

Prepared For

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

Feasibility Study



Proposed Hotel
Tarboro, North Carolina

Prepared By

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

Date of Report

September 28, 2016



APPRAISAL AND CONSULTING SERVICES

September 28, 2016

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

Reference: Feasibility Study
Proposed Hotel
Tarboro, North Carolina

Dear Ms. Daniels:

Per your request, we have analyzed the Tarboro, North Carolina lodging market as it pertains to a proposed hotel. Based on our research and analysis, a midscale limited-service hotel may best represent the type, cost, amenities and price point most suited to the future lodging demand identified in the market.

Our analysis indicates that it would cost approximately \$3,400,000 to develop a 40-room, midscale limited-service hotel and the property should produce an unleveraged Internal Rate of Return (IRR) of 2.4%. This return is considered well below the lower end of the range based on accepted market returns for similar hotel investments. If after your review you have any questions or require additional information, please feel free to contact us.

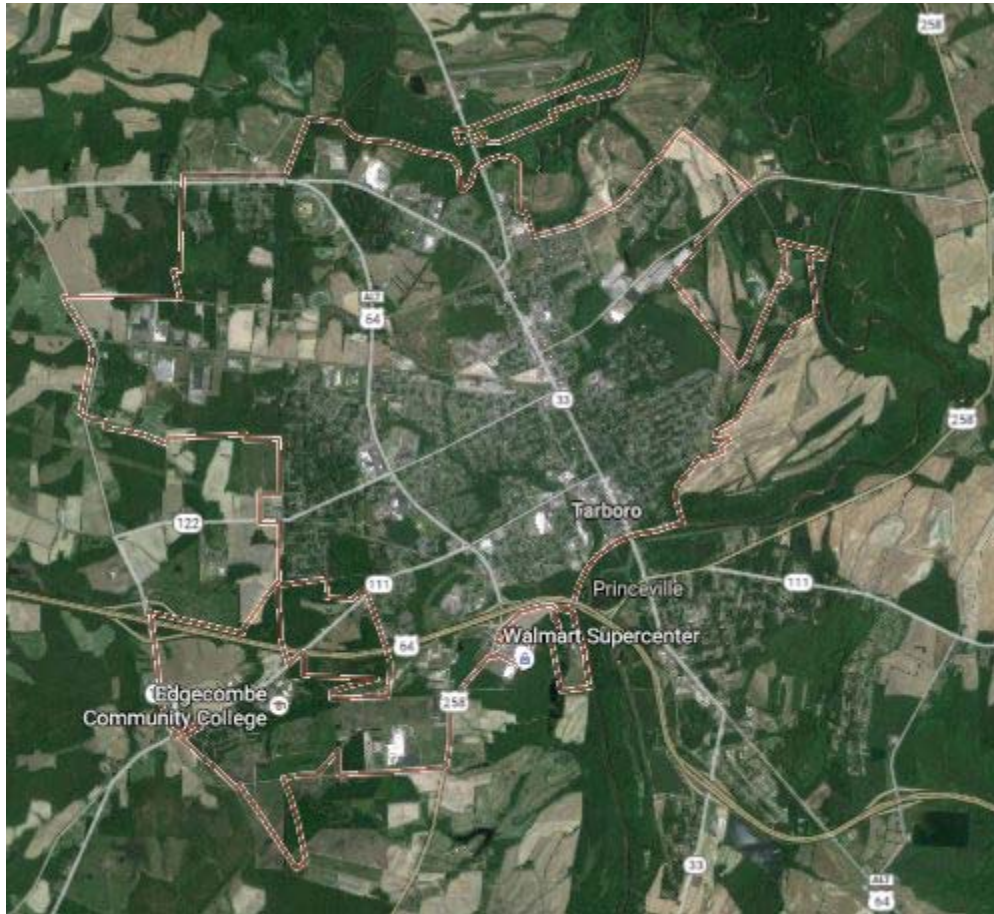
Respectfully submitted,

Hotel and Club Associates of Virginia

Michael P. Cummings, MAI, ISHC

J. Richard Keegan, MBA

Executive Summary



Aerial View of the Town of Tarboro, Edgecombe County, NC
Population: 11,310 (Tarboro); 54,150 (Edgecombe County)
(Sources: Google Maps and US Census Bureau 2014 est.)

Name	Proposed Hotel
Location	Town of Tarboro, Edgecombe County, North Carolina
Client and Intended User	Ms. Brenda Daniels, ElectriCities of NC, Inc.
Client's Intended Use	Internal analysis and decision making as it pertains to the development of a proposed hotel.
Date of Report	September 28, 2016

Executive Summary (Continued)

Project Summary

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

Summary of Recommendations

STR Chain Scale

Midscale (without food and beverage)

Hotel Asset Class

Limited-Service

Number of Rooms

40

Published Rates

\$75 - \$100

Site Selection

Assuming 1.0 acres of land can be acquired and made pad ready for approximately \$300,000, the vacant Moore land site at the current terminus of Market Centre Drive and adjacent to the existing Best Western offers the most immediate potential. It is noted the Moore land currently is listed for \$465,000± per acre with a 1.5-acre minimum. Knowledgeable local sources advise that any reasonable offer likely will be considered.

Summary of Analysis

Occupancy Forecast

Year 1 47.3%

Year 2 54.6%

Year 3 (Stabilization) 61.1%

ADR Forecast

Year 1 \$75.00

Year 2 \$76.50

Year 3 \$78.03

Executive Summary (Continued)

Cost Estimates¹

Building ²	\$2,650,521	\$66,263 per room
FF&E	<u>400,000</u>	<u>10,000 per room</u>
Total Improvements	\$3,050,521	\$76,263 per room

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

² Excluding land; including entrepreneurial incentive.

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ADDENDA

ENGAGEMENT LETTER
CUSTOM SMITH TRAVEL TREND REPORT
QUALIFICATIONS OF CONSULTANTS

Assumptions and Limiting Conditions

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

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

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

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

Introduction

Identification of the Property

The subject of this feasibility study is a proposed hotel to be located in Tarboro, North Carolina. The property is to be located in Zip Code District 27886. As of the date of analysis, no site has been optioned, subdivided, leased or acquired; accordingly, we are unable to discuss or provide tax parcel, deed or other relevant property identification information.

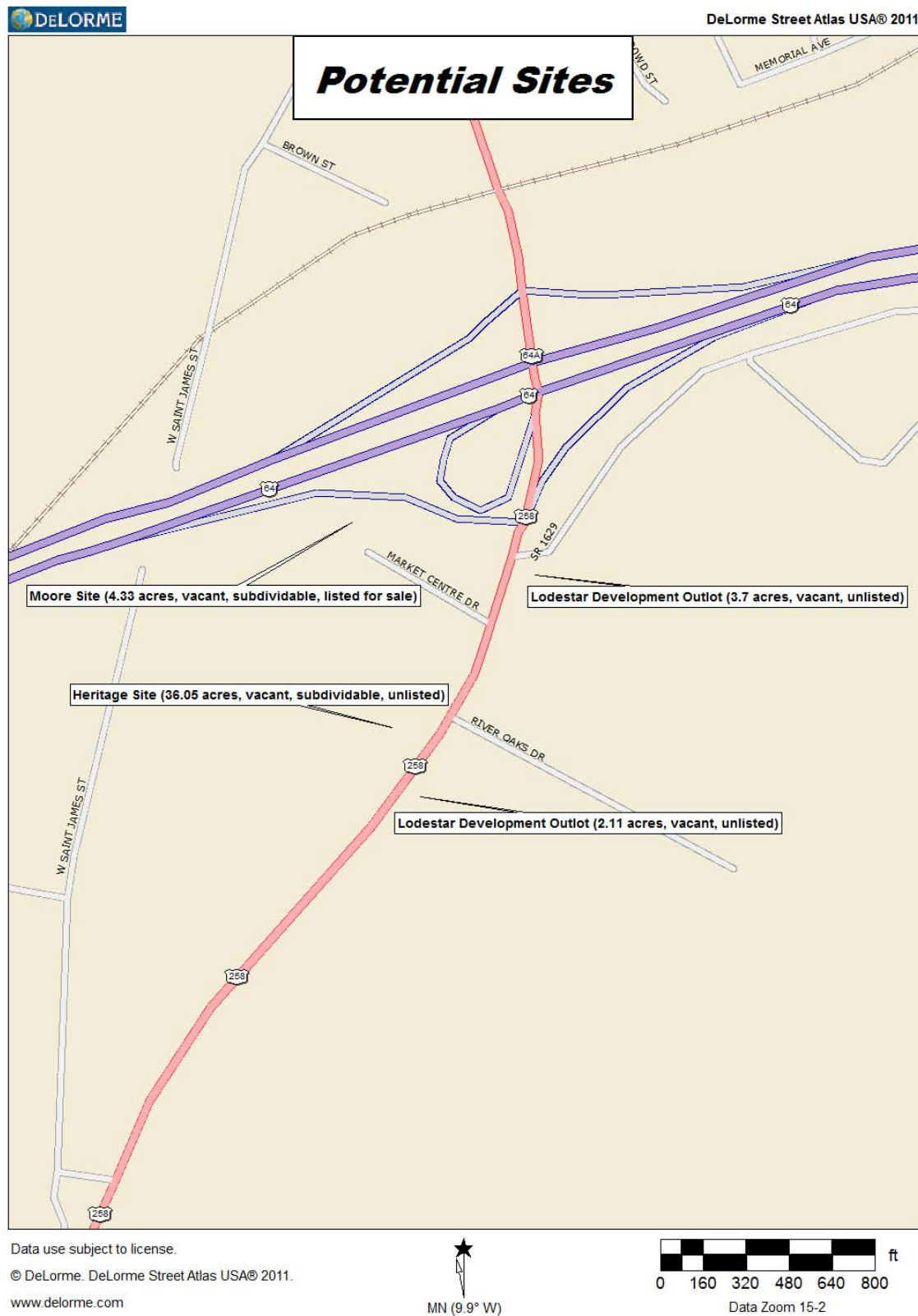
Site Selection

While no specific site has been identified for the potential development of a hotel, the Client has requested that the consultants recommend for consideration sites deemed most suitable for such a development. Employing the criteria below, one available site in Tarboro was deemed most suitable: the vacant Moore land at the current terminus of Market Centre Drive and adjacent to the existing Best Western.

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

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

We estimate the proposed hotel will require 1.0± acres of usable land. Noting recent commercial land sales have been for more than \$300,000 per acre for retail and fast food land uses, and considering the per-acre asking prices for suitable locations currently range from \$300,000 to \$465,000, our research and discussions with knowledgeable third parties indicated there likely would be a willingness to negotiate price and parcel size. We note here that there are four suitable sites for a proposed hotel shown on the following map; however, three are vacant but not listed, and only theoretically for sale. Accordingly, as of the date of our analysis, the Moore site, once subdivided, has been identified as being available and therefore having the most near-term realizable potential.



Overview of Potential Sites

By way of orientation, the four sites depicted below are either in the southeast or southwest quadrant of the US 64/US 258 interchange two miles southwest of downtown Tarboro. Land uses on the south side of US 64 represent new and moderately new commercial growth, including:

Southeast Quadrant

- River Oaks Landing Shopping Center
 - Walmart Supercenter
 - Subway
 - Dollar Tree
 - Shoe Show
 - RAC Rent-A-Center
 - La Fiesta Mexican Restaurant
 - U.S. Nails
 - Edward Jones
 - U.S. Cellular Store
 - Jersey Mike's Subs
 - Murphy Express gas station/c-store
 - Car Wash
 - Papa John's (new)
 - Ice Cream Parlor (new)
 - Verizon Store (new)
 - Lowe's Home Improvement
 - Wendy's
 - Lodestar Development Outlot A – 2.11 acres of vacant land
 - Lodestar Development Outlot B – 3.7 acres of vacant land

Southwest Quadrant

- Exxon EP Mart
- Best Western
- Moore Site – 4.33 acres of vacant land
- Bojangles'
- Heritage Site – 36.05 acres of vacant land
- Tarboro Commerce Center, an industrial park one mile south of interchange
 - Hillshire Brands (Sara Lee) and Americold Logistics (Exit 485)
 - Keihin Carolina System Technology (Exit 484)

Moore Site

The Moore site also is in the southwest quadrant of US 64 Exit 485, the US 64 - US 258 interchange. It fronts along the eastbound US 64 off ramp and the westerly terminus of Market Centre Drive. Surrounding land uses in this quadrant include the adjacent Best Western (formerly Holiday Inn Express), Exxon EP Mart, Bojangles', and an unlisted but reportedly subdividable 36.05-acre site owned by Heritage LLC. In the southeast quadrant of Exit 485 is the Murphy Express gas station/c-store, car wash, adjacent retail strip center, 3.7-acre Lodestar Development outlot, 32,800 square foot River Oaks Landing Shopping Center anchored by Walmart Supercenter, Wendy's, 2.11-acre Lodestar Development outlot, and Lowe's Home Improvement.

Moore Site

*View looking west from current terminus of Market Centre Drive
in front of Best Western, with US 64 beyond and parallel to tree line*
Source: Hotel and Club Associates

The Moore site comprises 4.33 acres of commercial land and is listed for \$2,000,000, or \$465,000± per acre. Reportedly it is subdividable into 1.5-acre minimum parcels at an estimated price of \$700,000±. In addition to being visible from US 64 and accessible from US 258, this site is located in Tarboro's primary retail, quick-service/casual-dining node approximately one mile north of the eastern boundary of an existing and still-emerging Tarboro Commerce Center, an industrial park which already features Hillshire Brands Company, Americold Logistics and Tokyo-based Keihin Carolina System Technology.

Heritage Site

Also in the southwest quadrant of Exit 485 is an unlisted but reportedly subdividable 36.05-acre site owned by Heritage LLC. This vacant and formerly deed-restricted land fronts along the west side of US 258 immediately south of Bojangles'. Other surrounding land uses in this quadrant include Exxon EP Mart, Best Western, and the vacant-and-listed 4.33-acre Moore parcel discussed above. The Heritage site is located directly across US 258 from Wendy's, a 2.11-acre Lodestar Development outlot, and Lowe's Home Improvement. Also in the southeast quadrant of Exit 485 is Murphy Express gas station/c-store, a car wash, retail strip center, 3.7-acre Lodestar Development outlot, and 32,800 square foot River Oaks Landing Shopping Center anchored by the Walmart Supercenter.

Heritage Site



View looking southeast from Bojangles' toward US 258

Source: Hotel and Club Associates

The undivided Heritage site comprises 36.05 acres of commercial land. Until recently it was deed restricted and as yet unlisted. It is highly visible and easily accessible from US 258. Compared with the above-referenced Moore site, the Heritage site is more prominently located in the heart of Tarboro's primary retail, quick-service/casual-dining node. As with all of the sites discussed in this section of the report, it too is approximately one mile north of the eastern boundary of the an existing and still-emerging Tarboro Commerce Center, an industrial park which already features Hillshire Brands Company, Americold Logistics and Tokyo-based Keihin Carolina System Technology.

Lodestar Development Outlots A & B

In the southeast quadrant of Exit 485 are two unlisted but reportedly available commercial sites comprising 2.11 and 3.7 acres, respectively. Lodestar Development Outlot A is a 2.11-acre outlot located immediately south of Wendy's and west of Lowe's Home Improvement. The parcel fronts along the east side of US 258, from which it is highly visible. Lodestar Development Outlot B is a 3.7-acre outlot located immediately north of the strip mall and west of the River Oaks Landing Shopping Center. The parcel fronts along and is very visible from the east side of US 258 and the south side of the US 64 eastbound on ramp. Access from US 258 is via River Oaks Drive.

Lodestar Development Outlots A & B

View of Outlot A (left) looking northwest toward Wendy's at the intersection of US 258 and River Oaks Drive.

View of Outlot B (right) looking north toward US 64 eastbound on ramp.

Source: Hotel and Club Associates

Summary Discussion of Potential Sites

Each of the above-depicted sites is deemed to be suitable for the proposed hotel development, as each is located at the market's primary highway interchange, readily accessible from the area's two main thoroughfares (US 64 and US 258), in close proximity to primary demand generators, and in the midst of such important support amenities as casual dining, retail shopping and gas stations/c-stores. Considering three of the four depicted sites are unlisted, and noting recent commercial land sales in Tarboro suggest a minimum price per acre of \$300,000, acquiring affordable and well-located land for the proposed hotel project may prove challenging.

Improvements

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

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

A typical midscale limited-service hotel in a low barrier-to-entry market such as Tarboro will feature a three- or four-story, interior-corridor design with good furnishings and finishes, and a limited range of services and amenities which will appeal to transient, commercial, and small-group clientele, most often including wireless internet access, multiple electrical outlet/USB charging stations in the lobby and guestrooms, a business center or kiosk, a small-to-medium-sized meeting room, sundry shop, guest laundry, fitness center, and optional swimming pool. Noting the modest performance of the two existing hotels in Tarboro (see the Lodging Trends section of this report), we have recommended a smaller-than-average regional-/national-branded hotel of 40 rooms versus typical 60 to 72-room minimums.

