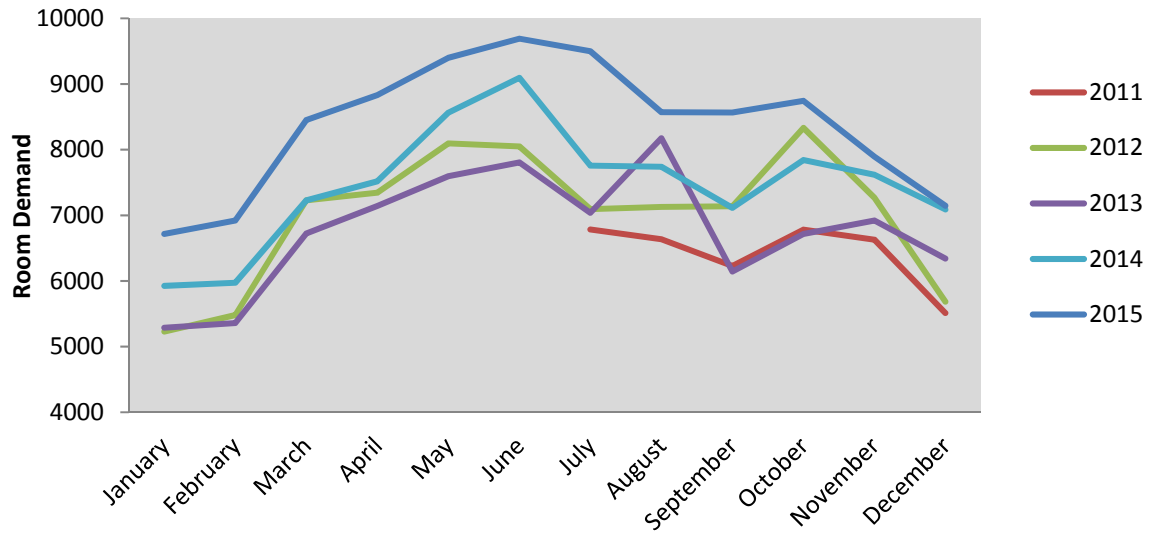
In analyzing the historical demand, we will discuss the seasonality of the marketplace and demand as it relates to rooms sales within the proposed hotel's Louisburg-Wake Forest market area.

#### Market Seasonality

Room night demand in the Wake Forest market area is similar to that of many markets. Monday through Thursday are popular nights for commercial demand, with Tuesday and Wednesday typically being the strongest, and Fridays and Saturdays entice the discretionary segments of demand. As indicated by market participants and the Custom Smith Travel Trend Report, room night demand is heaviest (over 80%) during the summer months of May, June and July and lightest (less than 70%) during the winter months of December through February. In between are the two shoulder seasons of spring (March and April) and late summer/fall (August through November).

The chart below tracks the room night demand for the competitive set since July 2011.

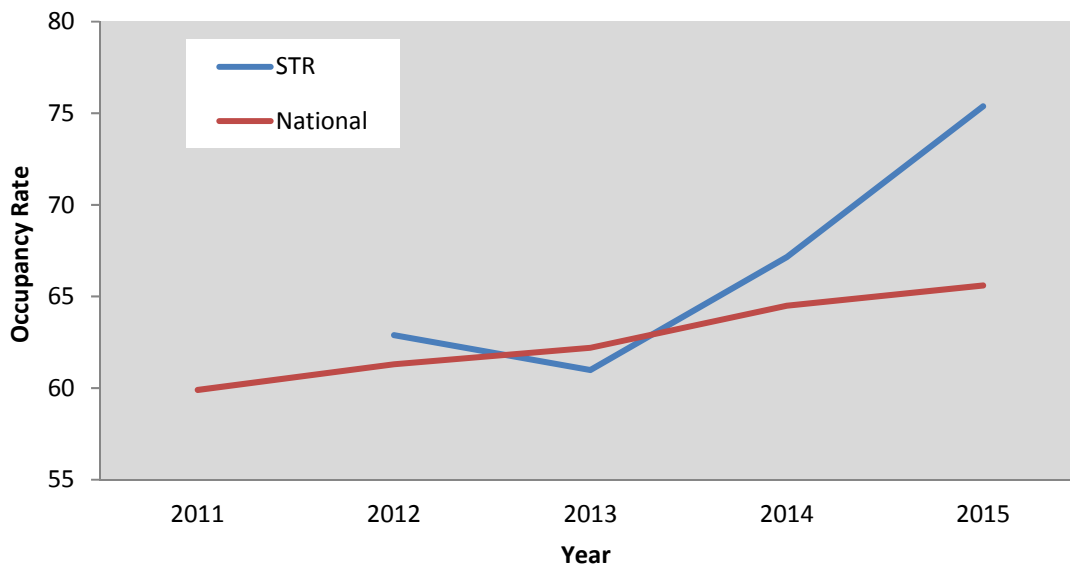
### Monthly Demand Broader STR Competitive Market



Source: Hotel and Club Associates and Smith Travel Research

For additional insight into historical demand, the graph below compares the annual occupancy rates of the STR competitive market with the national averages.

### Occupancy Rates Broader STR Competitive Set versus National Market



Source: Hotel and Club Associates and Smith Travel Research

In 2012 and again in 2014 and 2015, the STR competitive market performed at levels significantly above national averages and the gap appears to be widening. The expanding economy of the Triangle Region, of which Wake County and Franklin County are a part, is fueled by life sciences, technology and defense clusters. With three nationally acclaimed research universities and numerous laboratories garnering \$2+ billion per year in research funding, the Triangle Region ranks:

- 1<sup>st</sup> in the world for vaccine production
- 1<sup>st</sup> in the U.S. for contract research organizations
- 3<sup>rd</sup> in the U.S. for life sciences, including pharmaceuticals

### *Existing Demand*

The following section will now analyze the market's existing demand on the basis of the competitors' ability to penetrate the market and their existing demand mix or accommodated demand.

### Market Penetration

Market penetration is calculated by dividing a property's actual market share by its fair share. The actual market share is the percentage of one lodging facility's occupied room nights divided by the total occupied room nights in the identified market. A fair-share percentage is calculated by dividing one lodging facility's available rooms by the total available rooms of all competitors. From this formula, the following chart shows the overall penetration levels of the competitors.

#### **Competitive Supply Penetration Rates – Fiscal-16**

Comp.	Property	Available Rooms	FY-16 Occupancy	Occupied Rooms	Actual Market Share	Fair Share	Penetration Level
1	Candlewood Stes	29,565	75.0%	22,174	22.3%	22.2%	1.00
2	Sleep Inn	29,200	70.0%	20,440	20.5%	21.9%	0.94
3	Hampton Inn	40,150	75.0%	30,113	30.3%	30.1%	1.00
4	Holiday Inn Express & Stes	34,310	78.0%	26,762	26.9%	25.8%	1.04
Total/Average		133,225	74.7%	99,489	100.0%	100.0%	1.00

The STR competitive set exhibited penetration levels between 0.94 and 1.04 for the most recent twelve-month period. The business-centric Holiday Inn Express & Suites had the highest penetration level, followed by the Hampton Inn and Candlewood Suites. Only the Sleep Inn had a below-par penetration level.

### Accommodated Demand

The proposed hotel's accommodated demand may be analyzed by market segment (transient, commercial, group and extended stay) by studying occupancies at competitive properties as it relates to each segment. We have additionally conducted field and telephone interviews with the hotel managers and/or staff of the proposed hotel's competitive set. In addition, data taken from statistical reports and office files were also used in segmenting these properties. From this information the market segments are then translated into room nights and occupancy percentages for each competitor as noted in the following chart.

<b>Property</b>	<b>Occupied Nights</b>	<b>Transient Room Nights</b>	<b>Commercial Room Nights</b>	<b>Group Room Nights</b>	<b>Extended Stay Room Nights</b>
Candlewood Stes	22,174	8,870	6,652	1,109	5,544
Sleep Inn	20,440	12,264	7,154	1,022	0
Hampton Inn	30,113	15,057	13,551	1,506	0
Holiday Inn Express & Stes	26,762	12,043	12,043	2,676	0
Total/Average	99,489	48,233	39,400	6,313	5,544

The demand mix for the competitive set is approximately 49% transient, 40% commercial, 6% group and 5% extended-stay.

### Unaccommodated Demand

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

Unaccommodated demand is further indicated if the market is at all seasonal, with distinct high and low seasons; such seasonality indicates that although year-end occupancy may not average in excess of 70 percent, the market may sell out many nights during the year. Typically, this unaccommodated demand may be quantified by looking at the number of days in which occupancy is in excess of the 80<sup>th</sup> percentile.

According to Smith Travel Research, the local market exhibited unaccommodated demand in 36 of 84 periods (7 days and 12 months). Our interviews with market participants found that, excluding Sundays, these peak nights occur 14 out of 24 weekend periods (2 days, 12 months), or 58% of the time, and 22 out of 48 weekday periods (4 days, 12 months), or 46% of the time. A portion of this demand, which reportedly is turned away, should return to the market concurrent with an appropriate supply increase.

It is noted that the group segment of demand—especially Louisburg College, wedding, corporate and sports related—appears to be significantly under-served in the Louisburg submarket. Louisburg College and all three major wedding/special event venues report that bookings are impeded due to the lack of suitable hotel accommodations. Louisburg College and local officials recount numerous “inadequate lodging” complaints from visiting guests and sports teams.

Considering the actual amount of unaccommodated demand is inconclusive due principally to the proximity of secondary Wake Forest lodging options and the currently under-accommodated demand staying in Louisburg, we have forecast 10% of the room supply during these periods—or 5,710 room nights—to be classified as unaccommodated with the following table indicating the breakdown for each demand segment.

<b>Unaccommodated Demand Estimate</b>		
<b>Market Segment</b>	<b>Accommodated Room Night Demand</b>	<b>Unaccommodated Room Night Demand</b>
Transient	22,174	2,855
Commercial	20,440	1,713
Group	30,113	1,142
Extended Stay	26,762	0
Total	99,489	5,710

### ***Demand Forecast***

Projections of future demand in the competitive market and for the proposed hotel are integral to determining the future cash flows and returns of the project. The following discussions outline the projections for induced demand as it relates to the proposed new hotel entering the market and future demand growth within each market demand segment. Apart from reporting the modest amount of demand currently accommodated by the Candlewood Suites Wake Forest, the extended stay segment of demand has not been analyzed in this predominantly transient, commercial and group suburban/exurban market.

### *Induced Demand*

Similar to the concept of unaccommodated demand, it is apparent that the inducement of demand occurs when a new product is added that attracts guests which previously stayed outside the competitive set due to brand loyalty, or simply because the type of accommodations they prefer were unavailable in the market area.

Our research and interviews with market participants, demand generators and public officials indicate that “under-accommodated demand” is a key lodging challenge in the market: As the Louisburg submarket currently is represented only by an aging, independent, 28-room, single-story, exterior-corridor, budget motel, and by a 53-room budget/economy franchised hotel with few amenities, guests, particularly business and college-related clientele who prefer midscale-to-upper-midscale hotel accommodations seek lodging in Wake Forest. Considering such economy-priced rooms generally are available, this is not “traditional” unaccommodated demand. However, as stated above, our research and interviews suggest that several commercial and transient guests have made the conscious decision to stay with secondary competitors in Wake Forest or outside the competitive set altogether due to brand loyalty or simply because the type of accommodations they prefer were unavailable in the market.

Acknowledging the somewhat strong competitive secondary market in Wake Forest, we anticipate the proposed regional/national chain-affiliated, midscale hotel will induce a considerable amount of its own demand. A midscale limited-service hotel located more proximate to key Louisburg-Franklinton demand generators with ready accessibility to/from US 401 and NC 56, and a hotel featuring such amenities as a business center, meeting facility, sundry shop, guest laundry, fitness center, indoor swimming pool, and a loyalty program should induce transient, commercial and small-group demand equal to 20% of its proposed 16,425 available room nights, or 3,285 room nights. The following table details this induced demand assumption.

<b>Induced Demand Estimate</b>			
<b>Property</b>	<b>Room Night Supply</b>	<b>% Induced</b>	<b>Induced Demand</b>
Proposed Hotel	16,425	20.0%	3,285



### *Market Demand Growth*

The following discussions outline the projections for each market segment pertaining to growth of room night demand within the competitive submarket.

- **Transient** – This category historically has included individuals, couples, families, and seniors traveling to the area to:
  - visit family and friends
  - attend Louisburg College, Vance-Granville Community College and local high school graduations, reunions
  - attend weddings, anniversaries, baptisms and funerals
    - 322 weddings and 318 funerals in Louisburg in 2015
    - Regionally popular wedding/event venues attract parties from throughout The Triangle:
      - Hudson Manor Estate—The most award-winning wedding venue in North Carolina hosts events for parties of 50 to 250 guests. It features 45 acres of gardens and pastures, a 1911 southern plantation house with a lake view terrace, wedding chapel and grand ballroom.
      - Timberlake Historic House—This large early 19<sup>th</sup> century Georgian-Federal southern plantation house hosts weddings, receptions, rehearsal dinners, parties and business events for up to 300 guests.
      - Chapel in the Woods—This wedding venue is located on a large family farm north of Louisburg and can accommodate parties of 50 to 300 guests.
  - attend or participate in sporting events, particularly Louisburg College athletic games and skydiving at Triangle North Executive Airport
    - Louisburg College was 2015 National Junior College Men's Soccer Champions
    - Triangle Skydiving Center is ranked the #1 area attraction in on TripAdvisor. Weekend events have attracted over 300 enthusiasts.
  - frequent popular cultural, performing arts, and fine arts events
    - the Louisburg College Allen de Hart Concert Series (September – April) features headliner entertainment in its 1,200-seat auditorium/theater complex

- attend one of several annual events and festivals, including:
  - the annual National Whistlers Convention (April)
  - PreddyFest Bluegrass Festival (August)
  - Lake Royale Triathlon (September)
  - the Tar River Barbeque Festival (September)
  - Pumpkin and Harvest Festival (fall, especially Halloween and Thanksgiving)
  - Festival of Lights (winter, especially Christmas)

While rooms supply has remained constant since 2013, Smith Travel data indicates that market demand increased 10.1% in 2014 to 89,462 room nights and 12.3% in 2015 to 100,425 room nights for a year-end occupancy rate of 75.4%. For the trailing 12-months ended May 2015 and 2016, occupancy rates were 71.0% and 74.7%, or 12.1% and 5.3% higher than the prior trailing 12-months, respectively.

In the Wake Forest market area, weekend (Friday and Saturday) lodging demand exceeded seventy percent 21 of 24 weekend days, or approximately 88% of the time, peaking in May, June and July. For the trailing 12-months ended May 2016, weekend occupancy rates ranged from a low of 55.0% for Fridays in February to a high of 97.2% for Saturdays in May.

Based on this information, the transient/leisure segment has been forecast to increase by a modest 2% in each of fiscal years 2017 through 2019. Thereafter, this segment has been forecast to remain stable.

- **Commercial** - This segment of demand emanates from sales representatives, vendors/suppliers/buyers, government officials, architects, auditors, engineers, consultants, event planners, and academic-, business-, legal-, agricultural-, and biotech-, pharmaceutical-, medical device-, hospital-related (non-patient/non-visitor) travelers to the Wake Forest area.

This segment regularly seeks accommodations Monday through Thursday and is predominantly single occupancy. The average stay for commercial guests is typically one to three nights. In the Wake Forest market area, weekday (Monday through Thursday) lodging demand ranged from a low of 57.3% for Mondays in December to a high of 95.1% for Tuesdays in July, exceeding a seventy percent occupancy rate 35 of 48 days, or 73% of the time, and peaking Tuesdays and Wednesdays with occupancy rates averaging 81.9% and 80.6%, respectively.

While year-to-date demand for the competitive market through May decreased a modest 2.1% following a robust 14.5% increase the prior year to date, the above discussion affirms that year-round commercial demand—including virtually all commercial demand from or related to Novozymes North America, Palziv North America, Louisburg College and Cal-Maine Foods—is consistently strong.

Based on this information, considering Louisburg, Franklinton and Youngsville corporate demand generators currently seek suitable lodging accommodations in nearby Wake Forest, the commercial segment has been forecast to increase by a modest 2% in each of fiscal years 2017 through 2019. Thereafter, this segment has been forecast to remain stable.

- **Group** - The group demand segment includes blocks of rooms used to accommodate wedding parties, commercial groups, subcontractors, professional and trade associations, corporate meetings, association meetings, sports-related groups, tour bus groups, etc. Occasionally, these groups will require blocks of rooms in conjunction with nearby meeting or event facilities and negotiate room rates based on the number of nights and blocks of rooms needed.

- ***Transient/leisure groups:***

- visiting youth, high school, and collegiate sports teams (most notably Louisburg College soccer related); intramural athletic events and invitational tournament participants
- weddings and milestone anniversaries, particularly at the aforementioned Hudson Manor Estate, Timberlake Historic House, Chapel in the Woods wedding and special event venues
- skydiving competitions at Triangle North Executive Airport
- motorcoach tour groups visiting the 250 structures from the 1700s and 1800s in Louisburg's Historic District
- entertainment groups performing as part of the Allen de Hart Concert Series, Whistlers Convention, FreddyFest, Tar River Barbeque Festival, etc.

- ***Commercial groups:***

- company functions and parties catered by the aforementioned special event venues in/near Louisburg
- quarterly/annual corporate meetings, holiday/retirement parties
- professional, trade and state association meetings
- training/recertification courses, especially at Vance-Granville Community College

Typically, these groups will require blocks of rooms and request negotiated room rates based on the number of nights and size of room blocks needed. Based on this information, the group segment of demand has been forecast to increase by 2% in each of fiscal years 2017 through 2019. Thereafter, this segment has been forecast to remain stable.

- **Extended Stay** – As stated earlier, the extended stay segments have not been analyzed in this predominantly transient, commercial and group suburban/exurban market.

