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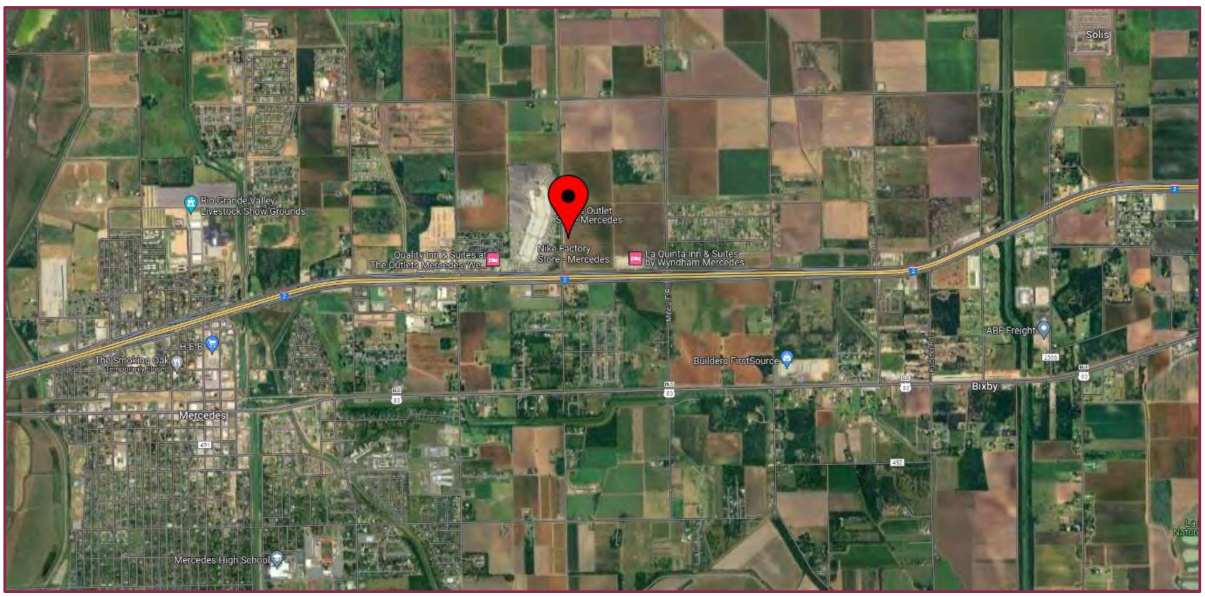

Courtyard by Marriott Somewhere, Texas

North East Quadrant of the Intersection of IH-12 and East Road
Somewhere, Texas

2024

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FEASIBILITY STUDY

Courtyard by Marriott

North East Quadrant of the Intersection of East Road & IH-12
Somewhere, Texas

Executive Summary

This study has been prepared to determine the financial feasibility of building and operating a *Courtyard by Marriott* hotel in Somewhere, Texas, across the street from the Premium Outlets shopping mall. The property is expected to open as a 120-unit hotel in January of 2026. The hotel site is well situated to serve existing demand generators, including nearby industrial, agricultural, and manufacturing interests. The location has easy access to area highways and excellent visibility, as well as being convenient to the many businesses, restaurants, and other amenities in the local area.

Project quality is set to meet the physical and operating standards of the *Courtyard* brand, a product of the Marriott Corporation (*Marriott, Renaissance, Residence Inn, Courtyard, Springhill Suites, Townplace, Fairfield Inn* as well the former Starwood Hotel brands). All projections herein are based on operating this hotel as a *Courtyard by Marriott*, and retaining the brand in good standing at the time of an assumed sale after 10 years. Assumed market acceptance for a *Courtyard by Marriott* hotel has been quantified versus market averages, and has been used in developing this study. Operating costs are set at the level of similar hotels in the region.

KEY FINDING: Building and operating a *Courtyard by Marriott* generates an internal rate of return of 19.5%, assuming a sale after Year 10 of operation. This return on invested capital also assumes that total development is completed at the estimated cost of $148,333 per unit. Project details follow:

Total Hotel Investment		
Developments Costs:	$17,800,000	@ $148,333 per key[1]
Closing Costs (3%):	$534,000	
Total Investment:	$18,334,000	
Internal Rate of Return:	19.5%[2]	

1. Source Strategies' estimate of project costs; land cost has been assumed at $1,000,000.
2. After annual reserve for on-going renovations. Assumes a Year 10 sale at a targeted price of $26,609,319, at a CAP rate of 8%, less sale expense of 1%.

With projections starting in January of 2026, cash flow market projections for the Courtyard by Marriott, before taxes and after renovation reserves, should be available for debt service, income tax and dividends as follows:

Project Performance Summary

	Occupancy Percent	Average Daily Rate	REVPAR	Total Revenue	Cash Flow After Debt Service
Year 1	66.3%	$146.22	$97.02	$4,510,814	$754,591
Year 2	72.0%	$159.37	$114.82	$5,325,903	$1,077,576
Year 3	74.5%	$164.15	$122.25	$5,707,022	$1,094,048
Year 4	73.9%	$165.79	$122.49	$5,714,760	$1,084,076
Year 5	73.3%	$167.45	$122.73	$5,733,777	$1,081,460
Year 6	72.6%	$169.13	$122.73	$5,741,400	$1,072,314
Year 7	71.8%	$170.82	$122.73	$5,737,824	$1,060,621
Year 8	71.1%	$172.53	$122.73	$5,767,000	$1,046,499
Year 9	70.4%	$174.25	$122.73	$5,763,171	$1,032,958
Year 10	70.3%	$175.99	$123.64	$5,801,729	$1,040,266

*Year I ADR equates to approximately $137 in current market dollars. **Before Income Tax but reflecting reserves for capital expenditures/property renovation.

The above cash flow, assuming a Year 10 sale, has been discounted at the rate of 19.5%. This 19.5% is the project's internal rate of return (IRR), provided capital costs are kept at the current estimated level. An estimated capital budget for the construction of a *Courtyard by Marriott* of $148,333 per unit 'turn-key' costs is fairly average (including land cost) and reasonable for a lodging product of this size and quality. If capital outlays vary from the current budget for this project, returns will vary accordingly. The following table and graph illustrate change in the IRR as capital requirements escalate or decline and revenue remains stable.

Effect on Returns if Capital Investment Changes

	Improvements Budget			Total	10-Year
Variance	Per Unit	Total	Land Cost	Investment	Project IRR
(85%)	127,333	$14,280,000	$1,000,000	$15,280,000	23.6%
(90%)	134,333	$15,120,000	$1,000,000	$16,120,000	22.1%
(95%)	141,333	$15,960,000	$1,000,000	$16,960,000	20.8%
BUDGET	**148,333**	**$16,800,000**	**$1,000,000**	**$17,800,000**	19.5%
(105%)	155,333	$17,640,000	$1,000,000	$18,640,000	18.2%
(110%)	162,333	$18,480,000	$1,000,000	$19,480,000	17.0%
(115%)	169,333	$19,320,000	$1,000,000	$20,320,000	15.8%

Project Proforma

With projections starting in January of 2026, projections for the subject *Courtyard by Marriott*, before taxes and after renovation reserves, should be available for debt service, income tax and dividends as follows:

	Courtyard by Marriott, Years 1-5				
	Proforma Forecast				
	Year 1	Year 2	Year 3	Year 4	Year 5
Keys	120	120	120	120	120
Occ	66.35%	72.04%	74.47%	73.88%	73.29%
ADR	$146.22	$159.37	$164.15	$165.79	$167.45
Total Rooms Sold	29,060	31,555	32,618	32,359	32,102
Rooms RevPAR	**$97.02**	**$114.82**	**$122.25**	**$122.49**	**$122.73**
Revenues					
Rooms Revenue	$ 4,249,270	$ 5,028,971	$ 5,354,417	$ 5,364,959	$ 5,375,522
Food & Beverage Revenue	203,423	231,929	285,411	283,142	292,126
Other Revenue	58,121	65,003	67,194	66,660	66,130
Total Revenues	**$ 4,510,814**	**$ 5,325,903**	**$ 5,707,022**	**$ 5,714,760**	**$ 5,733,777**
Cost of Sales					
Rooms Expense	958,994	1,093,377	1,130,228	1,121,240	1,112,325
Other/Comp F&B	87,181	94,665	100,791	99,989	99,194
Telecommunications & Other Expenses	25,000	25,500	26,010	26,530	27,061
Total Cost of Sales	$ 1,223,742	$ 1,387,488	$ 1,471,087	$ 1,460,116	$ 1,457,674
Departmental Profit	**$ 3,287,072**	**$ 3,938,414**	**$ 4,235,936**	**$ 4,254,644**	**$ 4,276,103**
Undistributed Expenses					
Fixed Admin. and General	$ 250,000	$ 267,800	$ 279,851	$ 288,247	$ 296,894
Controllable Admin. and General	135,324	159,777	171,211	171,443	172,013
Franchisor Marketing Fees	127,478	150,869	160,633	160,949	161,266
Fixed Sales and Marketing	30,000	30,900	31,827	32,782	33,765
Controllable Sales and Marketing	135,324	159,777	171,211	171,443	172,013
Franchise Fees	212,464	251,449	267,721	268,248	268,776
Fixed Repairs and Maintenance	50,000	51,000	52,020	53,060	54,122
Controlled Repairs and Maintenance	58,121	64,372	65,237	64,718	64,203
Utilities	95,000	96,900	98,838	100,815	102,831
Total Undistributed Expenses	$ 1,093,711	$ 1,232,844	$ 1,298,548	$ 1,311,704	$ 1,325,884
Gross Operating Profit	**$ 2,193,361**	**$ 2,705,570**	**$ 2,937,388**	**$ 2,942,940**	**$ 2,950,219**
GOP Margin	**48.6%**	**50.8%**	**51.5%**	**51.5%**	**51.5%**
Operational Expenses					
Management Fees	$ 180,433	$ 213,036	$ 228,281	$ 228,590	$ 229,351
Property Taxes	100,000	103,000	106,090	109,273	112,551
Insurance Expenses	90,000	94,500	99,225	104,186	109,396
Net Operating Income	**$ 1,822,928**	**$ 2,295,034**	**$ 2,503,792**	**$ 2,500,891**	**$ 2,498,922**
NOI Margin	**40.4%**	**43.1%**	**43.9%**	**43.8%**	**43.6%**
FF&E Reserve	169,971	271,564	321,265	328,336	328,982
Adjusted NOI	**$ 1,652,957**	**$ 2,023,470**	**$ 2,182,527**	**$ 2,172,555**	**$ 2,169,940**
Adjusted NOI Margin	**36.6%**	**38.0%**	**38.2%**	**38.1%**	**38.0%**

Project Sale Assumptions and Summary

Sources		
Debt	$12,833,800	*70.0%*
Equity	$5,500,200	
Total	**$18,334,000**	

Uses	
Development Costs	$17,800,000
Soft Costs	-
Closing Costs	$534,000
Total	**$18,334,000**

Cash Flow	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**
Net Operating Income	$ 2,489,778	$ 2,478,088	$ 2,470,419	$ 2,456,881	$ 2,466,658
FF&E Reserve	$ 328,985	$ 328,987	$ 335,441	$ 335,443	$ 337,912
Debt Service	$ 1,088,480	$ 1,088,480	$ 1,088,480	$ 1,088,480	$ 1,088,480
Incentives	$ -	$ -	$ -	$ -	$ -
Gross Margin Tax	$ -	$ -	$ -	$ -	$ -
Cash Flow Reserve After Debt Service	**$ 1,072,314**	**$ 1,060,621**	**$ 1,046,499**	**$ 1,032,958**	**$ 1,040,266**

Sale Proceeds, Year 10	
NOI After FF&E Reserve	$ 2,128,746
Cap Rate	8.00%
Targeted Sale Price	**$ 26,609,319**
Less: Sale Expense	$ (266,093)
Less: Mortgage	$ (10,719,215)
Plus: FF&E Reserve Balance	$ 1,337,784
Net Sale Proceeds	**$ 16,961,794**

Total Distributable	**$ 1,072,314**	**$ 1,060,621**	**$ 1,046,499**	**$ 1,032,958**	**$ 18,002,060**

Deal IRR	**19.5%**

SUMMARY OF CRITICAL ASSUMPTIONS: Three assumptions are used to create the projections in this study: market projection; derivation of the subject hotel performance within that market; and projected operating expenses. Assumptions are summarized as follows (see page 10 for ***Market REVPAR History***, and page 8 for ***Methodology***):

Somewhere Zip Codes Market Recent History

	ADR	Occ	REVPAR
Latest 12 Months	$93.24	58.2%	$54.28
Calendar Year 2022	$88.80	64.5%	$57.32
Calendar Year 2021	$84.90	66.9%	$56.96
Calendar Year 2020	$71.69	51.7%	$37.17

1. Local Market: An examination of the local *Somewhere area zip codes*[3] market reflects a mixture of a reasonable number of newer properties, along with a growing percentage of new hotels. Typically, a new hotel will have a significant advantage over older products. The average hotel room in the local market is 22 years old, well past the peak performing first ten years of the life cycle of the typical hotel building, which becomes stylistically and structurally obsolete after 30+ years. This 30-year life cycle is significantly longer for high-rise and/or concrete structures. Out of 1,653 total rooms in the local market, 475, or 29% have been built since 2014, while 52%, or 853 rooms were opened before 2004 (over 20 years old). There is usually a wide and dramatic gap between the performance of new and older properties, with newer hotel inventory easily outperforming older hotels that are well past their peak. Overall, this is an older group of hotel properties.

Area Demographics: Consumer spending within 10 miles of the site is expected to be approximately $1.3 billion in 2023. Data from the 2010 census within a 10-mile radius of this location shows the population at 156,000 people in 2010 and is currently estimated to be 160,000 people. This population is expected to remain stable near 160,000 people in 2028. There are currently estimated to be 46,000 households within this 10-mile radius with an average household income of $60,000. It is estimated that 75% of these households are owner-occupied. See ***Exhibit IX*** for further details.[4]

Local Market: We are comfortable with market projections and expect market demand growth levels in the area to continue at a moderate pace over the next nine years. The amount of recovering demand and rising supply in the market will cause occupancy to return to an average equilibrium level of 59% by 2027. REVPAR is projected to increase at a 4.7% annual rate in the next five years (versus an annual 4.3% increase over the past nine years). Detailed ***Local Market Performance History and Projection*** begins on page 1821.

3. Somewhere Area Zip Codes-75570/596/552/537/589/516. Hotels only.
4. Source: CoStar Analytics. Report attached as a separate file/pdf.

Local Somewhere Area Zip Codes Market

Year*	Occupancy %	$ REVPAR
2014	58.4%	$37.02
2016	56.3%	$37.10
2018	57.0%	$35.55
2020	51.7%	$37.17
2022	64.5%	$57.32
Last 12 Months	58.2%	$54.28
Projected		
2024	57.8%	$58.34
2027	59.4%	$66.29
2032	59.4%	$74.06
Historical Annual Compound Growth Rates		
Past 9 Year Average	0.0%	4.3%
Past 4 Year Average	-0.7%	8.3%
Past 2 Year Average	-4.4%	3.6%
Future Annual Compound Growth Rates		
Next 9 Years	0.2%	3.5%
Next 5 Years	0.4%	4.7%
*Calendar Year basis.		

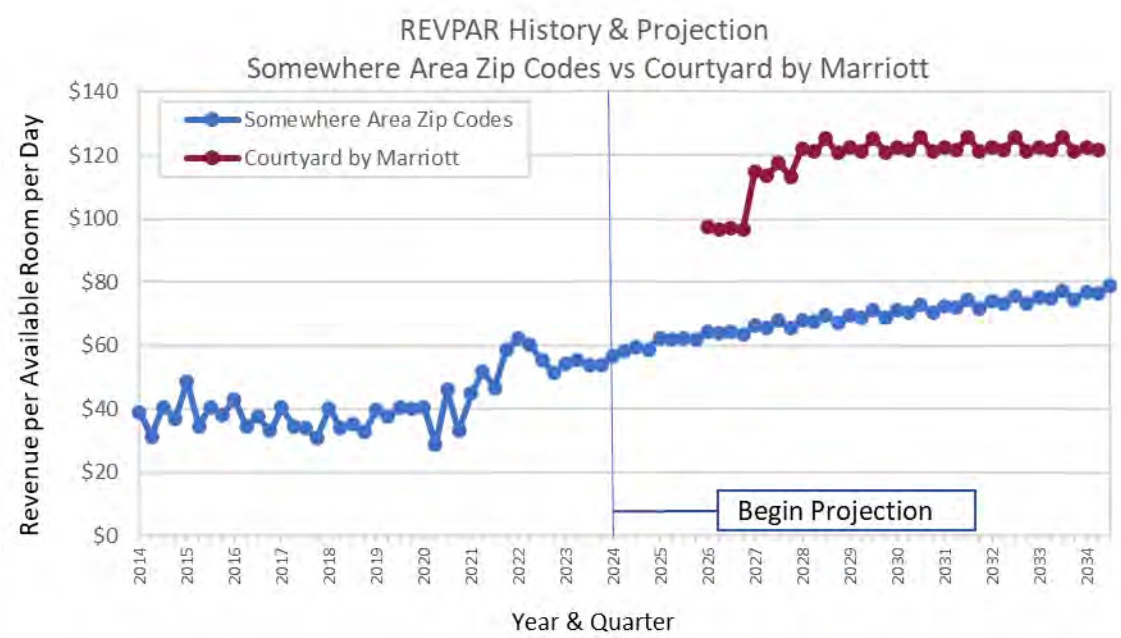
REVPAR

The critical statistic used in this study is **REVPAR**. REVPAR means *revenue per available room per day* and reflects the average daily room revenue yield of every room in a property or market (not just occupied rooms). REVPAR is generated by multiplying occupancy times rate (i.e., REVPAR = % occupancy times average daily rate), and is the most effective and important tool in the evaluation of the success of any lodging concern.

