APPRAISAL REPORT

Sample Inn

100 MAIN STREET
YOUR TOWN, YOUR STATE

SUBMITTED TO:

Ms. Client Name
Client Bank
Client Street Address
City, State, 10000

+1 (000) 000-0000

PREPARED BY:

HVS Consulting & Valuation
Division of TS Worldwide, LLC
100 Hotel Drive
City, State, 10000

+1 (000) 000-0000

July 20, 2016

Ms. Client Name
Client Bank
Client Street Address
City, State, 10000

HVS
100 Hotel Drive
City, State, 10000
+1 (000) 000-0000
+1 (000) 000-0000 FAX
www.hvs.com

Re: Sample Inn
100 Main Street
Your Town, Your State
HVS Reference: 20160010000

Dear Ms. Client Name:

Pursuant to your request, we herewith submit our appraisal report pertaining to the above-captioned hotel. We have inspected the real estate and analyzed the market conditions in the Your Town, Your State area. Our report has been prepared in accordance with, and is subject to, the requirements of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation.

Based on our analysis, it is our opinion that the "as is" market value of the fee simple interest in the real and personal property of the Sample Inn, as of July 5, 2016, is:

$14,000,000

FOURTEEN MILLION DOLLARS

This value estimate equates to $112,000 per room. We have also estimated the prospective market value of the subject property as of its projected date of stabilization. Based on our analysis, it is our opinion that the "when stabilized" prospective market value of the fee simple interest in the real and personal property of the Sample Inn, as of August 1, 2018, will be:

$14,900,000

FOURTEEN MILLION NINE HUNDRED THOUSAND DOLLARS

This "when stabilized" value estimate equates to $119,000 per room.

We have made no extraordinary assumptions specific to the subject property. However, several important general assumptions have been made that apply to this report. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.

In regard to the stabilized value, we assume that the subject property's operations have stabilized by the stated stabilization date and that all of the projections and assumptions used in this appraisal, such as the occupancy, average rate, inflation forecast, and our forecast of income and expense, hold true. As of the prospective date of stabilization, our opinion of the market value of the subject property assumes that the hotel will be maintained in good competitive condition and that no major changes will have occurred in the local market or the national economy that would have affected the performance of the property by that date.

This report is intended for the addressee firm and may not be distributed to or relied upon by other persons or entities. 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

Sample Report

Appraiser Name, Appraiser Title
appraiser@hvs.com, +1 (000) 000-0000
State Appraiser License # (0000)

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Qualifications

Copy of Engagement Letter

Copy of Appraisal License

1. Summary of Salient Data and Conclusions

Property:	Sample Inn
Location:	100 Main Street Your Town, Your State 06500 Fairfield County
Interest Appraised:	Fee Simple
Highest and Best Use (as improved):	Limited-service lodging facility

LAND DESCRIPTION

Area:	3.06 acres, or 133,294 square feet
Zoning:	PDD #27 - Planned Development District
Assessor's Parcel Number(s):	29-1
FEMA Flood Zone:	X

IMPROVEMENTS DESCRIPTION

Year Opened and Renovated:	1998; Renovated: 2011
Property Type:	Limited-service lodging facility
Building Area:	78,758 square feet
Guestrooms:	125
Number of Stories:	Six
Food and Beverage Facilities:	A breakfast dining area
Meeting Space:	500 square feet
Additional Facilities:	An indoor pool with water slide, a fitness room, a business center, a market pantry, a guest laundry room, and vending areas
Parking Spaces:	117 (surface)

OPINIONS OF “AS IS” MARKET VALUE - JULY 5, 2016

Income Capitalization Approach:	$14,000,000
Sales Comparison Approach:	$13,600,000 to $15,600,000
Cost Approach:	Not Applicable
“As Is” Market Value, as of July 5, 2016:	$14,000,000
Market Value Conclusion per Room:	$112,000
Real and Personal Property:	The real and personal property value conclusions exclude any value attributable to intangibles. All value attributable to the intangible property has been removed with the assumed expense of a management fee and a franchise fee (if applicable) in the valuation process. As a result, our value conclusion pertains to the real and personal property components only, which have been valued at $13,690,000 and $310,000, respectively, as of the current date of value.

OPINION OF “WHEN STABILIZED” MARKET VALUE - AUGUST 1, 2018

“When Stabilized” Prospective Market Value, as of August 1, 2018:	$14,900,000
Market Value Conclusion per Room:	$119,000
Real and Personal Property:	The value conclusion pertains to the real and personal property components only. As of the stabilized date of value, the components are valued at $14,750,000 and $150,000, respectively.

ASSIGNMENT CONDITIONS

We have made no extraordinary assumptions specific to the subject property. However, several important general assumptions have been made that apply to this report. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.

In regard to the stabilized value, we assume that the subject property's operations have stabilized by the stated stabilization date and that all of the projections and assumptions used in this appraisal, such as the occupancy, average rate, inflation forecast, and our forecast of income and expense, hold true. As of the prospective date of stabilization, our opinion of the market value of the subject property assumes that the hotel will be maintained in good competitive condition and that no major changes will have occurred in the local market or the national economy that would have affected the performance of the property by that date.

2. Nature of the Assignment

Subject of the Appraisal

The subject of the appraisal is the fee simple interest in a 3.06-acre (133,294-square-foot) parcel improved with a limited-service lodging facility known as the Sample Inn. The property, which opened in 1998, features 125 rooms, a breakfast dining area, 500 square feet of meeting space, an indoor pool with water slide, a fitness room, a business center, a market pantry, a guest laundry room, and vending areas. The hotel underwent a major renovation in 2011. The hotel also contains all necessary back-of-the-house space. The hotel's civic address is 100 Main Street, Your Town, Your State, 06500.

Property Rights Appraised

The property rights appraised are the fee simple ownership of the real and personal property. The fee simple estate is defined as "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."[1]

The Sample Inn is appraised as an open and operating facility.

Objective of the Appraisal

The objective of the appraisal is to evaluate the supply and demand factors affecting the market for transient accommodations in the Your Town area for the purpose of developing an opinion of the subject property's market value. The following definition of market value has been agreed upon by the agencies that regulate federal financial institutions in the United States:

> The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
>
> 1. buyer and seller are typically motivated;
> 2. both parties are well informed or well advised, and acting in what they consider their own best interests;
> 3. a reasonable time is allowed for exposure in the open market;

[1] Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.[2]

"As is" market value is defined by the Appraisal Institute as follows:

> The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.[3]

Prospective market value is defined by the Appraisal Institute as follows:

> A forecast of the value expected at a specified future date.[4]

The prospective value opinion upon stabilization estimates the market value of a property upon reaching a stabilized level of operation. Operations are stabilized at that point in time when abnormalities in supply and demand or any additional transitory conditions cease to exist and the existing conditions are those expected to continue over the economic life of the property.

Pertinent Dates

The effective date of the "as is" market value opinion is July 5, 2016. The effective date of the "when stabilized" prospective market value conclusion is August 1, 2018. The subject property was inspected by Appraiser Name on July 5, 2016.

Ownership, Franchise, and Management History and Assumptions

The subject property is currently owned by Sample Hotel, LLC; the parent company of this owning partnership is Sample Hotels & Resorts, which is based in Shelton, Connecticut. The lender, Another Bank, foreclosed on the property under the prior owner, Owner Shelton, in early 2010. Sample Hotel, LLC then acquired the deed and the underlying note for $6,800,000 from Another Bank in May 2010. No transfers of the property have reportedly occurred since 2010. The hotel is neither listed nor under contract for sale; furthermore, we have no knowledge of any recent listings.

The hotel is managed by Sample Hotel Management, an affiliate of the ownership entity. Terms of this agreement call for a base management fee of 4.0% of gross revenues, with no provision for an incentive fee. The agreement can be terminated

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[2] *Federal Register*, Vol. 75, No. 237, December 10, 2010: 77472.

[3] Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

[4] Appraisal Institute, The Dictionary of Real Estate Appraisal, 4th ed. (Chicago: Appraisal Institute, 2010).

upon a sale of the hotel. Our appraisal assumes that the subject hotel will be managed by a professional hotel-operating company throughout the assumed holding period, with fees deducted at rates consistent with current market standards. We have assumed a market-appropriate total management fee of 3.0% of total revenues in our study. Please refer to the Income Capitalization Approach chapter for additional discussion pertaining to our management fee assumptions.

The hotel currently operates as a Sample Inn under a license agreement with Sample Hotel Franchising; the existing agreement expires in 2021 and does not carry an option for renewal. The property's current franchise agreement calls for a royalty fee of 5.0% of rooms revenue and a marketing assessment of 4.0% of rooms revenue. We note that the current franchise agreement cannot automatically be transferred to a new owner upon the sale of the property. We have assumed that a buyer would elect to continue to operate the hotel as a Sample Inn and would enter into a license agreement that would reflect the current terms as published in the company's Franchise Disclosure Document (FDD). Such a new license could require upgrades or renovations to the property in order to comply with prevailing brand standards, which would necessitate additional investment. Given its current condition, we have assumed that any such upgrades or renovations would be funded by the forecast reserve for replacement. The Brand Name franchise is reflected in our forecasts with a royalty fee of 6% of rooms revenue, and a marketing assessment of 4% of rooms revenue.

Sample Inn is part of the Sample Hotel Worldwide brand. Sample Inn has celebrated over 20 years as an award-winning leader in the mid-priced hotel segment. Sample Inn hotels offer comfortable surroundings and a service pledge backed by the Sample Inn Satisfaction Guarantee. High-quality accommodations and services, combined with a vast network of locations, competitive rates, and a strong reputation for quality control and product consistency have made Sample Inn a leader in its segment and one of the fastest-growing hotel brands. Guests enjoy a complimentary hot breakfast, free local calls, and free high-speed Internet access. In addition, most properties offer swimming pools and fitness rooms. As of year-end 2015, there were 1,978 hotels (193,251 rooms) operating under the Sample Inn brand in the U.S. In 2015, the brand operated at an average occupancy level of 74.2%, with an average daily rate of $118.52 and an average RevPAR of $87.95 (worldwide).

We assume that the hotel will retain its current brand affiliation throughout the holding period. Inherent in this assumption is the expectation that the property will be operated in accordance with brand standards, including requirements for services and cleanliness; that the hotel will be maintained in good condition, with all building systems in good working order; and that any necessary refurbishments or renovations will be completed in a timely manner and in accordance with the requirements of the brand. The franchise inspection report provided for our review is dated June 6, 2016. We assume that any deficiencies in the property noted in the report will be addressed in a timely manner and that the hotel will pass all future franchise inspections.

Most Probable Buyer

The subject property is a well-designed, limited-service hotel that would be attractive to active buyers. The hotel enjoys a favorable location in a secondary market and offers an appropriate complement of facilities and amenities. The hotel has undergone an extensive renovation and brand repositioning project within the last few years, which would be considered a major advantage for a potential buyer. It is our opinion that the most probable buyer of the subject property would be a private investment fund, REIT, or ownership group looking to supplement its national hotel portfolio. This type of buyer would seek to implement its own management team, or a third-party professional hotel operator, and to maintain a nationally recognized brand affiliation.

Intended Use of the Appraisal

This appraisal report is being prepared for use in the refinancing of the subject property.

Identification of the Client and Intended User(s)

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

Assignment Conditions

We have made no extraordinary assumptions specific to the subject property. However, several important general assumptions have been made that apply to this report. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.

In regard to the stabilized value, we assume that the subject property's operations have stabilized by the stated stabilization date and that all of the projections and assumptions used in this appraisal, such as the occupancy, average rate, inflation forecast, and our forecast of income and expense, hold true. As of the prospective date of stabilization, our opinion of the market value of the subject property assumes that the hotel will be maintained in good competitive condition and that no major changes will have occurred in the local market or the national economy that would have affected the performance of the property by that date.

Marketing and Exposure Periods

Our opinion is that the exposure period for the subject property, prior to our date of value, is estimated to be less than or equal to five to seven months, while the marketing period for the subject property, subsequent to our date of value, is less than or equal to five to seven months. Published surveys report marketing time, not the exposure period. Marketing time is an opinion of the amount of time it might take to sell a property at the concluded market value level during the period immediately after the effective date of an appraisal. According to the HVS Brokers Survey - Spring 2016, reported marketing times averaged 5.2 months for luxury/upper-upscale properties, 5.8 months for full-service hotels, and 5.0 months for select-service hotels. Marketing time for luxury/upper-upscale properties, full-service hotels, and select-service hotels averaged 5.8, 6.9, and 6.0 months, respectively, according to the PWC Real Estate Investor Survey - First Quarter 2016. Overall marketing time is averaging 5.1 months for hotels, as reported by the Situs Real Estate Research Corporation's Real Estate Report - Fourth Quarter 2015.

Competency

Our qualifications are included as an addendum to this report. These qualifications reflect that we have the competence required to complete this engagement, in accordance with the competency provision of the Uniform Standards of Professional Appraisal Practice. Our knowledge and experience is appropriate for the complexity of this assignment.

Scope of Work

The methodology used to develop this appraisal 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,*[5] *Hotels & Motels: Valuations and Market Studies,*[6] *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations,*[7] *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations,*[8] and *Hotels and Motels – Valuations and Market Studies,*[9] as well as in accordance with the Uniform System of Accounts for the Lodging Industry (USALI).

1. All information was collected and analyzed by the staff of TS Worldwide, LLC. Information such as historical operating statements, franchise and/or management agreements, site plans, floor plans, and leases, as applicable, were supplied by the client or property management.

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

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

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

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

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

2. The subject site was evaluated from the viewpoint of its utility for the development and operation of a hotel. The potential existence of surplus or excess land was investigated. We have reviewed adjacent uses, regional and local accessibility attributes, and visibility characteristics. A study of the local neighborhood was undertaken to determine its boundaries, land uses, recent developments, and life-cycle stage. Other aspects of the land, such as soil and subsoil conditions, nuisances, hazards, easements, encroachments, zoning, and the current flood zone of the property, have been evaluated.

3. The subject property's improvements were inspected to evaluate their current condition, quality of construction, and design and layout, including any items of physical deterioration or functional obsolescence. A list of facilities and amenities that the property offers has been compiled, and past upgrades of each area of the hotel have been investigated. Recent capital expenditures, as well as planned future upgrades, have been reviewed. The remaining economic life of the hotel has been estimated.

4. Economic and demographic statistics for the subject property's market have been reviewed to identify specific hostelry-related trends that may affect future demand for hotels. Workforce characteristics have been evaluated, including employment trends by sector and unemployment rates. Major businesses and industries operating in the local area were investigated, and local area office statistics and trends were reviewed, as available. Passenger levels and recent changes at the area's pertinent airport have been researched, and visitor demand generators have been identified and evaluated.

5. An STR Trend Report pertaining to historical trends in room-night supply, demand, occupancy, average rate, and RevPAR for the subject property and a group of selected competitors has been ordered and analyzed. Performance levels for each of the competitive hotels have been researched and/or estimated. Ownership, management, facilities, renovations, and other pertinent factors for the competitive properties have been investigated. Potential new hotel supply was researched and quantified. Occupancy levels of the subject property and its existing competition provide a basis for quantifying current accommodated demand in the market. The market for hotel accommodations is segmented based on the specific characteristics of the types of travelers utilizing the area's hotels. By segmenting the demand accommodated by each hotel, the total demand by market segment is quantified. The demand generated by each market segment is then projected by year up through a point of hypothetical market stabilization. Latent demand, if applicable, is

estimated and added to the base demand forecast, resulting in a forecast of overall occupancy for the competitive market.

6. Based on the physical, economic, financial, and legal factors influencing the subject property, a conclusion regarding the property's highest and best use, as currently improved, was developed. The highest and best use of the subject land, as if vacant, was also evaluated based on current real estate trends and market conditions.

7. Occupancy of the subject property was projected based on a forecast of overall market penetration, or penetration by market segment. Average rate was projected based on competitive positioning, through the application of an overall ADR penetration rate, or penetration by each market segment's average rate.

8. Historical income and expense statements for the subject hotel have been reviewed, analyzed, and compared to the financial performance of comparable hotels. Inflation forecasts were researched, forming the basis for our own forecast of inflation. A projection of income and expense was prepared in accordance with the USALI, setting forth the anticipated economic benefits of the subject property. All projections are expressed in inflated dollars. Each line item has been reviewed individually. Amounts are forecast based on past performance, expected changes at the property in the future, and comparable hotel performance levels. Property taxes are forecast based on a review of past assessment levels, comparable hotel assessments, and historical tax rates.

9. Our forecast of net income for the subject property is capitalized into an opinion of value via a ten-year mortgage-equity technique, as well as a discounted-cash-flow analysis. Pertinent direct capitalization rates are also reviewed. Recent trends in interest rates, amortization, loan-to-value ratios, and equity return rates, as well as terminal capitalization rates, are researched and applied during this process.

10. As applicable, sales of comparable hotels have been researched for the local market, by brand nationally, and for the greater region as a whole. Among these sales, a smaller set of sales was selected for more detailed review and analysis. An adjustment grid was developed to assist in deriving our opinion of value via the sales comparison approach.

11. The cost approach was deemed inapplicable in the valuation of the subject property because it is not relied upon by hotel investors in the valuation process and requires unsubstantiated calculations to derive an estimate of asset depreciation. An opinion of personal property value is presented, as well as an estimate of replacement cost for insurance purposes, if applicable.

12. The appraisal considers the following three approaches to value: cost, sales comparison, and income capitalization. We have investigated numerous improved sales in the market area and have spoken with buyers, sellers, brokers, property developers, and public officials. Because lodging facilities are income-producing properties that are normally bought and sold on the basis of capitalization of their anticipated stabilized earning power, the greatest weight is given to the value indicated by the income capitalization approach. We find that most hotel investors employ a similar procedure in formulating their purchase decisions, and thus the income capitalization approach most closely reflects the rationale of typical buyers.

3. Real Estate Overview

LAND

The subject property is located in eastern Fairfield County, in the west quadrant of the intersection formed by Bridgeport Avenue/State Route 714 and Commerce Drive/Old Stratford Road. The street address of the Sample Inn is 100 Main Street, Your Town, Your State, 06500.

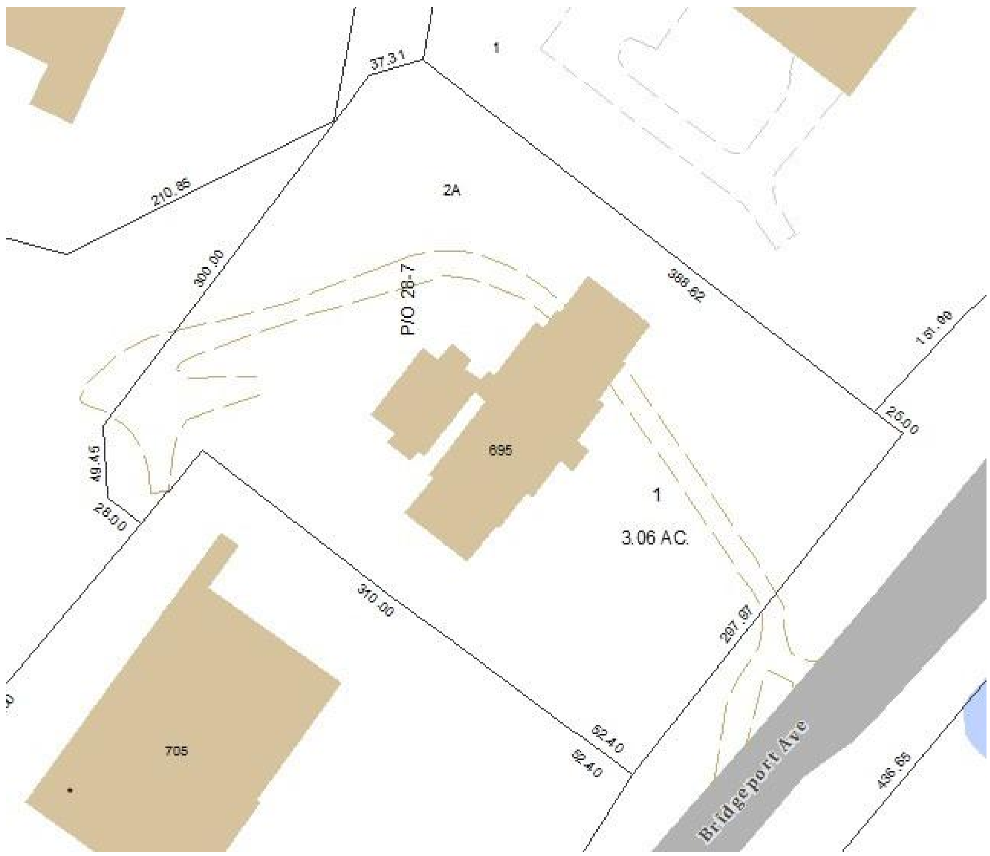
Physical Characteristics

The subject site measures approximately 3.06 acres, or 133,294 square feet. The adjacent uses of the main hotel parcel are set forth in the following table.

FIGURE 3-1 SUBJECT MAIN PARCEL'S ADJACENT USES

Direction	Adjacent Use
Northeast	Multi-Unit Office Buildings
Southeast	Bridgeport Avenue/State Route 714
Southwest	Retail Shopping Center
Northwest	Multi-Unit Office Buildings

PLAT MAP

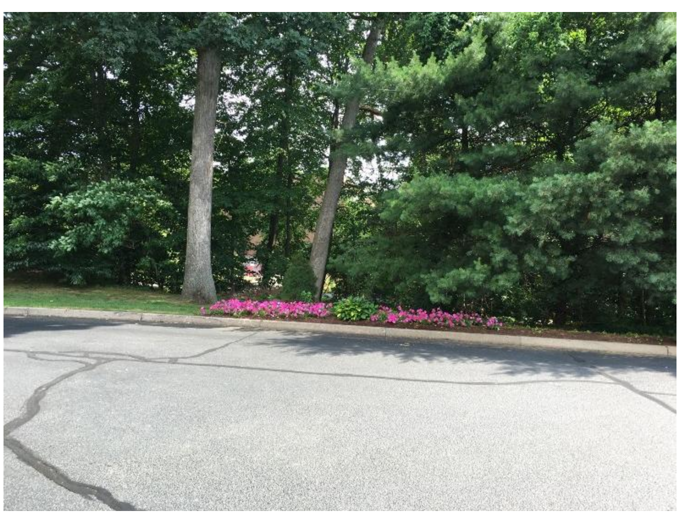


Topography and Site Utility

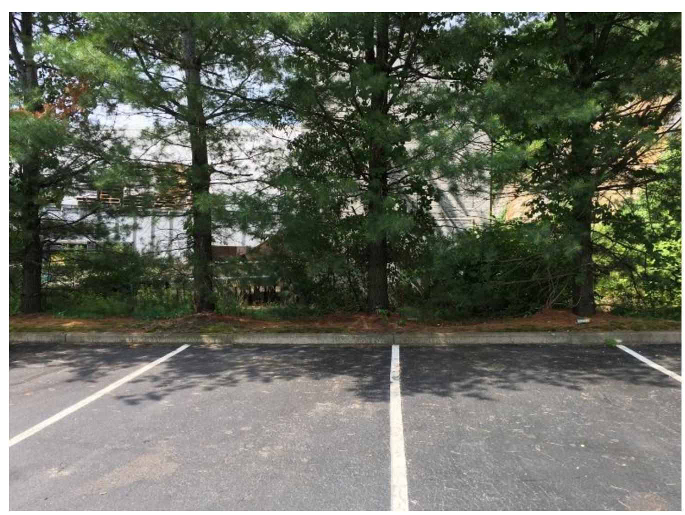
The topography of the parcel gently slopes downward from west to east. As illustrated in the following exhibit, the shape of the subject site permits efficient use of the site for building and site improvements, including ingress and egress. The subject site does not contain any significant portion of undeveloped land that could be sold, entitled, and developed for alternate use. The site is fully developed with building and site improvements.

AERIAL PHOTOGRAPH

VIEW FROM SITE TO THE NORTH



VIEW FROM SITE TO THE SOUTH



VIEW FROM SITE TO THE EAST

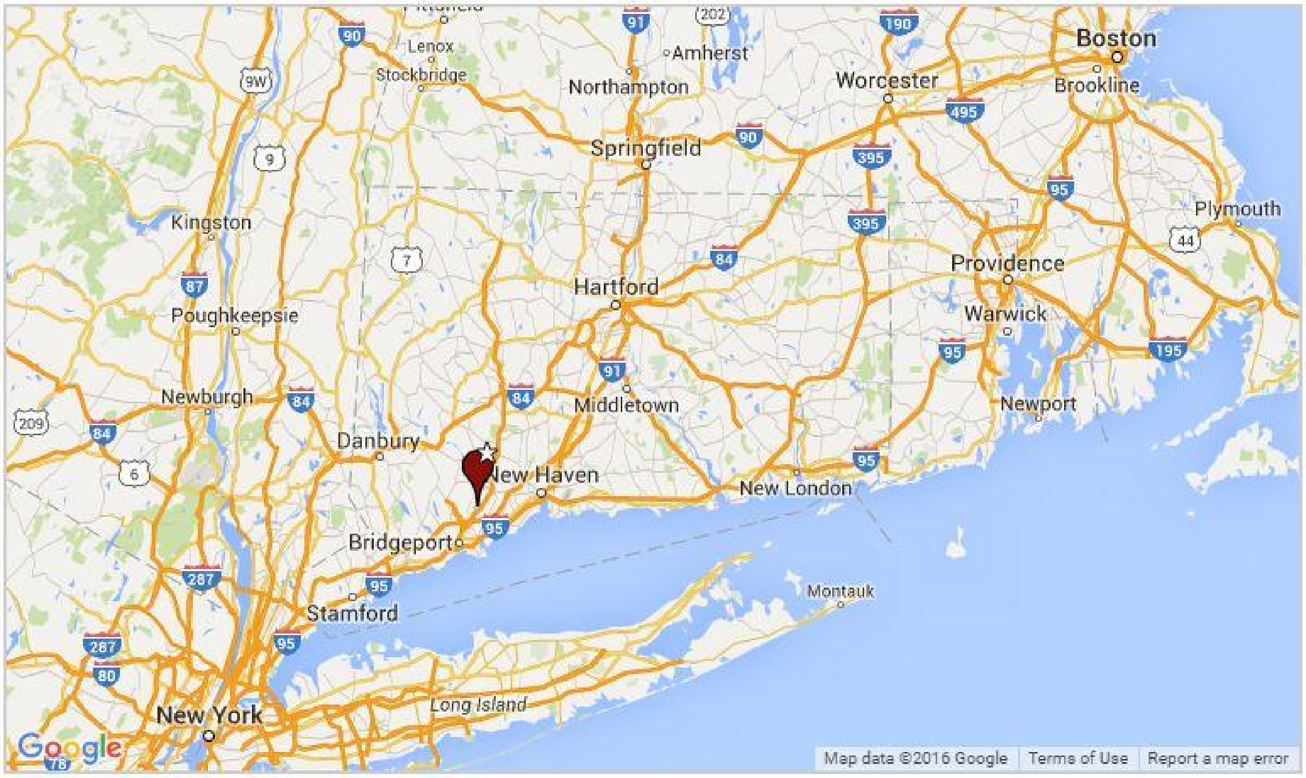
VIEW FROM SITE TO THE WEST

Access and Visibility

Regional access to/from the city of Shelton and the subject property, in particular, is considered very good. The subject property's market is served by a variety of additional local routes, which are illustrated on the map.

