FEASIBILITY STUDY

Proposed Limited-Service Hotel

FOX LAKE, ILLINOIS

SUBMITTED TO:

Mr. Donovan Day
Village of Fox Lake Illinois
66 Thillen Drive
Fox Lake, Illinois 60020

+1 (847) 587-3176

PREPARED BY:

HVS Consulting & Valuation
Division of TS Worldwide, LLC
205 West Randolph Street, Suite 1650
Chicago, Illinois 60606

+1 (419) 367-3879

September 6, 2019

Mr. Donovan Day
Village of Fox Lake
66 Thillen Drive
Fox Lake, Illinois 60020

HVS CHICAGO
205 West Randolph Street, Suite 1650
Chicago, Illinois 60606
+1 (419) 367-3879
+1 (516) 742-3059 FAX
www.hvs.com

Re: Proposed Limited-Service Hotel
Fox Lake, Illinois
HVS Reference: 2019020955

Dear Mr. Day:

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

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

Dana W. Floberg, Director
dfloberg@hvs.com, +1 (312) 505-5913
State Appraiser License (IL) 553.002541

Stacey E. Nadolny, MAI, Managing Director, Senior Partner
snadolny@hvs.com, +1 (419) 367-3879
State Appraiser License (IL) CG 553.002399

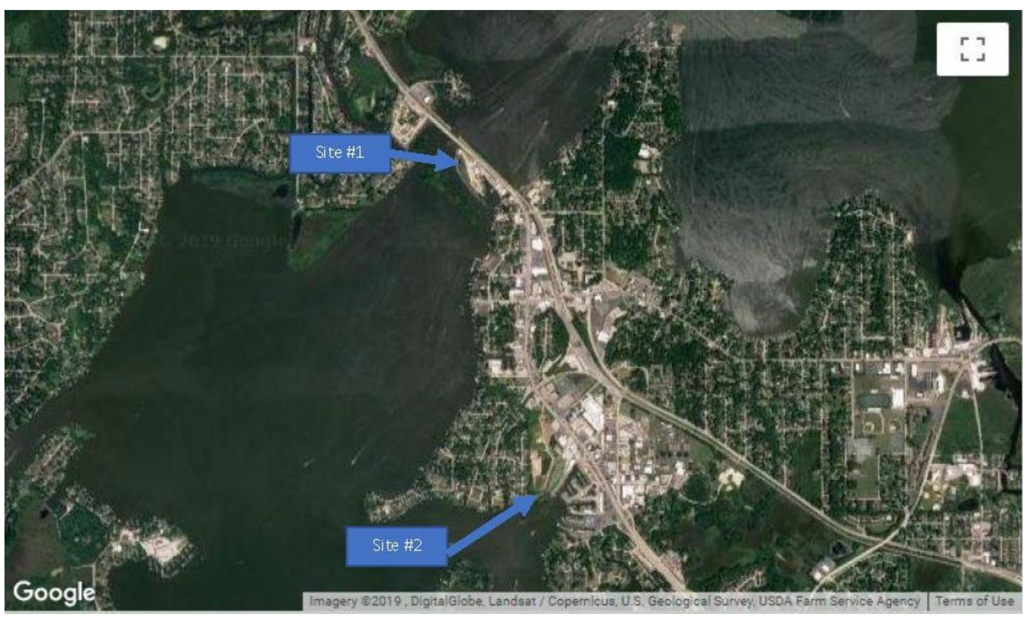
Table of Contents

1. Executive Summary

Subject of the Feasibility Study

Two parcels are currently being considered for hotel development in the Village of Fox Lake. We have evaluated both sites and, although a site has not yet been selected, we recommend the selected site be improved with a limited-service lodging facility. For the purpose of this study, we have assumed that the hotel be associated with the Fairfield Inn by Marriott brand or similar flag, including Hampton Inn by Hilton, and Holiday inn Express. The property, which could open as soon as January 1, 2021, should feature approximately 80 rooms, a breakfast dining area, an indoor pool and whirlpool, a fitness room, a business center, a market pantry, and a guest laundry room. The hotel will also contain the appropriate parking capacity and all necessary back-of-the-house space.

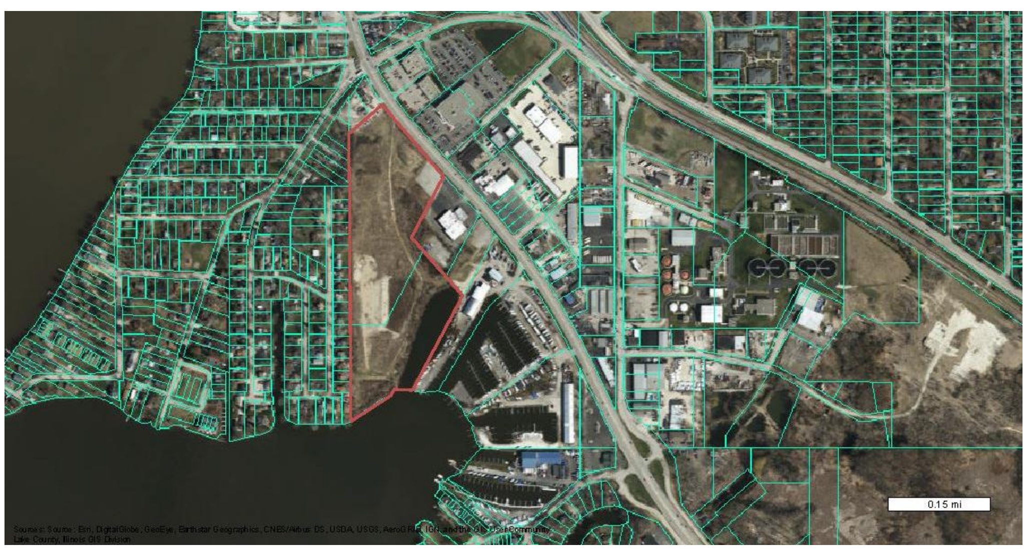
SITE LOCATIONS



The proposed hotel is expected to fill a need for a nationally-branded hotel in the market. The Village of Fox Lake is currently considering two sites for development. Both of these sites offer street access to U.S. Highway 12, the main commercial corridor, as well as boat access from the adjacent marinas. Furthermore, the owner of the Sayles property (Site #2) has proposed developing a restaurant and banquet hall in conjunction with a hotel at that site. For the purpose of this study, we have assumed that a banquet hall and restaurant would be built adjacent to the proposed hotel in either situation.

SITE #1

SITE #2



Pertinent Dates

The effective date of the report is August 21, 2019. The subject site was inspected by Dana W. Floberg and Amy Majercik on June 20, 2019. Stacey E. Nadolny, MAI participated in the analysis and reviewed the findings but did not personally inspect the property.

Ownership, Franchise, and Management Assumptions

Two sites in the village of Fox Lake are currently being considered for hotel development. Both sites are owned by individuals who are interested in using the sites for hotel development. Reportedly, neither site has transacted in the last three years. Furthermore, neither site is listed nor under contract for sale, and we have no knowledge of any recent listings.

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. Our projections reflect a total management fee of 3.0% of total revenues.

We recommend that the proposed subject hotel operate as an upper-midscale, limited-service property. While we have placed heavy consideration on the Fairfield Inn by Marriott brand, which is affiliated with Marriott International, Inc., a specific franchise affiliation and/or brand has yet to be finalized. Based on our review of the agreement's terms or expected terms, the Fairfield Inn by Marriott, or other alternate franchise, is reflected in our forecasts with a royalty fee of 5% of rooms revenue, and a marketing assessment of 2.5% of rooms revenue.

Summary of Hotel Market Trends

During the illustrated historical period, both occupancy and average rate generally followed a strengthening trend, with RevPAR increasing by roughly 50% between 2009 and 2018. This improvement in market conditions was driven largely by the strengthening of the manufacturing industry and the healthcare sector. Year-to-date 2019 data illustrate a softening in occupancy and a roughly $1.00 loss in average rate due to project-related demand leaving the market. The near-term outlook is positive due to continued investment in the local market from major employers, such as Baxter and Scot Forge.

The subject site is located in the greater Lake County lodging market. Because the immediate area surrounding the subject site has very few hotels, and the current lodging supply consists primarily of Airbnb rentals, we have included regional competitors that are expected to compete with the proposed subject property. We have also analyzed the existing lodging options in the local market but have not included them in our STR trend. The proposed subject hotel is expected to compete with two hotels on a primary level based on proximity and product offering. We have considered an additional four hotels as future secondary competitors given differences in average rates and service levels.

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 Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2009	423	154,466	—	68,489	—	44.3 %	$83.87	—	$37.19	—
2010	476	173,740	12.5 %	84,897	24.0 %	48.9	81.90	(2.3) %	40.02	7.6 %
2011	476	173,647	(0.1)	92,652	9.1	53.4	81.51	(0.5)	43.49	8.7
2012	472	172,280	(0.8)	86,796	(6.3)	50.4	89.57	9.9	45.13	3.8
2013	472	172,280	0.0	92,289	6.3	53.6	90.99	1.6	48.74	8.0
2014	472	172,280	0.0	97,648	5.8	56.7	93.60	2.9	53.05	8.8
2015	472	172,280	0.0	98,629	1.0	57.2	97.55	4.2	55.85	5.3
2016	472	172,280	0.0	96,591	(2.1)	56.1	99.37	1.9	55.71	(0.2)
2017	472	172,280	0.0	99,755	3.3	57.9	99.69	0.3	57.72	3.6
2018	472	172,280	0.0	101,441	1.7	58.9	102.56	2.9	60.39	4.6
Year-to-Date Through May										
2018	472	71,272	—	37,661	—	52.8 %	$96.94	—	$51.23	—
2019	472	71,272	0.0 %	35,195	(6.5) %	49.4	95.85	(1.1) %	47.33	(7.6) %
Average Annual Compounded Change:										
2009 - 2012			3.7 %		8.2 %			2.2 %		6.7 %
2012 - 2018			0.0		2.6			2.3		5.0

Hotels Included in Sample	Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
Best Western Plus Antioch Hotel & Suites	Upper Midscale Class	*Secondary*	68	Mar 2012	Jun 1988
Best Western Woodstock Inn	Midscale Class	*Secondary*	43	Jan 2012	Apr 1991
Quality Inn Woodstock	Midscale Class	*Secondary*	50	Dec 2011	May 1997
Hampton Inn McHenry	Upper Midscale Class	*Primary*	117	Mar 2003	Mar 2003
Holiday Inn Express & Suites Lake Zurich Barrington	Upper Midscale Class	*Primary*	86	Mar 2009	Mar 2009
Comfort Suites Grayslake Libertyville North	Upper Midscale Class	*Secondary*	108	May 2009	May 2009
		Total	**472**		

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	Number of Rooms	Est. Segmentation: Commercial	Group	Leisure	Estimated 2017: Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Estimated 2018: Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Hampton Inn McHenry	117	75 %	15 %	10 %	117	70 - 75 %	$105 - $110	$75 - $80	117	70 - 75 %	$105 - $110	$75 - $80	120 - 130 %	120 - 130 %
Holiday Inn Express & Suites Lake Zurich-Barrington	86	65	15	20	86	65 - 70	105 - 110	70 - 75	86	65 - 70	110 - 115	75 - 80	110 - 120	120 - 130
Sub-Totals/Averages	**203**	**71 %**	**15 %**	**14 %**	**203**	**69.9 %**	**$106.62**	**$74.51**	**203**	**70.9 %**	**$108.84**	**$77**	**$118 %**	**123.8 %**
Secondary Competitors	269	57 %	16 %	27 %	215	49.0 %	$92.57	$45.35	215	50.3 %	$95.96	$48	$83 %	77.5 %
Totals/Averages	**472**	**65 %**	**15 %**	**20 %**	**418**	**59.1 %**	**$100.63**	**$59.51**	**418**	**60.3 %**	**$103.31**	**$62**	**$100 %**	**100.0 %**

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

FIGURE 1-3 SECONDARY COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation: Commercial	Group	Leisure	Total Competitive Level	Estimated 2017: Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Estimated 2018: Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Best Western Woodstock Inn	43	60 %	10 %	30 %	80 %	34	40 - 45 %	$70 - $75	$30 - $35	34	45 - 50 %	$75 - $80	$35 - $40
Quality Inn Woodstock Opera House	50	55	15	30	80	40	40 - 45	75 - 80	30 - 35	40	45 - 50	75 - 80	35 - 40
Best Western Plus Antioch Hotel & Suites	68	60	20	20	80	54	50 - 55	110 - 115	55 - 60	54	50 - 55	115 - 120	60 - 65
Comfort Suites Grayslake	108	55	15	30	80	86	50 - 55	90 - 95	45 - 50	86	50 - 55	95 - 100	50 - 55
Totals/Averages	**269**	**57 %**	**16 %**	**27 %**	**80 %**	**215**	**49.0 %**	**$92.57**	**$45.35**	**215**	**50.3 %**	**$95.96**	**$48.31**

** 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 58% and a base-year rate position of $110.00 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 ADR FORECAST – MARKET AND PROPOSED SUBJECT PROPERTY

Calendar Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
Market ADR	$103.31	$103.83	$105.39	$108.02	$111.26	$114.60	$118.04	$121.58	$125.22
Projected Market ADR Growth Rate	—	0.5%	1.5%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Property ADR (As-If Stabilized)	**$110.00**	$110.55	$112.21	$115.01	$118.46	$122.02	$125.68	$129.45	$133.33
ADR Growth Rate	—	0.5%	1.5%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Stabilized ADR Penetration	106%	106%	106%	106%	106%	106%	106%	106%	106.5%

Fiscal Year	2021	2022	2023	2024	2025	2026
Proposed Subject Property Average Rate	$115.01	$118.46	$122.02	$125.68	$129.45	$133.33
Opening Discount	1.0%	0.5%	0.0%	0.0%	0.0%	0.0%
Average Rate After Discount	**$113.86**	**$117.87**	**$122.02**	**$125.68**	**$129.45**	**$133.33**
Real Average Rate Growth	—	3.5%	3.5%	3.0%	3.0%	3.0%
Market ADR	$108.02	$111.26	$114.60	$118.04	$121.58	$125.22
Proposed Subject ADR Penetration (After Discount)	105%	106%	106%	106%	106%	106%
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate	$105.22	$105.75	$106.28	$106.28	$106.28	$106.28

Summary of Forecast Income and Expense Statement

Our positioning of each revenue and expense level is supported by comparable operations or trends specific to this market. Our forecast of income and expense is presented in the following table.

FIGURE 1-5 DETAILED FORECAST OF INCOME AND EXPENSE

	2021	(Calendar Year)			2022				Stabilized				2024				2025			
Number of Rooms:	80				80				80				80				80			
Occupancy:	52%				57%				58%				58%				58%			
Average Rate:	$113.86				$117.87				$122.02				$125.68				$129.45			
RevPAR:	$59.21				$67.19				$70.77				$72.89				$75.08			
Days Open:	365				365				365				365				365			
Occupied Rooms:	15,184	%Gross	PAR	POR	16,644	%Gross	PAR	POR	16,936	%Gross	PAR	POR	16,936	%Gross	PAR	POR	16,936	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	$1,729	98.5 %	$21,613	$113.87	$1,962	98.6 %	$24,525	$117.88	$2,066	98.6 %	$25,825	$121.99	$2,128	98.6 %	$26,600	$125.65	$2,192	98.6 %	$27,400	$129.43
Other Operated Departments	18	1.0	222	1.17	19	0.9	235	1.13	19	0.9	243	1.15	20	0.9	250	1.18	21	0.9	258	1.22
Miscellaneous Income	9	0.5	111	0.58	9	0.5	117	0.56	10	0.5	122	0.57	10	0.5	125	0.59	10	0.5	129	0.61
Total Operating Revenues	1,756	100.0	21,945	115.62	1,990	100.0	24,877	119.57	2,095	100.0	26,190	123.71	2,158	100.0	26,975	127.42	2,223	100.0	27,787	131.26
DEPARTMENTAL EXPENSES *																				
Rooms	467	27.0	5,835	30.74	498	25.4	6,226	29.93	517	25.0	6,458	30.50	532	25.0	6,652	31.42	548	25.0	6,851	32.36
Other Operated Departments	7	40.9	91	0.48	8	40.1	94	0.45	8	40.0	97	0.46	8	40.0	100	0.47	8	40.0	103	0.49
Total Expenses	474	27.0	5,926	31.22	506	25.4	6,321	30.38	524	25.0	6,555	30.96	540	25.0	6,752	31.89	556	25.0	6,954	32.85
DEPARTMENTAL INCOME	1,282	73.0	16,019	84.40	1,485	74.6	18,556	89.19	1,571	75.0	19,635	92.75	1,618	75.0	20,224	95.53	1,667	75.0	20,833	98.41
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	185	10.5	2,315	12.19	195	9.8	2,439	11.72	202	9.6	2,526	11.93	208	9.6	2,601	12.29	214	9.6	2,679	12.66
Info & Telecom Systems	34	1.9	421	2.22	35	1.8	443	2.13	37	1.8	459	2.17	38	1.8	473	2.23	39	1.8	487	2.30
Marketing	55	3.1	684	3.60	58	2.9	721	3.46	60	2.8	746	3.52	61	2.8	769	3.63	63	2.8	792	3.74
Franchise Fee	130	7.4	1,621	8.54	147	7.4	1,839	8.84	155	7.4	1,937	9.15	160	7.4	1,995	9.42	164	7.4	2,055	9.71
Prop. Operations & Maint.	83	4.7	1,042	5.49	93	4.7	1,158	5.57	101	4.8	1,263	5.96	104	4.8	1,301	6.14	107	4.8	1,340	6.33
Utilities	80	4.6	999	5.27	84	4.2	1,053	5.06	87	4.2	1,091	5.15	90	4.2	1,123	5.31	93	4.2	1,157	5.47
Total Expenses	566	32.2	7,081	37.31	612	30.8	7,654	36.79	642	30.6	8,021	37.89	661	30.6	8,262	39.03	681	30.6	8,510	40.20
GROSS HOUSE PROFIT	715	40.8	8,938	47.09	872	43.8	10,903	52.40	929	44.4	11,613	54.86	957	44.4	11,962	56.50	986	44.4	12,323	58.21
Management Fee	53	3.0	658	3.47	60	3.0	746	3.59	63	3.0	786	3.71	65	3.0	809	3.82	67	3.0	834	3.94
INCOME BEFORE NON-OPR. INC. & EXP.	662	37.8	8,280	43.63	813	40.8	10,157	48.82	866	41.4	10,828	51.15	892	41.4	11,153	52.68	919	41.4	11,489	54.27
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	65	3.7	808	4.26	133	6.7	1,665	8.00	137	6.5	1,715	8.10	141	6.5	1,766	8.34	146	6.5	1,819	8.59
Insurance	24	1.4	298	1.57	25	1.2	307	1.47	25	1.2	316	1.49	26	1.2	325	1.54	27	1.2	335	1.58
Reserve for Replacement	35	2.0	439	2.31	60	3.0	746	3.59	84	4.0	1,048	4.95	86	4.0	1,079	5.10	89	4.0	1,111	5.25
Total Expenses	124	7.1	1,545	8.14	217	10.9	2,718	13.06	246	11.7	3,078	14.54	254	11.7	3,170	14.98	261	11.7	3,266	15.43
EBITDA LESS RESERVE	$539	30.7 %	$6,735	$35.49	$595	29.9 %	$7,439	$35.76	$620	29.7 %	$7,750	$36.61	$639	29.7 %	$7,982	$37.71	$658	29.7 %	$8,223	$38.84

*Departmental expenses are expressed as a percentage of departmental revenues.

FIGURE 1-6 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2021		2022		2023		2024		2025		2026		2027		2028		2029		2030	
Number of Rooms:	**80**		**80**		**80**		**80**		**80**		**80**		**80**		**80**		**80**		**80**	
Occupied Rooms:	**15,184**		**16,644**		**16,936**		**16,936**		**16,936**		**16,936**		**16,936**		**16,936**		**16,936**		**16,936**	
Occupancy:	**52%**		**57%**		**58%**		**58%**		**58%**		**58%**		**58%**		**58%**		**58%**		**58%**	
Average Rate:	**$113.86**	**% of**	**$117.87**	**% of**	**$122.02**	**% of**	**$125.68**	**% of**	**$129.45**	**% of**	**$133.33**	**% of**	**$137.33**	**% of**	**$141.45**	**% of**	**$145.70**	**% of**	**$150.07**	**% of**
RevPAR:	**$59.21**	**Gross**	**$67.19**	**Gross**	**$70.77**	**Gross**	**$72.89**	**Gross**	**$75.08**	**Gross**	**$77.33**	**Gross**	**$79.65**	**Gross**	**$82.04**	**Gross**	**$84.50**	**Gross**	**$87.04**	**Gross**
OPERATING REVENUE																				
Rooms	$1,729	98.5 %	$1,962	98.6 %	$2,066	98.6 %	$2,128	98.6 %	$2,192	98.6 %	$2,258	98.6 %	$2,326	98.6 %	$2,396	98.6 %	$2,468	98.6 %	$2,542	98.6 %
Other Operated Departments	18	1.0	19	0.9	19	0.9	20	0.9	21	0.9	21	0.9	22	0.9	23	0.9	23	0.9	24	0.9
Miscellaneous Income	9	0.5	9	0.5	10	0.5	10	0.5	10	0.5	11	0.5	11	0.5	11	0.5	12	0.5	12	0.5
Total Operating Revenues	1,756	100.0	1,990	100.0	2,095	100.0	2,158	100.0	2,223	100.0	2,290	100.0	2,359	100.0	2,430	100.0	2,503	100.0	2,578	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	467	27.0	498	25.4	517	25.0	532	25.0	548	25.0	565	25.0	581	25.0	599	25.0	617	25.0	635	25.0
Other Operated Departments	7	40.9	8	40.1	8	40.0	8	40.0	8	40.0	8	40.0	9	40.0	9	40.0	9	40.0	10	40.0
Total Expenses	474	27.0	506	25.4	524	25.0	540	25.0	556	25.0	573	25.0	590	25.0	608	25.0	626	25.0	645	25.0
DEPARTMENTAL INCOME	1,282	73.0	1,485	74.6	1,571	75.0	1,618	75.0	1,667	75.0	1,717	75.0	1,769	75.0	1,822	75.0	1,877	75.0	1,933	75.0
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	185	10.5	195	9.8	202	9.6	208	9.6	214	9.6	221	9.6	227	9.6	234	9.6	241	9.6	249	9.6
Info & Telecom Systems	34	1.9	35	1.8	37	1.8	38	1.8	39	1.8	40	1.8	41	1.8	43	1.8	44	1.8	45	1.8
Marketing	55	3.1	58	2.9	60	2.8	61	2.8	63	2.8	65	2.8	67	2.8	69	2.8	71	2.8	73	2.8
Franchise Fee	130	7.4	147	7.4	155	7.4	160	7.4	164	7.4	169	7.4	174	7.4	180	7.4	185	7.4	191	7.4
Prop. Operations & Maint.	83	4.7	93	4.7	101	4.8	104	4.8	107	4.8	110	4.8	114	4.8	117	4.8	121	4.8	124	4.8
Utilities	80	4.6	84	4.2	87	4.2	90	4.2	93	4.2	95	4.2	98	4.2	101	4.2	104	4.2	107	4.2
Total Expenses	566	32.2	612	30.8	642	30.6	661	30.6	681	30.6	701	30.6	722	30.6	744	30.6	766	30.6	789	30.6
GROSS HOUSE PROFIT	715	40.8	872	43.8	929	44.4	957	44.4	986	44.4	1,016	44.4	1,046	44.4	1,078	44.4	1,110	44.4	1,144	44.4
Management Fee	53	3.0	60	3.0	63	3.0	65	3.0	67	3.0	69	3.0	71	3.0	73	3.0	75	3.0	77	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	662	37.8	813	40.8	866	41.4	892	41.4	919	41.4	947	41.4	976	41.4	1,005	41.4	1,035	41.4	1,066	41.4
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	65	3.7	133	6.7	137	6.5	141	6.5	146	6.5	150	6.5	154	6.5	159	6.5	164	6.5	169	6.5
Insurance	24	1.4	25	1.2	25	1.2	26	1.2	27	1.2	28	1.2	28	1.2	29	1.2	30	1.2	31	1.2
Reserve for Replacement	35	2.0	60	3.0	84	4.0	86	4.0	89	4.0	92	4.0	94	4.0	97	4.0	100	4.0	103	4.0
Total Expenses	124	7.1	217	10.9	246	11.7	254	11.7	261	11.7	269	11.7	277	11.7	285	11.7	294	11.7	303	11.7
EBITDA LESS RESERVE	$539	30.7 %	$595	29.9 %	$620	29.7 %	$639	29.7 %	$658	29.7 %	$678	29.7 %	$698	29.7 %	$719	29.7 %	$741	29.7 %	$763	29.7 %

As illustrated, the hotel is expected to stabilize at a profitable level. Please refer to the Forecast of Income and Expense chapter of our report for a detailed explanation of the methodology used in deriving this forecast.

Feasibility Conclusion

The Feasibility Analysis chapter of this report converts these cash flows into a net present value indication assuming set-forth debt and equity requirements.

The Village of Fox Lake is a highly seasonal market that attracts thousands of boaters in the warmer months, owing to the handful of marinas located along Pistakee, Nippersink, and Fox Lakes. Currently, the local market is served only by Airbnb rentals and a couple of small, independent hotels. Major commercial demand generators in the market, such as Baxter and Scot Forge, send their workers to other cities given the lack of suitable accommodations. The proposed subject hotel has an opportunity to capture the demand that is currently leaving the market. Furthermore, the Village of Fox Lake reported that a restaurant and banquet hall are expected to be constructed adjacent to the subject site. These amenities are expected to induce additional demand into the market. Based on our market analysis, there is sufficient market support for the proposed limited-service hotel. Furthermore, the Village plans to offer development incentives, including reimbursing the developer up to 25% of total project costs through tax rebates. Our review of investor surveys indicates equity returns ranging from 17.0% to 23.9%, with an average of 20.2%. Based on these parameters, the calculated return to the equity investor would be only slightly below the average once the development incentives have been taken into account. We note that the calculated return is based upon the cost estimated by HVS, which includes the developer's administrative costs, as well as an entrepreneurial incentive.

Assignment Conditions

"Extraordinary Assumption" is defined in USPAP as follows:

> An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis.[1]

The analysis is based on the extraordinary assumption that the described improvements have been completed as of the stated date of opening. The reader should understand that the completed subject property does not yet exist as of the date of this report. Our feasibility study does not address unforeseeable events that

[1] The Appraisal Foundation, *Uniform Standards of Professional Appraisal Practice*, 2018–2019 ed.

could alter the proposed project, and/or the market conditions reflected in the analyses; we assume that no significant changes, other than those anticipated and explained in this report, shall take place between the date of inspection and stated date of opening. The use of this extraordinary assumption may have affected the assignment results. We have made no other extraordinary assumptions specific to this feasibility study. However, several important general assumptions have been made that apply to this feasibility study and our studies of proposed hotels in general. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.

Intended Use of the Feasibility Study

This feasibility report is being prepared for use in the development of the proposed subject hotel.

Identification of the Client and Intended User(s)

The client for this engagement is Village of Fox Lake. This report is intended for the addressee firm and may not be distributed to or relied upon by other persons or entities.

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,*[2] *Hotels, Motels and Restaurants: Valuations and Market Studies,*[3] *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations,*[4] *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations,*[5] and *Hotels and Motels – Valuations and Market Studies.*[6]

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

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

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

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

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

2. The subject site 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 subject property's proposed improvements have been reviewed for their expected quality of construction, design, and layout efficiency.
4. 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.
5. 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.
6. An analysis of existing and proposed competition provides an indication of the current accommodated demand, along with market penetration and the degree of competitiveness. Unless noted otherwise, we have inspected the competitive lodging facilities summarized in this report.
7. Documentation for an occupancy and ADR projection is derived utilizing the build-up approach based on an analysis of lodging activity.
8. A detailed projection of income and expense made in accordance with the Uniform System of Accounts for the Lodging Industry sets forth the anticipated economic benefits of the proposed subject property.
9. A feasibility analysis is performed, in which the market equity yield that an investor would expect is compared to the equity yield that an investor must accept.

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.

Two sites are currently being considered for development. Site #1 is located in northwestern Fox Lake, along U.S. Highway 12, between Nippersink Lake and Pistakee Lake. Site #2 is located in southern Fox Lake, directly west of Ben Watts Marina, along Pistakee Lake. Both sites are in the village of Fox Lake, Illinois.

The Tax Increment Financing District exists on the vacant waterfront land located at 80 S. Route 12 (Site #2) and expires on December 31, 2039. The Village will enter into a redevelopment agreement with a developer to provide TIF proceeds for qualifying expenditures (per state statute) and provide other economic incentives as permitted under the TIF Act.

Physical Characteristics

Both subject sites are part of larger sites that currently include marinas. For a hotel of this size, we would recommend that at least 1.5 acres, or 65,340 square feet of either site be dedicated for hotel development. The adjacent uses for both parcels are set forth in the following table.

FIGURE 2-1 SUBJECT PARCEL'S ADJACENT USES

	Adjacent Use	
Direction	Site #1	Site #2
North	U.S. Highway 12	U.S. Highway 12
South	Pistakee Lake	Pistakee Lake
East	U.S. Highway 12	Kodiak Automotive, Vacant Land
West	Pistakee Lake	Residential

Topography and Site Utility

The topography of both sites is generally flat, and the shapes should permit efficient use of the site for building and site improvements, including ingress and egress. Upon completion of construction, the subject site will not contain any significant portion of undeveloped land that could be sold, entitled, and developed for alternate use. It is expected that the site will be developed fully with building and site improvements, thus contributing to the overall profitability of the hotel.

VIEW OF SUBJECT SITE #1

VIEW TO THE NORTH

VIEW TO THE WEST

VIEW TO THE EAST

VIEW OF SUBJECT SITE #2

VIEW TO THE NORTH

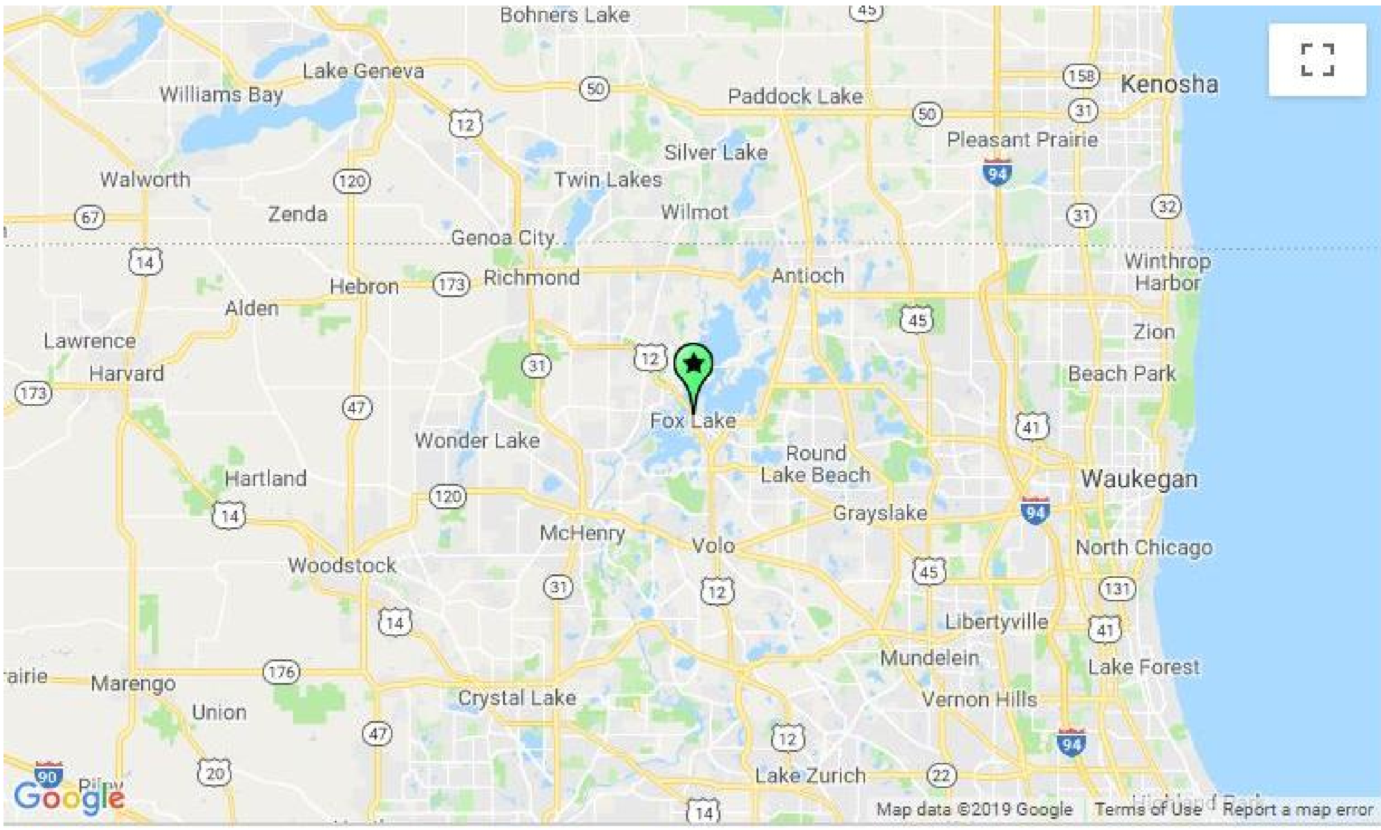
VIEW TO THE SOUTH

VIEW TO THE EAST

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 village of Fox Lake and the subject sites, in particular, is considered good. The subject market is served by a variety of additional local highways, which are illustrated on the map.

