



DEMAND AND FEASIBILITY STUDY

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# Proposed Extended-Stay Hotel Lake Elsinore

LAKE ELSINORE, CALIFORNIA

**SUBMITTED TO:**

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October 7, 2024

Ms. Gina Gonzalez  
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Re: Proposed Extended-Stay Hotel Lake Elsinore  
Lake Elsinore, California  
HVS Reference: 2024021070

Dear Ms. Gonzalez:

Pursuant to your request, we herewith submit our demand and feasibility study pertaining to the above-captioned property. We have inspected the real estate and analyzed the hotel market conditions in the Lake Elsinore, California, 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. This report is not an appraisal but has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation and as applicable for this consulting assignment.

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



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# 1. Executive Summary

## Subject of the Demand and Feasibility Study

The subject of the demand and feasibility study is a site that is planned to be improved with an extended-stay lodging facility; we recommend that the proposed subject hotel operate as an extended-stay hotel. The property, which is forecast to open on January 1, 2028, should feature 120 rooms, a breakfast dining area, 1,000 square feet of meeting space, an outdoor pool, an outdoor whirlpool, a fitness room, a lobby workstation, a market pantry, and a guest laundry area. The hotel should also contain the appropriate parking capacity as needed and all necessary back-of-the-house space.

We have projected the feasibility of an extended-stay hotel. Based on our understanding of local hotel performance, brand availability, and profitability of various product types, we recommend the proposed property operate as an extended-stay hotel. We note that plans were not provided for this feasibility assignment; thus, the descriptions in this section are largely based on our recommendations.

The subject site's location is expected to be located in Lake Elsinore, California.

## Feasibility Conclusion

The conclusion of this analysis indicates that the property would yield an internal rate of return of 11.7% on an initial development cost of \$26,780,000. Additionally, the property would achieve an internal rate of return of 18.0% over a ten-year holding period, based on the equity component's initial investment of \$9,373,000. The investor surveys indicate equity yield rates ranging from 14.2% to 19.1%, with an average of 17.2% for extended-stay hotels. Based on these parameters, the calculated return of 18% falls within the range of the illustrated returns. Return requirements vary based on an individual investor's circumstances, including the cost and availability of both debt and equity capital. This analysis is intended to provide information to assist the developer in evaluating the feasibility of the proposed project.

## Pertinent Dates

The date of the report is October 3, 2024. The subject site was inspected by Aidan Martin on August 7, 2024. The property is expected to open on January 1, 2028.

## Management and Franchise Assumptions

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 professional hotel-operating companies, with fees deducted at rates consistent with current market standards. Our projections reflect a total management fee of 3.0% of total revenues.

Per the client's request, we have projected the feasibility of an extended-stay hotel. We recommend that the proposed subject hotel operate as an extended-stay lodging facility. Although a specific franchise affiliation and/or brand has yet to be finalized, based upon a review of several published franchise fees for brands that fall within the recommended product tiers, we have selected a total franchise fee of 9.0% of rooms revenue in order to estimate the cost of a national brand.

### 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*,<sup>1</sup> *Hotels, Motels and Restaurants: Valuations and Market Studies*,<sup>2</sup> *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*,<sup>3</sup> *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*,<sup>4</sup> and *Hotels and Motels – Valuations and Market Studies*.<sup>5</sup>

1. All information was collected and analyzed by the staff of TS Worldwide, LLC. Information was supplied by the client and/or the property's development team.
2. The subject 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 hospitality-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,

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

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

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

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

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

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 (USALI) sets forth the anticipated economic benefits of the proposed subject property.
9. A feasibility analysis is performed, in which the total property yield that the project would generate is compared to the total property yields indicated by market surveys.

## 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.

This site is expected to be located in the city of Lake Elsinore, California.

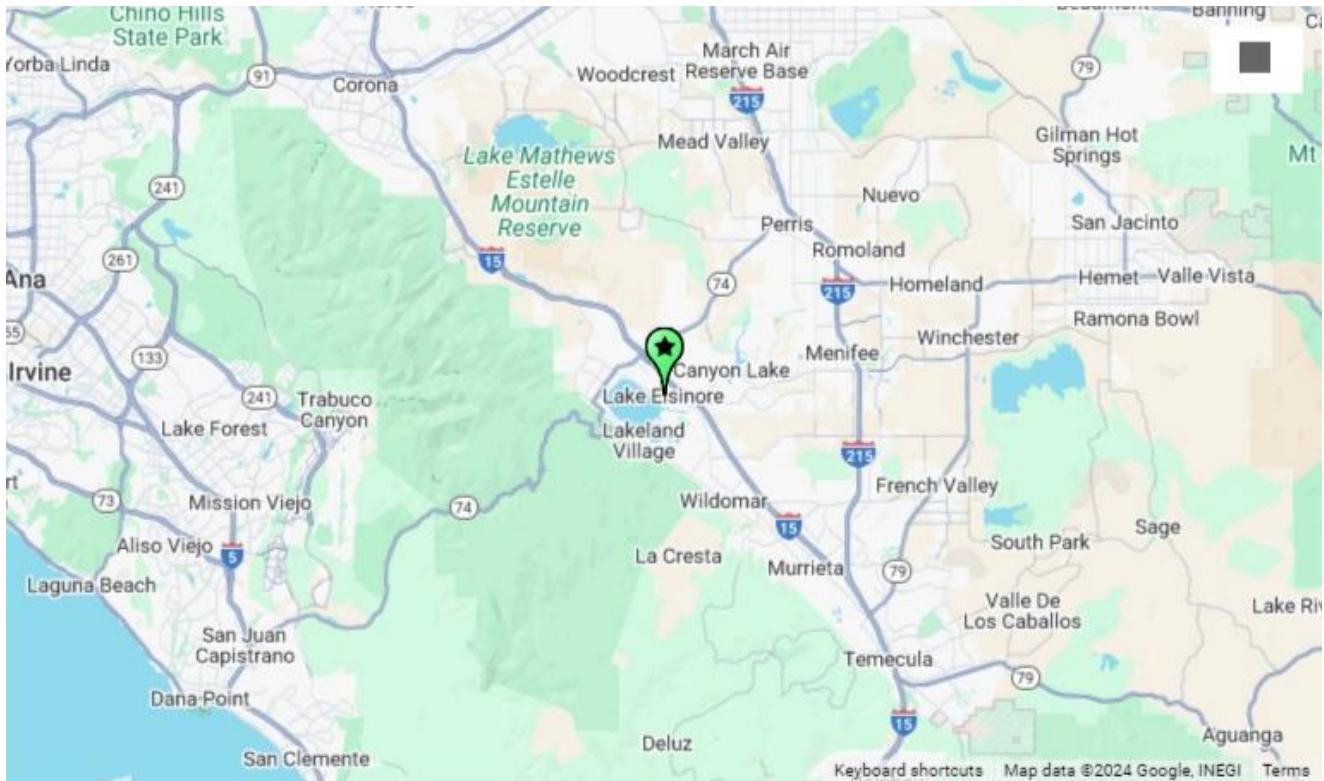
### **Topography and Site Utility**

We assume that the topography of the chosen site would be generally flat and that its shape should permit efficient use of the site for the building and other improvements, as well as ingress and egress. The size and configuration of the site should be sufficient to accommodate the proposed improvements.

### **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



This market is served by a variety of major routes, including interstates and highways, as illustrated on the map. Regional access to/from the city of Lake Elsinore is considered very good.

Details pertaining to the site's location were not provided, as this report is intended to evaluate market demand and test the feasibility of an extended-stay hotel. Therefore, we are unable to analyze the location factors. In general, the proposed subject hotel would be anticipated to have adequate signage at the street, as well as on its façade. We would expect the subject site to benefit from very good accessibility, and the proposed hotel is expected to enjoy favorable visibility within its local neighborhood.

### Airport Access

The proposed subject hotel will be served by the Ontario International Airport, located approximately 30 miles northwest of Lake Elsinore.

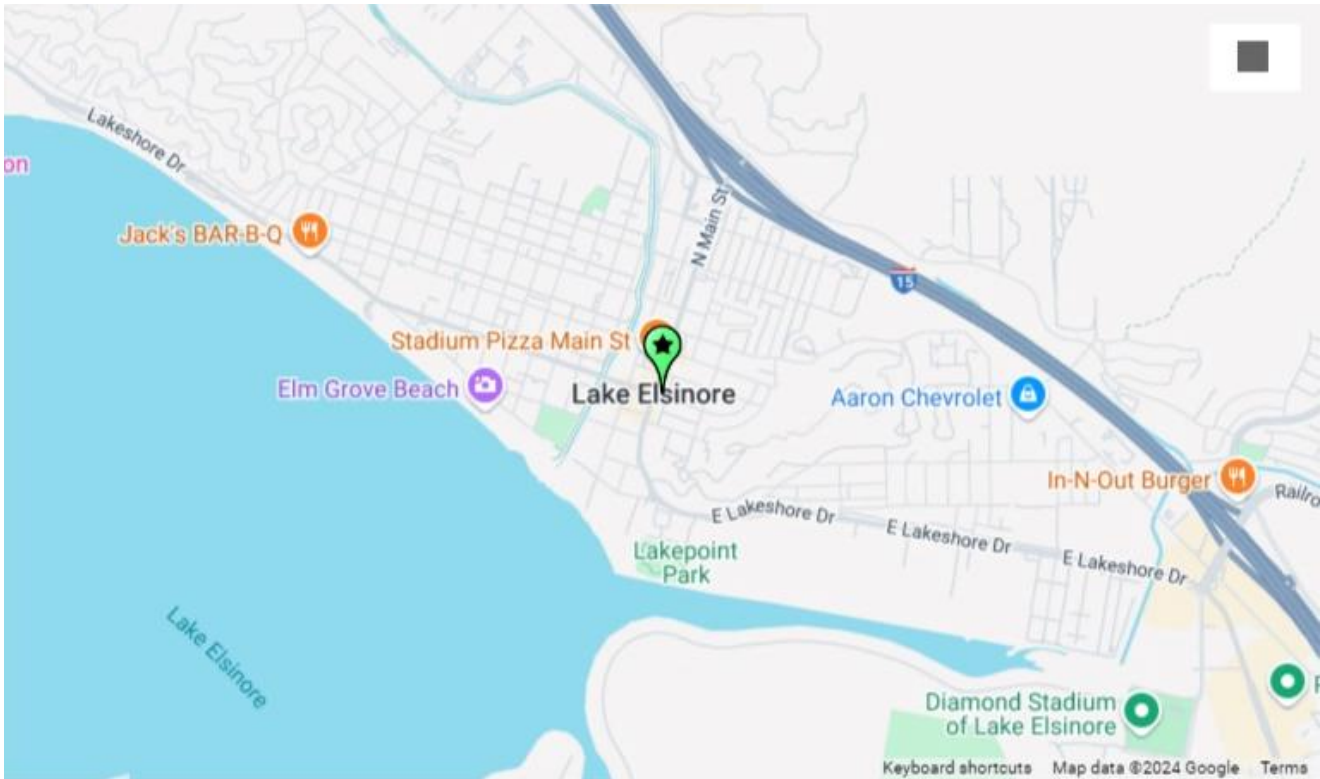


## Neighborhood

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.

As no site has been chosen for the proposed subject hotel, we have considered the city of Lake Elsinore as the neighborhood for the purpose of our analysis. In general, Lake Elsinore is characterized by a mix of recreational attractions, retail centers, and residential neighborhoods. The city is well-known for its namesake lake, a popular destination for boating, fishing, and other outdoor activities. Some specific businesses and entities in the area include the Lake Elsinore Storm Baseball Stadium, the Lake Elsinore Outlet Mall, and Launch Pointe, a recreation destination for camping and RVs. Popular hotels in the city include the Best Western Plus Lake Elsinore Inn & Suites and Holiday Inn Express & Suites Lake Elsinore. Popular restaurants include Jack's BBQ Shack, Guadalajara Mexican Grill & Cantina, and Vincenzo's Olive Tree. The abundance of restaurants in the area is considered supportive of the operation of an extended-stay lodging property. In general, this city is in the growth stage of its life cycle. The Lake Elsinore Downtown Master Plan focuses on reconnecting the city to its lakefront by redeveloping Main Street and Lakeshore Drive. The plan includes five distinct districts (Gateway, Garden, Cultural, Historic, and Waterfront), featuring mixed-use developments, retail spaces, and a new City Hall. The waterfront area will have new amenities, such as a pier with a resort hotel, shops, restaurants, and public spaces like parks and boardwalks. However, a timeline has yet to be announced.

## MAP OF NEIGHBORHOOD



### Utilities

The subject site is assumed to be served by all necessary utilities.

### Zoning

As no site has been chosen for the proposed subject hotel, zoning details are not available

We assume that all necessary permits and approvals will be secured (including the appropriate liquor license as applicable) and that the subject property will be constructed in accordance with local zoning ordinances, building codes, and all other applicable regulations.

### Conclusion

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities. In general, the site should be well suited for future hotel use, with acceptable access, visibility, and topography for an effective operation.

### 3. 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 Extended-Stay Hotel Lake Elsinore will be an extended-stay lodging facility containing 120 rentable units. The property, expected to be four or five stories, is planned to open on January 1, 2028. We have projected the feasibility of an extended-stay hotel. Based on our understanding of local hotel performance, brand availability, and profitability of various product types, we recommend the proposed property operate as an extended-stay hotel. We note that plans were not provided for this feasibility assignment; thus, the descriptions in this section are largely based on our recommendations.

#### **Summary of the Facilities**

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

**FIGURE 3-1 PROPOSED FACILITIES SUMMARY**

<b>Guestroom Configuration</b>		<b>Number of Units</b>
Queen/Queen Suite		70
King Suite		50
Total		120
<b>Food &amp; Beverage Facilities</b>		<b>Seating Capacity</b>
Breakfast Dining Area		As Needed
<b>Indoor Meeting &amp; Banquet Facilities</b>		<b>Square Footage</b>
Meeting Room		1,000
<b>Amenities &amp; Services</b>		
Outdoor Swimming Pool		Lobby Workstation
Outdoor Whirlpool		Market Pantry
Fitness Room		Guest Laundry Area
<b>Infrastructure</b>		
Parking Spaces		TBD
Elevators		2 Guest, 1 Service
Life-Safety Systems		Sprinklers, Smoke Detectors
Construction Details		Wood Framing, Poured Concrete

The proposed extended-stay hotel is expected to occupy one building, likely four or five stories in height. Surface parking should be located around the building. Other site improvements would be anticipated to include freestanding signage, located at the main entrance to the site, as well as landscaping and sidewalks. Additional signage should be placed high on the exterior of the building. It is recommended that the hotel's main entrance lead directly into the lobby; moreover, floor-to-ceiling windows on the south side of the lobby would enhance the guest experience. The first (ground) floor should house the public areas and the back-of-the-house space, while the guestrooms should be located on all floors. The site and building components would be expected to be normal for an upscale, extended-stay hotel, meeting the standards for this Lake Elsinore market.

**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 the hotel will require ongoing upgrades and periodic renovations after its opening 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 hotel staff employs a successful, ongoing preventive-maintenance program.

### Construction Cost Estimate

The proposed subject property is in early development stages. We have estimated construction costs utilizing construction budgets of four recently-built extended-stay hotels situated in California’s secondary markets. Considering the outcomes of our research, as well as an adjustment for inflation, the following illustrates the estimated construction costs for the proposed hotel:

**FIGURE 3-2 COMPARABLE DEVELOPMENT COSTS**

Item	Comp #1		Comp #2		Comp #3		Comp #4	
	Secondary, CA		Secondary, CA		Secondary, CA		Secondary, CA	
	Extended Stay Midscale		Extended Stay Midscale		Extended Stay Midscale		Extended Stay Midscale	
	Approx. 120 Rooms		Approx. 180 Rooms		Approx. 100 Rooms		Approx. 120 Rooms	
	Per Room	% of Total	Per Room	% of Total	Per Room	% of Total	Per Room	% of Total
Building	\$171,846	73.0 %	\$131,169	74.8 %	\$91,740	65.6 %	\$130,062	72.9 %
Soft Costs	32,398	13.8	22,430	12.8	26,581	19.0	27,222	15.2
Furniture, Fixtures, & Equipment	15,992	6.8	15,000	8.6	15,000	10.7	13,000	7.3
Pre-Opening Costs & Working Capital	5,815	2.5	2,660	1.5	4,082	2.9	0	0.0
Developer Fee (if Applicable)	9,244	3.9	4,000	2.3	2,551	1.8	8,222	4.6
<b>Total (Excluding Site Cost)</b>	<b>\$235,294</b>	<b>90.3 %</b>	<b>\$175,259</b>	<b>94.3 %</b>	<b>\$139,954</b>	<b>83.3 %</b>	<b>\$178,506</b>	<b>92.7 %</b>
Site Cost	\$25,210	9.7 %	\$10,497	5.7 %	\$28,061	16.7 %	\$14,083	7.3 %
<b>Total (Including Site Cost)</b>	<b>\$260,504</b>	<b>100.0 %</b>	<b>\$185,756</b>	<b>100.0 %</b>	<b>\$168,015</b>	<b>100.0 %</b>	<b>\$192,589</b>	<b>100.0 %</b>

**FIGURE 3-3 COMPARABLE DEVELOPMENT INFLATION ADJUSTED**

Item	Minimum		Maximum		Average		Average (Inflation Adjusted)		Subject Property	
	Per Room	% of Total	Per Room	% of Total	Per Room	% of Total	Per Room	% of Total	Per Room	% of Total
Building	\$91,740	65.6 %	\$171,846	74.8 %	\$131,204	71.6 %	\$140,389	63.8 %	\$145,000	66.8 %
Soft Costs	22,430	12.8	32,398	19.0	27,158	15.2	29,059	13.2	29,000	13.4
Furniture, Fixtures, & Equipment	13,000	6.8	15,992	10.7	14,748	8.3	15,780	7.2	17,000	7.8
Pre-Opening Costs & Working Capital	0	0.0	5,815	2.9	3,139	2.3	3,359	1.5	3,300	1.5
Developer Fee (if Applicable)	2,551	1.8	9,244	4.6	6,004	3.2	6,424	2.9	4,400	2.0
<b>Total (Excluding Site Cost)</b>	<b>\$139,954</b>		<b>\$235,294</b>		<b>\$182,253</b>		<b>199,153</b>		<b>\$198,700</b>	
Site Cost	\$10,497	5.7 %	\$28,061	16.7 %	19,463	9.8 %	20,825	10.5 %	\$18,333	9.2 %
<b>Total (Including Site Cost)</b>	<b>\$150,451</b>		<b>\$263,355</b>		<b>\$201,716</b>		<b>\$219,978</b>		<b>\$217,033</b>	

**FIGURE 3-4 HVS DEVELOPMENT COST ESTIMATE**

<b>Item</b>	<b>Cost per Room</b>	<b>Cost</b>
Building	\$145,000	\$17,400,000
Soft Costs	29,000	3,480,000
Furniture, Fixtures, & Equipment	17,000	2,040,000
Pre-Opening Costs & Working Capital	3,300	396,000
Developer Fee (if Applicable)	4,400	528,000
Land	18,333	2,200,000
<b>Total Cost New Estimate (Rounded)</b>	<b>\$217,000</b>	<b>\$26,000,000</b>

**Conclusion**

Overall, the proposed subject property 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.

## 4. 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).

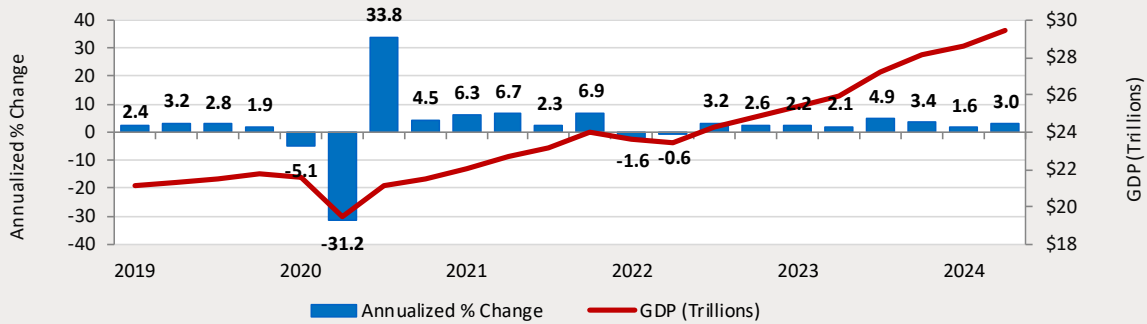
### National Economic Overview

The local market and economy are influenced by national trends; thus, consideration of these trends is an important premise to this market-area analysis. The U.S. economy was severely affected by the COVID-19 pandemic, as illustrated in the following discussion. The onset of the pandemic resulted in decreased business activity, causing widespread economic hardships, including higher levels of unemployment. The depth and duration of this impact was influenced by the course of the pandemic and the nature and extent of restrictions on business and travel activity; the period of greatest impact was 2020. By all measures, the national economy has recovered from this downturn, having recorded notable subsequent growth, while some select markets and sectors have recorded slower growth and are continuing to recover.

Gross Domestic Product (GDP) is a key measure of a country's economic health and trends. Research has also identified a high degree of correlation between GDP and lodging demand. For the eight quarters leading up to 2020, GDP quarterly growth ranged between 0.9% and 3.8%, reflecting moderate economic expansion. The impact of the pandemic was considerable in 2020. As shutdowns halted major components of the U.S. economy from mid-March through May, GDP contracted by an annualized rate of 31.2% in the second quarter of 2020, the largest such decline in U.S. history. While shocking, this GDP decline was offset by a significant rebound in economic activity in the third quarter of 2020, greatly moderating the overall impact for the year. The U.S. economy grew by 33.8% on an annualized basis in the third quarter, followed by more modest gains in the five quarters that followed through the end of 2021, with GDP having surpassed the pre-pandemic peak by the first quarter of 2021. A pullback during the first half of 2022 was driven by the trade

deficit and decreases in government spending and inventory investment, although the decline was offset by gains during the second half of the year.

**FIGURE 4-1 UNITED STATES GDP GROWTH RATE**



Sources: tradingeconomics.com, Bureau of Economic Analysis

The positive trend continued through 2023, registering a 2.5% increase for the year, with 1.6% and 3.0% increases recorded in the first and second quarters of 2024, respectively. According to the July 25, 2024, report from the Bureau of Economic Analysis, "The increase in consumer spending reflected increases in both services and goods. Within services, the leading contributors were health care, housing and utilities, and recreation services. Within goods, the leading contributors were motor vehicles and parts, recreational goods and vehicles, furnishings and durable household equipment, and gasoline and other energy goods. The increase in private inventory investment primarily reflected increases in wholesale trade and retail trade industries that were partly offset by a decrease in mining, utilities, and construction industries. Within nonresidential fixed investment, increases in equipment and intellectual property products were partly offset by a decrease in structures." Despite this favorable economic news, transaction activity has been curtailed by high borrowing costs and stricter lending requirements. While the possibility of the economy slowing in the near term remains a concern, the long-term outlook for the industry is optimistic.

The Wall Street Journal (WSJ) publishes an economy forecasting survey each quarter. Per the latest survey, economists are optimistic that the United States will avoid a recession, reporting an average 28.0% probability that the country would experience a recession during the next twelve months (54.0% was the average probability level for the same question in July 2023). The economy has continued to perform well, despite the aggressive Fed rate increases of 2022 and 2023. Key averages from the latest release are illustrated in the following table.



**FIGURE 4-2 GDP, CPI, AND UNEMPLOYMENT PREDICTIONS**

<b>Real GDP, Quarterly Annualized Growth Rate</b>	
3rd Quarter 2024	1.56 %
4th Quarter 2024	1.47
1st Quarter 2025	1.73
2nd Quarter 2025	1.90
<b>Real GDP, Year-Over-Year Growth Rate</b>	
2024	1.66 %
2025	1.90
2026	2.05
<b>CPI, Year-Over-Year Change</b>	
December 2024	2.83 %
June 2025	2.35
December 2025	2.31
June 2026	2.27
<b>Unemployment, Annual Level</b>	
December 2024	4.18 %
June 2025	4.25
December 2025	4.20
June 2026	4.15

Source: Wall Street Journal Economic Forecasting Survey, July 2024

Driven by supply-chain disruptions and pent-up consumer demand, prices for most goods and services increased substantially in the wake of the pandemic; the CPI increased by 7.0% in 2021 and 6.5% in 2022. The Federal Reserve (Fed) has addressed inflation through successive interest-rate hikes (seven in 2022, and another four in 2023), and the pace of inflation decelerated, falling to the low 3.0% range by the end of 2023. While inflation had increased to 3.5% by March 2024, inflation had once again cooled to the 3.0% mark as of June 2024. On September 18, 2024, the Fed cut the federal funds rate for the first time since the COVID-19 pandemic, acknowledging the positive economic data and lower inflation in recent months. Prior to the September meeting, the Fed target rate was between 5.25% and 5.5%, and most economists were optimistic of a 25-to-50-basis-point cut at the September meeting. The Fed rate was ultimately cut by 50 basis points, reflecting a new target rate of 4.75% to 5.0%. The impact of the rate cut is yet to be realized but should have a positive effect on financial markets.

The recent successive increases in GDP, lower inflation levels, recent cut to the Fed rate, and continued strong job growth paint a positive picture of the U.S. economy, but ongoing international conflicts, the pending election, and uneven economic metrics have resulted in a lack of overall clarity. The specter of a recession remains, although diminished from peak concerns that characterized most of 2023.

In the WSJ survey, economists predict payrolls to continue to improve by 130,000 on a monthly average during the next four quarters. Unemployment levels are expected to remain relatively stable, at just over the 4.0% mark. The economists also opined on potential changes in metrics based on the election outcome. Most believe that inflation could increase under a Republican administration. However, the WSJ reported that administration's influence over the economy is nevertheless limited, and more important factors are the business cycle, external shocks (such as the price of oil), and the Fed's interest rate policy. Accordingly, economists surveyed expect inflation to ease to 2.8% by December and 2.3% by the end of next year.

Within the hospitality industry, labor availability and costs remain a concern for hotel operators, although these issues have diminished somewhat since the height of the pandemic. Inflation benefited the industry by supporting strong ADR growth in most markets but also resulted in increased expenses, which put pressure on profitability. While inflation remains somewhat elevated over the Fed's target of 2.0%, the declines noted in recent months are a positive factor. Lastly, the positive news regarding recent 2024 GDP growth and the resilience of the economy as a whole should support continued growth in lodging demand, particularly in the commercial and group segments.

