



MARKET STUDY

Proposed Hotel Georgia World Congress Center

285 ANDREW YOUNG INTERNATIONAL BOULEVARD NW
ATLANTA, GEORGIA

SUBMITTED TO:

Mr. Richard Sawyer
Geo. L. Smith II Georgia World Congress Center
Authority
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PREPARED BY:

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August 19, 2013

Mr. Richard Sawyer
Geo. L. Smith II Georgia World Congress Center Authority
285 Andrew Young International Boulevard NW
Atlanta, Georgia, 30313-1591

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Re: Proposed Hotel Georgia World Congress Center
Atlanta, Georgia
HVS Reference: 2013020665

Dear Mr. Sawyer:

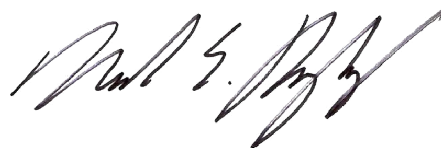
Pursuant to your request, we herewith submit our market study pertaining to the above-captioned property. We have inspected the real estate and analyzed the hotel market conditions in the Atlanta, Georgia area. We have studied the proposed project, and the results of our fieldwork and analysis are presented in this report. We have also reviewed the proposed improvements for this site. Our report was prepared in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation.

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

Sincerely,
TS Worldwide, LLC



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1. Executive Summary

Project: Proposed Hotel Georgia World Congress Center
 Location: 285 Andrew Young International Boulevard NW
 Atlanta, Georgia 30313

LAND DESCRIPTION

Area: 2.00 acres, or 87,120 square feet
 Zoning: C-5 - Central Business Support District
 Assessor's Parcel Number(s): 14008300060740
 FEMA Flood Zone: X

PROPOSED IMPROVEMENTS DESCRIPTION

Expected Opening Date: July 1, 2017
 Property Type: Full-service, convention headquarters lodging facility
 Building Area: TBD
 Guestrooms: 1,200 (recommended)
 Number of Stories: TBD
 Food and Beverage Facilities: Two restaurants, two lounges, a café, and a coffee kiosk
 Meeting Space: 110,000 square feet
 Main Ballroom: 30,000 square feet
 Junior Ballroom: 20,000 square feet
 Additional Meeting Space: 35,000 square feet
 Pre-Function Space: 25,000 square feet
 Additional Facilities: An outdoor pool, an outdoor whirlpool, a spa, a fitness center, a business center, a gift shop, retail outlets, and an airport shuttle
 Parking Spaces: TBD

**Subject of the
Market Study**

The subject of the market study is an estimated 87,120-square-foot (2.00-acre) parcel to be improved with a full-service, convention headquarters lodging facility; the hotel's brand affiliation is undetermined, although we have placed emphasis on the InterContinental brand. The property is expected to open on July 1, 2017 and will feature 1,200 rooms, two restaurants, two lounges, a café, and a coffee kiosk, 110,000 square feet of meeting space, an outdoor pool, an outdoor whirlpool, a spa, a fitness center, a business center, a gift shop, retail outlets, and an airport shuttle. The hotel will also feature all necessary back-of-the-house space.

The proposed subject property is anticipated to serve in concert with the 1,070-room Omni at CNN Center as the city's second convention headquarters hotel. Given the relatively low levels of exhibit space occupancy at the GWCC and the limited activity in the center's newest facility, the state-of-the-art Building C, the proposed hotel is further expected to be integrated to a large degree with Building C, serving as a bookend to the GWCC with the Omni, which is located adjacent to Building A on the center's eastern end. Four possible developmental sites are under consideration for the proposed hotel; however, given the hotel's potential to induce meeting and group demand to Building C, it is our recommendation that the proposed hotel should be developed on the Gold Deck site and should be attached to both Building C and the adjacent Building B, affording hotel guests easy access to both facilities. The selection of the Gold Deck site is further supported by the apparent likelihood that the new Atlanta Falcons stadium will be developed on the proposed South Site, proximate to the Gold Deck. The proposed hotel should be designed in line with other convention headquarters hotels in major markets, with a nationally recognized brand affiliation and corresponding rewards system, numerous food and beverage and retail outlets, and an appropriate complement of meeting space. It is our further recommendation that the proposed hotel be integrated with outside meeting space, food and beverage outlets, and entertainment venues adjacent to the GWCC and proposed stadium, creating a centralized guest experience. The subject site's location is 285 Andrew Young International Boulevard NW, Atlanta, Georgia, 30313.

FIGURE 1-1 PROPOSED FACILITIES SUMMARY

Guestroom Configuration		Number of Units (Estimated)
Standard King		350
Standard Queen/Queen		475
Club King		125
Club Queen/Queen		175
Suite		75
Total		1,200
Food & Beverage Facilities		Seating Capacity (Estimated)
All-Day-Dining Restaurant (Buffet)		300
Upscale, Fine-Dining Restaurant		200
Club Lounge		75
Lobby Lounge		60
Casual Café		40
Coffee Kiosk		30
Indoor Meeting & Banquet Facilities		Square Footage (Estimated)
Main Ballroom		30,000
<i>Main Ballroom Pre-Function Space</i>		<i>12,500</i>
Junior Ballroom		20,000
<i>Junior Ballroom Pre-Function Space</i>		<i>7,500</i>
Additional Meeting Space		35,000
<i>Additional Pre-Function Space</i>		<i>5,000</i>
Total Meeting Rooms		85,000
<i>Total Pre-Function Space</i>		<i>25,000</i>
Total Meeting Space		110,000
Amenities & Services		
Indoor Swimming Pool	Business Center	
Indoor Whirlpool	Gift Shop	
Health Spa	Retail Outlets	
Fitness Center	Airport Shuttle	
Infrastructure		
Parking Spaces		TBD
Elevators		TBD
Life-Safety Systems	Sprinklers, Smoke Detectors	
Construction Details	Class A Fireproof, Structural Steel Frame	

Pertinent Dates

The effective date of the report is August 19, 2013. The subject site was inspected by Adam R. Lair and Michael E. Brophy on July 26, 2013.

Ownership, Franchise, and Management Assumptions

The developer of the proposed subject property is the Georgia World Congress Center Authority in conjunction with the City of Atlanta and the State of Georgia. The recommended subject site is part of a larger site housing the Georgia World Congress Center and is currently owned by the State of Georgia; the site has not been transferred in several years and is neither listed nor under contract for sale.

The proposed hotel is expected to be managed by the brand. Details pertaining to brand affiliation and management terms were not yet determined at the time of this report; therefore, our forecast fees represent a blended average of what would be expected on a base-fee and incentive-fee basis. While a limited number of affiliations are available for the Downtown Atlanta market, we have placed particular emphasis on the InterContinental brand given the presence of InterContinental Hotels Group's (IHG) North American headquarters in metropolitan Atlanta. It is our conclusion that the development of an InterContinental hotel at the GWCC would be especially attractive in that it would provide IHG with a trophy asset in its home market. However, we note that given the confidentiality of this project, interest in the InterContinental brand affiliation has not been confirmed by IHG representatives. We have assumed a market-appropriate total management fee of 3.0% of total revenues in our study.

The proposed subject property is expected to be managed by the brand throughout the forecast period and will, therefore, not be subject to franchise fees.

Summary of Hotel Market Trends – Local Competitive Set

Conventions at the Georgia World Congress Center, major corporate entities with headquarter offices in Downtown Atlanta, and numerous entertainment venues and attractions, such as the Georgia Dome and Georgia Aquarium, represent the primary sources of demand in this market. From 2001 through 2003, market-wide occupancy levels remained at or just above 60.0% before trending upward slightly in 2004. Occupancy levels increased further in 2005 and 2006 due to heightened activity levels at the GWCC, as conventions relocated from New Orleans in the aftermath of Hurricane Katrina. Occupancy peaked in 2007 due to continued strong meeting activity and the opening of new tourist attractions, such as the World of Coca-Cola. However, the onset of the economic recession in 2008 resulted in a significant decline in occupancy, which was exacerbated by the opening of the Hilton Garden Inn Atlanta Downtown, diluting already weakening demand. Continued decreases in demand and the opening of the W Atlanta Downtown in early 2009 combined to spur further declines in market-wide occupancy that year, as the economic downturn negatively affected convention bookings and reduced corporate and leisure travel to the market. Both demand and corresponding occupancy recovered substantially in 2010, bolstered by a

dramatic increase in convention activity at the GWCC, although occupancy declined slightly in 2011 as convention activity slowed somewhat. Occupancy for the market recovered moderately in 2012 due to a stronger convention season; however, the latest year-to-date data for 2013 show declines in occupancy, as sequestration and budgetary uncertainty in Congress have significantly reduced room-night demand from government-related entities in the downtown market.

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

FIGURE 1-2 HISTORICAL SUPPLY AND DEMAND TRENDS (STR) – LOCAL COMPETITIVE SET

Year	Average Daily Available Room		Occupied Room		Average		RevPAR	Change		
	Room Count	Nights	Change	Nights	Change	Rate				
2001	7,797	2,845,905	—	1,749,328	—	61.5 %	\$141.63	—	\$87.06	—
2002	7,797	2,845,905	0.0	1,765,558	0.9	62.0	137.45	(3.0)	85.27	(2.1)
2003	7,797	2,845,905	0.0	1,702,371	(3.6)	59.8	128.52	(6.5)	76.88	(9.8)
2004	8,397	3,064,905	7.7	1,890,098	11.0	61.7	130.98	1.9	80.77	5.1
2005	8,397	3,064,905	0.0	1,966,973	4.1	64.2	134.42	2.6	86.27	6.8
2006	8,388	3,061,720	(0.1)	2,030,842	3.2	66.3	145.14	8.0	96.27	11.6
2007	8,384	3,060,160	(0.1)	2,088,328	2.8	68.2	150.16	3.5	102.48	6.4
2008	8,588	3,134,488	2.4	1,980,394	(5.2)	63.2	150.99	0.6	95.40	(6.9)
2009	8,874	3,239,034	3.3	1,795,482	(9.3)	55.4	142.73	(5.5)	79.12	(17.1)
2010	8,882	3,241,930	0.1	2,061,559	14.8	63.6	145.44	1.9	92.48	16.9
2011	8,882	3,241,930	0.0	2,010,819	(2.5)	62.0	138.64	(4.7)	85.99	(7.0)
2012	8,883	3,242,390	0.0	2,102,842	4.6	64.9	144.64	4.3	93.81	9.1
Average Annual Compounded Change:										
2000-2012			1.1 %		1.5 %			0.2 %		0.6 %
Year-to-Date Through June										
2012	8,882	1,607,642	—	1,083,880	—	67.4 %	\$144.72	—	\$97.57	—
2013	8,887	1,608,547	0.1 %	1,060,192	(2.2) %	65.9	143.24	(1.0) %	94.41	(3.2) %
Hotels Included in Sample				Number	Year	Year				
				of Rooms	Affiliated	Opened				
DoubleTree Atlanta Downtown				312	Apr 2013	Jun 1962				
Sheraton Hotel Atlanta				763	Mar 1999	Jun 1965				
Hyatt Regency Atlanta				1,260	Jun 1967	Jun 1967				
Omni Hotel @ CNN Center				1,070	Jun 1974	Jun 1974				
Westin Peachtree Plaza Atlanta				1,073	Jun 1976	Jun 1976				
Hilton Atlanta				1,242	Aug 1976	Aug 1976				
Ritz-Carlton Atlanta				444	Apr 1984	Apr 1984				
Holiday Inn Atlanta Downtown Centennial Park				260	Mar 1999	Jun 1985				
Marriott Atlanta Marquis				1,663	Jul 1985	Jul 1985				
Embassy Suites Atlanta @ Cent Olympic Park				321	Jun 1999	Jun 1999				
Hilton Garden Inn Atlanta Downtown				242	Mar 2008	Mar 2008				
W Hotel Atlanta Downtown				237	Jan 2009	Jan 2009				
Total				8,887						

Source: STR Global

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

FIGURE 1-3 LOCAL COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation			Estimated 2010			Estimated 2011			Estimated 2012		
		Meeting and Group	Commercial	Leisure	Weighted Annual Room Count	Occ.	Average Rate	Weighted Annual Room Count	Occ.	Average Rate	Weighted Annual Room Count	Occ.	Average Rate
DoubleTree By Hilton Hotel Atlanta Downtown	312	35 %	50 %	15 %	312	65 - 69 %	\$130 - 140	312	61 - 65 %	\$130 - 140	312	55 - 59 %	\$139 - 149
Embassy Suites Atlanta Centennial Olympic Park	321	50	35	15	321	72 - 76	162 - 172	321	70 - 74	158 - 168	321	69 - 73	164 - 174
Hilton Atlanta	1,242	65	25	10	477	69 - 73	110 - 120	1,242	65 - 69	114 - 124	1,242	69 - 73	117 - 127
Hilton Garden Inn Atlanta Downtown	242	35	50	15	242	70 - 74	144 - 154	242	70 - 74	141 - 151	242	71 - 75	146 - 156
Holiday Inn Atlanta Downtown Centennial Park	260	30	50	20	260	60 - 64	105 - 115	260	61 - 65	101 - 111	260	60 - 64	102 - 112
Hyatt Regency Atlanta	1,260	70	20	10	1,260	68 - 72	137 - 147	1,260	55 - 59	130 - 140	1,260	62 - 66	135 - 145
Marriott Marquis Atlanta	1,663	75	15	10	1,663	63 - 69	142 - 152	1,663	60 - 64	139 - 149	1,663	66 - 70	140 - 150
Omni Atlanta at CNN Center	1,070	75	15	10	1,070	56 - 60	163 - 173	1,070	55 - 59	158 - 168	1,070	62 - 66	159 - 169
Ritz-Carlton Atlanta	444	45	40	15	444	63 - 67	165 - 175	444	67 - 71	162 - 172	444	66 - 70	178 - 188
Sheraton Atlanta	763	60	25	15	763	58 - 62	122 - 132	763	57 - 61	116 - 126	763	65 - 69	119 - 129
W Atlanta Downtown	237	40	45	15	237	56 - 60	184 - 194	237	60 - 64	186 - 196	237	65 - 69	190 - 200
Westin Peachtree Plaza Atlanta	1,068	70	20	10	1,068	54 - 58	130 - 140	1,068	59 - 63	117 - 127	1,068	49 - 53	140 - 150
Sub-Totals/Averages	8,882	64 %	25 %	12 %	8,117	63.9 %	\$145.17	8,882	62.1 %	\$138.62	8,882	64.9 %	\$144.58
Secondary Competitors	25,728	71 %	16 %	13 %	8,117	68.7 %	\$169.13	8,535	70.0 %	\$176.82	9,008	70.4 %	\$179.54
Totals/Averages	34,610	68 %	20 %	12 %	16,234	66.3 %	\$157.58	17,417	65.9 %	\$158.48	17,890	67.7 %	\$162.89

**Summary of Hotel
Market Trends –
National Competitive
Set**

After declining measurably from previous peak levels in 2001, occupancy among the selected set of national competitors experienced a modest overall increase through 2012, despite an influx of new supply representing nearly 50.0% of the total rooms available in 2001. We note that the average annual available-room-night change from 2001 through 2012 was 3.6%, while the average annual change in occupied room nights exceeded that figure at 4.2%, resulting in a modestly positive delta of 0.6% and indicating that the demand induced by the opening of convention hotels justifies the development of these large properties. Furthermore, this small but positive change in occupancy rates over time illustrates the significant amount of demand that is created by the openings of convention hotels, even with the inclusion of a major recessionary period during the illustrated period. Despite significant increases in new supply since 2005, including the openings of six new hotels within the selected set, national occupancy levels in 2012 reached their highest point since 2007, just prior to the Great Recession. Year-to-date figures roughly match those of 2007, indicating that the national market may soon exceed the 70.0% benchmark surpassed only twice in the illustrated period, in 2001 and 2007. Similarly, average rate levels among the national competitive set grew on an aggregate basis over the historical period shown, although annual rate levels predictably ebbed and flowed concurrent with national economic cycles. Although additional supply is expected in the future, the national market is forecast to absorb this new supply and return to pre-recession levels in upcoming years, just as additional room inventory has been absorbed historically.

The following table provides a historical perspective on the supply and demand trends for the selected set of national convention hotels, as provided by Smith Travel Research. The subsequent table reflects our estimates of operating data for hotels on an individual basis. These trends are presented in detail in the Supply and Demand Analysis chapter of this report.

FIGURE 1-4 HISTORICAL SUPPLY AND DEMAND TRENDS (STR) – NATIONAL COMPETITIVE SET

Year	Average Daily Available Room		Change	Occupied Room		Occupancy	Average		RevPAR	Change
	Room Count	Nights		Nights	Change		Rate	Change		
2001	17,434	6,363,393	—	4,156,796	—	65.3 %	\$166.62	—	\$108.84	—
2002	17,454	6,370,752	0.1	4,138,553	(0.4)	65.0	164.69	(1.2)	106.99	(1.7)
2003	17,832	6,508,838	2.2	4,212,886	1.8	64.7	161.67	(1.8)	104.64	(2.2)
2004	18,274	6,670,010	2.5	4,518,299	7.2	67.7	162.13	0.3	109.83	5.0
2005	18,198	6,642,254	(0.4)	4,572,859	1.2	68.8	168.32	3.8	115.88	5.5
2006	19,372	7,070,750	6.5	4,912,630	7.4	69.5	173.26	2.9	120.38	3.9
2007	19,626	7,163,580	1.3	5,082,660	3.5	71.0	181.61	4.8	128.85	7.0
2008	21,292	7,771,739	8.5	5,284,647	4.0	68.0	187.06	3.0	127.20	(1.3)
2009	23,034	8,407,274	8.2	5,352,924	1.3	63.7	170.93	(8.6)	108.83	(14.4)
2010	24,228	8,843,105	5.2	5,939,820	11.0	67.2	166.93	(2.3)	112.12	3.0
2011	24,894	9,086,416	2.8	6,227,240	4.8	68.5	174.08	4.3	119.30	6.4
2012	25,729	9,391,086	3.4	6,469,383	3.9	68.9	177.59	2.0	122.34	2.5
Average Annual Compounded Change:										
2000-2012			3.3 %		3.8 %			0.5 %		1.0 %

Year-to-Date Through June

2012	25,728	4,656,768	—	3,285,222	—	70.5 %	\$182.46	—	\$128.72	—
2013	25,836	4,676,308	0.4 %	3,382,773	3.0 %	72.3	188.76	3.5 %	136.55	6.1 %

Hotels Included in Sample	Number of Rooms	Year Affiliated	Year Opened
Sheraton Hotel Dallas	1,840	Apr 2008	Jun 1959
Hilton San Francisco Union Square	1,908	Aug 1964	Aug 1964
Hilton New Orleans Riverside	1,622	Oct 2005	Sep 1977
Hyatt Regency Dallas	1,120	May 1978	May 1978
Sheraton Seattle Hotel	1,258	Jun 1982	Jun 1982
Marriott San Diego Marquis & Marina	1,360	Jun 1984	Jun 1984
Preferred The Peabody Orlando	1,641	Nov 1986	Nov 1986
Grand Hyatt Washington	897	Jun 1987	Jun 1987
Renaissance Nashville Hotel	673	Jun 1995	Aug 1987
Marriott San Antonio Rivercenter	1,001	Sep 1988	Sep 1988
Renaissance Washington DC Downtown Hotel	807	Mar 1989	Mar 1989
Marriott San Francisco Marquis	1,499	Oct 1989	Oct 1989
Grand Hyatt Manchester San Diego	1,628	Dec 1992	Dec 1992
Marriott Philadelphia Downtown	1,408	Feb 1995	Feb 1995
Hyatt Regency McCormick Place	1,098	Jun 1998	Jun 1998
Hyatt Regency Denver Convention Ctr	1,100	Dec 2005	Dec 2005
Grand Hyatt San Antonio	1,003	Mar 2008	Mar 2008
Hilton Baltimore	757	Aug 2008	Aug 2008
Sheraton Hotel Phoenix Downtown	1,000	Sep 2008	Sep 2008
Hilton Orlando Orange County Convention Center	1,417	Sep 2009	Sep 2009
Omni Dallas Convention Center Hotel	1,001	Nov 2011	Nov 2011
Total	26,038		

Source: STR Global

FIGURE 1-5 NATIONAL COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation			Total Competitive Level	Estimated 2010			Estimated 2011			Estimated 2012		
		Meeting and Group	Commercial	Leisure		Weighted Annual Room Count	Occ.	Average Rate	Weighted Annual Room Count	Occ.	Average Rate	Weighted Annual Room Count	Occ.	Average Rate
Hilton Baltimore	757	75 %	20 %	5 %	25 %	189	60 - 64 %	\$171 - 181	189	61 - 65 %	167 - 177	189	62 - 66 %	\$166 - 176
Hyatt Regency McCormick Place	800	75	15	10	45	360	59 - 63	168 - 178	360	58 - 62	181 - 191	360	60 - 64	184 - 194
Sheraton Dallas	1,840	65	20	15	15	276	47 - 51	114 - 124	276	49 - 53	120 - 130	276	48 - 52	118 - 128
Hyatt Regency Dallas	1,120	70	20	10	15	168	54 - 58	146 - 156	168	54 - 58	159 - 169	168	57 - 61	161 - 171
Omni Dallas	1,001	75	15	10	55	0	0	0.00	77	50 - 54	153 - 163	551	62 - 66	152 - 162
Hyatt Regency Denver Colorado Convention Center	1,100	80	15	5	45	495	70 - 74	157 - 167	495	70 - 74	159 - 169	495	74 - 78	157 - 167
Renaissance Nashville	673	60	25	15	25	168	73 - 77	135 - 145	168	76 - 80	138 - 148	168	74 - 78	154 - 164
Hilton New Orleans Riverside	1,622	75	5	20	55	892	69 - 73	150 - 160	892	68 - 72	158 - 168	892	72 - 76	159 - 169
Peabody Orlando	1,641	70	10	20	15	134	61 - 65	126 - 136	246	55 - 59	138 - 148	246	58 - 62	144 - 154
Hilton Orlando	1,417	75	5	20	55	551	66 - 70	147 - 157	779	63 - 67	157 - 167	779	65 - 69	158 - 168
Marriott Philadelphia Downtown	1,408	60	25	15	35	493	68 - 72	149 - 159	493	69 - 73	161 - 171	493	72 - 76	162 - 172
Sheraton Phoenix Downtown	1,000	60	30	10	35	350	51 - 55	153 - 163	350	49 - 53	169 - 179	350	52 - 58	152 - 162
Grand Hyatt San Antonio	1,003	75	15	10	35	351	61 - 65	141 - 151	351	66 - 70	158 - 168	351	72 - 76	175 - 185
Marriott San Antonio Rivercenter	1,001	75	5	20	35	350	58 - 62	138 - 148	350	61 - 65	152 - 162	350	66 - 70	155 - 165
Manchester Grand Hyatt San Diego	1,625	75	15	10	45	731	71 - 75	181 - 191	731	76 - 80	183 - 193	731	76 - 80	190 - 200
Marriott Marquis Hotel & Marina San Diego	1,360	80	10	10	45	613	61 - 65	190 - 200	613	69 - 73	204 - 214	612	71 - 75	210 - 220
Hilton San Francisco Union Square	1,908	65	25	10	45	859	77 - 81	176 - 186	859	80 - 84	177 - 187	859	71 - 75	191 - 201
Marriott Marquis San Francisco	1,499	65	25	10	35	525	77 - 81	186 - 196	525	79 - 83	207 - 217	525	80 - 84	217 - 227
Renaissance Washington DC Downtown	807	65	25	10	25	202	73 - 77	200 - 210	202	72 - 76	205 - 215	202	66 - 70	198 - 208
Sheraton Seattle Hotel	1,258	65	20	15	15	189	66 - 70	155 - 165	189	74 - 78	152 - 162	189	69 - 73	163 - 173
Grand Hyatt Washington	888	70	20	10	25	222	79 - 83	215 - 225	222	82 - 86	218 - 228	222	77 - 81	215 - 225
Totals/Averages	25,728	71 %	16 %	13 %	0 %	8,117	68.7 %	\$169.13	8,535	70.0 %	\$176.82	9,008	70.4 %	\$179.54

**Summary of Forecast
Occupancy and
Average Rate**

Based on our analysis presented in the Projection of Occupancy and Average Rate chapter, we have chosen to use a stabilized occupancy level of 71% and a base-year rate position of \$145.00 for the proposed subject property. The following table reflects a summary of our market-wide and proposed subject property occupancy and average rate projections.

FIGURE 1-6 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

Year	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	67.7 %	—	\$162.89	—	—	\$152.00	93.3 %
2013	67.6	2.5 %	166.97	—	1.5 %	154.28	92.4
2014	66.5	4.0	173.65	—	2.5	158.14	91.1
2015	66.4	3.5	179.72	—	3.0	162.88	90.6
2016	67.4	3.5	186.01	—	3.5	168.58	90.6
2017	66.6	3.0	191.59	63.0 %	4.5	176.17	91.9
2018	66.2	3.0	197.34	67.0	3.5	182.33	92.4
2019	67.2	3.0	203.26	69.0	3.0	187.80	92.4
2020	68.1	3.0	209.36	71.0	3.0	193.44	92.4
2021	68.5	3.0	215.64	71.0	3.0	199.24	92.4

The following table summarizes the proposed subject property’s forecast, reflecting fiscal years and opening-year rate discounts as applicable.

FIGURE 1-7 FORECAST OF AVERAGE RATE

Year	Occupancy	Average Rate Before Discount	Discount	Average Rate After Discount
2017/18	65 %	\$179.23	3.0 %	\$173.85
2018/19	68	185.05	1.0	183.20
2019/20	70	190.60	0.0	190.60
2020/21	71	196.32	0.0	196.32

**Summary of Forecast
Income and Expense
Statement**

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

FIGURE 1-8 DETAILED FORECAST OF INCOME AND EXPENSE

	2017/18 Begins July			2018/19			2019/20			Stabilized			2021/22							
Number of Rooms:	1200			1200			1200			1200			1200							
Occupancy:	65%			68%			70%			71%			71%							
Average Rate:	\$173.85			\$183.20			\$190.60			\$196.32			\$202.21							
RevPAR:	\$113.00			\$124.57			\$133.42			\$139.38			\$143.57							
Days Open:	365			365			365			365			365							
Occupied Rooms:	284,700	%Gross	PAR	POR	297,840	%Gross	PAR	POR	306,600	%Gross	PAR	POR	310,980	%Gross	PAR	POR	310,980	%Gross	PAR	POR
REVENUE																				
Rooms	\$49,495	59.5 %	\$41,246	\$173.85	\$54,563	60.4 %	\$45,469	\$183.20	\$58,437	60.9 %	\$48,698	\$190.60	\$61,050	61.0 %	\$50,875	\$196.31	\$62,882	61.0 %	\$52,402	\$202.21
Food	22,059	26.5	18,383	77.48	23,490	26.0	19,575	78.87	24,722	25.8	20,602	80.63	25,736	25.7	21,446	82.76	26,508	25.7	22,090	85.24
Beverage	6,902	8.3	5,752	24.24	7,287	8.1	6,072	24.47	7,627	7.9	6,356	24.88	7,919	7.9	6,599	25.46	8,156	7.9	6,797	26.23
Other Operated Departments	3,002	3.6	2,501	10.54	3,132	3.5	2,610	10.52	3,254	3.4	2,711	10.61	3,365	3.4	2,805	10.82	3,466	3.4	2,889	11.15
Rentals & Other Income	1,766	2.1	1,471	6.20	1,842	2.0	1,535	6.19	1,914	2.0	1,595	6.24	1,980	2.0	1,650	6.37	2,039	2.0	1,699	6.56
Total Revenues	83,224	100.0	69,353	292.32	90,314	100.0	75,261	303.23	95,954	100.0	79,961	312.96	100,049	100.0	83,375	321.72	103,051	100.0	85,876	331.38
DEPARTMENTAL EXPENSES *																				
Rooms	12,955	26.2	10,796	45.51	13,578	24.9	11,315	45.59	14,145	24.2	11,788	46.14	14,652	24.0	12,210	47.12	15,092	24.0	12,576	48.53
Food & Beverage	17,983	62.1	14,986	63.16	18,778	61.0	15,648	63.05	19,517	60.3	16,264	63.66	20,193	60.0	16,827	64.93	20,798	60.0	17,332	66.88
Other Operated Departments	2,812	93.7	2,343	9.88	2,907	92.8	2,423	9.76	3,002	92.3	2,502	9.79	3,096	92.0	2,580	9.96	3,189	92.0	2,658	10.25
Total	33,750	40.6	28,125	118.55	35,263	39.0	29,386	118.40	36,664	38.2	30,553	119.58	37,941	37.9	31,617	122.00	39,079	37.9	32,566	125.66
DEPARTMENTAL INCOME	49,473	59.4	41,228	173.77	55,051	61.0	45,876	184.83	59,290	61.8	49,408	193.38	62,109	62.1	51,757	199.72	63,972	62.1	53,310	205.71
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	5,807	7.0	4,839	20.40	6,056	6.7	5,046	20.33	6,285	6.5	5,237	20.50	6,493	6.5	5,411	20.88	6,688	6.5	5,573	21.51
Marketing	6,558	7.9	5,465	23.04	6,839	7.6	5,699	22.96	7,098	7.4	5,915	23.15	7,334	7.3	6,111	23.58	7,554	7.3	6,295	24.29
Prop. Operations & Maint.	2,787	3.3	2,323	9.79	3,270	3.6	2,725	10.98	3,771	3.9	3,142	12.30	3,896	3.9	3,247	12.53	4,013	3.9	3,344	12.90
Utilities	3,826	4.6	3,188	13.44	3,990	4.4	3,325	13.40	4,141	4.3	3,451	13.51	4,278	4.3	3,565	13.76	4,406	4.3	3,672	14.17
Total	18,979	22.8	15,815	66.66	20,155	22.3	16,796	67.67	21,295	22.1	17,746	69.45	22,001	22.0	18,334	70.75	22,661	22.0	18,884	72.87
HOUSE PROFIT	30,495	36.6	25,412	107.11	34,896	38.7	29,080	117.16	37,995	39.7	31,662	123.92	40,108	40.1	33,423	128.97	41,312	40.1	34,426	132.84
Management Fee	2,497	3.0	2,081	8.77	2,709	3.0	2,258	9.10	2,879	3.0	2,399	9.39	3,001	3.0	2,501	9.65	3,092	3.0	2,576	9.94
INCOME BEFORE FIXED CHARGES	27,998	33.6	23,332	98.34	32,187	35.7	26,822	108.07	35,116	36.7	29,264	114.53	37,107	37.1	30,922	119.32	38,220	37.1	31,850	122.90
FIXED EXPENSES																				
Property Taxes	2,455	2.9	2,046	8.62	2,516	2.8	2,097	8.45	2,592	2.7	2,160	8.45	2,670	2.7	2,225	8.58	2,750	2.7	2,291	8.84
Insurance	839	1.0	699	2.95	864	1.0	720	2.90	890	0.9	742	2.90	917	0.9	764	2.95	944	0.9	787	3.04
Reserve for Replacement	1,664	2.0	1,387	5.85	2,709	3.0	2,258	9.10	3,838	4.0	3,198	12.52	4,002	4.0	3,335	12.87	4,122	4.0	3,435	13.26
Total	4,958	5.9	4,132	17.42	6,090	6.8	5,075	20.45	7,320	7.6	6,100	23.87	7,588	7.6	6,324	24.40	7,816	7.6	6,513	25.13
NET INCOME	\$23,040	27.7 %	\$19,200	\$80.93	\$26,097	28.9 %	\$21,747	\$87.62	\$27,796	29.1 %	\$23,164	\$90.66	\$29,518	29.5 %	\$24,599	\$94.92	\$30,404	29.5 %	\$25,337	\$97.77