Vehicular access to the subject property is provided by Bridgeport Avenue/State Route 714. The subject property is located near a busy intersection and is relatively simple to locate from State Route 8, which is the nearest major highway. Overall, the subject property benefits from very good accessibility and visibility attributes.

MAP OF REGIONAL ACCESS ROUTES



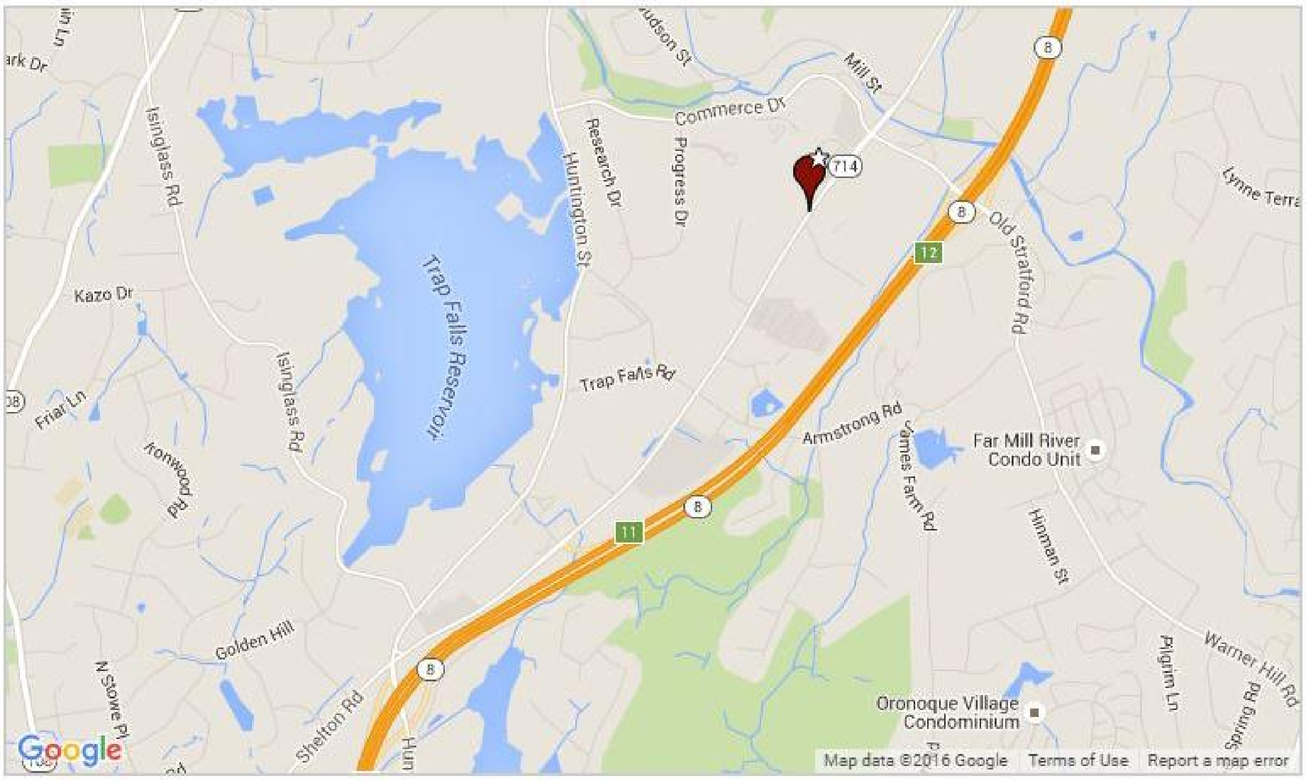
Airport Access

The subject property is served by the Bradley International Airport, which is located approximately 45 miles to the northeast of the subject site.

Neighborhood

The subject property's neighborhood is generally defined by Commerce Drive/Old Stratford Road to the north, State Route 8 to the east and south, and Huntington Street to the west. The neighborhood is characterized by light-industrial buildings, hotels, office buildings, restaurants, and retail and service shops along the primary thoroughfares, with residential areas located along the secondary roadways. Some specific businesses and entities in the area include Pitney Bowes, Prudential Financial, and Société Bic; nearby hotels include the Courtyard by Marriott, Hilton Garden Inn, and Hyatt House. Restaurants located near the subject property include Bertucci's Italian Restaurant, Chili's Grill & Bar, and LongHorn Steak House. In general, this neighborhood is in the stable stage of its life cycle. A notable change underway in this neighborhood is the construction of the 228-unit multi-family residential development known as The Mark, which is expected to be completed by late 2016, and the proposed construction of a 121-acre mixed-use development known as Towne Center. This project is expected to consist of 311,000 square feet of mixed retail space, 198,000 square feet of mixed commercial space, 32,000 square feet of assisted-living space, and surface parking.

MAP OF NEIGHBORHOOD



Utilities According to property ownership, the subject site is served by all necessary utilities.

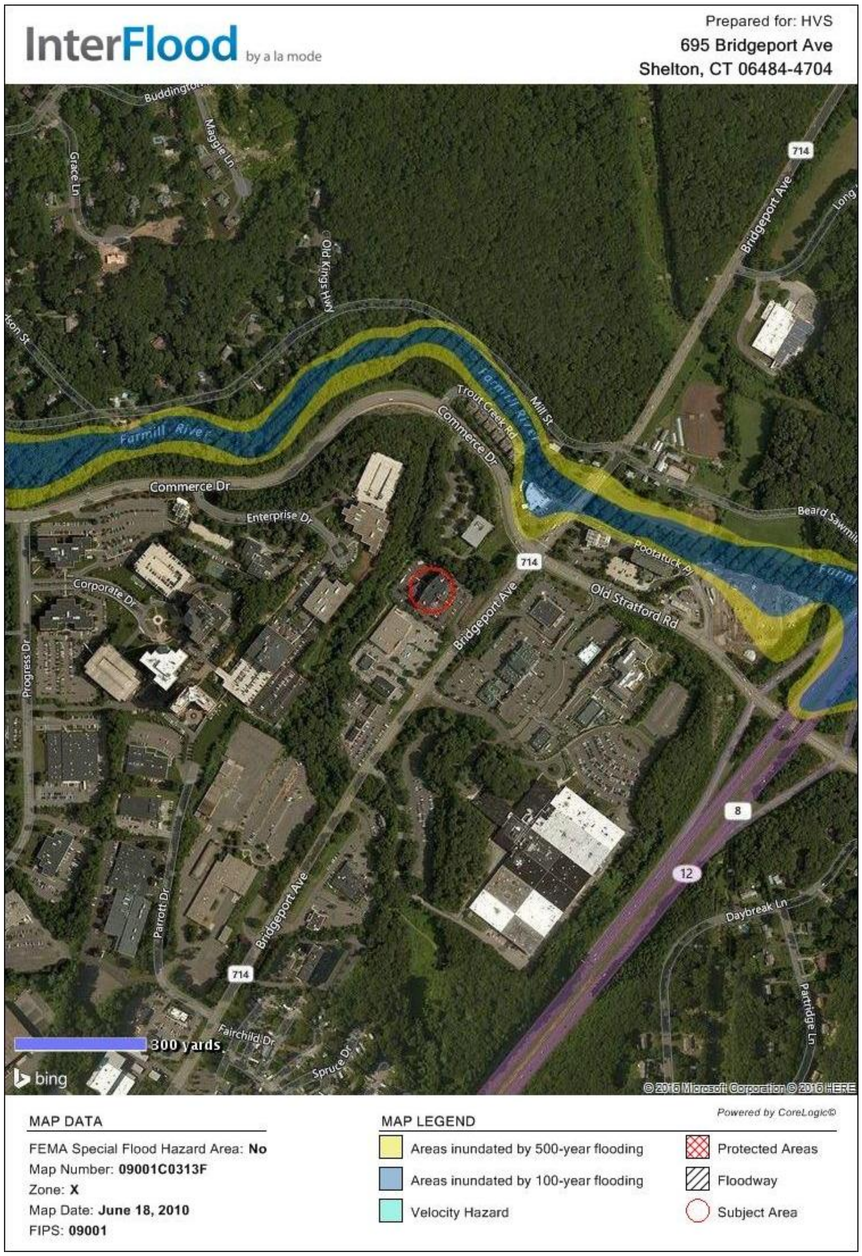
Soil and Subsoil Conditions Geological and soil reports were not provided to us or made available for our review during the preparation of this report. We are not qualified to evaluate soil conditions other than by a visual inspection of the surface; no extraordinary conditions were apparent.

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

Flood Zone

According to the Federal Emergency Management Agency map illustrated below, the subject site is located in flood zone X.

COPY OF FLOOD MAP AND COVER



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

Zoning

According to the local planning office, the subject property is zoned as follows: PDD #27 - Planned Development District. This zoning designation restricts the development and redevelopment of land and its improvements to purposes that would be beneficial to and consistent with the character of the town and consistent with any comprehensive plan of development adopted by the Shelton Planning and Zoning Commission for this special development area. Neighboring planned development district parcels are currently improved with office buildings and a retail shopping center. We assume that all necessary permits and approvals have been secured (including the appropriate liquor license if applicable) and that the subject property was constructed in accordance with local zoning ordinances, building codes, and all other applicable regulations. Our zoning analysis should be verified before any physical changes are made to the hotel.

Easements and Encroachments

We are not aware of any easements or encroachments encumbering the property that would significantly affect its utility or marketability.

Conclusion

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities. The subject site is favorably located along a well-traveled commercial corridor. In general, the site is well suited for hotel use, with acceptable access, visibility, and topography for an effective operation.

IMPROVEMENTS

Property Overview

The Sample Inn is an limited-service lodging facility containing 125 rentable units. The six-story property opened in 1998. The descriptions and pictures presented in this section reflect the hotel as observed at the time of our inspection on July 5, 2016. The subject property operated as an AmeriSuites from its construction in 1998 until April 2007, when the hotel became affiliated with InterContinental Hotels Group and operated as a Holiday Inn Express Hotel & Suites. This franchise agreement became voidable upon foreclosure of the property, and current ownership terminated the contract in late 2010. Ownership then closed the subject property in January 2011 and invested approximately $6,500,000 in a complete renovation and brand repositioning project. The hotel reopened in September 2011 as a Sample Inn.

The hotel underwent an extensive renovation and repositioning in 2011, as previously mentioned; the configuration and array of facilities and amenities are consistent with Sample's standards for the Sample Inn brand as of that date. The property has undergone some renovations since its reopening and is in overall very good condition. Based on our inspection of the property and understanding of current brand standards, we are of the opinion that a new owner would need to complete only minor upgrades and would anticipate funding these from the forecasted reserve for replacement. However, we note that we have not been provided a property improvement plan (PIP) and its associated cost. If the scope and related costs of the actual PIP exceed the annual reserve for replacement, then our value conclusion could be negatively affected.

SUBJECT PROPERTY – FRONT OF HOTEL

SUBJECT PROPERTY – BACK OF HOTEL

Summary of the Facilities

Based on information provided by the subject property's management representatives, the following table summarizes the facilities available at the subject property.

FIGURE 3-2 FACILITIES SUMMARY

Guestroom Configuration	Number of Units
King	65
Queen/Queen	60
Total	125

Food & Beverage Facilities	Seating Capacity
Breakfast Dining Area	56

Meeting & Banquet Facilities	Square Footage
Boardroom	500

Amenities & Services	
Indoor Swimming Pool and Water Slide	Market Pantry
Fitness Room	Guest Laundry Room
Business Center	Vending Areas

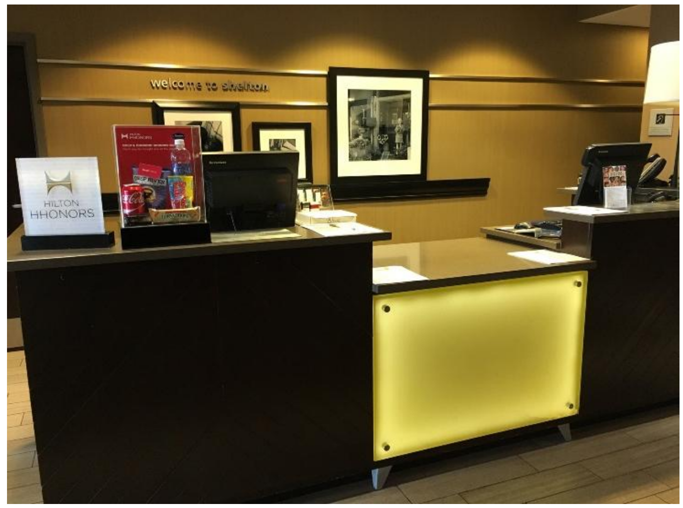
Infrastructure	
Parking Spaces	144
Elevators	2 Guest
Life-Safety Systems	Sprinklers, Smoke Detectors
Construction Details	Wood Framing, Poured Concrete

Site Improvements and Hotel Structure

The hotel comprises one six-story building that is positioned in the center of the site. Surface parking is located around the building. Other site improvements include signage, located at the entrance to the hotel property, and well-kept landscaping and sidewalks. The hotel's main entrance, located on the southeast side of the building, leads directly into the lobby. The first floor houses the public areas and the back-of-the-house space, while the guestrooms are located on all levels of the building. The site and the structure appeared to be in very good condition upon inspection. The porte-cochere and surface parking area were upgraded in 2015.

LOBBY SEATING AREA

FRONT DESK



BREAKFAST DINING AREA

MEETING ROOM

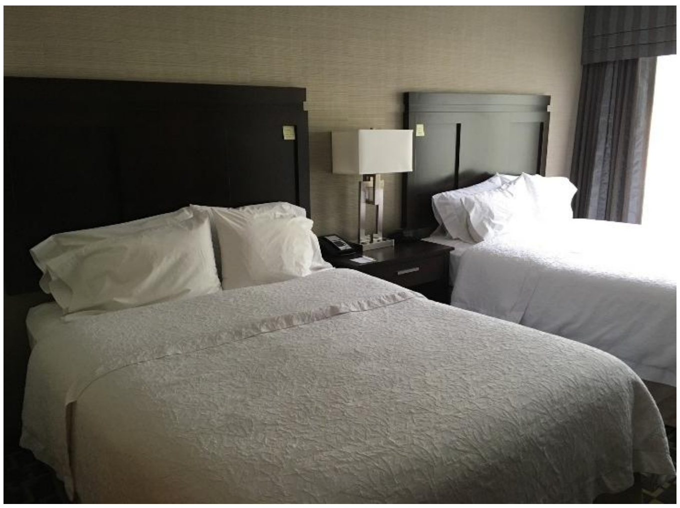
FITNESS ROOM

INDOOR POOL AND WATER SLIDE

MARKET PANTRY

BUSINESS CENTER

TYPICAL GUESTROOM – SLEEPING AREA



TYPICAL GUESTROOM – LIVING AREA

TYPICAL GUESTROOM BATHROOM – SINK

TYPICAL GUESTROOM BATHROOM – BATH

TYPICAL GUESTROOM – CORRIDOR

Hotel facilities and amenities include a breakfast dining area, an indoor pool and water slide, a fitness room, a business center, a Suite Shop, a guest laundry room, vending areas, and a boardroom. These spaces are functional, appearing to be well kept upon inspection. According to hotel management, no significant renovations have taken place since 2011; however, repairs and upgrades are reportedly completed on an as-needed basis. The hotel features standard guestrooms, which offer typical amenities for this hotel's asset class. Overall, the public areas and guestrooms were in very good condition upon inspection. The guestrooms received new bed linens in 2015 and new desk chairs in 2016.

Back-of-the-House

The subject property is served by the necessary back-of-the-house space, including an in-house laundry facility, administrative offices, and a small prep kitchen. The prep kitchen is located adjacent to the breakfast dining area. The kitchen facilities are appropriate for the scope of service provided, appearing to be in good condition; no significant or persistent problems were reported by hotel management. The in-house laundry facility contains two large-capacity washers and three dryers. The hotel's back-of-the-house equipment and appliances were reported to be operational at the time of inspection, appearing to be in good condition. According to hotel management, no significant upgrades have taken place since 2011; however, repairs are reportedly completed on an as-needed basis.

LAUNDRY

KITCHEN/FOOD PREP AREA

ADA and Environmental

According to information provided by management representatives, there are no environmental hazards present in the subject property's improvements, nor did we observe any. The property reportedly complies with the Americans with Disabilities Act; furthermore, the ADA-mandated pool lift was added in 2011.

Functional Obsolescence

Due to the age of the subject property, which was constructed roughly 18 years ago, some functional obsolescence is to be expected. However, upon our inspection, we found no major components or aspects of the property's design that significantly limit its profitability.

Effective Age and Remaining Economic Life

Our opinion of effective age and remaining economic life for the building is presented as follows.

FIGURE 3-3 EFFECTIVE AGE AND REMAINING ECONOMIC LIFE

Typical Economic Life	50	Years
Chronological Age	18	
Effective Age	4	
Remaining Economic Life	46	

Hotels are typically renewed on a regular basis. With good ongoing maintenance and regular upgrading, the remaining economic life can be periodically extended.

Capital Expenditures

The asset was fully renovated in 2011 at a cost of roughly $6.5 million, as detailed previously. Reportedly, no major capital was spent in 2013 and 2014. Major expenditures in 2015 included upgrades to the porte-cochere and parking area, as well as new guestroom bed linens. According to hotel management, capital expenditures thus far in 2016 have included new desk chairs.

Our forecast of income and expense incorporates a reserve for replacement in recognition of the future renovation needs of the property. Our appraisal also assumes an ongoing preventive maintenance program and appropriate management and ownership oversight. The reserve for replacement is consistent with accepted industry norms for a property of this type. Investors also recognize that additional capital may be required over the holding period; this expectation is factored into their return requirements. Our selected discount and capitalization rates are based on market requirements and, thus, implicitly consider potential additional capital investments that may be required during the holding period.

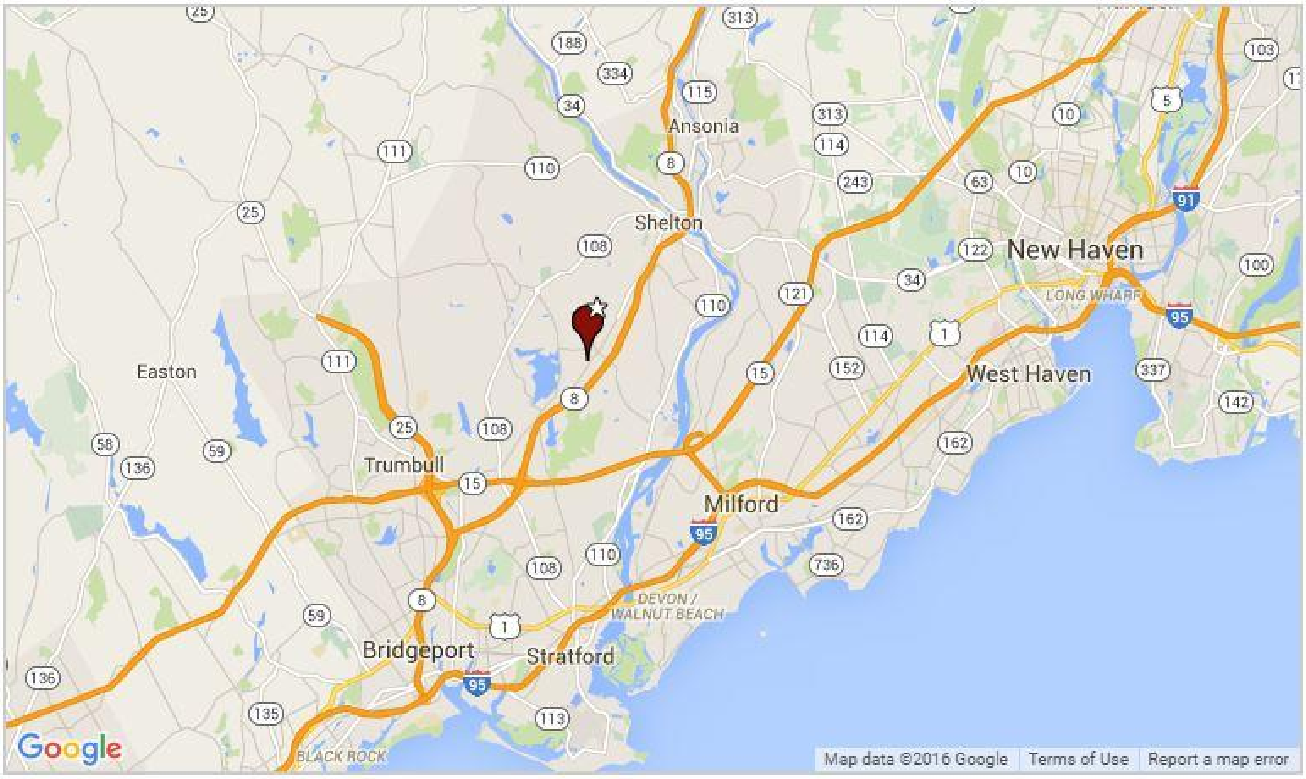
4. Market Area Analysis

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 property is located in the city of Your Town, the county of Fairfield, and the state of Your State. Comprising 31.4 square miles, the city of Shelton is bordered by Stratford to the south, Trumbull and Monroe to the west, and the Housatonic River to the north and east, across which lie Seymour, Ansonia, Derby, Orange, and Milford. Shelton, which was originally settled by the English as part of Stratford, was incorporated as a town in 1789 and incorporated as a city in 1919. Shelton's location along the Route 8 corridor proved an ideal location for companies seeking an alternative to the rising cost of doing business in lower Fairfield County; land was available and reasonably priced, and the city was easily accessible via major routes and public transportation. These aspects led to the development of major corporate parks, and the local Shelton-area economy remains vibrant today.

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

MAP OF MARKET AREA



Economic and Demographic Review

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

These data are summarized in the following table.

FIGURE 4-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	2000	2010	2015	2020	Average Annual Compounded Change 2000-10	2010-15	2015-20
Resident Population (Thousands)							
Fairfield County	884.4	918.3	945.0	968.5	0.4 %	0.6 %	0.5 %
New York-Newark, NY-NJ-CT-PA CSA	22,282.7	23,103.2	23,715.1	24,344.2	0.4	0.5	0.5
State of Connecticut	3,411.8	3,575.5	3,665.2	3,770.3	0.5	0.5	0.6
United States	282,162.4	309,330.2	324,186.9	340,554.3	0.9	0.9	1.0
Per-Capita Personal Income*							
Fairfield County	$71,683	$74,655	$78,212	$84,081	0.4	0.9	1.5
New York-Newark, NY-NJ-CT-PA CSA	47,600	52,930	56,010	59,945	1.1	1.1	1.4
State of Connecticut	50,428	54,525	57,853	61,885	0.8	1.2	1.4
United States	36,473	39,144	41,554	44,387	0.7	1.2	1.3
W&P Wealth Index							
Fairfield County	186.1	185.3	183.2	184.2	(0.0)	(0.2)	0.1
New York-Newark, NY-NJ-CT-PA CSA	124.2	129.6	129.2	129.4	0.4	(0.1)	0.0
State of Connecticut	132.6	136.2	136.1	136.3	0.3	(0.0)	0.0
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
Fairfield County	$1,301	$1,574	$1,723	$1,836	1.9	1.8	1.3
New York-Newark, NY-NJ-CT-PA CSA	29,056	35,763	39,134	41,699	2.1	1.8	1.3
State of Connecticut	4,496	5,360	5,848	6,257	1.8	1.8	1.4
United States	368,842	447,396	499,600	548,160	1.9	2.2	1.9
Total Retail Sales (Millions)*							
Fairfield County	$17,641	$16,360	$18,223	$19,600	(0.8)	2.2	1.5
New York-Newark, NY-NJ-CT-PA CSA	294,541	313,385	347,642	373,585	0.6	2.1	1.4
State of Connecticut	53,575	54,055	59,958	64,656	0.1	2.1	1.5
United States	3,902,969	4,149,070	4,707,800	5,187,469	0.6	2.6	2.0

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population grew at an average annual compounded rate of 0.9% from 2010 to 2015; the state's population changed by 0.5% during that period. The county's population grown more slowly than the nation's population; the average annual growth rate of 0.6% between 2010 and 2015 reflects a gradually expanding area. In 2015, the county's population was approximately 950,000; it is forecast to be roughly 970,000 by 2020.

Following this population trend, per-capita personal income increased slowly, at 0.9% on average annually for the county between 2010 and 2015. The county's annual per-capita personal income level was approximately $78,000 in 2015; it is expected to be $84,000 by 2020. This compares to respective state and U.S. levels of $58,000 and $42,000 in 2015, and $62,000 and $44,000 by 2020. The county's local wealth index in 2015 was a relatively high 183.2, higher than the state's 2015 wealth index of 136.1. The county's wealth index is anticipated to be 184.2 by 2020, while the state's wealth index is forecast to be 136.3.

Food and beverage sales totaled $1,723 million in the county in 2015, versus $1,574 million in 2010. This reflects a 1.8% average annual change, which is weaker than the 1.9% pace recorded in the prior decade. The pace of growth is anticipated to moderate to a more sustainable level of 1.3% through 2020. The retail sales sector demonstrated an annual decline of -0.8% from 2000 to 2010, followed by an increase of 2.2% during the period from 2010 to 2015. An increase of 1.5% average annual change in county retail sales is forecast through 2020.

Workforce Characteristics

The following table sets forth the county workforce distribution by business sector in 2000, 2010, and 2015, as well as a forecast for 2020.

