



Hotel Study

Proposed Soft Brand/Boutique Hotel
Shelby, North Carolina 28150

The Global Leader in Hospitality Consulting

June 18, 2021

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

**Reference: Hotel Study
 Proposed Soft Brand/Boutique Hotel
 Shelby, North Carolina 28150**

Dear Ms. Daniels:

Per your request, we have analyzed the Shelby, North Carolina lodging market as it pertains to a proposed hotel. Based on our research and interviews, an upscale or upper-upscale 80-room soft-brand/boutique hotel and scaled, locally influenced dining and lounge offerings would best represent the type, cost, amenities and price point suited to the current and near-term lodging demand identified in the market.

We have utilized the Marshall Valuation Service Cost Index and our research to estimate an all-in project cost of \$13,200,000. Based on this information, the subject property is forecast to produce a free-and-clear Internal Rate of Return (IRR) of 10.8%. This return is considered adequate insofar as it meets the accepted market returns for similar hotel investments.

Respectfully submitted,

For and on behalf of Horwath HTL



Michael P. Cummings, MAI, ISHC
Managing Director



J. Richard Keegan, MBA
Senior Consultant

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1. Legal Information

1.1. Disclaimer

The enclosed report pertains to the hotel study for the proposed subject property. The scope of the work is described in the body of the report.

We have no obligation to update our findings and conclusions for changes in market conditions which may occur subsequent to our fieldwork. Any such changes in market conditions will affect the validity of our estimates. Since changes in market conditions are likely to occur, it is expressly understood that we have no obligation to revise the report or the analysis of prospective conditions subsequent to the submission of our findings.

Our report is based on assumptions and estimates that are subject to uncertainty and variation. All information provided by others has been accepted without audit or verification and is assumed to be correct. In addition, we have made assumptions as to the future behavior of consumers and the general economy, which are uncertain.

1.2. Copyright Notice

All rights reserved; no part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without either the prior written permission of Horwath HTL or a license permitting restricted copying. This publication may not be lent, resold, hired out or otherwise disposed of by way of trade in any form of binding or cover other than that in which it is published, without the prior consent of Horwath HTL.

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2. Assumptions and Limiting Conditions

1. The consultants certify that, to the best of our knowledge and belief, the statements contained in this report, subject to the limiting conditions set forth below, are correct; also, that this report has been made in conformity with the accepted practices of the Appraisal Institute.
2. Prospective sites 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 consultants herein, by reason of this report, are not required to give testimony in court, with reference to the prospective sites herein appraised, unless arrangements have been previously made.
4. Disclosure of the contents of this hotel study report 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 consultants or the firm with which they are connected, or any reference to the Appraisal Institute, the MAI or SRA Designations or ISHC 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. 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 area 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 the prospective sites and its surroundings, and no responsibility is assumed for their cartographic accuracy.
9. The land estimate (if applicable) 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 the site thereon, such as urea formaldehyde foam insulation, asbestos, or toxic waste, etc., was not observed by the inspecting consultants and has not been considered. The consultants have no knowledge of any such materials on or in the prospective sites but are not qualified to detect such substances. The presence of such materials may have an effect on the value or use of the prospective sites. It is assumed that there are no hazardous material spills, etc. resulting from underground storage tanks or other causes associated with the subject prospective sites. 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. All mechanical equipment, existing or as proposed, in the building(s) is assumed to be in average to good working order, unless otherwise stated and treated elsewhere in the report.
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 the prospective sites 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 the prospective sites together with a detailed analysis of the requirements of the ADA could reveal that the prospective sites 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 prospective sites. 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 of the prospective sites.
15. The indicated values are subject to the completion of the property in accordance with the forecast construction budget and other project information which has been provided by the franchisor and Client. We assume the construction will be completed with quality materials in a workmanlike, timely and quality manner.
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 the estimated development costs are based on budget estimates provided by various franchisors, Marshall Valuation Service, and/or comparable development projects 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 eventual developer, such as bankruptcy of the general contractor or subcontractors, could cause delays and cost overruns.

We made an inspection of the prospective hotel site and at that time did not note 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 proposed subject's market, a Custom Trend Report from 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 STR, 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 proposed subject's franchise agreement, 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, where appropriate, 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.

2.1. Extraordinary Assumptions

Taking into account the residual and as yet fully realized effects of the Covid-19 pandemic on the economy in general and on hospitality, tourism and leisure markets in particular, the consultants have, to the best of ability, attempted to reflect current perceptions within the hotel marketplace. The full economic and public health effects of the Covid-19 coronavirus and its variants are still evolving and can potentially impact the results of this hotel study.

3. Definitions

Text	Description
Basic Market Analysis	An inferred method of market analysis that analyzes current and historical market conditions and closely mirrors the level of due diligence conducted by market participants. This level of market analysis includes an evaluation of the subject's overall market capture rate relative to competitive hotels preselected on the subject property's STR STAR report if available. This level of market analysis is applicable for existing hotels in an established market.
Comprehensive Level I Market Analysis	An inferred method of market analysis that uses current and historical general market conditions to <i>infer</i> future supply and demand conditions. Direct sampling and interviews of competitive properties are employed to generate market data and a STR STAR report or CUSTOM TREND report is utilized. This level of analysis is most applicable for existing and proposed properties in an established hotel market.
Comprehensive Level II Market Analysis	A method of market analysis that analyzes current and historical market conditions, but additionally includes fundamental analysis to <i>forecast</i> subject-specific supply, demand, absorption and capture over the property's holding period. Direct sampling and interviews of competitive properties are employed to generate market data and a STR STAR report or CUSTOM TREND report is utilized. This level of analysis is applicable for existing and proposed properties in an established hotel market.
Comprehensive Level III Market Analysis	A fundamental method of market analysis that analyzes current and historical market conditions, but additionally includes fundamental analysis to <i>forecast</i> subject-specific supply, demand, absorption and capture over the property's holding period. Direct sampling and interviews of competitive properties are employed to generate market data and a STR CUSTOM TREND report is purchased. Additionally, specific demand generators are surveyed to quantify their level of demand and determine the optimal property size, product type and level of amenities suited for the market. This level of market analysis is most applicable for proposed properties in unestablished markets.
Fee Simple Estate	Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of police power, escheat, taxation, and eminent domain.
Going Concern	A business having the ability to continue functioning as a business entity in the future. In accounting, a business is considered to be a going concern if it is likely to continue functioning 12 months into the future.
Leased Fee Interest	An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease.
Leasehold Interest	The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.
Boutique Hotel	A smaller (40-100± rooms), design-centric, often unique in style, independent or affiliated hotel.
Soft-Branded Hotel	A franchise-system-affiliated hotel which retains its own identity while benefitting from its connection to a parent company's global distribution system, central reservation system and loyalty program. Soft brands are also known as "collection brands."

4. Scope of Work & Methodology

This Hotel Study report provides a presentation of information based upon provided documentation, an inspection of the subject site and its marketplace.

The scope of the hotel study includes the investigations necessary to gather sufficient data from which to derive an opinion of market conditions and trends, and it encompasses the necessary research and analysis to prepare a report in accordance with its intended use.

The subject market data is based upon information provided by STR; 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 hotel 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. This Hotel Study report provides a presentation of information based upon provided documentation, an inspection of the subject site and its marketplace.

5. Introduction

5.1. Identification of the Property

The subject of this hotel study is a proposed upscale or upper-upscale soft brand/boutique hotel in Shelby, Cleveland County, North Carolina. The site being considered (see below) for the proposed hotel is between Lafayette and Market Streets in Uptown Shelby, in the block south of Graham Street and north of Grigg Street. The Cleveland County Assessor identifies the site as comprising two tax parcels: #17858 (0.32 acres) and #17168 (1.75 acres), a combined site of 2.07± acres. The owner of record for both tax parcels is Thompson Gordon Shook Engineers, Inc., which acquired the property on December 18, 2019 for an undisclosed amount, as recorded in Deed Book 1804, Page 870.

Site Map



Based on our research, the recommended hotel product for this location in the Uptown Shelby submarket will be a nationally affiliated, upscale or upper-upscale soft brand/boutique hotel. Shelby City Hall, the Don Gibson Theatre, Earl Scruggs Center, Pleasant City Grille, trendy Newgrass Brewing Company, and premier wedding venue Uptown Indigo are within 2-3 blocks of the proposed site and combined represent the center of the city. Around these anchor developments are several boutique shops and indoor-outdoor dining venues that cater to a working and shopping population by day and to an area-wide resident population seeking relaxation and/or entertainment by evening.

5.2. Client

The client for this hotel study is Ms. Brenda Daniels of ElectriCities of North Carolina, Inc., who authorized its preparation by acceptance of a proposal letter.

5.3. Intended Users

The report is intended for use only by ElectriCities of North Carolina, Inc. and the City of Shelby, North Carolina. Use of this report by others is not intended by the consultants.

5.4. Client's Intended Use

The intended use of this hotel study is for internal financial analysis and decision making as they pertain to the development of the proposed upscale soft brand/boutique hotel. The report is not intended for any other use.

5.5. Dates of Analysis

On May 1, 2021, J. Richard Keegan, Senior Consultant, Horwath HTL, inspected the proposed hotel site. During his visit and over the following weeks, data was collected in person or by remote means for the purpose of further analyzing the site and the submarket in which it is proposed that a hotel be located. Based on our research, the project is expected to be completed by June 1, 2022, and reach a stabilized level of occupancy by June 1, 2023.

5.6. Improvement Description

Based on our interviews and analysis of the Shelby market, a proposed upscale or upper-upscale soft brand/boutique hotel with 80 guestrooms would best represent the type, cost, amenities and price point suited to the current and near-term lodging demand identified in the market. Major hotel companies endeavor to position their soft brand collections as flexibly designed upscale or upper-upscale conversion or new-build hotels featuring scaled, locally influenced dining and lounge amenities similar to those often found in boutique hotels.

While no building plans have been provided, the Client has requested that the consultants recommend for consideration an asset class and type of hotel—independent or chain affiliated, deemed suitable for the subject market. As of the date of our analysis, an upscale or upper-upscale soft brand/boutique hotel has been identified as being the most suitable for the Shelby market. Sample soft brands in this segment include the Tribute and Autograph Collections by Marriott, Curio and Tapestry Collections by Hilton, Ascend Collection by Choice, Trademark Collection and Wyndham Grand by Wyndham, and the Unbound Collection by Hyatt.

A typical upscale or upper-upscale soft-brand hotel will feature scaled and locally influenced dining and lounge amenities that, in addition to meeting the needs of less-price-sensitive commercial and leisure guests, they are capable of attracting travelers pursuing distinct experiences in memorable surroundings—the typical target customer of upscale soft brands. Uptown Shelby is an attractive and historically relevant market poised to benefit from residential growth as a west-side suburb of Charlotte, the primary city of the region. Shelby offers affordable and readily developable tracts of land and proximity to large new employers entering or expanding in the region.

The expectation is that current and projected residential growth will in turn spur additional retail and commercial growth such that the market will benefit from the development of an upscale or upper-upscale, 3-4-story, interior-corridor hotel. Our cost estimates are based on such a hotel consisting of masonry floors and exterior walls; good-to-excellent guestroom and public area furnishings; attractive floor coverings, finishes, lighting and plumbing fixtures; state-of-the-art internet access and a small-but-well-appointed meeting facility. Also included in our cost (and revenue) estimates is a distinctive, locally influenced and appropriately scaled restaurant and bar.

6. Market 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.

6.1. City of Shelby and Cleveland County, NC

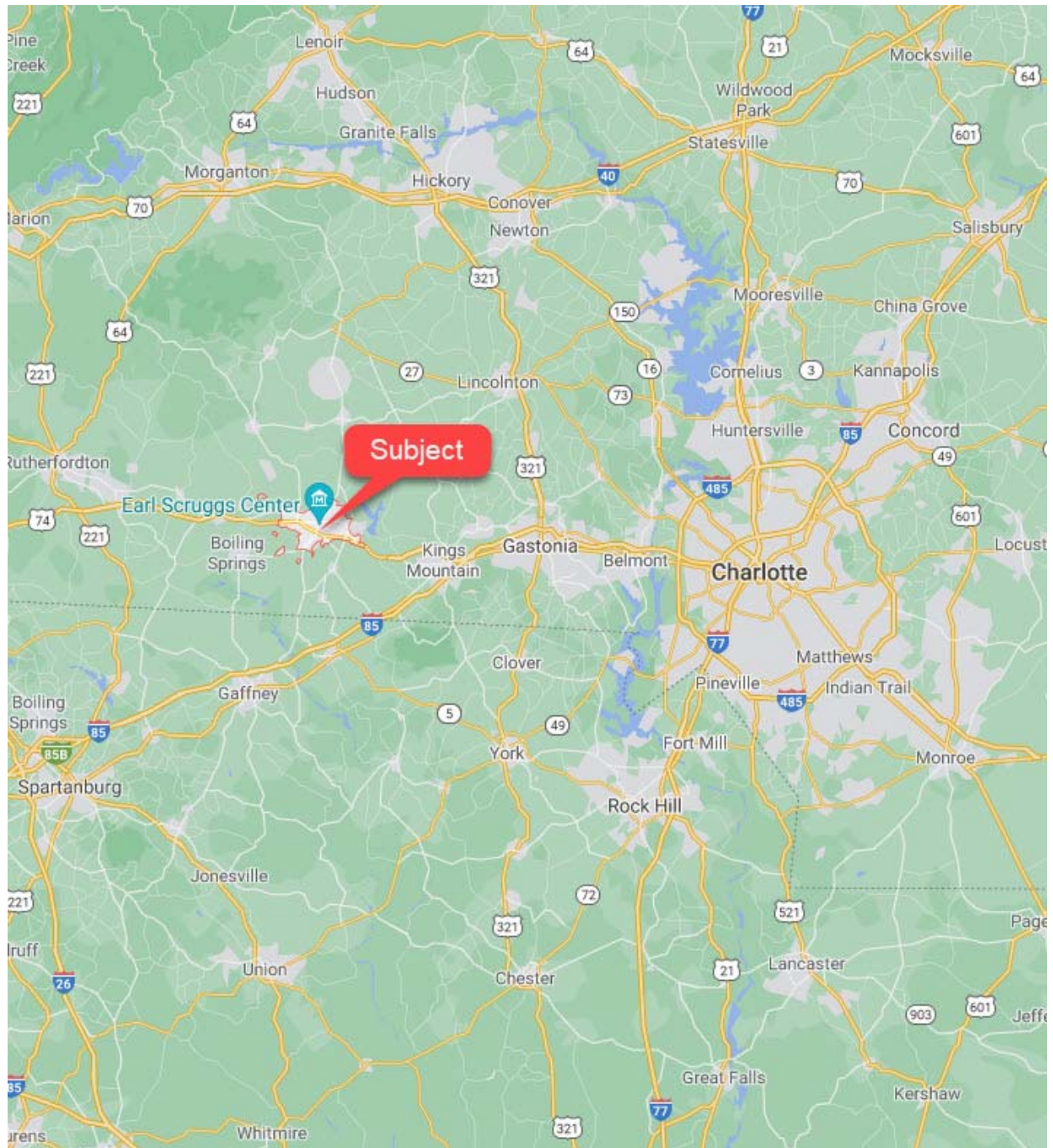
Shelby is a city in and the county seat of Cleveland County, North Carolina, United States. It lies near the western edge of the Charlotte Combined Statistical Area (CSA). Shelby is located between Charlotte and Asheville and has become a noted tourism and wedding destination in Western North Carolina. Cleveland County comprises the Shelby, NC Micropolitan Statistical Area. This is included in the Charlotte-Concord, NC-SC Combined Statistical Area. This section will focus on the key demographic and economic indicators of the City of Shelby and Cleveland County.

6.1.1. Transportation

Shelby's economy was largely agricultural until the railways in the 1870s stimulated the city's development. Textiles became Shelby's dominant industry during the 1920s when production of cotton in Cleveland County rose from 8,000 to 80,000 bales a year. Cotton production peaked in 1948 with Cleveland County producing 83,549 bales, making it North Carolina's premier cotton county. In the 1930s, Shelby was known as "the leading shopping center between Charlotte and Asheville." Shoppers from surrounding counties were attracted to Shelby by its numerous and varied local shops and chain stores. By 1947, Shelby was a thriving city with the textile mills paying among the highest wages in the South. However, by 1975, Cleveland County was producing only 1,934 bales of cotton as compared to the more than 83,000 bales in its peak year of 1948. The decline in cotton was accompanied by a shift away from textile manufacturing in the city due to competition from foreign exporters and Shelby's inability to compete with larger, more modern mills. Today, Shelby still is a courthouse town. Its economy is based on diversified industry and cash grain farming as well as on general merchandising. The Courthouse Square is still tree-lined and continues to dominate the Uptown that has been named a "Main Street" neighborhood by the National Trust for Historic Preservation. Shelby stands as a remarkable city for the contributions it has made to the literary, music, industrial and political life of North Carolina and the United States.

Shelby is served by US Highway 74 and its business route. US 74 Business travels through Uptown Shelby along Marion St. and Warren St., giving travelers access to Shelby's growing central business district. Currently, a controlled-access highway (signed as US 74) is under construction from Mooresboro to Kings Mountain, which will bypass Shelby to the north. Upon completion of the project, Charlotte and Asheville will be connected by virtually uninterrupted freeway via Interstate 85, US Highway 74, and Interstate 26. Shelby also is served by four North Carolina state highways: NC-18, NC-150, NC-180 and NC-226.

Area Map



Shelby–Cleveland County Regional Airport is a public-use airport located three nautical miles southwest of the central business district of Shelby. It is owned by the City of Shelby and was formerly known as Shelby Municipal Airport. It is home to the Shelby Composite Squadron of the Civil Air Patrol, the USAF Civilian Auxiliary.

Charlotte Douglas International Airport (CLT), which handles over 1,600 aircraft operations daily, is the 10th-busiest airport in the U.S. as measured by aircraft movements. CLT handles an estimated 50 million-plus travelers daily and is served by numerous domestic and international carriers.

6.1.2. Population

Based on the most recent U.S. Census data, the CSA has shown a population increase of 16.4% from 2010 to 2019. Population data for key regions have been summarized in the table below.

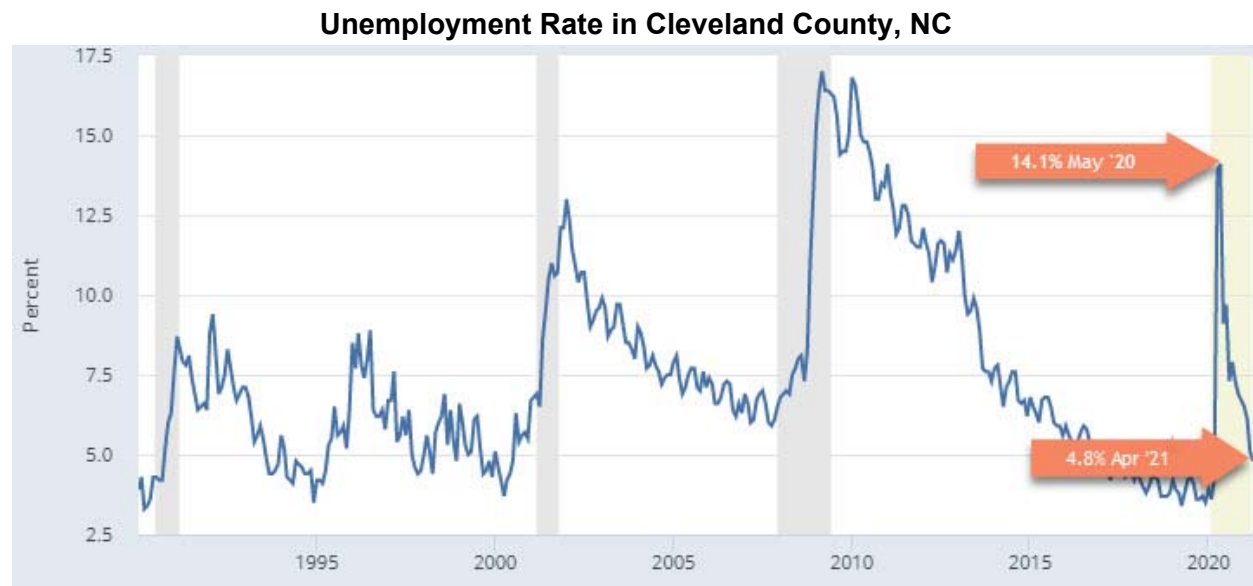
Area	2010	2019	Growth
Shelby	20,323	20,026	-1.5%
Cleveland County	98,078	97,282	-0.1%
Buncombe County (Asheville)	238,318	261,191	+9.6%
Mecklenburg County (Charlotte)	919,628	1,110,356	+20.7%
Charlotte-Concord, NC/SC -CSA	2,402,614	2,797,636	+16.4%
North Carolina	11,536,751	11,689,100	+1.3%

Source: U.S. Census Bureau

6.1.3. Employment

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

Cleveland County reported an April 2021 unemployment rate of 4.8%, down from 5.1% in March 2021 and down 9.3 percentage points, or -66%, from its Covid-induced high of 14.1% in May 2020. For additional insight, the following table shows the industry segmentation of Cleveland County. (See graph next page.)



6.1.4. Economics

Industry	North Carolina	Cleveland County	Basic Industry
Agriculture, forestry, fishing and hunting, and mining	0.7%	0.4%	---
Construction	5.4%	5.0%	---
Manufacturing	10.5%	19.8%	Yes
Wholesale trade	4.2%	2.9%	---
Retail trade	11.6%	11.6%	---
Transportation and warehousing, and utilities	4.6%	8.3%	Yes
Information	1.7%	1.2%	---
Finance and insurance, and real estate	5.9%	2.3%	---
Professional, scientific, management, and administrative	8.2%	2.2%	---
Educational services, health care & social assistance	22.1%	24.9%	Yes
Arts, entertainment, recreation, and hospitality	9.9%	7.7%	---
Other services, except public administration	9.4%	1.9%	---
Public administration	5.9%	6.0%	Yes

Source: North Carolina Department of Labor

A basic industry is any industry segment that significantly exceeds the state average. A basic industry typically exports goods and/or services or attracts business activity to the region. Cleveland County reports having the following basic industries: manufacturing, transportation/warehousing/utilities, education/healthcare and public administration. The county's top Private and Public employers are listed in the following tables.

Top Private Employers – Cleveland County, NC

Private Companies	Industry	Employees
Wal-Mart Associates Inc.	Transportation/Warehousing	1,000+
Cleveland County	Public Administration	500-999
Gardner-Webb University	Educational	500-999
Clearwater Paper Corporation	Manufacturing	500-999
Ingles Market Inc.	Retail	500-999
Hanesbrands Inc.	Transportation/Warehousing	500-999
Electric Glass Fiber America	Manufacturing	250-499
Greenheck Group	Manufacturing	250-499
American Zinc Products	Manufacturing	250-499
Baldor Electric Company	Manufacturing	250-499
Firestone Fibers/Textiles	Manufacturing	250-499
Curtiss Wright Controls	Manufacturing	250-499
STI Manufacturing	Manufacturing	250-499

Source: NC Department of Commerce

Top Public Employers – Cleveland County, NC

Public Companies	Industry	Employees
Cleveland School District	Education	1,000+
Atrium Health	Health Care	1,000+
Cleveland County	Public Administration	500-999
City of Shelby	Government	250-499
Cleveland Community College	Education	250-499

Source: NC Department of Commerce

The Greenheck Group recently completed its fifth facility in Cleveland County, expanding its manufacturing capacity and bringing in new jobs and investment. In May of 2019, the company announced the expansion project at the Foothills Commerce Center, which was estimated to bring in 403 new jobs and \$59 million in capital investment over the next five years. Greenheck is headquartered in Schofield, Wisconsin, and the company's broad line of ventilation equipment includes fans and ventilators, centrifugal and vane axial units, make-up air units, energy recovery ventilators, kitchen ventilation systems, packaged ventilation systems, indoor air handlers, dampers, louvers, and laboratory exhaust systems. The company employs more than 3,800 individuals worldwide and maintains more than 2.9 million square feet of manufacturing, research, and office space.

