



MARKET STUDY

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# Proposed Hotel Lawrence and Event Center

9909 1ST AVENUE  
STERLING, ILLINOIS



**SUBMITTED TO:**

Mr. Ron Clewer  
Gorman & Company  
200 North Main Street  
Oregon, Wisconsin 53575

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**PREPARED BY:**

HVS Consulting & Valuation  
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October 27, 2023

Mr. Ron Clewer  
Gorman & Company  
200 North Main Street  
Oregon, Wisconsin 53575

Re: Proposed Hotel Lawrence and Event Center  
Sterling, Illinois  
HVS Reference: 2023250022, 2023020845

Dear Mr. Clewer:

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Pursuant to your request, we herewith submit our market study pertaining to the above-captioned property. We have inspected the real estate and analyzed the hotel market conditions in the Sterling, Illinois, area. We have studied the proposed project, and the results of our fieldwork and analysis are presented in this report. We have also reviewed the proposed improvements for this site.

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

Sincerely,  
TS Worldwide, LLC



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# 1. Executive Summary

## Subject of the Market Study

The Sterling/Rock Falls market is served by no hotels in the full-service upscale market. While a particular brand has yet to be determined for this project, our study assumes that the proposed subject hotel will operate as a soft-branded full-service hotel under a well-recognized national brand. The recommended facilities offer a modern hotel product to serve a segment of business and leisure travelers that are not currently accommodated in town.

The subject of the market study is a site measuring 126,324 square feet (2.90 acres) that has four connected buildings. Building one and two are planned to be improved with a full-service lodging facility; the hotel is anticipated to be associated with the soft-brand. The property, which is projected to open on June 1, 2026, will feature 75 rooms, a restaurant and a rooftop bar and lounge, 25,200 square feet of meeting space, a fitness room, a lobby workstation, and a market pantry. The hotel will also contain the appropriate parking capacity located on the lower level of building two and three and all necessary back-of-the-house space.

## RENDERING OF PROJECT

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The proposed subject hotel will be the first hotel in Sterling. The hotel is expected to be part of a larger mixed-use development known as Riverfront Reimagined. Phase I is expected to include the redevelopment of the Lawrence Brothers structure to feature workforce apartments and a hotel and event center with a bar and restaurant. Phase II would include the redevelopment of the National building into market-rate apartments with a fitness center. The subject site’s location is 9909 1st Avenue, Sterling, Illinois 610801.

A summary of the hotel projects strengths, weaknesses, opportunities, and threats are illustrated in the following table.

**FIGURE 1-1 SWOT ANALYSIS – HOTEL PROJECT**

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>- Location on Rock River</li> <li>- Proximity to HALO &amp; Wahl Clipper Corporation</li> <li>- Ample size</li> <li>- Additional supportive development</li> </ul>	<ul style="list-style-type: none"> <li>- Fair accessibility from Interstate 88</li> <li>- Distance from leisure demand generators</li> <li>- Limited river access</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>- Accessible leisure &amp; group destination</li> <li>- Integration with apartment development</li> <li>- Longer-term research &amp; training stays</li> </ul>	<ul style="list-style-type: none"> <li>- Additional hotel supply growth</li> <li>- Correction/normalization of leisure demand</li> <li>- Noise from railroad</li> </ul>

**Pertinent Dates**

The effective date of the report is September 20, 2023. The subject site was inspected by Amy Schmidt and Peter Gonzalez on July 7, 2023. In addition to the inspection, Amy Schmidt and Peter Gonzalez participated in the research for this assignment and assisted in the report’s preparation. Brian Arevalo and Thomas A. Hazinski, MPP, participated in the analysis and reviewed the findings but did not personally inspect the property.

**Global Considerations**

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

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

With the availability of vaccines and lifting of restrictions, conditions generally improved in 2021, although the Omicron variant slowed the recovery in the latter part of the year. The peak impact of the pandemic on the travel industry is well behind us. While group meetings and events have resumed, business travel remains below pre-pandemic levels given that office occupancy and work-related travel have been affected by more widespread remote work options. Travel patterns have shifted to include more leisure demand, anticipated to comprise a greater proportion of lodging demand in the future. While ADR and RevPAR have surpassed 2019 levels in most markets, our research reflects a general expectation that lagging occupancy levels will continue to improve over the next two years; the timing and pace of recovery for individual markets will vary based on market-specific characteristics and conditions.

Exacerbated by rising oil and gas prices in the wake of the Russia-Ukraine conflict, the inflationary trends that first emerged during the pandemic continued through 2022. Driven by supply-chain disruptions and pent-up consumer demand during the pandemic, prices for most goods and services increased substantially. The Federal Reserve is combating inflation through successive interest rate hikes (seven in 2022, and another three in the first half of 2023) with initial success, as the pace of inflation has decelerated. While job growth remains strong, the risk of a recession remains a concern, affecting the stock market, debt availability, and consumer confidence. As a result, the near-term outlook is unclear, and investors remain cautious. This perspective, when combined with the increases in interest rates, has put downward pressure on real estate values. As of mid-year 2023, inflation levels are anticipated to remain somewhat elevated in the near term. Over the longer term, inflation is expected to moderate back to more normalized levels as the economy moves through the current cycle.

By its nature, the hospitality industry is a major employer and thus heavily reliant on the cost and availability of labor. Following the onset of the pandemic, roughly 33.0% of jobs were lost across the hotel industry between February 2020 and January 2021, according to Tourism Economics. While many of these jobs have returned, the workforce has not kept pace with the increased employment opportunities, and many hotels continue to report labor shortages. The industry has responded to this issue through wage increases, additional benefits, flexible schedules, and the implementation of cross-training and job sharing, as well as increased use of technology. In response to the pandemic, many hotels revised, downsized, or eliminated some services, particularly in the food and beverage (F&B) and housekeeping departments. Given the ongoing labor shortages, operators are retaining some aspects of these solutions, which should somewhat offset rising labor costs. Nevertheless, notable increases in labor costs are anticipated to continue in the near term.

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

#### **Ownership of the Subject Site**

The developer of the proposed subject hotel is Gorman & Company, which is based in Oregon, Wisconsin.

#### **Management and Franchise Assumptions**

The proposed subject hotel will be managed by Gorman & Company, an entity affiliated with the hotel's ownership. Details pertaining to management terms were not yet determined at the time of this report; however, we assume that the proposed hotel will be managed by a professional hotel-operating company, with fees deducted at rates consistent with current market standards. Our projections reflect a total management fee of 3.0% of total revenues.

In the United States, the majority of hotels are franchised with national brand affiliations. The benefits of a franchise affiliation include name recognition; access to a reservation system; technology, marketing, and purchasing support; and membership in a rewards network, among other things. As an affiliate of a brand, a hotel owner is required to maintain and operate the property according to brand standards, which helps to maintain product consistency and, thereby, customer loyalty. Additionally, the hotel owner must pay for the goods and services obtained through the brand, as well as a royalty fee for the name recognition. The value of name and product recognition is important for hotels because many transient guests are infrequent or one-time visitors that are not familiar with a specific hotel in advance of arrival. The name and product recognition of a brand allows hotels to attract travelers who may otherwise choose to stay elsewhere. This is particularly true for hotels focused on transient guests, those with minimal distinct or unique attributes, and newer hotels without an established market presence.

Given these benefits of a franchise affiliation and the attributed of the local market, our projections assume the proposed hotel will operate as a soft-branded hotel throughout the forecast period; however, it is important to note that a specific brand has yet to be determined. The following tables illustrate key findings and considerations when comparing soft branded hotels to independent ones, a sample of potential brands, sample of franchise fees, and comparable hotels.

**FIGURE 1-2 KEY FINDINGS & CONSIDERATIONS – SOFT BRANDED VS. INDEPENDENT**

<b>Soft Branded</b>	
<b>Pros</b>	<b>Cons</b>
- Loyalty Program	- Franchise Fees
- Global Recognition	- Need to Follow Brand Standards
- Selling Advantage	- Risk of Loosing Flag
<b>Independent</b>	
<b>Pros</b>	<b>Cons</b>
- Design Flexibility	- Lack of a Loyalty Program
- Originality & Personalization	- No Global Reservation System
- No Franchise Fees	- Shortage of Marketing Recognition

**FIGURE 1-3 SAMPLE OF POTENTIAL FULL-SERVICE SOFT BRANDS**

<b>Potential Soft Brands</b>	<b>Parent</b>	<b>Flexibility</b>
Ascend Collection	Choice	High
Autograph Collection	Marriott	High
BW Premier Collection	Best Western	High
JdV	Hyatt	High
Tapestry Collection	Hilton	High
Trademark Collection	Wyndham	High
Voco	IHG	High

The following table illustrates the standard royalty and marketing/program fees for these brands. Based on a review of these terms, we have forecast a royalty fee of 5.0% and a marketing fee of 2.5% for the proposed subject property.



**FIGURE 1-4 SAMPLE OF FRANCHISE FEES**

<b>Brand</b>	<b>Royalty Fee</b>	<b>Marketing Fee</b>	<b>Total Fee</b>
Ascend Collection	5.0%	3.0%	8.0%
Autograph Collection by Marriott	5.0%	1.5%	6.5%
Best Western	5.0%	—	5.0%
JdV by Hyatt	7.0%	—	7.0%
Tapestry Collection by Hilton	5.0%	4.0%	9.0%
Trademark Collection by Wyndham	4.0%	2.5%	6.5%
Voco by IHG	5.0%	3.5%	8.5%
<b>Average</b>	5.1%	2.9%	7.2%
<b>Median</b>	5.0%	3.0%	7.0%
<b>Minimum</b>	4.0%	1.5%	5.0%
<b>Maximum</b>	7.0%	4.0%	9.0%

**FIGURE 1-5 COMPARABLE SOFT-BRANDED HOTELS IN THE MIDWEST**

<b>Property</b>	<b>City</b>	<b>State</b>	<b>Rooms</b>	<b>Meeting Space</b>
Inn Hotel, Ascend Hotel Collection	Arnolds Park	IA	38	1,000
Hotel Chauncey Iowa City, Tapestry Collection by Hilton	Iowa City	IA	51	N/A
hotelVetro Iowa City, Tapestry Collection by Hilton	Iowa City	IA	54	N/A
Current Iowa, Autograph Collection	Davenport	IA	78	4,500
Hotel Blackhawk an Autograph Collection	Davenport	IA	130	8,900
Axis Moline Hotel, Tapestry Collection by Hilton	Moline	IL	46	1,000
Montcler Hotel, Trademark Collection by Wyndham	Sandwich	IL	100	50,000
Ascend Collection Riverview Inn & Suites	Rockford	IL	105	30,000
Hotel Elkhart, Tapestry Collection by Hilton	Elkhart	IN	93	4,800
Hotel Carmichael, Autograph Collection	Carmel	IN	122	5,000
Tulyp, Tapestry Collection by Hilton	Holland	MI	56	4,000
Hotel Ojibway, Trademark Collection by Wyndham	Sault Sainte Marie	MI	71	N/A
Leo Collection Detroit Ascend Hotel Collection	Lincoln Park	MI	82	1,000
Cantilever Hotel, Trademark Collection by Wyndham	Ranier	MN	31	500
enVision Hotel St. Paul South, An Ascend Hotel Collection	South Saint Paul	MN	85	8,000
Ascend Blu Hotel	Blue Ash	OH	50	500
Orbit Hotel Trademark Collection by Wyndham Fairview Park	Fairview Park	OH	59	700
Ascend Collection Kress Inn De Pere	De Pere	WI	46	9,200
Hotel Retlaw Trademark Collection by Wyndham	Fond Du Lac	WI	118	10,000
		<b>Average</b>	<b>75</b>	<b>8,700</b>

**FIGURE 1-6 COMPARABLE INDEPENDENT BOUTIQUE HOTELS IN THE MIDWEST**

Property	City	State	Number of Meeting	
			Rooms	Space
Hotel Grinnell	Grinnell	IA	45	5,000
Des Lux	Des Moines	IA	51	1,000
Deer Path Inn	Lake Forest	IL	57	7,800
Herrington Inn & Spa	Geneva	IL	61	3,600
Bradley Boutique Hotel	Fort Wayne	IN	124	2,200
Hotel Goodwin	Beloit	WI	34	1,500
Hotel Delafield	Delafield	WI	38	5,500
Ironworks Hotel	Beloit	WI	54	3,300
Charmant Hotel	La Crosse	WI	67	3,200
The Stella Hotel & Ballroom	Kenosha	WI	80	7,000
Hotel Verdant	Racine	WI	80	3,500
<b>Average</b>			<b>63</b>	<b>4,000</b>

**Summary of Hotel Market Trends**

During the illustrated historical period, both occupancy and ADR generally followed a strengthening trend through 2019, with a few fluctuations due to new supply. This improvement in market conditions was driven largely by the growing economy of Whiteside County, inclusive of tourism, manufacturing, and healthcare. In 2020, the COVID-19 pandemic affected the local market, similar to the rest of the nation, resulting in decreased business activity, inclusive of the hospitality, tourism, and manufacturing industries. General improvement has been registered since the low point that year, with both occupancy and ADR increasing in 2021 along with strengthening economic conditions and higher demand levels, particularly related to the strong leisure and commercial demand generators. Year-end 2022 and year-to-date 2023 data illustrate a continuation of this trend supported by rebounding group demand. The overall outlook is positive given the dynamics of this market, the return to office operations, and the increase in group demand.

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

**FIGURE 1-7 HISTORICAL SUPPLY AND DEMAND TRENDS**

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change	
2010	45	16,554	—	5,454	—	32.9 %	\$85.28	—	\$28.10	—	
2011	534	194,910	1,077.4 %	108,554	1,890.4 %	55.7	96.34	13.0 %	53.66	90.9 %	
2012	535	195,094	0.1	114,473	5.5	58.7	102.74	6.6	60.28	12.3	
2013	536	195,640	0.3	112,517	(1.7)	57.5	107.55	4.7	61.86	2.6	
2014	536	195,640	0.0	120,964	7.5	61.8	110.43	2.7	68.28	10.4	
2015	532	194,298	(0.7)	114,627	(5.2)	59.0	113.37	2.7	66.88	(2.0)	
2016	571	208,285	7.2	120,386	5.0	57.8	111.93	(1.3)	64.69	(3.3)	
2017	632	230,797	10.8	130,010	8.0	56.3	115.69	3.4	65.17	0.7	
2018	666	243,075	5.3	143,475	10.4	59.0	116.54	0.7	68.79	5.6	
2019	687	250,833	3.2	135,384	(5.6)	54.0	118.78	1.9	64.11	(6.8)	
2020	846	308,665	23.1	91,098	(32.7)	29.5	110.08	(7.3)	32.49	(49.3)	
2021	926	337,809	9.4	155,461	70.7	46.0	132.19	20.1	60.84	87.3	
2022	927	338,355	0.2	195,951	26.0	57.9	144.41	9.2	83.63	37.5	
<b>Year-to-Date Through May</b>											
2020	765	115,515	—	33,359	—	28.9 %	\$108.63	—	\$31.37	—	
2021	925	139,675	20.9 %	50,845	52.4 %	36.4	121.56	11.9 %	44.25	41.1 %	
2022	927	139,977	0.2	73,416	44.4	52.4	138.54	14.0	72.66	64.2	
2023	927	139,977	0.0	80,610	9.8	57.6	147.55	6.5	84.97	16.9	
Average Annual Compounded Change:											
2010 – 2019			35.3 %	2010 – 2019			42.9 %	2010 – 2019			9.6 %
2010 – 2022			28.6	2010 – 2022			34.8	2010 – 2022			9.5
Hotels Included in Sample	Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened	Comments					
Hotel Blackhawk, Autograph Collection	Upper Upscale Class	Primary	130	Mar 2013	Jun 1915						
DoubleTree by Hilton Davenport	Upscale Class	Secondary	223	Oct 2021	Oct 1995	Previously Radisson					
Ascend Collection Riverview Inn & Suites	Upscale Class	Secondary	84	Jul 2018	Jul 1998	Previously Independent					
Country Inn & Suites Rock Falls	Upper Midscale Class	Secondary	80	Nov 1999	Nov 1999						
Holiday Inn Express & Suites Rock Falls	Upper Midscale Class	Secondary	68	May 2016	May 2016						
The Current Iowa, Autograph Collection	Upper Upscale Class	Primary	78	Jul 2017	Jul 2017						
Tapestry Collection by Hilton The Axis Hotel Moline	Upper Upscale Class	Secondary	104	Oct 2019	Oct 2019						
Embassy Suites by Hilton Rockford Riverfront	Upper Upscale Class	Primary	160	Jul 2020	Jul 2020						
			<b>Total</b>			<b>927</b>					

Source: STR

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

**FIGURE 1-8 PRIMARY COMPETITORS – OPERATING PERFORMANCE**

Property	Est. Segmentation			Estimated 2021				Estimated 2022						
	Number of Rooms	Commercial	Leisure	Group	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Embassy Suites by Hilton Rockford Riverfront	160	45 %	20 %	35 %	160	50 - 55 %	\$150 - \$160	\$80 - \$85	160	70 - 75 %	\$160 - \$170	\$115 - \$120	120 - 130 %	130 - 140 %
Hotel Blackhawk an Autograph Collection Hotel	130	50	20	30	130	50 - 55	150 - 160	80 - 85	130	55 - 60	160 - 170	95 - 100	100 - 110	110 - 120
Current Iowa Autograph Collection	78	55	25	20	78	55 - 60	150 - 160	90 - 95	78	60 - 65	160 - 170	100 - 105	110 - 120	120 - 130
<b>Sub-Totals/Averages</b>	<b>368</b>	<b>49 %</b>	<b>21 %</b>	<b>30 %</b>	<b>368</b>	<b>55.4 %</b>	<b>\$151.81</b>	<b>\$84.18</b>	<b>368</b>	<b>65.8 %</b>	<b>\$164.72</b>	<b>\$108</b>	<b>112 %</b>	<b>125.3 %</b>
Secondary Competitors	559	56 %	28 %	16 %	419	39.7 %	\$114.20	\$45.34	419	52.7 %	\$127.74	\$67	90 %	77.8 %
<b>Totals/Averages</b>	<b>927</b>	<b>52 %</b>	<b>24 %</b>	<b>23 %</b>	<b>787</b>	<b>47.1 %</b>	<b>\$134.91</b>	<b>\$63.50</b>	<b>787</b>	<b>58.9 %</b>	<b>\$147.08</b>	<b>\$87</b>	<b>100 %</b>	<b>100.0 %</b>

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

**FIGURE 1-9 SECONDARY COMPETITORS – OPERATING PERFORMANCE**

Property	Est. Segmentation				Estimated 2021					Estimated 2022			
	Number of Rooms	Commercial	Leisure	Group	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Ascend Collection Riverview Inn & Suites	84	55 %	35 %	10 %	75 %	63	35 - 40 %	\$105 - \$110	\$40 - \$45	63	45 - 50 %	\$110 - \$115	\$55 - \$60
Holiday Inn Express & Suites Rock Falls	68	65	25	10	75	51	75 - 80	130 - 140	105 - 110	51	75 - 80	150 - 160	115 - 120
Country Inn & Suites By Radisson Rock Falls	80	60	30	10	75	60	50 - 55	100 - 105	55 - 60	60	60 - 65	105 - 110	70 - 75
Axis Moline Hotel, Tapestry Collection by Hilton	104	55	35	10	75	78	40 - 45	125 - 130	50 - 55	78	60 - 65	130 - 140	85 - 90
DoubleTree by Hilton Davenport	223	50	20	30	75	167	20 - 25	95 - 100	20 - 25	167	35 - 40	120 - 125	45 - 50
<b>Totals/Averages</b>	<b>559</b>	<b>56 %</b>	<b>28 %</b>	<b>16 %</b>	<b>75 %</b>	<b>419</b>	<b>39.7 %</b>	<b>\$114.20</b>	<b>\$45.34</b>	<b>419</b>	<b>52.7 %</b>	<b>\$127.74</b>	<b>\$67.34</b>

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

**Summary of Forecast  
Occupancy and  
Average Rate**

Based on our analysis presented in the Projection of Occupancy and Average Rate chapter, we have chosen to use a stabilized occupancy level of 73% and a base-year rate position of for the proposed subject hotel, with the occupancy and average daily rate (ADR) projections summarized below.

**FIGURE 1-10 FORECAST OF OCCUPANCY AND AVERAGE RATE**

Year	Occupancy	Average Rate Before Discount
2026/27	69 %	\$184.97
2027/28	72	190.52
2028/29	73	196.24

**Summary of Forecast  
Income and Expense  
Statement**

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

**FIGURE 1-11 DETAILED FORECAST OF INCOME AND EXPENSE**

	2026/27 Begins June				2027/28				Stabilized				2029/30				2030/31			
Number of Rooms:	75				75				75				75				75			
Occupancy:	69%				72%				73%				73%				73%			
Average Rate:	\$183.12				\$188.62				\$196.24				\$202.12				\$208.19			
RevPAR:	\$126.35				\$135.80				\$143.25				\$147.55				\$151.98			
Days Open:	365				365				365				365				365			
Occupied Rooms:	18,889	%Gross	PAR	POR	19,710	%Gross	PAR	POR	19,984	%Gross	PAR	POR	19,984	%Gross	PAR	POR	19,984	%Gross	PAR	POR
<b>OPERATING REVENUE</b>																				
Rooms	\$3,459	65.6 %	\$46,120	\$183.12	\$3,718	63.9 %	\$49,573	\$188.64	\$3,922	62.1 %	\$52,293	\$196.26	\$4,039	62.1 %	\$53,853	\$202.11	\$4,160	62.2 %	\$55,467	\$208.17
Event Center	1,019	19.3	13,580	53.92	1,274	21.9	16,986	64.64	1,548	24.5	20,644	77.48	1,587	24.4	21,160	79.41	1,627	24.3	21,689	81.40
Restaurant	686	13.0	9,152	36.34	707	12.2	9,427	35.87	728	11.5	9,710	36.44	750	11.5	10,001	37.53	773	11.6	10,301	38.66
Other Operated Departments	90	1.7	1,200	4.77	94	1.6	1,252	4.76	97	1.5	1,295	4.86	100	1.5	1,333	5.00	103	1.5	1,373	5.15
Miscellaneous Income	23	0.4	300	1.19	23	0.4	313	1.19	24	0.4	324	1.21	25	0.4	333	1.25	26	0.4	343	1.29
<b>Total Operating Revenues</b>	<b>5,276</b>	<b>100.0</b>	<b>70,353</b>	<b>279.34</b>	<b>5,816</b>	<b>100.0</b>	<b>77,551</b>	<b>295.10</b>	<b>6,320</b>	<b>100.0</b>	<b>84,265</b>	<b>316.25</b>	<b>6,501</b>	<b>100.0</b>	<b>86,681</b>	<b>325.32</b>	<b>6,688</b>	<b>100.0</b>	<b>89,174</b>	<b>334.67</b>
<b>DEPARTMENTAL EXPENSES *</b>																				
Rooms	832	24.0	11,087	44.02	871	23.4	11,612	44.18	902	23.0	12,026	45.13	929	23.0	12,387	46.49	957	23.0	12,758	47.88
Event Center	703	69.1	9,379	37.24	815	64.0	10,871	41.37	901	58.2	12,020	45.11	924	58.2	12,320	46.24	947	58.2	12,628	47.40
Restaurant	515	75.0	6,864	27.26	530	75.0	7,070	26.90	546	75.0	7,282	27.33	563	75.0	7,501	28.15	579	75.0	7,726	29.00
Other Operated Departments	59	65.8	789	3.13	61	65.2	816	3.11	63	65.0	842	3.16	65	65.0	867	3.25	67	65.0	893	3.35
<b>Total Expenses</b>	<b>2,109</b>	<b>40.0</b>	<b>28,120</b>	<b>111.65</b>	<b>2,278</b>	<b>39.2</b>	<b>30,369</b>	<b>115.56</b>	<b>2,413</b>	<b>38.2</b>	<b>32,170</b>	<b>120.74</b>	<b>2,481</b>	<b>38.2</b>	<b>33,075</b>	<b>124.13</b>	<b>2,550</b>	<b>38.1</b>	<b>34,006</b>	<b>127.62</b>
<b>DEPARTMENTAL INCOME</b>	<b>3,167</b>	<b>60.0</b>	<b>42,233</b>	<b>167.69</b>	<b>3,539</b>	<b>60.8</b>	<b>47,182</b>	<b>179.54</b>	<b>3,907</b>	<b>61.8</b>	<b>52,095</b>	<b>195.52</b>	<b>4,020</b>	<b>61.8</b>	<b>53,606</b>	<b>201.19</b>	<b>4,138</b>	<b>61.9</b>	<b>55,168</b>	<b>207.05</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	403	7.6	5,380	21.36	419	7.2	5,581	21.24	433	6.8	5,770	21.66	446	6.9	5,943	22.30	459	6.9	6,121	22.97
Info & Telecom Systems	42	0.8	566	2.25	44	0.8	587	2.24	46	0.7	607	2.28	47	0.7	626	2.35	48	0.7	644	2.42
Marketing	299	5.7	3,987	15.83	296	5.1	3,948	15.02	292	4.6	3,887	14.59	300	4.6	4,004	15.03	309	4.6	4,124	15.48
Franchise Fee	259	4.9	3,459	13.73	279	4.8	3,718	14.15	294	4.7	3,922	14.72	303	4.7	4,039	15.16	312	4.7	4,160	15.61
Prop. Operations & Maint.	202	3.8	2,690	10.68	214	3.7	2,849	10.84	228	3.6	3,037	11.40	235	3.6	3,128	11.74	242	3.6	3,222	12.09
Utilities	187	3.5	2,492	9.89	194	3.3	2,585	9.84	200	3.2	2,672	10.03	206	3.2	2,753	10.33	213	3.2	2,835	10.64
<b>Total Expenses</b>	<b>1,393</b>	<b>26.3</b>	<b>18,573</b>	<b>73.75</b>	<b>1,445</b>	<b>24.9</b>	<b>19,267</b>	<b>73.32</b>	<b>1,492</b>	<b>23.6</b>	<b>19,896</b>	<b>74.67</b>	<b>1,537</b>	<b>23.7</b>	<b>20,492</b>	<b>76.91</b>	<b>1,583</b>	<b>23.7</b>	<b>21,106</b>	<b>79.21</b>
<b>GROSS OPERATING PROFIT</b>	<b>1,775</b>	<b>33.6</b>	<b>23,660</b>	<b>93.95</b>	<b>2,094</b>	<b>36.0</b>	<b>27,915</b>	<b>106.22</b>	<b>2,415</b>	<b>38.2</b>	<b>32,200</b>	<b>120.85</b>	<b>2,484</b>	<b>38.2</b>	<b>33,115</b>	<b>124.28</b>	<b>2,555</b>	<b>38.2</b>	<b>34,062</b>	<b>127.84</b>
Management Fee	158	3.0	2,111	8.38	174	3.0	2,327	8.85	190	3.0	2,528	9.49	195	3.0	2,600	9.76	201	3.0	2,675	10.04
<b>INCOME BEFORE NON-OPR. INC. &amp; EXP.</b>	<b>1,616</b>	<b>30.6</b>	<b>21,550</b>	<b>85.57</b>	<b>1,919</b>	<b>33.0</b>	<b>25,589</b>	<b>97.37</b>	<b>2,225</b>	<b>35.2</b>	<b>29,672</b>	<b>111.36</b>	<b>2,289</b>	<b>35.2</b>	<b>30,514</b>	<b>114.52</b>	<b>2,354</b>	<b>35.2</b>	<b>31,387</b>	<b>117.80</b>
<b>NON-OPERATING INCOME &amp; EXPENSE</b>																				
Property Taxes	182	3.4	2,427	9.64	187	3.2	2,500	9.51	193	3.1	2,575	9.66	199	3.1	2,652	9.95	205	3.1	2,732	10.25
Insurance	86	1.6	1,145	4.55	88	1.5	1,179	4.49	91	1.4	1,215	4.56	94	1.4	1,251	4.70	97	1.4	1,289	4.84
<b>Total Expenses</b>	<b>268</b>	<b>5.0</b>	<b>3,572</b>	<b>14.18</b>	<b>276</b>	<b>4.7</b>	<b>3,679</b>	<b>14.00</b>	<b>284</b>	<b>4.5</b>	<b>3,790</b>	<b>14.22</b>	<b>293</b>	<b>4.5</b>	<b>3,903</b>	<b>14.65</b>	<b>302</b>	<b>4.5</b>	<b>4,020</b>	<b>15.09</b>
<b>EBITDA</b>	<b>1,348</b>	<b>25.6</b>	<b>17,977</b>	<b>71.38</b>	<b>1,643</b>	<b>28.3</b>	<b>21,909</b>	<b>83.37</b>	<b>1,941</b>	<b>30.7</b>	<b>25,882</b>	<b>97.14</b>	<b>1,996</b>	<b>30.7</b>	<b>26,611</b>	<b>99.87</b>	<b>2,052</b>	<b>30.7</b>	<b>27,366</b>	<b>102.71</b>
Reserve for Replacement	106	2.0	1,407	5.59	174	3.0	2,327	8.85	253	4.0	3,371	12.65	260	4.0	3,467	13.01	268	4.0	3,567	13.39
<b>EBITDA LESS RESERVE</b>	<b>\$1,243</b>	<b>23.6 %</b>	<b>\$16,570</b>	<b>\$65.79</b>	<b>\$1,469</b>	<b>25.3 %</b>	<b>\$19,583</b>	<b>\$74.52</b>	<b>\$1,688</b>	<b>26.7 %</b>	<b>\$22,511</b>	<b>\$84.49</b>	<b>\$1,736</b>	<b>26.7 %</b>	<b>\$23,144</b>	<b>\$86.86</b>	<b>\$1,785</b>	<b>26.7 %</b>	<b>\$23,799</b>	<b>\$89.32</b>

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

**FIGURE 1-12 TEN-YEAR FORECAST OF INCOME AND EXPENSE**

	2026/27		2027/28		2028/29		2029/30		2030/31		2031/32		2032/33		2033/34		2034/35		2035/36	
<b>Number of Rooms:</b>	75		75		75		75		75		75		75		75		75		75	
<b>Occupied Rooms:</b>	18,889		19,710		19,984		19,984		19,984		19,984		19,984		19,984		19,984		19,984	
<b>Occupancy:</b>	69%		72%		73%		73%		73%		73%		73%		73%		73%		73%	
<b>Average Rate:</b>	\$183.12	% of	\$188.62	% of	\$196.24	% of	\$202.12	% of	\$208.19	% of	\$214.43	% of	\$220.87	% of	\$227.49	% of	\$234.32	% of	\$241.35	% of
<b>RevPAR:</b>	\$126.35	Gross	\$135.80	Gross	\$143.25	Gross	\$147.55	Gross	\$151.98	Gross	\$156.54	Gross	\$161.23	Gross	\$166.07	Gross	\$171.05	Gross	\$176.18	Gross
<b>OPERATING REVENUE</b>																				
Rooms	\$3,459	65.6 %	\$3,718	63.9 %	\$3,922	62.1 %	\$4,039	62.1 %	\$4,160	62.2 %	\$4,285	62.3 %	\$4,414	62.4 %	\$4,546	62.4 %	\$4,683	62.5 %	\$4,823	62.6 %
Event Center	1,019	19.3	1,274	21.9	1,548	24.5	1,587	24.4	1,627	24.3	1,667	24.2	1,709	24.1	1,752	24.1	1,796	24.0	1,840	23.9
Restaurant	686	13.0	707	12.2	728	11.5	750	11.5	773	11.6	796	11.6	820	11.6	844	11.6	870	11.6	896	11.6
Other Operated Departments	90	1.7	94	1.6	97	1.5	100	1.5	103	1.5	106	1.5	109	1.5	113	1.5	116	1.5	119	1.5
Miscellaneous Income	23	0.4	23	0.4	24	0.4	25	0.4	26	0.4	27	0.4	27	0.4	28	0.4	29	0.4	30	0.4
Total Operating Revenues	5,276	100.0	5,816	100.0	6,320	100.0	6,501	100.0	6,688	100.0	6,881	100.0	7,079	100.0	7,283	100.0	7,493	100.0	7,708	100.0
<b>DEPARTMENTAL EXPENSES *</b>																				
Rooms	832	24.0	871	23.4	902	23.0	929	23.0	957	23.0	986	23.0	1,015	23.0	1,046	23.0	1,077	23.0	1,109	23.0
Event Center	703	69.1	815	64.0	901	58.2	924	58.2	947	58.2	971	58.2	995	58.2	1,020	58.2	1,045	58.2	1,072	58.2
Restaurant	515	75.0	530	75.0	546	75.0	563	75.0	579	75.0	597	75.0	615	75.0	633	75.0	652	75.0	672	75.0
Other Operated Departments	59	65.8	61	65.2	63	65.0	65	65.0	67	65.0	69	65.0	71	65.0	73	65.0	75	65.0	78	65.0
Total Expenses	2,109	40.0	2,278	39.2	2,413	38.2	2,481	38.2	2,550	38.1	2,622	38.1	2,696	38.1	2,772	38.1	2,850	38.0	2,930	38.0
<b>DEPARTMENTAL INCOME</b>																				
	3,167	60.0	3,539	60.8	3,907	61.8	4,020	61.8	4,138	61.9	4,259	61.9	4,383	61.9	4,511	61.9	4,643	62.0	4,778	62.0
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	403	7.6	419	7.2	433	6.8	446	6.9	459	6.9	473	6.9	487	6.9	502	6.9	517	6.9	532	6.9
Info & Telecom Systems	42	0.8	44	0.8	46	0.7	47	0.7	48	0.7	50	0.7	51	0.7	53	0.7	54	0.7	56	0.7
Marketing	299	5.7	296	5.1	292	4.6	300	4.6	309	4.6	319	4.6	328	4.6	338	4.6	348	4.6	359	4.7
Franchise Fee	259	4.9	279	4.8	294	4.7	303	4.7	312	4.7	321	4.7	331	4.7	341	4.7	351	4.7	362	4.7
Prop. Operations & Maint.	202	3.8	214	3.7	228	3.6	235	3.6	242	3.6	249	3.6	256	3.6	264	3.6	272	3.6	280	3.6
Utilities	187	3.5	194	3.3	200	3.2	206	3.2	213	3.2	219	3.2	226	3.2	232	3.2	239	3.2	247	3.2
Total Expenses	1,393	26.3	1,445	24.9	1,492	23.6	1,537	23.7	1,583	23.7	1,630	23.7	1,679	23.7	1,730	23.7	1,782	23.7	1,835	23.8
<b>GROSS OPERATING PROFIT</b>																				
	1,775	33.6	2,094	36.0	2,415	38.2	2,484	38.2	2,555	38.2	2,628	38.2	2,704	38.2	2,781	38.2	2,861	38.2	2,943	38.2
Management Fee	158	3.0	174	3.0	190	3.0	195	3.0	201	3.0	206	3.0	212	3.0	218	3.0	225	3.0	231	3.0
<b>INCOME BEFORE NON-OPR. INC. &amp; EXP.</b>																				
	1,616	30.6	1,919	33.0	2,225	35.2	2,289	35.2	2,354	35.2	2,422	35.2	2,491	35.2	2,563	35.2	2,637	35.2	2,712	35.2
<b>NON-OPERATING INCOME &amp; EXPENSE</b>																				
Property Taxes	182	3.4	187	3.2	193	3.1	199	3.1	205	3.1	211	3.1	217	3.1	224	3.1	231	3.1	238	3.1
Insurance	86	1.6	88	1.5	91	1.4	94	1.4	97	1.4	100	1.4	103	1.4	106	1.5	109	1.5	112	1.5
Total Expenses	268	5.0	276	4.7	284	4.5	293	4.5	302	4.5	311	4.5	320	4.5	329	4.6	339	4.6	350	4.6
<b>EBITDA</b>																				
	1,348	25.6	1,643	28.3	1,941	30.7	1,996	30.7	2,052	30.7	2,111	30.7	2,172	30.7	2,233	30.6	2,297	30.6	2,362	30.6
Reserve for Replacement	106	2.0	174	3.0	253	4.0	260	4.0	268	4.0	275	4.0	283	4.0	291	4.0	300	4.0	308	4.0
<b>EBITDA LESS RESERVE</b>																				
	\$1,243	23.6 %	\$1,469	25.3 %	\$1,688	26.7 %	\$1,736	26.7 %	\$1,785	26.7 %	\$1,836	26.7 %	\$1,888	26.7 %	\$1,942	26.7 %	\$1,997	26.7 %	\$2,054	26.6 %



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

### Scope of Work

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

1. All information was collected and analyzed by the staff of TS Worldwide, LLC. Information was supplied by the client and/or the property's development team.
2. The subject site has been evaluated from the viewpoint of its physical utility for the future operation of a hotel, as well as access, visibility, and other relevant factors.
3. The subject property's proposed improvements have been reviewed for their expected quality of construction, design, and layout efficiency.
4. The surrounding economic environment, on both an area and neighborhood level, has been reviewed to identify specific hospitality-related economic and demographic trends that may have an impact on future demand for hotels.
5. Dividing the market for hotel accommodations into individual segments defines specific market characteristics for the types of travelers expected to utilize the area's hotels. The factors investigated include purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.

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

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

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

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

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

6. An analysis of existing and proposed competition provides an indication of the current accommodated demand, along with market penetration and the degree of competitiveness. Unless noted otherwise, we have inspected the competitive lodging facilities summarized in this report.
7. Documentation for an occupancy and ADR projection is derived utilizing the build-up approach based on an analysis of lodging activity.
8. A detailed projection of income and expense made in accordance with the Uniform System of Accounts for the Lodging Industry (USALI) sets forth the anticipated economic benefits of the proposed subject property.

## 2. Description of the Site and Neighborhood

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

The subject site is located along the Rock River in the heart of Sterling, southeast of the intersection formed by Wallace Street and 1st Avenue. This site is in the city of Sterling, Illinois.

### LOCATION MAP



#### Physical Characteristics

The subject site measures approximately 2.90 acres, or 126,324 square feet. The parcel's adjacent uses are set forth in the following table.

**FIGURE 2-1 SUBJECT PARCEL'S ADJACENT USES**

Direction	Adjacent Use
North	Railroad
South	Rock River
East	Vacant Land
West	1st Avenue

**Topography and Site Utility**

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

**LAWRENCE BUILDING**



### VIEW OF SUBJECT SITE

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### AERIAL PHOTOGRAPH

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**VIEW FROM SITE TO THE NORTH**



**VIEW FROM SITE TO THE SOUTH**



**VIEW FROM SITE TO THE EAST**



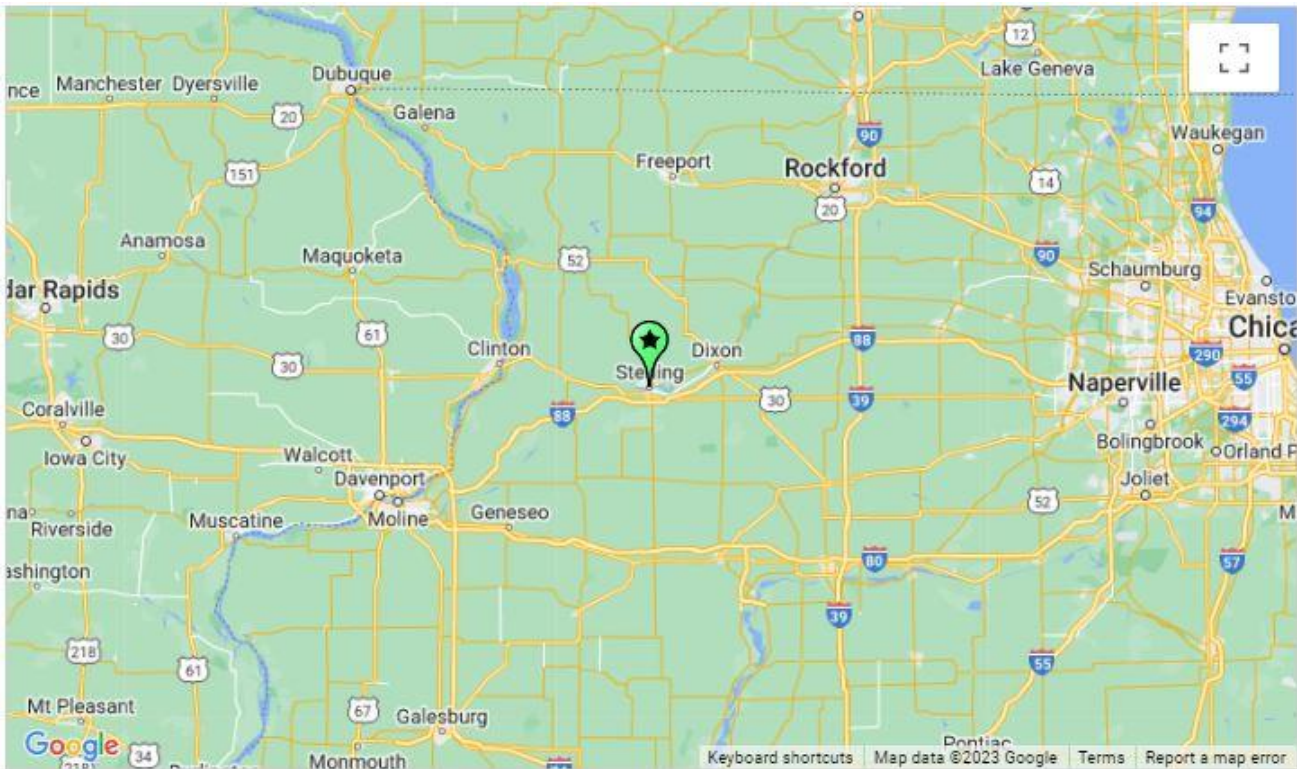
**VIEW FROM SITE TO THE WEST**



**Access and Visibility**

It is important to analyze the site with respect to regional and local transportation routes and demand generators, including ease of access. The subject site is readily accessible to a variety of local and county roads, as well as state and interstate highways.