2. **Derivation of the Subject Property:** The Source methodology builds a REVPAR index versus the local market's REVPAR projection. As is typical, the subject hotel's REVPAR index peaks In Year III of operation, in this case at 179% of the market average REVPAR. After Year III, the Index for the hotel declines due to the normal aging cycle. Detailed REVPAR derivation and subsequent projections commence on page 27:

Courtyard by Marriott Derivation			
Data in 2023 $'s	**Year I**	**Year II**	**Year III**
Base: Name & Quality	1.55	1.55	1.55
x Brand Age Adjustment	1.16	1.16	1.16
x Site Value Adjustment	0.90	0.90	0.90
x Size Adjustment	0.96	0.96	0.96
x Other Adjustments	1.00	1.00	1.00
x Newness Adjustment	0.98	1.12	1.16
= Performance Factor	**152%**	**173%**	**179%**
x Market REVPAR	$54.28	$54.28	$54.28
= Projected Performance	**$82.26**	**$94.01**	**$97.37**

The projected REVPAR performance of the subject hotel, versus the local area market average REVPAR reflects the fact that the subject is expected to perform at a level well above the market average:



3. **Operating Expenses:** Expenses are set at the level of similar select service and midscale lodging products, with analysis and expense levels assumed from the Host Almanac by STR operating statistics, inflated at 3% per annum.

Methodology

To develop Pro Forma financial results for the proposed project, two major sets of assumptions have been developed. First, the future market's average REVPAR is forecast on a reasonable and economically sound basis; the performance of the project is dependent on this market forecast and varies from it only due to specific variables of the project. Second, the specific variables of the project are combined and expressed as an index for each quarter of the forecast, an index that is used to adjust the overall market performance to the specific project.

Market REVPAR Forecast

The large Combined Metros market area[5] is examined historically and projected. The key to the market projections is to stabilize the wider area market in the future at a sustainable, average equilibrium for occupancy, a level which we have determined to be approximately 62% for successful metro area markets of this type. This occupancy level is highly relevant as a long-term, equilibrium occupancy, a level where investors are more neutral about adding new hotel rooms to the market and an average that will reoccur over long periods of time (e.g., 20 years).

After the wider market area is forecast, the performance of **the Somewhere Area zip codes**[6] market is examined historically and projected. The key in the market projection is to stabilize this market area in the future at a sustainable, average equilibrium for occupancy, a level which we have determined to be approximately 59% in this market, a level which addresses the current demand for hotel rooms and the current difficulty in building new hotel properties. Over the 20 years from 1987 through 2007, according to the Source Strategies database, hotel occupancy in Texas has averaged 60%, and 62% in most Texas metros. The REVPAR projection of the local market is then the pro forma market environment of the project. This project will vary from the norm for only project-specific differences, and then only relatively.

This study incorporates historical fluctuations in the local hotel market, the current pandemic, the rebound from past national recessions, and the continued impact of local demand generators. In our *Market REVPAR History* section, we highlight historical hotel performance, noting the effect of past recessions. Consequently, our market projections consider how the lodging industry reacts in times of economic downturn and in normal times. See the *Market REVPAR History* section for further details and expectations for the future, both short and longer term.

5. Combined Metro Areas; Hotels Only.
6. Somewhere Area Zip Codes-75570/596/552/537/589/516. Hotels only

Development of Project REVPAR Indices

Source Strategies determine the expected performance of the proposed hotel based on six factors. All six factors are independent and modify a market's projected REVPAR average to reflect the subject property's particular characteristics. These factors are:

1. **Base Value:** The effect of the brand, including specified product quality levels.
2. **Brand Aging:** Effect of the brand's overall age on its average performance.
3. **Property Size:** Effect of the project's size, or room count, on results.
4. **Other Adjustments:** Accounting for various factors, including under- or over-supply in the subject hotel's product segment.
5. **Aging Adjustment:** Effect of normal hotel life cycle patterns on the project (e.g., the effect of the project's newness compared to older competition).
6. **Site:** Likely influence of the selected site on results.

With the development of these factors a revenue projection for the proposed operation begins to take form by combining these factors into a combined index that is applied to the overall market wide REVPAR projection, resulting in the forecast of the project's theoretical REVPAR. This combined index changes as the project ages through the normal life cycle of a hotel.

Using this derived REVPAR for the project, a REVPAR stream is developed from which room revenues, estimated rate, occupancy and room-nights sold are produced. At this point, the investment and operational costs can be laid against the revenue line to generate pro forma financial performance and discounted cash flow analysis.

The calculation of the operating costs per occupied room (before fixed/capital costs are deducted) is important to examine carefully because it is highly stable and predictable, regardless of occupancy and rate. Operating cost statistics are determined using industry standard publications and Source Strategies financial models. From national average occupancies, costs are categorized as fixed, semi-variable or variable, resulting in the highly leveraged profit performance characteristic of lodging products, depending on occupancy and REVPAR performance (i.e., variable costs increase proportionately with higher occupancy levels while fixed costs do not). Furthermore, with industry standard capital expenditures profiles (as detailed in Exhibit VII *CapEx – A Study of Capital Expenditures in the US Hotel Industry*), a method has been applied to determine an appropriate amount of renovation reserves to ensure that the property is maintained at the franchisor's required level.

All relevant market area individual hotel/motel five-year histories are included in this study, using the Source Strategies database of all Texas hotels and motels (includes each hotel's brand, room count, room revenue, occupancy, rate and REVPAR). This methodology is attached at the end of this report.

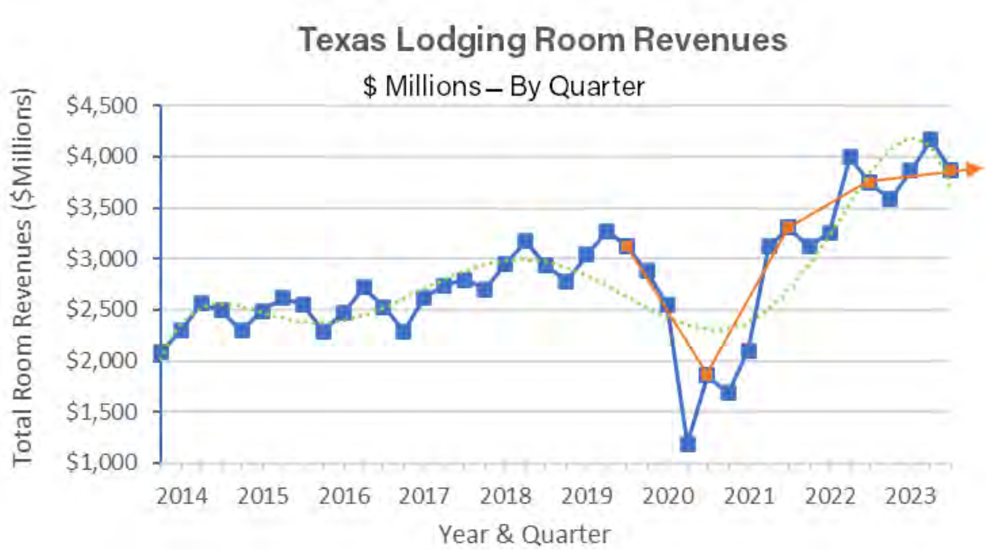
Market REVPAR History

State of Texas

Since 1980, the State of Texas has experienced generally strong growth, with occasional periods of economic downturn, one of the worst being the recession that began in 2009. In 1982-1983 the Texas market suffered through six consecutive quarters of major demand declines, with a sharp plummet of 24% in the first quarter of 1983. Two years later, every quarter in 1986 posted significant demand decreases of 19% or more.

Before the COVID-19 pandemic downturn of 2020, the most recent periods of decline were the Great Recession of 2009 and in 2001, during which the onset of a recession was coupled, and accelerated by, the terrorist attacks of 9/11. Beginning in the Third quarter of 2001, seven of the next eight quarters showed declining room demand, and it was not until the first quarter of 2004 that healthy levels of growth resumed. REVPAR did not return to pre-downturn levels for 16 quarters following 9/11 and 15 quarters after the Great Recession. As of 2022, demand for lodging in the Texas market has exceeded pre-pandemic levels, returning to growth in less than ten quarters.

We have considered these historical market patterns in formulating our projections for all markets. Though there are differences in each economic downturn, and areas across the state are impacted differently depending on factors driving demand – particularly Oil & Gas development and production. There is much that can be discerned from historical positive and negative trending performances.



Hotel Market: State of Texas 2020 - Present											
								% Growth Vs. Prior Yr			
Year & Qtr	# Htls & Mtls	# Rooms	Room-Nights Sold 000's (1)	Total Room Revenues $ 000's	% Occ. (2)	$ Rate (3)	$ RPAR (4)	Supply	Real	ADR	$ Rev.
2020 Q1	5,290	482,100	25,191	$2,549,924	58.1	$101.22	$58.77	1.7	-9.9	-6.8	-16.1
2020 Q2	5,304	472,300	15,403	$1,175,955	35.8	$76.35	$27.36	-2	-47.7	-31.3	-63.3
2020 Q3	5,705	511,800	21,907	$1,860,294	46.5	$84.92	$39.51	1.2	-27.9	-17.5	-40.6
2020 Q4	5,542	504,500	20,404	$1,685,507	44.0	$82.61	$36.32	1.6	-25.8	-21.2	-41.6
2021 Q1	5,685	528,300	24,837	$2,106,438	52.2	$84.81	$44.30	6.6	-3.9	-14.1	-17.5
2021 Q2	6,084	558,800	30,885	$3,118,760	60.7	$100.98	$61.33	17.4	99.8	31.8	163.3
2021 Q3	6,208	561,000	30,941	$3,300,922	59.9	$106.68	$63.95	9.6	41.2	25.6	77.4
2021 Q4	5,972	546,700	29,058	$3,121,751	57.8	$107.43	$62.07	8.4	42.4	30.0	85.2
2022 Q1	5,943	563,400	29,690	$3,259,554	58.6	$109.93	$64.39	6.6	19.5	29.6	54.7
2022 Q2	6,199	584,300	33,323	$3,994,202	62.7	$119.87	$75.12	4.6	7.9	18.7	28.1
2022 Q3	6,197	582,700	32,337	$3,745,485	60.3	$115.82	$69.87	3.9	4.5	8.6	13.5
2022 Q4	6,023	553,300	31,274	$3,582,503	61.4	$114.55	$70.37	1.2	7.6	6.6	14.8
2023 Q1	6,019	575,600	31,845	$3,862,760	61.5	$121.30	$75.57	2.2	7.3	10.3	18.5
2023 Q2	6,224	583,200	33,723	$4,169,000	63.5	$123.62	$78.55	-0.2	1.2	3.1	4.4
2023 Q3	6,243	581,800	32,283	$3,857,839	60.3	$119.50	$72.07	-0.2	-0.2	3.2	3.0
CGR %	**Past 9 yrs**	**4.0%**	**3.3%**	**5.7%**	**-0.6%**	**2.3%**	**1.7%**				
	Past 4 yrs	**4.4%**	**3.2%**	**6.1%**	**-1.2%**	**2.8%**	**1.7%**				
	Past 2 yrs	**3.2%**	**9.8%**	**23.1%**	**6.7%**	**13.0%**	**20.0%**				
	Past 1 yr	**0.7%**	**3.8%**	**9.6%**	**3.0%**	**5.7%**	**9.3%**				

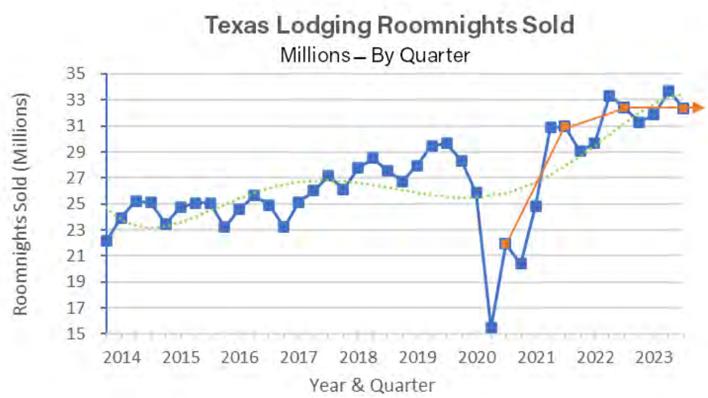
1. Room-nights sold (derived from est. rate and actual revenues) 2. Occupancy nights sold divided by nights available for sale.
3. Avg. price for room-nights sold; Directories, Surveys, & experience. 4. $ Revenue per available room per day (room sales per day)

Texas lodging revenues rebounded 9.6% over the past year driven by dramatic recovery of demand starting in the Second Quarter of 2021. REVPAR rose 9.3% year-over-year, based on a 3% increase in occupancy and a 5.7% rate increase. Demand (as measured by room-nights sold) for the last year rose 3.8% as consumers put Covid-19 pandemic concerns behind them. Supply growth has slowed to 0.7% in the last 12 months. Revenue and demand increases have slowed as the pandemic recovery recedes and the industry is returning to a more normal cycle. Inflationary and recession concerns have diminished as indicators remain strong that the recovery period has eased into a "normalization" phase.

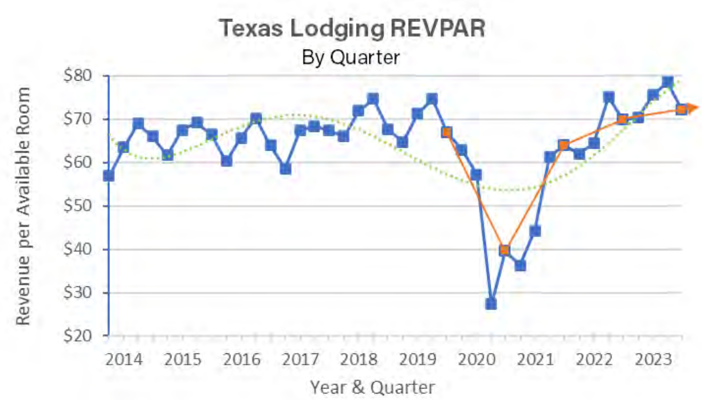
Annual occupancy in 2022 was 61.4%, up from 57.8% in 2021 and well above the historically low 46.3% in 2020. Statewide 2022 occupancy was still below the pre-pandemic occupancy levels of 64.7% in 2019 and 65.1% in 2018. Occupancy was 63.5% in the Second Quarter of 2023. Occupancy is expected to slowly increase as the year progresses.

Statewide demand rose 9.6% in 2022, slowing from 2021's nearly 40% increase. Annual demand fell sharply by more than 28% in 2020 due to the Covid-19 pandemic. 2019 state-wide real demand increased 3.7%. 2020 was the worst year of demand losses we have seen in over 30 years covering the Texas lodging industry. By comparison, the year after the September 11, 2001 terrorist attacks demand fell 3.1%. The worst year of the Great Recession of 2009 saw demand fall off 9.1% for the year. Demand increased only 1.2%, the state's energy sector noted demand increases of 4.9% in the quarter compared to a demand decrease of 1.7% in the balance of the state.

State of Texas: Projections & Expectations



In making projections for the future, we have considered the historical market patterns for the state of Texas and for the relevant sub-markets within Texas. We have noted the recovery that started in 2010, but since has lost its strong growth trends due to the decline in the price of oil. While demand was high through 2019, the collapse in crude oil prices in 2020 combined with COVID-19 pandemic concerns caused demand and revenues to drop sharply.



The COVID-19 pandemic severely affecting lodging demand, leading to a historic falloff in room-nights sold. Demand recovered significantly starting in the Second Quarter of 2021, and further variants of the Covid virus do not seem likely to curtail demand like they did in 2020. With widespread distribution of COVID-19 vaccines, most tourist and leisure markets exceeded 2019 levels of demand and revenues. Business, group and convention travel has been slower to recover but is coming back in most markets with more expected throughout 2023 and 2024 despite inflation concerns. Occupancy will continue to recover through this period, while revenues and REVPAR will continued to be bolstered by strong average daily rate (ADR) increases.

Wider Market Performance

Over the past nine years, the Combined Metros[7] had an annual 2.5% increase in demand, an annual increase of 4.8% in total room revenues, and a 3% annual increase in REVPAR; note that market interruptions like the recent pandemic are reflected in these results. Occupancy was up slightly over the nine years, by 0.7% annually. Supply increased by 1.8% per year, with room rates rising 2.3% annually. The severity of the 2020 COVID-19 pandemic was such that it pulls down even 9-year averages.

Over the past four years, demand rose a modest 3.6% per year, coupled with an annual supply increase of 2.3%. Revenues over this period rose an average of 8.6% per year, while REVPAR rose 6.2% annually. Room rates rose 4.8% on average, and occupancy was up 1.3% per year for this period.

Moving into the performance of the past two years, demand fell an average of 1.3% annually, while supply rose by 0.4% per year. These results caused occupancy to decrease by 1.6% annually. REVPAR rose 3.8% per year, based on rates increasing a significant 5.6% per year, as yearly revenues rose 4.1% annually.

Most recent history, the 12 months ending December 31, 2023, shows a 3.6% fall in demand in the market, in keeping with trends we have seen across the state. Revenues rose slightly, by 0.3%; occupancy fell 3.6%, and supply was up 0.1%; REVPAR rose 0.4% for the average hotel room.

