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Professionals in Hotel Development

Market Study for the Proposed

Hampton Inn & Suites
Farmers Branch, Texas

Prepared for:

Mr. Divyesh Das

June 30, 2016

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June 30, 2016

Mr. Divyesh Das
5858 Hilcroft
Houston, TX 77036

Re: Market Study – Hampton Inn and Suites – Farmers Branch, Texas

Mr. Das:

We have completed our analysis of the hotel market near Luna Road and I-635 and the proposed development of a 117-room Hampton Inn and Suites hotel. The conclusions reached are based upon our present knowledge of the competitive market area resulting from our fieldwork completed June 24, 2016.

As in all studies of this type, the estimated results are based upon competent and efficient management and presume no significant change in the competitive position of the hotels from that as set forth in this report. The terms of our engagement are such that we have no obligation to revise this report to reflect events or conditions that occur subsequent to the date of the completion of our fieldwork.

The estimates of property performance are based on an evaluation of the present general level of the area's economy and make no provision for the effect of any sharp rise or decline in local or general economic conditions.

In summary, it is our opinion that there is market justification for developing the proposed Hampton Inn and Suites with 117 guestrooms. Our conclusions are summarized as follows:

Average Daily Rate and Rooms Revenues

Year	Occupancy	Average Daily Rate		Rooms
		2016 Dollars	Inflated Dollars	Revenue
2018	67%	$122.00	$124.25	$3,554,793
2019	72%	$122.00	$129.25	$3,974,438
2020	73%	$122.00	$134.50	$4,192,365

Economic Summary
Dallas is located in the Central Time Zone in North Central Texas, 35 miles east of Fort Worth, 245 miles north, northwest of Houston and 300 miles north of the Gulf of Mexico. It is the largest economic center of the 12-county Dallas – Fort Worth – Arlington metropolitan statistical area (MSA), which includes Collin, Dallas, Delta, Denton, Ellis, Hunt, Johnson, Kaufman, Parker, Rockwall, Tarrant and Wise counties. The MSA had a population of 6,954,330 as of July 1, 2014, while the city of Dallas had a population of 1,281,047. In 2014, the metropolitan economy surpassed Washington D.C. to become the fifth largest in the United States, with a GDP over $504 billion.

The proposed hotel site is located in Farmers Branch, which is a city in Dallas County. It is located 14 miles northwest of the city of Dallas. The city is bordered by two interstate highways and two toll roads and is less than 15 minutes from both Dallas/Fort Worth International Airport and Dallas Love Field. Farmers Branch is also home to more than 4,000 companies and more than 250 corporate headquarters, including JDA software, Occidental Chemical, Iidon Security, Taco Bueno, SoftLayer Technologies, and Monitronics.

Tourism
There are numerous athletic facilities in Farmers Branch. This factor has lead the Economic Development & Tourism Department to target much of their marketing efforts in attracting tournaments, which fill guestrooms on weekends. Marketing of tournaments has also proven to be somewhat recession resistant.

2015 Major Tournament Events - Farmers Branch, TX

Event Name	Nights	Room Nights
NCA Cheer	4	1,401
Premier Baseball	6	1,275
Super Copa Boys	8	1,106
Dallas International Girls Cup	16	1,048
Super Copa Girls	8	837

Source: Farmers Branch Economic Development & Tourism

Because Farmers Branch is mostly a business market, most of the hotel guest rooms have king beds. However, the most requested room-type for sports teams is double-queen, since they frequently occupy four to a room. One of the risks of a hotel booking a team is the concern the team will lose and not advance to the next round of play. When a team loses, they check out early.

Teams choose their hotels based on proximity to the fields. As such, hotels near Luna and I-635 will likely be the first choice for most teams, but girls' teams like staying near the Galleria because of its proximity to shopping. The girls' teams also require larger room blocks because they travel as families. Boys tend to travel as teams with fewer parents and occupy smaller room blocks.

Retail

The Galleria Dallas is an upscale shopping mall, and mixed-use development, located across the freeway from the proposed hotel site. The Galleria contains over 200 stores and restaurants, including an ice rink and the Westin Galleria Hotel.

Office

Numerous headquarters have been announced that include: 1) Toyota North America spending $350 million to build a 2.1 million-square-foot corporate campus; 2) Liberty Mutual Insurance is spending $325 million to accommodate 4,000 employees in the company's new North American headquarters by 2017; and 3) J.P. Morgan Chase & Co. is spending $2 billion to develop 800,000 square feet of office space on 50 acres. Each of these new office spaces would increase hotel demand in varying degrees.

Airports

Dallas is home to two airports, the Dallas/Fort Worth (DFW) International Airport and Dallas Love Field Airport. The Dallas/Fort Worth International Airport is the largest hub for American Airlines, which is headquartered near the airport. As of October 2014, DFW Airport has service to a total of 207 destinations, including 58 international and 149 domestic destinations within the U.S. The airport is located 19 miles from downtown Dallas and is centrally located within 30 minutes from any part of the city.

DFW Airport is undergoing a $2.7 billion "Terminal Renewal and Improvement Program" (TRIP), which encompasses renovations to the four original terminals (A, B, C and E). Work on the project began following the conclusion of Super Bowl XLV in February 2011. Terminal A was the first terminal to undergo these renovations. Gates A6-A16 were completed in April 2013, the whole terminal was completed in 2015, and the entire TRIP project should be complete by the end of 2018. The airport also has completed a $2.8 million renovation of Terminal D to accommodate the double-deck Airbus 380.

Dallas Love Field (DAL) Airport is a city-owned public airport, which is six miles northwest of Downtown Dallas. The corporate headquarters for Southwest Airlines is located at Love Field. The following table shows the total passenger enplanements at both airports.