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

FIGURE 1-9 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2017/18		2018/19		2019/20		2020/21		2021/22		2022/23		2023/24		2024/25		2025/26		2026/27	
Number of Rooms:	1200		1200		1200		1200		1200		1200		1200		1200		1200		1200	
Occupied Rooms:	284,700		297,840		306,600		310,980		310,980		310,980		310,980		310,980		310,980		310,980	
Occupancy:	65%		68%		70%		71%		71%		71%		71%		71%		71%		71%	
Average Rate:	\$173.85	% of	\$183.20	% of	\$190.60	% of	\$196.32	% of	\$202.21	% of	\$208.27	% of	\$214.52	% of	\$220.96	% of	\$227.58	% of	\$234.41	% of
RevPAR:	\$113.00	Gross	\$124.57	Gross	\$133.42	Gross	\$139.38	Gross	\$143.57	Gross	\$147.87	Gross	\$152.31	Gross	\$156.88	Gross	\$161.58	Gross	\$166.43	Gross
REVENUE																				
Rooms	\$49,495	59.5 %	\$54,563	60.4 %	\$58,437	60.9 %	\$61,050	61.0 %	\$62,882	61.0 %	\$64,768	61.0 %	\$66,711	61.0 %	\$68,713	61.0 %	\$70,774	61.0 %	\$72,897	61.0 %
Food	22,059	26.5	23,490	26.0	24,722	25.8	25,736	25.7	26,508	25.7	27,303	25.7	28,122	25.7	28,966	25.7	29,835	25.7	30,730	25.7
Beverage	6,902	8.3	7,287	8.1	7,627	7.9	7,919	7.9	8,156	7.9	8,401	7.9	8,653	7.9	8,913	7.9	9,180	7.9	9,455	7.9
Other Operated Departments	3,002	3.6	3,132	3.5	3,254	3.4	3,365	3.4	3,466	3.4	3,570	3.4	3,678	3.4	3,788	3.4	3,901	3.4	4,019	3.4
Rentals & Other Income	1,766	2.1	1,842	2.0	1,914	2.0	1,980	2.0	2,039	2.0	2,100	2.0	2,163	2.0	2,228	2.0	2,295	2.0	2,364	2.0
Total	83,224	100.0	90,314	100.0	95,954	100.0	100,049	100.0	103,051	100.0	106,143	100.0	109,327	100.0	112,607	100.0	115,985	100.0	119,464	100.0
DEPARTMENTAL EXPENSES*																				
Rooms	12,955	26.2	13,578	24.9	14,145	24.2	14,652	24.0	15,092	24.0	15,544	24.0	16,011	24.0	16,491	24.0	16,986	24.0	17,495	24.0
Food & Beverage	17,983	62.1	18,778	61.0	19,517	60.3	20,193	60.0	20,798	60.0	21,422	60.0	22,065	60.0	22,727	60.0	23,409	60.0	24,111	60.0
Other Operated Departments	2,812	93.7	2,907	92.8	3,002	92.3	3,096	92.0	3,189	92.0	3,285	92.0	3,383	92.0	3,485	92.0	3,589	92.0	3,697	92.0
Total	33,750	40.6	35,263	39.0	36,664	38.2	37,941	37.9	39,079	37.9	40,251	37.9	41,459	37.9	42,703	37.9	43,984	37.9	45,303	37.9
DEPARTMENTAL INCOME																				
	49,473	59.4	55,051	61.0	59,290	61.8	62,109	62.1	63,972	62.1	65,891	62.1	67,868	62.1	69,904	62.1	72,001	62.1	74,161	62.1
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	5,807	7.0	6,056	6.7	6,285	6.5	6,493	6.5	6,688	6.5	6,889	6.5	7,095	6.5	7,308	6.5	7,527	6.5	7,753	6.5
Marketing	6,558	7.9	6,839	7.6	7,098	7.4	7,334	7.3	7,554	7.3	7,780	7.3	8,014	7.3	8,254	7.3	8,502	7.3	8,757	7.3
Prop. Operations & Maint.	2,787	3.3	3,270	3.6	3,771	3.9	3,896	3.9	4,013	3.9	4,133	3.9	4,257	3.9	4,385	3.9	4,516	3.9	4,652	3.9
Utilities	3,826	4.6	3,990	4.4	4,141	4.3	4,278	4.3	4,406	4.3	4,538	4.3	4,675	4.3	4,815	4.3	4,959	4.3	5,108	4.3
Total	18,979	22.8	20,155	22.3	21,295	22.1	22,001	22.0	22,661	22.0	23,340	22.0	24,041	22.0	24,762	22.0	25,505	22.0	26,270	22.0
HOUSE PROFIT																				
	30,495	36.6	34,896	38.7	37,995	39.7	40,108	40.1	41,312	40.1	42,551	40.1	43,827	40.1	45,143	40.1	46,497	40.1	47,891	40.1
Management Fee	2,497	3.0	2,709	3.0	2,879	3.0	3,001	3.0	3,092	3.0	3,184	3.0	3,280	3.0	3,378	3.0	3,480	3.0	3,584	3.0
INCOME BEFORE FIXED CHARGES																				
	27,998	33.6	32,187	35.7	35,116	36.7	37,107	37.1	38,220	37.1	39,366	37.1	40,547	37.1	41,764	37.1	43,017	37.1	44,307	37.1
FIXED EXPENSES																				
Property Taxes	2,455	2.9	2,516	2.8	2,592	2.7	2,670	2.7	2,750	2.7	2,832	2.7	2,917	2.7	3,005	2.7	3,095	2.7	3,188	2.7
Insurance	839	1.0	864	1.0	890	0.9	917	0.9	944	0.9	973	0.9	1,002	0.9	1,032	0.9	1,063	0.9	1,095	0.9
Reserve for Replacement	1,664	2.0	2,709	3.0	3,838	4.0	4,002	4.0	4,122	4.0	4,246	4.0	4,373	4.0	4,504	4.0	4,639	4.0	4,779	4.0
Total	4,958	5.9	6,090	6.8	7,320	7.6	7,588	7.6	7,816	7.6	8,050	7.6	8,292	7.6	8,541	7.6	8,797	7.6	9,061	7.6
NET INCOME																				
	\$23,040	27.7 %	\$26,097	28.9 %	\$27,796	29.1 %	\$29,518	29.5 %	\$30,404	29.5 %	\$31,316	29.5 %	\$32,255	29.5 %	\$33,224	29.5 %	\$34,220	29.5 %	\$35,247	29.5 %

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

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

Scope of Work

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

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

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

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

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

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

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

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

2. Description of the Site and Neighborhood

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

Site Recommendation

As of the date of this report, four possible sites are under consideration for the development of the proposed subject property. These sites roughly correspond with the locations of the following parking areas for the Georgia World Congress Center (GWCC): the Yellow Lot to the north of Building C on Ivan Allen, Jr. Boulevard, the Blue Lot to the west of Building C on Northside Drive Northwest, the Gold Deck to the immediate south of Building C, and the Red Deck located beneath International Plaza. The selection of a site for the proposed hotel is also contingent upon the final site for the new Atlanta Falcons stadium. Two potential stadium sites are currently under consideration: the North Site, located north of the Yellow Lot, and the South Site, located south of the existing Georgia Dome; however, a tentative agreement reached in early August of 2013 to purchase Friendship Baptist Church for \$19.5 million indicates that the South Site is the more likely choice for the development. The selection of the Gold Deck site for the proposed hotel would position the hotel closest to the new stadium than either the Yellow or Blue Lots and would allow the hotel to be attached to both Buildings B and C, increasing access to the GWCC. Based on our interviews with the Georgia World Congress Center Authority, the Atlanta Convention and Visitors Bureau, and organizers of major events that utilize the GWCC, it is our conclusion that this level of access from the proposed hotel to Building C would substantially increase activity in Building C and would result in an influx of meeting and group room-night demand roughly equivalent to the hotel's ability to accommodate such demand. Therefore, it is our recommendation that the proposed hotel be developed on the Gold Deck site.

The following map illustrates the locations of the possible developmental sites for the proposed hotel, including the location of the recommended subject site.

MAP OF POTENTIAL DEVELOPMENTAL SITES

Campus Facilities

- A B C GWCC
- D Georgia Dome
- E Centennial Olympic Park

Parking Key

	Number of Spaces		Number of Spaces
1 Red Deck	2,000	6 Yellow Lot	1,284
2 Orange Lot	580	7 Marshalling Yard	1,377
3 Silver Lot	82	8 Brown Lot	300
4 Blue Lot	722	9 Off Campus Lots	
5 Gold Deck	300		



Georgia World Congress Center Authority Campus Map

updated 5/2013

The recommended subject site is located in Downtown Atlanta, in the northeast quadrant of Northside Drive Northwest and Martin Luther King, Jr. Drive Southwest. The site is bounded by Buildings C and B of the GWCC to the north and east, respectively, the Georgia Dome to the south, and West Plaza to the west. This site is in the city of Atlanta, Georgia.

Physical Characteristics

The recommended subject site measures an estimated 2.00 acres, or 87,120 square feet. The parcel's adjacent uses are set forth in the following table.

FIGURE 2-1 SUBJECT PARCEL'S ADJACENT USES

Direction	Adjacent Use
North	GWCC Building C
South	Georgia Dome
East	GWCC Building B
West	West Plaza, Northside Drive NW

VIEW OF SUBJECT SITE



AERIAL PHOTOGRAPH



VIEW FROM SITE TO THE NORTH



VIEW FROM SITE TO THE SOUTH



VIEW FROM SITE TO THE EAST**VIEW FROM SITE TO THE WEST**

Primary vehicular access to the proposed subject property will be provided by Northside Drive Northwest. Access will also be available from Andrew Young International Boulevard Northwest. The topography of the parcel is generally flat, and the site's shape is rectangular.

Site Utility

Upon completion of construction, the recommended subject site should not contain any significant portion of undeveloped land that could be sold, entitled, and developed for alternate use. The site is expected to be fully developed with site or building improvements, which would contribute to the overall profitability of the hotel.

Access and Visibility

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

MAP OF REGIONAL ACCESS ROUTES



recommended subject site, which is located on the right-hand side of the street. The subject site is located near a busy intersection. The proposed subject property is expected to have adequate signage facing both Northside Drive Northwest and Andrew Young International Boulevard Northwest; thus, the proposed hotel should benefit from excellent visibility from within its local neighborhood. Overall, the subject site benefits from very good accessibility, and the proposed hotel is expected to enjoy excellent visibility attributes.

Airport Access

The proposed subject property will be served by the Hartsfield Jackson Atlanta International Airport, which is located approximately eight miles to the south of the subject site. From the airport, motorists will follow signs to Interstate 85 and travel north on this thoroughfare until it merges with Interstate 75, forming Interstate 75/85 (the Downtown Connector). Motorists will then continue to the subject site as previously noted.

Neighborhood

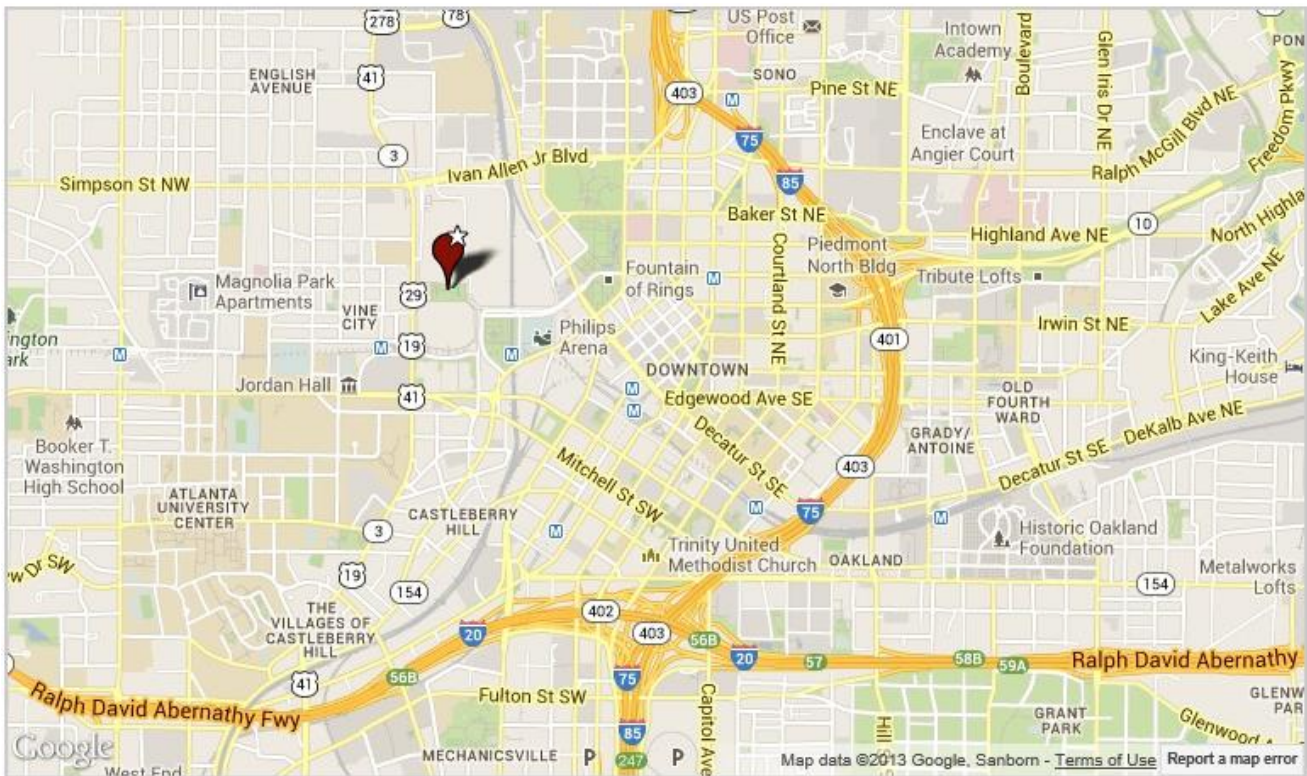
The neighborhood surrounding a lodging facility often has an impact on a hotel's status, image, class, style of operation, and sometimes its ability to attract and properly serve a particular market segment. This section of the report investigates the subject neighborhood and evaluates any pertinent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

The proposed subject property's Downtown Atlanta neighborhood is generally defined by Ivan Allen, Jr. Boulevard to the north, U.S. Highway 29/Northside Drive Northwest to the west, Interstate 20/Ralph David Abernathy Freeway to the south, and Interstate 75/85 to the east. This neighborhood is in the stable stage of its life cycle, with pockets of growth in the entertainment sector, and is characterized by the presence of a number of the area's major entertainment and meeting venues and attractions, including the GWCC, the Georgia Dome, Philips Arena, the Georgia Aquarium, and the World of Coca-Cola. Other uses in the neighborhood include high-rise office buildings, retail centers that contain both independent and nationally recognized chain stores, restaurants, and hotels. In early 2013, construction began on the College Football Hall of Fame, a planned 94,000-square-foot, state-of-the-art museum and event facility featuring 30,000 square feet of meeting space; this attraction is expected to be completed by the fall of 2014 at a total cost of \$66.5 million. Additional developments underway in the downtown area include the \$100-million National Center for Civil and Human Rights and the Downtown Loop, a planned streetcar line that will connect Centennial Olympic Park to the King Center; both projects are also expected to be completed in 2014.

Some specific businesses and entities in the area include Georgia-Pacific Corporation, SunTrust Banks, One Ninety One Peachtree Tower, 200 Peachtree, the Omni at CNN Center, Taco Mac, Dantanna's Downtown, and McCormick & Schmick's Seafood. In general, we would characterize the neighborhood as 40%

office use, 30% hotel use, 10% entertainment use, 10% retail/restaurant use, 5% residential use, and 5% other.

MAP OF NEIGHBORHOOD



Overall, the supportive nature of the development in the immediate area is considered appropriate for and conducive to the operation of a hotel.

Proximity to Local Demand Generators and Attractions

Given its central location in Downtown Atlanta, the recommended subject site is well situated with respect to the area's primary generators of demand. The site is located adjacent to both Buildings B and C of the GWCC; it is our recommendation that the proposed hotel be attached to both buildings, allowing both structures to function interdependently and affording hotel guests easy access to Buildings B and C. The recommended site is also located approximately one-quarter mile north of the proposed south site for the new Atlanta Falcons Stadium, which would be within walking distance of the proposed hotel. Following an agreement by the City of Atlanta on behalf of the Falcons to purchase Friendship Baptist Church, this potential site is likely to be chosen for the stadium development. Other attractions within walking distance of the recommended site include Philips Arena, CNN

Center, Centennial Olympic Park, and the site of the future College Football Hall of Fame. Additional demand generators within one mile of the recommended site include the Georgia Aquarium and the World of Coca-Cola, as well as numerous corporate headquarters, such as those of the Georgia-Pacific Corporation and SunTrust Banks. The following table outlines some of these major demand generators and attractions and their respective distances from the subject site.

FIGURE 2-2 ACCESS TO DEMAND GENERATORS AND ATTRACTIONS

Demand Generator	Approximate Distance (Miles) From Prop. Subject Property	Approximate Driving Time from Proposed Subject Property (Minutes)
Georgia World Congress Center	Adjacent North, East	Attached
New Falcons Stadium (2017)*	0.2 South	Walkable
Philips Arena	0.3 Southeast	Walkable
CNN Center	0.3 Southeast	Walkable
College Football Hall of Fame (2014)	0.3 Northeast	Walkable
Centennial Olympic Park	0.4 East	Walkable
Georgia Aquarium	0.5 Northeast	3 to 5
World of Coca-Cola	0.5 Northeast	3 to 5
Georgia-Pacific Corporation	0.8 East	5 to 10
SunTrust Plaza	0.9 Northeast	5 to 10

*Assumes proposed South Site for development.

Utilities

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

Soil and Subsoil Conditions

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

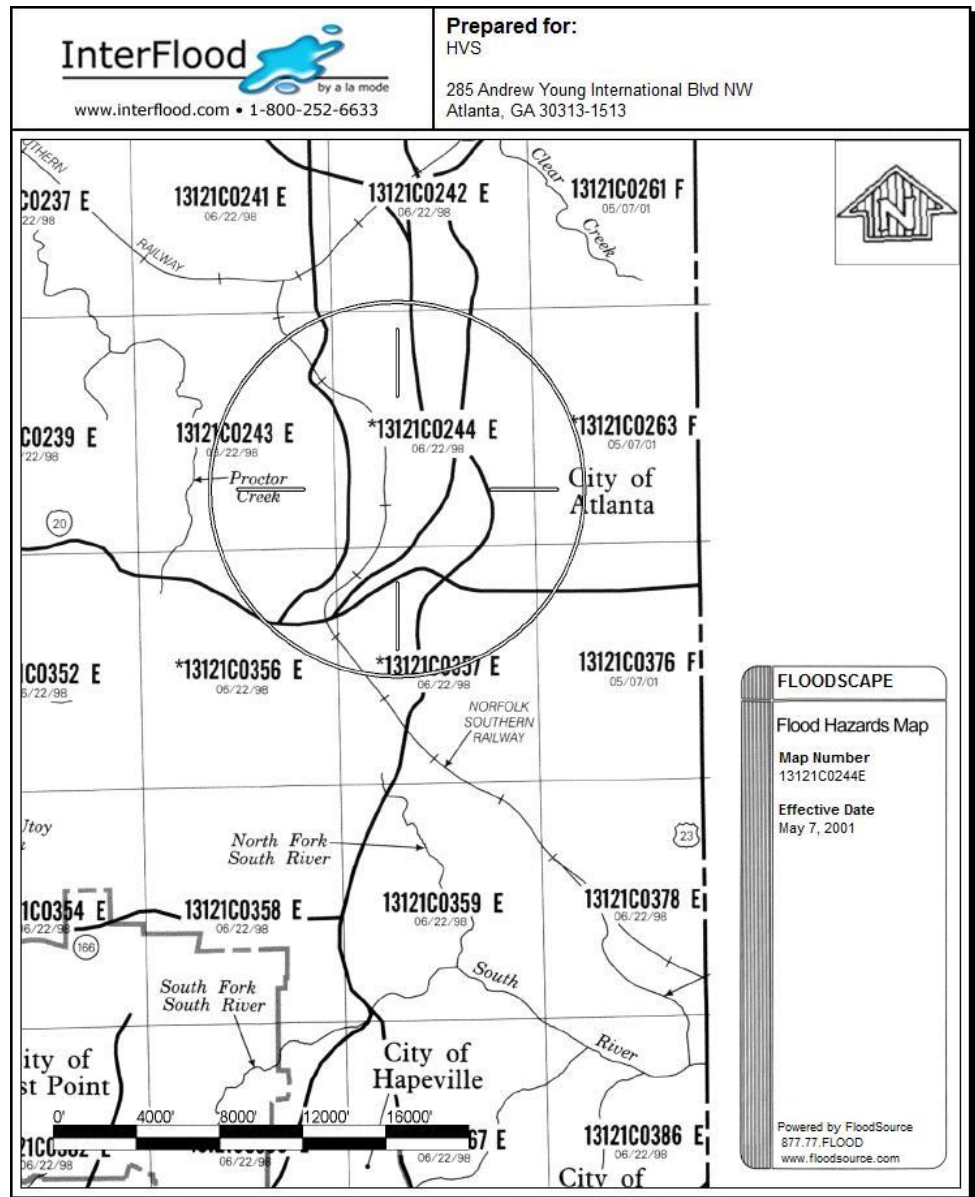
Nuisances and Hazards

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

Flood Zone

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

COPY OF FLOOD MAP AND COVER



© 1999-2012 SourceProse and/or FloodSource Corporations. All rights reserved. Patents 8,631,328 and 8,678,815. Other patents pending. For Info: info@floodsource.com.

The flood zone definition for the X designation is as follows: areas outside the 500-year flood plain; areas of the 500-year flood; areas of the 100-year flood with average depths of less than one foot or with drainage areas less than one square mile and areas protected by levees from the 100-year flood.

Zoning

According to the local planning office, the subject property is zoned as follows: C-5 - Central Business Support District. This zoning designation is intended to promote the development of high-density commercial and residential uses in Downtown Atlanta, as well as moderate- and high-density supportive uses. These uses include offices, retail, professional service uses, hospitals, and hotels and motels, as well as large-scale entertainment and meeting venues with a special administrative permit. We assume that all necessary permits and approvals will be secured (including the appropriate liquor license if applicable) and that the subject property will be constructed in accordance with local zoning ordinances, building codes, and all other applicable regulations. Our zoning analysis should be verified before any physical changes are made to the site.

Easements and Encroachments

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

Conclusion

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities. The recommended subject site enjoys a beneficial location adjacent to both Buildings B and C of the GWCC to the east and north, respectively, and the Georgia Dome to the south. Furthermore, the site is situated one-quarter mile north of the proposed south site for the new Atlanta Falcons Stadium and is within walking distance of numerous other venues and attractions, such as Philips Arena and the CNN Center. In general, the site should be well suited for future development of a full-service, convention headquarters hotel, with exceptional access, visibility, and topography all contributing to an effective operation.

3. Market Area Analysis

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

Market Area Definition

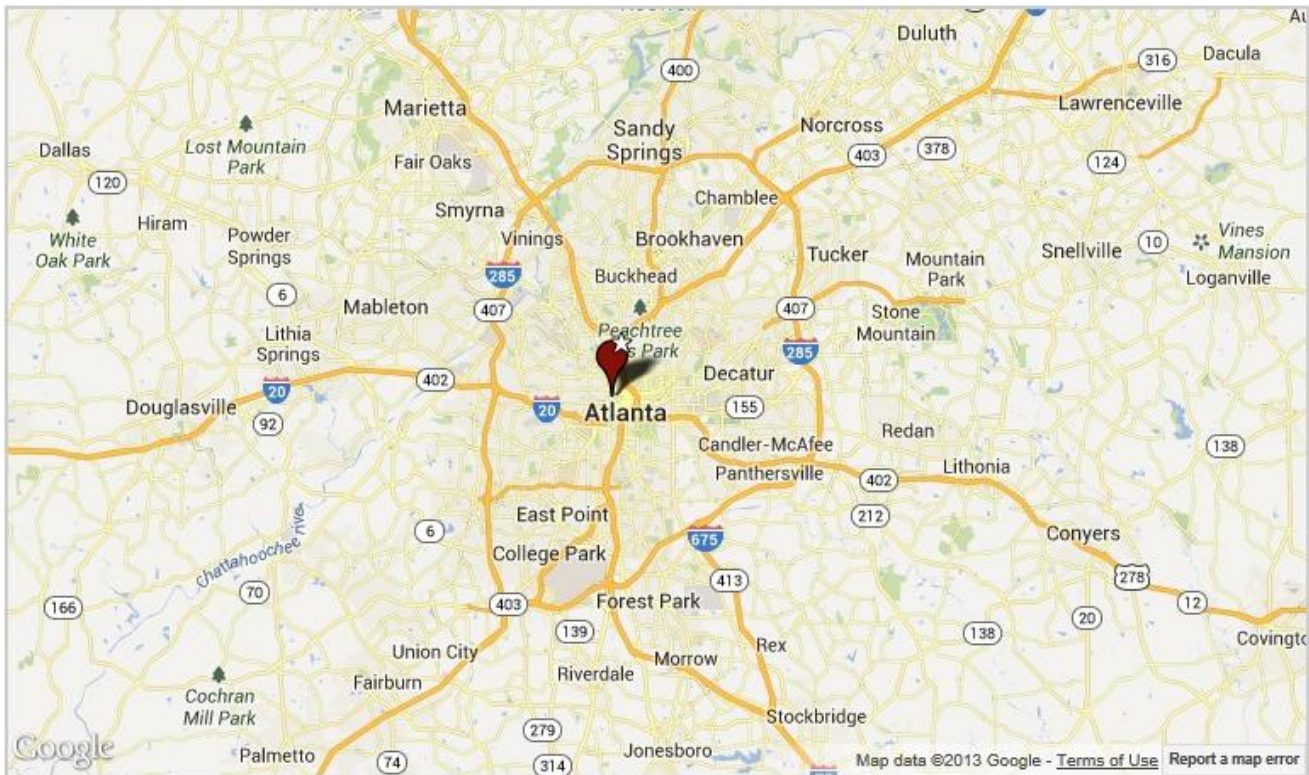
The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject site is located in the city of Atlanta, the county of Fulton, and the state of Georgia. Atlanta is the capital and most populous city in the state of Georgia and serves as the county seat of Fulton County, although a small portion of the city extends into DeKalb County. The Atlanta region, which covers 8,376 square miles, is home to just over five million people, making it the ninth most populous metropolitan area in the United States. The Atlanta metropolitan area boasts numerous headquarter offices of Fortune 100, 500 and 1,000 companies, including United Parcel Service, Coca-Cola Company, Georgia-Pacific, The Home Depot, Delta Air Lines, The Southern Company, Equifax, and AT&T Mobility. Atlanta is home to the Hartsfield-Jackson Atlanta International Airport, which has held its ranking as the world's busiest passenger airport since 1998.

ATLANTA



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

MAP OF MARKET AREA



Economic and Demographic Review

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

These data are summarized in the following table.

FIGURE 3-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	2000	2010	2012	2020	Average Annual Compounded Change		
					2000-10	2010-12	2012-20
Resident Population (Thousands)							
Fulton County	816.2	926.2	941.1	1,006.2	1.3 %	0.8 %	0.8 %
Atlanta-Sandy Springs-Marietta, GA MSA	4,277.9	5,287.3	5,490.6	6,327.2	2.1	1.9	1.8
Atlanta-Sandy Springs-Gainesville, GA-AL CSA	4,580.4	5,637.5	5,846.8	6,709.5	2.1	1.8	1.7
State of Georgia	8,227.3	9,712.6	9,988.7	11,140.4	1.7	1.4	1.4
United States	282,162.4	309,349.7	315,387.6	341,069.5	0.9	1.0	1.0
Per-Capita Personal Income*							
Fulton County	\$52,089	\$51,963	\$52,391	\$56,574	(0.0)	0.4	1.0
Atlanta-Sandy Springs-Marietta, GA MSA	37,638	35,574	35,903	39,000	(0.6)	0.5	1.0
Atlanta-Sandy Springs-Gainesville, GA-AL CSA	36,866	35,062	35,423	38,537	(0.5)	0.5	1.1
State of Georgia	31,791	32,041	32,522	35,711	0.1	0.7	1.2
United States	33,771	36,700	37,571	41,366	0.8	1.2	1.2
W&P Wealth Index							
Fulton County	153.3	143.2	140.9	138.4	(0.7)	(0.8)	(0.2)
Atlanta-Sandy Springs-Marietta, GA MSA	114.6	100.0	98.7	97.5	(1.3)	(0.7)	(0.2)
Atlanta-Sandy Springs-Gainesville, GA-AL CSA	112.0	98.5	97.3	96.2	(1.3)	(0.6)	(0.1)
State of Georgia	95.8	89.3	88.6	88.4	(0.7)	(0.4)	(0.0)
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
Fulton County	\$2,290	\$3,106	\$3,277	\$3,798	3.1	2.7	1.9
Atlanta-Sandy Springs-Marietta, GA MSA	6,479	8,791	9,408	11,623	3.1	3.4	2.7
Atlanta-Sandy Springs-Gainesville, GA-AL CSA	6,759	9,151	9,785	12,066	3.1	3.4	2.7
State of Georgia	10,396	13,576	14,403	17,425	2.7	3.0	2.4
United States	341,525	406,373	427,462	498,869	1.8	2.6	1.9
Total Retail Sales (Millions)*							
Fulton County	\$14,274	\$15,994	\$17,150	\$19,729	1.1	3.5	1.8
Atlanta-Sandy Springs-Marietta, GA MSA	62,105	72,472	79,455	98,675	1.6	4.7	2.7
Atlanta-Sandy Springs-Gainesville, GA-AL CSA	65,413	76,072	83,326	103,177	1.5	4.7	2.7
State of Georgia	106,722	120,043	130,445	157,237	1.2	4.2	2.4
United States	3,613,909	3,818,137	4,113,614	4,810,490	0.6	3.8	2.0

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population has grown at an average annual compounded rate of 1.0% from 2010 through 2012. The county's population has grown more slowly than the nation's population; the average annual growth rate of 0.8% between 2010 and 2012 reflects a gradually expanding area. Following this population trend, per-capita personal income increased slowly, at 0.4% on average annually for the county between 2010 and 2012. Local wealth indexes have remained stable in recent years, registering a relatively high 140.9 level for the county in 2012.

