



MARKET STUDY

Proposed Mitchell County Hotel

SPRUCE PINE, NORTH CAROLINA

SUBMITTED TO:

Mr. Michael N Duvall
Mitchell County Economic Development
Commission
26 Crimson Laurel Circle , Suite 11
Bakersville, North Carolina 28705

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PREPARED BY:

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September 30, 2019

Mr. Michael N Duvall
Mitchell County Economic Development Commission
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Re: Proposed Mitchell County Hotel
Spruce Pine, North Carolina
HVS Reference: 2019021229

Dear Mr. Duvall:

Pursuant to your request, we herewith submit our market study pertaining to a proposed hotel in Mitchell County. We have toured the market area and analyzed the hotel market conditions in the Mitchell County, North Carolina, area. The results of our fieldwork and analysis are presented in this report.

We hereby certify that we have no undisclosed interest in the project, 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



Janet L. Snyder, MAI, Managing Director, Partner
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Addenda

Qualifications

1. Executive Summary

Subject of the Market Study

The purpose of this study is to project the performance of a nationally-branded, limited-service hotel to be situated in Mitchell County. Local officials are desirous of such a hotel, but in order to attract developers to the market, they need to determine if the market can support such a venture. The proposed subject property would be the first nationally branded hotel within an almost 20-mile radius around Spruce Pine, with most nationally branded hotels situated 25 miles away or more.

The subject of the market study is a proposed hotel to be situated within Mitchell County, North Carolina. A specific proposed subject site has not been confirmed at the time of our report. We recommend the hotel operate as a limited-service, branded lodging facility. We have forecast the hotel to open on August 1, 2021. We recommend that the hotel feature 60 rooms, a breakfast dining area, an indoor pool, a fitness room, a lobby workstation, a market pantry or sundries counter, a guest laundry room, and an outdoor patio with a fire pit and a grill. The hotel should also contain the appropriate parking capacity and all necessary back-of-the-house space.

Pertinent Dates

The effective date of the report is September 7, 2019. The subject market was visited by Janet L. Snyder, MAI from July 31, 2019 through August 2, 2019. In addition to the fieldwork, Janet L. Snyder, MAI researched and prepared the report.

Ownership, Franchise, and Management Assumptions

Several developers have expressed interest in potentially building a hotel in Mitchell County. The county has funded this study to provide insights into the market, as well as recommendations and projections for a future hotel development, in order to help potential developers decide if they want to further pursue an opportunity in Mitchell County. As such, no specific subject site nor site owner is the subject of this report.

We assume that the proposed hotel will be managed by a professional management company that is experienced in the operation of midscale or upper-midscale limited-service hotels in this region. A management team had not been selected as of the date of this study. Our projections reflect a total management fee of 3.0% of total revenues.

We recommend that the proposed subject hotel operate as a midscale or upper-midscale, limited-service property. Given the depth of population, demand generators, and visitation for the market, a select-service or full-service hotel would not be supported. For purposes of our analysis, we have assumed the construction of an upper-midscale branded hotel, such as a Hampton by Hilton, Fairfield Inn by

Marriott, or a Holiday Inn Express; while these brands typically have higher construction costs, their popular branding should allow them to achieve higher revenue levels. Should a midscale-branded hotel be constructed, the lower revenue levels may be offset by a lower total construction cost. 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 franchise.

Currently, Mitchell County has limited lodging options for overnight guests visiting or traveling through the area. Several older exterior-corridor motels and bed-and-breakfasts are scattered across the county, many of which do partner with online booking channels, such as Orbitz or Travelocity. The number of short-term vacation rentals marketed through sites such as Airbnb and Vrbo has also expanded in recent years. However, there are currently no nationally franchised hotels in the county. A nationally branded hotel would benefit from a wider reservations system with a loyalty program and would offer guests a familiar experience. The presence of a branded hotel would provide more overnight travelers an opportunity to stay in Spruce Pine, bringing in additional lodging revenues and retail spending for Mitchell County.

Summary of Hotel Market Trends

The year 2009 marked a low point for the U.S. lodging industry, when most markets realized the full impact of the declines in business and leisure travel that characterized the Great Recession. Most markets began to recover in 2010, initially recording occupancy increases, followed by strengthening trends in ADR growth. However, the STR data for the competitive set of hotels varied slightly from the national trend given the hotels' more rural locations and dependence on leisure travel. Occupancy fluctuated from 2010 through 2013 as local economic challenges continued given these areas' smaller population bases and fewer employers; furthermore, muted discretionary spending had a more protracted effect on these markets that depend on leisure travel. More significant occupancy growth was not noted until 2014. In 2016, Hurricane Matthew contributed to a more significant increase in occupancy as residents of eastern North Carolina fled west to avoid the storms. Hotels continued to benefit for several months from an influx of hurricane damage-related workers; this demand normalized in 2017, with occupancy levels returning to typical levels. Occupancy decreased slightly in 2018, largely as a result of more significant declines in February and April. Average rates have generally increased every year, near or just above the rate of inflation.

Year-to-date 2019 data through June illustrate a strengthening in occupancy but a roughly \$3 loss in average rate (ADR). The entrance of new, high-rated supply in the greater region, the overall strong economy, and improving tourism have contributed to the latest trend. The near-term outlook is cautiously optimistic.

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

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

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2009	456	166,440	—	80,326	—	48.3 %	\$82.20	—	\$39.67	—
2010	456	166,440	0.0 %	86,257	7.4 %	51.8	85.32	3.8 %	44.22	11.5 %
2011	456	166,440	0.0	87,899	1.9	52.8	85.65	0.4	45.23	2.3
2012	456	166,440	0.0	86,028	(2.1)	51.7	87.90	2.6	45.43	0.4
2013	456	166,440	0.0	89,745	4.3	53.9	90.38	2.8	48.73	7.3
2014	456	166,440	0.0	98,102	9.3	58.9	92.66	2.5	54.62	12.1
2015	456	166,440	0.0	97,674	(0.4)	58.7	96.01	3.6	56.34	3.2
2016	456	166,440	0.0	107,262	9.8	64.4	100.75	4.9	64.93	15.2
2017	456	166,440	0.0	100,968	(5.9)	60.7	104.41	3.6	63.34	(2.5)
2018	455	165,950	(0.3)	98,968	(2.0)	59.6	104.69	0.3	62.44	(1.4)
Year-to-Date Through June										
2018	455	82,414	—	44,294	—	53.7 %	\$101.43	—	\$54.51	—
2019	454	82,174	(0.3) %	46,299	4.5 %	56.3	98.75	(2.6) %	55.64	2.1 %
Average Annual Compounded Change:										
2009 - 2012			0.0 %			2.3 %			2.3 %	4.6 %
2012 - 2018			(0.0)			2.4			3.0	5.4
Hotels Included in Sample										
		Class			Competitive Status	Number of Rooms	Year Affiliated	Year Opened		
Best Western Mountain Lodge @ Banner Elk		Midscale Class			Primary	100	Aug 2004	Apr 1974		
Super 8 Marion		Economy Class			Primary	58	May 1998	Jun 1985		
Holiday Inn Express Blowing Rock South		Upper Midscale Class			Primary	118	Apr 2010	Jul 1988		
Comfort Inn Marion		Upper Midscale Class			Primary	56	Jul 1996	Jul 1996		
Comfort Inn North Of Asheville Mars Hill		Upper Midscale Class			Primary	56	Apr 1997	Apr 1997		
Hampton Inn Marion		Upper Midscale Class			Primary	66	Sep 1999	Sep 1999		
Total						454				

Source: STR

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

FIGURE 1-2 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Est. Segmentation				Estimated 2017				Estimated 2018					
	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
Best Western Mountain Lodge Banner Elk	100	65 %	20 %	15 %	100	45 - 50 %	\$110 - \$115	\$50 - \$55	100	45 - 50 %	\$110 - \$115	\$50 - \$55	75 - 80 %	80 - 85 %
Holiday Inn Express Blowing Rock	118	65	20	15	118	45 - 50	100 - 105	45 - 50	118	45 - 50	100 - 105	45 - 50	80 - 85	75 - 80
Comfort Inn Mars Hill	56	70	25	5	56	65 - 70	95 - 100	60 - 65	56	65 - 70	95 - 100	60 - 65	110 - 120	100 - 110
Hampton Inn Marion	66	60	30	10	66	85 - 90	115 - 120	105 - 110	66	80 - 85	120 - 125	100 - 105	140 - 150	160 - 170
Comfort Inn Marion	56	65	30	5	56	65 - 70	100 - 105	70 - 75	56	65 - 70	100 - 105	70 - 75	110 - 120	110 - 120
Super 8 by Wyndham Marion	58	70	25	5	60	55 - 60	85 - 90	50 - 55	58	55 - 60	85 - 90	50 - 55	95 - 100	80 - 85
Totals/Averages	454	65 %	25 %	10 %	456	60.8 %	\$104.39	\$63.45	454	59.7 %	\$104.63	\$62	\$100 %	100.0 %

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

**Summary of Forecast
Occupancy and
Average Rate**

Based on our analysis presented in the Projection of Occupancy and Average Rate chapter, we have chosen to use a stabilized occupancy level of 55% and a base-year rate position of \$105.00 for the proposed subject hotel. The following table reflects a summary of our market-wide and proposed subject hotel occupancy and average rate (ADR) projections.

FIGURE 1-3 ADR FORECAST – MARKET AND PROPOSED SUBJECT HOTEL

Calendar Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
Market ADR	\$104.63	\$103.59	\$104.62	\$107.24	\$110.46	\$113.77	\$117.18	\$120.70	\$124.32
Projected Market ADR Growth Rate	—	-1.0%	1.0%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Property ADR (As-If Stabilized)	\$105.00	\$103.95	\$104.99	\$107.61	\$110.84	\$114.17	\$117.59	\$121.12	\$124.75
ADR Growth Rate	—	-1.0%	1.0%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Stabilized ADR Penetration	100%	100%	100%	100%	100%	100%	100%	100%	100.4%
Fiscal Year				2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Proposed Subject Property Average Rate				\$109.49	\$112.77	\$116.16	\$119.64	\$123.23	\$126.93
Market ADR				\$109.11	\$112.38	\$115.75	\$119.22	\$122.80	\$126.48
Proposed Subject ADR Penetration				100%	100%	100%	100%	100%	100%
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate				\$101.18	\$101.18	\$101.18	\$101.18	\$101.18	\$101.18

The following table summarizes the proposed subject hotel’s forecast.

FIGURE 1-4 FORECAST OF AVERAGE RATE

Year	Occupancy	Average Rate
2021/22	45 %	\$109.49
2022/23	52	112.77
2023/24	55	116.16

**Summary of Forecast
Income and Expense
Statement**

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

FIGURE 1-5 DETAILED FORECAST OF INCOME AND EXPENSE

	2021/22 Begins August				2022/23				Stabilized				2024/25				2025/26			
Number of Rooms:	60				60				60				60				60			
Occupancy:	45%				52%				55%				55%				55%			
Average Rate:	\$109.49				\$112.77				\$116.16				\$119.64				\$123.23			
RevPAR:	\$49.27				\$58.64				\$63.89				\$65.80				\$67.78			
Days Open:	365				365				365				365				365			
Occupied Rooms:	9,855	%Gross	PAR	POR	11,388	%Gross	PAR	POR	12,045	%Gross	PAR	POR	12,045	%Gross	PAR	POR	12,045	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	\$1,079	97.5 %	\$17,983	\$109.49	\$1,284	97.7 %	\$21,400	\$112.75	\$1,399	97.8 %	\$23,317	\$116.15	\$1,441	97.8 %	\$24,017	\$119.63	\$1,484	97.8 %	\$24,733	\$123.20
Other Operated Departments	19	1.7	313	1.91	20	1.5	336	1.77	21	1.5	352	1.75	22	1.5	362	1.80	22	1.5	373	1.86
Miscellaneous Income	9	0.8	157	0.95	10	0.8	168	0.88	11	0.7	176	0.88	11	0.7	181	0.90	11	0.7	187	0.93
Total Operating Revenues	1,107	100.0	18,454	112.35	1,314	100.0	21,904	115.40	1,431	100.0	23,844	118.78	1,474	100.0	24,560	122.34	1,518	100.0	25,293	125.99
DEPARTMENTAL EXPENSES *																				
Rooms	269	24.9	4,484	27.30	292	22.8	4,872	25.67	308	22.0	5,130	25.55	317	22.0	5,284	26.32	327	22.0	5,443	27.11
Other Operated Departments	13	67.6	212	1.29	13	65.8	221	1.16	14	65.0	229	1.14	14	65.0	235	1.17	15	65.0	243	1.21
Total Expenses	282	25.4	4,696	28.59	306	23.3	5,093	26.83	322	22.5	5,359	26.69	331	22.5	5,519	27.49	341	22.5	5,685	28.32
DEPARTMENTAL INCOME	825	74.6	13,758	83.76	1,009	76.7	16,811	88.57	1,109	77.5	18,486	92.08	1,142	77.5	19,041	94.85	1,176	77.5	19,608	97.67
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	107	9.7	1,788	10.89	114	8.7	1,902	10.02	119	8.3	1,986	9.89	123	8.3	2,045	10.19	126	8.3	2,106	10.49
Info & Telecom Systems	6	0.6	105	0.64	7	0.5	112	0.59	7	0.5	117	0.58	7	0.5	120	0.60	7	0.5	124	0.62
Marketing	28	2.5	463	2.82	28	2.1	470	2.48	28	2.0	467	2.33	29	2.0	481	2.40	30	2.0	496	2.47
Franchise Fee	97	8.8	1,619	9.85	116	8.8	1,926	10.15	126	8.8	2,099	10.45	130	8.8	2,162	10.77	134	8.8	2,226	11.09
Prop. Operations & Maint.	54	4.9	899	5.47	61	4.6	1,010	5.32	67	4.7	1,110	5.53	69	4.7	1,143	5.69	71	4.7	1,177	5.86
Utilities	57	5.1	947	5.76	60	4.6	1,007	5.30	63	4.4	1,051	5.24	65	4.4	1,083	5.39	67	4.4	1,115	5.56
Total Expenses	349	31.6	5,820	35.43	386	29.3	6,426	33.86	410	28.7	6,829	34.02	422	28.7	7,034	35.04	435	28.7	7,244	36.09
GROSS HOUSE PROFIT	476	43.0	7,938	48.33	623	47.4	10,385	54.72	699	48.8	11,657	58.07	720	48.8	12,007	59.81	742	48.8	12,364	61.59
Management Fee	33	3.0	554	3.37	39	3.0	657	3.46	43	3.0	715	3.56	44	3.0	737	3.67	46	3.0	759	3.78
INCOME BEFORE NON-OPR. INC. & EXP.	443	40.0	7,384	44.96	584	44.4	9,728	51.25	656	45.8	10,941	54.50	676	45.8	11,270	56.14	696	45.8	11,605	57.81
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	66	6.0	1,099	6.69	68	5.2	1,132	5.97	70	4.9	1,166	5.81	72	4.9	1,201	5.98	74	4.9	1,237	6.16
Insurance	18	1.7	308	1.88	19	1.4	318	1.67	20	1.4	327	1.63	20	1.4	337	1.68	21	1.4	347	1.73
Reserve for Replacement	22	2.0	369	2.25	39	3.0	657	3.46	57	4.0	954	4.75	59	4.0	982	4.89	61	4.0	1,012	5.04
Total Expenses	107	9.7	1,777	10.82	126	9.6	2,107	11.10	147	10.3	2,447	12.19	151	10.3	2,520	12.55	156	10.3	2,596	12.93
EBITDA LESS RESERVE	\$336	30.3 %	\$5,607	\$34.14	\$457	34.8 %	\$7,621	\$40.15	\$510	35.5 %	\$8,494	\$42.31	\$525	35.5 %	\$8,750	\$43.58	\$541	35.5 %	\$9,009	\$44.88

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

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

	2021/22		2022/23		2023/24		2024/25		2025/26		2026/27		2027/28		2028/29		2029/30		2030/31	
Number of Rooms:	60		60		60		60		60		60		60		60		60		60	
Occupied Rooms:	9,855		11,388		12,045		12,045		12,045		12,045		12,045		12,045		12,045		12,045	
Occupancy:	45%		52%		55%		55%		55%		55%		55%		55%		55%		55%	
Average Rate:	\$109.49	% of	\$112.77	% of	\$116.16	% of	\$119.64	% of	\$123.23	% of	\$126.93	% of	\$130.74	% of	\$134.66	% of	\$138.70	% of	\$142.86	% of
RevPAR:	\$49.27	Gross	\$58.64	Gross	\$63.89	Gross	\$65.80	Gross	\$67.78	Gross	\$69.81	Gross	\$71.90	Gross	\$74.06	Gross	\$76.28	Gross	\$78.57	Gross
OPERATING REVENUE																				
Rooms	\$1,079	97.5 %	\$1,284	97.7 %	\$1,399	97.8 %	\$1,441	97.8 %	\$1,484	97.8 %	\$1,529	97.8 %	\$1,575	97.8 %	\$1,622	97.8 %	\$1,671	97.8 %	\$1,721	97.8 %
Other Operated Departments	19	1.7	20	1.5	21	1.5	22	1.5	22	1.5	23	1.5	24	1.5	24	1.5	25	1.5	26	1.5
Miscellaneous Income	9	0.8	10	0.8	11	0.7	11	0.7	11	0.7	12	0.7	12	0.7	12	0.7	13	0.7	13	0.7
Total Operating Revenues	1,107	100.0	1,314	100.0	1,431	100.0	1,474	100.0	1,518	100.0	1,564	100.0	1,611	100.0	1,659	100.0	1,709	100.0	1,760	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	269	24.9	292	22.8	308	22.0	317	22.0	327	22.0	336	22.0	346	22.0	357	22.0	368	22.0	379	22.0
Other Operated Departments	13	67.6	13	65.8	14	65.0	14	65.0	15	65.0	15	65.0	15	65.0	16	65.0	16	65.0	17	65.0
Total Expenses	282	25.4	306	23.3	322	22.5	331	22.5	341	22.5	351	22.5	362	22.5	373	22.5	384	22.5	395	22.5
DEPARTMENTAL INCOME																				
	825	74.6	1,009	76.7	1,109	77.5	1,142	77.5	1,176	77.5	1,212	77.5	1,249	77.5	1,286	77.5	1,325	77.5	1,364	77.5
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	107	9.7	114	8.7	119	8.3	123	8.3	126	8.3	130	8.3	134	8.3	138	8.3	142	8.3	147	8.3
Info & Telecom Systems	6	0.6	7	0.5	7	0.5	7	0.5	7	0.5	8	0.5	8	0.5	8	0.5	8	0.5	9	0.5
Marketing	28	2.5	28	2.1	28	2.0	29	2.0	30	2.0	31	2.0	32	2.0	32	2.0	33	2.0	34	2.0
Franchise Fee	97	8.8	116	8.8	126	8.8	130	8.8	134	8.8	138	8.8	142	8.8	146	8.8	150	8.8	155	8.8
Prop. Operations & Maint.	54	4.9	61	4.6	67	4.7	69	4.7	71	4.7	73	4.7	75	4.7	77	4.7	80	4.7	82	4.7
Utilities	57	5.1	60	4.6	63	4.4	65	4.4	67	4.4	69	4.4	71	4.4	73	4.4	75	4.4	78	4.4
Total Expenses	349	31.5	386	29.3	410	28.6	422	28.6	435	28.6	448	28.6	461	28.6	475	28.6	489	28.6	504	28.6
GROSS HOUSE PROFIT																				
	476	43.1	623	47.4	699	48.9	720	48.9	742	48.9	764	48.9	788	48.9	811	48.9	836	48.9	861	48.9
Management Fee	33	3.0	39	3.0	43	3.0	44	3.0	46	3.0	47	3.0	48	3.0	50	3.0	51	3.0	53	3.0
INCOME BEFORE NON-OPR. INC. & EXP.																				
	443	40.1	584	44.4	656	45.9	676	45.9	696	45.9	718	45.9	739	45.9	761	45.9	784	45.9	808	45.9
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	66	6.0	68	5.2	70	4.9	72	4.9	74	4.9	76	4.9	79	4.9	81	4.9	84	4.9	86	4.9
Insurance	18	1.7	19	1.5	20	1.4	20	1.4	21	1.4	21	1.4	22	1.4	23	1.4	23	1.4	24	1.4
Reserve for Replacement	22	2.0	39	3.0	57	4.0	59	4.0	61	4.0	63	4.0	64	4.0	66	4.0	68	4.0	70	4.0
Total Expenses	107	9.6	126	9.6	147	10.3	151	10.3	156	10.3	160	10.3	165	10.3	170	10.3	175	10.3	181	10.3
EBITDA LESS RESERVE																				
	\$336	30.4 %	\$457	34.7 %	\$510	35.6 %	\$525	35.6 %	\$541	35.6 %	\$557	35.6 %	\$574	35.6 %	\$591	35.6 %	\$609	35.6 %	\$627	35.6 %

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

Scope of Work

The methodology used to develop this study is based on the market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled *The Valuation of Hotels and Motels*,¹ *Hotels, Motels and Restaurants: Valuations and Market Studies*,² *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*,³ *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*,⁴ and *Hotels and Motels – Valuations and Market Studies*.⁵

1. All information was collected and analyzed by the staff of TS Worldwide, LLC. Information was supplied by the client and/or the property's development team.
2. The surrounding economic environment, on both an area and neighborhood level, has been reviewed to identify specific hostelry-related economic and demographic trends that may have an impact on future demand for hotels.
3. Dividing the market for hotel accommodations into individual segments defines specific market characteristics for the types of travelers expected to utilize the area's hotels. The factors investigated include purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.
4. 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.

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

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

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

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

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

5. Documentation for an occupancy and ADR projection is derived utilizing the build-up approach based on an analysis of lodging activity.
6. A detailed projection of income and expense made in accordance with the Uniform System of Accounts for the Lodging Industry sets forth the anticipated economic benefits of the proposed subject property.

2. Description of the Market 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.

A subject site has yet to be determined given the preliminary nature of this study. The city of Spruce Pine is the focus of this study for Mitchell County given its population, location at a convergence of major thoroughfares, and number of demand generators. We have assumed that a selected site will offer very good access and visibility attributes.

Topography and Site Utility

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

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 presumed to be readily accessible to a variety of local and county roads, as well as state and interstate highways.

MAP OF REGIONAL ACCESS ROUTES



Primary regional access through the area is provided by east/west U.S. Highway 19E, which extends to such cities as Mars Hill to the west and Boone to the east. North/south State Highway 226 is another major highway, which provides access to such cities as Bakersville to the north and Marion to the south. U.S. Highway 19E is a four-lane highway between Interstate 26 and Burnsville; it is currently being widened from two lanes to four lanes from the east side of Burnsville, so that it will be a four-lane thoroughfare through to the east side of Spruce Pine. Per insight from the North Carolina Department of Transportation's Transportation Planning Division, the widening project is expected to ease the flow of traffic through the area, but it is not expected to bring substantially more trips along the highway, as there are no major parallel routes for the increased capacity of U.S. Highway 19E to divert trips away from. This construction is expected to be completed in January 2020. Further, according to the draft 2020-2029 State Transportation Improvement Program (STIP), U.S. Highway 19E east of Spruce Pine is scheduled to be widened to multiple lanes in 2025. The subject market is served by a variety of additional local highways, which are illustrated on the map.

Primary vehicular access to the subject site is assumed to be provided by State Highway 226. The proposed subject hotel should have adequate signage at the street, as well as on its façade. Overall, the subject site should benefit very good accessibility, and the proposed hotel is assumed to enjoy very good visibility from within its local neighborhood.

Airport Access

The proposed subject hotel will be served by the Asheville Regional Airport, which is located approximately 37 miles to the southwest of the subject site.

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.

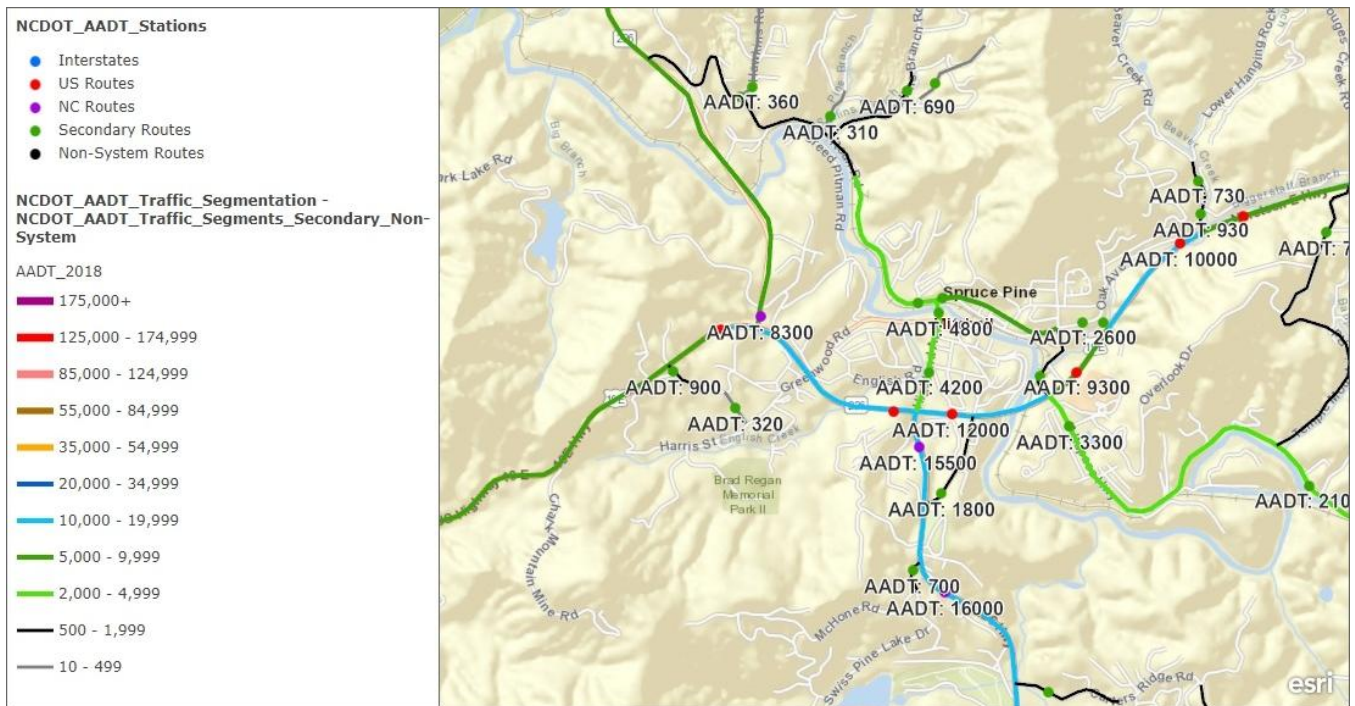
There are several areas within Spruce Pine that have been recommended for this project by local officials. A site near the historic train depot in Downtown Spruce Pine has been identified as a potential option. Downtown Spruce Pine is a small but charming area with several restaurants and shops; a new hotel in this location would provide hotel guests a pleasant and walkable experience. While a new hotel would ideally help drive additional demand to downtown businesses, Downtown Spruce Pine is situated away from the area's primary thoroughfares and nationally-branded restaurants and shopping, making it a less than ideal location for the development of the county's first branded hotel. Additionally, the façade of a prototypical limited-service hotel would be very different from the aesthetic of the historic downtown buildings, which could ultimately detract from the charm of the neighborhood.

We believe the hotel should ideally be situated near the city's primary thoroughfares, east/west U.S. Highway 19E and north/south State Highway 226. While U.S. Highway 19E is heavily traveled, according to Department of Transportation (DOT) traffic counts, local officials have noted that there are currently no appropriate sites available along this roadway within Spruce Pine given current development and the presence of DOT right-of-ways. State Highway 226 extends almost five miles between U.S. Highway 19E to the north and the Blue Ridge Parkway (BRP) to the south, taking approximately eight minutes to travel in typical traffic. Nationally recognized establishments along this route, listed from south to north, include Burger King, Murphy USA fueling station, Walmart, Subway, Taco Bell, CVS, McDonald's, Western Sizzlin, Pizza Hut, Dollar General, and more. A site on State Highway 226, situated somewhere between U.S. Highway 19E to the north and Walmart to the south, would give a franchised hotel the best opportunity to capture demand and would provide the best accessibility and visibility.