7. Combined metropolitan statistical areas; Hotels only.

Lodging Market History: Combined Metros											
								% Growth Vs. Prior Yr			
Year & Qtr	# Htls & Mtls	# Rooms	Room-Nights Sold 000's (1)	Total Room Revenues $ 000's	% Occ. (2)	$ Rate (3)	$ RPAR (4)	Supply	Real	ADR	$ Rev.
2014 Q1	158	12,002	624	48,743	57.8	78.08	45.12				
2014 Q2	158	11,937	653	54,887	60.1	84.10	50.53				
2014 Q3	158	11,946	714	66,512	64.9	93.21	60.52				
2014 Q4	151	11,656	593	46,680	55.3	78.69	43.53				
2015 Q1	157	11,954	654	52,756	60.8	80.69	49.04	-0.4%	4.7%	3.3%	8.2%
2015 Q2	160	12,033	653	56,303	59.6	86.21	51.42	0.8%	0.1%	2.5%	2.6%
2015 Q3	159	12,024	692	64,051	62.5	92.59	57.90	0.7%	-3.1%	-0.7%	-3.7%
2015 Q4	150	11,594	579	44,944	54.3	77.63	42.14	-0.5%	-2.4%	-1.3%	-3.7%
2016 Q1	157	11,947	680	54,138	63.3	79.58	50.35	-0.1%	4.1%	-1.4%	2.6%
2016 Q2	159	12,010	639	53,972	58.5	84.46	49.38	-0.2%	-2.2%	-2.0%	-4.1%
2016 Q3	163	12,260	681	60,825	60.4	89.32	53.93	2.0%	-1.6%	-3.5%	-5.0%
2016 Q4	151	11,817	547	41,978	50.3	76.80	38.61	1.9%	-5.6%	-1.1%	-6.6%
2017 Q1	163	12,415	657	50,505	58.8	76.87	45.20	3.9%	-3.4%	-3.4%	-6.7%
2017 Q2	165	12,635	639	54,158	55.6	84.74	47.10	5.2%	0.0%	0.3%	0.3%
2017 Q3	166	12,655	660	56,982	56.7	86.28	48.94	3.2%	-3.0%	-3.4%	-6.3%
2017 Q4	147	11,888	528	37,333	48.2	70.76	34.13	0.6%	-3.5%	-7.9%	-11.1%
2018 Q1	160	12,429	677	50,247	60.6	74.18	44.92	0.1%	3.1%	-3.5%	-0.5%
2018 Q2	164	12,648	662	54,054	57.5	81.70	46.96	0.1%	3.5%	-3.6%	-0.2%
2018 Q3	166	12,686	673	62,001	57.6	92.17	53.12	0.2%	1.9%	6.8%	8.8%
2018 Q4	158	12,434	588	42,556	51.4	72.39	37.20	4.6%	11.4%	2.3%	14.0%
2019 Q1	160	12,673	685	52,896	60.1	77.22	46.38	2.0%	1.1%	4.1%	5.3%
2019 Q2	165	12,780	730	63,421	62.8	86.90	54.53	1.0%	10.3%	6.4%	17.3%
2019 Q3	169	12,918	741	71,441	62.4	96.36	60.11	1.8%	10.2%	4.5%	15.2%
2019 Q4	161	12,722	651	50,514	55.6	77.65	43.16	2.3%	10.6%	7.3%	18.7%
2020 Q1	152	12,304	625	48,226	56.5	77.11	43.55	-2.9%	-8.7%	-0.1%	-8.8%
2020 Q2	156	12,471	484	39,813	42.6	82.32	35.08	-2.4%	-33.7%	-5.3%	-37.2%
2020 Q3	167	13,185	806	69,931	66.4	86.78	57.65	2.1%	8.7%	-9.9%	-2.1%
2020 Q4	161	13,031	602	47,643	50.2	79.19	39.74	2.4%	-7.5%	2.0%	-5.7%
2021 Q1	172	13,677	756	61,645	61.4	81.53	50.08	11.2%	20.9%	5.7%	27.8%
2021 Q2	179	13,969	891	86,088	70.1	96.60	67.72	12.0%	84.3%	17.3%	116.2%
2021 Q3	181	14,129	870	88,052	66.9	101.22	67.74	7.2%	7.9%	16.6%	25.9%
2021 Q4	173	13,679	802	69,946	63.7	87.26	55.58	5.0%	33.2%	10.2%	46.8%
2022 Q1	174	13,803	830	76,771	66.8	92.54	61.80	0.9%	9.7%	13.5%	24.5%
2022 Q2	183	14,170	906	92,455	70.3	102.06	71.70	1.4%	1.6%	5.7%	7.4%
2022 Q3	182	14,133	868	93,154	66.7	107.35	71.64	0.0%	-0.3%	6.1%	5.8%
2022 Q4	177	13,699	754	67,842	59.8	89.98	53.83	0.1%	-6.0%	3.1%	-3.0%
2023 Q1	183	14,022	778	73,396	61.7	94.33	58.16	1.6%	-6.2%	1.9%	-4.4%
2023 Q2	179	13,994	845	89,415	66.4	105.80	70.21	-1.2%	-6.7%	3.7%	-3.3%
2023 Q3	180	14,008	848	93,818	65.8	110.67	72.80	-0.9%	-2.3%	3.1%	0.7%
2023 Q4	177	13,825	764	74,706	60.1	97.81	58.74	0.9%	1.3%	8.7%	10.1%
CGR %	**Past 9 yrs**	**1.8%**	**2.5%**	**4.8%**	**0.7%**	**2.3%**	**3.0%**				
	Past 4 yrs	**2.3%**	**3.6%**	**8.6%**	**1.3%**	**4.8%**	**6.2%**				
	Past 2 yrs	**0.4%**	**-1.3%**	**4.1%**	**-1.6%**	**5.6%**	**3.8%**				
	Past 1 yr	**0.1%**	**-3.6%**	**0.3%**	**-3.6%**	**4.3%**	**0.4%**				

1. Room-nights sold (derived from estimated rate and actual revenues) 2. Occupancy equals nights sold divided by nights available for sale.
3. Average price for Room-nights sold; Directories, Surveys, & experience. 4. $ Revenue per available room per day (room sales per day).

Wider Market REVPAR Forecast:

The Combined Metros occupancy is projected to initially rise before slowly fall to the estimated long-term equilibrium occupancy level of 62% by 2030 (in the latest year, this market had an average occupancy of 64%, and had an average 60% occupancy over the past ten years which included the extreme covid years). ***For the next nine years***, real demand (room nights sold) is projected at an average 2.3% growth rate, just below the projected net supply growth of 2.4%. With 3.5% average daily rate inflation, market gross revenues will gain 5.8% annually, and REVPAR should increase 3.3% annually during the nine-year forecast. Occupancy is expected to fall 0.2% per year, on average for the period.

Note that REVPAR growth for every individual hotel unit is well below the total revenue growth of the market, with average REVPAR in our projection rising at 4.1% per annum **over the next five years** (compared to the 6.2% average annual REVPAR increase of the past four years). Revenues are forecast to grow by 6.6% per year on the strength of 2.5% growth in real demand and a 4.1% annual gain in room rates. Occupancy over the next five years is expected to be flat as supply rises 2.4% per year.

Equilibrium Occupancy

These assumptions relative to demand, supply, and occupancy reflect the fact that over the past 20 years overall occupancy in Texas has averaged about 61%, a level considered to be ***Equilibrium Occupancy*** state-wide. This fact considers that larger and more successful metro area markets generate higher overall occupancy and REVPAR numbers than state averages, while rural areas lag these averages (per Source Strategies database). *Equilibrium Occupancy* is further explained by the fact that new investment money will eventually be attracted to an under-supplied market until market occupancy falls and lower returns on capital are the result. The equilibrium occupancy point is where net, new supply is being added at about the same rate as growth in demand, and where return on investment is in balance with the cost of capital. Fueled by moderate, steady demand growth, the wider market has room for appropriately positioned new development, added at similar rates to demand. Higher quality new lodging products at or above mid-priced levels are performing very well in the market despite overall performance numbers being moderated by the large number of older, obsolete, budget and independent hotels. These older, existing competitors are highly vulnerable to the superior attractiveness of newly built lodging. This pattern can be seen in the success of chain operations at or above the mid-priced levels.

Lodging Market Projection: Combined Metros

								% Growth Vs. Prior Yr			
Year & Qtr	# Htls & Mtls	# Rooms	Room-Nights Sold 000's (1)	Total Room Revenues $ 000's	% Occ. (2)	$ Rate (3)	$ RPAR (4)	Supply	Real	ADR	$ Rev.
2024 Q1	187	14,162	801	$82,394	61.5	$102.82	$63.24	1.0%	3.0%	9.0%	12.3%
2024 Q2	183	14,134	896	$103,306	68.9	$115.32	$79.45	1.0%	6.0%	9.0%	15.5%
2024 Q3	184	14,148	865	$104,316	67.9	$120.63	$81.92	1.0%	2.0%	9.0%	11.2%
2024 Q4	181	13,963	779	$77,725	61.3	$99.77	$61.17	1.0%	2.0%	2.0%	4.0%
2025 Q1	192	14,445	825	$89,109	62.1	$107.96	$67.05	2.0%	3.0%	5.0%	8.2%
2025 Q2	188	14,417	923	$111,726	69.6	$121.09	$84.24	2.0%	3.0%	5.0%	8.2%
2025 Q3	189	14,431	891	$110,669	68.6	$124.25	$85.21	2.0%	3.0%	3.0%	6.1%
2025 Q4	186	14,243	802	$82,459	61.9	$102.76	$63.62	2.0%	3.0%	3.0%	6.1%
2026 Q1	200	14,879	842	$93,618	61.5	$111.20	$68.39	3.0%	2.0%	3.0%	5.1%
2026 Q2	196	14,849	941	$117,379	68.9	$124.72	$85.92	3.0%	2.0%	3.0%	5.1%
2026 Q3	197	14,864	909	$116,268	67.9	$127.98	$86.91	3.0%	2.0%	3.0%	5.1%
2026 Q4	194	14,670	818	$86,631	61.3	$105.84	$64.89	3.0%	2.0%	3.0%	5.1%
2027 Q1	208	15,325	859	$98,355	60.9	$114.54	$69.76	3.0%	2.0%	3.0%	5.1%
2027 Q2	204	15,295	960	$123,318	68.2	$128.46	$87.64	3.0%	2.0%	3.0%	5.1%
2027 Q3	205	15,310	927	$122,152	67.3	$131.82	$88.65	3.0%	2.0%	3.0%	5.1%
2027 Q4	201	15,110	835	$91,015	60.7	$109.02	$66.19	3.0%	2.0%	3.0%	5.1%
2028 Q1	217	15,785	876	$103,331	60.3	$117.97	$71.15	3.0%	2.0%	3.0%	5.1%
2028 Q2	212	15,753	979	$129,558	67.6	$132.32	$89.39	3.0%	2.0%	3.0%	5.1%
2028 Q3	213	15,769	945	$128,332	66.6	$135.77	$90.42	3.0%	2.0%	3.0%	5.1%
2028 Q4	210	15,563	852	$95,620	60.1	$112.29	$67.52	3.0%	2.0%	3.0%	5.1%
2029 Q1	225	16,258	893	$108,560	59.7	$121.51	$72.58	3.0%	2.0%	3.0%	5.1%
2029 Q2	220	16,226	999	$136,114	66.9	$136.29	$91.18	3.0%	2.0%	3.0%	5.1%
2029 Q3	222	16,242	964	$134,826	66.0	$139.84	$92.23	3.0%	2.0%	3.0%	5.1%
2029 Q4	218	16,030	869	$100,459	59.5	$115.66	$68.87	3.0%	2.0%	3.0%	5.1%
2030 Q1	234	16,746	911	$114,053	59.1	$125.16	$74.03	3.0%	2.0%	3.0%	5.1%
2030 Q2	229	16,713	1,019	$143,001	66.3	$140.37	$93.00	3.0%	2.0%	3.0%	5.1%
2030 Q3	231	16,730	983	$141,648	65.3	$144.04	$94.08	3.0%	2.0%	3.0%	5.1%
2030 Q4	227	16,511	886	$105,542	59.0	$119.13	$70.24	3.0%	2.0%	3.0%	5.1%
2031 Q1	242	17,081	930	$119,824	59.1	$128.91	$76.25	2.0%	2.0%	3.0%	5.1%
2031 Q2	236	17,047	1,039	$150,237	66.3	$144.59	$95.79	2.0%	2.0%	3.0%	5.1%
2031 Q3	238	17,064	1,003	$148,816	65.3	$148.36	$96.90	2.0%	2.0%	3.0%	5.1%
2031 Q4	234	16,841	904	$110,882	59.0	$122.70	$72.35	2.0%	2.0%	3.0%	5.1%
2032 Q1	249	17,423	948	$124,665	59.1	$131.49	$77.77	2.0%	2.0%	2.0%	4.0%
2032 Q2	243	17,388	1,060	$156,307	66.3	$147.48	$97.71	2.0%	2.0%	2.0%	4.0%
2032 Q3	245	17,405	1,023	$154,828	65.3	$151.33	$98.84	2.0%	2.0%	2.0%	4.0%
2032 Q4	241	17,178	922	$115,362	59.0	$125.15	$73.80	2.0%	2.0%	2.0%	4.0%
2033 Q1	256	17,771	967	$129,701	59.1	$134.12	$79.33	2.0%	2.0%	2.0%	4.0%
2033 Q2	251	17,736	1,081	$162,621	66.3	$150.43	$99.66	2.0%	2.0%	2.0%	4.0%
2033 Q3	252	17,754	1,044	$161,083	65.3	$154.35	$100.81	2.0%	2.0%	2.0%	4.0%
2033 Q4	248	17,522	940	$120,023	59.0	$127.66	$75.27	2.0%	2.0%	2.0%	4.0%
2034 Q1	264	18,127	986	$134,941	59.1	$136.80	$80.92	2.0%	2.0%	2.0%	4.0%
2034 Q2	258	18,090	1,103	$169,191	66.3	$153.44	$101.66	2.0%	2.0%	2.0%	4.0%
2034 Q3	260	18,109	1,064	$167,591	65.3	$157.44	$102.83	2.0%	2.0%	2.0%	4.0%
2034 Q4	256	17,872	959	$124,871	59.0	$130.21	$76.78	2.0%	2.0%	2.0%	4.0%
CGR %	**Next 9 yrs**	**2.4%**	**2.3%**	**5.8%**	**-0.2%**	**3.5%**	**3.3%**				
	Next 5 yrs	**2.4%**	**2.5%**	**6.6%**	**0.0%**	**4.1%**	**4.1%**				
HISTORY											
CGR %	**Past 9 yrs**	**1.8%**	**2.5%**	**4.8%**	**0.7%**	**2.3%**	**3.0%**				
	Past 4 yrs	**2.3%**	**3.6%**	**8.6%**	**1.3%**	**4.8%**	**6.2%**				
	Past 2 yrs	**0.4%**	**-1.3%**	**4.1%**	**-1.6%**	**5.6%**	**3.8%**				

1. Room-nights sold (derived from estimated rate and actual revenues) 2. Occupancy equals nights sold divided by nights available for sale.
3. Average price for Room-nights sold; Directories, Surveys, & experience. 4. $ Revenue per available room per day (room sales per day)

Local Market Performance

The subject hotel's market in the Somewhere area[8] currently generates a REVPAR of $54, well below the Texas average of $74. This performance reflects a typical group of suburban and highway properties in an area of steady demand:

PERIOD: 12 MONTHS ENDING DECEMBER 31, 2023
LODGING MARKET: SOMEWHERE AREA ZIPCODES

BRAND	# HTL	# RMS 000S	* % RMS	EST. RNS 000S	% RNS	$ AMT. 000S	% AMT	EST. %OCC	EST. $ RATE	$ RPAR
HAMPTON WE		.1	5.1	20	5.7	3,079	9.4	65.9	152.48	100.42
HOL EXPRESS WE		.1	6.0	24	6.8	3,110	9.5	65.7	129.76	85.20
LA QUINTA SOMEWHERE		.1	4.0	16	4.7	1,661	5.1	67.9	101.55	68.96
QUALITY SOMEWHERE		.1	3.1	11	3.2	775	2.4	59.4	68.74	40.83
RESIDENCE INN		.1	5.6	28	8.0	4,070	12.4	82.9	144.56	119.90
TOTAL ABOVE	**5**	**.4**	**23.9**	**100**	**28.5**	**12,695**	**38.8**	**69.3**	**127.02**	**88.05**
HILT GARD	1	.1	9.0	42	11.8	5,895	18.0	76.4	141.80	108.39
BEST WEST	1	.1	3.8	12	3.4	1,314	4.0	52.3	110.98	58.08
COMFO INN	1	.1	3.3	11	3.0	716	2.2	52.7	67.63	35.65
HOLID EXP	1	.1	4.9	22	6.4	2,678	8.2	75.8	119.46	90.59
LA QUINTA	1	.1	3.7	15	4.2	1,134	3.5	65.7	77.45	50.91
TOT LTD SVE	**4**	**.3**	**15.7**	**59**	**16.9**	**5,842**	**17.8**	**62.9**	**98.21**	**61.80**
MOTEL 6	1	.1	4.1	13	3.7	893	2.7	52.3	68.82	35.99
QUALITY	1	.1	7.7	21	6.0	1,081	3.3	44.8	51.69	23.14
RODEWAY	1	.1	5.0	15	4.2	612	1.9	49.0	41.70	20.44
SUPER 8	1	.1	3.1	11	3.2	837	2.6	59.6	73.99	44.08
TOT BUDGET	**4**	**.3**	**20.0**	**60**	**17.0**	**3,423**	**10.5**	**49.7**	**57.17**	**28.42**
$100+ ADR	1	.1	7.3	20	5.7	1,499	4.6	45.7	74.84	34.22
$60-99ADR	2	.1	5.2	16	4.7	1,053	3.2	52.1	64.34	33.54
LT $60ADR	7	.3	19.0	54	15.4	2,344	7.2	47.1	43.47	20.45
TOT IND HTL	**10**	**.5**	**31.5**	**90**	**25.7**	**4,896**	**14.9**	**47.6**	**54.21**	**25.80**
TOT MARKET	**24**	**1.7**	**100.0**	**351**	**100.0**	**32,750**	**100**	**58.2**	**93.25**	**54.28**

* All figures annualized. Includes taxed and estimated non-tax room revenues.