## **Summary**

Using our projection of market demand by segment in consideration of overall market supply forecasts, the resulting market occupancy over the holding period is calculated and summarized on the following page. The table indicates that secondary competitors in Wake Forest are expected to experience a modest occupancy-rate increase of 2.0% in FY17, a supply-induced occupancy-rate decrease of -6.0% in FY 18 (proposed hotel), and stabilize at 75.5% following a 5.4% rebound in FY19 after absorbing the proposed hotel's modest supply increase of 45 rooms.

# Market Demand by Segment Forecast

## Proposed Hotel

### Louisburg, NC

Fiscal Year	Fiscal 16	Fiscal 17	Fiscal 18	Fiscal 19	Fiscal 20	Fiscal 21	Fiscal 22	Fiscal 23	Fiscal 24	Fiscal 25
<b>Room Night Demand by Segment</b>										
<b>Transient</b>										
Unaccommodated Demand		0	1,427	1,427	0	0	0	0	0	0
Induced Demand		0	821	821	0	0	0	0	0	0
Market Demand Growth		965	984	1,049	-	0	0	0	0	0
Total	48,233	49,198	52,430	55,728	55,728	55,728	55,728	55,728	55,728	55,728
<b>Commercial</b>										
Unaccommodated Demand		0	856	856	0	0	0	0	0	0
Induced Demand		0	493	493	0	0	0	0	0	0
Market Demand Growth		788	804	847	-	0	0	0	0	0
Total	39,400	40,188	42,341	44,537	44,537	44,537	44,537	44,537	44,537	44,537
<b>Group</b>										
Unaccommodated Demand		0	571	571	0	0	0	0	0	0
Induced Demand		0	329	329	0	0	0	0	0	0
Market Demand Growth		126	129	149	-	0	0	0	0	0
Total	6,313	6,439	7,467	8,516	8,516	8,516	8,516	8,516	8,516	8,516
<b>Extended Stay</b>										
Unaccommodated Demand		0	0	0	0	0	0	0	0	0
Induced Demand		0	0	0	0	0	0	0	0	0
Market Demand Growth		111	113	115	-	0	0	0	0	0
Total	5,544	5,654	5,767	5,883	5,883	5,883	5,883	5,883	5,883	5,883
<b>Total Room Night Demand</b>										
Growth	99,489	101,479	108,006	114,663	114,663	114,663	114,663	114,663	114,663	114,663
	5.2%	2.0%	6.4%	6.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total Room Night Supply</b>										
Growth	133,225	133,225	149,650	149,650	149,650	149,650	149,650	149,650	149,650	149,650
	0.0%	0.0%	12.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Overall Market Occupancy</b>										
Growth	74.7%	76.2%	72.2%	76.6%	76.6%	76.6%	76.6%	76.6%	76.6%	76.6%
	5.2%	2.0%	-5.2%	6.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

### **Subject Occupancy Projections**

In our analysis of anticipated occupancy at the proposed subject property, we have considered the recent occupancy levels at the most competitive properties in the market. The following table summarizes the occupancy rates of the competitors.

<b>Historical Occupancy Rates</b>			
<b>Comp.</b>	<b>Property</b>	<b>Rooms</b>	<b>FY-16 Occupancy</b>
1	Candlewood Stes	81	75.0%
2	Sleep Inn	80	70.0%
3	Hampton Inn	110	75.0%
4	Holiday Inn Express & Suites	94	78.0%
Total/Average		365	74.7%

For 2016, the proposed hotel's competitive set exhibited occupancy rates between 70.0% and 78.0% with an average of 74.7%. The well-positioned Holiday Inn Express & Suites marginally out-performed the Candlewood Suites and Hampton Inn. It is noted the four hotels depicted above were named specifically by several of Louisburg-Franklinton's largest demand generators as the hotels they currently use for an estimated number of room nights annually as follows:

- 2,000 weddings, funerals, special events
- 800 Novozymes N.A.
- 750 Louisburg College athletics
- 500 Louisburg College matriculations/graduations/reunions
- 250 Louisburg College concert series
- 250 skydiving
- 200 Palziv N.A.
- 50 Cal-Maine

To accurately project the proposed hotel's occupancy rate over the holding period, we have forecast the subject's penetration level within each of the previously defined market segments.

- **Transient** - Unlike the budget/economy lodging alternatives, a proposed new, regional/national chain-affiliated, interior-corridor, competitively priced, midscale limited-service hotel will enjoy significant competitive advantages in the transient/leisure market segment due to an expressed desire for such accommodations locally voiced by Louisburg College and the community's most significant wedding, festival and other special event venues and demand generators, and due to its non-congested major highway location (U.S. 401) in a safe and quiet environment only 20-30 minutes from Raleigh/Wake Forest's multiple transient demand generators.

Signage and online marketing will do much to promote and introduce the proposed hotel to the transient/leisure segment of demand. Combined, the proposed hotel's product (3± stories) and brand attributes will ensure the subject facility will enjoy significant exposure to the public. The current penetration levels within the competitive set for the transient segment are estimated as follows:

<b>Comp.</b>	<b>Property</b>	<b>Penetration</b>
1	Candlewood Suites	83%
2	Sleep Inn	116%
3	Hampton Inn	104%
4	Holiday Inn Express & Suites	97%

It is assumed the proposed hotel will be conveniently located and offer amenities often sought by a certain demographic of the transient segment of demand. Based on this information, noting its exurban, highly visible, expected US 401 location and considering its comparatively small room count, the proposed hotel has been forecast to penetrate the transient/leisure demand segment at 80% in Year 1 and stabilize at a penetration rate of 90% in Year 3.

- **Commercial** - A proposed midscale limited-service hotel with a good franchise affiliation, a business-friendly loyalty program, an established Internet presence, and a national/international reservation system will be well received by the corporate, agribusiness, academic professional and government traveler. The current penetration levels within the competitive set for the commercial segment are estimated as follows:

<b>Comp.</b>	<b>Property</b>	<b>Penetration</b>
1	Candlewood Suites <sup>1</sup>	76%
2	Sleep Inn	83%
3	Hampton Inn	114%
4	Holiday Inn Express & Suites	119%

<sup>1</sup> Most of Candlewood Suites' extended-stay business comprises commercial clientele.

While it appears only two of the competitors currently attract significant commercial demand, it is noted the Candlewood Suites' extended-stay clientele is predominantly commercial and the Sleep Inn caters to subcontractors. The proposed hotel can reasonably be expected to cannibalize and/or repatriate much of the local portion of commercial demand (see below) currently being accommodated or under-accommodated within and outside the competitive set. Its US 401/NC 56 projected location near complementary retail and dining venues will make it an attractive alternative for visiting academicians, conference attendees, corporate auditors, analysts and technicians seeking to avoid the extra drive time to Wake Forest or Raleigh.

Louisburg-Franklinton based companies or subsidiaries with international, national or regional sales and/or ownership:

- *Novozymes (Denmark-based, international sales and ownership)*
  - Global HQ – Bagsvaerd, Denmark
    - established *circa* 1925 as Novo Terapeutisk Laboratorium
    - re-established 2000 as Novozymes following demerger from pharmaceutical company, Novo Nordisk
    - publicly traded on NASDAQ OMX Nordic Exchange as NZYM B
  - U.S. HQ – Franklinton, NC (*Novozymes North America, Inc.*)
  - 550± employees in Franklinton; 6,500± employees worldwide
  - \$2.1B± sales, \$582M± EBIT (2015)
  - a bioscience company that researches, develops and manufactures enzymes, microorganisms and biopharmaceutical ingredients used in 30+ industries, including agriculture, baking, biofuels, brewing, detergents, food, feed and textiles



- *Palziv Worldwide (Israel-based, international sales and ownership)*
  - Global HQ – Beit She'an, Israel, established circa 1975
  - U.S. HQ – Louisburg, NC (*Palziv North America*)
  - 120± employees in Louisburg
  - a privately owned manufacturer of cross-linked, closed-cell polyethylene foams to a diverse range of industries, including automotive, construction, medical, packaging and sports
- *Cal-Maine Foods, Inc. (U.S.-based, national sales)*
  - HQ – Jackson, MS
    - established 1958 as Adams Foods, Inc.
    - re-established 1969 as Cal-Maine Foods, Inc. following merger with Dairy Fresh Products of California and Maine Egg Farms of Maine supplying eggs from California to Maine
    - publicly traded on NASDAQ as CALM
  - 25± employees in Louisburg; 3,200± employees company-wide
  - \$1.9B± revenues, \$488M± EBIT (12 months ended May 2016)
  - operates farms, processing plants, hatcheries, feed mills, warehouses and offices on 25,000± acres in 15 states
  - brands include Egg-Land's Best®, Land O' Lakes®, Farmhouse®, and 4-Grain®
  - largest producer and distributor of fresh shell eggs in the U.S.

Youngsville-based companies or subsidiaries with international, national or regional sales and/or ownership. (Youngsville is a Franklin County township 12 miles southwest of Louisburg, the county seat.)

- *Amcor Rigid Plastics, specialty packaging products, employs 150±*
- *Captive Aire Systems, commercial kitchen ventilation equipment, employs 130±*
- *Eaton Corporation, surge protection devices, employs 185±*
- *ITS, infrastructure technology and construction services, employs 80±*
- *K-Flex USA, elastomeric foam insulation, employs 150±*
- *Majestic Marble & Glass, solid surface countertops, etc., employs 215±*
- *Robling Medical, urinary devices, employs 85±*
- *Sirchie Acquisition Co., law enforcement products, employs 116±*
- *Trulite Glass & Aluminum, glass & architectural aluminum, employs 105±*
- *Xerium Technologies, papermaking machine roll covers, etc., employs 85±*

Based on our interviews with public officials and local business representatives, commercial travelers visiting one of the above local plants or divisions of regional, national and international parent companies commute southwest to Wake Forest or Raleigh to find suitable lodging accommodations. Additionally, our research and interviews indicate the outlook for growth in the commercial segment of demand in the Louisburg submarket is increasingly positive as growth in The Triangle continues northeasterly and as the widening of US 401 nears completion, thereby shortening commute times from Raleigh.

Based on this information, considering that Raleigh-Wake Forest will continue to offer superior commercial density while noting a 45-room hotel is relatively small, the proposed hotel has been forecast to penetrate the commercial demand segment at 80% in Year 1 and stabilize at a penetration rate of 90% in Year 2.

- **Group** - As previously mentioned, group demand in the local market is comprised of transient/leisure groups—sports teams, wedding parties, motorcoach tours, and special-event entertainers, vendors, etc., and commercial groups—conferences, shareholder meetings, association meetings, trade shows, and training/certification courses. The current penetration levels within the competitive set for the group segment are as follows:

<b>Comp.</b>	<b>Property</b>	<b>Penetration</b>
1	Candlewood Suites	79%
2	Sleep Inn	74%
3	Hampton Inn	79%
4	Holiday Inn Express & Suites	165%

One of the four competitors—the upper-midscale Holiday Inn Express & Suites—caters to less-price-sensitive commercial group clientele with its 1,250 square feet of meeting space and two sales/meeting professionals on-site. Additionally, it outperforms the competition in garnering more than its fair share of seminary and wedding groups.

Considering virtually most group demand originating in the Lewisburg-Franklinton submarket—particularly from Louisburg College, the aforementioned wedding and special event venues, and key employers such as Novozymes and Palziv—currently travels 12-to-18 miles for suitable accommodations, a new, midscale, limited-service hotel offering such amenities as a medium-size meeting facility, sundry shop and indoor swimming pool will be expected to perform better with this segment of demand than either of the local economy hotels and some of the secondary competitors in Wake Forest.

Based on this information, again noting that a 45-room hotel is relatively small, the proposed hotel has been forecast to penetrate the group demand segment at 80% in Year 1, 90% in Year 2, and stabilize at a penetration rate of 100% in Year 3.

### **Summary**

Using these projections for the proposed hotel's demand by segment, the resulting occupancy rate over the holding period, as summarized on the following page, is projected to be 56.4% in Year 1, 62.1% in Year 2, and stabilizing in Year 3 at 66.0% with an overall penetration rate of 0.87.

**Subject Demand and Occupancy Forecast**  
**Proposed Hotel**  
**Louisburg, NC**

Fiscal Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
<b>Total Room Night Supply</b>	149,650	149,650	149,650	149,650	149,650	149,650	149,650	149,650	149,650	149,650	149,650
<b>Subject's Fair Share</b>	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
<b>Total Transient Demand</b>	54,079	55,728	55,728	55,728	55,728	55,728	55,728	55,728	55,728	55,728	55,728
Subject Fair Share	5,935	6,116	6,116	6,116	6,116	6,116	6,116	6,116	6,116	6,116	6,116
Subject Penetration	80.0%	85.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Subject Demand Captured (Market Share)	4,748	5,199	5,505	5,505	5,505	5,505	5,505	5,505	5,505	5,505	5,505
Subject's Percentage of Total Mix	51.3%	51.0%	50.8%	50.8%	50.8%	50.8%	50.8%	50.8%	50.8%	50.8%	50.8%
<b>Total Commercial Demand</b>	43,439	44,537	44,537	44,537	44,537	44,537	44,537	44,537	44,537	44,537	44,537
Subject Fair Share	4,768	4,888	4,888	4,888	4,888	4,888	4,888	4,888	4,888	4,888	4,888
Subject Penetration	80.0%	85.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
Subject Demand Captured (Market Share)	3,814	4,155	4,399	4,399	4,399	4,399	4,399	4,399	4,399	4,399	4,399
Subject's Percentage of Total Mix	41.2%	40.8%	40.6%	40.6%	40.6%	40.6%	40.6%	40.6%	40.6%	40.6%	40.6%
<b>Total Group Demand</b>	7,991	8,516	8,516	8,516	8,516	8,516	8,516	8,516	8,516	8,516	8,516
Subject Fair Share	877	935	935	935	935	935	935	935	935	935	935
Subject Penetration	80.0%	90.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Subject Demand Captured (Market Share)	702	841	935	935	935	935	935	935	935	935	935
Subject's Percentage of Total Mix	7.6%	8.3%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%	8.6%
<b>Total Extended Stay Demand</b>	5,654	5,767	5,883	5,883	5,883	5,883	5,883	5,883	5,883	5,883	5,883
Subject Fair Share	621	633	646	646	646	646	646	646	646	646	646
Subject Penetration	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Subject Demand Captured (Market Share)	0	0	0	0	0	0	0	0	0	0	0
Subject's Percentage of Total Mix	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Subject's Total Demand Captured (Market Share)	9,264	10,195	10,839	10,839	10,839	10,839	10,839	10,839	10,839	10,839	10,839
Subject's Room Supply	16,425	16,425	16,425	16,425	16,425	16,425	16,425	16,425	16,425	16,425	16,425
<b>Subject's Projected Occupancy</b>	<b>56.4%</b>	<b>62.1%</b>	<b>66.0%</b>	<b>66.0%</b>	<b>66.0%</b>	<b>66.0%</b>	<b>66.0%</b>	<b>66.0%</b>	<b>66.0%</b>	<b>66.0%</b>	<b>66.0%</b>
Overall Market Occupancy	74.4%	76.6%	76.6%	76.6%	76.6%	76.6%	76.6%	76.6%	76.6%	76.6%	76.6%
Subject's Actual Market Share	8.3%	8.9%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%	9.5%
<b>Subject's Penetration Level</b>	<b>0.76</b>	<b>0.81</b>	<b>0.87</b>	<b>0.87</b>	<b>0.87</b>	<b>0.87</b>	<b>0.87</b>	<b>0.87</b>	<b>0.87</b>	<b>0.87</b>	<b>0.87</b>

### Subject Average Daily Rate Projections

To forecast the proposed hotel's average daily rate, we have developed the following table summarizing the ADR and RevPAR for the competitive set.

#### Comparable ADR and RevPAR Rates

Comp.	Property	Rooms	FY-16	
			ADR	RevPAR
1	Candlewood Suites	81	\$85.00	\$63.75
2	Sleep Inn	80	\$80.00	\$56.00
3	Hampton Inn	110	\$95.00	\$71.25
4	Holiday Inn Express & Suites	94	\$99.00	\$77.22
Total/Average		365	\$90.74	\$67.76

The STR competitive set offered rates that ranged from \$80.00 to \$99.00, averaging \$90.74 per occupied room night. The Hampton Inn and Holiday Inn Express & Suites commanded the highest rates at \$95.00 and \$99.00, respectively. The following table summarizes the historic growth rates of the national average and STR competitive set.

#### National versus Submarket Trends

Period	2011	2012	2013	2014	2015
National ADR	\$101.93	\$106.21	\$110.33	\$115.32	\$120.01
Growth	3.8%	4.2%	3.9%	4.5%	4.1%

Period	FY-13	FY-14	FY-15	FY-16
STR ADR	\$77.42	\$77.59	\$82.36	\$90.74
Growth	- - -	0.2%	6.1%	10.2%

Source: Smith Travel and Hotel and Club Associates

For the trailing twelve months and year-to-date through May versus prior year for the competitors, rates are up. Based on our research and interviews, there appears to have been little rate resistance in the market, though some GMs report such resistance is increasing, noting they increasingly are unable to accommodate more price-sensitive group clientele such as sports teams.

Though the proposed midscale limited-service hotel will represent new rooms supply in a location northeast of Wake Forest, it is expected to command market-competitive rates from the outset largely due to under-accommodated demand, particularly Louisburg College-, commercial-, wedding- and special-event demand. Considering the superior visibility and accessibility to complementary retail and dining venues offered in varying degrees by each of the recommended sites, and noting the modern features and amenities expected to be offered by the proposed hotel, many previously under-accommodated collegiate-, corporate-, and wedding-related guests and groups now will be accommodated at the proposed hotel.

Based on the above information, we have forecast an inflation-adjusted, stabilized Year 1 ADR of \$90.00, or \$86.50 in today's dollars, with 2.0% increases annually thereafter.

## **Cash Flow Projection**

In order to accurately estimate the subject's potential income, we have surveyed the competing facilities relative to their location, restaurants, meeting spaces, amenities, average daily room rates and occupancy rates. Based on our survey we have projected the subject hotel's occupancy and average daily rates as a typical developer would view the property. From the estimated income, we have then deducted expenses attributable to the operation based on operating histories of comparable hotels. Prudent management is assumed with the realization that actual expenses on any single property can be strongly influenced by the particular management team operating the facility. While the level of management expertise will customarily have some effect on the level of gross income, it is noted that such income is largely a function of the physical property, its location, and competition in the area. Control of expenses, on the other hand, is largely a function of management's expertise.