Shelby now has a new sports complex for local area and visiting soccer teams. The city officially opened Hanna Park on McBrayer Springs Road by inviting children to play on brand new equipment. The facility already has hosted a number of soccer games, including a collegiate exhibition between Gardner-Webb and East Carolina Universities. Hanna Park features five regulation-sized soccer fields, which can be split into as many as 20 youth-sized fields, seven picnic shelters, a playground, and a nature trail. The \$7.6 million project, under construction for nearly two years, is spread out over 85 acres of land donated to the city by Joan Hanna and her late husband, Boyce.

Shelby has undergone many positive changes over the past few decades. The area was first built upon the textile industry and at one point was among the highest cotton-producing regions in the Southeast. Several years ago, the city decided to capitalize further on its history, weaving in the lives of two historic locals: musicians Earl Scruggs and Don Gibson. Uptown Shelby is home to The Earl Scruggs Center and the Don Gibson Theatre.

Shelby is still a courthouse town, but the economy is diversified, with industry and agriculture providing the engines of growth. The city center features historic buildings and tree-lined streets, with the commercial center being designated a National Register Historic District and Main Street city since 1980. Shelby also is home to the baseball's annual NCAA Division 1 American Legion World Series (ALWS), which brings thousands of people to Keeter Stadium's Veterans Field 1.5 miles south of the city center in Uptown Shelby. The ALWS returns to Shelby August 12-17, 2021 after being canceled in 2020 because of the pandemic. Legion ball players from all over the US converge on Shelby for the four-day event.

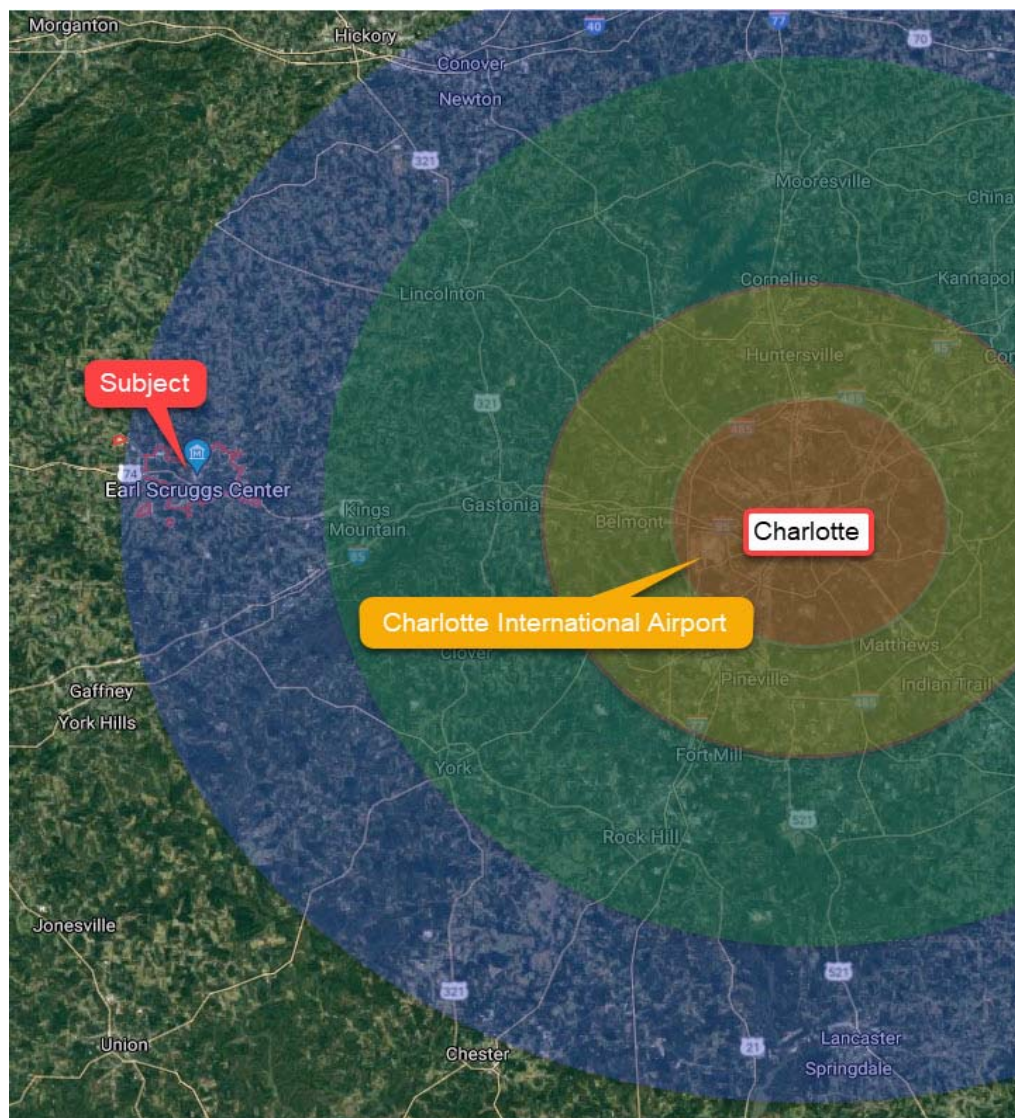


With a reported 29 venues in Cleveland County, wedding business has increased dramatically over the years as they offer rustic barn-style weddings, outdoor weddings, more intimate weddings and elegant weddings, all of which draw couples (and their guests) from out of town and from the larger feeder markets in the region, particularly nearby (and considerably more expensive) Asheville and Charlotte. Weddings have become an industry. Additionally, some of these venues, particularly Spinning Leaf's two locations and Uptown Indigo, host numerous midweek corporate events and off-site meetings throughout the year.

As businesses reopen after closing for most of 2020, local event coordinators report bookings are tripling up – with many Covid-deferred weddings now being scheduled midweek due to excess demand on the weekends. A constant refrain is lack of a suitable hotel venue—one with food and beverage—in an active market still not served by Uber or shuttle service. After wedding receptions or evening functions of any kind, many have expressed concern that driving back to Charlotte or on to Asheville is ill-advised.

6.2. Market Area

Charlotte is one of the fastest growing major cities in the USA. The core of the city is defined as the area inside the I-485 loop and includes Charlotte Douglas International Airport, the former headquarters of US Airways and now a major hub for its successor, American Airlines. The city has grown over time, expanding outward in all directions with heightened growth along the I-77 (north-south) and I-85 (northeast-west) corridors. Where the I-77 corridor has grown rapidly and reaches north to I-40, growth along the I-77 corridor south of the city slowed south of nearby Rock Hill and the South Carolina border. The I-85 corridor northeast of the city is anchored by the cities of Concord and Kannapolis, which are established suburbs of Charlotte. Growth to the west of Charlotte along I-85 has been somewhat limited by the Catawba River, which has just two convenient crossings, I-85 and US Highway 74. The City of Belmont on the west bank of the Catawba anchors the first ring of development west of Charlotte, followed by Gastonia and Kings Mountain, which anchor the second ring. The subject is in the third ring of growth west of Charlotte. These rings of growth are illustrated on the following map.



In the Shelby market, US highway 74 is the primary transportation corridor. It connects several smaller cities and towns to Charlotte and I-85 to the east and to Asheville and I-26 to the west. US Highway 74, while not an expressway, is a well-maintained four-lane divided highway and thus is considered to be a secondary route connecting Charlotte to Asheville.

Shelby is considered to be a smaller sized city in the path of growth. Compared to Charlotte, it offers a lower cost of living with good transportation linkages to jobs and established amenities (retail, recreation, dining, and lodging). As the jobs market continues to grow in the Charlotte metroplex, Shelby increasingly is attracting major residential development. Some Covid-delayed sample projects underway include:

- 92-acre development – already approved
- 77-acre development – already before council
- 120-acre development - \$300K± homes, planned for 2022
- 82 single-family lots in under contract
- 312-unit multifamily apartment complex in planning

The increase in population will help address growth-limiting skilled and unskilled labor pool challenges. Additionally, these planned and welcome increases in population will do much to support new commerce—existing and new food, beverage, entertainment and retail venues additional amenities that will help retain existing and new commerce.

Currently, Shelby is comprised of two commercial submarkets, the US Highway 74 corridor and the Uptown submarket. Uptown is the historical center for business and culture in the area and is anchored by city and county government offices/buildings, the Earl Scruggs Center, and Don Gibson Theatre. Additionally, there are several neighborhood-sized banks (Fifth Third, HomeTrust, Wells Fargo, and BB&T); several restaurants (El Acapulco Mexican, Ni Fen Bistro, Lafayette Street Grill & Pub, LilyBean Coffee & Creamery, Shelby Café, and Pleasant City Wood Fired Grille, among others); several retailers that include an older-styled hardware store, auto parts stores, tax service providers, and the Foothills Farmers Market at the Shelby City Pavilion; and several small businesses, warehouses, or light industrial uses.

Like many other small-town markets, commerce has shifted over the past decades to the highway/bypass submarket, which in Shelby is the Highway 74 corridor. This commercial corridor starts just east of the Cleveland Mall at the intersection of US Highway 74 and US-74 Business and extends to the Foothills Commerce Center, where many of the city's larger employers are located. In addition to the aging Cleveland Mall, the retail corridor is anchored by a Walmart Supercenter and Lowe's Home Improvement store. Smaller developments include car dealerships, gas station and convenience stores, and a collection of quick service restaurants, including McDonald's, Taco Bell, DQ, Sonic, Wendy's, Cook Out, Burger Barn, Pizza Hut Buffet, and Pancake House. The Foothills Commerce Center is home to several light industrial and distribution centers, including PPG Industries, Walmart (distribution), and Greenheck.

In the path of growth, and with \$1 Billion of commercial investment over the past decade, the city is planning to revitalize its uptown. The existing hotels are located along US Highway 74 and include an Americas Best Value Inn, Comfort Inn, Country Inn & Suites, Days Inn, Fairfield Inn & Suites, Hampton Inn & Suites, Super 8, and WoodSpring Suites. The closest select-service hotels are located in Gastonia, about 25 miles east, where superior amenities are offered. To find higher-end, full-service lodging and amenities, travelers typically commute east to Charlotte's west side submarket of Charlotte Douglas Airport (CLT).

Overall, Shelby is considered to be a small-city market with a good level of amenities. The Earl Scruggs Center and Don Gibson Theatre attract leisure travelers for events and, as the county seat, the city offers a range of government buildings that generate activity in the area. Additionally, manufacturing and healthcare provide a base of jobs and industry that attract traveling nurses and doctors, sales personnel, and manufacturing production professionals. Reportedly, the business professionals currently seek lodging accommodations at the Fairfield Inn & Suites or travel to Gastonia or the Charlotte airport submarket where a higher level of amenities and select-service (or more upscale) hotels are located. Based on our research, a proposed subject 80-room soft-brand hotel affiliated with Marriott, Hilton, Hyatt, or IHG would add to Shelby's growth potential. The proposed site is a good location for the project and has good walking scores to dining, shopping, and entertainment venues, as well as good transportation linkages to the surrounding areas.

The proposed subject hotel is expected to stimulate and benefit from increased commercial and leisure activity by retaining visitors and visitor dollars within the city in general and Uptown Shelby in particular. Properly sized and positioned as to asset class, chain scale and amenities, this proposed hotel will meet the currently unaccommodated hospitality needs and preferences of:

- Business professionals, managers, executives and dinner meeting/conference visitors not wishing to drive back to Charlotte or on to Asheville for suitable accommodations> Note:
 - \$1 billion in new manufacturing investment over last decade
 - KSM Castings USA, a Germany-based, Chinese-owned company was recently awarded Honda and Nissan contracts and is actively planning a new plant expansion and hiring.
 - Greenheck Group (ventilation equipment) just expanded its louver manufacturing capacity by 120,000 square feet.
- Visitors not wishing to drive after attending an Uptown Indigo or any one of Cleveland County's 28 other wedding-reception/company-party venues.
- Gibson Theatregoers and Earl Scruggs Center visitors wishing to stay in Uptown afterward.
- Prospective home buyers and apartment dwellers seeking to relocate into one of five planned residential developments comprised of 289 new rooftops, 312 new rental units, and 82 lots.
- Parents, coaches and spectators attending a growing number of sports tournaments and other events. Note:
 - \$7.7 million state-of-the-art championship-quality soccer complex at Hanna Park
 - 90 – 100 soccer teams visit 4-5 times per year (only 2 years of marketing, one of which was during the pandemic)

- American Legion World Series – 25,000-30,000 attendees, teams from 8 U.S. regions
- Gardner-Webb University hosts NCAA Division I teams in football, basketball and swimming
- Sharks Aquatic Club hosts Big South Conference and Open swim meets at Shelby City Park's 10-lane Olympic-size pool

Our research and interviews strongly suggest there is a need for a “walking-distance” hotel to support an expanding industrial base of domestic and foreign-owned companies, a thriving number of invitational-quality sports venues, uptown and uptown-adjacent restaurants, shops, entertainment venues, cultural centers, Uptown Indigo and 28 other Cleveland County wedding venues.

Recalling the proposed subject's location has good walking scores to restaurant and bar venues, it will be up to the developer's discretion whether to include food and beverage operations within the hotel, but in order to accommodate strong wedding demand and attract and retain corporate demand, much of which currently drives back to Charlotte or on to Asheville for the amenities they seek, scaled, locally influenced dining and lounge offerings are advised. As the market currently is constituted, the highway-oriented limited-service hotels, which generally are served by mostly quick-service restaurants, do not satisfy the amenity sensitive corporate or upscale wedding attendee demand in the market that instead travels about 35 miles to the west side of Charlotte where higher quality accommodations are available. To retain this demand, Shelby may require additional upscale eateries and bars in the uptown market to offer a wider variety of dining and shopping options. The proposed subject hotel will add demand, but if not met with additional developments in the future, the subject hotel may underperform in the commercial segment.

7. Hotel Market Trends & Analysis

The following analysis will examine the overall U.S. economy, hotel supply and demand trends, and other factors that influence the hotel investment market.

7.1. National Economic Trends and Future Outlook

The paragraphs which follow discuss historical U.S. economic trends and the future U.S. economic outlook. The resources consulted by the authors during the preparation of this discussion include the Associated Press (AP News), Bank of America, Bloomberg, Bureau of Economic Analysis (BEA), Bureau of Labor Statistics (BLS), Center on Budget and Policy Priorities (CBPP), Cision PR Newswire, CNBC, CNN, Conference Board, Congressional Budget Office (CBO), CoStar Economy, Federal Open Market Committee (FOMC), Federal Reserve Bank of St. Louis, First Trust Advisors, Forbes, Fortune, Fox News, Goldman Sachs, Harvard Business Review, Hospitality Insights, Impact Data Source, Institute for Supply Management (ISM), International Monetary Fund (IMF), JPMorgan, Kiplinger, Marcus Millichap, Money Talks News (MTN), Morgan Stanley, Nashville Business Journal, National Association for Business Economics (NABE), National Bureau of Economic Research (NBER), Navy Federal Credit Union, Oxford Economics, Pew Research, PNC Financial Services Group, Rand Corporation, Sky News, Slate, Statista, The Atlantic, The Balance, The Hill, Trading Economics, US News, Wall Street Journal, Washington Post, and World Economic Forum.

7.1.1. Introduction

Midway through Q2 21, the on-again, off-again nature of the economic recovery has been rock. Short periods of unexpectedly robust growth in GDP, jobs, personal income, consumer spending and unmet consumer demand have been followed by what is hoped will prove to be only intermittent periods of backsliding in such critical areas as jobs, personal income, production and inflation. For example, as the relatively weak production side of the economy struggles to overcome supply-chain damage to meet consumer demand, stimulus-induced personal income grew at a record rate in March before nosediving in April, a somewhat expected but nonetheless troubling development exacerbated by the steepest year-over-year rise in the Consumer Price Index since September 2008.

In the wake of massive government spending, near-record household savings, relaxed restrictions on social distancing, a large-scale vaccine rollout and a loose monetary policy, consumer spending, which accounts for 70 percent of U.S. GDP, has been the engine driving the economic recovery.

To be sure, the U.S. economy is recovering rapidly from its near-disastrous March-April 2020 Covid contractions. But is it sustainable?

- Over the 14-month period since pre-Covid February 2020, U.S. money supply (M2) increased by an astounding 30%, from \$15.47 trillion to \$20.11 trillion.
- April retail sales were 17.9% higher than pre-Covid February 2020, the fastest gain for any 14-month period since 1978-79, a period of double-digit inflation versus the 3.1% increase in consumer prices since February 2020.

- With consumers awash in cash, demand for cars and trucks rarely has been higher—retail spending on motor vehicles was up 33.1% in April versus pre-Covid February 2020.
- On the other hand, motor vehicle production in April was down 18.1% versus pre-Covid February 2020 and prices for new and used vehicles have skyrocketed. New cars are largely unavailable due to the microchip shortage and year-over-year used car prices jumped by an average of 16.8%, or \$3,296, as even rental car companies are in the market for pre-owned vehicles.
- Though retail sales overall have soared, the production side of the economy remains mired in difficulty. Manufacturing production in April was 2.7% less than in February 2020, principally due to damaged supply chains and a slow-to-return labor force.

Conclusion: Were it not for the production side of the economy remaining mired in difficulty—in April versus pre-Covid February 2020, motor vehicle production was down 18.1% and overall manufacturing production was down 2.7% due to damaged supply chains and a slow-to-return labor force—the surge in retail sales likely would have been far greater. As it stands now, it seems to many that it is inflation that is unstoppable.

7.1.2. Gross Domestic Product (GDP)

Following the shortest and deepest recession on record, the U.S. economy, as measured by quarter-over-quarter annualized GDP growth, trended upward for the three quarters ended Q1 21, though Q3 20's record-setting pace was succeeded by a respectable but comparatively lackluster Q4 20 performance. Looking more closely at Q4 20, month-over-month (m/m) GDP growth rates slowed to +0.6% in October, declined -0.8% in November, and remained flat in December amidst fears of a Covid resurgence and the re-imposition of restrictions following a Thanksgiving holiday of ill-advised pre-vaccine travel and non-immediate-family indoor gatherings.

Q/Q Annualized GDP Growth Rates: 2020 and Q1 2021

(Target Range: 2 to 3 percent)

Q1 20	-5.0%	Q3 20	+33.4%
Q2 20	-31.4%	Q4 20	+4.3%
Q1 21	+6.4%		

Source: U.S. Bureau of Economic Analysis (BEA)

After a strong 6.4% first quarter 2021 annualized growth rate, economic activity is returning to pre-pandemic levels and Fed forecasts are for continued y/y GDP growth but at decelerating rates.

Y/Y GDP Growth Rate Forecasts: 2021 and Beyond

2021	+6.5%	2023	+2.2%
2022	+3.3%	2024+	+1.8%

Source: Federal Reserve Board's Open Market Committee (FOMC)

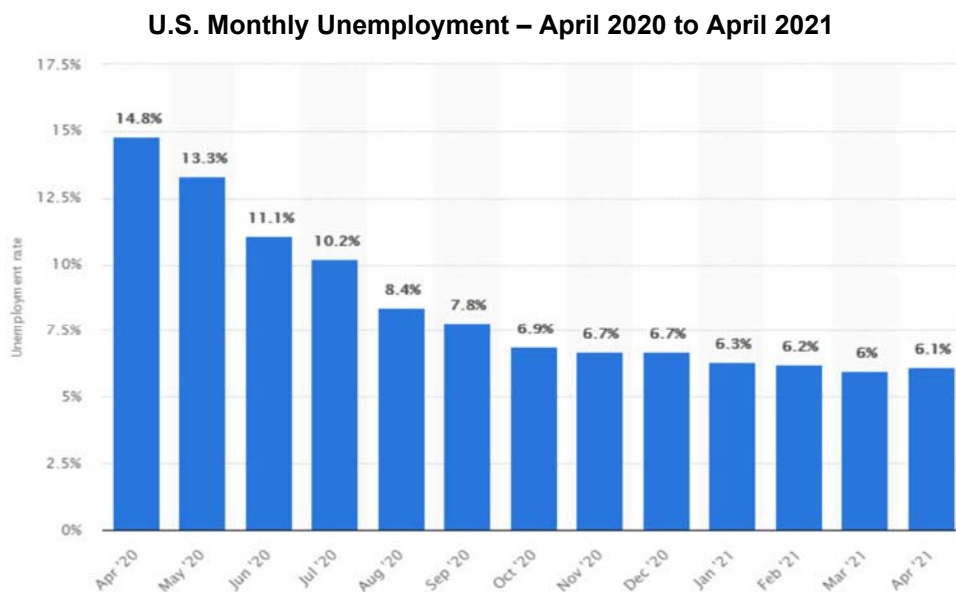
Following the near-disastrous March-April 2020 Covid contraction, swiftly approved government spending went a long way toward keeping the economy intact while multiple vaccines were being developed. GDP growth in Q1 21, particularly March, can be attributed to these actions and to significant numbers of households getting vaccinated and re-engaging in more economic activity as restrictions eased, businesses re-opened and domestic travel—business and leisure—ticked up.

Pent-up demand, ready access to billions of dollars of pandemic-induced savings, and huge direct deposits into personal bank accounts led to a surge in consumer spending, which accounts for 70% of GDP. The recovery, however, promises to be a bumpy one.

- On the one hand, personal income in March rose by an impressive 21.1%—the largest monthly increase since records have been kept (1959).
- On the other hand, personal income in April declined 13.1%, or \$3.2 trillion, as the effects of March's stimulus checks waned.
- Also in April, disposable personal income, after tax and other withholdings, declined 14.6% and personal savings dropped by nearly half, from 28% to 14.9%, but remained sufficiently high to keep month-over-month consumer spending in positive territory—up by a modest 0.5%.

7.1.3. Jobs

By the end of Q1 21, the U.S. had added back 14 million nonfarm payroll jobs, or 62% of the 22.4 million lost in the pandemic. The monthly unemployment rate has declined steadily from its April 2020 apex of 14.8% to its Covid-era nadir of 6.0% in March 2021. However, the pace of new hires is slowing as the Covid-impacted economy continues to find new, less labor intensive ways to do business. The 6.1% unemployment rate for April, up 0.1 percentage points over March, reflects the first uptick in a year of near-steady declines. While this directional turn may yet prove to be an aberration, the number of long-term unemployed (looking for 27+ weeks) and newly laid off unemployed (in the past 5 weeks) remain high at 4.2 and 2.4 million respectively.



Data Source: U.S. Bureau of Labor Statistics and Statista 2021

Based on the pace of hiring from January to March, forecasters anticipated one million new jobs would be created in April. Instead, seasonally adjusted nonfarm payrolls rose by only 266,000, one of the biggest monthly forecasting misses on record, and the unemployment rate increased, albeit modestly, for the first time in 12 months. At 6.1 percent, or 9.8 million persons, April unemployment remained virtually unchanged from 6.0 percent in March but was higher than the projected 5.8 percent.

On the other hand, unadjusted nonfarm payrolls increased by ± 1 million each month of Q1 21, a milestone only ever reached during this recovery. And while the seasonally adjusted April jobs report was disappointing, non-seasonally adjusted job gains continued the Q1 trend and increased by ± 1 million as well, led by leisure and hospitality (331,000), restaurants and bars (187,000), arts, entertainment and recreation (90,000), and hotels (54,000).

Assuming the vaccine rollout continues apace as the \$1.9 trillion American Rescue Plan is fully deployed during the remainder of 2021, there will be plenty of positions to fill. Somewhat disconcerting, however, is that many businesses, particularly though not exclusively in the services sector, already are reporting difficulty finding workers. In April there were 1.1 unemployed workers available for every job opening, suggesting that, unlike previous recessions, a shortage in labor supply is as problematic as a shortage in labor demand—jobs are available, but people either don't want to work or are unable to work.

So long as supplemental unemployment checks continue to be paid while companies, particularly those in leisure and hospitality, strive to reopen during the peak-demand summer months, and so long as half of the four million workers who left the labor force during the pandemic do not return to the workforce, as is expected, the labor supply problem will worsen. In March, the manufacturing sector alone—which already has been hampered by supply-chain problems, had its recovery further impeded by labor shortages as it sought to fill more new positions than the already robust 53,000 it settled for. That said, unemployment projections are for continued improvement.