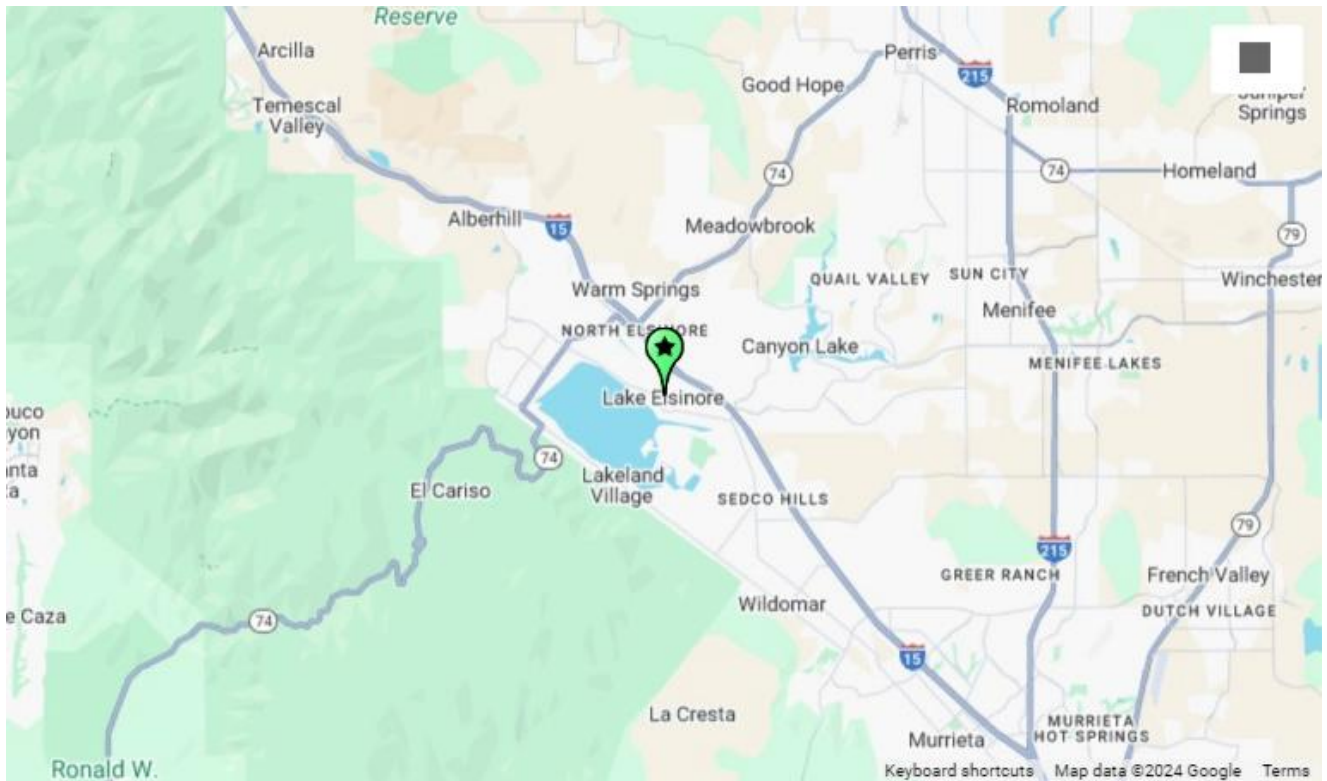
In preparing this report, we have considered the impact of these factors on the lodging and investment markets to the best of our ability. However, our analysis only considers what is known at the time of the effective date of the report, and there is a high degree of uncertainty currently influencing the market and the economy.

### **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 Lake Elsinore, the county of Riverside, and the state of California.

The subject property's market area can be defined by its Combined Statistical Area (CSA): Los Angeles-Long Beach, CA. 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 4-3 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY**

	2010	2020	2023	2028	Avg. Annual Compounded Chg.		
					2010-20	2010-23	2023-28
<b>Resident Population (Thousands)</b>							
Riverside County	2,200.2	2,423.0	2,492.4	2,710.8	1.0 %	1.0 %	1.7 %
Riverside-San Bernardino-Ontario, CA MSA	4,241.1	4,606.4	4,688.1	5,017.5	0.8	0.8	1.4
Los Angeles-Long Beach, CA CSA	17,906.4	18,628.3	18,316.7	18,941.1	0.4	0.2	0.7
State of California	37,322.9	39,503.2	38,965.2	40,418.3	0.6	0.3	0.7
United States	309,382.3	331,526.9	334,914.9	346,327.0	0.7	0.6	0.7
<b>Per-Capita Personal Income*</b>							
Riverside County	\$34,214	\$46,125	\$45,325	\$48,270	3.0	2.2	1.3
Riverside-San Bernardino-Ontario, CA MSA	33,397	45,084	44,992	47,860	3.0	2.3	1.2
Los Angeles-Long Beach, CA CSA	45,239	60,996	62,620	67,373	3.0	2.5	1.5
State of California	47,658	66,955	68,876	73,854	3.5	2.9	1.4
United States	44,807	56,530	58,292	62,852	2.4	2.0	1.5
<b>W&amp;P Wealth Index</b>							
Riverside County	79.1	81.1	78.3	77.7	0.3	(0.1)	(0.2)
Riverside-San Bernardino-Ontario, CA MSA	76.6	78.7	77.1	76.3	0.3	0.1	(0.2)
Los Angeles-Long Beach, CA CSA	101.3	105.5	106.2	106.0	0.4	0.4	(0.0)
State of California	106.3	115.3	116.2	115.6	0.8	0.7	(0.1)
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
<b>Food and Beverage Sales (Millions)*</b>							
Riverside County	\$2,842	\$3,712	\$5,571	\$5,648	2.7	5.3	0.3
Riverside-San Bernardino-Ontario, CA MSA	5,423	6,858	10,130	10,097	2.4	4.9	(0.1)
Los Angeles-Long Beach, CA CSA	31,735	40,575	57,420	55,379	2.5	4.7	(0.7)
State of California	65,211	83,734	118,843	115,080	2.5	4.7	(0.6)
United States	502,827	611,998	889,926	859,598	2.0	4.5	(0.7)
<b>Total Retail Sales (Millions)*</b>							
Riverside County	\$27,838	\$37,707	\$44,950	\$51,286	3.1	3.8	2.7
Riverside-San Bernardino-Ontario, CA MSA	53,905	75,245	88,680	99,499	3.4	3.9	2.3
Los Angeles-Long Beach, CA CSA	257,633	332,363	378,538	410,360	2.6	3.0	1.6
State of California	539,665	705,532	803,481	874,011	2.7	3.1	1.7
United States	4,638,710	5,826,739	6,749,686	7,329,239	2.3	2.9	1.7
* Inflation Adjusted							

Source: Woods & Poole Economics, Inc.

The U.S. population grew at an average annual compounded rate of 0.6% from 2010 through 2023. The county's population has increased at a quicker pace than the nation's population; the average annual growth rate of 1.0% between 2010 and 2023 reflects a gradually expanding area. Per-capita personal income increased modestly, at 2.2% on average annually for the county between 2010 and 2023. Local wealth indexes have remained stable in recent years, registering a low 78.3 level for the county in 2023.

Food and beverage sales totaled \$5,571 million in the county in 2023, versus \$2,842 million in 2010. This reflects a 5.3% average annual change. The pace of growth is anticipated to be 0.3% through 2028. The retail sales sector demonstrated an annual increase of 3.8% from 2010 to 2023. An increase of 2.7% average annual change is expected in county retail sales through 2028.

### 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 2010, 2020, and 2023, as well as a forecast for 2028.

**FIGURE 4-4 HISTORICAL AND PROJECTED EMPLOYMENT (000S)**

Industry	2010	Percent of Total	2020	Percent of Total	2023	Percent of Total	2028	Percent of Total	Avg. Annual Compounded Chg.		
									2010-2020	2020-2023	2023-2028
Farm	7.5	0.9 %	8.0	0.7 %	7.1	0.6 %	6.7	0.5 %	0.6 %	(4.0) %	(1.1) %
Forestry, Fishing, Related Activities And Other	7.6	0.9	6.6	0.6	6.8	0.6	6.5	0.5	(1.3)	0.9	(0.8)
Mining	2.0	0.2	1.8	0.2	1.7	0.1	1.7	0.1	(0.9)	(2.3)	(0.1)
Utilities	1.8	0.2	1.8	0.2	1.9	0.2	1.9	0.1	0.1	1.6	0.2
Construction	55.7	6.9	93.3	8.7	100.5	8.2	103.6	7.7	5.3	2.5	0.6
Manufacturing	41.8	5.2	48.9	4.5	51.0	4.2	51.1	3.8	1.6	1.4	0.0
Total Trade	124.7	15.5	145.8	13.5	160.5	13.1	167.2	12.4	1.6	3.3	0.8
Wholesale Trade	24.8	3.1	31.2	2.9	35.2	2.9	38.1	2.8	2.3	4.1	1.6
Retail Trade	99.9	12.4	114.6	10.6	125.4	10.2	129.1	9.6	1.4	3.0	0.6
Transportation And Warehousing	26.5	3.3	92.9	8.6	117.0	9.6	127.3	9.4	13.4	8.0	1.7
Information	13.0	1.6	8.2	0.8	10.0	0.8	10.3	0.8	(4.5)	6.8	0.7
Finance And Insurance	31.1	3.9	41.3	3.8	49.6	4.1	54.1	4.0	2.9	6.3	1.8
Real Estate And Rental And Lease	45.3	5.6	51.5	4.8	64.9	5.3	77.7	5.7	1.3	8.0	3.6
Total Services	323.5	40.1	443.8	41.2	515.5	42.1	599.3	44.4	3.2	5.1	3.1
Professional And Technical Services	40.5	5.0	50.7	4.7	56.8	4.6	61.6	4.6	2.3	3.9	1.6
Management Of Companies And Enterprises	3.4	0.4	4.2	0.4	4.7	0.4	4.6	0.3	2.2	3.8	(0.6)
Administrative And Waste Services	59.0	7.3	80.5	7.5	89.2	7.3	106.5	7.9	3.2	3.4	3.6
Educational Services	10.6	1.3	13.7	1.3	16.1	1.3	19.7	1.5	2.6	5.4	4.2
Health Care And Social Assistance	71.7	8.9	126.1	11.7	142.6	11.7	174.2	12.9	5.8	4.2	4.1
Arts, Entertainment, And Recreation	18.9	2.3	20.2	1.9	24.5	2.0	27.5	2.0	0.7	6.6	2.3
Accommodation And Food Services	64.1	7.9	77.2	7.2	101.7	8.3	117.7	8.7	1.9	9.6	3.0
Other Services, Except Public Administration	55.3	6.9	71.1	6.6	79.9	6.5	87.5	6.5	2.5	4.0	1.9
Total Government	126.5	15.7	132.5	12.3	137.2	11.2	143.7	10.6	0.5	1.2	0.9
Federal Civilian Government	7.7	1.0	7.8	0.7	7.7	0.6	8.0	0.6	0.2	(0.6)	0.7
Federal Military	3.7	0.5	4.0	0.4	3.9	0.3	3.9	0.3	0.8	(0.4)	(0.3)
State And Local Government	115.2	14.3	120.7	11.2	125.6	10.3	131.9	9.8	0.5	1.3	1.0
TOTAL	807.0	100.0 %	1,076.3	100.0 %	1,223.6	100.0 %	1,351.2	100.0 %	2.9 %	4.4 %	2.0 %
MSA	1,638.8	—	2,150.1	—	2,435.2	—	2,646.3	—	2.8 %	4.2 %	1.7 %
U.S.	172,901.7	—	195,286.6	—	216,167.4	—	230,072.0	—	1.2	3.4	1.3

Source: Woods & Poole Economics, Inc.

The preceding data illustrate the long-term employment trends in this market, including the recent impact of the pandemic and the subsequent recovery. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 2.0% on average annually through 2028. The trend is above the forecast rate of change for the United States as a whole during the same period.

**Radial Demographic  
Snapshot**

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

**FIGURE 4-5 DEMOGRAPHICS BY RADIUS**

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
<b>Population</b>			
2029 Projection	8,931	50,698	116,527
2024 Estimate	8,372	47,877	110,364
2020 Census	7,960	45,852	106,044
Percent Change: 2024 to 2029	6.7%	5.9%	5.6%
Percent Change: 2020 to 2024	5.2%	4.4%	4.1%
<b>Households</b>			
2029 Projection	2,571	15,525	35,405
2024 Estimate	2,413	14,617	33,539
2020 Census	2,318	13,983	32,306
Percent Change: 2024 to 2029	6.6%	6.2%	5.6%
Percent Change: 2020 to 2024	4.1%	4.5%	3.8%
<b>Income</b>			
2024 Est. Average Household Income	\$78,963	\$98,714	\$112,580
2024 Est. Median Household Income	56,986	74,287	87,838
<b>2024 Est. Civ. Employed Pop 16+ by Occupation</b>			
Architecture/Engineering	61	584	1,065
Arts/Design/Entertainment/Sports/Media	92	394	909
Building/Grounds Cleaning/Maintenance	287	1,305	2,386
Business/Financial Operations	155	966	2,161
Community/Social Services	32	378	679
Computer/Mathematical	116	444	919
Construction/Extraction	425	2,014	4,446
Education/Training/Library	227	902	2,567
Farming/Fishing/Forestry	3	92	194
Food Preparation/Serving Related	279	1,521	3,187
Healthcare Practitioner/Technician	135	1,231	2,796
Healthcare Support	67	763	1,844
Installation/Maintenance/Repair	62	537	1,394
Legal	0	25	213
Life/Physical/Social Science	38	103	305
Management	209	1,750	4,568
Office/Administrative Support	443	2,486	5,881
Production	259	1,120	2,765
Protective Services	47	393	1,203
Sales/Related	368	2,053	5,096
Personal Care/Service	36	386	907
Transportation/Material Moving	379	1,622	4,104

Source: Environics Analytics



**Unemployment Statistics**

This source reports a population of 110,364 and 33,539 households within a five-mile radius of the subject site. The average household income within this radius is reported at \$112,580, while the median is \$87,838.

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

**FIGURE 4-6 UNEMPLOYMENT STATISTICS**

Year	City	MSA	State	U.S.
2014	8.7 %	8.1 %	7.5 %	6.2 %
2015	7.1	6.6	6.2	5.3
2016	5.7	6.0	5.5	4.9
2017	4.8	5.1	4.8	4.4
2018	4.1	4.3	4.3	3.9
2019	3.9	4.0	4.0	3.7
2020	10.7	9.9	10.1	8.1
2021	7.6	7.4	7.3	5.4
2022	4.3	4.2	4.3	3.6
2023	4.9	4.7	4.8	3.6
<i>Recent Month - Jun</i>				
2023	4.8 %	4.8 %	4.7 %	3.6 %
2024	5.6	5.3	5.3	4.1

Source: U.S. Bureau of Labor Statistics

Prior to the pandemic, U.S. unemployment levels were firmly below the 4.6% level recorded in 2006 and 2007, the peak years of the economic cycle prior to the Great Recession. The unemployment rate for February 2020 was 3.5%. The unemployment rate had remained in the 3.5% to 3.7% range since April 2019, reflecting a trend of stability and strength. However, in April 2020, unemployment rose to 14.7%, and employment dropped by 20.7 million because of the pandemic. Steady gains in employment have been registered since that time, although having slowed as of the summer of 2024; most recently, the national unemployment rate was 4.2% in August 2024. Rises in employment of 118,000, 89,000, and 142,000 people were registered in June, July, and August, respectively. In August, the most significant gains were reported in the health care and construction sectors.

Locally, the unemployment rate was 4.9% in 2023; for this same area in 2024, the most recent month’s unemployment rate was registered at 5.6%, versus 4.8% for

**Major Business and Industry**

the same month in 2023. As illustrated in the foregoing table, unemployment declined in 2015, and this positive trend generally continued through 2019. Economic development officials noted that local employment last decade was largely supported by key industries and sectors such as health care, retail, and tourism. In the Lake Elsinore area, employment was bolstered by major regional employers such as Temecula Valley Hospital, Abbott Laboratories, and the thriving tourism sectors in nearby Temecula and Murrieta, particularly in the wine country and casino industries. Unemployment data from 2020 illustrate a sharp increase given the effects of the COVID-19 pandemic and related global economic crisis, which included massive furloughs/layoffs. Unemployment declined in 2021 and 2022 as the economy began to rebound. However, the uptick in the 2023 and year-to-date 2024 unemployment rate is attributed to the large number of workers entering or re-entering the workforce, which outpaced the strong hiring trends. Additionally, rising housing costs in surrounding areas, such as Murrieta and Temecula, have led to economic pressures on local businesses and residents, further contributing to employment volatility.

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

**FIGURE 4-7 MAJOR EMPLOYERS**

Rank	Employer	Number of Employees
1	Lake Elsinore Unified School District	2,541
2	M & M Framing	471
3	Stater Bros.	353
4	Costco Wholesale	306
5	Walmart Supercenter	295
6	Lake Elsinore Hotel & Casino	243
7	Riverside County - Department of Public Social Services	224
8	Elsinore Valley Municipal Water District	169
9	The Home Depot	160
10	City of Lake Elsinore	159

Source: City of Lake Elsinore Annual Comprehensive Financial Report, 2023

Retail is one of the major industries in Lake Elsinore. The Lake Elsinore Outlets, one of the first outlet shopping malls in California, is a significant employment center in

the city. Lake Elsinore is strategically located near Temecula, a major tourist destination in Riverside County, which is home to more than 40 wineries and thousands of acres of vineyards. Temecula's wine country continues to thrive, drawing visitors to Old Town Temecula's tasting rooms and cultural experiences. Additionally, Pechanga Resort & Casino in Temecula is the largest casino in California, with 5,000 slot machines and over 200,000 square feet of gaming space after several expansions. Lake Elsinore has its own gaming establishment, the Lake Elsinore Casino, which provides a more local gaming experience with card rooms, dining, and entertainment options. The Lake Elsinore, Murrieta, and Temecula region is recognized for its rapid residential growth and relative affordability compared to coastal regions. Lake Elsinore itself has seen exponential population growth, more than doubling over the last decade, reaching approximately 73,000 residents in 2023. The city is investing heavily in infrastructure projects, such as new freeway interchanges and downtown revitalization efforts, which are expected to attract more businesses and visitors. The city's profile and the diversity of the economy, as well as recent trends and developments, support a positive outlook.

### Office Space Statistics

Trends in occupied office space are typically among the most reliable indicators of lodging demand, as firms that occupy office space often exhibit a strong propensity to attract commercial visitors. Thus, trends that cause changes in vacancy rates or occupied office space may have a proportional impact on commercial lodging demand and a less direct effect on meeting demand. The following table details office space statistics for the pertinent market area.

### Airport Traffic

Airport passenger counts are important indicators of lodging demand. Depending on the type of service provided by a particular airfield, a sizable percentage of arriving passengers may require hotel accommodations. Trends showing changes in passenger counts also reflect local business activity and the overall economic health of the area.

The Ontario International Airport (ONT) is located in Ontario, California. This three-terminal facility is the only major commercial airport to serve the growing Inland Empire region of California. The airport is located 46 miles east of Downtown Los Angeles and serves as the West Coast air-and-truck hub for UPS, as well as being a major distribution point for FedEx. In 2018, the airport launched direct flights to Asia, with the first flight occurring on March 25, 2018, and landing in Taiwan. ONT was the first airport in Southern California other than LAX to offer a transpacific flight. While these flights were suspended in March 2020 due to the COVID-19 pandemic, service resumed mid-year 2021. The airport has also expanded its other international offerings. Avianca Airlines began flight service to/from El Salvador in July 2021, representing the first service from the Inland Empire to Central America. Furthermore, additional flights to/from Honolulu, Austin, Houston, Mexico City, Chicago (O'Hare), and Reno-Tahoe were added in 2021. Given ONT's expanded

flight destinations, Global Traveler named it the fastest-growing airport in the United States for the fifth consecutive year in 2023. In March 2024, U.S. Customs and Border Protection designated ONT as a Landing Rights Airport, effective September 2024. This designation enables ONT to expand international cargo operations and construct a new Express Carrier Consignment Hub, significantly boosting its cargo-processing capacity.

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

**FIGURE 4-8 AIRPORT STATISTICS - ONTARIO INTERNATIONAL AIRPORT**

Year	Passenger Traffic	Percent Change*	Percent Change**
2014	4,127,280	—	—
2015	4,217,366	2.2 %	2.2 %
2016	4,251,903	0.8	1.5
2017	4,552,702	7.1	3.3
2018	5,115,894	12.4	5.5
2019	5,583,732	9.1	6.2
2020	2,538,482	(54.5)	(7.8)
2021	4,496,592	77.1	1.2
2022	5,740,593	27.7	4.2
2023	6,430,033	12.0	5.0
<b>Year-to-date, Jun</b>			
2023	2,990,155	—	—
2024	3,321,339	11.1 %	—

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

Source: Ontario International Airport

This facility recorded 6,430,033 passengers in 2023. The change in passenger traffic between 2022 and 2023 was 12.0%. The average annual change during the period shown was 5.0%. Data from 2020 illustrate a significant decline given the impact of the COVID-19 pandemic and the travel restrictions that were implemented; however, the 2021 data show a substantial rebound in passenger traffic. While not reflected in the table, airport officials reported notable growth in cargo volume because of a surge in e-commerce shipments in 2021. Passenger volume exceeded pre-pandemic levels by year-end 2022; Ontario International Airport was one of the

first airports in the United States to fully recover from the pandemic. This positive trend continued in 2023 and through the year-to-date 2024 period, albeit at a slower pace.

### **Tourist Attractions**

The subject market benefits from a variety of tourism and leisure attractions. Key demand generators include Lake Elsinore State Recreation Area, Lake Elsinore Casino, Pechanga Resort & Casino, and the wineries in Temecula. Special events at Lake Elsinore Diamond Stadium and Rosetta Sports Park also drive demand, particularly during key weekends. Additionally, Skydive Elsinore and Launch Pointe are significant tourism drivers in the area. No major changes to these market attributes are anticipated in the near future.

### **Conclusion**

This section discussed a wide variety of economic indicators for the market area. The local market area benefits from a strengthening economy primarily led by the retail industry and the tourism sector, both of which are expanding due to population growth and rising visitor numbers. Key attractions include the Lake Elsinore Diamond Stadium and Rosetta Sports Park. However, unemployment has recently increased as the labor market adjusts to the growing population. Nonetheless, the near-term market outlook remains positive.

## 5. 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

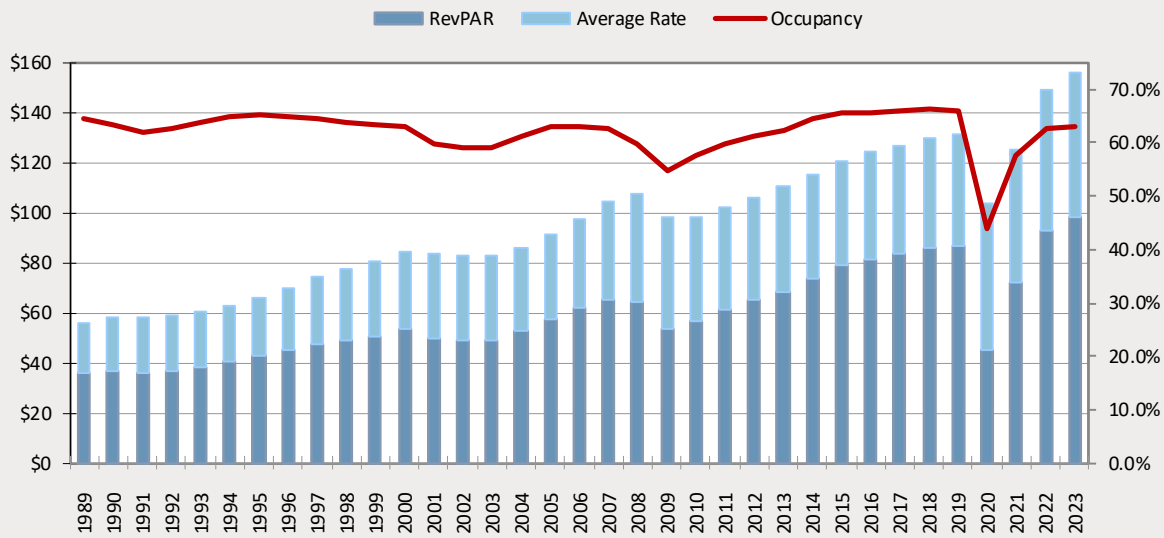
The subject site is anticipated to be located in the Lake Elsinore/Temecula lodging market. Within this market, the proposed subject hotel will primarily compete with a select group of hotels in Lake Elsinore and Temecula based on factors such as location, price point, and product type.

### 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 data on the lodging industry, and this information is routinely used by typical hotel buyers. The following STR diagram presents annual hotel occupancy, ADR, and rooms revenue per available room (RevPAR) data since 1989. RevPAR is calculated by multiplying occupancy by ADR and provides an indication of how well rooms revenue is being maximized.

**FIGURE 5-1 NATIONAL OCCUPANCY, ADR, AND REVPAR TRENDS**



Source: STR

The preceding chart illustrates the impact of the recessions of the early 1990s, 2000s, the financial crisis of 2008/09, and the recent pandemic on the U.S. lodging industry. In each case, the downturn caused lodging demand to drop, resulting in an occupancy decline. The aggregate ADR also fell, as hoteliers used price as a marketing tool to attract demand and support occupancy levels. As occupancy recovered, ADR growth resumed, although the ADR recovery lagged somewhat behind occupancy levels, as price discounts contributed to the initial recovery of demand. Following the financial crisis of the Great Recession, occupancy fell by over eight points, and ADR declined by 5.9%, resulting in an 18.3% decrease in RevPAR. The market recovered steadily thereafter, with occupancy surpassing the 65.0% mark in 2015, and ADR also consistently growing, albeit at a decelerating pace.

