FEASIBILITY STUDY

Proposed Select-Service Hotel

Murrieta, California

SUBMITTED TO:

Mr. Scott Agajanian
City of Murrieta Economic Development Department
1 Town Square
Murrieta, California 92562

+1 (951) 461-6003

PREPARED BY:

HVS Consulting & Valuation
Division of TS Worldwide, LLC
8430 Santa Monica Boulevard, Suite 200
West Hollywood, California 90069

+1 (310) 270-3240

May 12, 2022

Mr. Scott Agajanian
City of Murrieta Economic Development Department
1 Town Square
Murrieta, California 92562

HVS LOS ANGELES

8430 Santa Monica Boulevard, Suite 200

West Hollywood, California 90069

+1 (310) 270-3240

+1 (415) 896-0516 FAX

www.hvs.com

Re: Proposed Select-Service Hotel
Murrieta, California
HVS Reference: 2022020581

Dear Mr. Agajanian:

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

We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

Sincerely,
TS Worldwide, LLC

Marcus R. Lee, Director
mlee@hvs.com, +1 (310) 614-9945
State Appraiser License (CA) 3006899

Luigi Major, MAI, Managing Director
lmajor@hvs.com, +1 (310) 270-3240
State Appraiser License (CA) 3005056

Superior results through unrivaled hospitality intelligence. Everywhere.

Table of Contents

SECTION	TITLE	PAGE
1.	Executive Summary	4
2.	Description of the Site and Neighborhood	17
3.	Market Area Analysis	27
4.	Supply and Demand Analysis	46
5.	Description of the Proposed Improvements	69
6.	Projection of Occupancy and Average Rate	79
7.	Projection of Income and Expense	85
8.	Feasibility Analysis	94
9.	Statement of Assumptions and Limiting Conditions	107
10.	Certification	110

Addenda

Qualifications

Copy of Appraisal License(s)

1. Executive Summary

Subject of the Feasibility Study

The City of Murrieta represents an opportunity for potential hotel investors. HVS is conducting this study to determine the feasibility of developing a hotel in Murrieta.

Based on our analysis, we recommend that the proposed subject hotel operate as an upscale, select-service property. For the purposes of this study, we anticipate the hotel will open on January 1, 2025, will feature 120 rooms, and amenities typical of a select-service hotel such as a lobby bar and lounge, 3,000 square feet of meeting space, an outdoor pool and whirlpool, a fitness room, a lobby workstation, a market pantry, a guest laundry room, and an outdoor patio and fire pit. The hotel should also contain the appropriate parking capacity and all necessary back-of-the-house space.

At the time of this study, a particular site had yet to be selected for development; however, the City of Murrieta's Economic Development Office has earmarked several areas and sites primed for development within the city. These sites are privately owned. The City plans to work with a potential developer in facilitating the acquisition of a suitable site for this proposed hotel development. Based on our conversations with representatives of the Economic Development Office, these sites are located adjacent to retail centers and along major thoroughfares. A summary of these potential development sites are illustrated further throughout this report.

Pertinent Dates

The effective date of the report is May 12, 2022. The potential subject sites were inspected by Marcus R. Lee on March 24, 2022 and by Luigi Major, MAI, on April 8, 2022.

Global Considerations

The hospitality industry has been, and continues to be, affected by a variety of external factors that influence both the lodging and the investment markets. The following paragraphs outline the global factors that are the most impactful to the lodging industry as of the effective date of this report.

The COVID-19 pandemic began in early 2020 and has had a significant impact throughout the world and on the respective economies. The onset of the pandemic resulted in decreased business activity, causing widespread economic hardships, including increases in unemployment. The hospitality industry was severely affected, as travel declined sharply and restrictions on group sizes resulted in the cancellations of meetings, conventions, and events. The depth and duration of this impact was influenced by the course of the pandemic and the nature and extent of restrictions on business and travel activity. In most areas, the period of greatest

impact was 2020. With the availability of vaccines and lifting of restrictions, conditions generally improved in 2021, although the Omicron variant slowed the recovery in the latter part of the year. While the emergence of other variants may influence the pace of the recovery, the prevailing market outlook is that the peak impact of the pandemic on the travel industry is behind us. The U.S. economy is recovering, and demand is anticipated to continue to strengthen. Our market research reflects a general expectation that the U.S. lodging market will recover to 2019 levels by 2023/24; the timing and pace of recovery for individual markets will vary based on market-specific characteristics and conditions.

The ongoing Russian invasion of Ukraine and the resulting war has given rise to widespread economic and political uncertainty. In response to the conflict, international travel has declined, with both inbound and outbound traffic dropping sharply. Leisure demand in the United States is expected to remain strong, as concerns about international destinations deter travel, particularly to Europe. Gateway lodging markets are anticipated to experience the largest degree of impact. However, the greatest economic impact is likely to result from the sanctions imposed by the United States and other countries on Russia and the resulting increase in energy prices and other costs of goods. Furthermore, logistical limitations on exports from Ukraine may also affect the global supply chain and prices. These conditions are expected to remain in place until the conflict is resolved and/or sanctions are lifted, or the degree of uncertainty diminishes.

Exacerbated by rising oil and natural gas prices in the wake of the Russia-Ukraine conflict, the inflationary trends that first emerged during the pandemic have continued. Driven by supply-chain disruptions and pent-up consumer demand during the pandemic, prices for most goods and services are increasing. Higher fuel costs may affect both vehicle and air travel costs, which could in turn impact travel and lodging demand. As of the current date, inflation levels are expected to remain elevated in the near term. Over the longer term, inflation is anticipated to moderate back to more normalized levels once supply disruptions resolve and as consumer spending and investment slow following interest-rate hikes.

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

Ownership, Franchise, and Management Assumptions

At the time of this study, a particular site had yet to be selected for development; however, the City of Murrieta's Economic Development Office has earmarked several areas and sites primed for development within the city. These sites are privately owned. The City plans to work with a potential developer in facilitating the

acquisition of a suitable site for this proposed hotel development. Based on our conversations with representatives of the Economic Development Office, these sites are located adjacent to retail centers and along major thoroughfares. A summary of these potential development sites is provided throughout this report.

We assume that the proposed hotel will be managed by a professional hotel-operating company, with fees deducted at rates consistent with current market standards. Our projections reflect a total management fee of 3.0% of total revenues.

We recommend that the proposed subject hotel operate as an upscale, select-service property. Accordingly, we have assumed a market-average franchise fee for a national, select-service hotel affiliation throughout the forecast period.

The following tables presents typical national brands available within the select-service chain scale as well as typical franchise costs associated with the individual affiliations. ***The bold and italicized*** brands are presently represented in Murrieta or under development.

FIGURE 1-1 SELECT-SERVICE BRANDS

	Marriott	Hilton	InterContinental Hotel Group	Choice Hotels	Hyatt
Select-Service	AC Hotels by Marriott Aloft Moxy ***Courtyard by Marriott*** SpringHill Suites by Marriott	Hilton Garden Inn	Hotel Indigo EVEN Hotels	***Cambria Hotels***	Hyatt Place

FIGURE 1-2 SUMMARY OF FRANCHISE FEE OPTIONS

Franchise Name	Rooms	Marketing	Total
AC Hotels by Marriott	5.50%	2.50%	8.00%
Aloft	5.50%	3.15%	8.65%
Moxy	5.50%	3.75%	9.25%
SpringHill Suites by Marriott	5.50%	2.50%	8.00%
Hilton Garden Inn	5.50%	4.00%	9.50%
EVEN Hotels	5.00%	3.50%	8.50%
Hotel Indigo	6.00%	2.50%	8.50%
Hyatt Place	5.00%	3.50%	8.50%

Summary of Hotel Market Trends

Prior to 2020, both occupancy and ADR generally followed a strengthening trend, with RevPAR increasing year-over-year from 2010 through 2017 despite new supply from 2015 through 2017. This improvement in market conditions was driven largely by the heightened popularity of Temecula's wine region following the recession, with local wineries and resorts attracting wedding groups and leisure travelers. Area festivals, such as the Temecula Valley Balloon & Wine Festival and the Temecula Art & Street Painting Festival, also continued to gain exposure. Furthermore, the Temecula Valley was becoming a more affordable weekend getaway for regional residents when compared with some of the more expensive resort destinations along the Pacific Coast. Occupancy remained relatively stable in 2017, before declining in 2018 due to the openings of the Hampton by Hilton and Courtyard by Marriott in 2017, as well as the addition of 568 rooms at the Pachanga Resort Casino in March 2018. ADR also declined in 2018. Although demand increased in 2019, occupancy and ADR remained relatively flat as supply growth kept pace with demand growth.

In March 2020, the COVID-19 pandemic began to affect the local market, similar to the rest of the nation, resulting in stay-at-home orders, group cancellations, and decreased business travel; thus, occupancy declined significantly in 2020. As much of the demand remaining was lower rated in nature, ADR declined in 2020, as well. General improvement has been registered since the low point that year. By year-end 2021, occupancy had recovered a substantial portion of its 2020 losses, gaining traction in the latter half of the year after the wide distribution of vaccines. Furthermore, by year-end 2021, ADR surpassed 2019 levels by approximately $18. Year-to-date data through March 2022 reflects a continuation of this recovery trend. While the pandemic will continue to affect business and larger-scale groups to some degree in the near term, the overall outlook is optimistic given the dynamics of this market, the return to office operations, and the increase in group demand.

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

FIGURE 1-3 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	755	275,498	—	160,851	—	58.4 %	$115.83	—	$67.63	—
2010	844	308,060	11.8 %	188,735	17.3 %	61.3	109.31	(5.6) %	66.97	(1.0) %
2011	844	308,060	0.0	208,636	10.5	67.7	110.62	1.2	74.92	11.9
2012	844	307,907	(0.0)	215,038	3.1	69.8	114.47	3.5	79.95	6.7
2013	843	307,695	(0.1)	222,926	3.7	72.5	116.63	1.9	84.50	5.7
2014	843	307,695	0.0	235,167	5.5	76.4	121.66	4.3	92.98	10.0
2015	860	313,856	2.0	250,190	6.4	79.7	126.98	4.4	101.22	8.9
2016	944	344,560	9.8	271,167	8.4	78.7	132.26	4.2	104.09	2.8
2017	1,022	373,162	8.3	295,048	8.8	79.1	135.58	2.5	107.20	3.0
2018	1,248	455,471	22.1	338,828	14.8	74.4	130.27	(3.9)	96.91	(9.6)
2019	1,401	511,190	12.2	381,927	12.7	74.7	130.71	0.3	97.66	0.8
2020	1,468	535,708	4.8	288,115	(24.6)	53.8	115.18	(11.9)	61.95	(36.6)
2021	1,718	627,143	17.1	438,808	52.3	70.0	148.95	29.3	104.22	68.2
Year-to-Date Through March										
2021	1,658	149,194	—	92,472	—	62.0 %	$114.51	—	$70.97	—
2022	1,773	159,554	6.9 %	96,667	4.5 %	60.6	153.82	34.3 %	93.19	31.3 %
Average Annual Compounded Change:										
2009 – 2019			6.4 %		9.0 %			1.2 %		3.7 %
2009 – 2020			6.2		5.4			(0.1)		(0.8)

Hotels Included in Sample	Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
Residence Inn Temecula Murrieta	Upscale Class	*Secondary*	101	Nov 2015	Nov 2015
Holiday Inn Express & Suites Murrieta - Temecula	Upper Midscale Class	*Primary*	105	Dec 2019	Dec 2019
Comfort Inn & Suites Murrieta Temecula Wine Country	Upper Midscale Class	*Primary*	66	Sep 2003	Sep 2003
Courtyard Temecula Murrieta	Upscale Class	*Primary*	183	Jun 2020	Dec 2017
Hampton by Hilton Inn & Suites Murrietta Temecula	Upper Midscale Class	*Primary*	106	Jun 2017	Jun 2017
Fairfield Inn & Suites Menifee	Upper Midscale Class	*Secondary*	99	Oct 2020	Oct 2020
Best Western Plus Temecula Wine Country Hotel & Suites	Upper Midscale Class	*Secondary*	60	Oct 2018	Oct 2018
Home2 Suites by Hilton Temecula	Upper Midscale Class	*Secondary*	120	Mar 2019	Mar 2019
Hilton Garden Inn Temecula	Upscale Class	*Secondary*	104	Mar 2022	Mar 2022
SpringHill Suites Temecula Valley Wine Country	Upscale Class	*Secondary*	134	May 2020	Sep 2009
La Quinta Inns & Suites Temecula	Upper Midscale Class	*Secondary*	56	Mar 2008	Mar 2008
Fairfield Inn & Suites Temecula	Upper Midscale Class	*Secondary*	94	Mar 2007	Mar 2007
Hampton by Hilton Inn & SuitesTemecula	Upper Midscale Class	*Secondary*	98	Jun 2004	Jun 2004
Holiday Inn Express Temecula	Upper Midscale Class	*Secondary*	90	Jun 2003	Jun 1999
Staybridge Suites Temecula - Wine Country	Upscale Class	*Secondary*	124	Mar 2021	Mar 2021
Embassy Suites by Hilton Temecula Valley Wine Country	Upper Upscale Class	*Secondary*	176	Jul 1993	Jun 1990
Temecula Creek Inn	Luxury Class	*Secondary*	125	Jul 2020	Jun 1969
		Total	**2,710**		

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 1-4 PRIMARY COMPETITORS – OPERATING PERFORMANCE

		Est. Segmentation			Estimated 2019				Estimated 2021					
Property	**Number of Rooms**	***Commercial***	***Leisure***	***Group***	**Weighted Annual Room Count**	**Occ.**	**Average Rate**	**RevPAR**	**Weighted Annual Room Count**	**Occ.**	**Average Rate**	**RevPAR**	**Occupancy Penetration**	**Yield Penetration**
Courtyard by Marriott Temecula Murrieta	183	40 %	50 %	10 %	183	65 - 70 %	$120 - $125	$80 - $85	183	55 - 60 %	$150 - $160	$85 - $90	80 - 85 %	80 - 85 %
Hampton by Hilton Murrieta Temecula	106	40	55	5	106	65 - 70	125 - 130	85 - 90	106	75 - 80	140 - 150	110 - 115	110 - 120	110 - 120
Holiday Inn Express & Suites Murrieta Temecula	105	40	55	5	9	1 - 5	120 - 125	5 - 10	105	60 - 65	130 - 140	85 - 90	85 - 90	80 - 85
Comfort Inn & Suites Temecula Wine Country	66	40	55	5	66	75 - 80	115 - 120	85 - 90	66	70 - 75	120 - 125	90 - 95	100 - 110	85 - 90
Sub-Totals/Averages	**460**	**40 %**	**53 %**	**7 %**	**364**	**68.9 %**	**$123.33**	**$84.91**	**460**	**66.4 %**	**$140.52**	**$93**	**95 %**	**90.1 %**
Secondary Competitors	1,277	45 %	45 %	10 %	813	76.8 %	$132.70	$101.88	986	71.5 %	$151.58	$108	102 %	104.6 %
Totals/Averages	**1,737**	**44 %**	**47 %**	**9 %**	**1,177**	**74.3 %**	**$130.02**	**$96.63**	**1,446**	**69.9 %**	**$148.23**	**$104**	**100 %**	**100.0 %**

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

FIGURE 1-5 SECONDARY COMPETITORS – OPERATING PERFORMANCE

		Est. Segmentation				Estimated 2019				Estimated 2021			
Property	Number of Rooms	Commercial	Leisure	Group	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Hampton by Hilton Temecula	98	40 %	55 %	5 %	80 %	78	75 - 80 %	$130 - $140	$100 - $105	78	70 - 75 %	$160 - $170	$115 - $120
Fairfield by Marriott Temecula	94	40	55	5	80	75	60 - 65	115 - 120	70 - 75	75	60 - 65	130 - 140	80 - 85
Holiday Inn Express Temecula	90	40	55	5	80	72	80 - 85	105 - 110	85 - 90	72	75 - 80	120 - 125	90 - 95
Best Western Plus Temecula Wine Country Hotel & Suites	60	40	55	5	80	48	70 - 75	110 - 115	75 - 80	48	70 - 75	110 - 115	75 - 80
La Quinta Inn & Suites Temecula	56	40	55	5	80	45	75 - 80	125 - 130	100 - 105	45	70 - 75	110 - 115	80 - 85
SpringHill Suites by Marriott Temecula Valley Wine Country	134	40	50	10	80	107	75 - 80	125 - 130	95 - 100	107	70 - 75	140 - 150	110 - 115
Residence Inn by Marriott Temecula Murrieta	101	60	30	10	80	81	75 - 80	150 - 160	120 - 125	81	75 - 80	170 - 180	130 - 140
Home2 Suites by Hilton Temecula	120	60	30	10	80	80	70 - 75	115 - 120	85 - 90	96	75 - 80	150 - 160	115 - 120
Staybridge Suites Temecula - Wine Country	124	60	30	10	80	Not Open				83	65 - 70	160 - 170	115 - 120
Embassy Suites Temecula Valley Wine Country	176	50	35	15	75	132	85 - 90	140 - 150	125 - 130	132	65 - 70	170 - 180	115 - 120
Temecula Creek Inn	125	35	50	15	75	94	65 - 70	160 - 170	105 - 110	94	55 - 60	190 - 200	115 - 120
Fairfield by Marriott Menifee	99	40	55	5	75	Not Open				74	65 - 70	130 - 140	90 - 95
Totals/Averages	**1,277**	**45 %**	**45 %**	**10 %**	**78 %**	**813**	**76.8 %**	**$132.70**	**$101.88**	**986**	**71.5 %**	**$151.58**	**$108.37**

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

Summary of Forecast Occupancy and Average Rate

Based on our analysis presented in the Projection of Occupancy and Average Rate chapter, we have chosen to use a stabilized occupancy level of 77% and a base-year rate position of for the proposed subject hotel. The following table reflects a summary of our proposed subject hotel occupancy and average rate projections.

FIGURE 1-6 FORECAST OF OCCUPANCY AND AVERAGE RATE

Year	Occupancy	Average Rate Before Discount	Discount	Average Rate After Discount
2025	69 %	$185.46	2.0 %	$181.75
2026	73	191.03	1.0	189.12
2027	77	196.76	0.0	196.76

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 1-7 DETAILED FORECAST OF INCOME AND EXPENSE

	2025 (Calendar Year)				2026				Stabilized				2028				2029			
Number of Rooms:	**120**				**120**				**120**				**120**				**120**			
Occupancy:	**69%**				**73%**				**77%**				**77%**				**77%**			
Average Rate:	**$181.75**				**$189.12**				**$196.76**				**$202.66**				**$208.74**			
RevPAR:	**$125.41**				**$138.06**				**$151.50**				**$156.05**				**$160.73**			
Days Open:	**365**				**365**				**365**				**365**				**365**			
Occupied Rooms:	**30,222**	**%Gross**	**PAR**	**POR**	**31,974**	**%Gross**	**PAR**	**POR**	**33,726**	**%Gross**	**PAR**	**POR**	**33,726**	**%Gross**	**PAR**	**POR**	**33,726**	**%Gross**	**PAR**	**POR**
OPERATING REVENUE																				
Rooms	$5,493	88.5 %	$45,775	$181.76	$6,047	88.9 %	$50,392	$189.12	$6,636	89.1 %	$55,300	$196.76	$6,835	89.1 %	$56,958	$202.66	$7,040	89.1 %	$58,667	$208.74
Food	513	8.3	4,277	16.98	551	8.1	4,591	17.23	591	7.9	4,921	17.51	608	7.9	5,069	18.03	626	7.9	5,221	18.58
Beverage	87	1.4	728	2.89	93	1.4	773	2.90	98	1.3	820	2.92	101	1.3	845	3.01	104	1.3	870	3.10
Other Operated Departments	50	0.8	416	1.65	52	0.8	435	1.63	55	0.7	456	1.62	56	0.7	469	1.67	58	0.7	483	1.72
Miscellaneous Income	60	1.0	499	1.98	63	0.9	523	1.96	66	0.9	547	1.95	68	0.9	563	2.00	70	0.9	580	2.06
Total Operating Revenues	6,203	100.0	51,695	205.26	6,806	100.0	56,714	212.85	7,445	100.0	62,043	220.76	7,668	100.0	63,904	227.38	7,899	100.0	65,821	234.20
DEPARTMENTAL EXPENSES *																				
Rooms	1,319	24.0	10,991	43.64	1,388	23.0	11,566	43.41	1,460	22.0	12,166	43.29	1,504	22.0	12,531	44.59	1,549	22.0	12,907	45.92
Food & Beverage	483	80.4	4,026	15.99	506	78.7	4,219	15.84	530	77.0	4,421	15.73	546	77.0	4,553	16.20	563	77.0	4,690	16.69
Other Operated Departments	23	46.0	191	0.76	24	45.5	198	0.74	25	45.0	205	0.73	25	45.0	211	0.75	26	45.0	218	0.77
Total Expenses	1,825	29.4	15,208	60.39	1,918	28.2	15,983	59.99	2,015	27.1	16,791	59.75	2,075	27.1	17,295	61.54	2,138	27.1	17,814	63.38
DEPARTMENTAL INCOME	4,378	70.6	36,487	144.88	4,888	71.8	40,731	152.86	5,430	72.9	45,252	161.01	5,593	72.9	46,609	165.84	5,761	72.9	48,007	170.81
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	584	9.4	4,867	19.32	610	9.0	5,087	19.09	638	8.6	5,318	18.92	657	8.6	5,477	19.49	677	8.6	5,641	20.07
Info & Telecom Systems	64	1.0	534	2.12	67	1.0	558	2.10	70	0.9	584	2.08	72	0.9	601	2.14	74	0.9	619	2.20
Marketing	349	5.6	2,908	11.55	365	5.4	3,040	11.41	381	5.1	3,178	11.31	393	5.1	3,273	11.65	405	5.1	3,371	11.99
Franchise Fee	467	7.5	3,891	15.45	514	7.6	4,283	16.08	564	7.6	4,701	16.72	581	7.6	4,841	17.23	598	7.6	4,987	17.74
Prop. Operations & Maint.	182	2.9	1,519	6.03	214	3.2	1,787	6.71	249	3.3	2,075	7.38	256	3.3	2,137	7.61	264	3.3	2,202	7.83
Utilities	196	3.2	1,632	6.48	205	3.0	1,706	6.40	214	2.9	1,783	6.35	220	2.9	1,837	6.54	227	2.9	1,892	6.73
Total Expenses	1,842	29.6	15,352	60.96	1,975	29.2	16,462	61.78	2,117	28.4	17,638	62.76	2,180	28.4	18,167	64.64	2,245	28.4	18,712	66.58
GROSS OPERATING PROFIT	2,536	41.0	21,135	83.92	2,912	42.6	24,269	91.08	3,314	44.5	27,614	98.25	3,413	44.5	28,442	101.20	3,515	44.5	29,295	104.23
Management Fee	186	3.0	1,551	6.16	204	3.0	1,701	6.39	223	3.0	1,861	6.62	230	3.0	1,917	6.82	237	3.0	1,975	7.03
INCOME BEFORE NON-OPR. INC. & EXP.	2,350	38.0	19,584	77.76	2,708	39.6	22,568	84.70	3,090	41.5	25,753	91.63	3,183	41.5	26,525	94.38	3,278	41.5	27,320	97.21
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	331	5.3	2,757	10.95	337	5.0	2,812	10.56	344	4.6	2,869	10.21	351	4.6	2,926	10.41	358	4.5	2,985	10.62
Insurance	66	1.1	550	2.18	68	1.0	567	2.13	70	0.9	584	2.08	72	0.9	601	2.14	74	0.9	619	2.20
Total Expenses	397	6.4	3,307	13.13	405	6.0	3,379	12.68	414	5.5	3,452	12.28	423	5.5	3,527	12.55	432	5.4	3,604	12.82
EBITDA	1,953	31.6	16,277	64.63	2,303	33.6	19,189	72.02	2,676	36.0	22,301	79.35	2,760	36.0	22,998	81.83	2,846	36.1	23,717	84.39
Reserve for Replacement	124	2.0	1,034	4.11	204	3.0	1,701	6.39	298	4.0	2,482	8.83	307	4.0	2,556	9.10	316	4.0	2,633	9.37
EBITDA LESS RESERVE	$1,829	29.6 %	$15,243	$60.52	$2,098	30.6 %	$17,487	$65.63	$2,378	32.0 %	$19,819	$70.52	$2,453	32.0 %	$20,442	$72.73	$2,530	32.1 %	$21,084	$75.02

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

FIGURE 1-8 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2025		2026		2027		2028		2029		2030		2031		2032		2033		2034	
Number of Rooms:	**120**		**120**		**120**		**120**		**120**		**120**		**120**		**120**		**120**		**120**	
Occupied Rooms:	**30,222**		**31,974**		**33,726**		**33,726**		**33,726**		**33,726**		**33,726**		**33,726**		**33,726**		**33,726**	
Occupancy:	**69%**		**73%**		**77%**		**77%**		**77%**		**77%**		**77%**		**77%**		**77%**		**77%**	
Average Rate:	**$181.75**	**% of**	**$189.12**	**% of**	**$196.76**	**% of**	**$202.66**	**% of**	**$208.74**	**% of**	**$215.00**	**% of**	**$221.45**	**% of**	**$228.10**	**% of**	**$234.94**	**% of**	**$241.99**	**% of**
RevPAR:	**$125.41**	**Gross**	**$138.06**	**Gross**	**$151.50**	**Gross**	**$156.05**	**Gross**	**$160.73**	**Gross**	**$165.55**	**Gross**	**$170.52**	**Gross**	**$175.63**	**Gross**	**$180.90**	**Gross**	**$186.33**	**Gross**
OPERATING REVENUE																				
Rooms	$5,493	88.5 %	$6,047	88.9 %	$6,636	89.1 %	$6,835	89.1 %	$7,040	89.1 %	$7,251	89.1 %	$7,469	89.1 %	$7,693	89.1 %	$7,924	89.1 %	$8,161	89.1 %
Food	513	8.3	551	8.1	591	7.9	608	7.9	626	7.9	645	7.9	665	7.9	685	7.9	705	7.9	726	7.9
Beverage	87	1.4	93	1.4	98	1.3	101	1.3	104	1.3	108	1.3	111	1.3	114	1.3	118	1.3	121	1.3
Other Operated Departments	50	0.8	52	0.8	55	0.7	56	0.7	58	0.7	60	0.7	62	0.7	63	0.7	65	0.7	67	0.7
Miscellaneous Income	60	1.0	63	0.9	66	0.9	68	0.9	70	0.9	72	0.9	74	0.9	76	0.9	78	0.9	81	0.9
Total Operating Revenues	6,203	100.0	6,806	100.0	7,445	100.0	7,668	100.0	7,899	100.0	8,135	100.0	8,380	100.0	8,631	100.0	8,890	100.0	9,156	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	1,319	24.0	1,388	23.0	1,460	22.0	1,504	22.0	1,549	22.0	1,595	22.0	1,643	22.0	1,692	22.0	1,743	22.0	1,795	22.0
Food & Beverage	483	80.4	506	78.7	530	77.0	546	77.0	563	77.0	580	77.0	597	77.0	615	77.0	633	77.0	652	77.0
Other Operated Departments	23	46.0	24	45.5	25	45.0	25	45.0	26	45.0	27	45.0	28	45.0	29	45.0	29	45.0	30	45.0
Total Expenses	1,825	29.4	1,918	28.2	2,015	27.1	2,075	27.1	2,138	27.1	2,202	27.1	2,268	27.1	2,336	27.1	2,406	27.1	2,478	27.1
DEPARTMENTAL INCOME	4,378	70.6	4,888	71.8	5,430	72.9	5,593	72.9	5,761	72.9	5,933	72.9	6,112	72.9	6,295	72.9	6,484	72.9	6,678	72.9
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	584	9.4	610	9.0	638	8.6	657	8.6	677	8.6	697	8.6	718	8.6	740	8.6	762	8.6	785	8.6
Info & Telecom Systems	64	1.0	67	1.0	70	0.9	72	0.9	74	0.9	77	0.9	79	0.9	81	0.9	84	0.9	86	0.9
Marketing	349	5.6	365	5.4	381	5.1	393	5.1	405	5.1	417	5.1	429	5.1	442	5.1	455	5.1	469	5.1
Franchise Fee	467	7.5	514	7.6	564	7.6	581	7.6	598	7.6	616	7.6	635	7.6	654	7.6	674	7.6	694	7.6
Prop. Operations & Maint.	182	2.9	214	3.2	249	3.3	256	3.3	264	3.3	272	3.3	280	3.3	289	3.3	297	3.3	306	3.3
Utilities	196	3.2	205	3.0	214	2.9	220	2.9	227	2.9	234	2.9	241	2.9	248	2.9	256	2.9	263	2.9
Total Expenses	1,842	29.6	1,975	29.2	2,117	28.4	2,180	28.4	2,245	28.4	2,313	28.4	2,382	28.4	2,454	28.4	2,527	28.4	2,603	28.4
GROSS OPERATING PROFIT	2,536	41.0	2,912	42.6	3,314	44.5	3,413	44.5	3,515	44.5	3,621	44.5	3,730	44.5	3,842	44.5	3,957	44.5	4,075	44.5
Management Fee	186	3.0	204	3.0	223	3.0	230	3.0	237	3.0	244	3.0	251	3.0	259	3.0	267	3.0	275	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	2,350	38.0	2,708	39.6	3,090	41.5	3,183	41.5	3,278	41.5	3,377	41.5	3,478	41.5	3,583	41.5	3,690	41.5	3,800	41.5
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	331	5.3	337	5.0	344	4.6	351	4.6	358	4.5	365	4.5	373	4.4	380	4.4	388	4.4	395	4.3
Insurance	66	1.1	68	1.0	70	0.9	72	0.9	74	0.9	77	0.9	79	0.9	81	0.9	84	0.9	86	0.9
Total Expenses	397	6.4	405	6.0	414	5.5	423	5.5	432	5.4	442	5.4	451	5.3	461	5.3	471	5.3	482	5.2
EBITDA	1,953	31.6	2,303	33.6	2,676	36.0	2,760	36.0	2,846	36.1	2,935	36.1	3,027	36.2	3,121	36.2	3,219	36.2	3,319	36.3
Reserve for Replacement	124	2.0	204	3.0	298	4.0	307	4.0	316	4.0	325	4.0	335	4.0	345	4.0	356	4.0	366	4.0
EBITDA LESS RESERVE	$1,829	29.6 %	$2,098	30.6 %	$2,378	32.0 %	$2,453	32.0 %	$2,530	32.1 %	$2,609	32.1 %	$2,692	32.2 %	$2,776	32.2 %	$2,863	32.2 %	$2,953	32.3 %

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

Feasibility Conclusion

To determine the feasibility of this project, we have developed an estimate of the total development costs, which includes hard costs, FF&E, soft costs, pre-opening costs, and working capital, as well as the developer's fee. Our development cost estimate is supported by actual cost comparables and the annual *HVS Development Cost Survey*. We recommend that the development team obtain a more detailed development cost estimate from actual construction companies. It is also advised that developers consult more than one source in their hotel development process to more accurately assess the cost of development.

