

Development Driven by Data

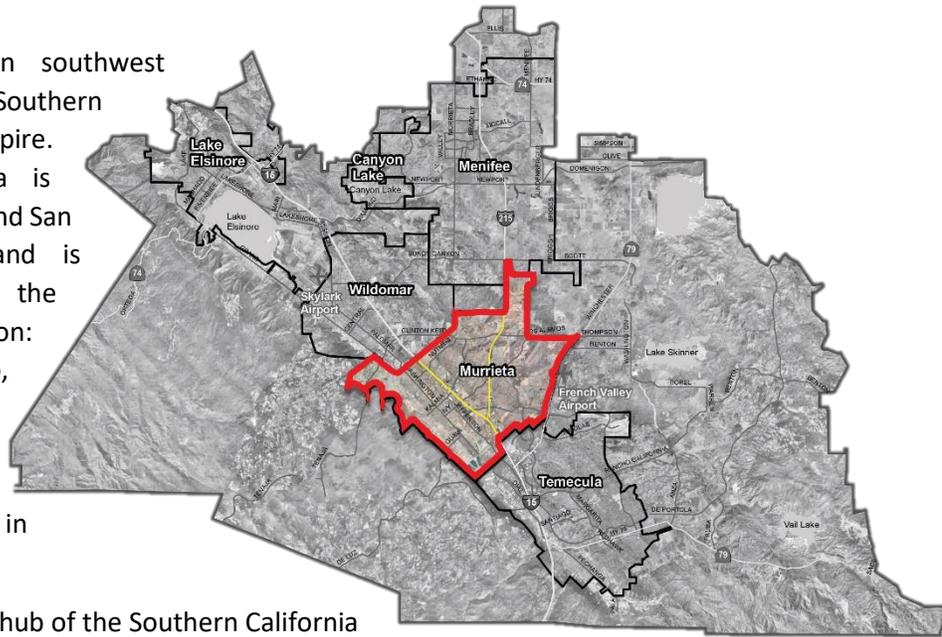
City of Murrieta Hotel Market Study

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Overview

Murrieta is located in southwest Riverside County in Southern California's Inland Empire. The metropolitan area is comprised of Riverside and San Bernardino counties and is comprised of some of the oldest cities in the region: Ontario, San Bernardino, Redland and Riverside. Murrieta, which incorporated in 1991 is one of the newer cities in Riverside County.



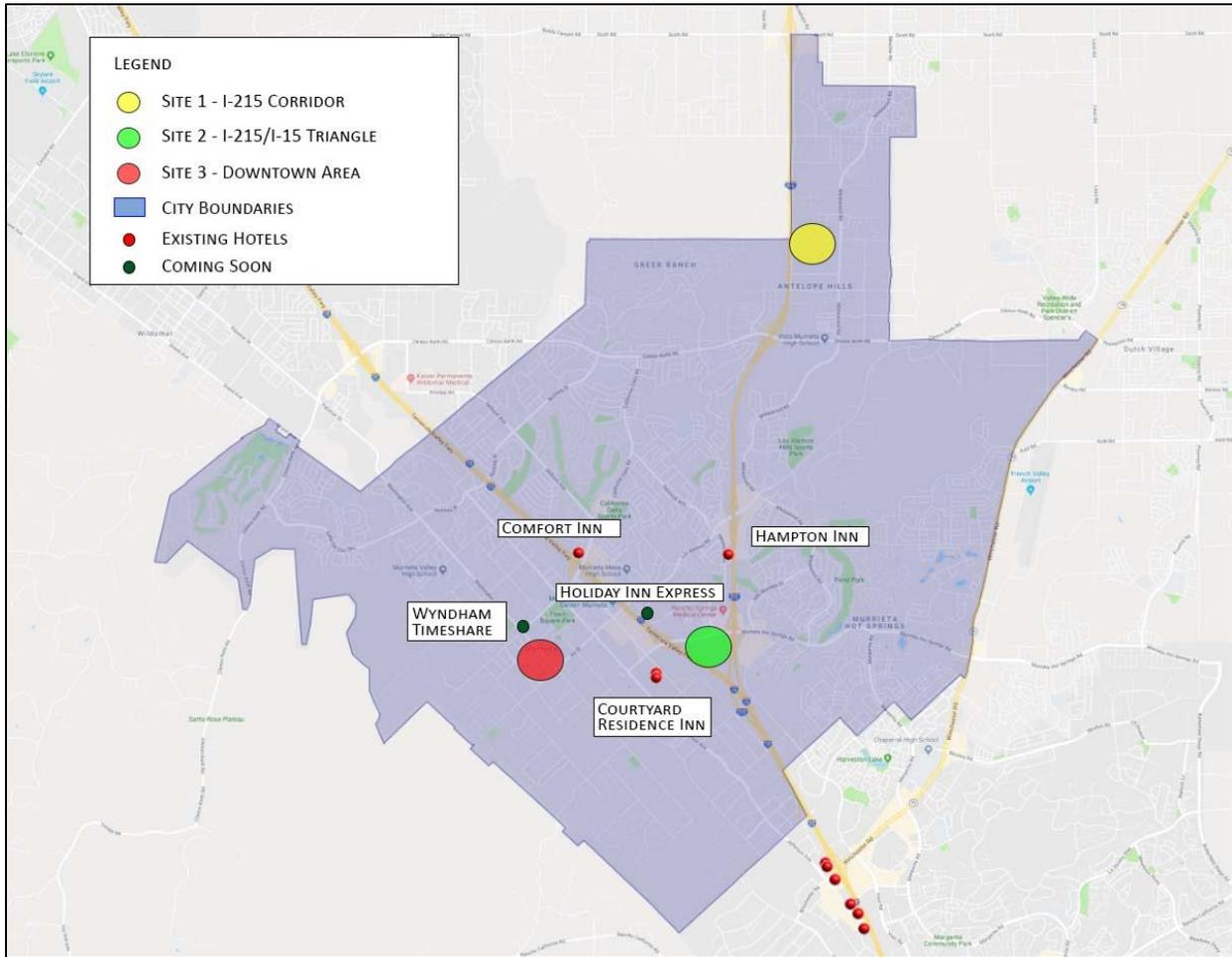
The Inland Empire is the hub of the Southern California Global Gateway. It is a major transportation hub for both rail and truck service, is home to the Ontario International Airport (a UPS hub specifically for service to Asia), and is a major distribution area for firms moving goods throughout the Nation. Additionally, the Inland Empire continues to lead Southern California in job growth and is estimated to add about 46,600 jobs in 2019, for a 3.3 percent annual growth.