**FIGURE 5-2 NATIONAL OCCUPANCY AND ADR TRENDS: 2019 THROUGH 2023**

	Occupancy					Average Rate					RevPAR				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
United States	66.0 %	44.0 %	57.5 %	62.6 %	63.0 %	\$131.23	\$103.25	\$124.96	\$149.24	\$155.62	\$86.64	\$45.48	\$71.88	\$93.39	\$97.97
<b>Region</b>															
New England	64.7 %	38.8 %	55.5 %	63.4 %	63.7 %	\$161.08	\$123.17	\$155.80	\$179.29	\$188.79	\$104.25	\$47.77	\$86.54	\$113.78	\$120.22
Middle Atlantic	69.0	41.3	55.2	62.6	65.0	166.27	115.26	144.08	179.82	192.02	114.81	47.65	79.56	112.48	124.80
South Atlantic	67.5	45.7	59.8	64.7	64.5	128.41	107.99	130.45	152.61	156.17	86.68	49.40	77.95	98.70	100.75
E. North Central	61.1	39.1	52.3	57.2	57.5	112.64	86.72	105.25	123.33	128.91	68.82	33.93	55.09	70.52	74.13
E. South Central	62.4	45.7	59.5	61.0	61.0	103.58	85.74	104.70	119.73	125.79	64.61	39.18	62.30	73.04	76.74
W. North Central	58.3	39.1	51.0	55.3	56.1	99.28	83.65	97.34	109.00	114.93	57.88	32.72	49.68	60.27	64.49
W. South Central	62.6	44.9	58.1	59.9	60.2	101.84	82.88	95.75	112.13	116.07	63.77	37.25	55.64	67.20	69.84
Mountain	66.9	46.7	59.3	66.3	67.1	121.89	105.70	125.74	153.87	165.08	81.54	49.39	74.59	101.94	110.81
Pacific	73.6	47.1	60.2	66.9	66.6	171.40	129.57	157.79	190.58	196.17	126.16	61.01	95.00	127.42	130.67
<b>Class</b>															
Luxury	70.9 %	36.8 %	52.5 %	65.3 %	66.9 %	\$304.11	\$285.78	\$322.00	\$376.48	\$377.58	\$215.73	\$105.29	\$168.95	\$245.93	\$252.76
Upper-Upscale	72.6	34.8	50.0	63.4	66.7	188.24	159.14	175.05	213.96	220.78	136.67	55.30	87.49	135.70	147.21
Upscale	71.5	42.8	59.3	66.8	68.5	143.60	117.80	132.34	156.30	163.77	102.68	50.45	78.42	104.39	112.14
Upper-Midscale	67.5	45.3	61.2	65.7	66.1	115.91	98.80	114.14	128.53	133.17	78.20	44.72	69.83	84.50	87.97
Midscale	59.5	44.4	56.8	59.7	58.8	95.82	84.47	98.83	100.19	101.88	57.03	37.52	56.10	59.83	59.91
Economy	59.4	49.2	58.7	56.4	54.2	75.50	65.45	76.14	77.65	78.62	44.83	32.30	44.72	43.80	42.59
<b>Location</b>															
Urban	73.2 %	37.9 %	51.8 %	63.3 %	66.4 %	\$183.20	\$127.80	\$152.81	\$196.47	\$206.62	\$134.12	\$48.47	\$79.12	\$124.44	\$137.26
Suburban	66.7	46.4	59.9	63.8	64.1	111.26	88.81	104.93	126.13	131.93	74.24	41.24	62.90	80.45	84.54
Airport	73.7	44.5	60.3	67.9	68.4	119.22	93.71	104.82	126.57	133.02	87.85	41.72	63.18	85.91	90.93
Interstate	57.9	44.8	57.8	58.5	57.4	87.86	79.05	92.22	100.90	104.59	50.85	35.39	53.31	59.04	59.99
Resort	70.0	42.9	57.7	66.8	67.1	182.74	170.36	209.77	236.76	239.12	127.85	73.13	121.06	158.20	160.53
Small Town	57.8	44.4	56.7	57.5	56.5	107.26	96.95	116.96	124.72	128.86	61.98	43.07	66.34	71.72	72.79
<b>Chain Scale</b>															
Luxury	73.8 %	32.0 %	48.0 %	63.1 %	65.8 %	\$343.02	\$329.54	\$383.48	\$435.46	\$429.14	\$253.17	\$105.40	\$184.12	\$274.64	\$282.58
Upper-Upscale	73.9	33.4	48.7	63.9	67.7	189.25	158.86	176.66	215.96	223.27	139.80	53.10	86.11	138.05	151.05
Upscale	72.6	43.0	59.6	67.4	69.2	142.38	115.11	128.62	155.28	162.28	103.32	49.52	76.68	104.58	112.31
Upper-Midscale	67.5	45.4	61.6	65.8	66.2	112.80	96.04	111.14	127.56	132.16	76.14	43.61	68.47	83.93	87.45
Midscale	58.1	44.2	56.5	60.1	59.2	86.61	77.29	89.48	95.19	96.54	50.30	34.19	50.59	57.18	57.11
Economy	58.7	50.9	59.7	57.2	55.0	63.70	58.21	66.88	72.24	72.79	37.36	29.64	39.90	41.34	40.06
Independents	63.5	44.8	56.9	60.0	59.2	133.08	110.74	137.44	155.20	161.46	84.44	49.56	78.24	93.05	95.55

Source: Year-End STR Lodging Reviews



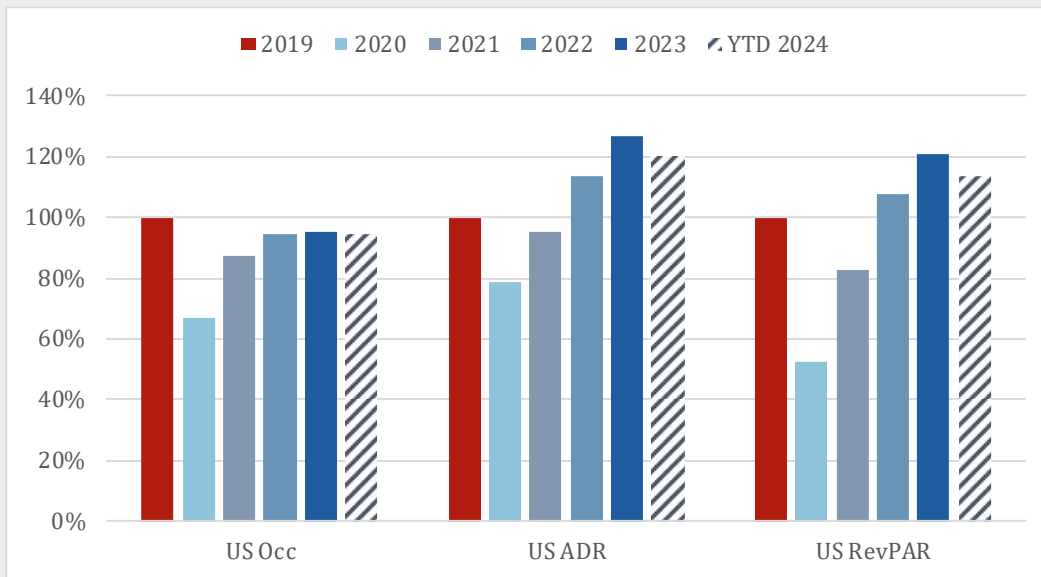
**FIGURE 5-3 RECENT NATIONAL OCCUPANCY AND ADR TRENDS**

	Occupancy - YTD August			Average Rate - YTD August			RevPAR - YTD August			Percent Change	
	2023	2024	% Change	2023	2024	% Change	2023	2024	% Change	Rms. Avail.	Rms. Sold
United States	61.5 %	61.2 %	(0.5) %	\$153.80	\$156.61	1.8 %	\$94.59	\$95.83	1.3 %	0.6 %	0.0 %
<b>Region</b>											
New England	63.2 %	64.4 %	2.0 %	\$188.59	\$194.04	2.9 %	\$119.11	\$124.95	4.9 %	(1.3) %	0.7 %
Middle Atlantic	64.7	66.1	2.2	179.56	186.10	3.6	116.15	123.02	5.9	(0.5)	1.7
South Atlantic	66.2	65.8	(0.6)	159.74	160.68	0.6	105.69	105.68	0.0	0.8	0.2
E. North Central	58.5	58.7	0.2	128.87	133.39	3.5	75.43	78.25	3.7	0.7	0.9
E. South Central	62.3	60.3	(3.2)	125.25	126.71	1.2	78.06	76.45	(2.1)	1.3	(2.0)
W. North Central	57.2	56.8	(0.8)	115.44	119.11	3.2	66.07	67.63	2.4	(0.2)	(1.0)
W. South Central	61.5	61.7	0.3	115.90	119.13	2.8	71.24	73.44	3.1	0.5	0.8
Mountain	68.5	67.7	(1.2)	165.67	169.83	2.5	113.53	114.96	1.3	0.7	(0.5)
Pacific	67.8	67.8	0.0	198.14	196.94	(0.6)	134.31	133.56	(0.6)	0.6	0.7
<b>Class</b>											
Luxury	66.5 %	67.3 %	1.3 %	\$383.37	\$384.83	0.4 %	\$254.78	\$259.08	1.7 %	3.2 %	4.6 %
Upper-Upscale	68.0	68.8	1.2	219.97	222.36	1.1	149.58	153.05	2.3	0.9	2.1
Upscale	69.7	70.2	0.6	163.39	165.69	1.4	113.94	116.28	2.1	1.0	1.6
Upper-Midscale	67.1	66.7	(0.6)	134.06	135.46	1.0	89.93	90.34	0.5	1.0	0.5
Midscale	60.1	59.5	(0.9)	102.52	102.67	0.1	61.58	61.09	(0.8)	(0.2)	(1.1)
Economy	55.5	54.2	(2.2)	79.89	79.11	(1.0)	44.31	42.91	(3.2)	(1.0)	(3.2)
<b>Location</b>											
Urban	66.7 %	68.0 %	1.9 %	\$200.47	\$204.84	2.2 %	\$133.73	\$139.28	4.2 %	0.9 %	2.9 %
Suburban	64.5	64.4	(0.1)	126.94	128.43	1.2	81.91	82.76	1.0	0.4	0.3
Airport	70.9	70.7	(0.2)	135.79	136.82	0.8	96.24	96.75	0.5	0.2	0.0
Interstate	58.9	57.8	(1.9)	107.01	108.98	1.8	63.05	63.01	(0.1)	0.3	(1.6)
Resort	70.4	69.8	(0.9)	241.60	242.83	0.5	170.10	169.38	(0.4)	0.9	0.0
Small Town	57.1	56.4	(1.2)	135.11	138.44	2.5	77.13	78.07	1.2	0.1	(1.1)
<b>Chain Scale</b>											
Luxury	65.8 %	67.9 %	3.2 %	\$426.19	\$415.64	(2.5) %	\$280.26	\$282.18	0.7 %	6.8 %	10.3 %
Upper-Upscale	68.5	69.5	1.6	221.85	225.19	1.5	151.86	156.62	3.1	2.3	3.9
Upscale	70.2	70.6	0.5	161.48	163.62	1.3	113.39	115.45	1.8	1.0	1.5
Upper-Midscale	67.5	67.1	(0.5)	132.93	134.51	1.2	89.67	90.29	0.7	1.5	1.0
Midscale	60.3	59.8	(1.0)	97.07	97.46	0.4	58.56	58.24	(0.6)	(0.2)	(1.1)
Economy	56.1	55.1	(1.8)	73.55	72.44	(1.5)	41.29	39.94	(3.3)	(1.0)	(2.8)
Independents	60.4	59.7	(1.2)	161.49	163.66	1.3	97.57	97.69	0.1	(1.1)	(2.3)

Source: STR - August 2024 Lodging Review

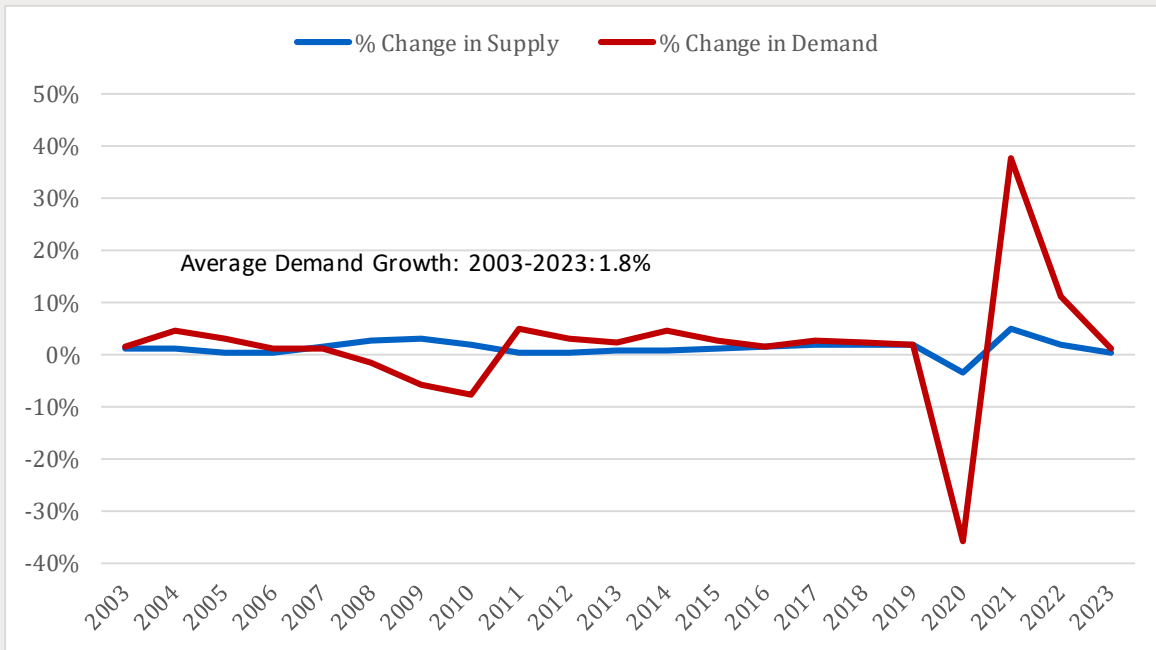
The following graph illustrates the performance of the U.S. lodging industry from 2019 through 2023, expressed as a percentage of 2019 levels of occupancy, ADR and RevPAR, demonstrating the pace and pattern of the recovery.

**FIGURE 5-4 NATIONAL PERFORMANCE COMPARED TO 2019 LEVELS**



A lodging market’s performance is influenced by changes in supply and demand levels. The following graph illustrates the percentage change in these two metrics for the U.S. lodging industry as a whole since 2003, as reported by STR.

**FIGURE 5-5 HISTORICAL CHANGES IN SUPPLY AND DEMAND – U.S. LODGING INDUSTRY**



Source: STR

Excluding fluctuations due to the Great Recession in 2008/09 and the pandemic from 2020 to 2022, supply growth ranged between 0.4% to 2.0%, averaging 1.1% in these years. The pace of supply growth slowed significantly in the two to three years following the downturns in 2001/02, 2008/09, and 2020/21, reflecting the decline in new project-starts during these periods. As the market moved out of these cycles, supply growth accelerated. The impact of the pandemic caused a decline in supply, as hotels temporarily suspended operations or closed, in many cases for conversion to alternate use. The reopening of the temporarily closed properties caused an artificial spike in supply growth. Supply growth in 2023 and 2024 reflects the constraints imposed by the pandemic, as well as the limited availability of financing for new construction, which particularly affected the market in 2023 and early 2024. Thus, the pace of supply growth is expected to remain muted through 2026.

The changes in demand, as measured by the number of occupied rooms, display similar patterns. The years following the noted recessionary periods reflect relatively strong growth, as the market recovered from these downturns. Excluding the years of downturn and recovery, demand growth ranged from 1.0% to 4.6%.

## U.S. Lodging Industry Forecast

Based on the historical trends and current outlook, HVS has developed a forecast for the national lodging market. This forecast considers anticipated trends in supply and demand, as well as inflationary trends. These forecasts are summarized in the following chart.

**FIGURE 5-6 U.S. LODGING INDUSTRY FORECAST**

Year	Supply % Chg	Demand % Chg	Occ	ADR	% Chg	RevPAR	% Chg
2024	0.75%	0.50%	62.8 %	\$158.73	2.0 %	\$99.73	1.7 %
2025	1.00%	1.00%	62.8	161.91	2.0	101.73	2.0
2026	1.20%	1.50%	63.0	165.95	2.5	104.58	2.8
2027	1.40%	1.75%	63.2	170.93	3.0	108.09	3.4
2028	1.50%	2.00%	63.5	176.06	3.0	111.88	3.5

Source: HVS

## Historical Supply and Demand Data

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 hotels. This information is presented in the following table, along with the market-wide occupancy, ADR, and RevPAR.

In response to the travel restrictions and the decline in demand associated with the COVID-19 pandemic, numerous hotels in markets across the nation temporarily suspended operations. During these suspensions, hotels were typically closed to the public, with the majority of staff furloughed; however, key management and maintenance staff were retained to preserve the property and prepare for reopening. One hotel in the competitive subject market suspended its operations because of the COVID-19 pandemic; however, it has since reopened. Our analysis considers the full supply of competitive rooms, including any hotels that may have temporarily suspended operations. It is important to note that we have adjusted STR data to reflect the total available rooms in the market and true occupancy, regardless of suspended operations at competitive hotels.

The second chart presents the monthly data for 2019 through the year-to-date 2024 period, illustrating the fluctuations in occupancy and ADR. The impact of the pandemic and the timing and pace of the subsequent recovery are reflected in the data.

**FIGURE 5-7 HISTORICAL SUPPLY AND DEMAND TRENDS**

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2011	419	152,935	—	82,394	—	53.9 %	\$70.07	—	\$37.75	—
2012	419	152,935	0.0 %	84,730	2.8 %	55.4	72.70	3.8 %	40.28	6.7 %
2013	419	152,873	(0.0)	87,267	3.0	57.1	74.72	2.8	42.65	5.9
2014	417	152,205	(0.4)	89,063	2.1	58.5	77.77	4.1	45.51	6.7
2015	434	158,366	4.0	102,774	15.4	64.9	82.08	5.5	53.27	17.0
2016	516	188,402	19.0	131,982	28.4	70.1	98.68	20.2	69.13	29.8
2017	594	216,942	15.1	150,376	13.9	69.3	105.51	6.9	73.13	5.8
2018	807	294,465	35.7	187,868	24.9	63.8	108.75	3.1	69.39	(5.1)
2019	917	334,530	13.6	227,656	21.2	68.1	112.13	3.1	76.30	10.0
2020	1,026	374,625	12.0	202,649	(11.0)	54.1	102.96	(8.2)	55.69	(27.0)
2021	1,235	450,759	20.3	308,640	52.3	68.5	132.86	29.0	90.97	63.3
2022	1,255	458,075	1.6	290,253	(6.0)	63.4	145.61	9.6	92.26	1.4
2023	1,255	458,075	0.0	292,763	0.9	63.9	142.84	(1.9)	91.29	(1.1)

**Year-to-Date Through June**

2023	1,255	227,155	—	146,408	—	64.5	\$143.82	—	\$92.70	—
2024	1,255	227,155	0.0 %	141,892	(3.1) %	62.5	140.06	(2.6) %	87.49	(5.6) %

Average Annual Compounded Change:

2011 – 2019			10.3 %		13.5 %			6.1 %		9.2 %
2011 – 2023			9.6		11.1			6.1		7.6

Hotels Included in Sample	Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
Econo Lodge Lake Elsinore Casino	Economy Class	Primary	91	Dec 2013	Jun 1968
Motel 6 – Lake Elsinore, CA	Economy Class	Primary	29	Jun 2024	Sep 1989
Quality Inn Lake Elsinore I-15	Midscale Class	Primary	56	Jun 2006	Jun 1992
Comfort Inn & Suites Murrieta Temecula Wine Country	Upper Midscale Class	Secondary	66	Sep 2003	Sep 2003
Best Western Plus Lake Elsinore Inn & Suites	Upper Midscale Class	Primary	71	Mar 2011	Jul 2007
Holiday Inn Express & Suites Lake Elsinore	Upper Midscale Class	Primary	73	Sep 2008	Sep 2008
Residence Inn Temecula Murrieta	Upscale Class	Primary	101	Nov 2015	Nov 2015
Hampton by Hilton Inn & Suites Murrieta Temecula	Upper Midscale Class	Secondary	106	Jun 2017	Jun 2017
Courtyard Temecula Murrieta	Upscale Class	Secondary	183	Jun 2020	Dec 2017
Home2 Suites by Hilton Temecula	Upper Midscale Class	Primary	120	Mar 2019	Mar 2019
Holiday Inn Express & Suites Murrieta - Temecula	Upper Midscale Class	Secondary	105	Dec 2019	Dec 2019
Fairfield Inn & Suites Menifee	Upper Midscale Class	Secondary	99	Oct 2020	Oct 2020
Staybridge Suites Temecula - Wine Country	Upscale Class	Primary	124	Mar 2021	Mar 2021
			<b>Total</b>	<b>1,224</b>	

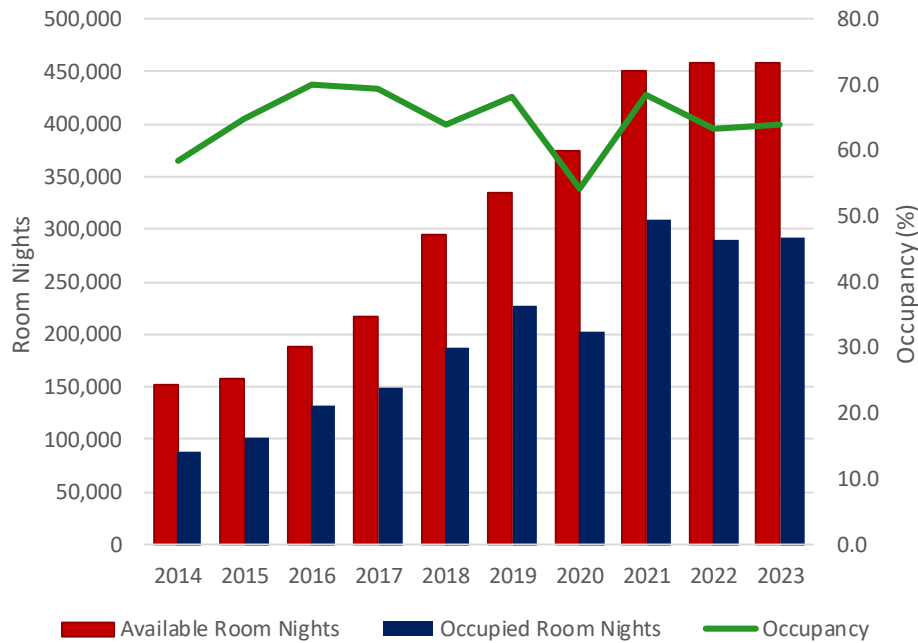
Source: STR

**FIGURE 5-8 HISTORICAL SUPPLY AND DEMAND TRENDS (MONTHLY)**

Month	2019		2020		2021		2022		2023		2024	
	Occupancy	ADR	Occupancy	ADR	Occupancy	ADR	Occupancy	ADR	Occupancy	ADR	Occupancy	ADR
January	57.8 %	\$102.85	58.3 %	\$105.81	54.5 %	\$97.07	56.6 %	\$134.64	56.8 %	\$128.94	57.7 %	\$129.57
February	64.7	106.40	62.3	109.77	65.8	102.85	58.5	140.17	62.8	135.02	58.8	129.91
March	71.6	112.56	40.6	103.06	67.8	109.77	62.2	142.84	65.8	142.53	63.3	136.37
April	67.0	108.63	30.9	86.18	74.7	123.63	63.7	153.05	65.3	145.77	63.7	141.75
May	68.9	114.03	44.2	88.64	74.4	138.66	62.7	152.59	64.7	150.49	62.9	148.84
June	77.4	123.48	52.7	96.81	77.2	143.81	70.5	157.48	71.4	156.49	68.3	150.97
July	75.2	114.74	59.1	100.46	75.2	148.00	71.4	151.83	72.8	147.64	—	—
August	68.7	114.07	65.7	102.58	68.1	141.00	61.0	143.19	59.2	140.55	—	—
September	70.9	111.04	67.1	107.78	66.1	144.07	66.5	143.12	59.8	143.27	—	—
October	68.5	114.40	59.5	113.12	67.6	146.35	66.2	148.63	66.3	144.11	—	—
November	70.3	113.17	54.4	106.61	66.1	142.29	63.7	140.43	62.9	139.01	—	—
December	55.5	103.86	49.0	96.96	62.6	139.69	57.4	134.39	59.2	135.04	—	—
<b>Annual Averages</b>	<b>68.1 %</b>	<b>\$112.13</b>	<b>54.1 %</b>	<b>\$102.96</b>	<b>68.5 %</b>	<b>\$132.86</b>	<b>63.4 %</b>	<b>\$145.61</b>	<b>63.9 %</b>	<b>\$142.84</b>	—	—
<b>Year-to-Date</b>	<b>68.2 %</b>	<b>\$112.20</b>	<b>48.6 %</b>	<b>\$100.36</b>	<b>69.4 %</b>	<b>\$121.76</b>	<b>62.4 %</b>	<b>\$147.33</b>	<b>64.5 %</b>	<b>\$143.82</b>	<b>62.5 %</b>	<b>\$140.06</b>
Change from Prior Year	2019		2020		2021		2022		2023		2024	
	Occupancy	ADR	Occupancy	ADR	Occupancy	ADR	Occupancy	ADR	Occupancy	ADR	Occupancy	ADR
January	6.4 pts	2.0 %	0.5 pts	2.9 %	-3.8 pts	-8.3 %	2.1 pts	38.7 %	0.2 pts	-4.2 %	1.0 pts	0.5 %
February	4.8	-0.9	-2.4	3.2	3.5	-6.3	-7.3	36.3	4.3	-3.7	-4.1	-3.8
March	5.8	10.1	-31.0	-8.4	27.2	6.5	-5.6	30.1	3.6	-0.2	-2.5	-4.3
April	4.6	-0.2	-36.2	-20.7	43.9	43.4	-11.1	23.8	1.6	-4.8	-1.5	-2.8
May	8.0	3.7	-24.6	-22.3	30.2	56.4	-11.8	10.0	2.1	-1.4	-1.9	-1.1
June	8.6	3.5	-24.7	-21.6	24.5	48.5	-6.7	9.5	0.9	-0.6	-3.1	-3.5
July	2.3	5.1	-16.1	-12.4	16.1	47.3	-3.8	2.6	1.5	-2.8	—	—
August	-3.9	4.6	-3.0	-10.1	2.4	37.4	-7.0	1.6	-1.8	-1.8	—	—
September	11.5	-2.6	-3.8	-2.9	-1.0	33.7	0.4	-0.7	-6.7	0.1	—	—
October	2.8	1.9	-9.0	-1.1	8.0	29.4	-1.3	1.6	0.0	-3.0	—	—
November	4.9	2.1	-15.9	-5.8	11.8	33.5	-2.4	-1.3	-0.8	-1.0	—	—
December	-4.6	5.0	-6.5	-6.6	13.6	44.1	-5.3	-3.8	1.8	0.5	—	—
<b>Annual Change</b>	<b>4.3 pts</b>	<b>3.1 %</b>	<b>-14.0 pts</b>	<b>-8.2 %</b>	<b>14.4 pts</b>	<b>29.0 %</b>	<b>-5.1 pts</b>	<b>9.6 %</b>	<b>0.5 pts</b>	<b>-1.9 %</b>	—	—
<b>Year-to-Date</b>	<b>6.7</b>	<b>3.5 %</b>	<b>-19.5</b>	<b>-10.6 %</b>	<b>20.7</b>	<b>21.3</b>	<b>-7.0</b>	<b>21.0</b>	<b>2.1</b>	<b>-2.4</b>	<b>-2.0 pts</b>	<b>-2.6 %</b>

Source: STR

**FIGURE 5-9 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 on the previous table.

The STR data for the competitive set reflect a market-wide occupancy level of 2023 in 63.9%, which compares to 63.4% for 2022. The STR data for the competitive set reflect a market-wide ADR level of \$142.84 in 2023, which compares to \$145.61 for 2022. These occupancy and ADR trends resulted in a RevPAR level of \$91.29 in 2023.

During the illustrated historical period, both occupancy and ADR generally followed a strengthening trend through 2017. This improvement in market conditions was largely driven by the growing popularity of Temecula’s wine region, which attracted wedding groups and leisure travelers’ post-recession. Occupancy declined in 2018 due to the entrance of new supply, while both occupancy and ADR saw modest

increases in 2019, fueled by stronger demand growth. In 2020, the COVID-19 pandemic affected the market, similar to the rest of the nation; however, a rebound commenced in the third quarter of 2020. By year-end 2021, occupancy had fully recovered its 2020 losses, whereas ADR had surpassed 2019 levels by approximately \$20, both fueled by demand for the region's outdoor attractions. Year-end 2022 data reflect a decline in occupancy given the increase in new supply and normalization in leisure demand from the pent-up levels realized in the prior year; however, ADR continued to trend upward, reaching historic highs. Year-end 2023 data illustrate occupancy in the low 60s, supported by strong levels of demand related to Temecula's wine region. ADR growth normalized, declining from the heightened levels of years prior, but remaining nevertheless favorable in 2023. Year-to-date 2024 data illustrate slight declines in both occupancy and ADR, influenced by the continued normalization of leisure travel. Despite this trend, the outlook remains optimistic, supported by ongoing commercial development and the growing popularity of Lake Elsinore.

