

CONSULTING (APPRAISAL) REPORT – FEASIBILITY STUDY

PROPOSED HOME2SUITES FARMERS BRANCH
Southeast Corner of IH-635 and Mira Lago Boulevard
Farmers Branch, Dallas County, Texas 75234
CBRE, Inc. File No. 19-414NH-0294

DK Patel, CHA, MBA
President
WHITESTONE HOSPITALITY MANAGEMENT
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CBRE



July 26, 2019

DK Patel, CHA, MBA
President
WHITESTONE HOSPITALITY MANAGEMENT
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RE: Appraisal of Proposed Home2Suites Farmers Branch
Southeast Corner of IH-635 and Mira Lago Boulevard
Farmers Branch, Dallas County, Texas 75234
CBRE, Inc. File No. 19-414NH-0294

Dear Mr. Patel:

At your request and authorization, CBRE, Inc. has prepared a feasibility study for the referenced property. Our analysis is presented in the following consulting (appraisal) report. The Uniform Standards of Professional Appraisal Practice now defines consulting reports as appraisal reports.

The subject is a proposed 111-room extended stay hotel property that will be located at the southeast corner of IH-635 and Mira Lago Boulevard in Farmers Branch, Texas. The improvements are proposed and are to be situated on a 1.95-acre site. The hotel will be operated as a Home2Suites Hotel.

Based on the analysis contained in the following report, the proposed hotel development is deemed feasible. The following are the concluded internal rates of return (IRR's) as follows:

IRR CONCLUSIONS SUMMARY	
Unleveraged IRR - As Stabilized	11.33%
Leveraged IRR - As Stabilized	24.28%
Unleveraged IRR - As Complete	10.09%
Leveraged IRR - As Complete	21.34%
Compiled by CBRE	

The fact that the overall and equity IRR's are positive is an indication that the project is feasible. Feasibility simply requires positive return and this occurs in this case. Therefore, the hotel development is deemed feasible.

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter.

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to non-client, non-intended users does not extend reliance to any other party and CBRE will not be responsible for unauthorized use of the report, its conclusions or contents used partially or in its entirety.

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if CBRE can be of further service, please contact us.

Respectfully submitted,

CBRE - VALUATION & ADVISORY SERVICES



Kevin M. Donahue, MAI
Vice President
Texas Certification No. TX-1336795-G

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Certification

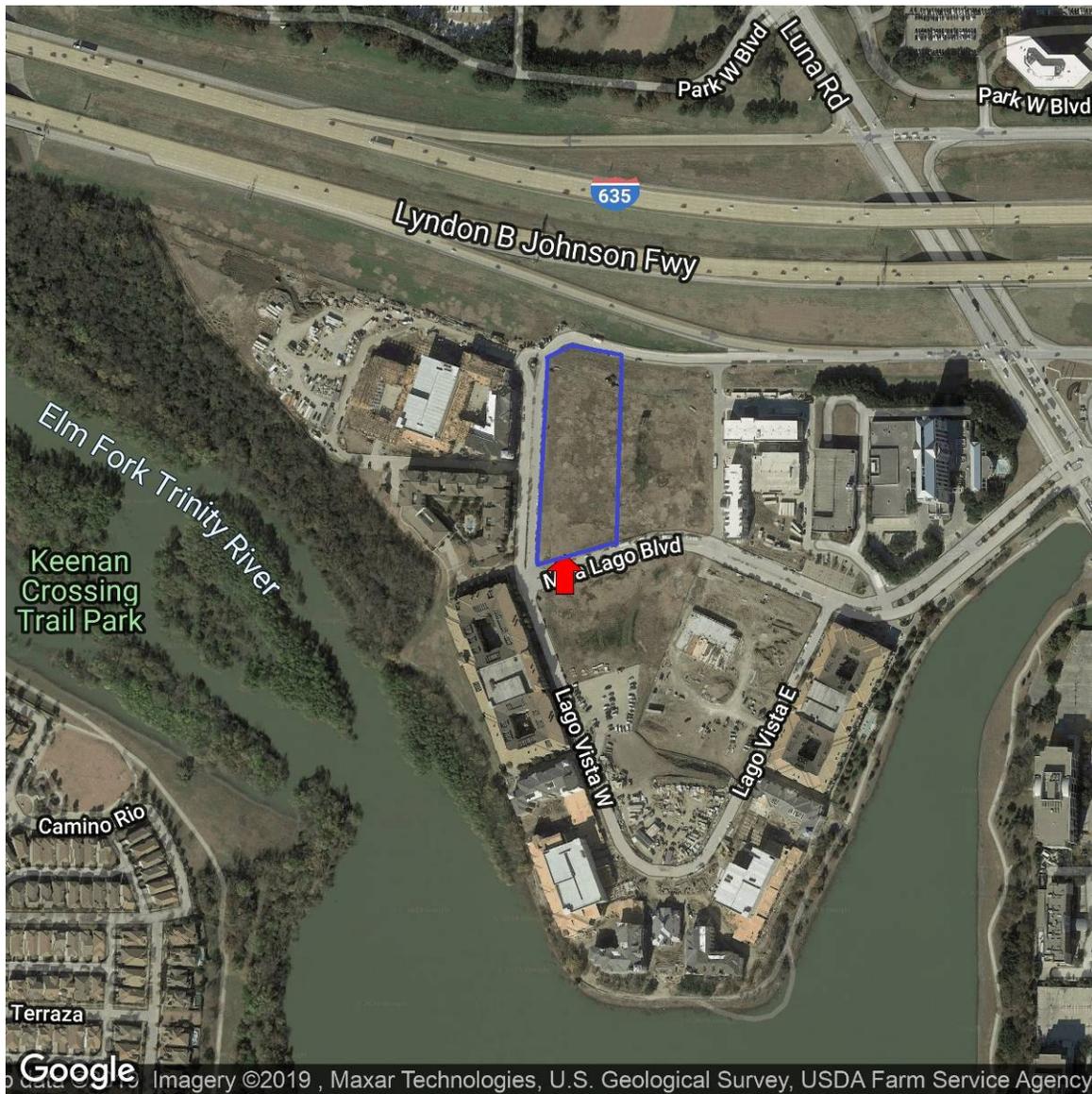
We certify to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in or bias with respect to the property that is the subject of this report and have no personal interest in or bias with respect to the parties involved with this assignment.
4. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
5. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the State of Texas.
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. As of the date of this report, Kevin M. Donahue, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.
11. Kevin M. Donahue, MAI has made a personal inspection of the property that is the subject of this report.
12. No one provided significant real property appraisal assistance to the persons signing this report.
13. Valuation & Advisory Services operates as an independent economic entity within CBRE, Inc. Although employees of other CBRE, Inc. divisions may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times with regard to this assignment without conflict of interest.
14. Kevin M. Donahue, MAI has not provided any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.



Kevin M. Donahue, MAI
Texas Certification No. TX-1336795-G

Subject Photographs



Aerial View (property lines are approximate)



View of Subject



View of Subject



View of the road frontage



View of the road frontage

Executive Summary

Property Name	Proposed Home2Suites Farmers Branch	
Location	Southeast Corner of IH-635 and Mira Lago Boulevard, Farmers Branch, Dallas County, Texas 75234	
Land Area	1.95 AC	84,774 SF
Improvements (Proposed)		
Property Type	Hotel	(Extended Stay Hotel)
Number of Buildings	1	
Number of Stories	4	
Gross Building Area	57,784 SF	
Number of Rooms	111	
Restaurant/Lounge	Breakfast area	
Meeting Space	None	
Property Amenities	Pool, fitness center, business center, complimentary breakfast, high speed internet	
Year Built (Proposed)	2020	
Condition	New	

Compiled by CBRE

The following charts summarize our ADR and occupancy conclusions for the first several years of our analysis:

OCCUPANCY, ADR, & ROOMS REVENUE CONCLUSIONS					
RevPAR Growth		11.3%	8.8%	3.0%	3.0%
Fiscal Year Ending 3/19/	2021	2022	2023	2024	2025
Avg. Available Rooms	111	111	111	111	111
Annual Room Nights	40,515	40,515	40,515	40,626	40,515
Occupancy	66%	69%	75%	75%	75%
Occupied Rooms	26,740	27,955	30,386	30,470	30,386
ADR	\$128.75	\$135.19	\$139.24	\$143.42	\$147.72
RevPAR	\$84.98	\$93.28	\$104.43	\$107.57	\$110.79
RevPAR Growth		9.8%	12.0%	3.0%	3.0%
Total Rooms Revenue	\$3,442,762	\$3,779,214	\$4,231,076	\$4,369,948	\$4,488,749

Source: CBRE

The following chart summarizes our concluded development costs for the subject:

CONCLUDED DEVELOPMENT COST	
Building Cost	\$15,280,000
FF&E Cost	\$1,942,500
Land Cost	\$1,724,400
Total Development Cost	\$18,946,900
Rounded	\$18,900,000
Compiled by CBRE	

Based on the analysis contained herein, the IRR conclusions are summarized as follows:

IRR CONCLUSIONS SUMMARY	
Unleveraged IRR - As Stabilized	11.33%
Leveraged IRR - As Stabilized	24.28%
Unleveraged IRR - As Complete	10.09%
Leveraged IRR - As Complete	21.34%
Compiled by CBRE	

Based on our analysis, the level of impact that the subject will have on the existing hotel supply is summarized as follows:

HOTEL IMPACT SUMMARY			
Hotel Name	Subject's Impact Conclusion on Existing Hotel		
	No Impact	Minimal Impact	High Impact
Omni Dallas at Park West		X	
Holiday Inn Express Farmers Branch			X
Candlewood Suites Farmers Branch			X
DoubleTree Farmers Branch		X	
Hilton Garden Inn Las Colinas		X	
Wyndham Garden Dallas North	X		
Compiled by CBRE			

Strengths/ Opportunities

- The subject is well located in the city of Farmers Branch with easy access to other portions of the DFW Metroplex;
- The property will be the newest hotel in the submarket upon completion;
- The subject will be operated as a Home2Suites hotel.

Weaknesses/ Threats

- The property is located in a very competitive hotel market with most of the major franchises represented in the submarket;
- Additional new hotel construction could occur that will compete with the subject and competitive hotels.

EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is defined as “an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions.” ^[1]

- The subject is proposed. This analysis is focused on a feasibility analysis which presumes the completion of the hotel. It is assumed that all necessary permits and approvals from municipal authorities either have been, or will be, obtained for the proposed improvements. It is also assumed that the improvements will be completed in a workmanlike manner in accordance with the information that has been provided to us.
- Building plans and specifications were not provided to the appraiser. It is an assumption of this report that the subject will be constructed commensurate with similar franchised hotels within the market.

The use of these extraordinary assumptions might have affected assignment results.

HYPOTHETICAL CONDITIONS

A hypothetical condition is defined as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purposes of analysis.” ^[2]

- None noted

[1] The Appraisal Foundation, *USPAP*, 2018-2019

[2] The Appraisal Foundation, *USPAP*, 2018-2019

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Introduction

OWNERSHIP AND PROPERTY HISTORY

Title to the property is currently vested in the name of T Sorrento, Inc. who has owned the property for over three years. The subject is currently under contract to Whitestone Hospitality Management, LLC for \$1,742,400 or \$20.34 per square foot. No other information regarding the marketing of the property has been provided to the appraiser. This feasibility study does not address whether the pending purchase price is reasonable, or not, as no land valuation was undertaken. However, based on an analysis of comparable properties in the area and based on our discussions with the buyer, the contract appears to be at market.

To the best of our knowledge, there have been no other ownership transfers of the property during the previous three years.

INTENDED USE OF REPORT

The intended use of this appraisal (feasibility study) is for hotel zoning case for the City of Farmers Branch and no other use is permitted.

INTENDED USER OF REPORT

This feasibility study report is to be used by Whitestone Hospitality Management (the client) and no other user may rely on our report unless as specifically indicated in the report.

Intended Users - the intended user is the person (or entity) who the appraiser intends will use the results of the appraisal. The client may provide the appraiser with information about other potential users of the appraisal, but the appraiser ultimately determines who the appropriate users are given the appraisal problem to be solved. Identifying the intended users is necessary so that the appraiser can report the opinions and conclusions developed in the appraisal in a manner that is clear and understandable to the intended users. Parties who receive or might receive a copy of the appraisal are not necessarily intended users. The appraiser's responsibility is to the intended users identified in the report, not to all readers of the appraisal report.¹

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to determine the feasibility of development of the subject property.

INTEREST ANALYZED

The interest analyzed represents the Fee Simple Estate and is defined as follows:

¹ Appraisal Institute, The Appraisal of Real Estate, 14th ed. (Chicago: Appraisal Institute, 2013), 50.

Fee Simple Estate - Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.²

SCOPE OF WORK

This Appraisal Report is intended to comply with the reporting requirements set forth under Standards Rule 2 of USPAP. The scope of the assignment relates to the extent and manner in which research is conducted, data is gathered and analysis is applied.

Note that this assignment is focused on the feasibility of development rather than appraisal. However, the Uniform Standards of Professional Practice now classifies consulting assignments of this type as appraisals and the appraisal development and reporting standards apply. However, as this is a consulting / feasibility study, not all of these standards are applicable.

CBRE, Inc. completed the following steps for this assignment:

Extent to Which the Property is Identified

The property is identified through the following sources:

- postal address
- assessor's records
- legal description

Extent to Which the Property is Inspected

CBRE, Inc. inspected the subject site and its surrounding environs on the effective date of appraisal. Our inspection included viewing the site from public roads. We did not walk the entire site or drive the interior of the site and have assumed that the portions of the site not actually observed are in similar condition to the areas observed.

Type and Extent of the Data Researched

CBRE reviewed the following:

- applicable tax data
- zoning requirements
- flood zone status
- demographics
- income and expense data
- comparable data

Type and Extent of Analysis Applied

CBRE analyzed the data gathered through the use of appropriate and accepted analysis methodology to arrive at a probable feasibility conclusion. The traditional cost approach was utilized to develop an indication of the investment cost – i.e., the going-in investment price. A modified Income Approach (the actual feasibility analysis) was then utilized to develop the

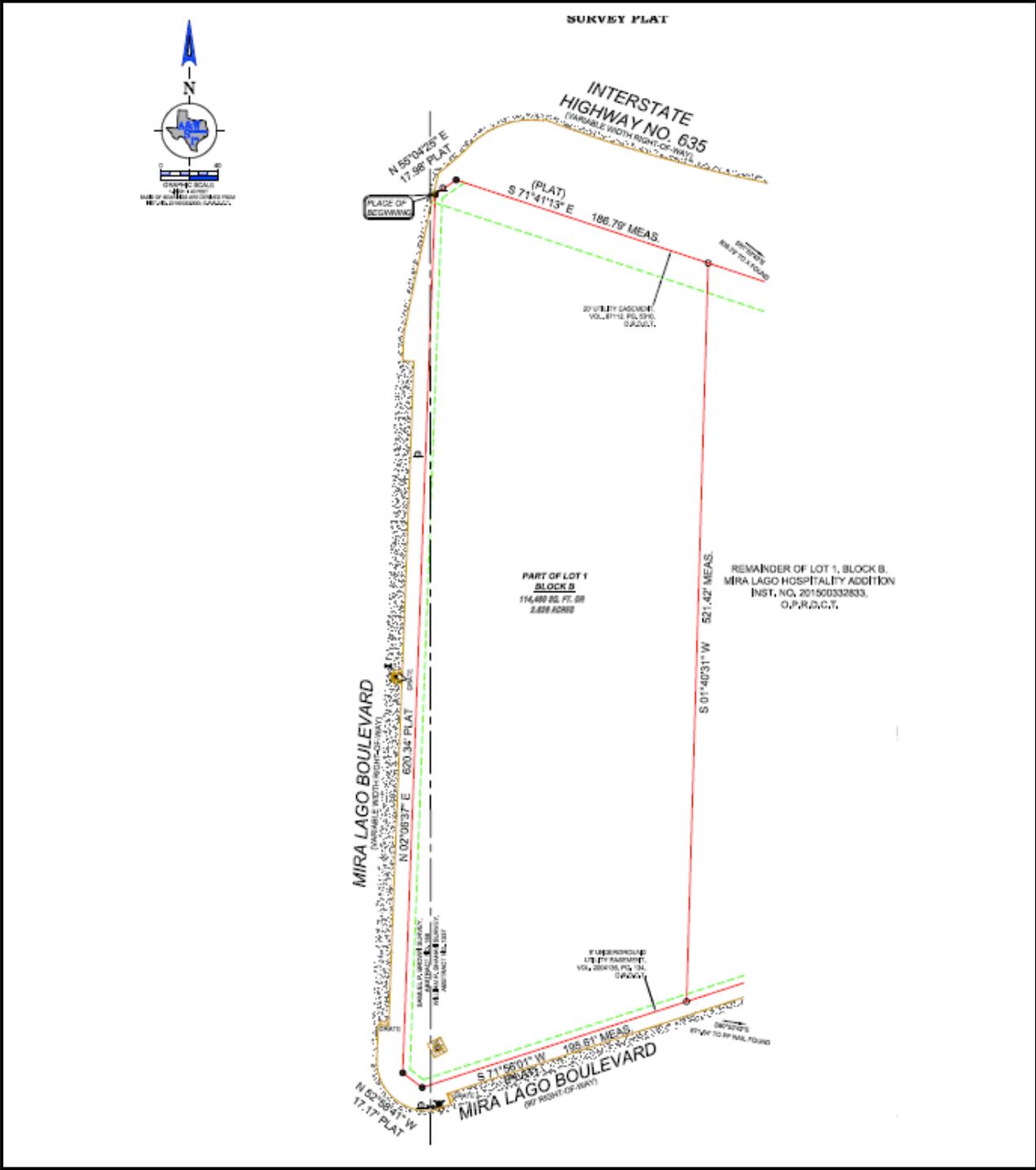
² *Dictionary of Real Estate Appraisal*, 78.

indicated cash flows over both near-term and long-term investment horizons. The returns from both cash flow and reversion were then applied to a model for development of the internal rate of return (IRR). This generated IRR was then compared to investor expectations and actual return rates to determine if the investment not only generates a positive return but one at a level capable of attracting investment capital. Further, we considered whether the proposed development would adequately support a typical mortgage for the property.

Data Resources Utilized in the Analysis

DATA SOURCES	
<i>Item:</i>	<i>Source(s):</i>
Site Data	
Size	Purchase contract, building plans
Improved Data	
Building Area	Building plans
No. Bldgs.	Building plans
Year Built/Developed	Building plans
Economic Data	
Building Costs:	MVS, cost comparables
Income Data:	Hotel competitors
Expense Data:	Expense comparables
Data Requested, Not Provided	
Item 1	ESA
Compiled by CBRE	

SURVEY



Site Analysis

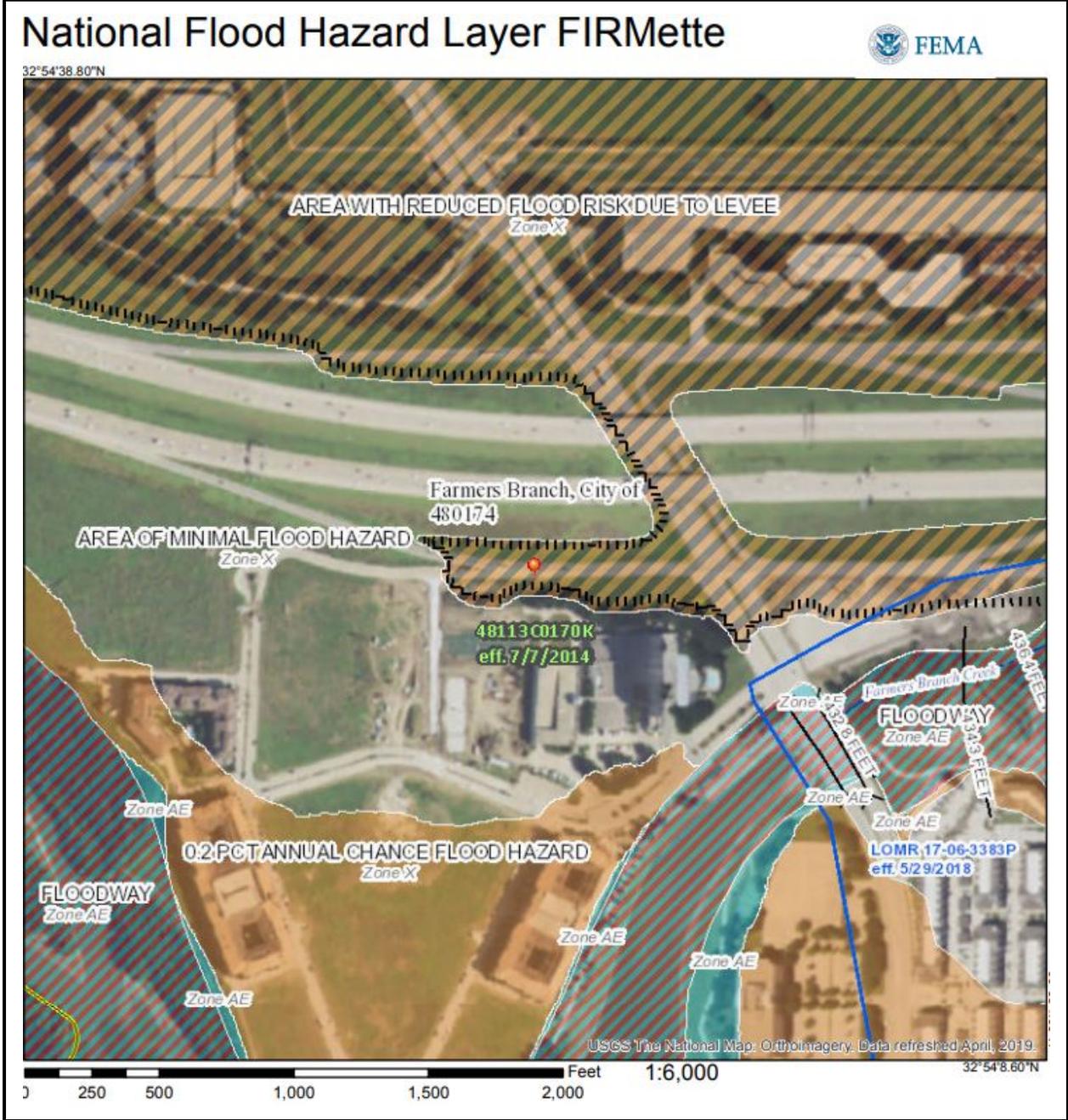
The following chart summarizes the salient characteristics of the subject site.

SITE SUMMARY AND ANALYSIS			
Physical Description			
Gross Site Area	1.95 Acres	84,774 Sq. Ft.	
Net Site Area	1.95 Acres	84,774 Sq. Ft.	
Primary Road Access	IH-635		
Secondary Road Frontage	Mira Lago Boulevard		
Excess Land Area	None	n/a	
Surplus Land Area	None	n/a	
Shape	Rectangular		
Topography	Level		
Flood Map Panel No. & Date	48113C0170K	7-Jul-14	
Flood Zone	X500		
Adjacent Land Uses	Commercial and multi-family uses		
Comparative Analysis		<u>Rating</u>	
Visibility	Good		
Functional Utility	Assumed adequate		
Traffic Volume	Good		
Adequacy of Utilities	Assumed adequate		
Landscaping	Average		
Drainage	Assumed adequate		
Utilities		<u>Provider</u>	<u>Adequacy</u>
Water	City of Farmers Branch		Yes
Sewer	City of Farmers Branch		Yes
Electricity	Various providers		Yes
Telephone	Various providers		Yes
Other		<u>Yes</u>	<u>No</u> <u>Unknown</u>
Detrimental Easements		X	
Encroachments		X	
Deed Restrictions			X
Reciprocal Parking Rights		X	
Source: Various sources compiled by CBRE			

CONCLUSION

The site is well-located and afforded average access and good visibility from roadway frontage. The size of the site is typical for the area and use, and there are no known detrimental uses in the immediate vicinity. Overall, there are no known factors that are considered to prevent the site from development to its highest and best use, as if vacant, or adverse to the proposed use of the site.

FLOOD PLAIN MAP



IMPROVEMENTS ANALYSIS



The following chart shows a summary of the proposed improvements.

PROPOSED IMPROVEMENTS SUMMARY AND ANALYSIS		
Property Type	Hotel	(Extended Stay Hotel)
Number of Buildings	1	
Number of Stories	4	
Gross Building Area	57,784 SF	
Number of Guest Rooms	111	
Restaurant/Lounge	Breakfast area	
Meeting/Banquet Rooms	None	
Property Amenities	Pool, fitness center, business center, complimentary breakfast, high speed internet	
Site Coverage	17.0%	
Land-to-Building Ratio	1.47 : 1	
Year Built	2020	

Source: Various sources compiled by CBRE

As shown, the subject is a proposed Home2Suites hotel. Building plans have not been completed as of the date of this report and we have assumed that the proposed hotels will be commensurate with competitive hotels in the market.

YEAR BUILT

The developer has projected a construction schedule of 12 Months.

