

**HOTEL MARKET ANALYSIS
AND FEASIBILITY STUDY
FOR THE CITY OF MORGANTON
BURKE COUNTY, NORTH CAROLINA 28655**

FOR:

**MS. BRENDA DANIELS
MANAGER, ECONOMIC DEVELOPMENT
ELECTRICITIES OF NORTH CAROLINA, INC
1427 MEADOW WOOD BOULEVARD
RALEIGH, NC 27604**

DATE OF REPORT: OCTOBER 31, 2013

BY:

**WILLIAMS APPRAISERS INC.
POST OFFICE BOX 33786
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PREPARED BY:

**JOHN M. MCBRAYER
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REGISTERED APPRAISER TRAINEE NC #T5308**

File # C13322

October 31, 2013

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

Re: Hotel Market Analysis and Feasibility Study for the City of Morganton, Burke County, NC
28655

Dear Ms. Daniels,

In response to your engagement letter dated September 30, 2013, we have performed a market analysis and have determined the feasibility of developing a lodging facility within the jurisdiction of the City of Morganton, Burke County, North Carolina.

The client and intended user of this report is Ms. Brenda Daniels of ElectriCities of North Carolina, Inc., and assigns. The purpose of this report is to provide an opinion of the market analysis and feasibility of developing a lodging facility within the jurisdiction of the town. This report is based on market occupancies and the prevailing economic conditions observed on October 31, 2013, the effective date of the report. It is our understanding that the intended use of this report is for internal decision-making and planning purposes by the City of Morganton.

The City of Morganton is located in central Burke County, approximately 55 miles east of Asheville and 20 miles west of the City of Hickory, in western North Carolina. Economic development in the region is influenced by the social, economic, governmental and environmental characteristics of the Hickory-Lenoir-Morganton Metropolitan Statistical Area. Situated adjacent to Interstate 40, the City enjoys good regional access.

Although the area is traditionally known for its textile and furniture manufacturing, the Burke County workforce is transitioning to a diversified mix of employers from several different sectors, with government, professional services, health services, and manufacturing being the most significant sectors. Burke County and the City of Morganton have continued to experience relative economic stability over the past years despite periodic national and local economic downturns.



The 18.2 square mile city is the County Seat, has a historic downtown district and Interstate 40 runs along the south boundary of the City. Since the interstate opened in 1957, the majority of new development in the City has been near the interstate capitalizing on the 97,000+ vehicles a day traveling through the on the Interstate on a daily basis. The city population as of 2013 is estimated at approximately 17,000 and the community supports restaurants, retail stores, and a stable central business district with retail and office uses.

We also note that Morganton is well located in respect to its proximity to other communities along the Interstate 40 corridor. Located approximately 20 miles west of the City of Marion and 20 miles east of the City of Hickory, the City of Morganton is the only moderately sized municipality for this 40 mile stretch along the interstate. Morganton is currently home to several economy and midscale hotels, which primarily cater to the I-40 travelers, though there appears to be significant local demand generators including multiple day festivals and events as well as a lack of accommodations nearby for guests attending other events in the area. During our research, especially in our conversations with local leaders, it was determined that the Hampton Inn is the hotel in the community that is considered most acceptable for the majority of guests traveling for business or guests seeking mid-level accommodations. This hotel is discussed further in this report and is included in the market survey of competitive properties. Consequently, the City of Morganton and the competitive area appears to have unsatisfied demand.

In collecting the data necessary to form an opinion of feasibility, the appraisers have personally examined the national, state and local market economics for such a facility, including existing and proposed supply of hotels, as well as local and regional demand generators. Market data from other hotel properties on a national basis and within the subject's competitive market is obtained both from the appraiser's own primary research within the local market and from both *Price Waterhouse Coopers' Hospitality and Leisure Group* and *Smith Travel Research*, a Nashville, Tennessee firm specializing in providing market information for hotel/motel properties. We have also reviewed regional and national hotel operating data published in the most recent *TRENDS in the Hotel Industry-2012*, published by PKF Consulting.

During the course of our investigation we collected data on numerous regional lodging facilities, which constitute lodging supply within an approximate thirty mile radius of Morganton. We subsequently analyzed and narrowed our selection of properties and supply generators to those we felt were most applicable to our market analysis and feasibility study.

In analyzing the data, we have focused on the hotels considered most competitive with a proposed hotel in the market and have analyzed occupancy rates, average daily rates (ADR), amenities, market segmentation, and competitive indices. We have reported the results of our analyses in the form of a narrative report.

Please note that the value opinions expressed in this report have been developed within the context of the following extraordinary assumptions.

Financial Analysis

Our report does not attempt to analyze potential room revenues, either gross or net, for a hypothetical hotel facility. It is beyond the scope of this assignment to generate cash flow projections for such a property. Feasibility is determined as it relates to relative level of occupancy achieved by the proposed hotel property only. We have estimated a market room rate for the subject based upon those achieved by competing facilities. If cash flow projections are desired, we recommend that the client obtain our services or those of other competent hospitality consultants as an additional assignment.

Site Selection

As of the date of this report no specific site has been reserved for development of a hotel facility. Therefore, we make the reasonable assumption that a site of adequate size, with suitable access and visibility characteristics is available within the jurisdiction of the town and that all publicly provided utilities will be available to such a site. While we make no recommendation of site and site selection the consultants believe careful selection of a site is vital to feasibility and integration with the town and its business environs.

Subject to the conditions and explanations contained in the following report, and based on our analysis of the market, together with our experience performing similar market studies, we have arrived at the following conclusion.

As of the date of this report, October 31, 2013, it is our opinion that a hotel facility within the jurisdiction of Morganton, NC is feasible provided a development and construction period of 12 to 24 months.

**80 to 90 ROOM, LIMITED SERVICE, FLAG HOTEL
ESTIMATED AVERAGE DAILY RATE (ADR) RANGE: \$90.00 to \$100.00**

The following report presents the data, analyses and other materials that give support to our conclusions. Within the report we provide a definition of *Market Share*, *Demand Generator*, *Competitive Index*, and other hotel-specific terms used.

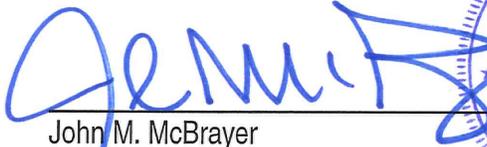
Please note that our opinions are not based on a requested conclusion and are not meant to infer a market value of a specific lodging facility. We recommend that any party interested in developing a lodging facility within the specified market area seek the services of a Certified General Appraiser who is knowledgeable of the regional market and is competent to conduct a valuation of a proposed hotel property.

Though an opinion of value is not a component of this assignment, the analysis, opinions and conclusions, where applicable, were developed and this consulting report has been prepared in conformance with (and the use of this report is subject to) all regulations issued under the Uniform Standards of Professional Appraisal Practice (USPAP) 2012 Edition as promulgated by the Appraisal Standards Board of the Appraisal Foundation in Washington DC.

This letter of transmittal precedes our full narrative consulting report, further describing the market and containing the reasoning and most pertinent data leading our final conclusions. Your attention is directed to the "Certificate of Appraisal", "Hypothetical Conditions", "Extraordinary Assumptions", "General Assumptions", and "General Limiting Conditions" which are considered usual for this type of assignment and have been included within the text of this report.

It was a pleasure preparing this consulting report for you. Please contact us if you have unanswered questions regarding our report or if we can be of further assistance in the interpretation of our findings and opinions.

Respectfully Submitted,


John M. McBrayer
Certified General Appraiser NC #A5723




Robert A. Maceda
Registered Appraiser Trainee NC #T5308

CERTIFICATE OF APPRAISAL

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and our personal, impartial, and unbiased professional analyses.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement of this assignment was not contingent upon developing or reporting predetermined results.
- 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 appraisal.
- In accordance with the Conduct Section of the Ethics Rule within the Uniform Standards of Professional Appraisal Practice (USPAP), the appraiser has disclosed to the client any services regarding the subject property performed by the appraiser within the three year period immediately preceding the acceptance of the assignment. In the case of the subject property, the appraiser has not performed any services applicable to the subject within the preceding three years.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) 2012 Edition as promulgated by the Appraisal Standards Board of the Appraisal Foundation in Washington DC and in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, John McBrayer and Robert A. Maceda have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.



Robert A. Maceda
Registered Appraiser Trainee NC #T5308



John M. McBrayer
Certified General Appraiser NC #A5723



INTRODUCTION

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EXECUTIVE SUMMARY OF SALIENT FACTS

File Number:	C13322
Location of Market:	The subject market is defined as those primary competing flag hotels generally within a 20-mile radius of the City of Morganton, Burke County, North Carolina.
Street Address:	No Specific Site Has Been Identified
Type of Property:	Lodging Facility
Purpose of Report:	Market Study and Feasibility Analysis
Date of Report:	October 31, 2013
Hotel Size/Type Indicated:	80 to 90 ROOM, LIMITED SERVICE, FLAG HOTEL
ADR Range:	\$90.00 to \$100.00

DEFINITIONS

Source: Hotels & Motels Valuations and Market Studies by Stephen Rushmore, MAI and Erich Baum, Copyright 2001, The Appraisal Institute. Hotel/Motel Valuation and Investment Seminar, Glossary, Author – Stephen Rushmore, MAI.

Actual Market Share

The percentage share of the total hotel room night demand actually captured by a particular hotel. The actual market share for an individual hotel is calculated by dividing the number of room nights captured by the total number of room nights in the market.

Average Rate

The weighted average of rooms sold at the various stated rates, such as commercial, group, or tourist. It is calculated by dividing the property's gross rooms revenue by the number of rooms occupied by the number of for a given period of time. When calculated on a daily basis, it is known as Average Daily Rate (ADR).

Base Year

The year that serves as a benchmark for all future projections. The base year is generally the last calendar year completed before fieldwork begins.

Competitive Index

A number that reflects the relative competitiveness of a hotel. The competitive index of a hotel is calculated by dividing the number of room nights accommodated within a particular market segment by the property's room count. The result is the number of days per year that a guest room is actually occupied by a specific type of traveler. By comparing the competitive indexes of several hotels, an appraiser can evaluate the competitiveness of each property.

Demand Generator

Anything that creates or attracts hotel room night demand. Some examples of demand generators may include office parks, convention centers, scenic attractions, shopping malls, regional hospitals, sporting events, universities, military bases, airports, and convenient stopping points along a highway.

Fair Market Share (Market Share)

A hotel's average percentage share of the total area's room night demand. Fair market share is calculated by dividing a hotel's rooms count by the total number of competitive rooms in the market. This benchmark is used to determine whether a property is capturing more or less than its appropriate share of total market demand.

Hotel Unit

The smallest rentable accommodation that provides a guest with a bedroom, a bathroom, and lockable access to a public corridor or the exterior of the facility. A hotel unit is also referred to as a *room* or a *key*.

Penetration

The percentage relationship between the market share of a hotel and its fair share. When a hotel is capturing more than its average market share, the penetration is greater than 100 percent.

Room Night

A unit of hotel demand representing one hotel room occupied by one or more people for one night. A family of four occupying a hotel room for one night is considered one room night. That same family of four occupying two hotel rooms for one night is considered two room nights.

Unaccommodated Demand

The portion of latent hotel room night demand that cannot be accommodated in the market area because there are not sufficient new hotel rooms available to absorb it. Unless new hotel rooms are introduced into the market area, latent demand will remain unaccommodatable.

EXTRAORDINARY ASSUMPTIONS

This report has been made with the following extraordinary assumptions. *We caution the reader that our analysis is based on information available at the time of engagement and changes to our assumptions may significantly affect our conclusions of value.*

Financial Analysis

Our report does not attempt to analyze potential room revenues, either gross or net, for a hypothetical hotel facility. It is beyond the scope of this assignment to generate cash flow projections for such a property. Feasibility is determined as it relates to relative level of occupancy achieved by the proposed hotel property only. We have estimated a market room rate for the subject based upon those achieved by competing facilities. If cash flow projections are desired, we recommend that the client obtain our services or those of other competent hospitality consultants as an additional assignment.

Site Selection

As of the date of this report no specific site has been reserved for development of a hotel facility. Therefore, we make the reasonable assumption that a site of adequate size, with suitable access and visibility characteristics is available within the jurisdiction of the Town and that all publicly provided utilities will be available to such a site. While we make no recommendation of site and site selection the consultants believe careful selection of a site is vital to feasibility and integration with the town and its business environs.

Addressee

This report is addressed to Brenda Daniels, of ElectriCities of North Carolina, Inc., and assigns.

Special conditions of the report include our agreement that it may be relied upon by Ms. Daniels in decision-making. Please note however, that, in the absence of a written update specifically signed with original signatures and delivered by the undersigned appraiser, the report refers to conditions prevailing as of the effective date of the report.

HYPOTHETICAL CONDITIONS

There are no hypothetical conditions affecting our analysis of the subject property.

GENERAL ASSUMPTIONS

This appraisal report has been made with the following general assumptions:

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.
9. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in this report.
10. It is assumed that all required licenses, certificates of occupancy, consents and other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contained in this report is based.

11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on the or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

12. The appraiser is not a land surveyor, nor an expert in flood zone determination. While general information relating to flood zones is included in our report for informative purposes, no formal determination is made of flood zone hazards as they affect the subject property.

Although our value estimate is predicated on a general overview of the FEMA FIRM Maps, the relative scale and detail of these maps is not sufficiently precise for us, as appraisers, to give a certified opinion about flood conditions. No responsibility is assumed, therefore for the presence or absence of such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

GENERAL LIMITING CONDITIONS

This appraisal report has been made with the following general limiting conditions:

1. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication.
3. The appraiser, by reason of this appraisal, is not required to provide further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.
4. If oral testimony is required at any time, a summary of the oral report will be placed on the workfile within a reasonable time after the issuance of the oral report, in compliance USPAP Standard Rules 2-2 (b) and 2-4, and with the Record-Keeping Section (Page 9) of the USPAP Ethics Rule.
5. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
6. No significant change is assumed in the supply and demand patterns indicated in the report. The study assumes market conditions as observed as of the current date of our market research stated in the letter of transmittal. These market conditions are believed to be correct; however, the consultants assume no liability should market conditions materially change because of unusual or unforeseen circumstances.
7. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. In the case of improved property, we will not be responsible for conducting a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not 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 have not considered possible non-compliance with the requirements of ADA in estimating the value of the property.

OVERVIEW OF CONSULTING ASSIGNMENT

PURPOSE OF CONSULTING ASSIGNMENT

The purpose of this consulting assignment is to provide a market analysis and an estimate as to the feasibility of developing a hotel facility within the jurisdiction of the City of Morganton in Burke County, NC.

CLIENT AND INTENDED USERS

The intended users of this report are Ms. Brenda Daniels, of Electricities of North Carolina, Inc., and assigns. Use of this report by others is not the intent of the appraiser.

INTENDED USE

The intended use of this report is for internal decision-making and planning purposes by the City of Morganton.

EFFECTIVE DATE OF THE REPORT

This report is based on market occupancies and the prevailing economic conditions observed on October 31, 2013, the effective date of the report.

DATE OF THE REPORT

The date of this report is October 31, 2013.

FORM OF THE REPORT

Though an opinion of value is not a component of this assignment, the analysis, opinions and conclusions, where applicable, were developed and this consulting report has been prepared in conformance with (and the use of this report is subject to) all regulations issued under the Uniform Standards of Professional Appraisal Practice (USPAP 2012 Edition) promulgated by the Appraisal Standards Board of the Appraisal Foundation in Washington D.C.

SCOPE OF ASSIGNMENT

In collecting the data necessary to form an opinion of feasibility, the appraisers have personally examined the national, state and local market economics for such a facility, including existing and proposed supply of hotels, as well as local and regional demand generators. Market data from other hotel properties on a national basis and within the subject's competitive market is obtained both from the appraiser's own primary research within the local market and from both *Price Waterhouse Coopers' Hospitality and Leisure Group* and *Smith Travel Research*, a Nashville, Tennessee firm specializing in providing market information for hotel/motel properties. We have also reviewed regional and national hotel operating data published in the most recent *TRENDS in the Hotel Industry 2012*, published by PKF Consulting.

In analyzing the data, we have focused on the hotels considered most competitive with a proposed hotel in the market and have analyzed occupancy rates, average daily rates (ADR), amenities, market segmentation, and competitive indices. We have reported the results of our analyses in the form of a narrative report.

COMPETENCY OF CONSULTANTS

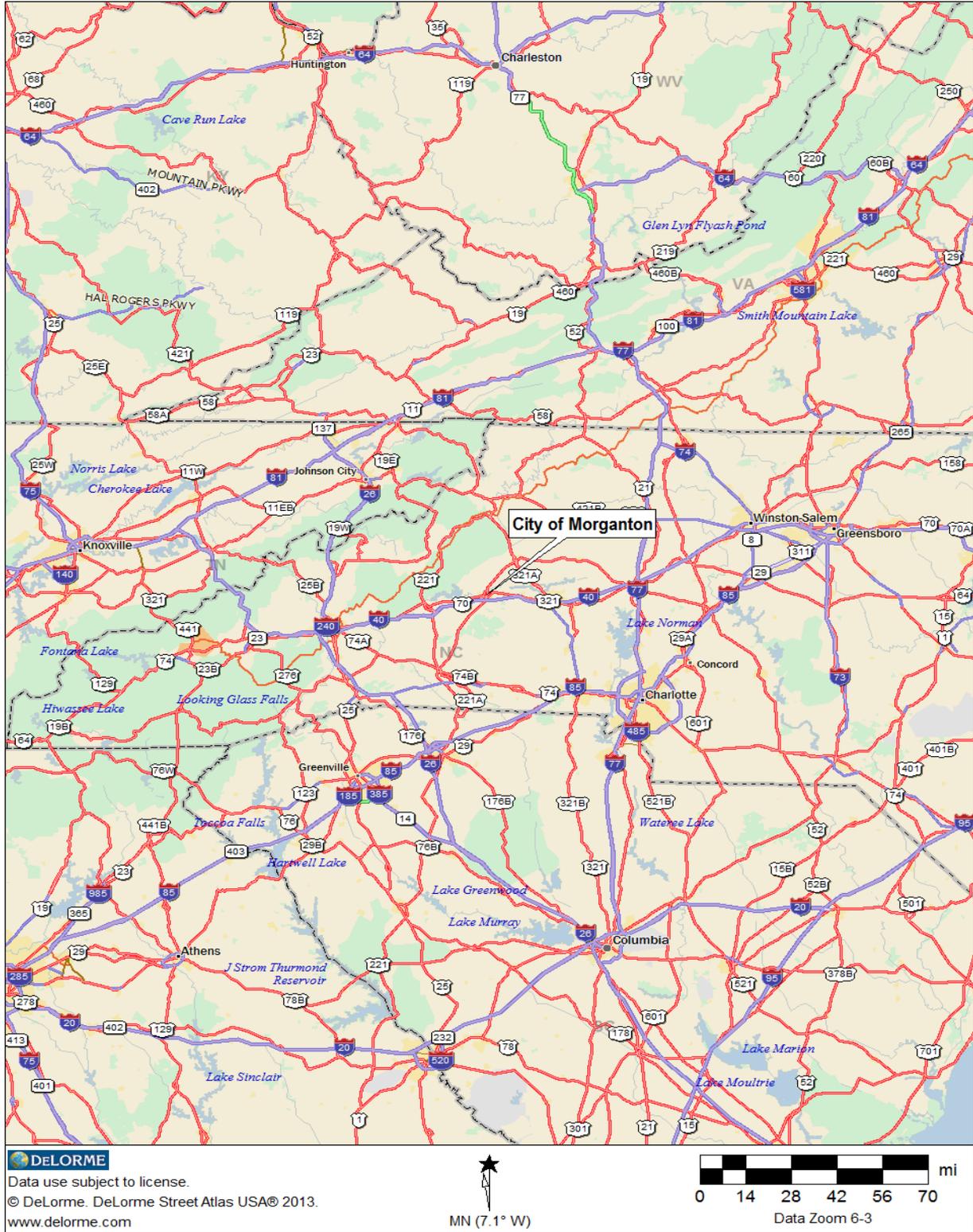
The consultants' specific qualifications are included within the Addenda to the report. These qualifications serve as evidence of our competence for the completion of this consulting assignment in compliance with the *Competency Provision* contained within the Uniform Standards of Professional Appraisal Practice, as promulgated by the Appraisal Standards Board of the Appraisal Foundation. The consultants' knowledge and experience, combined with their professional qualifications, are commensurate with the complexity of this assignment, based on the following:

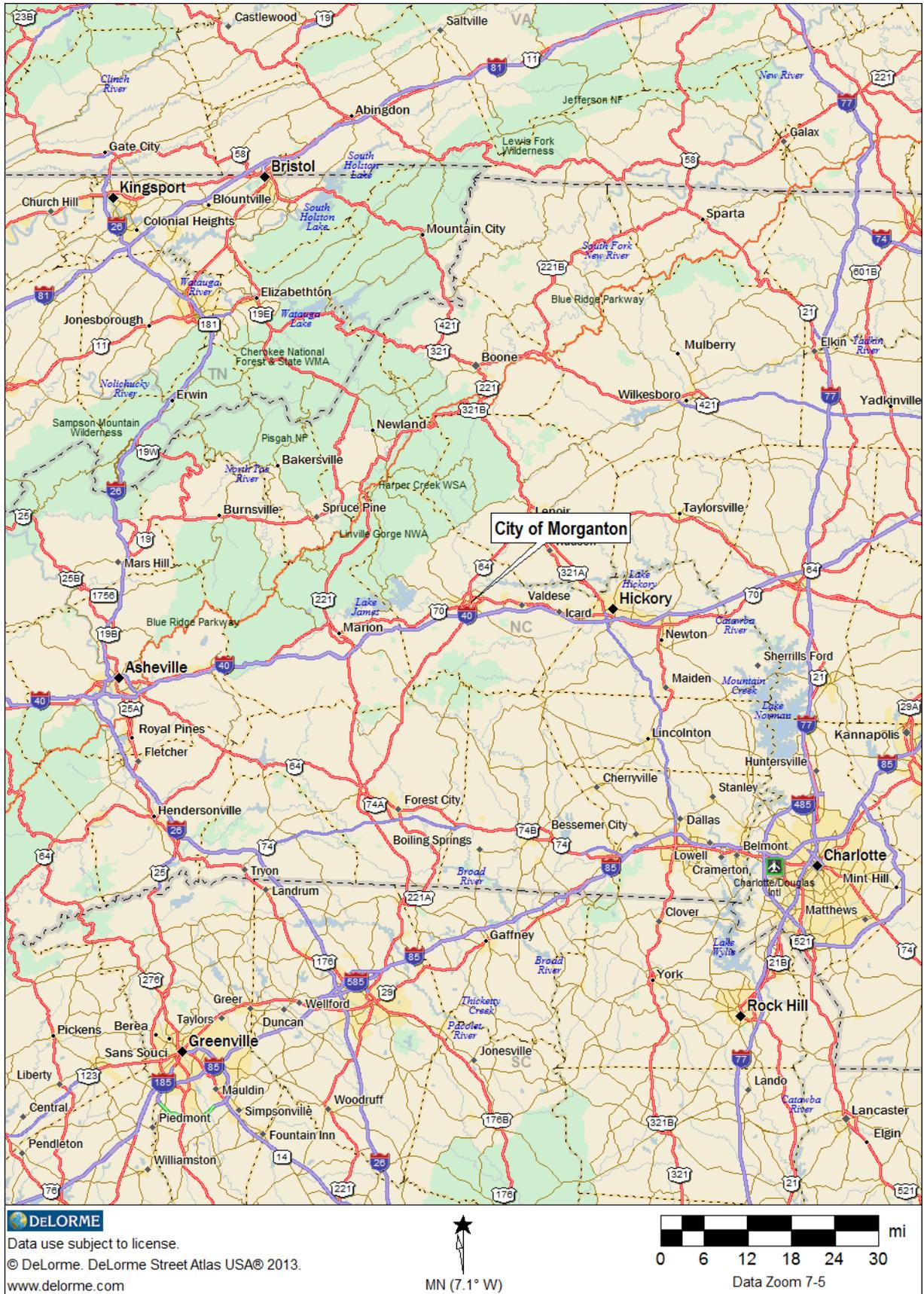
- Professional experience
- Educational background and training
- Business, professional, academic affiliations and activities

The consultants have previously provided consultation and value estimates for properties of this type throughout the region.