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

Each guestroom and all public restroom areas are assumed to have adequate plumbing fixtures and electrical supply to serve the needs of the proposed hotel's clientele. Lighting will be provided by energy-efficient LED ceiling fixtures and lamps throughout the hotel. Fire protection is assumed to be provided by hard-wired smoke detectors and a sprinkler system. Most midscale limited-service hotel development standards require properties to be adequately landscaped and provide sufficient onsite parking to meet the needs of guests and employees. The property is assumed to have exterior wall-mounted and monument signage, and a freestanding pylon sign ideally visible from US 64 and US 258.

Client and Intended User Disclosure

The client and intended user of this feasibility study is Ms. Brenda Daniels of ElectriCities of NC. Ms. Daniels authorized the preparation of this analysis in accordance with that certain letter of proposal dated May 10, 2016 and subsequently executed by the Client. Any use of this report by third parties is unauthorized without the written consent of the Client and Hotel and Club Associates of Virginia.

Client's Intended Use Disclosure

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

Dates of Analysis

The subject market area and prospective sites most recently were inspected on July 13, 2016 and this date will serve as the effective date of the analysis. Based upon our analysis of the market, a project completed by January 1, 2018 should reach a stabilized level of occupancy on January 1, 2020.

Ownership and Property History

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

Scope of the Feasibility Study

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

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

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

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

Area Overview

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

Town of Tarboro, Edgecombe County, Rocky Mount, NC MSA - Analysis

With over 11,000 residents, Tarboro is the largest town in and county seat of Edgecombe County, North Carolina. Founded in 1760, Tarboro is the ninth-oldest incorporated town in North Carolina. The Town of Tarboro encompasses 11± square miles situated on the Tar River where it once served as an important colonial river port and thriving trade center until the Civil War. Tarboro is located 72 miles east of Raleigh, the state capital; 25 miles northwest of Greenville, a primary eastern North Carolina hub; 16 miles east of Rocky Mount and 120 miles west of the Outer Banks.

Edgecombe County is a largely rural county located in Eastern North Carolina approximately one hour's drive east of Raleigh and two hour's drive west of North Carolina's beaches. With a population of approximately 54,000 persons, the county maintains a firm agricultural base while supporting the addition of environmentally friendly industries (Hillshire, Keihin, QVC, and MBM). Tarboro is a particularly beautiful community offering brick-paved sidewalks, a Downtown Historic District and the historic Town Common, among other attractions.

Edgecombe County was formed in 1741. It was named for Richard Edgcumbe, a Member of Parliament from 1701 to 1742 and a lord of the treasury, who became 1st Baron Edgcumbe in 1742. The county is bordered by Halifax County to the northeast, Martin County to the east, Pitt County to the southeast, Wilson County to the southwest and Nash County to the west/northwest. Edgecombe County is part of the Rocky Mount, NC Metropolitan Statistical Area; the 281st largest MSA in the United States. Rocky Mount is the principal city of the Rocky Mount MSA, which encompasses all of both Edgecombe and Nash counties.



Population/Demographics

According to The United States Census Bureau, Tarboro's population decreased by +0.9% between 2010 (11,415) and 2014 (11,310). Edgecombe County had a May 2016 unemployment rate of 8.1%, compared to the state of North Carolina at 4.7%.

Population Growth 1990 to 2014 and Percent Change: 2010 to 2014-2015

Area	1990	2000	2010	Est. 2014	% Change
Tarboro	11,037	11,138	11,415	11,310	-0.9%
Edgecombe County	56,558	55,606	56,552	54,150	-4.2%
North Carolina	6,628,637	8,049,313	9,535,471	10,042,802	+5.3%

Source: U.S. Bureau of Census

The city of Rocky Mount is the largest municipality in the county. Rocky Mount is divided between two (2) counties: Nash and Edgecombe. The Rocky Mount, NC Metropolitan Statistical Area had a 2015 population of 148,069.

Transportation

Located in the geographic center of the Eastern Seaboard, Edgecombe County is part of the gateway to the Sunbelt. Interstate US 64 traverses the county east to west giving exceptional access to I-95 and the East Coast's major markets. Easy connections with Interstates 40 and 85, via US 64, open the way to an overland transportation system, which has earned North Carolina its reputation as the "Good Roads State." The center of Edgecombe County is about one hour's drive from Raleigh, the state capital, and just over one hour from the world famous Research Triangle Park.

By Road - Tarboro's proximity to Interstate 95 and U.S. 64 allow for access to and from the East Coast's major markets, many of which are within one day's drive. Tarboro is convenient to area and regional airports, freight and passenger train service, interstate and intrastate highway systems, and the deep-water ports of Morehead City and Wilmington, North Carolina.

- U.S. 64: four-lanes from Tarboro west to Raleigh; soon to be four-lanes from Tarboro east to North Carolina's Outer Banks
- U.S. 258: a major north-south link between Norfolk, Virginia and Jacksonville, North Carolina
- Interstate 95: located 22 miles west of Tarboro via U.S. 64 with easy access to Washington, D.C., New York City, the Northeast, and Florida

Air - Tarboro-Edgecombe Airport is located three miles north of downtown. It features a 4,500-foot paved and lighted runway with a 1,000-foot approach apron from both ends, accommodating a wide variety of small general aviation aircraft. Rocky Mount-Wilson Airport is located 25 miles west of Tarboro and has one lighted runway, which extends a length of 7,100 feet.

Pitt-Greenville Airport (PGV) is located 25 miles south of Tarboro. It has a 6,000-foot lighted precision approach runway, a 5,000-foot lighted non-precision crosswind runway, and a 2,700-foot unlighted visual approach runway. PGV provides commuter service to Charlotte Douglas International Airport with 11 daily flights. Jet service is available. All aircraft services are available, including charters.

Raleigh-Durham International Airport (RDU) is located 87 miles west of Tarboro. It has nearly 400 daily arrivals and departures. Eight major airlines and their regional partners (Delta, American, Southwest, JetBlue, Air Canada, and United) provide daily flights to nearly 40 non-stop destinations in the United States, Canada, Mexico, and Europe.

Public Transit/Freight/Rail - Tarboro has access to both freight and passenger rail service. Amtrak provides two north and two southbound trains per day at its Rocky Mount station, located 17 miles west of Tarboro. Service is to Washington, D.C., New York, Miami and Philadelphia. Freight service is provided by CSX. Trains travel to destinations in eastern North Carolina and also to points west and south of town.

This past July the governor of North Carolina announced the development of the CSX Carolina Connector, a large rail hub and intermodal facility expected to open in western Edgecombe County in 2020. The facility initially will employ 150± workers at an average salary of \$65,000±, and eventually employ 300 in the area and a total of 1,500 in North Carolina, including truck drivers.

By Water - Less than two and one-half hour's drive to three major deep-water ports with Foreign Trade Zones and bonded warehouse storage: Wilmington, NC, Morehead City, NC and Norfolk, VA.

Education

Edgecombe County Public Schools has 15 schools ranging from pre-kindergarten through twelfth grade. These are separated into five high schools, four middle schools, and six elementary schools.

Edgecombe Community College (ECC) has Tarboro and Rocky Mount campuses offering technical skill training, two-year college transfers, two-year technical and one-year vocational degree programs, short-term certificate and continuing education programs. ECC offers customized programs to meet the industrial and business training needs of area employers at little or no cost to the companies.

East Carolina University, the state's third-largest and fastest-growing university, is located 25 miles away in Greenville and offers 103 undergraduate degree tracks and 96 graduate-level programs. The Schools and Colleges include the Brody School of Medicine, Arts & Sciences, Business, Education, Fine Arts and Communication, Technology and Computer Science, Health and Human Performance, Human Ecology, Allied Health Sciences and Nursing.

NC Wesleyan College is a four-year coeducational liberal arts college located in nearby Rocky Mount. It offers a full curriculum of undergraduate programs as well as educational opportunities for residential, commuting and adult students. Barton College in nearby Wilson offers over 40 majors and programs in Arts and Sciences, Behavioral Sciences, Business, Education, and Nursing.

NC State University, University of North Carolina at Chapel Hill, Duke University, NC Central University, Meredith College and Peace College are located just over an hour's drive from Tarboro.

Healthcare

Medical facilities include Vidant Edgecombe Hospital and Nash General, which is located on the Nash County side of Rocky Mount. Also located in Edgecombe County is the Vidant Multispecialty Clinic Tarboro, a large physicians practice offering medical care. Within thirty minutes' drive is the nationally known East Carolina University Medical Center and Vidant Medical Center. Vidant Hospital is a full-service, 117-bed acute care facility where residents of Tarboro, Edgecombe County and surrounding communities receive a wide range of health services. Vidant's medical staff represents more than 20 specialties. In addition to acute care, services include rehabilitation, oncology and outpatient clinics. The hospital is part of University Health Systems of Eastern Carolina.

Economy

Edgecombe County is undergoing a transition in industry. Sectors that once were the backbone of the economy have either gone completely or downsized significantly. The area has been hard hit by global competition and out-of-country relocations. In the last 10 years, over 2,500 jobs went overseas. Even though agriculture is still the largest economic driver, there have been considerable decreases in agricultural production with the loss of peanut and tobacco support.

Today, Edgecombe County has a labor force that is adapting to new industries and new production techniques. Notably, companies like Sara Lee and QVC have recently located and expanded here. In the region, there has been a rise in such business sectors as pharmaceuticals, logistics (transportation and warehousing), advanced manufacturing (especially motor vehicle parts and supplies), food processing, plastics, and electronics.

The largest industry sector in Edgecombe County is at Government 33.4 percent, followed by Manufacturing at 21.8 percent; Retail Trade at 19.6 percent; Accommodations and Food Service at 7.6 percent and Construction at 4.0 percent. All other sectors fall below four percent.

Edgecombe County Major Employers

Company	Product	Employs
QVC Rocky Mount Inc.	Trade, Transportation, & Utilities	1000+
City of Rocky Mount	Public Administration	1000+
Edgecombe Tarboro Bd. of Education	Education & Health Services	1000+
The Hillshire Brands Company	Manufacturing	500-999
Edgecombe County	Public Administration	500-999
Vidant Medical Center	Education & Health Services	500-999
Mehtel Inc.	Information	250-499
Edgecombe Community College	Education	250-499
Carolina System Technology Inc.	Manufacturing	250-499
Meadowbrook Meat Co Inc.	Trade, Transportation, & Utilities	250-499
Air System Components Inc.	Manufacturing	250-499
Nash-Rocky Mount Schools	Education	250-499
Abb Inc.	Manufacturing	250-499

Source: North Carolina Department of Commerce

The largest employers in Tarboro include: Edgecombe Schools, Hillshire Farms, Edgecombe County, Air System Components, Vidant Hospital, Keihin CST, Barnhill Contracting, Superior Essex, Town of Tarboro and Nomaco, Inc.

Tourism/Recreation

Edgecombe County has many tourism assets that offer a variety of opportunities for leisure and recreation, including ecotourism—fishing, hunting and boating; heritage and cultural attractions—registered historic properties, the Historic Town of Princeville, the Historic Town of Tarboro, the Veterans Museum, Blount-Bridgers House, and Quigless Clinic; scenic landscapes, a sports complex, ATV parks, the new East Carolina Agriculture and Education Center, a public golf course, seasonal events and festivals.

Recognized by the National Park Service in 1977, the 45-block Tarboro Historic District boasts over 300 structures, from residential dwellings to historic churches to original 19th-century storefronts along Tarboro's Main Street. The gateway to the Tarboro Historic District is the Tarboro Town Common, a 15-acre park canopied by tall oaks and featuring war memorials. The Town Common is the second-oldest legislated town common in the country. Initially the location for common grazing of livestock, community gatherings and military drills, the Town Common is the only remaining original common on the East Coast outside of Boston. In addition to the Tarboro Historic District, Blount-Bridgers House and Tarboro Town Common, the following structures also are listed on the National Register of Historic Places: The Barracks, Batts House and Outbuildings, Calvary Episcopal Church and Churchyard, Coats House, Coolmore Plantation, Cotton Press, Eastern Star Baptist Church, Edgecombe Agricultural Works, Howell Homeplace, Lone Pine, Oakland Plantation, Piney Prospect, Quigless Clinic, Railroad Depot Complex, Redmond-Shackelford House, St. Paul Baptist Church, and the Walston-Bulluck House.

Market Area

The Tarboro Commerce Center is located on US 64 in Tarboro, Edgecombe County, North Carolina, an area consistently ranked as a prime location for work and livability. The Town of Tarboro, in conjunction with Edgecombe County and the Carolinas Gateway Partnership, has developed this manufacturing and distribution park. All utilities and infrastructure are in place. The Center, which is a Certified Industrial Site, is made up of approximately 185 acres of prime property situated on an interstate quality highway. Approximately 125 acres remain available in parcel sizes ranging from five to 30 acres. The flat to gently rolling topography has slopes of less than 5%. The sites are generally clear and open. Protective covenants ensure appropriate coverage ratios, building materials landscaping and signage.

Market Area

The principal commercial land uses in the southernmost portion of the Town of Tarboro—the neighborhood deemed most suitable for a proposed hotel due to existing and prospective commercial growth:

- manufacturing and distribution
 - Tarboro Commerce Center – a 185-acre industrial and distribution park featuring 95± acres of developable land and Americold Logistics, Hillshire Brands, Keihin CST, and Piedmont Natural Gas
- retail shopping
 - River Oaks Landing Shopping Center, an existing 32,800 outdoor square foot retail mall anchored by Walmart Supercenter
 - Lowe’s Home Improvement
- gas station/c-stores
 - Exxon EP Mart
 - Murphy Express
- casual, quick-service dining venues
 - Bojangles’ Famous Chicken ‘n Biscuits
 - La Fiesta Mexican Restaurant
 - Subway (in Walmart)
 - Wendy’s
- lodging venue
 - 61-room Best Western in SWQ of Exit 485 fronting US 64 eastbound off ramp
- other commercial venues
 - B&G Fitness
 - Becky’s Beauty Shop
 - The Links at Cotton Valley Golf Club (18-hole public course)
- developable, commercial outlots fronting along and accessible from US 258
 - 2.11-acre Lodestar Development outlot (south of Wendy’s)
 - 3.7-acre Lodestar Development outlot (north of Verizon)
- developable, subdividable, commercial land fronting along US 64 or US 258 and easily accessible from US 258
 - 4.33-acre Moore development site (south of Best Western)
 - 36.05-acre Heritage site (south of Bojangles’)

Lodging Trends and Market Analysis

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

National Trends

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

Historical Industry Trends and Future Outlook

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

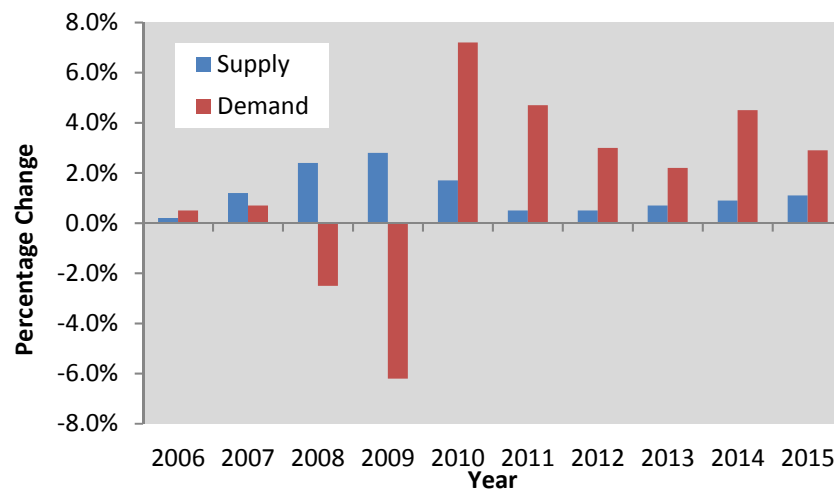
Following the recession of 2008 and 2009, hotel and resort operating fundamentals from 2010 through 2014 improved and the lodging industry experienced a notable turnaround, with the breadth of the recovery encompassing the entire spectrum of chain-scale segments, particularly the luxury, upper upscale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