FUNCTIONAL UTILITY

The current design characteristics of the subject appear to meet modern standards. All of the floor plans are considered to feature functional layouts and the overall layout of the property is considered functional in utility. The unit mix appears functional and no conversion is warranted.

ADA COMPLIANCE

All common areas of the property appear to have handicap accessibility. The client/reader's attention is directed to the specific limiting conditions regarding ADA compliance.

ENVIRONMENTAL ISSUES

CBRE, Inc. is not qualified to detect the existence of any potentially hazardous materials such as lead paint, asbestos, urea formaldehyde foam insulation, or other potentially hazardous construction materials on or in the improvements. The existence of such substances may affect the value of the property. For the purpose of this assignment, we have specifically assumed there are no hazardous materials that would cause a loss in value to the subject.

CONCLUSION

The improvements will be in new condition and will be of good quality with average appeal commensurate with extended stay hotel design standards. Overall, there are no known factors that could be considered adverse in impact to the marketability of the subject property.

Tax and Assessment Data

The following summarizes the local assessor's estimate of the subject's market value, assessed value, and taxes, and does not include any furniture, fixtures or equipment. The CBRE estimated tax obligation is also shown.

AD VALOREM TAX INFORMATION		
Assessor's Market Value		Pro Forma
241316600B0010000		
Total Assessor's Market Value		\$12,765,000
Assessed Value @		100%
		\$12,765,000
General Tax Rate	(per \$100 A.V.)	2.626007
Total Taxes		\$335,210
Source: Assessor's Office		

The local Assessor's methodology for valuation is 100% of market value. Under the premise of Uniform and Equal Assessment we have compared the subject to the competitors. On this basis, the subject's pro forma assessed value per room appears reasonable.

DELINQUENCY

None noted

TAX COMPARABLES

As a basis for the subject's applicable real estate taxes, CBRE, Inc. has reviewed the real estate tax information for comparable properties in the market area. The following table summarizes the comparables employed for this analysis:

AD VALOREM TAX COMPARABLES					
Comparable Hotel	Hyatt Place Dallas Las Colinas	Homewood Suites Las Colinas	Hampton Inn Dallas Irving Las Colinas	Hilton Garden Inn Irving Las Colinas	CBRE Pro Forma Estimate
Year Built	1998	1990	1997	1997	2020
No. Rooms	122	136	135	173	111
Tax Year	2018	2018	2018	2018	Pro Forma
Assessor's Market Value	\$18,000,000	\$16,000,000	\$9,080,110	\$18,200,000	\$12,765,000
AV Per Room	\$147,541	\$117,647	\$67,260	\$105,202	\$115,000
Source: Assessor's Office					

CONCLUSION

Upon completion of construction, the property will be reassessed to take into consideration the completed improvements. Based on the foregoing, the total taxes for the subject have been estimated as \$335,210 for the base year of our analysis, based upon an assessed value of \$12,765,000 or \$115,000 per room.

For purposes of this analysis, CBRE, Inc. assumes that all taxes are current.

Market Analysis

NATIONAL OVERVIEW

The market analysis forms a basis for assessing market area boundaries, supply and demand factors, and indications of financial feasibility. The market analysis will take into account supply and demand, vacancy, absorption and planned projects. The analysis is based on recent studies conducted by PWC Investor Survey, Hotel Horizons®, and Smith Travel Research, (STR).

CBRE HOTEL HORIZONS NATIONAL OVERVIEW

Hotel Market Summary

U.S. hotel occupancy levels continued to grow during the first quarter of 2019. According to STR, U.S. hotels achieved an average occupancy level of 61.8% during the first three months of the year, the highest first quarter occupancy level posted since 1988. The rise in occupancy was prompted by a healthy 2.4% increase in demand that surpassed the 2.0% net increase in supply. Lodging demand has increased during the first quarter every year since the 2009 recession.

Unfortunately, ADR gains were disappointing relative to the strength in demand. The 1.1% gain in ADR during the first quarter was less than the 1.5% growth rate forecast by CBRE in

Occupancy	Occupancy will decrease to 66.1%, a decline over the past 4 quarters' rate of 66.2%, but above the long run average of 62.5%	
Average Daily Rate	ADR growth expectations are increasing, 2.7% vs. the past 4 quarters' rate of 2.1%, but are below the long run average of 3.0%	
Revenue Per Available Room	RevPAR growth projections for the next 4 quarters are climbing to 2.6% as compared to the past 4 quarters' rate of 2.5%, but are lower than the long run average of 3.2%	
Supply (orange indicates above long-term average)	Supply growth will stay about the same at 2.0%. This is greater than the long run average of 1.8%	
Demand	Forecast demand growth is falling, 1.9% vs. the past 4 quarters' rate of 2.4%, and is below the long run average of 2.0%	

Source: CBRE Hotels Americas Research, Q1 2019

National Forecast Summary

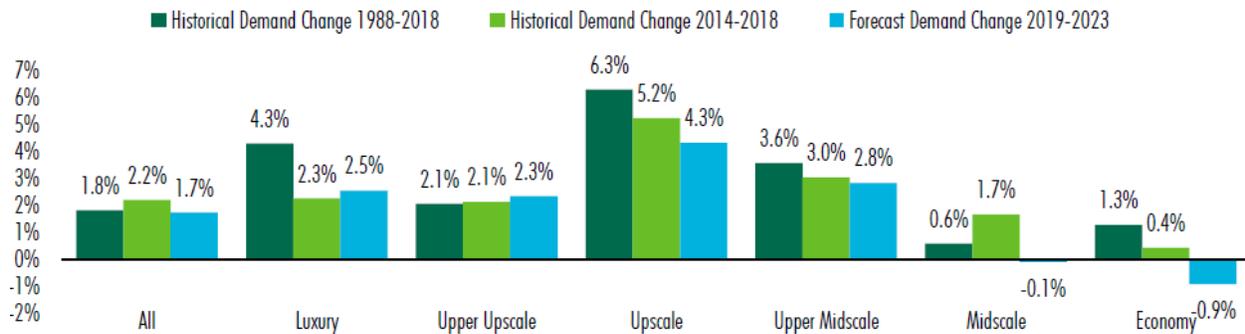
YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	64.4%	3.4%	\$115.18	4.7%	\$74.12	8.2%
2015	65.3%	1.5%	\$120.40	4.5%	\$78.68	6.1%
2016	65.4%	0.1%	\$124.05	3.0%	\$81.13	3.1%
2017	65.9%	0.7%	\$126.77	2.2%	\$83.50	2.9%
2018	66.2%	0.5%	\$129.88	2.5%	\$85.94	2.9%
2019F	66.2%	0.0%	\$132.41	1.9%	\$87.64	2.0%
2020F	65.7%	-0.8%	\$135.81	2.6%	\$89.20	1.8%
2021F	64.6%	-1.7%	\$137.42	1.2%	\$88.76	-0.5%
2022F	65.0%	0.7%	\$138.24	0.6%	\$89.87	1.3%
2023F	66.1%	1.7%	\$141.16	2.1%	\$93.33	3.8%

Source: CBRE Hotels Americas Research, STR, Q1 2019.

March of 2019.

Based on the first quarter performance, CBRE has adjusted its RevPAR forecast for 2019. Occupancy for the year is now projected to increase slightly, the 10th consecutive annual rise in this important metric. On the other hand, the outlook for laggard ADR growth is expected to remain throughout the year. CBRE is now estimating an ADR gain of

just 1.9% during 2019. The net result is a 2.0% annual increase in RevPAR.



Investment Activity

According to Real Capital Analytics April 2019 US Capital Trends Hotel report, “Hotel deal activity fell from a year earlier in April and while the percentage decline may look shocking, the actual levels of activity in the hotel sector are healthy. Deal volume in the limited-service segments, in fact, edged up compared with a year prior.” A number of highlights as published by RCA are provided below:

- ‘Deal activity in 2018 was elevated relative to the past and the lower volume in 2019 is, in part, a story of the market returning to a more normal level. For the year to date, hotel sales are 39% lower than the same period through April 2018. Still, this level of activity puts hotel deal volume close to the pace of sales set in 2014, 2016 and 2017’
- ‘The limited-service segments posted 3% YOY growth in deal activity in April, with portfolio sales up \$164m from a year earlier. Only one of the four portfolio sales for the month was purely composed of limited-service hotels. These portfolios were largely regionally focused with a mix of hotel segments from the region.’
- ‘Without the boost of these portfolio sales, the limited service segments would have experienced a decline in activity for April. Sales of individual assets in the limited service segments were down 24% YOY. Still, for the year to date, deal activity is essentially the same as it was through April of last year.’
- ‘The full-service segments saw deal volume fall 67% YOY in April due, partly, to less portfolio activity. Sales of fullservice hotel segments within portfolios fell \$1.5b from a year earlier. The sale of individual assets fell as well, but less so, with activity down only \$691m from April 2018.’
- ‘Cap rates have taken a varied path over the last year. The limited-service segments had an average 8.9% cap rate in April, a decrease from the 9.1% level seen a year earlier. By contrast, the full-service segments posted an increase. In April of this year, full-service hotel cap rates average 7.7%, up slightly from the average 7.6% level seen a year earlier.’
- ‘Price growth is cooling overall. The RCA CPPI for the hotel sector posted 4.1% YOY growth in April versus 6.7% YOY growth for the RCA CPPI for all property. A year earlier, hotel property prices had grown at a 6.2% YOY pace.’

Investment Rates

Investment rate data from the latest Real Estate Investor Surveys published by PWC (formerly Korpacz), and RERC for hotel properties are illustrated in the following table:

HOTEL INVESTOR SURVEY DATA

Source/Type	Discount Rate		Overall Cap Rate		Terminal Cap Rate	
	Range	Average	Range	Average	Range	Average
<i>RERC (Summer 2018)</i>						
Hotels	9.50% - 11.00%	10.20%	7.00% - 8.50%	7.90%	8.00% - 9.00%	8.60%
<i>PwC Survey: (1st Qtr. 2019)</i>						
Luxury	6.25% - 13.00%	9.55%	4.00% - 9.00%	7.05%	5.50% - 9.50%	7.33%
Full Service	8.00% - 11.00%	9.70%	6.00% - 9.00%	7.43%	7.00% - 10.00%	8.25%
Limited Service	8.50% - 14.00%	10.80%	7.50% - 11.00%	9.05%	7.75% - 12.00%	9.53%
Select Service	8.00% - 12.00%	10.10%	7.00% - 10.00%	8.31%	7.00% - 10.00%	8.45%

Compiled by: CBRE

Rates for all four segments were down compared to the PwC 1st Qtr survey. For the full-service segment, the discount rate was down by 13 basis points while the limited service segment was down 50. Luxury was down 5 points while select service was down 35 points. Overall capitalization rates were flat for all segments except select service, which was down just six points.

CONCLUSION

It will be a challenge to increase occupancy again in 2020 and beyond. The combination of increasing supply and tempering economic growth is expected to result in diminished levels of demand growth over the next two years. Accordingly, CBRE is forecasting declines in occupancy in both 2020 and 2021. It is important to note; however, that the national occupancy level will remain at least 200 basis points above the STR 62.5% long-run average. ADR growth is forecast to reach 2.6% in 2020, with a deceleration to 1.2% in 2021.

DALLAS AREA HOTEL MARKET ANALYSIS**Hotel Horizons**

The following Dallas hotel market summary is according to Hotel Horizons as of Q1 2019 (the most recent report available as of the date of this report).

By year-end 2019, Dallas hotels are forecast to see a RevPAR increase of 1.3%. This is the result of an estimated decline in occupancy of 0.6% and a 2.0% gain in average daily room rates (ADR). The 1.3% advance in Dallas RevPAR is less than the national projection of a 2.0% increase.

Leading the way in 2019 RevPAR growth is the lower-priced segment of Dallas. The properties in this category are forecast to attain a 2.9% gain in ADR, but suffer a 0.2% decrease in occupancy, resulting in a 2.7% RevPAR increase. Upper-priced hotels are projected to experience an ADR growth rate of 1.7%, along with a 1.2% loss in occupancy, resulting in a 0.5% RevPAR increase.

Looking towards 2020, Dallas RevPAR is expected to be flat. This is less than the rate of growth in 2019. Prospects for RevPAR growth in the lower-priced segment (positive 0.6%) are better than in the upper-priced segment (negative 0.6%). Dallas market occupancy levels are expected to range from 65.6% to 67.8% during the 5-year forecast period.

Dallas Forecast Summary

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	67.8%	5.4%	\$93.65	3.5%	\$63.50	9.1%
2015	70.5%	3.9%	\$99.16	5.9%	\$69.89	10.1%
2016	71.3%	1.2%	\$103.59	4.5%	\$73.87	5.7%
2017	69.5%	-2.6%	\$106.00	2.3%	\$73.64	-0.3%
2018	68.2%	-1.8%	\$108.73	2.6%	\$74.15	0.7%
2019F	67.8%	-0.6%	\$110.91	2.0%	\$75.15	1.3%
2020F	67.0%	-1.1%	\$112.15	1.1%	\$75.12	0.0%
2021F	65.9%	-1.6%	\$113.06	0.8%	\$74.52	-0.8%
2022F	65.6%	-0.5%	\$114.54	1.3%	\$75.16	0.9%
2023F	66.0%	0.6%	\$116.17	1.4%	\$76.70	2.1%

Source: CBRE Hotels Americas Research, STR, Q1 2019

HOTEL HISTORICAL PERFORMANCE AND OUTLOOK

According to Hotel Horizons®, the hotel outlook for all chain-affiliated properties in the Dallas lodging market is shown below, and includes both the full- and limited-service segments.

Dallas Forecast - All Hotels

YEAR	PERIOD	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR	Δ SUPPLY	Δ DEMAND
2014	Annual	67.8%	5.4%	\$93.65	3.5%	\$63.50	9.1%	0.2%	5.7%
2015	Annual	70.5%	3.9%	\$99.16	5.9%	\$69.89	10.1%	1.2%	5.2%
2016	1	71.0%	-0.2%	\$104.99	4.2%	\$74.56	4.0%	1.7%	1.5%
2016	2	76.8%	5.7%	\$104.96	6.0%	\$80.60	12.0%	1.9%	7.6%
2016	3	71.8%	1.6%	\$101.18	5.3%	\$72.67	7.0%	2.3%	3.9%
2016	4	65.7%	-2.5%	\$103.13	2.3%	\$67.75	-0.3%	3.0%	0.4%
2016	Annual	71.3%	1.2%	\$103.59	4.5%	\$73.87	5.7%	2.2%	3.4%
2017	1	69.5%	-2.1%	\$108.81	3.6%	\$75.67	1.5%	3.2%	1.1%
2017	2	73.0%	-4.9%	\$105.80	0.8%	\$77.25	-4.2%	2.8%	-2.2%
2017	3	70.1%	-2.3%	\$102.38	1.2%	\$71.80	-1.2%	3.7%	1.3%
2017	4	65.3%	-0.5%	\$107.15	3.9%	\$70.00	3.3%	5.0%	4.4%
2017	Annual	69.5%	-2.6%	\$106.00	2.3%	\$73.64	-0.3%	3.7%	1.0%
2018	1	68.7%	-1.3%	\$111.88	2.8%	\$76.82	1.5%	4.9%	3.6%
2018	2	72.3%	-1.0%	\$110.31	4.3%	\$79.73	3.2%	5.8%	4.7%
2018	3	67.3%	-4.0%	\$103.84	1.4%	\$69.91	-2.6%	5.2%	1.0%
2018	4	64.6%	-1.1%	\$108.80	1.5%	\$70.27	0.4%	3.9%	2.7%
2018	Annual	68.2%	-1.8%	\$108.73	2.6%	\$74.15	0.7%	4.9%	3.0%
2019	1	67.4%	-1.8%	\$113.04	1.0%	\$76.22	-0.8%	4.1%	2.2%
2019F	2	72.2%	-0.2%	\$112.57	2.1%	\$81.22	1.9%	3.7%	3.5%
2019F	3	67.2%	-0.2%	\$106.27	2.3%	\$71.42	2.2%	4.5%	4.3%
2019F	4	64.3%	-0.4%	\$111.72	2.7%	\$71.89	2.3%	4.6%	4.2%
2019F	Annual	67.8%	-0.6%	\$110.91	2.0%	\$75.15	1.3%	4.2%	3.6%
2020F	Annual	67.0%	-1.1%	\$112.15	1.1%	\$75.12	0.0%	5.0%	3.8%
2021F	Annual	65.9%	-1.6%	\$113.06	0.8%	\$74.52	-0.8%	3.2%	1.5%
2022F	Annual	65.6%	-0.5%	\$114.54	1.3%	\$75.16	0.9%	2.2%	1.8%
2023F	Annual	66.0%	0.6%	\$116.17	1.4%	\$76.70	2.1%	2.4%	3.1%
2019 1Q	Trailing 4 Qtrs	67.9%	-2.0%	\$109.04	2.1%	\$74.02	0.1%	4.7%	2.7%

Source: CBRE Hotels Americas Research, STR, Q1 2019

According to Hotel Horizons®, the hotel outlook for Upper tier properties in the Dallas lodging market is shown in the following chart.

Dallas Forecast - Upper-Priced Hotels

YEAR	PERIOD	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR	Δ SUPPLY	Δ DEMAND
2014	Annual	69.5%	3.5%	\$132.24	3.5%	\$91.93	7.2%	0.8%	4.4%
2015	Annual	71.5%	2.9%	\$138.75	4.9%	\$99.25	8.0%	2.6%	5.5%
2016	1	73.0%	-1.3%	\$147.14	3.4%	\$107.46	2.0%	3.2%	1.8%
2016	2	76.5%	3.7%	\$144.99	4.8%	\$110.91	8.7%	3.1%	6.9%
2016	3	70.7%	0.7%	\$139.12	4.3%	\$98.32	5.0%	3.2%	3.9%
2016	4	65.2%	-4.4%	\$142.65	1.3%	\$93.08	-3.2%	3.7%	-0.8%
2016	Annual	71.3%	-0.3%	\$143.54	3.5%	\$102.40	3.2%	3.3%	3.0%
2017	1	71.6%	-1.9%	\$150.40	2.2%	\$107.75	0.3%	3.4%	1.5%
2017	2	72.7%	-5.0%	\$144.65	-0.2%	\$105.10	-5.2%	3.3%	-1.9%
2017	3	68.5%	-3.0%	\$139.14	0.0%	\$95.36	-3.0%	5.5%	2.3%
2017	4	65.9%	1.0%	\$146.00	2.3%	\$96.19	3.3%	7.1%	8.2%
2017	Annual	69.6%	-2.4%	\$145.06	1.1%	\$100.99	-1.4%	4.9%	2.3%
2018	1	70.9%	-1.0%	\$152.98	1.7%	\$108.52	0.7%	6.9%	5.9%
2018	2	72.6%	-0.1%	\$150.21	3.8%	\$109.09	3.8%	7.4%	7.3%
2018	3	66.1%	-3.5%	\$141.15	1.4%	\$93.36	-2.1%	5.3%	1.6%
2018	4	64.2%	-2.5%	\$149.51	2.4%	\$96.04	-0.2%	3.8%	1.2%
2018	Annual	68.5%	-1.7%	\$148.56	2.4%	\$101.70	0.7%	5.8%	4.1%
2019	1	69.1%	-2.6%	\$154.54	1.0%	\$106.78	-1.6%	4.4%	1.7%
2019F	2	71.9%	-0.9%	\$152.97	1.8%	\$110.05	0.9%	3.9%	2.9%
2019F	3	65.7%	-0.7%	\$143.97	2.0%	\$94.57	1.3%	4.5%	3.8%
2019F	4	64.0%	-0.3%	\$152.84	2.2%	\$97.84	1.9%	4.6%	4.3%
2019F	Annual	67.7%	-1.2%	\$151.14	1.7%	\$102.26	0.5%	4.4%	3.1%
2020F	Annual	66.5%	-1.7%	\$152.90	1.2%	\$101.68	-0.6%	5.3%	3.5%
2021F	Annual	65.9%	-1.0%	\$153.58	0.4%	\$101.14	-0.5%	3.1%	2.1%
2022F	Annual	65.5%	-0.5%	\$155.57	1.3%	\$101.94	0.8%	2.4%	1.8%
2023F	Annual	66.3%	1.2%	\$157.49	1.2%	\$104.40	2.4%	2.7%	3.9%
2019 1Q	Trailing 4 Qtrs	68.0%	-2.1%	\$148.98	2.2%	\$101.33	0.0%	5.2%	3.0%

Source: CBRE Hotels Americas Research, STR, Q1 2019

According to Hotel Horizons®, the hotel outlook for Lower tier properties in the Dallas lodging market is shown in the following chart.

Dallas Forecast - Lower-Priced Hotels

YEAR	PERIOD	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR	Δ SUPPLY	Δ DEMAND
2014	Annual	66.4%	7.1%	\$59.89	4.7%	\$39.75	12.2%	-0.2%	6.9%
2015	Annual	69.6%	4.8%	\$64.35	7.4%	\$44.77	12.6%	0.1%	5.0%
2016	1	69.3%	0.7%	\$66.24	5.5%	\$45.88	6.3%	0.5%	1.2%
2016	2	77.1%	7.3%	\$70.27	8.7%	\$54.15	16.7%	0.8%	8.2%
2016	3	72.8%	2.3%	\$69.09	7.2%	\$50.31	9.7%	1.6%	4.0%
2016	4	66.1%	-0.7%	\$69.06	5.4%	\$45.64	4.6%	2.3%	1.6%
2016	Annual	71.3%	2.5%	\$68.72	6.8%	\$48.99	9.4%	1.3%	3.8%
2017	1	67.7%	-2.2%	\$70.32	6.2%	\$47.62	3.8%	3.1%	0.8%
2017	2	73.3%	-4.8%	\$71.91	2.3%	\$52.74	-2.6%	2.4%	-2.5%
2017	3	71.6%	-1.7%	\$70.70	2.3%	\$50.60	0.6%	2.2%	0.4%
2017	4	64.8%	-1.9%	\$71.36	3.3%	\$46.27	1.4%	3.1%	1.2%
2017	Annual	69.3%	-2.7%	\$71.08	3.4%	\$49.29	0.6%	2.7%	-0.1%
2018	1	66.6%	-1.7%	\$72.17	2.6%	\$48.06	0.9%	3.1%	1.4%
2018	2	72.0%	-1.9%	\$73.82	2.6%	\$53.13	0.7%	4.3%	2.4%
2018	3	68.4%	-4.5%	\$71.32	0.9%	\$48.77	-3.6%	5.2%	0.5%
2018	4	64.9%	0.1%	\$72.34	1.4%	\$46.95	1.5%	4.0%	4.1%
2018	Annual	68.0%	-2.0%	\$72.43	1.9%	\$49.22	-0.1%	4.2%	2.1%
2019	1	65.9%	-1.0%	\$73.37	1.7%	\$48.35	0.6%	3.9%	2.8%
2019F	2	72.3%	0.5%	\$76.00	3.0%	\$54.97	3.5%	3.5%	4.0%
2019F	3	68.6%	0.3%	\$73.72	3.4%	\$50.55	3.6%	4.5%	4.8%
2019F	4	64.6%	-0.4%	\$74.89	3.5%	\$48.41	3.1%	4.6%	4.2%
2019F	Annual	67.8%	-0.2%	\$74.52	2.9%	\$50.56	2.7%	4.1%	3.9%
2020F	Annual	67.4%	-0.6%	\$75.48	1.3%	\$50.89	0.6%	4.7%	4.0%
2021F	Annual	66.0%	-2.2%	\$76.17	0.9%	\$50.25	-1.3%	3.2%	1.0%
2022F	Annual	65.7%	-0.4%	\$77.14	1.3%	\$50.68	0.9%	2.1%	1.7%
2023F	Annual	65.8%	0.1%	\$77.97	1.1%	\$51.29	1.2%	2.3%	2.4%
2019 1Q	Trailing 4 Qtrs	67.8%	-1.9%	\$72.73	1.7%	\$49.29	-0.2%	4.3%	2.4%

Source: CBRE Hotels Americas Research, STR, Q1 2019

Dallas: Next 4 Quarters

The arrows show the forecast direction of change over the next 4 quarters vs. the previous 4 quarters. Green indicates the change will be above the long run average, yellow indicates it will be the same, and orange indicates it will be below.