Airport Passenger Enplanements		
Year	**DFW International**	**Love Field**
2009	13,709,610	7,744,522
2010	14,313,971	7,960,809
2011	14,313,971	7,980,020
2012	14,305,416	8,173,927
2013	14,584,093	8,470,586
2014	14,547,301	9,413,636
CAC	**1%**	**4%**

Major Employers

As of August 2015, the Dallas-Ft. Worth-Arlington MSA job count had increased to just fewer than 3.4 million jobs. The city's economy is primarily based on banking, commerce, telecommunications, computer technology, energy, healthcare and medical research, and transportation and logistics.

The following table lists the largest private sector employers, which includes several national airline, healthcare, and financial service companies. These companies generate hotel demand in varying degrees.

Major Private Sector Employers - Dallas/Fort Worth, TX		
Company	**Industry / Product**	**Employees**
American Airlines Group	Airline	23,700
Baylor Health Care System	Healthcare	22,000
Texas Health Resources	Healthcare	16,205
Bank of America	Financial Services	15,400
JPMorgan Chase	Financial Services	13,000
Texas Instruments	Semiconductors	13,000
Lockheed Martin Aeronautics	Aviation and Aerospace	12,600
NCA North Texas Division	Healthcare	11,612
Southwest Airlines	Airline	8,345
Verizon Communications	Telecommunications	8,100
Raytheon	Aviation and Aerospace	8,000
Bell Helicopter	Aviation and Aerospace	6,500
Source: Dallas Office of Economic Development		

Major Employers - Farmers Branch, TX		
Company	**Industry / Product**	**Employees**
J.P. Morgan Chase	Financial Services	2,390
IBM Corporation	Computer Science	1,870
Internal Revenue Service	Tax Collection	1,200
Geico	Insurance	1,088
Telvista	Call Center Outsourcer	1,000
TDIndustries	Mechanical Construction	900
Hagger Clothing Company	Manufacturing	750
Monitronics International Inc.	Security System	700
Encore Enterprises, Inc.	Real Estate	650
Glazer's Wholesale Drug Company	Distributor	650
Source: City of Farmers Branch 2014 Comprehensive Annual Financial Report		

Project Description

Subject Site

The proposed site contains approximately 2.45 acres and is proximate to the Omni Hotel, which offers a restaurant and bar.

To access the site from the direction of Dallas/Fort Worth International Airport, travelers will find their way to IH-635 east towards Farmers Branch and proceed approximately seven miles to exit 28. Once on the feeder road of IH-635, travelers will make a right onto Luna Road and a right on Mira-Lago where they will see the hotel. Travelers will then turn left on Lago Vista East and find the entrance to the site on the right.

Hotel Guests arriving from Dallas Love Field Airport will find their way to Stemmons Freeway (IH-35E) and head north, for approximately six miles, and follow the signs to west bound I-635. Once on I-635, travelers will exit Luna Road, turn left under the freeway, and follow the same directions to the site.

Proposed Hotel

Based on our review of the historical performance of the market, inspection of competitive hotels, interviews of area demand generators, and a review of the existing and planned area developments, we concur that developing a 117-room Hampton Inn & Suites is the highest and best use for the subject site.

Hampton Inn & Suites is part of Hilton Worldwide. The company's portfolio of thirteen world-class global brands is comprised of more than 4,660 managed, franchised, owned and leased hotels and timeshare properties, with more than 765,000 rooms in 102 countries and territories, including Hilton Hotels & Resorts, Waldorf Astoria Hotels & Resorts, Conrad Hotels & Resorts, Canopy by Hilton, Curio – A Collection by Hilton, DoubleTree by Hilton, Embassy Suites by Hilton, Hilton Garden Inn, Hampton by Hilton, Tru by Hilton Homewood Suites by Hilton, Home2 Suites by Hilton and Hilton Grand Vacations.

The hotel will be equipped with a combination of room types to include suites with either king beds or two queen beds. The king-bedded rooms will have walk-in showers, and the double queen-bedded rooms will have bathtubs. As required, there will be suites with ADA accessible bathrooms.

The guestrooms in the proposed hotel should be based on the current Hampton Inn & Suites prototype, which provides comfortable and efficient accommodations that will appeal to travelers with a variety of needs. In-room amenities include standard hotel features such as secure-wired and high-speed wireless Internet, cable television viewed on a large flat panel high-definition TV, a phone with voice mail, and energy-efficient lighting.

Per Hampton Inn & Suites standards, the hotel should serve a complimentary breakfast. Recreational amenities should include a fitness center and outdoor swimming pool, with a fire pit gathering area.

Lodging Market Overview

Hotel Market Overview

The Texas hotel market comprises nearly 415,000 hotel guestrooms of varying quality. The research firm, Source Strategies, uses data derived from the hotel occupancy tax rolls published by the State of Texas. By analyzing data provided by Source Strategies, we developed the following long-term trends for Texas metro and non-metro areas.

The national recession, which began in late 2007 for some parts of the country, did not arrive in Texas until the last quarter of 2008 and became more severe in 2009. In 2009, occupancies dropped to an all time low of 54.0% in the metro hotel markets. While ADR increased 6.6% per year through 2008, it dropped 7.0% in 2009 to $85.96. ADR began to recover in 2011 and has increased 2.8% per year from the low in 2010 to the new high of $103.17 in the third quarter of 2015.