## MAP OF REGIONAL ACCESS ROUTES



This market is served by a variety of major routes, including interstates and highways, as illustrated on the map. Regional access to/from the city of Sterling and the subject site, in particular, is considered very good.

Vehicular access to the subject site will be provided by Wallace Street. The subject site is located near a busy intersection and is relatively simple to locate from Interstate 88, which is the closest major thoroughfare. The proposed subject hotel is anticipated to have adequate signage at the street, as well as on its façade. Overall, the subject site features adequate accessibility, and the proposed hotel is expected to enjoy good visibility from within its local neighborhood.

### Airport Access

The proposed subject hotel will be served by the Chicago Rockford International Airport, which is located approximately 50 miles to the northeast of the subject site. The proposed subject hotel will also be served by the Quad Cities International Airport, located roughly 60 miles to the southwest of the subject site and the Chicago O'Hare International Airport, located about 100 miles to the northeast.

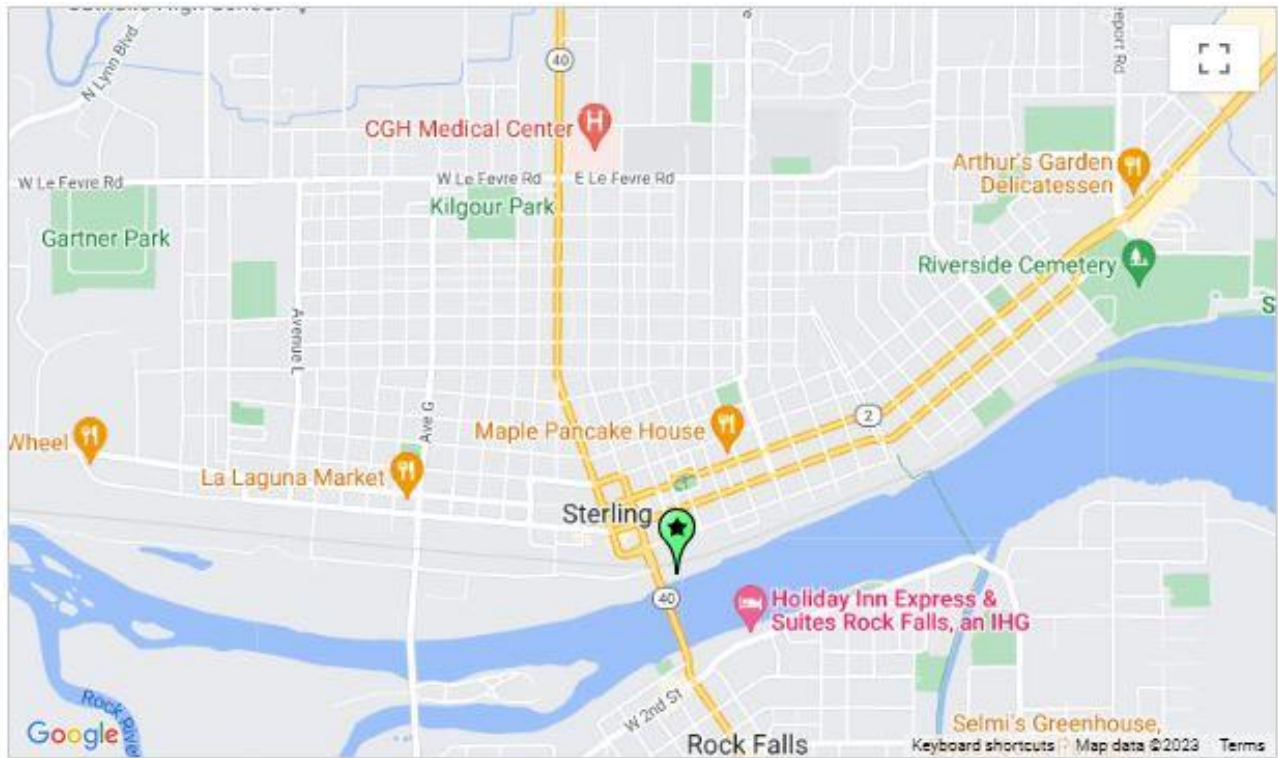
## Neighborhood

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

The neighborhood that surrounds the subject site is generally defined by East 5th Street to the north, Pike Street to the east, Rock River to the south, and Avenue K to the west. The neighborhood is characterized by restaurants, office buildings, and retail shops along the primary thoroughfares, with residential areas located along the secondary roadways. Some specific businesses and entities in the area include Sterling Union Pacific Yard Office, Sterling Steel Company LLC, and Bradford Supply Company; no hotels are located in the city of Sterling. Restaurants located near the subject site include Kelly's Restaurant and Lounge, Brink's, and The Factory Pub N Grub. In general, this neighborhood is in the revitalization stage of its life cycle. The city is currently reconstructing Wallace Street along the Rock River for easier access to future developments along the river. Gorman & Company has proposed a multi-phase redevelopment of the Lawrence Brothers and National buildings to include workforce apartments, market-rate apartments, and the proposed hotel and conference center. The proposed subject hotel's opening should be a positive influence on the area, and the property is expected to be in character with and to complement surrounding land uses.



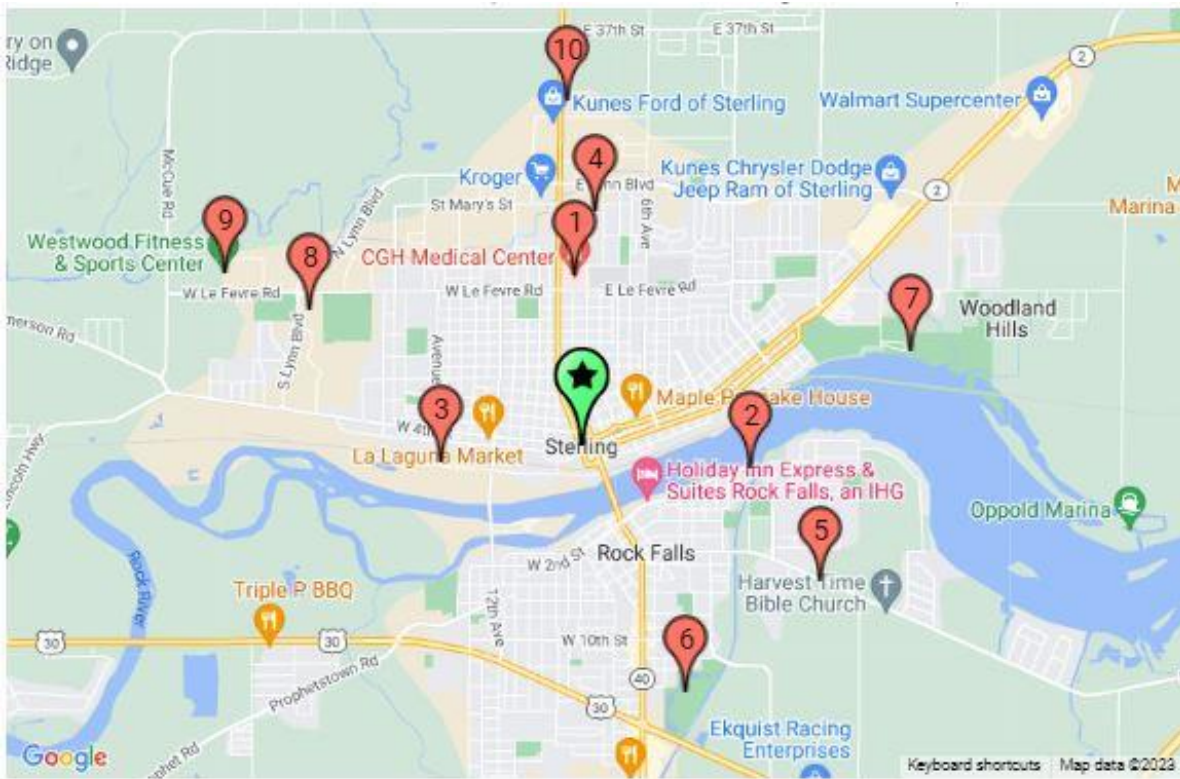
**MAP OF NEIGHBORHOOD**



**Proximity to Local Demand Generators and Attractions**

A sample of the demand generators for the subject market are illustrated on the following maps, including respective distances from and drive times to the subject site. Overall, the subject site is located farther from the majority of the demand generators than the existing competitive hotels. However, it is favorably located near Wahl Clipper Corporation and HALO Branded Solutions, two major corporate demand generators.

## ACCESS TO DEMAND GENERATORS AND ATTRACTIONS



	<u>Demand Generator</u>	<u>Approx. Time from Subject Property</u>	<u>Approx. Distance</u>
	Subject Property		
1	CGH Main Clinic	🚗 3 minutes	1.1 miles
2	Hennepin Canal Feeder Bike Trail	🚗 3 minutes	1.4 miles
3	Sterling Steel Company, LLC	🚗 5 minutes	1.2 miles
4	Duis Recreation Center	🚗 5 minutes	1.8 miles
5	Selmi's Greenhouse, Sweet Corn, Pumpkin Patch and Orchard	🚗 5 minutes	1.9 miles
6	Centennial Park	🚗 6 minutes	1.9 miles
7	Sinissippi Park	🚗 6 minutes	2.4 miles
8	HALO Branded Solutions	🚗 6 minutes	2.5 miles
9	Westwood Fitness & Sports Center	🚗 7 minutes	3.4 miles
10	Wahl Clipper Corporation	🚗 7 minutes	2.8 miles

**Utilities**

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

**Soil and  
Subsoil Conditions**

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

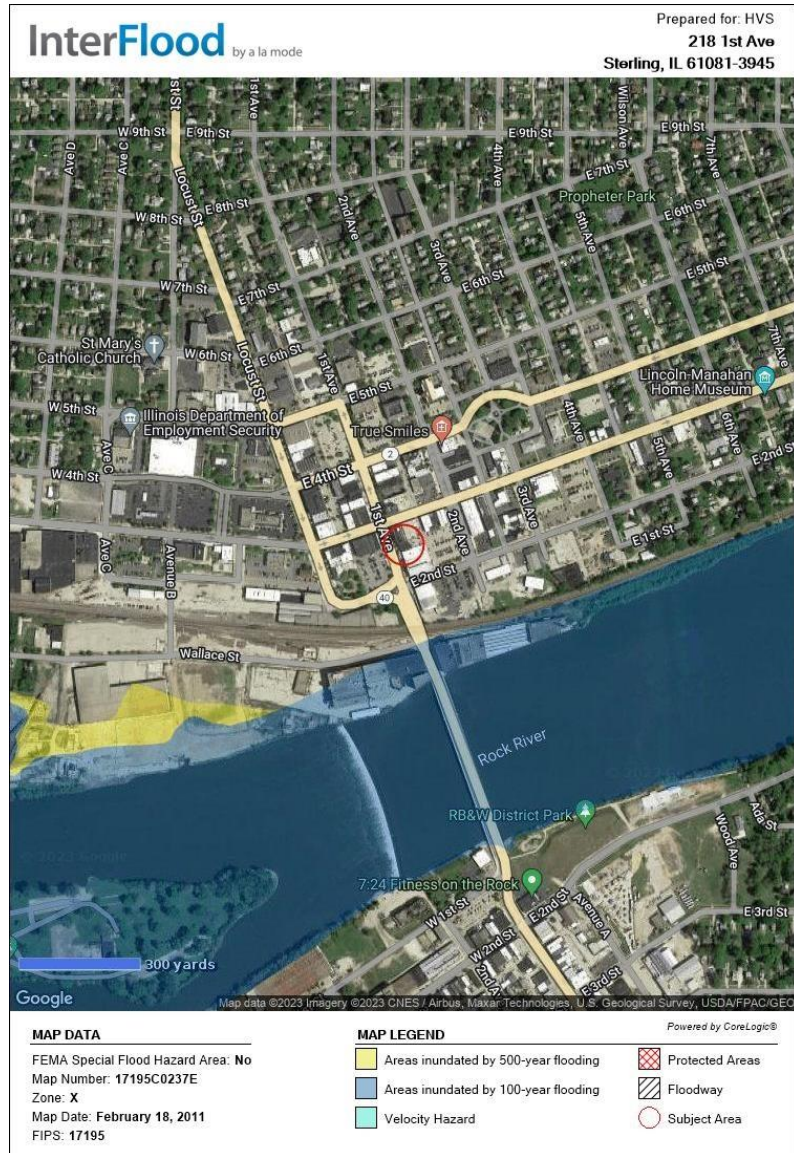
**Nuisances  
and Hazards**

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

**Flood Zone**

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

**COPY OF FLOOD MAP AND COVER**



The flood zone definition for the Zone X designation is as follows: the flood insurance rate zone that corresponds to areas outside the 100-year floodplains, areas of 100-year sheet flow flooding where average depths are less than 1 foot, areas of 100-year stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 100-year flood by levees. No Base Flood Elevations or depths are shown within this zone.



**Zoning**

According to the local planning office, the subject property is zoned as follows: R-MU - Riverfront-Mixed Use. Additional details pertaining to the proposed subject property’s zoning regulations are summarized in the following table.

**FIGURE 2-2 ZONING**

Municipality Governing Zoning	City of Sterling
Current Zoning	Riverfront-Mixed Use
Current Use	Vacant - Industrial
Is Current Use Permitted?	Yes
Is Change in Zoning Likely?	No
Permitted Uses	Combination of residential, commercial, industrial, office, or institutional
Hotel Allowed	Yes
Legally Non-Conforming	Not Applicable

We assume that all necessary permits and approvals will be secured (including the appropriate liquor license as applicable) and that the subject property will be constructed in accordance with local zoning ordinances, building codes, and all other applicable regulations. Our zoning analysis should be verified before any physical changes are made to the site.

**Easements and Encroachments**

We are not aware of any easements attached to the property that would significantly affect the utility of the site or marketability of this project.

**Conclusion**

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities. The subject site is favorably located along the Rock River. In general, the site should be well suited for future hotel use, with acceptable access, visibility, and topography for an effective operation.

### 3. Market Area Analysis

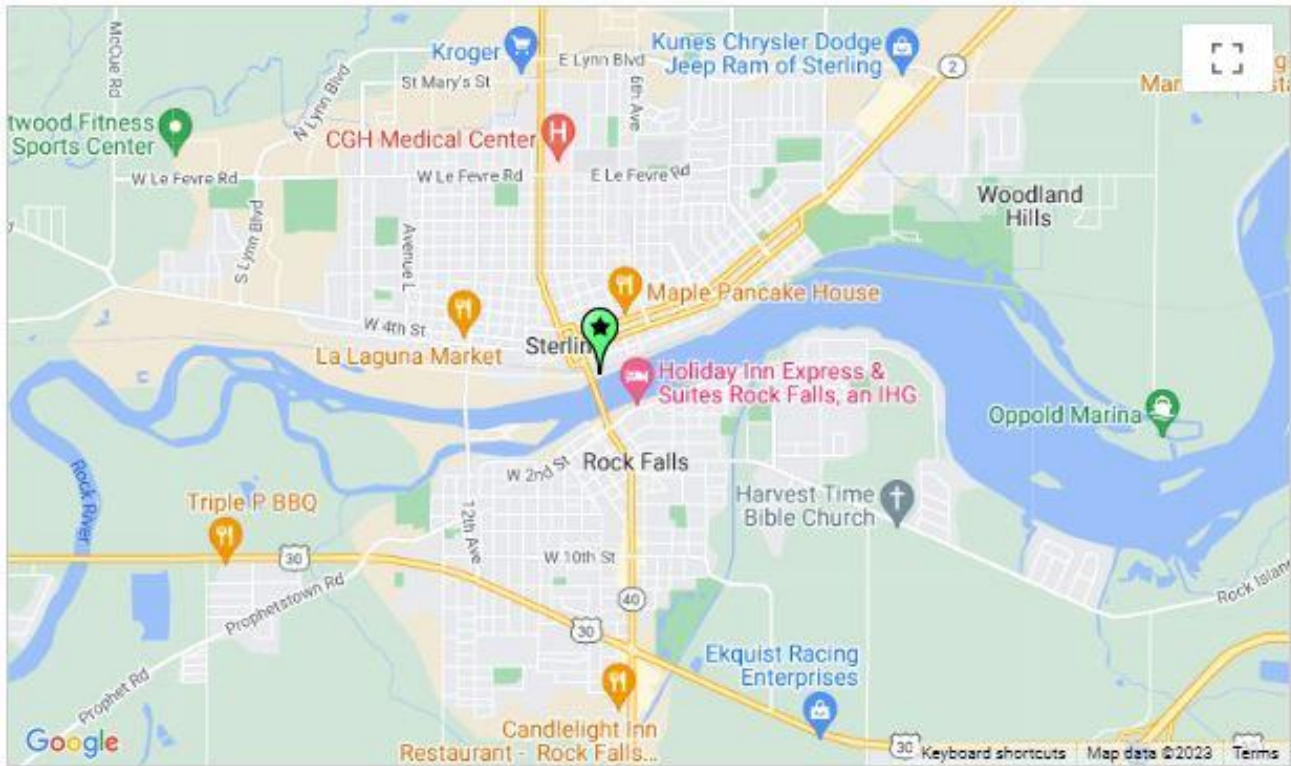
The economic vitality of the market area and neighborhood surrounding the subject site is an important consideration in forecasting lodging demand and future income potential. Economic and demographic trends that reflect the amount of visitation provide a basis from which to project lodging demand. The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

#### Market Area Definition

The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject site is located in the city of Sterling, the county of Whiteside, and the state of Illinois. Sterling is located on the north bank of the Rock River with Rock Falls opposite it. Known for its steel production and agriculture, as well as its rich history in manufacturing and fertile farmland. The city of Sterling has preserved its historical heritage through its well-maintained downtown area and is currently in the process of redeveloping its riverfront.

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

## MAP OF MARKET AREA



### Economic and Demographic Review

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

These data are summarized in the following table.

**FIGURE 3-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY**

	2010	2020	2022	2027	Avg. Annual Compounded Chg.		
					2010-20	2010-22	2022-27
<b>Resident Population (Thousands)</b>							
Whiteside County	67.2	65.5	65.0	64.9	(0.2) %	(0.3) %	(0.0) %
Dixon-Sterling, IL CSA	116.3	114.4	113.9	114.1	(0.2)	(0.2)	0.0
State of Illinois	12,840.5	12,785.2	12,699.7	12,820.7	(0.0)	(0.1)	0.2
United States	309,327.1	331,501.1	334,193.8	345,453.9	0.7	0.6	0.7
<b>Per-Capita Personal Income*</b>							
Whiteside County	\$38,104	\$46,023	\$45,221	\$48,646	1.9	1.4	1.5
Dixon-Sterling, IL CSA	36,272	42,886	42,358	45,752	1.7	1.3	1.6
State of Illinois	44,173	55,704	56,688	61,644	2.3	2.1	1.7
United States	42,497	53,178	53,658	58,274	2.3	2.0	1.7
<b>W&amp;P Wealth Index</b>							
Whiteside County	89.3	86.9	85.0	84.4	(0.3)	(0.4)	(0.2)
Dixon-Sterling, IL CSA	84.7	80.5	78.9	78.6	(0.5)	(0.6)	(0.1)
State of Illinois	103.8	105.1	106.2	106.3	0.1	0.2	0.0
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
<b>Food and Beverage Sales (Millions)*</b>							
Whiteside County	\$72	\$87	\$116	\$125	1.9	4.0	1.5
Dixon-Sterling, IL CSA	117	132	173	188	1.2	3.4	1.6
State of Illinois	20,641	23,271	30,496	32,997	1.2	3.3	1.6
United States	475,345	571,525	755,072	840,450	1.9	3.9	2.2
<b>Total Retail Sales (Millions)*</b>							
Whiteside County	\$1,040	\$1,132	\$1,283	\$1,285	0.9	1.8	0.0
Dixon-Sterling, IL CSA	1,665	1,801	2,040	2,051	0.8	1.7	0.1
State of Illinois	179,238	190,672	216,786	219,574	0.6	1.6	0.3
United States	4,385,184	5,481,467	6,257,974	6,489,951	2.3	3.0	0.7

\* Inflation Adjusted

Source: Woods & Poole Economics, Inc.



The U.S. population grew at an average annual compounded rate of 0.6% from 2010 through 2022. The county's population has grown more slowly than the nation's population; the average annual growth rate of -0.3% between 2010 and 2022 reflects a relatively stable area. Per-capita personal income increased slowly, at 1.4% on average annually for the county between 2010 and 2022. Local wealth indexes have remained stable in recent years, registering a modest 85.0 level for the county in 2022.

Food and beverage sales totaled \$116 million in the county in 2022, versus \$72 million in 2010. This reflects a 4.0% average annual change. The pace of growth is anticipated to be 1.5% through 2027. The retail sales sector demonstrated an annual increase of 1.8% from 2010 to 2022. An increase of less than 1.0% on average is expected in county retail sales through 2027.

### Workforce Characteristics

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

The following table sets forth the county workforce distribution by business sector in 2010, 2020, and 2022, as well as a forecast for 2027.

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

Industry	2010	Percent of Total	2020	Percent of Total	2022	Percent of Total	2027	Percent of Total	Avg. Annual Compounded Chg.		
									2010-2020	2020-2022	2022-2027
Farm	1.3	3.0 %	1.2	2.9 %	1.2	2.7 %	1.1	2.6 %	(0.9) %	(0.5) %	(0.3) %
Forestry, Fishing, Related Activities And Other	0.1	0.2	0.1	0.4	0.1	0.3	0.1	0.3	4.5	(3.4)	(0.7)
Mining	0.2	0.5	0.3	0.6	0.3	0.6	0.2	0.6	1.8	(0.0)	(0.5)
Utilities	0.1	0.3	0.1	0.3	0.1	0.3	0.1	0.3	0.1	0.0	(0.2)
Construction	2.0	4.8	1.9	4.8	1.9	4.4	1.8	4.2	(0.5)	(1.4)	(0.4)
Manufacturing	4.9	11.5	4.5	11.1	4.7	11.1	4.8	10.8	(0.9)	2.9	0.2
Total Trade	7.5	17.8	6.6	16.5	6.8	15.9	6.8	15.4	(1.3)	0.9	0.1
Wholesale Trade	2.0	4.7	1.9	4.8	1.9	4.5	1.9	4.3	(0.5)	(0.3)	(0.2)
Retail Trade	5.5	13.1	4.7	11.8	4.9	11.4	4.9	11.2	(1.6)	1.3	0.2
Transportation And Warehousing	1.2	2.8	1.3	3.3	1.3	3.2	1.4	3.1	0.9	1.2	0.5
Information	0.6	1.5	0.5	1.3	0.5	1.2	0.5	1.1	(1.8)	(2.2)	(1.0)
Finance And Insurance	2.5	5.9	2.7	6.8	2.9	6.7	3.2	7.2	0.8	2.7	2.0
Real Estate And Rental And Lease	1.2	2.9	1.3	3.3	1.5	3.6	1.7	3.8	0.7	6.7	2.1
Total Services	15.8	37.4	15.8	39.4	17.0	40.1	18.0	40.8	0.0	3.6	1.1
Professional And Technical Services	1.2	2.9	1.1	2.8	1.2	2.7	1.2	2.8	(1.0)	2.7	1.0
Management Of Companies And Enterprises	0.1	0.3	0.2	0.4	0.2	0.4	0.2	0.4	4.0	2.8	1.1
Administrative And Waste Services	2.0	4.6	1.7	4.3	1.7	4.0	1.7	3.9	(1.1)	(1.1)	0.2
Educational Services	0.8	2.0	0.7	1.8	0.8	1.8	0.8	1.8	(1.6)	4.5	0.7
Health Care And Social Assistance	5.8	13.7	6.6	16.5	7.0	16.4	7.4	16.8	1.3	2.5	1.2
Arts, Entertainment, And Recreation	0.6	1.5	0.6	1.4	0.7	1.6	0.7	1.6	(0.8)	6.9	1.2
Accommodation And Food Services	2.5	6.0	2.4	6.0	2.8	6.7	3.1	7.0	(0.5)	9.0	1.6
Other Services, Except Public Administration	2.7	6.4	2.5	6.3	2.7	6.4	2.8	6.5	(0.7)	4.3	0.8
Total Government	4.8	11.2	3.7	9.3	4.2	9.9	4.4	9.9	(2.4)	5.9	0.8
Federal Civilian Government	0.4	0.8	0.2	0.6	0.2	0.5	0.2	0.5	(3.8)	(2.7)	(0.9)
Federal Military	0.1	0.3	0.1	0.3	0.1	0.3	0.1	0.3	(0.1)	0.0	0.0
State And Local Government	4.3	10.1	3.4	8.4	3.8	9.0	4.0	9.1	(2.3)	6.7	0.9
TOTAL	42.3	100.0 %	40.2	100.0 %	42.5	100.0 %	44.0	100.0 %	(0.5) %	2.8 %	0.7 %
U.S.	172,901.7	—	190,776.8	—	207,048.4	—	223,733.2	—	1.0	4.2	1.6

Source: Woods & Poole Economics, Inc.

The preceding data illustrate the long-term employment trends in this market, including the recent impact of the pandemic and the subsequent recovery. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 0.7% on average annually through 2027. The trend is below the forecast rate of change for the United States as a whole during the same period.

**Radial Demographic  
Snapshot**

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

**FIGURE 3-3 DEMOGRAPHICS BY RADIUS**

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
<b>Population</b>			
2028 Projection	9,605	26,787	30,610
2023 Estimate	9,769	27,268	31,159
2020 Census	9,924	27,691	31,642
Percent Change: 2023 to 2028	-1.7%	-1.8%	-1.8%
Percent Change: 2020 to 2023	-1.6%	-1.5%	-1.5%
<b>Households</b>			
2028 Projection	4,008	11,809	13,401
2023 Estimate	4,042	11,909	13,516
2020 Census	4,074	11,993	13,613
Percent Change: 2023 to 2028	-0.8%	-0.8%	-0.9%
Percent Change: 2020 to 2023	-0.8%	-0.7%	-0.7%
<b>Income</b>			
2023 Est. Average Household Income	\$73,255	\$78,021	\$80,580
2023 Est. Median Household Income	54,284	58,240	60,561
<b>2023 Est. Civ. Employed Pop 16+ by Occupation</b>			
Architecture/Engineering	59	212	225
Arts/Design/Entertainment/Sports/Media	35	110	131
Building/Grounds Cleaning/Maintenance	140	448	511
Business/Financial Operations	141	354	418
Community/Social Services	51	230	250
Computer/Mathematical	24	130	144
Construction/Extraction	156	416	517
Education/Training/Library	166	719	832
Farming/Fishing/Forestry	10	38	46
Food Preparation/Serving Related	438	853	939
Healthcare Practitioner/Technician	264	740	856
Healthcare Support	241	550	611
Installation/Maintenance/Repair	90	300	406
Legal	25	59	59
Life/Physical/Social Science	7	31	34
Management	218	721	866
Office/Administrative Support	459	1,456	1,641
Production	933	1,949	2,068
Protective Services	120	317	365
Sales/Related	576	1,318	1,489
Personal Care/Service	123	391	434
Transportation/Material Moving	571	1,456	1,682

Source: Environics Analytics

This source reports a population of 31,159 and 13,516 households within a five-mile radius of the subject site. The average household income within this radius is reported at \$80,580, while the median is \$60,561.

**Unemployment Statistics**

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

**FIGURE 3-4 UNEMPLOYMENT STATISTICS**

<u>Year</u>	<u>County</u>	<u>State</u>	<u>U.S.</u>
2013	8.7 %	9.0 %	7.4 %
2014	6.9	7.1	6.2
2015	6.2	6.0	5.3
2016	5.8	5.8	4.9
2017	4.8	4.9	4.4
2018	4.4	4.3	3.9
2019	4.3	4.0	3.7
2020	8.1	9.3	8.1
2021	5.0	6.1	5.4
2022	4.0	4.6	3.6
<i>Recent Month - May</i>			
2022	3.8 %	4.4 %	3.6 %
2023	4.0	3.6	3.7

Source: U.S. Bureau of Labor Statistics

Prior to the pandemic, U.S. unemployment levels were firmly below the 4.6% level recorded in 2006 and 2007, the peak years of the economic cycle prior to the Great Recession. The unemployment rate for February 2020 was 3.5%. The unemployment rate had remained in the 3.5% to 3.7% range since April 2019, reflecting a trend of stability and strength. However, in April 2020, unemployment rose to 14.7%, and employment dropped by 20.7 million because of the COVID-19 pandemic. Most recently, the national unemployment rate was 3.5% in July 2023. Steady gains in employment have been registered since April 2020. A 281,000-, 185,000-, and 187,000-person rise in employment was registered in May, June, and July, respectively. In July, the most significant gains were reported in the health care, social assistance, financial activities, and wholesale-trade sectors.

Locally, the unemployment rate was 4.0% in 2022; for this same area in 2023, the most recent month’s unemployment rate was registered at 4.0%, versus 3.8% for the same month in 2022. As illustrated in the foregoing table, unemployment declined in 2014, and this positive trend generally continued through 2019. Economic development officials noted that local employment last decade was largely supported by the healthcare and manufacturing industries, including

**Major Business and Industry**

healthy employment levels at major employers such as CGH Medical Center, HALO Branded Solutions, and Wahl Clipper Corporation. However, unemployment data from 2020 illustrate a sharp increase given the effects of the COVID-19 pandemic and related global economic crisis, which included massive furloughs/layoffs. Unemployment declined in 2021 as the economy began to rebound, and the most recent comparative period shows where the local market stood in 2023 relative to the same month of 2022, reflecting a slight increase given layoffs related to borrowing costs remaining high.

Providing additional context for understanding the nature of the regional economy, the following table presents a list of the major employers in the proposed subject property's market.

**FIGURE 3-5 MAJOR EMPLOYERS**

Rank	Employer	Number of Employees
1	CHG Medical Center	1,750
2	Wahl Clipper Corporation	1,100
3	Wal Mart DC	1,000
4	HALO Branded Solutions	650
5	Sterling Public Schools	350
6	Sterling Steel	250
7	P&P Industries	150
8	Astec Mobile Screens	125
9	Menk USA	100
10	Micron Industries	100

Source: Greater Sterling Development Corporation, 2023

Sterling is most widely known as the home of two major corporate headquarters, HALO Branded Solutions and Wahl Clipper Corporate. Since coming to Sterling in 2018, HALO Branded Solutions has continued to expand its facility and enhance economic growth in the community. The area also benefits from a strong healthcare sector, with CGH Medical Center located in the market. Additionally, Sterling is known for its outdoor activities, including miles of biking and hiking trails; Hennepin Canal State Trail, Rock River Recreation Path, and Centennial Park are some of the local favorites. Although many employers in the market temporarily reduced staffing and/or suspended operations following the onset of the COVID-19 pandemic in March 2020, an economic recovery began mid-year 2020 when regulations began to be lifted; moreover, tourism rebounded in 2021 and 2022. The

return of international travel, increasing event activity, and improving office-space occupancy should continue to support the economic recovery and bolster lodging demand in this market.

### Office Space Statistics

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

**FIGURE 3-6 OFFICE SPACE STATISTICS – MARKET OVERVIEW**

Submarket	Year	Vacancy Rate	Average Asking Lease Rate
Metro Area	2020	23.6 %	\$13.63
	2021	20.3	13.58
	2022	20.4	13.57
CBD	2020	22.9 %	\$13.18
	2021	22.0	13.19
	2022	22.2	13.19
Non-CBD	2020	24.6 %	\$14.25
	2021	18.1	14.10
	2022	18.1	14.09

Source: REIS Report, 1st Quarter, 2023

In the greater Davenport-Moline market, REIS reported a vacancy rate of 20.4% and an average asking rent of \$13.57 for 2022. The subject property is located in the Non-CBD submarket. The submarket's vacancy rate of 18.1% is below the overall market average. The average asking lease rate of \$14.09 is above the average for the broader market.

### Airport Traffic

Airport passenger counts are important indicators of lodging demand. Depending on the type of service provided by a particular airfield, a sizable percentage of arriving passengers may require hotel accommodations. Trends showing changes in passenger counts also reflect local business activity and the overall economic health of the area.

The Chicago Rockford International Airport (RFD) is the third-busiest airport in Illinois and serves as a hub for UPS Airlines, which operates two facilities at RFD. In

2021, RFD completed the construction of a new 90,000-square-foot international cargo facility, the first of a two-phase cargo building expansion. The total \$50-million project is expected to generate another 600 jobs for the region. The airport is served by Allegiant Air for passenger travel, with direct routes to destinations like Las Vegas, Phoenix, and Sarasota.

The following table illustrates recent operating statistics for the Chicago Rockford International Airport, which is the primary airport facility serving the proposed subject hotel’s submarket.

**FIGURE 3-7 AIRPORT STATISTICS - CHICAGO ROCKFORD INTERNATIONAL AIRPORT**

Year	Passenger Traffic	Percent Change*
2013	109,384	— %
2014	111,983	2.4 %
2015	108,379	(3.2)
2016	101,790	(6.1)
2017	112,862	10.9
2018	106,710	(5.5)
2019	116,767	9.4
2020	106,710	(8.6)
2021	79,674	(25.3)

\*Annual average compounded percentage change from the  
 \*\*Annual average compounded percentage change from fir

Source: Chicago Rockford International Airport

This facility recorded 79,674 passengers in 2021. The change in passenger traffic between 2020 and 2021 was -25.3%. As of the date of this report, updated data for RFD was requested but was not available.

The Quad Cities International Airport serves travelers from the eastern Iowa and western Illinois regions. The airport is located just south of the city of Moline in Rock Island County, Illinois, covering 2,600 acres of land and providing three runways. The airport's two concourses are served by several airlines that offer daily flights to cities across the United States. The airport completed a \$34-million runway reconstruction project in September 2011. In December 2021, the Quad Cities International Airport’s Board of Commissioners selected a construction manager to begin work on a planned \$20-million terminal renovation and modernization plan.



The renovation will include new ticketing areas and security checkpoints; reimagined food, beverage and retail spaces; the addition of a canopy to the front of the terminal; and other aesthetic and technology updates. Construction of these projects began in the fall of 2022.

The following table illustrates recent operating statistics for the Quad Cities International Airport, which is the secondary airport facility serving the proposed subject property’s submarket.

**FIGURE 3-8 AIRPORT STATISTICS – QUAD CITIES INTERNATIONAL AIRPORT**

<b>Year</b>	<b>Passenger Traffic</b>	<b>Percent Change*</b>
2013	763,416	—
2014	738,398	(3.3) %
2015	730,292	(1.1)
2016	716,872	(1.8)
2017	665,691	(7.1)
2018	706,777	6.2
2019	721,999	2.2
2020	306,260	(57.6)
2021	493,348	61.1
2022	544,144	10.3
<b>Year-to-date, Sep</b>		
2022	408,394	—
2023	401,055	(1.8) %
*Annual average compounded percentage change from the		
**Annual average compounded percentage change from fir		
Source: Quad Cities International Airport		

Air traffic registered 544,144 passengers in 2022. The change in passenger traffic between 2021 and 2022 was 10.3%. Data from 2020 illustrate a significant decline given the impact of the COVID-19 pandemic and the travel restrictions that were implemented; however, the 2021 data show a substantial rebound in passenger traffic, a trend that continued through 2022 and into 2023, per the latest statistics.

Operated by the City of Chicago Department of Aviation as a fully self-supporting facility, Chicago O’Hare International Airport (ORD) is located 17 miles northwest of the Chicago Loop. The facility, also known as simply "O’Hare," serves as United

Airlines' largest hub and American Airlines' second-largest hub, after Dallas/Fort Worth, while many other commercial airlines also service the airport. The O'Hare Modernization Program (OMP), designed to reduce delays, increase capacity, and increase the safety of the airfield, is underway. Recently completed OMP projects include a new runway, two taxiways, and an air-traffic-control tower. According to the City of Chicago, the modernization plan could potentially contribute \$18 billion to the local economy and create about 195,000 jobs. The final OMP major airfields project will be the start of the O'Hare 21 capital program, which will implement Chicago's vision for a modern airport that is efficient and accessible for travel around the world. The \$8.5-billion investment will include a new Global Terminal replacing Terminal 2, an expansion of Terminal 5, renovations to Terminals 1 and 3, and construction of two new satellite concourses. These upgrades and renovations will increase the overall terminal square footage from 5.5 to 8.9 million square feet and will increase gate frontage by 25%. The project is anticipated to be completed in 2026.

The following table illustrates recent operating statistics for the Chicago O'Hare International Airport, which is the third airport facility serving the proposed subject property's submarket.

**FIGURE 3-9 AIRPORT STATISTICS – CHICAGO O'HARE INTERNATIONAL AIRPORT**

<b>Year</b>	<b>Passenger Traffic</b>	<b>Percent Change*</b>
2013	67,087,921	—
2014	70,075,204	4.5 %
2015	76,949,504	9.8
2016	77,960,589	1.3
2017	79,828,183	2.4
2018	83,245,472	4.3
2019	84,397,776	1.4
2020	30,860,251	(63.4)
2021	54,020,399	75.0
2022	68,340,619	26.5
<b>Year-to-date, Jul</b>		
2022	38,306,277	—
2023	41,786,315	9.1 %

\*Annual average compounded percentage change from the  
 \*\*Annual average compounded percentage change from fir

Source: Chicago O'Hare International Airport

Air traffic registered 68,340,619 passengers in 2022. The change in passenger traffic between 2021 and 2022 was 26.5%. Data from 2020 illustrate a significant decline given the impact of the COVID-19 pandemic and the travel restrictions that were implemented; however, the 2021 data show a substantial rebound in passenger traffic, a trend that continued through 2022 and into 2023, per the latest statistics.

**Tourist Attractions**

Given the rural and somewhat remote location of the subject market, leisure demand generated by tourist attractions is limited; however, outdoor recreation has expanded, with Hennepin Canal State Trail, Rock River Recreation Path, and Centennial Park being some of the local favorites. Some weekend demand is typically generated by local festivals, as well as by community events, such as car shows and craft beer festivals; however, most events in 2020 and early 2021 were postponed or canceled because of the COVID-19 pandemic and the related restrictions on large gatherings. As of the date of this report, area attractions were open; moreover, events were taking place on a normal schedule.

## ROCK RIVER – LAWRENCE BUILDING

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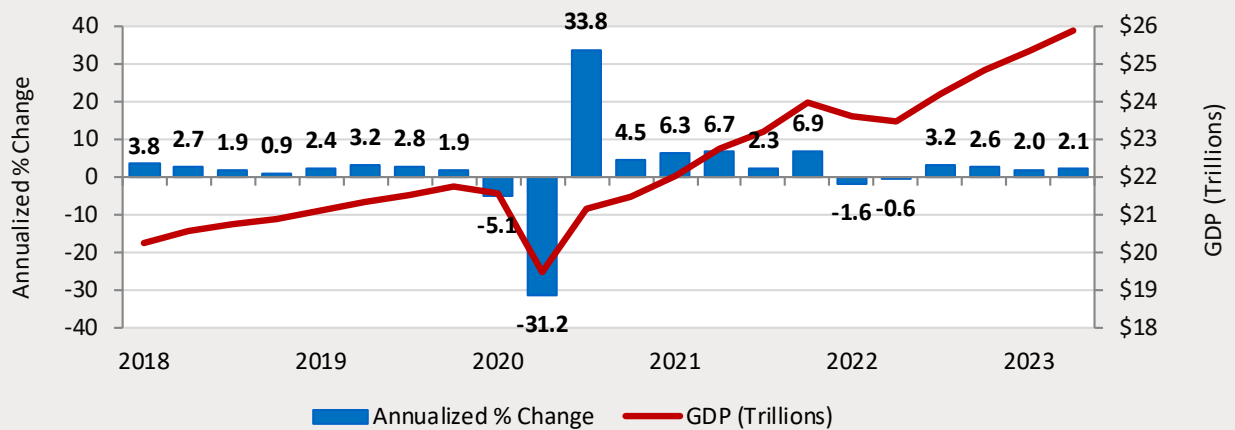
### Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. The Sterling market area has experienced an economic rebound following the impacts of the COVID-19 pandemic. As noted previously, the local economy is primarily led by the manufacturing industry and healthcare sector. Our market interviews and research revealed that several anchors of the economy have been expanding, such as HALO Branded Solutions. Additionally, tourism rebounded in the summer of 2021 and strengthened through 2022, with local events and festivals being primary draws. The near-term outlook is optimistic, particularly given the continued investment in the region in recent months, including the Reimagined Riverfront project.

