



## HVS SUMMARY OF FINDINGS

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# Proposed TownePlace Suites by Marriott Farmers Branch



### SUBMITTED TO:

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## HVS Summary of Findings

Date:	August 30, 2016
Property: Location:	Proposed TownePlace Suites by Marriott Farmers Branch 12101 Luna Road Farmers Branch, Texas 75234 Dallas County
Highest and Best Use (as improved):	Extended-stay lodging facility

### LAND DESCRIPTION

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Area:	2.49 acres, or 108,464 square feet
Zoning:	PD - Planned Development (Zoning approved June 16, 2015)
Assessor's Parcel Numbers:	242317400A0000100
FEMA Flood Zone:	X500

### IMPROVEMENTS DESCRIPTION

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Planned Opening Date:	March 1, 2018
Property Type:	Extended-stay lodging facility
Building Area:	73,500 square feet (estimated)
Guestrooms:	120
Number of Stories:	Four
Food and Beverage Facilities:	Breakfast Dining Area
Meeting Space:	3,135 square feet
Additional Facilities:	an outdoor pool and sundeck, an outdoor barbecue area, a fitness room, a market pantry, a lobby workstation, and a guest laundry facility
Parking Spaces:	54 Surface Stalls, 123 Parking Structure Stalls

## Project Overview

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

The Proposed TownePlace Suites by Marriott Farmers Branch will be an extended-stay lodging facility containing 120 rentable units. The four-story property will open on March 1, 2018. The proposed TownePlace Suites by Marriott is being developed in conjunction with an adjacent apartment community. The proposed midscale, extended-stay hotel property will be the eleventh TownePlace Suites by Marriott hotel in the greater Dallas-Fort Worth market. The hotel's central location near both the Las Colinas and Galleria business districts will allow the subject property to capture some demand from both markets. The proposed subject property is expected to feature a stylish, contemporary design and spacious, open-concept interior in line with the hotel's brand standards and its proposed location in Farmers Branch.

## TYPICAL TOWNEPLACE SUITES BY MARRIOTT EXTERIOR

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## Summary of the Facilities

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

**FIGURE 1-1 PROPOSED FACILITIES SUMMARY**

<b>Guestroom Configuration</b>		<b>Number of Units</b>
King Studio		65
King Studio Accessible		6
Queen/Queen Studio		36
Queen/Queen Studio Accessible		2
One-Bedroom Suite		11
Total		120
<b>Food &amp; Beverage Facilities</b>		<b>Estimated Seating Capacity</b>
Breakfast Dining Area		60
<b>Indoor Meeting &amp; Banquet Facilities</b>		<b>Estimated Square Footage</b>
Ballroom		2,900
<i>Ballroom A</i>		<i>1,100</i>
<i>Ballroom B</i>		<i>1,800</i>
Boardroom		235
Total		3,135
<b>Amenities &amp; Services</b>		
Outdoor Pool and Sundeck	Market Pantry	
Outdoor Barbecue Area	Lobby Workstations	
Fitness Room	Guest Laundry Facility	
<b>Infrastructure</b>		
Parking Spaces	54 Surface, 123 Parking Structure	
Elevators	2 Guest, 1 Parking Garage	
Life-Safety Systems	Sprinklers, Smoke Detectors	
Construction Details	Wood Frame, Poured Concrete	

## Site Improvements and Hotel Structure

Once guests enter the site, ample parking will be available within an attached parking structure; additional surface parking will be available near the hotel's entrance. The hotel building will likely be located on the south side of the subject site, proximate to Interstate 635; the proposed apartment building will be located north of the hotel structure, with a parking structure attached to the west side of the hotel building. Site improvements should include freestanding signage, which will likely be located near the entrance to the site (additional signage will likely be placed on the exterior of the building). We assume that all signage will adequately identify the property and meet brand standards. Planned landscaping should allow for a positive guest impression and competitive exterior appearance. Sidewalks are expected to be present along the front entrance and around the perimeter of the hotel, integrating the property into the neighboring apartment community. Other site improvements should include an outdoor pool, complete with a sundeck and barbecue area, and a trash area toward the rear of the property. Overall, the planned site improvements for the property appear adequate.