Occupancy

Occupancy will decrease to 67.7%, a decline over the past 4 quarters' rate of 67.9%, but above the long run average of 62.2%

**Average Daily Rate**

ADR growth expectations are increasing, 2.7% vs. the past 4 quarters' rate of 2.1%, and are above the long run average of 2.4%

**Revenue Per Available Room**

RevPAR growth projections are climbing to 2.5% as compared to the past 4 quarters' rate of 0.1%, but are lower than the long run average of 3.4%

**Supply (orange indicates above long-term average)**

Supply growth is less active, 4.3% vs. the past 4 quarters' rate of 4.7%, though it is greater than the long run average of 2.5%

**Demand**

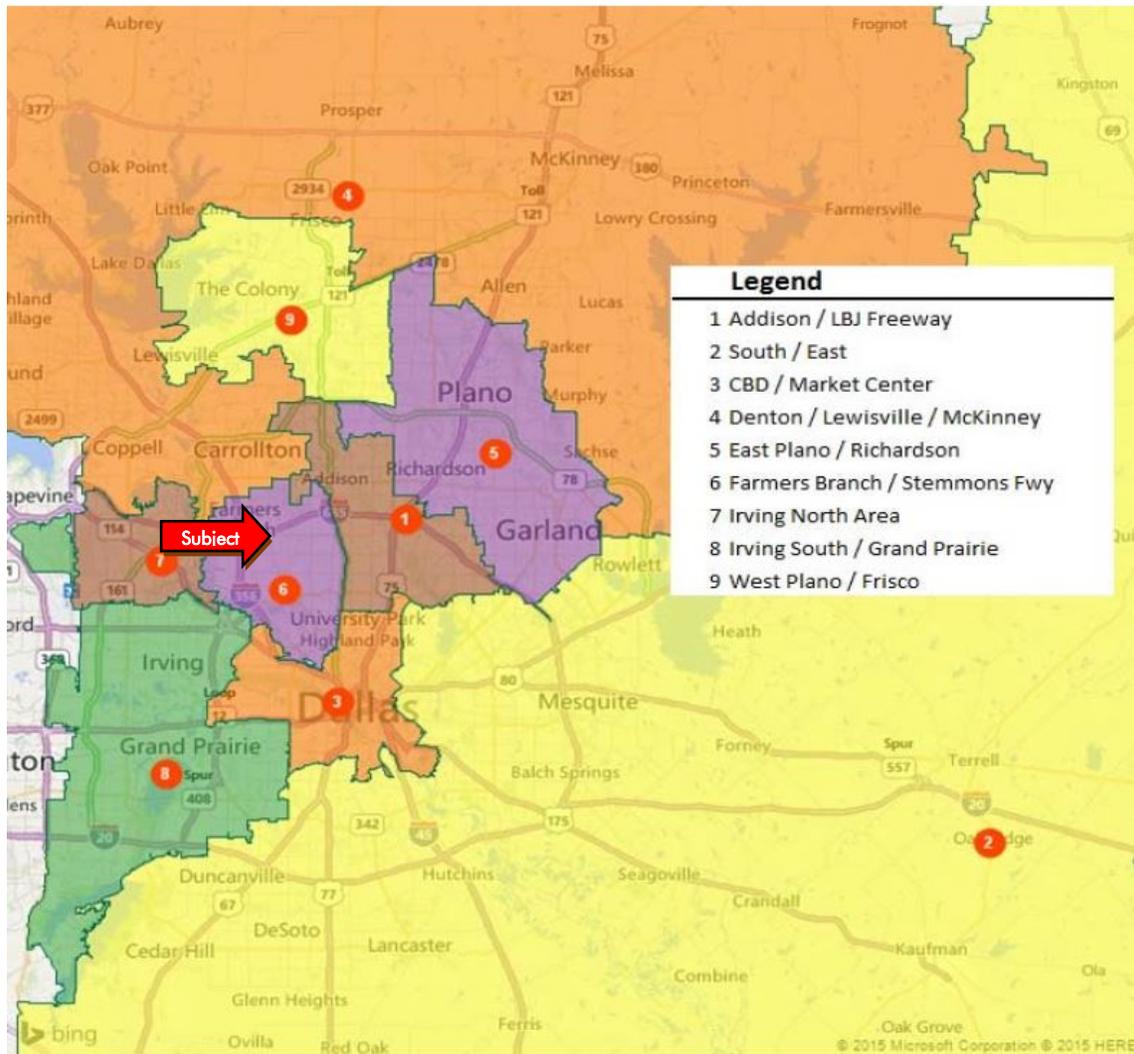
Forecast demand growth is climbing, 4.1% vs. the past 4 quarters' rate of 2.7%, and is greater than the long run average of 3.4%



Source: CBRE Hotels Americas Research, Q1 2019

SUBMARKET DATA

The subject is located in the Farmer Branch/Stemmons Fwy Submarket according to Hotel Horizons.



Dallas Submarket Summary

SUBMARKET	UPPER-PRICED			LOWER-PRICED			TOTALS		
	Properties	Rooms	% Market	Properties	Rooms	% Market	Properties	Rooms	% Market
CBD/Market Center	56	15,375	17.0%	35	3,519	3.9%	91	18,894	20.9%
Addison/LBJ Freeway	30	6,610	7.3%	44	5,441	6.0%	74	12,051	13.3%
Farmers Branch/Stemmons Freeway North	10	2,054	2.3%	34	3,489	3.9%	44	5,543	6.1%
Irving South/Grand Prairie	11	2,454	2.7%	58	5,521	6.1%	69	7,975	8.8%
Irving North Area	23	5,135	5.7%	33	4,023	4.5%	56	9,158	10.1%
East Plano/Richardson	17	2,693	3.0%	43	3,834	4.2%	60	6,527	7.2%
West Plano/Frisco	26	4,612	5.1%	26	3,046	3.4%	52	7,658	8.5%
South/East	5	681	0.8%	171	11,066	12.3%	176	11,747	13.0%
Denton/Lewisville/McKinney	24	3,540	3.9%	81	7,190	8.0%	105	10,730	11.9%
Total	202	43,154	47.8%	525	47,129	52.2%	727	90,283	100.0%

Source: STR, Q1 2019

Farmers Branch / Stemmons Fwy Submarket: The Farmers Branch / Stemmons Fwy submarket consists of properties located along the Interstate 35E (Stemmons Freeway) corridor extending northwest from Loop 12 to the western portion of the Interstate 635 loop. Hotels located north of Love Field and in Farmers Branch are included in this submarket. The following charts summarize the hotel performance within the submarket.

Farmers Branch/Stemmons Freeway North Performance - All Hotels

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	66.8%	-	\$71.84	-	\$47.98	-
2015	71.0%	6.4%	\$78.52	9.3%	\$55.78	16.3%
2016	74.1%	4.3%	\$82.08	4.5%	\$60.81	9.0%
2017	69.5%	-6.2%	\$84.92	3.5%	\$58.99	-3.0%
2018	68.9%	-0.9%	\$87.26	2.8%	\$60.10	1.9%
1Q18 YTD	69.3%	-0.5%	\$89.27	3.9%	\$61.85	3.4%
1Q19 YTD	67.2%	-3.0%	\$91.19	2.1%	\$61.28	-0.9%

Farmers Branch/Stemmons Freeway North Performance - Upper-Priced Hotels

YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	73.5%	-	\$99.94	-	\$73.43	-
2015	77.5%	5.4%	\$107.73	7.8%	\$83.44	13.6%
2016	77.9%	0.5%	\$112.03	4.0%	\$87.22	4.5%
2017	71.2%	-8.5%	\$116.92	4.4%	\$83.30	-4.5%
2018	73.0%	2.5%	\$119.97	2.6%	\$87.64	5.2%
1Q18 YTD	72.1%	-0.9%	\$125.57	5.7%	\$90.56	4.7%
1Q19 YTD	77.1%	6.9%	\$125.32	-0.2%	\$96.61	6.7%

Farmers Branch/Stemmons Freeway North Performance - Lower-Priced Hotels

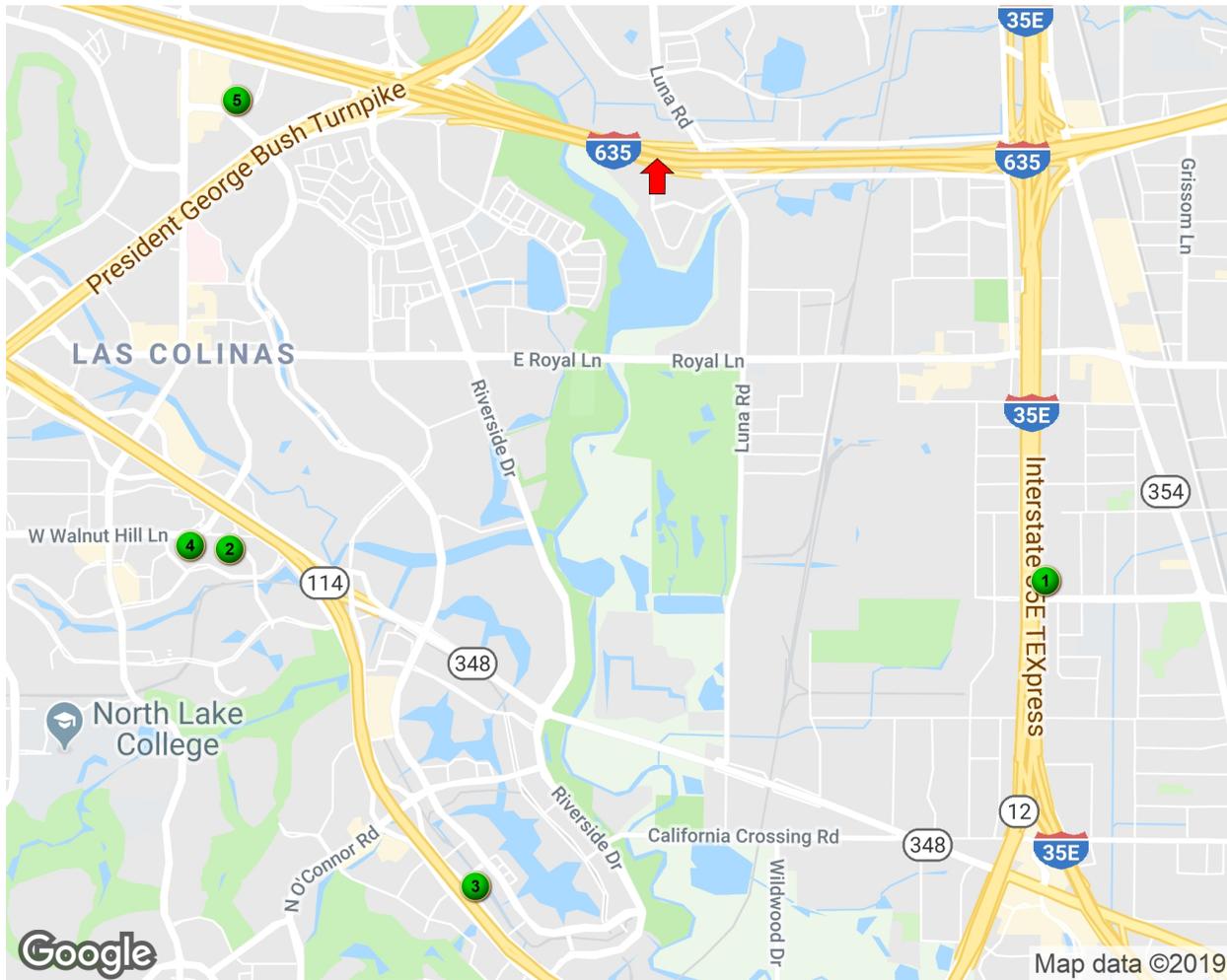
YEAR	OCC	Δ OCC	ADR	Δ ADR	REVPAR	Δ REVPAR
2014	63.2%	-	\$54.44	-	\$34.42	-
2015	67.5%	6.8%	\$60.16	10.5%	\$40.63	18.0%
2016	72.0%	6.6%	\$64.12	6.6%	\$46.17	13.6%
2017	68.4%	-5.0%	\$64.38	0.4%	\$44.02	-4.7%
2018	66.3%	-3.0%	\$65.42	1.6%	\$43.40	-1.4%
1Q18 YTD	67.5%	-0.3%	\$65.21	0.7%	\$44.03	0.5%
1Q19 YTD	61.3%	-9.2%	\$65.50	0.4%	\$40.14	-8.8%

Source: STR, Q1 2019

COMPETITIVE HOTEL MARKET ANALYSIS

Summary of Competitive Properties

The following table provides a summary of the subject's competitive hotel set. These comparables were selected based on their location, age/condition, amenities and franchise affiliation.



PRIMARY COMPETITIVE HOTELS

Property	Number of Rooms	Percentage Competitive	Year Built	Competitive Rooms	12 Months Ending December 31, 2018						
					Occ.	Penetration	ADR	Penetration	RevPAR	RevPAR Penetration	
La Quinta Inn	121	100%	1983	121	65% - 70%	90% - 100%	\$80 - \$85	60% - 70%	\$55 - \$60	60% - 70%	
Hyatt Place Dallas Las Colinas	122	100%	1998	122	70% - 75%	90% - 120%	\$140 - \$145	105% - 135%	\$100 - \$105	110% - 120%	
Homewood Suites Las Colinas	136	100%	1990	136	70% - 75%	90% - 120%	\$120 - \$125	90% - 100%	\$90 - \$95	100% - 110%	
Hampton Inn Dallas Irving Las Colinas	135	100%	1997	135	75% - 80%	90% - 120%	\$115 - \$120	90% - 100%	\$85 - \$90	95% - 105%	
Hilton Garden Inn Irving Las Colinas	173	100%	1997	173	65% - 70%	90% - 100%	\$140 - \$145	105% - 135%	\$95 - \$100	105% - 115%	
Primary Totals/Averages	687			687	71%		\$123.88				
Overall Totals/Averages	687			687	71%		\$123.88				

Compiled by CBRE

PRIMARY COMPETITION										
Estimated 2018 Market Mix										
Property	Location	Corp.			Restaurant	Lounge	Business Center	Pool	Meeting Room	Exercise Facilities
		Individual	Group	Leisure						
Proposed Home2Suites Farmers Branch	Farmers Branch, TX	60%	10%	30%	N	N	Y	Y	N	Y
La Quinta Inn	Dallas, TX	65%	5%	30%	N	N	Y	Y	Y	Y
Hyatt Place Dallas Las Colinas	Irving, TX	55%	10%	35%	Y	Y	Y	Y	Y	Y
Homewood Suites Las Colinas	Irving, TX	70%	5%	25%	N	N	Y	Y	Y	Y
Hampton Inn Dallas Irving Las Colinas	Irving, TX	60%	5%	35%	N	N	Y	Y	Y	Y
Hilton Garden Inn Irving Las Colinas	Irving, TX	50%	10%	40%	Y	Y	Y	Y	Y	Y
Primary Totals/Averages		60%	7%	33%						

Compiled by CBRE

The primary competitive set has a total of 687 rooms. The trailing 12 month as of 12/31/2018 occupancy and ADR achieved by these properties was roughly 71% and \$123.88, respectively.

Proposed Hotels/Additions to Supply

The new hotel forecast for the subject's market area and the degree to which each development is projected to compete with the subject is illustrated as follows:

HOTEL ROOM FORECAST			
Name	Proposed YOC	Est. Opening	No. Rooms
Proposed Home2Suites Farmers Branch	2020	3/20/2020	111
Hampton Inn Farmers Branch	2019	10/1/2019	300
TownePlace Suites Farmers Branch	2020	5/22/2020	96
aloft Farmers Branch	2020	9/8/2020	120
Avid Farmers Branch	2020	4/5/2020	100
Holiday Inn Express (recently opened)	2019	3/1/2019	104
Candlewood Suites (recently opened)	2019	1/1/2019	86

Compiled by CBRE

There are several hotels that are currently under construction in the Farmers Branch area. Additional hotels are under construction in the overall Las Colinas area. These new hotels will be directly competitive with the subject and the competitive set; however, rather than attempt to estimate the percentage competitive and estimate the displaced demand within the submarket, we have taken into consideration the new supply and underserved demand within our penetration analysis later in this section.

While CBRE has made several attempts to determine the level of new hotel supply entering the marketplace, it is impossible to determine every hotel that will be developed in the future, when they will be completed, or their potential impact to the subject. The inherent risk of any future new hotel supply has been implicitly considered in the selection of a stabilized occupancy level for the subject property.

HOTEL DEMAND GENERATORS

Demand for hotel rooms is categorized in three ways:

- Demonstrated Demand: the demand already captured at competitive hotels;

- Induced Demand: the demand that does not presently seek accommodations in the competitive market, but could be persuaded to do so through marketing efforts, room rates, facilities, services and amenities.
- Unsatisfied Demand: the demand that seeks accommodations in the market but is not satisfied due to one of a number of factors: sell-outs during peak season; lack of a particular type of accommodation; lack of meeting space; or high room rates.

Hotel demand for the neighborhood is primarily generated by the DFW International Airport, the large number of corporation office in the area, the Freeport Business Park, the Irving Convention Center at Las Colinas, the Irving Music Factory, and Las Colinas and the upscale office, retail, and residential in this development.

Based on our analysis, demand for new product is adequate to justify new hotel development.

Demand Segmentation

In most markets, overall demand varies based on the nature of travel. In most markets, the lodging demand is generated from three different segments: Corporate, Group/Meeting and Leisure travelers. In some markets, a fourth classification may be present, such as airline contract or government. A breakdown of the overall market segments as well as the subject’s mix of business is illustrated in the following table.

DEMAND SEGMENTATION - COMPETITIVE MARKET		
Segment	Competitive Set	
	2018 Demand	%
Corp. Individual	106,023	60%
Group	12,590	7%
Leisure	59,165	33%
Total	177,778	100%
Compiled by CBRE		

Segmented Demand Growth Conclusions

Based on historic trends for the various demand segments, the state of the local and national economies, and conversations with local hotel operators in the marketplace, the applicable demand segments are projected to exhibit the following growth trends.

ANNUAL DEMAND GROWTH RATES								
Segment	2019	2020	2021	2022	2023	2024	2025	2026 and beyond
Corp. Individual	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Group	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Leisure	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Compiled by CBRE								

Latent and Displaced Demand

Latent demand represents potential room nights in the marketplace that could not be accommodated by the existing hotels, and comes in two forms: Induced demand and displaced demand. Induced demand represents additional accommodated room nights by the introduction

of a new demand generator, such as the construction of a conference center, a major company moving into the area, or the introduction of a new hotel that has distinct advantages over the existing competitors. For this analysis, induced demand has not been included.

CBRE has also considered displaced demand for this analysis. Displaced demand occurs when individuals are unable to rent a room because all of the hotels in the marketplace are filled to capacity. As a result, individuals must defer their trips or make accommodations in other markets. Because this demand was not accommodated historically, it is not illustrated in the estimate of the historic accommodated room night demand. Displaced demand is illustrated further in markets where there are distinct high and low seasons, or several periods of high and low occupancy throughout the year. For this analysis, we have not included any displaced demand.

Based on market factors presented throughout this section, the forecast of overall demand growth for the subject's market is illustrated as follows:

PROJECTED BASE DEMAND, ANNUAL GROWTH, AND MARKET-WIDE OCCUPANCY											
Competitive Set Year Ending 12/31/	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Corp. Individual											
Annual Growth		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Base Nightly Demand	290	296	302	308	314	321	327	334	340	347	354
Annual Room Nights	106,023	108,144	110,609	112,513	114,763	117,058	119,726	121,787	124,223	126,707	129,596
Displaced Demand Rate		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Displaced Demand	-	-	-	-	-	-	-	-	-	-	-
Induced Demand	-	-	-	-	-	-	-	-	-	-	-
Total Segment Demand	106,023	108,144	110,609	112,513	114,763	117,058	119,726	121,787	124,223	126,707	129,596
Group											
Annual Growth		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Base Nightly Demand	34	35	36	37	37	38	39	40	40	41	42
Annual Room Nights	12,590	12,841	13,134	13,360	13,627	13,900	14,217	14,461	14,751	15,046	15,389
Displaced Demand Rate		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Displaced Demand	-	-	-	-	-	-	-	-	-	-	-
Induced Demand	-	-	-	-	-	-	-	-	-	-	-
Total Segment Demand	12,590	12,841	13,134	13,360	13,627	13,900	14,217	14,461	14,751	15,046	15,389
Leisure											
Annual Growth		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Base Nightly Demand	162	165	169	172	175	179	183	186	190	194	198
Annual Room Nights	59,165	60,349	61,724	62,787	64,043	65,323	66,812	67,963	69,322	70,708	72,320
Displaced Demand Rate		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Displaced Demand	-	-	-	-	-	-	-	-	-	-	-
Induced Demand	-	-	-	-	-	-	-	-	-	-	-
Total Segment Demand	59,165	60,349	61,724	62,787	64,043	65,323	66,812	67,963	69,322	70,708	72,320
Totals											
Corp. Individual	106,023	108,144	110,609	112,513	114,763	117,058	119,726	121,787	124,223	126,707	129,596
Group	12,590	12,841	13,134	13,360	13,627	13,900	14,217	14,461	14,751	15,046	15,389
Leisure	59,165	60,349	61,724	62,787	64,043	65,323	66,812	67,963	69,322	70,708	72,320
Total Market Demand	177,778	181,334	185,467	188,660	192,433	196,281	200,755	204,211	208,296	212,461	217,305
Growth over Prior Year		2.0%	2.3%	1.7%	2.0%	2.0%	2.3%	1.7%	2.0%	2.0%	2.3%
Market Statistics											
Existing Rooms Supply	687	687	687	687	687	687	687	687	687	687	687
Proposed Rooms Supply	-	-	87	111	111	111	111	111	111	111	111
Total Available Room Nights	250,755	250,755	283,284	291,270	291,270	291,270	292,068	291,270	291,270	291,270	292,068
Growth over Prior Year		0.0%	13.0%	2.8%	0.0%	0.0%	0.3%	-0.3%	0.0%	0.0%	0.3%
Potential Market-wide Occupancy	70.9%	72.3%	65.5%	64.8%	66.1%	67.4%	68.7%	70.1%	71.5%	72.9%	74.4%
Accommodated Market Occupancy	70.9%	72.3%	65.5%	64.8%	66.1%	67.4%	68.7%	70.1%	71.5%	72.9%	74.4%

Source: CBRE

FORECAST OF OCCUPANCY AND AVERAGE DAILY RATE

The average daily rate and the overall occupancy of a lodging facility are the foundation for the property's financial performance. While a property's other revenue components (food and

beverage, telephone, spa, other income, etc) are crucial to the operation of the hotel, they are dependent on the overall number of occupied rooms. Furthermore, the occupancy and average daily rate of a hotel are highly correlated. In reality, one cannot make a projection of one without a projection of the other. Therefore, while we have made specific projections of occupancy, but have considered the subject's positioned rate in our forecast.

In order to project the future occupancy levels of the subject, we have estimated the level of patronage by market segment that can be reasonably captured (penetration). The extent to which the subject can capture demand from each market segment was estimated by performing a fair share penetration analysis.

A hotel's fair share is defined as the number of available rooms divided by the total supply of available rooms in the competitive market, including the subject. Factors indicating the subject would possess competitive advantages suggest a market penetration in excess of 100 percent of fair share, while competitive weaknesses are reflected in penetration less than 100 percent.

Penetration

Penetration is the relationship between a market's fair share and its actual share of the overall demand. For example, a 100-room hotel would equate to 10% of a 1,000 room competitive set. If this hotel were to capture 10% of the overall lodging demand, it would penetrate the market by 100 percent.

Market penetration, or penetration rate, is the ratio of captured demand to fair share of demand. Factors indicating competitive advantages are typically reflected in penetration rates above 100 percent, while, conversely, competitive disadvantages are reflected in penetration rates below 100 percent. Actual penetration of each market segment by the Subject may deviate from fair market share for the reasons such as the following:

- The competitive advantages or disadvantages of the hotel versus the competition taking into consideration such factors as age, location, room rate structure, chain affiliation, quality of management, marketing efforts, and image;
- The characteristics, needs, and composition of each market segment;
- The restraint on demand captured due to capacity constraints during certain periods of the week or times of the year; and
- Management decisions concerning target markets.