Our analysis of the outlook for this specific market also considers the broader context of the national economy. For the eight quarters leading up to 2020, GDP quarterly growth ranged between 0.9% and 3.8%, reflecting moderate economic expansion. The impact of the pandemic was considerable in 2020. As shutdowns halted major components of the U.S. economy from mid-March through May, the GDP contracted by an annualized rate of 31.2% in the second quarter of 2020, the largest such decline in U.S. history. While shocking, this GDP decline was offset by a significant rebound in economic activity in the third quarter of 2020, greatly moderating the overall impact for the year. The U.S. economy grew by 33.8% on an

annualized basis in the third quarter, followed by more modest gains in the five quarters that followed through the end of 2021, with GDP having surpassed the pre-pandemic peak by the first quarter of 2021).

**FIGURE 3-10 UNITED STATES GDP GROWTH RATE**



Sources: tradingeconomics.com, Bureau of Economic Analysis

A pullback during the first half of 2022 was driven by the trade deficit and decreases in government spending and inventory investment, although the decline was offset by gains during the second half of the year. While the positive trend continued during the first quarter of 2023, the GDP gain waned, reflecting a 2.0% increase versus the 2.6% rise during the fourth quarter of 2022. The second estimate for second-quarter 2023 GDP growth was released on August 30, 2023, at a higher-than-expected 2.1%. In this most recent quarter, growth was fueled by increases in private inventory investment and business investment. A slowdown in consumer spending was registered, as well, influenced by rising interest rates and recessionary fears. Thus, hotel investors are now more cautious about the near-term outlook for the industry because of this slowing economic picture, although still remaining optimistic about the long-term outlook for the industry.

## 4. Supply and Demand Analysis

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

### Definition of Subject Hotel Market

The subject site is located in the greater Whiteside County lodging market. Within this greater Davenport/Rockford markets, the proposed subject hotel will compete with a smaller set of hotels based on proximity, price point, age, and product type, among other factors.

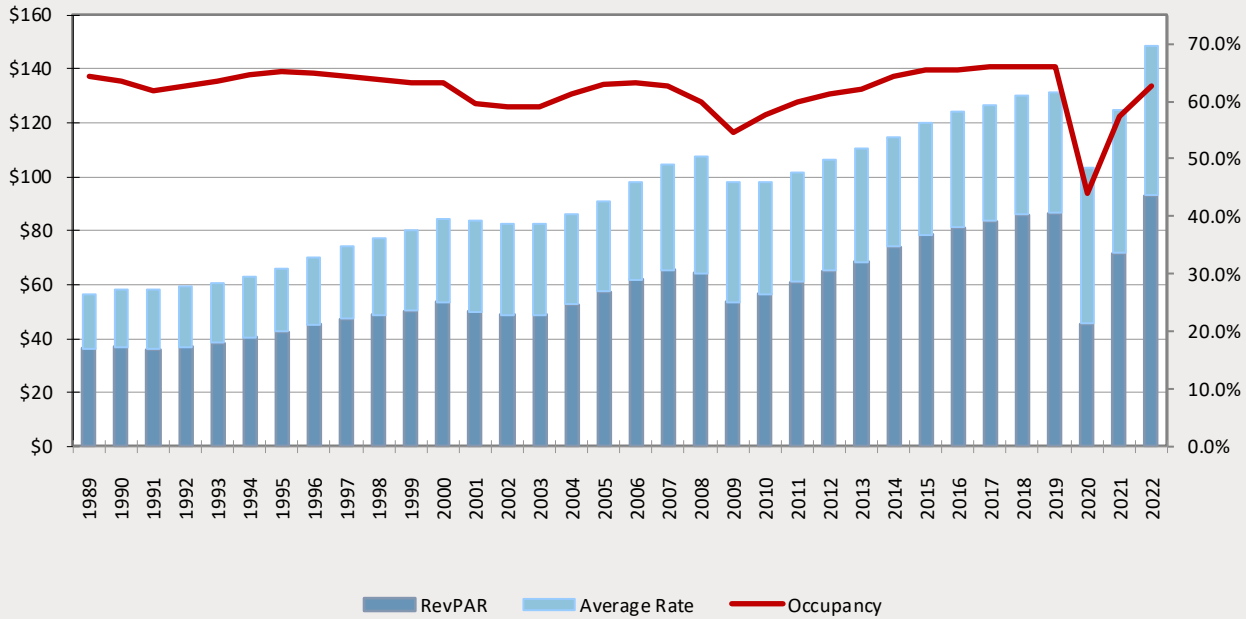
### National Trends Overview

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

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



**FIGURE 4-1 NATIONAL OCCUPANCY, ADR, AND REVPAR TRENDS**



Source: STR

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

**FIGURE 4-2 NATIONAL OCCUPANCY AND ADR TRENDS: 2019, 2020, 2021, 2022**

	Occupancy					Average Rate					RevPAR					Percent Change	
	2019	2020	2021	2022	'21 to '22 % Change	2019	2020	2021	2022	'21 to '22 % Change	2019	2020	2021	2022	'21 to '22 % Change	Rms. Avail.	Rms. Sold
United States	66.0 %	44.0 %	57.5 %	62.7 %	10.3 %	\$131.23	\$103.25	\$124.96	\$148.83	20.9 %	\$86.64	\$45.48	\$71.88	\$93.27	33.4 %	2.2 %	12.7 %
<b>Region</b>																	
New England	64.7 %	38.8 %	55.5 %	64.1 %	15.4 %	\$161.08	\$123.17	\$155.80	\$187.71	20.5 %	\$104.25	\$47.77	\$86.54	\$120.35	39.1 %	1.5 %	17.2 %
Middle Atlantic	69.0	41.3	55.2	63.0	14.1	166.27	115.26	144.08	183.31	27.2	114.81	47.65	79.56	115.51	45.2	5.4	20.3
South Atlantic	67.5	45.7	59.8	64.9	8.6	128.41	107.99	130.45	150.81	15.6	86.68	49.40	77.95	97.88	25.6	2.0	10.8
E. North Central	61.1	39.1	52.3	57.6	10.1	112.64	86.72	105.25	123.86	17.7	68.82	33.93	55.09	71.36	29.5	1.6	11.8
E. South Central	62.4	45.7	59.5	61.7	3.7	103.58	85.74	104.70	120.01	14.6	64.61	39.18	62.30	74.05	18.9	1.5	5.2
W. North Central	58.3	39.1	51.0	55.7	9.1	99.28	83.65	97.34	109.45	12.4	57.88	32.72	49.68	60.92	22.6	0.2	9.2
W. South Central	62.6	44.9	58.1	60.5	4.2	101.84	82.88	95.75	111.96	16.9	63.77	37.25	55.64	67.79	21.8	1.0	5.2
Mountain	66.9	46.7	59.3	64.0	7.9	121.89	105.70	125.74	146.97	16.9	81.54	49.39	74.59	94.06	26.1	0.6	8.6
Pacific	73.6	47.1	60.2	67.1	11.5	171.40	129.57	157.79	191.94	21.6	126.16	61.01	95.00	128.86	35.6	2.6	14.4
<b>Class</b>																	
Luxury	70.9 %	36.8 %	52.5 %	63.1 %	20.2 %	\$304.11	\$285.78	\$322.00	\$360.61	12.0 %	\$215.73	\$105.29	\$168.95	\$227.41	34.6 %	4.8 %	26.0 %
Upper-Upscale	72.6	34.8	50.0	63.3	26.6	188.24	159.14	175.05	207.68	18.6	136.67	55.30	87.49	131.40	50.2	5.5	33.6
Upscale	71.5	42.8	59.3	66.6	12.5	143.60	117.80	132.34	157.15	18.7	102.68	50.45	78.42	104.73	33.5	3.1	16.0
Upper-Midscale	67.5	45.3	61.2	65.4	6.8	115.91	98.80	114.14	129.93	13.8	78.20	44.72	69.83	84.93	21.6	2.1	9.1
Midscale	59.5	44.4	56.8	58.6	3.3	95.82	84.47	98.83	110.22	11.5	57.03	37.52	56.10	64.61	15.2	(0.3)	3.0
Economy	59.4	49.2	58.7	58.5	(0.5)	75.50	65.45	76.14	84.32	10.7	44.83	32.30	44.72	49.29	10.2	(1.1)	(1.6)
<b>Location</b>																	
Urban	73.2 %	37.9 %	51.8 %	63.3 %	22.2 %	\$183.20	\$127.80	\$152.81	\$198.52	29.9 %	\$134.12	\$48.47	\$79.12	\$125.60	58.7 %	6.5 %	30.2 %
Suburban	66.7	46.4	59.9	64.0	6.8	111.26	88.81	104.93	123.56	17.8	74.24	41.24	62.90	79.13	25.8	0.9	7.8
Airport	73.7	44.5	60.3	68.4	13.5	119.22	93.71	104.82	127.57	21.7	87.85	41.72	63.18	87.29	38.2	1.4	15.0
Interstate	57.9	44.8	57.8	58.9	1.9	87.86	79.05	92.22	101.67	10.3	50.85	35.39	53.31	59.88	12.3	0.3	2.2
Resort	70.0	42.9	57.7	65.7	13.8	182.74	170.36	209.77	233.86	11.5	127.85	73.13	121.06	153.53	26.8	2.8	17.0
Small Town	57.8	44.4	56.7	57.9	2.1	107.26	96.95	116.96	128.52	9.9	61.98	43.07	66.34	74.44	12.2	2.4	2.4
<b>Chain Scale</b>																	
Luxury	73.8 %	32.0 %	48.0 %	63.3 %	31.9 %	\$343.02	\$329.54	\$383.48	\$425.63	11.0 %	\$253.17	\$105.40	\$184.12	\$269.56	46.4 %	5.6 %	39.3 %
Upper-Upscale	73.9	33.4	48.7	63.7	30.6	189.25	158.86	176.66	211.17	19.5	139.80	53.10	86.11	134.48	56.2	6.0	38.5
Upscale	72.6	43.0	59.6	67.3	13.0	142.38	115.11	128.62	153.93	19.7	103.32	49.52	76.68	103.65	35.2	3.6	17.0
Upper-Midscale	67.5	45.4	61.6	65.8	6.8	112.80	96.04	111.14	126.39	13.7	76.14	43.61	68.47	83.15	21.4	2.8	9.7
Midscale	58.1	44.2	56.5	57.7	2.1	86.61	77.29	89.48	98.93	10.6	50.30	34.19	50.59	57.08	12.8	(0.3)	1.8
Economy	58.7	50.9	59.7	58.9	(1.3)	63.70	58.21	66.88	72.62	8.6	37.36	29.64	39.90	42.78	7.2	(2.4)	(3.6)
Independents	63.5	44.8	56.9	60.3	6.0	133.08	110.74	137.44	159.13	15.8	84.44	49.56	78.24	96.01	22.7	0.9	6.9

Source: Year-End STR Lodging Reviews

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

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

The recovery continued and accelerated in 2022, as corporations and institutions began to return to offices, at least in some capacity, while group travel recovered at an accelerating pace, as participants became more comfortable gathering in larger numbers. Leisure demand, which led the recovery in many markets, remained strong, with ADRs in most destinations surpassing historical levels. By year-end 2022, nationwide occupancy had gained five additional points, reaching 62.7%, and ADR had increased by nearly 21.0% to roughly \$149. With a significant portion of the recovery now behind us, and a more cautious economic outlook as of mid-year 2023, hotel owners, operators, and investors generally expect less-significant gains over the balance of 2023 than those achieved in 2021 and 2022. Job growth and employment levels remain strong, and the continued increases in group travel bode well for the industry. However, inflation remains elevated, and the fear of a potential recession may undermine consumer confidence and spending levels, which would impact the degree of continued growth this year.

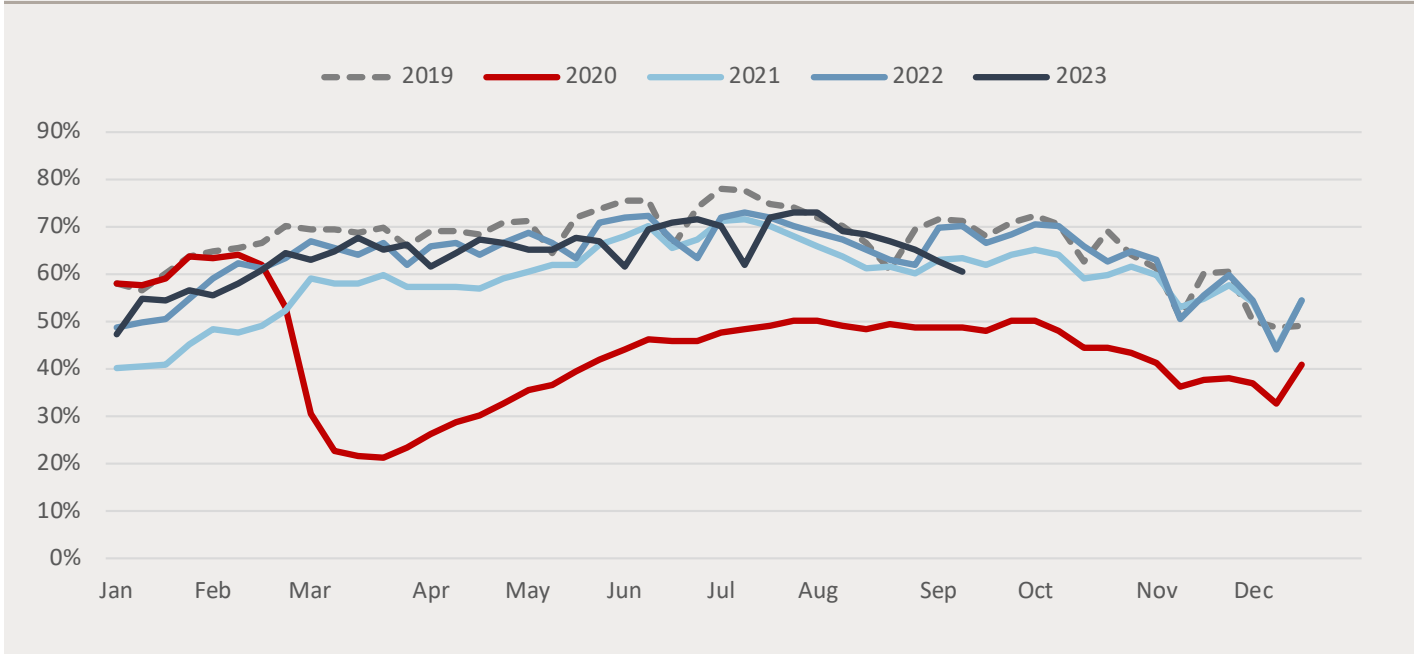
**FIGURE 4-3 RECENT NATIONAL OCCUPANCY AND ADR TRENDS**

	Occupancy - YTD August			Average Rate - YTD August			RevPAR - YTD August			Percent Change	
	2022	2023	% Change	2022	2023	% Change	2022	2023	% Change	Rms. Avail.	Rms. Sold
United States	63.1 %	64.1 %	1.6 %	\$147.98	\$155.20	4.9 %	\$93.34	\$99.44	6.5 %	0.4 %	2.0 %
<b>Region</b>											
New England	63.1 %	63.5 %	0.7 %	\$176.56	\$186.28	5.5 %	\$111.35	\$118.26	6.2 %	0.0 %	0.6 %
Middle Atlantic	61.6	64.7	5.0	167.81	179.36	6.9	103.33	115.97	12.2	0.2	5.2
South Atlantic	65.6	66.2	0.9	154.93	159.65	3.0	101.59	105.63	4.0	0.4	1.4
E. North Central	57.5	58.5	1.7	121.76	128.74	5.7	70.06	75.36	7.6	0.6	2.3
E. South Central	61.6	62.4	1.2	118.03	125.01	5.9	72.75	77.95	7.1	0.5	1.6
W. North Central	55.7	57.2	2.7	108.81	115.36	6.0	60.65	66.01	8.8	0.2	2.8
W. South Central	60.7	61.5	1.3	111.15	115.78	4.2	67.46	71.16	5.5	0.8	2.1
Mountain	66.7	68.4	2.5	151.50	164.19	8.4	101.04	112.23	11.1	0.0	2.5
Pacific	67.7	67.8	0.1	191.34	198.16	3.6	129.62	134.38	3.7	0.5	0.6
<b>Class</b>											
Luxury	65.1 %	67.5 %	3.7 %	\$376.94	\$376.18	(0.2) %	\$245.49	\$253.95	3.4 %	1.9 %	5.7 %
Upper-Upscale	63.0	67.5	7.1	212.51	220.21	3.6	133.94	148.68	11.0	1.5	8.7
Upscale	67.2	69.6	3.5	154.78	163.36	5.5	104.04	113.70	9.3	1.0	4.6
Upper-Midscale	66.3	67.3	1.5	128.43	133.82	4.2	85.12	90.04	5.8	0.8	2.4
Midscale	60.8	60.3	(0.9)	100.15	102.56	2.4	60.94	61.83	1.5	(0.3)	(1.2)
Economy	57.4	55.3	(3.6)	77.72	79.26	2.0	44.61	43.86	(1.7)	(1.2)	(4.7)
<b>Location</b>											
Urban	62.6 %	66.7 %	6.6 %	\$187.88	\$199.50	6.2 %	\$117.56	\$133.04	13.2 %	1.8 %	8.5 %
Suburban	64.3	65.2	1.3	125.06	131.98	5.5	80.47	86.06	6.9	0.0	1.3
Airport	68.3	69.8	2.1	126.06	134.21	6.5	86.14	93.67	8.7	0.6	2.8
Interstate	59.3	58.6	(1.2)	100.73	104.99	4.2	59.76	61.53	2.9	0.2	(1.0)
Resort	67.9	69.0	1.7	241.76	243.69	0.8	164.12	168.24	2.5	(0.1)	1.6
Small Town	58.5	57.7	(1.4)	125.63	130.12	3.6	73.54	75.10	2.1	0.3	(1.1)
<b>Chain Scale</b>											
Luxury	62.2 %	65.9 %	5.9 %	\$432.62	\$426.87	(1.3) %	\$269.15	\$281.32	4.5 %	2.3 %	8.4 %
Upper-Upscale	63.4	68.4	7.9	214.00	222.05	3.8	135.63	151.89	12.0	1.3	9.3
Upscale	67.6	70.2	3.8	153.57	161.93	5.4	103.88	113.74	9.5	1.7	5.6
Upper-Midscale	66.4	67.5	1.6	127.57	132.98	4.2	84.76	89.78	5.9	1.2	2.8
Midscale	61.1	60.4	(1.1)	95.65	97.56	2.0	58.45	58.95	0.9	0.2	(0.9)
Economy	58.3	56.1	(3.8)	72.51	73.60	1.5	42.27	41.29	(2.3)	(2.0)	(5.7)
Independents	60.7	60.4	(0.4)	154.22	160.64	4.2	93.54	97.07	3.8	(0.4)	(0.7)

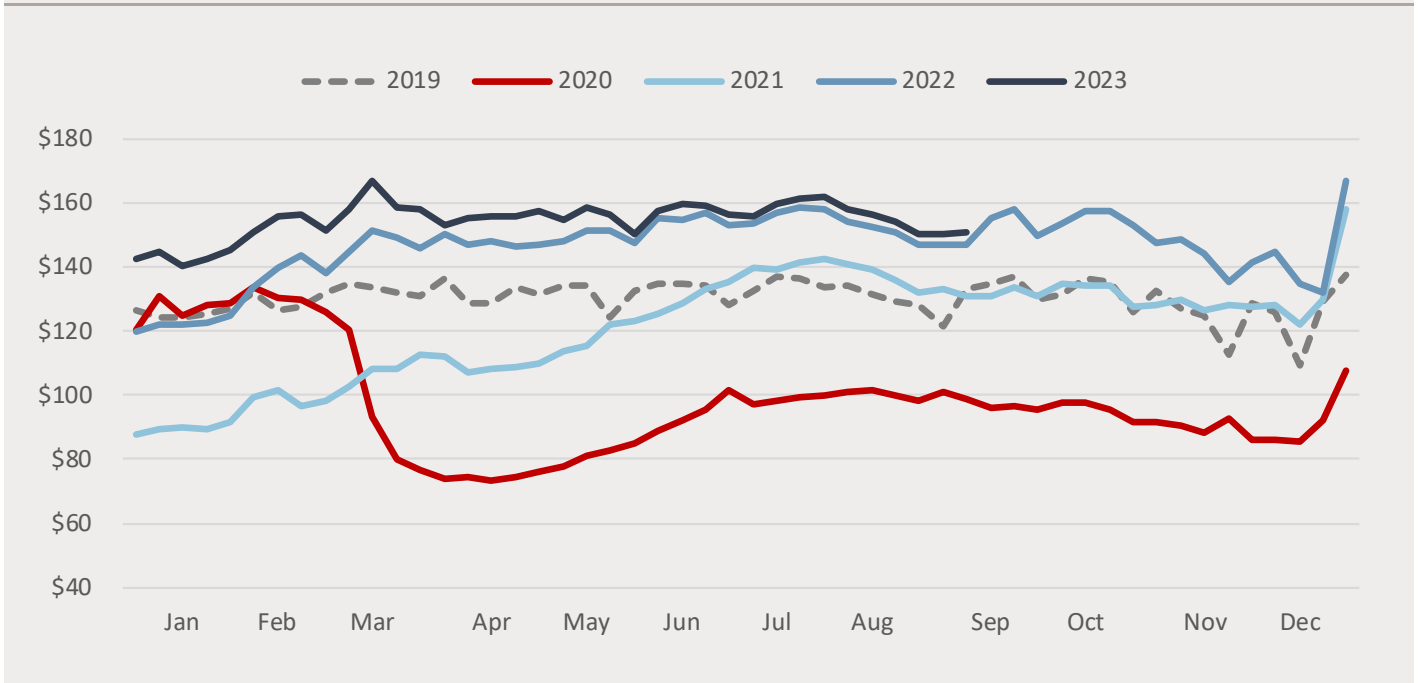
Source: STR - August 2023 Lodging Review

To further understand the nature, timing, and degree of the impact of the pandemic and subsequent recovery, we have reviewed the following weekly data for the U.S. lodging industry, as published by STR.

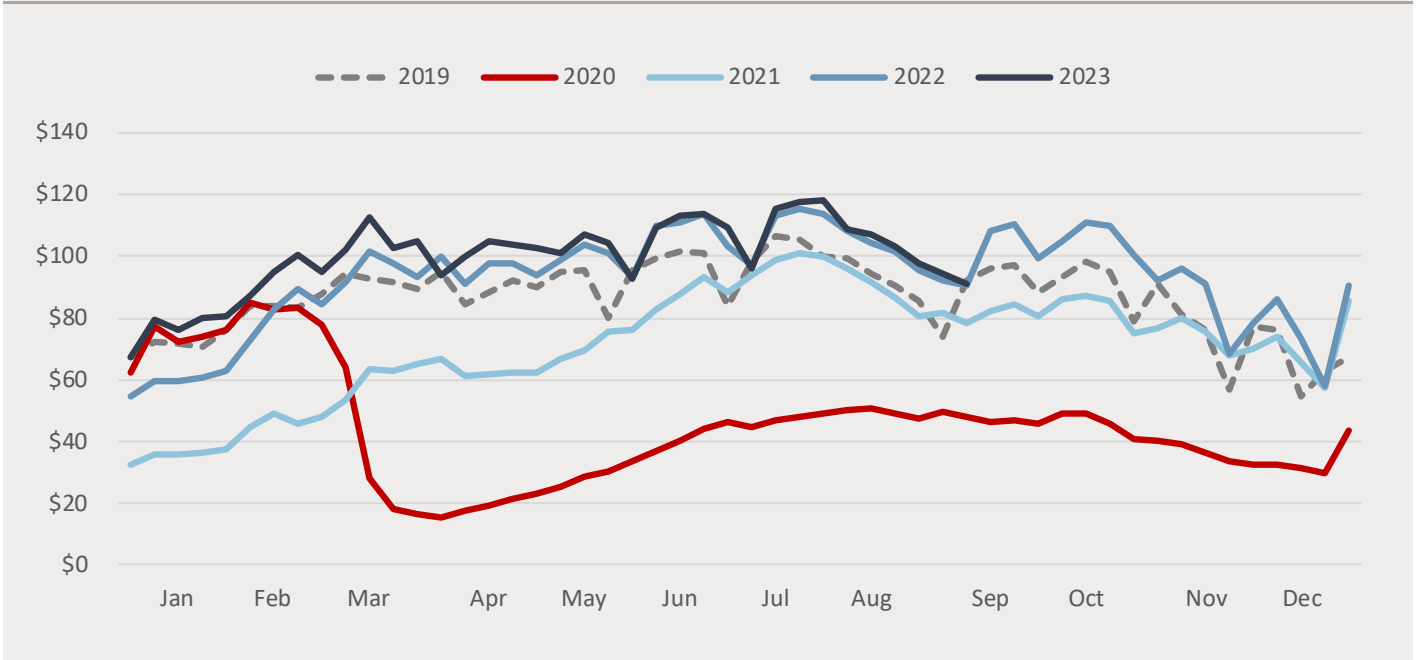
**FIGURE 4-4 NATIONAL OCCUPANCY TRENDS – WEEKLY DATA**



**FIGURE 4-5 NATIONAL ADR TRENDS – WEEKLY DATA**



**FIGURE 4-6 NATIONAL REVPAR TRENDS – WEEKLY DATA**



**Historical Supply and Demand Data**

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

In response to the travel restrictions and the decline in demand associated with the COVID-19 pandemic, numerous hotels in markets across the nation temporarily suspended operations. During these suspensions, hotels were typically closed to the public, with the majority of staff furloughed; however, key management and maintenance staff were retained to preserve the property and prepare for reopening. No hotels in the competitive subject market suspended operations because of the COVID-19 pandemic.

The second chart presents the monthly data for 2019, 2020, 2021, 2022, and 2023, illustrating the fluctuations in occupancy, ADR, and RevPAR; the impact of the pandemic and the timing and pace of the subsequent recovery are reflected in the data.



**FIGURE 4-7 HISTORICAL SUPPLY AND DEMAND TRENDS**

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2010	45	16,554	—	5,454	—	32.9 %	\$85.28	—	\$28.10	—
2011	534	194,910	1,077.4 %	108,554	1,890.4 %	55.7	96.34	13.0 %	53.66	90.9 %
2012	535	195,094	0.1	114,473	5.5	58.7	102.74	6.6	60.28	12.3
2013	536	195,640	0.3	112,517	(1.7)	57.5	107.55	4.7	61.86	2.6
2014	536	195,640	0.0	120,964	7.5	61.8	110.43	2.7	68.28	10.4
2015	532	194,298	(0.7)	114,627	(5.2)	59.0	113.37	2.7	66.88	(2.0)
2016	571	208,285	7.2	120,386	5.0	57.8	111.93	(1.3)	64.69	(3.3)
2017	632	230,797	10.8	130,010	8.0	56.3	115.69	3.4	65.17	0.7
2018	666	243,075	5.3	143,475	10.4	59.0	116.54	0.7	68.79	5.6
2019	687	250,833	3.2	135,384	(5.6)	54.0	118.78	1.9	64.11	(6.8)
2020	846	308,665	23.1	91,098	(32.7)	29.5	110.08	(7.3)	32.49	(49.3)
2021	926	337,809	9.4	155,461	70.7	46.0	132.19	20.1	60.84	87.3
2022	927	338,355	0.2	195,951	26.0	57.9	144.41	9.2	83.63	37.5

**Year-to-Date Through May**

2020	765	115,515	—	33,359	—	28.9 %	\$108.63	—	\$31.37	—
2021	925	139,675	20.9 %	50,845	52.4 %	36.4	121.56	11.9 %	44.25	41.1 %
2022	927	139,977	0.2	73,416	44.4	52.4	138.54	14.0	72.66	64.2
2023	927	139,977	0.0	80,610	9.8	57.6	147.55	6.5	84.97	16.9

Average Annual Compounded Change:

2010 – 2019	35.3 %	42.9 %	3.8 %	9.6 %
2010 – 2022	28.6	34.8	4.5	9.5

Hotels Included in Sample	Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened	Comments
Hotel Blackhawk, Autograph Collection	Upper Upscale Class	Primary	130	Mar 2013	Jun 1915	
DoubleTree by Hilton Davenport	Upscale Class	Secondary	223	Oct 2021	Oct 1995	Previously Radisson
Ascend Collection Riverview Inn & Suites	Upscale Class	Secondary	84	Jul 2018	Jul 1998	Previously Independent
Country Inn & Suites Rock Falls	Upper Midscale Class	Secondary	80	Nov 1999	Nov 1999	
Holiday Inn Express & Suites Rock Falls	Upper Midscale Class	Secondary	68	May 2016	May 2016	
The Current Iowa, Autograph Collection	Upper Upscale Class	Primary	78	Jul 2017	Jul 2017	
Tapestry Collection by Hilton The Axis Hotel Moline	Upper Upscale Class	Secondary	104	Oct 2019	Oct 2019	
Embassy Suites by Hilton Rockford Riverfront	Upper Upscale Class	Primary	160	Jul 2020	Jul 2020	
			<b>Total</b>	<b>927</b>		

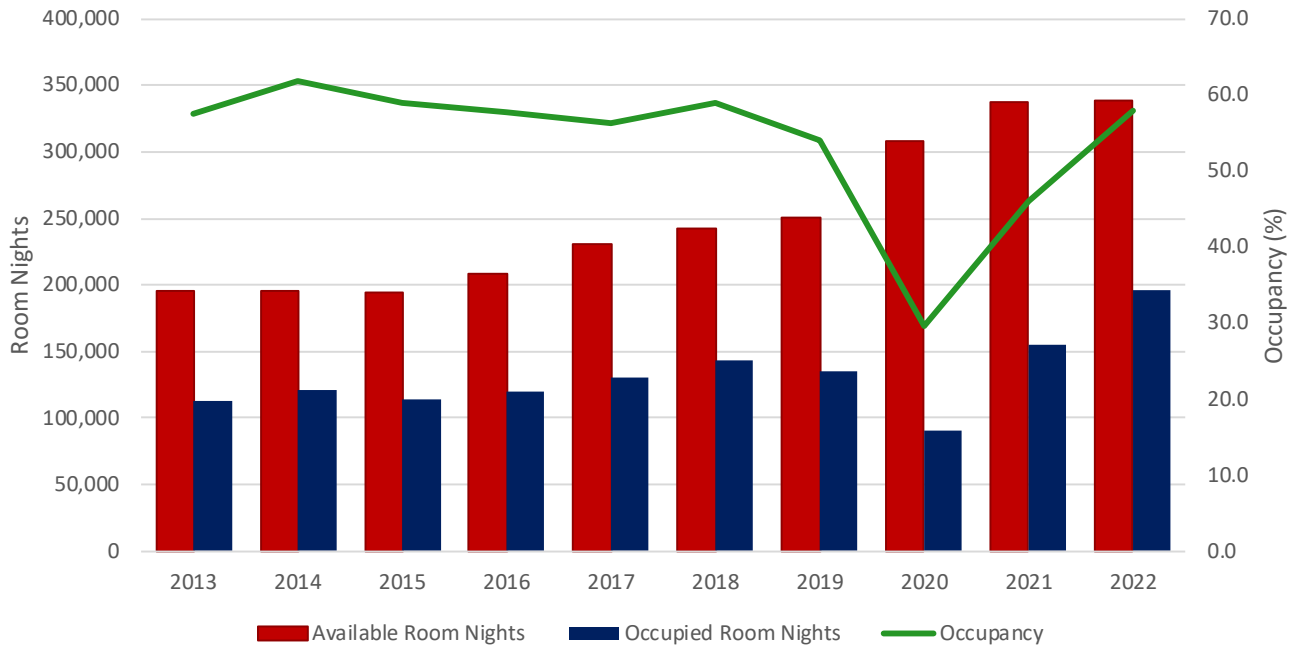
Source: STR

**FIGURE 4-8 HISTORICAL SUPPLY AND DEMAND TRENDS (MONTHLY)**

Month	2018		2019		2020		2021		2022		2023	
	Occupancy	ADR	Occupancy	ADR	Occupancy	ADR	Occupancy	ADR	Occupancy	ADR	Occupancy	ADR
January	40.1 %	\$112.26	43.7 %	\$111.99	38.2 %	\$116.48	25.7 %	\$114.02	38.3 %	\$127.79	48.5 %	\$140.09
February	47.7	113.43	49.1	114.31	47.4	119.65	28.3	116.70	46.2	134.96	53.4	142.93
March	55.4	113.07	55.9	116.72	24.4	114.48	37.6	119.01	59.3	138.03	60.8	148.36
April	57.4	112.86	56.6	117.69	13.9	80.25	40.4	123.89	59.6	140.89	59.3	147.78
May	61.8	117.72	57.9	119.84	21.8	84.17	49.4	128.11	58.5	146.32	65.5	155.53
June	67.7	116.93	69.2	118.96	27.8	89.82	57.3	132.66	71.6	150.83	—	—
July	69.8	125.03	64.3	124.65	27.7	114.88	63.1	147.46	68.6	157.19	—	—
August	69.7	117.49	65.6	122.94	37.3	117.89	54.2	136.04	66.0	148.51	—	—
September	67.9	121.19	55.1	124.23	35.6	114.62	54.3	138.25	64.8	150.48	—	—
October	66.2	121.57	50.9	121.83	33.3	115.05	52.2	139.45	65.4	146.46	—	—
November	54.7	111.96	45.0	115.33	25.6	108.40	46.2	133.22	52.4	139.09	—	—
December	49.5	107.61	38.4	110.93	21.4	106.03	42.2	130.83	43.6	136.62	—	—
<b>Annual Averages</b>	<b>59.0 %</b>	<b>\$116.54</b>	<b>54.0 %</b>	<b>\$118.78</b>	<b>29.5 %</b>	<b>\$110.08</b>	<b>46.0 %</b>	<b>\$132.19</b>	<b>57.9 %</b>	<b>\$144.41</b>	—	—
<b>Year-to-Date</b>	<b>52.5 %</b>	<b>\$114.08</b>	<b>52.7 %</b>	<b>\$116.41</b>	<b>28.9 %</b>	<b>\$108.63</b>	<b>36.4 %</b>	<b>\$121.56</b>	<b>52.4 %</b>	<b>\$138.54</b>	<b>57.6 %</b>	<b>\$147.55</b>
Change from Prior Year	2018		2019		2020		2021		2022		2023	
	Occupancy	ADR	Occupancy	ADR	Occupancy	ADR	Occupancy	ADR	Occupancy	ADR	Occupancy	ADR
January	(1.8) pts	6.7 %	3.5 pts	(0.2) %	(5.5) pts	4.0 %	(12.5) pts	(2.1) %	12.6 pts	12.1 %	10.2 pts	9.6 %
February	(4.0)	7.6	1.4	0.8	(1.7)	4.7	(19.1)	(2.5)	18.0	15.6	7.2	5.9
March	(3.4)	6.6	0.5	3.2	(31.5)	(1.9)	13.2	4.0	21.7	16.0	1.6	7.5
April	(4.8)	0.4	(0.8)	4.3	(42.7)	(31.8)	26.5	54.4	19.2	13.7	(0.3)	4.9
May	5.4	(0.3)	(3.9)	1.8	(36.1)	(29.8)	27.6	52.2	9.1	14.2	7.0	6.3
June	0.6	(3.3)	1.5	1.7	(41.4)	(24.5)	29.5	47.7	14.3	13.7	—	—
July	7.4	3.4	(5.5)	(0.3)	(36.6)	(7.8)	35.4	28.4	5.5	6.6	—	—
August	8.8	(1.8)	(4.1)	4.6	(28.3)	(4.1)	16.9	15.4	11.8	9.2	—	—
September	10.8	(2.1)	(12.7)	2.5	(19.5)	(7.7)	18.7	20.6	10.4	8.8	—	—
October	(1.3)	2.4	(15.3)	0.2	(17.6)	(5.6)	18.9	21.2	13.2	5.0	—	—
November	4.2	(2.8)	(9.7)	3.0	(19.4)	(6.0)	20.6	22.9	6.2	4.4	—	—
December	10.1	(4.0)	(11.0)	3.1	(17.0)	(4.4)	20.7	23.4	1.5	4.4	—	—
<b>Annual Change</b>	<b>2.7 pts</b>	<b>0.7 %</b>	<b>(5.1) pts</b>	<b>1.9</b>	<b>(24.5) pts</b>	<b>(7.3)</b>	<b>16.5 pts</b>	<b>20.1</b>	<b>11.9 pts</b>	<b>9.2</b>	—	—
<b>Year-to-Date</b>	<b>(1.6)</b>	<b>3.9 %</b>	<b>0.1</b>	<b>2.0</b>	<b>(23.8)</b>	<b>(6.7)</b>	<b>7.5</b>	<b>11.9</b>	<b>16.0</b>	<b>14.0</b>	<b>5.1 pts</b>	<b>6.5 %</b>

Source: STR

**FIGURE 4-9 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)**



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

The STR data for the competitive set reflect a market-wide occupancy level of 2022 in 57.9%, which compares to 46.0% for 2021. The STR data for the competitive set reflect a market-wide ADR level of \$144.41 in 2022, which compares to \$132.19 for 2021. These occupancy and ADR trends resulted in a RevPAR level of \$83.63 in 2022.

During the illustrated historical period, both occupancy and ADR generally followed a strengthening trend through 2019, with a few fluctuations due to new supply. This improvement in market conditions was driven largely by the growing economy of Whiteside County, inclusive of tourism, manufacturing, and healthcare. In 2020, the COVID-19 pandemic affected the local market, similar to the rest of the nation,

resulting in decreased business activity, inclusive of the hospitality, tourism, and manufacturing industries. General improvement has been registered since the low point that year, with both occupancy and ADR increasing in 2021 along with strengthening economic conditions and higher demand levels, particularly related to the strong leisure and commercial demand generators. Year-end 2022 and year-to-date 2023 data illustrate a continuation of this trend supported by rebounding group demand. The overall outlook is positive given the dynamics of this market, the return to office operations, and the increase in group demand.

The following table illustrates the monthly occupancy, ADR, and RevPAR for the competitive set measured as a percentage of 2019 levels.

**FIGURE 4-10 OCCUPANCY, ADR, AND REVPAR AS A PERCENTAGE OF 2019 LEVELS**

	2020			2021			2022			2023		
	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR	Occupancy	ADR	RevPAR
January	87.5 %	104.01 %	90.986 %	58.9 %	101.82 %	59.961 %	87.6 %	114.12 %	100.02 %	111.0 %	125.1 %	138.9 %
February	96.5	104.67	101.05	57.6	102.09	58.842	94.2	118.07	111.27	108.9	125.0	136.1
March	43.7	98.081	42.88	67.2	101.96	68.562	106.0	118.25	125.34	108.8	127.1	138.3
April	24.6	68.188	16.75	71.3	105.27	75.082	105.3	119.71	126.06	104.8	125.6	131.6
May	37.6	70.235	26.403	85.3	106.9	91.14	101.0	122.1	123.27	113.1	129.8	146.8
June	40.2	75.503	30.362	82.9	111.51	92.391	103.5	126.79	131.23	—	—	—
July	43.1	92.165	39.744	98.1	118.3	116.04	106.6	126.1	134.48	—	—	—
August	56.9	95.895	54.567	82.7	110.66	91.512	100.7	120.8	121.59	—	—	—
September	64.6	92.262	59.628	98.6	111.28	109.7	117.5	121.13	142.28	—	—	—
October	65.4	94.433	61.76	102.6	114.47	117.4	128.5	120.21	154.46	—	—	—
November	56.8	93.996	53.435	102.6	115.51	118.46	116.3	120.6	140.27	—	—	—
December	55.8	95.585	53.384	109.8	117.93	129.47	113.6	123.15	139.93	—	—	—
Annual Averages	<b>54.7 %</b>	<b>92.669 %</b>	50.673 %	<b>85.3 %</b>	<b>111.29 %</b>	94.89 %	<b>107.3 %</b>	<b>121.57 %</b>	130.44 %	—	—	—
Year-to-Date	<b>54.8</b>	<b>93.317</b>	51.153	<b>69.1</b>	<b>104.43</b>	72.158	<b>99.6</b>	<b>119.01</b>	118.48	109.3 %	126.8 %	138.6 %

Source: STR

### Seasonality

The market's seasonal trends are presented in the following table.