Based on our market analysis, there is sufficient market support for the development of a select-service hotel in Murrieta over the long term. Based on the current market-appropriate discount rate and terminal capitalization rate, the present value of the cash flows at opening is $29,000,000. In order for the development of a proposed select-service hotel to remain feasible, the all-in development costs for the project should remain below this amount. Our conclusions are based primarily on the long-term strength of this hotel market, and the data suggest that sufficient demand should return to support the development of the proposed hotel by both the opening and stabilized years.

Assignment Conditions

"Extraordinary Assumption" is defined in USPAP as follows:

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

The analysis is based on the extraordinary assumption that the described improvements have been completed as of the stated date of opening. The reader should understand that the completed subject property does not yet exist as of the date of this report. Our feasibility study does not address unforeseeable events that could alter the proposed project, and/or the market conditions reflected in the analyses; we assume that no significant changes, other than those anticipated and explained in this report, shall take place between the date of inspection and stated date of opening. The use of this extraordinary assumption may have affected the

[1] The Appraisal Foundation, *Uniform Standards of Professional Appraisal Practice*, 2020–2021 ed.

assignment results. We have made no other extraordinary assumptions specific to this feasibility study. However, several important general assumptions have been made that apply to this feasibility study and our studies of proposed hotels in general. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.

Intended Use of the Feasibility Study

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

Identification of the Client and Intended User(s)

The client for this engagement is City of Murrieta Economic Development Department. This report is intended for the addressee firm and may not be distributed to or relied upon by other persons or entities.

Scope of Work

The methodology used to develop this study is based on the market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled *The Valuation of Hotels and Motels,*[2] *Hotels, Motels and Restaurants: Valuations and Market Studies,*[3] *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations,*[4] *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations,*[5] and *Hotels and Motels – Valuations and Market Studies.*[6]

1. All information was collected and analyzed by the staff of TS Worldwide, LLC. Information was supplied by the client and/or the property's development team.
2. The subject site has been evaluated from the viewpoint of its physical utility for the future operation of a hotel, as well as access, visibility, and other relevant factors.
3. The subject property's proposed improvements have been reviewed for their expected quality of construction, design, and layout efficiency.

---

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

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

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

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

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

4. The surrounding economic environment, on both an area and neighborhood level, has been reviewed to identify specific hostelry-related economic and demographic trends that may have an impact on future demand for hotels.
5. Dividing the market for hotel accommodations into individual segments defines specific market characteristics for the types of travelers expected to utilize the area's hotels. The factors investigated include purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.
6. An analysis of existing and proposed competition provides an indication of the current accommodated demand, along with market penetration and the degree of competitiveness. Unless noted otherwise, we have inspected the competitive lodging facilities summarized in this report.
7. Documentation for an occupancy and ADR projection is derived utilizing the build-up approach based on an analysis of lodging activity.
8. A detailed projection of income and expense made in accordance with the Uniform System of Accounts for the Lodging Industry sets forth the anticipated economic benefits of the proposed subject property.
9. A feasibility analysis is performed, in which the market equity yield that an investor would expect is compared to the equity yield that an investor must accept.

2. Description of the Site and Neighborhood

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

At the time of this study, a particular site had yet to be selected for development; however, the City of Murrieta has earmarked several areas and sites suitable for the development of a hotel within the city. These sites are privately owned. The City plans to work with a potential developer in facilitating the acquisition of a suitable site for the proposed hotel development. This site is in the city of Murrieta, California.

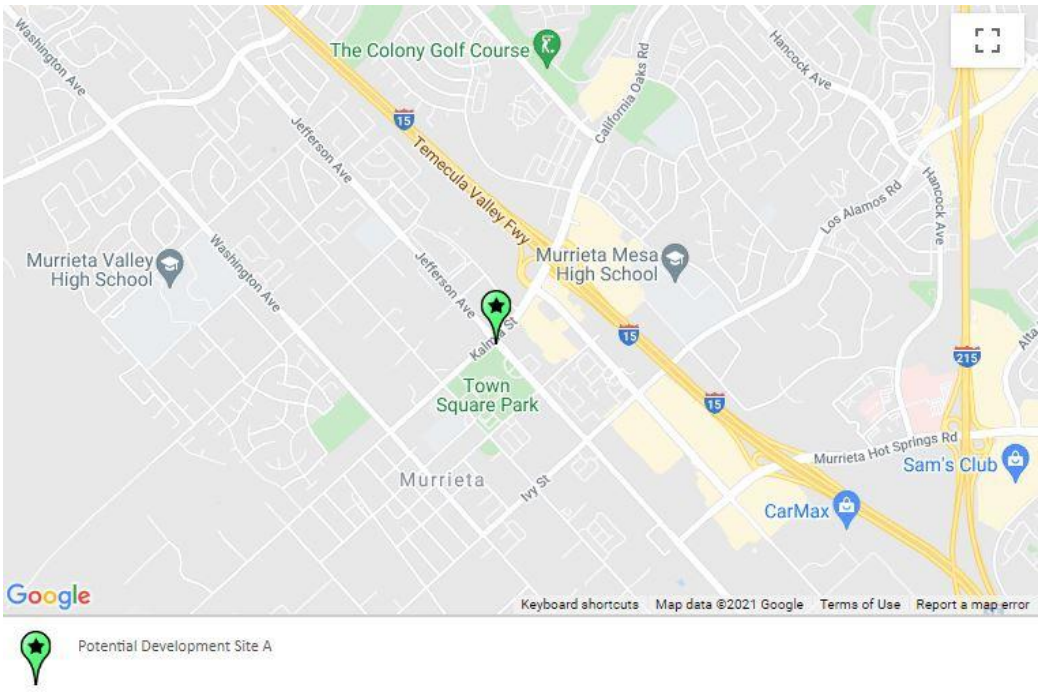
Development Site Options

We have surveyed available vacant land in Murrieta suitable for hotel development and have proposed the following sites as potential hotel development sites. Accordingly, we have listed a summary of advantages and disadvantages to each site; however, a hotel developer would have to conduct independent research and make a final determination on site suitability for the prospective hotel development.

SITE A – MURRIETA TOWN HALL

Location: Vacant land parcels southwest of the intersection formed by Jefferson Avenue and Kalmia Street

SITE A – LOCATION MAP



Advantages:

- Proximate to Downtown Murrieta and within walking distance to retail and food and beverage options
- Proximate to several commercial demand generators

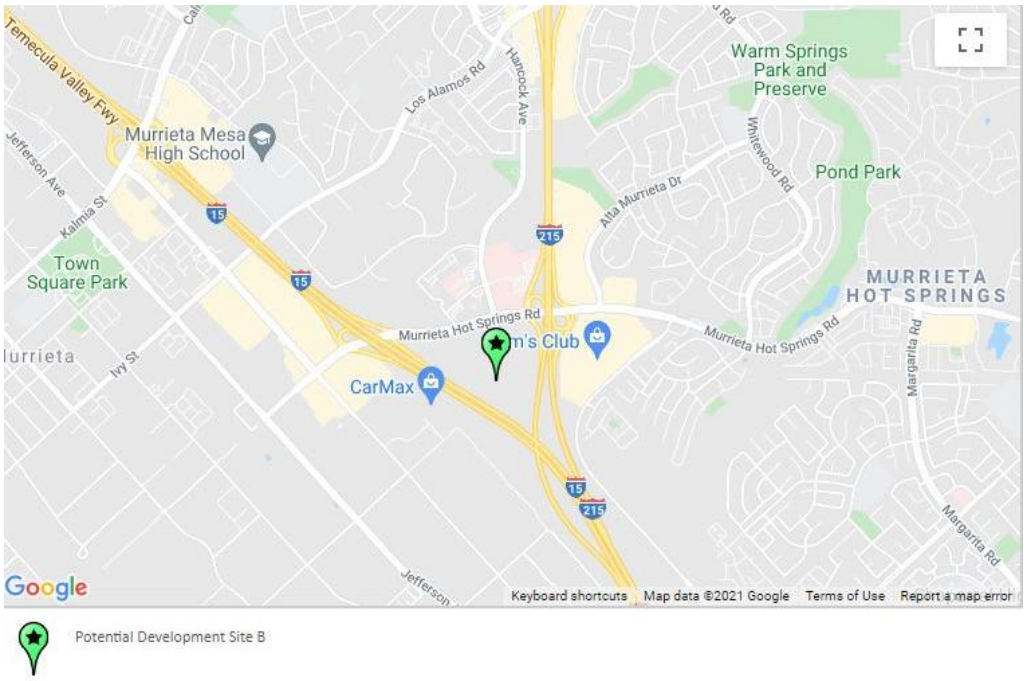
Disadvantages:

- Limited availability of vacant land

SITE B – INTERSECTION OF INTERSTATE 215 AND INTERSTATE 15

Location: Vacant land parcels bounded by Murrieta Hot Springs Road to the North, Interstate 15 to the Southwest, and Interstate 251 to the Southeast.

SITE B – LOCATION MAP



Potential Development Site B

Advantages:

- Interstate visibility and access
- Proximate to CarMax auction lot, a major commercial demand generator for Murrieta

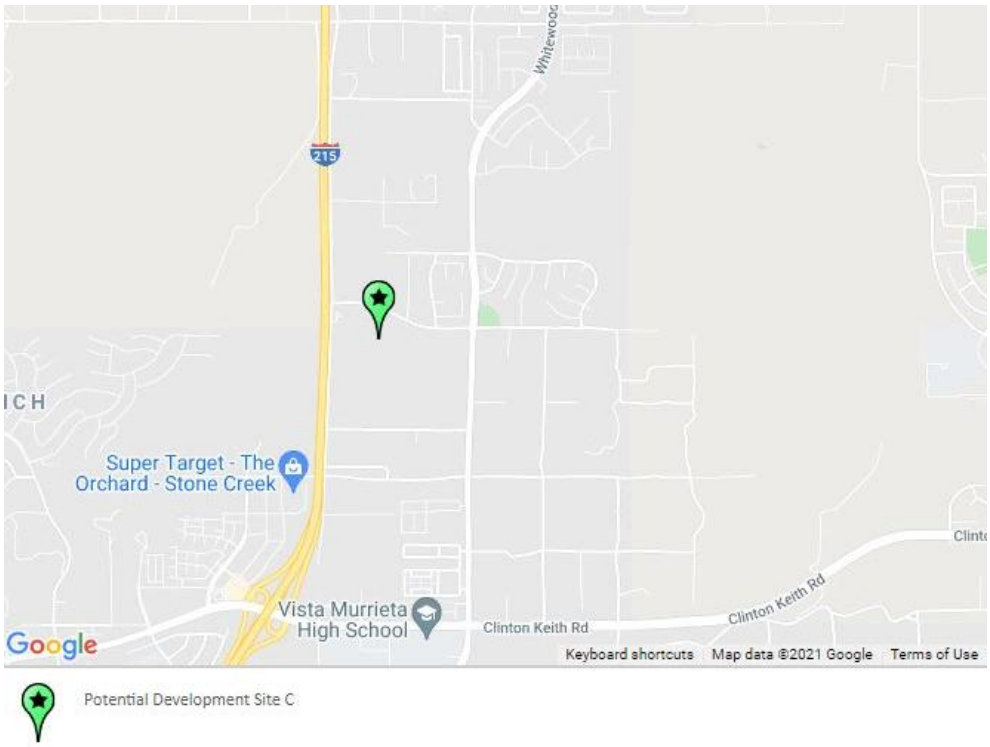
Disadvantages:

- Potential for highway noise

SITE C – NORTHEAST MURRIETA

Location: Several vacant land parcels bounded by Keller Road to the North, Clinton Keith Road to the South, Whitewood Road to the East, and Interstate 215 to the west.

SITE C – LOCATION MAP



Advantages:

- Large availability of vacant land
- Proximate to Interstate 215, with potential for highway visibility
- Proximate to two major medical centers, Loma Linda University Medical Center and Kaiser Permanente Medical Center

Disadvantages:

- Potential for highway noise

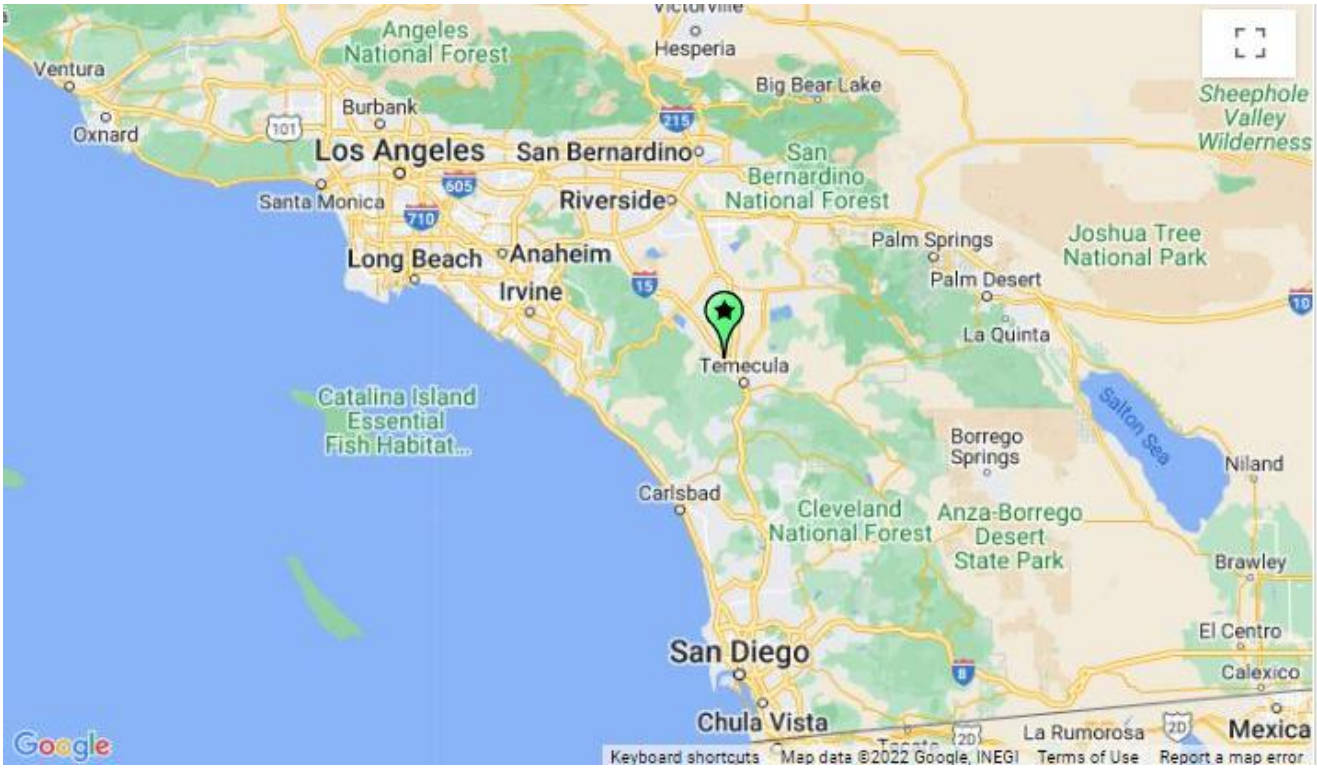
Topography and Site Utility

The topography of the chosen site is expected to be generally flat, and its shape should permit efficient use of the site for the building and other improvements, as well as ingress and egress. Upon completion of construction, the selected subject site is not anticipated to 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 readily accessible to a variety of local and county roads, as well as state and interstate highways.

MAP OF REGIONAL ACCESS ROUTES



Regional access to/from the city of Murrieta, California, and the potential hotel sites is considered very good.

Vehicular access to the selected subject site is expected to be provided by a major thoroughfare or a connecting secondary road. Both Interstate 15 and Interstate 215, which are the major north/south thoroughfares through the city, provide easy access to the sites that are being considered for hotel development. The proposed subject hotel is anticipated to have adequate signage at the street, as well as on its façade. Overall, the proposed hotel is expected to enjoy good visibility from within its local neighborhood.

Airport Access

The proposed subject hotel will be served by the John Wayne Airport, which is located approximately 40 miles to the northwest of the Murrieta Town Hall. The proposed subject hotel will also be served by the San Diego International Airport, which is located approximately 60 miles to the south of the Murrieta Town Hall.

Neighborhood

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

As noted previously, a particular hotel site has yet to be selected, but the City of Murrieta's Economic Development Office has recommended several sites primed for the development of a hotel. These sites are all located adjacent or proximate to main thoroughfares and in active neighborhoods with the necessary ancillary amenities, such as retail and dining outlets, to support the development of a select-service hotel. The proposed subject hotel's opening should be a positive influence on its local area; the hotel is expected to be in character with and to complement surrounding land uses.

Utilities

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

Seismicity, Soil and Subsoil Conditions

We surveyed a sample of the three potential areas/sites that are being considered for hotel development by the City of Murrieta. We note that most sites in Murrieta, California, are not located within an earthquake fault zone and have not been evaluated for liquefaction or seismic landslide hazards; however, the state of California is considered to be seismically active. This condition is consistent with the surrounding real estate; thus, it should not affect the chosen subject site's utility or marketability. Given that the particular site had yet to be selected at the time of this study, geological and soil reports were not yet available for our review during the preparation of this report.

Nuisances and Hazards

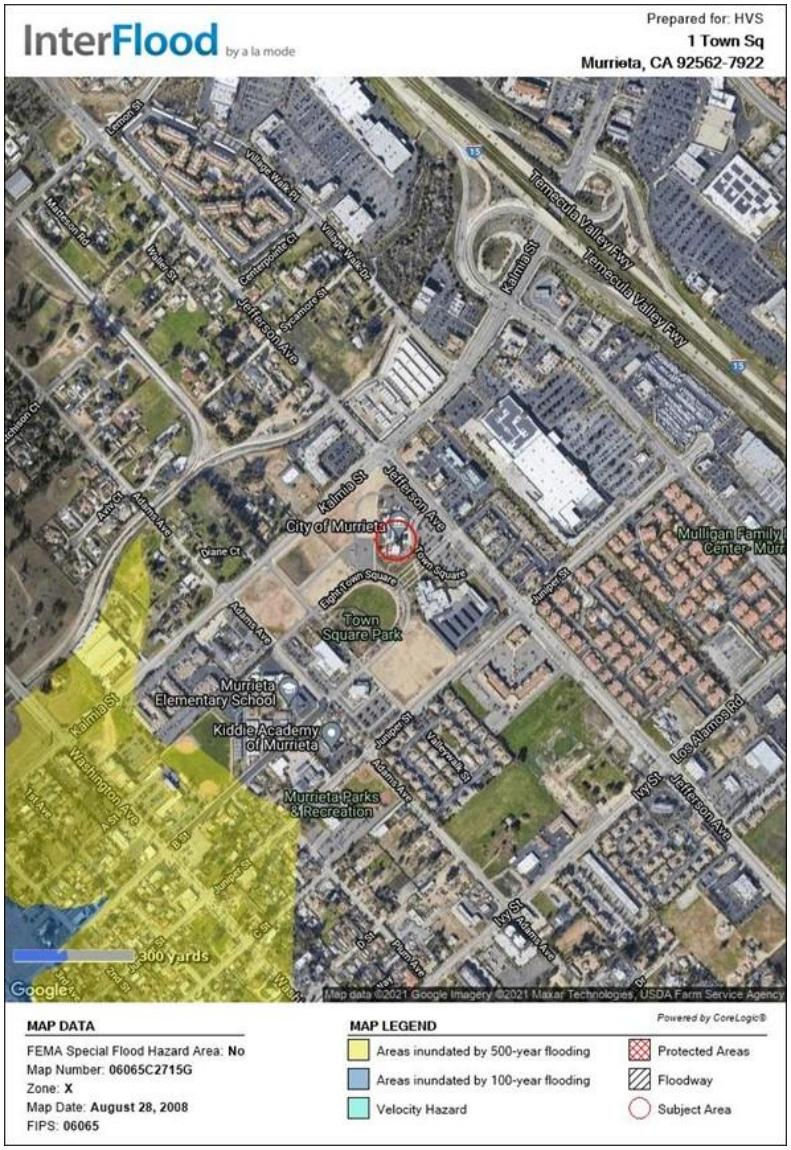
We do not anticipate any site-specific nuisances or hazards in connection with the chosen site for development; however, should the selected site present any signs of nuisance or hazards, including toxic ground contaminants, we would expect these

to be remedied. Because we are not experts in this field, we do not warrant the absence of hazardous waste and urge the reader to obtain an independent analysis of these factors.

Flood Zone

According to the Federal Emergency Management Agency map illustrated below, the majority of sites in Murrieta, CA is located in Zone X.

COPY OF FLOOD MAP AND COVER



Zoning

Given that the particular site had yet to be selected at the time of this study, we are unable to confirm the zoning of the development site. However, the City of Murrieta's Economic Development Office will provide potential developers with the tools to obtain the necessary zoning permits to construct a hotel on the site selected by the developer.

Legal Description, Easements and Encroachments

Given that a particular site had yet to be selected at the time of this study, no legal descriptions were available. The selected site might be subject to existing easements; thus, we urge the reader to investigate this as part of the due-diligence phase of development.

Conclusion

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities of the potential hotel sites. These sites are located along main thoroughfares with good visibility prospects; furthermore, these sites are proximate to necessary ancillary amenities, such as retail and dining establishments, that would support a select-service hotel development. In general, any one of these sites would be well suited for future hotel use, with acceptable access, visibility, and topography for an effective operation.

3. Market Area Analysis

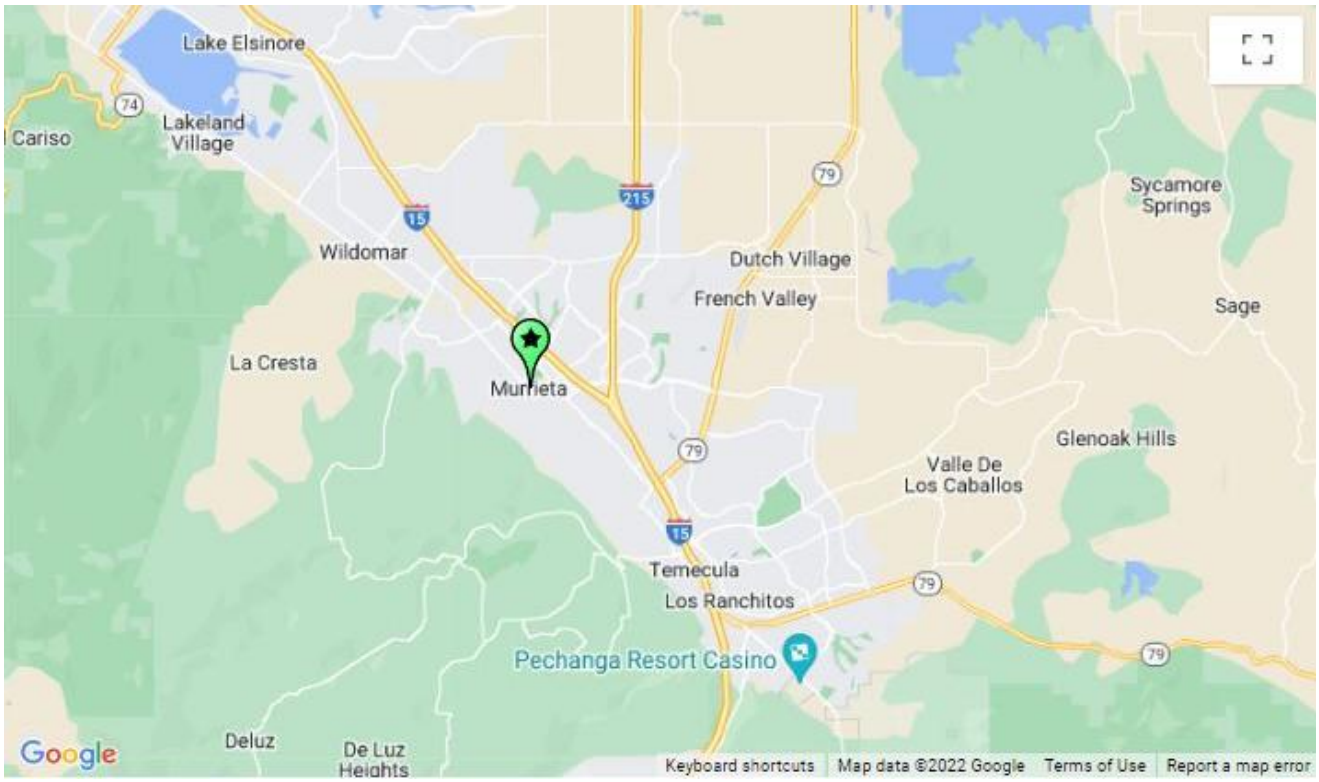
The economic vitality of the market area and neighborhood surrounding the subject site is an important consideration in forecasting lodging demand and future income potential. Economic and demographic trends that reflect the amount of visitation provide a basis from which to project lodging demand. The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

Market Area Definition

The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject site is located in the city of Murrieta, the county of Riverside, and the state of California. Murrieta is a city in Riverside County, California, located approximately 70 miles southeast of Los Angeles and 60 miles north of San Diego. The city was incorporated in 1991. Between 2000 and 2010, the city's population expanded by 134%, making it one of the fastest growing cities in California. The city is typically characterized as a bedroom community. The city is nestled in the Temecula Valley, which serves as one of the state's significant wine-producing regions and features one of California's oldest wineries.

The subject property's market area can be defined by its Combined Statistical Area (CSA): Los Angeles-Long Beach, CA. The CSA represents adjacent metropolitan and micropolitan statistical areas that have a moderate degree of employment interchange. Micropolitan statistical areas represent urban areas in the United States based around a core city or town with a population of 10,000 to 49,999; the MSA requires the presence of a core city of at least 50,000 people and a total population of at least 100,000 (75,000 in New England). The following exhibit illustrates the market area.

MAP OF MARKET AREA



Economic and Demographic Review

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

These data are summarized in the following table.

FIGURE 3-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	2010	2019	2021	2026	Average Annual Compounded Change 2010-19	2019-21	2021-26
Resident Population (Thousands)							
Riverside County	2,201.6	2,470.5	2,550.4	2,772.6	1.3 %	1.6 %	1.7 %
Riverside-San Bernardino-Ontario, CA MS	4,242.4	4,650.6	4,770.2	5,104.1	1.0	1.3	1.4
Los Angeles-Long Beach, CA CSA	17,905.9	18,711.4	18,931.5	19,574.4	0.5	0.6	0.7
State of California	37,319.5	39,512.2	40,021.5	41,481.2	0.6	0.6	0.7
United States	309,321.6	328,241.4	332,219.5	343,776.8	0.7	0.6	0.7
Per-Capita Personal Income*							
Riverside County	$32,076	$38,614	$39,783	$42,708	2.1	1.5	1.4
Riverside-San Bernardino-Ontario, CA MS	31,507	38,454	39,740	42,851	2.2	1.7	1.5
Los Angeles-Long Beach, CA CSA	43,426	55,093	57,019	61,657	2.7	1.7	1.6
State of California	45,594	60,645	62,758	67,743	3.2	1.7	1.5
United States	42,366	51,424	53,262	57,739	2.2	1.8	1.6
W&P Wealth Index							
Riverside County	78.3	77.0	76.7	76.1	(0.2)	(0.2)	(0.1)
Riverside-San Bernardino-Ontario, CA MS	76.4	76.1	76.0	75.7	(0.0)	(0.1)	(0.1)
Los Angeles-Long Beach, CA CSA	103.2	107.1	107.0	106.8	0.4	(0.0)	(0.0)
State of California	108.0	117.1	117.0	116.5	0.9	(0.0)	(0.1)
United States	100.0	100.0	100.0	100.0	(0.0)	0.0	0.0
Food and Beverage Sales (Millions)*							
Riverside County	$2,688	$4,188	$4,494	$5,353	5.1	3.6	3.6
Riverside-San Bernardino-Ontario, CA MS	5,129	7,828	8,334	9,719	4.8	3.2	3.1
Los Angeles-Long Beach, CA CSA	30,013	45,844	48,131	54,234	4.8	2.5	2.4
State of California	61,674	95,162	100,010	112,860	4.9	2.5	2.4
United States	475,553	683,513	718,507	814,042	4.1	2.5	2.5
Total Retail Sales (Millions)*							
Riverside County	$26,328	$35,955	$38,730	$44,824	3.5	3.8	3.0
Riverside-San Bernardino-Ontario, CA MS	50,981	71,645	76,648	87,224	3.9	3.4	2.6
Los Angeles-Long Beach, CA CSA	243,659	318,346	335,928	369,347	3.0	2.7	1.9
State of California	510,394	675,389	713,490	786,486	3.2	2.8	2.0
United States	4,387,108	5,538,706	5,846,867	6,434,974	2.6	2.7	1.9

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population grew at an average annual compounded rate of 0.7% from 2010 through 2021. The county's population has increased at a quicker pace than the nation's population; the average annual growth rate of 1.3% between 2010 and 2021 reflects a gradually expanding area. Following this population trend, per-capita personal income increased slowly, at 2.0% on average annually for the county between 2010 and 2021. Local wealth indexes have remained stable in recent years, registering a low 76.7 level for the county in 2021.

Food and beverage sales totaled $4,494 million in the county in 2021, versus $2,688 million in 2010. This reflects a 4.8% average annual change. The pace of growth is anticipated to be 3.6% through 2026. The retail sales sector demonstrated an annual increase of 3.6% in the decade spanning from 2010 to 2021. An increase of 3.0% average annual change is expected in county retail sales through 2026.