Murrieta is approximately 65 miles north of San Diego, 55 miles southwest of Orange County and 80 miles southeast of Los Angeles. Interstate 15 and 215 join together in Murrieta's southern region with the I-15 running north and south through its western region and the I-215 also running north and south through the eastern regions of the city. Murrieta is just north of Temecula and within a 15-minute drive of the area's wineries, breweries, Lake Skinner and Pechanga Resort & Casino. The City is a part of the Temecula/Murrieta submarket of the Inland Empire and in addition to leisure tourism, corporate demand generators have increased in the years following the recession. The submarket has emerged as a healthcare hub for the Inland Empire with the 2011 opening of the Loma Linda University Medical Center, Phase I of an 825,000 square foot Kaiser facility has been completed and Rady Children's Hospital (based in San Diego) 62,000 square foot pediatrics healthcare facility.

In addition to healthcare, the submarket has seen solid growth in the technology and manufacturing industries. As of the 4th quarter of 2018, the industrial vacancy rate in Southwest Riverside County was 5.4 percent and office vacancy was 6.4 percent, according to CoStar Analytics. As a whole the high number of commercial and retail developments which have entered the local market reflects the existing confidence businesses have in the region. In recognition of these trends, the Temecula/Murrieta submarket is well positioned to attract additional residential, commercial and hospitality development growth and will likely present significant opportunities for future developers and business owners in the area.

Project Area Description

The following three areas within the City of Murrieta have been identified as potential attraction sites for hotel development. According to CBRE Hotels, overall the submarket has exhibited steady growth as healthy economic conditions have boosted leisure visitor numbers in the region. Additional site studies and analysis should be conducted by a developer to ensure profitability of a specific site, including a comprehensive development proforma.





Proposed Hotel Site 1 – I-215 Corridor

The northern I-215 corridor is home to Murrieta’s emerging and rapidly expanding medical-healthcare hub, with the Loma Linda University Medical Center and new Kaiser Permanente Medical Center situated along the I-215. A Hampton Inn & Suites hotel is located near this site. However, with the pending increase in development of medical-healthcare facilities, the proposed site area could support the development of an extended stay hotel. The site will provide great visibility for hotel development(s) along the I-215 for north and southbound travelers as well as for those traveling along Whitewood Rd. and Antelope Rd. The site would be accessed along Whitewood Rd and possible Antelope Rd from the Clinton Keith Rd exit.

Proposed Hotel Site 2 – I-215/I-15 Triangle

The Triangle Area consists of a 64-acre property that is situated between the I-15, I-215 and Murrieta Hot Springs Road. The property is owned by the Domenigoni family and provides a dynamic location with superior freeway visibility. It is envisioned to include office, retail, hospitality, entertainment and restaurant uses. The site will provide great visibility for hotel development(s) for those traveling north and south along the I-215 and I-15 freeways. The site would be accessed along Murrieta Hot Springs Rd.



Proposed Hotel Site 3 – Downtown Murrieta

Downtown Murrieta consists of some of the oldest historically significant buildings in the area. Today it consists of many popular restaurants and retail shops. An application has been submitted to the City for a new Wyndham Time Share in the Downtown area. Downtown Murrieta would be a good location for additional hotel development. The site would not have visibility from the I-15 freeway but would aesthetically and visually stand out in the downtown and would be easily accessible via numerous access points including Jefferson Rd. and Kalmia St.



Market Profile – Southwest Riverside County

The Temecula/Murrieta submarket is characterized by numerous leisure amenities, from adventure sports to wineries to casinos. Coupled with a growing labor force that is becoming increasingly diversified, a continued growth in the region is expected. While the popularity of the region as a tourist location continues to grow, the effects will be felt across the region and a number of industry sectors.

Approximately 3 million tourists that spend just about \$700 million annually are already coming to the Temecula/Murrieta Valley area. The majority are wine tourists visiting the regions 40+ wineries. Wineries continue to open, with the land and zoning in place to accommodate up to 100+ wineries, which will in turn ensure long term growth of wine tourist. Visitors to the submarket are seeking one or more experiences including:

- **Winery Experiences** – 40+ wineries now, growing to 100+, with several currently in the planning and development stages
- **Gambling Experience** – Pechanga Casino & Resort – voted the #1 casino in the US by USA Today in 2015 and remains in the Top 10 beating out many casinos in both Las Vegas and Atlantic City.
- **Golf Experience** – the most golf courses per capita of any submarket in the Inland Empire.
- **Nature Experience** – Hiking, biking, rock climbing and extreme sports; several hundred miles of trails and nature preserves

Conference & Business Travelers

The Temecula/Murrieta Valley submarket has a corporate market that continues to grow each year. Please note, as reported by the Temecula Valley Visitors & Convention Bureau, there is a consistent and substantial excess of unmet demand for business and conference attendees within the submarket. In March 2018, Pechanga completed a massive \$300 million resort expansion that included an additional 68,000 square feet of meeting and event space bringing the total to more than 200,000 square feet of flexible indoor and outdoor meeting space. Local corporate meeting planners are competing for this space along with Pechanga's ever-growing entertainment and daily events. The submarket includes the corporate headquarters for Abbott Labs, Loma Linda Hospital Network, American Merchant Association, EMD Millipore, Professional Hospital Supply, and other businesses that do not have access to suitable properties to hold their business conferences and special events, as well as host their corporate travelers.