Room Supply and Demand

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

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

Lodging Industry Supply and Demand Growth



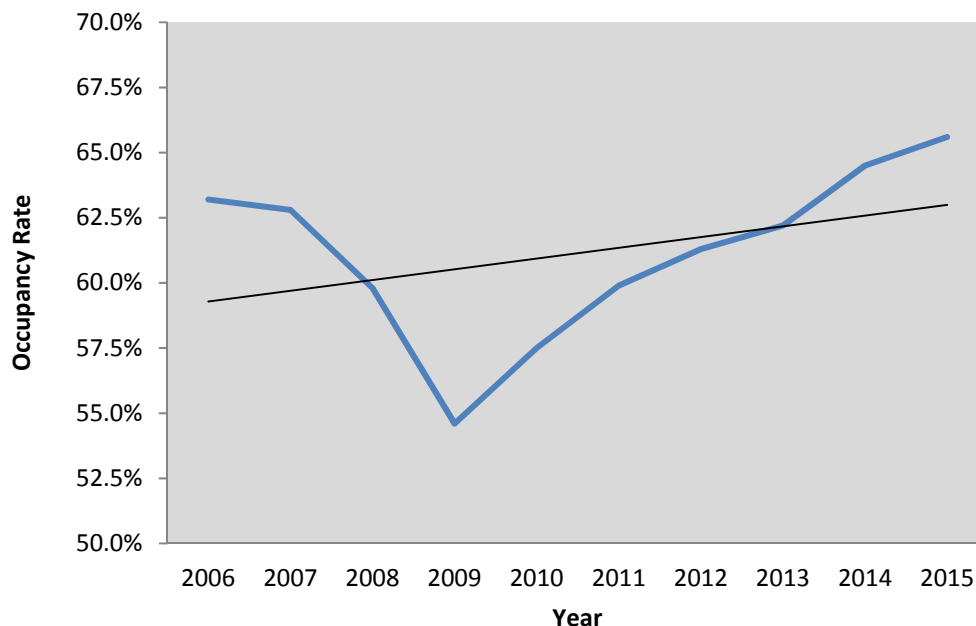
Source: Smith Travel Research

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

Occupancy

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

National Occupancy Rates



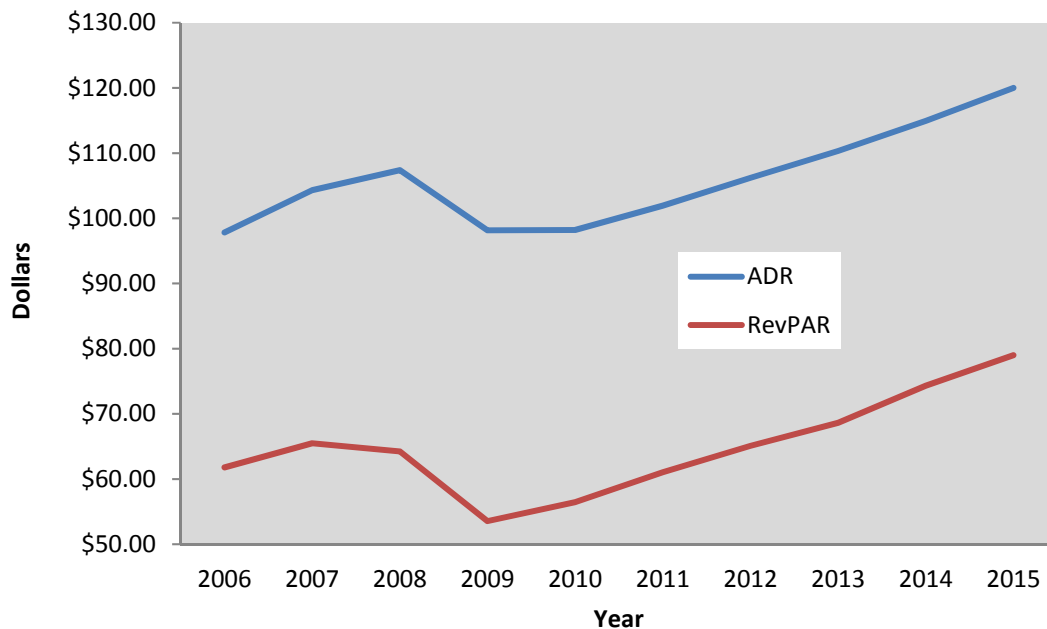
Source: Smith Travel Research

Smith Travel Research forecasts a very modest 0.6% occupancy rate increase to 61.1% in 2016.

ADR and RevPAR

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

National ADR and RevPAR



Source: Smith Travel Research

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

Local Lodging Trends - Level III Market Analysis

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

Competitive Supply Analysis

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

Historical Supply

In Tarboro there are two midscale limited-service hotels, a 65-room Quality Inn & Suites (former Comfort Inn) built in 1998 and a 61-room Best Western (former Holiday Inn Express) built in 1997. The closest lodging nodes featuring upper-midscale and upscale hotel accommodations are in the Interstate 95 cities of Rocky Mount and Wilson, ±15 and 25 miles west and southwest of Tarboro, respectively. Within the Rocky Mount-Tarboro-Wilson market area, rooms supply has increased at an annual compound rate of 2.5%, with all growth occurring in the first half of the decade. Accordingly, the most recent additions were the 76-room Comfort Inn Wilson in January 2010 and 105-room Country Inn & Suites Rocky Mount in August 2009.

Existing Supply

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

At the time of our survey, the two limited-service hotels located in Tarboro—Quality Inn & Suites and Best Western—would be the primary geographic competitors. As some of the more significant demand generators in the market, specifically Edgecombe Community College, have indicated that the nearest accommodations suitable to their needs—meeting space and upper-midscale/upscale rooms and amenities—are found in Rocky Mount, not locally. We therefore have expanded our survey to include two secondary competitors—Hampton Inn and Comfort Inn—both in Rocky Mount in western Edgecombe County and easily accessible from Tarboro via US 64. Accordingly, these midscale and upper-midscale hotels have been used in our analysis of the market. Salient information compiled from our on-site interviews with management and other sources is included in the following section, beginning with a map depicting the location of each competitor on the next page.



Competitive Supply Comparable 1



Location and Reference

Property:	Quality Inn & Suites
Location:	1504 Western Boulevard
City/State:	Tarboro, North Carolina

Property Summary

Classification:	Limited Service
Year Built:	1998
Condition:	Average
Rooms:	65
Room Mix:	Kings, Double Doubles, Suites
Amenities:	Fitness Center Outdoor Pool

Operating Summary

Estimated Occupancy Rate:	60%
Estimated Average Daily Rate:	\$67.00
Published Room Rates:	\$72.00 - \$90.00
Estimated Marketing Mix:	Transient 90%
	Commercial 10%

Comments:

This hotel is 1.5 miles north of US 64. It is located in a mature and densely developed retail node west of downtown Tarboro.

Competitive Supply Comparable 2



Location and Reference

Property:	Best Western
Location:	102 Market Centre Drive
City/State:	Tarboro, North Carolina

Property Summary

Classification:	Limited Service
Year Built:	1997
Condition:	Average
Rooms:	61
Room Mix:	Kings, Double Doubles, Suites
Amenities:	Meeting Room (35 ppl.) Sundry Shop
	Outdoor Swimming Pool Fitness Center

Operating Summary

Estimated Occupancy Rate:	<u>TTM-16</u>
Estimated Average Daily Rate:	35.0%
Published Room Rates:	\$68.00
Estimated Marketing Mix:	\$72.99 - \$90.00
	Transient 80%
	Commercial 20%

Comments:

This hotel is located in the SWQ of US 64 and US 258 near the market's primary industrial/distribution park, retail shopping and casual dining venues catering to local and transient clientele. The hotel caters to transient/leisure and to Corporate Lodging (truckers, subcontractors) clientele.

Competitive Supply Comparable 3



Location and Reference

Property:	Hampton Inn
Location:	530 North Winstead Avenue
City/State:	Rocky Mount, North Carolina

Property Summary

Classification:	Limited Service
Year Built:	1995
Condition:	Average
Rooms:	124
Room Mix:	Kings, Double Doubles
Amenities:	Meeting Facility Business Center
	Fitness Center Outdoor Swimming Pool

Operating Summary

	<u>TTM-16</u>
Estimated Occupancy Rate:	75.0%
Estimated Average Daily Rate:	\$110.00
Published Room Rates:	\$110.00 - \$144.00
Estimated Marketing Mix:	Transient 70%
	Commercial 30%

Comments:

This hotel is east of I-95 south of US 64 adjacent to UNC Nash Health Care and Nash General Hospital, 20 miles west of Tarboro Exit 485, the US 64-US 258 interchange.

Competitive Supply Comparable 4



Location and Reference

Property:	Comfort Inn
Location:	200 Gateway Boulevard
City/State:	Rocky Mount, North Carolina

Property Summary

Classification:	Limited Service
Year Built:	1990
Condition:	Average
Rooms:	125
Room Mix:	Kings, Double Doubles, Suites
Amenities:	Outdoor Swimming Pool Fitness Center

Operating Summary

Estimated Occupancy Rate:	<u>TTM-16</u>
Estimated Average Daily Rate:	73.0%
Published Room Rates:	\$80.00
Estimated Marketing Mix:	\$100.00 - \$125.00
	Transient 90%
	Commercial 10%

Comments:

This hotel is an Interstate 95 transient hotel with few amenities to attract commercial clientele.

Supply Forecast

We have researched the area for future additions to the hotel supply that would potentially impact the proposed hotel facility and its competitive set. Based on discussions with local hoteliers, township and county representatives, we are aware of no new supply entering the market. The following table depicts this outlook and includes the proposed 40-room hotel in early 2018.

Period	Fiscal 16	Fiscal 17	Fiscal 18	Fiscal 19	Fiscal 20+
Room Night Supply	136,875	136,875	151,475	151,475	151,475
Growth	0.0%	0.0%	10.7%	0.0%	0.0%

Competitive Demand Analysis

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

Historical Demand

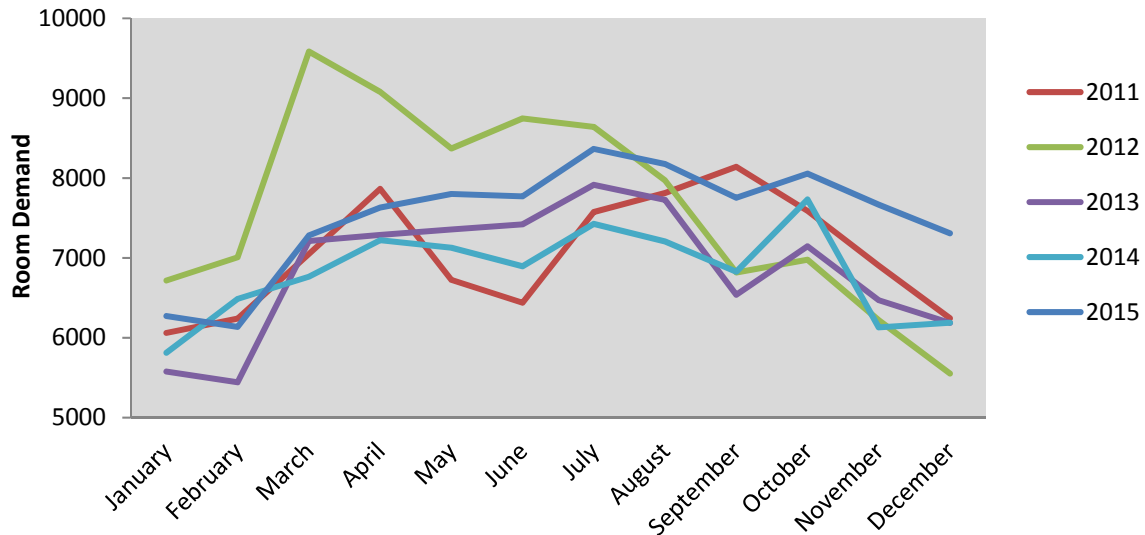
In analyzing the historical demand, we will discuss the seasonality of the marketplace and demand as it relates to rooms sales within the proposed hotel's Tarboro-Rocky Mount market area.

Market Seasonality

Room night demand in the Tarboro-Rocky Mount market area is similar to that of many markets. Monday through Thursday are popular nights for commercial demand, with Tuesday and Wednesday typically being the strongest, and Fridays and Saturdays entice the discretionary segments of demand. As indicated by the Custom Smith Travel Trend Report, room night demand is heaviest (over 80%) during the weekend nights of July, August, September and November, reportedly due to the popularity of Sylvan Heights Bird Park in Scotland Neck, NC 20 miles north of Tarboro via US 258; regional sports tournaments in nearby Rocky Mount, Wilson and Greenville; and increased I-95 travel to/from Florida during these summer, return-to-school, and snowbird months.

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

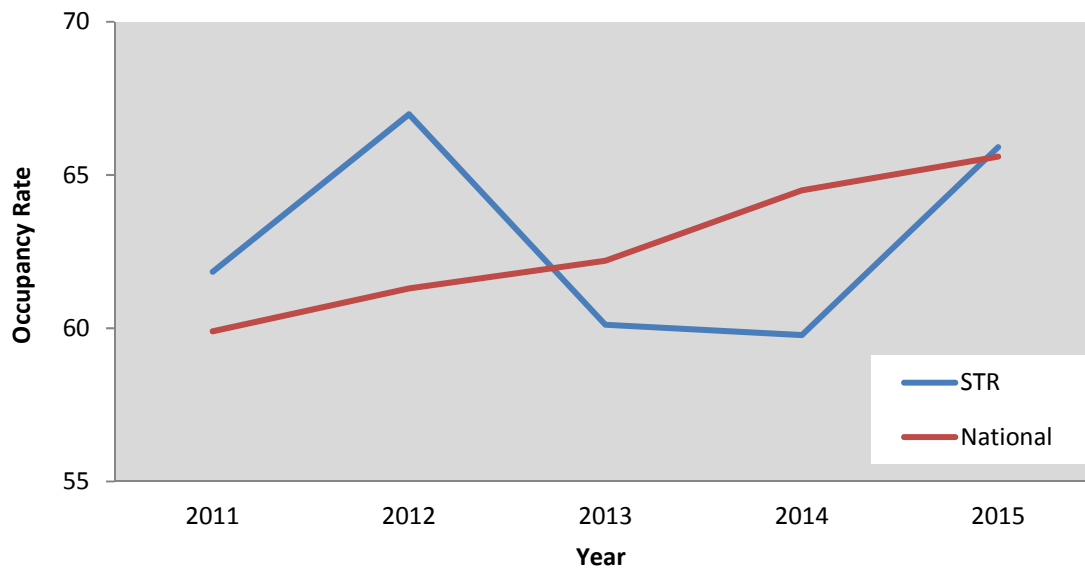
Monthly Demand STR Competitive Market



Source: Hotel and Club Associates and Smith Travel Research

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

Occupancy Rates Broader STR Competitive Set versus National Market



Source: Hotel and Club Associates and Smith Travel Research

In 2011 and 2012, the STR competitive market performed at levels above national averages as the area's biotech and tourism economies rebounded faster from the recession than the U.S. economy as a whole. In 2013-2014, the STR competitive market performed at levels well below national averages as the area's biotech sector growth rate stabilized to absorb prior years' growth and largely rural Edgecombe County's unemployment rate surged above 10% as the migration of new households from other states, as well as the return of "discouraged workers" (unemployed individuals who had stopped looking for work and therefore were not counted as officially unemployed) to the active labor force.

As gas prices remained low and the state's economic activity again surged in 2015, room night demand returned to national levels. The recent announcement that CSX had selected Edgecombe County for its \$272 million Carolina Connector, a major intermodal hub expected to generate as many as 1,500 direct and indirect jobs in the area, bodes well for continued demand increases for the foreseeable future

Existing Demand

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

Market Penetration

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

Competitive Supply Penetration Rates – Fiscal-16

Comp.	Property	Available Rm Nts	FY-16 Occupancy	Occupied Rooms	Actual Market Share	Fair Share	Penetration Level
1	Quality I&S Tarboro	23,725	60.0%	14,235	15.9%	17.3%	0.92
2	Best Western Tarboro	22,265	35.0%	7,793	8.7%	16.3%	0.54
3	Hampton Inn Rocky Mount	45,260	75.0%	33,945	38.0%	33.1%	1.15
4	Comfort Inn Rocky Mount	45,625	73.0%	33,306	37.3%	33.3%	1.12
Total/Average		136,875	65.2%	89,279	100.0%	100.0%	1.00

The STR competitive set exhibited penetration levels between 0.54 and 1.15 for the most recent twelve-month period. Due to their proximity to I-95 and the area's largest demand generators, the upper-midscale Hampton Inn Rocky Mount and Comfort Inn Rocky Mount had the highest penetration levels. The less-well-situated primary geographic competitors, Quality Inn & Suites Tarboro and Best Western Tarboro, had below-par and significantly-below-par penetration levels.

Accommodated Demand

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

Property	Occupied Nights	Transient Room Nights	Commercial Room Nights
Candlewood Stes	14,235	12,812	1,424
Sleep Inn	7,793	6,234	1,559
Hampton Inn	33,945	23,762	10,184
Holiday Inn Express & Stes	33,306	29,975	3,331
Total/Average	89,279	72,783	16,496

The demand mix for the competitive set is approximately 82% transient and 18% commercial. Apart from seasonal youth and amateur sports tournaments, no significant group demand or extended-stay demand was reported by the competitors and thus have been omitted from further analysis.

Unaccommodated Demand

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

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

According to Smith Travel Research, the local market exhibited unaccommodated demand in only 6 of 84 periods (7 days and 12 months). Our interviews with market participants found that, excluding Sundays, these peak nights occur exclusively on weekends—6 out of 24 weekend periods (2 days, 12 months), or 25% of the time, and seldom if ever on weekdays, indicating the predominance of transient/leisure demand over commercial demand. A portion of this modest unaccommodated demand, which reportedly is turned away, should return to the market concurrent with an appropriate supply increase.