For Site #1, vehicular access is provided by U.S. Highway 12. Watercraft access will also be available from Pistakee Lake on the south side of the site. Vehicular access to Site #2 will also be provided by U.S. Highway 12. Watercraft access will also be available from the adjacent Ben Watts Marina. Both sites are located along U.S. Highway 12, which is the major road through the village. The proposed subject hotel is anticipated to have adequate signage at the street and lakefront, as well as on its façade. Overall, the both subject sites benefit from very good accessibility, and the proposed hotel is expected to enjoy good visibility from within its local neighborhood.

Airport and Metrorail Access

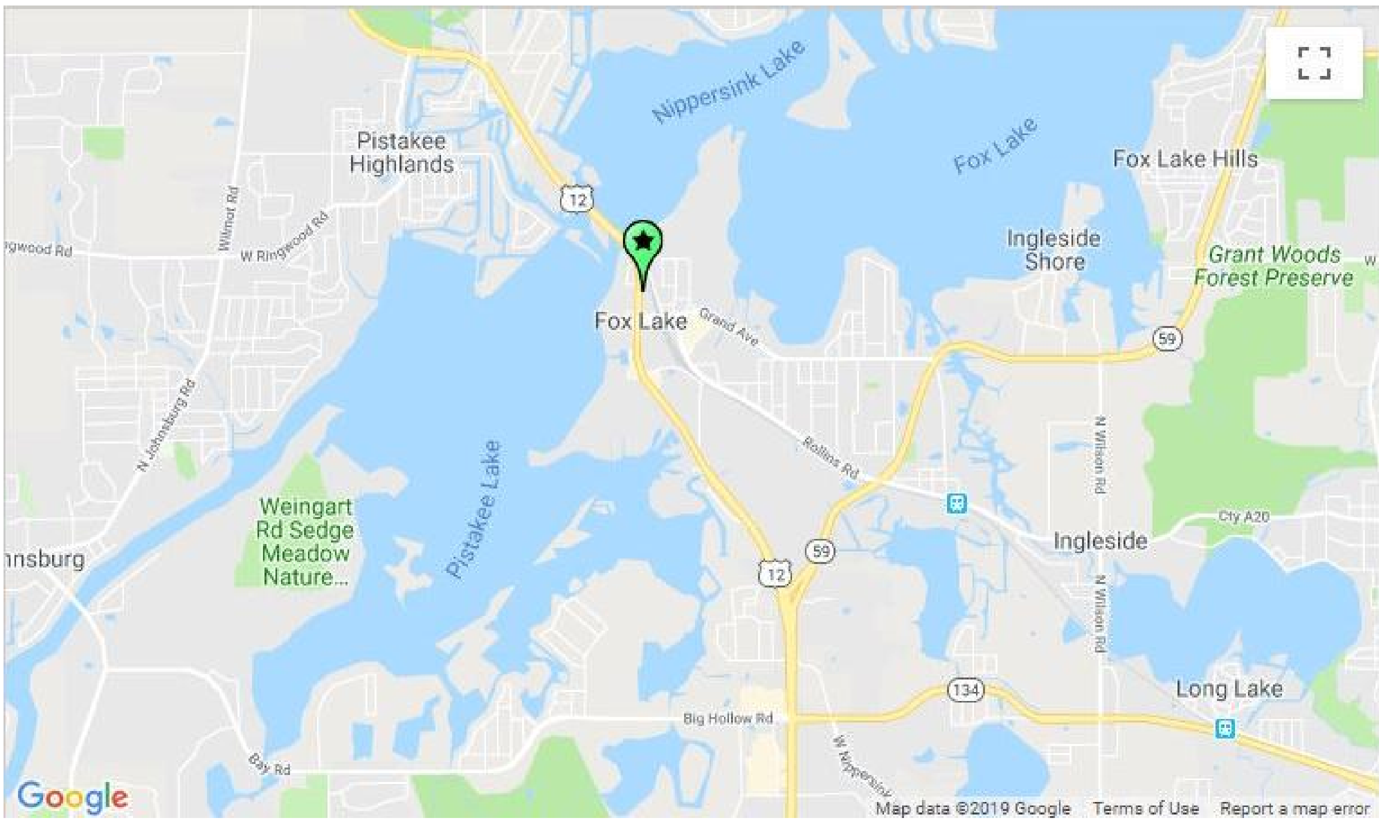
The proposed subject hotel will primarily attract drive-in business. The nearest airport is the Chicago O'Hare International Airport, which is located approximately 30 miles to the southeast of the village. Guests can also use the General Mitchell International Airport, which is located approximately 35 miles to the northeast of the village. Fox Lake is the termination point of Metra Rail's Milwaukee North line, which begins at Chicago's Union Station.

Neighborhood

The neighborhood surrounding a lodging facility often has an impact on a hotel's status, image, class, style of operation, and sometimes its ability to attract and properly serve a particular market segment. This section of the report investigates the subject neighborhood and evaluates any pertinent location factors that could affect its future occupancy, average rate, and overall profitability.

The downtown area of Fox Lake is generally defined by Nippersink lake to the north, Maple Avenue to the east, Pistakee Lake to the west, and Glen Ayre Street to the south. The downtown neighborhood is characterized by restaurants, office buildings, marinas, boat service centers, and retail shops along the primary thoroughfares, with residential areas located along the secondary roadways. In general, this neighborhood is in the stable stage of its life cycle. The proposed subject hotel's opening should be a positive influence on the area; the hotel will be in character with and will complement surrounding land uses. Specific attributes of each site are presented in the following table.

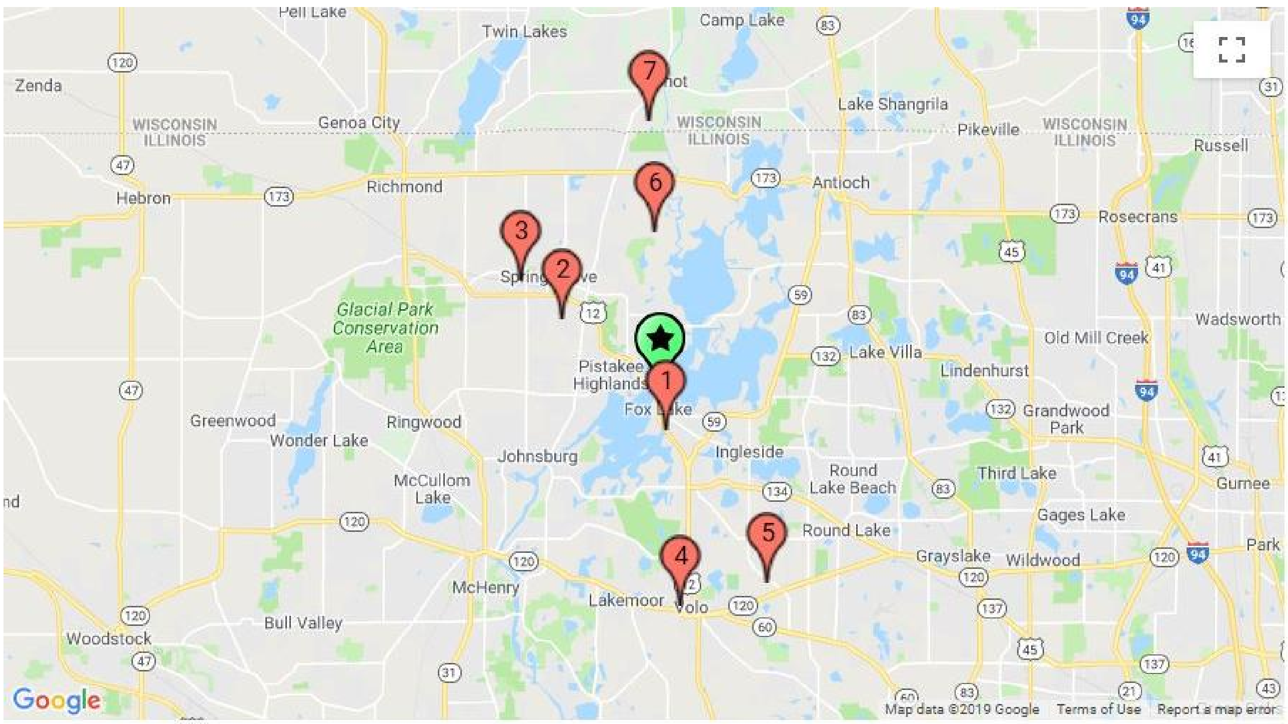
MAP OF NEIGHBORHOOD



Proximity to Local Demand Generators and Attractions

Both subject sites are located near the area's primary generators of lodging demand. A sample of these demand generators is reflected on the following map. Overall, both sites are well situated with respect to demand generators.

ACCESS TO DEMAND GENERATORS AND ATTRACTIONS



	Demand Generator	Approx. Time from Subject Property	Approx. Distance
	Subject Property		
1	Ben Watts Marina	1 minute	0.7 mile
2	Baxter Healthcare	8 minutes	3.7 miles
3	Scot Forge	8 minutes	5.1 miles
4	Volo Auto Museum	8 minutes	5.3 miles
5	Baxter - Round Lake	11 minutes	6.0 miles
6	Chain-O-Lakes State Park	11 minutes	6.7 miles
7	Wilmot Mountain Ski Resort	14 minutes	9.1 miles

Utilities

The subject site will reportedly be served by all necessary utilities.

Soil and Subsoil Conditions

Geological and soil reports were not provided to us or made available for our review during the preparation of this report. We are not qualified to evaluate soil conditions other than by a visual inspection of the surface; no extraordinary conditions were apparent.

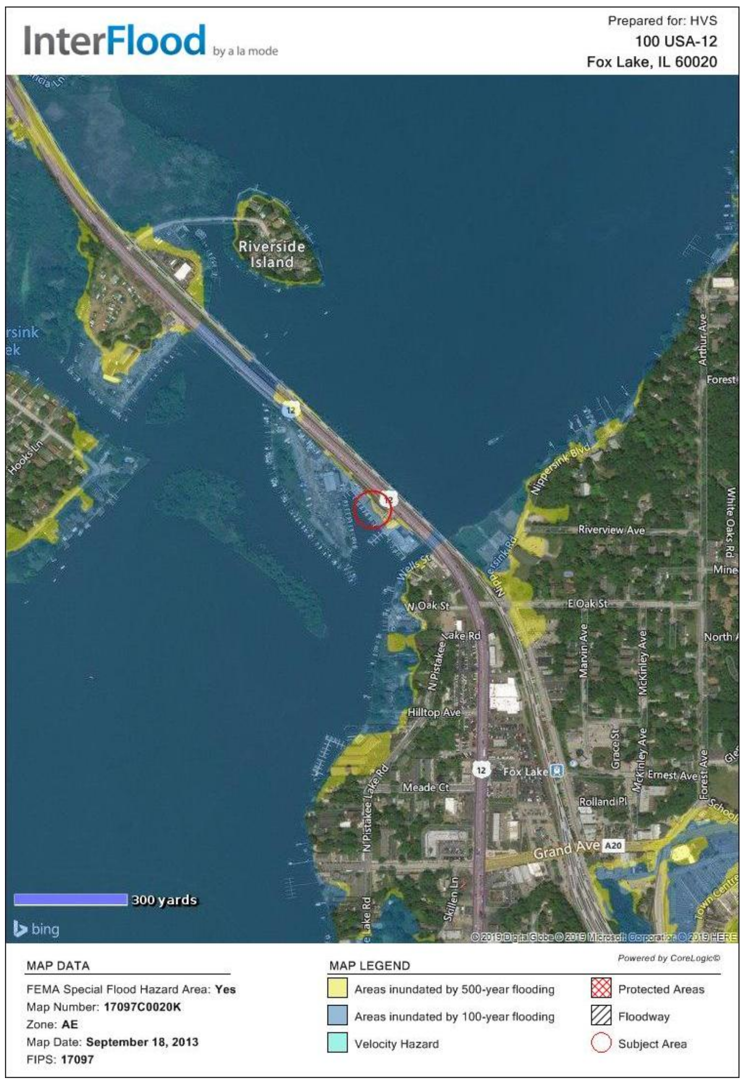
Nuisances and Hazards

We were not informed of any site-specific nuisances or hazards, and there were no visible signs of toxic ground contaminants at the time of our inspection. Because we are not experts in this field, we do not warrant the absence of hazardous waste and urge the reader to obtain an independent analysis of these factors.

Flood Zone

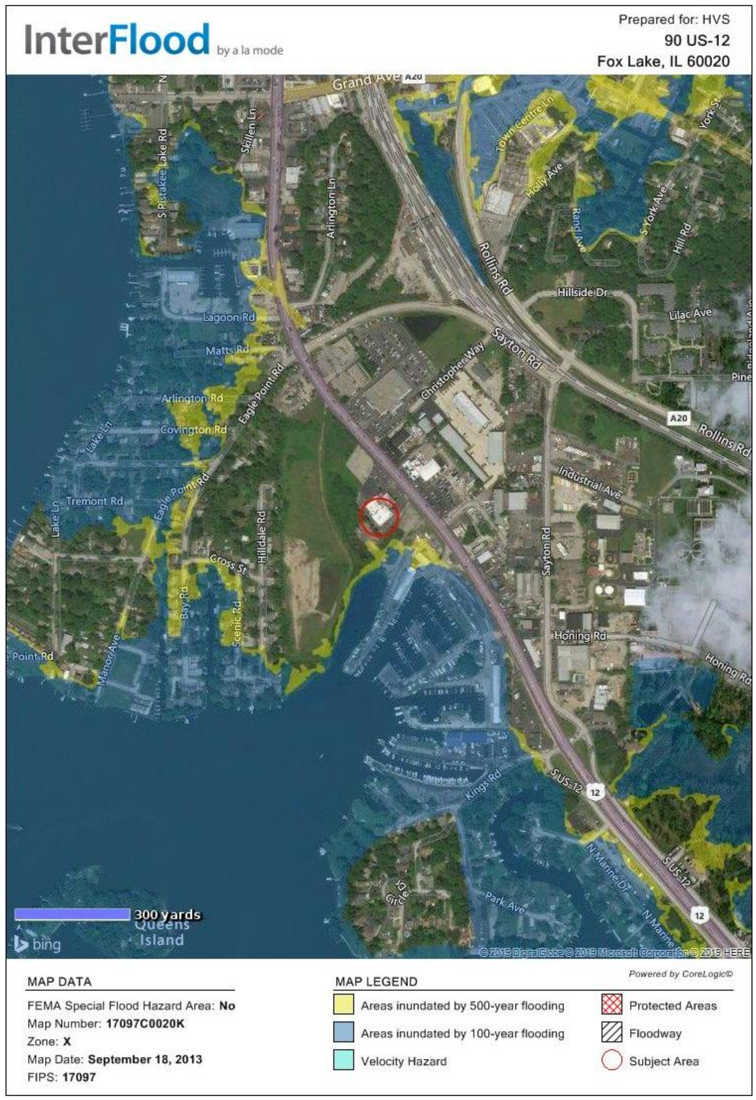
According to the Federal Emergency Management Agency maps illustrated below, Site #1 is located in Flood Zone AE, while Site #2 is located in Flood Zone X.

COPY OF FLOOD MAP AND COVER – SITE #1



The flood zone definition for the designation is as follows: areas of 100-year flood; base flood elevations and flood hazard factors not determined (flood insurance required; refer to FEMA for more specific information on A codes).

COPY OF FLOOD MAP AND COVER – SITE #2



The flood zone definition for the designation is as follows: areas outside the 500-year flood plain; areas of the 500-year flood; areas of the 100-year flood with average depths of less than one foot or with drainage areas less than one square mile and areas protected by levees from the 100-year flood.

Zoning

According to the local planning office, the subject sites are zoned as follows: Site #1 – B-4; Site #2 – B-4 PUD. Additional details pertaining to the subject sites' zoning regulations are summarized in the following table.

FIGURE 2-2 ZONING

Municipality Governing Zoning	Village of Fox Lake	
Site	**Site #1**	**Site #2**
Current Zoning	Resort Business District	Resort Business District (PUD)
Current Use	Marina and Parking	Vacant Land
Is Current Use Permitted?	Yes	Yes
Is Change in Zoning Likely?	No	No
Permitted Uses	Recreational and lodging facilities, access to recreational areas	Recreational and lodging facilities, access to recreational areas
Hotel Allowed	Yes	Yes
Legally Non-Conforming	Not Applicable	Not Applicable

We assume that all necessary permits and approvals will be secured (including the appropriate liquor license if applicable) and that the subject property will be constructed in accordance with local zoning ordinances, building codes, and all other applicable regulations. Our zoning analysis should be verified before any physical changes are made to the site.

Easements and Encroachments

We are not aware of any easements attached to the property that would significantly affect the utility of the site or marketability of this project.

Conclusion

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities. Both sites are favorably located lakefront, adjacent to marinas, and offer both water and road access. In general, either site should be well suited for future hotel use, with acceptable access, visibility, and topography for an effective operation.

3. 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).

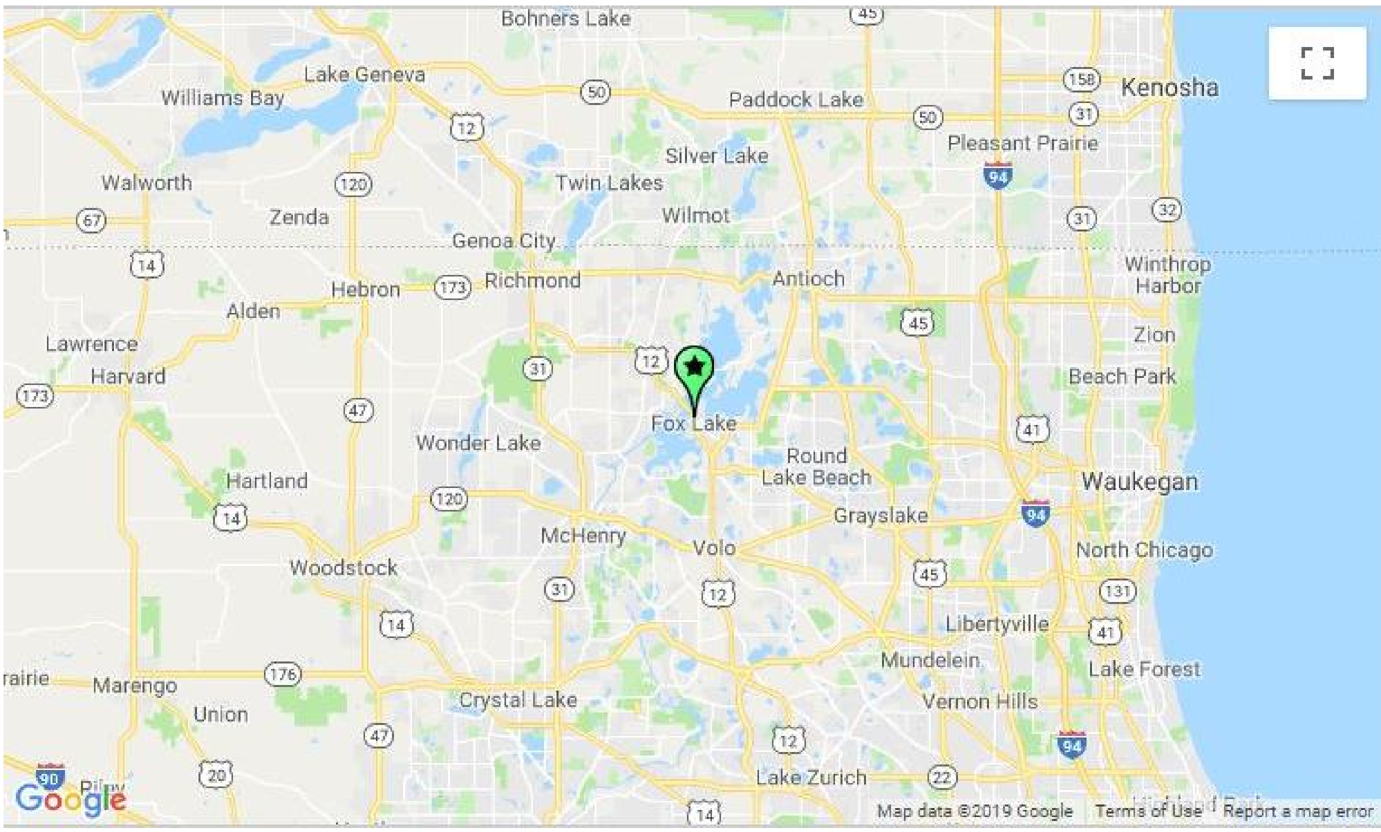
Market Area Definition

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 Fox Lake, the county of Lake, and the state of Illinois. The Village of Fox Lake is located in northern Illinois in Lake County and stretches all the way to the Illinois/Wisconsin border. The village is home to three connected lakes – Pistakee, Nippersink, and Fox Lake – that form part of the Chain O'Lakes system. The village is known for numerous recreational activities centered around the lakes, including boating, ice fishing, snowmobiling, camping, and other outdoor activities. It is also home to what was once the infamous Mineola Hotel and Restaurant, an alleged hideout for Chicago gangster Al Capone.

FOX LAKE

The subject property's market area can be defined by its Combined Statistical Area (CSA): Chicago-Naperville, IL-IN-WI. The CSA represents adjacent metropolitan and micropolitan statistical areas that have a moderate degree of employment interchange. Micropolitan statistical areas represent urban areas in the United States based around a core city or town with a population of 10,000 to 49,999; the MSA requires the presence of a core city of at least 50,000 people and a total population of at least 100,000 (75,000 in New England). 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 3-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	2000	2010	2018	2025	Average Annual Compounded Change 2000-10	2010-18	2018-25
Resident Population (Thousands)							
Lake County	648.2	704.3	714.7	757.6	0.8 %	0.2 %	0.8 %
Chicago-Naperville-Elgin, IL-IN-WI MSA	9,113.2	9,471.6	9,620.6	10,028.6	0.4	0.2	0.6
Chicago-Naperville, IL-IN-WI CSA	9,480.3	9,851.3	9,991.9	10,406.0	0.4	0.2	0.6
State of Illinois	12,434.2	12,841.6	12,914.7	13,347.5	0.3	0.1	0.5
United States	282,162.4	309,348.1	328,910.9	350,937.2	0.9	0.8	0.9
Per-Capita Personal Income*							
Lake County	$57,617	$55,723	$68,262	$73,187	(0.3)	2.6	1.0
Chicago-Naperville-Elgin, IL-IN-WI MSA	43,421	43,089	51,788	56,299	(0.1)	2.3	1.2
Chicago-Naperville, IL-IN-WI CSA	42,932	42,685	51,214	55,689	(0.1)	2.3	1.2
State of Illinois	39,940	41,020	48,322	52,653	0.3	2.1	1.2
United States	36,812	39,622	46,097	50,233	0.7	1.9	1.2
W&P Wealth Index							
Lake County	162.3	144.7	151.3	149.2	(1.1)	0.6	(0.2)
Chicago-Naperville-Elgin, IL-IN-WI MSA	117.7	108.8	112.9	112.6	(0.8)	0.5	(0.0)
Chicago-Naperville, IL-IN-WI CSA	116.4	107.7	111.6	111.4	(0.8)	0.4	(0.0)
State of Illinois	108.7	103.5	105.5	105.5	(0.5)	0.2	(0.0)
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
Lake County	$975	$1,088	$1,226	$1,311	1.1	1.5	1.0
Chicago-Naperville-Elgin, IL-IN-WI MSA	13,187	15,621	19,416	20,811	1.7	2.8	1.0
Chicago-Naperville, IL-IN-WI CSA	13,610	16,074	19,993	21,425	1.7	2.8	1.0
State of Illinois	16,768	19,441	24,211	25,877	1.5	2.8	1.0
United States	368,829	447,728	597,451	662,610	2.0	3.7	1.5
Total Retail Sales (Millions)*							
Lake County	$14,932	$16,424	$16,792	$18,358	1.0	0.3	1.3
Chicago-Naperville-Elgin, IL-IN-WI MSA	129,077	130,839	150,349	161,580	0.1	1.8	1.0
Chicago-Naperville, IL-IN-WI CSA	134,078	135,621	155,737	167,228	0.1	1.7	1.0
State of Illinois	169,972	168,825	193,886	206,863	(0.1)	1.7	0.9
United States	3,902,830	4,130,414	5,081,233	5,598,240	0.6	2.6	1.4

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population grew at an average annual compounded rate of 0.8% from 2010 through 2018. The county's population has grown more slowly than the nation's population; the average annual growth rate of 0.2% between 2010 and 2018 reflects a gradually expanding area. Following this population trend, per-capita personal income increased modestly, at 2.6% on average annually for the county between 2010 and 2018. Local wealth indexes have remained stable in recent years, registering a high 151.3 level for the county in 2018.

Food and beverage sales totaled $1,226 million in the county in 2018, versus $1,088 million in 2010. This reflects a 1.5% average annual change, stronger than the 1.1% 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 1.0%, which is projected through 2025. The retail sales sector demonstrated an annual increase of 1.0% in the decade spanning from 2000 to 2010, followed by an increase of 0.3% in the period from 2010 to 2018. An increase of 1.3% average annual change is expected in county retail sales through 2025.

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 2018, as well as a forecast for 2025.

FIGURE 3-2 HISTORICAL AND PROJECTED EMPLOYMENT (000S)

Industry	2000	Percent of Total	2010	Percent of Total	2018	Percent of Total	2025	Percent of Total	Average Annual Compounded Change 2000-2010	2010-2018	2018-2025
Farm	0.7	0.2 %	0.6	0.1 %	0.5	0.1 %	0.5	0.1 %	(1.4) %	(1.3) %	0.3 %
Forestry, Fishing, Related Activities And Other	0.6	0.2	0.6	0.1	0.7	0.1	0.8	0.1	(1.3)	3.0	1.1
Mining	0.4	0.1	0.8	0.2	0.8	0.2	0.9	0.2	5.8	0.9	0.8
Utilities	1.9	0.5	1.6	0.4	1.8	0.4	2.0	0.4	(1.5)	1.6	1.0
Construction	21.7	5.2	16.3	3.7	19.4	4.0	21.2	4.0	(2.8)	2.2	1.3
Manufacturing	54.9	13.2	48.8	11.0	56.3	11.6	56.3	10.6	(1.2)	1.8	(0.0)
Total Trade	73.1	17.6	71.2	16.1	78.4	16.2	85.7	16.2	(0.3)	1.2	1.3
Wholesale Trade	26.2	6.3	25.3	5.7	28.5	5.9	31.1	5.9	(0.4)	1.5	1.3
Retail Trade	46.9	11.3	45.9	10.4	49.9	10.3	54.6	10.3	(0.2)	1.0	1.3
Transportation And Warehousing	6.2	1.5	6.9	1.6	9.4	1.9	9.8	1.8	1.1	3.8	0.6
Information	6.8	1.6	5.2	1.2	4.7	1.0	4.8	0.9	(2.6)	(1.4)	0.5
Finance And Insurance	28.1	6.8	32.7	7.4	33.1	6.8	38.1	7.2	1.5	0.1	2.1
Real Estate And Rental And Lease	12.8	3.1	19.1	4.3	23.0	4.7	26.1	4.9	4.1	2.4	1.8
Total Services	145.8	35.1	176.7	40.0	201.5	41.5	224.9	42.4	1.9	1.7	1.6
Professional And Technical Services	30.9	7.4	35.4	8.0	37.8	7.8	39.8	7.5	1.4	0.8	0.7
Management Of Companies And Enterprises	4.1	1.0	8.2	1.9	10.0	2.1	12.2	2.3	7.2	2.5	2.9
Administrative And Waste Services	29.5	7.1	29.4	6.6	39.4	8.1	42.8	8.1	(0.1)	3.7	1.2
Educational Services	7.0	1.7	8.8	2.0	9.7	2.0	10.5	2.0	2.3	1.3	1.1
Health Care And Social Assistance	27.7	6.7	38.2	8.6	40.5	8.4	49.5	9.3	3.3	0.7	2.9
Arts, Entertainment, And Recreation	10.0	2.4	11.3	2.6	11.2	2.3	11.7	2.2	1.3	(0.1)	0.6
Accommodation And Food Services	17.7	4.3	23.6	5.4	27.9	5.8	30.9	5.8	2.9	2.1	1.5
Other Services, Except Public Administration	18.9	4.5	21.7	4.9	25.0	5.1	27.5	5.2	1.4	1.7	1.4
Total Government	62.5	15.0	61.2	13.9	55.4	11.4	59.0	11.1	(0.2)	(1.2)	0.9
Federal Civilian Government	6.3	1.5	5.9	1.3	5.4	1.1	5.4	1.0	(0.6)	(1.2)	0.1
Federal Military	25.3	6.1	17.5	4.0	12.1	2.5	12.1	2.3	(3.6)	(4.5)	0.1
State And Local Government	30.8	7.4	37.8	8.6	37.9	7.8	41.4	7.8	2.0	0.0	1.3
TOTAL	415.5	100.0 %	441.6	100.0 %	484.9	100.0 %	530.0	100.0 %	0.6 %	1.2 %	1.3 %
MSA	5,463.3	—	5,476.0	—	6,264.9	—	6,779.0	—	0.0 %	1.7 %	1.1 %
U.S.	165,372.0	—	173,034.7	—	202,637.9	—	223,254.5	—	1.1	2.0	1.4

Source: Woods & Poole Economics, Inc.

Woods & Poole Economics, Inc. reports that during the period from 2000 to 2010, total employment in the county grew at an average annual rate of 0.6%. This trend was above the growth rate recorded by the MSA and also lagged the national average. More recently, the pace of total employment growth in the county accelerated to 1.2% on an annual average from 2010 to 2018, 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 2018, increasing by 24,792 people, or 14.0%, and rising from 40.0% to 41.5% of total employment. Of the various service sub-sectors, Health Care And Social Assistance and Administrative And Waste Services were the largest employers. Strong growth was also recorded in the Manufacturing sector, as well as the Total Trade sector, which expanded by 15.5% and 19.1%, respectively, in the period from 2010 to 2018. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 1.3% on average annually through 2025. The trend is below the forecast rate of change for the U.S. as a whole during the same period.

The following table illustrates historical and projected employment, households, and population data, as provided by REIS for the overall Chicago market.

