



MARKET STUDY THROUGH OCCUPANCY AND AVERAGE RATE

Proposed Resort

NEAR RED RIVER GORGE AREA
SLADE, KENTUCKY

SUBMITTED TO:

Mr. Dave Adkisson
Kentucky Chamber of Commerce
464 Chenault Road
Frankfort, Kentucky 40601
+1 (502) 848-8744

PREPARED BY:

HVS Consulting & Valuation
Division of TS Worldwide, LLC
10121 SE Sunnyside Road, Suite 235
Clackamas, Oregon 97015
+1 (970) 381-9794

April 25, 2017

Mr. Dave Adkisson
Kentucky Chamber of Commerce
464 Chenault Road
Frankfort, Kentucky 40601

HVS PORTLAND

10121 SE Sunnyside Road, Suite 235

Clackamas, Oregon, 97015

+1 (970) 381-9794

+1 (415) 896-0516 FAX

www.hvs.com

Re: Proposed Resort
Slade, Kentucky
HVS Reference: 2016250046, 2016021796

Dear Mr. Adkisson:

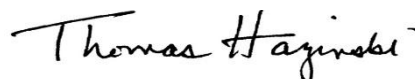
Pursuant to your request, we herewith submit our market study pertaining to the above-captioned property. We have inspected the real estate and analyzed the hotel market conditions in the Slade, Kentucky area. We have studied the proposed project, and the results of our fieldwork and analysis are presented in this report. Our report was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation.

This report is intended for the addressee firm, and may not be distributed to or relied upon by other persons or entities. We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

Sincerely,
TS Worldwide, LLC



Desiree M. Flanary, MAI, Senior Vice President
dflanary@hvs.com, +1 (970) 381-9794



Thomas A Hazinski, MPP,
Managing Director, Convention-Sports-Entertainment
thazinski@hvs.com, +1 (312) 587-9900 ext. 11

Table of Contents

SECTION	TITLE	PAGE
1.	Executive Summary	1
2.	Description of the Site and Neighborhood	8
3.	Market Area Analysis	9
4.	Supply and Demand Analysis	24
5.	Description of the Proposed Project	42
6.	Projection of Occupancy and Average Rate	45
7.	Statement of Assumptions and Limiting Conditions	51
8.	Certification	54
	Addenda	
	Qualifications	

1. Executive Summary

Subject of the Market Study

The proposed subject property is in the very preliminary stages of development. A site has yet to be determined; however, the sites being considered are proximate to the Red River Gorge area and Natural Bridge State Resort Park. HVS's recommendations for the proposed lodging facility include a 150- to 175-unit lodging complex with a mix of standard guestrooms and individual cabins. There should be approximately 12,000 square feet of meeting space, including a 6,000-square-foot ballroom that can be divided into three rooms, with the remaining meeting space allocated among meeting rooms and boardroom-type spaces. An outdoor/indoor swimming pool area, a fitness room, a full-service spa, and connection to hiking trails should be included in the recreational facilities. The grounds should include indoor and outdoor wedding ceremony sites. Food and beverage facilities should include a full-service restaurant and lounge, with other casual food outlets, such as a coffee shop. Lastly, a lobby workstation and a market pantry/gift shop should also be included in the design. The hotel is expected to also contain the appropriate parking capacity and all necessary back-of-the-house space.

Pertinent Dates

The effective date of the report is April 25, 2017. The subject site was inspected by Desiree M. Flanary, MAI, Catherine Sarrett, MBA, and Thomas A Hazinski, MPP on November 29, 2016.

Ownership, Franchise, and Management Assumptions

At the time of this market study, neither a site for the proposed hotel nor a developer for the project had been determined. This study is being prepared for the Kentucky Chamber of Commerce so that it may provide information to help attract developers to the proposed project.

Details pertaining to management terms were not yet determined at the time of this report; however, we assume that the proposed hotel will be managed by a professional hotel-operating company, with fees deducted at rates consistent with current market standards.

The proposed hotel will reportedly remain independently operated throughout the forecast period; therefore, it will not be subject to franchise fees.

Summary of Hotel Market Trends

The subject site is located in the greater Powell County lodging market. There are only five hotels/motels that operate within this market. None of the existing hotels is expected to compete directly with a proposed destination resort, such as the one that is the subject of this study. Given the lack of reporting hotels in the Slade area

and the greater Powell County market, as well as the requirements associated with ordering a Smith Travel Research (STR) trend, we have used a sample of destination lodging properties located in the Kentucky, Tennessee, and West Virginia. In addition, the full-service hotels in Downtown Lexington were included, as the proposed hotel would be expected to compete with these properties for meeting and group demand. Properties were chosen based on product offering, drive time from population centers, and similar outdoor activities. Due to STR restrictions, we were only able to obtain a trend beginning in 2009.

Occupancy first peaked for this selected set of competitive hotels in 2007; however, average rate peaked in 2008, resulting in a RevPAR of just over \$64.00, before declining to a low point of roughly \$61.00 by year-end 2009. The decline was attributed to the Great Recession. A rapid recovery began in 2010, at which time the prior RevPAR peak was exceeded. The rapid recovery was primarily attributed to demand increases in Lexington and several large events that took place in the market, including the World Equestrian Games. In 2011, demand levels moderated in Lexington, thus prompting an overall decline that year. RevPAR continued to rise in 2012 through 2016, with growth driven largely by increases in tourism and meeting/group demand given the strong economic conditions. In 2016, RevPAR surpassed \$95.00, a record high, primarily due to the strengthening economy. The near-term outlook is positive due to the anticipation of this continuing trend.

The following table provides a historical perspective on the supply and demand trends for a selected set of hotels, as provided by STR.

FIGURE 1-1 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)

Year	Average Daily Available Room		Occupied Room		Average		RevPAR	Change				
	Room Count	Nights	Nights	Change	Rate	Change						
2005	1,429	521,585	—	265,481	—	50.9 %	\$97.22	—	\$49.48	—		
2006	1,429	521,585	0.0 %	278,039	4.7 %	53.3	100.28	3.2 %	53.46	8.0 %		
2007	1,514	552,615	5.9	323,196	16.2	58.5	107.02	6.7	62.59	17.1		
2008	1,574	574,510	4.0	321,553	(0.5)	56.0	114.62	7.1	64.15	2.5		
2009	1,574	574,510	0.0	319,561	(0.6)	55.6	108.91	(5.0)	60.58	(5.6)		
2010	1,574	574,510	0.0	343,663	7.5	59.8	120.02	10.2	71.79	18.5		
2011	1,573	574,204	(0.1)	331,505	(3.5)	57.7	117.55	(2.1)	67.87	(5.5)		
2012	1,573	574,145	(0.0)	349,846	5.5	60.9	118.45	0.8	72.17	6.3		
2013	1,592	581,068	1.2	359,047	2.6	61.8	123.69	4.4	76.43	5.9		
2014	1,666	608,000	4.6	362,628	1.0	59.6	129.69	4.9	77.35	1.2		
2015	1,930	704,559	15.9	431,120	18.9	61.2	146.52	13.0	89.66	15.9		
2016	2,159	787,953	11.8	486,212	12.8	61.7	154.57	5.5	95.38	6.4		
Average Annual Compounded Change:												
2005 - 2016			3.8 %	2005 - 2016			5.7 %	2005 - 2016			4.3 %	6.1 %
2005 - 2008			3.3	2005 - 2008			6.6	2005 - 2008			5.6	9.0
2008 - 2011			(0.0)	2008 - 2011			1.0	2008 - 2011			0.8	1.9
2011 - 2016			6.5	2011 - 2016			8.0	2011 - 2016			5.6	7.0
Hotels Included in Sample				Number of Rooms	Year Affiliated	Year Opened						
Curio Collection The Campbell House Lexington				250	Dec 2015	Jun 1951						
Natural Bridge State Resort				46	Jun 1964	Jun 1964						
Hyatt Regency Lexington				366	Apr 1977	Apr 1977						
Hilton Lexington Downtown				366	Oct 2009	Nov 1982						
Stonewall Resort				208	Oct 2002	Oct 2002						
The Resort @ Governors Crossing				155	Apr 2004	Apr 2004						
The Inn @ Christmas Place				145	Jun 2007	Jun 2007						
Hilton Garden Inn Pikeville				113	Nov 2013	Nov 2013						
Margaritaville Island Hotel				129	Oct 2014	Oct 2014						
Dollywood's DreamMore Resort				307	Jul 2015	Jul 2015						
21c Museum Hotel Lexington				88	Mar 2016	Mar 2016						
Total				2,173								

Source: STR

The following tables reflect our estimates of operating data for hotels on an individual basis. These trends are presented in detail in the Supply and Demand Analysis chapter of this report.

FIGURE 1-2 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Est. Segmentation			Estimated 2015				Estimated 2016					
	Number of Rooms	FT	Meeting and Group	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Natural Bridge State Park	46	60 %	40 %	46	65 - 70 %	\$95 - \$100	\$60 - \$65	46	65 - 70 %	\$100 - \$105	\$65 - \$70	110 - 120 %	65 - 70 %
Hilton Garden Inn Pikeville	113	70	30	113	50 - 55	130 - 140	65 - 70	113	50 - 55	130 - 140	65 - 70	80 - 85	65 - 70
Dollywood's DreamMore Resort	307	65	35	152	40 - 45	190 - 200	85 - 90	307	55 - 60	190 - 200	115 - 120	95 - 100	110 - 120
Inn at Christmas Place	145	85	15	145	75 - 80	160 - 170	125 - 130	145	70 - 75	160 - 170	120 - 125	110 - 120	110 - 120
Margaritaville Island Hotel	129	80	20	129	65 - 70	210 - 220	140 - 150	129	60 - 65	210 - 220	140 - 150	100 - 110	140 - 150
Resort at Governor's Crossing	155	85	15	155	60 - 65	125 - 130	75 - 80	155	55 - 60	125 - 130	70 - 75	90 - 95	70 - 75
Stonewall Resort	208	70	30	208	50 - 55	200 - 210	100 - 105	208	50 - 55	200 - 210	105 - 110	80 - 85	100 - 110
Sub-Totals/Averages	1,103	74 %	26 %	948	58.8 %	\$168.94	\$99.38	1,103	60.0 %	\$174.41	\$104.70	97.1 %	104.0 %
Secondary Competitors	1,070	65 %	35 %	638	65.5 %	\$144.74	\$94.79	686	64.8 %	\$145.61	\$94.29	104.7 %	93.6 %
Totals/Averages	2,173	70 %	30 %	1,587	61.5 %	\$158.57	\$97.53	1,789	61.8 %	\$162.84	\$100.71	100.0 %	100.0 %

* Specific occupancy and average rate data was utilized in our analysis, but is presented in ranges in the above table for the purposes of confidentiality.

FIGURE 1-3 SECONDARY COMPETITORS – OPERATING PERFORMANCE

Property	Est. Segmentation			Estimated 2015					Estimated 2016			
	Number of Rooms	FT	Meeting and Group	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
21c Museum Hotel Lexington	88	90 %	10 %	65 %	0	— %	—	—	48	50 - 55 %	\$150 - \$160	\$85 - \$90
Hilton Lexington Downtown Hotel & Conference Center	366	60	40	65	238	65 - 70	140 - 150	95 - 100	238	65 - 70	140 - 150	100 - 105
Hyatt Regency Lexington	366	60	40	65	238	60 - 65	140 - 150	95 - 100	238	60 - 65	140 - 150	90 - 95
The Campbell House Lexington Curio Collection by Hilton	250	75	25	65	163	60 - 65	130 - 140	85 - 90	163	60 - 65	130 - 140	85 - 90
Totals/Averages	1,070	65 %	35 %	65 %	638	65.5 %	\$144.74	\$94.79	686	64.8 %	\$145.61	\$94.29

* Specific occupancy and average rate data was utilized in our analysis, but is presented in ranges in the above table for the purposes of confidentiality.

**Summary of Forecast
Occupancy and
Average Rate**

Based on our analysis presented in the Projection of Occupancy and Average Rate chapter, we have chosen to use a stabilized occupancy level of 64% and a base-year rate position of \$150.00 for the proposed subject hotel. The following table reflects a summary of our market-wide and proposed subject hotel occupancy and average rate projections.

FIGURE 1-4 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

Year	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	61.8 %	—	\$162.84	—	—	\$150.00	92.1 %
2017	59.7	4.0 %	169.35	—	4.0 %	156.00	92.1
2018	60.6	3.0	174.43	—	3.0	160.68	92.1
2019	61.0	3.0	179.67	0.0	3.0	165.50	92.1
2020	60.3	3.0	185.06	54.0 %	3.0	170.47	92.1
2021	60.7	3.0	190.61	59.0	3.0	175.58	92.1
2022	60.8	3.0	196.33	64.0	3.0	180.85	92.1

The following table summarizes the proposed subject hotel’s forecast, reflecting fiscal years and opening-year rate discounts as applicable.

FIGURE 1-5 FORECASTS OF OCCUPANCY AND AVERAGE RATE

Year	Occupancy	Average Rate Before Discount	Discount	Average Rate After Discount
2020	54 %	\$170.47	3.0 %	\$165.35
2021	59	175.58	2.5	171.19
2022	64	180.85	0.0	180.85
2023	64	186.27	0.0	186.27

Scope of Work

The methodology used to develop this study is based on the market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled *The Valuation of Hotels and Motels*,¹ *Hotels, Motels and*

¹ Stephen Rushmore, *The Valuation of Hotels and Motels*. (Chicago: American Institute of Real Estate Appraisers, 1978).

*Restaurants: Valuations and Market Studies,*² *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations,*³ *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations,*⁴ and *Hotels and Motels – Valuations and Market Studies.*⁵

1. All information was collected and analyzed by the staff of TS Worldwide, LLC. Information was supplied by the client and/or the property's development team.
2. The subject area has been evaluated from the viewpoint of its physical utility for the future operation of a hotel, as well as access, visibility, and other relevant factors.
3. The surrounding economic environment, on both an area and neighborhood level, has been reviewed to identify specific hostelry-related economic and demographic trends that may have an impact on future demand for hotels.
4. Dividing the market for hotel accommodations into individual segments defines specific market characteristics for the types of travelers expected to utilize the area's hotels. The factors investigated include purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.
5. An analysis of existing and proposed competition provides an indication of the current accommodated demand, along with market penetration and the degree of competitiveness.
6. Documentation for an occupancy and average rate projection is derived utilizing the build-up approach based on an analysis of lodging activity.