Retail

Retail vacancies have compressed to 6.2 percent since peaking at nearly 10 percent during the recession. One of the major factors driving the submarket demand in 2018 was elevated activity at the Hemet Towne Center, where over 160,000 square feet was leased. Stater Bros. leased 45,000 square feet in the Shoppes at the Lakes Center in Menifee and Tractor Supply Co. leased 22,000 square feet in Temecula. Significant leasing activity has occurred in the recent year in Menifee, Murrieta and Temecula. The largest transaction over the last year and a half was the sale of the Murrieta Town Center in Murrieta by JADE Enterprises in the last quarter of 2017. The roughly 320,000 square foot shopping center is anchored by Burlington Coat Factory, Ross, Marshalls, and Rite Aid. The 11-property shopping center was purchased U.S. Realty Partners Inc. and has frontage along the Interstate 215 freeway and close proximity to the on/off ramps at Murrieta Hot Springs Road.

Residential

Southwest Riverside County offers residents something that no other Inland Empire submarket can: a reasonable commute to San Diego. While top submarkets like Greater Ontario/Rancho Cucamonga and Riverside/Corona offer access to job centers in Los Angeles and Orange County, residents here can drive to San Diego in about an hour from Temecula and Murrieta. This is especially important for the increasing number of people who are being priced out of the San Diego metro area. Residents also have plenty of employment options if they want to stay inside the submarket. In Murrieta, for instance, most jobs are in professional, education and health care related fields. Two of the largest employers are Southwest Healthcare Systems and Murrieta Valley School District.



Office

The Southwest Riverside County Submarket encompasses Perris, Murrieta, Menifee and Temecula, with most of the properties exceeding 50,000 square feet located along I-15 in Murrieta and Temecula. Strong demand has compressed the vacancy rate and kept it well below the submarket's historical average, even as more supply has delivered to the Southwest region than any other Inland Empire submarket since 2010.

The area consists primarily of local serving businesses; demand is dominated by tenants who need to be located close to the

communities they serve, such as health care providers and government agencies. Medical service providers are prevalent in the submarket and are major office users. Abbott Vascular remains one of the largest tenants—even after more than 100 workers were reportedly laid off in early 2016. Demand has been robust throughout this cycle, and the submarket has been one of the few in the Inland Empire to add a substantial amount of new supply. The vacancy rate has fallen from over 20 percent at the peak of the downturn in 2008 to 6.4 percent during the last quarter of 2018. The submarket's downtown areas (Downtown Temecula and Downtown Murrieta) presently lack the mix of housing and office space for traditional retailers that has helped some downtowns in coastal communities prosper. One of the rare, mixed-use buildings with office space is The Truax Building in Downtown Temecula.

Southwest Riverside County Key Industries

Historically the center of economic development for Southwest Riverside County has been the Temecula Valley, and specifically the “Twin Cities” of Temecula and Murrieta. The valley has been a crossroads for travelers since the days of the Butterfield Express Routes and the Mormon Bridge due in part to its mild Mediterranean climate, rolling hills, scenic views and clean fresh air.



While residential growth has dominated development in the past three decades, economic growth as of late, is made up of a mixture of retail, industrial and office development all dedicated to job generation and diversification of the economy. Educational resources are extremely important for companies in the high-tech sector, whether they are starting up, expanding or relocating. One of the key objectives for the region is to

bring higher educational facilities to the area which will subsequently bring more employment opportunities and higher paying jobs. The region is really building up a system of correlated businesses in the areas of medical-device manufacturing, electronics, bio-science, defense technology, and advanced manufacturing.

The Temecula/Murrieta Valley submarket has emerged as a healthcare hub for the Inland Empire with the 2011 opening of the Loma Linda University Medical Center. The Loma Linda hospital is comprised of 109 beds, with Phase II expansion discussions already underway for additional towers on the remainder of the campus. In 2017, the City of Murrieta approved the development of Phase I of an 825,000 square foot Kaiser facility with the medical office building (MOB) already completed and the full hospital campus to be completed in 2023 within the North Murrieta’s Technology Corridor. Additionally, Rady Children’s Hospital (based in San Diego) has acquired land in Murrieta with the intention to develop the first phase of a 62,000 square foot pediatrics healthcare facility.

In addition to healthcare, the region has seen growth in the technology and manufacturing industries. As of the end of 2018, the industrial vacancy rate in Southwest Riverside County was 5.4 percent, according to the CoStar’s analytics. This represents a slight increase over the 4.6 percent experienced at the end of 2017. As a whole, the high number of commercial and retail developments which have entered the local market reflects the existing confidence businesses have in the region. In light of these trends, the submarket is positioned to attract additional residential and commercial growth and will likely present significant opportunities for future developers and business owners in the Murrieta area.



Economic Drivers

Travel is a significant economic driver in California and specifically in Southwest Riverside County. According to the 2018 study on the Temecula/Murrieta Regional Visitor Impact (Dean Runyan Associates 2018) total direct travel related spending in the region was \$724 million in 2017 which represented a 2.5 percent increase over 2016. Additionally, visitor spending by those staying overnight in hotels in the region exceeded \$440 million. Visitors to the region also spent nearly \$90 million on food and beverages, as well as spending \$78 million on retail and more than \$270 million on entertainment and recreational activities.