Unemployment Rate Projections: 2021 and Beyond

2021	4.5%	2023	3.5%
2022	3.9%	2024+	4.0%

Source: Federal Reserve Board's Open Market Committee (FOMC)

7.1.4. Inflation

Consumer spending is the biggest factor behind economic growth in the U.S. In March as in 2020, federal stimulus and supplemental unemployment checks helped fuel an economic revival by boosting month-over-month personal income by a record 21.1%—the largest monthly increase since 1959. Notably, personal income receded 13.1% in April as the effects of the stimulus payments waned.

Inflation is running hot and seems unstoppable. In April versus a year ago, producer prices were up 6.2%, the Consumer Price Index (CPI) was up 4.2%, the Bureau of Economic Analysis (BEA) price index rose 3.6%, the biggest increase since 2008, and the core BEA price index, which excludes volatile food and energy prices, gained 3.1%, the biggest monthly gain since 1992.

In April, core PCE (personal consumption expenditures, excluding volatile food and energy prices) rose 3.1%, among the highest monthly gains in 29 years. Core PCE is the Fed's most relied upon inflation index so these near-record price increases must be taken seriously, especially as American incomes nosedived in April. Extreme price increases—e.g., automobiles, homes, household durables and lumber—already are threatening consumer spending as the consumer sentiment index dipped in May. Investors worry that if this continues the Fed will be forced to curb its easy money policies.

What is behind these steep price increases across such a broad spectrum of indexes? Some point to the massive, 18% year-over-year increase in M2 money supply to an all-time high in April, subscribing to the theoretical and seemingly logical belief that “inflation is too much money chasing too few goods.” Empirically, however, over the past decade central banks have increased money supply numerous times—mostly via quantitative easing (*purchasing bonds and other assets on the open market to stimulate lending and investment*) without seeing a rise in inflation. The Fed chair even went so far recently as to say that we must “unlearn” the idea that money growth causes inflation.

Accordingly, the Fed maintains these near-record price increases are (a) transitory insofar as they are a function of overstated year-over-year comparisons with April 2020, a period when prices were falling during the onset of the Covid-19 crisis; and (b) temporary to the extent they are a function of Covid-related supply chain problems currently being remedied. Once supply again meets demand, prices are expected to normalize, especially as the heady effects of the most recent round of stimulus checks wear off.

Inflation concerns aside, the March and April reports on business from the Institute for Supply Management (ISM®) are encouraging. They suggest optimism, confidence among purchasing managers that economic activity will continue to increase through the remainder of 2021. In the 11th straight month of growth, the Services Purchasing Managers' Index (PMI®) for March set an all-time record of 63.7%, dipping only slightly in April to 62.7%. As services were particularly hard hit by the pandemic, these are promising results for a full recovery for a major segment of the economy.

While purchasing activity is strong, price increases are of concern. In April, the ISM® Services Prices Paid Index surged 39.4% year-over-year and 3.8% month-over-month to 76.80 from 55.10 and 74.00, respectively. Damaged supply chains and depleted inventories resulting from Covid lockdowns and stay-at-home orders have created supply shortages which place upward pressure on prices, especially during periods of robust demand. Money supply growth and base-year comparison arguments notwithstanding, price spikes of this magnitude clearly suggest inflationary pressure is mounting and overshadowing the recovery.

United States Annual Inflation Rates (2011 to 2021)



Source: CoinNews Media Group, LLC

Looking ahead, the FOMC's summary of economic projections for personal consumption expenditures (PCE) less volatile food and energy prices are for core PCE to rise 2.3% this year, 2.1% in 2022, and 2.2% in 2023—all manageable but still above the Fed's core inflation target of 2%. (See graph below.)

FOMC Projections for Core Personal Consumption Expenditures (FOMC: Federal Open Market Committee of the Federal Reserve)



Note: Core PCE excludes volatile food and energy inflation rates.

Source: FRED, Federal Reserve Economic Data, Federal Reserve Bank of St. Louis

7.3. Historical Lodging Industry Trends and Future Outlook

The history of the lodging industry is characterized by periods of rapid expansion and development, followed by periods of adjustment and recovery. The paragraphs which follow discuss historical and current industry supply and demand, occupancy rates, average daily rates (ADRs), and revenues per available room (RevPARs). The principal resources used for the following discussion on national lodging industry trends include: AHLA, Business Traveler USA, CBRE Econometric Advisors, Cleveland Research Company, Cornell Center for Hospitality Research (CHR), CoStar, Deloitte LLP, Horwath HTL, The Highland Group, Hotel Business, Hospitality Insights, Hospitality Net, Hotel News Now (HNN), Hotels Magazine, Hotel Online, Kalibri Labs, Linchpin SEO, Lodging, Reuters, STR, Today's Hotelier (by AAHOA), Tourism Economics, Tripadvisor, Yahoo Finance.

The post-Great Recession years of 2010 through 2019 saw the U.S. hotel industry experience 10 consecutive years of RevPAR growth. However, pre-pandemic 2019 was showing signs of an industry-wide slowdown: year-over-year occupancy rates remained flat at 66.1% and ADR increased by only 1.0%, well below the then 2.3% inflation rate, and the resultant 0.9 percent RevPAR growth rate—well below the 3.2 percent average—was the lowest since the recovery began in 2010. These 2019 harbingers of what a non-pandemic 2020 might have looked like are tempered by viewing the data from a different perspective. Rates of growth notwithstanding, 2019 posted the highest numbers ever benchmarked by STR: \$131.21 ADR, \$86.76 RevPAR, 1.9 billion rooms supply, and 1.3 billion rooms sold.

For the nine-year period of 2010-2018, inclusive, rooms supply growth lagged demand growth. During this state of “positive disequilibrium,” year-over-year ADR increases were the norm. Then, for the first time in a decade, the industry entered a state of “negative disequilibrium.” In 2019, supply grew 2.0%, narrowly exceeding the 1.9% growth in demand. Typically, whenever supply growth equals or exceeds demand growth, ADR becomes the sole determinant of RevPAR gains, and for the six pre-Covid quarters ended December 2019, this single RevPAR driver's growth rate was sluggish. In fact, year-over-year 2019's ADR growth rate lagged the rate of inflation by 56%, meaning hotel revenue growth did not keep pace with rising wages and other operating costs.

As seen below, demand growth exceeded room supply growth from 2011 through 2018. While 2018's +2.0 percent supply growth rate remained constant in 2019, for the first time since the Great Recession of 2007-2009 it outpaced waning demand growth. Pre-pandemic 2019's 1.9 percent growth in demand represents a year-over-year negative change of minus 24% from the 2.5 percent growth rate of 2018. In other words, demand was beginning to trend down prior to Covid-19.

The year-over-year rate of change in room supply grew steadily from 0.5 percent in 2011-2012 to 2.0 percent in 2018 and 2019. While relatively strong, U.S. supply growth remained manageable through mid to late 2019, when an uneven amount of new inventory was coming online and troubling signs of crowding out were beginning to emerge, especially in the limited-service sector generally and in upper-upscale asset classes in urban markets.

During Covid-recession-riddled 2020, growth rates for room supply and demand declined precipitously, causing a rapid deceleration in pricing power (see below). While alarming, little could be done beyond scaling back and cutting costs as the root cause, Covid-19, was random rather than systemic.

The aforementioned pre-pandemic 2019 negative disequilibrium became a full-blown crisis in 2020, as seen below in the key performance indicators (KPIs):

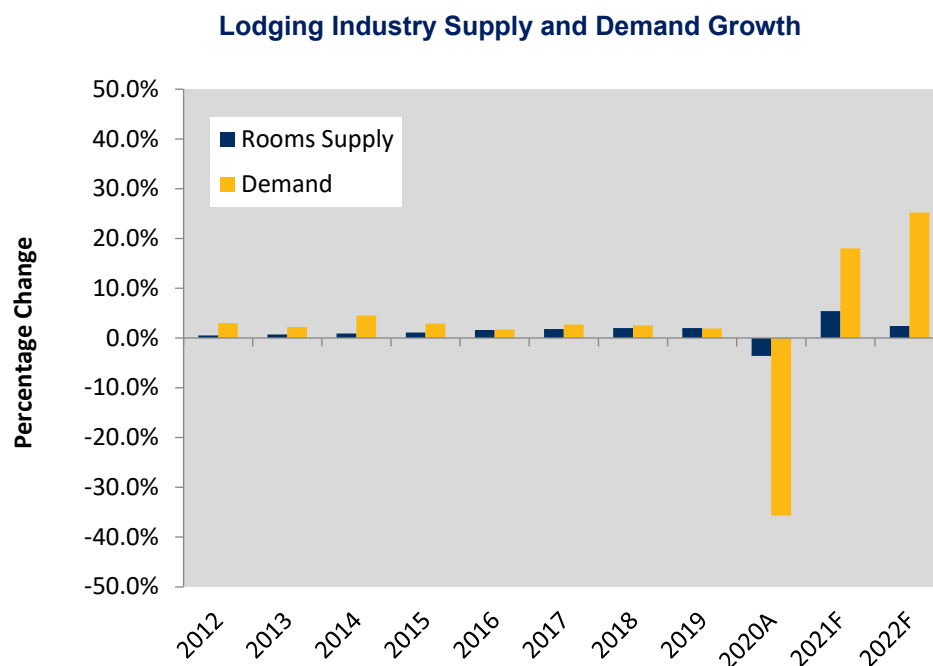
- Room supply growth declined from a positive 2.0% in 2019 to a minus 3.6% in 2020. *
- Demand growth decelerated from an already waning +1.9% in 2019 to a blisteringly negative -35.7% in 2020. *
- Occupancy rates fell -33.3% in 2020 from a 23-year record high of 66.2% in 2018 and still-strong 66.0% in 2019. *
- ADR (aka pricing power) decreased -21.3% from a 24-year record high of \$131.13 in 2019 to an eight-year low of \$103.25 in 2020. *
- RevPAR, which arguably is the most important performance metric, plunged -47.5% from a 24-year record high of \$86.64 in 2019 to \$45.48 in 2020. *

* Source: CoStar, STR and Tourism Economics.

7.3.1. Room Supply and Demand

As illustrated in the graph below, demand growth outpaced supply growth from the back end of the financial crisis in 2011 through 2018. In 2019, 2.0% supply growth exceeded 1.9% demand growth, the first state of negative disequilibrium since the Great Recession. This situation was greatly exacerbated by the Covid pandemic: rooms supply decreased -3.6% but demand decreased -35.7%. Looking ahead, the outlook is positive:

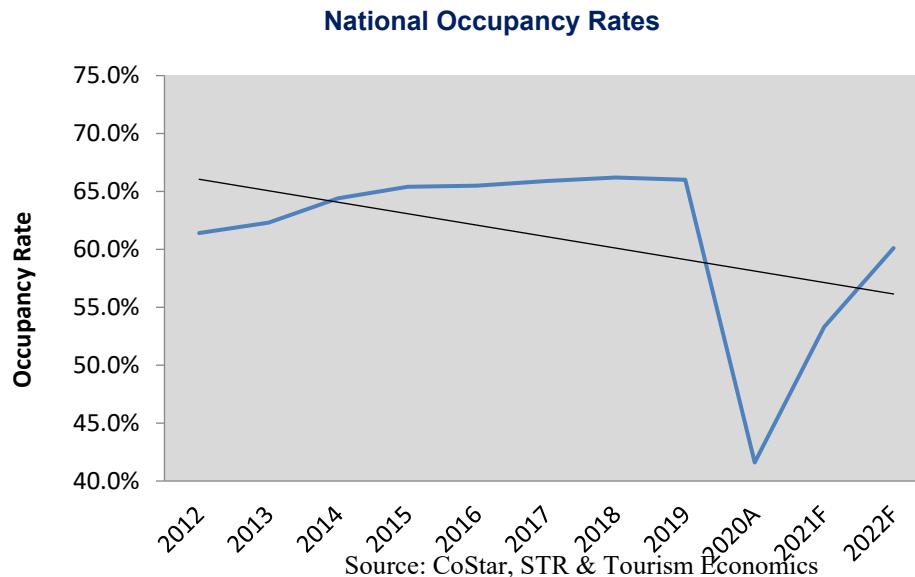
- 2021 Forecast – 5.4% supply growth, 18.0% demand growth
- 2022 Forecast – 2.4% supply growth, 25.2% demand growth



Source: CoStar, STR & Tourism Economics

7.3.2. Occupancy

As illustrated above, year-over-year room night demand growth surpassed room night supply growth for the seven years ended 2018, when occupancy rates peaked at a best-ever 66.2% before declining moderately to 66.0% in 2019. Then, during the Covid pandemic year of 2020, occupancy rates plunged to 41.6%, an alarming -37% year-over-year decline.



As with supply and demand growth depicted in the preceding section, the outlook going forward is for strengthening occupancy growth:

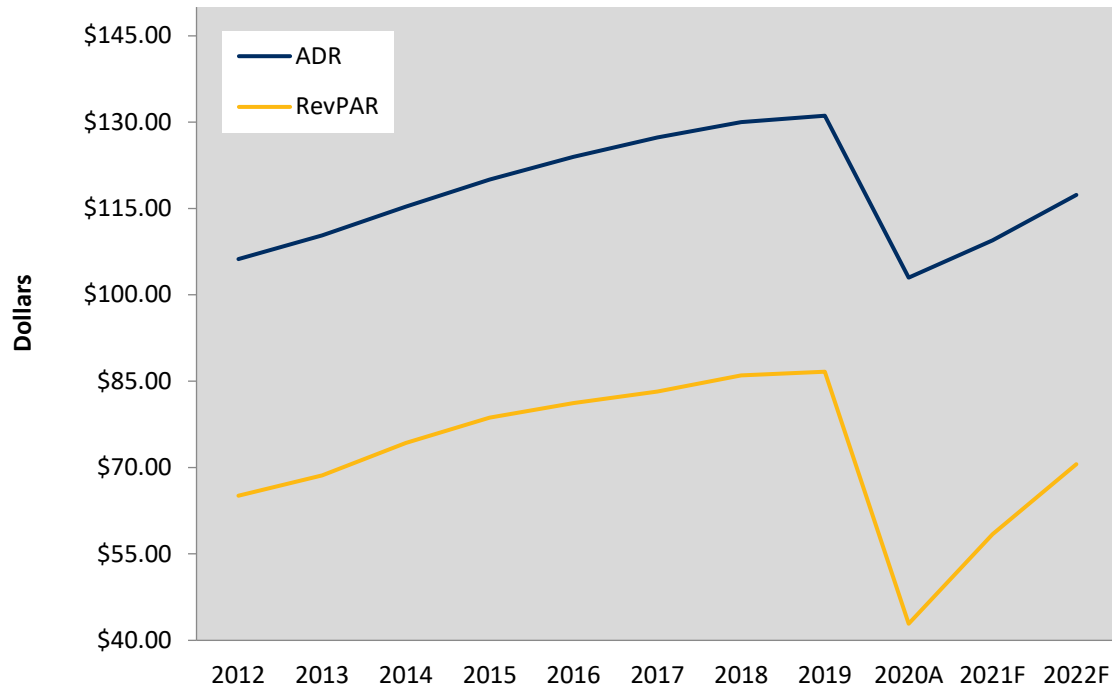
- 2021 Forecast – 53.3% occupancy, a 28.1% y/y positive change
- 2022 Forecast – 60.1% occupancy, a 12.8% y/y positive change

7.3.3. ADR and RevPAR

Two important hotel performance indicators are average daily rate (ADR) and revenue per available room (RevPAR). As seen below, for the eight years ended in 2019, ADRs increased at a compound annual growth rate of 3.1 percent, from \$106.21 in 2012 to \$131.21 in 2019. During this same period, RevPAR increased at a compound annual growth rate of 4.2 percent, from \$65.10 in 2012 to \$86.64 in 2019. From 2012 through 2015, RevPAR growth was simultaneously occupancy- and ADR-driven. From 2016 through 2019, RevPAR growth was overwhelmingly ADR-driven.

RevPAR increased annually from 2012 through pre-pandemic 2019, when it grew at a rapidly weakening year-over-year rate only 0.8%, the lowest growth rate since the Great Recession before Covid-year 2020, when RevPAR growth plummeted -50.5%, from \$86.64 to \$42.88.

National ADR and RevPAR



Source: CoStar, STR & Trading Economics

Consistent with supply, demand and occupancy growth rates as depicted above, the outlook for ADR and RevPAR growth is strong:

- 2021 ADR Forecast – \$109.47, a 6.3% increase over \$103.00 for 2020 actual
- 2021 RevPAR Forecast – \$58.39, a 36.2% increase over \$42.88 for 2020 actual
- 2022 ADR Forecast – \$117.34, a 7.2% increase over the \$109.47 forecast for 2021
- 2022 RevPAR Forecast – \$70.57, a 20.9% increase over the \$58.39 forecast for 2021

7.4. Local Lodging Trends

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

7.4.1. Supply Summary

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 are most competitive with the subject and potential new competition.

Historical Supply

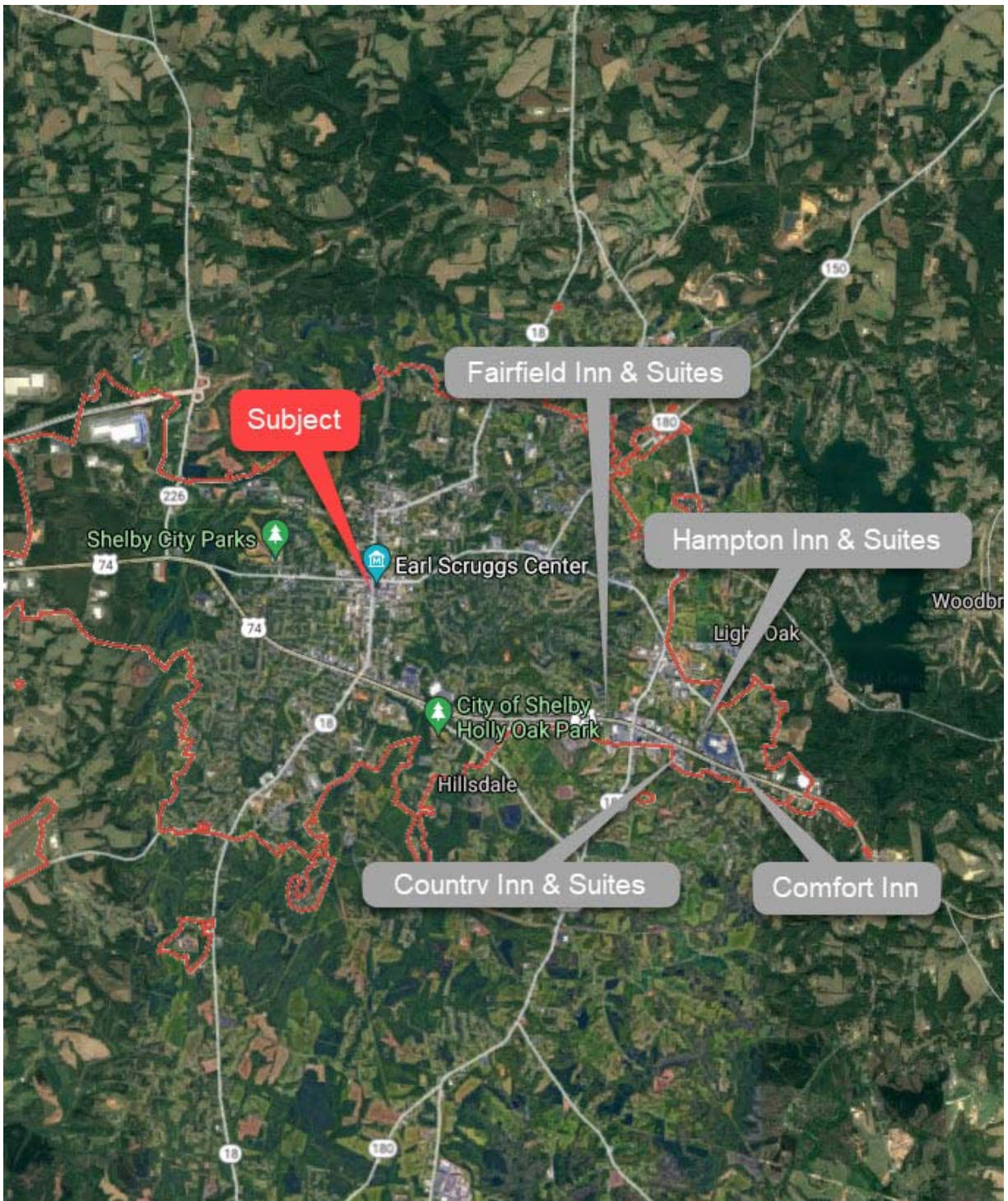
As of May 2021, the Cleveland County hospitality market was comprised of 14 hotels offering 959 guestrooms. Over the past decade (2012-2021, inclusive), the Cleveland County hospitality market has experienced a +2.2% compound annual growth rate in room supply. Over this period, two hotels have been added, the 86-room Hampton Inn & Suites (2015) and 86-room Fairfield Inn & Suites (2018). These two hotels would be considered the primary, though not necessarily direct, competitors of the proposed subject hotel.

Existing Supply

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

Based on our research, the Hampton Inn & Suites, Fairfield Inn & Suites, Country Inn & Suites, and Comfort Inn have been selected as the primary competitors of the proposed subject hotel. Salient information on each of the selected competitors compiled from our interviews and other sources is included in the following section and a map depicting the location of each is below. It is noted that the Custom STR Trend Report (in the Addenda for the reader's convenience) includes the AmericInn & Suites-Boiling Springs to meet STR reporting requirements. Accordingly, the AmericInn is not depicted on the competitive map.

Competitive Set Map



Competitive Supply Comparable 1



The Fairfield Inn & Suites is located at 1715 E. Dixon Boulevard. Built in 2018, the property is in good condition and offers 86-guestrooms. Amenities include a breakfast area, boardroom, sundry shop, outdoor patio, business center, exercise facility, and outdoor swimming pool. The property reported average daily rates from \$119.00 to \$159.00.

Competitive Supply Comparable 2



The Hampton Inn & Suites is located at 2001-B E. Dixon Boulevard. The property is in average-to-good condition and was constructed in 2015. The hotel offers 86 guestrooms, a breakfast area, meeting facilities, fitness center, business center, and outdoor pool. The property reported average daily rates from \$122.00 to \$144.00.

Competitive Supply Comparable 3



The Comfort Inn is located at 2012 E. Marion Street. The property is in fair-to-average condition and was constructed in 1989. The hotel offers 76 guestrooms, a breakfast area, fitness center, business center, guest laundry, and outdoor pool. The property reported average daily rates from \$89.00 to \$99.00.

Competitive Supply Comparable 4



The Country Inn & Suites is located at 2001-A E. Dixon Boulevard. The property is in average condition and was constructed in 2000. The hotel offers 58 guestrooms, a breakfast area, meeting facilities, business center, and outdoor pool. The property reported average daily rates from \$105.00 to \$139.00.

Supply Forecast

We have researched the area for future additions to the hotel supply that would potentially impact the subject facility and its competitive set. Based on discussions with local hoteliers and city officials, we have uncovered no potential new additions to supply other than the subject. The following table depicts the addition of the subject as an 80-room boutique hotel.

Fiscal Year	2021	2022	2023	2024	2025+
Room Night Supply	111,690	111,690	140,890	140,890	140,890
Growth	- - -	0.0%	26.1%	0.0%	0.0%

7.4.2. 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/Existing Demand

The table on the following page summarizes the occupancy rates of the previously identified comparables along with their corresponding penetration rates for the most recent twelve-month period. Market penetration is calculated by dividing one lodging facility's occupancy level by the overall market occupancy.

Comp.	Property	Rooms	Fiscal 2020		Fiscal 2021	
			TTM Occupancy	Penetration Rate	TTM Occupancy	Penetration Rate
1	Fairfield Inn & Suites	86	70% - 75%	1.15 – 1.20	60% - 65%	1.10 – 1.15
2	Hampton Inn & Suites	86	70% - 75%	1.10 – 1.15	60% - 65%	1.10 – 1.15
3	Comfort Inn	76	50% - 55%	0.80 - 0.85	45% - 50%	0.80 - 0.85
4	Country Inn & Suites	58	50% - 55%	0.80 - 0.85	45% - 50%	0.80 - 0.85
Total/Average		306	62.6%	1.00	53.4%	1.00

The competitive set exhibited penetration levels between 0.80 and 1.20 in fiscal (not calendar) 2020 and narrowed slightly during the pandemic impacted year of fiscal 2021 to 0.80 to 1.15. Overall, the market was somewhat resilient during the pandemic, with demand decreasing by only -13.8% as of March 2021. The more corporate oriented Fairfield Inn & Suites and Hampton Inn & Suites experienced moderately greater percentage losses compared to the more midscale Comfort Inn and Country Inn & Suites. As events and commercial travel increase throughout the recovery process, we expect the higher-paying and more amenity-sensitive travelers to return to the market.

