



July 6, 2015

Mr. Dennis Biggs  
President  
KUD International LLC  
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New York, NY 10020  
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**Re: Market and Utilization Analysis: Proposed Boutique-Style Hotel at UCF  
Orlando, Florida**

Dear Mr. Biggs:

This report contains our conclusions concerning the potential market support for a proposed boutique-style hotel (herein referred to as the "Project," the "Hotel," or the "Subject") adjacent to the University of Central Florida ("UCF") campus in Orlando, Florida. The proposed Hotel will be located in the northeast quadrant of the intersection of North Alafaya Trail and University Boulevard in Orlando, Florida, at the main entrance to UCF. The conclusions reached are based on our present knowledge of the competitive lodging market as of the completion of our fieldwork in May and June, 2015. The following report summarizes our findings and reflects the conclusion of our analysis.

As in all studies of this type, the estimated results are based upon our assumption that competent and efficient management will operate the Project and presume no significant change in the competitive position of the lodging industry in the market area from that set forth in this report. The estimates of utilization for the proposed Hotel contained herein were prepared on the basis of estimates and assumptions about the occurrence of future events. Since estimates and assumptions are inherently subject to uncertainty and variation, the actual results achieved by the proposed Hotel will likely vary from the estimated operating results and the variations may or may not be material. Accordingly, PKF Consulting USA does not warrant or guarantee the achievability of the estimated utilization.

It is expressly understood that the scope of our study and report thereon do not include the possible impact of zoning or environmental regulations, licensing requirements or other restrictions concerning the Project, except where such matters have been brought to our attention and disclosed in the report.

The terms of this engagement are such that we have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of completion of our fieldwork; however, we are available to discuss the necessity for revision in view of changes in the economy or market factors which have a material effect on the proposed property.

This report was prepared for your internal use to assist you in analyzing the potential market position of the Subject Hotel. It is subject to the Statement of General Assumptions and Limiting Conditions presented in the Addenda, as well as to the assumptions presented herein.

We appreciate the opportunity to be of service and thank you for selecting PKF Consulting USA for professional services.

Sincerely,  
**PKF Consulting USA**  
**A Subsidiary of CBRE, Inc.**

## INTRODUCTION

KUD International is considering the development of a boutique-style hotel to be located adjacent to the UCF campus in Orlando, Florida. The proposed Project will include a hotel with 125 guestrooms and amenities commensurate with a 4-star property. In order to assist KUD International, PKF Consulting USA has first identified the potential market demand in the local lodging market. We have then provided our projections of the occupancy and average daily room rate the proposed Subject could reasonably be expected to achieve for its first five years of operation. Given these projections, we have also estimated the Subject's annual operating results including total operating revenues and expenses, net income from operations, and ratio to total revenues for ten years of operation.

For the purpose of our analysis, we have assumed that the Hotel will be open and available for occupancy by January 1, 2018. This report represents the culmination of our market research, analysis, and assessments relative to the potential market demand for the proposed Hotel.

### *Study Methodology*

In the course of our work, we visited the market, inspected the Site, and toured the immediate area. We subsequently completed the following market analysis procedures:

- Analyzed the suitability of the Site and surrounding areas;
- Reviewed critical issues such as access to the area, transportation systems, and the compatibility of surrounding land uses;
- Interviewed representatives of possible competitive and/or comparable hotels in the area, as well as others in the community known to be knowledgeable about the local lodging market;
- Gathered information from numerous sources including our internal databases, Moody's Analytics, websites and individuals knowledgeable about the greater Orlando market area characteristics, economic and demographic data, development projects and other such market-related information;
- Interviewed a number of representatives of UCF;
- Completed an analysis of the lodging sector in the immediate market area and throughout the greater Orlando area, and translated this information into a projection of potential utilization for the Hotel proposed for development;
- Recommended development concept, market positioning, proposed facilities, and (potential) branding of proposed Hotel;



- Estimated occupancy and average daily room rate for the proposed Hotel for the first five years of operation, based upon our analysis of market demand; and
- Estimated revenues and operating expenses for the Subject for its first ten years of operation, based upon our projected utilization.