The hotel will comprise one single building, constructed of a wood frame. The exterior of the hotel will likely be finished with EIFS and stone. Two stairways and two elevators will provide internal vertical transportation within the main hotel structure. The hotel's roof will be made of wood trusses, covered with plywood and composition shingles and aluminum flashing. Double-paned windows will reduce noise transmission into the rooms. Heating and cooling will be provided by through-the-wall units and several large units for the public areas. Overall, the planned building components appear normal for a hotel of this type and should meet the standards for this market. We assume that all structural components will meet local building codes and that no significant defaults will occur during construction that would affect the future operating potential of the hotel or delay its assumed opening date.

## Public Areas

Guests will enter the hotel through a single set of automatic doors, which will open to a vestibule, and then through a second set of automatic doors. The lobby will be spacious, more than adequate for a TownePlace Suites by Marriott. The lobby walls and flooring should be attractively finished with upscale materials that are in line with brand standards. The front desk will feature a granite countertop, installed with appropriate property management and telephone systems. The front desk should feature a stone or glass countertop. We assume that all property management and telephone systems, as well as other technology, will be appropriately installed for the effective management of hotel operations. The furnishings and finishes in this space should offer an appropriate first impression, and the design of the space should lend itself to adequate efficiency. We assume that all property management and guestroom technology will be appropriately installed for the effective management of hotel operations.

## TYPICAL TOWNEPLACE SUITES BY MARRIOTT LOBBY

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The hotel's breakfast dining area is expected to be integrated into the lobby. Its size and layout should be appropriate for the hotel. The furnishings of the space should be of a similar style and finish as lobby and guestroom furnishings.



## TYPICAL TOWNEPLACE SUITES BY MARRIOTT BREAKFAST DINING AREA

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The hotel is anticipated to offer approximately 2,500 square feet of meeting space on the first floor within a single ballroom, which will be divisible into smaller meeting spaces, and a small boardroom. This planned meeting space appears appropriate for a hotel of this type and is assumed to meet brand standards. Public restrooms near the entrance to the meeting space should enhance the overall functionality of the area.



## TYPICAL TOWNEPLACE SUITES BY MARRIOTT MEETING ROOM



The hotel will offer a fitness center and an outdoor pool, complete with a sundeck and a barbecue area, as recreational facilities. Restrooms will be present off the pool area.

Other amenities will likely include a two-terminal lobby computer workstation, the "In A Pinch" market, and a guest laundry facility. Overall, the supporting facilities should be appropriate for a hotel of this type, and we assume that they will meet brand standards.

### Guestrooms

The hotel is expected to feature studio and one-bedroom suites, with guestrooms located on all levels of the property within the one building. The guestroom suites are anticipated to be of a standard size, offering typical amenities for this product type. In addition to the standard furnishings, suites should feature a kitchen with a full-size refrigerator, a stovetop, a coffeemaker, a microwave, a dishwasher, a sink, and basic cooking and dining utensils. In-room amenities should also include high-speed, wireless Internet access and an iron and ironing board. Overall, the guestroom suites should offer a competitive product for this Farmers Branch neighborhood.

Guestroom bathrooms are expected to be of a standard size, with a shower-in-tub or shower stall, commode, and single sink with vanity area. The floors should be finished with tile, and the walls should be finished with a material that is in line with brand standards. Bathroom amenities are anticipated to include a hairdryer and complimentary toiletries. Overall, the bathroom design should be appropriate for a product of this type.

#### **TYPICAL TOWNEPLACE SUITES BY MARRIOTT GUESTROOM**

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We assume that the guestroom corridors will be wide and functional, permitting the easy passage of housekeeping carts. Corridor flooring, signage, and lighting should be in keeping with the overall look and design of the rest of the property.

#### **Back-of-the-House**

The hotel will be served by the necessary back-of-the-house space, including an in-house laundry facility, administrative offices, and a full commercial kitchen to service the breakfast dining and banquet areas. These spaces should be adequate for a hotel of this type and should allow for the efficient operation of the property under competent management.

**ADA and  
Environmental**

We assume that the property will be built according to all pertinent codes and brand standards. Moreover, we assume its construction will not create any environmental hazards (such as mold) and that the property will fully comply with the Americans with Disabilities Act.