Overall, the Temecula/Murrieta Valley submarket has exhibited steady growth as healthy economic conditions have boosted leisure visitor numbers in the area. A popular weekend getaway highlighted by local wineries and vineyards, the strength of the submarket in recent times bodes well for the greater Inland Empire in the near future. The annual hotel supply in the submarket increased by 17.1 percent by the end of 2018 and given the location and positioning of the additions to supply along with the historically strong performance of the market as well, CBRE estimates that once audited we will see a 13.0 percent increase in occupied rooms during 2018. This will result in a decline in market occupancy to 78.9 percent as the market deals with the inclusion of the new supply in available hotels rooms. In total, there are 492,020 available hotel and motel rooms in the Temecula/Murrieta Valley submarket. Meanwhile, CBRE believes that Average Daily Rate per room will finish in 2018 at \$128.01.

Sports Tourism

There are several classifications of sports tourism, but generally it refers to travel which involves either observing or participating in sporting events while staying apart from tourists' usual environment. Sports tourism is a fast-growing sector of the global travel industry and equates to nearly \$7.6 billion. With an assortment of quality facilities and entertainment, sports events in Murrieta often double as participants vacations. The potential economic impact in sports tourism often provides benefits well beyond the weekend increase in activity a tournament brings.

Medical Office/Hospitals

In 2012, Murrieta opened its technology business incubator, attracting several major healthcare, technology, retail, and hospitality firms to the area. Southwest Healthcare Systems and Loma Linda University Medical Center are both ranked in the top 5 largest employers of Murrieta, supplying nearly 1,500 jobs and providing first-rate healthcare to residents throughout Southwest Riverside. Furthermore, Kaiser Permanente is in the process of developing a master-planned 37 acres in the North Murrieta Business Corridor, recently completing Phase I, an 825,000 square foot hospital with future plans to buildout multiple phases over the next 25 years.

HealthSouth Rehabilitation Hospital of Murrieta

Project Size – 68,000 Square Feet

Services – 80 Bed Rehabilitation Hospital

The project will be developed in two phases. Phase 1 will be approximately 55,000 square feet and contain 50 beds. Phase 2 will add up to approximately 13,000 square feet and 30 additional beds. The hospital will operate 24 hours a day, seven days a week as an acute inpatient rehabilitation hospital.



Kaiser Hospital Murrieta

Project Size – 37-acre campus

Services – Inpatient and outpatient services

Phase one of the site, an 80,000 square foot medical office building with up to five phases planned over the next 25 years, including a 254-bed in-patient hospital, additional hospital support space, and diagnostic/treatment facilities. This site will be in addition to existing Kaiser medical offices in Wildomar and Temecula, which will increase services in the Temecula/Murrieta Valley



Rady Children's Hospital

Project Size – 62,500 Square Feet

Services – 15 Specialty Clinics

The pediatric services include primary care, subspecialty care, and developmental services. Additionally, available at this location is the Alexa's PLAYC (Playful Learning Academy for Young Children) an early education program that is designed to integrate early education for typically developing children and children with autism spectrum disorder, providing young children with enriched learning experiences.