The following table illustrates the monthly occupancy, ADR, and RevPAR for the competitive set measured as a percentage of 2019 levels.

**FIGURE 5-10 OCCUPANCY, ADR, AND REVPAR AS A PERCENTAGE OF 2019 LEVELS**

	2021			2022			2023			2024		
	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
January	94.3 %	94.4 %	89.0 %	98.0 %	130.9 %	128.2 %	98.3 %	125.4 %	123.2 %	99.9 %	126.0 %	125.9 %
February	101.7	96.7	98.3	90.4	131.7	119.1	97.1	126.9	123.2	90.8	122.1	110.9
March	94.8	97.5	92.5	86.9	126.9	110.3	92.0	126.6	116.5	88.4	121.2	107.1
April	111.5	113.8	126.8	95.0	140.9	133.8	97.3	134.2	130.6	95.0	130.5	124.0
May	108.1	121.6	131.4	91.0	133.8	121.7	94.0	132.0	124.0	91.3	130.5	119.1
June	99.8	116.5	116.2	91.1	127.5	116.2	92.3	126.7	117.0	88.3	122.3	108.0
July	100.0	129.0	129.0	94.9	132.3	125.6	96.9	128.7	124.7	—	—	—
August	99.0	123.6	122.4	88.8	125.5	111.5	86.1	123.2	106.1	—	—	—
September	93.2	129.7	120.9	93.8	128.9	120.8	84.3	129.0	108.8	—	—	—
October	98.6	127.9	126.1	96.7	129.9	125.6	96.7	126.0	121.8	—	—	—
November	94.1	125.7	118.3	90.6	124.1	112.4	89.5	122.8	110.0	—	—	—
December	112.9	134.5	151.8	103.4	129.4	133.8	106.6	130.0	138.6	—	—	—
<b>Annual Averages</b>	<b>100.6 %</b>	<b>118.5 %</b>	<b>119.2 %</b>	<b>93.1 %</b>	<b>129.9 %</b>	<b>120.9 %</b>	<b>93.9 %</b>	<b>127.4 %</b>	<b>119.6 %</b>	—	—	—
<b>Year-to-Date</b>	<b>101.7</b>	<b>108.5</b>	<b>110.4</b>	<b>91.4</b>	<b>131.3</b>	<b>120.1</b>	<b>94.5</b>	<b>128.2</b>	<b>121.2</b>	<b>91.6 %</b>	<b>124.8 %</b>	<b>114.3 %</b>

Source: STR

**SUPPLY**

The following table summarizes the important operating characteristics of the primary competitors. This information was compiled from personal interviews, inspections, online resources, and our in-house database of operating and hotel facility data. The room count of each secondary competitor has been weighted based on its assumed degree of competitiveness with the Proposed Extended-Stay Hotel Lake Elsinore.



In cases where exact operating data for an individual property (or properties) were not available, we have used these resources, as well as the STR data, to estimate positioning within the market.

**FIGURE 5-11 COMPETITORS – OPERATING PERFORMANCE**

Property	Est. Segmentation				Estimated 2022				Estimated 2023					
	Number of Rooms	Leisure	Commercial	Group	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Holiday Inn Express & Suites Lake Elsinore	73	65 %	25 %	10 %	73	55 - 60 %	\$130 - \$140	\$75 - \$80	73	55 - 60 %	\$130 - \$140	\$75 - \$80	85 - 90 %	80 - 85 %
Best Western Plus Lake Elsinore Inn & Suites	71	65	25	10	71	55 - 60	110 - 115	65 - 70	71	55 - 60	110 - 115	65 - 70	90 - 95	70 - 75
Econo Lodge Lake Elsinore Casino	91	70	25	5	91	55 - 60	105 - 110	60 - 65	91	55 - 60	100 - 105	60 - 65	85 - 90	60 - 65
Quality Inn Lake Elsinore I-15	56	70	25	5	56	55 - 60	85 - 90	50 - 55	56	55 - 60	85 - 90	50 - 55	90 - 95	55 - 60
Motel 6 Lake Elsinore	29	70	25	5	29	60 - 65	80 - 85	50 - 55	29	60 - 65	80 - 85	50 - 55	100 - 110	55 - 60
Residence Inn by Marriott Temecula Murrieta	101	50	40	10	101	75 - 80	170 - 180	130 - 140	101	75 - 80	160 - 170	130 - 140	120 - 130	140 - 150
Staybridge Suites Temecula - Wine Country	124	50	45	5	124	60 - 65	180 - 190	115 - 120	124	60 - 65	170 - 180	115 - 120	100 - 110	120 - 130
Home2 Suites by Hilton Temecula	120	50	40	10	120	70 - 75	160 - 170	115 - 120	120	70 - 75	160 - 170	115 - 120	110 - 120	120 - 130
<b>Sub-Totals/Averages</b>	<b>665</b>	<b>58 %</b>	<b>34 %</b>	<b>8 %</b>	<b>665</b>	<b>65.2 %</b>	<b>\$145.92</b>	<b>\$95.08</b>	<b>665</b>	<b>65.7 %</b>	<b>\$143.25</b>	<b>\$94</b>	<b>102 %</b>	<b>102.7 %</b>
Secondary Competitors	559	35 %	55 %	10 %	424	61.4 %	\$145.10	\$89.09	424	61.8 %	\$142.17	\$88	96 %	95.8 %
<b>Totals/Averages</b>	<b>1,224</b>	<b>49 %</b>	<b>42 %</b>	<b>9 %</b>	<b>1,089</b>	<b>63.7 %</b>	<b>\$145.61</b>	<b>\$92.75</b>	<b>1,089</b>	<b>64.2 %</b>	<b>\$142.84</b>	<b>\$92</b>	<b>100 %</b>	<b>100.0 %</b>

\* 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.

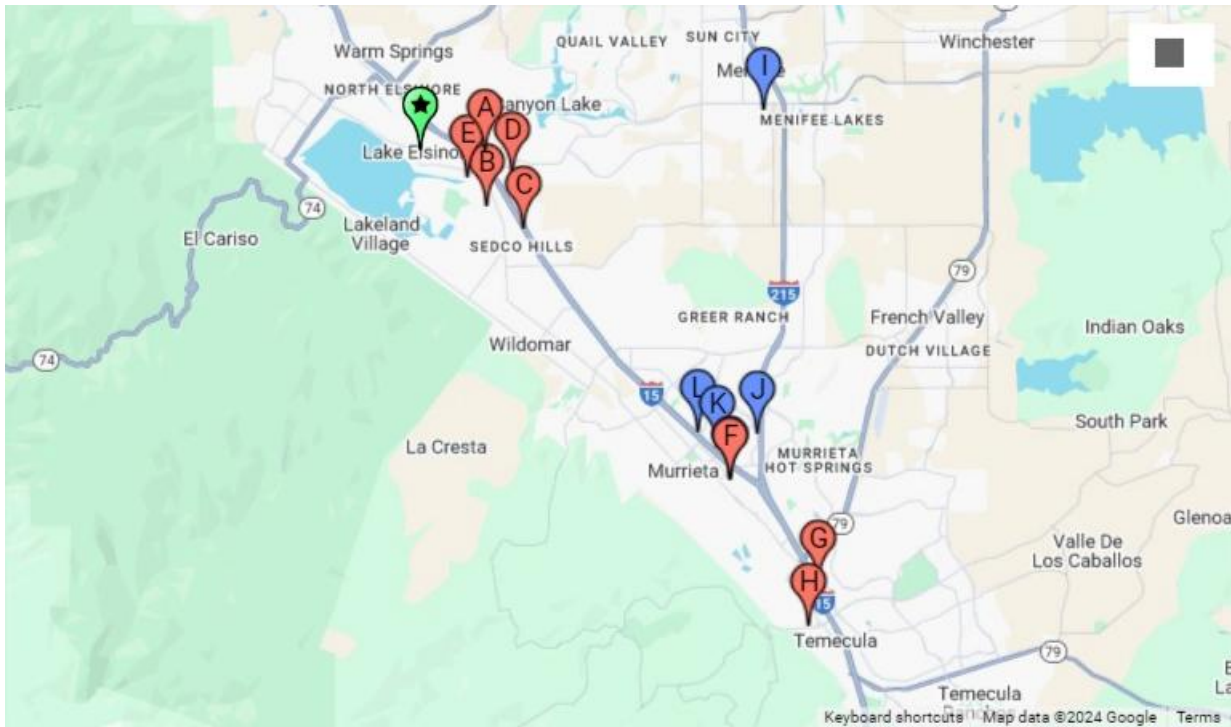
**FIGURE 5-12 SECONDARY COMPETITORS – OPERATING PERFORMANCE**

Property	Est. Segmentation				Estimated 2022					Estimated 2023			
	Number of Rooms	Leisure	Commercial	Group	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Fairfield by Marriott Menifee	99	35 %	55 %	10 %	80 %	79	65 - 70 %	\$130 - \$140	\$90 - \$95	79	65 - 70 %	\$130 - \$140	\$90 - \$95
Hampton by Hilton Murrieta Temecula	106	35	55	10	75	80	70 - 75	150 - 160	115 - 120	80	70 - 75	150 - 160	110 - 115
Holiday Inn Express & Suites Murrieta Temecula	105	35	55	10	75	79	55 - 60	140 - 150	85 - 90	79	55 - 60	140 - 150	80 - 85
Comfort Inn & Suites Murrieta Temecula Wine Country	66	35	55	10	75	50	60 - 65	110 - 115	70 - 75	50	60 - 65	110 - 115	70 - 75
Courtyard by Marriott Temecula Murrieta	183	35	55	10	75	137	45 - 50	150 - 160	75 - 80	137	45 - 50	150 - 160	75 - 80
<b>Totals/Averages</b>	<b>559</b>	<b>35 %</b>	<b>55 %</b>	<b>10 %</b>	<b>76 %</b>	<b>424</b>	<b>61.4 %</b>	<b>\$145.10</b>	<b>\$89.09</b>	<b>424</b>	<b>61.8 %</b>	<b>\$142.17</b>	<b>\$87.88</b>

\* 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.

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

**MAP OF COMPETITION**



	Proposed Hotel Lake Elsinore		Staybridge Suites Temecula - Wine Country (Primary)
	Holiday Inn Express & Suites Lake Elsinore (Primary)		Home2 Suites by Hilton Temecula (Primary)
	Best Western Plus Lake Elsinore Inn & Suites (Primary)		Fairfield by Marriott Menifee (Secondary)
	Econo Lodge Lake Elsinore Casino (Primary)		Hampton by Hilton Murrieta Temecula (Secondary)
	Quality Inn Lake Elsinore I-15 (Primary)		Holiday Inn Express & Suites Murrieta Temecula (Secondary)
	Motel 6 Lake Elsinore (Primary)		Comfort Inn & Suites Murrieta Temecula Wine Country (Secondary)
	Residence Inn by Marriott Temecula Murrieta (Primary)		Courtyard by Marriott Temecula Murrieta (Secondary)

## Supply Changes

It is important to consider any new hotels that may have an impact on the proposed subject hotel’s operating performance. Hotels that have recently opened, are under construction, or that may be in the early development stages in the Lake Elsinore market are noted below. The list is categorized by the principal submarkets within the city.

**FIGURE 5-13 AREA DEVELOPMENT ACTIVITY**

Proposed Hotel Name	Estimated Number of Rooms	Hotel Product Tier	Development Stage	Expected Qtr. & Year of Opening	Address
<i>Lake Elsinore/ Murrieta/ Temecula/ Wildomar</i>					
Murrieta Hot Springs Resort	174	Upper-Upscale	Recently Opened	Q1 '24	39405 Murrieta Hot Springs Road, Murrieta
Everhome Suites Temecula	120	Upper-Midscale	Under Construction	Q1 '25	27165 Madison Avenue, Temecula
Homewood Suites Murrieta Loma Linda	131	Upscale	Approved	Q1 '26	Baxter Road & Antelope Road
Proposed Hyatt Studios (Hotel at Sapphire)	120	Upscale	Approved	Q3 '26	NEC McElwain Road & Linnel Lane, Murrieta
TownePlace Suites Wildomar	102	Upper-Midscale	Approved	Q1 '27	2200 Wildomar Trail, Wildomar
Home2 Suites Murrieta Carmax	132	Upper-Midscale	Approved	Q1 '27	Guava Street & Addison Road
Proposed Extended-Stay Hotel	120	Upscale	Early Development	Q1' 28	Lake Elsinore (TBD)
Lakeshore Town Center Phase III - Hotel	120	Luxury	Early Development	TBD	East of Main Street and Lakeshore Drive, Lake Elsinore
Hampton Inn by Hilton	103	Midscale	Early Development	TBD	Northeast Quadrant of Collier Ave & 3rd St, Lake Elsinore
Proposed Full-Service Hotel	257	Upper-Upscale	Seeking Financing	TBD	Intersection of I-5 and I-215, Murrieta

Of the hotels listed in the preceding table, we have identified the following new supply that is expected to have some degree of competitive interaction with the proposed subject hotel based on location, anticipated market orientation and price point, and/or operating profile.

**FIGURE 5-14 NEW SUPPLY**

Proposed Property	Number of Rooms	Total Competitive Level	Weighted Room Count	Estimated Opening Date	Development Stage
Proposed Extended-Stay Hotel Lake Elsinore	120	100 %	120	January 1, 2028	Early Development
TownePlace Suites Wildomar	102	100	102	January 1, 2027	Approved
<b>Totals/Averages</b>	<b>222</b>		<b>222</b>		

The proposed TownePlace Suites by Marriott Wildomar will be similar to the proposed subject hotel in terms of product offering and service level; therefore, the hotel is expected to be fully competitive. A number of other hotels have been proposed for development throughout the market; however, given the speculative nature of these projects, they have only been considered qualitatively in our analysis.

In response to the travel restrictions and the decline in demand associated with the COVID-19 pandemic, numerous hotels in markets across the nation temporarily suspended operations. During these suspensions, hotels were typically closed to the public, with the majority of staff furloughed; however, key management and maintenance staff were retained to preserve the property and prepare for reopening. One hotel in the competitive subject market suspended its operations because of the COVID-19 pandemic; however, it has since reopened. Our analysis considers the full supply of competitive rooms, including any hotels that may have temporarily suspended operations. It is important to note that we have adjusted STR data to reflect the total available rooms in the market and true occupancy, regardless of suspended operations at competitive hotels.

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 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 ADR 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 Lake Elsinore submarket. The Proposed Extended-Stay Hotel Lake Elsinore 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 5-15 HISTORICAL MARKET TRENDS**

Year	Accommodated		Room Nights		Market			Market	
	Room Nights	% Change	Available	% Change	Occupancy	Market ADR	% Change	RevPAR	% Change
Est. 2019	197,746	—	290,008	46.9 %	68.2 %	\$111.37	—	\$75.94	—
Est. 2020	176,307	(10.8) %	322,304	11.1	54.1	102.96	(7.6) %	55.69	(26.7) %
Est. 2021	268,375	52.2	390,242	21.1	68.8	132.77	29.0	91.31	63.9
Est. 2022	253,224	(5.6)	397,558	1.9	63.7	145.61	9.7	92.75	1.6
Est. 2023	255,290	0.8	397,558	0.0	64.2	142.84	(1.9)	91.73	(1.1)
Avg. Annual Compounded Chg., Est. 2019-Est. 2023:		5.2 %		6.5 %			5.1 %		3.9 %

Although not shown in the preceding table, as a point of comparison, the year-to-date 2024 STR trend data indicates a market occupancy level of 62.5% versus 64.5% for the same period of time in 2023. Moreover, ADR registered \$140.06 for the year-to-date 2024 period, reflecting a change of (2.6)% when compared with the ADR for the same period of time in 2023.

**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 2023 distribution of accommodated-room-night demand as follows.

**FIGURE 5-16 BASE-YEAR ACCOMMODATED-ROOM-NIGHT DEMAND**

Market Segment	2019 Marketwide		2023 Marketwide	
	Accommodated Demand	Percentage of Total	Accommodated Demand	Percentage of Total
Leisure	98,873	50 %	125,612	49 %
Commercial	79,098	40	107,548	42
Group	19,775	10	22,131	9
<b>Total</b>	<b>197,746</b>	<b>100 %</b>	<b>255,290</b>	<b>100 %</b>

In the base year, the market’s demand mix comprised leisure demand, with this segment representing roughly 49% of the accommodated room nights in this Lake Elsinore submarket. The commercial segment comprised 42% of the total, with the final portion group in nature, reflecting 9%.

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 5-17 AVERAGE ANNUAL COMPOUNDED MARKET-SEGMENT GROWTH RATES**

Market Segment	Annual Growth Rate						
	2024	2025	2026	2027	2028	2029	2030
Leisure	-2.5 %	4.0 %	4.0 %	4.0 %	3.5 %	3.5 %	2.5 %
Commercial	-1.0	4.0	4.0	4.0	3.5	3.5	2.5
Group	-1.0	4.5	4.0	4.0	3.5	3.5	2.5
<b>Base Demand Growth</b>	<b>-1.7 %</b>	<b>4.0 %</b>	<b>4.0 %</b>	<b>4.0 %</b>	<b>3.5 %</b>	<b>3.5 %</b>	<b>2.5 %</b>

**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 70.0%, 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 5-18 OCCUPANCY BY NIGHT OF THE WEEK**

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jul - 23	65.4 %	68.1 %	70.5 %	74.2 %	75.9 %	75.0 %	81.7 %	72.8 %
Aug - 23	46.7	51.7	57.9	59.7	58.3	64.5	75.9	59.2
Sep - 23	54.6	50.0	54.4	57.5	59.7	63.6	73.9	59.8
Oct - 23	53.4	57.1	63.5	65.2	68.8	75.6	86.7	66.3
Nov - 23	50.0	53.1	56.4	60.7	67.0	73.3	79.4	62.9
Dec - 23	56.3	54.3	55.1	55.7	55.6	62.6	71.3	59.2
Jan - 24	49.3	53.4	56.6	56.8	54.5	61.5	73.4	57.7
Feb - 24	54.5	52.0	54.8	57.7	55.4	63.3	74.5	58.8
Mar - 24	49.8	58.1	62.5	62.4	60.6	66.8	80.8	63.3
Apr - 24	49.0	55.0	60.0	62.6	65.8	73.1	83.7	63.7
May - 24	56.2	48.2	54.0	61.6	64.1	71.5	82.4	62.9
Jun - 24	58.3	59.3	65.4	66.2	73.2	74.8	80.5	68.3
<b>Average</b>	<b>53.9 %</b>	<b>55.3 %</b>	<b>59.3 %</b>	<b>61.6 %</b>	<b>63.1 %</b>	<b>68.6 %</b>	<b>78.6 %</b>	<b>62.9 %</b>

Source: STR

The following table presents our estimate of unaccommodated demand in the subject market.

**FIGURE 5-19 UNACCOMMODATED DEMAND ESTIMATE**

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand Percentage	Unaccommodated Room Night Demand
Leisure	98,873	3.4 %	3,320
Commercial	79,098	0.0	0
Group	19,775	0.0	0
<b>Total</b>	<b>197,746</b>	<b>1.7 %</b>	<b>3,320</b>

Accordingly, we have forecast unaccommodated demand equivalent to 1.7% 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.

We have incorporated induced demand into our analysis due to several significant demand generators in the area that currently lead to a substantial number of lost room nights each year. Attractions such as Skydive Elsinore, Rosetta Sports Park, Diamond Stadium, Launch Pointe, and the Lake Elsinore Casino draw large numbers of visitors annually, yet the local hotel supply is insufficient to fully accommodate this demand. As a result, approximately 19,260 room nights are lost annually, primarily from events such as sports tournaments and recreational activities. By accounting for this unmet demand, we anticipate a significant opportunity for new lodging facilities to capture these lost room nights and contribute to overall market growth. The following table summarizes our estimate of induced demand.

**FIGURE 5-20 INDUCED DEMAND CALCULATION**

<b>Market Segment</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
Leisure	10,260	14,760	19,260
<b>Total</b>	<b>10,260</b>	<b>14,760</b>	<b>19,260</b>

Accordingly, we have incorporated 19,260 room nights (rounded) into our analysis, phased in over an appropriate ramp-up period.

**Accommodated Demand and Market-wide Occupancy**

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

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

**FIGURE 5-21 FORECAST OF MARKET OCCUPANCY**

	2019	2023	2024	2025	2026	2027	2028	2029	2030
<b>Leisure</b>									
Base Demand	98,873	125,612	122,471	127,370	132,465	137,764	142,585	147,576	151,265
Unaccommodated Demand		4,218	4,113	4,277	4,448	4,626	4,788	4,956	5,079
Induced Demand			0	0	0	0	10,260	14,760	19,260
Total Demand	98,873	129,830	126,584	131,647	136,913	142,390	157,633	167,291	175,605
Growth Rate		31.3 %	(2.5) %	4.0 %	4.0 %	4.0 %	10.7 %	6.1 %	5.0 %
<b>Commercial</b>									
Total Demand	79,098	107,548	106,472	110,731	115,160	119,767	123,959	128,297	131,505
Growth Rate		36.0 %	(1.0) %	4.0 %	4.0 %	4.0 %	3.5 %	3.5 %	2.5 %
<b>Group</b>									
Total Demand	19,775	22,131	21,910	22,895	23,811	24,764	25,630	26,528	27,191
Growth Rate		11.9 %	(1.0) %	4.5 %	4.0 %	4.0 %	3.5 %	3.5 %	2.5 %
<b>Totals</b>									
Base Demand	197,746	255,290	250,853	260,997	271,437	282,294	292,174	302,400	309,960
Unaccommodated Demand		4,218	4,113	4,277	4,448	4,626	4,788	4,956	5,079
Induced Demand			0	0	0	0	10,260	14,760	19,260
Total Demand	197,746	259,508	254,966	265,274	275,885	286,920	307,222	322,116	334,300
less: Residual Demand		4,218	4,113	4,277	4,448	3,161	0	0	1,462
Total Accommodated Demand	197,746	255,290	250,853	260,997	271,437	283,759	307,222	322,116	332,838
Overall Demand Growth	—	0.8 %	(1.7) %	4.0 %	4.0 %	4.5 %	8.3 %	4.8 %	3.3 %
<b>Market Mix</b>									
Leisure	50.0 %	49.2 %	49.6 %	49.6 %	49.6 %	49.6 %	51.3 %	51.9 %	52.5 %
Commercial	40.0	42.1	41.8	41.7	41.7	41.7	40.3	39.8	39.3
Group	10.0	8.7	8.6	8.6	8.6	8.6	8.3	8.2	8.1
<b>Existing Hotel Supply</b>									
Existing Hotel Supply	795	1,089	1,089	1,089	1,089	1,089	1,089	1,089	1,089
<b>Proposed Hotels</b>									
Proposed Extended-Stay Hotel Lake Elsinore <sup>1</sup>							120	120	120
TownePlace Suites Wildomar <sup>2</sup>						102	102	102	102
Available Room Nights per Year	290,008	397,558	397,558	397,558	397,558	434,788	478,588	478,588	478,588
Nights per Year	365	365	365	365	365	365	365	365	365
Total Supply	795	1,089	1,089	1,089	1,089	1,191	1,311	1,311	1,311
Rooms Supply Growth			0.0 %	0.0 %	0.0 %	9.4 %	10.1 %	0.0 %	0.0 %
Marketwide Occupancy	68.2 %	64.2 %	63.1 %	65.6 %	68.3 %	65.3 %	64.2 %	67.3 %	69.5 %

<sup>1</sup> Opening in January 2028 of the 100% competitive, 120-room Proposed Extended-Stay Hotel Lake Elsinore

<sup>2</sup> Opening in January 2027 of the 100% competitive, 102-room TownePlace Suites Wildomar

The defined competitive market of hotels experienced a favorable trend of demand in 2023, with occupancy reaching the low 60s. Year-to-date 2024 trends reflect stability in demand, with a modest seasonal correction and corresponding lower ADR. Overall, occupancy is expected to continue to recover given commercial growth and economic expansion, while ADR is forecast to normalize, supporting overall demand growth. Based on historical occupancy levels in this market, and taking into consideration typical supply and demand cyclicity, market occupancy is anticipated to stabilize near the levels achieved in 2016. Furthermore, we anticipate that occupancy will increase beyond current levels as hotels capture the induced demand that is currently unmet due to a lack of sufficient hotel supply in Lake Elsinore. With the area’s growing popularity and commercial expansion, this market has the potential to return to peak occupancy levels, driven by new hotel development catering to this unaccommodated demand.

## 6. Projection of Occupancy and Average Rate

Along with average rate results, the occupancy levels achieved by a hotel are the foundation of the property's financial performance. 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 also vary with occupancy. To a certain degree, occupancy attainment can be manipulated by management. For example, hotel operators may choose to lower rates in an effort to maximize occupancy. Our forecasts reflect the operating strategy that we believe would be implemented by a typical, professional hotel management team to achieve an optimal mix of occupancy and average rate.

### Forecast of Subject Property's Occupancy

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

**FIGURE 6-1 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY**

<b>Market Segment</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
<b>Leisure</b>			
Demand	157,633	167,291	175,605
Market Share	9.3 %	9.7 %	10.1 %
Capture	14,704	16,227	17,663
Penetration	102 %	106 %	110 %
<b>Commercial</b>			
Demand	123,959	128,297	131,505
Market Share	9.1 %	9.4 %	9.8 %
Capture	11,226	12,108	12,898
Penetration	99 %	103 %	108 %
<b>Group</b>			
Demand	25,630	26,528	27,191
Market Share	8.3 %	8.7 %	9.1 %
Capture	2,131	2,308	2,468
Penetration	91 %	95 %	100 %
<b>Total Room Nights Captured</b>	<b>28,061</b>	<b>30,643</b>	<b>33,030</b>
Available Room Nights	43,800	43,800	43,800
<b>Subject Occupancy</b>	<b>64 %</b>	<b>70 %</b>	<b>75 %</b>
Market-wide Available Room Nights	478,588	478,588	478,588
<b>Fair Share</b>	<b>9 %</b>	<b>9 %</b>	<b>9 %</b>
Market-wide Occupied Room Nights	307,222	322,116	332,838
<b>Market Share</b>	<b>9 %</b>	<b>10 %</b>	<b>10 %</b>
<b>Market-wide Occupancy</b>	<b>64 %</b>	<b>67 %</b>	<b>70 %</b>
<b>Total Penetration</b>	<b>100 %</b>	<b>104 %</b>	<b>108 %</b>

Within the leisure segment, the proposed subject hotel’s occupancy penetration is positioned above the market-average level, supported by its planned facilities and amenities, as well as the increasing popularity of Lake Elsinore’s leisure attractions, which are not fully accommodated by the current hotel supply. The proposed subject hotel's occupancy penetration in the commercial segment is positioned above the market-average level, supported by its extended-stay guestroom product, anticipated rate positioning, and national brand affiliation. Within the group segment, the proposed subject hotel's occupancy penetration is positioned appropriately within the range of existing competitors, attributed to its comparable meeting space and the growing demand from events at the sports stadiums in the Lake Elsinore area.