**Capital Expenditures**

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

**Project Overview  
Conclusion**

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

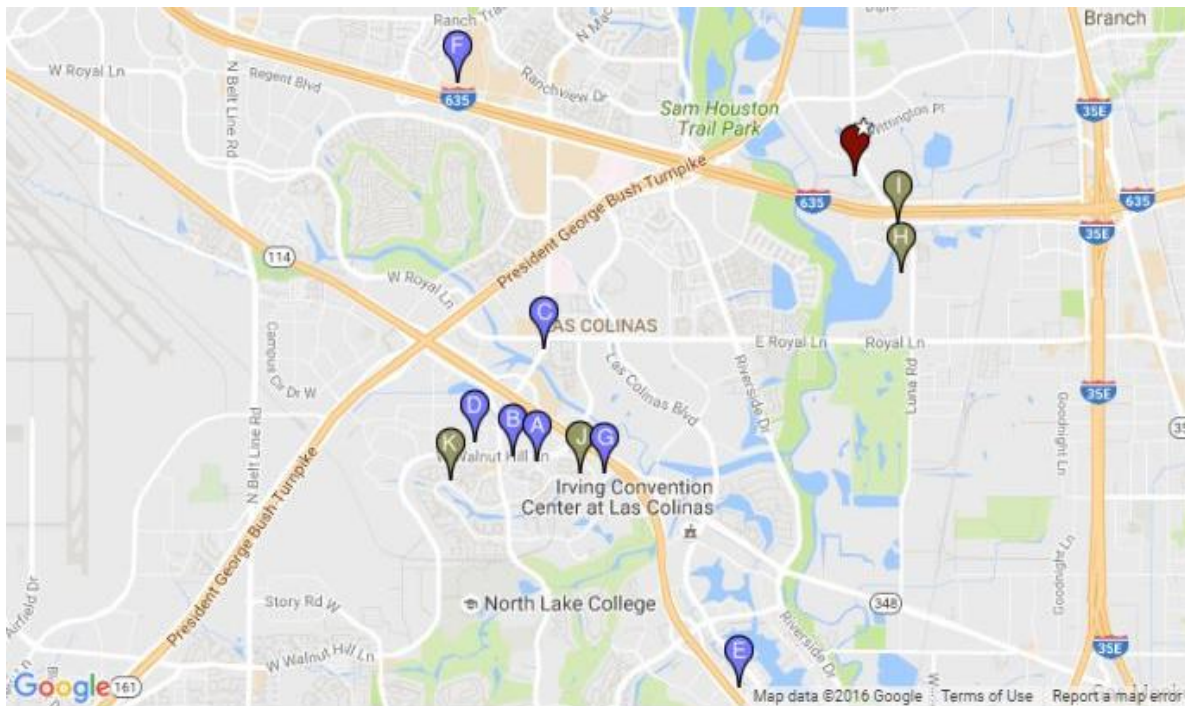
## Market Overview

The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject site is located in the city of Farmers Branch, the county of Dallas, and the state of Texas. Farmers Branch borders the Irving-Las Colinas area, which is home to over 9,000 companies, including nine Fortune 1000 global headquarters and locations for 53 Fortune 500 corporations. Farmers Branch is situated strategically in the middle of the Dallas/Fort Worth Metroplex, and the Dallas/Fort Worth International Airport is located within minutes of the area. Freeport tax exemptions, which allow tenants to be exempt from personal property taxes on inventories held less than 175 days and shipped out of the state of Texas, and a foreign trade zone are other factors that help to promote business. In addition, the area offers a vast transportation network that includes a web of highways, a commuter rail service, and a light-rail line. Several world-class business centers, the historic Las Colinas Central Business District, and a workforce of over three million people all contribute to the local economy.

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

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

## MAP OF COMPETITION



- |  |   |  |   |
|--|---|--|---|
|  | Proposed TownePlace Suites by Marriott                        |  | Staybridge Suites DFW Airport North (Primary)                           |
|  | TownePlace Suites by Marriott Dallas Las Colinas (Primary)    |  | Candlewood Suites Dallas Las Colinas (Primary)                          |
|  | Residence Inn by Marriott Las Colinas (Primary)               |  | DoubleTree by Hilton Hotel Dallas Farmers Branch (Secondary)            |
|  | Hyatt House Dallas Las Colinas Irving (Primary)               |  | Omni Dallas Park West (Secondary)                                       |
|  | Staybridge Suites Irving Las Colinas (Primary)                |  | Extended Stay America Dallas Las Colinas Green Park Drive (Secondary)   |
|  | Homewood Suites by Hilton Dallas Irving Las Colinas (Primary) |  | Extended Stay America Dallas Las Colinas Meadow Creek Drive (Secondary) |