Food and beverage sales totaled \$3,277 million in the county in 2012, versus \$3,106 million in 2010. This reflects a 2.7% average annual change, which is stronger than the 3.1% pace recorded in the prior decade, the latter years of which were adversely affected by the recession. The strong growth recorded in the period 2010 to 2012 reflects the impact of the recovery on the local economy. Over the long term, the pace of growth is forecast to moderate to a more sustainable level of 1.9%, which is forecast through 2020. The retail sales sector demonstrated a similar pattern, with a minimal annual increase of 1.1% in the decade 2000 to 2010, followed by an increase of 3.5% in the period 2010 to 2012. A more normalized increase of 1.8% average annual change is expected in county retail sales through 2020.

Workforce Characteristics

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

The following table sets forth the county workforce distribution by business sector in 2000, 2010, and 2012, as well as a forecast for 2020.

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

Industry	2000	Percent of Total	2010	Percent of Total	2012	Percent of Total	2020	Percent of Total	Average Annual Compounded Change		
									2000-2010	2010-2012	2012-2020
Farm	0.4	0.0 %	0.2	0.0 %	0.2	0.0 %	0.2	0.0 %	(5.4) %	(1.4) %	(0.7) %
Forestry, Fishing, Related Activities And Other	1.2	0.1	0.5	0.1	0.5	0.1	0.6	0.1	(8.1)	(0.5)	1.0
Mining	0.9	0.1	1.1	0.1	1.1	0.1	1.1	0.1	2.1	(0.0)	0.4
Utilities	5.2	0.6	3.7	0.4	4.2	0.5	4.0	0.4	(3.2)	6.5	(0.8)
Construction	29.0	3.2	26.3	2.9	25.0	2.8	27.6	2.7	(1.0)	(2.5)	1.3
Manufacturing	42.0	4.7	27.5	3.1	27.2	3.0	23.7	2.3	(4.2)	(0.5)	(1.7)
Total Trade	122.4	13.5	103.9	11.6	105.1	11.6	121.3	11.9	(1.6)	0.6	1.8
Wholesale Trade	51.7	5.7	44.7	5.0	45.5	5.0	47.7	4.7	(1.4)	0.8	0.6
Retail Trade	70.7	7.8	59.1	6.6	59.7	6.6	73.6	7.2	(1.8)	0.4	2.7
Transportation And Warehousing	46.1	5.1	38.5	4.3	40.5	4.5	45.5	4.5	(1.8)	2.6	1.5
Information	65.9	7.3	50.0	5.6	52.1	5.7	54.3	5.3	(2.7)	2.1	0.5
Finance And Insurance	60.0	6.6	64.5	7.2	65.5	7.2	70.5	6.9	0.7	0.8	0.9
Real Estate And Rental And Lease	33.0	3.7	49.7	5.5	52.6	5.8	59.1	5.8	4.2	2.9	1.5
Total Services	392.1	43.4	432.0	48.2	442.7	48.7	511.0	50.3	1.0	1.2	1.8
Professional And Technical Services	93.2	10.3	106.4	11.9	109.8	12.1	127.9	12.6	1.3	1.6	1.9
Management Of Companies And Enterprises	23.0	2.5	17.3	1.9	18.8	2.1	19.9	2.0	(2.8)	4.2	0.7
Administrative And Waste Services	84.2	9.3	69.8	7.8	68.9	7.6	76.0	7.5	(1.9)	(0.6)	1.2
Educational Services	17.4	1.9	20.2	2.3	20.3	2.2	23.1	2.3	1.5	0.2	1.7
Health Care And Social Assistance	56.9	6.3	79.7	8.9	85.9	9.5	107.7	10.6	3.4	3.8	2.9
Arts, Entertainment, And Recreation	15.2	1.7	19.4	2.2	18.7	2.1	21.2	2.1	2.4	(1.8)	1.5
Accommodation And Food Services	63.2	7.0	71.1	7.9	71.2	7.8	78.4	7.7	1.2	0.1	1.2
Other Services, Except Public Administration	39.0	4.3	48.0	5.4	49.0	5.4	56.9	5.6	2.1	1.1	1.9
Total Government	105.3	11.7	98.2	11.0	91.5	10.1	97.8	9.6	(0.7)	(3.5)	0.8
Federal Civilian Government	23.3	2.6	20.7	2.3	20.7	2.3	20.6	2.0	(1.2)	(0.0)	(0.0)
Federal Military	4.5	0.5	5.0	0.6	5.0	0.5	5.0	0.5	1.1	(0.2)	0.1
State And Local Government	77.5	8.6	72.6	8.1	65.8	7.2	72.1	7.1	(0.7)	(4.8)	1.1
TOTAL	903.4	100.0 %	896.2	100.0 %	908.4	100.0 %	1,016.6	100.0 %	(0.1) %	0.7 %	1.4 %
MSA	2,758.6	—	2,999.8	—	3,053.6	—	3,501.0	—	0.8 %	0.9 %	1.7 %
U.S.	165,370.9	—	172,936.0	—	175,736.3	—	195,598.1	—	0.5	0.8	1.3

Source: Woods & Poole Economics, Inc.

Woods & Poole Economics, Inc. reports that during the period from 2000 to 2010, total employment in the county contracted at an average annual rate of -0.1%. This trend was below the growth rate recorded by the MSA and also lagged the national average. More recently, the pace of total employment growth in the county accelerated to 0.7% on an annual average from 2010 to 2012, reflecting the initial years of the recovery.

Of the primary employment sectors, Total Services recorded the highest increase in number of employees during the period from 2010 to 2012, increasing by 10,720 people, or 2.5%, and rising from 48.2% to 48.7% of total employment. Of the various service sub-sectors, Professional And Technical Services and Health Care And Social Assistance were the largest employers. Strong growth was also recorded in the Real Estate And Rental And Lease sector, as well as the Information sector, which expanded by 5.9% and 4.2%, respectively, in the period 2010 to 2012. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 1.4% on average annually through 2020. The trend is above the forecast rate of change for the U.S. as a whole during the same period.

Radial Demographic Snapshot

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

FIGURE 3-3 DEMOGRAPHICS BY RADIUS

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
Population			
2017 Projection	18,929	157,889	313,173
2012 Estimate	18,562	151,848	306,358
2000 Census	16,060	144,599	307,328
1990 Census	14,736	132,280	294,262
Growth 2012-2017	2.0%	4.0%	2.2%
Growth 2000-2012	15.6%	5.0%	-0.3%
Growth 1990-2000	9.0%	9.3%	4.4%
Households			
2017 Projection	6,295	72,901	142,307
2012 Estimate	6,222	68,422	135,942
2000 Census	6,171	58,104	123,216
1990 Census	5,299	52,344	115,801
Growth 2012-2017	1.2%	6.5%	4.7%
Growth 2000-2012	0.8%	17.8%	10.3%
Growth 1990-2000	16.5%	11.0%	6.4%
Income			
2012 Est. Average Household Income	\$40,032	\$60,749	\$66,317
2012 Est. Median Household Income	22,100	36,867	40,747
2012 Est. Per Capita Income	17,584	28,819	30,361
2012 Est. Civ Employed Pop 16+ by Occupation			
Architect/Engineer	152	1,398	2,510
Arts/Entertain/Sports	327	3,684	6,706
Building Grounds Maint	196	1,950	5,300
Business/Financial Ops	348	4,621	9,798
Community/Soc Svcs	171	873	1,706
Computer/Mathematical	291	2,804	5,036
Construction/Extraction	340	2,487	5,399
Edu/Training/Library	486	6,156	11,105
Farm/Fish/Forestry	2	50	170
Food Prep/Serving	477	5,197	10,078
Health Practitioner/Tec	208	2,813	6,822
Healthcare Support	139	1,153	2,344
Maintenance Repair	53	767	1,836
Legal	156	2,958	6,090
Life/Phys/Soc Science	107	1,593	3,304
Management	799	8,283	17,252
Office/Admin Support	835	6,541	13,697
Production	231	1,349	3,464
Protective Svcs	111	1,051	2,303
Sales/Related	919	8,693	17,896
Personal Care/Svc	277	2,573	4,956
Transportation/Moving	230	2,121	5,209

Source: The Nielsen Company

This source reports a population of 306,358 within a five-mile radius of the subject property, and 135,942 households within this same radius. Average household income within a five-mile radius of the subject property is currently reported at \$66,317, while the median is \$40,747.

The following table illustrates historical and projected employment, households, population and average household income data as provided by REIS for the overall Atlanta market.

FIGURE 3-4 HISTORICAL & PROJECTED EMPLOYMENT, HOUSEHOLDS, POPULATION, AND HOUSEHOLD INCOME STATISTICS

Year	Total Employment	% Chg	Office Employment	% Chg	Industrial Employment	% Chg	Households	% Chg	Population	% Chg	Household Avg. Income	% Chg
2000	2,310,070	—	714,151	—	391,000	—	1,591,010	—	4,335,990	—	\$92,234	—
2001	2,287,100	(1.0) %	712,424	(0.2) %	376,409	(3.7) %	1,633,970	2.7 %	4,431,250	2.2 %	92,648	0.4 %
2002	2,253,970	(1.4)	705,159	(1.0)	361,533	(4.0)	1,669,480	2.2	4,514,450	1.9	92,369	(0.3)
2003	2,245,600	(0.4)	704,752	(0.1)	356,021	(1.5)	1,706,800	2.2	4,598,530	1.9	93,730	1.5
2004	2,293,030	2.1	725,232	2.9	357,687	0.5	1,748,440	2.4	4,692,760	2.0	98,113	4.7
2005	2,368,030	3.3	750,625	3.5	362,570	1.4	1,799,500	2.9	4,832,650	3.0	103,219	5.2
2006	2,434,170	2.8	769,515	2.5	365,477	0.8	1,851,490	2.9	4,985,870	3.2	106,246	2.9
2007	2,456,830	0.9	779,246	1.3	362,417	(0.8)	1,892,820	2.2	5,104,650	2.4	108,503	2.1
2008	2,385,170	(2.9)	762,312	(2.2)	346,877	(4.3)	1,921,820	1.5	5,190,300	1.7	106,007	(2.3)
2009	2,257,830	(5.3)	729,347	(4.3)	314,555	(9.3)	1,942,080	1.1	5,254,520	1.2	100,395	(5.3)
2010	2,283,030	1.1	736,068	0.9	318,043	1.1	1,965,230	1.2	5,320,540	1.3	104,451	4.0
2011	2,321,770	1.7	749,426	1.8	321,128	1.0	1,989,210	1.2	5,396,250	1.4	107,418	2.8
2012	2,373,000	2.2	765,304	2.1	326,172	1.6	2,015,880	1.3	5,471,560	1.4	111,368	3.7
Forecasts												
2013	2,410,800	1.6 %	773,198	1.0 %	327,084	0.3 %	2,053,320	1.9 %	5,554,370	1.5 %	\$112,411	0.9 %
2014	2,480,780	2.9	794,596	2.8	334,483	2.3	2,097,860	2.2	5,660,340	1.9	117,350	4.4
2015	2,563,500	3.3	821,807	3.4	342,258	2.3	2,146,000	2.3	5,775,650	2.0	123,684	5.4
2016	2,643,420	3.1	849,736	3.4	348,223	1.7	2,193,820	2.2	5,891,310	2.0	129,577	4.8
2017	2,700,680	2.2	870,140	2.4	350,680	0.7	2,240,790	2.1	6,009,140	2.0	134,192	3.6
Average Annual Compound Change												
2000 - 2012		0.2 %		0.6 %		(1.5) %		2.0 %		2.0 %		1.6 %
2000 - 2007		0.9		1.3		(1.1)		2.5		2.4		2.3
2007 - 2010		(2.4)		(1.9)		(4.3)		1.3		1.4		(1.3)
2010 - 2012		2.0		2.0		1.3		1.3		1.4		3.3
Forecast 2012 - 2017		2.6 %		2.6 %		1.5 %		2.1 %		1.9 %		3.8 %

Source: REIS Report, 2nd Quarter, 2013

For the Atlanta market, of the roughly 2,400,000 persons employed, 32% work in offices and are categorized as office employees, while 14% are categorized as industrial employees. Total employment decreased by an average annual compound rate of -2.4% during the recession of 2007 to 2010, followed by an improvement of 2.0% from 2010 to 2012. By comparison, office employment reflected compound change rates of -1.9% and 2.0%, during same respective periods. Total employment is expected to expand by 1.6% in 2013, while office employment is forecast to expand by 1.0% in 2013. Forecasts for the period 2012 through 2017 anticipate total employment will improve at an average annual compound rate of 2.6%, and office employment is forecast to improve by 2.6% on average annually during the same time frame.

The number of households are forecast to improve by 2.1% on average annually between 2012 and 2017. Population is forecast to expand during this same time frame, at an average annual compounded rate of 1.9%. Household average income is forecast to grow by 3.8% on average annually between 2012 through 2017.

Unemployment Statistics

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

FIGURE 3-5 UNEMPLOYMENT STATISTICS

Year	City	MSA	State	U.S.
2003	7.6 %	4.8 %	4.8 %	6.0 %
2004	7.4	4.7	4.7	5.5
2005	6.6	5.3	5.2	5.1
2006	5.8	4.7	4.7	4.6
2007	5.5	4.6	4.6	4.6
2008	7.1(S)	6.2(S)	6.3(G)	5.8
2009	10.6(S)	9.8(S)	9.8(G)	9.3
2010	12.7(S)	10.1(S)	10.2(D)	9.6
2011	12.3(E)	9.8(E)	9.9(D)	8.9
2012	11.2(E)	8.8(E)	9.0(D)	8.1
<i>Recent Month - Jun</i>				
2012	11.9 %	9.3 %	9.5 %	8.2 %
2013	11.4	8.9	9.3	7.6

* Letters shown next to data points (if any) reflect revised population controls and/or model re-estimation implemented by the BLS.

Source: U.S. Bureau of Labor Statistics

The unemployment rate for the U.S. fluctuated within the narrow range of 4.6% to 6.0% in the period spanning from 2002 to 2007. The recession and financial crisis in 2007 and 2008 resulted in heightened unemployment rates from 2008 through 2010. Job growth resumed in 2010, generating a decline in the unemployment rate from 2011 through early 2013, and an unemployment rate near 7.6% has been in place for most of 2013. This positive trend reflects steady progress by the U.S. economy.

Locally, the unemployment rate was 11.2(E)% in 2012; for this same area in 2013, the most recent month’s unemployment rate was registered at 11.4%, versus 11.9% for the same month in 2012. Unemployment rates in this area remained stable before showing marked increases in 2008 and again in 2009, concurrent with the national economic recession; this trend continued through 2010. In 2011, business activity began to rebound in the Atlanta area in conjunction with the national economic recovery, with major corporations that weathered the recession relatively well resuming their hiring efforts and expanding their operations in the market. As a result, unemployment rates in the area declined in 2011 and 2012, and this positive trend has continued in 2013 per the latest available data. Our research and interviews with economic development officials reflect an optimistic outlook as the economic recovery continues to gain traction.

Major Business and Industry

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

FIGURE 3-6 MAJOR EMPLOYERS

Rank	Firm	Number of Employees
1	Delta Air Lines, Inc.	27,000
2	Wal-Mart Stores, Inc.	26,000
3	Emory University/Emory Healthcare	23,872
4	DeKalb County Government and Schools	20,405
5	AT&T	18,000
6	Publix Super Markets, Inc.	17,765
7	Cobb County School District	14,027
8	City of Atlanta Government and Schools	13,628
9	United States Postal Service - Atlanta	10,324
10	The Coca-Cola Company	9,000

Source: Metro Atlanta Chamber of Commerce, 2012

The following bullet points highlight major demand generators for this market:

- Delta Air Lines is the area's largest employer and the largest airline in the world in terms of both fleet size and scheduled passenger traffic. Delta is headquartered in Atlanta, with Hartsfield-Jackson Atlanta International Airport serving as its central hub, and is the fastest-growing international carrier in America. In cooperation with its worldwide airline partners, SkyTeam, Delta offers flights to 570 destinations in 120 countries. In June of 2011, Delta announced plans to relocate its Minneapolis-St. Paul flight attendant training center, pilot training center, and flight simulator facilities to Atlanta, along with certain engineering and technical support operations, all of which were acquired in Delta's 2008 merger with Northwest Airlines. In March of 2013, Delta submitted bids to the Department of Transportation for 21 of 28 additional weekly routes to Sao Paulo, Brazil, which were opened for competition in February. In June of 2013, the Department of Transportation tentatively awarded rights to Delta for the routes, which would allow the airline a second daily flight from Atlanta to Sao Paulo in 2013 and seven frequencies for Detroit to Sao Paulo service in 2014.
- Emory University is one of the market's largest employers and is recognized internationally for its outstanding liberal arts college, its reputable professional schools, and one of the Southeast's leading healthcare systems. The undergraduate business program of the university's Goizueta Business School was ranked seventh nationally by *BusinessWeek* in 2013. Emory had a total enrollment of 14,236 students for the 2012 fall semester and was ranked #15 on *Kiplinger's* 2012/13 list of the *Best Values in Private Colleges*. The Georgia Institute of Technology, Georgia Tech, is one of the nation's top research universities. The school's enrollment stands at approximately 20,000 undergraduate and graduate students, and the campus extends over 400 acres in the heart of Atlanta. Georgia Tech has consistently been ranked one of the top ten public universities in the United States by *U.S. News & World Report*. Furthermore, Georgia State University is currently in the midst of a ten-year, \$1-billion expansion to its Downtown Atlanta facilities, expected to be completed in 2015.
- The headquarters of AT&T Southeast reside in Midtown Atlanta. The merger of AT&T and BellSouth in 2006, along with the ownership consolidation of Cingular Wireless and YELLOWPAGES.COM, makes AT&T the leading worldwide provider of IP-based communications services to businesses and the leading U.S. provider of wireless phone, high-speed Internet access, local and long distance voice, and directory publishing and advertising services. AT&T Mobility, based in Atlanta, is the second-largest wireless voice and data carrier in the nation in terms of numbers of subscribers (after Verizon) and has a subscriber base of more than 75 million mobile users spanning most

major metropolitan areas. The company, which accounts for more than one-third of parent company AT&T's business, provides a full range of wireless voice, messaging, and data services to consumer and enterprise customers via its network. In April of 2013, AT&T Mobility launched "Digital Life," a wireless-based home-security service providing 24-hour monitoring from one of the company's two monitoring centers in Atlanta and Dallas, Texas.

Historically, the two largest economic forces in the Atlanta market have been manufacturing and airport-related commerce. In recent years, however, significant growth has been realized in other areas, including professional and business services, university expansions, healthcare, manufacturing, and commercial and residential developments throughout the city. A number of these projects have combined to transform Downtown Atlanta from a strictly commercial center to a tourist destination. Ongoing developments include the construction of the College Football Hall of Fame, the National Center for Civil and Human Rights, and the Downtown Loop streetcar line, all of which are expected to be completed in 2014.

In December of 2012, the Georgia World Congress Center Authority approved plans for the development of a new retractable-roof stadium for the Atlanta Falcons, with an initial cost estimate of approximately \$1 billion. Construction of the stadium is scheduled to begin in 2014, with completion expected in time for the 2017 football season. Further potential development projects for the area surrounding the GWCC and Georgia Dome include the proposed Multi-Modal Passenger Terminal (MMPT) in The Gulch area of Downtown, which would create a transportation hub tying together numerous regional networks. In July of 2012, the permitting process for the project was fast-tracked as part of the federal government's Dashboard initiative. In addition, Atlanta is one of the top convention destination markets in the country. Although bookings for 2011 were down, convention activity in 2012 recovered dramatically, and prospects for future bookings remain positive. We expect this market's strong economic anchors and its reliance on major local conventions to support steady growth over the near term.

Office Space Statistics

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

FIGURE 3-7 OFFICE SPACE STATISTICS – MARKET OVERVIEW

Submarket	Inventory		Occupied Office Space	Vacancy Rate	Average Asking Lease Rate
	Buildings	Square Feet			
1 Cumberland/I-75	147	20,429,000	16,853,900	17.5 %	\$21.64
2 W Atl/I-20W/I-75	32	2,008,000	1,688,700	15.9	23.33
3 Marietta/E Cobb	78	3,404,000	2,678,900	21.3	16.84
4 North Central/I-285	176	23,689,000	18,832,800	20.5	22.64
5 Roswell/Alpharetta	195	15,149,000	12,134,300	19.9	20.03
6 Peachtree Corners	95	7,236,000	5,492,100	24.1	17.15
7 NE Gwinnet/I-85	151	8,737,000	6,666,300	23.7	17.10
8 Buckhead/Lenox	81	14,707,000	11,192,000	23.9	27.85
9 NE Atlanta/I-85N	73	8,437,000	7,238,900	14.2	17.97
10 Northlake/Stn Mtn	24	1,318,000	1,003,000	23.9	17.20
11 E Atlanta/Decatur	51	2,096,000	1,817,200	13.3	20.29
12 Midtown/Pershing	81	14,128,000	11,966,400	15.3	26.24
13 Airport/S Atlanta	84	4,177,000	3,124,400	25.2	15.51
14 Downtown	58	16,213,000	12,159,800	25.0	21.45
15 Far South	36	942,000	725,300	23.0	17.77
Totals and Averages	1,362	142,670,000	113,574,000	20.4 %	\$21.63

Source: REIS Report, 2nd Quarter, 2013

The greater Atlanta market comprises a total of 142.7 million square feet of office space. For the 2nd Quarter of 2013, the market reported a vacancy rate of 20.4% and an average asking rent of \$21.63. The subject property is located in the Downtown submarket, which houses 16,213,000 square feet of office space. The submarket's vacancy rate of 25.0% is above the overall market average. The average asking lease rate of \$21.45 is on par with the average for the broader market.

The following table illustrates a trend of office space statistics for the overall Atlanta market and the Downtown submarket.

FIGURE 3-8 HISTORICAL AND PROJECTED OFFICE SPACE STATISTICS – GREATER MARKET VS. SUBMARKET

Year	Atlanta Market							Downtown Submarket						
	Available Office Space	% Chg	Occupied Office Space	% Chg	Vacancy Rate	Asking Lease Rate	% Chg	Available Office Space	% Chg	Occupied Office Space	% Chg	Vacancy Rate	Asking Lease Rate	% Chg
2000	127,270,000	—	115,877,000	—	9.0 %	\$21.00	—	15,231,000	—	14,271,000	—	6.3 %	\$22.55	—
2001	133,555,000	4.9 %	112,046,000	(3.3) %	16.1	20.94	(0.3) %	15,771,000	3.5 %	13,437,000	(5.8) %	14.8	22.24	(1.4) %
2002	135,271,000	1.3	110,021,000	(1.8)	18.7	20.39	(2.6)	15,771,000	0.0	13,658,000	1.6	13.4	22.15	(0.4)
2003	135,879,000	0.4	109,339,000	(0.6)	19.5	19.94	(2.2)	15,771,000	0.0	13,405,000	(1.9)	15.0	22.00	(0.7)
2004	136,796,000	0.7	110,689,000	1.2	19.1	19.74	(1.0)	15,753,000	(0.1)	13,154,000	(1.9)	16.5	21.95	(0.2)
2005	136,291,000	(0.4)	112,187,000	1.4	17.7	19.88	0.7	16,015,000	1.7	12,972,000	(1.4)	19.0	22.15	0.9
2006	136,871,000	0.4	114,850,000	2.4	16.1	20.38	2.5	15,876,000	(0.9)	12,844,000	(1.0)	19.1	21.89	(1.2)
2007	138,575,000	1.2	117,670,000	2.5	15.1	21.20	4.0	16,225,000	2.2	12,964,000	0.9	20.1	22.02	0.6
2008	139,790,000	0.9	116,553,000	(0.9)	16.6	21.43	1.1	16,225,000	0.0	12,639,000	(2.5)	22.1	22.55	2.4
2009	141,041,000	0.9	115,071,000	(1.3)	18.4	21.20	(1.1)	16,225,000	0.0	12,656,000	0.1	22.0	22.35	(0.9)
2010	142,474,000	1.0	112,716,000	(2.0)	20.9	21.17	(0.1)	16,213,000	(0.1)	12,598,000	(0.5)	22.3	21.76	(2.6)
2011	142,415,000	(0.0)	112,877,000	0.1	20.7	21.32	0.7	16,213,000	0.0	12,679,000	0.6	21.8	21.51	(1.1)
2012	142,310,000	(0.1)	112,786,000	(0.1)	20.7	21.55	1.1	16,213,000	0.0	12,289,000	(3.1)	24.2	21.49	(0.1)
Forecasts														
2013	142,670,000	0.3 %	113,931,000	1.0 %	20.1 %	21.79	1.1 %	16,213,000	0.0 %	12,176,000	(0.9) %	24.9 %	\$21.60	0.5 %
2014	143,592,000	0.6	115,514,000	1.4	19.6	22.31	2.4	16,213,000	0.0	12,437,000	2.1	23.3	22.12	2.4
2015	145,205,000	1.1	117,868,000	2.0	18.8	23.01	3.1	16,304,000	0.6	12,746,000	2.5	21.8	22.58	2.1
2016	147,194,000	1.4	121,268,000	2.9	17.6	23.95	4.1	16,429,000	0.8	13,304,000	4.4	19.0	23.46	3.9
2017	149,776,000	1.8	125,730,000	3.7	16.1	25.01	4.4	16,642,000	1.3	13,861,000	4.2	16.7	24.52	4.5
Average Annual Compound Change														
2000 - 2012	0.9 %		(0.2) %				0.2 %		0.5 %		(1.2) %		(0.4) %	
2000 - 2007	1.2		0.2				0.1		0.9		(1.4)		(0.3)	
2007 - 2010	0.9		(1.4)				(0.0)		(0.0)		(1.0)		(0.4)	
2010 - 2012	(0.1)		0.0				0.9		0.0		(1.2)		(0.6)	
Forecast 2012 - 2017	1.0 %		2.2 %				3.0 %		0.5 %		2.4 %		2.7 %	

Source: REIS Report, 2nd Quarter, 2013

The inventory of office space in the Atlanta market increased at an average annual compound rate of 0.9% from 2000 through 2012, while occupied office space contracted at an average annual rate of -0.2% over the same period. During the period of 2000 through 2007, occupied office space expanded at an average annual compound rate of 0.2%. From 2007 through 2010, occupied office space contracted at an average annual compound rate of -1.4%, reflecting the impact of the recession. The onset of the recovery is evident in the 0.0% average annual change in occupied office space from 2010 to 2012. From 2012 through 2017, the inventory of occupied office space is forecast to increase at an average annual compound rate of 2.2%, with available office space expected to increase 1.0%, thus resulting in an anticipated vacancy rate of 16.1% as of 2017.

According to REIS, the Downtown submarket comprises the third-largest amount of both available and occupied office space in the Atlanta market, behind North Central/I-285 and Cumberland/I-75. Although overall office occupancy levels in the Atlanta market have recovered since 2009, the Downtown submarket continues to struggle to absorb vacant space, with vacancy rates remaining measurably higher than the market average as companies relocate their operations to newer, more attractive space in the Midtown, Buckhead, and Perimeter markets. In 2011, SunTrust Banks, Inc. moved its Atlanta region headquarters, including 350 employees, from Downtown to a new space in Midtown's Campanile building. The company's corporate and investment banking division, SunTrust Robinson Humphrey, also relocated at the same time from SunTrust Plaza to Buckhead. However, ongoing development in the Downtown submarket appears to be creating a slight shift in this trend. In June of 2013, The Coca-Cola Company announced plans to move 2,000 IT employees from the Towers at Wildwood complex in Cobb County to SunTrust Plaza, forming an "Information Technology Center of Excellence." The center will operate under a ten-year lease, beginning mid-year in 2014.

Convention Activity

A convention center serves as a gauge of visitation trends to a particular market. Convention centers also generate significant levels of demand for area hotels and serve as a focal point for community activity. Typically, hotels within the closest proximity to a convention center – up to three miles away – will benefit the most. Hotels serving as headquarters for an event benefit the most by way of premium rates and hosting related banquet events. During the largest of conventions, peripheral hotels may benefit from compression within the city as a whole.

The Georgia World Congress Center (GWCC) is located in the heart of Downtown Atlanta. The GWCC features nearly 1.4 million square feet of exhibit space contained in 12 exhibit halls, 106 meeting rooms that constitute 305,000 square feet of space, 2 grand ballrooms, 2 landscaped plazas, and a 1,740-seat auditorium, making it one of the nation's five largest convention centers in terms of prime

exhibit space. In the 2011/12 fiscal year, the GWCC facility generated more than \$106 million in tax revenue, and events held at the GWCC sustained over 13,450 jobs. The facility's economic impact on the state for the fiscal year was estimated at \$1.2 billion.

GEORGIA WORLD CONGRESS CENTER



The following table illustrates recent use statistics for this facility.

FIGURE 3-9 CONVENTION CENTER STATISTICS

Year	Events	Percent Change	Total Attendance	Percent Change	Exhibit Hall Occupancy	National Average*	Ballroom Occupancy	National Average*
2008	312	—	1,312,453	—	55.8 %	56.1 %	49.7 %	56.8 %
2009	370	18.6 %	1,144,650	(12.8) %	45.8	55.7	64.0	61.9
2010	368	(0.5)	1,477,574	29.1	47.1	54.2	106.4	51.0
2011	290	(21.2)	1,149,051	(22.2)	46.9	51.1	52.4	47.9
2012	309	6.6	1,203,488	4.7	44.0	52.9	53.0	53.2

*Other centers with more than 500,000 square feet exhibit hall space

Source: Georgia World Congress Center

The economic environment during the Great Recession caused a significant drop in attendance at the Georgia World Congress Center (GWCC) in 2009, despite a double-digit percentage increase in the number of events. This was a typical trend for convention centers across the nation that year. In 2010, convention activity at the GWCC experienced a substantial recovery; although the number of events remained relatively stable, total attendance increased sharply, surpassing 2008 levels. Both the number of events and total attendance at the GWCC declined significantly in 2011; however, in 2012, both metrics improved measurably, indicating that meeting and group demand in this Atlanta market is recovering, which is consistent with most markets we have surveyed. Additional occupancy statistics provide further insight into the GWCC's competitive positioning among centers with more than 500,000 square feet of exhibit space. Since 2009, ballroom occupancy for the GWCC has remained at or above the national average. However, overall exhibit space occupancy over the same period has remained substantially below the average, with a variance of -9.0% recorded in 2012. These figures indicate that the center's exhibit space is underutilized. According to Georgia World Congress Center Authority officials, this effect is primarily due to low levels of activity in Building C resulting from the difficulty in accessing that facility from Downtown and the majority of the area's hotel supply.

This lack of sufficient available space, acting in conjunction with proximate hotel supply, has resulted in considerable loss of convention and event business. The following table illustrates the average committable rooms from participating hotels.