Considering the actual amount of unaccommodated demand in the Tarboro submarket is inconclusive due principally to the proximity of secondary Rocky Mount lodging options and the occasional under-accommodated demand staying in Tarboro, we have forecast only 5% of the room supply during these periods—or 489 room nights—to be classified as unaccommodated with the following table indicating the breakdown for each demand segment.

Unaccommodated Demand Estimate		
Market Segment	Accommodated Room Night Demand	Unaccommodated Room Night Demand
Transient	72,783	489
Commercial	16,496	0
Total	89,279	489

Demand Forecast

Projections of future demand in the competitive market and for the proposed hotel are integral to determining the future cash flows and returns of the project. The following discussions outline the projections for induced demand as it relates to the proposed new hotel entering the market and future demand growth within each market demand segment. As this is a predominantly highway transient/leisure market with some commercial demand, the group and extended-stay segments of demand have not been analyzed.

Induced Demand

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

Our research and interviews with market participants, demand generators and public officials indicate that “under-accommodated demand” is a perceived lodging challenge in the market: As the Tarboro submarket currently is represented by two midscale/economy franchised hotels with few amenities, guests, particularly business and community college-related clientele who prefer upper-midscale hotel accommodations with meeting facilities or food, seek accommodations in Rocky Mount, Wilson or Greenville. Considering such midscale/economy-priced rooms generally are available in the overall market and in the Tarboro submarket, this is not “traditional” unaccommodated demand. However, as stated above, our research and interviews suggest that several commercial and transient guests have made the conscious decision to stay with secondary competitors in Rocky Mount or outside the competitive set altogether due to brand loyalty or simply because the type of accommodations they prefer were unavailable in the market.

Acknowledging the somewhat strong and brand-diverse competitive secondary market in Rocky Mount, we anticipate the proposed regional/national chain-affiliated, midscale hotel will induce some of its own demand. A midscale limited-service hotel located more proximate to Town of Tarboro demand generators with ready accessibility to/from US 64 and US 258, and a newer hotel featuring such amenities as a business center, meeting facility, sundry shop, guest laundry, and fitness center should induce transient/leisure and commercial demand equal to 10% of its proposed 14,600 available room nights, or 1,460 room nights. The following table details this induced demand assumption.

Induced Demand Estimate			
Property	Room Night Supply	% Induced	Induced Demand
Proposed Hotel	14,600	10.0%	1,460

Market Demand Growth

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

While rooms supply has remained constant in the Rocky Mount-Tarboro-Wilson market since 2010, indicating the market has not yet fully absorbed the ill-timed inventory growth surge of 25% during the 2007-2009 recession, Smith Travel data indicates that market demand increased 16.0% to 94,836 room nights during the post-recession trailing 12 months ending June 2012, then decreased -12.0% and -1.2% in TTMs June 2013 and 2014, respectively, before recovering somewhat with increases of 2.6% and 5.9% in TTMs June 2015 and 2016, respectively, to end TTM 2016 at 89,395 room nights, or 65.3% occupancy. Year-to-date through June 2016, occupancy was 62.0%, a decrease of -1.9% versus the prior year to date.

- **Transient/Leisure** – This category historically has included individuals, couples, families, and seniors traveling to or through the area to:
 - find overnight accommodations en route to/from Florida
 - visit family and friends
 - attend Edgecombe Community College and local high school graduations, reunions
 - attend weddings, anniversaries, baptisms and funerals
 - attend or participate in sporting events, particularly at the sports complex in western Edgecombe County near Rocky Mount
 - visit perennially popular Sylvan Heights Bird Park, the world's largest waterfowl park featuring over 2,500 birds from around the world in large walk-through aviaries

In the Rocky Mount-Tarboro-Wilson market area, weekend (Friday and Saturday) lodging demand exceeded eighty percent 6 of 24 weekend days, or approximately 25% of the time, peaking in July. For the trailing 12-months ended May 2016, weekend occupancy rates ranged from a low of 59.5% for Saturdays in January to a high of 91.6% for Fridays in July.

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

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

This segment regularly seeks accommodations Monday through Thursday and is predominantly single occupancy. The average stay for commercial guests is typically one to three nights. In the Rocky Mount-Tarboro-Wilson market area, weekday (Monday through Thursday) lodging demand ranged from a low of 54.5% for Thursdays in January to a high of 75.1% for Wednesdays in August, exceeding a seventy percent occupancy rate 19 of 48 days, or 23% of the time, and peaking Tuesdays and Wednesdays with occupancy rates averaging 66.6% and 66.3%, respectively.

As the above discussion affirms, year-round commercial demand in this predominantly transient/leisure Interstate/US Highway market is virtually always accommodated by existing lodging venues.

Based on this information, considering Tarboro corporate demand generators currently seek suitable lodging accommodations in nearby Rocky Mount, and noting the anticipated increase in economic activity attributable to the development and operation of the \$272 million CSX Carolina Connector intermodal hub in western Edgecombe County, the commercial segment has been forecast to increase from a low base level of demand by 5% in each of fiscal years 2017 through 2019. Thereafter, this segment has been forecast to remain stable.

Summary

Using our projection of market demand by segment in consideration of overall market supply forecasts, the resulting market occupancy over the holding period is calculated and summarized on the following page. The table indicates that the competitive set is expected to experience a modest occupancy-rate increase of 2.6% in FY17, a supply-induced occupancy-rate decrease of -6.4% in FY 18 (proposed hotel), and stabilize at 64.9% following a 3.6% rebound in FY19 after absorbing the proposed hotel's modest supply increase of 40 rooms.

Market Demand by Segment Forecast

Proposed Hotel

Tarboro, NC

Fiscal Year	Fiscal 16	Fiscal 17	Fiscal 18	Fiscal 19	Fiscal 20	Fiscal 21	Fiscal 22	Fiscal 23	Fiscal 24	Fiscal 25
Room Night Demand by Segment										
Transient										
Unaccommodated Demand		0	244	244	0	0	0	0	0	0
Induced Demand		0	657	657	0	0	0	0	0	0
Market Demand Growth		1,456	1,485	1,532	0	0	0	0	0	0
Total	72,783	74,238	76,625	79,059	79,059	79,059	79,059	79,059	79,059	79,059
Commercial										
Unaccommodated Demand		0	0	0	0	0	0	0	0	0
Induced Demand		0	73	73	0	0	0	0	0	0
Market Demand Growth		825	866	913	0	0	0	0	0	0
Total	16,496	17,321	18,260	19,246	19,246	19,246	19,246	19,246	19,246	19,246
Total Room Night Demand										
Growth	89,279	91,559	94,885	98,305	98,305	98,305	98,305	98,305	98,305	98,305
	5.1%	2.6%	3.6%	3.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Room Night Supply										
Growth	136,875	136,875	151,475	151,475	151,475	151,475	151,475	151,475	151,475	151,475
	0.0%	0.0%	10.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Overall Market Occupancy										
Growth	65.2%	66.9%	62.6%	64.9%	64.9%	64.9%	64.9%	64.9%	64.9%	64.9%
	5.1%	2.6%	-6.4%	3.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Subject Occupancy Projections

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

Historical Occupancy Rates			
Comp.	Property	Rooms	FY-16 Occupancy
1	Quality I&S Tarboro	65	60.0%
2	Best Western Tarboro	61	35.0%
3	Hampton Inn Rocky Mount	124	75.0%
4	Comfort Inn Rocky Mount	125	73.0%
Total/Average		375	65.2%

For 2016, the proposed hotel's competitive set exhibited occupancy rates between 35.0% and 75.0% with an average of 65.2%. It is noted the larger and better positioned upper-midscale Hampton Inn Rocky Mount and Comfort Inn Rocky Mount significantly out-performed the considerably smaller midscale/economy Quality Inn & Suites Tarboro and very significantly out-performed the smaller midscale/economy Best Western Tarboro.

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

- **Transient** – Due to its Tarboro (versus Rocky Mount) location, a proposed new, regional/national chain-affiliated, interior-corridor, competitively priced, midscale limited-service hotel will enjoy a competitive advantage in the transient/leisure market segment only in the already under-performing Tarboro submarket.

Signage and online marketing will do much to promote and introduce the proposed hotel to the transient/leisure segment of demand. Combined, the proposed hotel's visibility (3 stories near US 64) and brand attributes will ensure the subject facility will enjoy significant exposure to the public. The current penetration levels within the competitive set for the transient segment are estimated as follows:

Comp.	Property	Penetration
1	Quality I&S Tarboro	102%
2	Best Western Tarboro	53%
3	Hampton Inn Rocky Mount	99%
4	Comfort Inn Rocky Mount	124%

Noting the Quality Inn & Suites and the Comfort Inn cater almost exclusively to transient/leisure clientele, it is assumed the proposed hotel will be conveniently located and offer amenities often sought by a certain demographic of the transient/leisure segment of demand. Based on this information, considering its proximity to Sylvan Heights Bird Park and Downtown Tarboro's Historic District and historic Town Common, noting its highly visible, expected US 64 location and comparatively small room count, the proposed hotel has been forecast to penetrate the transient/leisure demand segment at 80% in Year 1 and stabilize at a penetration rate of 100% in Year 3.

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

Comp.	Property	Penetration
1	Quality I&S Tarboro	50%
2	Best Western Tarboro	58%
3	Hampton Inn Rocky Mount	187%
4	Comfort Inn Rocky Mount	61%

While it appears only the Hampton Inn Rocky Mount currently attracts significant commercial demand, it is noted the Best Western Tarboro attracts such price-conscious commercial business as Corporate Lodging truckers and subcontractors. As most commercial clientele will continue to seek accommodations in Rocky Mount nearer such demand generators as QVC, UNC Nash Health Care/Nash General Hospital, and the emerging CSX hub, the proposed hotel can reasonably be expected to benefit from any midweek overflow demand if and when it occurs.

Tarboro-Edgecombe based companies or subsidiaries with international, national or regional sales and/or ownership:

- *QVC Rocky Mount, Inc. (U.S.-based, international sales)*
 - HQ –West Chester, PA
 - 1,000± employees in Edgecombe County (Rocky Mount); 17,600± employees worldwide (2015)
 - \$3.1B sales in 2015
 - a wholly-owned subsidiary of Liberty Interactive Corporation
 - world’s largest video and e-commerce retailer; live merchandise-focused televised, website and interactive (mobile) shopping programs; distributes consumer products worldwide to 358 million households each day
- *The Hillshire Brands Company, a wholly-owned subsidiary of Tyson Foods (a U.S.-based company with international operations and sales in 130 countries)*
 - HQ –Springdale, AR (Tyson) and Chicago, IL (Hillshire)
 - 500± employees in Tarboro; 113,000± employees worldwide (2015)
 - \$40.6B sales in fiscal 2015
 - a wholly-owned subsidiary of Tyson Foods (merged in 2014)
 - leading brands: Tyson®, Jimmy Dean®, Hillshire Farm®, Sara Lee®, Ball Park®, Wright®, Aidells®, State Fair®
- *Vidant Health (U.S.-based, regional sales and ownership)*
 - HQ – Charlotte, NC
 - 500± employees, 117 beds in Tarboro
 - a privately owned regional health care provider serving 1.4 million people in 29 counties
- *Keihin Carolina System Technology, Inc. (U.S.-based, national sales)*
 - HQ – Tokyo, Japan; North American HQ – Anderson, IN
 - 250± employees in Tarboro; 20,000± employees in North America
 - worldwide \$2.8B± sales in 2015, \$190M± EBIT in 2015
 - Keihin Corporation is known principally as an international manufacturer of carburetors and fuel injection systems to such companies as Honda, Triumph, Suzuki, Kawasaki, KTM. Royal Enfield and Harley-Davidson.
 - Keihin CST (Tarboro) is a supplier of electronically activated devices and electronic control units to the automotive industry

- *Americold Logistics, LLC. (U.S.-based, international sales)*
 - HQ – Atlanta, GA
 - a privately held company
 - provides temperature-controlled warehousing, transportation and logistics services to the food industry in the U.S. and internationally (in Tarboro, it serves adjacent Hillshire Brands)

Based on our interviews with public officials and local business representatives, commercial travelers visiting the above local plants or divisions of regional, national and international parent companies frequently commute west to Rocky Mount or Wilson or south to Greenville for suitable lodging accommodations. Additionally, our research and interviews indicate the outlook for growth in the commercial segment of demand in the Tarboro submarket is guardedly optimistic.

Based on this information, considering the new CSX hub will be located in Rocky Mount/western Edgecombe County, which will continue to offer superior commercial density to Tarboro, and noting a 40-room hotel is relatively small, the proposed hotel has been forecast to penetrate the commercial demand segment at 50% in Year 1 and stabilize at a penetration rate of 70% in Year 3.

Summary

Using these projections for the proposed hotel's demand by segment, noting the proposed hotel will cannibalize some transient/leisure demand from the Quality Inn & Suites and Best Western, and considering it is unlikely to attract significant commercial demand, especially negotiated-rate, price-sensitive commercial demand from the Best Western, the resulting occupancy rate over the holding period, as summarized on the following page, is projected to be 47.3% in Year 1, 54.6% in Year 2, and 61.1% in Year 3, where it is projected to stabilize with an overall penetration rate of 94%.

Subject Demand and Occupancy Forecast
Proposed Hotel
Tarboro, NC

Fiscal Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11
Total Room Night Supply	151,475	151,475	151,475	151,475	151,475	151,475	151,475	151,475	151,475	151,475	151,475
Subject's Fair Share	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%
Total Transient Demand	77,842	79,059	79,059	79,059	79,059	79,059	79,059	79,059	79,059	79,059	79,059
Subject Fair Share	7,503	7,620	7,620	7,620	7,620	7,620	7,620	7,620	7,620	7,620	7,620
Subject Penetration	80.0%	90.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Subject Demand Captured (Market Share)	6,002	6,858	7,620	7,620	7,620	7,620	7,620	7,620	7,620	7,620	7,620
Subject's Percentage of Total Mix	86.9%	86.0%	85.4%	85.4%	85.4%	85.4%	85.4%	85.4%	85.4%	85.4%	85.4%
Total Commercial Demand	18,753	19,246	19,246	19,246	19,246	19,246	19,246	19,246	19,246	19,246	19,246
Subject Fair Share	1,808	1,855	1,855	1,855	1,855	1,855	1,855	1,855	1,855	1,855	1,855
Subject Penetration	50.0%	60.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%	70.0%
Subject Demand Captured (Market Share)	904	1,113	1,299	1,299	1,299	1,299	1,299	1,299	1,299	1,299	1,299
Subject's Percentage of Total Mix	13.1%	14.0%	14.6%	14.6%	14.6%	14.6%	14.6%	14.6%	14.6%	14.6%	14.6%
Subject's Total Demand Captured (Market Share)	6,906	7,971	8,919	8,919	8,919	8,919	8,919	8,919	8,919	8,919	8,919
Subject's Room Supply	14,600	14,600	14,600	14,600	14,600	14,600	14,600	14,600	14,600	14,600	14,600
Subject's Projected Occupancy	47.3%	54.6%	61.1%	61.1%	61.1%	61.1%	61.1%	61.1%	61.1%	61.1%	61.1%
Overall Market Occupancy	63.8%	64.9%	64.9%	64.9%	64.9%	64.9%	64.9%	64.9%	64.9%	64.9%	64.9%
Subject's Actual Market Share	7.1%	8.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%	9.1%
Subject's Penetration Level	0.74	0.84	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94

Subject Average Daily Rate Projections

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

Comparable ADR and RevPAR Rates

Comp.	Property	Rooms	FY-16	
			ADR	RevPAR
1	Quality I&S Tarboro	65	\$67.00	\$40.20
2	Best Western Tarboro	61	\$68.00	\$23.80
3	Hampton Inn Rocky Mount	124	\$110.00	\$82.50
4	Comfort Inn Rocky Mount	125	\$80.00	\$58.40
Total/Average		375	\$88.26	\$57.57

The STR competitive set offered rates that ranged from \$67.00 to \$110.00, averaging \$88.26 per occupied room night. Secondary competitors Hampton Inn Rocky Mount and Comfort Inn Rocky Mount commanded the highest rates at \$80.00 and \$110.00, respectively. Importantly, the proposed hotel's primary competitors, Quality Inn & Suites Tarboro and Best Western Tarboro, encountered downward pressure on rates in order to attract business. The following table summarizes the historic growth rates of the national average and STR competitive set.

National versus Submarket Trends

Period	2011	2012	2013	2014	2015
National ADR	\$101.93	\$106.21	\$110.33	\$115.32	\$120.01
Growth	2.1%	4.2%	3.2%	4.5%	4.1%

Period	FY-12	FY-13	FY-14	FY-15	FY-16
STR ADR	\$76.85	\$81.52	\$83.59	\$86.31	\$88.20
Growth	- - -	6.1%	2.5%	3.2%	2.2%

Source: Smith Travel and Hotel and Club Associates

For the trailing twelve months and year-to-date through June versus prior year for the competitors, rates are up 2.2% and 3.7% to \$88.20 and \$90.39 from \$86.31 and \$86.67, respectively. Based on our research and interviews, there has been modest rate resistance in the highly competitive Interstate 95 market and considerable rate resistance in the tertiary submarket of Tarboro.