FIGURE 3-3 HISTORICAL & PROJECTED EMPLOYMENT, HOUSEHOLDS, AND POPULATION STATISTICS

Year	Total Employment	% Chg	Office Employment	% Chg	Industrial Employment	% Chg	Households	% Chg	Population	% Chg
2006	3,850,460	—	1,245,113	—	651,771	—	2,881,950	—	7,761,600	—
2007	3,873,300	0.6 %	1,248,475	0.3 %	647,202	(0.7) %	2,901,650	0.7 %	7,798,100	0.5 %
2008	3,791,340	(2.1)	1,220,100	(2.3)	624,765	(3.5)	2,909,610	0.3	7,836,670	0.5
2009	3,594,230	(5.2)	1,166,243	(4.4)	563,992	(9.7)	2,912,710	0.1	7,874,600	0.5
2010	3,624,800	0.9	1,174,563	0.7	567,986	0.7	2,913,490	0.0	7,908,350	0.4
2011	3,676,000	1.4	1,188,791	1.2	572,870	0.9	2,943,370	1.0	7,939,090	0.4
2012	3,736,000	1.6	1,212,246	2.0	575,153	0.4	2,972,080	1.0	7,965,720	0.3
2013	3,795,940	1.6	1,241,007	2.4	573,148	(0.3)	2,999,260	0.9	7,982,890	0.2
2014	3,864,970	1.8	1,258,392	1.4	576,137	0.5	3,024,550	0.8	7,986,630	0.0
2015	3,944,300	2.1	1,278,441	1.6	579,343	0.6	3,050,500	0.9	7,975,610	(0.1)
2016	3,991,170	1.2	1,290,985	1.0	578,392	(0.2)	3,073,230	0.7	7,957,640	(0.2)
2017	4,015,400	0.6	1,300,954	0.8	582,949	0.8	3,095,390	0.7	7,942,790	(0.2)
2018	4,064,840	1.2	1,315,642	1.1	592,931	1.7	3,122,380	0.9	7,935,430	(0.1)
Forecasts										
2019	4,125,210	*1.5 %*	1,329,469	*1.1 %*	600,883	*1.3 %*	3,143,880	*0.7 %*	7,935,110	*(0.0) %*
2020	4,128,040	*0.1*	1,331,845	*0.2*	596,348	*(0.8)*	3,157,890	*0.4*	7,931,240	*(0.0)*
2021	4,136,710	*0.2*	1,337,236	*0.4*	592,219	*(0.7)*	3,174,850	*0.5*	7,930,490	*(0.0)*
2022	4,164,570	*0.7*	1,350,444	*1.0*	590,996	*(0.2)*	3,192,300	*0.5*	7,932,850	*0.0*
2023	4,183,810	*0.5*	1,360,633	*0.8*	588,473	*(0.4)*	3,207,910	*0.5*	7,935,720	*0.0*
Average Annual Compound Change										
2006 - 2018		0.5 %		0.5 %		(0.8) %		0.7 %		0.2 %
2006 - 2007		0.6		0.3		(0.7)		0.7		0.5
2007 - 2010		(2.2)		(2.0)		(4.3)		0.1		0.5
2010 - 2018		1.4		1.4		0.5		0.9		0.0
Forecast 2019 - 2023		*0.4 %*		*0.6 %*		*(0.5) %*		*0.5 %*		*0.0 %*

Source: REIS Report, 1st Quarter, 2019

For the Chicago market, of the roughly 4,100,000 persons employed, 32% are categorized as office employees, while 15% are categorized as industrial employees. Total employment decreased by an average annual compound rate of -2.2% during the recession of 2007 to 2010, followed by an increase of 1.4% from 2010 to 2018. By comparison, office employment reflected compound change rates of -2.0% and 1.4%, during the same respective periods. Total employment is expected to expand by 1.5% in 2019, while office employment is forecast to expand by 1.1% in 2019. From 2019 through 2023, REIS anticipates that total employment will expand at an average annual compound rate of 0.4%, while office employment will expand by 0.6% on average annually during the same period.

The number of households is forecast to expand by 0.5% on average annually between 2019 and 2023. Population is forecast to remain flat during this 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 3-4 DEMOGRAPHICS BY RADIUS

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
Population			
2024 Projection	4,210	30,312	82,203
2019 Estimate	4,264	30,383	81,430
2010 Census	4,388	30,622	79,892
2000 Census	4,667	28,043	65,102
Percent Change: 2019 to 2024	-1.3%	-0.2%	1.0%
Percent Change: 2010 to 2019	-2.8%	-0.8%	1.9%
Percent Change: 2000 to 2010	-6.0%	9.2%	22.7%
Households			
2024 Projection	2,006	12,352	30,207
2019 Estimate	2,008	12,312	29,873
2010 Census	1,998	12,188	29,094
2000 Census	2,007	10,770	22,855
Percent Change: 2019 to 2024	-0.1%	0.3%	1.1%
Percent Change: 2010 to 2019	0.5%	1.0%	2.7%
Percent Change: 2000 to 2010	-0.5%	13.2%	27.3%
Income			
2019 Est. Average Household Income	$71,241	$87,048	$92,172
2019 Est. Median Household Income	53,448	68,919	73,736
2019 Est. Civ. Employed Pop 16+ by Occupation			
Architecture/Engineering	11	226	630
Arts/Design/Entertainment/Sports/Media	26	302	691
Building/Grounds Cleaning/Maintenance	111	592	1,833
Business/Financial Operations	56	682	1,853
Community/Social Services	19	147	463
Computer/Mathematical	52	471	1,209
Construction/Extraction	127	980	2,505
Education/Training/Library	73	803	2,364
Farming/Fishing/Forestry	1	24	111
Food Preparation/Serving Related	90	670	1,856
Healthcare Practitioner/Technician	75	602	1,607
Healthcare Support	30	279	793
Installation/Maintenance/Repair	84	557	1,415
Legal	4	104	320
Life/Physical/Social Science	4	89	312
Management	131	1,327	3,622
Office/Administrative Support	362	2,487	6,117
Production	183	1,069	3,085
Protective Services	61	265	751
Sales/Related	239	2,213	5,586
Personal Care/Service	72	709	1,608
Transportation/Material Moving	185	1,320	3,061

Source: Environics Analytics

This source reports a population of 81,430 and 29,873 households within a five-mile radius of the subject site. The average household income within this radius is reported at $92,172, while the median is $73,736.

Unemployment Statistics

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

FIGURE 3-5 UNEMPLOYMENT STATISTICS

Year	County	MSA	State	U.S.
2009	9.8 %	10.2 %	10.2 %	9.3 %
2010	9.8	10.6	10.4	9.6
2011	8.8	9.9	9.7	8.9
2012	8.1	9.1	9.0	8.1
2013	7.9	9.1	9.0	7.4
2014	6.4	7.1	7.1	6.2
2015	5.4	5.9	6.0	5.3
2016	5.2	5.7	5.8	4.9
2017	4.6	4.8	4.9	4.4
2018	4.5	4.0	4.3	3.9
Recent Month - Jun				
2018	4.5 %	4.5 %	4.7 %	4.0 %
2019	3.5	4.0	4.0	3.7

Source: U.S. Bureau of Labor Statistics

Current U.S. unemployment levels are now firmly below the annual averages of the last economic cycle peak of 2006 and 2007, when annual averages were 4.6%. The unemployment rate for April 2019 fell to 3.6%, after an already low rate of 3.8% during the months of February and March. Total nonfarm payroll employment increased by 56,000, 189,000, and 263,000 jobs in February, March, and April, respectively. Gains in April occurred in the professional and business services, construction, health care, and social assistance sectors. Unemployment has remained under the 5.0% mark since May 2016, reflecting a trend of relative stability and the overall strength of the U.S. economy. As of April 2019, the number of unemployed persons is 5.8 million (versus 6.2 million in March 2019).

Locally, the unemployment rate was 4.5% in 2018; for this same area in 2019, the most recent month's unemployment rate was registered at 3.5%, versus 4.5% for the same month in 2018. Unemployment remained elevated in 2010 given the continued effects of the national recession. However, unemployment declined in 2011 as the economy rebounded, a trend that continued through 2018. The most recent comparative period illustrates an uptick, indicated by the slightly higher unemployment rate in the latest available data. Our interviews with economic development officials reflect a positive employment outlook, primarily attributed to continued growth from local companies, such as Baxter and Scot Forge.

Major Business and Industry

Although largely dominated by outdoor recreational activities, the greater Fox Lake area is also home to a handful of international corporations, including Baxter and Scot Forge. These companies are primarily located along U.S. Highway 12, the main commercial and business corridor in the area. Baxter International, a leading global medical products company, is based in Deerfield, Illinois. The company reported worldwide sales of $11.1 billion in 2018, up 5% from 2017. The company's Round Lake facility manufactures prepared IV solutions and premixed drugs. Scot Forge is another major employer in the area. At its 350,000-square-foot Spring Grove facility, the company manufactures custom open die forgings and seamless rolled rings, with the ability to forge products up to 300,000 pounds. Fox Lake's location midway between Chicago and Milwaukee makes it a popular location for companies seeking favorable access to major cities without paying a premium for downtown locations. These factors should continue to support the economic growth of the market going forward.

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.

Operated by the City of Chicago Department of Aviation as a fully self-supporting facility, Chicago O’Hare International Airport (ORD) is located 17 miles northwest of the Chicago Loop. The facility, also known as simply "O'Hare," serves as United Airlines' largest hub and American Airlines' second-largest hub, after Dallas/Fort Worth, while many other commercial airlines also service the airport. The O’Hare Modernization Program (OMP), designed to reduce delays, increase capacity, and increase the safety of the airfield, is underway. Recently completed OMP projects include a new runway, two taxiways, and an air-traffic-control tower; the completion of the program, including a proposal to build another 50-gate terminal, was approved in 2018, broke ground in March 2019, and should be completed by 2022. According to the City of Chicago, the modernization plan could potentially contribute $18 billion to the local economy and create about 195,000 jobs.

The following table illustrates recent operating statistics for the Chicago O'Hare International Airport, which is the primary airport facility serving the proposed subject hotel's submarket.

FIGURE 3-6 AIRPORT STATISTICS - CHICAGO O'HARE INTERNATIONAL AIRPORT

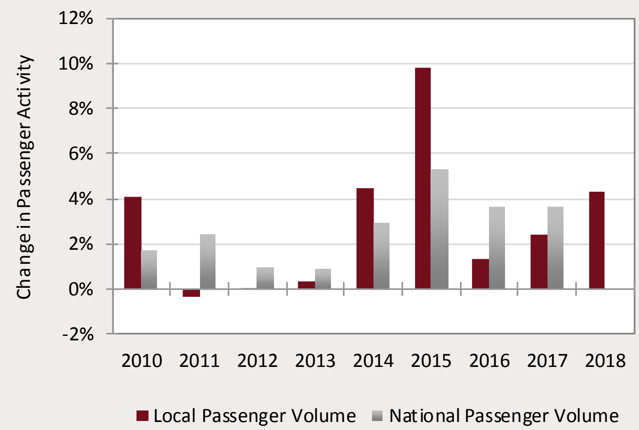
Year	Passenger Traffic	Percent Change*	Percent Change**
2009	64,397,782	—	—
2010	67,026,791	4.1 %	4.1 %
2011	66,805,589	(0.3)	1.9
2012	66,834,931	0.0	1.2
2013	67,087,921	0.4	1.0
2014	70,075,204	4.5	1.7
2015	76,949,504	9.8	3.0
2016	77,960,589	1.3	2.8
2017	79,828,183	2.4	2.7
2018	83,245,472	4.3	2.9
Year-to-date, May			
2018	31,728,667	—	—
2019	32,511,518	2.5 %	—

*Annual average compounded percentage change from the previous year

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

Source: Chicago O'Hare International Airport

FIGURE 3-7 LOCAL PASSENGER TRAFFIC VS. NATIONAL TREND



Source: HVS, Local Airport Authority

This facility recorded 83,245,472 passengers in 2018. The change in passenger traffic between 2017 and 2018 was 4.3%. The average annual change during the period shown was 2.9%. General Mitchell International Airport (MKE) is a medium-hub airport owned and operated by Milwaukee County. Mitchell International has sometimes been described as Chicago's third airport, as some Chicago travelers seek to avoid O'Hare International Airport or Midway Airport. It is also used by travelers throughout Wisconsin and Northern Illinois as an alternative to other local airports. The airport is serviced by many major commercial airlines. In 2015, a $45-million renovation of the baggage-claim area was completed. As of April 2019, airport officials were seeking proposals for the planned $45-million construction of a new international terminal and demolition of the currently closed Concourse E. The project is anticipated to be completed by August 2021.

The following table illustrates recent operating statistics for the General Mitchell International Airport, which is the secondary airport facility serving the proposed subject property's submarket.

FIGURE 3-8 AIRPORT STATISTICS – GENERAL MITCHELL INTERNATIONAL AIRPORT

Year	Passenger Traffic	Percent Change*	Percent Change**
2009	7,946,532	—	—
2010	9,848,377	23.9 %	23.9 %
2011	9,522,456	(3.3)	9.5
2012	7,515,070	(21.1)	(1.8)
2013	6,525,181	(13.2)	(4.8)
2014	6,554,152	0.4	(3.8)
2015	6,549,353	(0.1)	(3.2)
2016	6,757,357	3.2	(2.3)
2017	6,904,670	2.2	(1.7)
2018	7,097,627	2.8	(1.2)
Year-to-date, May			
2018	2,940,696	—	—
2019	2,824,897	(3.9) %	—

*Annual average compounded percentage change from the previous year

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

Source: General Mitchell International Airport

Air traffic registered 7,097,627 passengers in 2018. The change in passenger traffic between 2017 and 2018 was 2.8%. The decline in passenger traffic shown by the most recent data can be attributed in large part to severe weather in the area through March 2019.

Tourist Attractions

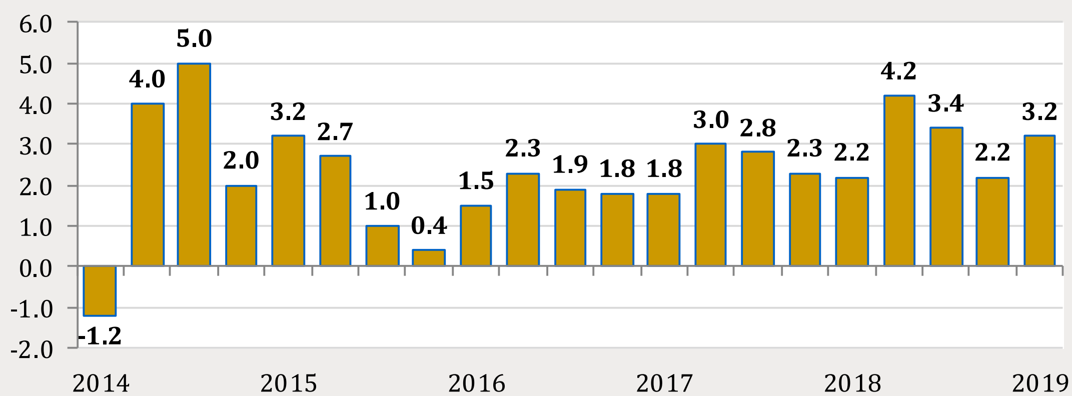
The subject market benefits from a variety of tourism and leisure attractions in the area. Leisure demand generators include activities associated with the three lakes, including boating, ice fishing, motorcycle racing, and camping. Special events also play a role during key weekends, such as the Fox Lake Triathlon, Pumpkin Jubilee, Santa House, Polar Plunge, and Bloody Mary Fest. The Village recently began working with Visit Lake County to increase the area's visibility with regional tourists. Furthermore, special events and new activities are constantly being added.

Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. The Fox Lake area is experiencing a period of economic strength. The market recovery has been primarily led by the healthcare sector and the manufacturing industry. Various revitalization efforts by the Village are positive factors; furthermore, our market interviews and research revealed that the advantageous location of businesses along U.S. Highway 12 should support further growth. The outlook for the market area is optimistic.

Our analysis of the outlook for this specific market also considers the broader context of the national economy. The U.S. economy expanded at an overall rate of 2.9% in 2018, compared to 2.2% in 2017, the highest growth registered since 2015. Growth hit a high of 4.2% in the second quarter of 2018, declining to 2.2% in the fourth quarter of 2018. Growth rebounded to 3.2% in the first quarter of 2019, surpassing expectations of 2.0% growth. GDP growth in 2018 was stimulated by the Tax Cut and Jobs Act, which was passed in December 2017, driven primarily by fixed investments and strong consumer spending, particularly personal consumption expenditures (PCE) and spending related to both non-durable and durable goods. Investment in equipment and intellectual property rose, while investment in structures and residential real estate declined. In the year-to-date 2019 period, economic expansion has been driven by increases in personal consumption expenditures (PCE), private inventory investment, exports, state and local government spending, and nonresidential fixed investment.

FIGURE 3-9 UNITED STATES GDP GROWTH RATE



Source: tradingeconomics.com, Bureau of Economic Analysis

U.S. economic growth continues to support expansion of lodging demand. In 2018, demand growth registered 2.5%, just under the 2.7% level recorded in 2017. The economic growth, low unemployment, higher levels of personal income, and stability in the U.S. economy as of early 2019 is helping to maintain strong interest in hotel investments by a diverse array of market participants.

4. 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 daily rate (ADR). 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.

Definition of Subject Hotel Market

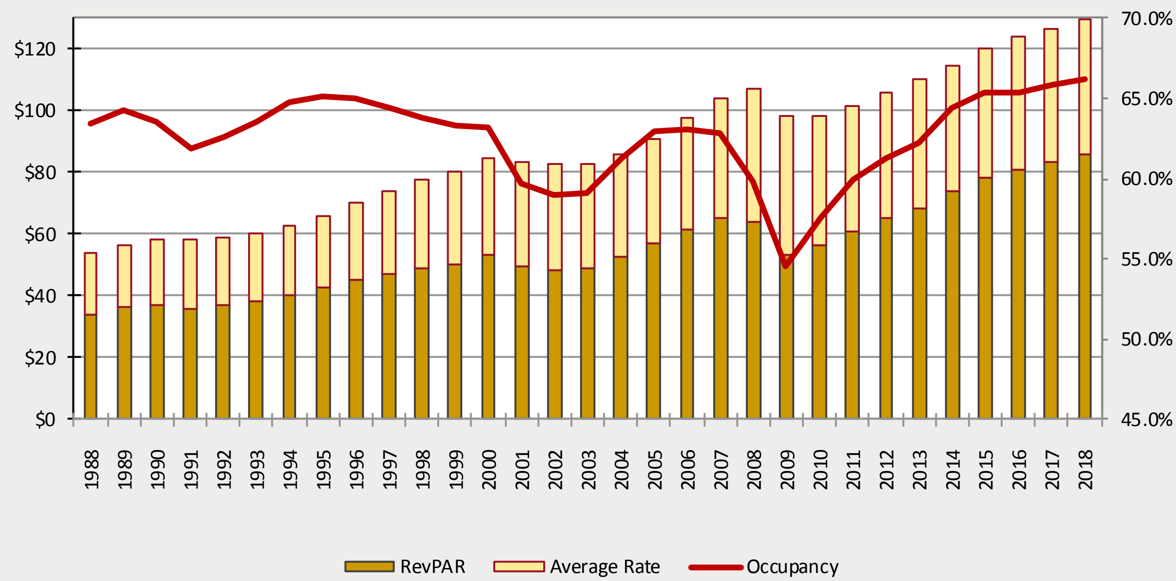
Both subject sites are located in the greater Lake County lodging market. Because the immediate area surrounding the subject site has very few hotels, we have included regional competitors that are expected to compete with the proposed subject property. The proposed subject hotel is expected to compete with two hotels on a primary level based on proximity and product offering. We have considered an additional four hotels as future secondary competitors given differences in average rates and service levels.

National Trends Overview

A hotel's local lodging market is most directly affected by the supply and demand trends within the immediate area. However, individual markets are also influenced by conditions in the national lodging market. We have reviewed national lodging trends to provide a context for the forecast of the supply and demand for the proposed subject hotel's competitive set.

STR is an independent research firm that compiles and publishes data on the lodging industry, and this information is routinely used by typical hotel buyers. The following STR diagram presents annual hotel occupancy and average rate data since 1988. The next two tables contain information that is more recent; the data are categorized by geographical region, price point, type of location, and chain scale, and the statistics include 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 4-1 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS



Source: STR

FIGURE 4-2 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS – YEAR-TO-DATE DATA

	Occupancy - YTD April			ADR - YTD April			RevPAR - YTD April			Percent Change	
	2018	2019	% Change	2018	2019	% Change	2018	2019	% Change	Rms. Avail.	Rms. Sold
United States	63.1 %	63.3 %	0.3 %	$128.48	$129.82	1.0 %	$81.07	$82.18	1.4 %	2.0 %	2.4 %
Region											
New England	56.5 %	55.4 %	(1.9) %	$134.69	$136.18	1.1 %	$76.12	$75.50	(0.8) %	1.8 %	(0.1) %
Middle Atlantic	63.1	61.4	(2.6)	147.07	147.40	0.2	92.81	90.57	(2.4)	2.6	(0.1)
South Atlantic	68.0	68.5	0.7	134.76	137.07	1.7	91.64	93.84	2.4	2.0	2.7
E. North Central	54.5	54.4	(0.3)	102.46	102.78	0.3	55.87	55.89	0.0	2.0	1.7
E. South Central	58.2	60.0	3.0	97.13	100.05	3.0	56.57	60.00	6.1	2.9	5.9
W. North Central	50.8	51.6	1.7	95.85	94.69	(1.2)	48.69	48.89	0.4	2.1	3.8
W. South Central	63.5	63.3	(0.4)	106.20	105.17	(1.0)	67.46	66.54	(1.4)	2.6	2.2
Mountain	63.4	65.1	2.6	126.84	129.41	2.0	80.42	84.18	4.7	1.2	3.8
Pacific	71.0	70.7	(0.1)	164.26	167.68	2.1	116.63	118.91	2.0	1.4	1.3
Class											
Luxury	69.9 %	69.7 %	(0.3) %	$295.28	$298.29	1.0 %	$206.32	$207.89	0.8 %	2.9 %	2.6 %
Upper-Upscale	71.4	70.7	(1.1)	185.57	188.69	1.7	132.53	133.33	0.6	2.7	1.6
Upscale	69.7	69.1	(0.8)	140.59	142.18	1.1	97.96	98.26	0.3	3.7	2.8
Upper-Midscale	64.4	64.3	(0.1)	111.45	112.53	1.0	71.76	72.34	0.8	3.7	3.6
Midscale	55.7	55.8	0.2	92.39	92.38	0.0	51.47	51.56	0.2	1.0	1.2
Economy	55.3	56.5	2.2	71.62	71.78	0.2	39.58	40.55	2.5	(0.5)	1.7
Location											
Urban	70.6 %	70.1 %	(0.7) %	$172.43	$174.35	1.1 %	$121.66	$122.21	0.5 %	3.2 %	2.5 %
Suburban	64.5	64.3	(0.3)	109.35	110.09	0.7	70.52	70.76	0.3	2.2	1.9
Airport	73.3	73.2	(0.1)	119.47	120.45	0.8	87.58	88.20	0.7	2.3	2.2
Interstate	52.6	53.6	1.9	83.16	84.42	1.5	43.72	45.23	3.4	1.9	3.8
Resort	70.8	70.8	0.1	192.95	196.14	1.7	136.53	138.95	1.8	1.6	1.7
Small Town	51.4	52.6	2.2	95.91	97.29	1.4	49.34	51.15	3.7	0.9	3.2
Chain Scale											
Luxury	75.1 %	73.0 %	(2.8) %	$343.89	$352.07	2.4 %	$258.28	$256.97	(0.5) %	2.3 %	(0.6) %
Upper-Upscale	73.3	72.4	(1.2)	186.28	190.06	2.0	136.49	137.54	0.8	1.9	0.7
Upscale	71.3	70.4	(1.3)	140.03	141.28	0.9	99.86	99.42	(0.4)	4.7	3.3
Upper-Midscale	64.7	64.3	(0.6)	109.72	110.60	0.8	71.01	71.14	0.2	3.6	3.0
Midscale	54.4	54.3	(0.1)	83.68	83.51	(0.2)	45.52	45.37	(0.3)	2.3	2.2
Economy	54.7	55.9	2.2	61.23	61.15	(0.1)	33.49	34.20	2.1	(1.6)	0.6
Independents	59.2	60.4	2.0	127.06	128.55	1.2	75.26	77.64	3.2	1.3	3.3

Source: STR - April 2019 Lodging Review

FIGURE 4-3 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS – CALENDAR-YEAR DATA

	Occupancy			Average Rate			RevPAR			Percent Change	
	2017	2018	% Change	2017	2018	% Change	2017	2018	% Change	Rms. Avail.	Rms. Sold
United States	65.9 %	66.2 %	0.5 %	$126.77	$129.83	2.4 %	$83.53	$85.96	2.9 %	2.0 %	2.5 %
Region											
New England	64.6 %	65.9 %	2.1 %	$154.39	$157.96	2.3 %	$99.72	$104.16	4.5 %	2.0 %	4.1 %
Middle Atlantic	68.4	69.8	2.1	162.05	166.18	2.5	110.77	116.00	4.7	2.4	4.5
South Atlantic	67.9	67.9	0.1	123.57	126.45	2.3	83.88	85.88	2.4	1.8	1.8
E. North Central	61.3	61.6	0.5	109.90	112.44	2.3	67.37	69.30	2.9	2.0	2.6
E. South Central	61.5	62.0	0.7	98.23	100.79	2.6	60.46	62.45	3.3	2.2	2.9
W. North Central	58.0	58.0	(0.1)	97.70	99.00	1.3	56.65	57.38	1.3	2.1	2.0
W. South Central	62.5	62.7	0.4	100.36	102.53	2.2	62.69	64.29	2.5	2.6	3.0
Mountain	65.9	66.2	0.5	118.02	119.06	0.9	77.81	78.88	1.4	1.4	1.9
Pacific	73.8	73.8	0.0	162.89	168.55	3.5	120.25	124.45	3.5	1.8	1.8
Class											
Luxury	70.7 %	71.3 %	0.9 %	$286.91	$294.86	2.8 %	$202.87	$210.29	3.7 %	2.4 %	3.3 %
Upper-Upscale	72.8	72.7	(0.1)	181.74	185.59	2.1	132.26	134.88	2.0	2.4	2.2
Upscale	72.3	72.2	(0.2)	141.05	143.86	2.0	101.99	103.81	1.8	4.4	4.2
Upper-Midscale	67.7	67.8	0.2	115.32	117.22	1.6	78.08	79.52	1.8	3.9	4.1
Midscale	60.6	60.8	0.4	93.42	95.44	2.2	56.58	58.01	2.5	0.6	0.9
Economy	58.7	59.3	1.1	72.23	73.94	2.4	42.38	43.84	3.5	(0.5)	0.6
Location											
Urban	73.4 %	73.4 %	(0.1) %	$178.72	$183.14	2.5 %	$131.26	$134.41	2.4 %	3.1 %	3.0 %
Suburban	67.0	67.0	0.1	108.24	110.57	2.2	72.48	74.11	2.2	2.3	2.4
Airport	73.7	73.8	0.1	116.23	118.24	1.7	85.63	87.24	1.9	1.7	1.9
Interstate	57.2	58.0	1.5	85.11	86.92	2.1	48.65	50.43	3.7	1.6	3.1
Resort	70.0	70.2	0.3	172.87	179.24	3.7	120.96	125.84	4.0	1.2	1.6
Small Town	57.1	57.9	1.4	102.37	104.34	1.9	58.45	60.42	3.4	1.3	2.7
Chain Scale											
Luxury	74.0 %	74.5 %	0.7 %	$323.95	$336.04	3.7 %	$239.66	$250.25	4.4 %	2.1 %	2.8 %
Upper-Upscale	74.2	74.0	(0.3)	182.15	185.96	2.1	135.21	137.69	1.8	2.5	2.2
Upscale	73.8	73.5	(0.4)	140.21	142.87	1.9	103.43	104.94	1.5	5.2	4.8
Upper-Midscale	67.9	67.8	(0.1)	112.94	114.67	1.5	76.68	77.78	1.4	4.1	4.0
Midscale	59.9	60.1	0.3	86.93	88.58	1.9	52.09	53.25	2.2	1.0	1.3
Economy	58.0	58.6	1.0	62.48	63.79	2.1	36.23	37.38	3.2	(0.7)	0.4
Independents	62.7	63.4	1.0	126.21	129.66	2.7	79.17	82.17	3.8	0.5	1.6

Source: STR - December 2018 Lodging Review

Following the significant RevPAR decline experienced during the last recession, demand growth resumed in 2010, led by select markets that had recorded growth trends in the fourth quarter of 2009. A return of business travel and some group activity contributed to these positive trends. The resurgence in demand was partly fueled by the significant price discounts that were widely available in the first half of 2010. These discounting policies were largely phased out in the latter half of the year, balancing much of the early rate loss. Demand growth remained strong, but decelerated from 2011 through 2013, increasing at rates of 4.7%, 2.8%, and 2.0%, respectively. Demand growth then surged to 4.0% in 2014, driven by a strong economy, a robust oil and gas sector, and limited new supply, among other factors. By 2014, occupancy had surpassed the 64% mark. Average rate rebounded similarly during this time, bracketing 4.0% annual gains from 2011 through 2014.

In 2015, demand growth continued to outpace supply growth, a relationship that has been in place since 2010. With a 2.9% increase in room nights, the nation's occupancy level reached a record high of 65.4% in 2015. Supply growth intensified modestly in 2015 (at 1.1%), following annual supply growth levels of 0.7% and 0.9% in 2013 and 2014, respectively. Average rate posted another strong year of growth, at 4.7% in 2015, in pace with the annual growth of the last four years. Robust job growth, heightened group and leisure travel, and waning price-sensitivity all contributed to the gains. In 2016, occupancy showed virtually no change, as demand growth kept pace with supply additions. Occupancy then moved even higher in 2017 and 2018, to new highs of 65.9% and 66.2%, respectively. Average rate increased 2.1% and 2.4% in 2017 and 2018, respectively. By year-end 2018, the net change in RevPAR was 2.9%, reflecting a healthy lodging market overall. Year-to-date statistics through April reflect a 0.2-point occupancy increase, while average rate increased by just over $1.00, resulting in a 1.4% upward change in RevPAR.

Historical Supply and Demand Data

Lodging facilities along the Chain O'Lakes, near Fox Lake, are currently limited to Airbnb rental units and a few independent hotels, including the Fox Lake Motel, the Cypress Resort & Marine in Antioch, and the Waterfront Hotel & Marina in Johnsburg. Usage statistics were not available for these properties; however, the Cypress Resort & Marine, which is considered to be the most competitive with the proposed hotel, reports to AirDNA, a research firm that compiles and publishes data on Aiirbnb and Homeaway rentals. Therefore, this resort has been included in our analysis of Airbnb properties.

As noted previously, 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. These hotels represent the most proximate, comparable, nationally branded hotels in the greater Lake County and McHenry County area. They were selected based on their locations in similar markets that are highly seasonal and largely dependent on leisure business associated with outdoor activities. Independent hotels typically do not report to STR; therefore, we were unable to include the existing Fox Lake lodging options. However, we included those properties in a separate analysis.

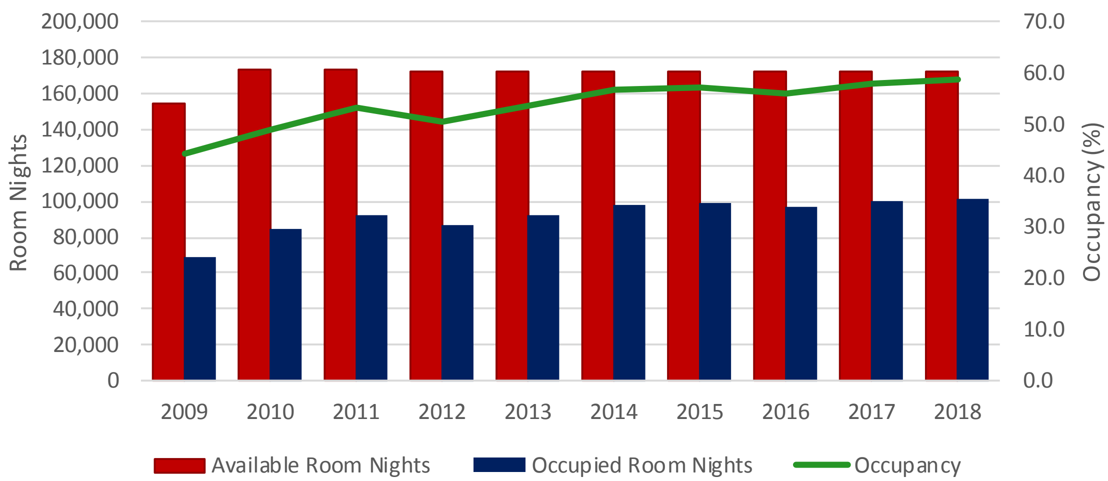
FIGURE 4-4 HISTORICAL SUPPLY AND DEMAND TRENDS

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2009	423	154,466	—	68,489	—	44.3 %	$83.87	—	$37.19	—
2010	476	173,740	12.5 %	84,897	24.0 %	48.9	81.90	(2.3) %	40.02	7.6 %
2011	476	173,647	(0.1)	92,652	9.1	53.4	81.51	(0.5)	43.49	8.7
2012	472	172,280	(0.8)	86,796	(6.3)	50.4	89.57	9.9	45.13	3.8
2013	472	172,280	0.0	92,289	6.3	53.6	90.99	1.6	48.74	8.0
2014	472	172,280	0.0	97,648	5.8	56.7	93.60	2.9	53.05	8.8
2015	472	172,280	0.0	98,629	1.0	57.2	97.55	4.2	55.85	5.3
2016	472	172,280	0.0	96,591	(2.1)	56.1	99.37	1.9	55.71	(0.2)
2017	472	172,280	0.0	99,755	3.3	57.9	99.69	0.3	57.72	3.6
2018	472	172,280	0.0	101,441	1.7	58.9	102.56	2.9	60.39	4.6
Year-to-Date Through May										
2018	472	71,272	—	37,661	—	52.8 %	$96.94	—	$51.23	—
2019	472	71,272	0.0 %	35,195	(6.5) %	49.4	95.85	(1.1) %	47.33	(7.6) %
Average Annual Compounded Change:										
2009 - 2012			3.7 %		8.2 %			2.2 %		6.7 %
2012 - 2018			0.0		2.6			2.3		5.0

Hotels Included in Sample	Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
Best Western Plus Antioch Hotel & Suites	Upper Midscale Class	*Secondary*	68	Mar 2012	Jun 1988
Best Western Woodstock Inn	Midscale Class	*Secondary*	43	Jan 2012	Apr 1991
Quality Inn Woodstock	Midscale Class	*Secondary*	50	Dec 2011	May 1997
Hampton Inn McHenry	Upper Midscale Class	*Primary*	117	Mar 2003	Mar 2003
Holiday Inn Express & Suites Lake Zurich Barrington	Upper Midscale Class	*Primary*	86	Mar 2009	Mar 2009
Comfort Suites Grayslake Libertyville North	Upper Midscale Class	*Secondary*	108	May 2009	May 2009
		Total	**472**		

Source: STR

FIGURE 4-5 HISTORICAL SUPPLY AND DEMAND TRENDS (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 2018 in 58.9%, which compares to 57.9% for 2017. The STR data for the competitive set reflect a market-wide average rate level of $102.56 in 2018, which compares to $99.69 For 2017. These occupancy and ADR trends resulted in a RevPAR level of $60.39 in 2018.