Loma Linda University Health & VA Clinic

LLU Project Size – 253,000 Square Feet

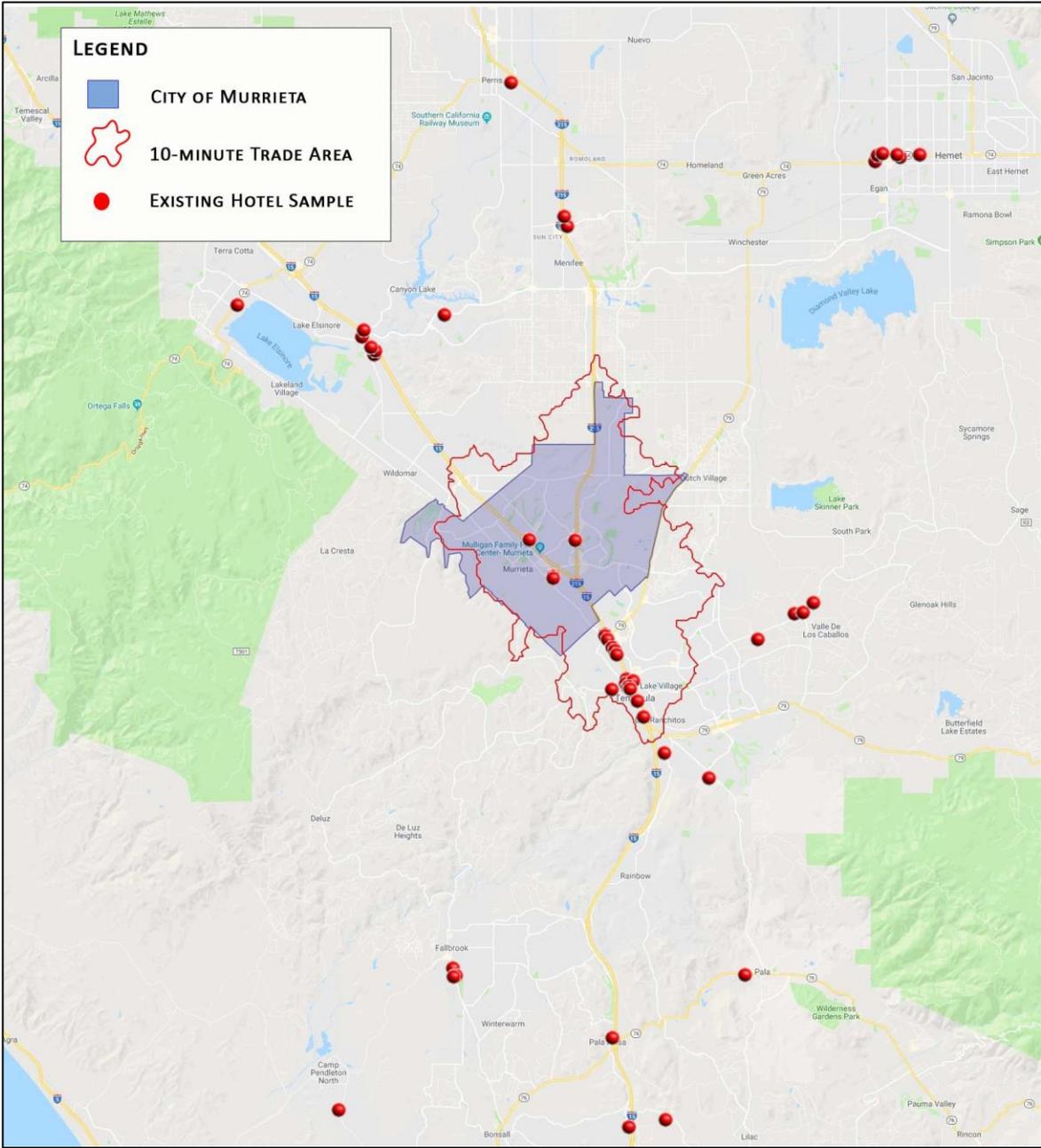
VA Project Size – 270,000 Square Feet

LLU Services – Short-term Acute Care

A 106-bed, state-of-the-art, 5-story hospital on a 36-acre greenfield site. The hospital features inpatient services, med/surgery, 5 LDR beds, ICU, administrative services, support services and diagnostic and treatment.

VA Services – 270-bed facility that in addition to offering general medical services, provides behavioral medicine, trauma recovery, oncology and post traumatic stress disorder services in addition to other specialized services for U.S. Veterans.





Map of Sampling of Existing Hotels

Submarket Hotel Inventory – STR Regional Sample

The below list is a representative sampling of available hotels (5,080 hotel/motel rooms) within the Temecula/Murrieta Valley submarket and by no means is representative of all submarket hotels, with product types in five class categories (Economy, Independent, Midscale, Upper Midscale and Upscale).

Class	Name	City	Rooms	Date Opened
Economy	Extended Stay America Temecula Wine Country	Temecula	107	Apr 2002
Economy	Motel 6 Temecula Historic Downtown	Temecula	136	Oct 1988
Economy	Rodeway Inn Downtown Temecula	Temecula	39	Jun 1998
Economy	Econo Lodge Lake Elsinore Casino	Lake Elsinore	91	Jun 1968
Economy	Rodeway Inn & Suites Canyon Lake	Canyon Lake	34	Jun 1975
Economy	Motel 6 Menifee	Menifee	59	Apr 1995
Economy	Americas Best Value Inn Sun City	Sun City	52	Unknown
Economy	Econo Lodge Inn & Suites Fallbrook Downtown	Fallbrook	36	Jun 1990
Economy	Rodeway Inn Fallbrook	Fallbrook	50	Jun 1975
Economy	Motel 6 Hemet	Hemet	96	Jun 1985
Economy	Travelodge Hemet	Hemet	74	Jun 1978
Independent	Rancho California Inn	Temecula	24	Apr 2013
Independent	Temecula Creek Inn	Temecula	127	Jun 1969
Independent	Inn at Churon Winery	Temecula	24	Nov 2001
Independent	Travel Inn	Lake Elsinore	60	Sep 1989
Independent	Carter Estate Winery & Resort	Temecula	60	May 2015
Independent	Pechanga Resort & Casino	Temecula	1090	Jun 2002
Independent	South Coast Winery Resort & Spa	Temecula	132	May 2004
Independent	Ponte Vineyard Inn	Temecula	60	May 2012
Independent	Lake Park Resort	Lake Elsinore	27	Jun 1945
Independent	Fallbrook Country Inn	Fallbrook	28	Jun 1979
Independent	Pala Mesa Resort	Fallbrook	130	Jun 1962
Independent	Pala Casino Spa Resort	Pala	507	Apr 2003
Independent	California Budget Motel	Hemet	40	Jun 1973
Independent	Zosa Gardens Inn	Escondido	15	Unknown
Independent	Inns of the Corps Pendleton Ward Lodge	Camp Pendleton	87	Jun 1989
Independent	Coach Light Motel	Hemet	32	Unknown
Midscale	Quality Inn Temecula Valley Wine Country	Temecula	73	Sep 1989
Midscale	La Quinta Inn & Suites Temecula	Temecula	56	Mar 2008
Midscale	Best Western County Inn	Temecula	74	Jan 1987
Midscale	Ramada Temecula Downtown	Temecula	70	Nov 1989
Midscale	Quality Inn Lake Elsinore I-15	Lake Elsinore	56	Jun 1992
Midscale	Quality Inn Fallbrook I-15	Fallbrook	41	Jun 1987
Midscale	Red Lion Inn & Suites Perris	Perris	105	Jul 1993
Upper Midscale	Comfort Inn & Suites Murrieta Temecula	Murrieta	66	Sep 2003
Upper Midscale	Hampton Inn Murrieta	Murrieta	106	Jun 2017
Upper Midscale	Fairfield Inn & Suites Temecula	Temecula	94	Mar 2007
Upper Midscale	Holiday Inn Express Temecula	Temecula	90	Jun 1999
Upper Midscale	Home2 Suites by Hilton Temecula	Temecula	120	Unknown
Upper Midscale	Hampton Inn Temecula Valley Wine Country	Temecula	98	Jun 2004
Upper Midscale	Embassy Suites by Hilton Temecula Valley	Temecula	176	Jun 1990
Upper Midscale	Best Western Plus Temecula Wine Country	Temecula	60	Oct 2018
Upper Midscale	Best Western Plus Lake Elsinore Inn & Suites	Lake Elsinore	71	Jun 2007
Upper Midscale	Holiday Inn Express & Suites Lake Elsinore	Lake Elsinore	73	Sep 2008
Upper Midscale	Hampton Inn Hemet	Hemet	84	Oct 2005
Upper Midscale	Best Western Plus Diamond Valley Inn	Hemet	66	May 1989
Upscale	Residence Inn Temecula Murrieta	Murrieta	101	Nov 2015
Upscale	Courtyard Temecula Murrieta	Murrieta	183	Dec 2017