The detailed discussion of room revenues in this section is followed by a description of other revenue sources and expense categories. The *Uniform System of Accounts for Hotels*, as adopted by the American Hotel & Motel Association, has been used in the classification of revenues and expenses in this report for comparison purposes. Certain expenses typically shown in audited financial reports are considered capital-related and are not included in this operating forecast. These expenses consist of depreciation, interest expense, amortization, capital gains (losses) and income taxes.

Typical investors in the marketplace would generally consider most strongly the level of expenses that they anticipate with their own management capabilities. With this in mind, we have carefully considered the subject property's competitive position in the market. In addition, we have considered expense information derived from comparable hotels.

### **Basis of Assumptions**

In order to accurately estimate the subject's potential income, we have surveyed the competing limited-service facilities relative to their location, meeting facilities, amenities, average daily room rates and occupancy rates. It is noted we have not been provided with an operating pro forma by the client. The estimate of future operating results is based on a projected stabilized occupancy and average daily rate. These are estimates of investor expectations that could be achieved in a typical year with proper marketing, as shown in the Lodging Trends section of this report.

In the Projected Income and Expense statement, we have used actual income and expense ratios from comparable midscale limited-service hotel facilities as a means of forecasting major operating expenses. These statements have been reconstructed on the following page for the reader's reference. Due to the confidential nature of the operating statements, individual identification of the comparable hotels is kept in the analysts' files.

The use of the stabilized year of operations in determining value is important, as it provides an estimate of the annual operating results in current dollars as if it were operating at a level considered representative of its long-term potential. There will be some differences in the stabilized year income and expense statement in relation to the projected first year (Year 1) income statement. These differences primarily are due to differing bases for some expense categories, with expenses variously based on the number of occupied rooms, the number of available rooms and/or a percentage of gross revenues.

We have also considered the anticipated effects of inflation, business development and occupancy levels for the projection period. The underlying rationale and assumptions used in preparing these estimates are presented in the paragraphs that follow the stabilized year income and expense statement.

### **Analysis of Revenues**

Revenue sources for hotels typically include room sales, food and beverage, telephone, minor operated departments, rentals and other income.

#### ***Rooms Revenue***

There are two major factors to estimate when considering the room revenue for the income statement: the average daily room rate and a projection of the occupancy curve for the facility. Various features of a particular hotel affect the rate and occupancy levels that can be achieved. These include proximity to local demand generators, rate structure in relation to the competitive market, seasonality, supply of competitive properties, and the different hotel amenities that are offered.



## Comparable Hotel Operating Expenses

	Host Report 2015(1)			Comparable A			Comparable B			Comparable C		
	%	(POR)	(/Room)	%	(POR)	(/Room)	%	(POR)	(/Room)	%	(POR)	(/Room)
<b>Revenues</b>												
Room Sales	98.4%	\$75.00	\$16,864	96.6%	\$84.92	\$18,287	97.0%	\$77.05	\$13,528	97.2%	\$78.32	\$16,638
Food and Beverage	0.0%	\$0.00	\$0	0.0%	\$0.00	\$0	0.0%	\$0.00	\$0	0.0%	\$0.00	\$0
Other Operated Departments	1.4%	\$1.04	\$233	1.0%	\$0.92	\$198	0.2%	\$0.17	\$29	0.0%	\$0.02	\$4
Net Rentals and Other Income	0.2%	\$0.17	\$39	2.4%	\$2.10	\$452	2.8%	\$2.25	\$395	2.8%	\$2.24	\$475
<b>Total Revenues</b>	100.0%	\$76.21	\$17,136	100.0%	\$87.94	\$18,937	100.0%	\$79.47	\$13,952	100.0%	\$80.58	\$17,117
<b>Departmental Expenses</b>												
Room Expense	19.8%	\$14.85	\$3,338	24.9%	\$21.11	\$4,545	30.6%	\$23.59	\$4,142	25.2%	\$19.72	\$4,190
Food and Beverage	---	\$0.08	\$17	---	\$0.00	\$0	---	\$0.00	\$0	---	\$0.00	\$0
Other Operated Departments	42.9%	\$0.44	\$100	91.9%	\$0.85	\$182	417.2%	\$0.69	\$121	2425.0%	\$0.46	\$97
<b>Undistributed Expenses</b>												
Administration & General	8.2%	\$6.25	\$1,406	9.4%	\$8.30	\$1,787	8.1%	\$6.44	\$1,130	9.9%	\$7.96	\$1,692
Sales & Marketing	8.3%	\$6.30	\$1,416	14.0%	\$12.29	\$2,647	8.0%	\$6.36	\$1,117	15.4%	\$12.42	\$2,638
Property Operation & Maintenance	6.1%	\$4.62	\$1,038	6.9%	\$6.09	\$1,311	8.5%	\$6.77	\$1,189	5.4%	\$4.35	\$925
Utilities	5.9%	\$4.49	\$1,010	7.0%	\$6.19	\$1,334	5.9%	\$4.70	\$825	6.7%	\$5.41	\$1,150
<b>Management Fees</b>	1.4%	\$1.10	\$248	0.0%	\$0.00	\$0	4.1%	\$3.27	\$574	2.0%	\$1.62	\$345
<b>Fixed Expenses</b>												
Rent	0.0%	\$0.00	\$0	0.0%	\$0.00	\$0	0.0%	\$0.00	\$0	0.0%	\$0.00	\$0
Property & Other Taxes	5.1%	\$3.87	\$870	6.2%	\$5.44	\$1,172	4.8%	\$3.83	\$673	6.6%	\$5.30	\$1,125
Insurance	1.8%	\$1.37	\$308	0.7%	\$0.65	\$139	0.9%	\$0.71	\$124	1.2%	\$0.95	\$202
<b>Reserve for Replacements</b>	0.4%	\$0.27	\$60	0.0%	\$0.00	\$0	0.0%	\$0.00	\$0	0.4%	\$0.35	\$74
<b>Total Expenses</b>	57.3%	\$43.64	\$9,811	69.3%	\$60.91	\$13,117	70.9%	\$56.36	\$9,895	72.7%	\$58.55	\$12,438
<b>Net Operating Income (2)</b>	42.7%	\$32.58	\$7,325	30.7%	\$27.03	\$5,820	29.1%	\$23.11	\$4,057	27.3%	\$22.03	\$4,679

NOTES:

(1) 2015 "Host Report," Midscale/Economy Limited Service Hotels

(2) Income before deducting depreciation, interest, amortization and income taxes.

### *Occupancy Rate*

As discussed in the Lodging Trends section of this report, we have estimated the projected room occupancy for the anticipated projection period. We have also identified the competitive supply in the market and related their operating statistics to the subject property. Based on our estimate of penetration levels within each demand segment, we have estimated that the subject property will attain an occupancy rate of 56.4% in Year 1, 62.1% in Year 2, and stabilize in Year 3 at 66.0% after the absorption of the proposed hotel's new rooms supply. This estimate is based on the reported occupancy levels in the broader competitive market over the last several years and current supply and demand factors in the local market.

### *Average Daily Rate*

As discussed in the Trends section, and for projection purposes, we believe the subject property will be able to attain an estimated average daily rate of \$90.00 in Year 1 (FY19).

### *Food and Beverage (F&B) Income*

The food revenue category includes income derived from the sale of food and nonalcoholic beverages such as coffee, milk, tea and soft drinks. The beverage category covers the sale of beer, wine and other alcoholic beverages. The subject will not have a food and beverage operation and no revenue has been forecast in this analysis.

### *Other Operated Departments*

When operated by the hotel, minor operated departments cover income received for telephones, parking and storage services, recreation or health club fees, swimming pool charges, barber/beauty/gift shop revenue and the like. The subject is expected to report revenues from its sundry shop in Rentals & Other Income and therefore no income from this category has been forecast.

### *Rentals & Other Income*

Rentals and Other Income typically includes revenue from meeting rooms and a number of other services provided by a hotel. The following table summarizes the rentals and other income generated from comparable hotels on a net basis

<b>Expense Comp</b>	<b>Host</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>Forecast</b>
% of Total Revenue	0.2%	2.4%	2.8%	2.8%	2.2%
\$ POR	\$0.17	\$2.10	\$2.25	\$2.24	\$2.00
\$ Per Room	\$39	\$452	\$395	\$475	\$412

The comparables indicate a range between \$0.17 and \$2.25 per occupied room night. Noting the subject is expected to generate income from its sundry shop, meeting room, vending machines and guest laundry, we have projected net rentals and other income in the amount of \$2.00 per occupied room night.

### ***Total Revenue***

Total revenue for Year 1 is projected at \$852,309 or \$92.00 per occupied room night.

### **Analysis of Operating Expenses**

On a line-by-line basis, we have considered each expense category and estimated the appropriate level of expense for the subject. The following is a detailed explanation of each expense category.

### ***Departmental Expenses***

Departmental expenses consist of rooms, food, beverage, telephone, minor operated departments and rentals/other expenses. Each applicable category will be analyzed below.

### ***Rooms***

Consistent with the itemization of expenses in the Host Report, rooms department expenses include front desk and housekeeping salaries/wages/benefits, satellite/cable television fees, cleaning supplies, guest supplies, linens and uniforms, front desk supplies/postage, reservations expenses, travel agent commissions and other expenses attributed to the rooms operation. These department costs are largely occupancy sensitive.

<b>Expense Comp</b>	<b>Host</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>Forecast</b>
% of Dept. Revenue	19.8%	24.9%	30.6%	25.2%	25.0%
\$ POR	\$14.85	\$21.11	\$23.59	\$19.72	\$22.50
\$ Per Room	\$3,338	\$4,545	\$4,142	\$4,190	\$4,632

The comparables indicate a rooms expense between 19.8% and 30.6% of departmental revenue. Based on this information, considering the proposed hotel's relatively low room count and anticipated ADR, we have projected a market-oriented rooms expense rate of 25.0% of total room revenue.

#### *Food and Beverage Expenses*

The food revenue category includes income derived from the sale of food and nonalcoholic beverages such as coffee, milk, tea and soft drinks and premises rental. The beverage category covers the sale of beer, wine and other alcoholic beverages. The subject does not have a food and/or beverage operation and no such income has been forecast.

#### *Other Operated Department Expenses*

Expenses within this category typically are a function of department revenue, which is dependent upon the services offered at a given facility. For the proposed subject, these expenses will be attributable solely to its telephone services. The following table depicts the comparable expenses.

<b>Expense Comp</b>	<b>Host</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>Forecast</b>
% of Dept. Revenue	42.9%	91.9%	417.2%	2425.0%	- - -
\$ POR	\$0.44	\$0.85	\$0.69	\$0.46	\$0.73
\$ Per Room	\$100	\$182	\$121	\$97	\$150

In light of the above comparables, noting the increased use of cell phones by guests, we have forecast a market-oriented other operated department expense at \$150 per room.

***Undistributed Operating Expenses***

Undistributed operating expenses consist of administrative and general, marketing, energy, property operation/maintenance and franchise fees. Each of these categories will be analyzed in the following paragraphs.

***Administrative and General***

Administrative and general (A&G) expenses include items such as the salaries/wages/benefits for the general manager and other administrative persons, accounting and legal expenses, bad debt and bank charges, office equipment/service/supplies, credit card commissions, permits and licenses, postage, security charges and travel/entertainment.

<b>Expense Comp</b>	<b>Host</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>Forecast</b>
% of Total Revenue	8.2%	9.4%	8.1%	9.9%	9.0%
\$ POR	\$6.25	\$8.30	\$6.44	\$7.96	\$8.28
\$ Per Room	\$1,406	\$1,787	\$1,130	\$1,692	\$1,705

The comparables indicate administrative and general expenses between 8.1% and 9.9% of total revenue. Based on the comparables, we have forecast a market-oriented administrative and general expense of 9.0% of total revenue.

***Sales & Marketing***

Marketing expenses include a broad spectrum of advertising and promotional expenses, brand royalty fees and national marketing fees charged by the brand. Typical local marketing expenses include salaries for the sales and reservation staff, marketing employee benefits, media advertising, outdoor advertising, promotional expenses, directories, travel and entertainment, dues and subscriptions, yellow pages advertising, printing and stationery, postage and other smaller items.

<b>Expense Comp</b>	<b>Host</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>Forecast</b>
% of Total Revenue	8.3%	14.0%	8.0%	15.4%	11.3%
\$ POR	\$6.30	\$12.29	\$6.36	\$12.42	\$10.41
\$ Per Room	\$1,416	\$2,647	\$1,117	\$2,638	\$2,143

The proposed hotel is projected to be affiliated with a regional or national midscale limited-service brand. It is believed that the typical buyer would likely retain franchise rights to such a brand to take advantage of the reservation system and to satisfy lender requirements. Typically, nationally and regionally affiliated limited-service brands have a royalty fee of 4.5-to-6.0% of room revenue, and a program fee (brand marketing/reservations) of 2.5%-to-4.0% of room revenue. Additionally, we have forecast a combined franchise rewards/local marketing expense of 3.0% of total revenue for a total sales and marketing expense of approximately 11.3% of total revenue.

#### *Property Operation and Maintenance*

Portions of the costs within this category are fixed and represent salaries, wages and related expenses. They also include maintenance costs related to the operations of public areas within the property.

<b>Expense Comp</b>	<b>Host</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>Forecast</b>
% of Total Revenue	6.1%	6.9%	8.5%	5.4%	3.0%
\$ POR	\$4.62	\$6.09	\$6.77	\$4.35	\$2.76
\$ Per Room	\$1,038	\$1,311	\$1,189	\$925	\$568

The comparables exhibit maintenance costs ranging between 5.4% and 8.5% of total revenue. This will be a new property with much of its equipment under warranty. Considering this expense category often includes some capital expenditures and noting we have forecast a replacement reserve of 4.0% later in this analysis, we have forecast a property operation and maintenance cost of 3.0% of total revenue.

#### *Utilities*

Energy expenses consist of electric, water and sewer service and other fuel charges.

<b>Expense Comp</b>	<b>Host</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>Forecast</b>
% of Total Revenue	5.9%	7.0%	5.9%	6.7%	5.4%
\$ POR	\$4.49	\$6.19	\$4.70	\$5.41	\$5.00
\$ Per Room	\$1,010	\$1,334	\$825	\$1,150	\$1,029

Energy costs have ranged between \$4.49 and \$6.19 per occupied room night at the comparable hotels. Based on the comparables, considering the proposed subject's location and noting its relatively small size, we have forecast a market-oriented energy expense of \$5.00 per occupied room night.

### ***Management Fees***

In the hotel management industry, a management fee of 2.0% to 5.0% of total revenues is typical. Recognizing the relatively high projected ADR and location in which the facility will operate, we have projected 3.0% of total revenues as a reasonable market-oriented management fee. This reflects the need for professional, adaptable management for a limited-service property like the proposed subject.

### ***Fixed Charges***

The fixed expenses category includes rent, real estate and personal property taxes, insurance premiums, management fees, replacement reserves and capital improvements.

#### ***Rent***

The subject will be owned fee simple and no rent deduction applies.

#### ***Real Estate Taxes***

The following chart summarizes the subject's projected tax assessment.

Land Cost	\$180,000
Building Cost	\$3,145,077
Estimated Taxable Valuation (FMV or Cost)	\$3,325,077
Tax Rate per \$100 <sup>1</sup>	\$1.46
<b>Projected Year 1 Real Estate Tax Liability<sup>2</sup></b>	<b>\$48,546</b>

<sup>1</sup> Combined county/township tax rates. <sup>2</sup> Based on 2015 tax rates.

### *Personal Property Taxes*

Business personal property is assessed in Franklin County based on 90% of original cost and depreciated per the North Carolina Department of Revenue schedule thereafter to a minimum of 20% of original cost. Using an original cost estimate of \$450,000, or approximately \$10,000 per room, and applying the same tax rate as above to 90% of the original cost, the proposed hotel's Year 1 personal property tax liability is projected at \$5,322.

### *Insurance*

Insurance expenses included under fixed charges represent insurance premiums to be paid for property and casualty insurance.

<b>Expense Comp</b>	<b>Host</b>	<b>A</b>	<b>B</b>	<b>C</b>	<b>Forecast</b>
% of Total Revenue	1.8%	0.7%	0.9%	1.2%	1.1%
\$ POR	\$1.37	\$0.65	\$0.71	\$0.95	\$0.97
\$ Per Room	\$308	\$139	\$124	\$202	\$200

The expense comparables show a range from \$115 to \$437 per room. Based on the comparables, considering the proposed subject's relatively small room count and location inland from the hurricane-prone eastern shore, we have forecast a market-oriented insurance expense of \$200 per room.

### *Replacement Reserves*

An expensive component of the operation of a property such as the proposed subject is the replacement of quality case goods, public area furnishings, meeting room equipment, kitchen and bar equipment, and other short-lived items. Considering the previously forecast property operation and maintenance expense, we have used a replacement reserve of 4.0% of total revenues throughout the projection period. We believe most respondents in this segment actually do reserve, however, based upon our experience, this has rarely been enough to cover needed replacements.

### *Total Expenses*

Incorporating all of the expense estimates outlined above into the operating statement, and noting the relatively few number of rooms, total expenses in Year 1 are projected at \$582,763 or 68.4% of total revenue.



**Net Operating Income**

The exhibit on the following page summarizes all revenue and expense estimates described in this section. The Year 1 Net Operating Income generated by the proposed subject is estimated at \$269,546 to include deductions for replacement reserves. In addition, we have also developed a 7-year cash flow projection on the next following page.