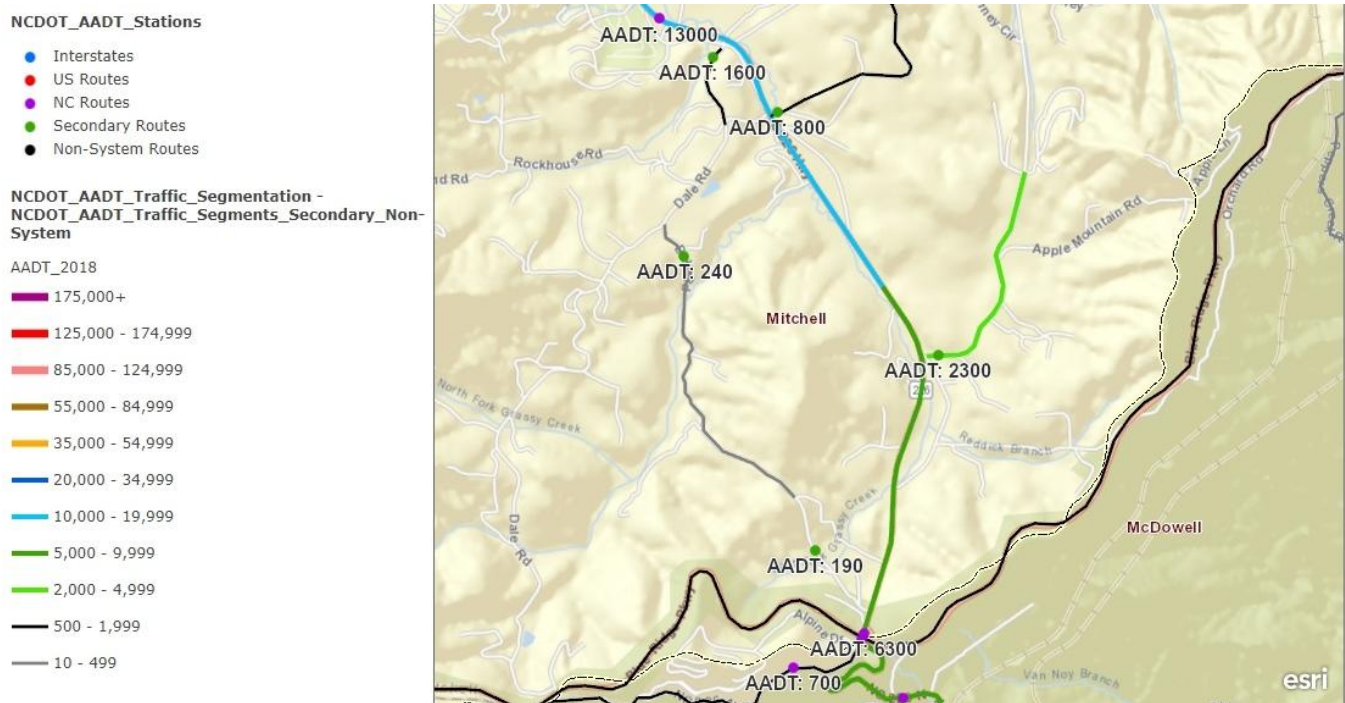
The assumed neighborhood for the proposed subject site can be generally described as the State Highway 226 corridor from U.S. Highway 19E to the north and Halltown Road to the south. The neighborhood is characterized by restaurants, retail outlets, and other locally owned businesses, with residential areas spanning to the east and west. The proximity of these businesses is considered supportive of the operation of a limited-service lodging property.

The following maps reflect the most recent 2018 traffic counts through the Spruce Pine area. The turquoise lines reflect the highest traffic levels (10,000 to 19,999 hits per day) east/west along U.S. Highway 19E through the city and north/south along State Highway 226 between U.S. Highway 19E and the major concentrations of retail and commercial, as far south as Walmart. Outside of these areas, traffic counts fall to 5,000 to 9,999 hits per day, as illustrated by the dark green lines.

TRAFFIC COUNTS – NORTHERN AND CENTRAL SPRUCE PINE

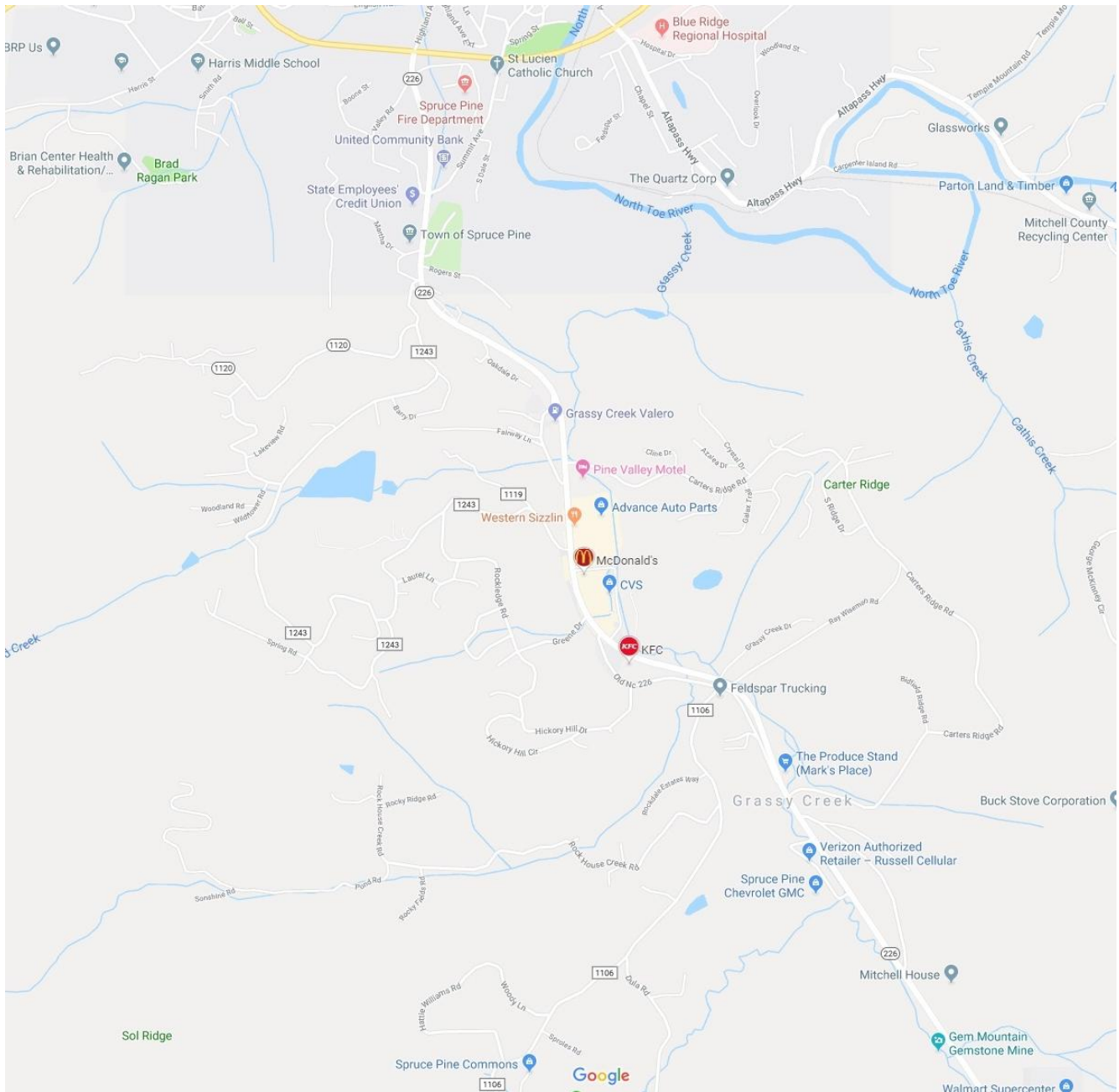


TRAFFIC COUNTS – SOUTHERN SPRUCE PINE TO THE BLUE RIDGE PARKWAY



In general, this greater assumed neighborhood is in the stable stage of its life cycle. The proposed subject hotel's opening should be a positive influence on the area; the hotel should be in character with and complement surrounding land uses. Overall, the supportive nature of the development in the immediate area is considered appropriate for and conducive to the operation of a hotel.

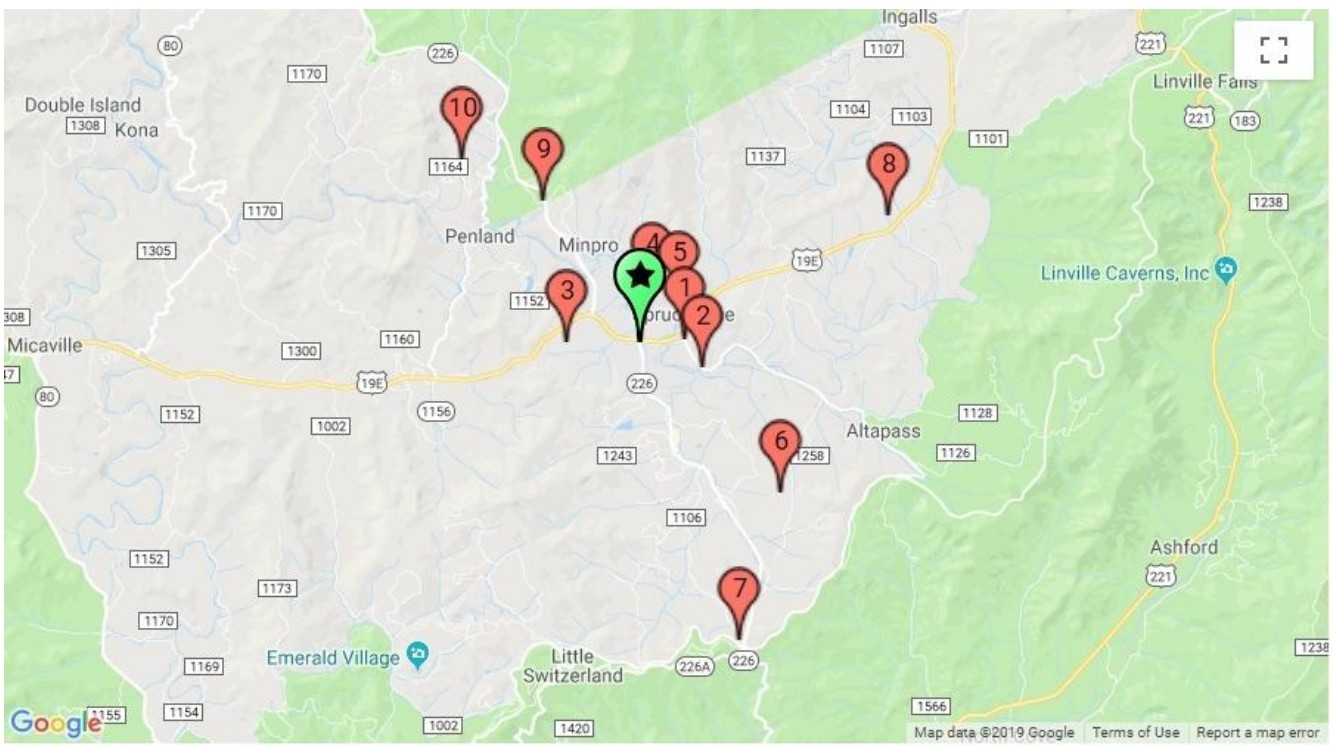
MAP OF PROPOSED NEIGHBORHOOD



Proximity to Local Demand Generators and Attractions

The subject site is assumed to be located near the area's primary generators of lodging demand. A sample of these demand generators is reflected on the following map. Overall, the subject site should be well situated with respect to demand generators.

ACCESS TO DEMAND GENERATORS AND ATTRACTIONS



	<u>Demand Generator</u>	<u>Approx. Time from Subject Property</u>	<u>Approx. Distance</u>
	Subject Property		
1	Blue Ridge Regional Hospital and ECU's School of Dental Medicine	🚗 1 minute	0.7 mile
2	The Quartz Corp	🚗 2 minutes	1.1 miles
3	BRP Us Inc	🚗 2 minutes	1.1 miles
4	CSX Spruce Pine Office	🚗 2 minutes	0.7 mile
5	Downtown Spruce Pine	🚗 3 minutes	0.8 mile
6	Buck Stove Corporation	🚗 8 minutes	4.9 miles
7	Museum Of North Carolina Minerals and Blue Ridge Parkway Access	🚗 7 minutes	4.7 miles
8	Mayland Community College	🚗 6 minutes	3.9 miles
9	Sibelco	🚗 4 minutes	2.5 miles
10	Penland School of Craft	🚗 11 minutes	6.0 miles

Site Conditions

We assume that the subject site will be served by all necessary utilities. We assume there will be no extraordinary soil or subsoil conditions present at the future site. We assume there will be no site-specific nuisances or hazards, and no toxic ground contaminants, at the future site.

We further assume that the proposed hotel will not be situated in a flood hazard area. The hotel is assumed to be situated on a site where zoning regulations allow for the construction of a lodging facility. We assume that all necessary permits and approvals will be secured and that the subject property will be constructed in accordance with local zoning ordinances, building codes, and all other applicable regulations.

We assume there will be no easements attached to the future site that would significantly affect the utility of the site or marketability of this project.

Conclusion

The future subject site is assumed to be ideally located near State Highway 226, between U.S. Highway 19E and the Blue Ridge Parkway. In general, the site should be well suited for future hotel use, with acceptable access, visibility, and topography for an effective operation.

3. Market Area Analysis

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

Market Area Definition

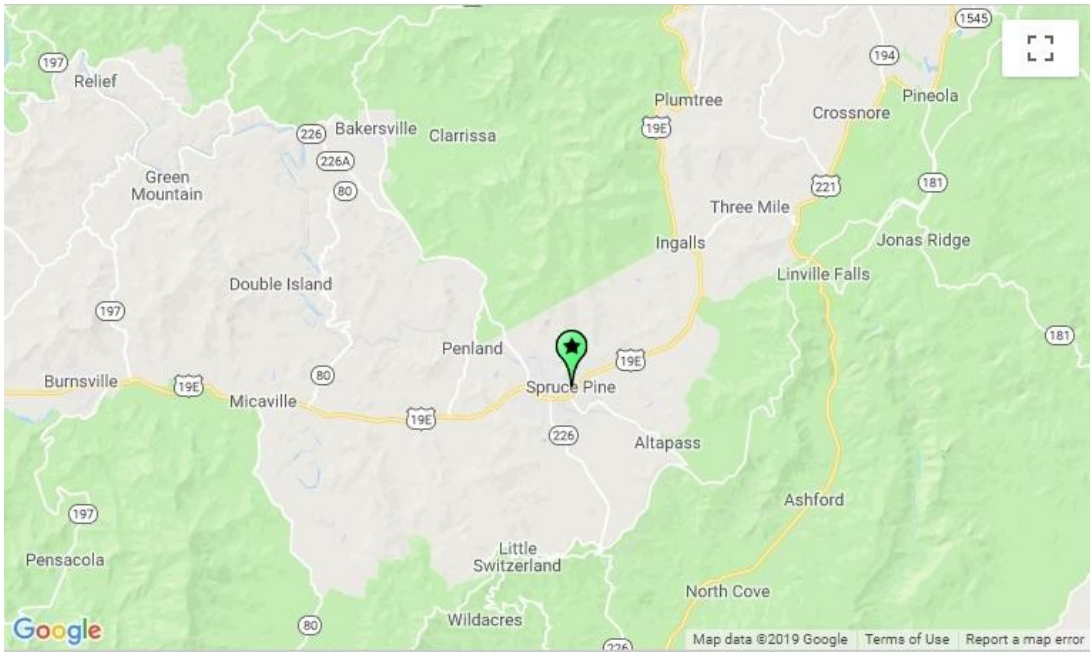
The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject site is proposed to be located in the city of Spruce Pine, the county of Mitchell, and the state of North Carolina. Mitchell County, situated in the Appalachian Mountains of northwest North Carolina, was founded in 1861. The county was named in honor of University of North Carolina professor Dr. Elisha Mitchell, who measured the mountain Black Dome, confirming its status as the highest peak east of the Mississippi River. Dr. Mitchell died while exploring the mountain, and the mountain was later renamed to Mount Mitchell in his honor. The mining industry and the railroad contributed to the growth of the region in the early 1900s. In addition to its natural resources, the area known for its natural beauty. Pisgah National Forest, Roan Mountain, the North Toe River, and more bring outdoor enthusiasts to Mitchell County. The area is also known for its arts community, anchored by the Penland School of Craft.

SPRUCE PINE - DOWNTOWN



The following exhibit illustrates the market area.

MAP OF PRIMARY MARKET AREA



MAP OF EXTENDED MARKET AREA



**Economic and
Demographic Review**

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

These data are summarized in the following table.

FIGURE 3-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	2000	2010	2018	2025	Average Annual Compounded Change		
					2000-10	2010-18	2018-25
Resident Population (Thousands)							
Mitchell County	15.7	15.5	15.2	15.6	(0.1) %	(0.3) %	0.4 %
State of North Carolina	8,081.6	9,558.9	10,413.1	11,427.5	1.7	1.1	1.3
United States	282,162.4	309,348.1	328,910.9	350,937.2	0.9	0.8	0.9
Per-Capita Personal Income*							
Mitchell County	\$23,814	\$26,904	\$30,329	\$33,358	1.2	1.5	1.4
State of North Carolina	32,928	34,757	39,509	42,980	0.5	1.6	1.2
United States	36,812	39,622	46,097	50,233	0.7	1.9	1.2
W&P Wealth Index							
Mitchell County	65.8	67.8	66.3	66.7	0.3	(0.3)	0.1
State of North Carolina	90.6	88.3	86.6	86.5	(0.3)	(0.2)	(0.0)
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
Mitchell County	\$12	\$16	\$17	\$18	3.2	0.7	0.7
State of North Carolina	10,179	13,317	18,171	20,775	2.7	4.0	1.9
United States	368,829	447,728	597,451	662,610	2.0	3.7	1.5
Total Retail Sales (Millions)*							
Mitchell County	\$184	\$177	\$199	\$210	(0.4)	1.5	0.7
State of North Carolina	113,696	119,956	148,643	168,396	0.5	2.7	1.8
United States	3,902,830	4,130,414	5,081,233	5,598,240	0.6	2.6	1.4

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population grew at an average annual compounded rate of 0.8% from 2010 through 2018. The county's population has declined slightly when compared to the nation's population; the average annual growth rate of -0.3% between 2010 and 2018 reflects a relatively stable area. Following this population trend, per-capita personal income increased slowly, at 1.5% on average annually for the county between 2010 and 2018. Local wealth indexes have remained stable in recent years, registering a low 66.3 level for the county in 2018.

Food and beverage sales totaled \$17 million in the county in 2018, versus \$16 million in 2010. This reflects a 0.7% average annual change, weaker than the 3.2% pace recorded in the prior decade. Over the long term, the pace of growth is forecast to remain relatively steady at a level of 0.7%, which is projected through 2025. The retail sales sector demonstrated an annual decline of -0.4% in the decade spanning from 2000 to 2010, followed by an increase of 1.5% in the period from 2010 to 2018. An increase of 0.7% average annual change is expected in county retail sales through 2025.

Workforce Characteristics

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

The following table sets forth the county workforce distribution by business sector in 2000, 2010, and 2018, as well as a forecast for 2025.

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

Industry	2000	Percent of Total	2010	Percent of Total	2018	Percent of Total	2025	Percent of Total	Average Annual Compounded Change		
									2000-2010	2010-2018	2018-2025
Farm	0.4	5.1 %	0.3	4.0 %	0.3	4.3 %	0.3	4.2 %	(3.7) %	0.9 %	0.4 %
Forestry, Fishing, Related Activities And Other	0.1	0.9	0.1	0.9	0.1	0.9	0.1	0.9	(1.3)	0.4	1.0
Mining	0.5	5.4	0.4	4.8	0.3	4.4	0.4	4.6	(2.6)	(1.0)	1.3
Utilities	0.0	0.3	0.0	0.3	0.0	0.3	0.0	0.3	(0.4)	(1.2)	1.4
Construction	0.5	6.4	0.5	7.1	0.4	5.3	0.4	5.0	(0.2)	(3.6)	0.0
Manufacturing	1.8	21.8	0.5	6.7	0.5	6.3	0.4	5.3	(12.3)	(0.8)	(1.6)
Total Trade	1.1	13.2	0.9	12.4	1.1	15.3	1.1	14.6	(1.9)	2.6	0.2
Wholesale Trade	0.2	1.9	0.1	1.5	0.3	4.2	0.3	4.3	(3.4)	13.3	1.0
Retail Trade	1.0	11.2	0.8	10.9	0.8	11.1	0.8	10.3	(1.6)	0.1	(0.1)
Transportation And Warehousing	0.2	2.7	0.3	3.7	0.3	4.1	0.3	4.2	1.7	1.4	1.2
Information	0.0	0.4	0.0	0.4	0.0	0.3	0.0	0.3	(2.3)	(2.8)	0.6
Finance And Insurance	0.2	1.9	0.2	3.0	0.2	2.5	0.2	2.5	3.4	(2.6)	1.3
Real Estate And Rental And Lease	0.1	1.2	0.3	3.8	0.2	3.1	0.3	3.3	10.7	(2.6)	1.8
Total Services	2.1	25.1	2.6	34.7	2.8	38.2	3.2	40.5	1.9	1.1	1.7
Professional And Technical Services	0.1	1.5	0.2	2.6	0.2	3.4	0.3	3.6	4.4	3.4	1.9
Management Of Companies And Enterprises	0.0	0.4	0.0	0.5	0.0	0.5	0.0	0.6	(0.3)	1.0	2.3
Administrative And Waste Services	0.3	3.6	0.4	4.9	0.4	5.9	0.5	6.9	1.8	2.3	3.0
Educational Services	0.1	1.2	0.2	3.2	0.3	3.7	0.3	4.3	8.7	1.6	3.1
Health Care And Social Assistance	0.7	8.2	0.9	12.4	0.9	11.9	1.0	12.4	2.8	(0.5)	1.4
Arts, Entertainment, And Recreation	0.1	1.8	0.1	1.8	0.1	1.9	0.2	1.9	(1.0)	0.5	1.0
Accommodation And Food Services	0.3	3.0	0.2	3.1	0.3	4.2	0.3	4.3	(1.2)	3.9	1.2
Other Services, Except Public Administration	0.5	5.4	0.5	6.3	0.5	6.6	0.5	6.5	0.3	0.6	0.6
Total Government	1.3	15.6	1.4	18.2	1.1	14.9	1.1	14.2	0.2	(2.6)	0.2
Federal Civilian Government	0.1	0.8	0.1	0.9	0.0	0.5	0.0	0.5	(0.3)	(7.1)	0.7
Federal Military	0.0	0.5	0.0	0.5	0.0	0.5	0.0	0.4	(1.2)	(1.0)	0.0
State And Local Government	1.2	14.3	1.2	16.8	1.0	13.9	1.0	13.3	0.3	(2.4)	0.2
TOTAL	8.5	100.0 %	7.4	100.0 %	7.4	100.0 %	7.8	100.0 %	(1.3) %	(0.1) %	0.9 %
U.S.	165,372.0	—	173,034.7	—	202,637.9	—	223,254.5	—	1.1	2.0	1.4

Source: Woods & Poole Economics, Inc.

Woods & Poole Economics, Inc. reports that during the period from 2000 to 2010, total employment in the county contracted at an average annual rate of -1.3%. This trend lagged the national average. More recently, the pace of total employment growth in the county accelerated to -0.1% on an annual average from 2010 to 2018, reflecting the initial years of the recovery.

Of the primary employment sectors, Total Services recorded the highest increase in number of employees during the period from 2010 to 2018, increasing by 239 people, or 9.3%, and rising from 34.7% to 38.2% of total employment. Of the various service sub-sectors, Health Care And Social Assistance and Other Services, Except Public Administration were the largest employers. Strong growth was also recorded in the Total Trade sector, as well as the Transportation And Warehousing sector, which expanded by 22.3% and -5.8%, respectively, in the period from 2010 to 2018. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 0.9% on average annually through 2025. The trend is below the forecast rate of change for the U.S. as a whole during the same period.

Radial Demographic Snapshot

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

FIGURE 3-3 DEMOGRAPHICS BY RADIUS

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
Population			
2024 Projection	1,868	6,111	11,558
2019 Estimate	1,850	6,073	11,444
2010 Census	1,905	6,294	11,676
2000 Census	1,894	6,281	11,153
Percent Change: 2019 to 2024	1.0%	0.6%	1.0%
Percent Change: 2010 to 2019	-2.9%	-3.5%	-2.0%
Percent Change: 2000 to 2010	0.6%	0.2%	4.7%
Households			
2024 Projection	814	2,608	4,102
2019 Estimate	802	2,579	4,057
2010 Census	815	2,648	4,159
2000 Census	799	2,602	4,068
Percent Change: 2019 to 2024	1.5%	1.1%	1.1%
Percent Change: 2010 to 2019	-1.6%	-2.6%	-2.5%
Percent Change: 2000 to 2010	2.0%	1.8%	2.2%
Income			
2019 Est. Average Household Income	\$53,752	\$54,785	\$55,794
2019 Est. Median Household Income	40,729	42,375	43,408
2019 Est. Civ. Employed Pop 16+ by Occupation			
Architecture/Engineering	16	64	108
Arts/Design/Entertainment/Sports/Media	22	48	75
Building/Grounds Cleaning/Maintenance	18	55	105
Business/Financial Operations	34	129	185
Community/Social Services	13	34	53
Computer/Mathematical	0	1	18
Construction/Extraction	53	162	345
Education/Training/Library	53	187	309
Farming/Fishing/Forestry	24	58	69
Food Preparation/Serving Related	45	157	276
Healthcare Practitioner/Technician	45	192	345
Healthcare Support	25	79	155
Installation/Maintenance/Repair	27	82	132
Legal	0	0	24
Life/Physical/Social Science	3	6	13
Management	44	184	324
Office/Administrative Support	63	194	395
Production	75	230	413
Protective Services	37	134	216
Sales/Related	70	231	400
Personal Care/Service	26	72	109
Transportation/Material Moving	64	176	262

Source: Environics Analytics

Unemployment Statistics

This source reports a population of 11,444 and 4,057 households within a five-mile radius of the subject site. The average household income within this radius is reported at \$55,794, while the median is \$43,408.

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

FIGURE 3-4 UNEMPLOYMENT STATISTICS

<u>Year</u>	<u>County</u>	<u>State</u>	<u>U.S.</u>
2009	12.4 %	10.6 %	9.3 %
2010	12.4	10.9	9.6
2011	11.9	10.3	8.9
2012	12.2	9.3	8.1
2013	11.0	8.0	7.4
2014	7.7	6.3	6.2
2015	6.8	5.7	5.3
2016	6.1	5.1	4.9
2017	5.2	4.5	4.4
2018	4.5	3.9	3.9
<i>Recent Month - Jun</i>			
2018	4.7 %	4.2 %	4.0 %
2019	5.5	4.4	3.7

Source: U.S. Bureau of Labor Statistics

Current U.S. unemployment levels are now firmly below the annual averages of the last economic cycle peak of 2006 and 2007, when annual averages were 4.6%. The unemployment rate for May and June of 2019 was a low 3.6% and 3.7%, respectively. Total nonfarm payroll employment increased by 216,000, 72,000, and 224,000 jobs in April, May, and June, respectively. Gains in June occurred in the professional and business services, health care, transportation, and warehousing sectors. Unemployment has remained under the 5.0% mark since May 2016, reflecting a trend of relative stability and the overall strength of the U.S. economy. As of June 2019, the number of unemployed persons was 6.0 million (versus 5.9 million in May 2019).

Locally, the unemployment rate was 4.5% in 2018; for this same area in 2019, the most recent month’s unemployment rate was registered at 5.5%, versus 4.7% for the same month in 2018. Unemployment remained high and fluctuated from 2009 through 2012 given the continued effects of the national recession. However,

Major Business and Industry

unemployment finally began to decline in 2013 as the economy rebounded, with a more significant decline noted in 2014; this trend continued through 2018. The most recent comparative period illustrates an uptick, indicated by the higher unemployment rate in the latest available data. The statewide unemployment level also increased per the latest available data, although the county's rate of change was greater. Despite the increase, local economic development officials report that employment remains strong in the mining and manufacturing industries, as well as in the education sector.

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 3-5 MAJOR EMPLOYERS – MITCHELL COUNTY

Rank	Firm	Number of Employees
1	Mitchell County Board of Education	250-499
2	Sibelco North America Inc.	250-499
3	Spruce Pine Community Hospital	250-499
4	Mayland Community College	100-249
5	Wal-Mart Associates, Inc.	100-249
6	Bombardier Motor Corporation of America (BRP)	100-249
7	The Quartz Corp USA	100-249
8	Mitchell County	100-249
9	Hospice of the Blue Ridge	100-249
10	Ingles Markets, Inc.	100-249

Source: NC Department of Commerce, Q1 2019 - Mitchell County

The following bullet points highlight major demand generators for this market:

- Spruce Pine, internationally known as Mineral City, is part of the Spruce Pine Mining District, a 25-mile stretch of mineral-rich land that extends through Mitchell, Yancey, and Avery counties. Mining is part of the county's heritage, with over 2,000 years of known mining as a result of millions of years of unique geological changes. Today, the area is mined for gems, kaolin, quartz, mica, feldspar, and other minerals. Multinational companies The QUARTZ Corp and Unimin Corporation, a wholly-owned subsidiary of SCR-Sibelco of Belgium, have multiple mines throughout the region, which yield the purest natural quartz on earth. This quartz has been used in virtually every computer chip ever manufactured. Solar panels and fiber optics are the other two primary markets

that these companies serve. Reductions in the cost of solar power and an increase in manufacturing capacity should result in further increases in demand for these natural resources.

- The healthcare sector is important in Mitchell County. Blue Ridge Regional Hospital is a 25-bed facility in Spruce Pine. In early 2019, HCA Healthcare completed a \$1.5-billion acquisition of nonprofit Mission Health, a seven-hospital system in western North Carolina. The system's primary presence is in Asheville, with almost 850 beds in two facilities, followed by 49 beds in Marion, and four smaller facilities with up to 25 beds. The hospital has overcome challenges in recent years, including the closure of the labor and delivery unit in late 2017. While the facility is expected to remain open following the acquisition by HCA, it is not certain if it will remain a hospital or be converted to another medical use. East Carolina University's School of Dental Medicine also has a Community Dental Center in Spruce Pine, one of eight clinics across the state. Fourth-year students do a nine-week rotation at three of the clinics, up to five students per center. The clinics are managed by dental school faculty members and advanced dental residents and provide dental care to local residents.
- Manufacturing is a strong employer for the county. Historically, the area relied on textile and furniture mills, but similar to trends in other areas of North Carolina in the early 1990s, the majority of these companies closed their plants in favor of cheaper operations outside of the United States. New Buck Corporation has been situated in Spruce Pine since the mid-1970s and continues to thrive, producing Buck Stove wood stoves in a 300,000-square-foot facility. Over the years, the company has expanded its line to include gas stoves, gas logs and mantles, outdoor living products, and tiny homes. BRP Inc. (Bombardier Recreational Products) is another major employer and produces brands such as Ski-Doo, Sea-Doo, Can-Am, Evinrude, and Lynx. BRP's Spruce Pine lost-foam casting facility manufactures parts for Evinrude outboard engines and Rotax engines. The facility is planned to undergo numerous updates by 2025, including the replacement of presses and cast lines, the upgrading of machining centers, and improvements to overall plant efficiency.
- Mayland Community College, one of 58 schools in the North Carolina Community College System, provides workforce development and continuing education for students in Mitchell, Yancey, and Avery counties. A unique feature of the school is the Mayland Earth to Sky Park, which includes the Bare Dark Sky Observatory, gardens and trails, an aquaponics and hydroponics facility, and a visitor's center. In its first year, it brought in over 1,600 people, with reportedly nearly half of them from outside the immediate area. In the most recent year, attendance was down, as 53 events (each event capped at 25 people) had to be canceled due to rain. The park brings in visitors primarily from Raleigh,

Charlotte, and Atlanta, with some traveling from as far as Washington, D.C. and northern Virginia. The park is popular for private events, including weddings. Construction is set to start in the fall of 2019 on a new planetarium at Mayland Community College, which will allow the school to host events throughout the year in any kind of weather. In 2015, the school acquired the former Pinebridge Coliseum, a 5,000-seat indoor arena, and the neighboring Pinebridge Inn in Spruce Pine, both of which have been closed for many years. The hotel is being renovated and will reopen as a 34-bed boutique hotel. The coliseum will be completely renovated inside and will include a cosmetology center, massage training, a local microbrewery and beer tasting area overlooking the river, and an entrepreneur center. The event space will include 2,000 to 2,500 seats and is expected to host musical performances, shows, and ice skating in the winter.