	Texas Metro Hotel Markets			Non-Metro Hotel Markets		
Year	Occupancy	Average Daily Rate	RevPAR	Occupancy	Average Daily Rate	RevPAR
2005	60.8%	$76.18	$46.32	52.0%	$55.62	$28.92
2006	61.8%	$83.12	$51.37	54.7%	$59.55	$32.57
2007	62.0%	$87.83	$54.45	56.2%	$62.91	$35.36
2008	61.8%	$92.44	$57.13	57.4%	$67.60	$38.80
2009	54.0%	$85.96	$46.42	50.0%	$63.09	$31.55
2010	55.6%	$85.17	$47.39	50.2%	$66.10	$33.18
2011	59.6%	$88.10	$52.50	55.6%	$70.08	$38.99
2012	62.8%	$91.35	$57.33	58.7%	$75.64	$44.37
2013	64.3%	$96.38	$57.59	58.2%	$78.61	$45.79
2014	66.8%	$100.52	$67.11	58.4%	$83.43	$48.70
2015 *	66.5%	$103.17	$68.60	56.5%	$81.85	$46.22
CAC **		3.1%	4.0%		3.9%	4.8%

Source: Source Stratagies
* 2015 data is based on the Trailing 12 months through the Third Quarter 2015.
**Compound Annual Change

Comparatively, the occupancies of the non-metro area hotels declined from 57.4% in 2008 to 50.0% a year later and did not return to the previous high until 2012. ADR followed a similar pattern as the metro hotels with a sharp rise through 2008, followed by a sharp decline in 2009. Unlike the recovery in the metro markets, the non-metro markets have recovered at a much faster rate of 4.8% per year through the third quarter of 2015.

Summary of Competitive Set

The greater Dallas hotel market contains over 500 hotels with approximately 75,000 guestrooms of varying quality. Of which, we identified eight hotels as the competitive set for the proposed hotel.

Because the proposed hotel is located in a developing area of Farmers Branch and will have easy access to the freeway, we chose the two full-service hotels nearby and similarly priced limited-service hotels within a three-mile radius of the site as its primary competitors. A summary listing of the competitive hotels is provided in the following table and more detail is provided in **Exhibit A**.

SUMMARY OF COMPETITIVE HOTELS
Farmers Branch, Texas

	Properties	Rooms	Year Opened	Property Type
Farmers Branch				
1	DoubleTree Dallas - Farmers Branch	160	1999	Full Service
2	Omni Dallas Hotel @ Park West	337	1989	Full Service
Dallas - I - 35E				
3	Hampton Inn Dallas - North - I-35E @ Walnut Hill	113	1986	Limited Service
Las Colinas				
4	Fairfield Inn & Suites Dallas Las Colinas	117	1998	Limited Service
5	Holiday Inn Express & Suites - Irving Convention Center - Las Colinas	128	1997	Limited Service
6	SpringHill Suites Dallas DFW Airport - East/Las Colinas Irving	120	2006	Limited Service
7	La Quinta Inn & Suites Dallas - Las Colinas	92	1998	Limited Service
8	Hampton Inn Dallas - Irving - Las Colinas	135	1997	Limited Service
New Hotels				
A	Hampton Inn & Suites - Farmers Branch	120	2018	Limited Service
B	Holiday Inn Express	100	2017	Limited Service
C	Candlewood	80	2017	Extended Stay
D	Best Western	90	2017	Limited Service
E	Former Hampton Inn Dallas North to become Quality Inn	-113	2018	Limited Service
	Total Hotel Rooms	**1,479**		

New Supply

In addition to the subject Hampton Inn and Suites, plans have been submitted for two hotels to be built on adjacent sites. One will be a Holiday Inn Express with +/- 100 rooms and a Candlewood Suites with +/- 80 suites. On a site across I-635 from these new hotels, a Best Western Plus with +/90 guestrooms is also planned. We have assumed that each of these hotels will be open by 2018.

Another change in market supply is also occurring that is factored into our analysis. What is presently a Hampton Inn with 113 guestrooms located near IH-35 and Walnut Hill, will loose its Hilton affiliation just before the proposed Hampton opens. At that point, the older Hampton will cease being competitive which means the proposed Hampton Inn is effectively replacing the older one.

Because so many rooms are opening near the intersection of Luna and I-635, we see a new sub-market forming that will steal its market share from sub-competitive hotels along Stemmons Freeway and from direct competitors along TX-114 in Las

Colinas. As noted in the previous table, the average age of the competitive set is nearly 20 years. This means the newest hotels for 3 miles in every direction will be consolidated at Luna and I-635. This will give the older hotels near this intersection competitive advantage as the newer hotels will attract customers to the area and create awareness of the new sub-market.

Sources of Market Demand

Through our research of the competitive set, and observation of hotel operations in the market, we were able to develop the following analysis that quantifies the primary sources of demand for the competitive set.

Market Mix - Annual Room Nights of Demand		
Demand Segments	**Room Nights**	**% Mix**
I B T	183,600	58%
Group	41,500	13%
Leisure	91,600	29%
Total Occupied Roo	316,700	100%

The combined competitive hotels classify a portion of their demand as **Individual Business Travelers (IBT)**, representing approximately 58% of the market demand. IBT demand is generated when sales people and consultants call on area companies, or when area companies bring employees and customers in for meetings. Much of the IBT demand generated in this market is related to consultants and sales people visiting area companies. Other sources of IBT demand occur when area companies bring in candidates for job openings.

Nearly all of the hotels maintain a roster of negotiated corporate rates with companies that need rooms on a more frequent basis. These rates are often lower than the rack rate and come with commitments for a minimum number of room nights.

Group and Convention demand in this market occurs when companies need to hold meetings to discuss business issues. Since the limited-service hotels of the competitive set are smaller and do not have large amounts of meeting space, most of the groups are hosted in the full-service hotels. On the weekend, however, groups consist of sports teams staying at all the hotels and participating in tournaments. As such, we estimate Group demand will likely comprise 13% of the overall demand, with the full-service hotels averaging 30% versus the limited-service hotels averaging much less at 5%.