FIGURE 4-2 HISTORICAL AND PROJECTED EMPLOYMENT (000S)

Industry	2000	Percent of Total	2010	Percent of Total	2015	Percent of Total	2020	Percent of Total	Average Annual Compounded Change 2000-2010	2010-2015	2015-2020
Farm	0.4	0.1 %	0.5	0.1 %	0.5	0.1 %	0.5	0.1 %	2.7 %	(0.6) %	0.2 %
Forestry, Fishing, Related Activities And Other	0.4	0.1	0.4	0.1	0.4	0.1	0.5	0.1	0.9	0.9	0.7
Mining	0.7	0.1	0.7	0.1	0.8	0.1	0.7	0.1	0.3	2.2	(0.2)
Utilities	2.0	0.3	1.6	0.3	1.6	0.3	1.6	0.2	(1.9)	0.2	(0.4)
Construction	27.3	4.8	27.3	4.5	28.0	4.4	29.1	4.3	0.0	0.5	0.8
Manufacturing	54.0	9.5	39.4	6.5	38.0	5.9	36.3	5.4	(3.1)	(0.7)	(0.9)
Total Trade	81.7	14.3	75.7	12.6	78.0	12.2	79.1	11.7	(0.8)	0.6	0.3
Wholesale Trade	20.3	3.6	18.4	3.0	19.2	3.0	19.5	2.9	(1.0)	0.9	0.4
Retail Trade	61.4	10.8	57.4	9.5	58.8	9.2	59.6	8.9	(0.7)	0.5	0.3
Transportation And Warehousing	11.8	2.1	11.4	1.9	11.8	1.8	12.0	1.8	(0.3)	0.6	0.3
Information	17.4	3.0	13.3	2.2	13.3	2.1	13.3	2.0	(2.6)	0.1	(0.1)
Finance And Insurance	50.0	8.8	75.2	12.5	83.1	13.0	90.1	13.4	4.2	2.0	1.6
Real Estate And Rental And Lease	25.5	4.5	39.0	6.5	41.5	6.5	43.9	6.5	4.4	1.2	1.1
Total Services	252.7	44.3	268.8	44.6	293.6	45.9	316.9	47.1	0.6	1.8	1.5
Professional And Technical Services	55.5	9.7	54.6	9.1	58.0	9.1	60.6	9.0	(0.2)	1.2	0.9
Management Of Companies And Enterprises	17.6	3.1	13.6	2.3	13.8	2.2	14.1	2.1	(2.5)	0.4	0.3
Administrative And Waste Services	38.1	6.7	35.5	5.9	39.8	6.2	43.5	6.5	(0.7)	2.3	1.8
Educational Services	11.0	1.9	16.0	2.6	17.8	2.8	19.4	2.9	3.7	2.2	1.7
Health Care And Social Assistance	58.0	10.2	68.7	11.4	74.3	11.6	80.5	12.0	1.7	1.6	1.6
Arts, Entertainment, And Recreation	14.1	2.5	16.2	2.7	17.8	2.8	19.2	2.9	1.4	1.9	1.5
Accommodation And Food Services	25.0	4.4	29.5	4.9	33.6	5.3	37.3	5.5	1.7	2.6	2.1
Other Services, Except Public Administration	33.3	5.8	34.8	5.8	38.6	6.0	42.5	6.3	0.4	2.1	2.0
Total Government	47.0	8.2	49.3	8.2	48.7	7.6	49.2	7.3	0.5	(0.2)	0.2
Federal Civilian Government	4.6	0.8	3.5	0.6	2.8	0.4	2.7	0.4	(2.9)	(3.9)	(1.2)
Federal Military	2.1	0.4	1.8	0.3	1.8	0.3	1.8	0.3	(1.8)	0.6	0.1
State And Local Government	40.2	7.0	44.0	7.3	44.0	6.9	44.6	6.6	0.9	(0.0)	0.3
TOTAL	570.6	100.0 %	602.7	100.0 %	639.2	100.0 %	673.1	100.0 %	0.5 %	1.2 %	1.0 %
U.S.	165,371.0	—	173,626.7	—	185,504.6	—	198,343.5	—	0.8	1.3	1.3

Source: Woods & Poole Economics, Inc.

Woods & Poole Economics, Inc. reports that during the period from 2000 to 2010, total employment in the county grew at an average annual rate of 0.5%. This trend was on par with the growth rate recorded by the MSA and also lagged the national average, reflecting the stable nature of the local economy throughout most of the decade until the recession in the latter years. More recently, the pace of total employment growth in the county accelerated to 1.2% on an annual average from 2010 to 2015, reflecting the initial years of the recovery.

Of the primary employment sectors, Total Services recorded the highest increase in number of employees during the period from 2010 to 2015, increasing by 24,806 people, or 9.2%, and transitioning from 44.6% to 45.9% of total employment. Of the various service sub-sectors, Health Care And Social Assistance and Professional And Technical Services were the largest employers. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 1.0% on average annually through 2020. The trend is below the forecast rate of change for the U.S. as a whole during the same period.

Radial Demographic Snapshot

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

FIGURE 4-3 DEMOGRAPHICS BY RADIUS

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
Population			
2021 Projection	3,314	38,049	127,600
2016 Estimate	3,123	36,933	125,307
2010 Census	2,829	35,276	121,886
2000 Census	2,491	33,934	117,013
Growth 2016 - 2021	6.1%	3.0%	1.8%
Growth 2010 - 2016	10.4%	4.7%	2.8%
Growth 2000 - 2010	13.5%	4.0%	4.2%
Households			
2021 Projection	1,480	15,284	49,398
2016 Estimate	1,382	14,753	48,440
2010 Census	1,232	13,980	47,043
2000 Census	1,052	13,101	44,694
Growth 2016 - 2021	7.1%	3.6%	2.0%
Growth 2010 - 2016	12.1%	5.5%	3.0%
Growth 2000 - 2010	17.1%	6.7%	5.3%
Income			
2016 Est. Average Household Income	$100,219	$112,498	$109,561
2016 Est. Median Household Income	82,534	87,242	84,519
2016 Est. Civ. Employed Pop 16+ by Occupation	1,604	18,611	63,909
Architect/Engineer	11	441	1,475
Arts/Entertainment/Sports	26	303	1,217
Building Grounds Maintenance	52	544	1,951
Business/Financial Operations	78	1,178	3,994
Community/Social Services	29	279	1,043
Computer/Mathematical	49	547	2,091
Construction/Extraction	81	716	2,704
Education/Training/Library	134	1,670	5,065
Farming/Fishing/Forestry	0	6	74
Food Prep/Serving	16	536	2,223
Health Practitioner/Technician	114	1,087	4,064
Healthcare Support	49	468	1,606
Maintenance Repair	42	569	2,073
Legal	3	170	821
Life/Physical/Social Science	24	232	648
Management	229	2,703	7,667
Office/Admin. Support	235	2,702	9,464
Production	84	1,073	3,366
Protective Services	28	252	1,271
Sales/Related	236	2,079	6,784
Personal Care/Service	39	528	1,944
Transportation/Moving	42	531	2,362

Source: The Nielsen Company

This source reports a population of 125,307 within a five-mile radius of the subject property, and 48,440 households within this same radius. Average household income within a five-mile radius of the subject property is currently reported at $109,561, while the median is $84,519.

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

FIGURE 4-4 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
2003	427,580	—	145,027	—	67,182	—	328,940	—	897,120	—	$175,304	—
2004	428,050	0.1 %	144,026	(0.7) %	66,931	(0.4) %	328,910	(0.0) %	897,840	0.1 %	194,721	11.1 %
2005	430,690	0.6	147,385	2.3	65,726	(1.8)	328,310	(0.2)	897,010	(0.1)	212,231	9.0
2006	434,660	0.9	148,808	1.0	65,964	0.4	327,890	(0.1)	896,130	(0.1)	231,913	9.3
2007	439,890	1.2	151,220	1.6	64,824	(1.7)	329,490	0.5	900,360	0.5	244,368	5.4
2008	430,030	(2.2)	146,584	(3.1)	63,455	(2.1)	331,940	0.7	907,070	0.7	235,576	(3.6)
2009	409,570	(4.8)	139,550	(4.8)	59,706	(5.9)	334,510	0.8	914,760	0.8	225,383	(4.3)
2010	414,510	1.2	142,034	1.8	58,989	(1.2)	337,400	0.9	924,340	1.0	244,661	8.6
2011	419,650	1.2	144,119	1.5	59,060	0.1	339,510	0.6	931,920	0.8	253,765	3.7
2012	423,210	0.8	143,426	(0.5)	58,220	(1.4)	341,250	0.5	938,450	0.7	273,755	7.9
2013	428,590	1.3	144,810	1.0	57,989	(0.4)	342,860	0.5	943,760	0.6	260,034	(5.0)
2014	435,490	1.6	145,145	0.2	58,063	0.1	341,130	(0.5)	945,330	0.2	278,842	7.2
2015	438,610	0.7	146,433	0.9	57,180	(1.5)	344,200	0.9	948,730	0.4	283,016	1.5
Forecasts												
2016	439,550	*0.2 %*	145,663	*(0.5) %*	57,029	*(0.3) %*	347,640	*1.0 %*	951,600	*0.3 %*	$292,052	*3.2 %*
2017	441,470	*0.4*	145,935	*0.2*	56,845	*(0.3)*	351,480	*1.1*	954,250	*0.3*	306,335	*4.9*
2018	443,680	*0.5*	146,575	*0.4*	56,663	*(0.3)*	353,770	*0.7*	956,660	*0.3*	319,582	*4.3*
2019	444,400	*0.2*	146,837	*0.2*	56,217	*(0.8)*	355,320	*0.4*	958,810	*0.2*	330,516	*3.4*
2020	444,330	*(0.0)*	146,915	*0.1*	55,636	*(1.0)*	356,400	*0.3*	960,860	*0.2*	341,972	*3.5*
Average Annual Compound Change												
2003 - 2015		0.2 %		0.1 %		(1.3) %		0.4 %		0.5 %		4.1 %
2003 - 2007		0.7		1.1		(0.9)		0.0		0.1		8.7
2007 - 2010		(2.0)		(2.1)		(3.1)		0.8		0.9		0.0
2010 - 2015		1.1		0.6		(0.6)		0.4		0.5		3.0
Forecast 2016 - 2020		*0.3 %*		*0.2 %*		*(0.6) %*		*0.6 %*		*0.2 %*		*4.0 %*

Source: REIS Report, 1st Quarter, 2016

For the Fairfield County market, of the roughly 400,000 persons employed, 33% are categorized as office employees, while 13% are categorized as industrial employees. Total employment decreased by an average annual compound rate of -2.0% during the recession of 2008 to 2011, followed by an increase of 1.1% from 2011 to 2015. By comparison, office employment reflected compound change rates of -2.1% and 0.6%, during the same respective periods. Total employment is expected to expand by 0.2% in 2016, while office employment is forecast to contract by -0.5% in 2016. From 2015 through 2020, REIS anticipates that total employment will increase at an average annual compound rate of 0.3%, while office employment will increase by 0.2% on average annually during the same period.

The number of households is forecast to increase by 0.6% on average annually between 2015 and 2020. Population is forecast to expand during this same period, at an average annual compounded rate of 0.2%. Household average income is forecast to grow by 4.0% on average annually from 2015 through 2020.

Unemployment Statistics

The following table presents historical unemployment rates for the subject property's market area, the state, and the nation.

FIGURE 4-5 UNEMPLOYMENT STATISTICS

Year	County	MSA	State	U.S.
2006	3.8 %	4.5 %	4.3 %	4.6 %
2007	3.9	4.7	4.5	4.6
2008	5.2	5.8	5.7	5.8
2009	7.5	7.9	7.9	9.3
2010	8.4(r)	9.3(r)	9.1	9.6
2011	8.2(r)	9.1(r)	8.8(d)	8.9
2012	7.8(r)	8.6(r)	8.3(d)	8.1
2013	7.2(r)	7.9(r)	7.8(d)	7.4
2014	6.2(r)	6.7(r)	6.6(d)	6.2
2015	5.3(r)	5.7(r)	5.6(d)	5.3
Recent Month - April				
2015	5.3 %	5.6 %	5.7 %	5.4 %
2016	5.2	5.5	5.6	5.0

* Letters shown next to data points (if any) reflect revised population controls and/or model re-estimation implemented by the BLS.

Source: U.S. Bureau of Labor Statistics

After the U.S. unemployment rate declined to an annual average of 4.6% in 2006 and 2007, the Great Recession, which spanned December 2007 through June 2009, resulted in heightened unemployment rates. The unemployment rate peaked at 10.0% in October 2009, after which job growth resumed; the national unemployment rate has steadily declined since 2010. Total nonfarm payroll employment increased by 186,000, 123,000, and 38,000 jobs in March, April, and May 2016, respectively. The level of May job gains was the lowest reported in five years, with the strongest gains recorded in the health care sector. The national unemployment rate fell to 4.7% in May, after bracketing the 5.0% mark in recent months, reflecting a trend of relative stability and the overall strength of the U.S. economy.

Locally, the unemployment rate was 5.3(r)% in 2015; for this same area in 2016, the most recent month's unemployment rate was registered at 5.2%, versus 5.3% for the same month in 2015. After relative stability, unemployment rates registered a marked increase in 2008, a trend that continued through 2010, when levels reached their peak during the historical period shown. Despite some uncertainty, hiring efforts resumed in 2011, and unemployment levels began to fall. This positive trend continued through 2015; moreover, the year-to-date comparative period indicates further improvement, as illustrated by the decline in the latest available data for 2016. Our interview with economic development officials reflect a positive outlook, primarily attributed to the relocation and expansion of existing employers, coupled with numerous economic development initiatives throughout the Naugatuck Valley Corridor.

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 subject property's market.

FIGURE 4-6 MAJOR EMPLOYERS

Firm	Number of Employees
Brennan Realty Group, LLC	1,000 - 4,999
Pitney Bowes, Inc.	500 - 999
Prudential Financial, Inc.	500 - 999
Sheaffer	500 - 999
Société Bic S.A.	500 - 999
Super Stop & Shop	500 - 999

Source: Connecticut Department of Labor - Largest Employers in Shelton, 2015

In November 2015, Lockheed Martin completed the $9-billion acquisition of Sikorsky Aircraft Corporation, formerly a division of United Technologies Corporation (UTC) and the primary economic anchor for the market. Sikorsky, headquartered in nearby Stratford, maintains facilities in Bridgeport, Shelton, and Trumbull. Furthermore, Pitney Bowes is a Fortune 500 business services company that specializes in sending parcels and packages and securing payments through statements and invoices. The company is headquartered in nearby Stamford, with additional facilities in Danbury and Shelton. Prudential Financial is a Fortune 500 financial services company that maintains its Annuities division in Shelton. Société Bic S.A., commonly referred to as Bic, is a consumer goods manufacturer of disposable consumer products such as lighters, pens, and razors that maintains its North American headquarters in Shelton. Perkin Elmer is a Fortune 1000 technology corporation focused in the areas of biotechnology and pharmaceuticals that maintains facilities in Branford and Shelton. UnitedHealth Group is a Fortune 500 managed healthcare company that relocated its Trumbull operation to a 108,000-square-foot facility in Shelton. Unilever is a Fortune 500 consumer goods company that maintains a research and development operation in nearby Trumbull. Unilever, which relocated its logistics group to Shelton in 2014, continues to expand its presence.

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 4-7 OFFICE SPACE STATISTICS – MARKET OVERVIEW

		Inventory		Occupied Office	Vacancy	Average Asking
	Submarket	Buildings	Square Feet	Space	Rate	Lease Rate
1	Stamford	100	10,126,000	7,716,000	23.8 %	$33.79
2	Stamford CBD	37	6,733,000	4,834,300	28.2	45.44
3	North	42	3,887,000	2,961,900	23.8	20.74
4	**East**	**111**	**6,975,000**	**5,803,200**	**16.8**	**23.63**
5	Central	187	9,042,000	6,926,200	23.4	33.21
6	Greenwich	82	4,212,000	3,449,600	18.1	61.05
	Totals and Averages	**559**	**40,975,000**	**31,691,200**	**22.7 %**	**$35.41**

Source: REIS Report, 1st Quarter, 2016

The greater Fairfield County market comprises a total of 41.0 million square feet of office space. For the 1st Quarter of 2016, the market reported a vacancy rate of 22.7% and an average asking rent of $35.41. The subject property is located in the East submarket, which houses 6,975,000 square feet of office space. The submarket's vacancy rate of 16.8% is below the overall market average. The average asking lease rate of $23.63 is below the average for the broader market.

The following table illustrates a trend of office space statistics for the overall Fairfield County market and the East submarket.

FIGURE 4-8 HISTORICAL AND PROJECTED OFFICE SPACE STATISTICS – GREATER MARKET VS. SUBMARKET

	Fairfield County Market							East 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
2003	41,358,000	—	34,454,000	—	16.7 %	$29.03	—	7,325,000	—	6,321,000	—	13.7 %	$20.70	—
2004	41,023,000	(0.8) %	34,844,000	1.1 %	15.1	28.75	(1.0) %	7,148,000	(2.4) %	6,190,000	(2.1) %	13.4	20.69	(0.0) %
2005	41,557,000	1.3	34,809,000	(0.1)	16.2	29.42	2.3	7,092,000	(0.8)	5,908,000	(4.6)	16.7	20.91	1.1
2006	40,973,000	(1.4)	34,960,000	0.4	14.7	31.19	6.0	7,112,000	0.3	6,223,000	5.3	12.5	22.02	5.3
2007	40,751,000	(0.5)	35,097,000	0.4	13.9	33.24	6.6	6,957,000	(2.2)	6,143,000	(1.3)	11.7	22.77	3.4
2008	40,973,000	0.5	35,092,000	(0.0)	14.4	34.14	2.7	7,005,000	0.7	6,157,000	0.2	12.1	23.18	1.8
2009	40,930,000	(0.1)	33,791,000	(3.7)	17.4	33.63	(1.5)	6,987,000	(0.3)	6,197,000	0.6	11.3	23.04	(0.6)
2010	40,765,000	(0.4)	32,576,000	(3.6)	20.1	33.74	0.3	6,954,000	(0.5)	6,161,000	(0.6)	11.4	22.92	(0.5)
2011	41,025,000	0.6	32,075,000	(1.5)	21.8	34.06	0.9	6,954,000	0.0	5,862,000	(4.9)	15.7	22.90	(0.1)
2012	40,964,000	(0.1)	32,287,000	0.7	21.2	34.66	1.8	6,954,000	0.0	5,925,000	1.1	14.8	23.15	1.1
2013	40,974,000	0.0	31,703,000	(1.8)	22.6	34.89	0.7	6,964,000	0.1	5,857,000	(1.1)	15.9	23.34	0.8
2014	40,975,000	0.0	31,527,000	(0.6)	23.1	34.92	0.1	6,975,000	0.2	5,789,000	(1.2)	17.0	23.15	(0.8)
2015	40,975,000	0.0	31,428,000	(0.3)	23.3	35.42	1.4	6,975,000	0.0	5,726,000	(1.1)	17.9	23.60	1.9
Forecasts														
2016	40,975,000	*0.0 %*	31,891,000	*1.5 %*	22.2 %	$36.08	*1.9 %*	6,975,000	*0.0 %*	5,818,000	*1.6 %*	16.6 %	$23.86	*1.1 %*
2017	41,192,000	*0.5*	32,349,000	*1.4*	21.5	37.03	*2.6*	7,064,000	*1.3*	5,925,000	*1.8*	16.1	24.28	*1.8*
2018	41,544,000	*0.9*	32,829,000	*1.5*	21.0	38.10	*2.9*	7,204,000	*2.0*	6,057,000	*2.2*	15.9	24.83	*2.3*
2019	41,962,000	*1.0*	33,211,000	*1.2*	20.9	39.27	*3.1*	7,377,000	*2.4*	6,206,000	*2.5*	15.9	25.48	*2.6*
2020	42,433,000	*1.1*	33,611,000	*1.2*	20.8	40.49	*3.1*	7,569,000	*2.6*	6,369,000	*2.6*	15.9	26.32	*3.3*
Average Annual Compound Change														
2003 - 2015		(0.1) %		(0.8) %			1.7 %		(0.4) %		(0.8) %			1.1 %
2003 - 2007		(0.4)		0.5			3.4		(1.3)		(0.7)			2.4
2007 - 2010		0.0		(2.5)			0.5		(0.0)		0.1			0.2
2010 - 2015		0.1		(0.7)			1.0		0.1		(1.5)			0.6
Forecast 2016 - 2020		*0.9 %*		*1.3 %*			*2.9 %*		*2.1 %*		*2.3 %*			*2.5 %*

Source: REIS Report, 1st Quarter, 2016

The inventory of office space in the Fairfield County market remained relatively stable at an average annual compound rate of -0.1% from 2003 through 2015, while occupied office space contracted at an average annual rate of -0.8% over the same period. During the period of 2003 through 2008, occupied office space expanded at an average annual compound rate of 0.5%. From 2008 through 2011, occupied office space contracted at an average annual compound rate of -2.5%, reflecting the impact of the recession. The onset of the recovery is evident in the -0.7% average annual change in occupied office space from 2011 to 2015. From 2015 through 2020, the inventory of occupied office space is forecast to increase at an average annual compound rate of 1.3%, with available office space expected to increase 0.9%, thus resulting in an anticipated vacancy rate of 20.8% as of 2020.

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.

Bradley International Airport (BDL) is located in Windsor Locks, north of Hartford and just south of Springfield, Massachusetts; it is Connecticut's busiest commercial airport and the second largest in New England. Many major commercial airlines service the airport. In July 2013, the Connecticut Airport Authority (CAA) assumed control of BDL from the State Department of Transportation. The authority was established by the state legislature in 2011 and was tasked with the development, improvement, and operation of the state's six general aviation airports. A $200-million airport modernization project was completed at the end of 2009; the terminal improvements were part of a plan to enhance the city of Hartford as a destination for business and vacation travel. In 2010, a new parking garage opened, and the Sheraton Hotel, located between Terminals A and B, underwent extensive renovations. In July 2012, plans to replace the currently vacant Terminal B with a new 19-gate terminal were released, and demolition of the old Terminal B was completed in December 2015; however, construction of the new terminal is not expected to begin until 2024.

The following table illustrates recent operating statistics for the Bradley International Airport, which is the primary airport facility serving the subject property's submarket.

FIGURE 4-9 AIRPORT STATISTICS - BRADLEY INTERNATIONAL AIRPORT

Year	Passenger Traffic	Percent Change*	Percent Change**
2006	6,907,042	—	—
2007	6,519,181	(5.6) %	(5.6) %
2008	6,112,979	(6.2)	(5.9)
2009	5,334,322	(12.7)	(8.3)
2010	5,380,987	0.9	(6.1)
2011	5,607,756	4.2	(4.1)
2012	5,381,860	(4.0)	(4.1)
2013	5,420,853	0.7	(3.4)
2014	5,875,801	8.4	(2.0)
2015	5,934,291	1.0	(1.7)
Year-to-date, April			
2015	1,871,980	—	—
2016	1,883,276	0.6 %	—

*Annual average compounded percentage change from the previous year

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

Source: Bradley International Airport

This facility recorded 5,934,291 passengers in 2015. The change in passenger traffic between 2014 and 2015 was 1.0%. The average annual change during the period shown was -1.7%.

Tourist Attractions

The subject market benefits from a variety of tourism and leisure attractions in the area. Leisure demand generators include outdoor recreational activities along the Housatonic and Naugatuck Rivers, antique shopping in Downtown Seymour, and many nearby colleges and universities, including the University of Bridgeport, Sacred Heart University, and Yale University. Special events also play a role during key weekends, such as the Seymour Pumpkin Festival, Shelton Day, and summer concerts at the Oxford Gazebo, as well as numerous college- and university-related events. No major changes related to these attributes of the market are expected in the near future.

Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. The local market is experiencing a period of economic strength and expansion, led by entities related to the government and military, health care, manufacturing, and research and development. Major employment centers are varied and expanding, with the most significant recent developments in the area occurring at Lockheed Martin (formerly Sikorsky Aircraft Corporation). Furthermore, many of the corporations or institutions that support this area are world-renowned entities working with a multitude of clients. As such, the outlook for the Shelton area is generally optimistic.

5. Supply and Demand Analysis

In the lodging industry, 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 rate. The purpose of this section is to investigate current supply and demand trends as indicated by the current competitive market, resulting in a forecast of market-wide occupancy.

Definition of Subject Hotel Market

The subject property is located in the greater Bridgeport/New Haven lodging market. Within this greater market, the subject hotel competes with a smaller set of hotels based on proximity, price point, age, and product type, among other factors. We have reviewed these pertinent attributes and established a competitive set based upon this review.

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 the subject property and its competitors. 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.

FIGURE 5-1 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2004	1,125	410,625	—	272,683	—	66.4 %	$101.36	—	$67.31	—
2005	1,125	410,625	0.0 %	256,310	(6.0) %	62.4	110.84	9.4 %	69.19	2.8 %
2006	1,125	410,625	0.0	281,779	9.9	68.6	109.95	(0.8)	75.45	9.1
2007	1,125	410,625	0.0	290,059	2.9	70.6	111.00	1.0	78.41	3.9
2008	1,125	410,625	0.0	275,316	(5.1)	67.0	119.38	7.5	80.04	2.1
2009	1,125	410,625	0.0	263,391	(4.3)	64.1	109.95	(7.9)	70.53	(11.9)
2010	1,210	441,740	7.6	288,711	9.6	65.4	106.10	(3.5)	69.35	(1.7)
2011	1,168	426,240	(3.5)	286,378	(0.8)	67.2	111.40	5.0	74.85	7.9
2012	1,251	456,615	7.1	296,616	3.6	65.0	111.53	0.1	72.45	(3.2)
2013	1,251	456,615	0.0	301,281	1.6	66.0	111.59	0.1	73.63	1.6
2014	1,251	456,615	0.0	320,935	6.5	70.3	110.08	(1.4)	77.37	5.1
2015	1,251	456,615	0.0	342,925	6.9	75.1	112.74	2.4	84.67	9.4
Year-to-Date Through May										
2015	1,251	188,901	—	135,216	—	71.6 %	$109.61	—	$78.46	—
2016	1,251	188,901	0.0 %	132,719	(1.8) %	70.3	117.45	7.1 %	82.52	5.2 %
Average Annual Compounded Change:										
2004 - 2015			1.0 %		2.1 %			1.0 %		2.1 %
2004 - 2007			0.0		2.1			3.1		5.2
2007 - 2010			2.5		(0.2)			(1.5)		(4.0)
2010 - 2015			0.7		3.5			1.2		4.1

Hotels Included in Sample	Competitive Status	Number of Rooms	Year Affiliated	Year Opened	Comments
Marriott Trumbull Merritt Parkway	*Primary*	325	Feb 1986	Feb 1986	
Residence Inn Shelton Fairfield County	*Secondary*	96	Aug 1988	Aug 1988	
Courtyard Shelton	*Primary*	161	Feb 2005	Sep 1990	
Sample Inn Shelton	***Subject Property***	**125**	**Sep 2011**	**Oct 1998**	
Extended Stay America Shelton Fairfield County	*Secondary*	140	Sep 2012	Dec 1998	
Hilton Garden Inn Shelton	*Primary*	142	Oct 1999	Oct 1999	
Homewood Suites Stratford	*Secondary*	135	Feb 2005	Feb 2002	
Hyatt House Shelton	*Primary*	127	Jan 2012	May 2010	
	Total	**1,251**			

Source: 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.

The STR data for the competitive set reflect a market-wide occupancy level of 75.1% in 2015, which compares to 70.3% for 2014. The overall average occupancy level for the calendar years presented equates to 68.2%. The STR data for the competitive set reflect a market-wide average rate level of $112.74 in 2015, which compares to $110.08 for 2014. These occupancy and average rate trends resulted in a RevPAR level of $84.67 in 2015.

Both occupancy and average rate first peaked for this selected set of hotels in this greater Bridgeport/New Haven market in 2007 and 2008, respectively, resulting in a RevPAR of roughly $119, before declining to a low point of roughly $106 by year-end 2010 because of the recession coupled with the entrance of the Hyatt House, known then as the Hotel Sierra. A slow recovery began in 2010 that extended through year-end 2015; as illustrated, the 2008 peak in RevPAR was surpassed in 2015. Primary factors contributing to this period of growth included strengthening demand levels as a result of increased business activity, group travel, and leisure travel. Year-to-date data illustrate a softening in occupancy due in part to the renovation of the Hilton Garden Inn and a roughly $8.00 gain in average rate. RevPAR reached its high point in the fall of 2015. The outlook for the remaining months of 2016 is strong given the current strength of the market, coupled with the extent of recent and planned expansion of existing businesses and entities and the relocation of new employers to the market.