During the illustrated historical period, both occupancy and average rate generally followed a strengthening trend, with RevPAR increasing by roughly 50% between 2009 and 2018. This improvement in market conditions was driven largely by the strengthening of the manufacturing industry and the healthcare sector. Year-to-date 2019 data illustrate a softening in occupancy and a roughly $1.00 loss in average rate due to project-related demand leaving the market. The near-term outlook is positive due to continued investment in the local market from major employers, such as Baxter and Scot Forge.

Seasonality

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

FIGURE 4-6 MONTHLY OCCUPANCY TRENDS

Month	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
January	48.0 %	32.0 %	34.8 %	35.3 %	36.1 %	44.1 %	43.6 %	39.5 %	39.7 %	45.1 %	40.1 %
February	43.2	37.5	45.9	36.8	46.2	42.5	44.1	43.7	43.6	49.2	47.8
March	30.3	36.5	45.8	44.0	44.2	50.7	45.4	46.9	51.3	53.0	49.7
April	38.1	42.1	53.5	49.6	52.7	50.4	54.9	57.0	55.1	53.5	50.0
May	38.8	48.4	63.7	56.5	55.7	62.2	63.5	60.9	58.0	63.0	59.2
June	52.5	60.2	65.5	64.9	64.6	68.6	68.9	68.3	73.9	72.3	—
July	57.2	70.1	72.0	67.0	67.1	72.4	74.8	75.3	76.2	69.1	—
August	54.4	62.9	62.2	57.6	66.0	69.7	68.2	61.9	67.4	66.7	—
September	50.0	53.9	61.0	54.0	55.3	62.9	64.8	62.7	66.8	64.8	—
October	45.6	55.8	54.9	52.4	57.1	59.3	61.4	57.0	60.7	60.9	—
November	38.3	48.6	44.7	46.2	52.5	50.9	51.7	55.5	54.9	57.7	—
December	32.4	37.6	35.8	39.5	44.9	45.4	44.9	43.6	46.6	50.7	—
Annual Occupancy	**44.3 %**	**48.9 %**	**53.4 %**	**50.4 %**	**53.6 %**	**56.7 %**	**57.2 %**	**56.1 %**	**57.9 %**	**58.9 %**	**—**
Year-to-Date	**38.8 %**	**39.3 %**	**48.7 %**	**44.5 %**	**47.0 %**	**50.1 %**	**50.4 %**	**49.7 %**	**49.6 %**	**52.8 %**	**49.4 %**

Source: STR

FIGURE 4-7 MONTHLY AVERAGE RATE TRENDS

Month	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
January	$81.46	$79.05	$78.08	$80.69	$82.53	$83.18	$90.59	$90.21	$91.06	$92.88	$91.88
February	80.03	80.42	75.96	81.54	83.74	85.95	91.75	91.32	92.30	92.70	93.83
March	79.09	81.70	76.33	82.13	86.38	88.70	89.77	91.03	90.12	95.38	92.25
April	81.43	80.80	77.29	85.00	88.55	91.17	92.39	91.53	93.46	97.23	96.49
May	84.18	81.68	78.47	88.42	93.27	96.49	98.85	98.90	98.10	103.92	102.51
June	86.61	84.25	84.66	95.36	95.40	99.65	103.01	105.79	106.45	112.01	—
July	89.57	86.65	87.16	95.43	98.42	99.66	105.72	113.03	109.58	112.00	—
August	86.35	84.16	84.16	95.98	97.14	98.24	102.37	106.26	106.41	108.79	—
September	86.47	82.70	83.63	95.73	94.34	95.28	101.63	103.75	104.52	109.30	—
October	81.46	78.79	80.59	91.65	90.37	94.36	98.23	98.96	101.59	102.54	—
November	79.59	77.04	83.12	86.49	86.72	90.36	94.37	94.10	95.28	97.78	—
December	79.55	80.63	83.78	83.82	84.32	88.94	89.43	92.37	92.54	93.83	—
Annual Average Rate	**$83.87**	**$81.90**	**$81.51**	**$89.57**	**$90.99**	**$93.60**	**$97.55**	**$99.37**	**$99.69**	**$102.56**	**—**
Year-to-Date	**$81.58**	**$80.84**	**$77.30**	**$84.08**	**$87.45**	**$89.75**	**$93.15**	**$93.04**	**$93.28**	**$96.94**	**$95.85**

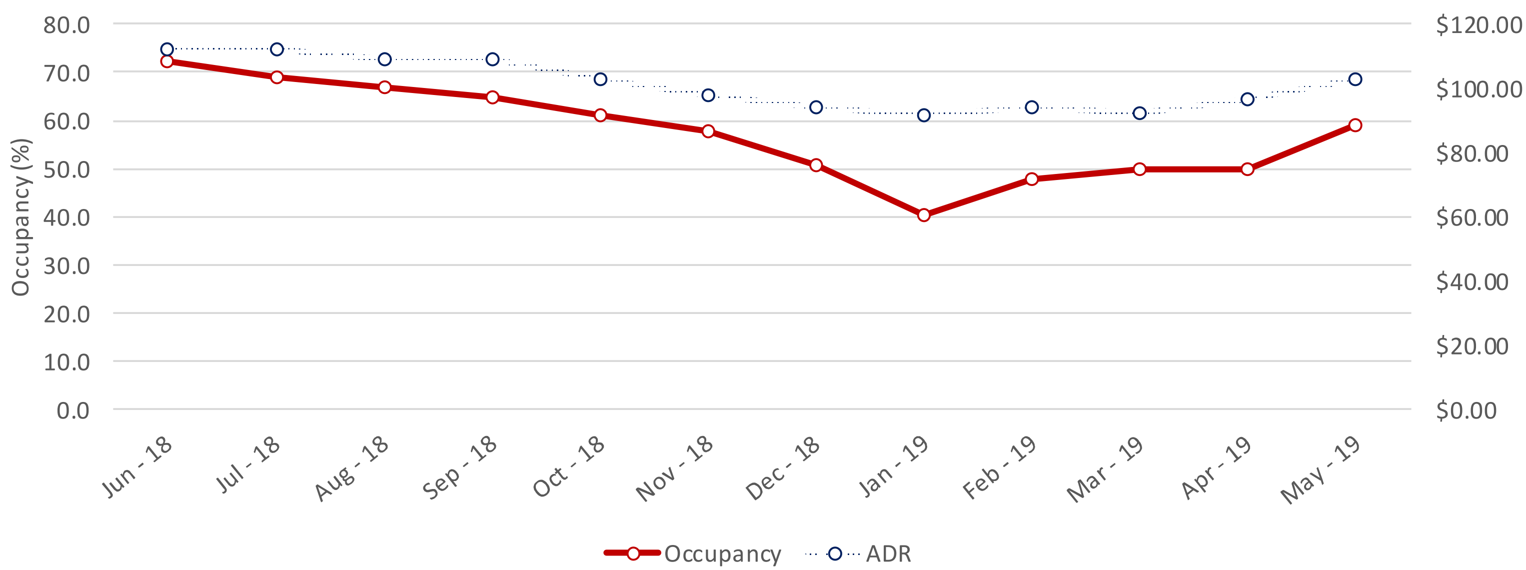
Source: STR

FIGURE 4-8 SEASONALITY

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
High Season - June, July, August										
Occupancy	54.7 %	64.5 %	66.6 %	63.1 %	65.9 %	70.2 %	70.7 %	68.5 %	72.5 %	69.3 %
Average Rate	$87.57	$85.10	$85.41	$95.57	$97.02	$99.18	$103.77	$108.62	$107.55	$110.96
RevPAR	47.93	54.85	56.87	60.35	63.95	69.67	73.32	74.37	77.94	76.95
Shoulder Season - April, May, September, October, November										
Occupancy	42.4 %	49.8 %	55.6 %	51.8 %	54.7 %	57.2 %	59.3 %	58.6 %	59.1 %	60.0 %
Average Rate	$82.86	$80.20	$80.53	$89.60	$90.72	$93.78	$97.37	$97.62	$98.89	$102.44
RevPAR	35.09	39.94	44.78	46.39	49.63	53.62	57.73	57.24	58.44	61.48
Low Season - January, February, March, December										
Occupancy	36.7 %	35.8 %	40.5 %	38.9 %	42.8 %	45.7 %	44.5 %	43.4 %	45.3 %	49.5 %
Average Rate	$80.00	$80.50	$78.30	$82.10	$84.34	$86.81	$90.34	$91.25	$91.45	$93.77
RevPAR	29.35	28.85	31.68	31.96	36.06	39.70	40.19	39.61	41.46	46.42

Source: Smith Travel Research

FIGURE 4-9 MONTHLY OCCUPANCY AND ADR TRENDS (TRAILING 12 MONTHS)



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. The competitive market is highly seasonal, which is evident in the monthly occupancy statistics. The strongest occupancy levels are recorded in the summer months when leisure demand affiliated with the numerous lakes and parks supplements the commercial segment that is the principal source of demand in this submarket throughout the year. ADR levels reflect a similar pattern.

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 4-10 OCCUPANCY BY DAY OF WEEK (TRAILING 12 MONTHS)

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jun - 18	40.9 %	64.1 %	76.0 %	71.6 %	69.5 %	85.0 %	91.1 %	72.3 %
Jul - 18	50.0	61.1	69.1	67.2	66.4	83.6	93.1	69.1
Aug - 18	41.3	59.3	65.8	67.3	64.1	76.2	91.3	66.7
Sep - 18	44.3	53.8	60.5	61.1	66.0	78.1	89.1	64.8
Oct - 18	37.6	56.0	62.4	62.0	61.7	68.3	78.6	60.9
Nov - 18	35.4	49.9	58.7	64.0	64.3	63.3	64.9	57.7
Dec - 18	38.8	57.5	54.7	49.0	45.8	48.1	59.9	50.7
Jan - 19	28.1	40.6	41.7	40.7	41.8	43.9	43.1	40.1
Feb - 19	30.6	48.7	54.2	48.8	47.5	48.8	55.6	47.8
Mar - 19	32.2	48.0	56.0	51.2	45.9	54.6	60.6	49.7
Apr - 19	32.8	47.4	53.9	51.7	48.1	54.8	60.9	50.0
May - 19	44.9	47.3	54.9	56.2	55.3	72.1	81.7	59.2
Average	**38.3 %**	**53.0 %**	**58.8 %**	**57.5 %**	**56.4 %**	**65.3 %**	**72.7 %**	**57.5 %**

Source: STR

FIGURE 4-11 AVERAGE RATE BY DAY OF WEEK (TRAILING 12 MONTHS)

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jun - 18	$101.21	$102.69	$105.57	$103.68	$104.27	$122.43	$125.67	$112.01
Jul - 18	100.19	103.48	104.61	106.87	108.15	123.18	130.21	112.00
Aug - 18	97.84	100.36	101.51	102.69	106.09	115.53	125.41	108.79
Sep - 18	98.54	103.15	104.04	103.35	101.27	117.05	123.09	109.30
Oct - 18	91.85	98.50	100.03	99.19	97.87	108.73	115.35	102.54
Nov - 18	93.00	95.62	98.14	97.58	96.87	98.86	101.73	97.78
Dec - 18	89.85	96.10	94.27	93.35	89.67	93.27	97.14	93.83
Jan - 19	87.78	91.85	91.76	91.56	90.85	93.05	95.14	91.88
Feb - 19	88.75	93.61	93.68	93.56	91.69	95.85	97.25	93.83
Mar - 19	86.28	91.53	92.44	93.15	89.52	92.38	96.66	92.25
Apr - 19	88.33	96.42	95.85	94.58	93.10	100.43	102.42	96.49
May - 19	92.66	95.84	98.40	95.86	96.27	112.23	114.83	102.51
Average	**$93.76**	**$97.92**	**$98.93**	**$98.59**	**$98.10**	**$108.57**	**$113.20**	**$102.31**

Source: STR

FIGURE 4-12 OCCUPANCY AND AVERAGE RATE BY DAY OF WEEK (TRAILING 12 MONTHS)

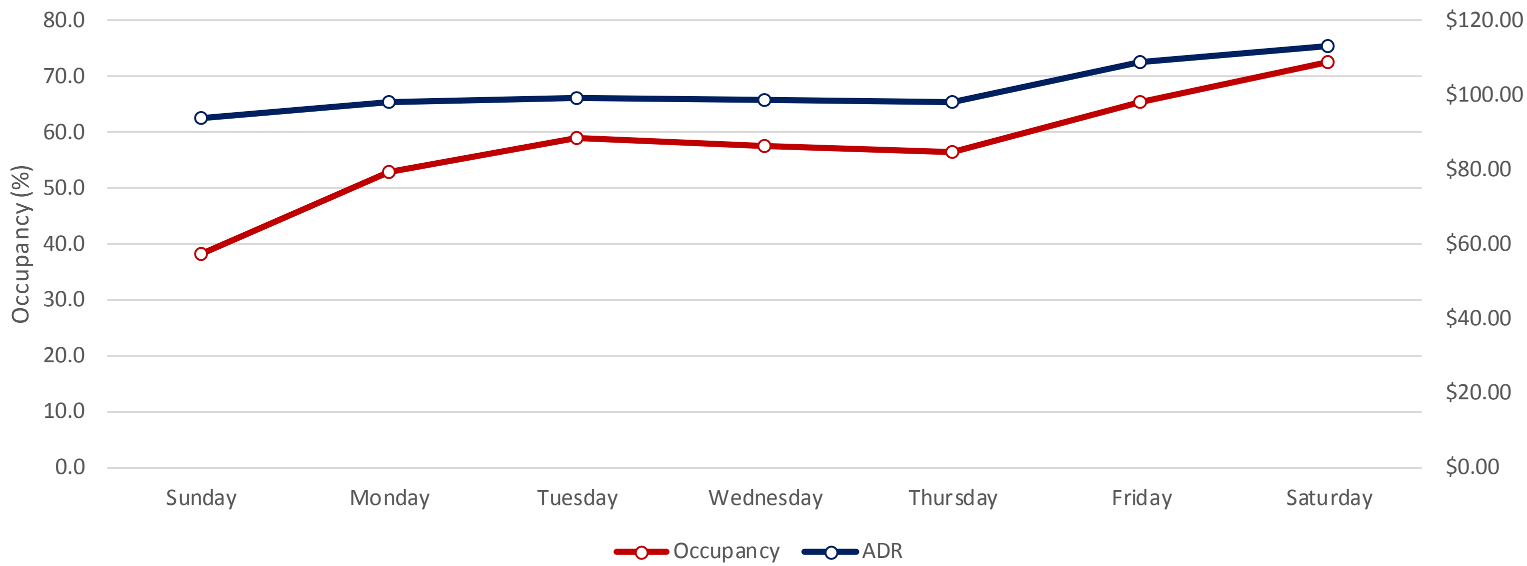


FIGURE 4-13 OCCUPANCY, AVERAGE RATE, AND REVPAR BY DAY OF WEEK (MULTIPLE YEARS)

Occupancy (%)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jun 16 - May 17	39.6 %	51.3 %	58.6 %	56.8 %	52.0 %	61.6 %	72.5 %	56.0 %
Jun 17 - May 18	43.8	55.0	60.4	60.4	57.6	64.9	72.5	59.2
Jun 18 - May 19	38.3	53.0	58.8	57.5	56.4	65.3	72.7	57.5
Change (Occupancy Points)								
FY 17 - FY 18	4.2	3.7	1.7	3.6	5.6	3.3	0.1	3.2
FY 18 - FY 19	(5.5)	(2.0)	(1.6)	(2.9)	(1.3)	0.3	0.2	(1.8)

ADR ($)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jun 16 - May 17	$95.31	$95.49	$95.86	$95.80	$95.07	$104.67	$109.12	$99.46
Jun 17 - May 18	95.73	97.69	97.43	97.47	96.85	106.45	110.51	100.90
Jun 18 - May 19	93.76	97.92	98.93	98.59	98.10	108.57	113.20	102.31
Change (Dollars)								
FY 17 - FY 18	$0.42	$2.19	$1.57	$1.67	$1.78	$1.77	$1.39	$1.43
FY 18 - FY 19	(1.97)	0.24	1.50	1.12	1.25	2.13	2.69	1.41
Change (Percent)								
FY 17 - FY 18	0.4 %	2.3 %	1.6 %	1.7 %	1.9 %	1.7 %	1.3 %	1.4 %
FY 18 - FY 19	(2.1)	0.2	1.5	1.1	1.3	2.0	2.4	1.4

RevPAR ($)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jun 16 - May 17	$37.74	$48.98	$56.22	$54.37	$49.44	$64.43	$79.07	$55.75
Jun 17 - May 18	41.95	53.75	58.84	58.87	55.83	69.09	80.15	59.77
Jun 18 - May 19	35.95	51.92	58.20	56.68	55.30	70.85	82.29	58.77
Change (Dollars)								
FY 17 - FY 18	$4.21	$4.77	$2.61	$4.50	$6.38	$4.66	$1.08	$4.02
FY 18 - FY 19	(6.00)	(1.83)	(0.63)	(2.18)	(0.53)	1.75	2.15	(1.00)
Change (Percent)								
FY 17 - FY 18	11.2 %	9.7 %	4.6 %	8.3 %	12.9 %	7.2 %	1.4 %	7.2 %
FY 18 - FY 19	(14.3)	(3.4)	(1.1)	(3.7)	(0.9)	2.5	2.7	(1.7)

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

Based on an evaluation of the occupancy, rate structure, market orientation, chain affiliation, location, facilities, amenities, reputation, and quality of each area hotel, as well as the comments of management representatives, we have identified several properties that are expected to be primarily competitive with the proposed subject hotel. If applicable, additional lodging facilities may be judged only secondarily competitive; although the facilities, rate structures, or market orientations of these hotels prevent their inclusion among the primary competitive supply, they are expected to compete with the proposed subject hotel to some extent.

Primary Competition

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 4-14 PRIMARY COMPETITORS – OPERATING PERFORMANCE

		Est. Segmentation			Estimated 2017				Estimated 2018					
Property	Number of Rooms	Commercial	Group	Leisure	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Hampton Inn McHenry	117	75 %	15 %	10 %	117	70 - 75 %	$105 - $110	$75 - $80	117	70 - 75 %	$105 - $110	$75 - $80	120 - 130 %	120 - 130 %
Holiday Inn Express & Suites Lake Zurich-Barrington	86	65	15	20	86	65 - 70	105 - 110	70 - 75	86	65 - 70	110 - 115	75 - 80	110 - 120	120 - 130
Sub-Totals/Averages	**203**	**71 %**	**15 %**	**14 %**	**203**	**69.9 %**	**$106.62**	**$74.51**	**203**	**70.9 %**	**$108.84**	**$77**	**$118 %**	**123.8 %**
Secondary Competitors	269	57 %	16 %	27 %	215	49.0 %	$92.57	$45.35	215	50.3 %	$95.96	$48	$83 %	77.5 %
Totals/Averages	**472**	**65 %**	**15 %**	**20 %**	**418**	**59.1 %**	**$100.63**	**$59.51**	**418**	**60.3 %**	**$103.31**	**$62**	**$100 %**	**100.0 %**

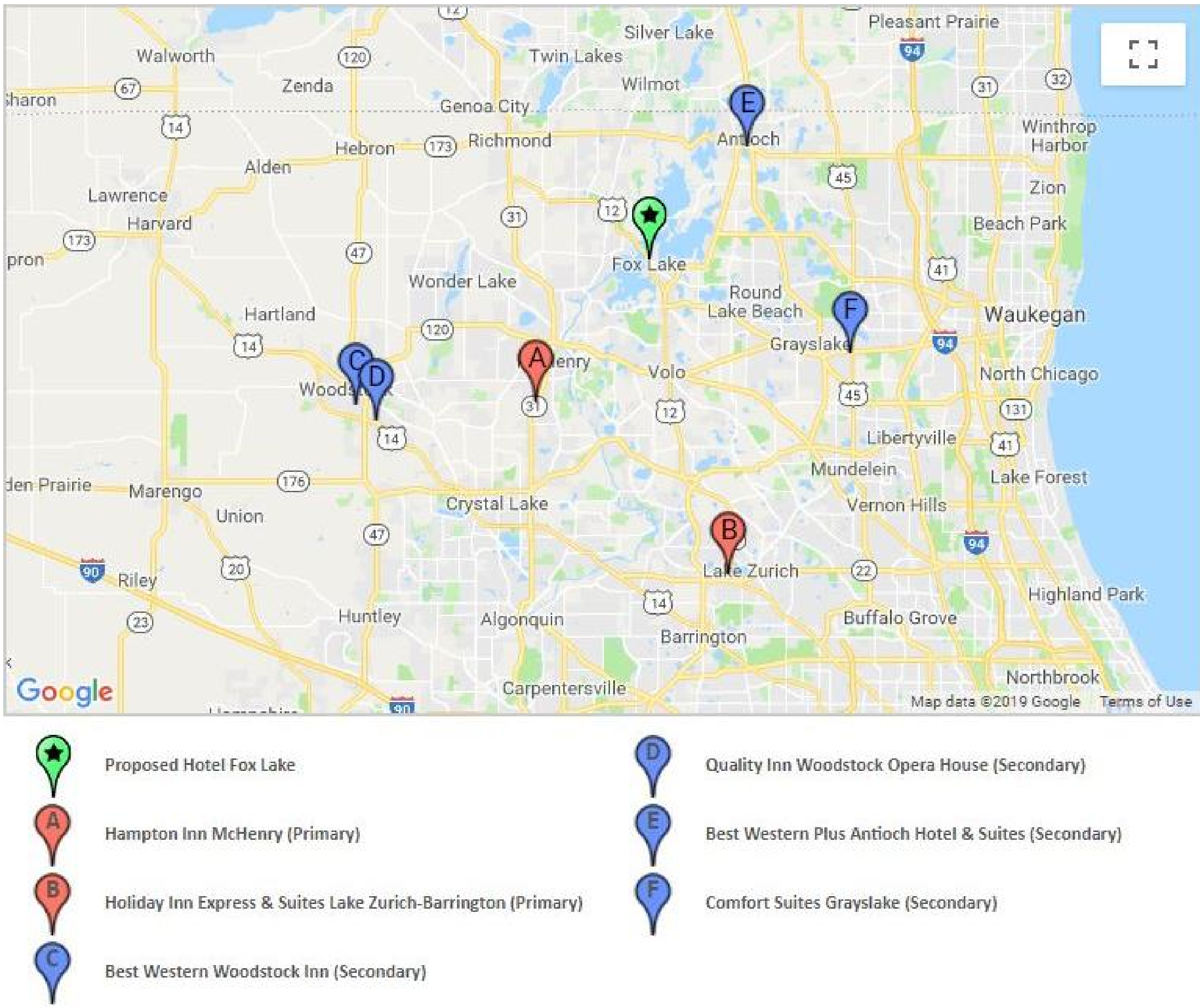
** Specific occupancy and average rate data were utilized in our analysis, but are presented in ranges in the above table for the purposes of confidentiality.*

FIGURE 4-15 PRIMARY COMPETITORS – FACILITY PROFILES

Property	Number of Rooms	Year Opened	Last Major Renovation(s)	Approx. Miles To Subject Property	Food and Beverage Outlets	Indoor Meeting Space (SF)	Meeting Space per Room	Facilities & Amenities
Hampton Inn McHenry 1555 South Route 31	117	2003	2015	8.1	Breakfast Dining Area	888	7.6	Business Center; Guest Laundry Area; Indoor Swimming Pool; Indoor Whirlpool; Fitness Room; Market Pantry
Holiday Inn Express & Suites Lake Zurich-Barrington 197 South Rand Road	86	2009	2018	14.6	Breakfast Dining Area	800	9.3	Business Center; Guest Laundry Area; Indoor Swimming Pool; Indoor Whirlpool; Fitness Room; Market Pantry

The following map illustrates the locations of the proposed subject property and its future competitors.

MAP OF COMPETITION



Our survey of the primarily competitive hotels in the local market shows a range of lodging types and facilities. Each primary competitor was inspected and evaluated. Descriptions of our findings are presented below.

PRIMARY COMPETITOR #1 - HAMPTON INN MCHENRY

Hampton Inn McHenry
1555 South Route 31
McHenry, IL

FIGURE 4-16 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2016	117	65 - 70 %	\$105 - \$110	\$70 - \$75	120 - 130 %	120 - 130 %
Est. 2017	117	70 - 75	105 - 110	75 - 80	120 - 130	120 - 130
Est. 2018	117	70 - 75	105 - 110	75 - 80	120 - 130	120 - 130

This hotel benefits from its Hilton affiliation, including its participation in the Hilton Honors rewards program. Overall, the property appeared to be in good condition. Its accessibility is similar to that of the subject site, and its visibility is similar to the expected visibility of the Proposed Hotel Fox Lake.

PRIMARY COMPETITOR #2 - HOLIDAY INN EXPRESS & SUITES LAKE ZURICH-BARRINGTON

Holiday Inn Express & Suites Lake Zurich-Barrington
197 South Rand Road
Lake Zurich, IL

FIGURE 4-17 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2016	86	60 - 65 %	$105 - $110	$70 - $75	110 - 120 %	120 - 130 %
Est. 2017	86	65 - 70	105 - 110	70 - 75	110 - 120	120 - 130
Est. 2018	86	65 - 70	110 - 115	75 - 80	110 - 120	120 - 130

This hotel benefits from its InterContinental Hotels Group affiliation, its location along U.S. Highway 12, and its recently completed renovations. Overall, the property appeared to be in very good condition. Its accessibility is similar to that of the subject site, and its visibility is inferior to the expected visibility of the Proposed Hotel Fox Lake.

Secondary Competitors

We have also reviewed other area lodging facilities to determine whether any may compete with the proposed subject hotel on a secondary basis. The room count of each secondary competitor has been weighted based on its assumed degree of competitiveness in the future with the proposed subject hotel. By assigning degrees of competitiveness, we can assess how the proposed subject hotel and its future competitors may react to various changes in the market, including new supply, changes to demand generators, and renovations or franchise changes of existing supply. The following table sets forth the pertinent operating characteristics of the secondary competitors.

FIGURE 4-18 SECONDARY COMPETITOR(S) – OPERATING PERFORMANCE

		Est. Segmentation				Estimated 2017				Estimated 2018			
Property	Number of Rooms	Commercial	Group	Leisure	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Best Western Woodstock Inn	43	60 %	10 %	30 %	80 %	34	40 - 45 %	$70 - $75	$30 - $35	34	45 - 50 %	$75 - $80	$35 - $40
Quality Inn Woodstock Opera House	50	55	15	30	80	40	40 - 45	75 - 80	30 - 35	40	45 - 50	75 - 80	35 - 40
Best Western Plus Antioch Hotel & Suites	68	60	20	20	80	54	50 - 55	110 - 115	55 - 60	54	50 - 55	115 - 120	60 - 65
Comfort Suites Grayslake	108	55	15	30	80	86	50 - 55	90 - 95	45 - 50	86	50 - 55	95 - 100	50 - 55
Totals/Averages	**269**	**57 %**	**16 %**	**27 %**	**80 %**	**215**	**49.0 %**	**$92.57**	**$45.35**	**215**	**50.3 %**	**$95.96**	**$48.31**

** 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.*

We have identified four hotels that are expected to compete with the proposed subject hotel on a secondary level. The Best Western Woodstock, Quality Inn, and Comfort Suites are all expected to compete somewhat with the proposed hotel given the limited lodging options in the greater market area; however, these hotels all operate at lower price points than what is anticipated for the proposed subject hotel. Although the Best Western Plus offers similar rates and a similar product to the proposed hotel, it is located in Antioch, which offers its own demand generators.

Supply Changes

It is important to consider any new hotels that may have an impact on the proposed subject hotel's operating performance. According to the local planning office, no new supply is planned or under development that would be considered competitive with the proposed hotel.

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 on 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 Fox Lake submarket. The Proposed Limited-Service Hotel 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 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 4-19 HISTORICAL MARKET TRENDS

Year	Accommodated Room Nights	% Change	Room Nights Available	% Change	Market Occupancy	Market ADR	% Change	Market RevPAR	% Change
Est. 2016	87,209	—	152,643	—	57.1 %	$100.17	—	$57.23	—
Est. 2017	90,262	3.5 %	152,643	0.0 %	59.1	100.63	0.5 %	59.51	4.0 %
Est. 2018	92,060	2.0	152,643	0.0	60.3	103.31	2.7	62.31	4.7
Avg. Annual Compounded Chg., Est. 2016-Est. 2018:		2.7 %		(0.0) %			1.6 %		4.3 %

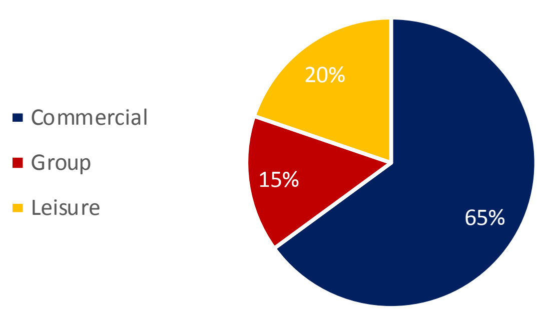
Demand Analysis Using Market Segmentation

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 2018 distribution of accommodated-room-night demand as follows.

FIGURE 4-20 ACCOMMODATED ROOM-NIGHT DEMAND

Market Segment	Marketwide Accommodated Demand	Marketwide Percentage of Total
Commercial	59,823	65 %
Group	14,040	15
Leisure	18,196	20
Total	**92,060**	**100 %**

FIGURE 4-21 MARKET-WIDE ACCOMMODATED-ROOM-NIGHT DEMAND



The market's demand mix comprises commercial demand, with this segment representing roughly 65% of the accommodated room nights in this Fox Lake submarket. The group segment comprises 15% of the total, with the final portion leisure in nature, reflecting 20%.

Using the distribution of accommodated hotel demand as a starting point, we will analyze the characteristics of each market segment in an effort to determine future trends in room-night demand.

Commercial Segment

Commercial demand consists mainly of individual businesspeople passing through the subject market or visiting area businesses, in addition to high-volume corporate accounts generated by local firms. Brand loyalty (particularly frequent-traveler programs), as well as location and convenience with respect to businesses and amenities, influence lodging choices in this segment. Companies typically designate hotels as "preferred" accommodations in return for more favorable rates, which are discounted in proportion to the number of room nights produced by a commercial client. Commercial demand is strongest Monday through Thursday nights, declines significantly on Friday and Saturday, and increases somewhat on Sunday night. It is relatively constant throughout the year, with marginal declines in late December and during other holiday periods. Primary commercial demand generators for this market include major corporate offices in the area, such as Baxter and Scot Forge.