### ***Assumptions Used for Projections***

Our analysis was based on the following set of assumptions:

- The proposed Hotel will be located on a parcel located at the entrance to the UCF campus;
- The Project will contain 125 guestrooms, a full-service lounge/restaurant, and other supportive amenities commensurate with a 4-star property;
- Professional management will operate the property in a competent and efficient manner;
- High levels of personal service will be afforded to all guests; and;
- The Subject Hotel will be open and fully operational by July 1, 2018.

### **EXECUTIVE SUMMARY**

The principal findings, conclusions and recommendations concerning the potential boutique Hotel at UCF are listed below. Subsequent sections in this report provide the support and rationale for the following highlights.

1. The Subject site is located adjacent to the UCF campus, within the geographical and statistical boundaries of Orlando, Florida. Orlando is located in Orange County, and is part of the Orlando–Kissimmee–Sanford, Florida Metropolitan Statistical Area (MSA).
2. An analysis of historical visitation patterns indicates that the greater Orlando market consistently attracts approximately 30 percent of all tourists entering Florida. Quality attractions and other recreational facilities, including Walt Disney World, Universal Orlando, and SeaWorld Orlando, and the amenities offered by resort hotels, bring millions of visitors to the area each year. Furthermore, Orlando also has emerged as a major distribution center for the rest of Florida as it is the most centrally located city in the state. As such, Orlando has become the location of choice for companies seeking to serve the entire state.
3. To be competitive in the local lodging market, we believe the Project at UCF will need to have a minimum of 110 guestrooms. We believe the maximum number of guestrooms that may be supported is 140. For the purpose of this analysis, we

have assumed the property to contain 125 guestrooms. It is our recommendation that the proposed Hotel be positioned as an upscale, full-service hotel that can compete in the corporate, leisure and group markets.

4. We also recommend the following amenities: outdoor pool deck, full-service food and beverage outlet, meeting and event space, fitness room, business center, concierge services, and a sundry/convenience market.
5. We selected a group of eight existing properties surrounding UCF that will most likely compete with the Subject Hotel (to varying degrees) and analyzed their aggregate performance metrics. The following table summarizes the historical performance of the selected hotels during the period 2010 through 2014 and year to date April 2014 and 2015.

Historical Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2010	346,020	N/A	217,641	N/A	62.9%	\$90.77	N/A	\$57.09	N/A
2011	346,020	0.0%	231,260	6.3%	66.8%	90.82	0.1%	60.70	6.3%
2012	346,968	0.3%	221,843	-4.1%	63.9%	96.94	6.7%	61.98	2.1%
2013	348,788	0.5%	224,451	1.2%	64.4%	98.70	1.8%	63.51	2.5%
2014	326,858	-6.3%	225,610	0.5%	69.0%	109.43	10.9%	75.54	18.9%
CAAG	-1.4%		0.9%			4.8%		7.2%	
YTD 4/2014	96,360	N/A	68,994	N/A	71.6%	\$112.37	N/A	\$80.46	N/A
YTD 4/2015	126,290	31.1%	98,957	43.4%	78.4%	113.90	1.4%	89.25	10.9%

Source: PKF Consulting USA

6. The competitive hotels accommodate demand in three segments: corporate transient, leisure transient and group meeting business. The following table summarizes the 2014 estimated mix of demand for the competitive market.

Competitive Market 2014 Mix of Demand		
Market Segment	Room Nights	Ratio
Corporate	129,500	57%
Leisure	53,500	24%
Group	42,600	19%
Total	226,000	100%

Source: PKF Consulting USA

7. The historical operating results for the competitive properties indicate that the market reached its highest occupancy and ADR in the last five years in 2014. The following table presents our projection for the competitive market for the period 2015 through 2022.