**FIGURE 4-11 SEASONALITY**

	2016	2017	2018	2019	2020	2021	2022
<b>High Season - June, July, August, September, October</b>							
Occupancy	63.3 %	62.9 %	68.3 %	60.7 %	32.5 %	56.3 %	67.3 %
Average Rate	\$115.15	\$120.72	\$120.46	\$122.45	\$111.99	\$139.02	\$150.75
RevPAR	72.85	76.00	82.25	74.35	36.44	78.22	101.44
<b>Shoulder Season - February, March, April, May, November</b>							
Occupancy	57.3 %	55.8 %	55.5 %	52.8 %	26.3 %	40.6 %	55.4 %
Average Rate	\$110.24	\$111.61	\$113.94	\$116.94	\$106.31	\$125.21	\$140.18
RevPAR	63.13	62.31	63.28	61.70	27.92	50.79	77.60
<b>Low Season - January, December</b>							
Occupancy	44.7 %	40.5 %	44.8 %	40.8 %	29.0 %	33.9 %	41.0 %
Average Rate	\$105.15	\$108.75	\$109.71	\$111.45	\$112.26	\$124.47	\$132.49
RevPAR	47.05	44.10	49.10	45.53	32.59	42.26	54.27

Source: STR

The illustrated occupancy and ADR patterns reflect important seasonal characteristics. We have reviewed these trends in developing our forthcoming forecast of market-wide demand and average rate. The competitive market has historically been characterized by a moderate degree of seasonality, which is evident in the monthly occupancy statistics. The strongest occupancy levels are often recorded in the summer months when demand from leisure travelers typically supplements the commercial segment that is the principal source of demand in this submarket. ADR levels have historically reflected a similar pattern.

**Patterns of Demand**

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

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

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jun - 22	46.6 %	67.5 %	79.9 %	76.1 %	61.7 %	82.7 %	88.2 %	71.6 %
Jul - 22	46.3	58.9	70.9	72.0	67.9	78.5	84.9	68.6
Aug - 22	41.0	64.1	72.1	70.1	66.5	69.5	76.7	66.0
Sep - 22	40.9	53.1	68.6	69.7	62.3	74.3	82.8	64.8
Oct - 22	37.3	59.6	71.9	71.4	60.6	74.5	86.2	65.4
Nov - 22	23.9	48.8	59.4	59.3	48.5	57.7	65.6	52.4
Dec - 22	27.3	44.4	48.5	43.7	39.8	44.3	55.2	43.6
Jan - 23	24.7	44.6	58.0	57.8	46.5	49.8	62.5	48.5
Feb - 23	28.9	51.7	61.6	58.5	51.5	60.0	61.7	53.4
Mar - 23	33.9	66.3	77.7	68.7	50.7	60.6	68.6	60.8
Apr - 23	34.7	56.8	74.3	65.6	56.4	65.8	66.3	59.3
May - 23	45.7	59.9	70.1	69.9	57.8	72.0	82.4	65.5
<b>Average</b>	<b>35.9 %</b>	<b>56.3 %</b>	<b>67.5 %</b>	<b>65.6 %</b>	<b>55.7 %</b>	<b>65.7 %</b>	<b>73.4 %</b>	<b>60.0 %</b>

Source: STR

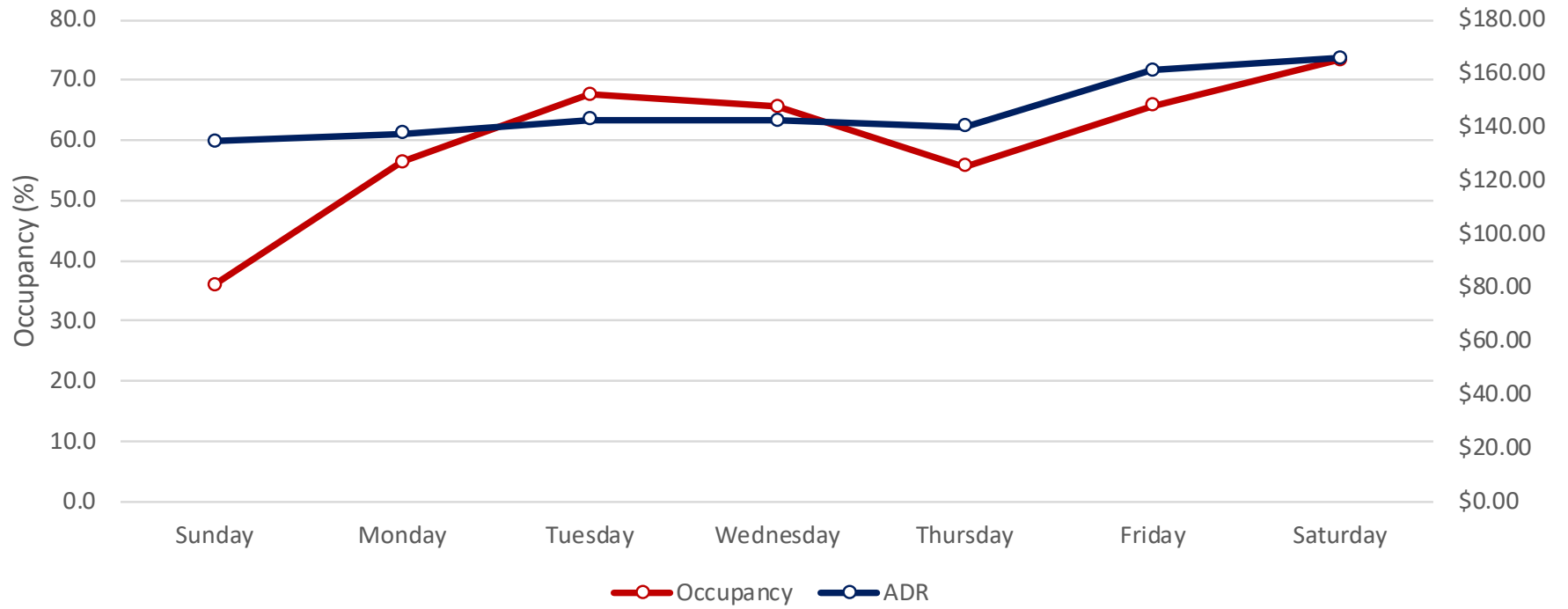
**FIGURE 4-13 ADR BY DAY OF WEEK (TRAILING 12 MONTHS)**

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Jun - 22	\$135.70	\$143.52	\$149.03	\$146.45	\$142.25	\$162.75	\$167.10	\$150.83
Jul - 22	140.86	147.09	145.32	145.98	144.65	175.09	178.70	157.19
Aug - 22	133.66	138.60	141.79	147.70	139.58	165.91	167.58	148.51
Sep - 22	133.50	136.81	142.71	144.31	143.35	164.21	170.59	150.48
Oct - 22	131.60	134.54	137.57	139.19	138.70	158.50	167.92	146.46
Nov - 22	129.80	127.34	135.86	138.47	130.93	147.61	154.07	139.09
Dec - 22	125.85	130.09	134.02	136.15	133.87	137.43	148.53	136.62
Jan - 23	132.48	132.67	137.10	134.43	137.29	148.97	154.16	140.09
Feb - 23	134.26	132.57	139.73	135.20	134.50	160.47	156.22	142.93
Mar - 23	131.29	139.19	149.95	142.60	140.66	158.88	166.60	148.36
Apr - 23	127.82	139.57	146.79	145.37	138.10	160.97	162.74	147.78
May - 23	149.90	140.58	145.88	144.35	150.32	176.09	180.07	155.53
<b>Average</b>	<b>\$134.72</b>	<b>\$137.38</b>	<b>\$142.55</b>	<b>\$142.34</b>	<b>\$140.03</b>	<b>\$161.23</b>	<b>\$165.74</b>	<b>\$147.78</b>

Source: STR



**FIGURE 4-14 OCCUPANCY AND ADR BY DAY OF WEEK (TRAILING 12 MONTHS)**



**FIGURE 4-15 OCCUPANCY, ADR, AND REVPAR BY DAY OF WEEK (MULTIPLE YEARS)**

<b>Occupancy (%)</b>	<b>Sunday</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>	<b>Saturday</b>	<b>Total Year</b>
Jun 20 - May 21	21.8 %	28.3 %	31.0 %	30.8 %	29.5 %	39.2 %	47.9 %	32.6 %
Jun 21 - May 22	32.2	45.7	54.3	54.1	50.4	62.4	69.4	52.7
Jun 22 - May 23	35.9	56.3	67.5	65.6	55.7	65.7	73.4	60.0
<b>Change (Occupancy Points)</b>								
FY 20 - FY 21	10.4	17.5	23.2	23.2	20.9	23.3	21.5	20.0
FY 21 - FY 22	3.7	10.6	13.3	11.5	5.2	3.3	4.0	7.4
<b>ADR (\$)</b>	<b>Sunday</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>	<b>Saturday</b>	<b>Total Year</b>
Jun 20 - May 21	\$109.06	\$110.23	\$110.79	\$110.55	\$111.30	\$122.52	\$126.56	\$115.90
Jun 21 - May 22	125.84	127.51	130.44	130.44	130.09	150.91	155.77	137.85
Jun 22 - May 23	134.72	137.38	142.55	142.34	140.03	161.23	165.74	147.78
<b>Change (Dollars)</b>								
FY 20 - FY 21	\$16.78	\$17.28	\$19.66	\$19.89	\$18.79	\$28.39	\$29.21	\$21.95
FY 21 - FY 22	8.88	9.87	12.11	11.90	9.94	10.32	9.97	9.93
<b>Change (Percent)</b>								
FY 20 - FY 21	15.4 %	15.7 %	17.7 %	18.0 %	16.9 %	23.2 %	23.1 %	18.9 %
FY 21 - FY 22	7.1	7.7	9.3	9.1	7.6	6.8	6.4	7.2
<b>RevPAR (\$)</b>	<b>Sunday</b>	<b>Monday</b>	<b>Tuesday</b>	<b>Wednesday</b>	<b>Thursday</b>	<b>Friday</b>	<b>Saturday</b>	<b>Total Year</b>
Jun 20 - May 21	\$23.74	\$31.14	\$34.37	\$34.08	\$32.84	\$47.99	\$60.63	\$37.81
Jun 21 - May 22	40.53	58.30	70.77	70.52	65.61	94.22	108.16	72.58
Jun 22 - May 23	48.41	77.41	96.26	93.34	77.97	105.93	121.65	88.72
<b>Change (Dollars)</b>								
FY 20 - FY 21	\$16.80	\$27.16	\$36.41	\$36.44	\$32.77	\$46.23	\$47.53	\$34.77
FY 21 - FY 22	7.88	19.11	25.49	22.82	12.36	11.71	13.48	16.14
<b>Change (Percent)</b>								
FY 20 - FY 21	70.8 %	87.2 %	105.9 %	106.9 %	99.8 %	96.3 %	78.4 %	92.0 %
FY 21 - FY 22	19.4	32.8	36.0	32.4	18.8	12.4	12.5	22.2

Source: STR

In most markets, business travel, including individual commercial travelers and corporate groups, is the predominant source of demand on Monday through Thursday nights. Leisure travelers and non-business-related groups generate a majority of demand on Friday and Saturday nights. Occupancy levels are typically weak on Sunday nights when all segments of demand are at their lowest. As business

travel and group bookings intensify, Tuesday and Wednesday reflect peak nights of occupancy. Leisure travel strengthens on Friday and Saturday nights, with local events and festivals as well as weddings in the area.

## SUPPLY

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

## Primary Competition

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

**FIGURE 4-16 PRIMARY COMPETITORS – OPERATING PERFORMANCE**

Property	Est. Segmentation			Estimated 2021			Estimated 2022							
	Number of Rooms	Commercial	Leisure	Group	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Embassy Suites by Hilton Rockford Riverfront	160	45 %	20 %	35 %	160	50 - 55 %	\$150 - \$160	\$80 - \$85	160	70 - 75 %	\$160 - \$170	\$115 - \$120	120 - 130 %	130 - 140 %
Hotel Blackhawk an Autograph Collection Hotel	130	50	20	30	130	50 - 55	150 - 160	80 - 85	130	55 - 60	160 - 170	95 - 100	100 - 110	110 - 120
Current Iowa Autograph Collection	78	55	25	20	78	55 - 60	150 - 160	90 - 95	78	60 - 65	160 - 170	100 - 105	110 - 120	120 - 130
<b>Sub-Totals/Averages</b>	<b>368</b>	<b>49 %</b>	<b>21 %</b>	<b>30 %</b>	<b>368</b>	<b>55.4 %</b>	<b>\$151.81</b>	<b>\$84.18</b>	<b>368</b>	<b>65.8 %</b>	<b>\$164.72</b>	<b>\$108</b>	<b>112 %</b>	<b>125.3 %</b>
Secondary Competitors	559	56 %	28 %	16 %	419	39.7 %	\$114.20	\$45.34	419	52.7 %	\$127.74	\$67	90 %	77.8 %
<b>Totals/Averages</b>	<b>927</b>	<b>52 %</b>	<b>24 %</b>	<b>23 %</b>	<b>787</b>	<b>47.1 %</b>	<b>\$134.91</b>	<b>\$63.50</b>	<b>787</b>	<b>58.9 %</b>	<b>\$147.08</b>	<b>\$87</b>	<b>100 %</b>	<b>100.0 %</b>

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

**FIGURE 4-17 PRIMARY COMPETITORS – FACILITY PROFILES**

Property	Number of Rooms	Year Opened	Last Major Renovation(s)	Miles To Subject Property	Food and Beverage Outlets	Indoor Meeting Space (SF)	Meeting Space per Room	Facilities & Amenities
Embassy Suites by Hilton Rockford Riverfront 416 South Main Street	160	2020	-	45.2	The Top; Tower Tap and Grill	15,700	98.1	Guest Laundry Area; Full-Service Spa; Indoor Swimming Pool; Fitness Center; Market Pantry
Hotel Blackhawk an Autograph Collection Hotel 200 East 3rd Street	130	1915	2010	48.9	Bix Bistro & Lounge	8,900	68.5	Business Center; Retail Outlet/Boutique; Full-Service Spa; Indoor Swimming Pool; Fitness Center; Indoor Whirlpool; Bowling Alley; Hair Salon
Current Iowa Autograph Collection 215 North Main Street	78	2017	-	49.0	Viva Baja Mexican Bar & Restaurant; UP Skybar	4,500	57.7	Business Center; Airport/Local Shuttle; Indoor Swimming Pool; Fitness Center; Indoor Whirlpool; Outdoor Patio & Fire Pit; Laundry/Valet Service

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

**MAP OF COMPETITION**



- |   |   |   |  |
|---|---|---|--|
|  | Proposed Hotel and Event Center                         |  | Holiday Inn Express & Suites Rock Falls (Secondary)          |
|  | Embassy Suites by Hilton Rockford Riverfront (Primary)  |  | Country Inn & Suites By Radisson Rock Falls (Secondary)      |
|  | Hotel Blackhawk an Autograph Collection Hotel (Primary) |  | Axis Moline Hotel, Tapestry Collection by Hilton (Secondary) |
|  | Current Iowa Autograph Collection (Primary)             |  | DoubleTree by Hilton Davenport (Secondary)                   |
|  | Ascend Collection Riverview Inn & Suites (Secondary)    |   |  |

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

**PRIMARY COMPETITOR #1 - EMBASSY SUITES BY HILTON ROCKFORD RIVERFRONT**



**Embassy Suites by  
Hilton Rockford  
Riverfront  
416 South Main Street  
Rockford, IL**

**FIGURE 4-18 ESTIMATED HISTORICAL OPERATING STATISTICS**

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2020	81	20 - 25 %	\$130 - \$140	\$25 - \$30	65 - 70 %	80 - 85 %
Est. 2021	160	50 - 55	150 - 160	80 - 85	110 - 120	120 - 130
Est. 2022	160	70 - 75	160 - 170	115 - 120	120 - 130	130 - 140

This hotel is located in the heart of Rockford along the Rock River. The hotel benefits from its large event center and multiple food and beverage outlets. Overall, the property appeared to be in very good condition. Its location is superior to that of the Proposed Hotel Lawrence and Event Center.



**PRIMARY COMPETITOR #2 - HOTEL BLACKHAWK AN AUTOGRAPH COLLECTION HOTEL**



**Hotel Blackhawk an  
Autograph Collection  
Hotel  
200 East 3rd Street  
Davenport, IA**

**FIGURE 4-19 ESTIMATED HISTORICAL OPERATING STATISTICS**

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2018	130	70 - 75 %	\$140 - \$150	\$100 - \$105	110 - 120 %	140 - 150 %
Est. 2019	130	65 - 70	140 - 150	95 - 100	110 - 120	140 - 150
Est. 2020	130	30 - 35	140 - 150	40 - 45	100 - 110	130 - 140
Est. 2021	130	50 - 55	150 - 160	80 - 85	110 - 120	130 - 140
Est. 2022	130	55 - 60	160 - 170	95 - 100	100 - 110	110 - 120

This hotel is known for its unique history dating back to 1915; however, its last renovation took place in 2010. Overall, the property appeared to be in good condition. Its location is superior to that of the Proposed Hotel Lawrence and Event Center.

**PRIMARY COMPETITOR #3 - CURRENT IOWA AUTOGRAPH COLLECTION**



**Current Iowa  
Autograph Collection  
215 North Main Street  
Davenport, IA**

**FIGURE 4-20 ESTIMATED HISTORICAL OPERATING STATISTICS**

Year	Wtd. Annual			RevPAR	Occupancy	Yield
	Room Count	Occupancy	Average Rate		Penetration	Penetration
Est. 2018	78	65 - 70 %	\$140 - \$150	\$100 - \$105	110 - 120 %	130 - 140 %
Est. 2019	78	70 - 75	140 - 150	100 - 105	130 - 140	150 - 160
Est. 2020	78	30 - 35	140 - 150	45 - 50	100 - 110	130 - 140
Est. 2021	78	55 - 60	150 - 160	90 - 95	120 - 130	140 - 150
Est. 2022	78	60 - 65	160 - 170	100 - 105	110 - 120	120 - 130

This hotel is known for having the Quad Cities' first rooftop bar/restaurant and lounge with views of the Mississippi River. Overall, the property appeared to be in very good condition. Its location is superior to that of the Proposed Hotel Lawrence and Event Center.

**Secondary  
Competitors**

We have also reviewed other area lodging facilities to determine whether any may compete with the proposed subject hotel on a secondary basis. The room count of each anticipated secondary competitor has been weighted based on its assumed degree of competitiveness in the future with the proposed subject hotel. By assigning degrees of competitiveness, we can assess how the proposed subject hotel and its future competitors may react to various changes in the market, including new supply, changes to demand generators, and renovations or franchise changes of existing supply. The following table sets forth the pertinent operating characteristics of the secondary competitors.

**FIGURE 4-21 SECONDARY COMPETITORS – OPERATING PERFORMANCE**

Property	Est. Segmentation					Estimated 2021				Estimated 2022			
	Number of Rooms	Commercial	Leisure	Group	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Ascend Collection Riverview Inn & Suites	84	55 %	35 %	10 %	75 %	63	35 - 40 %	\$105 - \$110	\$40 - \$45	63	45 - 50 %	\$110 - \$115	\$55 - \$60
Holiday Inn Express & Suites Rock Falls	68	65	25	10	75	51	75 - 80	130 - 140	105 - 110	51	75 - 80	150 - 160	115 - 120
Country Inn & Suites By Radisson Rock Falls	80	60	30	10	75	60	50 - 55	100 - 105	55 - 60	60	60 - 65	105 - 110	70 - 75
Axis Moline Hotel, Tapestry Collection by Hilton	104	55	35	10	75	78	40 - 45	125 - 130	50 - 55	78	60 - 65	130 - 140	85 - 90
DoubleTree by Hilton Davenport	223	50	20	30	75	167	20 - 25	95 - 100	20 - 25	167	35 - 40	120 - 125	45 - 50
<b>Totals/Averages</b>	<b>559</b>	<b>56 %</b>	<b>28 %</b>	<b>16 %</b>	<b>75 %</b>	<b>419</b>	<b>39.7 %</b>	<b>\$114.20</b>	<b>\$45.34</b>	<b>419</b>	<b>52.7 %</b>	<b>\$127.74</b>	<b>\$67.34</b>

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

We have identified five hotels that are expected to compete with the proposed subject hotel on a secondary level. The Holiday Inn Express and Country Inn & Suites are anticipated to be competitive based on location; however, these limited-service hotels are anticipated to operate at a lower price point. The Ascend Collection, Axis Moline Hotel, and DoubleTree by Hilton are anticipated to be competitive based on product type and meeting space offering; however, as these properties are located over 50 miles from the subject hotel, we have weighted them as secondary competitors.

### Supply Changes

It is important to consider any new hotels that may have an impact on the proposed subject hotel’s operating performance. No hotels are under construction, or are in the stages of early development in the Sterling market besides the subject property.

**FIGURE 4-22 NEW SUPPLY**

Proposed Property	Number of	Total Competitive Level	Weighted Room Count	Estimated Opening Date	Development Stage
Proposed Hotel Lawrence and Event Center	75	100 %	75	June 1, 2026	Early Development
<b>Totals/Averages</b>	<b>75</b>		<b>75</b>		

In response to the travel restrictions and the decline in demand associated with the COVID-19 pandemic, numerous hotels in markets across the nation temporarily suspended operations. During these suspensions, hotels were typically closed to the public, with the majority of staff furloughed; however, key management and maintenance staff were retained to preserve the property and prepare for reopening. No hotels in the competitive subject market suspended operations because of the COVID-19 pandemic.

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

### Supply Conclusion

We have identified various properties that are expected to be competitive to some degree with the proposed subject hotel. We have also investigated potential increases in competitive supply in this Sterling submarket. The Proposed Hotel Lawrence and Event Center should enter a dynamic market of varying product types

and price points. Next, we will present our forecast for demand change, using the historical supply data presented as a starting point.

**DEMAND**

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

**FIGURE 4-23 HISTORICAL MARKET TRENDS**

Year	Accommodated Room Nights	% Change	Room Nights Available	% Change	Occupancy	Market ADR	% Change	Market RevPAR	% Change
Est. 2018	121,033	—	201,298	—	60.1 %	\$119.66	—	\$71.95	—
Est. 2019	114,612	(5.3) %	207,105	2.9 %	55.3	122.05	2.0 %	67.54	(6.1) %
Est. 2020	77,619	(32.3)	257,839	24.5	30.1	113.38	(7.1)	34.13	(49.5)
Est. 2021	135,236	74.2	287,346	11.4	47.1	134.91	19.0	63.50	86.0
Est. 2022	169,116	25.1	287,346	0.0	58.9	147.08	9.0	86.56	36.3
Avg. Annual Compounded Chg., Est. 2018-Est. 2022:		8.7 %		9.3 %			5.3 %		4.7 %

**Demand Analysis Using Market Segmentation**

For the purpose of demand analysis, the overall market is divided into individual segments based on the nature of travel. Based on our fieldwork, area analysis, and knowledge of the local lodging market, we estimate the 2019 distribution of accommodated-room-night demand as follows.

**FIGURE 4-24 BASE-YEAR ACCOMMODATED-ROOM-NIGHT DEMAND**

Market Segment	2019 Marketwide		2022 Marketwide	
	Accommodated Demand	Percentage of Total	Accommodated Demand	Percentage of Total
Commercial	63,036	55 %	88,497	52 %
Leisure	22,922	20	41,280	24
Group	28,653	25	39,340	23
<b>Total</b>	<b>114,612</b>	<b>100 %</b>	<b>169,116</b>	<b>100 %</b>

In the base year, the market’s demand mix comprised commercial demand, with this segment representing roughly 52% of the accommodated room nights in this



Sterling submarket. The leisure segment comprised 24% of the total, with the final portion group in nature, reflecting 23%.

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

### Commercial Segment

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

Primary commercial demand generators for this market typically include major corporate offices in the area, such as CGH Medical Center, Wahl Clipper Corporation, and HALO Branded Solutions. Commercially driven demand declined notably in 2020 and early 2021 given the COVID-19 pandemic; however, as employees began to return to offices, and as business travel resumed, demand surpassed pre-pandemic levels in 2022. Year-to-date 2023 commercial demand has remained strong with the return of employees to offices.

### Leisure Segment

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



Leisure demand for this rural market is typically generated by local events and festivals, in addition to motorists visiting friends and family in the area. Leisure demand declined significantly in 2020 and early 2021 because of the COVID-19 pandemic; however, demand within this segment rebounded quickly and has surpassed pre-pandemic levels. Leisure demand is anticipated to moderate downward as the other segments continue to recover.

### Group Segment

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

Training groups from nearby companies, such as Wahl Clipper Corporation and HALO Branded Solutions, have historically generated group demand for local hotels; furthermore, social groups have represented primary sources of demand during weekend and holiday periods. However, this type of demand was almost non-existent in 2020 and early 2021 due to the COVID-19 pandemic. Groups slowly returned to the market in late 2021, with more groups returning in 2022, surpassing pre-pandemic levels. Wahl Clipper and HALO Branded Solutions have expanded their presence through the year-to-date 2023 period, as more training groups are traveling to the Sterling area.

### Base Demand Growth Rates

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

**FIGURE 4-25 AVERAGE ANNUAL COMPOUNDED MARKET-SEGMENT GROWTH RATES**

Market Segment	Annual Growth Rate					
	2023	2024	2025	2026	2027	2028
Commercial	10.0 %	2.0 %	1.5 %	3.0 %	2.0 %	1.0 %
Leisure	-8.0	-2.0	0.0	2.0	1.5	0.0
Group	5.0	1.0	0.5	10.0	3.5	2.0
<b>Base Demand Growth</b>	<b>4.4 %</b>	<b>0.9 %</b>	<b>1.0 %</b>	<b>4.4 %</b>	<b>2.3 %</b>	<b>1.0 %</b>

**Induced Demand**

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

**FIGURE 4-26 INDUCED DEMAND**

Market Segment	Induced Room Nights					
	2023	2024	2025	2026	2027	2028
Commercial	0	0	0	0	0	0
Leisure	0	0	0	0	0	0
Group	0	0	0	805	2,070	2,760
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>805</b>	<b>2,070</b>	<b>2,760</b>

**Accommodated Demand and Market-wide Occupancy**

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

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

**FIGURE 4-27 FORECAST OF MARKET OCCUPANCY**

	2019	2022	2023	2024	2025	2026	2027	2028
<b>Commercial</b>								
Total Demand	63,036	88,497	97,347	99,294	100,783	103,807	105,883	106,942
Growth Rate		40.4 %	10.0 %	2.0 %	1.5 %	3.0 %	2.0 %	1.0 %
<b>Leisure</b>								
Total Demand	22,922	41,280	37,977	37,218	37,218	37,962	38,532	38,532
Growth Rate		80.1 %	(8.0) %	(2.0) %	0.0 %	2.0 %	1.5 %	0.0 %
<b>Group</b>								
Base Demand	28,653	39,340	41,307	41,720	41,928	46,121	47,735	48,690
Induced Demand			0	0	0	805	2,070	2,760
Total Demand	28,653	39,340	41,307	41,720	41,928	46,926	49,805	51,450
Growth Rate		37.3 %	5.0 %	1.0 %	0.5 %	11.9 %	6.1 %	3.3 %
<b>Totals</b>								
Total Demand	114,612	169,116	176,631	178,231	179,929	188,695	194,220	196,923
<b>Overall Demand Growth</b>	—	25.1 %	4.4 %	0.9 %	1.0 %	4.9 %	2.9 %	1.4 %
<b>Market Mix</b>								
Commercial	55.0 %	52.3 %	55.1 %	55.7 %	56.0 %	55.0 %	54.5 %	54.3 %
Leisure	20.0	24.4	21.5	20.9	20.7	20.1	19.8	19.6
Group	25.0	23.3	23.4	23.4	23.3	24.9	25.6	26.1
<b>Existing Hotel Supply</b>	567	787	787	787	787	787	787	787
<b>Proposed Hotels</b>								
Proposed Hotel Lawrence and Event Center <sup>1</sup>						44	75	75
Available Room Nights per Year	207,105	287,346	287,346	287,346	287,346	303,396	314,721	314,721
Nights per Year	365	365	365	365	365	365	365	365
<b>Total Supply</b>	567	787	787	787	787	831	862	862
Rooms Supply Growth			0.0 %	0.0 %	0.0 %	5.6 %	3.7 %	0.0 %
<b>Marketwide Occupancy</b>	<b>55.3 %</b>	<b>58.9 %</b>	<b>61.5 %</b>	<b>62.0 %</b>	<b>62.6 %</b>	<b>62.2 %</b>	<b>61.7 %</b>	<b>62.6 %</b>

<sup>1</sup> Opening in June 2026 of the 100% competitive, 75-room Proposed Hotel Lawrence and Event Center

The defined competitive market of hotels experienced a sharp occupancy decline in 2020 and early 2021 because of the severe downturn in travel associated with the COVID-19 pandemic. Year-end 2022 and year-to-date 2023 trends reflect that a recovery is underway and is expected to continue given the ongoing return of many employees to offices, the stronger levels of both commercial and leisure travel, and an increase in group gatherings. Based on historical occupancy levels in this market, and taking into consideration typical supply and demand cyclicity, market occupancy is forecast to stabilize in the low 60s.

## 5. Description of the Proposed Improvements

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

### Project Overview

The proposed subject hotel will be the first hotel in Sterling. The hotel is expected to be part of a larger mixed-use development known as Riverfront Reimagined. Phase I is expected to include the redevelopment of the Lawrence Brothers structure to feature workforce apartments and a hotel and event center with a bar and restaurant. Phase II would include the redevelopment of the National building into market-rate apartments with a fitness center. The Proposed Hotel Lawrence and Event Center will be a full-service lodging facility containing 75 rentable units. The 5-story property is proposed to open on June 1, 2026.

In the United States, the majority of hotels are franchised with national brand affiliations. The benefits of a franchise affiliation include name recognition; access to a reservation system; technology, marketing, and purchasing support; and membership in a rewards network, among other things. As an affiliate of a brand, a hotel owner is required to maintain and operate the property according to brand standards, which helps to maintain product consistency and, thereby, customer loyalty. Additionally, the hotel owner must pay for the goods and services obtained through the brand, as well as a royalty fee for the name recognition. The value of name and product recognition is important for hotels because many transient guests are infrequent or one-time visitors that are not familiar with a specific hotel in advance of arrival. The name and product recognition of a brand allows hotels to attract travelers who may otherwise choose to stay elsewhere. This is particularly true for hotels focused on transient guests, those with minimal distinct or unique attributes, and newer hotels without an established market presence.

Given these benefits of a franchise affiliation and the attributed of the local market, our projections assume the proposed hotel will operate as a soft-branded hotel throughout the forecast period; however, it is important to note that a specific brand has yet to be determined. The following tables illustrate key findings and considerations when comparing soft branded hotels to independent ones, a sample of potential brands, and comparable hotels.

**FIGURE 1-13 KEY FINDINGS & CONSIDERATIONS – SOFT BRANDED VS. INDEPENDENT**

<b>Soft Branded</b>	
<b>Pros</b>	<b>Cons</b>
- Loyalty Program	- Franchise Fees
- Global Recognition	- Need to Follow Brand Standards
- Selling Advantage	- Risk of Loosing Flag
<b>Independent</b>	
<b>Pros</b>	<b>Cons</b>
- Design Flexibility	- Lack of a Loyalty Program
- Originality & Personalization	- No Global Reservation System
- No Franchise Fees	- Shortage of Marketing Recognition

**FIGURE 1-14 SAMPLE OF POTENTIAL FULL-SERVICE SOFT BRANDS**

<b>Potential Soft Brands</b>	<b>Parent</b>	<b>Flexibility</b>
Ascend Collection	Choice	High
Autograph Collection	Marriott	High
BW Premier Collection	Best Western	High
JdV	Hyatt	High
Tapestry Collection	Hilton	High
Trademark Collection	Wyndham	High
Voco	IHG	High

**FIGURE 1-15 COMPARABLE SOFT-BRANDED HOTELS IN THE MIDWEST**

<b>Property</b>	<b>City</b>	<b>State</b>	<b>Rooms</b>	<b>Meeting Space</b>
Inn Hotel, Ascend Hotel Collection	Arnolds Park	IA	38	1,000
Hotel Chauncey Iowa City, Tapestry Collection by Hilton	Iowa City	IA	51	N/A
hotelVetro Iowa City, Tapestry Collection by Hilton	Iowa City	IA	54	N/A
Current Iowa, Autograph Collection	Davenport	IA	78	4,500
Hotel Blackhawk an Autograph Collection	Davenport	IA	130	8,900
Axis Moline Hotel, Tapestry Collection by Hilton	Moline	IL	46	1,000
Montcler Hotel, Trademark Collection by Wyndham	Sandwich	IL	100	50,000
Ascend Collection Riverview Inn & Suites	Rockford	IL	105	30,000
Hotel Elkhart, Tapestry Collection by Hilton	Elkhart	IN	93	4,800
Hotel Carmichael, Autograph Collection	Carmel	IN	122	5,000
Tulyp, Tapestry Collection by Hilton	Holland	MI	56	4,000
Hotel Ojibway, Trademark Collection by Wyndham	Sault Sainte Marie	MI	71	N/A
Leo Collection Detroit Ascend Hotel Collection	Lincoln Park	MI	82	1,000
Cantilever Hotel, Trademark Collection by Wyndham	Ranier	MN	31	500
enVision Hotel St. Paul South, An Ascend Hotel Collection	South Saint Paul	MN	85	8,000
Ascend Blu Hotel	Blue Ash	OH	50	500
Orbit Hotel Trademark Collection by Wyndham Fairview Park	Fairview Park	OH	59	700
Ascend Collection Kress Inn De Pere	De Pere	WI	46	9,200
Hotel Retlaw Trademark Collection by Wyndham	Fond Du Lac	WI	118	10,000
		<b>Average</b>	<b>75</b>	<b>8,700</b>

**RENDERING OF PROJECT**

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**CURRENT CONDITION**

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**Summary of the Facilities**

Based on information provided by the proposed subject hotel’s development representatives, the following table summarizes the facilities that are expected to be available at the proposed subject hotel.

**FIGURE 5-1 PROPOSED FACILITIES SUMMARY**

<b>Guestroom Configuration</b>		<b>Number of Units</b>
King		45–55%
Queen/Queen		35–45%
Suites		10–20%
Total Rooms		75
<b>Food &amp; Beverage Facilities</b>		
Restaurant		
Rooftop Bar & Lounge		
<b>Indoor Meeting &amp; Banquet Facilities</b>		<b>Square Footage</b>
Event Center		25,200
<b>Amenities &amp; Services</b>		
Fitness Room		
Lobby Workstation		
Market Pantry		
<b>Infrastructure</b>		
Parking Spaces		TBD
Life-Safety Systems	Sprinklers, Smoke Detectors	
Construction Details	Reinforced Concrete	

**Site Improvements and Hotel Structure**

Per initial plans provided, the proposed hotel will be located within the redevelopment of an existing four-structure property, the Lawrence Brothers complex; the hotel will occupy five-story Building 1. Four-story Building 2 will house the event center and restaurant, while workforce housing will be redeveloped in Building 4. Garage parking will be located in the lower level of Buildings 2 and 3. Other site improvements will include freestanding signage, located at the main entrance to the site, as well as landscaping and sidewalks. Additional signage is expected to be placed on the exterior of Building 1. The hotel's main entrance, located in Building 1, will lead directly into the lobby, and the first (ground) floor should house the public areas and the back-of-the-house space. Guestrooms are expected to be located on the second through fourth floors of Building 1. The site and building components are anticipated to be normal for a hotel of this type and should meet the standards for this suburban market.

### Planned Facilities

The hotel is anticipating to offer a restaurant and a rooftop bar. The furnishings of these spaces are expected to be of a similar style and finish as lobby and guestroom furnishings. The hotel is anticipated to offer 25,200 square feet of meeting space, which should be located throughout Buildings 1 and 2; this meeting space should be adequate and appropriate for a hotel of this type. We recommend that the hotel offers a fitness room as a recreational facility. Other amenities are likely to include a lobby workstation or small business center and a market pantry. Overall, the supporting facilities should be appropriate for a hotel of this type, and we assume that they will meet brand standards.