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 2019, 2020, and 2021, as well as a forecast for 2026.

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

Industry	2019	Percent of Total	2020	Percent of Total	2021	Percent of Total	2026	Percent of Total	Average Annual Compounded Change 2019-2020	2020-2021	2021-2026
Farm	8.4	0.8 %	8.3	0.8 %	8.2	0.7 %	7.7	0.6 %	(1.2) %	(1.2) %	(1.2) %
Forestry, Fishing, Related Activities And Other	7.6	0.7	7.0	0.7	7.5	0.7	7.4	0.6	(7.8)	7.8	(0.3)
Mining	1.4	0.1	1.1	0.1	1.4	0.1	1.4	0.1	(16.5)	21.0	0.5
Utilities	1.6	0.1	1.6	0.2	1.6	0.1	1.6	0.1	(2.1)	2.7	0.2
Construction	94.1	8.5	91.1	8.8	96.1	8.4	101.4	8.0	(3.1)	5.5	1.1
Manufacturing	50.9	4.6	48.2	4.6	51.4	4.5	51.4	4.0	(5.5)	6.7	(0.0)
Total Trade	151.5	13.7	144.2	13.9	154.6	13.4	162.1	12.7	(4.8)	7.2	0.9
Wholesale Trade	32.5	2.9	31.4	3.0	33.5	2.9	36.2	2.8	(3.5)	6.8	1.6
Retail Trade	119.0	10.8	112.9	10.9	121.1	10.5	125.9	9.9	(5.2)	7.3	0.8
Transportation And Warehousing	74.8	6.8	74.2	7.1	80.7	7.0	96.4	7.6	(0.8)	8.7	3.6
Information	9.4	0.9	8.8	0.8	9.5	0.8	9.6	0.8	(6.5)	7.7	0.3
Finance And Insurance	38.2	3.5	38.6	3.7	40.9	3.6	47.2	3.7	1.0	6.1	2.9
Real Estate And Rental And Lease	52.2	4.7	49.5	4.8	53.6	4.7	58.8	4.6	(5.3)	8.4	1.9
Total Services	472.5	42.8	430.7	41.5	501.2	43.6	577.8	45.4	(8.8)	16.4	2.9
Professional And Technical Services	52.1	4.7	51.1	4.9	54.5	4.7	60.3	4.7	(1.9)	6.6	2.0
Management Of Companies And Enterprises	3.9	0.4	3.7	0.4	3.9	0.3	3.9	0.3	(5.3)	5.9	0.1
Administrative And Waste Services	82.6	7.5	75.8	7.3	88.1	7.7	102.7	8.1	(8.3)	16.2	3.1
Educational Services	14.3	1.3	13.3	1.3	15.5	1.3	18.4	1.4	(7.2)	16.2	3.5
Health Care And Social Assistance	125.8	11.4	122.8	11.8	134.9	11.7	160.9	12.7	(2.3)	9.9	3.6
Arts, Entertainment, And Recreation	25.3	2.3	18.4	1.8	26.6	2.3	30.2	2.4	(27.0)	44.5	2.5
Accommodation And Food Services	92.5	8.4	75.8	7.3	98.5	8.6	114.2	9.0	(18.0)	29.9	3.0
Other Services, Except Public Administration	76.0	6.9	69.7	6.7	79.2	6.9	87.2	6.9	(8.3)	13.6	1.9
Total Government	141.0	12.8	135.5	13.0	143.2	12.5	148.7	11.7	(3.8)	5.7	0.8
Federal Civilian Government	7.4	0.7	7.6	0.7	7.5	0.6	7.7	0.6	3.3	(1.9)	0.7
Federal Military	4.0	0.4	4.0	0.4	4.0	0.3	4.0	0.3	0.0	0.0	0.0
State And Local Government	129.6	11.7	123.9	11.9	131.7	11.5	137.0	10.8	(4.4)	6.3	0.8
TOTAL	1,103.5	100.0 %	1,038.7	100.0 %	1,149.8	100.0 %	1,271.5	100.0 %	(5.9) %	10.7 %	2.0 %
MSA	2,186.3	—	2,064.4	—	2,271.9	—	2,494.0	—	(5.6) %	10.1 %	1.9 %
U.S.	203,809.5	—	191,619.5	—	209,319.1	—	222,948.2	—	(6.0)	9.2	1.3

Source: Woods & Poole Economics, Inc.

Woods & Poole Economics, Inc. reports that during the period from 2010 to 2021, total employment in the county grew at an average annual rate of 2.1%. Of the primary employment sectors, Total Services recorded the highest increase in number of employees during the period from 2019 to 2021, increasing by 28,729 people, or 16.4%, and rising from 42.8% to 43.6% of total employment. Of the various service sub-sectors, Health Care And Social Assistance and Accommodation And Food Services were the largest employers. Strong growth was also recorded in the Transportation And Warehousing sector, as well as the Total Trade sector, which expanded by 8.7% and 7.2%, respectively, in the period from 2019 to 2021. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 2.0% on average annually through 2026. The trend is above the forecast rate of change for the U.S. as a whole during the same period.

The following table illustrates historical and projected employment, households, population, and average household income data, as provided by REIS for the overall San Bernardino/Riverside market.

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

Year	Total Employment	% Chg	Office Employment	% Chg	Industrial Employment	% Chg	Households	% Chg	Population	% Chg	Household Avg. Income	% Chg
2009	1,150,733	—	321,960	—	144,945	—	1,300,362	—	4,201,095	—	$94,697	—
2010	1,152,033	0.1 %	323,029	0.3 %	145,682	0.5 %	1,311,061	0.8 %	4,272,496	1.7 %	98,723	4.3 %
2011	1,159,600	0.7	320,541	(0.8)	146,751	0.7	1,331,616	1.6	4,315,645	1.0	101,217	2.5
2012	1,199,067	3.4	324,037	1.1	152,611	4.0	1,347,777	1.2	4,351,553	0.8	106,560	5.3
2013	1,252,300	4.4	333,693	3.0	158,079	3.6	1,363,625	1.2	4,391,524	0.9	106,562	0.0
2014	1,316,067	5.1	350,780	5.1	165,042	4.4	1,377,397	1.0	4,438,247	1.1	112,056	5.2
2015	1,381,700	5.0	366,030	4.3	171,990	4.2	1,391,464	1.0	4,485,818	1.1	116,832	4.3
2016	1,417,133	2.6	365,778	(0.1)	173,190	0.7	1,408,866	1.3	4,539,281	1.2	121,301	3.8
2017	1,474,667	4.1	376,347	2.9	176,149	1.7	1,421,709	0.9	4,590,384	1.1	124,293	2.5
2018	1,519,733	3.1	384,702	2.2	180,724	2.6	1,436,409	1.0	4,632,564	0.9	128,789	3.6
2019	1,574,967	3.6	398,442	3.6	182,310	0.9	1,450,074	1.0	4,658,680	0.6	134,520	4.4
2020	1,488,633	(5.5)	369,228	(7.3)	166,646	(8.6)	1,457,683	0.5	4,692,429	0.7	147,966	10.0
2021	1,558,691	4.7	379,167	2.7	171,454	2.9	1,480,936	1.6	4,734,634	0.9	155,171	4.9
Forecasts												
2022	1,617,866	*3.8 %*	389,758	*2.8 %*	174,006	*1.5 %*	1,507,435	*1.8 %*	4,787,464	*1.1 %*	160,310	*3.3 %*
2023	1,650,821	*2.0*	395,671	*1.5*	174,323	*0.2*	1,532,630	*1.7*	4,835,798	*1.0*	166,054	*3.6*
2024	1,675,812	*1.5*	401,176	*1.4*	174,643	*0.2*	1,553,253	*1.3*	4,873,427	*0.8*	172,021	*3.6*
2025	1,693,661	*1.1*	405,845	*1.2*	174,555	*(0.1)*	1,571,916	*1.2*	4,907,159	*0.7*	177,688	*3.3*
2026	1,706,291	*0.7*	410,358	*1.1*	173,909	*(0.4)*	1,589,841	*1.1*	4,941,171	*0.7*	182,830	*2.9*
Average Annual Compound Change												
2009 - 2021		2.6 %		1.4 %		1.4 %		1.1 %		1.0 %		4.2 %
Forecast 2022 - 2026		*1.3 %*		*1.3 %*		*(0.0) %*		*1.3 %*		*0.8 %*		*3.3 %*

Source: REIS Report, 4th Quarter, 2021

For the San Bernardino/Riverside market, of the roughly 1,600,000 persons employed, 24% are categorized as office employees, while 11% are categorized as industrial employees. Total employment is expected to expand by 3.8% in 2022, while office employment is forecast to expand by 2.8% in 2022. By 2022, total employment is anticipated to rebound to 2019 levels.

The number of households is forecast to expand by 1.3% on average annually between 2022 and 2026. Population is forecast to expand during this same period, at an average annual compounded rate of 0.8%. Household average income is forecast to grow by 3.3% on average annually from 2022 through 2026.

Radial Demographic Snapshot

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

FIGURE 3-4 DEMOGRAPHICS BY RADIUS

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
Population			
2027 Projection	9,495	86,759	165,605
2022 Estimate	9,002	83,336	158,509
2010 Census	7,329	72,113	134,336
2000 Census	3,728	42,857	67,648
Percent Change: 2022 to 2027	5.5%	4.1%	4.5%
Percent Change: 2010 to 2022	22.8%	15.6%	18.0%
Percent Change: 2000 to 2010	96.6%	68.3%	98.6%
Households			
2027 Projection	3,136	27,045	50,820
2022 Estimate	2,998	26,169	49,057
2010 Census	2,519	23,382	43,135
2000 Census	1,132	13,996	22,126
Percent Change: 2022 to 2027	4.6%	3.4%	3.6%
Percent Change: 2010 to 2022	19.0%	11.9%	13.7%
Percent Change: 2000 to 2010	122.5%	67.1%	95.0%
Income			
2022 Est. Average Household Income	$109,715	$130,922	$135,926
2022 Est. Median Household Income	82,732	102,910	107,362
2022 Est. Civ. Employed Pop 16+ by Occupation			
Architecture/Engineering	76	725	1,405
Arts/Design/Entertainment/Sports/Media	79	783	1,464
Building/Grounds Cleaning/Maintenance	76	697	1,747
Business/Financial Operations	191	1,954	3,891
Community/Social Services	68	760	1,268
Computer/Mathematical	104	825	1,727
Construction/Extraction	304	1,615	3,240
Education/Training/Library	366	2,836	4,979
Farming/Fishing/Forestry	10	79	121
Food Preparation/Serving Related	342	2,515	4,545
Healthcare Practitioner/Technician	180	2,490	4,722
Healthcare Support	198	1,557	2,482
Installation/Maintenance/Repair	144	1,344	2,448
Legal	54	307	515
Life/Physical/Social Science	7	355	593
Management	416	4,400	8,663
Office/Administrative Support	298	3,673	7,529
Production	42	1,699	3,462
Protective Services	136	1,243	2,501
Sales/Related	492	4,924	8,819
Personal Care/Service	384	1,975	3,224
Transportation/Material Moving	371	2,441	4,143

Source: Environics Analytics

This source reports a population of 158,509 and 49,057 households within a five-mile radius of the subject site. The average household income within this radius is reported at $135,926, while the median is $107,362.

Unemployment Statistics

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

FIGURE 3-5 UNEMPLOYMENT STATISTICS

Year	City	State	U.S.
2012	9.4 %	10.4 %	8.1 %
2013	8.0	8.9	7.4
2014	6.6	7.5	6.2
2015	5.4	6.2	5.3
2016	4.8	5.5	4.9
2017	4.1	4.8	4.4
2018	3.5	4.3	3.9
2019	3.3	4.0	3.7
2020	9.1	10.2	8.1
2021	5.8	7.3	5.4
Recent Month - Feb			
2021	6.8 %	8.9 %	6.2 %
2022	4.0	4.9	3.8

Source: U.S. Bureau of Labor Statistics

Prior to the pandemic, U.S. unemployment levels were firmly below the 4.6% level recorded in 2006 and 2007, the peak years of the economic cycle prior to the Great Recession. The unemployment rate for February 2020 was 3.5%. The unemployment rate had remained in the 3.5% to 3.7% range since April 2019, reflecting a trend of stability and strength of the U.S. economy. However, in April 2020, unemployment rose to 14.7%, and employment dropped by 20.7 million because of the COVID-19 pandemic. Steady declines in unemployment have been registered since April 2020; most recently, the national unemployment rate was 3.6% in April 2022. A roughly 428,000-person rise in employment was registered in both March and April of 2022. The most significant gains were reported in the leisure and hospitality, professional and business services, retail trade, and manufacturing industries.

Locally, the unemployment rate was 5.8% in 2021; for this same area in 2022, the most recent month's unemployment rate was registered at 4.0%, versus 6.8% for the same month in 2021. As illustrated in the foregoing table, unemployment declined in 2013, and this positive trend generally continued through 2019. Economic development officials noted that local employment last decade was

largely supported by the medical and tourism sectors, including healthy employment levels at major employers such as Abbott Laboratories and Temecula Valley Hospital. However, unemployment data from 2020 illustrate a sharp increase given the effects of the COVID-19 pandemic and related global economic crisis, which included massive furloughs/layoffs. Unemployment declined in 2021 as the economy began to rebound, and the most recent comparative period shows where the local market stands in 2022 relative to the same month of 2021, reflecting improvement given the strengthening economic conditions.

Major Business and Industry

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 3-6 MAJOR EMPLOYERS

Rank	Firm	Number of Employees
1	Murrieta Valley Unified School District	2,315
2	Southwest Healthcare System	1,481
3	Loma Linda University Medical Center	1,037
4	County of Riverside	895
5	Target	341
6	Oak Grove Center	335
7	City of Murrieta	333
8	Walmart	320
9	Murrieta Health & Rehab Center	248
10	Sam's Club	212

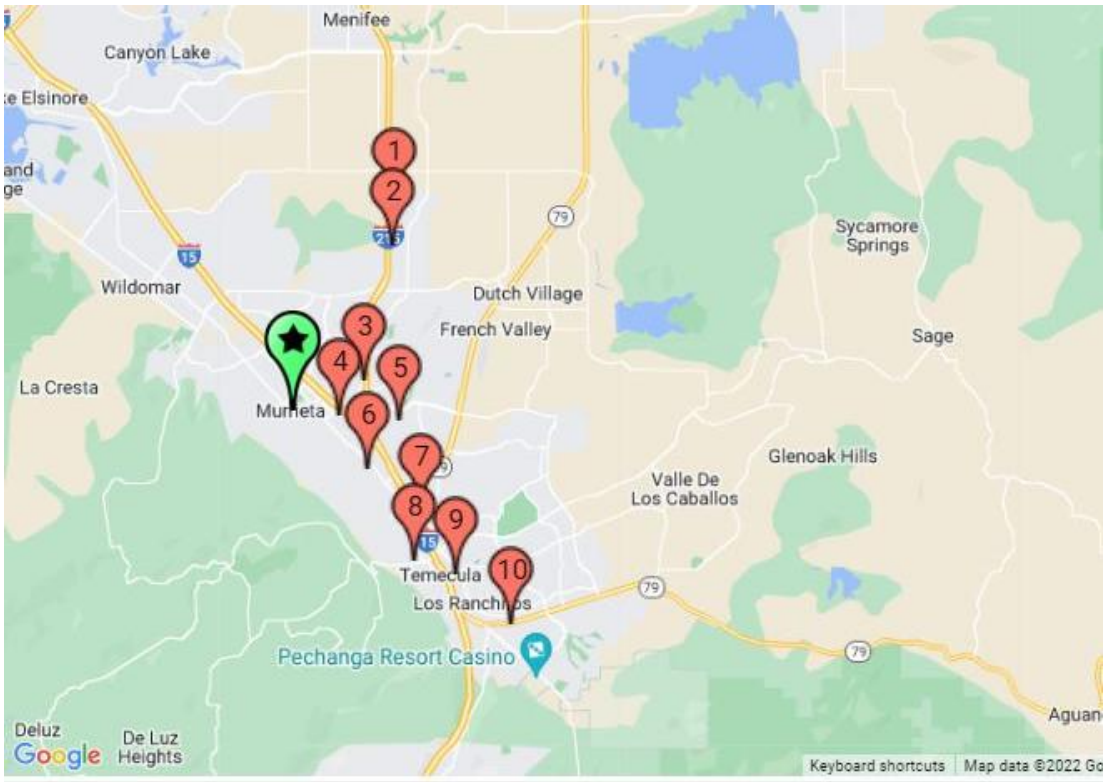
Source: City of Murrieta Annual Comprehensive Financial Report, 2021

The Temecula-Murrieta area is recognized for its residential growth, high quality of living, and overall affordability when compared with other regions of California. Most of the area's population commutes to work in other cities; however, commercial activity is expanding despite the impact of the COVID-19 pandemic, as the area's exposure and population continue to increase. As one of the largest employers in the area, Abbot Vascular (a division of Abbott Laboratories) focuses on the design and development of cardiovascular medical products. EMD Millipore, a division of the chemical and pharmaceutical company Merck, employs nearly 400 people at its Temecula locations. Additionally, the area's healthcare industry is anchored by several major hospitals in Murrieta: Kaiser Permanente Medical Center, Loma Linda University Health - Murrieta, Rady Children's Medical Center,

and Rancho Springs Medical Center. The City of Murrieta, spurred by government action, has focused on growing the medical and biomedical manufacturing sectors in recent years. Through the Murrieta Innovation Center, the local government supports ten medical technology-based businesses that may ultimately grow out of the space and into the local business community. Furthermore, in April 2021, Kaiser Permanente broke ground on an 88,900-square-foot ambulatory surgery center adjacent to the existing medical center. The surgery center is expected to bring approximately 200 jobs to Murrieta when completed by the end of 2022.

The Temecula-Murrieta area also benefits from its proximity to Marine Corps Base Camp Pendleton, the major West Coast base of the U.S. Marine Corps and one the largest military installations in the country. The 125,000-acre base hosts year-round trainings for the Marines and other branches of the military. According to market representatives, the Temecula-Murrieta area is home to a significant amount of government activity given its proximity to the base's north entrance. Lastly, tourism is typically a key economic driver, as the Temecula Valley Wine Country is home to nearly 70 vineyards that grow and produce over 50 varietals of wine; about 30 of the vineyards typically offer tours, tasting rooms, gift shops, and event space, attracting thousands of visitors each year. Although many employers in the market temporarily reduced staffing and/or suspended operations following the onset of the COVID-19 pandemic in March 2020, an economic recovery began in June 2021 when regulations began to be lifted; moreover, tourism rebounded rapidly during the summer of 2021. The return of international travel, increasing convention activity, and improving office-space occupancy should bolster the economic recovery going forward.

DEMAND GENERATORS MAP



	Demand Generator	Approx. Time from Subject Property	Approx. Distance
	Subject Property		
1	Kaiser Permanente	15 minutes	8.7 miles
2	Loma Linda University Health - Murrieta	15 minutes	6.4 miles
3	Rady Childrens Hospital	6 minutes	2.5 miles
4	Rancho Springs Medical Center	6 minutes	2.3 miles
5	Azusa Pacific University - Murrieta Regional Center	9 minutes	2.9 miles
6	Murrieta Innovation Center	6 minutes	3.1 miles
7	Abbott Vascular Inc	12 minutes	5.0 miles
8	EMD Millipore	12 minutes	7.0 miles
9	Old town Temecula	12 minutes	6.8 miles
10	Temecula Wineries	15 minutes	9.7 miles

Office Space Statistics

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

FIGURE 3-7 OFFICE SPACE STATISTICS – MARKET OVERVIEW

Submarket	Inventory Buildings	Inventory Square Feet	Occupied Office Space	Vacancy Rate	Average Asking Lease Rate
1 Chino/Montclair/Upland	30	1,268,000	1,130,000	10.9 %	$22.84
2 Colton/Redlands/San Bernardino	105	5,483,000	4,302,000	21.5	21.81
3 Corona/Riverside/Moreno Valley	124	5,909,000	5,010,000	15.2	24.85
4 Palm Springs/Palm Desert	65	1,154,000	949,000	17.8	22.04
5 Rancho Cucamonga/Ontario/Fontana	106	4,672,000	3,820,000	18.2	25.18
6 Temecula Valley/Murrieta	**48**	**1,153,000**	**987,000**	**14.4**	**23.53**
Totals and Averages	**478**	**19,639,000**	**16,198,000**	**17.5 %**	**$23.71**

Source: REIS Report, 4th Quarter, 2021

The greater San Bernardino/Riverside market comprises a total of 19.6 million square feet of office space. For the 4th Quarter of 2021, the market reported a vacancy rate of 17.5% and an average asking rent of $23.71. The subject property is located in the Temecula Valley/Murrieta submarket, which houses 1,153,000 square feet of office space. The submarket's vacancy rate of 14.4% is below the overall market average. The average asking lease rate of $23.53 is on par with the average for the broader market.

The following table illustrates a trend of office space statistics for the overall San Bernardino/Riverside market and the Temecula Valley/Murrieta submarket.

FIGURE 3-8 HISTORICAL AND PROJECTED OFFICE SPACE STATISTICS – GREATER MARKET VS. SUBMARKET

	San Bernardino/Riverside Market							Temecula Valley/Murrieta Submarket						
Year	Available Office Space	% Chg	Occupied Office Space	% Chg	Vacancy Rate	Asking Lease Rate	% Chg	Available Office Space	% Chg	Occupied Office Space	% Chg	Vacancy Rate	Asking Lease Rate	% Chg
2009	19,972,000	—	14,920,000	—	25.3 %	$21.97	—	1,105,000	—	817,000	—	26.1 %	$21.85	—
2010	19,944,000	(0.1) %	15,182,000	1.8 %	23.9	21.36	(2.8) %	1,105,000	0.0 %	854,000	4.5 %	22.7	21.37	(2.2) %
2011	19,781,000	(0.8)	15,190,000	0.1	23.2	21.33	(0.1)	1,105,000	0.0	857,000	0.4	22.4	20.85	(2.4)
2012	19,713,000	(0.3)	15,320,000	0.9	22.3	21.28	(0.2)	1,105,000	0.0	869,000	1.4	21.4	20.43	(2.0)
2013	19,713,000	0.0	15,522,000	1.3	21.3	21.24	(0.2)	1,105,000	0.0	876,000	0.8	20.7	20.43	0.0
2014	19,607,000	(0.5)	15,456,000	(0.4)	21.2	21.54	1.4	1,153,000	4.3	921,000	5.1	20.1	21.35	4.5
2015	19,640,000	0.2	15,746,000	1.9	19.8	21.89	1.6	1,153,000	0.0	949,000	3.0	17.7	21.96	2.9
2016	19,411,000	(1.2)	16,050,000	1.9	17.3	22.02	0.6	1,153,000	0.0	971,000	2.3	15.8	22.38	1.9
2017	19,441,000	0.2	16,143,000	0.6	17.0	22.51	2.2	1,153,000	0.0	987,000	1.6	14.4	23.33	4.2
2018	19,441,000	0.0	16,180,000	0.2	16.8	22.93	1.9	1,153,000	0.0	1,015,000	2.8	12.0	23.83	2.1
2019	19,461,000	0.1	16,240,000	0.4	16.6	23.23	1.3	1,153,000	0.0	1,009,000	(0.6)	12.5	23.91	0.3
2020	19,608,000	0.8	16,133,000	(0.7)	17.7	23.45	0.9	1,153,000	0.0	997,000	(1.2)	13.5	23.55	(1.5)
2021	19,639,000	0.2	16,198,000	0.4	17.5	23.71	1.1	1,153,000	0.0	987,000	(1.0)	14.4	23.53	(0.1)
Forecasts														
2022	19,639,000	*0.0 %*	16,130,000	*(0.4) %*	17.9 *%*	23.73	*0.1 %*	1,153,000	*0.0 %*	1,007,000	*2.0 %*	12.6 *%*	23.70	*0.7 %*
2023	19,724,000	*0.4*	16,184,000	*0.3*	18.0	24.00	*1.1*	1,163,000	*0.9*	1,026,000	*1.9*	11.8	24.43	*3.1*
2024	19,925,000	*1.0*	16,366,000	*1.1*	17.9	24.30	*1.3*	1,173,000	*0.9*	1,046,000	*1.9*	10.8	25.28	*3.5*
2025	20,158,000	*1.2*	16,593,000	*1.4*	17.7	24.62	*1.3*	1,183,000	*0.9*	1,064,000	*1.7*	10.0	26.27	*3.9*
2026	20,330,000	*0.9*	16,763,000	*1.0*	17.5	24.96	*1.4*	1,193,000	*0.8*	1,083,000	*1.8*	9.2	27.33	*4.0*
Average Annual Compound Change														
2009 - 2021		(0.1) %		0.7 %			0.6 %		0.4 %		1.6 %			0.6 %
Forecast 2022 - 2026		*0.9 %*		*1.0 %*			*1.3 %*		*0.9 %*		*1.8 %*			*3.6 %*

Source: REIS Report, 4th Quarter, 2021

The level of occupied office space is forecast to initially increase in this San Bernardino/Riverside market, to roughly 1,000,000 square feet in 2022. Occupied office space recovers to 1,000,000 by 2026. According to REIS, the Temecula/Murrieta office submarket is one of the strongest office markets in the greater San Bernardino and Riverside counties market. This submarket is supported by several major office users, including Abbott Laboratories, Infineon Technologies, and Millipore Sigma. Per REIS, as a result of the ongoing COVID-19 pandemic, vacancy rates increased in 2020 and 2021, and asking lease rates declined those years; however, vacancy rates are expected to drop in 2022 as restrictions related to COVID-19 continue to be lifted and businesses return to offices. Accordingly, asking lease rates are expected to recover and surpass 2019 levels by 2023.

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.

John Wayne Airport (SNA) is located in Orange County, California, between the cities of Santa Ana, Newport Beach, Costa Mesa, and Irvine. The airport serves both general and commercial aviation needs for the area. SNA is serviced by a variety of major commercial and commuter airlines. The airport features one main terminal that is divided into two concourses. A separate terminal provides services and facilities for the general aviation needs of the airport. The Airport Improvement Program, one of Orange County's largest-ever public works projects, began in 2008 and was completed in early 2011; projects included adding a third terminal, approximately 2,000 parking spaces, and additional concessions and amenities for passengers. In addition, a new $8.8-million, in-line baggage-handling system opened at Terminal C in late 2011, enhancing airport security while streamlining the ticketing and boarding process for passengers. A new cell-phone waiting lot with 18 designated spaces was completed in September 2015. A renovation of Riley Terminals A and B was completed in late 2018 and included upgrades to the roof, carpeting, and lighting, along with the addition of a nursing-mothers' room and ADA improvements.

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

FIGURE 3-9 AIRPORT STATISTICS - JOHN WAYNE AIRPORT

Year	Passenger Traffic	Percent Change*	Percent Change**
2012	8,857,944	—	—
2013	9,232,789	4.2 %	4.2 %
2014	9,386,033	1.7	2.9
2015	10,038,466	7.0	4.3
2016	10,496,511	4.6	4.3
2017	10,423,578	(0.7)	3.3
2018	10,664,038	2.3	3.1
2019	10,656,986	(0.1)	2.7
2020	3,794,850	(64.4)	(10.1)
2021	7,700,489	102.9	(1.5)
Year-to-date, Mar			
2021	808,088	—	—
2022	2,264,569	180.2 %	—

*Annual average compounded percentage change from the previous year

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

Source: John Wayne Airport

This facility recorded 7,700,489 passengers in 2021. The change in passenger traffic between 2020 and 2021 was 102.9%. The average annual change during the period shown was -1.5%. Passenger traffic remained strong prior to the pandemic; however, data for 2020 illustrate a decline given the impact of the COVID-19 pandemic and the travel restrictions that were implemented. The year-end 2021 data show that passenger traffic significantly increased from 2020 levels. Moreover, on November 8, 2021, travel restrictions were lifted for fully vaccinated international visitors to the United States. The upward trend has continued thus far in 2022, per the latest statistics. Passenger volume should continue to recover and improve now that most travel restrictions have been rescinded and economic activity has begun to rebound.

Tourist Attractions

The subject market benefits from a variety of tourism and leisure attractions in the area. Leisure demand generators include wineries in Temecula, Old Town Temecula, and Pechanga Resort & Casino (developed by the Pechanga Band of Luiseño Indians). In March 2018, Pechanga Resort & Casino's $285-million expansion project opened. The expansion includes a 568-room hotel wing, a two-story spa, and a 67,000-square-foot event center. Special events in the area typically play a role during key weekends, such as the Temecula Valley Balloon & Wine

Festival and Temecula Valley International Film Festival. We note that many of the tourist attractions and entertainment venues temporarily closed or enacted visitor restrictions because of the COVID-19 pandemic. However, as of the date of this report, area attractions are open; moreover, events are scheduled for 2022.

TEMECULA WINE COUNTRY

Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. Prior to the onset of the COVID-19 pandemic and the corresponding economic crisis, Temecula was experiencing a period of economic strength and expansion, primarily led by the tech, manufacturing, and retail industries. Our market interviews and research revealed that among these industries, tourism was the most affected by the pandemic, while the remaining industries have remained strong overall. However, the COVID-19 pandemic continues to affect the local market, resulting in decreased business activity, inclusive of the hospitality industry. Nevertheless, as of May 2022, the majority of restrictions related to containing the spread of COVID-19 have been rescinded as the pandemic situation continues to improve; thus, while the near-term outlook for the market is best described as one of caution at this time, the long-term outlook is more optimistic.