8. Somewhere Area Zip Codes-75570/596/552/537/589/516. Hotels only.

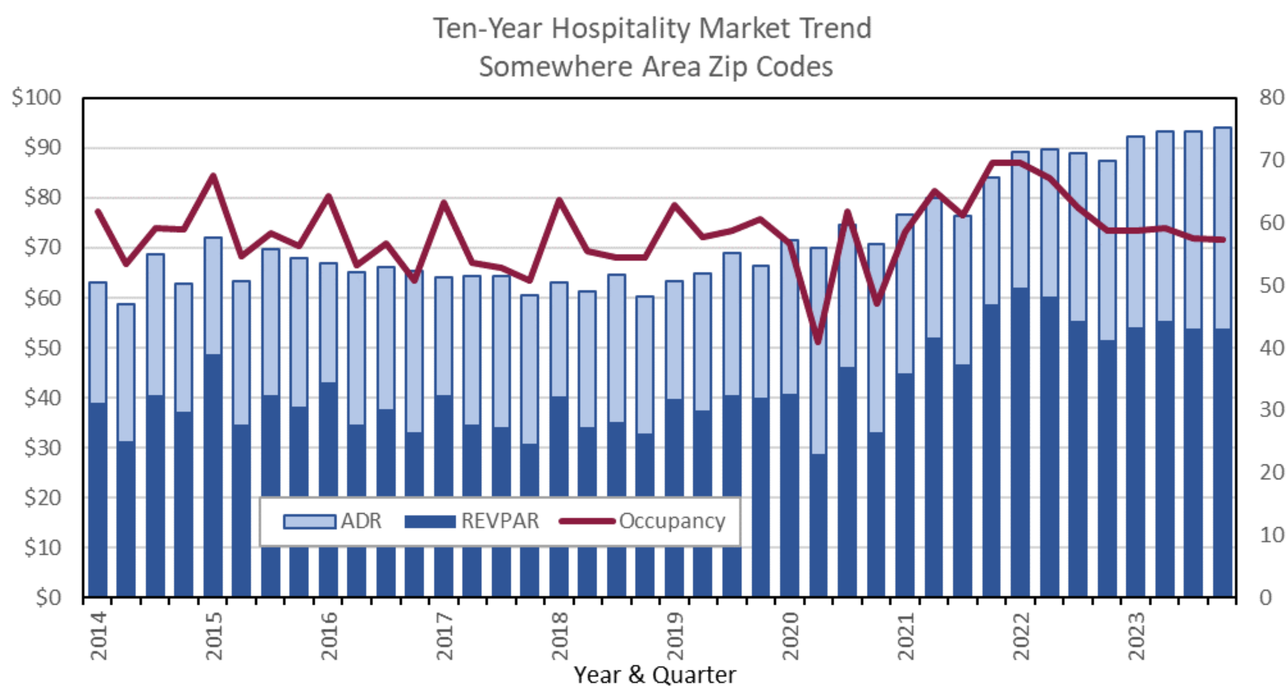
Local Market REVPAR History:

Over the past nine years, the Somewhere Area market[9] had an annual 3.4% increase in demand, an annual increase of 7.9% in total room revenues, and a 4.3% annual increase in REVPAR; note that market interruptions like the recent pandemic are reflected in these results. Occupancy was flat over the nine years. Supply increased by 3.4% per year, with room rates rising 4.4% annually. The severity of the 2020 COVID-19 pandemic was such that it pulls down even 9-year averages.

Over the past four years, demand rose 4% per year, coupled with supply increases of 4.7%. Revenues over this period rose an average of 13.4% per year, while REVPAR rose 8.3% annually. Room rates rose 9.1% on average and occupancy was down 0.7% annually for this period.

Moving into the performance of the past two years, demand fell an average of 4.3% annually, while supply rose 0.1% per year. These results caused occupancy to decrease by 4.4% annually. REVPAR still rose 3.6% per year, based on rates increasing 8.4% per year, as yearly revenues rose 3.7% annually.

Most recent history, the 12 months ending December 31, 2023, shows a significant demand loss of 8.7% in the market, in keeping with trends around the state. Rates rose 5%, and revenues fell 4.2%; occupancy fell 9.8% as supply rose 1.1%; REVPAR fell 5.3% for the average hotel room.



9. Somewhere Area Zip Codes-75570/596/552/537/589/516. Hotels only.

Lodging Market History: Somewhere Area Zip Codes

Year & Qtr	# Htls & Mtls	# Rooms	Room-Nights Sold 000's	Total Room Revenues $ 000's	% Occ. (2)	$ Rate (3)	$ RPAR (4)	% Growth Vs. Prior Yr			
								Supply	Real	ADR	$ Rev.
2014 Q1	19	1,216	68	4,269	61.9	63.05	39.00				
2014 Q2	19	1,216	59	3,471	53.5	58.62	31.36				
2014 Q3	19	1,216	66	4,543	59.1	68.68	40.61				
2014 Q4	20	1,251	68	4,271	59.0	62.91	37.11				
2015 Q1	21	1,377	84	6,039	67.6	72.06	48.73	13.2%	23.8%	14.3%	41.5%
2015 Q2	22	1,417	71	4,465	54.7	63.32	34.63	16.5%	19.1%	8.0%	28.6%
2015 Q3	22	1,458	78	5,443	58.3	69.63	40.58	19.9%	18.3%	1.4%	19.8%
2015 Q4	22	1,404	73	4,937	56.2	68.04	38.22	12.2%	6.9%	8.2%	15.6%
2016 Q1	22	1,458	84	5,640	64.3	66.82	42.98	5.9%	0.7%	-7.3%	-6.6%
2016 Q2	22	1,450	70	4,574	53.2	65.16	34.66	2.3%	-0.4%	2.9%	2.4%
2016 Q3	22	1,450	76	5,015	56.8	66.21	37.59	-0.5%	-3.2%	-4.9%	-7.9%
2016 Q4	22	1,450	68	4,426	50.8	65.31	33.18	3.3%	-6.6%	-4.0%	-10.4%
2017 Q1	22	1,450	83	5,284	63.3	64.00	40.49	-0.5%	-2.1%	-4.2%	-6.3%
2017 Q2	21	1,395	68	4,384	53.7	64.37	34.54	-3.8%	-3.0%	-1.2%	-4.2%
2017 Q3	21	1,395	68	4,375	52.9	64.38	34.09	-3.8%	-10.3%	-2.8%	-12.8%
2017 Q4	20	1,351	63	3,830	50.8	60.60	30.81	-6.8%	-6.8%	-7.2%	-13.5%
2018 Q1	22	1,450	83	5,247	63.7	63.15	40.21	0.0%	0.6%	-1.3%	-0.7%
2018 Q2	22	1,450	73	4,486	55.4	61.31	34.00	3.9%	7.5%	-4.8%	2.3%
2018 Q3	21	1,398	70	4,520	54.4	64.62	35.14	0.2%	2.9%	0.4%	3.3%
2018 Q4	21	1,398	70	4,223	54.5	60.23	32.84	3.5%	10.9%	-0.6%	10.3%
2019 Q1	21	1,398	79	4,998	62.8	63.28	39.72	-3.6%	-4.9%	0.2%	-4.7%
2019 Q2	20	1,350	71	4,609	57.8	64.91	37.52	-6.9%	-3.0%	5.9%	2.7%
2019 Q3	21	1,398	76	5,208	58.8	68.89	40.49	0.0%	8.2%	6.6%	15.2%
2019 Q4	20	1,350	75	4,982	60.5	66.32	40.12	-3.4%	7.1%	10.1%	18.0%
2020 Q1	21	1,392	71	5,094	56.8	71.54	40.66	-0.4%	-9.9%	13.1%	1.9%
2020 Q2	21	1,434	54	3,749	41.0	70.07	28.73	6.2%	-24.6%	7.9%	-18.7%
2020 Q3	21	1,434	82	6,086	61.9	74.48	46.13	2.6%	8.1%	8.1%	16.9%
2020 Q4	22	1,509	65	4,605	47.0	70.65	33.17	11.8%	-13.2%	6.5%	-7.6%
2021 Q1	24	1,686	89	6,809	58.5	76.74	44.88	21.1%	24.6%	7.3%	33.7%
2021 Q2	24	1,686	100	7,984	65.1	79.92	52.04	17.6%	86.7%	14.1%	113.0%
2021 Q3	23	1,616	91	6,957	61.2	76.48	46.79	12.7%	11.4%	2.7%	14.3%
2021 Q4	23	1,616	104	8,726	69.7	84.18	58.69	7.1%	59.0%	19.2%	89.5%
2022 Q1	24	1,653	104	9,245	69.6	89.32	62.14	-2.0%	16.7%	16.4%	35.8%
2022 Q2	24	1,653	101	9,060	67.2	89.61	60.23	-2.0%	1.2%	12.1%	13.5%
2022 Q3	23	1,616	93	8,245	62.4	88.87	55.46	0.0%	2.0%	16.2%	18.5%
2022 Q4	23	1,616	88	7,647	58.8	87.41	51.44	0.0%	-15.6%	3.8%	-12.4%
2023 Q1	24	1,653	87	8,059	58.7	92.25	54.17	0.0%	-15.6%	3.3%	-12.8%
2023 Q2	24	1,653	89	8,315	59.2	93.31	55.28	0.0%	-11.9%	4.1%	-8.2%
2023 Q3	24	1,653	88	8,174	57.6	93.32	53.75	2.3%	-5.6%	5.0%	-0.9%
2023 Q4	24	1,653	87	8,202	57.3	94.08	53.93	2.3%	-0.3%	7.6%	7.3%
CGR %	**Past 9 yrs**	**3.4%**	**3.4%**	**7.9%**	**0.0%**	**4.4%**	**4.3%**				
	Past 4 yrs	**4.7%**	**4.0%**	**13.4%**	**-0.7%**	**9.1%**	**8.3%**				
	Past 2 yrs	**0.1%**	**-4.3%**	**3.7%**	**-4.4%**	**8.4%**	**3.6%**				
	Past 1 yr	**1.1%**	**-8.7%**	**-4.2%**	**-9.8%**	**5.0%**	**-5.3%**				
Wider Market History											
CGR %	**Past 9 yrs**	1.8%	2.5%	4.8%	0.7%	2.3%	3.0%				
	Past 4 yrs	2.3%	3.6%	8.6%	1.3%	4.8%	6.2%				

1. Room-nights sold (derived from estimated rate and actual revenues). 2. Occupancy equals nights sold divided by nights available for sale.
3. Average price for Room-nights sold; Directories, Surveys, & experience. 4. $ Revenue per available room per day (room sales per day).

Local Market REVPAR Forecast:

Overall market occupancy is projected to rise modestly in the short term, with the expected equilibrium occupancy level to be 59% for the local area. Demand is expected to increase 2.3% per year with supply rising by 2.1% for the next nine years. This translates to occupancy stabilizing at the expected occupancy equilibrium level in the early years of our forecast. REVPAR is expected to rise 3.5% annually in the period, based on rates rising 3.3% per year.

These assumptions relative to demand, supply, and occupancy reflect the fact that over the past 20 years overall occupancy in Texas has averaged about 61%, a level considered to be 'Equilibrium Occupancy' state-wide. This fact considers that larger and more successful wide area markets generate higher overall occupancy and REVPAR numbers than state averages, while rural and Interstate highways areas lag these averages (per the Source Strategies, database). 'Equilibrium Occupancy' is further explained by the fact that new investment money will eventually be attracted to an under-supplied market until market occupancy falls and lower returns on capital are the result. The equilibrium occupancy point is where net, new supply is being added at about the same rate as growth in demand, and where return on investment is in balance with the cost of capital. The local area market is currently operating at a healthy level with relatively high occupancy for the last several years, which has attracted new development. Higher quality new lodging products at or above mid-priced levels are performing well in the market. Any older, existing competitors are vulnerable to the superior attractiveness of newly built, major-branded lodging. This pattern can be seen in the success of chain operations at or above the mid-priced levels. Given our growth assumptions, room supply consequently grows from 1,653 rooms currently to 1,985 in 2032, 20% higher and representing 332 ***net*** new rooms (gross new openings, less closings).

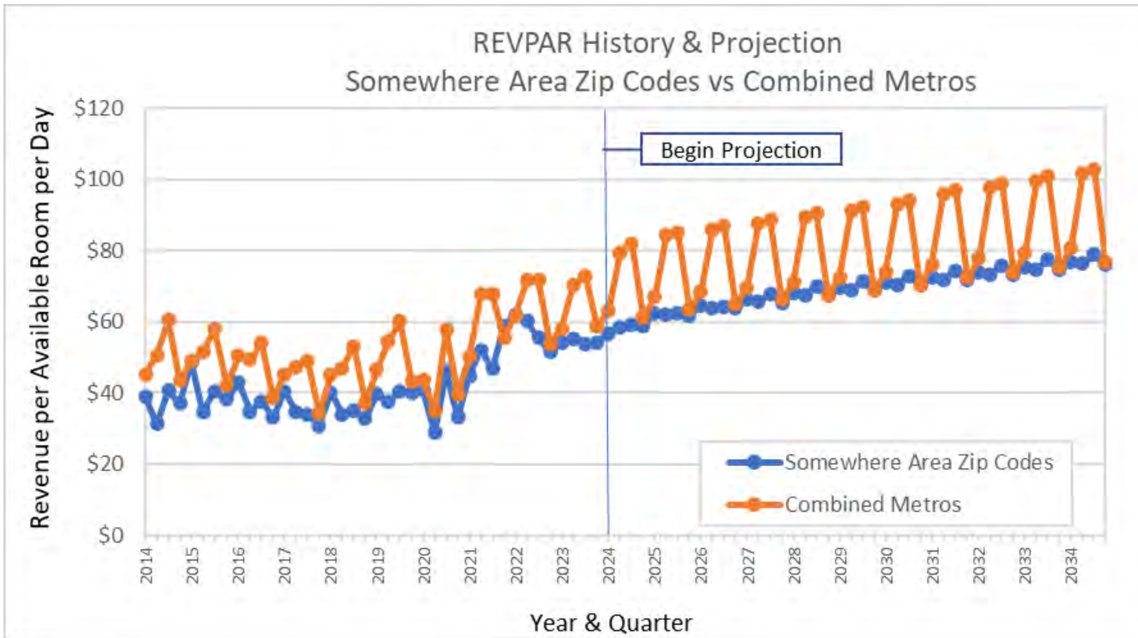
REVPAR growth for every individual hotel unit is below the total revenue growth of the market, with the average REVPAR in our projection rising 4.7% per annum over the next *five* years. Revenues during this upcoming period are forecast to rise by 6.9% per year on the basis of demand gains of 2.5% per year and a 4.2% annual increase in price (room rates). Occupancy over the next five years is expected to increase 0.4% per year on average as supply grows 2.1% annually. If supply should grow 200 rooms over forecast (+10%), without demand also growing faster than forecast, average market hotel REVPAR would decline by 9% versus the projection, dropping from the estimated market average REVPAR of $76 to $69 by 2032.

Lodging Market Projection: Somewhere Area Zip Codes											
								% Growth Vs. Prior Yr			
Year & Qtr	# Htls & Mtls	# Rooms	Nights Sold 000's (1)	Total Room Revenues $ 000's	% Occ. (2)	$ Rate (3)	$ RPAR (4)	Supply	Real	ADR	$ Rev.
2024 Q1	24	1,670	88	8,713	57.5	$98.71	56.73	1.0%	1.0%	7.0%	8.1%
2024 Q2	25	1,686	90	9,069	58.0	$100.77	58.46	2.0%	1.0%	8.0%	9.1%
2024 Q3	25	1,686	88	9,000	58.3	$101.72	59.31	2.0%	1.0%	9.0%	10.1%
2024 Q4	25	1,686	88	9,032	57.4	$102.55	58.86	2.0%	1.0%	9.0%	10.1%
2025 Q1	25	1,686	94	9,698	60.3	$103.64	62.51	1.0%	6.0%	5.0%	11.3%
2025 Q2	25	1,720	93	9,808	58.6	$105.81	61.99	2.0%	3.0%	5.0%	8.2%
2025 Q3	25	1,720	91	9,640	58.9	$105.79	62.28	2.0%	3.0%	4.0%	7.1%
2025 Q4	25	1,720	91	9,675	58.0	$106.65	61.82	2.0%	3.0%	4.0%	7.1%
2026 Q1	26	1,737	96	10,289	60.3	$106.75	64.39	3.0%	3.0%	3.0%	6.1%
2026 Q2	27	1,771	95	10,405	58.6	$108.99	63.85	3.0%	3.0%	3.0%	6.1%
2026 Q3	27	1,771	94	10,228	58.9	$108.96	64.15	3.0%	3.0%	3.0%	6.1%
2026 Q4	27	1,771	93	10,264	58.0	$109.85	63.67	3.0%	3.0%	3.0%	6.1%
2027 Q1	27	1,772	98	10,788	60.3	$109.74	66.19	2.0%	2.0%	2.8%	4.9%
2027 Q2	27	1,807	97	10,911	58.6	$112.04	65.64	2.0%	2.0%	2.8%	4.9%
2027 Q3	27	1,807	99	11,040	60.6	$112.01	67.89	2.0%	5.0%	2.8%	7.9%
2027 Q4	27	1,807	95	10,762	58.0	$112.92	65.46	2.0%	2.0%	2.8%	4.9%
2028 Q1	28	1,807	100	11,312	60.3	$112.81	68.05	2.0%	2.0%	2.8%	4.9%
2028 Q2	28	1,843	99	11,440	58.6	$115.18	67.47	2.0%	2.0%	2.8%	4.9%
2028 Q3	28	1,843	101	11,576	60.6	$115.15	69.79	2.0%	2.0%	2.8%	4.9%
2028 Q4	28	1,843	97	11,285	58.0	$116.09	67.29	2.0%	2.0%	2.8%	4.9%
2029 Q1	28	1,843	102	11,792	60.3	$115.30	69.54	2.0%	2.0%	2.2%	4.2%
2029 Q2	29	1,880	101	11,926	58.6	$117.71	68.96	2.0%	2.0%	2.2%	4.2%
2029 Q3	29	1,880	103	12,067	60.6	$117.68	71.33	2.0%	2.0%	2.2%	4.2%
2029 Q4	29	1,880	99	11,764	58.0	$118.64	68.77	2.0%	2.0%	2.2%	4.2%
2030 Q1	29	1,880	104	12,293	60.3	$117.83	71.07	2.0%	2.0%	2.2%	4.2%
2030 Q2	30	1,917	103	12,432	58.6	$120.30	70.48	2.0%	2.0%	2.2%	4.2%
2030 Q3	30	1,917	105	12,579	60.6	$120.27	72.89	2.0%	2.0%	2.2%	4.2%
2030 Q4	30	1,917	101	12,263	58.0	$121.25	70.28	2.0%	2.0%	2.2%	4.2%
2031 Q1	30	1,918	106	12,789	60.3	$120.19	72.49	2.0%	2.0%	2.0%	4.0%
2031 Q2	31	1,956	105	12,934	58.6	$122.71	71.89	2.0%	2.0%	2.0%	4.0%
2031 Q3	31	1,956	107	13,087	60.6	$122.68	74.35	2.0%	2.0%	2.0%	4.0%
2031 Q4	31	1,956	103	12,758	58.0	$123.68	71.69	2.0%	2.0%	2.0%	4.0%
2032 Q1	31	1,956	109	13,306	60.3	$122.59	73.94	2.0%	2.0%	2.0%	4.0%
2032 Q2	32	1,995	108	13,457	58.6	$125.16	73.32	2.0%	2.0%	2.0%	4.0%
2032 Q3	32	1,995	109	13,616	60.6	$125.13	75.84	2.0%	2.0%	2.0%	4.0%
2032 Q4	32	1,995	105	13,274	58.0	$126.15	73.12	2.0%	2.0%	2.0%	4.0%
2033 Q1	32	1,995	111	13,843	60.3	$125.04	75.42	2.0%	2.0%	2.0%	4.0%
2033 Q2	33	2,035	110	14,000	58.6	$127.66	74.79	2.0%	2.0%	2.0%	4.0%
2033 Q3	33	2,035	111	14,166	60.6	$127.63	77.36	2.0%	2.0%	2.0%	4.0%
2033 Q4	33	2,035	107	13,810	58.0	$128.67	74.58	2.0%	2.0%	2.0%	4.0%
2034 Q1	33	2,035	113	14,403	60.3	$127.55	76.93	2.0%	2.0%	2.0%	4.0%
2034 Q2	34	2,075	112	14,566	58.6	$130.22	76.29	2.0%	2.0%	2.0%	4.0%
2034 Q3	34	2,075	113	14,738	60.6	$130.18	78.90	2.0%	2.0%	2.0%	4.0%
2034 Q4	34	2,075	109	14,368	58.0	$131.25	76.08	2.0%	2.0%	2.0%	4.0%
CGR %	**Next 9 yrs**	2.1%	2.3%	5.6%	0.2%	3.3%	3.5%				
	Next 5 yrs	2.1%	2.5%	6.9%	0.4%	4.2%	4.7%				
HISTORY											
CGR %	**Past 9 yrs**	3.4%	3.4%	7.9%	0.0%	4.4%	4.3%				
	Past 4 yrs	4.7%	4.0%	13.4%	-0.7%	9.1%	8.3%				
	Past 2 yrs	0.1%	-4.3%	3.7%	-4.4%	8.4%	3.6%				