### RENDERING OF LOBBY

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### RENDERING OF FRONT DESK

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### RENDERING OF RESTAURANT

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## RENDERING OF ROOFTOP

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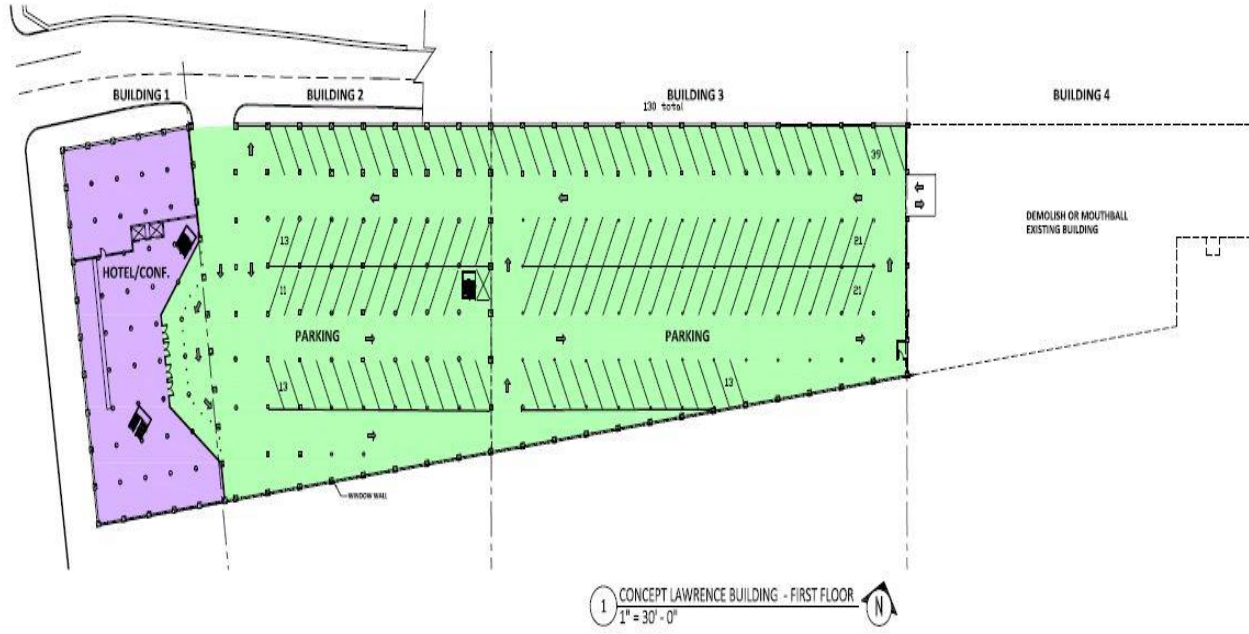
## RENDERING OF MEETING SPACE

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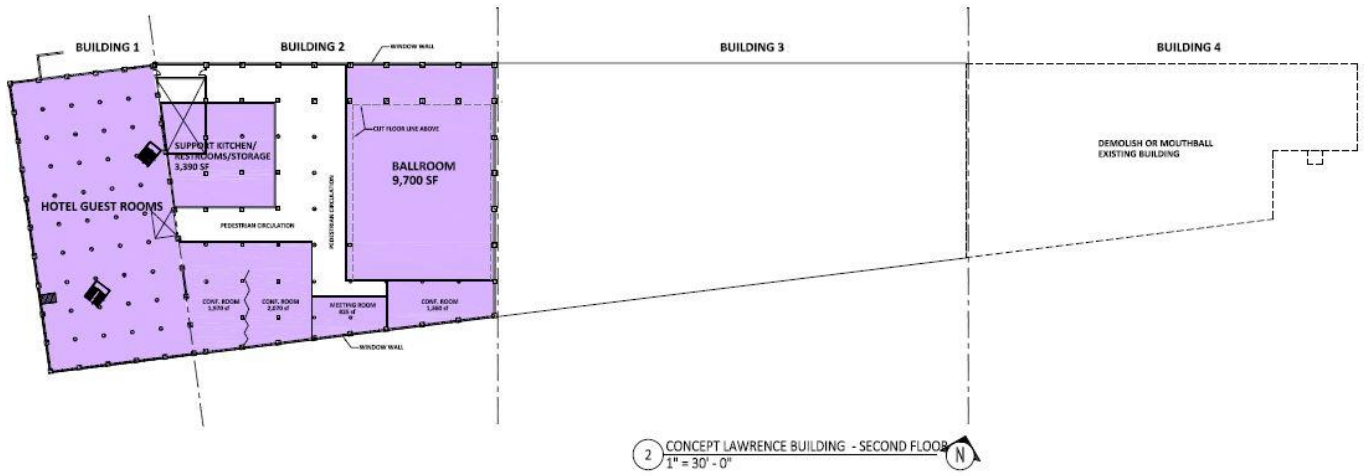




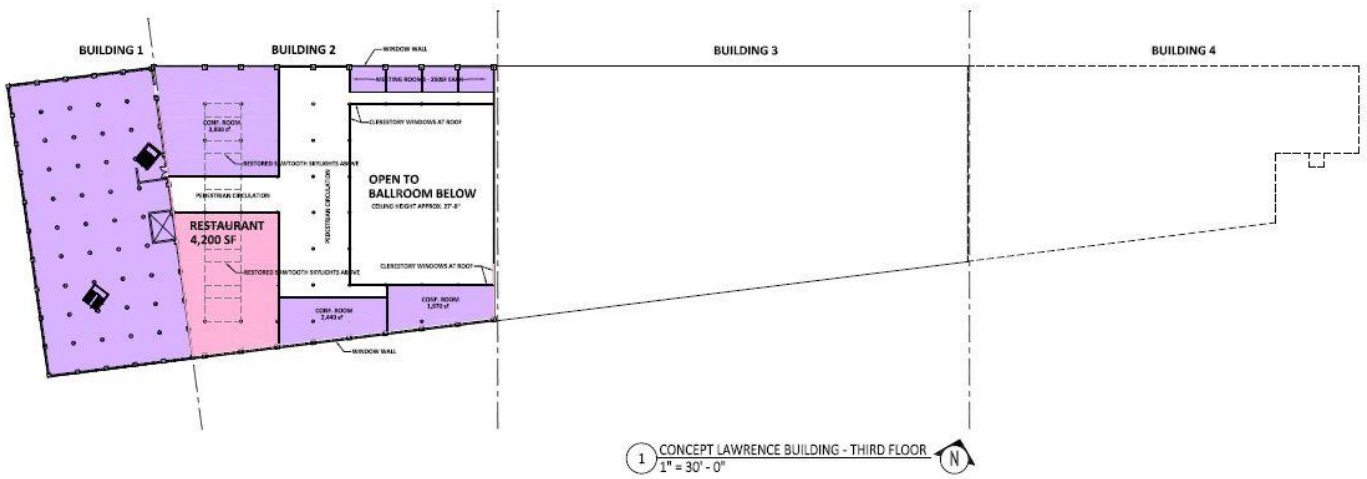
**FIRST-FLOOR PLAN**



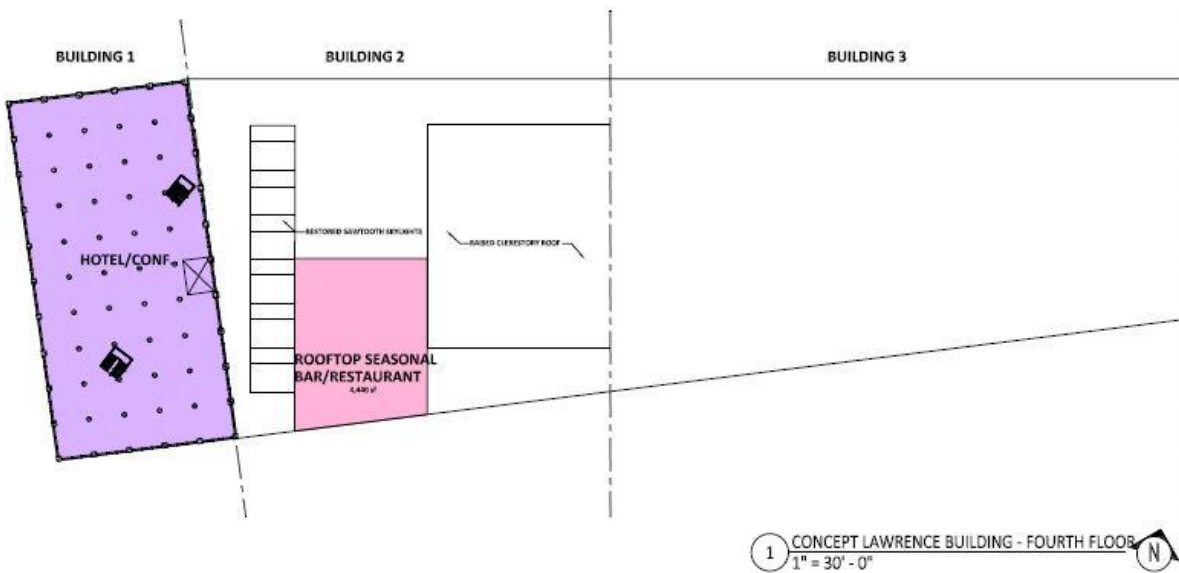
**SECOND-FLOOR PLAN**



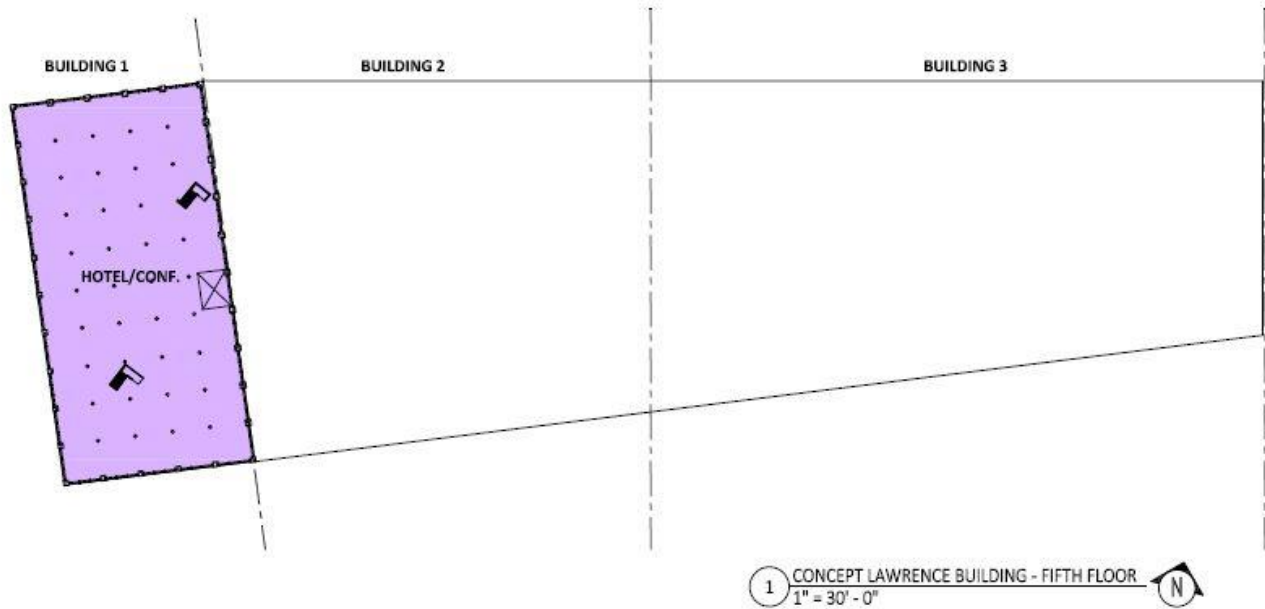
**THIRD-FLOOR PLAN**



**FOURTH-FLOOR PLAN**



## FIFTH-FLOOR PLAN



### Guestrooms

The hotel is anticipated to feature standard and suite-style room configurations, with guestrooms present on floors two through five of Building 1. The standard guestrooms should offer typical amenities for this product type, while the suites are expected to feature a larger living area and additional amenities such as a microwave and small refrigerator. The guestroom bathrooms are anticipated to be of a standard size, with a shower, commode, and single sink with vanity area, featuring a stone countertop. The floors are expected to be finished with tile, and the walls will likely be finished with knockdown texture (consistent with brand standards). Overall, the guestrooms should offer a competitive product for this suburban neighborhood.

### Back-of-the-House, ADA, and Environmental

The hotel is expected to be served by the necessary back-of-the-house space, including an in-house laundry facility, administrative offices, and a banquet and catering kitchen as well as a kitchen to service the needs of the restaurant and rooftop bar. These spaces should be adequate for a hotel of this type and should allow for the efficient operation of the property under competent management.

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



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

### **Capital Expenditures**

Our analysis assumes that the hotel will require ongoing upgrades and periodic renovations after its opening in order to maintain its competitive level in this market and to remain compliant with brand standards. These costs should be adequately funded by the forecasted reserve for replacement, as long as hotel staff employs a successful, ongoing preventive-maintenance program.

### **Conclusion**

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

## 6. Projection of Occupancy and Average Rate

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

### Penetration Rate Analysis

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

### Base-Year Penetration Rates by Market Segment

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

**FIGURE 6-1 HISTORICAL PENETRATION RATES**

Property	Commercial	Leisure	Group	Overall
Embassy Suites by Hilton Rockford Riverfront	98 %	94 %	176 %	115 %
Hotel Blackhawk an Autograph Collection Hotel	110	95	152	116
Current Iowa Autograph Collection	133	130	112	127
Secondary Competition	92	98	53	84

The Current Iowa Autograph Collection achieved the highest penetration rate within the commercial segment. The highest penetration rate in the leisure segment was achieved by the Current Iowa Autograph Collection, while the Embassy Suites by Hilton Rockford Riverfront led the market with the highest group penetration rate.

**Forecast of Subject  
Property's Occupancy**

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

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

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

**FIGURE 6-2 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY**

<b>Market Segment</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>
<b>Commercial</b>			
Demand	103,807	105,883	106,942
Market Share	5.7 %	9.7 %	9.7 %
Capture	5,929	10,288	10,391
Penetration	108 %	112 %	112 %
<b>Leisure</b>			
Demand	37,962	38,532	38,532
Market Share	4.8 %	8.3 %	8.3 %
Capture	1,817	3,198	3,198
Penetration	90 %	95 %	95 %
<b>Group</b>			
Demand	46,926	49,805	51,450
Market Share	6.8 %	12.1 %	12.4 %
Capture	3,200	6,030	6,400
Penetration	129 %	139 %	143 %
<b>Total Room Nights Captured</b>	<b>10,946</b>	<b>19,516</b>	<b>19,989</b>
Available Room Nights	16,050	27,375	27,375
<b>Subject Occupancy</b>	<b>68 %</b>	<b>71 %</b>	<b>73 %</b>
Market-wide Available Room Nights	303,396	314,721	314,721
<b>Fair Share</b>	<b>5 %</b>	<b>9 %</b>	<b>9 %</b>
Market-wide Occupied Room Nights	188,695	194,220	196,923
<b>Market Share</b>	<b>6 %</b>	<b>10 %</b>	<b>10 %</b>
<b>Market-wide Occupancy</b>	<b>62 %</b>	<b>62 %</b>	<b>63 %</b>
<b>Total Penetration</b>	<b>110 %</b>	<b>116 %</b>	<b>117 %</b>

Within the commercial segment, the proposed subject hotel's occupancy penetration is positioned above the market-average level, supported by the hotel's proposed upscale orientation, attracting local business travelers in the area. The proposed subject hotel's occupancy penetration in the meeting and group segment is positioned above the market-average level given the expansive meeting space anticipated at the hotel. Within the leisure segment, the proposed subject hotel's occupancy penetration is positioned slightly below the market-average level given its distance from major leisure demand generators.

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

**FIGURE 6-3 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY**

	2026	2027	2028
Commercial	54 %	53 %	52 %
Leisure	17	16	16
Group	29	31	32
<b>Total</b>	100 %	100 %	100 %

Based on our analysis of the proposed subject hotel and market area, we have selected a stabilized occupancy level of 73%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the proposed subject hotel may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

**Average Rate Analysis**

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

**Competitive Position**

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

**FIGURE 6-4 BASE-YEAR ADR AND REVPAR OF THE COMPETITORS**

Property	Estimated 2022 Average Room Rate	Average Room Rate Penetration	Occupancy	Occupancy Penetration	Rooms Revenue Per Available Room (RevPAR)	RevPAR Penetration
Embassy Suites by Hilton Rockford Riverfront	\$160 - \$170	114.2 %	70 - 75 %	120 - 130 %	\$115 - \$120	130 - 140 %
Hotel Blackhawk an Autograph Collection Hotel	160 - 170	110.8	55 - 60	100 - 110	95 - 100	110 - 120
Current Iowa Autograph Collection	160 - 170	108.8	60 - 65	110 - 120	100 - 105	120 - 130
Average - Primary Competitors	\$164.72	112.0 %	65.8 %	111.9 %	\$108.45	125.3 %
Average - Secondary Competitors	127.74	86.9	52.7	89.6	67.34	77.8
<b>Overall Average</b>	<b>\$147.08</b>	100.0 %	58.9 %	100.0 %	<b>\$86.56</b>	100.0 %
<b>Subject As If Stabilized (In 2022 Dollars)</b>	<b>\$160.00</b>	<b>108.8 %</b>	<b>68.7 %</b>	<b>116.7 %</b>	<b>\$109.89</b>	<b>127.0 %</b>

To forecast the proposed subject hotel’s average rate (ADR), we positioned the rate in the context of the 2022 competitive market. In other words, we estimated the ADR that the proposed subject hotel would have achieved had it been operating at a stabilized level in 2022. As part of this analysis, we considered the proposed subject property’s competitive attributes, such as location, size (number of rooms), array of facilities and amenities, and market image/branding, and compared them to those of the hotels to which it is expected to be most comparable, applying adjustments as deemed appropriate, as illustrated below.

**FIGURE 6-5 ADR ADJUSTMENT GRID**

	<b>Proposed Hotel Lawrence and Event Center</b> 75	<b>Embassy Suites by Hilton Rockford Riverfront</b> 160	<b>Hotel Blackhawk an Autograph Collection Hotel</b> 130	<b>Current Iowa Autograph Collection</b> 78	<b>Holiday Inn Express &amp; Suites Rock Falls</b> 68	<b>Country Inn &amp; Suites Rock Falls</b> 80
<b>Rooms</b>	75	160	130	78	68	80
<b>Average Rate</b>		\$160 - \$170	\$160 - \$170	\$160 - \$170	\$150 - \$160	\$105- \$110
<b>Adjustments</b>						
<b>Location</b>		Similar 0%	Similar 0%	Similar 0%	Similar 0%	Inferior 5%
<b>Room Count/Market Mix</b>		Superior -5%	Superior -5%	Similar 0%	Similar 0%	Similar 0%
<b>Condition and Facilities</b>		Similar 0%	Similar 0%	Similar 0%	Inferior 5%	Inferior 35%
<b>Market Image</b>		Similar 0%	Similar 0%	Similar 0%	Inferior 5%	Inferior 5%
<b>Total Adjustment</b>		<b>-5%</b>	<b>-5%</b>	<b>0%</b>	<b>10%</b>	<b>45%</b>
<b>Adjusted Average Rate</b>		<b>\$150 - \$160</b>	<b>\$150 - \$160</b>	<b>\$160 - \$170</b>	<b>\$160 - \$170</b>	<b>\$150 - \$160</b>
<b>Minimum</b>		\$150 - \$160				
<b>Maximum</b>		\$160 - \$170				
<b>Average</b>		\$150 - \$160				
<b>Median</b>		\$150 - \$160				
<b>Positioned Average Rate</b>		<b>\$160</b>				

Following the adjustments, our analysis indicates that the proposed subject hotel would have achieved an average rate between \$150 and \$165 . if it were operating at a stabilized level in 2022. Based on this analysis, we have positioned the proposed subject hotel’s average rate at \$160 in base-year dollars.

We have positioned the proposed subject hotel's stabilized ADR in the 2022 base year in consideration of its new facility, strong soft brand affiliation, and location on the Rock River. Average rates for this competitive market are anticipated to continue the strong growth trend that was realized in 2021 and 2022 through the second quarter of 2023; thereafter, the pace of ADR growth is expected to moderate somewhat. Anticipated economic strength in this market should support steady rate growth for the market and subject property going forward.

The following table presents the ADR forecast for the market and the proposed subject hotel on a calendar-year basis, as well as the resulting ADR penetration level.



The proposed subject hotel’s projected ADR (as if stabilized) is then fiscalized to correspond with the hotel’s anticipated date of opening for each forecast year.

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

Calendar Year	Historical		2023	2024	2025	2026	2027	2028	2029	2030
	2019	2022								
Market ADR	\$113.38	\$147.08	\$153.69	\$158.30	\$163.05	\$167.95	\$172.98	\$178.17	\$183.52	\$189.02
Projected Market ADR Growth Rate	—		4.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Property ADR (As-If Stabilized)		\$160.00	\$167.20	\$172.22	\$177.38	\$182.70	\$188.19	\$193.83	\$199.65	\$205.63
ADR Growth Rate			4.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Proposed Subject Stabilized ADR Penetration		109%	109%	109%	109%	109%	109%	109%	109%	109%
<b>Fiscal Year</b>					<b>2025/26</b>	<b>2026/27</b>	<b>2027/28</b>	<b>2028/29</b>	<b>2029/30</b>	<b>2030/31</b>
Proposed Subject Property Average Rate					\$179.58	\$184.97	\$190.52	\$196.24	\$202.12	\$208.19
Opening Discount					0.0%	1.0%	1.0%	0.0%	0.0%	0.0%
<b>Average Rate After Discount</b>					<b>\$179.58</b>	<b>\$183.12</b>	<b>\$188.62</b>	<b>\$196.24</b>	<b>\$202.12</b>	<b>\$208.19</b>
Real Average Rate Growth					—	2.0%	3.0%	4.0%	3.0%	3.0%
Market ADR					\$165.08	\$170.03	\$175.13	\$180.38	\$185.80	\$191.37
Proposed Subject ADR Penetration (After Discount)					109%	108%	108%	109%	109%	109%
ADR Expressed in Base-Year Dollars Deflated @ Inflation Rate					\$161.55	\$159.93	\$159.93	\$161.55	\$161.55	\$161.55

The proposed subject hotel’s ADR penetration level is forecast to reach 109% by the stabilized period, consistent with our stabilized ADR positioning. Based on our review of the proposed improvements and the anticipated profile of the hotel product and its operation, it is our opinion that the ADR penetration level should be achievable with appropriate management and marketing. The proposed hotel’s positioned stabilized ADR is projected to increase at the same rate as the overall market’s ADR, prior to consideration of any ADR discounting during the hotel’s ramp-up period. Discounts of 1% and 1% have been applied to the stabilized room rates projected for the first two years of operation, as would be expected for a new property of this type as it builds its reputation and becomes established in the market.

Note that our forecast of income and expense, which follows later in this report, assumes the following underlying inflation rates.

**FIGURE 6-7 INFLATION ASSUMPTIONS**

Timeframe	Rate of Inflation Assumed
2022 to 2023	3.5 %
2023 to 2024	3.0
2024 to 2025	3.0
2025 to 2026	3.0
2026 to 2027	3.0

The following table sets forth our concluding forecast of the proposed subject hotel’s occupancy, ADR, and RevPAR, with corresponding penetration levels, for the first projection year through the stabilized year of operation. The competitive market’s historical and projected occupancy, ADR, and RevPAR levels are presented for comparison, with the projections fiscalized to correspond with the proposed subject hotel’s forecast, as appropriate.

**FIGURE 6-8 COMPARISON OF HISTORICAL AND PROJECTED OCCUPANCY, ADR, AND REVPAR – PROPOSED SUBJECT PROPERTY AND MARKET**

	2018	2019	2020	2021	2022	Projected									
						2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Proposed Hotel and Event Center - Soft Brand</b>															
Occupancy						—	—	—	68.2 %	71.3 %	73.0 %	73.0 %	73.0 %	73.0 %	73.0 %
Change in Points						—	—	—	—	3.1	1.7	0.0	0.0	0.0	0.0
Occupancy Penetration						—	—	—	109.7 %	115.5 %	116.7 %	116.7 %	116.7 %	116.7 %	116.7 %
Average Rate					<b>\$160.00</b>	\$167.20	\$172.22	\$177.38	\$182.70	\$188.19	\$193.83	\$199.65	\$205.63	\$211.80	\$218.16
Change						—	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %
Average Rate Penetration						108.8 %	108.8 %	108.8 %	108.8 %	108.8 %	108.8 %	108.8 %	108.8 %	108.8 %	108.8 %
RevPAR						—	—	—	\$124.61	\$134.16	\$141.53	\$145.78	\$150.15	\$154.66	\$159.30
Change						—	—	—	—	7.7 %	5.5 %	3.0 %	3.0 %	3.0 %	3.0 %
RevPAR Penetration						—	—	—	119.3 %	125.7 %	127.0 %	127.0 %	127.0 %	127.0 %	127.0 %

The following occupancies and average rates will be used to project the proposed subject hotel’s rooms revenue; this forecast reflects years beginning on June 1, 2026, which correspond with our financial projections.

**FIGURE 6-9 FORECASTS OF OCCUPANCY AND AVERAGE RATE**

Year	Occupancy	Average Rate Before Discount
2026/27	69 %	\$184.97
2027/28	72	190.52
2028/29	73	196.24

## 7. Projection of Income and Expense

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

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

### Comparable Operating Statements

In order to project future income and expense for the proposed subject hotel, we have included a sample of individual comparable operating statements from our database of hotel statistics. All financial data are presented according to the three most common measures of industry performance: ratio to sales (RTS), amounts per available room (PAR), and amounts per occupied room night (POR). These historical income and expense statements will be used as benchmarks in our forthcoming forecast of income and expense. The proposed subject hotel's stabilized statement of income and expense, deflated to 2022 dollars, is also presented.

**FIGURE 7-1 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES**

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2022/23	2022	2019	2019	2019	2022
Number of Rooms:	70 to 100	60 to 90	80 to 100	90 to 120	110 to 150	75
Days Open:	365	365	365	365	365	365
Occupancy:	76%	71%	66%	83%	66%	73%
Average Rate:	\$140	\$182	\$236	\$141	\$127	\$162
RevPAR:	\$107	\$130	\$156	\$118	\$83	\$118
<b>REVENUE</b>						
Rooms	89.2 %	98.0 %	56.5 %	93.2 %	89.1 %	62.1 %
Food & Beverage	9.8	0.0	39.1	4.5	7.9	36.0
Other Operated Departments	0.1	0.1	3.9	2.3	2.7	1.5
Miscellaneous Income	0.9	1.8	0.4	0.1	0.2	0.4
Total	100.0	100.0	100.0	100.0	100.0	100.0
<b>DEPARTMENTAL EXPENSES*</b>						
Rooms	27.3	25.3	24.5	17.5	19.3	23.0
Food & Beverage	114.0	0.0	85.6	144.7	87.5	133.2
Other Operated Departments	81.4	0.0	53.9	21.1	25.8	65.0
Total	35.6	24.8	49.5	23.3	24.8	38.2
<b>DEPARTMENTAL INCOME</b>						
	64.4	75.2	50.5	76.7	75.2	61.8
<b>UNDISTRIBUTED OPERATING EXPENSES</b>						
Administrative & General	9.8	8.9	10.5	6.8	9.8	6.8
Info. and Telecom. Systems	0.3	0.4	0.5	1.0	2.6	0.7
Marketing	4.5	4.6	6.2	8.1	6.5	4.6
Franchise Fee	7.7	5.9	3.9	8.2	4.9	4.7
Property Operations & Maintenance	4.2	5.9	3.3	5.0	3.4	3.6
Utilities	4.6	4.6	2.1	4.0	5.1	3.2
Total	31.0	30.3	26.4	33.1	32.4	23.6
<b>GROSS OPERATING PROFIT</b>						
	33.4	44.9	24.1	43.6	42.8	38.2
Management Fee	3.0	4.9	5.0	3.1	4.0	3.0
<b>INCOME BEFORE NON-OPER. INC. &amp; EXP.</b>						
	30.4	40.0	19.2	40.6	38.8	35.2
<b>EBITDA LESS RESERVE</b>						
	24.8 %	36.8 %	14.6 %	33.0 %	32.1 %	26.7 %

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

**FIGURE 7-2 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER AVAILABLE ROOM**

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2022/23	2022	2019	2019	2019	2022
Number of Rooms:	70 to 100	60 to 90	80 to 100	90 to 120	110 to 150	75
Days Open:	365	365	365	365	365	365
Occupancy:	76%	71%	66%	83%	66%	73%
Average Rate:	\$140	\$182	\$236	\$141	\$127	\$162
RevPAR:	\$107	\$130	\$156	\$118	\$83	\$118
<b>REVENUE</b>						
Rooms	\$39,008	\$47,322	\$56,915	\$42,906	\$30,359	\$43,045
Food & Beverage	4,267	0	39,407	2,068	2,698	24,988
Other Operated Departments	51	63	3,967	1,039	933	1,066
Miscellaneous Income	386	879	419	27	76	266
Total	43,712	48,265	100,708	46,040	34,066	69,365
<b>DEPARTMENTAL EXPENSES</b>						
Rooms	10,637	11,989	13,936	7,497	5,851	9,900
Food & Beverage	4,863	0	33,735	2,992	2,361	15,890
Other Operated Departments	41	0	2,140	220	241	693
Total	15,541	11,989	49,811	10,709	8,453	26,483
<b>DEPARTMENTAL INCOME</b>						
	28,171	36,276	50,897	35,331	25,612	42,882
<b>UNDISTRIBUTED OPERATING EXPENSES</b>						
Administrative & General	4,270	4,307	10,531	3,120	3,338	4,750
Info. and Telecom. Systems	141	184	478	482	898	500
Marketing	1,955	2,220	6,232	3,725	2,228	3,200
Franchise Fee	3,353	2,839	3,930	3,758	1,672	3,229
Property Operations & Maintenance	1,841	2,841	3,273	2,322	1,166	2,500
Utilities	1,994	2,223	2,104	1,822	1,731	2,200
Total	13,555	14,615	26,548	15,229	11,033	16,379
<b>GROSS OPERATING PROFIT</b>						
	14,616	21,661	24,349	20,102	14,579	26,503
Management Fee	1,311	2,366	5,046	1,407	1,363	2,081
<b>INCOME BEFORE NON-OPER. INC. &amp; EXP.</b>						
	13,304	19,296	19,303	18,695	13,217	24,422
<b>EBITDA LESS RESERVE</b>						
	\$10,853	\$17,754	\$14,653	\$15,218	\$10,937	\$18,527



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

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2022/23	2022	2019	2019	2019	2022
Number of Rooms:	70 to 100	60 to 90	80 to 100	90 to 120	110 to 150	75
Days Open:	365	365	365	365	365	365
Occupancy:	76%	71%	66%	83%	66%	73%
Average Rate:	\$140	\$182	\$236	\$141	\$127	\$162
RevPAR:	\$107	\$130	\$156	\$118	\$83	\$118
<b>REVENUE</b>						
Rooms	\$140.32	\$182.05	\$235.99	\$141.12	\$126.51	\$161.55
Food & Beverage	15.35	0.00	163.39	6.80	11.24	93.78
Other Operated Departments	0.18	0.24	16.45	3.42	3.89	4.00
Miscellaneous Income	1.39	3.38	1.74	0.09	0.32	1.00
Total	157.24	185.67	417.57	151.43	141.96	260.33
<b>DEPARTMENTAL EXPENSES</b>						
Rooms	38.26	46.12	57.78	24.66	24.39	37.16
Food & Beverage	17.49	0.00	139.88	9.84	9.84	59.64
Other Operated Departments	0.15	0.00	8.87	0.72	1.00	2.60
Total	55.91	46.12	206.53	35.22	35.23	99.39
<b>DEPARTMENTAL INCOME</b>						
	101.34	139.55	211.04	116.21	106.74	160.94
<b>UNDISTRIBUTED OPERATING EXPENSES</b>						
Administrative & General	15.36	16.57	43.67	10.26	13.91	17.83
Info. and Telecom. Systems	0.51	0.71	1.98	1.59	3.74	1.88
Marketing	7.03	8.54	25.84	12.25	9.29	12.01
Franchise Fee	12.06	10.92	16.29	12.36	6.97	12.12
Property Operations & Maintenance	6.62	10.93	13.57	7.64	4.86	9.38
Utilities	7.17	8.55	8.72	5.99	7.21	8.26
Total	48.76	56.22	110.08	50.09	45.98	61.47
<b>GROSS OPERATING PROFIT</b>						
	52.58	83.33	100.96	66.12	60.76	99.47
Management Fee	4.72	9.10	20.92	4.63	5.68	7.81
<b>INCOME BEFORE NON-OPER. INC. &amp; EXP.</b>						
	47.86	74.23	80.04	61.49	55.08	91.66
<b>EBITDA LESS RESERVE</b>						
	\$39.04	\$68.30	\$60.76	\$50.06	\$45.58	\$69.53

The departmental income of the comparable properties ranged from 50.5% to 76.7% of total revenue. The comparable properties achieved a gross operating profit ranging from 24.1% to 44.9% of total revenue. We will refer to the comparable operating data in our discussion of each line item, which follows later in this section of the report.

**Fixed and Variable  
Component Analysis**

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

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

**Inflation and  
Appreciation  
Assumptions**

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

**FIGURE 7-4 INFLATION ASSUMPTIONS**

Timeframe	Rate of Inflation Assumed
2022 to 2023	3.5 %
2023 to 2024	3.0
2024 to 2025	3.0
2025 to 2026	3.0
2026 to 2027	3.0

Beyond the illustrated year, we have applied a 3.0% annual rate of growth to income and expenses to reflect the longer-term expectation of asset appreciation by typical investors. This position is based on interviews with numerous market participants indicating a distinction in the expectations of near-term cost inflation (i.e., related

to labor and supplies) versus long-term income growth that drives appreciation. Any exceptions to the application of the assumed underlying inflation and EBITDA Less Replacement Reserve growth rates are discussed in our write-up of individual income and expense items.

### **Forecast of Revenue and Expense**

Based on an analysis that will be detailed throughout this section, we have formulated a revenue-and-expense forecast through the fifth projection year, including amounts per available room and per occupied room, as illustrated in the following table. The second table illustrates our ten-year forecast of income and expense, presented with a lesser degree of detail. The forecasts pertain to years that begin on June 1, 2026, expressed in inflated dollars for each year.

**FIGURE 7-5 DETAILED FORECAST OF INCOME AND EXPENSE**

	2026/27 Begins June				2027/28				Stabilized				2029/30				2030/31			
Number of Rooms:	75				75				75				75				75			
Occupancy:	69%				72%				73%				73%				73%			
Average Rate:	\$183.12				\$188.62				\$196.24				\$202.12				\$208.19			
RevPAR:	\$126.35				\$135.80				\$143.25				\$147.55				\$151.98			
Days Open:	365				365				365				365				365			
Occupied Rooms:	18,889	%Gross	PAR	POR	19,710	%Gross	PAR	POR	19,984	%Gross	PAR	POR	19,984	%Gross	PAR	POR	19,984	%Gross	PAR	POR
<b>OPERATING REVENUE</b>																				
Rooms	\$3,459	65.6 %	\$46,120	\$183.12	\$3,718	63.9 %	\$49,573	\$188.64	\$3,922	62.1 %	\$52,293	\$196.26	\$4,039	62.1 %	\$53,853	\$202.11	\$4,160	62.2 %	\$55,467	\$208.17
Event Center	1,019	19.3	13,580	53.92	1,274	21.9	16,986	64.64	1,548	24.5	20,644	77.48	1,587	24.4	21,160	79.41	1,627	24.3	21,689	81.40
Restaurant	686	13.0	9,152	36.34	707	12.2	9,427	35.87	728	11.5	9,710	36.44	750	11.5	10,001	37.53	773	11.6	10,301	38.66
Other Operated Departments	90	1.7	1,200	4.77	94	1.6	1,252	4.76	97	1.5	1,295	4.86	100	1.5	1,333	5.00	103	1.5	1,373	5.15
Miscellaneous Income	23	0.4	300	1.19	23	0.4	313	1.19	24	0.4	324	1.21	25	0.4	333	1.25	26	0.4	343	1.29
<b>Total Operating Revenues</b>	<b>5,276</b>	<b>100.0</b>	<b>70,353</b>	<b>279.34</b>	<b>5,816</b>	<b>100.0</b>	<b>77,551</b>	<b>295.10</b>	<b>6,320</b>	<b>100.0</b>	<b>84,265</b>	<b>316.25</b>	<b>6,501</b>	<b>100.0</b>	<b>86,681</b>	<b>325.32</b>	<b>6,688</b>	<b>100.0</b>	<b>89,174</b>	<b>334.67</b>
<b>DEPARTMENTAL EXPENSES *</b>																				
Rooms	832	24.0	11,087	44.02	871	23.4	11,612	44.18	902	23.0	12,026	45.13	929	23.0	12,387	46.49	957	23.0	12,758	47.88
Event Center	703	69.1	9,379	37.24	815	64.0	10,871	41.37	901	58.2	12,020	45.11	924	58.2	12,320	46.24	947	58.2	12,628	47.40
Restaurant	515	75.0	6,864	27.26	530	75.0	7,070	26.90	546	75.0	7,282	27.33	563	75.0	7,501	28.15	579	75.0	7,726	29.00
Other Operated Departments	59	65.8	789	3.13	61	65.2	816	3.11	63	65.0	842	3.16	65	65.0	867	3.25	67	65.0	893	3.35
<b>Total Expenses</b>	<b>2,109</b>	<b>40.0</b>	<b>28,120</b>	<b>111.65</b>	<b>2,278</b>	<b>39.2</b>	<b>30,369</b>	<b>115.56</b>	<b>2,413</b>	<b>38.2</b>	<b>32,170</b>	<b>120.74</b>	<b>2,481</b>	<b>38.2</b>	<b>33,075</b>	<b>124.13</b>	<b>2,550</b>	<b>38.1</b>	<b>34,006</b>	<b>127.62</b>
<b>DEPARTMENTAL INCOME</b>	<b>3,167</b>	<b>60.0</b>	<b>42,233</b>	<b>167.69</b>	<b>3,539</b>	<b>60.8</b>	<b>47,182</b>	<b>179.54</b>	<b>3,907</b>	<b>61.8</b>	<b>52,095</b>	<b>195.52</b>	<b>4,020</b>	<b>61.8</b>	<b>53,606</b>	<b>201.19</b>	<b>4,138</b>	<b>61.9</b>	<b>55,168</b>	<b>207.05</b>
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	403	7.6	5,380	21.36	419	7.2	5,581	21.24	433	6.8	5,770	21.66	446	6.9	5,943	22.30	459	6.9	6,121	22.97
Info & Telecom Systems	42	0.8	566	2.25	44	0.8	587	2.24	46	0.7	607	2.28	47	0.7	626	2.35	48	0.7	644	2.42
Marketing	299	5.7	3,987	15.83	296	5.1	3,948	15.02	292	4.6	3,887	14.59	300	4.6	4,004	15.03	309	4.6	4,124	15.48
Franchise Fee	259	4.9	3,459	13.73	279	4.8	3,718	14.15	294	4.7	3,922	14.72	303	4.7	4,039	15.16	312	4.7	4,160	15.61
Prop. Operations & Maint.	202	3.8	2,690	10.68	214	3.7	2,849	10.84	228	3.6	3,037	11.40	235	3.6	3,128	11.74	242	3.6	3,222	12.09
Utilities	187	3.5	2,492	9.89	194	3.3	2,585	9.84	200	3.2	2,672	10.03	206	3.2	2,753	10.33	213	3.2	2,835	10.64
<b>Total Expenses</b>	<b>1,393</b>	<b>26.3</b>	<b>18,573</b>	<b>73.75</b>	<b>1,445</b>	<b>24.9</b>	<b>19,267</b>	<b>73.32</b>	<b>1,492</b>	<b>23.6</b>	<b>19,896</b>	<b>74.67</b>	<b>1,537</b>	<b>23.7</b>	<b>20,492</b>	<b>76.91</b>	<b>1,583</b>	<b>23.7</b>	<b>21,106</b>	<b>79.21</b>
<b>GROSS OPERATING PROFIT</b>	<b>1,775</b>	<b>33.6</b>	<b>23,660</b>	<b>93.95</b>	<b>2,094</b>	<b>36.0</b>	<b>27,915</b>	<b>106.22</b>	<b>2,415</b>	<b>38.2</b>	<b>32,200</b>	<b>120.85</b>	<b>2,484</b>	<b>38.2</b>	<b>33,115</b>	<b>124.28</b>	<b>2,555</b>	<b>38.2</b>	<b>34,062</b>	<b>127.84</b>
Management Fee	158	3.0	2,111	8.38	174	3.0	2,327	8.85	190	3.0	2,528	9.49	195	3.0	2,600	9.76	201	3.0	2,675	10.04
<b>INCOME BEFORE NON-OPR. INC. &amp; EXP.</b>	<b>1,616</b>	<b>30.6</b>	<b>21,550</b>	<b>85.57</b>	<b>1,919</b>	<b>33.0</b>	<b>25,589</b>	<b>97.37</b>	<b>2,225</b>	<b>35.2</b>	<b>29,672</b>	<b>111.36</b>	<b>2,289</b>	<b>35.2</b>	<b>30,514</b>	<b>114.52</b>	<b>2,354</b>	<b>35.2</b>	<b>31,387</b>	<b>117.80</b>
<b>NON-OPERATING INCOME &amp; EXPENSE</b>																				
Property Taxes	182	3.4	2,427	9.64	187	3.2	2,500	9.51	193	3.1	2,575	9.66	199	3.1	2,652	9.95	205	3.1	2,732	10.25
Insurance	86	1.6	1,145	4.55	88	1.5	1,179	4.49	91	1.4	1,215	4.56	94	1.4	1,251	4.70	97	1.4	1,289	4.84
<b>Total Expenses</b>	<b>268</b>	<b>5.0</b>	<b>3,572</b>	<b>14.18</b>	<b>276</b>	<b>4.7</b>	<b>3,679</b>	<b>14.00</b>	<b>284</b>	<b>4.5</b>	<b>3,790</b>	<b>14.22</b>	<b>293</b>	<b>4.5</b>	<b>3,903</b>	<b>14.65</b>	<b>302</b>	<b>4.5</b>	<b>4,020</b>	<b>15.09</b>
<b>EBITDA</b>	<b>1,348</b>	<b>25.6</b>	<b>17,977</b>	<b>71.38</b>	<b>1,643</b>	<b>28.3</b>	<b>21,909</b>	<b>83.37</b>	<b>1,941</b>	<b>30.7</b>	<b>25,882</b>	<b>97.14</b>	<b>1,996</b>	<b>30.7</b>	<b>26,611</b>	<b>99.87</b>	<b>2,052</b>	<b>30.7</b>	<b>27,366</b>	<b>102.71</b>
Reserve for Replacement	106	2.0	1,407	5.59	174	3.0	2,327	8.85	253	4.0	3,371	12.65	260	4.0	3,467	13.01	268	4.0	3,567	13.39
<b>EBITDA LESS RESERVE</b>	<b>\$1,243</b>	<b>23.6 %</b>	<b>\$16,570</b>	<b>\$65.79</b>	<b>\$1,469</b>	<b>25.3 %</b>	<b>\$19,583</b>	<b>\$74.52</b>	<b>\$1,688</b>	<b>26.7 %</b>	<b>\$22,511</b>	<b>\$84.49</b>	<b>\$1,736</b>	<b>26.7 %</b>	<b>\$23,144</b>	<b>\$86.86</b>	<b>\$1,785</b>	<b>26.7 %</b>	<b>\$23,799</b>	<b>\$89.32</b>

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

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

	2026/27		2027/28		2028/29		2029/30		2030/31		2031/32		2032/33		2033/34		2034/35		2035/36	
<b>Number of Rooms:</b>	75		75		75		75		75		75		75		75		75		75	
<b>Occupied Rooms:</b>	18,889		19,710		19,984		19,984		19,984		19,984		19,984		19,984		19,984		19,984	
<b>Occupancy:</b>	69%		72%		73%		73%		73%		73%		73%		73%		73%		73%	
<b>Average Rate:</b>	\$183.12	% of	\$188.62	% of	\$196.24	% of	\$202.12	% of	\$208.19	% of	\$214.43	% of	\$220.87	% of	\$227.49	% of	\$234.32	% of	\$241.35	% of
<b>RevPAR:</b>	\$126.35	Gross	\$135.80	Gross	\$143.25	Gross	\$147.55	Gross	\$151.98	Gross	\$156.54	Gross	\$161.23	Gross	\$166.07	Gross	\$171.05	Gross	\$176.18	Gross
<b>OPERATING REVENUE</b>																				
Rooms	\$3,459	65.6 %	\$3,718	63.9 %	\$3,922	62.1 %	\$4,039	62.1 %	\$4,160	62.2 %	\$4,285	62.3 %	\$4,414	62.4 %	\$4,546	62.4 %	\$4,683	62.5 %	\$4,823	62.6 %
Event Center	1,019	19.3	1,274	21.9	1,548	24.5	1,587	24.4	1,627	24.3	1,667	24.2	1,709	24.1	1,752	24.1	1,796	24.0	1,840	23.9
Restaurant	686	13.0	707	12.2	728	11.5	750	11.5	773	11.6	796	11.6	820	11.6	844	11.6	870	11.6	896	11.6
Other Operated Departments	90	1.7	94	1.6	97	1.5	100	1.5	103	1.5	106	1.5	109	1.5	113	1.5	116	1.5	119	1.5
Miscellaneous Income	23	0.4	23	0.4	24	0.4	25	0.4	26	0.4	27	0.4	27	0.4	28	0.4	29	0.4	30	0.4
Total Operating Revenues	5,276	100.0	5,816	100.0	6,320	100.0	6,501	100.0	6,688	100.0	6,881	100.0	7,079	100.0	7,283	100.0	7,493	100.0	7,708	100.0
<b>DEPARTMENTAL EXPENSES *</b>																				
Rooms	832	24.0	871	23.4	902	23.0	929	23.0	957	23.0	986	23.0	1,015	23.0	1,046	23.0	1,077	23.0	1,109	23.0
Event Center	703	69.1	815	64.0	901	58.2	924	58.2	947	58.2	971	58.2	995	58.2	1,020	58.2	1,045	58.2	1,072	58.2
Restaurant	515	75.0	530	75.0	546	75.0	563	75.0	579	75.0	597	75.0	615	75.0	633	75.0	652	75.0	672	75.0
Other Operated Departments	59	65.8	61	65.2	63	65.0	65	65.0	67	65.0	69	65.0	71	65.0	73	65.0	75	65.0	78	65.0
Total Expenses	2,109	40.0	2,278	39.2	2,413	38.2	2,481	38.2	2,550	38.1	2,622	38.1	2,696	38.1	2,772	38.1	2,850	38.0	2,930	38.0
<b>DEPARTMENTAL INCOME</b>																				
	3,167	60.0	3,539	60.8	3,907	61.8	4,020	61.8	4,138	61.9	4,259	61.9	4,383	61.9	4,511	61.9	4,643	62.0	4,778	62.0
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	403	7.6	419	7.2	433	6.8	446	6.9	459	6.9	473	6.9	487	6.9	502	6.9	517	6.9	532	6.9
Info & Telecom Systems	42	0.8	44	0.8	46	0.7	47	0.7	48	0.7	50	0.7	51	0.7	53	0.7	54	0.7	56	0.7
Marketing	299	5.7	296	5.1	292	4.6	300	4.6	309	4.6	319	4.6	328	4.6	338	4.6	348	4.6	359	4.7
Franchise Fee	259	4.9	279	4.8	294	4.7	303	4.7	312	4.7	321	4.7	331	4.7	341	4.7	351	4.7	362	4.7
Prop. Operations & Maint.	202	3.8	214	3.7	228	3.6	235	3.6	242	3.6	249	3.6	256	3.6	264	3.6	272	3.6	280	3.6
Utilities	187	3.5	194	3.3	200	3.2	206	3.2	213	3.2	219	3.2	226	3.2	232	3.2	239	3.2	247	3.2
Total Expenses	1,393	26.3	1,445	24.9	1,492	23.6	1,537	23.7	1,583	23.7	1,630	23.7	1,679	23.7	1,730	23.7	1,782	23.7	1,835	23.8
<b>GROSS OPERATING PROFIT</b>																				
	1,775	33.6	2,094	36.0	2,415	38.2	2,484	38.2	2,555	38.2	2,628	38.2	2,704	38.2	2,781	38.2	2,861	38.2	2,943	38.2
Management Fee	158	3.0	174	3.0	190	3.0	195	3.0	201	3.0	206	3.0	212	3.0	218	3.0	225	3.0	231	3.0
<b>INCOME BEFORE NON-OPR. INC. &amp; EXP.</b>																				
	1,616	30.6	1,919	33.0	2,225	35.2	2,289	35.2	2,354	35.2	2,422	35.2	2,491	35.2	2,563	35.2	2,637	35.2	2,712	35.2
<b>NON-OPERATING INCOME &amp; EXPENSE</b>																				
Property Taxes	182	3.4	187	3.2	193	3.1	199	3.1	205	3.1	211	3.1	217	3.1	224	3.1	231	3.1	238	3.1
Insurance	86	1.6	88	1.5	91	1.4	94	1.4	97	1.4	100	1.4	103	1.4	106	1.5	109	1.5	112	1.5
Total Expenses	268	5.0	276	4.7	284	4.5	293	4.5	302	4.5	311	4.5	320	4.5	329	4.6	339	4.6	350	4.6
<b>EBITDA</b>																				
	1,348	25.6	1,643	28.3	1,941	30.7	1,996	30.7	2,052	30.7	2,111	30.7	2,172	30.7	2,233	30.6	2,297	30.6	2,362	30.6
Reserve for Replacement	106	2.0	174	3.0	253	4.0	260	4.0	268	4.0	275	4.0	283	4.0	291	4.0	300	4.0	308	4.0
<b>EBITDA LESS RESERVE</b>																				
	\$1,243	23.6 %	\$1,469	25.3 %	\$1,688	26.7 %	\$1,736	26.7 %	\$1,785	26.7 %	\$1,836	26.7 %	\$1,888	26.7 %	\$1,942	26.7 %	\$1,997	26.7 %	\$2,054	26.6 %

The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take three years for the proposed subject hotel to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the proposed subject hotel's operating budget and comparable income and expense statements. The forecast is based upon fiscal years beginning June 1, 2026, expressed in inflated dollars for each year.