Projected Performance of the Competitive Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2015	379,235	16.0%	267,500	18.6%	71%	\$116.00	6.0%	\$82.36	9.0%
2016	400,770	5.7%	283,000	5.8%	71%	\$119.50	3.0%	84.85	3.0%
2017	420,115	4.8%	296,400	4.7%	71%	\$123.00	2.9%	87.33	2.9%
2018	465,740	10.9%	311,200	5.0%	67%	\$129.50	5.4%	86.77	-0.6%
2019	465,740	0.0%	320,600	3.0%	69%	\$134.00	3.3%	92.46	6.6%
2020	467,016	0.3%	330,300	3.0%	71%	\$138.00	3.1%	97.98	6.0%
2021	465,740	-0.3%	330,600	0.1%	71%	\$142.25	3.2%	101.00	3.1%
2022	465,740	0.0%	330,600	0.0%	71%	\$146.50	2.9%	104.02	3.0%
CAAG	3.0%		3.1%			3.4%		3.4%	

Source: PKF Consulting USA

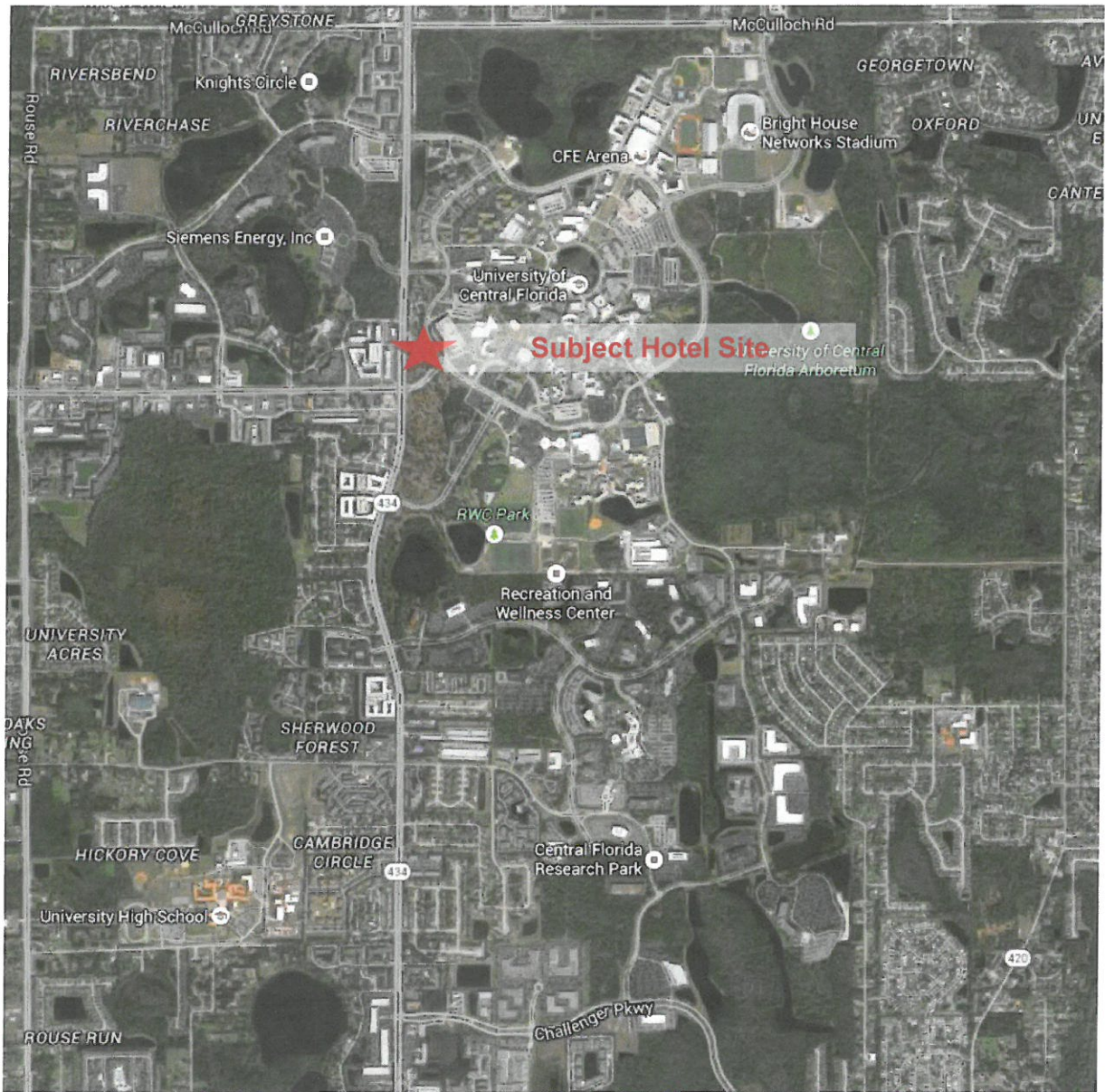
8. The planned design and scope of the proposed Hotel will yield a superior and unique product relative to that which exists in the market today. The following tables summarize the projected occupancy, ADR, and RevPAR for the Subject Hotel for the first five years of operation.