² Stephen Rushmore, *Hotels, Motels and Restaurants: Valuations and Market Studies*. (Chicago: American Institute of Real Estate Appraisers, 1983).

³ Stephen Rushmore, *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*. (Chicago: American Institute of Real Estate Appraisers, 1990).

⁴ Stephen Rushmore, *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations* (Chicago: Appraisal Institute, 1992).

⁵ Stephen Rushmore and Erich Baum, *Hotels and Motels – Valuations and Market Studies*. (Chicago: Appraisal Institute, 2001).

2. Description of the Site and Neighborhood

The suitability of the land for the operation of a lodging facility is an important consideration affecting the economic viability of a property and its ultimate marketability. Factors such as size, topography, access, visibility, and the availability of utilities have a direct impact on the desirability of a particular site.

The specific subject site had not been determined at the time of this report. Our focus is on Powell County, as the to-be-determined site will be proximate to the Red River Gorge and Natural Bridge Resort State Park. This site is in the city of Slade, Kentucky.

Access and Visibility

It is important to analyze the site with respect to regional and local transportation routes and demand generators, including ease of access. The subject site is readily accessible to a variety of local and county roads, as well as state and interstate highways.

MAP OF REGIONAL ACCESS ROUTES



Regional access to/from the Slade area is considered very good. The subject market is served by a variety of additional local highways, which are illustrated on the map.

Airport Access

The proposed subject hotel will be served by the Blue Grass Airport, which is located in Lexington, Kentucky, the closest metropolitan market to Slade. Market Area Analysis

The economic vitality of the market area and neighborhood surrounding the subject site is an important consideration in forecasting lodging demand and future income potential. Economic and demographic trends that reflect the amount of visitation provide a basis from which to project lodging demand. The purpose of the market area analysis is to review available economic and demographic data to determine whether the local market will undergo economic growth, stabilize, or decline. In addition to predicting the direction of the economy, the rate of change must be quantified. These trends are then correlated based on

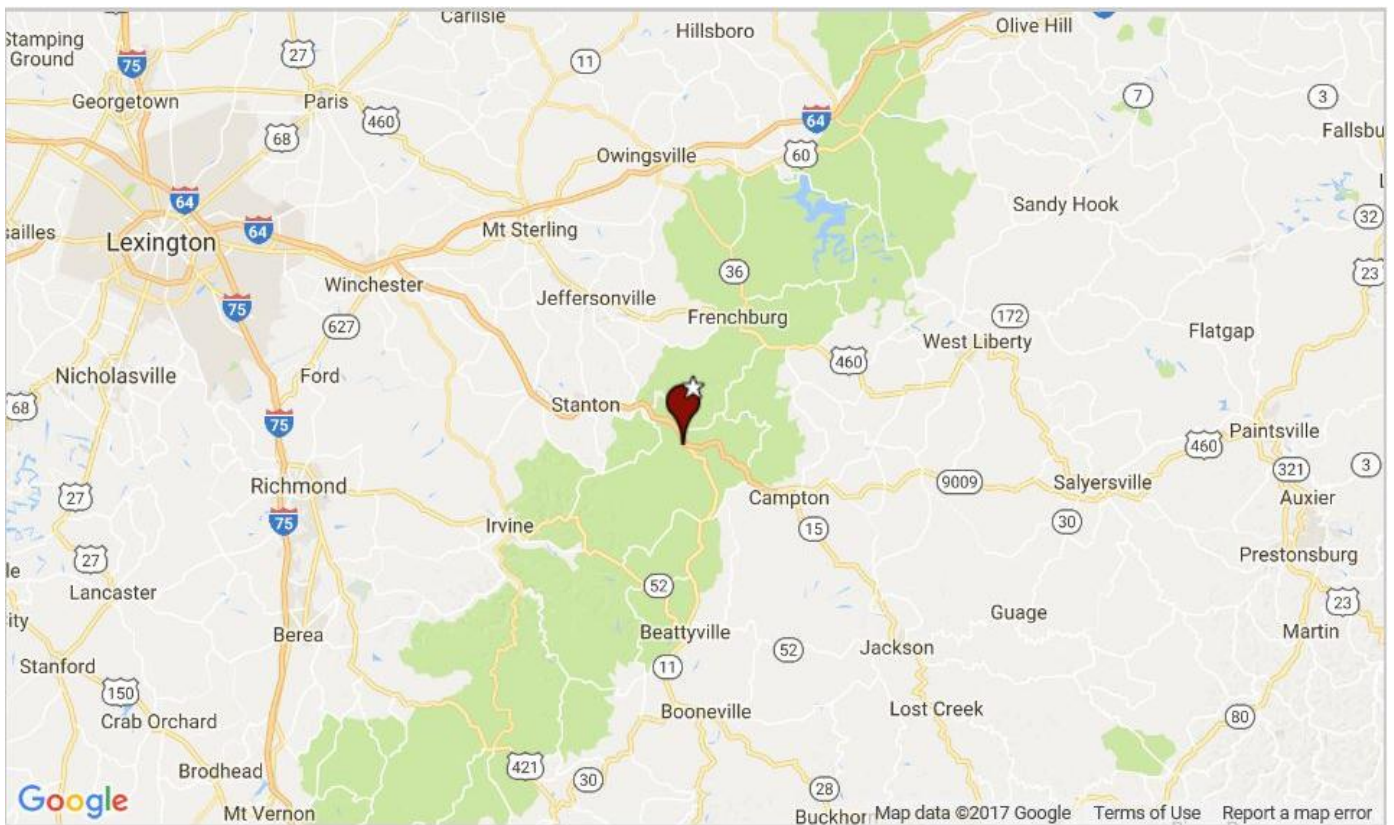
their propensity to reflect variations in lodging demand, with the objective of forecasting the amount of growth or decline in visitation by individual market segment (e.g., commercial, meeting and group, and leisure).

Market Area Definition

The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject site is located in the city of Slade, the county of Powell, and the state of Kentucky. Slade is an unincorporated community in Powell County, located roughly 55 miles southeast of the Lexington metropolitan area. This region is home to the Natural Bridge State Resort Park and the Red River Gorge Geological Area; it is also the gateway to the popular Daniel Boone National Forest. The county is home to just over 12,000 residents; however, it is a popular drive-to destination because of the natural attractions and the accessibility to a variety of outdoor activities.

The following exhibit illustrates the market area.

MAP OF MARKET AREA



**Economic and
Demographic Review**

A primary source of economic and demographic statistics used in this analysis is the *Complete Economic and Demographic Data Source* published by Woods & Poole Economics, Inc.—a well-regarded forecasting service based in Washington, D.C. Using a database containing more than 900 variables for each county in the nation, Woods & Poole employs a sophisticated regional model to forecast economic and demographic trends. Historical statistics are based on census data and information published by the Bureau of Economic Analysis. Projections are formulated by Woods & Poole, and all dollar amounts have been adjusted for inflation, thus reflecting real change.

These data are summarized in the following table.

FIGURE 2-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	2000	2010	2016	2020	Average Annual Compounded Change		
					2000-10	2010-16	2016-20
Resident Population (Thousands)							
Powell County	13.3	12.7	12.6	13.0	(0.5) %	(0.0) %	0.8 %
State of Kentucky	4,049.0	4,349.8	4,475.3	4,608.2	0.7	0.5	0.7
United States	282,162.4	309,347.1	324,506.9	336,690.4	0.9	0.8	0.9
Per-Capita Personal Income*							
Powell County	\$21,318	\$24,898	\$27,870	\$29,747	1.6	1.9	1.6
State of Kentucky	30,017	32,441	35,542	37,912	0.8	1.5	1.6
United States	36,812	39,622	43,613	46,375	0.7	1.6	1.5
W&P Wealth Index							
Powell County	56.7	60.3	60.4	60.6	0.6	0.0	0.1
State of Kentucky	82.2	81.5	80.7	80.8	(0.1)	(0.2)	0.1
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
Powell County	\$9	\$10	\$13	\$14	1.3	4.6	1.8
State of Kentucky	4,823	5,585	7,103	7,554	1.5	4.1	1.6
United States	368,829	447,728	562,999	602,635	2.0	3.9	1.7
Total Retail Sales (Millions)*							
Powell County	\$83	\$98	\$112	\$119	1.7	2.2	1.5
State of Kentucky	51,862	53,440	62,019	65,790	0.3	2.5	1.5
United States	3,902,830	4,130,414	4,846,834	5,181,433	0.6	2.7	1.7

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population has grown at an average annual compounded rate of 0.8% from 2010 through 2016. The county's population has declined slightly when compared to the nation's population; the average annual growth rate of 0.0% between 2010 and 2016 reflects a relatively stable area. Following this population trend, per-capita personal income increased slowly, at 1.9% on average annually for the county between 2010 and 2016. Local wealth indexes have remained stable in recent years, registering a relatively low 60.4 level for the county in 2016.

Food and beverage sales totaled \$13 million in the county in 2016, versus \$10 million in 2010. This reflects a 4.6% average annual change, which is stronger than the 1.3% pace recorded in the prior decade, the latter years of which were adversely affected by the recession. Over the long term, the pace of growth is forecast to moderate to a more sustainable level of 1.8%, which is forecast through 2020. The retail sales sector demonstrated an annual increase of 1.7% registered in the decade 2000 to 2010, followed by an increase of 2.2% in the period 2010 to 2016. An increase of 1.5% average annual change is expected in county retail sales through 2020.

Workforce Characteristics

The characteristics of an area's workforce provide an indication of the type and amount of transient visitation likely to be generated by local businesses. Sectors 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, transportation, communications, and public utilities (TCPU) employers can also be important, depending on the company type.

The following table sets forth the county workforce distribution by business sector in 2000, 2010, and 2016, as well as a forecast for 2020.

FIGURE 2-2 HISTORICAL AND PROJECTED EMPLOYMENT (000S)

Industry	2000	Percent of Total	2010	Percent of Total	2016	Percent of Total	2020	Percent of Total	Average Annual Compounded Change		
									2000- 2010	2010- 2016	2016- 2020
Farm	0.3	6.1 %	0.2	5.4 %	0.2	5.2 %	0.2	5.1 %	(2.8) %	0.1 %	0.4 %
Forestry, Fishing, Related Activities And Other	0.0	0.7	0.0	0.8	0.0	1.0	0.0	0.9	(0.9)	3.7	0.6
Mining	0.0	0.8	0.1	1.7	0.1	1.4	0.1	1.4	6.2	(2.8)	0.8
Utilities	0.0	0.5	0.0	0.6	0.0	0.5	0.0	0.5	0.4	(3.0)	1.2
Construction	0.3	6.1	0.2	5.9	0.3	6.9	0.3	7.1	(2.0)	3.5	1.8
Manufacturing	1.2	24.4	0.2	4.4	0.3	5.9	0.2	5.5	(17.1)	6.0	(0.8)
Total Trade	0.6	12.1	0.6	15.3	0.7	15.1	0.7	15.3	0.7	0.6	1.4
Wholesale Trade	0.0	0.9	0.1	1.4	0.0	1.0	0.0	1.0	2.7	(4.7)	1.2
Retail Trade	0.5	11.2	0.6	13.9	0.6	14.1	0.6	14.3	0.6	1.1	1.4
Transportation And Warehousing	0.2	4.4	0.2	4.5	0.2	3.8	0.2	3.7	(1.5)	(2.0)	0.8
Information	0.0	0.7	0.0	0.8	0.0	0.7	0.0	0.6	(0.3)	(1.7)	0.9
Finance And Insurance	0.1	2.3	0.1	3.1	0.1	3.2	0.2	3.3	1.2	1.4	2.1
Real Estate And Rental And Lease	0.1	1.9	0.1	3.6	0.2	3.6	0.2	3.7	5.0	1.0	1.6
Total Services	1.1	22.2	1.3	31.8	1.4	32.8	1.5	33.1	2.0	1.3	1.4
Professional And Technical Services	0.1	1.6	0.1	2.0	0.1	2.4	0.1	2.4	0.4	4.6	1.2
Administrative And Waste Services	0.1	2.8	0.2	5.0	0.2	5.4	0.3	5.6	4.4	2.0	2.1
Educational Services	0.0	0.1	0.1	1.3	0.0	0.5	0.0	0.5	26.4	(13.4)	2.2
Health Care And Social Assistance	0.4	7.4	0.4	9.8	0.4	9.1	0.4	9.1	1.2	(0.4)	1.3
Arts, Entertainment, And Recreation	0.0	1.0	0.0	1.1	0.0	1.0	0.0	1.0	(0.2)	(1.5)	1.2
Accommodation And Food Services	0.2	4.3	0.3	6.2	0.3	7.4	0.3	7.4	2.2	3.9	1.2
Other Services, Except Public Administration	0.2	5.1	0.3	6.5	0.3	7.0	0.3	6.9	0.8	2.1	1.1
Total Government	0.9	17.8	0.9	22.2	0.9	20.0	0.9	19.9	0.6	(0.9)	1.0
Federal Civilian Government	0.0	1.0	0.0	1.0	0.0	0.8	0.0	0.8	(2.3)	(1.8)	0.0
Federal Military	0.0	0.9	0.0	1.0	0.0	0.9	0.0	0.9	(0.5)	(1.2)	0.0
State And Local Government	0.8	15.9	0.8	20.2	0.8	18.3	0.8	18.2	0.8	(0.8)	1.1
TOTAL	4.8	100.0 %	4.1	100.0 %	4.3	100.0 %	4.5	100.0 %	(1.6) %	0.8 %	1.1 %
U.S.	165,370.9	—	173,034.7	—	191,870.8	—	203,418.4	—	0.9	1.7	1.5

Source: Woods & Poole Economics, Inc.

Woods & Poole Economics, Inc. reports that during the period from 2000 to 2010, total employment in the county contracted at an average annual rate of -1.6%. This trend lagged the national average. More recently, the pace of total employment growth in the county accelerated to 0.8% on an annual average from 2010 to 2016, reflecting the initial years of the recovery.

Of the primary employment sectors, Total Services recorded the highest increase in number of employees during the period from 2010 to 2016, increasing by 108 people, or 8.3%, and rising from 31.8% to 32.8% of total employment. Of the various service sub-sectors, Health Care And Social Assistance and Accommodation And Food Services were the largest employers. Strong growth was also recorded in the Manufacturing sector, as well as the Construction sector, which expanded by 42.2% and 23.1%, respectively, in the period 2010 to 2016. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 1.1% on average annually through 2020. The trend is below the forecast rate of change for the U.S. as a whole during the same period.