Leisure demand for the competitive hotels represents approximately 29% of their occupied room nights with the limited-service hotels averaging 30% and the full-service hotels averaging 20%. Leisure demand primarily occurs on holidays, weekends when visitors come to Dallas for a shopping trip or social events.

Competitive Set Historical Performance

DPC assembled occupancy and ADR information for each competitor for year-end 2011 through year-end 2015 and derived estimated levels of total supply and demand expressed as room nights per year.

The following table summarizes the historical performance of the Competitive Set. While there were no additions to supply over the last five years, demand increased at 3.3% per year. Much of this increase can be attributed to the ongoing recovery from the national recession of 2008, but it is also indicative of the strength of the Dallas economy. Demand outpacing supply has caused occupancy to increase from a low of 63.3% in 2011 to a high of 72.2% in 2015. It is important to note that the market occupancy has remained above 65% for four consecutive years.

HISTORICAL MARKET CONDITIONS - ANNUAL ROOM NIGHTS	2011	2012	2013	2014	2015	CAC*
Supply - Guestrooms	1,202	1,202	1,202	1,202	1,202	
Supply - Annual Rooms Nights (x 365)	438,730	438,730	438,730	438,730	438,730	0.0%
Demand						
I B T	161,000	168,800	174,700	181,000	183,600	3.3%
Group	37,000	38,200	39,600	40,200	41,500	2.9%
Leisure	79,800	83,900	87,000	90,300	91,600	3.5%
Total Occupied Room Nights	277,800	290,900	301,300	311,500	316,700	3.3%
Occupancy	63.3%	66.3%	68.7%	71.0%	72.2%	
Average Daily Rate	$93.96	$93.77	$100.13	$105.16	$111.18	4.3%
Revenue per Available Room	$59.49	$62.18	$68.76	$74.66	$80.25	7.8%
Change in Supply	--	0.0%	0.0%	0.0%	0.0%	
Change in Demand	--	4.7%	3.6%	3.4%	1.7%	
*Compounded annual change						

Along with increasing occupancies, ADR has increased from +/- $94 in 2011 to +/- $111 in 2015, which represents a growth rate of 4.3% per year. Future increases are anticipated as the regional economy continues to grow as a result of the future headquarters expansions.

Future Estimated Market Supply and Demand

The following analysis shows the addition of the proposed Hampton Inn and Suites and three additional competitors, along with the older Hampton Inn being removed from competitive supply. These additions will increase supply by 23.8% from 2017 to 2018. However, expressed as a compound average over the next five years, supply will increase 4.2% per year.

We estimate the future growth rates for demand with the following analysis. Increases to base demand are stated in compound average growth rates and reflect the external changes in the market if no other hotels were built. Conversely, increases to created demand are derived by whole numbers and account for the room nights that are sold to guests who were previously displaced to sub-competitive hotels during peak periods.

In terms of changes to the level of base demand, we have accounted for continued recovery from the national recession by applying a 2.0% per year increase in demand for IBT, Leisure and Group. With respect to created demand, we see 70% of the room night inventory as being filled by guests that were previously displaced from the market during peak demand periods, or small groups that will be induced to come to the area because there will be a concentration of the newest hotels in the area. We added the created demand to IBT (70%), Group (5%), and Leisure (25%). These assumptions calculate a combined growth rate of 3.9% per year from 2015 to 2020. The resulting analysis shows occupancy decreasing slightly as the new hotels open, and growing steadily back to the low 70%'s and stabilizing, which was where the market performed prior the recession.

FUTURE MARKET CONDITIONS - ANNUAL ROOM NIGHTS

	2015	2016	2017	2018	2019	2020	CAC*
Supply - Guestrooms	1,202	1,202	1,288	1,476	1,476	1,476	
Supply - Annual Rooms Nights (x 365)	438,730	438,730	470,010	538,740	538,740	538,740	4.2%
Demand							
Individual Business Traveler - Base	183,600	187,200	191,000	194,800	198,700	202,700	2.0%
Individual Business Traveler - Created	--	-	8,800	23,200	23,200	23,200	--
	183,600	187,200	199,800	218,000	221,900	225,900	4.2%
Group/Convention - Base	41,500	42,300	43,100	44,000	44,900	45,800	2.0%
Group/Convention - Created	--	-	600	1,700	1,700	1,700	--
	41,500	42,300	43,700	45,700	46,600	47,500	2.7%
Leisure - Base	91,600	93,400	95,300	97,200	99,100	101,100	2.0%
Leisure - Created	--	-	3,100	8,300	8,300	8,300	--
	91,600	93,400	98,400	105,500	107,400	109,400	3.6%
Total Occupied Room Nights	316,700	322,900	341,900	369,200	375,900	382,800	3.9%
Occupancy	72.2%	73.6%	72.7%	68.5%	69.8%	71.1%	--
Change in Supply	0.0%	0.0%	7.1%	14.6%	0.0%	0.0%	--
Change in Demand	1.7%	2.0%	5.9%	8.0%	1.8%	1.8%	--

*Compounded annual change

Estimated Penetration of the Proposed Hotel

Penetration analysis compares the occupancy from a sample of the competitive set to the overall market average. A market penetration above 100% indicates a property is getting more than its fair share. Likewise, a penetration below 100% indicates below average performance. We have performed this analysis on the market competitors for each demand segment and determined that the market rewards quality service and strong brands. This is a very competitive set where each of the competitors is presently getting is fair share.