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

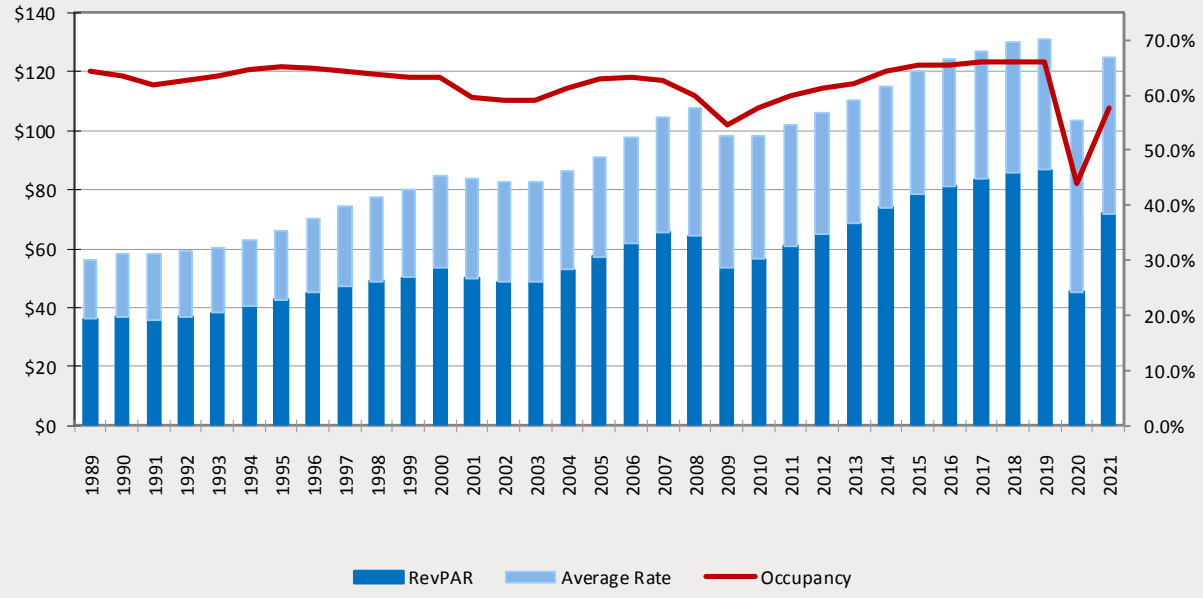
The three sites under consideration for this study are located in the greater Temecula-Murrieta lodging market. Within this greater market, the proposed subject hotel is expected to compete with a smaller set of hotels based on various factors, such as product offering, location, and price.

National Trends Overview

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

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

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



Source: STR

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

FIGURE 4-2 NATIONAL OCCUPANCY AND ADR TRENDS: 2019, 2020, 2021

	Occupancy					Average Rate					RevPAR					Percent Change	
	2019	2020	% Change	2021	% Change	2019	2020	% Change	2021	% Change	2019	2020	% Change	2021	% Change	Rms. Avail.	Rms. Sold
United States	66.0 %	44.0 %	(33.3) %	57.7 %	31.1 %	$131.23	$103.25	(21.3) %	$124.68	20.7 %	$86.64	$45.48	(47.5) %	$71.88	58.2 %	5.2 %	37.8 %
Region																	
New England	64.7 %	38.8 %	(40.1) %	55.7 %	44.4 %	$161.08	$123.17	(23.5) %	$156.04	25.8 %	$104.25	$47.77	(54.2) %	$86.93	81.6 %	5.6 %	52.5 %
Middle Atlantic	69.0	41.3	(40.1)	55.4	34.1	166.27	115.26	(30.7)	143.60	24.1	114.81	47.65	(58.5)	79.52	66.4	4.8	40.6
South Atlantic	67.5	45.7	(32.2)	59.9	31.2	128.41	107.99	(15.9)	130.29	20.7	86.68	49.40	(43.0)	78.08	58.3	6.2	39.3
E. North Central	61.1	39.1	(36.0)	52.4	34.2	112.64	86.72	(23.0)	105.15	20.6	68.82	33.93	(50.7)	55.11	61.9	4.5	40.2
E. South Central	62.4	45.7	(26.8)	59.5	30.6	103.58	85.74	(17.2)	104.49	21.8	64.61	39.18	(39.4)	62.21	59.0	3.1	34.6
W. North Central	58.3	39.1	(32.9)	51.1	31.1	99.28	83.65	(15.7)	97.01	15.7	57.88	32.72	(43.5)	49.58	51.7	2.4	34.3
W. South Central	62.6	44.9	(28.2)	58.2	29.7	101.84	82.88	(18.6)	95.84	15.8	63.77	37.25	(41.6)	55.73	50.1	3.4	34.0
Mountain	66.9	46.7	(30.1)	59.6	28.2	121.89	105.70	(13.3)	124.82	18.5	81.54	49.39	(39.4)	74.44	51.9	6.3	36.3
Pacific	73.6	47.1	(36.0)	60.3	27.6	171.40	129.57	(24.4)	157.57	22.1	126.16	61.01	(51.6)	94.97	55.8	7.2	36.8
Class																	
Luxury	70.9 %	36.8 %	(48.1) %	52.3 %	42.0 %	$304.11	$285.78	(6.0) %	$342.63	19.7 %	$215.73	$105.29	(51.2) %	$179.24	70.0 %	18.3 %	68.0 %
Upper-Upscale	72.6	34.8	(52.1)	49.8	43.4	188.24	159.14	(15.5)	179.35	12.6	136.67	55.30	(59.5)	89.39	61.5	13.3	62.5
Upscale	71.5	42.8	(40.1)	59.3	38.8	143.60	117.80	(18.0)	133.72	13.4	102.68	50.45	(50.9)	79.35	57.4	7.1	48.6
Upper-Midscale	67.5	45.3	(32.9)	61.1	35.1	115.91	98.80	(14.8)	114.82	16.1	78.20	44.72	(42.8)	70.20	56.8	4.2	40.7
Midscale	59.5	44.4	(25.4)	57.0	28.8	95.82	84.47	(11.8)	99.25	17.9	57.03	37.52	(34.2)	56.59	51.8	2.5	32.0
Economy	59.4	49.2	(17.1)	58.8	20.0	75.50	65.45	(13.3)	77.94	18.1	44.83	32.30	(28.2)	45.83	41.8	0.0	20.0
Location																	
Urban	73.2 %	37.9 %	(48.2) %	51.8 %	35.9 %	$183.20	$127.80	(30.2) %	$153.22	20.2 %	$134.12	$48.47	(63.9) %	$79.30	63.3 %	9.9 %	49.4 %
Suburban	66.7	46.4	(30.4)	60.0	29.3	111.26	88.81	(20.2)	104.76	17.9	74.24	41.24	(44.4)	62.88	52.5	3.5	33.9
Airport	73.7	44.5	(39.6)	60.5	35.8	119.22	93.71	(21.4)	104.53	11.4	87.85	41.72	(52.5)	63.20	51.3	2.8	39.5
Interstate	57.9	44.8	(22.7)	57.8	29.5	87.86	79.05	(10.0)	92.05	16.6	50.85	35.39	(30.4)	53.22	50.9	2.0	32.1
Resort	70.0	42.9	(38.6)	57.9	35.4	182.74	170.36	(6.8)	208.73	22.4	127.85	73.13	(42.8)	120.93	65.7	14.3	54.7
Small Town	57.8	44.4	(23.1)	57.0	28.9	107.26	96.95	(9.6)	116.63	20.0	61.98	43.07	(30.5)	66.43	54.8	2.0	31.6
Chain Scale																	
Luxury	73.8 %	32.0 %	(56.7) %	47.8 %	49.7 %	$343.02	$329.54	(3.9) %	$383.64	16.1 %	$253.17	$105.40	(58.4) %	$183.44	73.8 %	23.2 %	84.3 %
Upper-Upscale	73.9	33.4	(54.8)	48.7	45.6	189.25	158.86	(16.1)	175.87	10.8	139.80	53.10	(62.0)	85.69	61.3	14.7	67.0
Upscale	72.6	43.0	(40.7)	59.7	38.9	142.38	115.11	(19.2)	128.58	11.7	103.32	49.52	(52.1)	76.75	55.1	6.8	48.4
Upper-Midscale	67.5	45.4	(32.7)	61.6	35.9	112.80	96.04	(14.9)	111.18	15.8	76.14	43.61	(42.7)	68.53	57.3	4.2	41.6
Midscale	58.1	44.2	(23.8)	56.6	28.1	86.61	77.29	(10.8)	89.42	15.7	50.30	34.19	(32.0)	50.61	48.2	1.5	30.1
Economy	58.7	50.9	(13.2)	59.7	17.6	63.70	58.21	(8.6)	66.80	14.8	37.36	29.64	(20.7)	39.89	35.0	(1.3)	16.0
Independents	63.5	44.8	(29.5)	57.2	28.2	133.08	110.74	(16.8)	137.78	24.8	84.44	49.56	(41.3)	78.87	60.0	4.6	34.1

Source: STR - December 2020 and December 2021 Lodging Reviews

The onset of the COVID-19 pandemic in March 2020 had a severe impact on the lodging industry, causing occupancy, ADR, and RevPAR to decline by unprecedented levels. The impact on the national lodging industry peaked mid-April; for the week ending April 11, 2020, STR reported that national RevPAR was 83.6% lower than the level recorded for the same week in 2019. By the conclusion of 2020, occupancy had declined 22 points, with ADR decreasing by roughly $28.00, resulting in a RevPAR loss of 48.0% (rounded). The sharp downturn in travel caused by COVID-19 continued into early 2021, as the months of January and February 2020 were not notably affected by the pandemic.

Since the 2020 onset of the pandemic, hotels that derive a significant component of their demand from the larger group and convention segment have been hit the hardest, followed by properties in markets with a high proportion of business and international travel. For this reason, the major metropolitan areas reported deep RevPAR declines through the first half of 2021. Hotels in locations that depend primarily on automobile traffic have fared better (including drive-to leisure destinations), and the extended-stay category has also outperformed the national average, fueling the illustrated 2021 recovery. Gaining traction in the summer of 2021, group demand showed signs of recovery, albeit at a slower pace. Accordingly, by the end of 2021, nationwide occupancy had rebounded to nearly 58.0%, with ADR reaching roughly $125, representing a RevPAR gain of 58.0% (rounded).

Vaccine boosters are now widely available, and although COVID cases related to the Omicron variant increased in December 2021 and January 2022, the most recent infections are reportedly diminishing in severity. More corporations and institutions are beginning to return to office spaces, at least in some capacity. Furthermore, group travel is expected to recover as participants feel increasingly comfortable gathering in larger numbers. Accordingly, hotel owners, operators, and investors generally anticipate the hospitality sector to recover at an accelerating pace, as vaccines, medical therapies, and public confidence support a return of travel. The overall economic upswing is expected to continue through 2022, with national RevPAR anticipated to exceed the level achieved in 2019 by the end of this year.

FIGURE 4-3 RECENT NATIONAL OCCUPANCY AND ADR TRENDS

	Occupancy - YTD March			Average Rate - YTD March			RevPAR - YTD March			Percent Change	
	2021	2022	% Change	2021	2022	% Change	2021	2022	% Change	Rms. Avail.	Rms. Sold
United States	46.2 %	56.2 %	21.6 %	$99.73	$137.13	37.5 %	$46.07	$77.06	67.2 %	4.0 %	26.4 %
Region											
New England	38.4 %	51.3 %	33.5 %	$100.00	$136.61	36.6 %	$38.41	$70.08	82.4 %	4.7 %	39.8 %
Middle Atlantic	39.8	49.6	24.5	102.00	138.20	35.5	40.61	68.52	68.7	9.7	36.6
South Atlantic	51.3	61.3	19.3	114.10	154.63	35.5	58.58	94.73	61.7	4.0	24.1
E. North Central	38.7	47.4	22.5	81.64	103.99	27.4	31.58	49.27	56.0	4.4	27.9
E. South Central	48.4	56.1	16.0	82.86	106.59	28.6	40.09	59.81	49.2	2.3	18.7
W. North Central	38.0	45.7	20.2	80.51	97.62	21.3	30.62	44.61	45.7	1.0	21.4
W. South Central	50.8	58.4	14.8	80.28	107.14	33.5	40.82	62.54	53.2	1.8	16.9
Mountain	48.2	59.7	23.7	106.18	149.44	40.7	51.21	89.17	74.1	2.0	26.1
Pacific	46.4	60.4	30.3	115.63	172.64	49.3	53.64	104.32	94.5	5.9	37.9
Class											
Luxury	36.2 %	54.3 %	49.9 %	$297.15	$375.86	26.5 %	$107.64	$204.10	89.6 %	10.5 %	65.7 %
Upper-Upscale	34.5	53.2	54.0	142.55	196.53	37.9	49.25	104.59	112.4	11.4	71.5
Upscale	47.2	59.6	26.4	107.14	143.06	33.5	50.55	85.33	68.8	5.5	33.4
Upper-Midscale	49.7	59.0	18.7	92.67	118.79	28.2	46.06	70.09	52.2	3.4	22.7
Midscale	45.9	53.1	15.6	80.83	99.86	23.5	37.11	53.02	42.9	0.6	16.4
Economy	50.8	54.5	7.4	63.62	77.11	21.2	32.31	42.06	30.2	(0.6)	6.8
Location											
Urban	38.3 %	52.5 %	37.0 %	$111.21	$165.73	49.0 %	$42.60	$86.97	104.2 %	12.3 %	53.9 %
Suburban	49.6	58.3	17.5	83.94	112.57	34.1	41.65	65.66	57.6	2.2	20.1
Airport	49.2	63.4	28.8	86.40	119.93	38.8	42.53	76.05	78.8	2.1	31.5
Interstate	46.8	53.0	13.4	78.18	92.92	18.9	36.58	49.29	34.8	1.1	14.6
Resort	44.4	61.7	38.9	184.42	250.38	35.8	81.85	154.38	88.6	6.8	48.4
Small Town	45.8	51.4	12.2	93.39	112.81	20.8	42.77	57.95	35.5	1.1	13.5
Chain Scale											
Luxury	30.8 %	54.0 %	75.5 %	$375.84	$454.65	21.0 %	$115.66	$245.52	112.3 %	13.8 %	99.6 %
Upper-Upscale	32.7	53.2	62.6	142.67	199.36	39.7	46.67	106.04	127.2	12.4	82.7
Upscale	47.7	60.3	26.5	104.35	139.93	34.1	49.73	84.39	69.7	5.8	33.9
Upper-Midscale	50.1	59.4	18.6	90.78	115.58	27.3	45.50	68.70	51.0	3.9	23.3
Midscale	45.7	52.3	14.3	74.82	90.40	20.8	34.21	47.27	38.2	0.2	14.5
Economy	52.4	55.5	5.9	57.62	67.61	17.3	30.18	37.52	24.3	(2.2)	3.6
Independents	45.9	54.2	18.1	109.54	146.82	34.0	50.30	79.64	58.3	3.1	21.8

Source: STR - March 2022 Lodging Review

To further understand the nature and degree of the impact of the pandemic thus far, we have reviewed the following weekly data for the U.S. lodging industry, as published by STR. The data reflect that nationwide occupancy is still lagging the 2019 levels, due primarily to group demand being significantly lower than pre-

pandemic levels; moreover, the Omicron variant caused some pullback in business and group travel in early January 2022. However, demand and occupancy rebounded shortly thereafter, with ADR levels now in the $140 to $150 range as of April 2022. Accordingly, ADR has essentially fully recovered and is expected to move well beyond the 2019 level as 2022 progresses, due in large part to higher-rated leisure demand.

FIGURE 4-4 NATIONAL OCCUPANCY TRENDS – WEEKLY DATA

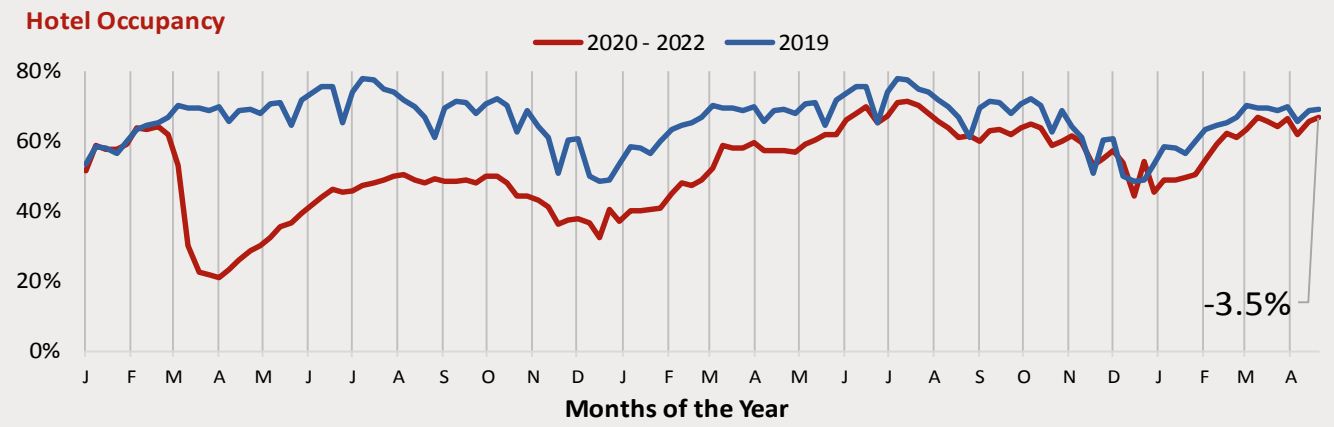


FIGURE 4-5 NATIONAL ADR TRENDS – WEEKLY DATA

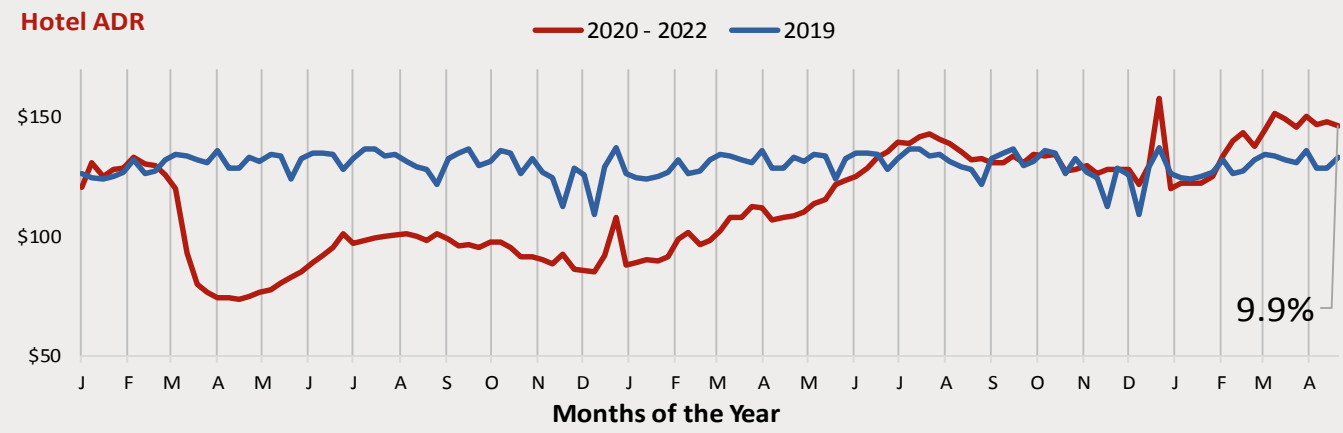
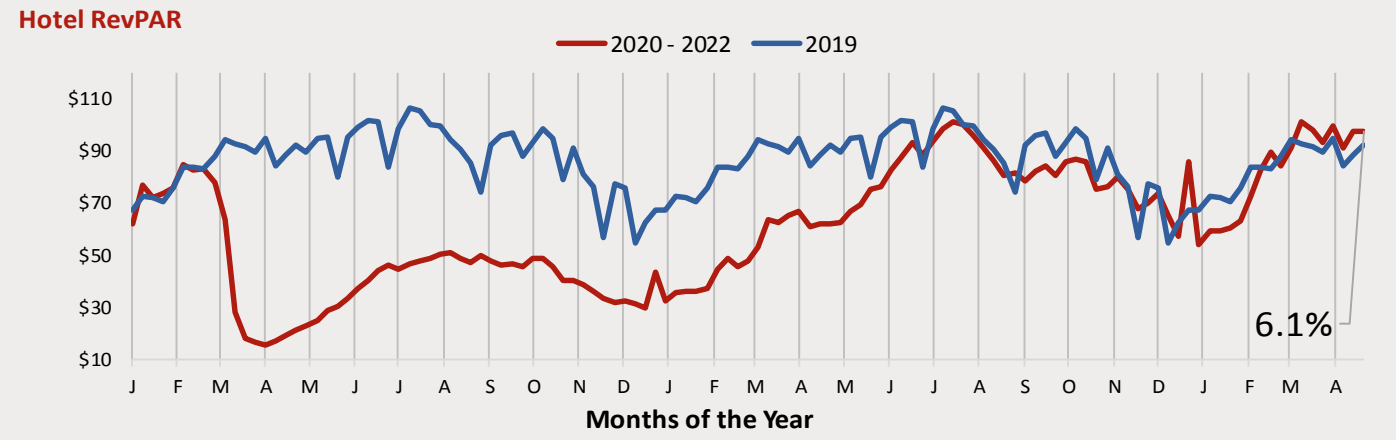


FIGURE 4-6 NATIONAL REVPAR TRENDS – WEEKLY DATA



Historical Supply and Demand Data

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

In response to the travel restrictions and the decline in demand associated with the COVID-19 pandemic, numerous hotels in markets across the nation temporarily suspended operations. During these suspensions, hotels were typically closed to the public, with the majority of staff furloughed; however, key management and maintenance staff were retained to preserve the property and prepare for reopening. Four hotels in the competitive subject market suspended operations because of the COVID-19 pandemic; however, all have since reopened. Our analysis considers the full supply of competitive rooms, including any hotels that may have temporarily suspended operations. We note that the STR data and our analysis reflect the competitive market's adjusted occupancy upon the suspension of operations and/or the reopening of select competitive hotels within this set.

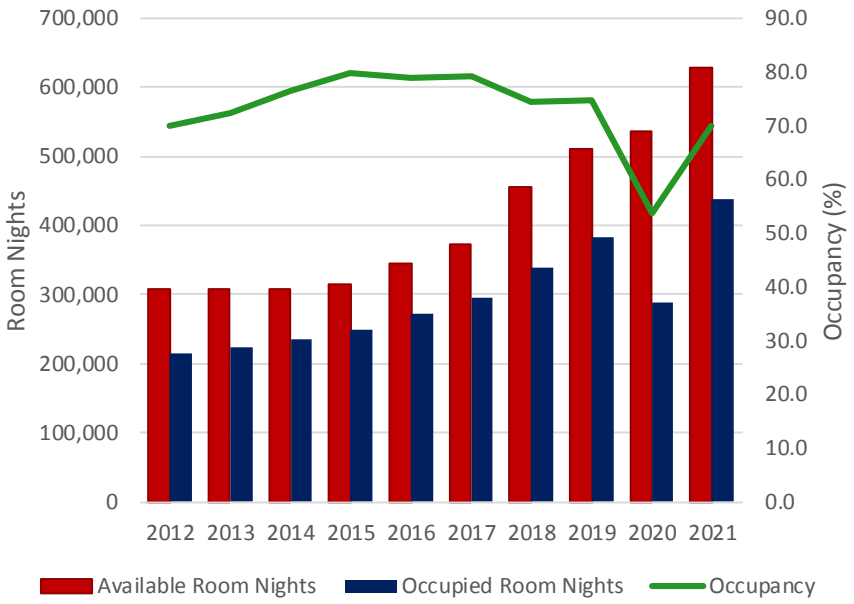
FIGURE 4-7 HISTORICAL SUPPLY AND DEMAND TRENDS

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2009	755	275,498	—	160,851	—	58.4 %	$115.83	—	$67.63	—
2010	844	308,060	11.8 %	188,735	17.3 %	61.3	109.31	(5.6) %	66.97	(1.0) %
2011	844	308,060	0.0	208,636	10.5	67.7	110.62	1.2	74.92	11.9
2012	844	307,907	(0.0)	215,038	3.1	69.8	114.47	3.5	79.95	6.7
2013	843	307,695	(0.1)	222,926	3.7	72.5	116.63	1.9	84.50	5.7
2014	843	307,695	0.0	235,167	5.5	76.4	121.66	4.3	92.98	10.0
2015	860	313,856	2.0	250,190	6.4	79.7	126.98	4.4	101.22	8.9
2016	944	344,560	9.8	271,167	8.4	78.7	132.26	4.2	104.09	2.8
2017	1,022	373,162	8.3	295,048	8.8	79.1	135.58	2.5	107.20	3.0
2018	1,248	455,471	22.1	338,828	14.8	74.4	130.27	(3.9)	96.91	(9.6)
2019	1,401	511,190	12.2	381,927	12.7	74.7	130.71	0.3	97.66	0.8
2020	1,468	535,708	4.8	288,115	(24.6)	53.8	115.18	(11.9)	61.95	(36.6)
2021	1,718	627,143	17.1	438,808	52.3	70.0	148.95	29.3	104.22	68.2
Year-to-Date Through March										
2021	1,658	149,194	—	92,472	—	62.0 %	$114.51	—	$70.97	—
2022	1,773	159,554	6.9 %	96,667	4.5 %	60.6	153.82	34.3 %	93.19	31.3 %
Average Annual Compounded Change:										
2009 – 2019			6.4 %		9.0 %			1.2 %		3.7 %
2009 – 2020			6.2		5.4			(0.1)		(0.8)

Hotels Included in Sample	Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
Residence Inn Temecula Murrieta	Upscale Class	*Secondary*	101	Nov 2015	Nov 2015
Holiday Inn Express & Suites Murrieta - Temecula	Upper Midscale Class	*Primary*	105	Dec 2019	Dec 2019
Comfort Inn & Suites Murrieta Temecula Wine Country	Upper Midscale Class	*Primary*	66	Sep 2003	Sep 2003
Courtyard Temecula Murrieta	Upscale Class	*Primary*	183	Jun 2020	Dec 2017
Hampton by Hilton Inn & Suites Murrietta Temecula	Upper Midscale Class	*Primary*	106	Jun 2017	Jun 2017
Fairfield Inn & Suites Menifee	Upper Midscale Class	*Secondary*	99	Oct 2020	Oct 2020
Best Western Plus Temecula Wine Country Hotel & Suites	Upper Midscale Class	*Secondary*	60	Oct 2018	Oct 2018
Home2 Suites by Hilton Temecula	Upper Midscale Class	*Secondary*	120	Mar 2019	Mar 2019
Hilton Garden Inn Temecula	Upscale Class	*Secondary*	104	Mar 2022	Mar 2022
SpringHill Suites Temecula Valley Wine Country	Upscale Class	*Secondary*	134	May 2020	Sep 2009
La Quinta Inns & Suites Temecula	Upper Midscale Class	*Secondary*	56	Mar 2008	Mar 2008
Fairfield Inn & Suites Temecula	Upper Midscale Class	*Secondary*	94	Mar 2007	Mar 2007
Hampton by Hilton Inn & SuitesTemecula	Upper Midscale Class	*Secondary*	98	Jun 2004	Jun 2004
Holiday Inn Express Temecula	Upper Midscale Class	*Secondary*	90	Jun 2003	Jun 1999
Staybridge Suites Temecula - Wine Country	Upscale Class	*Secondary*	124	Mar 2021	Mar 2021
Embassy Suites by Hilton Temecula Valley Wine Country	Upper Upscale Class	*Secondary*	176	Jul 1993	Jun 1990
Temecula Creek Inn	Luxury Class	*Secondary*	125	Jul 2020	Jun 1969
		Total	**2,710**		

Source: STR

FIGURE 4-8 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 2021 in 70.0%, which compares to 53.8% for 2020. The STR data for the competitive set reflect a market-wide ADR level of $148.95 in 2021, which compares to $115.18 for 2020. These occupancy and ADR trends resulted in a RevPAR level of $104.22 in 2021.

Prior to 2020, both occupancy and ADR generally followed a strengthening trend, with RevPAR increasing year-over-year from 2010 through 2017 despite new supply from 2015 through 2017. This improvement in market conditions was driven largely by the heightened popularity of Temecula's wine region following the recession, with local wineries and resorts attracting wedding groups and leisure travelers. Area festivals, such as the Temecula Valley Balloon & Wine Festival and

the Temecula Art & Street Painting Festival, also continued to gain exposure. Furthermore, the Temecula Valley was becoming a more affordable weekend getaway for regional residents when compared with some of the more expensive resort destinations along the Pacific Coast. Occupancy remained relatively stable in 2017, before declining in 2018 due to the openings of the Hampton by Hilton and Courtyard by Marriott in 2017, as well as the addition of 568 rooms at the Pachanga Resort Casino in March 2018. ADR also declined in 2018. Although demand increased in 2019, occupancy and ADR remained relatively flat as supply growth kept pace with demand growth.

In March 2020, the COVID-19 pandemic began to affect the local market, similar to the rest of the nation, resulting in stay-at-home orders, group cancellations, and decreased business travel; thus, occupancy declined significantly in 2020. As much of the demand remaining was lower rated in nature, ADR declined in 2020, as well. General improvement has been registered since the low point that year. By year-end 2021, occupancy had recovered a substantial portion of its 2020 losses, gaining traction in the latter half of the year after the wide distribution of vaccines. Furthermore, by year-end 2021, ADR surpassed 2019 levels by approximately $18. Year-to-date data through March 2022 reflects a continuation of this recovery trend. While the pandemic will continue to affect business and larger-scale groups to some degree in the near term, the overall outlook is optimistic given the dynamics of this market, the return to office operations, and the increase in group demand.

Competitive Supply

The following table summarizes the important operating characteristics of the future primary competitors and the aggregate secondary competitors (as applicable). This information was compiled from personal interviews, inspections, online resources, and our in-house database of operating and hotel facility data. In cases where exact operating data for an individual property (or properties) were not available, we have used these resources, as well as the STR data, to estimate positioning within the market.