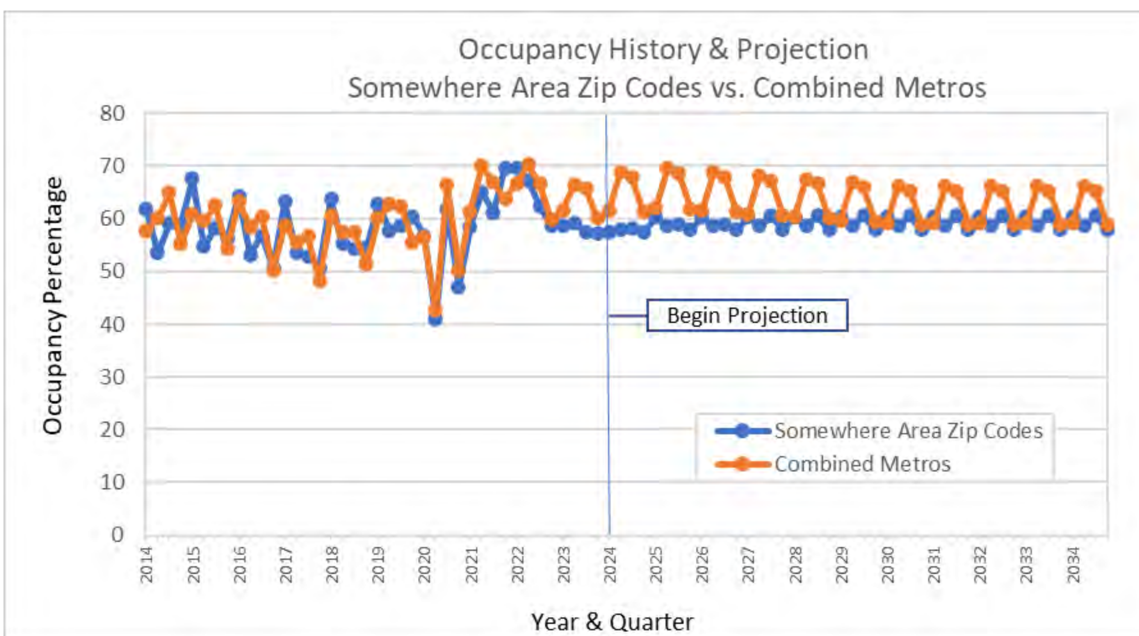
1. Room-nights sold (derived from estimated rate and actual revenues). 2. Occupancy equals nights sold divided by nights available for sale.
3. Average price for Room-nights sold; Directories, Surveys, & experience. 4. $ Revenue per available room per day (room sales per day)

Local and Wider Markets Compared

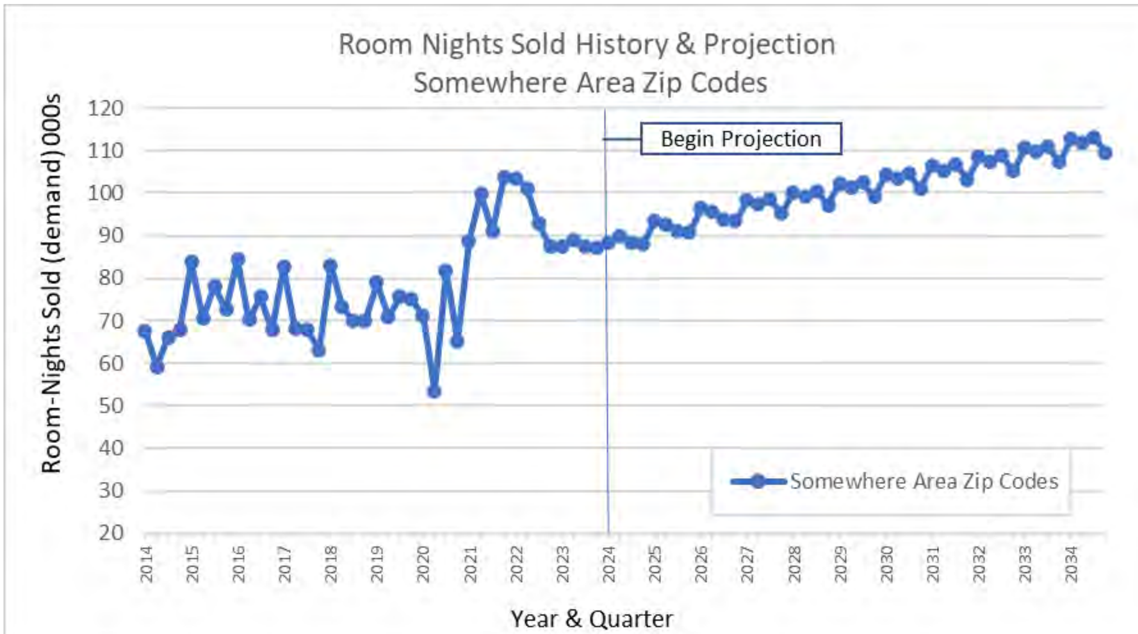
A graph of the REVPAR history and projection for both the local and wider market shows the expected return to more typical levels of REVPAR and REVPAR growth, incorporating the solid results from the past two years:



The occupancy projection for the local market is for a slight increase and a return to normal levels. We expect local occupancy to stabilize in the 59% average range in the early years of our forecast:



The Room-nights Sold history and projection graph shows the reasonable nature of the 'trend' expectations for the local market. With recent returns to more typical growth, and assuming steady population, economic, and infrastructure growth, we assume a straightforward demand pattern in the future:



The local market REVPAR index was at a level of 84% of the wider market in the latest year:

Market Revenue Per Available (RevPAR) Room History

Yr & Qtr	Wider Market Area	Local Area	Wider/ Local Index	Year
2014 Q1	$45.12	$39.00	86	
2014 Q2	$50.53	$31.36	62	
2014 Q3	$60.52	$40.61	67	
2014 Q4	$43.53	$37.11	85	75
2015 Q1	$49.04	$48.73	99	
2015 Q2	$51.42	$34.63	67	
2015 Q3	$57.90	$40.58	70	
2015 Q4	$42.14	$38.22	91	82
2016 Q1	$50.35	$42.98	85	
2016 Q2	$49.38	$34.66	70	
2016 Q3	$53.93	$37.59	70	
2016 Q4	$38.61	$33.18	86	78
2017 Q1	$45.20	$40.49	90	
2017 Q2	$47.10	$34.54	73	
2017 Q3	$48.94	$34.09	70	
2017 Q4	$34.13	$30.81	90	81
2018 Q1	$44.92	$40.21	90	
2018 Q2	$46.96	$34.00	72	
2018 Q3	$53.12	$35.14	66	
2018 Q4	$37.20	$32.84	88	79
2019 Q1	$46.38	$39.72	86	
2019 Q2	$54.53	$37.52	69	
2019 Q3	$60.11	$40.49	67	
2019 Q4	$43.16	$40.12	93	79
2020 Q1	$43.55	$40.66	93	
2020 Q2	$35.08	$28.73	82	
2020 Q3	$57.65	$46.13	80	
2020 Q4	$39.74	$33.17	83	85
2021 Q1	$50.08	$44.88	90	
2021 Q2	$67.72	$52.04	77	
2021 Q3	$67.74	$46.79	69	
2021 Q4	$55.58	$58.69	106	85
2022 Q1	$61.80	$62.14	101	
2022 Q2	$71.70	$60.23	84	
2022 Q3	$71.64	$55.46	77	
2022 Q4	$53.83	$51.44	96	89
2023 Q1	$58.16	$54.17	93	
2023 Q2	$70.21	$55.28	79	
2023 Q3	$72.80	$53.75	74	
2023 Q4	$58.74	$53.93	92	84
CGR %				
Past 9 yrs	**3.0%**	**4.3%**		
Past 4 yrs	**6.2%**	**8.3%**		
Past 2 yrs	**3.8%**	**3.6%**		
Past 1 yr	**0.4%**	**-5.3%**		

The REVPAR forecast calls for the local market REVPAR index to rise slightly compared to current levels versus the wider market:

Market Revenue Per Available Room (RevPAR) Projection

Yr & Qtr	Wider Market Area	Local Area	Wider/ Local Index	Year
2024 Q1	$63.24	$56.73	90	
2024 Q2	$79.45	$58.46	74	
2024 Q3	$81.92	$59.31	72	
2024 Q4	$61.17	$58.86	96	83
2025 Q1	$67.05	$62.51	93	
2025 Q2	$84.24	$61.99	74	
2025 Q3	$85.21	$62.28	73	
2025 Q4	$63.62	$61.82	97	84
2026 Q1	$68.39	$64.39	94	
2026 Q2	$85.92	$63.85	74	
2026 Q3	$86.91	$64.15	74	
2026 Q4	$64.89	$63.67	98	85
2027 Q1	$69.76	$66.19	95	
2027 Q2	$87.64	$65.64	75	
2027 Q3	$88.65	$67.89	77	
2027 Q4	$66.19	$65.46	99	86
2028 Q1	$71.15	$68.05	96	
2028 Q2	$89.39	$67.47	75	
2028 Q3	$90.42	$69.79	77	
2028 Q4	$67.52	$67.29	100	87
2029 Q1	$72.58	$69.54	96	
2029 Q2	$91.18	$68.96	76	
2029 Q3	$92.23	$71.33	77	
2029 Q4	$68.87	$68.77	100	87
2030 Q1	$74.03	$71.07	96	
2030 Q2	$93.00	$70.48	76	
2030 Q3	$94.08	$72.89	77	
2030 Q4	$70.24	$70.28	100	87
2031 Q1	$76.25	$72.49	95	
2031 Q2	$95.79	$71.89	75	
2031 Q3	$96.90	$74.35	77	
2031 Q4	$72.35	$71.69	99	86
2032 Q1	$77.77	$73.94	95	
2032 Q2	$97.71	$73.32	75	
2032 Q3	$98.84	$75.84	77	
2032 Q4	$73.80	$73.12	99	86

CGR %		
Next 9yrs	**3.3%**	**3.5%**
Next 5yrs	**4.1%**	**4.7%**

Project REVPAR - Development of Indices

Within the above market REVPAR forecast, the expected performance of the proposed hotel is based on six factors. All six factors are independent and modify the market's projected REVPAR average to reflect the subject property's particular characteristics. These factors are:

1. **Base Value:** The effect of the brand, including specified product quality levels.
2. **Brand Aging:** Effect of the brand's overall age on its average performance.
3. **Property Size:** Effect of the project's size, or room count, on results.
4. **Other Adjustments:** Accounting for various factors, including under- or over-supply in the subject hotel's product segment.
5. **Aging Adjustment:** Effect of normal hotel life cycle patterns on the project (e.g., the effect of the project's newness compared to older competition).
6. **Site:** Likely influence of the selected site on results.

These factors are outlined below.

1. For the *Courtyard*, we set the **Base Value** factor for property type/brand/product quality at 1.55 (or 155%), as this reflects the REVPAR average of the 10 existing *Courtyard by Marriott* hotels operating in the **Match-Market™** Exhibit IV Market in the past year.[10] In this market, *Courtyard* produced an average REVPAR of $83.70 compared to the REVPAR average for the wider Exhibit IV market of $54.11, as follows:

***Courtyard* REVPAR Average $83.70 / Exhibit IV REVPAR $54.11 = 1.547 or 155%**

This large sample of like products firmly establishes the base performance value for the subject product in comparison to the wider market and to other brands and products.

2. The **Brand Aging** factor is set at 1.16 with the average opening year of a *Courtyard* property being 2004, or fairly old. Please see Exhibit VI: *Start-Up Performance of New Hotels and Motels* for a full description of our study of the impact of the overall newness or age of a group of same branded hotels on REVPAR performance. This factor adjusts for the effect of the average age of the existing hotels on the brand's current performance with newer brands being assigned a penalty to offset the inherent advantage of newer inventory. Conversely, older brands are given a premium.[11] The brand age adjustment, or life-cycle adjustment, for other brands includes:

Brand Aging: Texas Markets

Brand	Average Opening	Brand Aging Adjustment
Home2 Suites	2017	0.90
Holiday Inn Express	2009	1.11
Courtyard by Marriott	2004	1.17

10. Exhibit IV Market*: Texas **Match Market™** Zip Codes; Excludes Top 5 Texas Metro Areas & Non-Metro Areas, but Includes all hotels in metro areas with a REVPAR average of between $65 & $42*; Hotels Only.
11. Point #5, below, adjusts for the physical life cycle of the subject property, a different and additional consideration.

3. The **Property Size** factor - reflecting room count - is set at 0.96 (96%), with a slight penalty. The average Courtyard hotel in the wider Exhibit IV hotel market had an average size of 104 units, less than the subject (which is expected to offer 120-units), making for an advantage for the subject. The size factor assigns a premium if the property is smaller than average and a penalty to the property if it is larger than average. The size adjustment is necessary because demand is not affected by the number of rental rooms offered, as the individual consumer only needs one room: customers do not care whether a hotel offers 100, 125 or 150 rooms and their purchasing behavior will be the same regardless of how many rooms the property offers. Keeping a project conservatively sized assures a higher per-unit revenue yield, particularly in very competitive markets like the local area. The highly positive effect on revenues and return on capital due to building small, and not 'over-sizing' projects is best explained in Exhibit V: *A Study of the Effect of Hotel Size on Performance in the Texas Hotel Industry*. This study can be replicated with any brand, in almost any situation. The net effect of building ‘small’ is to run higher occupancy and rate, thereby increasing brand REVPAR by building a below-average number of rental units.

4. The **Other Adjustment** factor is set at 100%, or neutral.

5. The **Aging Adjustment** factor reflects the standard hotel life cycle, peaking in year III at 116%: we apply an annual 1.96% decline in the REVPAR index in Years IV through X. The aging factor is supported by extensive studies of hotel life cycles conducted by Source Strategies, with our latest study being published in April of 2019 (*Hotel Brand Report*, Issue #137). This aging study, *An Analysis of Hotel Aging for Mid-Market Hotel Properties* is attached as Exhibit V at the end of this document.

6. The **Site** factor is set at 0.90 (90%); this is a reasonable level when the sites of currently operating nearby competition are measured. The site has been valued at this level due to calculated values of nearby competition, as the site is slightly removed from the larger cities and their respective demand generators. The site is easily accessible and highly visible within the Somewhere area, with the manufacturing, agricultural, shipping, and tourist demand that is currently seen in the city. We have selected a broad area market around the property for our analysis, examining the results of a wide range of properties in the immediate and surrounding market. The site value of the subject’s location is reasonable when compared to the existing hotel sites in the area.