Demand Forecast-Market

Increases in demand can occur from three sources: unaccommodated demand, induced demand and general growth within the market. Each of these demand classifications is discussed in the following paragraphs.

Unaccommodated – Unaccommodated demand refers to individuals who are unable to secure accommodations in the market because all of the competitive hotels are filled. These travelers must defer their trips, settle for less desirable accommodations, or stay in properties located outside the preferred market area. Our interviews with the competitive property managers revealed some pre-pandemic unaccommodated demand existed, mostly during the spring and fall months. Due to the pandemic, competitive occupancies have declined over the past year and the future capture rate of previously unaccommodated demand will be included in our forecast for the broader market recovery.

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 who previously stayed outside the competitive set due to brand loyalty or simply because the type of accommodations, they preferred were unavailable in the market area.

As proposed, the subject hotel will not just add a higher class of accommodations to Shelby, it will change the profile of the city. The 29 wedding venues in the county will have an uptown hotel to accommodate demand that wants to stay in the area and within walking distance to the bars and restaurants in Uptown Shelby. More upscale commercial demand and demand from the hospital will have the option of remaining in Shelby instead of having to drive to Gastonia or the west side of Charlotte to find the level of accommodations and amenities they seek. Demand from the Scruggs Center and Gibson Theatre will have a walk-to hotel for their patrons, retaining those visitors and their dollars in Uptown Shelby.

In addition to the above considerations, our interviews suggested the loyalty programs of top-tier hotel affiliations will induce demand as well. Historically, Marriott and Hilton lead the market in brand contribution/loyalty, but IHG, Hyatt and Choice have competitive soft brands as well. As the only upscale or upper upscale hotel in the Shelby market, the subject likely would have an active sales manager or, at minimum, a sales-oriented general manager. Whoever assumes this responsibility will have the more than two dozen local wedding venues to work with in addition to an expanding corporate base and forthcoming series of large residential developments.

Based on the foregoing information, we forecast the subject to induce a high rate of demand at 50% of its rooms supply, or 14,600 room nights. Half of this demand, 7,300 room nights, has been allocated to fiscal 2023, the subject's first year, and half in fiscal 2024.

Market Growth – The existing hotels proved to be somewhat resilient to the Covid economic downturn and are expected to substantially recover in the forward-looking year. From fiscal 2020 (pre-Covid) to fiscal 2021 ending March, the competitive set lost about 10,000 room nights sold, decreasing from about 70,000 room nights sold to just under 60,000. The pandemic put most weddings, family gatherings, sporting events, theater attendance, local festivals, shopping sprees, and corporate meetings on hold in 2020. Due to this, there is significant pent-up demand to hold these events as soon as they can safely be scheduled, especially weddings, which currently are “tripling up” – three weddings during the week versus the typical one wedding on most weekends. Cleveland County is home to 29 wedding and reception venues and the return of this demand is expected to drive weekend demand in Shelby in the coming year. In addition to bolstering demand and occupancy, this demand is expected to highlight the scarcity of local rooms and amenities needed to apply upward price pressure in the market, an important factor for the economic recovery of the competitive market. While the wedding demand is expected to be robust for the summer seasons in 2021 and 2022, it is expected to return to historical levels thereafter.

Weekday demand is driven by commercial activity, which in Cleveland County is anchored by the Foothills Commerce Center just west of Shelby, the medical district just north of uptown Shelby. The uptown submarket is oriented to government and banking; the medical district is centered on Atrium Health Cleveland Hospital and nearby medical offices; and the Foothills Commerce Center is home to several light industrial and distribution centers with major tenants that include PPG Industries, a Walmart distribution center, Greenheck Fan, and Clearwater Paper.

Our research indicates commercial demand in the market utilizes the Fairfield Inn & Suites Shelby and to a lesser degree the Hampton Inn & Suites Shelby. These hotels benefit from their affiliation with Marriott and Hilton and provide the basic amenities sought by commercial travelers. However, their lack of food and beverage offerings is a shortcoming that drives higher paying and more amenity-/quality-sensitive demand to Gastonia or the airport submarket of Charlotte. The market's desire for a commercial class hotel with a bar and light food operations (minimum) was repeated throughout our survey of demand-side participants. It is for this reason we strongly recommend the inclusion of a food and beverage offering at the proposed subject, but considering the additional risk associated with such an offering, we defer to the developer.

Based on our research, competitive demand will experience a substantial recovery in fiscal 2022, increasing demand by 7,500 room nights, or about 75% of the demand lost to the pandemic. With the opening of the proposed subject in fiscal 2023, demand is forecast to increase by an additional 5,000 room nights followed by a 5,000 room-night increase in fiscal 2024.

Summary – Using our projections for room night demand along with the previously discussed competitive supply forecast, the resulting market occupancy is calculated in the table below. The table indicates that market occupancy is expected to increase by 6.7 percentage points, or 12.6%, in the next twelve months to a competitive occupancy rate of 60.1%. With the opening of the subject in fiscal 2023 market occupancy is forecast to experience a decrease of -6.2% to 56.4% as new supply outpaces growth. We note the subject is expected to extract (cannibalize) some existing demand from the Fairfield Inn & Suites, Hampton Inn & Suites and Country Inn & Suites, which contributes to the lower market occupancy rate in fiscal 2023. In fiscal 2024, market occupancy is forecast to increase and stabilize at 65.1%, up year-over-year by 15.5% as the proposed subject's new supply is fully absorbed.

Year	TTM 20	TTM 21	Fiscal 22	Fiscal 23	Fiscal 24	Fiscal 25
Room Night Demand						
Unaccommodated Demand			0	0	0	0
Induced Demand			0	7,300	7,300	0
Market Demand Growth			7,500	5,000	5,000	0
Total Room Night Demand	69,971	59,678	67,178	79,478	91,778	91,778
Growth		-14.7%	12.6%	18.3%	15.5%	0.0%
Room Night Supply						
	111,690	111,690	111,690	140,890	140,890	140,890
Growth		0.0%	0.0%	26.1%	0.0%	0.0%
Overall Market Occupancy						
	62.6%	53.4%	60.1%	56.4%	65.1%	65.1%
Growth		-14.7%	12.6%	-6.2%	15.5%	0.0%

7.4.3. Demand Forecast-Subject

The subject's closest existing competitor is the Fairfield Inn & Suites. Though relatively new (2018), historically this hotel has led the market in penetration rate, estimated at about 120% of its fair share of demand. While it has excellent brand affiliation with Marriott Hotels, it does not meet the desires of the more amenity focused traveler. The commercial segment views the Fairfield Inn & Suites as a convenient option, but traveling professionals and executives typically prefer the select-service hotels (Courtyard and Hilton Garden Inn) in Gastonia or the full-service hotels in the airport submarket of Charlotte. These alternate markets also offer a wider range of dining, retail, and entertainment venues to host functions or provide variety for travelers. Reportedly, weekend demand is more accepting of the other limited-service hotels in the competitive set, but even many of these leave for alternative markets for reasons similar to commercial demand. The existing hotels along Highway 74 offer average to below average walking scores and travelers to Shelby for events such as weddings or concerts frequently would prefer to dine and entertain close to their lodging choices, which is not much of an option in the Shelby market as it is currently configured.

At a minimum, we recommend the subject include a bar/lounge suitable to function as a gathering place before and after events. A larger food and beverage operation would typically require outside traffic and patronage in addition to hotel guests. While we assume the subject will include this minimum standard, we recognize it will be at the discretion of the developer. Based on the subject's expected offerings and location, we forecast it to penetrate the market at 100% of its fair share in Year 1. This will require an active pre-opening sales effort in conjunction with regional wedding and event planners, and with business human resources and travel directors at local companies. As the subject becomes more well known in the market, we forecast it to increase its penetration rate to 110% in Year 2 and stabilize at this level. These penetration rates result in annual occupancy projections of 56.4% in Year 1, stabilizing at 71.7% in Year 2 and following. This forecast is presented in the following table.

Year	Year 1	Year 2	Year 3	Year 4
Total Room Night Supply	140,890	140,890	140,890	140,890
Subject's Fair Share	20.7%	20.7%	20.7%	20.7%
Total Market Demand	79,478	91,778	91,778	91,778
Subject Fair Share	16,472	19,021	19,021	19,021
Subject Penetration	100.0%	110.0%	110.0%	110.0%
Subject Demand Captured (Market Share)	16,472	20,923	20,923	20,923
Subject's Room Supply	29,200	29,200	29,200	29,200
Subject's Projected Occupancy	56.4%	71.7%	71.7%	71.7%
Overall Market Occupancy	56.4%	65.1%	65.1%	65.1%

7.4.4. Average Daily Rate (ADR) Forecast

The following table summarizes the historic growth rates of the national average, submarket and the subject.

Period	2016	2017	2018	2019	2020
National ADR	\$120.01	\$123.97	\$127.34	\$129.77	\$103.25
Growth	4.4%	3.1%	2.1%	2.4%	-20.4%
STR ADR (1)	\$98.53	N/A	\$102.20	\$96.05	\$85.92
Growth	- - -	N/A	N/A	-6.0%	-10.5%

Source: STR and Horwath HTL
(1) Includes AmericInn & Suites- Boiling Springs

Per STR, ADR peaked in 2018 at \$102.20 before decreasing to \$96.05 in 2019 and \$85.92 in pandemic impacted 2020. The Fairfield Inn & Suites opened in 2018 and established itself as the upscale option within the market and the preferred lodging choice of the higher paying demand in the market. The remaining competitors are considered to be more midscale and competition amongst them has resulted in a decreasing market ADR since 2018. The proposed subject with an uptown location and an assumed food and beverage component is expected to command a higher ADR than what currently exists in the market or about \$15-\$20 higher (pre-pandemic) than the Fairfield/Hampton Inn. Based on this, we have forecast the subject to attain a Year 1 ADR of \$130.00, increasing by 3.0% annually thereafter.

8. Cash Flow Projections

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 customarily will 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.

8.1. Basis of Financial Analysis

In order to estimate accurately the proposed subject hotel'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 proposed hotel's occupancy and average daily rates as a typical buyer would view the business. From the estimated income, we then have deducted expenses attributable to the operation based on operating histories of comparable hotels and of the proposed subject property. As no developer has yet been identified, the consultants have been provided no operating proforma to be reconstructed at this time.

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

8.2. Basis of Assumptions

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 Hotel Market Trends & Analysis section of this report. In the Projected Income and Expense statement, we have used actual income and expense ratios from comparable 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 identifications of the comparable hotels are kept in the valuer's files.

The use of the stabilized year of operations in determining value is important to the projections. 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 small differences in the stabilized year income and expense statement from the projected income statement. These differences primarily are due to some expense categories being based on the number of occupied rooms, some based on available rooms and some on a percent of gross revenues.

We also have considered the anticipated effects of inflation, business development, and the 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.

8.3. Analysis of Revenue

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

8.3.1. Rooms Revenue

There are two major factors to estimate when considering the room revenue for the income statement: the average daily rate and a projection of the occupancy curve for the facility. Various features of a particular hotel affect the rate and occupancy level 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.

Occupancy Rate

As discussed in the Hotel Trends & Analysis section of this report, we have estimated the projected occupancy for the anticipated holding period. We also have identified the competitive supply in the market and related their operating statistics to the subject property. Based on this information, we have estimated that the proposed subject property will attain a Year 1 occupancy rate of 56.4% and reach a stabilized level of operation in Year 2 at 71.7% occupancy. These estimates are based on the occupancy levels in the competitive market over the last several years and current supply and demand factors in the local market.

Average Daily Rate

As discussed in the Hotel Trends & Analysis section of this report, and for projection purposes, we believe the subject upscale property will be able to attain an average daily rate of \$130.00 in Year 1.

Comparable Hotel Operating Expenses

	Comparable A			Comparable B			Comparable C			Comparable D		
	%	(POR)	(/Room)	%	(POR)	(/Room)	%	(POR)	(/Room)	%	(POR)	(/Room)
Revenues												
Room Sales	92.9%	\$123.37	\$33,998	75.0%	\$123.49	\$33,805	90.2%	\$119.08	\$27,484	85.7%	\$143.44	\$36,231
Food and Beverage	6.5%	\$8.65	\$2,384	24.2%	\$39.87	\$10,914	8.4%	\$11.09	\$2,559	12.9%	\$21.56	\$5,446
Other Operated Departments	0.0%	\$0.00	\$0	0.0%	\$0.00	\$1	0.2%	\$0.22	\$51	0.0%	\$0.00	\$0
Net Rentals and Other Income	0.6%	\$0.81	\$222	0.8%	\$1.34	\$366	1.2%	\$1.65	\$380	1.4%	\$2.28	\$577
Total Revenues	100.0%	\$132.83	\$36,604	100.0%	\$164.70	\$45,086	100.0%	\$132.03	\$30,473	100.0%	\$167.29	\$42,254
Departmental Expenses												
Room Expense	19.4%	\$23.96	\$6,602	20.4%	\$25.19	\$6,897	20.4%	\$24.31	\$5,612	17.6%	\$25.18	\$6,360
Food and Beverage	79.2%	\$6.85	\$1,889	88.8%	\$35.38	\$9,687	77.4%	\$8.58	\$1,981	81.7%	\$17.61	\$4,447
Other Operated Departments	0.0%	\$1.78	\$490	- - -	\$2.02	\$553	597.0%	\$1.31	\$303	- - -	\$0.84	\$213
Undistributed Expenses												
Administration & General	5.6%	\$7.45	\$2,052	5.8%	\$9.60	\$2,627	8.1%	\$10.74	\$2,479	7.9%	\$13.18	\$3,329
Sales & Marketing	11.6%	\$15.43	\$4,252	12.3%	\$20.30	\$5,557	10.1%	\$13.38	\$3,087	15.1%	\$25.23	\$6,373
Property Operation & Maintenance	3.0%	\$4.00	\$1,103	1.8%	\$3.02	\$826	2.9%	\$3.77	\$870	4.2%	\$6.95	\$1,756
Utilities	2.5%	\$3.26	\$897	3.8%	\$6.29	\$1,722	4.0%	\$5.34	\$1,233	2.8%	\$4.64	\$1,173
Management Fees	4.5%	\$5.99	\$1,651	5.1%	\$8.46	\$2,315	3.9%	\$5.16	\$1,191	3.0%	\$5.05	\$1,276
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	5.7%	\$7.62	\$2,099	1.3%	\$2.12	\$580	7.6%	\$10.03	\$2,316	4.2%	\$6.97	\$1,760
Insurance	0.6%	\$0.86	\$237	0.6%	\$0.97	\$265	1.1%	\$1.42	\$327	1.2%	\$1.99	\$502
Reserve for Replacements	5.0%	\$6.67	\$1,838	0.0%	\$0.00	\$0	0.0%	\$0.00	\$0	5.0%	\$8.42	\$2,126
Total Expenses	63.1%	\$83.86	\$23,110	68.8%	\$113.34	\$31,028	63.7%	\$84.05	\$19,399	69.4%	\$116.06	\$29,315
Net Operating Income (1)	36.9%	\$48.97	\$13,494	31.2%	\$51.36	\$14,058	36.3%	\$47.98	\$11,075	30.6%	\$51.23	\$12,939

NOTES:

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

8.3.2. 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 and premises rental. The beverage category covers the sale of beer, wine and other alcoholic beverages.

Expense Comp	A	B	C	D	Forecast
% of Total Revenue	6.5%	24.2%	8.4%	12.9%	---
\$ POR	\$8.65	\$39.87	\$11.09	\$21.56	---
\$ Per Room	\$2,384	\$10,914	\$2,559	\$5,446	---

The food and beverage component of the proposed hotel will be at the developer's discretion. For the purposes of this analysis, we have assumed any income generated will be offset by its expense, resulting in a break-even situation.

8.3.3. Other Operated Department Revenue

Most hotels no longer generate any other operated department revenue from telecommunications. Based on the provided proforma and without any other operated departments run for profit, no revenue has been forecast within this category.

8.3.4. Miscellaneous Income

Miscellaneous Income typically includes revenue from meeting rooms, sundry shop, movie rentals and a number of other services provided by a hotel. The following table summarizes the miscellaneous income generated from comparable hotels on a net basis.

Expense Comp	A	B	C	D	Forecast
% of Total Revenue	0.6%	0.8%	1.2%	1.4%	1.5%
\$ POR	\$0.81	\$1.34	\$1.65	\$2.28	\$2.00
\$ Per Room	\$222	\$366	\$380	\$577	\$412

The subject will generate other revenue from its vending/sundry shop, meeting facilities, and other miscellaneous items. Based on the comparables, we have forecast miscellaneous income at \$2.00 per occupied room.

8.3.5. Total Revenue

Total revenue for Year 1 is projected at \$2,174,320 or \$132.00 per occupied room night.

8.4. 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 proposed subject. The following is a detailed explanation of each expense category.

8.4.1. Departmental Expenses

Departmental expenses consist of rooms, food and beverage and minor operated departments. Each applicable category will be analyzed as follows.

Rooms

Consistent with 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	A	B	C	D	Forecast
% of Dept. Revenue	19.4%	20.4%	20.4%	17.6%	21.5%
\$ POR	\$23.96	\$25.19	\$24.31	\$25.18	\$28.00
\$ Per Room	\$6,602	\$6,897	\$5,612	\$6,360	\$5,765

Considering the expense of the comparables and the post-pandemic labor shortages in a Shelby market already experiencing a competitive labor situation, we have forecast a market-oriented rooms expense of \$28.00 per occupied room night.

Food and Beverage Expenses

Food and beverage expenses are largely a variable expense.

Expense Comp	A	B	C	D	Forecast
% of Total Revenue	79.2%	88.8%	77.4%	81.7%	---
\$ POR	\$6.85	\$35.38	\$8.58	\$17.61	---
\$ Per Room	\$1,889	\$9,687	\$1,981	\$4,447	---

As previously noted, we have considered the food and beverage department a “break-even” component in our analysis. Therefore, no additional expense is 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 and wi-fi services. The following table depicts the comparable expenses.

Expense Comp	A	B	C	D	Forecast
% of Dept. Revenue	0.0%	---	597.0%	---	---
\$ POR	\$1.78	\$2.02	\$1.31	\$0.84	\$2.43
\$ Per Room	\$490	\$553	\$303	\$213	\$500

Based on the expense of the comparables and the upscale nature of the proposed subject, we have forecast this expense at \$500 per room.

8.4.2. Undistributed Operating Expenses

Undistributed operating expenses consist of administrative and general, sales and marketing, property operation/maintenance and utilities. 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	A	B	C	D	Forecast
% of Total Revenue	5.6%	5.8%	8.1%	7.9%	7.5%
\$ POR	\$7.45	\$9.60	\$10.74	\$13.18	\$9.90
\$ Per Room	\$2,052	\$2,627	\$2,479	\$3,329	\$2,038

Based on the comparables, we have forecast a market-oriented A&G expense of 7.5% 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	A	B	C	D	Forecast
% of Total Revenue	11.6%	12.3%	10.1%	15.1%	11.9%
\$ POR	\$15.43	\$20.30	\$13.38	\$25.23	\$15.68
\$ Per Room	\$4,252	\$5,557	\$3,087	\$6,373	\$3,229

It is anticipated the proposed upscale subject property will be affiliated with a top-tier brand family commanding a royalty fee and national marketing fee of 5.0% and 3.0% of room revenue, respectively. It is noted that soft brand hotels are more reliant on local marketing and typically have more moderate franchise fee schedules. Additionally, we have forecast a combined franchise rewards/local marketing expense of 4.0% of total revenue for an all-in sales and marketing expense of approximately 11.9% 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	A	B	C	D	Forecast
% of Total Revenue	3.0%	1.8%	2.9%	4.2%	3.0%
\$ POR	\$4.00	\$3.02	\$3.77	\$6.95	\$3.96
\$ Per Room	\$1,103	\$826	\$870	\$1,756	\$815

Noting that this expense category often includes some capital expenditures and considering we have used 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 in Year 1 and following.

Utilities

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

Expense Comp	A	B	C	D	Forecast
% of Total Revenue	2.5%	3.8%	4.0%	2.8%	4.4%
\$ POR	\$3.26	\$6.29	\$5.34	\$4.64	\$5.83
\$ Per Room	\$897	\$1,722	\$1,233	\$1,173	\$1,200

Based on the expense of the comparables, we have forecast a utilities expense of \$1,200 per room.

8.4.3. Management Fees

In the hotel management industry, a management fee of 3.0% to 7.0% of total revenues is typical for providing brand name and management experience. Fees paid to second-tier management companies that provide management experience but no brand identity range from 2.0% to 3.0%. Recognizing the size, asset class and price point of the proposed subject and the market in which the facility will operate, we have forecast 3.0% of total revenue as a reasonable market-oriented management fee. This reflects the need for professional and adaptable management.

8.4.4. Fixed Expenses

The fixed charges within this category include rent, taxes and insurance premiums.

Rent

The proposed subject will be owned in Fee Simple and no deduction is required.

Real Estate Taxes

Real property is assessed at 100% of full market value as determined by the Cleveland County Assessor's office and taxed at the rate of \$1.2425 per \$100 of assessed valuation. Based on the assessments of the Fairfield Inn & Suites, opened in 2018 and assessed at \$51,104 per room, and the Hampton Inn & Suites, opened in 2015 and assessed at \$48,828 per room, we have forecast a market value estimate of \$75,000 per room for the proposed subject property, or \$6,000,000. Applying the above tax assessment ratio and tax rate, we project a real estate tax liability of \$92,442 in Year 1.

Personal Property Taxes

Taxable personal property is assessed in North Carolina based on 100% of original cost in the year of acquisition. The county then applies the North Carolina Department of Revenue (NCDOR) trending schedules to the original cost to reach a current replacement cost new, to which it applies a straight-line depreciation method to derive taxable market value.

Using an upscale soft brand/boutique hotel FF&E cost estimate of \$20,000 per key, or approximately \$1,600,000, the proposed hotel's Year 1 personal property tax liability is projected at \$17,892. Thereafter, the FF&E is forecast to depreciate on a straight-line basis with a partial renovation in Year 7.

Insurance

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

Expense Comp	A	B	C	D	Forecast
% of Total Revenue	0.6%	0.6%	1.1%	1.2%	1.1%
\$ POR	\$0.86	\$0.97	\$1.42	\$1.99	\$1.46
\$ Per Room	\$237	\$265	\$327	\$502	\$300

Based on the expense of the comparables, we have forecast an insurance expense of \$300 per room, or \$24,000.

8.4.5. Replacement Reserves

An expensive component of the operation of a full-service property such as the proposed subject is the maintenance of quality case goods, carpeting, bedding, public area furnishings, fitness equipment and other short-lived items. As the proposed subject property will be catering mainly to transient clients, 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.

8.4.6. Total Expenses

Incorporating all of the expense estimates outlined previously into the operating statement, total expenses equal \$1,352,450 or 62.2% of total revenue.

8.5. 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 \$821,870 to include deductions for replacement reserves.