GEOGRAPHIC MARKET ANALYSIS

SUBJECT REGIONAL MAPS





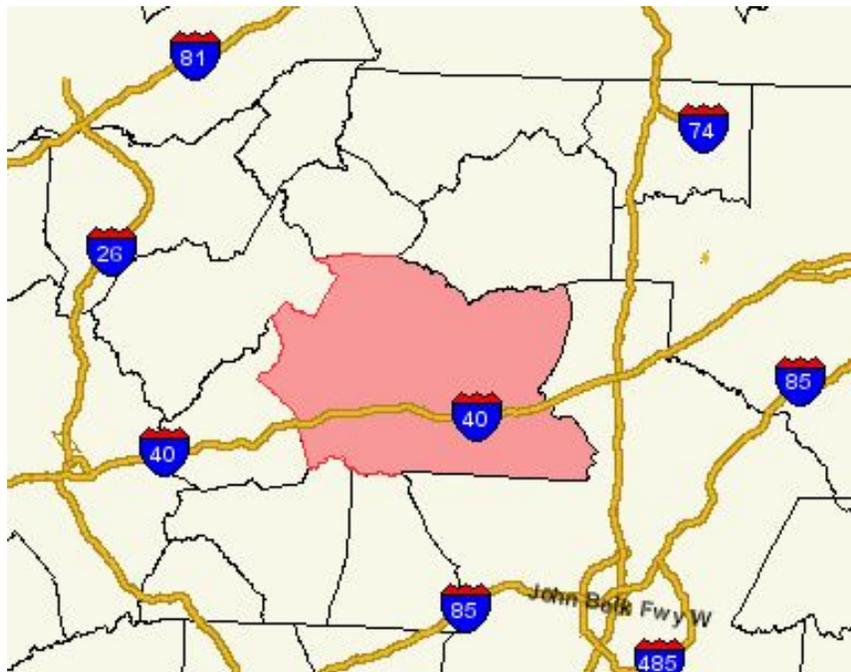
Geographic Market Analysis

Introduction

Economic development in the region is influenced by the social, economic, governmental and environmental characteristics of the Hickory-Lenoir-Morganton Metropolitan Statistical Area. The area is also known as the Unifour due consisting of the four counties of Alexander, Burke, Caldwell and Catawba.

Influences on Market Value

The subject's market value is influenced by the social, economic, governmental and environmental characteristics of the Hickory-Lenoir-Morganton Metropolitan Statistical Area. A map of the combined statistical areas is below.



Regional

Primary forces are those that influence the region's demographic trends. They include such factors as population density, employment status, quality of education, availability of health care and the overall quality of life that can be found within the region.

A summary of the population in the Hickory-Lenoir-Morganton, NC MSA and Burke County are listed below.

Population Estimates, 2010	
Hickory-Lenoir-Morganton M.S.A	365,497
Burke County	90,912
Source: US Census Bureau	

The relative stability of the economy has positively impacted the demographic trends of the region. While job growth typically drives population growth, this area draws a workforce from a larger area than its population boundaries, considering its being located in the Hickory-Lenoir-Morganton, NC MSA and its moderate distance from the Charlotte MSA the surrounding less developed areas.

The following table is a summary of population data within the region, compared to North Carolina and the USA.

Population Growth Trends							
Area	2000 (Census)	2010 (Census)	2014 (Est)	2019 (Proj.)	%Change 2000-10 ¹	%Change 2010-14 ¹	%Change 2014-19 ¹
City of Morganton	17,424	16,918	16,807	16,632	-2.90%	-0.66%	-1.04%
Burke County	89,182	90,912	90,110	90,537	1.94%	-0.88%	0.47%
Hickory MSA	341,910	365,497	364,754	369,014	6.90%	-0.20%	1.17%
North Carolina	8,049,313	9,535,483	9,894,333	10,369,588	18.46%	3.76%	4.80%
USA	281,421,906	308,745,538	317,199,353	328,309,464	9.71%	2.74%	3.50%

Source: US Census Bureau, Claritas

We note that the published City of Morganton population trends do not appear to be consistent with population estimates provided by City officials, and we assume that the estimated population growth is more consistent with the Burke County and MSA projections.

In parallel with the region's population growth, the number of households has experienced a slightly positive rate of growth, as shown below.

Household Growth Trends							
Area	2000 Census	2010 Census	2014 (Est.)	2019 (Proj.)	%Change 2000-10 ¹	%Change 2010-14 ¹	%Change 2014-19 ¹
City of Morganton	6,981	6,751	6,733	6,697	-3.29%	-0.27%	-0.53%
Burke County	34,542	35,804	35,661	36,011	3.65%	-0.40%	0.98%
Hickory MSA	133,990	144,504	144,643	146,758	7.85%	0.10%	1.46%
North Carolina	3,132,039	3,745,155	3,895,324	4,090,231	19.58%	4.01%	5.00%

Sources: US Census Bureau, American Community Survey Profile, Claritas, Inc.

The Burke County and the MSA's rate of growth, while lower than North Carolina, have exhibited a positive influence on the demand for the area's commercial real estate. As more households are established within a market, the demand increases for infrastructure and commercial properties to support the population increase.

BURKE COUNTY

Burke County is bordered by Avery County to the north, Caldwell County to the northeast, Catawba County to the east, Lincoln County to the southeast, Cleveland County to the south, Rutherford County to the southwest and McDowell County to the west. The county is divided into sixteen cities and towns: Drexel, Icard, Jonas Ridge, Linville, Lovelady, Lower Creek, Lower Fork, Morganton, Quaker Meadows, Silver Creek, Smoky Creek, Upper Creek, Upper Fork, Hildebran, Connelly Springs, Rutherford College and Valdese. As of the 2010 Census, the population was 90,805.

The population in this area is estimated to change from 90,912 to 90,852, resulting in a decline of 0.07% between 2010 and the current year. Over the next five years, the population is projected to grow by 1.05%. The population growth in the United States is estimated to increase from 308,745,538 to 314,861,807, resulting in a growth of 2.0% between 2010 and the current year. Over the next five years, the national population is projected to grow by 3.3%.

The number of households in the United States is estimated to change from 116,716,292 to 119,206,509, resulting in an increase of 2.1% between 2010 and the current year. Over the next five years, the number of households is projected to increase by 3.5%. The number of households in this area is estimated to change from 35,804 to 35,869, resulting in an increase of 0.2% between 2010 and the current year. Over the next five years, the number of households is projected to increase by 1.4%.

The average household income in this area is projected to increase 9.0% over the next five years, from \$49,713 to \$54,181. The United States is projected to have an 11.7% increase in average household income. The average household income is estimated to be \$69,637 for the current year, while the average household income for the United States is estimated to be \$71,917. The current year estimated per capita income for this area is \$20,375, compared to an estimate of \$25,933 for the United States.

Currently, it is estimated that 4.4% of the population age 25 and over in this area had earned a Master's, Professional, or Doctorate Degree and 10.8% had earned a Bachelor's Degree. In comparison, for the United States, it is estimated that for the population over age 25, 7.3% had earned a Masters, Professional, and Doctorate Degree, while 17.7% had earned a Bachelor's Degree.

Most of the dwellings in this area (72.3%) are estimated to be Owner-Occupied for the current year. For the entire country the majority of the housing units are Owner-Occupied (65.0%).

In Burke County, 87.5% of the labor force is estimated to be employed. The employment status of this labor force is as follows: 0.5% are in the Armed Forces, 57.9% are employed civilians, 6.4% are unemployed civilians, and 35.3% are not in the labor force. For the United States, 90.1% of the labor force is estimated to be employed. The employment status of this labor force is as follows: 0.5% are in the Armed Forces, 57.9% are employed civilians, 6.4% are unemployed civilians, and 35.3% are not in the labor force.

The occupational classifications are as follows: 31.5% have occupation type blue collar, 47.6% are white collar, and 20.9% are service & farm workers. For the United States, the occupational classifications are as follows: 20.6% have occupation type blue collar, 60.8% are white collar, and 18.6% are Service & farm workers.

For the civilian employed population age 16 and over in this area, it is estimated that they are employed in the following occupational categories: 1.0% are in Architecture and Engineering, 0.6% are in Arts, Entertainment and Sports, 2.6% are in Business and Financial Operations, 0.5% are in Computers and Mathematics, 5.6% are in Education, Training and Libraries, 7.3% are in Healthcare Practitioners and Technicians, 4.9% are in Healthcare Support, 1.0% are in Life, Physical and Social Sciences, 7.8% are in Management, 10.3% are in Office and Administrative Support, 2.6% are in Community and Social Services, 6.7% are in Food Preparation and Serving, 0.4% are in Legal Services, 2.7% are in Protective Services, 7.7% are in Sales and Related Services, 2.4% are in Personal Care Services, 4.0% are in Building and Grounds Maintenance, 6.4% are in Construction and Extraction, 0.3% are in Farming, Fishing and Forestry, 3.2% are in Maintenance and Repair, 13.7% are in Production, 8.2% are in Transportation and Moving.

For the civilian employed population age 16 and over in the United States, it is estimated that they are employed in the following occupational categories: 1.8% are in Architecture and Engineering, 1.9% are in Arts, Entertainment and Sports, 4.7% are in Business and Financial Operations, 2.5% are in Computers and Mathematics, 6.1% are in Education, Training and Libraries, 5.4% are in Healthcare Practitioners and Technicians, 2.5% are in Healthcare Support, 0.9% are in Life, Physical and Social Sciences, 9.7% are in Management, 14.0% are in Office and Administrative Support, 1.7% are in Community and Social Services, 5.6% are in Food Preparation and Serving, 1.2% are in Legal Services, 2.2% are in Protective Services, 11.1% are in Sales and Related Services, 3.5% are in Personal Care Services, 4.0% are in Building and Grounds Maintenance, 5.3% are in Construction and Extraction, 0.7% are in Farming, Fishing and Forestry, 3.3% are in Maintenance and Repair, 6.0% are in Production, 6.0% are in Transportation and Moving.

THE CITY OF MORGANTON

The City of Morganton, the County Seat of Burke County, was incorporated in 1784. The population in this area is estimated to change from 17,206 to 17,050, resulting in a decline of 0.9% between 2010 and the current year. Over the next five years, the population is projected to decline by 0.2%. The population in the United States is estimated to change from 308,745,538 to 314,861,807, resulting in a growth of 3.3% between 2010 and the current year. Over the next five years, the population is projected to grow by 3.3%.

The current year median age for this population is 39.4, while the average age is 40.4. Five years from now, the median age is projected to be 39.5. The current year median age for the United States is 37.5, while the average age is 38.3. Five years from now, the median age is projected to be 39.2.

The number of households in this area is estimated to change from 6,859 to 6,812, resulting in a decrease of 0.7% between 2010 and the current year. Over the next five years, the number of households is projected to increase by 0.1%. The number of households in the United States is estimated to change from 116,716,292 to 119,206,509, resulting in an increase of 2.1% between 2010 and the current year. Over the next five years, the number of households is projected to increase by 3.5%.

Regional

Primary forces are those that influence the region's demographic trends. They include such factors as population, employment status, quality of education, availability of health care and the overall quality of life that can be found within the region.

A summary of the forecasted population growth in North Carolina, Burke County, and the City of Morganton were presented previously. Overall, the relative stability and the transitioning employment base of the local economy have positively impacted the demographic trends of the city and the region. Since population typically drives demand for new services we see modest demand for the area's commercial real estate in the short run.

There has been several commercial real estate developments completed within the last year, or currently are under construction, within or near the Morganton.

The projects include a 455,000 square foot power center called Morganton Heights. Located on the south side of Fleming Drive the center is anchored by Wal-Mart, Belk's and Dicks Sporting Goods. Other tenants include PetSmart, Kay Jewelers, TJ-Maxx, Ross Dress for Less, Verizon and Staples. A significant amount of pre-leasing was done for the center and the current 96% occupancy rate was attained just a few months after opening. Outparcel sites have been acquired by Murphy's Oil, Golden Corral and Blue Ridge Healthcare.

Other developments that are currently under construction include a Chic-Fila restaurant on Burkemont Avenue, the Burke County Emergency Response Center located on Kirksey Drive and the expansion of Broughton Hospital. Cracker Barrel recently acquired a site along Bush Drive near the Exit 105 interchange, construction is anticipated to begin in 2014. Recently completed projects within the City of Morganton include McDonald's located on Union Street, a State Employee Credit Union branch located on Enola Road and a medical office building on Parker Road.

Lee Anderson, Director of Development & Design for the City of Morganton reported that national retailers including Gander Mountain and Hobby Lobby are considering leasing space along Enola Road and the North Carolina School of Science and Math is considering building a satellite campus in Morganton. Mr. Anderson further reported that there has been recent interest in developing a Courtyard Marriot in the City, though the developer was seeking a significant amount of public financing.

It appears that the recent retail growth within the City of Morganton is attributable to a general lack of centralized supply along the 75 mile stretch of I-40 between Hickory to the east and Asheville to the west. Mr. Anderson confirmed this conclusion, citing a significant amount of leakage concluded in a recent study to existing retail establishments in the City of Hickory and some to the City of Asheville.

Higher Education

The primary place of higher learning within Burke County is Western Piedmont Community College, the college is a public, two-year, post-secondary college located in Morganton. The school has an average annual enrollment of 4,000 students pursuing college transfer degrees, two year associate degrees and approximately 10,000 students enrolled in continuing education and personal enrichment programs. In 2011 the college implemented the Re-Educating a New Employable Workforce program to address the transition from manufacturing to a more diversified local economy.

Residents of Burke County also attend and potentially commute to Lenoir-Rhyne University in Hickory (20 miles east), Gardner-Webb University in Boiling Springs (34 miles south), Appalachian State University (32 miles north) and Lee-McCrae College in Banner Elk (30 miles north).

Lifestyle

Morganton is known as the cultural and educational center of Burke County, as well as the county seat. Attractions within the City of Morganton include downtown Morganton which was placed on the National Register of Historic Places. Within downtown Morganton there are several attractions including the Waldensian Heritage Museum, Historic Museum of Burke County and the Senator Sam J. Erwin, Jr. Library and Museum. There are numerous locally owned shops and restaurants lining the streets of downtown Morganton.

The Foothills Higher Education Center Conference Center is located on South Sterling Street, approximately 0.3 miles northwest of I-40. The 14,710 square foot facility can accommodate a capacity of 700 people. The facility is owned by Burke County. We contacted a Burke County representative, who reported a total of 22 events held at the center through October 2013. Overnight stays cited by the representative include a 3-day family reunion, four 3-day bridge tournaments held on a quarterly basis and several wedding receptions. The representative also reported that there are 13 events booked for 2014.

The City of Morganton Municipal Auditorium located on South College Street in downtown Morganton; the 1,000 seat venue hosts approximately 125-140 events annually including Broadway productions, concerts and meetings.

Morganton is also home to several annual events and festivals including "Historic Morganton Festival" a two day festival held on the first weekend of September that includes live music, art sales, sunrise run 5K and 10K runs and various food vendors. The annual festival draws approximately 60,000 people the City of Morganton over the two day event.

The TGIF Concert Series runs every Friday between May 3 and July 26th, the free concert series is held weekly at the Burke County Courthouse Lawn in downtown Morganton.

Art on the Square is an annual juried fine arts show held in June. The one day event is held on the Old Courthouse lawn in downtown Morganton and coincides with the Annual Western North Carolina Studio Glass Exhibition which is held at the arts council and three retail galleries in Morganton.

The Red, White and Bluegrass Festival, is an annual five day event that concludes on July 4. The event features over twenty bands and is considered one of the premier bluegrass festivals in the Southeast United States.

The Morganton Jazz Festival is held every May, the one day event features several bands and is held on the Old Courthouse lawn.

Other potential demand generators include "The Beanstalk Journey" at Catawba Meadows Park. The fifteen site zip line facility is the only zip line facility within the immediate area of the City of Morganton. Catawba Meadows Park is a 178 acre park located 2 miles northwest of downtown Morganton on Sanford Drive. The park currently has five lighted little league baseball fields and four lighted adult baseball fields, with a plan to add four additional fields. The park has hosted numerous multi-day baseball and softball tournaments. The park also has an 18-hole disc golf course, a 2.5 mile river greenway trail, sand volleyball courts, picnic areas and playground. The Antioch Speedway is located nine miles northeast of downtown Morganton. The half mile dirt track hosts races on most weekends throughout the year.

Other regional attractions that are nearby include Grandfather Mountain located 37 miles to the north near Linville, Lake James State Park located 21 miles to the west in Nebo, Linville Caverns located 35 miles northwest in Linville and South Mountain State Park located 18 miles south in Connelly Springs. There are numerous vineyards, antique and furniture stores within the immediate area of the City of Morganton. Snow skiing is located primarily to the north and includes Appalachian Ski Mountain, Beech Mountain Resort and Sugar Mountain Resort all located approximately 40 to 50 miles to the north of the City of Morganton.

The City of Morganton community calendar is filled with events that include historical tours, live music, fairs and festivals and numerous holiday events. We also note that the Historic Town of Valdese is located approximately eight miles east of Morganton does not have a hotel. Visitors to the Town attending "From this Day Forward" outdoor drama, the trail of faith, festivals or attending an event or reception at Old Rock School often stay in the City of Morganton.

Based on the City history and its attraction as a point of interest there is ample opportunity for all types of travelers to be entertained while visiting Morganton.

Healthcare

There are two regional hospitals within the immediate area of the City of Morganton. "Grace Hospital" is a 184 bed hospital located on the south side of the City of Morganton. Services offered include emergency services, outpatient and inpatient surgery, diagnostic imaging, pediatrics, birthing center, rehabilitation, aquatic therapy & exercise, and cardiac rehab.

Broughton Hospital is a 278 bed psychiatric hospital located on South Sterling Street in Morganton. The hospital serves 37 counties located in the western region of the state of North Carolina. The hospital opened in 1883 and is located on 283 acres. The hospital is owned by the North Carolina Department of Health and Human Services Division and is currently undergoing a \$138 million expansion, totaling 466,000 square feet and 384 beds.

Economic

According to The Appraisal of Real Estate, Twelfth Edition, "the relevance of economic influences to the appraisal process, relates to the financial capacity of a market area's occupants to rent or own property, maintain it in an attractive and desirable condition, and renovate or rehabilitate it as appropriate." In order to determine the economic condition of the region, we have researched items such as median household income, home ownership, unemployment, and employment by industry.

Median household Income

This is one of the primary demographic indicators of the regional economy's strength or weaknesses. Income drives the effective demand for commercial real estate. Typically, a market with a high median household income is indicative of economic vitality and a high standard of regional living.

The following table is a summary of the median household income levels within the City of Morganton, Burke County, North Carolina, and the USA.

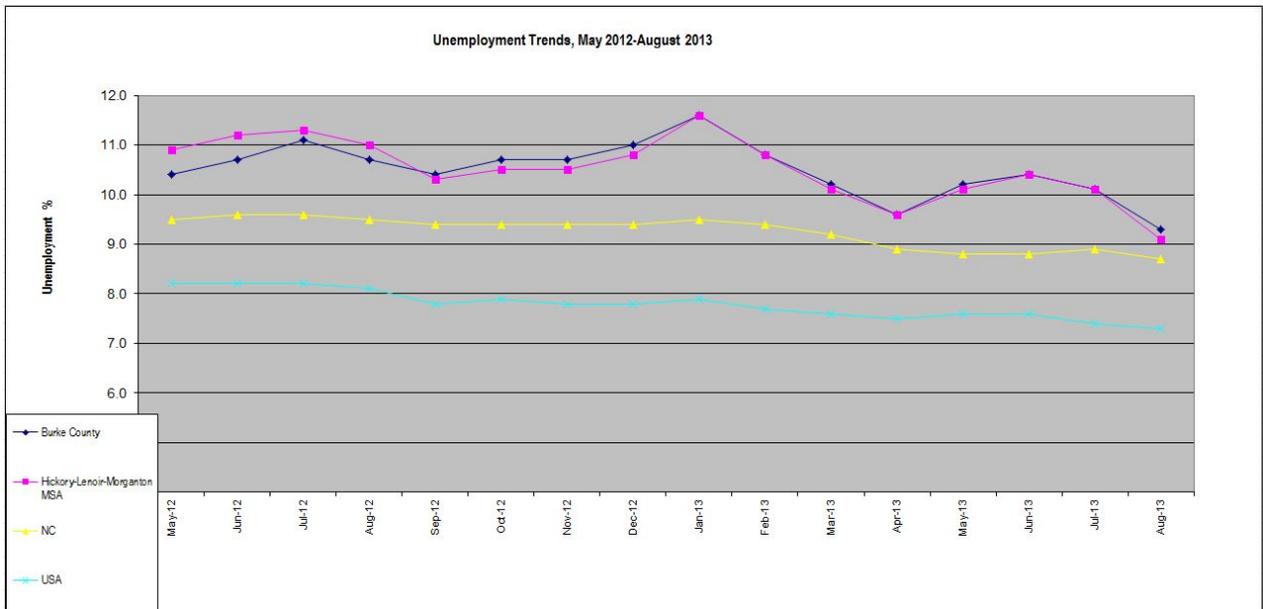
Median Household Income Estimates			
Area	2000 Census	2013 (Est.)	%Change 2000-13
Morganton	\$35,723	\$34,945	-0.93%
Burke County	\$35,668	\$37,462	5.03%
North Carolina	\$39,585	\$42,443	7.21%
USA	\$42,728	\$49,297	15.37%

Sources: US Census Bureau, American Community Survey Profile, Claritas, Inc.

While the most recent economic recession that began in the Fall of 2008 created substantial job losses, resulting in a lower median household income nationally, the regions median household income maintained its growth, at its historical level slightly below the state and the United States levels. This is a definitive indicator of a stable economy and bodes well for the commercial real estate market within the Burke County area.

Industries and Employment

The following graph is a summary of the historical unemployment rates within Burke County, the Hickory-Lenoir-Morganton MSA, North Carolina, and USA.



The average annual unemployment rate for Burke County has maintained a level slightly above the national unemployment rate and the State of North Carolina unemployment rate for the last 16 months. The Hickory-Lenoir-Morganton MSA, as well as Burke County unemployment rate has trended downward toward the statewide unemployment rate over the last six months. We anticipate unemployment within Burke County and the MSA to continue to improve, hiring of retail workers of tenants of Morganton Heights retail center not had not yet occurred as of August 2013, as well as the anticipated expansion and growth of the respective healthcare and governmental sectors within the City of Morganton.

The following table provides a list of the top twenty-five employers in Burke County according to the NC Employment Security Commission.

Top 25 Employers in Burke County, 1 st Quarter 2013		
Company Name	Industry	Employment Range
NC Dept of Health and Human Services	Public Administration	1,000+
Burke County Public Schools	Education & Health Services	1,000+
Grace Hospital Inc.	Education & Health Services	1,000+
Turning Point Services, Inc.	Education & Health Services	500-999
Case Farms Processing, Inc.	Natural Resources & Mining	500-999
NC Dept of Public Safety	Public Administration	500-999
Valdese Weavers, LLC	Manufacturing	500-999
Western Piedmont Community College	Education & Health Services	500-999
Burke County	Public Administration	500-999
Leviton Manufacturing Co Inc.	Manufacturing	250-499
Continental Automotive Systems	Manufacturing	250-499
City of Morganton	Public Administration	250-499
Food Lion	Trade, Transportation & Utilities	250-499
Baker Knapp & Tubbs Inc.	Manufacturing	250-499
American Roller Bearing Co	Manufacturing	250-499
Earthgrains Banking Companies Inc.	Manufacturing	100-249
Friday Staffing	Professional & Business Services	100-249
Sypris Technologies, Inc.	Manufacturing	100-249
Ingles Markets, Inc.	Trade, Transportation & Utilities	100-249
Bsn Medical, Inc.	Professional & Business Services	100-249
Worldwide Travel Staffing Limited	Professional & Business Services	100-249
Saft America, Inc.	Manufacturing	100-249
Viscotec Automotive Products	Manufacturing	100-249
Kimble Glass, Inc.	Manufacturing	100-249
Onin Staffing	Professional & Business Services	100-249

Over the past several years the region has undergone significant transitions in its employment mix. The workforce is diversified and the largest employers come from several different sectors, with education and health services, public administration and manufacturing being the most significant sectors. Although the area is historically known as an area heavily influenced by textile and furniture manufacturing, the preceding table indicates the area is transitioning to a more diversified employment base.

Governmental

This influence relates to laws and regulation, along with the area's rates of property taxation. Also of relevance is the relationship between private sector businesses and the public sector.

Property Taxes

In analyzing the cities property tax rates we have compared the tax rates for the City of Morganton with the tax rates of the other major municipalities near Burke County and compared Burke County to other counties which border it. The comparative data is shown in the following table.

County/ Municipality	2012-2013 Tax Rate	Yr. of Last Reval.	County	City/Town	Sales Assess Ratio	Effective Tax Rate
Avery	\$0.41	2010	\$0.41		1.0644	\$0.43
Burke	\$0.52	2007	\$0.52		1.1485	\$0.60
Caldwell	\$0.63	2005	\$0.63		0.9649	\$0.61
Catawba	\$0.53	2011	\$0.53		1.0051	\$0.53
Cleveland	\$0.72	2008	\$0.72		1.0245	\$0.74
Rutherford	\$0.61	2012	\$0.61		1.0043	\$0.61
McDowell	\$0.55	2011	\$0.55		0.9464	\$0.52
Lincoln	\$0.60	2011	\$0.60		1.044	\$0.62
Morganton	\$0.52	2011	\$0.78	\$0.48		\$1.00
Hickory	\$0.53	2011	\$0.53	\$0.50		\$1.03
Lenoir	\$0.63	2005	\$0.63	\$0.56		\$1.19

Morganton's tax rates are in the low range of municipalities in the region. This gives Morganton the opportunity to compete in attracting corporations considering relocation or expansion in the county.