Noting the proposed midscale limited-service hotel would represent new rooms supply in an occupancy-challenged submarket, it is expected to command somewhat lower than market competitive rates due to downward rate pressure from its primary Tarboro competitors. Considering the proposed hotel's newness, expected US 64 visibility, proximity to Tarboro's key demand generators and retail/dining venues, we expect it to command higher rates than the less-well-located Quality Inn & Suites Tarboro and the aging low-rise Best Western Tarboro.

Based on the above information, we have forecast an inflation-adjusted, stabilized Year 1 ADR of \$75.00, or \$73.50 in today's dollars, with 2.0% increases annually thereafter.

Cash Flow Projection

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

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

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

Basis of Assumptions

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

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

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

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

Analysis of Revenues

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

Rooms Revenue

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

Comparable Hotel Operating Expenses

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

NOTES:

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

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

Occupancy Rate

As discussed in the Lodging Trends section of this report, we have estimated the projected room occupancy for the anticipated projection period. We have also identified the competitive supply in the market and related their operating statistics to the subject property. Based on our estimate of penetration levels within each demand segment, we have estimated that the subject property will attain an occupancy rate of 47.3% in Year 1, 54.6% in Year 2, and stabilize in Year 3 at 61.1% after the absorption of the proposed hotel's new rooms supply. This estimate is based on the reported occupancy levels in the broader competitive market over the last several years and current supply and demand factors in the local market.

Average Daily Rate

As discussed in the Trends section, and for projection purposes, we believe the subject property will be able to attain an estimated average daily rate of \$75.00 in Year 1 (FY19).

Food and Beverage (F&B) Income

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

Other Operated Departments

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

Rentals & Other Income

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

Expense Comp	Host	A	B	C	Forecast
% of Total Revenue	0.2%	2.1%	2.8%	2.8%	1.3%
\$ POR	\$0.17	\$2.10	\$2.25	\$2.24	\$1.00
\$ Per Room	\$39	\$452	\$395	\$475	\$173

The comparables indicate a range between \$0.17 and \$2.25 per occupied room night. Noting the proposed subject is expected to generate income from its vending machines and guest laundry, we have projected net rentals and other income in the amount of \$1.00 per occupied room night.

Total Revenue

Total revenue for Year 1 is projected at \$524,856 or \$76.00 per occupied room night.

Analysis of Operating Expenses

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

Departmental Expenses

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

Rooms

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

Expense Comp	Host	A	B	C	Forecast
% of Dept. Revenue	19.8%	24.9%	30.6%	25.2%	25.0%
\$ POR	\$14.85	\$21.11	\$23.59	\$19.72	\$18.75
\$ Per Room	\$3,338	\$4,545	\$4,142	\$4,190	\$3,237

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

Food and Beverage Expenses

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

Other Operated Department Expenses

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

Expense Comp	Host	A	B	C	Forecast
% of Dept. Revenue	42.9%	91.9%	417.2%	2425.0%	- - -
\$ POR	\$0.44	\$0.85	\$0.69	\$0.46	\$0.58
\$ Per Room	\$100	\$182	\$121	\$97	\$100

In light of the above comparables, noting the increased use of cell phones by guests, we have forecast a market-oriented other operated department expense at \$100 per room.

Undistributed Operating Expenses

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

Administrative and General

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

Expense Comp	Host	A	B	C	Forecast
% of Total Revenue	8.2%	9.4%	8.1%	9.9%	8.5%
\$ POR	\$6.25	\$8.30	\$6.44	\$7.96	\$6.46
\$ Per Room	\$1,406	\$1,787	\$1,130	\$1,692	\$1,115

The comparables indicate administrative and general expenses between 8.1% and 9.9% of total revenue. Based on the comparables, we have forecast a market-oriented administrative and general expense of 8.5% of total revenue.

Sales & Marketing

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

Expense Comp	Host	A	B	C	Forecast
% of Total Revenue	8.3%	14.0%	8.0%	15.4%	10.4%
\$ POR	\$6.30	\$12.29	\$6.36	\$12.42	\$7.90
\$ Per Room	\$1,416	\$2,647	\$1,117	\$2,638	\$1,363

The proposed hotel is projected to be affiliated with a regional or national midscale limited-service brand. It is believed that the typical buyer would likely retain franchise rights to such a brand to take advantage of the reservation system and to satisfy lender requirements. Typically, nationally and regionally affiliated limited-service brands have a royalty fee of 4.5-to-6.0% of room revenue, and a program fee (brand marketing/reservations) of 2.5%-to-4.0% of room revenue. Additionally, we have forecast a combined franchise rewards/local marketing expense of 2.0% of total revenue for a total sales and marketing expense of approximately 10.4% of total revenue.

Property Operation and Maintenance

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

Expense Comp	Host	A	B	C	Forecast
% of Total Revenue	6.1%	6.9%	8.5%	5.4%	3.0%
\$ POR	\$4.62	\$6.09	\$6.77	\$4.35	\$2.28
\$ Per Room	\$1,038	\$1,311	\$1,189	\$925	\$394

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

Utilities

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

Expense Comp	Host	A	B	C	Forecast
% of Total Revenue	5.9%	7.0%	5.9%	6.7%	6.6%
\$ POR	\$4.49	\$6.19	\$4.70	\$5.41	\$5.00
\$ Per Room	\$1,010	\$1,334	\$825	\$1,150	\$863

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

Management Fees

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

Fixed Charges

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

Rent

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

Real Estate Taxes

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

Land Cost	\$300,000
Building Cost	\$2,450,521
Estimated Taxable Valuation (FMV or Cost)	\$2,750,521
Tax Rate per \$100 ¹	\$1.36
Projected Year 1 Real Estate Tax Liability²	\$37,407

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

Personal Property Taxes

Business personal property is assessed in Edgecombe County based on 90% of original cost and depreciated per the North Carolina Department of Revenue schedule thereafter to a minimum of 20% of original cost. Using an original cost estimate of \$400,000, or approximately \$10,000 per room, and applying the same tax rate as above to 90% of the original cost, the proposed hotel's Year 1 personal property tax liability is projected at \$4,406.

Insurance

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

Expense Comp	Host	A	B	C	Forecast
% of Total Revenue	1.8%	0.7%	0.9%	1.2%	1.1%
\$ POR	\$1.37	\$0.65	\$0.71	\$0.95	\$0.87
\$ Per Room	\$308	\$139	\$124	\$202	\$150

The expense comparables show a range from \$124 to \$308 per room. Based on the comparables, considering the proposed subject's relatively small room count and location inland from the hurricane-prone eastern shore, we have forecast a market-oriented insurance expense of \$150 per room.

Replacement Reserves

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

Total Expenses

Incorporating all of the expense estimates outlined above into the operating statement, and noting the relatively few number of rooms, total expenses in Year 1 are projected at \$367,452 or 70.0% of total revenue.

Net Operating Income

The exhibit on the following page summarizes all revenue and expense estimates described in this section. The Year 1 Net Operating Income generated by the proposed subject is estimated at \$157,404 to include deductions for replacement reserves. In addition, we have also developed an 8-year cash flow projection on the next following page.

Year 1 Operating Forecast

Proposed Hotel

Tarboro, NC

Number of Rooms				40
Available Room Nights				14,600
Occupancy Rate				47.3%
Occupied Room Nights				6,906
Average Daily Rate {ADR}				\$75.00
Revenues				
Rooms	\$517,950	98.7%	\$75.00	\$12,949
Food & Beverage	0	0.0%	0.00	0
Other Operated Departments	0	0.0%	0.00	0
Rentals & Other Income	6,906	1.3%	1.00	173
Other	0	0.0%	0.00	0
Total Revenues	\$524,856	100.0%	\$76.00	\$13,121
Department Expenses				
Rooms	\$129,488	25.0%	\$18.75	\$3,237
Food & Beverage	0	0.0%	0.00	0
Other Operated Departments	4,000	- - -	0.58	100
Miscellaneous	0	0.0%	0.00	0
Total Department Expenses	\$133,488	25.4%	\$19.33	\$3,337
Total Department Income	\$391,369	74.6%	\$56.67	\$9,784
Undistributed Operating Expenses				
Administrative & General	\$44,613	8.5%	\$6.46	\$1,115
Sales & Marketing	54,523	10.4%	7.90	1,363
Property Operation & Maintenance	15,746	3.0%	2.28	394
Utilities	34,530	6.6%	5.00	863
Total Undistributed Expenses	\$149,411	28.5%	\$21.64	\$3,735
Gross Operating Profit	\$241,957	46.1%	\$35.04	\$6,049
Management Fees	15,746	3.0%	2.28	394
Income Before Fixed Expenses	\$226,212	43.1%	32.76	5,655
Fixed Expenses				
Rent	\$0	0.0%	\$0.00	\$0
Property & Other Taxes	41,813	8.0%	6.05	1,045
Insurance	6,000	1.1%	0.87	150
Total Fixed Expenses	\$47,813	9.1%	\$6.92	\$1,195
Replacement Reserve	\$20,994	4.0%	\$3.04	\$525
Total Expenses	\$367,452	70.0%	\$53.21	\$9,186
Net Operating Income	\$157,404	30.0%	\$22.79	\$3,935

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

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Number of Rooms	40	40	40	40	40	40	40	40
Available Room Nights	14,600	14,600	14,600	14,600	14,600	14,600	14,600	14,600
Occupancy Rate	47.3%	54.6%	61.1%	61.1%	61.1%	61.1%	61.1%	61.1%
Occupied Room Nights	6,906	7,971	8,919	8,919	8,919	8,919	8,919	8,919
Average Daily Rate (ADR)	\$75.00	\$76.50	\$78.03	\$79.59	\$81.18	\$82.81	\$84.46	\$86.15
Revenues								
Rooms	\$517,950	\$609,790	\$695,921	\$709,839	\$724,036	\$738,517	\$753,287	\$768,353
Food & Beverage	0	0	0	0	0	0	0	0
Other Operated Departments	0	0	0	0	0	0	0	0
Rentals & Other Income	6,906	8,131	9,279	9,465	9,654	9,847	10,044	10,245
Other	0	0	0	0	0	0	0	0
Total Revenues	\$524,856	\$617,921	\$705,200	\$719,304	\$733,690	\$748,364	\$763,331	\$778,598
Department Expenses								
Rooms	\$129,488	\$152,448	\$173,980	\$177,460	\$181,009	\$184,629	\$188,322	\$192,088
Food & Beverage	0	0	0	0	0	0	0	0
Other Operated Departments	4,000	4,080	4,162	4,245	4,330	4,416	4,505	4,595
Miscellaneous	0	0	0	0	0	0	0	0
Total Department Expenses	\$133,488	\$156,528	\$178,142	\$181,705	\$185,339	\$189,046	\$192,826	\$196,683
Total Department Income	\$391,369	\$461,393	\$527,058	\$537,599	\$548,351	\$559,318	\$570,504	\$581,915
Undistributed Expenses								
Administrative & General	\$44,613	\$52,523	\$59,942	\$61,141	\$62,364	\$63,611	\$64,883	\$66,181
Sales & Marketing	54,523	64,191	73,257	74,722	76,217	77,741	79,296	80,882
Property Operation & Maintenance	15,746	18,538	21,156	21,579	22,011	22,451	22,900	23,358
Utilities	34,530	40,653	46,395	47,323	48,269	49,234	50,219	51,224
Total Undistributed Expenses	\$149,411	\$175,904	\$200,750	\$204,765	\$208,860	\$213,037	\$217,298	\$221,644
Gross Operating Income	\$241,957	\$285,489	\$326,308	\$332,834	\$339,491	\$346,281	\$353,206	\$360,270
Management Fees	\$15,746	\$18,538	\$21,156	\$21,579	\$22,011	\$22,451	\$22,900	\$23,358
Income Before Fixed Charges	\$226,212	\$266,952	\$305,152	\$311,255	\$317,480	\$323,830	\$330,306	\$336,912
Fixed Expenses								
Rent	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Property & Other Taxes	\$41,813	\$42,150	\$42,484	\$42,814	\$43,140	\$43,463	\$43,781	\$44,094
Insurance	6,000	6,120	6,242	6,367	6,495	6,624	6,757	6,892
Total Fixed Expenses	\$47,813	\$48,270	\$48,726	\$49,181	\$49,635	\$50,087	\$50,538	\$50,986
Replacement Reserve	\$20,994	\$24,717	\$28,208	\$28,772	\$29,348	\$29,935	\$30,533	\$31,144
Total Expenses	\$367,452	\$423,957	\$476,982	\$486,002	\$495,192	\$504,556	\$514,095	\$523,815
Net Operating Income	\$157,404	\$193,964	\$228,218	\$233,302	\$238,498	\$243,808	\$249,236	\$254,783
Capital Improvements	0	0	0	0	0	0	0	0
Cash Flow Before Debt Service & Depreciation	\$157,404	\$193,964	\$228,218	\$233,302	\$238,498	\$243,808	\$249,236	\$254,783

Construction Costs

As no developer has been identified and no construction cost budget has been provided by the Client, we have estimated the cost to construct the proposed midscale limited-service hotel improvements by employing the unit-in-place method utilizing Marshall Valuation Services' cost manual. The estimated cost to construct a 24,000 square foot, average cost quality, Class C, 40-room, midscale limited-service hotel, including FF&E but excluding land, is estimated at \$2,850,521, or \$71,263 per room, which equates to \$118.77 per square foot, as detailed in the exhibit on the following page. This replacement cost estimate for the proposed hotel includes allowances for contractor's overhead and profit but does not include an allowance for entrepreneurial incentive for a developer, which is the primary motivation for developing a property.

Entrepreneurial Incentive

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

Entrepreneurial incentive for a hotel project such as the subject is typically anticipated to be \$100,000 to \$250,000. Profit targets are influenced by many factors with location, demand/supply and construction quality representing the most important issues. Given the size of the project and the risks of developing a property like the subject, an entrepreneurial incentive of \$200,000 is considered reasonable.

Replacement Cost New of Improvements - Excluding Incentive	\$2,850,521
Plus: Entrepreneurial Incentive	<u>200,000</u>
Replacement Cost New of Improvements - Including Incentive	\$3,050,521

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

Replacement Cost New Comparative-Unit Method

<i>Marshall Valuation Service</i>			
Section 11, Page 22			
Hotels, Class C, Average Cost Quality			
Base Rate Per Square Foot		\$92.01	
Adjustment for HVAC System		(5.83)	
Adjustment for Sprinkler		2.80	
Adjustment for Kitchens		0.00	
Adjustment for Number of Stories		0.00	
Subtotal		\$88.98	
Height and Size Refinements			
Height Multiplier	1.000		
Area Multiplier	1.000	1.000	
Subtotal		\$88.98	
Cost Multipliers			
Current Cost Multiplier	1.040		
Local Cost Multiplier	0.890	0.926	
Adjusted Base Cost Per Square Foot		\$82.36	
Direct Costs			
Gross Building Area {Square Feet}		24,000	
Adjusted Base Cost Per Square Foot		\$82.36	
Replacement Cost - Hotel Improvements			\$1,976,693
Replacement Cost - Furniture, Fixtures and Equipment		\$400,000	
Replacement Cost - Other Improvements			
Parking Area	\$60,000		
Swimming Pool/Deck/Fencing	0		
Canopy	32,945		
Exterior Signs	50,000		
Landscaping	28,000	170,945	
Cost Multipliers			
Current Cost Multiplier	1.040		
Local Cost Multiplier	0.890	0.9256	528,467
Total Direct Costs			\$2,505,159
Indirect Costs			
Architect and Engineering Fees		Included in Base	
Legal and Accounting		Included in Base	
Taxes and Construction Interest		Included in Base	
Environmental Impact/Tap/Municipal Fees		\$40,000	
Appraisal/Legal/Environmental/Certification		30,000	
Financing Fees		50,103	
Pre-Opening Marketing/Management		28,000	
Franchise Fees		32,000	
Initial Supplies		40,000	
Contingencies/Miscellaneous		125,258	
Total Indirect Costs			\$345,361
Total Development Cost			
Replacement Cost New of Improvements - Excluding Entrepreneurial Incentive			\$2,850,521
Cost Per Hotel Unit			\$71,263
Cost Per Square Foot			\$118.77

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

Free-and-Clear IRR

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

Total Construction Cost	\$3,050,521
Cost of Land ¹	<u>\$300,000</u>
Total Cost	\$3,350,521
Rounded	\$3,400,000

¹ Market-based allocation for 1.0 acre of land at \$300,000 per acre

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

PwC Real Estate Investor Survey for National Hotels

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

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

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

Based upon these definitions the proposed hotel would fall into the limited service category, which reports Terminal Capitalization rates between 7.75% and 10.50% with an average of 9.48%. Considering the subject is a proposed new construction, midscale limited-service hotel in a rural/tertiary submarket, the Reversion price will be calculated using a Terminal Capitalization Rate of 10.50%. From the indicated reversionary value, a cost of sale is then deducted to arrive at the cash flow from termination of the investment.