Year 1 Operating Forecast
Proposed Soft Brand/Boutique Hotel
Shelby, North Carolina

Number of Rooms				80
Available Room Nights				29,200
Occupancy Rate				56.4%
Occupied Room Nights				16,472
Average Daily Rate (ADR)				\$130.00
Revenues	Total	%	POR	PAR
Rooms	\$2,141,376	98.5%	\$130.00	\$26,767
Food & Beverage ¹	0	0.0%	0.00	0
Other Operated Departments	0	0.0%	0.00	0
Miscellaneous Income	32,944	1.5%	2.00	412
Other	0	0.0%	0.00	0
Total Revenues	\$2,174,320	100.0%	\$132.00	\$27,179
Department Expenses				
Rooms	\$461,219	21.5%	\$28.00	\$5,765
Food & Beverage ¹	0	0.0%	0.00	0
Other Operated Departments	40,000	N/A	2.43	500
Miscellaneous	0	0.0%	0.00	0
Total Department Expenses	\$501,219	23.1%	\$30.43	\$6,265
Total Department Income	\$1,673,101	76.9%	\$101.57	\$20,914
Undistributed Operating Expenses				
Administrative & General	\$163,074	7.5%	\$9.90	\$2,038
Sales & Marketing	258,283	11.9%	15.68	3,229
Property Operation & Maintenance	65,230	3.0%	3.96	815
Utilities	96,000	4.4%	5.83	1,200
Total Undistributed Expenses	\$582,587	26.8%	\$35.37	\$7,282
Gross Operating Profit	\$1,090,514	50.2%	\$66.20	\$13,631
Management Fees	65,230	3.0%	3.96	815
Income Before Fixed Expenses	\$1,025,285	47.2%	62.24	12,816
Fixed Expenses				
Rent	\$0	0.0%	\$0.00	\$0
Property & Other Taxes	92,442	4.3%	5.61	1,156
Insurance	24,000	1.1%	1.46	300
Total Fixed Expenses	\$116,442	5.4%	\$7.07	\$1,456
Replacement Reserve	\$86,973	4.0%	\$5.28	\$1,087
Total Expenses	\$1,352,450	62.2%	\$82.11	\$16,906
Net Operating Income	\$821,870	37.8%	\$49.89	\$10,273

¹ F&B is recommended but discretionary. Absent developer input, we are treating it on a break-even basis.

8.6. Cash Flow Projection Conclusion

A seven-year cash flow analysis reflecting the proposed subject's anticipated income and expenses has been prepared for the proposed subject property. This cash flow summary reflects an approximate holding period for the property that may range from 5 to 12 years. Typically, a midrange forecast (seven-year cash flow horizon) period is deemed appropriate in the analysis of hotels and motels in the current economic environment. This analysis reflects the expected incomes and expenses that the proposed subject will likely incur over the anticipated holding period.

Each of the incomes and expenses are based on forecasts that have been developed in the income and expense analysis earlier in this approach. Room revenue has been previously forecast to increase 3.0% per year. Other Income increases have been forecast to increase 2.0% annually as indicated by the expectation of respondents to the investment surveys. The annual expense growth rates are forecasted to increase 2.0% or 3.0% and are also based on the various investor surveys.

Seven Year Cash Flow Projection Proposed Upscale Soft Brand/Boutique Hotel Shelby, North Carolina

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Number of Rooms	80	80	80	80	80	80	80	80
Available Room Nights	29,200	29,200	29,200	29,200	29,200	29,200	29,200	29,200
Occupancy Rate	56.4%	71.7%	71.7%	71.7%	71.7%	71.7%	71.7%	71.7%
Occupied Room Nights	16,472	20,923	20,923	20,923	20,923	20,923	20,923	20,923
Average Daily Rate (ADR)	\$130.00	\$133.90	\$137.92	\$142.05	\$146.32	\$150.71	\$155.23	\$159.88
Revenues								
Rooms	\$2,141,376	\$2,801,654	\$2,885,704	\$2,972,275	\$3,061,443	\$3,153,287	\$3,247,885	\$3,345,322
Food & Beverage ¹	0	0	0	0	0	0	0	0
Other Operated Departments	0	0	0	0	0	0	0	0
Miscellaneous Income	32,944	42,684	43,538	44,408	45,296	46,202	47,126	48,069
Other	0	0	0	0	0	0	0	0
Total Revenues	\$2,174,320	\$2,844,338	\$2,929,241	\$3,016,683	\$3,106,740	\$3,199,489	\$3,295,012	\$3,393,391
Department Expenses								
Rooms	\$461,219	\$603,433	\$621,536	\$640,182	\$659,388	\$679,169	\$699,544	\$720,531
Food & Beverage ¹	0	0	0	0	0	0	0	0
Other Operated Departments	40,000	41,200	42,436	43,709	45,020	46,371	47,762	49,195
Miscellaneous	0	0	0	0	0	0	0	0
Total Department Expenses	\$501,219	\$644,633	\$663,972	\$683,891	\$704,408	\$725,540	\$747,307	\$769,726
Total Department Income	\$1,673,101	\$2,199,705	\$2,265,269	\$2,332,792	\$2,402,332	\$2,473,949	\$2,547,705	\$2,623,665
Undistributed Expenses								
Administrative & General	\$163,074	\$213,325	\$219,693	\$226,251	\$233,005	\$239,962	\$247,126	\$254,504
Sales & Marketing	258,283	337,906	348,026	358,449	369,185	380,242	391,631	403,361
Property Operation & Maintenance	65,230	85,330	87,877	90,500	93,202	95,985	98,850	101,802
Utilities	96,000	98,880	101,846	104,902	108,049	111,290	114,629	118,068
Total Undistributed Expenses	\$582,587	\$735,441	\$757,443	\$780,103	\$803,442	\$827,479	\$852,237	\$877,735
Gross Operating Income	\$1,090,514	\$1,464,264	\$1,507,827	\$1,552,689	\$1,598,890	\$1,646,469	\$1,695,468	\$1,745,930
Management Fees	\$65,230	\$85,330	\$87,877	\$90,500	\$93,202	\$95,985	\$98,850	\$101,802
Income Before Fixed Charges	\$1,025,285	\$1,378,933	\$1,419,949	\$1,462,189	\$1,505,688	\$1,550,485	\$1,596,618	\$1,644,128
Fixed Expenses								
Rent	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Property & Other Taxes	\$92,442	\$92,263	\$92,040	\$91,771	\$91,455	\$91,089	\$90,627	\$90,165
Insurance	24,000	24,720	25,462	26,225	27,012	27,823	28,657	29,517
Total Fixed Expenses	\$116,442	\$116,983	\$117,502	\$117,997	\$118,467	\$118,911	\$119,357	\$119,809
Replacement Reserve	\$86,973	\$113,774	\$117,170	\$120,667	\$124,270	\$127,980	\$131,800	\$135,736
Total Expenses	\$1,352,450	\$1,696,161	\$1,743,963	\$1,793,159	\$1,843,788	\$1,895,895	\$1,950,478	\$2,008,351
Net Operating Income	\$821,870	\$1,148,177	\$1,185,278	\$1,223,525	\$1,262,951	\$1,303,594	\$1,336,533	\$1,379,539
Capital Improvements	0	0	0	0	0	0	0	0
Cash Flow Before Debt Service & Depreciation	\$821,870	\$1,148,177	\$1,185,278	\$1,223,525	\$1,262,951	\$1,303,594	\$1,336,533	\$1,379,539

¹ F&B is recommended but discretionary. Absent developer input, we are treating it on a break-even basis.

9. Construction Costs

Three methods for estimating the replacement cost are the Comparative-Unit, Unit-in-Place and Quantity Survey. The Comparative-Unit method and the Quantity Survey Method will be utilized in estimating the Replacement Cost New of the proposed subject building.

9.1.1. Comparative-Unit Method - Marshall Valuation Service

As we have not been provided plans detailing the square footage for the proposed subject hotel, we have estimated the cost to construct an upscale soft brand/boutique hotel by employing the unit-in-place method utilizing Marshall Valuation Services' cost manual. Based on this information, considering our cost analysis assumes four stories comprising 80 rooms, a small meeting facility and an appropriately sized food and beverage component (which for now will be assumed to operate at break-even), we have utilized a building square footage estimate of 56,000 square feet, or 700 square feet per room.

The estimated cost to construct a four-story, 56,000-square foot, good cost quality, Class C, 80-room hotel, including FF&E facilities but excluding land and incentives, is estimated at \$12,543,805, or \$156,798 per room, which equates to \$224.00 per square foot, as detailed in the exhibit on the following page. This replacement cost estimate for the proposed upscale soft brand/boutique 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.

9.1.2. 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 to 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 demand segments, negotiating corporate and group rates and on how well he or she has analyzed the market demand for the property.

Entrepreneurial incentive for a hotel project such as the proposed subject typically is anticipated to range between \$250,000 and \$750,000. Incentive 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 proposed subject in an emerging lodging market, an entrepreneurial incentive of \$500,000 is considered reasonable.

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

Replacement Cost New Comparative-Unit Method

Marshall Valuation Service Section 11, Page 22 Hotels, Full Service, Class C, Good Cost Quality			
Base Rate Per Square Foot		\$172.00	
Adjustment for HVAC System		0.00	
Adjustment for Sprinkler		3.00	
Adjustment for Kitchens		0.00	
Adjustment for Number of Stories		0.88	
Subtotal		\$175.88	
Height and Size Refinements			
Height Multiplier	1.000		
Area Multiplier	1.000	1.000	
Subtotal		\$175.88	
Cost Multipliers			
Current Cost Multiplier	1.070		
Local Cost Multiplier	0.920	0.984	
Adjusted Base Cost Per Square Foot		\$173.13	
Direct Costs			
Gross Building Area {Square Feet}		56,000	
Adjusted Base Cost Per Square Foot		\$173.13	
Replacement Cost - Hotel Improvements			\$9,695,356
Replacement Cost - Furniture, Fixtures and Equipment		\$1,454,303	
Replacement Cost - Other Improvements			
Parking Area	\$120,000		
Swimming Pool/Deck/Fencing	72,000		
Canopy	69,253		
Exterior Signs	50,000		
Landscaping	56,000	367,253	
Cost Multipliers			
Current Cost Multiplier	1.070		
Local Cost Multiplier	0.920	0.9844	1,793,140
Total Direct Costs			\$11,488,495
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	\$120,000		
Appraisal/Legal/Environmental/Certification	60,000		
Financing Fees	344,655		
Pre-Opening Marketing/Management	56,000		
Franchise Fees	50,000		
Initial Supplies	80,000		
Contingencies/Miscellaneous	344,655		
Total Indirect Costs			\$1,055,310
Total Development Cost			
Replacement Cost New of Improvements - Excluding Developer Incentive			\$12,543,805
Cost Per Hotel Unit			\$156,798
Cost Per Square Foot			\$224.00

Replacement Cost New of Improvements - Excluding Incentive	\$12,543,805
Plus: Entrepreneurial Incentive	500,000
Replacement Cost New of Improvements - Including Incentive	\$13,043,805

9.1.3. Conclusion

This analysis is based on a typical ownership position, which would include land and be a before-tax, free-and-clear ownership of the property in fee simple—as illustrated below.

Total Replacement Cost New	\$12,543,805
Entrepreneurial Incentive	500,000
Cost of Land (Includes Site Work)	200,000
Total Cost Estimate	\$13,243,805
Rounded	\$13,200,000

Based on this information, we conclude an all-in project cost of **\$13,200,000**.

10. Free-and-Clear IRR

The internal rate of return (IRR) calculation is based on a total investment of **\$13,200,000**:

In addition to discounting the income stream, the reversionary value of the proposed hotel at the end of the anticipated holding period is also 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 table below. The actual reports are copyright protected and cannot be reproduced.

PwC Real Estate Investor Survey for National Hotels

Identification	Overall Rate	Terminal Rate
<i>Midscale & Economy</i>		
Prevailing Range	7.00%-11.00%	8.00%-11.00%
Average	9.18%	9.10%
<i>Select-Service</i>		
Prevailing Range	7.00%-11.00%	7.00%-10.50%
Average	8.50%	8.68%
<i>Full-Service</i>		
Prevailing Range	6.00 – 10.00%%	7.50%-10.00%
Average	8.05%	8.65%
<i>Luxury/Upper-Upscale</i>		
Prevailing Range	4.00%-9.50%	5.75%-10.0%
Average	7.50%	7.83%

Source: PwC Real Estate Investor Survey™, 1st Quarter 2021

Based on PwC's broader definitions, the proposed subject would fall into the select-service category, which reports Terminal Capitalization rates between 7.00% and 11.00% with an average of 8.50%. As the subject is a proposed upscale soft brand/boutique hotel with an anticipated national franchise affiliation in a submarket currently under-served in this segment, the Reversion price will be calculated using a Terminal Capitalization Rate of 8.5%. 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	\$1,379,539
Out-Going Capitalization Rate	÷ 8.5%
Indicated Resale Price	\$16,229,874
Sale Costs @ 2.5%	- \$405,747
Net Proceeds from Sale	\$15,824,127

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

Year	1	2	3	4	5	6	7
(\$13,200,000)	\$821,870	\$1,148,177	\$1,185,278	\$1,223,525	\$1,262,951	\$1,303,594	\$1,336,533
							\$15,824,127
(\$13,200,000)	\$821,870	\$1,148,177	\$1,185,278	\$1,223,525	\$1,262,951	\$1,303,594	\$17,160,660

Note: Figures may not add due to rounding.

On the basis of these cash flows, the subject's implied free-and-clear IRR equals **10.8%**.

11. Investment Considerations

Any investment decision must be considered in the context of the risk of the investment. The Hotel Trends & Analysis section of this report details the lodging demand in the market area. It also discusses the prospects for acceptance of the proposed subject upscale soft brand/boutique hotel. In our view, skilled management, marketing and upscale food and beverage experience will be needed to ensure the success of this investment. Management needs to develop and maintain an effective relationship with existing and emerging demand generators in Cleveland County, especially those with national and international ownership and/or clients that seek upscale accommodations when visiting their local facilities. Considering the proposed subject's location in uptown Shelby and noting its good walking scores and transportation linkages, management also should actively seek to be prominently featured on websites and promotional literature for the area.

Additional investment considerations are detailed in the SWOT (Strengths, Weaknesses, Opportunities, Threats) Analysis below:

SWOT	
Strengths	Weaknesses
Strong brand family affiliation opportunity	Still emerging as a bedroom community.
Good submarket in the Charlotte Metroplex	Limited in-town corporate demand generators, upper tier lodging options and dining venues.
Opportunities	Threats
Lack of in-town upscale hotels with food and beverage.	Affordable commercial sites available to potential competitors.

Source: Horwath HTL

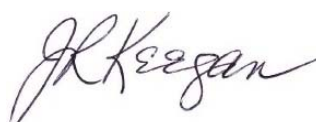
12. Consultants' Certification

We certify that, to the best of my 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 is 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 hotel 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.
11. The consultants have performed within the context of the competency provision of the Uniform Standards of Professional Appraisal Practice.
12. 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.



Michael P. Cummings, MAI, ISHC
Managing Director



J. Richard Keegan, MBA
Senior Consultant

13. Addenda

13.1. Engagement Letter



Horwath HTL
Hotel, Tourism and Leisure

Feasibility Study Proposal

**Proposed Hotel
Parcels 17858, 17168 Rail Trail v1 & v2
Shelby, North Carolina**

The Global Leader in Hospitality Consulting



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February 12, 2021

Ms. Brenda Daniels
ElectriCities of North Carolina, Inc.
1427 Meadow Wood Boulevard
Raleigh, North Carolina 27604
919.760.6363 Work
919.218.7027 Mobile

Via Email: bdaniels@electricities.org

Re: Feasibility Study
Proposed Hotel
Parcels 17858, 17168 Rail Trail v1 & v2
Shelby, Cleveland County, North Carolina

Dear Ms. Daniels,

We are pleased to submit this proposal for professional services in connection with a Hotel Study and Market Analysis 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:

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 type and class of hotel being proposed.

Primary Research

We will perform primary market research to gather the most recent and pertinent data about the area's hotel market. This will include an inspection and interviews at competitive facilities and discussions with managers and marketing staff knowledgeable about the competitive market for the type and class of hotel being proposed. Those we might interview could include:

- Town/City/County officials in economic development and zoning
- Business Leaders, CVB and Chamber representatives
- Hotel developers
- Managers or marketing personnel of hotels deemed to be competitive with or comparable to the type and class of hotel being proposed
- Corporate and association meeting coordinators

Our survey of hotels in the market area deemed to be competitive with or comparable to the type and class of hotel being proposed will address the type of facilities, amenities available, published room rates and food and beverage offerings.

Supply and Demand Analysis

Based on our market research, we will estimate potential growth in the demand for and the supply of hotels in the local market area deemed to be competitive with or comparable to the type and class of hotel being proposed. We will analyze the market's historical performance and describe the characteristics of each of the principal segments of demand. Then, based on our analysis of the demographics and the economics of the market from which the proposed hotel will attract guests, we will estimate the future performance of the overall market.

Following the aforementioned analysis, we will compare the proposed hotel type and class to the competitive supply based on such identifiable attributes demanded of market participants as location; proximity to demand generators, retail, entertainment and dining amenities; accessibility, affordability, ambiance and product quality. We then establish the theoretical "fair share" ratio and forecast the expected capture/penetration rate for the proposed hotel type and class vis à vis the competitive supply.

Operating Analysis

We will develop a statement of projected occupancy, average daily rate, meeting room revenue, food and beverage revenue, and ancillary department revenues which the proposed hotel type and class would be able to achieve in this market. Anticipated expenses will be estimated based on a line-by-line comparison with comparable hotel operations. By deducting the anticipated expenses from the projected revenues, expected cash flows are estimated.

Projected Development Costs

During our inspection of the market, we will determine or estimate the projected parcel size and acquisition cost of commercial sites deemed viable for the type and class of hotel being proposed. Additionally, as a developer has not yet been confirmed, a construction budget comprising direct and indirect costs will be estimated using area-adjusted cost data obtained from Marshall Valuation Services.

Internal Rate of Return Analysis

Once the development costs and expected cash flows are estimated for the type and class of hotel being proposed, 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 in similar developments.

Fee and Timetable

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

Hotel Study and Market Analysis (plus direct expenses) ¹

Delivery of the report will be **4 weeks** from the date of engagement.

¹ Typically travel-related expenses and the cost of a Custom STR Trend Report

A retainer of **60% of the total fee** is required for work to commence, and the balance is due and payable upon delivery of the completed report.

Page 4

Ms. Brenda Daniels

ElectriCities of North Carolina, Inc.

February 12, 2021

In the event the Client cancels this agreement before a report is tendered, then Client agrees to pay Consultant/Appraiser, at Consultant/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. Fareed & Cummings, LLC (dba Horwath HTL) 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.

It is agreed that the liability of Fareed & Cummings LLC to the Client is limited to the amount of the fee paid for the completion of the consulting/appraisal assignment. Fareed & Cummings LLC 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.

The concluded evaluation and analysis in the report will be the opinion of Fareed & Cummings LLC 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 proposal.**

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 our research of the market and knowledge of the industry. 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 or securing a developer. 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 report.

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Ms. Brenda Daniels
ElectriCities of North Carolina, Inc.
February 12, 2021

Brenda Daniels
Manager, Economic Development

Signature:

Brenda Daniels Feb 15, 2021

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13.2. STR Custom Trend Report

Trend # 1257450_SADIM / Created April 20, 2021

Trend Report - Shelby, NC Selected Properties

July 2015 to March 2021 Currency : USD - US Dollar



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Tab 2 - Data by Measure

Shelby, NC Selected Properties
Job Number: 1257450_SADIM Staff: SS Created: April 20, 2021

Occupancy (%)														Total Year	Mar YTD
	January	February	March	April	May	June	July	August	September	October	November	December			
2015							53.2	55.1	53.8	59.6	55.6	40.7			
2016	45.3	63.3	56.8	64.4	67.6	75.1	70.4	78.7	76.7	79.9	69.1	51.6	66.5	54.8	
2017	57.7				60.1	64.7	61.6	72.9	59.8	72.6	61.7	42.3			
2018	56.3	64.4	64.8	65.8	63.8	67.1	65.0	60.9	76.4	65.2	62.8	51.9	63.6	61.7	
2019	51.7	70.1	69.9	75.9	62.0	61.0	65.9	72.9	62.6	65.2	64.8	43.6	63.7	63.7	
2020	48.2	66.2	41.6	24.1	31.1	43.3	57.0	63.8	70.5	69.9	51.2	43.6	50.8	51.5	
2021	52.5	54.5	66.5											57.9	
Avg	51.8	63.7	59.8	56.5	55.8	61.1	62.1	67.2	67.1	68.5	60.7	45.7	60.7	57.9	

ADR (\$)															
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Mar YTD	
2015							98.25	105.90	96.54	98.14	94.64	93.75			
2016	97.57	98.12	96.91	96.80	95.88	97.55	98.39	102.11	98.59	101.35	101.16	95.45	98.53	97.53	
2017	97.56				99.04	99.52	99.23	105.01	99.71	99.21	97.92	94.28			
2018	95.72	101.57	97.46	99.43	99.42	98.76	102.62	108.63	122.18	99.93	97.33	93.20	102.20	98.25	
2019	93.17	98.84	96.27	100.37	98.48	91.96	92.02	107.56	92.13	94.04	95.47	85.93	96.05	96.28	
2020	86.53	89.62	90.13	78.60	77.09	82.77	88.34	92.41	86.23	84.62	84.41	80.11	85.92	88.77	
2021	82.02	82.35	86.30											83.81	
Avg	91.52	93.94	93.19	96.62	95.43	94.41	96.00	103.51	99.99	95.81	95.25	90.10	95.81	92.59	
RevPAR (\$)															
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Mar YTD	
2015							52.24	58.35	51.95	58.45	52.66	38.18			
2016	44.16	62.08	55.00	62.32	64.81	73.28	69.26	80.37	75.60	80.94	69.89	49.25	65.56	53.47	
2017	56.28				59.57	64.36	61.16	76.57	59.66	72.01	60.39	39.84			
2018	53.86	65.36	63.18	65.39	63.40	66.25	66.70	66.21	93.35	65.15	61.16	48.33	65.01	60.65	
2019	48.19	69.31	67.25	76.22	61.07	56.06	60.67	78.44	57.71	61.35	61.86	37.44	61.21	61.33	
2020	41.74	59.31	37.52	18.98	23.95	35.81	50.38	58.93	60.76	59.12	43.25	34.96	43.64	45.75	
2021	43.03	44.87	57.39											48.54	
Avg	47.39	59.81	55.75	54.62	53.21	57.67	59.64	69.55	67.06	65.59	57.82	41.19	58.18	53.62	
Supply															
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Mar YTD	
2015							8,463	8,463	8,190	8,463	8,190	8,463			
2016	8,463	7,644	8,463	8,190	8,463	8,190	8,463	8,463	8,190	8,463	8,190	8,463	99,645	24,570	
2017	8,463				8,463	8,190	8,463	8,463	8,190	8,463	8,190	8,463			
2018	8,463	7,644	8,463	8,190	8,463	8,190	8,463	11,129	10,770	11,129	10,770	11,129	112,803	24,570	
2019	11,129	10,052	11,129	10,770	11,129	10,770	11,129	11,129	10,770	11,129	10,770	11,129	131,035	32,310	
2020	11,129	10,052	11,129	10,770	11,129	10,770	11,129	11,129	10,770	11,129	10,770	11,129	131,035	32,310	
2021	11,129	10,052	11,129											32,310	
Avg	9,796	9,089	10,063	9,480	9,529	9,222	9,352	9,796	9,480	9,796	9,480	9,796	118,630	29,214	
Demand															
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Mar YTD	
2015							4,500	4,663	4,407	5,041	4,557	3,447			
2016	3,830	4,836	4,803	5,273	5,721	6,153	5,957	6,661	6,280	6,759	5,658	4,367	66,298	13,469	
2017	4,882				5,090	5,297	5,216	6,171	4,900	6,143	5,051	3,576			
2018	4,762	4,919	5,486	5,386	5,397	5,494	5,501	6,783	8,228	7,256	6,767	5,771	71,750	15,167	
2019	5,756	7,049	7,775	8,179	6,901	6,565	7,338	8,116	6,746	7,260	6,978	4,849	83,512	20,580	
2020	5,368	6,652	4,633	2,600	3,458	4,659	6,347	7,097	7,589	7,775	5,518	4,857	66,553	16,653	
2021	5,838	5,477	7,400											18,715	
Avg	5,073	5,787	6,019	5,360	5,313	5,634	5,810	6,582	6,358	6,706	5,755	4,478	72,028	16,917	
Revenue (\$)															
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Mar YTD	
2015							442,133	493,813	425,449	494,703	431,259	323,144			
2016	373,694	474,509	465,459	510,439	548,528	600,199	586,139	680,164	619,168	685,032	572,364	416,831	6,532,526	1,313,662	
2017	476,299				504,100	527,144	517,587	648,028	488,583	609,461	494,578	337,162			
2018	455,842	499,640	534,683	535,513	536,554	542,590	564,513	736,806	1,005,328	725,062	658,650	537,856	7,333,037	1,490,165	
2019	536,271	696,719	748,473	820,936	679,593	603,724	675,252	872,972	621,542	682,740	666,182	416,687	8,021,091	1,981,463	
2020	464,513	596,147	417,560	204,366	266,566	385,638	560,666	655,860	654,395	657,940	465,760	389,108	5,718,519	1,478,220	
2021	478,827	451,011	638,641											1,568,479	
Avg	464,241	543,605	560,963	517,814	507,068	531,859	557,715	681,274	635,744	642,490	548,132	403,465	6,901,293	1,566,398	