Projected Performance of the Subject Hotel											
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Market Penetration	Average Daily Rate	Percent Change	REVPAR	Percent Change	Revenue Yield
2018	45,625	N/A	29,500	N/A	65%	97%	157.00	N/A	102.05	N/A	118%
2019	45,625	0.0%	31,600	7.1%	69%	101%	165.00	5.0%	113.85	11.6%	123%
2020	45,625	0.0%	33,300	5.4%	73%	103%	171.50	4.0%	125.20	10.0%	128%
2021	45,750	0.3%	33,400	0.3%	73%	103%	176.75	3.0%	129.03	3.1%	128%
2022	45,625	-0.3%	33,400	0.0%	73%	103%	182.00	3.0%	132.86	3.0%	128%
CAAG	0.0%		3.2%				3.8%		6.8%		

Source: PKF Consulting USA

9. The estimates of revenues, costs, and expenses are based on the Subject's specific facilities and services and their operational characteristics. As a basis for our projections, we have analyzed the operating results of lodging properties with similar characteristics that are believed to operate with efficient management and proper control of costs and expenses. The following table summarizes the estimated operating results for the first ten years of operation for the proposed boutique Hotel at UCF.

Summary of Estimated Annual Operating Results			
Year	Total Revenue	Net Operating Income	Ratio to Total Revenues
2018	\$7,736,000	\$2,077,000	27%
2019	8,560,000	2,469,000	29%
2020	9,406,000	2,849,000	30%
2021	9,667,000	2,920,000	30%
2022	9,954,000	3,006,000	30%
2023	10,255,000	3,099,000	30%
2024	10,586,000	3,204,000	30%
2025	10,873,000	3,279,000	30%
2026	11,200,000	3,378,000	30%
2027	11,540,000	3,483,000	30%



Source: Google Maps



## **PROPOSED BOUTIQUE HOTEL**

Given its location and positioning within the competitive market, we are of the opinion that the construction of the proposed Subject Hotel will achieve very good efficiency for the site and operational profitability. Our comments concerning facility programming for the Subject Hotel are based on our analysis of the competitive hotels and the intended positioning of the Subject within the competitive market. Based on our analysis of the site and competitive lodging properties, as well as our interviews with representatives of UCF, we have developed recommendations as to the facilities program of the Hotel. The following provides a general scope of facilities that should be considered for the Subject.

### ***Proposed and Recommended Hotel Facilities***

To be competitive in the local lodging market, we believe the Project at UCF will need to have a minimum of 110 guestrooms. We believe the maximum number of guestrooms that may be supported is 140. For the purpose of this analysis, we have assumed the property to contain 125 guestrooms.