Radial Demographic Snapshot

The following table reflects radial demographic trends for our market area measured by three points of distance from the subject site.

FIGURE 2-3 DEMOGRAPHICS BY RADIUS

	0.00 - 1.00 miles	0.00 - 3.00 miles	1.00 - 5.00 miles
Population			
2021 Projection	25	496	1,696
2016 Estimate	24	497	1,699
2010 Census	23	503	1,715
2000 Census	24	520	1,767
Growth 2016 - 2021	2.2%	-0.3%	-0.2%
Growth 2010 - 2016	3.1%	-1.2%	-0.9%
Growth 2000 - 2010	-4.5%	-3.3%	-3.0%
Households			
2021 Projection	10	209	718
2016 Estimate	10	206	709
2010 Census	9	203	696
2000 Census	10	202	688
Growth 2016 - 2021	4.3%	1.2%	1.3%
Growth 2010 - 2016	6.8%	1.5%	1.9%
Growth 2000 - 2010	-4.8%	0.3%	1.2%
Income			
2016 Est. Average Household Income	\$36,422	\$42,137	\$41,257
2016 Est. Median Household Income	30,376	30,422	29,659
2016 Est. Civ. Employed Pop 16+ by Occupatio			
Architect/Engineer	0	3	9
Arts/Entertainment/Sports	0	0	0
Building Grounds Maintenance	1	11	37
Business/Financial Operations	0	4	15
Community/Social Services	0	3	12
Computer/Mathematical	0	0	1
Construction/Extraction	1	14	48
Education/Training/Library	0	13	44
Farming/Fishing/Forestry	0	1	4
Food Prep/Serving	1	25	77
Health Practitioner/Technician	0	7	24
Healthcare Support	0	1	6
Maintenance Repair	0	11	36
Legal	0	0	0
Life/Physical/Social Science	0	0	2
Management	0	5	19
Office/Admin. Support	1	15	52
Production	1	18	60
Protective Services	1	6	18
Sales/Related	1	15	49
Personal Care/Service	0	5	18
Transportation/Moving	1	10	34

Source: The Nielsen Company

**Unemployment
Statistics**

This source reports a population of 1,699 within a five-mile radius of the Slade Rest Area, and 709 households within this same radius. Average household income within a five-mile radius of the subject site is currently reported at \$41,257, while the median is \$29,659.

The following table presents historical unemployment rates for the proposed subject hotel’s market area.

FIGURE 2-4 UNEMPLOYMENT STATISTICS

Year	County	State	U.S.
2006	7.2 %	5.7 %	4.6 %
2007	6.6	5.4	4.6
2008	8.6	6.4	5.8
2009	15.5	10.3	9.3
2010	15.5	10.2	9.6
2011	12.9	9.4	8.9
2012	10.9	8.2	8.1
2013	10.8	8.1	7.4
2014	8.5	6.5	6.2
2015	7.2	5.4	5.3
<i>Recent Month - Nov</i>			
2015	7.2 %	5.3 %	5.0 %
2016	5.9	4.0	4.6

* Letters shown next to data points (if any) reflect revised population controls and/or model re-estimation implemented by the BLS.

Source: U.S. Bureau of Labor Statistics

After the U.S. unemployment rate declined to an annual average of 4.6% in 2006 and 2007, the Great Recession, which spanned December 2007 through June 2009, resulted in heightened unemployment rates. The unemployment rate peaked at 10.0% in October 2009, after which job growth resumed; the national unemployment rate has steadily declined since 2010. Total nonfarm payroll employment increased by 176,000, 191,000, and 161,000 jobs in August, September, and October 2016, respectively. The strongest gains in October were recorded in the health care, professional and business services, and financial activities sectors. The national unemployment rate was reported to be 4.9% in July and August, and then moved slightly higher to 5.0% in September, before returning to 4.9% in October; it has remained near the 5.0% mark since August

Major Business and Industry

2015, reflecting a trend of relative stability and the overall strength of the U.S. economy.

Locally, the unemployment rate was 7.2% in 2015; for this same area in 2016, the most recent month’s unemployment rate was registered at 5.9%, versus 7.2% for the same month in 2015. After showing year-over-year improvement, unemployment began to rise in 2008 as the region entered an economic slowdown, and this trend continued through 2010 as the height of the national recession took hold. However, unemployment declined in 2011 as the economy rebounded, a trend that continued through 2015. The most recent comparative period illustrates improvement, indicated by the lower unemployment rate in the latest available data for 2016. Local economic development officials noted that the primary reasons behind this positive trend include growth in the tourism industry and stable employment levels in the government sector.

Providing additional context for understanding the nature of the regional economy, the following table presents a list of the major employers in the subject property’s market.

FIGURE 2-5 MAJOR EMPLOYERS

Rank	Firm*	Number of Employees
1	Heritage Millworks LLC	86
2	Scott Archery Manufacturing	52
3	Stantek Manufacturing LLC	36
4	Natural Bridge Stone Company	35
5	Clean Tide Container	35
6	Forterra Brick	32
7	UPS	28
8	H&S Lumber, Inc.	11
9	Power Deck Company	6
10	Superior Tool & Die	5

* Manufacturing, service, and technology businesses only
 Source: Kentucky Cabinet for Economic Development, 2017

- Natural Bridge State Resort Park was founded as a private tourist attraction in 1895 by the Lexington and Eastern Railroad. Its namesake is a natural sandstone arch that spans 78 feet wide and 65 feet high. Natural Bridge State Resort Park encompasses 2,300 acres and is one of Kentucky's original four state parks. The park is home to over 20 miles of trails, with White's Branch Arch and Henson's Cave Arch also popular attractions after

the natural bridge. The trail system connects to the Red River Gorge Geological Area. Popular activities in the park include hiking, camping, birding, fishing, canoeing, kayaking, pedal boating, and swimming. During peak season, the Sky Lift provides access to the natural bridge, the pool complex at the state operated resort is open and operating, and the Natural Bridge Hoedown features square dancing and line dancing on Saturday nights.

- The Red River Gorge Geological Area is a canyon system on the Red River. The area spans 29,000 acres, the majority of which is located in the Daniel Boone National Forest. It is designated a National Natural Landmark and National Archaeological District, as well as being listed on the National Register of Historic Places. The system features sandstone cliffs, rock shelters, waterfalls, and natural bridges. The vast number of sandstone and cliff lines has made the Red River Gorge a world-famous rock-climbing destination and is home to the Red River Gorge Climbers' Coalition (RRGCC). In addition to rock climbing, the area has over 60 miles of trails for hiking and backpacking.

According to an Eastern Kentucky University study on the economic impact of rock climbing in the Red River Gorge, Kentucky, which was published in March 2016, approximately 7,500 rock climbers visit the Red River Gorge annually. In addition, climbers spend an estimated \$3.6 million in the region each year, of which \$2.7 million goes directly to local business owners and supports an estimated 39 full-time jobs.

- The natural beauty of the area encourages a variety of outdoor activities and scenic drives. The Pilot Knob State Nature Preserve is a 742-acre site that includes a sandstone outcrop at the southeast end of a 730-foot-high knob. This site is considered the prominence upon which Daniel Boone first stood and looked out over the Bluegrass region of Kentucky. Muir Valley Nature Preserve and Climbing Area is one of the most popular rock-climbing destinations in North America, with over 40,000 visitors each year. The Daniel Boone National Forest was established in 1937, originally known as the Cumberland National Forest; the 2,100,000 acres are completely within the boundaries of Kentucky. Popular areas within the forest include Cave Run Lake, Laurel River Lake, Buckhorn Lake, Sheltowee Trace National Recreation Trail, Yahoo Arch & Falls, Cumberland Falls, and the Rock Creek Research Natural Area.

Airport Traffic

Airport passenger counts are important indicators of lodging demand. Depending on the type of service provided by a particular airfield, a sizable percentage of arriving passengers may require hotel accommodations. Trends showing changes

in passenger counts also reflect local business activity and the overall economic health of the area.

The Blue Grass Airport is located seven miles west of Lexington, Kentucky. Several airlines provide nonstop service to over a dozen major cities across the country. In 2010, the facility served as the official airport of the World Equestrian Games. In the same year, the airport unveiled renovations to the terminal lobby, ticket counters, baggage claim area, and restroom facilities; additionally, a crosswind runway was replaced. Also in 2010, TAC Air completed an \$11-million expansion project. The new executive terminal includes a larger passenger lobby, two conference rooms, and an art gallery, as well as a pilot lounge with private sleep rooms, a movie theater, and an exercise room. As part of the expansion, roughly 45,000 square feet of new hangar space was added to the airport to accommodate larger airplanes.

The following table illustrates recent operating statistics for the Blue Grass Regional Airport, which is the primary airport facility serving the proposed subject hotel’s submarket.

FIGURE 2-6 AIRPORT STATISTICS - BLUE GRASS REGIONAL AIRPORT

Year	Passenger Traffic	Percent Change*	Percent Change**
2006	1,025,614	—	—
2007	1,050,121	2.4 %	2.4 %
2008	1,007,225	(4.1)	(0.9)
2009	925,588	(8.1)	(3.4)
2010	1,104,558	19.3	1.9
2011	1,091,478	(1.2)	1.3
2012	1,100,801	0.9	1.2
2013	1,104,351	0.3	1.1
2014	1,209,327	9.5	2.1
2015	1,245,251	3.0	2.2
<i>Year-to-date, Nov</i>			
2015	1,146,527	—	—
2016	1,207,312	5.3 %	—

*Annual average compounded percentage change from the previous year
 **Annual average compounded percentage change from first year of data

Source: Blue Grass Regional Airport

This facility recorded 1,245,251 passengers in 2015. The change in passenger traffic between 2014 and 2015 was 3.0%. The average annual change during the period shown was 2.2%.

Tourist Attractions

As previously mentioned, the area is driven by tourism to Natural Bridge State Resort Park, the Red River Gorge, and other outdoor attractions. Local annual festivals and events in the area include:

- Rocktoberfest, operated by the RRGCC, is the largest fundraiser for the coalition. The weekend event includes sponsor booths, raffles and prizes, a movie, live music, food trucks, crate stacking, and a climbing competition. In addition, rock-climbing clinics are taught by professional athletes.
- The Red River Rally is an annual celebration of the fall season that is hosted by the Bluegrass Cycling Club. The two-day ride covers over 100 miles of road and includes following an old logging road through the historic 900-foot Nada Tunnel and cycling by towering cliffs, massive boulders, Raven Rock, Chimney Top Rock, Tower Rock, and the Sky Bridge.
- The annual Nada Tunnel Festival features booths, live music, multiple contests, and a car show. Over 1,000 people attend the weekend-long event every June.
- Beattyville is home to the Woolly Worm Festival, which gathers approximately 110,000 visitors annually during the last weekend of October. The event, which is held on Main Street, offers a variety of food and artisan-craft booths, local author meet-and-greet opportunities, woolly worm races, a car show, a parade, helicopter rides, and live music.

Transient Lodging Tax

Given the limited amount of tourism statistics available for Wolfe and Lee County we have included a chart below that shows transient occupancy tax that has been collected by each county over the last several years. The annual increase is a good indication that visitation to the area has steadily increased. Powell County also collects transient occupancy tax; however, that data was unavailable for this study.

FIGURE 2-7 TRANSIENT OCCUPANCY TAX

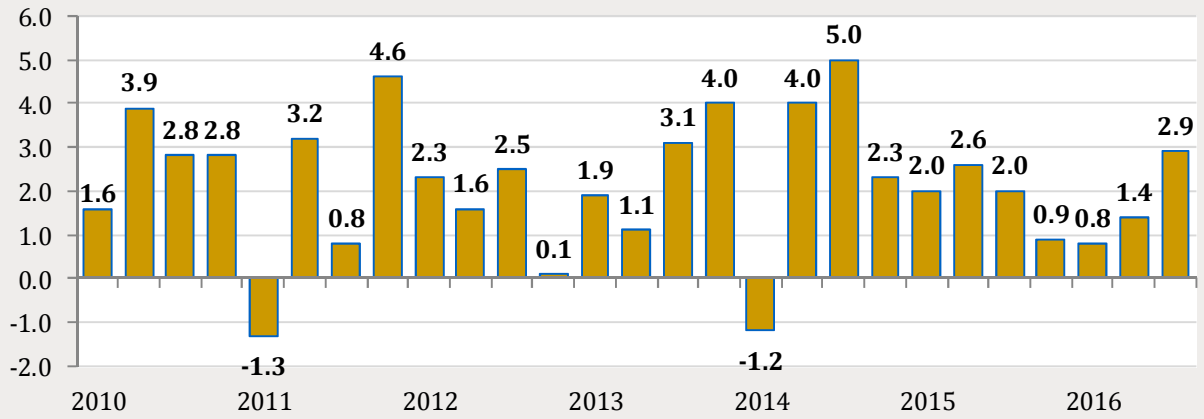
<u>Year</u>	<u>Wolfe County</u>	<u>Percent Change</u>	<u>Lee County</u>	<u>Percent Change</u>
2012	N/A	—	\$25,939	—
2013	\$15,456	—	34,743	33.9 %
2014	64,201	315.4 %	39,063	12.4
2015	85,731	33.5	39,746	1.7
2016	91,622	6.9	46,960	18.2

Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. Powell County is currently experiencing a period of modest economic growth; however, the area is primed for additional growth, particularly related to the tourism industry. Our market interviews and research revealed that Natural Bridge State Park and the Red River Gorge draw a significant amount of tourism to the area, considered the gateway to Eastern Kentucky. The area is easily accessible from Lexington, and there is plenty of land available for development. The outlook for the market area is positive.

Our analysis of the outlook for this specific market also considers the broader context of the national economy. The U.S. economy expanded during the last ten quarters, with a relative low point in growth occurring during the fourth quarter of 2015 and the first quarter of 2016. During the following three quarters, the pace of growth slowed, falling to 1.8% during the first quarter of 2016. The economy then expanded by 1.4% and 2.9% in the third quarter of 2016. In recent months, increases in personal consumption expenditures, exports, private inventory investment, federal government spending, and nonresidential fixed investment were the primary factors in the net gain.

FIGURE 2-8 UNITED STATES GDP GROWTH RATE



Source: tradingeconomics.com, Bureau of Economic Analysis

U.S. economic growth continues to support expansion of lodging demand; however, demand growth has not been as robust in 2016 as in the last several years. As will be reflected in the following chapter, nationwide supply growth has now surpassed demand growth. Nevertheless, the stability in the U.S. economy is maintaining strong interest in hotel investments by a diverse array of market participants.