FIGURE 3-10 AVERAGE COMMITTABLE ROOMS

Selected Hotels Downtown Atlanta	Total Rooms	Estimated Committable Rooms
Doubletree by Hilton Hotel Atlanta Downtown	312	220
Embassy Suites Atlanta Centennial Olympic Park	321	250
Hilton Atlanta	1,242	700
Hilton Garden Inn Atlanta Downtown	242	160
Holiday Inn Atlanta Downtown Centennial Park	260	180
Hyatt Regency Atlanta	1,260	650
Marriott Marquis Atlanta	1,663	1,000
Omni Atlanta at CNN Center	1,070	700
Ritz-Carlton Atlanta	444	350
Sheraton Atlanta	763	550
W Atlanta Downtown	237	170
Westin Peachtree Plaza Atlanta	1,073	750
TOTAL	8,887	5,680

Source: Atlanta Convention and Visitors Bureau

The above set of primary competitors in the Downtown Atlanta market represents the eleven largest offerings of meeting space in the market; the Holiday Inn Atlanta Downtown Centennial Park has also been included because of its full-service product and proximity to the GWCC. Average committable room nights for the largest six hotels were provided by the Atlanta CVB. The remaining committable room nights were estimated based on information provided by the Atlanta CVB, interviews with hotel management, and our understanding of each hotel’s operations and competitive positioning. As shown, the number of committable rooms available in Downtown Atlanta equates to 5,680 guestrooms spread over twelve hotels, or an average of 473 committable rooms. According to Atlanta CVB officials, downtown hotels commit between 50% and 80% of their total room supply for major conventions; the average estimates shown above represent a mean of 63.9% of room supply. While this set of hotels only represents roughly half of the existing room supply in Downtown Atlanta, the remaining room supply consists primarily of hotels that are significantly smaller and operate at lower price points. As a result, large citywide groups requiring peak room-night blocks in excess of 5,000 rooms reportedly create significant compression and push demand to the Midtown, Buckhead, and Perimeter submarkets.

The following table illustrates lost business attributed to lack of available room supply.

FIGURE 3-11 ROOM NIGHTS LOST OVERVIEW

Room Nights Lost									
Year Lost	Total	Lack of Availability		Lack of Availability		Rooms/Space		Prefer In-House Facility	
		GWCC	% Total	Hotels	% Total	Ratio	% Total		% Total
2004	601,720	213,869	35.5 %	150,958	25.1 %	53,464	8.9 %	183,429	30.5 %
2005	852,883	352,732	41.4	248,813	29.2	51,675	6.1	199,663	23.4
2006	1,656,595	920,004	55.5	539,365	32.6	17,367	1.0	179,859	10.9
2007	1,858,641	1,551,840	83.5	166,209	8.9	46,561	2.5	94,031	5.1
2008	778,768	531,213	68.2	75,734	9.7	66,363	8.5	105,458	13.5
2009	772,898	621,520	80.4	66,438	8.6	32,790	4.2	52,150	6.7
2010	783,588	419,295	53.5	123,662	15.8	129,998	16.6	110,633	14.1
2011	861,188	645,442	74.9	103,602	12.0	50,553	5.9	61,591	7.2
2012	970,443	572,128	59.0	189,019	19.5	99,859	10.3	109,427	11.3
Averages	1,015,192	647,560	61.3 %	184,867	17.9 %	60,959	7.1 %	121,805	12.0 %

Source: Atlanta Convention and Visitors Bureau

According to TAP (Trends Analysis Projections) Reports furnished by the Atlanta Convention and Visitors Bureau, the average conversion rate—the percentage of total demand events actually booked in any given year—is roughly 16.0% for the GWCC over the next eight years. By comparison, the average conversion rate for the Atlanta market over the next eight years, which includes in-house events and those held at other facilities, is approximately 20.0%. In 2013 alone, the conversion rate for the GWCC is 20.0%, versus a market-wide conversion rate of 36.0%.

The above table shows a breakdown of the total number of room nights lost by reason given between 2004 and 2012. Although a significant portion of lost room nights over this period are attributed to a lack of hotel supply, the figures illustrate that an overwhelming majority of the 61.3% of lost business is attributed to a lack of availability at the GWCC, despite the convention center being the fourth largest by total square footage in the United States. Furthermore, this ratio has exhibited relatively little variance over the past three years, declining only eight points to 53.5% in 2010, as the influence of other factors increased somewhat during the GWCC's strong recovery year. These figures indicate that the limited access to

Building C and the preference of exhibitors for Buildings A and B, as reported by the ACVB, has had a dramatic influence on the loss of room nights at the GWCC, an effect which was verified in our interviews with major event organizers.

The following tables illustrate tentative, definite, and total room nights and event bookings for Atlanta as of June 30, 2013.

FIGURE 3-12 TENTATIVE BOOKINGS – CONVENTION CENTER AND ALL GROUP BUSINESS

Tentative Room Nights and Events - Convention Center

Year	Room Nights			Number of Events		
	As of	As of	Variance	As of	As of	Variance
	June 30, 2013	June 30, 2012		June 30, 2013	June 30, 2012	
2020	591,483	—	—	38	—	—
2019	727,280	653,704	73,576	49	43	6
2018	1,057,736	870,249	187,487	64	53	11
2017	882,202	757,446	124,756	58	50	8
2016	654,088	901,352	(247,264)	47	58	(11)
2015	397,790	654,437	(256,647)	35	54	(19)
2014	107,472	260,835	(153,363)	14	27	(13)
2013	31,543	193,612	(162,069)	4	28	(24)
2012	0	59,315	(59,315)	0	6	(6)

Tentative Room Nights and Events - All Business

Year	Room Nights			Number of Events		
	As of	As of	Variance	As of	As of	Variance
	June 30, 2013	June 30, 2012		June 30, 2013	June 30, 2012	
2020	736,520	—	—	48	—	—
2019	1,117,817	978,925	138,892	67	53	14
2018	1,529,595	1,201,685	327,910	92	70	22
2017	1,262,859	1,145,433	117,426	98	75	23
2016	1,045,913	1,200,925	(155,012)	127	92	35
2015	804,100	1,072,536	(268,436)	169	121	48
2014	424,605	433,175	(8,570)	348	141	207
2013	113,119	463,396	(350,277)	260	288	(28)
2012	0	106,324	(106,324)	0	212	(212)

Source: Atlanta Convention and Visitors Bureau

FIGURE 3-13 DEFINITE BOOKINGS – CONVENTION CENTER AND ALL GROUP BUSINESS

Convention Center Definite Room Nights and Event Bookings

Year	Room Nights						Number of Events							
	As of	As of	RN Booked	RN Pace	Pace	CVB Pace	As of	As of	Booked	Event Pace	Pace	CVB Pace		
	June 30, 2013	June 30, 2012	Variance	Variance*	Variance*	Target	Variance	June 30, 2013	June 30, 2012	Variance	Variance*	Variance*	Target	Variance
2020	59,075	—	—	(9,670)	-14%	41,736	17,339	2	—	—	(1)	-33%	0	2
2019	144,965	68,745	76,220	56,991	65%	108,835	36,130	8	3	5	4	100%	3	5
2018	136,563	87,974	48,589	(176,515)	-56%	168,923	(32,360)	8	4	4	(5)	-38%	11	(3)
2017	345,221	313,078	32,143	80,204	30%	234,926	110,295	14	13	1	0	0%	12	2
2016	464,027	265,017	199,010	21,015	5%	381,314	82,713	27	14	13	3	13%	21	6
2015	606,186	443,012	163,174	20,943	4%	579,133	27,053	36	24	12	0	0%	38	(2)
2014	708,497	585,243	123,254	40,653	6%	690,523	17,974	43	36	7	(2)	-4%	44	(1)
2013	727,551	667,844	59,707	11,315	2%	735,823	(8,272)	55	45	10	0	0%	54	1
2012	—	716,236	—	—	—	—	—	—	55	—	—	—	—	—

* RN Pace and Variance Explanation

Year	June 30, 2013	June 30, 2012	RN Booked	RN Pace	Pace
			Variance	Variance	Variance
2016	464,027	265,017	199,010	21,015	5%
2015	606,186	443,012			

As of June 2012, there were 443,012 RNs confirmed for the calendar year 2015 (three years out); as of June 2013, there were 464,027 RNs confirmed for 2016 (three years out). This is a year-over-year difference of 21,015 RNs, therefore, a 5% improvement in booking pace over the demand for the comparable timeframe.

Definite Room Nights - All Business (City-Wide, Large In-House, and Small In-House)

Year	Room Nights						Number of Events							
	As of	As of	RN Booked	RN Pace	Pace	CVB Pace	As of	As of	Booked	Event Pace	Pace	CVB Pace		
	June 30, 2013	June 30, 2012	Variance	Variance*	Variance*	Target	Variance	June 30, 2013	June 30, 2012	Variance	Variance*	Variance*	Target	Variance
2020	66,412	—	—	(8,421)	-11%	47,413	18,999	3	—	—	(1)	-25%	0	3
2019	153,395	74,833	78,562	42,741	39%	119,163	34,232	10	4	6	5	100%	7	3
2018	168,529	110,654	57,875	(190,262)	-53%	194,012	(25,483)	12	5	7	(8)	-40%	13	(1)
2017	455,292	358,791	96,501	59,047	15%	313,450	141,842	28	20	8	(5)	-15%	28	0
2016	718,990	396,245	322,745	72,931	11%	579,294	139,696	77	33	44	18	31%	56	21
2015	908,907	646,059	262,848	68,806	8%	843,306	65,601	116	59	57	29	33%	106	10
2014	1,080,770	840,101	240,669	87,381	9%	1,045,404	35,366	216	87	129	34	19%	190	26
2013	1,191,600	993,389	198,211	(68,375)	-5%	1,246,104	(54,504)	604	182	422	38	7%	500	104
2012	—	1,259,975	—	—	—	—	—	—	566	—	—	—	—	—

Source: Atlanta Convention and Visitors Bureau

FIGURE 3-14 TOTAL DEFINITE AND TENTATIVE BOOKINGS – CONVENTION CENTER AND ALL GROUP BUSINESS

Convention Center Total Definite and Tentative Room Nights and Event Bookings

Year	Room Nights			TAP			Number of Events			TAP	
	As of	As of	RN Booked	Consumption	Variance	As of	As of	Booked	Consumption	Variance	
	June 30, 2013	June 30, 2012	Variance	Benchmark	to TAP	June 30, 2013	June 30, 2012	Variance	Benchmark	to TAP	
2020	650,558	—	—	737,151	(86,593)	40	—	—	54	(14)	
2019	872,245	722,449	149,796	737,151	135,094	57	46	11	54	3	
2018	1,194,299	958,223	236,076	737,151	457,148	72	57	15	54	18	
2017	1,227,423	1,070,524	156,899	737,151	490,272	72	63	9	54	18	
2016	1,118,115	1,166,369	(48,254)	737,151	380,964	74	72	2	54	20	
2015	1,003,976	1,097,449	(93,473)	737,151	266,825	71	78	-7	54	17	
2014	815,969	846,078	(30,109)	737,151	78,818	57	63	-6	54	3	
2013	759,094	861,456	(102,362)	737,151	21,943	59	73	-14	54	5	
2012	—	775,551	—	—	—	—	61	—	—	—	

Definite/Tentative Room Nights - All Business (City-Wide, Large In-House, and Small In-House)

Year	Room Nights			TAP			Number of Events			TAP	
	As of	As of	RN Booked	Consumption	Variance	As of	As of	Booked	Consumption	Variance	
	June 30, 2013	June 30, 2012	Variance	Benchmark		June 30, 2013	June 30, 2012	Variance	Benchmark		
2020	802,932	—	—	1,277,535	(474,603)	51	—	—	600	(549)	
2019	1,271,212	1,053,758	217,454	1,277,535	(6,323)	77	57	20	600	(523)	
2018	1,698,124	1,312,339	385,785	1,277,535	420,589	104	75	29	600	(496)	
2017	1,718,151	1,504,224	213,927	1,277,535	440,616	126	95	31	600	(474)	
2016	1,764,903	1,597,170	167,733	1,277,535	487,368	204	125	79	600	(396)	
2015	1,713,007	1,718,595	(5,588)	1,277,535	435,472	285	180	105	600	(315)	
2014	1,505,375	1,273,276	232,099	1,277,535	227,840	564	228	336	600	(36)	
2013	1,304,719	1,456,785	(152,066)	1,277,535	27,184	864	470	394	600	264	
2012	—	1,366,299	—	—	—	—	778	—	—	—	

Source: Atlanta Convention and Visitors Bureau

**Convention Center
Conclusion**

Based on our discussions with the Georgia World Congress Center Authority, the Atlanta CVB, and major event organizers, we expect that a new convention center headquarters hotel with access to Building C of the GWCC will allow the convention center to capture significant levels of demand lost because of limited access and preference for Buildings A and B. Over time, it is expected that this induced demand from the proposed subject property and the improved functionality of Building C will allow Atlanta to more effectively penetrate competitive tier-one convention markets, from the standpoint of capturing convention, large in-house, and small-in house meeting and group demand.

**Competitive
Convention Markets**

According to a recent blind survey undertaken by ASAE on behalf of the Atlanta CVB (dated January 28, 2013), ten event organizers listed the top 22 cities they would consider to host major citywide conventions. These markets were then ranked in order of preference, with Atlanta finishing tied with San Francisco for tenth place. The 22 cities mentioned represent a broad sampling of tier-one and tier-two convention markets throughout the United States. In addition to this study, the Atlanta CVB collects data on 31 cities it considers to be competitive with Atlanta for national and regional convention demand. These two lists share 14 markets, which are considered to be both directly competitive with and on par with Atlanta in terms of attractiveness.

The following table illustrates salient data for each of these 14 competitive markets and is followed by the most recent available information and operating statistics for each competitive convention center.

FIGURE 3-15 SUMMARY OF COMPETITIVE CONVENTION MARKETS

Market	Headquarter Hotel	No. Rooms	Market Room Supply and Access Statistics							Convention Center	Exhibit Space Area (SF)	No. Halls	No. Mtg. Rooms
			Number of Rooms (Market)	Number of Rooms (Downtown)	Committable Rooms (1 mi. Radius)	Major Airline Hub?	Number of Airlines	Daily Flights	Non-Stop Destinations				
Atlanta	Omni Atlanta at CNN Center	1,070	94,808	16,258	11,226	Y	16	1,300	150	Georgia World Congress Center	1,366,000	12	106
Baltimore	Hilton Baltimore	757	33,841	7,668	6,300	Y	13	761	308	Baltimore Convention Center	300,000	7	50
Chicago	Hyatt Regency McCormick Place	1,260	108,994	34,621	900	Y	22	2,558	165	McCormick Place	2,670,000	6	170
Dallas	Sheraton Dallas	1,840	79,013	6,716	5,718	Y	20	2,026	193	Kay Baily Huchison Convention Center	1,035,945	6	88
	Hyatt Regency	1,120											
	Omni Dallas Convention Center	1,001											
Denver	Hyatt Regency Denver Convention Center	1,100	41,992	8,300	5,800	Y	23	1,700	160	Colorado Convention Center	584,000	6	63
Nashville	Renaissance Nashville	673	38,237	7,207	4,800	N	12	375	47	Nashville Convention Center	190,871	3	30
										Music City Center	350,000	3	60
New Orleans	Hilton New Orleans Riverside	1,622	37,703	21,000	18,000	N	10	124	37	Ernest N. Morial Convention Center	1,100,000	11	140
Orlando	Preferred The Peabody Orlando	1,641	120,906	38,506	7,380	N	37	342	103	Orange County Convention Center	2,053,820	10	74
	Hilton Orange County Convention Center	1,417											
Philadelphia	Marriott Philadelphia Downtown	1,408	46,117	8,500	8,000	Y	17	600	120	Pennsylvania Convention Center	679,000	7	73
Phoenix	Sheraton Phoenix Downtown	1,000	62,474	4,150	2,800	Y	16	1,200	47	Phoenix Convention Center	584,500	9	106
San Antonio	Grand Hyatt San Antonio	1,003	44,678	13,798	10,000	N	11	260	30	Henry B. Gonzales Convention Center	423,769	5	63
	Marriott San Antonio Rivercenter	1,001											
San Diego	Grand Hyatt Manchester San Diego	1,628	58,717	11,789	7,000	Y	18	600	44	San Diego Convention Center	615,701	9	72
	Marriott San Diego Marquis & Marina	1,360											
San Francisco	Hilton San Francisco Union Square	1,908	51,157	20,000	15,000	Y	58	552	67	Moscone Center	738,092	8	107
	Marriott San Francisco Marquis	1,499											
Seattle	Sheraton Seattle Hotel	1,258	41,149	12,299	5,800	Y	24	750	70	Washington State Convention Center	236,700	7	68
Washington, DC	Grand Hyatt Washington	897	109,077	27,800	10,580	Y	48	412	72	Walter E. Washington Convention Center	703,000	5	77
	Renaissance Washington DC Downtown	807											
Totals/Averages		26,200	62,433	15,882	7,720		24	876	105		817,693	7	83

BALTIMORE CONVENTION CENTER



The Baltimore Convention Center (BCC) contains a total of 1,225,000 square feet of net-rentable space, which includes a 36,000-square-foot ballroom, meeting rooms totaling approximately 85,000 square feet, and exhibit halls comprising 300,000 square feet. The center is marketed as the premier location in the Mid-Atlantic region for organizations hosting conventions, meetings, banquets, and other activities. A renovation of BCC was completed in 2012; upgrades included new carpeting, new energy-efficient lighting, new kitchen equipment, a new green roof, and fresh paint. Convention and Baltimore city officials have announced that the BCC may undergo a 200,000- to 300,000-square-foot expansion. In addition to the expansion, an 18,500-seat Inner Harbor arena and a 500-unit full-service hotel connected to the BCC would be developed on adjacent parcels; the proposed hotel would take the place of the existing Sheraton Inner Harbor located on Charles Street. This project is still in the feasibility stage and is contingent on both private and public funds. Officials expect that the expansion will be completed, if approved and financed, between 2016 and 2020.

The following table illustrates recent use statistics for this facility.

FIGURE 3-16 CONVENTION CENTER STATISTICS

<u>Year</u>	<u>Number of Events</u>	<u>Percent Change</u>	<u>Number of Delegates</u>	<u>Percent Change</u>
2005/06	201	—	544,682	—
2006/07	166	(17.4) %	544,682	(0.0) %
2007/08	172	3.6	514,144	(5.6)
2008/09	139	(19.2)	435,999	(15.2)
2009/10	131	(5.8)	368,834	(15.4)
2010/11	147	12.2	455,444	23.5
2011/12	134	(8.8)	392,373	(13.8)

Source: Baltimore Convention Center

The Baltimore Convention Center was negatively affected by slowing business levels and decreased group travel caused by the downturn in the national economy. The 2011/12 fiscal year statistics show a decline in the number of events and delegate activity at the center when compared with figures from the previous fiscal year. The Baltimore Area Convention and Visitors Association (BACVA) has since ramped up efforts to increase convention bookings, working in partnership with the Baltimore Convention Center and Baltimore hotel community to increase production, streamline sales processes, and identify opportunities for future business. Because of this partnership and stronger marketing, convention activity at BCC for 2012/13 reportedly increased, although statistics for this fiscal year were not available, and this positive trend is expected to continue in the 2013/14 fiscal year.

MCCORMICK PLACE



Chicago's McCormick Place, owned by the Metropolitan Pier and Exposition Authority (MPEA) and operated by SMG, is the largest convention center in the United States, with a total of 2.6 million square feet of exhibition space. The MPEA completed an \$800-million expansion by adding the West Building in August of 2007, which offers a 460,000-square-foot exhibit hall, 141,000 square feet of meeting space, and a 45,000-square-foot ballroom—Chicago's largest. McCormick Place offers three other state-of-the-art buildings, including the South and North Buildings and the Lakeside Center. The North Building features over 700,000 square feet of exhibition space, 29 meeting rooms, and various service areas and support facilities. The Lakeside Center concentrates on hosting mid-sized trade shows and conventions, while the South building offers an additional 840,000 square feet of exhibition space and 156,000 square feet of meeting space. McCormick Place also features the Arie Crown Theater, a 4,319-seat performing arts venue that also serves as a general assembly hall. The entire McCormick Place complex is linked by a 50,000-square-foot pedestrian promenade, referred to as the Grand Concourse, which contains retail shops and other visitor amenities. MPEA also owns the 800-room Hyatt Regency McCormick Place, which is connected via the Grand Concourse. In June of 2013, the Hyatt Regency completed a \$110-million renovation and expansion that included adding a 460-guestroom tower, completely updating the hotel, and renovating and expanding the meeting

space. In early 2013, city officials announced a planned expansion of the McCormick Place complex, including a \$173-million basketball arena and an additional 1,200-room, \$400-million headquarters hotel that would be developed by the MPEA.

The following table illustrates recent use statistics for this facility.

FIGURE 3-17 CONVENTION CENTER STATISTICS

<u>Year</u>	<u>Number of Events</u>	<u>Percent Change</u>	<u>Number of Attendees</u>	<u>Percent Change</u>
2005	77	—	2,220,316	—
2006	78	1.3 %	2,241,324	0.9 %
2007	112	43.6	2,270,551	1.3
2008	108	(3.6)	2,288,642	0.8
2009	103	(4.6)	2,041,475	(10.8)
2010	92	(10.7)	2,013,307	(1.4)
2011	103	12.0	2,054,420	2.0

Source: McCormick Place Complex

These data illustrate that the number of shows and conventions at McCormick Place increased between 2005 and 2007. After noting over 2.7 million delegates in 2007, up significantly from the previous year due to the completion of the West Building, the number of events held at the facility declined in 2008 as the nation began to experience the effects of the recession. Statistics for 2009 revealed that the number of events and attendance slightly decreased from levels recorded in 2008. Due to the continued negative impact of the recession, many of the events experienced lower-than-anticipated room-night production and lower delegate numbers; furthermore, several participants shortened their visits in order to moderate expenses. This trend continued into 2010; however, the rate of decline in attendance slowed. The data for 2011 illustrate a strong increase in the number of conventions, along with a more modest increase in the number of delegates, as the average attendance at most events was smaller; however, the number of delegates exhibited its first increase since 2008. According to CVB officials, the annual statistics for the 2012 convention year were not yet available but are expected show marked improvement, as bookings for the summer and fall seasons were strong for both citywide and smaller events.

KAY BAILEY HUTCHISON CONVENTION CENTER



The Kay Bailey Hutchison Convention Center, formerly the Dallas Convention Center, contains a total of 1,035,945 square feet of exhibit space in addition to the theater and arena. The center offers three ballrooms of 27,000, 20,000, and 19,000 square feet, respectively; a theater with 1,750 opera-style seats; and an arena that features seating for approximately 9,800. In 1997, the Dallas City Council funded a \$125-million expansion and renovation of the center. The expansion, which debuted on September 26, 2002, added a 203,000-square-foot exhibit hall contiguous with the center's main exhibit level. The hall is now marketed as the world's largest column-free exhibit space. The 1,001-room convention headquarters Omni Hotel, located adjacent to the convention center, opened in November of 2011. In 2012, the 19,000-square-foot Ballroom D and 900-square-foot Executive Conference Room were added. Additionally, Ballrooms A and B were updated with new epoxy flooring and new graphic panels, as well as the resurfacing of the concrete walls, in 2012. In April of 2013, the Dallas City Council voted unanimously to rename the convention center in honor of longtime Texas Senator Kay Bailey Hutchison.

The following table illustrates recent use statistics for this facility.

FIGURE 3-18 CONVENTION CENTER STATISTICS

Year	Number of Events	Percent Change	Number of Attendees	Percent Change
2007/08	173	—	1,007,113	—
2008/09	172	(0.6)	1,113,538	10.6
2009/10	143	(16.9)	1,434,500	28.8
2010/11	117	(18.2)	961,287	(33.0)
2011/12	64	(45.3)	1,673,309	74.1
2012/13*	104	62.5	991,154	(40.8)

Source: Kay Bailey Hutchison Convention Center

After reaching a peak in the number of events in 2007/08, this event level remained stable the following year. Although the number of events dropped considerably in 2009/10, the number of attendees posted the second-highest level over the period shown. However, both events and attendees declined in 2010/11, which was typical in major markets during the recession. The addition of Dallas's new headquarters hotel in November of 2011 improved the salability of the convention center, and the convention center was able to shift its focus to booking more citywide conventions and other large exhibits and events. As such, while the number of events decreased, the number of attendees approached 1.7 million. Per the 2012/13 partial fiscal-year statistics, positive trends continue in both the numbers of events and attendance levels.

COLORADO CONVENTION CENTER



The Colorado Convention Center was built in 1990 at 14th and Stout Streets, along the western side of Downtown Denver. The center contained 292,000 square feet of contiguous exhibit space and 100,000 square feet of meeting space, including a 35,000-square-foot ballroom and 46 meeting rooms. A \$268-million expansion of the Colorado Convention Center was completed in December of 2004. The expansion almost doubled the size of the center, bringing it to a total of 584,500 square feet of exhibit space on one level; 100,000 square feet of meeting space; two ballrooms consisting of 35,000 and 50,000 square feet; and a 5,000-fixed-seat lecture hall. Together, these spaces comprise approximately 769,000 square feet.

The following table illustrates recent use statistics for this facility.

FIGURE 3-19 CONVENTION CENTER STATISTICS

Year	Number of Conventions	Percent Change	Number of Delegates	Percent Change
2005	40	—	257,956	—
2006	55	37.5 %	320,950	24.4 %
2007	75	36.4	336,116	4.7
2008	75	(0.0)	378,863	12.7
2009	66	(12.0)	313,540	(17.2)
2010	75	13.6	371,003	18.3
2011	82	9.3	369,059	(0.5)
2012	98	19.5	377,030	2.2

Source: Colorado Convention Center

Following the expansion of the Colorado Convention Center, booking activity increased at a record-level pace. These strong trends were augmented by the opening of the 1,100-room Hyatt Regency headquarters hotel. The hotel, which opened one year after the center's expansion, was a cornerstone for securing Denver's first major citywide convention in years – the CEDIA Expo for 2006, 2007, and 2008. After a drop in 2009, the number of conventions, delegates, and room nights rebounded in 2010. While a record number of conventions were held in Denver in 2011, delegate attendance and room-night bookings lagged behind the prior year's levels. However, the 2012 convention year noted increases over 2011 in the number of both conventions and delegates. Given the city's attractive convention package and its ability to sell the Colorado Convention Center in conjunction with the 1,100-room Hyatt Regency, it is expected to continue to draw sizeable levels of group demand to Denver. In addition, final figures for the 2013 convention year are expected to be exceptional, with four conventions booked with over 5,000 attendees, and eight conventions planned to host 3,500 to 4,999 delegates.

MUSIC CITY CENTER



Until 2013, the primary convention facility serving the central Tennessee region was the Nashville Convention Center. The center, which opened in 1985, is managed by the Metro Convention Center Commission and contains 118,675 square feet of exhibit space, a 10,920-square-foot ballroom, and 20,000 square feet of meeting rooms. The center is located adjacent to the Renaissance Hotel, which contains an additional 31,000 square feet of meeting space. In May of 2013, the city unveiled the new Music City Center in Downtown Nashville. The 1,200,000-square-foot Music City Center includes a 350,000-square-foot exhibit hall, a 67,500-square-foot ballroom, and an 18,000-square-foot junior ballroom, as well as 90,000 square feet of additional meeting space in 60 breakout rooms. Additionally, a \$250-million, 800-room headquarters Omni Hotel is also being developed adjacent to the new convention center, with completion scheduled for October 2013.

The following table illustrates the most recent available use statistics for the Nashville Convention Center.

FIGURE 3-20 CONVENTION CENTER STATISTICS

<u>Year</u>	<u>Number of Events</u>	<u>Percent Change</u>	<u>Number of Delegates</u>	<u>Percent Change</u>
2005/06	193	—	337,346	—
2006/07	193	0.0 %	369,834	9.6 %
2007/08	188	(2.6)	347,716	(6.0)
2008/09	223	18.6	307,916	(11.4)
2009/10	234	4.9	296,776	(3.6)
2010/11	237	1.3	290,639	(2.1)
2011/12	217	(8.4)	281,018	(3.3)

Source: Nashville Convention Center

These data illustrate that the number of events at the Nashville Convention Center remained relatively stable in 2005/06 and 2006/07, before declining slightly 2007/08. In 2008/09, 2009/10, and 2010/11, the number of events rose; however, the number of delegates has fallen since 2006/07. Both the number of events and the number of delegates fell somewhat in 2011/12. According to CVB officials, the average event size at the new facility is anticipated to be significantly larger given the more spacious event space. As of second-quarter 2013, advanced bookings for the new center were proceeding as originally projected, with approximately 900,000 room nights on the books at area hotels from events booked at the new center.

ERNEST N. MORIAL CONVENTION CENTER



Constructed in conjunction with the 1984 World's Fair, the Ernest N. Morial Convention Center is the primary convention facility serving Southeast Louisiana. The Morial Convention Center offers a total of 1.1 million square feet of contiguous space and is the sixth-largest convention facility of its kind in the United States. The center also houses a 4,000-seat theater, divisible into four parts—a feature that no other convention center in the country currently offers. The size of the center allows it to host citywide conventions back to back by minimizing downtime between events. A \$50-million renovation officially opened prior to Super Bowl XLVII in January of 2013. The project included reconfiguring the existing Hall A into a new "Great Hall"; the updated space contains a 60,000-square-foot ballroom, a 4,660-square-foot junior ballroom with a rooftop terrace, and a 4,700-square-foot executive lounge.

The following table illustrates recent use statistics for this facility.

FIGURE 3-21 CONVENTION CENTER STATISTICS

Year	Number of Conventions	Percent Change	Number of Delegates	Percent Change
2005	72	—	523,761	—
2006	43	(40.3) %	428,922	(18.1) %
2007	101	134.9	641,026	49.5
2008	111	9.9	787,533	22.9
2009	106	(4.5)	838,625	6.5
2010	105	(0.9)	791,675	(5.6)

Source: Ernest N Morial Convention Center

The impact of Hurricane Katrina is evident in the dramatically low event and delegate numbers for 2006 and 2007. Although the convention center has been able to regain some of the larger events, some conventions have relocated to other cities. As such, the convention center has begun to rely on smaller groups that are more flexible in scheduling events. This strategy succeeded in 2008, as evidenced by attendance levels that had not been seen since prior to Katrina. In 2009, the national economic downturn reduced corporate and consumer spending on group travel to New Orleans, and many tentative and booked conventions cancelled or drastically reduced their attendance numbers with little warning. Based on our research and interviews with representatives of the Convention and Visitors Bureau and others knowledgeable in the local lodging industry, meeting and group activity driven by the convention center was strong in 2010. A request for the latest convention center statistics for 2011 and 2012 was not fulfilled prior to completion of this report. It is important to note that the number of conventions was expected to decrease in 2011, as these large events are usually booked years in advance. Events taking place in 2011 would have been booked in 2006/07, and given the condition of the city and the uncertainty of the recovery at that time, only a few large events were actually scheduled for the area. In March of 2010, the CVB announced that six major citywide conventions were anticipated to bring 66,000 attendees and generate \$77.6 million for the local economy between 2012 and 2014.

ORANGE COUNTY CONVENTION CENTER



The Orange County Convention Center (OCCC) is a vital component of the economic health of Orlando's hotel market. This center is the second largest in contiguous space in the United States, with over 2.5 million gross square feet. Positioned eleven miles southwest of Downtown Orlando, the center is located on International Drive, just northeast of the intersection formed by Interstate 4 and the Beeline Expressway. The OCCC comprises two separate facilities, the west building and the north/south building. Features of the OCCC include 2.1 million square feet of exhibit space, 74 meeting rooms, 235 breakout rooms, a 2,643-seat theatre, 4 business centers, 3 full-service restaurants, and 8 food courts. In 2013, the OCCC will begin a five-year reinvestment and renovation project at a total cost of approximately \$187 million; upgrades will include a complete renovation of the west building and new furnishings in the pre-function areas.