Penetration Rates of Competitive Set - 2015				
	Leisure	**Group**	**IBT**	**Overall**
Doubletree	100%	150%	85%	100%
Omni	70%	230%	85%	100%
Hampton I-35	140%	0%	105%	105%
Fairfield	105%	40%	110%	100%
Holiday Inn Express	105%	40%	110%	100%
Springhill Suites	105%	40%	115%	100%
La Quintal	140%	0%	105%	100%
Hampton Las Colinas	105%	40%	115%	100%

Note: Percentages are rounded to nearest 5% to protect confidential information.

The following table displays the room nights sold in the market, the fair share of room nights that could be occupied in the subject Hampton Inn and Suites, and our adjustments to its fair share based on its competitive advantages shown as Estimated Market Penetration. The subject hotel will likely get 50% of its fair share of Group demand due to it not having a large amount of meeting space. But it will penetrate above its fair share in IBT & Leisure because the location and brand will appeal to travelers seeking a hotel with good surroundings. The resulting occupancy for the subject hotel is calculated as finishing its first year at 67% and stabilizing at 73%.

Hampton Inn & Suites - Farmer's Branch, TX - 117 Units

Year	Market Segment	Estimated Market Demand	Fair Market Share [1] Percent	Fair Market Share [1] Demand	Estimated Market Penetration [2] Percent	Estimated Market Penetration [2] Demand	Occupancy Market	Occupancy Subject	Average Room Rate Constant $
2018	I B T	218,000	7.9%	17,200	110%	18,900			125.00
	Group	45,700	7.9%	3,600	50%	1,800			110.00
	Leisure	105,500	7.9%	8,300	95%	7,900			115.00
	Total	369,200		29,100	98%	28,600	69%	67%	121.29
2019	I B T	221,900	7.9%	17,500	115%	20,100			125.00
	Group	46,600	7.9%	3,700	50%	1,900			110.00
	Leisure	107,400	7.9%	8,500	100%	8,500			115.00
	Total	375,900		29,700	103%	30,500	70%	72%	121.28
2020	I B T	225,900	7.9%	17,800	115%	20,500			125.00
	Group	47,500	7.9%	3,800	50%	1,900			110.00
	Leisure	109,400	7.9%	8,600	100%	8,600			115.00
	Total	382,800		30,200	103%	31,000	71%	73%	121.31

[1] Fair Market Share = 117 Units (Subject) divided by 1,476 Rooms (in the Market in 2018) = 7.9%
[2] Subject penetration into Market above 100% indicates Subject has competitive advantages.

In estimating Average Daily Rate (ADR), we gathered rack rates for each property of the competitive set, which is presented in Exhibit A. We also collected individual ADR's and compared them to the market average of 2015. Based on our observations of the market, we estimated the average rate anticipated for each demand segment. Business travelers, for example, will pay the highest rate because they travel during peak periods. Group travelers will pay the least because they book during the slower periods, even though they create peak periods when they come. Leisure travelers will lie in between. The following table calculates a weighted average based on our analysis stated in 2016 dollars. The following table uses a 3.0% per year rate of inflation to express the ADR in future dollars and the resulting rooms revenue for the subject hotel.

Average Daily Rate and Rooms Revenues				
Fiscal Year	Occupancy	Average Daily Rate 2016 Dollars	Inflated Dollars	Rooms Revenue
2018	67%	$122.00	$124.25	$3,554,793
2019	72%	$122.00	$129.25	$3,974,438
2020	73%	$122.00	$134.50	$4,192,365

Limiting Conditions
The conclusions in this report are based upon review of published information and information provided by the general managers and/or owners at the competing hotels, and an analysis of historical market area data. The report is based on estimates, assumptions, and other information developed from our analysis of the local hotel market area and characteristics of the proposed property. Since the projections in this letter are based upon estimates and assumptions, which inherently are subject to uncertainty and variation depending upon evolving events, we do not represent them as results that will actually be achieved.

This report has been prepared primarily for your use and guidance in determining the risk in developing the proposed property. As is customary in assignments of this nature, neither our name nor the material submitted may be included in any prospectus, in newspaper publicity, or as part of any printed material; or used in public offerings or representations in connection with the sale of securities to the general public. You may, however, include this document in a private placement memorandum that is directed to qualified investors.

DP Consulting – Qualifications
DP Consulting is a hospitality, tourism, and real estate oriented consulting and brokerage firm. We have developed a particular expertise that includes public/private ventures involving public assembly facilities and master planned communities. DPC has also worked extensively on every type of hotel to include limited-service, select-service, full-service, conference centers, and casino hotels.

The principal of DP Consulting, David Parker, has 30 years experience in the hotel industry, to include operations, consulting, and development. Prior to forming DP Consulting, Mr. Parker was employed by PKF Consulting for nearly a decade, where he developed numerous methodologies for collecting market information on hotels and meeting facilities, and developed multiple modeling techniques for projecting utilization, income and expense. Examples included using fax software and e-mail to disseminate meeting planner surveys and a database to aggregate survey results. DPC is also experienced with economic impact analysis.

In conjunction with hotel research, Mr. Parker developed the system through which occupancy data was collected from individual hotels and reported in aggregate on a monthly basis, known as *Trends in the Hotel Industry*. In addition, Mr. Parker developed a database based on Hotel Occupancy Tax receipts collected by the State of Texas in order to develop a census of hotel performance for various market areas.

Mr. Parker has directed a variety of projects, a summary of which are listed in **Exhibit B** in the Addendum.

We would be pleased to hear from you if we may be of further assistance in the interpretation and application of our findings and conclusions. We express our appreciation to you and your associates for the cooperation extended to us during the course of this assignment.