Seasonality

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

FIGURE 5-2 MONTHLY OCCUPANCY TRENDS

Month	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
January	57.2 %	52.6 %	57.8 %	60.3 %	56.8 %	51.4 %	57.0 %	58.9 %	48.6 %	57.0 %	53.1 %	61.5 %	60.7 %
February	57.4	51.9	62.1	61.9	61.9	56.1	60.8	67.0	56.1	61.7	55.7	70.7	69.1
March	62.6	56.4	66.5	56.9	63.8	62.5	70.6	75.6	58.8	57.0	58.4	70.8	68.9
April	61.1	59.8	63.6	66.2	70.2	61.5	67.6	64.6	61.6	67.6	66.7	78.7	77.3
May	70.2	62.1	69.7	72.8	70.0	64.3	70.3	70.7	65.2	75.9	76.2	76.4	75.4
June	79.5	74.0	77.9	81.5	73.7	68.8	72.4	70.5	72.0	78.0	77.0	82.3	—
July	71.5	68.7	70.4	77.4	71.3	67.2	68.3	69.5	65.8	73.0	74.7	81.7	—
August	76.8	72.0	75.1	77.6	68.0	66.2	64.9	73.9	68.0	69.1	77.5	81.6	—
September	69.9	66.4	72.1	82.3	71.7	69.9	68.0	68.4	68.1	67.6	80.7	81.1	—
October	74.7	70.7	78.8	83.6	76.1	73.3	73.0	70.0	75.0	70.1	84.7	83.6	—
November	61.9	63.5	70.8	70.1	66.3	68.5	60.2	68.5	77.0	63.7	73.8	72.7	—
December	53.4	50.4	58.3	56.7	54.9	59.6	50.6	50.0	63.1	51.3	64.2	60.2	—
Annual Occupancy	**66.4 %**	**62.4 %**	**68.6 %**	**70.6 %**	**67.0 %**	**64.1 %**	**65.4 %**	**67.2 %**	**65.0 %**	**66.0 %**	**70.3 %**	**75.1 %**	—
Year-to-Date	**61.8 %**	**56.6 %**	**64.0 %**	**63.6 %**	**64.5 %**	**59.2 %**	**65.4 %**	**67.4 %**	**58.1 %**	**63.8 %**	**62.1 %**	**71.6 %**	**70.3 %**

Source: STR

FIGURE 5-3 MONTHLY AVERAGE RATE TRENDS

Month	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
January	$94.28	$110.12	$112.29	$110.09	$119.90	$118.22	$106.82	$105.73	$111.80	$111.48	$108.63	$104.52	$111.38
February	96.73	110.63	109.89	108.54	115.82	117.61	106.48	108.19	113.06	112.19	108.82	106.63	113.60
March	100.61	112.38	110.59	102.47	117.69	117.73	109.38	110.99	115.70	111.13	110.83	108.66	115.02
April	99.06	109.89	110.11	110.91	118.59	114.74	106.26	108.50	112.63	112.27	108.84	107.82	117.24
May	102.93	116.74	114.51	114.90	120.96	114.87	109.49	114.22	115.84	113.68	114.68	118.88	127.94
June	100.96	110.53	113.25	115.28	120.23	110.97	105.82	113.32	109.07	110.63	113.08	117.55	—
July	99.29	108.49	108.42	110.63	119.10	105.85	101.82	109.71	109.59	109.65	112.42	114.38	—
August	102.32	110.39	108.96	111.00	118.00	104.10	106.10	113.72	108.84	111.60	108.62	115.31	—
September	104.63	111.07	108.44	107.03	124.22	107.22	105.85	113.46	108.82	114.45	109.97	115.11	—
October	106.39	111.59	111.40	113.89	122.66	107.31	106.95	115.72	110.82	114.55	112.65	117.84	—
November	104.57	110.19	107.26	113.63	118.01	103.77	105.70	112.49	114.42	109.25	106.32	112.61	—
December	101.99	107.62	103.23	110.82	115.30	101.29	101.74	107.65	108.62	106.88	103.83	108.71	—
Annual Average Rate	**$101.36**	**$110.84**	**$109.95**	**$111.00**	**$119.38**	**$109.95**	**$106.10**	**$111.40**	**$111.53**	**$111.59**	**$110.08**	**$112.74**	—
Year-to-Date	**$98.97**	**$112.11**	**$111.56**	**$109.71**	**$118.68**	**$116.54**	**$107.85**	**$109.75**	**$113.94**	**$112.25**	**$110.65**	**$109.61**	**$117.45**

Source: STR

The illustrated monthly occupancy and average rates patterns reflect important seasonal characteristics. We have reviewed these trends in developing our forthcoming forecast of market-wide demand and average rate.

Patterns of Demand

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

FIGURE 5-4 OCCUPANCY BY DAY OF WEEK (TRAILING 12 MONTHS)

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jun - 15	58.1 %	88.3 %	93.6 %	95.6 %	75.7 %	75.7 %	84.8 %	82.3 %
Jul - 15	57.0	87.0	94.6	88.8	72.4	82.3	90.1	81.7
Aug - 15	61.4	87.3	93.6	91.4	74.8	75.0	89.3	81.6
Sep - 15	58.8	79.8	92.5	93.0	74.4	75.7	87.9	81.1
Oct - 15	60.8	88.8	97.0	95.8	75.4	80.6	88.5	83.6
Nov - 15	48.2	79.3	84.0	85.4	76.4	69.0	71.0	72.7
Dec - 15	42.0	64.8	70.3	69.6	61.3	50.5	57.8	60.2
Jan - 16	40.9	73.5	85.5	86.1	56.5	47.2	47.2	60.7
Feb - 16	51.5	78.1	90.1	84.7	59.3	53.7	63.9	69.1
Mar - 16	45.2	82.3	88.5	85.5	59.3	55.0	59.7	68.9
Apr - 16	52.3	88.4	94.3	90.2	65.7	71.0	79.9	77.3
May - 16	60.4	73.7	87.9	90.5	61.4	68.8	86.4	75.4
Average	**53.0 %**	**81.0 %**	**89.1 %**	**87.8 %**	**67.7 %**	**67.3 %**	**75.6 %**	**74.6 %**

Source: STR

FIGURE 5-5 AVERAGE RATE BY DAY OF WEEK (TRAILING 12 MONTHS)

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jun - 15	$111.81	$123.83	$127.34	$128.76	$115.58	$102.63	$102.25	$117.55
Jul - 15	109.56	122.33	125.11	122.24	114.15	102.64	102.45	114.38
Aug - 15	109.84	122.21	126.59	125.34	112.86	102.12	105.14	115.31
Sep - 15	106.89	119.81	123.48	123.28	115.27	103.11	104.75	115.11
Oct - 15	113.58	123.91	126.24	126.15	115.69	108.23	111.36	117.84
Nov - 15	105.95	120.67	122.33	121.80	110.73	99.06	99.63	112.61
Dec - 15	99.49	114.89	117.18	117.81	105.97	97.62	95.20	108.71
Jan - 16	104.19	119.31	121.66	120.87	107.70	96.61	97.22	111.38
Feb - 16	105.77	119.75	125.42	123.06	111.07	97.82	96.92	113.60
Mar - 16	107.44	121.81	125.24	123.42	111.64	97.49	97.71	115.02
Apr - 16	111.76	126.67	129.77	128.13	117.06	101.81	103.95	117.24
May - 16	123.68	129.58	131.85	133.67	121.08	117.58	132.08	127.94
Average	**$109.88**	**$122.32**	**$125.38**	**$124.54**	**$113.29**	**$102.78**	**$105.13**	**$115.81**

Source: STR

FIGURE 5-6 OCCUPANCY, AVERAGE RATE AND REVPAR BY DAY OF WEEK (MULTIPLE YEARS)

Occupancy (%)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jun 13 - May 14	45.1 %	68.8 %	79.3 %	75.9 %	60.3 %	59.4 %	68.1 %	65.3 %
Jun 14 - May 15	53.6	80.2	87.6	86.6	67.7	67.4	76.6	74.2
Jun 15 - May 16	53.0	81.0	89.1	87.8	67.7	67.3	75.6	74.6
Change (Occupancy Points)								
FY 14 - FY 15	8.6	11.4	8.3	10.6	7.4	8.1	8.5	8.9
FY 15 - FY 16	(0.6)	0.8	1.4	1.2	(0.1)	(0.1)	(1.0)	0.4

ADR ($)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jun 13 - May 14	$108.41	$118.33	$120.45	$119.75	$110.06	$96.67	$97.83	$110.96
Jun 14 - May 15	105.94	116.24	118.85	117.74	108.02	96.97	98.64	109.69
Jun 15 - May 16	109.88	122.32	125.38	124.54	113.29	102.78	105.13	115.81
Change (Dollars)								
FY 14 - FY 15	($2.46)	($2.09)	($1.60)	($2.01)	($2.04)	$0.29	$0.80	($1.26)
FY 15 - FY 16	3.94	6.08	6.53	6.80	5.27	5.82	6.50	6.12
Change (Percent)								
FY 14 - FY 15	(2.3) %	(1.8) %	(1.3) %	(1.7) %	(1.9) %	0.3 %	0.8 %	(1.1) %
FY 15 - FY 16	3.7	5.2	5.5	5.8	4.9	6.0	6.6	5.6

RevPAR ($)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jun 13 - May 14	$48.85	$81.37	$95.50	$90.92	$66.39	$57.39	$66.65	$72.42
Jun 14 - May 15	56.81	93.20	104.15	101.91	73.18	65.40	75.56	81.39
Jun 15 - May 16	58.26	99.07	111.67	109.31	76.68	69.20	79.50	86.35
Change (Dollars)								
FY 14 - FY 15	$7.96	$11.82	$8.65	$10.99	$6.79	$8.01	$8.91	$8.97
FY 15 - FY 16	1.45	5.87	7.52	7.39	3.50	3.80	3.94	4.96
Change (Percent)								
FY 14 - FY 15	16.3 %	14.5 %	9.1 %	12.1 %	10.2 %	14.0 %	13.4 %	12.4 %
FY 15 - FY 16	2.6	6.3	7.2	7.3	4.8	5.8	5.2	6.1

Source: STR

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

SUPPLY

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

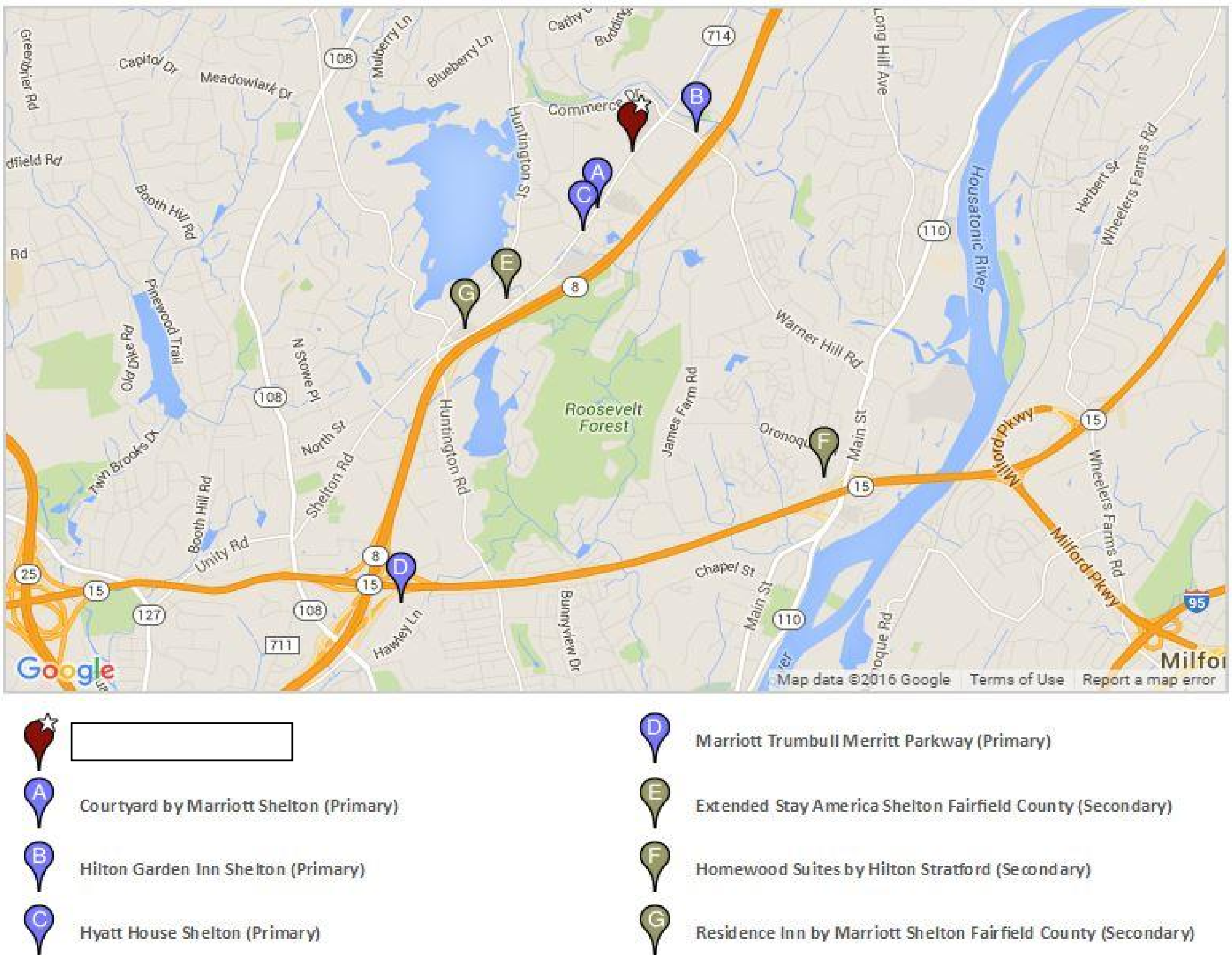
The following table summarizes the important operating characteristics of the primary competitors and the aggregate secondary competitors (if applicable). This information was compiled from personal interviews, inspections, lodging directories, and our in-house library of operating data. The table also sets forth each property's penetration factors; penetration is the ratio between a specific hotel's operating results and the corresponding data for the market. If the penetration factor is greater than 100%, the property is performing better than the market as a whole; conversely, if the penetration is less than 100%, the hotel is performing at a level below the market-wide average.

FIGURE 5-7 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation: Commercial	Group	Leisure	Estimated 2014: Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Estimated 2015: Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Sample Inn	125	65 %	10 %	25 %	125	75.4 %	$109.61	$82.68	125	76.4 %	$113.09	$86.44	102.7 %	101.2 %
Courtyard by Marriott Shelton	161	65	20	15	161	65 - 70	100 - 105	65 - 70	161	70 - 75	105 - 110	75 - 80	90 - 95	85 - 90
Hilton Garden Inn Shelton	142	65	20	15	142	65 - 70	105 - 110	75 - 80	142	70 - 75	110 - 115	80 - 85	100 - 110	95 - 100
Hyatt House Shelton	127	80	5	15	127	75 - 80	105 - 110	85 - 90	127	80 - 85	110 - 115	90 - 95	110 - 120	110 - 120
Marriott Trumbull Merritt Parkway	325	55	30	15	325	60 - 65	125 - 130	75 - 80	325	65 - 70	125 - 130	85 - 90	85 - 90	100 - 110
Sub-Totals/Averages	**880**	**64 %**	**19 %**	**16 %**	**880**	**68.9 %**	**$113.80**	**$78.40**	**880**	**73.0 %**	**$116.36**	**$84.90**	**98.1 %**	**99.4 %**
Secondary Competitors	371	79 %	5 %	16 %	195	74.7 %	$105.43	$78.78	195	80.9 %	$108.41	$87.68	108.7 %	102.7 %
Totals/Averages	**1,251**	**67 %**	**17 %**	**16 %**	**1,075**	**70.0 %**	**$112.18**	**$78.47**	**1,075**	**74.4 %**	**$114.79**	**$85.40**	**100.0 %**	**100.0 %**

** 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.*

MAP OF COMPETITION



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

PRIMARY COMPETITOR #1 - COURTYARD BY MARRIOTT SHELTON

Courtyard by Marriott Shelton

FIGURE 5-8 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2011	161	55 - 60 %	$110 - $115	$65 - $70	85 - 90 %	85 - 90 %
Est. 2012	161	60 - 65	110 - 115	65 - 70	95 - 100	90 - 95
Est. 2013	161	60 - 65	105 - 110	65 - 70	90 - 95	85 - 90
Est. 2014	161	65 - 70	100 - 105	65 - 70	90 - 95	85 - 90
Est. 2015	161	70 - 75	105 - 110	75 - 80	90 - 95	85 - 90

PRIMARY COMPETITOR #2 - HILTON GARDEN INN SHELTON

Hilton Garden Inn Shelton

FIGURE 5-9 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2011	142	70 - 75 %	$115 - $120	$80 - $85	100 - 110 %	100 - 110 %
Est. 2012	142	60 - 65	115 - 120	70 - 75	90 - 95	95 - 100
Est. 2013	142	65 - 70	105 - 110	70 - 75	95 - 100	95 - 100
Est. 2014	142	65 - 70	105 - 110	75 - 80	95 - 100	95 - 100
Est. 2015	142	70 - 75	110 - 115	80 - 85	95 - 100	95 - 100

PRIMARY COMPETITOR #3 - HYATT HOUSE SHELTON

Hyatt House Shelton

FIGURE 5-10 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2011	127	70 - 75 %	$110 - $115	$80 - $85	100 - 110 %	100 - 110 %
Est. 2012	127	70 - 75	110 - 115	80 - 85	110 - 120	110 - 120
Est. 2013	127	70 - 75	110 - 115	80 - 85	110 - 120	100 - 110
Est. 2014	127	75 - 80	105 - 110	85 - 90	110 - 120	110 - 120
Est. 2015	127	80 - 85	110 - 115	90 - 95	110 - 120	100 - 110

PRIMARY COMPETITOR #4 - MARRIOTT TRUMBULL MERRITT PARKWAY

Marriott Trumbull Merritt Parkway

FIGURE 5-11 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2011	325	60 - 65 %	$125 - $130	$80 - $85	95 - 100 %	100 - 110 %
Est. 2012	325	55 - 60	125 - 130	75 - 80	90 - 95	100 - 110
Est. 2013	325	55 - 60	125 - 130	75 - 80	85 - 90	100 - 110
Est. 2014	325	60 - 65	125 - 130	75 - 80	85 - 90	100 - 110
Est. 2015	325	65 - 70	125 - 130	85 - 90	85 - 90	100 - 110

FIGURE 5-12 SECONDARY COMPETITOR(S) – OPERATING PERFORMANCE

		Est. Segmentation				Estimated 2014				Estimated 2015			
Property	Number of Rooms	Commercial	Group	Leisure	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Extended Stay America Shelton Fairfield County	140	75 %	5 %	20 %	40 %	56	65 - 70 %	$70 - $75	$45 - $50	56	70 - 75 %	$75 - $80	$55 - $60
Homewood Suites by Hilton Stratford	135	80	5	15	60	81	75 - 80	120 - 125	90 - 95	81	80 - 85	125 - 130	100 - 105
Residence Inn by Marriott Shelton Fairfield County	96	80	5	15	60	58	75 - 80	105 - 110	85 - 90	58	80 - 85	110 - 115	95 - 100
Totals/Averages	**371**	**79 %**	**5 %**	**16 %**	**52 %**	**195**	**74.7 %**	**$105.43**	**$78.78**	**195**	**80.9 %**	**$108.41**	**$87.68**

** 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.*

Supply Changes

It is important to consider any new hotels that may have an impact on the subject property's operating performance. The following chart sets forth the hotels that have recently opened, are under construction, or are in the stages of early development in the Your Town market. The list is categorized by the principal submarkets within the city.

FIGURE 5-13 AREA DEVELOPMENT ACTIVITY

Proposed Hotel Name	Estimated Number of Rooms	Hotel Product Tier	Development Stage	Expected Qtr. & Year of Opening	Address
Best Western Shelton	99	Midscale	Rumored	Q1 '18	Rumored

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

FIGURE 5-14 NEW SUPPLY

Proposed Property	Number of Rooms	Total Competitive Level	Weighted Room Count	Estimated Opening Date	Development Stage
Best Western Shelton	99	60 %	59	January 1, 2018	Rumored

We note that a 99-room Best Western is proposed for Shelton in the near to mid term. Given its limited service product offering and location, we have weighted this hotel secondarily competitive in our analysis.

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 in the market will be. Depending on the outcome of current and future projects, the future operating potential of the subject property 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.

DEMAND

The following table presents the most recent trends for the subject hotel market as tracked by HVS. These data pertain to the subject and competitors discussed previously in this section; performance results are estimated, rounded for the competition, and in some cases 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 appraisal.

FIGURE 5-15 HISTORICAL MARKET TRENDS

Year	Accommodated Room Nights	% Change	Room Nights Available	% Change	Market Occupancy	Market ADR	% Change	Market RevPAR	% Change
Est. 2011	239,966	—	360,979	—	66.5 %	$115.24	—	$76.61	—
Est. 2012	251,687	4.9 %	392,229	8.7 %	64.2	114.37	(0.8) %	73.39	(4.2) %
Est. 2013	258,046	2.5	392,229	0.0	65.8	113.17	(1.0)	74.46	1.5
Est. 2014	274,373	6.3	392,229	0.0	70.0	112.18	(0.9)	78.47	5.4
Est. 2015	291,793	6.3	392,229	0.0	74.4	114.79	2.3	85.40	8.8
Avg. Annual Compounded Chg., Est. 2011-Est. 2015:		5.0 %		2.1 %			(0.1) %		2.8 %

Demand Analysis Using Market Segmentation

For the purpose of demand analysis, the overall market is divided into individual segments based on the nature of travel. Based on our fieldwork, area analysis, and knowledge of the local lodging market, we estimate the 2015 distribution of accommodated-room-night demand as follows.

FIGURE 5-16 ACCOMMODATED ROOM-NIGHT DEMAND

	Marketwide		Subject Property	
Market Segment	Accommodated Demand	Percentage of Total	Accommodated Demand	Percentage of Total
Commercial	195,478	67 %	22,667	65 %
Group	48,292	17	3,487	10
Leisure	48,023	16	8,718	25
Total	**291,793**	**100 %**	**34,873**	**100 %**

The market's demand mix comprises commercial demand, with this segment representing roughly 67% of the accommodated room nights in this Your Town submarket. The remaining portion comprises group at 17%, with the final portion leisure in nature, reflecting 16%.

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

Commercial Segment

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

Group Segment

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

Leisure Segment

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

Base Demand Growth Rates

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

FIGURE 5-17 AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES

	Annual Growth Rate			
Market Segment	**2016**	**2017**	**2018**	**2019**
Commercial	-0.5 %	1.5 %	1.5 %	0.5 %
Group	0.0	0.5	0.0	0.0
Leisure	-1.0	1.0	0.5	0.0
Base Demand Growth	**-0.5 %**	**1.3 %**	**1.1 %**	**0.3 %**

Latent Demand

A table presented earlier in this section illustrated the accommodated-room-night demand in the subject property'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 5-18 OCCUPANCY BY NIGHT OF THE WEEK

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jun - 15	58.1 %	88.3 %	93.6 %	95.6 %	75.7 %	75.7 %	84.8 %	82.3 %
Jul - 15	57.0	87.0	94.6	88.8	72.4	82.3	90.1	81.7
Aug - 15	61.4	87.3	93.6	91.4	74.8	75.0	89.3	81.6
Sep - 15	58.8	79.8	92.5	93.0	74.4	75.7	87.9	81.1
Oct - 15	60.8	88.8	97.0	95.8	75.4	80.6	88.5	83.6
Nov - 15	48.2	79.3	84.0	85.4	76.4	69.0	71.0	72.7
Dec - 15	42.0	64.8	70.3	69.6	61.3	50.5	57.8	60.2
Jan - 16	40.9	73.5	85.5	86.1	56.5	47.2	47.2	60.7
Feb - 16	51.5	78.1	90.1	84.7	59.3	53.7	63.9	69.1
Mar - 16	45.2	82.3	88.5	85.5	59.3	55.0	59.7	68.9
Apr - 16	52.3	88.4	94.3	90.2	65.7	71.0	79.9	77.3
May - 16	60.4	73.7	87.9	90.5	61.4	68.8	86.4	75.4
Average	**53.0 %**	**81.0 %**	**89.1 %**	**87.8 %**	**67.7 %**	**67.3 %**	**75.6 %**	**74.6 %**

Source: STR

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

FIGURE 5-19 UNACCOMMODATED DEMAND ESTIMATE

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand Percentage	Unaccommodated Room Night Demand
Commercial	195,478	1.5 %	2,915
Group	48,292	0.4	178
Leisure	48,023	0.2	89
Total	**291,793**	**1.1 %**	**3,182**

Accordingly, we have forecast unaccommodated demand equivalent to 1.1% of the base-year demand, resulting from our analysis of monthly and weekly peak demand and sell-out trends.

Accommodated Demand and Market-wide Occupancy

Based upon a review of the market dynamics in the subject property's competitive environment, we have forecast growth rates for each market segment. Using the calculated potential demand for the market, we have determined market-wide accommodated demand based on the inherent limitations of demand fluctuations and other factors in the market area. The following table details our projection of lodging demand growth for the subject market, including the total number of occupied room nights and any residual unaccommodated demand in the market.

FIGURE 5-20 ACCOMMODATED DEMAND

	2015	2016	2017	2018	2019
Commercial					
Base Demand	195,478	194,500	197,418	200,379	201,381
Unaccommodated Demand		2,900	2,944	2,988	3,003
Total Demand		197,401	200,362	203,367	204,384
Growth Rate		1.0 %	1.5 %	1.5 %	0.5 %
Group					
Base Demand	48,292	48,292	48,534	48,534	48,534
Unaccommodated Demand		178	179	179	179
Total Demand		48,471	48,713	48,713	48,713
Growth Rate		0.4 %	0.5 %	0.0 %	0.0 %
Leisure					
Base Demand	48,023	47,543	48,018	48,258	48,258
Unaccommodated Demand		88	89	89	89
Total Demand		47,630	48,107	48,347	48,347
Growth Rate		(0.8) %	1.0 %	0.5 %	0.0 %
Totals					
Base Demand	291,793	290,335	293,970	297,171	298,173
Unaccommodated Demand		3,166	3,212	3,256	3,271
Total Demand		293,502	297,181	300,427	301,444
less: Residual Demand		3,166	4,494	0	0
Total Accommodated Demand		290,335	292,688	300,427	301,444
Overall Demand Growth		(0.5) %	0.8 %	2.6 %	0.3 %
Market Mix					
Commercial	67.0 %	67.3 %	67.4 %	67.7 %	67.8 %
Group	16.6	16.5	16.4	16.2	16.2
Leisure	16.5	16.2	16.2	16.1	16.0
Existing Hotel Supply	1,075	1,075	1,075	1,075	1,075
Proposed Hotels					
Best Western Shelton [1]				59	59
Available Room Nights per Year	392,229	392,229	392,229	413,910	413,910
Nights per Year	365	365	365	365	365
Total Supply	1,075	1,075	1,075	1,134	1,134
Rooms Supply Growth	—	0.0 %	0.0 %	5.5 %	0.0 %
Marketwide Occupancy	**74.4 %**	**74.0 %**	**74.6 %**	**72.6 %**	**72.8 %**

[1] Opening in January 2018 of the 60% competitive, 99-room Best Western Shelton

Because of the cyclical nature of the market and historical fluctuations in market occupancy, as well as our expectation of supply additions in the greater market that will siphon off demand from this competitive set, we have forecast market occupancy for the defined competitive market of hotels to stabilize in the low 70s.

6. Projection of Occupancy and Average Rate

Along with average rate results, the occupancy levels achieved by a hotel are the foundation of the property's financial performance and market value. Most of a lodging facility's other revenue sources (such as food, beverages, 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.