As the current supply of high-quality lodging product is somewhat limited in the area immediately surrounding the University, the Subject will be competing directly with a group of eight extended stay, limited-, select-, and full-service properties that are all considered to be mature and of average to good quality. To appropriately position the Subject Hotel within the competitive market, the Hotel's overall quality level should be above the competitive properties.

Based on the existing facilities within the market and the Subject's location at UCF, it is our opinion that the proposed Hotel should be developed as an upscale, full-service property. A full-service property is typically defined as a hotel with a restaurant, lounge facilities, and meeting space, as well as minimum service levels, such as bell service and in-room dining services.

STR, Inc. typically classifies hotels by chain scale, the segmentation of which is determined based on actual average room rates. The "luxury and upper upscale" market scale designation indicates hotels with an average daily room rate in the top 15 percent of a Metropolitan Statistical Area, and the "upscale" designation indicates hotels in the next 15 percent of average daily room rates. Based on our analysis of the existing supply and measurable demand for hotel room nights in the local market, we are of the opinion that the hotel room night demand within the area surrounding UCF is strong enough to support the addition of this hotel.

The Boutique and Lifestyle Lodging Association (BLLA) defines a "boutique hotel" as a lodging property that is intimate, luxurious or quirky, and in an upscale hotel environment for a very particular clientele. It also must have a distinctive design, style, and atmosphere, as well as on-site food and beverage. According to Smith Travel Research, boutique hotels may be brand or independent hotels concentrated in the Luxury, Upper Upscale and Upscale chain and class categories, having an actual or



estimated room rate of \$150 or higher, and typically having fewer than 200 rooms. According to the BLLA, boutiques are often frequented by the sophisticate, the artist, the politico and all those travelers who have a taste for something different.

### ***Overall Quality Level***

To appropriately position the Subject within the competitive market, the Hotel's overall quality level should be at or above the best of the competitive properties. Based on the existing supply in the Subject's competitive market and the demand patterns in this market, it is our recommendation that the proposed Hotel be positioned as an upscale, full-service hotel that can compete in the corporate, leisure and group markets.

The proposed Hotel will be well-positioned to capture a significant portion of lodging demand generated mainly from adult visitors who come to UCF or one of the area businesses. In addition to deriving significant demand by virtue of its location and site positioning, the proposed Hotel is expected to capture group travelers in the market with the newest meeting facilities upon completion.

In accordance with our market research, we found support for the proposed 125 guestrooms and recommend the following additional amenities: outdoor pool deck, full-service food and beverage outlet, meeting and event space, fitness room, business center, concierge services, and a sundry/convenience market. Given the amount of leisure business that the Project will attract, a spa may be a consideration as well. Additionally, the overall quality level of the construction and furnishings is to be high quality.

### ***Guest Rooms***

The proposed Subject will consist of 125 guestrooms. Based on the existing competitive hotel supply as well as the mix of demand in the competitive market, we recommend a mix of standard guestrooms and suites with king and double-queen beds. Given its positioning, we recommend a mix of 45 percent double-queen rooms, 45 percent king rooms, and 10 percent suites.

Individual guest units should offer either king-size beds or two queen beds in approximately 350 to 400 square feet of guestroom space. Guestroom amenities should include those comparable to an upscale, full-service hotel. Therefore, we recommend that the guest rooms contain the following:

- 42-inch or larger flat-screen, remote-controlled television with on-command movie options;
- Comfortable, upholstered chairs with floor lamp nearby;
- Ample sized working desk and ergonomic chair;
- Dual line telephones with data ports and voicemail;
- Wireless internet access;
- Clock radio with MP3 capabilities or iPod connections;

- Coffee/tea maker;
- Hairdryer;
- In-room safe;
- Iron and ironing board;
- High quality complimentary toiletries; and
- Other amenities consistent with an upscale, full-service hotel.

The suites should be larger in size, approximately 600 to 1,000 square feet, and offer separate sitting and living areas as well as a wet bar.