The current market penetration rates of the competitive hotels, broken down by demand segment, are illustrated as follows:

SEGMENTED PENETRATION							
Property	2018 Average Room Count	Estimated 2018 Occupancy	2018 Fair Share	Segmented Penetration			
				Corp. Individual	Group	Leisure	Total
La Quinta Inn	121	65% - 70%	17.6%	90% - 120%	65% - 75%	80% - 90%	90% - 100%
Hyatt Place Dallas Las Colinas	122	70% - 75%	17.8%	85% - 95%	120% - 150%	90% - 120%	90% - 120%
Homewood Suites Las Colinas	136	70% - 75%	19.8%	105% - 135%	70% - 80%	75% - 85%	90% - 120%
Hampton Inn Dallas Irving Las Colinas	135	75% - 80%	19.7%	90% - 120%	70% - 80%	90% - 120%	90% - 120%
Hilton Garden Inn Irving Las Colinas	173	65% - 70%	25.2%	75% - 85%	120% - 150%	105% - 135%	90% - 100%
Total/Avg	687	70.9%	100.0%	100%	100%	100%	100%

Compiled by CBRE

PENETRATION CONCLUSION

The subject will be operated as a Home2Suites hotel. The subject is well located within the Farmers Branch area and the subject's new age/condition and design/appeal, should allow the subject to achieve its fair share upon reaching stabilized operations. Overall, the subject improvements represent a viable hotel. The projections of captured penetration rates for the subject by demand segment along with the resulting projections of occupied room-nights are illustrated as follows:

PROJECTED SUBJECT PENETRATION SCHEDULE							
Year Ending 12/31/	2020	2021	2022	2023	2024	2025	2026
SUBJECT PROPERTY FAIR SHARE							
Market Room Supply	774	798	798	798	798	798	798
Subject Avg. Room Count	87	111	111	111	111	111	111
Fair Share	11.2%	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%
ROOM NIGHTS CAPTURED BY SUBJECT							
Corp. Individual							
Fair Share	11.2%	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%
Penetration Factor	100.0%	105.0%	112.5%	112.5%	112.5%	112.5%	112.5%
Market Share	11.2%	14.6%	15.6%	15.6%	15.6%	15.6%	15.6%
Demand	110,609	112,513	114,763	117,058	119,726	121,787	124,223
Market Share	11.2%	14.6%	15.6%	15.6%	15.6%	15.6%	15.6%
Capture	12,433	16,433	17,959	18,318	18,735	19,058	19,439
Group							
Fair Share	11.2%	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%
Penetration Factor	100.0%	105.0%	112.5%	112.5%	112.5%	112.5%	112.5%
Market Share	11.2%	14.6%	15.6%	15.6%	15.6%	15.6%	15.6%
Demand	13,134	13,360	13,627	13,900	14,217	14,461	14,751
Market Share	11.2%	14.6%	15.6%	15.6%	15.6%	15.6%	15.6%
Capture	1,476	1,951	2,132	2,175	2,225	2,263	2,308
Leisure							
Fair Share	11.2%	13.9%	13.9%	13.9%	13.9%	13.9%	13.9%
Penetration Factor	100.0%	105.0%	112.5%	112.5%	112.5%	112.5%	112.5%
Market Share	11.2%	14.6%	15.6%	15.6%	15.6%	15.6%	15.6%
Demand	61,724	62,787	64,043	65,323	66,812	67,963	69,322
Market Share	11.2%	14.6%	15.6%	15.6%	15.6%	15.6%	15.6%
Capture	6,938	9,170	10,022	10,222	10,455	10,635	10,848
Total Capture	20,847	27,554	30,113	30,715	31,415	31,956	32,595
Potential Subject Occupancy	65.5%	68.0%	74.3%	75.8%	77.3%	78.9%	80.5%
Overall Potential Subject Penetration	100.0%	105.0%	112.5%	112.5%	112.5%	112.5%	112.5%
Compiled by CBRE							

The overall accommodated room night demand is multiplied by the subject's fair share and by the projected penetration ratio to derive the subject's accommodated room night demand. Although the subject's illustrated occupancy rates increase after the stabilized year, we have selected 75.0% as the stabilized occupancy figure. The stabilized occupancy figure is intended to be an average figure over the projected holding period. The following depicts the derivation of the occupancy projections for the subject.

SUBJECT PROPERTY ESTIMATED OCCUPANCY ADJUSTED TO PROJECTION DATES								
Competitive Set Year Ending 12/30/	2020	2021	2022	2023	2024	2025	2026	2026
Room Nights Captured	20,847	27,554	30,113	30,715	31,415	31,956	32,595	
Available Room Nights	31,842	40,515	40,515	40,515	40,626	40,515	40,515	
Potential Subject Occupancy	65.5%	68.0%	74.3%	75.8%	77.3%	78.9%	80.5%	
Overall Potential Subject Market Share	11.2%	14.6%	15.6%	15.6%	15.6%	15.6%	15.6%	
Overall Potential Subject Penetration	100.0%	105.0%	112.5%	112.5%	112.5%	112.5%	112.5%	
Adjustment to Projection Year Ending 3/19/	2021	2022	2023	2024	2025	2026	2027	2028
First Year %	78.1%	78.1%	78.1%	78.1%	78.1%	78.1%	78.1%	78.1%
Second Year %	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%	21.9%
Adjusted Room Nights Accommodated	26,750	28,114	30,244	30,934	31,466	32,096	32,096	32,184
Projection Period Fiscal Year Occupancy	66.0%	69.4%	74.7%	76.1%	77.7%	79.2%	79.2%	79.2%
Rounded Occupancy	66%	69%	75%	76%	78%	79%	79%	79%
Overall Market Share	11.9%	14.8%	15.7%	15.6%	15.7%	15.6%	15.6%	15.6%
Overall Penetration	101.0%	106.1%	113.0%	112.3%	113.0%	112.2%	110.0%	107.8%
Captured Room Nights (Based on Rounded Occ.)	26,813	27,955	30,386	30,791	31,688	32,007	32,007	32,007

Compiled by CBRE

Average Daily Rate

As noted previously, one of the most important considerations in deriving an opinion of value of a hotel is its forecast of a supportable average daily rate (ADR). The ADR of a hotel can be calculated by dividing the total rooms revenue by the total number of occupied rooms achieved during a specified period of time.

SUBJECT'S COMPETITIVE POSITIONING

Although the forecast of average daily rate follows the discussion of future occupancy, these two figures are highly correlated, and one cannot make projections of occupancy without specific assumptions of ADR. This relationship is defined by RevPAR, or Revenue Per Available Room. RevPAR is the measure of a property's ability to maximize rooms revenue. Theoretically, for example, if a lodging property's ADR increases substantially (with no market influencing factors), its occupancy would decrease. Conversely, if a property's ADR decreases, an increase in occupancy would be anticipated. In each instance, RevPAR would remain unchanged. The historic ADR and RevPAR for the subject and the competitive set is illustrated as follows:

COMPETITIVE ADR AND REVPAR		
	2018	2018
Property	ADR	RevPAR
La Quinta Inn	\$80 - \$85	\$55 - \$60
Hyatt Place Dallas Las Colinas	\$140 - \$145	\$100 - \$105
Homewood Suites Las Colinas	\$120 - \$125	\$90 - \$95
Hampton Inn Dallas Irving Las Colinas	\$115 - \$120	\$85 - \$90
Hilton Garden Inn Irving Las Colinas	\$140 - \$145	\$95 - \$100
Market Weighted Average	\$123.88	\$87.83
Subject's Positioned ADR as of 12/31/2018:	\$125.00	

Source: CBRE

As illustrated in the preceding chart, the subject is projected to be near the average of the range relative to the competitive properties with respect to rate. This is a function of the subject's franchise affiliation, location and new age/condition.

FACTORS AFFECTING ADR

There are several factors affecting average daily rate increases that do not necessarily parallel changes in inflation. A lodging property's ability to raise room rates are influenced by several factors, and include:

Supply and Demand Relationships

The relationship between supply and demand is a strong determining factor for increases or decreases in a property's average daily rate. In markets where supply is limited and demand is strong, increases in rates above inflationary levels are common. Conversely, markets that have low barriers to entry or declining demand are often characterized by little or no growth in rate.

Inflationary Pressures

Price increases caused by inflationary pressures tend to minimize profit margins, thereby forcing hotel operators to raise rates. However, this is only effective in markets where supply and demand exhibit a healthy relationship.

Improving the Competitive Standard

In some markets, a new property may enter the marketplace with a positioned ADR significantly higher than the other competitive hotels, and will raise the level the market will bear, thereby raising the competitive standard. This is often characterized by a new hotels in a market that has had little or no new supply for several years or even decades.

Property Specific Improvements

Capital Improvements in a hotel that make it more attractive to guests typically have an upward impact on rate. Rooms renovations, expansions, additional amenities, and renovations to common areas may allow greater than inflationary increases.

According to local hotel professionals and rental agencies, ADR trends for the area are anticipated to increase by an inflationary level over the next several years. We have forecasted a 5.0% ADR growth rate in Year 2 for the subject as the subject should achieve above inflationary growth as the property is established in the market.

The projections for ADR growth and the resulting rates used in the analysis are illustrated as follows:

SUBJECT'S ESTIMATED ADR		
12 Months Ending	ADR Growth	Estimated ADR
3/19/2020	0.0%	\$125.00
3/19/2021	3.0%	\$128.75
3/19/2022	5.0%	\$135.19
3/19/2023	3.0%	\$139.24
3/19/2024	3.0%	\$143.42
3/19/2025	3.0%	\$147.72
3/19/2026	3.0%	\$152.15
3/19/2027	3.0%	\$156.72

Source: CBRE

CONCLUSION

The subject's occupancy, ADR, RevPAR, and corresponding room revenue for the first several years of our projection analysis are illustrated as follows:

OCCUPANCY, ADR, & ROOMS REVENUE CONCLUSIONS					
RevPAR Growth		11.3%	8.8%	3.0%	3.0%
Fiscal Year Ending 3/19/	2021	2022	2023	2024	2025
Avg. Available Rooms	111	111	111	111	111
Annual Room Nights	40,515	40,515	40,515	40,626	40,515
Occupancy	66%	69%	75%	75%	75%
Occupied Rooms	26,740	27,955	30,386	30,470	30,386
ADR	\$128.75	\$135.19	\$139.24	\$143.42	\$147.72
RevPAR	\$84.98	\$93.28	\$104.43	\$107.57	\$110.79
RevPAR Growth		9.8%	12.0%	3.0%	3.0%
Total Rooms Revenue	\$3,442,762	\$3,779,214	\$4,231,076	\$4,369,948	\$4,488,749

Source: CBRE

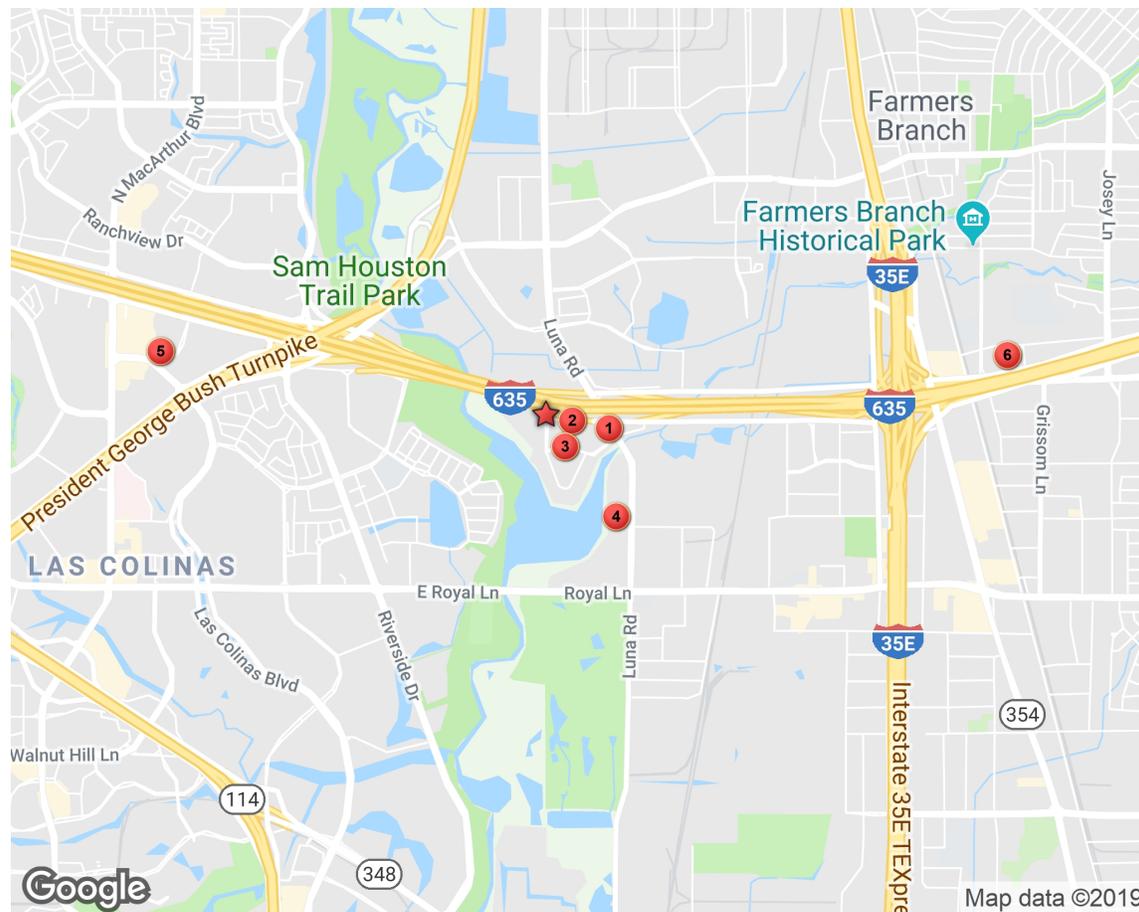
Based on the foregoing analysis, the indicated occupancy and ADR figures are achievable. Although it is possible that the subject will experience growth in occupancy and ADR above those estimated in this report, it is also possible that sudden economic downturns, unexpected additions to rooms supply, or other external factors will force the property below the selected point of stability. Consequently, the estimated occupancy and ADR levels are representative of the most likely potential operations of the subject over the projected holding period based on our analysis of the market as of the date of this appraisal.

Our projections include a sustainable occupancy and market supported ADR. The subject will be a new hotel with a national franchise affiliation. The subject's projection of rooms revenue is illustrated again in the Income Section of this report.

Impact Study

At the request of the client, we have also included an analysis that determines the impact the subject hotel will have on the existing supply. The subject is a proposed 111-room Home2Suites extended stay hotel. The Home2Suites brand is classified as an Upper Midscale brand by STR Global. The hotel will be new upon completion of construction.

The following map and charts summarize the comparative analysis and impact summary of the hotels that have been analyzed in this section.



COMPARATIVE ANALYSIS

Hotel Name	# Rooms	Year Built	Classification	Franchise STR Scale
Subject - Home2Suites Farmers Branch	111	2020	Extended Stay	Upper Midscale
Omni Dallas at Park West	337	1989	Full Service	Upper Upscale
Holiday Inn Express Farmers Branch	104	2019	Limited Service	Upper Midscale
Candlewood Suites Farmers Branch	86	2019	Extended Stay	Midscale
DoubleTree Farmers Branch	160	1999	Full Service	Upscale
Hilton Garden Inn Las Colinas	173	1997	Select Service	Upscale
Wyndham Garden Dallas North	350	1980	Select Service	Upper Midscale

Compiled by CBRE

HOTEL IMPACT SUMMARY			
Hotel Name	<u>Subject's Impact Conclusion on Existing Hotel</u>		
	No Impact	Minimal Impact	High Impact
Omni Dallas at Park West		X	
Holiday Inn Express Farmers Branch			X
Candlewood Suites Farmers Branch			X
DoubleTree Farmers Branch		X	
Hilton Garden Inn Las Colinas		X	
Wyndham Garden Dallas North	X		
Compiled by CBRE			

Omni Dallas at Park West (1590 Lyndon B Johnson Fwy, Dallas, TX)

The Omni Dallas at Park West is a full service, upper upscale hotel located along Lyndon B Johnson Freeway. The hotel opened in 1989 and contains 337 rooms. This hotel is located near the subject and the subject will have some impact on this property. However, given the property's franchise affiliation, classification and scale, we have concluded that the subject will have minimal impact on this property.

Holiday Inn Express Farmers Branch (1570 Lyndon B Johnson Fwy, Farmers Branch, TX 75234)

The Holiday Inn Express is a limited service, upper midscale hotel located along Lyndon B Johnson Freeway. The hotel opened in 2019 and contains 104 rooms. This hotel is located near the subject and the subject will highly impact this property given the property's location, franchise affiliation, classification and scale in relation to the subject.

Candlewood Suites Farmers Branch (1561 Mira Lago Blvd, Farmers Branch, TX 75234)

The Candlewood Suites is an extended stay, midscale hotel located along Mira Lago Boulevard. The hotel opened in 2019 and contains 86 rooms. This hotel is located near the subject and the subject will highly impact this property given the property's location, franchise affiliation, classification and scale in relation to the subject.

DoubleTree Farmers Branch (11611 Luna Rd, Farmers Branch, TX 75234)

The DoubleTree Farmers Branch is a full service, upscale hotel located along Luna Road. The hotel opened in 1999 and contains 160 rooms. This hotel is located near the subject and the subject will have some impact on this property. However, given the property's franchise affiliation, classification and scale, we have concluded that the subject will have minimal impact on this property.

Hilton Garden Inn Las Colinas (7516 Las Colinas Blvd, Irving, TX 75063)

The Hilton Garden Inn is a select service, upscale hotel located along Las Colinas Boulevard. The hotel opened in 1997 and contains 173 rooms. This hotel is located in the Las Colinas area and the subject will have minimal impact on this property given the property's location, franchise affiliation, classification and scale in relation to the subject.

Wyndham Garden Dallas North (2645 Lyndon B Johnson Fwy, Dallas, TX 75234)

The Wyndham Garden is a select service, upper midscale hotel located along Lyndon B Johnson Freeway. The hotel opened in 1980 and contains 350 rooms. Given the property's location, franchise affiliation, classification and scale, we have concluded that the subject will have no impact on this property.

Feasibility Analysis Methodology

The purpose of this assignment is to determine the feasibility of a proposed hotel. Through this point in the report, we have provided area / regional data and analysis, specific hotel supply and demand analysis and conclusions, and specific data and analysis relating to the proposed improvements. Given this base, the remainder of this report presents the feasibility analysis itself. In the prior market analysis section of this report, it was found that the hotel is well capable of generating an adequate occupancy level of between 57% and 66% early in its life. This is typically the first indication that a hotel is feasible if the associated average daily rate is adequate.

In order to more fully test the feasibility of the hotel, however, it is necessary to develop an indication of the cash flows generated and compare the resulting returns to investor expectations. Further, the proposed financing structure is known and an indication of the debt service coverage ratio will be developed to determine if this would satisfy typical lenders.

The traditional appraisal approaches to value are utilized in various ways within the feasibility analysis. In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available.

COST APPROACH

The cost approach is based on the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land, or when it is improved with relatively unique or specialized improvements for which there exist few sales or leases of comparable properties. The cost approach in this instance provides an indication of the investment required to compare against projected cash flows. It does not provide an indication of market value – only the total development cost. The cost approach analysis is contained within the feasibility analysis / income capitalization approach.

SALES COMPARISON APPROACH

The sales comparison approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, price per floor, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons. In this case, the sales comparison approach is not applicable and has not been utilized in our feasibility analysis.

INCOME CAPITALIZATION APPROACH

The income capitalization approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis. Variations can be used to provide an indication of feasibility as is the case here.

METHODOLOGY APPLICABLE TO THE SUBJECT

In determining the feasibility of the subject's planned development, we will estimate the cost of development based on the data provided by the developer and market data. We will estimate the future cash flows for the subject based on market data. We will then use this data to estimate the internal rate of return for the property and compare this rate of return against market data to determine if the hotel is financially feasible.

Development Cost

In estimating the development costs for the subject, the following methods/data sources have been utilized (where available):

- the comparative unit method has been employed, utilizing the Marshall Valuation Service (MVS) cost guide, published by Marshall and Swift, LLC; and
- actual/budget construction cost figures available for comparable properties have been considered.

MARSHALL VALUATION SERVICE

The concluded direct and indirect building cost estimates obtained via the MVS cost guide are illustrated as follows:

MARSHALL VALUATION SERVICE COST SCHEDULE			
Primary Building Type:	Hotel	Height per Story:	10'
Effective Age:	0 YRS	Number of Buildings:	1
Condition:	New	Gross Building Area:	57,784 SF
Exterior Wall:	Stucco and stone	Net Rentable Area:	57,784 SF
Number of Stories:	4	Average Floor Area:	14,446 SF
MVS Sec/Page		14/34	11/22
Quality/Bldg. Class		Good/B	Good/B
Building Component		Parking	Hotels: Limited
		Garage	Service
Component Sq. Ft.		54,800 SF	57,784 SF
Base Square Foot Cost		\$53.50	\$177.00
Square Foot Refinements			
Sprinklers		\$0.00	\$2.50
Kitchens (111 @ \$2,500 each)		\$0.00	\$4.80
Other		\$0.00	\$0.00
Subtotal		\$53.50	\$184.30
Height and Size Refinements			
Number of Stories Multiplier		1.000	1.050
Height per Story Multiplier		1.000	1.000
Floor Area Multiplier		1.000	1.000
Subtotal		\$53.50	\$193.52
Cost Multipliers			
Current Cost Multiplier		1.04	0.98
Local Multiplier		0.92	0.92
Final Square Foot Cost		\$51.19	\$174.48
Base Component Cost		\$2,805,146	\$10,081,885
Base Building Cost	(via Marshall Valuation Service cost data)		\$12,887,031
Additions			
Signage, Landscaping & Misc. Site Improvements (not included above)			\$75,000
Parking/Walks (not included above)			\$200,000
Pool			\$125,000
Direct Building Cost			\$13,287,031
Indirect Costs	15.0% of Direct Building Cost		\$1,993,055
Direct and Indirect Building Cost			\$15,280,085
Rounded			\$15,280,000
Compiled by CBRE			

ACTUAL/BUDGET COMPARABLE CONSTRUCTION COSTS

The comparable cost information on a number of comparable properties is summarized in the following chart.

CONSTRUCTION COSTS				
Comparable:	1	2	3	Average
Name:	Limited Service Hotel (with garage)	Extended Stay Hotel (with garage)	Red Roof Inn Baytown	
Property Type	Limited Service Hotel	Extended Stay Hotel	Extended Stay Hotel	
Year of Cost Data	2019	2017	2019	
Cost Data Based Upon...	Actual	Budget	Budget	
Number of Units:	104	207	137	149
Size (SF):	61,245	156,945	69,732	95,974
Cost Component				
Direct Cost	\$15,269,205	\$28,781,532	\$15,365,534	\$19,805,424
Indirect Cost	\$0	\$5,389,628	\$3,375,024	\$2,921,551
Contingency	\$0	\$0	\$453,228	\$151,076
Total Direct, Indirect & Lease-up	\$15,269,205	\$34,171,160	\$19,193,786	\$22,878,050
Cost Adjustment	\$0	\$0		\$0
Total Adjusted Costs	\$15,269,205	\$34,171,160	\$19,193,786	\$22,878,050
Rounded	\$15,269,000	\$34,171,000	\$19,194,000	\$22,878,000
Cost Per Room	\$146,819	\$165,078	\$140,101	\$150,666
Cost Per SF	\$249.31	\$217.73	\$275.25	\$247.43
FF&E Costs	\$1,750,000	\$4,883,408	\$1,781,000	\$2,804,803
Cost Per Room	\$16,827	\$23,591	\$13,000	\$17,806
Compiled by CBRE				

DIRECT AND INDIRECT COST CONCLUSION

The indicated direct and indirect building costs for the subject are illustrated as follows:

DIRECT AND INDIRECT COST CONCLUSION			
Source	Subject Estimate	Per Unit	Per SF
MVS Cost Guide	\$15,280,000	\$137,658	\$264.43
Cost Comparables (Avg.)	n/a	\$150,666	\$247.43
CBRE Estimate	\$15,280,000	\$137,658	\$264.43
Compiled by CBRE			

The subject's budgeted cost was given most consideration towards a cost conclusion for the subject with support from the MVS Cost Guide and the Cost Comparables.

FURNITURE, FIXTURES & EQUIPMENT

No furniture, fixtures and equipment (FF&E) appraisal was contracted as part of this assignment. In order to estimate the value of the FF&E, we have relied upon information contained in the Marshall Valuation Service Cost Manual, the subject's budget and comparable hotel properties. Based on our analysis, we have estimated the total replacement cost new for the FF&E as follows.

FF&E COST ESTIMATE	
Source	Per Guest Room
Comp 1	\$16,827
Comp 2	\$23,591
Comp 3	\$13,000
CBRE Estimate	\$17,500
Indicated FF&E Replacement Cost	\$1,942,500
Rounded	\$1,940,000
Compiled by CBRE	

The subject estimate is reasonable compared to industry standards for FF&E costs.

DEVELOPMENT COST CONCLUSION

The estimated development costs are calculated as follows.

COST APPROACH CONCLUSION			
Primary Building Type:	Hotel	Height per Story:	10'
Effective Age:	0 YRS	Number of Buildings:	1
Condition:	New	Gross Building Area:	57,784 SF
Exterior Wall:	Stucco and stone	Net Rentable Area:	57,784 SF
Number of Stories:	4	Average Floor Area:	14,446 SF
Direct and Indirect Building Cost			\$15,280,000
Contributory Value of FF&E			\$1,940,000
Depreciated Replacement Cost			\$17,220,000
Land Cost			\$1,724,400
Indicated Construction Costs			\$18,944,400
Compiled by CBRE			

According to the purchase contract provided by the developer, the property is currently under contract for \$1,724,400 or \$20.34 per square foot. It appears the contract is at market based on an analysis of comparable land sales in the area. Therefore, for our feasibility analysis we have concluded the land cost in line with the contract price.