Mitchell County has experienced challenges over the years given its modest population and rural location in the mountains of North Carolina. The mining industry continues to serve as an economic backbone to the tight-knit communities. Manufacturing and health care should continue to support local employment and serve local residents. Growth at Mayland Community College is expected to contribute to the education and employment opportunities for residents in the region, and tourism should continue to be an important economic anchor for the Mitchell County region as well.

In rural areas, neighboring counties often work together and rely on each other, with employment, tourism, and housing often overlapping. As such, it is helpful to consider the major employers for the neighboring counties of Yancey, Avery, and McDowell.

MAP OF WESTERN NORTH CAROLINA COUNTIES



FIGURE 3-6 MAJOR EMPLOYERS – YANCEY COUNTY

Rank	Firm	Number of Employees
1	Altec Industries, Inc.	500-999
2	Yancey County Schools	250-499
3	County of Yancey	100-249
4	Ingles Markets, Inc.	100-249
5	Glen Raven, Inc.	100-249
6	Senior Care Group, Inc.	100-249
7	Young-McQueen Grading Incorporated	100-249
8	Hickory Springs Manufacturing LLC	50-99
9	Pruitthealth Home First - Yancey	50-99
10	Yancey House	< 50

Source: NC Department of Commerce, Q1 2019 - Yancey County

FIGURE 3-7 MAJOR EMPLOYERS – AVERY COUNTY

Rank	Firm	Number of Employees
1	Department of Public Safety	500-999
2	Avery County Schools	250-499
3	County of Avery	250-499
4	Sugar Mountain Resort, Inc.	100-249
5	Lees - McRae College	100-249
6	Appalachian Regional Healthcare System	100-249
7	Crossnore School, Inc.	100-249
8	Lowes Home Centers, Inc.	100-249
9	Banner Elk Operations LLC	100-249
10	Ingles Markets, Inc.	100-249

Source: NC Department of Commerce, Q1 2019 - Avery County

FIGURE 3-8 MAJOR EMPLOYERS – MCDOWELL COUNTY

Rank	Firm	Number of Employees
1	Baxter Healthcare Corporation	1000+
2	NC Public Schools	1000+
3	Auria Solutions USA Inc.	500-999
4	County of McDowell	250-499
5	Department of Public Safety	250-499
6	The McDowell Hospital, Inc.	250-499
7	Westrock Services, Inc.	250-499
8	Columbia Carolina Corporation	250-499
9	Coats Performance Materials	250-499
10	Love's Travel Stops & Country Store	250-499

Source: NC Department of Commerce, Q1 2019 - McDowell County

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.

Asheville Regional Airport is located approximately 15 miles south of Downtown Asheville. The airport serves the greater western North Carolina area with daily flights on Delta, Allegiant, United, American, Elite, and Spirit. In 2011, new gates, a new restaurant, and a new security area were opened. In August 2014, work began on the \$64-million, five-year building project known as Project SOAR (Significant Opportunity for Aviation & the Region). The project is currently in the fourth phase of construction, which includes paving the new runway and installing airfield lighting. The new runway is anticipated to become operational in late 2019, and the temporary runway will be converted to a new taxiway that year. The airport authority will also continue to work on attracting aerospace companies, cargo haulers, and airplane maintenance companies with its 36 acres of flat, developable land. The airport's main entrance was re-routed and reconfigured in 2015 to provide easier access from both directions on Airport Road. Construction of a five-story, \$22-million parking garage was completed in March 2018, adding a net total of 800 parking spaces.

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

FIGURE 3-9 AIRPORT STATISTICS - ASHEVILLE REGIONAL AIRPORT

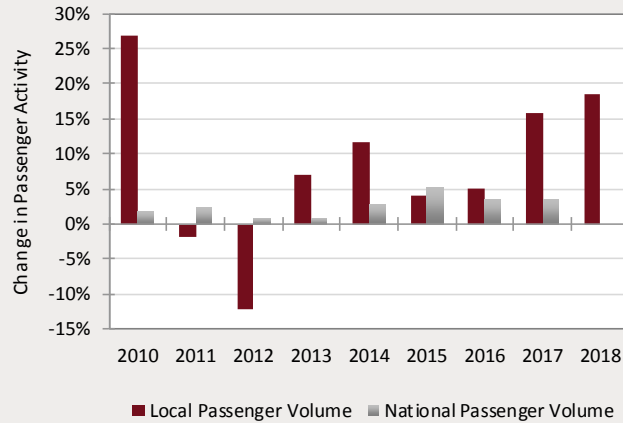
Year	Passenger Traffic	Percent Change*	Percent Change**
2009	579,443	—	—
2010	735,760	27.0 %	27.0 %
2011	721,677	(1.9)	11.6
2012	633,848	(12.2)	3.0
2013	678,023	7.0	4.0
2014	756,425	11.6	5.5
2015	787,135	4.1	5.2
2016	826,648	5.0	5.2
2017	956,634	15.7	6.5
2018	1,134,568	18.6	7.8
<i>Year-to-date, June</i>			
2018	494,061	—	—
2019	718,559	45.4 %	—

*Annual average compounded percentage change from the previous year

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

Source: Asheville Regional Airport

FIGURE 3-10 LOCAL PASSENGER TRAFFIC VS. NATIONAL TREND



Source: HVS, Local Airport Authority

This facility recorded 1,134,568 passengers in 2018. The change in passenger traffic between 2017 and 2018 was 18.6%. The average annual change during the period shown was 7.8%. The rise in passenger traffic shown by the most recent data can be attributed in large part to the area's increasing popularity as a tourism destination, as well as the addition of a new carrier and an increase in the number of available flights to/from the market. Asheville Regional Airport, which is currently undergoing a multimillion-dollar runway construction project, is utilizing a temporary runway that is not conducive for inclement winter weather conditions. The airport experienced a record-setting annual passenger count in 2018 with over one million passengers across six airlines, an almost 19.0% increase year-over-year, and the fifth consecutive year of record growth. In September 2018, Spirit Airlines began offering service to/from Florida cities Fort Lauderdale, Orlando, and Tampa, and on February 14, 2019, United Airlines added two daily nonstop flights to/from Dulles International Airport. On February 22, 2019, Allegiant began offering service to/from Sarasota, Florida. Furthermore, in May 2019, American Airlines commenced daily nonstop flights to/from Dallas, Philadelphia, and New York's LaGuardia Airport. Furthermore, Delta Air Lines started nonstop flights to Detroit on June 8, 2019; the seasonal route is available on Saturdays through November 2, 2019.

The following table illustrates recent operating statistics for the Tri-Cities Regional TN/VA, which is the secondary airport facility serving the proposed subject property’s submarket.

FIGURE 3-11 AIRPORT STATISTICS – TRI-CITIES REGIONAL TN/VA

Year	Passenger Traffic	Percent Change*	Percent Change**
2009	435,390	—	—
2010	409,524	(5.9) %	(5.9) %
2011	447,373	9.2	1.4
2012	421,093	(5.9)	(1.1)
2013	406,222	(3.5)	(1.7)
2014	431,519	6.2	(0.2)
2015	436,182	1.1	0.0
2016	414,493	(5.0)	(0.7)
2017	392,689	(5.3)	(1.3)
2018	410,453	4.5	(0.7)
<i>Year-to-date, July</i>			
2018	233,933	—	—
2019	249,009	6.4 %	—

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

Source: Tri-Cities Regional TN/VA

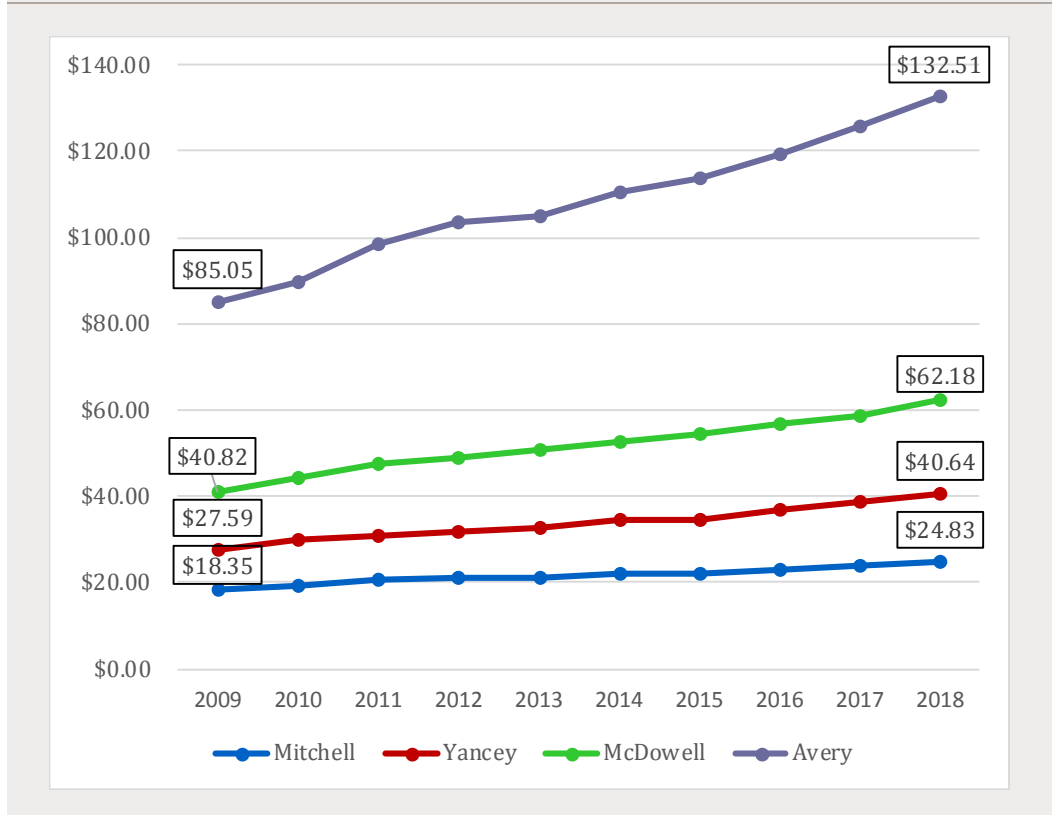
Air traffic registered 410,453 passengers in 2018. The change in passenger traffic between 2017 and 2018 was 4.5%.

Visitor Spending

Visit North Carolina, a unit of the Economic Development Partnership of North Carolina, annually measures the economic impact of domestic travel on a statewide basis. According to this source, in 2018 in Mitchell County, domestic travel had an economic impact of almost \$25 million, up 3% from 2017; this rate is lower than the average rate of change across the state of 5.6%. Every county in the state saw an increase in 2018. Per this source, “travel” is defined as all activities associated with an overnight trip away from home in paid accommodations, as well as day or overnight trips 50 miles or more away from the traveler’s home. Travel expenditures are considered to be when a traveler exchanges money for any activity as part of their trip, and economic impact is the measured result of that traveler expenditure on spending, employment, payroll, business receipts and tax revenues.

The following chart reflects the economic impact of travel for the last ten years in Mitchell, Yancey, Avery, and McDowell Counties, as reported by Visit North Carolina.

FIGURE 3-12 ECONOMIC IMPACT OF DOMESTIC TRAVEL (MILLIONS)



Further, according to this same source, 28% of the state’s visitors traveled to the 23-county Mountain Region in western North Carolina. Of those, 95% of overnight visitors came for leisure purposes, while 4% of overnight visitors came for business reasons, including meetings. 67% of those visitors stayed in hotel accommodations, 17% in a private home, and 7% in a short-term vacation rental such as those offered through Airbnb or VRBO; the rest stayed in a rental home, personal second home, or RV/campground. The average party size was 2.2 travelers, and they spent an average of 2.9 nights in the region. In 2018 for this region, the average trip expenditure was \$557, with overnight visitors spending \$678 and daytrip travelers spending \$211 per visit.

Tourist Attractions

This rural market benefits from a modest number of tourist and leisure attractions in the area. The peak season for tourism in this area is from June to August, correlating to family vacations. October is also a peak month given western North

Carolina's popularity with "leaf peepers" who travel to enjoy the fall colors. During other times of the year, weekend demand comprises people visiting local festivals, travelers passing through en route to other destinations, people visiting friends or relatives, and other similar weekend demand generators. Primary attractions in the area include the following:

- In addition to the corporate mining in the area, local gem mines attract tourists seeking their fortune and a taste of history. Popular local gem mines and mining attractions include Emerald Village, Gem Mountain Gemstone Mine, and Rio Doce Gem Mine. Furthermore, the annual North Carolina Mineral and Gem Festival is one of the longest running shows of its kind, marking its 60th year in 2019; this festival is one of the largest gem shows in the country.
- Numerous other festivals bring visitors to the county throughout the year. These include the Carolina Pushrodz Gear Run for the Hills Car Show, the Toe Jam Music Festival, the Dellinger Grist Mill Music Festival, the NC Rhododendron Festival, and the Apple Butter Festival. The first Spruce Pine Alien Conference and Expo (SPACE) Festival occurred in 2019; the event was attended by approximately 6,000 visitors over two days. The annual Fire on the Mountain Festival celebrates the art of the blacksmith, attracting thousands of attendees from across the East Coast and even from across the country, depending on the blacksmiths being showcased.
- Mitchell County is a mecca for artists, with over 50 studios and galleries across the county. The Toe River Arts Council (TRAC) sponsors the Toe River Studio Tour, held in June and December each year, which showcases artisans and craftspeople across Mitchell and Yancey Counties. The arts community is supported by the presence of the Penland School of Craft, an international center for craft education. Penland offers one-, two-, and eight-week workshops throughout the year and also features resident artists who live and work at the school full-time. Visitors travel to Penland throughout the year to visit the Penland Gallery and Visitors Center or the Penland Supply Store. The school's Annual Benefit Auction features the sale of a wide variety of crafts, with proceeds going to support the school's educational programs.
- The region's natural beauty brings tourists throughout the year. The Blue Ridge Parkway (BRP), nicknamed America's Favorite Drive, runs along the southern edge of the county. The 469-mile scenic drive extends through North Carolina and Virginia. The Museum of North Carolina Minerals, situated on south side of Spruce Pine, is one of only two of the parkway's visitor centers that are open all year. Roan Mountain in northern Mitchell County is a favorite destination for hikers, featuring the world's largest natural rhododendron gardens and numerous hiking trails, including portions of the Appalachian Trail. Skiing is a

popular sport during the winter months; although there are no ski resorts directly in Mitchell County, nearby destinations include Wolf Ridge Ski Resort, Beech Mountain Ski Resort, and Sugar Mountain Resort. Nearby Linville Caverns and Linville Falls are popular destinations for families. Tours of the limestone caverns are available throughout the year, while the falls offer a variety of hikes, as well as views of one of the most photographed waterfalls in the state.

VIEW FROM THE BLUE RIDGE PARKWAY



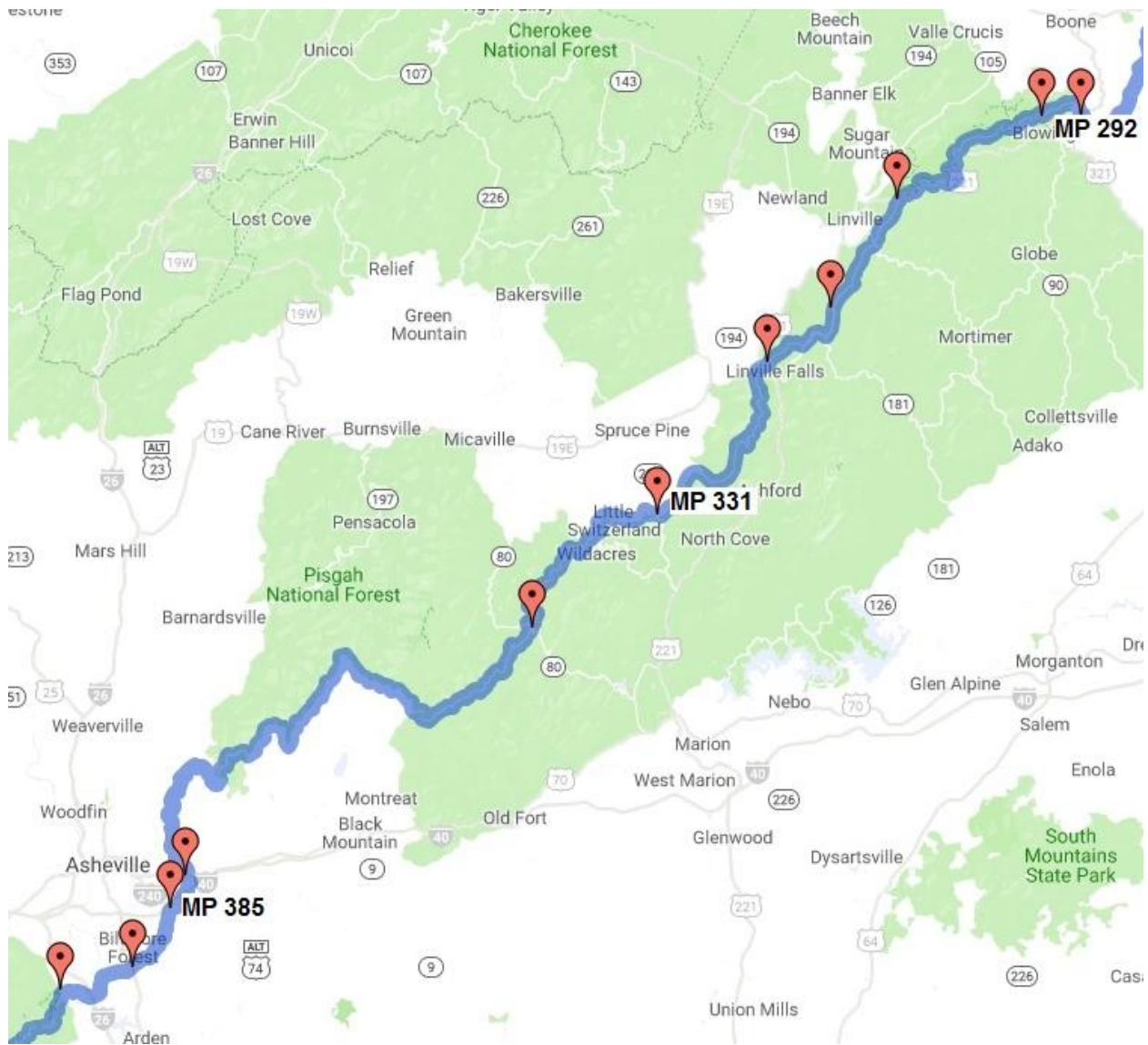
Blue Ridge Parkway

The BRP welcomed almost 14.7 million travelers in 2018, down from 16 million in 2017. In 2018, it dropped to second place in the National Park System, with Golden Gate National Recreation Area taking back over the lead; these two attractions have swapped first and second place rankings since 1979. Maintenance and weather issues are the typical reasons for decreases in visitation, as in November 2018 when large portions of the parkway in southwest Virginia were closed after an ice storm brought down tree limbs. The government shutdown in December 2018 further compounded closures.

According to the National Park Service, visitors to the BRP reportedly spent more than \$1.1 billion in 2018 in local gateway regions, supporting more than 15,900 jobs, \$430 million in labor income, and \$1.3 billion in economic output in neighboring communities surrounding the parkway. The Hotel sector benefited the

most, comprising almost 44% of all visitor spending, with the Restaurant sector accounting for approximately 21%, and the remaining 35% comprising Camping, Gas, Groceries, Recreation Industries, Retail, and Transportation.

MAP OF BLUE RIDGE PARKWAY THROUGH THE MARKET



The following table reflects monthly traffic counts for the last five years through the three access points shown in the map above: Mile Post 384.7 at Asheville on U.S.

Highway 74 (access to The Blue Ridge Parkway Visitor Center and Park Store at the BRP Headquarters), Mile Post 330.9 at the Spruce Pine access point (access to the Museum of North Carolina Minerals), and at Mile Post 291.8 on the east side of Blowing Rock (access to the Moses H. Cone Memorial Park and Flat Top Manor). Traffic counts are not collected at all parkway access points, but these available counts are the closest to the subject market. As shown below, traffic begins to increase in April concurrent with schools’ spring break periods and the start of family vacation season. Traffic increases through the summer, generally peaking in June or July. Traffic remains relatively strong in September given Labor Day travel and the start of the fall leaf season. October is the strongest month of the year as “leaf peepers” travel through the area to enjoy the fall foliage. November and December slow down, but not to the level of January or February, as visitors still travel the road during the holiday season.

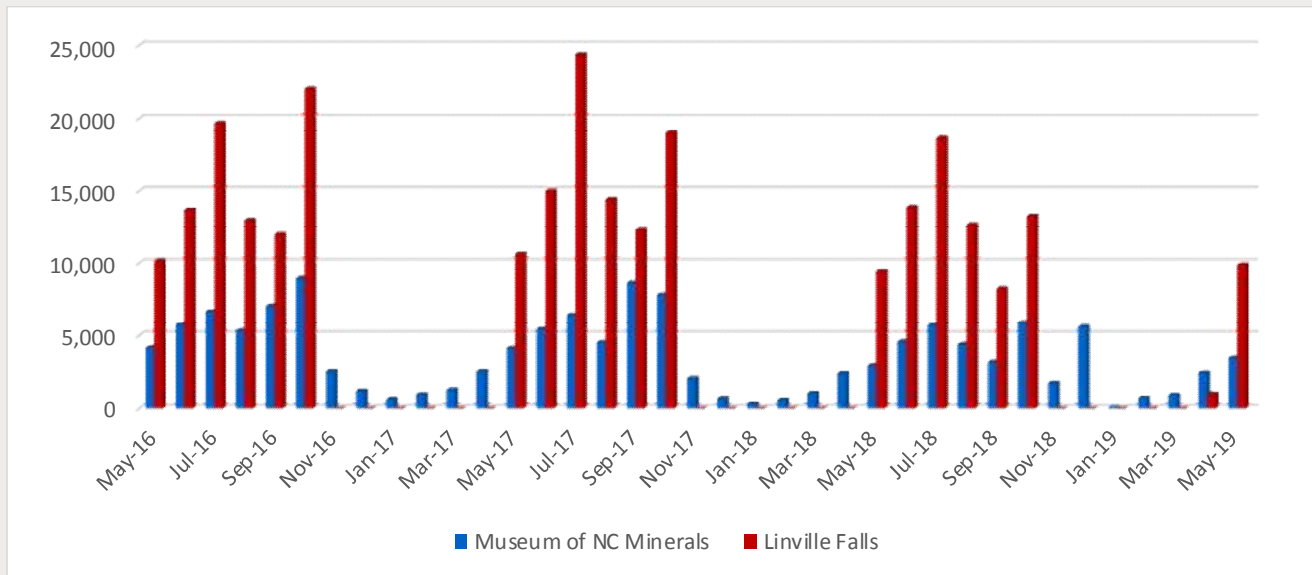
FIGURE 3-13 BLUE RIDGE PARKWAY - MONTHLY VEHICLE TRAFFIC COUNTS

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
MILEPOST 291.8 (U.S. 221 & U.S. 321 @ BLOWING ROCK EAST)												
2019	9,252	6,976	8,916	30,817	18,984	22,624	21,745					
2018	8,972	6,705	8,677	32,979	18,465	22,730	22,533	23,208	20,249	27,767	27,900	14,072
2017	10,880	7,787	6,194	35,494	20,074	23,701	11,204	25,489	21,853	27,280	31,626	12,919
2016	8,254	6,850	13,225	16,201	19,129	22,855	23,179	18,720	15,130	25,742	10,841	18,000
2015	11,444	6,655	9,358	34,672	19,380	23,366	26,933	24,195	22,834	28,193	15,155	18,097
2014	6,714	6,883	7,130	34,739	17,875	20,471	24,879	25,031	20,831	32,084	40,941	9,901
MILEPOST 330.9 (SR 222 @ SPRUCE PINE ACCESS)												
2019	2,934	3,671	10,211	19,542	27,372	25,755	27,804					
2018	6,195	3,180	7,061	19,480	22,618	27,036	30,708	25,014	39,561	45,424	18,390	11,473
2017	8,500	3,742	6,834	17,832	28,235	27,751	30,213	27,443	24,147	28,455	16,939	18,354
2016	8,259	3,742	12,953	20,481	31,886	27,751	27,316	28,105	20,042	32,692	17,880	9,107
2015	9,008	556	6,049	15,499	24,263	32,805	30,231	27,072	28,752	29,424	18,688	10,404
2014	6,067	1,934	5,735	16,980	29,860	24,998	29,701	29,999	28,362	34,984	20,759	8,122
MILEPOST 384.7 (U.S. 74 NORTHBOUND INTO ASHEVILLE)												
2019	32,779	35,560	29,556	29,937	36,220	35,691	31,212					
2018	22,656	29,075	36,799	34,834	44,495	38,107	30,645	37,155	38,334	41,275	36,930	26,546
2017	28,230	32,970	35,422	32,867	41,710	35,712	30,776	44,347	44,025	35,464	39,568	27,077
2016	22,351	21,273	32,022	25,260	31,863	34,787	31,717	37,541	40,206	41,633	31,000	29,000
2015	25,004	19,976	22,392	28,540	33,326	38,901	35,683	39,707	38,049	42,835	31,660	28,505
2014	16,245	13,557	21,147	28,185	29,710	30,948	27,243	36,619	36,528	39,280	30,955	25,836

There are nine official BRP visitor centers along the parkway in North Carolina. At the Spruce Pine access point, the Museum of North Carolina Minerals is one of these nine centers. According to one of the rangers at this center, this location and the center at the BRP headquarters in Asheville (Mile Post 384.7 in the table and map above) are the only two centers on the entire length of the parkway that are open year-round. The traffic count at these points decreases accordingly in the low periods, although the traffic count through Asheville remains relatively high given the city’s popularity with tourists throughout the year.

The following table details visitation statistics for the Museum of North Carolina Minerals visitor’s center in Spruce Pine and the next visitor’s center to the northeast, Linville Falls. The Linville Falls visitor’s center hosts 350,000 visitors annually. The falls are generally regarded as the most famous waterfall in the Blue Ridge, and various trails take visitors to one of four waterfall overlooks. The BRP’s smallest and most popular campground is also situated at this access point, offering 50 tent sites and 20 RV sites.

FIGURE 3-14 BLUE RIDGE PARKWAY - MONTHLY VISITOR CENTER COUNTS



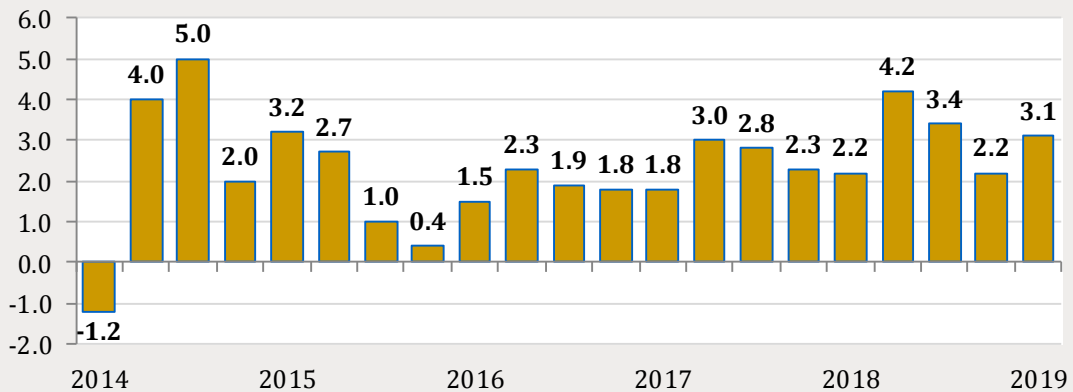
Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. Mitchell County is experiencing a period of economic stability, primarily led by the mining and manufacturing industries, as well as the healthcare and education sectors. The arts community and tourism continue to drive visitation to the area. While our market interviews and research revealed that these local

employers provide a foundation for the region, there are limited opportunities for employment for entry-level workers, and the future of the local hospital is uncertain. However, the outlook for the market area is cautiously optimistic.