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

**FIGURE 6-2 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY**

	2028	2029	2030
Leisure	52 %	53 %	53 %
Commercial	40	40	39
Group	8	8	7
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100 %</b>

Based on our analysis of the proposed subject hotel and market area, we have selected a stabilized occupancy level of 75%. 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**

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 ADR. 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 ADR and RevPAR levels of the proposed subject hotel's future primary competitors.

**FIGURE 6-3 BASE-YEAR ADR AND REVPAR OF THE COMPETITORS**

Property	Estimated 2023 Average Room Rate	Average Room Rate Penetration	Occupancy	Occupancy Penetration	Rooms Revenue Per Available Room (RevPAR)	RevPAR Penetration
Holiday Inn Express & Suites Lake Elsinore	\$130 - \$140	85 - 90 %	55 - 60 %	85 - 90 %	\$75 - \$80	80 - 85 %
Best Western Plus Lake Elsinore Inn & Suites	110 - 115	70 - 75	55 - 60	90 - 95	65 - 70	70 - 75
Econo Lodge Lake Elsinore Casino	100 - 105	65 - 70	55 - 60	85 - 90	60 - 65	60 - 65
Quality Inn Lake Elsinore I-15	85 - 90	50 - 55	55 - 60	90 - 95	50 - 55	55 - 60
Motel 6 Lake Elsinore	80 - 85	50 - 55	60 - 65	100 - 110	50 - 55	55 - 60
Residence Inn by Marriott Temecula Murrieta	160 - 170	100 - 110	75 - 80	120 - 130	130 - 140	140 - 150
Staybridge Suites Temecula - Wine Country	170 - 180	110 - 120	60 - 65	100 - 110	115 - 120	120 - 130
Home2 Suites by Hilton Temecula	160 - 170	100 - 110	70 - 75	110 - 120	115 - 120	120 - 130
Average - Primary Competitors	\$143.25	100.3 %	65.7 %	102.4 %	\$94.18	102.7 %
Average - Secondary Competitors	142.17	99.5	61.8	96.3	87.88	95.8
<b>Overall Average</b>	<b>\$142.84</b>	<b>100.0 %</b>	<b>64.2 %</b>	<b>100.0 %</b>	<b>\$91.73</b>	<b>100.0 %</b>
<b>Subject As If Stabilized (In 2023 Dollars)</b>	<b>\$155.00</b>	<b>108.5 %</b>	<b>69.6 %</b>	<b>108.4 %</b>	<b>\$107.93</b>	<b>117.7 %</b>

We have selected the rate position of \$155.00, in base-year dollars (2023), for the proposed subject hotel. We have positioned the proposed subject hotel's stabilized ADR in the 2023 base year in consideration of its new facility, strong brand affiliation, and extended-stay product offering. Given the current market conditions and year-to-date trends, average rates in the competitive market are expected to decline in the first projection year. However, ADR growth is anticipated to increase slightly in the following year as the market gradually begins adjusting rates upward. Thereafter, ADR growth is projected to trend in line with inflation through the stabilized year.

The following table presents the ADR forecast for the market and the proposed subject hotel on a calendar-year basis, as well as the resulting ADR penetration level. The proposed subject hotel's projected ADR (as if stabilized) is then fiscalized to

correspond with the hotel’s anticipated date of opening for each forecast year. Discounts of 3% and 1% 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.

**FIGURE 6-4 ADR FORECAST – MARKET AND PROPOSED SUBJECT PROPERTY**

Calendar Year	Historical		2024	2025	2026	2027	2028	2029	2030	2031
	2019	2023								
Market ADR	\$111.37	\$142.84	\$139.99	\$141.39	\$145.63	\$150.00	\$154.50	\$159.13	\$163.90	\$168.82
Projected Market ADR Growth Rate	—		-2.0%	1.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Property ADR (As-If Stabilized)		<b>\$155.00</b>	\$151.90	\$153.42	\$158.02	\$162.76	\$167.65	\$172.67	\$177.85	\$183.19
ADR Growth Rate			-2.0%	1.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Stabilized ADR Penetration		109%	109%	109%	109%	109%	109%	109%	109%	109%
<b>Fiscal Year</b>							<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>2031</b>
Proposed Subject Property Average Rate							\$167.65	\$172.67	\$177.85	\$183.19
Opening Discount							3.0%	1.0%	0.0%	0.0%
<b>Average Rate After Discount</b>							<b>\$162.62</b>	<b>\$170.95</b>	<b>\$177.85</b>	<b>\$183.19</b>
Real Average Rate Growth							—	5.1%	4.0%	3.0%
Market ADR							\$154.50	\$159.13	\$163.90	\$168.82
Proposed Subject ADR Penetration (After Discount)							105%	107%	109%	109%
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate							\$139.60	\$142.47	\$143.91	\$143.91

The proposed subject hotel’s ADR penetration level is forecast to reach 109% by the stabilized period, consistent with our stabilized ADR positioning. 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, 2028, which correspond with our financial projections.

**FIGURE 6-5 FORECASTS OF OCCUPANCY, AVERAGE RATE, AND REVPAR**

Year	Occupancy	Average Rate Before Discount	Discount	Average Rate After Discount	RevPAR	RevPAR % Change
2028	64 %	\$167.65	3.0 %	\$162.62	\$104.07	—
2029	70	172.67	1.0	170.95	119.66	15.0 %
2030	75	177.85	0.0	177.85	133.39	11.5



## 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 ADR forecast discussed previously.

### 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. The proposed subject hotel's stabilized statement of income and expense, deflated to 2023 dollars, is also presented.

**FIGURE 7-1 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES**

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2022	2021/22	2023/24	2022	2020	2023
Number of Rooms:	90 to 120	100 to 130	100 to 140	70 to 90	110 to 150	120
Occupied Rooms:	27,152	32,976	29,956	17,642	30,466	32,850
Days Open:	365	365	365	365	365	365
Occupancy:	70%	79%	68%	60%	65%	75%
Average Rate:	\$170	\$129	\$148	\$153	\$165	\$144
RevPAR:	\$118	\$102	\$100	\$91	\$107	\$108
<b>REVENUE</b>						
Rooms	97.3 %	96.4 %	99.0 %	100.0 %	90.8 %	98.3 %
Other Operated Departments	0.9	3.2	1.0	0.0	8.9	1.4
Miscellaneous Income	1.8	0.4	0.0	0.0	0.2	0.3
Total	100.0	100.0	100.0	100.0	100.0	100.0
<b>DEPARTMENTAL EXPENSES*</b>						
Rooms	20.1	20.3	18.3	16.8	20.9	20.5
Other Operated Departments	55.0	64.3	38.3	0.0	19.2	30.0
Total	20.0	21.7	18.5	16.8	20.7	20.6
<b>DEPARTMENTAL INCOME</b>						
	80.0	78.3	81.5	83.2	79.3	79.4
<b>UNDISTRIBUTED OPERATING EXPENSES</b>						
Administrative & General	8.6	9.4	7.7	9.8	4.2	7.5
Info. and Telecom. Systems	0.5	1.4	0.8	0.2	0.7	0.7
Marketing	2.7	8.6	4.2	2.1	2.2	2.7
Franchise Fee	8.4	4.8	6.8	14.2	5.9	8.8
Property Operations & Maintenance	2.8	6.0	3.3	4.1	4.6	3.7
Utilities	5.1	3.3	2.0	5.4	3.8	3.5
Total	28.1	33.5	24.8	35.9	21.4	27.1
<b>GROSS OPERATING PROFIT</b>						
	51.9	44.8	56.7	47.3	57.9	52.4
Management Fee	3.0	2.2	1.6	0.0	0.0	3.0
<b>INCOME BEFORE NON-OPER. INC. &amp; EXP.</b>						
	48.9	42.7	55.1	47.3	57.9	49.4
<b>NON-OPERATING INCOME AND EXPENSE</b>						
Property Taxes	6.4	0.0	3.1	2.1	2.3	5.1
Insurance	3.2	1.9	0.4	0.6	0.0	1.2
Total	9.6	1.9	3.5	2.7	2.3	6.4
<b>EBITDA</b>						
	39.3	40.8	51.6	44.6	55.6	43.0
Reserve for Replacement	0.0	2.0	4.0	0.0	4.9	4.0
<b>EBITDA LESS RESERVE</b>						
	39.3 %	38.8 %	47.6 %	44.6 %	50.7 %	39.0 %

\* 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:	2022	2021/22	2023/24	2022	2020	2023
Number of Rooms:	90 to 120	100 to 130	100 to 140	70 to 90	110 to 150	120
Occupied Rooms:	27,152	32,976	29,956	17,642	30,466	32,850
Days Open:	365	365	365	365	365	365
Occupancy:	70%	79%	68%	60%	65%	75%
Average Rate:	\$170	\$129	\$148	\$153	\$165	\$144
RevPAR:	\$118	\$102	\$100	\$91	\$107	\$108
<b>REVENUE</b>						
Rooms	\$43,032	\$37,119	\$36,519	\$33,256	\$39,007	\$39,396
Other Operated Departments	388	1,233	362	0	3,836	548
Miscellaneous Income	796	158	11	0	102	137
Total	44,216	38,511	36,891	33,256	42,945	40,081
<b>DEPARTMENTAL EXPENSES</b>						
Rooms	8,642	7,548	6,700	5,591	8,155	8,076
Other Operated Departments	214	793	138	0	737	164
Total	8,855	8,341	6,839	5,593	8,892	8,240
<b>DEPARTMENTAL INCOME</b>						
	35,360	30,170	30,052	27,662	34,053	31,840
<b>UNDISTRIBUTED OPERATING EXPENSES</b>						
Administrative & General	3,807	3,604	2,834	3,257	1,785	3,000
Info. and Telecom. Systems	218	534	291	51	315	300
Marketing	1,200	3,322	1,562	697	960	1,100
Franchise Fee	3,706	1,861	2,504	4,737	2,551	3,546
Property Operations & Maintenance	1,253	2,318	1,234	1,372	1,958	1,500
Utilities	2,239	1,258	731	1,810	1,625	1,400
Total	12,422	12,898	9,155	11,923	9,193	10,846
<b>GROSS OPERATING PROFIT</b>						
	22,938	17,272	20,897	15,739	24,860	20,994
Management Fee	1,326	836	585	0	14	1,203
<b>INCOME BEFORE NON-OPER. INC. &amp; EXP.</b>						
	21,612	16,435	20,312	15,739	24,846	19,792
<b>NON-OPERATING INCOME AND EXPENSE</b>						
Property Taxes	2,826	0	1,132	686	988	2,050
Insurance	1,397	727	132	206	0	500
Total	4,223	727	1,263	892	989	2,550
<b>EBITDA</b>						
	17,389	15,708	19,049	14,847	23,857	17,242
Reserve for Replacement	0	770	1,476	0	2,108	1,603
<b>EBITDA LESS RESERVE</b>						
	\$17,389	\$14,938	\$17,573	\$14,847	\$21,749	\$15,639

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

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2022	2021/22	2023/24	2022	2020	2023
Number of Rooms:	90 to 120	100 to 130	100 to 140	70 to 90	110 to 150	120
Occupied Rooms:	27,152	32,976	29,956	17,642	30,466	32,850
Days Open:	365	365	365	365	365	365
Occupancy:	70%	79%	68%	60%	65%	75%
Average Rate:	\$170	\$129	\$148	\$153	\$165	\$144
RevPAR:	\$118	\$102	\$100	\$91	\$107	\$108
<b>REVENUE</b>						
Rooms	\$169.58	\$129.45	\$147.51	\$152.69	\$165.17	\$143.91
Other Operated Departments	1.53	4.30	1.46	0.00	16.24	2.00
Miscellaneous Income	3.14	0.55	0.04	0.00	0.43	0.50
Total	174.24	134.30	149.01	152.69	181.84	146.41
<b>DEPARTMENTAL EXPENSES</b>						
Rooms	34.06	26.32	27.06	25.67	34.53	29.50
Other Operated Departments	0.84	2.77	0.56	0.00	3.12	0.60
Total	34.90	29.09	27.63	25.68	37.65	30.10
<b>DEPARTMENTAL INCOME</b>						
	139.35	105.21	121.39	127.01	144.19	116.31
<b>UNDISTRIBUTED OPERATING EXPENSES</b>						
Administrative & General	15.00	12.57	11.45	14.95	7.56	10.96
Info. and Telecom. Systems	0.86	1.86	1.18	0.23	1.33	1.10
Marketing	4.73	11.59	6.31	3.20	4.06	4.02
Franchise Fee	14.60	6.49	10.11	21.75	10.80	12.95
Property Operations & Maintenance	4.94	8.08	4.98	6.30	8.29	5.48
Utilities	8.82	4.39	2.95	8.31	6.88	5.11
Total	48.95	44.98	36.98	54.74	38.93	39.62
<b>GROSS OPERATING PROFIT</b>						
	90.39	60.23	84.41	72.26	105.26	76.69
Management Fee	5.23	2.92	2.36	0.00	0.06	4.39
<b>INCOME BEFORE NON-OPER. INC. &amp; EXP.</b>						
	85.17	57.32	82.05	72.26	105.20	72.30
<b>NON-OPERATING INCOME AND EXPENSE</b>						
Property Taxes	11.14	0.00	4.57	3.15	4.18	7.49
Insurance	5.51	2.53	0.53	0.95	0.00	1.83
Total	16.64	2.53	5.10	4.10	4.18	9.31
<b>EBITDA</b>						
	68.53	54.79	76.95	68.16	101.02	62.98
Reserve for Replacement	0.00	2.69	5.96	0.00	8.93	5.86
<b>EBITDA LESS RESERVE</b>						
	\$68.53	\$52.10	\$70.99	\$68.16	\$92.09	\$57.13

The departmental income of the comparable properties ranged from 78.3% to 83.2% of total revenue. Our forecast anticipates that the proposed subject hotel's departmental income will stabilize at 79.4%. The comparable properties achieved a gross operating profit (GOP) ranging from 44.8% to 57.9% of total revenue. Our forecast anticipates a stabilized GOP margin of 52.5% of total revenue.

**Inflation and  
Appreciation  
Assumptions**

In consideration of the trends in the Consumer Price Index (CPI), inflation factors that directly influence lodging properties, projections set forth by economists surveyed, and the Federal Reserve’s target inflation rate, we have applied a 3.0% underlying inflation rate in our analysis.

This annual rate of growth is applied to income and expenses after the stabilized year to reflect the longer-term expectation of asset appreciation by typical investors. This position is based on interviews with numerous market participants indicating a distinction in the expectations of near-term cost inflation (e.g., related to labor and supplies) versus long-term income growth that drives appreciation. Any exceptions to the application of the assumed underlying inflation and EBITDA Less Replacement Reserve growth rates are discussed in our write-ups of individual income and expense items.

**Summary of  
Projections**

Based on an analysis that will be detailed throughout this section, we have formulated a revenue-and-expense forecast through the fifth projection year, including amounts per available room and per occupied room, as illustrated in the following table. 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, 2028, expressed in inflated dollars for each year (figures in the forecast year columns have been divided by 1,000 and reflect thousands of dollars).

**FIGURE 7-4 DETAILED FORECAST OF INCOME AND EXPENSE**

	2028 (Calendar Year)			2029			Stabilized			2031			2032							
Number of Rooms:	120			120			120			120			120							
Occupancy:	64%			70%			75%			75%			75%							
Average Rate:	\$162.62			\$170.95			\$177.85			\$183.19			\$188.69							
RevPAR:	\$104.07			\$119.66			\$133.39			\$137.39			\$141.51							
Days Open:	365			365			365			365			365							
Occupied Rooms:	28,032	%Gross	PAR	POR	30,660	%Gross	PAR	POR	32,850	%Gross	PAR	POR	32,850	%Gross	PAR	POR	32,850	%Gross	PAR	POR
<b>OPERATING REVENUE</b>																				
Rooms	\$4,558	98.0 %	\$37,983	\$162.60	\$5,241	98.2 %	\$43,675	\$170.94	\$5,843	98.3 %	\$48,692	\$177.87	\$6,018	98.3 %	\$50,150	\$183.20	\$6,198	98.3 %	\$51,650	\$188.68
Other Operated Departments	73	1.6	610	2.61	77	1.4	644	2.52	81	1.4	677	2.47	84	1.4	697	2.55	86	1.4	718	2.62
Miscellaneous Income	18	0.4	152	0.65	19	0.4	161	0.63	20	0.3	169	0.62	21	0.3	174	0.64	22	0.3	179	0.66
<b>Total Operating Revenues</b>	<b>4,649</b>	<b>100.0</b>	<b>38,745</b>	<b>165.86</b>	<b>5,338</b>	<b>100.0</b>	<b>44,480</b>	<b>174.09</b>	<b>5,944</b>	<b>100.0</b>	<b>49,537</b>	<b>180.96</b>	<b>6,123</b>	<b>100.0</b>	<b>51,021</b>	<b>186.38</b>	<b>6,306</b>	<b>100.0</b>	<b>52,547</b>	<b>191.95</b>
<b>DEPARTMENTAL EXPENSES *</b>																				
Rooms	1,063	23.3	8,856	37.91	1,132	21.6	9,432	36.92	1,198	20.5	9,981	36.46	1,234	20.5	10,280	37.55	1,271	20.5	10,589	38.68
Other Operated Departments	23	31.0	189	0.81	24	30.4	196	0.77	24	30.0	203	0.74	25	30.0	209	0.76	26	30.0	215	0.79
<b>Total Expenses</b>	<b>1,085</b>	<b>23.3</b>	<b>9,045</b>	<b>38.72</b>	<b>1,155</b>	<b>21.6</b>	<b>9,628</b>	<b>37.68</b>	<b>1,222</b>	<b>20.6</b>	<b>10,184</b>	<b>37.20</b>	<b>1,259</b>	<b>20.6</b>	<b>10,489</b>	<b>38.32</b>	<b>1,297</b>	<b>20.6</b>	<b>10,804</b>	<b>39.47</b>
<b>DEPARTMENTAL INCOME</b>	<b>3,564</b>	<b>76.7</b>	<b>29,701</b>	<b>127.14</b>	<b>4,182</b>	<b>78.4</b>	<b>34,852</b>	<b>136.41</b>	<b>4,722</b>	<b>79.4</b>	<b>39,353</b>	<b>143.76</b>	<b>4,864</b>	<b>79.4</b>	<b>40,532</b>	<b>148.06</b>	<b>5,009</b>	<b>79.4</b>	<b>41,743</b>	<b>152.49</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	402	8.6	3,346	14.32	424	7.9	3,532	13.82	445	7.5	3,708	13.54	458	7.5	3,819	13.95	472	7.5	3,933	14.37
Info & Telecom Systems	40	0.9	335	1.43	42	0.8	353	1.38	44	0.7	371	1.35	46	0.7	382	1.39	47	0.7	393	1.44
Marketing	147	3.2	1,227	5.25	155	2.9	1,295	5.07	163	2.7	1,359	4.97	168	2.7	1,400	5.11	173	2.7	1,442	5.27
Franchise Fee	410	8.8	3,419	14.63	472	8.8	3,931	15.38	526	8.8	4,382	16.01	542	8.8	4,514	16.49	558	8.8	4,649	16.98
Prop. Operations & Maint.	171	3.7	1,422	6.09	201	3.8	1,678	6.57	222	3.7	1,854	6.77	229	3.7	1,909	6.97	236	3.7	1,967	7.18
Utilities	187	4.0	1,561	6.68	198	3.7	1,648	6.45	208	3.5	1,730	6.32	214	3.5	1,782	6.51	220	3.5	1,836	6.71
<b>Total Expenses</b>	<b>1,357</b>	<b>29.2</b>	<b>11,310</b>	<b>48.41</b>	<b>1,492</b>	<b>27.9</b>	<b>12,437</b>	<b>48.68</b>	<b>1,608</b>	<b>26.9</b>	<b>13,404</b>	<b>48.96</b>	<b>1,657</b>	<b>26.9</b>	<b>13,806</b>	<b>50.43</b>	<b>1,706</b>	<b>26.9</b>	<b>14,219</b>	<b>51.94</b>
<b>GROSS OPERATING PROFIT</b>	<b>2,207</b>	<b>47.5</b>	<b>18,391</b>	<b>78.73</b>	<b>2,690</b>	<b>50.4</b>	<b>22,415</b>	<b>87.73</b>	<b>3,114</b>	<b>52.4</b>	<b>25,949</b>	<b>94.79</b>	<b>3,207</b>	<b>52.4</b>	<b>26,726</b>	<b>97.63</b>	<b>3,303</b>	<b>52.4</b>	<b>27,524</b>	<b>100.54</b>
Management Fee	139	3.0	1,162	4.98	160	3.0	1,334	5.22	178	3.0	1,486	5.43	184	3.0	1,531	5.59	189	3.0	1,576	5.76
<b>INCOME BEFORE NON-OPR. INC. &amp; EXP.</b>	<b>2,067</b>	<b>44.5</b>	<b>17,229</b>	<b>73.75</b>	<b>2,530</b>	<b>47.4</b>	<b>21,081</b>	<b>82.51</b>	<b>2,936</b>	<b>49.4</b>	<b>24,463</b>	<b>89.36</b>	<b>3,023</b>	<b>49.4</b>	<b>25,195</b>	<b>92.04</b>	<b>3,114</b>	<b>49.4</b>	<b>25,947</b>	<b>94.78</b>
<b>NON-OPERATING INCOME &amp; EXPENSE</b>																				
Property Taxes	292	6.3	2,435	10.42	298	5.6	2,483	9.72	304	5.1	2,533	9.25	310	5.1	2,584	9.44	316	5.0	2,635	9.63
Insurance	70	1.5	582	2.49	72	1.3	600	2.35	74	1.2	618	2.26	76	1.2	636	2.32	79	1.2	656	2.39
<b>Total Expenses</b>	<b>362</b>	<b>7.8</b>	<b>3,017</b>	<b>12.92</b>	<b>370</b>	<b>6.9</b>	<b>3,083</b>	<b>12.07</b>	<b>378</b>	<b>6.3</b>	<b>3,151</b>	<b>11.51</b>	<b>386</b>	<b>6.3</b>	<b>3,220</b>	<b>11.76</b>	<b>395</b>	<b>6.2</b>	<b>3,291</b>	<b>12.02</b>
<b>EBITDA</b>	<b>1,705</b>	<b>36.7</b>	<b>14,212</b>	<b>60.84</b>	<b>2,160</b>	<b>40.5</b>	<b>17,997</b>	<b>70.44</b>	<b>2,557</b>	<b>43.1</b>	<b>21,312</b>	<b>77.85</b>	<b>2,637</b>	<b>43.1</b>	<b>21,975</b>	<b>80.27</b>	<b>2,719</b>	<b>43.2</b>	<b>22,656</b>	<b>82.76</b>
Reserve for Replacement	93	2.0	775	3.32	160	3.0	1,334	5.22	238	4.0	1,981	7.24	245	4.0	2,041	7.46	252	4.0	2,102	7.68
<b>EBITDA LESS RESERVE</b>	<b>\$1,612</b>	<b>34.7 %</b>	<b>\$13,437</b>	<b>\$57.52</b>	<b>\$2,000</b>	<b>37.5 %</b>	<b>\$16,663</b>	<b>\$65.22</b>	<b>\$2,320</b>	<b>39.0 %</b>	<b>\$19,331</b>	<b>\$70.62</b>	<b>\$2,392</b>	<b>39.1 %</b>	<b>\$19,934</b>	<b>\$72.82</b>	<b>\$2,467</b>	<b>39.1 %</b>	<b>\$20,555</b>	<b>\$75.09</b>

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

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

	2028		2029		2030		2031		2032		2033		2034		2035		2036		2037	
<b>Number of Rooms:</b>	120		120		120		120		120		120		120		120		120		120	
<b>Occupied Rooms:</b>	28,032		30,660		32,850		32,850		32,850		32,850		32,850		32,850		32,850		32,850	
<b>Occupancy:</b>	64%		70%		75%		75%		75%		75%		75%		75%		75%		75%	
<b>Average Rate:</b>	\$162.62	% of	\$170.95	% of	\$177.85	% of	\$183.19	% of	\$188.69	% of	\$194.35	% of	\$200.18	% of	\$206.18	% of	\$212.37	% of	\$218.74	% of
<b>RevPAR:</b>	\$104.07	Gross	\$119.66	Gross	\$133.39	Gross	\$137.39	Gross	\$141.51	Gross	\$145.76	Gross	\$150.13	Gross	\$154.64	Gross	\$159.28	Gross	\$164.05	Gross
<b>OPERATING REVENUE</b>																				
Rooms	\$4,558	98.0 %	\$5,241	98.2 %	\$5,843	98.3 %	\$6,018	98.3 %	\$6,198	98.3 %	\$6,384	98.3 %	\$6,576	98.3 %	\$6,773	98.3 %	\$6,976	98.3 %	\$7,186	98.3 %
Other Operated Departments	73	1.6	77	1.4	81	1.4	84	1.4	86	1.4	89	1.4	91	1.4	94	1.4	97	1.4	100	1.4
Miscellaneous Income	18	0.4	19	0.4	20	0.3	21	0.3	22	0.3	22	0.3	23	0.3	24	0.3	24	0.3	25	0.3
<b>Total Operating Revenues</b>	<b>4,649</b>	<b>100.0</b>	<b>5,338</b>	<b>100.0</b>	<b>5,944</b>	<b>100.0</b>	<b>6,123</b>	<b>100.0</b>	<b>6,306</b>	<b>100.0</b>	<b>6,495</b>	<b>100.0</b>	<b>6,690</b>	<b>100.0</b>	<b>6,891</b>	<b>100.0</b>	<b>7,097</b>	<b>100.0</b>	<b>7,311</b>	<b>100.0</b>
<b>DEPARTMENTAL EXPENSES *</b>																				
Rooms	1,063	23.3	1,132	21.6	1,198	20.5	1,234	20.5	1,271	20.5	1,309	20.5	1,348	20.5	1,388	20.5	1,430	20.5	1,473	20.5
Other Operated Departments	23	31.0	24	30.4	24	30.0	25	30.0	26	30.0	27	30.0	27	30.0	28	30.0	29	30.0	30	30.0
<b>Total Expenses</b>	<b>1,085</b>	<b>23.3</b>	<b>1,155</b>	<b>21.6</b>	<b>1,222</b>	<b>20.6</b>	<b>1,259</b>	<b>20.6</b>	<b>1,297</b>	<b>20.6</b>	<b>1,335</b>	<b>20.6</b>	<b>1,375</b>	<b>20.6</b>	<b>1,417</b>	<b>20.6</b>	<b>1,459</b>	<b>20.6</b>	<b>1,503</b>	<b>20.6</b>
<b>DEPARTMENTAL INCOME</b>																				
	3,564	76.7	4,182	78.4	4,722	79.4	4,864	79.4	5,009	79.4	5,160	79.4	5,315	79.4	5,474	79.4	5,638	79.4	5,808	79.4
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	402	8.6	424	7.9	445	7.5	458	7.5	472	7.5	486	7.5	501	7.5	516	7.5	531	7.5	547	7.5
Info & Telecom Systems	40	0.9	42	0.8	44	0.7	46	0.7	47	0.7	49	0.7	50	0.7	52	0.7	53	0.7	55	0.7
Marketing	147	3.2	155	2.9	163	2.7	168	2.7	173	2.7	178	2.7	184	2.7	189	2.7	195	2.7	201	2.7
Franchise Fee	410	8.8	472	8.8	526	8.8	542	8.8	558	8.8	575	8.8	592	8.8	610	8.8	628	8.8	647	8.8
Prop. Operations & Maint.	171	3.7	201	3.8	222	3.7	229	3.7	236	3.7	243	3.7	250	3.7	258	3.7	266	3.7	274	3.7
Utilities	187	4.0	198	3.7	208	3.5	214	3.5	220	3.5	227	3.5	234	3.5	241	3.5	248	3.5	255	3.5
<b>Total Expenses</b>	<b>1,357</b>	<b>29.2</b>	<b>1,492</b>	<b>27.9</b>	<b>1,608</b>	<b>26.9</b>	<b>1,657</b>	<b>26.9</b>	<b>1,706</b>	<b>26.9</b>	<b>1,758</b>	<b>26.9</b>	<b>1,810</b>	<b>26.9</b>	<b>1,865</b>	<b>26.9</b>	<b>1,921</b>	<b>26.9</b>	<b>1,978</b>	<b>26.9</b>
<b>GROSS OPERATING PROFIT</b>																				
	2,207	47.5	2,690	50.4	3,114	52.4	3,207	52.4	3,303	52.4	3,402	52.4	3,504	52.4	3,609	52.4	3,717	52.4	3,830	52.4
Management Fee	139	3.0	160	3.0	178	3.0	184	3.0	189	3.0	195	3.0	201	3.0	207	3.0	213	3.0	219	3.0
<b>INCOME BEFORE NON-OPR. INC. &amp; EXP.</b>																				
	2,067	44.5	2,530	47.4	2,936	49.4	3,023	49.4	3,114	49.4	3,207	49.4	3,304	49.4	3,403	49.4	3,505	49.4	3,610	49.4
<b>NON-OPERATING INCOME &amp; EXPENSE</b>																				
Property Taxes	292	6.3	298	5.6	304	5.1	310	5.1	316	5.0	323	5.0	329	4.9	336	4.9	342	4.8	349	4.8
Insurance	70	1.5	72	1.3	74	1.2	76	1.2	79	1.2	81	1.2	83	1.2	86	1.2	89	1.2	91	1.2
<b>Total Expenses</b>	<b>362</b>	<b>7.8</b>	<b>370</b>	<b>6.9</b>	<b>378</b>	<b>6.3</b>	<b>386</b>	<b>6.3</b>	<b>395</b>	<b>6.2</b>	<b>404</b>	<b>6.2</b>	<b>412</b>	<b>6.1</b>	<b>422</b>	<b>6.1</b>	<b>431</b>	<b>6.0</b>	<b>440</b>	<b>6.0</b>
<b>EBITDA</b>	<b>1,705</b>	<b>36.7</b>	<b>2,160</b>	<b>40.5</b>	<b>2,557</b>	<b>43.1</b>	<b>2,637</b>	<b>43.1</b>	<b>2,719</b>	<b>43.2</b>	<b>2,804</b>	<b>43.2</b>	<b>2,891</b>	<b>43.3</b>	<b>2,981</b>	<b>43.3</b>	<b>3,074</b>	<b>43.4</b>	<b>3,170</b>	<b>43.4</b>
Reserve for Replacement	93	2.0	160	3.0	238	4.0	245	4.0	252	4.0	260	4.0	268	4.0	276	4.0	284	4.0	292	4.0
<b>EBITDA LESS RESERVE</b>																				
	\$1,612	34.7 %	\$2,000	37.5 %	\$2,320	39.0 %	\$2,392	39.1 %	\$2,467	39.1 %	\$2,544	39.2 %	\$2,624	39.2 %	\$2,705	39.3 %	\$2,790	39.3 %	\$2,878	39.4 %

## Forecast of Income and Expense

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, 2028, expressed in inflated dollars for each year.