The economic development policies of the county and municipal governments have positively impacted real estate development over the past decade. Developers generally find a favorable response to applications with approval fees and impact fees generally in line with other major urban areas.

Environmental

For the purpose of this analysis, environmental influences include such factors as accessibility of transportation within the region, the adequacy of public utilities and the attractiveness of routes into and out of the area.

Highways

With approximately 78,000 miles of highways, North Carolina has one of the largest, state-maintained highway systems in the country. Several Interstate highways intersect the Hickory-Lenoir-Morganton region, giving the area excellent access to many east coast destinations and permitting the area to be within two days trucking distance of over 60% of the U.S. industrial base.

Interstate 40 bisects the south side of the City of Morganton and is North Carolina's primary east-west corridor that also provides regional access to the area. Interstate 40 provides access to Interstate 77 approximately 45 miles to the east; the north-south highway provides direct access to the City of Charlotte approximately 45 miles to the south of the I-40/I-77 interchange and the City of Winston Salem to the north. US 321, located approximately 20 miles to the east is a north-south highway that provides direct access to the City of Gastonia and the west Charlotte suburbs. US Highway 70, known as Fleming Drive within the City of Morganton is a primary regional corridor that runs parallel to I-40; the highway bisects the south side of Morganton.

Given its accessibility to major highways traffic counts in the area are significant and it's considered a good location to position businesses related to the distribution of goods since many metropolitan areas can be reached via trucking service in one day.

Air

There are two regional general aviation airports within the regional area, they include the Hickory Regional Airport located 17 miles to the east in the Town of Hickory and the Foothills Regional Airport located approximately 7 miles northeast of downtown Morganton. The Charlotte Douglas International Airport is located 70 miles southeast of the City of Morganton via I-40, US 321 and I-85.

Conclusion

Located in western North Carolina, Burke County and the City of Morganton have continued to experience relative economic stability over the past decade despite national and local economic downturns. Unemployment has trended slightly higher than the national and MSA averages, however several businesses have recently located in the region replacing many of the manufacturing jobs which were lost in the recession that began in 2008. The City of Morganton has worked to reposition the City into a diverse business friendly community in order to grow the economic base. Extensive efforts have also been put towards strengthening downtown Morganton as a destination with various annual events and a strong cultural presence in respect to the arts and cultural resources.

NATIONAL LODGING MARKET SUPPLY AND DEMAND ANALYSIS

UNITED STATES HOTEL MARKET OVERVIEW

PricewaterhouseCoopers' Hospitality & Leisure Consulting Practice lodging demand forecast calls for increased recovery in 2013. Overall, the outlook anticipates modest increases in occupancy, RevPar and Average Daily Rate for 2013. Occupancy is anticipated to increase by 1.0% to 62.0%, Average Daily Rate is anticipated to increase by 4.8% to \$111.19 and nominal RevPar is anticipated to increase by 5.9% to \$68.99. RevPar is anticipated to surpass its historical peak in 2007, indicating that the hotel industry is returning to pre-recession stability.

Room Starts

The volume of room starts has gradually increased in 2013 as the hotel industry has recovered from the recession that began in 2008. Projects under construction are expected to reach completion and result in supply growth of 0.8%, less than the 15 year average growth rate of 2.2%. In 2012, average room supply grew the most in the upscale lodging segment, which posted a year-over-year increase of 2.0%. The upper midscale segment trailed them with a 1.2% average increase in room supply, while the independent hotel segment reported a growth rate of 0.8%. Other hotel segments reported minimal increases in supply with the luxury segment reporting a 0.5% increase, the upper upscale segment reporting a 0.5% increase, the economy segment reporting a 0.3% increase and the midscale segment reporting no increase in room supply.

The lack of hotel development activity can be attributed to hotel operators and developers seeking out existing properties for less than replacement cost and the lack of available financing for speculative hotel development.

Investment Activity

Sales activity in the lodging industry decreased to approximately \$12.5 Billion in 2012, a 35% decrease from 2011 according to the STR Analytics. The percent of transactions involving distressed assets dropped to 12% last year, compared to 2011 when struggling properties were included in about 30% of transactions. Hotel acquisitions by real estate investment trusts, dropped from 35% to 16% in 2012. Price per room averaged close to \$190,000 in 2012, similar to 2011.

Sales Activity through the first five months of 2013 has increased to \$8.0 Billion, a 50% increase over the first five months of 2012. Sales Volume is anticipated to be approximately \$17.5 Billion in 2013, a 10% over 2012. Sales activity in the lodging industry has increased over the first five months of 2013 due to the loosening of lending requirements, continued anticipation of the general economy, an expected increase in average daily rate (ADR) and RevPAR growth and anticipated demand outpacing increase to the supply.

Performance Trends

Overall occupancy for the lodging industry was 60.2% for the first five months of 2013, a 2.0% increase from the same period in 2012. Occupancy levels increased in each chain-scale segment over this time period. Occupancy levels ranged from a 0.9% increase in the upscale sector to 1.9% in the midscale sector.

The overall ADR for the lodging industry was \$110.84 for the first five months of 2013, according to Smith Travel Research. Improvement in ADR was reported in all chain scale segments over the past year and had increased by 4.4% over the previous period. The percentage increase of ADR by segment class consisted of a 5.7% increase in the luxury segment, 5.1% increase in the upper upscale segment, 4.6% in the upscale segment, 4.0% in the upper midscale segment, 2.9% in the midscale segment, 3.3% in the economy segment, and 4.5% in the independent segment.

The U.S. Lodging Industry has seen an increase in the supply of mid-scale hotels without food and beverage over the last several years. Limited-service hotels which are often classified as economy, midscale and upper midscale seem to do well, especially during economic downturns when travelers closely watch their spending habits making this segment more attractive to investors. The change in market share over the last Lodging Census, 2000-2010, are shown in the following table.

Change to Total U.S. Lodging Industry Market Share, 2000-2010	
Segment	% change
Luxury	0.9
Upper Upscale	0.4
Upscale	3.8
Upper Midscale	0.6
Midscale	-1.1
Economy	-1.2
Independent	-2.5

National Economy/Limited-Service Lodging Segment

The three chain scales (economy, midscale and upper midscale) that comprise the economy/Limited-Service Segment continue to perform very similarly. All three of the scales reported growth in respect to occupancy, ADR and RevPar.

Economy

RevPAR performance in the economy segment has generally traced a weaker than average path. Results in the fourth quarter were better than anticipated, in particular showing ADR gains, which may be partly due to residents displaced by Superstorm Sandy. There is very little new construction underway in the economy segment, and supply growth primarily occurs through conversions.

Midscale

Year-over-year comparisons in the midscale segment are still being slightly impacted by the reclassification of Best Western properties (Best Western Plus properties to upper midscale, and Best Western Premier properties to upscale). RevPAR performance in the fourth quarter was stronger than anticipated, as properties achieved higher occupancy rates, though year-over-year growth in ADR lagged the other chain scale segments.

Upper Midscale

The upper midscale segment held ADR levels during the recession better than the industry overall, but experienced greater declines in occupancy. Upper midscale hotels are expected to drive ADR increases in 2013 but also look to capture increased levels of demand. In some cases, upper midscale hotels may benefit as upscale hotels set higher transient rates, causing more price sensitive leisure and, in some cases, business travelers, to return to upper midscale hotels. Reporting of results for the upper midscale segment is still being impacted by the substantial number of Best Western properties that moved from the Best Western core affiliation, which is classified by Smith Travel Research in the midscale segment, to the Best Western Plus designation, which is classified as upper midscale.

A summary of lodging data for all economic indicators for 2011 and 2012 for all scales follows.

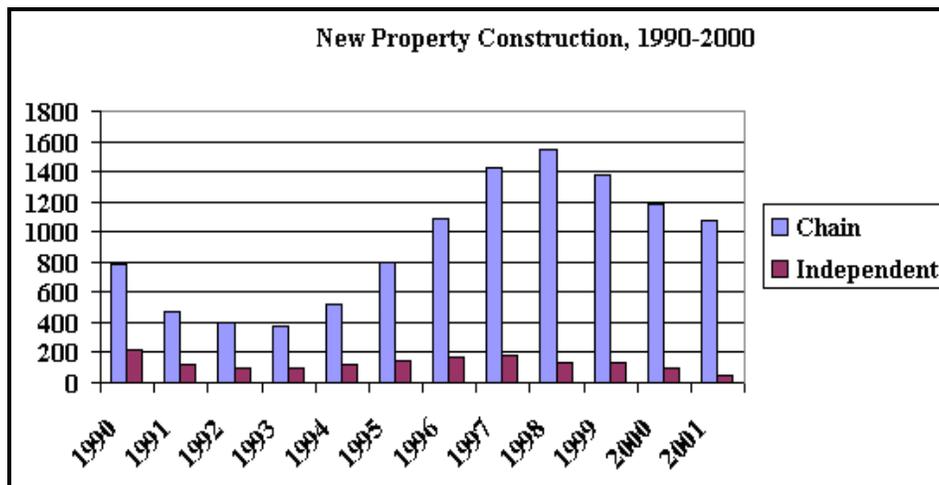
Percent change from 2011 to 2012					
	Demand	Average room supply	Occupancy	ADR	RevPAR
Luxury	3.1	(0.0)	3.1	4.5	7.8
Upper upscale	2.2	(0.0)	2.3	4.3	6.7
Upscale	4.0	2.0	2.0	4.6	6.7
Upper midscale	5.4	2.6	2.8	3.7	6.6
Midscale	(0.5)	(3.4)	3.0	2.9	6.0
Economy	1.5	(0.3)	1.8	4.0	5.9
Independent hotels	3.2	0.6	2.6	3.8	6.6
US total	3.0	0.5	2.5	4.2	6.8

Source: Smith Travel Research; PwC

A summary of forecasted lodging data for 2013 for all scales follows.

Percent change from 2012 to 2013					
	Demand	Average room supply	Occupancy	ADR	RevPAR
Luxury	1.5	0.5	1.0	6.0	7.0
Upper upscale	1.4	0.5	0.9	5.4	6.4
Upscale	2.9	2.0	0.9	5.2	6.2
Upper midscale	2.5	1.2	1.3	4.2	5.6
Midscale	1.4	0.0	1.4	2.9	4.3
Economy	1.3	0.3	1.0	3.2	4.2
Independent hotels	1.5	0.8	0.7	4.9	5.7
US total	1.8	0.8	1.0	4.8	5.9

There has been discussion in the past about whether or not there is enough value added to an independent hotel to justify paying the franchise and royalty fees associated with carrying recognizable flag. The cost associated with a national hotel name can reach as high as 10-15% of the property's total revenue. Smith Travel Research compiles a U.S. Lodging census database that consists of properties with twenty rooms or more. This data is updated every ten years when the US Census Bureau data is updated. The following chart provides a look at the historical trend in new property construction in the hotel industry.



Survey findings also indicate that 82 percent of travelers who plan their trips online now also book reservations online. That indicates more than 64 million Americans bought or reserved an airline ticket, hotel room, rental car or package tour online, up from 70 percent in 2004. With more consumers and travelers booking travel reservations online it's likely that being associated with a recognizable chain lodging facility is even more desirable. Although the franchise fees are a large expense, it has been estimated that the flag drives as much as 20% of the property's bookings. Additionally the recognition of a flag makes the prospective projects more appealing to potential customers as well as potential lenders who will finance the development projects.

National Hotel Market Summary

The national hotel industry appears to have recovered from the economic recession that began in 2008. In 2012, both occupancy and inflation adjusted Average Daily Rate had reached mid 2005 levels. The changes in lodging industry market share show the supply of lodging moving towards the mid-scale sector due to the lower volatility in occupancy in recessionary environments.

We anticipate the national hotel market to continue to improve, with continued annual gains in occupancy, ADR and RevPar due to the general continued improvement in respect to economic conditions, as well as a general lack of new hotel development on a nationwide basis.

STATE LODGING MARKET SUPPLY AND DEMAND ANALYSIS

STATE AND REGIONAL HOTEL MARKET OVERVIEW

State and regional tourism/hotel data in the following table indicates that the state and regional hotel industry has been consistent with the national market. This data is collected by NC State University, North Carolina Department of Commerce Division of Tourism, and Smith Travel Research.

NC Travel Tracker Summary-Year End 2012		
Categories	2012	2011
Airport Deplanements	27,357,075	4.0%
Airport Enplanements	27,364,788	4.1%
Hotel/Motel Occupancy	57.4%	2.5%
Average Daily Room Rate	\$85.34	4.5%
Revenue Per Available Room	\$49.00	7.1%
Welcome Centers	7,303,369	2.7%
State Parks	14,636,122	4.1%
National Parks	17,598,607	2.4%
Regional Visitor Centers	2,234,555	10.6%

The North Carolina occupancy rate reported for year-end 2012 was 57.4%. On the state level, occupancy rates increased by 5.5% as of year-end 2012 from year end 2011, while room rates rose 4.5% to \$85.34. RevPAR also increased by 7.1% or \$49.00 per available room from 2011.

The North Carolina Department of Commerce also provides a breakdown of Hotel/Motel statistics in the coastal, piedmont, and mountain submarkets. As seen in the table below, the regional hotel market occupancy was down in each marketing region. This is consistent with information obtained from our own survey of hotels in the surrounding region, which we consider to be competitors. The following table summarizes the reported statistics for North Carolinas three major marketing regions.

North Carolina Travel Tracker Marketing Regions Summaries for Year End 2012						
Regions	Coast	Change from 2011	Piedmont	Change from 2011	Mountains	Change from 2011
Airport Deplanements	938,144	-1.40%	26,101,257	4.40%	317,674	-12.30%
Airport Enplanements	928,483	-1.90%	26,120,131	4.50%	316,174	-12.0%
Hotel/Motel Occupancy	57.8 %	1.70%	59.1%	2.30%	57.7%	4.90%
Average Daily Room Rate	\$83.00	1.60%	\$84.28	5.40%	\$94.73	4.0%
Rev. Per Available Room	\$45.91	2.60%	\$49.69	8.30%	\$52.47	9.10%
Welcome Centers	2,740,128	1.10%	2,650,417	5.30%	1,912,824	1.50%
Regional Visitor Centers	1,787,062	13.40%	336,595	2.30%	110,898	-4.10%
State Parks	5,079,414	-3.0%	7,814,726	14.60%	1,741,982	-13.10%
National Parks	3,478,151	7.30%	430,718	23.0%	13,689,738	0.70%

Tourism Overview

In 2012, the latest available reporting period, domestic travelers spent \$19.41 billion across the state, an increase of 5.0% over the \$18.41 billion spent in 2011. In addition, tourism expenditures supported an estimated 193,610 jobs in 2012. The tourism industry contributed \$4.4 billion to the state's payroll in 2012. Traveler spending generated over \$2.9 billion in tax receipts, \$1.4 billion in federal taxes, \$970.4 million in state taxes and \$579.4 million in local tax revenue. Approximately 50 million visitors traveled to North Carolina, ranking sixth in person-trip volume by state behind California, Florida, Texas, Pennsylvania, New York and Pennsylvania. Approximately 65.5% of North Carolina person trips, around 30 million visitors, spend one or more nights in the state. Approximately 44% stay in hotels, motels, and B&B's. Annual tourism expenditures for the state over the last ten years are summarized in the following table:

North Carolina Tourism Revenues, billions										
2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
\$12.45	\$12.63	\$13.25	\$14.21	\$15.40	\$16.51	\$16.86	\$15.62	\$17.02	\$18.41	\$19.41

Source: NC Dept. of Commerce

Western Region

The following table provides a snapshot of the Western Region Tourism statistics for 2012, the most recent reporting period.

2012 County Tourism Statistics, Western Region of NC						
County	Expenditures (millions)	Percent Change (2011-2012)	Payroll (millions)	Employment (thousands)	State Tax Receipts (millions)	Local Tax Receipts (millions)
Alleghany	21.94	1.50%	3.78	0.18	1.02	1.42
Ashe	46.55	2.7%	6.58	0.37	2.34	2.45
Avery	103.73	5.4%	22.78	1.19	5.08	4.46
Buncombe	834.24	6.5%	174.71	9.36	41.59	27.41
Burke	80.46	2.5%	11.21	0.62	4.36	2.26
Caldwell	46.54	3.8%	6.72	0.33	2.47	1.40
Cherokee	35.33	4.2%	5.17	0.29	1.64	2.07
Clay	12.29	5.5%	1.29	0.06	0.50	1.32
Graham	24.84	4.7%	4.12	0.26	1.14	1.59
Haywood	126.35	4.9%	23.71	1.31	6.35	5.04
Henderson	218.44	4.3%	37.81	1.96	9.72	9.42
Jackson	69.55	4.1%	11.04	0.58	3.07	5.31
Macon	135.76	7.6%	22.63	1.15	5.97	10.72
Madison	32.22	5.3%	6.01	0.31	1.62	1.44
McDowell	49.06	3.2%	7.05	0.39	2.52	1.73
Mitchell	20.96	2.3%	3.06	0.16	0.90	0.88
Polk	22.63	4.0%	3.11	0.17	1.15	1.24
Rutherford	149.69	5.6%	20.39	1.15	8.66	4.36
Swain	293.06	4.5%	79.75	3.34	16.73	6.12
Transylvania	80.92	4.7%	14.08	0.72	3.07	3.63
Watauga	210.99	6.8%	44.71	2.49	10.33	8.08

Wilkes	63.55	2.0%	8.95	0.49	3.06	1.51
Yancey	31.69	2.1%	4.94	0.23	1.39	2.20
Total/ Av.	2,710.79	5.3%	523.62	27.11	134.66	106.08
State Totals	19,409.81	5.4%	4,391.25	193.61	970.41	579.38

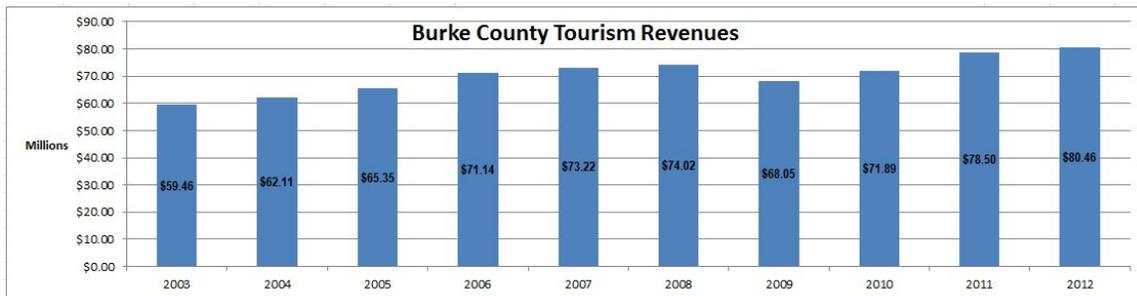
Source: NC Dept. of Commerce

Burke County

Domestic tourism in Burke County generated an economic impact of \$80.46 million in 2012. This was a 2.50% increase from 2011, which is less than, though consistent with the 5.4% state wide increase. In 2012, Burke County ranked 44th in travel impact among North Carolina's 100 Counties. More than 620 jobs in Burke County were directly attributable to travel and tourism. Travel generated \$11.21 million in payroll in 2012. State and local tax revenues from travel to Burke County amounted to \$6.62 million. This represents a \$73.57 tax saving to each county resident.

Area attractions include the Blue Ridge Parkway, Pisgah National Forest, South Mountains State Park and "From This Day Forward" outdoor drama in Valdese.

Annual tourism expenditures for Burke County over the last ten years are summarized in the following table.



As with the state tourism expenditures, Burke County tourism expenditures have increased steadily with a decrease noticed in 2009. The reduction can be attributed to the economic recession which began in the Fall of 2008. The state as a whole also saw a reduction in tourism expenditures in 2009, with increases in 2010 and 2011. We expect the Burke County statistics to continue to trend along with the state statistics and would anticipate tourism in the county to increase in the long run.

PRIMARY LODGING MARKET SUPPLY AND DEMAND ANALYSIS

Primary Lodging Market Supply and Demand Analysis

After analyzing the national and state supply and demand for hotel properties, investigation is focused on the economic environment surrounding the subject area of Burke County and the City of Morganton. We will first examine the sources of demand for room nights in the local area, followed by an analysis of the existing and proposed supply of hotel rooms in the subject's primary market.

LOCAL DEMAND ANALYSIS

Choosing a geographic area upon which local demand analysis is concentrated requires an objective examination of the community as well as the interaction of the subject's community with other cities and towns in the region. One must consider the inter-temporal substitution consumers will make in the future as well as the relative competition other communities' exhibit based on their infrastructure and amenities.

Consumer preference will vary depending upon a number of variables but typically one will make accommodation choices based on their convenience to their destination, restaurants, and ease of access to the interstate or other major highways.

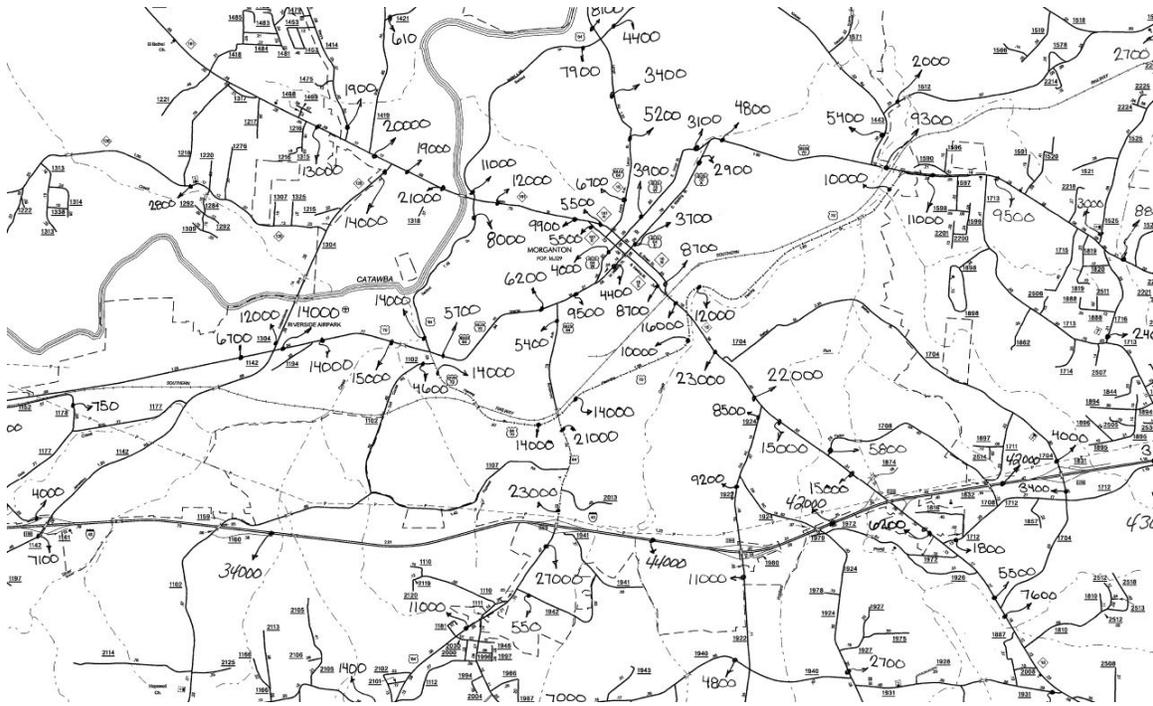
While corporate travel to Morganton and Burke County contributes to local demand for room nights in the area, an examination of travel and occupancy patterns in the primary market reveals the majority of demand seen by hotels is related to the leisure segment and travel and tourism. A detailed discussion of the market segmentation can be found on pages 67-72.

Taking these and other factors into consideration, we estimate the vast majority of any proposed hotels competitors will be found within a few miles of the I-40 Corridor located to the west in Marion and along US 64 and US 321 to the northeast in the Town of Lenoir. While the City of Hickory, located approximately 22 miles to the east along the I-40 Corridor has numerous hotels, the City is generally considered a separate economic entity and in our opinion would not be considered by the typical hotel guest if traveling through or to a Morganton destination.