**FIGURE 1-19 SECONDARY COMPETITOR(S) – OPERATING PERFORMANCE**

Property	Est. Segmentation					Total Competitive Level	Estimated 2014				Estimated 2015			
	Number of Rooms	Extended-Stay	Commercial	Leisure	Group		Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
DoubleTree by Hilton Hotel Dallas Farmers Branch	160	0 %	60 %	25 %	15 %	50 %	80	60 - 65 %	\$105 - \$110	\$70 - \$75	80	65 - 70 %	\$110 - \$115	\$75 - \$80
Omni Dallas Park West	337	0	55	25	20	50	169	60 - 65	110 - 115	70 - 75	169	65 - 70	115 - 120	75 - 80
Extended Stay America Dallas Las Colinas Green Park Drive	126	75	5	15	5	35	44	80 - 85	35 - 40	30 - 35	44	85 - 90	35 - 40	30 - 35
Extended Stay America Dallas Las Colinas Meadow Creek Drive	116	75	5	15	5	35	41	85 - 90	30 - 35	25 - 30	41	85 - 90	35 - 40	30 - 35
<b>Totals/Averages</b>	<b>739</b>	<b>23 %</b>	<b>41 %</b>	<b>22 %</b>	<b>14 %</b>	<b>45 %</b>	<b>333</b>	<b>69.1 %</b>	<b>\$87.56</b>	<b>\$60.47</b>	<b>333</b>	<b>71.6 %</b>	<b>\$91.33</b>	<b>\$65.37</b>

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



**FIGURE 1-20 ACCOMMODATED ROOM-NIGHT DEMAND – BASE YEAR**

Market Segment	Marketwide	
	Accommodated Demand	Percentage of Total
Extended-Stay	166,563	49 %
Commercial	85,180	25
Leisure	64,061	19
Group	25,090	7
<b>Total</b>	<b>340,893</b>	<b>100 %</b>

**Projection of  
Occupancy and  
Average Rate**

Along with average rate results, the occupancy levels achieved by a hotel are the foundation of the property's financial performance and market value.