Total

5,080

Report of Hotel Rooms by Location (Inland Empire Region)

The Temecula/Murrieta submarket is one of the strongest market areas for hotels in the Inland Empire region.

Region	Average Daily Rate		Occupancy		Revenue per Available Room	
	2018	2017	2018	2017	2018	2017
Inland Empire (Entire Region)	\$116.86	\$112.73	75.7%	76.1%	\$88.47	\$85.84
Ontario/Rancho Cucamonga Submarket	\$114.00	\$109.61	72.7%	73.3%	\$82.90	\$80.31
Corona/Riverside/San Bernardino Submarket	\$116.55	\$112.61	77.7%	77.7%	\$90.53	\$87.52
Temecula/Murrieta Submarket	\$128.01	\$125.13	78.9%	81.7%	\$100.97	\$102.27

Source: CBRE Hotels, STR (Smith Travel Research)

Hotel Development Valuations

Below is the estimated building valuation for the proposed hotel sites in Murrieta. The valuation is based on market information derived from various sources including commercial real estate professionals as well as the commercial development community.

Projected Property Valuation			
Site Location	Hotel Class	Cost Per Room	Total Building Cost
Site 1 – Downtown Area	Upper Midscale (80 rooms)	\$140,000	\$11,200,000
Site 2 – I-215/I-15	Upscale (100 rooms)	\$175,000	\$17,500,000
Site 3 – I-215 Corridor	Upscale (100 rooms)	\$175,000	\$17,500,000

Revenue Projections

Property Tax

Projected Property Valuation – City's Share of the 1% Property Tax is 9.965%			
Site Location	Hotel Class	Total Building Cost	Total Annual Property Tax
Site 1 – Downtown	Upper Midscale (80 rooms)	\$11,200,000	\$11,161
Site 2 – I-215/I-15	Upscale (100 rooms)	\$17,500,000	\$17,439
Site 3 – I-215 Corridor	Upscale (100 rooms)	\$17,500,000	\$17,439

The City share of the 1% tax rate in the represented tax rate areas (TRA's) is 9.965%. Revenues aren't directly allocated per these shares, but this will provide a reasonable estimate of the 9.965% portion of the 1% revenue that will find its way to the City of Murrieta. For clarification, each parcel is assigned to a specific tax rate area which contains the taxing authority for each rate area as established by the State, as well as the tax rates for each authority.

Transient Occupancy Tax

Hotel Revenue – Transient Occupancy Tax - 10%				
Site Location	Occupancy	Average Daily Rate	Annual Revenue	Annual TOT Revenue
Site 1 – Downtown	78%	\$128	\$2,915,328	\$291,533
Site 2 – I-215/I-15	78%	\$135	\$3,843,450	\$384,345
Site 3 – I-215 Corridor	78%	\$135	\$3,843,450	\$384,345

Please note ADR for Upscale hotel types is increased by 5 percent to account for higher rates at these hotel types. Additionally, 78% occupancy was used based on the Temecula/Murrieta Valley Submarket 2018 Occupancy average as stated above.

Combined Revenue Projections for the City of Murrieta

Projected Combined Annual Revenue (TOT and Property Tax)			
Site Location	TOT Revenue	Property Tax Revenue	Combined Revenue Total
Site 1 – Downtown	\$291,533	\$11,161	\$302,694
Site 2 – I-215/I-15	\$384,345	\$17,439	\$401,784
Site 3 – I-215 Corridor	\$384,345	\$17,439	\$401,784

Economic Impacts

Hotels are considered an important economic component to any community. In some cases, cities and municipalities will offer incentives in order to stimulate hotel development. These incentives can be in the form of fee reductions, revenue sharing, favorable land leases, or assistance with financing. Prior to establishing incentives for hotel development, a city or municipality should ensure that they have reviewed the developers/hoteliers economic impact study to estimate the economic benefits that results from the development, along with an assessment of a project proforma and the need for financial assistance. This assessment should evaluate the economic benefits of the initial investment, both in the short term and over the long-term. Often times, the need to help subsidize a new hotel project is in the first three years of operation until a hotel reaches stabilized occupancy. The economic impact to local and regional economies from hotel development is typically separated into four categories: direct, fiscal, indirect, and induced.

Direct Impact

Direct impact includes all projected revenues that will be generated from consumers at the new hotel. This will include all room revenues, food and beverage revenues from restaurants and banqueting, as well as other potential revenue sources such as a spa or parking. Direct impact also includes total payroll paid out to employees hired at the hotel as well as all payroll paid out to temporary construction workers who construct the hotel.