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

It is important to note that the event center performance line item is the net total of all expenses and revenues related to the operation of the event center. The breakout of the event center revenue and expenses is located in the event center chapter of this report.

### Rooms Revenue

Rooms revenue is determined by two variables: occupancy and average rate (ADR). We projected occupancy and ADR in a previous section of this report. The proposed subject hotel is expected to stabilize at an occupancy level of 73% with an ADR of \$196.24 in 2028/29. Following the stabilized year, the proposed subject hotel's ADR is projected to increase along with the underlying rate of growth assigned to EBITDA Less Replacement Reserve.

### Food and Beverage Revenue

Food and beverage (F&B) revenue is generated by a hotel's restaurants, lounges, coffee shops, snack bars, banquet rooms, and room service. In addition to providing a source of revenue, these outlets serve as an amenity that assists in the sale of guestrooms. With the exception of properties with active lounges or banquet facilities that draw local residents, in-house guests generally represent a substantial percentage of a hotel's F&B patrons. In the case of the Proposed Hotel Lawrence and Event Center, the F&B department will include a restaurant and a rooftop bar and lounge; moreover, banquet space is expected to encompass 25,200 square feet. It is important to note that the event center performance line item is the net total of all expenses and revenues related to the operation of the event center. The breakout of the event center revenue and expenses is located in the event center chapter of this report.

Although F&B revenue varies directly with changes in occupancy, the small portion generated by banquet sales and outside capture is relatively fixed.

**FIGURE 7-7 FOOD AND BEVERAGE REVENUE**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026/27	Deflated Stabilized
<b>Food &amp; Beverage Revenue</b>							
Percentage of Revenue	9.8 %	0.0 %	39.1 %	4.5 %	7.9 %	32.3 %	36.0 %
Per Available Room	\$4,267	\$0	\$39,407	\$2,068	\$2,698	\$22,732	\$24,988
Per Occupied Room	\$15.35	\$0.00	\$163.39	\$6.80	\$11.24	\$90.26	\$93.78

**Other Operated Departments Revenue**

According to the USALI, other operated departments include any major or minor operated department other than rooms and F&B.

**FIGURE 7-8 OTHER OPERATED DEPARTMENTS REVENUE**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026/27	Deflated Stabilized
Percentage of Revenue	0.1 %	0.1 %	3.9 %	2.3 %	2.7 %	1.7 %	1.5 %
Per Available Room	\$51	\$63	\$3,967	\$1,039	\$933	\$1,200	\$1,066
Per Occupied Room	\$0.18	\$0.24	\$16.45	\$3.42	\$3.89	\$4.77	\$4.00

**Miscellaneous Income**

The miscellaneous income sources comprise those other than guestrooms, F&B, and the other operated departments. Changes in this revenue item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

**FIGURE 7-9 MISCELLANEOUS INCOME**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026/27	Deflated Stabilized
Percentage of Revenue	0.9 %	1.8 %	0.4 %	0.1 %	0.2 %	0.4 %	0.4 %
Per Available Room	\$386	\$879	\$419	\$27	\$76	\$300	\$266
Per Occupied Room	\$1.39	\$3.38	\$1.74	\$0.09	\$0.32	\$1.19	\$1.00

**Rooms Expense**

Rooms expense consists of items related to the sale and upkeep of guestrooms and public space. Salaries, wages, and employee benefits account for a substantial portion of this category. Although payroll varies somewhat with occupancy, and managers can generally scale the level of service staff on hand to meet an expected occupancy level, much of a hotel's payroll is fixed. A base level of front desk



personnel, housekeepers, and supervisors must be maintained at all times. As a result, salaries, wages, and employee benefits are only moderately sensitive to changes in occupancy.

Commissions and reservations are usually based on room sales and, thus, are highly sensitive to changes in occupancy and ADR. While guest supplies vary 100% with occupancy, linens and other operating expenses are only slightly affected by volume.

**FIGURE 7-10 ROOMS EXPENSE**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026/27	Deflated Stabilized
Percentage of Revenue	27.3 %	25.3 %	24.5 %	17.5 %	19.3 %	24.0 %	23.0 %
Per Available Room	\$10,637	\$11,989	\$13,936	\$7,497	\$5,851	\$11,087	\$9,900
Per Occupied Room	\$38.26	\$46.12	\$57.78	\$24.66	\$24.39	\$44.02	\$37.16

**Food and Beverage Expense**

Food expenses consist of items necessary for the primary operation of a hotel's food and banquet facilities. The costs associated with food sales and payroll are moderately to highly correlated to food revenues. Items such as dishware, linens, and uniforms are less dependent on volume. Although the other expense items are basically fixed, they represent a relatively insignificant factor. Beverage expenses consist of items necessary for the operation of a hotel's lounge and bar areas. The costs associated with beverage sales and payroll are moderately to highly correlated to beverage revenues.

**FIGURE 7-11 FOOD AND BEVERAGE EXPENSE**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026/27	Deflated Stabilized
Percentage of Revenue	114.0 %	0.0 %	85.6 %	144.7 %	87.5 %	144.1 %	133.2 %
Per Available Room	\$4,863	\$0	\$33,735	\$2,992	\$2,361	\$16,243	\$15,890
Per Occupied Room	\$17.49	\$0.00	\$139.88	\$9.84	\$9.84	\$64.49	\$59.64

**Other Operated Departments Expense**

Other operated departments expense includes all expenses reflected in the summary statements for the divisions associated in these categories, as discussed previously in this chapter.

**FIGURE 7-12 OTHER OPERATED DEPARTMENTS EXPENSE**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026/27	Deflated Stabilized
Percentage of Revenue	81.4 %	0.0 %	53.9 %	21.1 %	25.8 %	65.8 %	65.0 %
Per Available Room	\$41	\$0	\$2,140	\$220	\$241	\$789	\$693
Per Occupied Room	\$0.15	\$0.00	\$8.87	\$0.72	\$1.00	\$3.13	\$2.60

**Administrative and General Expense**

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

Most administrative and general expenses are relatively fixed. The exceptions are cash overages and shortages; commissions on credit card charges; provision for doubtful accounts, which are moderately affected by the number of transactions or total revenue; and salaries, wages, and benefits, which are very slightly influenced by volume.

**FIGURE 7-13 ADMINISTRATIVE AND GENERAL EXPENSE**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026/27	Deflated Stabilized
Percentage of Revenue	9.8 %	8.9 %	10.5 %	6.8 %	9.8 %	7.6 %	6.8 %
Per Available Room	\$4,270	\$4,307	\$10,531	\$3,120	\$3,338	\$5,380	\$4,750
Per Occupied Room	\$15.36	\$16.57	\$43.67	\$10.26	\$13.91	\$21.36	\$17.83

**Information and Telecommunications Systems Expense**

Information and telecommunications systems expense consists of all costs associated with a hotel’s technology infrastructure. This includes the costs of cell phones, administrative call and Internet services, and complimentary call and Internet services. Expenses in this category are typically organized by type of technology or the area benefiting from the technology solution.

**Marketing Expense**

Marketing expense consists of all costs associated with advertising, sales, and promotion; these activities are intended to attract and retain customers. Marketing can be used to create an image, develop customer awareness, and stimulate patronage of a property’s various facilities.

The marketing category is unique in that all expense items, with the exception of fees and commissions, are totally controlled by management. Most hotel operators

establish an annual marketing budget that sets forth all planned expenditures. If the budget is followed, total marketing expenses can be projected accurately.

Marketing expenditures are unusual because, although there is a lag period before results are realized, the benefits are often extended over a long period. Depending on the type and scope of the advertising and promotion program implemented, the lag time can be as short as a few weeks or as long as several years. However, the favorable results of an effective marketing campaign tend to linger, and a property often enjoys the benefits of concentrated sales efforts for many months.

**FIGURE 7-14 MARKETING EXPENSE**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026/27	Deflated Stabilized
Percentage of Revenue	4.5 %	4.6 %	6.2 %	8.1 %	6.5 %	5.7 %	4.6 %
Per Available Room	\$1,955	\$2,220	\$6,232	\$3,725	\$2,228	\$3,987	\$3,200
Per Occupied Room	\$7.03	\$8.54	\$25.84	\$12.25	\$9.29	\$15.83	\$12.01

**Franchise Fee**

As discussed previously, the proposed subject property is expected to be franchised under a soft-brand. Costs associated with a typical soft-brand franchise are summarized in the introductory chapter in this report.

Marketing expense and franchise fees are often analyzed in total because hotels may account for some components of franchise expense in the marketing expense category. The subject property’s total marketing and franchise expense has been forecast at 9.3% of total revenue on a stabilized basis; the comparable operating statements show a range from 10.1% to 16.3% of total revenue.

**Property Operations and Maintenance**

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

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

The age of a lodging facility has a strong influence on the required level of maintenance. A new or thoroughly renovated property is protected for several years by modern equipment and manufacturers' warranties. However, as a hostelry

grows older, maintenance expenses escalate. A well-organized preventive maintenance system often helps delay deterioration, but most facilities face higher property operations and maintenance costs each year, regardless of the occupancy trend. The quality of initial construction can also have a direct impact on future maintenance requirements. The use of high-quality building materials and construction methods generally reduces the need for maintenance expenditures over the long term.

Changes in this expense item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy.

**FIGURE 7-15 PROPERTY OPERATIONS AND MAINTENANCE EXPENSE**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026/27	Deflated Stabilized
Percentage of Revenue	4.2 %	5.9 %	3.3 %	5.0 %	3.4 %	3.8 %	3.6 %
Per Available Room	\$1,841	\$2,841	\$3,273	\$2,322	\$1,166	\$2,690	\$2,500
Per Occupied Room	\$6.62	\$10.93	\$13.57	\$7.64	\$4.86	\$10.68	\$9.38

**Utilities Expense**

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

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

**FIGURE 7-16 UTILITIES EXPENSE**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026/27	Deflated Stabilized
Percentage of Revenue	4.6 %	4.6 %	2.1 %	4.0 %	5.1 %	3.5 %	3.2 %
Per Available Room	\$1,994	\$2,223	\$2,104	\$1,822	\$1,731	\$2,492	\$2,200
Per Occupied Room	\$7.17	\$8.55	\$8.72	\$5.99	\$7.21	\$9.89	\$8.26

**Management Fee**

Management expense consists of the fees paid to the managing agent contracted to operate the property. Some companies provide management services and a brand-name affiliation (first-tier management company), while others provide management services alone (second-tier management company). Some management contracts specify only a base fee (usually a percentage of total revenue), while others call for both a base fee and an incentive fee (usually a percentage of defined profit). Basic hotel management fees are often based on a percentage of total revenue, which means they have no fixed component. While base fees typically range from 2.0% to 4.0% of total revenue, incentive fees are deal specific and often are calculated as a percentage of income available after debt service and, in some cases, after a preferred return on equity. Total management fees for the proposed subject hotel have been forecast at 3.0% of total revenue.

**Property Taxes**

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

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

**FIGURE 7-17 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS**

<b>Hotel</b>	<b>Year Open</b>	<b>Land</b>	<b>Real Property</b>	<b>Total</b>
Holiday Inn Express & Suites Rock Falls	2016	\$24,890	\$1,218,402	\$1,243,292
Country Inn & Suites By Radisson Rock Falls	1999	42,166	807,834	850,000
<i>Assessments per Room</i>		<i># of Rms</i>		
Holiday Inn Express & Suites Rock Falls	68	\$366	\$17,918	\$18,284
Country Inn & Suites By Radisson Rock Falls	80	527	10,098	10,625
<b>Positioned Subject - Per Room</b>	<b>75</b>	<b>\$500</b>	<b>\$19,000</b>	<b>\$19,500</b>
<b>Positioned Subject - Total</b>		<b>\$37,500</b>	<b>\$1,425,000</b>	<b>\$1,462,500</b>

Source: Whiteside County Assessor's Office

We have positioned the future assessment levels of the subject site and proposed improvements based upon the illustrated comparable data for properties in Whiteside County, whereas Davenport and Rockford are located in other counties. We have positioned the real property assessment closest to the Holiday Inn Express because of the similarities in location and newer construction; overall, the positioned assessments are well supported by the market data.

Tax rates are based on the city and county budgets, which change annually. The most recent tax rate in this jurisdiction was reported at 10.68490. The following table shows changes in the tax rate during the last several years.

**FIGURE 7-18 COUNTY TAX RATES**

<b>Year</b>	<b>Real Property Tax Rate</b>
2019	11.14850
2020	11.01520
2021	10.93360
2022	10.68490

Source: Whiteside County Assessor's Office

Based on comparable assessments and the tax rate information, the following table illustrates the proposed subject property's projected property tax expense levels.

**FIGURE 7-19 PROJECTED PROPERTY TAX BURDEN (BASE YEAR)**

	Real Property		
	Land	Improvements	Total
Positioned (Assessed Value)	\$37,500	\$1,425,000	\$1,462,500
Tax Rate			10.68490
Tax Burden as of Current Assessment Year			\$156,267

**FIGURE 7-20 PROJECTED PROPERTY TAX EXPENSE – REAL PROPERTY**

Year	Real Property			
	Real Tax Burden (Positioned Prior to)	Base Rate of Tax Burden Increase	% of Positioned Tax Burden	Taxes Payable
Positioned	\$156,267	—		\$156,267
2026/27	\$156,267	16.5 %	100 %	\$182,035
2027/28	182,035	3.0	100	187,496
2028/29	187,496	3.0	100	193,121
2029/30	193,121	3.0	100	198,915
2030/31	198,915	3.0	100	204,882
2031/32	204,882	3.0	100	211,029
2032/33	211,029	3.0	100	217,360

**FIGURE 7-21 PROJECTED PROPERTY TAX EXPENSE – SUMMARY**

Year	Taxes Payable		Total Tax Payable
	Real	Total	
Positioned	\$156,267	\$156,267	\$156,267
2026/27	\$182,035	\$182,035	\$182,035
2027/28	\$187,496	187,496	187,496
2028/29	\$193,121	193,121	193,121
2029/30	\$198,915	198,915	198,915
2030/31	\$204,882	204,882	204,882
2031/32	\$211,029	211,029	211,029
2032/33	\$217,360	217,360	217,360



### Insurance Expense

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

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

**FIGURE 7-22 INSURANCE EXPENSE**

	Comparable Operating Statements					Proposed Subject Property Forecast	
	#1	#2	#3	#4	#5	2026/27	Deflated Stabilized
Percentage of Revenue	0.9 %	0.3 %	0.8 %	0.9 %	1.5 %	1.6 %	1.4 %
Per Available Room	\$415	\$146	\$847	\$418	\$495	\$1,145	\$1,000
Per Occupied Room	\$1.49	\$0.56	\$3.51	\$1.37	\$2.06	\$4.55	\$3.75

### Reserve for Replacement

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

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

The International Society of Hospitality Consultants (ISHC) oversees a major industry-sponsored study of the capital expenditure requirements for full-service/luxury, select-service, and extended-stay hotels. The most recent study was published in 2018.<sup>6</sup> Historical capital expenditures of well-maintained hotels were investigated through the compilation of data provided by most of the major hotel companies in the United States. A prospective analysis of future capital expenditure

<sup>6</sup> The International Society of Hotel Consultants, *CapEx 2018, A Study of Capital Expenditures in the U.S. Hotel Industry*.

requirements was also performed based upon the cost to replace short- and long-lived building components over a hotel's economic life. The study showed that the capital expenditure requirements for hotels vary significantly from year to year and depend upon both the actual and effective ages of a property. The results of this study showed that hotel lenders and investors are requiring reserves for replacement ranging from 4.0% to 5.0% of total revenue.

Based upon the results of our analysis, our review of the proposed subject asset, and current industry norms, a reserve for replacement equal to 4.0% of total revenues has been factored into our forecast of revenue and expense for funding the periodic replacement of the proposed subject property's FF&E. This amount has been ramped up during the initial projection period.

**Forecast of Revenue and Expense Conclusion**

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

**FIGURE 7-23 FORECAST OF REVENUE AND EXPENSE CONCLUSION**

	Year	Total Revenue		Gross Operating Profit		House Profit Ratio	EBITDA Less Replacement Reserve		
		Total	% Change	Total	% Change		Total	% Change	As a % of Ttl Rev
<b>Projected</b>	2026/27	\$5,276,000	—	\$1,775,000	—	33.6 %	\$1,243,000	—	23.6 %
	2027/28	5,816,000	10.2 %	2,094,000	18.0 %	36.0	1,469,000	18.2 %	25.3
	2028/29	6,320,000	8.7	2,415,000	15.3	38.2	1,688,000	14.9	26.7
	2029/30	6,501,000	2.9	2,484,000	2.9	38.2	1,736,000	2.8	26.7
	2030/31	6,688,000	2.9	2,555,000	2.9	38.2	1,785,000	2.8	26.7

## 8. Event Center Analysis

### Description of Venue

Located in the renovated historical Lawrence Building in downtown Sterling, the Proposed Hotel Lawrence and Event Center would serve the city as the primary venue for conferences, assemblies, and corporate meetings. It would also host large social events, weddings, and local community meetings. For the purpose of this analysis, HVS assumes the Proposed Event Center would be managed by the future hotel owner/operator and run as a department of the hotel's operation.

The following image provides an aerial view of the Proposed Hotel Lawrence and Event Center site and the surrounding infrastructure. The Proposed Event Center would be on the second and third floors of building number two, highlighted in the image.

**AERIAL VIEW OF THE PROPOSED HOTEL LAWRENCE AND EVENT CENTER**



Source: Gorman & Co. Master Development Plan

HVS obtained the building program for the Proposed Event Center from the project developer and architect. The following table summarizes the available function space and the associated square footage estimates and capacities.

**FIGURE 8-1  
FACILITY PROGRAM AND CAPACITIES**

Event Space	Total Area (SF)	Capacities		
		Theatre	Banquet	Classroom
<b>Grand Ballroom</b>	<b>9,700</b>	970	490	650
Sub-Divisions				
Division 1	3,230	320	180	220
Division 2	3,230	320	180	220
Division 3	3,230	320	180	220
<b>Conference Rooms</b>	<b>13,640</b>			
Conference Room 1	3,830	380	190	260
Conference Room 2	2,440	240	120	160
Conference Room 3	2,070	210	100	140
Conference Room 4	1,970	200	100	130
Conference Room 5	1,970	200	100	130
Conference Room 6	1,360	140	70	90
<b>Board Rooms</b>	<b>1,825</b>			
Board Room Block	1,000			
Small Board Rooms (4)	250	30	10	20
Large Board Room	825	80	40	60
<b>TOTAL FUNCTION SPACE</b>	<b>25,165</b>			

Source: Gorman & Co.

The Proposed Event Center would include a two-level, 9,700-square-foot Grand Ballroom with a banquet capacity of up to 490 guests. The facility would also include six conference rooms of varying sizes, totaling 13,640 square feet of meeting space. A block of four board rooms and one large board room offer an additional 1,825 square feet of meeting space for the facility.

**Comparable & Competitive Venues**

HVS gathered information on competitive and comparable venues to provide a basis for potential demand profiles and building program recommendations. HVS analyzed each facility's available function spaces and other amenities, along with market characteristics relevant to the venue's success.

For this analysis, HVS defined the local events market as the City of Sterling and adjacent towns in a 25-mile radius, including Rock Falls, Dixon, and Deer Grove. The regional event market encompasses most of northwest Illinois and parts of

northeast Iowa, which includes relatively significant metropolitan areas in Rockford and the Quad Cities. HVS analyzed six local event venues, seven competitive hotel and conference centers in the regional market, and five comparable hotel and conference centers in similarly sized markets across the United States.

The venues and their locations are listed in the figure below, along with the total amount of function space and adjacent hotel rooms associated with the property.

**FIGURE 8-2  
COMPARABLE & COMPETITIVE VENUES**

Name of Venue	Location	Total Function Space (sf)	Adjcent Hotel Rooms
<b>Local Competitive Venues</b>			
McCormick Event Center	Rock Falls	7,000	0
Brandywine	Dixon	6,100	0
Deer Valley Country Club	Deer Grove	3,900	0
Days Inn Rock Falls	Rock Falls	3,700	117
Post House Ballroom	Dixon	3,500	0
Rock River Golf & Pool	Rock Falls	3,500	0
<b>Regional Competitive Venues</b>			
Isle Hotel & Convention Center	Bettendorf	30,500	509
Riverview Inn & Suites	Rockford	29,500	84
Double Tree by Hilton Davenport	Davenport	18,900	221
Embassy Suites Rockford	Rockford	15,700	160
Stoney Creek Hotel Quad Cities	Moline	9,900	140
Hotel Blackhawk	Davenport	8,900	130
Radisson Hotel Rockford	Rockford	7,900	114
<b>Comparable National Venues</b>			
Billings Hotel and Convention Center	Billings	20,000	236
Ramkota Hotel Bismarck	Bismarck	19,900	305
Red Lion Hotel Cheyenne	Cheyenne	19,100	245
Southbridge Hotel & Conference Center	Southbridge	17,100	203
Heartwood Conference Center & Retreat	Trego	10,000	52

Source: Respective Venues

The local area has just one dedicated event facility, the McCormick Event Center, with restaurant banquet halls and county clubs supplying the remaining relevant event space. Several venues are situated across Rock River from Sterling in neighboring Rock Falls, with others located in the nearby towns of Dixon and Deer Grove. The Days Inn Rock Falls is the only local hotel with relevant event space. While not listed here, several refurbished barns and homestead properties in the area also host weddings during the summer and fall. The aforementioned local

venues inform our understanding of the market but lack the function space and amenities to compete directly with the Proposed Event Center.

In the regional market, several hotel and conference centers from the Quad Cities area and Rockford provide competitive function space. Total available function space ranges from 30,500 square feet in the Isle Hotel & Convention Center in Bettendorf to 7,900 square feet in the Raddison Hotel in Rockford. The Isle Hotel & Convention Center has over 500 hotel rooms, but the other regional competitors have an average of 142 rooms.

HVS selected five comparable hotel and conference centers from around the United States based on function space and relative market size. The venues are in rural markets, including Billings, Montana; Bismarck, North Dakota; Cheyenne, Wyoming; Southbridge, Massachusetts; and Trego, Wisconsin. Function space ranges from 10,000 square feet at the Heartwood Conference Center & Retreat to roughly 20,000 square feet in the Billings Hotel & Convention Center.

The following sections will detail the ballroom space, meeting space, and adjacent hotel rooms for the competitive regional venues and comparable national venues.

### **Comparable & Competitive Venues – Ballroom Space**

In addition to social events that host banquets, several other types of events, such as conferences, typically require food services in a ballroom setting. General assemblies at conventions and tradeshow use a ballroom with a theater or banquet set-up. As facility operators attempt to grow food service revenues and event planners seek a higher level of service for their attendees, the ballroom size often determines a venue's event size capacity.

The figure below compares the amounts of available ballroom space in comparable and competitive venues.

**FIGURE 8-3  
BALLROOM SPACE IN COMPARABLE & COMPETITIVE VENUES**

Regional Competitive Venues			
Name	Location	Ballroom Space (sf)	# Divisions
Riverview Inn & Suites	Rockford	28,800	5
Isle Hotel & Convention Center	Bettendorf	23,800	6
<b>Proposed Hotel Lawrence and Event Center</b>	<b>Sterling</b>	<b>9,700</b>	<b>3</b>
DoubleTree by Hilton Davenport	Davenport	7,800	1
Embassy Suites Rockford	Rockford	7,400	2
Radisson Hotel Rockford	Rockford	7,200	1
Hotel Blackhawk	Davenport	4,800	2
Stoney Creek Hotel Quad Cities	Moline	4,800	3
Average		11,800	3

Comparable National Venues			
Name	Location	Ballroom Space (sf)	# Divisions
Billings Hotel and Convention Center	Billings	14,400	8
Ramkota Hotel Bismarck	Bismarck	12,000	3
<b>Proposed Hotel Lawrence and Event Center</b>	<b>Sterling</b>	<b>9,700</b>	<b>3</b>
Red Lion Hotel Cheyenne	Cheyenne	8,100	3
Southbridge Hotel & Conference Center	Southbridge	4,500	3
Heartwood Conference Center & Retreat	Trego	3,000	1
Average		8,617	4

Source: Respective Venues

The Proposed Event Center would rank third among the regional competitive venue set, trailing the Riverview Inn & Suites and the Isle Hotel & Convention Center, which have multiple ballrooms in their inventory. The Proposed Event Center leads the remaining regional competitive venues.

Among comparable national venues, the Proposed Event Center again ranks third and above the average total ballroom space for the set. The Billings Hotel and Convention Center is the only venue that offers multiple ballroom spaces, each with multiple options for divisibility.

**Comparable & Competitive Venues – Meeting Space**

Meeting rooms can accommodate sub-groups as they break out of larger general sessions at conferences and other events. Additionally, smaller rooms can support self-contained meetings, training sessions, seminars, classes, and various small meeting functions. A facility’s meeting rooms are often its most frequently used function spaces. Generally, conference centers should offer meeting space proportionate to the amount of ballroom space available at the facility. However, the optimum amount of meeting space can vary depending on the type of events that a venue may attract and the needs of event planners.



The following figure compares available meeting space in comparable and competitive venues.

**FIGURE 8-4  
MEETING SPACE IN COMPARABLE & COMPETITIVE VENUES**

Regional Competitive Venues			
Name	Location	Meeting Space (sf)	# Rooms
<b>Proposed Hotel Lawrence and Event Center</b>	<b>Sterling</b>	<b>15,500</b>	<b>11</b>
DoubleTree by Hilton Davenport	Davenport	11,100	10
Embassy Suites Rockford	Rockford	8,200	11
Isle Hotel & Convention Center	Bettendorf	6,700	7
Stoney Creek Hotel Quad Cities	Moline	5,100	7
Hotel Blackhawk	Davenport	4,100	4
Riverview Inn & Suites	Rockford	700	2
Radisson Hotel Rockford	Rockford	700	3
Average		6,513	7

Comparable National Venues			
Name	Location	Meeting Space (sf)	# Rooms
<b>Proposed Hotel Lawrence and Event Center</b>	<b>Sterling</b>	<b>15,500</b>	<b>11</b>
Southbridge Hotel & Conference Center	Southbridge	12,600	16
Red Lion Hotel Cheyenne	Cheyenne	11,000	8
Ramkota Hotel Bismarck	Bismarck	7,900	8
Heartwood Conference Center & Retreat	Trego	7,000	8
Billings Hotel and Convention Center	Billings	5,600	9
Average		9,933	10

Source: Respective Venues

The Proposed Event Center ranks first, with the largest available meeting space and quantity of rooms among the regional competitive venues. The DoubleTree by Hilton Davenport and the Embassy Suites Rockford properties contain a sizable amount of meeting space with ample rooms. At the other end of the spectrum, the Riverview Inn & Suites and the Radisson Hotel in Rockford lack adequate breakout space for larger events. They can only accommodate small group meetings with their current inventory.

Among comparable national venues, the Proposed Event Center again ranks 1<sup>st</sup> and well above the average total meeting space for the set. Each venue in the set has adequate meeting space and room counts to accommodate breakout groups for larger events.

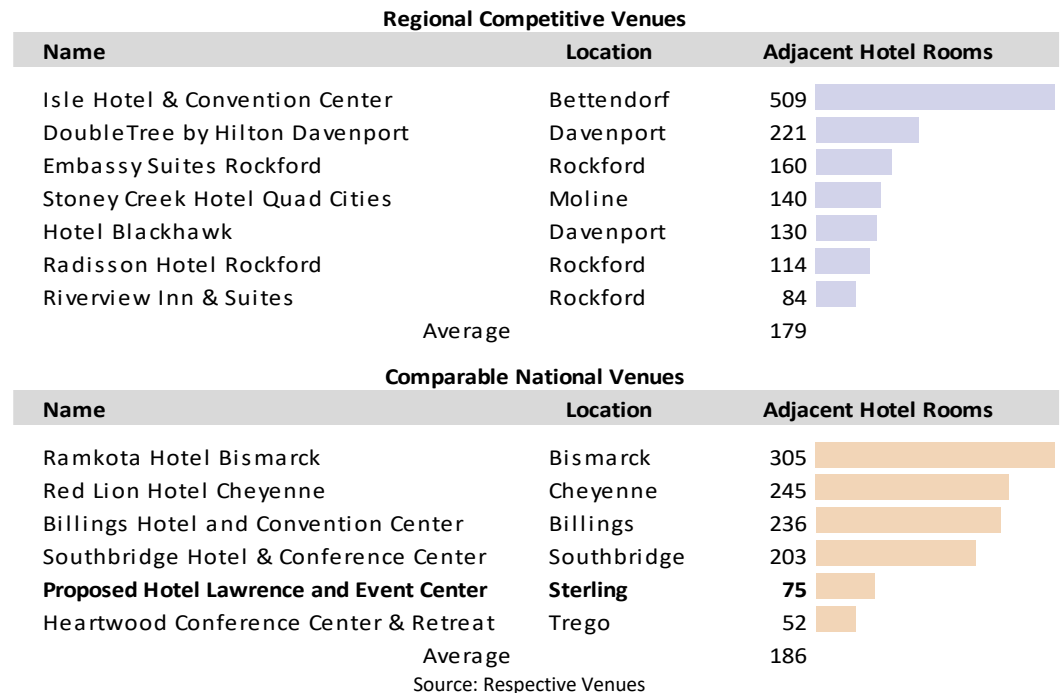
**Comparable & Competitive Venues – Adjacent Hotel Rooms**

Hotel supply quality and proximity represent one of facility users' most important selection factors. To attract out-of-town groups, an adequate supply of adjacent hotel rooms should support the lodging needs of delegates, exhibitors, and other

attendees. Event planners consider proximity and connectivity critical factors when evaluating the overall hotel package. The number of rooms offered at adjacent or connected hotels is a key point of comparison. Other important factors include hotel brands, service levels, building conditions, quality of service, ease of access, and available meeting and banquet spaces in these hotels.

The figure below compares the number of adjacent hotel rooms in comparable and competitive venues.

**FIGURE 8-5  
ADJACENT HOTEL ROOMS IN COMPARABLE & COMPETITIVE VENUES**



The Proposed Event Center ranks last in adjacent hotel rooms and is well below average for competitive regional venues. With all but one of the competitive regional properties offering over 100 adjacent rooms, the Proposed Hotel Lawrence and Event Center is disadvantaged when event planners look for a venue that can block a sizable number of rooms for event attendees.

Among the comparable national venues, the Proposed Event Center ranks fifth and well below the average number of adjacent hotel rooms. The Heartwood Conference Center & Retreat is the only venue with a smaller inventory of adjacent hotel rooms, with just 52 rooms.

**Function Space to Hotel Room Ratio**

When considering the available function space in a venue, it is important to recognize the ratio of function space to the total number of adjacent hotel rooms. Venues with adequately proportioned function space to hotel room count can capitalize on room blocking and overnight stays generated by events at the venue.

The table below summarizes the ratio of function space to adjacent hotel rooms for comparable and competitive venues. Higher ratios represent an overabundance of function space for available hotel rooms; lower ratios represent function space adequate for the available hotel rooms. A common practice in the industry is to ratio between 60 and 100 square feet of function space per hotel room.

**FIGURE 8-6  
FUNCTION SPACE TO ADJACENT HOTEL ROOM RATIOS IN COMPARABLE & COMPETITIVE VENUES**

Venue	Adjacent Hotel Rooms	Function Space			Total Function Space per Hotel Room
		Ballroom (sf)	Meeting (sf)	Total (sf)	
<b>Regional Competitive Venues</b>					
Isle Hotel & Waterfront Convention Center	509	23,800	6,700	30,500	60
Riverview Inn & Suites*	84	28,800	700	29,500	351
DoubleTree by Hilton Davenport	221	7,800	11,100	18,900	86
Embassy Suites Rockford	160	7,400	8,200	15,700	98
Stoney Creek Hotel Quad Cities	140	4,800	5,100	9,900	71
Hotel Blackhawk	130	4,800	4,100	8,900	68
Radisson Hotel & Conference Center Rockford	114	7,200	700	7,900	69
<i>*outlier property</i>				<b>High</b>	<b>351</b>
				<b>Average</b>	<b>115</b>
				<b>Average excluding outlier</b>	<b>75</b>
				<b>Low</b>	<b>60</b>
<b>National Comparable Venues</b>					
Billings Hotel and Convention Center	236	14,400	5,600	20,000	85
Bismarck Hotel & Conference Center	305	12,000	7,900	19,900	65
Red Lion Hotel Cheyenne	245	8,100	11,000	19,100	78
Southbridge Hotel & Conference Center	203	4,500	12,600	17,100	84
Heartwood Conference Center & Retreat*	52	3,000	7,000	10,000	192
<i>*outlier property</i>				<b>High</b>	<b>192</b>
				<b>Average</b>	<b>101</b>
				<b>Average excluding outlier</b>	<b>78</b>
				<b>Low</b>	<b>65</b>
Proposed Hotel Lawrence and Event Center	75	9,700	15,500	25,200	336

Source: Respective Venues

The Proposed Event Center is well above the average ratio of function space to adjacent hotel room count for regional competitive and national comparable

## Building Program Recommendations

venues. Only the Riverview Inn & Suites has a similar ratio, roughly 350 square feet of function space per hotel room. The Proposed Hotel Lawrence and Event Center would have difficulty competing for events requiring significant hotel room blocks, especially for events looking to have all attendees staying under one roof. When large events are booked, not all the hotel room nights would be captured by the Proposed Hotel Lawrence and Event Center.

In conversation with the project's developers and architects, HVS developed building program recommendations for the Proposed Event Center development. These recommendations to the facility program can serve as a guide for subsequent physical planning.

**Multipurpose Ballroom**—The ballroom should have convenient access to the main lobby and other pre-function spaces, which are either stand-alone or shared with other function spaces. Service access should be such that each division of the multipurpose hall has independent rear access, allowing an event to occur in one division while another is being serviced for a separate event. The space would serve multiple purposes and event types and should contain the following amenities.

- a minimum of 21-foot ceiling height,
- movable walls that provide good sound separation,
- durable wall and floor finishes,
- acoustical wall and ceiling treatments for amplified voice and music,
- built-in sound and AV systems,
- rigging points, lights, signs, and decorations (500-pound live load),
- in-floor utility boxes with communications and power,
- floor loads of at least 150 lbs. per square foot,
- variable lighting options with pre-set and dimming capabilities that are controllable at wall panels, and
- black-out capability for visual presentations

**Conference & Meeting Rooms**—Meeting rooms are essential to provide breakout space for larger conference and assembly events and to support stand-alone meetings and food and beverage functions. While site constraints and other design issues will affect the final layout of these functional spaces, the configuration of conference rooms and meeting room blocks should be such that they conveniently support the multipurpose ballroom. Meeting rooms should be conveniently

accessible for attendees and efficiently serviced by event staff and contain the following amenities.

- minimum 12-foot ceiling heights,
- movable walls that provide good sound separation,
- built-in sound and AV systems,
- good acoustics for amplified voice and music,
- in-wall communications and power, and one floor box per division,
- variable lighting options with pre-set and dimming capabilities that are controllable at wall panels, and
- black-out capability for visual presentations.

### Demand Projections

HVS based event demand projections at the Proposed Hotel Lawrence and Event Center on the following research and analysis:

- The facility program and recommendations presented above,
- Industry data and trends reports,
- Comparable venue program and demand data, and
- Discussions with representatives from the Greater Sterling Development Corporation, companies with headquarters in or around Sterling, and other community stakeholders.

HVS constructed a demand profile for the Proposed Event Center and classified all events into one of the following categories.

**Conferences**—require a mix of banquet and breakout space set-up as well as occasional assembly space. Any organization type can conduct conferences but always requires attendees to be registered. Regional association conferences are the most likely conference held at the Proposed Events Center.