**FIGURE 1-22 FORECAST OF MARKET OCCUPANCY**

	2016	2017	2018	2019	2020	2021	2022
<b>Extended-Stay</b>							
Base Demand	169,894	176,690	181,990	183,810	183,810	183,810	183,810
Unaccommodated Demand	16,700	17,368	17,889	18,068	18,068	18,068	18,068
Total Demand	186,594	194,058	199,880	201,878	201,878	201,878	201,878
Growth Rate	12.0 %	4.0 %	3.0 %	1.0 %	0.0 %	0.0 %	0.0 %
<b>Commercial</b>							
Base Demand	86,883	89,924	92,622	93,548	93,548	93,548	93,548
Unaccommodated Demand	5,627	5,824	5,999	6,059	6,059	6,059	6,059
Total Demand	92,510	95,748	98,621	99,607	99,607	99,607	99,607
Growth Rate	8.6 %	3.5 %	3.0 %	1.0 %	0.0 %	0.0 %	0.0 %
<b>Leisure</b>							
Base Demand	64,702	66,319	68,641	70,013	70,013	70,013	70,013
Unaccommodated Demand	2,477	2,539	2,628	2,680	2,680	2,680	2,680
Total Demand	67,179	68,858	71,268	72,694	72,694	72,694	72,694
Growth Rate	4.9 %	2.5 %	3.5 %	2.0 %	0.0 %	0.0 %	0.0 %
<b>Group</b>							
Base Demand	25,341	25,974	26,364	26,627	26,627	26,627	26,627
Unaccommodated Demand	812	832	845	853	853	853	853
Total Demand	26,153	26,806	27,209	27,481	27,481	27,481	27,481
Growth Rate	4.2 %	2.5 %	1.5 %	1.0 %	0.0 %	0.0 %	0.0 %
<b>Totals</b>							
Base Demand	346,820	358,907	369,616	373,999	373,999	373,999	373,999
Unaccommodated Demand	25,616	26,563	27,360	27,660	27,660	27,660	27,660
Total Demand	372,436	385,471	396,977	401,659	401,659	401,659	401,659
less: Residual Demand	25,848	25,275	8,941	818	818	818	818
Total Accommodated Demand	346,588	360,196	388,036	400,842	400,842	400,842	400,842
<b>Overall Demand Growth</b>	1.7 %	3.9 %	7.7 %	3.3 %	0.0 %	0.0 %	0.0 %
<b>Market Mix</b>							
Extended-Stay	50.1 %	50.3 %	50.4 %	50.3 %	50.3 %	50.3 %	50.3 %
Commercial	24.8	24.8	24.8	24.8	24.8	24.8	24.8
Leisure	18.0	17.9	18.0	18.1	18.1	18.1	18.1
Group	7.0	7.0	6.9	6.8	6.8	6.8	6.8
<b>Existing Hotel Supply</b>	1,205	1,205	1,205	1,205	1,205	1,205	1,205
<b>Proposed Hotels</b>							
Proposed TownePlace Suites Farmers Branch	<sup>1</sup>		101	120	120	120	120
Proposed TownePlace Suites DFW Irving North	<sup>2</sup>	35	60	60	60	60	60
WoodSpring Suites Signature Irving Las Colinas	<sup>3</sup>		23	39	39	39	39
Proposed Candlewood Suites Farmers Branch	<sup>4</sup>	29	43	43	43	43	43
Proposed Holiday Inn Express Farmers Branch	<sup>5</sup>		16	27	27	27	27
Available Room Nights per Year	450,360	468,217	527,938	544,909	544,909	544,909	544,909
Nights per Year	365	365	365	365	365	365	365
<b>Total Supply</b>	1,234	1,283	1,446	1,493	1,493	1,493	1,493
Rooms Supply Growth	2.4 %	4.0 %	12.8 %	3.2 %	0.0 %	0.0 %	0.0 %
<b>Marketwide Occupancy</b>	<b>77.0 %</b>	<b>76.9 %</b>	<b>73.5 %</b>	<b>73.6 %</b>	<b>73.6 %</b>	<b>73.6 %</b>	<b>73.6 %</b>

<sup>1</sup> Opening in March 2018 of the 100% competitive, 120-room Proposed TownePlace Suites Farmers Branch

<sup>2</sup> Opening in June 2017 of the 50% competitive, 119-room Proposed TownePlace Suites DFW Irving North

<sup>3</sup> Opening in June 2018 of the 50% competitive, 78-room WoodSpring Suites Signature Irving Las Colinas

<sup>4</sup> Opening in May 2016 of the 35% competitive, 122-room Proposed Candlewood Suites Farmers Branch

<sup>5</sup> Opening in June 2018 of the 25% competitive, 106-room Proposed Holiday Inn Express Farmers Branch