Consumer spending within 10 miles of the site is expected to be approximately $1.3 billion in 2023. Data from the 2010 census within a 10-mile radius of this location shows the population at 156,000 people in 2010 and is currently estimated to be 160,000 people. This population is expected to remain stable near 160,000 people in 2028. There are currently estimated to be 46,000 households within this 10-mile radius with an average household income of $60,000. It is estimated that 75% of these households are owner-occupied. See ***Exhibit IX*** for further details.[12]

The site values for this property, as well as for nearby existing competitors have been developed by quantifying the influence site has had on their performance. Applying known adjustment factors to existing properties, except for a site factor, lets us solve for the site value itself. Source Strategies' site methodology 'backs into' the value of the site by matching actual performance against known factors, using the site factor as the 'plugged number.' The differences between the closest key competitors appear to be both explainable and reasonable. The site value is 'plugged' so that projected REVPAR versus market equals the actual REVPAR over the past

12. Source: CoStar Analytics. Report attached as a separate file/pdf.

12 months. Overall, current performance of nearby existing competition would indicate that a 90% site value for the subject property is reasonable for the site:

Derivation of Local Competition

	Quality Inn	La Quinta	Holiday Express	Residence Inn	Hampton Inn
Data in 2023 $'s	**Somewhere**	**Somewhere**	**Elsewhere**	**Nearbyville**	**Suburbtown**
Base: Name & Quality	0.77	0.91	1.48	1.78	1.39
x Brand Age Adjustment	1.23	1.23	1.11	1.14	1.12
x Site Value Adjustment	*0.90*	*1.04*	*1.08*	*1.01*	*1.03*
x Size Adjustment	1.09	1.12	0.94	1.04	1.01
x Other Adjustments	0.90	1.10	1.10	1.00	1.00
x Newness Adjustment	0.90	0.89	0.85	1.05	1.14
= Performance Factor	**76%**	**127%**	**156%**	**222%**	**185%**
x Market REVPAR	$54.28	$54.28	$54.28	$54.28	$54.28
= Projected Performance	**$40.98**	**$69.18**	**$84.86**	**$120.31**	**$100.37**
REVPAR latest 12 months	$40.83	$68.96	$85.20	$119.90	$100.42
Index (Proj. Vs Actual)	100	100	100	100	100
Units in Above Subject	52	66	100	93	84
Average Units	66	90	82	103	87
Size Adjustment (33%)	9	12	-6	4	1
Year Built	2009	2007	2003	2015	2020

Combining all six factors that affect a hotel's REVPAR performance, we calculate that the proposed hotel's REVPAR will achieve 179% of the market average REVPAR in Year III of operation (January 2028), declining slowly thereafter:

Courtyard by Marriott Derivation			
Data in 2023 $'s	**Year I**	**Year II**	**Year III**
Base: Name & Quality	1.55	1.55	1.55
x Brand Age Adjustment	1.16	1.16	1.16
x Site Value Adjustment	0.90	0.90	0.90
x Size Adjustment	0.96	0.96	0.96
x Other Adjustments	1.00	1.00	1.00
x Newness Adjustment	0.98	1.12	1.16
= Performance Factor	**152%**	**173%**	**179%**
x Market REVPAR	$54.28	$54.28	$54.28
= Projected Performance	**$82.26**	**$94.01**	**$97.37**

Tests For Reasonability

Comparisons made here support the reasonable nature of market and subject projections:

1. Individual property projections depend importantly on the projection of local market REVPAR - forecast to rise at a healthy rate through 2032, starting at the current level. Over the next nine years market REVPAR is projected to rise 3.5% per year, compared to the covid impacted 4.3% increase on average over each of the past nine years. REVPAR encompasses the net effects of room supply, room-night demand and prices.

Over the next five years, we are comfortable with the 2.5% real compound demand gain projected for the market, above the expected net supply growth of 2.1%, and prices going up 4.2%. The resulting level of overall occupancy is 59% (equilibrium).

2. The derived Base Value of 1.55 (155%) for a *Courtyard by Marriott* is reasonable when compared to the Base Values of other hotels in these same markets. The hierarchy of REVPAR indices for various brands is shown below:

REVPAR Index Comparison[13]

Brand	REVPAR Index
Hilton Garden	185
Courtyard	**155**
Hampton Inn	139
La Quinta	91

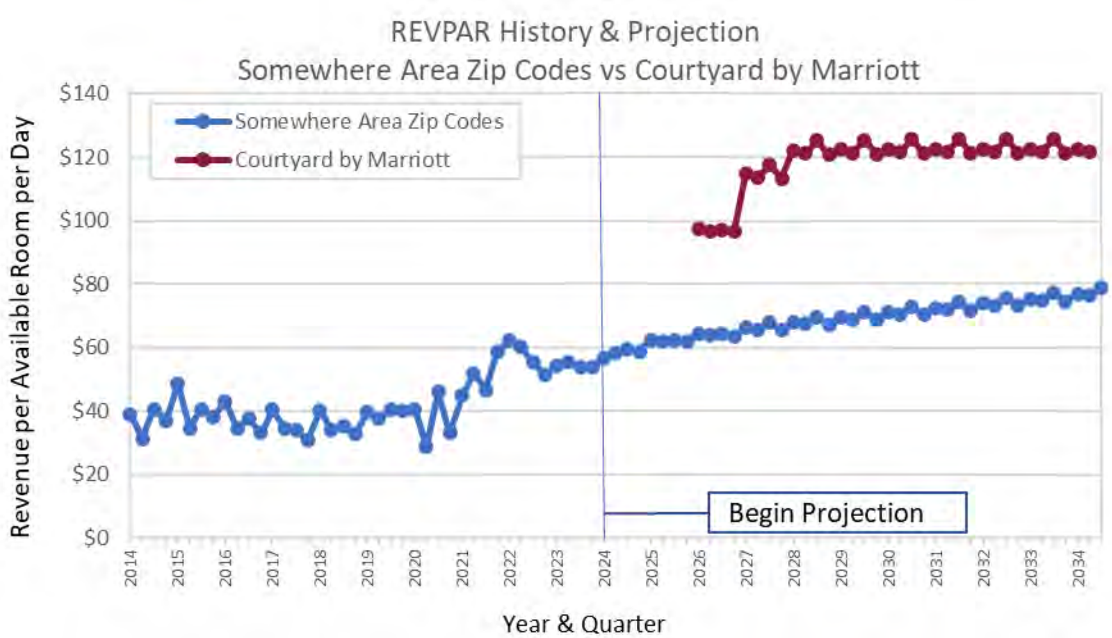
3. Developing actual adjustment factors for the existing properties - so that their projected REVPAR equals actual REVPAR - indicates why the REVPAR index projection has a high probability of being achieved. The REVPAR differences between the closest key competitors appear to be both explainable and reasonable, using the standard, Source Strategies' adjustment factor quantification. For each property, revenues are driven first by chain name affiliation and product type, and are further adjusted for size, segment, hotel age and site location. The REVPAR Index is then multiplied by the actual local area market average to generate dollar REVPAR. We also include the theoretical Year III performance (as if it were open today in year 3 of operation) of the subject hotel, as follows:

13. Unadjusted for physical aging of each brand.

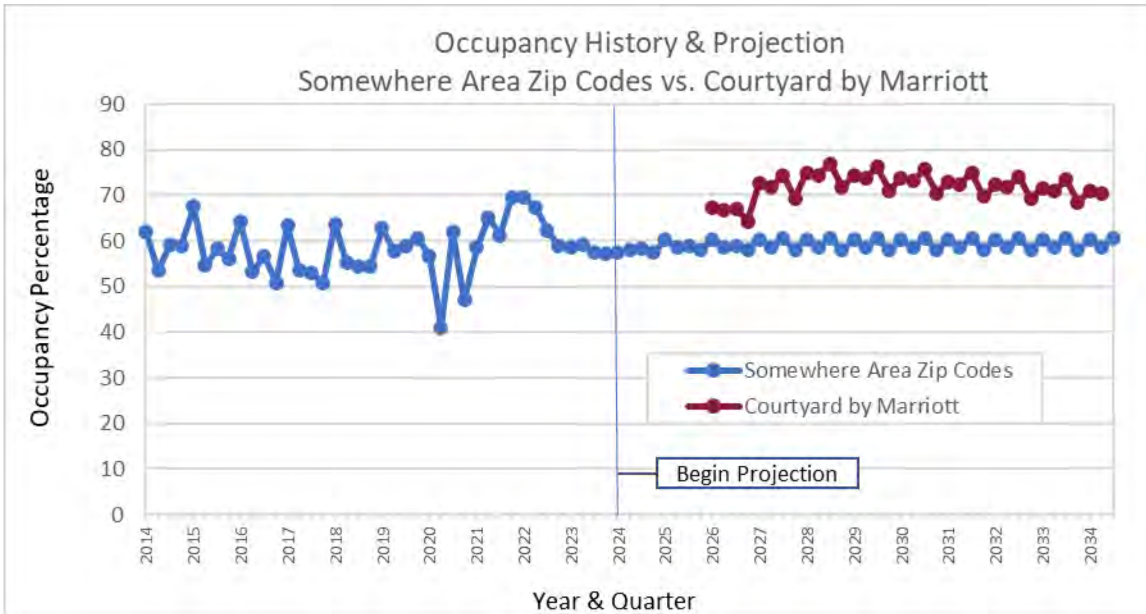
REVPAR Derivation

	SUBJECT: Courtyard by Marriott Derivation	Quality Inn	La Quinta	Holiday Express	Residence Inn	Hampton Inn
Data in 2023 $'s	**Year III**	**Somewhere**	**Somewhere**	**Elsewhere**	**Nearbyville**	**Suburbtown**
Base: Name & Quality	1.55	0.77	0.91	1.48	1.78	1.39
x Brand Age Adjustment	1.16	1.23	1.23	1.11	1.14	1.12
x Site Value Adjustment	0.90	0.90	1.04	1.08	1.01	1.03
x Size Adjustment	0.96	1.09	1.12	0.94	1.04	1.01
x Other Adjustments	1.00	0.90	1.10	1.10	1.00	1.00
x Newness Adjustment	1.16	0.90	0.89	0.85	1.05	1.14
= Performance Factor	**179%**	**76%**	**127%**	**156%**	**222%**	**185%**
x Market REVPAR	$54.28	$54.28	$54.28	$54.28	$54.28	$54.28
= Projected Performance	**$97.37**	**$40.98**	**$69.18**	**$84.86**	**$120.31**	**$100.37**
Actual Past Year	n/a	40.83	68.96	85.20	119.90	100.42
Index (Proj./Actual)	n/a	100	100	100	100	100
Year Opened	n/a	2009	2007	2003	2015	2020
# Rooms	120	52	66	100	93	84

4. The projected REVPAR performance of the *Courtyard* versus the local market average reflects the fact that this property will perform well above the projected market average:



5. The graphically projected occupancy performance of the *Courtyard* versus the local market average reflects the fact that this hotel will be above the overall market average because of product, location, size, and age:



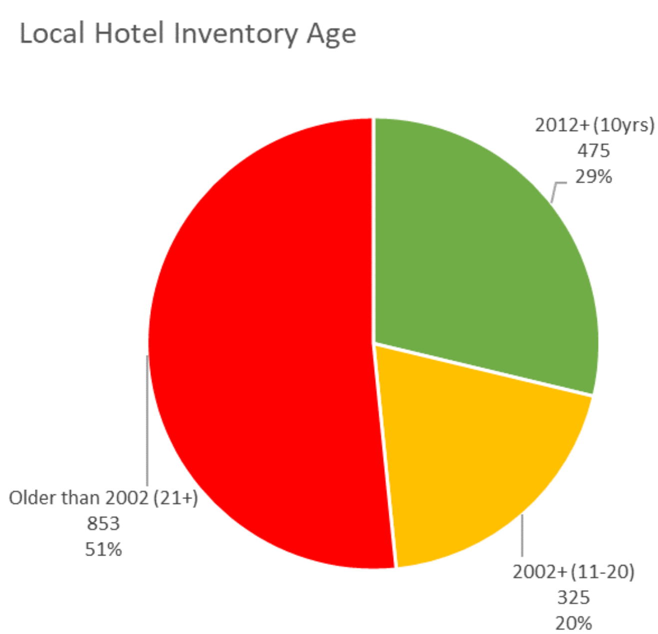
Local Hotel Inventory

Local Market: An examination of the local *Somewhere area zip codes*[14] market reflects a mixture of a reasonable number of newer properties, along with a growing percentage of new hotels. Typically, a new hotel will have a significant advantage over older products. The average hotel room in the local market is 22 years old, well past the peak performing first ten years of the life cycle of the typical hotel building, which becomes stylistically and structurally obsolete after 30+ years. This 30-year life cycle is significantly longer for high-rise and/or concrete structures. Out of 1,653 total rooms in the local market, 475, or 29% have been built since 2014, while 52%, or 853 rooms were opened before 2004 (over 20 years old). There is usually a wide and dramatic gap between the performance of new and older properties, with newer hotel inventory easily outperforming older hotels that are well past their peak. Overall, this is an older group of hotel properties.

14. Somewhere Area Zip Codes-78570/596/552/537/589/516. Hotels only.

Somewhere/Combined Metros Area Market

Year Open	# Rooms	Hotel
2020	149	HILTON GARDEN INN
2020	84	HAMPTON INN
2015	81	HOLIDAY INN EXPRESS & SUITES
2015	93	RESIDENCE INN BY MARRIOTT
2014	68	MOTEL 6
2011	46	WESO INN
2009	55	COMFORT INN & SUITES
2009	52	QUALITY INN SOMEWHERE
2007	61	LA QUINTA INN & SUITES
2007	66	LA QUINTA INN & SUITES
2006	45	LA COPA INN
2003	100	HOLIDAY INN EXPRESS
2001	44	TEXAS INN ALAMO (FMR SUPR8)
2001	45	CROWN INN
2001	62	BEST WESTERN TOWN CENTER INN
1999	40	LA BONITA INN
1999	40	EXPRESS INN
1997	52	SUPER 8 MOTEL (FMR HOLIDAY EXPR)
1996	82	RODEWAY INN
1984	120	VICTORIA PALMS RV RESORT
1983	55	DELUXE INN & SUITES
1982	128	QUALITY INN (FMR LAQUN)
1969	48	EXECUTIVE INN (FMR DAYS)
1960	37	VALI-HO MOTEL



Project REVPAR Projection

Pro Forma: Applying the project derivation factor for the subject hotel (179% Year III) to the quarterly local market REVPAR forecast results in the following progression:

Year & Qtr	Local Market	Subject Hotel	Subj/Local Index	Annualized
2026 Q1	64.39	97.58	152	
2026 Q2	63.85	96.76	152	
2026 Q3	64.15	97.22	152	
2026 Q4	63.67	96.49	152	152
2027 Q1	66.19	114.64	173	
2027 Q2	65.64	113.68	173	
2027 Q3	67.89	117.58	173	
2027 Q4	65.46	113.37	173	173
2028 Q1	68.05	122.06	179	
2028 Q2	67.47	121.04	179	
2028 Q3	69.79	125.19	179	
2028 Q4	67.29	120.70	179	179
2029 Q1	69.54	122.30	176	
2029 Q2	68.96	121.28	176	
2029 Q3	71.33	125.44	176	
2029 Q4	68.77	120.94	176	176
2030 Q1	71.07	122.54	172	
2030 Q2	70.48	121.51	172	
2030 Q3	72.89	125.68	172	
2030 Q4	70.28	121.18	172	172
2031 Q1	72.49	122.54	169	
2031 Q2	71.89	121.52	169	
2031 Q3	74.35	125.69	169	
2031 Q4	71.69	121.18	169	169
2032 Q1	73.94	122.54	166	
2032 Q2	73.32	121.52	166	
2032 Q3	75.84	125.69	166	
2032 Q4	73.12	121.18	166	166
2033 Q1	75.42	122.55	162	
2033 Q2	74.79	121.52	162	
2033 Q3	77.36	125.69	162	
2033 Q4	74.58	121.18	162	162
2034 Q1	76.93	122.55	159	
2034 Q2	76.29	121.52	159	
2034 Q3	78.90	125.69	159	
2034 Q4	76.08	121.18	159	159
CGR %				
9 Yrs	**2.4%**	**2.7%**		
First 5 Yrs	**2.5%**	**4.8%**		

*CGR% measured from open date

Resulting Projection: Courtyard

For the *Courtyard by Marriott Somewhere*, this REVPAR forecast is then extended to room revenues - multiplying REVPAR by the number of days in each quarter and by the number of rooms in the project - and to occupancy, estimated rate and to room-nights sold:

Year & Qtr	Resulting Room Revenues	Annual Basis	Estimated % Occ	ADR	Room Nights Sold	Annual Basis		
						RNS	% Occ	ADR
2026 Q1	$1,077,280		67.3	$145.00	7430			
2026 Q2	$1,045,022		66.7	$145.00	7207			
2026 Q3	$1,061,669		67.0	$145.00	7322			
2026 Q4	$1,065,299	$4,249,270	64.3	$150.00	7102	29060	66.3%	$146.22
2027 Q1	$1,265,650		72.5	$158.05	8008			
2027 Q2	$1,227,751		71.9	$158.05	7768			
2027 Q3	$1,283,995		74.4	$158.05	8124			
2027 Q4	$1,251,575	$5,028,971	69.3	$163.50	7655	31555	72.0%	$159.37
2028 Q1	$1,347,556		75.0	$162.79	8278			
2028 Q2	$1,307,204		74.4	$162.79	8030			
2028 Q3	$1,367,088		76.9	$162.79	8398			
2028 Q4	$1,332,569	$5,354,417	71.7	$168.41	7913	32618	74.5%	$164.15
2029 Q1	$1,350,209		74.4	$164.42	8212			
2029 Q2	$1,309,778		73.8	$164.42	7966			
2029 Q3	$1,369,779		76.3	$164.42	8331			
2029 Q4	$1,335,193	$5,364,959	71.1	$170.09	7850	32359	73.9%	$165.79
2030 Q1	$1,352,868		73.8	$166.06	8147			
2030 Q2	$1,312,356		73.2	$166.06	7903			
2030 Q3	$1,372,476		75.7	$166.06	8265			
2030 Q4	$1,337,822	$5,375,522	70.5	$171.79	7788	32102	73.3%	$167.45
2031 Q1	$1,352,878		73.1	$167.72	8066			
2031 Q2	$1,312,367		72.4	$167.72	7825			
2031 Q3	$1,372,487		74.9	$167.72	8183			
2031 Q4	$1,337,832	$5,375,565	69.8	$173.51	7711	31784	72.6%	$169.13
2032 Q1	$1,352,889		72.3	$169.40	7986			
2032 Q2	$1,312,377		71.7	$169.40	7747			
2032 Q3	$1,372,498		74.2	$169.40	8102			
2032 Q4	$1,337,843	$5,375,608	69.2	$175.24	7634	31470	71.8%	$170.82
2033 Q1	$1,352,900		71.6	$171.10	7907			
2033 Q2	$1,312,388		71.0	$171.10	7670			
2033 Q3	$1,372,509		73.5	$171.10	8022			
2033 Q4	$1,337,854	$5,375,651	68.5	$177.00	7559	31158	71.1%	$172.53
2034 Q1	$1,352,911		70.9	$172.81	7829			
2034 Q2	$1,312,398		70.3	$172.81	7595			
2034 Q3	$1,372,520		72.7	$172.81	7943			
2034 Q4	$1,337,864	$5,375,694	67.8	$178.77	7484	30850	70.4%	$174.25
CGR %								
9 Yrs	**2.7%**		**0.6%**	**2.1%**	**0.6%**			
First 5Yrs	**4.8%**		**1.8%**	**3.0%**	**1.8%**			

-CGR% measured from open date-

Profit and Loss Statements

Operating Costs[15]

Profitability and returns reflect the above revenue projections and the following other critical assumptions: operating costs per occupied room approximate Select & Limited-Service hotels of similar size, rate, and occupancy and include appropriate fixed, semi-fixed and variable costs (STR's Host Almanac 2020 for the year 2019 annual data, and Source Strategies data).