Net Operating Income at Year 8	\$254,783
Out-Going Capitalization Rate	<u>10.50%</u>
Indicated Resale Price	\$2,426,502
Sale Costs @ 3.0%	<u>\$72,795</u>
Net Proceeds from Sale	\$2,353,707

Cash Flow Projection

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

Year	1	2	3	4	5	6	7
(\$3,400,000)	\$157,404	\$193,964	\$228,218	\$233,302	\$238,498	\$243,808	\$249,236
							\$2,353,707
(\$3,400,000)	\$157,404	\$193,964	\$228,218	\$233,302	\$238,498	\$243,808	\$2,602,942

Note: Figures may not add due to rounding.

On the basis of these cash flows, the proposed hotel's implied free-and-clear IRR equals **2.4%**.

Conclusion

Free and Clear IRR

A free and clear investment in the subject property implies an 2.4% IRR. The 1st quarter 2016 PwC survey indicates that required discount rates (IRRs) for limited-service hotels (which PwC defines to include midscale and economy limited-service hotels) range from 7.75% to 10.50% with an average of 9.48%. Therefore, the indicated unleveraged return of **2.4%** for the proposed subject hotel does not meet the risk-adjusted expectations of investors based on accepted market returns for similar hotel investments.

Investment Considerations

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

1. The subject hotel is proposed; therefore, the improvements have not been built. This analysis is based on the premise that a proposed 40-room midscale limited-service hotel can be developed with a total investment of **\$3,400,000**, including land. If the improvements, including site work, construction, FF&E and indirect costs, cannot be completed within this amount, the estimated internal rate of return would be diminished; conversely, if savings can be achieved, the rate of return will be increased. The indicated return on this estimated total investment is unacceptable based on market expectations.
2. We have projected that the proposed midscale limited-service hotel will stabilize in Year 3 at an occupancy rate of 61.1% and an average daily rate of \$78.03. This level of utilization produces a below-market free-and-clear internal rate of return of **2.4%**. Changes in the Rocky Mount-Tarboro-Wilson hotel market could influence the results of this analysis. Most specifically, any new hotel additions to the Tarboro submarket, other than the proposed hotel, will significantly and adversely influence the results of this analysis.

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

Consultants' Certification

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

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

Consultants' Certification (Continued)

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

Hotel and Club Associates of Virginia



Michael P. Cummings, MAI, ISHC



J. Richard Keegan, MBA

ADDENDA

ENGAGEMENT LETTER



APPRAISALS AND CONSULTING SERVICE

May 10, 2016

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

Re: Feasibility Study and Level III Market Analysis
Proposed Hotel
Market Centre Drive (Foxhall Land)
Tarboro, North Carolina 27886

Dear Ms. Daniels,

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

Site Analysis

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

May 10, 2016

Area Review

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

Primary Research

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

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

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

Supply and Demand Analysis

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

Operating Analysis

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

Verify Development Costs

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

Internal Rate of Return Analysis

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


Limitations of the Study

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

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

Fee and Timetable

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

Feasibility Study.....

- Delivery will be 4 weeks from engagement.

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

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

May 10, 2016

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

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

Client:

Brenda Daniels

By:

Brenda Daniels

Print Name:

Electri Cities of NC Inc.

Print Office:

1427 Meadow Wood Blvd.

Address:

Raleigh, NC 27604

Telephone:

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MP

05/10/16

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**Hotel and Club
Associates of Virginia**

CUSTOM SMITH TRAVEL TREND REPORT

Trend # 802122_SADIM / Created August 08, 2016

Trend Report - HotelStudy116

January 2010 to June 2016 Currency : USD - US Dollar



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Tab 2 - Data by Measure

HotelStudy116

Job Number: 802122_SADIM Staff: KD Created: August 08, 2016

Occupancy (%)														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Jun YTD
2010	50.6	57.5	65.2	66.4	61.1	61.5	70.0	61.8	61.6	62.8	60.8	47.8	60.6	60.4
2011	52.1	59.4	60.6	69.9	57.8	57.2	65.2	67.2	72.4	65.3	61.4	53.7	61.8	59.5
2012	57.8	66.7	82.4	80.7	72.0	77.7	74.3	68.6	60.6	60.0	55.3	47.8	67.0	72.9
2013	48.0	51.8	62.0	64.8	63.3	66.0	68.1	66.5	58.1	61.5	57.5	53.2	60.1	59.4
2014	50.0	61.8	58.2	64.2	61.3	61.3	63.9	62.0	60.7	66.5	54.5	53.2	59.8	59.4
2015	54.0	58.4	62.6	67.8	67.1	69.1	72.0	70.3	68.9	69.3	68.2	62.9	65.9	63.2
2016	56.2	59.3	64.0	67.0	58.1	67.4								62.0
Avg	52.7	59.3	65.0	68.7	63.0	65.7	68.9	66.1	63.7	64.2	59.6	53.1	62.5	62.4

ADR (\$)														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Jun YTD
2010	74.38	75.85	76.61	79.86	79.36	79.00	80.83	79.35	76.28	74.70	75.80	76.77	77.52	77.65
2011	75.43	74.69	76.05	80.26	78.80	79.47	82.07	81.79	76.29	76.41	75.15	73.55	77.64	77.57
2012	75.11	74.03	74.23	78.15	78.48	76.05	79.50	80.60	80.61	79.91	81.67	80.67	78.08	76.08
2013	81.46	79.86	83.55	83.70	82.75	83.66	85.94	85.28	81.61	82.92	84.43	82.54	83.29	82.66
2014	80.88	79.49	84.74	83.53	83.30	87.11	87.80	88.22	80.50	83.04	87.38	85.98	84.38	83.27
2015	82.97	83.46	87.35	89.72	88.91	88.87	89.03	86.40	83.43	83.42	86.02	89.28	86.67	87.13
2016	86.58	87.91	91.38	92.61	91.21	91.80								90.39
Avg	79.56	79.23	81.64	83.81	83.19	83.67	84.13	83.61	79.74	80.12	81.70	81.78	81.27	82.00

RevPAR (\$)														
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Jun YTD
2010	37.67	43.59	49.92	53.02	48.50	48.60	56.55	49.06	46.97	46.89	46.12	36.70	46.98	46.89
2011	39.33	44.40	46.12	56.11	45.58	45.49	53.48	54.96	55.21	49.88	46.12	39.51	48.01	46.15
2012	43.40	49.40	61.20	63.08	56.50	59.12	59.09	55.25	48.85	47.96	45.16	38.53	52.30	55.49
2013	39.09	41.39	51.83	54.22	52.36	55.18	58.51	56.68	47.43	50.96	48.55	43.93	50.07	49.08
2014	40.44	49.11	49.31	53.62	51.07	53.40	56.08	54.68	48.86	55.23	47.61	45.77	50.44	49.45
2015	44.77	48.77	54.72	60.86	59.65	61.38	64.06	60.76	57.49	57.80	58.62	56.13	57.13	55.06
2016	48.65	52.12	58.47	62.06	52.96	61.91								56.03
Avg	41.91	46.97	53.08	57.57	52.38	55.01	57.96	55.23	50.80	51.46	48.70	43.43	50.82	51.16

Supply	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Jun YTD
2010	11,625	10,500	11,625	11,250	11,625	11,250	11,625	11,625	11,250	11,625	11,250	11,625	136,875	67,875
2011	11,625	10,500	11,625	11,250	11,625	11,250	11,625	11,625	11,250	11,625	11,250	11,625	136,875	67,875
2012	11,625	10,500	11,625	11,250	11,625	11,250	11,625	11,625	11,250	11,625	11,250	11,625	136,875	67,875
2013	11,625	10,500	11,625	11,250	11,625	11,250	11,625	11,625	11,250	11,625	11,250	11,625	136,875	67,875
2014	11,625	10,500	11,625	11,250	11,625	11,250	11,625	11,625	11,250	11,625	11,250	11,625	136,875	67,875
2015	11,625	10,500	11,625	11,250	11,625	11,250	11,625	11,625	11,250	11,625	11,250	11,625	136,875	67,875
2016	11,625	10,500	11,625	11,250	11,625	11,250								67,875
Avg	11,625	10,500	11,625	11,250	11,625	11,250	11,625	11,625	11,250	11,625	11,250	11,625	136,875	67,875

Demand	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Jun YTD
2010	5,888	6,034	7,576	7,468	7,105	6,920	8,133	7,188	6,928	7,297	6,845	5,558	82,940	40,991
2011	6,061	6,241	7,050	7,865	6,725	6,439	7,575	7,812	8,141	7,589	6,904	6,245	84,647	40,381
2012	6,718	7,007	9,584	9,080	8,370	8,746	8,640	7,969	6,818	6,978	6,221	5,552	91,683	49,505
2013	5,578	5,442	7,212	7,288	7,356	7,420	7,915	7,727	6,538	7,145	6,470	6,187	82,278	40,296
2014	5,812	6,487	6,765	7,221	7,128	6,896	7,426	7,205	6,828	7,732	6,130	6,189	81,819	40,309
2015	6,272	6,136	7,283	7,631	7,800	7,770	8,365	8,175	7,752	8,055	7,667	7,309	90,215	42,892
2016	6,533	6,225	7,439	7,539	6,750	7,586								42,072
Avg	6,123	6,225	7,558	7,727	7,319	7,397	8,009	7,679	7,168	7,466	6,706	6,173	85,597	42,349

Revenue (\$)														Total Year	Jun YTD
	January	February	March	April	May	June	July	August	September	October	November	December			
2010	437,938	457,682	580,377	596,424	563,835	546,702	657,362	570,359	528,468	545,083	518,872	426,675	6,429,777	3,182,958	
2011	457,202	466,161	536,126	631,269	529,919	511,707	621,652	638,958	621,057	579,877	518,812	459,312	6,572,052	3,132,384	
2012	504,570	518,724	711,422	709,600	656,866	665,148	686,923	642,306	549,581	557,590	508,097	447,891	7,158,718	3,766,330	
2013	454,385	434,617	602,568	609,973	608,703	620,736	680,217	658,932	533,589	592,458	546,243	510,660	6,853,081	3,330,982	
2014	470,059	515,653	573,272	603,172	593,744	600,728	651,988	635,599	549,676	642,093	535,631	532,102	6,903,717	3,356,628	
2015	520,418	512,106	636,154	684,670	693,480	690,537	744,754	706,342	646,713	671,944	659,521	652,565	7,819,204	3,737,365	

2016	565,604	547,223	679,748	698,160	615,660	696,432								3,802,827
Avg	487,168	493,167	617,095	647,610	608,887	618,856	673,816	642,083	571,514	598,174	547,863	504,868		6,956,092
														3,472,782

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

HotelStudy116

Job Number: 802122_SADIM Staff: KD Created: August 08, 2016

Occupancy														Total Year	Jun YTD
	January	February	March	April	May	June	July	August	September	October	November	December			
2011	2.9	3.4	-6.9	5.3	-5.3	-7.0	-6.9	8.7	17.5	4.0	0.9	12.4	2.1	-1.5	
2012	10.8	12.3	35.9	15.4	24.5	35.8	14.1	2.0	-16.3	-8.1	-9.9	-11.1	8.3	22.6	
2013	-17.0	-22.3	-24.7	-19.7	-12.1	-15.2	-8.4	-3.0	-4.1	2.4	4.0	11.4	-10.3	-18.6	
2014	4.2	19.2	-6.2	-0.9	-3.1	-7.1	-6.2	-6.8	4.4	8.2	-5.3	0.0	-0.6	0.0	
2015	7.9	-5.4	7.7	5.7	9.4	12.7	12.6	13.5	13.5	4.2	25.1	18.1	10.3	6.4	
2016	4.2	1.5	2.1	-1.2	-13.5	-2.4								-1.9	
Avg	2.2	1.4	1.3	0.8	-0.0	2.8	1.1	2.9	3.0	2.1	3.0	6.2	2.0	1.2	

ADR														Total Year	Jun YTD
	January	February	March	April	May	June	July	August	September	October	November	December			
2011	1.4	-1.5	-0.7	0.5	-0.7	0.6	1.5	3.1	0.0	2.3	-0.9	-4.2	0.2	-0.1	
2012	-0.4	-0.9	-2.4	-2.6	-0.4	-4.3	-3.1	-1.5	5.7	4.6	8.7	9.7	0.6	-1.9	
2013	8.5	7.9	12.6	7.1	5.4	10.0	8.1	5.8	1.2	3.8	3.4	2.3	6.7	8.7	
2014	-0.7	-0.5	1.4	-0.2	0.7	4.1	2.2	3.4	-1.4	0.1	3.5	4.2	1.3	0.7	
2015	2.6	5.0	3.1	7.4	6.7	2.0	1.4	-2.1	3.6	0.5	-1.6	3.8	2.7	4.6	
2016	4.3	5.3	4.6	3.2	2.6	3.3								3.7	
Ava	2.6	2.6	3.1	2.6	2.4	2.6	2.0	1.8	1.8	2.2	2.6	3.2	2.3	2.6	

RevPAR														Total Year	Jun YTD
	January	February	March	April	May	June	July	August	September	October	November	December			
2011	4.4	1.9	-7.6	5.8	-6.0	-6.4	-5.4	12.0	17.5	6.4	-0.0	7.6	2.2	-1.6	
2012	10.4	11.3	32.7	12.4	24.0	30.0	10.5	0.5	-11.5	-3.8	-2.1	-2.5	8.9	20.2	
2013	-9.9	-16.2	-15.3	-14.0	-7.3	-6.7	-1.0	2.6	-2.9	6.3	7.5	14.0	-4.3	-11.6	
2014	3.4	18.6	-4.9	-1.1	-2.5	-3.2	-4.1	-3.5	3.0	8.4	-1.9	4.2	0.7	0.8	
2015	10.7	-0.7	11.0	13.5	16.8	15.0	14.2	11.1	17.7	4.6	23.1	22.6	13.3	11.3	
2016	8.7	6.9	6.9	2.0	-11.2	0.9								1.8	
Avg	4.6	3.6	3.8	3.1	2.3	4.9	2.8	4.5	4.8	4.4	5.3	9.2	4.2	3.5	

Supply														Total Year	Jun YTD
	January	February	March	April	May	June	July	August	September	October	November	December			
2011	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	
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	0.0	
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	0.0	
2014	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
2015	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
2016	0.0	0.0	0.0	0.0	0.0	0.0								0.0	
Avg	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	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Jun YTD
2011	2.9	3.4	-6.9	5.3	-5.3	-7.0	-6.9	8.7	17.5	4.0	0.9	12.4	2.1	-1.5
2012	10.8	12.3	35.9	15.4	24.5	35.8	14.1	2.0	-16.3	-8.1	-9.9	-11.1	8.3	22.6
2013	-17.0	-22.3	-24.7	-19.7	-12.1	-15.2	-8.4	-3.0	-4.1	2.4	4.0	11.4	-10.3	-18.6
2014	4.2	19.2	-6.2	-0.9	-3.1	-7.1	-6.2	-6.8	4.4	8.2	-5.3	0.0	-0.6	0.0
2015	7.9	-5.4	7.7	5.7	9.4	12.7	12.6	13.5	13.5	4.2	25.1	18.1	10.3	6.4
2016	4.2	1.5	2.1	-1.2	-13.5	-2.4								-1.9
Avg	2.2	1.4	1.3	0.8	-0.0	2.8	1.1	2.9	3.0	2.1	3.0	6.2	2.0	1.2

Revenue														Total Year	Jun YTD
	January	February	March	April	May	June	July	August	September	October	November	December			
2011	4.4	1.9	-7.6	5.8	-6.0	-6.4	-5.4	12.0	17.5	6.4	-0.0	7.6	2.2	-1.6	
2012	10.4	11.3	32.7	12.4	24.0	30.0	10.5	0.5	-11.5	-3.8	-2.1	-2.5	8.9	20.2	
2013	-9.9	-16.2	-15.3	-14.0	-7.3	-6.7	-1.0	2.6	-2.9	6.3	7.5	14.0	-4.3	-11.6	
2014	3.4	18.6	-4.9	-1.1	-2.5	-3.2	-4.1	-3.5	3.0	8.4	-1.9	4.2	0.7	0.8	
2015	10.7	-0.7	11.0	13.5	16.8	15.0	14.2	11.1	17.7	4.6	23.1	22.6	13.3	11.3	
2016	8.7	6.9	6.9	2.0	-11.2	0.9								1.8	
Avg	4.6	3.6	3.8	3.1	2.3	4.9	2.8	4.5	4.8	4.4	5.3	9.2	4.2	3.5	

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Tab 5 - Twelve Month Moving Average