### ***Meeting Space***

In order to capture above its fair share of group business, the Hotel should offer more meeting space per guestroom than the hotel with the most meeting space in the competitive set. The Holiday Inn, located just a few miles from the Subject site, offers 5,000 square feet of meeting space, or roundly 35 square feet per guestroom. As such, we recommend the Subject hotel to include 6,000 to 8,000 square feet of net usable indoor meeting space, as well as an amount of additional outdoor space to take advantage of the location. The meeting space should be configured into multiple ballrooms (divisible into separate meeting rooms), with breakout rooms, a boardroom, and additional pre-function space. All available meeting space should be equipped with wireless internet access, independently controlled lighting, and a good quality sound system. All function areas should be strategically serviced by a central banquet kitchen.

### ***Food and Beverage***

Unique food and beverage outlets are an integral piece of any high-quality hotel property. As such, the Hotel should offer a variety of food and beverage options for hotel guests. The Subject property should provide one high-quality three-meal food and beverage restaurant, a lounge and bar area, and a Grab 'n' Go or coffee facility on the hotel's premises. The outdoor pool deck should also be serviced with light food and beverage options. Back of house production areas would service all food and beverage services. These food and beverage outlets will allow the subject to capture additional revenue as well as provide additional amenities to guests.

### ***Other Facilities and Amenities***

Other amenities at the proposed Subject property should include a fitness room, an outdoor pool deck, business center, on-site laundry facilities and services, public outdoor spaces, a sundry/convenience market, and wireless high-speed internet access throughout the property. Self-parking and valet parking should be available to guests. Given the property's integration with UCF, a shuttle service should be offered during certain times of the day.



***Management and Affiliation***

The Subject Hotel is anticipated to be branded and operated as UCF-affiliated hotels and will not necessarily be flagged under a national hotel chain. The property will be designed and constructed to fulfill the guest service needs of the University. The Subject development will benefit from UCF's brand power. It is assumed that a professional, experienced management team will operate the Hotel with competence and efficiency.

***Conclusions***

The Subject Hotel will have a competitive advantage given its positioning as the newest and highest quality hotel in the area and being affiliated with UCF. The Subject's location will allow guests easy access to all of the demand generators, including the University. Being that UCF is a well-established destination and brand in and of itself, the Subject Hotel will benefit from its design and product offering with the expectation of attracting higher-rated business to the area.

These facilities and amenities are recommended to optimize the market position and performance of the Subject Hotel at the Subject Site. The proposed Hotel is well suited to successfully integrate the immediate area and cater to the various segments of demand. The type, size, and positioning of the proposed Hotel accurately reflects the preferences of many travelers to the region, and as such should allow the proposed Hotels to capture an appropriate mix of business. Our market projections for the proposed Subject assume these facilities, amenities, and services.

## **ESTIMATED UTILIZATION OF THE PROPOSED HOTEL**

Our estimate of the potential utilization for the proposed Hotel is based on our foregoing analysis of the market overall, our knowledge of the performance of individual properties within the market, and our assessment of the Subject property's market position. The "penetration rate" of a hotel is the percentage of room nights captured relative to the property's "fair share." The hotel's "fair share" is calculated as the ratio of a property's number of available rooms to the total supply of rooms in the competitive market, including the subject property. A 100 percent market penetration in a demand segment indicates a property is achieving its fair share of the market. Excess market share is stated in percentages greater than 100 percent; less than fair share is stated in percentages less than 100 percent. The Subject's fair share will be 9.8 percent. The actual penetration of each market segment by the subject property may deviate from fair market share for the following reasons:

- The competitive advantages or disadvantages of the subject hotel versus the competition taking into consideration such factors as location, room rate structure, room size, quality and extent of amenities offered, chain affiliation, quality of management, marketing efforts and image;
- The characteristics, composition and needs of each market segment;
- The restraint on demand captured due to capacity constraints during certain periods of the week or season, or due to the accommodation of certain market segments; and
- Management decisions concerning target markets.