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

Shelby, NC Selected Properties
Job Number: 1257450_SADIM Staff: SS Created: April 20, 2021

Occupancy														Total Year	Mar YTD
	January	February	March	April	May	June	July	August	September	October	November	December			
2016							32.4	42.8	42.5	34.1	24.2	26.7			
2017	27.5				-11.0	-13.9	-12.4	-7.4	-22.0	-9.1	-10.7	-18.1			
2018	-2.5				6.0	3.7	5.5	-16.4	27.7	-10.2	1.9	22.7			
2019	-8.1	9.0	7.8	15.5	-2.8	-9.1	1.4	19.7	-18.0	0.1	3.1	-16.0	0.2	3.2	
2020	-6.7	-5.6	-40.4	-68.2	-49.9	-29.0	-13.5	-12.6	12.5	7.1	-20.9	0.2	-20.3	-19.1	
2021	8.8	-17.7	59.7											12.4	
Avg	3.8	-4.8	9.0	-26.4	-14.4	-12.1	2.7	5.2	8.5	4.4	-0.5	3.1	-10.1	-1.2	

ADR															
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Mar YTD	
2016							0.1	-3.6	2.1	3.3	6.9	1.8			
2017	-0.0				3.3	2.0	0.8	2.8	1.1	-2.1	-3.2	-1.2			
2018	-1.9				0.4	-0.8	3.4	3.4	22.5	0.7	-0.6	-1.2			
2019	-2.7	-2.7	-1.2	0.9	-0.9	-6.9	-10.3	-1.0	-24.6	-5.9	-1.9	-7.8	-6.0	-2.0	
2020	-7.1	-9.3	-6.4	-21.7	-21.7	-10.0	-4.0	-14.1	-6.4	-10.0	-11.6	-6.8	-10.5	-7.8	
2021	-5.2	-8.1	-4.2											-5.6	
Avg	-3.4	-6.7	-3.9	-10.4	-4.7	-3.9	-2.0	-2.5	-1.0	-2.8	-2.1	-3.0	-8.3	-5.1	
RevPAR															
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Mar YTD	
2016							32.6	37.7	45.5	38.5	32.7	29.0			
2017	27.5				-8.1	-12.2	-11.7	-4.7	-21.1	-11.0	-13.6	-19.1			
2018	-4.3				6.4	2.9	9.1	-13.5	56.5	-9.5	1.3	21.3			
2019	-10.5	6.0	6.5	16.6	-3.7	-15.4	-9.0	18.5	-38.2	-5.8	1.1	-22.5	-5.8	1.1	
2020	-13.4	-14.4	-44.2	-75.1	-60.8	-36.1	-17.0	-24.9	5.3	-3.6	-30.1	-6.6	-28.7	-25.4	
2021	3.1	-24.3	52.9											6.1	
Avg	0.5	-10.9	5.1	-29.3	-16.5	-15.2	0.8	2.6	9.6	1.7	-1.7	0.4	-17.3	-6.1	
Supply															
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Mar YTD	
2016							0.0	0.0	0.0	0.0	0.0	0.0			
2017	0.0				0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
2018	0.0				0.0	0.0	0.0	31.5	31.5	31.5	31.5	31.5			
2019	31.5	31.5	31.5	31.5	31.5	31.5	31.5	0.0	0.0	0.0	0.0	0.0	16.2	31.5	
2020	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	
2021	0.0	0.0	0.0											0.0	
Avg	6.3	10.5	10.5	15.8	7.9	7.9	6.3	6.3	6.3	6.3	6.3	6.3	8.1	10.5	
Demand															
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Mar YTD	
2016							32.4	42.8	42.5	34.1	24.2	26.7			
2017	27.5				-11.0	-13.9	-12.4	-7.4	-22.0	-9.1	-10.7	-18.1			
2018	-2.5				6.0	3.7	5.5	9.9	67.9	18.1	34.0	61.4			
2019	20.9	43.3	41.7	51.9	27.9	19.5	33.4	19.7	-18.0	0.1	3.1	-16.0	16.4	35.7	
2020	-6.7	-5.6	-40.4	-68.2	-49.9	-29.0	-13.5	-12.6	12.5	7.1	-20.9	0.2	-20.3	-19.1	
2021	8.8	-17.7	59.7											12.4	
Avg	9.6	6.7	20.3	-8.2	-6.8	-4.9	9.1	10.5	16.6	10.0	5.9	10.8	-2.0	9.7	
Revenue															
	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	Mar YTD	
2016							32.6	37.7	45.5	38.5	32.7	29.0			
2017	27.5				-8.1	-12.2	-11.7	-4.7	-21.1	-11.0	-13.6	-19.1			
2018	-4.3				6.4	2.9	9.1	13.7	105.8	19.0	33.2	59.5			
2019	17.6	39.4	40.0	53.3	26.7	11.3	19.6	18.5	-38.2	-5.8	1.1	-22.5	9.4	33.0	
2020	-13.4	-14.4	-44.2	-75.1	-60.8	-36.1	-17.0	-24.9	5.3	-3.6	-30.1	-6.6	-28.7	-25.4	
2021	3.1	-24.3	52.9											6.1	
Avg	6.1	0.2	16.2	-10.9	-8.9	-8.5	6.5	8.1	19.5	7.4	4.7	8.1	-9.7	4.6	

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

Shelby, NC Selected Properties
Job Number: 1257450_SADIM Staff: SS Created: April 20, 2021

	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16	Nov 16	Dec 16	Total Year	Mar YTD
Occ							32.4	42.8	42.5	34.1	24.2	26.7		
ADR							0.1	-3.6	2.1	3.3	6.9	1.8		
RevPAR							32.6	37.7	45.5	38.5	32.7	29.0		
Supply							0.0	0.0	0.0	0.0	0.0	0.0		
Demand							32.4	42.8	42.5	34.1	24.2	26.7		
Revenue							32.6	37.7	45.5	38.5	32.7	29.0		

	Jan 17	Feb 17	Mar 17	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Total Year	Mar YTD
Occ	27.5				-11.0	-13.9	-12.4	-7.4	-22.0	-9.1	-10.7	-18.1		
ADR	-0.0				3.3	2.0	0.8	2.8	1.1	-2.1	-3.2	-1.2		
RevPAR	27.5				-8.1	-12.2	-11.7	-4.7	-21.1	-11.0	-13.6	-19.1		
Supply	0.0				0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Demand	27.5				-11.0	-13.9	-12.4	-7.4	-22.0	-9.1	-10.7	-18.1		
Revenue	27.5				-8.1	-12.2	-11.7	-4.7	-21.1	-11.0	-13.6	-19.1		

	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18	Jul 18	Aug 18	Sep 18	Oct 18	Nov 18	Dec 18	Total Year	Mar YTD
Occ	-2.5				6.0	3.7	5.5	-16.4	27.7	-10.2	1.9	22.7		
ADR	-1.9				0.4	-0.8	3.4	3.4	22.5	0.7	-0.6	-1.2		
RevPAR	-4.3				6.4	2.9	9.1	-13.5	56.5	-9.5	1.3	21.3		
Supply	0.0				0.0	0.0	0.0	31.5	31.5	31.5	31.5	31.5		
Demand	-2.5				6.0	3.7	5.5	9.9	67.9	18.1	34.0	61.4		
Revenue	-4.3				6.4	2.9	9.1	13.7	105.8	19.0	33.2	59.5		

	Jan 19	Feb 19	Mar 19	Apr 19	May 19	Jun 19	Jul 19	Aug 19	Sep 19	Oct 19	Nov 19	Dec 19	Total Year	Mar YTD
Occ	-8.1	9.0	7.8	15.5	-2.8	-9.1	1.4	19.7	-18.0	0.1	3.1	-16.0	0.2	3.2
ADR	-2.7	-2.7	-1.2	0.9	-0.9	-6.9	-10.3	-1.0	-24.6	-5.9	-1.9	-7.8	-6.0	-2.0
RevPAR	-10.5	6.0	6.5	16.6	-3.7	-15.4	-9.0	18.5	-38.2	-5.8	1.1	-22.5	-5.8	1.1
Supply	31.5	31.5	31.5	31.5	31.5	31.5	31.5	0.0	0.0	0.0	0.0	0.0	16.2	31.5
Demand	20.9	43.3	41.7	51.9	27.9	19.5	33.4	19.7	-18.0	0.1	3.1	-16.0	16.4	35.7
Revenue	17.6	39.4	40.0	53.3	26.7	11.3	19.6	18.5	-38.2	-5.8	1.1	-22.5	9.4	33.0

	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	Total Year	Mar YTD
Occ	-6.7	-5.6	-40.4	-68.2	-49.9	-29.0	-13.5	-12.6	12.5	7.1	-20.9	0.2	-20.3	-19.1
ADR	-7.1	-9.3	-6.4	-21.7	-21.7	-10.0	-4.0	-14.1	-6.4	-10.0	-11.6	-6.8	-10.5	-7.8
RevPAR	-13.4	-14.4	-44.2	-75.1	-60.8	-36.1	-17.0	-24.9	5.3	-3.6	-30.1	-6.6	-28.7	-25.4
Supply	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Demand	-6.7	-5.6	-40.4	-68.2	-49.9	-29.0	-13.5	-12.6	12.5	7.1	-20.9	0.2	-20.3	-19.1
Revenue	-13.4	-14.4	-44.2	-75.1	-60.8	-36.1	-17.0	-24.9	5.3	-3.6	-30.1	-6.6	-28.7	-25.4

	Jan 21	Feb 21	Mar 21	Apr 21	May 21	Jun 21	Jul 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Total Year	Mar YTD
Occ	8.8	-17.7	59.7											12.4
ADR	-5.2	-8.1	-4.2											-5.6
RevPAR	3.1	-24.3	52.9											6.1
Supply	0.0	0.0	0.0											0.0
Demand	8.8	-17.7	59.7											12.4
Revenue	3.1	-24.3	52.9											6.1

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Tab 5 - Twelve Month Moving Average

Shelby, NC Selected Properties
Job Number: 1257450_SADIM Staff: SS Created: April 20, 2021

Occupancy (%)												
	January	February	March	April	May	June	July	August	September	October	November	December
2016							58.9	60.9	62.8	64.5	65.6	66.5
2017	67.6											
2018				62.2	62.5	62.7	63.0	62.0	63.6	63.1	63.2	63.6
2019	63.0	63.5	64.0	64.9	64.8	64.3	64.4	65.4	64.3	64.3	64.4	63.7
2020	63.4	63.1	60.7	56.5	53.9	52.4	51.6	50.9	51.5	51.9	50.8	50.8
2021	51.1	50.3	52.4									

ADR (\$)												
	January	February	March	April	May	June	July	August	September	October	November	December
2016							97.59	97.45	97.63	97.98	98.49	98.53
2017	98.52											
2018				99.24	99.27	99.20	99.50	99.94	102.70	102.72	102.54	102.20
2019	101.91	101.64	101.40	101.43	101.31	100.74	99.86	99.89	97.09	96.59	96.43	96.05
2020	95.63	94.88	94.46	93.25	91.95	91.33	90.97	89.10	88.48	87.44	86.35	85.92
2021	85.54	84.86	84.66									

RevPAR (\$)												
	January	February	March	April	May	June	July	August	September	October	November	December
2016							57.48	59.35	61.29	63.20	64.62	65.56
2017	66.59											
2018				61.74	62.07	62.22	62.69	61.93	65.33	64.79	64.76	65.01
2019	64.20	64.56	64.91	65.87	65.61	64.77	64.29	65.33	62.40	62.08	62.14	61.21
2020	60.67	59.90	57.37	52.67	49.52	47.85	46.98	45.32	45.57	45.38	43.85	43.64
2021	43.75	42.64	44.33									

Supply												
	January	February	March	April	May	June	July	August	September	October	November	December
2016							99,645	99,645	99,645	99,645	99,645	99,645
2017	99,645											
2018				99,645	99,645	99,645	99,645	102,311	104,891	107,557	110,137	112,803
2019	115,469	117,877	120,543	123,123	125,789	128,369	131,035	131,035	131,035	131,035	131,035	131,035
2020	131,035	131,035	131,035	131,035	131,035	131,035	131,035	131,035	131,035	131,035	131,035	131,035
2021	131,035	131,035	131,035									

Demand												
	January	February	March	April	May	June	July	August	September	October	November	December
2016							58,688	60,686	62,559	64,277	65,378	66,298
2017	67,350											
2018				61,997	62,304	62,501	62,786	63,398	66,726	67,839	69,555	71,750
2019	72,744	74,874	77,163	79,956	81,460	82,531	84,368	85,701	84,219	84,223	84,434	83,512
2020	83,124	82,727	79,585	74,006	70,563	68,657	67,666	66,647	67,490	68,005	66,545	66,553
2021	67,023	65,848	68,615									

Revenue (\$)												
	January	February	March	April	May	June	July	August	September	October	November	December
2016							5,727,335	5,913,686	6,107,405	6,297,734	6,438,839	6,532,526
2017	6,635,131											
2018				6,152,321	6,184,775	6,200,221	6,247,147	6,335,925	6,852,670	6,968,271	7,132,343	7,333,037
2019	7,413,466	7,610,545	7,824,335	8,109,758	8,252,797	8,313,931	8,424,670	8,560,836	8,177,050	8,134,728	8,142,260	8,021,091
2020	7,949,333	7,848,761	7,517,848	6,901,278	6,488,251	6,270,165	6,155,579	5,938,467	5,971,320	5,946,520	5,746,098	5,718,519
2021	5,732,833	5,587,697	5,808,778									

High value is boxed.

Low value is boxed and italicized.

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Tab 6 - Twelve Month Moving Average with Percent Change

Shelby, NC Selected Properties
Job Number: 1257450_SADIM Staff: SS Created: April 20, 2021

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue	
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg
Jul 16	58.9		97.59		57.48		99,645		58,688		5,727,335	
Aug 16	60.9		97.45		59.35		99,645		60,686		5,913,686	
Sep 16	62.8		97.63		61.29		99,645		62,559		6,107,405	
Oct 16	64.5		97.98		63.20		99,645		64,277		6,297,734	
Nov 16	65.6		98.49		64.62		99,645		65,378		6,438,839	
Dec 16	66.5		98.53		65.56		99,645		66,298		6,532,526	
Jan 17	67.6		98.52		66.59		99,645		67,350		6,635,131	
Feb 17												
Mar 17												
Apr 17												
May 17												
Jun 17												
Jul 17												
Aug 17												
Sep 17												
Oct 17												
Nov 17												
Dec 17												
Jan 18												
Feb 18												
Mar 18												
Apr 18	62.2		99.24		61.74		99,645		61,997		6,152,321	
May 18	62.5		99.27		62.07		99,645		62,304		6,184,775	
Jun 18	62.7		99.20		62.22		99,645		62,501		6,200,221	
Jul 18	63.0		99.50		62.69		99,645		62,786		6,247,147	
Aug 18	62.0		99.94		61.93		102,311		63,398		6,335,925	
Sep 18	63.6		102.70		65.33		104,891		66,726		6,852,670	
Oct 18	63.1		102.72		64.79		107,557		67,839		6,968,271	
Nov 18	63.2		102.54		64.76		110,137		69,555		7,132,343	
Dec 18	63.6		102.20		65.01		112,803		71,750		7,333,037	
Jan 19	63.0		101.91		64.20		115,469		72,744		7,413,466	
Feb 19	63.5		101.64		64.56		117,877		74,874		7,610,545	
Mar 19	64.0		101.40		64.91		120,543		77,163		7,824,335	
Apr 19	64.9	4.4	101.43	2.2	65.87	6.7	123,123	23.6	79,956	29.0	8,109,758	31.8
May 19	64.8	3.6	101.31	2.1	65.61	5.7	125,789	26.2	81,460	30.7	8,252,797	33.4
Jun 19	64.3	2.5	100.74	1.5	64.77	4.1	128,369	28.8	82,531	32.0	8,313,931	34.1
Jul 19	64.4	2.2	99.86	0.4	64.29	2.6	131,035	31.5	84,368	34.4	8,424,670	34.9
Aug 19	65.4	5.5	99.89	-0.0	65.33	5.5	131,035	28.1	85,701	35.2	8,560,836	35.1
Sep 19	64.3	1.0	97.09	-5.5	62.40	-4.5	131,035	24.9	84,219	26.2	8,177,050	19.3
Oct 19	64.3	1.9	96.59	-6.0	62.08	-4.2	131,035	21.8	84,223	24.2	8,134,728	16.7
Nov 19	64.4	2.0	96.43	-6.0	62.14	-4.0	131,035	19.0	84,434	21.4	8,142,260	14.2
Dec 19	63.7	0.2	96.05	-6.0	61.21	-5.8	131,035	16.2	83,512	16.4	8,021,091	9.4
Jan 20	63.4	0.7	95.63	-6.2	60.67	-5.5	131,035	13.5	83,124	14.3	7,949,333	7.2
Feb 20	63.1	-0.6	94.88	-6.7	59.90	-7.2	131,035	11.2	82,727	10.5	7,848,761	3.1
Mar 20	60.7	-5.1	94.46	-6.8	57.37	-11.6	131,035	8.7	79,585	3.1	7,517,848	-3.9

Tab 6 - Twelve Month Moving Average with Percent Change

Shelby, NC Selected Properties

Job Number: 1257450_SADIM Staff: SS Created: April 20, 2021

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
Apr 20	56.5	-13.0	93.25	-8.1	52.67	-20.0	131,035	6.4	74,006	-7.4	6,901,278	-14.9
May 20	53.9	-16.8	91.95	-9.2	49.52	-24.5	131,035	4.2	70,563	-13.4	6,488,251	-21.4
Jun 20	52.4	-18.5	91.33	-9.3	47.85	-26.1	131,035	2.1	68,657	-16.8	6,270,165	-24.6
Jul 20	51.6	-19.8	90.97	-8.9	46.98	-26.9	131,035	0.0	67,666	-19.8	6,155,579	-26.9
Aug 20	50.9	-22.2	89.10	-10.8	45.32	-30.6	131,035	0.0	66,647	-22.2	5,938,467	-30.6
Sep 20	51.5	-19.9	88.48	-8.9	45.57	-27.0	131,035	0.0	67,490	-19.9	5,971,320	-27.0
Oct 20	51.9	-19.3	87.44	-9.5	45.38	-26.9	131,035	0.0	68,005	-19.3	5,946,520	-26.9
Nov 20	50.8	-21.2	86.35	-10.5	43.85	-29.4	131,035	0.0	66,545	-21.2	5,746,098	-29.4
Dec 20	50.8	-20.3	85.92	-10.5	43.64	-28.7	131,035	0.0	66,553	-20.3	5,718,519	-28.7
Jan 21	51.1	-19.4	85.54	-10.6	43.75	-27.9	131,035	0.0	67,023	-19.4	5,732,833	-27.9
Feb 21	50.3	-20.4	84.86	-10.6	42.64	-28.8	131,035	0.0	65,848	-20.4	5,587,697	-28.8
Mar 21	52.4	-13.8	84.66	-10.4	44.33	-22.7	131,035	0.0	68,615	-13.8	5,808,778	-22.7

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Tab 7 - Day of Week Analysis

Shelby, NC Selected Properties
Job Number: 1257450_SADIM Staff: SS Created: April 20, 2021

Occupancy (%)								Total Month
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Apr - 20	19.2	28.3	32.9	30.5	23.2	16.5	17.0	24.1
May - 20	27.1	30.5	34.3	36.4	32.8	29.0	29.4	31.1
Jun - 20	28.9	45.4	45.6	47.8	44.1	46.2	43.7	43.3
Jul - 20	41.0	63.2	67.3	61.2	54.8	55.9	55.6	57.0
Aug - 20	56.2	66.4	65.4	65.4	61.9	65.5	66.2	63.8
Sep - 20	56.0	65.3	72.1	75.7	73.0	73.4	75.9	70.5
Oct - 20	51.5	65.6	72.0	75.9	68.5	74.4	78.2	69.9
Nov - 20	41.9	53.9	49.5	49.6	47.7	58.2	59.6	51.2
Dec - 20	35.9	47.4	51.4	44.6	43.5	39.8	40.8	43.6
Jan - 21	41.3	58.4	63.9	62.4	52.4	44.1	50.2	52.5
Feb - 21	47.3	56.8	64.1	63.8	49.5	48.1	51.8	54.5
Mar - 21	53.1	65.7	66.6	68.2	64.3	72.0	75.2	66.5
Total Year	41.6	54.2	57.2	56.7	51.0	51.9	53.8	52.4

Three Year Occupancy (%)								Total Year
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Apr 18 - Mar 19	45.5	67.3	74.8	71.0	61.4	65.4	63.0	64.0
Apr 19 - Mar 20	43.5	62.6	67.9	66.7	57.4	64.9	61.9	60.7
Apr 20 - Mar 21	41.6	54.2	57.2	56.7	51.0	51.9	53.8	52.4
Total 3 Yr	43.5	61.2	66.4	64.6	56.5	60.6	59.5	58.9

ADR								Total Month
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Apr - 20	79.37	80.70	76.79	78.53	79.42	77.97	77.12	78.60
May - 20	74.59	77.29	79.10	78.99	74.93	76.36	78.10	77.09
Jun - 20	81.43	83.00	83.45	84.65	84.74	80.65	80.69	82.77
Jul - 20	88.84	88.66	88.36	87.27	89.51	87.66	88.43	88.34
Aug - 20	91.32	92.84	92.86	93.02	93.47	92.49	91.23	92.41
Sep - 20	86.30	86.25	87.53	86.03	85.35	85.87	86.05	86.23
Oct - 20	83.00	82.43	84.64	83.68	87.46	84.17	85.61	84.62
Nov - 20	83.41	85.14	85.29	86.65	83.14	84.15	83.13	84.41
Dec - 20	78.72	80.74	81.78	80.52	80.93	77.46	78.91	80.11
Jan - 21	80.96	83.62	83.18	82.21	81.67	80.40	81.75	82.02
Feb - 21	80.77	83.81	83.18	83.47	83.34	80.42	80.61	82.35
Mar - 21	84.99	85.76	87.90	86.14	84.42	86.73	87.44	86.30
Total Year	83.69	85.07	85.27	84.83	84.94	84.01	84.52	84.66

Three Year ADR								Total Year
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Apr 18 - Mar 19	98.29	101.83	104.67	103.33	100.51	99.83	99.67	101.40
Apr 19 - Mar 20	91.14	95.75	97.18	96.68	92.95	93.49	92.46	94.46
Apr 20 - Mar 21	83.69	85.07	85.27	84.83	84.94	84.01	84.52	84.66
Total 3 Yr	91.10	94.62	96.32	95.37	93.07	92.87	92.41	93.85

RevPAR								Total Month
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Apr - 20	15.26	22.83	25.25	23.94	18.46	12.87	13.11	18.98
May - 20	20.19	23.56	27.15	28.76	24.57	22.16	22.93	23.95
Jun - 20	23.51	37.65	38.09	40.44	37.41	37.29	35.23	35.81
Jul - 20	36.44	56.06	59.44	53.38	49.02	49.03	49.21	50.38
Aug - 20	51.29	61.66	60.73	60.84	57.88	60.61	60.39	58.93
Sep - 20	48.36	56.33	63.11	65.15	62.35	63.03	65.32	60.76
Oct - 20	42.78	54.09	60.90	63.53	59.90	62.66	66.93	59.12
Nov - 20	34.93	45.86	42.21	42.94	39.69	48.98	49.54	43.25
Dec - 20	28.24	38.30	42.03	35.90	35.18	30.87	32.16	34.96
Jan - 21	33.43	48.86	53.12	51.31	42.78	35.43	41.04	43.03
Feb - 21	38.24	47.57	53.30	53.25	41.26	38.69	41.76	44.87
Mar - 21	45.11	56.38	58.58	58.74	54.27	62.46	65.77	57.39
Total Year	34.83	46.12	48.80	48.11	43.34	43.57	45.48	44.33