The following table identifies the subject property's recent performance in comparison to that of the market.

FIGURE 6-1 HISTORICAL TRENDS

												Year-to-Date Through May	
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2015	2016
Sample Inn														
Occupancy	69.9 %	64.3 %	—	68.3 %	60.5 %	58.4 %	65.4 %	41.2 %	57.8 %	70.5 %	75.4 %	76.4 %	68.9 %	75.7 %
Change	—	(8.0) %	—	—	(11.5) %	(3.5) %	12.0 %	(37.0) %	40.4 %	22.0 %	7.0 %	1.3 %	—	9.9 %
Occupancy Penetration	105.3 %	103.0 %	—	96.7 %	90.2 %	91.0 %	100.0 %	61.3 %	89.0 %	106.9 %	107.3 %	101.8 %	96.2 %	107.7 %
Average Rate	$88.19	$90.39	—	$94.09	$109.81	$99.88	$86.57	$106.93	$107.82	$104.46	$109.61	$113.09	$110.26	$114.65
Change	—	2.5 %	—	—	16.7 %	(9.0) %	(13.3) %	23.5 %	0.8 %	(3.1) %	4.9 %	3.2 %	—	4.0 %
Average Rate Penetration	87.0 %	81.5 %	—	84.8 %	92.0 %	90.8 %	81.6 %	96.0 %	96.7 %	93.6 %	99.6 %	100.3 %	100.6 %	97.6 %
RevPAR	$61.64	$58.12	—	$64.26	$66.39	$58.29	$56.58	$44.00	$62.31	$73.65	$82.68	$86.44	$75.94	$86.75
Change	—	(5.7) %	—	—	3.3 %	(12.2) %	(2.9) %	(22.2) %	41.6 %	18.2 %	12.3 %	4.5 %	—	14.2 %
RevPAR Penetration	91.6 %	84.0 %	—	82.0 %	82.9 %	82.6 %	81.6 %	58.8 %	86.0 %	100.0 %	106.9 %	102.1 %	96.8 %	105.1 %

												Year-to-Date Through May	
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2015	2016
Competitive Set														
Occupancy	66.4 %	62.4 %	68.6 %	70.6 %	67.0 %	64.1 %	65.4 %	67.2 %	65.0 %	66.0 %	70.3 %	75.1 %	71.6 %	70.3 %
Change	—	(6.0) %	9.9 %	2.9 %	(5.1) %	(4.3) %	1.9 %	2.8 %	(3.3) %	1.6 %	6.5 %	6.9 %	—	(1.8) %
Average Rate	$101.36	$110.84	$109.95	$111.00	$119.38	$109.95	$106.10	$111.40	$111.53	$111.59	$110.08	$112.74	$109.61	$117.45
Change	—	9.4 %	(0.8) %	1.0 %	7.5 %	(7.9) %	(3.5) %	5.0 %	0.1 %	0.1 %	(1.4) %	2.4 %	—	7.1 %
RevPAR	$67.31	$69.19	$75.45	$78.41	$80.04	$70.53	$69.35	$74.85	$72.45	$73.63	$77.37	$84.67	$78.46	$82.52
Change	—	2.8 %	9.1 %	3.9 %	2.1 %	(11.9) %	(1.7) %	7.9 %	(3.2) %	1.6 %	5.1 %	9.4 %	—	5.2 %

Source: STR

During the historical period shown, the subject hotel's occupancy trended upward from 2011 through 2015 as the property re-established itself in the market following an extensive renovation and conversion project. Furthermore, the hotel's strong performance since 2013 is somewhat attributed to strengthening demand levels resulting from improved business activity, increased group travel, and stronger leisure travel. Recent data illustrate a continuation of this trend. Meanwhile, average rate at the subject property has fluctuated during the last few years, largely attributed to the market's reliance on upon rates negotiated by local corporations and the government per-diem rate.

Penetration Rate Analysis

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

Historical Penetration Rates by Market Segment

In the following table, the penetration rates attained by the primary competitors and the aggregate secondary competitors are set forth for each segment for the base year, 2015.

FIGURE 6-2 HISTORICAL PENETRATION RATES

Property	Commercial	Group	Leisure	Overall
Sample Inn	100 %	62 %	156 %	103 %
Courtyard by Marriott Shelton	93	115	87	95
Hilton Garden Inn Shelton	98	122	92	101
Hyatt House Shelton	136	35	104	114
Marriott Trumbull Merritt Parkway	74	163	82	90
Secondary Competition	128	33	108	109

As a result of its varying levels of penetration among the three market demand segments, the Sample Inn achieved an overall penetration rate of 103% in 2015. Overall, the subject property’s occupancy penetration level was ranked third among the illustrated averages. The subject property achieved its highest segment penetration rate in the leisure segment, at 156%, due to the hotel’s popularity with weekend leisure travelers in the area.

Among all properties listed, the Hyatt House Shelton achieved the highest penetration rate within the commercial segment. The highest penetration rate in the group segment was achieved by the Marriott Trumbull Merritt Parkway, while the Sample Inn led the market with the highest leisure penetration rate.

Forecast of Subject Property's Occupancy

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

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

Our projections of penetration, demand capture, and occupancy performance for the subject property account for these types of adjustments to market share within the defined competitive market. Consequently, the actual penetration factors applicable to the subject property and its competitors for each market segment in each projection year may vary somewhat from the penetration factors delineated in the previous table.

The subject property'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 6-3 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY

Market Segment	2015	2016	2017	2018	2019
Commercial					
Demand	195,478	194,500	196,557	203,367	204,384
Market Share	11.6 %	12.3 %	12.1 %	11.5 %	11.4 %
Capture	22,667	23,943	23,732	23,290	23,316
Penetration	100 %	106 %	104 %	104 %	103 %
Group					
Demand	48,292	48,292	48,322	48,713	48,713
Market Share	7.2 %	8.0 %	7.8 %	7.6 %	7.6 %
Capture	3,487	3,849	3,758	3,698	3,684
Penetration	62 %	69 %	67 %	69 %	69 %
Leisure					
Demand	48,023	47,543	47,809	48,347	48,347
Market Share	18.2 %	18.8 %	18.5 %	17.6 %	17.5 %
Capture	8,718	8,945	8,852	8,491	8,458
Penetration	156 %	162 %	159 %	159 %	159 %
Total Room Nights Captured	**34,873**	**36,737**	**36,342**	**35,479**	**35,458**
Available Room Nights	45,625	45,625	45,625	45,625	45,625
Subject Occupancy	**76 %**	**81 %**	**80 %**	**78 %**	**78 %**
Marketwide Available Room Nights	392,229	392,229	392,229	413,910	413,910
Fair Share	**12 %**	**12 %**	**12 %**	**11 %**	**11 %**
Marketwide Occupied Room Nights	291,793	290,335	292,688	300,427	301,444
Market Share	**12 %**	**13 %**	**12 %**	**12 %**	**12 %**
Marketwide Occupancy	**74 %**	**74 %**	**75 %**	**73 %**	**73 %**
Total Penetration	**103 %**	**109 %**	**107 %**	**107 %**	**107 %**

The subject hotel's occupancy penetration in the first projection year is forecast to increase as hotel management continues to capitalize on the disruptions caused by the relatively recent change of ownership and management of the Hilton Garden Inn and Hyatt House and their resulting brand-mandated renovations. Thereafter, its occupancy penetration is expected decrease and stabilize in the mid-100s, reflecting a level in line with its historical levels while maintaining a premium over the market average because of the subject property's diverse base of business, strong brand affiliation, and quality product.

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

HVS

FIGURE 6-4 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2015	2016	2017	2018	2019
Commercial	65 %	65 %	65 %	66 %	66 %
Group	10	10	10	10	10
Leisure	25	24	24	24	24
Total	100 %	100 %	100 %	100 %	100 %

Based on our analysis of the subject property and market area, we have selected a stabilized occupancy level of 78% in 2018/19. 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 subject property may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

Average Rate Analysis

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

Competitive Position

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

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

Property	Estimated 2015 Average Room Rate	Average Rate Penetration	Rooms Revenue Per Available Room	RevPAR Penetration
Sample Inn	$113.09	98.5 %	$86.44	101.2 %
Courtyard by Marriott Shelton	105 - 110	90 - 95	75 - 80	85 - 90
Hilton Garden Inn Shelton	110 - 115	90 - 95	80 - 85	95 - 100
Hyatt House Shelton	110 - 115	95 - 100	90 - 95	110 - 120
Marriott Trumbull Merritt Parkway	125 - 130	110 - 120	85 - 90	100 - 110
Average - Subject & Primary Competit	$116.36	101.4 %	$84.90	99.4 %
Average - Secondary Competitors	108.41	94.4	87.68	102.7
Overall Average	**$114.79**		**$85.40**	

The defined primarily competitive market realized an overall average rate of $116.36 in the 2015 base year, improving from the 2014 level of $113.80. The rate of change for this Your Town area primary set was 2.3% between 2014 and 2015. The subject property's base-year rate position was $113.09.

Based on these considerations, the following table illustrates the projected average rate and the growth rates assumed. As a context for the average rate growth factors, note that we have applied an underlying inflation rate of 2.0% in 2016/17, 2.5% in 2017/18, and 3.0% in 2018/19 and thereafter.

FIGURE 6-6 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

	Areawide (Calendar Year)			Subject Property (Calendar Year)			
Year	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	74.4 %	—	$114.79	76.0 %	—	$113.09	98.5 %
2016	74.0	4.5 %	119.96	81.0	4.5 %	118.18	98.5
2017	74.6	3.5	124.16	80.0	4.0	122.90	99.0
2018	72.6	3.0	127.88	78.0	3.5	127.21	99.5
2019	72.8	3.0	131.72	78.0	3.0	131.02	99.5

As illustrated above, a 4.5% rate of change is expected for the subject property's room rate in 2016. This is followed by rates of 4.0% and 3.5% in 2017 and 2018, respectively. The subject hotel's room rate is anticipated to follow a trend similar to that of the market, increasing through the stabilized year. Anticipated future economic strength in this market should also support longer-term rate improvements for the subject hotel.

The following table provides a comparison of the historical performance and forecasts for the subject property and competitive set.

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

	Historical					Projected					
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Sample Inn											
Occupancy	41.2 %	57.8 %	70.5 %	75.4 %	76.4 %	80.5 %	79.7 %	77.8 %	77.7 %	77.6 %	77.6 %
Change in Points	—	16.6	12.7	4.9	1.0	4.1	(0.9)	(1.9)	(0.0)	(0.1)	0.0
Occupancy Penetration	61.9	90.1	107.2 %	107.8 %	102.7 %	108.8 %	106.7 %	107.1 %	106.7 %	106.6 %	106.6 %
Average Rate	$106.93	$107.82	$104.46	$109.61	$113.09	$118.18	$122.90	$127.21	$131.02	$134.95	$139.00
Change	—	0.8 %	(3.1) %	4.9 %	3.2 %	4.5 %	4.0 %	3.5 %	3.0 %	3.0 %	3.0 %
Average Rate Penetration	92.8	94.3	92.3 %	97.7 %	98.5 %	98.5 %	99.0 %	99.5 %	99.5 %	99.5 %	99.5 %
RevPAR	$44.00	$62.31	$73.65	$82.68	$86.44	$95.16	$97.90	$98.92	$101.82	$104.74	$107.89
Change	—	41.6 %	18.2 %	12.3 %	4.5 %	10.1 %	2.9 %	1.0 %	2.9 %	2.9 %	3.0 %
RevPAR Penetration	57.4	84.9	98.9 %	105.4 %	101.2 %	107.2 %	105.7 %	106.6 %	106.1 %	106.0 %	106.0 %

	Historical (Estimated)					Projected					
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Your Town Submarket											
Occupancy	66.5 %	64.2 %	65.8 %	70.0 %	74.4 %	74.0 %	74.6 %	72.6 %	72.8 %	72.8 %	72.8 %
Change in Points	—	(2.3)	1.6	4.2	4.4	(0.4)	0.6	(2.0)	0.2	(0.0)	0.0
Average Rate	$115.24	$114.37	$113.17	$112.18	$114.79	$119.96	$124.16	$127.88	$131.72	$135.67	$139.74
Change	—	(0.8) %	(1.0) %	(0.9) %	2.3 %	4.5 %	3.5 %	3.0 %	3.0 %	3.0 %	3.0 %
RevPAR	$76.61	$73.39	$74.46	$78.47	$85.40	$88.80	$92.65	$92.82	$95.93	$98.81	$101.77
Change	—	(4.2) %	1.5 %	5.4 %	8.8 %	4.0 %	4.3 %	0.2 %	3.3 %	3.0 %	3.0 %

The following occupancies and average rates will be used to project the subject property's rooms revenue; this forecast begins on August 1, 2016, and corresponds with our financial projections.

FIGURE 6-8 FORECAST OF OCCUPANCY, AVERAGE RATE, AND REVPAR

Year	Occupancy	Average Rate	RevPAR
2016/17	80 %	$120.92	$96.74
2017/18	79	125.40	99.07
2018/19	78	129.42	100.95
2019/20	78	133.30	103.98

7. Highest and Best Use

The concept of highest and best use is a fundamental element in the determination of value of real property, either as if vacant or as improved. USPAP requires that a property's highest and best use be analyzed. Only if the current improvements do not reflect the highest and best use of the property does the highest and best use of the site "as if" vacant need to be considered.

Highest and best use is defined as follows:

> The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.[10]

As If Vacant

The subject site enjoys a favorable location with frontage along a main arterial and is of an appropriate size to support any number of retail, office, or hospitality projects. Furthermore, significant improvements in hotel demand, as well as expectations of continued rate recovery in the coming months, are enhancing the potential for new hotel development in the current market. Some financing is again available for new construction, in particular for healthy markets and for projects that have a strong borrower profile. Therefore, commercial development such as a viable hotel product, office space, or a mixed-use project on the subject site would represent the highest and best use; however, more market research would be required to make this determination.

As Improved

The subject hotel represents a viable enterprise generating a positive EBITDA Less Replacement Reserve, which is improving in the current economic environment. Accordingly, the property is generating sufficient return to the land to continue to support its current use as a limited-service hotel. It is our opinion that the highest and best use of the subject property is its continued use as an operating hotel.

[10] Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015).

8. Approaches to Value

In appraising real estate for market value, three approaches to value are considered: income capitalization, cost, and sales comparison. Basic summaries of each approach are provided as follows; please refer to the introduction of each respective chapter for additional description.

Income Capitalization Approach

The income capitalization approach analyzes a property's ability to generate financial returns as an investment. The appraisal estimates a property's operating cash flow, and the result is utilized in a direct capitalization technique and a discounted-cash-flow analysis. The income capitalization approach is often selected as the preferred valuation method for operating properties because it most closely reflects the investment rationale of knowledgeable buyers.

Sales Comparison Approach

The sales comparison approach estimates the value of a property by comparing it to similar properties sold on the open market. To obtain a supportable estimate of value, the sales price of a comparable property must be adjusted to reflect any dissimilarity between it and the property being appraised. The sales comparison approach is most useful in the case of simple forms of real estate such as vacant land and single-family homes, where the properties are homogeneous and the adjustments are few and relatively simple to compute. In the case of complex investments such as hotels, where the adjustments are numerous and more difficult to quantify, the sales comparison approach loses much of its reliability.

Cost Approach

The cost approach estimates market value by computing the cost of replacing the property and subtracting any depreciation resulting from physical deterioration, functional obsolescence, and external (or economic) obsolescence. The value of the land, as if vacant and available, is then added to the depreciated value of the improvements for a total value estimate. The cost approach is most reliable for estimating the value of new properties; however, as the improvements deteriorate and market conditions change, the resultant loss in value becomes increasingly difficult to quantify accurately. Moreover, our experience with hotel investors shows that this group of buyers and sellers relies upon the methods of the income approach when making decisions; the cost approach generally does not play a significant role.

Reconciliation

The final step in the valuation process is the reconciliation and correlation of the value indications. Factors that are considered in assessing the reliability of each approach include the purpose of the appraisal, the nature of the subject property, and the reliability of the data used. In the reconciliation, the applicability and supportability of each approach are considered and the range of value indications is examined. The most significant weight is given to the approach that produces the most reliable solution and most closely reflects the criteria used by typical investors.

9. Income Capitalization Approach

The income capitalization approach is based on the principle that the value of a property is indicated by its net return, known as the present worth of future benefits. The future benefits of income-producing properties, such as hotels, are net income before debt service and depreciation (as estimated by a forecast of income and expense) and any anticipated reversionary proceeds from a sale. These future benefits can be converted into an indication of market value through a capitalization process and discounted-cash-flow analysis.

The forecast of income and expense is expressed in current dollars for each year. The stabilized year is intended to reflect the anticipated operating results of the property over its remaining economic life, given any or all applicable stages of build-up, plateau, and decline in the life cycle of the hotel.

The eleven-year forecast of net income forms the basis of a mortgage-equity and discounted-cash-flow analysis, where ten years of net income and a reversion derived from the capitalized eleventh year's net income are discounted back to the date of value and summed to derive an estimate of market value.

Because the value is unknown but the loan-to-value ratio and market rates of return can be estimated, the value is computed by way of a linear algebraic equation. The algebraic equation that solves for the total property value using a ten-year mortgage and equity technique was developed by Suzanne R. Mellen, CRE, MAI, FRICS, ISHC, Senior Managing Director of the San Francisco office of HVS. A complete discussion of the technique is presented in her article entitled “Simultaneous Valuation: A New Technique.”[11]

Review of Operating History

Because the subject property is an existing hotel with an established operating performance, its historical income and expense experience can serve as a basis for projections. The following income and expense statements were provided by current ownership. Where applicable, we have reorganized the statements in accordance with the Uniform System of Accounts for the Lodging Industry (USALI). The 11th edition of the USALI, which was issued in 2014, became effective on January 1, 2015; however, the hospitality industry is still in the process of converting to the new reporting standards. Given that the subject hotel's historical financial statements for calendar 2015, as well as the year-to-date 2015 and 2016

[11] Suzanne Mellen, "Simultaneous Valuation: A New Technique," *Appraisal Journal.* April (1983).

statements, are consistent with the 11th edition of the USALI, we have placed the greatest emphasis on these data (per the 11th edition of the USALI) in our forecasts of revenues and expenses for the subject hotel.

FIGURE 9-1 HISTORICAL OPERATING PERFORMANCE

	2015/16	Fiscal Year Ending May			2015	Calendar Year			2014	Calendar Year			2013	Calendar Year		
Number of Rooms:	125				125				125				125			
Paid Occupied Rooms:	36,154				34,873				34,415				32,169			
Days Open:	365				365				365				365			
Paid Occupancy:	79.2%			Amount	76.4%			Amount	75.4%			Amount	70.5%			Amount
Average Rate:	$114.72	Percentage	Available	Occupied	$113.09	Percentage	Available	Occupied	$109.61	Percentage	Available	Occupied	$104.46	Percentage	Available	Occupied
RevPAR:	$90.91	of Revenue	Room	Room	$86.44	of Revenue	Room	Room	$82.68	of Revenue	Room	Room	$73.65	of Revenue	Room	Room
OPERATING REVENUE																
Rooms	$4,148	97.4 %	$33,181	$114.72	$3,944	97.6 %	$31,550	$113.09	$3,772	98.8 %	$30,179	$109.61	$3,360	98.8 %	$26,882	$104.46
Other Operated Departments	112	2.6	899	3.11	97	2.4	779	2.79	47	1.2	373	1.36	41	1.2	325	1.26
Total Operating Revenue	4,260	100.0	34,081	117.83	4,041	100.0	32,328	115.88	3,819	100.0	30,552	110.97	3,401	100.0	27,208	105.72
DEPARTMENTAL EXPENSES*																
Rooms	1,168	28.2	9,343	32.30	1,135	28.8	9,079	32.54	1,118	29.6	8,944	32.49	1,038	30.9	8,302	32.26
Other Operated Departments	22	19.2	173	0.60	20	20.8	162	0.58	79	168.4	628	2.28	71	173.6	565	2.20
Total	1,189	27.9	9,516	32.90	1,155	28.6	9,241	33.12	1,197	31.3	9,573	34.77	1,108	32.6	8,867	34.46
DEPARTMENTAL INCOME	3,071	72.1	24,565	84.93	2,886	71.4	23,087	82.76	2,622	68.7	20,979	76.20	2,293	67.4	18,340	71.27
UNDISTRIBUTED OPERATING EXPENSES																
Administrative & General	329	7.7	2,634	9.11	320	7.9	2,561	9.18	323	8.4	2,581	9.38	267	7.9	2,139	8.31
Info. and Telecom. Systems	112	2.6	895	3.10	105	2.6	842	3.02	1	0.0	8	0.03	0	0.0	0	0.00
Marketing	242	5.7	1,938	6.70	244	6.0	1,952	7.00	290	7.6	2,321	8.43	288	8.5	2,300	8.94
Franchise Fee	373	8.8	2,986	10.33	355	8.8	2,839	10.18	340	8.9	2,716	9.87	302	8.9	2,419	9.40
Prop. Operations & Maint.	254	6.0	2,029	7.02	231	5.7	1,847	6.62	223	5.8	1,781	6.47	227	6.7	1,813	7.04
Utilities	238	5.6	1,901	6.57	280	6.9	2,240	8.03	279	7.3	2,233	8.11	246	7.2	1,970	7.65
Total	1,548	36.3	12,384	42.82	1,535	38.0	12,281	44.02	1,455	38.1	11,640	42.28	1,330	39.1	10,641	41.35
GROSS OPERATING PROFIT	1,523	35.8	12,181	42.11	1,351	33.4	10,806	38.73	1,167	30.6	9,339	33.92	962	28.3	7,699	29.92
Management Fee	176	4.1	1,409	4.87	172	4.2	1,373	4.92	163	4.3	1,300	4.72	145	4.3	1,161	4.51
INCOME BEFORE NOIEs	1,346	31.6	10,772	37.24	1,179	29.2	9,433	33.81	1,005	26.3	8,039	29.20	817	24.0	6,538	25.40
NON-OPERATING INCOME AND EXPENSES																
Property Taxes	167	3.9	1,339	4.63	169	4.2	1,349	4.83	170	4.5	1,360	4.94	170	5.0	1,356	5.27
Insurance	37	0.9	300	1.04	35	0.9	278	1.00	35	0.9	277	1.00	33	1.0	268	1.04
Total	205	4.8	1,639	5.67	203	5.1	1,627	5.83	205	5.4	1,637	5.94	203	6.0	1,624	6.31
EBITDA	$1,142	26.8 %	$9,133	$31.57	$976	24.1 %	$7,806	$27.98	$800	20.9 %	$6,402	$23.26	$614	18.0 %	$4,914	$19.09
NOI adjusted to reflect a																
3.0% mgmt fee and a 4.0% reserve	$1,019	23.9 %			$865	21.4 %			$696	18.2 %			$521	15.3 %		

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

FIGURE 9-2 HISTORICAL OPERATING PERFORMANCE (CONTINUED)

	2012	Calendar Year			2011	Calendar Year		
Number of Rooms:	125				125			
Paid Occupied Rooms:	26,367				5,916			
Days Open:	365				115			
Paid Occupancy:	57.8%			Amount	41.2%			Amount
Average Rate:	$107.82	Percentage	Available	Occupied	$106.93	Percentage	Available	Occupied
RevPAR:	$62.31	of Revenue	Room	Room	$44.00	of Revenue	Room	Room
OPERATING REVENUE								
Rooms	$2,843	98.8 %	$22,743	$107.82	$633	100.0 %	$5,061	$106.93
Other Operated Departments	35	1.2	279	1.32	0	0.0	0	0.00
Total Operating Revenue	2,878	100.0	23,022	109.14	633	100.0	5,061	106.93
DEPARTMENTAL EXPENSES*								
Rooms	916	32.2	7,324	34.72	0	0.0	0	0.00
Other Operated Departments	72	207.7	579	2.74	0	0.0	0	0.00
Total	988	34.3	7,903	37.46	0	0.0	0	0.00
DEPARTMENTAL INCOME	1,890	65.7	15,119	71.68	633	100.0	5,061	106.93
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General	245	8.5	1,962	9.30	0	0.0	0	0.00
Info. and Telecom. Systems	0	0.0	0	0.00	0	0.0	0	0.00
Marketing	283	9.8	2,261	10.72	(57)	(9.0)	(455)	(9.62)
Franchise Fee	256	8.9	2,047	9.70	57	9.0	455	9.62
Prop. Operations & Maint.	177	6.2	1,418	6.72	0	0.0	0	0.00
Utilities	236	8.2	1,887	8.95	0	0.0	0	0.00
Total	1,197	41.6	9,575	45.39	0	0.0	0	0.00
GROSS OPERATING PROFIT	693	24.1	5,544	26.28	633	100.0	5,061	106.93
Management Fee	122	4.2	977	4.63	0	0.0	0	0.00
INCOME BEFORE NOIEs	571	19.8	4,567	21.65	633	100.0	5,061	106.93
NON-OPERATING INCOME AND EXPENSES								
Property Taxes	137	4.8	1,094	5.18	0	0.0	0	0.00
Insurance	33	1.1	262	1.24	0	0.0	0	0.00
Total	170	5.9	1,356	6.43	0	0.0	0	0.00
EBITDA	$401	13.9 %	$3,211	$15.22	$633	100.0 %	$5,061	$106.93
NOI adjusted to reflect a								
3.0% mgmt fee and a 4.0% reserve	$322	11.2 %			$588	93.0 %		

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

FIGURE 9-3 HISTORICAL OPERATING PERFORMANCE (CONTINUED)

	2016	Year-to-Date Ending May			2015	Year-to-Date Ending May		
Number of Rooms:	125				125			
Paid Occupied Rooms:	14,282				13,001			
Days Open:	151				151			
Paid Occupancy:	75.7%			Amount	68.9%			Amount
Average Rate:	$114.65	Percentage	Available	Occupied	$110.26	Percentage	Available	Occupied
RevPAR:	$86.75	of Revenue	Room	Room	$75.94	of Revenue	Room	Room
OPERATING REVENUE								
Rooms	$1,637	97.6 %	$13,099	$114.65	$1,433	98.2 %	$11,468	$110.26
Other Operated Departments	41	2.4	327	2.86	26	1.8	206	1.98
Total Operating Revenue	1,678	100.0	13,426	117.51	1,459	100.0	11,674	112.24
DEPARTMENTAL EXPENSES*								
Rooms	464	28.3	3,709	32.47	431	30.0	3,445	33.12
Other Operated Departments	9	21.2	69	0.61	7	28.5	59	0.56
Total	472	28.1	3,779	33.07	438	30.0	3,504	33.69
DEPARTMENTAL INCOME	1,206	71.9	9,647	84.44	1,021	70.0	8,170	78.55
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General	132	7.9	1,059	9.26	123	8.4	985	9.47
Info. and Telecom. Systems	43	2.5	341	2.99	36	2.5	288	2.77
Marketing	96	5.7	768	6.72	98	6.7	782	7.52
Franchise Fee	147	8.8	1,179	10.32	129	8.8	1,032	9.92
Prop. Operations & Maint.	113	6.8	907	7.94	91	6.2	724	6.97
Utilities	93	5.6	746	6.53	136	9.3	1,085	10.43
Total	625	37.2	4,999	43.76	612	41.9	4,896	47.08
GROSS OPERATING PROFIT	581	34.7	4,648	40.68	409	28.1	3,274	31.48
Management Fee	71	4.2	569	4.98	67	4.6	534	5.13
INCOME BEFORE NOIEs	510	30.4	4,079	35.70	343	23.5	2,740	26.35
NON-OPERATING INCOME AND EXPENSES								
Property Taxes	69	4.1	555	4.86	71	4.8	564	5.43
Insurance	16	0.9	126	1.10	13	0.9	104	1.00
Total	85	5.0	681	5.96	84	5.7	669	6.43
EBITDA	$425	25.4 %	$3,398	$29.74	$259	17.8 %	$2,071	$19.92
NOI adjusted to reflect a 3.0% mgmt fee and a 4.0% reserve	$378	22.5 %			$223	15.3 %		

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

In our review of the trailing-twelve-month statement (ending May 2016), the subject hotel's operating performance illustrates an overall positive trend in profitability, owing to increases in rooms revenue stemming from a rise in occupancy. Over the last several years, the trend in revenue and profitability has shown an upward trend as the property re-established itself in the market following the extensive renovation and conversion project in 2011, coupled with increased levels of commercial and leisure activity throughout the region. Revenues associated with market pantry sales, meeting-space rentals, in-room movie and game charges, vending- and laundry-machine commissions, and some miscellaneous items, such as cancelation fees, are included in the other operated departments line. No major changes in expense levels and ratios were noted.