3. Supply and Demand Analysis

In the lodging industry, price varies directly, but not proportionately, with demand and inversely, but not proportionately, with supply. Supply is measured by the number of guestrooms available, and demand is measured by the number of rooms occupied; the net effect of supply and demand toward equilibrium results in a prevailing price, or average rate. The purpose of this section is to investigate current supply and demand trends, as indicated by the current competitive market, and to set forth a basis for the projection of future supply and demand growth.

Cabin Rental Market

According to the Kentucky Department of Travel, approximately 700,000 people visit the Red River Gorge area annually. Of these 700,000 visitors, approximately \$22.2 million on travel expenditures is spent while visiting the market. As mentioned in the following section, there is a limited number of hotels/motels in this immediate area. Cabin rentals and camping are additional options for travelers staying overnight in the Red River Gorge area. According to market interviews, there are four major cabin-rental companies in the market, with a smattering of individual cabins rentals as well.

The table below outlines the cabin-rental companies and the number of cabins, categorized by how many people each cabin sleeps. In addition, we were provided a price-point range for which the cabins sell on the weekends and weekdays.

FIGURE 3-1 CABIN RENTAL OVERVIEW

Cabin Rental Company	Cabins Sleep 1-4	Cabins Sleep 5-9	Cabins Sleep 10+	Total Cabins
Red River Gorge Cabin Rental	21	26	19	66
Scenic Cabin Rental	13	22	16	51
5 Star Cabin Rental	38	17	0	55
Natural Bridge Cabin Company	24	19	1	44
Total Cabins	96	84	36	216
Price Point - Weekend	\$200	\$325	\$450	\$200 - \$450
Price Point - Weekday	\$125	\$200	\$300	\$125 - \$300

According to our interview with the owner of the Red River Gorge Cabin Rental, the small and mid-sized cabins are approximately 55% occupied on an annual basis, while the largest cabins are approximately 40% occupied on an annual basis.

Kentucky State Parks Overview

According to the Kentucky Department of Parks, there are forty-nine state parks in Kentucky, the highest number of state parks in the nation. Of those forty-nine state parks, seventeen include overnight accommodation. The table below outlines the seventeen Kentucky State Resort Parks occupancy, average rate, and RevPAR for 2014 through 2016.

FIGURE 3-2 KENTUCKY STATE PARKS OVERVIEW

Kentucky State Resort Parks	2014			2015			2016		
	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
Natural Bridge State Resort	65.8%	\$96.77	\$63.70	66.0%	\$96.71	\$63.82	68.9%	\$101.10	\$69.67
John James Audobon State Resort	61.2%	100.92	61.72	56.1%	108.42	60.86	60.1%	94.49	56.76
Cumberland Falls State Resort	46.9%	95.49	44.77	41.1%	103.81	42.64	51.6%	99.68	51.44
Carter Caves State Resort	47.6%	91.83	43.72	50.3%	87.15	43.83	51.5%	89.68	46.19
Pine Mountain State Resort	47.2%	86.10	40.64	48.7%	84.48	41.13	48.3%	90.61	43.73
General Butler State Resort	45.5%	83.83	38.12	46.6%	83.80	39.05	47.6%	82.95	39.48
Rough River Dam State Resort	47.6%	87.74	41.72	48.6%	86.00	41.81	47.3%	90.31	42.75
Lake Cumberland State Resort	41.6%	92.53	38.51	42.9%	93.02	39.88	45.4%	99.28	45.03
Jenny Wiley State Resort	45.4%	74.03	33.61	44.0%	78.30	34.44	44.5%	80.18	35.66
Barren River Lake State Resort	47.1%	99.41	46.86	46.6%	98.10	45.75	44.4%	104.25	46.26
Kentucky Dam Vig State Resort	37.9%	102.55	38.84	38.8%	103.71	40.28	42.8%	110.14	47.15
Dale Hollow State Resort	38.3%	86.09	33.00	38.3%	88.33	33.79	42.0%	87.44	36.69
Kenlake State Resort	34.1%	88.91	30.28	39.9%	86.14	34.36	39.5%	87.60	34.63
Blue Licks State Resort	37.0%	71.39	26.38	38.2%	71.98	27.53	39.2%	72.06	28.21
Pennyrile Forest State Resort	41.5%	79.96	33.22	38.3%	83.42	31.99	38.1%	86.43	32.97
Lake Barkley State Resort	37.6%	90.35	34.01	39.7%	90.38	35.90	36.8%	95.32	35.11
Buckhorn Lake State Resort	26.2%	78.76	20.63	24.8%	79.66	19.72	28.2%	80.27	22.68
Average	44.0%	\$88.63	\$39.40	44.1%	\$89.61	\$39.81	45.7%	\$91.28	\$42.02

Although the Natural Bridge State Resort Park is the only overnight accommodation located near the Red River Gorge, it is important to be aware of the other state resort parks and the properties performances. All of the resorts are highly seasonal given the tourist driven nature of the state parks with May through September being peak season for all of the parks.

Definition of Subject Hotel Market

The subject site is located in the greater Powell County lodging market. There are only five hotels/motels that operate within this market. None of the existing hotels is expected to compete directly with a proposed destination resort, such as the one that is the subject of this study. Given the lack of reporting hotels in the Slade area and the greater Powell County market, as well as the requirements associated with ordering a Smith Travel Research (STR) trend, we have used a sample of

**Historical Supply
and Demand Data**

destination lodging properties located in the Kentucky, Tennessee, and West Virginia. In addition, the full-service hotels in Downtown Lexington were included, as the proposed hotel would be expected to compete with these properties for meeting and group demand. Properties were chosen based on product offering, drive time from population centers, and similar outdoor activities. Due to STR restrictions, we were only able to obtain a trend beginning in 2009.

STR is an independent research firm that compiles and publishes data on the lodging industry, routinely used by typical hotel buyers. HVS has ordered and analyzed an STR Trend Report of historical supply and demand data for a group of hotels considered applicable to this analysis for the proposed subject hotel. This information is presented in the following table, along with the market-wide occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

FIGURE 3-3 HISTORICAL SUPPLY AND DEMAND TRENDS

Year	Average Daily Available Room		Occupied Room			Average		RevPAR	Change	
	Room Count	Nights	Change	Nights	Change	Occupancy	Rate			
2005	1,429	521,585	—	265,481	—	50.9 %	\$97.22	—	\$49.48	—
2006	1,429	521,585	0.0 %	278,039	4.7 %	53.3	100.28	3.2 %	53.46	8.0 %
2007	1,514	552,615	5.9	323,196	16.2	58.5	107.02	6.7	62.59	17.1
2008	1,574	574,510	4.0	321,553	(0.5)	56.0	114.62	7.1	64.15	2.5
2009	1,574	574,510	0.0	319,561	(0.6)	55.6	108.91	(5.0)	60.58	(5.6)
2010	1,574	574,510	0.0	343,663	7.5	59.8	120.02	10.2	71.79	18.5
2011	1,573	574,204	(0.1)	331,505	(3.5)	57.7	117.55	(2.1)	67.87	(5.5)
2012	1,573	574,145	(0.0)	349,846	5.5	60.9	118.45	0.8	72.17	6.3
2013	1,592	581,068	1.2	359,047	2.6	61.8	123.69	4.4	76.43	5.9
2014	1,666	608,000	4.6	362,628	1.0	59.6	129.69	4.9	77.35	1.2
2015	1,930	704,559	15.9	431,120	18.9	61.2	146.52	13.0	89.66	15.9
2016	2,159	787,953	11.8	486,212	12.8	61.7	154.57	5.5	95.38	6.4
Average Annual Compounded Change:										
2005 - 2016			3.8 %		5.7 %			4.3 %		6.1 %
2005 - 2008			3.3		6.6			5.6		9.0
2008 - 2011			(0.0)		1.0			0.8		1.9
2011 - 2016			6.5		8.0			5.6		7.0
Hotels Included in Sample				Number	Year	Year				
				of Rooms	Affiliated	Opened				
Curio Collection The Campbell House Lexington				250	Dec 2015	Jun 1951				
Natural Bridge State Resort				46	Jun 1964	Jun 1964				
Hyatt Regency Lexington				366	Apr 1977	Apr 1977				
Hilton Lexington Downtown				366	Oct 2009	Nov 1982				
Stonewall Resort				208	Oct 2002	Oct 2002				
The Resort @ Governors Crossing				155	Apr 2004	Apr 2004				
The Inn @ Christmas Place				145	Jun 2007	Jun 2007				
Hilton Garden Inn Pikeville				113	Nov 2013	Nov 2013				
Margaritaville Island Hotel				129	Oct 2014	Oct 2014				
Dollywood`s DreamMore Resort				307	Jul 2015	Jul 2015				
21c Museum Hotel Lexington				88	Mar 2016	Mar 2016				
Total				2,173						

Source: STR

It is important to note some limitations of the STR data. Hotels are occasionally added to or removed from the sample; furthermore, not every property reports data in a consistent and timely manner. These factors can influence the overall quality of the information by skewing the results, and these inconsistencies may also cause the STR data to differ from the results of our competitive survey. Nonetheless, STR data provide the best indication of aggregate growth or decline in existing supply and demand; thus, these trends have been considered in our analysis. Opening dates, as available, are presented for each reporting hotel in the previous table.

The STR data for the competitive set reflect a market-wide occupancy level of 2016 in 61.7%, which compares to 61.2% for 2015. The overall average occupancy level for the calendar years presented equates to 60.6%. The STR data for the competitive set reflect a market-wide average rate level of \$154.57 in 2016, which compares to \$146.52 for 2015. The average across all calendar years presented for average rate equates to \$133.67. These occupancy and average rate trends resulted in a RevPAR level of \$95.38 in 2016.

Occupancy first peaked for this selected set of competitive hotels in 2007; however, average rate peaked in 2008, resulting in a RevPAR of just over \$64.00, before declining to a low point of roughly \$61.00 by year-end 2009. The decline was attributed to the Great Recession. A rapid recovery began in 2010, at which time the prior RevPAR peak was exceeded. The rapid recovery was primarily attributed to demand increases in Lexington and several large events that took place in the market, including the World Equestrian Games. In 2011, demand levels moderated in Lexington, thus prompting an overall decline that year. RevPAR continued to rise in 2012 through 2016, with growth driven largely by increases in tourism and meeting/group demand given the strong economic conditions. In 2016, RevPAR surpassed \$95.00, a record high, primarily due to the strengthening economy. The near-term outlook is positive due to the anticipation of this continuing trend.

Seasonality

Monthly occupancy and average rate trends are presented in the following tables.

FIGURE 3-4 MONTHLY OCCUPANCY TRENDS

Month	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
January	33.2 %	30.5 %	38.3 %	36.9 %	35.6 %	34.5 %	36.7 %	38.7 %	38.3 %	40.2 %	40.1 %	37.5 %
February	41.1	42.5	52.4	40.9	41.7	44.4	44.0	46.3	53.9	51.6	45.6	44.4
March	47.2	45.1	55.0	48.5	51.8	59.9	55.9	60.0	61.6	56.0	56.2	53.8
April	60.7	60.5	59.0	64.8	61.4	59.3	60.4	68.3	71.7	69.4	65.0	67.7
May	56.8	54.8	59.8	53.7	54.0	62.2	61.7	64.6	64.6	64.3	63.1	65.2
June	65.4	56.9	64.5	65.2	60.4	69.5	59.2	72.2	72.6	65.7	71.6	73.0
July	61.4	69.8	68.6	72.3	72.4	71.4	67.7	70.9	74.4	73.7	77.4	76.7
August	49.1	59.2	57.9	65.8	60.5	59.2	63.8	65.5	69.7	64.2	64.0	63.6
September	53.6	62.5	64.9	66.5	61.6	72.8	66.6	67.4	64.4	60.6	66.2	65.4
October	61.8	66.6	72.1	64.9	71.7	79.0	71.8	73.9	71.0	68.3	78.2	78.7
November	44.3	48.1	62.0	50.4	52.0	58.7	55.6	55.8	56.4	57.5	54.7	61.8
December	35.9	42.6	44.7	40.9	43.1	46.1	48.5	46.8	44.2	44.5	47.2	50.0
Annual Occupancy	50.9 %	53.3 %	58.5 %	56.0 %	55.6 %	59.8 %	57.7 %	60.9 %	61.8 %	59.6 %	61.2 %	61.7 %

Source: STR

FIGURE 3-5 MONTHLY AVERAGE RATE TRENDS

Month	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
January	\$79.32	\$83.13	\$88.50	\$91.72	\$96.47	\$95.22	\$95.10	\$99.93	\$101.70	\$105.39	\$122.37	\$124.36
February	83.91	86.90	94.16	96.08	97.71	101.44	97.38	102.39	105.26	110.18	125.37	124.72
March	91.00	98.06	104.94	103.19	101.38	109.55	107.83	111.29	121.78	117.20	130.76	145.60
April	101.29	108.90	108.55	121.42	116.40	117.46	117.86	123.84	130.96	135.33	150.73	159.38
May	101.01	107.53	109.85	114.22	112.94	108.29	125.01	123.65	126.04	128.37	140.88	153.45
June	102.32	98.01	103.17	114.27	109.76	110.39	120.33	117.58	121.58	127.87	143.72	162.68
July	99.95	106.92	115.00	120.23	112.29	112.33	129.03	125.18	129.23	135.87	148.37	172.79
August	96.35	98.16	107.37	116.27	105.55	106.99	114.94	114.39	120.74	126.62	145.41	150.63
September	102.02	103.84	109.85	129.19	109.47	155.45	118.66	119.13	124.02	130.25	149.52	152.34
October	109.44	109.38	121.21	126.25	120.30	171.20	131.29	134.94	138.73	151.84	175.38	169.08
November	93.99	94.87	104.43	112.31	102.16	106.74	116.20	115.70	126.38	136.24	143.71	148.92
December	86.54	87.52	100.26	105.01	108.68	104.55	116.26	115.44	121.52	134.14	150.40	156.52
Annual Average Rate	\$97.22	\$100.28	\$107.02	\$114.62	\$108.91	\$120.02	\$117.55	\$118.45	\$123.69	\$129.69	\$146.52	\$154.57

Source: STR

FIGURE 3-6 SEASONALITY

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
High Season												
Occupancy	58.3 %	63.0 %	65.6 %	67.0 %	65.4 %	70.4 %	65.8 %	70.0 %	70.5 %	66.6 %	71.5 %	71.5 %
Average Rate	\$102.27	\$103.60	\$111.74	\$121.23	\$111.83	\$133.18	\$123.18	\$122.54	\$126.99	\$134.94	\$153.39	\$162.28
RevPAR	59.58	65.30	73.30	81.17	73.15	93.73	81.11	85.76	89.46	89.83	109.67	116.06
Low Season												
Occupancy	40.3 %	41.7 %	50.5 %	43.6 %	44.9 %	48.7 %	48.2 %	49.6 %	50.8 %	49.9 %	48.9 %	49.7 %
Average Rate	\$87.52	\$90.77	\$99.45	\$102.40	\$101.57	\$104.45	\$107.73	\$109.72	\$116.61	\$121.49	\$136.03	\$142.14
RevPAR	35.27	37.88	50.22	44.60	45.58	50.90	51.90	54.37	59.21	60.58	66.58	70.61
Shoulder Season												
Occupancy	58.7 %	57.6 %	59.4 %	59.2 %	57.7 %	60.8 %	61.0 %	66.4 %	68.1 %	66.8 %	64.1 %	66.4 %
Average Rate	\$101.15	\$108.24	\$109.22	\$118.10	\$114.76	\$112.69	\$121.53	\$123.75	\$128.59	\$131.92	\$145.80	\$156.42
RevPAR	59.36	62.31	64.89	69.87	66.19	68.51	74.18	82.16	87.60	88.12	93.43	103.86

Source: STR Global

The illustrated monthly occupancy and average rates patterns reflect important seasonal characteristics. We have reviewed these trends in developing our forthcoming forecast of market-wide demand and average rate.