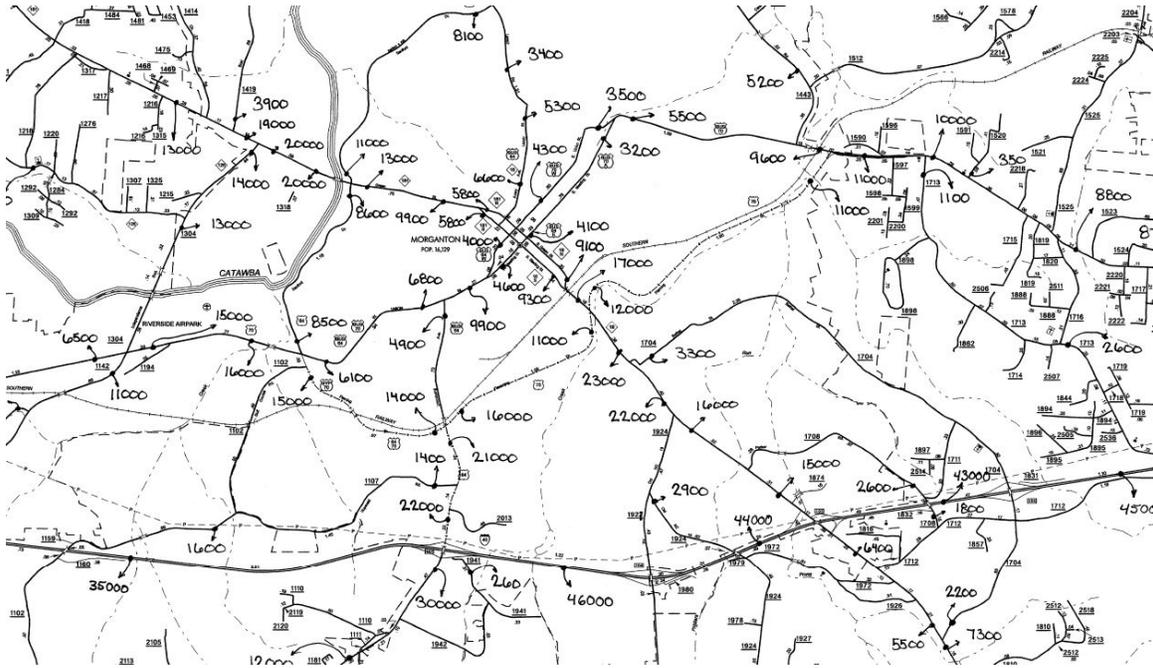
Any other demand for accommodations due to corporate travelers visiting Morganton or other communities for specific business purposes in the region makes up a minor share relative to the share seen by interstate tourism and travelers visiting to take advantage of the leisure activities in the surrounding area. Although the hotels surveyed attributed a portion of their room night demand to a corporate segment many stated the corporate travelers were repeat patrons traveling along the I-40 corridor as salesmen or technicians.

This rationale leads one to examine the historic traffic counts along I-40 and their interaction with hotel occupancy rates. The following pages show traffic count estimates collected by the NC Department of Transportation from 2010 to 2012 in the Morganton region. A search of the North Carolina Department of Transportation did reveal the reconfiguration of the existing interchanges of Exit 104 (Enola Road) and Exit 105 (South Sterling Street) along Interstate 40. South Sterling Street, located along Exit 105 is being widened to six lanes to improve the existing traffic pattern.

NC Dept. of Transportation GIS Traffic Survey Map 2010



NC Dept. of Transportation GIS Traffic Survey Map 2011



The following table summarizes the average traffic counts along I-40 within the immediate area of Morganton.

Traffic Counts, Occupancy, Supply and Demand 2010-2012						
<u>Year</u>	<u>I-40 West</u>	<u>I-40 East</u>	<u>Av. Traffic Counts</u>	<u>Occupancy (%)</u>	<u>Δ Supply</u>	<u>Δ Demand %</u>
2010	42,000	44,000	43,000	44.6	-0.30%	3.4%
2011	44,000	46,000	45,000	47.8	-0.30%	6.7%
2012	42,000	45,000	43,500	45.4	0.00%	-4.9%

*Average consists of average of east and west bound average daily count for east and west bound lanes within the immediate vicinity of exit #105 (Sterling Street).

The subject City of Morganton appears to be at a locational advantage located approximately 20 miles between the Towns of Hickory and Marion along Interstate 40. It appears that the market has recognized this trend and as a result it appears the economy based class segment that often caters to the leisure segment may be overbuilt within the City of Morganton.

The City of Morganton appears to be well positioned to cater to the overnight leisure market, and is within the range of a day's drive of the following metro areas: Atlanta (245 miles southeast), Tallahassee (500 miles southwest), Mobile, AL (566 miles southwest), Nashville (350 miles west), Louisville (420 miles northwest), Indianapolis (528 miles northwest) and St. Louis (655 miles northwest).

The average daily traffic count along I-40 has remained stable in the immediate area of the City of Morganton over the last three years, though it is difficult to determine a correlation with traffic count and occupancy due to the last available map for the only major corridor in the area was published approximately two years ago.

The occupancy rate has remained within the range of 44.6% to 47.8%. Generally, markets that sustain an occupancy rate above 55% are well suited for additions of supply to the market. The Morganton region with an average occupancy of 46.6% for the past two years does not meet this criterion. Year to date occupancy has increased to 48.0% through August 2013, a 2.0% increase from the year to date period ending in August 2012.

Other Demand Sources

There are other sources of demand that cannot be quantified, or in some cases, identified. As such, the above total is only a segment of the actual demand for lodging that likely exists in the Morganton region. It is extremely difficult to survey an entire market to estimate total market demand because patrons do not originate from within the subject market.

We may refer to demand outside the surveyed demand as latent demand. Examples are seasonal festivals, weddings, and family reunions that come to the area or travelers on secondary routes through the City of Morganton. The number and types of latent demand sources are almost limitless. In nonmetropolitan communities the identifiable sources of local demand generators typically comprise only a fraction of the potential total demand, once latent demand is considered.

Town officials cited several sources of latent demand within the City of Morganton. They include a lack of satisfactory hotel rooms within the immediate area and within the downtown area of the City of Morganton for guests attending events and festivals, as well as other weddings and funerals held at one of the fifty local churches. The general consensus is that the Hampton Inn is the only option reasonable lodging option for guests in town on business or guests seeking mid-range accommodations in the City. Several people interviewed during this study cited the above market room rates and high level of occupancy of the Hampton Inn during high levels of demand.

Conclusion – Demand Generators

We have analyzed the historic traffic patterns along the I-40 corridor providing demand estimates from the travel sector for the Morganton region. The location of the City of Morganton is unique in respect to the amount of overall hotel rooms, proximity to I-40 and overall class of hotels within the immediate area. In addition, based on comments of interviewees, there is clearly a significant amount of latent demand for higher end accommodations, especially in the areas of commercial travel, family gatherings, leisure, recreational activities, and recent population growth in Burke County.

HOTEL SUPPLY ANALYSIS

This section of the report presents a qualitative and quantitative analysis of the primary market area, with respect to lodging facilities near Morganton. To evaluate the existing and future supply of hotel facilities in the subject market, we conducted the following steps:

- Identified all area lodging facilities within a designated geographic area and surveyed facilities to gain information regarding construction date, flag affiliation, current and historical rate structures, current and historical occupancy levels, market orientation, and property amenities.
- Identified and obtained all possible information regarding additional hotel units currently under construction or projects which may be proposed for the foreseeable future.
- Analyzed the surveyed properties to quantitatively and qualitatively select those facilities that we felt were the most competitive with a proposed hotel in the subject's primary market.
- For the selected properties in the subject's primary market, we calculated each facility's fair share and penetration rate for three market segments: commercial, group, and tourist segments.

Primary Hotel Competition – Existing

A thorough understanding of the subject's primary competition is an integral component of the supply and demand relationship. The consultants initially examined data on approximately fifty hotels and motels within an initial 20-mile radius of Morganton. Out of these surveyed properties, we analyzed and selected eleven existing hotels as being in the subject's primary market.

Significant research and data support a traveler’s preference to obtain accommodations in a recognizable chain hotel. The following quote supports this fact. *Independents are facing a revolution in consumer communications, compounded by the competitive threat from global brands, driving up marketing and technology costs significantly, said Peter Cass, President and CEO of Preferred Hotels & Resorts Worldwide, Inc. The success--indeed the survival--of independent hotels is likely to depend on capturing the required additional resources to compete in this consumer-focused environment.*

The hotel industry estimates 20-25% of chain hotel revenues are attributable to their recognizable flag. With the increase in Internet travel sites, online hotel bookings, and various travel reward programs it will be increasingly difficult for independents to remain competitive. Additionally chain hotels exhibit less room rate volatility than their independent competitors. This has been studied in a recent article entitled “*Chain Hotels versus Independent Hotels: An Analysis of Branding, Room Revenue & Volatility.*” The findings of this article conclude chain affiliated hotels have historically been less volatile than independent hotels. The lower volatility exhibited by chain hotels is due primarily to a lower volatility in room rate while the difference in occupancy volatility is not as evident.

For this reason we did not consider local motels such as Eagle Motel in Morganton, the Plaza Inn in Morganton, the Red Carpet Inn in Lenoir and the American Motel in Lenoir as comparables in our primary market and did not obtain information from them on room rates, occupancy and the market segmentation of their clients since we do not consider independent hotels to be competitors with more recognized flag hotels. The following table lists the properties included in our estimated primary supply of hotel competition.

EXISTING HOTEL PRIMARY MARKET AREA SURVEY STATISTICS					
MORGANTON, NORTH CAROLINA					
Number	Property	# Rooms	Location	Estimated Drive from Morganton	
				Miles	Minutes
1	Days Inn	73	Lenoir, NC	16	26
2	Comfort Inn	78	Lenoir, NC	17	27
3	Comfort Inn & Suites	72	Morganton, NC	0	0
4	Hampton Inn	84	Morganton, NC	0	0
5	Days Inn & Suites	43	Morganton, NC	0	0
6	Quality Inn	133	Morganton, NC	0	0
7	Sleep Inn	61	Morganton, NC	0	0
8	Comfort Inn	56	Marion, NC	25	30
9	Hampton Inn	66	Marion, NC	21	25
10	Days Inn	58	Marion, NC	20	26
11	Super 8	60	Marion, NC	20	26
	Total / Average	71		10.8	14.5

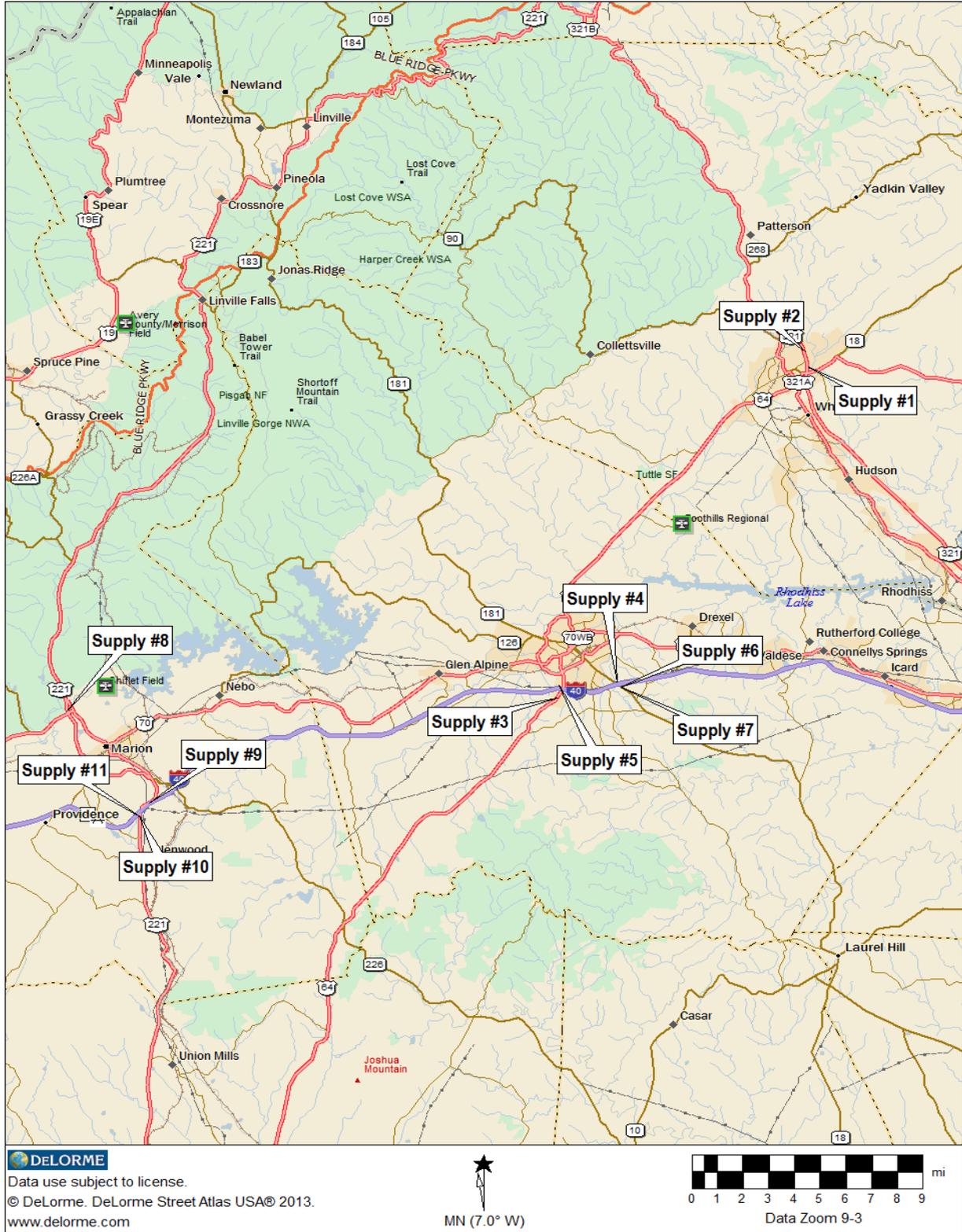
Source: Williams Appraisers, Inc, Smith Travel Research

For our sample that report data to Smith Travel Research and based on location, age, chain scale, etc., competition to a prospective hotel entering the market is listed in the table above. It should be noted that the type of report used to obtain data is the Smith Travel Research Custom Trends Report. To verify our interpretation of Days of Week Analysis and hotel occupant mix we consulted a representative from the Burke County Division of Tourism.

The primary market contains 784 rooms in eleven hotels at an average of about 71 rooms per hotel. The largest of the facility is the Quality Inn in Morganton, NC. The average estimated distance to downtown Morganton is about 10.8 miles while the average estimated drive time is about 14 minutes. These estimates were obtained using a computer based mapping system and directions route finder. A location map and detailed description of each hotel and selected comments from some of the survey participants follow.

Additionally, several Bed and Breakfast are located in within the competitive area. These are The Inn at Glen Alpine in Morganton, the College Street Inn in Morganton, the Bridgewater Hall Bed & Breakfast and the Fairway Oaks Bed & Breakfast in Morganton. These bed and breakfast properties range from four to five rooms and include breakfast, afternoon tea or wine, and sometimes an evening dinner service. Although bed and breakfast contribute to the supply of rooms, they typically cater to a different patron than the segment of the market being considered for the feasibility of an additional lodging establishment in the Morganton, NC area.

HOTEL SURVEY LOCATION MAP



Primary Market Hotel/Motels

Primary Supply Hotel # 1



Property:	Days Inn Lenoir
Address:	206 Blowing Rock Boulevard, Lenoir, NC 28645
Hotel type:	Economy
Year built:	1984
Condition:	Average to Poor
Stories:	1
Type of Exterior Finish:	Brick Veneer & Block
Guest Room Entrance (Interior/Exterior):	Exterior
Number of rooms:	73
Facilities:	Small Fitness Center
Guest Room Amenities:	Cable TV, coffee maker, microwave oven, Iron, internet, continental breakfast, outdoor pool
Estimated ADR (Last 12 months):	\$60
Estimated mean occupancy:	40%
Estimated Business Mix:	
Commercial:	5%
Leisure/Transient:	95%
Group/Meeting:	0%
Survey Date:	10/2013
Phone number:	(828) 754-0731

Comments: This hotel is located on the east side of Blowing Rock Boulevard (US 321) in Lenoir, North Carolina. There are several amenities in the vicinity including restaurants. The representative stated that the majority of patrons are in the leisure/transient segment. Occupancy was reported to be approximately 40% to 50% for the trailing 12 months.

Primary Supply Hotel # 2



Property:	Comfort Inn-Lenoir
Address:	970 Blowing Rock Boulevard, Lenoir, NC 28645
Hotel type:	Upper Midscale
Year built:	1998
Condition:	Good
Stories:	3
Type of Exterior Finish:	Brick Veneer
Guest Room Entrance (Interior/Exterior):	Interior
Number of rooms:	78
Facilities:	Business Center, Small Meeting Room
Guest Room Amenities:	Cable TV, coffee maker, microwave oven, Iron, coin operated laundry, internet, continental breakfast, fitness center, outdoor pool
Estimated ADR (Last 12 months):	\$80
Estimated mean occupancy:	60%
Estimated Business Mix:	
Commercial:	5%
Leisure/Transient:	90%
Group/Meeting:	5%
Survey Date:	10/2013
Phone number:	(828) 754-2090

Comments: This hotel is located on the east side of Blowing Rock Boulevard (US 321), approximately 1 mile north of Wilkesboro Boulevard in Lenoir, North Carolina. There are several amenities in the vicinity including restaurants.

Primary Supply Hotel # 3



Property:	Comfort Inn & Suites Morganton
Address:	1273 Burkemont Avenue, Morganton, NC 28655
Hotel type:	Upper Midscale
Year built:	2001
Condition:	Average
Stories:	3
Type of Exterior Finish:	Stucco
Guest Room Entrance (Interior/Exterior):	Interior
Number of rooms:	72
Facilities:	Business Center, Meeting Room (40 people), Fitness Center
Guest Room Amenities:	Cable TV, coffee maker, microwave oven, iron, internet, continental breakfast, indoor pool
Estimated ADR (Last 12 months):	\$85
Estimated mean occupancy:	45%
Estimated Business Mix:	
Commercial:	10%
Leisure/Transient:	90%
Group/Meeting:	0%
Survey Date:	10/2013
Phone number:	(828) 430-4000

Comments: This hotel is located on the east side of Burkemont Avenue (US 64), approximately 0.4 miles south of Interstate 40 in Morganton, North Carolina.

Primary Supply Hotel # 4



Property:	Hampton Inn-Morganton
Address:	115 Bush Drive, Morganton, North Carolina 28655
Hotel type:	Upper Midscale
Year built:	1999
Condition:	Good
Stories:	4
Type of Exterior Finish:	Stucco
Guest Room Entrance (Interior/Exterior):	Interior
Number of rooms:	84
Facilities:	Business Center, 625 SF Meeting Room, Fitness Center
Guest Room Amenities:	Cable TV, coffee maker, microwave oven, Iron, internet, continental breakfast, outdoor pool
Estimated ADR (Last 12 months):	\$120
Estimated mean occupancy:	65%
Estimated Business Mix:	
Commercial:	20%
Leisure/Transient:	75%
Group/Meeting:	5%
Survey Date:	10/2013
Phone number:	(828) 432-2000

Comments: This hotel is located on the north side of Bush Drive, approximately 0.1 miles east of South Sterling Street in Morganton, North Carolina. The property has partial visibility along Interstate 40. There are several amenities in the vicinity including several restaurants. Grace Hospital is located to the immediate north of the property. The agent stated that a significant portion of the guest visits are associated with the hospital, as well as general commercial guests.

Primary Supply Hotel # 5



Property:	Days Inn & Suites Morganton
Address:	1100 Burkemont Avenue, Morganton, North Carolina 28655
Hotel type:	Economy
Year built:	1999
Condition:	Average
Stories:	3
Type of Exterior Finish:	Stucco
Guest Room Entrance (Interior/Exterior):	Interior
Number of rooms:	43
Facilities:	Small Fitness Center
Guest Room Amenities:	Cable TV, coffee maker, microwave oven, Iron, internet, continental breakfast
Estimated ADR (Last 12 months):	\$65
Estimated mean occupancy:	50%
Estimated Business Mix:	
Commercial:	10%
Leisure/Transient:	90%
Group/Meeting:	0%
Survey Date:	10/2013
Phone number:	(828) 430-8778

Comments: This hotel is located on the west side of Burkemont Avenue (US 64), approximately 100 linear feet north of the I-40 west entrance ramp in Morganton, North Carolina. There are several amenities in the vicinity including several restaurants.

Primary Supply Hotel # 6



Property:	Quality Inn Morganton
Address:	2400 South Sterling Street, Morganton, NC 28655
Hotel type:	Midscale
Year built:	1968
Condition:	Average
Stories:	3
Type of Exterior Finish:	Stucco
Guest Room Entrance (Interior/Exterior):	Exterior
Number of rooms:	133
Facilities:	Business Center, Fitness Center
Guest Room Amenities:	Cable TV, coffee maker, microwave oven, Iron, internet, continental breakfast, outdoor pool
Estimated ADR (Last 12 months):	\$70
Estimated mean occupancy:	45%
Estimated Business Mix:	
Commercial:	5%
Leisure/Transient:	95%
Group/Meeting:	0%
Survey Date:	10/2013
Phone number:	(828) 437-0171

Comments: This hotel is located on the west side of South Sterling Street, approximately 900 linear feet southeast of Interstate 40 in Morganton, North Carolina. There are several amenities in the vicinity including several restaurants.

Primary Supply Hotel # 7



Property:	Sleep Inn Morganton
Address:	2400-A South Sterling Street, Morganton, NC 28655
Hotel type:	Midscale
Year built:	1991
Condition:	Average
Stories:	2
Type of Exterior Finish:	Stucco
Guest Room Entrance (Interior/Exterior):	Interior
Number of rooms:	61
Facilities:	Business Center
Guest Room Amenities:	Cable TV, coffee maker, microwave oven, Iron, internet, continental breakfast
Estimated ADR (Last 12 months):	\$70
Estimated mean occupancy:	45%
Estimated Business Mix:	
Commercial:	5%
Leisure/Transient:	95%
Group/Meeting:	0%
Survey Date:	10/2013
Phone number:	(828) 433-9000

Comments: This hotel is located on the west side of South Sterling Street, approximately 1,000 linear feet southeast of Interstate 40 in Morganton, North Carolina. There are several amenities in the vicinity including several restaurants.

Primary Supply Hotel # 8



Property:	Comfort Inn Marion
Address:	178 US 70 West 221 Bypass, Marion, North Carolina 28752
Hotel type:	Upper Midscale
Year built:	1996
Condition:	Good
Stories:	2
Type of Exterior Finish:	Brick Veneer
Guest Room Entrance (Interior/Exterior):	Interior
Number of rooms:	56
Facilities:	Business Center, Meeting Room (50 people), Indoor Pool
Guest Room Amenities:	Cable TV, coffee maker, microwave oven, Iron, internet, continental breakfast
Estimated ADR (Last 12 months):	\$80
Estimated mean occupancy:	50%
Estimated Business Mix:	
Commercial:	10%
Leisure/Transient:	80%
Group/Meeting:	10%
Survey Date:	10/2013
Phone number:	(828) 652-4888

Comments: This hotel is located on the east side of US 221, approximately 450 linear feet north of US 70 in Marion, North Carolina. There are several amenities in the vicinity including several restaurants.

Primary Supply Hotel # 9



Property:	Hampton Inn Marion
Address:	3560 US 221 South, North Carolina 28752
Hotel type:	Upper Midscale
Year built:	1999
Condition:	Good
Stories:	3
Type of Exterior Finish:	Stucco/Brick Veneer
Guest Room Entrance (Interior/Exterior):	Interior
Number of rooms:	66
Facilities:	Business Center, Meeting Rooms, Indoor Pool
Guest Room Amenities:	Cable TV, coffee maker, microwave oven, Iron, internet, continental breakfast
Estimated ADR (Last 12 months):	\$110
Estimated mean occupancy:	55%
Estimated Business Mix:	
Commercial:	15%
Leisure/Transient:	80%
Group/Meeting:	5%
Survey Date:	10/2013
Phone number:	(828) 652-5100

Comments: This hotel is located on the west side of US 221 approximately 1 mile south of NC Highway 226 in Marion, North Carolina. The hotel has good visibility along Interstate 40 which runs parallel to US 221 in the immediate area.

There are several amenities in the vicinity including several restaurants.

Primary Supply Hotel # 10



Property:	Days Inn Marion
Address:	4248 Highway 221 South, Marion, North Carolina
Hotel type:	Economy
Year built:	1968
Condition:	Average
Stories:	2
Type of Exterior Finish:	Stucco
Guest Room Entrance (Interior/Exterior):	Interior
Number of rooms:	58
Facilities:	Business Center, Outdoor Pool
Guest Room Amenities:	Cable TV, coffee maker, microwave oven, Iron, internet, continental breakfast
Estimated ADR (Last 12 months):	\$60
Estimated mean occupancy:	40%
Estimated Business Mix:	
Commercial:	5%
Leisure/Transient:	95%
Group/Meeting:	0%
Survey Date:	10/2013
Phone number:	(828) 652-4334

Comments: This hotel is located on the west side of US 221, approximately 500 linear feet south of Interstate 40 in Marion, North Carolina. There are a limited amount of amenities along Highway 221 within the immediate area, surrounding development consists of a Dollar General, gas station, a small independently owned pub and competing economy hotel.