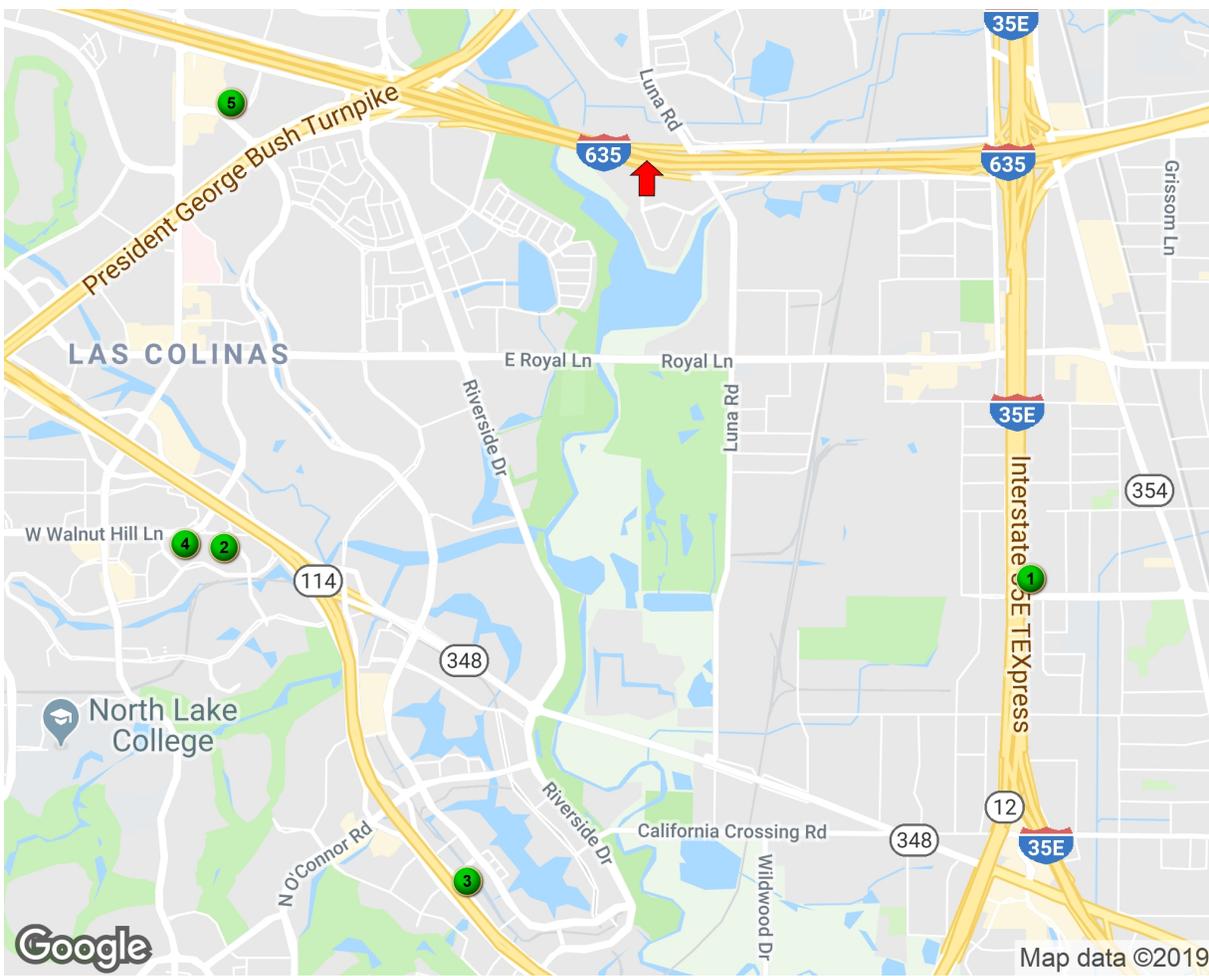
The concluded construction costs will be utilized later in the development of the return on investment calculations.

Feasibility Analysis

The purpose of this assignment is to determine the feasibility of a proposed economy hotel. Through this point in the report, we have provided area / regional data and analysis, specific hotel supply and demand analysis and conclusions, and specific data and analysis relating to the proposed improvements. Given this base, the remainder of this report presents the feasibility analysis itself. In the prior market analysis section of this report, it was found that the hotel is well capable of generating an adequate occupancy level of 75.0% at the stabilized level. This is typically the first indication that a hotel is feasible if the associated average daily rate is adequate.

In order to more fully test the feasibility of the hotel, however, it is necessary to develop an indication of the cash flows generated and compare the resulting returns to investor expectations. Further, a market-orientated financing structure has been utilized and an indication of the debt service coverage ratio will be developed to determine if this would satisfy typical lenders.

The following map and table summarize the primary comparable data used in the valuation of the subject. A detailed description of each comparable is included in the addenda.



PRIMARY COMPETITIVE HOTELS										
Property	Number of Rooms	Percentage Competitive	Year Built	Competitive Rooms	12 Months Ending December 31, 2018					
					Occ.	Occupancy Penetration	ADR	ADR Penetration	RevPAR	RevPAR Penetration
La Quinta Inn	121	100%	1983	121	65% - 70%	90% - 100%	\$80 - \$85	60% - 70%	\$55 - \$60	60% - 70%
Hyatt Place Dallas Las Colinas	122	100%	1998	122	70% - 75%	90% - 120%	\$140 - \$145	105% - 135%	\$100 - \$105	110% - 120%
Homewood Suites Las Colinas	136	100%	1990	136	70% - 75%	90% - 120%	\$120 - \$125	90% - 100%	\$90 - \$95	100% - 110%
Hampton Inn Dallas Irving Las Colinas	135	100%	1997	135	75% - 80%	90% - 120%	\$115 - \$120	90% - 100%	\$85 - \$90	95% - 105%
Hilton Garden Inn Irving Las Colinas	173	100%	1997	173	65% - 70%	90% - 100%	\$140 - \$145	105% - 135%	\$95 - \$100	105% - 115%
Primary Totals/Averages	687			687	71%		\$123.88			
Overall Totals/Averages	687			687	71%		\$123.88			

Compiled by CBRE

PRIMARY COMPETITION										
Property	Location	Estimated 2018 Market Mix						Meeting Room	Exercise Facilities	
		Corp. Individual	Group	Leisure	Restaurant	Lounge	Business Center			
Proposed Home2Suites Farmers Branch	Farmers Branch, TX	60%	10%	30%	N	N	Y	Y	N	Y
La Quinta Inn	Dallas, TX	65%	5%	30%	N	N	Y	Y	Y	Y
Hyatt Place Dallas Las Colinas	Irving, TX	55%	10%	35%	Y	Y	Y	Y	Y	Y
Homewood Suites Las Colinas	Irving, TX	70%	5%	25%	N	N	Y	Y	Y	Y
Hampton Inn Dallas Irving Las Colinas	Irving, TX	60%	5%	35%	N	N	Y	Y	Y	Y
Hilton Garden Inn Irving Las Colinas	Irving, TX	50%	10%	40%	Y	Y	Y	Y	Y	Y
Primary Totals/Averages		60%	7%	33%						

Compiled by CBRE

SUMMARY OF COMPETITIVE PROPERTIES

The prior tables summarize the primary competitive set applicable to the subject property. These properties have been analyzed and were described in detail in the hotel market analysis section.

The primary competitive set has a total of 687 rooms. For the trailing 12 months as of 12/31/2018, the occupancy and ADR achieved by these properties was roughly 71% and \$123.88, respectively.

OCCUPANCY, ADR, AND REVPAR CONCLUSIONS

The subject's occupancy, ADR, RevPAR, and corresponding room revenue for the first several years of our projection analysis are illustrated as follows and were discussed and analyzed in the hotel market analysis:

OCCUPANCY, ADR, & ROOMS REVENUE CONCLUSIONS					
RevPAR Growth		11.3%	8.8%	3.0%	3.0%
Fiscal Year Ending 3/19/	2021	2022	2023	2024	2025
Avg. Available Rooms	111	111	111	111	111
Annual Room Nights	40,515	40,515	40,515	40,626	40,515
Occupancy	66%	69%	75%	75%	75%
Occupied Rooms	26,740	27,955	30,386	30,470	30,386
ADR	\$128.75	\$135.19	\$139.24	\$143.42	\$147.72
RevPAR	\$84.98	\$93.28	\$104.43	\$107.57	\$110.79
RevPAR Growth		9.8%	12.0%	3.0%	3.0%
Total Rooms Revenue	\$3,442,762	\$3,779,214	\$4,231,076	\$4,369,948	\$4,488,749

Source: CBRE

INCOME AND EXPENSE COMPARABLES

This analysis incorporates revenue estimates based on our survey of comparable and competitive properties, and general market trend information. The revenue and expense comparisons include four limited service and extended stay hotels located in the region. The following charts summarize income and expenses taken from regional revenue/expense comparables as well as data from the STR Host Report.

COMPARABLE INCOME AND EXPENSE DATA - SELECTED HOTELS

Property Location	Comparable 1 Texas			Comparable 2 Texas			Comparable 3 Texas			Comparable 4 SC Region		
Hotel Description / Name	Extended Stay			Upscale Limited Service			Upscale Extended Stay			Limited Service		
Days Open	365			365			365			365		
Avg. No. of Rooms	120			176			146			137		
Occupancy	70.6%			69.8%			77.2%			70.4%		
Average Daily Rate	\$134.44			\$132.70			\$134.37			\$125.63		
	Ratio to Sales	PAR	POR	Ratio to Sales	PAR	POR	Ratio to Sales	PAR	POR	Ratio to Sales	PAR	POR
REVENUE												
Rooms	98.2%	\$34,635	\$134.40	94.4%	\$33,811	\$132.71	97.2%	\$37,838	\$134.28	92.2%	\$32,301	\$125.71
Other Operated Departments	1.8%	\$650	\$2.52	5.6%	\$1,998	\$7.84	2.8%	\$1,107	\$3.93	7.8%	\$2,719	\$10.58
Total Operating Revenue	100.0%	\$35,285	\$136.93	100.0%	\$35,809	\$140.55	100.0%	\$38,945	\$138.21	100.0%	\$35,020	\$136.29
DEPARTMENTAL EXPENSES*												
Rooms Expense	20.9%	\$7,255	\$28.15	19.7%	\$6,677	\$26.21	20.6%	\$7,791	\$27.65	30.6%	\$9,884	\$38.47
Other Operated Departments Expense	27.2%	\$177	\$0.69	9.9%	\$199	\$0.78	12.2%	\$135	\$0.48	71.0%	\$1,929	\$7.51
Total Departmental Expenses	21.1%	\$7,432	\$28.84	19.2%	\$6,875	\$26.99	20.4%	\$7,926	\$28.13	33.7%	\$11,813	\$45.97
DEPARTMENTAL PROFIT	78.9%	\$27,853	\$108.09	80.8%	\$28,934	\$113.57	79.6%	\$31,020	\$110.08	66.3%	\$23,207	\$90.31
UNDISTRIBUTED OPERATING EXPENSES												
Administrative and General	8.5%	\$3,012	\$11.69	6.7%	\$2,391	\$9.38	8.0%	\$3,100	\$11.00	11.4%	\$3,987	\$15.52
Marketing	8.2%	\$2,902	\$11.26	14.2%	\$5,095	\$20.00	12.2%	\$4,749	\$16.85	4.8%	\$1,666	\$6.48
Franchise Fees	3.2%	\$1,118	\$4.34	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00	9.0%	\$2,911	\$11.33
Property Operations and Maintenance	2.7%	\$955	\$3.71	3.1%	\$1,099	\$4.32	4.6%	\$1,809	\$6.42	3.9%	\$1,382	\$5.38
Utilities	3.8%	\$1,325	\$5.14	3.9%	\$1,384	\$5.43	3.9%	\$1,519	\$5.39	3.7%	\$1,287	\$5.01
Total Undistributed Expenses	26.4%	\$9,313	\$36.14	27.8%	\$9,970	\$39.13	28.7%	\$11,177	\$39.67	32.1%	\$11,232	\$43.71
GROSS OPERATING PROFIT	52.5%	\$18,540	\$71.95	53.0%	\$18,964	\$74.44	51.0%	\$19,843	\$70.42	34.2%	\$11,974	\$46.60
Management Fee	2.5%	\$882	\$3.42	3.0%	\$1,074	\$4.22	3.5%	\$1,363	\$4.84	3.9%	\$1,376	\$5.36
INCOME BEFORE NON-OPERATING INCOME AND EXPENSES	50.0%	\$17,659	\$68.53	50.0%	\$17,890	\$70.22	47.5%	\$18,480	\$65.58	30.3%	\$10,598	\$41.24
NON-OPERATING INCOME AND EXPENSES												
Property Taxes	6.8%	\$2,398	\$9.30	5.6%	\$2,015	\$7.91	6.2%	\$2,406	\$8.54	3.5%	\$1,219	\$4.74
Insurance	0.9%	\$307	\$1.19	1.8%	\$642	\$2.52	1.2%	\$451	\$1.60	1.4%	\$504	\$1.96
Reserve for Replacement	2.0%	\$706	\$2.74	0.0%	\$0	\$0.00	0.0%	\$0	\$0.00	1.0%	\$365	\$1.42
Total Non-Operating Income and Expenses	9.7%	\$3,411	\$13.24	7.4%	\$2,657	\$10.43	7.3%	\$2,857	\$10.14	6.0%	\$2,088	\$8.13
NET INCOME (EBITDA)	40.4%	\$14,248	\$55.29	42.5%	\$15,233	\$59.79	40.1%	\$15,623	\$55.44	24.3%	\$8,510	\$33.12

* Departmental expense ratios are based on departmental revenues; Franchise/Royalty ratio is based on room revenues; all others are based on total revenues.

Source: Hotel Operating Statements

COMPARABLE HOTEL OPERATING STATISTICS - SELECTED CATEGORIES - 2016 HOST REPORT

Property Year	HOST Report - Weighted Average			Limited Service Total U.S.			Limited Service Chain-Affiliated			Limited Service Upscale Class		
	2015			2015			2015			2015		
Avg. No. of Rooms	121			118			119			127		
Occupancy	73.3%			73.0%			73.0%			73.9%		
Average Daily Rate	\$126.11			\$113.71			\$112.09			\$150.67		
	<u>Ratio to Sales</u>	<u>PAR</u>	<u>POR</u>	<u>Ratio to Sales</u>	<u>PAR</u>	<u>POR</u>	<u>Ratio to Sales</u>	<u>PAR</u>	<u>POR</u>	<u>Ratio to Sales</u>	<u>PAR</u>	<u>POR</u>
REVENUE												
Rooms	96.8%	\$33,662	\$126.11	96.9%	\$30,179	\$113.71	97.1%	\$29,737	\$112.09	96.5%	\$40,547	\$150.67
Other Operated Departments	1.3%	\$447	\$1.68	1.4%	\$422	\$1.59	1.3%	\$406	\$1.53	1.2%	\$509	\$1.89
Total Operating Revenue	100.0%	\$34,786	\$130.32	100.0%	\$31,142	\$117.34	100.0%	\$30,636	\$115.48	100.0%	\$42,027	\$156.17
DEPARTMENTAL EXPENSES												
Rooms Expense	22.7%	\$7,646	\$28.64	22.8%	\$6,888	\$25.95	22.4%	\$6,651	\$25.07	22.9%	\$9,274	\$34.46
Other Operated Departments Expense	62.9%	\$283	\$1.06	60.5%	\$255	\$0.96	60.7%	\$246	\$0.93	67.2%	\$342	\$1.27
Total Departmental Expenses	23.6%	\$8,223	\$30.80	23.7%	\$7,370	\$27.77	23.2%	\$7,111	\$26.80	23.9%	\$10,050	\$37.35
DEPARTMENTAL PROFIT	76.4%	\$26,562	\$99.51	76.3%	\$23,772	\$89.57	76.8%	\$23,526	\$88.68	76.1%	\$31,977	\$118.82
UNDISTRIBUTED OPERATING EXPENSES												
Administrative and General	8.4%	\$2,934	\$10.99	8.5%	\$2,648	\$9.98	8.4%	\$2,586	\$9.75	8.4%	\$3,522	\$13.09
Marketing	5.3%	\$1,824	\$6.84	5.5%	\$1,715	\$6.46	5.5%	\$1,695	\$6.39	4.9%	\$2,045	\$7.60
Franchise Fees	4.8%	\$1,682	\$6.30	4.5%	\$1,394	\$5.25	4.7%	\$1,429	\$5.39	5.2%	\$2,185	\$8.12
Property Operations and Maintenance	4.6%	\$1,575	\$5.90	4.7%	\$1,475	\$5.56	4.7%	\$1,441	\$5.43	4.3%	\$1,793	\$6.66
Utilities	4.0%	\$1,385	\$5.19	4.2%	\$1,300	\$4.90	4.2%	\$1,276	\$4.81	3.7%	\$1,566	\$5.82
Total Undistributed Expenses	27.9%	\$1,682	\$6.30	28.2%	\$1,394	\$5.25	28.3%	\$1,429	\$5.39	27.3%	\$2,185	\$8.12
GROSS OPERATING PROFIT	43.7%	\$15,183	\$56.88	43.6%	\$13,584	\$51.18	43.8%	\$13,412	\$50.55	43.6%	\$18,315	\$68.06
Management Fee	3.1%	\$1,078	\$4.04	2.8%	\$887	\$3.34	2.9%	\$878	\$3.31	3.4%	\$1,442	\$5.36
INCOME BEFORE NON-OPERATING INCOME AND EXPENSES	45.4%	\$15,787	\$59.14	45.2%	\$14,090	\$53.09	45.6%	\$13,963	\$52.63	45.3%	\$19,058	\$70.82
NON-OPERATING INCOME AND EXPENSES												
Property Taxes	4.5%	\$1,572	\$5.89	4.5%	\$1,416	\$5.34	4.5%	\$1,387	\$5.23	4.5%	\$1,888	\$7.02
Insurance	0.9%	\$315	\$1.18	1.0%	\$308	\$1.16	1.0%	\$299	\$1.13	0.8%	\$336	\$1.25
Reserve for Replacement	2.2%	\$778	\$2.91	1.8%	\$565	\$2.13	1.9%	\$569	\$2.15	2.8%	\$1,169	\$4.34
Total Non-Operating Income and Expenses	5.4%	\$1,887	\$7.07	5.5%	\$1,725	\$6.50	5.5%	\$1,685	\$6.35	5.3%	\$2,224	\$8.26
NET INCOME (EBITDA)	39.9%	\$13,900	\$52.07	39.7%	\$12,365	\$46.59	40.1%	\$12,278	\$46.28	40.1%	\$16,834	\$62.55

Source: The 2016 HOST Report, for the year 2015, Smith Travel Research

FIXED AND VARIABLE REVENUE AND EXPENSE ANALYSIS

Operating revenues and expenses for hotels have a component that is fixed and a component that is variable with respect to increases or decreases in occupancy. The fixed component increases at an inflationary level, while the variable component is adjusted in proportion to the use of the hotel facility.

The applicable fixed and variable ratios were derived through discussions with hotel experts and are consistent with industry norms. These ratios and the associated revenue component drivers are illustrated as follows:

FIXED AND VARIABLE AMOUNTS			
COMPONENT	FIXED %	VARIABLE %	VAR. DRIVER
REVENUE			
Rooms	N/A	N/A	N/A
Other Operated Departments	30.0%	70.0%	Occ Rooms
DEPARTMENTAL EXPENSES			
Rooms Expense	60.0%	40.0%	Occ Rooms
Other Operated Departments Expense	50.0%	50.0%	MOR Rev
UNDISTRIBUTED OPERATING EXPENSES			
Administrative and General	90.0%	10.0%	Total Rev
Marketing	70.0%	30.0%	Total Rev
Franchise Fees	N/A	N/A	See Detail
% of Room Revenue			
% of F&B Revenue			
% of Other Revenue			
% of Total Revenue			
Property Operations and Maintenance	70.0%	30.0%	Total Rev
Utilities	90.0%	10.0%	Total Rev
Management Fee	0.0%	100.0%	Total Rev
FIXED CHARGES			
Property Taxes	100.0%	0.0%	N/A
Insurance	100.0%	0.0%	N/A
Reserve for Replacement	0.0%	100.0%	N/A

Source: CBRE

DEPARTMENTAL PROJECTIONS

Rooms Department

ROOMS REVENUES

The subject's and the comparable data revenues for this department as a percentage of total revenues, as a percentage of Rooms department revenues, and on a per occupied room basis are summarized as follows:

ROOMS REVENUE				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Comparable 1	\$4,156	98.2%	\$34,635	\$134.40
Comparable 2	\$5,951	94.4%	\$33,811	\$132.71
Comparable 3	\$5,524	97.2%	\$37,838	\$134.28
Comparable 4	\$4,425	92.2%	\$32,301	\$125.71
HOST Report - Weighted Average	N/A	96.8%	\$33,662	\$126.11
HOST Report - Limited Service Total U.S.	N/A	96.9%	\$30,179	\$113.71
HOST Report - Limited Service Chain-Affiliated	N/A	97.1%	\$29,737	\$112.09
HOST Report - Limited Service Upscale Class	N/A	96.5%	\$40,547	\$150.67
Estimate - YR 1	\$3,443	98.4%	\$31,016	\$128.75
Stabilized Estimate - YR 3	\$4,231	98.5%	\$38,118	\$139.24

Compiled by CBRE

Analysis of Rooms Department Revenues were previously provided.

ROOMS EXPENSES

Rooms expenses include labor costs such as salaries and wages for front desk, housekeeping, reservations, bell staff and laundry, plus employee benefits. Also included herein are linens, cleaning supplies, guest supplies, uniforms, central or franchise reservation fees, equipment leases and travel agent commissions. Payroll costs are typically the largest component. A hotel is labor-intensive, although relatively low-paying. Overall, wages typically account for 50% to 60% of the total departmental expense. The comparable data and projections for the subject are summarized as follows:

ROOMS EXPENSE				
Year	Total \$ (000's)	As a % of Dept. Revenue	Per Available Room	Per Occupied Room
Comparable 1	\$871	20.9%	\$7,255	\$28.15
Comparable 2	\$1,175	19.7%	\$6,677	\$26.21
Comparable 3	\$1,137	20.6%	\$7,791	\$27.65
Comparable 4	\$1,354	30.6%	\$9,884	\$38.47
HOST Report - Weighted Average	N/A	22.7%	\$7,646	\$28.64
HOST Report - Limited Service Total U.S.	N/A	22.8%	\$6,888	\$25.95
HOST Report - Limited Service Chain-Affiliated	N/A	22.4%	\$6,651	\$25.07
HOST Report - Limited Service Upscale Class	N/A	22.9%	\$9,274	\$34.46
Estimate - YR 1	\$757	22.0%	\$6,818	\$28.30
Stabilized Estimate - YR 3	\$840	19.8%	\$7,566	\$27.64

Compiled by CBRE

Other Operated Departments

OTHER OPERATED DEPARTMENTS REVENUES

Other Operated Departments revenues are those derived from garage and parking, guest laundry, gift shop, retail, newsstand, spa et cetera, when operated by the hotel. Also included are revenues generated from sources not included elsewhere, such as on-demand movie rentals, vending machines, fax and business services. The subject's and the comparable data revenues

for this department as a percentage of total revenues, on a per available room basis, and on a per occupied room basis are summarized as follows:

OTHER OPERATED DEPARTMENTS REVENUE				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Comparable 1	\$78	1.8%	\$650	\$2.52
Comparable 2	\$352	5.6%	\$1,998	\$7.84
Comparable 3	\$162	2.8%	\$1,107	\$3.93
Comparable 4	\$373	7.8%	\$2,719	\$10.58
HOST Report - Weighted Average	N/A	1.3%	\$447	\$1.68
HOST Report - Limited Service Total U.S.	N/A	1.4%	\$422	\$1.59
HOST Report - Limited Service Chain-Affiliated	N/A	1.3%	\$406	\$1.53
HOST Report - Limited Service Upscale Class	N/A	1.2%	\$509	\$1.89
Estimate - YR 1	\$57	1.6%	\$517	\$2.14
Stabilized Estimate - YR 3	\$66	1.5%	\$598	\$2.19
Compiled by CBRE				

OTHER OPERATED DEPARTMENTAL EXPENSES

Other Operated Departmental expenses are those expenses (labor and other) which offset the revenue generated by other operated departments, such as garage, guest laundry, athletic facilities and gift shop, as well as rental activity. The comparable data and projections for the subject are summarized as follows:

OTHER OPERATED DEPARTMENTS EXPENSE				
Year	Total \$ (000's)	As a % of Dept. Revenue	Per Available Room	Per Occupied Room
Comparable 1	\$21	27.2%	\$177	\$0.69
Comparable 2	\$35	9.9%	\$199	\$0.78
Comparable 3	\$20	12.2%	\$135	\$0.48
Comparable 4	\$264	71.0%	\$1,929	\$7.51
HOST Report - Weighted Average	N/A	62.9%	\$283	\$1.06
HOST Report - Limited Service Total U.S.	N/A	60.5%	\$255	\$0.96
HOST Report - Limited Service Chain-Affiliated	N/A	60.7%	\$246	\$0.93
HOST Report - Limited Service Upscale Class	N/A	67.2%	\$342	\$1.27
Estimate - YR 1	\$12	20.9%	\$108	\$0.45
Stabilized Estimate - YR 3	\$13	20.0%	\$120	\$0.44
Compiled by CBRE				

EXPENSE PROJECTIONS

In order to estimate expenses for the subject, the following data has been reviewed and analyzed:

- available historical data for the subject;
- published industry averages for similar hotel segments and geographic regions; and

- actual operating expense data for similar properties.

The individual expense categories applicable to the subject are discussed in the following sections.