Fiscal Impact

Fiscal impact refers to all federal, state, and local taxes that will be collected from the development and operations of the new hotel. Taxes include all sales taxes collected in association with the hotel generated revenues, as well as all payroll related taxes collected from full-time hotel employees and temporary construction workers. Local governments will also collect new property taxes from the operation of the hotel. Most local governments will also collect revenues through lodging taxes called a transient occupancy tax.

Indirect Impact

In addition to local governments and hotel owners/employees, the contractors and suppliers to a newly developed hotel will also benefit. Indirect impact includes all jobs and income generated by businesses that supply goods and services to the hotel. Examples of businesses that will indirectly benefit from the development of a hotel include suppliers of rooms related goods (housekeeping supplies, room amenities, etc.), telecommunication vendors (internet, cable, etc.), utility companies, food and beverage suppliers, and other hotel related vendors.

Induced Impact

Induced impact refers to economic effects generated when employees (full-time and temporary) and suppliers re-spend their wages on local consumer purchases. For example, an employee may purchase gas for their car or get something to eat on their way home from work.

Calculation of Impact

In most cases, direct and fiscal impacts can be calculated with relative confidence and accuracy. A hotel pro-forma will calculate the revenues in direct impact, while full-time and temporary payroll projections can be calculated from the preparation of staffing schedules combined with knowledge of local wages.

Indirect and induced impact, on the other hand involves a certain degree of subjectivity. While expenditures of goods and services can be estimated, it is more challenging to accurately calculate how much of those expenditures will be generated from contractors and suppliers from the local area. Induced impact, which results from the re-spending of wages on local consumer products, is also difficult to estimate. Several factors and methodologies including the size and economic diversity of the regional economy, multipliers typically range between 1.1 to 2 of total direct impacts.

A hotel's impact to the local community is often more than just job creation and additional tax revenue. When all economic considerations are accounted for, the calculation of total direct, fiscal, indirect and induced impact can provide local government agencies a more universal understanding of a potential new hotel's impact.

Overall Considerations

The following provides some of the strengths and challenges to consider with new hotel development in the Murrieta area.

Strengths

- Proximity to major transportation corridors including I-15 and I-215 with access to San Diego, Orange and Los Angeles Counties.
- Burgeoning and rapidly expanding wine area with approximately 42 active wineries and expectations to grow to over 100.
- Murrieta has emerged as a healthcare and technology hub.
- Recent hotels in Murrieta have performed well upon opening.
- Transformation of Old-Town Murrieta underway
- Sports Tourism is a growing industry in the Murrieta area

Challenges

- Lack of a vibrant central core/business area.
- Shortage of upscale hotel supply/rooms in the Temecula/Murrieta Valley submarket.
- Conversion of day-visitors into overnight guest is still challenging as the submarket is primarily a drive-in market

Please note - the competitive supply that has been used to provide occupancies for 2018 (which is the base year used to provide projections throughout the report) does not include Pechanga Resort (which does not provide data) and only includes Temecula/Murrieta Valley submarket hotels that report to STR. There will be an increase in supply from 2018's 492,020 rooms to include new hotels slated for development in 2019 and 2020 which include (but not limited to) the Hilton Garden Inn and Staybridge Suites in Temecula as well as 12 Oaks Winery, Truax Hotel, Europa Village Expansion, as well as the projects in Murrieta including the Holiday Inn Express, and Wyndham Timeshares. While it is anticipated that there will be a slight drop-in occupancy to account for new hotel room supply, there is room for significant additional rate growth as new higher quality hotels enter the market as well as new supply in general within the submarket in its entirety.

The City should work to identify its area core assets including access to wineries in the region as a measure for developer and hospitality industry attraction. The City needs to work on identifying those uses that are not solely dependent on drive-in consumers.

Conclusions

What makes some hotels more successful than others? The selection of a site, market area, demand drivers, brand, and management team are important to the success of a hotel property. However, the reasons that hotels are built are as varied as the people that make these decisions. The best reason to build a hotel is very simple, one is needed. What are some of the most important factors that must be considered in the development of a hotel, which ultimately leads to a hotels' finance-ability, profitability, and long-term success? In looking at regional case studies of those owners, developers and hospitality teams that have consistently outperformed the market with their acquisition or development projects, below are some of those factors:

Proximity to Demand Generators

The hotel industry has traditionally focused on location as the most important success factor. Despite some changes in the industry, location is still important. A hotel location on a little-used highway is not likely to do very well, even if it offers superior service and amenities. Travelers used to take it for granted that hotel service would vary significantly depending on location, but this is no longer the case. Quality hotel service is important.

Proximity to Retail & Pedestrian Friendly Linkages

It is important to note that proximity to retail and pedestrian-friendly vibrant neighborhood or district alone will not guarantee the success of a hotel project. However, today's travelers, whether for business or leisure, is often looking to experience more of the area near the hotel. This is where proximity to retail, restaurants, bars, or transportation-oriented development adds value to a hotel development opportunity. Most hotels do not have full scale restaurants. Increasingly, successful hotel developments are being included in mixed-use communities that include retail, restaurant, office, healthcare-medical, and residential uses. The inconvenience of either renting a car or using a driver service to simply go to a restaurant will often eliminate a hotel from being selected by travelers. While larger, dense urban cities have a built-in advantage in respect to a typical hotel's proximity to other venues and attractions, this becomes increasingly important in less-dense urban areas where the car is still king.

The Perfect Business Mix

Following a hotel's proximity to demand generators and its location near amenities in a desirable neighborhood, is the perfect business mix. This "perfect" business mix will be different and will vary by each market. Properties that are too dependent on one source of demand have a higher risk of being affected or completely collapsing if that source of demand disappears. Having a good business mix for the specific region will assist with leveling occupancies year-round rather than having fluctuated uncontrolled occupancies.