# Year 1 Operating Forecast

## Proposed Hotel

### Louisburg, NC

Number of Rooms				45
Available Room Nights				16,425
Occupancy Rate				56.4%
Occupied Room Nights				9,264
Average Daily Rate {ADR}				\$90.00
<b>Revenues</b>				
Rooms	\$833,781	97.8%	\$90.00	\$18,528
Food & Beverage	0	0.0%	0.00	0
Other Operated Departments	0	0.0%	0.00	0
Rentals & Other Income	18,528	2.2%	2.00	412
Other	0	0.0%	0.00	0
<b>Total Revenues</b>	<b>\$852,309</b>	<b>100.0%</b>	<b>\$92.00</b>	<b>\$18,940</b>
<b>Department Expenses</b>				
Rooms	\$208,445	25.0%	\$22.50	\$4,632
Food & Beverage	0	0.0%	0.00	0
Other Operated Departments	6,750	- - -	0.73	150
Miscellaneous	0	0.0%	0.00	0
<b>Total Department Expenses</b>	<b>\$215,195</b>	<b>25.2%</b>	<b>\$23.23</b>	<b>\$4,782</b>
<b>Total Department Income</b>	<b>\$637,114</b>	<b>74.8%</b>	<b>\$68.77</b>	<b>\$14,158</b>
<b>Undistributed Operating Expenses</b>				
Administrative & General	\$76,708	9.0%	\$8.28	\$1,705
Sales & Marketing	96,441	11.3%	10.41	2,143
Property Operation & Maintenance	25,569	3.0%	2.76	568
Utilities	46,321	5.4%	5.00	1,029
<b>Total Undistributed Expenses</b>	<b>\$245,039</b>	<b>28.8%</b>	<b>\$26.45</b>	<b>\$5,445</b>
<b>Gross Operating Profit</b>	<b>\$392,075</b>	<b>46.0%</b>	<b>\$42.32</b>	<b>\$8,713</b>
<b>Management Fees</b>	<b>25,569</b>	<b>3.0%</b>	<b>2.76</b>	<b>568</b>
<b>Income Before Fixed Expenses</b>	<b>\$366,506</b>	<b>43.0%</b>	<b>39.56</b>	<b>8,145</b>
<b>Fixed Expenses</b>				
Rent	\$0	0.0%	\$0.00	\$0
Property & Other Taxes	53,868	6.3%	5.81	1,197
Insurance	9,000	1.1%	0.97	200
<b>Total Fixed Expenses</b>	<b>\$62,868</b>	<b>7.4%</b>	<b>\$6.79</b>	<b>\$1,397</b>
<b>Replacement Reserve</b>	<b>\$34,092</b>	<b>4.0%</b>	<b>\$3.68</b>	<b>\$758</b>
<b>Total Expenses</b>	<b>\$582,763</b>	<b>68.4%</b>	<b>\$62.90</b>	<b>\$12,950</b>
<b>Net Operating Income</b>	<b>\$269,546</b>	<b>31.6%</b>	<b>\$29.10</b>	<b>\$5,990</b>

**Cash Flow Projection  
Proposed Hotel  
Louisburg, North Carolina**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Number of Rooms	45	45	45	45	45	45	45	45
Available Room Nights	16,425	16,425	16,425	16,425	16,425	16,425	16,425	16,425
Occupancy Rate	56.4%	62.1%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%
Occupied Room Nights	9,264	10,195	10,839	10,839	10,839	10,839	10,839	10,839
Average Daily Rate (ADR)	\$90.00	\$91.80	\$93.64	\$95.51	\$97.42	\$99.37	\$101.35	\$103.38
<b>Revenues</b>								
Rooms	\$833,781	\$935,914	\$1,014,905	\$1,035,204	\$1,055,908	\$1,077,026	\$1,098,566	\$1,120,538
Food & Beverage	0	0	0	0	0	0	0	0
Other Operated Departments	0	0	0	0	0	0	0	0
Rentals & Other Income	18,528	20,798	22,553	23,005	23,465	23,934	24,413	24,901
Other	0	0	0	0	0	0	0	0
<b>Total Revenues</b>	<b>\$852,309</b>	<b>\$956,712</b>	<b>\$1,037,459</b>	<b>\$1,058,208</b>	<b>\$1,079,372</b>	<b>\$1,100,960</b>	<b>\$1,122,979</b>	<b>\$1,145,438</b>
<b>Department Expenses</b>								
Rooms	\$208,445	\$233,978	\$253,726	\$258,801	\$263,977	\$269,256	\$274,642	\$280,134
Food & Beverage	0	0	0	0	0	0	0	0
Other Operated Departments	6,750	6,885	7,023	7,163	7,306	7,453	7,602	7,754
Miscellaneous	0	0	0	0	0	0	0	0
<b>Total Department Expenses</b>	<b>\$215,195</b>	<b>\$240,863</b>	<b>\$260,749</b>	<b>\$265,964</b>	<b>\$271,283</b>	<b>\$276,709</b>	<b>\$282,243</b>	<b>\$287,888</b>
<b>Total Department Income</b>	<b>\$637,114</b>	<b>\$715,848</b>	<b>\$776,710</b>	<b>\$792,244</b>	<b>\$808,089</b>	<b>\$824,251</b>	<b>\$840,736</b>	<b>\$857,550</b>
<b>Undistributed Expenses</b>								
Administrative & General	\$76,708	\$86,104	\$93,371	\$95,239	\$97,144	\$99,086	\$101,068	\$103,089
Sales & Marketing	96,441	108,254	117,391	119,739	122,133	124,576	127,068	129,609
Property Operation & Maintenance	25,569	28,701	31,124	31,746	32,381	33,029	33,689	34,363
Utilities	46,321	51,995	56,384	57,511	58,662	59,835	61,031	62,252
<b>Total Undistributed Expenses</b>	<b>\$245,039</b>	<b>\$275,055</b>	<b>\$298,269</b>	<b>\$304,235</b>	<b>\$310,320</b>	<b>\$316,526</b>	<b>\$322,856</b>	<b>\$329,314</b>
<b>Gross Operating Income</b>	<b>\$392,075</b>	<b>\$440,794</b>	<b>\$478,440</b>	<b>\$488,009</b>	<b>\$497,769</b>	<b>\$507,725</b>	<b>\$517,879</b>	<b>\$528,237</b>
<b>Management Fees</b>	<b>\$25,569</b>	<b>\$28,701</b>	<b>\$31,124</b>	<b>\$31,746</b>	<b>\$32,381</b>	<b>\$33,029</b>	<b>\$33,689</b>	<b>\$34,363</b>
<b>Income Before Fixed Charges</b>	<b>\$366,506</b>	<b>\$412,092</b>	<b>\$447,317</b>	<b>\$456,263</b>	<b>\$465,388</b>	<b>\$474,696</b>	<b>\$484,190</b>	<b>\$493,874</b>
<b>Fixed Expenses</b>								
Rent	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Property & Other Taxes	\$53,868	\$54,342	\$54,814	\$55,282	\$55,748	\$56,210	\$56,669	\$57,123
Insurance	9,000	9,180	9,364	9,551	9,742	9,937	10,135	10,338
<b>Total Fixed Expenses</b>	<b>\$62,868</b>	<b>\$63,522</b>	<b>\$64,177</b>	<b>\$64,833</b>	<b>\$65,490</b>	<b>\$66,147</b>	<b>\$66,804</b>	<b>\$67,461</b>
<b>Replacement Reserve</b>	<b>\$34,092</b>	<b>\$38,268</b>	<b>\$41,498</b>	<b>\$42,328</b>	<b>\$43,175</b>	<b>\$44,038</b>	<b>\$44,919</b>	<b>\$45,818</b>
<b>Total Expenses</b>	<b>\$582,763</b>	<b>\$646,410</b>	<b>\$695,818</b>	<b>\$709,107</b>	<b>\$722,649</b>	<b>\$736,449</b>	<b>\$750,512</b>	<b>\$764,843</b>
<b>Net Operating Income</b>	<b>\$269,546</b>	<b>\$310,302</b>	<b>\$341,641</b>	<b>\$349,101</b>	<b>\$356,723</b>	<b>\$364,511</b>	<b>\$372,467</b>	<b>\$380,595</b>
<b>Capital Improvements</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Cash Flow Before Debt Service &amp; Depreciation</b>	<b>\$269,546</b>	<b>\$310,302</b>	<b>\$341,641</b>	<b>\$349,101</b>	<b>\$356,723</b>	<b>\$364,511</b>	<b>\$372,467</b>	<b>\$380,595</b>

### ***Construction Costs***

As no developer has been identified and no construction cost budget has been provided by the Client, we have estimated the cost to construct the proposed midscale limited-service hotel improvements by employing the unit-in-place method utilizing Marshall Valuation Services' cost manual. The estimated cost to construct a 27,000 square foot, average cost quality, Class C, 45-room, midscale limited-service hotel, including FF&E but excluding land, is estimated at \$3,345,077, or \$74,335 per room, which equates to \$123.89 per square foot, as detailed in the exhibit on the following page. This replacement cost estimate for the proposed hotel includes allowances for contractor's overhead and profit but does not include an allowance for entrepreneurial incentive for a developer, which is the primary motivation for developing a property.

### **Entrepreneurial Incentive**

The replacement cost estimate for the subject includes allowances for contractor's overhead and profit, but does not include an allowance for entrepreneurial incentive. The amount of entrepreneurial incentive "represents the economic reward sufficient to motivate an entrepreneur to accept the risk of the project and to invest the time and money necessary in seeing the project through completion."<sup>1</sup> This is different than entrepreneurial profit which cannot be measured until it is achieved. Entrepreneurial profit can be achieved through profit on a sale (sale price less development cost) or additional returns on an investment in an operating property. Whether the entrepreneur actually realizes a profit depends on how successful he or she has been in selecting the site, constructing the improvements, attracting the proper tenant mix, negotiating the leases and on how well he or she has analyzed the market demand for the property.

Entrepreneurial incentive for a hotel project such as the subject is typically anticipated at \$100,000 to \$250,000. Profit targets are influenced by many factors with location, demand/supply and construction quality representing the most important issues. Given the size of the project and the risks of developing a property like the subject, an entrepreneurial incentive of \$250,000 is considered reasonable.

---

Replacement Cost New of Improvements - Excluding Incentive	\$3,345,077
Plus: Entrepreneurial Incentive	<hr/> 250,000
<b>Replacement Cost New of Improvements - Including Incentive</b>	<b>\$3,595,077</b>

---

---

<sup>1</sup>Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th Edition (Chicago, 2015), Page 76

## Replacement Cost New Comparative-Unit Method

<i>Marshall Valuation Service</i>			
Section 11, Page 22			
Hotels, Class C, Average Cost Quality			
Base Rate Per Square Foot		\$92.01	
Adjustment for HVAC System		(5.83)	
Adjustment for Sprinkler		2.80	
Adjustment for Kitchens		0.00	
Adjustment for Number of Stories		0.00	
Subtotal		<u>\$88.98</u>	
Height and Size Refinements			
Height Multiplier	1.000		
Area Multiplier	<u>1.000</u>	<u>1.000</u>	
Subtotal		<u>\$88.98</u>	
Cost Multipliers			
Current Cost Multiplier	1.040		
Local Cost Multiplier	<u>0.920</u>	<u>0.957</u>	
Adjusted Base Cost Per Square Foot		\$85.14	
<b>Direct Costs</b>			
Gross Building Area (Square Feet)		27,000	
Adjusted Base Cost Per Square Foot		<u>\$85.14</u>	
Replacement Cost - Hotel Improvements			\$2,298,738
Replacement Cost - Furniture, Fixtures and Equipment		\$450,000	
Replacement Cost - Other Improvements			
Parking Area	\$67,500		
Swimming Pool/Deck/Fencing	45,000		
Canopy	34,055		
Exterior Signs	50,000		
Landscaping	<u>31,500</u>	228,055	
Cost Multipliers			
Current Cost Multiplier	1.040		
Local Cost Multiplier	<u>0.920</u>	<u>0.9568</u>	<u>648,763</u>
Total Direct Costs			\$2,947,502
<b>Indirect Costs</b>			
Architect and Engineering Fees		Included in Base	
Legal and Accounting		Included in Base	
Taxes and Construction Interest		Included in Base	
Environmental Impact/Tap/Municipal Fees		\$45,000	
Appraisal/Legal/Environmental/Certification		33,750	
Financing Fees		58,950	
Pre-Opening Marketing/Management		31,500	
Franchise Fees		36,000	
Initial Supplies		45,000	
Contingencies/Miscellaneous		<u>147,375</u>	
Total Indirect Costs			\$397,575
<b>Total Development Cost</b>			
Replacement Cost New of Improvements - Excluding Profit			<b>\$3,345,077</b>
Cost Per Hotel Unit			\$74,335
Cost Per Square Foot			\$123.89

*Note: Depending on brand, a minimum room count waiver may be required.*

***Free-and-Clear IRR***

This analysis is based on a typical ownership position, which would be a before-tax, free-and-clear ownership of the property. The IRR calculation is based on a total investment as follows:

Total Construction Cost	\$3,595,077
Cost of Land <sup>1</sup>	<u>180,000</u>
Total Cost	\$3,775,077
<b>Rounded</b>	<b>\$3,800,000</b>

<sup>1</sup> Market-based allocation for 1.5 acres of land at \$120,000 per acre

In addition to discounting the income stream, the reversionary value of the proposed hotel at the end of the anticipated holding period also is forecast. The reversionary value is estimated by capitalizing the estimated 8th year cash flow at an appropriate overall capitalization rate. The selection of an appropriate Terminal Capitalization Rate is based on the results of surveys of investment criteria published by various real estate research groups. One such survey is the PwC Real Estate Investor Survey for national hotels and is summarized in the following table. The actual reports are copyright protected and cannot be reproduced.

**PwC Real Estate Investor Survey for National Hotels**

Identification	Overall Rate	Terminal Rate	Difference
<i>Limited-Service Midscale &amp; Economy</i>			
Prevailing Range	7.50%-10.25%	7.75%-10.50%	25 to 25 Basis Pts
Average	8.88%	9.48%	60 Basis Pts
<i>Select-Service</i>			
Prevailing Range	6.50%-10.75%	7.50%-11.00%	100 to 25 Basis Pts
Average	8.43%	8.95%	52 Basis Pts
<i>Full-Service</i>			
Prevailing Range	6.00%-10.00%	7.00%-10.00%	100 to 0 Basis Pts
Average	7.75%	8.38%	58 Basis Pts
<i>Luxury/Upper-Upscale</i>			
Prevailing Range	4.00%-9.00%	5.50%-10.00%	150 to 100 Basis Pts
Average	6.90%	7.27%	37 Basis Pts

Source: PwC Real Estate Investor Survey, 1st Quarter 2016

The 2011 version of the PwC survey redefined the hotel segments as Economy & Midscale, Select-Service, Full-Service, and Luxury/Upper Upscale. This reconstitution of the hotel segments eliminated extended stay hotels as a specific group, but included extended stay properties in their respective newly defined segments based on the amenity level and pricing of the individual hotel. For example, a Residence Inn or Homewood Suites would now be considered Select-Service and a TownePlace Suites, Candlewood Suites, and Suburban Lodge would be included as Economy and Midscale. Similarly, under the new definitions, the Full Service segment represents a broad base of hotels to include Ramada, Radisson, Double Tree, etc., but not Ritz Carlton, Four Seasons and the like that are defined as Luxury/Upper Upscale hotels. The reconstituted segments also identify Select-Service hotels as a new class, but provide a broad definition based on amenities offered and price. By PwC's definition, upper mid-price hotels like Hampton Inn and Holiday Inn Express & Suites would be included as Select-Service hotels along with Courtyard, Hyatt Place, and Residence Inn.

Based upon these definitions the proposed hotel would fall into the select service category, which reports Terminal Capitalization rates between 7.75% and 10.50% with an average of 9.48%. Considering the subject is a proposed new construction, midscale limited-service hotel in an exurban market with under-accommodated demand and as-yet unrealized upside potential due in part to the aforementioned widening of US 401, the Reversion price will be calculated using a Terminal Capitalization Rate of 10.0%. From the indicated reversionary value, a cost of sale is then deducted to arrive at the cash flow from termination of the investment.

Net Operating Income at Year 8	\$380,595
Out-Going Capitalization Rate	10.00%
Indicated Resale Price	\$3,805,953
Sale Costs @ 3.0%	\$114,179
<b>Net Proceeds from Sale</b>	<b>\$3,691,775</b>

---

**Cash Flow Projection**

---

Using the above information, we may now project the proposed hotel's free-and-clear internal rate of return as shown in the following table.

<b>Year</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
(\$3,800,000)	\$269,546	\$310,302	\$341,641	\$349,101	\$356,723	\$364,511	\$372,467
							\$3,691,775
(\$3,800,000)	\$269,546	\$310,302	\$341,641	\$349,101	\$356,723	\$364,511	\$4,064,242

*Note: Figures may not add due to rounding.*

On the basis of these cash flows, the proposed hotel's implied free-and-clear IRR equals **8.4%**.



## **Conclusion**

### ***Free and Clear IRR***

A free and clear investment in the subject property implies an 8.4% IRR. The 1st quarter 2016 PwC survey indicates that required discount rates (IRR's) for limited-service hotels (which PwC defines to include midscale and economy limited-service hotels) range from 7.75% to 10.50% with an average of 9.48%. Therefore, the indicated unleveraged return of **8.4%** for the proposed subject hotel is within the range of risk-adjusted expectations of investors based on accepted market returns for similar hotel investments.

### ***Investment Considerations***

The aforementioned conclusion is based on the preceding revenue and expense projections and the assumptions stated in the report. Any investment decision must be considered in the context of the risk of the investment. The salient considerations of the investment in the proposed hotel can be summarized as follows:

1. The subject hotel is proposed; therefore, the improvements have not been built. This analysis is based on the premise that a proposed 45-room midscale limited-service hotel can be developed with a total investment of **\$3,800,000**, including land. If the improvements, including site work, construction, FF&E and indirect costs, cannot be completed within this amount, the estimated internal rate of return would be diminished; conversely, if savings can be achieved, the rate of return will be increased. The indicated return on this estimated total investment is acceptable based on market expectations.
2. We have projected that the proposed midscale limited-service hotel will stabilize in Year 3 at an occupancy rate of 66.0% and an average daily rate of \$93.64. This level of utilization produces an acceptable free-and-clear internal rate of return of **8.4%**. Changes in the Wake Forest hotel market could influence the results of this analysis. Most specifically, any new hotel additions to the Louisburg exurban, other than the proposed hotel, will significantly and adversely influence the results of this analysis.