Undistributed Operating Expenses

Undistributed operating expenses are typically not directly related to an associated revenue source, but can be compared on the basis of total revenues for similar types of hotels. These expenses are therefore compared and estimated as a percentage of total revenues.

ADMINISTRATIVE AND GENERAL EXPENSES

Administrative and general expenses include payroll and related expenses for the general manager, human resources and training, security, clerical staff, controller and accounting staff. Other expenses include office supplies, computer services, accounting and legal fees, cash overages and shortages, bad debt expenses, travel insurance, credit card commissions, transportation (non-guest) and travel and entertainment. These payroll costs are significant. The comparable data and projections for the subject are summarized as follows:

ADMINISTRATIVE AND GENERAL EXPENSES				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Comparable 1	\$361	8.5%	\$3,012	\$11.69
Comparable 2	\$421	6.7%	\$2,391	\$9.38
Comparable 3	\$453	8.0%	\$3,100	\$11.00
Comparable 4	\$546	11.4%	\$3,987	\$15.52
HOST Report - Weighted Average	N/A	8.4%	\$2,934	\$10.99
HOST Report - Limited Service Total U.S.	N/A	8.5%	\$2,648	\$9.98
HOST Report - Limited Service Chain-Affiliated	N/A	8.4%	\$2,586	\$9.75
HOST Report - Limited Service Upscale Class	N/A	8.4%	\$3,522	\$13.09
Estimate - YR 1	\$319	9.1%	\$2,877	\$11.94
Stabilized Estimate - YR 3	\$342	8.0%	\$3,085	\$11.27

Compiled by CBRE

MARKETING EXPENSES

Marketing expenses include payroll and related expenses for the sales and marketing staff, direct sales expenses, advertising and promotion, travel expenses for the sales staff and civic and community projects. This category may also include a national advertising fee or assessment paid to the franchise company, plus the cost of frequent guest stay programs. In this case, these franchise related costs are being included below as part of the franchise fee because this is how the subject operating statements are included. Note that the PKF Trends data includes all franchise fees in marketing. The HOST data is inconsistent – franchise fees appear in both. The comparable data and projections for the subject are summarized as follows:

MARKETING EXPENSES				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Comparable 1	\$348	8.2%	\$2,902	\$11.26
Comparable 2	\$897	14.2%	\$5,095	\$20.00
Comparable 3	\$693	12.2%	\$4,749	\$16.85
Comparable 4	\$228	4.8%	\$1,666	\$6.48
HOST Report - Weighted Average	N/A	5.3%	\$1,824	\$6.84
HOST Report - Limited Service Total U.S.	N/A	5.5%	\$1,715	\$6.46
HOST Report - Limited Service Chain-Affiliated	N/A	5.5%	\$1,695	\$6.39
HOST Report - Limited Service Upscale Class	N/A	4.9%	\$2,045	\$7.60
Estimate - YR 1	\$78	2.2%	\$703	\$2.92
Stabilized Estimate - YR 3	\$86	2.0%	\$771	\$2.82

Compiled by CBRE

FRANCHISE FEES (ROYALTY)

This analysis assumes that the subject will obtain and maintain the Fairfield Inn hotel franchise. The franchise fees for the subject are summarized as follows:

FRANCHISE FEES EXPENSES				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Comparable 1	\$134	3.2%	\$1,118	\$4.34
Comparable 2	\$0	0.0%	\$0	\$0.00
Comparable 3	\$0	0.0%	\$0	\$0.00
Comparable 4	\$399	9.0%	\$2,911	\$11.33
HOST Report - Weighted Average	N/A	4.8%	\$1,682	\$6.30
HOST Report - Limited Service Total U.S.	N/A	4.5%	\$1,394	\$5.25
HOST Report - Limited Service Chain-Affiliated	N/A	4.7%	\$1,429	\$5.39
HOST Report - Limited Service Upscale Class	N/A	5.2%	\$2,185	\$8.12
Estimate - YR 1	\$293	8.5%	\$2,636	\$10.94
Stabilized Estimate - YR 3	\$360	8.5%	\$3,240	\$11.84

Compiled by CBRE

PROPERTY OPERATIONS & MAINTENANCE

Property operations & maintenance expenses includes all payroll and related expenses for maintenance personnel, cost of maintenance supplies, cost of repairs and maintenance of the building, furniture and equipment, the grounds and the removal of waste matter. The comparable data and projections for the subject are summarized as follows:

PROPERTY OPERATIONS AND MAINTENANCE EXPENSES				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Comparable 1	\$115	2.7%	\$955	\$3.71
Comparable 2	\$194	3.1%	\$1,099	\$4.32
Comparable 3	\$264	4.6%	\$1,809	\$6.42
Comparable 4	\$189	3.9%	\$1,382	\$5.38
HOST Report - Weighted Average	N/A	4.6%	\$1,575	\$5.90
HOST Report - Limited Service Total U.S.	N/A	4.7%	\$1,475	\$5.56
HOST Report - Limited Service Chain-Affiliated	N/A	4.7%	\$1,441	\$5.43
HOST Report - Limited Service Upscale Class	N/A	4.3%	\$1,793	\$6.66
Estimate - YR 1	\$53	1.5%	\$478	\$1.99
Stabilized Estimate - YR 3	\$108	2.5%	\$970	\$3.54

Compiled by CBRE

UTILITY COSTS

Utility expenses typically include electricity, fuel (oil, gas and coal), purchased steam and water. This category also includes any central plant and energy management systems. The comparable data and projections for the subject are summarized as follows:

UTILITIES EXPENSES				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Comparable 1	\$159	3.8%	\$1,325	\$5.14
Comparable 2	\$244	3.9%	\$1,384	\$5.43
Comparable 3	\$222	3.9%	\$1,519	\$5.39
Comparable 4	\$176	3.7%	\$1,287	\$5.01
HOST Report - Weighted Average	N/A	4.0%	\$1,385	\$5.19
HOST Report - Limited Service Total U.S.	N/A	4.2%	\$1,300	\$4.90
HOST Report - Limited Service Chain-Affiliated	N/A	4.2%	\$1,276	\$4.81
HOST Report - Limited Service Upscale Class	N/A	3.7%	\$1,566	\$5.82
Estimate - YR 1	\$145	4.1%	\$1,308	\$5.43
Stabilized Estimate - YR 3	\$156	3.6%	\$1,402	\$5.12

Compiled by CBRE

Management Fees

The subject property is not known to be already encumbered by a management agreement. The projection of income and expense assumes competent management by a professional management company. We assume that upon a sale, if the subject could be obtained free and clear of any prior management encumbrance, a prudent investor would retain competent management with fees structured at current rates. Some companies provide management services alone, while others offer both management services and a brand name affiliation. When a management company has no brand identification, the property owner can often acquire a franchise that provides the necessary image and recognition. Management fees have typically equated to roughly 3 to 5 percent of total revenues. The comparable data and projections for the subject are summarized as follows:

MANAGEMENT FEE				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Comparable 1	\$106	2.5%	\$882	\$3.42
Comparable 2	\$189	3.0%	\$1,074	\$4.22
Comparable 3	\$199	3.5%	\$1,363	\$4.84
Comparable 4	\$189	3.9%	\$1,376	\$5.36
HOST Report - Weighted Average	N/A	3.1%	\$1,078	\$4.04
HOST Report - Limited Service Total U.S.	N/A	2.8%	\$887	\$3.34
HOST Report - Limited Service Chain-Affiliated	N/A	2.9%	\$878	\$3.31
HOST Report - Limited Service Upscale Class	N/A	3.4%	\$1,442	\$5.36
Estimate - YR 1	\$105	3.0%	\$946	\$3.93
Stabilized Estimate - YR 3	\$129	3.0%	\$1,161	\$4.24

Compiled by CBRE

PROPERTY TAXES

Property taxes were discussed in greater detail previously in this report. The initial year taxes will be minimal as taxes in Texas are paid in arrears. The projections for the subject are summarized as follows:

PROPERTY TAXES				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Comparable 1	\$288	6.8%	\$2,398	\$9.30
Comparable 2	\$355	5.6%	\$2,015	\$7.91
Comparable 3	\$351	6.2%	\$2,406	\$8.54
Comparable 4	\$167	3.5%	\$1,219	\$4.74
HOST Report - Weighted Average	N/A	4.5%	\$1,572	\$5.89
HOST Report - Limited Service Total U.S.	N/A	4.5%	\$1,416	\$5.34
HOST Report - Limited Service Chain-Affiliated	N/A	4.5%	\$1,387	\$5.23
HOST Report - Limited Service Upscale Class	N/A	4.5%	\$1,888	\$7.02
Estimate - YR 1	\$335	9.6%	\$3,020	\$12.54
Stabilized Estimate - YR 3	\$356	8.3%	\$3,204	\$11.70

Compiled by CBRE

INSURANCE

The insurance expense includes the cost of insuring the hotel building and contents against fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, or other perils such as terrorism. This category includes all insurance costs except workers' compensation. The developer's pro forma included this with taxes. The comparable data and projections for the subject are summarized as follows:

INSURANCE				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Comparable 1	\$37	0.9%	\$307	\$1.19
Comparable 2	\$113	1.8%	\$642	\$2.52
Comparable 3	\$66	1.2%	\$451	\$1.60
Comparable 4	\$69	1.4%	\$504	\$1.96
HOST Report - Weighted Average	N/A	0.9%	\$315	\$1.18
HOST Report - Limited Service Total U.S.	N/A	1.0%	\$308	\$1.16
HOST Report - Limited Service Chain-Affiliated	N/A	1.0%	\$299	\$1.13
HOST Report - Limited Service Upscale Class	N/A	0.8%	\$336	\$1.25
Estimate - YR 1	\$34	1.0%	\$309	\$1.28
Stabilized Estimate - YR 3	\$36	0.8%	\$328	\$1.20

Compiled by CBRE

RESERVES FOR REPLACEMENT

Structural reserves account for the replacement of short-lived items, including the roof, building systems, and parking lot. FF&E reserves for replacement are typically included in hotel expense projections to account for the periodic replacement of the furniture, fixtures and equipment (FF&E). It does not reflect the value of existing FF&E. It is solely an expense to reflect future replacements of short-lived items. This expense can be based on the actual replacement cost of the FF&E, its projected economic life and a reasonable reinvestment rate for the reserve funds (essentially a sinking fund account). An alternative and more widely utilized method is to estimate FF&E reserves based on a percentage of total revenues. Using this method, the typical ratio ranges from 2 to 5 percent of total revenues depending on the quality level of the property and the specific amenities and services present. The reserves are graduated in the early period of the projection. The comparable data and projections for the subject are summarized as follows:

RESERVE FOR REPLACEMENT				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Comparable 1	\$85	2.0%	\$706	\$2.74
Comparable 2	\$0	0.0%	\$0	\$0.00
Comparable 3	\$0	0.0%	\$0	\$0.00
Comparable 4	\$50	1.0%	\$365	\$1.42
HOST Report - Weighted Average	N/A	2.2%	\$778	\$2.91
HOST Report - Limited Service Total U.S.	N/A	1.8%	\$565	\$2.13
HOST Report - Limited Service Chain-Affiliated	N/A	1.9%	\$569	\$2.15
HOST Report - Limited Service Upscale Class	N/A	2.8%	\$1,169	\$4.34
Estimate - YR 1	\$70	2.0%	\$631	\$2.62
Stabilized Estimate - YR 3	\$172	4.0%	\$1,549	\$5.66

Compiled by CBRE

NET INCOME (EBITDA) CONCLUSION

The subject's net operating income is detailed as follows:

NET INCOME (EBITDA)				
Year	Total \$ (000's)	As a % of Revenue	Per Available Room	Per Occupied Room
Comparable 1	\$1,710	40.4%	\$14,248	\$55.29
Comparable 2	\$2,681	42.5%	\$15,233	\$59.79
Comparable 3	\$2,281	40.1%	\$15,623	\$55.44
Comparable 4	\$1,166	24.3%	\$8,510	\$33.12
HOST Report - Weighted Average	N/A	39.9%	\$13,900	\$52.07
HOST Report - Limited Service Total U.S.	N/A	39.7%	\$12,365	\$46.59
HOST Report - Limited Service Chain-Affiliated	N/A	40.1%	\$12,278	\$46.28
HOST Report - Limited Service Upscale Class	N/A	40.1%	\$16,834	\$62.55
Estimate - YR 1	\$1,298	37.1%	\$11,698	\$48.56
Stabilized Estimate - YR 3	\$1,701	39.6%	\$15,321	\$59.97

Compiled by CBRE

CASH FLOW ANALYSIS

The cash flow analysis relies on a projection of net operating income over a fixed holding period. This is consistent with current investor trends for analyzing this property type. The cash flow analysis takes into consideration the timing and degree of the projected changes in average daily rate, occupancy, and expenses for the subject.

Financial Assumptions

SUMMARY OF CASH FLOW INPUT	
General	
Terms of Analysis	10 Years
Software	Excel
Growth Rates	
Stabilized ADR Growth	3.00%
Stabilized Income Growth	3.00%
Stabilized Expense Growth	3.00%
Expense Growth (Stabilized)	3.00%
Revenue Assumptions	
Stabilized Average Daily Rate	\$139.24
Occupancy Assumptions	
Stabilized Occupancy	75.00%
Estimated Stabilization	Mar-22

Compiled by CBRE

CASH FLOW ASSUMPTIONS

The cash flow analysis relies on the income and expense projections presented earlier in this section. Specific assumptions integral to the analysis are summarized as follows:

GENERAL ASSUMPTIONS

The cash flow analysis utilizes a 10-year projection period with fiscal year inflation and discounting. This is consistent with current investor assumptions. The analysis is done with Excel software.

GROWTH RATE ASSUMPTIONS

The inflation and growth rates for the analysis have been estimated by analyzing the expectations typically used by buyers and sellers in the local marketplace. Published investor surveys, an analysis of the Consumer Price Index (CPI), as well as CBRE's survey of brokers and investors active in the local market form the foundation for the selection of the appropriate growth rates.

SUMMARY OF GROWTH RATES			
Investment Type	Rent	Expenses	Inflation
U.S. Bureau of Labor Statistics (CPI-U) 10-Year Snapshot Average as of Dec-18			1.62%
<i>PwC Limited Service Hotels</i>			
National Data	2.20%	2.95%	n/a
<i>RERC Hotels</i>			
National Data	2.70%	2.80%	n/a
CBRE Estimate	3.00%	3.00%	3.00%
Compiled by: CBRE			

OCCUPANCY ASSUMPTIONS

The occupancy rate over the holding period is based on the subject's estimated stabilized occupancy rate and estimated lease-up period to achieve a stabilized occupancy position. The complete discussion and analysis of occupancy is located in the Hotel Market Analysis.

CASH FLOW SCHEDULE

The following page presents the cash flow schedule as of the date of completion.

DETAILED FORECAST OF INCOME AND EXPENSES									
	Cash Flow YEAR 1				Stabilized Cash Flow YEAR 1				
Period Reported:	Fiscal Year Ended:				Fiscal Year Ended:				
	3/19/2021				3/19/2023				
Days Open	365				365				
No. of Rooms	111				111				
Occupied Room Nights	26,740				30,386				
Occupancy	66.0%				75.0%				
Average Daily Rate	\$128.75				\$139.24				
RevPAR	\$84.98				\$104.43				
	Total	Ratio to Sales	PAR	POR	Total	Ratio to Sales	PAR	POR	
REVENUE									
Rooms	\$3,442,762	98.4%	\$31,016	\$128.75	\$4,231,076	98.5%	\$38,118	\$139.24	
Other Operated Departments	57,338	1.6%	\$517	\$2.14	66,408	1.5%	\$598	\$2.19	
Total Operating Revenue	\$3,500,100	100.0%	\$31,532	\$130.89	\$4,297,484	100.0%	\$38,716	\$141.43	
DEPARTMENTAL EXPENSES									
Rooms Expense	\$756,835	22.0%	\$6,818	\$28.30	\$839,786	19.8%	\$7,566	\$27.64	
Other Operated Departments Expense	11,993	20.9%	\$108	\$0.45	13,282	20.0%	\$120	\$0.44	
Total Departmental Expenses	\$768,828	22.0%	\$6,926	\$28.75	\$853,068	19.9%	\$7,685	\$28.07	
DEPARTMENTAL PROFIT	\$2,731,272	78.0%	\$24,606	\$102.14	\$3,444,416	80.1%	\$31,031	\$113.35	
UNDISTRIBUTED OPERATING EXPENSES									
Administrative and General	\$319,387	9.1%	\$2,877	\$11.94	\$342,430	8.0%	\$3,085	\$11.27	
Marketing	78,031	2.2%	\$703	\$2.92	85,551	2.0%	\$771	\$2.82	
Franchise Fees	292,635	8.5%	\$2,636	\$10.94	359,641	8.5%	\$3,240	\$11.84	
Property Operations and Maintenance	53,108	1.5%	\$478	\$1.99	107,719	2.5%	\$970	\$3.54	
Utilities	145,148	4.1%	\$1,308	\$5.43	155,621	3.6%	\$1,402	\$5.12	
Total Undistributed Expenses	\$888,309	25.4%	\$8,003	\$33.22	\$1,050,962	24.5%	\$9,468	\$34.59	
GROSS OPERATING PROFIT	\$1,842,962	52.7%	\$16,603	\$68.92	\$2,393,454	55.7%	\$21,563	\$78.77	
Management Fee	\$105,003	3.0%	\$946	\$3.93	\$128,925	3.0%	\$1,161	\$4.24	
INCOME BEFORE NON-OPERATING INCOME AND EXPENSES	\$1,737,959	49.7%	\$15,657	\$64.99	\$2,264,530	52.7%	\$20,401	\$74.52	
NON-OPERATING INCOME AND EXPENSES									
Property Taxes	\$335,210	9.6%	\$3,020	\$12.54	\$355,624	8.3%	\$3,204	\$11.70	
Insurance	34,299	1.0%	\$309	\$1.28	36,388	0.8%	\$328	\$1.20	
Reserve for Replacement	70,002	2.0%	\$631	\$2.62	171,899	4.0%	\$1,549	\$5.66	
Total Non-Operating Income and Expenses	\$439,511	12.6%	\$3,960	\$16.44	\$563,911	13.1%	\$5,080	\$18.56	
NET INCOME (EBITDA)	\$1,298,449	37.1%	\$11,698	\$48.56	\$1,700,619	39.6%	\$15,321	\$55.97	

* Departmental expense ratios are based on departmental revenues; Franchise/Royalty ratio is based on room revenues; all others are based on Total Operating Revenues.

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ANNUAL CASH FLOW PROJECTIONS

PERIOD	YR 1	YR 2	YR 3	YR 4	YR 5	YR 6	YR 7	YR 8	YR 9	YR 10	YR 11	YR 12	YR 13	YR 14
12 Months Ending:	3/19/21	3/19/22	3/19/23	3/19/24	3/19/25	3/19/26	3/19/27	3/19/28	3/19/29	3/19/30	3/19/31	3/19/32	3/19/33	3/19/34
Number of Rooms	111	111	111	111	111	111	111	111	111	111	111	111	111	111
Annual Available Rooms	40,515	40,515	40,515	40,626	40,515	40,515	40,515	40,626	40,515	40,515	40,515	40,626	40,515	40,515
Occupied Rooms	26,740	27,955	30,386	30,470	30,386	30,386	30,386	30,470	30,386	30,386	30,386	30,470	30,386	30,386
Occupancy	66.0%	69.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Average Rate	\$128.75	\$135.19	\$139.24	\$143.42	\$147.72	\$152.15	\$156.72	\$161.42	\$166.26	\$171.25	\$176.39	\$181.68	\$187.13	\$192.75
REVENUE														
Rooms	\$3,442,762	\$3,779,214	\$4,231,076	\$4,369,948	\$4,488,749	\$4,623,411	\$4,762,114	\$4,918,415	\$5,052,127	\$5,203,690	\$5,359,801	\$5,535,720	\$5,686,213	\$5,856,799
Other Operated Departments	\$57,338	\$60,863	\$66,408	\$68,531	\$70,452	\$72,566	\$74,743	\$77,132	\$79,294	\$81,673	\$84,123	\$86,813	\$89,246	\$91,924
Total Operating Revenue	\$3,500,100	\$3,840,077	\$4,297,484	\$4,438,480	\$4,559,201	\$4,695,977	\$4,836,856	\$4,995,548	\$5,131,421	\$5,285,363	\$5,443,924	\$5,622,533	\$5,775,459	\$5,948,723
DEPARTMENTAL EXPENSES														
Rooms Expense	\$756,835	\$791,469	\$839,786	\$865,847	\$890,929	\$917,657	\$945,187	\$974,518	\$1,002,749	\$1,032,831	\$1,063,816	\$1,096,829	\$1,128,602	\$1,162,461
Other Operated Departments Expense	\$11,993	\$12,534	\$13,282	\$13,693	\$14,090	\$14,513	\$14,949	\$15,412	\$15,859	\$16,335	\$16,825	\$17,346	\$17,849	\$18,385
Total Departmental Expenses	\$768,828	\$804,002	\$853,068	\$879,540	\$905,020	\$932,170	\$960,135	\$989,930	\$1,018,608	\$1,049,166	\$1,080,641	\$1,114,175	\$1,146,452	\$1,180,845
DEPARTMENTAL PROFIT	\$2,731,272	\$3,036,075	\$3,444,416	\$3,558,940	\$3,654,181	\$3,763,807	\$3,876,721	\$4,005,618	\$4,112,813	\$4,236,198	\$4,363,284	\$4,508,359	\$4,629,008	\$4,767,878
UNDISTRIBUTED OPERATING EXPENSES														
Administrative and General	\$319,387	\$330,131	\$342,430	\$352,788	\$363,284	\$374,183	\$385,408	\$397,066	\$408,880	\$421,146	\$433,781	\$446,901	\$460,198	\$474,004
Marketing	\$78,031	\$81,268	\$85,551	\$88,182	\$90,761	\$93,484	\$96,288	\$99,250	\$102,152	\$105,217	\$108,373	\$111,707	\$114,973	\$118,422
Franchise Fees	\$292,635	\$321,233	\$359,641	\$371,446	\$381,544	\$392,990	\$404,780	\$418,065	\$429,431	\$442,314	\$455,583	\$470,536	\$483,328	\$497,828
Property Operations and Maintenance	\$53,108	\$55,311	\$107,719	\$111,032	\$114,279	\$117,707	\$121,238	\$124,968	\$128,622	\$132,480	\$136,455	\$140,652	\$144,765	\$149,108
Utilities	\$145,148	\$150,031	\$155,621	\$160,328	\$165,098	\$170,051	\$175,152	\$180,450	\$185,819	\$191,394	\$197,135	\$203,098	\$209,141	\$215,415
Total Undistributed Expenses	\$888,309	\$937,974	\$1,050,962	\$1,083,776	\$1,114,966	\$1,148,414	\$1,182,867	\$1,219,799	\$1,254,904	\$1,292,551	\$1,331,327	\$1,372,894	\$1,412,405	\$1,454,777
GROSS OPERATING PROFIT	\$1,842,962	\$2,098,100	\$2,393,454	\$2,475,164	\$2,539,216	\$2,615,392	\$2,693,854	\$2,785,819	\$2,857,910	\$2,943,647	\$3,031,956	\$3,135,464	\$3,216,603	\$3,313,101
Management Fee	\$105,003	\$115,202	\$128,925	\$133,154	\$136,776	\$140,879	\$145,106	\$149,866	\$153,943	\$158,561	\$163,318	\$168,676	\$173,264	\$178,462
INCOME BEFORE NON-OPERATING INCOME AND EXPENSES	\$1,737,959	\$1,982,898	\$2,264,530	\$2,342,010	\$2,402,440	\$2,474,513	\$2,548,748	\$2,635,953	\$2,703,967	\$2,785,086	\$2,868,639	\$2,966,788	\$3,043,339	\$3,134,639
NON-OPERATING INCOME AND EXPENSES														
Property Taxes	\$335,210	\$345,266	\$355,624	\$366,293	\$377,282	\$388,600	\$400,258	\$412,266	\$424,634	\$437,373	\$450,494	\$464,009	\$477,929	\$492,267
Insurance	\$34,299	\$35,328	\$36,388	\$37,479	\$38,604	\$39,762	\$40,955	\$42,183	\$43,449	\$44,752	\$46,095	\$47,478	\$48,902	\$50,369
Reserve for Replacement	\$70,002	\$76,802	\$171,899	\$177,539	\$182,368	\$187,839	\$193,474	\$199,822	\$205,257	\$211,415	\$217,757	\$224,901	\$231,018	\$237,949
Total Non-Operating Income and Expenses	\$439,511	\$457,396	\$563,911	\$581,311	\$598,253	\$616,201	\$634,687	\$654,271	\$673,340	\$693,540	\$714,346	\$736,388	\$757,850	\$780,585
NET INCOME (EBITDA)	\$1,298,449	\$1,525,502	\$1,700,619	\$1,760,698	\$1,804,186	\$1,858,312	\$1,914,061	\$1,981,682	\$2,030,628	\$2,091,546	\$2,154,293	\$2,230,400	\$2,285,489	\$2,354,054

Source: CBRE

ECONOMIC FEASIBILITY ANALYSIS

Testing economic feasibility can take two forms – simply determining if the market value of the hotel on the day it opens is greater than the development or seeking to determine the indicated internal rate of return and comparing this to discount rate data from investor surveys and other sources. An appraisal for this property has not been completed by CBRE and this analysis will focus on the internal rate of return.