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

FIGURE 3-15 UNITED STATES GDP GROWTH RATE



Source: tradingeconomics.com, Bureau of Economic Analysis

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

4. Supply and Demand Analysis

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

Definition of Subject Hotel Market

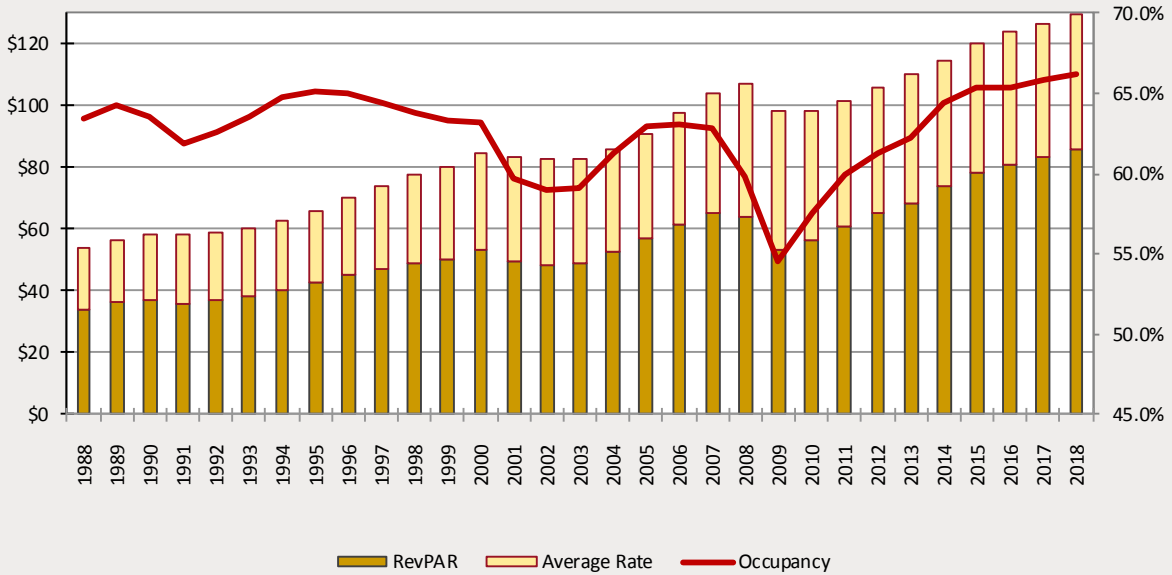
The subject site is located in the greater Western North Carolina lodging market. Within this greater market, the proposed subject hotel will compete with a smaller set of hotels based on various factors, such as rural location, property tier, and price point.

National Trends Overview

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

STR is an independent research firm that compiles and publishes data on the lodging industry, and this information is routinely used by typical hotel buyers. The following STR diagram presents annual hotel occupancy and average rate data since 1988.

FIGURE 4-1 NATIONAL OCCUPANCY, AVERAGE RATE, AND REVPAR TRENDS



Source: STR

The next two tables contain information that is more recent; the data are categorized by geographical region, price point, type of location, and chain scale, and the statistics include occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

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

	Occupancy - YTD June			ADR - YTD June			RevPAR - YTD June			Percent Change	
	2018	2019	% Change	2018	2019	% Change	2018	2019	% Change	Rms. Avail.	Rms. Sold
United States	65.9 %	65.9 %	0.1 %	\$129.72	\$131.20	1.1 %	\$85.45	\$86.51	1.2 %	2.0 %	2.1 %
Region											
New England	61.5 %	60.6 %	(1.3) %	\$147.36	\$150.08	1.8 %	\$90.56	\$91.01	0.5 %	1.7 %	0.4 %
Middle Atlantic	67.4	66.0	(2.0)	157.16	157.90	0.5	105.91	104.29	(1.5)	2.6	0.6
South Atlantic	69.4	69.6	0.3	132.09	134.25	1.6	91.63	93.44	2.0	2.0	2.3
E. North Central	59.4	59.1	(0.5)	109.27	109.79	0.5	64.94	64.93	0.0	2.0	1.5
E. South Central	61.6	63.0	2.2	100.50	103.03	2.5	61.92	64.88	4.8	2.8	5.1
W. North Central	55.8	56.6	1.3	98.60	98.16	(0.5)	55.05	55.51	0.8	2.1	3.4
W. South Central	64.6	64.4	(0.2)	104.98	104.28	(0.7)	67.79	67.18	(0.9)	2.6	2.4
Mountain	66.0	66.9	1.4	122.45	125.02	2.1	80.80	83.64	3.5	1.1	2.5
Pacific	73.3	73.1	(0.1)	166.20	169.77	2.1	121.75	124.19	2.0	1.5	1.3
Class											
Luxury	71.2 %	71.2 %	(0.1) %	\$290.97	\$294.46	1.2 %	\$207.28	\$209.62	1.1 %	2.7 %	2.7 %
Upper-Upscale	73.6	72.9	(1.0)	187.18	190.12	1.6	137.28	138.64	0.6	2.6	1.6
Upscale	72.0	71.5	(0.7)	142.80	144.22	1.0	102.88	103.18	0.3	3.6	2.9
Upper-Midscale	67.5	67.4	(0.2)	114.24	115.23	0.9	77.15	77.63	0.6	3.7	3.4
Midscale	59.3	59.2	(0.2)	94.56	94.71	0.2	56.05	56.03	0.0	1.1	0.9
Economy	58.2	59.0	1.4	73.18	73.56	0.5	42.56	43.38	1.9	(0.5)	0.9
Location											
Urban	73.3 %	72.8 %	(0.7) %	\$179.95	\$181.75	1.0 %	\$131.88	\$132.23	0.3 %	3.2 %	2.4 %
Suburban	67.1	66.9	(0.3)	110.68	111.50	0.7	74.21	74.55	0.5	2.2	1.9
Airport	74.9	74.9	0.0	119.71	120.84	0.9	89.69	90.57	1.0	2.3	2.4
Interstate	56.5	57.1	1.0	85.50	86.65	1.3	48.33	49.49	2.4	1.8	2.8
Resort	71.6	71.6	0.0	185.30	188.85	1.9	132.70	135.20	1.9	1.4	1.4
Small Town	55.7	56.4	1.2	100.42	102.02	1.6	55.95	57.54	2.8	1.0	2.3
Chain Scale											
Luxury	75.6 %	74.0 %	(2.2) %	\$337.67	\$345.70	2.4 %	\$255.43	\$255.78	0.1 %	1.7 %	(0.5) %
Upper-Upscale	75.3	74.4	(1.1)	188.03	191.62	1.9	141.50	142.64	0.8	1.9	0.8
Upscale	73.7	72.8	(1.2)	142.26	143.37	0.8	104.82	104.37	(0.4)	4.7	3.5
Upper-Midscale	67.9	67.5	(0.6)	112.22	113.03	0.7	76.16	76.25	0.1	3.5	2.9
Midscale	57.9	57.7	(0.3)	86.00	85.85	(0.2)	49.82	49.58	(0.5)	2.4	2.1
Economy	57.6	58.5	1.6	62.89	63.02	0.2	36.20	36.85	1.8	(1.7)	(0.1)
Independents	62.2	63.0	1.3	128.64	130.46	1.4	80.04	82.18	2.7	1.4	2.7

Source: STR - June 2019 Lodging Review

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

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

Source: STR - December 2018 Lodging Review

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

In 2015, demand growth continued to outpace supply growth, a relationship that has been in place since 2010. With a 2.9% increase in room nights, the nation's occupancy level reached a record high of 65.4% in 2015. Supply growth intensified modestly in 2015 (at 1.1%), following annual supply growth levels of 0.7% and 0.9% in 2013 and 2014, respectively. Average rate posted another strong year of growth, at 4.7% in 2015, in pace with the annual growth of the last four years. Robust job growth, heightened group and leisure travel, and waning price-sensitivity all contributed to the gains. In 2016, occupancy showed virtually no change, as demand growth kept pace with supply additions. Occupancy then moved even higher in 2017 and 2018, to new highs of 65.9% and 66.2%, respectively. Average rate increased 2.1% and 2.4% in 2017 and 2018, respectively. By year-end 2018, the net change in RevPAR was 2.9%, reflecting a healthy lodging market overall. Year-to-date statistics through June 2019 reflect essentially no change in occupancy, while average rate increased by just over \$1.00, resulting in a 1.2% upward change in RevPAR.

Historical Supply and Demand Data

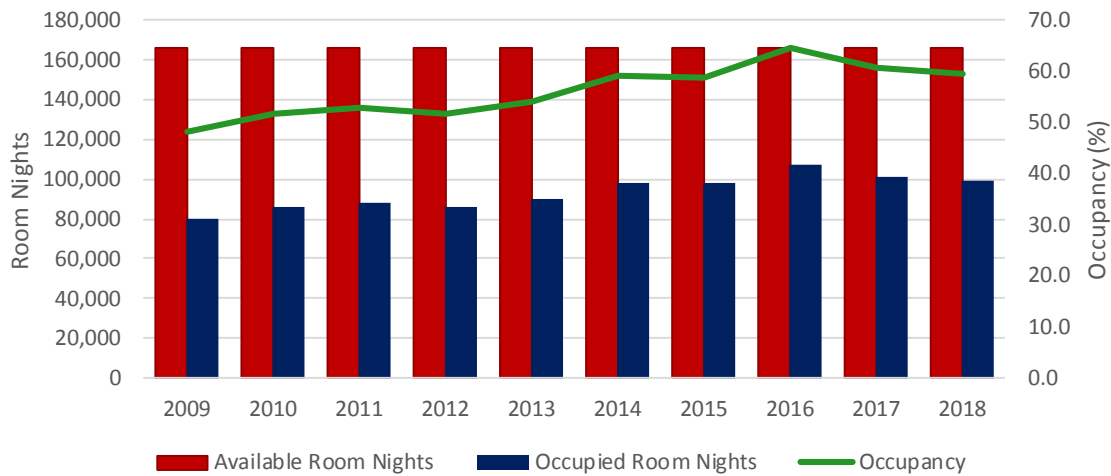
As noted previously, STR is an independent research firm that compiles and publishes data on the lodging industry, routinely used by typical hotel buyers. HVS has ordered and analyzed an STR Trend Report of historical supply and demand data for a group of hotels considered applicable to this analysis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

FIGURE 4-4 HISTORICAL SUPPLY AND DEMAND TRENDS

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2009	456	166,440	—	80,326	—	48.3 %	\$82.20	—	\$39.67	—
2010	456	166,440	0.0 %	86,257	7.4 %	51.8	85.32	3.8 %	44.22	11.5 %
2011	456	166,440	0.0	87,899	1.9	52.8	85.65	0.4	45.23	2.3
2012	456	166,440	0.0	86,028	(2.1)	51.7	87.90	2.6	45.43	0.4
2013	456	166,440	0.0	89,745	4.3	53.9	90.38	2.8	48.73	7.3
2014	456	166,440	0.0	98,102	9.3	58.9	92.66	2.5	54.62	12.1
2015	456	166,440	0.0	97,674	(0.4)	58.7	96.01	3.6	56.34	3.2
2016	456	166,440	0.0	107,262	9.8	64.4	100.75	4.9	64.93	15.2
2017	456	166,440	0.0	100,968	(5.9)	60.7	104.41	3.6	63.34	(2.5)
2018	455	165,950	(0.3)	98,968	(2.0)	59.6	104.69	0.3	62.44	(1.4)
Year-to-Date Through June										
2018	455	82,414	—	44,294	—	53.7 %	\$101.43	—	\$54.51	—
2019	454	82,174	(0.3) %	46,299	4.5 %	56.3	98.75	(2.6) %	55.64	2.1 %
Average Annual Compounded Change:										
2009 - 2012			0.0 %			2.3 %			2.3 %	4.6 %
2012 - 2018			(0.0)			2.4			3.0	5.4
Hotels Included in Sample										
			Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened			
Best Western Mountain Lodge @ Banner Elk			Midscale Class	Primary	100	Aug 2004	Apr 1974			
Super 8 Marion			Economy Class	Primary	58	May 1998	Jun 1985			
Holiday Inn Express Blowing Rock South			Upper Midscale Class	Primary	118	Apr 2010	Jul 1988			
Comfort Inn Marion			Upper Midscale Class	Primary	56	Jul 1996	Jul 1996			
Comfort Inn North Of Asheville Mars Hill			Upper Midscale Class	Primary	56	Apr 1997	Apr 1997			
Hampton Inn Marion			Upper Midscale Class	Primary	66	Sep 1999	Sep 1999			
					Total	454				

Source: STR

FIGURE 4-5 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)



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

The STR data for the competitive set reflect a market-wide occupancy level of 2018 in 59.6%, which compares to 60.7% for 2017. The STR data for the competitive set reflect a market-wide ADR level of \$104.69 in 2018, which compares to \$104.41 for 2017. These occupancy and ADR trends resulted in a RevPAR level of \$62.44 in 2018.

The year 2009 marked a low point for the U.S. lodging industry, when most markets realized the full impact of the declines in business and leisure travel that characterized the Great Recession. Most markets began to recover in 2010, initially recording occupancy increases, followed by strengthening trends in ADR growth. However, the STR data for the competitive set of hotels varied slightly from the national trend given the hotels' more rural locations and dependence on leisure travel. Occupancy fluctuated from 2010 through 2013 as local economic challenges continued given these areas' smaller population bases and fewer employers; furthermore, muted discretionary spending had a more protracted effect on these markets that depend on leisure travel. More significant occupancy growth was not

noted until 2014. In 2016, Hurricane Matthew contributed to a more significant increase in occupancy as residents of eastern North Carolina fled west to avoid the storms. Hotels continued to benefit for several months from an influx of hurricane damage-related workers; this demand normalized in 2017, with occupancy levels returning to typical levels. Occupancy decreased slightly in 2018, largely as a result of more significant declines in February and April. Average rates have generally increased every year, near or just above the rate of inflation. RevPAR reached its high point in the summer of 2018.

It is also important to consider the impact of the increased popularity of Asheville as a tourist destination in recent years. Numerous new hotels across different product tiers have opened in Asheville in the last few years, and several are still being built. While the city offers more lodging options now, the hotels typically operate at a higher rate than those outside of the area. As such, some tourists may choose to stay at more reasonably priced accommodations in other markets. The popularity of Asheville has also shone a light on the desirability of the greater region; the suburban areas of the competitive set can offer a more affordable weekend getaway when compared with the more expensive hotels in Asheville.

Year-to-date 2019 data through June illustrate a strengthening in occupancy but a roughly \$3 loss in average rate (ADR). The entrance of new, high-rated supply in the greater region, the overall strong economy, and improving tourism have contributed to the latest trend. The near-term outlook is cautiously optimistic.

Seasonality

Monthly occupancy and ADR trends are presented in the following tables.

FIGURE 4-6 MONTHLY OCCUPANCY TRENDS

Month	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
January	38.5 %	42.3 %	37.5 %	38.8 %	40.2 %	47.6 %	48.8 %	51.1 %	47.8 %	50.4 %	49.4 %
February	41.9	47.7	41.7	45.5	46.7	54.1	55.3	53.5	53.6	47.6	51.3
March	37.8	50.5	39.4	45.2	44.6	50.3	46.2	52.0	49.9	50.1	50.9
April	36.2	42.5	46.1	43.5	43.8	48.4	50.3	58.3	54.6	46.6	56.2
May	52.2	41.9	50.7	52.0	48.9	53.6	56.0	62.5	61.5	56.7	63.2
June	58.3	59.5	64.9	65.4	62.9	69.0	71.5	73.6	68.4	70.9	66.9
July	63.9	73.4	71.5	66.0	72.2	78.3	81.1	82.2	75.2	76.7	—
August	55.9	60.9	65.9	63.5	66.6	72.1	70.7	72.6	69.4	72.4	—
September	52.3	56.4	59.7	54.8	55.7	56.7	60.2	67.3	64.6	63.3	—
October	60.7	66.2	70.1	65.9	73.4	75.6	70.0	82.0	74.3	73.1	—
November	41.2	36.0	43.4	39.0	46.2	48.9	50.7	63.2	53.5	51.9	—
December	39.5	43.9	41.9	39.9	45.0	52.0	43.1	54.2	54.5	54.8	—
Annual Occupancy	48.3 %	51.8 %	52.8 %	51.7 %	53.9 %	58.9 %	58.7 %	64.4 %	60.7 %	59.6 %	—
Year-to-Date	44.2 %	47.3 %	46.7 %	48.4 %	47.8 %	53.8 %	54.6 %	58.5 %	55.9 %	53.7 %	56.3 %

Source: STR

FIGURE 4-7 MONTHLY ADR TRENDS

Month	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
January	\$84.65	\$85.87	\$91.36	\$81.43	\$83.72	\$88.47	\$92.29	\$89.73	\$94.46	\$99.85	\$98.35
February	81.63	88.26	84.13	83.86	84.50	87.25	89.76	94.46	100.33	100.75	100.00
March	76.95	81.05	78.91	79.30	83.66	83.25	87.39	88.84	92.66	99.16	94.10
April	71.89	75.56	76.69	77.66	79.43	83.30	89.95	93.05	98.71	97.57	94.02
May	80.21	80.17	80.89	85.14	86.96	92.45	96.58	97.19	100.40	103.11	102.09
June	81.83	83.39	84.63	89.43	90.61	92.34	95.49	98.31	103.57	105.85	102.50
July	86.16	88.91	91.58	94.14	96.41	97.25	100.28	108.11	110.35	105.77	—
August	85.20	87.56	88.54	92.88	96.25	96.80	99.92	104.04	106.58	106.77	—
September	81.32	81.44	85.01	90.15	92.08	90.11	96.25	106.35	107.65	107.99	—
October	88.73	95.68	93.60	99.67	103.61	106.43	115.33	118.55	117.28	116.13	—
November	75.58	77.56	79.19	81.13	83.87	89.65	88.40	95.52	102.15	100.38	—
December	84.87	89.66	84.39	85.73	86.69	92.50	86.15	100.19	108.49	104.20	—
Annual Average Rate	\$82.20	\$85.32	\$85.65	\$87.90	\$90.38	\$92.66	\$96.01	\$100.75	\$104.41	\$104.69	—
Year-to-Date	\$79.83	\$82.45	\$82.67	\$83.36	\$85.25	\$88.18	\$92.28	\$93.97	\$98.71	\$101.43	\$98.75

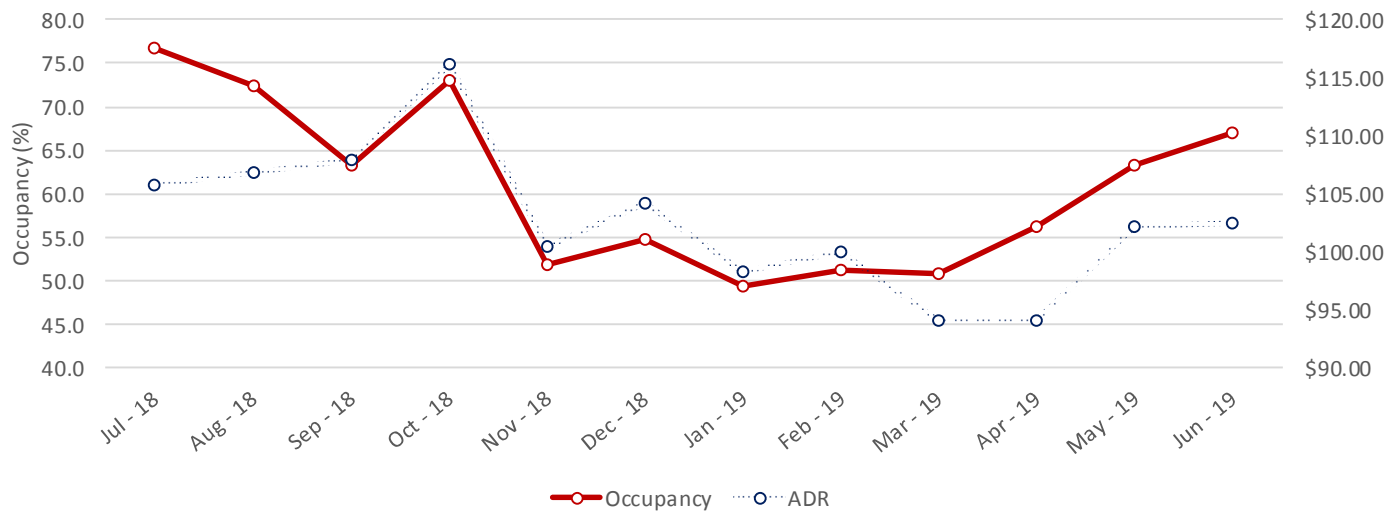
Source: STR

FIGURE 4-8 SEASONALITY

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
High Season - June, July, August, October										
Occupancy	59.7 %	65.0 %	68.1 %	65.2 %	68.8 %	73.8 %	73.4 %	77.6 %	71.8 %	73.3 %
Average Rate	\$85.56	\$89.10	\$89.75	\$94.09	\$97.01	\$98.39	\$102.68	\$107.66	\$109.66	\$108.64
RevPAR	51.08	57.95	61.15	61.34	66.77	72.59	75.31	83.59	78.79	79.62
Shoulder Season - May, September										
Occupancy	52.2 %	49.0 %	55.1 %	53.4 %	52.2 %	55.1 %	58.0 %	64.8 %	63.0 %	60.0 %
Average Rate	\$80.76	\$80.89	\$83.08	\$87.67	\$89.64	\$91.27	\$96.41	\$101.86	\$104.05	\$105.64
RevPAR	42.17	39.66	45.80	46.78	46.83	50.31	55.96	66.06	65.59	63.34
Low Season - January, February, March, April, November, December										
Occupancy	39.2 %	43.8 %	41.6 %	41.9 %	44.4 %	50.1 %	48.9 %	55.3 %	52.3 %	50.3 %
Average Rate	\$79.37	\$83.18	\$82.23	\$81.45	\$83.68	\$87.45	\$89.06	\$93.72	\$99.64	\$100.41
RevPAR	31.08	36.42	34.22	34.17	37.12	43.85	43.58	51.87	52.08	50.49

Source: Smith Travel Research

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



The illustrated monthly occupancy and ADR patterns reflect important seasonal characteristics. We have reviewed these trends in developing our forthcoming forecast of market-wide demand and average rate. Because of the region's popularity as a tourist destination, demand peaks during the summer months, specifically from June through August. October is the most popular month, as visitors flock to the region to view the fall foliage in the mountains. Average rates peak during these months as well, with ADR typically highest in October. Demand is strong throughout the week during these months. May and September tend to be relatively strong shoulder months in terms of occupancy and ADR, with demand the highest on weekends. Despite typically mild winters in this region, November through April are slower months with little weekday demand, but occupancy and ADR levels in these months have increased in recent years. During these low times, visitors come to the greater area for live Christmas tree shopping at local farms and skiing at area resorts, as well as seasonal events such as Christmas at Biltmore and activities at the Omni Grove Park Inn in Asheville. Weekend demand related to tourism is highest during these times.

Patterns of Demand

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

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

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jul - 18	55.8 %	74.0 %	76.3 %	80.3 %	83.2 %	88.5 %	85.1 %	76.7 %
Aug - 18	48.3	71.4	74.5	72.6	70.5	80.6	87.4	72.4
Sep - 18	49.1	47.6	63.3	63.9	66.2	75.4	77.5	63.3
Oct - 18	55.0	70.5	69.4	68.7	72.0	85.7	93.1	73.1
Nov - 18	35.0	41.7	44.5	46.9	50.0	64.9	77.8	51.9
Dec - 18	49.5	52.5	49.8	54.9	51.4	61.2	63.7	54.8
Jan - 19	40.7	43.1	49.2	50.5	46.7	53.6	62.1	49.4
Feb - 19	41.2	52.6	49.8	46.7	42.6	59.8	66.2	51.3
Mar - 19	31.5	50.0	52.6	53.8	49.9	60.1	59.0	50.9
Apr - 19	37.0	56.9	59.6	62.5	55.0	62.3	59.2	56.2
May - 19	49.9	59.5	66.1	62.7	60.2	69.4	74.1	63.2
Jun - 19	47.3	61.8	64.3	70.4	72.6	75.6	78.6	66.9
Average	45.2 %	57.3 %	60.2 %	61.4 %	59.8 %	69.7 %	73.3 %	60.9 %

Source: STR

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

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jul - 18	\$90.78	\$91.31	\$91.44	\$93.07	\$95.31	\$136.58	\$139.97	\$105.77
Aug - 18	89.46	91.18	92.01	93.86	95.61	131.26	138.12	106.77
Sep - 18	93.25	93.69	94.18	92.63	95.41	127.92	136.57	107.99
Oct - 18	97.93	97.89	96.66	98.86	99.87	152.60	157.25	116.13
Nov - 18	84.84	89.33	89.44	91.51	91.80	114.05	117.57	100.38
Dec - 18	99.61	95.58	93.03	98.92	104.98	115.04	116.67	104.20
Jan - 19	90.51	88.83	92.31	93.23	93.55	110.14	115.60	98.35
Feb - 19	89.53	85.51	90.89	90.34	91.50	118.37	120.59	100.00
Mar - 19	84.42	86.90	88.18	89.50	88.36	104.05	105.48	94.10
Apr - 19	83.70	88.03	89.67	88.32	85.19	109.97	110.56	94.02
May - 19	90.98	90.03	91.61	89.52	89.64	123.92	129.02	102.09
Jun - 19	88.70	88.10	94.41	88.36	88.48	128.71	125.49	102.50
Average	\$91.00	\$90.96	\$92.19	\$92.53	\$93.44	\$124.14	\$127.60	\$103.40

Source: STR

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

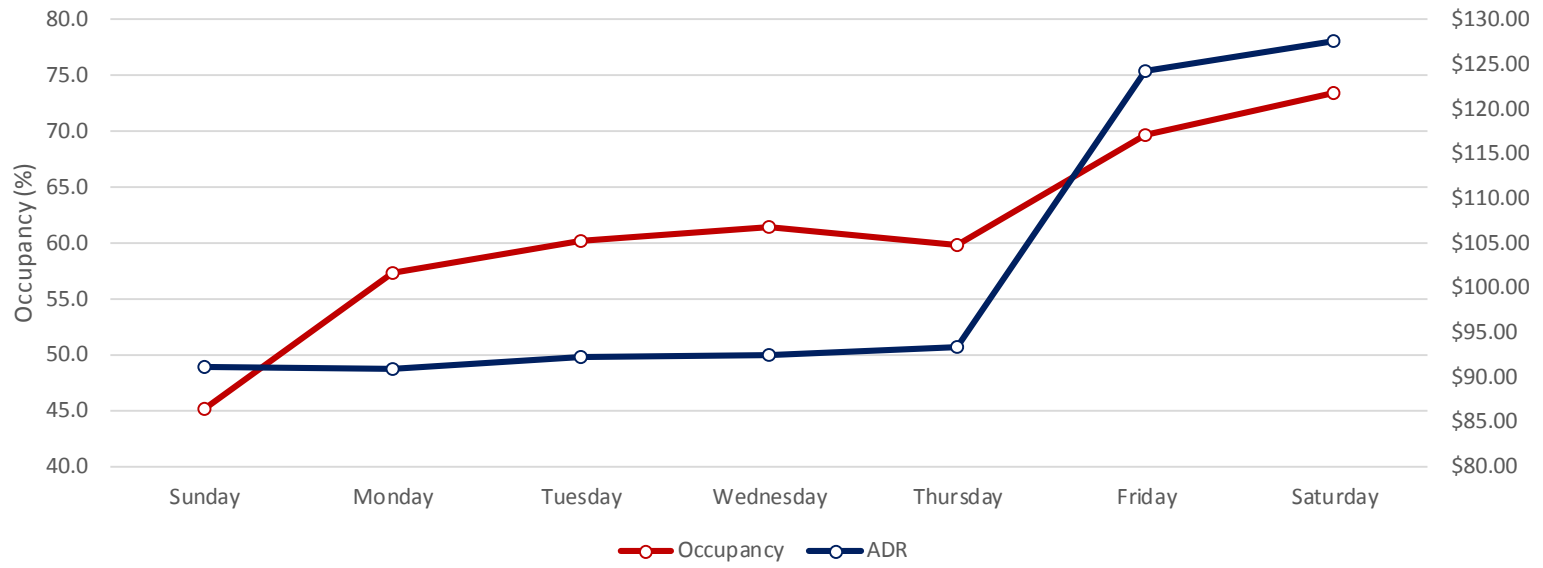


FIGURE 4-13 OCCUPANCY, AVERAGE RATE, AND REVPAR BY DAY OF WEEK (MULTIPLE YEARS)

Occupancy (%)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jul 16 - Jun 17	44.3 %	57.9 %	63.3 %	64.1 %	65.5 %	72.2 %	74.8 %	63.2 %
Jul 17 - Jun 18	44.1	54.3	58.2	59.5	60.0	69.5	71.3	59.6
Jul 18 - Jun 19	45.2	57.3	60.2	61.4	59.8	69.7	73.3	60.9
Change (Occupancy Points)								
FY 17 - FY 18	(0.2)	(3.7)	(5.1)	(4.6)	(5.5)	(2.7)	(3.5)	(3.6)
FY 18 - FY 19	1.1	3.0	2.0	1.9	(0.2)	0.2	2.0	1.4
ADR (\$)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jul 16 - Jun 17	\$91.30	\$90.59	\$91.28	\$91.50	\$91.55	\$124.13	\$128.37	\$102.97
Jul 17 - Jun 18	94.02	93.67	95.07	95.73	95.29	125.86	127.96	105.73
Jul 18 - Jun 19	91.00	90.96	92.19	92.53	93.44	124.14	127.60	103.40
Change (Dollars)								
FY 17 - FY 18	\$2.73	\$3.08	\$3.79	\$4.23	\$3.73	\$1.73	(\$0.41)	\$2.76
FY 18 - FY 19	(3.02)	(2.70)	(2.88)	(3.20)	(1.84)	(1.72)	(0.36)	(2.34)
Change (Percent)								
FY 17 - FY 18	3.0 %	3.4 %	4.2 %	4.6 %	4.1 %	1.4 %	(0.3) %	2.7 %
FY 18 - FY 19	(3.2)	(2.9)	(3.0)	(3.3)	(1.9)	(1.4)	(0.3)	(2.2)
RevPAR (\$)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jul 16 - Jun 17	\$40.45	\$52.47	\$57.75	\$58.64	\$59.97	\$89.60	\$96.01	\$65.05
Jul 17 - Jun 18	41.45	50.82	55.34	56.95	57.19	87.43	91.26	63.00
Jul 18 - Jun 19	41.10	52.13	55.51	56.78	55.86	86.50	93.58	63.00
Change (Dollars)								
FY 17 - FY 18	\$1.00	(\$1.64)	(\$2.41)	(\$1.69)	(\$2.78)	(\$2.17)	(\$4.76)	(\$2.05)
FY 18 - FY 19	(0.35)	1.31	0.17	(0.17)	(1.33)	(0.93)	2.32	0.01
Change (Percent)								
FY 17 - FY 18	2.5 %	(3.1) %	(4.2) %	(2.9) %	(4.6) %	(2.4) %	(5.0) %	(3.2) %
FY 18 - FY 19	(0.8)	2.6	0.3	(0.3)	(2.3)	(1.1)	2.5	0.0

Source: STR

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

SUPPLY

Based on an evaluation of the occupancy, rate structure, market orientation, chain affiliation, location, facilities, amenities, reputation, and quality of each area hotel, as well as the comments of local representatives, we have identified several properties that are expected to be primarily competitive with the proposed subject hotel. Additional hotels were evaluated as to whether they would be considered secondarily competitive or not; although the facilities, rate structures, or market orientations of these hotels may prevent their inclusion among the primary competitive supply, sometimes they may compete with the proposed accommodations to some extent.