Sincerely,

David Parker
DP Consulting

Addendum

Competitive Set Table – Exhibit A
Projects Completed by David Parker – Exhibit B

SUMMARY OF COMPETITIVE HOTELS
Farmers Branch, Texas

Exhibit A-1

Properties	Rooms	Year Opened	2016 Rack Rates Weekday	2016 Rack Rates Weekend	Property Type	Amenities [2]
Farmers Branch						
1 DoubleTree Dallas - Farmers Branch 11611 Luna Road	160	1999	$139 - $149	$89 - $99	Full Service	1 FB, SP, FC, MR
2 Omni Dallas Hotel @ Park West 1590 Lyndon B. Johnson Freeway	337	1989	$254 - $309	$169 - $209	Full Service	2 FB, SP, FC, MMS
Dallas - I - 35E						
3 Hampton Inn Dallas - North - I-35E @ Walnut Hill 11069 Composite Drive	113	1986	$139	$129	Limited Service	HB, SP, FC, LF, MR
Las Colinas						
4 Fairfield Inn & Suites Dallas Las Colinas 630 W. John Carpenter Freeway	117	1998	$149 - $159	$79 - $89	Limited Service	HB, SP, FC, LF
5 Holiday Inn Express & Suites - Irving Convention Center - Las Colinas 333 W. John Carpenter Freeway	128	1997	$144 - $154	$109 - $119	Limited Service	HB, SP, FC, LF, MR
6 SpringHill Suites Dallas DFW Airport - East/Las Colinas Irving 5800 High Point Drive	120	2006	$179 - $199	$89 - $109	Limited Service	HB, SP, FC, LF, MMS
7 La Quinta Inn & Suites Dallas - Las Colinas 4225 N. MacArthur Blvd.	92	1998	$135 - $155	$92 - $112	Limited Service	HB, SP, FC, LF
8 Hampton Inn Dallas - Irving - Las Colinas 820 West Walnut Hill Lane	135	1997	$164	$84	Limited Service	HB, SP, FC, LF, MR
Total Hotel Rooms - 2016	1,202		**2015 Market ADR: $111 / Market Occuapncy: 72%**			
New Hotels						
A Hampton Inn & Suites - Farmers Branch Address A	120	2018	n/a	n/a	Limited Service	FHB, WB, SP, MR, FC
B Holiday Inn Express Address B	100	2017	n/a	n/a	Limited Service	FHB, WB, SP, MR, FC
C Candlewood Address B	80	2017	n/a	n/a	Extended Stay	FK, SP, LF
D Best Western Address B	90	2017	n/a	n/a	Limited Service	FHB, SP, FC, MR
E Former Hampton Inn Dallas North to become Quality Inn Address B	-113	2018	n/a	n/a	Limited Service	n/a
Total Hotel Rooms	**1,479**		**2007 Market ADR: $130.81 / Market Occuapncy: 71.3%**			

[1] Ranged of Published Rates. n/s - Not Shown on Map.

[2] Amenity Codes: FB - Food and Beverage Outlets, FHB Full Hot Breakfast, CB - Continental Breakfast, FK - Full Kitchen, WB - Wet Bar, SP - Swimming Pool, FC - Fitness Center, LF - Laundry Facility, MMS Major Meeting Space, MR - Meeting Room.

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Projects Completed by David Parker

Market Studies of Limited-Service Hotels:

Dallas Area:
Market Study of Proposed Best Western Premier – Denton, Texas (Open 2009)
Market Study of Proposed Fairfield Inn – Decatur, Texas
Market Study and Valuation of Proposed Comfort Suites – Grapevine, Texas (Open 2005)
Market Study of a Hampton Inn and Suites – Alliance Airport, Fort Worth Texas (Open 1999)
Due Diligence Analysis of five hotels (Holiday Inn Expresses and Quality Suites) – Dallas, Texas
Market Study of Proposed Hampton Inn and Suites – Hurst, Texas (Open 2004)
Due Diligence Analysis Wyndham Garden Hotel Los Colinas – Irving, Texas
Due Diligence Analysis Wyndham Garden Hotel Market Center – Dallas, Texas

Houston Area:
Market Study of Proposed Hampton Inn & Suites – Bush Intercontinental Airport – Houston, Texas (Open 2015)
Market Study of Proposed Comfort Suites (Westchase) – Houston, Texas (Open 2013)
Market Study of Proposed Hampton Inn & Suites – Missouri City, Texas (Open 2013)
Market Study of Proposed Courtyard & TownePlace Suites – Galveston, Texas (Open 2013)
Market Study of Proposed SpringHill Suites – Houston, Texas
Market Study of Proposed Sleep Inn – Clute/Lack Jackson, Texas
Market Study of Proposed Microtel Inn & Suites – Port Arthur, Texas
Market Study of Proposed SpringHill Suites – Seabrook, Texas
Market Study of Proposed La Quinta – West Chase - Houston, TX (Open 2007)
Market Study of Proposed Best Western Mini Suites – Texas City, Texas (Open 2005)
Market Study of Proposed Bed & Breakfast – Kemah, Texas (Open 2004)
Market Study of a Proposed TownePlace Suite – College Station, Texas (Open 1999)
Market Study of a Proposed TownePlace Suite – Clear Lake, Texas (Open 1999)
Market Evaluations of four Baymont Inns – Houston, Texas
Market Study of Proposed Hampton Inn & Suites – League City, Texas (Open 2010)