### ***Projected Occupancy of the Proposed Hotel***

The estimated occupancy level for the Subject Hotel has been projected on the basis of a penetration analysis as described above. We have projected the Subject's penetration based on the following competitive factors:

- The subject's affiliation with UCF;
- The subject's location proximate to UCF and the CFRP; and,
- The subject's newer and higher quality facilities and amenities relative to the competitive set.

Based on the Subject's location and quality level, we are of the opinion that the Hotel will outperform the market with regard to the corporate and leisure market segments, but achieve slightly below its fair share of the group market segment, attributable mainly to its room count and price point.



In its first year of operations, we expect the Subject to penetrate the corporate market at 100 percent, the leisure market at 95 percent, and the group market at 90 percent. As operations ramp up, penetration will increase to 105 percent in the corporate market, 97 percent in the leisure market, and 93 percent in the group market by 2019, and then to 107 percent, 100 percent, and 95 percent, respectively, by 2020. The Subject's estimated stabilized market mix and penetration are presented below. Overall, we expect the Subject to penetrate the market at 103 percent upon stabilization, resulting in an occupancy level of 73 percent, as shown on the following page.

<b>Proposed Independent Boutique Hotel at UCF 2020 Mix of Demand and Market Penetration</b>			
<b>Market Segment</b>	<b>Room Nights</b>	<b>Ratio</b>	<b>Penetration</b>
Corporate	19,400	58%	107%
Leisure	8,100	24%	100%
Group	5,800	17%	95%
<b>Total</b>	<b>33,300</b>	<b>100%</b>	<b>103%</b>
Source: PKF Consulting USA			

Proposed Independent Boutique Hotel at UCF Market Penetration and Projected Occupancy					
	2018	2019	2020	2021	2022
<b>TOTAL ROOMS AVAILABLE</b>					
Proposed Independent Boutique Hotel at UCF	<b>45,625</b>	<b>45,625</b>	<b>45,750</b>	<b>45,625</b>	<b>45,625</b>
Competitive Market	465,740	465,740	467,016	465,740	465,740
Fair Share of Supply	9.8%	9.8%	9.8%	9.8%	9.8%
<b>ESTIMATED TOTAL MARKET DEMAND</b>					
Corporate	174,800	180,100	185,500	185,700	185,700
Leisure	77,500	79,900	82,300	82,400	82,400
Group	58,900	60,600	62,500	62,500	62,500
TOTAL	311,200	320,600	330,300	330,600	330,600
<b>FAIR SHARE OF DEMAND</b>					
Corporate	17,100	17,600	18,200	18,200	18,200
Leisure	7,600	7,800	8,100	8,100	8,100
Group	5,800	5,900	6,100	6,100	6,100
TOTAL	30,500	31,300	32,400	32,400	32,400
<b>SUBJECT PENETRATION</b>					
Corporate	100%	105%	107%	107%	107%
Leisure	95%	97%	100%	100%	100%
Group	90%	93%	95%	95%	95%
<b>ROOM NIGHTS CAPTURED</b>					
Corporate	17,100	18,500	19,400	19,500	19,500
Leisure	7,200	7,600	8,100	8,100	8,100
Group	5,200	5,500	5,800	5,800	5,800
TOTAL CAPTURED DEMAND	29,500	31,600	33,300	33,400	33,400
<b>MARKET SHARE CAPTURED</b>					
	9.5%	9.9%	10.1%	10.1%	10.1%
<b>OVERALL MARKET PENETRATION</b>					
	97%	101%	103%	103%	103%
<b>SUBJECT OCCUPANCY</b>					
	65%	69%	73%	73%	73%
<b>MARKET MIX</b>					
Corporate	58%	59%	58%	58%	58%
Leisure	24%	24%	24%	24%	24%
Group	18%	17%	17%	17%	17%
TOTAL	100%	100%	100%	100%	100%

Source: PKF Consulting USA



### *Projected Average Daily Rate of the Proposed Hotel*

Our derivation of the average daily rate for the subject property in a stabilized year of operation is based on the historical average daily rates achieved by the market and information concerning the other hotel properties in the competitive supply. Considerations were also given to the comparison of the other competitive properties with the Subjects in terms of quality of facility, location, and mix of demand. Specifically, we are aware that the Alford Hotel, located on the Rollins College campus in nearby Winter Park, posted a 2014 ADR of between \$175.00 and \$185.00 at an occupancy level between 75.0 and 80.0 percent. While not a competitor to the Subject property, it is considered comparable in terms of quality and position in the market.