Comparable Operating Statements

In order to gauge the subject hotel's profitability, we have reviewed the following individual income and expense statements from comparable hotels, derived from our database of hotel income and expense statements. 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 property's 2015/16 operating history has been included to facilitate a comparison. The stabilized statement of income and expense, in 2015/16 dollars, is presented as well.

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FIGURE 9-4 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized $
Year:	2015/16	2015	2015/16	2014/15	2013/14	2014/15	2015/16
Number of Rooms:	125	120 to 160	70 to 90	70 to 100	90 to 120	90 to 120	125
Days Open:	365	365	365	365	365	365	365
Occupancy:	79.2%	73%	73%	81%	81%	79%	78%
Average Rate:	$114.72	$124	$104	$103	$116	$114	$120
RevPAR:	$90.91	$90	$76	$83	$94	$91	$94
REVENUE							
Rooms	97.4 %	97.3 %	98.4 %	98.0 %	98.2 %	97.2 %	97.4 %
Other Operated Departments	2.6	2.7	0.0	0.0	1.8	2.5	2.6
Rentals & Other Income	0.0	0.0	1.5	2.0	0.0	0.2	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*							
Rooms	28.2	25.2	31.2	30.6	24.5	30.7	27.2
Other Operated Departments	19.2	81.4	1,360.8	12,340.6	121.2	67	19.3
Total	27.9	26.7	31.3	31.5	26.3	31.5	27.0
DEPARTMENTAL INCOME	72.1	73.3	68.7	68.5	73.7	68.5	73.0
OPERATING EXPENSES							
Administrative & General	7.7	7.6	10.9	7.0	8.3	9.1	7.0
Info. and Telecom. Systems	2.6	0.0	0.0	0.0	0.0	0.0	2.6
Marketing	5.7	2.5	3.4	5.1	6.8	5.2	5.6
Franchise Fee	8.8	9.7	7.9	7.4	9.8	8.8	9.7
Property Operations & Maintenance	6.0	6.4	4.0	5.5	3.5	4.5	5.3
Utilities	5.6	6.9	5.8	4.7	5.0	3.8	5.5
Total	36.3	33.1	31.8	29.8	33.5	31.4	35.6
GROSS OPERATING PROFIT	35.8	40.2	36.9	38.7	40.2	37.1	37.3
Management Fee	4.1	4.0	3.0	3.0	2.9	1.4	3.0
INCOME BEFORE NOIEs	31.6	36.2	33.9	35.7	37.4	35.8	34.3

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

FIGURE 9-5 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER AVAILABLE ROOM

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized $
Year:	**2015/16**	**2015**	**2015/16**	**2014/15**	**2013/14**	**2014/15**	**2015/16**
Number of Rooms:	**125**	**120 to 160**	**70 to 90**	**70 to 100**	**90 to 120**	**90 to 120**	**125**
Days Open:	**365**	**365**	**365**	**365**	**365**	**365**	**365**
Occupancy:	**79.2%**	**73%**	**73%**	**81%**	**81%**	**79%**	**78%**
Average Rate:	**$114.72**	**$124**	**$104**	**$103**	**$116**	**$114**	**$120**
RevPAR:	**$90.91**	**$90**	**$76**	**$83**	**$94**	**$91**	**$94**
REVENUE							
Rooms	$33,181	$32,988	$27,680	$30,243	$34,256	$33,097	$34,216
Other Operated Departments	899	907	11	4	625	863	899
Rentals & Other Income	0	0	427	618	0	75	0
Total	34,081	33,895	28,118	30,866	34,880	34,035	35,115
DEPARTMENTAL EXPENSES							
Rooms	9,343	8,308	8,643	9,262	8,405	10,149	9,323
Other Operated Departments	173	739	151	466	757	576	173
Total	9,516	9,047	8,793	9,728	9,162	10,725	9,496
DEPARTMENTAL INCOME	24,565	24,848	19,324	21,137	25,718	23,309	25,619
OPERATING EXPENSES							
Administrative & General	2,634	2,562	3,052	2,166	2,912	3,108	2,460
Info. and Telecom. Systems	895	0	0	0	0	0	905
Marketing	1,938	847	942	1,583	2,356	1,768	1,959
Franchise Fee	2,986	3,299	2,217	2,277	3,426	2,983	3,422
Property Operations & Maintenance	2,029	2,159	1,113	1,696	1,226	1,538	1,849
Utilities	1,901	2,346	1,619	1,463	1,750	1,279	1,922
Total	12,384	11,213	8,942	9,186	11,669	10,676	12,516
GROSS OPERATING PROFIT	12,181	13,635	10,382	11,951	14,049	12,633	13,103
Management Fee	1,409	1,361	842	926	999	460	1,053
INCOME BEFORE NOIEs	10,772	12,274	9,540	11,026	13,050	12,174	12,049

FIGURE 9-6 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER OCCUPIED ROOM

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject Stabilized $
Year:	2015/16	2015	2015/16	2014/15	2013/14	2014/15	2015/16
Number of Rooms:	125	120 to 160	70 to 90	70 to 100	90 to 120	90 to 120	125
Days Open:	365	365	365	365	365	365	365
Occupancy:	79.2%	73%	73%	81%	81%	79%	78%
Average Rate:	$114.72	$124	$104	$103	$116	$114	$120
RevPAR:	$90.91	$90	$76	$83	$94	$91	$94
REVENUE							
Rooms	$114.72	$124.10	$103.52	$102.72	$116.04	$114.08	$120.18
Other Operated Departments	3.11	3.41	0.04	0.01	2.12	2.97	3.16
Rentals & Other Income	0.00	0.00	1.60	2.10	0.00	0.26	0.00
Total	117.83	127.51	105.16	104.83	118.16	117.31	123.34
DEPARTMENTAL EXPENSES							
Rooms	32.30	31.26	32.32	31.46	28.47	34.98	32.75
Other Operated Departments	0.60	2.78	0.56	1.58	2.56	1.99	0.61
Total	32.90	34.03	32.89	33.04	31.04	36.97	33.35
DEPARTMENTAL INCOME	84.93	93.48	72.27	71.79	87.12	80.34	89.99
OPERATING EXPENSES							
Administrative & General	9.11	9.64	11.41	7.36	9.86	10.71	8.64
Info. and Telecom. Systems	3.10	0.00	0.00	0.00	0.00	0.00	3.18
Marketing	6.70	3.19	3.52	5.38	7.98	6.09	6.88
Franchise Fee	10.33	12.41	8.29	7.74	11.60	10.28	12.02
Property Operations & Maintenance	7.02	8.12	4.16	5.76	4.15	5.30	6.49
Utilities	6.57	8.82	6.05	4.97	5.93	4.41	6.75
Total	42.82	42.18	33.44	31.20	39.53	36.80	43.96
GROSS OPERATING PROFIT	42.11	51.30	38.83	40.59	47.59	43.55	46.02
Management Fee	4.87	5.12	3.15	3.14	3.38	1.58	3.70
INCOME BEFORE NOIEs	37.24	46.17	35.68	37.45	44.21	41.96	42.32

The comparables' departmental income ranged from 68.5% to 73.7% of total revenue. The subject hotel's 2015/16 departmental income ratio of 72.1% is within this range. The comparable properties achieved a house profit ranging from 36.9% to 40.2% of total revenue. The subject hotel's 2015/16 house profit percentage of 35.8% of total revenue falls below this range, indicating room for improvement. The subject hotel is projected to stabilize at a house-profit ratio similar to what has been achieved historically. We will refer to the comparable operating data in our discussion of each line item, which follows later in this section of the report.

Fixed and Variable Component Analysis

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

Inflation Assumption

In consideration of the most recent trends, the projections set forth previously, and our assessment of probable property appreciation levels, we have applied an underlying inflation rate of 2.0% in 2016, 2.5% in 2017, and 3.0% in 2018 and thereafter. This stabilized inflation rate takes into account normal, recurring inflation cycles. Inflation is likely to fluctuate above and below this level during the projection period. Any exceptions to the application of the assumed underlying inflation rate are discussed in our write-up of individual income and expense items.

Summary of Projections

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 first several projection years, including amounts per available room and per occupied room. The second table illustrates our ten-year forecast of income and expense, presented with a lesser degree of detail. The forecasts pertain to years that begin on August 1, 2016, expressed in inflated dollars for each year.

FIGURE 9-7 DETAILED FORECAST OF INCOME AND EXPENSE AND TRAILING-12-MONTH OPERATING HISTORY

	Historical Operating Results															
	2015/16 Fiscal Year Ending May				2016/17				2017/18				Stabilized			
Number of Rooms:	125				125				125				125			
Occupancy (Paid Rooms):	79%				80%				79%				78%			
Average Rate:	$114.72				$120.92				$125.40				$129.42			
RevPAR:	$90.91				$96.74				$99.07				$100.95			
Days Open:	365				365				365				365			
Occupied Rooms (Paid):	36,154	%Gross	PAR	POR	36,500	%Gross	PAR	POR	36,044	%Gross	PAR	POR	35,588	%Gross	PAR	POR
OPERATING REVENUE																
Rooms	$4,148	97.4 %	$33,181	$114.72	$4,414	97.5 %	$35,312	$120.93	$4,520	97.5 %	$36,160	$125.40	$4,606	97.4 %	$36,848	$129.43
Other Operated Departments	112	2.6	899	3.11	115	2.5	924	3.16	118	2.5	943	3.27	121	2.6	968	3.40
Total Operating Revenues	4,260	100.0	34,081	117.83	4,529	100.0	36,236	124.09	4,638	100.0	37,103	128.67	4,727	100.0	37,816	132.83
DEPARTMENTAL EXPENSES *																
Rooms	1,168	28.2	9,343	32.30	1,201	27.2	9,606	32.90	1,225	27.1	9,797	33.97	1,255	27.2	10,039	35.26
Other Operated Departments	22	19.2	173	0.60	22	19.2	177	0.61	23	19.2	181	0.63	23	19.3	187	0.66
Total	1,189	27.9	9,516	32.90	1,223	27.0	9,783	33.50	1,247	26.9	9,978	34.60	1,278	27.0	10,226	35.92
DEPARTMENTAL INCOME	3,071	72.1	24,565	84.93	3,307	73.0	26,453	90.59	3,391	73.1	27,125	94.07	3,449	73.0	27,590	96.91
UNDISTRIBUTED OPERATING EXPENSES																
Administrative & General	329	7.7	2,634	9.11	315	6.9	2,517	8.62	322	7.0	2,579	8.94	331	7.0	2,649	9.30
Info. and Telecom. Systems	112	2.6	895	3.10	116	2.6	926	3.17	119	2.6	949	3.29	122	2.6	974	3.42
Marketing	242	5.7	1,938	6.70	250	5.5	2,004	6.86	257	5.5	2,053	7.12	264	5.6	2,109	7.41
Franchise Fee	373	8.8	2,986	10.33	441	9.7	3,531	12.09	452	9.7	3,616	12.54	461	9.7	3,685	12.94
Prop. Operations & Maint.	254	6.0	2,029	7.02	236	5.2	1,892	6.48	242	5.2	1,938	6.72	249	5.3	1,991	6.99
Utilities	238	5.6	1,901	6.57	246	5.4	1,966	6.73	252	5.4	2,014	6.99	259	5.5	2,069	7.27
Total	1,548	36.3	12,384	42.82	1,604	35.3	12,835	43.95	1,644	35.4	13,150	45.60	1,685	35.7	13,478	47.34
GROSS OPERATING PROFIT	1,523	35.7	12,180	42.11	1,702	37.7	13,618	46.64	1,747	37.7	13,976	48.47	1,764	37.3	14,112	49.57
Management Fee	176	4.1	1,409	4.87	136	3.0	1,087	3.72	139	3.0	1,113	3.86	142	3.0	1,134	3.98
INCOME BEFORE NOIEs	1,346	31.6	10,772	37.24	1,566	34.7	12,531	42.91	1,608	34.7	12,863	44.61	1,622	34.3	12,977	45.58
NON-OPERATING INCOME AND EXPENSES																
Property Taxes	167	3.9	1,339	4.63	170	3.8	1,361	4.66	174	3.8	1,395	4.84	180	3.8	1,437	5.05
Insurance	37	0.9	300	1.04	38	0.8	307	1.05	39	0.8	314	1.09	40	0.9	324	1.14
Reserve for Replacement	0	0.0	0	0.00	181	4.0	1,449	4.96	186	4.0	1,484	5.15	189	4.0	1,513	5.31
Total	205	4.8	1,639	5.67	390	8.6	3,117	10.68	399	8.6	3,194	11.08	409	8.7	3,274	11.50
EBITDA Less Replacement Reserve	$1,142	26.8 %	$9,133	$31.58	$1,177	26.1 %	$9,413	$32.24	$1,209	26.1 %	$9,669	$33.53	$1,213	25.6 %	$9,704	$34.08

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

EBITDA less Replacement Reserve adjusted to
reflect a 3.0% mgmt fee and a 4.0% reserve $1,019 23.9 %

FIGURE 9-8 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2016/17		2017/18		2018/19		2019/20		2020/21		2021/22		2022/23		2023/24		2024/25		2025/26	
Number of Rooms:	**125**		**125**		**125**		**125**		**125**		**125**		**125**		**125**		**125**		**125**	
Occupied Rooms:	**36,500**		**36,044**		**35,588**		**35,588**		**35,588**		**35,588**		**35,588**		**35,588**		**35,588**		**35,588**	
Occupancy:	**80%**		**79%**		**78%**		**78%**		**78%**		**78%**		**78%**		**78%**		**78%**		**78%**	
Average Rate:	**$120.92**	**% of**	**$125.40**	**% of**	**$129.42**	**% of**	**$133.30**	**% of**	**$137.30**	**% of**	**$141.42**	**% of**	**$145.67**	**% of**	**$150.04**	**% of**	**$154.54**	**% of**	**$159.17**	**% of**
RevPAR:	**$96.74**	**Gross**	**$99.07**	**Gross**	**$100.95**	**Gross**	**$103.98**	**Gross**	**$107.10**	**Gross**	**$110.31**	**Gross**	**$113.62**	**Gross**	**$117.03**	**Gross**	**$120.54**	**Gross**	**$124.15**	**Gross**
OPERATING REVENUE																				
Rooms	$4,414	97.5 %	$4,520	97.5 %	$4,606	97.4 %	$4,744	97.4 %	$4,886	97.4 %	$5,033	97.4 %	$5,184	97.4 %	$5,339	97.4 %	$5,500	97.4 %	$5,665	97.4 %
Other Operated Departments	115	2.5	118	2.5	121	2.6	125	2.6	128	2.6	132	2.6	136	2.6	140	2.6	144	2.6	149	2.6
Total Operating Revenue	4,529	100.0	4,638	100.0	4,727	100.0	4,869	100.0	5,014	100.0	5,165	100.0	5,320	100.0	5,479	100.0	5,644	100.0	5,814	100.0
DEPARTMENTAL EXPENSES*																				
Rooms	1,201	27.2	1,225	27.1	1,255	27.2	1,293	27.2	1,331	27.2	1,371	27.2	1,412	27.2	1,455	27.2	1,498	27.2	1,543	27.2
Other Operated Departments	22	19.2	23	19.2	23	19.3	24	19.3	25	19.3	25	19.3	26	19.3	27	19.3	28	19.3	29	19.3
Total	1,223	27.0	1,247	26.9	1,278	27.0	1,317	27.0	1,356	27.0	1,397	27.0	1,439	27.0	1,482	27.0	1,526	27.0	1,572	27.0
DEPARTMENTAL INCOME	3,307	73.0	3,391	73.1	3,449	73.0	3,552	73.0	3,658	73.0	3,768	73.0	3,881	73.0	3,997	73.0	4,118	73.0	4,242	73.0
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	315	6.9	322	7.0	331	7.0	341	7.0	351	7.0	362	7.0	373	7.0	384	7.0	395	7.0	407	7.0
Info. and Telecom. Systems	116	2.6	119	2.6	122	2.6	125	2.6	129	2.6	133	2.6	137	2.6	141	2.6	145	2.6	150	2.6
Marketing	250	5.5	257	5.5	264	5.6	272	5.6	280	5.6	288	5.6	297	5.6	306	5.6	315	5.6	324	5.6
Franchise Fee	441	9.7	452	9.7	461	9.7	474	9.7	489	9.7	503	9.7	518	9.7	534	9.7	550	9.7	567	9.7
Prop. Operations & Maint.	236	5.2	242	5.2	249	5.3	256	5.3	264	5.3	272	5.3	280	5.3	289	5.3	297	5.3	306	5.3
Utilities	246	5.4	252	5.4	259	5.5	266	5.5	274	5.5	283	5.5	291	5.5	300	5.5	309	5.5	318	5.5
Total	1,604	35.3	1,644	35.4	1,685	35.7	1,735	35.7	1,787	35.7	1,841	35.7	1,896	35.7	1,953	35.7	2,012	35.7	2,072	35.7
GROSS OPERATING PROFIT	1,702	37.7	1,747	37.7	1,764	37.3	1,817	37.3	1,871	37.3	1,927	37.3	1,985	37.3	2,044	37.3	2,106	37.3	2,170	37.3
Management Fee	136	3.0	139	3.0	142	3.0	146	3.0	150	3.0	155	3.0	160	3.0	164	3.0	169	3.0	174	3.0
INCOME BEFORE NOIEs	1,566	34.7	1,608	34.7	1,622	34.3	1,671	34.3	1,721	34.3	1,772	34.3	1,826	34.3	1,880	34.3	1,937	34.3	1,995	34.3
NON-OPERATING INCOME AND EXPENSES																				
Property Taxes	170	3.8	174	3.8	180	3.8	185	3.8	191	3.8	196	3.8	202	3.8	208	3.8	214	3.8	221	3.8
Insurance	38	0.8	39	0.8	40	0.9	42	0.9	43	0.9	44	0.9	46	0.9	47	0.9	48	0.9	50	0.9
Reserve for Replacement	181	4.0	186	4.0	189	4.0	195	4.0	201	4.0	207	4.0	213	4.0	219	4.0	226	4.0	233	4.0
Total	390	8.6	399	8.6	409	8.7	421	8.7	434	8.7	447	8.7	461	8.7	474	8.7	489	8.7	503	8.7
EBITDA Less Replacement Reserve	$1,177	26.1 %	$1,209	26.1 %	$1,213	25.6 %	$1,249	25.6 %	$1,286	25.6 %	$1,325	25.6 %	$1,365	25.6 %	$1,406	25.6 %	$1,448	25.6 %	$1,492	25.6 %

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

Forecast of Income and Expense

The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take three years for the subject property to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the subject property's operating history, operating budget, and comparable income and expense statements. The forecast begins on August 1, 2016, expressed in inflated dollars for each year.

- The subject property's occupancy level is expected to stabilize at 78.0% with an average rate of $129.42 in 2018/19. Following the stabilized year, the subject property's average rate is projected to increase along with the underlying rate of inflation.
- Revenues that are collected from market pantry sales, meeting-space rentals, in-room movie and game charges, vending- and laundry-machine commissions, and some miscellaneous items, such as cancelation fees are reflected in this line item. We forecast the subject property's other operated departments revenue at 2.6% of rooms revenue or $3.16 per occupied room in year one, stabilizing at 2.6% of rooms revenue or $3.40 per occupied room.
- We forecast the subject property's miscellaneous income to stabilize at $0.00 per occupied room by the stabilized year, 2018/19.
- We have projected rooms expense for the subject hotel at 27.2% of rooms revenue in the first year (or $32.90 per occupied room), stabilizing at 27.2% in 2018/19.
- For other operated departments expense, primary consideration is given to the subject property's operating history; miscellaneous income is forecast net of expenses.
- Based upon our review of comparable operating statements and the operating history of the subject hotel, we have adjusted the administrative and general line item downward to a more market-appropriate level going forward. In the first projection year, we have projected administrative and general expense for the subject property to be $2,517 per available room, or 6.9% of total revenue. By the 2018/19 stabilized year, these amounts change to $2,649 per available room and 7.0% of total revenue.
- We expect the subject hotel's information and telecommunications systems to be well managed. Expense levels should stabilize at a typical level for a property of this type. Per the 11th edition of the USALI, information and telecommunications systems expenses are required to be reported within the undistributed operating expenses. The comparable operating statements reviewed, however, are consistent with the 10th edition of the USALI, with these expenses allocated to the other operated departments, room expense, and undistributed operating expense line items.

- In the first projection year, we have projected marketing expense for the subject property to be $2,004 per available room, or 5.5% of total revenue. By the 2018/19 stabilized year, these amounts change to $2,109 per available room and 5.6% of total revenue.
- The subject property is assumed to operate as a Brand Name throughout the projection period. The costs of the Sample Hotel affiliation are reflected in our forecast and comprise a 6% royalty fee and a 4% advertising assessment (percentage of rooms revenue). Other charges related to the affiliation, such as frequent guest programs, are reflected in the appropriate departmental expenses, consistent with the Uniform System of Accounts for the Lodging Industry (USALI).
- Based upon our review of comparable operating statements and the operating history of the subject hotel, we have adjusted the property operations and maintenance line item downward to a more market-appropriate level going forward. In the first projection year, we have projected property operations and maintenance expense for the subject property to be $1,892 per available room, or 5.2% of total revenue. By the 2018/19 stabilized year, these amounts change to $1,991 per available room and 5.3% of total revenue.
- We have projected utilities expense for the subject property to be 5.4% of total revenue or $1,966 per available room in year one, stabilizing at 5.5% of total revenue or $2,069 per available room.
- Management fees for the subject property have been forecast at 3.0% of total revenue.

The following tables detail the subject property's assessment history, comparable assessments, applicable tax rates, and our forecast of property tax expense.

FIGURE 9-9 SUBJECT PROPERTY'S ASSESSMENT HISTORY

	Real Property				Personal Property	
	Assessed Value				Assessed	
Year	Land	Improvements	Real Property Total	Percent Change	Value	Percent Change
2012	$535,500	$4,354,000	$4,889,500	—	$932,440	—
2013	535,500	6,044,500	6,580,000	34.6 %	1,057,800	13.4 %
2014	535,500	6,044,500	6,580,000	0.0	1,039,937	(1.7)
2015	535,000	6,045,000	6,580,000	0.0	1,058,001	1.7
2016	535,500	6,044,500	6,580,000	0.0	1,046,526	(1.1)

Source: Fairfield County Assessors Office

HVS

FIGURE 9-10 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS

Hotel	Year Open	Total
Subject Property	1998	$6,580,000
Courtyard by Marriott Shelton	1990	$7,350,000
Hilton Garden Inn Shelton	1999	5,880,000
Hyatt House Shelton	2010	10,150,000
Marriott Trumbull Merritt Parkway	1986	13,261,290
Extended Stay America Shelton Fairfield County	1998	6,769,000
Homewood Suites by Hilton Stratford	2002	9,745,330
Residence Inn by Marriott Shelton Fairfield County	1988	5,769,750

Source: Fairfield County Assessors Office

Hotel	Number of Rooms	Amounts Per Room Total
Subject Property	125	$52,640
Courtyard by Marriott Shelton	161	$45,652
Hilton Garden Inn Shelton	142	41,408
Hyatt House Shelton	127	79,921
Marriott Trumbull Merritt Parkway	325	40,804
Extended Stay America Shelton Fairfield County	140	48,350
Homewood Suites by Hilton Stratford	135	72,188
Residence Inn by Marriott Shelton Fairfield County	96	60,102

Source: Fairfield County Assessors Office

FIGURE 9-11 PROPERTY TAX RATES

Year	Real Property Millage Rate	Personal Property Millage Rate
2013	22.40	22.40
2014	22.31	22.31
2015	22.31	22.31
2016	22.31	22.31

Source: Fairfield County Assessors Office

FIGURE 9-12 PROJECTED PROPERTY TAX EXPENSE

Year	Assessed Value (Taxable Historical) Land	Improvements	Personal	Total	Forecast Rate of Value Change	Base Rate of Tax Burden Increase	Prop. Millage Rate	Tax Forecast
Historical	$535,000	$6,045,000	$1,058,001	$7,638,001	—	—	22.31	$170,404
2016/17	$535,500	$6,044,500	$1,046,526	$7,626,526	-0.2 %	2.0 %	22.31	$170,148
2017/18	535,500	6,044,500	1,046,526	7,626,526	0.0	2.5	—	174,401
2018/19	535,500	6,044,500	1,046,526	7,626,526	0.0	3.0	—	179,634
2019/20	535,500	6,044,500	1,046,526	7,626,526	0.0	3.0	—	185,023
2020/21	535,500	6,044,500	1,046,526	7,626,526	0.0	3.0	—	190,573

- Based on our review of historical levels and comparable data, we project the subject property's insurance expense at $324 per available room by the stabilized year.
- The subject hotel does not report any additional significant fixed expenses.
- Based on the results of this study, our review of the subject asset and comparable lodging facilities, and our industry expertise, we estimate that a reserve for replacement of 4% of total revenues is sufficient to provide for the timely and periodic replacement of the subject property's furniture, fixtures, and equipment.

INCOME CAPITALIZATION – MORTGAGE-EQUITY TECHNIQUE

The subject property has been valued via the income approach through the application of a ten-year mortgage-equity technique and a discounted-cash-flow analysis. The conversion of the subject property's forecasted EBITDA Less Replacement Reserve into an estimate of value was based on the premise that investors typically leverage their real estate investments to enhance their equity yield. Typically, the majority of a transaction is capitalized with mortgage financing (50% to 80%), with equity comprising the balance (20% to 50%). The amounts and terms of available mortgage financing and the rates of return that are required to attract sufficient equity capital formed the basis for allocating the net income between the mortgage and equity components and deriving a value estimate.

Mortgage Component

Based on our analysis of the current lodging industry mortgage market and adjustments for specific factors, such as the property's location and conditions in the Shelton hotel market, it is our opinion that a 5.50% interest, 25-year amortization mortgage with a 0.073690 constant is appropriate for the subject property. In the mortgage-equity analysis, we have applied a loan-to-value ratio of 70%, which is reasonable to expect based on this interest rate and current parameters.