Group Segment

In the limited-service sector, group demand is most commonly generated by groups that require ten or more room nights but which need little to no meeting space within the hotel. Examples of these groups include family reunions, sports teams, and bus tours. In some markets, limited-service hotels may also accommodate demand from groups or individuals attending events at the local convention center or at one of the larger convention hotels in the area. Training groups from nearby companies generate meeting demand for local hotels; furthermore, social groups represent primary sources of demand during weekend and holiday periods.

Leisure Segment

Leisure demand consists of individuals and families spending time in an area or passing through en route to other destinations. Travel purposes include sightseeing, recreation, or visiting friends and relatives. Leisure demand also includes room nights booked through Internet sites such as Expedia, Hotels.com, and Priceline; however, leisure may not be the purpose of the stay. This demand may also include business travelers and group and convention attendees who use these channels to take advantage of any discounts that may be available on these sites. Leisure demand is strongest on Friday and Saturday nights and all week during holiday periods and the summer months. These peak periods represent the inverse of commercial visitation trends, underscoring the stabilizing effect of capturing weekend and summer tourist travel. Future leisure demand is related to the overall economic health of the region and the nation. Trends showing changes in state and regional unemployment and disposable personal income correlate strongly with leisure travel levels. Leisure demand for this suburban market is generated primarily by outdoor activities, including boating, swimming, fishing, motor biking, and cross-country skiing. Those visiting friends and family in the area also generate leisure demand throughout the year.

Because a significant amount of leisure demand in the market currently utilizes Airbnb rentals, given the limited number of lodging options in the local market, we also analyzed leisure demand from these sources. The following map shows the locations of the existing units.

FIGURE 4-22 EXISTING RANTAL UNITS

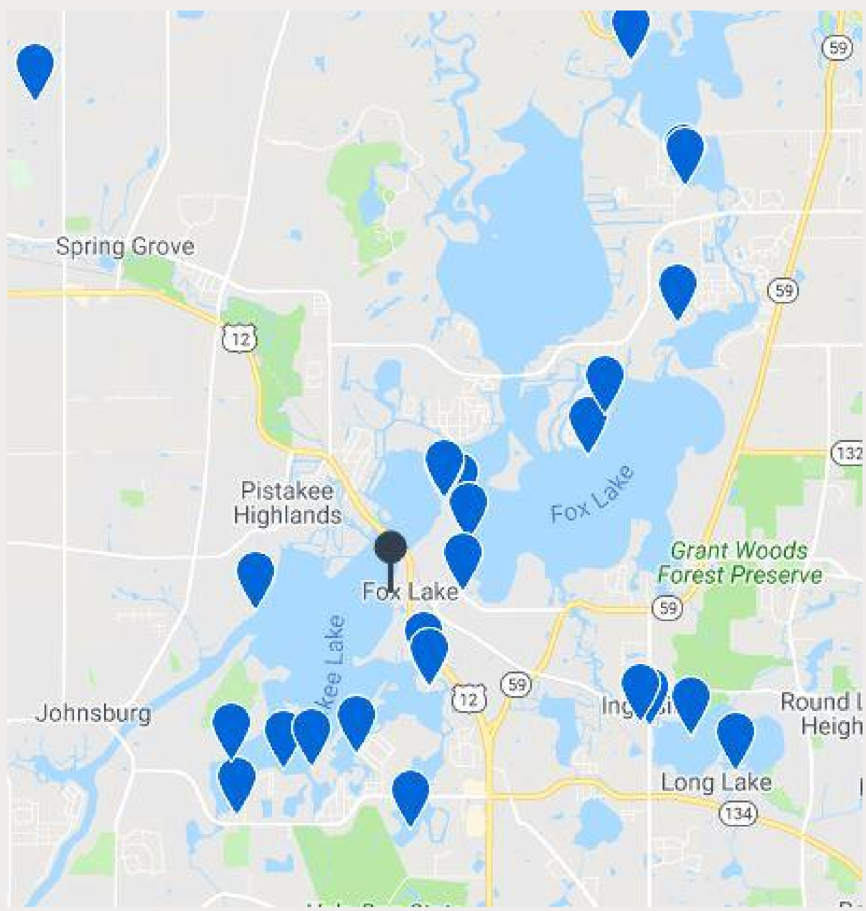


FIGURE 4-23 MONTHLY NUMBER OF AIRBNB UNITS AVAILABLE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016							1	2	2	2	2	2
2017	3	2	2	3	4	8	8	10	9	8	10	9
2018	9	9	8	8	9	10	11	12	12	10	9	8
2019	8	8	6	8	12	13						

FIGURE 4-24 ESTIMATED OCCUPIED AIRBNB ROOM NIGHTS (ASSUMING 3 ROOMS PER RENTAL)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2016							36	51	72	51	24	24
2017	36	18	18	36	99	177	279	291	234	87	144	93
2018	54	51	57	54	234	372	534	498	372	261	144	57
2019	84	42	72	162	279	471						

As illustrated by the preceding tables, lodging demand is strongest from May through November, before dropping off significantly in December. This analysis also demonstrates a continued increase in demand for leisure accommodations during the high season.

Base Demand Growth Rates

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, three 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 4-25 AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES

	Annual Growth Rate				
Market Segment	**2019**	**2020**	**2021**	**2022**	**2023**
Commercial	1.5 %	1.0 %	2.0 %	1.0 %	1.0 %
Group	1.5	1.0	1.0	1.0	1.0
Leisure	2.0	1.5	2.0	1.0	1.0
Base Demand Growth	**1.6 %**	**1.1 %**	**1.8 %**	**1.0 %**	**1.0 %**

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 4-26 OCCUPANCY BY NIGHT OF THE WEEK

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jun - 18	40.9 %	64.1 %	76.0 %	71.6 %	69.5 %	85.0 %	91.1 %	72.3 %
Jul - 18	50.0	61.1	69.1	67.2	66.4	83.6	93.1	69.1
Aug - 18	41.3	59.3	65.8	67.3	64.1	76.2	91.3	66.7
Sep - 18	44.3	53.8	60.5	61.1	66.0	78.1	89.1	64.8
Oct - 18	37.6	56.0	62.4	62.0	61.7	68.3	78.6	60.9
Nov - 18	35.4	49.9	58.7	64.0	64.3	63.3	64.9	57.7
Dec - 18	38.8	57.5	54.7	49.0	45.8	48.1	59.9	50.7
Jan - 19	28.1	40.6	41.7	40.7	41.8	43.9	43.1	40.1
Feb - 19	30.6	48.7	54.2	48.8	47.5	48.8	55.6	47.8
Mar - 19	32.2	48.0	56.0	51.2	45.9	54.6	60.6	49.7
Apr - 19	32.8	47.4	53.9	51.7	48.1	54.8	60.9	50.0
May - 19	44.9	47.3	54.9	56.2	55.3	72.1	81.7	59.2
Average	**38.3 %**	**53.0 %**	**58.8 %**	**57.5 %**	**56.4 %**	**65.3 %**	**72.7 %**	**57.5 %**

Source: STR

Our interviews with market participants found that the market generally sells out on Tuesday through Saturday nights during the peak travel season, as well as sporadically within other periods throughout the year. Special events and warmweather activities regularly sell out the lodging properties in the market. A portion of this demand, which is currently turned away, should return to the market concurrent with the supply increase. The following table presents our estimate of unaccommodated demand in the subject market.

FIGURE 4-27 UNACCOMMODATED DEMAND ESTIMATE

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand Percentage	Unaccommodated Room Night Demand
Commercial	59,823	1.5 %	924
Group	14,040	1.5	208
Leisure	18,196	7.0	1,268
Total	**92,060**	**2.6 %**	**2,400**

Accordingly, we have forecast unaccommodated demand equivalent to 2.6% of the base-year demand, resulting from our analysis of monthly and weekly peak demand and sell-out trends.

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 opening of a Marriott-branded property should attract considerable demand to the market from Marriott-loyal guests. Additionally, the planned banquet facility should draw new groups to this market, as these groups with planned meetings and events would have likely chosen an alternate destination if it were not for the availability of the new facility and adjacent hotel. The following table summarizes our estimate of induced demand.

FIGURE 4-28 INDUCED DEMAND ASSUMPTIONS

Segment	Source	Event	Assumption	Calendar Year 2021 Anticipated Annual Room Nights (Year 1)	2022 Anticipated Annual Room Nights (Year 2)	Stabilized 2023 Anticipated Annual Room Nights (Year 3)
Leisure	AirBNB Users and Boaters	Hotel Opening	1) The hotel is expected to book approximately 600 nights per month during the five high months, plus an additional 600 room nights the rest of the year; this is a combination of people currently leaving the market to stay elsewhere and those forced to stay in an AirBNB who would rather book a hotel room.	2,700	3,600	3,600
Commercial	Marriott Loyal Guests	Hotel Opening	1) 300 visitors per month that will book through the Marriott reservation system 2) Marriott-loyal guests who would otherwise drive to the nearest Marriott property instead of stay at a Hampton Inn or Holiday inn Express	2,700	3,600	3,600
Group	Event Guests	Opening of an Event Space at the Marina	1) During the high season, 10 weddings and events per month, 100 guests, and 40 rooms per event 2) 100 rooms/month generated through special events the rest of the year	2,100	2,800	2,800
			TOTAL	**7,500**	**10,000**	**10,000**

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 4-29 FORECAST OF MARKET OCCUPANCY

	2018	2019	2020	2021	2022	2023
Commercial						
Base Demand	59,823	60,721	61,328	62,555	63,180	63,812
Unaccommodated Demand	924	938	947	966	976	986
Induced Demand		0	0	2,700	3,600	3,600
Total Demand	60,747	61,659	62,275	66,221	67,756	68,398
Growth Rate		1.5 %	1.0 %	6.3 %	2.3 %	0.9 %
Group						
Base Demand	14,040	14,251	14,393	14,537	14,682	14,829
Unaccommodated Demand	208	211	213	215	218	220
Induced Demand		0	0	2,097	2,796	2,796
Total Demand	14,248	14,462	14,606	16,849	17,696	17,845
Growth Rate		1.5 %	1.0 %	15.4 %	5.0 %	0.8 %
Leisure						
Base Demand	18,196	18,560	18,838	19,215	19,407	19,601
Unaccommodated Demand	1,268	1,293	1,313	1,339	1,352	1,366
Induced Demand		0	0	2,700	3,600	3,600
Total Demand	19,464	19,853	20,151	23,254	24,360	24,567
Growth Rate		2.0 %	1.5 %	15.4 %	4.8 %	0.9 %
Totals						
Base Demand	92,060	93,531	94,560	96,307	97,270	98,243
Unaccommodated Demand	2,400	2,442	2,473	2,521	2,546	2,571
Induced Demand		0	0	7,497	9,996	9,996
Total Demand	94,460	95,974	97,033	106,324	109,812	110,810
less: Residual Demand	2,400	2,985	3,548	0	224	393
Total Accommodated Demand	92,060	92,989	93,485	106,324	109,588	110,417
Overall Demand Growth		1.0 %	0.5 %	13.7 %	3.1 %	0.8 %
Market Mix						
Commercial	65.0 %	64.2 %	64.2 %	62.3 %	61.7 %	61.7 %
Group	15.3	15.1	15.1	15.8	16.1	16.1
Leisure	19.8	20.7	20.8	21.9	22.2	22.2
Existing Hotel Supply	418	418	418	418	418	418
Proposed Hotels						
Proposed Limited-Service Hotel [1]				80	80	80
Available Room Nights per Year	152,643	152,643	152,643	181,843	181,843	181,843
Nights per Year	365	365	365	365	365	365
Total Supply	418	418	418	498	498	498
Rooms Supply Growth	—	0.0 %	0.0 %	19.1 %	0.0 %	0.0 %
Marketwide Occupancy	**60.3 %**	**60.9 %**	**61.2 %**	**58.5 %**	**60.3 %**	**60.7 %**

[1] Opening in January 2021 of the 100% competitive, 80-room Proposed Limited-Service Hotel

The defined competitive market of hotels should experience fluctuations in occupancy levels over the next few years as new supply is absorbed by the market. The opening of the proposed hotel should induce enough demand in the market to offset the increases in new supply. Based on historical occupancy levels in this market, and taking into consideration typical supply and demand cyclicality, market occupancy is forecast to stabilize in the low 60s.

5. 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 hotel will be a limited-service lodging facility containing 80 rentable units. The property is expected to open on January 1, 2021. The proposed hotel is expected to fill a need for a nationally-branded hotel in the market. The Village of Fox Lake is currently considering two sites for development. Both of these sites offer street access to U.S. Highway 12, the main commercial corridor, as well as boat access from the adjacent marinas. Furthermore, the owner of the Sayles property (Site #2) has proposed developing a restaurant and banquet hall in conjunction with a hotel at that site.

We recommend that the proposed subject hotel operate as an upper-midscale, limited-service property. While we have placed heavy consideration on the Fairfield Inn by Marriott brand, which is affiliated with Marriott International, Inc., a specific franchise affiliation and/or brand has yet to be finalized.

Fairfield Inn by Marriott is Marriott's primary economy brand in what Marriott classifies as the moderate-tier segment. Fairfield Inn by Marriott (and Fairfield Inn & Suites by Marriott) properties offer daily complimentary breakfast, free coffee and tea, free high-speed Internet, a business center, a swimming pool, same-day laundry service, and fitness rooms at most locations. Primary competitors of the Fairfield Inn & Suites by Marriott brand include the Hampton Inn & Suites, Holiday Inn Express Hotel & Suites, and Country Inn & Suites by Radisson, among others. As of year-end 2018, there were 940 Fairfield Inn and Fairfield Inn & Suites by Marriott properties (88,052 rooms combined) in operation across North America. In 2018, the brand's North American hotels achieved an average occupancy level of 71.6%, an average daily rate of $114.98, and an average RevPAR of $82.32.

TYPICAL FAIRFIELD INN BY MARRIOTT EXTERIOR

Summary of the Facilities

Based on our review of limited-service hotels in similar markets, the following table summarizes the facilities that would be expected to be available at the proposed subject hotel.

FIGURE 5-1 RECOMMENDED FACILITIES SUMMARY

Guestroom Configuration		Number of Units
Standard		80
Total		80
Food & Beverage Facilities		**Seating Capacity**
Breakfast Dining Area		TBD
Amenities & Services		
Indoor Swimming Pool	Guest Laundry Area	
Indoor Whirlpool	Business Center	
Fitness Room		
Infrastructure		
Parking Spaces		TBD
Elevators		TBD
Life-Safety Systems		Sprinklers, Smoke Detectors
Construction Details		Wood Framing, Poured Concrete

Site Improvements and Hotel Structure

The proposed hotel is expected to include one single building, with surface parking located around the building. Other site improvements should include freestanding signage, located at the main entrance to the site, as well as landscaping and sidewalks. Additional signage is expected to be placed on the exterior of the building and will be visible from the water. The hotel's main entrance should lead directly into the lobby, and the first (ground) floor is expected to house the public areas and the back-of-the-house space. Guestrooms are planned to be located on all floors of the building. The site and building components are expected to be normal for a hotel of this type and should meet the standards for this suburban Fox Lake market.

Planned Facilities

The hotel’s breakfast dining area should be located opposite the front desk in the lobby. Its size and layout are expected to be appropriate for the hotel. The furnishings of the space will likely be of a similar style and finish as lobby and guestroom furnishings. The hotel should offer an indoor pool and whirlpool and a fitness room as recreational facilities. Other amenities are likely to include a lobby workstation or small business center, a guest laundry room, and a market pantry. Overall, the supporting facilities should be appropriate for a hotel of this type, and we assume that they will meet brand standards.

TYPICAL FAIRFIELD INN BY MARRIOTT LOBBY

TYPICAL FAIRFIELD INN BY MARRIOTT DINING AREA

HVS

FIRST FLOOR PLAN

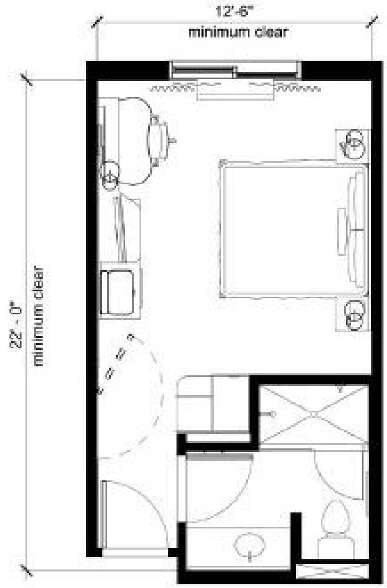
Guestrooms

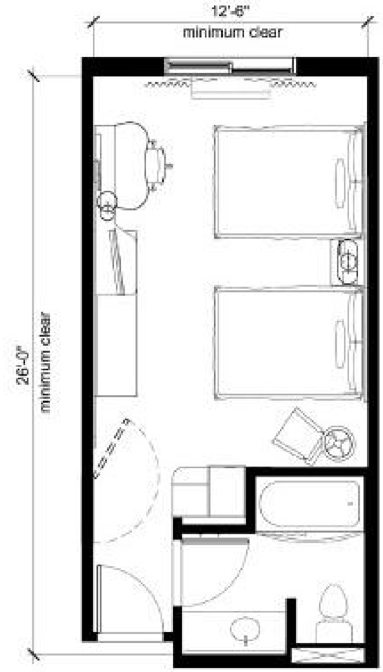
The hotel is expected to feature standard room configurations, with guestrooms present on all levels of the property's proposed single building. The guestrooms should offer typical amenities for this product type. The guestroom bathrooms are anticipated to be of a standard size, with a shower-in-tub, commode, and single sink with vanity area, featuring a stone countertop. The floors are expected to be finished with tile, and the walls will likely be finished with paint or wallcovering (consistent with brand standards). Overall, the guestrooms should offer a competitive product for this downtown Fox Lake neighborhood.

TYPICAL FAIRFIELD INN BY MARRIOTT GUESTROOM

HVS

GUESTROOM FLOOR PLAN





Back-of-the-House

The hotel is expected to be served by the necessary back-of-the-house space, including an in-house laundry facility, administrative offices, and a prep kitchen to service the needs of the breakfast dining area. These spaces should be adequate for a hotel of this type and should allow for the efficient operation of the property under competent management.

ADA and Environmental

We assume that the property will be built according to all pertinent codes and brand standards. 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 and to remain compliant with brand standards. 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, the proposed subject hotel should offer a well-designed, functional layout of support areas and guestrooms. All typical and market-appropriate features and amenities are expected to 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 and brand standards. 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 local accounts at least six months in advance of the opening date.

6. Projection of Occupancy and Average Rate

Along with ADR 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 and beverage, other operated departments, and miscellaneous income) are driven by the number of guests, and many expense levels 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.

Penetration Rate Analysis

The proposed subject hotel's forecasted market share and occupancy levels are based upon its anticipated competitive position within the market, as quantified by its penetration rate. The penetration rate is the ratio of a hotel's market share to its fair share.

Historical Penetration Rates by Market Segment

In the following table, the penetration rates attained by the primary competitors and the aggregate secondary competitors are set forth for each segment for the base year.

FIGURE 6-1 HISTORICAL PENETRATION RATES

Property	Commercial	Group	Leisure	Overall
Hampton Inn McHenry	140 %	119 %	61 %	121 %
Holiday Inn Express & Suites Lake Zurich-Barrington	113	111	114	113
Secondary Competition	73	85	115	83

The Hampton Inn McHenry achieved the highest penetration rate within the commercial segment. The highest penetration rate in the group segment was also achieved by the Hampton Inn McHenry, while the secondary competition led the market with the highest leisure penetration rate.

Forecast of Subject Property's Occupancy

Because the supply and demand balance for the competitive market is dynamic, there is a circular relationship between the penetration factors of each hotel in the market. The performance of individual new hotels has a direct effect upon the aggregate performance of the market and, consequently, upon the calculated penetration factor for each hotel in each market segment. The same is true when the performance of existing hotels changes, either positively (following a refurbishment, for example) or negatively (when a poorly maintained or marketed hotel loses market share).

A hotel's penetration factor is calculated as its achieved market share of demand divided by its fair share of demand. Thus, if one hotel's penetration performance increases, thereby increasing its achieved market share, this leaves less demand available in the market for the other hotels to capture, and the penetration performance of one or more of those other hotels consequently declines (other things remaining equal). This type of market share adjustment takes place every time there is a change in supply or a change in the relative penetration performance of one or more hotels in the competitive market. Our projections of penetration, demand capture, and occupancy performance for the proposed subject hotel account for these types of adjustments to market share within the defined competitive market.

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 6-2 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY

Market Segment	2021	2022	2023
Commercial			
Demand	66,221	67,621	68,160
Market Share	12.1 %	13.3 %	13.6 %
Capture	8,017	8,975	9,242
Penetration	75 %	83 %	84 %
Group			
Demand	16,849	17,661	17,783
Market Share	15.2 %	16.1 %	16.3 %
Capture	2,568	2,836	2,903
Penetration	95 %	100 %	102 %
Leisure			
Demand	23,254	24,307	24,475
Market Share	19.3 %	19.9 %	20.2 %
Capture	4,487	4,841	4,934
Penetration	120 %	124 %	126 %
Total Room Nights Captured	**15,072**	**16,652**	**17,080**
Available Room Nights	29,200	29,200	29,200
Subject Occupancy	**52 %**	**57 %**	**58 %**
Market-wide Available Room Nights	181,843	181,843	181,843
Fair Share	**16 %**	**16 %**	**16 %**
Market-wide Occupied Room Nights	106,324	109,588	110,417
Market Share	**14 %**	**15 %**	**15 %**
Market-wide Occupancy	**58 %**	**60 %**	**61 %**
Total Penetration	**88 %**	**95 %**	**96 %**

Because of the seasonality of the market, we have further broken our analysis down by month. The projections in the following table conclude to the stabilized occupancy for the subject property.

FIGURE 6-3 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY AND ADR – BY MONTH

Room Count	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
80													
	31	28	31	30	31	30	31	31	30	31	30	31	
SP Rooms Occupied	839	826	1,051	1,028	1,626	2,030	2,177	2,151	1,867	1,359	1,038	943	**16,935**
SP Rooms Available	2,480	2,240	2,480	2,400	2,480	2,400	2,480	2,480	2,400	2,480	2,400	2,480	**29,200**
SP Occupancy % (Stab.)	34%	37%	42%	43%	66%	85%	88%	87%	78%	55%	43%	38%	**58%**
SP Average Rate (Defl. Stab.)	$74.30	$74.16	$76.30	$77.79	$108.08	$131.05	$142.24	$141.42	$131.16	$92.29	$79.20	$76.01	**$110.00**
SP Revenue	$62,356	$61,279	$80,223	$79,969	$175,705	$266,047	$309,612	$304,228	$244,900	$125,390	$82,216	$71,642	$1,863,566
Market Monthly Occ (2018)	$45.12	$49.18	$52.99	$53.55	$63.03	$72.30	$69.11	$66.72	$64.83	$60.87	$57.67	$50.68	**$58.88**
SP Occupancy Penetration	75%	75%	80%	80%	104%	117%	127%	130%	120%	90%	75%	75%	
Market Monthly ADR (2018)	$92.88	$92.70	$95.38	$97.23	$103.92	$112.01	$112.00	$108.79	$109.30	$102.54	$97.78	$93.83	**$102.56**
SP ADR Penetration	80%	80%	80%	80%	104%	117%	127%	130%	120%	90%	81%	81%	

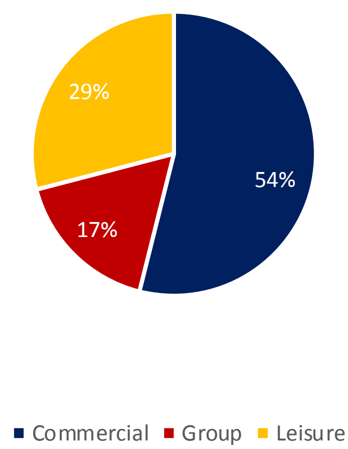
Because of its planned waterfront location, we expect the proposed hotel to capture more than its fair share of demand, largely driven by the leisure segment, in the high season. Meanwhile, in the low season, demand will largely be driven by Marriott-loyal guests and corporate travelers. Within the commercial segment, the proposed subject hotel's occupancy penetration is positioned below the market-average level given its distance from major commercial demand generators and business parks. The proposed subject hotel's occupancy penetration in the group segment is positioned above the market-average level based on the assumption that a banquet facility will be built adjacent to the subject site. Within the leisure segment, the proposed subject hotel's occupancy penetration is positioned above the market-average level, largely attributed to its planned waterfront location and proximity to the Chain O'Lakes. Overall, the proposed subject hotel is expected to reach an occupancy penetration level slightly below the market average.

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

FIGURE 6-4 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2021	2022	2023
Commercial	53 %	54 %	54 %
Group	17	17	17
Leisure	30	29	29
Total	100 %	100 %	100 %

FIGURE 6-5 STABILIZED MARKET SEGMENTATION – SUBJECT PROPERTY



Based on our analysis of the proposed subject hotel and market area, we have selected a stabilized occupancy level of 58%. 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

One of the most important considerations in estimating the value of a lodging facility is a supportable forecast of its attainable average rate, which is more formally defined as the average rate per occupied room. Average rate can be calculated by dividing the total rooms revenue achieved during a specified period by the number of rooms sold during the same period. The projected average rate and the anticipated occupancy percentage are used to forecast rooms revenue, which in turn provides the basis for estimating most other income and expense categories.

Competitive Position

Although the ADR analysis presented here follows the occupancy projection, these two statistics are highly correlated; in reality, one cannot project occupancy without making specific assumptions regarding average rate. This relationship is best illustrated by revenue per available room (RevPAR), which reflects a property's ability to maximize rooms revenue. The following table summarizes the historical average rate and the RevPAR of the proposed subject hotel's future primary competitors.

FIGURE 6-6 BASE-YEAR AVERAGE RATE AND REVPAR OF THE COMPETITORS

Property	Estimated 2018 Average Room Rate	Average Room Rate Penetration	Rooms Revenue Per Available Room (RevPAR)	RevPAR Penetration
Hampton Inn McHenry	$105 - $110	100 - 110 %	$75 - $80	120 - 130 %
Holiday Inn Express & Suites Lake Zurich-Barrington	110 - 115	100 - 110	75 - 80	120 - 130
Average - Primary Competitors	$108.84	105.4 %	$77.15	123.8 %
Average - Secondary Competitors	95.96	92.9	48.31	77.5
Overall Average	**$103.31**	100.0 %	**$62.31**	100.0 %
Subject As If Stabilized (In 2018 Dollars)	**$110.00**	**106.5 %**	**$63.91**	**102.6 %**

The defined primarily competitive market realized an overall average rate of $108.84 in the 2018 base year, improving from the 2017 level of $106.62. We have selected the rate position of $110.00, in base-year dollars, for the proposed subject hotel.

Based on these considerations, the following table illustrates the projected average rate and the growth rates assumed. As a context for the ADR growth factors, note that we have applied underlying inflation rates of 2.5%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2018.

FIGURE 6-7 COMPARISON OF HISTORICAL AND PROJECTED OCCUPANCY, ADR, AND REVPAR – PROPOSED SUBJECT PROPERTY AND MARKET

				Projected					
	2016	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Proposed Hotel Fox Lake									
Occupancy				— %	— %	51.6 %	57.0 %	58.5 %	58.5 %
Change in Points				—	—	—	5.4	1.5	0.0
Occupancy Penetration				—	—	88.3 %	94.6 %	96.3 %	96.3 %
Average Rate			$110.00	$110.55	$112.21	$113.86	$117.87	$122.02	$125.68
Change				—	1.5 %	1.5 %	3.5 %	3.5 %	3.0 %
Average Rate Penetration				106.5 %	106.5 %	105.4 %	105.9 %	106.5 %	106.5 %
RevPAR				—	—	$58.77	$67.22	$71.37	$73.51
Change				—	—	—	14.4 %	6.2 %	3.0 %
RevPAR Penetration				—	—	93.1 %	100.2 %	102.6 %	102.6 %

	Historical (Estimated)			Projected					
	2017	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Fox Lake Submarket									
Occupancy	57.1 %	59.1 %	60.3 %	60.9 %	61.2 %	58.5 %	60.3 %	60.7 %	60.7 %
Change in Points	—	2.0	1.2	0.6	0.3	(2.8)	1.8	0.5	0.0
Average Rate	$100.17	$100.63	$103.31	$103.83	$105.39	$108.02	$111.26	$114.60	$118.04
Change	—	0.5 %	2.7 %	0.5 %	1.5 %	2.5 %	3.0 %	3.0 %	3.0 %
RevPAR	$57.23	$59.51	$62.31	$63.25	$64.54	$63.16	$67.05	$69.59	$71.67
Change	—	4.0 %	4.7 %	1.5 %	2.0 %	(2.1) %	6.2 %	3.8 %	3.0 %

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

The final forecast reflects years beginning on January 1, 2021, and corresponds with our financial projections, as shown below.

FIGURE 6-8 ADR FORECAST – MARKET AND PROPOSED SUBJECT PROPERTY

Calendar Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
Market ADR	$103.31	$103.83	$105.39	$108.02	$111.26	$114.60	$118.04	$121.58	$125.22
Projected Market ADR Growth Rate	—	0.5%	1.5%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Property ADR (As-If Stabilized)	$110.00	$110.55	$112.21	$115.01	$118.46	$122.02	$125.68	$129.45	$133.33
ADR Growth Rate	—	0.5%	1.5%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Stabilized ADR Penetration	106%	106%	106%	106%	106%	106%	106%	106%	106.5%
Fiscal Year				**2021**	**2022**	**2023**	**2024**	**2025**	**2026**
Proposed Subject Property Average Rate				$115.01	$118.46	$122.02	$125.68	$129.45	$133.33
Opening Discount				1.0%	0.5%	0.0%	0.0%	0.0%	0.0%
Average Rate After Discount				**$113.86**	**$117.87**	**$122.02**	**$125.68**	**$129.45**	**$133.33**
Real Average Rate Growth				—	3.5%	3.5%	3.0%	3.0%	3.0%
Market ADR				$108.02	$111.26	$114.60	$118.04	$121.58	$125.22
Proposed Subject ADR Penetration (After Discount)				105%	106%	106%	106%	106%	106%
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate				$105.22	$105.75	$106.28	$106.28	$106.28	$106.28

The northern Illinois market should experience ADR 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, strong brand affiliation, and waterfront location. The proposed subject hotel's ADR penetration level is forecast to reach 106.5 % by the stabilized period, consistent with our stabilized ADR positioning. A breakdown of rate penetration by month was previously presented and is expected to follow a trend similar to occupancy.

The proposed subject hotel's projected average rate (as if stabilized) is then fiscalized to correspond with the hotel's anticipated date of opening for each forecast year. Discounts of 1% and 0.5% have been applied to the stabilized room rates projected for the first two years of operation, as would be expected for a new property of this type as it builds its reputation and becomes established in the market.

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, 2021, which correspond with our financial projections.

FIGURE 6-9 FORECASTS OF OCCUPANCY, AVERAGE RATE, AND REVPAR

Year	Occupancy	Average Rate Before Discount	Discount	Average Rate After Discount
2021	52 %	$115.01	1.0 %	$113.86
2022	57	118.46	0.5	117.87
2023	58	122.02	0.0	122.02

7. Projection of Income and Expense

In this chapter of our report, we have compiled a forecast of income and expense for the proposed subject hotel. This forecast is based on the facilities program set forth previously, as well as the occupancy and average rate (ADR) forecast discussed previously.

The forecast of income and expense is expressed in current dollars for each year. The stabilized year is intended to reflect the anticipated operating results of the property over its remaining economic life given any or all applicable stages of build-up, plateau, and decline in the life cycle of the hotel. Thus, income and expense estimates from the stabilized year forward exclude from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusual revenues or expenses. The ten-year period reflects the typical holding period of large real estate assets such as hotels. In addition, the ten-year period provides for the stabilization of income streams and comparison of yields with alternate types of real estate. The forecasted income streams reflect the future benefits of owning specific rights in income-producing real estate.

Comparable Operating Statements

In order to project future income and expense for the proposed subject hotel, we have included a sample of individual comparable operating statements from our database of hotel statistics. All financial data are presented according to the three most common measures of industry performance: ratio to sales (RTS), amounts per available room (PAR), and amounts per occupied room night (POR). These historical income and expense statements will be used as benchmarks in our forthcoming forecast of income and expense.