Primary Supply Hotel # 11



Property:	Super 8 Marion
Address:	4281 Highway 221 South, Marion, North Carolina 28752
Hotel type:	Economy
Year built:	1985, Renovated in 2011
Condition:	Average to Poor
Stories:	2
Type of Exterior Finish:	Stucco
Guest Room Entrance (Interior/Exterior):	Exterior
Number of rooms:	60
Facilities:	Business Center, Fitness Center
Guest Room Amenities:	Cable TV, coffee maker, microwave oven, Iron, internet, continental breakfast
Estimated ADR (Last 12 months):	\$65
Estimated mean occupancy:	40%
Estimated Business Mix:	
Commercial:	5%
Leisure/Transient:	95%
Group/Meeting:	0%
Survey Date:	10/2013
Phone number:	(828) 659-7940

Comments: This hotel is located on the west side of US 221, approximately 600 linear feet south of Interstate 40 in Marion, North Carolina. There are a limited amount of amenities along Highway 221 within the immediate area, surrounding development consists of a Dollar General, gas station, a small independently owned pub and competing economy hotel.

MARKET SEGMENTATION

The following table represents data collected and analyzed as a result of recent surveys of the hotels making up the subject's primary market.

EXISTING HOTEL PRIMARY MARKET AREA SURVEY STATISTICS MORGANTON, NORTH CAROLINA							
Number	Property	# Rooms	Occupancy, %	Estimated ADR	Estimated Market Segmentation, %		
					Commercial	Leisure	Meetings
1	Days Inn Lenoir	73	40.00%	\$60	5	95	0
2	Comfort Inn Lenoir	78	60.00%	\$80	5	90	5
3	Comfort Inn & Suites Morganton	72	45.00%	\$85	10	90	0
4	Hampton Inn Morganton	84	65.00%	\$120	20	75	5
5	Days Inn & Suites Morganton	43	50.00%	\$65	10	90	0
6	Quality Inn Morganton	133	45.00%	\$70	5	95	0
7	Sleep Inn Morganton	61	45.00%	\$70	5	95	0
8	Comfort Inn Marion	56	50.00%	\$80	10	80	10
9	Hampton Inn Marion	66	55.00%	\$110	15	80	5
10	Days Inn Marion	58	40.00%	\$60	5	95	0
11	Super 8 Marion	60	40.00%	\$65	5	95	0
Total / Average		784/71	48.64%	\$79	9%	89%	2%

In analyzing demand within a specific market, individual segments are considered based on the nature of travel present in the area. Four primary demand classifications occur in most markets including commercial, meeting and group, leisure, and airline/contract demand. Because of the distance between Morganton and the nearest major airport, Charlotte-Douglas International, airline demand is insignificant and this classification was eliminated from our report.

Based upon our study of the demand generators of the competitive hotel market, we project the market segmentation of the proposed hotel as follows.

Commercial Demand Segment

Commercial demand arises from individuals who are conducting business and visiting various firms in the subject's market area. Commercial/corporate demand is strongest Monday through Thursday nights, declining significantly on Friday and Saturday, and increasing slightly Sunday. Commercial/corporate travelers' typical length of stay ranges from one to three days, and this demand is relatively constant throughout the year, although some declines may be noticed in November and December through the early part of January, during the summer, and during other holiday periods. As one can tell by the Smith Travel Research data provided in the addenda the occupancy profile as calculated by Day of Week analysis does not fit the profile of strong commercial demand. Occupancy within the market for the last 12 months based on days of the week ranges from a low of 29.0% on Sundays, increases to 47.2% on Mondays, and remains relatively stable between 46.6% and 52.0% for Tuesday through Thursday. Occupancy on weekend nights remains consistent with the weekday occupancy rate, with 49.8% on Fridays and 50.9% on Saturdays.

Commercial/corporate travelers generally are less rate-sensitive and represent a very desirable market that provides a relatively consistent level of demand at higher average room rates. Commercial/corporate demand in the subject's market area is generated by the existing businesses, government entities and hospitals in Morganton. We anticipate an increase in commercial demand due to management and sales related travel related to Morganton Heights Power Center as well as additional development planned for the City of Morganton. The hotels within the subject's primary market with the highest commercial demand are the Hampton Inn-Morganton and Hampton Inn-Marion.

After analyzing the initial demand in the Morganton market, we anticipate approximately 15% of room demand for the subject hotel would most likely come from commercial sources, as the Hampton Inn-Morganton is the dominant commercial hotel within the City of Morganton and appears to be the preferred hotel for guests visiting the City for commercial purposes. Depending on traveler preferences it appears that the four other hotels within the City may not be considered if seeking higher end accommodations. We note that the Hampton Inn is classified as upper midscale and the only other upper midscale property within Morganton is the Comfort Inn & Suites, which does not appear to compete with the Hampton Inn in respect to average daily rate or market segmentation. We estimate commercial demand will grow modestly; say 3% per annum in the initial years as this segment becomes aware of the new accommodations, depending on the flag affiliation and amenities offered. This market segment should level off in the 20% range, comparable to that of hotel survey participants due to its proximity to the major employment centers in the area.

Group and Meeting Demand Segment

Meeting and group demand includes groups who reserve blocks of rooms for corporate or other meetings, seminars, trade association shows, and other similar gatherings of ten or more persons. Group meetings and convention demand is typically strongest during the spring and fall months with some demand occurring in the winter. The summer months have historically represented the slowest period for this market segment. Meeting and group travelers typically average a length of stay in the range of three to five days. Unlike commercial groups, who typically gather only during the weekday, some groups have many of their functions during the weekend days.

Although room rates for meeting and group patronage may be typically discounted, hotels accommodating this demand benefit from the use of public facilities, conference rooms, and profits generated from food and beverage functions and recreational amenities offered.

The meeting and group segment is influenced by both commercial and leisure group travel. Hotels within the subject's primary market that have a significant level of accommodated group/meeting demand include the Comfort Inn-Marion.

After analyzing demand within the Morganton market we estimate that 10% to 15% of room demand for the subject hotel will come from group or meeting-oriented sources. This is significantly higher than other hotels within the subject's primary market, though the City and County have continued to market and revitalize the downtown area of Morganton bringing the general area as a viable destination for conventions or regional meetings. We also cite the various baseball and soccer tournaments held in the area, the large amount of churches in the community that are hosting weddings and funerals, the increased activity at the Burke County Conference Center the group and meeting segment appears to be a viable demand segment.

Leisure Demand Segment

The leisure demand segment consists of individual tourists and families visiting the attractions of a local market and/or passing through en route to other destinations. These travelers are typically more rate sensitive, as they are spending personal discretionary income. Leisure demand is strongest Friday and Saturday nights, holiday periods, and during the summer and fall months. These peak periods generally are negatively correlated with commercial and meeting and group demand. Proof on leisure demand exists based the Day of Week analysis included in the addenda. For the trailing 12 month period Friday is the 4th busiest night and Saturday is the 3rd busiest night of the week.

Occupancy rates for the market area range from a high of 61.4% in July 2012 to a low of 31.7% in January 2013. We note that October 2012 had an occupancy rate of 60.1%, which is likely attributable to the tourism market in this part of Western North Carolina peaking in respect to tourists seeking out fall foliage and other regional attractions. It appears that historical occupancy rates are relatively unstable, though predictable and coinciding with the weather. Generally it appears that there is strong occupancy ranging from 48.3% in May to 60.1% in October, with November through March reporting a range of 31.7% to 43.1%.

Leisure demand is tied to the overall economic health of the subject's region and the nation as a whole. In the case of the Morganton and the Burke County region, there is a significant attraction to the area for vacationing, festivals, athletic tournaments and family gatherings as well as friends and families visiting for holidays, weddings and funerals.

It appears that the primary demand for all of the surveyed properties is driven from leisure demand, more specifically the I-40 traveler.

Several of the hotels and bed and breakfast within the subject's primary market are positioned for the leisure travel market segment. Hotels that appear to derive the majority of their demand from the leisure segment include the Days Inn-Lenoir, Quality Inn-Morganton, Sleep Inn-Morganton, Days Inn-Marion and Super 8 Marion.

We anticipate 65% to 70% of room demand for the subject hotel will come from this leisure segment.

Unaccommodated Segment

Unaccommodated demand is defined as excess demand that was not realized due to the lack of hotel room supply in the existing market. When demand such as special tourist events, new employers, or new road systems change the guest profile of a certain segment, the existing lodging facilities experience shortages of rooms. Conversely, when existing hotels are closed or repositioned for different demand segmentation, lodging shortages occur. During prolonged periods of 100% occupancies, with hotels turning away guests, unaccommodated demand is said to exist. If the trend becomes more than a seasonal event, more hotel rooms are usually required.

Based on our interviews with people in the area, a level of unaccommodated demand appears to be a segment in this market. As discussed in the commercial demand segment it appears that the Hampton Inn in Morganton is the only reasonable hotel in the market for most commercial guests, as well as guests seeking out higher level accommodations within the leisure and meeting and group segments. One official stated that they were aware of commercial guests doing business in Morganton staying in Hickory, approximately 20 miles east of Morganton due to the lack of acceptable rooms when the Hampton Inn was sold out.

Primary Hotel Competition – Proposed

In addition to the existing supply of hotel rooms in the subject's primary market, we have also investigated new or planned hotel construction in the area. Based upon a survey of public planning officials in the surrounding counties and specific towns within the subject's geographic market and coupled by difficulty obtaining credit due to the financial crisis, as well as general equity requirements for speculative hotel development, no hotels are planned for the foreseeable future within the subject's market area.

Mr. Lee Anderson, Director of Development and Design with the City of Morganton reported that there has been recent interest in developing a Courtyard Marriot in the City, though the developer was seeking a significant amount of public financing.

MARKET PENETRATION

Supply and demand characteristics for the subject market have been analyzed and discussed in the previous sections of this report. Market segments were identified and analyzed for each of the hotels in the subject's primary market. In this section of our study, we develop our analysis of feasibility for the proposed hotel and report our results.

Given a market level room rate, a proposed hotel development is feasible if its projected occupancy in the first years of operation is at or near a stabilized level. It is our experience, supported by historical occupancy trends in the subject market, that lodging construction occurs when the aggregate market occupancy is above 55%, as has not been the case within the subject market. Hotel construction typically ceases when aggregate occupancy levels dip below stabilized levels. This assumes that the proposed hotel would be equally as competitive as those in its market and is just one of many factors that assist in determining feasibility.

The recognized method of projecting occupancy levels for a proposed hotel facility and its primary market is through the use of market penetration analysis. This method of occupancy projection first determines each existing hotel's competitive advantage with respect to market segments based upon market share measured in room nights captured within the segments. Next penetration rates are estimated for the competitive property based upon knowledge of local market conditions and anticipated strengths of the facility design. Finally, using the subject's estimated penetration rates, projected room nights are calculated for each market segment, the room nights are totaled for the subject and its competitors.

We have conducted an extensive survey of demand sources in the City of Morganton and surrounding communities that would potentially contribute to demand for a hotel. We use an estimate of 100% market share, meaning the proposed hotel will consume 100% of its fair share of the demand seen by the market in the initial year of business. If a proposed hotel could theoretically be opened today our assessment of future growth over the next two years would be approximately 1% to 3% and is based on the PKF Consulting U.S. Hotel Market Summary 1Q 2013 where they project occupancy to increase 2.4% in 2013. This estimate is useful only if one desires to forecast future demand based on these initial surveys which would be prudent to ascertain proposed developments profitability in its initial years.

Estimated Performance - Occupancy

The unit of measure in evaluating market share is the penetration ratio. This is defined as a hotel's percentage of demand in a given segment divided by its portion, or fair share of total room supply. If all properties within a market were equal in quality, location, and rate structure, each could be expected to attract demand in proportion to its size, thereby achieving a penetration ratio of 100 percent. A property that has a competitive advantage in attracting demand from a given segment of the market can be expected to penetrate that segment at a rate that is greater than 100 %; the same property may achieve relatively low penetration in a segment in which it is at a competitive disadvantage.

The table illustrates penetration levels by segment for each of the proposed hotels primary competition.

Historic Penetration by Market Segment							
Commercial Property	Room Count	Fair Share	Occupancy, %	Market Segmentation	Rooms Occupied	Market Share	Penetration Factor
Days Inn Lenoir	73	9.31%	40.00%	5.00%	533	4.43%	47.61%
Comfort Inn Lenoir	78	9.95%	60.00%	5.00%	854	7.11%	71.42%
Comfort Inn & Suites Morganton	72	9.18%	45.00%	10.00%	1,183	9.84%	107.13%
Hampton Inn Morganton	84	10.71%	65.00%	20.00%	3,986	33.16%	309.49%
Days Inn & Suites Morganton	43	5.48%	50.00%	10.00%	785	6.53%	119.04%
Quality Inn Morganton	133	16.96%	45.00%	5.00%	1,092	9.09%	53.57%
Sleep Inn Morganton	61	7.78%	45.00%	5.00%	501	4.17%	53.57%
Comfort Inn Marion	56	7.14%	50.00%	10.00%	1,022	8.50%	119.04%
Hampton Inn Marion	66	8.42%	55.00%	15.00%	1,987	16.53%	196.41%
Days Inn Marion	58	7.40%	40.00%	5.00%	423	3.52%	47.61%
Super 8 Marion	60	7.65%	40.00%	5.00%	438	3.64%	47.61%
Total/ Average	784	100.00%	48.64%	8.64%	12,020	100.00%	106.59%
Meeting and Group Property	Room Count	Fair Share	Occupancy, %	Market Segmentation	Rooms Occupied	Market Share	Penetration Factor
Days Inn Lenoir	73	9.31%	40.00%	0.00%	0	0.00%	0.00%
Comfort Inn Lenoir	78	9.95%	60.00%	5.00%	854	7.11%	71.42%
Comfort Inn & Suites Morganton	72	9.18%	45.00%	0.00%	0	0.00%	0.00%
Hampton Inn Morganton	84	10.71%	65.00%	5.00%	996	8.29%	77.37%
Days Inn & Suites Morganton	43	5.48%	50.00%	0.00%	0	0.00%	0.00%
Quality Inn Morganton	133	16.96%	45.00%	0.00%	0	0.00%	0.00%
Sleep Inn Morganton	61	7.78%	45.00%	0.00%	0	0.00%	0.00%
Comfort Inn Marion	56	7.14%	50.00%	10.00%	1,022	8.50%	119.04%
Hampton Inn Marion	66	8.42%	55.00%	5.00%	662	5.51%	65.47%
Days Inn Marion	58	7.40%	40.00%	0.00%	0	0.00%	0.00%
Super 8 Marion	60	7.65%	40.00%	0.00%	0	0.00%	0.00%
Total/ Average	784	100.00%	48.64%	2.27%	3,163	100.00%	30.30%
Leisure Property	Room Count	Fair Share	Occupancy, %	Market Segmentation	Rooms Occupied	Market Share	Penetration Factor
Days Inn Lenoir	73	9.31%	40.00%	95.00%	10,125	84.24%	904.67%
Comfort Inn Lenoir	78	9.95%	60.00%	90.00%	15,374	127.90%	1285.59%
Comfort Inn & Suites Morganton	72	9.18%	45.00%	90.00%	10,643	88.55%	964.19%
Hampton Inn Morganton	84	10.71%	65.00%	75.00%	14,947	124.35%	1160.60%
Days Inn & Suites Morganton	43	5.48%	50.00%	90.00%	7,063	58.76%	1071.32%
Quality Inn Morganton	133	16.96%	45.00%	95.00%	20,753	172.66%	1017.76%
Sleep Inn Morganton	61	7.78%	45.00%	95.00%	9,518	79.19%	1017.76%
Comfort Inn Marion	56	7.14%	50.00%	80.00%	8,176	68.02%	952.29%
Hampton Inn Marion	66	8.42%	55.00%	80.00%	10,600	88.18%	1047.52%
Days Inn Marion	58	7.40%	40.00%	95.00%	8,045	66.93%	904.67%
Super 8 Marion	60	7.65%	40.00%	95.00%	8,322	69.24%	904.67%
Total/ Average	784	100.00%	48.64%	89.09%	123,995	100.00%	1021.00%

As shown in the previous table, the commercial segment leader is the Hampton Inn-Morganton. The meeting and group segment leader is the Comfort Inn-Marion. The leisure segment leader is the Comfort Inn-Lenoir, though the primary market segment within the market is leisure, as the market share is relatively equally distributed among the eleven properties.

Historical Trends – Primary Market

Smith Travel Research (STR), an independent research firm who is recognized by the lodging industry as the standard source of reliable data for the hotel industry, provides operating statistics on local markets throughout the nation. The following table summarizes our analysis of the trends in lodging demand for the subject's primary market since 2010.

Historical Trends of Key Variables for the Morganton Submarket 2010-YTD 2013						
	Occupancy (%)	Δ Occupancy (%)	ADR (\$)	Δ ADR %	RevPAR (\$)	Δ RevPAR %
2010	44.6	3.7	70.15	3.5	31.31	7.4
2011	47.8	7.0	73.77	5.2	35.23	12.5
2012	45.4	-4.9	76.27	3.4	34.65	-1.7
YTD 2013	48.0	2.0	78.14	3.3	37.50	7.8
	Supply	Δ Supply %	Demand	Δ Demand %	Revenue (\$)	Δ Revenue %
2010	287,065	-0.3%	128,112	3.4	8,987,316	7.1
2011	286,160	-0.3%	136,664	6.7	10,081,898	12.2
2012	286,160	0.0%	129,992	-4.9	9,914,469	-1.7
YTD 2013	190,512	0.0%	91,423	4.4	7,143,499	7.8

It is our experience that development occurs in a market when occupancy rates have stabilized over 50%. In the above table, the subject market occupancy rates have fluctuated from a low of 45.4% in 2012 to a 2013 year to date level of 48.0%.

Forecasts for 2013 call for an increase in occupancy nationally, with demand anticipated increasing by 1.0% to 62.0%, Average Daily Rate is anticipated to increase by 4.8% to \$111.19 and nominal RevPar is anticipated to increase by 5.9% to \$68.99. RevPar is anticipated to surpass its historical peak in 2007, indicating that the hotel industry is returning to pre-recession stability.

Since 2010 there has been a 0.6% reduction in supply in the primary market. RevPAR, because it accounts for both occupancy and average rate together, provides the best overall measure of revenue generating results for a single property or a group of hotels. As evident from the table above our sample of hotels had significantly increasing RevPAR in 2010 and 2011, but exhibited a decline in RevPAR growth in 2012, though through August 2013 year to date RevPar is at a three year high.

The occupancy reported by Smith Travel Research for August 2013 year to date was 48.0%, a 4.4% increase than reported in August 2012 year to date. We note the occupancy rate from our surveyed hotels in the area is slightly higher than what is reported by Smith Travel Research. However, because the sample size is larger and Smith Travel Research data comes from formal reports submitted by participating hotels, we believe the occupancy rate of 48.0% reported by Smith Travel Research is a more reliable indicator of overall occupancies.

FEASIBILITY ANALYSIS

FEASIBILITY ANALYSIS

An accurate hotel market analysis calls for a careful investigation of the dynamics that affect the demand within the primary market area. These factors are as follows.

- 1) The location of the prospective subject site relative to the market area and tourist attractions
- 2) The growth of demand within the market area
- 3) The sources and strength of transient travel
- 4) Current and future travel patterns
- 5) The location of competitive properties and their physical and operational characteristics
- 6) Special conditions and trends

Using the collection of geographic and demographic trends found in the preceding sections of the study we will discuss each of the factors that affect the feasibility of a lodging facility in the Morganton area.

With respect to location, the primary distinction between hotels is typically whether they are located downtown, suburban, located near an airport, or some other special destination such as a resort or tourist attraction. Most hotels appeal to overlapping market segments which are difficult to delineate when assessing a property's market potential.

It is likely that sufficient demand exists in the Morganton area to support an additional hotel. A new facility would depend on capturing market share from the outlying areas as well as capturing some market share from the existing establishments currently in town. For example, the commercial segment, which typically is less price sensitive, tends to value short commutes to conduct their business and amenities nearby such as restaurants and retail. Additionally, since tourist attractions and points of interest are located in and around Morganton, tourists would likely view a new hotel located along Interstate 40 as a primary source of supply when traveling through the region.

There are several reasons to believe the Morganton area has seen increasing demand for lodging in recent years. Through conversations with City of Morganton Officials, there is a general lack of available local hotels within the general area for visitors attending events, weddings and funerals in the City of Morganton. Reportedly a large majority of the visitors to the City do not find the four other properties in Morganton to be an acceptable level of accommodation. Visitors are often displaced to available hotel rooms approximately 20 miles east in the City of Hickory. In this instance the unaccommodated demand is present because consumers prefer to travel to a nearby town for lodging instead of staying at a less competitive establishment located in the immediate market area.

The modest population increase in the City of Morganton and Burke County will boost the demand for lodging in the segment of travel and leisure for family gatherings and holiday visitations to name a few.

Hotel demand is not generated by the existence of a hotel itself in most cases, but is generated by local businesses, convention centers, tourist attractions and other draws that bring travelers to a location. Unlike other types of real estate which respond to relatively local demand, hotels cater to patrons outside of the market area. Most patrons like to stay in an area near their intended destination where complimentary real estate is established such as restaurants and retail.

It has become exceedingly difficult to obtain traditional long-term financing without a nationally known franchise affiliation or flag. There are certainly instances where independent limited-service hotels are capable of being financed, but they typically fall in the category of very small properties or have some type of intangible name associated with them. Reportedly, age is becoming increasingly important to many lenders. They are often hesitant to finance properties over twenty years of age. For these reasons any newly developed facility should be affiliated with a recognizable franchise or "flag" affiliation.

One of the most obvious differences in property design is interior versus exterior corridors. Few hotels today are constructed with exterior corridors. There are only a limited number of franchises available for properties with this design. There are some exceptions, where exterior corridor properties are desirable. Examples can be found in the Southwest where drive up one-story properties have exterior entrances. There are also a few examples of franchise companies allowing a combination of both interior and exterior corridor rooms in a specific property. Despite these exceptions, the major flags are phasing out exterior corridor properties and replacing them with interior corridor properties.

Franchise companies are downgrading properties with older designs to a lower-tier with lower price points. This is illustrated by La Quinta, who converted older exterior corridor La Quinta properties to a sister Baymont Inn flag before it sold ownership of the Baymont brand to Cendant.

Conclusion

Supply and demand characteristics for the subject market have been analyzed and discussed in the previous sections of this report. Market segments were identified and analyzed for each of the hotels in the subject's primary market. In this section of our study, we developed our analysis of feasibility for the proposed hotel and report our results.

Given a market level room rate, a proposed hotel development is feasible if its projected occupancy in the first years of operation is at or near a stabilized level. It is our experience, supported by historical occupancy a trend in the subject market, that lodging construction occurs when the aggregate market occupancy is above 50%. Hotel construction typically ceases when aggregate occupancy levels dip below stabilized levels. Due to the density of competing properties catering to the leisure segment, the improving performance in the market in respect to increasing ADR and RevPar, the lack of competing hotels within the commercial and meeting segment and increases in demand for destination travelers to Morganton it appears that the reported occupancy within the competitive set is not a good indicator of hotel development feasibility in this market.

Most of the competitive properties in the market area are economy and midscale type hotels that tend to operate at higher occupancy levels than full service hotels. They typically have higher income-to-expense ratios as a consequence of lower staffing requirements and the lack of food and beverage facilities. The economy and midscale class hotel is most likely the type of facility that will continue to perform well as approximately 89% of the market is considered "leisure" and primary demand in the market appears to be the Interstate 40 traveler, supported by visitors attending the various festivals, events and regional attractions. The subject's competitive set is dominated by the economy and midscale classes of hotels. There are a total of 393 existing hotel rooms that are included in the competitive set and approximately 500+ rooms when including the unflagged Plaza Inn and various Bed & Breakfast properties within the City of Morganton. The upper midscale hotels consist of the Hampton Inn and Comfort Inn & Suites, which in our opinion appears to be a midscale property. The 84-room Hampton Inn reported strong overall occupancy and a significantly higher average daily rate when compared to the competitive set, even while competing within the leisure segment. The hotel also caters to a different client mix than the competition with approximately 20% of clients being from the commercial segment. The hotel's location in proximity to Grace Hospital also appears to contribute to its strong performance.

The advantage of being located along Interstate 40, as well as the lack of competitive properties in the general area, should continue to positively impact population growth and tourism in the City of Morganton. This allows the City of Morganton to capitalize on their history and proximity to the interstate as tourists pass through the region.

As previously noted, the unit of measure in evaluating market share is the penetration ratio. This is defined as a hotel's percentage of demand in a given segment divided by its portion, or fair share of total room supply. If all properties within a market were equal in quality, location, and rate structure, each could be expected to attract demand in proportion to its size, thereby achieving a penetration ratio of 100 percent. A property that has a competitive advantage in attracting demand from a given segment of the market can be expected to penetrate that segment at a rate that is greater than 100%; the same property may achieve relatively low penetration in a segment in which it is at a competitive disadvantage.