Primary Competitors

The following table summarizes the important operating characteristics of the future primary competitors. These hotels are considered primarily competitive given their locations and product offerings. Through the course of our interviews, these hotels were consistently identified as being the most likely to house the unaccommodated demand for overnight accommodations within Mitchell County. Visitors would either travel east/west between Mars Hill and Spruce Pine or they would travel “down the mountain” to stay in Marion. Some visitors, especially leisure travelers, may also stay to the east in Blowing Rock or Banner Elk. This information was compiled from personal interviews, inspections, online resources, and our in-house database of operating and hotel facility data.

FIGURE 4-14 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Est. Segmentation				Estimated 2017				Estimated 2018					
	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
Best Western Mountain Lodge Banner Elk	100	65 %	20 %	15 %	100	45 - 50 %	\$110 - \$115	\$50 - \$55	100	45 - 50 %	\$110 - \$115	\$50 - \$55	75 - 80 %	80 - 85 %
Holiday Inn Express Blowing Rock	118	65	20	15	118	45 - 50	100 - 105	45 - 50	118	45 - 50	100 - 105	45 - 50	80 - 85	75 - 80
Comfort Inn Mars Hill	56	70	25	5	56	65 - 70	95 - 100	60 - 65	56	65 - 70	95 - 100	60 - 65	110 - 120	100 - 110
Hampton Inn Marion	66	60	30	10	66	85 - 90	115 - 120	105 - 110	66	80 - 85	120 - 125	100 - 105	140 - 150	160 - 170
Comfort Inn Marion	56	65	30	5	56	65 - 70	100 - 105	70 - 75	56	65 - 70	100 - 105	70 - 75	110 - 120	110 - 120
Super 8 by Wyndham Marion	58	70	25	5	60	55 - 60	85 - 90	50 - 55	58	55 - 60	85 - 90	50 - 55	95 - 100	80 - 85
Totals/Averages	454	65 %	25 %	10 %	456	60.8 %	\$104.39	\$63.45	454	59.7 %	\$104.63	\$62	\$100 %	100.0 %

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

The following map illustrates the locations of the proposed subject market and the proposed hotel's future competitors.

MAP OF COMPETITION



-  Proposed Hotel Mitchell County
-  Best Western Mountain Lodge Banner Elk (Primary)
-  Holiday Inn Express Blowing Rock (Primary)
-  Comfort Inn Mars Hill (Primary)
-  Hampton Inn Marion (Primary)
-  Comfort Inn Marion (Primary)
-  Super 8 by Wyndham Marion (Primary)

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

PRIMARY COMPETITOR #1 - BEST WESTERN MOUNTAIN LODGE BANNER ELK



**Best Western
Mountain Lodge
Banner Elk
1615 Tynecastle
Highway
Banner Elk, NC**

FIGURE 4-15 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual			RevPAR	Occupancy	Yield
	Room Count	Occupancy	Average Rate		Penetration	Penetration
Est. 2016	100	50 - 55 %	\$100 - \$105	\$50 - \$55	75 - 80 %	80 - 85 %
Est. 2017	100	45 - 50	110 - 115	50 - 55	75 - 80	80 - 85
Est. 2018	100	45 - 50	110 - 115	50 - 55	75 - 80	80 - 85

This hotel benefits from its offering of an onsite full-service bar and restaurant. It also offers more meeting space than typical for a hotel of its size and is a popular venue for regional meetings and social events. It is the only branded hotel in Banner Elk and Avery County, and enjoys a location between Beech Mountain Ski Resort and Sugar Mountain Resort. Overall, the property appeared to be in good condition.

PRIMARY COMPETITOR #2 - HOLIDAY INN EXPRESS BLOWING ROCK



**Holiday Inn Express
Blowing Rock
8412 Valley Boulevard
Blowing Rock, NC**

FIGURE 4-16 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2016	118	55 - 60 %	\$100 - \$105	\$60 - \$65	90 - 95 %	90 - 95 %
Est. 2017	118	45 - 50	100 - 105	45 - 50	75 - 80	75 - 80
Est. 2018	118	45 - 50	100 - 105	45 - 50	80 - 85	75 - 80

This hotel benefits from its offering of guestroom suites and an indoor pool. However, it is somewhat disadvantaged by its location situated north of the city; travelers on Interstate 40 must drive north approximately ten minutes to access the hotel, giving the interstate-adjacent hotels a competitive advantage. Overall, the property appeared to be in good condition.

PRIMARY COMPETITOR #3 - COMFORT INN MARS HILL



Comfort Inn Mars Hill
167 J F Robinson Lane
Mars Hill, NC

FIGURE 4-17 ESTIMATED HISTORICAL OPERATING STATISTICS

<u>Year</u>	<u>Wtd. Annual Room Count</u>	<u>Occupancy</u>	<u>Average Rate</u>	<u>RevPAR</u>	<u>Occupancy Penetration</u>	<u>Yield Penetration</u>
Est. 2016	56	60 - 65 %	\$90 - \$95	\$60 - \$65	100 - 110 %	90 - 95 %
Est. 2017	56	65 - 70	95 - 100	60 - 65	110 - 120	100 - 110
Est. 2018	56	65 - 70	95 - 100	60 - 65	110 - 120	100 - 110

This hotel is the only branded property in Madison County. It benefits from its accessibility and visibility from Interstate 26, as well as its location near Mars Hill University. Overall, the property appeared to be in good condition.

PRIMARY COMPETITOR #4 - HAMPTON INN MARION



Hampton Inn Marion
3560 U.S. Highway 221
South
Marion, NC

FIGURE 4-18 ESTIMATED HISTORICAL OPERATING STATISTICS

<u>Year</u>	<u>Wtd. Annual Room Count</u>	<u>Occupancy</u>	<u>Average Rate</u>	<u>RevPAR</u>	<u>Occupancy Penetration</u>	<u>Yield Penetration</u>
Est. 2016	66	85 - 90 %	\$110 - \$115	\$95 - \$100	130 - 140 %	150 - 160 %
Est. 2017	66	85 - 90	115 - 120	105 - 110	140 - 150	160 - 170
Est. 2018	66	80 - 85	120 - 125	100 - 105	140 - 150	160 - 170

This hotel benefits from its popular brand affiliation. It is one of only four nationally-branded hotels in Marion. The Hampton Inn benefits from its location near the intersection of Interstate 40 and U.S. Highway 221 and is the only interior-corridor hotel along the interstate in this corridor. Overall, the property appeared to be in good condition.

PRIMARY COMPETITOR #5 - COMFORT INN MARION



Comfort Inn Marion
178 U.S. Highway 70
West, 221 Bypass &
Highway 70
Marion, NC

FIGURE 4-19 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual			RevPAR	Occupancy	Yield
	Room Count	Occupancy	Average Rate		Penetration	Penetration
Est. 2016	56	65 - 70 %	\$95 - \$100	\$65 - \$70	100 - 110 %	100 - 110 %
Est. 2017	56	65 - 70	100 - 105	70 - 75	110 - 120	110 - 120
Est. 2018	56	65 - 70	100 - 105	70 - 75	110 - 120	110 - 120

This hotel benefits from its popular brand affiliation and its offering of an indoor pool. It is the only franchised hotel in the city, but competes with several high-end hotels and resorts, as well as the hotels in nearby Boone. Blowing Rock offers a variety of popular attractions, including Tweetsie Railroad, The Blowing Rock, and Mystery Hill. Nearby are the Appalachian Ski Mountain and the Moses H. Cone Memorial Park with the Cone Manor, home to the Southern Highland Craft Guild, along the Blue Ridge Parkway. Overall, the property appeared to be in good condition.

PRIMARY COMPETITOR #6 - SUPER 8 BY WYNDHAM MARION



**Super 8 by Wyndham
Marion
4281 U.S. Highway 221
Marion, NC**

FIGURE 4-20 ESTIMATED HISTORICAL OPERATING STATISTICS

<u>Year</u>	<u>Wtd. Annual Room Count</u>	<u>Occupancy</u>	<u>Average Rate</u>	<u>RevPAR</u>	<u>Occupancy Penetration</u>	<u>Yield Penetration</u>
Est. 2016	60	60 - 65 %	\$85 - \$90	\$50 - \$55	95 - 100 %	80 - 85 %
Est. 2017	60	55 - 60	85 - 90	50 - 55	90 - 95	80 - 85
Est. 2018	58	55 - 60	85 - 90	50 - 55	95 - 100	80 - 85

This hotel benefits from its accessibility and visibility from Interstate 40. However, it is an older, exterior-corridor property, which limits its pricing power. Overall, the property appeared to be in good condition.

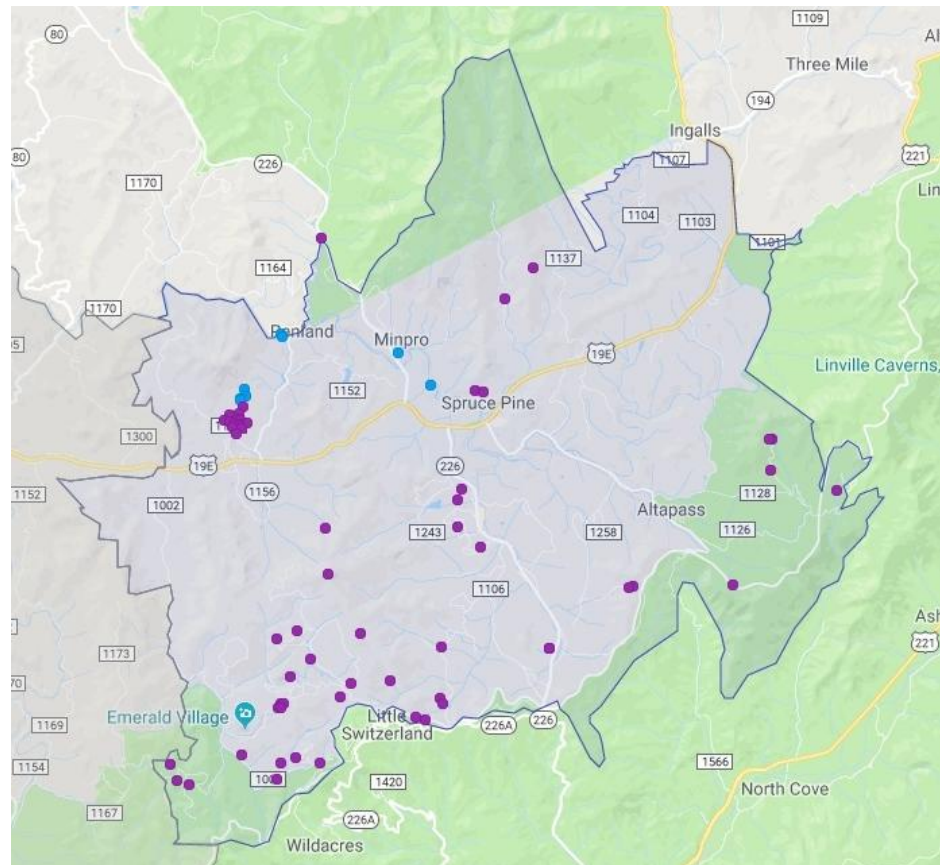
Secondary Competitors

Given the nature of the existing hotels in and around Mitchell County, we have not considered any secondary competitors in our analysis. Within Mitchell County, the only lodging accommodations are the Spruce Pine Inn, the Pine Valley Motel, the Lemon Tree Inn, and the Richmond Inn Bed & Breakfast. The first three hotels are older, exterior-corridor properties, appealing to more budget-oriented travelers. The bed and breakfast appeals to couples and tourists, as well as business travelers seeking more upscale accommodations; it operates at a higher price point, and while it is the highest quality lodging in the county, it is not considered a competitor in our analysis. Springmaid Mountain is popular with families, featuring cabin accommodations and horse stables; given the unique nature of the property, it has a limited focus and was not considered in our analysis. The other properties around Spruce Pine are mostly older and exterior-corridor in nature. Several independent lodging options are situated in Little Switzerland, just south of the Mitchell County border in McDowell County. The Switzerland Inn is the most popular of these, offering upscale interior-corridor accommodations, a restaurant, and meeting facilities. The property was not considered secondarily competitive in our analysis as it operates seasonally and is popular with loyal, repeat clientele seeking this type of unique and independent accommodation; it is also popular with social groups, classic car clubs, and motorcycle clubs traveling the Blue Ridge Parkway.

Short-Term Vacation Rentals

Numerous short-term vacation rentals are also available across the region. According to AirDNA, there are currently 66 rentals available in the Spruce Pine designated market area, most of them offering one or two bedrooms. More than a quarter of the homes are former bunkhouses situated on a 300-acre family farm that previously operated as a summer camp. Several rentals are also situated near U.S. Highway 19E and State Road 226. Otherwise, most of the rentals are mountain cabins and homes located in the southwest corner of the county near Little Switzerland. Outside of the designated Spruce Pine market, there are several rentals near the city of Penland, which are popular with the students at the Penland School of Craft. While these short-term rentals are currently meeting some of the lodging needs within the region, it is difficult to consider them competitive in the context of traditional hotel lodging. As such, they are not explicitly considered competitors in our analysis.

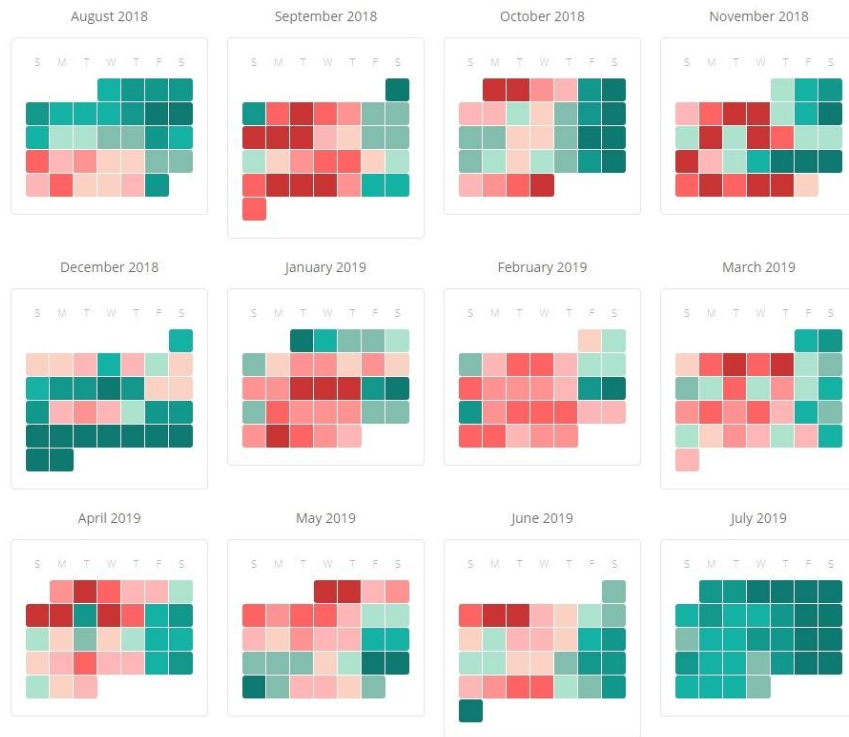
MAP OF SPRUCE PINE AIRDNA MARKET AREA



While these accommodations are not considered explicitly in our analysis, it is interesting to consider their performance in the context of the study. In the map above, the blue icons represent shared rooms for rent, while the purple icons represent entire homes. The average rental size is 2.2 bedrooms and 6 guests.

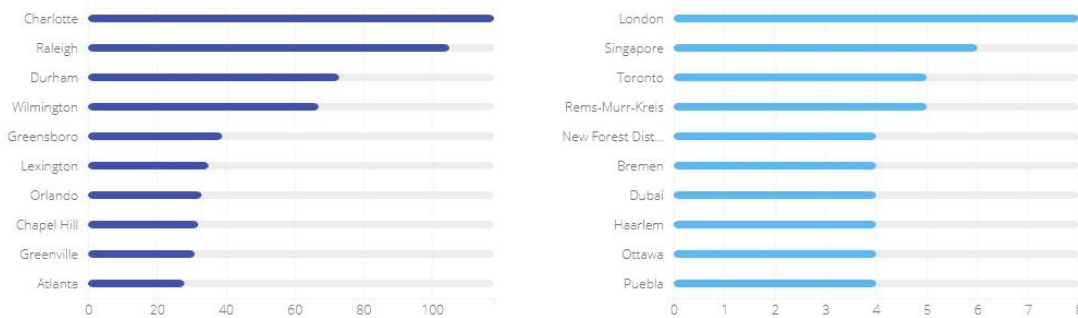
The short-term vacation rentals realize a generally similar RevPAR seasonality pattern as the traditional hotels do. Weekends remain relatively high throughout the year, with RevPAR peaking from late June through early August (as reflected by the darker blue green color). For these rentals, the highest RevPARs of the year are realized the week of Christmas, which differs from traditional accommodations.

SEASONAL REVPAR LEVELS PER AIRDNA



For a small rural market, it is interesting to note that per the last available month’s data, 12% of the guests originated from international cities. Over the past year, most domestic guests originated from Charlotte and Raleigh in North Carolina, with guests from as far away as Orlando, Lexington, and Atlanta. London was the origination city for the majority of international guests.

GUEST ORIGINS PER AIRDNA



AirDNA utilizes percentiles to reflect the performance of the various rentals given the wide variety of rental options available. Rentals in the 25th percentile are frequently unoccupied because of low demand or limited availability as a part-time rental. Rentals in the 75th percentile are those that are frequently booked. The very best are in the top 10% or the 90th percentile. The 50th percentile reflects the median for the market, as shown in the occupancy and average rate data in the tables below.

SPRUCE PINE MARKET OCCUPANCY PER AIRDNA



SPRUCE PINE MARKET AVERAGE RATES PER AIRDNA



Supply Changes

It is important to consider any new hotels that may have an impact on the proposed subject hotel’s operating performance. The proposed Pinebridge Hotel is considered secondarily competitive in our analysis. While it will be the only other higher-end hotel in Spruce Pine, it will be a boutique property and will reportedly operate at a high price point. Although it may not compete for leisure travelers who are seeking accommodations at a certain price point, both hotels may appeal to corporate travelers coming to the area for business. We are not aware of any other proposed hotels in these competitive rural markets.

While numerous hotels are also under construction in and proposed for the city of Asheville, we have not considered them explicitly in our analysis. While some visitors to the area end up staying in Asheville given a lack of acceptable accommodations in the immediate area, hotels in the city are not considered true competitors to the more rural hotels in the competitive set, and they have only been considered qualitatively in our analysis of new supply.

We are aware that Yancey County is working to attract a hotel developer to the town of Burnsville, similar to this study for Mitchell County; as this is still in the early stages, we have not considered a future Yancey County hotel in our analysis. However, should a hotel be developed in Yancey County first, it is our opinion that a second new hotel in Mitchell County would likely not be economically viable.

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

Supply Conclusion

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

DEMAND

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

FIGURE 4-21 HISTORICAL MARKET TRENDS

Year	Accommodated		Room Nights		Market			Market	
	Room Nights	% Change	Available	% Change	Occupancy	Market ADR	% Change	RevPAR	% Change
Est. 2016	106,952	—	166,440	—	64.3 %	\$100.72	—	\$64.72	—
Est. 2017	101,171	(5.4) %	166,440	0.0 %	60.8	104.39	3.6 %	63.45	(2.0) %
Est. 2018	98,937	(2.2)	165,710	(0.4)	59.7	104.63	0.2	62.47	(1.5)
Avg. Annual Compounded Chg., Est. 2016-Est. 2018:		(3.8) %		(0.2) %			1.9 %		(1.8) %

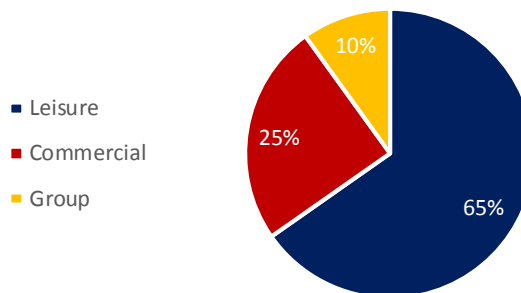
**Demand Analysis
Using Market
Segmentation**

For the purpose of demand analysis, the overall market is divided into individual segments based on the nature of travel. Based on our fieldwork, area analysis, and knowledge of the local lodging market, we estimate the 2018 distribution of accommodated-room-night demand as follows.

FIGURE 4-22 ACCOMMODATED-ROOM-NIGHT DEMAND

Market Segment	Marketwide	
	Accommodated Demand	Percentage of Total
Leisure	64,606	65 %
Commercial	24,510	25
Group	9,821	10
Total	98,937	100 %

FIGURE 4-23 MARKET-WIDE ACCOMMODATED-ROOM-NIGHT DEMAND



The market's demand mix comprises leisure demand, with this segment representing roughly 65% of the accommodated room nights in this Spruce Pine submarket. The commercial segment comprises 25% of the total, with the final portion group in nature, reflecting 10%.

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

Leisure Segment

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

Leisure demand is primarily generated by tourists traveling to the mountains of western North Carolina. The Blue Ridge Parkway brings travelers by car, while the Appalachian Trail and other trail systems bring hikers by foot. Roan Mountain also features a variety of trails, as well as the world's largest natural rhododendron gardens. The North Toe River is a popular attraction, offering stretches of lazy river for tubers and rapids for the more adventurous. Mitchell County in particular is noted for its arts community and the Penland School of Craft. Local festivals drive demand to the county on certain weekends throughout the year. Most of these festivals currently span over a Friday and Saturday, with most visitors coming to the area for a single day rather than spending the night and attending for two days. The continued popularity of the region should help drive strong leisure demand through the future.

Currently, many travelers to the area's natural attractions stay at local campgrounds in tents or recreational vehicles, or at short-term rental properties, rather than the local hotels or motels. Many of these travelers prefer these accommodations regardless and would not be attracted to a new branded hotel. However, we believe numerous travelers would prefer these accommodations, even if only at the beginning or end of a longer outdoor adventure. Furthermore, while Penland School

of Craft does attract visitors and students throughout the year, the majority of the students coming for the longer terms prefer to stay in accommodations on the school's campus for convenience to the campus studio space; they also enjoy the camaraderie with other students that this type of lodging encourages. The shorter spring and fall sessions tend to be more novice students or couples, who may prefer to utilize a traditional hotel option; many of these students are currently staying at short-term vacation rentals in the area or traveling from other area hotels each day, but a portion of this demand could likely be captured by the introduction of a new hotel nearby. In addition, the introduction of local hotel supply could help drive more overnight stays for the numerous local festivals, driving additional spending within the market. At a minimum, a new hotel would provide an attractive lodging option for vendors and organizers.

The Blue Ridge Parkway may offer the greatest opportunity for leisure demand growth in the market if a new branded hotel were to be added. The Museum of North Carolina Minerals is an official visitor center for the parkway, staffed by a ranger every day. The center also features a desk staffed daily by a local Mitchell County representative. As noted previously, it is one of only two of the parkway's visitor centers that are open all year. While the Linville Falls visitor's center receives more traffic, there are no traditional hotel accommodations available at that access point; further, there are no traditional, branded hotel accommodations on the BRP between Asheville to the southwest and Blowing Rock to the northeast. It was reported that approximately 50% of the visitors to the museum inquire during their visit about availability of accommodations, gas stations, and restaurants nearby. The rangers cannot specifically recommend a hotel, but they can make travelers aware of the options available nearby. While many visitors may continue on to Asheville, to Blowing Rock, or to other points farther away, it is reasonable to assume that a portion of this demand could be captured in Spruce Pine if a more attractive lodging option were available.

Commercial Segment

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

Commercial demand is generated by the various employers throughout Mitchell County. As noted previously, the mining industry has a big impact on the Mitchell County market. Local manufacturers should continue to generate a modest amount of commercial demand; healthcare, education, and transportation employers should contribute as well. Personnel with city, county, and state government offices will also visit the area throughout the year, requiring accommodations. Outside of the Mitchell County market, hotels in the competitive set benefit from demand from employers such as Altec Industries, Baxter Healthcare, and Auria Solutions. Modest growth within this demand segment should continue through the projection period.

According to executives with Sibelco and Quartz, they bring in visitors throughout the year to their mines. While visitation varies throughout the year, they typically will have anywhere from one to five people traveling inbound each week, staying for three to five days at a time. In 2018, Sibelco had a group of almost ten guests in the area for roughly six months. Quartz brings contractors in during facility shutdowns in December and in early July; anywhere from 15 to 30 visitors will travel to the plant at those times. Employers such as CSX and BRP also generate a modest amount of demand throughout the year. According to BRP executives, they bring in anywhere from four to eight visitors each month, typically staying three days on average. These visitors are currently primarily staying at hotels in Marion.

Group Segment

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

Given the rural location of the competitive hotels, group demand is not a major factor for these properties. Most local employers do not host large corporate trainings or meetings that require hotel accommodations; however, some companies do hold smaller training sessions or board meetings that require small meeting rooms. Social events, such as weddings, and special interest groups represent a portion of this group segment, particularly for the two larger hotels and the Best Western in particular given its larger offering of meeting space. Management could attempt to pursue group business from hobby and travel clubs, but many of these groups require more robust meeting accommodations and/or more outdoor spaces. Going forward, we anticipate moderate growth to occur within the group segment.

Base Demand Growth Rates

The purpose of segmenting the lodging market is to define each major type of demand, identify customer characteristics, and estimate future growth trends. Starting with an analysis of the local area, three segments were defined as

representing the proposed subject hotel’s lodging market. Various types of economic and demographic data were then evaluated to determine their propensity to reflect changes in hotel demand. Based on this procedure, we forecast the following average annual compounded market-segment growth rates.

FIGURE 4-24 AVERAGE ANNUAL COMPOUNDED MARKET-SEGMENT GROWTH RATES

Market Segment	Annual Growth Rate					
	2019	2020	2021	2022	2023	2024
Leisure	4.0 %	2.5 %	2.0 %	2.0 %	1.0 %	0.5 %
Commercial	3.0	2.0	1.5	1.0	0.5	0.5
Group	2.0	1.5	1.0	1.0	0.5	0.5
Base Demand Growth	3.6 %	2.3 %	1.8 %	1.7 %	0.8 %	0.5 %

Latent Demand

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

Unaccommodated Demand

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

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

FIGURE 4-25 OCCUPANCY BY NIGHT OF THE WEEK

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jul - 18	55.8 %	74.0 %	76.3 %	80.3 %	83.2 %	88.5 %	85.1 %	76.7 %
Aug - 18	48.3	71.4	74.5	72.6	70.5	80.6	87.4	72.4
Sep - 18	49.1	47.6	63.3	63.9	66.2	75.4	77.5	63.3
Oct - 18	55.0	70.5	69.4	68.7	72.0	85.7	93.1	73.1
Nov - 18	35.0	41.7	44.5	46.9	50.0	64.9	77.8	51.9
Dec - 18	49.5	52.5	49.8	54.9	51.4	61.2	63.7	54.8
Jan - 19	40.7	43.1	49.2	50.5	46.7	53.6	62.1	49.4
Feb - 19	41.2	52.6	49.8	46.7	42.6	59.8	66.2	51.3
Mar - 19	31.5	50.0	52.6	53.8	49.9	60.1	59.0	50.9
Apr - 19	37.0	56.9	59.6	62.5	55.0	62.3	59.2	56.2
May - 19	49.9	59.5	66.1	62.7	60.2	69.4	74.1	63.2
Jun - 19	47.3	61.8	64.3	70.4	72.6	75.6	78.6	66.9
Average	45.2 %	57.3 %	60.2 %	61.4 %	59.8 %	69.7 %	73.3 %	60.9 %

Source: STR

Our interviews with market participants found that the market comes close to selling out sporadically during the peak months of the year. A portion of this demand, which is currently turned away, should return to the market concurrent with the supply increase. The following table presents our estimate of unaccommodated demand in the subject market.

FIGURE 4-26 UNACCOMMODATED DEMAND ESTIMATE

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand Percentage	Unaccommodated Room Night Demand
Leisure	64,606	1.2 %	772
Commercial	24,510	0.0	0
Group	9,821	0.0	0
Total	98,937	0.8 %	772

Accordingly, we have forecast unaccommodated demand equivalent to 0.8% of the base-year demand, resulting from our analysis of monthly and weekly peak demand and sell-out trends.

Induced Demand

Induced demand represents the additional room nights that are expected to be attracted to the market following the introduction of a new demand generator. Situations that can result in induced demand include the opening of a new manufacturing plant, the expansion of a convention center, or the addition of a new hotel with a distinct chain affiliation or unique facilities. The following table summarizes our estimate of induced demand.