Patterns of Demand

A review of the trends in occupancy and average rate by day of the week provides some insight into the impact that the current economic conditions have had on the competitive lodging market. The data, as provided by STR, are illustrated in the following table(s).

FIGURE 3-7 OCCUPANCY BY DAY OF WEEK (TRAILING 12 MONTHS)

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Feb - 16	24.4 %	29.8 %	40.1 %	42.1 %	46.7 %	61.5 %	70.0 %	44.4 %
Mar - 16	32.4	46.0	51.8	53.1	54.5	70.4	68.9	53.8
Apr - 16	38.9	50.9	63.1	66.6	71.5	87.4	85.8	67.7
May - 16	52.0	50.6	60.2	65.0	68.0	81.3	87.0	65.2
Jun - 16	56.0	77.2	80.8	77.1	65.8	75.3	79.5	73.0
Jul - 16	62.8	74.0	78.8	77.5	83.1	79.5	82.7	76.7
Aug - 16	45.1	57.9	61.6	60.4	65.0	78.9	79.2	63.6
Sep - 16	51.6	53.0	62.4	66.8	61.4	78.1	82.6	65.4
Oct - 16	55.3	65.2	80.5	86.2	86.1	92.5	90.9	78.7
Nov - 16	40.2	43.1	54.3	61.9	71.7	85.7	77.7	61.8
Dec - 16	29.0	44.0	51.9	54.7	53.3	55.0	58.0	50.0
Jan - 17	29.4	30.8	42.0	38.0	46.4	60.7	75.9	45.0
Average	43.7 %	51.6 %	60.1 %	62.6 %	64.1 %	75.6 %	78.3 %	62.3 %

Source: STR

FIGURE 3-8 AVERAGE RATE BY DAY OF WEEK (TRAILING 12 MONTHS)

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Feb - 16	\$110.89	\$116.91	\$130.78	\$122.53	\$121.73	\$125.49	\$132.89	\$124.72
Mar - 16	138.76	138.51	135.73	143.57	144.01	154.67	157.08	145.60
Apr - 16	137.59	134.97	146.06	144.63	161.33	173.68	180.00	159.38
May - 16	149.48	135.67	137.88	141.81	150.67	171.42	176.90	153.45
Jun - 16	160.83	160.41	161.44	157.78	157.59	169.59	172.12	162.68
Jul - 16	174.94	170.12	164.60	165.37	165.49	179.60	184.18	172.79
Aug - 16	141.09	143.40	144.19	144.63	147.36	163.39	164.58	150.63
Sep - 16	151.68	136.08	137.70	139.36	144.26	167.56	174.28	152.34
Oct - 16	150.54	148.54	153.17	159.63	166.27	196.61	193.23	169.08
Nov - 16	136.72	130.51	138.13	144.06	148.13	162.96	164.93	148.92
Dec - 16	139.10	148.43	148.38	151.33	149.80	169.48	172.03	156.52
Jan - 17	125.74	122.84	128.29	119.11	120.37	122.31	141.87	127.28
Average	\$147.84	\$143.60	\$145.31	\$147.17	\$150.49	\$165.90	\$170.19	\$154.38

Source: STR

FIGURE 3-9 OCCUPANCY, AVERAGE RATE, AND REVPAR BY DAY OF WEEK (MULTIPLE YEARS)

Occupancy (%)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Feb 14 - Jan 15	37.2 %	50.7 %	60.4 %	62.0 %	60.4 %	72.6 %	73.3 %	59.6 %
Feb 15 - Jan 16	41.6	52.6	60.2	60.4	60.5	72.9	76.7	60.6
Feb 16 - Jan 17	43.7	51.6	60.1	62.6	64.1	75.6	78.3	62.3
Change (Occupancy Points)								
FY 14 - FY 15	4.4	1.9	-0.2	-1.7	0.1	0.3	3.4	1.1
FY 15 - FY 16	2.1	-1.0	-0.1	2.2	3.6	2.7	1.7	1.6
ADR (\$)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Feb 14 - Jan 15	\$121.00	\$122.78	\$126.41	\$128.24	\$128.60	\$139.57	\$139.29	\$130.66
Feb 15 - Jan 16	137.81	137.26	138.55	140.22	146.08	156.78	159.33	146.49
Feb 16 - Jan 17	147.84	143.60	145.31	147.17	150.49	165.90	170.19	154.38
Change (Dollars)								
FY 14 - FY 15	\$16.81	\$14.48	\$12.14	\$11.98	\$17.48	\$17.21	\$20.04	\$15.83
FY 15 - FY 16	10.03	6.34	6.77	6.95	4.41	9.12	10.86	7.89
Change (Percent)								
FY 14 - FY 15	13.9 %	11.8 %	9.6 %	9.3 %	13.6 %	12.3 %	14.4 %	12.1 %
FY 15 - FY 16	7.3	4.6	4.9	5.0	3.0	5.8	6.8	5.4
RevPAR (\$)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Feb 14 - Jan 15	\$45.06	\$62.27	\$76.39	\$79.55	\$77.64	\$101.34	\$102.07	\$77.84
Feb 15 - Jan 16	57.37	72.17	83.47	84.66	88.35	114.27	122.12	88.85
Feb 16 - Jan 17	64.64	74.05	87.34	92.15	96.51	125.39	133.31	96.12
Change (Dollars)								
FY 14 - FY 15	\$12.31	\$9.90	\$7.08	\$5.11	\$10.71	\$12.92	\$20.06	\$11.01
FY 15 - FY 16	7.27	1.88	3.88	7.49	8.16	11.12	11.19	7.27
Change (Percent)								
FY 14 - FY 15	27.3 %	15.9 %	9.3 %	6.4 %	13.8 %	12.8 %	19.7 %	14.1 %
FY 15 - FY 16	12.7	2.6	4.6	8.8	9.2	9.7	9.2	8.2

Source: STR

In most markets, business travel, including individual commercial travelers and corporate groups, is the predominant source of demand on Monday through Thursday nights. Leisure travelers and non-business-related groups generate a majority of demand on Friday and Saturday nights.

SUPPLY

The following table summarizes the important operating characteristics of the future primary competitors and the aggregate secondary competitors (if applicable). This information was compiled from personal interviews, inspections, online resources, and our in-house database of operating and hotel facility data.

FIGURE 3-10 COMPETITORS – OPERATING PERFORMANCE

Property	Est. Segmentation			Estimated 2015				Estimated 2016					
	Number of Rooms	FIT	Meeting and Group	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Natural Bridge State Park	46	60 %	40 %	46	65 - 70 %	\$95 - \$100	\$60 - \$65	46	65 - 70 %	\$100 - \$105	\$65 - \$70	110 - 120 %	65 - 70 %
Hilton Garden Inn Pikeville	113	70	30	113	50 - 55	130 - 140	65 - 70	113	50 - 55	130 - 140	65 - 70	80 - 85	65 - 70
Dollywood's DreamMore Resort	307	65	35	152	40 - 45	190 - 200	85 - 90	307	55 - 60	190 - 200	115 - 120	95 - 100	110 - 120
Inn at Christmas Place	145	85	15	145	75 - 80	160 - 170	125 - 130	145	70 - 75	160 - 170	120 - 125	110 - 120	110 - 120
Margaritaville Island Hotel	129	80	20	129	65 - 70	210 - 220	140 - 150	129	60 - 65	210 - 220	140 - 150	100 - 110	140 - 150
Resort at Governor's Crossing	155	85	15	155	60 - 65	125 - 130	75 - 80	155	55 - 60	125 - 130	70 - 75	90 - 95	70 - 75
Stonewall Resort	208	70	30	208	50 - 55	200 - 210	100 - 105	208	50 - 55	200 - 210	105 - 110	80 - 85	100 - 110
Sub-Totals/Averages	1,103	74 %	26 %	948	58.8 %	\$168.94	\$99.38	1,103	60.0 %	\$174.41	\$104.70	97.1 %	104.0 %
Secondary Competitors	1,070	65 %	35 %	638	65.5 %	\$144.74	\$94.79	686	64.8 %	\$145.61	\$94.29	104.7 %	93.6 %
Totals/Averages	2,173	70 %	30 %	1,587	61.5 %	\$158.57	\$97.53	1,789	61.8 %	\$162.84	\$100.71	100.0 %	100.0 %

* Specific occupancy and average rate data was utilized in our analysis, but is presented in ranges in the above table for the purposes of confidentiality.

FIGURE 3-11 SECONDARY COMPETITOR(S) – OPERATING PERFORMANCE

Property	Est. Segmentation			Estimated 2015					Estimated 2016			
	Number of Rooms	FIT	Meeting and Group	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
21c Museum Hotel Lexington	88	90 %	10 %	65 %	0	— %	—	—	48	50 - 55 %	\$150 - \$160	\$85 - \$90
Hilton Lexington Downtown Hotel & Conference Center	366	60	40	65	238	65 - 70	140 - 150	95 - 100	238	65 - 70	140 - 150	100 - 105
Hyatt Regency Lexington	366	60	40	65	238	60 - 65	140 - 150	95 - 100	238	60 - 65	140 - 150	90 - 95
The Campbell House Lexington Curio Collection by Hilton	250	75	25	65	163	60 - 65	130 - 140	85 - 90	163	60 - 65	130 - 140	85 - 90
Totals/Averages	1,070	65 %	35 %	65 %	638	65.5 %	\$144.74	\$94.79	686	64.8 %	\$145.61	\$94.29

* Specific occupancy and average rate data was utilized in our analysis, but is presented in ranges in the above table for the purposes of confidentiality.

Supply Changes

It is important to consider any new hotels that may have an impact on the proposed subject hotel’s operating performance. At this time no proposed hotels are planned for the Slade area.

While we have taken reasonable steps to investigate proposed hotel projects and their status, due to the nature of real estate development, it is impossible to determine with certainty every hotel that will be opened in the future, or what their marketing strategies and effect in the market will be. Depending on the outcome of current and future projects, the future operating potential of the proposed subject hotel may be affected. Future improvement in market conditions will raise the risk of increased competition. Our forthcoming forecast of stabilized occupancy and average rate is intended to reflect such risk.

Supply Conclusion

We have identified various properties that are expected to be competitive to some degree with the proposed subject hotel. We have also investigated potential increases in competitive supply in this Slade submarket. The Proposed Resort should enter a dynamic market of varying product types and price points. Next, we will present our forecast for demand change, using the historical supply data presented as a starting point.

DEMAND

The following table presents the most recent trends for the subject hotel market as tracked by HVS. These data pertain to the competitors discussed previously in this section; performance results are estimated, rounded for the competition, and in some cases weighted if there are secondary competitors present. In this respect, the information in the table differs from the previously presented STR data and is consistent with the supply and demand analysis developed for this report.

FIGURE 3-12 HISTORICAL MARKET TRENDS

Year	Accommodated		Room Nights		Market			Market	
	Room Nights	% Change	Available	% Change	Occupancy	Market ADR	% Change	RevPAR	% Change
Est. 2014	294,127	—	482,627	—	60.9 %	\$148.02	—	\$90.21	—
Est. 2015	356,173	21.1 %	579,087	20.0 %	61.5	158.57	7.1 %	97.53	8.1 %
Est. 2016	403,888	13.4	653,078	12.8	61.8	162.84	2.7	100.71	3.3
Avg. Annual Compounded Chg., Est. 2014-Est. 2016:		17.2 %		16.3 %			4.9 %		5.7 %

Demand Analysis Using Market Segmentation

For the purpose of demand analysis, the overall market is divided into individual segments based on the nature of travel. Based on our fieldwork, area analysis, and knowledge of the local lodging market, we estimate the 2016 distribution of accommodated-room-night demand as follows.

FIGURE 3-13 ACCOMMODATED ROOM-NIGHT DEMAND

Market Segment	Marketwide	
	Accommodated Demand	Percentage of Total
FIT	284,261	70 %
Meeting and Group	119,627	30
Total	403,888	100 %

The market’s demand mix comprises FIT demand, with this segment representing roughly 70% of the accommodated room nights in this Slade submarket. The remaining portion comprises meeting and group at 30%.

The purpose of segmenting the lodging market is to define each major type of demand, identify customer characteristics, and estimate future growth trends. Starting with an analysis of the local area, two segments were defined as representing the proposed subject hotel’s lodging market. Various types of economic and demographic data were then evaluated to determine their propensity to reflect changes in hotel demand. Based on this procedure, we forecast the following average annual compounded market-segment growth rates.

FIGURE 3-14 AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES

Market Segment	Annual Growth Rate						
	2017	2018	2019	2020	2021	2022	2023
FIT	2.0 %	2.5 %	3.0 %	3.0 %	1.5 %	0.0 %	0.0 %
Meeting and Group	2.0	2.5	3.0	3.0	0.5	0.0	0.0
Base Demand Growth	2.0 %	2.5 %	3.0 %	3.0 %	1.2 %	0.0 %	0.0 %

Latent Demand

A table presented earlier in this section illustrated the accommodated-room-night demand in the proposed subject hotel’s competitive market. Because this estimate is based on historical occupancy levels, it includes only those hotel rooms that were used by guests. Latent demand reflects potential room-night demand that has not been realized by the existing competitive supply, further classified as either unaccommodated demand or induced demand.