**Weddings**—usually require a ballroom set up for a ceremony and/or a reception with catered food service. If ceremonies are held at the event center, breakout rooms can be utilized by the wedding party as private preparation spaces.

**Social Events**—commonly require ballroom space with a banquet set-up for food and beverage meal service. Any organizational type can also produce these events, which are usually held privately or require guests to register. Examples include large social gatherings held by local corporations, local organization celebrations, and private events.

**Event Demand  
Forecast**

**Large & Small Corporate Meetings**—do not commonly utilize ballroom space and usually require just breakout space set-up. Local corporations with headquarters in the market may utilize the space to host regular internal and client meetings. Food service is limited to coffee breaks, breakfasts, or luncheons in breakout rooms. Small Corporate Meetings would be mostly internal company meetings, while Large Corporate Meetings would involve a greater share of client-related activities.

**Community Events**—are like corporate meetings in that they only require breakout space set-up. Local organizations characteristically hold these events to facilitate the planning and organization of objectives within the community. Food service is limited to coffee breaks, breakfasts, or luncheons in breakout rooms.

**Assemblies**—usually involve a ceremony, a speech, or another similar activity that attracts a crowd of spectators. Produced by any organization, assemblies are always public events. Additionally, assemblies require a plenary set-up and only require beverage service at most. Assemblies can include performances or gatherings associated with the Sterling High School Theatre Department, a perennial competitor in the Illinois High School Association State Drama Competition.

In developing the demand projections, HVS assumes all recommendations throughout this report are completed by June 1, 2026. HVS estimates that event demand for the facility would ramp up and stabilize in the third year of operation—June 1, 2028. Demand projections also assume the continued presence of a highly qualified, professional sales and management team for the Proposed Event Center.

The figure below breaks out event projections by type of event. Total and average attendance figures represent individual event attendees.

**FIGURE 8-7  
EVENT DEMAND SUMMARY**

Event Type	Events		Average Attendance		Total Attendance	
	Opening FY 2026	Stabilized FY 2028	Opening FY 2026	Stabilized FY 2028	Opening FY 2026	Stabilized FY 2028
Conferences	3	5	300	300	900	1,500
Weddings	25	35	250	250	6,300	8,800
Social Events	10	20	200	200	2,000	4,000
Large Corporate Meetings	55	75	50	50	2,800	3,800
Small Corporate Meetings	100	125	25	25	2,500	3,100
Community Events	20	30	50	50	1,000	1,500
Assemblies	5	10	400	400	2,000	4,000
<b>Total</b>	<b>218</b>	<b>300</b>			<b>17,500</b>	<b>26,700</b>

In the opening year, HVS projects that the Proposed Event Center would host 218 events with roughly 17,500 attendees, increasing to 300 total events and 26,700 attendees in a stabilized year of operations.

Weddings are projected to produce a significant portion of event demand, accounting for around a third of total attendance at stabilization. The current local wedding venue market consists of several outdoor venues and a few smaller banquet facilities, with neither option including adequate accommodations for overnight guests. The unique combination of ample event space, adjacent hotel rooms, and food service capabilities would give the Proposed Sterling Hotel & Events Center a competitive advantage in the local wedding market.

Corporate Meetings are projected to be the most common event held at the Proposed Event Center, totaling two-thirds of events at stabilization. Conversations with representatives from local corporations like Wahl Clipper and HALO Branded Solutions show that adequate corporate meeting space is lacking in the local market. These corporations would regularly utilize the Proposed Event Center's breakout and meeting space to conduct internal and client meetings.

Conferences and Assemblies are projected to have higher average attendance levels than other events as they would utilize ballroom and breakout space congruently. While highly attended, these events would be less frequent than other event types due to a lack of existing demand and ample supply of competitive facilities in the regional market.

Social and Community Events round out the demand profile, emphasizing the capture of local demand for event space. These events reflect the community's needs and thus may be more variable from year to year.

The following table shows the projected number of events and related attendees for the first five years of operations, with events and attendance ramping up from the opening year to the stabilized year and remaining consistent beyond.

**FIGURE 8-8  
EVENT & ATTENDANCE 5-YEAR PROJECTIONS**

	Opening FY 2026	FY 2027	Stabilized FY 2028	FY 2029	FY 2030
<b>Events</b>					
Conferences	3	4	5	5	5
Weddings	25	30	35	35	35
Social Events	10	15	20	20	20
Large Corporate Meetings	55	65	75	75	75
Small Corporate Meetings	100	110	125	125	125
Community Events	20	25	30	30	30
Assemblies	5	8	10	10	10
<b>Total</b>	<b>218</b>	<b>257</b>	<b>300</b>	<b>300</b>	<b>300</b>
<b>Attendees</b>					
Conferences	900	1,200	1,500	1,500	1,500
Weddings	6,300	7,500	8,800	8,800	8,800
Social Events	2,000	3,000	4,000	4,000	4,000
Large Corporate Meetings	2,800	3,300	3,800	3,800	3,800
Small Corporate Meetings	2,500	2,800	3,100	3,100	3,100
Community Events	1,000	1,300	1,500	1,500	1,500
Assemblies	2,000	3,200	4,000	4,000	4,000
<b>Total</b>	<b>17,500</b>	<b>22,300</b>	<b>26,700</b>	<b>26,700</b>	<b>26,700</b>

**Room Night Projections**

HVS calculated the potential generation of room nights by events at the Proposed Event Center. These room night estimates represent overall demand in the market and would not be entirely captured by the Proposed Hotel Lawrence and Event Center. Attendees who do not require overnight accommodations would be local residents or day trip visitors from neighboring markets. The following figure presents the assumptions used to generate room night projections.



**FIGURE 8-9  
ROOM NIGHT PARAMETERS**

Event Type	Occupied Room Nights Parameters					
	Percent Lodgers		Length of Stay		Lodgers per Room	
	Opening FY 2026	Stabilized FY 2028	Opening FY 2026	Stabilized FY 2028	Opening FY 2026	Stabilized FY 2028
Conferences	65%	65%	2.0	2.0	1.1	1.1
Weddings	35%	35%	1.5	1.5	2.0	2.0
Social Events	5%	5%	1.0	1.0	2.0	2.0
Large Corporate Meetings	75%	75%	2.0	2.0	1.1	1.1
Small Corporate Meetings	65%	65%	1.5	1.5	1.1	1.1
Community Events	0%	0%	1.0	1.0	1.0	1.0
Assemblies	35%	35%	1.0	1.0	2.0	2.0

Events at the Proposed Event Center generate varying room nights based on the profile of attendees associated with each event type.

Conferences and Corporate Meetings generate substantial business travel, characteristically including one lodger per room. Roughly two-thirds of Conference and Small Corporate Meeting attendees would come from outside the regional market and require a hotel room. A slightly higher percentage of Large Corporate Meeting attendees would require a hotel room since these meetings would largely be for current or potential clients. Conferences and Corporate Meetings are multi-day events with attendees generating between 1.5 and 2.0 room nights per event.

Weddings, Social Events, and Assemblies typically attract more family and leisure travel; thus, the average number of lodgers per room is higher. Most Weddings and Assemblies at the Proposed Event Center would be generated by local demand, with many attendees being local residents or regional day trip visitors. The remaining 35% of attendees would need overnight accommodations. Weddings are characteristically multi-day events averaging 2.0 room nights, while Assemblies are single-day events and would only require one overnight stay.

Considering the emphasis on local demand, Social and Community Events would rarely generate room nights. It is possible some regional travelers would attend a Social Event and choose to stay overnight, but it is assumed that no Community Event attendees would need a hotel room.

The following table shows the projected number of occupied room nights, lodgers, day trippers, and day trips generated by events at the Proposed Event Center for the first five years of operation.

**FIGURE 8-10  
ROOM NIGHT & DAY TRIP 5-YEAR PROJECTIONS**

	Opening FY 2026	FY 2027	Stabilized FY 2028	FY 2029	FY 2030
<b>Occupied Room Nights</b>					
Conferences	1,100	1,400	1,800	1,800	1,800
Weddings	1,700	2,000	2,300	2,300	2,300
Social Events	100	100	100	100	100
Large Corporate Meetings	3,800	4,500	5,200	5,200	5,200
Small Corporate Meetings	2,200	2,400	2,700	2,700	2,700
Assemblies	400	600	700	700	700
<b>Total</b>	<b>9,300</b>	<b>11,000</b>	<b>12,800</b>	<b>12,800</b>	<b>12,800</b>
<b>Lodgers</b>					
Conferences	600	800	1,000	1,000	1,000
Weddings	2,200	2,600	3,100	3,100	3,100
Social Events	100	200	200	200	200
Large Corporate Meetings	2,100	2,500	2,900	2,900	2,900
Small Corporate Meetings	1,600	1,800	2,000	2,000	2,000
Assemblies	700	1,100	1,400	1,400	1,400
<b>Total</b>	<b>7,300</b>	<b>9,000</b>	<b>10,600</b>	<b>10,600</b>	<b>10,600</b>
<b>Day Trippers</b>					
Conferences	300	400	500	500	500
Weddings	4,100	4,900	5,700	5,700	5,700
Social Events	1,900	2,800	3,800	3,800	3,800
Large Corporate Meetings	700	800	900	900	900
Small Corporate Meetings	900	1,000	1,100	1,100	1,100
Community Events	1,000	1,300	1,500	1,500	1,500
Assemblies	1,300	2,100	2,600	2,600	2,600
<b>Total</b>	<b>10,200</b>	<b>13,300</b>	<b>16,100</b>	<b>16,100</b>	<b>16,100</b>
<b>Day Trips</b>					
Conferences	800	1,000	1,300	1,300	1,300
Weddings	6,200	7,400	8,600	8,600	8,600
Social Events	1,900	2,800	3,800	3,800	3,800
Large Corporate Meetings	1,400	1,600	1,800	1,800	1,800
Small Corporate Meetings	1,400	1,500	1,700	1,700	1,700
Community Events	1,000	1,300	1,500	1,500	1,500
Assemblies	1,300	2,100	2,600	2,600	2,600
<b>Total</b>	<b>14,000</b>	<b>17,700</b>	<b>21,300</b>	<b>21,300</b>	<b>21,300</b>

**Financial Projections**

HVS uses a proprietary financial operating model to estimate revenues and expenses at conference centers. This model quantifies the key variables and operating ratios, determining revenue potential and expense levels. For the purpose of this analysis, we assume the Proposed Event Center would be operated as a

department of the Proposed Hotel Lawrence and Event Center and projected only event-related revenue and expenses.

We initially project financial operations in uninflated 2023 dollars for the base year (2026/27) and the stabilized year (2028/29), then apply an inflation rate of 2.5% to all line items (unless otherwise stated).

## Departmental Revenue

Departmental revenue is derived from event operations at the Proposed Event Center. Line items include Facility Rental, Food & Beverage, and Event Services. HVS estimates revenues as fixed amounts (subject to inflation) or as amounts per unit of demand. In this analysis, we used Event, Event Days, Attendee, and Attendee Days as units of demand. Event Days are the total number of days associated with specific events, while Attendee Days are the total days attendees visit the facility to attend an event. To formulate the revenue parameters (amounts per unit of demand), HVS relied on industry and market information, knowledge of the performance of comparable venues, and information on price levels from local area sources. We adjusted the assumptions for inflation and other anticipated trends in price levels.

A brief description of each line item follows.

**Food and Beverage**—Most events that use a venue’s function space will arrange food service for their attendees during their events. This food service includes catering, which can range from coffee breaks associated with a meeting to a full dinner associated with a convention or banquet. Most conferences generate demand for multiple meals during these multi-day events. Meetings and banquets generally include a single meal or refreshment services.

**Facility Rental**—Facility rental revenue includes the revenue venues receive from clients that reserve one or more function areas in the facility. Despite having published rates, conference centers typically charge rental fees based on negotiated daily rental fees. Not all events incur a facility rental fee. Management may reduce or waive the exhibit rental charges to book an event that generates significant food and beverage revenue or hotel room nights.

**Event Services**—Event Services include the fees charged to users for services that could include business services, audio and video technical assistance, set-up and take down of function spaces, cleaning services, security services, commissions from decorators, and other services provided by third-party contractors at events. Many events also require audio, video, communications, and internet services. Banquets and other upscale events can often require elaborate decorating services. Almost all events require cleaning services; cleaning of common areas may be complimentary for some events but can also represent a significant source of revenue. Service charges vary by type of event. Some of these services may be

included in the rental charges for using the facility, but others will be add-on service charges.

The figure below summarizes the revenue parameters for each unit of demand and by type of event.

**FIGURE 8-11  
REVENUE PARAMETERS (2023 \$)**

Revenue Line Item and Demand Source	Revenue Estimation Unit	Amount per Unit	
		Opening	Stabilized
<b>Facility Rental</b>			
Conferences	Event	\$6,000	\$6,000
Weddings	Event	\$5,000	\$5,000
Social Events	Event	\$2,250	\$2,250
Large Corporate Meetings	Event Days	\$750	\$750
Small Corporate Meetings	Event Days	\$500	\$500
Community Events	Event	\$500	\$500
Assemblies	Event	\$1,500	\$1,500
<b>Food &amp; Beverage (Gross)</b>			
Conferences	Attendee	\$35.00	\$35.00
Weddings	Attendee	50.00	50.00
Social Events	Attendee	15.00	15.00
Large Corporate Meetings	Attendee Days	7.50	7.50
Small Corporate Meetings	Attendee Days	7.50	7.50
Community Events	Attendee	5.00	5.00
Assemblies	Attendee	5.00	5.00
<b>Events Services</b>			
Conferences	Event	\$2,000	\$2,000
Weddings	Event	1,500	1,500
Social Events	Event	750	750
Large Corporate Meetings	Event	150	150
Small Corporate Meetings	Event	100	100
Community Events	Event	200	200
Assemblies	Event	500	500

**Departmental Expenses**

HVS estimates operating expenses as a blend of fixed and variable costs. Expenses have 1) a fixed component that changes with inflation and 2) a variable component that depends on the level of facility utilization. Fixed expenses may also increase or decrease due to changes in operating conditions or management decisions. For example, the addition of staff could increase fixed salary expenses. All fixed expenses are adjusted for inflation. HVS estimates variable expenses using a ratio-to-sales analysis or based on amounts per unit of utilization, such as the number of events, attendees, or some other factor.

A brief description of each expense line item follows.

**Salaries & Benefits**—include compensation for permanent full-time employees dedicated to the operations of the Proposed Event Center. HVS assumes the Proposed Event Center would require one general manager at a salary of \$75,000 and two event coordinators at salaries of \$50,000, with associated benefits totaling 25% of each position’s salary.

**Food & Beverage Costs**—includes the costs of food and beverages sold and the labor associated with food preparation and service.

**Event Services Costs**—includes recurring and one-time costs incurred by the venue in the production and staging of an event. These include sound and lighting, security, cleaning, and event set-up.

The figure below summarizes the expense parameters for each unit of demand and by type of event.

**FIGURE 8-12  
EXPENSE PARAMETERS (2023 \$)**

Expense Line Item	Estimation Method	Unit	Amount Per Unit		Fixed %
			Opening	Stabilized	
<b>Departmental Expense</b>					
Salaries & Benefits	Fixed Amount		\$218,750	\$218,750	100%
Food & Beverage Costs	Ratio to Sales	Food & Beverage (Gross)	70.00%	65.00%	35%
Event Services Costs	Ratio to Sales	Events Services	85.00%	75.00%	35%

**Departmental  
Pro Forma**

The figure below compares inflated operating statement projections for the opening year (2026) with inflated operating statement projections for a stabilized year of operations (2029).

**FIGURE 8-13  
FINANCIAL OPERATING PROJECTS (2026 \$ THOUSANDS)**

	Opening Year		Stabilized Year	
	FY 2026		FY 2028	
	Amount (000s)	% Total	Amount (000s)	% Total
<b>Departmental Revenue</b>				
Facility Rental	\$395	38.8%	\$592	38.3%
Food & Beverage (Gross)	536	52.6%	819	52.9%
Events Services	88	8.6%	137	8.8%
<b>Total Departmental Revenue</b>	<b>1,019</b>	<b>100.0%</b>	<b>1,548</b>	<b>100.0%</b>
<b>Departmental Expense</b>				
Salaries & Benefits	\$254	24.9%	\$267	17.2%
Food & Beverage Costs	375	36.8%	532	34.4%
Event Services Costs	75	7.3%	103	6.6%
<b>Total Departmental Expense</b>	<b>703</b>	<b>69.1%</b>	<b>901</b>	<b>58.2%</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>\$315</b>	<b>30.9%</b>	<b>\$647</b>	<b>41.8%</b>

In the opening year of operations, departmental revenue is projected to be \$1,019,000, with departmental expenses totaling around \$703,000, for a net income of \$315,000. At stabilization, departmental revenues increase to \$1,548,000 with a net income of \$647,000.

The following table shows the inflated pro forma for the first ten years of operations.

**FIGURE 8-14  
TEN-YEAR PRO FORMA (INFLATED \$)**

	Opening FY 2026	FY 2027	Stabilized FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
<b>Departmental Revenue</b>										
Facility Rental	\$395	\$490	\$592	\$607	\$622	\$638	\$654	\$670	\$687	\$704
Food & Beverage (Gross)	536	672	819	840	861	882	904	927	950	974
Events Services	88	112	137	140	144	147	151	155	159	163
<b>Total Departmental Revenue</b>	<b>\$1,019</b>	<b>\$1,274</b>	<b>\$1,548</b>	<b>\$1,587</b>	<b>\$1,627</b>	<b>\$1,667</b>	<b>\$1,709</b>	<b>\$1,752</b>	<b>\$1,796</b>	<b>\$1,840</b>
<b>Departmental Expense</b>										
Salaries & Benefits	\$254	\$260	\$267	\$273	\$280	\$287	\$294	\$302	\$309	\$317
Food & Beverage Costs	375	466	532	546	559	573	588	602	617	633
Event Services Costs	75	89	103	105	108	110	113	116	119	122
<b>Total Departmental Expense</b>	<b>\$703</b>	<b>\$815</b>	<b>\$901</b>	<b>\$924</b>	<b>\$947</b>	<b>\$971</b>	<b>\$995</b>	<b>\$1,020</b>	<b>\$1,045</b>	<b>\$1,072</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>\$315</b>	<b>\$459</b>	<b>\$647</b>	<b>\$663</b>	<b>\$680</b>	<b>\$697</b>	<b>\$714</b>	<b>\$732</b>	<b>\$750</b>	<b>\$769</b>

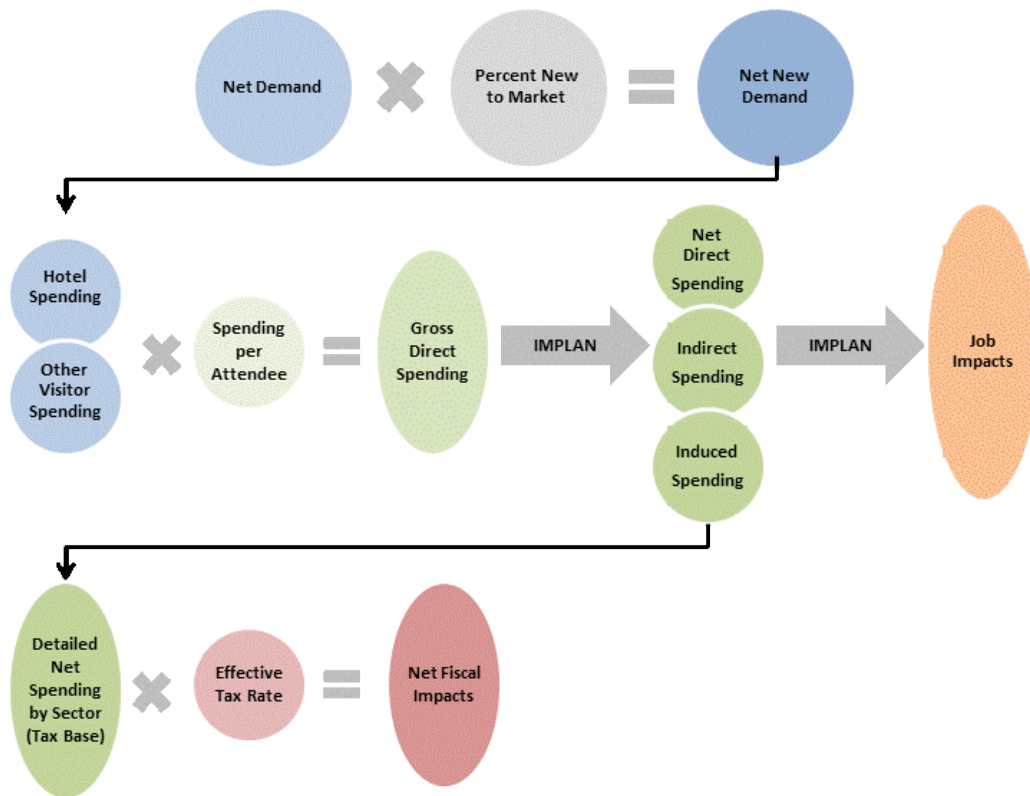
HVS intends for financial projections to show the expected levels of revenues and expenses. Projections show smooth growth over time. However, event demand and booking cycles are not always smooth. Unpredictable local and national economic factors can affect business. Event demand is often cyclical, based on rotation patterns and market conditions. Therefore, HVS recommends interpreting the financial projections as a mid-point of a range of possible outcomes over a multi-year period rather than relying on projections for any one specific year.

## 9. Economic Impact

Based on the demand projections presented in this report, HVS identified the new spending that would occur in the local economy due to the development of Proposed Hotel Lawrence and Event Center. HVS estimated the amount of spending and employment that new visitors and event organizers would generate in the market. HVS analyzed the economic impact of the project on two geographic areas: the City of Sterling and Whiteside County.

The figure below demonstrates our methodology.

**FIGURE 9-1  
METHODOLOGY FOR ECONOMIC AND FISCAL IMPACT ANALYSIS**





## Direct, Indirect, and Induced Spending

Spending falls into three categories:

- **Direct spending** includes new spending by event attendees and visitors. For example, an attendee's expenditure on a restaurant meal is a direct spending impact. Direct spending includes only new spending that originates from outside the designated market. Spending by attendees who live within the market area is a transfer of income from one sector of the area's economy to another; therefore, this analysis does not count spending by local residents as a new economic impact. Net direct spending is the amount of direct spending that falls into the local economy.
- **Indirect spending** follows from the business spending resulting from the initial direct spending. For example, a visitor's direct expenditure on a restaurant meal causes the restaurant to purchase food and other items from suppliers. The portion of these restaurant purchases that remain within a designated market area count as indirect impacts.
- **Induced spending** represents the change in local consumption due to the personal spending by employees whose incomes change from direct and indirect spending. For example, a server at a local restaurant may have more personal income as a result of a visitor dining at the restaurant. The amount of increased income that the waiter spends in the local economy is an induced impact.

HVS applied assumptions about the amounts of new spending generated by event attendees and visitors to generate direct spending estimates. HVS used the IMPLAN input-output model of the local economy to estimate net direct, indirect, and induced spending. The sum of net direct, indirect, and induced spending estimates make up the total estimated spending impact of the development of Proposed Hotel Lawrence and Event Center.

Some refer to indirect and induced impacts as multiplier effects. The relationship between direct spending and the multiplier effects varies based on the specific size and characteristics of a local area's economy.

## Sources of Direct Spending

HVS identified two sources of new direct spending impact:

- **Overnight Guests:** Visitors to the Proposed Hotel Lawrence and Event Center who require overnight lodging, including conference attendees, meeting attendees, and attendees at other facility events. Overnight visitor spending includes spending on meals, shopping, local transportation, recreation and entertainment, and other goods and services while in town.
- **Daytrip Attendees:** Visitors to the Proposed Hotel Lawrence and Event Center who do not require paid lodging. In most markets, day-trippers

typically spend money on meals, shopping, local transportation, recreation and entertainment, and other goods and services while in town.

Estimation of new spending of each of these sources involves three sets of assumptions: 1) the number of new visitors to the market, 2) the geographic location of their spending, and 3) the amounts typically spent by each of the sources.

### New Visitors

First, HVS estimated the percentage of each visitor type that would come from outside the City of Sterling and Whiteside County rather than from the local area. The spending estimates only include new visitor spending because non-residents import income, whereas residents transfer income already in the market area.

Estimates are informed by an analysis of the share of visitation to competitive and comparable venues that originated from outside the respective venue's county and city. For this analysis, HVS used locational data analytics from the platform Placer.ai to conduct this analysis. Placer.ai provides mobility and foot traffic data through partnerships with over 500 mobile apps and access to over 30 million devices. Using a proprietary extrapolation algorithm that accounts for potential biases in the data, Placer.ai uses a representative sample to produce location and visitor attribution data for the US. Placer.ai depends on daily and weekly quality checks and benchmarks against public and validated data sources, such as credit card transactions and store revenue, to ensure accuracy.

The following figure summarizes the share of visitation to competitive and comparable venues that originated from outside the respective venue's county.

**FIGURE 9-2  
COMPETITIVE & COMPARABLE VENUE VISITATION – COUNTY ORIGIN  
National Comparable Venues**

Venue Name	County	% of Total Visits	
		Inside County	Outside County
Heartwood Conference Center & Retreat	Washburn	14%	86%
Red Lion Hotel Cheyenne	Laramie	24%	76%
Billings Hotel and Convention Center	Yellowstone	27%	73%
Bismarck Hotel & Conference Center	Burleigh	33%	67%
<b>Average</b>		<b>25%</b>	<b>75%</b>

**Regional Competitor Venues**

Venue Name	County	% of Total Visits	
		Inside County	Outside County
Double Tree by Hilton Davenport	Scott	14%	86%
Hotel Blackhawk	Scott	25%	75%
Radisson Hotel & Conference Center Rockford	Winnebago	27%	73%
Stoney Creek Hotel Quad Cities	Rock Island	36%	64%
Embassy Suites Rockford	Winnebago	38%	62%
Bettendorf Convention Center	Scott	40%	60%
Riverview Inn & Suites	Winnebago	41%	59%
<b>Average</b>		<b>31%</b>	<b>69%</b>

Source: Placer.ai

The following figure summarizes the share of visitation to competitive and comparable venues that originated from outside the respective venue’s city.

**FIGURE 9-3  
COMPETITIVE & COMPARABLE VENUE VISITATION – CITY ORIGIN  
National Comparable Venues**

Venue Name	City	% of Total Visits	
		Inside City	Outside City
Heartwood Conference Center & Retreat	Trego	7%	93%
Red Lion Hotel Cheyenne	Cheyenne	23%	77%
Billings Hotel and Convention Center	Billings	24%	76%
Bismarck Hotel & Conference Center	Bismarck	32%	68%
<b>Average</b>		<b>22%</b>	<b>78%</b>

**Regional Competitor Venues**

Venue Name	City	% of Total Visits	
		Inside City	Outside City
Double Tree by Hilton Davenport	Davenport	10%	90%
Bettendorf Convention Center	Bettendorf	12%	88%
Stoney Creek Hotel Quad Cities	Moline	14%	86%
Hotel Blackhawk	Davenport	18%	82%
Radisson Hotel & Conference Center Rockford	Rockford	20%	80%
Embassy Suites Rockford	Rockford	29%	71%
Riverview Inn & Suites	Rockford	33%	67%
<b>Average</b>		<b>19%</b>	<b>81%</b>

Source: Placer.ai

On average, comparable national venues generate 75% of their annual visitation from outside their respective county. Regional competitive venues generate a slightly lower 69% of annual visitation outside their respective counties.

When looking at city origin of visitation, comparable national venues average 78% of annual visitation from outside their respective cities. Regional competitive venues average 81% of annual visitation generated outside their respective cities.

HVS used the Placer.ai visitation origin analysis and an understanding of event types and characteristics to estimate the percent of event visitation new to the City of Sterling and Whiteside County. The following figure details the percentage of overnight guests and day trips associated with each demand type for the City of Sterling and Whiteside County.

**FIGURE 9-4  
PERCENT OF VISITATION NEW TO THE MARKET**

<b>Geographic Area/Visitor Type</b>	<b>Overnight Guests</b>	<b>Day Trips</b>
<b>Whiteside County</b>		
Conferences	85%	85%
Weddings	70%	70%
Social Events	70%	70%
Large Corporate Meetings	50%	25%
Small Corporate Meetings	50%	25%
Community Events	0%	0%
Assemblies	70%	70%
<b>City of Sterling</b>		
Conferences	95%	90%
Weddings	80%	80%
Social Events	80%	80%
Large Corporate Meetings	70%	35%
Small Corporate Meetings	70%	35%
Community Events	0%	0%
Assemblies	80%	80%

Across all demand categories, the percentage of overnight guests and day trips new to the City of Sterling is higher than in Whiteside County which follows the results from the comparable and competitive venue visitation origin analysis.

Currently, conferences are not regularly hosted in the City of Sterling or Whiteside County. Therefore, a higher percentage of visitors associated with conferences held at the Proposed Hotel Lawrence and Event Center would be new to both markets. Conferences would still generate visitation from inside the markets. Therefore, not all conference visitation can be considered entirely new.

Assemblies and Weddings currently occur in Whiteside County and the City of Sterling, but the development of the Proposed Hotel Lawrence and Event Center would increase the demand for these events. Proposed Hotel Lawrence and Event Center would be one of the largest event venues in either market, increasing the number of attendees per event that could also be considered new to the market.

Corporate Meetings have a significant level of existing demand in the City of Sterling and Whiteside County. Therefore, the development of the Proposed Hotel Lawrence and Event Center has a reduced impact on new visitation associated with these event types. Community Events are entirely local to both markets and do not produce new visitors to either the City of Sterling or Whiteside County.

The product of the visitor forecasts and the percent of demand new to the market yields an estimate of the sources of impact shown in the table below. That is:

$$\text{Total Overnight Guests} \times \text{Percent New} = \text{New Overnight Stays}$$

$$\text{Total Day Trips} \times \text{Percent New} = \text{New Day Trips}$$

The figure below shows the number of new overnight visitors and day trips to the City of Sterling and Whiteside County that generate new spending.

**FIGURE 9-5  
SUMMARY OF DIRECT SPENDING SOURCES**

Demand Type	Overnight Visitor Days	Day Trips
<b>Whiteside County</b>		
Conferences	1,500	1,100
Weddings	1,600	6,000
Social Events	100	2,700
Large Corporate Meetings	2,600	500
Small Corporate Meetings	1,400	400
Community Events	0	0
Assemblies	500	1,800
<b>Total</b>	<b>7,700</b>	<b>12,500</b>
<b>City of Sterling</b>		
Conferences	1,700	1,200
Weddings	1,800	6,900
Social Events	100	3,000
Large Corporate Meetings	3,600	600
Small Corporate Meetings	1,900	600
Community Events	0	0
Assemblies	600	2,100
<b>Total</b>	<b>9,700</b>	<b>14,400</b>

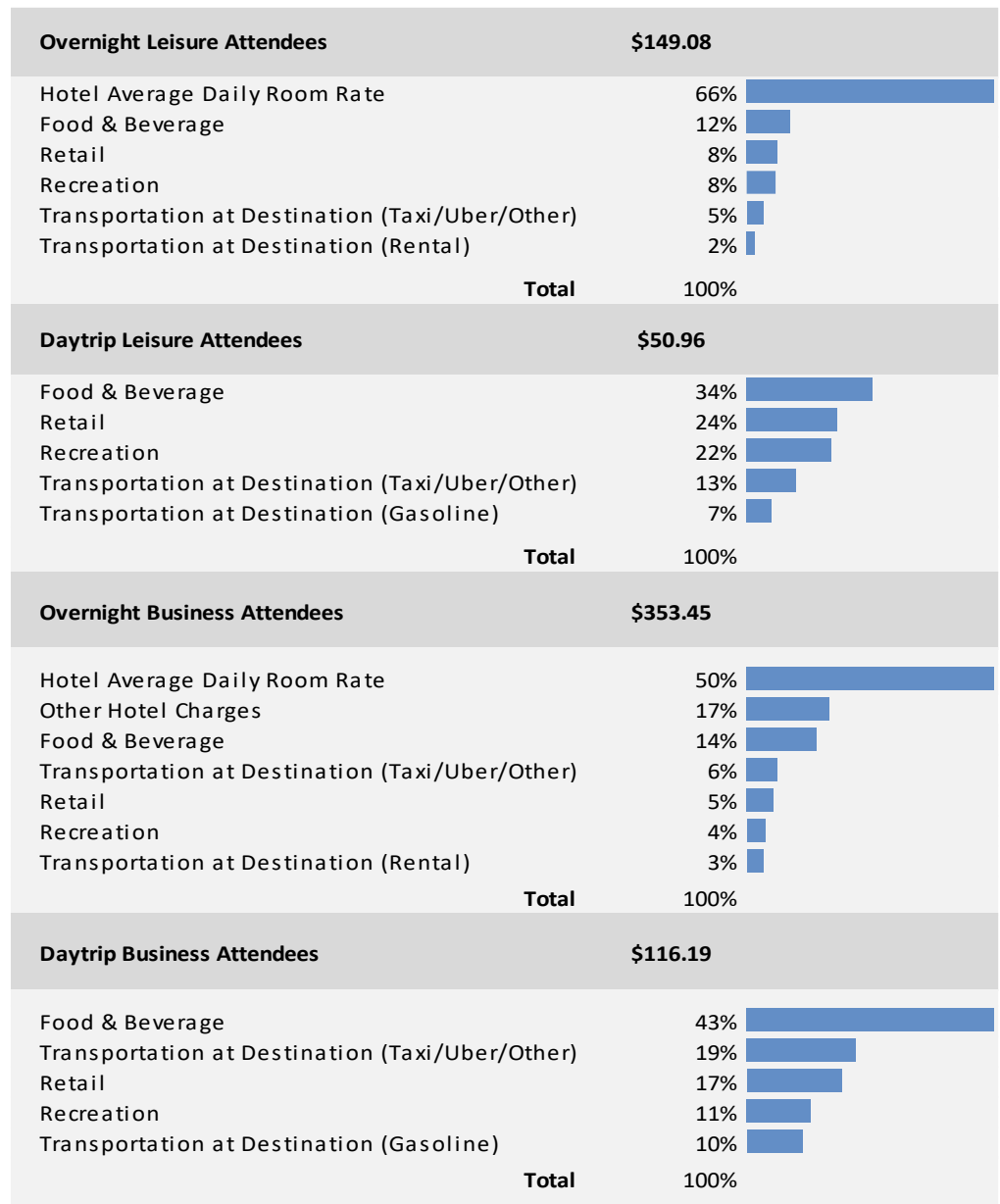
### Spending Parameters

Attendees spend locally on lodging, meals, local transportation, facility rentals, vendor services, meeting room rentals, equipment rentals, and other goods and services.

To estimate the spending for overnight and day trip visitors, HVS used results from several tourism spending data sources. Our primary source is the Travel USA 2022 study by Longwoods International. This survey is conducted annually with a sample size of approximately 350,000 trips and assesses the trip's origin, spending, party size, and primary purpose. HVS applies parameters from the Corporate Travel Index ("CTI") to account for local spending patterns.

All spending parameters are stated as the daily spending by individual overnight guests and day-trippers in 2023 dollars. The following figures present the direct spending estimates for each spending category.

**FIGURE 9-6  
BUSINESS AND LEISURE SPENDING**



Sources: Longwoods International, CTI

**Facility Revenue from Outside Spending**

Event organizers, event attendees, and visitors create additional direct spending impacts by spending at the Proposed Hotel Lawrence and Event Center through room rentals, facility rentals at the event center, the purchase of food and beverage at the restaurant, and other spending at the venue. Using the operating revenue projections provided in this report, HVS estimated spending by attendees and visitors in a stabilized year at the Proposed Hotel Lawrence and Event Center. To inform estimates, HVS used ESRI Business Analyst to gather data on food and beverage establishments in each market as well as data on hotels from Smith Travel Research (STR).

**FIGURE 9-7  
FOOD & BEVERAGE AND HOTEL ESTABLISHMENTS**

	<b>Whiteside County</b>	<b>City of Sterling</b>
2023 Population	54,900	14,500
Food & Beverage Locations	127	51
Hotels	9	0
Hotel Rooms	467	0

Sources: ESRI, STR

Whiteside County has a handful of existing hotels within the market, totaling roughly 470 rooms. Five of the nine hotels are classified by STR as economy establishments, two as midscale, and two as upper midscale. The Proposed Hotel Lawrence and Event Center will be a higher quality establishment and will not compete with the economy or midscale class hotels. Therefore, HVS assumes 75% of hotel-related revenue, including Rooms, Other Operated Departments, and Miscellaneous Income, would be new to Whiteside County. The City of Sterling does not have a hotel, so revenue related to Rooms, Other Operated Departments, and Miscellaneous Income would be completely new to the market.

Both Whiteside County and the City of Sterling have existing supply of food and beverage establishments in their markets. While there is existing demand, a substantial amount of restaurant patrons would be associated with events or overnight stays at the Proposed Hotel Lawrence and Event Center and would be bringing in new spending to the market. Therefore, HVS assumes 25% of Restaurant revenue is new to Whiteside County and 50% is new to the City of Sterling.

The following figure breaks down each revenue line item and the percent of facility revenue new to Whiteside County and the City of Sterling.



**FIGURE 9-8  
FACILITY REVENUE SUMMARY**

Revenue Type	Whiteside County	City of Sterling
<b>Facility Revenue New to Market</b>		
Rooms	75%	100%
Event Center	50%	75%
Restaurant	25%	50%
Other Operated Departments	75%	100%
Miscellaneous Income	75%	100%

**Gross Direct Spending**

HVS applied the previous sources of spending impacts and spending parameters to estimate gross direct spending for a stabilized year. See the figure below.

**FIGURE 9-9  
GROSS DIRECT SPENDING**

Visitor Type	Number of New Visitors	AVG Daily Spending	Total Spending (Millions)
<i>Whiteside County</i>			
Overnight Visitor Spending =	7,700	x \$293.56 =	\$2.26
Daytrip Visitor Spending =	12,500	x 61.21 =	\$0.77
		<b>Facility Revenue =</b>	<b>\$4.00</b>
		<b>Total Gross Direct Spending =</b>	<b>\$7.03</b>
<i>City of Sterling</i>			
Overnight Visitor Spending =	9,700	x \$301.93 =	\$2.93
Daytrip Visitor Spending =	14,400	x 61.79 =	0.89
		<b>Facility Revenue =</b>	<b>5.59</b>
		<b>Total Gross Direct Spending =</b>	<b>\$9.41</b>

**IMPLAN Impact Modeling**

HVS uses the IMPLAN input-output model to estimate indirect and induced spending and employment impacts. IMPLAN is a nationally recognized model developed at the University of Minnesota and commonly used to estimate economic impacts. An input-output model generally describes the commodities and income that normally flow through the various sectors of a given economy. The indirect and induced spending and employment effects represent the estimated changes in the flow of income, goods, and services caused by the estimated direct spending. The IMPLAN model accounts for the specific characteristics of the local area economy and estimates the share of indirect and induced spending that it would retain.

HVS categorized new direct expenditures into spending categories that we provide inputs into the IMPLAN model. Specifically, the IMPLAN model relies on spending

categories defined by the U.S. Census according to the North American Industry Classification System (“NAICS”). Because the spending data from the spending surveys used by HVS do not match the NAICS spending categories, HVS translates the spending categories into the NAICS spending categories that most closely match.

### **Annual Net Direct Spending**

Not all of the gross direct spending counts as an economic impact because some of the spending does not generate income within each market. HVS adjusts gross direct spending to account for income leaking from the local economy by estimating retail margins and local purchase percentages. As a result, the realized direct spending (“net direct spending”) is lower than the gross direct spending in the market area.

### **Retail Margins**

Retail spending creates a smaller economic impact than spending in other industries. Retailers add value equal to the margin or price increase of the good above the original price paid to obtain the good. The IMPLAN model is product-based, so HVS uses IMPLAN margin numbers to account for the discrepancy between retail purchaser prices and producer prices.

### **Local Purchase Percentage**

HVS counts spending on products and services in the market area (Whiteside County or the City of Sterling) to accurately measure spending impacts. In certain instances, the local economies cannot accommodate some of the direct spending demand. For example, an event organizer may need to buy novelty items for all attendees but find that Whiteside County does not produce these items. This effect occurs for direct, indirect, and induced spending. HVS uses the IMPLAN SAM model values to track the percentage of a good purchased within the market area.

### **Indirect and Induced Spending**

The relationship between direct spending and the multiplier effects can vary based on the specific size and characteristics of a local area’s economy. HVS enters the gross direct spending estimate into the IMPLAN input-output model of the local economy to estimate the net direct, indirect, and induced spending. HVS obtained the most recent data from IMPLAN for Whiteside County and the City of Sterling.