3. The hotels comprising the competitive set on which this analysis is based include two midscale and two upper-midscale limited-service hotels ranging in age from five to 22 years, all of which have interior corridors and are nationally branded. To varying degrees, our assessment of these competitors directly influences our occupancy and rate forecasts for the proposed subject hotel.

Based on our research and interviews with numerous market participants, noting the considerable size and regional influence of the market area's key demand generators, the proposed subject's expected price point, prominent commercial location, market positioning, and targeted marketing to currently under-accommodated Louisburg-based companies and special-event venues, we anticipate the proposed hotel will induce unaccommodated and under-accommodated transient, commercial and small group clientele to return to exurban Louisburg from Wake Forest/North Raleigh.

4. The Trends section of this report discusses the market demand and prospects for acceptance of a new, competitively-priced, midscale limited-service hotel such as is proposed in this report. In our view, the following will be required of management to ensure the success of such an investment:
  - a. Initiate and maintain a strong pre-opening marketing effort with the selected brand's sales team, support staff, and reservations center.
  - b. Initiate, cultivate and maintain positive relationships with the area's primary demand generators, including:
    - Department heads and administrators of Louisburg/Franklin County-based companies with 100+ employees and/or those with strong international, national, regional or statewide affiliations such as:
      - Louisburg College (Louisburg)
      - Palziv North America (Louisburg)
      - Cal-Maine Foods (Louisburg)
      - Novozymes North America (Franklinton)
      - Eaton Corporation (Youngsville/Wake Forest)
      - Amcor Rigid Plastics (Youngsville)
      - K-Flex USA (Youngsville)
      - Captive-Aire Systems (Youngsville)
      - Sirchie Acquisition Company LLC (Youngsville)
      - Trulite Glass & Aluminum Solutions (Youngsville)

- Major wedding venues—Hudson Manor, Timberlake, and Chapel in the Woods. These well-established multi-acre, historically significant, mostly seasonal wedding/reception/special event/corporate retreat venues cater to groups ranging in size from 50 to 300. Township and county officials report that the lack of suitable local lodging accommodations, especially for wedding parties, is an impediment to growth.
- Louisburg Skydiving Center and sponsors/organizers of sporting events and tournaments—collegiate, high school, youth, fraternal, club/membership
- State professional and trade association officials
- State, regional and local tourism officials

Our interviews with Louisburg College officials, business owners, real estate investors/developers, and state/county/local public officials indicated significant support for a new hotel featuring such amenities as a free hot breakfast, wireless internet access, multiple electrical outlets/USB charging stations in public areas and guestrooms, a medium-sized meeting facility, sundry shop, business center, fitness center and, ideally, a heated indoor swimming pool.

5. Although we have estimated a market-acceptable internal rate of return for this currently hypothetical investment, this is not an appraisal and no value estimate has been concluded.

## **Consultants' Certification**

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased, professional analyses, opinions and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved in this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the Client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this feasibility study.
7. Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).
8. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
9. No one other than the undersigned has provided professional assistance in the preparation of this report and the analyses herein.
10. As of the date of this report, Michael P. Cummings, MAI, ISHC has completed the requirements of the continuing education program for Designated Members of the Appraisal Institute.

## Consultants' Certification (Continued)

11. As of the date of this report, J. Richard Keegan, MBA, has completed the Standards and Ethics Education Requirement for Practicing Affiliates of the Appraisal Institute.
12. The appraisers/consultants have performed within the context of the competency provision of the Uniform Standards of Professional Appraisal Practice.
13. Our contractual arrangement with the Client does not authorize the out-of-context quoting from or partial reprinting of this report, nor does it permit all or any part of this report to be disseminated to the general public by the use of media for public communication without our written consent.
14. The appraisers/consultants have performed within the context of the competency provision of the Uniform Standards of Professional Appraisal Practice.

Hotel and Club Associates of Virginia



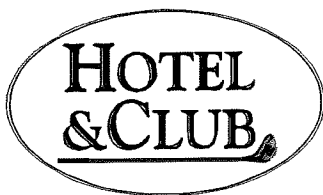
Michael P. Cummings, MAI, ISHC



J. Richard Keegan, MBA

## **ADDENDA**

## **ENGAGEMENT LETTER**



APPRAISALS AND CONSULTING SERVICE

June 2, 2016

Ms. Brenda Daniels  
Manager, Economic Development  
Electricities of North Carolina, Inc.  
1427 Meadow Wood Boulevard  
Raleigh, North Carolina 27604

Re: Feasibility Study and Level III Market Analysis  
Proposed Hotel  
Site TBD  
Louisburg, North Carolina

Dear Ms. Daniels,

We are pleased to submit this proposal for professional services in connection with a feasibility study for the above referenced property. This study will assist you in your analysis of this project for investment and financing purposes and as the foundation to estimating future revenues and expenses. The study would include:

**Site Analysis**

We will analyze the topography, access, visibility, ambiance and advantages/disadvantages of the subject site in comparison to competitive facilities. Environmental issues such as wetlands, wildlife and water consumption will be considered, but we are not experts in this area, and we recommend retaining an environmental expert to study these issues.



### **Area Review**

We will gather and summarize relevant, demographic data regarding the market area to document the economic environment of the market. We will examine key economic factors that influence demand for rooms, meetings, and food/beverage sales. Specific emphasis will be given to the trends in the market segments, which potentially comprise the principal target markets for the hotel.

### **Primary Research**

We will perform primary market research to gather the most recent and pertinent data about the area hotel, meeting and restaurant markets. This will include an inspection and interviews at competitive facilities, discussions with managers and marketing staff knowledgeable about the competitive market and interviews of demand generators. Those we might interview could include:

- Managers of competitive hotels
- The marketing personnel at competitive hotels
- Hotel developers
- The Convention & Visitors Bureau
- Meeting coordinators of relevant corporations and associations
- Bankers and Chamber of Commerce representatives
- City/County officials in zoning, development and transportation
- Demand Generators

Our survey of competitive and comparable hotels in the market area will address the type of facilities, amenities available, their room rates, average daily rates, food and beverage offerings and pricing.

### **Supply and Demand Analysis**

Based on our area review and primary research, we will estimate potential growth in the demand for and the supply of competitive hotels in the local and regional market area. We will evaluate each of the principle segments of demand; describe their characteristics, the market's historical performance and anticipated future performance based on demographics and the economics of the market from which the proposed hotel will attract guests. We will then estimate growth rates and demand for each of these market segments and project the anticipated demand. We will assess historical growth trends and potential additions to the area supply. We will evaluate the competitive potential of proposed or rumored projects and competitive facilities. We will relate the proposed hotel to the competitive supply, both existing and potential. This ratio, called "Fair Share", is then related to the competitive demand and adjusted to reflect a share of the market, which we would reasonably expect the proposed hotel to capture based on identifiable attributes demanded of the market such as: location, proximity to interstate access, demand generators, ambiance, rates and quality.

### **Operating Analysis**

Develop a statement of projected occupancy, average daily rate, meeting revenues, food and beverage revenues, which the hotel would be able to achieve in this market for the first five years of operation. The anticipated expenses will be estimated based on a line-by-line comparison with specific comparable hotel operations. By deducting the anticipated expenses from the projected revenues, the expected cash flows are estimated.

### **Verify Development Costs**

The projected costs of the hotel are compared to actual construction costs and soft costs of recently developed comparable hotels. In addition, the cost of the land will be added to estimate the total anticipated cost of the project.

### **Internal Rate of Return Analysis**

Once the verified estimate of development costs is established and the expected cash flows are estimated, a discounted cash flow analysis is used to estimate the internal rate of return (IRR) of the investment. The internal rate of return of the investment will then be compared to rates of return being achieved by typical investors of similar developments.

## **Limitations of the Study**


1. The conclusions reached will be based on our knowledge of the hotel market in the competitive area as of the time of completion of our fieldwork.
2. As in all studies of this type, the estimated annual operating results, if included, are based upon competent and efficient management and presume no significant change in the competitive position of the competitive facilities in the area from that set forth in our study.
3. Estimated operating results are also based on an evaluation of the present general economy of the area and do not take into account, or make provisions for, the effect of any sharp rise or decline in local or general economic conditions which may occur. To the extent that wages and other operating expenses may advance over the economic life of the property, it is expected that rates, fees and related services will be adjusted to offset such advances.
4. The prospective financial information included in our reports will be based on estimates, assumptions and information developed from research of the market, knowledge of the industry and meetings with the property management. The sources of information and bases of the estimates and assumptions would be stated in the reports. Some assumptions inevitably would not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by the prospective financial analysis would vary from the estimates, and the variations may be material. Our reports will contain a statement to that effect.
5. The terms of this engagement are such that we have no obligation to revise the report or the prospective financial information to reflect events or conditions, which occur subsequent to the date of the report, which will be the day we complete our fieldwork. However, we will be available to discuss the necessity for revision in view of changes in the economic or market factors affecting the project.
6. Our report and the prospective financial information included therein will be intended solely for your information and in support of financing. Neither the report nor its contents may be referred to or quoted in any offering circular or registration statement, prospectus, sales brochure, loan, appraisal or other agreement or document without our prior consent, which will be granted only upon meeting certain conditions. Our report will contain a statement to that effect.

June 2, 2016

7. Any drafts or preliminary information communicated to you during the course of the assignment are for internal management use only, and may not be disclosed to any outside third parties without our prior written consent.
8. Further, we will neither evaluate management's effectiveness nor be responsible for future marketing efforts and other management actions upon which actual results would depend, and we would so state in our reports.

### **Fee and Timetable**

Professional fees are based on the anticipated time of the individuals assigned to the engagement, plus direct expenses. Our fee for the delivery of the report will be as follows:

Feasibility Study.....  
• Delivery will be 4 weeks from engagement.

A retainer of **50% of the total fee** is required for work to commence and the balance is due and payable **before delivery** of the completed report

In the event the Client cancels this agreement before a report is tendered, then Client agrees to pay Appraiser at Appraiser's then existing external billing rates, for all time and expenses expended on the project, giving over and above that to which the retainer has been applied. Hotel and Club Associates of Virginia is authorized to commence work upon the signing of the agreement. If this account is turned over to an attorney or collection agency, all charges including reasonable attorney's fees and/or court costs will be added to the balance due and be paid by the Client. The parties hereby agree to confer jurisdiction and venue in the State and Federal Courts situate in the City of Norfolk, Virginia.

June 2, 2016

It is agreed that the liability of Hotel and Club Associates of Virginia to the Client is limited to the amount of the fee paid for the completion of the appraisal assignment. Hotel and Club Associates of Virginia limits their responsibility to the Client and any use of the appraisal by third parties shall be at the risk of the Client and/or said third parties. The Client, by the execution of this agreement, acknowledges that he has read and agrees to the terms and conditions of this contract and agrees to the inclusion of a standard set of General Assumptions and Limiting Conditions in the report. Additional conditions prompted by the discovery of extraordinary or unusual circumstances uncovered during the course of investigation may be added to the appraisal assignment, if necessary.

The concluded evaluation and analysis in the report will be the opinion of Hotel and Club Associates of Virginia and the fee or the payment thereof is in no way contingent upon any particular conclusions. The fee for this appraisal or study is for the service rendered and not necessarily for the time spent on the physical report. This agreement is subject to receipt of this fully executed document and the information requested on or before **7 days from the date of this of this proposal.**

Client:

Brenda Daniels

By:

Brenda Daniels

Print Name:

Electri Cities of NC, Inc.

Print Office:

1427 Meadow Wood Blvd.

Address:

Raleigh NC 27604

Telephone:

919 760 6363

Michael P. Cummings, MAI, ISHC



06/02/16

Hotel and Club Associates of Virginia

999 Waterside Drive, Suite 1200

Norfolk, Virginia 23510

Tel. (757) 623-1400

Fax (757) 623-8811

## **CUSTOM SMITH TRAVEL TREND REPORT**

Trend # 789468\_SADIM / Created June 27, 2016

## Trend Report - Louisburg Feasibility - Wake Forest, NC Area Selected Properties

July 2011 to May 2016 Currency : USD - US Dollar



Table of Contents	1
Data by Measure	2
Percent Change by Measure	3
Percent Change by Year	4
Twelve Month Moving Average	5
Twelve Month Moving Average with Percent Change	6
Day of Week Analysis	7
Raw Data	8
Classic	9
Response Report	10
Help	11
Terms and Conditions	12

735 East Main Street, Hendersonville, TN 37075

T: +1 615 824 8664

trends@str.com www.str.com

Blue Fin Building, 110 Southwark Street, London SE1 OTA

T: +44 (0)20 7922 1930

trends@strglobal.com www.str.com

The STR Trend Report is a publication of STR, Inc. and STR Global, Ltd., and is intended solely for use by paid subscribers. Reproduction or distribution of the STR Trend Report, in whole or part, without written permission is prohibited and subject to legal action. If you have received this report and are NOT a subscriber to the STR Trend report, please contact us immediately. Source: 2016 STR, Inc. / STR Global, Ltd. trading as "STR".

# Tab 2 - Data by Measure

LouisburgFeasibility - Wake Forest, NC Area Selected Properties  
Job Number: 789468\_SADIM Staff: SS Created: June 27, 2016

Occupancy (%)														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	May YTD
2011							59.5	58.2	56.4	59.4	60.0	48.3		
2012	45.8	53.2	63.4	66.5	71.0	73.5	62.7	63.0	65.2	73.6	66.4	50.2	62.9	60.1
2013	46.7	52.4	59.4	65.2	67.1	71.3	62.2	72.2	56.1	59.4	63.2	56.0	61.0	58.3
2014	52.4	58.5	63.9	68.7	75.7	83.1	68.5	68.4	65.0	69.3	69.6	62.7	67.2	63.9
2015	59.4	67.7	74.7	80.7	83.1	88.5	83.9	75.7	78.2	77.3	72.1	63.1	75.4	73.2
2016	62.4	59.1	71.4	78.5	85.5									71.6
Avg	53.3	58.2	66.6	71.9	76.5	79.1	67.4	67.5	64.2	67.8	66.2	56.1	66.6	65.4

ADR (\$)														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	May YTD
2011							79.78	81.40	79.37	78.11	82.75	75.49		
2012	74.53	73.63	76.48	75.95	77.03	77.57	77.03	75.67	77.08	79.44	81.48	76.37	77.03	75.72
2013	74.81	76.23	76.56	76.60	78.43	78.90	76.10	76.89	78.04	77.87	80.45	74.79	77.23	76.67
2014	73.62	78.02	77.42	78.49	79.33	80.51	79.55	80.12	79.45	81.99	88.15	84.32	80.24	77.57
2015	78.50	79.07	81.08	86.87	86.76	87.54	86.44	89.20	90.59	92.45	96.09	91.48	87.35	82.90
2016	90.92	88.03	87.84	92.03	96.06									91.35
Avg	79.11	79.17	80.14	82.50	84.09	81.43	80.20	80.86	81.42	82.41	86.09	81.07	80.80	81.27

RevPAR (\$)														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	May YTD
2011							47.44	47.35	44.78	46.43	49.69	36.47		
2012	34.16	39.16	48.46	50.52	54.66	57.01	48.29	47.66	50.25	58.50	54.07	38.37	48.44	45.48
2013	34.96	39.96	45.49	49.96	52.65	56.25	47.34	55.55	43.78	46.22	50.86	41.92	47.10	44.66
2014	38.55	45.61	49.45	53.90	60.03	66.86	54.53	54.81	51.61	56.83	61.33	52.84	53.88	49.55
2015	46.60	53.55	60.56	70.06	72.06	77.47	72.56	67.56	70.87	71.44	69.26	57.77	65.85	60.64
2016	56.71	52.04	62.76	72.25	82.15									65.40
Avg	42.18	46.05	53.34	59.32	64.29	64.40	54.02	54.57	52.25	55.87	57.03	45.46	53.81	53.14

Supply														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	May YTD
2011							11,408	11,408	11,040	11,408	11,040	11,408		
2012	11,408	10,304	11,408	11,040	11,408	10,950	11,315	11,315	10,950	11,315	10,950	11,315	133,678	55,568
2013	11,315	10,220	11,315	10,950	11,315	10,950	11,315	11,315	10,950	11,315	10,950	11,315	133,225	55,115
2014	11,315	10,220	11,315	10,950	11,315	10,950	11,315	11,315	10,950	11,315	10,950	11,315	133,225	55,115
2015	11,315	10,220	11,315	10,950	11,315	10,950	11,315	11,315	10,950	11,315	10,950	11,315	133,225	55,115
2016	11,315	10,220	11,315	10,950	11,315									55,115
Avg	11,334	10,237	11,334	10,968	11,334	10,950	11,334	11,334	10,968	11,334	10,968	11,334	133,338	55,206

Demand														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	May YTD
2011							6,784	6,636	6,229	6,781	6,629	5,512		
2012	5,229	5,480	7,229	7,344	8,095	8,048	7,093	7,127	7,138	8,332	7,266	5,685	84,066	33,377
2013	5,288	5,358	6,724	7,142	7,596	7,806	7,039	8,174	6,143	6,716	6,922	6,342	81,250	32,108
2014	5,925	5,974	7,227	7,519	8,563	9,094	7,756	7,740	7,113	7,843	7,618	7,090	89,462	35,208
2015	6,717	6,921	8,451	8,832	9,398	9,690	9,498	8,570	8,566	8,744	7,893	7,145	100,425	40,319
2016	7,058	6,042	8,084	8,597	9,676									39,457
Avg	6,043	5,955	7,543	7,887	8,666	8,660	7,634	7,649	7,038	7,683	7,266	6,355	88,801	36,094

Revenue (\$)														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	May YTD
2011							541,247	540,185	494,422	529,670	548,543	416,096		
2012	389,715	403,516	552,879	557,778	623,566	624,282	546,354	539,308	550,204	661,923	592,017	434,153	6,475,695	2,527,454
2013	395,608	408,425	514,765	547,049	595,760	615,923	535,655	628,504	479,408	522,995	556,876	474,331	6,275,299	2,461,607
2014	436,171	466,103	559,508	590,156	679,263	732,171	616,988	620,133	565,138	643,085	671,514	597,837	7,178,067	2,731,201
2015	527,313	547,252	685,227	767,198	815,352	848,309	821,033	764,469	775,973	808,364	758,438	653,628	8,772,556	3,342,342
2016	641,690	531,872	710,091	791,177	929,497									3,604,327
Avg	478,099	471,434	604,494	650,672	728,688	705,171	612,255	618,520	573,029	633,207	625,478	515,209	7,175,404	2,933,386



The STR Trend Report is a publication of STR, Inc. and STR Global, Ltd., and is intended solely for use by paid subscribers. Reproduction or distribution of the STR Trend Report, in whole or part, without written permission is prohibited and subject to legal action. If you have received this report and are NOT a subscriber to the STR Trend report, please contact us immediately. Source: 2016 STR, Inc. / STR Global, Ltd. trading as "STR".