Unaccommodated Demand

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

Unaccommodated demand is further indicated if the market is at all seasonal, with distinct high and low seasons; such seasonality indicates that although year-end occupancy may not average in excess of 70%, the market may sell out certain nights during the year. To evaluate the incidence of unaccommodated demand in the market, we have reviewed the average occupancy by the night of the week for the past twelve months for the competitive set, as reflected in the STR data. This is set forth in the following table.

FIGURE 3-15 OCCUPANCY BY NIGHT OF THE WEEK

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Feb - 16	24.4 %	29.8 %	40.1 %	42.1 %	46.7 %	61.5 %	70.0 %	44.4 %
Mar - 16	32.4	46.0	51.8	53.1	54.5	70.4	68.9	53.8
Apr - 16	38.9	50.9	63.1	66.6	71.5	87.4	85.8	67.7
May - 16	52.0	50.6	60.2	65.0	68.0	81.3	87.0	65.2
Jun - 16	56.0	77.2	80.8	77.1	65.8	75.3	79.5	73.0
Jul - 16	62.8	74.0	78.8	77.5	83.1	79.5	82.7	76.7
Aug - 16	45.1	57.9	61.6	60.4	65.0	78.9	79.2	63.6
Sep - 16	51.6	53.0	62.4	66.8	61.4	78.1	82.6	65.4
Oct - 16	55.3	65.2	80.5	86.2	86.1	92.5	90.9	78.7
Nov - 16	40.2	43.1	54.3	61.9	71.7	85.7	77.7	61.8
Dec - 16	29.0	44.0	51.9	54.7	53.3	55.0	58.0	50.0
Jan - 17	29.4	30.8	42.0	38.0	46.4	60.7	75.9	45.0
Average	43.7 %	51.6 %	60.1 %	62.6 %	64.1 %	75.6 %	78.3 %	62.3 %

Source: STR

At the time of this report, not enough unaccommodated demand was determined to exist for analysis.

Induced Demand

Induced demand represents the additional room nights that are expected to be attracted to the market following the introduction of a new demand generator. Situations that can result in induced demand include the opening of a new manufacturing plant, the expansion of a convention center, or the addition of a

new hotel with a distinct chain affiliation or unique facilities. The following table summarizes our estimate of induced demand. This estimated is based

FIGURE 3-16 INDUCED DEMAND CALCULATION

Market Segment	Induced Room Nights						
	2017	2018	2019	2020	2021	2022	2023
FIT	0	0	0	0	0	0	0
Meeting and Group	0	0	0	6,813	7,835	9,879	9,879
Total	0	0	0	6,813	7,835	9,879	9,879

The opening of the proposed subject property should induce considerable demand into this market. This meeting space is expected to span 12,000 square feet, inclusive of a 6,000-square-foot ballroom. The proposed subject hotel should draw new groups to this market, as these groups with planned meetings would have likely chosen an alternate destination if it were not for the availability of the new facility. Accordingly, we have incorporated 9,900 room nights (rounded) into our analysis, phased in over an appropriate ramp-up period.

Accommodated Demand and Market-wide Occupancy

Based upon a review of the market dynamics in the proposed subject hotel’s competitive environment, we have forecast growth rates for each market segment. Using the calculated potential demand for the market, we have determined market-wide accommodated demand based on the inherent limitations of demand fluctuations and other factors in the market area.

The following table details our projection of lodging demand growth for the subject market, including the total number of occupied room nights and any residual unaccommodated demand in the market.

FIGURE 3-17 FORECAST OF MARKET OCCUPANCY

	2017	2018	2019	2020	2021	2022	2023
FIT							
Base Demand	289,947	297,195	306,111	315,294	320,024	320,024	320,024
Total Demand	289,947	297,195	306,111	315,294	320,024	320,024	320,024
Growth Rate	2.0 %	2.5 %	3.0 %	3.0 %	1.5 %	0.0 %	0.0 %
Meeting and Group							
Base Demand	122,019	125,070	128,822	132,687	133,350	133,350	133,350
Induced Demand	0	0	0	6,813	7,835	9,879	9,879
Total Demand	122,019	125,070	128,822	139,500	141,185	143,229	143,229
Growth Rate	2.0 %	2.5 %	3.0 %	8.3 %	1.2 %	1.4 %	0.0 %
Totals							
Base Demand	411,966	422,265	434,933	447,981	453,374	453,374	453,374
Induced Demand	0	0	0	6,813	7,835	9,879	9,879
Total Demand	411,966	422,265	434,933	454,794	461,209	463,253	463,253
less: Residual Demand	19,928	24,783	31,657	25,727	29,519	30,881	30,881
Total Accommodated Demand	392,038	397,482	403,276	429,067	431,690	432,371	432,371
Overall Demand Growth	(2.9) %	1.4 %	1.5 %	6.4 %	0.6 %	0.2 %	0.0 %
Market Mix							
FIT	70.4 %	70.4 %	70.4 %	69.3 %	69.4 %	69.1 %	69.1 %
Meeting and Group	29.6	29.6	29.6	30.7	30.6	30.9	30.9
Existing Hotel Supply	1,799	1,799	1,811	1,799	1,799	1,799	1,799
Proposed Hotels							
Proposed Subject Property	¹		0	150	150	150	150
Available Room Nights per Year	656,453	656,453	661,103	711,203	711,203	711,203	711,203
Nights per Year	365	365	365	365	365	365	365
Total Supply	1,799	1,799	1,811	1,949	1,949	1,949	1,949
Rooms Supply Growth	0.5 %	0.0 %	0.7 %	7.6 %	0.0 %	0.0 %	0.0 %
Marketwide Occupancy	59.7 %	60.6 %	61.0 %	60.3 %	60.7 %	60.8 %	60.8 %

¹ Opening in January 2020 of the 100% competitive, 150-room Proposed Subject Property

4. Description of the Proposed Improvements

The quality of a lodging facility's physical improvements has a direct influence on marketability, attainable occupancy, and average room rate. The design and functionality of the structure can also affect operating efficiency and overall profitability. This section investigates the subject property's proposed physical improvements and personal property in an effort to determine how they are expected to contribute to attainable cash flows.

Project Overview

The Proposed Resort will be a full-service lodging facility containing 150 rentable units. We have assumed the property will open on January 1, 2020. The proposed subject property is in the very preliminary stages of development. A site has yet to be determined; however, the sites being considered are proximate to the Red River Gorge area and Natural Bridge State Resort Park. HVS's recommendations for the proposed lodging facility include a 150- to 175-unit lodging complex with a mix of standard guestrooms and individual cabins. There should be approximately 12,000 square feet of meeting space, including a 6,000-square-foot ballroom that can be divided into three rooms, with the remaining meeting space allocated among meeting rooms and boardroom-type spaces. An outdoor/indoor swimming pool area, a fitness room, a full-service spa, and connection to hiking trails should be included in the recreational facilities. The grounds should include indoor and outdoor wedding ceremony sites. Food and beverage facilities should include a full-service restaurant and lounge, with other casual food outlets, such as a coffee shop. Lastly, a lobby workstation and a market pantry/gift shop should also be included in the design.

The subject property is not affiliated with any recognized brand name.

Summary of the Facilities

Based on information provided by the proposed subject hotel's development representatives, the following table summarizes the facilities that are expected to be available at the proposed subject hotel.

FIGURE 4-1 PROPOSED FACILITIES SUMMARY

Guestroom Configuration		Estimated Number of Units
King		40
Queen/Queen		90
Cabins		20
Total		150
Food & Beverage Facilities		Seating Capacity
Restaurant		TBD
Lounge		TBD
Coffee Shop		TBD
Indoor Meeting & Banquet Facilities		Square Footage
Ballroom		6,000
Meeting Space		6,000
Total		12,000
Amenities & Services		
Outdoor/Indoor Swimming Pool	Lobby Workstation	
Outdoor/Indoor Whirlpool	Gift Shop/Market Pantry	
Fitness Room	Indoor & Outdoor Wedding Ceremony Sites	
Full-Service Spa	Hiking Trails	
Infrastructure		
Parking Spaces		TBD
Elevators		TBD
Life-Safety Systems	Sprinklers, Smoke Detectors	
Construction Details		TBD

ADA and Environmental

We assume that the property will be built according to all pertinent codes. Moreover, we assume its construction will not create any environmental hazards (such as mold) and that the property will fully comply with the Americans with Disabilities Act.

Capital Expenditures

Our analysis assumes that, after its opening, the hotel will require ongoing upgrades and periodic renovations in order to maintain its competitive level in this market. These costs should be adequately funded by the forecasted reserve for replacement, as long as a successful, ongoing preventive-maintenance program is employed by hotel staff.

Conclusion

Overall, we assume the proposed subject hotel should offer a well-designed, functional layout of support areas and guestrooms. All typical and market-appropriate features and amenities should be included in the hotel's design. We assume that the building will be fully open and operational on the stipulated opening date and will meet all local building codes. Furthermore, we assume that the hotel staff will be adequately trained to allow for a successful opening and that pre-marketing efforts will have introduced the product to major accounts at least six months in advance of the opening date.

5. Projection of Occupancy and Average Rate

Along with average rate results, the occupancy levels achieved by a hotel are the foundation of the property's financial performance and market value. Most of a lodging facility's other revenue sources (such as food, beverages, other operated departments, and rentals and other income) are driven by the number of guests, and many expense levels also vary with occupancy. To a certain degree, occupancy attainment can be manipulated by management. For example, hotel operators may choose to lower rates in an effort to maximize occupancy. Our forecasts reflect an operating strategy that we believe would be implemented by a typical, professional hotel management team to achieve an optimal mix of occupancy and average rate.

Forecast of Subject Property's Occupancy

The proposed subject hotel's occupancy forecast is set forth as follows, with the adjusted projected penetration rates used as a basis for calculating the amount of captured market demand.

FIGURE 5-1 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY

Market Segment	2020	2021	2022	2023
FIT				
Demand	297,461	299,548	298,702	298,702
Market Share	6.6 %	7.3 %	7.7 %	7.7 %
Capture	19,694	21,995	22,998	22,998
Penetration	86 %	95 %	100 %	100 %
Meeting and Group				
Demand	131,606	132,142	133,670	133,670
Market Share	7.3 %	7.7 %	8.8 %	8.8 %
Capture	9,652	10,162	11,779	11,779
Penetration	95 %	100 %	114 %	114 %
Total Room Nights Captured	29,346	32,156	34,777	34,777
Available Room Nights	54,750	54,750	54,750	54,750
Subject Occupancy	54 %	59 %	64 %	64 %
Marketwide Available Room Nights	711,203	711,203	711,203	711,203
Fair Share	8 %	8 %	8 %	8 %
Marketwide Occupied Room Nights	429,067	431,690	432,371	432,371
Market Share	7 %	7 %	8 %	8 %
Marketwide Occupancy	60 %	61 %	61 %	61 %
Total Penetration	89 %	97 %	104 %	104 %

Within the FIT segment, the proposed subject hotel's occupancy penetration is positioned appropriately within the range of existing competitors, supported by Natural Bridge State Resort Park, which performed the highest in this segment given its location and its cabins with a limited number of standard guestrooms. The proposed subject hotel's occupancy penetration in the meeting and group segment is positioned appropriately within the range of existing competitors due to the proposed hotel's expected amount of meeting space coupled with enough guestrooms to support the meeting space.

These positioned segment penetration rates result in the following market segmentation forecast.

FIGURE 5-2 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2020	2021	2022	2023
FIT	67 %	68 %	66 %	66 %
Meeting and Group	33	32	34	34
Total	100 %	100 %	100 %	100 %

Based on our analysis of the proposed subject hotel and market area, we have selected a stabilized occupancy level of 64%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life, given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the proposed subject hotel may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

Average Rate Analysis

The following table illustrates the projected average rate and the growth rates assumed. As a context for the average rate growth factors, note that we have applied underlying inflation rates of 2.0%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2016.

FIGURE 5-3 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

Year	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	61.8 %	—	\$162.84	—	—	\$150.00	92.1 %
2017	59.7	4.0 %	169.35	—	4.0 %	156.00	92.1
2018	60.6	3.0	174.43	—	3.0	160.68	92.1
2019	61.0	3.0	179.67	0.0	3.0	165.50	92.1
2020	60.3	3.0	185.06	54.0 %	3.0	170.47	92.1
2021	60.7	3.0	190.61	59.0	3.0	175.58	92.1
2022	60.8	3.0	196.33	64.0	3.0	180.85	92.1

As illustrated above, a 4.0% rate of change is expected for the proposed subject hotel's positioned 2016 room rate in 2017. This is followed by growth rates of

3.0% and 3.0% in 2018 and 2019, respectively. The market should experience rate growth through the near term. The proposed subject hotel's rate position should reflect growth similar to market trends because of the proposed hotel's new facility, location, and expected product offering. The proposed subject hotel's penetration rate is forecast to reach 92.1% by the stabilized period.

The following table provides a comparison of the historical performance and forecasts for the competitive set, as well as the forecasts for the proposed subject property.

FIGURE 5-4 COMPARISON OF HISTORICAL AND PROJECTED OCCUPANCY, AVERAGE RATE, AND REVPAR – PROPOSED SUBJECT PROPERTY AND MARKET

	2014	2015	2016	Projected					
				2017	2018	2019	2020	2021	2022
Proposed Resort									
Occupancy				—	—	—	53.6 %	58.7 %	63.5 %
Change in Points				—	—	—	—	5.1	4.8
Occupancy Penetration				—	—	—	88.8 %	96.8 %	104.5 %
Average Rate			\$150.00	\$156.00	\$160.68	\$165.50	\$170.47	\$175.58	\$180.85
Change				—	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %
Average Rate Penetration				92.1 %	92.1 %	92.1 %	92.1 %	92.1 %	92.1 %
RevPAR				—	—	—	\$91.37	\$103.12	\$114.87
Change				—	—	—	—	12.9 %	11.4 %
RevPAR Penetration				—	—	—	81.8 %	89.1 %	96.2 %
	Historical (Estimated)			Projected					
	2015	2015	2016	2017	2018	2019	2020	2021	2022
Smith Travel Research Trend Regional Market									
Occupancy	60.9 %	61.5 %	61.8 %	59.7 %	60.6 %	61.0 %	60.3 %	60.7 %	60.8 %
Change in Points	—	0.6	0.3	(2.1)	0.8	0.5	(0.7)	0.4	0.1
Average Rate	\$148.02	\$158.57	\$162.84	\$169.35	\$174.43	\$179.67	\$185.06	\$190.61	\$196.33
Change	—	7.1 %	2.7 %	4.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %
RevPAR	\$90.21	\$97.53	\$100.71	\$101.14	\$105.62	\$109.60	\$111.65	\$115.70	\$119.36
Change	—	8.1 %	3.3 %	0.4 %	4.4 %	3.8 %	1.9 %	3.6 %	3.2 %

* The forecast for the proposed subject property does not include rate discounts that are expected to occur during the initial year(s) of operation.