The following table illustrates recent use statistics for this facility.

FIGURE 3-22 CONVENTION CENTER STATISTICS

Year	Number of Conventions	Percent Change	Number of Delegates	Percent Change
2005	290	—	1,413,183	—
2006	297	2.4 %	1,407,777	(0.4) %
2007	257	(13.5)	1,472,615	4.6
2008	231	(10.1)	1,310,377	(11.0)
2009	215	(6.9)	1,077,085	(17.8)
2010	201	(6.5)	1,178,408	9.4
2011	179	(10.9)	1,214,434	3.1
2012	181	1.1	1,319,829	8.7

Source: Orange County Convention Center

According to the Convention and Visitors Bureau, the 2007 convention season represented a strong year. Although the number of conventions held in 2007 dropped from 2006 levels, the number of delegates in attendance increased. In 2008, the facility’s attendance and event numbers decreased, primarily because of the national recession as convention travel was curtailed throughout the country. Year-end 2009 figures indicate a continued decline, partially attributed to the loss of the International Home Builder’s Show, which relocated to Las Vegas in 2009. Convention activity in 2010 registered an increase over 2009 in terms of attendance but noted a decrease in the number of events. According to representatives of the OCCC, activity in 2011 and 2012 was positively influenced by the return of the International Home Builders' Show and by the International Plastics Showcase, which was held in Orlando in 2012 and will return for the 2015 convention year.

PENNSYLVANIA CONVENTION CENTER



Centrally located within a four-hour drive from 40 percent of the U.S. population, the Pennsylvania Convention Center (PCC) in Downtown Philadelphia is the premier location for conventions and meetings in the Northeast Corridor. The convention center saw completion of its \$787-million expansion in March of 2011, making it the largest exhibit space and ballroom in the Northeast with one million square feet of space, 541,000 square feet of contiguous exhibit space, and a 60,000-square-foot ballroom. The expansion increased the size of the building by 62 percent, and it is now the 14th largest facility in the nation with the ability to hold two conventions simultaneously, per the center's website. The Pennsylvania Convention Center is proximate to Pennsylvania Academy of Fine Arts, which recently completed an open-air pavilion known as Lenfest Plaza, as well as many famous cultural institutions and arts venues along Benjamin Franklin Parkway. In addition, the PCC facility is physically connected to a regional rail station, a shopping mall, a microbrewery, and a farmers' market.

The following table illustrates recent use statistics for this facility.

FIGURE 3-23 CONVENTION CENTER STATISTICS

Year	Number of Conventions	Percent Change	Number of Delegates	Percent Change
2005	41	—	278,250	—
2006	41	(0.0) %	228,350	(17.9) %
2007	51	24.4	219,060	(4.1)
2008	47	(7.8)	217,405	(0.8)
2009	36	(23.4)	201,050	(7.5)
2010	30	(16.7)	195,054	(3.0)
2011	45	50.0	237,670	21.8

Source: Philadelphia Convention and Visitors Bureau

The Pennsylvania Convention Center experienced a significant decline in the number of conventions held in 2009 and 2010, as well as a decrease in delegate activity, which was generally due to the weakening of the local and national economies and a decrease in bookings in 2008. According to the Philadelphia Convention and Visitors Bureau, event and delegate activity has a tendency to fluctuate year-over-year because major associations rotate between several regional venues each year. Nonetheless, the convention center plays a vital role in the area's growth; its success is supported by the city's convenient location with respect to both New York and Washington, D.C., as well as its popular facility layout and capacity. According to the Philadelphia Convention and Visitors Bureau, both the number of events held and number of delegates who attended increased significantly in 2011, a trend that is anticipated to strengthen given the expansion of the convention center and an overall recovery in the national economy. Statistics for full-year 2012 were not available at the time of this report.

PHOENIX CONVENTION CENTER



The \$600-million expansion of the Phoenix Convention Center, which opened in January of 2009, was a cooperative effort between the City of Phoenix and the State of Arizona that nearly tripled the size of the previous facility. The three-phase expansion increased the total rentable space at the Civic Plaza to 940,000 square feet, situated on a 26-acre site. The expansion, which began in 2006, took place in separate phases so that the Phoenix Civic Plaza, now referred to as the Phoenix Convention Center, could remain open for convention business and so that no convention space was lost throughout the project. The facility is now one of the 20 largest conventions centers in the country. The western Executive Conference Center building received a LEED Silver Certification from the US Green Building Council; the rooftop contains 732 thin-film solar panels. In addition to the Convention Center, events can be held at Symphony Hall, located to the south of the Executive Conference Center. The METRO light rail has a westbound line that runs in between the north and south buildings, and an eastbound line along the southern boundary of the site; the METRO connects the Phoenix Convention Center to the Sky Harbor International Airport.

The following table illustrates recent use statistics for this facility.

FIGURE 3-24 CONVENTION CENTER STATISTICS

Year	Number of Conventions	Percent Change	Number of Delegates	Percent Change
2005	51	—	103,754	—
2006	46	(9.8) %	92,905	(10.5) %
2007	46	(0.0)	77,940	(16.1)
2008	49	6.5	122,625	57.3
2009	69	40.8	306,429	149.9
2010	62	(10.1)	237,974	(22.3)
2011	51	(17.7)	243,344	2.3
2012	59	15.7	195,471	(19.7)

Source: Phoenix Convention Center

These data illustrate a relatively stable number of conventions held in Phoenix during the Convention Center expansion between 2006 and 2008 as newly constructed convention spaces replaced the temporarily closed areas and allowed for a consistent number of booked events. Nonetheless, during the center's major construction years, the number of delegates, room nights, and dollars spent relating to conventions generally declined. According to the Greater Phoenix Convention and Visitors Bureau, despite the phased construction planned to reduce impact during the expansion, delegates still avoided events in this market during these years. By 2008, however, gains were noted in the number of events and delegates, generally recouping pre-expansion levels. The number of events, delegates, and related room nights realized a major rebound in 2009 with the addition of the new exhibit hall from Phase II. However, our market research revealed that the economic downturn, negative press regarding corporate travel to luxury destinations, and the passage of the controversial SB 1070 immigration law resulted in the cancelation of some group events, resulting in a decline of the number of conventions and room nights recorded in 2010 and 2011. While delegate attendance also decreased in 2010, a slight rebound was illustrated in 2011. The resurgence in the number of conventions in 2012 is a positive indicator for future convention demand in Phoenix; however, the number of delegates declined in 2012. Convention center representatives expect modest increases in the number of conventions and delegates in 2013, with further increases anticipated for 2014 and 2015 based on current bookings.

HENRY B. GONZALES CONVENTION CENTER



According to the San Antonio Convention and Visitors Bureau, San Antonio is ranked as one of the top host cities by the memberships of the American Society of Association Executives, the National Association for Environmental Management, and the International Automotive Media Conference. This recognition indicates that San Antonio is ideally suited to host conventions, corporate meetings, incentive groups, and expositions. San Antonio has more than 7,000 committable hotel rooms within eight blocks of the Henry B. Gonzalez Convention Center, which is the city's principal meeting venue. The convention center contains a total of over 1.3 million square feet, including 423,769 square feet of contiguous exhibition space, a 40,000-square-foot ballroom, 630,000 square feet of meeting space (divisible 59 ways), and a 2,500-seat performing arts theater. The convention center completed a \$40-million renovation in 2011, including upgrades to the performing arts theater, the addition of roughly 30,000 square feet of meeting space, and the addition of an information center on the main level. In September of 2012, the San Antonio City Council approved a \$325-million expansion of the convention center that is expected to include 684,000 square feet of new exhibit space, including a 55,000-square-foot ballroom. However, this expansion is not expected to increase the size of the convention center, as an older portion of equal size will be demolished once the new section is completed in 2016. Road improvements around the convention center, which began in December of 2012, are also scheduled for completion in 2016.

The following table illustrates recent use statistics for this facility.

FIGURE 3-25 CONVENTION CENTER STATISTICS

Year	Number of Conventions	Percent Change	Number of Delegates	Percent Change
2005	93	—	323,147	—
2006	93	(0.0) %	323,147	0.0 %
2007	101	8.6	305,378	(5.5)
2008	105	4.0	420,452	37.7
2009	88	(16.2)	278,122	(33.9)
2010	78	(11.4)	341,392	22.7
2011	84	7.7	273,060	(20.0)
2012	99	17.9	330,126	20.9

Source: San Antonio Convention Facilities

Both the number of conventions and the number of attendees at the Henry B. Gonzales Convention Center improved from 2007 to 2008. However, convention activity declined in 2009 and 2010, although the number of attendees improved in 2010. Attendance slipped in 2011, as the convention center was negatively impacted by renovation projects, which limited the availability of space during this period. Nevertheless, a significant improvement in the number of events and attendees was noted for 2012, and officials expect a banner year in 2013, with a record-breaking number of conventions and attendees. The 2008 opening of the 1,000-room Grand Hyatt Hotel has allowed the convention center to attract conventions with larger numbers of participants. With 115,000 square feet of on-site meeting space, this hotel is also well positioned to host large events.

SAN DIEGO CONVENTION CENTER



The San Diego Convention Center contains 2.6 million gross square feet, 615,701 square feet of total exhibit space, and 204,114 square feet of overall meeting space. During fiscal year 2010, the San Diego Convention Center generated a \$1.27-billion regional economic impact, with \$20.2 million directly attributable to hotel room and sales tax revenues. In early 2010, the San Diego Convention Center acquired six acres of land along the bay and adjacent to the current facility, thus allowing a Phase III expansion to move forward. In November of 2010, a press release announced the selection of an architect, and in October of 2012, the City Council approved plans and financing. The expansion is anticipated to add 405,000 square feet to the convention center and is scheduled for completion in 2015. The additional regional economic impact that the expansion could have is estimated to be around \$698 million annually. In March of 2013, a judge tentatively ruled in favor of a proposed plan to create hotel surcharges that would fund approximately 75% of the \$520-million expansion, which would need approval by the California Coastal Commission. The surcharge would be based on a hotel's proximity to the convention center; downtown hotels would pay 3% of room revenues for the project, while outlying hotels would be required to pay a lower percentage, depending on proximity.

The following table illustrates recent use statistics for this facility.

FIGURE 3-26 CONVENTION CENTER STATISTICS

Year	Number of Conventions	Percent Change	Number of Delegates	Percent Change
2005	55	—	860,058	—
2006	71	29.1 %	950,710	10.5 %
2007	67	(5.6)	983,706	3.5
2008	67	(0.0)	996,226	1.3
2009	71	6.0	862,469	(13.4)
2010	62	(12.7)	813,295	(5.7)
2011	69	11.3	797,864	(1.9)
2012	69	(0.0)	811,223	1.7

Source: San Diego Convention Center

This information illustrates that the center remains a popular destination for major conventions, and while the center hosted fewer events in 2007, the total number of delegates grew compared to 2006. In 2008, the number of events remained stable, while the number of delegates increased slightly. In 2009, the convention center noted an increase in events; however, this was offset by the significant decrease in the number of delegates as companies and individuals cut back on travel and conference spending. This downward trend continued in 2010. Statistics for year-end 2011 show a significant increase in the number of conventions, but another slight drop in delegate attendance. Representatives of the San Diego Convention and Visitors Bureau reported that the composition of the citywide events hosted in San Diego, which includes a large portion of state and national associations, helped to moderate the decline in citywide attendance that year. Convention center sales representatives indicated that attendance levels during national and state association functions and meetings have historically been less susceptible to economic downturns, unlike corporate events and trade shows. Many of these associations depend on their membership base as their direct source of funding; without an event, the associations would have difficulty in maintaining their membership base, as well as their operating revenues. In 2012, the number of conventions remained the same as in 2011; however, attendance posted a modest increase. The San Diego Convention Center achieves one of the three highest occupancy levels of any convention center across the country. In an October 2010 press release, San Diego Convention Center representatives noted that the city's largest convention, Comic-Con, signed an agreement with the City to remain in San Diego through 2015.

MOSCONE CENTER



Moscone Center is the largest convention and exhibition complex in San Francisco. It comprises three components: two underground halls underneath Yerba Buena Gardens, known as Moscone North and Moscone South, and a three-level Moscone West exhibition hall across Fourth Street. It was initially built in 1981 as one single hall, Moscone South, and named after San Francisco former mayor George Moscone. The center underwent an expansion in the early 1990s. Moscone West opened during the spring of 2003 at the northwest corner of Fourth and Howard Streets. This most recent expansion added approximately 800,000 square feet of gross building space including 300,000 square feet of exhibit space on three floors, 125,000 square feet of meeting space on two floors, and a 60,000-square-foot ballroom. The most prominent exterior feature of the Moscone West is its large lobby facing Fourth Street; the above-ground improvements feature transparent and semi-transparent glass, making the building an icon for the convention center and the SOMA District. The total useable exhibit and meeting space at the Moscone Convention Center is approximately 900,000 square feet.

The following table illustrates recent use statistics for this facility.

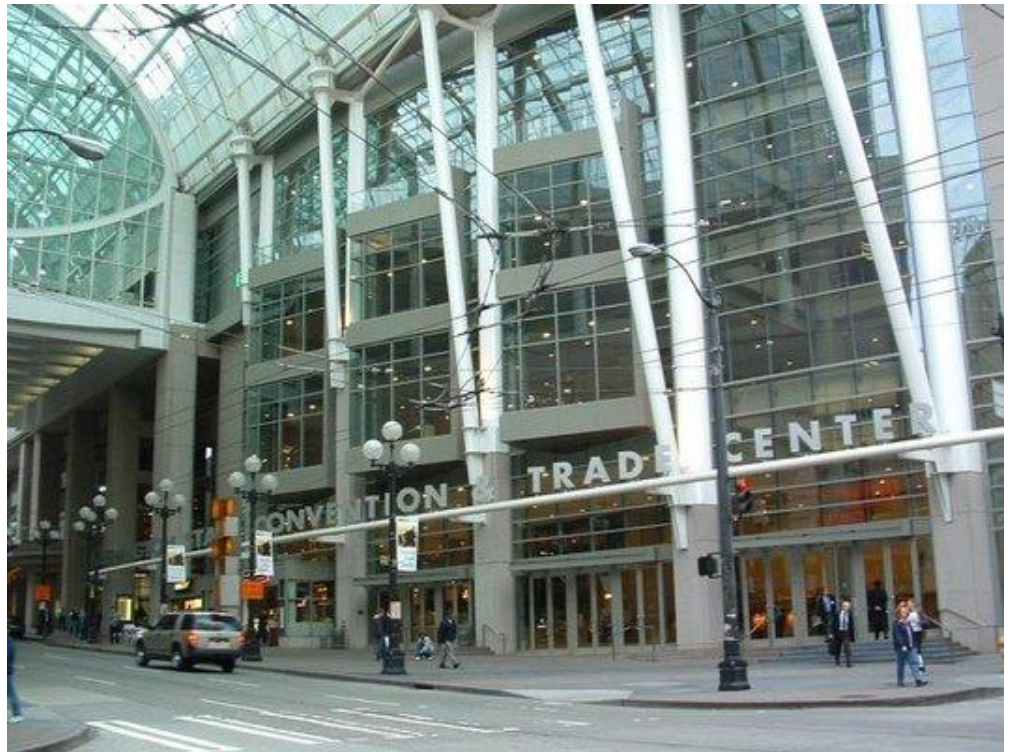
FIGURE 3-27 CONVENTION CENTER STATISTICS

Year	Number of Conventions	Percent Change	Number of Delegates	Percent Change
2005/06	115	—	819,843	—
2006/07	119	3.5 %	1,046,272	27.6 %
2007/08	120	0.8	1,278,990	22.2
2008/09	106	(11.7)	968,664	(24.3)
2009/10	92	(13.2)	919,811	(5.0)
2010/11	104	13.0	907,985	(1.3)
2011/12	94	(9.6)	901,970	(0.7)

Source: Moscone Center

As illustrated, 2007/08 represented a peak year for the Moscone Center, with the number of events and number of delegates reaching an all-time high. As the recession kicked in, the number of events and delegates both declined in fiscal year 2008/09. Due to the continued negative impact of the recession, many of the events experienced lower-than-anticipated room-night production and lower delegate numbers; furthermore, several participants reportedly shortened their visits in order to moderate expenses. This trend continued in 2009/2010. In 2010/11, the number of events started to recover; however, delegate numbers remained lower than anticipated. According to San Francisco Convention and Visitors Bureau representatives, the bookings for 2012 were strong and similar to those for 2011. Bookings for 2013 indicate a continuation of that trend, although the data were not available at the time of this report. Future bookings are expected to increase along with stronger economic conditions.

WASHINGTON STATE CONVENTION & TRADE CENTER



The 726,800-square-foot Washington State Convention & Trade Center (WSCTC) features roughly 236,700 square feet of exhibition space; 68 meeting rooms (totaling roughly 105,000 square feet); a 45,000-square-foot ballroom; and ancillary facilities, including retail stores, a health club, and a public gallery. The center underwent a significant expansion that was completed in July of 2001. The expansion added a building to the existing center, located directly north of the original building, which doubled the existing exhibition space to its current total of 205,700 square feet. The buildings are connected by an 11,000-square-foot glass canopy. The \$205-million expansion allows the WSCTC to compete nationally for large conventions with such facilities as the San Diego Convention Center, San Francisco Convention Center (Moscone Center/Moscone West), Las Vegas Convention Center (and mega-hotels), and Anaheim Convention Center. In January of 2008, the WSCTC acquired the site formerly occupied by the Museum of History & Industry in order to expand the convention facility. In 2009, the proposed \$766-million expansion of the convention center was placed on hold, and in 2011, the Washington State legislature voted against a tax increase that would have aided the expansion. As of early 2013, no date had been set for the completion of the expansion project.

The following table illustrates recent use statistics for this facility.

FIGURE 3-28 CONVENTION CENTER STATISTICS

Year	Number of Events	Percent Change	Number of Delegates	Percent Change
2005/06	566	—	497,453	—
2006/07	601	6.2 %	398,555	(19.9) %
2007/08	671	11.6	482,768	21.1
2008/09	627	(6.6)	426,871	(11.6)
2009/10	635	1.3	462,135	8.3
2010/11	423	(33.4)	390,282	(15.5)
2011/12	460	8.7	465,000	19.1

Source: Washington State Convention & Trade Center

The number of convention delegates has fluctuated in the historical period due to the "off-year" booking schedule of conventions in Seattle. The 2008/09 year represented an off year, but events and attendees were also down that year because of the sluggish economic conditions associated with the recession. However, 2009/10 shows an increase compared to the year prior, indicating that the convention center began to experience a recovery from the economic downturn, although this trend was reversed temporarily in 2010/11. According to officials, the convention center realized increases in events and attendees in 2011/12 in line with the overall economic recovery.

WALTER E. WASHINGTON CONVENTION CENTER



Convention activity is a primary force in the Washington, D.C. lodging market. In April of 2003, the new Walter E. Washington Convention Center opened at Mt. Vernon Square with approximately 2.3 million square feet of space. This facility offers approximately 703,000 square feet of exhibit space and 44,000 square feet of retail space. The former Washington Convention Center, located roughly two blocks south of the newer facility, offered 381,000 square feet of exhibition space and 50,000 square feet of meeting space. In 2010, the convention center underwent a \$14-million renovation, which increased the center's exhibit space by an additional 48,000 square feet. In addition, a new 1,175-room Marriott Marquis, which broke ground in November of 2010 and is currently under construction next to the convention center, is anticipated to enhance the convention center's ability to book more (and larger) citywide events once this facility opens in 2014.

The following table illustrates recent use statistics for this facility.

FIGURE 3-29 CONVENTION CENTER STATISTICS

<u>Year</u>	<u>Number of Events</u>	<u>Percent Change</u>	<u>Number of Delegates</u>	<u>Percent Change</u>
2005	71	—	420,648	—
2006	49	(31.0) %	282,337	(32.9) %
2007	50	2.0	333,765	18.2
2008	67	34.0	292,802	(12.3)
2009	58	(13.4)	313,572	7.1
2010	59	1.7	290,625	(7.3)
2011	49	(16.9)	324,911	11.8

Source: Walter E Washington Convention Center

The total number of conventions increased in 2007 and 2008 before dropping off moderately in 2009. However, attendance remained strong in 2009, reflecting an increase despite the onset of the recession in 2008. While the number of conventions held in D.C. remained stable in 2010, statistics for 2011 reflect a sharp decrease because of a weak bookings pace during 2008 and 2009 due to the economic downturn. A true citywide event is defined by representatives of Destination D.C. and the convention center as a large-scale convention group with the need of 2,500 room nights on the peak night. Although tentative and definite bookings for future years are somewhat speculative due to booking cycles and contingencies surrounding the construction of the proposed Marriott Marquis convention headquarters hotel, citywide convention booking activity has been robust thus far in 2013. Furthermore, Washington, D.C. has experienced recent improvement in the marketability of the area as a convention destination. Fueled by a relatively new convention center, recently renovated hotel products, and historical and cultural attributes unique to the area, marketing efforts are being targeted toward capturing major corporate-related conventions, such as Microsoft, as well as global and/or international organizations that may consider regional conventions in the U.S. The ongoing marketing focus should bode well for the convention center and area hotels.

Airport Traffic

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

Hartsfield-Jackson Atlanta International Airport (ATL), serviced by a variety of major commercial airlines, features a terminal complex measuring 6.8 million square feet; the airport is a major connecting hub for global travelers and has been the world's busiest airport in terms of passengers and aircraft movement since 2005. ATL is one of the largest employers in Georgia and has a significant regional economic impact. The 67.5-acre Consolidated Rental Car (CONRAC) facility and ATL SkyTrain, which connects the terminal to the CONRAC and Georgia International Convention Center (GICC), opened in 2009. Southwest Airlines began service to ATL on February 14, 2012 following the airline's acquisition of Orlando-based airline AirTran. On May 16, 2012, the \$1.4-billion Maynard H. Jackson Jr. International Terminal opened. The terminal, dubbed the city's "new front door" for the world, added twelve new gates to Concourse F; the 28-gate Concourse E, along with the 40 gates at Concourse F, will now use the international terminal's entrance. As part of the continued capital improvement plan, the \$47-million expansion of Concourse D was completed in July of 2013, and the subsequent expansion of Concourse C is scheduled for completion in 2014.

The following table illustrates recent operating statistics for the Hartsfield-Jackson Atlanta International Airport, which is the primary airport facility serving the proposed subject property's submarket.

FIGURE 3-30 AIRPORT STATISTICS - HARTSFIELD-JACKSON ATLANTA INTERNATIONAL AIRPORT

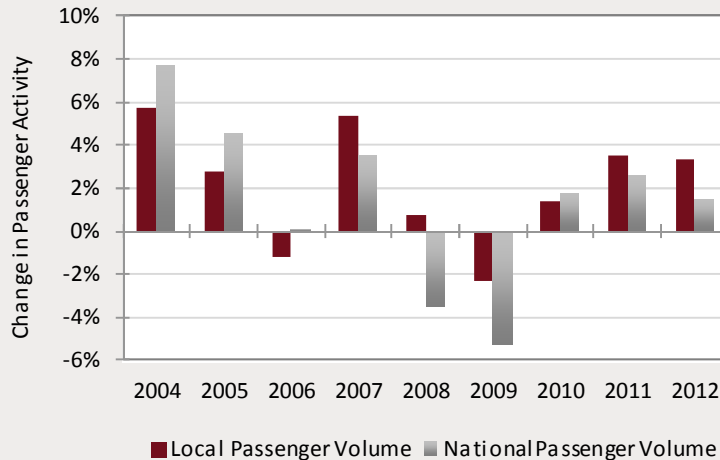
Year	Passenger Traffic	Percent Change*	Percent Change**
2003	79,086,792	—	—
2004	83,606,583	5.7 %	5.7 %
2005	85,907,423	2.8	4.2
2006	84,846,639	(1.2)	2.4
2007	89,379,287	5.3	3.1
2008	90,039,280	0.7	2.6
2009	88,001,381	(2.3)	1.8
2010	89,238,059	1.4	1.7
2011	92,389,023	3.5	2.0
2012	95,486,697	3.4	2.1
<i>Year-to-date, May</i>			
2012	38,206,174	—	—
2013	38,153,952	(0.1) %	—

*Annual average compounded percentage change from the previous year

**Annual average compounded percentage change from first year of data

Source: Hartsfield-Jackson Atlanta International Airport

FIGURE 3-31 LOCAL PASSENGER TRAFFIC VS. NATIONAL TREND



Source: HVS, Local Airport Authority

This facility recorded 95,486,697 passengers in 2012. The change in passenger traffic between 2011 and 2012 was 3.4%. The average annual change during the period shown was 2.1%.

Tourist Attractions

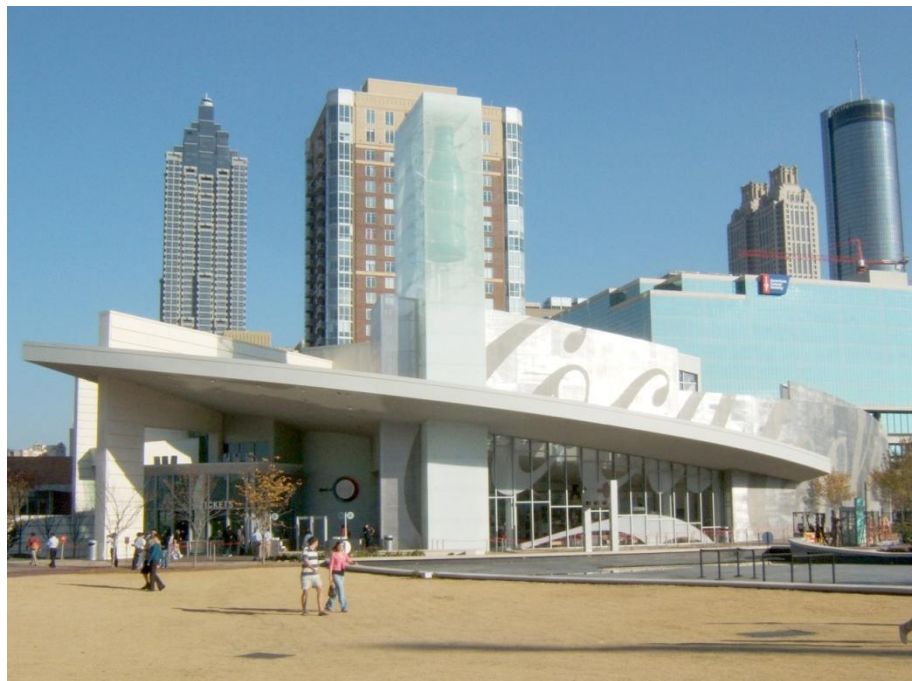
The Atlanta market benefits from a variety of tourist and leisure attractions in the area. The peak season for tourism in this area is from March to July. During other times of the year, weekend demand comprises travelers passing through en route to other destinations, people visiting friends or relatives, and other similar weekend demand generators. Primary attractions in the area include the following:

- Six Flags operates two theme parks in the Atlanta area. Six Flags Over Georgia offers over 30 rides, shows, and attractions, including Skull Island, the world's largest interactive water play structure. Six Flags White Water is the largest water park in the South, offering approximately 50 attractions, including one of the tallest freetail slides in the world, a one-of-a-kind family raft ride, an interactive tree house, and a wave pool.
- Stone Mountain Park is located on 3,200 acres surrounding the world's largest exposed granite monolith. One highlight of the park is the carving on the sheer rock mountainside that honors Confederate President Jefferson Davis and Generals Robert E. Lee and Thomas J. "Stonewall" Jackson. Laser shows are

presented during summer months, along with special weekend events such as chili cook-offs and ribs festivals.

- Georgia Aquarium is the world's largest aquarium, with more than 100,000 animals and over eight million gallons of fresh and marine water. The aquarium was built on a 20-acre site in Atlanta. Two whale sharks, the larger of which measures over 15 feet long, are among the main attractions of the Ocean Voyager exhibit. The aquarium reopened in April of 2011 following a \$110-million expansion, including an 84,000-square-foot dolphin exhibit. In January of 2012, the facility opened the exhibit "Frogs: A Chorus of Colors," featuring 15 frog species in 3,000 square feet of unique habitats.
- The World of Coca-Cola museum and amusement complex is operated by The Coca-Cola Company, headquartered in Atlanta. This attraction offers interactive tours to guests from all over the world. The original museum opened in 1990, and the new facility, which opened in 2007, boasts 62,000 square feet of guest areas, featuring more than 1,200 artifacts from around the world that have never before been displayed. Vault of the Secret Formula, which opened in January of 2012, is the newest attraction, displaying the 125-year history of the secret formula.

WORLD OF COCA-COLA

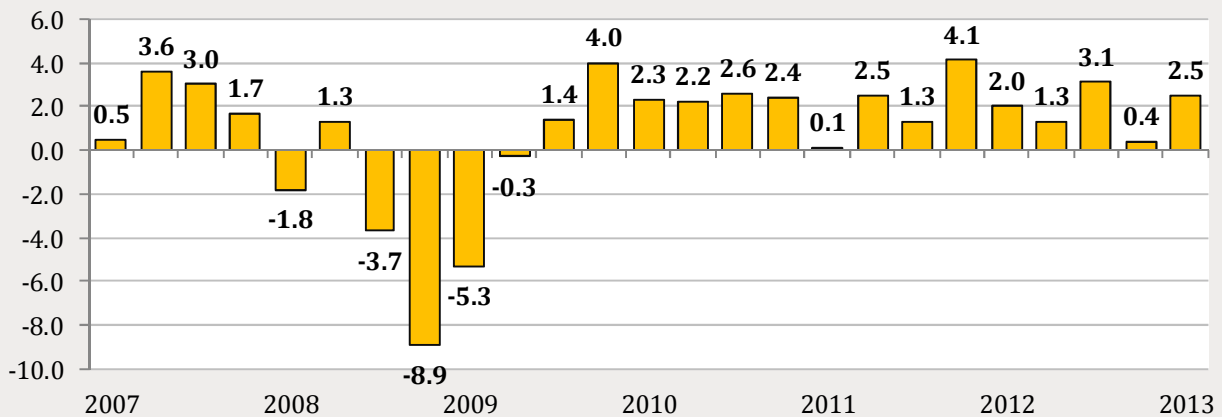


Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. The Atlanta market is experiencing a period of economic strength and expansion, led by numerous industries, including those in the professional and business services and education sectors. Additionally, several ongoing and planned developments in Downtown Atlanta, including the College Football Hall of Fame and the planned Atlanta Falcons stadium and Multi-Modal Passenger Terminal, are transforming the area into a world-class destination. The city of Atlanta is home to headquarter offices of ten Fortune 500 companies. Furthermore, the market benefits from the presence of multiple higher-educational institutions, major convention venues, the nation's busiest airport, and several popular leisure attractions, which should support future growth in the region as the national economy continues to strengthen. As such, the market outlook is favorable.

Our analysis of the outlook for this specific market also considers the broader context of the national economy. The U.S. economy entered a recession in December of 2007, which worsened in the fall of 2008 when the financial crisis shocked the world economy. The U.S. fell into economic decline for most of 2009, but the nation's gross domestic product (GDP) and corporate profits began to grow again in the third quarter of 2009. In 2010, the economy experienced three consecutive quarters of annualized economic growth in excess of 3%, reflecting a rebound from the recession. Since that time, the U.S. economy has grown at fluctuating rates, as evidenced in the following table.