The hotels within the primary market were selected due to their location and somewhat similar market competitiveness. Average Daily Rates (ADR) for these properties ranged from \$60.00 to \$120.00 per night, with an average of approximately \$79.00 per night. It is anticipated the proposed hotel should be able to attain an ADR level similar to the competitive level of the surveyed. While expectations for hotel properties in some markets call for above inflationary increases, because of the new supply in the local market, we estimate the subject should attain only inflationary increases until sufficient market share has been captured. We have selected an ADR range for the subject of approximately \$90.00 to \$100.00 per night, to establish a competitive price in the marketplace, assuming a development occurs within the next 12 to 24 months. If a hotel is developed within the City of Morganton we highly recommend an upper midscale class hotel that will compete directly with the Hampton Inn.

Subject to the conditions and explanations contained in the following report, and based on our analysis of the market, together with our experience performing similar market studies, our conclusion is as follows:

As of the date of this report, October 31, 2013, it is our opinion that a hotel facility within the jurisdiction of Morganton, NC is feasible provided a development and construction period of 12 to 24 months.

**80 to 90 ROOM, LIMITED SERVICE, FLAG HOTEL
ESTIMATED AVERAGE DAILY RATE (ADR) RANGE: \$90.00 to \$100.00**

ADDENDA

APPRAISER'S QUALIFICATIONS

ROBERT A. MACEDA
Registered Appraiser Trainee NC # T5308

Robert A. Maceda is a Registered Appraiser Trainee in the State of North Carolina.

Bob has been involved in the appraisal of real estate since 2009. His experience appraising includes all types of commercial properties including office, retail, multi-family, warehouse and industrial, institutional, apartments, townhome and subdivision analysis, special use properties and vacant land.

In addition to his appraisal background, Bob has several years of experience in underwriting commercial real estate loans. Bob graduated from Robert Morris University with a Bachelor of Science in Business Administration with a concentration in Finance in 2005.

Listed below is a partial list of real estate education completed by Bob during his real estate career:

Basic Appraisal Principles
Basic Appraisal Procedures
Residential Market Analysis & Highest and Best Use
USPAP-15 Hour & 7 Hour Update(s)
Appraisal Case Law II
Income Approach
Mortgage Fraud
Business Practices and Ethics

General Appraiser Income Approach I (AI)
General Appraiser Income Approach II (AI)
General Appraiser Sales Comparison Approach (AI)
General Appraiser Market Analysis and Highest & Best Use (AI)
Real Estate Finance Statistics & Valuation (AI)
General Appraiser Site Valuation and Cost Approach (AI)

JOHN M. MCBRAYER
Certified General Appraiser NC # A5723

John McBrayer is a Certified General Appraiser in the State of North Carolina and the Principal of Williams Appraisers, Inc. in Raleigh, North Carolina (www.williamsappraisers.com). In addition to North Carolina, John is certified to appraise in South Carolina. Since joining Williams Appraisers in 2002, he has appraised a wide variety of properties for institutional lenders, government entities and individuals in the Triangle and throughout North Carolina, South Carolina and Virginia including office, retail, warehouse and industrial, hotel/motel, townhome and subdivision analysis, special use properties and vacant land. He has also prepared feasibility and impact studies for various property types, including hotel/motel, mixed-use development and environmentally contaminated properties.

In addition to traditional appraisal and consulting services, Williams Appraisers, Inc. provides appraisal services in real estate tax appeals, divorce and family disputes, donation of conservation easements, bankruptcy and other real estate-related arbitrations and mediations. John has been qualified as an expert witness for real estate in several North Carolina and Federal courts for litigation services.

A graduate of Tulane University with a Bachelor's of Science in Economics, John began his career in commercial and residential real estate with Century Development and Jones Lang Wootton, USA (now Jones Lang LaSalle) in Houston, Texas and later as a principal of Coldwell Banker GSM Realty in Tennessee. He has held real estate licenses in Texas, Tennessee and North Carolina.

Listed below is a partial list of various real estate continuing education courses for appraisal, brokerage and property management disciplines completed by John during his real estate career:

Separating Real Property, Personal Property
& Intangible Business Assets
Land and Site Valuation
Sustainability: Greening Real Estate
Valuation of Conservation Easements
510 Advanced Income Capitalization
520 Highest & Best Use / Market Analysis
530 Advanced Cost and Sales Approaches
USPAP and Updates
Introduction to Real Estate Appraisal
Valuation Principles and Procedures
Applied Residential Property Valuation
Advanced Income Property Valuation

Applied Income Property Valuation
Valuation of Income Property
Real Estate Investments
Real Estate Finance
Design & Operation of Office Buildings I & II
Managerial Accounting & Finance
Insurance & Risk Management
Real Estate Law
Real Estate Investment & Finance
Administration of Real Property
Long Range Management Plan
Introduction to Income Property Appraisal
Management of Office Buildings
Managing Real Estate as an Investment

APPRAISER CERTIFICATIONS

NORTH CAROLINA APPRAISAL BOARD
APPRAISER QUALIFICATION CARD
Expires June 30, 2014

REGISTRATION / LICENSE / CERTIFICATE HOLDER
13 **JOHN M MCBRAYER** **14**

A5723 **G** **Y**

APPRAISER NUMBER TYPE NATIONAL REGISTRY

John M. McBrayer
APPRAISER'S SIGNATURE EXECUTIVE DIRECTOR

State of South Carolina **BCD1014558**
Department of Labor, Licensing and Regulation
Real Estate Appraisers Board

JOHN M MCBRAYER

Is hereby entitled in practice as a:
Certified General Appraiser

License Number: **6227**

Expiration Date: 06/30/2014

Tracy McCarley
Administrator

POCKET CARD

NORTH CAROLINA APPRAISAL BOARD
APPRAISER QUALIFICATION CARD
Expires June 30, 2014

REGISTRATION / LICENSE / CERTIFICATE HOLDER
13 **ROBERT A MACEDA** **14**

T5308 **T** **N**

APPRAISER NUMBER TYPE NATIONAL REGISTRY

Robert A. Maceda
APPRAISER'S SIGNATURE EXECUTIVE DIRECTOR

GENERAL REFERENCES

<p>BB&T RE Appraisal Department 2713 Forest Hills Road Wilson, NC 27893 252-296-7062</p>	<p>Wells Fargo RETECHS Denny Johnson, MAI 301 S. Tryon Street TL-8 Charlotte, NC 28255 704-383-1962</p>
<p>PNC Bank Appraisal Department 1900 E. Ninth Street Cleveland OH 41444 216-222-6057</p>	<p>First Citizens Bank & Trust Centralized Appraisal 16 E. Rowan Street Raleigh, NC 27609 919-716-2369</p>
<p>SunTrust Bank Scott McCreary 2323 Operations Drive Durham, NC 27705 919-425-6462</p>	<p>Regions Bank Kenneth Hummel, MAI 11100 Riverchase Drive Richmond, VA 23233 804-564-2230</p>
<p>Paragon Bank Jim Fielding/Martin Borden 3605 Glenwood Avenue, Suite 100 Raleigh, NC 27612 919-788-7770</p>	<p>Fifth Third Bank Appraisal Department 38 Fountain Square Plaza MD 1090Y2 Cincinnati, OH 25236 513-534-7189</p>
<p>VantageSouth Bank Daniel Neu 7961 Market Street Wilmington, NC 910-686-5118</p>	<p>North State Bank Brenda Smith 6200 Falls of Neuse Road Raleigh, NC 27609 919-630-1115</p>
<p>Four Oaks Bank and Trust Jerry Thornton PO Box 274 Clayton, NC 27520 919-553-2323</p>	<p>First Federal Bank Locke Godwin 200 E. Divine Street Dunn, NC 28334 910-891-2813</p>
<p>TrustAtlantic Bank Tom Quinn 4801 Glenwood Ave. Suite 500 Raleigh, NC 27612 919-277-8715</p>	<p>Fidelity Bank Appraisal Department 100 South Main Street Fuquay Varina, NC 919-567-6702</p>
<p>Cindy Wiggins-Tiede Community Investment Corporation PO Box 19999 Raleigh, NC 27619 919-781-7979</p>	<p>NewCentury Bank David Ivey 107 E. Broad Street Dunn, NC 910-897-3613</p>

CLIENTS

Partial Institutional Client List

AmSouth Bank	Mechanics & Farmers Bank, NC
Bank of America	Medalist Capital
BankOne	Monarch Financial Services
Branch Bank & Trust, NC	NC Mortgage Funding
California Bank & Trust, CA	New Century Bank
Capital Advisors Group, NC	NewBridge Bank
Capital Bank, NC	NewDominion Bank
Capstone Bank, NC	North State Bank, NC
Cardinal State Bank, NC	Paragon Bank, NC
Carolina Savings Bank, NC	Patriot State Bank, NC
Central Carolina Bank, NC	PNC Bank
Cigna Financial	Providence Bank, NC
CIT Small Business	Providian Insurance Group
Citizens Bank	Randolph Bank
CommunityOne Bank, NC	RBC Centura
Compass Bank	Regions Bank
Crescent State Bank, NC	Research Triangle, Inc.
Fidelity Bank, NC	RTP Federal Credit Union
First Bank, NC	Southeast Financial, NC
First Capital Mortgage, NC	Southern Bank and Trust
First Charter Bank	Southern Community Bank
First Citizens Bank, NC	Southern National Bank, NC
First Federal Bank, NC	SouthTrust Bank
First One Bank	Stancorp Mortgage Investors
First South Bank, NC	Sterling South Bank, NC
Four Oaks Bank, NC	Stewart Title
GMAC Commercial Lending	SunTrust
HomeTown Bank	Trulliant Federal Credit Union
HomeTrust Bank, NC	TIAA-CREEF
HVB Group, NY	VantageSouth Bank
KeySource Commercial Bank	Wells Fargo Bank
M & T Bank, Buffalo, NY	Xenith Bank, VA

Note: We are currently State Certified in NC, SC, and VA. The above clients represent local, regional, national, and international assignments.

Partial Non-Institutional Client List

Allstate Appraisal	Maupin Taylor
Ammons, Inc.	Morgan Reeves Gilchrist
Anthony & Company, NC	MV Communities, Inc.
Anthony Allenton	NC Community Foundation
B Banks Law Firm	Poyner Spruill
Battle Winslow Scott & Wiley	Property Reserve Inc.
Beasley Enterprises	RDU Airport Authority
Bennett Deal Sawyer, LLC	Regency Development Services
Boylan Development	Research Triangle Corporation
Capcount USA	Richardson Corporation
Childress Klein	Ross-Civello Properties
City of Raleigh	Salvation Army
CMC Hotels	Sanford Law Firm, NC
Cranfill, Summer & Hartzog, LLC	Sperry Van Ness
Creedmoor Partners	Stam Fordham & Danchi, PA
Crosland	State Employees of NC
Crossin Dannis, Inc.	Strategic Technologies
Cumalander, Adock & McGraw	Taylor Woodrow
Cushman Wakefield	The Pantry, Inc.
Davis, Sturges & Thomlinson, LLP	Thomas Ferguson & Mullins, LLP
Dewitt Corporation	Thomas Worth, Attorney at Law
DHIC, Inc.	Town of Ahoskie
Dilweg Properties	Town of Carrboro
Edminsten & Webb Law Firm	Town of Chapel Hill
ElectricCities, Inc.	Town of Edenton
Emmett Boney Haywood, Attorney at Law	Town of Holly Springs
Ernst & Young	Town of LaGrange
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First Oakland Properties	Town of Mebane
Fore Property Company, DC	Town of Scotland Neck
Fuller Becton Slifkin & Bell	Trademark Properties
Green Hawk Corporation	Trinity Advisors
Halifax County	Van Winkle Buck Well Starnes & Davis, PA
Highwoods Properties	Vandeventer Black, LP
Holt York Darris & High, LP	Wake County Facilities/Public Schools/Revenue
Howell Law Firm	Wallis & Morton, PA
International Paper Realty	Waste Industries
Kerr Drugs	Wil-Dor, Inc.
Keystone Corporation, NC	Winslow Properties, Inc.
Kilpatrick Stockton, LLP	Wyrick Robbin Yates Ponton, LLC
Kirk Kirk Howell Cutter & Thomas, LLP	York Properties
Manning Fulton Skinner	Young Moore Henderson, PA

ENGAGEMENT LETTER



SEP. 30. 2013 3:21PM ELECTRICITIES OF NC

NO. 4069 P. 1

C13322



Williams Appraisers Inc
PO Box 33786
Raleigh, NC 27607
Tel. 919-424-1900
Fax. 919-424-1922
http://www.williamsappraisers.com

To: Ms. Brenda Daniels
Manager, Economic Development
ElectriCities
1427 Meadow Wood Boulevard
Raleigh, NC 27604

Via Email
bdaniels@electricities.org

From: John McBrayer (919) 334-6740 /john@williamsappraisers.com

Receiver's Phone/Fax: 760-6363

Date: September 26, 2013

Property: Hotel Market Feasibility Study for the Town of Morganton, North Carolina to determine the feasibility of a lodging facility. Our report will include a Supply and Demand Analysis, both of which will address National, State and the Primary Markets, and a Feasibility Analysis, including conclusions for the appropriate size and rate structure of a proposed hotel, if justified. The report will be in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP).

Type of Report: Feasibility Study

Due Date: Four (4) weeks from date of engagement

Appraisal Fee: \$5,500

Payment Terms: Due on Completion of Report

Proposed by: John McBrayer (Digital Signature)

September 26, 2013

Date

Accepted by:

Brenda Daniels (handwritten signature)

9/30/13

Date

Brenda Daniels (handwritten print name)



PLEASE COMPLETE THE FOLLOWING AND RETURN ENGAGEMENT VIA EMAIL or FAX TO (919) 424-1922:

Report should be addressed to:

Report should be invoiced to:

Contact names and phone:

Same as above

Same as above

Lee Anderson
828/438 5270 (w)

landerson@ci.morganton.nc

Number of copies requested: 2 plus pdf copy

SMITH TRAVEL RESEARCH REPORT

United States
735 East Main Street
Hendersonville
TN 37075
Phone: +1 (615) 824 8664
Fax: +1 (615) 824 3848
www.str.com

United Kingdom
Blue Fin Building
110 Southwark Street
London SE1 0TA
Phone: +44 (0)20 7922 1930
Fax: +44 (0)20 7922 1931
www.strglobal.com

Morganton Feasibility

January 2007 to August 2013

Currency: USD - US Dollar

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Job Number: 532574_SADIM Staff: CW Created: October 16, 2013

AVG 000,000 000,000 017,104 007,241 004,004 300,100 1,107,102 370,200 001,002 1,000,000 070,004 004,004 37,000,000 07,000,000

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Morganton Feasibility Study

Job Number: 532574_SADIM Staff: CW Created: October 16, 2013

Occupancy	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Aug Y
2008	-3.1	-11.0	-7.3	-8.0	-11.1	-17.0	-0.6	-12.0	-12.6	-15.7	-24.9	-18.7	-11.7	-9
2009	-21.8	-23.8	-27.7	-27.6	-34.3	-23.3	-19.6	-26.2	-19.4	-14.5	-24.2	-8.2	-23.0	-25
2010	-12.2	-5.4	0.5	4.3	9.3	14.0	3.2	16.0	5.8	9.9	14.0	-5.6	3.7	2
2011	-3.0	-3.4	3.4	-3.7	12.3	9.5	2.9	14.4	7.3	22.0	7.0	10.4	7.0	4
2012	8.9	-3.5	4.5	-2.9	4.5	0.3	-10.2	-6.0	-14.9	-1.2	-14.7	-9.0	-4.9	-2
2013	-5.6	1.2	-5.2	14.5	-5.6	-6.6	12.2	15.8	-1.3	-2.9	-5.6	-6.2	-5.8	4
Avg	-6.1	-6.0	-5.3	-3.9	-3.9	-6.0	-2.0	-1.3	-5.3	-2.9	-5.6	-6.2	-5.8	-4

ADR	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Aug Y
2008	3.2	10.4	7.4	7.4	7.2	5.2	1.1	4.2	3.5	3.5	2.9	1.7	4.4	5
2009	0.4	-1.6	1.9	0.6	3.8	2.8	6.5	3.5	1.3	2.6	-0.2	4.2	2.4	2
2010	7.8	5.8	4.8	1.3	-0.1	6.3	3.1	4.7	3.3	6.3	5.6	4.7	3.5	2
2011	6.9	5.7	5.6	7.4	8.1	6.5	4.8	4.5	3.5	2.0	4.9	4.3	5.2	6
2012	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2	2
2013	3.7	1.8	2.8	3.4	1.5	5.5	4.5	1.9	6.1	7.4	2.7	0.6	3.4	2
Avg	4.4	4.6	3.9	3.5	3.5	3.7	3.8	3.4	3.5	3.8	3.2	3.1	3.8	3

RevPAR	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Aug Y
2008	0.0	-1.7	-0.3	-1.2	-4.8	-12.7	0.5	-8.2	-9.5	-15.2	-22.7	-17.4	-7.8	-4
2009	-21.5	-25.0	-26.4	-27.2	-31.8	-21.2	-14.3	-23.6	-18.3	-12.3	-24.4	-4.3	-21.1	-23
2010	-5.4	0.1	5.4	6.6	7.4	0.7	6.4	17.5	9.3	16.8	20.4	-1.1	7.4	5
2011	3.6	12.5	9.1	3.4	21.4	16.6	7.8	9.0	18.4	9.4	28.0	15.2	12.5	10
2012	13.4	1.6	5.2	-2.7	-2.6	2.9	-7.9	-1.4	-9.7	6.1	-12.4	-8.5	-1.7	0
2013	-2.1	3.0	-2.5	18.4	6.5	-2.5	17.2	18.0	-2.0	1.0	-2.2	-3.2	-2.1	7
Avg	-2.0	-1.6	-1.6	-0.4	-0.7	-2.5	1.6	1.9	-2.0	1.0	-2.2	-3.2	-2.1	-0

Supply	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Aug Y
2008	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
2009	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
2010	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
2011	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.3	-0
2012	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
2013	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
Avg	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0

Demand	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Aug Y
2008	-3.1	-11.0	-7.3	-8.0	-11.1	-17.0	-0.6	-12.0	-12.6	-15.7	-24.9	-18.7	-11.7	-9
2009	-21.8	-23.8	-27.7	-27.6	-34.3	-23.3	-19.6	-26.2	-19.4	-14.5	-24.2	-8.2	-23.0	-25
2010	-12.2	-5.4	0.5	4.3	9.3	14.0	2.5	15.3	5.2	9.2	13.3	-6.2	3.4	2
2011	-3.7	-3.4	2.7	-4.3	11.6	8.8	2.9	14.4	7.3	22.0	7.0	10.4	6.7	3
2012	8.9	-3.5	4.5	-2.9	-4.5	0.3	-10.2	-6.0	-14.9	-1.2	-14.7	-9.0	-4.9	-2
2013	-5.6	1.2	-5.2	14.5	-5.6	-6.6	12.2	15.8	-1.3	-2.9	-5.6	-6.2	-5.8	4
Avg	-6.3	-6.1	-5.4	-4.0	-4.0	-6.2	-2.1	-1.4	-5.5	-3.0	-5.7	-6.3	-5.9	-4

Revenue	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Aug Y
2008	0.0	-1.7	-0.3	-1.2	-4.8	-12.7	0.5	-8.2	-9.5	-15.2	-22.7	-17.4	-7.8	-4
2009	-21.5	-25.0	-26.4	-27.2	-31.8	-21.2	-14.3	-23.6	-18.3	-12.3	-24.4	-4.3	-21.1	-23
2010	-5.4	0.1	5.4	6.6	7.4	0.7	6.4	17.5	9.3	16.8	20.4	-1.1	7.4	5
2011	3.0	11.8	8.4	2.8	20.6	15.8	7.8	9.0	18.4	9.4	28.0	15.2	12.2	10
2012	13.4	1.6	5.2	-2.7	-2.6	2.9	-7.9	-1.4	-9.7	6.1	-12.4	-8.5	-1.7	0
2013	-2.1	3.0	-2.5	18.4	6.5	-2.5	17.2	18.0	-2.0	1.0	-2.2	-3.2	-2.3	7
Avg	-2.1	-1.7	-1.7	-0.5	-0.8	-2.6	1.5	1.8	-2.1	0.8	-2.4	-3.3	-2.3	-0

subject to legal action. Our licenses are available. Ownership, construction and use of the Hotel project and its contents are subject to law terms set out in the contract you have entered into with Smith Travel Research, Inc.

Morganton Feasibility
 Job Number: 532574_SADIM Steiff, CW Created: October 16, 2013

	Jan 08	Feb 08	Mar 08	Apr 08	May 08	Jun 08	Jul 08	Aug 08	Sep 08	Oct 08	Nov 08	Dec 08	Total Year	Aug YTD
Occ	-3.1	-11.0	-7.3	-8.0	-11.1	-17.0	-0.6	-12.0	-12.6	-15.7	-24.9	-18.7	-11.7	-9.0
ADR	3.2	10.4	7.6	7.4	7.2	5.2	1.1	4.2	3.5	0.6	2.9	1.7	4.4	5.5
RevPAR	0.0	-1.7	-0.3	-1.2	-4.8	-12.7	0.5	-8.2	-9.5	-15.2	-22.7	-17.4	-7.8	-4.0
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	-3.1	-11.0	-7.3	-8.0	-11.1	-17.0	-0.6	-12.0	-12.6	-15.7	-24.9	-18.7	-11.7	-9.0
Revenue	0.0	-1.7	-0.3	-1.2	-4.8	-12.7	0.5	-8.2	-9.5	-15.2	-22.7	-17.4	-7.8	-4.0

	Jan 09	Feb 09	Mar 09	Apr 09	May 09	Jun 09	Jul 09	Aug 09	Sep 09	Oct 09	Nov 09	Dec 09	Total Year	Aug YTD
Occ	-21.8	-23.8	-27.7	-26.4	-31.8	-21.2	-14.3	-23.6	-18.3	-12.3	-24.4	-4.3	-21.1	-23.7
ADR	0.4	-1.6	-1.9	0.6	-3.3	-2.3	-18.6	-22.2	-19.4	-14.5	-28.2	-3.2	-2.4	2.5
RevPAR	-21.5	-25.0	-29.4	-27.2	-35.1	-23.5	-16.3	-25.8	-19.3	-13.8	-30.4	-4.2	-11.1	-20.7
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	-21.8	-23.8	-27.7	-27.2	-34.3	-23.3	-19.6	-28.2	-19.4	-14.5	-24.2	-8.2	-20.0	-25.5
Revenue	-21.5	-25.0	-26.4	-27.2	-31.8	-21.2	-14.3	-23.6	-18.3	-12.3	-24.4	-4.3	-21.1	-23.7

	Jan 10	Feb 10	Mar 10	Apr 10	May 10	Jun 10	Jul 10	Aug 10	Sep 10	Oct 10	Nov 10	Dec 10	Total Year	Aug YTD
Occ	-12.2	-5.4	0.5	4.3	9.3	0.8	3.2	16.0	5.8	9.9	14.0	-5.6	3.7	2.5
ADR	7.8	5.8	4.8	2.2	-1.8	-0.1	3.1	1.3	3.3	6.3	5.6	4.7	3.5	2.7
RevPAR	-5.4	0.1	5.4	6.6	7.4	0.7	6.4	17.5	9.3	16.8	20.4	-1.1	7.4	5.4
Supply	0.0	0.0	0.0	0.0	0.0	0.0	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.3	-0.2
Demand	-12.2	-5.4	0.5	4.3	9.3	0.8	2.5	15.3	5.2	13.3	13.3	-6.2	3.4	2.4
Revenue	-5.4	0.1	5.4	6.6	7.4	0.7	5.7	16.8	8.6	16.0	19.7	-1.8	7.1	5.2

	Jan 11	Feb 11	Mar 11	Apr 11	May 11	Jun 11	Jul 11	Aug 11	Sep 11	Oct 11	Nov 11	Dec 11	Total Year	Aug YTD
Occ	-3.0	6.5	3.4	-3.7	12.3	9.5	2.9	4.4	14.4	7.3	22.0	10.4	7.0	4.2
ADR	6.9	5.7	5.6	7.4	8.1	6.5	4.8	4.5	3.5	2.0	4.9	4.3	5.2	6.1
RevPAR	-3.6	12.5	9.1	-3.4	21.4	16.6	7.8	9.0	18.4	9.4	28.0	15.2	12.5	10.5
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	-0.3	-0.5
Demand	-3.7	6.5	3.4	-3.7	12.3	9.5	2.9	4.4	14.4	7.3	22.0	10.4	6.7	3.7
Revenue	3.0	11.8	8.4	2.8	20.6	15.8	7.8	9.0	18.4	9.4	28.0	15.2	12.2	10.0