A new property must establish its reputation and a client base in the market during its ramp-up period; as such, the proposed subject hotel’s average rates in the initial operating period have been discounted to reflect this likelihood. We forecast 3.0% and 2.5% discounts to the proposed subject hotel’s forecast room rates in the first two operating years, which would be typical for a new operation of this type.

The following occupancies and average rates will be used to project the proposed subject hotel's rooms revenue. This forecast reflects years beginning on January 1, 2020 and corresponds with our financial projections.

FIGURE 5-5 FORECAST OF OCCUPANCY, AVERAGE RATE, AND REVPAR

Year	Occupancy	Average Rate		RevPAR	
		Before Discount	Discount		After Discount
2020	54 %	\$170.47	3.0 %	\$165.35	\$89.29
2021	59	175.58	2.5	171.19	101.00
2022	64	180.85	0.0	180.85	115.74
2023	64	186.27	0.0	186.27	119.21

6. Statement of Assumptions and Limiting Conditions

1. This report is set forth as a market study of the proposed subject hotel; this is not an appraisal report.
2. This report is to be used in whole and not in part.
3. No responsibility is assumed for matters of a legal nature, nor do we render any opinion as to title, which is assumed marketable and free of any deed restrictions and easements. The property is evaluated as though free and clear unless otherwise stated.
4. We assume that there are no hidden or unapparent conditions of the sub-soil or structures, such as underground storage tanks, that would affect the property's development potential. No responsibility is assumed for these conditions or for any engineering that may be required to discover them.
5. We have not considered the presence of potentially hazardous materials or any form of toxic waste on the project site. We are not qualified to detect hazardous substances and urge the client to retain an expert in this field if desired.
6. The Americans with Disabilities Act (ADA) became effective on January 26, 1992. We have assumed the proposed hotel would be designed and constructed to be in full compliance with the ADA.
7. We have made no survey of the site, and we assume no responsibility in connection with such matters. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the described real estate will be within the boundaries of the property described, and that no encroachment will exist.
8. All information, financial operating statements, estimates, and opinions obtained from parties not employed by TS Worldwide, LLC are assumed true and correct. We can assume no liability resulting from misinformation.
9. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.
10. The property is assumed to be in full compliance with all applicable federal, state, local, and private codes, laws, consents, licenses, and regulations (including the appropriate liquor license if applicable), and that all licenses, permits, certificates, franchises, and so forth can be freely renewed or transferred to a purchaser.

11. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.
12. None of this material may be reproduced in any form without our written permission, and the report cannot be disseminated to the public through advertising, public relations, news, sales, or other media.
13. We are not required to give testimony or attendance in court because of this analysis without previous arrangements, and shall do so only when our standard per-diem fees and travel costs have been paid prior to the appearance.
14. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
15. We take no responsibility for any events or circumstances that take place subsequent to the date of our field inspection.
16. The quality of a lodging facility's onsite management has a direct effect on a property's economic viability. The financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results.
17. The financial analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease because of market volatility and economic forces outside the control of the hotel's management. We assume that the price of hotel rooms, food, beverages, and other sources of revenue to the hotel will be adjusted to offset any increases or decreases in related costs. We do not warrant that our estimates will be attained, but they have been developed based on information obtained during the course of our market research and are intended to reflect the expectations of a typical hotel investor as of the stated date of the report.
18. This analysis assumes continuation of all Internal Revenue Service tax code provisions as stated or interpreted on either the date of value or the date of our field inspection, whichever occurs first.
19. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded to the nearest tenth of a percent. Thus, these figures may be subject to small rounding errors.

20. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
21. Evaluating and comprising financial forecasts for hotels is both a science and an art. Although this analysis employs various mathematical calculations to provide value indications, the final forecasts are subjective and may be influenced by our experience and other factors not specifically set forth in this report.
22. This study was prepared by TS Worldwide, LLC. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of TS Worldwide, LLC as employees, rather than as individuals.

7. Certification

The undersigned hereby certify that, to the best of our knowledge and belief:

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and 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 no personal interest 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 with 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 result or direction in performance that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this 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;
8. Catherine Sarrett, MBA, Desiree M. Flanary, MAI, and Thomas A Hazinski, MPP personally inspected the property described in this report;
9. and that no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this report; Desiree M. Flanary, MAI has not performed services, as an appraiser or in any other capacity, on the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment;
10. the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute;

11. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and
12. as of the date of this report, Desiree M. Flanary has completed the continuing education program for Designated Members of the Appraisal Institute.

A handwritten signature in black ink that reads "Desiree Flanary".

Desiree M. Flanary, MAI
Senior Vice President

A handwritten signature in black ink that reads "Thomas Hazinski".

Thomas A Hazinski, MPP
Managing Director, Convention-Sports-Entertainment
TS Worldwide, LLC

Desiree Flanary, MAI

EMPLOYMENT

2006 to present	HVS CONSULTING AND VALUATION SERVICES Portland, Oregon
2004 – 2006	AEROTEK Denver, Colorado
2003 – 2004	TIMBERHOUSE SKI LODGE Winter Park, Colorado

EDUCATION AND OTHER TRAINING

BS – University of Northern Colorado

Other Specialized Training Classes Completed:

Uniform Standards of Professional Appraisal Practice – 15 hours
 Basic Appraisal Principles – 30 hours
 Basic Appraisal Procedures – 30 hours
 General Appraiser Income Approach (Parts I and II) – 60 hours
 General Appraiser Market Analysis and HBU – 30 hours
 Nevada Appraisal Laws
 Business Practices and Ethics – 8 hours
 Statistics, Modeling and Finance – 15 hours
 General Appraiser Site Valuation and Cost Approach – 30 hours
 General Appraiser Sales Comparison Approach – 30 hours
 General Appraiser Report Writing and Case Studies – 30 hours
 Advanced Income Capitalization – 40 hours
 Advanced Sales and Cost – 30 hours
 Federal and State Appraiser Law – 4 hours
 Fundamentals of Separating Real, Personal Property, and Intangible Business Assets – 15 hours
 Appraising and Analyzing Retail Shopping Centers for Mortgage Underwriting – 7 hours
 Land and Site Valuation – 7 hours
 Ad Valorem Tax Consultation – 2 hours
 Even Odder – More Oddball Appraisals – 7 hours
 General Demonstration Report – Capstone
 Appraisal of Land Subject to Ground Leases – 7 hours
 Introduction to Legal Descriptions – 2 hours
 Litigation Appraising – 16 hours
 USPAP Updates – 2011, 2013, 2015

STATE CERTIFICATIONS

California, Idaho, Montana, Nevada, Oregon, Utah, Washington

PROFESSIONAL AFFILIATIONS

Appraisal Institute – Designated Member (MAI)

PUBLISHED ARTICLES

<i>HVS Journal</i>	“HVS Market Pulse: Portland, OR,” September 2016
<i>HVS Journal</i>	“Key Hotel-Related Takeaways: MBA CREF16,” co-authored with Brett Russell, February 2016
<i>HVS Journal</i>	“Hotel-Related Takeaways: Mortgage Bankers Association’s CREF / Multifamily Housing Convention & Expo 2015,” co-authored with Brett Russell, February 2015
<i>HVS Journal</i>	“In Focus: Hyatt Brands Performance Update,” co-authored with Ryan Mark, October 2014
<i>HVS Journal</i>	“Market Intelligence Report 2013: Seattle,” co-authored with Kasia Russell, July 2013
<i>HVS Journal</i>	“Portland Market Intelligence Report 2013,” co-authored with Kasia Russell, July 2013
<i>HVS Journal</i>	“Demand High, Hotel Supply Low in Eastern Montana and Western North Dakota,” co-authored with Sara Olson, January 2013
<i>HVS Journal</i>	“Starwood’s Reinvention: Sheraton and Four Points by Sheraton Hotels,” co-authored with Amanda Repert, May 2009
<i>HVS Journal</i>	“A Starwood Product Story: New Brands and New Ideas,” co-authored with Amanda Repert, March 2009
<i>HVS Journal</i>	“HVS Market Intelligence Report: Reno, Nevada,” June 2008
<i>HVS Journal</i>	“Hotel Rooms Remain In Short Supply throughout Wyoming’s Energy Corridors,” September 2007

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED

ALASKA

Coast International Inn, Anchorage
Proposed Candlewood Suites, Fairbanks

ARIZONA

Sheraton Crescent Hotel, Phoenix
Proposed Hampton Inn, Williams

ARKANSAS

Days Inn, Osceola

CALIFORNIA

Proposed Fairfield Inn & Suites by Marriott, Alameda
Sheraton, Anaheim
Comfort Inn, Arcata
Proposed Hampton Inn & Suites, Arroyo Grande
Summerfield Suites, Belmont
Ventana Inn & Spa, Big Sur
Bodega Coast Inn & Suites, Bodega Bay
Residence Inn by Marriott, Burbank
Crowne Plaza, Burlingame
Holiday Inn Express SFO, Burlingame
Cameron Park Inn, Cameron Park
Courtyard by Marriott, Carlsbad
Residence Inn by Marriott, Carlsbad
SpringHill Suites by Marriott, Carlsbad
Radisson Hotel, Chatsworth
Vacant Land, Chatsworth
DoubleTree, Commerce
Proposed Comfort Suites, Dixon
Yosemite Cedar Lodge, El Portal
Yosemite View Lodge, El Portal
Residence Inn by Marriott, El Segundo
Econo Lodge, Fairfield
North Cliff Hotel, Fort Bragg
Quality Inn, Fort Bragg
Residence Inn, Fremont

Proposed Hilton Garden Inn, Grover Beach
Holiday Inn, Long Beach
Radisson Chatsworth, Los Angeles
Comfort Inn, Marina
Proposed Hotel, Merced
Comfort Suites, Mission Valley
Super 8, Modesto
DoubleTree, Monrovia
Hotel Pacific, Monterey
Residence Inn by Marriott, Mountain View
Chase Suite Hotel, Newark
TownePlace Suites, Newark
Best Western Plus Airport Inn & Suites Oakland, Oakland
Hampton Inn & Suites, Ontario
Embassy Suites, Orange
Palm Mountain Resort, Palm Springs
Courtyard, Rancho Cucamonga
Hilton Garden Inn, Rancho Cucamonga
Homewood Suites, Rancho Cucamonga
Siena Hotel, Reno
Proposed Country Inn & Suites, Ripon
Proposed Hyatt Summerfield Suites, Roseville
Courtyard Midtown, Sacramento
Hawthorn Suites, Sacramento
Residence Inn Airport, Sacramento
Holiday Inn Express (conversion to Fairfield Inn), San Diego
Holiday Inn Mission Valley, San Diego
Lafayette Hotel & Suites, San Diego
Proposed Renaissance, San Diego
US Grant, San Diego
Comfort Suites, San Jose
Courtyard by Marriott, San Luis Obispo
Franklin Hotel Redevelopment, San Mateo
Residence Inn by Marriott SF Airport, San Mateo
Residence Inn, San Mateo
Biltmore Hotel & Suites, Santa Clara
Dream Inn, Santa Cruz
Casa Madrona, Sausalito
Heavenly Inn, South Lake Tahoe

High Country Lodge, South Lake Tahoe
Proposed Unscripted, South Lake Tahoe
Secrets Inn, South Lake Tahoe
Holiday Inn Express, Temecula
Courtyard by Marriott, Thousand Oaks
TownePlace Suites by Marriott, Thousand Oaks
Marriott, Walnut Creek
Holiday Inn Express, Watsonville
Proposed Limited-Service Hotel, West Sacramento
Proposed Home2 Suites and Land, Woodland

COLORADO

Comfort Inn, Colorado Springs
Courtyard DIA, Denver
Proposed Holiday Inn, Durango
Proposed Union Station Hotel, Denver
Rocky Mountain Park Inn, Estes Park
Proposed Hotel & Water Park, Leadville
Proposed Residence Inn by Marriott, Vail
James Peak Property, Winter Park

FLORIDA

Hilton Tampa Westshore, Tampa
Residence Inn Downtown, Tampa

IDAHO

DoubleTree, Boise
Hampton Inn, Boise
SpringHill Suites, Boise
Ramada Inn, Pocatello
Comfort Inn, Twin Falls
Hampton Inn, Twin Falls

ILLINOIS

Holiday Inn Crystal Lake, Chicago
Holiday Inn Express, Chicago
Holiday Inn Express, Oakbrook

Quality Suites, Rockford

INDIANA

Days Inn, Indianapolis
Proposed Hotel & Events Center,
Lawrenceburg

IOWA

Proposed Element, Des Moines
Glenview Motel, Dubuque
Days Inn, Shenandoah

KANSAS

Best Western Surf Motel, Marysville

LOUISIANA

Holiday Inn, Lafayette

MINNESOTA

Homewood Suites, Bloomington
Proposed Cambria Suites, Duluth
Microtel Inn & Suites, Owatonna
Super 8, Rochester

MISSISSIPPI

Wingate Inn, D'Iberville
Fairfield Inn, Gulfport
Hampton Inn, Hattiesburg

MISSOURI

Holiday Inn, St. Joseph

MONTANA

Proposed Hotel, Big Sky
Super 8, Billings
TownePlace Suites by Marriott,
Billings
Proposed Best Western Plus, East
Glacier Park

Proposed Holiday Inn Express,
Glendive
Wingate Inn, Helena
DoubleTree, Missoula
Proposed Hotel, Missoula
Proposed TownePlace Suites, Missoula
TownePlace Suites by Marriott,
Missoula
Best Western, Sidney
TownePlace Suites by Marriott,
Missoula