FIGURE 3-32 UNITED STATES GDP GROWTH RATE



Source: tradingeconomics.com, Bureau of Economic Analysis

Gross domestic product (GDP) increased at a rate of 2.5% in the first quarter of 2013, reflecting a welcome lift in economic activity, following a period of weak growth in the fourth quarter. The acceleration in the first quarter was largely attributed to an increase in private inventory investment, increased personal consumption expenditures, and an increase in goods and services export activity. Motor vehicle output and activity in the services sector also contributed to real GDP growth. These positive trends occurred despite a decrease of 8.4% in real federal government expenditures and investment, coupled with the 11.5% decline in national defense spending. As previously discussed, the national unemployment rate remained near 7.6% for much of 2013. Our forecasts to follow in this report reflect the optimism regarding the U.S. economy that prevails at this time.

4. Supply and Demand Analysis

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

Definition of Subject Hotel Market

The 1,200-room Proposed Hotel Georgia World Congress Center will be located in Atlanta, Georgia. The greater market surrounding the subject site offers 908 hotels and motels, spanning 94,808 rooms. The two largest hotels are the 1,663-room Marriott Marquis and the 1,260-room Hyatt Regency.

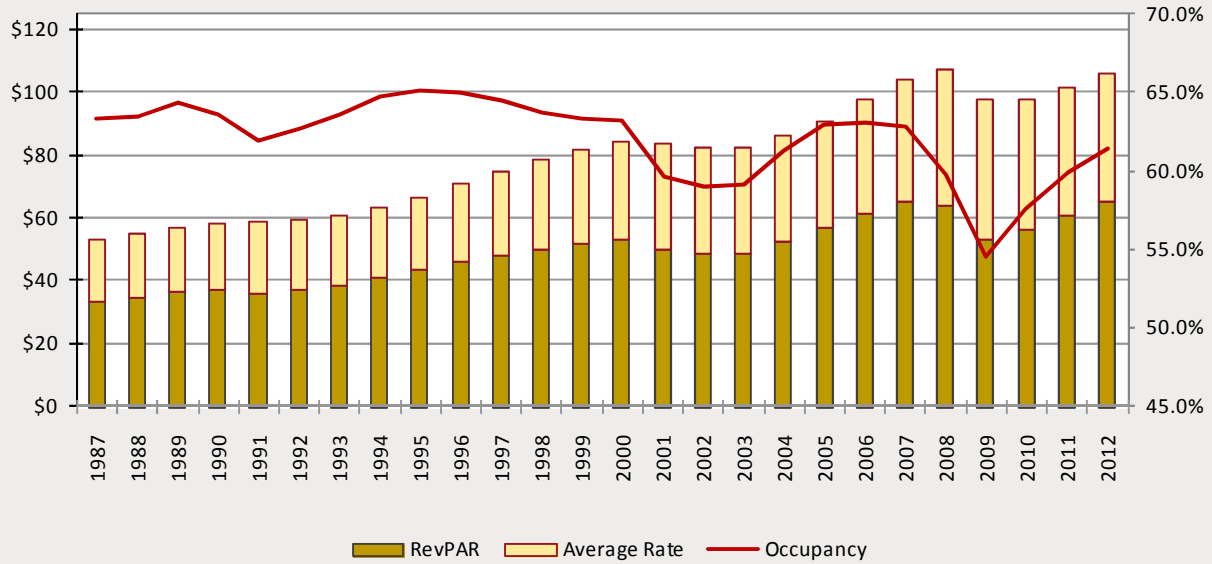
Of this larger supply set, the proposed subject property is expected to compete with a smaller set of hotels based on various factors. These factors may include location, price point, product quality, length of stay (such as an extended-stay focus vs. non-extended-stay focus), room type (all-suite vs. standard), hotel age, or brand, among other factors. We have reviewed these pertinent attributes and established an expected competitive set based upon this review. Our review of the proposed subject property's specific competitive set within the Atlanta area begins after our review of national occupancy, average rate, and RevPAR trends.

National Trends Overview

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

Smith Travel Research (STR) is an independent research firm that compiles and publishes data on the lodging industry, routinely used by typical hotel buyers. Figure 4-1 presents annual hotel occupancy and average rate data since 1987. Figures 4-2 and 4-3 illustrate the more recent trends, categorized by geography, price point, type of location, and chain scale. The statistics include occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

FIGURE 4-1 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS



Source: STR

FIGURE 4-2 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS – YEAR-TO-DATE DATA

	Occupancy - Thru June			Average Rate - Thru June			RevPAR - Thru June		
	2012	2013	% Change	2012	2013	% Change	2012	2013	% Change
United States	60.9 %	61.8 %	1.5 %	\$105.27	\$109.49	4.0 %	\$64.09	\$67.69	5.6 %
Region									
New England	57.0 %	57.9 %	1.6 %	\$120.80	\$123.76	2.5 %	\$68.91	\$71.70	4.1 %
Middle Atlantic	62.9	63.8	1.5	143.00	148.69	4.0	89.89	94.83	5.5
South Atlantic	62.5	63.5	1.6	106.62	110.38	3.5	66.65	70.10	5.2
East North Central	56.0	56.7	1.1	89.93	93.22	3.7	50.40	52.83	4.8
East South Central	56.8	57.4	1.0	79.43	81.79	3.0	45.12	46.91	4.0
West North Central	55.6	55.4	(0.3)	82.78	85.05	2.7	46.02	47.15	2.5
West South Central	61.8	62.9	1.8	89.77	94.16	4.9	55.49	59.28	6.8
Mountain	59.3	60.2	1.6	98.89	101.35	2.5	58.62	61.05	4.2
Pacific	66.5	68.1	2.4	123.23	130.30	5.7	81.93	88.74	8.3
Price									
Luxury	70.6 %	71.6 %	1.4 %	\$175.42	\$182.09	3.8 %	\$123.78	\$130.30	5.3 %
Upscale	65.1	65.5	0.6	127.45	132.08	3.6	83.01	86.56	4.3
Midprice	61.7	62.7	1.5	100.06	103.68	3.6	61.75	64.97	5.2
Economy	55.3	56.7	2.4	73.90	77.24	4.5	40.90	43.78	7.0
Budget	54.5	55.4	1.6	57.26	59.90	4.6	31.21	33.18	6.3
Location									
Urban	69.0 %	70.2 %	1.8 %	\$149.82	\$156.75	4.6 %	\$103.30	\$109.98	6.5 %
Suburban	61.4	62.6	2.0	89.04	92.17	3.5	54.63	57.67	5.6
Airport	68.4	70.6	3.2	94.76	98.02	3.1	64.83	69.17	6.7
Interstate	53.7	53.6	(0.1)	72.67	74.68	2.8	38.99	40.01	2.6
Resort	64.3	65.3	1.5	146.49	154.30	5.3	94.25	100.72	6.9
Small Metro/Town	52.5	52.9	0.8	82.96	85.33	2.9	43.53	45.12	3.6
Chain Scale									
Luxury	73.9 %	75.5 %	2.1 %	\$274.40	\$289.47	5.5 %	\$202.83	\$218.56	7.8 %
Upper Upscale	71.6	72.5	1.3	154.38	160.97	4.3	110.50	116.77	5.7
Upscale	71.2	72.1	1.1	116.08	121.27	4.5	82.70	87.38	5.7
Upper Midscale	62.6	63.3	1.1	95.91	99.01	3.2	60.04	62.64	4.3
Midscale	54.1	55.1	1.8	73.26	75.20	2.6	39.66	41.42	4.4
Economy	53.3	54.1	1.5	51.08	52.92	3.6	27.25	28.64	5.1
Independents	57.0	58.1	1.9	103.35	107.23	3.8	58.93	62.28	5.7

Source: STR - June 2013 Lodging Review

FIGURE 4-3 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS – CALENDAR YEAR DATA

	Occupancy			Average Rate			RevPAR		
	2011	2012	% Change	2011	2012	% Change	2011	2012	% Change
United States	59.9 %	61.4 %	2.5 %	\$101.85	\$106.10	4.2 %	\$61.02	\$65.17	8.2 %
Region									
New England	61.2 %	61.6 %	0.7 %	\$120.66	\$126.80	5.1 %	\$73.84	\$78.13	8.6 %
Middle Atlantic	65.4	66.5	1.8	145.05	150.55	3.8	94.80	100.15	8.1
South Atlantic	59.4	60.9	2.5	100.20	103.28	3.1	59.50	62.86	7.0
East North Central	56.5	58.5	3.6	88.20	92.28	4.6	49.82	53.98	8.4
East South Central	55.5	56.4	1.5	77.22	79.47	2.9	42.89	44.78	5.7
West North Central	56.2	57.4	2.2	80.92	83.82	3.6	45.48	48.13	6.5
West South Central	58.1	60.6	4.4	84.80	88.78	4.7	49.23	53.81	8.5
Mountain	59.1	59.2	0.2	93.39	96.57	3.4	55.20	57.20	8.4
Pacific	65.6	67.9	3.5	119.05	125.98	5.8	78.06	85.49	10.3
Price									
Luxury	68.3 %	69.7 %	2.0 %	\$167.35	\$173.50	3.7 %	\$114.26	\$120.86	8.2 %
Upscale	63.9	65.5	2.4	124.88	129.09	3.4	79.80	84.51	7.4
Midprice	60.5	62.1	2.6	96.51	100.30	3.9	58.37	62.27	8.0
Economy	53.9	55.6	3.1	72.78	76.12	4.6	39.24	42.30	7.2
Budget	54.9	56.1	2.1	54.54	57.49	5.4	29.97	32.26	7.2
Location									
Urban	67.5 %	69.5 %	2.9 %	\$147.44	\$153.94	4.4 %	\$99.53	\$106.91	8.2 %
Suburban	60.1	61.8	2.7	86.18	89.86	4.3	51.81	55.49	8.4
Airport	66.3	68.1	2.7	91.01	94.70	4.1	60.37	64.49	7.1
Interstate	53.3	54.6	2.4	71.66	74.18	3.5	38.22	40.53	6.7
Resort	61.8	63.3	2.3	135.45	141.60	4.5	83.75	89.60	9.8
Small Metro/Town	53.5	54.5	1.9	84.06	86.72	3.2	44.95	47.26	6.3
Chain Scale									
Luxury	71.0 %	73.2 %	3.1 %	\$262.64	\$274.51	4.5 %	\$186.43	\$200.98	11.2 %
Upper Upscale	69.3	70.9	2.3	147.99	154.36	4.3	102.60	109.43	6.6
Upscale	69.5	70.9	2.0	111.70	116.88	4.6	77.64	82.87	8.0
Mid-scale w/ F&B	61.3	63.0	2.8	93.93	97.41	3.7	57.58	61.36	8.6
Mid-scale w/o F&B	53.2	54.8	3.0	72.34	74.45	2.9	38.50	40.79	3.0
Economy	53.4	54.3	1.8	50.47	52.50	4.0	26.94	28.52	6.0
Independents	56.8	58.3	2.6	101.24	105.12	3.8	57.49	61.27	6.5

Source: STR - December 2012 Lodging Review

The onset of the recession in December of 2007 first became evident in lodging trends in the spring of 2008 as demand levels decreased from the peak recorded in the previous year. The pace of decline sped up in the fall of 2008, as both corporate and consumer spending fell dramatically in the wake of the financial crisis and in response to intensifying recessionary pressures. Continued increases in lodging supply, which grew by 2.7% in 2008 and 3.2% in 2009, combined with demand decreases, resulted in a national average occupancy of 55.1% in 2009, a historic low. Aggressive price cuts and discounting that were implemented in the face of falling occupancy levels caused average rate to decrease by 8.8% in that same year. The resulting \$53.71 RevPAR recorded in 2009 was on par with the level recorded in 2004.

Demand growth resumed in 2010, led by select markets that had recorded positive growth trends in the fourth quarter of 2009. The pace of demand growth accelerated through the year; in 2010, lodging demand in the U.S. increased by 7.7% over that registered in 2009. A return of business travel and some group activity contributed to these positive trends. The resurgence in demand was partly fueled by the significant price discounts that were widely available in the first half of 2010. These discounting policies were largely phased out in the latter half of the year, balancing much of the early rate loss. Average rate decreased by only 0.1% in 2010 when compared to 2009. Strong demand growth continued in 2011 and 2012, at 5.0% and 3.0%, respectively. Demand increased 2.3% in the year-to-date through June 2013 period. Average rate rebounded by respective rates of 3.7% and 4.2%, in 2011 and 2012, followed by a 4.0% increase in the year-to-date through June 2013 period. In 2012, occupancy reached 61.4% (exceeding the ten-year average); moreover, occupancy is on track to gain another point in 2013. Average rate finished the year just over \$106 in 2012, with year-to-date trends suggesting that another \$4 to \$5 gain in rate in 2013 is likely. Demand and average rates should continue to strengthen in the near term. These trends, combined with the low levels of supply growth anticipated through 2014, should boost occupancy to just over 63% by year-end 2014. On a national average, strengthening occupancy levels should also permit hotels to increase room rates beyond the 4.2% achieved in 2012. HVS forecasts U.S. average rate growth of 4.5% for 2013 and 5.0% for 2014.

Historical Supply and Demand Data

Smith Travel Research (STR) is an independent research firm that compiles and publishes data on the lodging industry, routinely used by typical hotel buyers. STR has compiled historical supply and demand data for a group of hotels considered applicable to this analysis for the proposed subject property. This information is presented in the following table, along with the market-wide occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

FIGURE 4-4 HISTORICAL SUPPLY AND DEMAND TRENDS - LOCAL COMPETITIVE SET

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2001	7,797	2,845,905	—	1,749,328	—	61.5 %	\$141.63	—	\$87.06	—
2002	7,797	2,845,905	0.0	1,765,558	0.9	62.0	137.45	(3.0)	85.27	(2.1)
2003	7,797	2,845,905	0.0	1,702,371	(3.6)	59.8	128.52	(6.5)	76.88	(9.8)
2004	8,397	3,064,905	7.7	1,890,098	11.0	61.7	130.98	1.9	80.77	5.1
2005	8,397	3,064,905	0.0	1,966,973	4.1	64.2	134.42	2.6	86.27	6.8
2006	8,388	3,061,720	(0.1)	2,030,842	3.2	66.3	145.14	8.0	96.27	11.6
2007	8,384	3,060,160	(0.1)	2,088,328	2.8	68.2	150.16	3.5	102.48	6.4
2008	8,588	3,134,488	2.4	1,980,394	(5.2)	63.2	150.99	0.6	95.40	(6.9)
2009	8,874	3,239,034	3.3	1,795,482	(9.3)	55.4	142.73	(5.5)	79.12	(17.1)
2010	8,882	3,241,930	0.1	2,061,559	14.8	63.6	145.44	1.9	92.48	16.9
2011	8,882	3,241,930	0.0	2,010,819	(2.5)	62.0	138.64	(4.7)	85.99	(7.0)
2012	8,883	3,242,390	0.0	2,102,842	4.6	64.9	144.64	4.3	93.81	9.1
Average Annual Compounded Change:										
2000-2012			1.1 %		1.5 %			0.2 %		0.6 %
Year-to-Date Through June										
2012	8,882	1,607,642	—	1,083,880	—	67.4 %	\$144.72	—	\$97.57	—
2013	8,887	1,608,547	0.1 %	1,060,192	(2.2) %	65.9	143.24	(1.0) %	94.41	(3.2) %
Hotels Included in Sample				Number	Year	Year				
				of Rooms	Affiliated	Opened				
DoubleTree Atlanta Downtown				312	Apr 2013	Jun 1962				
Sheraton Hotel Atlanta				763	Mar 1999	Jun 1965				
Hyatt Regency Atlanta				1,260	Jun 1967	Jun 1967				
Omni Hotel @ CNN Center				1,070	Jun 1974	Jun 1974				
Westin Peachtree Plaza Atlanta				1,073	Jun 1976	Jun 1976				
Hilton Atlanta				1,242	Aug 1976	Aug 1976				
Ritz-Carlton Atlanta				444	Apr 1984	Apr 1984				
Holiday Inn Atlanta Downtown Centennial Park				260	Mar 1999	Jun 1985				
Marriott Atlanta Marquis				1,663	Jul 1985	Jul 1985				
Embassy Suites Atlanta @ Cent Olympic Park				321	Jun 1999	Jun 1999				
Hilton Garden Inn Atlanta Downtown				242	Mar 2008	Mar 2008				
W Hotel Atlanta Downtown				237	Jan 2009	Jan 2009				
Total				8,887						

Source: STR Global

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

After declining measurably from previous peak levels in 2001, occupancy among the selected set of national competitors experienced a modest overall increase through 2012, despite an influx of new supply representing nearly 50.0% of the total rooms available in 2001. We note that the average annual available-room-night change from 2001 through 2012 was 3.6%, while the average annual change in occupied room nights exceeded that figure at 4.2%, resulting in a modestly positive delta of 0.6% and indicating that the demand induced by the opening of convention hotels justifies the development of these large properties. Furthermore, this small but positive change in occupancy rates over time illustrates the significant amount of demand that is created by the openings of convention hotels, even with the inclusion of a major recessionary period during the illustrated period. Despite significant increases in new supply since 2005, including the openings of six new hotels within the selected set, national occupancy levels in 2012 reached their highest point since 2007, just prior to the Great Recession. Year-to-date figures roughly match those of 2007, indicating that the national market may soon exceed the 70.0% benchmark surpassed only twice in the illustrated period, in 2001 and 2007. Similarly, average rate levels among the national competitive set grew on an aggregate basis over the historical period shown, although annual rate levels predictably ebbed and flowed concurrent with national economic cycles. Although additional supply is expected in the future, the national market is forecast to absorb this new supply and return to pre-recession levels in upcoming years, just as additional room inventory has been absorbed historically.

The STR data for the competitive set reflect an overall market occupancy level of 64.9% in 2012, which compares to 62.0% for 2011. The overall average occupancy level for the calendar years presented equates to 62.8%. Conventions at the Georgia World Congress Center, major corporate entities with headquarter offices in Downtown Atlanta, and numerous entertainment venues and attractions, such as the Georgia Dome and Georgia Aquarium, represent the primary sources of demand in this market. From 2001 through 2003, market-wide occupancy levels remained at or just above 60.0% before trending upward slightly in 2004. Occupancy levels increased further in 2005 and 2006 due to heightened activity levels at the GWCC, as conventions relocated from New Orleans in the aftermath of

Hurricane Katrina. Occupancy peaked in 2007 due to continued strong meeting activity and the opening of new tourist attractions, such as the World of Coca-Cola. However, the onset of the economic recession in 2008 resulted in a significant decline in occupancy, which was exacerbated by the opening of the Hilton Garden Inn Atlanta Downtown, diluting already weakening demand. Continued decreases in demand and the opening of the W Atlanta Downtown in early 2009 combined to spur further declines in market-wide occupancy that year, as the economic downturn negatively affected convention bookings and reduced corporate and leisure travel to the market. Both demand and corresponding occupancy recovered substantially in 2010, bolstered by a dramatic increase in convention activity at the GWCC, although occupancy declined slightly in 2011 as convention activity slowed somewhat. Occupancy for the market recovered moderately in 2012 due to a stronger convention season; however, the latest year-to-date data for 2013 show declines in occupancy, as sequestration and budgetary uncertainty in Congress have significantly reduced room-night demand from government-related entities in the downtown market.

The STR data for the competitive set reflect an overall market average rate level of \$144.64 in 2012, which compares to \$138.64 for 2011. The average across all calendar years presented for average rate equates to \$145.49. Average rate in the local market registered positive growth from 2004 through much of 2008. The strength of the economy during that time, with little rate-resistance from corporate accounts such as Georgia-Pacific Corporation and SunTrust Banks, and strong citywide convention years allowed hotel operators to increase rates. Upon the onset of the economic recession, average rate growth began to slow significantly in late 2008. Average rates declined in 2009, and this downward trend continued into early 2010, along with the contraction of the national economy; however, average rates bottomed out in the low \$140s that year and noted a positive trend for 2010 overall, as a number of high-rated citywide conventions contributed to the rate recovery. In 2011, average rates again declined as convention demand weakened, although rates recovered strongly in 2012. The latest year-to-date 2013 data illustrate a slight decline as the budget sequestration has limited room-night demand from government entities. Market participants noted that the NCAA Final Four games in April of 2013 spurred a dramatic increase in average rates for area hotels; however, the positive effects of this event have been offset by declines in other months. These occupancy and average rate trends resulted in a RevPAR level of \$93.81 in 2012.

Seasonality

Monthly occupancy and average rate trends are presented in the following tables.

FIGURE 4-5 MONTHLY OCCUPANCY TRENDS – LOCAL COMPETITIVE SET

Month	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
January	71.6 %	71.3 %	60.1 %	67.6 %	66.1 %	69.1 %	69.3 %	73.2 %	53.9 %	67.0 %	64.8 %	66.2 %	74.4 %
February	66.3	62.9	70.8	67.6	67.0	68.0	68.7	71.9	53.7	63.9	59.8	66.7	63.5
March	72.5	66.0	59.7	70.2	64.3	78.0	78.1	67.3	61.4	64.0	72.1	71.0	65.0
April	56.1	62.6	47.5	66.5	67.3	71.9	69.3	70.7	60.7	65.0	66.5	64.8	73.8
May	67.7	59.7	51.7	54.1	57.8	60.7	62.7	60.6	49.9	59.2	55.9	66.0	55.8
June	68.8	58.9	66.1	65.9	65.1	72.7	74.3	68.2	55.3	67.2	70.3	69.7	62.9
July	63.2	71.0	74.7	72.5	73.2	75.2	73.4	70.6	65.9	71.4	71.1	66.8	—
August	65.0	67.0	66.4	57.2	53.8	61.9	66.9	61.6	57.1	60.2	56.1	60.5	—
September	41.8	54.4	56.2	56.0	70.0	66.4	68.6	61.9	54.9	62.4	64.0	63.0	—
October	69.2	66.7	66.8	74.3	70.3	71.1	78.8	64.5	64.6	76.0	68.8	73.0	—
November	55.1	60.0	60.4	49.9	64.5	58.9	61.8	52.8	46.6	64.3	56.3	60.4	—
December	39.8	43.6	38.2	38.4	51.3	42.4	47.1	36.3	40.8	42.8	38.8	50.2	—
Annual Occupancy	61.5 %	62.0 %	59.8 %	61.7 %	64.2 %	66.3 %	68.2 %	63.2 %	55.4 %	63.6 %	62.0 %	64.9 %	—
Year-to-Date	67.3	63.6	59.1	65.3	64.5	70.1	70.4 %	68.5 %	55.8 %	64.4 %	64.9 %	67.4 %	65.9 %

Source: STR Global

FIGURE 4-6 MONTHLY AVERAGE RATE TRENDS – LOCAL COMPETITIVE SET

Month	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
January	\$152.80	\$146.63	\$138.03	\$140.77	\$142.86	\$152.00	\$152.62	\$165.64	\$160.09	\$150.84	\$153.27	\$151.69	\$156.11
February	155.94	144.16	148.40	131.96	133.15	139.83	144.72	153.01	142.66	154.54	131.32	144.40	140.54
March	151.39	166.93	137.44	143.57	130.89	161.60	161.49	147.75	154.12	167.38	146.12	147.40	132.40
April	141.06	135.61	120.95	136.45	131.51	138.15	156.43	147.53	142.54	138.58	135.66	132.77	168.50
May	154.14	138.34	123.01	129.69	147.62	151.53	151.47	145.06	152.59	135.67	132.29	147.42	122.53
June	149.40	145.35	130.04	121.51	127.85	150.90	153.57	150.95	134.25	134.69	136.01	143.82	130.96
July	129.13	129.73	120.08	124.62	126.64	133.72	134.75	146.04	140.08	142.28	139.46	141.64	—
August	125.94	112.09	116.69	117.28	118.89	128.59	137.33	134.64	123.12	128.77	122.35	132.93	—
September	127.47	125.51	115.93	119.98	128.97	145.95	145.19	156.80	148.19	146.65	143.80	132.37	—
October	149.31	138.95	139.86	149.92	148.18	156.71	156.73	156.56	143.52	158.58	153.54	155.09	—
November	130.54	138.39	131.69	123.02	138.97	143.68	147.85	172.53	138.75	152.68	135.55	148.70	—
December	110.06	122.48	110.69	118.77	136.58	129.83	160.26	128.89	129.92	124.90	120.92	157.09	—
Annual Average Rate	\$141.63	\$137.45	\$128.52	\$130.98	\$134.42	\$145.14	\$150.16	\$150.99	\$142.73	\$145.44	\$138.64	\$144.64	—
Year-to-Date	\$151.05	\$146.53	\$133.84	\$134.35	\$135.52	\$149.39	\$153.73	\$151.88	\$147.82	\$146.99	\$139.61	\$144.72	\$143.24

Source: STR Global

The illustrated monthly occupancy and average rates patterns reflect important seasonal characteristics. We have reviewed these trends in developing our forthcoming forecast of market-wide demand and average rate.

Patterns of Demand

A review of the trends in occupancy, average rate, and RevPAR per day of the week over the past three fiscal years provides some insight into the impact that the current economic conditions have had on the competitive lodging market. The data, as provided by Smith Travel Research, are illustrated in the following table.

FIGURE 4-7 OCCUPANCY, AVERAGE RATE AND REVPAR BY DAY OF WEEK – LOCAL COMPETITORS

Occupancy (%)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jul 10 - Jun 11	51.9 %	63.9 %	69.4 %	68.6 %	62.7 %	63.6 %	67.1 %	63.9 %
Jul 11 - Jun 12	50.2	62.1	67.3	67.6	61.7	65.1	68.6	63.3
Jul 12 - Jun 13	47.8	59.6	65.1	69.0	66.6	70.0	70.9	64.1
Change (Occupancy Points)								
FY 11 - FY 12	(1.8)	(1.7)	(2.1)	(0.9)	(1.0)	1.5	1.5	(0.6)
FY 12 - FY 13	(2.3)	(2.5)	(2.2)	1.3	4.9	4.9	2.3	0.9
ADR (\$)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jul 10 - Jun 11	\$141.65	\$145.95	\$147.83	\$147.12	\$141.61	\$134.30	\$133.04	\$141.72
Jul 11 - Jun 12	144.49	147.05	146.55	143.46	141.54	133.70	134.16	141.36
Jul 12 - Jun 13	146.80	150.21	145.83	146.61	144.34	139.90	135.63	143.88
Change (Dollars)								
FY 11 - FY 12	\$2.84	\$1.10	(\$1.28)	(\$3.66)	(\$0.06)	(\$0.61)	\$1.12	(\$0.36)
FY 12 - FY 13	2.30	3.16	(0.72)	3.15	2.80	6.20	1.47	2.52
Change (Percent)								
FY 11 - FY 12	2.0 %	0.8 %	(0.9) %	(2.5) %	(0.0) %	(0.5) %	0.8 %	(0.3) %
FY 12 - FY 13	1.6	2.1	(0.5)	2.2	2.0	4.6	1.1	1.8
RevPAR (\$)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jul 10 - Jun 11	\$73.56	\$93.24	\$102.61	\$100.90	\$88.77	\$85.43	\$89.27	\$90.53
Jul 11 - Jun 12	72.48	91.37	98.64	97.04	87.36	87.08	91.98	89.42
Jul 12 - Jun 13	70.22	89.50	94.96	101.12	96.20	97.95	96.14	92.24
Change (Dollars)								
FY 11 - FY 12	(\$1.08)	(\$1.87)	(\$3.97)	(\$3.86)	(\$1.41)	\$1.65	\$2.71	(\$1.11)
FY 12 - FY 13	(2.26)	(1.87)	(3.68)	4.08	8.85	10.87	4.16	2.82
Change (Percent)								
FY 11 - FY 12	(1.5) %	(2.0) %	(3.9) %	(3.8) %	(1.6) %	1.9 %	3.0 %	(1.2) %
FY 12 - FY 13	(3.1)	(2.0)	(3.7)	4.2	10.1	12.5	4.5	3.2

Source: STR Global

In most markets, business travel, including individual commercial travelers and corporate groups, is the predominant source of demand on Monday through Thursday nights. Leisure travelers and non-business-related groups generate a majority of demand on Friday and Saturday nights. Typical of a downtown market, a review of the local STR data indicates that demand is strong Tuesdays through

**SUPPLY – Local
Competitive Set**

Thursdays, when corporate transient demand and group room-nights related to conventions are heaviest. Given the concentration of attractions and entertainment venues in Downtown Atlanta, the local market is also heavily saturated on Friday and Saturday nights, as major events held at the Georgia Dome and Philips Arena draw large numbers of visitors to the city core.

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

The following table summarizes the important operating characteristics of the future primary competitors and the aggregate secondary competitors (if applicable). This information was compiled from personal interviews, inspections, lodging directories, and our in-house library of operating data. The table also sets forth each property's penetration factors; penetration is the ratio between a specific hotel's operating results and the corresponding data for the market. If the penetration factor is greater than 100%, the property is performing better than the market as a whole; conversely, if the penetration is less than 100%, the hotel is performing at a level below the market-wide average.