Three Year RevPAR								Total Year
	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Apr 18 - Mar 19	44.72	68.58	78.25	73.42	61.69	65.32	62.80	64.91
Apr 19 - Mar 20	39.62	59.93	66.03	64.48	53.39	60.68	57.26	57.37
Apr 20 - Mar 21	34.83	46.12	48.80	48.11	43.34	43.57	45.48	44.33
Total 3 Yr	39.61	57.93	63.98	61.61	52.57	56.28	54.97	55.28

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Tab 8 - Raw Data

Shelby, NC Selected Properties
Job Number: 1257450_SADIM Staff: SS Created: April 20, 2021

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue		Census & Sample %		
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	Census Props	Census Rooms	% Rooms STAR Participants
Jul 15	53.2		98.25		52.24		8,463		4,500		442,133		4	273	100.0
Aug 15	55.1		105.90		58.35		8,463		4,663		493,813		4	273	100.0
Sep 15	53.8		96.54		51.95		8,190		4,407		425,449		4	273	100.0
Oct 15	59.6		98.14		58.45		8,463		5,041		494,703		4	273	100.0
Nov 15	55.6		94.64		52.66		8,190		4,557		431,259		4	273	100.0
Dec 15	40.7		93.75		38.18		8,463		3,447		323,144		4	273	100.0
Jan 16	45.3		97.57		44.16		8,463		3,830		373,694		4	273	100.0
Feb 16	63.3		98.12		62.08		7,644		4,836		474,509		4	273	100.0
Mar 16	56.8		96.91		55.00		8,463		4,803		465,459		4	273	100.0
Apr 16	64.4		96.80		62.32		8,190		5,273		510,439		4	273	100.0
May 16	67.6		95.88		64.81		8,463		5,721		548,528		4	273	100.0
Jun 16	75.1		97.55		73.28		8,190		6,153		600,199		4	273	100.0
Jul 16	70.4	32.4	98.39	0.1	69.26	32.6	8,463	0.0	5,957	32.4	586,139	32.6	4	273	100.0
Aug 16	78.7	42.8	102.11	-3.6	80.37	37.7	8,463	0.0	6,661	42.8	680,164	37.7	4	273	100.0
Sep 16	76.7	42.5	98.59	2.1	75.60	45.5	8,190	0.0	6,280	42.5	619,168	45.5	4	273	100.0
Oct 16	79.9	34.1	101.35	3.3	80.94	38.5	8,463	0.0	6,759	34.1	685,032	38.5	4	273	100.0
Nov 16	69.1	24.2	101.16	6.9	69.89	32.7	8,190	0.0	5,658	24.2	572,364	32.7	4	273	100.0
Dec 16	51.6	26.7	95.45	1.8	49.25	29.0	8,463	0.0	4,367	26.7	416,831	29.0	4	273	100.0
Jan 17	57.7	27.5	97.56	-0.0	56.28	27.5	8,463	0.0	4,882	27.5	476,299	27.5	4	273	100.0
Feb 17													4	273	78.8
Mar 17													4	273	78.8
Apr 17													4	273	78.8
May 17	60.1	-11.0	99.04	3.3	59.57	-8.1	8,463	0.0	5,090	-11.0	504,100	-8.1	4	273	100.0
Jun 17	64.7	-13.9	99.52	2.0	64.36	-12.2	8,190	0.0	5,297	-13.9	527,144	-12.2	4	273	100.0
Jul 17	61.6	-12.4	99.23	0.8	61.16	-11.7	8,463	0.0	5,216	-12.4	517,587	-11.7	4	273	100.0
Aug 17	72.9	-7.4	105.01	2.8	76.57	-4.7	8,463	0.0	6,171	-7.4	648,028	-4.7	4	273	100.0
Sep 17	59.8	-22.0	99.71	1.1	59.66	-21.1	8,190	0.0	4,900	-22.0	488,583	-21.1	4	273	100.0
Oct 17	72.6	-9.1	99.21	-2.1	72.01	-11.0	8,463	0.0	6,143	-9.1	609,461	-11.0	4	273	100.0
Nov 17	61.7	-10.7	97.92	-3.2	60.39	-13.6	8,190	0.0	5,051	-10.7	494,578	-13.6	4	273	100.0
Dec 17	42.3	-18.1	94.28	-1.2	39.84	-19.1	8,463	0.0	3,576	-18.1	337,162	-19.1	4	273	100.0
Jan 18	56.3	-2.5	95.72	-1.9	53.86	-4.3	8,463	0.0	4,762	-2.5	455,842	-4.3	4	273	100.0
Feb 18	64.4		101.57		65.36		7,644		4,919		499,640		4	273	100.0
Mar 18	64.8		97.46		63.18		8,463		5,486		534,683		4	273	100.0
Apr 18	65.8		99.43		65.39		8,190		5,386		535,513		4	273	100.0
May 18	63.8	6.0	99.42	0.4	63.40	6.4	8,463	0.0	5,397	6.0	536,554	6.4	4	273	100.0
Jun 18	67.1	3.7	98.76	-0.8	66.25	2.9	8,190	0.0	5,494	3.7	542,590	2.9	4	273	100.0
Jul 18	65.0	5.5	102.62	3.4	66.70	9.1	8,463	0.0	5,501	5.5	564,513	9.1	4	273	100.0
Aug 18	60.9	-16.4	108.63	3.4	66.21	-13.5	11,129	31.5	6,783	9.9	736,806	13.7	5	359	100.0
Sep 18	76.4	27.7	122.18	22.5	93.35	56.5	10,770	31.5	8,228	67.9	1,005,328	105.8	5	359	100.0
Oct 18	65.2	-10.2	99.93	0.7	65.15	-9.5	11,129	31.5	7,256	18.1	725,062	19.0	5	359	100.0
Nov 18	62.8	1.9	97.33	-0.6	61.16	1.3	10,770	31.5	6,767	34.0	658,650	33.2	5	359	100.0
Dec 18	51.9	22.7	93.20	-1.2	48.33	21.3	11,129	31.5	5,771	61.4	537,856	59.5	5	359	100.0
Jan 19	51.7	-8.1	93.17	-2.7	48.19	-10.5	11,129	31.5	5,756	20.9	536,271	17.6	5	359	100.0
Feb 19	70.1	9.0	98.84	-2.7	69.31	6.0	10,052	31.5	7,049	43.3	696,719	39.4	5	359	100.0
Mar 19	69.9	7.8	96.27	-1.2	67.25	6.5	11,129	31.5	7,775	41.7	748,473	40.0	5	359	100.0
Apr 19	75.9	15.5	100.37	0.9	76.22	16.6	10,770	31.5	8,179	51.9	820,936	53.3	5	359	100.0
May 19	62.0	-2.8	98.48	-0.9	61.07	-3.7	11,129	31.5	6,901	27.9	679,593	26.7	5	359	100.0
Jun 19	61.0	-9.1	91.96	-6.9	56.06	-15.4	10,770	31.5	6,565	19.5	603,724	11.3	5	359	100.0
Jul 19	65.9	1.4	92.02	-10.3	60.67	-9.0	11,129	31.5	7,338	33.4	675,252	19.6	5	359	100.0

Tab 8 - Raw Data

Shelby, NC Selected Properties
Job Number: 1257450_SADIM Staff: SS Created: April 20, 2021

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
Aug 19	72.9	19.7	107.56	-1.0	78.44	18.5	11,129	0.0	8,116	19.7	872,972	18.5	5	359	100.0
Sep 19	62.6	-18.0	92.13	-24.6	57.71	-38.2	10,770	0.0	6,746	-18.0	621,542	-38.2	5	359	100.0
Oct 19	65.2	0.1	94.04	-5.9	61.35	-5.8	11,129	0.0	7,260	0.1	682,740	-5.8	5	359	100.0
Nov 19	64.8	3.1	95.47	-1.9	61.86	1.1	10,770	0.0	6,978	3.1	666,182	1.1	5	359	100.0
Dec 19	43.6	-16.0	85.93	-7.8	37.44	-22.5	11,129	0.0	4,849	-16.0	416,687	-22.5	5	359	100.0
Jan 20	48.2	-6.7	86.53	-7.1	41.74	-13.4	11,129	0.0	5,368	-6.7	464,513	-13.4	5	359	100.0
Feb 20	66.2	-5.6	89.62	-9.3	59.31	-14.4	10,052	0.0	6,652	-5.6	596,147	-14.4	5	359	100.0
Mar 20	41.6	-40.4	90.13	-6.4	37.52	-44.2	11,129	0.0	4,633	-40.4	417,560	-44.2	5	359	100.0
Apr 20	24.1	-68.2	78.60	-21.7	18.98	-75.1	10,770	0.0	2,600	-68.2	204,366	-75.1	5	359	100.0
May 20	31.1	-49.9	77.09	-21.7	23.95	-60.8	11,129	0.0	3,458	-49.9	266,566	-60.8	5	359	100.0
Jun 20	43.3	-29.0	82.77	-10.0	35.81	-36.1	10,770	0.0	4,659	-29.0	385,638	-36.1	5	359	100.0
Jul 20	57.0	-13.5	88.34	-4.0	50.38	-17.0	11,129	0.0	6,347	-13.5	560,666	-17.0	5	359	100.0
Aug 20	63.8	-12.6	92.41	-14.1	58.93	-24.9	11,129	0.0	7,097	-12.6	655,860	-24.9	5	359	100.0
Sep 20	70.5	12.5	86.23	-6.4	60.76	5.3	10,770	0.0	7,589	12.5	654,395	5.3	5	359	100.0
Oct 20	69.9	7.1	84.62	-10.0	59.12	-3.6	11,129	0.0	7,775	7.1	657,940	-3.6	5	359	100.0
Nov 20	51.2	-20.9	84.41	-11.6	43.25	-30.1	10,770	0.0	5,518	-20.9	465,760	-30.1	5	359	100.0
Dec 20	43.6	0.2	80.11	-6.8	34.96	-6.6	11,129	0.0	4,857	0.2	389,108	-6.6	5	359	100.0
Jan 21	52.5	8.8	82.02	-5.2	43.03	3.1	11,129	0.0	5,838	8.8	478,827	3.1	5	359	100.0
Feb 21	54.5	-17.7	82.35	-8.1	44.87	-24.3	10,052	0.0	5,477	-17.7	451,011	-24.3	5	359	100.0
Mar 21	66.5	59.7	86.30	-4.2	57.39	52.9	11,129	0.0	7,400	59.7	638,641	52.9	5	359	100.0

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Tab 9 - Classic

Shelby, NC Selected Properties
Job Number: 1257450_SADIM Staff: SS Created: April 20, 2021

Date	Occupancy		ADR		RevPar		Supply		Demand		Revenue		Census & Sample %		
	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	This Year	% Chg	Census Props	Census Rooms	% Rooms STAR Participants
Jul 15	53.2		98.25		52.24		8,463		4,500		442,133		4	273	100.0
Aug 15	55.1		105.90		58.35		8,463		4,663		493,813		4	273	100.0
Sep 15	53.8		96.54		51.95		8,190		4,407		425,449		4	273	100.0
Oct 15	59.6		98.14		58.45		8,463		5,041		494,703		4	273	100.0
Nov 15	55.6		94.64		52.66		8,190		4,557		431,259		4	273	100.0
Dec 15	40.7		93.75		38.18		8,463		3,447		323,144		4	273	100.0
Mar YTD 2015															
Total 2015															
Jan 16	45.3		97.57		44.16		8,463		3,830		373,694		4	273	100.0
Feb 16	63.3		98.12		62.08		7,644		4,836		474,509		4	273	100.0
Mar 16	56.8		96.91		55.00		8,463		4,803		465,459		4	273	100.0
Apr 16	64.4		96.80		62.32		8,190		5,273		510,439		4	273	100.0
May 16	67.6		95.88		64.81		8,463		5,721		548,528		4	273	100.0
Jun 16	75.1		97.55		73.28		8,190		6,153		600,199		4	273	100.0
Jul 16	70.4	32.4	98.39	0.1	69.26	32.6	8,463	0.0	5,957	32.4	586,139	32.6	4	273	100.0
Aug 16	78.7	42.8	102.11	-3.6	80.37	37.7	8,463	0.0	6,661	42.8	680,164	37.7	4	273	100.0
Sep 16	76.7	42.5	98.59	2.1	75.60	45.5	8,190	0.0	6,280	42.5	619,168	45.5	4	273	100.0
Oct 16	79.9	34.1	101.35	3.3	80.94	38.5	8,463	0.0	6,759	34.1	685,032	38.5	4	273	100.0
Nov 16	69.1	24.2	101.16	6.9	69.89	32.7	8,190	0.0	5,658	24.2	572,364	32.7	4	273	100.0
Dec 16	51.6	26.7	95.45	1.8	49.25	29.0	8,463	0.0	4,367	26.7	416,831	29.0	4	273	100.0
Mar YTD 2016	54.8		97.53		53.47		24,570		13,469		1,313,662				
Total 2016	66.5		98.53		65.56		99,645		66,298		6,532,526				
Jan 17	57.7	27.5	97.56	-0.0	56.28	27.5	8,463	0.0	4,882	27.5	476,299	27.5	4	273	100.0
Feb 17													4	273	78.8
Mar 17													4	273	78.8
Apr 17													4	273	78.8
May 17	60.1	-11.0	99.04	3.3	59.57	-8.1	8,463	0.0	5,090	-11.0	504,100	-8.1	4	273	100.0
Jun 17	64.7	-13.9	99.52	2.0	64.36	-12.2	8,190	0.0	5,297	-13.9	527,144	-12.2	4	273	100.0
Jul 17	61.6	-12.4	99.23	0.8	61.16	-11.7	8,463	0.0	5,216	-12.4	517,587	-11.7	4	273	100.0
Aug 17	72.9	-7.4	105.01	2.8	76.57	-4.7	8,463	0.0	6,171	-7.4	648,028	-4.7	4	273	100.0
Sep 17	59.8	-22.0	99.71	1.1	59.66	-21.1	8,190	0.0	4,900	-22.0	488,583	-21.1	4	273	100.0
Oct 17	72.6	-9.1	99.21	-2.1	72.01	-11.0	8,463	0.0	6,143	-9.1	609,461	-11.0	4	273	100.0
Nov 17	61.7	-10.7	97.92	-3.2	60.39	-13.6	8,190	0.0	5,051	-10.7	494,578	-13.6	4	273	100.0
Dec 17	42.3	-18.1	94.28	-1.2	39.84	-19.1	8,463	0.0	3,576	-18.1	337,162	-19.1	4	273	100.0
Mar YTD 2017															
Total 2017															
Jan 18	56.3	-2.5	95.72	-1.9	53.86	-4.3	8,463	0.0	4,762	-2.5	455,842	-4.3	4	273	100.0
Feb 18	64.4		101.57		65.36		7,644		4,919		499,640		4	273	100.0
Mar 18	64.8		97.46		63.18		8,463		5,486		534,683		4	273	100.0
Apr 18	65.8		99.43		65.39		8,190		5,386		535,513		4	273	100.0
May 18	63.8	6.0	99.42	0.4	63.40	6.4	8,463	0.0	5,397	6.0	536,554	6.4	4	273	100.0
Jun 18	67.1	3.7	98.76	-0.8	66.25	2.9	8,190	0.0	5,494	3.7	542,590	2.9	4	273	100.0
Jul 18	65.0	5.5	102.62	3.4	66.70	9.1	8,463	0.0	5,501	5.5	564,513	9.1	4	273	100.0
Aug 18	60.9	-16.4	108.63	3.4	66.21	-13.5	11,129	31.5	6,783	9.9	736,806	13.7	5	359	100.0
Sep 18	76.4	27.7	122.18	22.5	93.35	56.5	10,770	31.5	8,228	67.9	1,005,328	105.8	5	359	100.0
Oct 18	65.2	-10.2	99.93	0.7	65.15	-9.5	11,129	31.5	7,256	18.1	725,062	19.0	5	359	100.0
Nov 18	62.8	1.9	97.33	-0.6	61.16	1.3	10,770	31.5	6,767	34.0	658,650	33.2	5	359	100.0
Dec 18	51.9	22.7	93.20	-1.2	48.33	21.3	11,129	31.5	5,771	61.4	537,856	59.5	5	359	100.0
Mar YTD 2018	61.7		98.25		60.65		24,570		15,167		1,490,165				
Total 2018	63.6		102.20		65.01		112,803		71,750		7,333,037				
Jan 19	51.7	-8.1	93.17	-2.7	48.19	-10.5	11,129	31.5	5,756	20.9	536,271	17.6	5	359	100.0
Feb 19	70.1	9.0	98.84	-2.7	69.31	6.0	10,052	31.5	7,049	43.3	696,719	39.4	5	359	100.0
Mar 19	69.9	7.8	96.27	-1.2	67.25	6.5	11,129	31.5	7,775	41.7	748,473	40.0	5	359	100.0

Tab 9 - Classic

Shelby, NC Selected Properties
Job Number: 1257450_SADIM Staff: SS Created: April 20, 2021

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
Apr 19	75.9	15.5	100.37	0.9	76.22	16.6	10,770	31.5	8,179	51.9	820,936	53.3	5	359	100.0
May 19	62.0	-2.8	98.48	-0.9	61.07	-3.7	11,129	31.5	6,901	27.9	679,593	26.7	5	359	100.0
Jun 19	61.0	-9.1	91.96	-6.9	56.06	-15.4	10,770	31.5	6,565	19.5	603,724	11.3	5	359	100.0
Jul 19	65.9	1.4	92.02	-10.3	60.67	-9.0	11,129	31.5	7,338	33.4	675,252	19.6	5	359	100.0
Aug 19	72.9	19.7	107.56	-1.0	78.44	18.5	11,129	0.0	8,116	19.7	872,972	18.5	5	359	100.0
Sep 19	62.6	-18.0	92.13	-24.6	57.71	-38.2	10,770	0.0	6,746	-18.0	621,542	-38.2	5	359	100.0
Oct 19	65.2	0.1	94.04	-5.9	61.35	-5.8	11,129	0.0	7,260	0.1	682,740	-5.8	5	359	100.0
Nov 19	64.8	3.1	95.47	-1.9	61.86	1.1	10,770	0.0	6,978	3.1	666,182	1.1	5	359	100.0
Dec 19	43.6	-16.0	85.93	-7.8	37.44	-22.5	11,129	0.0	4,849	-16.0	416,687	-22.5	5	359	100.0
Mar YTD 2019	63.7	3.2	96.28	-2.0	61.33	1.1	32,310	31.5	20,580	35.7	1,981,463	33.0			
Total 2019	63.7	0.2	96.05	-6.0	61.21	-5.8	131,035	16.2	83,512	16.4	8,021,091	9.4			
Jan 20	48.2	-6.7	86.53	-7.1	41.74	-13.4	11,129	0.0	5,368	-6.7	464,513	-13.4	5	359	100.0
Feb 20	66.2	-5.6	89.62	-9.3	59.31	-14.4	10,052	0.0	6,652	-5.6	596,147	-14.4	5	359	100.0
Mar 20	41.6	-40.4	90.13	-6.4	37.52	-44.2	11,129	0.0	4,633	-40.4	417,560	-44.2	5	359	100.0
Apr 20	24.1	-68.2	78.60	-21.7	18.98	-75.1	10,770	0.0	2,600	-68.2	204,366	-75.1	5	359	100.0
May 20	31.1	-49.9	77.09	-21.7	23.95	-60.8	11,129	0.0	3,458	-49.9	266,566	-60.8	5	359	100.0
Jun 20	43.3	-29.0	82.77	-10.0	35.81	-36.1	10,770	0.0	4,659	-29.0	385,638	-36.1	5	359	100.0
Jul 20	57.0	-13.5	88.34	-4.0	50.38	-17.0	11,129	0.0	6,347	-13.5	560,666	-17.0	5	359	100.0
Aug 20	63.8	-12.6	92.41	-14.1	58.93	-24.9	11,129	0.0	7,097	-12.6	655,860	-24.9	5	359	100.0
Sep 20	70.5	12.5	86.23	-6.4	60.76	5.3	10,770	0.0	7,589	12.5	654,395	5.3	5	359	100.0
Oct 20	69.9	7.1	84.62	-10.0	59.12	-3.6	11,129	0.0	7,775	7.1	657,940	-3.6	5	359	100.0
Nov 20	51.2	-20.9	84.41	-11.6	43.25	-30.1	10,770	0.0	5,518	-20.9	465,760	-30.1	5	359	100.0
Dec 20	43.6	0.2	80.11	-6.8	34.96	-6.6	11,129	0.0	4,857	0.2	389,108	-6.6	5	359	100.0
Mar YTD 2020	51.5	-19.1	88.77	-7.8	45.75	-25.4	32,310	0.0	16,653	-19.1	1,478,220	-25.4			
Total 2020	50.8	-20.3	85.92	-10.5	43.64	-28.7	131,035	0.0	66,553	-20.3	5,718,519	-28.7			
Jan 21	52.5	8.8	82.02	-5.2	43.03	3.1	11,129	0.0	5,838	8.8	478,827	3.1	5	359	100.0
Feb 21	54.5	-17.7	82.35	-8.1	44.87	-24.3	10,052	0.0	5,477	-17.7	451,011	-24.3	5	359	100.0
Mar 21	66.5	59.7	86.30	-4.2	57.39	52.9	11,129	0.0	7,400	59.7	638,641	52.9	5	359	100.0
Mar YTD 2021	57.9	12.4	83.81	-5.6	48.54	6.1	32,310	0.0	18,715	12.4	1,568,479	6.1			

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Tab 10 - Response Report

Shelby, NC Selected Properties
Job Number: 1257450_SADIM Staff: SS Created: April 20, 2021

												2019												2020												2021													
STR Code	Name of Establishment	City & State	Zip Code	Class	Aff Date	Open Date	Rooms	Chg in Rms	Chg in Rms 1	Chg in Rms 2	Chg in Rms 3	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		
25018	Comfort Inn Shelby	Shelby, NC	28152	Upper Midscale Class	May 2013	Feb 1989	76					•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
41239	Country Inn & Suites Shelby	Shelby, NC	28152	Upper Midscale Class	Apr 2017	Dec 2000	58					•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
54178	AmericInn Lodge & Suites Boiling Springs Gardner Webb Un	Shelby, NC	28152	Midscale Class	Jan 2006	Jan 2006	53					•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
63349	Hampton by Hilton Inn & Suites Shelby	Shelby, NC	28152	Upper Midscale Class	Jun 2015	Jun 2015	86					•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
67554	Fairfield Inn & Suites Shelby	Shelby, NC	28152	Upper Midscale Class	Aug 2018	Aug 2018	86	Y	+86 (Aug'18)			•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Total Properties:							5	359																																									
												<div><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. Only the most recent three room changes are displayed. A property may have more than three changes during the time period of the report.</div></div>																																					

Tab 11 - Terms and Conditions

Before purchasing this product you agreed to the following terms and conditions.

In consideration of the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, STR, Inc. ("STR"), STR Global, Ltd. ("STRG"), and the licensee identified elsewhere in this Agreement ("Licensee") agree as follows:

1. LICENSE

1.1 Definitions.

(a) "Agreement" means these Standard Terms and Conditions and any additional terms specifically set out in writing in the document(s) (if any) to which these Standard Terms and Conditions are attached or in which they are incorporated by reference, and, if applicable, any additional terms specifically set out in writing in any Schedule attached hereto.

(b) "Licensed Materials" means the newsletters, reports, databases or other information resources, and all lodging industry data contained therein, provided to Licensee hereunder.

1.2 Grant of License. Subject to the terms and conditions of this Agreement, and except as may be expressly permitted elsewhere in this Agreement, STR hereby grants to Licensee a non-exclusive, non-transferable, indivisible, non-sublicensable license to use, copy, manipulate and extract data from the Licensed Materials for its own INTERNAL business purposes only.

1.3 Copies. Except as expressly permitted elsewhere in this Agreement, Licensee may make and maintain no more than two (2) copies of any Licensed Materials.

1.4 No Service Bureau Use. Licensee is prohibited from using the Licensed Materials in any way in connection with any service bureau or similar services. "Service bureau" means the processing of input data that is supplied by one or more third parties and the generation of output data (in the form of reports, charts, graphs or other pictorial representations, or the like) that is sold or licensed to any third parties.

excerpts of the data and any manipulations of the data) available in any form whatsoever to any third party, other than Licensee's accountants, attorneys, marketing professionals or other professional advisors who are bound by a duty of confidentiality not to disclose such information.