Revenues associated with the proposed subject hotel's other operated departments and its miscellaneous income category have been forecast to reflect the hotel's planned facilities and amenities, including the market pantry and meeting space. Expense levels should 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.

## Property Taxes

Real estate in the state of California is assessed at 100% of market value upon the sale, expansion, or new construction of a property. Once established, the assessed value of a property can increase by no more than 2.0% per year, according to state law. A reassessment is triggered by the sale, expansion, or improvement of a property. Because this analysis is predicated upon a hypothetical sale, we have calculated the first year's property tax burden based on the estimated fee-simple market value of the subject property determined by our analysis. Real and personal property are taxed at the same rate. Property taxes are "stepped up" upon the assumed sale of the hotel at the end of the tenth year by loading the terminal capitalization rate with the tax rate.

In most states, the comparison of a hotel's assessed value with that of comparable hotels in the same taxing jurisdiction can provide insight into whether or not the property is fairly assessed. The assessed value of the land and improvements is divided by the hotel's number of rooms to provide a unit of comparison with other hotels. This is a useful tool in most states, where properties are periodically reassessed to market value. However, in California, the comparison of assessed values is generally irrelevant due to Proposition 13, enacted in 1978, which removed the relationship between a property's assessed value and its market value. Under Proposition 13, a property is reassessed upon sale to market value, which is generally presumed to be the sales price; thereafter, the assessed value is increased at a maximum of 2% per year. Trends in appreciation and depreciation caused by market fluctuations are not reflected in a property's assessed value in California, unless there is a sales transaction. Thus, comparable hotels in California can have markedly different assessed values, depending upon when the last sales transaction occurred. For this reason, we have not researched the assessed values of comparable hotels to assess the reasonableness of the subject property's assessed value. The following table details the subject property's assessment history.



The proposed hotel will be subject to various special assessments, including those related to the mosquito- and vector-control charges, disease-control charges, and Riverside County sewer charges, as well as those related to the water district.

Tax rates are based on the city and county budgets, which change annually. The most recent tax rate in this jurisdiction was reported at 1.11481%. The following table shows the tax rate for the most recent year.

**FIGURE 7-6 COUNTY TAX RATES**

Year	Real Property Tax Rate
2023	1.14810

Source: Riverside County

Based on state law and the current tax rate, the proposed subject property’s projected property tax expense levels are calculated as follows.

**FIGURE 7-7 SUBJECT PROPERTY TAX CALCULATION**

Estimated Market Value of Fee Simple Interest	Tax Rate	First Year's Tax Burden
\$25,400,000	x 1.15%	\$291,617

Tax payments are due twice yearly. We estimate that property taxes for the Proposed Extended-Stay Hotel Lake Elsinore will equal approximately \$291,617 in the first forecast year of our projection period, increasing by 2.0% annually thereafter, the maximum allowed by state law.

**Conclusion**

In conclusion, our analysis reflects a profitable operation, with net income expected to total 39.1% of total revenue by the stabilized year. The stabilized total revenue comprises primarily rooms and food and beverage (F&B) revenue, with a secondary portion derived from other income sources. On the cost side, departmental expenses total 20.6% of revenue by the stabilized year, while undistributed operating expenses total 26.9% of total revenues; this assumes that the property will be operated competently by a well-known hotel operator. After a 3.0% of total revenues management fee, and 6.2% of total revenues in fixed expenses, a net income ratio of 39.1% is forecast by the stabilized year.

## 8. Feasibility Analysis

Return on investment (ROI) can be defined as the future benefits of an income-producing property relative to its acquisition or construction cost. The first step in performing an ROI 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 investor will utilize an ROI analysis to determine if the future cash flow from a current cash outlay meets their own investment criteria and at what level above or below this amount such an outlay exceeds or fails to meet these criteria.

### Development Cost

HVS has developed our own estimate of the total development cost which includes hard costs, FF&E, soft costs, pre-opening costs, and working capital, as well as the developer's fee. Our development cost estimate is supported by reported costs of comparable projects and the annual *HVS Development Cost Survey*. We recommend that the development team obtain a more detailed development cost estimate from actual construction companies. It is also advised that developers consult more than one source in their hotel development process to more accurately assess the true cost of development. The results of the development cost survey are presented in the following table.

**FIGURE 8-1 HOTEL DEVELOPMENT COST SURVEY (AMOUNTS PER ROOM)**

	Land	Building and Site Improvements	Soft Costs	FF&E	Pre-Opening and Working Capital	Developer Fee	Total
<b>Limited-Service Hotels</b>							
Average	\$26,127	\$119,167	\$22,929	\$17,054	\$3,899	\$6,213	\$195,390
Median	\$15,256	\$109,041	\$18,352	\$15,833	\$2,809	\$5,102	\$166,393
% of Total*	11%	66%	11%	9%	2%	1%	100%
<b>Extended-Stay Hotels (Midscale)</b>							
Average	\$14,712	\$107,364	\$19,454	\$17,248	\$3,417	\$4,912	\$167,107
Median	\$12,264	\$102,516	\$16,737	\$17,248	\$3,134	\$4,503	\$156,402
% of Total*	9%	66%	12%	10%	2%	2%	100%
<b>Extended-Stay Hotels (Upscale)</b>							
Average	\$28,277	\$162,276	\$34,373	\$21,485	\$6,694	\$7,327	\$260,431
Median	\$23,196	\$130,707	\$29,695	\$21,118	\$5,798	\$6,246	\$216,761
% of Total*	12%	64%	13%	9%	2%	2%	100%
<b>Dual-Branded Hotels</b>							
Average	\$31,592	\$184,321	\$36,355	\$23,265	\$8,721	\$8,711	\$292,966
Median	\$20,248	\$161,853	\$25,569	\$21,189	\$6,098	\$6,974	\$241,932
% of Total*	10%	66%	12%	9%	3%	2%	100%
<b>Select-Service Hotels</b>							
Average	\$26,725	\$152,050	\$26,954	\$21,362	\$4,724	\$7,537	\$239,353
Median	\$14,608	\$124,349	\$19,471	\$19,629	\$3,290	\$6,976	\$188,324
% of Total*	8%	66%	11%	10%	2%	2%	100%
<b>Full-Service Hotels</b>							
Average	\$37,095	\$340,295	\$77,562	\$40,452	\$14,200	\$16,600	\$526,205
Median	\$20,792	\$249,250	\$52,099	\$33,818	\$9,677	\$12,201	\$377,838
% of Total*	7%	66%	14%	9%	2%	2%	100%
<b>Luxury Hotels</b>							
Average	\$172,952	\$498,934	\$176,618	\$68,968	\$26,444	\$26,332	\$970,247
Median	\$102,837	\$522,053	\$146,679	\$63,612	\$23,138	\$21,525	\$879,843
% of Total*	12%	57%	17%	8%	4%	2%	100%
<b>Redevelopment Projects</b>							
Average	\$60,236	\$180,281	\$50,091	\$26,557	\$9,716	\$14,330	\$341,210
Median	\$38,906	\$196,077	\$35,356	\$26,267	\$7,510	\$13,217	\$317,333
% of Total*	15%	57%	14%	9%	3%	3%	100%
<b>Total</b>							
Average	\$34,392	\$195,843	\$44,495	\$27,349	\$8,260	\$6,910	\$317,249
Median	\$16,634	\$143,116	\$26,011	\$20,325	\$3,846	\$2,472	\$212,404
% of Total*	9%	64%	15%	8%	2%	2%	100%

\*The percentage of total is calculated based on the total sample of all budgets.

In addition to the survey data, we have also reviewed a selection of cost budgets from developers of comparable proposed hotels, as illustrated in the following table.

**FIGURE 8-2 COMPARABLE COST BUDGETS**

Item	Comp #1		Comp #2		Comp #3		Comp #4	
	Secondary, CA		Secondary, CA		Secondary, CA		Secondary, CA	
	Extended Stay Midscale		Extended Stay Midscale		Extended Stay Midscale		Extended Stay Midscale	
	Per Room	% of Total	Per Room	% of Total	Per Room	% of Total	Per Room	% of Total
Building	\$171,846	73.0 %	\$131,169	74.8 %	\$91,740	65.6 %	\$130,062	72.9 %
Soft Costs	32,398	13.8	22,430	12.8	26,581	19.0	27,222	15.2
Furniture, Fixtures, & Equipment	15,992	6.8	15,000	8.6	15,000	10.7	13,000	7.3
Pre-Opening Costs & Working Capital	5,815	2.5	2,660	1.5	4,082	2.9	0	0.0
Developer Fee (if Applicable)	9,244	3.9	4,000	2.3	2,551	1.8	8,222	4.6
<b>Total (Excluding Site Cost)</b>	<b>\$235,294</b>	<b>90.3 %</b>	<b>\$175,259</b>	<b>94.3 %</b>	<b>\$139,954</b>	<b>83.3 %</b>	<b>\$178,506</b>	<b>92.7 %</b>
Site Cost	\$25,210	9.7 %	\$10,497	5.7 %	\$28,061	16.7 %	\$14,083	7.3 %
<b>Total (Including Site Cost)</b>	<b>\$260,504</b>	<b>100.0 %</b>	<b>\$185,756</b>	<b>100.0 %</b>	<b>\$168,015</b>	<b>100.0 %</b>	<b>\$192,589</b>	<b>100.0 %</b>

**Building and Site Improvements**

Building and site improvements include all buildings and other relatively permanent structures located on, or attached to, the subject parcel. The cost of the improvements includes costs of materials, fees, and labor to construct the subject property's improvements. We estimate the development cost of the proposed subject property's improvements to be roughly \$145,000 per room, or a total of \$17,400,000.

**Furniture, Fixtures and Equipment**

Furniture, fixtures, and equipment (FF&E) include all non-permanent, removable items at the subject property, such as guestroom furnishings, kitchen equipment, and items of décor. The cost of the FF&E, along with all fees associated with the installation of such items, comprise the total cost of FF&E. Based on our understanding of the expected quality of furnishings, we have estimate the development cost of the proposed subject property's FF&E (as if new) at approximately \$17,000 per room, or a total of \$2,040,000.

**Pre-Opening and Working Capital Costs**

Pre-opening costs include expenses such as marketing, staffing, training, and administrative expenditures. Working capital includes a working capital reserve to maintain adequate cash flow until the operation reaches a break-even point. We estimate the pre-opening costs for the proposed subject property to be roughly \$3,300 per room, or a total of \$396,000.

**Soft Costs**

Soft costs include items other than labor and material that are necessary for construction but are not typically part of the construction contract. Soft costs can include professional fees, financing costs and the interest paid on construction

loans, taxes and the builder’s or developer’s all-risk insurance during construction, marketing, sales, and lease-up costs incurred to achieve occupancy or sales. We estimate the amount of soft costs for the proposed subject property to be approximately \$29,000 per room, or a total of \$3,480,000.

**Developer’s Fee**

The developer’s fee represents a recovery of costs to the project developer, including salaries, travel, administrative costs, and other expenses related to coordinating the development. It is separate from a developer’s anticipated profit or entrepreneurial incentive. The developer’s fee is typically dependent upon the complexity of project coordination and the length of the development timeline. In the case of relatively simple projects in markets with low barriers to entry, a developer’s fee may not be considered, whereas complicated projects in high-barrier-to-entry markets may incur more substantial costs for coordination and administration during an extended planning and construction period. In some cases, the developer’s administrative costs are included within other line items, rather than allocated to an individual developer’s fee line item. We estimate the developer’s fee for the proposed subject property to be approximately \$4,400 per room, equating to 2.0% of the project cost.

**Cost Summary**

Based on the preceding analysis, we estimate the development cost of the proposed subject property as follows.

**FIGURE 8-3 COST SUMMARY**

<b>Item</b>	<b>Cost per Room</b>	<b>Cost</b>
Building	\$145,000	\$17,400,000
Soft Costs	29,000	3,480,000
Furniture, Fixtures, & Equipment	17,000	2,040,000
Pre-Opening Costs & Working Capital	3,300	396,000
Developer Fee (if Applicable)	4,400	528,000
<b>Total Replacement Cost</b>	<b>\$198,700</b>	<b>\$23,844,000</b>

The following table presents a comparison of this budget to the comparable cost budgets presented previously.

**FIGURE 8-4 SUBJECT COST VS COMPABLE BUDGETS INFLATION ADJUSTED**

Item	Minimum		Maximum		Average		Average (Inflation Adjusted)		Subject Property	
	Per Room	% of Total	Per Room	% of Total	Per Room	% of Total	Per Room	% of Total	Per Room	% of Total
Building	\$91,740	65.6 %	\$171,846	74.8 %	\$131,204	71.6 %	\$140,389	63.8 %	\$145,000	66.8 %
Soft Costs	22,430	12.8	32,398	19.0	27,158	15.2	29,059	13.2	29,000	13.4
Furniture, Fixtures, & Equipment	13,000	6.8	15,992	10.7	14,748	8.3	15,780	7.2	17,000	7.8
Pre-Opening Costs & Working Capital	0	0.0	5,815	2.9	3,139	2.3	3,359	1.5	3,300	1.5
Developer Fee (if Applicable)	2,551	1.8	9,244	4.6	6,004	3.2	6,424	2.9	4,400	2.0
<b>Total (Excluding Site Cost)</b>	<b>\$139,954</b>		<b>\$235,294</b>		<b>\$182,253</b>		<b>199,153</b>		<b>\$198,700</b>	
Site Cost	\$10,497	5.7 %	\$28,061	16.7 %	19,463	9.8 %	20,825	10.5 %	\$18,333	9.2 %
<b>Total (Including Site Cost)</b>	<b>\$150,451</b>		<b>\$263,355</b>		<b>\$201,716</b>		<b>\$219,978</b>		<b>\$217,033</b>	

**Land Allocation**

A portion of the overall development cost includes the cost of the land. The range of per-room land cost was illustrated in the previously presented cost-survey data; land cost typically ranges from 5.0% to 20.0% of overall development cost but may be substantially higher for premium locations in markets with high barriers to entry. The portion of a hotel’s overall net income that can be attributed to the land, like a ground-lease payment, is directly correlated to the cost or value of the site. Using the forecasted revenues for the proposed subject hotel and applying a typical hotel ground-lease rental formula, we can determine the income attributed to the land. The land cost can then be estimated by capitalizing the hypothetical ground rent. The self-adjusting aspect of this approach is a key element to its reliability.

Hotels are often constructed on leased land. While the lease terms differ somewhat from property to property, the basis for the rental calculation is often tied to a percentage-of-revenue formula. We have researched actual long-term ground leases encumbering hotels. The following table summarizes our findings, showing the property, its room count, and its rental formula.

**FIGURE 8-5 SUMMARY OF HOTEL GROUND LEASES**

Location	ST	Number of Rooms	Ground Lease Formula	Rental Based on Year 1 Revenue of the 120-Unit Subject Property		
				Dollar Amount (+000)	Percentage of Rooms Revenue	Percentage of Total Revenue
Suburban	CA	120 - 160	to 3.0% of gross revenue (defined as all revenue, including any rent revenues from leased outlets) less food and beverage revenue.	\$144	3.1 %	3.0 %
Urban	CA	480 - 520	Greater of either 5.25% of gross revenue, or 75% of the average actual annual rent paid in the three years before 2011	253	5.3	5.3
Urban	CA	360 - 400	1.5% of Gross Annual Room Sales	71	1.5	1.5
Suburban	CA	160 - 200	2% of gross revenue	96	2.0	2.0

Our analysis of these ground-lease rental formulas indicates that economic ground rents for hotels such as the proposed subject hotel typically range from approximately 2.0% to 5.0% of rooms revenue. Hotels with a significant amount of land relative to the property’s room count, hotels in resort areas, or hotels in land-sparse downtown markets may command higher ground rent.

Based on the revenue projections set forth for the proposed subject hotel as part of this feasibility study, the following table shows how the economic ground rent has been calculated. Note that the stabilized revenue level has been deflated back to first-projection-year dollars.

Deflated Stabilized Rooms Revenue	\$5,191,000
Rental Percentage	3.0 %
<b>Economic Ground Rent</b>	<b>\$156,000</b>

Rent generated from an unsubordinated ground lease represents a low-risk flow of income. Because the tenant improvements typically amount to more than five times the value of the land, the risk of default is almost nonexistent. For hotel ground leases where rent is tied to revenue, the property owner is also protected from the adverse effects of inflation. Based on these minimal risk factors and the current cost of long-term capital, it is our opinion that the appropriate overall capitalization rate would be as indicated in the following table because of the low level of risk.

Applying the indicated capitalization rate to the proposed subject hotel's economic ground rent results in the following estimate of land cost.

$$\frac{\text{Economic Ground Rent}}{\text{Capitalization Rate}} = \frac{\$156,000}{7.0 \%} = \$2,229,000$$

This indicates an estimated land cost of \$2,200,000 for the proposed subject hotel.

**Allocation of Entrepreneurial Incentive**

Entrepreneurial incentive is a theoretical appraisal concept that represents the profit a developer would expect to earn on a development project. It is this expectation of profit, in addition to the actual cost, that motivates a developer to undertake a project. For most developers, this profit expectation is included in the projected overall yield resulting from the investment structure. As a result, entrepreneurial incentive is not typically identified as a budgeted item or specific dollar amount in developer's budgets. Based on our extensive review of development budgets and experience appraising proposed hotel properties, entrepreneurial incentive typically ranges from zero to 10.0% of total project costs but may be up to 25.0% in some cases. In healthy markets with high barriers to entry, entrepreneurial incentive may not be in evidence, as developers may be motivated by the anticipated asset appreciation beyond the dates of completion and stabilization. On the other hand, developers may require a stronger anticipated return with an incentive at the high-end or above the typical range in markets with a higher risk of performance volatility or competitive supply growth. Based on our analysis of local market conditions, a defined entrepreneurial incentive would not typically be required for development of the proposed subject property given the expectation of longer-term asset appreciation.

**Conclusion**

In the estimation of development cost for the proposed improvements, the costs of several components of the total property were quantified. The development cost was estimated based on a hotel development cost survey conducted by HVS. The following table summarizes our estimate of the total cost to develop the proposed subject property.



**FIGURE 8-6 RECAP OF TOTAL COST ESTIMATE**

<b>Item</b>	<b>Cost per Room</b>	<b>Cost</b>
Building	\$145,000	\$17,400,000
Soft Costs	29,000	3,480,000
Furniture, Fixtures, & Equipment	17,000	2,040,000
Pre-Opening Costs & Working Capital	3,300	396,000
Developer Fee (if Applicable)	4,400	528,000
Land	18,333	2,200,000
<b>Total Cost New Estimate (Rounded)</b>	<b>\$217,000</b>	<b>\$26,000,000</b>

This estimate has been rounded to \$26,000,000.

**Investment Components**

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 (20.0% to 50.0%) and a large amount of mortgage financing (50.0% to 80.0%), it is important for equity investors to acknowledge the return requirements of the debt participant (mortgagee), as well as their own return requirements. Therefore, we will begin our rate-of-return analysis by reviewing the debt requirements of typical hotel mortgagees.

**Mortgage Component**

Hotel financing is available for most tiers of the lodging industry from a variety of lender types. While many lenders remain active, underwriting standards are more stringent than the pre-pandemic market, and loan-to-value ratios remain in the 50.0% to 70.0% range, depending on the actual in-place operating cash flows and debt-service-coverage ratio requirements, among other things. 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, private-debt investors, insurance companies, and CMBS and mezzanine lenders continue to pursue deals.

At present, we find that lenders that are active in the market are using loan-to-value ratios of 50.0% to 70.0%, and amortization periods of 20 to 30 years.

Over the course of the last decade, the federal funds rate remained relatively low, peaking at 2.25% to 2.5% in late 2018 through mid-year 2019. Subsequently, concern about the trade war and a slowing economy led the Federal Reserve (Fed) to reduce rates three times to a target rate of 1.5% to 1.75%. The rate remained at this level until mid-March 2020, at which point the Fed cut the target rate twice to zero. Furthermore, on March 23, 2020, the Fed pledged to maintain liquidity in debt markets by purchasing as many government and corporate-backed bonds, as necessary. In 2022, the Fed began raising the federal funds rate to combat heightened inflation. By July 2023, eleven increases had brought the rate to a range of 5.25% to 5.50%. Lenders have been adjusting their interest-rate levels to reflect these market conditions. Current interest-rate levels for most typical assets are primarily in the 7.0% to 9.5% range.

Based on our analysis of the current lodging industry mortgage market and adjustments for specific factors, such as the subject site, proposed facility, and conditions in the Lake Elsinore hotel market, we have assumed a mortgage at a loan-to-cost ratio of 65% with an interest rate of 8.00% and an amortization period of 25 years. The following table summarizes the mortgage component.

**FIGURE 8-1 MORTGAGE COMPONENT**

Initial Cost	\$26,780,000
Loan to cost	65.0%
Mortgage Amount	\$17,407,000
Assumed interest rate	8.00%
Assumed Amortization	25 years
Debt Service Constant	0.09262
Annual Debt Service	\$1,612,000
Mortgage paid off over 10 years	19.24%
Balance at end of 10 years	\$14,058,000

### Equity Component

The remaining capital required for the development of the proposed subject property would be the equity investment. This is the balance of the total development cost less the assumed mortgage amount, as illustrated in the table that follows.

**FIGURE 8-2 CALCULATION OF EQUITY COMPONENT**

Initial Cost	\$26,780,000
Mortgage	17,407,000
Equity Investment	\$9,373,000

**Reversion**

The return on the development cost is derived from both the annual cash flow and the expectation of a sale of the property at the end of the holding period. For the purposes of this feasibility analysis, we have assumed that the developer would elect to hold the property for ten years. The estimated reversionary sales 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 sales 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 8-3 TERMINAL CAPITALIZATION RATES DERIVED FROM INVESTOR SURVEYS**

<u>Source</u>	<u>Data Point Range</u>	<u>Average</u>
<i>HVS Brokers Survey</i>	<i>Spring 2024 Survey</i>	
Select-Service Hotels	6.5% - 10.5%	8.5%
Limited-Service & Economy Hotels	6.0% - 11.0%	8.9%
<i>PWC Real Estate Investor Survey</i>	<i>3rd Quarter 2024 Survey</i>	
Select-Service Hotels	8.0% - 11.0%	9.6%
Limited-Service Hotels	9.0% - 11.0%	10.0%
<i>USRC Hotel Investment Survey</i>	<i>Mid-Year 2024 Survey</i>	
Limited-Service Hotels	7.5% - 12.5%	9.6%
<i>Situs RERC Real Estate Report</i>	<i>2nd Quarter 2024 Survey</i>	
Second Tier Hotels	8.8% - 11.5%	10.0%
First Tier Hotels	7.5% - 10.5%	9.0%

For purposes of this analysis, we have applied a terminal capitalization rate of 8.00%.

The reversion to the mortgage and equity components is calculated below.

**FIGURE 8-4 REVERSION TO MORTGAGE AND EQUITY COMPONENTS**

Year 11 NOI	\$3,323,000
Terminal Cap Rate	9.15%
Estimated Sales Proceeds	\$36,324,000
Less: Transaction Costs @ 3.0%	\$1,090,000
Net Sales Proceeds	\$35,234,000
Less: Mortgage Component	\$14,058,000
Equity Reversion	\$21,176,000

**Internal Rate-of-Return Analysis**

Using the aforementioned investment components, the internal rate of return (IRR) indicated by the EBITDA forecast and the assumed reversionary sales proceeds are calculated, as presented in the following table.