FIGURE 4-8 LOCAL COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation			Estimated 2010			Estimated 2011			Estimated 2012		
		Meeting and Group	Commercial	Leisure	Weighted Annual Room Count	Occ.	Average Rate	Weighted Annual Room Count	Occ.	Average Rate	Weighted Annual Room Count	Occ.	Average Rate
DoubleTree By Hilton Hotel Atlanta Downtown	312	35 %	50 %	15 %	312	65 - 69 %	\$130 - 140	312	61 - 65 %	\$130 - 140	312	55 - 59 %	\$139 - 149
Embassy Suites Atlanta Centennial Olympic Park	321	50	35	15	321	72 - 76	162 - 172	321	70 - 74	158 - 168	321	69 - 73	164 - 174
Hilton Atlanta	1,242	65	25	10	477	69 - 73	110 - 120	1,242	65 - 69	114 - 124	1,242	69 - 73	117 - 127
Hilton Garden Inn Atlanta Downtown	242	35	50	15	242	70 - 74	144 - 154	242	70 - 74	141 - 151	242	71 - 75	146 - 156
Holiday Inn Atlanta Downtown Centennial Park	260	30	50	20	260	60 - 64	105 - 115	260	61 - 65	101 - 111	260	60 - 64	102 - 112
Hyatt Regency Atlanta	1,260	70	20	10	1,260	68 - 72	137 - 147	1,260	55 - 59	130 - 140	1,260	62 - 66	135 - 145
Marriott Marquis Atlanta	1,663	75	15	10	1,663	63 - 69	142 - 152	1,663	60 - 64	139 - 149	1,663	66 - 70	140 - 150
Omni Atlanta at CNN Center	1,070	75	15	10	1,070	56 - 60	163 - 173	1,070	55 - 59	158 - 168	1,070	62 - 66	159 - 169
Ritz-Carlton Atlanta	444	45	40	15	444	63 - 67	165 - 175	444	67 - 71	162 - 172	444	66 - 70	178 - 188
Sheraton Atlanta	763	60	25	15	763	58 - 62	122 - 132	763	57 - 61	116 - 126	763	65 - 69	119 - 129
W Atlanta Downtown	237	40	45	15	237	56 - 60	184 - 194	237	60 - 64	186 - 196	237	65 - 69	190 - 200
Westin Peachtree Plaza Atlanta	1,068	70	20	10	1,068	54 - 58	130 - 140	1,068	59 - 63	117 - 127	1,068	49 - 53	140 - 150
Sub-Totals/Averages	8,882	64 %	25 %	12 %	8,117	63.9 %	\$145.17	8,882	62.1 %	\$138.62	8,882	64.9 %	\$144.58
Secondary Competitors	25,728	71 %	16 %	13 %	8,117	68.7 %	\$169.13	8,535	70.0 %	\$176.82	9,008	70.4 %	\$179.54
Totals/Averages	34,610	68 %	20 %	12 %	16,234	66.3 %	\$157.58	17,417	65.9 %	\$158.48	17,890	67.7 %	\$162.89

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

MAP OF LOCAL COMPETITION



- | | | | |
|--|--|--|--|
| | Proposed Hotel, Georgia World Congress Center, Atlanta, GA | | Marriott Marquis Atlanta (Primary) |
| | DoubleTree By Hilton Hotel Atlanta Downtown (Primary) | | Omni Atlanta at CNN Center (Primary) |
| | Embassy Suites Atlanta Centennial Olympic Park (Primary) | | Ritz-Carlton Atlanta (Primary) |
| | Hilton Atlanta (Primary) | | Sheraton Atlanta (Primary) |
| | Hilton Garden Inn Atlanta Downtown (Primary) | | W Atlanta Downtown (Primary) |
| | Holiday Inn Atlanta Downtown Centennial Park (Primary) | | Westin Peachtree Plaza Atlanta (Primary) |
| | Hyatt Regency Atlanta (Primary) | | |

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

FIGURE 4-9 LOCAL COMPETITORS – OPERATING INFORMATION

Property	Year Opened	Number of Rooms	Estimated Ave. Rooms Committed	Approximate Distance To GWCC	Facilities and Amenities						Indoor Meeting Space (SF)	Meeting Space per Room	Comments
					Restaurant	Lounge	Room Service	Health Club	Business Center	Meeting Rooms			
DoubleTree By Hilton Hotel Atlanta Downtown 160 Spring Street NW	1962	312	220	3 Blocks	1	1	Y	Y	Y	17	14,195	45.5	Converted from Marriott in April of 2013. Renovations planned for late 2013.
Embassy Suites Atlanta Centennial Olympic Park 267 Marietta Street	1999	321	250	1 Block	1	1	Y	Y	Y	8	9,188	28.6	Located within walking distance of the GWCC.
Hilton Atlanta 255 Courtland Street NE	1976	1,242	700	7 Blocks	4	2	Y	Y	Y	55	108,713	87.5	Underwent \$65-million renovation of guestrooms, meeting space, and public areas in 2009.
Hilton Garden Inn Atlanta Downtown 275 Baker Street	2008	242	160	1 Block	1	1	Y	Y	Y	8	23,618	97.6	Located within walking distance of GWCC.
Holiday Inn Atlanta Downtown Centennial Park 101 Andrew Young International Boulevard	1985	260	180	2 Blocks	1	1	Y	Y	Y	1	2,508	9.6	Located within walking distance of GWCC.
Hyatt Regency Atlanta 265 Peachtree Street NE	1967	1,260	650	6 Blocks	2	1	Y	Y	Y	52	180,000	142.9	Completed \$65-million, property wide renovation in mid-year 2012.
Marriott Marquis Atlanta 265 Peachtree Center Avenue	1985	1,663	1,000	6 Blocks	3	4	Y	Y	Y	84	160,000	96.2	Sold for \$293-million in January of 2013. New ownership plans cosmetic upgrades.
Omni Atlanta at CNN Center 100 CNN Center	1974	1,070	700	Adjacent	2	2	Y	Y	Y	45	120,000	112.1	Underwent \$6-million guestroom renovation to North Tower in 2012/13.
Ritz-Carlton Atlanta 181 Peachtree Street NE	1984	444	350	5 Blocks	1	1	Y	Y	Y	13	16,189	36.5	Underwent \$2.2-million renovation of meeting space and public areas in 2011/12.
Sheraton Atlanta 165 Courtland Street NE	1965	763	550	7 Blocks	3	1	Y	Y	Y	42	53,246	69.8	Underwent \$20-million guestroom renovation in 2009.
W Atlanta Downtown 45 Ivan Allen Junior Boulevard	2009	237	170	7 Blocks	1	3	Y	Y	Y	8	8,906	37.6	Includes 74 residential condominium units.
Westin Peachtree Plaza Atlanta 210 Peachtree Street NW	1976	1,073	750	3 Blocks	2	3	Y	Y	Y	53	80,000	74.6	\$45-million guestroom renovation in 2012. Meeting space renovation planned for late 2013.
Totals/Averages		8,882									776,563	87.4	

**National
Competitors**

We have also reviewed the market of headquarters hotels located adjacent to and proximate to the 14 primarily competitive convention markets listed in Chapter 3 to determine whether any may compete with the proposed subject property on a national basis. Based on our review of geographical location, similar target markets, branding, and similar factors, we have included a nationally significant component to our competitive set and quantitative analysis.

The room count of each national competitor has been weighted based on its estimated degree of competitiveness with the proposed subject property in the future. By assigning degrees of competitiveness, we can assess how the subject property and its competitors may react to various changes in the national market, including new supply, changes to demand generators, and renovations or franchise changes of existing supply.

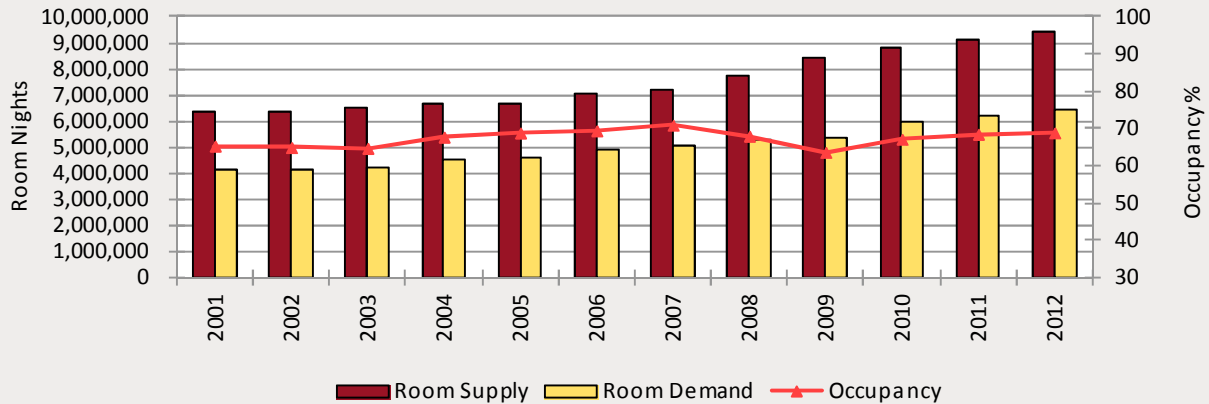
The following tables set forth a Smith Travel Research trend report of these national competitors.

FIGURE 4-10 HISTORICAL SUPPLY AND DEMAND TRENDS – NATIONAL COMPETITORS

Year	Average Daily	Available Room	Occupied Room			Average		RevPAR	Change	
	Room Count	Nights	Change	Nights	Change	Occupancy	Rate			
2001	17,434	6,363,393	—	4,156,796	—	65.3 %	\$166.62	—	\$108.84	—
2002	17,454	6,370,752	0.1	4,138,553	(0.4)	65.0	164.69	(1.2)	106.99	(1.7)
2003	17,832	6,508,838	2.2	4,212,886	1.8	64.7	161.67	(1.8)	104.64	(2.2)
2004	18,274	6,670,010	2.5	4,518,299	7.2	67.7	162.13	0.3	109.83	5.0
2005	18,198	6,642,254	(0.4)	4,572,859	1.2	68.8	168.32	3.8	115.88	5.5
2006	19,372	7,070,750	6.5	4,912,630	7.4	69.5	173.26	2.9	120.38	3.9
2007	19,626	7,163,580	1.3	5,082,660	3.5	71.0	181.61	4.8	128.85	7.0
2008	21,292	7,771,739	8.5	5,284,647	4.0	68.0	187.06	3.0	127.20	(1.3)
2009	23,034	8,407,274	8.2	5,352,924	1.3	63.7	170.93	(8.6)	108.83	(14.4)
2010	24,228	8,843,105	5.2	5,939,820	11.0	67.2	166.93	(2.3)	112.12	3.0
2011	24,894	9,086,416	2.8	6,227,240	4.8	68.5	174.08	4.3	119.30	6.4
2012	25,729	9,391,086	3.4	6,469,383	3.9	68.9	177.59	2.0	122.34	2.5
Average Annual Compounded Change:										
2000-2012			3.3 %		3.8 %			0.5 %		1.0 %
Year-to-Date Through June										
2012	25,728	4,656,768	—	3,285,222	—	70.5 %	\$182.46	—	\$128.72	—
2013	25,836	4,676,308	0.4 %	3,382,773	3.0 %	72.3	188.76	3.5 %	136.55	6.1 %
Hotels Included in Sample				Number	Year	Year				
				of Rooms	Affiliated	Opened				
Sheraton Hotel Dallas				1,840	Apr 2008	Jun 1959				
Hilton San Francisco Union Square				1,908	Aug 1964	Aug 1964				
Hilton New Orleans Riverside				1,622	Oct 2005	Sep 1977				
Hyatt Regency Dallas				1,120	May 1978	May 1978				
Sheraton Seattle Hotel				1,258	Jun 1982	Jun 1982				
Marriott San Diego Marquis & Marina				1,360	Jun 1984	Jun 1984				
Preferred The Peabody Orlando				1,641	Nov 1986	Nov 1986				
Grand Hyatt Washington				897	Jun 1987	Jun 1987				
Renaissance Nashville Hotel				673	Jun 1995	Aug 1987				
Marriott San Antonio Rivercenter				1,001	Sep 1988	Sep 1988				
Renaissance Washington DC Downtown Hotel				807	Mar 1989	Mar 1989				
Marriott San Francisco Marquis				1,499	Oct 1989	Oct 1989				
Grand Hyatt Manchester San Diego				1,628	Dec 1992	Dec 1992				
Marriott Philadelphia Downtown				1,408	Feb 1995	Feb 1995				
Hyatt Regency McCormick Place				1,098	Jun 1998	Jun 1998				
Hyatt Regency Denver Convention Ctr				1,100	Dec 2005	Dec 2005				
Grand Hyatt San Antonio				1,003	Mar 2008	Mar 2008				
Hilton Baltimore				757	Aug 2008	Aug 2008				
Sheraton Hotel Phoenix Downtown				1,000	Sep 2008	Sep 2008				
Hilton Orlando Orange County Convention Center				1,417	Sep 2009	Sep 2009				
Omni Dallas Convention Center Hotel				1,001	Nov 2011	Nov 2011				
Total				26,038						

Source: STR Global

FIGURE 4-11 HISTORICAL SUPPLY AND DEMAND GRAPH – NATIONAL COMPETITORS



Source: STR Global

These data reflect an overall market occupancy level of 68.9% in 2012, which compares to 68.5% for 2011. The overall average occupancy level for the calendar years presented equates to 62.8%. These data reflect an overall market average rate level of \$177.59 in 2012, which compares to \$174.08 for 2011. The average across all calendar years presented for average rate equates to \$145.49. These occupancy and average rate trends resulted in a RevPAR level of \$122.34 in 2012.

After declining measurably from previous peak levels in 2001, occupancy among the selected set of national competitors experienced a modest overall increase through 2012, despite an influx of new supply representing nearly 50.0% of the total rooms available in 2001. We note that the average annual available-room-night change from 2001 through 2012 was 3.6%, while the average annual change in occupied room nights exceeded that figure at 4.2%, resulting in a modestly positive delta of 0.6% and indicating that the demand induced by the opening of convention hotels justifies the development of these large properties. Furthermore, this small but positive change in occupancy rates over time illustrates the significant amount of demand that is created by the openings of convention hotels, even with the inclusion of a major recessionary period during the illustrated period. Despite significant increases in new supply since 2005, including the openings of six new hotels within the selected set, national occupancy levels in 2012 reached their highest point since 2007, just prior to the Great Recession. Year-to-date figures roughly match those of 2007, indicating that the national market may soon exceed the 70.0% benchmark surpassed only twice in the illustrated period, in 2001 and 2007. Similarly, average rate levels among

the national competitive set grew on an aggregate basis over the historical period shown, although annual rate levels predictably ebbed and flowed concurrent with national economic cycles. Although additional supply is expected in the future, the national market is forecast to absorb this new supply and return to pre-recession levels in upcoming years, just as additional room inventory has been absorbed historically.

Seasonality

Monthly occupancy and average rate trends for the national competitors are presented in the following tables.

FIGURE 4-12 MONTHLY OCCUPANCY TRENDS – NATIONAL COMPETITORS

Month	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
January	71.6 %	71.3 %	60.1 %	67.6 %	66.1 %	69.1 %	69.3 %	73.2 %	53.9 %	67.0 %	64.8 %	66.2 %	74.4 %
February	66.3	62.9	70.8	67.6	67.0	68.0	68.7	71.9	53.7	63.9	59.8	66.7	63.5
March	72.5	66.0	59.7	70.2	64.3	78.0	78.1	67.3	61.4	64.0	72.1	71.0	65.0
April	56.1	62.6	47.5	66.5	67.3	71.9	69.3	70.7	60.7	65.0	66.5	64.8	73.8
May	67.7	59.7	51.7	54.1	57.8	60.7	62.7	60.6	49.9	59.2	55.9	66.0	55.8
June	68.8	58.9	66.1	65.9	65.1	72.7	74.3	68.2	55.3	67.2	70.3	69.7	62.9
July	63.2	71.0	74.7	72.5	73.2	75.2	73.4	70.6	65.9	71.4	71.1	66.8	—
August	65.0	67.0	66.4	57.2	53.8	61.9	66.9	61.6	57.1	60.2	56.1	60.5	—
September	41.8	54.4	56.2	56.0	70.0	66.4	68.6	61.9	54.9	62.4	64.0	63.0	—
October	69.2	66.7	66.8	74.3	70.3	71.1	78.8	64.5	64.6	76.0	68.8	73.0	—
November	55.1	60.0	60.4	49.9	64.5	58.9	61.8	52.8	46.6	64.3	56.3	60.4	—
December	39.8	43.6	38.2	38.4	51.3	42.4	47.1	36.3	40.8	42.8	38.8	50.2	—
Annual Occupancy	61.5 %	62.0 %	59.8 %	61.7 %	64.2 %	66.3 %	68.2 %	63.2 %	55.4 %	63.6 %	62.0 %	64.9 %	—
Year-to-Date	67.3	63.6	59.1	65.3	64.5	70.1	70.4 %	68.5 %	55.8 %	64.4 %	64.9 %	67.4 %	65.9 %

Source: STR Global

FIGURE 4-13 MONTHLY AVERAGE RATE TRENDS – NATIONAL COMPETITORS

Month	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
January	\$152.80	\$146.63	\$138.03	\$140.77	\$142.86	\$152.00	\$152.62	\$165.64	\$160.09	\$150.84	\$153.27	\$151.69	\$156.11
February	155.94	144.16	148.40	131.96	133.15	139.83	144.72	153.01	142.66	154.54	131.32	144.40	140.54
March	151.39	166.93	137.44	143.57	130.89	161.60	161.49	147.75	154.12	167.38	146.12	147.40	132.40
April	141.06	135.61	120.95	136.45	131.51	138.15	156.43	147.53	142.54	138.58	135.66	132.77	168.50
May	154.14	138.34	123.01	129.69	147.62	151.53	151.47	145.06	152.59	135.67	132.29	147.42	122.53
June	149.40	145.35	130.04	121.51	127.85	150.90	153.57	150.95	134.25	134.69	136.01	143.82	130.96
July	129.13	129.73	120.08	124.62	126.64	133.72	134.75	146.04	140.08	142.28	139.46	141.64	—
August	125.94	112.09	116.69	117.28	118.89	128.59	137.33	134.64	123.12	128.77	122.35	132.93	—
September	127.47	125.51	115.93	119.98	128.97	145.95	145.19	156.80	148.19	146.65	143.80	132.37	—
October	149.31	138.95	139.86	149.92	148.18	156.71	156.73	156.56	143.52	158.58	153.54	155.09	—
November	130.54	138.39	131.69	123.02	138.97	143.68	147.85	172.53	138.75	152.68	135.55	148.70	—
December	110.06	122.48	110.69	118.77	136.58	129.83	160.26	128.89	129.92	124.90	120.92	157.09	—
Annual Average Rate	\$141.63	\$137.45	\$128.52	\$130.98	\$134.42	\$145.14	\$150.16	\$150.99	\$142.73	\$145.44	\$138.64	\$144.64	—
Year-to-Date	\$151.05	\$146.53	\$133.84	\$134.35	\$135.52	\$149.39	\$153.73	\$151.88	\$147.82	\$146.99	\$139.61	\$144.72	\$143.24

Source: STR Global

The illustrated monthly occupancy and average rates patterns reflect important seasonal characteristics for the national competitors as well. Accordingly, we have reviewed these national trends in developing our forthcoming forecast of market-wide demand and average rate for our selected competitive market.

Patterns of Demand

A review of the trends in occupancy, average rate, and RevPAR by the night of the week over the past three fiscal years for the national competitive set also provides some insight into the impact that the current economic conditions have had on the competitive lodging market. The data, as provided by Smith Travel Research, are illustrated in the following table.

FIGURE 4-14 OCCUPANCY, AVERAGE RATE AND REVPAR BY DAY OF WEEK – NATIONAL COMPETITORS

Occupancy (%)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jul 10 - Jun 11	51.9 %	63.9 %	69.4 %	68.6 %	62.7 %	63.6 %	67.1 %	63.9 %
Jul 11 - Jun 12	50.2	62.1	67.3	67.6	61.7	65.1	68.6	63.3
Jul 12 - Jun 13	47.8	59.6	65.1	69.0	66.6	70.0	70.9	64.1
Change (Occupancy Points)								
FY 11 - FY 12	(1.8)	(1.7)	(2.1)	(0.9)	(1.0)	1.5	1.5	(0.6)
FY 12 - FY 13	(2.3)	(2.5)	(2.2)	1.3	4.9	4.9	2.3	0.9
ADR (\$)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jul 10 - Jun 11	\$141.65	\$145.95	\$147.83	\$147.12	\$141.61	\$134.30	\$133.04	\$141.72
Jul 11 - Jun 12	144.49	147.05	146.55	143.46	141.54	133.70	134.16	141.36
Jul 12 - Jun 13	146.80	150.21	145.83	146.61	144.34	139.90	135.63	143.88
Change (Dollars)								
FY 11 - FY 12	\$2.84	\$1.10	(\$1.28)	(\$3.66)	(\$0.06)	(\$0.61)	\$1.12	(\$0.36)
FY 12 - FY 13	2.30	3.16	(0.72)	3.15	2.80	6.20	1.47	2.52
Change (Percent)								
FY 11 - FY 12	2.0 %	0.8 %	(0.9) %	(2.5) %	(0.0) %	(0.5) %	0.8 %	(0.3) %
FY 12 - FY 13	1.6	2.1	(0.5)	2.2	2.0	4.6	1.1	1.8
RevPAR (\$)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Jul 10 - Jun 11	\$73.56	\$93.24	\$102.61	\$100.90	\$88.77	\$85.43	\$89.27	\$90.53
Jul 11 - Jun 12	72.48	91.37	98.64	97.04	87.36	87.08	91.98	89.42
Jul 12 - Jun 13	70.22	89.50	94.96	101.12	96.20	97.95	96.14	92.24
Change (Dollars)								
FY 11 - FY 12	(\$1.08)	(\$1.87)	(\$3.97)	(\$3.86)	(\$1.41)	\$1.65	\$2.71	(\$1.11)
FY 12 - FY 13	(2.26)	(1.87)	(3.68)	4.08	8.85	10.87	4.16	2.82
Change (Percent)								
FY 11 - FY 12	(1.5) %	(2.0) %	(3.9) %	(3.8) %	(1.6) %	1.9 %	3.0 %	(1.2) %
FY 12 - FY 13	(3.1)	(2.0)	(3.7)	4.2	10.1	12.5	4.5	3.2

Source: STR Global

In most markets, business travel, including individual commercial travelers and corporate groups, is the predominant source of demand on Monday through Thursday nights. Leisure travelers and non-business-related groups generate a majority of demand on Friday and Saturday nights. As shown, the national competitive market follows these trends.

The following table summarizes the important operating characteristics of the future national competitors. As with the local competitive set, this information was compiled from personal interviews, lodging directories, and our in-house library of operating data.

FIGURE 4-15 NATIONAL COMPETITORS – OPERATING PERFORMANCE

Property	Number of Rooms	Est. Segmentation			Total Competitive Level	Estimated 2010			Estimated 2011			Estimated 2012		
		Meeting and Group	Commercial	Leisure		Weighted Annual Room Count	Occ.	Average Rate	Weighted Annual Room Count	Occ.	Average Rate	Weighted Annual Room Count	Occ.	Average Rate
Hilton Baltimore	757	75 %	20 %	5 %	25 %	189	60 - 64 %	\$171 - 181	189	61 - 65 %	167 - 177	189	62 - 66 %	\$166 - 176
Hyatt Regency McCormick Place	800	75	15	10	45	360	59 - 63	168 - 178	360	58 - 62	181 - 191	360	60 - 64	184 - 194
Sheraton Dallas	1,840	65	20	15	15	276	47 - 51	114 - 124	276	49 - 53	120 - 130	276	48 - 52	118 - 128
Hyatt Regency Dallas	1,120	70	20	10	15	168	54 - 58	146 - 156	168	54 - 58	159 - 169	168	57 - 61	161 - 171
Omni Dallas	1,001	75	15	10	55	0	0	0.00	77	50 - 54	153 - 163	551	62 - 66	152 - 162
Hyatt Regency Denver Colorado Convention Center	1,100	80	15	5	45	495	70 - 74	157 - 167	495	70 - 74	159 - 169	495	74 - 78	157 - 167
Renaissance Nashville	673	60	25	15	25	168	73 - 77	135 - 145	168	76 - 80	138 - 148	168	74 - 78	154 - 164
Hilton New Orleans Riverside	1,622	75	5	20	55	892	69 - 73	150 - 160	892	68 - 72	158 - 168	892	72 - 76	159 - 169
Peabody Orlando	1,641	70	10	20	15	134	61 - 65	126 - 136	246	55 - 59	138 - 148	246	58 - 62	144 - 154
Hilton Orlando	1,417	75	5	20	55	551	66 - 70	147 - 157	779	63 - 67	157 - 167	779	65 - 69	158 - 168
Marriott Philadelphia Downtown	1,408	60	25	15	35	493	68 - 72	149 - 159	493	69 - 73	161 - 171	493	72 - 76	162 - 172
Sheraton Phoenix Downtown	1,000	60	30	10	35	350	51 - 55	153 - 163	350	49 - 53	169 - 179	350	52 - 58	152 - 162
Grand Hyatt San Antonio	1,003	75	15	10	35	351	61 - 65	141 - 151	351	66 - 70	158 - 168	351	72 - 76	175 - 185
Marriott San Antonio Rivercenter	1,001	75	5	20	35	350	58 - 62	138 - 148	350	61 - 65	152 - 162	350	66 - 70	155 - 165
Manchester Grand Hyatt San Diego	1,625	75	15	10	45	731	71 - 75	181 - 191	731	76 - 80	183 - 193	731	76 - 80	190 - 200
Marriott Marquis Hotel & Marina San Diego	1,360	80	10	10	45	613	61 - 65	190 - 200	613	69 - 73	204 - 214	612	71 - 75	210 - 220
Hilton San Francisco Union Square	1,908	65	25	10	45	859	77 - 81	176 - 186	859	80 - 84	177 - 187	859	71 - 75	191 - 201
Marriott Marquis San Francisco	1,499	65	25	10	35	525	77 - 81	186 - 196	525	79 - 83	207 - 217	525	80 - 84	217 - 227
Renaissance Washington DC Downtown	807	65	25	10	25	202	73 - 77	200 - 210	202	72 - 76	205 - 215	202	66 - 70	198 - 208
Sheraton Seattle Hotel	1,258	65	20	15	15	189	66 - 70	155 - 165	189	74 - 78	152 - 162	189	69 - 73	163 - 173
Grand Hyatt Washington	888	70	20	10	25	222	79 - 83	215 - 225	222	82 - 86	218 - 228	222	77 - 81	215 - 225
Totals/Averages	25,728	71 %	16 %	13 %	35 %	8,117	68.7 %	\$169.13	8,535	70.0 %	\$176.82	9,008	70.4 %	\$179.54

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

MAP OF NATIONAL COMPETITION



- Proposed Hotel, Georgia World Congress Center, Atlanta, GA
- Hilton Baltimore (Secondary)
- Hyatt Regency McCormick Place (Secondary)
- Sheraton Dallas (Secondary)
- Hyatt Regency Dallas (Secondary)
- Omni Dallas (Secondary)
- Hyatt Regency Denver Colorado Convention Center (Secondary)
- Renaissance Nashville (Secondary)
- Hilton New Orleans Riverside (Secondary)
- Peabody Orlando (Secondary)
- Hilton Orlando (Secondary)
- Marriott Philadelphia Downtown (Secondary)
- Sheraton Phoenix Downtown (Secondary)
- Grand Hyatt San Antonio (Secondary)
- Marriott San Antonio Rivercenter (Secondary)
- Manchester Grand Hyatt San Diego (Secondary)
- Marriott Marquis Hotel & Marina San Diego (Secondary)
- Hilton San Francisco Union Square (Secondary)
- Marriott Marquis San Francisco (Secondary)
- Renaissance Washington DC Downtown (Secondary)
- Grand Hyatt Washington (Secondary)
- Sheraton Seattle Hotel & Towers (Secondary)

Our survey of the competitive hotels in the national market is presented in the table below.

FIGURE 4-16 NATIONAL COMPETITORS – OPERATING INFORMATION

Property	Number of Rooms	Year Opened	Facilities and Amenities							Meeting Space (SF)	Meeting Space per Room
			Restaurant	Lounge	Room Service	Health Club	Business Center	Ballroom Size (SF)	Meeting Rooms		
Hilton Baltimore	757	2008	1	1	Y	Y	Y	26,712	28	62,339	82.4
Hyatt Regency McCormick Place	1,260	1998	2	1	Y	Y	Y	11,948	17	43,500	34.5
Sheraton Dallas	1,840	1959	3	2	Y	Y	Y	40,801	70	230,000	125.0
Hyatt Regency Dallas	1,120	1978	3	3	Y	Y	Y	30,000	60	160,000	142.9
Omni Dallas	1,001	2011	4	2	Y	Y	Y	31,733	39	110,000	109.9
Hyatt Regency Denver Colorado Convention Center	1,100	2005	2	2	Y	Y	Y	30,000	36	80,572	73.2
Renaissance Nashville	673	1987	3	2	Y	Y	Y	17,877	25	31,000	46.1
Hilton New Orleans Riverside	1,622	1977	3	1	Y	Y	Y	26,894	34	134,000	82.6
Peabody Orlando	1,641	1986	3	6	Y	Y	Y	55,000	105	300,000	182.8
Hilton Orlando	1,417	2009	4	3	Y	Y	Y	49,956	21	200,000	141.1
Marriott Philadelphia Downtown	1,408	1995	2	2	Y	Y	Y	34,300	72	92,000	65.3
Sheraton Phoenix Downtown	1,000	2008	2	2	Y	Y	Y	29,200	21	82,000	82.0
Grand Hyatt San Antonio	1,003	2008	2	2	Y	Y	Y	30,562	26	73,370	73.2
Marriott San Antonio Rivercenter	1,001	1988	2	1	Y	Y	Y	41,600	21	54,428	54.4
Manchester Grand Hyatt San Diego	1,628	1992	4	5	Y	Y	Y	34,000	45	125,000	76.8
Marriott Marquis Hotel & Marina San Diego	1,360	1984	4	3	Y	Y	Y	23,108	63	75,000	55.1
Hilton San Francisco Union Square	1,908	1964	1	2	Y	Y	Y	29,637	56	134,500	70.5
Marriott Marquis San Francisco	1,499	1989	3	3	Y	Y	Y	39,621	59	117,000	78.1
Renaissance Washington DC Downtown	807	1989	2	3	Y	Y	Y	19,032	36	64,000	79.3
Sheraton Seattle Hotel	1,258	1982	2	2	Y	Y	Y	18,302	44	72,352	57.5
Grand Hyatt Washington	897	1987	4	2	Y	Y	Y	17,490	18	40,000	44.6
Totals/Averages	25,728		3	2				30,370	43	2,281,061	88.7

Supply Changes

It is important to consider any new hotels that may have an impact on the proposed subject property’s operating performance. Based upon our research and inspection (as applicable), new supply considered in our analysis is presented in the following table.

FIGURE 4-17 NEW SUPPLY

Proposed Property	Number of Rooms	Total Competitive Level	Weighted Room Count	Estimated Opening Date	Developer	Development Stage
Proposed Hotel GWCC	1,200	100 %	1,200	July 1, 2017	GWCC Authority/City of Atlanta	Early Development
Omni Nashville Hotel	800	45 %	360	October 1, 2013	Omni/City of Nashville	Under Construction
Washington Marriott Marquis	1,175	35 %	411	May 1, 2014	Washington Convention and Sports Authority	Under Construction
McCormick Place Convention Hotel	1,200	25 %	300	January 1, 2015	Metropolitan Pier and Exposition Authority	Early Development
Seattle Convention Hotel	1,550	10 %	155	January 1, 2017	R.C. Hedreen Co.	Early Development
Baltimore Convention Hotel	500	0 %	0		City of Baltimore	Rumored
Totals/Averages	6,425		2,426			

The Omni Nashville Hotel is a \$250-million convention center headquarters hotel being developed in Nashville, Tennessee by Omni Hotels & Resorts, with the City of Nashville providing \$25 million in tax increment financing and an estimated \$103 million generated by hotel taxes over a span of 20 years. The Omni is scheduled to open by October of 2013 across from the city's new 1.2-million-square-foot Music City Center, which opened in May; the hotel will be attached to the expanded Country Music Hall of Fame and Museum and will house 800 guestrooms, 80,000 square feet of meeting space, and a variety of upscale facilities. The Washington Marriott Marquis is also currently under construction, with a planned opening in the spring of 2014. The \$520-million convention center headquarters hotel, which is located adjacent to the Walter E. Washington Convention Center, is being developed by a partnership led by Quadrangle Development Corporation and Capstone Development, with the District of Columbia and the Washington Convention and Sports Authority contributing an estimated \$206 million toward development; the hotel will operate on a 99-year ground lease with the District of Columbia. The Washington Marriott Marquis will house 1,175 guestrooms and will feature a 30,000-square-foot Grand Ballroom, two 10,800-square-foot Junior Ballrooms, and more than 75,000 square feet of additional meeting and event space.