The following figures present the output of the IMPLAN model—the net new direct, indirect, and induced economic impacts attributable to the Proposed Hotel Lawrence and Event Center. HVS also used IMPLAN to estimate the jobs created based on direct, indirect, and induced spending estimates.

### **Annual Net Spending Impacts**

The figure below shows the annual net direct, indirect, and induced spending generated for Whiteside County and the City of Sterling.

**FIGURE 9-10  
ANNUAL ECONOMIC IMPACT ESTIMATES**

Impact (\$ 000's)	Whiteside County	City of Sterling
<b>Spending Estimates</b>		
Net Direct	\$6,836	\$9,180
Indirect	\$1,273	\$590
Induced	\$900	\$249
<b>Total</b>	<b>\$9,009</b>	<b>\$10,018</b>

**Employment Impacts**

HVS calculated the full-time equivalent jobs supported by the spending in each economic sector. The figure below summarizes the estimated full-time equivalent jobs supported by the development of the Proposed Hotel Lawrence and Event Center.

**FIGURE 9-11  
EMPLOYMENT IMPACT IN A STABILIZED YEAR**

Full-Time Equivalent Jobs	Whiteside County	City of Sterling
Direct	60	115
Indirect	10	5
Induced	5	2
<b>Total Permanent Jobs</b>	<b>75</b>	<b>121</b>

By a stabilized year of operation, the project would support approximately 75 permanent full-time equivalent jobs for Whiteside County and 121 for the City of Sterling.

**Fiscal Impacts**

Fiscal impacts are the public sector's share of the economic impacts generated by tax collections on new spending. The previously discussed spending estimates provide a basis for estimating potential tax revenue, as certain existing Whiteside County and City of Sterling taxes would apply to some of the spending.

The IMPLAN analysis generates net-direct, indirect, and induced outputs, which fall into various NAICS categories. HVS determined which taxes would apply to which category of output. HVS then used the appropriate tax rates to estimate the amount of tax revenue.

HVS applied these nominal tax rates to a detailed breakdown of spending and income categories that result from direct, indirect, and induced spending through the operation of the Proposed Hotel Lawrence and Event Center. HVS then

estimated the potential annual revenue from each tax source, as shown in the following figures. HVS relied on IMPLAN’s Tax Report for certain variable tax categories to produce revenue estimates. IMPLAN tax impact results are based on the collected and reported taxes within a region for a given data year. The categories within the tax impact report correspond to the categories in the SAM.

**FIGURE 9-12  
FISCAL IMPACT – WHITESIDE COUNTY**

<b>Tax Category</b>	<b>Tax Base</b>	<b>Nominal Tax Rate</b>	<b>Percent Taxable</b>	<b>Estimated Tax Revenue</b>
<b>Sales &amp; Use Tax</b>	\$8,642,000	1.00%	95%	\$82,100
<b>Lodging Tax</b>	\$4,546,000	5.00%	95%	\$215,900
<b>Incremental Real Estate Taxes*</b>				\$77,700
*obtained from from IMPLAN Tax Report				<u>\$375,700</u>

Three tax sources would generate approximately \$376,000 in annual tax revenue for Whiteside County in a stabilized year of operation.

**FIGURE 9-13  
FISCAL IMPACT – CITY OF STERLING**

<b>Tax Category</b>	<b>Tax Base</b>	<b>Nominal Tax Rate</b>	<b>Percent Taxable</b>	<b>Estimated Tax Revenue</b>
<b>Local Sales &amp; Use Tax</b>	\$9,852,000	1.00%	95%	\$93,600
<b>Incremental Real Estate Taxes*</b>				\$224,900
<b>Other Taxes*</b>				\$3,300
*obtained from from IMPLAN Tax Report				<u>\$321,800</u>

Three tax sources would generate approximately \$322,000 in annual tax revenue for the City of Sterling in a stabilized year of operation.

The following figure summarizes recurring annual economic and fiscal impacts in a stabilized year.

**FIGURE 9-14  
SUMMARY OF ECONOMIC AND FISCAL IMPACTS**

<b>Summary of Impacts*</b>	<b>Whiteside County</b>	<b>City of Sterling</b>
Economic Impact (000's)	\$9,009	\$10,018
Fiscal Impact (000's)	\$376	\$322
Jobs	75	121
*In a stabilized year.		

These economic and fiscal impact estimates are subject to the assumptions and limiting conditions described throughout the report. Numerous assumptions about future events and circumstances form the basis for these estimates. Although we consider these assumptions reasonable, we cannot assure that the project will achieve the forecasted results. Actual events and circumstances will likely differ from the assumptions in this report, and some of those differences may be material. The readers should consider these estimates as a mid-point in a range of potential outcomes.

## 10. Statement of Assumptions and Limiting Conditions

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

permits, certificates, franchises, and so forth can be freely renewed or transferred to a purchaser.

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

most numbers have been rounded to the nearest tenth of a percent; thus, these figures may be subject to small rounding errors.

20. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client; the use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.
21. Evaluating and comprising financial forecasts for hotels is both a science and an art. Although this analysis employs various mathematical calculations to provide projections, the final forecasts are subjective and may be influenced by our experience and other factors not specifically set forth in this report.
22. This study was prepared by TS Worldwide, LLC. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by our staff as company employees, rather than as individuals.



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## Brian Arevalo

### EMPLOYMENT

2012 to present	HVS CONSULTING AND VALUATION SERVICES Chicago, Illinois
2011–2012	COLLEGE HOUSES COOPERATIVE Austin, Texas
2011	ABMARTIN Austin, Texas
2009–2011	EMBASSY SUITES OUTDOOR WORLD Grapevine, Texas

### EDUCATION AND OTHER TRAINING

BS – School of Merchandizing and Hospitality Management, University of North Texas  
MS – McCombs School of Business, University of Texas at Austin

*Other Specialized Training Classes Completed:*

Uniform Standards of Professional Appraisal Practice  
Basic Appraisal Procedures  
Basic Appraisal Principles  
General Appraiser Income Approach  
General Appraiser Market Analysis and HBU  
General Appraiser Site Valuation and Cost Approach  
General Appraiser Sales Comparison Approach  
General Appraiser Report Writing and Case Studies  
Statistics, Modeling and Finance  
Advanced Income Capitalization  
Expert Witness for Commercial Appraisers  
Basic Hotel Appraising  
West Virginia Law  
Commercial Appraisal Review  
Advanced Concepts and Case Studies  
Rates and Ratios  
Small Hotel/Motel Valuation  
Quantitative Analysis  
Advanced Market Analysis and HBU  
Biennial USPAP Update

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**STATE CERTIFICATIONS**

Illinois, Indiana, Iowa, Kentucky, Ohio, West Virginia

**PUBLISHED ARTICLES**

*HVS Journal*

“On Track for Recovery in Indianapolis,” September 2022

*HVS Journal*

“HVS Market Pulse: Cincinnati,” June 2021

*HVS Journal*

“HVS Market Pulse: Cincinnati, OH,” October 2018

*HVS Journal*

“In Focus: Corpus Christi, Texas,” August 2014

*HVS Journal*

“HVS Hotel Market Intelligence Report: Corpus Christi, Texas,” April 2013

**EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED**

**PORTFOLIO WORK**

20 Extended Stay America Hotels  
2 Marriott-Branded Hotels in Troy, Ohio

**ARIZONA**

Hampton Inn Phoenix Chandler, Chandler  
Americana Hotel, Nogales  
Red Roof Inn Phoenix Airport, Temple

**ARKANSAS**

Proposed Hotel, Hot Springs  
Wyndham Garden, Texarkana

**CALIFORNIA**

Courtyard San Diego Carlsbad  
McClellan-Palomar Airport, Carlsbad  
Hotel Del Coronado, Coronado  
Staybridge Suites Fairfield Napa Valley, Fairfield  
Hilton Garden Inn, Oxnard  
Hyatt Place Sacramento Rancho Cordova, Rancho Cordova

**FLORIDA**

Hyatt Place Lakeland Center, Lakeland  
Hampton Inn, Largo  
Holiday Inn Express, Largo  
Proposed Pearl, Rosemary Beach  
Hyatt Place Busch Gardens, Tampa

**GEORGIA**

Georgia Tech Hotel & Conference Center, Atlanta

**ILLINOIS**

Proposed Staybridge Suites Aurora, Aurora  
Proposed Hotel Batavia, Batavia  
SpringHill Suites by Marriott, Burr Ridge  
Chicago Marriott at Medical District/UIC, Chicago

DeWitt Place, Chicago  
Hotel Felix, Chicago  
Renaissance Chicago Downtown Hotel, Chicago  
SpringHill Suites by Marriott Chicago Chinatown, Chicago  
Elk Grove Hotel, Elk Grove  
Best Western Plus, Hillside  
Proposed Home2 Suites, Normal  
Days Inn, North Chicago  
DoubleTree by Hilton Hotel Chicago North Shore Conference Center, Skokie  
Hilton Garden Inn Oakbrook, Oakbrook Terrace  
Hilton Suites Oakbrook, Oakbrook Terrace  
Courtyard by Marriott Peoria, Peoria

**INDIANA**

Hyatt Place, Bloomington  
Proposed Embassy Suites, Bloomington  
Proposed Graduate, Bloomington  
Proposed Home2 Suites, Brownsburg  
Proposed Best Western, Clarksville  
Proposed Hotel Crawfordsville, Crawfordsville  
Proposed Hyatt Place and Hyatt House, Fishers  
Proposed Springhill Suites Fort Wayne, Fort Wayne  
La Quinta Inn & Suites Frankfort, Frankfort  
Courtyard by Marriott Indianapolis Northwest, Indianapolis  
Holiday Inn Indianapolis Carmel, Indianapolis  
La Quinta Inn Indianapolis Airport Executive Drive, Indianapolis  
La Quinta Inn Indianapolis Airport Lynhurst, Indianapolis  
La Quinta Inn Indianapolis East Post Drive, Indianapolis  
Proposed Aloft Indianapolis, Indianapolis  
Proposed Georgia & Penn, Indianapolis

Proposed Home2 Suites Indianapolis, Indianapolis  
Proposed Kimpton Hotel, Indianapolis  
Proposed Residence/SpringHill Suites, Indianapolis  
Proposed Hilton Garden Inn/Homewood Suites, Jeffersonville  
Proposed Hotel, Madison  
Cambria Suites, Plainfield  
Indianapolis Airport Suites, Plainfield  
Proposed Extended-Stay Hotel, Plainfield  
Proposed Hotel, Shelbyville  
Proposed Tapestry by Hilton, Speedway  
Newcastle Proposed Hotel, Spiceland  
Candlewood Suites, Terre Haute  
Proposed Hampton Inn, Vincennes  
Proposed Fairfield, Westfield

**KANSAS**

Hampton Inn, Derby  
DoubleTree by Hilton, Wichita

**KENTUCKY**

Holiday Inn Express Cincinnati Newport, Bellevue  
Proposed TownePlace by Marriott, Corbin  
Embassy Suites Cincinnati Rivercenter Covington, Covington  
Holiday Inn Cincinnati Riverfront, Covington  
Courtyard by Marriott Cincinnati Airport South Florence, Florence  
Hyatt Place Cincinnati Airport Florence, Florence  
Proposed Staybridge Suites, Florence  
Fort Thomas Proposed Hotel, Fort Thomas  
Marriott Cincinnati Airport, Hebron  
Inn On Broadway Lexington, Lexington  
La Quinta Inn, Lexington  
Marriott Lexington Griffin Gate Resort & Spa, Lexington  
Proposed Red Mile Hotel, Lexington  
Proposed Home2 Suites, London

Aloft Louisville Downtown, Louisville  
 Four Points by Sheraton Louisville  
 Airport, Louisville  
 Hilton Garden Inn Louisville East,  
 Louisville  
 Holiday Inn Express & Suites Louisville  
 Downtown, Louisville  
 Homewood Suites by Hilton Louisville  
 Downtown, Louisville  
 Hyatt Place Louisville East, Louisville  
 Marriott Louisville East, Louisville  
 Proposed Hotel, Louisville  
 Proposed Hotel Home Life Building,  
 Louisville  
 Proposed Luxury Boutique Hotel,  
 Louisville  
 Proposed Medical Center Hotel  
 Louisville, Louisville  
 Red Roof Inn Louisville Expo Airport,  
 Louisville  
 Residence Inn Louisville, Louisville  
 Proposed Home2 Suites Middlesboro,  
 Middlesboro  
 Aloft Newport on the Levee, Newport  
 Proposed Homewood Suites, Newport  
 Proposed Fairfield Inn & Suites,  
 Shelbyville  
 Proposed Ark Encounter Hotel,  
 Williamstown

**LOUISIANA**

Comfort Inn, Baton Rouge  
 Proposed Residence Inn by Marriott,  
 Bossier City  
 Quality Inn & Suites, Bossier City  
 Wingate by Wyndham, Bossier City  
 Best Western DeRidder Inn, DeRidder  
 Hampton Inn, Houma  
 Proposed Holiday Inn Express, Houma  
 Best Western, Kinder  
 Hotel Acadiana, Lafayette  
 Proposed Holiday Inn Express Hotel &  
 Suites, Marksville  
 Proposed Hotel Alessandra, New  
 Orleans  
 Holiday Inn Express Hotel & Suites,  
 Ruston

**MARYLAND**

Hilton, Rockville

**MICHIGAN**

Comfort Suites, Escanaba  
 Delamar Traverse City, Traverse City

**MINNESOTA**

Loews Minneapolis, Minneapolis  
 Proposed Aloft, Plymouth

**MISSISSIPPI**

Wingate by Wyndham, Biloxi  
 Courtyard by Marriott, Southaven  
 Residence Inn by Marriott, Southaven

**MISSOURI**

Hilton Kansas City Airport, Kansas City

**NEBRASKA**

University Inn Midtown Crossing,  
 Omaha

**NEW JERSEY**

Great Gorge Resort, McAfee  
 Hyatt House Parsippany Whippany,  
 Whippany

**NORTH CAROLINA**

Red Roof Inn Asheville West, Asheville

**OHIO**

Proposed Boutique Hotel, Akron  
 Proposed Hotel and Spa, Amherst  
 Embassy Suites Cleveland Beachwood,  
 Beachwood  
 Proposed Tru by Hilton, Beachwood  
 Proposed TownePlace Suites/ Fairfield  
 Inn by Marriott, Beaver Creek  
 Courtyard by Marriott Dayton  
 Beaver Creek, Beaver Creek  
 Residence Inn by Marriott Dayton,  
 Beaver Creek  
 Proposed SpringHill Suites,  
 Beaver Creek

Proposed TownePlace Suites/Fairfield  
 Inn by Marriott, Beaver Creek  
 SpringHill Suites Dayton Beaver Creek,  
 Beaver Creek  
 Proposed Hampton Inn, Bellefontaine  
 Proposed Boutique Hotel, Berea  
 Hyatt Place Cincinnati Blue Ash, Blue  
 Ash  
 Red Roof Inn, Blue Ash  
 McKinley Grand Hotel, Canton  
 Proposed Hotel, Canton  
 Anderson Township Hotel, Cincinnati  
 Fairfield Inn & Suites by Marriott  
 Cincinnati Uptown/University Area,  
 Cincinnati  
 Hilton Cincinnati Netherland Plaza,  
 Cincinnati  
 Holiday Inn & Suites Cincinnati  
 Eastgate, Cincinnati  
 La Quinta Inn & Suites Cincinnati  
 Sharonville, Cincinnati  
 Proposed Convention Hotel Cincinnati,  
 Cincinnati  
 Proposed Dual-Branded Residence Inn  
 and Courtyard, Cincinnati  
 Proposed Element, Cincinnati  
 Proposed Element/Aloft Dual Brand  
 Hotel, Cincinnati  
 Proposed Homewood Suites  
 Cincinnati, Cincinnati  
 Proposed Hotel, Cincinnati  
 Proposed Marriott Tribute University  
 of Cincinnati, Cincinnati  
 Proposed Moxy, Cincinnati  
 Proposed Residence Inn by Marriott,  
 Cincinnati  
 Proposed Shilito Hotel, Cincinnati  
 Ramada Plaza Cincinnati Sharonville,  
 Cincinnati  
 Four Points by Sheraton Cleveland  
 Airport, Cleveland  
 La Quinta Inn Cleveland Airport North,  
 Cleveland  
 Holiday Inn Cleveland Clinic, Cleveland  
 Hyatt Regency Cleveland at The  
 Arcade, Cleveland  
 Proposed Hotel Cleveland, Cleveland

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Proposed Hyatt Place, Cleveland	Crowne Plaza Dayton, Dayton	SpringHill Suites Cleveland
Proposed Le Meridian Cleveland, Cleveland	Proposed AC Hotel Dayton, Dayton	Independence, Independence
Proposed Select-Service Hotel, Cleveland	Proposed Hilton Garden Inn, Dayton	Fairfield Inn & Suites Washington Court House Jeffersonville, Jeffersonville
Residence Inn by Marriott Cleveland Beachwood, Cleveland	Proposed Hotel, Dayton	Hampton Inn Washington Court House, Jeffersonville
Americas Best Value Inn Columbus West, Columbus	Radisson Hotel Dayton Convention Center, Dayton	Kent State University Hotel and Conference Center, Kent
Country Inn & Suites, Columbus	Baymont Inn & Suites Delaware, Delaware	Proposed Hotel Lakewood, Lakewood
Courtyard by Marriott Columbus Downtown, Columbus	Hampton Inn Columbus Dublin, Dublin	Nationwide Hotel and Conference Center, Lewis Center
Fairfield Inn & Suites by Marriott Columbus OSU, Columbus	Holiday Inn Express Columbus Dublin, Dublin	AC Hotel Cincinnati at Liberty Center, Liberty Township
Four Points Columbus Airport, Columbus	Homewood Suites by Hilton Columbus Dublin, Dublin	Inn & Spa at Cedar Falls, Logan
Hampton Inn & Suites Columbus Easton, Columbus	La Quinta Inn Columbus Dublin, Dublin	Proposed Cobblestone Hotel London, London
Hilton Columbus Downtown, Columbus	Proposed DoubleTree by Hilton, Dublin	La Quinta Inn & Suites Cleveland Macedonia, Macedonia
Hilton Columbus Easton, Columbus	Staybridge Suites Columbus Dublin, Dublin	La Quinta Inn & Suites, Mansfield
Holiday Inn Express Columbus University Area, Columbus	Proposed Boutique Hotel Elyria, Elyria	Holiday Inn Express Hotel & Suites, Marysville
Hyatt Place Columbus Worthington, Columbus	Fairfield Inn by Marriott Dayton Fairborn, Fairborn	Great Wolf Lodge Mason, Mason
Marriott Columbus Airport, Columbus	Hampton Inn Dayton Fairborn, Fairborn	Hyatt Place Cincinnati Northeast, Mason
Proposed Aloft, Columbus	SpringHill Suites by Marriott Columbus Airport Gahanna, Gahanna	Proposed Mason Golf Hotel, Mason
Proposed Boutique Hotel Columbus, Columbus	TownePlace Suites by Marriott Columbus Gahanna, Gahanna	Residence Inn by Marriott Cleveland Mentor, Mentor
Proposed Canopy, Columbus	Quality Inn Gallipolis, Gallipolis	DoubleTree by Hilton Suites Dayton Miamisburg, Miamisburg
Proposed Hilton Garden Inn/Homewood Suites by Hilton, Columbus	Proposed Tribute, Hamilton	Homewood Suites by Hilton Dayton South, Miamisburg
Proposed Homewood Suites, Columbus	Proposed Home2 Suites by Hilton, Huber Heights	Proposed Staybridge Suites, Miamisburg
Proposed Hotel, Columbus	Sawmill Creek Resort, Huron	Manchester Inn (Closed), Middletown
Proposed Limited-Service Hotel, Columbus	Candlewood Suites Cleveland South Independence, Independence	Proposed TownePlace Suites by Marriott, Milford
Residence Inn by Marriott Columbus Easton, Columbus	Holiday Inn Cleveland Independence, Independence	Proposed Homewood Suites New Albany, New Albany
SpringHill Suites by Marriott Columbus OSU, Columbus	Hyatt Place Cleveland Independence, Independence	Proposed Hyatt Place, New Albany
Staybridge Suites University Area OSU, Columbus	La Quinta Inn Cleveland Independence, Independence	Red Roof Inn Canton, North Canton
Westin, Columbus	Red Roof Inn Cleveland Independence, Independence	Courtyard by Marriott North Dayton, North Dayton
Courtyard Dayton University of Dayton, Dayton	Residence Inn by Marriott Cleveland Independence, Independence	Holiday Inn Express Columbus South – Obetz, Obetz
		Elms Hotel Oxford, Oxford

La Quinta Inn Columbus Airport Area, Reynoldsburg  
 Comfort Inn, Saint Clairsville  
 Fairfield by Marriott St Clairsville, Saint Clairsville  
 Hampton Inn, Saint Clairsville  
 Red Roof Inn, Saint Clairsville  
 Wingate by Wyndham Saint Clairsville Wheeling, Saint Clairsville  
 Proposed Cedar Point Sandusky Hotel, Sandusky  
 DoubleTree by Hilton Guest Suites Cincinnati, Sharonville  
 Proposed Hotel Swisher, Somerset  
 La Quinta Inn Cincinnati North, Springdale  
 Proposed Tri County Mall Hotel, Springdale  
 Country Inn & Suites, Springfield  
 Proposed Hotel Springfield, Springfield  
 Proposed Holiday Inn Express, Steubenville  
 Proposed Boutique Hotel Tiffin, Tiffin  
 Holiday Inn Express Toledo North, Toledo  
 Fairfield by Marriott Dayton Troy, Troy  
 Residence Inn by Marriott Dayton Troy, Troy  
 Proposed Hotel, Van Wert  
 Fairfield by Marriott Warren Niles, Warren  
 Hampton by Hilton Cincinnati Union Centre, West Chester  
 Proposed Aloft, West Chester  
 Proposed Hyatt House, West Chester  
 Proposed Union Center Hotel, West Chester  
 Proposed Hyatt Place, Westerville  
 Hampton Inn Cleveland Westlake, Westlake  
 Holiday Inn Columbus Worthington, Worthington  
 Hope Hotel & Conference Center, Wright-Patterson AFB  
 DoubleTree by Hilton Youngstown Downtown, Youngstown

**PENNSYLVANIA**

Proposed Hilton Garden Inn, Altoona  
 Hilton Garden Inn Pittsburgh Southpointe, Canonsburg  
 Red Roof Inn, Erie  
 La Quinta Inn Pittsburgh Airport, Moon Township  
 Red Roof Inn Pittsburgh Airport, Pittsburgh  
 George Washington Hotel, Washington

**TENNESSEE**

Red Roof Inn Johnson City, Johnson City  
 Staybridge Suites, Memphis  
 Value Place (2), Memphis  
 Proposed Resort Whites Creek, Whites Creek

**TEXAS**

Holiday Inn Express, Abilene  
 Holiday Inn Austin Midtown, Austin  
 Days Inn, Baytown  
 Homewood Suites by Hilton, Beaumont  
 Value Place, Beaumont  
 Hilton Garden Inn College Station, Bryan  
 Texas Inn, Channel View  
 Four Points by Sheraton, College Station  
 Fairfield Inn by Marriott, The Colony  
 Residence Inn by Marriott, The Colony  
 Comfort Suites Calallen, Corpus Christi  
 Country Inn & Suites, Corpus Christi  
 Embassy Suites, Corpus Christi  
 Holiday Inn Airport, Corpus Christi  
 Holiday Inn Downtown, Corpus Christi  
 Candlewood Suites, Corpus Christi  
 La Quinta Inn & Suites Corpus Christi Northwest, Corpus Christi  
 Proposed Residence Inn and AC by Marriott Dual-Branded Hotel, Dallas  
 Super 8, Deer Park  
 La Quinta Inn El Paso Cielo Vista, El Paso

Super 8, Gainesville  
 Proposed Downtown Hotel, Galveston  
 Aloft Houston Galleria, Houston  
 Courtyard by Marriott I-10 West/Energy Corridor, Houston  
 Courtyard by Marriott West University, Houston  
 DoubleTree Suites by Hilton Houston Galleria, Houston  
 Fairfield Inn & Suites I-10, Houston  
 Fairfield Inn & Suites I-45, Houston  
 Holiday Inn Corpus Christi Downtown Marina, Corpus Christi  
 Hampton Inn Houston Interstate 10 West, Houston  
 Hilton Garden Inn Energy Corridor, Houston  
 Hilton Garden Inn Houston Northwest, Houston  
 Hilton Garden Inn Katy Freeway, Houston  
 Holiday Inn, Houston  
 La Quinta, Houston  
 Legacy Inn, Houston  
 Proposed 314 Hotel, Houston  
 Proposed Aloft, Houston  
 Proposed Americas Best Value Inn, Houston  
 Proposed Embassy Suites, Houston  
 Proposed Full-Service Hotel, Houston  
 Proposed Hotel Alessandra, Houston  
 Proposed Hotel, Houston  
 Proposed InterContinental Hotel, Houston  
 Proposed Le Méridien, Houston  
 Proposed Lifestyle Hotel, Houston  
 Proposed Select-Service Hotel, Houston  
 Proposed Staybridge Suites, Houston  
 Residence Inn by Marriott West University, Houston  
 Sam Houston Hotel (Curio Conversion), Houston  
 Knights Inn, Humble  
 Studio 6, Ingleside  
 DoubleTree by Hilton DFW Airport, Irving

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Holiday Inn Express, Kenedy  
South Shore Harbour Resort & Spa,  
League City  
Super 8, Livingston  
Staybridge Suites, Longview  
Best Western Plus, Luling  
La Quinta Inn & Suites, Lumberton  
Casa De Palmas Trademark Collection  
by Wyndham, McAllen  
Renaissance, McAllen  
Proposed Home2 Suites, McKinney  
Proposed SpringHill Suites, McKinney  
Candlewood Suites, Odessa  
Holiday Inn Express Hotel & Suites,  
Pearland  
Holiday Inn Express Hotel & Suites,  
Port Aransas  
Proposed Hilton Garden Inn, Porter  
Hilton San Antonio Airport, San  
Antonio  
Hotel Valencia Riverwalk, San Antonio  
Microtel Inn & Suites Airport, San  
Antonio  
Microtel Inn & Suites SeaWorld, San  
Antonio  
Quality Inn, Seabrook  
Holiday Inn Express, South Padre  
Island  
Holiday Inn Express, Sweetwater  
Candlewood Suites, Texarkana  
Best Western Inn & Suites, Texas City  
La Quinta Inn & Suites, Tomball  
Super 8, Victoria  
Holiday Inn Express Space Center,  
Webster  
Proposed Hotel, Webster

**UTAH**

Howard Johnson, St. George

**VIRGINIA**

Hyatt Place Roanoke Airport Valley  
View Mall, Roanoke

**WEST VIRGINIA**

Proposed Hotel, Buffalo

Proposed North Fayetteville Hotel-  
Resort, Fayetteville  
Proposed Grand Patrician Resort,  
Milton  
Hilton Garden Inn, Morgantown  
Corduoy Inn, Snowshoe

**WISCONSIN**

Quality Inn, Rhinelander

**INTERNATIONAL**

Proposed Hotel, Guatemala City,  
Guatemala  
Proposed La Quinta Inn, Panama City,  
Panama  
Hyatt Regency, Cancun, Mexico  
Yalmakan Resort, Cancun, Mexico



# State of Illinois

## Department of Financial and Professional Regulation Division of Real Estate

LICENSE NO.  
553.002813

The person, firm, or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below:

EXPIRES:  
09/30/2023

CERTIFIED GENERAL REAL ESTATE APPRAISER



BRIAN AREVALO  
145 LAKE STREET APT 2  
BELLEVUE, KY 41073



MARIO TRETO, JR.  
SECRETARY

LAURIE MURPHY  
DIRECTOR

The official status of this license can be verified at [www.idfpr.com](http://www.idfpr.com)

16563838

Cut on Dotted Line

For future reference, IDFPR is now providing each person/business a unique identification number, 'Access ID', which may be used in lieu of a social security number, date of birth or FEIN number when contacting the IDFPR. Your Access ID is: 4385367

LICENSE NO.  
553.002813

Department of Financial and Professional Regulation  
Division of Real Estate



CERTIFIED GENERAL REAL  
ESTATE APPRAISER

BRIAN AREVALO

EXPIRES:  
09/30/2023

MARIO TRETO, JR.  
SECRETARY

LAURIE MURPHY  
DIRECTOR

The official status of this license can be verified at [www.idfpr.com](http://www.idfpr.com)

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# Amy Schmidt

## EMPLOYMENT

<i>February 2019 to present</i>	HVS CONSULTING AND VALUATION SERVICES Chicago, Illinois
<i>September 2018–February 2019</i>	INLAND REAL ESTATE INVESTMENT CORPORATION Oakbrook, Illinois
<i>Summer 2018</i>	KOHLER CO. Kohler, Wisconsin
<i>April 2016–May 2018</i>	THE SCHOOL OF HOSPITALITY BUSINESS, MICHIGAN STATE UNIVERSITY East Lansing, Michigan
<i>Summer 2017</i>	SAGE HOSPITALITY Denver, Colorado
<i>Summer 2016</i>	WESTMORELAND COUNTRY CLUB Wilmette, Illinois
<i>Summer 2015</i>	GRAND GENEVEA RESORT & SPA Lake Geneva, Wisconsin

## EDUCATION AND OTHER TRAINING

BA – The School of Hospitality Business, Michigan State University

*Other Specialized Training Classes Completed:*

Uniform Standards of Professional Appraisal Practice  
 Basic Appraisal Principles  
 Basic Appraisal Procedures  
 General Appraiser Income Approach (Parts I and II)  
 General Appraiser Market Analysis and HBU  
 General Appraiser Site Valuation and Cost Approach  
 Real Estate Finance, Statistics, Valuation Modeling  
 General Appraiser Report Writing and Case Studies  
 General Appraiser Sales Comparison Approach  
 Expert Witness for Commercial Appraisers

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**EDUCATION (CON'T)**

Commercial Appraisal Review  
Advanced Income

**STATE CERTIFICATION**

Illinois, Indiana, Wisconsin

**PUBLISHED ARTICLES**

*HVS Journal*

“Recent Lodging Trends and Outlook for Chicago, Illinois,” April 2023

*HVS Journal*

“HVS Market Pulse – Milwaukee, Wisconsin,” with Justin Westad, March 2021

*HVS Journal*

“HVS Market Pulse: Green Bay, the Home of the Packers,” February 2021

**EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED**

**PORTFOLIO WORK**

13 Extended Stay America Hotels, Greater Chicago Area  
 8 Hilton and Marriott Hotels, Various Locations

**ALABAMA**

Hyatt Place Birmingham Inverness, Birmingham  
 Hilton Garden Inn Montgomery East, Montgomery  
 WoodSpring Suites Birmingham Pelham, Pelham

**ARIZONA**

Hampton Inn Phoenix Chandler, Chandler  
 Proposed WoodSpring Suites at Price & Willis, Chandler  
 Proposed WoodSpring Suites Chandler, Chandler  
 Proposed WoodSpring Suites, Tolleson

**IDAHO**

Shilo Inn Idaho Falls, Idaho Falls  
 Shilo Inn Nampa Suites, Nampa  
 Proposed Downtown Rupert Hotel, Rupert

**ILLINOIS**

Holiday Inn Aurora North-Naperville, Aurora  
 Proposed Staybridge Suites Aurora, Aurora  
 Proposed Hotel Batavia, Batavia  
 Courtyard by Marriott Chicago, Bloomington  
 Residence Inn by Marriott, Bloomington  
 Canopy by Hilton Chicago Central Loop, Chicago  
 Carlton Inn, Chicago  
 Chicago Lake Shore Hotel, Chicago

Club Quarters Central Loop Chicago, Chicago  
 DeWitt Place, Chicago  
 Fairmont Chicago Millennium Park, Chicago  
 Gale Chicago, Chicago  
 Hampton by Hilton Chicago Downtown North Loop Michigan Avenue, Chicago  
 Hampton by Hilton Majestic Chicago Theatre District, Chicago  
 Hampton by Hilton, Chicago Downtown North Loop Michigan Avenue, Chicago  
 Hilton Suites Chicago Magnificent Mile, Chicago  
 Holiday Inn Express Chicago Magnificent Mile, Chicago  
 Holiday Inn Express Hotel Cass Chicago, Chicago  
 Hotel EMC2 Autograph Collection, Chicago  
 Hotel Felix, Chicago  
 InterContinental Chicago Magnificent Mile, Chicago  
 Kimpton Hotel Palomar Chicago, Chicago  
 Proposed Autograph, Chicago  
 Proposed Hampton Inn & Suites, Chicago  
 Proposed Hilton Garden Inn/Canopy, Chicago  
 Proposed South LaSalle Hotel, Chicago  
 Proposed Stob Hotel Chicago, Chicago  
 Renaissance Chicago Downtown Hotel, Chicago  
 Residence Inn Chicago Downtown Loop, Chicago  
 Sable at Navy Pier Chicago Curio Collection by Hilton, Chicago  
 Saint Jane Chicago, Chicago  
 SpringHill Suites by Marriott Chicago O'Hare, Chicago  
 Talbott Hotel, Chicago  
 Warwick Allerton Hotel Chicago, Chicago  
 Whitehall Hotel, Chicago

Wit a DoubleTree Hotel Chicago, Chicago  
 Red Roof Inn Chicago Northbrook, Deerfield  
 Proposed Holiday Inn Express, DeKalb  
 Proposed HIX Update, Des Plaines  
 Proposed Holiday Inn Express, Des Plaines  
 Holiday Inn Chicago Elk Grove, Elk Grove Village  
 Hampton by Hilton Decatur Forsyth, Forsyth  
 Quality Inn Forsyth, Forsyth  
 Proposed Hotel and Glamping, Fox Lake  
 Regal Inn Chicago O'Hare Airport Franklin Park, Franklin Park  
 Best Western Plus Chicago Hillside, Hillside  
 Eaglewood Resort & Spa, Itasca  
 Hyatt Place Chicago Itasca, Itasca  
 Proposed Holiday Inn Express, Itasca  
 Fairfield by Marriott Joliet South, Joliet  
 Holiday Inn & Suites Joliet Southwest, Joliet  
 Proposed Candlewood Suites Joliet, Joliet  
 Proposed SpringHill Suites by Marriott Joliet, Joliet  
 Proposed Lake Forest Hotel, Lake Forest  
 Red Roof Inn Chicago Lansing, Lansing  
 Proposed Tru, Lemont  
 Super 8 Mokena, Mokena  
 Proposed Tru Naperville, Naperville  
 Edward Hotel Chicago, Rosemont  
 Westin O'Hare, Rosemont  
 AmericInn Hotel & Suites Schaumburg, Schaumburg  
 Days Inn & Suites, Schaumburg  
 Hilton Garden Inn, Schaumburg  
 DoubleTree by Hilton Hotel Chicago North Shore Conference Center, Skokie  
 Proposed Holiday Inn Tinley Park, Tinley Park  
 Proposed Residence Inn, Tinley Park

Proposed Tapestry Collection by  
Hilton Urbana, Urbana  
Motel 6 Chicago West Villa Park, Villa  
Park  
Courtyard by Marriott Waukegan,  
Waukegan

#### **INDIANA**

Quality Inn Auburn, Auburn  
Hilton Fort Wayne at the Grand Wayne  
Convention Center, Fort Wayne  
Home2 Suites by Hilton Fort Wayne  
North, Fort Wayne  
Hampton Inn, Goshen  
Country Inn & Suites by Radisson  
Indianapolis Airport South,  
Indianapolis  
Indy Lodge, Indianapolis  
La Quinta Inn Indianapolis East Post  
Drive, Indianapolis  
Proposed Marriott Indianapolis,  
Indianapolis  
Courtyard by Marriott Kokomo,  
Kokomo  
Candlewood Suites, Merrillville  
La Quinta Inn Merrillville, Merrillville  
Comfort Inn & Suites Michigan City,  
Michigan City  
Dunes Inn Michigan City Hotel,  
Michigan City  
Aloft South Bend, South Bend  
Proposed Valparaiso Hotel, Valparaiso  
Deluxe Inn Warsaw, Warsaw  
Wyndham Garden Warsaw, Warsaw  
Hilton Garden Inn West Lafayette  
Wabash Landing, West Lafayette

#### **IOWA**

Staybridge Suites Davenport,  
Davenport  
Proposed 2525 Grand, Des Moines

#### **KENTUCKY**

Inn on Broadway, Lexington

#### **MICHIGAN**

Days Inn & Suites Benton Harbor,  
Benton Harbor  
Hilton Garden Inn Benton Harbor Saint  
Joseph, Benton Harbor  
Coldwater Inn & Suites, Coldwater  
Courtyard by Marriott Flint, Flint  
Residence Inn by Marriott Flint, Flint  
Baymont Inn & Suites Grand Rapids  
Southwest Byron Center, Grand  
Rapids  
Pine Mountain TimberStone Ski and  
Golf Resort, Iron Mountain  
Hampton Inn Jackson, Jackson  
Hampton by Hilton Detroit Southgate,  
Southgate  
Delamar Traverse City, Traverse City  
Select Inns Warren, Warren

#### **MINNESOTA**

Hyatt Centric Minneapolis Downtown,  
Minneapolis

#### **NORTH CAROLINA**

Days Inn & Suites by Wyndham, Forest  
City

#### **NEW YORK**

Super 8 Rochester Henrietta, Henrietta

#### **OHIO**

Proposed TownePlace Suites/ Fairfield  
Inn by Marriott, Beaver Creek  
Hawthorn Suites by Wyndham  
Cincinnati, Cincinnati  
Red Lion Inn & Suites, Dayton  
Days Inn Grove City Columbus South,  
Grove City  
Key Inn Macedonia, Macedonia  
Best Western Lawnfield Inn, Mentor  
Proposed SpringHill Suites, Troy  
Best Western Park Hotel Warren,  
Warren

#### **OREGON**

Duniway Portland a Hilton Hotel,  
Portland  
Hilton Portland Downtown, Portland

Shilo Inn Warrenton Astoria,  
Warrenton

#### **PENNSYLVANIA**

Fairfield by Marriott Lock Haven, Lock  
Haven  
Ace Hotel, Pittsburgh  
Hampton Inn & Suites Pittsburgh  
Airport South Settlers Ridge,  
Pittsburgh  
Cambria Suites Washington,  
Washington  
Woodlands Inn & Resort, Wilkes Barre

#### **WASHINGTON**

Shilo Inn Suites Ocean Shores, Ocean  
Shores

#### **WISCONSIN**

Proposed Bayfield Boutique Hotel,  
Bayfield  
Sheraton Milwaukee Brookfield,  
Brookfield  
Quality Inn & Suites East Troy, East  
Troy  
Crossroads Motel, Elkhorn  
Arena Motel, Green Bay  
Hampton Inn Green Bay Downtown,  
Green Bay  
Proposed Hotel Greendale, Greendale  
Staybridge Suites Madison East,  
Madison  
Inn on Maritime Bay, Manitowoc  
Staybridge Suites Middleton Madison  
West, Middleton  
Fairfield by Marriott Milwaukee  
Downtown, Milwaukee  
Hampton Inn & Suites Downtown  
Milwaukee, Milwaukee  
Proposed Hotel, Milwaukee  
Four Seasons Island Resort, Pembine  
Super 8 by Wyndham Kenosha  
Pleasant Prairie, Pleasant Prairie  
Proposed Boutique Hotel Racine,  
Racine  
Proposed Cobblestone Hotel Superior,  
Superior

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**WEST VIRGINIA**

Proposed Bed & Breakfast,  
Buckhannon  
Hampton by Hilton Fairmont,  
Fairmont

# State of Illinois

## Department of Financial and Professional Regulation Division of Real Estate

LICENSE NO.  
553.002944

The person, firm, or corporation whose name appears on this certificate has complied with the provisions of the Illinois Statutes and/or rules and regulations and is hereby authorized to engage in the activity as indicated below.

EXPIRES:  
09/30/2023

CERTIFIED GENERAL REAL ESTATE APPRAISER



AMY SCHMIDT  
1417 BEACH ROAD  
MCHENRY, IL 60050



MARIO TRETO, JR.  
SECRETARY

LAURIE MURPHY  
DIRECTOR

The official status of this license can be verified at [IDFPR.illinois.gov](http://IDFPR.illinois.gov)

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For future reference, IDFPR is now providing each person/business a unique identification number, 'Access ID', which may be used in lieu of a social security number, date of birth or FEIN number when contacting the IDFPR. Your Access ID is: 4617526

LICENSE NO.  
553.002944

Department of Financial and Professional Regulation  
Division of Real Estate



CERTIFIED GENERAL REAL  
ESTATE APPRAISER

AMY SCHMIDT

EXPIRES:  
09/30/2023

MARIO TRETO, JR.  
SECRETARY

LAURIE MURPHY  
DIRECTOR

The official status of this license can be verified at [IDFPR.illinois.g](http://IDFPR.illinois.g)

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