HotelStudy116

Job Number: 802122_SADIM Staff: KD Created: August 08, 2016

Occupancy (%)												
	January	February	March	April	May	June	July	August	September	October	November	December
2011	60.7	60.9	60.5	60.8	60.5	60.1	59.7	60.2	61.1	61.3	61.3	61.8
2012	62.3	62.9	64.7	65.6	66.8	68.5	69.3	69.4	68.4	68.0	67.5	67.0
2013	66.2	65.0	63.3	62.0	61.2	60.3	59.7	59.5	59.3	59.5	59.6	60.1
2014	60.3	61.0	60.7	60.7	60.5	60.1	59.8	59.4	59.6	60.0	59.8	59.8
2015	60.1	59.9	60.2	60.5	61.0	61.7	62.3	63.1	63.7	64.0	65.1	65.9
2016	66.1	66.2	66.3	66.2	65.4	65.3						

ADR (\$)												
	January	February	March	April	May	June	July	August	September	October	November	December
2011	77.59	77.50	77.46	77.51	77.46	77.48	77.58	77.82	77.80	77.94	77.89	77.64
2012	77.60	77.52	77.28	77.11	77.11	76.85	76.67	76.58	76.90	77.16	77.62	78.08
2013	78.51	78.95	79.85	80.36	80.76	81.52	82.16	82.61	82.70	82.96	83.17	83.29
2014	83.25	83.17	83.27	83.25	83.30	83.59	83.74	84.00	83.89	83.90	84.12	84.38
2015	84.52	84.84	85.07	85.63	86.13	86.31	86.44	86.29	86.49	86.51	86.41	86.67
2016	86.92	87.22	87.56	87.79	87.95	88.20						

RevPAR (\$)												
	January	February	March	April	May	June	July	August	September	October	November	December
2011	47.12	47.18	46.85	47.11	46.86	46.61	46.35	46.85	47.52	47.78	47.78	48.01
2012	48.36	48.75	50.03	50.60	51.53	52.65	53.12	53.15	52.63	52.46	52.38	52.30
2013	51.93	51.32	50.52	49.80	49.44	49.12	49.07	49.19	49.08	49.33	49.61	50.07
2014	50.18	50.77	50.56	50.51	50.40	50.26	50.05	49.88	50.00	50.36	50.28	50.44
2015	50.81	50.78	51.24	51.83	52.56	53.22	53.90	54.41	55.12	55.34	56.25	57.13
2016	57.46	57.71	58.03	58.13	57.56	57.60						

Supply												
	January	February	March	April	May	June	July	August	September	October	November	December
2011	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875
2012	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875
2013	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875
2014	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875
2015	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875	136,875
2016	136,875	136,875	136,875	136,875	136,875	136,875						

Demand												
	January	February	March	April	May	June	July	August	September	October	November	December
2011	83,113	83,320	82,794	83,191	82,811	82,330	81,772	82,396	83,609	83,901	83,960	84,647
2012	85,304	86,070	88,604	89,819	91,464	93,771	94,836	94,993	93,670	93,059	92,376	91,683
2013	90,543	88,978	86,606	84,814	83,800	82,474	81,749	81,507	81,227	81,394	81,643	82,278
2014	82,512	83,557	83,110	83,043	82,815	82,291	81,802	81,280	81,570	82,157	81,817	81,819
2015	82,279	81,928	82,446	82,856	83,528	84,402	85,341	86,311	87,235	87,558	89,095	90,215
2016	90,476	90,565	90,721	90,629	89,579	89,395						

Revenue (\$)												
	January	February	March	April	May	June	July	August	September	October	November	December
2011	6,449,041	6,457,520	6,413,269	6,448,114	6,414,198	6,379,203	6,343,493	6,412,092	6,504,681	6,539,475	6,539,415	6,572,052
2012	6,619,420	6,671,983	6,847,279	6,925,610	7,052,557	7,205,998	7,271,269	7,274,617	7,203,141	7,180,854	7,170,139	7,158,718
2013	7,108,533	7,024,426	6,915,572	6,815,945	6,767,782	6,723,370	6,716,664	6,733,290	6,717,298	6,752,166	6,790,312	6,853,081
2014	6,868,755	6,949,791	6,920,495	6,913,694	6,898,735	6,878,727	6,850,498	6,827,165	6,843,252	6,892,887	6,882,275	6,903,717
2015	6,954,076	6,950,529	7,013,411	7,094,909	7,194,645	7,284,454	7,377,220	7,447,963	7,545,000	7,574,851	7,698,741	7,819,204
2016	7,864,390	7,899,507	7,943,101	7,956,591	7,878,771	7,884,666						

High value is boxed.

Low value is boxed and italicized.

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Tab 6 - Twelve Month Moving Average with Percent Change

HotelStudy116

Job Number: 802122_SADIM Staff: KD Created: August 08, 2016

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue	
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg
Jan 11	60.7		77.59		47.12		136,875		83,113		6,449,041	
Feb 11	60.9		77.50		47.18		136,875		83,320		6,457,520	
Mar 11	60.5		77.46		46.85		136,875		82,794		6,413,269	
Apr 11	60.8		77.51		47.11		136,875		83,191		6,448,114	
May 11	60.5		77.46		46.86		136,875		82,811		6,414,198	
Jun 11	60.1		77.48		46.61		136,875		82,330		6,379,203	
Jul 11	59.7		77.58		46.35		136,875		81,772		6,343,493	
Aug 11	60.2		77.82		46.85		136,875		82,396		6,412,092	
Sep 11	61.1		77.80		47.52		136,875		83,609		6,504,681	
Oct 11	61.3		77.94		47.78		136,875		83,901		6,539,475	
Nov 11	61.3		77.89		47.78		136,875		83,960		6,539,415	
Dec 11	61.8	2.1	77.64	0.2	48.01	2.2	136,875	0.0	84,647	2.1	6,572,052	2.2
Jan 12	62.3	2.6	77.60	0.0	48.36	2.6	136,875	0.0	85,304	2.6	6,619,420	2.6
Feb 12	62.9	3.3	77.52	0.0	48.75	3.3	136,875	0.0	86,070	3.3	6,671,983	3.3
Mar 12	64.7	7.0	77.28	-0.2	50.03	6.8	136,875	0.0	88,604	7.0	6,847,279	6.8
Apr 12	65.6	8.0	77.11	-0.5	50.60	7.4	136,875	0.0	89,819	8.0	6,925,610	7.4
May 12	66.8	10.4	77.11	-0.4	51.53	10.0	136,875	0.0	91,464	10.4	7,052,557	10.0
Jun 12	68.5	13.9	76.85	-0.8	52.65	13.0	136,875	0.0	93,771	13.9	7,205,998	13.0
Jul 12	69.3	16.0	76.67	-1.2	53.12	14.6	136,875	0.0	94,836	16.0	7,271,269	14.6
Aug 12	69.4	15.3	76.58	-1.6	53.15	13.5	136,875	0.0	94,993	15.3	7,274,617	13.5
Sep 12	68.4	12.0	76.90	-1.2	52.63	10.7	136,875	0.0	93,670	12.0	7,203,141	10.7
Oct 12	68.0	10.9	77.16	-1.0	52.46	9.8	136,875	0.0	93,059	10.9	7,180,854	9.8
Nov 12	67.5	10.0	77.62	-0.3	52.38	9.6	136,875	0.0	92,376	10.0	7,170,139	9.6
Dec 12	67.0	8.3	78.08	0.6	52.30	8.9	136,875	0.0	91,683	8.3	7,158,718	8.9
Jan 13	66.2	6.1	78.51	1.2	51.93	7.4	136,875	0.0	90,543	6.1	7,108,533	7.4
Feb 13	65.0	3.4	78.95	1.8	51.32	5.3	136,875	0.0	88,978	3.4	7,024,426	5.3
Mar 13	63.3	-2.3	79.85	3.3	50.52	1.0	136,875	0.0	86,606	-2.3	6,915,572	1.0
Apr 13	62.0	-5.6	80.36	4.2	49.80	-1.6	136,875	0.0	84,814	-5.6	6,815,945	-1.6
May 13	61.2	-8.4	80.76	4.7	49.44	-4.0	136,875	0.0	83,800	-8.4	6,767,782	-4.0
Jun 13	60.3	-12.0	81.52	6.1	49.12	-6.7	136,875	0.0	82,474	-12.0	6,723,370	-6.7
Jul 13	59.7	-13.8	82.16	7.2	49.07	-7.6	136,875	0.0	81,749	-13.8	6,716,664	-7.6
Aug 13	59.5	-14.2	82.61	7.9	49.19	-7.4	136,875	0.0	81,507	-14.2	6,733,290	-7.4
Sep 13	59.3	-13.3	82.70	7.5	49.08	-6.7	136,875	0.0	81,227	-13.3	6,717,298	-6.7
Oct 13	59.5	-12.5	82.96	7.5	49.33	-6.0	136,875	0.0	81,394	-12.5	6,752,166	-6.0
Nov 13	59.6	-11.6	83.17	7.2	49.61	-5.3	136,875	0.0	81,643	-11.6	6,790,312	-5.3
Dec 13	60.1	-10.3	83.29	6.7	50.07	-4.3	136,875	0.0	82,278	-10.3	6,853,081	-4.3
Jan 14	60.3	-8.9	83.25	6.0	50.18	-3.4	136,875	0.0	82,512	-8.9	6,868,755	-3.4
Feb 14	61.0	-6.1	83.17	5.4	50.77	-1.1	136,875	0.0	83,557	-6.1	6,949,791	-1.1
Mar 14	60.7	-4.0	83.27	4.3	50.56	0.1	136,875	0.0	83,110	-4.0	6,920,495	0.1
Apr 14	60.7	-2.1	83.25	3.6	50.51	1.4	136,875	0.0	83,043	-2.1	6,913,694	1.4
May 14	60.5	-1.2	83.30	3.1	50.40	1.9	136,875	0.0	82,815	-1.2	6,898,735	1.9
Jun 14	60.1	-0.2	83.59	2.5	50.26	2.3	136,875	0.0	82,291	-0.2	6,878,727	2.3
Jul 14	59.8	0.1	83.74	1.9	50.05	2.0	136,875	0.0	81,802	0.1	6,850,498	2.0
Aug 14	59.4	-0.3	84.00	1.7	49.88	1.4	136,875	0.0	81,280	-0.3	6,827,165	1.4

Tab 6 - Twelve Month Moving Average with Percent Change

HotelStudy116

Job Number: 802122_SADIM Staff: KD Created: August 08, 2016

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue	
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg
Sep 14	59.6	0.4	83.89	1.4	50.00	1.9	136,875	0.0	81,570	0.4	6,843,252	1.9
Oct 14	60.0	0.9	83.90	1.1	50.36	2.1	136,875	0.0	82,157	0.9	6,892,887	2.1
Nov 14	59.8	0.2	84.12	1.1	50.28	1.4	136,875	0.0	81,817	0.2	6,882,275	1.4
Dec 14	59.8	-0.6	84.38	1.3	50.44	0.7	136,875	0.0	81,819	-0.6	6,903,717	0.7
Jan 15	60.1	-0.3	84.52	1.5	50.81	1.2	136,875	0.0	82,279	-0.3	6,954,076	1.2
Feb 15	59.9	-1.9	84.84	2.0	50.78	0.0	136,875	0.0	81,928	-1.9	6,950,529	0.0
Mar 15	60.2	-0.8	85.07	2.2	51.24	1.3	136,875	0.0	82,446	-0.8	7,013,411	1.3
Apr 15	60.5	-0.2	85.63	2.9	51.83	2.6	136,875	0.0	82,856	-0.2	7,094,909	2.6
May 15	61.0	0.9	86.13	3.4	52.56	4.3	136,875	0.0	83,528	0.9	7,194,645	4.3
Jun 15	61.7	2.6	86.31	3.2	53.22	5.9	136,875	0.0	84,402	2.6	7,284,454	5.9
Jul 15	62.3	4.3	86.44	3.2	53.90	7.7	136,875	0.0	85,341	4.3	7,377,220	7.7
Aug 15	63.1	6.2	86.29	2.7	54.41	9.1	136,875	0.0	86,311	6.2	7,447,963	9.1
Sep 15	63.7	6.9	86.49	3.1	55.12	10.3	136,875	0.0	87,235	6.9	7,545,000	10.3
Oct 15	64.0	6.6	86.51	3.1	55.34	9.9	136,875	0.0	87,558	6.6	7,574,851	9.9
Nov 15	65.1	8.9	86.41	2.7	56.25	11.9	136,875	0.0	89,095	8.9	7,698,741	11.9
Dec 15	65.9	10.3	86.67	2.7	57.13	13.3	136,875	0.0	90,215	10.3	7,819,204	13.3
Jan 16	66.1	10.0	86.92	2.8	57.46	13.1	136,875	0.0	90,476	10.0	7,864,390	13.1
Feb 16	66.2	10.5	87.22	2.8	57.71	13.7	136,875	0.0	90,565	10.5	7,899,507	13.7
Mar 16	66.3	10.0	87.56	2.9	58.03	13.3	136,875	0.0	90,721	10.0	7,943,101	13.3
Apr 16	66.2	9.4	87.79	2.5	58.13	12.1	136,875	0.0	90,629	9.4	7,956,591	12.1
May 16	65.4	7.2	87.95	2.1	57.56	9.5	136,875	0.0	89,579	7.2	7,878,771	9.5
Jun 16	65.3	5.9	88.20	2.2	57.60	8.2	136,875	0.0	89,395	5.9	7,884,666	8.2

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Tab 7 - Day of Week Analysis

HotelStudy116
Job Number: 802122_SADIM Staff: KD Created: August 08, 2016

Occupancy (%)								Total Month
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Jul - 15	52.5	67.9	70.1	68.1	62.2	91.6	89.8	72.0
Aug - 15	50.9	66.6	73.3	75.1	65.6	78.0	84.9	70.3
Sep - 15	54.1	57.1	67.5	69.5	63.6	84.4	86.3	68.9
Oct - 15	49.7	63.9	73.5	73.9	68.1	75.7	77.0	69.3
Nov - 15	44.5	68.9	72.5	68.7	67.2	79.3	81.9	68.2
Dec - 15	47.6	62.7	62.8	64.9	59.4	66.4	76.7	62.9
Jan - 16	43.4	56.4	62.7	58.3	54.5	59.9	59.5	56.2
Feb - 16	49.9	55.7	60.6	61.4	58.0	61.1	69.1	59.3
Mar - 16	43.0	58.7	67.5	66.9	64.6	74.3	71.3	64.0
Apr - 16								
May - 16								
Jun - 16	42.2	58.4	67.8	62.5	68.0	87.5	86.6	67.4
Total Year	46.9	60.4	66.6	66.3	63.1	75.8	78.1	65.3

Three Year Occupancy (%)								Total Year
Sun	Mon	Tue	Wed	Thu	Fri	Sat		
Jul 13 - Jun 14	44.5	51.6	57.4	59.6	57.4	73.9	76.7	60.1
Jul 14 - Jun 15	45.3	53.4	60.1	59.6	58.2	75.1	80.0	61.7
Jul 15 - Jun 16	46.9	60.4	66.6	66.3	63.1	75.8	78.1	65.3
Total 3 Yr	45.6	55.1	61.3	61.8	59.6	74.9	78.3	62.4

ADR								Total Month
Sun	Mon	Tue	Wed	Thu	Fri	Sat		
Jul - 15	84.85	85.63	84.20	85.16	85.75	96.07	95.36	89.03
Aug - 15	81.06	81.67	82.64	83.16	83.63	93.98	94.36	86.40
Sep - 15	79.91	81.57	82.23	82.46	82.05	85.00	88.48	83.43
Oct - 15	83.63	83.15	81.85	82.74	78.99	84.63	87.93	83.42
Nov - 15	81.68	82.48	81.46	82.37	85.78	91.68	94.51	86.02
Dec - 15	82.72	85.25	83.90	89.77	92.50	94.12	94.35	89.28
Jan - 16	88.03	86.08	88.26	83.21	85.67	86.21	88.15	86.58
Feb - 16	90.52	88.31	86.97	85.89	87.01	87.46	89.37	87.91
Mar - 16	90.09	89.13	89.15	90.64	92.36	92.65	95.05	91.38
Apr - 16								
May - 16								
Jun - 16	86.54	86.93	88.14	90.00	85.76	99.42	100.41	91.80
Total Year	85.28	85.59	85.40	86.07	86.27	92.28	93.82	88.20

Three Year ADR								Total Year
Sun	Mon	Tue	Wed	Thu	Fri	Sat		
Jul 13 - Jun 14	80.29	81.48	81.87	82.62	82.91	86.08	87.10	83.59
Jul 14 - Jun 15	83.30	84.18	84.42	85.68	85.37	89.37	89.15	86.31
Jul 15 - Jun 16	85.28	85.59	85.40	86.07	86.27	92.28	93.82	88.20
Total 3 Yr	83.00	83.84	83.98	84.84	84.91	89.27	90.03	86.09