Estimates of operating costs consider the lower costs of the West South-Central region of the United States, which had an average Per Occupied Room Cost of $54.23 (not including royalties) in 2019 in Limited-Service hotels - versus a national average of $66.23 - or 81.8% of the U.S. average. The following cost comparisons have all been adjusted to reflect this 18.2% lower-cost environment that may be expected in operating a hotel in the West South Central (WSC) region.

Costs per Operating Occupied Room

Industry-wide data follows:

a) $68.48 in the Host Almanac for Upscale hotels in 2019, adjusted to WSC USA. This translates to $72.65, when inflated to Year 2021 dollars.

b) $45.29 in the Host Almanac for Suburban hotels in 2019, adjusted to Southwest the WSC region of the USA. This POR cost translates to $48.05 when inflated 3% annually to Year 2021 dollars.

c) $56.90 in the Host Almanac for Upper-Midscale hotels in 2019, adjusted to WSC USA. This POR cost translates to $60.36 when inflated to Year 2021 dollars.

d) $44.40 in the Host Almanac for Interstate hotels in 2019, adjusted to WSC USA. his POR cost translates to $47.11 when inflated to Year 2021 dollars.

e) $36.56 in the Host Report for Midscale/Economy hotels, 2019 data, adjusted to WSC USA. This POR cost translates to $38.79 when inflated to Year 2021 dollars.

Additional Operating Expenses & Capital Investment

A vital marketing expense of in Year I and thereafter. Marketing includes brand reservation and advertising fees, sales expense, local advertising and a strong internet presence. A 5% franchise fee is charged, an additional franchise marketing fee is charged, as is a reasonable management fee.

15. The calculation of the statistic of Operating Costs Per Occupied Room (before fixed/capital costs are deducted) is typically the important cost to examine carefully because it is highly stable and predictable, regardless of occupancy and rate. Looking at costs on a percentage basis can be highly misleading because of the high variability in average room revenues.

For Food & Beverage, we have assumed sales at $7 per occupied room, which is below typical for a select service hotel. Expenses for this department at set at 75% of revenues, which is also a conservative assumption.

A large reserve for renovations is taken and subtracted from projected cash flows annually; such renovation reserves amount to 4% of room revenues annually for the first five years. Reserves ensure that future revenue streams continue by maintaining product quality at high levels as required by the franchisor. Reserves are based on an extensive 2001 study, CapEx, by the International Society of Hospitality Consultants. The study shows that required reserves average 5.5% over a 20-year period.

Total capital of $18,334,000 is allocated for the development of the project. Should capital needs vary, then returns would change proportionately. The estimates of necessary capital include:

Total Hotel Investment		
Developments Costs:	$17,800,000	@ $148,333 per key[16]
Closing Costs (3%):	$534,000	
Total Investment:	$18,334,000	
Internal Rate of Return:	19.5%[17]	

<PROFIT & LOSS STATEMENTS FOLLOW OVERLEAF>

16. Source Strategies' estimate of project costs.
17. After annual reserve for on-going renovations. Assumes a Year 10 sale at a targeted price of $26,609,319, at a CAP rate of 8%, less sale expense of 1%.

Proforma, Years 1-5

	Courtyard by Marriott, Years 1-5				
	Proforma Forecast				
	Year 1	Year 2	Year 3	Year 4	Year 5
Keys	120	120	120	120	120
Occ	66.35%	72.04%	74.47%	73.88%	73.29%
ADR	$146.22	$159.37	$164.15	$165.79	$167.45
Total Rooms Sold	29,060	31,555	32,618	32,359	32,102
Rooms RevPAR	**$97.02**	**$114.82**	**$122.25**	**$122.49**	**$122.73**
Revenues					
Rooms Revenue	$ 4,249,270	$ 5,028,971	$ 5,354,417	$ 5,364,959	$ 5,375,522
Food & Beverage Revenue	203,423	231,929	285,411	283,142	292,126
Other Revenue	58,121	65,003	67,194	66,660	66,130
Total Revenues	**$ 4,510,814**	**$ 5,325,903**	**$ 5,707,022**	**$ 5,714,760**	**$ 5,733,777**
Cost of Sales					
Rooms Expense	958,994	1,093,377	1,130,228	1,121,240	1,112,325
Other/Comp F&B	87,181	94,665	100,791	99,989	99,194
Telecommunications & Other Expenses	25,000	25,500	26,010	26,530	27,061
Total Cost of Sales	$ 1,223,742	$ 1,387,488	$ 1,471,087	$ 1,460,116	$ 1,457,674
Departmental Profit	**$ 3,287,072**	**$ 3,938,414**	**$ 4,235,936**	**$ 4,254,644**	**$ 4,276,103**
Undistributed Expenses					
Fixed Admin. and General	$ 250,000	$ 267,800	$ 279,851	$ 288,247	$ 296,894
Controllable Admin. and General	135,324	159,777	171,211	171,443	172,013
Franchisor Marketing Fees	127,478	150,869	160,633	160,949	161,266
Fixed Sales and Marketing	30,000	30,900	31,827	32,782	33,765
Controllable Sales and Marketing	135,324	159,777	171,211	171,443	172,013
Franchise Fees	212,464	251,449	267,721	268,248	268,776
Fixed Repairs and Maintenance	50,000	51,000	52,020	53,060	54,122
Controlled Repairs and Maintenance	58,121	64,372	65,237	64,718	64,203
Utilities	95,000	96,900	98,838	100,815	102,831
Total Undistributed Expenses	$ 1,093,711	$ 1,232,844	$ 1,298,548	$ 1,311,704	$ 1,325,884
Gross Operating Profit	**$ 2,193,361**	**$ 2,705,570**	**$ 2,937,388**	**$ 2,942,940**	**$ 2,950,219**
GOP Margin	**48.6%**	**50.8%**	**51.5%**	**51.5%**	**51.5%**
Operational Expenses					
Management Fees	$ 180,433	$ 213,036	$ 228,281	$ 228,590	$ 229,351
Property Taxes	100,000	103,000	106,090	109,273	112,551
Insurance Expenses	90,000	94,500	99,225	104,186	109,396
Net Operating Income	**$ 1,822,928**	**$ 2,295,034**	**$ 2,503,792**	**$ 2,500,891**	**$ 2,498,922**
NOI Margin	**40.4%**	**43.1%**	**43.9%**	**43.8%**	**43.6%**
FF&E Reserve	169,971	271,564	321,265	328,336	328,982
Adjusted NOI	**$ 1,652,957**	**$ 2,023,470**	**$ 2,182,527**	**$ 2,172,555**	**$ 2,169,940**
Adjusted NOI Margin	**36.6%**	**38.0%**	**38.2%**	**38.1%**	**38.0%**

Proforma, Years 6-10

	Courtyard by Marriott, Years 6-10				
	Proforma Forecast				
	Year 6	Year 7	Year 8	Year 9	Year 10
Keys	120	120	120	120	120
Occ	72.57%	71.85%	71.14%	70.43%	70.25%
ADR	$169.13	$170.82	$172.53	$174.25	$175.99
Total Rooms Sold	31,784	31,470	31,158	30,850	30,770
Rooms RevPAR	**$122.73**	**$122.73**	**$122.73**	**$122.73**	**$123.64**
Revenues					
Rooms Revenue	$ 5,375,565	$ 5,375,608	$ 5,375,651	$ 5,375,694	$ 5,415,264
Food & Beverage Revenue	300,360	297,389	327,163	323,926	323,080
Other Revenue	65,475	64,828	64,186	63,551	63,385
Total Revenues	**$ 5,741,400**	**$ 5,737,824**	**$ 5,767,000**	**$ 5,763,171**	**$ 5,801,729**
Cost of Sales					
Rooms Expense	1,101,320	1,090,425	1,079,637	1,068,956	1,066,163
Other/Comp F&B	98,213	97,241	96,279	95,327	95,078
Telecommunications & Other Expenses	27,602	28,154	28,717	29,291	29,877
Total Cost of Sales	$ 1,452,405	$ 1,438,862	$ 1,450,006	$ 1,436,519	$ 1,433,428
Departmental Profit	**$ 4,288,995**	**$ 4,298,962**	**$ 4,316,994**	**$ 4,326,652**	**$ 4,368,301**
Undistributed Expenses					
Fixed Admin. and General	$ 305,801	$ 314,975	$ 324,424	$ 334,157	$ 344,181
Controllable Admin. and General	172,242	172,135	173,010	172,895	174,052
Franchisor Marketing Fees	161,267	161,268	161,270	161,271	162,458
Fixed Sales and Marketing	34,778	35,822	36,896	38,003	39,143
Controllable Sales and Marketing	172,242	172,135	173,010	172,895	174,052
Franchise Fees	268,778	268,780	268,783	268,785	270,763
Fixed Repairs and Maintenance	55,204	56,308	57,434	58,583	59,755
Controlled Repairs and Maintenance	63,568	62,939	62,317	61,700	61,539
Utilities	104,888	106,985	109,125	111,308	113,534
Total Undistributed Expenses	$ 1,338,768	$ 1,351,347	$ 1,366,268	$ 1,379,596	$ 1,399,477
Gross Operating Profit	**$ 2,950,227**	**$ 2,947,615**	**$ 2,950,726**	**$ 2,947,055**	**$ 2,968,824**
GOP Margin	**51.4%**	**51.4%**	**51.2%**	**51.1%**	**51.2%**
Operational Expenses					
Management Fees	$ 229,656	$ 229,513	$ 230,680	$ 230,527	$ 232,069
Property Taxes	$ 115,927	119,405	122,987	126,677	130,477
Insurance Expenses	114,865	120,609	126,639	132,971	139,620
Net Operating Income	**$ 2,489,778**	**$ 2,478,088**	**$ 2,470,419**	**$ 2,456,881**	**$ 2,466,658**
NOI Margin	**43.4%**	**43.2%**	**42.8%**	**42.6%**	**42.5%**
FF&E Reserve	328,985	328,987	335,441	335,443	337,912
Adjusted NOI	**$ 2,160,793**	**$ 2,149,101**	**$ 2,134,978**	**$ 2,121,437**	**$ 2,128,746**
Adjusted NOI Margin	**37.9%**	**37.7%**	**37.4%**	**37.2%**	**37.3%**

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April 22, 2024

Statement of Opinion

This report is based on independent opinion, surveys and research from sources considered reliable. No representation is made as to accuracy or completeness and no contingent liability of any kind can be accepted.

The study projections are dependent on the developer building and operating a *Courtyard* hotel at this location in Somewhere, Texas. Projections assume including certain high-quality amenities and spending the appropriate operating funds necessary to generate projected revenues, most especially budgeted funds for aforementioned amenities and for marketing, including but not limited to listings in travel tour books, and a prominent presence on the Internet.

It is our opinion that this report fairly and conservatively represents the room revenues and profitability that can be achieved by developing and operating a 120-unit *Courtyard by Marriott* property, at this location in Somewhere, Texas.

Please contact us with any questions at (210) 734-3434.

Respectfully submitted,

Todd Walker

Todd Walker, Senior Vice President

Source Strategies

Paul Vaughn, Senior Vice President
Source Strategies

List of Exhibits

I. Lodging Market History

    a. Wider Lodging Market: Combined Metros, Hotels Only

    b. Local Lodging Market: Somewhere Area Zip Codes 78570/596/552/537/589/516; Hotels Only

II. Local Market History: By Segment and Brand, Past Five Years, Annual Basis

III. Individual Hotel/Motel Histories Local Market

IV. Match-Market™ Zip Code Selection; Excludes Top 5 Metro Areas, & Non-Metros; Metro Area Zip Codes with REVPAR Averages $65-$42

V. The Case for Downsizing Hotels

VI. An Analysis of Hotel Aging for Mid-Market Hotel Properties

VII. CAPEX Study of Capital Expenditures

VIII. *Hotel Brand Report* Newsletter (separate file)

IX. Local Area Demographic Report (separate file)

About Source Strategies

Source Strategies is the leading hotel consultancy in Texas, providing Financial Feasibility Studies, Litigation Support and Data Analysis. Source Strategies publishes comprehensive market and individual hotel statistics in the ***Texas Hotel Performance Factbook***, The ***Texas Hotel Performance Navigator*** online platform, the ***Hotel Brand Report, Custom Market Stats,*** and more.

Source Strategies maintains the most accurate and comprehensive Texas hotel database, covering 98% of all hotels and is the *leading provider of individual, hotel-by-hotel data*, trends and financial projections in Texas.

Todd Walker, Paul Vaughn, Scott Petersen and Bruce Walker are the team behind the Source Strategies hotel consultancy, with over 100 years of hospitality industry experience.

Source Strategies data is based on the **Texas State Comptroller** audited tax files for the period of 1980 to the present, making it more comprehensive than voluntary samples. Source Strategies researches and writes numerous Financial Feasibility Studies for hotels every year. Beyond lenders and developers, clients served include TxDOT and the Texas Governor's Tourism Office. Source Strategies services include:

- The ***Texas Hotel Performance Factbook***: Contains every lodging property's revenue, REVPAR, occupancy, etc. compared to last year and summarized by zip, city and metro.
- ***Texas Hotel Performance Navigator***: Online data platform for Source Strategies hotel data featuring a map interface and monthly hotel revenue/REVPAR.
- **Hotel Financial Feasibility Studies**: Over 100 Hotel Feasibility Studies annually. Texas' lenders insist on a Source study because of the speed, accuracy and high value.
- The ***Hotel Brand Report***: PDF newsletter that is the only industry source tracking each brand's performance, as well as product and price segments. Includes the top 500 hotels every quarter.
- ***Custom Market Stats:*** Individual hotel data with a seven-year REVPAR history on each property.
- ***Texas Hotel Markets Report***: Excel geographic breakdowns of Texas markets – metro, county and city by quarter and by past 12 months.
- ***True Share Market Report:*** Monthly REVPAR for your hotel and your comp set in Excel.
- **Appraisal Market Packages**: Five- and ten-year market and individual property histories that show market and individual property trends.
- **Litigation Support and Data Analysis**: Almost any question can be analyzed and proved with the powerful Source database. Extensive testimonial experience.

Contact us at (210) 734-3434 or visit SourceStrategies.org!

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- Bruce Walker, Founder — bruce@sourcestrategies.org

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Financial Feasibility Studies – Partial List of Previous Studies

- **Aloft**
  - Austin
  - Houston
- **Americas Best Value**
  - Houston
  - Houston SW
  - Humble
  - San Antonio
  - Waller
- **Baymont Inn**
  - Katy
  - New Braunfels
- **Best Western**
  - Addison
  - Andrews
  - Big Spring
  - Bridgeport
  - Cameron
  - Cleveland
  - Copperas Cove
  - Dickinson
  - Franklin
  - Halletsville
  - La Grange
  - Lake Dallas
  - Laredo
  - Levelland
  - Lumberton
  - Pearsall
  - Pilot Point
  - Rosenberg
  - San Marcus
  - Schulenberg
  - Temple
  - Tomball
  - Wakeeney, KS
- **Candlewood Suites**
  - Beaumont
  - Irving DFW
  - Friendswood
  - Houston Westheimer
  - Plano
  - San Antonio Toyota
  - San Marcos
  - Temple
  - Wichita Falls
- **Comfort Inn & Suites**
  - Fredericksburg
  - Navasota
  - Pampa
  - Pharr
  - Bay City
  - College Station
  - Copperas Cove
  - Deer Park
  - Elmendorf
  - Georgetown
  - Katy Area
  - Hobbs, NM
  - Longview
  - Pasadena
  - Quanah
  - San Antonio
  - San Antonio North
  - Sugarland
  - Longview
  - Webster
- **Country Inn & Suites**
  - Arlington
  - Pearland
- **Crown Plaza**
  - San Antonio
  - Days Inn
  - Tomball
- **Econo Lodge**
  - Dallas
  - Lake Charles
  - Port Arthur
  - Texas City
- **Element**
  - Las Colinas
- **Embassy Suites**
  - Laredo
  - Lubbock
  - McAllen
- **Fairfield Inn by Marriott**
  - Houston
  - Livingston
  - Laredo
  - San Marcos
- **Four Points**
  - Frisco
  - Round Rock
  - Spring
- **Hampton Inn & Suites**
  - Angleton
  - Austin Ben White
  - Austin Pecan Park
  - Austin South
  - Cedar Park
  - Corpus Christi
  - Del Rio
  - Galveston
  - Gainesville
  - Greenville
  - Hillsboro
  - Houston Beltway 8
  - Katy
  - Longview
  - Monahans
  - Nipomo, CA
  - Port Lavaca
  - Rosenberg
  - Seguin
  - Schertz
  - Sugar Land
  - Texarkana
  - Waxahachie
  - Weslaco
- **Hawthorn Suites**
  - Marble Falls
- **Hilton**
  - Fort Worth CC
- **Hilton Garden Inn**
  - Amarillo
  - Austin
  - Corpus Christi
  - Del City, OK
  - Galveston
  - Granbury
  - Houston Beltway 8
  - Killeen
  - Odessa
  - New Braunfels
  - Temple
- **Holiday Inn Express**
  - Odessa
  - Alvarado
  - Amarillo
  - Atlanta
  - Austin
  - Buda
  - Cameron
  - Center
  - Cleburne
  - Corsicana
  - Desoto
  - El Paso
  - Galveston
  - Gatesville
  - La Grange
  - La Porte
  - Lampasas
  - Manvel
  - Pearland
  - Orange
  - San Antonio I-10 West
  - San Antonio Toyota
  - San Marcos
  - Sherman
  - Texarkana
  - Wichita Falls
- **Holiday Inn**
  - Austin (Select)
  - Dallas North
  - Frisco
  - San Antonio
- **Home2**
  - Pearland
  - Texas City
  - Homewood Suites
  - Houston Katy Freeway
  - Houston NW
  - Norman, OK
  - Marble Falls
  - McAllen
  - Odessa
  - New Braunfels
  - Waco
  - Wichita Falls
- **Hotel Indigo**
  - Alamo Plaza San Antonio
  - Irving
- **Hyatt Place**
  - McAllen
  - Odessa
  - Waco South
  - La Quinta Inn & Suites
  - Boerne
  - Cedar Hill
  - College Station
  - Frisco
  - Gun Barrel City
  - Keene
  - Palestine
  - Pasadena
  - Pearland
  - Rockwall
  - San Antonio
  - San Antonio I-10W
  - San Antonio Toyota
  - Seguin
  - Tomball
- **Marriott Hotel**
  - Dallas CC
  - Colorado Springs CC
- **JW Marriott**
  - Houston
- **Motel 6**
  - Aransas Pass
- **Quality Inn & Suites**
  - Katy
  - San Antonio East
  - Waco
- **Red Roof Inn**
  - Katy Area
  - Pharr
  - Stafford
  - Temple
- **Residence Inn**
  - Lubbock
- **Springhill Suites**
  - Texas City
- **Staybridge Suites**
  - San Antonio
  - South Padre Island
- **Studio 6**
  - Balch Springs
  - Bay City
  - Tyler
  - Winnie
- **Super 8**
  - Austin East
  - Beaumont
  - Conroe
  - Copperas Cove
  - Fort Stockton
  - Humble
  - Killeen
  - Livingston
  - Pharr
  - Plainview
  - Rosenberg
  - Round Rock
  - San Antonio South
- **Towneplace Suites**
  - Killeen
  - North Richland Hills
  - Universal City
- **Travelodge**
  - Killeen
  - San Antonio
- **Tru by Hilton**
  - Webster
- **Westin**
  - San Antonio Riverwalk
- **Independent Hotels**
  - St. George, Marfa
  - Crescent Hotel, New Orleans
  - Dacoma Inn Houston
  - Executive Inn Tyler
  - Fairmont Hotel San Antonio
  - Garden Inn San Antonio
  - Killeen Inn
  - Luxury Suites Canton
  - Palms Hotel South Padre
  - Palace Inn Houston
  - San Antonio Inn & Suites