# Tab 3 - Percent Change from Previous Year - Detail by Measure

LouisburgFeasibility - Wake Forest, NC Area Selected Properties

Job Number: 789468\_SADIM Staff: SS Created: June 27, 2016

Occupancy														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	May YTD
2012							5.4	8.3	15.5	23.9	10.5	4.0		
2013	2.0	-1.4	-6.2	-2.0	-5.4	-3.0	-0.8	14.7	-13.9	-19.4	-4.7	11.6	-3.0	-3.0
2014	12.0	11.5	7.5	5.3	12.7	16.5	10.2	-5.3	15.8	16.8	10.1	11.8	10.1	9.7
2015	13.4	15.9	16.9	17.5	9.8	6.6	22.5	10.7	20.4	11.5	3.6	0.8	12.3	14.5
2016	5.1	-12.7	-4.3	-2.7	3.0									-2.1
Avg	8.1	3.3	3.5	4.5	5.0	6.7	9.3	7.1	9.5	8.2	4.9	7.0	6.4	4.8

ADR														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	May YTD
2012							-3.5	-7.0	-2.9	1.7	-1.5	1.2		
2013	0.4	3.5	0.1	0.9	1.8	1.7	-1.2	1.6	1.2	-2.0	-1.3	-2.1	0.3	1.2
2014	-1.6	2.4	1.1	2.5	1.1	2.0	4.5	4.2	1.8	5.3	9.6	12.7	3.9	1.2
2015	6.6	1.3	4.7	10.7	9.4	8.7	8.7	11.3	14.0	12.7	9.0	8.5	8.9	6.9
2016	15.8	11.3	8.3	5.9	10.7									10.2
Avg	5.3	4.6	3.6	5.0	5.8	4.2	2.1	2.5	3.5	4.4	3.9	5.1	4.3	4.9

RevPAR														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	May YTD
2012							1.8	0.7	12.2	26.0	8.8	5.2		
2013	2.3	2.0	-6.1	-1.1	-3.7	-1.3	-2.0	16.5	-12.9	-21.0	-5.9	9.3	-2.8	-1.8
2014	10.3	14.1	8.7	7.9	14.0	18.9	15.2	-1.3	17.9	23.0	20.6	26.0	14.4	11.0
2015	20.9	17.4	22.5	30.0	20.0	15.9	33.1	23.3	37.3	25.7	12.9	9.3	22.2	22.4
2016	21.7	-2.8	3.6	3.1	14.0									7.8
Avg	13.8	7.7	7.2	10.0	11.1	11.1	12.0	9.8	13.6	13.4	9.1	12.5	11.3	9.8

Supply														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	May YTD
2012							-0.8	-0.8	-0.8	-0.8	-0.8	-0.8		
2013	-0.8	-0.8	-0.8	-0.8	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-0.8
2014	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2015	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2016	0.0	0.0	0.0	0.0	0.0									0.0
Avg	-0.2	-0.2	-0.2	-0.2	-0.2	0.0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.2

Demand														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	May YTD
2012							4.6	7.4	14.6	22.9	9.6	3.1		
2013	1.1	-2.2	-7.0	-2.8	-6.2	-3.0	-0.8	14.7	-13.9	-19.4	-4.7	11.6	-3.3	-3.8
2014	12.0	11.5	7.5	5.3	12.7	16.5	10.2	-5.3	15.8	16.8	10.1	11.8	10.1	9.7
2015	13.4	15.9	16.9	17.5	9.8	6.6	22.5	10.7	20.4	11.5	3.6	0.8	12.3	14.5
2016	5.1	-12.7	-4.3	-2.7	3.0									-2.1
Avg	7.9	3.1	3.3	4.3	4.8	6.7	9.1	6.9	9.2	7.9	4.6	6.8	6.3	4.6

Revenue														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	May YTD
2012							0.9	-0.2	11.3	25.0	7.9	4.3		
2013	1.5	1.2	-6.9	-1.9	-4.5	-1.3	-2.0	16.5	-12.9	-21.0	-5.9	9.3	-3.1	-2.6
2014	10.3	14.1	8.7	7.9	14.0	18.9	15.2	-1.3	17.9	23.0	20.6	26.0	14.4	11.0
2015	20.9	17.4	22.5	30.0	20.0	15.9	33.1	23.3	37.3	25.7	12.9	9.3	22.2	22.4
2016	21.7	-2.8	3.6	3.1	14.0									7.8
Avg	13.6	7.5	7.0	9.8	10.9	11.1	11.8	9.6	13.4	13.2	8.9	12.2	11.2	9.6

The STR Trend Report is a publication of STR, Inc. and STR Global, Ltd., and is intended solely for use by paid subscribers. Reproduction or distribution of the STR Trend Report, in whole or part, without written permission is prohibited and subject to legal action. If you have received this report and are NOT a subscriber to the STR Trend report, please contact us immediately. Source: 2016 STR, Inc. / STR Global, Ltd. trading as "STR".

# Tab 4 - Percent Change from Previous Year - Detail by Year

LouisburgFeasibility - Wake Forest, NC Area Selected Properties

Job Number: 789468\_SADIM Staff: SS Created: June 27, 2016

	Jan 12	Feb 12	Mar 12	Apr 12	May 12	Jun 12	Jul 12	Aug 12	Sep 12	Oct 12	Nov 12	Dec 12	Total Year	May YTD
Occ							5.4	8.3	15.5	23.9	10.5	4.0		
ADR							-3.5	-7.0	-2.9	1.7	-1.5	1.2		
RevPAR							1.8	0.7	12.2	26.0	8.8	5.2		
Supply							-0.8	-0.8	-0.8	-0.8	-0.8	-0.8		
Demand							4.6	7.4	14.6	22.9	9.6	3.1		
Revenue							0.9	-0.2	11.3	25.0	7.9	4.3		

	Jan 13	Feb 13	Mar 13	Apr 13	May 13	Jun 13	Jul 13	Aug 13	Sep 13	Oct 13	Nov 13	Dec 13	Total Year	May YTD
Occ	2.0	-1.4	-6.2	-2.0	-5.4	-3.0	-0.8	14.7	-13.9	-19.4	-4.7	11.6	-3.0	-3.0
ADR	0.4	3.5	0.1	0.9	1.8	1.7	-1.2	1.6	1.2	-2.0	-1.3	-2.1	0.3	1.2
RevPAR	2.3	2.0	-6.1	-1.1	-3.7	-1.3	-2.0	16.5	-12.9	-21.0	-5.9	9.3	-2.8	-1.8
Supply	-0.8	-0.8	-0.8	-0.8	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-0.8
Demand	1.1	-2.2	-7.0	-2.8	-6.2	-3.0	-0.8	14.7	-13.9	-19.4	-4.7	11.6	-3.3	-3.8
Revenue	1.5	1.2	-6.9	-1.9	-4.5	-1.3	-2.0	16.5	-12.9	-21.0	-5.9	9.3	-3.1	-2.6

	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14	Total Year	May YTD
Occ	12.0	11.5	7.5	5.3	12.7	16.5	10.2	-5.3	15.8	16.8	10.1	11.8	10.1	9.7
ADR	-1.6	2.4	1.1	2.5	1.1	2.0	4.5	4.2	1.8	5.3	9.6	12.7	3.9	1.2
RevPAR	10.3	14.1	8.7	7.9	14.0	18.9	15.2	-1.3	17.9	23.0	20.6	26.0	14.4	11.0
Supply	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Demand	12.0	11.5	7.5	5.3	12.7	16.5	10.2	-5.3	15.8	16.8	10.1	11.8	10.1	9.7
Revenue	10.3	14.1	8.7	7.9	14.0	18.9	15.2	-1.3	17.9	23.0	20.6	26.0	14.4	11.0

	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Total Year	May YTD
Occ	13.4	15.9	16.9	17.5	9.8	6.6	22.5	10.7	20.4	11.5	3.6	0.8	12.3	14.5
ADR	6.6	1.3	4.7	10.7	9.4	8.7	8.7	11.3	14.0	12.7	9.0	8.5	8.9	6.9
RevPAR	20.9	17.4	22.5	30.0	20.0	15.9	33.1	23.3	37.3	25.7	12.9	9.3	22.2	22.4
Supply	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Demand	13.4	15.9	16.9	17.5	9.8	6.6	22.5	10.7	20.4	11.5	3.6	0.8	12.3	14.5
Revenue	20.9	17.4	22.5	30.0	20.0	15.9	33.1	23.3	37.3	25.7	12.9	9.3	22.2	22.4

	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	Total Year	May YTD
Occ	5.1	-12.7	-4.3	-2.7	3.0									-2.1
ADR	15.8	11.3	8.3	5.9	10.7									10.2
RevPAR	21.7	-2.8	3.6	3.1	14.0									7.8
Supply	0.0	0.0	0.0	0.0	0.0									0.0
Demand	5.1	-12.7	-4.3	-2.7	3.0									-2.1
Revenue	21.7	-2.8	3.6	3.1	14.0									7.8

The STR Trend Report is a publication of STR, Inc. and STR Global, Ltd., and is intended solely for use by paid subscribers. Reproduction or distribution of the STR Trend Report, in whole or part, without written permission is prohibited and subject to legal action. If you have received this report and are NOT a subscriber to the STR Trend report, please contact us immediately. Source: 2016 STR, Inc. / STR Global, Ltd. trading as "STR".

# Tab 5 - Twelve Month Moving Average

LouisburgFeasibility - Wake Forest, NC Area Selected Properties  
Job Number: 789468\_SADIM Staff: SS Created: June 27, 2016

Occupancy (%)												
	January	February	March	April	May	June	July	August	September	October	November	December
2012							59.9	60.3	61.0	62.2	62.7	62.9
2013	63.0	62.9	62.6	62.5	62.1	62.0	61.9	62.7	62.0	60.8	60.5	61.0
2014	61.5	61.9	62.3	62.6	63.3	64.3	64.8	64.5	65.2	66.1	66.6	67.2
2015	67.7	68.5	69.4	70.4	71.0	71.4	72.7	73.4	74.5	75.1	75.3	75.4
2016	75.6	75.0	74.7	74.5	74.7							

ADR (\$)												
	January	February	March	April	May	June	July	August	September	October	November	December
2012							77.54	77.06	76.89	77.04	76.97	77.03
2013	77.05	77.22	77.23	77.29	77.42	77.54	77.46	77.56	77.64	77.47	77.37	77.23
2014	77.13	77.25	77.32	77.49	77.59	77.78	78.08	78.38	78.49	78.85	79.52	80.24
2015	80.54	80.60	80.89	81.64	82.36	83.07	83.68	84.44	85.33	86.22	86.85	87.35
2016	88.19	88.82	89.39	89.85	90.74							

RevPAR (\$)												
	January	February	March	April	May	June	July	August	September	October	November	December
2012							46.42	46.45	46.90	47.92	48.27	48.44
2013	48.52	48.59	48.34	48.29	48.11	48.05	47.97	48.64	48.11	47.07	46.80	47.10
2014	47.41	47.84	48.18	48.50	49.13	50.00	50.61	50.55	51.19	52.09	52.95	53.88
2015	54.56	55.17	56.12	57.45	58.47	59.34	60.87	61.95	63.54	64.78	65.43	65.85
2016	66.71	66.59	66.78	66.96	67.81							

Supply												
	January	February	March	April	May	June	July	August	September	October	November	December
2012							134,137	134,044	133,954	133,861	133,771	133,678
2013	133,585	133,501	133,408	133,318	133,225	133,225	133,225	133,225	133,225	133,225	133,225	133,225
2014	133,225	133,225	133,225	133,225	133,225	133,225	133,225	133,225	133,225	133,225	133,225	133,225
2015	133,225	133,225	133,225	133,225	133,225	133,225	133,225	133,225	133,225	133,225	133,225	133,225
2016	133,225	133,225	133,225	133,225	133,225							

Demand												
	January	February	March	April	May	June	July	August	September	October	November	December
2012							80,305	80,796	81,705	83,256	83,893	84,066
2013	84,125	84,003	83,498	83,296	82,797	82,555	82,501	83,548	82,553	80,937	80,593	81,250
2014	81,887	82,503	83,006	83,383	84,350	85,638	86,355	85,921	86,891	88,018	88,714	89,462
2015	90,254	91,201	92,425	93,738	94,573	95,169	96,911	97,741	99,194	100,095	100,370	100,425
2016	100,766	99,887	99,520	99,285	99,563							

Revenue (\$)												
	January	February	March	April	May	June	July	August	September	October	November	December
2012							6,227,006	6,226,129	6,281,911	6,414,164	6,457,638	6,475,695
2013	6,481,588	6,486,497	6,448,383	6,437,654	6,409,848	6,401,489	6,390,790	6,479,986	6,409,190	6,270,262	6,235,121	6,275,299
2014	6,315,862	6,373,540	6,418,283	6,461,390	6,544,893	6,661,141	6,742,474	6,734,103	6,819,833	6,939,923	7,054,561	7,178,067
2015	7,269,209	7,350,358	7,476,077	7,653,119	7,789,208	7,905,346	8,109,391	8,253,727	8,464,562	8,629,841	8,716,765	8,772,556
2016	8,886,933	8,871,553	8,896,417	8,920,396	9,034,541							

High value is boxed.

Low value is boxed and italicized.

The STR Trend Report is a publication of STR, Inc. and STR Global, Ltd., and is intended solely for use by paid subscribers. Reproduction or distribution of the STR Trend Report, in whole or part, without written permission is prohibited and subject to legal action. If you have received this report and are NOT a subscriber to the STR Trend report, please contact us immediately. Source: 2016 STR, Inc. / STR Global, Ltd. trading as "STR".

## Tab 6 - Twelve Month Moving Average with Percent Change

LouisburgFeasibility - Wake Forest, NC Area Selected Properties  
 Job Number: 789468\_SADIM Staff: SS Created: June 27, 2016

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue	
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg
Jul 12	59.9		77.54		46.42		134,137		80,305		6,227,006	
Aug 12	60.3		77.06		46.45		134,044		80,796		6,226,129	
Sep 12	61.0		76.89		46.90		133,954		81,705		6,281,911	
Oct 12	62.2		77.04		47.92		133,861		83,256		6,414,164	
Nov 12	62.7		76.97		48.27		133,771		83,893		6,457,638	
Dec 12	62.9		77.03		48.44		133,678		84,066		6,475,695	
Jan 13	63.0		77.05		48.52		133,585		84,125		6,481,588	
Feb 13	62.9		77.22		48.59		133,501		84,003		6,486,497	
Mar 13	62.6		77.23		48.34		133,408		83,498		6,448,383	
Apr 13	62.5		77.29		48.29		133,318		83,296		6,437,654	
May 13	62.1		77.42		48.11		133,225		82,797		6,409,848	
Jun 13	62.0	4.0	77.54	-0.3	48.05	3.7	133,225	-0.7	82,555	3.2	6,401,489	2.9
Jul 13	61.9	3.4	77.46	-0.1	47.97	3.3	133,225	-0.7	82,501	2.7	6,390,790	2.6
Aug 13	62.7	4.0	77.56	0.6	48.64	4.7	133,225	-0.6	83,548	3.4	6,479,986	4.1
Sep 13	62.0	1.6	77.64	1.0	48.11	2.6	133,225	-0.5	82,553	1.0	6,409,190	2.0
Oct 13	60.8	-2.3	77.47	0.6	47.07	-1.8	133,225	-0.5	80,937	-2.8	6,270,262	-2.2
Nov 13	60.5	-3.5	77.37	0.5	46.80	-3.1	133,225	-0.4	80,593	-3.9	6,235,121	-3.4
Dec 13	61.0	-3.0	77.23	0.3	47.10	-2.8	133,225	-0.3	81,250	-3.3	6,275,299	-3.1
Jan 14	61.5	-2.4	77.13	0.1	47.41	-2.3	133,225	-0.3	81,887	-2.7	6,315,862	-2.6
Feb 14	61.9	-1.6	77.25	0.0	47.84	-1.5	133,225	-0.2	82,503	-1.8	6,373,540	-1.7
Mar 14	62.3	-0.5	77.32	0.1	48.18	-0.3	133,225	-0.1	83,006	-0.6	6,418,283	-0.5
Apr 14	62.6	0.2	77.49	0.3	48.50	0.4	133,225	-0.1	83,383	0.1	6,461,390	0.4
May 14	63.3	1.9	77.59	0.2	49.13	2.1	133,225	0.0	84,350	1.9	6,544,893	2.1
Jun 14	64.3	3.7	77.78	0.3	50.00	4.1	133,225	0.0	85,638	3.7	6,661,141	4.1
Jul 14	64.8	4.7	78.08	0.8	50.61	5.5	133,225	0.0	86,355	4.7	6,742,474	5.5
Aug 14	64.5	2.8	78.38	1.1	50.55	3.9	133,225	0.0	85,921	2.8	6,734,103	3.9
Sep 14	65.2	5.3	78.49	1.1	51.19	6.4	133,225	0.0	86,891	5.3	6,819,833	6.4
Oct 14	66.1	8.7	78.85	1.8	52.09	10.7	133,225	0.0	88,018	8.7	6,939,923	10.7
Nov 14	66.6	10.1	79.52	2.8	52.95	13.1	133,225	0.0	88,714	10.1	7,054,561	13.1
Dec 14	67.2	10.1	80.24	3.9	53.88	14.4	133,225	0.0	89,462	10.1	7,178,067	14.4
Jan 15	67.7	10.2	80.54	4.4	54.56	15.1	133,225	0.0	90,254	10.2	7,269,209	15.1
Feb 15	68.5	10.5	80.60	4.3	55.17	15.3	133,225	0.0	91,201	10.5	7,350,358	15.3
Mar 15	69.4	11.3	80.89	4.6	56.12	16.5	133,225	0.0	92,425	11.3	7,476,077	16.5
Apr 15	70.4	12.4	81.64	5.4	57.45	18.4	133,225	0.0	93,738	12.4	7,653,119	18.4
May 15	71.0	12.1	82.36	6.1	58.47	19.0	133,225	0.0	94,573	12.1	7,789,208	19.0
Jun 15	71.4	11.1	83.07	6.8	59.34	18.7	133,225	0.0	95,169	11.1	7,905,346	18.7
Jul 15	72.7	12.2	83.68	7.2	60.87	20.3	133,225	0.0	96,911	12.2	8,109,391	20.3
Aug 15	73.4	13.8	84.44	7.7	61.95	22.6	133,225	0.0	97,741	13.8	8,253,727	22.6
Sep 15	74.5	14.2	85.33	8.7	63.54	24.1	133,225	0.0	99,194	14.2	8,464,562	24.1
Oct 15	75.1	13.7	86.22	9.3	64.78	24.4	133,225	0.0	100,095	13.7	8,629,841	24.4
Nov 15	75.3	13.1	86.85	9.2	65.43	23.6	133,225	0.0	100,370	13.1	8,716,765	23.6
Dec 15	75.4	12.3	87.35	8.9	65.85	22.2	133,225	0.0	100,425	12.3	8,772,556	22.2
Jan 16	75.6	11.6	88.19	9.5	66.71	22.3	133,225	0.0	100,766	11.6	8,886,933	22.3
Feb 16	75.0	9.5	88.82	10.2	66.59	20.7	133,225	0.0	99,887	9.5	8,871,553	20.7