FIGURE 4-27 INDUCED DEMAND CALCULATION

Market Segment	Induced Room Nights					
	2019	2020	2021	2022	2023	2024
Leisure	0	154	904	1,794	1,794	1,794
Commercial	0	33	286	603	603	603
Group	0	33	102	165	165	165
Total	0	220	1,292	2,562	2,562	2,562

Local officials, as well as regional employers and event organizers, reported that visitors to the area are currently being accommodated primarily at hotels situated over 25 miles away from Spruce Pine. While many are being accommodated within the hotels included in our competitive set, others are choosing short-term vacation rentals, and many are going as far as Asheville for lodging. In addition, numerous events throughout the year could likely draw more visitors if there were more attractive accommodations in the area. Furthermore, travelers on the Blue Ridge Parkway may currently bypass the area entirely in favor of branded hotels at a reasonable price point in other markets along the thoroughfare. The introduction of a branded hotel to Mitchell County should induce a portion of its own demand into this market, as visitors would have likely chosen an alternate location if it were not for the availability of this new hotel.

Certain strong national brands (such as those affiliated with Marriott, Hilton, and IHG) typically help to induce new room-night business; we expect this to be true upon the opening of the proposed subject property and new supply considered in our analysis opening mid-year 2020 and mid-year 2021, which should help to induce demand through 2023. This demand may result from brand-loyal travelers attracted away from properties outside of our identified competitive set and/or new leisure demand drawn to the competitive set via brand-related marketing efforts. In general, it has been our observation that most strong national hotel brands drive an annual base level of occupancy points to a brand-affiliated hotel through their central reservation systems, group sales and marketing efforts, and club loyalty programs. In our opinion, this base level is typically 20 to 30 occupancy points. We have used 20% as an estimate of potential induced demand in our forecasts.

**Accommodated
Demand and Market-
wide Occupancy**

Accordingly, we have incorporated 2,562 room nights (rounded) into our analysis, phased in over an appropriate ramp-up period.

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 defined competitive market of hotels should experience modest occupancy growth over the next few years. The continued spotlight on Asheville as a tourist destination should benefit the region, bringing in additional visitors throughout the year, as well as potentially new employers seeking a location that would be attractive to their employees. Based on historical occupancy levels in this market, and taking into consideration typical supply and demand cyclicalities, market occupancy is forecast to stabilize in the high 50s.

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

FIGURE 4-28 FORECAST OF MARKET OCCUPANCY

	2018	2019	2020	2021	2022	2023	2024
Leisure							
Base Demand	64,606	67,190	68,870	70,247	71,652	72,369	72,731
Unaccommodated Demand	772	803	823	840	856	865	869
Induced Demand		0	154	904	1,794	1,794	1,794
Total Demand	65,378	67,993	69,847	71,992	74,302	75,028	75,394
Growth Rate		4.0 %	2.7 %	3.1 %	3.2 %	1.0 %	0.5 %
Commercial							
Base Demand	24,510	25,245	25,750	26,136	26,398	26,530	26,662
Induced Demand		0	33	286	603	603	603
Total Demand	24,510	25,245	25,783	26,422	27,001	27,133	27,266
Growth Rate		3.0 %	2.1 %	2.5 %	2.2 %	0.5 %	0.5 %
Group							
Base Demand	9,821	10,017	10,168	10,269	10,372	10,424	10,476
Induced Demand		0	33	102	165	165	165
Total Demand	9,821	10,017	10,201	10,371	10,537	10,589	10,641
Growth Rate		2.0 %	1.8 %	1.7 %	1.6 %	0.5 %	0.5 %
Totals							
Base Demand	98,937	102,453	104,788	106,653	108,422	109,322	109,869
Unaccommodated Demand	772	803	823	840	856	865	869
Induced Demand		0	220	1,292	2,562	2,562	2,562
Total Demand	99,709	103,256	105,831	108,785	111,841	112,750	113,301
less: Residual Demand	772	803	753	417	0	0	0
Total Accommodated Demand	98,937	102,453	105,078	108,368	111,841	112,750	113,301
Overall Demand Growth		3.6 %	2.6 %	3.1 %	3.2 %	0.8 %	0.5 %
Market Mix							
Leisure	65.3 %	65.8 %	66.0 %	66.2 %	66.4 %	66.5 %	66.5 %
Commercial	24.8	24.4	24.4	24.3	24.1	24.1	24.1
Group	9.9	9.7	9.6	9.5	9.4	9.4	9.4
Existing Hotel Supply	454	454	454	454	454	454	454
Proposed Hotels							
Proposed Subject Property ¹				25	60	60	60
Pinebridge Hotel ²			6	10	10	10	10
Available Room Nights per Year	165,710	165,710	167,893	178,613	191,333	191,333	191,333
Nights per Year	365	365	365	365	365	365	365
Total Supply	454	454	460	489	524	524	524
Rooms Supply Growth	—	0.0 %	1.3 %	6.4 %	7.1 %	0.0 %	0.0 %
Marketwide Occupancy	59.7 %	61.8 %	62.6 %	60.7 %	58.5 %	58.9 %	59.2 %

¹ Opening in August 2021 of the 100% competitive, 60-room Proposed Subject Property

² Opening in June 2020 of the 30% competitive, 34-room Pinebridge Hotel

5. Description of the Proposed Improvements

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

Project Overview

The Proposed Mitchell County Hotel is forecast to be a limited-service lodging facility containing 60 rentable units, opening on August 1, 2021. The purpose of this study is to project the performance of a nationally-branded, limited-service hotel to be situated in Mitchell County. Local officials are desirous of such a hotel, but in order to attract developers to the market, they need to determine if the market can support such a venture. The proposed subject property would be the first nationally branded hotel within an almost 20-mile radius around Spruce Pine, with most nationally branded hotels situated 25 miles away or more.

As noted previously, we have forecast the proposed subject property as an upper-midscale hotel. The following table illustrates the primary franchise affiliations within the midscale and upper-midscale tiers, as designated by Smith Travel Research.

FIGURE 5-1 FRANCHISE AFFILIATIONS

<u>Upper-Midscale</u>	<u>Midscale</u>
Aiden by Best Western	avid
Best Western Plus	Baymont by Wyndham
Clarion	Best Western
Comfort Inn	La Quinta by Wyndham
Comfort Suites	Quality Inn
Country Inn & Suites by Radisson	Ramada by Wyndham
Drury Inn	Red Lion Inn & Suites
Fairfield Inn by Marriott	Sleep Inn
GLō	Tru by Hilton
Hampton by Hilton	Wingate by Wyndham
Holiday Inn Express	
Wyndham Garden	

An affiliation with an upper-midscale brand should allow the hotel to maximize its potential occupancy and average rate capture. These hotels are typically more expensive to build than a midscale property though. Should a midscale property be pursued in order to minimize construction costs, a decrease in average rate, and potentially occupancy as well, would likely be expected. The brands within the upper-midscale category are often picky out the markets they select to place their hotels in. Within the highest rated brands (Fairfield Inn by Marriott, Holiday Inn Express, and Hampton by Hilton), franchise representatives typically select markets with a wide variety of prominent demand generators and/or with superior locations near an interstate. Hampton by Hilton does have more hotels situated in smaller markets than the other two brands.

Summary of the Facilities

The following table summarizes the facilities that we recommend be available at the proposed subject hotel.

FIGURE 5-2 RECOMMENDED HOTEL FACILITIES SUMMARY

Guestroom Configuration	Number of Units (Suggestion, Actual Mix TBD)
King	15
Queen/Queen	39
Suite	6
Total	60
Food & Beverage Facilities	Recommended Seating Capacity
Breakfast Dining Area	18
Indoor Meeting & Banquet Facilities	Recommended Square Footage
Meeting Room	1,000 to 1,500
Suggested Amenities & Services	
Indoor Swimming Pool	Market Pantry
Fitness Room	Guest Laundry Area
Lobby Workstation	Outdoor Patio & Fire Pit
Infrastructure	
Parking Spaces	TBD
Elevators	2 Guest
Life-Safety Systems	Sprinklers, Smoke Detectors
Construction Details	TBD

Site Improvements and Hotel Structure

Once guests enter the site, ample parking should be available on the surface lot around the perimeter of the hotel. Site improvements should include freestanding signage (additional signage will be placed on the exterior of the building). We assume that all signage will adequately identify the property and meet brand standards. Landscaping should allow for a positive guest impression and competitive exterior appearance. Sidewalks are expected to be present along the front entrance and around the perimeter of the hotel. Other site improvements could include an outdoor patio with a fire pit and a grill and a trash area toward the rear of the property. Overall, the site improvements for the property should be adequate.

The hotel structure is assumed to comprise one single building, which will likely be constructed of reinforced concrete. The exterior of the hotel will likely be finished with stucco, featuring stone accents on the ground level and near the main entrance. Two stairways and two elevators should be included in the hotel's design to provide internal vertical transportation within the main structure. The hotel's roof will likely be made of wood trusses, covered with plywood and roof tiles or composition shingles. We assume the design will include double-paned windows to reduce noise transmission into the rooms. Heating and cooling should be provided by through-the-wall units and several large units for the public areas. Overall, the building components are assumed to be normal for a hotel of this type and should meet the standards for this market. We assume that all structural components will meet local building codes and that no significant defaults will occur during construction that would affect the future operating potential of the hotel or delay its assumed opening date.

Public Areas

Guests are presumed to enter the hotel through a single set of automatic doors, which would open to a vestibule, and then through a second set of automatic doors. The lobby should be adequate and appropriate for a limited-service hotel. The lobby walls are likely to be finished with wallcovering, and the floor is anticipated to be finished with carpet and stone tiles. The front desk should feature a stone countertop, installed with appropriate property management and telephone systems. The furnishings and finishes in this space should offer an appropriate first impression, and the design of the space should lend itself to adequate efficiency. We assume that all property management and guestroom technology will be appropriately installed for the effective management of hotel operations.

The hotel's breakfast dining area is presumed to be located opposite the front desk in the lobby. Its size and layout should be appropriate for the hotel. The furnishings of the space are expected to be of a similar style and finish as lobby and guestroom furnishings.

The hotel should offer one meeting room, which should be located on the first floor. A moveable partition wall should enhance the functionality of the room. This meeting space should be adequate and appropriate for a hotel of this type.

The hotel should also offer an indoor swimming pool and a fitness room as recreational facilities. The presence of the indoor pool would allow it to be utilized throughout the year given the often frigid winters. The hotel could also feature an outdoor patio with a fire pit and a grill.

Other amenities should include a lobby workstation, a sundries counter or market pantry located near the front desk, and a guest laundry room on the first level of the hotel building. Ice machines should be located on select guestroom floors. Overall, the supporting facilities should be appropriate for a hotel of this type and are assumed to meet brand standards.

Guestrooms

The hotel should feature standard and suite-style room configurations, with guestrooms present on all levels of the property's single building. The guestrooms should offer typical amenities for this product type. In addition to the standard furnishings, guestrooms should feature an iron and ironing board, a coffeemaker, and high-speed Internet access. Suites are likely to feature a larger living area and additional amenities, such as a microwave and small refrigerator. Overall, the guestrooms should offer a competitive product for this market.

Guestroom bathrooms should be of a standard size, with a shower-in-tub or shower stall, commode, and single sink with vanity area, featuring a stone countertop. The floors should be finished with tile, and the walls finished with knockdown texture. Bathroom amenities should include a hairdryer and complimentary toiletries. Overall, the bathroom design should be appropriate for a product of this type.

The interior guestroom corridors should be wide and functional, permitting the easy passage of housekeeping carts. Corridor carpet, wallcovering, signage, and lighting should be in keeping with the overall look and design of the rest of the property.

Back-of-the-House

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

ADA and Environmental

We assume that the property will be built according to all pertinent codes and brand standards. Moreover, we assume its construction will not create any environmental

hazards (such as mold) and that the property will fully comply with the Americans with Disabilities Act.

Capital Expenditures

Our analysis assumes that 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 a successful, ongoing preventive-maintenance program is employed by hotel staff.

Conclusion

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

6. Projection of Occupancy and Average Rate

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

Penetration Rate Analysis

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

Historical Penetration Rates by Market Segment

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

FIGURE 6-1 HISTORICAL PENETRATION RATES

Property	<i>Leisure</i>	<i>Commercial</i>	<i>Group</i>	<i>Overall</i>
Best Western Mountain Lodge Banner Elk	80 %	65 %	121 %	80 %
Holiday Inn Express Blowing Rock	82	66	124	82
Comfort Inn Mars Hill	122	115	57	114
Hampton Inn Marion	129	170	142	141
Comfort Inn Marion	113	138	57	114
Super 8 by Wyndham Marion	104	98	49	97
Secondary Competition				

The Hampton Inn Marion achieved the highest penetration rate within all three segments.

Forecast of Subject Property's Occupancy

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

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

The proposed subject hotel's occupancy forecast is set forth as follows, with the adjusted projected penetration rates used as a basis for calculating the amount of captured market demand. We have relied upon a review of penetration rates of the competitor hotels as a basis for our occupancy positioning of the proposed subject hotel. Given their similar rural locations, limited nearby corporate demand generators, and proximity to the Blue Ridge Parkway, we have relied mostly heavily upon the Best Western Banner Elk and the Holiday Inn Express Blowing Rock. The Best Western appeals to groups more than the other competitive hotels given its offering of meeting space; it is also popular with individual skiers and ski groups during the winter months. The Holiday Inn Express Blowing Rock is situated closest to the Blue Ridge Parkway and benefits from its proximity to more traditional tourist attractions than the other competitive hotels. These two hotels also compete with more high-quality independent hotels and vacation rentals within their respective markets than do the other competitors. The remaining hotels benefit from their locations near interstates, their proximity to more commercial demand generators, and their ease of access to the Asheville area. While they are still important to analyze and consider in our positioning, they effectively serve as a ceiling to what occupancy levels could be achieved by a new hotel. While the first two hotels and their respective markets differ slightly from the Mitchell County market, they serve as the most reliable barometer of what demand levels may be captured by a new hotel in this market, and the proposed subject hotel's overall penetration level has been positioned accordingly.

FIGURE 6-2 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY

Market Segment	2021	2022	2023	2024
Leisure				
Demand	71,575	74,302	75,028	75,394
Market Share	3.5 %	9.9 %	11.0 %	11.0 %
Capture	2,518	7,370	8,221	8,261
Penetration	68 %	87 %	96 %	96 %
Commercial				
Demand	26,422	27,001	27,133	27,266
Market Share	3.3 %	9.4 %	10.5 %	10.5 %
Capture	863	2,538	2,836	2,850
Penetration	64 %	82 %	91 %	91 %
Group				
Demand	10,371	10,537	10,589	10,641
Market Share	2.2 %	7.2 %	8.3 %	8.3 %
Capture	232	761	881	886
Penetration	44 %	63 %	73 %	73 %
Total Room Nights Captured	3,613	10,668	11,938	11,997
Available Room Nights	9,180	21,900	21,900	21,900
Subject Occupancy	39 %	49 %	55 %	55 %
Market-wide Available Room Nights	178,613	191,333	191,333	191,333
Fair Share	5 %	11 %	11 %	11 %
Market-wide Occupied Room Nights	108,368	111,841	112,750	113,301
Market Share	3 %	10 %	11 %	11 %
Market-wide Occupancy	61 %	58 %	59 %	59 %
Total Penetration	65 %	83 %	93 %	93 %

The proposed subject hotel is expected to stabilize with a modest penetration rate despite its new facility and its anticipated strong brand. Its location in a rural market and anticipated muted demand levels will hinder the average rate levels that it should be able to achieve. Similar to the competitive hotels, we expect average rates to range from the mid-\$80s on weekdays in the low months to the \$150s on weekends in October. Additional insights by segment are presented as follows:

- The proposed subject hotel should benefit from a strong amount of leisure demand during the peak season and weekends, considering its proximity to the Blue Ridge Parkway and other outdoor attractions throughout the region, as well as the county's offering of artist studios and galleries. We

would anticipate the hotel to experience high levels of leisure demand through much of the week during the peak summer months, as well as in October. While some leisure demand related to the nearby ski resorts may be captured during the winter months, the numerous resorts and independent hotels located near these attractions will continue to capture the majority of this demand. As mentioned previously, the Museum of North Carolina Minerals is open throughout the year, one of only two visitor centers that are, giving the proposed subject property an opportunity to capture some of that demand from the Blue Ridge Parkway in the low months. However, visitation across the parkway decreases significantly during these low months, as evidenced by the traffic and museum visitor statistics. Visitors to Mitchell County who prefer branded hotels and, accordingly, booking through the brand-specific website, are expected to see only the proposed subject property as a lodging choice within the city. The proposed subject hotel is forecast to realize a leisure penetration level below fair share by the stabilized year.

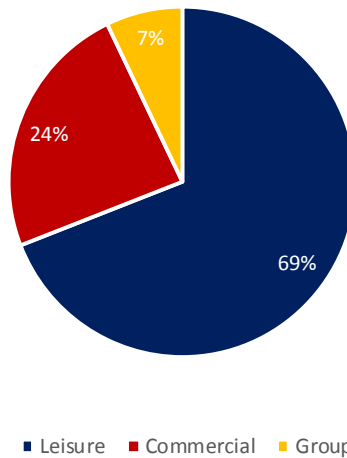
- Within the commercial segment, the proposed subject hotel's occupancy penetration is appropriately within the range of existing competitors given the limited number of commercial demand generators in the immediate market. While the proposed hotel should be able to capture a majority of the demand present in the immediate market, including demand from neighboring counties that also have limited lodging options, many of the other hotels in the competitive set benefit from their locations near different interstates, which gives them a distinct advantage within the commercial segment.
- The proposed subject hotel is expected to capture a modest amount of group demand in this rural market. Other than Mayland Community College, there are currently no real meeting or event venues in Mitchell County. A small meeting room with an airwall would give the hotel an opportunity to capture small corporate groups and SMERFE-related groups. The hotel should also be a popular option for contracted group blocks that do not require meeting space. Furthermore, given our assumption the hotel would be the only franchise-affiliated hotel in the Mitchell County market, the hotel would benefit from group leads from the affiliated national sales office. These factors should lead to a modest group penetration rate for a property of this type, although realizing a level below fair share by the stabilized year.

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

FIGURE 6-3 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2021	2022	2023	2024
Leisure	70 %	69 %	69 %	69 %
Commercial	24	24	24	24
Group	6	7	7	7
Total	100 %	100 %	100 %	100 %

FIGURE 6-4 STABILIZED MARKET SEGMENTATION – SUBJECT PROPERTY



Based on our analysis of the proposed subject hotel and market area, we have selected a stabilized occupancy level of 55%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the proposed subject hotel may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

Average Rate Analysis

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

Competitive Position

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

FIGURE 6-5 BASE YEAR AVERAGE RATE AND REVPAR OF THE COMPETITORS

Property	Estimated 2018 Average Room Rate	Average Room Rate Penetration	Rooms Revenue Per Available Room (RevPAR)	RevPAR Penetration
Best Western Mountain Lodge Banner Elk	\$110 - \$115	100 - 110 %	\$50 - \$55	80 - 85 %
Holiday Inn Express Blowing Rock	100 - 105	95 - 100	45 - 50	75 - 80
Comfort Inn Mars Hill	95 - 100	85 - 90	60 - 65	100 - 110
Hampton Inn Marion	120 - 125	110 - 120	100 - 105	160 - 170
Comfort Inn Marion	100 - 105	95 - 100	70 - 75	110 - 120
Super 8 by Wyndham Marion	85 - 90	80 - 85	50 - 55	80 - 85
Overall Average	\$104.63	100.0 %	\$62.47	100.0 %
Subject As If Stabilized (In 2018 Dollars)	\$105.00	100.4 %	\$57.99	92.8 %

The defined primarily competitive market realized an overall average rate of \$104.63 in the 2018 base year, improving from the 2017 level of \$104.39. The

Hampton Inn achieved the highest estimated average rate in the local competitive market, by a significant margin, because of its popular brand affiliation and its location along Interstate 40. The selected rate position for the proposed subject hotel, in base-year dollars, takes into consideration factors such as its more rural location and anticipated upper-midscale brand affiliation. We have selected the rate position of \$105.00, in base-year dollars, for the proposed subject hotel.

Market-wide rates have trended upward the last ten years, although growth slowed somewhat in the most recent year. We expect average rates to decrease in the first projection year given the current year-to-date trend, before improving modestly as new supply comes online. Average rates should grow at the rate of inflation by the stabilized year as the new supply is fully ramped up.

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

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

	2016	2017	2018	Projected					
				2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Proposed Mitchell County Hotel									
Occupancy						44.8 %	52.1 %	54.7 %	54.7 %
Change in Points						44.8	7.3	2.6	0.0
Occupancy Penetration						75.4 %	88.7 %	92.5 %	92.3 %
Average Rate			\$105.00	\$104.55	\$106.51	\$109.49	\$112.77	\$116.16	\$119.64
Change				—	1.9 %	2.8 %	3.0 %	3.0 %	3.0 %
Average Rate Penetration				100.4 %	100.4 %	100.4 %	100.4 %	100.4 %	100.4 %
RevPAR						\$49.05	\$58.74	\$63.50	\$65.41
Change						—	19.8 %	8.1 %	3.0 %
RevPAR Penetration						75.7 %	89.0 %	92.8 %	92.6 %
	Historical (Estimated)			Projected					
	2017	2017	2018	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Spruce Pine Submarket									
Occupancy	64.3 %	60.8 %	59.7 %	62.3 %	61.5 %	59.4 %	58.7 %	59.1 %	59.2 %
Change in Points	—	(3.5)	(1.1)	2.6	(0.8)	(2.1)	(0.7)	0.4	0.1
Average Rate	\$100.72	\$104.39	\$104.63	\$104.19	\$106.14	\$109.11	\$112.38	\$115.75	\$119.22
Change	—	3.6 %	0.2 %	(0.4) %	1.9 %	2.8 %	3.0 %	3.0 %	3.0 %
RevPAR	\$64.72	\$63.45	\$62.47	\$64.88	\$65.25	\$64.79	\$66.00	\$68.40	\$70.60
Change	—	(2.0) %	(1.5) %	3.8 %	0.6 %	(0.7) %	1.9 %	3.6 %	3.2 %

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

FIGURE 6-7 ADR FORECAST – MARKET AND PROPOSED SUBJECT HOTEL

Calendar Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
Market ADR	\$104.63	\$103.59	\$104.62	\$107.24	\$110.46	\$113.77	\$117.18	\$120.70	\$124.32
Projected Market ADR Growth Rate	—	-1.0%	1.0%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Property ADR (As-If Stabilized)	\$105.00	\$103.95	\$104.99	\$107.61	\$110.84	\$114.17	\$117.59	\$121.12	\$124.75
ADR Growth Rate	—	-1.0%	1.0%	2.5%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Stabilized ADR Penetration	100%	100%	100%	100%	100%	100%	100%	100%	100.4%
Fiscal Year				2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Proposed Subject Property Average Rate				\$109.49	\$112.77	\$116.16	\$119.64	\$123.23	\$126.93
Market ADR				\$109.11	\$112.38	\$115.75	\$119.22	\$122.80	\$126.48
Proposed Subject ADR Penetration				100%	100%	100%	100%	100%	100%
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate				\$101.18	\$101.18	\$101.18	\$101.18	\$101.18	\$101.18

This western North Carolina market should experience modest ADR growth through the near term. The proposed subject hotel's rate position should reflect growth similar to market trends because of the proposed hotel's new facility, strong brand affiliation, and location. The proposed subject hotel's ADR penetration level is forecast to reach 100.4% by the stabilized period, consistent with our stabilized ADR positioning. For proposed supply, a discount may sometimes be applied, to account for a ramp-up that would be expected for a new property as it builds its reputation and becomes established in the market. Given the hotel's lack of immediate competition, ownership would not be expected to significant discount their rates to attract guests, and no discount has been applied.

The following occupancies and average rates will be used to project the proposed subject hotel's rooms revenue; this forecast reflects years beginning on August 1, 2021, which correspond with our financial projections.

FIGURE 6-8 FORECASTS OF OCCUPANCY AND AVERAGE RATE

Year	Occupancy	Average Rate
2021/22	45 %	\$109.49
2022/23	52	112.77
2023/24	55	116.16

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.

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

Comparable Operating Statements

In order to project future income and expense for the proposed subject hotel, we have included a sample of individual comparable operating statements from our database of hotel statistics. All financial data are presented according to the three most common measures of industry performance: ratio to sales (RTS), amounts per available room (PAR), and amounts per occupied room night (POR). The following data reflect the performance of five hotel properties, which were chosen based on similarities in product, market orientation, brand affiliation, size, and price positioning. These historical income and expense statements will be used as benchmarks in our forthcoming forecast of income and expense.

FIGURE 7-1 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2018	2018	2018	2017/18	2017	2018
Edition:	11	11	10	11	11	11
Number of Rooms:	50 to 80	60 to 80	80 to 110	70 to 90	70 to 100	60
Days Open:	365	365	365	365	365	365
Occupancy:	50%	53%	56%	61%	58%	55%
Average Rate:	\$89	\$94	\$97	\$108	\$94	\$99
RevPAR:	\$45	\$50	\$54	\$65	\$54	\$55
REVENUE						
Rooms	100.0 %	97.9 %	98.4 %	98.5 %	97.5 %	97.8 %
Other Operated Departments	0.0	0.0	1.6	1.5	0.7	1.5
Miscellaneous Income	0.0	2.1	0.0	0.0	1.8	0.7
Total	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*						
Rooms	21.6	26.6	21.2	21.8	28.0	22.0
Other Operated Departments	0.0	0.0	0.0	0.0	64.9	65.0
Total	21.6	26.5	20.8	21.5	27.8	22.5
DEPARTMENTAL INCOME						
	78.4	73.5	79.2	78.5	72.2	77.5
OPERATING EXPENSES						
Administrative & General	8.1	7.2	7.6	10.6	8.9	8.3
Info. and Telecom. Systems	1.3	0.6	0.0	0.4	0.1	0.5
Marketing	4.9	2.3	3.4	1.1	4.4	2.0
Franchise Fee	8.6	7.8	8.6	8.9	3.7	8.8
Property Operations & Maintenance	7.1	3.6	3.7	4.3	6.0	4.7
Utilities	6.8	5.2	7.1	4.1	4.6	4.4
Total	36.7	26.8	30.4	29.3	27.6	28.6
HOUSE PROFIT						
	41.7	46.7	48.8	49.2	44.6	48.9
Management Fee	2.0	1.0	0.0	3.0	0.0	3.0
INCOME BEFORE FIXED CHARGES						
	39.7	45.8	48.7	46.1	44.6	45.9

* 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:	2018	2018	2018	2017/18	2017	2018
Edition:	11	11	10	11	11	11
Number of Rooms:	50 to 80	60 to 80	80 to 110	70 to 90	70 to 100	60
Days Open:	365	365	365	365	365	365
Occupancy:	50%	53%	56%	61%	58%	55%
Average Rate:	\$89	\$94	\$97	\$108	\$94	\$99
RevPAR:	\$45	\$50	\$54	\$65	\$54	\$55
REVENUE						
Rooms	\$16,368	\$18,112	\$19,887	\$23,874	\$19,873	\$19,964
Other Operated Departments	0	0	325	362	143	301
Miscellaneous Income	0	394	0	0	357	151
Total	16,368	18,506	20,212	24,236	20,374	20,416
DEPARTMENTAL EXPENSES						
Rooms	3,530	4,825	4,211	5,216	5,569	4,392
Other Operated Departments	0	71	0	0	93	196
Total	3,530	4,896	4,211	5,216	5,662	4,588
DEPARTMENTAL INCOME	12,837	13,610	16,001	19,019	14,712	15,828
OPERATING EXPENSES						
Administrative & General	1,322	1,340	1,529	2,562	1,807	1,700
Info. and Telecom. Systems	214	117	0	90	16	100
Marketing	798	424	687	257	892	400
Franchise Fee	1,401	1,435	1,738	2,149	751	1,797
Property Operations & Maintenance	1,157	675	750	1,051	1,221	950
Utilities	1,120	963	1,444	1,003	932	900
Total	6,013	4,953	6,148	7,113	5,619	5,847
HOUSE PROFIT	6,824	8,657	9,853	11,906	9,093	9,982
Management Fee	330	185	0	727	0	612
INCOME BEFORE FIXED CHARGES	6,494	8,472	9,852	11,180	9,093	9,369

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

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2018	2018	2018	2017/18	2017	2018
Edition:	11	11	10	11	11	11
Number of Rooms:	50 to 80	60 to 80	80 to 110	70 to 90	70 to 100	60
Days Open:	365	365	365	365	365	365
Occupancy:	50%	53%	56%	61%	58%	55%
Average Rate:	\$89	\$94	\$97	\$108	\$94	\$99
RevPAR:	\$45	\$50	\$54	\$65	\$54	\$55
REVENUE						
Rooms	\$88.98	\$93.63	\$97.04	\$107.96	\$94.02	\$99.45
Other Operated Departments	0.00	0.00	1.59	1.64	0.68	1.50
Miscellaneous Income	0.00	2.04	0.00	0.00	1.69	0.75
Total	88.98	95.67	98.62	109.60	96.39	101.70
DEPARTMENTAL EXPENSES						
Rooms	19.19	24.94	20.55	23.59	26.35	21.88
Other Operated Departments	0.00	0.37	0.00	0.00	0.44	0.98
Total	19.19	25.31	20.55	23.59	26.79	22.85
DEPARTMENTAL INCOME						
	69.79	70.36	78.07	86.01	69.60	78.84
OPERATING EXPENSES						
Administrative & General	7.19	6.92	7.46	11.59	8.55	8.47
Info. and Telecom. Systems	1.17	0.61	0.00	0.41	0.07	0.50
Marketing	4.34	2.19	3.35	1.16	4.22	1.99
Franchise Fee	7.62	7.42	8.48	9.72	3.55	8.95
Property Operations & Maintenance	6.29	3.49	3.66	4.75	5.78	4.73
Utilities	6.09	4.98	7.04	4.54	4.41	4.48
Total	32.69	25.61	30.00	32.17	26.58	29.12
HOUSE PROFIT						
	37.10	44.75	48.07	53.85	43.02	49.72
Management Fee	1.79	0.96	0.00	3.29	0.00	3.05
INCOME BEFORE FIXED CHARGES						
	35.30	43.79	48.07	50.56	43.02	46.67

The departmental income of the comparable properties ranged from 72.2% to 79.2% of total revenue. The comparable properties achieved a house profit ranging from 41.7% to 49.2% of total revenue. We will refer to the comparable operating data in our discussion of each line item, which follows later in this section of the report.