FIGURE 4-9 PRIMARY COMPETITORS – OPERATING PERFORMANCE

		Est. Segmentation			Estimated 2019				Estimated 2021					
Property	**Number of Rooms**	***Commercial***	***Leisure***	***Group***	**Weighted Annual Room Count**	**Occ.**	**Average Rate**	**RevPAR**	**Weighted Annual Room Count**	**Occ.**	**Average Rate**	**RevPAR**	**Occupancy Penetration**	**Yield Penetration**
Courtyard by Marriott Temecula Murrieta	183	40 %	50 %	10 %	183	65 - 70 %	$120 - $125	$80 - $85	183	55 - 60 %	$150 - $160	$85 - $90	80 - 85 %	80 - 85 %
Hampton by Hilton Murrieta Temecula	106	40	55	5	106	65 - 70	125 - 130	85 - 90	106	75 - 80	140 - 150	110 - 115	110 - 120	110 - 120
Holiday Inn Express & Suites Murrieta Temecula	105	40	55	5	9	1 - 5	120 - 125	5 - 10	105	60 - 65	130 - 140	85 - 90	85 - 90	80 - 85
Comfort Inn & Suites Temecula Wine Country	66	40	55	5	66	75 - 80	115 - 120	85 - 90	66	70 - 75	120 - 125	90 - 95	100 - 110	85 - 90
Sub-Totals/Averages	**460**	**40 %**	**53 %**	**7 %**	**364**	**68.9 %**	**$123.33**	**$84.91**	**460**	**66.4 %**	**$140.52**	**$93**	**95 %**	**90.1 %**
Secondary Competitors	1,277	45 %	45 %	10 %	813	76.8 %	$132.70	$101.88	986	71.5 %	$151.58	$108	102 %	104.6 %
Totals/Averages	**1,737**	**44 %**	**47 %**	**9 %**	**1,177**	**74.3 %**	**$130.02**	**$96.63**	**1,446**	**69.9 %**	**$148.23**	**$104**	**100 %**	**100.0 %**

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

FIGURE 4-10 PRIMARY COMPETITORS – FACILITY PROFILES

Property	Number of Rooms	Year Opened	Miles To Subject Property	Food and Beverage Outlets	Indoor Meeting Space (SF)	Meeting Space per Room	Facilities & Amenities
Courtyard by Marriott Temecula Murrieta 25419 Madison Avenue	183	2017	1.2	Bistro	2,624	14.3	Business Center; Guest Laundry Area; Outdoor Swimming Pool; Fitness Room; Coffee Station; Outdoor Whirlpool; Rooftop Deck
Hampton by Hilton Murrieta Temecula 25140 Hancock Avenue	106	2017	2.0	Breakfast Dining Area	985	9.3	Business Center; Guest Laundry Area; Outdoor Swimming Pool; Fitness Room; Market Pantry
Holiday Inn Express & Suites Murrieta Temecula 24761 Hospitality Place	105	2019	1.0	Breakfast Dining Area	2,421	23.1	Business Center; Guest Laundry Area; Outdoor Swimming Pool; Fitness Center; Market Pantry
Comfort Inn & Suites Temecula Wine Country 41005 California Oaks Road	66	2003	1.0	Breakfast Dining Area	0	—	Business Center; Guest Laundry Area; Indoor Swimming Pool; Fitness Room; Market Pantry

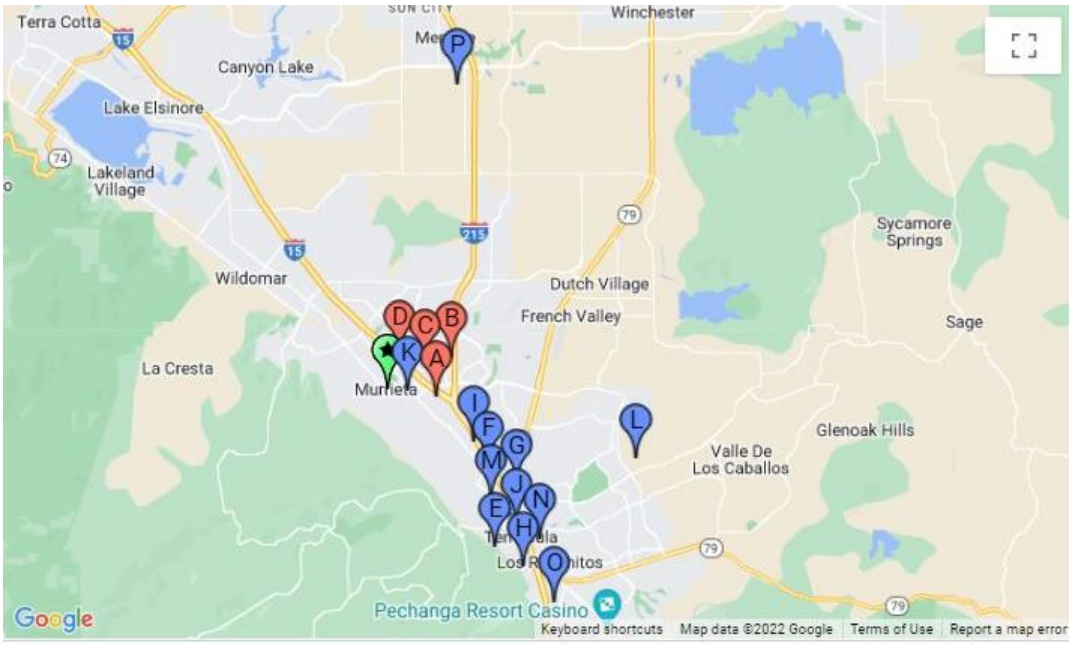
FIGURE 4-11 SECONDARY COMPETITOR(S) – OPERATING PERFORMANCE

		Est. Segmentation				Estimated 2019				Estimated 2021			
Property	Number of Rooms	Commercial	Leisure	Group	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Hampton by Hilton Temecula	98	40 %	55 %	5 %	80 %	78	75 - 80 %	$130 - $140	$100 - $105	78	70 - 75 %	$160 - $170	$115 - $120
Fairfield by Marriott Temecula	94	40	55	5	80	75	60 - 65	115 - 120	70 - 75	75	60 - 65	130 - 140	80 - 85
Holiday Inn Express Temecula	90	40	55	5	80	72	80 - 85	105 - 110	85 - 90	72	75 - 80	120 - 125	90 - 95
Best Western Plus Temecula Wine Country Hotel & Suites	60	40	55	5	80	48	70 - 75	110 - 115	75 - 80	48	70 - 75	110 - 115	75 - 80
La Quinta Inn & Suites Temecula	56	40	55	5	80	45	75 - 80	125 - 130	100 - 105	45	70 - 75	110 - 115	80 - 85
SpringHill Suites by Marriott Temecula Valley Wine Country	134	40	50	10	80	107	75 - 80	125 - 130	95 - 100	107	70 - 75	140 - 150	110 - 115
Residence Inn by Marriott Temecula Murrieta	101	60	30	10	80	81	75 - 80	150 - 160	120 - 125	81	75 - 80	170 - 180	130 - 140
Home2 Suites by Hilton Temecula	120	60	30	10	80	80	70 - 75	115 - 120	85 - 90	96	75 - 80	150 - 160	115 - 120
Staybridge Suites Temecula - Wine Country	124	60	30	10	80	Not Open				83	65 - 70	160 - 170	115 - 120
Embassy Suites Temecula Valley Wine Country	176	50	35	15	75	132	85 - 90	140 - 150	125 - 130	132	65 - 70	170 - 180	115 - 120
Temecula Creek Inn	125	35	50	15	75	94	65 - 70	160 - 170	105 - 110	94	55 - 60	190 - 200	115 - 120
Fairfield by Marriott Menifee	99	40	55	5	75	Not Open				74	65 - 70	130 - 140	90 - 95
Totals/Averages	**1,277**	**45 %**	**45 %**	**10 %**	**78 %**	**813**	**76.8 %**	**$132.70**	**$101.88**	**986**	**71.5 %**	**$151.58**	**$108.37**

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

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

MAP OF COMPETITION



- Proposed Murrieta Hotel
- A Courtyard by Marriott Temecula Murrieta (Primary)
- B Hampton by Hilton Murrieta Temecula (Primary)
- C Holiday Inn Express & Suites Murrieta Temecula (Primary)
- D Comfort Inn & Suites Temecula Wine Country (Primary)
- E Hampton by Hilton Temecula (Secondary)
- F Fairfield by Marriott Temecula (Secondary)
- G Holiday Inn Express Temecula (Secondary)
- H Best Western Plus Temecula Wine Country Hotel & Suites (Secondary)
- I La Quinta Inn & Suites Temecula (Secondary)
- J SpringHill Suites by Marriott Temecula Valley Wine Country (Secondary)
- K Residence Inn by Marriott Temecula Murrieta (Secondary)
- L Home2 Suites by Hilton Temecula (Secondary)
- M Staybridge Suites Temecula - Wine Country (Secondary)
- N Embassy Suites Temecula Valley Wine Country (Secondary)
- O Temecula Creek Inn (Secondary)
- P Fairfield by Marriott Menifee (Secondary)

Supply Changes

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

FIGURE 4-12 AREA DEVELOPMENT ACTIVITY

Proposed Hotel Name	Estimated Number of Rooms	Hotel Product Tier	Development Stage	Expected Qtr. & Year of Opening	Address
Murrieta					
The Murrieta Hotel (Full-Service Hotel)	260	Upper-Upscale	Seeking Financing	TBD	Intersection of I-5 and I-215, Murrieta
Cambria Murrieta	102	Upscale	Broke Ground	TBD	Northeast of McElwain Road and Linnel Lane, Murrieta
Select-Service Hotel (Proposed Subject Property)	120	Upscale	Early Development		
Temecula					
Staybridge Suites Temecula - Wine Country	112	Upscale	Recently Opened	Q2 '21	27500 Jefferson Avenue, Temecula
Hilton Garden Inn Temecula	104	Upscale	Recently Opened	Q3 '21	28210 Jefferson Avenue, Temecula
Traux Boutique Hotel, an Autograph Collection	151	Upscale	Application Pending	TBD	Third Street and Mercedes Street, Temecula
Everhome Suites Temecula	117	Upper-Midscale	Seeking Financing	Q1 '24	27165 Madison Avenue, Temecula

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

FIGURE 4-13 NEW SUPPLY

Proposed Property	Number of	Total Competitive Level	Weighted Room Count	Estimated Opening Date	Developer	Development Stage
Proposed Subject Property	120	100 %	120	January 1, 2025	TBD	Early Development
Hilton Garden Inn Temecula	104	100	104	March 1, 2022	Wellprofit International Inc.	Recently Opened
Cambria Murrieta	102	100	102	January 1, 2024	Murrieta Development II, LLC	Broke Ground
Totals/Averages	**326**		**326**			

The Hilton Garden Inn Temecula recently opened approximately one mile from the subject site. This hotel is similar to the proposed subject hotel in terms of offering and service level and is expected to compete with the proposed subject property for overlapping transient demand within the Temecula Valley area; thus, we have considered it fully competitive in our analysis. Furthermore, a Cambria has been proposed for development in Murrieta; given its similar product offering and location within Murrieta, we have considered it fully competitive in our analysis. A number of other hotels have been proposed for development throughout the

market; however, given the speculative nature of these projects, they have only been considered qualitatively in our analysis.

In response to the travel restrictions and the decline in demand associated with the COVID-19 pandemic, numerous hotels in markets across the nation temporarily suspended operations. During these suspensions, hotels were typically closed to the public, with the majority of staff furloughed; however, key management and maintenance staff were retained to preserve the property and prepare for reopening. Four hotels in the competitive subject market suspended operations because of the COVID-19 pandemic; however, all have since reopened. Our analysis considers the full supply of competitive rooms, including any hotels that may have temporarily suspended operations. We note that the STR data and our analysis reflect the competitive market's adjusted occupancy upon the suspension of operations and/or the reopening of select competitive hotels within this set.

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 Murrieta submarket. The Proposed Murrieta Hotel should enter a dynamic market of varying product types and price points. Next, we will present our forecast for demand change, using the historical supply data presented as a starting point.

DEMAND

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

FIGURE 4-14 HISTORICAL MARKET TRENDS

Year	Accommodated Room Nights	% Change	Room Nights Available	% Change	Market Occupancy	Market ADR	% Change	Market RevPAR	% Change
Est. 2019	319,170	—	429,441	—	74.3 %	$130.02	—	$96.63	—
Est. 2020	255,119	(20.1) %	477,006	11.1 %	53.5	114.69	(11.8) %	61.34	(36.5) %
Est. 2021	368,721	44.5	527,631	10.6	69.9	148.23	29.2	103.59	68.9
Avg. Annual Compounded Chg., Est. 2019-Est. 2021:		7.5 %		10.8 %			6.8 %		3.5 %

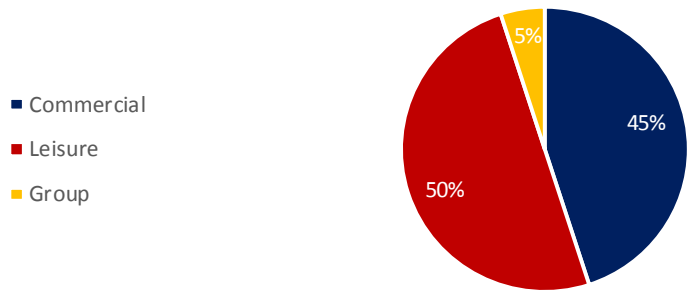
Demand Analysis Using Market Segmentation

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 2019 distribution of accommodated-room-night demand as follows.

FIGURE 4-15 BASE-YEAR ACCOMMODATED-ROOM-NIGHT DEMAND

	2019 Marketwide		2021 Marketwide	
Market Segment	Accommodated Demand	Percentage of Total	Accommodated Demand	Percentage of Total
Commercial	139,732	44 %	165,924	45 %
Leisure	150,961	47	184,360	50
Group	28,478	9	18,436	5
Total	**319,170**	**100 %**	**368,721**	**100 %**

FIGURE 4-16 MARKET-WIDE ACCOMMODATED-ROOM-NIGHT DEMAND



In the base year, the market's demand mix comprised commercial demand, with this segment representing roughly 44% of the accommodated room nights in this Murrieta submarket. The leisure segment comprised 47% of the total, with the final portion group in nature, reflecting 9%.

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

FIGURE 4-17 AVERAGE ANNUAL COMPOUNDED MARKET-SEGMENT GROWTH RATES

	Annual Growth Rate				
Market Segment	**2022**	**2023**	**2024**	**2025**	**2026**
Commercial	5.0 %	6.0 %	8.0 %	7.0 %	3.0 %
Leisure	5.0	6.0	8.0	7.0	3.0
Group	40.0	15.0	8.0	7.0	3.0
Base Demand Growth	**6.7 %**	**6.6 %**	**8.0 %**	**7.0 %**	**3.0 %**

Latent Demand

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

Unaccommodated Demand

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

Unaccommodated demand is further indicated if the market is at all seasonal, with distinct high and low seasons; such seasonality indicates that although year-end occupancy may not average in excess of 70%, the market may sell out certain nights

during the year. To evaluate the incidence of unaccommodated demand in the market, we have reviewed the average occupancy by the night of the week for the past twelve months for the competitive set, as reflected in the STR data. This is set forth in the following table.

FIGURE 4-18 OCCUPANCY BY NIGHT OF THE WEEK

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Apr - 21	63.2 %	66.1 %	71.8 %	74.7 %	77.2 %	87.7 %	92.7 %	76.6 %
May - 21	72.3	65.1	69.9	73.6	84.3	92.3	96.1	79.0
Jun - 21	69.6	67.7	69.0	75.3	82.1	92.7	96.0	78.5
Jul - 21	72.6	71.6	77.7	80.6	80.3	74.5	86.2	77.9
Aug - 21	63.9	58.8	62.8	63.8	72.1	73.8	83.6	67.7
Sep - 21	65.7	53.9	57.8	63.4	69.1	79.2	89.9	68.3
Oct - 21	64.1	58.5	61.1	66.8	72.9	81.9	90.6	71.6
Nov - 21	58.0	56.7	61.7	68.9	77.4	82.4	87.0	69.6
Dec - 21	54.4	55.0	57.3	58.3	60.9	73.5	81.2	63.1
Jan - 22	47.4	46.3	51.6	52.2	53.5	64.0	69.1	54.8
Feb - 22	57.7	56.0	55.4	55.7	57.7	68.4	82.2	61.9
Mar - 22	55.0	54.9	59.0	62.9	65.7	73.6	85.2	64.9
Average	**62.0 %**	**59.0 %**	**62.9 %**	**66.2 %**	**71.0 %**	**78.7 %**	**86.6 %**	**69.5 %**

Source: STR

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

FIGURE 4-19 UNACCOMMODATED DEMAND ESTIMATE

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand	Unaccommodated Room Night Demand
Commercial	139,732	1.6 %	2,304
Leisure	150,961	3.7	5,601
Group	28,478	22.3	6,340
Total	**319,170**	**4.5 %**	**14,246**

Accordingly, we have forecast unaccommodated demand equivalent to 4.5% 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. Although increases in demand are expected in the local market, we have accounted for this growth in the determination of market-segment growth rates rather than induced demand.

Accommodated Demand and Market-wide Occupancy

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

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

FIGURE 4-20 FORECAST OF MARKET OCCUPANCY

	2019	2021	2022	2023	2024	2025	2026	2027
Commercial								
Base Demand	139,732	165,924	174,221	184,674	199,448	213,409	219,811	219,811
Unaccommodated Demand		2,736	2,873	3,045	3,289	3,519	3,625	3,625
Total Demand	139,732	168,661	177,094	187,719	202,737	216,929	223,436	223,436
Growth Rate		20.7 %	5.0 %	6.0 %	8.0 %	7.0 %	3.0 %	0.0 %
Leisure								
Base Demand	150,961	184,360	193,579	205,193	221,609	237,121	244,235	244,235
Unaccommodated Demand		6,841	7,183	7,614	8,223	8,798	9,062	9,062
Total Demand	150,961	191,201	200,761	212,807	229,831	245,920	253,297	253,297
Growth Rate		26.7 %	5.0 %	6.0 %	8.0 %	7.0 %	3.0 %	0.0 %
Group								
Base Demand	28,478	18,436	25,810	29,682	32,057	34,301	35,330	35,330
Unaccommodated Demand		4,104	5,746	6,608	7,137	7,636	7,865	7,865
Total Demand	28,478	22,540	31,557	36,290	39,193	41,937	43,195	43,195
Growth Rate		(20.8) %	40.0 %	15.0 %	8.0 %	7.0 %	3.0 %	0.0 %
Totals								
Base Demand	319,170	368,721	393,610	419,549	453,113	484,831	499,376	499,376
Unaccommodated Demand		13,681	15,802	17,267	18,649	19,954	20,553	20,553
Total Demand	319,170	382,402	409,412	436,816	471,762	504,785	519,929	519,929
less: Residual Demand		13,681	11,033	13,034	13,150	11,022	16,432	16,432
Total Accommodated Demand	319,170	368,721	398,379	423,783	458,611	493,763	503,496	503,496
Overall Demand Growth	—	44.5 %	8.0 %	6.4 %	8.2 %	7.7 %	2.0 %	0.0 %
Market Mix								
Commercial	43.8 %	45.0 %	43.3 %	43.0 %	43.0 %	43.0 %	43.0 %	43.0 %
Leisure	47.3	50.0	49.0	48.7	48.7	48.7	48.7	48.7
Group	8.9	5.0	7.7	8.3	8.3	8.3	8.3	8.3
Existing Hotel Supply	1,177	1,446	1,462	1,462	1,462	1,462	1,462	1,462
Proposed Hotels								
Proposed Subject Property [1]						120	120	120
Hilton Garden Inn Temecula [2]			87	104	104	104	104	104
Cambria Murrieta [3]					102	102	102	102
Available Room Nights per Year	429,441	527,631	565,308	571,444	608,674	652,474	652,474	652,474
Nights per Year	365	365	365	365	365	365	365	365
Total Supply	1,177	1,446	1,549	1,566	1,668	1,788	1,788	1,788
Rooms Supply Growth	11.1 %	10.6 %	7.1 %	1.1 %	6.5 %	7.2 %	0.0 %	0.0 %
Marketwide Occupancy	**74.3 %**	**69.9 %**	**70.5 %**	**74.2 %**	**75.3 %**	**75.7 %**	**77.2 %**	**77.2 %**

[1] Opening in January 2025 of the 100% competitive, 120-room Proposed Subject Property

[2] Opening in March 2022 of the 100% competitive, 104-room Hilton Garden Inn Temecula

[3] Opening in January 2024 of the 100% competitive, 102-room Cambria Murrieta

The defined competitive market of hotels experienced a sharp occupancy decline in 2020 and early 2021 because of the severe downturn in travel associated with the COVID-19 pandemic; however, by year-end 2021, occupancy had recovered a substantial portion of the 2020 losses, gaining traction in the latter half of the year after the wide distribution of vaccines. The recent recovery is expected to continue given the ongoing return of many employees to offices, stronger levels of both commercial and leisure travel, and an increase in group gatherings.

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

We recommend the proposed hotel be developed as an upscale, select-service lodging facility containing 120 rentable units. The property is anticipated to open on January 1, 2025.

TYPICAL SELECT-SERVICE EXTERIOR

Summary of the Facilities

The following table summarizes the facilities that are expected to be available at the proposed subject hotel.

FIGURE 5-1 PROPOSED FACILITIES SUMMARY

Guestroom Configuration	Number of Units
King	43
Queen/Queen	65
Suites	12
Total	120

Food & Beverage Facilities	Seating Capacity
Restaurant and Lounge	TBD

Indoor Meeting & Banquet Facilities	Square Footage
Meeting Room	3,000

Amenities & Services	
Outdoor Swimming Pool	Market Pantry
Outdoor Whirlpool	Guest Laundry Area
Fitness Room	Lobby Workstation
Outdoor Patio & Fire Pit	

Infrastructure	
Parking Spaces	As Needed
Elevators	TBD
Life-Safety Systems	Sprinklers, Smoke Detectors
Construction Details	Wood Framing, Poured Concrete

It is expected that the proposed hotel will comprise one single building, between three and six stories, as is typical of a select-service hotel. Surface parking is expected to be located around the building. Other site improvements should include freestanding signage, located at the main entrance to the site, as well as landscaping and sidewalks. Additional signage is expected to be placed on the exterior of the building. The proposed hotel's main entrance should lead directly into the lobby, and the first (ground) floor is anticipated to house the public areas and the back-of-the-house space. Guestrooms should be located on all floors. The site and building components should meet standards for an upscale, select-service hotel in this Murrieta market.

We recommend a nationally branded, upscale, select-service product for the proposed subject hotel. Typical select-service hotels offer a two-meal (breakfast and dinner) or three-meal restaurant and lounge, often located off the lobby. The hotel should offer meeting space, typically spread over a few separate meeting rooms or a divisible ballroom, which should be located on the ground floor. Recreational

facilities typical of select-service hotels in this market include an outdoor pool with sundeck, an outdoor whirlpool, and a fitness room. Other amenities typically offered include a lobby workstation or small business center, a market pantry, a guest laundry room, and an outdoor patio and fire pit. Additionally, we recommend the hotel offer king-bedded rooms, queen/queen-bedded rooms, and a limited number of suites. The standard guestrooms should offer typical amenities for a select-service product, while the suites should be larger, featuring a separate living area. The guestroom bathrooms should be of a standard size, with a shower-in-tub, commode, and single sink with vanity area, featuring a stone countertop. The floors are expected to be finished with tile, and the walls will likely be finished with knockdown texture (consistent with the chosen brand's standards). Overall, the guestrooms and facilities should offer a competitive product for this Murrieta neighborhood.

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

TYPICAL SELECT-SERVICE HOTEL LOBBY

TYPICAL SELECT-SERVICE HOTEL LOBBY LOUNGE

TYPICAL SELECT-SERVICE HOTEL BUSINESS CENTER

TYPICAL SELECT-SERVICE FITNESS ROOM

TYPICAL SELECT-SERVICE HOTEL POOL

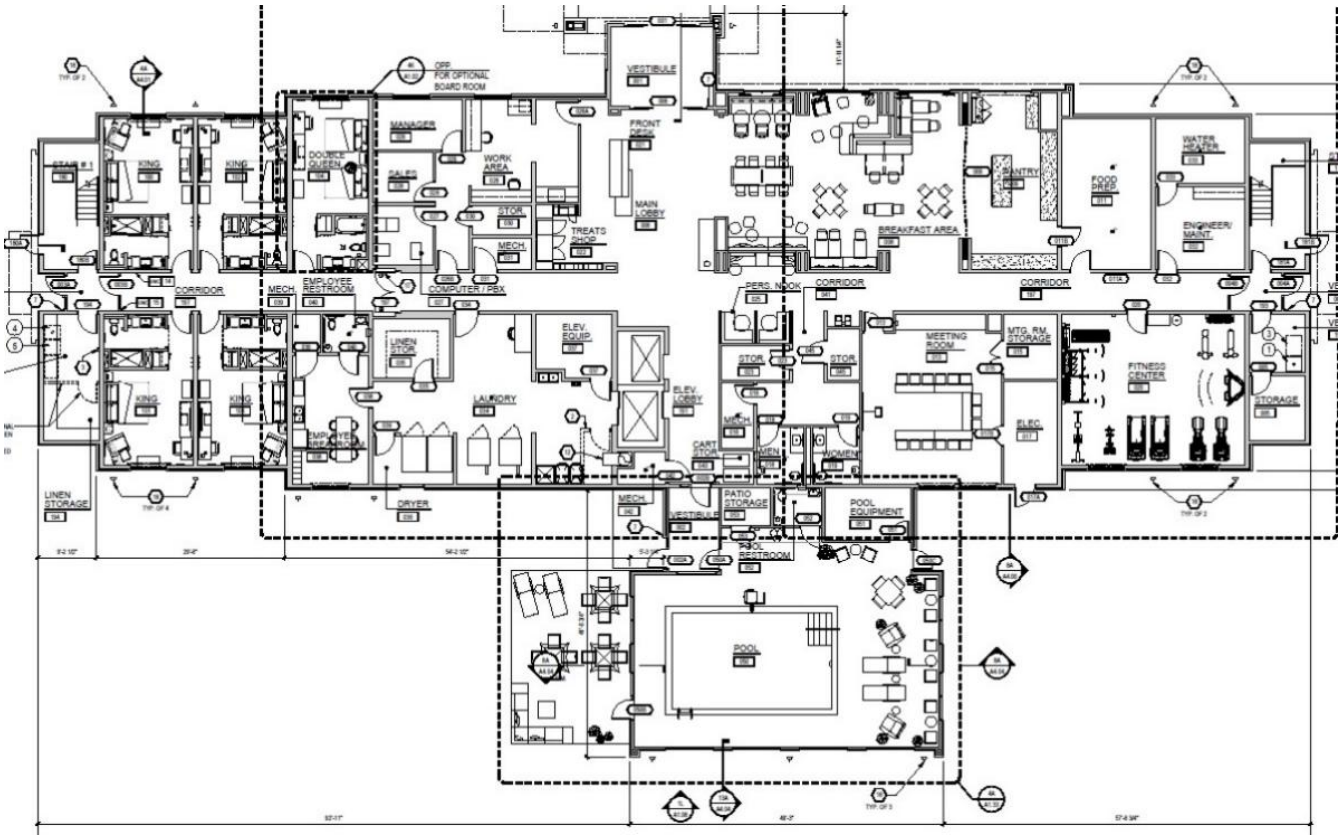
TYPICAL SELECT-SERVICE HOTEL MEETING ROOM

TYPICAL SELECT-SERVICE HOTEL OUTDOOR PATIO

TYPICAL SELECT-SERVICE HOTEL GUESTROOM (KING)

TYPICAL SELECT-SERVICE HOTEL GUESTROOM (QUEEN/QUEEN)

TYPICAL FIRST FLOOR PLAN



TYPICAL GUESTROOM FLOOR PLAN

ADA and Environmental

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

6. Projection of Occupancy and Average Rate

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

Forecast of Subject Property's Occupancy

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

FIGURE 6-1 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY

Market Segment	2025	2026	2027
Commercial			
Demand	212,322	216,554	216,554
Market Share	6.1 %	6.4 %	6.7 %
Capture	12,968	13,861	14,527
Penetration	91 %	95 %	100 %
Leisure			
Demand	240,574	245,325	245,325
Market Share	6.1 %	6.4 %	6.7 %
Capture	14,614	15,625	16,385
Penetration	90 %	95 %	99 %
Group			
Demand	40,867	41,618	41,618
Market Share	6.1 %	6.4 %	6.7 %
Capture	2,503	2,671	2,800
Penetration	91 %	96 %	100 %
Total Room Nights Captured	**30,086**	**32,157**	**33,712**
Available Room Nights	43,800	43,800	43,800
Subject Occupancy	**69 %**	**73 %**	**77 %**
Market-wide Available Room Nights	652,474	652,474	652,474
Fair Share	**7 %**	**7 %**	**7 %**
Market-wide Occupied Room Nights	493,763	503,496	503,496
Market Share	**6 %**	**6 %**	**7 %**
Market-wide Occupancy	**76 %**	**77 %**	**77 %**
Total Penetration	**91 %**	**95 %**	**100 %**

The proposed select-service hotel's occupancy penetration in the leisure segment is positioned above the market-average level given the proposed hotel's location near the Temecula Valley wine country and many of the region's major leisure demand generators. Within the commercial segment, the proposed subject hotel's occupancy penetration is positioned above the market-average level, supported by its assumed proximity to several important commercial demand generators. Notably, the proposed hotel is expected to benefit from a location near the area's major employers within the healthcare and biomedical fields, such as Kaiser Permanente, Loma Linda University Health, and the Murrieta Innovation Center. The proposed hotel is also anticipated to benefit from government-related demand generated by Marine Corps Base Camp Pendleton. Within the group segment, the proposed

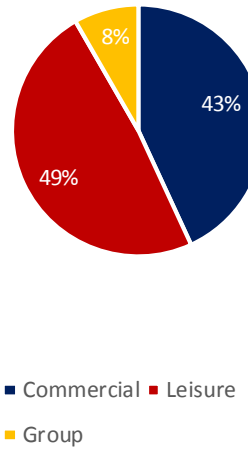
subject hotel's occupancy penetration is positioned above the market-average level, as we anticipate the hotel's select-service product, inclusive of the appropriate meeting space offering, should be popular among SMERFE demand sources.