**FIGURE 1-27 TEN-YEAR FORECAST OF INCOME AND EXPENSE**

	2018/19		2019/20		2020/21		2021/22		2022/23		2023/24		2024/25		2025/26		2026/27		2027/28	
Number of Rooms:	120		120		120		120		120		120		120		120		120		120	
Occupied Rooms:	29,346		31,974		32,850		33,288		33,288		33,288		33,288		33,288		33,288		33,288	
Occupancy:	67%		73%		75%		76%		76%		76%		76%		76%		76%		76%	
Average Rate:	\$109.70	% of	\$114.15	% of	\$118.76	% of	\$122.32	% of	\$125.99	% of	\$129.77	% of	\$133.67	% of	\$137.68	% of	\$141.81	% of	\$146.06	% of
RevPAR:	\$73.50	Gross	\$83.33	Gross	\$89.07	Gross	\$92.97	Gross	\$95.75	Gross	\$98.63	Gross	\$101.59	Gross	\$104.63	Gross	\$107.77	Gross	\$111.01	Gross
<b>OPERATING REVENUE</b>																				
Rooms	\$3,219	94.7 %	\$3,650	95.0 %	\$3,901	95.2 %	\$4,072	95.2 %	\$4,194	95.2 %	\$4,320	95.2 %	\$4,449	95.2 %	\$4,583	95.2 %	\$4,720	95.2 %	\$4,862	95.2 %
Other Operated Departments	139	4.1	147	3.8	152	3.7	157	3.7	162	3.7	167	3.7	172	3.7	177	3.7	183	3.7	188	3.7
Miscellaneous Income	42	1.2	44	1.1	46	1.1	47	1.1	49	1.1	50	1.1	52	1.1	53	1.1	55	1.1	56	1.1
Total Operating Revenue	3,400	100.0	3,841	100.0	4,099	100.0	4,277	100.0	4,405	100.0	4,537	100.0	4,673	100.0	4,813	100.0	4,957	100.0	5,106	100.0
<b>DEPARTMENTAL EXPENSES*</b>																				
Rooms	781	24.3	831	22.8	865	22.2	896	22.0	923	22.0	950	22.0	979	22.0	1,008	22.0	1,038	22.0	1,070	22.0
Other Operated Departments	97	69.8	101	68.6	104	68.2	107	68.0	110	68.0	114	68.0	117	68.0	121	68.0	124	68.0	128	68.0
Total	878	25.8	932	24.3	969	23.6	1,003	23.4	1,033	23.5	1,064	23.4	1,096	23.5	1,129	23.5	1,163	23.5	1,197	23.5
<b>DEPARTMENTAL INCOME</b>	2,522	74.2	2,909	75.7	3,130	76.4	3,274	76.6	3,372	76.5	3,473	76.6	3,577	76.5	3,685	76.5	3,795	76.5	3,909	76.5
<b>UNDISTRIBUTED OPERATING EXPENSES</b>																				
Administrative & General	289	8.5	304	7.9	316	7.7	326	7.6	336	7.6	346	7.6	357	7.6	367	7.6	378	7.6	390	7.6
Marketing	166	4.9	152	4.0	158	3.9	163	3.8	168	3.8	173	3.8	178	3.8	184	3.8	189	3.8	195	3.8
Franchise Fee	225	6.6	256	6.7	273	6.7	285	6.7	294	6.7	302	6.7	311	6.7	321	6.7	330	6.7	340	6.7
Prop. Operations & Maint.	113	3.3	143	3.7	165	4.0	170	4.0	175	4.0	181	4.0	186	4.0	192	4.0	197	4.0	203	4.0
Utilities	144	4.2	152	4.0	158	3.9	163	3.8	168	3.8	173	3.8	178	3.8	184	3.8	189	3.8	195	3.8
Total	938	27.5	1,006	26.3	1,070	26.2	1,108	25.9	1,141	25.9	1,176	25.9	1,211	25.9	1,247	25.9	1,285	25.9	1,323	25.9
<b>GROSS HOUSE PROFIT</b>	1,584	46.7	1,903	49.4	2,060	50.2	2,166	50.7	2,231	50.6	2,298	50.7	2,366	50.6	2,437	50.6	2,510	50.6	2,586	50.6
Management Fee	102	3.0	115	3.0	123	3.0	128	3.0	132	3.0	136	3.0	140	3.0	144	3.0	149	3.0	153	3.0
<b>INCOME BEFORE NON-OPER. INC. &amp; EXP.</b>	1,482	43.7	1,788	46.4	1,937	47.2	2,037	47.7	2,098	47.6	2,162	47.7	2,226	47.6	2,293	47.6	2,361	47.6	2,433	47.6
<b>NON-OPERATING INCOME AND EXPENSE</b>																				
Property Taxes	212	6.2	290	7.5	298	7.3	307	7.2	317	7.2	326	7.2	336	7.2	346	7.2	356	7.2	367	7.2
Insurance	45	1.3	47	1.2	48	1.2	50	1.2	51	1.2	53	1.2	54	1.2	56	1.2	58	1.2	59	1.2
Reserve for Replacement	68	2.0	115	3.0	164	4.0	171	4.0	176	4.0	181	4.0	187	4.0	193	4.0	198	4.0	204	4.0
Total	325	9.5	452	11.7	511	12.5	528	12.4	544	12.4	560	12.4	577	12.4	594	12.4	612	12.4	631	12.4
<b>EBITDA LESS RESERVE</b>	\$1,157	34.2 %	\$1,336	34.7 %	\$1,427	34.7 %	\$1,509	35.3 %	\$1,554	35.2 %	\$1,601	35.3 %	\$1,649	35.2 %	\$1,699	35.2 %	\$1,749	35.2 %	\$1,802	35.2 %

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