Internal Rate of Return

Previously, the projected operating cash flows for the hotel were developed. From these cash flow projections and the development cost, we can develop an indication of the internal rate of return.

An intermediate step, however, is the calculation of the reversion. The reversion is calculated based on the year 11 expected net operating income divided by the concluded terminal capitalization rate developed previously. Cost of sale of is deducted. The following is the calculation of the reversion.

REVERSION CALCULATION				
3/19/2033	\$2,285,489	/	9.75%	\$23,440,916
	Less: Cost of Sale	@	2.00%	(\$468,818)
	Net Reversion			\$22,972,098
Compiled by CBRE				

The reversionary calculation of the subject is based on an assumed sale at the end of the holding period based on capitalizing the Year 11 NOI at a terminal capitalization rate. The following chart provides support for our terminal capitalization rate conclusion.

TERMINAL CAPITALIZATION RATES		
Investment Type	Rate Range	Average
<i>PwC Limited Service Hotels</i>		
National Data - OAR	7.50% - 11.00%	9.15%
National Data - Residual OAR	7.75% - 11.00%	9.38%
Spread: Basis Points (BP)	25 - 0	23
<i>RERC Hotels</i>		
National Data - OAR	6.00% - 9.00%	7.70%
National Data - Residual OAR	7.00% - 10.00%	8.40%
Spread: Basis Points (BP)	100 - 100	70
Concluded BP Spread		50
CBRE Estimate		9.75%
Compiled by: CBRE		

UNLEVERAGED IRR

The internal rate of return is then calculated as follows. This is for the unleveraged case and is an overall internal rate of return.

DUAL-BRANDED HOTEL - FARMERS BRANCH, TEXAS				
INTERNAL RATE OF RETURN ANALYSIS - AS STABILIZED				
YEAR ENDING	CASH FLOW BEFORE DEBT SERVICE & INCOME TAXES	DEVELOPMENT COST	NET REVERSION	ANNUAL CASH ON CASH RETURN
Initial		(\$18,900,000)		
3/19/2023	\$1,700,619			9.00%
3/19/2024	\$1,760,698			9.32%
3/19/2025	\$1,804,186			9.55%
3/19/2026	\$1,858,312			9.83%
3/19/2027	\$1,914,061			10.13%
3/19/2028	\$1,981,682			10.49%
3/19/2029	\$2,030,628			10.74%
3/19/2030	\$2,091,546			11.07%
3/19/2031	\$2,154,293			11.40%
3/19/2032	\$2,230,400		\$22,972,098	11.80%
				10.33% Average
INTERNAL RATE OF RETURN				11.33%
Compiled by CBRE				

The results of the most recent PwC and RERC Real Estate Investor Surveys are summarized in the following table.

DISCOUNT RATES		
Investment Type	Rate Range	Average
<i>RealtyRates.com</i>		
Lodging	6.64% - 16.70%	12.11%
Full Service	6.64% - 14.39%	12.21%
Limited Service	7.46% - 16.70%	12.38%
Golf/Gaming/Resort	7.09% - 15.79%	11.43%
<i>PwC Limited Service Hotels</i>		
National Data	8.50% - 13.00%	10.50%
<i>RERC Hotels</i>		
National Data	8.50% - 11.50%	9.80%
Compiled by: CBRE		

The indicated IRR of falls in the middle of the range indicated by both PwC and RERC. Limited service hotels tend to fall in the middle to upper end of the ranges. The fact that the subject’s indicated IRR falls in the middle of the range is then reflective of these endpoints. This means that the project is feasible at an acceptable rate of return. The following points are also part of the consideration that the indicated IRR is acceptable.

Positive Attributes

- The subject is well located in the city of Farmers Branch with easy access to other portions of the DFW Metroplex;

- The property will be the newest hotel in the submarket upon completion;
- The subject will be operated as a Home2Suites hotel.

Negative Attributes

- The property is located in a very competitive hotel market with most of the major franchises represented in the submarket;
- Additional new hotel construction could occur that will compete with the subject and competitive hotels.

LEVERAGED IRR

It is also useful to consider the leveraged IRR. No financing structure information was provided so we have developed the estimated leveraging from market participant information and summary data from other sources. The following depicts the estimated leveraging structure.

LEVERAGING STRUCTURE		
Total Development Cost		\$18,900,000
Permanent Loan @ LTV:	75.0%	\$14,175,000
Initial Interest Only Period		2 years
Permanent Loan Amortization Period		25 years
Permanent Loan Interest Rate		4.50%
Permanent Loan Payments (per year)		\$945,471
Monthly Payment		\$78,789
Compiled by CBRE		

Given this structure, leveraging can be introduced. The following depicts the cash flows to the mortgage including the calculation of the mortgage balance.

DUAL-BRANDED HOTEL - FARMERS BRANCH, TEXAS				
MORTGAGE CASH FLOWS				
YEAR	DEBT SERVICE	INTEREST	PRINCIPAL	MORTGAGE
ENDING				BALANCE
Initial			(\$14,175,000)	\$14,175,000
3/19/2023	\$945,471	(\$631,451)	\$314,020	\$13,860,980
3/19/2024	\$945,471	(\$617,025)	\$328,446	\$13,532,534
3/19/2025	\$945,471	(\$601,936)	\$343,535	\$13,188,999
3/19/2026	\$945,471	(\$586,154)	\$359,317	\$12,829,682
3/19/2027	\$945,471	(\$569,647)	\$375,824	\$12,453,858
3/19/2028	\$945,471	(\$552,382)	\$393,089	\$12,060,769
3/19/2029	\$945,471	(\$534,323)	\$411,148	\$11,649,621
3/19/2030	\$945,471	(\$515,435)	\$430,036	\$11,219,585
3/19/2031	\$945,471	(\$495,680)	\$449,791	\$10,769,794
3/19/2032	\$945,471	(\$475,016)	\$470,455	\$10,299,339
Compiled by CBRE				

As an intermediate step before the IRR calculations, the reversion must be recalculated to introduce leveraging. This is as follows and yields the indicated reversion to the equity rather than an overall reversion.

LEVERAGED REVERSION CALCULATION				
REVERSION				
3/19/2033	\$2,285,489	/	9.75%	\$23,440,916
	Less: Cost of Sale	@	2.00%	(\$468,818)
	Less: Mortgage Balance			<u>(\$10,299,339)</u>
	Net Reversion			<u>\$12,672,759</u>
Compiled by CBRE				

The following then depicts the derivation of the indicated equity IRR.

DUAL-BRANDED HOTEL - FARMERS BRANCH, TEXAS							
LEVERAGED INTERNAL RATE OF RETURN ANALYSIS - AS STABILIZED							
YEAR ENDING	CASH FLOW BEFORE			NET REVERSION TO EQUITY	CASH FLOW TO EQUITY BEFORE INCOME TAXES	DEBT SERVICE COVERAGE RATIO	ANNUAL CASH ON CASH RETURN
	DEBT SERVICE & INCOME TAXES	DEVELOPMENT COST	MORTGAGE CASH FLOWS				
Initial		\$18,944,400	(\$14,175,000)		(\$4,769,400)		
3/19/2023	\$1,700,619		(\$945,471)		\$755,148	1.80	35.66%
3/19/2024	\$1,760,698		(\$945,471)		\$815,227	1.86	36.92%
3/19/2025	\$1,804,186		(\$945,471)		\$858,715	1.91	37.83%
3/19/2026	\$1,858,312		(\$945,471)		\$912,841	1.97	38.96%
3/19/2027	\$1,914,061		(\$945,471)		\$968,590	2.02	40.13%
3/19/2028	\$1,981,682		(\$945,471)		\$1,036,211	2.10	41.55%
3/19/2029	\$2,030,628		(\$945,471)		\$1,085,157	2.15	42.58%
3/19/2030	\$2,091,546		(\$945,471)		\$1,146,075	2.21	43.85%
3/19/2031	\$2,154,293		(\$945,471)		\$1,208,822	2.28	45.17%
3/19/2032	\$2,230,400		(\$945,471)	\$12,672,759	\$13,957,688	2.36	46.76%
							40.94% Average
LEVERAGED INTERNAL RATE OF RETURN							24.28%
Compiled by CBRE							

There are no published surveys which relate directly to the equity IRR. Obviously, though, this is a significant return to the equity and again demonstrates that the project is feasible.

AS COMPLETE IRR'S

Previously, the analysis centered on the property as stabilized. It is also necessary to consider the property from the point of completion. In this case, the cash flows begin at the point of completion and continue through the 10 year period after stabilization. The reversion is first recalculated for that date.

REVERSION CALCULATION (As Complete)				
3/19/2031	\$2,154,293	/	9.75%	\$22,095,311
	Less: Cost of Sale	@	2.00%	(\$441,906)
	Net Reversion			\$21,653,405
Compiled by CBRE				

The following then depicts the internal rate of return calculation for the as complete scenario.

DUAL-BRANDED HOTEL - FARMERS BRANCH, TEXAS				
INTERNAL RATE OF RETURN ANALYSIS - AS COMPLETE				
YEAR ENDING	CASH FLOW BEFORE DEBT SERVICE & INCOME TAXES	DEVELOPMENT COST	NET REVERSION	ANNUAL CASH ON CASH RETURN
Initial		(\$18,900,000)		
3/19/2021	\$1,298,449			6.87%
3/19/2022	\$1,525,502			8.07%
3/19/2023	\$1,700,619			9.00%
3/19/2024	\$1,760,698			9.32%
3/19/2025	\$1,804,186			9.55%
3/19/2026	\$1,858,312			9.83%
3/19/2027	\$1,914,061			10.13%
3/19/2028	\$1,981,682			10.49%
3/19/2029	\$2,030,628			10.74%
3/19/2030	\$2,091,546			11.07%
3/19/2031	\$2,154,293			11.40%
3/19/2032	\$2,230,400		\$21,653,405	11.80%
				9.85% Average
INTERNAL RATE OF RETURN				10.09%
Compiled by CBRE				

Again, the IRR is positive and it falls within the indicated rates reflected by the investor surveys. It is slightly lower than the as stabilized analysis simply because this covers the initial period of stabilization.

The leveraged version is more complicated. It is first necessary to recalculate the mortgage cash flows. The first two years are projected to be interest only to the financing as the hotel stabilizes.

DUAL-BRANDED HOTEL - FARMERS BRANCH, TEXAS				
MORTGAGE CASH FLOWS - As Complete Analysis				
YEAR ENDING	DEBT SERVICE	INTEREST	PRINCIPAL	MORTGAGE BALANCE
Initial			(\$14,175,000)	\$14,175,000
3/19/2021	\$637,875	(\$637,875)	\$0	\$14,175,000
3/19/2022	\$637,875	(\$637,875)	\$0	\$14,175,000
3/19/2023	\$945,471	(\$631,451)	\$314,020	\$13,860,980
3/19/2024	\$945,471	(\$617,025)	\$328,446	\$13,532,534
3/19/2025	\$945,471	(\$601,936)	\$343,535	\$13,188,999
3/19/2026	\$945,471	(\$586,154)	\$359,317	\$12,829,682
3/19/2027	\$945,471	(\$569,647)	\$375,824	\$12,453,858
3/19/2028	\$945,471	(\$552,382)	\$393,089	\$12,060,769
3/19/2029	\$945,471	(\$534,323)	\$411,148	\$11,649,621
3/19/2030	\$945,471	(\$515,435)	\$430,036	\$11,219,585
3/19/2031	\$945,471	(\$495,680)	\$449,791	\$10,769,794
3/19/2032	\$945,471	(\$475,016)	\$470,455	\$10,299,339

Compiled by CBRE

Then the reversion is recalculated.

LEVERAGED REVERSION CALCULATION (As Complete)				
REVERSION				
3/19/2031	\$2,154,293	/	9.75%	\$22,095,311
	Less: Cost of Sale	@	2.00%	(\$441,906)
	Less: Mortgage Balance			(\$10,299,339)
	Net Reversion			\$11,354,066

Compiled by CBRE

And, finally, the Leveraged IRR analysis for the as complete case is redeveloped as follows.

DUAL-BRANDED HOTEL - FARMERS BRANCH, TEXAS
LEVERAGED INTERNAL RATE OF RETURN ANALYSIS - AS COMPLETE

YEAR ENDING	CASH FLOW BEFORE			NET REVERSION TO EQUITY	CASH FLOW TO EQUITY BEFORE INCOME TAXES	DEBT SERVICE COVERAGE RATIO	ANNUAL CASH ON CASH RETURN
	DEBT SERVICE & INCOME TAXES	DEVELOPMENT COST	MORTGAGE CASH FLOWS				
Initial		\$18,944,400	(\$14,175,000)		(\$4,769,400)		
3/19/2021	\$1,298,449		(\$637,875)		\$660,574	2.04	27.22%
3/19/2022	\$1,525,502		(\$637,875)		\$887,627	2.39	31.99%
3/19/2023	\$1,700,619		(\$945,471)		\$755,148	1.80	35.66%
3/19/2024	\$1,760,698		(\$945,471)		\$815,227	1.86	36.92%
3/19/2025	\$1,804,186		(\$945,471)		\$858,715	1.91	37.83%
3/19/2026	\$1,858,312		(\$945,471)		\$912,841	1.97	38.96%
3/19/2027	\$1,914,061		(\$945,471)		\$968,590	2.02	40.13%
3/19/2028	\$1,981,682		(\$945,471)		\$1,036,211	2.10	41.55%
3/19/2029	\$2,030,628		(\$945,471)		\$1,085,157	2.15	42.58%
3/19/2030	\$2,091,546		(\$945,471)		\$1,146,075	2.21	43.85%
3/19/2031	\$2,154,293		(\$945,471)		\$1,208,822	2.28	45.17%
3/19/2032	\$2,230,400		(\$945,471)	\$11,354,066	\$12,638,995	2.36	46.76%
							37.67% Average
LEVERAGED INTERNAL RATE OF RETURN							21.34%

Compiled by CBRE

The IRR for this case is less than that for the as stabilized scenario because this covers the property during the time that stabilization is underway but it is still significant.

Feasibility Conclusions

The following are the concluded internal rates of return from the prior cash flow analysis.

IRR CONCLUSIONS SUMMARY	
Unleveraged IRR - As Stabilized	11.33%
Leveraged IRR - As Stabilized	24.28%
Unleveraged IRR - As Complete	10.09%
Leveraged IRR - As Complete	21.34%
Compiled by CBRE	

The fact that both the overall and equity IRR's are positive is an indication that the project is feasible. Feasibility simply requires positive return and this occurs in this case. Beyond this point, the indicated IRR's are considered to be adequate and within investor expectations. The same is true of the property as though both stabilized and upon completion (i.e. before stabilization). Therefore, the hotel development is deemed feasible.

Assumptions and Limiting Conditions

1. CBRE, Inc. through its appraiser (collectively, "CBRE") has inspected through reasonable observation the subject property. However, it is not possible or reasonably practicable to personally inspect conditions beneath the soil and the entire interior and exterior of the improvements on the subject property. Therefore, no representation is made as to such matters.
2. The report, including its conclusions and any portion of such report (the "Report"), is as of the date set forth in the letter of transmittal and based upon the information, market, economic, and property conditions and projected levels of operation existing as of such date. The dollar amount of any conclusion as to value in the Report is based upon the purchasing power of the U.S. Dollar on such date. The Report is subject to change as a result of fluctuations in any of the foregoing. CBRE has no obligation to revise the Report to reflect any such fluctuations or other events or conditions which occur subsequent to such date.
3. Unless otherwise expressly noted in the Report, CBRE has assumed that:
 - (i) Title to the subject property is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE has not examined title records (including without limitation liens, encumbrances, easements, deed restrictions, and other conditions that may affect the title or use of the subject property) and makes no representations regarding title or its limitations on the use of the subject property. Insurance against financial loss that may arise out of defects in title should be sought from a qualified title insurance company.
 - (ii) Existing improvements on the subject property conform to applicable local, state, and federal building codes and ordinances, are structurally sound and seismically safe, and have been built and repaired in a workmanlike manner according to standard practices; all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; and the roof and exterior are in good condition and free from intrusion by the elements. CBRE has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. CBRE appraisers are not engineers and are not qualified to judge matters of an engineering nature, and furthermore structural problems or building system problems may not be visible. It is expressly assumed that any purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems.
 - (iii) Any proposed improvements, on or off-site, as well as any alterations or repairs considered will be completed in a workmanlike manner according to standard practices.
 - (iv) Hazardous materials are not present on the subject property. CBRE is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater, mold, or other potentially hazardous materials may affect the value of the property.
 - (v) No mineral deposit or subsurface rights of value exist with respect to the subject property, whether gas, liquid, or solid, and no air or development rights of value may be transferred. CBRE has not considered any rights associated with extraction or exploration of any resources, unless otherwise expressly noted in the Report.
 - (vi) There are no contemplated public initiatives, governmental development controls, rent controls, or changes in the present zoning ordinances or regulations governing use, density, or shape that would significantly affect the value of the subject property.
 - (vii) All required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be readily obtained or renewed for any use on which the Report is based.
 - (viii) The subject property is managed and operated in a prudent and competent manner, neither inefficiently or super-efficiently.
 - (ix) The subject property and its use, management, and operation are in full compliance with all applicable federal, state, and local regulations, laws, and restrictions, including without limitation environmental laws, seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, and licenses.
 - (x) The subject property is in full compliance with the Americans with Disabilities Act (ADA). CBRE is not qualified to assess the subject property's compliance with the ADA, notwithstanding any discussion of possible readily achievable barrier removal construction items in the Report.

- (xi) All information regarding the areas and dimensions of the subject property furnished to CBRE are correct, and no encroachments exist. CBRE has neither undertaken any survey of the boundaries of the subject property nor reviewed or confirmed the accuracy of any legal description of the subject property.

Unless otherwise expressly noted in the Report, no issues regarding the foregoing were brought to CBRE's attention, and CBRE has no knowledge of any such facts affecting the subject property. If any information inconsistent with any of the foregoing assumptions is discovered, such information could have a substantial negative impact on the Report. Accordingly, if any such information is subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. CBRE assumes no responsibility for any conditions regarding the foregoing, or for any expertise or knowledge required to discover them. Any user of the Report is urged to retain an expert in the applicable field(s) for information regarding such conditions.

4. CBRE has assumed that all documents, data and information furnished by or behalf of the client, property owner, or owner's representative are accurate and correct, unless otherwise expressly noted in the Report. Such data and information include, without limitation, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any error in any of the above could have a substantial impact on the Report. Accordingly, if any such errors are subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. The client and intended user should carefully review all assumptions, data, relevant calculations, and conclusions of the Report and should immediately notify CBRE of any questions or errors within 30 days after the date of delivery of the Report.
5. CBRE assumes no responsibility (including any obligation to procure the same) for any documents, data or information not provided to CBRE, including without limitation any termite inspection, survey or occupancy permit.
6. All furnishings, equipment and business operations have been disregarded with only real property being considered in the Report, except as otherwise expressly stated and typically considered part of real property.
7. Any cash flows included in the analysis are forecasts of estimated future operating characteristics based upon the information and assumptions contained within the Report. Any projections of income, expenses and economic conditions utilized in the Report, including such cash flows, should be considered as only estimates of the expectations of future income and expenses as of the date of the Report and not predictions of the future. Actual results are affected by a number of factors outside the control of CBRE, including without limitation fluctuating economic, market, and property conditions. Actual results may ultimately differ from these projections, and CBRE does not warrant any such projections.
8. The Report contains professional opinions and is expressly not intended to serve as any warranty, assurance or guarantee of any particular value of the subject property. Other appraisers may reach different conclusions as to the value of the subject property. Furthermore, market value is highly related to exposure time, promotion effort, terms, motivation, and conclusions surrounding the offering of the subject property. The Report is for the sole purpose of providing the intended user with CBRE's independent professional opinion of the value of the subject property as of the date of the Report. Accordingly, CBRE shall not be liable for any losses that arise from any investment or lending decisions based upon the Report that the client, intended user, or any buyer, seller, investor, or lending institution may undertake related to the subject property, and CBRE has not been compensated to assume any of these risks. Nothing contained in the Report shall be construed as any direct or indirect recommendation of CBRE to buy, sell, hold, or finance the subject property.
9. No opinion is expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Any user of the Report is advised to retain experts in areas that fall outside the scope of the real estate appraisal profession for such matters.
10. CBRE assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
11. Acceptance or use of the Report constitutes full acceptance of these Assumptions and Limiting Conditions and any special assumptions set forth in the Report. It is the responsibility of the user of the Report to read in full, comprehend and thus become aware of all such assumptions and limiting conditions. CBRE assumes no responsibility for any situation arising out of the user's failure to become familiar with and understand the same.
12. The Report applies to the property as a whole only, and any pro ration or division of the title into fractional interests will invalidate such conclusions, unless the Report expressly assumes such pro ration or division of interests.

13. The allocations of the total value estimate in the Report between land and improvements apply only to the existing use of the subject property. The allocations of values for each of the land and improvements are not intended to be used with any other property or appraisal and are not valid for any such use.
14. The maps, plats, sketches, graphs, photographs, and exhibits included in this Report are for illustration purposes only and shall be utilized only to assist in visualizing matters discussed in the Report. No such items shall be removed, reproduced, or used apart from the Report.
15. The Report shall not be duplicated or provided to any unintended users in whole or in part without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Exempt from this restriction is duplication for the internal use of the intended user and its attorneys, accountants, or advisors for the sole benefit of the intended user. Also exempt from this restriction is transmission of the Report pursuant to any requirement of any court, governmental authority, or regulatory agency having jurisdiction over the intended user, provided that the Report and its contents shall not be published, in whole or in part, in any public document without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Finally, the Report shall not be made available to the public or otherwise used in any offering of the property or any security, as defined by applicable law. Any unintended user who may possess the Report is advised that it shall not rely upon the Report or its conclusions and that it should rely on its own appraisers, advisors and other consultants for any decision in connection with the subject property. CBRE shall have no liability or responsibility to any such unintended user.

ADDENDA

Addendum A

HOTEL COMPARABLE DATA SHEETS

Property Name La Quinta Inn
 Address 2421 Walnut Hill
 Dallas, TX 75229
 United States

Government Tax Agency Dallas
 Govt./Tax ID 006512000301B0000



Improvements

Status Existing
 Land Area 2.262 ac
 Gross Building Area (GBA) 63,690 sf
 Floor Count 3
 Year Built 1983
 Year Renovated N/A
 Construction Type Average
 Parking Type Surface

Unique Physical Data

Class Midscale
 # of Units 121 Room
 Standard Room Size N/A
 Affiliation La Quinta Inn
 Lounge Seats N/A
 Restaurant Seats N/A

Amenities

Complimentary Breakfast, Conference Facility, Indoor Athletic Facility, Pool, Public Business Center

Rental Survey

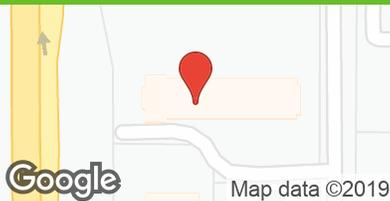
Financial Data

Occupancy 65% - 70%
 Year of Occupancy 2018
 Avg Daily Rate \$80 - \$85
 Published Rates N/A
 Survey Date 07/2019
 Survey Notes Source Strategies, Inc.

Demand Segmentation

Commercial	65%
Group	5%
Leisure	30%
Discount	N/A
Other	N/A

Map & Comments



This is a three story limited service hotel. Amenities include: outdoor pool, fitness center, business center, complimentary breakfast. The property has undergone recent renovations and is in good condition. The overall performance of this property declined by \$1.95 over the past 12 months.

Comparable

Hotel - Full Service Hotel

No. 2

Property Name Hyatt Place Dallas Las Colinas
Address 5455 Green Park Drive
Irving, TX 75038
United States

Government Tax Agency Dallas
Govt./Tax ID 325350000A02A0000

Improvements

Status Existing
Land Area 2.861 ac
Gross Building Area (GBA) 71,820 sf
Floor Count 5
Year Built 1998
Year Renovated N/A
Construction Type Good
Parking Type Surface

Unique Physical Data

Class Upscale
of Units 122 Room
Standard Room Size N/A
Affiliation Hyatt Place
Lounge Seats N/A
Restaurant Seats N/A



Amenities

Complimentary Breakfast, Conference Facility, Indoor Athletic Facility, On-Site Bar / Lounge , On-Site Restaurant / Deli, Pool, Public Business Center

Rental Survey

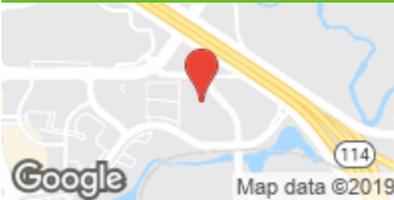
Financial Data

Occupancy 70% - 75%
Year of Occupancy 2018
Avg Daily Rate \$140 - 145
Published Rates N/A
Survey Date 07/2019
Survey Notes Source Strategies, Inc.