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

FIGURE 6-2 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2025	2026	2027
Commercial	43 %	43 %	43 %
Leisure	49	49	49
Group	8	8	8
Total	100 %	100 %	100 %

FIGURE 6-3 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 77%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and

demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the proposed subject hotel may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

Average Rate Analysis

Although the 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 6-4 BASE-YEAR AVERAGE RATE AND REVPAR OF THE COMPETITORS

Property	Estimated 2021 Average Room Rate	Rooms Revenue Per Available Room (RevPAR)	RevPAR Penetration
Courtyard by Marriott Temecula Murrieta	$150 - $160	$85 - $90	80 - 85 %
Hampton by Hilton Murrieta Temecula	140 - 150	110 - 115	110 - 120
Holiday Inn Express & Suites Murrieta Temecula	130 - 140	85 - 90	80 - 85
Comfort Inn & Suites Temecula Wine Country	120 - 125	90 - 95	85 - 90
Average - Primary Competitors	$140.52	$93.33	90.1 %
Average - Secondary Competitors	151.58	108.37	104.6
Overall Average	**$148.23**	**$103.59**	100.0 %
Subject As If Stabilized (In 2021 Dollars)	**$155.00**	**$108.04**	**104.3 %**

We have selected the rate position of $155.00, in base-year dollars (2021), for the proposed subject hotel. We positioned the proposed subject hotel's stabilized ADR in the 2021 base year in consideration of its new facility, strong brand affiliation, and proximity to a variety of demand generators. Average rates for this competitive

market are anticipated to continue the strengthening trend that began in 2021, with the highest growth rate forecast for 2022 given the swift recovery from the particularly low ADRs in the first half of 2021. Month-over-month comparisons in the early weeks of 2022 have been strong. ADR growth should moderate in the following years. The projected recovery and growth of market ADR is based upon the expectation that the Murrieta-Temecula area will remain a top destination for day-trips and short vacations for those traveling from nearby Los Angeles, Orange County, and San Diego. The economic strength of the Southern California region should also contribute to the long-term stability of the market.

The following table presents the market's and proposed subject hotel's ADR forecast, and the resulting penetration level. The proposed subject hotel's projected average rate (as if stabilized) is then fiscalized to correspond with the hotel's anticipated date of opening for each forecast year. Discounts of 2% and 1% have been applied to the stabilized room rates projected for the first two years of operation, as would be expected for a new property of this type as it builds its reputation and becomes established in the market.

FIGURE 6-5 ADR FORECAST – MARKET AND PROPOSED SUBJECT PROPERTY

	Historical									
Calendar Year	**2019**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Market ADR	$130.02	$148.23	$162.31	$167.18	$172.20	$177.37	$182.69	$188.17	$193.81	$199.63
Projected Market ADR Growth Rate	—		9.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Property ADR (As-If Stabilized)		**$155.00**	$169.73	$174.82	$180.06	$185.46	$191.03	$196.76	$202.66	$208.74
ADR Growth Rate			9.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Stabilized ADR Penetration		105%	105%	105%	105%	105%	105%	105%	105%	105%
Fiscal Year						**2025**	**2026**	**2027**	**2028**	**2029**
Proposed Subject Property Average Rate						$185.46	$191.03	$196.76	$202.66	$208.74
Opening Discount						2.0%	1.0%	0.0%	0.0%	0.0%
Average Rate After Discount						**$181.75**	**$189.12**	**$196.76**	**$202.66**	**$208.74**
Real Average Rate Growth						—	4.1%	4.0%	3.0%	3.0%
Market ADR						$177.37	$182.69	$188.17	$193.81	$199.63
Proposed Subject ADR Penetration (After Discount)						102%	104%	105%	105%	105%
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate						$153.13	$154.69	$156.26	$156.26	$156.26

The proposed subject hotel's ADR penetration level is forecast to reach 104.6% by the stabilized period, consistent with our stabilized ADR positioning. The following occupancies and average rates will be used to project the proposed subject hotel's rooms revenue; this forecast reflects years beginning on January 1, 2025, which correspond with our financial projections.

FIGURE 6-6 FORECASTS OF OCCUPANCY AND AVERAGE RATE

Year	Occupancy	Average Rate Before Discount	Discount	Average Rate After Discount
2025	69 %	$185.46	2.0 %	$181.75
2026	73	191.03	1.0	189.12
2027	77	196.76	0.0	196.76

7. Projection of Income and Expense

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

Comparable Operating Statements

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

FIGURE 7-1 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized $
Year:	**2019/20**	**2019/20**	**2019**	**2019**	**2018/19**	**2019**
Edition:	11	11	11	11	11	**11**
Number of Rooms:	**190 to 240**	**130 to 170**	**120 to 160**	**150 to 200**	**140 to 180**	**120**
Days Open:	**365**	**365**	**365**	**365**	**365**	**365**
Occupancy:	**68%**	**86%**	**78%**	**80%**	**66%**	**77%**
Average Rate:	**$172**	**$138**	**$153**	**$159**	**$152**	**$152**
RevPAR:	**$118**	**$119**	**$119**	**$127**	**$101**	**$117**
REVENUE						
Rooms	91.4 %	91.7 %	92.7 %	82.3 %	76.7 %	89.1 %
Food & Beverage	4.9	6.4	3.8	9.1	21.4	9.3
Other Operated Departments	1.3	0.5	2.8	7.0	1.1	0.7
Miscellaneous Income	2.4	1.3	0.7	1.6	0.8	0.9
Total	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*						
Rooms	20.3	21.0	29.8	21.7	15.0	22.0
Food & Beverage	41.9	84.3	44.2	86.7	80.9	77.0
Other Operated Departments	19.7	92.0	1.7	10.1	30.8	45.0
Total	20.8	25.1	29.4	26.4	29.2	27.1
DEPARTMENTAL INCOME	79.2	74.9	70.6	73.6	70.8	72.9
UNDISTRIBUTED OPERATING EXPENSES						
Administrative & General	8.5	11.7	8.3	7.0	8.2	8.6
Info. and Telecom. Systems	1.3	0.6	0.9	0.6	0.3	0.9
Marketing	8.4	6.0	5.6	4.9	3.4	5.1
Franchise Fee	6.7	0.0	7.4	6.2	7.5	7.6
Property Operations & Maintenance	3.9	4.1	2.9	3.6	2.9	3.3
Utilities	3.2	2.2	2.7	3.1	3.4	2.9
Total	32.0	24.6	27.8	25.4	25.8	28.4
GROSS OPERATING PROFIT	47.2	50.3	42.8	48.2	45.0	44.5
Management Fee	4.5	6.0	2.2	2.9	3.6	3.0
INCOME BEFORE NON-OPER. INC. & EXI	42.6	44.3	40.6	45.3	41.4	41.5
EBITDA LESS RESERVE	33.5 %	34.4 %	32.2 %	36.2 %	37.5 %	31.9 %

* 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:	**2019/20**	**2019/20**	**2019**	**2019**	**2018/19**	**2019**
Edition:	11	11	11	11	11	**11**
Number of Rooms:	**190 to 240**	**130 to 170**	**120 to 160**	**150 to 200**	**140 to 180**	**120**
Days Open:	**365**	**365**	**365**	**365**	**365**	**365**
Occupancy:	**68%**	**86%**	**78%**	**80%**	**66%**	**77%**
Average Rate:	**$172**	**$138**	**$153**	**$159**	**$152**	**$152**
RevPAR:	**$118**	**$119**	**$119**	**$127**	**$101**	**$117**
REVENUE						
Rooms	$42,894	$43,411	$43,462	$46,403	$36,961	$42,637
Food & Beverage	2,296	3,041	1,790	5,103	10,331	4,427
Other Operated Departments	611	256	1,314	3,964	520	351
Miscellaneous Income	1,145	624	313	903	392	422
Total	46,946	47,332	46,879	56,374	48,205	47,836
DEPARTMENTAL EXPENSES						
Rooms	8,696	9,104	12,965	10,048	5,542	9,380
Food & Beverage	962	2,562	790	4,426	8,357	3,408
Other Operated Departments	121	236	22	399	160	158
Total	9,778	11,902	13,777	14,873	14,059	12,947
DEPARTMENTAL INCOME	37,167	35,430	33,102	41,500	34,145	34,890
UNDISTRIBUTED OPERATING EXPENSES						
Administrative & General	3,999	5,521	3,882	3,964	3,957	4,100
Info. and Telecom. Systems	617	265	427	352	167	450
Marketing	3,924	2,834	2,611	2,737	1,650	2,450
Franchise Fee	3,164	0	3,464	3,515	3,634	3,624
Property Operations & Maintenance	1,843	1,962	1,363	2,024	1,390	1,600
Utilities	1,495	1,041	1,265	1,740	1,655	1,375
Total	15,041	11,623	13,013	14,333	12,453	13,599
GROSS OPERATING PROFIT	22,126	23,807	20,089	27,167	21,692	21,290
Management Fee	2,105	2,840	1,054	1,635	1,731	1,435
INCOME BEFORE NON-OPER. INC. & EXI	20,022	20,967	19,035	25,533	19,962	19,855
EBITDA LESS RESERVE	$15,770	$16,279	$15,077	$20,409	$18,090	$15,280

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

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized $
Year:	**2019/20**	**2019/20**	**2019**	**2019**	**2018/19**	**2019**
Edition:	11	11	11	11	11	**11**
Number of Rooms:	**190 to 240**	**130 to 170**	**120 to 160**	**150 to 200**	**140 to 180**	**120**
Days Open:	**365**	**365**	**365**	**365**	**365**	**365**
Occupancy:	**68%**	**86%**	**78%**	**80%**	**66%**	**77%**
Average Rate:	**$172**	**$138**	**$153**	**$159**	**$152**	**$152**
RevPAR:	**$118**	**$119**	**$119**	**$127**	**$101**	**$117**
REVENUE						
Rooms	$171.65	$138.45	$152.96	$158.72	$152.28	$151.71
Food & Beverage	9.19	9.70	6.30	17.45	42.56	15.75
Other Operated Departments	2.44	0.82	4.62	13.56	2.14	1.25
Miscellaneous Income	4.58	1.99	1.10	3.09	1.62	1.50
Total	187.86	150.96	164.98	192.82	198.60	170.21
DEPARTMENTAL EXPENSES						
Rooms	34.80	29.04	45.63	34.37	22.83	33.38
Food & Beverage	3.85	8.17	2.78	15.14	34.43	12.13
Other Operated Departments	0.48	0.75	0.08	1.36	0.66	0.56
Total	39.13	37.96	48.49	50.87	57.92	46.07
DEPARTMENTAL INCOME	148.73	113.00	116.49	141.95	140.68	124.14
UNDISTRIBUTED OPERATING EXPENSES						
Administrative & General	16.00	17.61	13.66	13.56	16.30	14.59
Info. and Telecom. Systems	2.47	0.84	1.50	1.20	0.69	1.60
Marketing	15.70	9.04	9.19	9.36	6.80	8.72
Franchise Fee	12.66	0.00	12.19	12.02	14.97	12.90
Property Operations & Maintenance	7.37	6.26	4.80	6.92	5.73	5.69
Utilities	5.98	3.32	4.45	5.95	6.82	4.89
Total	60.19	37.07	45.80	49.02	51.31	48.39
GROSS OPERATING PROFIT	88.54	75.93	70.70	92.92	89.37	75.75
Management Fee	8.42	9.06	3.71	5.59	7.13	5.11
INCOME BEFORE NON-OPER. INC. & EXI	80.12	66.87	66.99	87.33	82.24	70.65
EBITDA LESS RESERVE	$63.10	$51.92	$53.06	$69.80	$74.53	$54.37

The comparable statements' departmental income ranged from 70.6% to 79.2% of total revenue. The comparable properties achieved a gross operating profit ranging from 42.8% to 50.3% of total revenue.

Inflation and Appreciation Assumptions

In consideration of the trends in the Consumer Price Index (CPI), inflation factors that directly influence lodging properties, projections set forth by economists surveyed, and the Federal Reserve's target inflation rate, we have applied the underlying inflation rates as reflected in the following table.

FIGURE 7-4 INFLATION ASSUMPTIONS

Timeframe			Rate of Inflation Assumed
2019	to	2020	1.0 %
2020	to	2021	6.0
2021	to	2022	4.5
2022	to	2023	3.0
2023	to	2024	3.0

Beyond the illustrated year, we have applied a 3.0% annual rate of growth to income and expenses to reflect the longer-term expectation of asset appreciation by typical investors. This position is based on interviews with numerous market participants indicating a distinction in the expectations of near-term cost inflation (i.e., related to labor and supplies) versus long-term income growth that drives appreciation. Any exceptions to the application of the assumed underlying inflation and EBITDA Less Replacement Reserve growth rates are discussed in our write-up of individual income and expense items.

Forecast of Revenue and Expense

Based on an analysis that will be detailed throughout this section, we have formulated a forecast of income and expense. The following table presents a detailed forecast through the fifth projection year, including amounts per available room and per occupied room. The second table illustrates our ten-year forecast of income and expense, presented with a lesser degree of detail. The forecasts pertain to years that begin on January 1, 2025, expressed in inflated dollars for each year.

FIGURE 7-5 DETAILED FORECAST OF INCOME AND EXPENSE

	2025 (Calendar Year)				2026				Stabilized				2028				2029			
Number of Rooms:	**120**				**120**				**120**				**120**				**120**			
Occupancy:	**69%**				**73%**				**77%**				**77%**				**77%**			
Average Rate:	**$181.75**				**$189.12**				**$196.76**				**$202.66**				**$208.74**			
RevPAR:	**$125.41**				**$138.06**				**$151.50**				**$156.05**				**$160.73**			
Days Open:	**365**				**365**				**365**				**365**				**365**			
Occupied Rooms:	**30,222**	**%Gross**	**PAR**	**POR**	**31,974**	**%Gross**	**PAR**	**POR**	**33,726**	**%Gross**	**PAR**	**POR**	**33,726**	**%Gross**	**PAR**	**POR**	**33,726**	**%Gross**	**PAR**	**POR**
OPERATING REVENUE																				
Rooms	$5,493	88.5 %	$45,775	$181.76	$6,047	88.9 %	$50,392	$189.12	$6,636	89.1 %	$55,300	$196.76	$6,835	89.1 %	$56,958	$202.66	$7,040	89.1 %	$58,667	$208.74
Food	513	8.3	4,277	16.98	551	8.1	4,591	17.23	591	7.9	4,921	17.51	608	7.9	5,069	18.03	626	7.9	5,221	18.58
Beverage	87	1.4	728	2.89	93	1.4	773	2.90	98	1.3	820	2.92	101	1.3	845	3.01	104	1.3	870	3.10
Other Operated Departments	50	0.8	416	1.65	52	0.8	435	1.63	55	0.7	456	1.62	56	0.7	469	1.67	58	0.7	483	1.72
Miscellaneous Income	60	1.0	499	1.98	63	0.9	523	1.96	66	0.9	547	1.95	68	0.9	563	2.00	70	0.9	580	2.06
Total Operating Revenues	6,203	100.0	51,695	205.26	6,806	100.0	56,714	212.85	7,445	100.0	62,043	220.76	7,668	100.0	63,904	227.38	7,899	100.0	65,821	234.20
DEPARTMENTAL EXPENSES *																				
Rooms	1,319	24.0	10,991	43.64	1,388	23.0	11,566	43.41	1,460	22.0	12,166	43.29	1,504	22.0	12,531	44.59	1,549	22.0	12,907	45.92
Food & Beverage	483	80.4	4,026	15.99	506	78.7	4,219	15.84	530	77.0	4,421	15.73	546	77.0	4,553	16.20	563	77.0	4,690	16.69
Other Operated Departments	23	46.0	191	0.76	24	45.5	198	0.74	25	45.0	205	0.73	25	45.0	211	0.75	26	45.0	218	0.77
Total Expenses	1,825	29.4	15,208	60.39	1,918	28.2	15,983	59.99	2,015	27.1	16,791	59.75	2,075	27.1	17,295	61.54	2,138	27.1	17,814	63.38
DEPARTMENTAL INCOME	4,378	70.6	36,487	144.88	4,888	71.8	40,731	152.86	5,430	72.9	45,252	161.01	5,593	72.9	46,609	165.84	5,761	72.9	48,007	170.81
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	584	9.4	4,867	19.32	610	9.0	5,087	19.09	638	8.6	5,318	18.92	657	8.6	5,477	19.49	677	8.6	5,641	20.07
Info & Telecom Systems	64	1.0	534	2.12	67	1.0	558	2.10	70	0.9	584	2.08	72	0.9	601	2.14	74	0.9	619	2.20
Marketing	349	5.6	2,908	11.55	365	5.4	3,040	11.41	381	5.1	3,178	11.31	393	5.1	3,273	11.65	405	5.1	3,371	11.99
Franchise Fee	467	7.5	3,891	15.45	514	7.6	4,283	16.08	564	7.6	4,701	16.72	581	7.6	4,841	17.23	598	7.6	4,987	17.74
Prop. Operations & Maint.	182	2.9	1,519	6.03	214	3.2	1,787	6.71	249	3.3	2,075	7.38	256	3.3	2,137	7.61	264	3.3	2,202	7.83
Utilities	196	3.2	1,632	6.48	205	3.0	1,706	6.40	214	2.9	1,783	6.35	220	2.9	1,837	6.54	227	2.9	1,892	6.73
Total Expenses	1,842	29.6	15,352	60.96	1,975	29.2	16,462	61.78	2,117	28.4	17,638	62.76	2,180	28.4	18,167	64.64	2,245	28.4	18,712	66.58
GROSS OPERATING PROFIT	2,536	41.0	21,135	83.92	2,912	42.6	24,269	91.08	3,314	44.5	27,614	98.25	3,413	44.5	28,442	101.20	3,515	44.5	29,295	104.23
Management Fee	186	3.0	1,551	6.16	204	3.0	1,701	6.39	223	3.0	1,861	6.62	230	3.0	1,917	6.82	237	3.0	1,975	7.03
INCOME BEFORE NON-OPR. INC. & EXP.	2,350	38.0	19,584	77.76	2,708	39.6	22,568	84.70	3,090	41.5	25,753	91.63	3,183	41.5	26,525	94.38	3,278	41.5	27,320	97.21
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	331	5.3	2,757	10.95	337	5.0	2,812	10.56	344	4.6	2,869	10.21	351	4.6	2,926	10.41	358	4.5	2,985	10.62
Insurance	66	1.1	550	2.18	68	1.0	567	2.13	70	0.9	584	2.08	72	0.9	601	2.14	74	0.9	619	2.20
Total Expenses	397	6.4	3,307	13.13	405	6.0	3,379	12.68	414	5.5	3,452	12.28	423	5.5	3,527	12.55	432	5.4	3,604	12.82
EBITDA	1,953	31.6	16,277	64.63	2,303	33.6	19,189	72.02	2,676	36.0	22,301	79.35	2,760	36.0	22,998	81.83	2,846	36.1	23,717	84.39
Reserve for Replacement	124	2.0	1,034	4.11	204	3.0	1,701	6.39	298	4.0	2,482	8.83	307	4.0	2,556	9.10	316	4.0	2,633	9.37
EBITDA LESS RESERVE	$1,829	29.6 %	$15,243	$60.52	$2,098	30.6 %	$17,487	$65.63	$2,378	32.0 %	$19,819	$70.52	$2,453	32.0 %	$20,442	$72.73	$2,530	32.1 %	$21,084	$75.02

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

FIGURE 7-6 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2025		2026		2027		2028		2029		2030		2031		2032		2033		2034	
Number of Rooms:	**120**		**120**		**120**		**120**		**120**		**120**		**120**		**120**		**120**		**120**	
Occupied Rooms:	**30,222**		**31,974**		**33,726**		**33,726**		**33,726**		**33,726**		**33,726**		**33,726**		**33,726**		**33,726**	
Occupancy:	**69%**		**73%**		**77%**		**77%**		**77%**		**77%**		**77%**		**77%**		**77%**		**77%**	
Average Rate:	**$181.75**	**% of**	**$189.12**	**% of**	**$196.76**	**% of**	**$202.66**	**% of**	**$208.74**	**% of**	**$215.00**	**% of**	**$221.45**	**% of**	**$228.10**	**% of**	**$234.94**	**% of**	**$241.99**	**% of**
RevPAR:	**$125.41**	**Gross**	**$138.06**	**Gross**	**$151.50**	**Gross**	**$156.05**	**Gross**	**$160.73**	**Gross**	**$165.55**	**Gross**	**$170.52**	**Gross**	**$175.63**	**Gross**	**$180.90**	**Gross**	**$186.33**	**Gross**
OPERATING REVENUE																				
Rooms	$5,493	88.5 %	$6,047	88.9 %	$6,636	89.1 %	$6,835	89.1 %	$7,040	89.1 %	$7,251	89.1 %	$7,469	89.1 %	$7,693	89.1 %	$7,924	89.1 %	$8,161	89.1 %
Food	513	8.3	551	8.1	591	7.9	608	7.9	626	7.9	645	7.9	665	7.9	685	7.9	705	7.9	726	7.9
Beverage	87	1.4	93	1.4	98	1.3	101	1.3	104	1.3	108	1.3	111	1.3	114	1.3	118	1.3	121	1.3
Other Operated Departments	50	0.8	52	0.8	55	0.7	56	0.7	58	0.7	60	0.7	62	0.7	63	0.7	65	0.7	67	0.7
Miscellaneous Income	60	1.0	63	0.9	66	0.9	68	0.9	70	0.9	72	0.9	74	0.9	76	0.9	78	0.9	81	0.9
Total Operating Revenues	6,203	100.0	6,806	100.0	7,445	100.0	7,668	100.0	7,899	100.0	8,135	100.0	8,380	100.0	8,631	100.0	8,890	100.0	9,156	100.0
DEPARTMENTAL EXPENSES *																				
Rooms	1,319	24.0	1,388	23.0	1,460	22.0	1,504	22.0	1,549	22.0	1,595	22.0	1,643	22.0	1,692	22.0	1,743	22.0	1,795	22.0
Food & Beverage	483	80.4	506	78.7	530	77.0	546	77.0	563	77.0	580	77.0	597	77.0	615	77.0	633	77.0	652	77.0
Other Operated Departments	23	46.0	24	45.5	25	45.0	25	45.0	26	45.0	27	45.0	28	45.0	29	45.0	29	45.0	30	45.0
Total Expenses	1,825	29.4	1,918	28.2	2,015	27.1	2,075	27.1	2,138	27.1	2,202	27.1	2,268	27.1	2,336	27.1	2,406	27.1	2,478	27.1
DEPARTMENTAL INCOME	4,378	70.6	4,888	71.8	5,430	72.9	5,593	72.9	5,761	72.9	5,933	72.9	6,112	72.9	6,295	72.9	6,484	72.9	6,678	72.9
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	584	9.4	610	9.0	638	8.6	657	8.6	677	8.6	697	8.6	718	8.6	740	8.6	762	8.6	785	8.6
Info & Telecom Systems	64	1.0	67	1.0	70	0.9	72	0.9	74	0.9	77	0.9	79	0.9	81	0.9	84	0.9	86	0.9
Marketing	349	5.6	365	5.4	381	5.1	393	5.1	405	5.1	417	5.1	429	5.1	442	5.1	455	5.1	469	5.1
Franchise Fee	467	7.5	514	7.6	564	7.6	581	7.6	598	7.6	616	7.6	635	7.6	654	7.6	674	7.6	694	7.6
Prop. Operations & Maint.	182	2.9	214	3.2	249	3.3	256	3.3	264	3.3	272	3.3	280	3.3	289	3.3	297	3.3	306	3.3
Utilities	196	3.2	205	3.0	214	2.9	220	2.9	227	2.9	234	2.9	241	2.9	248	2.9	256	2.9	263	2.9
Total Expenses	1,842	29.6	1,975	29.2	2,117	28.4	2,180	28.4	2,245	28.4	2,313	28.4	2,382	28.4	2,454	28.4	2,527	28.4	2,603	28.4
GROSS OPERATING PROFIT	2,536	41.0	2,912	42.6	3,314	44.5	3,413	44.5	3,515	44.5	3,621	44.5	3,730	44.5	3,842	44.5	3,957	44.5	4,075	44.5
Management Fee	186	3.0	204	3.0	223	3.0	230	3.0	237	3.0	244	3.0	251	3.0	259	3.0	267	3.0	275	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	2,350	38.0	2,708	39.6	3,090	41.5	3,183	41.5	3,278	41.5	3,377	41.5	3,478	41.5	3,583	41.5	3,690	41.5	3,800	41.5
NON-OPERATING INCOME & EXPENSE																				
Property Taxes	331	5.3	337	5.0	344	4.6	351	4.6	358	4.5	365	4.5	373	4.4	380	4.4	388	4.4	395	4.3
Insurance	66	1.1	68	1.0	70	0.9	72	0.9	74	0.9	77	0.9	79	0.9	81	0.9	84	0.9	86	0.9
Total Expenses	397	6.4	405	6.0	414	5.5	423	5.5	432	5.4	442	5.4	451	5.3	461	5.3	471	5.3	482	5.2
EBITDA	1,953	31.6	2,303	33.6	2,676	36.0	2,760	36.0	2,846	36.1	2,935	36.1	3,027	36.2	3,121	36.2	3,219	36.2	3,319	36.3
Reserve for Replacement	124	2.0	204	3.0	298	4.0	307	4.0	316	4.0	325	4.0	335	4.0	345	4.0	356	4.0	366	4.0
EBITDA LESS RESERVE	$1,829	29.6 %	$2,098	30.6 %	$2,378	32.0 %	$2,453	32.0 %	$2,530	32.1 %	$2,609	32.1 %	$2,692	32.2 %	$2,776	32.2 %	$2,863	32.2 %	$2,953	32.3 %

We anticipate that it will take three years for the proposed subject hotel to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the proposed subject hotel's operating budget and comparable income and expense statements. The forecast is based upon calendar years beginning January 1, 2025, expressed in inflated dollars for each year.

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

Property Taxes

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

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

The proposed hotel will be subject to various special assessments, including those related to the Murrieta Combined School District, Murrieta Parks and Recreation Department, and Murrieta Fire Department, as well as those related to the water district.

Tax rates are based on the city and county budgets, which change annually. The most recent tax rate in this jurisdiction was reported at 1.13925%. The following table shows changes in the tax rate during the last several years.

FIGURE 7-7 COUNTY TAX RATES

Year	Real Property Tax Rate
2021	1.13925

Source: Riverside County Assessor's Office

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

FIGURE 7-8 SUBJECT PROPERTY TAX CALCULATION

Estimated Market Value		Tax Rate	First Year's
$29,000,000	x	1.13925%	$330,383

Conclusion

In conclusion, our analysis reflects a profitable operation, with net income expected to total 32.1% of total revenue by the stabilized year. The stabilized total revenue comprises primarily rooms and food and beverage revenue, with a secondary portion derived from other income sources. On the cost side, departmental expenses total 27.1% of revenue by the stabilized year, while undistributed operating expenses total 28.4% of total revenues; this assumes that the property will be operated competently by a well-known hotel operator. After a 3.0% of total revenues management fee, a net income ratio of 32.1% is forecast by the stabilized year.

8. Feasibility Analysis

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

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

Construction Cost Estimate

To determine the feasibility of this project, we have developed an estimate of the total development costs, which includes hard costs, FF&E, soft costs, pre-opening costs, and working capital, as well as the developer's fee. Our development cost estimate is supported by actual cost comparables and the annual *HVS Development Cost Survey*. We recommend that the development team obtain a more detailed development cost estimate from actual construction companies. It is also advised that developers consult more than one source in their hotel development process to more accurately assess the cost of development.

Development Cost

As a basis for estimating the development costs, we have used a hotel development cost survey conducted by HVS. The survey presents the range of per-room costs associated with various components of hotel development, including improvements, furniture, and equipment; pre-opening expenses; and operating capital. Statistics are compiled for budget hotels, midscale hotels with and without food and beverage, extended-stay hotels, full-service hotels, and luxury hotels and

resorts. The results of the development cost survey are presented in the following table.

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

	Land	Building & Site Improvements	Soft Costs	FF&E	Pre-Opening & Working Capital	Developer Fee	Total
Limited-Service Hotels							
Average	$14,168	$96,154	$14,439	$14,968	$2,938	$4,243	$146,910
Median	$9,787	$91,024	$10,750	$13,574	$2,153	$4,465	$131,752
% of Total*	10%	68%	10%	10%	2%	1%	100%
Extended-Stay Hotels (Midscale)							
Average	$20,686	$95,735	$16,794	$14,414	$2,889	$3,984	$154,502
Median	$16,822	$80,719	$12,662	$14,414	$2,737	$3,721	$131,076
% of Total*	14%	63%	11%	9%	2%	2%	100%
Extended-Stay Hotels (Upscale)							
Average	$17,377	$129,130	$28,200	$19,932	$4,640	$6,699	$205,979
Median	$14,593	$125,090	$21,366	$20,320	$3,040	$7,212	$191,620
% of Total*	8%	64%	14%	10%	2%	2%	100%
Select-Service Hotels							
Average	$25,354	$152,378	$29,792	$22,659	$8,004	$7,051	$245,238
Median	$19,642	$129,429	$27,605	$23,148	$7,212	$6,818	$213,854
% of Total*	9%	64%	12%	10%	3%	2%	100%
Dual-Branded Hotels							
Average	$20,950	$181,786	$25,041	$26,189	$5,512	$9,824	$269,302
Median	$11,486	$138,384	$23,066	$23,221	$4,500	$8,502	$209,158
% of Total*	8%	68%	9%	10%	2%	3%	100%
Full-Service Hotels							
Average	$51,397	$291,937	$64,437	$38,097	$16,494	$14,696	$477,058
Median	$28,090	$220,976	$51,134	$32,584	$13,596	$14,792	$361,172
% of Total*	7%	66%	13%	8%	3%	2%	100%
Luxury Hotels							
Average	$81,329	$497,468	$129,875	$52,459	$26,333	$17,546	$805,010
Median	$47,508	$482,319	$94,194	$45,900	$21,868	$20,490	$712,279
% of Total*	10%	63%	16%	7%	3%	2%	100%
Redevelopment Projects							
Average	$45,302	$195,436	$49,860	$31,468	$10,787	$15,878	$348,731
Median	$22,165	$145,020	$33,862	$23,046	$7,166	$13,208	$244,467
% of Total*	13%	58%	15%	9%	3%	3%	100%
Total							
Average	$34,509	$201,739	$44,512	$27,672	$10,285	$11,094	$329,810
Median	$15,101	$116,792	$21,254	$19,551	$3,103	$813	$176,613
% of Total*	9%	64%	14%	9%	3%	2%	100%

Source: HVS
**The percentage of total is calculated based on the total sample of all budgets.*

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

FIGURE 8-2 COMPARABLE COST BUDGETS

	Comp #1		Comp #2		Comp #3		Comp #4	
	Secondary, CA Select-Service Approx. 180 Rooms		Secondary, CA Select-Service Approx. 130 Rooms		Primary, CA Select-Service Approx. 110 Rooms		Secondary, CA Select-Service Approx. 120 Rooms	
Item	**Per Room**	**% of Total**	**Per Room**	**% of Total**	**Per Room**	**% of Total**	**Per Room**	**% of Total**
Building	$197,137	82.6 %	$97,960	73.2 %	$293,417	70.8 %	$98,551	62.7 %
Soft Costs	20,144	8.4	8,400	6.3	80,275	19.4	31,239	19.9
Furniture, Fixtures, & Equipment	20,000	8.4	24,246	18.1	25,667	6.2	24,514	15.6
Pre-Opening Costs & Working Capital	1,429	0.6	3,175	2.4	8,262	2.0	2,968	1.9
Total (Excluding Site Cost)	$238,709	94.3 %	$133,780	89.4 %	$414,653	95.5 %	$157,272	88.8 %
Site Cost	$14,457	5.7 %	$15,873	10.6 %	$19,524	4.5 %	$19,760	11.2 %
Total (Including Site Cost)	**$253,167**	**100.0 %**	**$149,653**	**100.0 %**	**$434,177**	**100.0 %**	**$177,032**	**100.0 %**

Building and Site Improvements

Building and site improvements include all buildings and other relatively permanent structures located on, or attached to, the subject parcel. The cost of the improvements includes costs of materials, fees, and labor to construct the subject property's improvements. We estimate the development cost of the proposed subject property's improvements to be roughly $155,000 per room, or a total of $18,600,000.