	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	Aug YTD
Occ	8.9	-3.5	4.5	-2.9	-4.5	0.3	-10.2 <td>-6.0</td> <td>-14.9</td> <td>-12.4</td> <td>-14.7</td> <td>-9.0</td> <td>-4.9</td> <td>2.6</td>	-6.0	-14.9	-12.4	-14.7	-9.0	-4.9	2.6
ADR	4.2	5.3	0.6	0.2	2.0	2.6	2.6	4.8	6.1	7.4	2.7	0.6	3.4	2.6
RevPAR	13.4	1.6	5.2	-2.7	-2.6	2.9	-7.9	-1.4	-9.7	6.1	-12.4	-8.5	-1.7	0.0
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	8.9	-3.5	4.5	-2.9	-4.5	0.3	-10.2	-6.0	-14.9	-12.4	-14.7	-9.0	-4.9	-2.5
Revenue	13.4	1.6	5.2	-2.7	-2.6	2.9	-7.9	-1.4	-9.7	6.1	-12.4	-8.5	-1.7	0.0

	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	Aug YTD
Occ	-5.6	1.2	-5.2	14.5	4.9	-6.6	12.2	15.8	15.8	15.8	15.8	15.8	4.4	4.4
ADR	3.7	1.8	2.8	3.4	1.5	5.5	4.5	1.9	1.9	1.9	1.9	1.9	3.3	3.3
RevPAR	-2.1	3.0	-2.5	18.4	6.5	-1.4	17.2	18.0	18.0	18.0	18.0	18.0	7.8	7.8
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	-5.6	1.2	-5.2	14.5	4.9	-6.6	12.2	15.8	15.8	15.8	15.8	15.8	4.4	4.4
Revenue	-2.1	3.0	-2.5	18.4	6.5	-1.4	17.2	18.0	18.0	18.0	18.0	18.0	7.8	7.8

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Occupancy (%)

Morganton Feasibility Job Number: 532574_SADIM Staff: CW Created: October 16, 2013

	January	February	March	April	May	June	July	August	September	October	November	December
2008	63.1	62.7	62.3	61.8	61.2	60.1	60.0	59.3	58.7	57.7	56.6	55.8
2009	55.0	54.1	52.7	51.3	49.5	48.3	47.1	45.8	44.9	44.1	43.3	43.0
2010	42.6	42.3	42.5	42.7	43.0	43.6	43.2	43.4	44.0	44.4	44.8	44.6
2011	44.6	44.7	44.9	44.7	45.2	45.6	45.7	45.9	46.5	46.8	47.5	47.8
2012	48.0	47.9	48.1	47.9	47.8	47.8	47.3	47.8	47.7	46.2	45.7	45.4
2013	45.3	45.3	45.1	45.6	45.8	45.5	46.1	46.8				

ADR (\$)

	January	February	March	April	May	June	July	August	September	October	November	December
2008	63.53	63.93	64.32	64.72	65.11	65.50	65.89	66.28	66.67	67.06	67.45	67.84
2009	66.30	66.29	66.38	66.40	66.56	66.68	66.74	66.81	66.88	66.95	67.02	67.09
2010	68.12	68.37	68.65	68.77	68.87	68.92	68.92	69.04	69.23	69.33	69.43	69.53
2011	70.43	70.65	70.97	71.41	71.88	72.32	72.71	73.02	73.23	73.41	73.62	73.77
2012	73.92	74.15	74.19	74.20	74.32	74.51	74.68	75.01	75.40	76.03	76.21	76.27
2013	76.44	76.52	76.70	76.89	76.99	77.39	77.96					

RevPAR (\$)

	January	February	March	April	May	June	July	August	September	October	November	December
2008	40.12	40.06	40.05	40.01	39.84	39.30	39.32	39.01	38.68	38.05	37.37	36.96
2009	35.45	35.06	35.00	34.06	32.96	32.20	31.02	30.80	30.23	29.79	29.23	29.15
2010	29.05	29.05	29.18	29.35	29.52	29.54	29.75	30.21	30.45	30.97	31.32	31.31
2011	31.38	31.60	31.83	31.83	32.46	32.94	33.23	33.51	34.02	34.36	34.95	35.23
2012	35.48	35.51	35.65	35.58	35.50	35.60	35.29	35.24	34.92	35.16	34.83	34.65
2013	34.60	34.66	34.59	35.09	35.28	35.23	35.96	36.46				

Supply

	January	February	March	April	May	June	July	August	September	October	November	December
2008	287,985	287,985	287,985	287,985	287,985	287,985	287,985	287,985	287,985	287,985	287,985	287,985
2009	287,985	287,985	287,985	287,985	287,985	287,985	287,985	287,985	287,985	287,985	287,985	287,985
2010	286,910	286,770	286,615	286,465	286,310	286,160	286,160	286,160	286,160	286,160	286,160	286,160
2011	286,160	286,160	286,160	286,160	286,160	286,160	286,160	286,160	286,160	286,160	286,160	286,160
2012	286,160	286,160	286,160	286,160	286,160	286,160	286,160	286,160	286,160	286,160	286,160	286,160
2013	286,160	286,160	286,160	286,160	286,160	286,160	286,160	286,160				

Demand

	January	February	March	April	May	June	July	August	September	October	November	December
2008	181,757	180,440	179,327	178,023	176,188	173,980	172,881	170,883	168,970	166,223	162,872	160,785
2009	159,311	155,769	151,944	147,711	142,688	139,040	135,655	131,766	129,208	127,068	124,616	123,680
2010	122,796	122,859	122,414	122,866	123,780	123,681	124,256	125,692	126,443	127,606	128,624	128,112
2011	127,628	128,276	128,555	128,069	129,287	130,347	130,769	131,316	132,335	133,996	135,851	136,664
2012	137,329	137,044	137,524	137,210	136,687	136,727	135,212	134,434	132,516	132,384	130,769	129,992
2013	129,537	129,635	129,064	130,580	131,137	130,270	131,889	133,835				

Revenue (\$)

	January	February	March	April	May	June	July	August	September	October	November	December
2008	11,547,873	11,536,298	11,533,588	11,521,371	11,472,466	11,318,716	11,324,348	11,234,215	11,140,311	10,956,562	10,782,171	10,643,085
2009	10,496,062	10,326,609	10,079,351	9,807,851	9,496,712	9,271,716	9,105,610	8,888,717	8,705,784	8,579,628	8,418,302	8,394,169
2010	8,352,387	8,365,921	8,403,255	8,451,420	8,500,414	8,506,313	8,562,717	8,691,247	8,753,957	8,896,470	8,996,523	8,987,316
2011	9,032,439	9,062,980	9,124,000	9,145,611	9,292,814	9,426,102	9,508,384	9,589,353	9,734,328	9,832,896	10,000,823	10,081,888
2012	10,151,979	10,161,210	10,202,373	10,180,560	10,158,549	10,186,862	10,097,212	10,083,339	9,992,273	10,061,736	9,966,409	9,914,669
2013	9,902,064	9,919,582	9,896,651	10,041,684	10,096,271	10,081,888	10,261,200	10,434,372				

High value is boxed. Low value is boxed and italicized.

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Tab 6 - Twelve Month Moving Average with Percent Change

Morganton Feasibility
 Job Number: 532574_SADIM Staff: CW Created: October 16, 2013

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue	
	This Year	% Chg	This Year	% Chg								
Jan 08	63.1		63.53		40.10		287,985		181,757		11,547,878	
Feb 08	62.7	-12.9	63.93	4.4	40.06	-9.1	287,985	0.0	180,440	-12.9	11,536,298	-9.1
Mar 08	62.3	-13.7	64.32	3.7	40.05	-10.5	287,985	0.0	179,327	-13.7	11,533,588	-10.5
Apr 08	61.8	-15.3	64.72	3.2	39.84	-12.6	287,985	0.0	178,023	-15.3	11,521,371	-12.6
May 08	61.2	-17.0	65.11	2.6	39.30	-14.9	287,985	0.0	176,189	-17.0	11,472,466	-14.9
Jun 08	60.1	-19.0	65.43	2.2	39.32	-17.2	287,985	0.0	172,990	-19.0	11,318,716	-17.2
Jul 08	60.0	-19.6	65.50	1.9	39.01	-18.1	287,985	0.0	172,881	-19.6	11,324,348	-18.1
Aug 08	59.3	-21.6	65.74	2.5	38.68	-19.6	287,985	0.0	170,883	-21.6	11,234,215	-19.6
Sep 08	58.7	-22.9	65.93	2.4	38.05	-21.9	287,985	0.0	168,970	-22.9	11,140,311	-21.9
Oct 08	57.7	-23.6	65.91	2.2	38.05	-21.7	287,985	0.0	166,223	-23.6	10,956,562	-21.7
Nov 08	56.6	-23.5	66.08	2.2	37.37	-21.8	287,985	0.0	162,872	-23.5	10,762,171	-21.8
Dec 08	55.8	-23.0	66.19	2.4	36.96	-21.1	287,985	0.0	160,785	-23.0	10,624,085	-21.1
Jan 09	55.0	-22.4	66.30	2.8	36.45	-20.3	287,985	0.0	158,311	-22.4	10,496,062	-20.3
Feb 09	54.1	-21.4	66.29	3.1	35.86	-19.0	287,985	0.0	155,768	-21.4	10,326,609	-19.0
Mar 09	52.7	-19.4	66.38	3.4	35.00	-16.6	287,985	0.0	151,844	-19.4	10,079,351	-16.6
Apr 09	51.3	-16.8	66.40	3.6	34.06	-13.8	287,985	0.0	147,711	-16.8	9,807,851	-13.8
May 09	49.5	-13.3	66.56	3.2	32.98	-10.5	287,985	0.0	142,689	-13.3	9,496,712	-10.5
Jun 09	48.3	-10.9	66.68	3.0	32.20	-8.3	287,985	0.0	139,040	-10.9	9,271,716	-8.3
Jul 09	47.1	-8.3	67.14	2.7	31.62	-5.9	287,985	0.0	135,625	-8.3	9,105,610	-5.9
Aug 09	45.8	-4.4	67.31	2.6	30.80	-2.1	287,985	0.0	131,768	-4.4	8,868,717	-2.1
Sep 09	44.9	-2.0	67.38	2.8	30.23	0.7	287,985	0.0	129,208	-2.0	8,705,784	0.7
Oct 09	44.1	0.6	67.52	3.3	29.79	3.9	287,985	0.0	127,068	0.6	8,579,628	3.9
Nov 09	43.3	3.5	67.55	3.5	29.23	2.2	287,985	0.0	124,618	3.5	8,418,302	2.2
Dec 09	43.0	-22.4	67.76	2.4	28.15	-21.1	287,985	0.0	123,880	-22.4	8,394,169	-21.1
Jan 10	42.6	-21.4	68.12	2.8	29.05	-20.3	287,985	0.0	122,796	-21.4	8,365,381	-20.3
Feb 10	42.5	-19.4	68.37	3.1	29.05	-19.0	287,985	0.0	122,359	-19.4	8,365,921	-19.0
Mar 10	42.5	-16.8	68.65	3.4	29.18	-16.6	287,985	0.0	122,414	-16.8	8,403,255	-16.6
Apr 10	42.7	-13.3	68.77	3.6	29.35	-13.8	287,985	0.0	122,886	-13.3	8,451,420	-13.8
May 10	43.0	-10.9	68.67	3.2	29.52	-10.5	287,985	0.0	123,780	-10.9	8,500,414	-10.5
Jun 10	43.0	-8.3	68.67	3.0	29.54	-8.3	287,985	0.0	123,881	-8.3	8,506,313	-8.3
Jul 10	43.2	-4.4	68.92	2.7	29.75	-5.9	287,830	-0.1	124,236	-4.4	8,562,721	-5.9
Aug 10	43.8	-2.0	69.04	2.6	30.21	-1.9	287,675	-0.1	125,892	-2.0	8,691,247	-1.9
Sep 10	44.0	0.6	69.23	3.3	30.45	0.7	287,525	-0.2	126,443	0.6	8,753,957	0.7
Oct 10	44.4	3.5	69.73	3.3	30.97	3.9	287,370	-0.2	127,606	3.5	8,898,470	3.9
Nov 10	44.8	3.7	69.95	3.5	31.32	7.4	287,220	-0.3	128,624	3.7	8,996,953	7.4
Dec 10	44.6	4.5	70.15	3.5	31.31	7.4	287,065	-0.3	128,112	4.5	8,987,316	7.4
Jan 11	44.6	5.3	70.43	3.4	31.38	8.0	286,910	-0.4	127,828	5.3	9,002,439	8.0
Feb 11	44.7	5.5	70.65	3.3	31.60	8.8	286,770	-0.4	128,276	5.5	9,062,580	8.8
Mar 11	44.9	4.8	70.97	3.4	31.83	9.1	286,615	-0.5	128,555	4.8	9,124,000	9.1
Apr 11	44.7	5.1	71.41	4.7	31.93	8.8	286,465	-0.5	128,069	5.1	9,145,611	8.8
May 11	45.2	5.9	71.88	4.7	32.46	10.0	286,310	-0.6	129,287	5.9	9,292,814	10.0
Jun 11	45.6	5.9	72.32	5.3	32.94	11.5	286,160	-0.6	130,347	5.9	9,426,102	11.5
Jul 11	45.7	4.9	72.71	5.5	33.23	11.7	286,160	-0.6	130,769	4.9	9,508,384	11.7
Aug 11	45.9	5.6	73.02	5.8	33.51	10.9	286,160	-0.5	131,318	5.6	9,589,353	10.9
Sep 11	46.5	5.6	73.23	5.8	34.02	11.7	286,160	-0.5	132,935	5.6	9,734,328	11.7
Oct 11	46.5	5.6	73.23	5.8	34.02	11.7	286,160	-0.5	132,935	5.6	9,734,328	11.7

Tab 6 - Twelve Month Moving Average with Percent Change

Morganton Feasibility
 Job Number: 532574_SADIM Staff: CW Created: October 16, 2013

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue	
	This Year	% Chg	This Year	% Chg								
Nov 11	47.5	6.0	73.62	11.6	34.95	-0.4	286,160	5.6	135,851	5.6	10,000,823	11.1
Dec 11	47.8	7.0	73.77	12.5	35.23	-0.3	286,160	6.7	136,684	6.7	10,081,898	12.2
Jan 12	48.0	7.7	73.92	13.1	35.48	-0.3	286,160	7.4	137,329	7.4	10,151,979	12.8
Feb 12	47.9	7.1	74.15	12.4	35.51	-0.2	286,160	6.8	137,044	6.8	10,161,210	12.7
Mar 12	48.1	7.1	74.19	12.0	35.65	-0.2	286,160	7.0	137,524	7.0	10,202,373	11.8
Apr 12	47.9	7.3	74.20	11.4	35.58	-0.1	286,160	7.1	137,210	7.1	10,180,560	11.8
May 12	47.8	5.8	74.32	9.4	35.50	-0.1	286,160	5.7	136,687	5.7	10,158,549	9.8
Jun 12	47.8	4.9	74.51	8.1	35.60	0.0	286,160	4.9	136,727	4.9	10,186,862	8.7
Jul 12	47.3	3.4	74.68	6.2	35.29	0.0	286,160	3.4	135,212	3.4	10,097,212	6.8
Aug 12	47.0	2.4	75.01	5.2	35.24	0.0	286,160	2.4	134,434	2.4	10,083,339	5.8
Sep 12	46.3	-0.3	75.40	2.6	34.92	0.0	286,160	-0.3	132,518	-0.3	9,992,273	2.8
Oct 12	46.2	-1.2	76.03	3.6	35.16	0.0	286,160	-1.2	132,334	-1.2	10,061,736	2.8
Nov 12	45.7	-3.7	76.21	-0.3	34.83	0.0	286,160	-3.7	130,769	-3.7	9,966,409	-0.8
Dec 12	45.4	-4.9	76.27	-1.7	34.65	0.0	286,160	-4.9	129,992	-4.9	9,914,469	-1.1
Jan 13	45.3	-5.7	76.44	-2.5	34.60	0.0	286,160	-5.7	129,537	-5.7	9,902,084	-2.8
Feb 13	45.3	-5.4	76.52	-2.4	34.66	0.0	286,160	-5.4	129,635	-5.4	9,919,582	-2.8
Mar 13	45.1	-6.2	76.70	-3.0	34.59	0.0	286,160	-6.2	129,064	-6.2	9,898,651	-3.0
Apr 13	45.6	-4.8	76.89	-1.4	35.09	0.0	286,160	-4.8	130,590	-4.8	10,041,694	-1.8
May 13	45.8	-4.1	76.99	-0.6	35.28	0.0	286,160	-4.1	131,137	-4.1	10,096,271	-0.8
Jun 13	45.5	-4.7	77.39	-1.0	35.23	0.0	286,160	-4.7	130,270	-4.7	10,081,888	-1.0
Jul 13	46.1	-2.5	77.80	1.6	35.86	0.0	286,160	-2.5	131,889	-2.5	10,261,200	1.8
Aug 13	46.8	-0.4	77.96	3.5	36.46	0.0	286,160	-0.4	133,835	-0.4	10,434,372	3.8

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Williams Appraisers Inc.

Morganton Feasibility

Job Number: 532574_SADIM Staff: CW Created: October 16, 2013

Occupancy (%)	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Sep - 12	28.8	38.9	48.0	50.4	48.0	53.5	58.6	46.4
Oct - 12	40.2	51.5	54.1	57.6	58.7	79.1	83.9	60.1
Nov - 12	25.2	40.5	42.3	43.8	41.6	39.2	36.5	38.5
Dec - 12	20.9	33.0	39.4	38.6	32.6	33.2	31.0	32.3
Jan - 13	19.8	37.6	35.7	39.4	32.6	26.1	27.3	31.7
Feb - 13	21.2	40.3	46.0	44.6	37.3	31.6	33.6	36.4
Mar - 13	26.5	45.9	50.9	47.5	40.9	46.5	45.9	43.1
Apr - 13	31.0	51.6	56.9	55.4	51.0	55.2	56.0	51.2
May - 13	29.6	45.5	55.3	54.9	47.3	53.0	50.2	48.3
Jun - 13	34.4	52.2	59.2	56.8	50.3	54.3	61.7	52.4
Jul - 13	40.2	66.9	67.5	62.9	58.0	67.6	63.5	61.4
Aug - 13	31.8	58.8	67.0	68.3	61.3	59.0	61.9	58.5
Total Year	29.0	47.2	52.0	51.8	46.6	49.8	50.9	46.8

Three Year Occupancy (%)	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Year
Sep 10 - Aug 11	29.2	44.5	50.5	50.5	45.3	50.4	50.7	45.
Sep 11 - Aug 12	25.5	46.9	53.0	52.5	43.2	50.5	51.2	47.
Sep 12 - Aug 13	29.0	47.2	52.0	51.8	46.6	49.8	50.9	46.
Total 3 Yr	28.2	46.2	51.8	51.6	45.7	50.2	50.9	46.

ADR	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Sep - 12	75.79	77.43	77.79	77.32	76.37	76.36	78.69	77.25
Oct - 12	80.85	79.59	80.26	77.99	80.15	88.43	90.21	83.03
Nov - 12	74.95	74.92	75.22	74.37	73.28	73.36	74.74	74.30
Dec - 12	71.59	71.67	72.55	71.61	71.75	71.87	71.07	71.73
Jan - 13	76.36	76.32	77.22	75.02	76.71	72.37	71.26	75.31
Feb - 13	74.56	75.89	75.86	74.86	74.15	73.06	73.30	74.64
Mar - 13	74.67	77.25	76.75	74.64	75.28	79.93	79.94	77.23
Apr - 13	75.21	73.82	75.91	76.30	74.96	77.87	79.44	76.23
May - 13	75.85	75.98	76.13	75.30	74.57	77.26	78.32	76.18
Jun - 13	79.84	77.03	78.04	77.89	78.03	83.15	85.33	80.22
Jul - 13	82.07	80.32	79.55	79.35	80.67	85.03	87.54	81.85
Aug - 13	77.41	78.02	79.72	78.94	79.33	80.72	82.71	79.83
Total Year	77.07	76.85	77.42	76.51	76.66	79.57	81.10	77.96

Three Year ADR	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Year
Sep 10 - Aug 11	70.49	72.18	72.43	72.52	71.92	74.81	75.53	73.0
Sep 11 - Aug 12	73.17	73.94	74.50	74.55	74.61	76.14	77.25	75.0
Sep 12 - Aug 13	77.07	76.85	77.42	76.51	76.66	79.57	81.10	77.9
Total 3 Yr	73.57	74.37	74.61	74.53	74.42	76.82	77.98	75.3

RevPAR	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Month
Sep - 12	21.62	30.09	37.37	39.00	36.64	40.85	46.13	35.85
Oct - 12	32.46	41.00	43.44	44.91	47.07	69.97	75.85	49.91
Nov - 12	18.91	30.33	31.83	32.61	30.49	28.79	26.55	28.58
Dec - 12	14.96	23.65	28.61	27.67	23.39	23.87	22.03	23.14
Jan - 13	15.13	28.67	27.59	29.58	25.03	18.86	19.45	23.85
Feb - 13	15.80	30.61	34.93	33.38	27.66	23.07	24.85	27.16
Mar - 13	19.81	35.49	39.05	35.43	30.80	37.15	36.71	33.27
Apr - 13	23.33	38.08	43.18	42.25	38.24	43.00	44.53	39.06
May - 13	22.42	34.59	42.11	41.36	35.26	40.93	39.31	36.82
Jun - 13	27.50	40.23	46.20	44.25	39.23	45.17	52.62	42.03
Jul - 13	32.97	53.72	53.73	49.88	46.77	57.44	55.60	50.25
Aug - 13	24.66	45.90	53.42	53.88	48.59	47.59	51.23	46.73
Total Year	22.37	36.27	40.27	39.66	35.69	39.64	41.26	36.46

Three Year RevPAR	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Total Year
Sep 10 - Aug 11	20.57	32.14	36.57	36.65	32.58	37.69	38.31	33.5
Sep 11 - Aug 12	21.60	34.70	39.52	39.13	33.72	38.44	39.52	35.2
Sep 12 - Aug 13	22.37	36.27	40.27	39.66	35.69	39.64	41.26	36.4
Total 3 Yr	21.51	34.37	38.78	38.47	34.00	38.59	39.71	35.0

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Tab 8 - Raw Data

Morganton Feasibility
 Job Number: 532574_SADIM Staff: CW Created: October 16, 2013