In the Subject's first year of operation, 2018, we estimate that the Hotel's average daily rate will be \$157.00. ADR for the Subject property is expected to increase 5.0 percent in 2019 and 4.0 percent in 2020. ADR is expected to increase 3.0 percent in 2021 and each year thereafter for the remainder of our projections. The stabilized rate equates to an ADR of \$148.00, stated in 2015 dollars.

The following table summarizes the projected occupancy, ADR, and RevPAR for the Subject Hotel for the first five full years of operation. The below ADR estimates reflect inflationary changes.

Projected Performance of the Subject Hotel											
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Market Penetration	Average Daily Rate	Percent Change	REVPAR	Percent Change	Revenue Yield
2018	45,625	N/A	29,500	N/A	65%	97%	157.00	N/A	102.05	N/A	118%
2019	45,625	0.0%	31,600	7.1%	69%	101%	165.00	5.0%	113.85	11.6%	123%
2020	45,625	0.0%	33,300	5.4%	73%	103%	171.50	4.0%	125.20	10.0%	128%
2021	45,750	0.3%	33,400	0.3%	73%	103%	176.75	3.0%	129.03	3.1%	128%
2022	45,625	-0.3%	33,400	0.0%	73%	103%	182.00	3.0%	132.86	3.0%	128%
CAAG	0.0%		3.2%				3.8%		6.8%		

Source: PKF Consulting USA

## FINANCIAL ANALYSIS

This section presents the financial projections for the proposed Hotel, which include pro forma income statements for the ten years beginning January 1, 2018 and ending December 31, 2027. The format used in the analysis is the *Uniform System of Accounts for the Lodging Industry* developed by the American Hotel & Lodging Association and in general use throughout the lodging industry. In conformity with this system of account classifications, only direct operating expenses are charged to operating departments of the Hotel. The general overhead items that are applicable to operations as a whole are classified as deductions from income and include administrative and general expenses, marketing expenses, property operations and maintenance expenses, energy costs, management fees, fixed expenses, which include real estate taxes and insurance, and a reserve for replacement.

The cash flow projections over the ten-year holding period are based on an estimate of results that could be achieved with good management in a representative or stabilized year of operations, calculated in 2015 dollars. From this base, we then consider such factors as changes in room rates, occupancy, inflation, and the fixed and variable components of each revenue and expense item. The estimates of revenues, costs and expenses are based on the proposed facilities and services and the operational characteristics thereof. The basis for our projections is the operating results of lodging properties with similar characteristics that are believed to operate with efficient management and proper control over costs and expenses.

### ***Basis for Cash Flow Projections***

The estimates of financial performance are based upon the actual 2014 financial performance of five comparably sized and operated hotels, all located in the southeastern United States. The estimates are also based upon expectations of reasonable financial performance for the Hotel, based upon its proposed location, size, facilities, and quality level. The comparable hotels' financial information is obtained primarily from confidential information submitted for the 2015 edition (2014 year-end data) of the PKF Consulting USA publication *Trends in the Hotel Industry*®.

Occupancies for the comparable hotels ranged from roundly 61 to 75 percent, and ADRs ranged from approximately \$115 to \$170. Together, these hotels had a composite occupancy of 63.4 percent and an average daily rate of \$138.10 in 2014. The 2014 financial statements for the five comparable hotels are presented on the following two pages. For reasons of confidentiality, the identity of these hotels cannot be disclosed.