Furniture, Fixtures and Equipment

Furniture, fixtures, and equipment (FF&E) include all non-permanent, removable items at the subject property, such as guestroom furnishings, kitchen equipment, and items of décor. The cost of the FF&E, along with all fees associated with the installation of such items, comprise the total cost of FF&E. Based on our understanding of the expected quality of furnishings, we have estimate the development cost of the proposed subject property's FF&E (as if new) at approximately $22,000 per room, or a total of $2,640,000.

Pre-Opening and Working Capital Costs

Pre-opening costs include expenses such as marketing, staffing, training, and administrative expenditures. Working capital includes a working capital reserve to maintain adequate cash flow until the operation reaches a break-even point. We estimate the pre-opening costs for the proposed subject property to be roughly $4,000 per room, or a total of $480,000.

Soft Costs

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

loans, taxes and the builder's or developer's all-risk insurance during construction, marketing, sales, and lease-up costs incurred to achieve occupancy or sales. We estimate the amount of soft costs for the proposed subject property to be approximately $30,000 per room, or a total of $3,600,000.

Developer's Fee

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

Cost Summary

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

FIGURE 8-3 COST SUMMARY

Item	Cost per Room	Cost
Building	$155,000	$18,600,000
Soft Costs	30,000	3,600,000
Furniture, Fixtures, & Equipment	22,000	2,640,000
Pre-Opening Costs & Working Capital	4,000	480,000
Developer Fee (if Applicable)	4,500	540,000
Total Replacement Cost	**$215,500**	**$25,860,000**

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

FIGURE 8-4 SUBJECT COST VS COMPARABLE BUDGETS

Item	Minimum Per Room	Minimum % of Total	Maximum Per Room	Maximum % of Total	Average Per Room	Average % of Total	Subject Property Per Room	Subject Property % of Total
Building	$97,960	62.7 %	$293,417	82.6 %	$171,766	72.3 %	$155,000	64.7 %
Soft Costs	8,400	6.3	80,275	19.9	35,014	13.5	30,000	12.5
Furniture, Fixtures, & Equipment	20,000	6.2	25,667	18.1	23,607	12.1	22,000	9.2
Pre-Opening Costs & Working Capital	1,429	0.6	8,262	2.4	3,958	1.7	4,000	1.7
Total (Excluding Site Cost)	$133,780		$414,653		$236,104		$215,500	89.9 %
Site Cost	$14,457	4.5 %	$19,760	11.2 %	17,404	8.0 %	$24,167	10.1 %
Total (Including Site Cost)	**$148,237**		**$434,413**		**$253,507**		**$239,667**	100.0 %

Land Allocation

A portion of the overall development cost includes the cost of the land. The range of per-room land cost was illustrated in the previously presented cost-survey data; land cost typically ranges from 5% to 20% of overall development cost but may be substantially higher for premium locations in markets with high barriers to entry.

For the purposes of this study, we have assumed land allocation of $2,900,000 , or approximately 10% of the hotel's estimated value at opening.

Conclusion

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

FIGURE 8-5 RECAP OF TOTAL COST ESTIMATE

Item	Cost per Room	Cost
Building	$155,000	$18,600,000
Soft Costs	30,000	3,600,000
Furniture, Fixtures, & Equipment	22,000	2,640,000
Pre-Opening Costs & Working Capital	4,000	480,000
Developer Fee (if Applicable)	4,500	540,000
Land Allocation	24,167	2,900,000
Total Cost New Estimate	**$239,667**	**$28,760,000**
Total Cost New Estimate (Rounded)	**$240,000**	**$28,800,000**

This estimate has been rounded to $28,800,000 .

Discounted Cash Flow Analysis

The process of converting the projected income stream into an estimate of value via the DCF method is described as follows.

1. An appropriate discount rate is selected to apply to the projected net income before debt service. This rate reflects the "free and clear" internal rate of return to an all-cash purchaser or a blended rate of debt and equity return requirements. The discount rate takes into consideration the degree of perceived risk, anticipated income growth, market attitudes, and rates of return on other investment alternatives, as well as the availability and cost of financing. The discount rate is chosen by reviewing sales transactions and investor surveys and interviewing market participants.
2. A reversionary value reflecting the sales price of the property at the end of the ten-year holding period is calculated by capitalizing the eleventh-year net income by the terminal capitalization rate and deducting typical brokerage and legal fees.
3. Each year's forecasted net income before debt service and depreciation and the reversionary sales proceeds at the end of the ten-year holding period are converted to a present value by multiplying the cash flow by the chosen discount rate for that year in the forecast. The sum of the discounted cash flows equates to the value of the subject property.

The following chart summarizes the averages presented for discount rates in various investor surveys during the past decade.

FIGURE 8-1 HISTORICAL TRENDS OF DISCOUNT RATES

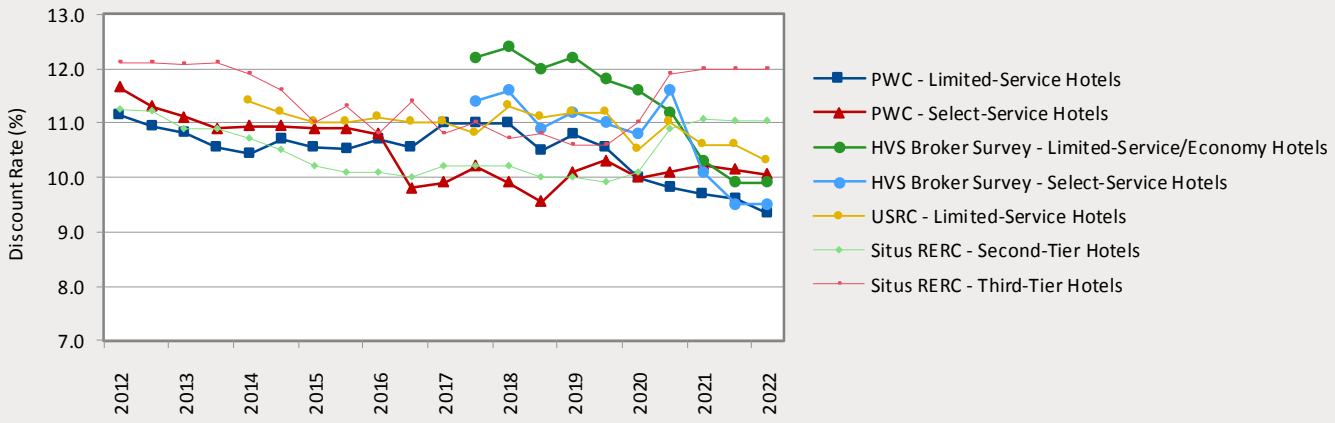


FIGURE 8-2 OVERALL DISCOUNT RATES DERIVED FROM SALES AND INVESTOR SURVEYS

	Pre-COVID		Current	
Source	**Data Point Range**	**Average**	**Data Point Range**	**Average**
HVS Hotel Sales - Full-Service & Luxury	8% - 11.6%	9.8%	7.6% - 11.9%	9.5%
HVS Hotel Sales - Select-Service & Extended-Stay	7.6% - 12.7%	10.8%	7.6% - 12.7%	10.5%
HVS Hotel Sales - Limited-Service	9.5% - 13.9%	11.5%	10% - 12.8%	11.2%
HVS Brokers Survey	*Fall 2019 Survey*		*Fall 2021 Survey*	
Select-Service Hotels	8.0% - 18.0%	10.8%	5.0% - 12.0%	9.5%
Limited-Service & Economy Hotels	9.0% - 20.0%	11.6%	5.0% - 13.0%	9.9%
PWC Real Estate Investor Survey	*1st Quarter 2020 Survey*		*1st Quarter 2022 Survey*	
Select-Service Hotels	8.0% - 12.0%	10.0%	8.0% - 12.0%	10.1%
Limited-Service Hotels	7.5% - 12.0%	10.0%	7.0% - 11.0%	9.4%
USRC Hotel Investment Survey	*Winter 2020 Survey*		*Winter 2022 Survey*	
Limited-Service Hotels	7.5% - 11.0%	10.5%	9.5% - 11.0%	10.3%
Situs RERC Real Estate Report	*1st Quarter 2020 Report*		*4th Quarter 2021 Report*	
Second Tier Hotels	6.5% - 13.5%	10.1%	9.5% - 15.5%	11.0%
Third Tier Hotels	9.5% - 13.5%	11.0%	10.0% - 18.0%	12.0%

We note that the averages illustrated in the previous table are derived from wide arrays of data points, and a range of reasonableness extends both lower and higher

than the indicated data points. Based on our review of these surveys and sales transactions (see total property yields shown in the table titled *Sample of Hotels Sold*), as well as our interviews of market participants, we have selected a discount rate of 10.00% for our analysis.

Terminal Capitalization Rate

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

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

FIGURE 8-3 HISTORICAL TRENDS OF TERMINAL CAPITALIZATION RATES

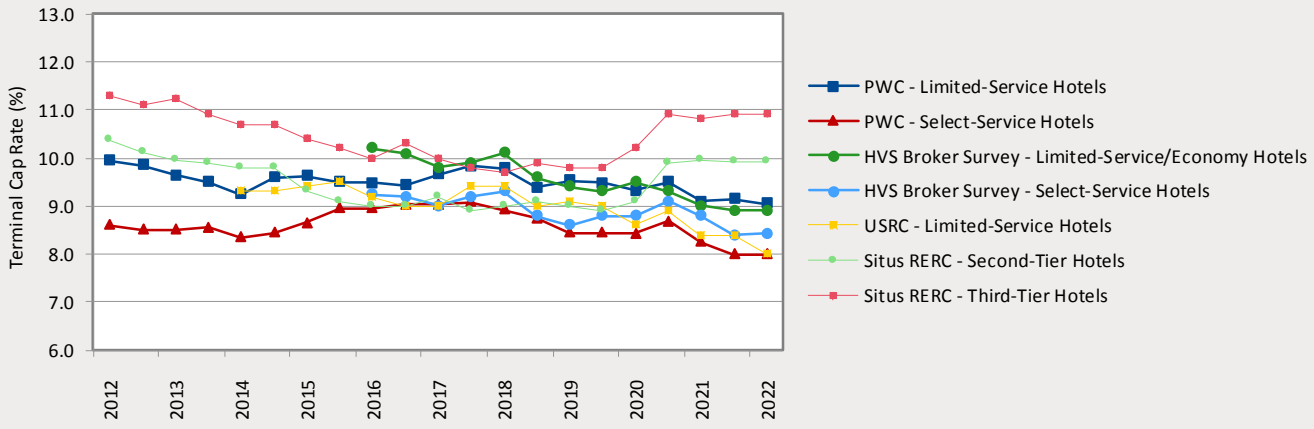


FIGURE 8-4 TERMINAL CAPITALIZATION RATES DERIVED FROM INVESTOR SURVEYS

	Pre-COVID		Current	
Source	**Data Point Range**	**Average**	**Data Point Range**	**Average**
HVS Brokers Survey	*Fall 2019 Survey*		*Fall 2021 Survey*	
Select-Service Hotels	7.5% - 12.0%	8.8%	6.5% - 10.0%	8.4%
Limited-Service & Economy Hotels	7.5% - 12.0%	9.5%	8.0% - 10.5%	8.9%
PWC Real Estate Investor Survey	*1st Quarter 2020 Survey*		*1st Quarter 2022 Survey*	
Select-Service Hotels	7.0% - 10.0%	8.4%	8.0% - 12.0%	8.0%
Limited-Service Hotels	7.75% - 12.0%	9.3%	7.0% - 11.0%	9.1%
USRC Hotel Investment Survey	*Winter 2020 Survey*		*Winter 2022 Survey*	
Limited-Service Hotels	6.5% - 9.3%	8.6%	7.0% - 9.2%	8.0%
Situs RERC Real Estate Report	*1st Quarter 2020 Report*		*4th Quarter 2021 Report*	
Second Tier Hotels	7.3% - 11.5%	9.1%	7.3% - 13.0%	9.9%
Third Tier Hotels	8.0% - 12.0%	10.2%	9.0% - 15.0%	10.9%

Furthermore, we have reviewed regional capitalization rates presented in the following table.

FIGURE 8-5 REGIONAL TERMINAL CAPITALIZATION RATES

Property	Location	Year Open	Date of Sale	Sale Price	Number of Rooms	Price Per Room	Cap Rate
Fairfield by Marriott San Diego Old Town	San Diego, CA	1988	Dec-21	$27,836,000	123	$226,309	8.4 %
Courtyard by Marriott San Diego Old Town	San Diego, CA	1987	Dec-21	44,164,000	176	250,932	8.1
Residence Inn by Marriott Cypress Los Alamitos	Los Alamitos, CA	2002	Sep-21	42,193,992	155	272,219	6.8
Holiday Inn Express Hotel & Suites Otay Mesa	San Diego, CA	2007	Jun-21	15,250,000	99	154,040	6.1
Hilton Garden Inn Arcadia Pasadena	Arcadia, CA	1999	Feb-20	20,165,000	124	162,621	8.4
SpringHill Suites by Marriott Corona Riverside	Corona, CA	2009	Jul-19	21,000,000	130	161,538	8.4
Hampton by Hilton Santa Barbara Goleta	Goleta, CA	2007	Apr-19	28,550,000	101	282,673	7.8
Hyatt Place Los Angeles/LAX/El Segundo	El Segundo, CA	2012	Feb-19	44,500,000	143	311,189	7.3
Residence Inn by Marriott Anaheim Hills Yorba Linda	Anaheim Hills, CA	1980	Jan-19	25,333,333	128	197,917	8.0
Comfort Suites near Six Flags Magic Mountain	Stevenson Ranch, CA	1997	Jun-18	17,000,000	100	170,000	7.2
					Average		***7.7*** %

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

Utilizing the discount rate and terminal capitalization rate set forth, the DCF procedure is summarized as follows. Due to the subject property's California location and the higher property tax implications upon the sale at the end of the

hold, the terminal capitalization rate is loaded with the tax rate and is applied to the NOI estimate prior to property taxes.

FIGURE 8-6 "WHEN COMPLETE" DISCOUNTED CASH FLOW ANALYSIS

Stabilized Year	3
Discount Rate	10.0 %
Loaded Terminal Cap	9.1
Transaction Costs	3.0

Year	Net Income, Before Taxes	Property Taxes	Net Income, After Taxes	Discount Factor 10.0	Discounted Cash Flow
2025	$2,160,034	$330,383	$1,829,651	0.90909	$1,663,319
2026	2,435,953	336,990	2,098,963	0.82645	1,734,680
2027	2,722,509	343,730	2,378,779	0.75131	1,787,212
2028	2,804,121	350,605	2,453,517	0.68301	1,675,785
2029	2,888,205	357,617	2,530,589	0.62092	1,571,296
2030	2,974,693	364,769	2,609,924	0.56447	1,473,234
2031	3,063,934	372,064	2,691,869	0.51316	1,381,355
2032	3,155,852	379,506	2,776,346	0.46651	1,295,186
2033	3,250,527	387,096	2,863,431	0.42410	1,214,374
2034	3,348,043	394,838	39,553,909 *	0.38554	15,249,744

Estimated Market Value	$29,046,186
(SAY)	$29,000,000
Per Room	240,000
Reversion Analysis	
11th Year's EBITDA Less Reserves (not	$3,448,484
Capitalization Rate (loaded with tax rate)	9.1%
Total Sales Proceeds	$37,732,684
Less: Transaction Costs @ 3.0%	1,131,981
Net Sales Proceeds (Say)	36,600,703

**10th year NOI after taxes, plus the reversionary value.*

FIGURE 8-7 "WHEN STABILIZED" DISCOUNTED CASH FLOW

Stabilized Year	3
Discount Rate	10.0 %
Loaded Terminal Cap	9.1
Transaction Costs	3.0

Year	Net Income, Before Taxes	Property Taxes	Net Income, After Taxes	Discount Factor 10.0	Discounted Cash Flow
2027	$2,722,509	$357,725	$2,364,785	0.90909	$2,149,804
2028	2,804,185	364,879	2,439,306	0.82645	2,015,955
2029	2,888,310	372,177	2,516,134	0.75131	1,890,408
2030	2,974,960	379,620	2,595,339	0.68301	1,772,652
2031	3,064,208	387,213	2,676,996	0.62092	1,662,204
2032	3,156,135	394,957	2,761,178	0.56447	1,558,613
2033	3,250,819	402,856	2,847,963	0.51316	1,461,455
2034	3,348,343	410,913	2,937,430	0.46651	1,370,333
2035	3,448,794	419,131	3,029,662	0.42410	1,284,873
2036	3,552,257	427,514	41,957,911 *	0.38554	16,176,591

Estimated Market Value	$31,342,888
(SAY)	$31,300,000
Per Room	260,833
Reversion Analysis	
11th Year's EBITDA Less Reserves (not includin	$3,658,825
Capitalization Rate (loaded with tax rate)	9.1%
Total Sales Proceeds	$40,034,193
Less: Transaction Costs @ 3.0%	1,201,026
Net Sales Proceeds (Say)	38,833,168

**10th year NOI after taxes, plus the reversionary value.*

Conclusion

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

Based on our market analysis, there is sufficient market support for the development of a select-service hotel in Murrieta over the long term. Based on the current market-appropriate discount rate and terminal capitalization rate, the present value of the cash flows at opening is $29,000,000. In order for the

development of a proposed select-service hotel to remain feasible, the all-in development costs for the project should remain below this amount. Our conclusions are based primarily on the long-term strength of this hotel market, and the data suggest that sufficient demand should return to support the development of the proposed hotel by both the opening and stabilized years.

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

9. Statement of Assumptions and Limiting Conditions

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

11. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.

12. None of this material may be reproduced in any form without our written permission, and the report cannot be disseminated to the public through advertising, public relations, news, sales, or other media.

13. We are not required to give testimony or attendance in court because of this analysis without previous arrangements and shall do so only when our standard per-diem fees and travel costs have been paid prior to the appearance.

14. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.

15. We take no responsibility for any events or circumstances that take place subsequent to the date of our field inspection.

16. The quality of a lodging facility's onsite management has a direct effect on a property's economic viability. The financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results.

17. The financial analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease because of market volatility and economic forces outside the control of the hotel's management. We assume that the price of hotel rooms, food, beverages, and other sources of revenue to the hotel will be adjusted to offset any increases or decreases in related costs. We do not warrant that our estimates will be attained, but they have been developed based upon information obtained during the course of our market research and are intended to reflect the expectations of a typical hotel investor as of the stated date of the report.

18. This analysis assumes continuation of all Internal Revenue Servicetax code provisions as stated or interpreted on either the date of value or the date of our field inspection, whichever occurs first.

19. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded to the nearest tenth of a percent. Thus, these figures may be subject to small rounding errors.

20. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client; the use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.

21. Evaluating and comprising financial forecasts for hotels is both a science and an art. Although this analysis employs various mathematical calculations to provide value indications, the final forecasts are subjective and may be influenced by our experience and other factors not specifically set forth in this report.

22. This study was prepared by TS Worldwide, LLC. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of TS Worldwide, LLC as employees, rather than as individuals.

10. Certification

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

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;
4. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
6. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined result or direction in performance that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this study;
7. our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
8. Luigi Major, MAI, and Marcus R. Lee personally inspected the property described in this report;
9. both Luigi Major, MAI, and Marcus Lee have performed one feasibility study on the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment;
10. the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute;
11. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and

12. as of the date of this report, Luigi Major, MAI, has completed the continuing education program for Designated Members of the Appraisal Institute.

Marcus R. Lee
Director
TS Worldwide, LLC
State Appraiser License (CA) 3006899

Luigi Major, MAI
Managing Director
TS Worldwide, LLC
State Appraiser License (CA) 3005056

Marcus R. Lee

EMPLOYMENT

Nov 2016 to present	HVS CONSULTING AND VALUATION SERVICES Los Angeles, California
Jan – Oct 2016	THE JEFFERSON HOTEL Washington, D.C.
Sept 2014 – Jan 2016	CAPELLA WASHINGTON D.C., GEORGETOWN Washington, D.C.
2014	THE RITZ-CARLTON GEORGETOWN Washington, D.C.
2013	FOUR SEASONS WASHINGTON DC Washington, D.C.
2013	INTERNATIONAL MONETARY FUND Washington, D.C.
2012	OFFICE OF U.S. CONGRESSMAN BLAINE LUETKEMEYER Washington, D.C.
2012	THE CENTER FOR SOCIO-ECONOMIC DEVELOPMENT Geneva, Switzerland

EDUCATION AND OTHER TRAINING

BA – Frederick S. Pardee School of Global Studies, Boston University

MS (Hospitality and Tourism) – School of Business, The George Washington University

Other Specialized Training Classes Completed:
Basic Appraisal Principles – 30 hours
Basic Appraisal Procedures – 30 hours
Uniform Standards of Professional Appraisal Practice (USPAP) – 15 hours
General Appraiser Income Approach (Parts I and II) – 60 hours
General Appraiser Market Analysis and HBU – 30 hours
General Appraiser Site Valuation and Cost Approach – 30 hours
General Appraiser Sales Comparison Approach – 30 hours
Real Estate Finance, Statistics, Valuation Modeling – 15 hours

EDUCATION (CONTINUED)	General Appraiser Report Writing and Case Studies – 30 hours Appraisal Electives – 20 hours CA Supervisor/Trainee – 4 hours CA Law – 2 hours Expert Witness for Commercial Appraisers – 15 hours
STATE CERTIFICATIONS	California
PUBLISHED ARTICLES	
HVS Journal	"COVID-19's Impact on the San Diego Lodging Market," November 2020
HVS Journal	"HVS Market Pulse: San Diego, CA," March 2019
HVS Journal	"Market Pulse: Orange County Beaches, CA," September 2018
HVS Journal	"Market Pulse: Annapolis, MD," co-authored with Chelsey Leffet, April 2018
HVS Journal	"HVS Market Pulse: Richmond, VA," July 2017
Handbook of Research on Global Hospitality and Tourism Management	"Lesotho, a tourism destination: An analysis of Lesotho's current tourism products and potential for growth." Angelo A. Camillo (editor), IGI Global Publ., Hershey, PA, 2015

HVS

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED

PORTFOLIO WORK

7 Motel 6 Properties, Southern California
10 Extended Stay America Hotels, Southern California

ARIZONA

Hampton Inn Phoenix Chandler, Chandler
Proposed Hotel near Gilbert Heritage District, Gilbert
Hotel San Carlos, Phoenix
Proposed Hampton Inn at Metro Center, Phoenix
Proposed Hotel Phoenix, Phoenix
Proposed La Quinta Inn & Suites McDowell Road, Phoenix
Red Roof Inn Phoenix Bell Road, Phoenix
Holiday Inn Hotel & Suites Scottsdale North Airpark, Scottsdale
Proposed Ceasars Hotel at Scottsdale Fashion Square, Scottsdale

ARKANSAS

Residence Inn by Marriott Little Rock Downtown, Little Rock

CALIFORNIA

Proposed Hotel Adelanto, Adelanto
Courtyard by Marriott Thousand Oaks Agoura Hills, Agoura Hills
Candlewood Suites Anaheim - Resort Area, Anaheim
Embassy Suites by Hilton Anaheim North, Anaheim
Holiday Inn & Suites Anaheim (1 Blk/Disneyland), Anaheim
Holiday Inn Anaheim Disneyland, Anaheim
Embassy Suites Arcadia Pasadena, Arcadia
Proposed Hilton at The Source, Buena Park
Carmel Resort Inn, Carmel
DoubleTree by Hilton Golf Resort Palm Springs Area, Cathedral City
Proposed The GlenRoy, Coachella
Residence Inn San Diego Chula Vista, Chula Vista
Proposed Everhome Suites, Corona
SpringHill Suites by Marriott Corona Riverside, Corona
Courtyard by Marriott Los Angeles Westside, Culver City
DoubleTree Suites by Hilton Hotel Doheny Beach Dana Point, Dana Point
Proposed Hilton Garden Inn UC Davis, Davis
Courtyard by Marriott San Diego El Cajon, El Cajon
Yosemite Cedar Lodge, El Portal
Yosemite View Lodge, El Portal
Embassy Suites by Hilton Anaheim South, Garden Grove
Hampton Inn & Suites Los Angeles Glendale, Glendale
Proposed Caption by Hyatt, Hollywood
Paséa Hotel & Spa, Huntington Beach
Miramonte Indian Wells Resort & Spa Curio Collection by Hilton, Indian Wells
Pacific Edge Hotel, Laguna Beach
Proposed Hotel Lathrop Towne Centre, Lathrop
Hilton Garden Inn Lompoc, Lompoc
Proposed Breakers Hotel Long Beach, Long Beach
Residence Inn by Marriott Cypress Los Alamitos, Los Alamitos
Marriott Los Angeles Airport, Los Angeles
Proposed Found Santa Monica, Los Angeles
Proposed Spring Street Hotel, Los Angeles
Proposed Tommie Hotel, Los Angeles
Proposed Unscripted Hotel, Los Angeles
Thompson Hollywood, Los Angeles
Proposed Murrieta Hotel, Murrieta
Proposed Hampton Inn, Needles
Hyatt Regency, Newport Beach
Proposed Oakland Hotel, Oakland
Proposed Cambria Hotel Ontario, Ontario
Embassy Suites by Hilton Palm Desert, Palm Desert
Holiday House, Palm Springs
Proposed Andaz Palm Springs, Palm Springs
Proposed BODE: Palm Springs, Palm Springs
Courtyard by Marriott, Palmdale
Residence Inn by Marriott, Palmdale
Proposed Hotel Perris, Perris
Proposed Hotel at The River Mall, Rancho Mirage
Courtyard by Marriott San Diego Downtown, San Diego
DoubleTree by Hilton San Diego Del Mar, San Diego
Holiday Inn Express San Diego Downtown, San Diego
Lafayette Hotel Swim Club & Bungalows, San Diego
The Monsaraz Inn, Tapestry Collection by Hilton, San Diego
Proposed Hampton Inn San Diego, San Diego
Proposed Hotel San Diego, San Diego
San Diego Marriott Del Mar, San Diego
SpringHill Suites by Marriott San Diego Mission Valley, San Diego
Proposed Home2 Suites, San Marcos
Crowne Plaza Los Angeles Harbor, San Pedro
Embassy Suites Santa Ana Orange County Airport North, Santa Ana
Ambrose Hotel, Santa Monica
Proposed Hilton Garden Inn, Simi Valley

Wine Valley Inn & Cottages Solvang, Solvang
Proposed Hotel Sonora, Sonora
Sonora Inn, Sonora
Embassy Suites Temecula Valley Wine Country, Temecula
Hotel Erwin, Venice Beach
Pierpont Inn Ventura, Ventura
Fairfield by Marriott Visalia Sequoia, Visalia
Proposed Hyatt Place, Walnut Creek
Holiday Inn West Covina, West Covina

COLORADO

SpringHill Suites Denver Tech Center, Greenwood Village
Proposed The Pad Hostel, Silverthorne

DISTRICT OF COLUMBIA

Avery Georgetown
Hampton Inn & Suites Washington DC Navy Yard

GEORGIA

Proposed Hotel, Hapeville
Hotel Indigo Savannah Historic District, Savannah

INDIANA

Clarion Hotel & Conference Center, Indianapolis

MARYLAND

Hampton Inn & Suites Baltimore/Aberdeen, Aberdeen
La Quinta Inn, Aberdeen
Proposed Fairfield Inn & Suites, Aberdeen
Proposed TownePlace Suites by Marriott, Belcamp
Days Inn & Suites, Cambridge
Super 8, Havre de Grace
Cambria Hotel & Suites, Rockville
Holiday Inn Express, Waldorf

MAINE

Budget Traveler Motor Lodge, Presque Isle

MISSOURI

AC Hotels by Marriott Kansas City Westport, Kansas City

NEW JERSEY

Brick Motor Inn, Brick
Ramada Inn Wayne Fairfield, Wayne
Econo Lodge, Elmira

NEW YORK

La Quinta Inn & Suites, Batavia
Holiday Inn Express, Grand Island
Budget Inn, Huntington
Crowne Plaza, Suffern

OHIO

Super 8, Coshocton
Motel 6, Grove City
Motel 6 Canton, North Canton

PENNSYLVANIA

Red Roof Inn, Chambersburg
Hampton Inn, Clarion
Comfort Inn Cranberry Township, Mars
Hampton Inn Pittsburgh Monroeville, Monroeville
Rodeway Inn, York