**FIGURE 8-5 IRR TO THE TOTAL PROPERTY AND MORTGAGE AND EQUITY COMPONENTS**

Year	Total Project		Mortgage Component		Equity Component	
	Total EBITDA	Annual Cash on Cash Return	Debt Service	Annual Cash on Cash Return	NOI to Equity	Annual Cash on Cash Return
Development Cost	(\$26,780,000)		(\$17,407,000)		(\$9,373,000)	
2028	\$1,905,000	7.1 %	\$1,612,000	9.3 %	\$293,000	3.1 %
2029	2,298,000	8.6	1,612,000	9.3	686,000	7.3
2030	2,624,000	9.8	1,612,000	9.3	1,012,000	10.8
2031	2,702,000	10.1	1,612,000	9.3	1,090,000	11.6
2032	2,783,000	10.4	1,612,000	9.3	1,171,000	12.5
2033	2,866,000	10.7	1,612,000	9.3	1,254,000	13.4
2034	2,953,000	11.0	1,612,000	9.3	1,341,000	14.3
2035	3,041,000	11.4	1,612,000	9.3	1,429,000	15.2
2036	3,132,000	11.7	1,612,000	9.3	1,520,000	16.2
2037	3,227,000	12.1	1,612,000	9.3	1,615,000	17.2
Reversion	35,234,000	131.6	14,058,000	80.8	26,234,000	279.9
<b>Ten Year IRR</b>		<b>11.7 %</b>		<b>7.9 %</b>		<b>18.0 %</b>

Based on our forecast of EBITDA and the development cost, including an entrepreneurial incentive, the total project would yield an internal rate of return of 11.7%. Based on the mortgage assumptions, the equity component’s initial investment of \$9,373,000 would achieve an internal rate of return of 18.0% over a ten-year holding period. The following table summarizes the range of equity yields indicated by hotels that were sold at (or at about) the time that we appraised them, along with the derived equity return based on the purchase price, debt assumptions, and our forecast.

**FIGURE 8-6 SUMMARY OF EQUITY YIELDS**

<u>Source</u>	<u>Data Point Range</u>	<u>Average</u>
HVS Hotel Sales - Full-Service & Luxury	10.9% - 20.4%	15.5%
HVS Hotel Sales - Select-Service & Extended-Stay	14.2% - 19.1%	17.2%
HVS Hotel Sales - Limited-Service	15.9% - 22.7%	19.5%

To evaluate the indicated IRR to the total property, we have reviewed several recent investor surveys, including the *HVS Broker Survey*, *PWC Real Estate Investor Survey*, *USRC Hotel Investment Survey*, and *Situs RERC Real Estate Report*. The following table summarizes the range of discount rates and average IRRs indicated by the investor surveys for hotels similar in class to the proposed subject property.

**FIGURE 8-7 RESULTS OF RECENT INVESTMENT SURVEYS – DISCOUNT RATES, HOTELS**

<u>Source</u>	<u>Data Point Range</u>	<u>Average</u>
HVS Hotel Sales - Limited-Service	10.2% - 13.8%	12.2%
HVS Hotel Sales - Select-Service & Extended-Stay	9.9% - 12.3%	11.2%
<i>HVS Brokers Survey</i>	<i>Spring 2024 Survey</i>	
Select-Service Hotels	9.5% - 13.0%	11.0%
Limited-Service & Economy Hotels	10.0% - 13.0%	11.5%
<i>PWC Real Estate Investor Survey</i>	<i>3rd Quarter 2024 Survey</i>	
Select-Service Hotels	9.0% - 14.0%	11.5%
Limited-Service Hotels	10.0% - 14.0%	11.8%
<i>USRC Hotel Investment Survey</i>	<i>Mid-Year 2024 Survey</i>	
Limited-Service Hotels	11.0% - 14.0%	12.1%
<i>Situs RERC Real Estate Report</i>	<i>2nd Quarter 2024 Survey</i>	
Second Tier Hotels	10.0 - 13.0%	11.0%
First Tier Hotels	9.5% - 12.0%	10.1%

As discussed, based on our forecast of EBITDA and the development cost, including entrepreneurial incentive, the total project would yield an IRR of 11.7%. The investor surveys indicate equity yield rates ranging from 14.2% to 19.1%, with an average of 17.2% for extended-stay hotels. Based on these parameters, the

calculated return of 18% falls within the range of the illustrated returns. Return requirements vary based on an individual investor's circumstances, including the cost and availability of both debt and equity capital. This analysis is intended to provide information to assist the developer in evaluating the feasibility of the proposed project..

## Conclusion

In determining the potential feasibility of the Proposed Extended-Stay Hotel Lake Elsinore, 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 the property would generate a return of 11.7% on an initial investment of \$26,780,000 . Based on the previously present mortgage loan assumptions, the equity component would receive a return of 18.0% on the initial investment. Return requirements vary based on an individual investor's circumstances, including the cost and availability of both debt and equity capital. This analysis is intended to provide information to assist the developer in evaluating the feasibility of the proposed project.

## 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; furthermore, all statements of assumptions and limiting conditions apply to the entire report, including any additional forms or addenda items presented.
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 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 guarantee 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 this analysis 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 internally to many 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 projections, 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 our staff as company employees, rather than as individuals.

## Luigi Major, MAI

### EMPLOYMENT

2007 to present

HVS CONSULTING AND VALUATION SERVICES  
Los Angeles, California

### EDUCATION AND OTHER TRAINING

BS – Hotel & Restaurant Management, University of Houston

*Other Specialized Training Classes Completed:*

Uniform Standards of Professional Appraisal Practice

Basic Appraisal Procedures

Basic Appraisal Principles

General Appraiser Income Approach (Parts I and II)

General Appraiser Sales Comparison Approach

General Appraiser Market Analysis and HBU

General Appraiser Site Valuation and Cost Approach

General Appraiser Report Writing and Case Studies

Business Practices and Ethics

Statistics, Modeling and Finance

Advanced Income Capitalization

Advanced Sales Comparison & Cost Approach

Report Writing and Valuation Analysis

Advanced Applications

Fundamentals of Separating Real, Personal Property, and Intangible Business Assets

General Demonstration Report Writing

The Appraiser as an Expert Witness: Preparation and Testimony

California Law

Mortgage Fraud – Protect Yourself

Supervisor Trainee Course for Texas

Appraisal of Land Subject to Ground Lease

Basic Hotel Appraising

Advanced Hotel Appraising

Appraisal of Land Subject to Ground Lease

CA Supervisor/Trainee

The Dirty Dozen

**EDUCATION  
(CONTINUED)**

Income Approach  
 Small Hotel/Motel Valuation  
 NV Law  
 Basics of Expert Witness  
 Appraisal of Owner-Occupied Commercial Properties  
 CA Law  
 Appraisal of REO and Foreclosed Properties  
 Introduction to Commercial Appraisal Review  
 Income Approach for Case Studies  
 Intermediate Income Approach  
 Biennial USPAP Updates

**STATE CERTIFICATIONS**

Arizona, California, Hawaii, Nevada, New Mexico, Texas

**PROFESSIONAL  
AFFILIATIONS**

Appraisal Institute – Designated Member (MAI)

**PUBLISHED ARTICLES**

*HVS Journal* “U.S. Hotel Development Cost Survey 2024,” August 2024

*HVS Journal* “U.S. Hotel Development Cost Survey 2023,” July 2023

*HVS Journal* “Impact of Recent Interest Rate Increases on Commercial Real Estate Transactions and Pricing,” May 2023

*HVS Journal* “COVID-19’s Impact on the Los Angeles Hotel Market,” April 2021

*HVS Journal* “U.S. Hotel Development Cost Survey 2020,” October 2020

*HVS Journal* “Impact of COVID-19 on the Tucson Hotel Market,” July 2020

*HVS Journal* “Impact of COVID-19 on Los Angeles & Southern California Hotel Markets,” April 2020

*HVS Journal* “U.S. Hotel Development Cost Survey 2018/19,” September 2019

*HVS Journal* “Market Pulse: Los Angeles, CA,” March 2019

*HVS Journal* “HVS Hotel Development Cost Survey 2017/18,” November 2018

*HVS Journal* “Blurred Lines between Hotels and Airbnb,” September 2018

*HVS Journal* “Market Pulse: Palm Springs & Desert Cities,” February 2018

*HVS Journal* “Top 6 Hotel Success Factors,” August 2017

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<i>HVS Journal</i>	“In Focus: Houston, Texas,” February 2016
<i>HVS Journal</i>	“Four Key Takeaways: Meet the Money 2015,” co-authored with Li Chen and Susan Furbay, May 2015
<i>HVS Journal</i>	“In Focus: Houston, Texas,” co-authored with Yimei Tang, July 2014
<i>HVS Journal</i>	“Effects of Major Renovations on Hotel Market Penetration and Net Present Value,” February 2014
<i>HVS Journal</i>	“HVS Market Intelligence Report 2013: Houston,” June 2013
<i>HVS Journal</i>	“HVS Market Intelligence Report: Houston Hotels in 2012,” April 2012
<i>HVS Journal</i>	“HVS Report: Foreign Direct Investment, Commercial Real Estate, and Hotel Development in Mexico City.” Co-authored by Raul Duarte and Richard Katzman, February 2011
<i>HVS Journal</i>	“San Miguel de Allende – A Beacon for the Tourism Potential of Colonial Towns and Villages,” January 2009
<i>HVS Journal</i>	“Mexico’s Growing Trend: Master-Planned Resort-Residential Communities,” November 2008
<i>HVS Journal</i>	“Guadalajara – Preparing for the Future,” May 2008
<i>HVS Journal</i>	“HVS Market Intelligence Report: San Juan, Puerto Rico,” November 2007
<i>HVS Journal</i>	“HVS Market Intelligence Report: Liberia, Costa Rica,” September 2007

**EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED**

**PORTFOLIO ANALYSIS**

Portfolio of 6 Embassy Suites Hotels, Various Locations  
 Portfolio of 5 Proposed Hotels, Colombia  
 Ladder Capital Portfolio of 6 Hotels, Colorado and Texas  
 Ladder Capital Package of 4 Hotels, Texas  
 Portfolio of 8 Embassy Suites Hotels, Various Locations  
 Lone Star Portfolio of 38 Hyatt Hotels, Various Locations  
 Portfolio of 13 Hotels for JPMorgan Chase, Texas and New Mexico  
 Portfolio of 5 Extended-Stay Hotels throughout the South  
 Portfolio of 3 Hotels, San Diego  
 Portfolio of 2 Full-Service Hotels, Houston  
 Portfolio of 8 Marriott or Embassy Suites Hotels, California and Nevada  
 Portfolio of 2 Proposed Hotels, Mesa, Arizona  
 Portfolio of 2 Ayres Hotels, Southern California  
 Portfolio of 2 Hotels, Beverly Hills  
 Portfolio of 3 Proposed Hotels, Western U.S.  
 Portfolio of 4 Closed Full-Service Hotels  
 Portfolio of 9 Hotels for Blue Torch Capital  
 Portfolio of 2 Proposed Resorts, La Quinta, California  
 Portfolio of 3 Baymont Inns, Kalamazoo and Battle Creek, Michigan  
 Portfolio of 3 Hotels, Idaho and Oregon  
 Portfolio of 2 Crowne Plaza Hotels (Closed), Austin and Houston, Texas  
 Portfolio of 3 Hotels, Louisiana and Nevada

Portfolio of 6 Closed Full-Service Hotels, Various Locations

**ALABAMA**

Hampton Inn, Birmingham  
 City Lodge, Florence  
 Holiday Inn, Hoover  
 Hampton Inn, Pell City

**ARIZONA**

Home2 Suites by Hilton Phoenix Avondale, Avondale  
 Proposed EVEN Hotel Avondale, Avondale  
 Proposed Home2 Suites by Hilton, Avondale  
 Home2 Suites by Hilton Buckeye Phoenix, Buckeye  
 Proposed Dual-Branded TownePlace Suites and Fairfield Inn, Buckeye  
 Proposed Hotel, Campe Verde  
 Holiday Inn, Casa Grande  
 Proposed Limited-Service Hotel at the Promenade, Casa Grande  
 Proposed Holiday Inn Flagstaff, Flagstaff  
 Proposed Hotel near Gilbert Heritage District, Gilbert  
 Proposed SpringHill Suites by Marriott, Lake Havasu  
 Marble Canyon Lodge, Marble Canyon  
 Proposed Hotel near Harrah's Ak-Chin Casino, Maricopa  
 Proposed La Quinta Maricopa, Maricopa  
 Proposed Hotel, Mesa  
 Proposed Hotel Near Phoenix Mesa Gateway Airport, Mesa  
 Proposed Sleep Inn and MainStay Suites Dual-Branded Hotel, Mesa  
 Proposed Resort Page, Page Courtyard Phoenix Airport, Phoenix  
 Four Points by Sheraton Phoenix North, Phoenix  
 Proposed Dual-Brand AC/Element, Phoenix

Proposed Hampton Inn at Metro Center, Phoenix  
 Proposed Holiday Inn Express & Suites - Phoenix Airport North, Phoenix  
 Proposed Home2 Suites by Hilton Phoenix Airport North, Phoenix  
 Proposed Hotel at Park Central Mall, Phoenix  
 Proposed Hotel Central Station, Phoenix  
 Proposed Hyatt Place Downtown Phoenix, Phoenix  
 Proposed La Quinta – Banner – University Medical Center, Phoenix  
 Proposed La Quinta Inn & Suites McDowell Road, Phoenix  
 Proposed Marriott Tribute, Phoenix  
 Proposed Midtown Hotel, Phoenix  
 Proposed WoodSpring Suites Happy Valley, Phoenix  
 Ramada, Phoenix  
 Red Roof Inn Phoenix Bell Road, Phoenix  
 Residence Inn by Marriott at Mayo Clinic, Phoenix  
 Proposed Quartzsite Limited-Service Hotel, Quartzsite  
 Proposed Hotel, Queen Creek  
 Proposed Hotel, Rancho Sahuarita  
 Proposed Rancho Almasomos Resort, Rimrock  
 Navajoland Inn & Suites / Saint Michaels Arizona, Saint Michaels  
 Element by Westin Scottsdale at SkySong, Scottsdale  
 Proposed Ceasars Hotel at Scottsdale Fashion Square, Scottsdale  
 Proposed Hilton Hotel at Cavasson, Scottsdale  
 Proposed Holiday Inn, Scottsdale  
 Proposed Hyatt Place and Hyatt House Dual-Branded Hotel, Scottsdale  
 Talking Stick Resort, Scottsdale  
 Las Posadas of Sedona, Sedona  
 Aloft, Tempe

Comfort Suites Airport, Tempe  
 MOXY Phoenix Tempe/ASU Area,  
 Tempe  
 Proposed Full-Service Hotel, Tempe  
 Proposed Hilton Tempe, Tempe  
 Proposed Residence Inn by Marriott,  
 Tempe  
 Proposed Westin Tempe, Tempe  
 Proposed Best Western, Topock  
 Four Points by Sheraton Tucson  
 Airport, Tucson  
 La Posada Lodge & Casitas Ascend  
 Hotel Collection, Tucson  
 Proposed Graduate Hotel Tucson,  
 Tucson  
 Proposed Hotels at the Marketplace,  
 Tucson  
 Radisson Suites, Tucson  
 Sheraton Hotel & Suites Tucson,  
 Tucson  
 Westin La Paloma Resort & Spa,  
 Tucson  
 Proposed Grand Canyon Resort,  
 Tusayan  
 Grand Canyon Railway Hotel,  
 Williams

**ARKANSAS**

Proposed Hotel, Fairfield Bay  
 Proposed Hotel, Hot Springs  
 La Quinta Inn & Suites, Russellville

**CALIFORNIA**

Proposed Hotel Adelanto, Adelanto  
 Proposed Hilton Garden Inn Alameda,  
 Alameda  
 Proposed Holiday Inn Express  
 Alameda, Alameda  
 Alhambra Inn & Suites, Alhambra  
 Fremont Inn, Alhambra  
 Proposed Hotel American Canyon,  
 American Canyon  
 Candlewood Suites Anaheim - Resort  
 Area, Anaheim  
 Four Points by Sheraton, Anaheim  
 Gaia Hotel & Spa, Anderson  
 Apple Valley Lodge, Apple Valley

Super 8 Azusa, Azusa  
 Best Western, Bakersfield  
 Proposed Best Western Bakersfield,  
 Bakersfield  
 Proposed Hotel Bakersfield/I-5,  
 Bakersfield  
 Proposed Staybridge Suites,  
 Bakersfield  
 Proposed Extended-Stay Hotel  
 Baldwin Park, Baldwin Park  
 Holiday Inn Express Hotel & Suites  
 Barstow Outlet Center, Barstow  
 Proposed Dual-Branded Marriott,  
 Barstow  
 Quality Inn & Suites Santa Cruz  
 Mountains Ben Lomond, Ben  
 Lomond  
 Beverly Hills Hotel, Beverly Hills  
 Holiday Inn Resort The Lodge at Big  
 Bear Lake, Big Bear Lake  
 Proposed Select-Service Hotel Brea,  
 Brea  
 Hampton Inn & Suites Buellton/Santa  
 Ynez Valley, Buellton  
 Proposed Aloft Buena Park, Buena  
 Park  
 Proposed Hilton at the Source, Buena  
 Park  
 Proposed Stanford Hotel, Buena Park  
 The Hotel at the Source, Buena Park  
 Quality Inn Burbank, Burbank  
 Radisson Suites Buena Park, Buena  
 Park  
 Proposed Cabazon Glamping  
 Recreation Center, Cabazon  
 Cape Rey Carlsbad a Hilton Resort,  
 Carlsbad  
 Proposed Beach Village Hotel Day Spa  
 Condo Project, Carlsbad  
 DoubleTree by Hilton Golf Resort  
 Palm Springs Area, Cathedral City  
 Staybridge Suites Cathedral City Golf  
 Resort, Cathedral City  
 Proposed Gaylord Pacific Resort &  
 Convention Center, Chula Vista  
 Proposed The GlenRoy, Coachella  
 Motel 6 Coalinga East, Coalinga

Proposed Everhome Suites Corona,  
 Corona  
 Best Western Plus Dana Point Inn by  
 the Sea, Dana Point  
 Blue Lantern Inn, Dana Point  
 Proposed Boutique Hotel, Diablo  
 Grande  
 Proposed Hampton Inn, Diamond Bar  
 Proposed Select Service Hotel  
 Downey, Downey  
 Proposed Home 2 Suites by Hilton, El  
 Centro  
 Proposed Residence Inn El Centro, El  
 Centro  
 Proposed Hotel El Dorado Hills, El  
 Dorado Hills  
 Holiday Inn Express, Elk Grove  
 Proposed Candlewood Suites, Elk  
 Grove  
 Hyatt Place, Emeryville  
 Proposed Home2 Suites by Hilton,  
 Fairfield  
 Comfort Inn Silicon Valley East  
 Fremont, Fremont  
 La Quinta Inn & Suites, Fresno  
 San Joaquin Hotel, Fresno  
 Proposed Tapestry Collection by  
 Hilton Fullerton, Fullerton  
 Hilton Los Angeles North/Glendale &  
 Executive Meeting Center, Glendale  
 Glendora Motel, Glendora  
 Hampton Inn, Goleta  
 Proposed Terra Vi Yosemite,  
 Groveland  
 Holiday Inn Express, Grover Beach  
 Home2 Suites by Hilton Hanford  
 Lemoore, Hanford  
 Proposed Home2 Suites, Hanford  
 Proposed Dual-Branded Hotel,  
 Hawthorne  
 TownePlace Suites by Marriott Los  
 Angeles LAX Hawthorne,  
 Hawthorne  
 Proposed Hotel, Hermosa Beach  
 Godfrey Hotel Hollywood, Hollywood  
 Wylder Hope Valley, Hope Valley

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Proposed Artistree Resort, Hot Springs	Proposed Found Santa Monica, Los Angeles	Proposed Murrieta Hotel, Murrieta
Proposed Hot Springs Hotel and Resort at California Hot Springs, Hot Springs	Proposed Hampton Inn & Suites Koreatown, Los Angeles	Best Western Elm House Inn, Napa
Proposed Kokoro Wellness Resort, Howard Springs	Proposed Hotel Koreatown, Los Angeles	Hampton by Hilton Napa, Napa
Paséa Hotel & Spa, Huntington Beach	Proposed Hyatt Place Olive Street, Los Angeles	Aloft Silicon Valley, Newark
Miramonte Indian Wells Resort & Spa Curio Collection by Hilton, Indian Wells	Proposed Spring Street Hotel, Los Angeles	TownePlace Suites by Marriott, Newark
Proposed Tru by Hilton, Inglewood	Proposed Staybridge Suites Los Angeles, Los Angeles	Newport Beach Hotel, Newport Beach
Irvine Marriott, Irvine	Proposed Tommie Hotel, Los Angeles	Proposed Hotel North Hollywood, North Hollywood
Proposed Fairfield Inn Jackson, Jackson	Proposed Unscripted Hotel, Los Angeles	Proposed Select-Service Hotel, Northridge
Holiday Inn San Diego La Mesa, La Mesa	Proposed Westlake Hotel, Los Angeles	Proposed Homage Oakland, Oakland
Best Western Laguna Brisas Spa Hotel, Laguna Beach	Ramada Los Angeles Wilshire Center, Los Angeles	Courtyard by Marriott Oceanside, Oceanside
Coast Inn, Laguna Beach	Silver Lake Pool & Inn, Los Angeles	Country Inn & Suites Ontario Mills, Ontario
Pacific Edge Hotel, Laguna Beach	Thompson Hollywood, Los Angeles	Proposed Cambria Hotel Ontario, Ontario
Seaside Laguna Inn & Suites, Laguna Beach	Top Hat Motel, Los Angeles	Proposed Dual-Branded Homewood Suites by Hilton and Hampton by Hilton Ontario, Ontario
Proposed Laguna Hills Hotel, Laguna Hills	Proposed Hotel Malibu, Malibu	Proposed Element by Westin Ontario, Ontario
Proposed Cambria La Quinta, La Quinta	Proposed Wellness Hotel Malibu, Malibu	Proposed Dual-Branded Residence Inn & Courtyard by Marriott Orange, Orange
Proposed Home2 Suites Lathrop, Lathrop	Proposed Hotel Mammoth Village, Mammoth Lakes	Proposed Hotel Orcutt, Orcutt
Best Western Plus South Bay LAX Airport, Lawndale	Proposed Resort Mammoth Lakes, Mammoth Lakes	Proposed Hampton Inn & Suites, Oroville
Proposed Luxury Boutique Hotel Livermore, Livermore	Proposed Hampton Inn & Suites, Marina	Hampton Inn Channel Islands Harbor, Oxnard
Hilton Garden Inn, Lompoc	Proposed SpringHill Suites by Marriott, Marina	Proposed Tru, Oxnard
Hampton Inn Long Beach Airport, Long Beach	Jolly Roger Motor Hotel, Marina Del Rey	Ivy Palm Resort & Spa, Palm Springs
Proposed Breakers Hotel Long Beach, Long Beach	Proposed Extended-Stay Hotel Menifee, Menifee	Margaritaville Resort Palm Springs, Palm Springs
Dixie Hollywood Hotel, Los Angeles	Proposed Menifee Hotel, Menifee	Proposed Andaz Palm Springs, Palm Springs
hClub, Los Angeles	Best Western, Merced	Proposed BODE: Palm Springs, Palm Springs
Hotel Bel Air, Los Angeles	Mountain Home Inn, Mill Valley	Riviera Palm Springs, a Tribute Portfolio Resort, Palm Springs
InterContinental Los Angeles Downtown, Los Angeles	Proposed Montebello Hotel, Montebello	Tova Hotel & Beach Club, Palm Springs
Loews Hollywood, Los Angeles	Monterey Hotel, Monterey	Travelodge Palm Springs, Palm Springs
Mr C Beverly Hills, Los Angeles	Proposed Moorpark Hotel, Moorpark	Courtyard by Marriott Palmdale, Palmdale
Proposed Boutique Hotel Hollywood, Los Angeles	Comfort Inn & Suites Temecula Wine Country, Murrieta	
	Hampton by Hilton Murrieta Temecula, Murrieta	

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<p>DoubleTree by Hilton Palmdale, Palmdale</p> <p>Holiday Inn Palmdale Lancaster, Palmdale</p> <p>Residence Inn by Marriott Palmdale, Palmdale</p> <p>Motel 6 Paso Robles, Paso Robles</p> <p>Proposed Hotel Ava, Paso Robles</p> <p>Proposed Patterson Hotel, Patterson</p> <p>Proposed Hotel Perris, Perris</p> <p>Sheraton Sonoma County Petaluma, Petaluma</p> <p>Inn at the Pier Pismo Beach, Pismo Beach</p> <p>Motel 6, Pittsburg</p> <p>Proposed Courtyard by Marriott Pittsburg, Pittsburg</p> <p>Comfort Inn Near Fairplex Pomona, Pomona</p> <p>Comfort Inn &amp; Suites, Rancho Cordova</p> <p>Proposed Hampton Inn, Rancho Cucamonga</p> <p>Proposed Hotel at The River Mall, Rancho Mirage</p> <p>Inn at Rancho Santa Fe A Tribute Portfolio Resort &amp; Spa, Rancho Santa Fe</p> <p>Proposed Hotel South Bay Galleria, Redondo Beach</p> <p>Proposed Upscale Select-Service Redwood Life Hotel, Redwood City</p> <p>Proposed Home2 Suites, Ridgecrest</p> <p>Proposed Roseville Hotel, Roseville</p> <p>Courtyard by Marriott Cal Expo, Sacramento</p> <p>DoubleTree by Hilton, Sacramento</p> <p>Fairfield Inn Cal Expo, Sacramento</p> <p>La Quinta Inn by Wyndham Sacramento North, Sacramento</p> <p>Quality Inn &amp; Suites, Sacramento</p> <p>DoubleTree by Hilton Golf Resort, San Diego</p> <p>DoubleTree by Hilton San Diego Del Mar, San Diego</p> <p>Fairmont Grand Del Mar, San Diego</p> <p>Holiday Inn Express Hotel &amp; Suites Otay Mesa, San Diego</p>	<p>Holiday Inn Express &amp; Suites San Diego Mission Valley, San Diego</p> <p>Hotel Iris, San Diego</p> <p>Hotel Palomar San Diego, San Diego</p> <p>Lafayette Hotel Swim Club &amp; Bungalows, San Diego</p> <p>Marriott San Diego Del Mar, San Diego</p> <p>The Monsaraz Inn, Tapestry Collection by Hilton, San Diego</p> <p>Proposed Fairfield Inn, San Diego</p> <p>Proposed Hotel, San Diego</p> <p>San Diego Marriott Del Mar, San Diego</p> <p>SpringHill Suites by Marriott San Diego Mission Valley, San Diego</p> <p>US Grant, San Diego</p> <p>Proposed Boutique Hotel San Dimas, San Dimas</p> <p>Holiday Inn Fisherman's Wharf San Francisco, San Francisco</p> <p>Proposed Fairfield Inn &amp; Suites by Marriott South San Francisco, South San Francisco</p> <p>San Jacinto Inn, San Jacinto</p> <p>Proposed Hyatt Place, San Jose</p> <p>Hotel Cerro, San Luis Obispo</p> <p>La Cuesta Motor Inn, San Luis Obispo</p> <p>Proposed Dual-Brand Hotel San Marcos, San Marcos</p> <p>Proposed Home2 Suites, San Marcos</p> <p>Proposed La Quinta Inn &amp; Suites, San Pablo</p> <p>Proposed AC Hotel by Marriott San Rafael, San Rafael</p> <p>Proposed AC by Marriott Irvine, Santa Ana</p> <p>Spanish Garden Inn, Santa Barbara</p> <p>Proposed Homewood Suites, Santa Clarita</p> <p>Hampton Inn, Santa Cruz</p> <p>Proposed Hampton by Hilton Santa Cruz, Santa Cruz</p> <p>Proposed Hotel Downtown Santa Cruz, Santa Cruz</p> <p>Holiday Inn &amp; Suites, Santa Maria</p> <p>Proper Hotel, Santa Monica</p> <p>Hotel Santa Rosa, Santa Rosa</p>	<p>Proposed Residence Inn Scotts Valley, Scotts Valley</p> <p>Proposed Hyatt Studios Selma, Selma</p> <p>Silver Lake Pool &amp; Inn Los Angeles, Silver Lake Los Angeles</p> <p>Proposed Tribute Portfolio Hotel, Sonoma</p> <p>Proposed Hotel, Sonora</p> <p>Sonora Inn, Sonora</p> <p>Alpenrose Inn, South Lake Tahoe</p> <p>Jeffrey Hotel by Playpark Hotels, South Lake Tahoe</p> <p>Firelite Lodge, Tahoe Vista</p> <p>Proposed Everhome Suites Temecula, Temecula</p> <p>Proposed Galway House, Temecula</p> <p>Proposed Hampton Inn Three Rivers, Three Rivers</p> <p>Travelodge Yucca Valley, Twentynine Palms</p> <p>Embassy Suites by Hilton, Valencia</p> <p>Travelodge by Wyndham Vallejo Napa Valley, Vallejo</p> <p>Hotel Erwin, Venice Beach</p> <p>Four Points by Sheraton Ventura Harbor Resort, Ventura</p> <p>Pierpont Inn Ventura, Ventura</p> <p>Proposed Avid Hotel Victorville, Victorville</p> <p>Fairfield by Marriott Visalia Sequoia, Visalia</p> <p>Marriott, Walnut Creek</p> <p>Motel 6 Walnut Creek, Walnut Creek</p> <p>Proposed Hyatt Place Walnut Creek, Walnut Creek</p> <p>Proposed Residence Inn Walnut Creek, Walnut Creek</p> <p>Proposed Home2 Suites by Hilton Watsonville, Watsonville</p> <p>Hampton Inn, West Covina</p> <p>Holiday Inn West Covina, West Covina</p> <p>Andaz West Hollywood, West Hollywood</p> <p>The Charlie Hotel, West Hollywood</p> <p>London West Hollywood at Beverly Hills, West Hollywood</p>
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Standard Hollywood (Closed), West Hollywood  
 DoubleTree by Hilton Whittier Los Angeles, Whittier  
 Comfort Suites Woodland, Woodland  
 Proposed Courtyard by Marriott Woodland, Woodland  
 Proposed Tru by Hilton Woodland, Woodland  
 Marriott Warner Center, Woodland Hills  
 Proposed Staybridge Suites Woodland, Woodland