Fully Understanding Supply Dynamics

Supply changes are often overlooked in the acquisition or development process. Besides the possibility of a main demand generator leaving the market, nothing can affect the future

performance of a hotel more than unexpected changes in the supply dynamics. Hotel markets are always changing, and this may include future hotels closing (unlikely, but a possible) as well as future hotels opening (highly likely). The impact that this new supply will have will depend on its competitive weight and the size of the market.

Recommendations

Based on economic drivers, market growth and market demand, along with site considerations for the three possible locations for new hotels, there is significant market demand for at least one and very likely two new hotels in Murrieta in the near-term (1 to 2 years). In the mid-term (3 to 5 years) another hotel will be needed as the trade area continues to grow and demand increases.

It is recommended that the number one location for a new hotel in Murrieta is along the I-215 corridor along the Medical-Healthcare/Tech corridor. An extended stay hotel concept (Townplace Suites by Marriott, Homewood Suites by Hilton, Home 2 Suites by IHG Hyatt Place, Staybridge Suites by IHG, Candlewood Suites by IHG and Cambria Suites could be good fits) makes sense for this corridor. Additionally, another hotel should be considered for Downtown Murrieta or possibly with the masterplan for the development of the 64-acre Triangle property.

STR Chain Scale

 <h2 style="margin: 0;">STR Chain Scales – North America and Caribbean</h2>				
<p>Luxury</p> <ul style="list-style-type: none"> 21c Museum Hotels AKA Andaz Belmond Conrad Dorchester Collection Edition Fairmont Four Seasons Grand Hyatt InterContinental JW Marriott Langham Loews Luxury Collection Mandarin Oriental Montage Palace Resorts Park Hyatt Ritz-Carlton RockResorts Rosewood Sixty Hotels Sofitel St Regis Taj The Peninsula Thompson Hotels Trump Hotel Collection Valencia Group Viceroy W Hotel Waldorf Astoria 	<ul style="list-style-type: none"> Hyatt Regency Joie De Vivre Kimpton Le Meridien Magnolia Hotel Marriott Marriott Conference Center Millennium Omni Outrigger Pan Pacific Hotel Group Pestana Pullman Radisson Blu Renaissance Sheraton Starhotels Swissotel Tribute Portfolio Warwick Hotels Westin Wyndham 	<ul style="list-style-type: none"> Hotel Indigo Hyatt House Hyatt Place Larkspur Landing Legacy Vacation Club Melia Miyako Hotels Novotel NYLO Hotel Prince Hotel Radisson Residence Inn Room Mate Shell Vacations Club Sonesta Hotel Springhill Suites Staybridge Suites Stoney Creek Vacation Condos by Outrigger 	<ul style="list-style-type: none"> OHANA Oxford Suites Park Inn Phoenix Inn Ramada Plaza Red Lion Hotels Silver Cloud Sonesta ES Suites Tryp by Wyndham TownePlace Suites Westmark Wyndham Garden Hotel Xanterra 	<p>Economy</p> <ul style="list-style-type: none"> Affordable Suites of America America's Best Inn America's Best Value Inn Budget Host Budget Suites of America Budgetel Country Hearth Inn Crestwood Suites Crossland Suites Days Inn Econo Lodge Extended Stay America E-Z 8 Family Inns of America Good Nite Inn GuestHouse Inn Home-Towne Suites Howard Johnson InTown Suites Jameson Inn Key West Inn Knights Inn Lite Hotels Masters Inn Microtel Inn & Suites by Wyndham Motel 6 National 9 Passport Inn Pear Tree Inn Red Carpet Inn Red Roof Inn Rodeway Inn Savannah Suites Scottish Inn Select Inn Studio 6 Suburban Extended Stay Sun Suites Hotels Super 8 Travelodge Value Place WoodSpring Suites
<p>Upper Upscale</p> <ul style="list-style-type: none"> Ace Hotel Affinia Autograph Collection Club Quarters Curio Collection Delta Dolce Embassy Suites Gaylord Hard Rock Hilton Hyatt Hyatt Centric 	<p>Upscale</p> <ul style="list-style-type: none"> AC Hotels by Marriott aloft Hotel Ascend Collection Aston Hotel Best Western Premier Cambria Suites Canad Inn CitizenM Hotels Club Med Coast Hotels & Resorts USA Courtyard Crowne Plaza Disney Hotels Double Tree element EVEN Hotels Four Points Graduate Hotels Grand America Great Wolf Lodge Hilton Garden Inn Homewood Suites 	<p>Upper Midscale</p> <ul style="list-style-type: none"> Ayres Aqua Hotels Best Western Plus Boarders Inn & Suites Centerstone Hotels Chase Suites Clarion Cobblestone Comfort Inn Comfort Suites Country Inn & Suites Doubletree Club Drury Inn Drury Inn & Suites Drury Plaza Hotel Drury Suites Fairfield Inn Golden Tulip Hampton Inn Hampton Inn & Suites Holiday Inn Holiday Inn Express Home2 Suites by Hilton Isle of Capri Lexington MOXY 	<p>Midscale</p> <ul style="list-style-type: none"> 3 Palms Hotels & Resorts A Victory Hotels AmericInn Baymont Inn & Suites Best Western Candlewood Suites ClubHouse Crossings by GrandStay Crystal Inn FairBridge Inn GrandStay Residential Suites Hawthorn Suites by Wyndham InnSuites Hotel Lakeview Distinctive Hotels La Quinta Inn & Suites MainStay Suites Oak Tree Inn Quality Inn Ramada Red Lion Inn & Suites Settle Inn Shilo Inn Sleep Inn Vagabond Inn Vista Wingate by Wyndham Yotel 	