**Fixed and Variable
Component Analysis**

HVS uses a fixed and variable component model to project a lodging facility's revenue and expense levels. This model is based on the premise that hotel revenues and expenses have one component that is fixed and another that varies directly with

occupancy and facility usage. A projection can be made by taking a known level of revenue or expense and calculating its fixed and variable components. The fixed component is then increased in tandem with the underlying rate of inflation, while the variable component is adjusted for a specific measure of volume such as total revenue.

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

Inflation Assumption

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

Forecast of Revenue and Expense

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

FIGURE 7-4 DETAILED FORECAST OF INCOME AND EXPENSE

	2021/22 Begins August			2022/23			Stabilized			2024/25			2025/26							
Number of Rooms:	60			60			60			60			60							
Occupancy:	45%			52%			55%			55%			55%							
Average Rate:	\$109.49			\$112.77			\$116.16			\$119.64			\$123.23							
RevPAR:	\$49.27			\$58.64			\$63.89			\$65.80			\$67.78							
Days Open:	365			365			365			365			365							
Occupied Rooms:	9,855	%Gross	PAR	POR	11,388	%Gross	PAR	POR	12,045	%Gross	PAR	POR	12,045	%Gross	PAR	POR	12,045	%Gross	PAR	POR
OPERATING REVENUE																				
Rooms	\$1,079	97.5 %	\$17,983	\$109.49	\$1,284	97.7 %	\$21,400	\$112.75	\$1,399	97.8 %	\$23,317	\$116.15	\$1,441	97.8 %	\$24,017	\$119.63	\$1,484	97.8 %	\$24,733	\$123.20
Other Operated Departments	19	1.7	313	1.91	20	1.5	336	1.77	21	1.5	352	1.75	22	1.5	362	1.80	22	1.5	373	1.86
Miscellaneous Income	9	0.8	157	0.95	10	0.8	168	0.88	11	0.7	176	0.88	11	0.7	181	0.90	11	0.7	187	0.93
Total Operating Revenues	1,107	100.0	18,454	112.35	1,314	100.0	21,904	115.40	1,431	100.0	23,844	118.78	1,474	100.0	24,560	122.34	1,518	100.0	25,293	125.99
DEPARTMENTAL EXPENSES *																				
Rooms	269	24.9	4,484	27.30	292	22.8	4,872	25.67	308	22.0	5,130	25.55	317	22.0	5,284	26.32	327	22.0	5,443	27.11
Other Operated Departments	13	67.6	212	1.29	13	65.8	221	1.16	14	65.0	229	1.14	14	65.0	235	1.17	15	65.0	243	1.21
Total Expenses	282	25.4	4,696	28.59	306	23.3	5,093	26.83	322	22.5	5,359	26.69	331	22.5	5,519	27.49	341	22.5	5,685	28.32
DEPARTMENTAL INCOME	825	74.6	13,758	83.76	1,009	76.7	16,811	88.57	1,109	77.5	18,486	92.08	1,142	77.5	19,041	94.85	1,176	77.5	19,608	97.67
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	107	9.7	1,788	10.89	114	8.7	1,902	10.02	119	8.3	1,986	9.89	123	8.3	2,045	10.19	126	8.3	2,106	10.49
Info & Telecom Systems	6	0.6	105	0.64	7	0.5	112	0.59	7	0.5	117	0.58	7	0.5	120	0.60	7	0.5	124	0.62
Marketing	28	2.5	463	2.82	28	2.1	470	2.48	28	2.0	467	2.33	29	2.0	481	2.40	30	2.0	496	2.47
Franchise Fee	97	8.8	1,619	9.85	116	8.8	1,926	10.15	126	8.8	2,099	10.45	130	8.8	2,162	10.77	134	8.8	2,226	11.09
Prop. Operations & Maint.	54	4.9	899	5.47	61	4.6	1,010	5.32	67	4.7	1,110	5.53	69	4.7	1,143	5.69	71	4.7	1,177	5.86
Utilities	57	5.1	947	5.76	60	4.6	1,007	5.30	63	4.4	1,051	5.24	65	4.4	1,083	5.39	67	4.4	1,115	5.56
Total Expenses	349	31.6	5,820	35.43	386	29.3	6,426	33.86	410	28.7	6,829	34.02	422	28.7	7,034	35.04	435	28.7	7,244	36.09
GROSS HOUSE PROFIT	476	43.0	7,938	48.33	623	47.4	10,385	54.72	699	48.8	11,657	58.07	720	48.8	12,007	59.81	742	48.8	12,364	61.59
Management Fee	33	3.0	554	3.37	39	3.0	657	3.46	43	3.0	715	3.56	44	3.0	737	3.67	46	3.0	759	3.78
INCOME BEFORE NON-OPR. INC. & EXP.	443	40.0	7,384	44.96	584	44.4	9,728	51.25	656	45.8	10,941	54.50	676	45.8	11,270	56.14	696	45.8	11,605	57.81
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	32	2.9	533	3.25	33	2.5	550	2.90	34	2.4	566	2.82	35	2.4	583	2.90	36	2.4	600	2.99
Insurance	18	1.7	308	1.88	19	1.4	318	1.67	20	1.4	327	1.63	20	1.4	337	1.68	21	1.4	347	1.73
Reserve for Replacement	22	2.0	369	2.25	39	3.0	657	3.46	57	4.0	954	4.75	59	4.0	982	4.89	61	4.0	1,012	5.04
Total Expenses	73	6.6	1,211	7.37	91	6.9	1,524	8.03	111	7.8	1,847	9.20	114	7.8	1,902	9.48	118	7.8	1,959	9.76
EBITDA LESS RESERVE	\$370	33.4 %	\$6,173	\$37.58	\$492	37.5 %	\$8,204	\$43.22	\$546	38.0 %	\$9,095	\$45.30	\$562	38.0 %	\$9,368	\$46.66	\$579	38.0 %	\$9,646	\$48.05

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

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

	2021/22		2022/23		2023/24		2024/25		2025/26		2026/27		2027/28		2028/29		2029/30		2030/31		
Number of Rooms:	60		60		60		60		60		60		60		60		60		60		60
Occupied Rooms:	9,855		11,388		12,045		12,045		12,045		12,045		12,045		12,045		12,045		12,045		12,045
Occupancy:	45%		52%		55%		55%		55%		55%		55%		55%		55%		55%		55%
Average Rate:	\$109.49	% of	\$112.77	% of	\$116.16	% of	\$119.64	% of	\$123.23	% of	\$126.93	% of	\$130.74	% of	\$134.66	% of	\$138.70	% of	\$142.86	% of	
RevPAR:	\$49.27	Gross	\$58.64	Gross	\$63.89	Gross	\$65.80	Gross	\$67.78	Gross	\$69.81	Gross	\$71.90	Gross	\$74.06	Gross	\$76.28	Gross	\$78.57	Gross	
OPERATING REVENUE																					
Rooms	\$1,079	97.5 %	\$1,284	97.7 %	\$1,399	97.8 %	\$1,441	97.8 %	\$1,484	97.8 %	\$1,529	97.8 %	\$1,575	97.8 %	\$1,622	97.8 %	\$1,671	97.8 %	\$1,721	97.8 %	
Other Operated Departments	19	1.7	20	1.5	21	1.5	22	1.5	22	1.5	23	1.5	24	1.5	24	1.5	25	1.5	26	1.5	
Miscellaneous Income	9	0.8	10	0.8	11	0.7	11	0.7	11	0.7	12	0.7	12	0.7	12	0.7	13	0.7	13	0.7	
Total Operating Revenues	1,107	100.0	1,314	100.0	1,431	100.0	1,474	100.0	1,518	100.0	1,564	100.0	1,611	100.0	1,659	100.0	1,709	100.0	1,760	100.0	
DEPARTMENTAL EXPENSES *																					
Rooms	269	24.9	292	22.8	308	22.0	317	22.0	327	22.0	336	22.0	346	22.0	357	22.0	368	22.0	379	22.0	
Other Operated Departments	13	67.6	13	65.8	14	65.0	14	65.0	15	65.0	15	65.0	15	65.0	16	65.0	16	65.0	17	65.0	
Total Expenses	282	25.4	306	23.3	322	22.5	331	22.5	341	22.5	351	22.5	362	22.5	373	22.5	384	22.5	395	22.5	
DEPARTMENTAL INCOME	825	74.6	1,009	76.7	1,109	77.5	1,142	77.5	1,176	77.5	1,212	77.5	1,249	77.5	1,286	77.5	1,325	77.5	1,364	77.5	
UNDISTRIBUTED OPERATING EXPENSES																					
Administrative & General	107	9.7	114	8.7	119	8.3	123	8.3	126	8.3	130	8.3	134	8.3	138	8.3	142	8.3	147	8.3	
Info & Telecom Systems	6	0.6	7	0.5	7	0.5	7	0.5	7	0.5	8	0.5	8	0.5	8	0.5	8	0.5	9	0.5	
Marketing	28	2.5	28	2.1	28	2.0	29	2.0	30	2.0	31	2.0	32	2.0	32	2.0	33	2.0	34	2.0	
Franchise Fee	97	8.8	116	8.8	126	8.8	130	8.8	134	8.8	138	8.8	142	8.8	146	8.8	150	8.8	155	8.8	
Prop. Operations & Maint.	54	4.9	61	4.6	67	4.7	69	4.7	71	4.7	73	4.7	75	4.7	77	4.7	80	4.7	82	4.7	
Utilities	57	5.1	60	4.6	63	4.4	65	4.4	67	4.4	69	4.4	71	4.4	73	4.4	75	4.4	78	4.4	
Total Expenses	349	31.5	386	29.3	410	28.6	422	28.6	435	28.6	448	28.6	461	28.6	475	28.6	489	28.6	504	28.6	
GROSS HOUSE PROFIT	476	43.1	623	47.4	699	48.9	720	48.9	742	48.9	764	48.9	788	48.9	811	48.9	836	48.9	861	48.9	
Management Fee	33	3.0	39	3.0	43	3.0	44	3.0	46	3.0	47	3.0	48	3.0	50	3.0	51	3.0	53	3.0	
INCOME BEFORE NON-OPR. INC. & EXP.	443	40.1	584	44.4	656	45.9	676	45.9	696	45.9	718	45.9	739	45.9	761	45.9	784	45.9	808	45.9	
NON-OPERATING INCOME & EXPENSE																					
Property Taxes	32	2.9	33	2.5	34	2.4	35	2.4	36	2.4	37	2.4	38	2.4	39	2.4	41	2.4	42	2.4	
Insurance	18	1.7	19	1.5	20	1.4	20	1.4	21	1.4	21	1.4	22	1.4	23	1.4	23	1.4	24	1.4	
Reserve for Replacement	22	2.0	39	3.0	57	4.0	59	4.0	61	4.0	63	4.0	64	4.0	66	4.0	68	4.0	70	4.0	
Total Expenses	73	6.6	91	7.0	111	7.7	114	7.7	118	7.7	121	7.7	125	7.7	128	7.7	132	7.7	136	7.7	
EBITDA LESS RESERVE	\$370	33.5 %	\$492	37.4 %	\$546	38.1 %	\$562	38.1 %	\$579	38.1 %	\$596	38.1 %	\$614	38.1 %	\$633	38.1 %	\$652	38.1 %	\$671	38.1 %	

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 fiscal years beginning August 1, 2021, expressed in inflated dollars for each year.

Rooms Revenue

Rooms revenue is determined by two variables: occupancy and average rate. We projected occupancy and average rate in a previous section of this report. The proposed subject hotel is expected to stabilize at an occupancy level of 55% with an average rate of \$116.16 in 2023/24. Following the stabilized year, the proposed subject hotel's average rate is projected to increase along with the underlying rate of inflation.

Other Operated Departments Revenue

According to the Uniform System of Accounts, other operated departments include any major or minor operated department other than rooms and food and beverage (F&B). The proposed subject hotel's other operated departments revenue sources are expected to include the hotel's telephone charges, market pantry sales, guest laundry fees, and meeting room rentals. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject hotel.

FIGURE 7-6 OTHER OPERATED DEPARTMENTS REVENUE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021/22	Deflated Stabilized
Percentage of Revenue	0.0 %	0.0 %	1.6 %	1.5 %	0.7 %	1.7 %	1.5 %
Per Available Room	\$0	\$0	\$325	\$362	\$143	\$313	\$301
Per Occupied Room	\$0.00	\$0.00	\$1.59	\$1.64	\$0.68	\$1.91	\$1.50

Miscellaneous Income

The miscellaneous income sources comprise those other than guestrooms, F&B, and the other operated departments. The proposed subject hotel's miscellaneous income revenues are expected to be generated primarily by minor collections, such as cancellation fees. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject hotel. Changes in this revenue item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

FIGURE 7-7 MISCELLANEOUS INCOME

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021/22	Deflated Stabilized
Percentage of Revenue	0.0 %	2.1 %	0.0 %	0.0 %	1.8 %	0.8 %	0.7 %
Per Available Room	\$0	\$394	\$0	\$0	\$357	\$157	\$151
Per Occupied Room	\$0.00	\$2.04	\$0.00	\$0.00	\$1.69	\$0.95	\$0.75

Rooms Expense

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

Commissions and reservations are usually based on room sales and, thus, are highly sensitive to changes in occupancy and average rate. While guest supplies vary 100% with occupancy, linens and other operating expenses are only slightly affected by volume. The proposed subject hotel's rooms department expense has been positioned based upon our review of the comparable operating data and our understanding of the hotel's future service level and price point.

FIGURE 7-8 ROOMS EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021/22	Deflated Stabilized
Percentage of Revenue	21.6 %	26.6 %	21.2 %	21.8 %	28.0 %	24.9 %	22.0 %
Per Available Room	\$3,530	\$4,825	\$4,211	\$5,216	\$5,569	\$4,484	\$4,392
Per Occupied Room	\$19.19	\$24.94	\$20.55	\$23.59	\$26.35	\$27.30	\$21.88

Other Operated Departments Expense

Other operated departments expense includes all expenses reflected in the summary statements for the divisions associated in these categories, as discussed previously in this chapter. The proposed subject hotel's other operated departments revenue sources are expected to include the hotel's telephone charges, market pantry sales, guest laundry fees, and meeting room rentals. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject hotel.

FIGURE 7-9 OTHER OPERATED DEPARTMENTS EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021/22	Deflated Stabilized
Percentage of Revenue	0.0 %	0.0 %	0.0 %	0.0 %	64.9 %	67.6 %	65.0 %
Per Available Room	\$0	\$71	\$0	\$0	\$93	\$212	\$196
Per Occupied Room	\$0.00	\$0.37	\$0.00	\$0.00	\$0.44	\$1.29	\$0.98

Administrative and General Expense

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

Most administrative and general expenses are relatively fixed. The exceptions are cash overages and shortages; commissions on credit card charges; provision for doubtful accounts, which are moderately affected by the number of transactions or total revenue; and salaries, wages, and benefits, which are very slightly influenced by volume. Based upon our review of the comparable operating data and the expected scope of facility for the proposed subject hotel, we have positioned the administrative and general expense level at a market- and property-supported level.

FIGURE 7-10 ADMINISTRATIVE AND GENERAL EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021/22	Deflated Stabilized
Percentage of Revenue	8.1 %	7.2 %	7.6 %	10.6 %	8.9 %	9.7 %	8.3 %
Per Available Room	\$1,322	\$1,340	\$1,529	\$2,562	\$1,807	\$1,788	\$1,700
Per Occupied Room	\$7.19	\$6.92	\$7.46	\$11.59	\$8.55	\$10.89	\$8.47

Information and Telecommunications Systems Expense

Information and telecommunications systems expense consists of all costs associated with a hotel’s technology infrastructure. This includes the costs of cell phones, administrative call and Internet services, and complimentary call and Internet services. Expenses in this category are typically organized by type of technology or the area benefiting from the technology solution. We expect the proposed subject hotel's information and telecommunications systems to be well managed. Expense levels should stabilize at a typical level for a property of this type.

Marketing Expense

Marketing expense consists of all costs associated with advertising, sales, and promotion; these activities are intended to attract and retain customers. Marketing

can be used to create an image, develop customer awareness, and stimulate patronage of a property's various facilities.

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

Marketing expenditures are unusual because, although there is a lag period before results are realized, the benefits are often extended over a long period. Depending on the type and scope of the advertising and promotion program implemented, the lag time can be as short as a few weeks or as long as several years. However, the favorable results of an effective marketing campaign tend to linger, and a property often enjoys the benefits of concentrated sales efforts for many months. Based upon our review of the comparable operating data and the expected scope of facility for the proposed subject hotel, we have positioned the marketing expense level at a market- and property-supported level.

FIGURE 7-11 MARKETING EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021/22	Deflated Stabilized
Percentage of Revenue	4.9 %	2.3 %	3.4 %	1.1 %	4.4 %	2.5 %	2.0 %
Per Available Room	\$798	\$424	\$687	\$257	\$892	\$463	\$400
Per Occupied Room	\$4.34	\$2.19	\$3.35	\$1.16	\$4.22	\$2.82	\$1.99

Franchise Fee

As previously discussed, the proposed subject property is expected to be franchised with an upper-midscale brand. Costs associated with this franchise are summarized in the introductory chapter in this report.

Property Operations and Maintenance

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

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

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

We expect the proposed subject hotel's maintenance operation to be well managed. Expense levels should stabilize at a typical level for a property of this type. Changes in this expense item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

FIGURE 7-12 PROPERTY OPERATIONS AND MAINTENANCE EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021/22	Deflated Stabilized
Percentage of Revenue	7.1 %	3.6 %	3.7 %	4.3 %	6.0 %	4.9 %	4.7 %
Per Available Room	\$1,157	\$675	\$750	\$1,051	\$1,221	\$899	\$950
Per Occupied Room	\$6.29	\$3.49	\$3.66	\$4.75	\$5.78	\$5.47	\$4.73

Utilities Expense

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

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

FIGURE 7-13 UTILITIES EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021/22	Deflated Stabilized
Percentage of Revenue	6.8 %	5.2 %	7.1 %	4.1 %	4.6 %	5.1 %	4.4 %
Per Available Room	\$1,120	\$963	\$1,444	\$1,003	\$932	\$947	\$900
Per Occupied Room	\$6.09	\$4.98	\$7.04	\$4.54	\$4.41	\$5.76	\$4.48

Management Fee

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

Property Taxes

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

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

FIGURE 7-14 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS

Hotel		Land	Improvements	Personal	Total
Spruce Pine Inn		\$60,800	\$217,000	\$0	\$277,800
Richmond Inn Bed & Breakfast		38,700	534,500	0	573,200
Pine Valley Motel		377,500	756,600	0	1,134,100
<i>Assessments per Room</i>	<i># of Rms</i>				
Spruce Pine Inn	30	\$2,027	\$7,233	\$0	\$9,260
Richmond Inn Bed & Breakfast	8	4,838	66,813	0	71,650
Pine Valley Motel	42	8,988	18,014	0	27,002
Positioned Subject - Per Room	60	\$5,000	\$70,000	\$10,000	\$85,000
Positioned Subject - Total		\$300,000	\$4,200,000	\$600,000	\$5,100,000

Source: Mitchell County Tax Assessor

We have positioned the future assessment levels of the subject site and proposed improvements, as well as the personal property, based upon the illustrated comparable data and a review of construction costs for this property tier. Overall, the positioned assessments are well supported by the market and comparable data.

Tax rates are based on the city and county budgets, which change annually. Because we do not have a specific site identified for this study, we have assumed that the property would be subject to city and county taxes, including Fire District and Service District taxes. The most recent tax rate in this jurisdiction for these particular taxes was reported at 1.19500%. The following table shows changes in the tax rate during the last several years.

FIGURE 7-15 CITY AND COUNTY TAX RATES

Year	Real Property Tax Rate	Personal Property Tax Rate
2016/17	1.14500	1.14500
2017/18	1.19500	1.19500
2018/19	1.19500	1.19500

Source: North Carolina Department of Revenue

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

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

	Real Property			Personal
	Land	Real Property	Total	Property
Positioned (Assessed Value)	\$300,000	\$4,200,000	\$4,500,000	\$600,000
Tax Rate			1.19500	1.19500
Tax Burden as of Base Year			\$53,775	\$7,170

FIGURE 7-17 PROJECTED PROPERTY TAX EXPENSE – REAL PROPERTY

Year	Real Property			
	Total Tax Burden (Positioned Prior to Increase)	Base Rate of Tax Burden Increase	% Positioned Tax Burden	Taxes Payable
Positioned	\$53,775	—		\$53,775
2021/22	\$53,775	8.2 %	100 %	\$58,192
2022/23	58,192	3.0	100	\$59,938
2023/24	59,938	3.0	100	\$61,736
2024/25	61,736	3.0	100	\$63,588

FIGURE 7-18 PROJECTED PROPERTY TAX EXPENSE – PERSONAL PROPERTY

Year	Personal Property			
	Personal Tax Burden (Positioned Prior to Increase)	Base Rate of Tax Burden Increase	% of Positioned Tax Burden	Taxes Payable
Positioned	\$7,170	—		\$7,170
2021/22	\$7,170	8.2 %	100 %	\$7,759
2022/23	7,759	3.0	100	\$7,992
2023/24	7,992	3.0	100	\$8,231
2024/25	8,231	3.0	100	\$8,478

FIGURE 7-19 PROJECTED PROPERTY TAX EXPENSE – SUMMARY

Year	Taxes Payable		
	Real	Personal	Total
Positioned	\$53,775	\$7,170	\$60,945
2021/22	\$58,192	\$7,759	\$65,951
2022/23	\$59,938	7,992	67,930
2023/24	\$61,736	8,231	69,968
2024/25	\$63,588	8,478	72,067

Insurance Expense

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

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

FIGURE 7-20 INSURANCE EXPENSE

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2021/22	Deflated Stabilized
Percentage of Revenue	2.2 %	1.2 %	1.5 %	1.1 %	1.4 %	1.7 %	1.4 %
Per Available Room	\$363	\$229	\$302	\$260	\$293	\$308	\$280
Per Occupied Room	\$1.97	\$1.18	\$1.47	\$1.17	\$1.39	\$1.88	\$1.39

Reserve for Replacement

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

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

The International Society of Hospitality Consultants (ISHC) oversees a major industry-sponsored study of the capital expenditure requirements for full-service/luxury, select-service, and extended-stay hotels. The most recent study was published in 2014.⁶ Historical capital expenditures of well-maintained hotels were investigated through the compilation of data provided by most of the major hotel companies in the United States. A prospective analysis of future capital expenditure requirements was also performed based upon the cost to replace short- and long-lived building components over a hotel's economic life. The study showed that the capital expenditure requirements for hotels vary significantly from year to year and depend upon both the actual and effective ages of a property. The results of this study showed that hotel lenders and investors are requiring reserves for replacement ranging from 4% to 5% of total revenue.

Based upon the results of our analysis, our review of the proposed subject asset, and current industry norms, a reserve for replacement equal to 4% of total revenues has been factored into our forecast of revenue and expense for funding the periodic replacement of the proposed subject property's furniture, fixtures, and equipment. This amount has been ramped up during the initial projection period.

Forecast of Revenue and Expense Conclusion

Projected total revenue, house profit, and EBITDA Less Replacement Reserve are set forth in the following table.

FIGURE 7-21 FORECAST OF REVENUE AND EXPENSE CONCLUSION

	Year	Total Revenue		House Profit		House Profit Ratio	EBITDA Less Replacement Reserve		
		Total	% Change	Total	% Change		Total	% Change	As a % of Ttl Rev
Projected	2021/22	\$1,107,000	—	\$476,000	—	43.0 %	\$336,000	—	30.3 %
	2022/23	1,314,000	18.7 %	623,000	30.9 %	47.4	457,000	36.0 %	34.8
	2023/24	1,431,000	8.9	699,000	12.2	48.8	510,000	11.6	35.5
	2024/25	1,474,000	3.0	720,000	3.0	48.8	525,000	2.9	35.5
	2025/26	1,518,000	3.0	742,000	3.1	48.8	541,000	3.0	35.5

⁶ The International Society of Hotel Consultants, *CapEx 2014, A Study of Capital Expenditure in the U.S. Hotel Industry*.

8. Conclusion

The proposed subject property would enter a small, rural market with a modest number of demand generators. Currently, business or leisure travelers to the area must choose between staying at branded hotels approximately 45 minutes away or staying at a lodging option within or near Mitchell County, including older motels, B&Bs, and short-term vacation rentals. The introduction of a branded hotel to Mitchell County should help induce demand to the market, allowing it to capture hotel stays that were previously lost to the competitor hotels or other hotels outside of the competitive set. Such a hotel would also allow for the capture of new demand from travelers along the Blue Ridge Parkway. It would also allow for local festivals to capture additional visitors, as attendees would have a nearby lodging option, allowing them to extend their stay in the area.

An upper-midscale franchise affiliation would be ideal, as these hotels benefit from loyal followings, popular rewards programs, and wide-reaching marketing efforts and reservation channels. However, these hotels also carry some of the higher construction costs for limited-service hotels. A midscale franchise affiliation should result in a lower construction expense, but possibly at the sake of some potential revenue.

As noted, we have forecast the proposed subject property as an upper-midscale brand such as Fairfield Inn by Marriott, Hampton by Hilton, or Holiday Inn Express. While these hotels are often market leaders, their performance is still limited by the potential demand available to them. We have forecast the proposed subject property's performance based on a review of other branded hotels within a radius of Spruce Pine. The hotels have their own unique and various strengths and challenges. The Banner Elk and Blowing Rock markets are the most similar to Spruce Pine in their location and focus on leisure travel, and we have primarily considered these properties in our positioning of the proposed subject property's forecast stabilized occupancy of 54.7 % at \$116.16 , for a RevPAR level of \$63.50 .

As further support for our positioning, we have reviewed other upper-midscale hotels that operate as the only branded hotel in their rural markets. Some of the markets are closer to an interstate than others, but none of the hotels is situated directly along an interstate nor near a significant employment center. In order to keep the information confidential, we have presented a range of data points and a general state identification for each property.

FIGURE 8-1 REVIEW OF RURAL UPPER-MIDSCALE HOTEL OPERATIONS

Property	Estimated 2018 Occupancy	Estimated 2018 Average Room Rate (ADR)	Rooms Revenue Per Available Room (RevPAR)
North Carolina, 60 - 65 rooms	65 - 70 %	\$90 - \$95	\$60 - 65
Tennessee, 50 - 60 rooms	65 - 70	130 - 135	85 - 90
North Carolina, 60 - 65 rooms	45 - 50	130 - 135	60 - 65
North Carolina, 120 - 130 rooms	55 - 60	105 - 110	55 - 60
North Carolina, 60 - 65 rooms	45 - 50	105 - 110	50 - 55
North Carolina, 75 - 80 rooms	60 - 65	90 - 95	55 - 60
Overall Average	55 - 60 %	\$105 - 115	\$60 - 65
Subject As If Stabilized (In 2018 Dollars)	54.7%	\$105.00	\$57.99

Admittedly, these revenue levels may not induce a brand representative to pursue a property affiliation. Further, the cost to construct the property may be more than the appraised value of the property at completion, making it not feasible to pursue. The following table reflects recent construction budgets for several hotels within the region.

FIGURE 8-2 REVIEW OF RURAL UPPER-MIDSCALE HOTEL OPERATIONS

Item	Comp #1 Suburban , SC Limited-Service Approx. 70 Rooms		Comp #2 Rural, NC Limited-Service Approx. 90 Rooms		Comp #3 Rural, NC Limited-Service Approx. 100 Rooms		Comp #4 Suburban , TN Limited-Service Approx. 40 Rooms	
	Per Room	% of Total	Per Room	% of Total	Per Room	% of Total	Per Room	% of Total
Building	\$76,329	81.6 %	\$72,674	69.5 %	\$70,450	62.8 %	\$59,571	73.0 %
Soft Costs	10,215	10.9	11,738	11.2	23,500	20.9	6,500	8.0
Furniture, Fixtures, & Equipment	7,000	7.5	16,343	15.6	13,300	11.8	10,714	13.1
Pre-Opening Costs & Working Capital	0	0.0	3,837	3.7	5,000	4.5	4,833	5.9
Total*	\$93,544		\$104,593		\$112,250		\$81,619	

*Excluding Site Cost

We note that these costs do not include the costs to purchase the sites. Construction budgets can vary significantly based on the project, branding, and location. Further, we note that some developers may have their own construction companies or have general contractors that they work with on a regular basis, that can afford them some efficiencies.

While our market study was not commissioned to include a feasibility analysis nor a valuation, we can look at a potential value to determine an approximate shortfall for the project, which is useful in determining the level of incentives or gap funding that may be required for a project to be considered feasible. Upon reviewing recent sales of similar limited-service hotels, an appropriate range of cap rates is determined for the proposed subject hotel. The positioned net operating income of the property is then divided by a cap rate for the derivation of a value estimate.