Tab 6 - Twelve Month Moving Average with Percent Change

LouisburgFeasibility - Wake Forest, NC Area Selected Properties  
Job Number: 789468\_SADIM Staff: SS Created: June 27, 2016

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue	
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg
Mar 16	74.7	7.7	89.39	10.5	66.78	19.0	133,225	0.0	99,520	7.7	8,896,417	19.0
Apr 16	74.5	5.9	89.85	10.0	66.96	16.6	133,225	0.0	99,285	5.9	8,920,396	16.6
May 16	74.7	5.3	90.74	10.2	67.81	16.0	133,225	0.0	99,563	5.3	9,034,541	16.0

The STR Trend Report is a publication of STR, Inc. and STR Global, Ltd., and is intended solely for use by paid subscribers. Reproduction or distribution of the STR Trend Report, in whole or part, without written permission is prohibited and subject to legal action. If you have received this report and are NOT a subscriber to the STR Trend report, please contact us immediately. Source: 2016 STR, Inc. / STR Global, Ltd. trading as “STR”.

# Tab 7 - Day of Week Analysis

LouisburgFeasibility - Wake Forest, NC Area Selected Properties  
Job Number: 789468\_SADIM    Staff: SS    Created: June 27, 2016

Occupancy (%)								Total Month
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Jun - 15	74.8	89.5	92.8	92.5	83.8	90.5	94.2	88.5
Jul - 15	64.3	84.5	95.1	91.0	76.4	89.0	86.0	83.9
Aug - 15	54.2	80.0	90.7	87.5	73.6	71.5	76.8	75.7
Sep - 15	55.1	72.7	82.6	83.4	76.8	84.2	90.4	78.2
Oct - 15	61.3	74.3	85.3	81.5	73.8	76.9	86.5	77.3
Nov - 15	40.2	58.2	74.9	84.1	85.8	89.5	83.3	72.1
Dec - 15	45.0	57.3	63.9	58.2	67.3	70.2	80.1	63.1
Jan - 16	48.1	69.5	68.4	70.7	59.2	55.7	68.8	62.4
Feb - 16	43.3	57.5	67.1	65.3	55.8	55.0	70.3	59.1
Mar - 16	50.0	72.5	81.0	75.9	65.5	75.5	77.7	71.4
Apr - 16	51.7	79.4	90.2	88.4	77.8	80.2	80.9	78.5
May - 16	64.5	78.6	89.9	92.0	88.8	93.6	97.2	85.5
Total Year	54.2	72.9	81.9	80.6	73.5	77.5	82.4	74.7

Three Year Occupancy (%)								Total Year
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Jun 13 - May 14	44.4	59.5	67.3	67.1	63.9	69.9	70.9	63.3
Jun 14 - May 15	49.2	68.8	76.9	76.9	69.9	75.8	79.7	71.0
Jun 15 - May 16	54.2	72.9	81.9	80.6	73.5	77.5	82.4	74.7
Total 3 Yr	49.3	67.1	75.4	74.9	69.1	74.4	77.6	69.7

ADR								Total Month
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Jun - 15	81.20	85.38	86.27	88.39	85.99	90.90	94.04	87.54
Jul - 15	80.75	84.25	88.71	88.26	86.71	86.69	87.32	86.44
Aug - 15	83.30	90.25	93.97	93.10	88.54	85.69	87.35	89.20
Sep - 15	84.03	88.10	90.45	91.23	90.60	91.66	94.99	90.59
Oct - 15	87.53	90.26	96.03	95.92	89.57	90.93	95.11	92.45
Nov - 15	83.81	90.55	92.90	96.82	97.65	102.68	101.78	96.09
Dec - 15	86.06	88.60	89.34	90.55	92.98	95.34	94.60	91.48
Jan - 16	88.69	90.56	91.28	93.69	88.93	90.00	92.31	90.92
Feb - 16	87.14	87.84	89.79	90.77	87.11	85.16	87.51	88.03
Mar - 16	82.80	88.59	90.81	88.99	86.10	86.83	87.91	87.84
Apr - 16	85.40	90.50	93.42	92.41	90.50	94.34	93.94	92.03
May - 16	90.27	92.66	94.22	94.83	94.75	100.51	104.51	96.06
Total Year	85.09	88.91	91.36	91.93	90.08	92.05	93.68	90.74

Three Year ADR								Total Year
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Jun 13 - May 14	75.31	77.05	78.13	78.26	78.02	77.59	77.93	77.59
Jun 14 - May 15	77.48	80.70	82.74	83.15	82.56	83.72	84.27	82.36
Jun 15 - May 16	85.09	88.91	91.36	91.93	90.08	92.05	93.68	90.74
Total 3 Yr	79.60	82.63	84.53	84.84	83.82	84.69	85.62	83.91

RevPAR								Total Month
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Jun - 15	60.73	76.45	80.03	81.73	72.03	82.31	88.63	77.47
Jul - 15	51.94	71.21	84.40	80.33	66.28	77.19	75.06	72.56
Aug - 15	45.19	72.20	85.22	81.43	65.14	61.28	67.06	67.56
Sep - 15	46.27	64.08	74.74	76.08	69.56	77.16	85.88	70.87
Oct - 15	53.65	67.08	81.89	78.18	66.11	69.95	82.24	71.44
Nov - 15	33.66	52.75	69.61	81.44	83.80	91.85	84.77	69.26
Dec - 15	38.73	50.79	57.08	52.74	62.56	66.94	75.75	57.77
Jan - 16	42.62	62.96	62.40	66.23	52.62	50.15	63.48	56.71
Feb - 16	37.72	50.49	60.27	59.31	48.57	46.84	61.50	52.04
Mar - 16	41.40	64.26	73.54	67.53	56.38	65.60	68.28	62.76
Apr - 16	44.16	71.84	84.27	81.65	70.41	75.62	76.03	72.25
May - 16	58.22	72.86	84.67	87.23	84.11	94.04	101.57	82.15
Total Year	46.12	64.81	74.80	74.12	66.23	71.38	77.15	67.81

Three Year RevPAR								Total Year
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Jun 13 - May 14	33.44	45.88	52.55	52.50	49.86	54.27	55.27	49.13
Jun 14 - May 15	38.15	55.50	63.65	63.97	57.71	63.47	67.21	58.47
Jun 15 - May 16	46.12	64.81	74.80	74.12	66.23	71.38	77.15	67.81
Total 3 Yr	39.22	55.45	63.73	63.52	57.93	63.04	66.46	58.47

The STR Trend Report is a publication of STR, Inc. and STR Global, Ltd., and is intended solely for use by paid subscribers. Reproduction or distribution of the STR Trend Report, in whole or part, without written permission is prohibited and subject to legal action. If you have received this report and are NOT a subscriber to the STR Trend report, please contact us immediately. Source: 2016 STR, Inc. / STR Global, Ltd. trading as "STR".

## Tab 8 - Raw Data

LouisburgFeasibility - Wake Forest, NC Area Selected Properties  
 Job Number: 789468\_SADIM Staff: SS Created: June 27, 2016

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue		Census & Sample %		
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	Census Props	Census Rooms	% Rooms STAR Participants
Jul 11	59.5		79.78		47.44		11,408		6,784		541,247		4	368	100.0
Aug 11	58.2		81.40		47.35		11,408		6,636		540,185		4	368	100.0
Sep 11	56.4		79.37		44.78		11,040		6,229		494,422		4	368	100.0
Oct 11	59.4		78.11		46.43		11,408		6,781		529,670		4	368	100.0
Nov 11	60.0		82.75		49.69		11,040		6,629		548,543		4	368	100.0
Dec 11	48.3		75.49		36.47		11,408		5,512		416,096		4	368	100.0
Jan 12	45.8		74.53		34.16		11,408		5,229		389,715		4	368	100.0
Feb 12	53.2		73.63		39.16		10,304		5,480		403,516		4	368	100.0
Mar 12	63.4		76.48		48.46		11,408		7,229		552,879		4	368	100.0
Apr 12	66.5		75.95		50.52		11,040		7,344		557,778		4	368	100.0
May 12	71.0		77.03		54.66		11,408		8,095		623,566		4	368	100.0
Jun 12	73.5		77.57		57.01		10,950		8,048		624,282		4	365	100.0
Jul 12	62.7	5.4	77.03	-3.5	48.29	1.8	11,315	-0.8	7,093	4.6	546,354	0.9	4	365	100.0
Aug 12	63.0	8.3	75.67	-7.0	47.66	0.7	11,315	-0.8	7,127	7.4	539,308	-0.2	4	365	100.0
Sep 12	65.2	15.5	77.08	-2.9	50.25	12.2	10,950	-0.8	7,138	14.6	550,204	11.3	4	365	100.0
Oct 12	73.6	23.9	79.44	1.7	58.50	26.0	11,315	-0.8	8,332	22.9	661,923	25.0	4	365	100.0
Nov 12	66.4	10.5	81.48	-1.5	54.07	8.8	10,950	-0.8	7,266	9.6	592,017	7.9	4	365	100.0
Dec 12	50.2	4.0	76.37	1.2	38.37	5.2	11,315	-0.8	5,685	3.1	434,153	4.3	4	365	100.0
Jan 13	46.7	2.0	74.81	0.4	34.96	2.3	11,315	-0.8	5,288	1.1	395,608	1.5	4	365	100.0
Feb 13	52.4	-1.4	76.23	3.5	39.96	2.0	10,220	-0.8	5,358	-2.2	408,425	1.2	4	365	100.0
Mar 13	59.4	-6.2	76.56	0.1	45.49	-6.1	11,315	-0.8	6,724	-7.0	514,765	-6.9	4	365	100.0
Apr 13	65.2	-2.0	76.60	0.9	49.96	-1.1	10,950	-0.8	7,142	-2.8	547,049	-1.9	4	365	100.0
May 13	67.1	-5.4	78.43	1.8	52.65	-3.7	11,315	-0.8	7,596	-6.2	595,760	-4.5	4	365	100.0
Jun 13	71.3	-3.0	78.90	1.7	56.25	-1.3	10,950	0.0	7,806	-3.0	615,923	-1.3	4	365	100.0
Jul 13	62.2	-0.8	76.10	-1.2	47.34	-2.0	11,315	0.0	7,039	-0.8	535,655	-2.0	4	365	100.0
Aug 13	72.2	14.7	76.89	1.6	55.55	16.5	11,315	0.0	8,174	14.7	628,504	16.5	4	365	100.0
Sep 13	56.1	-13.9	78.04	1.2	43.78	-12.9	10,950	0.0	6,143	-13.9	479,408	-12.9	4	365	100.0
Oct 13	59.4	-19.4	77.87	-2.0	46.22	-21.0	11,315	0.0	6,716	-19.4	522,995	-21.0	4	365	100.0
Nov 13	63.2	-4.7	80.45	-1.3	50.86	-5.9	10,950	0.0	6,922	-4.7	556,876	-5.9	4	365	100.0
Dec 13	56.0	11.6	74.79	-2.1	41.92	9.3	11,315	0.0	6,342	11.6	474,331	9.3	4	365	100.0
Jan 14	52.4	12.0	73.62	-1.6	38.55	10.3	11,315	0.0	5,925	12.0	436,171	10.3	4	365	100.0
Feb 14	58.5	11.5	78.02	2.4	45.61	14.1	10,220	0.0	5,974	11.5	466,103	14.1	4	365	100.0
Mar 14	63.9	7.5	77.42	1.1	49.45	8.7	11,315	0.0	7,227	7.5	559,508	8.7	4	365	100.0
Apr 14	68.7	5.3	78.49	2.5	53.90	7.9	10,950	0.0	7,519	5.3	590,156	7.9	4	365	100.0
May 14	75.7	12.7	79.33	1.1	60.03	14.0	11,315	0.0	8,563	12.7	679,263	14.0	4	365	100.0
Jun 14	83.1	16.5	80.51	2.0	66.86	18.9	10,950	0.0	9,094	16.5	732,171	18.9	4	365	100.0
Jul 14	68.5	10.2	79.55	4.5	54.53	15.2	11,315	0.0	7,756	10.2	616,988	15.2	4	365	100.0
Aug 14	68.4	-5.3	80.12	4.2	54.81	-1.3	11,315	0.0	7,740	-5.3	620,133	-1.3	4	365	100.0
Sep 14	65.0	15.8	79.45	1.8	51.61	17.9	10,950	0.0	7,113	15.8	565,138	17.9	4	365	100.0
Oct 14	69.3	16.8	81.99	5.3	56.83	23.0	11,315	0.0	7,843	16.8	643,085	23.0	4	365	100.0
Nov 14	69.6	10.1	88.15	9.6	61.33	20.6	10,950	0.0	7,618	10.1	671,514	20.6	4	365	100.0
Dec 14	62.7	11.8	84.32	12.7	52.84	26.0	11,315	0.0	7,090	11.8	597,837	26.0	4	365	100.0
Jan 15	59.4	13.4	78.50	6.6	46.60	20.9	11,315	0.0	6,717	13.4	527,313	20.9	4	365	100.0
Feb 15	67.7	15.9	79.07	1.3	53.55	17.4	10,220	0.0	6,921	15.9	547,252	17.4	4	365	100.0
Mar 15	74.7	16.9	81.08	4.7	60.56	22.5	11,315	0.0	8,451	16.9	685,227	22.5	4	365	100.0
Apr 15	80.7	17.5	86.87	10.7	70.06	30.0	10,950	0.0	8,832	17.5	767,198	30.0	4	365	100.0
May 15	83.1	9.8	86.76	9.4	72.06	20.0	11,315	0.0	9,398	9.8	815,352	20.0	4	365	100.0
Jun 15	88.5	6.6	87.54	8.7	77.47	15.9	10,950	0.0	9,690	6.6	848,309	15.9	4	365	100.0



## Tab 8 - Raw Data

LouisburgFeasibility - Wake Forest, NC Area Selected Properties  
 Job Number: 789468\_SADIM Staff: SS Created: June 27, 2016

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue		Census & Sample %		
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	Census Props	Census Rooms	% Rooms STAR Participants
Jul 15	83.9	22.5	86.44	8.7	72.56	33.1	11,315	0.0	9,498	22.5	821,033	33.1	4	365	100.0
Aug 15	75.7	10.7	89.20	11.3	67.56	23.3	11,315	0.0	8,570	10.7	764,469	23.3	4	365	100.0
Sep 15	78.2	20.4	90.59	14.0	70.87	37.3	10,950	0.0	8,566	20.4	775,973	37.3	4	365	100.0
Oct 15	77.3	11.5	92.45	12.7	71.44	25.7	11,315	0.0	8,744	11.5	808,364	25.7	4	365	100.0
Nov 15	72.1	3.6	96.09	9.0	69.26	12.9	10,950	0.0	7,893	3.6	758,438	12.9	4	365	100.0
Dec 15	63.1	0.8	91.48	8.5	57.77	9.3	11,315	0.0	7,145	0.8	653,628	9.3	4	365	100.0
Jan 16	62.4	5.1	90.92	15.8	56.71	21.7	11,315	0.0	7,058	5.1	641,690	21.7	4	365	100.0
Feb 16	59.1	-12.7	88.03	11.3	52.04	-2.8	10,220	0.0	6,042	-12.7	531,872	-2.8	4	365	100.0
Mar 16	71.4	-4.3	87.84	8.3	62.76	3.6	11,315	0.0	8,084	-4.3	710,091	3.6	4	365	100.0
Apr 16	78.5	-2.7	92.03	5.9	72.25	3.1	10,950	0.0	8,597	-2.7	791,177	3.1	4	365	100.0
May 16	85.5	3.0	96.06	10.7	82.15	14.0	11,315	0.0	9,676	3.0	929,497	14.0	4	365	100.0

The STR Trend Report is a publication of STR, Inc. and STR Global, Ltd., and is intended solely for use by paid subscribers. Reproduction or distribution of the STR Trend Report, in whole or part, without written permission is prohibited and subject to legal action. If you have received this report and are NOT a subscriber to the STR Trend report, please contact us immediately. Source: 2016 STR, Inc. / STR Global, Ltd. trading as "STR".