RevPAR								Total Month
Sun	Mon	Tue	Wed	Thu	Fri	Sat		
Jul - 15	44.52	58.17	58.99	57.95	53.37	88.02	85.63	64.06
Aug - 15	41.28	54.36	60.55	62.48	54.86	73.31	80.11	60.76
Sep - 15	43.26	46.55	55.47	57.35	52.18	71.74	76.39	57.49
Oct - 15	41.59	53.16	60.13	61.17	53.76	64.05	67.72	57.80
Nov - 15	36.33	56.79	59.03	56.56	57.65	72.67	77.37	58.62
Dec - 15	39.38	53.48	52.71	58.27	54.91	62.50	72.34	56.13
Jan - 16	38.21	48.55	55.31	48.54	46.72	51.68	52.47	48.65
Feb - 16	45.14	49.22	52.71	52.74	50.47	53.47	61.79	52.12
Mar - 16	38.74	52.29	60.14	60.62	59.66	68.81	67.80	58.47
Apr - 16								
May - 16								
Jun - 16	36.51	50.78	59.78	56.27	58.34	86.98	86.98	61.91
Total Year	39.97	51.68	56.84	57.06	54.44	69.98	73.31	57.60

Three Year RevPAR								Total Year
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Jul 13 - Jun 14	35.71	42.01	46.97	49.23	47.55	63.62	66.85	50.26
Jul 14 - Jun 15	37.76	44.95	50.70	51.05	49.67	67.11	71.35	53.22
Jul 15 - Jun 16	39.97	51.68	56.84	57.06	54.44	69.98	73.31	57.60
Total 3 Yr	37.81	46.18	51.49	52.47	50.58	66.90	70.50	53.69

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Tab 9 - Classic

HotelStudy116

Job Number: 802122_SADIM Staff: KD Created: August 08, 2016

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue		Census & Sample %		
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	Census Props	Census Rooms	% Rooms STAR Participants
Jan 10	50.6		74.38		37.67		11,625		5,888		437,938		4	375	100.0
Feb 10	57.5		75.85		43.59		10,500		6,034		457,682		4	375	100.0
Mar 10	65.2		76.61		49.92		11,625		7,576		580,377		4	375	100.0
Apr 10	66.4		79.86		53.02		11,250		7,468		596,424		4	375	100.0
May 10	61.1		79.36		48.50		11,625		7,105		563,835		4	375	100.0
Jun 10	61.5		79.00		48.60		11,250		6,920		546,702		4	375	100.0
Jul 10	70.0		80.83		56.55		11,625		8,133		657,362		4	375	100.0
Aug 10	61.8		79.35		49.06		11,625		7,188		570,359		4	375	100.0
Sep 10	61.6		76.28		46.97		11,250		6,928		528,468		4	375	100.0
Oct 10	62.8		74.70		46.89		11,625		7,297		545,083		4	375	100.0
Nov 10	60.8		75.80		46.12		11,250		6,845		518,872		4	375	100.0
Dec 10	47.8		76.77		36.70		11,625		5,558		426,675		4	375	100.0
Jun YTD 2010	60.4		77.65		46.89		67,875		40,991		3,182,958				
Total 2010	60.6		77.52		46.98		136,875		82,940		6,429,777				
Jan 11	52.1	2.9	75.43	1.4	39.33	4.4	11,625	0.0	6,061	2.9	457,202	4.4	4	375	100.0
Feb 11	59.4	3.4	74.69	-1.5	44.40	1.9	10,500	0.0	6,241	3.4	466,161	1.9	4	375	100.0
Mar 11	60.6	-6.9	76.05	-0.7	46.12	-7.6	11,625	0.0	7,050	-6.9	536,126	-7.6	4	375	100.0
Apr 11	69.9	5.3	80.26	0.5	56.11	5.8	11,250	0.0	7,865	5.3	631,269	5.8	4	375	100.0
May 11	57.8	-5.3	78.80	-0.7	45.58	-6.0	11,625	0.0	6,725	-5.3	529,919	-6.0	4	375	100.0
Jun 11	57.2	-7.0	79.47	0.6	45.49	-6.4	11,250	0.0	6,439	-7.0	511,707	-6.4	4	375	100.0
Jul 11	65.2	-6.9	82.07	1.5	53.48	-5.4	11,625	0.0	7,575	-6.9	621,652	-5.4	4	375	100.0
Aug 11	67.2	8.7	81.79	3.1	54.96	12.0	11,625	0.0	7,812	8.7	638,958	12.0	4	375	100.0
Sep 11	72.4	17.5	76.29	0.0	55.21	17.5	11,250	0.0	8,141	17.5	621,057	17.5	4	375	100.0
Oct 11	65.3	4.0	76.41	2.3	49.88	6.4	11,625	0.0	7,589	4.0	579,877	6.4	4	375	100.0
Nov 11	61.4	0.9	75.15	-0.9	46.12	-0.0	11,250	0.0	6,904	0.9	518,812	-0.0	4	375	100.0
Dec 11	53.7	12.4	73.55	-4.2	39.51	7.6	11,625	0.0	6,245	12.4	459,312	7.6	4	375	100.0
Jun YTD 2011	59.5	-1.5	77.57	-0.1	46.15	-1.6	67,875	0.0	40,381	-1.5	3,132,384	-1.6			
Total 2011	61.8	2.1	77.64	0.2	48.01	2.2	136,875	0.0	84,647	2.1	6,572,052	2.2			
Jan 12	57.8	10.8	75.11	-0.4	43.40	10.4	11,625	0.0	6,718	10.8	504,570	10.4	4	375	100.0
Feb 12	66.7	12.3	74.03	-0.9	49.40	11.3	10,500	0.0	7,007	12.3	518,724	11.3	4	375	100.0
Mar 12	82.4	35.9	74.23	-2.4	61.20	32.7	11,625	0.0	9,584	35.9	711,422	32.7	4	375	100.0
Apr 12	80.7	15.4	78.15	-2.6	63.08	12.4	11,250	0.0	9,080	15.4	709,600	12.4	4	375	100.0
May 12	72.0	24.5	78.48	-0.4	56.50	24.0	11,625	0.0	8,370	24.5	656,866	24.0	4	375	100.0
Jun 12	77.7	35.8	76.05	-4.3	59.12	30.0	11,250	0.0	8,746	35.8	665,148	30.0	4	375	100.0
Jul 12	74.3	14.1	79.50	-3.1	59.09	10.5	11,625	0.0	8,640	14.1	686,923	10.5	4	375	100.0
Aug 12	68.6	2.0	80.60	-1.5	55.25	0.5	11,625	0.0	7,969	2.0	642,306	0.5	4	375	100.0
Sep 12	60.6	-16.3	80.61	5.7	48.85	-11.5	11,250	0.0	6,818	-16.3	549,581	-11.5	4	375	100.0
Oct 12	60.0	-8.1	79.91	4.6	47.96	-3.8	11,625	0.0	6,978	-8.1	557,590	-3.8	4	375	100.0
Nov 12	55.3	-9.9	81.67	8.7	45.16	-2.1	11,250	0.0	6,221	-9.9	508,097	-2.1	4	375	100.0
Dec 12	47.8	-11.1	80.67	9.7	38.53	-2.5	11,625	0.0	5,552	-11.1	447,891	-2.5	4	375	100.0
Jun YTD 2012	72.9	22.6	76.08	-1.9	55.49	20.2	67,875	0.0	49,505	22.6	3,766,330	20.2			
Total 2012	67.0	8.3	78.08	0.6	52.30	8.9	136,875	0.0	91,683	8.3	7,158,718	8.9			
Jan 13	48.0	-17.0	81.46	8.5	39.09	-9.9	11,625	0.0	5,578	-17.0	454,385	-9.9	4	375	100.0
Feb 13	51.8	-22.3	79.86	7.9	41.39	-16.2	10,500	0.0	5,442	-22.3	434,617	-16.2	4	375	100.0
Mar 13	62.0	-24.7	83.55	12.6	51.83	-15.3	11,625	0.0	7,212	-24.7	602,568	-15.3	4	375	100.0
Apr 13	64.8	-19.7	83.70	7.1	54.22	-14.0	11,250	0.0	7,288	-19.7	609,973	-14.0	4	375	100.0
May 13	63.3	-12.1	82.75	5.4	52.36	-7.3	11,625	0.0	7,356	-12.1	608,703	-7.3	4	375	100.0
Jun 13	66.0	-15.2	83.66	10.0	55.18	-6.7	11,250	0.0	7,420	-15.2	620,736	-6.7	4	375	100.0
Jul 13	68.1	-8.4	85.94	8.1	58.51	-1.0	11,625	0.0	7,915	-8.4	680,217	-1.0	4	375	100.0
Aug 13	66.5	-3.0	85.28	5.8	56.68	2.6	11,625	0.0	7,727	-3.0	658,932	2.6	4	375	100.0
Sep 13	58.1	-4.1	81.61	1.2	47.43	-2.9	11,250	0.0	6,538	-4.1	533,589	-2.9	4	375	100.0
Oct 13	61.5	2.4	82.92	3.8	50.96	6.3	11,625	0.0	7,145	2.4	592,458	6.3	4	375	100.0

Tab 9 - Classic

HotelStudy116

Job Number: 802122_SADIM Staff: KD Created: August 08, 2016

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue		Census & Sample %		
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	Census Props	Census Rooms	% Rooms STAR Participants
Nov 13	57.5	4.0	84.43	3.4	48.55	7.5	11,250	0.0	6,470	4.0	546,243	7.5	4	375	100.0
Dec 13	53.2	11.4	82.54	2.3	43.93	14.0	11,625	0.0	6,187	11.4	510,660	14.0	4	375	100.0
Jun YTD 2013	59.4	-18.6	82.66	8.7	49.08	-11.6	67,875	0.0	40,296	-18.6	3,330,982	-11.6			
Total 2013	60.1	-10.3	83.29	6.7	50.07	-4.3	136,875	0.0	82,278	-10.3	6,853,081	-4.3			
Jan 14	50.0	4.2	80.88	-0.7	40.44	3.4	11,625	0.0	5,812	4.2	470,059	3.4	4	375	100.0
Feb 14	61.8	19.2	79.49	-0.5	49.11	18.6	10,500	0.0	6,487	19.2	515,653	18.6	4	375	100.0
Mar 14	58.2	-6.2	84.74	1.4	49.31	-4.9	11,625	0.0	6,765	-6.2	573,272	-4.9	4	375	100.0
Apr 14	64.2	-0.9	83.53	-0.2	53.62	-1.1	11,250	0.0	7,221	-0.9	603,172	-1.1	4	375	100.0
May 14	61.3	-3.1	83.30	0.7	51.07	-2.5	11,625	0.0	7,128	-3.1	593,744	-2.5	4	375	100.0
Jun 14	61.3	-7.1	87.11	4.1	53.40	-3.2	11,250	0.0	6,896	-7.1	600,728	-3.2	4	375	100.0
Jul 14	63.9	-6.2	87.80	2.2	56.08	-4.1	11,625	0.0	7,426	-6.2	651,988	-4.1	4	375	100.0
Aug 14	62.0	-6.8	88.22	3.4	54.68	-3.5	11,625	0.0	7,205	-6.8	635,599	-3.5	4	375	100.0
Sep 14	60.7	4.4	80.50	-1.4	48.86	3.0	11,250	0.0	6,828	4.4	549,676	3.0	4	375	100.0
Oct 14	66.5	8.2	83.04	0.1	55.23	8.4	11,625	0.0	7,732	8.2	642,093	8.4	4	375	100.0
Nov 14	54.5	-5.3	87.38	3.5	47.61	-1.9	11,250	0.0	6,130	-5.3	535,631	-1.9	4	375	100.0
Dec 14	53.2	0.0	85.98	4.2	45.77	4.2	11,625	0.0	6,189	0.0	532,102	4.2	4	375	100.0
Jun YTD 2014	59.4	0.0	83.27	0.7	49.45	0.8	67,875	0.0	40,309	0.0	3,356,628	0.8			
Total 2014	59.8	-0.6	84.38	1.3	50.44	0.7	136,875	0.0	81,819	-0.6	6,903,717	0.7			
Jan 15	54.0	7.9	82.97	2.6	44.77	10.7	11,625	0.0	6,272	7.9	520,418	10.7	4	375	100.0
Feb 15	58.4	-5.4	83.46	5.0	48.77	-0.7	10,500	0.0	6,136	-5.4	512,106	-0.7	4	375	100.0
Mar 15	62.6	7.7	87.35	3.1	54.72	11.0	11,625	0.0	7,283	7.7	636,154	11.0	4	375	100.0
Apr 15	67.8	5.7	89.72	7.4	60.86	13.5	11,250	0.0	7,631	5.7	684,670	13.5	4	375	100.0
May 15	67.1	9.4	88.91	6.7	59.65	16.8	11,625	0.0	7,800	9.4	693,480	16.8	4	375	100.0
Jun 15	69.1	12.7	88.87	2.0	61.38	15.0	11,250	0.0	7,770	12.7	690,537	15.0	4	375	100.0
Jul 15	72.0	12.6	89.03	1.4	64.06	14.2	11,625	0.0	8,365	12.6	744,754	14.2	4	375	100.0
Aug 15	70.3	13.5	86.40	-2.1	60.76	11.1	11,625	0.0	8,175	13.5	706,342	11.1	4	375	100.0
Sep 15	68.9	13.5	83.43	3.6	57.49	17.7	11,250	0.0	7,752	13.5	646,713	17.7	4	375	100.0
Oct 15	69.3	4.2	83.42	0.5	57.80	4.6	11,625	0.0	8,055	4.2	671,944	4.6	4	375	100.0
Nov 15	68.2	25.1	86.02	-1.6	58.62	23.1	11,250	0.0	7,667	25.1	659,521	23.1	4	375	100.0
Dec 15	62.9	18.1	89.28	3.8	56.13	22.6	11,625	0.0	7,309	18.1	652,565	22.6	4	375	100.0
Jun YTD 2015	63.2	6.4	87.13	4.6	55.06	11.3	67,875	0.0	42,892	6.4	3,737,365	11.3			
Total 2015	65.9	10.3	86.67	2.7	57.13	13.3	136,875	0.0	90,215	10.3	7,819,204	13.3			
Jan 16	56.2	4.2	86.58	4.3	48.65	8.7	11,625	0.0	6,533	4.2	565,604	8.7	4	375	100.0
Feb 16	59.3	1.5	87.91	5.3	52.12	6.9	10,500	0.0	6,225	1.5	547,223	6.9	4	375	100.0
Mar 16	64.0	2.1	91.38	4.6	58.47	6.9	11,625	0.0	7,439	2.1	679,748	6.9	4	375	100.0
Apr 16	67.0	-1.2	92.61	3.2	62.06	2.0	11,250	0.0	7,539	-1.2	698,160	2.0	4	375	100.0
May 16	58.1	-13.5	91.21	2.6	52.96	-11.2	11,625	0.0	6,750	-13.5	615,660	-11.2	4	375	100.0
Jun 16	67.4	-2.4	91.80	3.3	61.91	0.9	11,250	0.0	7,586	-2.4	696,432	0.9	4	375	100.0
Jun YTD 2016	62.0	-1.9	90.39	3.7	56.03	1.8	67,875	0.0	42,072	-1.9	3,802,827	1.8			

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Tab 10 - Response Report

HotelStudy116
Job Number: 802122_SADIM Staff: KD Created: August 08, 2016

									2014												2015												2016																	
STR Code	Name of Establishment	City & State	Zip Code	Class	Aff Date	Open Date	Rooms	Chg in Rms	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D						
31118	Hampton Inn Rocky Mount	Rocky Mount, NC	27804	Upper Midscale Class	Mar 1995	Mar 1995	124		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•		
27400	Comfort Inn Rocky Mount	Rocky Mount, NC	27804	Upper Midscale Class	Apr 1990	Apr 1990	125		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	
37111	Quality Inn & Suites Tarboro	Tarboro, NC	27886	Midscale Class	Jun 2016	Jul 1998	65		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	
35549	Best Western Tarboro Hotel	Tarboro, NC	27886	Midscale Class	Jun 2009	Oct 1997	61		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
				Total Properties:		4	375	<div>○ - Monthly data received by STR</div> <div>• - Monthly and daily data received by STR</div> <div>Blank - No data received by STR</div> <div>Y - (Chg in Rms) Property has experienced a room addition or drop during the time period of the report.</div>																																										

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EDUCATION:

Old Dominion University

Bachelor of Science Business Administration Finance

Cornell University - School of Hotel Administration

Advanced Hotel Investments

Appraisal Institute Courses:

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

Seminars:

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

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Seminars (continued):

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

MEMBERSHIPS/LICENSES:

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

PROFESSIONAL ACTIVITIES:

Appraisal Institute

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

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EDUCATION

University of Wisconsin

Master of Business Administration Degree

Bachelor of Arts Degree

Appraisal Courses Completed

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

LICENSES & MEMBERSHIPS

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

PROFESSIONAL HISTORY

Hotel & Club Associates – Norfolk, Virginia

Associate Appraiser February 2011 – Present

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

Shamrock Capital Associates – Lake Mary, Florida

Financial Consultant & Licensed Mortgage Broker: 2005 – 2011

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

Sun Development & Management Corporation – Indianapolis, Indiana

Executive Vice President – Acquisitions & Development: 2001 – 2005

- Directed hotel acquisitions and development