FIGURE 8-3 REVIEW OF RECENT SALES

Property	Location	Year		Sale Price	Number of Rooms	Price Per Room	Cap Rate
		Open	Date of Sale				
Holiday Inn Express Henderson North Evansville South	Henderson, KY	1997	Jun-19	\$5,000,000	62	\$80,645	9.5 %
Holiday Inn Express Greenville Airport	Greer, SC	1996	Mar-19	6,800,000	83	81,928	8.8
Fairfield Inn & Suites by Marriott Potomac Mills Woodbridge	Woodbridge, VA	1997	Feb-19	9,000,000	84	107,143	8.5
Comfort Inn & Suites Orangeburg	Orangeburg, SC	2008	Sep-18	6,500,000	69	94,203	9.0
Country Inn & Suites by Radisson Fayetteville-Fort Bragg NC	Spring Lake, NC	1996	Apr-18	5,800,000	85	68,235	11.9
Holiday Inn Express Kernersville	Kennersville, NC	2001	Jul-17	3,550,000	56	63,393	10.0
Hampton Inn Princeton	Princeton, WV	1996	Jul-17	10,850,000	112	96,875	10.5
Holiday Inn Express Williamsburg North	Williamsburg, VA	2000	Jan-17	9,000,000	120	75,000	8.5
Average							9.6 %

A value range of \$4,800,000 (\$483,000/.10) to \$5,400,000 (\$483,000/.9) would be reasonable for the proposed subject property, or \$80,000 to \$90,000 per guestroom. This is lower than most of the budgets noted above, which do not include the purchase of the land.

The use of state or county incentives could help with funding and close the gap between the cost to construct and the property’s value. Mitchell County has established an Economic Development Incentive Grant to help encourage growth within the region. Each project is considered on an individual basis, and the grants are offered for varying amounts and for varying periods of time. A potential project is reviewed and scored based on the business type, net new jobs to the county, and total capital investment. Based on a minimum score, there are varying timeframe ranges for the grant term and varying ranges of the percentage of new property tax revenue that will be applied as a grant. The grant payment is determined by the net new taxable investment made in the county, which is then multiplied by the county tax rate and by the agreed upon percentage; each year, the base year qualifying tax value is decreased by depreciation. The North Carolina Department of Commerce also offers a variety of grants and incentives to encourage growth within the state. This department ranks the state’s 100 counties each year, classifying them as Tier 1 to Tier 3 based on their economic well-being. The 40 most distressed counties are

ranked as a Tier 1 county; in 2019, Mitchell County was included in this designation. This tier system is tied into many of the state's programs, in order to encourage economic development in the state's less prosperous areas.

In review, an upper-midscale branded hotel in Mitchell County could meet a need that is currently not being filled within the county. This hotel would accommodate travelers that are currently being displaced to other neighboring counties and could attract new demand that would have otherwise bypassed the market completely. Based upon a review of similar facilities and markets, such a hotel could expect to achieve a modest performance. The level of anticipated revenue may not be enough to attract the desired franchise affiliation, and the cost to construct the hotel may make the project not feasible. A potential developer could look to the state and the county for grants and incentives to lessen the potential funding gap.

9. Statement of Assumptions and Limiting Conditions

1. This report is set forth as a market study of the proposed subject hotel; this is not an appraisal report.
2. This report is to be used in whole and not in part.
3. No responsibility is assumed for matters of a legal nature, nor do we render any opinion as to title, which is assumed marketable and free of any deed restrictions and easements. The property is evaluated as though free and clear unless otherwise stated.
4. We assume that there will be 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 proposed 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. No specific subject site has been identified as part of this market study. Maps and other exhibits are included to assist the reader in visualizing the market and proposed neighborhood. It is assumed 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 will be no encroachments, zoning violations, or building violations encumbering the subject site.
10. The property is assumed that it will 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 potential mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.

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

use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.

21. Evaluating and comprising financial forecasts for hotels is both a science and an art. Although this analysis employs various mathematical calculations to provide value indications, the final forecasts are subjective and may be influenced by our experience and other factors not specifically set forth in this report.
22. This study was prepared by TS Worldwide, LLC. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of TS Worldwide, LLC as employees, rather than as individuals.

Janet Snyder, MAI

EMPLOYMENT

2005 to present	HVS CONSULTING AND VALUATION SERVICES Atlanta, Georgia
2004 – 2005	HILTON DALLAS LINCOLN CENTRE Dallas, Texas
2002 – 2004	HILTON HOTELS Dallas, Texas

EDUCATION AND OTHER TRAINING

BA – Baylor University

Other Specialized Training Classes Completed:

Basic Appraisal Principles – 30 hours
 Basic Appraisal Procedures – 30 hours
 Uniform Standards of Professional Appraisal Practice – 15 hours
 Basic Income Capitalization – 39 hours
 General Appraiser Sales Comparison Approach – 30 hours
 Business Practices and Ethics – 8 hours
 General Appraiser Market Analysis and HBU – 30 hours
 General Appraiser Site Valuation and Cost Approach – 30 hours
 General Appraiser Report Writing and Case Studies – 30 hours
 Statistics, Modeling and Finance – 15 hours
 An Introduction to Valuing Green Buildings – 7 hours
 Condemnation Appraising: Principles & Applications – 22 hours
 Advanced Income Capitalization – 40 hours
 NC Trainee Supervisor Class – 4 hours
 FL Law Class – 3 hours
 Quantitative Analysis – 40 hours
 Advanced Concepts & Case Studies – 40 hours
 Comp Review Class
 Demo Report Writing – 7 hours
 FL Law Class – 4 hours
 Advanced Hotel Appraising – 7 hours
 Appraisal of Owner-Occupied Commercial Properties – 7 hours
 Real Estate Finance, Statistics and Modeling – 15 hours
 Biennial USPAP Updates
 Comp Exam – Passed

STATE CERTIFICATIONS

Alabama, Georgia, North Carolina, South Carolina, Tennessee, Virginia

PUBLISHED ARTICLES

<i>HVS Journal</i>	“Market Pulse: Raleigh, NC,” November 2017
<i>HVS Journal</i>	“In Focus: Asheville, NC,” August 2016
<i>HVS Journal</i>	“Key Takeaways: Hunter Hotel Conference,” co-authored with Michael Brophy and Kasia Russell, April 2016
<i>HVS Journal</i>	“In Focus: InterContinental Hotels Group,” April 2014
<i>HVS Journal</i>	“Market Intelligence Report 2013: Charlotte,” August 2013
<i>HVS Journal</i>	“HVS Hotel Market Intelligence Report: Asheville, North Carolina,” September 2012
<i>HVS Journal</i>	“HVS Market Intelligence Report: Asheville, North Carolina,” January 2009

PROFESSIONAL AFFILIATIONS

Appraisal Institute – Designated Member (MAI)
American Hotel & Lodging Association

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED

PORTFOLIO ANALYSIS

Portfolio of 4 Land Appraisals for Fillmore Capital Partners
 Portfolio of 4 Maryland and Virginia Hotels for Ladder Capital
 Portfolio of 23 Extended-Stay Hotels for Blackstone
 Portfolio of 10 Full-Service Hotels for Windsor Capital Group
 Portfolio of 9 Graduate Hotels for Blackstone Group
 Portfolio of 4 for Natixis Real Estate Capital

ALABAMA

Autograph Hotel, Birmingham
 Empire Hotel Autograph Collection, Birmingham
 Proposed Autograph Collection, Birmingham
 Ramada Inn, Birmingham
 Proposed Hilton Garden Inn, Anniston
 Proposed Hotel, Auburn
 Clarion Hotel, Birmingham
 Hilton, Birmingham
 Proposed Hotel, Conway
 Proposed Hampton Inn & Suites, Fairhope
 Proposed Hilton Garden Inn, Foley
 Proposed Home2Suites by Hilton, Fultondale
 Proposed Embassy Suites, Hoover
 Holiday Inn, Mobile
 Homewood Suites by Hilton, Mobile
 Proposed Home2 Suites by Hilton, Mobile
 Courtyard by Marriott, Montgomery
 Fairfield Inn & Suites, Montgomery
 Fairfield Inn & Suites by Marriott Montgomery EastChase, Montgomery

Proposed Limited-Service Hotel, Montgomery
 Proposed Hotel, Montgomery
 Proposed Hilton Garden Inn, Prattville
 Proposed Hotel, Prattville
 Proposed Hotel Indigo, Tuscaloosa
 Value Place, Tuscaloosa

ARIZONA

Proposed Aloft, Glendale
 Holiday Inn Express, Phoenix
 Fairfield Inn, Sierra Vista

ARKANSAS

Fairfield Inn & Suites, Conway
 Proposed Hotel, Conway
 Residence Inn by Marriott, Little Rock

CALIFORNIA

Proposed Hampton Inn & Suites, Lancaster
 Proposed Homewood Suites, Lancaster
 Proposed Element, Palmdale
 Pasadena Inn (Red Lion Conversion), Pasadena
 Proposed SpringHill Suites, Ridgecrest
 Best Western Miramar, San Diego

COLORADO

The Sky Hotel Aspen, Aspen
 The Hotel Telluride, Telluride

CONNECTICUT

Homewood Suites, Farmington

DELAWARE

Proposed Hampton Inn & Suites, Newark

DISTRICT OF COLUMBIA

Willard InterContinental Hotel and Office
 Courtyard Washington Navy Yard

FLORIDA

Holiday Inn Express Bradenton West, Bradenton
 Country Inn & Suites, Cape Canaveral
 Hampton Inn Clearwater Central, Clearwater
 Proposed Fairfield Inn & Suites, Crestview
 Daytona Beach Resort, Daytona Beach
 Fairfield Inn & Suites by Marriott, Delray Beach
 Candlewood Suites, Destin
 Westin, Fort Lauderdale
 Comfort Inn, Gainesville
 Crowne Plaza Hollywood Beach Sian, Hollywood
 Marriott, Hollywood Beach
 Cheeca Lodge & Spa, Islamorada
 Fairfield Inn & Suites by Marriott, Jacksonville
 Holiday Inn Express, Jacksonville
 Proposed Hyatt Place, Jacksonville
 Proposed Residence Inn by Marriott, Jacksonville
 Staybridge Suites, Jacksonville
 Suburban Extended Stay, Jacksonville
 Proposed Woodspring Suites, Kissimmee
 Fairfield Inn & Suites by Marriott, Lake City
 Candlewood Suites, Lake Mary
 Marriott Orlando Lake Mary, Lake Mary
 Homewood Suites, Maitland
 Proposed Hampton Inn & Suites, New Smyrna Beach
 Proposed SpringHill Suites, New Smyrna Beach
 Courtyard by Marriott, Ocala
 Fairfield Inn & Suites by Marriott, Ocala
 Residence Inn by Marriott, Ocala

Great Value Suites, Orlando
 International Plaza Resort, Orlando
 Proposed Limited-Service Hotel,
 Orlando
 Residence Inn by Marriott East UCF,
 Orlando
 Hampton Inn, Ormond Beach
 Proposed Home2 Suites, Pensacola
 Proposed Hotel, Pensacola
 Holiday Inn Express, Port Charlotte
 Sleep Inn, Port Charlotte
 Mainstay Suites, Port Saint Lucie
 Proposed Saba Hotel, Rosemary Beach
 Proposed Hampton Inn Orlando
 Sanford Airport, Sanford
 Proposed Hotel, Sanford
 Proposed Embassy Suites, St.
 Augustine
 Saint Augustine Beachfront Resort, St.
 Augustine
 Proposed Hampton Inn & Suites,
 Sarasota
 Proposed Woodspring Suites, Sarasota
 Proposed Hotel, Sebring
 Holiday Inn, Tallahassee
 Hampton Inn, Tampa
 Sheraton Tampa East, Tampa
 Proposed Hyatt Place, Wesley Chapel
 Proposed SpringHill Suites by
 Marriott, West Melbourne
 Crowne Plaza, West Palm Beach
 Proposed SpringHill Suites, Winter
 Park

GEORGIA

Embassy Suites, Alpharetta
 Proposed Hyatt Place, Athens
 Hilton Atlanta Airport, Atlanta
 Proposed Holiday Inn Downtown
 Atlanta, Atlanta
 Proposed InterContinental Hotels
 Group Hotel, Atlanta
 Proposed Tru by Hilton, Atlanta
 Proposed Hotel Downtown, Atlanta
 Sheraton Gateway Hotel Atlanta
 Airport, Atlanta

W Hotel, Atlanta
 Hampton Inn West, Augusta
 Home2 Suites by Hilton, Augusta
 Holiday Inn, Augusta
 Partridge Inn, Augusta
 Staybridge Suites, Augusta
 Wingate Inn, Augusta
 Embassy Suites, Brunswick
 SpringHill Suites, Buckhead
 Proposed Hotel, Carrollton
 Days Inn, Columbus
 Best Western Plus, Conyers
 Fairfield Inn by Marriott, Cordele
 Holiday Inn Express, Cordele
 Proposed Fairfield Inn & Suites, Dalton
 Proposed Lodge & Villas at Foxhall,
 Douglas County
 Proposed Westin at Foxhall, Douglas
 County
 Proposed Embassy Suites, Duluth
 Proposed Spruill Residence Inn,
 Dunwoody
 Holiday Inn Express, Forsyth
 Holiday Inn, Jekyll Island
 Proposed Limited-Service Hotel,
 LaGrange
 Hilton Garden Inn, Lithonia
 Proposed Hotel & Conference Center,
 Lookout Mountain
 Proposed Staybridge Suites,
 McDonough
 Proposed Tru by Hilton, McDonough
 Fairfield Inn by Marriott, Milledgeville
 Dolce Hotel (Conversion to Crowne
 Plaza), Peachtree City
 Proposed Aloft, Perimeter
 The Lodge & Spa at Callaway Gardens,
 Pine Mountain
 The Brice, Savannah
 Proposed Cambria Suites, Savannah
 Proposed Elm Street Hotels, Savannah
 Proposed Hotel Indigo, Savannah
 Red Roof Inn & Suites, Savannah
 Savannah Suites, Savannah
 Hampton Inn, Thomasville
 Fairfield Inn by Marriott, Warner
 Robins

INDIANA

Hampton Inn, Clarksville

KENTUCKY

Fairfield Inn & Suites by Marriott,
 Ashland
 Proposed Hampton Inn & Suites, Berea
 Holiday Inn, Bowling Green
 Proposed Candlewood Suites, Bowling
 Green
 Embassy Suites Rivercenter, Covington
 Proposed Fairfield Inn & Suites by
 Marriott, Florence
 Comfort Inn, Harlan
 Baymont Inn & Suites, Lexington
 Best Western Regency Inn, Lexington
 Courtyard by Marriott, Lexington
 DoubleTree Guest Suites, Lexington
 Holiday Inn Express, Lexington
 Value Place, Lexington
 Holiday Inn, Louisville
 Holiday Inn, Hurstbourne, Louisville
 Proposed Holiday Inn Express,
 Louisville
 Courtyard by Marriott, Paducah
 Proposed Courtyard by Marriott,
 Somerset

LOUISIANA

Proposed Courtyard by Marriott,
 Houma
 Hampton Inn, Lancaster
 Homewood Suites, Lancaster
 Proposed Hotel Indigo, New Orleans
 Holiday Inn Express Hotel & Suites
 New Orleans Airport South, Saint
 Rose
 Value Place, Shreveport

MAINE

TownePlace Suites, Scarborough
 Holiday Inn, Waterville

MARYLAND

Sheraton Washington North, Beltsville
 Hilton, Columbia
 Proposed Best Western Glo,
 Hagerstown
 Legacy Hotel, Rockville
 Holiday Inn Select, Solomon’s Island

MASSACHUSETTS

Homewood Suites, Billerica
 Seaport Hotel and Parking Garage,
 Boston
 Proposed Hotel at Patriot Place,
 Foxboro
 Clarion Nantasket Beach Resort Hotel
 and Spa, Hull
 TownePlace Suites, Tewksbury

MICHIGAN

Hilton Airport, Kentwood

MINNESOTA

Homewood Suites, Bloomington
 Proposed Westin, Minneapolis
 Proposed Cambria Suites, Rochester

MISSISSIPPI

Value Place, Byram
 Proposed TownePlace Suites, Flowood
 Proposed Embassy Suites, Jackson
 Candlewood Suites, Pearl
 Dancing Rabbit Inn, Philadelphia
 Hampton Inn by Hilton, Richland
 Hilton Garden Inn, Tupelo

MISSOURI

Proposed Indigo Hotel, Kansas City

NEW HAMPSHIRE

Proposed Courtyard, Keene

NEW JERSEY

Proposed Fairfield Inn & Suites,
 Millville
 Proposed Aloft, Newark
 Proposed Sheraton, Newark
 Proposed TRYP Wyndham, Newark
 Proposed Holiday Inn Express, West
 Long Branch

NEW MEXICO

TownePlace Suites, Farmington

NEW YORK

Land, Bronx
 Proposed Harbor Center Marriott
 Hotel, Buffalo
 Holiday Inn JFK (Hilton conversion),
 Jamaica
 Proposed Courtyard by Marriott, New
 York City
 Proposed Ludlow Hotel, New York City
 Proposed Hyatt Place, Riverhead
 Land, Ronkonkoma
 Sheraton, Smithtown

NORTH CAROLINA

Sleep Inn & Suites, Albemarle
 Brookstone Lodge, Asheville
 Clarion Inn Airport, Asheville
 Crowne Plaza, Asheville
 Days Inn, Asheville
 DoubleTree by Hilton Biltmore,
 Asheville
 Fairfield Inn & Suites South Biltmore,
 Asheville
 Four Points, Asheville
 Hilton Biltmore Park, Asheville
 Holiday Inn Airport, Asheville
 Hotel Indigo, Asheville
 Princess Anne Hotel, Asheville

Proposed Embassy Suites by Hilton
 Asheville Downtown, Asheville
 Proposed Holiday Inn, Asheville
 Proposed Homewood Suites, Asheville
 Proposed Hotel, Asheville
 Proposed Hotel – Biltmore Estate,
 Asheville
 Proposed Lodge at Biltmore Estate,
 Asheville
 Ramada, Asheville
 Red Roof Inn, Asheville
 Renaissance, Asheville
 SpringHill Suites by Marriott, Asheville
 Proposed Tweetsie Railroad Hotel,
 Blowing Rock
 Best Western Blue Ridge Plaza, Boone
 Country Inn & Suites by Carlson,
 Boone
 Hampton Inn, Boone
 Holiday Inn Express, Boone
 Quality Inn & Suites University, Boone
 Proposed Radisson Blu, Brights Creek
 Proposed Hilton Garden Inn, Carolina
 Beach
 Embassy Suites Raleigh - Durham
 Research Triangle East, Cary
 Hampton Inn Raleigh, Cary
 The Ballantyne Hotel, Charlotte
 Courtyard by Marriott Charlotte
 Arrowwood, Charlotte
 Courtyard by Marriott Charlotte Billy
 Graham Parkway, Charlotte
 Courtyard by Marriott Charlotte City
 Center, Charlotte
 Econo Lodge, Charlotte
 Embassy Suites Ayrley, Charlotte
 Four Points by Sheraton, Charlotte
 Hampton Inn, Charlotte
 Hilton Charlotte University Place,
 Charlotte
 Home2 Suites by Hilton Charlotte
 Uptown, Charlotte
 Marriott Charlotte SouthPark,
 Charlotte
 Proposed Best Western, Charlotte
 Proposed Courtyard/Residence Inn
 Dual-Branded Hotel, Charlotte

Proposed SpringHill Suites by Marriott, Charlotte
 Renaissance, Charlotte
 Sheraton Charlotte Airport, Charlotte
 SpringHill Suites Charlotte Airport, Charlotte
 Sun Suites of Charlotte-Matthews, Charlotte
 Holiday Inn Express, Clemmons
 Majors Estate, Clyde
 Great Wolf Lodge, Concord
 Hampton Inn & Suites, Concord
 Holiday Inn Express, Dillsboro
 Candlewood Suites, Durham
 Marriott Research Triangle Park, Durham
 Proposed Full-Service, Durham
 Proposed Hilton Garden Inn, Durham
 Proposed Hotel, Durham
 Comfort Inn, Fayetteville
 DoubleTree, Fayetteville
 Proposed Select-Service Hotel, Fayetteville
 Proposed Tru by Hilton, Fayetteville
 Suburban Extended Stay, Fayetteville
 Fairfield Inn by Marriott Asheville Airport, Fletcher
 Proposed Boutique Hotel, Gastonia
 Comfort Suites Airport, Greensboro
 Holiday Inn Airport, Greensboro
 Marriott, Greensboro
 Proposed TownePlace Suites by Marriott, Greensboro
 Proposed Westin, Greensboro
 Proposed Wyndham, Greensboro
 Studio 6, Greensboro
 Suburban Extended Stay, Greensboro
 Red Roof Inn, Greenville
 Quality Inn & Suites, Hickory
 Red Roof Inn, Hickory
 Hawthorn Suites, Huntersville
 Proposed Hotel, Huntersville
 Home Towne Suites, Kannapolis
 Sea Ranch Hotel, Kill Devil Hills
 Comfort Inn, Lumberton
 Country Inn & Suites, Lumberton
 Fairfield Inn by Marriott, Lumberton

Proposed Fairfield Inn by Marriott, Maggie Valley
 Proposed Sonesta Resort/Land Impact Study, Mill Spring
 Proposed Hotel, Mills River
 Quality Inn & Suites, Monroe
 Wingate Inn, Mooresville
 Candlewood Suites, New Bern
 Hampton Inn, New Bern
 SpringHill Suites by Marriott, New Bern
 Comfort Suites, Pineville
 Hampton Inn & Suites, Pineville
 Hilton Garden Inn, Pineville
 Hampton Inn, Pisgah Forest
 Candlewood Suites Crabtree, Raleigh
 Car Wash, Raleigh
 Courtyard by Marriott North Raleigh, Raleigh
 Courtyard by Marriott North Triangle Town Center, Raleigh
 Embassy Suites Crabtree, Raleigh
 Holiday Inn Raleigh Downtown, Raleigh
 Homewood Suites, Raleigh
 Proposed Aloft, Raleigh
 Proposed Boutique Hotel, Raleigh
 Proposed Downtown Hotel, Raleigh
 Proposed Element, Raleigh
 Proposed Marriott, Raleigh
 Proposed Summerfield Suites, Raleigh
 Renaissance Hotel, Raleigh
 Sheraton, Raleigh
 Wingate Inn, Raleigh
 Candlewood Suites, Rocky Mount
 Proposed Fairfield Inn by Marriott, Rocky Mount
 Proposed Home2 Suites by Hilton, Sailsbury
 Hampton Inn, Shelby
 Residence Inn by Marriott, Southern Pines
 Wingate by Wyndham, Southport
 Holiday Inn Express & Suites, Statesville
 Masters Inn, Statesville
 Comfort Inn, Sylva

Homewood Suites by Hilton Mayfaire, Wilmington
 Proposed Hotel Indigo, Wilmington
 Suburban Extended Stay, Wilmington
 Full-Service Restaurant, Winston-Salem
 Hilton Garden Inn, Winston-Salem
 Home2 Suites by Hilton Hanes Mall, Winston-Salem
 SpringHill Suites by Marriott Hanes Mall, Winston-Salem

NEVADA

Embassy Suites Convention Center, Las Vegas

NORTH DAKOTA

Proposed Extended-Stay Hotel, Minot

OHIO

Hampton Inn, Akron
 Fairfield Inn, Austintown
 Marriott Airport, Cleveland
 Embassy Suites Columbus Dublin, Dublin
 Quality Inn, Durant
 Proposed Courtyard by Marriott, Grove City
 Embassy Suites Cleveland Rockside, Independence
 Hampton Inn, Kent
 Proposed Courtyard by Marriott, Stow

OKLAHOMA

Quality Inn, Durant
 Renaissance, Tulsa

PENNSYLVANIA

Wyndham, Harrisburg
 Proposed Candlewood Suites, Hazelton
 Le Meridien, Philadelphia

Courtyard by Marriott Shadyside,
Pittsburgh
Proposed Staybridge Suites,
Royersford

SOUTH CAROLINA

Home Towne Suites, Anderson
Proposed Courtyard by Marriott,
Cayce
Francis Marion Hotel, Charleston
Hilton Garden Inn Waterfront,
Charleston
Proposed Hilton Garden Inn,
Charleston
Proposed Hotel, Charleston
Baymont Inn & Suites, Columbia
Hyatt Place, Columbia
Marriott, Columbia
Proposed Aloft, Columbia
Proposed Sheraton, Columbia
Ramada Inn, Columbia
Proposed Comfort Suites, Duncan
Value Place, Elgin
Proposed Staybridge Suites, Florence
Motel 6 Charlotte Carowinds, Fort Mill
Embassy Suites, Greenville
Hilton, Greenville
InTown Suites Greenville North,
Greenville
InTown Suites Greenville South,
Greenville
Proposed Hilton Garden Inn,
Greenville
Savannah Suites, Greenville
Westin Poinsett, Greenville
Proposed Hampton by Hilton,
Hardeeville
Hilton Head Marriott Resort & Spa,
Hilton Head Island
Holiday Inn, Mount Pleasant
Aqua Beach Inn, Myrtle Beach
Crown Reef Resort, Myrtle Beach
Holiday Inn Express, Myrtle Beach
Springmaid Beach Resort, Myrtle
Beach
Sun N Sand Resort, Myrtle Beach

Quality Inn, North Charleston
Proposed Home2 Suites, Orangeburg
Courtyard by Marriott, Rock Hill
Hilton Garden Inn, Rock Hill
Proposed Embassy Suites, Rock Hill
Marriott Spartanburg at Renaissance
Park, Spartanburg
Motel 6, Spartanburg
Proposed Courtyard, Summerville
Proposed Residence Inn, Summerville
Holiday Inn Oceanfront, Surfside
Beach

TENNESSEE

Homewood Suites, Brentwood
Embassy Suites Chattanooga Hamilton
Place, Chattanooga
Fairfield Inn & Suites, Chattanooga
Residence Inn by Marriott,
Chattanooga
Sheraton Read House, Chattanooga
Staybridge Suites, Chattanooga
TownePlace Suites by Marriott,
Chattanooga
DoubleTree by Hilton, Johnson City
Proposed Fairfield Inn & Suites,
Johnson City
Red Roof Inn, Johnson City
Fitness Center, Knoxville
Hilton Hotel, Knoxville
Marriott, Knoxville
Proposed Extended-Stay Hotel –
Farragut Hotel, Knoxville
Red Roof Inn Knoxville West, Knoxville
Guest House at Graceland, Memphis
Holiday Inn Select, Memphis
Staybridge Suites Poplar Avenue East,
Memphis
Wyndham Garden, Memphis
Homewood Suites Brentwood,
Nashville
Proposed Hotel, Nashville
Rodeway Inn, Pigeon Forge

TEXAS

Days Inn, Amarillo
Super 8 University, Austin
Homewood Suites Market Center,
Dallas
La Quinta Inn El Paso Cielo Vista, El
Paso
Holiday Inn Express, Frisco
Proposed Hilton Garden Inn, Frisco
Proposed Courtyard by Marriott,
Galveston
Hampton Inn Medical Center, Houston
Hilton Garden Inn Northwest, Houston
Wyndham DFW Airport North, Irving
Proposed Hotel, Lubbock
Proposed Focused-Service, New
Braunfels
Staybridge Suites Austin Round Rock,
Round Rock
Quality Inn & Suites, San Antonio
Holiday Inn Express, Waxahachie
Proposed Fairfield Inn & Suites,
Westover Hill

UTAH

Capitol Reef Resort, Torrey

VIRGINIA

Hilton Garden Inn, Arlington
Proposed Hampton Inn, Bedford
Proposed Boutique Hotel, Bristol
Proposed Sessions Hotel, Bristol
Quality Inn & Suites, Bristol
Courtyard by Marriott, Charlottesville
Proposed Beacon Hotel, Charlottesville
Aloft Hotel, Chesapeake
InTown Suites
Chesapeake/Greenbrier, Chesapeake
Residence Inn by Marriott, Chesapeake
AmeriSuites (Hyatt Place Conversion),
Chester
Riverview Inn, Colonial Beach
Hampton Inn Petersburg Southpark
Mall, Colonial Heights
Holiday Inn Petersburg North Fort Lee,
Colonial Heights

Best Western, Exmore
 Candlewood Suites Washington
 Fairfax, Fairfax
 Candlewood Suites Richmond West
 End Short Pump, Glen Allen
 SpringHill Suites by Marriott
 Richmond VA Center, Glen Allen
 Country Inn & Suites, Hampton
 Embassy Suites, Hampton
 Suburban Extended Stay, Hampton
 Candlewood Suites Washington Dulles
 Herndon, Herndon
 Proposed Hyatt Place, Herndon
 Proposed Sheraton, Herndon
 Comfort Inn Gunston Corner, Lorton
 Holiday Inn & Suites, Newport News
 Omni, Newport News
 Proposed Courtyard by Marriott,
 Newport News
 Proposed Residence Inn, Newport
 News
 Courtyard by Marriott, Norfolk
 Hilton Norfolk The Main, Norfolk
 SpringHill Suites by Marriott, Norfolk
 Country Inn & Suites, Richmond
 Holiday Inn Richmond South-Bells
 Road, Richmond
 Proposed Hyatt Place, Richmond
 Suburban Extended Stay, Richmond
 Proposed Hotel, Salem
 Candlewood Suites Washington Dulles
 Sterling, Sterling
 Suburban Extended Stay, Sterling
 Cavalier Hotel, Virginia Beach
 Proposed Hotel, Virginia Beach
 Fairfield Inn & Suites by Marriott,
 Williamsburg
 The Inn at Wise, Wise

WEST VIRGINIA

Comfort Inn West Cross Lanes,
 Charleston
 Comfort Inn, Cross Lanes
 Proposed Ascend Collection,
 Morgantown

WISCONSIN

Proposed Aloft, Green Bay
 Crowne Plaza, Madison
 Marriott, Madison
 Proposed Staybridge Suites,
 Milwaukee

WYOMING

Lodge at Jackson Hole, Jackson
 Rustic Inn, Jackson

INTERNATIONAL

Mexico

Proposed Thompson Hotel, Los
 Veneros

Jamaica

Proposed Resort