**COLORADO**

Proposed Gaylord Rockies Hotel & Convention Center, Aurora  
 Hyatt Summerfield Suites, Broomfield  
 Best Western Academy Hotel, Colorado Springs  
 Proposed EVEN Hotel Victory Ridge, Colorado Springs  
 All Inn Motel, Denver

**DISTRICT OF COLUMBIA**

Georgetown Suites Land Valuation  
 Proposed Maison Kesh Hotel  
 Selina Union Market Washington

**FLORIDA**

Marriott, Boca Raton  
 Proposed Dual-Branded Residence Inn/SpringHill Suites by Marriott, Clearwater Beach  
 Mayfair Hotel & Spa, Coconut Grove  
 Hyatt Place, Delray Beach  
 Hyatt Place at Coconut Point, Estero  
 Hyatt Place, Fort Lauderdale  
 Proposed Comfort Suites Fort Lauderdale, Fort Lauderdale  
 Hilton Garden Inn, Fort Myers  
 Four Points, Ft. Walton Beach  
 Holiday Inn, Houston  
 Proposed Courtyard, Jacksonville  
 Wyndham Riverwalk, Jacksonville  
 Terrace Hotel, Lakeland  
 Proposed Holiday Inn & Suites, Miami

Proposed Hotel, Miami  
 Proposed Le Meridien, Miami  
 Proposed Meininger Hotel, Miami Beach  
 Proposed Hilton, Miami Beach  
 The Raleigh Hotel, Miami Beach  
 Proposed SpringHill Suites by Marriott, Navarre  
 Embassy Suites Orlando Lake Buena Vista, Orlando  
 Holiday Inn Express Hotel & Suites Orlando International Airport, Orlando  
 Proposed Even Hotel Orlando, Orlando  
 Proposed WoodSpring Suites, Orlando  
 Proposed Comfort Inn & Suites Panama City Beach, Panama City Beach  
 Sheraton Suites Fort Lauderdale Plantation, Plantation  
 Proposed My Place Hotel, Punta Gorda  
 Proposed Hotel, St. Augustine  
 SpringHill Suites by Marriott, Sarasota  
 Sawgrass Grand Hotel & Suites, Sunrise  
 Hampton Inn, Tallahassee  
 Hampton Inn Veterans Expressway, Tampa

**GEORGIA**

Proposed Curio - A Collection by Hilton, Alpharetta  
 Courtyard by Marriott, Atlanta  
 Holiday Inn Atlanta Perimeter Dunwoody, Atlanta  
 Holiday Inn Express Atlanta Airport North, College Park  
 Proposed Radisson, College Park  
 Proposed TownePlace Suites by Marriott Douglasville, Douglasville  
 Country Inn & Suites, Hiram  
 Candlewood Suites, Lithia Springs  
 Proposed Fairfield Inn Macon, Macon  
 Proposed Full-Service Tribute Hotel, Macon  
 Holiday Inn Express, St. Simons Island

Island Inn, St. Simons Island

**HAWAII**

Hilton Garden Inn Waikiki Beach, Honolulu  
 Sheraton Keauhou Bay Resort & Spa, Kailua  
 Proposed Kona Village, a Rosewood Resort, Kailua-Kona  
 Four Seasons Resort O'ahu at Ko Olina, Kapolei

**IDAHO**

Proposed Hotel Boise Airport, Boise  
 Proposed Economy Extended Stay, Coeur D'Alene

**ILLINOIS**

Proposed Extended-Stay Hotel, Bolingbrook  
 Proposed Hampton Inn, Burr Ridge  
 SpringHill Suites by Marriott, Burr Ridge  
 Renaissance Chicago O'Hare Suites, Chicago  
 Courtyard by Marriott Chicago Elmhurst Oakbrook Area, Elmhurst  
 SpringHill Suites by Marriott, Elmhurst  
 Travelodge by Wyndham Matteson, Matteson

**INDIANA**

Proposed Aloft, Indianapolis

**IOWA**

Proposed Waterpark Hotel, Davenport  
 Proposed University of Iowa Hotel, Iowa City

**KANSAS**

Proposed Margaritaville Kansas City, Kansas City  
 Crowne Plaza Kansas City Overland Park, Lenexa

**LOUISIANA**

Proposed Residence Inn by Marriott,  
Bossier City  
Hampton Inn, Houma  
Hotel Acadiana, Lafayette  
Wyndham Garden, Lafayette  
Proposed Candlewood Suites,  
Leesville  
Astor Crowne Plaza, New Orleans  
Hilton Garden Inn French Quarter,  
New Orleans  
Hyatt Regency, New Orleans  
Proposed Hotel Alessandra, New  
Orleans  
Troubadour Hotel New Orleans,  
Tapestry Collection by Hilton, New  
Orleans  
Wyndham Chateau Bourbon, New  
Orleans  
Holiday Inn, Ruston  
Holiday Inn Express Hotel & Suites,  
Ruston  
Proposed La Quinta Inn & Suites,  
Ruston  
Nottoway Plantation Resort, White  
Castle

**MARYLAND**

Proposed Hilton Garden Inn,  
Baltimore  
Sheraton Washington North, Beltsville  
Country Inn & Suites by Carlson,  
Frederick  
Proposed Tru by Hilton Glenn Dale,  
Glenn Dale  
Proposed Hotel Sorella, Rockville

**MINNESOTA**

Loews, Minneapolis  
Westin, Minneapolis

**MISSISSIPPI**

Four Points, Biloxi  
Proposed SpringHill Suites, Biloxi  
South Beach Biloxi Hotel, Biloxi  
Hampton Inn, Brookhaven

Magnuson Hotel Hattiesburg, North  
Hattiesburg  
Jackson Downtown Convention  
Center Hotel, Jackson  
Staybridge Suites Ridgeland,  
Ridgeland

**MISSOURI**

Hilton Kansas City Airport, Kansas  
City

**MONTANA**

Proposed Hotel, Big Sky  
Proposed Terra Vi Glacier National  
Park, Columbia Falls  
Proposed Hotel Gardiner, Gardiner  
Proposed Best Western, Shelby  
Holiday Inn Express, Sidney

**NEVADA**

Hampton Inn, Las Vegas  
Motel 6 Las Vegas Boulder Highway,  
Las Vegas  
Motel 6 Las Vegas I-15, Las Vegas  
Motel 6 Las Vegas Tropicana, Las  
Vegas  
Proposed Boutique Hotel Las Vegas,  
Las Vegas  
Proposed Delta Las Vegas, Las Vegas  
Proposed Fairfield Inn & TownePlace  
Suites Dual-Branded Hotel, Las  
Vegas  
Proposed Hotel Raiders Stadium, Las  
Vegas  
Proposed Limited/Select-Service  
Hotel, Las Vegas  
Holiday Inn Express Hotel & Suites  
Mesquite, Mesquite  
The Retreat On Charleston Peak,  
Mount Charleston  
Extended Stay America Reno South  
Meadows, Reno  
Vegas Vacant Land, Spring Valley

**NEW JERSEY**

Proposed Holiday Inn, Bayonne  
Montreal Beach Resort, Cape May

TownePlace Suites by Marriott, Mount  
Laurel  
Holiday Inn, Princeton  
Proposed Hyatt House Robbinsville,  
Trenton  
Madison Resort Wildwood Crest,  
Wildwood Crest

**NEW MEXICO**

Proposed Home2 by Hilton  
Alamogordo, Alamogordo  
Proposed Downtown Hotel,  
Albuquerque  
Proposed TownePlace Suites  
Albuquerque, Albuquerque  
Candlewood Suites Carlsbad South,  
Carlsbad  
Sleep Inn & Suites, Hobbs  
Proposed La Quinta Inn, Los Lunas  
Holiday Inn Express, Portales  
Proposed Hotel, Ruidoso  
Hotel Santa Fe, Santa Fe  
Inn at Loretto, Santa Fe  
Proposed Boutique Hotel, Santa Fe  
Hampton Inn, Santa Rosa  
Holiday Inn Express, Santa Rosa  
La Quinta Inn, Santa Rosa  
Sagebrush Inn, Taos

**NEW YORK**

Marriott, Buffalo  
Proposed Hampton Inn, Dewitt  
Courtyard by Marriott New York  
LaGuardia Airport, East Elmhurst  
Pines Inn Lake Placid, Lake Placid  
Holiday Inn L.I City Manhattan View  
(Closed), Long Island City  
Proposed Holiday Inn Express Long  
Island City, Long Island City  
Proposed Tryp by Wyndham Long  
Island City, Long Island City  
Proposed Wyldwick Resort,  
Saugerties  
Residence Inn, White Plains  
Proposed Selina Woodstock,  
Woodstock

**NORTH CAROLINA**

DoubleTree by Hilton Hotel Atlantic Beach Oceanfront, Atlantic Beach  
 Proposed EVEN Hotel Charlotte, Charlotte  
 Proposed Fairfield Inn by Marriott, Maggie Valley  
 Courtyard by Marriott, Raleigh

**OHIO**

SpringHill Suites by Marriott Dayton Beavercreek, Beavercreek  
 Proposed Hilton, Chippewa Lake  
 Courtyard by Marriott Columbus West, Columbus  
 Proposed Baldwin Hotel, Cincinnati  
 Holiday Inn Express Hotel & Suites Dayton South I 675, Dayton  
 Holiday Inn, West Chester  
 Proposed Holiday Inn & Conference Center, West Chester  
 Radisson Hotel at the University of Toledo, Toledo

**OKLAHOMA**

Hilton Skirvin, Oklahoma City

**OREGON**

Hilton, Eugene

**PENNSYLVANIA**

Split Rock Resort & Golf Club, Lake Harmony  
 Hampton by Hilton Grove City, Mercer  
 DoubleTree by Hilton Pittsburgh Garden Tree, Pittsburgh

**SOUTH CAROLINA**

Proposed 5-Star Hotel, Charleston  
 Proposed Marion Square Hotel, Charleston  
 3 Palms Hotel, Myrtle Beach

**TENNESSEE**

Holiday Inn, Chattanooga  
 Proposed Select-Service Hotel, Knoxville

Holiday Inn Memphis Downtown Beale Street, Memphis  
 BentoLiving Chestnut Hill, Nashville  
 Proposed Dual-Brand Tru & Hampton Inn, Nashville

**TEXAS**

Holiday Inn Express, Allen  
 Proposed 21c Hotel, Austin  
 Proposed Hotel Granduca, Austin  
 Proposed SpringHill Suites, Baytown  
 Value Place, Beaumont  
 Homewood Suites by Hilton, Bedford  
 Proposed Hotel Texas A&M University, College Station  
 Proposed Tryp by Wyndham, College Station  
 Proposed Staybridge Suites, The Colony  
 Fairfield Inn & Suites Houston Conroe, Conroe  
 Candlewood Suites, Corpus Christi  
 Comfort Suites Calallen, Corpus Christi  
 Embassy Suites, Corpus Christi  
 Holiday Inn Airport, Corpus Christi  
 Holiday Inn Downtown, Corpus Christi  
 Holiday Inn Express, Corpus Christi  
 La Quinta Inn & Suites, Corpus Christi  
 Proposed Fairfield Inn & Suites Corpus Christi, Corpus Christi  
 Proposed Schlitterbahn Resort, Corpus Christi  
 Staybridge Suites, Corpus Christi  
 Proposed Hotel, Cypress  
 Le Méridien The Stoneleigh, Dallas  
 Proposed Aloft/Element Dual-Branded Hotel, Dallas  
 Proposed Autograph Collection Trinity Groves, Dallas  
 Proposed Courtyard/Residence Inn Dual-Brand Hotel, Dallas  
 Proposed Residence Inn by Marriott, Dallas  
 Proposed Residence Inn and AC by Marriott Dual-Branded Hotel, Dallas

Proposed Saint Elm Hotel, Dallas  
 Hilton Garden Inn Denison Sherman at Texoma Event Center, Denison  
 Proposed Hotel, Edinburg  
 Proposed Hyatt Place, Edinburg  
 Proposed Artisan Hotel Conversion, El Paso  
 Sheraton Fort Worth Downtown Hotel, Fort Worth  
 Proposed Hilton Garden Inn, Frisco  
 Westin Stonebriar, Frisco  
 Sheraton Fort Worth Downtown Hotel, Fort Worth  
 SpringHill Suites by Marriott Fort Worth University, Fort Worth  
 Proposed Full-Service Hotel Baybrook Mall, Friendswood  
 Courtyard by Marriott, Galveston  
 Proposed Beachfront Hotel, Galveston  
 Proposed Beachtown Grand Hotel, Galveston  
 Proposed Courtyard by Marriott, Galveston  
 Proposed Downtown Hotel, Galveston  
 Proposed TownePlace Suites, Galveston  
 TownePlace Suites by Marriott, Galveston  
 Proposed Hotel, Georgetown  
 Best Western Fountainview, Houston  
 Crowne Plaza, Houston  
 Crowne Plaza Suites, Houston  
 DoubleTree Suites by Hilton Houston Galleria, Houston  
 DoubleTree IAH, Houston  
 Four Seasons, Houston  
 Hampton Inn Houston Interstate 10 West, Houston  
 Hampton Inn & Suites Houston Medical Center, Houston  
 Hilton Garden Inn Houston Bush Intercontinental Airport, Houston  
 Hilton Garden Inn Houston Northwest, Houston  
 Hilton Houston North, Houston  
 Hilton Houston Westchase, Houston  
 Holiday Inn Southwest, Houston

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Holiday Inn Westchase, Houston	Sam Houston Hotel (Curio Conversion), Houston	Courtyard by Marriott Houston Pearland, Pearland
Homewood Suites by Hilton, Houston	Sheraton Houston North, Houston	Proposed Pearland Hotel, Pearland
Hotel Icon, Houston	Sheraton Houston West, Houston	Proposed Fairfield Inn by Marriott, Pecos
Hyatt Regency, Houston	Staybridge Suites, Houston	TownePlace Suites by Marriott Plano, Plano
Intercontinental Houston Medical Center, Houston	Staybridge Suites Houston IAH Beltway 8, Houston	Holiday Inn Express Hotel & Suites, Port Aransas
Le Méridien Houston Downtown, Houston	Staybridge Suites Houston West Energy Corridor, Houston	Holiday Inn Express, Port Arthur
Magnolia Hotel, Houston	Staybridge Suites Houston Willowbrook, Houston	Proposed Hilton Garden Inn Porter, Porter
Marriott Houston North Greenspoint, Houston	Westin Galleria, Houston	Holiday Inn Express, Rockport
Proposed 314 Hotel, Houston	Westin Oaks, Houston	Microtel Inn & Suites, Round Rock
Proposed AC Hotel Houston Downtown, Houston	Wingate by Wyndham Houston Bush Intercontinental, Houston	Proposed Holiday Inn (land), San Angelo
Proposed Aloft, Houston	Proposed Hotel & Conference Center, Huntsville	Hilton San Antonio Airport, San Antonio
Proposed Embassy Suites, Houston	Studio 6, Ingleside	Homewood Suites by Marriott, San Antonio
Proposed Hampton Inn/Homewood Suites Downtown, Houston	Proposed Westin, Irving	Marriott Plaza, San Antonio
Proposed Heights Hotel, Houston	Staybridge Suites DFW Airport North, Irving	Microtel Inn & Suites Airport, San Antonio
Proposed Holiday Inn & Conference Center Willowbrook, Houston	Wingate Las Colinas, Irving	Microtel Inn & Suites SeaWorld, San Antonio
Proposed Holiday Inn Downtown, Houston	Sleep Inn & Suites, Jourdanton	Proposed Thompson Hotel, San Antonio
Proposed Homewood Suites by Hilton, Houston	Super 8, Karnes City	Baymont Inn & Suites, Snyder
Proposed Hotel Alessandra, Houston	Homewood Suites by Hilton Houston/Katy Mills Mall, Katy	Proposed Fairfield Inn by Marriott, Snyder
Proposed Hotel Galleria, Houston	Proposed Homewood Suites by Hilton, Katy	Schlitterbahn Resort, South Padre Island
Proposed Hotel Zaza & Apartments, Houston	South Shore Harbour Resort & Spa, League City	Proposed Home2 Suites, Stafford
Proposed Hyatt Place and Hyatt House Dual-Brand Hotel, Houston	Best Western, Luling	Marriott Hotel and Conference Center, Sugar Land
Proposed Hyatt Place, Houston	Renaissance, McAllen	Proposed Red Lion Inn & Suites, Texas City
Proposed InterContinental Hotel, Houston	Proposed Home2 Suites by Hilton, McKinney	Baymont Inn & Suites, Victoria
Proposed JW Marriott, Houston	Proposed SpringHill Suites by Marriott, McKinney	Proposed Hotel, Webster
Proposed Le Méridien, Houston	Proposed Westin, McKinney	Proposed Hotel & Conference Center, Webster
Proposed Lifestyle Hotel, Houston	Proposed Limited-Service Hotel, Melissa	Proposed Extended-Stay Hotel, The Woodlands
Proposed Luxury Hotel Houston Galleria, Houston	Proposed Extended-Stay Hotel, Midland	Woodlands Resort & Conference Center, The Woodlands
Proposed Marriott Marquis, Houston	Candlewood Suites, Monahans	
Proposed Montrose Hotel, Houston	La Toretta del Lago Resort & Spa, Montgomery	
Proposed Select-Service Hotel, Houston	Candlewood Suites, Odessa	
Proposed SpringHill Suites, Houston	Proposed Home2 Suites by Hilton, Pasadena	
Proposed Triple-Branded Hotel Houston Downtown, Houston		

**UTAH**

Peery Hotel, Salt Lake City  
Proposed Inn at St. George, St. George

#### **VIRGINIA**

Wingate Inn Dulles Airport, Chantilly  
Proposed Staybridge Suites,  
Charlottesville  
Delta Hotels, Chesapeake  
Westin Tysons Corner, Falls Church  
Proposed Hampton Inn, Gordonsville  
Holiday Inn, Lynchburg  
Magnuson Hotel & Convention Center  
at Oyster Point, Newport News  
Proposed Hotel Norfolk, Norfolk  
Holiday Inn Express & Suites  
Petersburg Fort Lee, Petersburg  
TownePlace Suites by Marriott,  
Stafford

#### **WASHINGTON**

Proposed AC Hotel, Bellevue  
Holiday Inn Express, Marysville  
Proposed Homewood Suites, Richland  
Proposed 4/C Tower Hotel, Seattle  
Holiday Inn Express, Sumner  
Proposed Tru by Hilton Vancouver  
North, Vancouver

#### **WISCONSIN**

Holiday Inn, Milwaukee

#### **INTERNATIONAL**

##### **Colombia**

Proposed Hyatt Place, Bogota  
Conrad, Cartagena  
Proposed City Express Hotel,  
Cartagena  
Proposed Luxe Resort by The Charlee,  
Guatape  
Proposed City Express Hotel, Medellín  
Proposed Courtyard by Marriott,  
Medellin  
Proposed Marriott, Medellín  
Proposed Hilton Garden Inn, Rionegro  
Proposed Airport Hotel, Rionegro

##### **Costa Rica**

Proposed Andaz, Guanacaste  
Proposed Boutique Resort,  
Guanacaste  
Proposed Paradisus Papagayo Bay  
Resort & Luxury Villas, Guanacaste  
Proposed Resort, Guanacaste  
Punta Cacique Proposed Resort,  
Guanacaste  
Proposed Boutique Resort,  
Guanacaste  
Proposed Signa Wellness Resort, La  
Fortuna  
Proposed Limited-Service Hotel,  
Liberia  
Proposed Wellness Boutique Hotel,  
Matapalo  
Marriott Los Suenos, Playa Herradura  
Proposed Extended-Stay, San Jose  
Proposed Hyatt Place Pinares, San  
Jose  
Proposed Select-Service Hotel, San  
Jose  
Marriott Costa Rica, San Jose  
Proposed Hyatt Place, San Jose  
Proposed Lifestyle Hotel & Club, San  
Jose  
Proposed Luxury Hotel, San Jose  
Proposed Resort Santa Teresa, Santa  
Teresa

##### **Dominican Republic**

Proposed Auberge Resort, El Seibo  
Proposed Four Seasons, El Seibo

##### **El Salvador**

Proposed Full-Service Hotel, San  
Salvador  
Proposed Select-Service Hotel, San  
Salvador

##### **Guatemala**

Proposed Four Seasons, Antigua  
Proposed Hotel, Guatemala City

##### **Honduras**

Proposed Hotel, San Pedro Sula

##### **Mexico**

Fairmont Acapulco Princess, Acapulco  
Fairmont Pierre Marques, Acapulco  
Proposed Hotel, Acapulco  
Bacalar Land Parcels, Bacalar  
Proposed Bacalar Hotel, Bacalar  
Cabo de Cortes Fairmont/Raffles  
Development, Cabo San Lucas  
Cabo San Cristobal, Cabo San Lucas  
Proposed Luxury Hotel & Villa Project,  
Campeche  
Proposed Master-Planned  
Development (2), Campeche  
Dreams Resort, Cancun  
Elan Resort & Spa, Cancun  
El Pueblito, Cancun  
Fiesta Americana Condesa Cancun,  
Cancun  
Kempinski Hotel Cancun, Cancun  
Le Meridien, Cancun  
Yalmakan Resort, Cancun  
Westin Soberano, Chihuahua  
Proposed Quinta Real Hotel  
Development, Culiacán  
Proposed Banyan Tree, Ensenada  
Proposed Boutique Hotel Project,  
Guadalajara  
Proposed Fiesta Inn del Tapatio,  
Guadalajara  
Proposed Hotel Project, Guadalajara  
Proposed Mixed-Use Development,  
Guadalajara  
Proposed Vi Hotel, Guadalajara  
Hotel Condesa, Leon, Guanajuato  
Tesoro, Ixtapa  
Proposed Hotel & Residential  
Development, Ixtapan de la Sal  
Proposed Park Hyatt, Kanai  
Proposed St. Regis, Kanai  
Proposed W Hotel, Kanai  
Desire Resort, Los Cabos  
Esperanza Resort, Los Cabos  
Proposed Thompson Hotel, Los  
Veneros  
Tesoro Manzanillo, Manzanillo  
Embassy Suites, Mexico City

Le Méridien, Mexico City  
 Proposed City Express Hotel, Mexico City  
 Proposed Limited-Service Hotel, Mexico City  
 Proposed Hotel & Condo, Monterrey  
 Proposed Hotel, Monterrey  
 Proposed Limited-Service Hotel, Playa del Carmen  
 Proposed Resort, Playa del Carmen  
 Ceiba del Mar, Puerto Morelos  
 Paraiso de la Bonita, Puerto Morelos  
 Proposed Puerto Telchac Hotel & Residential Project, Puerto Progreso  
 Presidente InterContinental, Puerto Vallarta  
 Proposed City Express Hotel, Queretaro  
 Proposed Capella Punta Maroma, River Maya  
 Proposed Grand Hyatt, Riviera Maya  
 El Dorado Ranch Hotel & Excess Land, San Felipe  
 Proposed Hotel, San Miguel de Allende  
 Proposed Quinta Real Hotel & Residential, San Miguel de Allende  
 Dreams Resort, Tulum  
 Proposed Hotel & Residences Tulum, Tulum  
 Secrets Capri Resort, Tulum

**Panama**

Proposed Hotel & Residences Playa Venao, Las Escobas del Venado  
 Proposed Boutique Hotel, Panama City  
 Proposed Full-Service Hotel, Panama City  
 Proposed Limited-Service Hotel, Panama City

**Peru**

Proposed Hyatt Place, Lima

**Puerto Rico**

Hilton, Caribe

Embassy Suites San Juan Hotel & Casino, Carolina  
 Proposed Boutique Hotel, Ponce  
 Proposed The Continental, a Tribute Portfolio by Marriott, Ponce  
 Proposed El Vigía Hotel and Residences, a Tribute Portfolio Resort, Ponce  
 Courtyard by Marriott (Expansion), San Juan  
 Proposed 1,000-Room Hotel & Casino San Juan, San Juan

**Saint Lucia**

Proposed Master Planned Development

**Spain**

Villaitana Wellness Golf & Business Sun Resort, Benidorm



Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Luigi M. Major**

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

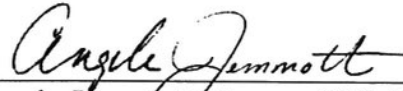
“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: 3005056

Effective Date: January 12, 2024

Date Expires: January 11, 2026

  
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Angela Jemmott, Bureau Chief, BREA

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