## Tab 9 - Classic

LouisburgFeasibility - Wake Forest, NC Area Selected Properties  
Job Number: 789468\_SADIM Staff: SS Created: June 27, 2016

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue		Census & Sample %		
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	Census Props	Census Rooms	% Rooms STAR Participants
Jul 11	59.5		79.78		47.44		11,408		6,784		541,247		4	368	100.0
Aug 11	58.2		81.40		47.35		11,408		6,636		540,185		4	368	100.0
Sep 11	56.4		79.37		44.78		11,040		6,229		494,422		4	368	100.0
Oct 11	59.4		78.11		46.43		11,408		6,781		529,670		4	368	100.0
Nov 11	60.0		82.75		49.69		11,040		6,629		548,543		4	368	100.0
Dec 11	48.3		75.49		36.47		11,408		5,512		416,096		4	368	100.0
May YTD 2011															
Total 2011															
Jan 12	45.8		74.53		34.16		11,408		5,229		389,715		4	368	100.0
Feb 12	53.2		73.63		39.16		10,304		5,480		403,516		4	368	100.0
Mar 12	63.4		76.48		48.46		11,408		7,229		552,879		4	368	100.0
Apr 12	66.5		75.95		50.52		11,040		7,344		557,778		4	368	100.0
May 12	71.0		77.03		54.66		11,408		8,095		623,566		4	368	100.0
Jun 12	73.5		77.57		57.01		10,950		8,048		624,282		4	365	100.0
Jul 12	62.7	5.4	77.03	-3.5	48.29	1.8	11,315	-0.8	7,093	4.6	546,354	0.9	4	365	100.0
Aug 12	63.0	8.3	75.67	-7.0	47.66	0.7	11,315	-0.8	7,127	7.4	539,308	-0.2	4	365	100.0
Sep 12	65.2	15.5	77.08	-2.9	50.25	12.2	10,950	-0.8	7,138	14.6	550,204	11.3	4	365	100.0
Oct 12	73.6	23.9	79.44	1.7	58.50	26.0	11,315	-0.8	8,332	22.9	661,923	25.0	4	365	100.0
Nov 12	66.4	10.5	81.48	-1.5	54.07	8.8	10,950	-0.8	7,266	9.6	592,017	7.9	4	365	100.0
Dec 12	50.2	4.0	76.37	1.2	38.37	5.2	11,315	-0.8	5,685	3.1	434,153	4.3	4	365	100.0
May YTD 2012	60.1		75.72		45.48		55,568		33,377		2,527,454				
Total 2012	62.9		77.03		48.44		133,678		84,066		6,475,695				
Jan 13	46.7	2.0	74.81	0.4	34.96	2.3	11,315	-0.8	5,288	1.1	395,608	1.5	4	365	100.0
Feb 13	52.4	-1.4	76.23	3.5	39.96	2.0	10,220	-0.8	5,358	-2.2	408,425	1.2	4	365	100.0
Mar 13	59.4	-6.2	76.56	0.1	45.49	-6.1	11,315	-0.8	6,724	-7.0	514,765	-6.9	4	365	100.0
Apr 13	65.2	-2.0	76.60	0.9	49.96	-1.1	10,950	-0.8	7,142	-2.8	547,049	-1.9	4	365	100.0
May 13	67.1	-5.4	78.43	1.8	52.65	-3.7	11,315	-0.8	7,596	-6.2	595,760	-4.5	4	365	100.0
Jun 13	71.3	-3.0	78.90	1.7	56.25	-1.3	10,950	0.0	7,806	-3.0	615,923	-1.3	4	365	100.0
Jul 13	62.2	-0.8	76.10	-1.2	47.34	-2.0	11,315	0.0	7,039	-0.8	535,655	-2.0	4	365	100.0
Aug 13	72.2	14.7	76.89	1.6	55.55	16.5	11,315	0.0	8,174	14.7	628,504	16.5	4	365	100.0
Sep 13	56.1	-13.9	78.04	1.2	43.78	-12.9	10,950	0.0	6,143	-13.9	479,408	-12.9	4	365	100.0
Oct 13	59.4	-19.4	77.87	-2.0	46.22	-21.0	11,315	0.0	6,716	-19.4	522,995	-21.0	4	365	100.0
Nov 13	63.2	-4.7	80.45	-1.3	50.86	-5.9	10,950	0.0	6,922	-4.7	556,876	-5.9	4	365	100.0
Dec 13	56.0	11.6	74.79	-2.1	41.92	9.3	11,315	0.0	6,342	11.6	474,331	9.3	4	365	100.0
May YTD 2013	58.3	-3.0	76.67	1.2	44.66	-1.8	55,115	-0.8	32,108	-3.8	2,461,607	-2.6			
Total 2013	61.0	-3.0	77.23	0.3	47.10	-2.8	133,225	-0.3	81,250	-3.3	6,275,299	-3.1			
Jan 14	52.4	12.0	73.62	-1.6	38.55	10.3	11,315	0.0	5,925	12.0	436,171	10.3	4	365	100.0
Feb 14	58.5	11.5	78.02	2.4	45.61	14.1	10,220	0.0	5,974	11.5	466,103	14.1	4	365	100.0
Mar 14	63.9	7.5	77.42	1.1	49.45	8.7	11,315	0.0	7,227	7.5	559,508	8.7	4	365	100.0
Apr 14	68.7	5.3	78.49	2.5	53.90	7.9	10,950	0.0	7,519	5.3	590,156	7.9	4	365	100.0
May 14	75.7	12.7	79.33	1.1	60.03	14.0	11,315	0.0	8,563	12.7	679,263	14.0	4	365	100.0
Jun 14	83.1	16.5	80.51	2.0	66.86	18.9	10,950	0.0	9,094	16.5	732,171	18.9	4	365	100.0
Jul 14	68.5	10.2	79.55	4.5	54.53	15.2	11,315	0.0	7,756	10.2	616,988	15.2	4	365	100.0
Aug 14	68.4	-5.3	80.12	4.2	54.81	-1.3	11,315	0.0	7,740	-5.3	620,133	-1.3	4	365	100.0
Sep 14	65.0	15.8	79.45	1.8	51.61	17.9	10,950	0.0	7,113	15.8	565,138	17.9	4	365	100.0
Oct 14	69.3	16.8	81.99	5.3	56.83	23.0	11,315	0.0	7,843	16.8	643,085	23.0	4	365	100.0
Nov 14	69.6	10.1	88.15	9.6	61.33	20.6	10,950	0.0	7,618	10.1	671,514	20.6	4	365	100.0
Dec 14	62.7	11.8	84.32	12.7	52.84	26.0	11,315	0.0	7,090	11.8	597,837	26.0	4	365	100.0
May YTD 2014	63.9	9.7	77.57	1.2	49.55	11.0	55,115	0.0	35,208	9.7	2,731,201	11.0			
Total 2014	67.2	10.1	80.24	3.9	53.88	14.4	133,225	0.0	89,462	10.1	7,178,067	14.4			
Jan 15	59.4	13.4	78.50	6.6	46.60	20.9	11,315	0.0	6,717	13.4	527,313	20.9	4	365	100.0
Feb 15	67.7	15.9	79.07	1.3	53.55	17.4	10,220	0.0	6,921	15.9	547,252	17.4	4	365	100.0

## Tab 9 - Classic

LouisburgFeasibility - Wake Forest, NC Area Selected Properties  
Job Number: 789468\_SADIM Staff: SS Created: June 27, 2016

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue		Census & Sample %		
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	Census Props	Census Rooms	% Rooms STAR Participants
Mar 15	74.7	16.9	81.08	4.7	60.56	22.5	11,315	0.0	8,451	16.9	685,227	22.5	4	365	100.0
Apr 15	80.7	17.5	86.87	10.7	70.06	30.0	10,950	0.0	8,832	17.5	767,198	30.0	4	365	100.0
May 15	83.1	9.8	86.76	9.4	72.06	20.0	11,315	0.0	9,398	9.8	815,352	20.0	4	365	100.0
Jun 15	88.5	6.6	87.54	8.7	77.47	15.9	10,950	0.0	9,690	6.6	848,309	15.9	4	365	100.0
Jul 15	83.9	22.5	86.44	8.7	72.56	33.1	11,315	0.0	9,498	22.5	821,033	33.1	4	365	100.0
Aug 15	75.7	10.7	89.20	11.3	67.56	23.3	11,315	0.0	8,570	10.7	764,469	23.3	4	365	100.0
Sep 15	78.2	20.4	90.59	14.0	70.87	37.3	10,950	0.0	8,566	20.4	775,973	37.3	4	365	100.0
Oct 15	77.3	11.5	92.45	12.7	71.44	25.7	11,315	0.0	8,744	11.5	808,364	25.7	4	365	100.0
Nov 15	72.1	3.6	96.09	9.0	69.26	12.9	10,950	0.0	7,893	3.6	758,438	12.9	4	365	100.0
Dec 15	63.1	0.8	91.48	8.5	57.77	9.3	11,315	0.0	7,145	0.8	653,628	9.3	4	365	100.0
May YTD 2015	73.2	14.5	82.90	6.9	60.64	22.4	55,115	0.0	40,319	14.5	3,342,342	22.4			
Total 2015	75.4	12.3	87.35	8.9	65.85	22.2	133,225	0.0	100,425	12.3	8,772,556	22.2			
Jan 16	62.4	5.1	90.92	15.8	56.71	21.7	11,315	0.0	7,058	5.1	641,690	21.7	4	365	100.0
Feb 16	59.1	-12.7	88.03	11.3	52.04	-2.8	10,220	0.0	6,042	-12.7	531,872	-2.8	4	365	100.0
Mar 16	71.4	-4.3	87.84	8.3	62.76	3.6	11,315	0.0	8,084	-4.3	710,091	3.6	4	365	100.0
Apr 16	78.5	-2.7	92.03	5.9	72.25	3.1	10,950	0.0	8,597	-2.7	791,177	3.1	4	365	100.0
May 16	85.5	3.0	96.06	10.7	82.15	14.0	11,315	0.0	9,676	3.0	929,497	14.0	4	365	100.0
May YTD 2016	71.6	-2.1	91.35	10.2	65.40	7.8	55,115	0.0	39,457	-2.1	3,604,327	7.8			

The STR Trend Report is a publication of STR, Inc. and STR Global, Ltd., and is intended solely for use by paid subscribers. Reproduction or distribution of the STR Trend Report, in whole or part, without written permission is prohibited and subject to legal action. If you have received this report and are NOT a subscriber to the STR Trend report, please contact us immediately. Source: 2016 STR, Inc. / STR Global, Ltd. trading as "STR".

Tab 10 - Response Report

LouisburgFeasibility - Wake Forest, NC Area Selected Properties  
Job Number: 789468\_SADIM Staff: SS Created: June 27, 2016

									2014												2015												2016																				
STR Code	Name of Establishment	City & State	Zip Code	Class	Aff Date	Open Date	Rooms	Chg in Rms	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D									
61188	Candlewood Suites Wake Forest Raleigh Area	Wake Forest, NC	27587	Midscale Class	Jun 2011	Jun 2011	81	Y	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•				
38844	Sleep Inn Wake Forest	Wake Forest, NC	27587	Midscale Class	Aug 1999	Aug 1999	80		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•			
29825	Hampton Inn Raleigh Town Of Wake Forest	Wake Forest, NC	27587	Upper Midscale Class	Feb 1994	Feb 1994	110		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•		
46075	Holiday Inn Express & Suites Raleigh North Wake Forest	Raleigh, NC	27614	Upper Midscale Class	Nov 2002	Nov 2002	94		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
				Total Properties:			4		365	<div>○ - Monthly data received by STR</div> <div>• - Monthly and daily data received by STR</div> <div>Blank - No data received by STR</div> <div>Y - (Chg in Rms) Property has experienced a room addition or drop during the time period of the report.</div>																																											

The STR Trend Report is a publication of STR, Inc. and STR Global, Ltd., and is intended solely for use by paid subscribers. Reproduction or distribution of the STR Trend Report, in whole or part, without written permission is prohibited and subject to legal action. If you have received this report and are NOT a subscriber to the STR Trend report, please contact us immediately. Source: 2016 STR, Inc. / STR Global, Ltd. trading as "STR".

## **QUALIFICATIONS OF CONSULTANTS**

# **Michael P. Cummings, MAI, ISHC**

Principal, Hotel and Club Associates

999 Waterside Drive, Suite 1200

Norfolk, Virginia 23510

Tel: 757.623.1400

Fax: 757.623.8811

[mcummings@hotelandclub.com](mailto:mcummings@hotelandclub.com)

Michael Cummings, MAI joined the company in 1999 and is currently the principal and managing director of the Norfolk office for Hotel and Club Associates. This national company offers market studies, feasibility studies, appraisals, investment analysis and counseling for golf and country clubs, existing and proposed hotels, resorts, and mixed-use real estate developments.

## **EDUCATION:**

### **Old Dominion University**

Bachelor of Science Business Administration Finance

### **Cornell University - School of Hotel Administration**

Advanced Hotel Investments

## **Appraisal Institute Courses:**

- Exam 1 A-1, Real Estate Appraisal Principals
- Exam 1 B-A, Capitalization Theory and Techniques
- Course 120, Appraisal Procedures
- Course 310, Basic Income Capitalization
- Course 400, National USPAP Update
- Course 410, Standards of Professionals Practice, Part A
- Course 420, Standards of Professional Practice, Part B
- Course 420, Business Practices and Ethics
- Course 430, Standards of Professional Practice, Part C
- Course 430BDM: Appraisal Curriculum Overview
- Course 510, Advance Income Capitalization
- Course 550, Advance Applications
- Course 540, Report Writing and Valuation Analysis
- Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets

## **Seminars:**

- Construction Details & Trends
- Standards & Ethics for Professionals-USPAP
- Land & Site Valuation
- Foundations in Sustainability: Greening the Real Estate & Appraisal Industries
- Ad Valorem Tax Consultation
- Online Analyzing Operating Expenses
- Local Builders Cost Seminar
- Appraising Distressed Commercial Real Estate
- Appraising Troubled Properties
- The Internet and Appraising
- Small Hotel/Motel Valuation
- Real Estate Disclosure

## **Michael P. Cummings, MAI, ISHC**

Principal, Hotel and Club Associates

999 Waterside Drive, Suite 1200

Norfolk, Virginia 23510

Tel: 757.623.1400

Fax: 757.623.8811

[mcummings@hotelandclub.com](mailto:mcummings@hotelandclub.com)

### **Seminars (continued):**

- The Appraiser as an Expert Witness
- Comprehensive Appraisal Workshop
- Condemnation Valuation
- Appraising Distressed Property: Here We Go Again
- Forecasting Revenue
- Evaluating Commercial Construction
- Standards & Ethics for Professionals-7 Hour USPAP Update Course
- Uniform Appraisal Standards for Federal Land Acquisitions
- Introducing Valuation for Financial Reporting

### **MEMBERSHIPS/LICENSES:**

- MAI, Member Appraisal Institute ( Certificate #11794)
- International Society of Hospitality Consultants
- Member of Hampton Roads Chapter Appraisal Institute
- Licensed Certified General Real Estate Appraiser in the States of:  
AL, AR, AZ, CA, CO, DE, GA, IL, IA, LA, MD, MI, MS, MO,  
NC, NY, OH, PA, SC, TN, TX, VA, WV, DC.

### **PROFESSIONAL ACTIVITIES:**

#### **Appraisal Institute**

- Associates Member Guidance Subcommittee-National 2002, 2003
- Board of Directors- Hampton Roads Chapter 2005-2008
- President-Hampton Roads Chapter 2009
- Leadership Development and Advisory Council 2003, 2005-2006
- Discussion Leader – LDAC 2007
- Admissions and Designation Qualifications Committee- Committee Member 2008-2010
- Vice-Chair- Admissions and Designation Qualifications Committee -2011
- Education Committee 2012-2013
- Demonstration Report Grader
- E-Demo Advisor

**J. Richard Keegan, MBA**  
Associate Appraiser, Hotel and Club Associates  
999 Waterside Drive, Suite 1200  
Norfolk, Virginia 23510  
**V: 757.623.1400; D: 407.402.9042; F: 757.623.8811**  
**E: jrkeegan@hotelandclub.com**

J. Richard Keegan joined Hotel and Club Associates in 2011. This national company offers market studies, feasibility studies, appraisals, investment analysis and consulting services for existing and proposed hotels and resorts, golf and country clubs, and mixed-use real estate developments.

## **EDUCATION**

### **University of Wisconsin**

Master of Business Administration Degree  
Bachelor of Arts Degree

### **Appraisal Courses Completed**

- Basic Appraisal Principles
- Basic Appraisal Procedures
- Better Safe Than Sorry
- Business Practices & Ethics
- Florida Law and Rules
- FHA Property Analysis
- General Appraiser Income Approach I
- General Appraiser Income Approach II
- General Market Analysis and Highest & Best Use
- General Report Writing & Case Studies
- General Sales Comparison Approach
- General Site Valuation & Cost Approach
- Golf Course Property Valuation
- How to Systemize Your Appraisal Business
- Real Estate Statistics, Modeling and Finance
- Residential Sales Comparison & Income Approach
- Uniform Standards of Professional Appraisal Practice (USPAP)
- Valuation by Comparison

## **LICENSES & MEMBERSHIPS**

- Certified General Real Estate Appraiser licensed in the states of Florida and Virginia
- Practicing Affiliate, Appraisal Institute
- Member, East Florida Chapter of the Appraisal Institute

## **PROFESSIONAL HISTORY**

### **Hotel & Club Associates – Norfolk, Virginia**

*Associate Appraiser February 2011 – Present*

- Perform complex valuations for existing and proposed hotel and resort properties
- Perform market analyses and feasibility studies for hotel and resort developments
- Perform valuations of income-producing properties, specifically hotels, resorts and restaurants

### **Shamrock Capital Associates – Lake Mary, Florida**

*Financial Consultant & Licensed Mortgage Broker: 2005 – 2011*

- Arranged hotel debt and equity financing; prepared investment and underwriting packages
- Analyzed market forecasts, cash flow projections, rates of return and debt servicing capabilities

### **Sun Development & Management Corporation – Indianapolis, Indiana**

*Executive Vice President – Acquisitions & Development: 2001 – 2005*

- Directed hotel acquisitions and development