Sample Studies, Data and Litigation Support

1. Provided over 1,000 ten-year custom local hotel market histories to Appraisal Institute members (MAI).
2. Developed numerous competitive REVPAR performance studies versus local area market averages. This unique analysis technique highlights trends and deviations in performance, regardless of market movement; a REVPAR index versus market average shows how well a property has performed. By limiting study to a single variable, truly scientific conclusions can be made as to cause and effect.
   I. Deviations from trend can be related to specific, causal events such as management problems or outside influence (e.g. new highway construction, brand change, new competition); if there is no effect from an event, studies confirm the absence of any impact). If there is an effect, the degree is measurable and apparent. This study approach is among Source Strategies' most important work, frequently the basis for expert witness testimony by Source Strategies founder Bruce Walker and president Todd Walker.
   II. Examples of major studies include: a) the (lack of) induced demand from opening large North hotels in Texas, 1980 through 2003; b) the impact of adding a second luxury hotel of the same brand in a local market, or removing a hotel of the same name, on the performance of the pre-existing property; 3) Studies to separate and quantify hotel business value - and the separate Real Estate Value - for tax assessment disputes. The most important study here was to determine the average revenue effect of adding or removing the "Marriott Hotel" name to numerous hotel properties from 1980 through 1995. Source Strategies has produced values for the Marriott Austin hotel and the Marriott Rivercenter hotel San Antonio, both with- and without- the Marriott name for real property tax disputes. Clients included USAA, the Bexar County Appraisal District, and Texas Department of Transportation (TxDOT).
3. Litigation clients have included the **Texas Department of Transportation** through the **Texas Attorney General's Office** for condemnation valuation and damage cases (Days Inn Houston I-45N, Motel 6 Ft. Worth, Holiday Inn Houston I-45N, La Quinta Houston I-45N, Holiday Inn Lubbock, Austin Hawthorn Suites South, Chariot Inn, Malibu Grand Prix, Dallas Sheraton, San Antonio Holiday Select Airport, Coit Towers Hotel Dallas, Erie County PA Hotel Owners versus Convention Authority, Bandera Motel San Antonio), USAA, Bexar County Appraisal District, Capital Income Properties (Hilton Nassau Bay, Austin Marriott North), American Liberty, Dosani Brenham Inn, Wes-Tex Management El Campo. Hospitality (Homeplace Inn), Ramada Bannister Austin (lock manufacturer), Rodeway Inn I-10 West (bank's non-funding of a committed loan), Homer J. Rader, and Siu Ft Worth and San Antonio Inn (bankruptcies), Holiday/Clarion (loss due to change of brand), United Fire (Wingate McAllen performance due to construction issues), Hyatt Regency San Antonio (arbitration regarding introduction of second Hyatt in CVB), Drury Inn Riverwalk.
4. Numerous studies to determine the effect on revenues and cash flow of brand name alternatives, whether in new builds or in changing to or from a brand name. This technique is used extensively in feasibility work to predict revenue performance of new hotel projects under various brand name alternatives.
5. Contracted by the **Texas Governor's *Office of Economic Development, Tourism Division*** (1988 – 2016) to assess Texas tourism promotion efforts and to aid in marketing Texas.
6. Represented Host Marriott before Real Estate Tax Appeal Board, Virginia.
7. Drafted national lending guidelines for Heller Small Business Finance for lodging projects under $5 million.
8. Presentations to bank lending committees to explain the economics of the lodging industry, particularly the effect of market demand and supply, equilibrium occupancy, cost structures, and the effect of brand name on REVPAR and ROIC.
9. Analysis of alternative markets to determine their potential for new lodging: alternative metro areas, alternative sites, and strategically, for an expanding chain.
10. Consumer intercept and secondary data studies, including the effect of a new hotel or potential name change.

Methodology of Source Strategies Feasibility Studies

To develop Pro Forma financial results for the proposed project, two major sets of assumptions have been developed. First, the future market's average REVPAR is forecast on a reasonable and economically-sound basis; the performance of the project is dependent on this market forecast and varies from it only due to specific variables of the project. Second, the specific variables of the project are combined and expressed as an index for each quarter of the forecast, an index that is used to adjust the overall market performance to the specific project.

Market REVPAR Forecast

The larger metro is examined historically and projected. The key in the market projections is to stabilize the wider area market in the future at a sustainable, average equilibrium for occupancy for markets of this type. This occupancy level is highly relevant as a long-term, equilibrium occupancy, a level where investors are more neutral about adding new hotel rooms to the market and an average that will reoccur over long periods of time (e.g. 20 years).

After the wider market area is forecast, the performance of the project's local is examined historically and projected. The key in the market projection is to stabilize this market in the future at a sustainable, average equilibrium for occupancy. Over the 20 years from 1987 through 2007, according to the Source Strategies database, hotel occupancy in Texas has averaged 60%, and 62% in larger Texas metros. The REVPAR projection of the local market is then the pro forma market environment of the project. This project will vary from the norm for only project-specific differences, and then only relatively.

Development of Project REVPAR Indices

Source Strategies determines the expected performance of the proposed hotel based on six factors. All six factors are independent and modify a market's projected REVPAR average to reflect the subject property's particular characteristics. These factors are:

1. **Base Value:** The effect of the brand, including specified product quality levels.
2. **Brand Aging:** Effect of the brand's overall age on its average performance.
3. **Property Size:** Effect of the project's size, or room count, on results.
4. **Other Adjustments:** Accounting for various factors, including under- or over-supply in the subject hotel's product segment.
5. **Aging Adjustment:** Effect of normal hotel life cycle patterns on the project (e.g. the effect of the project's newness compared to older competition).
6. **Site:** Likely influence of the selected site on results.

The first variable from the averages to be developed has to do with the fact that each product type and brand have a typical and identifiable influence on REVPAR performance. This variable is based on its consumer acceptance, its product definition, its level of quality, the price it can command from the consumer, its marketing efforts, and other factors. The value of the brand and product type is termed the **Base Value**.

The second adjustment used on the dollar value of the local area's REVPAR is the Brand Age Adjustment. This is made to reflect the average age of similarly branded hotels on the subject property's performance versus the market average. Typically, the opening dates of the same branded hotels as the subject are examined in order to quantify this factor.

The third step to developing a project REVPAR index is to determine an adjustment based on any deviation from a normal project. If the number of proposed rooms in the project is significantly above or below the average for that brand, its performance will also vary from the norm. A lower than average number of rooms should increase per room performance and vice versa. This is due to the fact that consumer demand for a single brand is demand at the project's site, regardless of the number of rooms offered by the hotel.

An empirical proof of this evaluation of Size is the major increase in volume enjoyed by numerous hotels that have split into two branded operations, using two different names. For example, the *Hilton Hotel Towers Austin* added $500,000 annually to revenues by splitting off its adjacent, ground-based rooms as a *Super 8* motel. By creating another brand, the *Super 8* began to fill demand for budget properties in the immediate area, while the *Hilton Towers* kept its current upscale customer base. Hence, smaller room counts than average generate higher occupancy than average. Further proof is the correlation between project size and occupancy: the smaller the property, the higher the occupancy.[18]

Lastly, an 'Other' segment adjustment may be made if the proposed product type is under- or over- supplied in the local market, or for other factors. For example, a product type commanding 10% of the Texas market - but zero locally - would command a higher daily rate or occupancy locally because it is a relatively scarce commodity. Further, a subject product far exceeds the product quality of the brand average, then a positive adjustment should be made. While there is usually a reasonably consistent pattern of site factors for the brand properties selected, these factors often vary because of unique situations: 1) visibility and access differences between nearby sites; 2) any large variation from the norm in the usual number of rooms for a chain; 3) a nearby property's quality, the quality of management, last renovation; 4) any major new commercial development nearby. Adjustments will be made for these differences based on industry experience.

Then the REVPAR potential of the subject Site is developed in two ways. First, all other property factors except site are calculated for the competitors, the site factor then being used to bring the calculated REVPAR into a match with actual REVPAR performance. In other words, combining all factors including a 'plugged' site factor results in the theoretical REVPAR projection equaling actual REVPAR for each property studied, revealing the mathematical value of individual hotel sites.

With the development of the adjustments for Brand/Product type, overall Brand Age, Segment, project Size, and Site, a revenue projection for the proposed operation begins to take form by combining these factors into a combined index that is applied to the overall market-wide REVPAR projection, resulting in the forecast of the project's dollar REVPAR. However, this combined index changes as the project ages.

Consequently, the physical Age of the individual project impacts this REVPAR index. A +16% increase factor is applied to the combined REVPAR index in the property's peak performing Year III. A first-year start-up adjustment of -2% and a second year adjustment of +12%, is followed by this +16% adjustment for Year III. This factor reflects the major revenue-generating power of new versus old properties. In Years 4 through 10 the REVPAR index is diminished at a rate of 1.96% per annum in order to reflect aging and the normal life-cycle of a hotel. In Years 11-15, the aging impact accelerates slightly to 2.2%. After year 15, a hotel's aging

18. Study detailed in size factor derivation in analysis section.

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decline slows to 1% for the later years of the hotel's life-cycle. In the event of a major property renovation, or conversion of an existing building for hotel use. this factor can be adjusted as appropriate for the level of updates undertaken.

This pattern of declining performance with property aging is based on major studies of economic life-cycle patterns. Our most recent study, an extensive review of aging for mid-market hotel properties, was completed in March of 2019 and published in our quarterly newsletter, the Hotel Brand Report, Issue #137. The study outlines the above described aging curve. This latest study's results roughly parallel previous aging studies we have conducted over the years, but does show a notably faster start up period, which we attribute to increased visibility for new hotels through a prominent internet presence, and the growing prominence of online hotel booking sites. Source Strategies aging studies conducted over the years align with aging analysis conducted by large hotel corporations that we have reviewed. Our latest Aging Study is attached as an Exhibit.

Combining all of these factors - Product Type, Brand Age, Site, Size, Segment (other), and Newness (Age) - results in the REVPAR stream for the project. A REVPAR stream from which room revenues, estimated rate, occupancy and room-nights sold are derived. At this point, the investment and operational costs can be laid against the revenue line to generate pro forma financial performance and discounted cash flow analysis.

The calculation of the statistic of Operating Costs Per Occupied Room (before fixed/capital costs are deducted) is typically the important cost to examine carefully because it is highly stable and predictable, regardless of occupancy and rate. The STR 'Host Almanac 2020 for the year 2019' with dollar costs inflated, and Source Strategies, financial models are the source of operating cost statistics. From national average occupancies, costs are categorized as fixed, semi-variable or variable, resulting in the highly-leveraged profit performance characteristic of lodging products, depending on occupancy and REVPAR performance (i.e. variable costs increase proportionately with higher occupancy levels while fixed costs do not). Furthermore, with a capital expenditures profile provided by the International Society of Hospitality Consultants' CapEx, *A Study of Capital Expenditures in the U.S. Hotel Industry*, a method has been applied to determine an appropriate amount of renovation reserves to ensure that the property is maintained at the franchisor's required level. All study-area individual hotel/motel five-year histories are included in the study, using the Source Strategies, database of all Texas hotels and motels (includes each hotel's brand, room count, room revenue, occupancy, rate and REVPAR). The methodology of this database is attached as an exhibit.

Methodology of Source Strategies Texas Lodging Reports, Inclusive of Match-Market™ Technology

Source Strategies' Texas lodging reports are prepared on a custom basis for private and public clients. Reports are prepared by Source Strategies of San Antonio, Texas, based on the Source Strategies proprietary database.

Data sources include the following:

- **Room Revenues:** State of Texas Comptroller records are the source of taxable and gross room revenues for all properties. All properties exceeding $36,000 in the current quarter are included; allowing the Source Strategies database to cover. As a 98% of Texas lodging industry market.
  - Gross room revenues (including Non-taxable) were reported to the Comptroller starting in the third quarter of 1990. To account for the missing non-taxable revenues prior to the third quarter of 1990, Source Strategies increases each individual property's taxable-only, reported revenues by variable factors averaging 12% to reflect this untaxed volume (e.g. government business, over 30-day stays, charitable and educational purchases).
  - Starting in the third quarter of 1990, hotels and motels were required by the Texas Comptroller to report both taxable and gross room revenues. Approximately 80% of properties usually comply, allowing the development of adjustment factors for all hotels and motels, even if only taxable revenues are reported. For example, taxable room revenues are adjusted accordingly higher if a hotel reports only taxable revenues (i.e. where taxable equals gross room revenues).
  - Properties that make no report or only partial reports are estimated based on the taxable and gross revenues of the past five quarter trends and performance of similar hotels. If and when they subsequently report accurately, their actual revenues 'overwrite' our estimates.
- **Room Counts:** these are checked annually in chain directories, the Texas American Automobile Association Tour Book, brand websites and telephoning to hotels; properties checked account for approximately 80% of revenues. For independent properties too small to be listed, the room counts reported to the state are used (unless they appear unreasonable; if so, a telephone contact is made). As a result, the 'CHAIN' occupancies and room counts appear to be very close to 'actual', while independent room counts could be slightly overstated. Reports are split into CHAIN and INDEPENDENT categories.
- **Average Daily Rates** are estimated with the aid of financial reports, appraisers, private Source Strategies surveys, chain and AAA directories and another reliable industry database.
- **Room-Nights Sold** are derived from the above revenues, divided by Average Daily Rates. Room-nights available are calculated from room counts (times days in the period).
- **Occupancy** is calculated from room-nights sold and room-nights available. All occupancy figures reported represent fully weighted averages, as calculations are always made after sub-totaling or totaling room-nights sold and room-nights available.
- **Chains** are defined as one of the *Top 70+* brands, including: *Four Seasons, Gaylord, Westin, ZaZa, W, Hilton, Hyatt, Inter-Continental, Marriott, Omni, Renaissance, Wyndham, Embassy, Homewood, Residence, Staybridge, Clarion, Courtyard, Crowne Plaza, Indigo, Doubletree, Hilton Garden Inn, Holiday Inn, Radisson, Sheraton, Candlewood, Comfort Suites, Hawthorn, Quality Suites, SpringHill, TownePlace, Baymont, Best Western, Comfort Inn, Country Inn, Drury, Fairfield, Hampton, Holiday Express, La Quinta, Wingate, Budget Suites, Extended Stay America, Intown, Value Place, Studio Plus, Studio 6, Best Value, Days, Econolodge, Howard Johnson, Microtel, Motel 6, Quality Inn, Ramada, Red Roof, Super 8, Home2 Suites* and *Tru*.
- **Accuracy:** Room counts and room revenues are within 2%. On an overall basis, the change in average daily rates reported by Source Strategies have typically been within a few tenths of one-percent of other private research firms operating in the Texas market.

SourceStrategies
HOTEL DATA + ANALYTICS

MATCH-MARKET™ METHODOLOGY

A Match-Market is a combined accumulation of hotel financial performances in a large number of hotel markets. A large Match-Market is developed so that it "matches" a single market under study. A typical Match-Market computer run will include 50 to 150 postal zip codes within a limited, selected *average* revenue per available room (REVPAR) and within similar selected geographies. Individual hotel REVPARs and Brand REVPARs will be within a range around the average in each market (e.g. +/- 10%). The size of the range of brands around the selected REVPAR, and the selected geographies, can be optimized. Brands will be higher- or lower-priced than the average, but will show stable values and be projectable.

Match-Market methodology delivers highly projectable brand and product type data to be used in hotel projections of any kind. The revenue importance of each hotel segment in a Match-Market will closely match the patterns of the single market under study. Further, brand data produced will show the probable REVPAR indices *for each brand* versus the market average.

Match-Market methodology, or process, is applicable to any non-hotel market that: 1) is available in numerous places (zip-codes); 2) whose measurement is standardized (e.g. barrels of oil, gallons of gas, x dozens of eggs); 3) is offered in different types (e.g. shapes, flavors, packaging, preparation differences, etc.); 4) with most offerings branded; and 5) whose sales performance is captured and tracked in one or more databases covering the selected geography.

'Match-Market' has been used in commerce and is being submitted for federal Trademark registration.