Central Texas:
Market Study of Proposed Homewood Suites – (Parmer Lane) Austin, Texas (Open 2015)
Market Study of Proposed Home2 Suites – Round Rock, Texas (Open 2015)
Market Study of Proposed Bed and Breakfast Cabins – Fredericksburg, Texas (Open 2013)
Market Study of Proposed Hampton Inn & Suites – Downtown Austin, Texas (Open 2012)
Market Study of Proposed Homewood Suites – Round Rock, Texas (Open 2010)
Market Study of Proposed Sleep Inn & Suites – Manor, Texas (Open 2012)
Market Study of Proposed Limited-Service Hotel – Marble Falls, Texas
Market Study of Proposed Microtel Inn & Suites – Austin, Texas (Airport) (Open 2010)
Market Study of Proposed Staybridge Suites – San Antonio, Texas (Open 2008)
Market Study of Proposed La Quinta - Medical Center - San Antonio, Texas (Open 2007)

South Texas:
Market Study of Proposed Microtel – Gonzales, Texas (Open 2013)
Market Study of Proposed Home2 Suites – Mission, Texas
Market Study of Proposed Holiday Inn Express – South Padre Island, Texas (Open 2005)

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North Texas:
Market Study of Proposed Hampton Inn – Vernon, Texas (Open 2011)
Market Study of Proposed Holiday Inn Express – Vernon, Texas (Open 2006)

West Texas:
Market Study of Proposed Microtel – San Angelo, Texas (Open 2010)
Market Study of Proposed Hawthorn Suites – Lubbock, Texas (Open 2008)
Market Study of Proposed Best Western – Hamilton, Texas (Open 2007)
Market Study of Proposed La Quinta – Lubbock, Texas (Open 2006)

East Texas:
Market Study of Proposed Microtel Inn & Suites – Texarkana, Texas
Market Study of Proposed Hampton Inn – Sulphur Springs, Texas (Open 2010)
Market Study of Proposed Best Western – Mt. Vernon, Texas

Outside of Texas:
Market Study of Proposed Home2 Suites – Tallahassee, Florida (Open 2016)
Market Study of Proposed Home2 Suites – Stillwater, Oklahoma (Open 2016)
Market Study of Proposed Home2 Suites – Tuscaloosa, Alabama (Open 2015)
Market Study of Proposed Home2 Suites – Lexington, Kentucky (Open 2015)
Market Study of Proposed Hilton Garden Inn & Homewood Suites – Oklahoma City, Oklahoma (Open 2014)
Market Study of Proposed Hampton Inn & Suites - Mulvane, Kansas (Open 2012)
Market Study of Proposed Hampton Inn & Suites – Dodge City, Kansas (Open 2012)
Market Study of Proposed Homewood Suites – Nashville, Tennessee (Open 2013)
Market Study of Proposed Fairfield Inn – Maize, KS (Open 2011)
Market Study of Proposed La Quinta Inn & Suites – Olathe, Kansas (Open 2008)
Market Study of Proposed Holiday Inn Express & Suites – Bloomington, Indiana (Open 2006)
Market Study of Converting historic buildings into Residence Inn and Courtyard by Marriott – Omaha, NE (Open 1999)
Market Study of Proposed Sleep Inn Limited-Service hotel – Thornton, Colorado (Open 1998)
Market Study and Valuation of Proposed All-Suite Hotel at Isle of Capri Casino – Lake Charles, Louisiana (Open 1998)
Market Study and Valuation of Proposed Limited-Service Hotel at Isle of Capri Casino – Lake Charles, Louisiana (Open 1997)

Market Studies Select and Full-Service Hotels:

Dallas Area:
Market Study of Proposed Hilton Garden Inn – Hurst, Texas (Open 2016)
Market Study of Proposed Hilton Dallas/Plano Granite Park – Plano, TX (Open 2014)
Market Study of Proposed Cambria Suites – Plano, Texas (Open 2014)
Market Study of Proposed Courtyard Hotel & Conference Center – Carrollton, Texas
Market Study of Renovating the Historic Blackstone Hotel into a Courtyard by Marriott – Fort Worth, Texas (Open 1999)
Market Study of Proposed Embassy Suites Galleria – Dallas, Texas (Open 1998)
Evaluation of Converting the Employers Life Insurance Building into a Headquarters Hotel – Dallas, Texas

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Market Study of Proposed Holiday Inn – McKinney, Texas (Open 2008)
Market Study of Proposed Resort Hotel and Water Park – Frisco, Texas
Impact Assessment of Converting Ramada Plaza into Holiday Inn Select (Presently The Sheraton) – Fort Worth, Texas

Houston Area:
Market Study of Proposed Courtyard & TownePlace Suites – Galveston, Texas (Open 2013)
Market Study of Proposed Courtyard by Marriott – Galveston, TX (Open 2013)
Market Study of Proposed Embassy Suites & Water Park – Beaumont, Texas
Market Study of Proposed Embassy Suites – Texas Medical Center – Houston, TX
Market Study of Proposed Holiday Inn – Shenandoah, Texas
Market Study of Proposed Hilton Garden Inn Galleria – Houston, Texas (Open 2005)
Market Study and Economic Impact Assessment of 1,200-Room Hilton Americas
– Downtown Houston, Texas (Open 2004)
Market Study of Converting the Medical Towers into the Marriott Medical Center Expansion – Houston, Texas
Market Study of Converting Historic Texas State Hotel into Sheraton Suites – Downtown Houston, Texas
Market Study and Valuation of Omni Galleria – Houston, Texas
Market Study and Valuation of Red Lion Hotel Galleria – Houston, Texas