FIGURE 7-1 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized $
Year:	**2017/18**	**2017**	**2017**	**2016/17**	**2016**	**2018**
Edition:	11	11	11	11	10	**11**
Number of Rooms:	**90 to 120**	**60 to 80**	**110 to 140**	**50 to 70**	**90 to 120**	**80**
Days Open:	**365**	**365**	**365**	**365**	**365**	**365**
Occupancy:	**67%**	**58%**	**69%**	**65%**	**69%**	**58%**
Average Rate:	**$107**	**$101**	**$99**	**$114**	**$114**	**$106**
RevPAR:	**$72**	**$59**	**$68**	**$74**	**$79**	**$62**
REVENUE						
Rooms	99.1 %	100.0 %	97.7 %	98.8 %	98.5 %	98.6 %
Other Operated Departments	0.5	0.0	0.0	1.2	1.5	0.9
Miscellaneous Income	0.4	0.0	2.3	0.0	0.0	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*						
Rooms	28.7	20.8	23.4	25.9	25.6	25.0
Other Operated Departments	78.6	0.0	0.0	48.4	151.9	40.0
Total	28.8	20.8	22.9	26.1	27.5	25.0
DEPARTMENTAL INCOME	71.2	79.2	77.1	73.9	72.5	75.0
OPERATING EXPENSES						
Administrative & General	6.4	10.1	8.4	12.1	6.6	9.6
Info. and Telecom. Systems	1.2	1.9	0.9	2.7	0.0	1.8
Marketing	5.3	1.3	6.3	2.0	6.2	2.8
Franchise Fee	7.0	10.8	8.8	7.4	8.9	7.4
Property Operations & Maintenance	4.7	4.5	4.3	4.4	3.6	4.8
Utilities	3.4	5.3	3.8	4.0	4.4	4.2
Total	28.0	33.9	32.5	32.6	29.9	30.6
HOUSE PROFIT	43.2	45.3	44.6	41.3	42.6	44.4
Management Fee	3.0	4.1	0.0	3.0	0.0	3.0
INCOME BEFORE FIXED CHARGES	40.2	41.2	44.6	38.3	42.6	41.4

* Departmental expense ratios are expressed as a percentage of departmental revenues

FIGURE 7-2 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER AVAILABLE ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized $
Year:	**2017/18**	**2017**	**2017**	**2016/17**	**2016**	**2018**
Edition:	11	11	11	11	10	**11**
Number of Rooms:	**90 to 120**	**60 to 80**	**110 to 140**	**50 to 70**	**90 to 120**	**80**
Days Open:	**365**	**365**	**365**	**365**	**365**	**365**
Occupancy:	**67%**	**58%**	**69%**	**65%**	**69%**	**58%**
Average Rate:	**$107**	**$101**	**$99**	**$114**	**$114**	**$106**
RevPAR:	**$72**	**$59**	**$68**	**$74**	**$79**	**$62**
REVENUE						
Rooms	$26,273	$21,544	$24,930	$27,043	$28,726	$22,500
Other Operated Departments	131	0	0	332	446	212
Miscellaneous Income	108	0	577	0	0	106
Total	26,512	21,544	25,507	27,375	29,172	22,818
DEPARTMENTAL EXPENSES						
Rooms	7,529	4,486	5,839	6,993	7,347	5,625
Other Operated Departments	103	0	0	161	677	85
Total	7,632	4,486	5,839	7,154	8,024	5,710
DEPARTMENTAL INCOME	18,881	17,058	19,668	20,221	21,147	17,108
OPERATING EXPENSES						
Administrative & General	1,700	2,170	2,132	3,303	1,936	2,200
Info. and Telecom. Systems	324	404	226	747	0	400
Marketing	1,403	287	1,610	534	1,813	650
Franchise Fee	1,855	2,336	2,248	2,031	2,610	1,687
Property Operations & Maintenance	1,248	962	1,103	1,212	1,062	1,100
Utilities	900	1,137	977	1,087	1,292	950
Total	7,429	7,296	8,296	8,913	8,713	6,987
HOUSE PROFIT	11,452	9,762	11,372	11,308	12,434	10,121
Management Fee	795	893	0	821	0	684
INCOME BEFORE FIXED CHARGES	10,657	8,869	11,372	10,486	12,434	9,437

FIGURE 7-3 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER OCCUPIED ROOM

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized $
Year:	**2017/18**	**2017**	**2017**	**2016/17**	**2016**	**2018**
Edition:	11	11	11	11	10	**11**
Number of Rooms:	**90 to 120**	**60 to 80**	**110 to 140**	**50 to 70**	**90 to 120**	**80**
Days Open:	**365**	**365**	**365**	**365**	**365**	**365**
Occupancy:	**67%**	**58%**	**69%**	**65%**	**69%**	**58%**
Average Rate:	**$107**	**$101**	**$99**	**$114**	**$114**	**$106**
RevPAR:	**$72**	**$59**	**$68**	**$74**	**$79**	**$62**
REVENUE						
Rooms	$107.05	$101.25	$99.42	$114.28	$113.93	$106.28
Other Operated Departments	0.53	0.00	0.00	1.40	1.77	1.00
Miscellaneous Income	0.44	0.00	2.30	0.00	0.00	0.50
Total	108.02	101.25	101.72	115.68	115.70	107.78
DEPARTMENTAL EXPENSES						
Rooms	30.67	21.08	23.28	29.55	29.14	26.57
Other Operated Departments	0.42	0.00	0.00	0.68	2.69	0.40
Total	31.09	21.08	23.28	30.23	31.82	26.97
DEPARTMENTAL INCOME	76.93	80.17	78.43	85.45	83.87	80.81
OPERATING EXPENSES						
Administrative & General	6.93	10.20	8.50	13.96	7.68	10.39
Info. and Telecom. Systems	1.32	1.90	0.90	3.16	0.00	1.89
Marketing	5.72	1.35	6.42	2.26	7.19	3.07
Franchise Fee	7.56	10.98	8.96	8.58	10.35	7.97
Property Operations & Maintenance	5.08	4.52	4.40	5.12	4.21	5.20
Utilities	3.67	5.34	3.90	4.59	5.12	4.49
Total	30.27	34.29	33.08	37.67	34.56	33.00
HOUSE PROFIT	46.66	45.88	45.35	47.78	49.32	47.81
Management Fee	3.24	4.20	0.00	3.47	0.00	3.23
INCOME BEFORE FIXED CHARGES	43.42	41.68	45.35	44.31	49.32	44.58

The comparable statements' departmental income ranged from 71.2% to 79.2% of total revenue. The comparable properties achieved a house profit ranging from 41.3% to 45.3% of total revenue.

Fixed and Variable Component Analysis

HVS uses a fixed and variable component model to project a lodging facility's revenue and expense levels. This model is based on the premise that hotel revenues and expenses have one component that is fixed and another that varies directly with occupancy and facility usage. A projection can be made by taking a known level of revenue or expense and calculating its fixed and variable components. The fixed component is then increased in tandem with the underlying rate of inflation, while the variable component is adjusted for a specific measure of volume such as total revenue.

The actual forecast is derived by adjusting each year's revenue and expense by the amount fixed (the fixed expense multiplied by the inflated base-year amount) plus the variable amount (the variable expense multiplied by the inflated base-year amount) multiplied by the ratio of the projection year's occupancy to the base-year occupancy (in the case of departmental revenue and expense) or the ratio of the projection year's revenue to the base year's revenue (in the case of undistributed operating expenses). Fixed expenses remain fixed, increasing only with inflation. Our discussion of the revenue and expense forecast in this report is based upon the output derived from the fixed and variable model. This forecast of revenue and expense is accomplished through a systematic approach, following the format of the *Uniform System of Accounts for the Lodging Industry*. Each category of revenue and expense is estimated separately and combined at the end in the final statement of income and expense.

Inflation Assumption

In consideration of the most recent trends, the projections set forth previously, and our assessment of probable property appreciation levels, we have applied underlying inflation rates of 2.5%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2018. This stabilized inflation rate takes into account normal, recurring inflation cycles. Inflation is likely to fluctuate above and below this level during the projection period. Any exceptions to the application of the assumed underlying inflation rate are discussed in our write-up of individual income and expense items.

Forecast of Revenue and Expense

Based on an analysis that will be detailed throughout this section, we have formulated a forecast of income and expense. The following table presents a detailed forecast through the fifth projection year, including amounts per available room and per occupied room. The second table illustrates our ten-year forecast of income and expense, presented with a lesser degree of detail. The forecasts pertain to years that begin on January 1, 2021, expressed in inflated dollars for each year.

FIGURE 7-4 DETAILED FORECAST OF INCOME AND EXPENSE

	2021	**(Calendar Year)**			**2022**				**Stabilized**				**2024**				**2025**			
Number of Rooms:	**80**				**80**				**80**				**80**				**80**			
Occupancy:	**52%**				**57%**				**58%**				**58%**				**58%**			
Average Rate:	**$113.86**				**$117.87**				**$122.02**				**$125.68**				**$129.45**			
RevPAR:	**$59.21**				**$67.19**				**$70.77**				**$72.89**				**$75.08**			
Days Open:	**365**				**365**				**365**				**365**				**365**			
Occupied Rooms:	**15,184**	**%Gross**	**PAR**	**POR**	**16,644**	**%Gross**	**PAR**	**POR**	**16,936**	**%Gross**	**PAR**	**POR**	**16,936**	**%Gross**	**PAR**	**POR**	**16,936**	**%Gross**	**PAR**	**POR**
OPERATING REVENUE																				
Rooms	$1,729	98.5 %	$21,613	$113.87	$1,962	98.6 %	$24,525	$117.88	$2,066	98.6 %	$25,825	$121.99	$2,128	98.6 %	$26,600	$125.65	$2,192	98.6 %	$27,400	$129.43
Other Operated Departments	18	1.0	222	1.17	19	0.9	235	1.13	19	0.9	243	1.15	20	0.9	250	1.18	21	0.9	258	1.22
Miscellaneous Income	9	0.5	111	0.58	9	0.5	117	0.56	10	0.5	122	0.57	10	0.5	125	0.59	10	0.5	129	0.61
Total Operating Revenues	1,756	100.0	21,945	115.62	1,990	100.0	24,877	119.57	2,095	100.0	26,190	123.71	2,158	100.0	26,975	127.42	2,223	100.0	27,787	131.26
DEPARTMENTAL EXPENSES *																				
Rooms	467	27.0	5,835	30.74	498	25.4	6,226	29.93	517	25.0	6,458	30.50	532	25.0	6,652	31.42	548	25.0	6,851	32.36
Other Operated Departments	7	40.9	91	0.48	8	40.1	94	0.45	8	40.0	97	0.46	8	40.0	100	0.47	8	40.0	103	0.49
Total Expenses	474	27.0	5,926	31.22	506	25.4	6,321	30.38	524	25.0	6,555	30.96	540	25.0	6,752	31.89	556	25.0	6,954	32.85
DEPARTMENTAL INCOME	1,282	73.0	16,019	84.40	1,485	74.6	18,556	89.19	1,571	75.0	19,635	92.75	1,618	75.0	20,224	95.53	1,667	75.0	20,833	98.41
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	185	10.5	2,315	12.19	195	9.8	2,439	11.72	202	9.6	2,526	11.93	208	9.6	2,601	12.29	214	9.6	2,679	12.66
Info & Telecom Systems	34	1.9	421	2.22	35	1.8	443	2.13	37	1.8	459	2.17	38	1.8	473	2.23	39	1.8	487	2.30
Marketing	55	3.1	684	3.60	58	2.9	721	3.46	60	2.8	746	3.52	61	2.8	769	3.63	63	2.8	792	3.74
Franchise Fee	130	7.4	1,621	8.54	147	7.4	1,839	8.84	155	7.4	1,937	9.15	160	7.4	1,995	9.42	164	7.4	2,055	9.71
Prop. Operations & Maint.	83	4.7	1,042	5.49	93	4.7	1,158	5.57	101	4.8	1,263	5.96	104	4.8	1,301	6.14	107	4.8	1,340	6.33
Utilities	80	4.6	999	5.27	84	4.2	1,053	5.06	87	4.2	1,091	5.15	90	4.2	1,123	5.31	93	4.2	1,157	5.47
Total Expenses	566	32.2	7,081	37.31	612	30.8	7,654	36.79	642	30.6	8,021	37.89	661	30.6	8,262	39.03	681	30.6	8,510	40.20
GROSS HOUSE PROFIT	715	40.8	8,938	47.09	872	43.8	10,903	52.40	929	44.4	11,613	54.86	957	44.4	11,962	56.50	986	44.4	12,323	58.21
Management Fee	53	3.0	658	3.47	60	3.0	746	3.59	63	3.0	786	3.71	65	3.0	809	3.82	67	3.0	834	3.94
INCOME BEFORE NON-OPR. INC. & EXP.	662	37.8	8,280	43.63	813	40.8	10,157	48.82	866	41.4	10,828	51.15	892	41.4	11,153	52.68	919	41.4	11,489	54.27
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	65	3.7	808	4.26	133	6.7	1,665	8.00	137	6.5	1,715	8.10	141	6.5	1,766	8.34	146	6.5	1,819	8.59
Insurance	24	1.4	298	1.57	25	1.2	307	1.47	25	1.2	316	1.49	26	1.2	325	1.54	27	1.2	335	1.58
Reserve for Replacement	35	2.0	439	2.31	60	3.0	746	3.59	84	4.0	1,048	4.95	86	4.0	1,079	5.10	89	4.0	1,111	5.25
Total Expenses	124	7.1	1,545	8.14	217	10.9	2,718	13.06	246	11.7	3,078	14.54	254	11.7	3,170	14.98	261	11.7	3,266	15.43
EBITDA LESS RESERVE	$539	30.7 %	$6,735	$35.49	$595	29.9 %	$7,439	$35.76	$620	29.7 %	$7,750	$36.61	$639	29.7 %	$7,982	$37.71	$658	29.7 %	$8,223	$38.84

*Departmental expenses are expressed as a percentage of departmental revenues.

FIGURE 7-5 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2021		2022		2023		2024		2025		2026		2027		2028		2029		2030	
Number of Rooms:	**80**		**80**		**80**		**80**		**80**		**80**		**80**		**80**		**80**		**80**	
Occupied Rooms:	**15,184**		**16,644**		**16,936**		**16,936**		**16,936**		**16,936**		**16,936**		**16,936**		**16,936**		**16,936**	
Occupancy:	**52%**		**57%**		**58%**		**58%**		**58%**		**58%**		**58%**		**58%**		**58%**		**58%**	
Average Rate:	**$113.86**	**% of**	**$117.87**	**% of**	**$122.02**	**% of**	**$125.68**	**% of**	**$129.45**	**% of**	**$133.33**	**% of**	**$137.33**	**% of**	**$141.45**	**% of**	**$145.70**	**% of**	**$150.07**	**% of**
RevPAR:	**$59.21**	**Gross**	**$67.19**	**Gross**	**$70.77**	**Gross**	**$72.89**	**Gross**	**$75.08**	**Gross**	**$77.33**	**Gross**	**$79.65**	**Gross**	**$82.04**	**Gross**	**$84.50**	**Gross**	**$87.04**	**Gross**
OPERATING REVENUE																				
Rooms	$1,729	98.5 %	$1,962	98.6 %	$2,066	98.6 %	$2,128	98.6 %	$2,192	98.6 %	$2,258	98.6 %	$2,326	98.6 %	$2,396	98.6 %	$2,468	98.6 %	$2,542	98.6 %
Other Operated Departments	18	1.0	19	0.9	19	0.9	20	0.9	21	0.9	21	0.9	22	0.9	23	0.9	23	0.9	24	0.9
Miscellaneous Income	9	0.5	9	0.5	10	0.5	10	0.5	10	0.5	11	0.5	11	0.5	11	0.5	12	0.5	12	0.5
Total Operating Revenues	1,756	100.0	1,990	100.0	2,095	100.0	2,158	100.0	2,223	100.0	2,290	100.0	2,359	100.0	2,430	100.0	2,503	100.0	2,578	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	467	27.0	498	25.4	517	25.0	532	25.0	548	25.0	565	25.0	581	25.0	599	25.0	617	25.0	635	25.0
Other Operated Departments	7	40.9	8	40.1	8	40.0	8	40.0	8	40.0	8	40.0	9	40.0	9	40.0	9	40.0	10	40.0
Total Expenses	474	27.0	506	25.4	524	25.0	540	25.0	556	25.0	573	25.0	590	25.0	608	25.0	626	25.0	645	25.0
DEPARTMENTAL INCOME	1,282	73.0	1,485	74.6	1,571	75.0	1,618	75.0	1,667	75.0	1,717	75.0	1,769	75.0	1,822	75.0	1,877	75.0	1,933	75.0
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	185	10.5	195	9.8	202	9.6	208	9.6	214	9.6	221	9.6	227	9.6	234	9.6	241	9.6	249	9.6
Info & Telecom Systems	34	1.9	35	1.8	37	1.8	38	1.8	39	1.8	40	1.8	41	1.8	43	1.8	44	1.8	45	1.8
Marketing	55	3.1	58	2.9	60	2.8	61	2.8	63	2.8	65	2.8	67	2.8	69	2.8	71	2.8	73	2.8
Franchise Fee	130	7.4	147	7.4	155	7.4	160	7.4	164	7.4	169	7.4	174	7.4	180	7.4	185	7.4	191	7.4
Prop. Operations & Maint.	83	4.7	93	4.7	101	4.8	104	4.8	107	4.8	110	4.8	114	4.8	117	4.8	121	4.8	124	4.8
Utilities	80	4.6	84	4.2	87	4.2	90	4.2	93	4.2	95	4.2	98	4.2	101	4.2	104	4.2	107	4.2
Total Expenses	566	32.2	612	30.8	642	30.6	661	30.6	681	30.6	701	30.6	722	30.6	744	30.6	766	30.6	789	30.6
GROSS HOUSE PROFIT	715	40.8	872	43.8	929	44.4	957	44.4	986	44.4	1,016	44.4	1,046	44.4	1,078	44.4	1,110	44.4	1,144	44.4
Management Fee	53	3.0	60	3.0	63	3.0	65	3.0	67	3.0	69	3.0	71	3.0	73	3.0	75	3.0	77	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	662	37.8	813	40.8	866	41.4	892	41.4	919	41.4	947	41.4	976	41.4	1,005	41.4	1,035	41.4	1,066	41.4
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	65	3.7	133	6.7	137	6.5	141	6.5	146	6.5	150	6.5	154	6.5	159	6.5	164	6.5	169	6.5
Insurance	24	1.4	25	1.2	25	1.2	26	1.2	27	1.2	28	1.2	28	1.2	29	1.2	30	1.2	31	1.2
Reserve for Replacement	35	2.0	60	3.0	84	4.0	86	4.0	89	4.0	92	4.0	94	4.0	97	4.0	100	4.0	103	4.0
Total Expenses	124	7.1	217	10.9	246	11.7	254	11.7	261	11.7	269	11.7	277	11.7	285	11.7	294	11.7	303	11.7
EBITDA LESS RESERVE	$539	30.7 %	$595	29.9 %	$620	29.7 %	$639	29.7 %	$658	29.7 %	$678	29.7 %	$698	29.7 %	$719	29.7 %	$741	29.7 %	$763	29.7 %

The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take three years for the proposed subject hotel to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the proposed subject hotel's operating budget and comparable income and expense statements. The forecast is based upon calendar years beginning January 1, 2021, expressed in inflated dollars for each year.

Revenues associated with the proposed subject hotel's other operated departments and miscellaneous income category have been forecast to reflect the hotel's planned facilities and amenities. Expense levels fall within a range of reasonableness given the provided comparable operating statements; furthermore, franchise and management fees are set forth in accordance with our assumptions provided earlier in our report.

Rooms Revenue

Rooms revenue is determined by two variables: occupancy and average rate. We projected occupancy and average rate in a previous section of this report. The proposed subject hotel is expected to stabilize at an occupancy level of 58% with an average rate of $122.02 in 2023. Following the stabilized year, the proposed subject hotel's average rate is projected to increase along with the underlying rate of inflation.

Other Operated Departments Revenue

According to the Uniform System of Accounts, other operated departments include any major or minor operated department other than rooms and F&B.

FIGURE 7-6 OTHER OPERATED DEPARTMENTS REVENUE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	0.5 %	0.0 %	0.0 %	1.2 %	1.5 %	1.0 %	0.9 %
Per Available Room	$131	$0	$0	$332	$446	$222	$212
Per Occupied Room	$0.53	$0.00	$0.00	$1.40	$1.77	$1.17	$1.00

Miscellaneous Income

The miscellaneous income sources comprise those other than guestrooms, F&B, and the other operated departments. Changes in this revenue item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

FIGURE 7-7 MISCELLANEOUS INCOME

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	0.4 %	0.0 %	2.3 %	0.0 %	0.0 %	0.5 %	0.5 %
Per Available Room	$108	$0	$577	$0	$0	$111	$106
Per Occupied Room	$0.44	$0.00	$2.30	$0.00	$0.00	$0.58	$0.50

Rooms Expense

Rooms expense consists of items related to the sale and upkeep of guestrooms and public space. Salaries, wages, and employee benefits account for a substantial portion of this category. Although payroll varies somewhat with occupancy, and managers can generally scale the level of service staff on hand to meet an expected occupancy level, much of a hotel's payroll is fixed. A base level of front desk personnel, housekeepers, and supervisors must be maintained at all times. As a result, salaries, wages, and employee benefits are only moderately sensitive to changes in occupancy.

Commissions and reservations are usually based on room sales and, thus, are highly sensitive to changes in occupancy and average rate. While guest supplies vary 100% with occupancy, linens and other operating expenses are only slightly affected by volume.

FIGURE 7-8 ROOMS EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	28.7 %	20.8 %	23.4 %	25.9 %	25.6 %	27.0 %	25.0 %
Per Available Room	$7,529	$4,486	$5,839	$6,993	$7,347	$5,835	$5,625
Per Occupied Room	$30.67	$21.08	$23.28	$29.55	$29.14	$30.74	$26.57

Other Operated Departments Expense

Other operated departments expense includes all expenses reflected in the summary statements for the divisions associated in these categories, as discussed previously in this chapter.

FIGURE 7-9 OTHER OPERATED DEPARTMENTS EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	78.6 %	0.0 %	0.0 %	48.4 %	151.9 %	40.9 %	40.0 %
Per Available Room	$103	$0	$0	$161	$677	$91	$85
Per Occupied Room	$0.42	$0.00	$0.00	$0.68	$2.69	$0.48	$0.40

Administrative and General Expense

Administrative and general expense includes the salaries and wages of all administrative personnel who are not directly associated with a particular department. Expense items related to the management and operation of the property are also allocated to this category.

Most administrative and general expenses are relatively fixed. The exceptions are cash overages and shortages; commissions on credit card charges; provision for doubtful accounts, which are moderately affected by the number of transactions or total revenue; and salaries, wages, and benefits, which are very slightly influenced by volume.

FIGURE 7-10 ADMINISTRATIVE AND GENERAL EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	6.4 %	10.1 %	8.4 %	12.1 %	6.6 %	10.5 %	9.6 %
Per Available Room	$1,700	$2,170	$2,132	$3,303	$1,936	$2,315	$2,200
Per Occupied Room	$6.93	$10.20	$8.50	$13.96	$7.68	$12.19	$10.39

Information and Telecommunications Systems Expense

Information and telecommunications systems expense consists of all costs associated with a hotel’s technology infrastructure. This includes the costs of cell phones, administrative call and Internet services, and complimentary call and Internet services. Expenses in this category are typically organized by type of technology or the area benefiting from the technology solution.

Marketing Expense

Marketing expense consists of all costs associated with advertising, sales, and promotion; these activities are intended to attract and retain customers. Marketing can be used to create an image, develop customer awareness, and stimulate patronage of a property's various facilities.

The marketing category is unique in that all expense items, with the exception of fees and commissions, are totally controlled by management. Most hotel operators establish an annual marketing budget that sets forth all planned expenditures. If the budget is followed, total marketing expenses can be projected accurately.

Marketing expenditures are unusual because, although there is a lag period before results are realized, the benefits are often extended over a long period. Depending on the type and scope of the advertising and promotion program implemented, the lag time can be as short as a few weeks or as long as several years. However, the favorable results of an effective marketing campaign tend to linger, and a property often enjoys the benefits of concentrated sales efforts for many months.

FIGURE 7-11 MARKETING EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	5.3 %	1.3 %	6.3 %	2.0 %	6.2 %	3.1 %	2.8 %
Per Available Room	$1,403	$287	$1,610	$534	$1,813	$684	$650
Per Occupied Room	$5.72	$1.35	$6.42	$2.26	$7.19	$3.60	$3.07

Franchise Fee

As previously discussed, the proposed subject property is expected to be franchised under the Fairfield Inn by Marriott brand. Costs associated with this franchise are summarized in the introductory chapter in this report.

Property Operations and Maintenance

Property operations and maintenance expense is another expense category that is largely controlled by management. Except for repairs that are necessary to keep the facility open and prevent damage (e.g., plumbing, heating, and electrical items), most maintenance can be deferred for varying lengths of time.

Maintenance is an accumulating expense. If management elects to postpone performing a required repair, the expenditure has not been eliminated, only deferred until a later date. A lodging facility that operates with a lower-than-normal maintenance budget is likely to accumulate a considerable amount of deferred maintenance.

The age of a lodging facility has a strong influence on the required level of maintenance. A new or thoroughly renovated property is protected for several years by modern equipment and manufacturers' warranties. However, as a hostelry grows older, maintenance expenses escalate. A well-organized preventive maintenance system often helps delay deterioration, but most facilities face higher property operations and maintenance costs each year, regardless of the occupancy trend. The quality of initial construction can also have a direct impact on future maintenance requirements. The use of high-quality building materials and construction methods generally reduces the need for maintenance expenditures over the long term.

Changes in this expense item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

FIGURE 7-12 PROPERTY OPERATIONS AND MAINTENANCE EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	4.7 %	4.5 %	4.3 %	4.4 %	3.6 %	4.7 %	4.8 %
Per Available Room	$1,248	$962	$1,103	$1,212	$1,062	$1,042	$1,100
Per Occupied Room	$5.08	$4.52	$4.40	$5.12	$4.21	$5.49	$5.20

Utilities Expense

The utilities consumption of a lodging facility takes several forms, including water and space heating, air conditioning, lighting, cooking fuel, and other miscellaneous power requirements. The most common sources of hotel utilities are electricity, natural gas, fuel oil, and steam. This category also includes the cost of water service.

Total energy cost depends on the source and quantity of fuel used. Electricity tends to be the most expensive source, followed by oil and gas. Although all hotels consume a sizable amount of electricity, many properties supplement their utility requirements with less expensive sources, such as gas and oil, for heating and cooking. The changes in this utilities line item through the projection period are a result of the application of the underlying inflation rate and projected changes in occupancy.

FIGURE 7-13 UTILITIES EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	3.4 %	5.3 %	3.8 %	4.0 %	4.4 %	4.6 %	4.2 %
Per Available Room	$900	$1,137	$977	$1,087	$1,292	$999	$950
Per Occupied Room	$3.67	$5.34	$3.90	$4.59	$5.12	$5.27	$4.49

Management Fee

Management expense consists of the fees paid to the managing agent contracted to operate the property. Some companies provide management services and a brand-name affiliation (first-tier management company), while others provide management services alone (second-tier management company). Some management contracts specify only a base fee (usually a percentage of total revenue), while others call for both a base fee and an incentive fee (usually a percentage of defined profit). Basic hotel management fees are often based on a percentage of total revenue, which means they have no fixed component. While base fees typically range from 2% to 4% of total revenue, incentive fees are deal specific and often are calculated as a percentage of income available after debt service and, in some cases, after a preferred return on equity. Total management fees for the proposed subject hotel have been forecast at 3.0% of total revenue.

Property Taxes

Property (or ad valorem) tax is one of the primary revenue sources of municipalities. Based on the concept that the tax burden should be distributed in proportion to the value of all properties within a taxing jurisdiction, a system of assessments is established. Theoretically, the assessed value placed on each parcel bears a definite relationship to market value, so properties with equal market values will have similar assessments and properties with higher and lower values will have proportionately larger and smaller assessments.

Depending on the taxing policy of the municipality, property taxes can be based on the value of the real property or the value of the personal property and the real property. We have based our estimate of the proposed subject property's market value (for tax purposes) on an analysis of assessments of comparable hotel properties in the local municipality.

FIGURE 7-14 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS

Hotel	Year Open	Land	Improvements	Total
Subject Property	2021	$112,000	$960,000	$1,072,000
Hampton Inn McHenry	2003	$174,358	$1,285,112	$1,459,470
Holiday Inn Express & Suites Lake Zurich-Barrington	2009	225,835	1,571,899	1,797,734
Best Western Woodstock Inn	1991	46,661	159,121	205,782
Quality Inn Woodstock Opera House	1997	86,311	156,060	242,371
Best Western Plus Antioch Hotel & Suites	1988	338,587	211,358	549,945
Comfort Suites Grayslake	2009	147,680	946,134	1,093,814
Assessments per Room	*# of Rms*			
Hampton Inn McHenry	117	$1,490	$10,984	$12,474
Holiday Inn Express & Suites Lake Zurich-Barrington	86	2,626	18,278	20,904
Best Western Woodstock Inn	44	1,060	3,616	4,677
Quality Inn Woodstock Opera House	53	1,629	2,945	4,573
Best Western Plus Antioch Hotel & Suites	68	4,979	3,108	8,087
Comfort Suites Grayslake	108	1,367	8,761	10,128
Positioned Subject - Per Room	**80**	**$1,400**	**$12,000**	**$13,400**
Positioned Subject - Total		**$112,000**	**$960,000**	**$1,072,000**

Source: Lake County

We have positioned the future assessment levels of the subject site and proposed improvements based upon the illustrated comparable data. We have positioned these assessments between the Hampton Inn and the Holiday Inn Express & Suites because of the similarities in product type and location; overall, the positioned assessments are well supported by the market data.

Tax rates are based on the city and county budgets, which change annually. The most recent tax rate in this jurisdiction was reported at 11.14624%. The following table shows changes in the tax rate during the last several years.

FIGURE 7-15 COUNTY TAX RATES

Year	Real Property Tax Rate
2016	12.62060
2017	11.69600
2018	11.14624

Source: Lake County

Based on comparable assessments and the tax rate information, the proposed subject property's projected property tax expense levels are calculated as follows.

FIGURE 7-16 PROJECTED PROPERTY TAX BURDEN (BASE YEAR)

	Real Property		
	Land	Real Property	Total
Positioned (Assessed Value)	$112,000	$960,000	$1,072,000
Tax Rate			11.14624
Tax Burden as of Base Year			$119,488

FIGURE 7-17 PROJECTED PROPERTY TAX EXPENSE – REAL PROPERTY

	Real Property			
Year	Total Tax Burden (Positioned Prior to Increase)	Base Rate of Tax Burden Increase	% Positioned Tax Burden	Taxes Payable
Positioned	$119,488	—		$119,488
2021	$119,488	8.2 %	50 %	$64,651
2022	129,303	3.0	100	133,182
2023	133,182	3.0	100	137,177
2024	137,177	3.0	100	141,293

Insurance Expense

The insurance expense category consists of the cost of insuring the hotel and its contents against damage or destruction by fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, and so forth. General insurance costs also include premiums relating to liability, fidelity, and theft coverage.

Insurance rates are based on many factors, including building design and construction, fire detection and extinguishing equipment, fire district, distance from the firehouse, and the area's fire experience. Insurance expenses do not vary with occupancy.

FIGURE 7-18 INSURANCE EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021	Deflated Stabilized
Percentage of Revenue	1.4 %	1.5 %	0.9 %	0.9 %	1.5 %	1.4 %	1.2 %
Per Available Room	$361	$324	$231	$237	$430	$298	$275
Per Occupied Room	$1.47	$1.52	$0.92	$1.00	$1.71	$1.57	$1.30

Reserve for Replacement

Furniture, fixtures, and equipment are essential to the operation of a lodging facility, and their quality often influences a property's class. This category includes all non-real estate items that are capitalized, rather than expensed. The furniture, fixtures, and equipment of a hotel are exposed to heavy use and must be replaced at regular intervals. The useful life of these items is determined by their quality, durability, and the amount of guest traffic and use.

Periodic replacement of furniture, fixtures, and equipment is essential to maintain the quality, image, and income-producing potential of a lodging facility. Because capitalized expenditures are not included in the operating statement but affect an owner's cash flow, a forecast of income and expense should reflect these expenses in the form of an appropriate reserve for replacement.

The International Society of Hospitality Consultants (ISHC) oversees a major industry-sponsored study of the capital expenditure requirements for full-service/luxury, select-service, and extended-stay hotels. The most recent study was published in 2014.[7] Historical capital expenditures of well-maintained hotels were investigated through the compilation of data provided by most of the major hotel companies in the United States. A prospective analysis of future capital expenditure

---

[7] The International Society of Hotel Consultants, *CapEx 2014, A Study of Capital Expenditure in the U.S. Hotel Industry*.

requirements was also performed based upon the cost to replace short- and long-lived building components over a hotel's economic life. The study showed that the capital expenditure requirements for hotels vary significantly from year to year and depend upon both the actual and effective ages of a property. The results of this study showed that hotel lenders and investors are requiring reserves for replacement ranging from 4% to 5% of total revenue.