TEXAS

Proposed Autograph Collection Trinity Groves, Dallas
Sheraton Fort Worth Downtown Hotel, Fort Worth
SpringHill Suites by Marriott Fort Worth University, Fort Worth
La Quinta Inn & Suites Houston Magnolia, Magnolia

UTAH

Comfort Inn & Suites Salt Lake City Airport, Salt Lake City
Tru by Hilton Salt Lake City Airport, Salt Lake City

VIRGINIA

Indian Hills Interstate Inn, Colonial Heights
Proposed Hampton Inn & Suites, Culpeper
SpringHill Suites by Marriott Fairfax Fair Oaks, Fairfax
Candlewood Suites Richmond West End Short Pump, Glen Allen
Hyatt Place Richmond Innsbrook Glen Allen, Glen Allen
Hampton Inn Norfolk/Naval Base, Norfolk
Hyatt House Richmond West, Richmond
Hyatt Place Richmond Arboretum, Richmond
Suburban Extended Stay Northwest, Richmond
Hyatt House Sterling/Dulles Airport-North, Sterling

WEST VIRGINIA

Comfort Suites Bridgeport Clarksburg, Bridgeport
Proposed Best Western, Morgantown

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Marcus R. Lee

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

"Certified General Real Estate Appraiser"

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

BREA APPRAISER IDENTIFICATION NUMBER: 3006899

Effective Date: November 12, 2020
Date Expires: November 11, 2022

Loretta Dillon, Deputy Bureau Chief, BREA

3055861

THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE "CHAIN LINK"

Luigi Major, MAI

EMPLOYMENT

2007 to present

HVS CONSULTING AND VALUATION SERVICES
Los Angeles, California

EDUCATION AND OTHER TRAINING

BS – Hotel & Restaurant Management, University of Houston

Other Specialized Training Classes Completed:

Uniform Standards of Professional Appraisal Practice – 15 hours
Basic Appraisal Procedures – 30 hours
Basic Appraisal Principles – 30 hours
General Appraiser Income Approach (Parts I and II) – 60 hours
General Appraiser Sales Comparison Approach – 30 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
Business Practices and Ethics – 7 hours
Statistics, Modeling and Finance – 15 hours
Advanced Income Capitalization – 40 hours
Advanced Sales Comparison & Cost Approach – 40 hours
Report Writing and Valuation Analysis – 40 hours
Advanced Applications – 40 hours
Fundamentals of Separating Real, Personal Property, and Intangible Business Assets – 15 hours
General Demonstration Report Writing
The Appraiser as an Expert Witness: Preparation and Testimony – 16 hours
California Law – 4 hours
Mortgage Fraud – Protect Yourself – 7 hours
Supervisor Trainee Course for Texas – 7 hours
Appraisal of Land Subject to Ground Lease – 7 hours
Basic Hotel Appraising – 7 hours
Advanced Hotel Appraising – 7 hours
Appraisal of Land Subject to Ground Lease – 7 hours
CA Supervisor/Trainee – 4 hours
The Dirty Dozen – 3 hours

EDUCATION (CONTINUED)	Income Approach – 7 hours Small Hotel/Motel Valuation – 7 hours NV Law – 3 hours Basics of Expert Witness – 7 hours Appraisal of Owner-Occupied Commercial Properties – 7 hours CA Law – 4 hours Appraisal of REO and Foreclosed Properties – 7 hours Biennial USPAP Updates
STATE CERTIFICATIONS	Arizona, California, Hawaii, Nevada, Texas
PROFESSIONAL AFFILIATIONS	Appraisal Institute – Designated Member (MAI)

PUBLISHED ARTICLES

HVS Journal	"COVID-19's Impact on the Los Angeles Hotel Market," April 2021
HVS Journal	"U.S. Hotel Development Cost Survey 2020," October 2020
HVS Journal	"Impact of COVID-19 on the Tucson Hotel Market," July 2020
HVS Journal	"Impact of COVID-19 on Los Angeles & Southern California Hotel Markets," April 2020
HVS Journal	"U.S. Hotel Development Cost Survey 2018/19," September 2019
HVS Journal	"Market Pulse: Los Angeles, CA," March 2019
HVS Journal	"HVS Hotel Development Cost Survey 2017/18," November 2018
HVS Journal	"Blurred Lines between Hotels and Airbnb," September 2018
HVS Journal	"Market Pulse: Palm Springs & Desert Cities," February 2018
HVS Journal	"Top 6 Hotel Success Factors," August 2017
HVS Journal	"In Focus: Houston, Texas," February 2016
HVS Journal	"Four Key Takeaways: Meet the Money 2015," co-authored with Li Chen and Susan Furbay, May 2015
HVS Journal	"In Focus: Houston, Texas," co-authored with Yimei Tang, July 2014
HVS Journal	"Effects of Major Renovations on Hotel Market Penetration and Net Present Value," February 2014

HVS Journal	"HVS Market Intelligence Report 2013: Houston," June 2013
HVS Journal	"HVS Market Intelligence Report: Houston Hotels in 2012," April 2012
HVS Journal	"HVS Report: Foreign Direct Investment, Commercial Real Estate, and Hotel Development in Mexico City." Co-authored by Raul Duarte and Richard Katzman, February 2011
HVS Journal	"San Miguel de Allende – A Beacon for the Tourism Potential of Colonial Towns and Villages," January 2009
HVS Journal	"Mexico's Growing Trend: Master-Planned Resort-Residential Communities," November 2008
HVS Journal	"Guadalajara – Preparing for the Future," May 2008
HVS Journal	"HVS Market Intelligence Report: San Juan, Puerto Rico," November 2007
HVS Journal	"HVS Market Intelligence Report: Liberia, Costa Rica," September 2007

HVS

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED

PORTFOLIO ANALYSIS

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

ALABAMA

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

ARIZONA

Home2 Suites by Hilton Phoenix Avondale, Avondale
Proposed EVEN Hotel Avondale, Avondale
Proposed Home2 Suites by Hilton, Avondale
Home2 Suites by Hilton Buckeye Phoenix, Buckeye
Proposed Dual-Branded TownePlace Suites and Fairfield Inn, Buckeye
Proposed Hotel, Campe Verde
Holiday Inn, Casa Grande
Proposed Limited-Service Hotel at the Promenade, Casa Grande
Proposed Holiday Inn Flagstaff, Flagstaff
Proposed Hotel near Gilbert Heritage District, Gilbert
Proposed SpringHill Suites by Marriott, Lake Havasu
Proposed Hotel near Harrah's Ak-Chin Casino, Maricopa
Proposed La Quinta Maricopa, Maricopa
Proposed Hotel, Mesa
Proposed Hotel near Phoenix Mesa Gateway Airport, Mesa
Proposed Resort Page, Page
Courtyard Phoenix Airport, Phoenix
Four Points by Sheraton Phoenix North, Phoenix
Proposed Dual-Brand AC/Element, Phoenix
Proposed Hampton Inn at Metro Center, Phoenix
Proposed Holiday Inn Express & Suites - Phoenix Airport North, Phoenix
Proposed Home2 Suites by Hilton Phoenix Airport North, Phoenix
Proposed Hotel at Park Central Mall, Phoenix
Proposed Hotel Central Station, Phoenix
Proposed Hyatt Place Downtown Phoenix, Phoenix
Proposed La Quinta - Banner-University Medical Center, Phoenix
Proposed La Quinta Inn & Suites McDowell Road, Phoenix
Proposed Marriott Tribute, Phoenix
Proposed Midtown Hotel, Phoenix
Proposed WoodSpring Suites Happy Valley, Phoenix
Ramada, Phoenix
Red Roof Inn Phoenix Bell Road, Phoenix
Residence Inn by Marriott at Mayo Clinic, Phoenix
Proposed Quartzsite Limited-Service Hotel, Quartzsite
Proposed Hotel, Queen Creek
Proposed Hotel, Rancho Sahuarita
Navajoland Inn & Suites / Saint Michaels Arizona, Saint Michaels
Proposed Ceasars Hotel at Scottsdale Fashion Square, Scottsdale
Proposed Hilton Hotel at Cavasson, Scottsdale
Proposed Holiday Inn, Scottsdale
Proposed Hyatt Place and Hyatt House Dual-Branded Hotel, Scottsdale
Talking Stick Resort, Scottsdale
Las Posadas of Sedona, Sedona
Aloft, Tempe
Comfort Suites Airport, Tempe
MOXY Phoenix Tempe/ASU Area, Tempe
Proposed Full-Service Hotel, Tempe
Proposed Hilton Tempe, Tempe
Proposed Residence Inn by Marriott, Tempe
Proposed Westin Tempe, Tempe
Proposed Best Western, Topock
Four Points by Sheraton Tucson Airport, Tucson
La Posada Lodge & Casitas Ascend Hotel Collection, Tucson
Proposed Graduate Hotel Tucson, Tucson
Proposed Hotels at the Marketplace, Tucson

Radisson Suites, Tucson
Sheraton Hotel & Suites Tucson, Tucson
Westin La Paloma Resort & Spa, Tucson
Proposed Grand Canyon Resort, Tusayan
Grand Canyon Railway Hotel, Williams

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

CALIFORNIA
Proposed Hotel Adelanto, Adelanto
Proposed Holiday Inn Express Alameda, Alameda
Alhambra Inn & Suites, Alhambra
Fremont Inn, Alhambra
Proposed Hotel American Canyon, American Canyon
Candlewood Suites Anaheim - Resort Area, Anaheim
Four Points by Sheraton, Anaheim
Gaia Hotel & Spa, Anderson
Apple Valley Lodge, Apple Valley
Best Western, Bakersfield
Proposed Best Western Bakersfield, Bakersfield
Proposed Staybridge Suites, Bakersfield
Holiday Inn Express Hotel & Suites Barstow Outlet Center, Barstow
Proposed Dual-Branded Marriott, Barstow
Quality Inn & Suites Santa Cruz Mountains Ben Lomond, Ben Lomond
Hampton Inn & Suites Buellton/Santa Ynez Valley, Buellton
Proposed Aloft Buena Park, Buena Park
Proposed Hilton at the Source, Buena Park
Proposed Stanford Hotel, Buena Park
The Hotel at the Source, Buena Park
Quality Inn Burbank, Burbank
Radisson Suites Buena Park, Buena Park
Proposed Cabazon Glamping Recreation Center, Cabazon
Cape Rey Carlsbad a Hilton Resort, Carlsbad
Proposed Beach Village Hotel Day Spa Condo Project, Carlsbad
DoubleTree by Hilton Golf Resort Palm Springs Area, Cathedral City
Staybridge Suites Cathedral City Golf Resort, Cathedral City
Proposed Gaylord Pacific Resort & Convention Center, Chula Vista
Proposed The GlenRoy, Coachella
Motel 6 Coalinga East, Coalinga
Proposed Everhome Suites Corona, Corona
Blue Lantern Inn, Dana Point
Proposed Boutique Hotel, Diablo Grande
Proposed Hampton Inn, Diamond Bar
Proposed Select Service Hotel Downey, Downey
Proposed Home 2 Suites by Hilton, El Centro
Proposed Residence Inn El Centro, El Centro
Proposed Hotel El Dorado Hills, El Dorado Hills
Holiday Inn Express, Elk Grove
Proposed Candlewood Suites, Elk Grove
Hyatt Place, Emeryville
Proposed Home2 Suites by Hilton, Fairfield
La Quinta Inn & Suites, Fresno
San Joaquin Hotel, Fresno
Proposed Tapestry Collection by Hilton Fullerton, Fullerton
Hampton Inn, Goleta
Holiday Inn Express, Grover Beach
Home2 Suites by Hilton Hanford Lemoore, Hanford
Proposed Home2 Suites, Hanford
Proposed Dual-Branded Hotel, Hawthorne
TownePlace Suites by Marriott Los Angeles LAX Hawthorne, Hawthorne
Proposed Hotel, Hermosa Beach
Godfrey Hotel Hollywood, Hollywood
Proposed Kokoro Wellness Resort, Howard Springs
Paséa Hotel & Spa, Huntington Beach
Miramonte Indian Wells Resort & Spa Curio Collection by Hilton, Indian Wells
Irvine Marriott, Irvine
Holiday Inn San Diego La Mesa, La Mesa
Best Western Laguna Brisas Spa Hotel, Laguna Beach
Coast Inn, Laguna Beach
Pacific Edge Hotel, Laguna Beach
Seaside Laguna Inn & Suites, Laguna Beach
Proposed Laguna Hills Hotel, Laguna Hills
Hilton Garden Inn, Lompoc
Hampton Inn Long Beach Airport, Long Beach
Proposed Breakers Hotel Long Beach, Long Beach
Dixie Hollywood Hotel, Los Angeles
hClub, Los Angeles
InterContinental Los Angeles Downtown, Los Angeles
Loews Hollywood, Los Angeles
Mr C Beverly Hills, Los Angeles
Proposed Found Santa Monica, Los Angeles
Proposed Hampton Inn & Suites Koreatown, Los Angeles
Proposed Hotel Koreatown, Los Angeles
Proposed Hyatt Place Olive Street, Los Angeles
Proposed Spring Street Hotel, Los Angeles
Proposed Staybridge Suites Los Angeles, Los Angeles

Proposed Tommie Hotel, Los Angeles
Proposed Unscripted Hotel, Los Angeles
Silver Lake Pool & Inn, Los Angeles
Thompson Hollywood, Los Angeles
Proposed Wellness Hotel Malibu, Malibu
Proposed Hotel Mammoth Village, Mammoth Lakes
Proposed Resort Mammoth Lakes, Mammoth Lakes
Proposed Hampton Inn & Suites, Marina
Proposed SpringHill Suites by Marriott, Marina
Jolly Roger Motor Hotel, Marina Del Rey
Proposed Menifee Hotel, Menifee
Best Western, Merced
Mountain Home Inn, Mill Valley
Proposed Montebello Hotel, Montebello
Monterey Hotel, Monterey
Comfort Inn & Suites Temecula Wine Country, Murrieta
Proposed Murrieta Hotel, Murrieta
Best Western Elm House Inn, Napa
Hampton by Hilton Napa, Napa
Aloft Silicon Valley, Newark
TownePlace Suites by Marriott, Newark
Proposed Hotel North Hollywood, North Hollywood
Proposed Select-Service Hotel, Northridge
Proposed Homage Oakland, Oakland
Courtyard by Marriott Oceanside, Oceanside
Proposed Cambria Hotel Ontario, Ontario
Proposed Dual-Branded Homewood Suites by Hilton and Hampton by Hilton Ontario, Ontario
Proposed Element by Westin Ontario, Ontario
Proposed Dual-Branded Residence Inn & Courtyard by Marriott Orange, Orange
Hampton Inn Channel Islands Harbor, Oxnard
Proposed Tru, Oxnard
Ivy Palm Resort & Spa, Palm Springs
Proposed Andaz Palm Springs, Palm Springs
Proposed BODE: Palm Springs, Palm Springs
Riviera Palm Springs, a Tribute Portfolio Resort, Palm Springs
Tova Hotel & Beach Club, Palm Springs
Travelodge Palm Springs, Palm Springs
Holiday Inn Palmdale Lancaster, Palmdale
Motel 6 Paso Robles, Paso Robles
Proposed Hotel Ava, Paso Robles
Proposed Patterson Hotel, Patterson
Proposed Hotel Perris, Perris
Sheraton Sonoma County Petaluma, Petaluma
Motel 6, Pittsburg
Proposed Courtyard by Marriott Pittsburg, Pittsburg
Comfort Inn Near Fairplex Pomona, Pomona
Comfort Inn & Suites, Rancho Cordova
Proposed Hampton Inn, Rancho Cucamonga
Proposed Hotel at The River Mall, Rancho Mirage
Proposed Home2 Suites, Ridgecrest
Proposed Roseville Hotel, Roseville
Courtyard by Marriott Cal Expo, Sacramento
DoubleTree by Hilton, Sacramento
Fairfield Inn Cal Expo, Sacramento
La Quinta Inn by Wyndham Sacramento North, Sacramento
Quality Inn & Suites, Sacramento
DoubleTree by Hilton Golf Resort, San Diego
DoubleTree by Hilton San Diego Del Mar, San Diego
Fairmont Grand Del Mar, San Diego
Holiday Inn Express Hotel & Suites Otay Mesa, San Diego
Holiday Inn Express & Suites San Diego Mission Valley, San Diego
Hotel Iris, San Diego
Hotel Palomar San Diego, San Diego
Lafayette Hotel Swim Club & Bungalows, San Diego
Marriott San Diego Del Mar, San Diego
The Monsaraz Inn, Tapestry Collection by Hilton, San Diego
Proposed Fairfield Inn, San Diego
Proposed Hotel, San Diego
San Diego Marriott Del Mar, San Diego
SpringHill Suites by Marriott San Diego Mission Valley, San Diego
US Grant, San Diego
Proposed Boutique Hotel San Dimas, San Dimas
Holiday Inn Fisherman's Wharf San Francisco, San Francisco
Proposed Fairfield Inn & Suites by Marriott South San Francisco, South San Francisco
San Jacinto Inn, San Jacinto
Proposed Hyatt Place, San Jose
La Cuesta Motor Inn, San Luis Obispo
Proposed Dual-Brand Hotel San Marcos, San Marcos
Proposed Home2 Suites, San Marcos
Proposed La Quinta Inn & Suites, San Pablo
Proposed AC Hotel by Marriott San Rafael, San Rafael
Proposed Homewood Suites, Santa Clarita
Hampton Inn, Santa Cruz
Proposed Hampton by Hilton Santa Cruz, Santa Cruz
Holiday Inn & Suites, Santa Maria
Proper Hotel, Santa Monica
Hotel Santa Rosa, Santa Rosa
Proposed Residence Inn Scotts Valley, Scotts Valley

Proposed Hotel, Sonora
Sonora Inn, Sonora
Alpenrose Inn, South Lake Tahoe
Firelite Lodge, Tahoe Vista
Proposed Galway House, Temecula
Proposed Hampton Inn Three Rivers, Three Rivers
Travelodge Yucca Valley, Twentynine Palms
Embassy Suites by Hilton, Valencia
Hotel Erwin, Venice Beach
Four Points by Sheraton Ventura Harbor Resort, Ventura
Pierpont Inn Ventura, Ventura
Proposed Avid Hotel Victorville, Victorville
Marriott, Walnut Creek
Proposed Hyatt Place Walnut Creek, Walnut Creek
Proposed Residence Inn Walnut Creek, Walnut Creek
Proposed Home2 Suites by Hilton Watsonville, Watsonville
Hampton Inn, West Covina
Holiday Inn West Covina, West Covina
Andaz West Hollywood, West Hollywood
The Charlie Hotel, West Hollywood
London West Hollywood at Beverly Hills, West Hollywood
DoubleTree by Hilton Whittier Los Angeles, Whittier
Comfort Suites Woodland, Woodland
Marriott Warner Center, Woodland Hills
Proposed Staybridge Suites Woodland, Woodland

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

DISTRICT OF COLUMBIA
Georgetown Suites Land Valuation
Proposed Maison Kesh Hotel

FLORIDA
Marriott, Boca Raton
Proposed Dual-Branded Residence Inn/SpringHill Suites by Marriott, Clearwater Beach
Mayfair Hotel & Spa, Coconut Grove
Hyatt Place, Delray Beach
Hyatt Place at Coconut Point, Estero
Hyatt Place, Fort Lauderdale
Hilton Garden Inn, Fort Myers
Four Points, Ft. Walton Beach
Holiday Inn, Houston
Proposed Courtyard, Jacksonville
Wyndham Riverwalk, Jacksonville
Terrace Hotel, Lakeland
Proposed Holiday Inn & Suites, Miami
Proposed Hotel, Miami
Proposed Le Meridien, Miami
Proposed Meininger Hotel, Miami Beach
Proposed Hilton, Miami Beach
The Raleigh Hotel, Miami Beach
Proposed SpringHill Suites by Marriott, Navarre
Embassy Suites Orlando Lake Buena Vista, Orlando
Holiday Inn Express Hotel & Suites Orlando International Airport, Orlando
Proposed WoodSpring Suites, Orlando
Proposed Comfort Inn & Suites Panama City Beach, Panama City Beach
Sheraton Suites Fort Lauderdale Plantation, Plantation
Proposed Hotel, St. Augustine
SpringHill Suites by Marriott, Sarasota
Sawgrass Grand Hotel & Suites, Sunrise
Hampton Inn, Tallahassee
Hampton Inn Veterans Expressway, Tampa

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

HAWAII
Sheraton Keauhou Bay Resort & Spa, Kailua
Proposed Kona Village, a Rosewood Resort, Kailua-Kona
Four Seasons Resort O'ahu at Ko Olina, Kapolei

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

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

INDIANA
Proposed Aloft, Indianapolis

IOWA
Proposed Waterpark Hotel, Davenport

Proposed University of Iowa Hotel, Iowa City

KANSAS
Crowne Plaza Kansas City Overland Park, Lenexa

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

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

MINNESOTA
Loews, Minneapolis
Westin, Minneapolis

MISSISSIPPI
Four Points, Biloxi
Proposed SpringHill Suites, Biloxi
South Beach Biloxi Hotel, Biloxi
Hampton Inn, Brookhaven
Magnuson Hotel Hattiesburg, North Hattiesburg
Jackson Downtown Convention Center Hotel, Jackson
Staybridge Suites Ridgeland, Ridgeland

MISSOURI
Hilton Kansas City Airport, Kansas City

MONTANA
Proposed Hotel, Big Sky
Proposed Hotel Gardiner, Gardiner
Proposed Best Western, Shelby
Holiday Inn Express, Sidney

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

NEW JERSEY
Proposed Holiday Inn, Bayonne
Montreal Beach Resort, Cape May
TownePlace Suites by Marriott, Mount Laurel
Holiday Inn, Princeton

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

NEW YORK
Marriott, Buffalo
Proposed Hampton Inn, Dewitt
Courtyard by Marriott New York LaGuardia Airport, East Elmhurst
Proposed Tryp by Wyndham Long Island City, Long Island City
Residence Inn, White Plains
Proposed Selina Woodstock, Woodstock

NORTH CAROLINA
Proposed Fairfield Inn by Marriott, Maggie Valley
Courtyard by Marriott, Raleigh

OHIO
Proposed Hilton, Chippewa Lake
Proposed Baldwin Hotel, Cincinnati
Holiday Inn, West Chester
Proposed Holiday Inn & Conference Center, West Chester
Radisson Hotel at the University of Toledo, Toledo

OKLAHOMA
Hilton Skirvin, Oklahoma City

OREGON

Hilton, Eugene

PENNSYLVANIA
DoubleTree by Hilton Pittsburgh Garden Tree, Pittsburgh

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

TENNESSEE
Holiday Inn, Chattanooga
Proposed Select-Service Hotel, Knoxville
Holiday Inn Memphis Downtown Beale Street, Memphis
BentoLiving Chestnut Hill, Nashville
Proposed Dual-Brand Tru & Hampton Inn, Nashville

TEXAS
Holiday Inn Express, Allen
Proposed 21c Hotel, Austin
Proposed Hotel Granduca, Austin
Proposed SpringHill Suites, Baytown
Value Place, Beaumont
Homewood Suites by Hilton, Bedford
Proposed Hotel Texas A&M University, College Station
Proposed Tryp by Wyndham, College Station
Proposed Staybridge Suites, The Colony
Fairfield Inn & Suites Houston Conroe, Conroe
Candlewood Suites, Corpus Christi
Comfort Suites Calallen, Corpus Christi
Embassy Suites, Corpus Christi
Holiday Inn Airport, Corpus Christi
Holiday Inn Downtown, Corpus Christi
Holiday Inn Express, Corpus Christi
La Quinta Inn & Suites, Corpus Christi
Proposed Schlitterbahn Resort, Corpus Christi
Staybridge Suites, Corpus Christi
Proposed Hotel, Cypress
Le Méridien The Stoneleigh, Dallas
Proposed Aloft/Element Dual-Branded Hotel, Dallas
Proposed Autograph Collection Trinity Groves, Dallas
Proposed Courtyard/Residence Inn Dual-Brand Hotel, Dallas
Proposed Residence Inn by Marriott, Dallas
Proposed Residence Inn and AC by Marriott Dual-Branded Hotel, Dallas
Proposed Saint Elm Hotel, Dallas
Hilton Garden Inn Denison Sherman at Texoma Event Center, Denison
Proposed Hotel, Edinburg
Proposed Hyatt Place, Edinburg
Proposed Artisan Hotel Conversion, El Paso
Sheraton Fort Worth Downtown Hotel, Fort Worth
Proposed Hilton Garden Inn, Frisco
Westin Stonebriar, Frisco
Sheraton Fort Worth Downtown Hotel, Fort Worth
SpringHill Suites by Marriott Fort Worth University, Fort Worth
Proposed Full-Service Hotel Baybrook Mall, Friendswood
Courtyard by Marriott, Galveston
Proposed Beachfront Hotel, Galveston
Proposed Beachtown Grand Hotel, Galveston
Proposed Courtyard by Marriott, Galveston
Proposed Downtown Hotel, Galveston
Proposed TownePlace Suites, Galveston
TownePlace Suites by Marriott, Galveston
Proposed Hotel, Georgetown
Best Western Fountainview, Houston
Crowne Plaza, Houston
Crowne Plaza Suites, Houston
DoubleTree Suites by Hilton Houston Galleria, Houston
DoubleTree IAH, Houston
Four Seasons, Houston
Hampton Inn Houston Interstate 10 West, Houston
Hampton Inn & Suites Houston Medical Center, Houston
Hilton Garden Inn Houston Bush Intercontinental Airport, Houston
Hilton Garden Inn Houston Northwest, Houston
Hilton Houston North, Houston
Hilton Houston Westchase, Houston
Holiday Inn Southwest, Houston
Holiday Inn Westchase, Houston
Homewood Suites by Hilton, Houston
Hotel Icon, Houston
Hyatt Regency, Houston
Intercontinental Houston Medical Center, Houston
Magnolia Hotel, Houston
Marriott Houston North Greenspoint, Houston
Proposed 314 Hotel, Houston
Proposed AC Hotel Houston Downtown, Houston
Proposed Aloft, Houston
Proposed Embassy Suites, Houston
Proposed Hampton Inn/Homewood Suites Downtown, Houston
Proposed Heights Hotel, Houston
Proposed Holiday Inn & Conference Center Willowbrook, Houston
Proposed Holiday Inn Downtown, Houston
Proposed Homewood Suites by Hilton, Houston
Proposed Hotel Alessandra, Houston
Proposed Hotel Galleria, Houston
Proposed Hotel Zaza & Apartments, Houston
Proposed Hyatt Place and Hyatt House Dual-Brand Hotel, Houston
Proposed Hyatt Place, Houston
Proposed InterContinental Hotel, Houston

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

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

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

WASHINGTON
Proposed AC Hotel, Bellevue
Holiday Inn Express, Marysville
Proposed Homewood Suites, Richland
Proposed 4/C Tower Hotel, Seattle
Holiday Inn Express, Sumner

WISCONSIN
Holiday Inn, Milwaukee

INTERNATIONAL

Colombia
Proposed Hyatt Place, Bogota

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

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

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

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

Guatemala
Proposed Four Seasons, Antigua
Proposed Hotel, Guatemala City

Honduras
Proposed Hotel, San Pedro Sula

Mexico
Fairmont Acapulco Princess, Acapulco
Fairmont Pierre Marques, Acapulco
Proposed Hotel, Acapulco
Bacalar Land Parcels, Bacalar
Proposed Bacalar Hotel, Bacalar
Cabo de Cortes Fairmont/Raffles Development, Cabo San Lucas
Cabo San Cristobal, Cabo San Lucas
Proposed Luxury Hotel & Villa Project, Campeche
Proposed Master-Planned Development (2), Campeche
Dreams Resort, Cancun
Elan Resort & Spa, Cancun
El Pueblito, Cancun
Fiesta Americana Condesa Cancun, Cancun
Le Meridien, Cancun
Yalmakan Resort, Cancun
Westin Soberano, Chihuahua
Proposed Quinta Real Hotel Development, Culiacán
Proposed Banyan Tree, Ensenada
Proposed Boutique Hotel Project, Guadalajara
Proposed Fiesta Inn del Tapatio, Guadalajara
Proposed Hotel Project, Guadalajara
Proposed Mixed-Use Development, Guadalajara
Proposed Vi Hotel, Guadalajara
Hotel Condesa, Leon, Guanajuato
Tesoro, Ixtapa
Proposed Hotel & Residential Development, Ixtapan de la Sal
Proposed Park Hyatt, Kanai
Proposed St. Regis, Kanai
Proposed W Hotel, Kanai
Desire Resort, Los Cabos
Esperanza Resort, Los Cabos
Proposed Thompson Hotel, Los Veneros
Tesoro Manzanillo, Manzanillo
Embassy Suites, Mexico City
Le Méridien, Mexico City
Proposed City Express Hotel, Mexico City
Proposed Limited-Service Hotel, Mexico City
Proposed Hotel & Condo, Monterrey
Proposed Hotel, Monterrey
Proposed Limited-Service Hotel, Playa del Carmen
Proposed Resort, Playa del Carmen
Ceiba del Mar, Puerto Morelos
Paraiso de la Bonita, Puerto Morelos
Proposed Puerto Telchac Hotel & Residential Project, Puerto Progreso
Presidente InterContinental, Puerto Vallarta
Proposed City Express Hotel, Queretaro
Proposed Capella Punta Maroma, River Maya
Proposed Grand Hyatt, Riviera Maya
El Dorado Ranch Hotel & Excess Land, San Felipe
Proposed Hotel, San Miguel de Allende
Prposed Quinta Real Hotel & Residential, San Miguel de Allende
Dreams Resort, Tulum
Secrets Capri Resort, Tulum

Panama
Proposed Boutique Hotel, Panama City
Proposed Full-Service Hotel, Panama City
Proposed Limited-Service Hotel, Panama City

Peru

Proposed Hyatt Place, Lima

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

Saint Lucia
Proposed Master Planned Development

Spain
Villaitana Wellness Golf & Business Sun Resort, Benidorm

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Luigi M. Major

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

"Certified General Real Estate Appraiser"

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

BREA APPRAISER IDENTIFICATION NUMBER: 3005056

Effective Date: January 12, 2022
Date Expires: January 11, 2024

Loretta Dillon, Deputy Bureau Chief, BREA

3061690

THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE "CHAIN LINK"