Central Texas:
Market Study of Proposed SoCo Hotel – (South Congress) Austin, Texas (Open 2015)
Economic Impact Study of Proposed Hilton Garden Inn – Live Oak, Texas
Market Study of Proposed Select-Service Hotel & Conference Center – Boerne, Texas
Market Study of Proposed Four Points (Now Wyndham Garden Inn Near La Cantera) – San Antonio, Texas (Open 2009)
Market Study of Proposed Boutique Hotel – Fredericksburg, Texas
Market Study of Proposed Cambria Suites – Medical Center – San Antonio, Texas
Market Study of Proposed Westin Riverwalk – San Antonio, Texas (Open 1999)
Market Study of Proposed Full-Service Hotel – New Braunfels, Texas
Market Study and Valuation of St. Anthony Hotel – San Antonio, Texas

South Texas:
Market Study of Proposed Hotel & Conference Center – Port Aransas, Texas
Market Study of Proposed Full-Service Hotel Adjacent to McAllen Convention Center – McAllen, Texas
Market Study of Proposed All-Suite Hotel and Resort on North Padre Island – Corpus Christi, Texas
Market Study, Economic Impact Study, and Financing Recommendations of Proposed Full-Service Hotel
– South Padre Island, Texas
Market Study of Proposed Executive Conference Center – North Padre Island, Corpus Christi, Texas

North Texas:
Market Study of Proposed Hotel Conversion to a Full-Service Wyndham Hotel – Wichita Falls, Texas

West Texas:
Market Study of Proposed Full-Service Hotel & Conference Center – Odessa, Texas

Outside of Texas:
Market Study of Proposed Full-Service Resort with Golf – Franklin, Tennessee
Market Study of Proposed Hilton Garden Inn & Homewood Suites – Oklahoma City, Oklahoma (Open 2014)
Market Study of Proposed Conversion of the Fulton Hotel to a Holiday Inn – Alexandria, Louisiana
Market Study of Proposed Office Building Conversion into Hilton Garden Inn –
Airport - Phoenix, Arizona (Open 2009)
Market Study of Proposed Hilton Garden Inn (Converted Office Building) – Phoenix, AZ at Airport (Open2008)

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Market Study of Proposed Full-Service Hotel – Colorado Springs, Colorado
Performance Review of Operating Standards – Radisson Fort McDowell Resort & Casino – Scottsdale, Arizona
Market Study of Proposed Holiday Inn – Colorado Springs, Colorado
Market Study and Valuation of Cypress Bend Golf Resort and Conference Center – Sabine Parish, Louisiana

Market Study of Converting historic buildings into Residence Inn and Courtyard by Marriott – Omaha, NE (Open 1999)
Market Study of Proposed Full-Service Hotel – Sandy City, Utah
Market Study of Proposed Full-Service Hotel adjacent to Jazz Land Theme Park – New Orleans, LA
Market Study and Valuation of 780-room Regal Riverfront – St. Louis, Missouri

Public Assembly Facility Studies:

Dallas Area:
Market Study of Proposed Dallas County School District Meeting Facility – Dallas, Texas
Market Study of Proposed 500,000-Square foot Exhibition Center – Grapevine, Texas
Market Study of Proposed Conference Center – Hurst, Texas (Open 2007)
Management RFP of Proposed Conference Center – Hurst, Texas

Houston Area:
Market Study of Proposed Convention Center – Stafford, Texas (Open 2003)
Market Study of Proposed Performing Arts Theater – Stafford, Texas (Open 2003)
Market Study and Economic Impact of Proposed Waterway Convention Center – The Woodlands, Texas (Open 2002)
Citywide occupancy tax collection forecast for City of Houston, used in securing $700 million in bonds for the purpose of expanding the George R. Brown Convention Center, constructing the 1,200-room Hilton Hotel, parking garage, and NBA basketball arena – Houston, Texas
Market Study and Economic Impact Study of Expanding the George R. Brown Convention Center – Downtown Houston, Texas
Market Study of Proposed Convention Center, Mall Conversion – Baytown, Texas
Market Study of Proposed Natatorium – Stafford, Texas
Market Study of Repositioning a portion of Greenspoint Mall into a Convention Center – Houston, Texas
Market Study of Proposed Civic Center – Kemah, Texas
Market Study of Proposed Civic Center – Freeport, Texas

Central Texas:
Market Study of Proposed Convention Center – New Braunfels, Texas
Market Study of Proposed Civic Center & Exhibit Hall – Gonzales, Texas

South Texas:
Market Study of Expanding the Bayfront Convention Center – Corpus Christi, Texas (Completed 1999)

East Texas:
Market Study of Proposed Convention Center – Lufkin, Texas

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Outside of Texas:
Market Study and Economic Impact Study of Proposed 453,000-square foot Exhibition Center – Sandy City, Utah
Market Study of Proposed Ballroom Addition to the Welk Resort – Branson, Missouri
Market Study of Proposed Convention Center, Mall Conversion – Tupelo, Mississippi

Other Projects:
Houston's First Baptist Church – Hunt Retreat – Lodge/Conference Facility – Fulshear, Texas (Open 2013)
Market Study of Proposed Baseball Facility – The Zone – Kingwood, Texas (Open 2012)
Market Study of Proposed Water Park – Beaumont, Texas
Market Study of Proposed Time Share – Lake Havasu, Arizona
Lakeview Methodist Conference Center – Lodge/Conference Facility – Palestine, Texas
Market Study for Three Proposed Buffalo Wild Wings locations – Greater New Orleans, Louisiana
Market Study for Proposed Apartments – Jackson, Tennessee
Developer of five high-end town homes near Texas Medical Center
Developer of three-unit loft project east of Mid-Town - Houston, Texas
Due Diligence of new construction 400-unit Self Storage in southwest Houston
Due Diligence of new construction 400-unit Self Storage in Baytown, Texas
Developer / Investor Prospectus of Pearland Swim Academy – Pearland, Texas