Based on the results of our analysis and on our review of the proposed subject asset and comparable lodging facilities, as well as on our industry expertise, we estimate that a reserve for replacement of 4% of total revenues is sufficient to provide for the timely and periodic replacement of the subject property's furniture, fixtures, and equipment. This amount has been ramped up during the initial projection period.

Forecast of Revenue and Expense Conclusion

Projected total revenue, house profit, and EBITDA Less Replacement Reserve are set forth in the following table. EBITDA Less Replacement Reserve declines slightly in the first three projection years as property taxes and the reserve for replacement ramp up.

FIGURE 7-19 FORECAST OF REVENUE AND EXPENSE CONCLUSION

		Total Revenue		House Profit		House	EBITDA Less Replacement Reserve		
	Year	Total	% Change	Total	% Change	Profit Ratio	Total	% Change	As a % of Ttl Rev
Projected	2021	$1,756,000	—	$715,000	—	40.8 %	$539,000	—	30.7 %
	2022	1,990,000	13.3 %	872,000	22.0 %	43.8	595,000	10.4 %	29.9
	2023	2,095,000	5.3	929,000	6.5	44.4	620,000	4.2	29.7
	2024	2,158,000	3.0	957,000	3.0	44.4	639,000	3.1	29.7
	2025	2,223,000	3.0	986,000	3.0	44.4	658,000	3.0	29.7

8. Feasibility Analysis

Return on investment can be defined as the future benefits of an income-producing property relative to its acquisition or construction cost. The first step in performing a return-on-investment analysis is to determine the amount to be initially invested. For a proposed property, this amount is most likely to be the development cost of the hotel. Based on the total development cost, the individual investor will utilize a return-on-investment analysis to determine if the future cash flow from a current cash outlay meets his or her own investment criteria and at what level above or below this amount such an outlay exceeds or fails to meet these criteria.

As an individual or company considering investment in hotel real estate, the decision to use one's own cash, an equity partner's capital, or lender financing will be an internal one. Because hotels typically require a substantial investment, only the largest investors and hotel companies generally have the means to purchase properties with all cash. We would anticipate the involvement of some financing by a third party for the typical investor or for those who may be entering the market for hotel acquisitions at this time. In leveraged acquisitions and developments where investors typically purchase or build upon real estate with a small amount of equity cash (20% to 50%) and a large amount of mortgage financing (50% to 80%), it is important for the equity investor to acknowledge the return requirements of the debt participant (mortgagee), as well as his or her own return requirements. Therefore, we will begin our rate-of-return analysis by reviewing the debt requirements of typical hotel mortgagees.

Construction Cost Estimate

We were not provided with a construction budget since the project is still in the early planning stages; therefore, total development costs were estimated based on the HVS Development Cost Survey. Our total development estimate is presented in the following table.

FIGURE 8-1 ESTIMATED DEVELOPMENT BUDGET

Item	Cost
Building and Soft Costs	$7,680,000
Pre-Opening & Working Capital and Developer Fee	480,000
Furniture, Fixtures, & Equipment	1,360,000
Land	600,000
Entrepreneurial Incentive	506,000
Total Cost New Estimate (Rounded)	**$10,600,000**

Mortgage Component

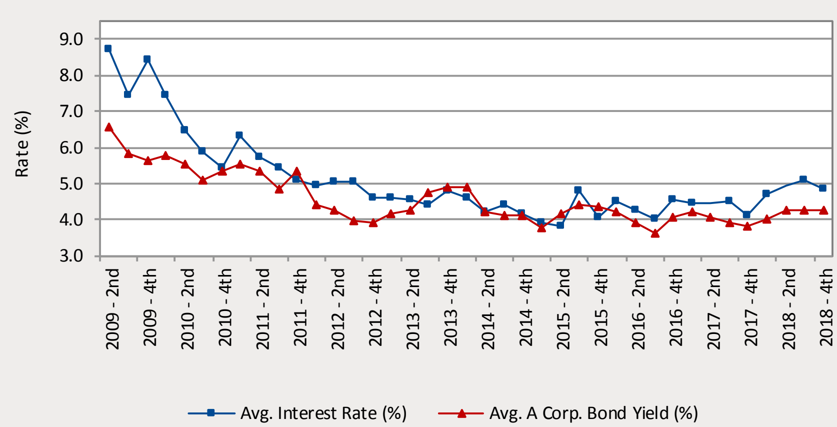
Hotel financing is available for most tiers of the lodging industry from a variety of lender types. The CMBS market is in a phase of strong activity, including lending in the hospitality sector. While many lenders remain active, underwriting standards are more stringent than several years ago, and loan-to-value ratios remain in the 60% to 70% range. Lenders continue to be attracted to the lodging industry because of the higher yields generated by hotel financing relative to other commercial real estate. Commercial banks, mortgage REITs, insurance companies, and CMBS and mezzanine lenders continue to pursue deals.

Data for the mortgage component may be developed from statistics of actual hotel mortgages made by long-term lenders. The American Council of Life Insurance, which represents 20 large life insurance companies, publishes quarterly information pertaining to the hotel mortgages issued by its member companies.

Because of the six- to nine-month lag time in reporting and publishing hotel mortgage statistics, it was necessary to update this information to reflect current lending practices. Our research indicates that the greatest degree of correlation exists between the average interest rate of a hotel mortgage and the concurrent yield on an average-A corporate bond.

The following chart summarizes the average mortgage interest rates of the hotel loans made by these lenders. For the purpose of comparison, the average-A corporate bond yield (as reported by *Moody's Bond Record*) is also shown.

FIGURE 8-2 AVERAGE MORTGAGE INTEREST RATES AND AVERAGE-A CORPORATE BOND YIELDS



Sources: American Council of Life Insurance, Moody's Bond Record, HVS

The relationship between hotel interest rates and the yields from the average-A corporate bond can be detailed through a regression analysis, which is expressed as follows.

$$Y = 0.95665100\ X + 0.76505000$$

Where: Y = Estimated Hotel Mortgage Interest Rate
X = Current Average-A Corporate Bond Yield
(Coefficient of correlation is 95%)

The May 29, 2019, average yield on average-A corporate bonds, as reported by Moody's Investors Service, was 3.92%. When used in the previously presented equation, a factor of 3.92 produces an estimated hotel/motel interest rate of 4.52% (rounded).

Despite the 2018 interest-rate increases, hotel debt remains available at favorable interest rates from a variety of lender types as of early 2019 (e.g., CMBS, balance-sheet lenders, insurance companies, SBA lenders, and other sources). The most prevalent interest rates for single hotel assets are currently ranging from 4.5% to 6.5%, depending on the type of debt, loan-to-value ratio, and the quality of the asset and its market.

In addition to the mortgage interest rate estimate derived from this regression analysis, HVS constantly monitors the terms of hotel mortgage loans made by our institutional lending clients. Fixed-rate debt is being priced at roughly 200 to 400 basis points over the corresponding yield on treasury notes. As of May 29, 2019, the yield on the ten-year T-bill was 2.26%, indicating an interest rate range from 4.3% to 6.3%. The hotel investment market has been very active given the pursuit of higher yields by investors and the availability of favorably priced debt and equity capital. The Federal Reserve raised the federal funds rate by 25 basis points in December 2016, March 2017, June 2017, March 2018, and June 2018, increasing rates again in September and December of 2018 to a range between 2.25% and 2.50%. Hotel mortgage interest rates have only been affected modestly by the 2018 rate increases given the contraction in the ten-year T-bill yield and interest-rate spreads. With slowing GDP growth, the Federal Reserve has indicated that it plans no further rate increases in 2019, which bodes well for the cost of debt capital for hotel investors. Slowing RevPAR growth and rising operating expenses continue to put pressure on NOI growth, moderating equity yields. At present, we find that lenders that are active in the market are using loan-to-value ratios of 60% to 70%, and amortization periods of 20 to 30 years. Loan-to-value ratios in 2019 are not as robust as those from a couple of years ago, when ratios as high as 75% were available.

Based on our analysis of the current lodging industry mortgage market and adjustments for specific factors, such as the property's site, proposed facility, and conditions in the Fox Lake hotel market, it is our opinion that a 5.00% interest, 25-year amortization mortgage with a 0.070151 constant is appropriate for the proposed subject hotel. In the mortgage-equity analysis, we have applied a loan-to-cost ratio of 65%, which is reasonable to expect based on this interest rate and current parameters.

Equity Component

The remaining capital required for a hotel investment generally comes from the equity investor. The rate of return that an equity investor expects over a ten-year holding period is known as the equity yield. Unlike the equity dividend, which is a short-term rate of return, the equity yield specifically considers a long-term holding period (generally ten years), annual inflation-adjusted cash flows, property appreciation, mortgage amortization, and proceeds from a sale at the end of the holding period. To establish an estimate of the equity yield rate that a typical investor would require, we have used two sources of data: past appraisals and investor interviews.

Hotel Sales: Each appraisal performed by HVS uses a mortgage-equity approach in which income is projected and then discounted to a current value at rates reflecting the cost of debt and equity capital. In the case of hotels that were sold near the date of our valuation, we were able to derive the equity yield rate and unlevered discount rate by inserting the ten-year projection, total investment (purchase price and estimated capital expenditure and/or PIP), and debt assumptions into a valuation model and solving for the equity yield. The overall capitalization rates for the historical income and projected first-year income are based on the sales price "as is." The following table shows a representative sample of hotels that were sold on or about the time that we appraised them, along with the derived equity return and discount rates based on the purchase price and our forecast.

FIGURE 8-3 SAMPLE OF HOTELS SOLD

Hotel	Location	Number of Rooms	Date of Sale	Total Property Yield	Equity Yield	Overall Rate Based on Sales Price: Historical Year	Overall Rate Based on Sales Price: Projected Year One
Hampton Inn & Suites	Saint Augustine, FL	93	Dec-18	9.5 %	15.3 %	7.6 %	7.9 %
Hampton Inn & Suites	McKinney, TX	79	Oct-18	10.1	18.6	9.6	9.0
Hampton Inn & Suites	Federal Way, WA	142	Oct-18	9.6	16.0	8.1	8.1
Residence Inn by Marriott	Springdale, AR	72	Sep-18	10.9	18.3	8.2	9.8
Hilton Garden Inn Tampa	Wesley Chapel, FL	125	Sep-18	10.8	18.6	—	8.9
Hyatt Place	Fair Lawn, NJ	143	Aug-18	10.4	18.0	7.5	8.1
Hotel Indigo	Traverse City, MI	107	Aug-18	10.9	17.8	8.8	8.2
Courtyard by Marriott	Farmington, NM	125	Aug-18	11.8	18.9	8.7	7.0
Courtyard by Marriott	Myrtle Beach, SC	157	Jun-18	11.3	19.4	8.9	9.2
SpringHill Suites	Fairfax, VA	140	Jun-18	9.3	17.9	6.7	7.0
Hampton Inn & Suites	Harrison, NJ	165	May-18	10.1	18.1	7.9	7.1
Aloft Silicon Valley	Newark, CA	174	May-18	10.0	17.0	7.3	7.6
SpringHill Suites	Centreville, VA	136	May-18	10.3	18.6	7.3	8.0
Staybridge Suites	Wilmington, NC	93	Apr-18	11.5	21.4	9.6	9.6
Aloft Harlem	New York, NY	124	Mar-18	9.8	15.5	6.0	3.8
Hampton Inn Financial District	New York, NY	81	Mar-18	8.3	12.7	4.5	5.0
Residence Inn by Marriott	Sacramento, CA	126	Feb-18	10.5	18.9	8.7	9.6
Hampton Inn Denver Southwest	Lakewood, CO	150	Feb-18	12.7	21.3	10.7	13.9
Hyatt Place	Chandler, AZ	129	Jan-18	9.4	15.7	7.5	6.8
Wyndham Garden	Greenville, SC	139	Jan-18	14.2	24.2	6.0	7.7
Hampton Inn Cincinnati	Fairfield, OH	100	Jan-18	12.2	20.9	10.5	10.7
Hampton Inn Atlanta	College Park, GA	127	Jan-18	9.3	15.0	10.1	10.0
Hampton Inn Atlanta Northwest	Atlanta, GA	127	Jan-18	14.9	26.1	11.0	10.0
Hilton Garden Inn Allentown West	Breinigsvile, PA	111	Nov-17	10.8	18.9	8.1	8.6
Courtyard by Marriott Tucson Airport	Tucson, AZ	149	Nov-17	9.7	16.1	8.9	8.3
Hampton Inn Saint Augustine I-95	Saint Augustine, FL	67	Sep-17	11.9	21.0	11.3	10.8
Hampton Inn & Suites Palm Coast	Palm Coast, FL	94	Sep-17	12.5	21.2	10.2	10.6
Element Denver Park Meadows	Lone Tree, CO	123	Aug-17	10.3	18.7	5.9	8.1
SpringHill Suites by Marriott	Savannah, GA	79	Aug-17	12.1	20.8	4.0	9.3
TownePlace Suites by Marriott	Waco, TX	93	Aug-17	11.2	20.7	8.5	7.8
Courtyard SeaWorld Lackland	San Antonio, TX	96	Aug-17	11.0	18.9	7.9	7.8
Courtyard Kaua'i at Coconut Beach	Kapa'a, HI	311	Aug-17	11.5	19.4	6.4	4.1
Hampton Inn by Hilton Norfolk	Virginia Beach, VA	120	Jul-17	11.4	21.2	12.4	12.6
TownePlace Suites by Marriott	Tallahassee, FL	94	Jul-17	10.5	16.1	14.5	7.9
Hyatt Place US Capitol	Washington, D.C.	200	Jun-17	10.3	20.0	6.1	7.2
Hyatt Place San Jose Downtown	San Jose, CA	234	Jun-17	12.2	21.4	8.1	8.5
Courtyard by Marriott Boston	Cambridge, MA	207	Jun-17	9.0	14.9	5.5	6.0
Hilton Garden Inn Philadelphia	Fort Washington, PA	146	May-17	10.9	19.7	7.6	8.3
			Min:	8.3 %	12.7 %	4.0 %	3.8 %
			Mean:	10.9	18.8	8.3	8.4
			Median:	10.8	18.8	8.1	8.2
			Max:	14.9	26.1	14.5	13.9

Source: HVS

Investor Interviews: During the course of our work, we continuously monitor investor equity-yield requirements through discussions with hotel investors and brokers. We find that equity yield rates currently range from a low in the low-to-mid teens for high-barrier-to-entry "trophy assets"; the upper teens for high quality, institutional-grade assets in strong markets; and the upper teens to low 20s for quality assets in more typical markets. Equity yield rates tend to exceed 20% for aging assets with functional obsolescence and/or other challenging property- or market-related issues. Equity return requirements also vary with an investment's level of leverage.

The following table summarizes the range of equity yields indicated by hotel sales and investor interviews. We note that there tends to be a lag between the sales data and current market conditions; thus, the full effect of the change in the economy and capital markets may not yet be reflected.

FIGURE 8-4 SUMMARY OF EQUITY YIELD OR INTERNAL RATE OF RETURN REQUIREMENTS

Source	Data Point Range	Average
HVS Hotel Sales - Full-Service & Luxury	12.2% - 21.2%	16.8%
HVS Hotel Sales - Select-Service & Extended-Stay	12.7% - 26.1%	18.8%
HVS Hotel Sales - Limited-Service	17% - 23.9%	20.2%
HVS Investor Interviews	13% - 25%	

Based on the assumed 65% loan-to-cost ratio, the risk inherent in achieving the projected income stream, and the anticipated market position of the subject property, it is our opinion that a typical equity investor would anticipate a 19.0% internal rate of return over a ten-year holding period, assuming that the investor obtains financing at the time of the project's completion at the loan-to-cost ratio and interest rate set forth.

Terminal Capitalization Rate

Inherent in this valuation process is the assumption of a sale at the end of the ten-year holding period. The estimated reversionary sale price as of that date is calculated by capitalizing the projected eleventh-year net income by an overall terminal capitalization rate. An allocation for the selling expenses is deducted from this sale price, and the net proceeds to the equity interest (also known as the equity residual) are calculated by deducting the outstanding mortgage balance from the reversion.

We have reviewed several recent investor surveys. The following chart summarizes the averages presented for terminal capitalization rates in various investor surveys during the past decade.

FIGURE 8-5 HISTORICAL TRENDS OF TERMINAL CAPITALIZATION RATES

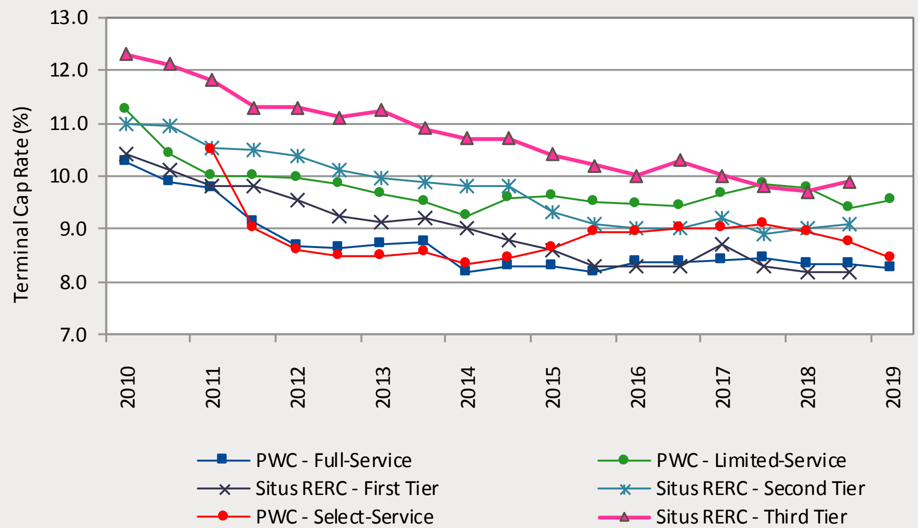


FIGURE 8-6 TERMINAL CAPITALIZATION RATES DERIVED FROM INVESTOR SURVEYS

Source	Data Point Range	Average
HVS Brokers Survey - Spring 2019		
Limited-Service & Economy Hotels	6.5% - 12.0%	9.4%
Select-Service Hotels	6.0% - 11.0%	8.6%
Full-Service Hotels	6.0% - 11.0%	8.5%
Luxury & Upper Upscale Hotels	4.0% - 9.0%	7.1%
PWC Real Estate Investor Survey - 1st Quarter 2019		
Limited-Service Hotels	7.75% - 12.0%	9.5%
Select-Service Hotels	7.0% - 10.0%	8.5%
Full-Service Hotels	7.0% - 10.0%	8.3%
Luxury Hotels	5.5% - 9.5%	7.3%
USRC Hotel Investment Survey - Winter 2019		
Full-Service Hotels	7.0% - 9.0%	8.3%
Limited-Service Hotels	8.5% - 10.0%	9.1%
Situs RERC Real Estate Report - 4th Quarter 2018		
First Tier Hotels	6.0% - 10.0%	8.2%
Second Tier Hotels	6.5% - 12.0%	9.1%
Third Tier Hotels	6.9% - 11.3%	9.7%

For purposes of this analysis, we have applied a terminal capitalization rate of 8.50%. Our final position for the terminal capitalization rate reflects the current market for hotel investments and also considers the subject property's attributes. Terminal capitalization rates, in general, have remained stable over the past few years. Terminal cap rates are at the low end of the range for quality hotel assets in markets with high barriers to entry and at the high end of the range for older assets or for those suffering from functional obsolescence and/or weak market conditions, reflecting the market's recognition that certain assets have less opportunity for significant appreciation.

Mortgage-Equity Method

As the two participants in a real estate investment, investors and lenders must evaluate their equity and debt contributions based on their particular return requirements. After carefully weighing the risk associated with the projected economic benefits of a lodging investment, the participants will typically make their decision whether or not to invest in a hotel or resort by determining if their investment will provide an adequate yield over an established period. For the lender, this yield will typically reflect the interest rate required for a hotel mortgage over a period that can range from seven to ten years. The yield to the equity participant may consider not only the requirements of a particular investor but also the potential payments to cooperative or ancillary entities, such as limited partner payouts, stockholder dividends, and management company incentive fees.

The return on investment analysis in a hotel acquisition would not be complete without recognizing and reflecting the yield requirements of both the equity and debt participants. The analysis will now calculate the yields to the mortgage and equity participants during a ten-year projection period.

The annual debt service is calculated by multiplying the mortgage component by the mortgage constant.

Mortgage Component	$6,893,000
Mortgage Constant	0.070151
Annual Debt Service	$484,000

The yield to the lender based on a 65% debt contribution equates to an interest rate of 5.00%, which is calculated as follows.

FIGURE 8-7 RETURN TO THE LENDER

Year	Total Annual Debt Service		Present Worth of $1 Factor at 4.9%		Discounted Cash Flow
2021	$484,000	x	0.952899	=	$461,000
2022	484,000	x	0.908016	=	439,000
2023	484,000	x	0.865247	=	419,000
2024	484,000	x	0.824493	=	399,000
2025	484,000	x	0.785658	=	380,000
2026	484,000	x	0.748652	=	362,000
2027	484,000	x	0.713390	=	345,000
2028	484,000	x	0.679788	=	329,000
2029	484,000	x	0.647769	=	314,000
2030	5,579,000 *	x	0.617258	=	3,444,000
			Value of Mortgage Component		$6,892,000

*10th year debt service of $484,000 plus outstanding mortgage balance of $5,095,000

The following table illustrates the cash flow available to the equity position, after deducting the debt service from the projected net income.

FIGURE 8-8 NET INCOME TO EQUITY

Year	Net Income Available for Debt Service		Total Annual Debt Service		Net Income to Equity
2021	$539,000	-	$484,000	=	$55,000
2022	$595,000	-	484,000	=	$111,000
2023	$620,000	-	484,000	=	$136,000
2024	$639,000	-	484,000	=	$155,000
2025	$658,000	-	484,000	=	$174,000
2026	$678,000	-	484,000	=	$194,000
2027	$698,000	-	484,000	=	$214,000
2028	$719,000	-	484,000	=	$235,000
2029	$741,000	-	484,000	=	$257,000
2030	$763,000	-	484,000	=	$279,000

In order for the present value of the equity investment to equate to the $3,711,000 capital outlay, the investor must accept a 5.0% return, as shown in the following table.

FIGURE 8-9 EQUITY COMPONENT YIELD

Year	Net Income to Equity		Present Worth of $1 Factor at 5.0%		Discounted Cash Flow
2021	$55,000	x	0.952484	=	$52,000
2022	$111,000	x	0.907226	=	101,000
2023	$136,000	x	0.864119	=	118,000
2024	$155,000	x	0.823059	=	128,000
2025	$174,000	x	0.783951	=	136,000
2026	$194,000	x	0.746701	=	145,000
2027	$214,000	x	0.711221	=	152,000
2028	$235,000	x	0.677427	=	159,000
2029	$257,000	x	0.645238	=	166,000
2030	$4,156,000 *	x	0.614579	=	2,554,000
			Value of Equity Component		$3,711,000

*10th year net income to equity of $279,353 plus sales proceeds of $3,877,000

Conclusion

In determining the potential feasibility of the Proposed Limited-Service Hotel, we analyzed the lodging market, researched the area's economics, reviewed the estimated development cost, and prepared a ten-year forecast of income and expense, which was based on our review of the current and historical market conditions, as well as comparable income and expense statements.

The conclusion of this analysis indicates that an equity investor contributing $3,711,000 (roughly 35% of the $10,600,000 development cost) could expect to receive a 5.0% internal rate of return over a ten-year holding period, assuming that the investor obtains financing at the time of the project's completion at the loan-to-value ratio and interest rate set forth.

The Village of Fox Lake is a highly seasonal market that attracts thousands of boaters in the warmer months, owing to the handful of marinas located along Pistakee, Nippersink, and Fox Lakes. Currently, the local market is served only by Airbnb rentals and a couple of small, independent hotels. Major commercial demand generators in the market, such as Baxter and Scot Forge, send their workers to other cities given the lack of suitable accommodations. The proposed subject hotel has an opportunity to capture the demand that is currently leaving the market. Furthermore, the Village of Fox Lake reported that a restaurant and banquet hall are expected to be constructed adjacent to the subject site. These amenities are expected to induce additional demand into the market. Based on our market analysis, there is sufficient market support for the proposed limited-service hotel. Furthermore, the Village plans to offer development incentives, including reimbursing the developer up to 25% of total project costs through tax rebates. Our review of investor surveys indicates equity returns ranging from 17.0% to 23.9%, with an average of 20.2%. Based on these parameters, the calculated return to the equity investor would be only slightly below the average once the development incentives have been taken into account. We note that the calculated return is based upon the cost estimated by HVS, which includes the developer's administrative costs, as well as an entrepreneurial incentive.

The analysis is based on the extraordinary assumption that the described improvements have been completed as of the stated date of opening. The reader should understand that the completed subject property does not yet exist as of the date of this report. Our feasibility study does not address unforeseeable events that could alter the proposed project, and/or the market conditions reflected in the analyses; we assume that no significant changes, other than those anticipated and explained in this report, shall take place between the date of inspection and stated date of opening. The use of this extraordinary assumption may have affected the assignment results. We have made no other extraordinary assumptions specific to this feasibility study. However, several important general assumptions have been made that apply to this feasibility study and our studies of proposed hotels in general. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.

9. Statement of Assumptions and Limiting Conditions

1. This report is set forth as a feasibility 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 site.
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 upon 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; the 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.

10. 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. Dana W. Floberg and Amy Majercik personally inspected the property described in this report; Stacey E. Nadolny, MAI participated in the analysis and reviewed the findings, but did not personally inspect the property;
9. 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;
10. neither Dana W. Floberg nor Stacey E. Nadolny, MAI, has 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;
11. 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;

12. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and

13. as of the date of this report, Dana W. Floberg has completed the Standards and Ethics Education Requirement for Candidates of the Appraisal Institute, and as of the date of this report, Stacey E. Nadolny, MAI, has completed the continuing education program for Designated Members of the Appraisal Institute.

Dana W. Floberg
Director
TS Worldwide, LLC
State Appraiser License (IL) 553.002541

Stacey Nadolny

Stacey E. Nadolny, MAI
Managing Director, Senior Partner
TS Worldwide, LLC
State Appraiser License (IL) CG 553.002399

Dana Floberg

EMPLOYMENT

2013 to present	HVS CONSULTING AND VALUATION SERVICES Chicago, Illinois
2008 – 2010	DESIGNS BY JODY, INC. Lake Bluff, Illinois
2007 – 2008	WESTMORELAND COUNTRY CLUB Wilmette, Illinois
2006 – 2007	FAIRMONT COPLEY PLAZA Boston, Massachusetts
Summer 2006	CHICAGO HILTON Chicago, Illinois

EDUCATION AND OTHER TRAINING

EMBA/MS – Master of Hospitality Administration, Ecole hôtelière de Lausanne
BS – School of Hotel Administration, Boston University

Other Specialized Training Classes Completed:
Uniform Standards of Professional Appraisal Practice – 15 hours
Basic Appraisal Procedures – 30 hours
Basic Appraisal Principles – 30 hours
General Appraiser Income Approach (Parts I and II) – 60 hours
General Appraiser Market Analysis and HBU – 30 hours
General Appraiser Report Writing and Case Studies – 30 hours
General Appraiser Sales Comparison Approach – 30 hours
General Appraiser Site Valuation and Cost Approach – 30 hours
Online Business Practices and Ethics – 5 hours
Statistics, Modeling and Finance – 15 hours
General Appraiser Report Writing and Case Studies – 30 hours
Supervisor/Trainee for IL – 4 hours
Comprehensive Review of Appraisal Concepts
Advanced Market Analysis & HBU – 35 hours
Advanced Income Capitalization – 35 hours
Advanced Concepts and Case Studies – 40 hours
Quantitative Analysis – 35 hours
Biennial USPAP Updates

STATE CERTIFICATION	Illinois, Indiana, Minnesota, Ohio, Wisconsin

PUBLISHED ARTICLES

HVS Journal	"HVS Market Pulse: Downtown Chicago, IL," co-authored with Stacey Nadolny, March 2018
HVS Journal	"In Focus: Chicago, IL," co-authored with Stacey Nadolny, December 2016
HVS Journal	"Hotel Market Pulse: Milwaukee, Wisconsin," May 2016
HVS Journal	"Hotel Value Factors: Branson, Missouri," July 2013

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED

GEORGIA

Georgia Tech Hotel & Conference Center, Atlanta
Courtyard by Marriott, Dalton

ILLINOIS

Courtyard by Marriott Chicago Arlington Heights South, Arlington Heights
Proposed Four Points and Water Park, Arlington Heights
Proposed Four Points by Sheraton, Arlington Heights
Hampton Inn & Suites, Bolingbrook
Hilton Garden Inn Bolingbrook I-55, Bolingbrook
Proposed Holiday Inn Express, Bridgeview
Crowne Plaza, Burr Ridge
Quality Inn (Conversion to Crowne Plaza), Burr Ridge
Hyatt Place Champaign Urbana, Champaign
Cambria Hotel & Suites Chicago Loop Theatre District, Chicago
Dana Hotel, Chicago
Fairfield Inn & Suites by Marriott Chicago Downtown, Chicago
Fairmont, Chicago
Godfrey Hotel, Chicago
Hampton Inn Chicago Loop Near Michigan Avenue, Chicago
Hard Rock Hotel, Chicago
Homewood Suites by Hilton Chicago Downtown, Chicago
Hotel Indigo Chicago Downtown Gold Coast, Chicago
Peninsula, Chicago
Proposed Autograph Collection, Chicago
Proposed Canopy by Hilton, Chicago
Proposed Hampton Inn Lincoln Park, Chicago
Proposed Home2 Suites, Chicago
Proposed Hotel West North Avenue Chicago, Chicago
Proposed Hotel, Chicago
Proposed Hyatt House, Chicago
Proposed Hyde Park Hotel, Chicago
Proposed Limited-Service Hotel, Chicago
Proposed Nobu Hotel, Chicago
Radisson Blu Aqua, Chicago
Raffaello Hotel, Chicago
Renaissance Chicago O'Hare Suites, Chicago
Skyway Motel, Chicago
Waldorf Astoria, Chicago
Proposed Fairfield Inn by Marriott, Crystal Lake
Courtyard by Marriott, Deerfield
Proposed Hotel, Des Plaines
Courtyard by Marriott Chicago Elmhurst Oakbrook Area, Elmhurst
Staybridge Suites, Glenview
Hampton Inn Chicago Gurnee, Gurnee
Holiday Inn Gurnee Convention Center, Gurnee
KeyLime Cove Water Park Resort & Hotel, Gurnee
Courtyard by Marriott, Highland Park
Hyatt Place Chicago/Itasca, Itasca
Holiday Inn Express Hotel & Suites, Jacksonville
Courtyard by Marriott Chicago Lincolnshire, Lincolnshire
Homewood Suites by Hilton, Lincolnshire
Staybridge Suites, Lincolnshire
Holiday Inn Express Hotel & Suites, Mattoon
Proposed Hyatt/Hyatt House, Moline
Proposed Holiday Inn Express, Niles
Hampton Inn & Suites, Normal
Proposed MyPlace Suites, North Aurora
Courtyard by Marriott Chicago Oakbrook Terrace, Oakbrook Terrace
SpringHill Suites by Marriott Peoria Westlake, Peoria
Proposed Hotel, Rantoul
Courtyard by Marriott, Rockford
Hampton Inn, Rockford
Lexington Cliffbreakers Riverside Resort, Rockford
Proposed Staybridge Suites, Romeoville
Holiday Inn Express & Suites Chicago West-Roselle, Roselle
Best Western O'Hare, Rosemont
Embassy Suites, Schaumburg
Hampton Inn by Hilton, Schaumburg
Hyatt Place Chicago Schaumburg, Schaumburg
Hyatt Regency Woodfield, Schaumburg
Renaissance Schaumburg Convention Center Hotel, Schaumburg
Courtyard by Marriott, Waukegan
Proposed Waukegan Hampton Inn, Waukegan

INDIANA

Holiday Inn Express, Fishers
InTown Suites Indianapolis East, Indianapolis
InTown Suites Indianapolis Northwest, Indianapolis
Hampton Inn & Suites, Kokomo
Holiday Inn Express Indianapolis Airport, Plainfield
Comfort Suites University Area, South Bend
Fairfield Inn by Marriott, Valparaiso