1.6 Security. Licensee shall use commercially reasonable efforts to protect against unauthorized access to the Licensed Materials.

reserved to STR.

2. DISCLAIMERS AND LIMITATIONS OF LIABILITY

licensed materials, the services provided or the results of use thereof. Without limiting the foregoing, STR does not warrant that the licensed materials, the services provided or the use thereof are or will be accurate, error-free or uninterrupted. STR makes no implied warranties, including without limitation, any implied warranty of merchantability, noninfringement or fitness for any particular purpose or arising by usage of trade, course of dealing, course of performance or otherwise.

2.2 Disclaimers. STR shall have no liability with respect to its obligations under this agreement or otherwise for consequential, exemplary, special, incidental, or punitive damages even if STR has been advised of the possibility of such damages. Furthermore, STR shall have no liability whatsoever for any claim relating in any way to any decision made or action taken by licensee in reliance upon the licensed materials.

2.3 Limitation of Liability. STR's total liability to licensee for any reason and upon any cause of action including without limitation, infringement, breach of contract, negligence, strict liability, misrepresentations, and other torts, shall be limited to all fees paid to STR by the licensee during the twelve month period preceding the date on which such cause of action first arose.

3. MISCELLANEOUS

3.1 Liquidated Damages. In the event of a violation of Section 1.5 of these Standard Terms and Conditions, Licensee shall be required to pay STR an amount equal to the sum of (i) the highest aggregate price that STR, in accordance with its then-current published prices, could have charged the unauthorized recipients for the Licensed Materials that are the subject of the violation, and (ii) the full price of the lowest level of republishing rights that Licensee would have been required to purchase from STR in order to have the right to make the unauthorized distribution, regardless of whether Licensee has previously paid for any lower level of republishing rights, and (iii) fifteen percent (15%) of the total of the previous two items. This provision shall survive indefinitely the expiration or termination of this Agreement for any reason.

3.2 Obligations on Termination. Within thirty (30) days of the termination or expiration of this Agreement for any reason, Licensee shall cease all use of the Licensed Materials and shall return or destroy, at STR's option, all copies of the Licensed Materials and all other information relating thereto in Licensee's possession or control as of the such date. This provision shall survive indefinitely the expiration or termination of this Agreement for any

3.3 Governing Law; Jurisdiction and Venue. This Agreement shall be governed by the substantive laws of the State of Tennessee, without regard to its or any other jurisdiction's laws governing conflicts of law. Any claims or actions regarding or arising out of this Agreement shall be brought exclusively in a court of competent jurisdiction located in Nashville, Tennessee, and the parties expressly consent to personal jurisdiction thereof. The

3.4 Assignment. Licensee is prohibited from assigning this Agreement or delegating any of its duties under this Agreement without the prior written consent of STR.

venture relationship.

at the time of transmission (provided, however, that notice delivered by facsimile transmission shall only be effective if such notice is also delivered by hand or deposited in the United States mail, postage prepaid, registered, certified or express mail or by courier service within two (2) business days after its delivery by facsimile transmission); iii) when delivered by a courier service or by express mail, at the time of receipt; or iv) five (5) business days after being deposited in the United States mail, postage prepaid, registered or certified mail, addressed (in any such case) to the addresses listed on the first page of this Agreement or to such other address as either party may notify the other in writing.

3.7 Waiver. No waiver of any breach of this Agreement will be deemed to constitute a waiver of any subsequent breach of the same or any other provision.

3.8 Entire Agreement. This Agreement constitutes the entire agreement of the parties with respect to the matters described herein, superseding in all respects any and all prior proposals, negotiations, understandings and other agreements, oral or written, between the parties.

3.9 Amendment. This Agreement may be amended only by the written agreement of both parties.

the provisions of this Agreement, the successful or prevailing party or parties shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

3.11 Injunctive Relief. The parties agree that, in addition to any other rights or remedies which the other or STR may have, any party alleging breach or threatened breach of this Agreement will be entitled to such equitable and injunctive relief as may be available from any court of competent jurisdiction to restrain the other from breaching or threatening to breach any of the provisions of this Section, without posting bond or other surety.

3.12 Notice of Unauthorized Access. Licensee shall notify STR immediately upon Licensee's becoming aware of any facts indicating that a third party may have obtained or may be about to obtain unauthorized access to the Licensed Materials, and shall fully cooperate with STR in its efforts to mitigate the damages caused by any such breach or potential breach.

3.13 Conflicting Provisions. In the event that any provision of these Standard Terms and Conditions directly conflicts with any other provision of the Agreement, the conflicting terms of such other provision shall control.

3.14 Remedies. In addition to any other rights or remedies that STR may have, in the event of any termination by STR on account of a breach by Licensee, STR may, without refund, immediately terminate and discontinue any right of Licensee to receive additional Licensed Materials from STR.



How can we assist you?

Glossary:

For all STR definitions, please visit www.str.com/data-insights/resources/glossary

Frequently Asked Questions (FAQ):

For all STR FAQs, please click here or visit www.str.com/data-insights/resources/FAQ

For additional support, please [contact](#) your regional office.

For the latest in industry news, visit HotelNewsNow.com.

To learn more about the Hotel Data Conference, visit HotelDataConference.com.

13.3. Qualifications of Consultants

Michael Cummings, MAI, ISHC

Managing Director – Horwath HTL

Michael Cummings, MAI joined the company in 2017 and is the managing director of the Norfolk and New York City offices for Horwath HTL. He previously held the positions of principal and managing director of the Norfolk office of Hotel & Club Associates, having joined that company in 1999. This national company offers market studies, feasibility studies, appraisals, investment analysis and counseling for golf and country clubs, existing and proposed hotels, resorts, and mixed-use real estate developments. He has completed over five hundred going concern hotel appraisals and consulting assignments within the past 36 months.

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
- 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/LICESNES

- 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, KY, LA, MD, MI, MS, MO,
NC, NJ, 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
- E-Demo Advisor
- Demonstration Report Grader

About Horwath HTL

Horwath HTL is the world's oldest, largest, and most experienced hotel, tourism, and leisure consulting brand, with forty-five offices in forty countries. Horwath HTL is a member of Crowe Global, the 8th largest global accounting network consisting of 36,500 employees, working in more than 220 firm offices in 130 countries.

J. Richard Keegan, MBA
Certified General Real Estate Appraiser
Horwath HTL

999 Waterside Drive, Suite 1200 • Norfolk, Virginia 23510
V: 757.623.1400 **D:** 407.402.9042 **F:** 757.623.8811
E: jrkeegan@horwathhtl.com

J. Richard Keegan joined Horwath HTL (formerly Hotel and Club Associates) in 2011. Horwath HTL, the global leader in hospitality, tourism and leisure consulting, performs appraisals, market analysis, feasibility studies, investment analysis, asset management and consulting services for existing and proposed hotels, resorts, country clubs and mixed-use real estate developments.

EDUCATION

University of Wisconsin

Master of Business Administration (MBA) Degree
Bachelor of Arts (B.A.) Degree
Certified General Real Estate Appraiser

Appraisal Courses Completed

- Appraisal Business Practices & Ethics
- Appraisal Law and Rules - Florida
- Appraisal Principles
- Appraisal Procedures
- Appraisal Workfile Compliance
- FHA Property Analysis
- Golf Course Property Valuation
- Income Approach I
- Income Approach II
- Market Analysis and Highest & Best Use
- Real Estate Statistics, Modeling and Finance
- Regression Modeling for Real Estate Appraisers
- Report Writing & Case Studies
- Residential Sales Comparison & Income Approach
- Sales Comparison Approach
- Site Valuation & Cost Approach
- Uniform Standards of Professional Appraisal Practice (USPAP)
- Valuation by Comparison

PROFESSIONAL HISTORY

Horwath HTL – Norfolk, Virginia

Senior Associate (Hotel Appraisals & Feasibility Studies): 2011 – Present

Keegan Associates LLC dba Shamrock Capital – Lake Mary, Florida

Principal (Hotel Feasibility Studies & Consulting): 2005 – Present

Sun Development & Management Corporation – Indianapolis, Indiana

Executive Vice President (Acquisitions, Development & Operations): 2001 – 2005

Pre-2001 Hotel, Real Estate & Asset Management Experience

Midway Management Group (President), Milwaukee Company Properties (President), Abbey Group Limited (President), Marcus Corporation (EVP-Administration & Real Estate), Harco Insurance Group (EVP-Administration), Choice Hotels International (Director-Franchise Development)

13.4. Horwath HTL Brochure



Horwath HTL

Hotel, Tourism and Leisure

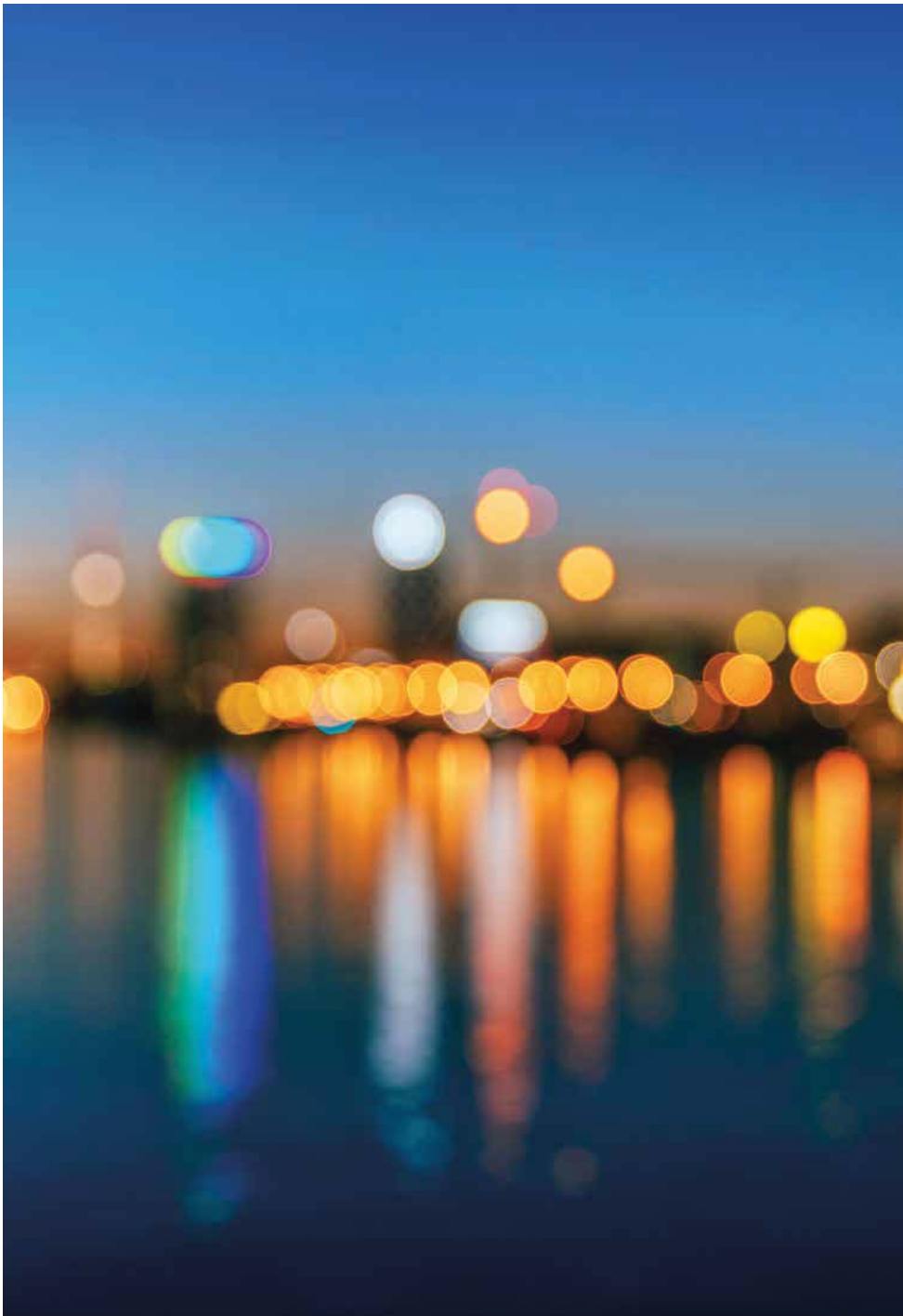
The Americas





Welcome to Horwath HTL,
the global leader in hotel,
tourism and leisure consulting.

We are the industry choice;
a global brand providing
quality solutions.



Key Services

We have successfully completed over 20,000 projects and our focus is one hundred percent on hotel, tourism and leisure consulting.

James Chappell, Global Business Director, Horwath HTL

After over 100 years in the industry, the team at Horwath HTL is uniquely qualified to add value to your project.

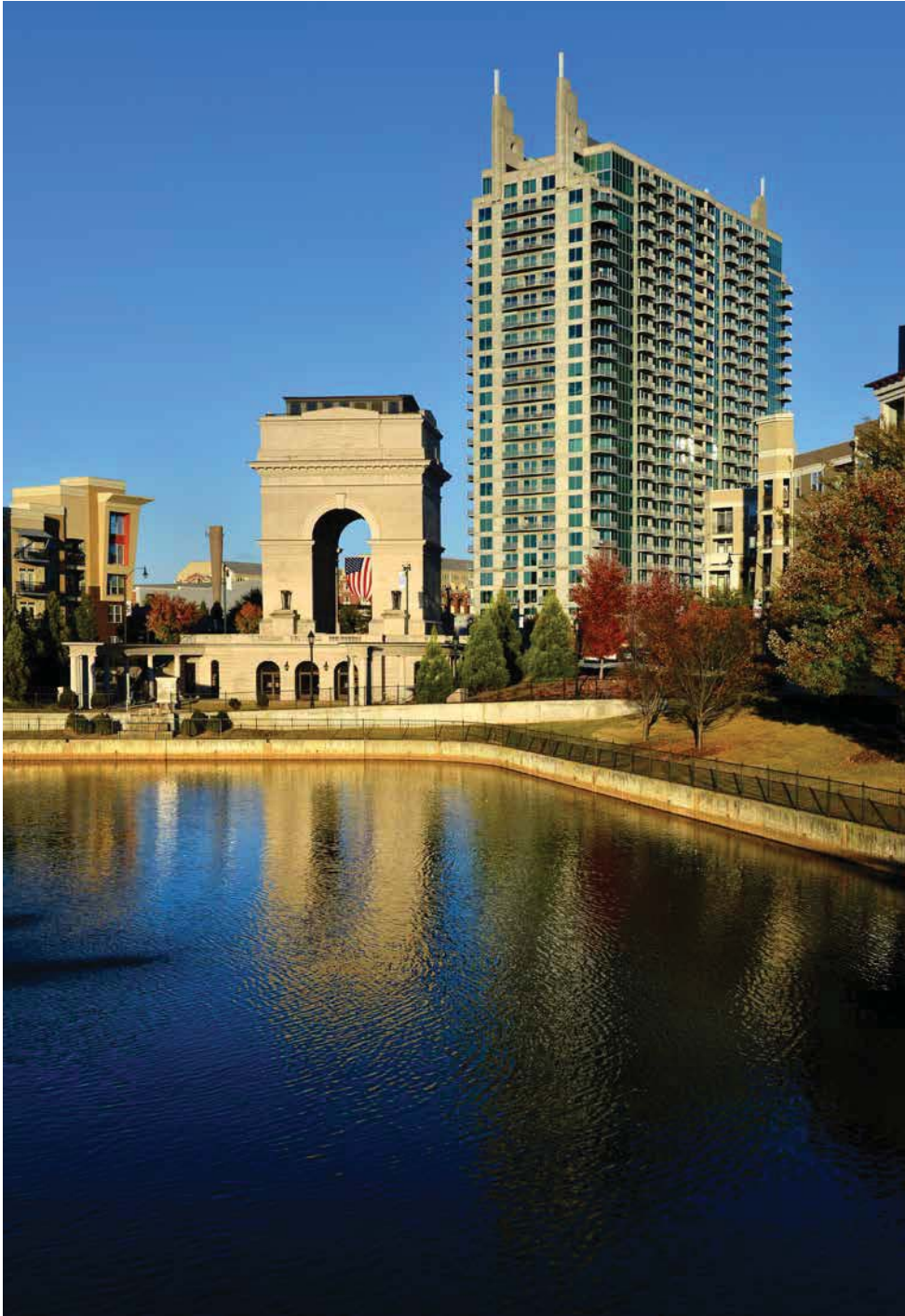
With over two hundred professionals and membership of a top ten accounting network, we are the number one choice for companies and financial institutions looking to invest and develop in the industry.

For hotels, we provide expert advice on all aspects of development, including feasibility and planning, asset management, valuation, strategic advice and health and wellness.

Our tourism and leisure team work with companies, municipalities, cities and governments on all aspects of destination development, marketing strategies, project and management assistance.

Key Services

- Hotel Planning & Development
- Tourism & Leisure
- Hotel Asset Management
- Hotel Valuation
- Health & Wellness
- Strategic Advice
- Expert Witness & Litigation



Hotel Planning & Development

The key to any successful hotel development is thorough planning - only when every aspect and cost has been carefully considered, should the wheels be set in motion.

Paolo Di Pietrantonio, Senior Associate, Horwath HTL Canada

Getting the planning and development right is fundamental for any hotel, tourism and leisure project. Our international team of experts will use their project experience, market research and analytical capabilities to help you navigate the entire process.

Developers, operators, lenders and investors rely on our reports for an impartial assessment of project viability while our market and product descriptions form the basis for architectural briefs, for shortlisting appropriate operators and for project branding.

Our Services

- Appraisal Reports
- Destination Master Planning
- Large Scale Project Master Planning
- Facilities Programming
- Highest & Best Use
- Hotel Operator Selection
- Contract Negotiation
- Macro Tourism Analysis
- Market Entry Strategy
- Market & Financial Feasibility Studies
- Product Conceptualisation
- Project Capitalisation & Financial Structuring
- Residual Land Valuation
- Strategic Planning



Tourism & Leisure

Tourism & Leisure projects make up a large part of our business - Horwath HTL has carried out over 1,000 Tourism Masterplans.

Sotero Peralta, Managing Director, Horwath HTL Dominican Republic

At Horwath HTL, we understand international tourism and leisure 'mega trends' that will shape the future, and have an extremely powerful and detailed database for each of the global regions.

Thanks to our extensive network of professionals and affiliated consultants, Horwath HTL is able to provide innovative solutions for a wide range of hotel, tourism and leisure projects.

Our Experience

- Tourism Master Planning
- Tourism Development Strategy
- Tourism Marketing Plans
- Destination Management
- Congress & Event Centres
- Culture & Heritage Sites
- Sport Facilities
- Retail & Entertainment
- Theme Parks
- Interpretation Centres
- Natural & Animal Parks





Hotel Asset Management

Proper Asset Management yields results. With one portfolio recently, we improved bottom line performance by over 16%.

Paul Breslin, Managing Director, Horwath HTL Atlanta

With an understanding of what strategies and management practices result in increased cash flow and asset value, we take an assertive position in an asset management role as owner's representative to maximise returns over time.

Our approach when undertaking asset management engagements is to seek to protect our client's interests.

An initial diagnostic review is an integral part of asset management and the basis for our ongoing role as the owner's representative.

Our Services

- Property Review
- Budget & Business Plans
- Management Team Oversight
- Optimise Cash Flow
- Customer Surveys
- Contract Compliance
- Ownership Reporting
- Manage Stakeholder Relationships
- Represent Owner Interests
- Hold/Sell Analysis & Timing
- Hotel Disposal



Hotel Valuation

To value hotels, you need access to quality data and a tremendous amount of experience in dealing with complicated and opaque markets.

Mike Cummings MAI ISHC, Managing Director, Horwath HTL LA, NYC, Norfolk & Orlando

From single asset to portfolio's spread across several countries, Horwath HTL's Hotel Valuation experts will provide an independent, fair market valuation. We have experts with RICS and MAI accreditation who have been working in markets for many years and have a huge database of knowledge to draw on.

Hospitality assets, such as hotels and resorts, are complex real estate types, with significant land use value depending on their operational performance. Their performance is susceptible to greater market fluctuations, location issues, management sophistication and high capital investment than other real estate such as office or retail. Because of this, the valuation of hospitality assets requires a special market understanding and product expertise.

Today, Horwath HTL is the leading industry expert retained by major hotel owners, lenders and operators to optimize their investment returns.

Our Services

- Hotel Management Valuation
- Franchise Company Valuation
- Real Estate Tax Assessment
- Expert Court Testimony
- Expert Valuation Testimony
- Short-Form Annual Valuations
- Feasibility Studies
- Expert Witness
- Rent Reviews
- Lease Renewals



Health & Wellness

We provide a service we call ‘personality sharpening’, to help independent and eco-resorts in improving occupancy and ADR in a two-step process.

Andrew Cohan, Managing Director, Horwath HTL Miami

Horwath HTL Health & Wellness offers a full range of consulting services exclusively for spa, health and wellness. From preliminary market research and feasibility work to asset management and operator search, our team has the expertise to maximise a successful product.

Our experienced team provides the creativity to develop unique themes, design, service and menu touchpoints that turn an ordinary wellness experience into one that is distinctive and captivating.

Our team of highly respected industry professionals with a wide ranging skill set offer clients all of the answers they need to proceed with spa and wellness developments, be it an entire wellness destination including a resort and real estate or simply a spa within a hotel or resort.

Our Focus

- Wellness Communities
- Destination Retreats
- Lifestyle & Wellness Centers
- Resort Spas
- Urban Hotel Spas
- Bathhouses
- Medical Spas
- Health & Fitness Clubs
- Day Spas



Strategic Advice

Our strategic advice is focused on long term sustainable growth, as well as direct financial impact. By working together with our clients, we are defining which direction to take and how to ensure its success.

John Fareed, Managing Director, Horwath HTL LA, NYC, Norfolk & Orlando

The global hospitality industry is fast moving and situations can change quickly, here today and gone tomorrow.

At Horwath HTL, we have both the insight into specific tourism and hospitality trends and the corporate understanding to guide you through this process. Our network of specialized experts around the world can tackle all aspects of corporate strategy.

We can shape a tourism value chain through tourism strategies and master plans of a country or a region, to an individual city or a destination.

Our Focus

- Corporate & Growth Strategy
- Business Turnaround
- Digital Strategy & Marketing
- Market & Brand Strategy
- Investment Strategy
- Strategic Business Plans & Reviews
- Strategic & Operational Restructuring
- Marketing & Sales Strategy
- Development of Products & Services
- Standard Operating Procedures (SOPs)
- Hotel Operation Optimisation
- Acquisition Due Diligence
- Transactional Support Services



Expert Witness & Litigation

Our seasoned industry professionals have operational, marketing, financial, valuation, investment sales and development expertise to provide expert witness services.

John Montgomery, Managing Director, Horwath HTL Denver

Horwath HTL provides hotel expert witness services and litigation support to attorneys specializing in bankruptcy, real estate, franchising, employment and personal injury cases related to the hospitality industry.

With extensive experience in hotel operations, marketing, financing, valuations, investment, sales, and development, our seasoned industry professionals can provide counsel with expert opinions regarding loan defaults, revenue losses, bankruptcies, refinancing, workouts, and industry standards of practice.

Our consultants can develop detailed strategies and provide expert witness testimony to support your legal position or evaluate the opposition's, so as to frame a defensible counter argument.

We have provided testimony in jury trials, AAA- and JAMS-sponsored arbitration panels, Federal Bankruptcy Courts and mediations on behalf of plaintiffs and defendants.

Our Expertise

- Hotel Wrongful Death
- Hotel Management & Franchise Issues
- Hotel Premises Liability
- Hotel Wrongful Termination
- Hotel Liability
- Hotel Finance
- Hotel Standards of Operations
- Hotel Safety & Security
- Business Interruption Claims



Horwath HTL

Hotel, Tourism and Leisure

CANADA

Montréal, Québec

Toronto, Ontario

NORTH AMERICA

Atlanta, Georgia

Denver, Colorado

Los Angeles, California

Miami, Florida

New York, New York

Orlando, Florida

Norfolk, Virginia

LATIN AMERICA

Buenos Aires, Argentina

S.Domingo, Dominican Republic

www.horwathhtl.com

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