Demand Segmentation

Commercial 55%
Group 10%
Leisure 35%
Discount N/A
Other N/A

Map & Comments



This is a Hyatt Place hotel located along Green Park Drive in Irving, TX. Amenities include: suite style room, large flat screen televisions, plug panel, complimentary continental breakfast, Grab N Go, lobby bar, Starbuck's coffe, 1,586 SF meeting space, business center, fitness center, outdoor pool. The performance (RevPAR) of this property increased by \$4.14 over the past 12 months.

Property Name Homewood Suites Las Colinas
 Address 4300 Wingren
 Irving, TX 75039
 United States

Government Tax Agency Dallas
 Govt./Tax ID 3225889000000000

Improvements

Status Existing
 Land Area 3.382 ac
 Gross Building Area (GBA) 94,900 sf
 Floor Count 3
 Year Built 1990
 Year Renovated N/A
 Construction Type Good
 Parking Type Surface

Unique Physical Data

Class Upscale
 # of Units 136 Room
 Standard Room Size N/A
 Affiliation Homewood Suites
 Lounge Seats N/A
 Restaurant Seats N/A



Amenities

Complimentary Breakfast, Conference Facility, Indoor Athletic Facility, Pool, Public Business Center

Rental Survey

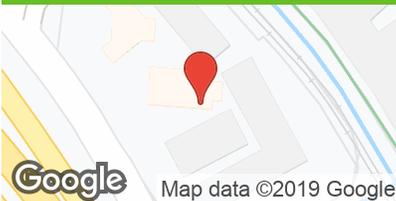
Financial Data

Occupancy 70% - 75%
 Year of Occupancy 2018
 Avg Daily Rate \$120 - 125
 Published Rates N/A
 Survey Date 07/2019
 Survey Notes Manager interview

Demand Segmentation

Commercial 70%
 Group 5%
 Leisure 25%
 Discount N/A
 Other N/A

Map & Comments



This is an extended stay hotel located in Las Colinas. Amenities include: Complimentary breakfast and evening reception, pool, fitness center, business center, 400 SF of meeting space and sundry shop. The overall performance of this property improved by \$3.60 over the past 12 months.

Property Name Hampton Inn Dallas Irving Las Colinas
 Address 820 Walnut Hill Lane
 Irving, TX 75038
 United States

Government Tax Agency Dallas
 Govt./Tax ID 321626500A0010000

Improvements

Status Existing
 Land Area 2.323 ac
 Gross Building Area (GBA) 66,377 sf
 Floor Count 6
 Year Built 1997
 Year Renovated N/A
 Construction Type Good
 Parking Type Surface

Unique Physical Data

Class Upscale
 # of Units 135 Room
 Standard Room Size N/A
 Affiliation Hampton Inn
 Lounge Seats N/A
 Restaurant Seats N/A



Amenities

Complimentary Breakfast, Conference Facility, Indoor Athletic Facility, Pool, Public Business Center

Rental Survey

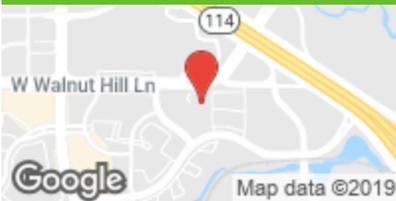
Financial Data

Occupancy 75% - 80%
 Year of Occupancy 2018
 Avg Daily Rate \$115 - \$120
 Published Rates N/A
 Survey Date 07/2019
 Survey Notes Source Strategies, Inc.

Demand Segmentation

Commercial 60%
 Group 5%
 Leisure 35%
 Discount N/A
 Other N/A

Map & Comments



This is a limited service hotel located on Walnut Hill Lane in Irving. Amenities include: Complimentary breakfast, outdoor pool, business center, fitness center, 450 SF meeting space. The performance (RevPAR) of this property increased by \$7.95 over the past 12 months.

Property Name Hilton Garden Inn Irving Las Colinas
 Address 7516 Las Colinas Blvd.
 Irving, TX 75063
 United States

Government Tax Agency Dallas
 Govt./Tax ID 322777100A0100000

Improvements

Status Existing
 Land Area 3.991 ac
 Gross Building Area (GBA) 107,900 sf
 Floor Count 5
 Year Built 1997
 Year Renovated N/A
 Construction Type Good
 Parking Type Surface

Unique Physical Data

Class Upscale
 # of Units 173 Room
 Standard Room Size N/A
 Affiliation Hilton Garden Inn
 Lounge Seats N/A
 Restaurant Seats N/A



Amenities

Conference Facility, Indoor Athletic Facility, On-Site Bar / Lounge , On-Site Restaurant / Deli, Pool, Public Business Center

Rental Survey

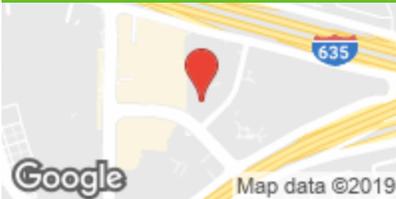
Financial Data

Occupancy 65% - 70%
 Year of Occupancy 2018
 Avg Daily Rate \$140 - 145
 Published Rates N/A
 Survey Date 07/2019
 Survey Notes Manager interview

Demand Segmentation

Commercial	50%
Group	10%
Leisure	40%
Discount	N/A
Other	N/A

Map & Comments



This is a select full service hotel located on Las Colinas Boulevard. Amenities include: the Great American Grill, business center, fitness center, pool, flat screen televisions, microwaves, refrigerators, 3,302 SF meeting space, and guest laundry. The performance (RevPAR) of this property improved by \$25.60 over the past 12 months.

Addendum B

CLIENT CONTRACT INFORMATION

Proposal and Contract for Services

June 20, 2019

DK Patel, CHA, MBA
President / CDO

WHITESTONE HOSPITALITY MANAGEMENT, LLC

1200 West Walnut Hill Lane, Suite 2525
Irving, Texas 75038
Phone: 972.600.8162
Email: dk@whitestonehm.com

RE: Assignment Agreement

Proposed Home2Suites Farmers Branch
Address TBD

Dear Mr. Patel:

We are pleased to submit this proposal and our Terms and Conditions for this assignment.

PROPOSAL SPECIFICATIONS

Purpose:	To determine the feasibility of the proposed development and the impact on surrounding hotels
Premise:	As Is
Rights Appraised:	Fee Simple
Intended Use:	Hotel Zoning Case for the City of Farmers Branch
Intended User:	The intended user is WHITESTONE HOSPITALITY MANAGEMENT, LLC ("Client"), and such other parties and entities (if any) expressly recognized by CBRE as "Intended Users" (as further defined herein).
Reliance:	Reliance on any reports produced by CBRE under this Agreement is extended solely to parties and entities expressly acknowledged in a signed writing by CBRE as Intended Users of the respective reports, provided that any conditions to such acknowledgement required by CBRE or hereunder have been satisfied. Parties or entities other than Intended Users who obtain a copy of the report or any portion thereof (including Client if it is not named as an Intended User), whether as a result of its direct dissemination or by any other means, may not rely upon any opinions or conclusions contained in the report or such portions thereof, and CBRE will not be responsible for any unpermitted use of the report, its conclusions or contents or have any liability in connection therewith.

CBRE, Inc.
500 West 2nd Street, Suite 1700
Austin, Texas 78701
www.cbre.us/valuation

Kevin M. Donahue, MAI
Vice President

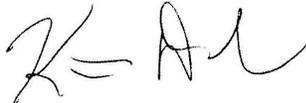
Inspection:	CBRE will conduct a physical inspection of both the interior and exterior of the subject property, as well as its surrounding environs on the effective date of appraisal.
Valuation Approaches:	All applicable approaches to value will be considered.
Report Type:	Appraisal Report – Feasibility Study
Appraisal Standards:	USPAP
Appraisal Fee:	\$12,500
Expenses:	Fee includes all associated expenses
Retainer:	A retainer of \$12,500 (100%) is required
Delivery Instructions:	CBRE encourages our clients to join in our environmental sustainability efforts by accepting an electronic copy of the report. An Adobe PDF file via email will be delivered to dk@whitestonehm.com. The client has requested No (0) bound final copy (ies).
Delivery Schedule:	
Preliminary Value:	Not Required
Draft Report:	Not Required
Final Report:	Three (3) weeks from receipt of signed proposal and retainer
Start Date:	The appraisal process will start upon receipt of your signed agreement, the retainer, and the property specific data.
Acceptance Date:	These specifications are subject to modification if this proposal is not accepted within three business days from the date of this letter.

When executed and delivered by all parties, this letter, together with the Terms and Conditions and the Specific Property Data Request attached hereto and incorporated herein, will serve as the Agreement for appraisal services by and between CBRE and Client. Each person signing below represents that it is authorized to enter into this Agreement and to bind the respective parties hereto.

We appreciate this opportunity to be of service to you on this assignment. If you have additional questions, please contact us.

Sincerely,

CBRE, Inc.
Valuation & Advisory Services



Kevin M. Donahue, MAI
Vice President
As Agent for CBRE, Inc.
T 512.499.4981
Texas Certification NO. TX 1336795 G
kevin.donahue@cbre.com

AGREED AND ACCEPTED

FOR WHITESTONE HOSPITALITY MANAGEMENT, LLC ("CLIENT"):

_____ Signature	_____ Date
_____ Name	_____ Title
_____ Phone Number	_____ E-Mail Address

TERMS AND CONDITIONS

1. The Terms and Conditions herein are part of an agreement for appraisal services (the "Agreement") between CBRE, Inc. (the "Appraiser") and the client signing this Agreement, and for whom the appraisal services will be performed (the "Client"), and shall be deemed a part of such Agreement as though set forth in full therein. The Agreement shall be governed by the laws of the state where the appraisal office is located for the Appraiser executing this Agreement.
2. Client shall be responsible for the payment of all fees stipulated in the Agreement. Payment of the appraisal fee and preparation of an appraisal report (the "Appraisal Report, or the "report") are not contingent upon any predetermined value or on an action or event resulting from the analyses, opinions, conclusions, or use of the Appraisal Report. Final payment is due as provided in the Proposal Specifications Section of this Agreement. If a draft report is requested, the fee is considered earned upon delivery of the draft report. It is understood that the Client may cancel this assignment in writing at any time prior to delivery of the completed report. In such event, the Client is obligated only for the prorated share of the fee based upon the work completed and expenses incurred (including travel expenses to and from the job site), with a minimum charge of \$500. Additional copies of the Appraisal Reports are available at a cost of \$250 per original color copy and \$100 per photocopy (black and white), plus shipping fees of \$30 per report.
3. If Appraiser is subpoenaed or ordered to give testimony, produce documents or information, or otherwise required or requested by Client or a third party to participate in meetings, phone calls, conferences, litigation or other legal proceedings (including preparation for such proceedings) because of, connected with or in any way pertaining to this engagement, the Appraisal Report, the Appraiser's expertise, or the Property, Client shall pay Appraiser's additional costs and expenses, including but not limited to Appraiser's attorneys' fees, and additional time incurred by Appraiser based on Appraiser's then-prevailing hourly rates and related fees. Such charges include and pertain to, but are not limited to, time spent in preparing for and providing court room testimony, depositions, travel time, mileage and related travel expenses, waiting time, document review and production, and preparation time (excluding preparation of the Appraisal Report), meeting participation, and Appraiser's other related commitment of time and expertise. Hourly charges and other fees for such participation will be provided upon request. In the event Client requests additional appraisal services beyond the scope and purpose stated in the Agreement, Client agrees to pay additional fees for such services and to reimburse related expenses, whether or not the completed report has been delivered to Client at the time of such request.
4. Appraiser shall have the right to terminate this Agreement at any time for cause effective immediately upon written notice to Client on the occurrence of fraud or the willful misconduct of Client, its employees or agents, or without cause upon 5 days written notice.
5. In the event Client fails to make payments when due then, from the date due until paid, the amount due and payable shall bear interest at the maximum rate permitted in the state where the office is located for the Appraiser executing the Agreement. In the event either party institutes legal action against the other to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its reasonable attorney's fees and expenses. Each party waives the right to a trial by jury in any action arising under this Agreement.
6. Appraiser assumes there are no major or significant items or issues affecting the Property that would require the expertise of a professional building contractor, engineer, or environmental consultant for Appraiser to prepare a valid report. Client acknowledges that such additional expertise is not covered in the Appraisal fee and agrees that, if such additional expertise is required, it shall be provided by others at the discretion and direction of the Client, and solely at Client's additional cost and expense.
7. In the event of any dispute between Client and Appraiser relating to this Agreement, or Appraiser's or Client's performance hereunder, Appraiser and Client agree that such dispute shall be resolved by means of binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by an arbitrator may be entered in any court of competent jurisdiction. Depositions may be taken and other discovery obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings in the state where the office of the Appraiser executing this Agreement is located. The arbitrator shall be limited to awarding compensatory damages and shall have no authority to award punitive, exemplary or similar damages. The prevailing party in the arbitration proceeding shall be entitled to recover its expenses from the losing party, including costs of the arbitration proceeding, and reasonable attorney's fees. Client acknowledges that Appraiser is being retained hereunder as an independent contractor to perform the services described herein and nothing in this Agreement shall be deemed to create any other relationship between

Client and Appraiser. This engagement shall be deemed concluded and the services hereunder completed upon delivery to Client of the Appraisal Report discussed herein.

8. All statements of fact in the report which are used as the basis of the Appraiser's analyses, opinions, and conclusions will be true and correct to Appraiser's actual knowledge and belief. Appraiser does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the condition of the Property furnished to Appraiser by Client or others. TO THE FULLEST EXTENT PERMITTED BY LAW, APPRAISER DISCLAIMS ANY GUARANTEE OR WARRANTY AS TO THE OPINIONS AND CONCLUSIONS PRESENTED ORALLY OR IN ANY APPRAISAL REPORT, INCLUDING WITHOUT LIMITATION ANY WARRANTY OF FITNESS FOR ANY PARTICULAR PURPOSE EVEN IF KNOWN TO APPRAISER. Furthermore, the conclusions and any permitted reliance on and use of the Appraisal Report shall be subject to the assumptions, limitations, and qualifying statements contained in the report.
9. Appraiser shall have no responsibility for legal matters, including zoning, or questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The report will not constitute a survey of the Property analyzed.
10. Client shall provide Appraiser with such materials with respect to the assignment as are requested by Appraiser and in the possession or under the control of Client. Client shall provide Appraiser with sufficient access to the Property to be analyzed, and hereby grants permission for entry unless discussed in advance to the contrary.
11. The data gathered in the course of the assignment (except data furnished by Client) and the report prepared pursuant to the Agreement are, and will remain, the property of Appraiser. With respect to data provided by Client, Appraiser shall not violate the confidential nature of the Appraiser-Client relationship by improperly disclosing any proprietary information furnished to Appraiser. Notwithstanding the foregoing, Appraiser is authorized by Client to disclose all or any portion of the report and related data as may be required by statute, government regulation, legal process, or judicial decree, including to appropriate representatives of the Appraisal Institute if such disclosure is required to enable Appraiser to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.
12. Unless specifically noted, in preparing the Appraisal Report the Appraiser will not be considering the possible existence of asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (collectively, "Hazardous Material") on or affecting the Property, or the cost of encapsulation or removal thereof. Further, Client represents that there is no major or significant deferred maintenance of the Property that would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, at Client's discretion and direction, and are not covered as part of the Appraisal fee.
13. In the event Client intends to use the Appraisal Report in connection with a tax matter, Client acknowledges that Appraiser provides no warranty, representation or prediction as to the outcome of such tax matter. Client understands and acknowledges that any relevant taxing authority (whether the Internal Revenue Service or any other federal, state or local taxing authority) may disagree with or reject the Appraisal Report or otherwise disagree with Client's tax position, and further understands and acknowledges that the taxing authority may seek to collect additional taxes, interest, penalties or fees from Client beyond what may be suggested by the Appraisal Report. Client agrees that Appraiser shall have no responsibility or liability to Client or any other party for any such taxes, interest, penalties or fees and that Client will not seek damages or other compensation from Appraiser relating to any such taxes, interest, penalties or fees imposed on Client, or for any attorneys' fees, costs or other expenses relating to Client's tax matters.
14. Appraiser shall have no liability with respect to any loss, damage, claim or expense incurred by or asserted against Client arising out of, based upon or resulting from Client's failure to provide accurate or complete information or documentation pertaining to an assignment ordered under or in connection with this Agreement, including Client's failure, or the failure of any of Client's agents, to provide a complete copy of the Appraisal Report to any third party.

LIMITATION OF LIABILITY. EXCEPT TO THE EXTENT ARISING FROM SECTION 16 BELOW, OR SECTION 17 IF APPLICABLE, IN NO EVENT SHALL EITHER PARTY OR ANY OF ITS AFFILIATE, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, OR CONTRACTORS BE LIABLE TO THE OTHER, WHETHER BASED IN CONTRACT, WARRANTY, INDEMNITY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT OR OTHERWISE, FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, INCIDENTAL OR INDIRECT DAMAGES, AND AGGREGATE DAMAGES IN CONNECTION WITH THIS AGREEMENT FOR EITHER PARTY (EXCLUDING THE OBLIGATION TO PAY THE FEES REQUIRED HEREUNDER) SHALL NOT EXCEED THE GREATER OF THE TOTAL FEES PAYABLE TO APPRAISER UNDER THIS AGREEMENT OR TEN THOUSAND DOLLARS (\$10,000). THIS LIABILITY LIMITATION SHALL NOT APPLY IN THE EVENT OF A FINAL FINDING BY AN ARBITRATOR OR A COURT OF COMPETENT JURISDICTION THAT SUCH LIABILITY IS THE RESULT OF A PARTY'S FRAUD OR WILLFUL MISCONDUCT.

16. Client shall not disseminate, distribute, make available or otherwise provide any Appraisal Report prepared hereunder to any third party (including without limitation, incorporating or referencing the Appraisal Report, in whole or in part, in any offering or other material intended for review by other parties) except to (i) any third party expressly acknowledged in a signed writing by Appraiser as an "Intended User" of the Appraisal Report provided that either Appraiser has received an acceptable release from such third party with respect to such Appraisal Report or Client provides acceptable indemnity protections to Appraiser against any claims resulting from the distribution of the Appraisal Report to such third party, (ii) any third party service provider (including rating agencies and auditors) using the Appraisal Report in the course of providing services for the sole benefit of an Intended User, or (iii) as required by statute, government regulation, legal process, or judicial decree. In the event Appraiser consents, in writing, to Client incorporating or referencing the Appraisal Report in any offering or other materials intended for review by other parties, Client shall not distribute, file, or otherwise make such materials available to any such parties unless and until Client has provided Appraiser with complete copies of such materials and Appraiser has approved all such materials in writing. Client shall not modify any such materials once approved by Appraiser. In the absence of satisfying the conditions of this paragraph with respect to a party who is not designated as an Intended User, in no event shall the receipt of an Appraisal Report by such party extend any right to the party to use and rely on such report, and Appraiser shall have no liability for such unauthorized use and reliance on any Appraisal Report. In the event Client breaches the provisions of this paragraph, Client shall indemnify, defend and hold Appraiser, and its affiliates and their officers, directors, employees, contractors, agents and other representatives (Appraiser and each of the foregoing an "Indemnified Party" and collectively the "Indemnified Parties"), fully harmless from and against all losses, liabilities, damages and expenses (collectively, "Damages") claimed against, sustained or incurred by any Indemnified Party arising out of or in connection with such breach, regardless of any negligence on the part of any Indemnified Party in preparing the Appraisal Report.
17. Furthermore, Client shall indemnify, defend and hold each of the Indemnified Parties harmless from and against any Damages in connection with (i) any transaction contemplated by this Agreement or in connection with the appraisal or the engagement of or performance of services by any Indemnified Party hereunder, (ii) any Damages claimed by any user or recipient of the Appraisal Report, whether or not an Intended User, (iii) any actual or alleged untrue statement of a material fact, or the actual or alleged failure to state a material fact necessary to make a statement not misleading in light of the circumstances under which it was made with respect to all information furnished to any Indemnified Party or made available to a prospective party to a transaction, or (iv) an actual or alleged violation of applicable law by an Intended User (including, without limitation, securities laws) or the negligent or intentional acts or omissions of an Intended User (including the failure to perform any duty imposed by law); and will reimburse each Indemnified Party for all reasonable fees and expenses (including fees and expenses of counsel) (collectively, "Expenses") as incurred in connection with investigating, preparing, pursuing or defending any threatened or pending claim, action, proceeding or investigation (collectively, "Proceedings") arising therefrom, and regardless of whether such Indemnified Party is a formal party to such Proceeding. Client agrees not to enter into any waiver, release or settlement of any Proceeding (whether or not any Indemnified Party is a formal party to such Proceeding) without the prior written consent of Appraiser (which consent will not be unreasonably withheld or delayed) unless such waiver, release or settlement includes an unconditional release of each Indemnified Party from all liability arising out of such Proceeding.
18. Time Period for Legal Action. Unless the time period is shorter under applicable law, except in connection with paragraphs 16 and 17 above, Appraiser and Client agree that any legal action or lawsuit by one party against the other party or its affiliates, officers, directors, employees, contractors, agents, or other representatives, whether based in contract, warranty, indemnity, negligence, strict liability or other tort or otherwise, relating to (a) this Agreement or the Appraisal Report, (b) any services or appraisals under this Agreement or (c) any acts or conduct relating to such services or appraisals, shall be filed within two (2) years from the date of delivery to Client of the Appraisal Report to which the claims or causes of action in the legal action or lawsuit relate. The time period stated in this section shall not be extended by any incapacity of a party or any delay in the discovery or accrual of the underlying claims, causes of action or damages.

Proposal and Contract for Services

SPECIFIC PROPERTY DATA REQUEST

In order to complete this assignment under the terms outlined, CBRE, Inc., Valuation & Advisory Services, will require the following specific information for the property:

1. PLEASE NOTIFY US IMMEDIATELY IF ANY OTHER CBRE SERVICE LINE (INCLUDING CAPSTONE) IS INVOLVED IN THE BROKERAGE, FINANCING, INVESTMENT OR MANAGEMENT OF THIS ASSET.
Right-click to select data request list

If any of the requested data and information is not available, CBRE, Inc., reserves the right to extend the delivery date by the amount of time it takes to receive the requested information or make other arrangements. Please have the requested information delivered to the following:

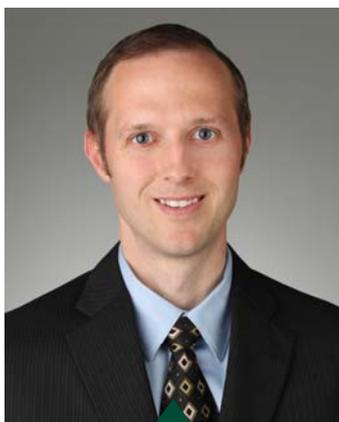
Kevin M. Donahue, MAI
Vice President
kevin.donahue@cbre.com
CBRE, Inc.
Valuation & Advisory Services
500 West 2nd Street, Suite 1700
Austin, Texas 78701

Addendum D

QUALIFICATIONS

Kevin M. Donahue, MAI

Vice President, Austin, TX



T (512) 499-4981

F (512) 499-4999

Kevin.Donahue@cbre.com

500 W. 2nd Street, Suite 1700

Clients Represented

- Wells Fargo Bank
- Bank of America
- Goldman Sachs
- Frost Bank
- Haginas & Shillings
- LNR Partners
- Rockbridge Capital
- Lowe Enterprises
- Herring Bank
- Lubbock National Bank

Experience

Kevin M. Donahue, MAI has over 14 years of experience in the appraisal of commercial real estate. Mr. Donahue is the head of the hospitality group in the South Central region at CBRE, Inc. Mr. Donahue has specialized in all types of hospitality properties for the past 12 years with additional appraisal experience encompassing a wide variety of property types including retail/commercial, multifamily residential, industrial, office, special-use and land developments. Mr. Donahue has experience providing valuation and appraisal services, market studies, rent analyzes, feasibility studies, income and expense analysis, and cash flow projections.

Mr. Donahue's primary geographical location is the State of Texas, but has valuation experience across Louisiana, Oklahoma, Arkansas, Kansas and Missouri.

Prior to joining CBRE, Inc. in 2006, Mr. Donahue was an appraiser at National Appraisal Partners, LLP in Houston, Texas.

Professional Affiliations / Accreditations

- Appraisal Institute, Designated Member (MAI)
- Texas Certified General Real Estate Appraiser (TX-1336795-G)
- Arkansas Certified General Real Estate Appraiser (CG3731)
- Louisiana Certified General Real Estate Appraiser (G-3700)
- Oklahoma Certified General Real Estate Appraiser (13093CGA)

Education

- Baylor University, Waco, Texas, Bachelor of Business Administration with a double major in Finance and Real Estate
- Appraisal Institute, Various courses completed through the Appraisal Institute as part of certification and continuing education.