IOWA

Holiday Inn Express Hotel & Suites, Dubuque
Proposed Hyatt Place, Iowa City
Proposed Select-Service Hotel, Iowa City

KENTUCKY

InTown Suites Louisville South, Louisville

MICHIGAN

Proposed Hilton, Birmingham
Proposed Holiday Inn Express Downtown, Grand Rapids

MINNESOTA

Hilton Garden Inn Minneapolis Airport Mall of America, Bloomington
Fairfield Inn by Marriott, Mankato
Crowne Plaza Minneapolis Northstar Downtown, Minneapolis
Hilton Garden Inn, Minneapolis
Hilton Garden Inn Saint Paul Oakdale, Oakdale
Hampton Inn, Rochester
Courtyard by Marriott Minneapolis St. Paul Roseville, Roseville
Residence Inn by Marriott Minneapolis St. Paul, Roseville
Holiday Inn Saint Paul Interstate 94 East, Saint Paul
Proposed Hampton Inn, St. Paul
Proposed Hotel, St. Paul
Proposed Hyatt Place, St. Paul
Proposed Boutique Hotel, Stillwater

OHIO

Value Place, Akron
Aurora Inn (Conversion to Ascend), Aurora
Value Place Cleveland Avon, Avon
Proposed Football Hall of Fame Hotel, Canton
WoodSpring Suites Cleveland Airport, Cleveland
Red Roof Inn Columbus Worthington, Columbus
Value Place Columbus Hilliard, Columbus
Proposed Extended-Stay Hotel, Cridersville
Value Place Dayton Ohio, Dayton
Great Wolf Lodge, Mason
Comfort Inn, Saint Clairsville

TENNESSEE

Hampton Inn Knoxville Airport, Alcoa
Proposed Hotel Update, Knoxville

TEXAS

Candlewood Suites, Texarkana

VIRIGINA

InTown Suites Chesapeake/Greenbrier, Chesapeake
Holiday Inn, Lynchburg

WISCONSIN

Fairfield Inn, Appleton
La Quinta Inn & Suites Appleton College Avenue, Appleton
La Quinta Inn Milwaukee West Brookfield, Brookfield
Motel 6 Milwaukee West Brookfield, Brookfield
Proposed Hilton Garden Inn, Brookfield
Sheraton Milwaukee Brookfield, Brookfield
Proposed Limited-Service Hotel, Cottage Grove
La Quinta Inn & Suites Milwaukee Delafield, Delafield
Proposed Hotel, Fond du Lac
La Quinta Inn & Suites Milwaukee Bayshore Area, Glendale
La Quinta Inn Milwaukee Glendale Hampton Avenue, Glendale
Hampton Inn & Suites, Grafton
Comfort Inn, Green Bay
Motel 6, Green Bay
Holiday Inn Express, Janesville
Graduate Hotel, Madison
La Quinta Inn & Suites Madison American Center, Madison
Motel 6 Madison North, Madison
Proposed Embassy Suites Even Madison, Madison
Hampton Inn, Milwaukee
Holiday Inn Milwaukee Riverfront, Milwaukee
Hyatt Regency, Milwaukee
Proposed Holiday Inn Express, Milwaukee
Proposed Hotel, Milwaukee
Proposed SpringHill Suites by Marriott, Milwaukee
Proposed Hotel, Mt. Pleasant
La Quinta Inn & Suites Milwaukee Southwest New Berlin, New Berlin
La Quinta Inn Milwaukee Airport Oak Creek, Oak Creek
La Quinta Inn, Oshkosh
Proposed Holiday Inn Express, Platteville
La Quinta Inn Pleasant Prairie Kenosha, Pleasant Prairie
Proposed Fairfield Inn by Marriott, Pleasant Prairie
Delta by Marriott (Conversion), Racine
Fairfield Inn by Marriott, Racine
La Quinta Inn, Sheboygan
La Quinta Inn & Suites, Stevens Point
Proposed Hyatt Place, Verona
La Quinta Inn Wausau
Holiday Inn Express Milwaukee-West Medical Center, Wauwatosa
Hampton Inn & Suites, West Bend
Proposed Fairfield Inn by Marriott, Whitewater
Great Wolf Lodge Wisconsin Dells, Wisconsin Dells
Hilton Garden Inn, Wisconsin Dells

State of Illinois

Department of Financial and Professional Regulation

Division of Real Estate

LICENSE NO.
553.002541

The person, firm, or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below:

EXPIRES:
09/30/2021

CERTIFIED GENERAL REAL ESTATE APPRAISER

DANA WAUD FLOBERG
205 W RANDOLPH AVE STE 1650
CHICAGO, IL 60606

DEBORAH HAGAN
SECRETARY

MARIO TRETO, JR.
ACTING DIRECTOR

The official status of this license can be verified at www.idfpr.com

13855124

Cut on Dotted Line

For future reference, IDFPR is now providing each person/business a unique identification number, 'Access ID', which may be used in lieu of a social security number, date of birth or FEIN number when contacting the IDFPR. Your Access ID is: 3771587

LICENSE NO.
553.002541

Department of Financial and Professional Regulation
Division of Real Estate

CERTIFIED GENERAL REAL ESTATE APPRAISER

DANA WAUD FLOBERG

EXPIRES:
09/30/2021

DEBORAH HAGAN
SECRETARY

MARIO TRETO, JR.
ACTING DIRECTOR

The official status of this license can be verified at www.idfpr.com

Cut on Dotted Line

Stacey Nadolny, MAI

EMPLOYMENT

2007 to present	HVS CONSULTING AND VALUATION SERVICES Chicago, Illinois
2005 – 2006	HILLSTONE RESTAURANT GROUP Chicago, Illinois

EDUCATION AND OTHER TRAINING

BS – School of Hotel Administration, Cornell University

Litigation Professional Development Program, Appraisal Institute

Other Specialized Training Classes Completed:

Uniform Standards of Professional Appraisal Practice – 15 hours
Basic Appraisal Procedures – 30 hours
Basic Appraisal Principles – 30 hours
General Appraiser Income Approach (Parts I and II) – 60 hours
General Appraiser Market Analysis and HBU – 30 hours
General Appraiser Site Valuation and Cost Approach – 30 hours
General Appraiser Sales Comparison Approach – 30 hours
Statistics, Modeling and Finance – 15 hours
General Appraiser Report Writing and Case Studies – 30 hours
Advanced Income Capitalization – 40 hours
Business Practices and Ethics – 8 hours
Report Writing and Valuation Analysis – 26 hours
Advanced Concepts & Case Studies – 40 hours
Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets – 15 hours
Comparative Analysis – 7 hours
PA Law Class – 2 hours
KY Supervisor and Associate Training Course – 7 hours
MI Law Class – 2 hours
West Virginia Law – 3 hours
Land and Site Valuation – 7 hours
Mortgage Fraud – 7 hours
Appraising Condos, Co-ops, and PUDs – 7 hours
Appraisal of Land Subject to Ground Leases – 7 hours
Sales Comparison Approach – 7 hours
Review: Theory General – 33 hours

EDUCATION (CONT)	Appraisal of Owner-Occupied Commercial Properties – 7 hours Appraiser as an Expert Witness – 15 hours Litigation Appraising - Specialized Topics – 15 hours Condemnation Appraising – 15 hours Michigan Law – 2 hours Conditions of Chicago – 7 hours Valuation of Breweries – 4 hours Biennial USPAP Updates
STATE CERTIFICATIONS	Illinois, Indiana, Iowa, Michigan, Minnesota, Ohio, Pennsylvania, West Virginia, Wisconsin
PROFESSIONAL AFFILIATIONS	Appraisal Institute – Designated Member (MAI) Cornell Center for Real Estate Finance – Board Member
SPEAKING ENGAGEMENTS	Hotel Valuation Seminar – Cornell University, Michigan State University Hunter Hotels Conference Introduction to Hotel Finance – Michigan State University Cobblestone Hotels Conference Hotel Market Connections – Columbus 2012, 2013, 2014; Chicago 2015, 2016

PUBLISHED ARTICLES

HVS Journal	"HVS Market Pulse: Downtown Chicago, IL," co-authored with Dana Floberg, March 2018
HVS Journal	"U.S. Hotel Development Cost Survey 2016/17," November 2017
HVS Journal	"In Focus: Chicago, IL," co-authored with Dana Floberg, December 2016
HVS Journal	"U.S. Hotel Development Cost Survey 2015/16," July 2016
HVS Journal	"Five Key Takeaways - Hunter Conference 2015," co-authored with Michael Brophy and Heidi Nielsen, April 2015
HVS Journal	"Market Intelligence Report 2013: Cleveland," co-authored with Jai Patel, October 2013
HVS Journal	"Market Intelligence Report 2013: Cincinnati," co-authored with Meghan Bean, September 2013
HVS Journal	"Market Intelligence Report 2013: Columbus, Ohio," July 2013
HVS Journal	"Detroit Market Intelligence Report," November 2009
HVS Journal	"Hotel Demand Drivers in Cincinnati," February 2009
HVS Journal	"HVS Market Intelligence Report: Cleveland, Ohio," October 2008
HVS Journal	"HVS Market Intelligence Report: Columbus, Ohio," September 2008

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED

PORTFOLIO ANALYSIS

Portfolio of 8 Great Wolf Lodge Properties, Various Locations
Portfolio of 5 Full-Service Hotels for CWCapital, Various Locations

ALABAMA

Land Appraisal, Alabaster
Redmont (Curio Conversion), Birmingham
Proposed Boutique Hotel
Days Inn, Gadsden
Proposed Comfort Suites, Hope Hull
Proposed Country Inn & Suites, Madison
Land Appraisal, Prattville
Comfort Inn, Scottsboro

ARIZONA

Clarion, Yuma

ARKANSAS

Proposed Staybridge Suites, Hot Springs
Holiday Inn, Springdale

CALIFORNIA

Proposed Residence Inn, Cupertino
Residence Inn, Cupertino
Proposed Home2 Suites by Hilton and Land, Woodland

COLORADO

Hotel Madeline Telluride, Telluride

CONNECTICUT

La Quinta, New Haven
La Quinta, Stamford

DISTRICT OF COLUMBIA

Grand Hyatt
Proposed SpringHill Suites

FLORIDA

Sanibel Harbour Resort & Spa, Fort Myers
DoubleTree by Hilton Hotel Jacksonville Riverfront, Jacksonville
Hyatt Place Jacksonville Airport, Jacksonville
Microtel Inn, Jacksonville
Proposed Hyatt Place Jacksonville Downtown, Jacksonville
Residence Inn by Marriott Airport, Jacksonville
Value Place, Jacksonville
Fairfield Inn, Orlando
Suburban Extended Stay, Pensacola
SpringHill Suites, Port St. Lucie
Hampton Inn, Stuart
Hampton Inn, Titusville

GEORGIA

Country Hearth Inn, Albany
Holiday Inn Express (Choice Conversion), Atlanta
Homewood Suites by Hilton, Augusta
Proposed Cambria Suites, College Park
Courtyard by Marriott, Dalton
Proposed Microtel Inn & Suites, Douglasville
Fairfield Inn, Kennesaw
SpringHill Suites, Kennesaw
Hampton Inn, Lawrenceville
Homewood Suites by Hilton, Macon
Value Place, Macon
Value Place West, Macon
La Quinta Inn, Newnan
Quality Inn, Oakwood
Fairfield Inn & Suites by Marriott, Valdosta

HAWAII

DoubleTree Naniloa Hotel, Hilo
Kahala Hotel, Honolulu

ILLINOIS

Proposed Fairfield Inn & Conference Center, Alsip
Holiday Inn Express, Arlington Heights
Proposed Four Points by Sheraton, Arlington Heights
Proposed Four Points and Water Park, Arlington Heights
Staybridge Suites, Aurora
Holiday Inn, Bolingbrook
Proposed Sleep Inn, Canton
Proposed Downtown Hotel, Centralia
Microtel Inn, Champaign
Cambria Hotel & Suites Chicago Loop Theatre District, Chicago
Chicago Market Data, Chicago
Comfort Suites Michigan Avenue, Chicago
Crowne Plaza Chicago Metro, Chicago
Dana Hotel, Chicago
Fairfield Inn & Suites by Marriott Chicago Downtown, Chicago
Godfrey Hotel Chicago, Chicago
Hampton Inn Chicago Loop Near Michigan Avenue, Chicago
Hampton Inn Majestic Chicago Theatre District, Chicago
Hard Rock Hotel, Chicago
Hotel Palomar, Chicago
JW Marriott, Chicago
Kimpton Burnham Hotel, Chicago
MileNorth Hotel, Chicago
Peninsula, Chicago
Proposed Autograph Collection Hotel, Chicago
Proposed Canopy by Hilton, Chicago
Proposed Curio by Hilton Navy Pier, Chicago
Proposed Dual-Branded Hotel, Chicago
Proposed Even, Chicago
Proposed Hampton Inn & Home2 Suites, Chicago
Proposed Hampton Inn Lincoln Park, Chicago
Proposed Home2 Suites by Hilton Chicago Midway, Chicago
Proposed Hotel West North Avenue Chicago, Chicago
Proposed Hotel, Chicago
Proposed Hotel Chinatown, Chicago
Proposed Hyatt House, Chicago

Proposed Limited-Service Hotel, Chicago
Proposed Westin Chicago Midway, Chicago
Radisson Blu, Chicago
Raffaello Hotel, Chicago
SpringHill Suites by Marriott, Chicago
Waldorf Astoria, Chicago
Proposed Fairfield by Marriott, Crystal Lake
Proposed Fairfield Inn & Suites, Des Plaines
Proposed Holiday Inn Express, Des Plaines
Proposed Hotel, Des Plaines
Radisson Chicago O'Hare, Des Plaines
Hilton Orrington, Evanston
Holiday Inn Gurnee Convention Center, Gurnee
KeyLime Cove Water Park Resort & Hotel, Gurnee
Holiday Inn Express, Hillside
Westin, Itasca
Holiday Inn Express Chicago South Lansing, Lansing
Proposed Country Inn & Suites, Lansing
Kaskaskia Hotel & Conference Center, LaSalle
Homewood Suites by Hilton, Lincolnshire
Hyatt Place, Lombard
Proposed Home 2 Suites, Loves Park
Proposed Best Western Glo, McCook
Proposed Holiday Inn Express & Suites, Mokena
Proposed Hyatt/Hyatt House, Moline
Hampton Inn, Naperville
Proposed MyPlace Suites, North Aurora
Sheraton, Northbrook
Drake, Oak Brook
Homewood Suites by Hilton Orland Park, Orland Park
Proposed Hampton Inn, Pontiac
Proposed Hotel Rantoul, Rantoul
Lexington Cliffbreakers Riverside Resort, Rockford
Proposed Staybridge Suites, Romeoville
Sheraton Chicago O'Hare Airport Hotel, Rosemont
Courtyard by Marriott Chicago Saint Charles, Saint Charles
Hilton Garden Inn, Saint Charles
Hampton Inn by Hilton, Schaumburg
Hyatt Regency Woodfield, Schaumburg
Days Inn Chicago Joliet Shorewood, Shorewood
Proposed Limited-Service Hotel, South Elgin
State House Inn, Springfield
Hyatt House Chicago Naperville Warrenville, Warrenville
Hyatt Place Chicago Naperville Warrenville, Warrenville
Proposed TownePlace Suites, Waukegan
Proposed Residence Inn, Wilmette

INDIANA
Proposed Embassy Suites, Bloomington
Proposed Graduate, Bloomington
Proposed Best Western, Clarksville
Proposed Hotel, Columbus
Proposed DoubleTree, Evansville
Proposed Hyatt Place, Evansville
Comfort Suites, Fort Wayne
Hampton Inn, Fort Wayne
Proposed Home2 Suites & Hilton Garden Inn, Fort Wayne
TownePlace Suites by Marriott, Fort Wayne
Proposed Hampton Inn & Suites, Hammond
Country Inn & Suites, Indianapolis
Hampton Inn NE Castleton, Indianapolis
Hilton Garden Inn Indianapolis Downtown, Indianapolis
Proposed Cambria Suites, Indianapolis
Proposed Extended Suites, Indianapolis
Proposed Residence/SpringHill Suites, Indianapolis
Residence Inn, Indianapolis
Fairfield Inn, Jeffersonville
TownePlace Suites, Jeffersonville
Proposed Hotels (Two Scenarios), Lafayette
Proposed Hampton Inn & Suites, Lawrenceburg
Proposed Hotel & Events Center, Lawrenceburg
Quality Inn & Suites, Lebanon
Motel 6, Mishawaka
Hampton Inn & Suites, Munster
Proposed SpringHill Suites by Marriott, Munster
Cambria Suites Indianapolis Airport, Plainfield
Staybridge Suites, Plainfield
Knights Inn, South Bend
Proposed Embassy Suites, South Bend
Fairfield Inn by Marriott, Valparaiso
Proposed Hampton Inn, Vincennes
Hampton Inn, Warsaw
Hilton Garden Inn, West Lafayette

IOWA
Chase Hotel Suites, Clive
Proposed Select-Service Hotel, Iowa City
Hampton Inn & Suites, Marshalltown

KANSAS
Days Inn, Newton

KENTUCKY
Hampton Inn, Covington
Proposed Hotel, Covington
Radisson Cincinnati Riverfront, Covington
Courtyard, Florence
Hilton Cincinnati Airport, Florence
Proposed Hotel, Fort Thomas
Residence Inn, Lexington
Hampton Inn, Louisville

Marriott, Louisville
Proposed Aloft Hotel, Louisville
Proposed Hilton Garden Inn, Louisville
Proposed Independent Hotel, Louisville
Residence Inn, Louisville
Fairfield Inn, Mount Sterling
Proposed Residence Inn by Marriott, Newport

LOUISIANA
Sheraton, Metairie

MARYLAND
Proposed Residence Inn, Germantown
Comfort Suites BWI (Holiday Inn & Suites Conversion), Linthicum Heights

MASSACHUSETTS
Proposed Residence Inn, Chelsea

MICHIGAN
Proposed Courtyard by Marriott, Benton Harbor
Proposed Hotel, Bridgman
Proposed Comfort Inn & Suites, Clarkston
Proposed Boutique Hotel, Detroit
Proposed Foundation Hotel, Detroit
Hampton Inn, East Lansing
Proposed Hotel East 1st Street, Flint
Proposed Hotel Saginaw Street, Flint
Crowne Plaza Grand Rapids Airport, Grand Rapids
Hampton Inn & Suites Grand Rapids Airport, Grand Rapids
SpringHill Suites Grand Rapids Airport, Grand Rapids
Residence Inn, Holland
Candlewood Suites, Kalamazoo
Hampton Inn, Kalamazoo
Residence Inn, Kalamazoo
TownePlace Suites, Kalamazoo
Embassy Suites, Livonia
Proposed TownePlace Suites by Marriott, Monroe
Proposed TownePlace Suites/Fairfield Inn by Marriott, Monroe
Proposed Microtel Inn & Suites, Muskegon
Hilton Garden Inn, Plymouth
Hampton Inn, Port Huron
Ramada (Radisson Conversion), Romulus
Country Inn & Suites by Carlson, Saginaw
St Clair Inn, Saint Clair
Best Western Premier Southfield, Southfield
Embassy Suites, Southfield
Holiday Inn (Conversion to Best Western), Southfield
Hampton Inn, Stevensville
Park Place, Traverse City

MINNESOTA
Hilton Garden Inn Minneapolis Airport Mall of America, Bloomington
Radisson Bloomington by Mall of America, Bloomington
Sheraton, Bloomington
Proposed Select-Service Hotel at Red Baron Arena and Expo, Marshall
Proposed Hotel, St. Paul

MISSISSIPPI
Proposed Avalon, Biloxi
Fairfield Inn, Hattiesburg
Knights Inn, Hattiesburg
La Quinta Inn, Hattiesburg
Fairfield Inn, Jackson
Proposed Courtyard by Marriott, Meridian
Chuka Inn at Dancing Rabbit, Philadelphia

MISSOURI
M Star Hotel, Hayti
Proposed Boutique Hotel, Kansas City
Proposed Hampton Inn, Kansas City
Proposed Hotel, Kansas City
Proposed TownePlace Suites, Liberty

NEVADA
Days Inn, Winnemucca

NEW HAMPSHIRE
EF Lane Hotel, Keene

NEW JERSEY
Sheraton, Eatontown
Proposed Hotel, Hamilton
Proposed Hotel, Parsippany
Courtyard by Marriott, Princeton

NEW YORK
Proposed Harbor Center Marriott Hotel, Buffalo
Candlewood Suites, Evans Mills
Country Inn & Suites, Ithaca
Econo Lodge, Ithaca
Proposed Hotel, Ithaca
Proposed DoubleTree by Hilton, Jamestown
Hampton Inn, Middletown
Motel De Soto, Olean
Hyatt Regency, Rochester
Proposed Courtyard by Marriott, Syracuse
Proposed Residence Inn by Marriott, Syracuse

NORTH CAROLINA
Courtyard by Marriott, Carolina Beach
Proposed Hampton Inn & Suites, Carolina Beach
Courtyard by Marriott, Charlotte
Comfort Suites, Lexington
Country Hearth Inn, Lexington
Fairfield Inn & Suites by Marriott, Smithfield
Hampton Inn Fort Bragg, Spring Lake
Candlewood Suites, Wake Forest

NORTH DAKOTA
Holiday Inn Express Minot South, Minot
Holiday Inn Minot Riverside, Minot

OHIO

Proposed Inn and Conference Facility – University of Akron, Akron
Proposed Hampton Inn, Alliance
Days Inn, Ashland
Holiday Inn Express, Ashtabula
Hampton Inn, Athens
Proposed Fairfield Inn by Marriott, Athens
Aurora Inn (Conversion to Ascend), Aurora
Proposed Aurora Inn, Aurora
Econo Lodge, Austintown
Hilton Cleveland East, Beachwood
Residence Inn, Beachwood
Proposed SpringHill Suites, Beavercreek
Proposed Boutique Hotel, Berea
Embassy Suites, Blue Ash
Proposed Hotel, Bowling Green
Holiday Inn Express, Brookville
Proposed Comfort Inn, Brookville
Sleep Inn, Brunswick
AmeriHost Inn, Cambridge
Holiday Inn, Cambridge
Proposed Hotel, Canton
Proposed Pro Football HOF Hotel, Canton
Proposed Home2 Suites by Hilton, Centerville
Anderson Township Hotel, Cincinnati
Courtyard by Marriott, Cincinnati
Fairfield Inn & Suites by Marriott Cincinnati Uptown/University Area, Cincinnati
Howard Johnson, Cincinnati
Proposed Fairfield Inn by Marriott, Cincinnati
Proposed Hampton Inn/Homewood Dual Brand, Cincinnati
Proposed Hotel, Cincinnati
Proposed Renaissance, Cincinnati
Best Western Cleveland Airport, Cleveland
Hilton, Cleveland
Holiday Inn Express, Cleveland
Proposed Dively Center Hotel, Cleveland
Proposed Hotel, Cleveland
University Inn, Cleveland
Best Western Columbus Airport, Columbus
Cambria Suites, Columbus
Candlewood Suites, Columbus
Comfort Suites, Columbus
Courtyard Columbus Worthington, Columbus
Courtyard Easton, Columbus
Days Inn, Columbus
DoubleTree Suites Columbus Downtown, Columbus
Econo Lodge, Columbus
Fairfield Inn, Columbus
Hampton Inn, Columbus
Hampton Inn & Suites, Columbus
Hilton Easton, Columbus
Hometown Inn (Land Appraisal), Columbus
Hyatt on Capitol Square, Columbus
Proposed Aloft/Element, Columbus
Proposed Cambria Suites, Columbus
Proposed Canopy, Columbus
Proposed Hampton Inn, Columbus
Proposed Hollywood Casino Hotel, Columbus
Proposed Holiday Inn, Columbus
Proposed Holiday Inn Express, Columbus
Proposed Homewood Suites, Columbus
Proposed Hotel, Columbus
Proposed Hyatt Place, Columbus
Proposed Joseph Update, Columbus
Proposed Le Meridien, Columbus
Proposed Limited-Service Hotel, Columbus
Proposed Select-Service Hotel, Columbus
Residence Inn, Columbus
Sheraton at Capitol Square, Columbus
University Plaza Hotel Conversion, Columbus
Westin, Columbus
Proposed Extended-Stay Hotel, Cridersville
Sheraton Suites Conversion, Cuyahoga Falls
Dayton Grand Hotel, Dayton
Proposed Hampton Inn, Dayton
Proposed Home2 Suites by Hilton, Dayton
Proposed Residence Inn by Marriott, Dayton
TownePlace Suites, Dayton
Hospitality Inn, Dover
Courtyard Columbus Dublin, Dublin
Holiday Inn Express Columbus Dublin, Dublin
Econo Lodge, Eaton
Country Inn & Suites, Fairborn
Fairfield Inn & Suites by Marriott, Findlay
Proposed Hilton Garden Inn, Findlay
Quality Inn, Franklin
Proposed Conference Center Hotel, Greene
Proposed Home2 Suites, Greene
Holiday Inn Express, Grove City
Proposed Courtyard by Marriott, Grove City
Red Roof Inn, Grove City
Quality Inn, Heath
Americas Best Value Inn, Huber Heights
Comfort Inn, Huber Heights
Crowne Plaza Cleveland South Independence, Independence
Embassy Suites Cleveland Rockside, Independence
Residence Inn, Independence
Days Inn, Lima
Proposed Comfort Suites, Madison
Holiday Inn Express, Marion
Comfort Inn, Marysville
Holiday Inn Express, Marysville
Proposed Fairfield Inn by Marriott, Marysville
Proposed Home2 Suites by Hilton, Maumee

Proposed Microtel Inn & Suites, Maumee
Baymont Inn & Suites, Mayfield
Best Western, Mentor
DoubleTree by Hilton, Miamisburg
Proposed Staybridge Suites, Miamisburg
Proposed TownePlace Suites by Marriott, Milford
Holiday Inn Express, Newton Falls
Proposed Hampton Inn & Suites, North Olmsted
Hampton Inn Toledo Oregon, Oregon
Holiday Inn Express Toledo Oregon, Oregon
Proposed Hampton Inn, Oregon
The Elms Holiday Inn, Oxford
Comfort Suites, Perrysburg
Best Western, Pickerington
Hampton Inn, Pickerington
Quality Inn, Piqua
Holiday Inn Express, Port Clinton
Proposed Hotel Developments, Rockside
Proposed Comfort Suites, Rootstown
American Inn, Rossford
Country Inn, Rossford
Microtel Inn & Suites by Wyndham, Saint Clairsville
Best Western, Sandusky
Comfort Inn, Sandusky
Great Wolf Lodge, Sandusky
Sleep Inn, Sandusky
DoubleTree Guest Suites, Sharonville
Econo Lodge, Sidney
Hilton Homewood Suites, Solon
Proposed Holiday Inn Express, Springfield
Townhouse Motel, Springfield
Proposed Staybridge Suites, Stow
Econo Lodge, Streetsboro
Holiday Inn Express, Sunbury
Comfort Inn, Toledo
Fairfield Inn & Suites by Marriott Toledo North, Toledo
Grand Plaza (Renaissance Conversion), Toledo
Hampton Inn & Suites Toledo/Westgate, Toledo
Proposed Courtyard, Toledo
Proposed Hotel, Toledo
Proposed Residence Inn, Toledo
Proposed University of Toledo Hotel, Toledo
Best Western Inn, Troy
Hampton Inn & Suites, West Chester
Proposed Hotel, Westerville
Proposed Hyatt Place, Westerville
Days Inn, Willoughby
Holiday Inn Columbus Worthington, Worthington
Holiday Inn, Youngstown
Proposed Wick Pollock Inn, Youngstown
Proposed Youngstown State University Hotel, Youngstown

OKLAHOMA
Microtel Inn, Idabel
Proposed SpringHill Suites, Oklahoma City

PENNSYLVANIA
Courtyard, Altoona
Holiday Inn, Beaver Falls
Avalon Hotel, Erie
Proposed Convention Hotel Update, Erie
Proposed Courtyard Update, Erie
Proposed Embassy Suites, Erie
Proposed Hotel, Erie
Proposed Limited-Service Hotel, Erie
Sheraton Erie Bayfront Hotel, Erie
TownePlace Suites, Harrisburg
Quality Inn, Hermitage
Proposed Homewood Suites, McCandless
Hampton Inn & Suites, Mercer
Courtyard by Marriott Shadyside, Pittsburgh
Proposed Embassy Suites, Pittsburgh
Wyndham Garden Hotel, Pittsburgh
SpringHill Suites by Marriott, Washington
Hilton Garden Inn, Wilkes-Barre
Proposed Hotel, Zelienople

RHODE ISLAND
La Quinta, Warwick

SOUTH CAROLINA
Comfort Suites, Columbia
Hampton Inn, Rock Hill
Value Place, Simpsonville

SOUTH DAKOTA
Proposed Splash Resort and Waterpark, Sioux Falls

TENNESSEE
Hampton Inn Knoxville Airport, Alcoa
Antioch Quarters Inn & Suites, Antioch
Comfort Inn, Hixson
Proposed Graduate Hotel, Nashville

TEXAS
Americas Best Value Inn, Abilene
Holiday Inn Hotel & Suites Houston West Westway Park, Houston
Proposed Kalahari Resort & Convention Center Round Rock, Round Rock
Hawthorn Suites, Wichita Falls

VIRGINIA
Best Western Rosslyn Iwo Jima, Arlington
Courtyard by Marriott, Charlottesville
Proposed Extended-Stay Hotel, Hopewell
Courtyard by Marriott, Lynchburg
Country Inn & Suites, Manassas
Fairfield Inn & Suites, Manassas
DoubleTree Airport, Richmond
Days Inn, Salem
Courtyard by Marriott North, Virginia Beach
Courtyard by Marriott South, Virginia Beach
Governors Inn, Williamsburg
Quality Inn, Williamsburg

Wedmore Place, Williamsburg
Proposed Holiday Inn, Wytheville

WASHINGTON
Proposed Hotel, Shelton

WEST VIRGINIA
Hampton Inn, Barboursville
Econo Lodge, Martinsburg
Microtel Inn and Suites by Wyndham, Triadelphia

WISCONSIN
Proposed Hotel, Fond du Lac
Proposed Embassy Suites Even, Madison
Fairfield Inn & Suites by Marriott Milwaukee Downtown, Milwaukee
Hampton Inn, Milwaukee
Hampton Inn Downtown, Milwaukee
Hilton Garden Inn Milwaukee Downtown, Milwaukee
Proposed Holiday Inn Express, Milwaukee
Proposed Hotel, Milwaukee
Proposed SpringHill Suites by Marriott, Milwaukee
SpringHill Suites Milwaukee Downtown, Milwaukee
Proposed Hotel, Mount Pleasant
Proposed Hotel, Oak Creek
Proposed Fairfield Inn & Suites, Pleasant Prairie
Radisson, Pleasant Prairie
Delta by Marriott (Conversion), Racine
Racine Architect Hotel & Conference Center, Racine
Proposed Dual-Choice Hotel, Sturtevant
Proposed Hyatt Place, Verona
Proposed Upscale Hotel, Waukegan
Proposed Renaissance, Wauwatosa
Proposed SpringHill Suites, Wauwatosa
Great Wolf Lodge, Wisconsin Dells
Wilderness Hotel & Resort, Wisconsin Dells

INTERNATIONAL

Mexico
Elan Resort & Spa, Cancun

State of Illinois

Department of Financial and Professional Regulation

Division of Real Estate

LICENSE NO.
553.002399

The person, firm, or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below:

EXPIRES:
09/30/2021

CERTIFIED GENERAL REAL ESTATE APPRAISER

STACEY E NADOLNY
205 W RANDOLPH ST STE 1650
CHICAGO, IL 60606

DEBORAH HAGAN
SECRETARY

MARIO TRETO, JR.
ACTING DIRECTOR

The official status of this license can be verified at www.idfpr.com

13839997

Cut on Dotted Line

For future reference, IDFPR is now providing each person/business a unique identification number, 'Access ID', which may be used in lieu of a social security number, date of birth or FEIN number when contacting the IDFPR. Your Access ID is: 3618243

LICENSE NO.
553.002399

Department of Financial and Professional Regulation
Division of Real Estate

CERTIFIED GENERAL REAL ESTATE APPRAISER

STACEY E NADOLNY

EXPIRES:
09/30/2021

DEBORAH HAGAN
SECRETARY

MARIO TRETO, JR.
ACTING DIRECTOR

The official status of this license can be verified at www.idfpr.com

Cut on Dotted Line