Equity Component & Equity Yield Rate

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

FIGURE 9-13 SUMMARY OF EQUITY YIELD OR INTERNAL RATE OF RETURN REQUIREMENTS

Source	Data Point Range	Average
HVS Hotel Sales - Full-Service & Luxury	10.7% - 22.9%	17.3%
HVS Hotel Sales - Select-Service & Extended-Stay	14.2% - 22.1%	18.7%
HVS Hotel Sales - Budget/Economy	12.5% - 24.1%	20.3%
HVS Investor Interviews	13% - 25%	

Based on the assumed loan-to-value ratio, the risk inherent in achieving the projected income stream, and the age, condition, and anticipated market position of the subject property, it is our opinion that an equity investor is likely to require an equity yield rate of 18.0%. While the lack of attainable yields on alternate investments has continued to put downward pressure on equity-yield rates, increasing leverage levels are enabling investors to earn higher returns. Competition for quality assets remains strong among all hotel asset types. These influences are keeping equity yields from increasing significantly. Intense competition for assets in the major metro areas is pushing investors to pursue acquisitions with greater upside in secondary and tertiary markets.

Terminal Capitalization Rate

We have reviewed several recent investor surveys, and the following table summarizes the data.

FIGURE 9-14 TERMINAL CAPITALIZATION RATES DERIVED FROM INVESTOR SURVEYS

Source	Data Point Range	Average
PWC Real Estate Investor Survey - 1st Quarter 2016		
Select-Service Hotels	7.5% - 10.0%	9.0%
Full-Service Hotels	7.0% - 10.0%	8.4%
Luxury Hotels	5.5% - 10.0%	7.3%
USRC Hotel Investment Survey - Winter 2016		
Full-Service Hotels	6.8% - 9.0%	8.1%
Situs RERC Real Estate Report - 1st Quarter 2016		
First Tier Hotels	6.7% - 10.5%	8.3%

For purposes of this analysis, we have applied a terminal capitalization rate of 9.0%. Our final position for the terminal capitalization rate reflects the current market for hotel investments. In tandem with overall lower return expectations, terminal capitalization rates for quality hotel assets in markets with high barriers to entry have declined to new lows, while terminal capitalization rates for older assets or for those suffering from functional obsolescence and/or weak market conditions remain elevated, reflecting the market's recognition that certain assets have less opportunity for significant appreciation.

Mortgage-Equity Method - Value Opinion

The valuation of the mortgage and equity components is accomplished using an algebraic equation that calculates the exact amount of debt and equity that the hotel will be able to support based on the anticipated cash flow (as estimated by the forecast of income and expense) and the specific return requirements demanded by the mortgage lender (interest) and the equity investor (equity yield). Thus, the anticipated net income (before debt service and depreciation) is allocated to the mortgage and equity components based on market rates of return and loan-to-value ratios. The total of the mortgage component and the equity component equals the value of the property. Using this method of the income capitalization approach with the variables set forth, our opinion of value of the Fee Simple interest in the subject property is illustrated in the following table.

FIGURE 9-15 VALUE OPINION AND APPLICATION OF CAPITAL DEDUCTION, AS APPLICABLE

Value Indication Prior to Deduct:	$14,043,655
Capital Deduction, If Applicable:	0
Value Indication ("As Is") After Deduction:	$14,043,655
Rounded to:	$14,000,000
Per Room:	112,000

The discount rate (before debt service), the yield to the lender, and the yield to the equity position have been calculated by computer with the following results.

FIGURE 9-16 TOTAL PROPERTY VALUE AND INTERNAL RATES OF RETURN

Position	Value	Projected Yield (Internal Rate of Return) Over Holding Period
Total Property	$14,044,000	10.3 %
Mortgage	$9,831,000	5.4
Equity	$4,213,000	18.0

Note: Whereas the mortgage constant and value are calculated on the basis of monthly mortgage payments, the mortgage yield in this proof assumes single annual payments. As a result, the proof's derived yield may be slightly less than that actually input.

The position of the total property yield or unlevered discount rate reflects the current market conditions for both debt and equity capital. Debt remains available at favorable interest rates, though some lenders have pulled out of the market and underwriting standards have become more stringent. Equity and mezzanine financing is readily available due to the attractive yields being generated by hotels when compared with other forms of commercial real estate. We continue to interview hotel investors to assess the movement in yield rates and their impact on value.

The following tables demonstrate that the property receives its anticipated yields, proving that the value is correct based on the assumptions used in this approach.

FIGURE 9-17 VALUE OF THE MORTGAGE COMPONENT

Year	Total Annual Debt Service		Present Worth of $1 Factor at 5.4%		Discounted Cash Flow
2016/17	$724,000	x	0.948502	=	$687,000
2017/18	724,000	x	0.899656	=	651,000
2018/19	724,000	x	0.853325	=	618,000
2019/20	724,000	x	0.809381	=	586,000
2020/21	724,000	x	0.767699	=	556,000
2021/22	724,000	x	0.728164	=	527,000
2022/23	724,000	x	0.690665	=	500,000
2023/24	724,000	x	0.655097	=	474,000
2024/25	724,000	x	0.621361	=	450,000
2025/26	8,113,000 *	x	0.589362	=	4,781,000
			Value of Mortgage Component		$9,830,000

*10th year debt service of $724,000 plus outstanding mortgage balance of $7,388,000

FIGURE 9-18 VALUE OF THE EQUITY COMPONENT

Year	Net Income to Equity		Present Worth of $1 Factor at 18.0%		Discounted Cash Flow
2016/17	$453,000	x	0.847407	=	$384,000
2017/18	485,000	x	0.718098	=	348,000
2018/19	489,000	x	0.608521	=	298,000
2019/20	525,000	x	0.515665	=	271,000
2020/21	562,000	x	0.436978	=	246,000
2021/22	601,000	x	0.370298	=	223,000
2022/23	641,000	x	0.313793	=	201,000
2023/24	682,000	x	0.265910	=	181,000
2024/25	724,000	x	0.225334	=	163,000
2025/26	9,945,000 *	x	0.190950	=	1,899,000
			Value of Equity Component		$4,214,000

FIGURE 9-19 VALUE OF THE EQUITY, DEBT AND TOTAL PROPERTY

Year	EBITDA Less Reserves Available for Debt Service		Present Worth of $1 Factor at 10.3%		Discounted Cash Flow
2016/17	$1,177,000	x	0.906694	=	$1,067,000
2017/18	1,209,000	x	0.822095	=	994,000
2018/19	1,213,000	x	0.745389	=	904,000
2019/20	1,249,000	x	0.675840	=	844,000
2020/21	1,286,000	x	0.612780	=	788,000
2021/22	1,325,000	x	0.555604	=	736,000
2022/23	1,365,000	x	0.503763	=	688,000
2023/24	1,406,000	x	0.456759	=	642,000
2024/25	1,448,000	x	0.414141	=	600,000
2025/26	18,057,000 *	x	0.375499	=	6,780,000
			Total Property Value		$14,043,000

*10th year EBITDA Less Replacement Resserve of $1,492,000 plus sales proceeds of $16,565,000

Direct Capitalization

The direct capitalization approach applies an overall capitalization rate to projected net income to derive a value estimate. The overall rates derived from our value conclusion are set forth below. Note that the stabilized year's net income has been deflated to first-year dollars.

FIGURE 9-20 DERIVED CAPITALIZATION RATES

Year	EBITDA Less Replacement Reserves	Market Value "As Is"	Derived Capitalization Rate
2015/16 Historical*	$1,019,000	$14,000,000	7.3 %
Forecast 2016/17	1,177,000	$14,000,000	8.4

*2015/16 historical EBITDA Less Replacement Reserves has been adjusted to reflect a 3.0% management fee and a 4.0% reserve for replacement

The derived capitalization rates are considered appropriate for a lodging facility such as the Sample Inn. The capitalization rate based on the first year's projected EBITDA Less Replacement Reserve is in line with current rates of return for hotel investments with the subject property's operating profile.

HVS

Overall Discount Rate and Discounted Cash Flow Analysis

The process of converting the projected income stream into an estimate of value via the discounted-cash-flow 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.
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.

We have reviewed several recent investor surveys, and the following table summarizes the data.

FIGURE 9-21 OVERALL DISCOUNT RATES DERIVED FROM SALES AND INVESTOR SURVEYS

Source	Data Point Range	Average
HVS Hotel Sales - Full-Service & Luxury	7.2% - 18.8%	10.3%
HVS Hotel Sales - Select-Service & Extended-Stay	9% - 12.8%	10.6%
PWC Real Estate Investor Survey - 1st Quarter 2016		
Select-Service Hotels	9.0% - 12.0%	10.8%
Full-Service Hotels	8.5% - 13.0%	10.5%
Luxury Hotels	6.5% - 12.0%	9.6%
USRC Hotel Investment Survey - Winter 2016		
Full-Service Hotels	8.8% - 11.3%	10.2%
Situs RERC Real Estate Report - 1st Quarter 2016		
First Tier Hotels	7.5% - 11.5%	9.3%

Based on our review of these surveys, sales transactions, and interviewing market participants, we have selected a discount rate of 10.25% for our analysis. Similar to the developed total property yield, our selected discount rate considers the current market for hotel investments, as well as the characteristics of the Sample

Inn brand and the Shelton lodging market. Utilizing this discount rate, the discounted-cash-flow procedure is summarized as follows. The capital deduction, if applicable, is applied in this analysis as shown.

FIGURE 9-22 VALUE DERIVED BY APPLICATION OF OVERALL DISCOUNT RATE

Year	EBITDA Less Reserves		Discount Factor @ 10.25%	Discounted Cash Flow
2016/17	$1,177,000		0.90703	$1,067,574
2017/18	1,209,000		0.82270	994,647
2018/19	1,213,000		0.74622	905,159
2019/20	1,249,000		0.67684	845,372
2020/21	1,286,000		0.61391	789,492
2021/22	1,325,000		0.55684	737,810
2022/23	1,365,000		0.50507	689,418
2023/24	1,406,000		0.45811	644,105
2024/25	1,448,000		0.41552	601,674
2025/26	18,057,000	*	0.37689	6,805,661
			Estimated Market Value, Prior to Deduct	$14,080,912
			Capital Deduction (If Applicable)	0
			Estimated Market Value, After Deduct	$14,080,912
			Rounded To	**$14,100,000**
			Per Room	**$113,000**

Reversion Analysis	
11th Year's EBITDA Less Reserves	$1,537,000
Capitalization Rate	9.0%
Total Sales Proceeds	$17,077,778
Less: Transaction Costs @ 3.0%	512,333
Net Sales Proceeds	$16,565,444

*10th year EBITDA Less Replacement Resserve of $1,492,000 plus sales proceeds of $16,565,000

Discounted Cash Flow Analysis – "When Stabilized"

The preceding valuation process was repeated using the projected cash flows beginning as of the stabilized year. The remaining years' net income was projected through an eleven-year period. An adjustment, if applicable, is applied to the discount rate to reflect potential changes in the investment climate by the date of stabilization. The discounted-cash-flow procedure is summarized as follows.

FIGURE 9-23 DISCOUNTED CASH FLOW ANALYSIS—STABILIZED VALUE

Stabilized Year	3
Discount Rate	10.25 %
Terminal Cap	9.0
Transaction Costs	3.0

Year	EBITDA Less Reserves	Discount Factor @ 10.25%	Discounted Cash Flow
2018/19	$1,213,000	0.90703	$1,100,000
2019/20	1,249,000	0.82270	1,028,000
2020/21	1,286,000	0.74622	960,000
2021/22	1,325,000	0.67684	897,000
2022/23	1,365,000	0.61391	838,000
2023/24	1,406,000	0.55684	783,000
2024/25	1,448,000	0.50507	731,000
2025/26	1,492,000	0.45811	684,000
2026/27	1,537,000	0.41552	639,000
2027/28	19,157,110 *	0.37689	7,220,000
		Estimated Market Value	$14,880,000
		Rounded To	**$14,900,000**
		Per Room	**$119,000**

Reversion Analysis

11th Year's EBITDA Less Reserves	$1,630,603
Capitalization Rate	9.0%
Total Sales Proceeds	$18,118,000
Less: Transaction Costs @ 3.0%	544,000
Net Sales Proceeds (Say)	$17,574,000

*10th year net income of $1,583,000 plus sales proceeds of $17,574,000

Based on this procedure, it is our opinion that the prospective market value, as of August 1, 2018, is $14,900,000, or $119,000 per room.

Conclusion

Using the income capitalization approach, the subject property was valued by a mortgage-equity valuation analysis and a straightforward discounted-cash-flow analysis. Based on our review of each method and their inherent strengths and weaknesses, as well as investor attitudes and methodologies, we have reconciled the value indication via the income capitalization approach to $14,000,000, or $112,000 per room. Furthermore, it is our opinion that the "when stabilized" value is $14,900,000, or $119,000 per room.

10. Sales Comparison Approach

The sales comparison approach is based on the principle of substitution, which defines a property's value as the cost of acquiring an equally desirable substitute (assuming that no costly delay is incurred in making the substitution). Thus, the sales comparison approach can be used to form an opinion of a property's market value from the price at which equally desirable properties have sold, or for which they can be purchased, on the open market.

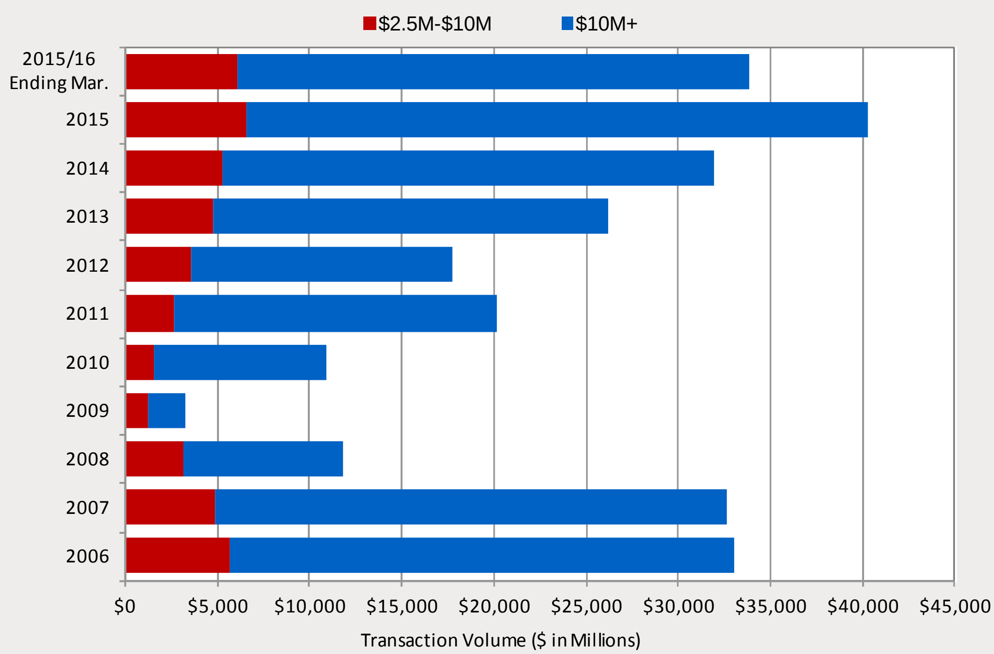
Hotel Investment Market Overview

The following overview of the hotel investment market during recent industry investment cycles provides a context for the sales comparison approach.

The volume of hotel transactions and the price paid for individual assets are influenced by two principal factors: the availability of capital and the performance of the lodging sector as a whole. When high levels of leverage are available on favorable terms and the industry is performing well, investors are attracted to the market, and both prices and the number of transactions increase. These market conditions often induce sellers to put their properties on the market, further fueling the pace of transaction activity. Conversely, when the availability of capital declines and interest rates increase, both the pace of activity and pricing levels decrease. When these capital conditions coincide with a downturn in industry performance, the transaction market drops off significantly. In these market conditions, sellers are typically unwilling to put their properties on the market, electing to wait until market conditions improve. The impact of these influences results in a cyclical investment market, recording peaks and valleys in response to changes in the capital markets and the economy.

The following chart sets forth the dollar volume of U.S. hotel transactions over the past decade, as reported by Real Capital Analytics. The blue portion of the bar chart represents the volume of transactions with a price in excess of $10 million, identified as Major Sales Transactions, while the red portion of the bar represents the volume of transactions with a price of $2.5 million to $10 million.

FIGURE 10-1 U.S. HOTEL TRANSACTION VOLUME BY YEAR (SALES ABOVE $2.5M)



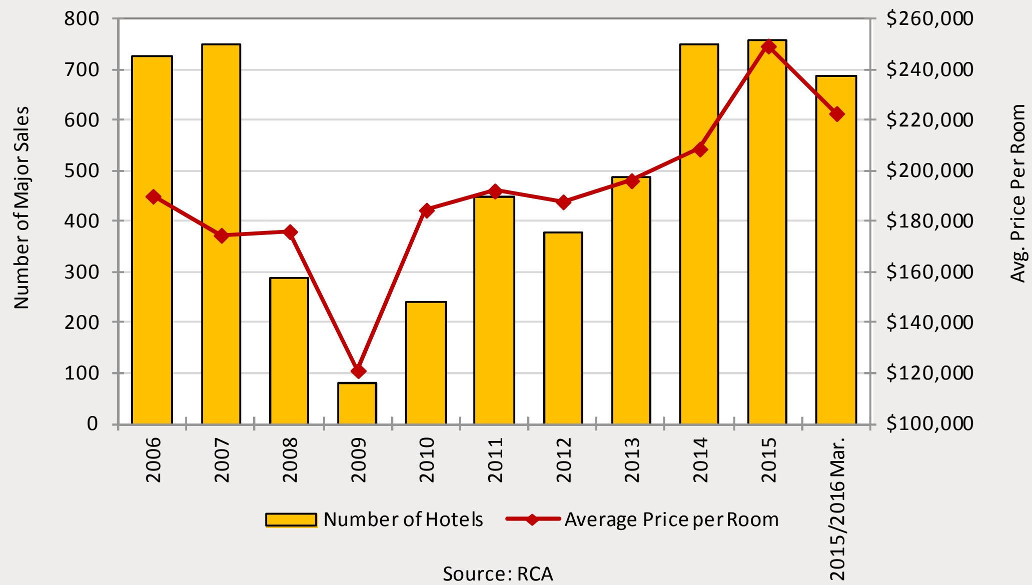
Source: RCA

The cyclical nature of the hospitality investment market is evident in the sales data. Following peak levels of activity in 2006 and 2007, hotel transaction activity slowed significantly in 2008 because of the weakening economy and reduction in CMBS lending. The market came to a virtual standstill in 2009 given the financial crisis, which negatively affected the hotel and real estate industries. Transaction activity began to recover in 2010 as the economic recovery gained momentum. Driven by strong industry fundamentals and favorable investment, transaction activity continued to increase, regaining 2007 levels in 2014 and reaching a new peak of almost $35 billion in transactions of over $10 million in 2015.

The following graph sets forth the number of major hotel transactions (defined as those with a purchase price in excess of $10 million) and the average price per room during the last decade.[12]

[12] Real Capital Analytics individual and portfolio hotel transactions data

FIGURE 10-2 U.S. HOTEL TRANSACTIONS BY YEAR (SALES ABOVE $10M)



Major sales transaction activity, defined as hotels that sell in excess of $10 million, mirrors the total sales trend. Since its nadir in 2009, the market recovered to nearly 800 major sales transactions in 2015, reflecting the peak year of transaction activity for this current cycle. The average price per room for hotels selling at a minimum price of $10 million surpassed $250,000 in 2015, a 21% increase over the prior year, reflecting a significant increase in the number of higher priced full-service hotel transactions. Trends thus far in 2016 indicate a shift in market conditions; transaction activity through March declined by 30% over the same period in 2015, reflecting investor and lender concerns about the impact of softening economic conditions and increasing supply. Sellers are retaining their value expectations while buyers are being more conservative when formulating their purchase price decisions, thus creating a gap between the two, which is slowing sales activity. Capitalization rates have increased modestly given the anticipation of slowing net income growth. Debt remains available at favorable interest rates, though some lenders have pulled out of the market and underwriting standards have become more stringent. The combination of these factors has resulted in a slower pace of market activity.

Limited- and select-service hotels are anticipated to remain the most active product type. Competition for high-quality assets in gateway cities remains strong, driving many buyers to pursue assets in secondary markets. Investor interest has broadened outside the premier sectors and markets. While some aging assets and/or those in need of unfunded capital improvements may continue to be challenged, capital is selectively available for asset turnarounds.

The improvement in market conditions in recent years resulted in increased sales transaction activity reflective of investor expectations in a normalized market. Market conditions began to shift in the fall of 2015, as lodging REITs were affected by volatility in the stock market. CMBS financing has become less available for hotel assets as institutional investors look to reduce risk. The recent change in market conditions indicates that adjustments may be warranted for sales that occurred from 2012 to mid-year 2015, a period of more robust sales activity. Capitalization rates derived from the historical income of the sales vary widely, depending upon when the sale occurred and how a hotel was performing at the time of sale. Given these factors, we have researched and relied upon the most relevant comparable sales data in our appraisal, although adjustments for changes in capital market conditions may be warranted, depending on the date and particular attributes of the transaction.

Sales History of Subject

The subject property is currently owned by Sample Hotel, LLC; the parent company of this owning partnership is Sample Hotels & Resorts, which is based in Shelton, Connecticut. The lender, Another Bank, foreclosed on the property under the prior owner, Owner Shelton, in early 2010. Sample Hotel, LLC then acquired the deed and the underlying note for $6,800,000 from Another Bank in May 2010. No transfers of the property have reportedly occurred since 2010. The hotel is neither listed nor under contract for sale; furthermore, we have no knowledge of any recent listings.

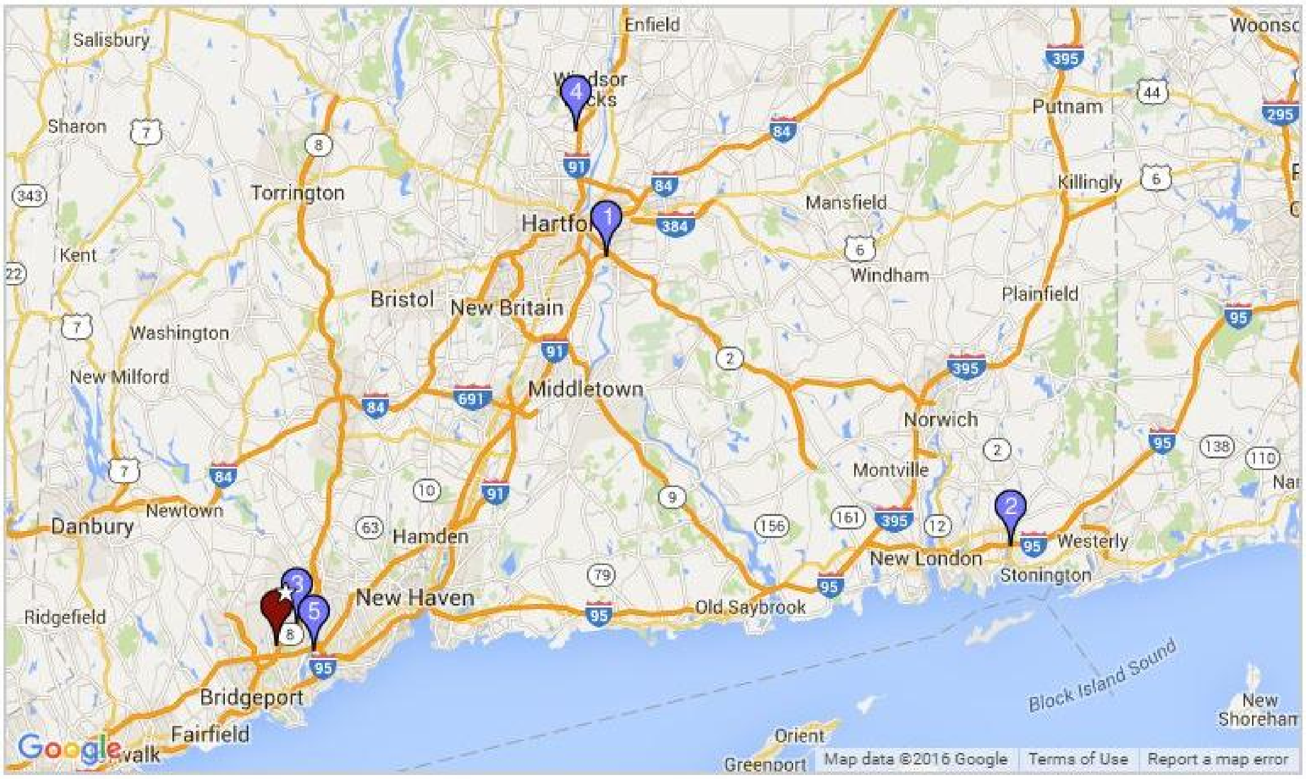
Comparable Sales

To present our selection of comparable sales, we conducted a comprehensive search for recent transactions of hotels that bear comparison to the subject property in one or more key areas. When possible, we gave priority to transactions occurring in the same state or region as the subject property. We also considered factors such as operational and physical similarities to the subject property, including brand affiliation and revenue-generating characteristics. All of the data have been verified by HVS or obtained from a verifying source.

FIGURE 10-3 SUMMARY OF SELECTED COMPARABLE SALES

Property	Location	Sale Date	Price	Rooms	Price/Rm	Overall Cap	Year Opened
Homewood Suites by Hilton Hartford South Glastonbury	Glastonbury, CT	Dec-14	$18,500,000	136	$136,029	—	2006
Hyatt Place Mystic	Mystic, CT	Nov-14	9,316,868	79	117,935	6.0%	1999
Hilton Garden Inn Shelton	Shelton, CT	Nov-14	15,000,000	142	105,634	5.6%	1999
Courtyard by Marriott Hartford Windsor	Windsor, CT	Sep-14	15,053,800	149	101,032	7.9%	1987
Homewood Suites by Hilton Stratford	Stratford, CT	Mar-14	16,500,000	135	122,222	—	2002

MAP OF PRIMARY COMPARABLE SALES



	Property	Location	Sale Date	Price	Rooms	Price/Rm
	Subject Property					
1	Homewood Suites by Hilton Hartford South Glastonbury	Glastonbury, CT	Dec-2014	18,500,000 USD	136	136,029 USD
2	Hyatt Place Mystic	Mystic, CT	Nov-2014	9,316,868 USD	79	117,935 USD
3	Hilton Garden Inn Shelton	Shelton, CT	Nov-2014	15,000,000 USD	142	105,634 USD
4	Courtyard by Marriott Hartford Windsor	Windsor, CT	Sep-2014	15,053,800 USD	149	101,032 USD
5	Homewood Suites by Hilton Stratford	Stratford, CT	Mar-2014	16,500,000 USD	135	122,222 USD

These sales are further detailed on the following pages.