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue		Census & Sample %		
	This Year	% Chg	Census Props	Census Rooms	% Rooms STAR Participants										
Jan 07	47.8		58.41		27.91		24,459		11,689		682,712		11	789	94.6
Feb 07	54.4		57.37		31.22		22,092		12,022		689,731		11	789	94.6
Mar 07	62.4		61.56		38.42		24,459		15,264		939,612		11	789	94.6
Apr 07	68.8		62.08		42.73		23,670		16,290		1,011,354		11	789	94.6
May 07	67.3		62.32		41.96		24,459		16,467		1,026,223		11	789	94.6
Jun 07	79.6		64.46		51.29		23,670		18,837		1,214,148		11	789	94.6
Jul 07	71.8		65.67		47.16		24,459		17,565		1,153,423		11	789	94.6
Aug 07	68.3		65.47		44.72		24,459		16,708		1,093,867		11	789	94.6
Sep 07	64.0		64.97		41.55		23,670		15,137		983,465		11	789	100.0
Oct 07	71.6		69.10		49.49		24,459		17,517		1,210,473		11	789	100.0
Nov 07	56.9		63.56		36.20		23,670		13,479		856,748		11	789	100.0
Dec 07	45.5		61.59		28.05		24,459		11,141		686,121		11	789	100.0
Jan 08	46.3	-3.1	60.26	3.2	27.91	0.0	24,459	0.0	11,330	-3.1	682,713	0.0	11	789	100.0
Feb 08	48.5	-11.0	63.35	10.4	30.70	-1.7	22,092	0.0	10,705	-11.0	678,151	-1.7	11	789	100.0
Mar 08	57.9	-7.3	66.21	7.6	38.31	-0.3	24,459	0.0	14,151	-7.3	936,902	-0.3	11	789	100.0
Apr 08	63.3	-8.0	66.67	7.4	42.21	-1.2	23,670	0.0	14,986	-8.0	999,137	-1.2	11	789	100.0
May 08	59.8	-11.1	66.79	7.2	39.96	-4.8	24,459	0.0	14,633	-11.1	977,318	-4.8	11	789	100.0
Jun 08	66.1	-17.0	67.81	5.2	44.80	-12.7	23,670	0.0	15,638	-17.0	1,060,398	-12.7	11	789	100.0
Jul 08	71.4	-0.6	66.40	1.1	47.39	0.5	24,459	0.0	17,456	-0.6	1,159,055	0.5	11	789	100.0
Aug 08	60.1	-12.0	68.23	4.2	41.04	-8.2	24,459	0.0	14,710	-12.0	1,003,734	-8.2	11	789	100.0
Sep 08	55.9	-12.6	67.27	3.5	37.58	-9.5	23,670	0.0	13,224	-12.6	889,561	-9.5	11	789	100.0
Oct 08	60.4	-15.7	69.51	0.6	41.98	-15.2	24,459	0.0	14,770	-15.7	1,026,724	-15.2	11	789	100.0
Nov 08	42.8	-24.9	65.40	2.9	27.98	-22.7	23,670	0.0	10,128	-24.9	662,357	-22.7	11	789	100.0
Dec 08	37.0	-18.7	62.63	1.7	23.18	-17.4	24,459	0.0	9,054	-18.7	567,035	-17.4	11	789	100.0
Jan 09	36.2	-21.8	60.49	0.4	21.90	-21.5	24,459	0.0	8,856	-21.8	535,690	-21.5	11	789	100.0
Feb 09	36.9	-23.8	62.33	-1.6	23.03	-25.0	22,092	0.0	8,162	-23.8	508,698	-25.0	11	789	100.0
Mar 09	41.8	-27.7	67.43	1.9	28.20	-26.4	24,459	0.0	10,227	-27.7	689,644	-26.4	11	789	100.0
Apr 09	45.9	-27.6	67.04	0.6	30.74	-27.2	23,670	0.0	10,853	-27.6	727,637	-27.2	11	789	100.0
May 09	39.3	-34.3	69.31	3.8	27.24	-31.8	24,459	0.0	9,611	-34.3	666,179	-31.8	11	789	100.0
Jun 09	50.7	-23.3	69.68	2.8	35.29	-21.2	23,670	0.0	11,989	-23.3	835,402	-21.2	11	789	100.0
Jul 09	57.4	-19.6	70.72	6.5	40.60	-14.3	24,459	0.0	14,041	-19.6	992,949	-14.3	11	789	100.0
Aug 09	44.4	-26.2	70.66	3.5	31.35	-23.6	24,459	0.0	10,853	-26.2	766,841	-23.6	11	789	100.0
Sep 09	45.1	-19.4	68.14	1.3	30.70	-18.3	23,670	0.0	10,664	-19.4	726,628	-18.3	11	789	100.0
Oct 09	51.6	-14.5	71.30	2.6	36.82	-12.3	24,459	0.0	12,630	-14.5	900,588	-12.3	11	789	100.0
Nov 09	32.4	-24.2	65.26	-0.2	21.17	-24.4	23,670	0.0	7,678	-24.2	501,031	-24.4	11	789	100.0
Dec 09	34.0	-8.2	65.28	4.2	22.20	-4.3	24,459	0.0	8,316	-8.2	542,902	-4.3	11	789	100.0
Jan 10	31.8	-12.2	65.22	7.8	20.72	-5.4	24,459	0.0	7,772	-12.2	506,902	-5.4	11	789	100.0
Feb 10	35.0	-5.4	65.92	5.8	23.05	0.1	22,092	0.0	7,725	-5.4	509,238	0.1	11	789	100.0
Mar 10	42.0	0.5	70.70	4.8	29.72	5.4	24,459	0.0	10,282	0.5	726,978	5.4	11	789	100.0
Apr 10	47.8	4.3	68.50	2.2	32.78	6.6	23,670	0.0	11,325	4.3	775,802	6.6	11	789	100.0
May 10	42.9	9.3	68.08	-1.8	29.24	7.4	24,459	0.0	10,505	9.3	715,173	7.4	11	789	100.0
Jun 10	51.1	0.8	69.59	-0.1	35.54	0.7	23,670	0.0	12,090	0.8	841,301	0.7	11	789	100.0
Jul 10	59.2	3.2	72.89	3.1	43.18	6.4	24,304	-0.6	14,396	2.5	1,049,357	5.7	11	784	100.0
Aug 10	51.5	16.0	71.58	1.3	36.84	17.5	24,304	-0.6	12,509	15.3	895,367	16.8	11	784	100.0
Sep 10	47.7	5.8	70.38	3.3	33.56	9.3	23,520	-0.6	11,215	5.2	789,338	8.6	11	784	100.0
Oct 10	56.8	9.9	75.77	6.3	43.00	16.8	24,304	-0.6	13,793	9.2	1,045,081	16.0	11	784	100.0
Nov 10	37.0	14.0	68.94	5.6	25.49	20.4	23,520	-0.6	8,696	13.3	599,514	19.7	11	784	100.0

Tab 8 - Raw Data

Morganton Feasibility
Job Number: 532574_SADIM Staff: CW Created: October 16, 2013

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue		Census & Sample %			
	This Year	% Chg	Census Props	Census Rooms	% Rooms STAR	Participants										
Jan 11	30.8	-3.0	69.71	6.9	21.48	3.6	24,304	-0.6	7,488	-3.7	522,025	3.0	11	784	100.0	100.0
Feb 11	37.2	6.5	69.67	5.7	25.94	12.5	21,952	-0.6	8,173	5.8	569,379	11.8	11	784	100.0	100.0
Mar 11	43.5	3.4	74.65	5.6	32.44	9.1	24,304	-0.6	10,561	2.7	788,398	8.4	11	784	100.0	100.0
Apr 11	46.1	-3.7	73.57	7.4	33.90	3.4	23,520	-0.6	10,839	-4.3	797,413	2.8	11	784	100.0	100.0
May 11	48.2	12.3	73.56	8.1	35.48	21.4	24,304	-0.6	11,723	11.6	862,376	20.6	11	784	100.0	100.0
Jun 11	55.9	9.5	74.11	6.5	41.44	16.6	23,520	-0.6	13,150	8.8	974,589	15.8	11	784	100.0	100.0
Jul 11	61.0	2.9	76.37	4.8	46.56	7.8	24,304	0.0	14,818	2.9	1,131,639	7.8	11	784	100.0	100.0
Aug 11	53.7	4.4	74.77	4.5	40.17	9.0	24,304	0.0	13,058	4.4	976,336	9.0	11	784	100.0	100.0
Sep 11	54.6	14.4	72.81	3.5	39.72	18.4	23,520	0.0	12,832	14.4	934,313	18.4	11	784	100.0	100.0
Oct 11	60.9	7.3	77.30	2.0	47.06	9.4	24,304	0.0	14,794	7.3	1,143,649	9.4	11	784	100.0	100.0
Nov 11	45.1	22.0	72.33	4.9	32.63	28.0	23,520	0.0	10,611	22.0	767,441	28.0	11	784	100.0	100.0
Dec 11	35.5	10.4	71.29	4.3	25.28	15.2	24,304	0.0	8,617	10.4	614,340	15.2	11	784	100.0	100.0
Jan 12	33.5	8.9	72.62	4.2	24.36	13.4	24,304	0.0	8,153	8.9	592,106	13.4	11	784	100.0	100.0
Feb 12	35.9	-3.5	73.35	5.3	26.36	1.6	21,952	0.0	7,888	-3.5	578,610	1.6	11	784	100.0	100.0
Mar 12	45.4	4.5	75.13	0.6	34.13	5.2	24,304	0.0	11,041	4.5	829,561	5.2	11	784	100.0	100.0
Apr 12	44.7	-2.9	73.69	0.2	32.98	-2.7	23,520	0.0	10,525	-2.9	775,600	-2.7	11	784	100.0	100.0
May 12	46.1	-4.5	75.03	2.0	34.58	-2.6	24,304	0.0	11,200	-4.5	840,365	-2.6	11	784	100.0	100.0
Jun 12	56.1	0.3	76.04	2.6	42.64	2.9	23,520	0.0	13,190	0.3	1,002,902	2.9	11	784	100.0	100.0
Jul 12	54.7	-10.2	78.33	2.6	42.87	-7.9	24,304	0.0	13,303	-10.2	1,041,989	-7.9	11	784	100.0	100.0
Aug 12	50.5	-6.0	78.38	4.8	39.60	-1.4	24,304	0.0	12,280	-6.0	962,463	-1.4	11	784	100.0	100.0
Sep 12	46.4	-14.9	77.25	6.1	35.85	-9.7	23,520	0.0	10,916	-14.9	843,247	-9.7	11	784	100.0	100.0
Oct 12	60.1	-1.2	83.03	7.4	49.91	6.1	24,304	0.0	14,610	-1.2	1,213,112	6.1	11	784	100.0	100.0
Nov 12	38.5	-14.7	74.30	2.7	28.58	-12.4	23,520	0.0	9,046	-14.7	672,114	-12.4	11	784	100.0	100.0
Dec 12	32.3	-9.0	71.73	0.6	23.14	-8.5	24,304	0.0	7,840	-9.0	562,400	-8.5	11	784	100.0	100.0
Jan 13	31.7	-5.6	75.31	3.7	23.85	-2.1	24,304	0.0	7,698	-5.6	579,721	-2.1	11	784	100.0	100.0
Feb 13	36.4	1.2	74.64	1.8	27.16	3.0	21,952	0.0	7,986	1.2	596,108	3.0	11	784	100.0	100.0
Mar 13	43.1	-5.2	77.23	2.8	33.27	-2.5	24,304	0.0	10,470	-5.2	808,630	-2.5	11	784	100.0	100.0
Apr 13	51.2	14.5	76.23	3.4	39.06	18.4	23,520	0.0	12,051	14.5	918,643	18.4	11	784	100.0	100.0
May 13	48.3	4.9	76.18	1.5	36.82	6.5	24,304	0.0	11,747	4.9	894,942	6.5	11	784	100.0	100.0
Jun 13	52.4	-6.6	80.22	5.5	42.03	-1.4	23,520	0.0	12,323	-6.6	988,519	-1.4	11	784	100.0	100.0
Jul 13	61.4	12.2	81.85	4.5	50.25	17.2	24,304	0.0	14,922	12.2	1,221,301	17.2	11	784	100.0	100.0
Aug 13	58.5	15.8	79.83	1.9	46.73	18.0	24,304	0.0	14,226	15.8	1,135,635	18.0	11	784	100.0	100.0

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Tab 9 - Classic

Morganton Feasibility
Job Number: 532574_SADIM Staff: CW Created: October 16, 2013

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
Jan 07	47.8	58.41	58.41	27.91	24,459	11,689	682,712	11	789	94.6				
Feb 07	54.4	31.22	31.22	22,092	12,022	689,731	11	789	94.6					
Mar 07	62.4	61.56	61.56	38.42	24,459	15,264	939,612	11	789	94.6				
Apr 07	68.8	62.08	62.08	42.73	23,670	16,290	1,011,354	11	789	94.6				
May 07	67.3	62.32	62.32	41.96	24,459	16,467	1,026,223	11	789	94.6				
Jun 07	79.6	64.46	64.46	51.29	23,670	18,837	1,214,148	11	789	94.6				
Jul 07	71.8	65.67	65.67	47.16	24,459	17,565	1,153,423	11	789	94.6				
Aug 07	68.3	65.47	65.47	44.72	24,459	16,708	1,093,867	11	789	94.6				
Sep 07	64.0	64.97	64.97	41.55	23,670	15,137	983,465	11	789	100.0				
Oct 07	71.6	69.10	69.10	49.49	24,459	17,517	1,210,473	11	789	100.0				
Nov 07	56.9	63.56	63.56	36.20	23,670	13,479	856,748	11	789	100.0				
Dec 07	45.5	61.59	61.59	28.05	24,459	11,141	686,121	11	789	100.0				
Aug YTD 2007	65.1	62.57	62.57	40.74	191,727	124,832	7,811,070							
Total 2007	63.2	63.41	63.41	40.10	287,985	182,416	11,547,877							
Jan 08	46.3	-3.1	60.26	3.2	24,459	11,330	682,713	0.0	789	100.0				
Feb 08	48.5	-11.0	63.35	10.4	22,092	10,705	678,151	-1.7	789	100.0				
Mar 08	57.9	-7.3	66.21	7.6	24,459	14,151	936,902	-0.3	789	100.0				
Apr 08	63.3	-8.0	66.67	7.4	23,670	14,986	999,137	-1.2	789	100.0				
May 08	59.8	-11.1	66.79	7.2	24,459	14,633	977,318	-4.8	789	100.0				
Jun 08	66.1	-17.0	67.81	5.2	23,670	15,638	1,060,398	-12.7	789	100.0				
Jul 08	71.4	-0.6	66.40	1.1	24,459	17,456	1,159,055	0.5	789	100.0				
Aug 08	60.1	-12.0	68.23	4.2	24,459	14,710	1,003,734	-8.2	789	100.0				
Sep 08	55.9	-12.6	67.27	3.5	23,670	13,224	889,561	-12.6	789	100.0				
Oct 08	60.4	-15.7	69.51	0.6	24,459	14,770	1,026,724	-15.2	789	100.0				
Nov 08	42.8	-24.9	65.40	2.9	23,670	10,128	662,357	-22.7	789	100.0				
Dec 08	37.0	-18.7	62.63	1.7	24,459	9,054	567,035	-17.4	789	100.0				
Aug YTD 2008	59.3	-9.0	65.99	5.5	191,727	113,609	7,497,408	-4.0						
Total 2008	58.8	-11.7	66.19	4.4	287,985	160,785	10,643,085	-7.8						
Jan 09	36.2	-21.8	60.49	0.4	24,459	8,856	535,690	-21.5	789	100.0				
Feb 09	36.9	-23.8	62.33	-1.6	22,092	8,162	508,698	-25.0	789	100.0				
Mar 09	41.8	-27.7	67.43	1.9	24,459	10,227	689,644	-26.4	789	100.0				
Apr 09	45.9	-27.6	67.04	0.6	23,670	10,853	727,637	-27.2	789	100.0				
May 09	39.3	-34.3	69.31	3.8	24,459	9,611	666,179	-31.8	789	100.0				
Jun 09	50.7	-23.3	69.68	2.8	23,670	11,989	835,402	-21.2	789	100.0				
Jul 09	57.4	-19.6	70.72	6.5	24,459	14,041	982,949	-14.3	789	100.0				
Aug 09	44.4	-26.2	70.66	3.5	24,459	10,853	766,841	-23.6	789	100.0				
Sep 09	45.1	-19.4	68.14	1.3	23,670	10,664	726,628	-18.3	789	100.0				
Oct 09	51.6	-14.5	71.30	2.6	24,459	12,630	900,568	-12.3	789	100.0				
Nov 09	32.4	-24.2	65.26	-0.2	23,670	7,678	501,031	-24.4	789	100.0				
Dec 09	34.0	-8.2	65.28	4.2	24,459	8,316	542,902	-4.3	789	100.0				
Aug YTD 2009	44.1	-25.5	67.65	2.5	191,727	84,932	5,723,040	-28.7						
Total 2009	43.0	-23.0	67.76	2.4	287,985	128,880	8,994,168	-21.1						
Jan 10	31.8	-12.2	65.22	7.8	24,459	7,772	506,902	-5.4	789	100.0				
Feb 10	35.0	-5.4	65.92	5.8	22,092	7,725	509,238	0.1	789	100.0				
Mar 10	42.0	0.5	70.70	4.8	24,459	10,282	726,978	5.4	789	100.0				
Apr 10	47.8	4.3	68.50	2.2	23,670	11,325	775,802	6.6	789	100.0				
May 10	42.9	9.3	68.08	-1.8	24,459	10,505	715,173	7.4	789	100.0				
Jun 10	51.1	0.8	69.59	-0.1	23,670	12,090	841,301	0.7	789	100.0				
Jul 10	59.2	3.2	72.89	3.1	24,304	14,396	1,049,357	5.7	784	100.0				
Aug 10	51.5	16.0	71.58	1.3	24,304	12,509	895,367	16.8	784	100.0				
Sep 10	47.7	5.8	70.38	3.3	23,520	11,215	789,338	8.6	784	100.0				
Oct 10	56.8	9.9	75.77	6.3	24,304	13,793	1,045,081	16.0	784	100.0				
Nov 10	37.0	14.0	68.94	5.6	23,520	8,696	599,514	19.7	784	100.0				

Tab 9 - Classic

Morganton Feasibility
Job Number: 532574_SADIM Staff: CW Created: October 16, 2013

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue		Census & Sample %		
	This Year	% Chg	This Year	% Chg	Census Props	Census Rooms	% Rooms STAR Participants								
Dec 10	32.1	-5.6	68.33	4.7	21.94	-1.1	24,304	-0.6	7,804	-6.2	533,265	-1.8	11	784	100.0
Aug YTD 2010	45.2	2.5	69.51	2.7	31.45	5.4	191,477	-0.2	86,604	3.4	6,030,116	5.2	11	784	100.0
Total 2010	44.6	3.2	70.15	3.5	31.31	7.4	287,065	-0.3	128,112	2.4	8,937,316	7.1	11	784	100.0
Jan 11	30.8	3.0	69.71	6.9	21.48	3.6	24,304	-0.6	7,488	-3.7	522,025	3.0	11	784	100.0
Feb 11	37.2	6.5	69.67	5.7	25.94	12.5	21,952	-0.6	8,173	5.8	569,379	11.8	11	784	100.0
Mar 11	43.5	3.4	74.65	5.6	32.44	9.1	24,304	-0.6	10,561	2.7	788,398	8.4	11	784	100.0
Apr 11	46.1	-3.7	73.57	7.4	33.90	3.4	23,520	-0.6	10,839	-4.3	797,413	2.8	11	784	100.0
May 11	48.2	12.3	73.56	8.1	35.48	21.4	24,304	-0.6	11,723	11.6	862,376	20.6	11	784	100.0
Jun 11	55.9	9.5	74.11	6.5	41.44	16.6	23,520	-0.6	13,150	8.8	974,589	15.8	11	784	100.0
Jul 11	61.0	2.9	76.37	4.8	46.56	7.8	24,304	0.0	14,818	2.9	1,131,639	7.8	11	784	100.0
Aug 11	53.7	4.4	74.77	4.5	40.17	9.0	24,304	0.0	13,058	4.4	976,336	9.0	11	784	100.0
Sep 11	54.6	14.4	72.81	3.5	39.72	18.4	23,520	0.0	12,832	14.4	934,313	18.4	11	784	100.0
Oct 11	60.9	7.3	77.30	2.0	47.06	9.4	24,304	0.0	14,794	7.3	1,143,649	9.4	11	784	100.0
Nov 11	45.1	22.0	72.33	4.9	32.63	28.0	23,520	0.0	10,611	22.0	787,441	28.0	11	784	100.0
Dec 11	35.5	10.4	71.29	4.3	25.28	15.2	24,304	0.0	8,617	10.4	614,340	15.2	11	784	100.0
Aug YTD 2011	47.1	4.2	73.74	6.1	34.76	10.5	190,512	-0.5	89,810	3.7	6,622,155	10.0	11	784	100.0
Total 2011	47.8	7.0	73.77	5.2	35.28	12.5	286,160	-0.3	136,864	6.7	10,031,898	12.2	11	784	100.0
Jan 12	33.5	8.9	72.62	4.2	24.36	13.4	24,304	0.0	8,153	8.9	592,106	13.4	11	784	100.0
Feb 12	35.9	-3.5	73.35	5.3	26.36	1.6	21,952	0.0	7,888	-3.5	578,610	1.6	11	784	100.0
Mar 12	45.4	4.5	75.13	0.6	34.13	5.2	24,304	0.0	11,041	4.5	829,561	5.2	11	784	100.0
Apr 12	44.7	-2.9	73.69	0.2	32.98	-2.7	23,520	0.0	10,525	-2.9	775,600	-2.7	11	784	100.0
May 12	46.1	-4.5	75.03	2.0	34.58	-2.6	24,304	0.0	11,200	-4.5	840,365	-2.6	11	784	100.0
Jun 12	56.1	0.3	76.04	2.6	42.64	2.9	23,520	0.0	13,190	0.3	1,002,902	2.9	11	784	100.0
Jul 12	54.7	-10.2	78.33	2.6	42.87	-7.9	24,304	0.0	13,303	-10.2	1,041,989	-7.9	11	784	100.0
Aug 12	50.5	-6.0	78.38	4.8	39.60	-1.4	24,304	0.0	12,280	-6.0	962,463	-1.4	11	784	100.0
Sep 12	46.4	-14.9	77.25	6.1	35.85	-9.7	23,520	0.0	10,916	-14.9	843,247	-9.7	11	784	100.0
Oct 12	60.1	-1.2	83.03	7.4	49.91	6.1	24,304	0.0	14,610	-1.2	1,213,112	6.1	11	784	100.0
Nov 12	38.5	-14.7	74.30	2.7	28.58	-12.4	23,520	0.0	9,046	-14.7	672,114	-12.4	11	784	100.0
Dec 12	32.3	-9.0	71.73	0.6	23.14	-8.5	24,304	0.0	7,840	-9.0	562,400	-8.5	11	784	100.0
Aug YTD 2012	46.0	-2.5	75.63	2.6	34.77	0.0	190,512	0.0	87,580	-2.5	6,623,596	0.0	11	784	100.0
Total 2012	45.4	-4.9	76.27	3.4	34.65	-1.7	286,160	0.0	129,892	-4.9	9,914,469	-1.7	11	784	100.0
Jan 13	31.7	-5.6	75.31	3.7	23.85	-2.1	24,304	0.0	7,698	-5.6	579,721	-2.1	11	784	100.0
Feb 13	36.4	1.2	74.64	1.8	27.16	3.0	21,952	0.0	7,986	1.2	596,108	3.0	11	784	100.0
Mar 13	43.1	-5.2	77.23	2.8	33.27	-2.5	24,304	0.0	10,470	-5.2	808,630	-2.5	11	784	100.0
Apr 13	51.2	14.5	76.23	3.4	39.06	18.4	23,520	0.0	12,051	14.5	918,643	18.4	11	784	100.0
May 13	48.3	4.9	76.18	1.5	36.82	6.5	24,304	0.0	11,747	4.9	894,942	6.5	11	784	100.0
Jun 13	52.4	-6.6	80.22	5.5	42.03	-1.4	23,520	0.0	12,323	-6.6	988,519	-1.4	11	784	100.0
Jul 13	61.4	12.2	81.85	4.5	50.25	17.2	24,304	0.0	14,922	12.2	1,221,301	17.2	11	784	100.0
Aug 13	58.5	15.8	79.83	1.9	46.73	18.0	24,304	0.0	14,226	15.8	1,135,635	18.0	11	784	100.0
Aug YTD 2013	48.0	4.4	78.14	3.3	37.50	7.8	190,512	0.0	91,423	4.4	7,133,489	7.8	11	784	100.0

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Methodology

Methodology

While virtually every chain in the United States provides STR with data on almost all of their properties, there are still some hotels that don't submit data. But we've got you covered. Every year we examine guidebook listings and hotel directories for information on hotels that don't provide us with data. We don't stop there. We call each hotel in our database every year to obtain "published" rates for multiple categories. Based on this information we group all hotels - those that report data and those that don't - into groupings based off of price level and geographic proximity. We then estimate the non-respondents based off of nearby hotels with similar price levels. Similarly, we sometimes obtain monthly data from a property, but not daily data. We use a similar process. We take the monthly data that the property has provided, and distribute it to the individual days based on the revenue and demand distribution patterns of similar hotels in the same location. We believe it imperative to perform this analysis in order to provide interested parties with our best estimate of total lodging demand and room revenue on their areas of interest. Armed with this information a more informed decision can be made.

Glossary

- ADR (Average Daily Rate)**
Room revenue divided by rooms sold, displayed as the average rental rate for a single room.
- Affiliation Date**
Date the property affiliated with current chain/flag
- Census (Properties and Rooms)**
The number of properties and rooms that exist within the selected property set or segment.
- Change in Rooms**
Indicator of whether or not an individual hotel has added or removed rooms from their inventory.
- Exchange Rate**
The factor used to convert revenue from U.S. Dollars to the local currency. The exchange rate data is obtained from Oanda.com. Any aggregated number in the report (YTD, Running 3 month, Running 12 month) uses the exchange rate of each relative month when calculating the data.
- Extended Historical Trend**
Data on selected properties or segments starting in 2000.
- Demand (Rooms Sold)**
The number of rooms sold (excludes complimentary rooms).
- Full Historical Trend**
Data on selected properties or segments starting in 1987.
- Occupancy**
Rooms sold divided by rooms available. Occupancy is always displayed as a percentage of rooms occupied.
- Open Date**
Date the property opened as a lodging establishment.
- Percent Change**
Amount of growth, up, flat, or down from the same period last year (month, ytd, three months, twelve months). Calculated as $((TV-LY)/LY) * 100$.
- Revenue (Room Revenue)**
Total room revenue generated from the sale or rental of rooms.
- RevPAR (Revenue Per Available Room)**
Room revenue divided by rooms available
- Sample % (Rooms)**
The % of rooms from which STR receives data. Calculated as $(\text{Sample Rooms}/\text{Census Rooms}) * 100$.
- Standard Historical Trend**
Data on selected properties or segments starting in 2005.
- STR Code**
Smith Travel Research's proprietary numbering system. Each hotel in the lodging census has a unique STR code.
- Supply (Rooms Available)**
The number of rooms times the number of days in the period.
- Twelve Month Moving Average**
The value of any given month is computed by taking the value of that month and the values of the eleven preceding months, adding them together and dividing by twelve.
- Year to Date**

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by be entitled.

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