NEBRASKA

Marriott Hotel, Omaha

NEVADA

Battle Mountain Inn & Suites, Battle
Mountain
Comfort Inn, Carlin
Frontier Hotel, Carson City
Holiday Inn Express, Carson City
Holiday Inn Express, Elko
Shilo Inn & Suites, Elko
Hampton Inn & Suites Las Vegas
Airport, Las Vegas
Baymont Inn, Reno
Hawthorn Suites, Reno
Homewood Suites, Reno
Hyatt Place, Reno
Proposed Courtyard by Marriott, Reno
Proposed Downtown Hotel, Reno
Rodeway Inn, Reno
Travelodge, Reno

NEW MEXICO

Microtel Inn & Suites, Owatonna
Holiday Inn Express, Portales
Holiday Inn Express, Santa Rosa
La Quinta Inn, Santa Rosa

NORTH CAROLINA

Great Wolf Lodge, Concord
Wyndham Garden Hotel, Durham

NORTH DAKOTA

Grand Inn, Fargo

OREGON

Best Western, Astoria
El Dorado Inn, Baker City
Rodeway Inn, Baker City
Hilton Garden Inn Portland Beaverton,
Beaverton
Best Western Pier Point Inn, Florence
Proposed Staybridge Suites, Hillsboro
Best Western, Lakeview
Fremont Inn, Lakeview
Windmill Inn, Medford
Shilo Inn, Newport
Embassy Suites, Portland
Proposed Hotel, Sisters
Shilo Inn, The Dalles
Shilo Inn, Warrenton

SOUTH CAROLINA

Holiday Inn Express, Myrtle Beach
Marina Inn at Grand Dunes, Myrtle
Beach

SOUTH DAKOTA

Best Value Inn, Hot Springs

TENNESSEE

Hampton Inn, Memphis

TEXAS

Holiday Inn Express, Longview
Courtyard by Marriott, San Antonio
Fairfield Inn by Marriott (2), San
Antonio
Residence Inn by Marriott, San
Antonio
Comfort Suites, Tyler

UTAH

Value Place, American Fork
 Hampton Inn, Layton
 Proposed Homewood Suites by Hilton,
 Moab
 Hilton Downtown, Salt Lake City
 Peery Hotel, Salt Lake City
 Residence Inn City Center, Salt Lake
 City
 Home2 Suites by Hilton, South Jordan
 Pioneer Lodge, Springdale
 Best Western Capitol Reef, Torrey
 Value Place, West Haven
 Value Place, West Valley City

WASHINGTON

Embassy Suites, Bellevue
 Hilton, Bellevue
 Residence Inn Seattle Bellevue
 Downtown, Bellevue
 Proposed Hotel, Bellevue
 La Quinta Inn & Suites, Bellingham
 Proposed Limited-Service Hotel,
 Blaine
 Red Lion Inn & Suites, Bothell
 SpringHill Suites by Marriott Seattle
 Bothell, Bothell
 Proposed Hotel Silver Lake, Everett
 Embassy Suites, Lynwood
 Proposed Home2 Suites, Marysville
 Holiday Inn Express, Pasco
 Sleep Inn, Pasco
 Proposed Courtyard by Marriott,
 Redmond
 Travelodge, Renton
 Proposed Homewood Suites, Richland
 Shilo Inn, Richland
 Comfort Inn & Suites Sea-Tac, Seattle
 DoubleTree by Hilton South Center,
 Seattle
 Hilton Seattle, Seattle
 Hilton Seattle Airport, Seattle
 Homewood Suites by Hilton
 Downtown, Seattle
 Hyatt at Olive 8, Seattle

Marriott, Seattle
 Proposed AC Hotel by Marriott, Seattle
 Renaissance Hotel, Seattle
 Sheraton Seattle Hotel & Towers,
 Seattle
 SpringHill Suites by Marriott, Seattle
 Courtyard by Marriott, South Federal
 Way

WYOMING

Settle Inn & Suites, Gillette
 Hampton Inn & Suites, Green River
 Proposed Hampton Inn & Suites, Green
 River
 Alpenhof Hotel, Jackson
 Homewood Suites, Jackson
 The Lodge at Jackson Hole (Best
 Western), Jackson
 Rustic Inn, Jackson
 Super 8, Laramie
 La Quinta, Rock Springs
 Proposed Fairfield Inn & Suites, Rock
 Springs
 Proposed SpringHill Suites, Rock
 Springs

INTERNATIONAL

MEXICO

Desire, Los Cabos
 Tesoro, Los Cabos
 Proposed Hotel, Puerto Pensaco



Thomas Hazinski

Employment

- 2001 - Present **HVS CONVENTION, SPORTS, & ENTERTAINMENT FACILITIES CONSULTING**
Chicago, Illinois USA
Managing Director
(Market studies, feasibility reports, facility recommendations, strategy studies,
economic impact studies, tax analysis, development assistance, funding strategies)
- 1996-2001 **C.H. JOHNSON CONSULTING**
Senior Vice President
- 1995-1996 **MIDWEST MANAGEMENT CONSULTANTS**
Vice President
- 1987-1995 **CITY OF CHICAGO, ILLINOIS**
Assistant Budget Director for Revenue Analysis, City of Chicago
Assistant Commissioner of Aviation and International Terminal Manager
Revenue Analyst, Chicago Park District

Memberships

International Association of Venue Managers

Education

University of Chicago
Masters Degree Public Policy Studies

University of Wisconsin, Madison
Bachelor of Arts

Teaching and Lecture Assignments

Lecturer, DePaul University, Chicago
Masters of Public Services Program

Speaking Engagements

Speaker, *Trends in Conference and Convention Centers*, International Economic Development Council, Oklahoma City, 2010

Speaker, *Tourism as Economic Development*, Bond Buyer Conference, 2006

Speaker, *Measuring Economic Impact*, Government Finance Officers Association 2001



Articles Published

"HVS Lodging Tax Report", 2016, 2015, 2014

"HVS 2014 Auto Rental Tax Study", 2014

"Fact or Folly: A Review of Convention Center Follies", 2014

"What Lodging Taxes tell us about the Great Recession", 2013

"New Supply Slows to a Trickle: Analysis of the Convention Center Pipeline", 2010

"How Convention Centers Influence Hotel Markets", 2010

"What Part of No Don't You Understand? How to Track and Assess Lost Group Business", 2008

"What Is An Event?", 2007

"Qualified Management Contracts: Public-Sector/Private-Sector Partnering to Achieve Common Objectives", 2006

"Is the Sky Falling on the Convention Center Industry", 2005

"Public Involvement in Hotel Financing", 2004

"Assessing the Economic Impact of Investment in Public Facilities", 2004

"Copenhagen Congress Facilities Study", 2003

"Room Tax Study - Arena Bond Refunding", 2002

"Tax-Exempt Hotel Financing", 2002

"Midwest Airlines Center Expansion Feasibility Study", 2002

"Feasibility Study of Expansion of Headquarters Hotel Capacity", 2001

"Measuring Economic Impact", 2001

Examples of Clients Served

See attached list

<p>Akron/Summit Convention and Visitors Bureau Albany Convention Center Authority Albuquerque AZ, City of Albuquerque Convention & Visitors Bureau Alerus Commission Alexandria MN, City of Allen, Texas Economic Development Alpena FL, City of Alsip IL, City of Amari Hotels Amarillo TX, City of American Racing and Entertainment American Securities Capital Partners Anchorage Convention & Visitors Bureau Apopka FL, City of Archdiocese of Detroit Argosy Gaming Atlanta Cobb Galleria Aurora CO, City of Aurora, CO, City of Austin TX, City of Ayala Family (Philippines) Baltimore Development Corporation Bangor MA, City of Beaver Creek, CO Resort Company Bethlehem PA Redevelopment Authority Big Springs TX, City of Billings, MT Chamber of Commerce/CVB Boone County, IN Boston Chamber of Commerce Boston MA, City of Brookings SD, City of Broward County, FL Brown County WI Professional Football Stadium District Buffalo Convention Center Corporation Caesar's Entertainment Corporation Cairo International Convention & Exhibition Centre Carnegie Science Center, Pittsburgh, PA Cedar Rapid IA, City of Centennial Authority of North Carolina Charlotte NC, City of Chicago IL, City of Chickasaw Nation Chickasaw Nation Chilliwick Economic Development Partners Cicero IL, Town of City of Albuquerque Cobb-Marietta Coliseum & Exhibit Hall Authority</p>	<p>Cobb-Marietta Coliseum and Exhibit Hall Authority Coleman Research Group, Inc. Compass Facilities Management Concord Pacific Developments Copenhagen Capacity Coralville IA, City of Corpus Christi Business Alliance COSI Science and Industry Museum, Columbus OH Council Bluffs IA, City of Dallas Convention and Visitors Bureau Dallas TX, City of Davenport IA, City of DeKoven Center, Racine, Wisconsin Detroit Metro Convention and Visitors Bureau Dev-Con International LLC Durango Business Improvement District Ernest N. Morial Convention Center, New Orleans Evanston IL, City of Fargo, City of Fargodome, ND Faulkner USA Fedinco Ltd. First Southwest Company Florida Polytech University Fort Collins CO, City of Fort Worth TX, City of Franklin County (OH) Convention Facilities Authority Franklin L. Haney Company Fredericksburg ,TX CVB Fredericksburg Convention and Visitors Bureau Fredericksburg TX, City of Freeman Coliseum TX Galveston TX, City of General Growth Properties Geneva Palexpo Gilbert AZ, City of Gilbert AZ, Town of Glens Falls Development, LLC Grand Heritage Hotel Group Greater Buffalo Convention and Visitors Bureau Greater Jamaica Development Corporation (Queens, New York) Green Bay/Brown County Professional Football Stadium District Greenville SC, City and County of Hagerstown/Washington County MD Convention & Visitors Bureau Harlingen, TX City of</p>
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Harlingen, TX, City of
Hawaii Tourism Authority
HCW Development (Branson, Missouri)
Herschend Family Entertainment Corp.
Holland MI, City of
Host Hotel & Resorts
Hubbard Street Dance, Chicago
Huntsville AL, City of
Illinois State University
Independent School District No. 270 (Hopkins, Minnesota)
Intercap Institutional Investors
JBG Associates, LLC
Kansas City Bartle Hall
KPG Real Estate Development
Lacey Development
Lake Area Improvement Corporation, Madison, SD
Lake County (IN) Convention and Visitors Bureau
Lake Julaluska Conference and Retreat Center
Lancaster County Convention Center Authority
Las Vegas Convention and Visitors Authority
Las Vegas Sands Corporation
Lawton Fort Sill Chamber of Commerce
Lee's Summit MO, City of
Liberty Science Center, Jersey City, NJ
Long Center for the Performing Arts
Loudoun County, Virginia
Loveland, CO, City of
Macon GA, City of
Madison Square Garden
Mammoth Lakes CA, Town of
Manchester NH, City of
Mashantucket Pequot Tribal Nation
Massachusetts Convention Center Authority
Massachusetts, Commonwealth of
Mecklenburg County, North Carolina
Medford, OR, City of
Memphis, TN City of
Metro Jackson Convention and Visitors Bureau
(Mississippi)
Metropolitan Airports Commission, Minneapolis
Metropolitan Pier and Exhibition Authority, Chicago
Miller Capital Advisory Inc.
Miller-Valentine Group
Milwaukee, WI, City of
Minneapolis Airport Hotel
Mission TX, City of
Mission, TX, City of
Moline IL, City of
Monroe County, IN Convention Center Building
Corporation
Monterey Conference Center
Monterey County Convention and Visitors Bureau
Montgomery County, Tennessee
Montgomery County, TN
Muskingum County OH Convention Facilities Authority
Naperville IL, City of
Nashville TN, City of
National Music Foundation
Neal & Leroy, LLC
Nebraska Furniture Mart
Newnan GA Convention Center Authority
Newton Oldacre McDonald, LLC
Normal IL, Town of
Oakland CA, City of
Oakland Redevelopment Agency
O'Hare International Airport
Omaha NE, City of
Omaha Royals Baseball Club LLP
Oneida Nation
Oregon Convention Center
Oregon State Fair
overland, CO, City of
Overland Park Development Corporation
Overland Park KS, City of
Owensboro KY, City of
Oyster Bay NY, City of
Palm Beach County, FL
Panama City Beach
Peoria IL, City of
Philadelphia Hotel Association
Phoenix Convention Center
Pier 94 (New York City)
Piper Jaffray
Pittsburgh History & Landmarks Foundation
Plano TX, City of
Plenary Group Pty Ltd
Plunkett & Clooney
Port Sanilac Downtown Development Authority
Portland Development Commission
Property Council of Australia and Tourism Transport
Forum
Puerto Rico Convention Center District
Puerto Rico Tourism Company
Queens NY Chamber of Commerce
Qwest Center Omaha
Racine DeKoven Center



Raleigh NC, City of
Rhode Island Convention Center Authority
Richmond VA, City of
Rio Nuevo Multipurpose Facilities District
Riyadh, Saudi Arabia
Robert W. Baird & Co.
Roberto Clemente Foundation
Rochester, MN Convention & Visitor Bureau
S. B. Friedman & Company
Saint Louis County, MO
Salem VA, City of
Salt Lake City Redevelopment Agency
San Antonio Convention & Visitors Bureau
San Antonio HOT 2016
San Antonio TX, City of
San Diego Tourism Marketing District Corporation
Santa Fe NM, City of
Schaumburg IL, Village of
Senate Hospitality Group
Shaner Hotel Group
SheerSports
Sonnenblick-Del Rio Jamaica Ltd.
South Lake Tahoe Redevelopment Authority
Southeast Wisconsin Professional Baseball Park District
Starwood Development
State of Arizona
Suffolk VA, City of
Taj Hotel Group
Tallahassee FL, City of
Tern Landing Development
The Citadel
The Resort Group
Tinley Park IL, Village of
Tri-Star Investments
Tucson AZ, City of
UBS Municipal Securities Group
Union County, Ohio Chamber of Commerce
University of Chicago
Urban Council of Albuquerque, Inc.
Urban Renewal Authority of Colorado Springs
Vail CO, Town of
Village of Shiller Park, IL
Virgin Islands Public Finance Authority
Virginia Beach Convention & Visitors Bureau
Virginia Beach VA, City of
Visalia Convention Center
Visit Indianapolis
Washington DC Convention & Sports Authority

Washington State Convention Center
Washington State Convention Center
Wausau WI, City of
WEDGE Real Estate Holdings
West Allis WI, City of
White Oak Resorts
Wichita KS, City of
Wild Horse Pass Development Authority
Williston ND, City of
Wisconsin Center District
Wonderful Copenhagen