Sale #1
Homewood Suites by Hilton Hartford South Glastonbury
Glastonbury, CT
136 Rooms

TRANSACTION DATA

Date of Sale:	December-14
Interest Conveyed:	Fee Simple
Buyer:	Claremont Companies
Seller:	PRA Development and Management Corp
Sales Price:	$18,500,000
Price per Room:	$136,029
Occupancy (Jan 1, 2013 - Dec 31, 2013):	76.0%
Average Rate (Jan 1, 2013 - Dec 31, 2013):	$128
RevPAR (Jan 1, 2013 - Dec 31, 2013):	$97
Rooms Revenue Multiplier:	3.8
Reported Capitalization Rate:	Not Disclosed
Confirmation:	RCA Data Integration

PROPERTY DATA

Year Opened:	2006
Property Class:	First Class
Facilities:	# F&B Outlets: 1, Total SF Meeting Space: 1,788
Amenities:	Business Center, Guest Laundry Area, Gift Shop, Outdoor Swimming Pool, Fitness Center
Condition at Sale:	Good
Type of Location:	Suburban

This property is located near Interstate 91, across from Putnam Bridge Plaza Shopping Center. The hotel market contains several businesses and demand generators including Hartford - Brainard Airport, Connecticut River, Trinity College, Rentschler Field Stadium, and Webster Theater.

Sale #2
Hyatt Place Mystic
Mystic, CT
79 Rooms

TRANSACTION DATA

Date of Sale:	November-14
Interest Conveyed:	Fee Simple
Buyer:	Lone Star
Seller:	Hyatt Hotels
Sales Price:	$9,316,868
Price per Room:	$117,935
Occupancy (Jul 1, 2013 - Jun 30, 2014):	73.0%
Average Rate (Jul 1, 2013 - Jun 30, 2014):	$128
RevPAR (Jul 1, 2013 - Jun 30, 2014):	$94
Rooms Revenue Multiplier:	3.5
Reported Capitalization Rate:	6.0%
Confirmation:	RCA Data Integration

PROPERTY DATA

Year Opened:	1999
Property Class:	First Class
Facilities:	# Stories: 3, # F&B Outlets: 2, Total SF Meeting Space: 750
Amenities:	Business Center, Guest Laundry Area, Outdoor Swimming Pool, Fitness Center
Condition at Sale:	Good
Type of Location:	Suburban

This property is located off Interstate 95, one-half mile from the Mystic Aquarium. The hotel market contains several businesses and demand generators including Olde Mistick Village, Mystic Bridge Historic District, and Mystic Seaport. This property is part of 31-property portfolio that sold for approximately $495,000,000. The individual sales prices have been generated by Real Capital Analytics.

Sale #3
Hilton Garden Inn Shelton
Shelton, CT
142 Rooms

TRANSACTION DATA

Date of Sale:	November-14
Interest Conveyed:	Fee Simple
Buyer:	Lixi Hospitality Group
Seller:	Widewaters Group/New Castle Hotels & Resorts, JV
Sales Price:	$15,000,000
Price per Room:	$105,634
Occupancy (Jul 1, 2013 - Jun 30, 2014):	67.2%
Average Rate (Jul 1, 2013 - Jun 30, 2014):	$110
RevPAR (Jul 1, 2013 - Jun 30, 2014):	$74
Rooms Revenue Multiplier:	3.9
Reported Capitalization Rate:	5.6%
Confirmation:	RCA Data Integration

PROPERTY DATA

Year Opened:	1999
Property Class:	Mid-Scale
Facilities:	# Stories: 6, # F&B Outlets: 2, Total SF Meeting Space: 2,800
Amenities:	Business Center, Guest Laundry Area, Room Service, Gift Shop, Indoor Swimming Pool, Fitness Center, Indoor Whirlpool
Condition at Sale:	Good
Type of Location:	Suburban

This property was part of a four hotel portfolio that sold for approximately $90,000,000. The individual sales prices are based on allocations generated by Real Capital Analytics. The hotel will continue to operate as a Hilton Garden Inn.

Sale #4
Courtyard by Marriott
Hartford Windsor
Windsor, CT
149 Rooms

TRANSACTION DATA

Date of Sale:	September-14
Interest Conveyed:	Fee Simple
Buyer:	NorthStar Realty Finance
Seller:	Sarofim Realty Advisors/Clarion Partners, JV
Sales Price:	$15,053,800
Price per Room:	$101,032
Occupancy (Jan 1, 2014 - Dec 31, 2014):	65.9%
Average Rate (Jan 1, 2014 - Dec 31, 2014):	$114
RevPAR (Jan 1, 2014 - Dec 31, 2014):	$75
Rooms Revenue Multiplier:	3.7
Reported Capitalization Rate:	7.9%
Confirmation:	RCA Data Integration

PROPERTY DATA

Year Opened:	1987
Property Class:	First Class
Facilities:	# Stories: 2, # F&B Outlets: 1, Total SF Meeting Space: 1,270
Amenities:	Business Center, Guest Laundry Area, Room Service, Gift Shop, Indoor Swimming Pool, Fitness Center, Indoor Whirlpool
Condition at Sale:	Good
Type of Location:	Suburban

This property is located off Interstate 91, six miles from Bradley International Airport. The hotel market contains several businesses and demand generators including Mill Brook State Park, Windsor Court, Milo W. Peck Community Center, and the University of Hartford. This property was part of a 40 - hotel portfolio that sold for $683,000,000. Individual sales prices are generated by Real Capital Analytics.

HVS

Sale #5
Homewood Suites by Hilton Stratford
Stratford, CT
135 Rooms

TRANSACTION DATA

Date of Sale:	March-14
Interest Conveyed:	Fee Simple
Buyer:	ARC Hospitality Trust
Seller:	Barceló Crestline
Sales Price:	$16,500,000
Price per Room:	$122,222
Occupancy (Jan 1, 2013 - Dec 31, 2013):	77.1%
Average Rate (Jan 1, 2013 - Dec 31, 2013):	$124
RevPAR (Jan 1, 2013 - Dec 31, 2013):	$97
Rooms Revenue Multiplier:	4.2
Reported Capitalization Rate:	Not Disclosed
Confirmation:	RCA Data Integration

PROPERTY DATA

Year Opened:	2002
Property Class:	First Class
Facilities:	# Stories: 3, # F&B Outlets: 1, Total SF Meeting Space: 1,094
Amenities:	Business Center, Guest Laundry Area, Gift Shop, Indoor Swimming Pool, Outdoor Swimming Pool, Fitness Center, Indoor Whirlpool
Condition at Sale:	Good
Type of Location:	Suburban

This property is located off Merritt Parkway, two miles from Oronoque Country Club. The hotel market contains several businesses and demand generators including Pecks Mill Pond Park, Mill River Country Club, Beardsley Zoo, Bridgeport Arena, Jones Family Farm and Winery, Long Island Ferry, Yale University, Pitney Bowes, Prudential Financial, and Unilever. At the time of sale, the new owners planned to conduct brand specific upgrades to the property. The hotel will be managed by Crestline Hotels and Resorts.

Review of Comparable Sales

The following table sets forth the adjustment grid used to account for differences between the transacted properties and the subject property.

FIGURE 10-4 COMPARABLE SALES ADJUSTMENT GRID

Elements of Comparison	Subject Property	Sale #1 Homewood Suites by Hilton Hartford South Glastonbury, Glastonbury, CT	Sale #2 Hyatt Place Mystic, Mystic, CT	Sale #3 Hilton Garden Inn Shelton, Shelton, CT	Sale #4 Courtyard by Marriott Hartford Windsor, Windsor, CT	Sale #5 Homewood Suites by Hilton Stratford, Stratford, CT
Sale Price		$18,500,000	$9,316,868	$15,000,000	$15,053,800	$16,500,000
Number of Rooms	125	136	79	142	149	135
Price per Room		$136,029	$117,935	$105,634	$101,032	$122,222
Year Open	1998	2006	1999	1999	1987	2002
Date of Sale		December-14	November-14	November-14	September-14	March-14
Adjustments for Transaction Characteristics (Per Room)						
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price		136,029	117,935	105,634	101,032	122,222
Financing Terms		Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent
Adjustment		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price		136,029	117,935	105,634	101,032	122,222
Conditions of Sale		Normal	Normal	Normal	Normal	Normal
Adjustment		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price		136,029	117,935	105,634	101,032	122,222
Market Conditions		Similar	Similar	Similar	Similar	Similar
Adjustment		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Adjusted Sales Price		136,029	117,935	105,634	101,032	122,222
Adjusted Price		$136,029	$117,935	$105,634	$101,032	$122,222
Adjustments for Property Characteristics						
Location/Market		Similar	Similar	Similar	Similar	Similar
Adjustment		0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Physical Condition/Facilities		Superior	Similar	Similar	Inferior	Superior
Adjustment		(5.0) %	0.0 %	0.0 %	5.0 %	(5.0) %
Other Revenue Sources		Similar	Superior	Superior	Superior	Similar
Adjustment		0.0 %	(5.0) %	(5.0) %	(5.0) %	0.0 %
Market Orientation (RevPAR)	$90.91	$97.28	$93.62	$73.62	$74.96	$95.90
Adjustment		(6.6) %	(2.9) %	23.5 %	21.3 %	(5.2) %
Cumulative Percentage Adjustment		(11.6) %	(7.9) %	18.5 %	21.3 %	(10.2) %
Net Adjust. for Property Characteristics		(15,712)	(9,307)	19,516	21,493	(12,469)
Adjusted Price Per Room		$120,318	$108,628	$125,150	$122,525	$109,753

Given the complex nature of hotel assets, as well as the many variables within a hotel's operations, it is quite difficult to derive a specific numeric adjustment for an individual characteristic, and any adjustments extracted from sales are often distorted. As such, we have to rely partly on broader sets of data and our own experience when deriving adjustments. Comparable hotel sales are typically transacted less often and are spread over a wider geographical area than other commercial sectors, adding to the complexity of making quantitative adjustments.

The sales comparables were all transacted in terms that were similar to the subject property. Accordingly, no adjustments were made for differences in transaction characteristics. Downward adjustments for physical condition/facilities were applied to Sales #1 and #5 given these assets' newer physical plants, considered superior to the subject property. An upward adjustment for physical condition/facilities was applied to Sale #4 to reflect the asset's 1987 construction date and older physical plant, considered inferior to the subject property. Downward adjustments for other revenue sources were applied to Sales #2 through #4 given these assets' select-service scopes, inclusive of revenue-generating meeting space, as well as an onsite restaurant and lounge.

Hotels are purchased and sold on their ability to generate revenue and net income. Thus, we find that a reliable way to adjust hotel sales is by comparing RevPARs. Revenue per available room inherently reflects the relative revenue-producing ability of each of the comparable sales, the primary consideration of hotel purchasers. The best way to adjust comparable hotel sales is to calculate the difference between a comparable hotel's RevPAR at the time of sale with the subject property's RevPAR. RevPAR adjustments also inherently account for differences in physical condition and the passage of time. As such, we have adjusted the per-room sales price for each sale by the percentage differential between the subject hotel's base-year RevPAR and that of each property at the time of its sale.

Conclusion

Prior to adjustments, the comparable sales transacted for amounts ranging from $101,000 to $136,000 per room. Following quantitative and qualitative adjustments, the selected sales indicate a range of $109,000 to $125,000 per room. Based on our review of the adjusted sales, we have selected a per key range of $109,000 to $125,000, which equates to a concluded value via the sales comparison approach of $13,600,000 to $15,600,000 for the 125-room subject property.

Gross Rooms Revenue Multiplier

The gross rooms revenue multiplier (GRRM) is a common measure of sales transactions in the limited-service sector and is often used in lieu of capitalization rates. Given the widely different operating profiles that characterize the owner/operators that constitute the market for these assets, operating efficiencies and net income levels can vary significantly. Consequently, the market typically employs a standard of measurement that is tied to the location, facilities, and market conditions of the assets, rather than profitability; the GRRM fits these criteria.

We have identified several recent transactions involving limited-service hotels that bear some degree of comparability to the subject property and have obtained occupancy and average rate data for each hotel for the year immediately preceding the sale. The data have been used to calculate the gross rooms revenue generated by each hotel. From this information, we have extracted the GRRM indicated by the transaction, which is calculated by dividing the sales price by the gross rooms revenue. The resulting GRRM data are set forth in the table on the following page.

FIGURE 10-5 GROSS ROOMS REVENUE MULTIPLIER

Property	Location	Year Open	Number of Rooms	Date of Sale	Sale Price	Price Per Room	GRRM
Four Points by Sheraton Boston Logan Airport	Revere, MA	1962	180	Mar-16	$23,450,000	$130,278	3.10
Homewood Suites by Hilton Hartford South Glastonbury	Glastonbury, CT	2006	136	Dec-14	18,500,000	136,029	3.83
Hyatt Place Mystic	Mystic, CT	1999	79	Nov-14	9,316,868	117,935	3.50
Hilton Garden Inn Shelton	Shelton, CT	1999	142	Nov-14	15,000,000	105,634	3.90
SpringHill Suites by Marriott Tarrytown Greenburgh	Tarrytown, NY	2004	145	Nov-14	18,404,808	126,930	3.10
DoubleTree by Hilton Boston Milford	Milford, MA	1985	177	Oct-14	18,300,000	103,390	3.90
Courtyard by Marriott Hartford Windsor	Windsor, CT	1987	149	Sep-14	15,053,800	101,032	3.70
Hampton Inn Dover	Dover, NH	2007	93	Jul-14	6,400,000	68,817	4.00
Hampton Inn & Suites Manchester	Manchester, CT	2008	107	Mar-14	11,758,950	109,897	3.50
Hyatt House Bridgewater	Bridgewater, NJ	1998	128	Feb-14	15,705,000	122,695	3.20
						Average	***3.57***

Gross Room Revenue Multipliers for the Subject Property, as indicated by the Income Approach	
Based on Trailing-Twelve-Month Period	3.38
Based on Year One Forecast	3.17
Based on Deflated Stabilized Forecast	3.27

The GRRMs indicated by the transactions surveyed ranged from 3.10 to 4.00; the average GRRM is 3.57. The value indicated by the income approach yields a GRRM of 3.38, based on the rooms revenue for the trailing twelve months prior to the date of value, and an “as is” market value of $14,000,000, which is consistent with the range indicated by the comparable sales.

11. Cost Approach

As addressed in prior sections of this report, the cost approach has limited utility in the valuation of existing hotels. The quantification of external and incurable functional obsolescence is based on numerous adjustments. It is our experience that knowledgeable purchasers of complex hotel properties are more concerned with the economics of the investment. Therefore, the cost approach has little significance. In light of its minimal value and the difficulty in quantifying the varying sources of depreciation, we have not utilized the cost approach in estimating the value of the subject property. However, we have estimated the value of the hotel's personal property.

Personal Property

In a hotel, the personal property consists of the furniture, fixtures, and equipment (FF&E) and the inventories in place at the subject property as of the date of value. USPAP defines personal property as "identifiable tangible objects that are considered by the general public as being 'personal'—for example, furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all tangible property that is not classified as real estate."[13]

In accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), we have delineated the market value of the subject hotel's personal property. Most furnishings in a hotel can command little more than a salvage value substantially lower than the original cost when sold separately from the improvements. Personal property has been valued based on the depreciated replacement cost of the FF&E. Personal property is an integral part of a transient lodging facility.

The allocation of a portion of the overall hotel's value to the personal property is not explicitly considered by hotel investors in making their pricing decisions. Lodging facilities are usually sold with their personal property in place. In a transaction, any operating supplies or inventories are negotiated as part of the closing statement adjustments.

The following table sets forth a depreciation schedule developed by HVS for determining the market value, or "value in exchange," of a hotel's FF&E. The depreciation estimates represent the average depreciation applicable to the

[13] The Appraisal Foundation, *Uniform Standards of Professional Appraisal Practice*, 2016–2017 ed.

entirety of a hotel's personal property; these have been applied to the original cost of the FF&E.

FIGURE 11-1 FURNITURE, FIXTURES, AND EQUIPMENT DEPRECIATION SCHEDULE

Average Age (Years)	Percent Depreciated
1	40 %
2	60
3	70
4	75
5	80
6	85
7	89
8	92
9	95
10	98

Source: HVS

We estimate the total replacement cost of the subject property's FF&E at $10,000 per available room, or a total of $1,250,000. Assuming an average economic life of ten years and an effective age of four, the value of the FF&E currently in place is approximately $2,000 per room, or a total of $310,000 (rounded). This is calculated using an accelerated depreciation schedule, which estimates total depreciation of a hotel's furnishings after four years at 75.0%. At stabilization, the effective age, considering any replacements that are expected to occur prior to the stabilized year, is estimated to be 7 year(s). Using an adjusted replacement cost per room of $10,800 and a depreciation factor of 89%, the estimated value of the personal property is $150,000.

Replacement Cost for Insurance Purposes

At the client's request, we have estimated the replacement cost for the subject property's building and contents for insurance purposes. One of the nationally recognized authorities on replacement cost information is Marshall & Swift, and HVS uses the Commercial Estimator computer software program produced by Marshall & Swift. As defined by Marshall & Swift, the replacement cost of a building is the total cost of construction required to replace the subject building with a substitute of like or equal utility using current standards of materials and design. These costs include labor, materials, supervision, contractors' profit and overhead, architects' plans and specifications, sales taxes, and insurance. The Marshall & Swift costs also contain the normal interest on the actual building funds during period of construction; normal site preparation including the excavation and grading for foundation, as well as backfill for the structure only and the finish of foundation; and utilities from structure to lot line figured for typical setback. Although generally reliable, the data used to compile this estimate provide only a rough indication of what the replacement cost of the property may be.

For the purpose of developing a replacement cost estimate using the Marshall & Swift Commercial Estimator program, the building has been classified as a Class B, Rank 4 hotel structure. Based on information obtained from the subject property's ownership or management, the total area of the building is estimated to be 78,758 square feet. The following chart reflects the summary of the Marshall & Swift estimate.

FIGURE 11-2 MARSHALL & SWIFT ESTIMATE

Date of Query:	July 5, 2016
Occupancy:	limited-service
Class:	Class B
Height (Feet):	10
Rank:	4
Total Area (Square Feet):	78,758
Number of Stories (Section):	six
Number of Elevators:	2
Shape:	2
Number of Rooms:	125

Basic Structure	Unit	Cost Per SF	Total
Base Cost	78,758	$121.38	$9,559,646
Exterior Walls	78,758	39.29	3,094,402
Heating & Cooling	78,758	23.22	1,828,761
Elevator (s)	78,758	6.08	478,849
Sprinklers	78,758	4.88	384,339
		Total Cost:	**$15,345,997**
		Rounded to:	**$15,300,000**
		Per Room:	**$122,400**

As previously detailed, our estimate of the replacement cost of furniture, fixtures, and equipment is $1,250,000.

For the purpose of estimating replacement cost for insurance purposes, only hard or direct construction costs should be reflected; therefore, certain exclusions need to be taken into consideration. An adjustment for exclusions is made to account for the portion of the construction which is not covered by a policy but which is included in the Marshall & Swift replacement cost estimate. Exclusions typically constitute 5.0% to 10.0% of the replacement cost and include items such as landscaping, parking, other yard improvements, and the foundation or sub-structure. In this analysis, a 10.0% adjustment was made to the replacement cost of the hotel to account for these exclusions. The estimated replacement cost of the personal property is then added to the adjusted replacement cost of the building. Our opinion of the replacement cost for insurance purposes is presented in the following table.

FIGURE 11-3 ESTIMATE OF REPLACEMENT COST FOR INSURANCE PURPOSES

Replacement Cost of Building:	$15,300,000
Less Exclusions (10%)	1,530,000
Insurable Value of Structures	$13,770,000
Plus Furniture, Fixtures, & Equipment	$1,250,000
Total Insurable Value:	$15,020,000
Rounded to:	**$15,000,000**
Per Room:	**$120,000**

This analysis should not be relied upon to determine actual insurance coverage, which can be properly estimated only by consultants considered experts in cost estimation and insurance underwriting. It is provided to aid in the overall decision-making process of the client/reader/user, and no representations or warranties are made by HVS regarding the accuracy of this estimate. We strongly recommend that other sources be utilized when considering replacement costs and property insurance estimates.

12. Reconciliation of Value Indications

The reconciliation, which is the last step in the appraisal process, involves summarizing and correlating the data and procedures employed throughout the analysis. The final value conclusion is arrived at after reviewing the estimates indicated by the income capitalization and sales comparison approaches. The relative significance, applicability, and defensibility of each indicated value are considered, and the greatest weight is given to that approach deemed most appropriate for the property being appraised.

The purpose of this report is to estimate the market value of the fee simple interest in the subject property; our appraisal involves a careful analysis of the property itself and the economic, demographic, political, physical, and environmental factors that influence real estate values.

Income Capitalization Approach

Our nationwide experience indicates that the procedures used in estimating market value by the income capitalization approach are comparable to those employed by the hotel investors who constitute the marketplace. For this reason, we believe that the income capitalization approach produces the most supportable value estimate, and it is given the greatest weight in our final estimate of the subject property's market value.

Sales Comparison Approach

The sales comparison approach uses actual sales of similar properties to provide an indication of the subject property's value. Although we have investigated a number of sales in an attempt to develop a range of value indications, several adjustments are necessary to render these sales prices applicable to the subject property. The adjustments, which tend to be subjective, diminish the reliability of the sales comparison approach; furthermore, typical hotel investors employ a sales comparison procedure only to establish broad value parameters.

Cost Approach

Due to the practices of typical hotel buyers and sellers in today's market, the cost approach was not employed in arriving at an "as is" market value estimate.

Value Conclusion

Based on our analysis, it is our opinion that the "as is" market value of the fee simple interest in the real and personal property of the Sample Inn, as of July 5, 2016, is:

$14,000,000

FOURTEEN MILLION DOLLARS

This value estimate equates to $112,000 per room. We have also estimated the prospective market value of the subject property as of its projected date of stabilization. Based on our analysis, it is our opinion that the "when stabilized" prospective market value of the fee simple interest in the real and personal property of the Sample Inn, as of August 1, 2018, will be:

$14,900,000

FOURTEEN MILLION NINE HUNDRED THOUSAND DOLLARS

This "when stabilized" value estimate equates to $119,000 per room. The estimates of market value include the land (if applicable), the improvements, and the furniture, fixtures, and equipment. The appraisal assumes that the hotel is open and operational.

We have made no extraordinary assumptions specific to the subject property. However, several important general assumptions have been made that apply to this report. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.

In regard to the stabilized value, we assume that the subject property's operations have stabilized by the stated stabilization date and that all of the projections and assumptions used in this appraisal, such as the occupancy, average rate, inflation forecast, and our forecast of income and expense, hold true. As of the prospective date of stabilization, our opinion of the market value of the subject property assumes that the hotel will be maintained in good competitive condition and that no major changes will have occurred in the local market or the national economy that would have affected the performance of the property by that date.

Components of Value

USPAP requires the appraiser to "identify any personal property, trade fixtures, or intangible items that are not real property but are included in the appraisal" and "to analyze the effect on value of such non-real property items."[14] The estimates of market value include the land, improvements, and personal property. The appraisal assumes that the hotel is open and operational.

[14] Ibid.

Hotels comprise three primary components: the real property (land and improvements), personal property, and intangible property. Real property is defined as "the interests, benefits, and rights inherent in the ownership of real estate (land and improvements."[15] Personal property is defined as "identifiable tangible objects that are considered by the general public as being 'personal'—for example, furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all tangible property that is not classified as real estate."[16]

The personal property consists of the furniture, fixtures, and equipment (FF&E) and the inventories in place at the subject property as of the date of value. Personal property is an integral part of a transient lodging facility. The allocation of a portion of the overall hotel's value to the personal property is not explicitly considered by hotel investors in making their pricing decisions. Lodging facilities are usually sold with their personal property in place. In accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), we have delineated the market value of the subject hotel's personal property. Most furnishings in a hotel can command little more than a salvage value substantially lower than the original cost when sold separately from the improvements. Personal property has been valued based on its depreciated replacement cost.

USPAP defines intangible property as "nonphysical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment."[17] All value attributable to the intangible property has been removed with the assumed expense of a management fee and a franchise fee (if applicable) in the valuation process.

Our concluded opinions of the subject hotel's market value include the value of the real property (land and improvements) and the value of the personal property only.

[15] Ibid.

[16] Ibid.

[17] Ibid.

Allocation of "As Is" Market Value

The allocations of value pertaining to the "as is "market value are set forth in the following chart.

FIGURE 12-1 ALLOCATION OF REAL PROPERTY VALUE – "AS IS"

"As Is" Market Value Opinion:	$14,000,000
Less Personal Property	310,000
Less Intangible Property	0
Real Property Value	**$13,690,000**

Allocation – Prospective Market Value upon Stabilization

The value allocation upon stabilization of the subject property, as of August 1, 2018, was also estimated. The "when stabilized" value opinion is allocated as follows:

FIGURE 12-2 ALLOCATION OF REAL PROPERTY VALUE – STABILIZED VALUE

"When Stabilized" Market Value Estimate:	$14,900,000
Less Personal Property	150,000
Less Intangible Property	0
Real Property Value	**$14,750,000**

13. Statement of Assumptions and Limiting Conditions

1. This report is to be used in whole and not in part.
2. 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 valued as though free and clear unless otherwise stated.
3. We assume that there are no hidden or unapparent conditions of the sub-soil or structures, such as underground storage tanks, that would render the property more or less valuable. No responsibility is assumed for these conditions or for any engineering that may be required to discover them.
4. We have not considered the presence of potentially hazardous materials such as asbestos, urea-formaldehyde foam insulation, any form of toxic waste, polychlorinated biphenyls (PCBs), pesticides, mold, or lead-based paints. We are not qualified to detect hazardous substances and urge the client to retain an expert in this field if desired.
5. The Americans with Disabilities Act (ADA) became effective on January 26, 1992. We have conducted no specific compliance survey to determine whether the subject property has been designed in accordance with the various detailed requirements of the ADA. It is possible that the design does not conform to the requirements of the act, and this could have an unfavorable effect on value. Because we have no direct evidence regarding this issue, our estimate of value does not consider possible non-compliance with the ADA.
6. We have made no survey of the property, 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 is within the boundaries of the property described, and that there is no encroachment or trespass unless noted.
7. 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.
8. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.

9. 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.
10. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.
11. 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.
12. 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.
13. 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.
14. We take no responsibility for any events or circumstances that take place subsequent to either the date of value or the date of our field inspection, whichever occurs first.
15. The quality of a lodging facility's onsite management has a direct effect on a property's economic viability and value. 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 and the value estimate.
16. 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 buyer as of the stated date(s) of valuation.

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

18. 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.

19. 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, and 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.

20. Although this analysis employs various mathematical calculations to provide value indications, the final estimate is subjective and may be influenced by our experience and other factors not specifically set forth in this report.

21. Any distribution of the total value between the land and improvements or between partial ownership interests applies only under the stated use. Moreover, separate allocations between components are not valid if this report is used in conjunction with any other analysis.

22. Our report has been prepared in accordance with, and is subject to, the requirements of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) and the Uniform Standards of Professional Practice (USPAP), as provided by the Appraisal Foundation.

23. 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.

14. 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 value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
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. Preston K. Puleo personally inspected the property described in this report; Jerod S. Byrd, MAI and Rodney G. Clough, MAI participated in the analysis and reviewed the findings, but did not personally inspect the property;
9. Jerod S. Byrd, MAI and Preston K. Puleo provided significant real property appraisal assistance to Rodney G. Clough, MAI, and that no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this appraisal report;
10. Appraiser Name has performed one appraisal on the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment;

11. the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute;

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

13. as of the date of this report, Appraiser Name, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.

Sample Report

Appraiser Name
Appraiser Title
TS Worldwide, LLC
State Appraiser License # (00000)