Additionally, convention center headquarters hotels are proposed for Chicago, Illinois and Seattle, Washington, with both hotels in the early stages of development. The competitive weight attributed to each of these hotels represents a weighted average of their competitive positioning against the proposed subject property and their estimated likelihood of completion. Finally, a 500-room hotel is planned for Baltimore, Maryland in conjunction with a proposed \$900-million expansion of the Baltimore Convention Center. However, this project is in the preliminary stages, and construction is not expected to begin before 2016. As such, we have not allocated competitive weight to this hotel.

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

Supply Conclusion

We have identified various properties that are expected to be competitive to some degree with the proposed subject property. We have also investigated potential increases in competitive supply in this Atlanta submarket. The Proposed Hotel Georgia World Congress Center should enter a dynamic market of varying product types and price points. Next, we will present our forecast for demand change, using the historical supply data presented as a starting point.

DEMAND

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

FIGURE 4-18 HISTORICAL MARKET TRENDS

Year	Accommodated		Room Nights		Market			Market	
	Room Nights	% Change	Available	% Change	Occupancy	Market ADR	% Change	RevPAR	% Change
Est. 2010	3,927,891	—	5,925,556	—	66.3 %	\$157.58	—	\$104.46	—
Est. 2011	4,191,206	6.7 %	6,357,342	7.3 %	65.9	158.48	0.6 %	104.48	0.0 %
Est. 2012	4,418,070	5.4	6,529,777	2.7	67.7	162.89	2.8	110.21	5.5

Avg. Annual Compounded

Demand Analysis Using Market Segmentation

For the purpose of demand analysis, the overall market is divided into individual segments based on the nature of travel. Based on our fieldwork, area analysis, and knowledge of the local lodging market, we estimate the 2012 distribution of accommodated-room-night demand as follows.

FIGURE 4-19 ACCOMMODATED ROOM NIGHT DEMAND

Market Segment	Marketwide	
	Accommodated Demand	Percentage of Total
Meeting and Group	2,992,828	68 %
Commercial	887,067	20
Leisure	538,175	12
Total	4,418,070	100 %

The market's demand mix comprises meeting and group demand, with this segment representing roughly 68% of the accommodated room nights in this Atlanta submarket. The remaining portion comprises commercial at 20%, with the final portion leisure in nature, reflecting 12%.

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

Meeting and Group Segment

The meeting and group market includes meetings, seminars, conventions, trade association shows, and similar gatherings of ten or more people. Peak convention demand typically occurs in the spring and fall. Although there are numerous classifications within the meeting and group segment, the primary categories considered in this analysis are corporate groups, associations, and SMERFE (social, military, ethnic, religious, fraternal, and educational) groups. Corporate groups typically meet during the business week, most commonly in the spring and fall months. These groups tend to be the most profitable for hotels, as they typically pay higher rates and usually generate ancillary revenues including food and beverage and/or banquet revenue. SMERFE groups are typically price-sensitive and tend to meet on weekends and during the summer months or holiday season, when greater discounts are usually available; these groups generate limited ancillary revenues. Association demand is generally divided on a geographical basis, with national, regional, and state associations representing the most common sources. Professional associations and/or those supported by members' employers often meet on weekdays, while other associations prefer to hold events on weekends. The profile and revenue potential of associations varies depending on the group and the purpose of their meeting or event.

Meeting and group demand in the Downtown Atlanta submarket is highly driven by the Georgia World Congress Center, with additional demand generated by in-house meetings and events at major downtown hotels and by the high

concentration of professional services firms that bolster group room-block needs in the submarket. In recent years, the city's large amount of meeting and event space and relatively low price points have advanced Atlanta's position in citywide convention cycles and have improved the city's standing in relation to other large convention markets. However, the Atlanta Convention and Visitors Bureau reports that on an annual average, nearly 20.0% of the city's lost group business is attributed to a lack of sufficient hotel supply, and major citywide events continue to create compression, spreading demand to the Midtown, Buckhead, and Perimeter submarkets. Although group activity has weakened somewhat in 2013 as government-related entities have withdrawn a portion of their normal room-block demand during the sequester, we expect this effect to be temporary, with modest growth forecast through the stabilized year as Downtown Atlanta continues to attract high levels of group demand. Considering both current and historical trends, we project demand change rates of 1.0% in 2013, 2.0% in 2014, and 2.5% in 2015. After these first three projection years, we have forecast demand change rates of 2.0% in 2016 and 2.5% in 2017.

Commercial Segment

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

A major factor considered in the development of our growth rates is the presence of major corporations, such as Georgia-Pacific Corporation, SunTrust Banks, and The Coca-Cola Company in Downtown Atlanta. Other important demand generators in the market include Georgia State University and federal and state government agencies; these entities, which generally weather economic downturns well, provide area hotels with a significant level of base demand. Additionally, the Georgia General Assembly session is held each year at the Georgia State Capitol, beginning in January. Although demand from major downtown corporations continues to increase in conjunction with the overall economic recovery, including the announced relocation of 2,000 employees to Downtown Atlanta by The Coca-Cola Company, government-related demand has been negatively affected by the sequestration in 2013. However, much like governmental meeting and group demand, we expect that this effect will slowly dissipate in the near term and that modest growth will occur in the commercial

segment during the forecast period. Considering both current and historical trends, we project demand change rates of 1.0% in 2013, 1.0% in 2014, and 0.5% in 2015. After these first three projection years, we have forecast demand change rates of 0.5% in 2016 and 1.0% in 2017.

Leisure Segment

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

Leisure demand in the area is primarily generated by the concentration of major event and entertainment venues in Downtown Atlanta, including the Georgia Dome and Philips Arena. The additional presence of attractions, such as the Georgia Aquarium and the World of Coca-Cola, bolsters leisure demand throughout the market. The ongoing development of attractions, such as the College Football Hall of Fame and the National Center for Civil and Human Rights, in addition to the Downtown Loop streetcar line, is expected to further the current shift in the perception of Downtown Atlanta from a purely corporate-centered market to an important leisure destination. Atlanta's standing as a preferred site for major sporting events should also be bolstered by the development of the new, state-of-the-art, \$1-billion Atlanta Falcons stadium. The increasing breadth of attractions and venues in Downtown Atlanta and the anticipated positive effects of the new Falcons stadium upon its opening in 2017 should result in modest demand growth in the leisure segment over the forecast period. Considering both current and historical trends, we project demand change rates of 2.5% in 2013, 2.0% in 2014, and 2.5% in 2015. After these first three projection years, we have forecast demand change rates of 1.0% in 2016 and 1.5% in 2017.

Conclusion

The purpose of segmenting the lodging market is to define each major type of demand, identify customer characteristics, and estimate future growth trends. Starting with an analysis of the local area, three segments were defined as representing the subject property's lodging market. Various types of economic and demographic data were then evaluated to determine their propensity to reflect

changes in hotel demand. Based on this procedure, we forecast the following average annual compounded market-segment growth rates.

FIGURE 4-20 AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES

Market Segment	Annual Growth Rate								
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Meeting and Group	1.0 %	2.0 %	2.5 %	2.0 %	2.5 %	1.0 %	0.5 %	0.5 %	0.5 %
Commercial	1.0	1.0	0.5	0.5	1.0	0.5	0.5	0.5	0.5
Leisure	2.5	2.0	2.5	1.0	1.5	1.0	0.5	0.5	0.5
Base Demand Growth	1.2 %	1.8 %	2.1 %	1.6 %	2.1 %	0.9 %	0.5 %	0.5 %	0.5 %

Latent Demand

A table presented earlier in this section illustrated the accommodated-room-night demand in the subject property’s competitive market. Because this estimate is based on historical occupancy levels, it includes only those hotel rooms that were used by guests. Latent demand reflects potential room-night demand that has not been realized by the existing competitive supply; this type of demand can be divided into unaccommodated demand and induced demand.

Unaccommodated Demand

Unaccommodated demand refers to individuals who are unable to secure accommodations in the market because all the local hotels are filled. These travelers must defer their trips, settle for less desirable accommodations, or stay in properties located outside the market area. Because this demand did not yield occupied room nights, it is not included in the estimate of historical accommodated-room-night demand. If additional lodging facilities are expected to enter the market, it is reasonable to assume that these guests will be able to secure hotel rooms in the future, and it is therefore necessary to quantify this demand.

Unaccommodated demand is further indicated if the market is at all seasonal, with distinct high and low seasons; such seasonality indicates that although year-end occupancy may not average in excess of 70%, the market sells out many nights during the year. Although unaccommodated demand may exist in the selected market, hotels such as the proposed subject property typically induce demand to the market. Moreover, data presented earlier in this report illustrate that the Georgia World Congress Center is highly underutilized given an overall lack of available room supply proximate to Building C; thus, the opening of the proposed subject property should induce demand by affording additional rooms and greater accessibility to Building C. Therefore, due to the nature of our constructed analysis, we have not included an additional estimate of unaccommodated demand.

Induced Demand

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

FIGURE 4-21 INDUCED DEMAND CALCULATION

Market Segment	Induced Room Nights								
	2013	2014	2015	2016	2017	2018	2019	2020	2021
Meeting and Group	0	0	0	0	24,355	97,421	146,131	194,842	194,842
Commercial	0	0	0	0	0	0	0	0	0
Leisure	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	24,355	97,421	146,131	194,842	194,842

The opening of the proposed subject property should induce considerable demand into this market. The proposed hotel is expected to offer 1,200 guestrooms and feature 110,000 square feet of total meeting space, inclusive of pre-function areas and a 30,000-square-foot main ballroom. Our discussions with the Georgia World Congress Center Authority, the Atlanta Convention and Visitors Bureau, organizers of major events that utilize the GWCC, and hotel operators in the Downtown submarket indicate that Building C is generally considered to be the convention center's most attractive space and is the facility most capable of accommodating multiple groups at once; however, Building C is significantly underutilized because of the limited access from downtown hotels. The proposed subject hotel's recommended location attached to Buildings B and C of the Georgia World Congress Center should allow Building C to accommodate major events at an optimal capacity, creating significant additional meeting and group demand for the hotel. Accordingly, we have incorporated 195,000 room nights (rounded) into our analysis, phased-in over an appropriate ramp-up period.

Accommodated Demand and Market-wide Occupancy

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

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

FIGURE 4-22 FORECAST OF MARKET OCCUPANCY

	2017	2018	2019	2020	2021
Meeting and Group					
Base Demand	3,304,085	3,337,126	3,353,812	3,370,581	3,387,434
Induced Demand	24,355	97,421	146,131	194,842	194,842
Total Demand	3,328,440	3,434,547	3,499,943	3,565,422	3,582,275
Growth Rate	3.3 %	3.2 %	1.9 %	1.9 %	0.5 %
Commercial					
Base Demand	923,108	927,724	932,362	937,024	941,709
Total Demand	923,108	927,724	932,362	937,024	941,709
Growth Rate	1.0 %	0.5 %	0.5 %	0.5 %	0.5 %
Leisure					
Base Demand	591,233	597,145	600,131	603,132	606,147
Total Demand	591,233	597,145	600,131	603,132	606,147
Growth Rate	1.5 %	1.0 %	0.5 %	0.5 %	0.5 %
Totals					
Base Demand	4,818,426	4,861,995	4,886,305	4,910,736	4,935,290
Induced Demand	24,355	97,421	146,131	194,842	194,842
Total Demand	4,842,781	4,959,416	5,032,436	5,105,578	5,130,132
less: Residual Demand	0	0	0	0	481
Total Accommodated Demand	4,842,781	4,959,416	5,032,436	5,105,578	5,129,651
Overall Demand Growth	2.6 %	2.4 %	1.5 %	1.5 %	0.5 %
Market Mix					
Meeting and Group	68.7 %	69.3 %	69.5 %	69.8 %	69.8 %
Commercial	19.1	18.7	18.5	18.4	18.4
Leisure	12.2	12.0	11.9	11.8	11.8
Existing Hotel Supply					
	17,890	17,890	17,890	17,890	17,890
Proposed Hotels					
Proposed Hotel Georgia World Congress Center	¹ 605	1,200	1,200	1,200	1,200
Omni Nashville Hotel	² 360	360	360	360	360
Washington Marriott Marquis	³ 411	411	411	411	411
McCormick Place Convention Hotel	⁴ 300	300	300	300	300
Seattle Convention Hotel	⁵ 155	155	155	155	155
Available Rooms per Night	7,276,396	7,493,596	7,493,596	7,493,596	7,493,596
Nights per Year	365	365	365	365	365
Total Supply	19,935	20,530	20,530	20,530	20,530
Rooms Supply Growth	4.0 %	3.0 %	0.0 %	0.0 %	0.0 %
Marketwide Occupancy	66.6 %	66.2 %	67.2 %	68.1 %	68.5 %

¹ Opening in July 2017 of the 100% competitive, Proposed Rooms-room Proposed Hotel Georgia World Congress Center

² Opening in October 2013 of the 45% competitive, 1200-room Omni Nashville Hotel

³ Opening in May 2014 of the 35% competitive, 800-room Washington Marriott Marquis

⁴ Opening in January 2015 of the 25% competitive, 1175-room McCormick Place Convention Hotel

⁵ Opening in January 2017 of the 10% competitive, 1200-room Seattle Convention Hotel

^A Change of room count in October 2012 of the 100% competitive, Westin Peachtree Plaza Atlanta

^B Change of room count in June 2013 of the 45% competitive, Hyatt Regency McCormick Place

^C Change of room count in July 2013 of the 45% competitive, Manchester Grand Hyatt San Diego

These room-night projections for the market area will be used in forecasting the proposed subject property's occupancy and average rate in Chapter 6.

5. Description of the Proposed Project

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 recommended physical improvements and personal property in an effort to determine how they are expected to contribute to attainable cash flows.

Product Quality

It is assumed that the hotel will be full-service in nature and with the finish-out typical of a first-class, convention headquarters hotel. The hotel's facility is expected to be of high quality, conforming at a minimum to the brand-specific guidelines set forth by the operator that is chosen for the hotel. Our forecast assumes that the property will be maintained in a competitive condition, undergoing regular renovations of soft goods and case goods funded primarily by a reserve for replacement.

The hotel's facilities are expected to be of a high quality level for the national convention market, and similar in finish and first-class feel to recently constructed headquarters hotels such as the Sheraton Phoenix Downtown, the Grand Hyatt San Antonio, and the Omni Dallas Hotel. Hence, the proposed subject property's guestrooms are anticipated to be upscale and comfortable, as the hotel facilities are expected to serve as the host hotel for conventions, in-house groups, and transient travelers. By the time of its opening, the hotel's product design and quality should place it as the preeminent hotel in the downtown full-service lodging market.

Project Overview

The Proposed Hotel Georgia World Congress Center will be a full-service, convention headquarters lodging facility containing 1,200 rentable units. The property is expected to open on July 1, 2017. The proposed subject property is anticipated to serve in concert with the 1,070-room Omni at CNN Center as the city's second convention headquarters hotel. Given the relatively low levels of exhibit space occupancy at the GWCC and the limited activity in the center's newest facility, the state-of-the-art Building C, the proposed hotel is further expected to be integrated to a large degree with Building C, serving as a bookend to the GWCC with the Omni, which is located adjacent to Building A on the center's eastern end. Four possible developmental sites are under consideration for the proposed hotel; however, given the hotel's potential to induce meeting and group demand to Building C, it is our recommendation that the proposed hotel should be developed on the Gold Deck site and should be attached to both Building C and the

adjacent Building B, affording hotel guests easy access to both facilities. The selection of the Gold Deck site is further supported by the apparent likelihood that the new Atlanta Falcons stadium will be developed on the proposed South Site, proximate to the Gold Deck. The proposed hotel should be designed in line with other convention headquarters hotels in major markets, with a nationally recognized brand affiliation and corresponding rewards system, numerous food and beverage and retail outlets, and an appropriate complement of meeting space. It is our further recommendation that the proposed hotel be integrated with outside meeting space, food and beverage outlets, and entertainment venues adjacent to the GWCC and proposed stadium, creating a centralized guest experience.

Summary of the Facilities

Based on information provided by the proposed subject property's development representatives and a survey of convention center headquarters hotels in major markets, the following table summarizes the facilities that should be available at the proposed subject property.

FIGURE 5-2 PROPOSED FACILITIES SUMMARY

Guestroom Configuration		Number of Units (Estimated)
Standard King		350
Standard Queen/Queen		475
Club King		125
Club Queen/Queen		175
Suite		75
Total		1,200
Food & Beverage Facilities		Seating Capacity (Estimated)
All-Day-Dining Restaurant (Buffet)		300
Upscale, Fine-Dining Restaurant		200
Club Lounge		75
Lobby Lounge		60
Casual Café		40
Coffee Kiosk		30
Indoor Meeting & Banquet Facilities		Square Footage (Estimated)
Main Ballroom		30,000
<i>Main Ballroom Pre-Function Space</i>		<i>12,500</i>
Junior Ballroom		20,000
<i>Junior Ballroom Pre-Function Space</i>		<i>7,500</i>
Additional Meeting Space		35,000
<i>Additional Pre-Function Space</i>		<i>5,000</i>
Total Meeting Rooms		85,000
<i>Total Pre-Function Space</i>		<i>25,000</i>
Total Meeting Space		110,000
Amenities & Services		
Indoor Swimming Pool	Business Center	
Indoor Whirlpool	Gift Shop	
Health Spa	Retail Outlets	
Fitness Center	Airport Shuttle	
Infrastructure		
Parking Spaces		TBD
Elevators		TBD
Life-Safety Systems	Sprinklers, Smoke Detectors	
Construction Details	Class A Fireproof, Structural Steel Frame	

Site Improvements and Hotel Structure

Once guests enter the site, ample parking should be available throughout the numerous surface and subterranean sites integrated with the GWCC and surrounding area, with primary self-parking likely available in the subterranean parking garage beneath the hotel. Valet parking should also be available at the hotel's main entrance. Site improvements should include freestanding signage at the site entrance, which should direct motorists to the hotel's main entrance (additional signage is also expected to be placed on the exterior of the building and should be visible from Andrew Young International Boulevard Northwest). We assume that all signage will adequately identify the property and will meet the standards of the selected brand. Landscaping should allow for a positive guest impression and competitive exterior appearance. Sidewalks should be present along the front entrance, and pedestrian bridges or ground-level walkways should connect the proposed hotel to the adjacent Buildings B and C of the convention center. The expected site improvements should be adequate for full-service, convention center headquarters hotel.

The hotel structure should comprise one single building, which is expected to be constructed of Class A fireproof structural steel. The exterior of the hotel should be finished with glass or pre-cast concrete panels. Stairways, escalators, and elevators will provide internal vertical transportation within the main structure as needed. The hotel's roof should be constructed of a steel frame and should be appropriately covered with an impermeable rubber or composite membrane. Double-paned windows should be installed in order to reduce noise transmission into the rooms. Heating and cooling should be provided by centralized systems. Overall, the expected building components are normal for a full-service, convention center headquarters hotel 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 may impact the future operating potential of the hotel or delay its assumed opening date.

Lobby

The hotel should feature a variety of entrances in order to accommodate large influxes of guests. The lobby's design is expected to be spacious and modern, appropriate for a convention hotel. The lobby should be attractively finished with a combination of upscale materials that are in keeping with the overall aesthetic and characteristics of the Atlanta area. The reception desk should feature a stone countertop and is expected to be installed with appropriate property management and telephone systems. The furnishings and finishes in this space are anticipated to 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.

Guestrooms

Arguably the two most important factors in choosing any city's convention center and its convention headquarters hotel are the size of the available room block at the hotel and the size of the center's and hotel's main ballroom. Meeting planners prefer to have a majority of their constituents within the larger, headquarters room block. If a convention is able to house the majority of constituents at a singular property, less coordination efforts are needed between hotels. Moreover, the meeting planner has a greater chance at capturing the attendee for more convention-related events if the attendee is being housed within the property. Smaller room blocks are made at surrounding hotels as necessary, typically near the convention center and headquarters hotel.

Convention travelers themselves also prefer to be within the headquarters hotel. Often, meeting attendees want to escape to their guestrooms between meetings for breaks, to drop-off or pick-up materials, or handle other necessities. It is also the most easy and preferred access to the meetings at the beginning and end of the day's sessions. If staying at a nearby hotel, guests often have to reserve more time for transportation to and from the meeting facility and cannot escape to guestrooms between sessions.

Many years ago, the presence of the substantial headquarters hotel was more of an exception to the norm. As such, large conventions were willing to split up their attendees among many different hotels, as well as settling for a smaller headquarters hotel block. However, the market has now shifted as most cities have built substantial headquarters hotel properties. Substantial room blocks are now available in large hotels located adjacent to the region's most significant convention centers. Meeting planners now have their pick of facilities, which offer substantial room blocks within the headquarters hotel.

The hotel is expected to feature standard and suite-style guestroom configurations. Guestrooms should be present on all floors above the lower levels that are dedicated to the lobby and public areas, including any meeting space, within the single building. The guestrooms are anticipated to be spacious, featuring high-quality, upscale finishes and offering typical amenities for this upscale product type. In addition to the upscale furnishings, rooms should also feature a large flat-panel television, a DVD/CD player, an iPod docking station, and wireless Internet access, as well as an iron and ironing board, a coffeemaker, and a well-stocked minibar. Suites, which should be available for a premium rate, are expected to feature a larger living area and other upgraded amenities. Overall, the guestrooms should offer a competitive upscale product for the Atlanta market and should be in keeping with the expectations of the convention traveler.

Guestroom bathrooms are expected to be of a standard size, with a shower-in-tub, commode, and single sink with vanity area, featuring a stone countertop. The

floors should be finished with tile, and the walls should be finished with an upscale material that is in line with the selected 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.

The interior guestroom corridors should be wide and functional, permitting the easy passage of housekeeping carts. Corridor carpet, vinyl wall-covering, signage, and lighting should be in keeping with the overall look and design of the rest of the property.

Food and Beverage Facilities

The hotel should offer an all-day-dining restaurant; a specialty upscale, fine-dining restaurant; a casual café; a main lobby lounge; a club-level lounge in line with the selected brand standards; a coffee kiosk; room service; and banquet operations. We would expect on-site outlets to be relatively upscale due to the ideal overall hotel-service level, along with the presence of the adjacent convention center. The all-day-dining restaurant should be relatively large, with a built-in buffet operation to allow for serving a larger group of guests quickly. A smaller specialty restaurant with lounge should serve as an alternative dining venue. The main lobby lounge should be high energy and centrally located, in keeping with the emerging trends in convention hotel bars and lounges. The furnishings of these spaces are expected to be of a similar style and finish as to complement the rest of the hotel. The hotel's primary focus in the food and beverage department is expected to be centered on banquet operations.

Overall, the hotel is expected to offer a competitive offering of food and beverage facilities for a property of this type. We would expect outlets to be designed with large groups in mind, accounting for efficiency and volume while maintaining a modern, appealing design for the convention traveler.

Meeting and Banquet Space

As noted previously, the size and capacity of the headquarters hotel's meeting space is of utmost importance, and the size of the hotel's main ballroom is typically one of the most critical factors. While meeting planners may use the convention center's ballroom(s) throughout their event, planners typically prefer to have the closing banquet or other selected events in the ballroom of the headquarters hotel. Even if the convention center has a large ballroom, the headquarters hotel must also have a large ballroom in order to house these special convention-related events. The ballroom must also be large enough to support large in-house groups that may be utilizing the hotel while the convention center is not in use.

Under a full-service, convention-focus scope, the proposed hotel should be developed with roughly 85,000 square feet of modern and technologically advanced meeting space, which would be ideally located on the hotel's lower levels for easier guest access. We would anticipate the integration of a fully-divisible

grand ballroom, measuring roughly 30,000 square feet, and a junior ballroom, encompassing approximately 20,000 square feet. In addition to these spaces, we would expect additional smaller breakout rooms, secondary meeting rooms, and boardroom-type spaces to total roughly 35,000 square feet, with an additional 25,000 square feet of pre-function space. We would also anticipate a meeting services center and public restrooms to be integrated into this space, as well as additional reception and hallway areas.

Most meeting planners prefer that all meeting space is either located on one floor or limited to as few floors as possible, which typically causes an increase in traffic between the uses of each space. The meeting space should feature the latest in technology, preferably offering a greater capability than the present hotels in the market. This offering, in addition to the brand new finish and construction, should afford the proposed subject property an appropriate competitive position both in the local and national market.

As illustrated earlier, in Figure 4-16, the average ballroom size among the national competitive set is just over 30,000 square feet. The ballroom must offer the latest in available technology and a competitive ceiling height that allows for proper visibility of the stage area and overhead exhibits or screens.

Junior ballrooms vary in size in the sample and are not always prevalent. The inclusion of a junior ballroom is essential for the subject hotel. Typically, the junior ballroom can be used for exhibits or dining, while the grand ballroom is used for general sessions, or the like. The junior ballroom can also allow the hotel to host two groups simultaneously, with the smaller group utilizing the junior ballroom space. As such, advantageous hotel design separates these two spaces somewhat so that two simultaneous groups do not necessarily conflict with one another.

Separate exhibit space is not absolutely needed in the case of the proposed subject hotel. For smaller meetings requiring exhibits, the pre-function space of the main ballroom can typically be utilized, or the junior ballroom can be used for this function (or a portion of a divided grand ballroom). Larger events requiring significant exhibits will most likely utilize the adjacent convention center. Additionally, the proposed subject hotel should offer a number of breakout rooms. These breakout spaces can also be incorporated into a divisible junior and main ballroom. The additional space provided by breakout rooms should add up to the previously stated additional meeting space planned for the hotel.

Recreational Amenities

The hotel is expected to offer an indoor pool, indoor whirlpool, and a fitness center as recreational amenities. It is also recommended that a full-service health spa and salon operation be integrated into the hotel. Restrooms should be proximate to these areas.

Additional Amenities

Other amenities are expected to include a full-service business center with various workstations, wireless Internet access in the public areas, a gift shop, and numerous lower-level retail outlets. An expansive club lounge should also be located on an upper floor as a private amenity for guests staying in corresponding rewards-level guestrooms. Overall, the supporting facilities should be appropriate for a full-service, convention center headquarters hotel, and we assume that they will meet the standards of the selected brand.

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

The hotel is expected to be served by the necessary back-of-the-house space, including an in-house laundry facility, administrative offices, and several full-service kitchens to serve the needs of the hotel's food and beverage and banquet operations. These spaces should be adequate for a hotel of this type and should allow for the efficient operation of the property under competent management.

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

Capital Expenditures

Our analysis assumes that, after its opening, the hotel will require ongoing upgrades and periodic renovations in order to maintain its competitive level in this market. 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.

Conclusion

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

6. Projection of Occupancy and Average Rate

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

Penetration Rate Analysis

The subject property's forecasted market share and occupancy levels are based upon its anticipated competitive position within the market, as quantified by its penetration rate. The penetration rate is the ratio of a property's market share to its fair share. A complete discussion of the concept of penetration is presented in the addenda.

Historical Penetration Rates by Market Segment

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

FIGURE 6-1 HISTORICAL PENETRATION RATES

Property	<i>Meeting and Group</i>	<i>Commercial</i>	<i>Leisure</i>
DoubleTree By Hilton Hotel Atlanta Downtown	44 %	210 %	104 %
Embassy Suites Atlanta Centennial Olympic Park	77	183	129
Hilton Atlanta	101	131	86
Hilton Garden Inn Atlanta Downtown	56	269	133
Holiday Inn Atlanta Downtown Centennial Park	41	228	150
Hyatt Regency Atlanta	98	94	78
Marriott Marquis Atlanta	111	75	83
Omni Atlanta at CNN Center	105	71	78
Ritz-Carlton Atlanta	67	200	124
Sheraton Atlanta	88	123	122
W Atlanta Downtown	58	222	122
Westin Peachtree Plaza Atlanta	78	75	62
Secondary Competition	110	83	108

The Marriott Marquis Atlanta achieved the highest penetration rate within the meeting and group segment. The highest penetration rate in the commercial segment was achieved by the Hilton Garden Inn Atlanta Downtown, while the Holiday Inn Atlanta Downtown Centennial Park led the market with the highest leisure penetration rate.

Forecast of Subject Property's Occupancy

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

A hotel's penetration factor is calculated as its achieved market share of demand divided by its fair share of demand. Thus, if one hotel's penetration performance increases, thereby increasing its achieved market share, this leaves less demand available in the market for the other hotels to capture and the penetration performance of one or more of those other hotels consequently declines (other things remaining equal). This type of market share adjustment takes place every

time there is a change in supply, or a change in the relative penetration performance of one or more hotels in the competitive market.

Our projections of penetration, demand capture, and occupancy performance for the subject property account for these types of adjustments to market share within the defined competitive market. Consequently, the actual penetration factors applicable to the subject property and its competitors for each market segment in each projection year may vary somewhat from the penetration factors delineated in the previous tables.

The following tables set forth, by market segment, the projected adjusted penetration rates for the proposed subject property and each hotel in the competitive set.

FIGURE 6-2 MEETING AND GROUP SEGMENT ADJUSTED PENETRATION RATES

Hotel	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
DoubleTree By Hilton Hotel Atlanta Downtown	44 %	43 %	42 %	42 %	42 %	42 %	42 %	41 %	41 %	41 %
Embassy Suites Atlanta Centennial Olympic Park	77	76	75	75	75	74	74	74	74	74
Hilton Atlanta	101	99	97	97	97	97	96	96	96	96
Hilton Garden Inn Atlanta Downtown	56	55	54	54	54	54	53	53	53	53
Holiday Inn Atlanta Downtown Centennial Park	41	40	39	39	39	39	39	39	39	39
Hyatt Regency Atlanta	98	106	109	109	108	108	108	107	107	107
Marriott Marquis Atlanta	111	109	107	107	107	107	106	106	106	106
Omni Atlanta at CNN Center	105	103	101	101	101	101	100	100	100	100
Ritz-Carlton Atlanta	67	65	64	64	64	64	64	64	64	64
Sheraton Atlanta	88	86	85	84	84	84	84	84	84	84
W Atlanta Downtown	58	57	56	56	56	56	56	56	56	56
Westin Peachtree Plaza Atlanta	78	81	94	94	94	94	93	93	93	93
Secondary Competition	110	109	108	108	107	107	107	106	106	106
Proposed Hotel Georgia World Congress Center	—	—	—	—	—	106	111	113	114	114
Omni Nashville Hotel	—	110	113	116	116	116	116	115	115	115
Washington Marriott Marquis	—	—	104	108	111	111	111	111	110	110
McCormick Place Convention Hotel	—	—	—	96	101	103	103	103	103	103
Seattle Convention Hotel	—	—	—	—	—	96	99	101	102	102

The proposed subject convention center hotel is expected to become a primary choice for meeting and group demand in the Atlanta market. Additionally, the proposed subject hotel is anticipated to compete with other headquarter hotels in the United States for national conventions and events, which will enable the proposed subject property to capture meeting and group demand that would not normally appear in the Atlanta market. In recent years, the GWCC has encountered difficulty accommodating large groups and multiple mid-size groups at one time, reportedly due in large part to difficulty in placing events in Building C. Although the Downtown hotel package adequately accommodates current demand for Buildings A and B, no hotel outside of the Omni is within easy walking distance of Building C, reportedly creating a significant preference for the former buildings and deterring demand from the more modern and functional Building C.

Therefore, we believe that the proposed hotel will become a leading choice for national corporate and association meetings given the upscale nature of the proposed function space and its modern, technologically advanced capabilities, as well as its proposed location adjacent to Building C of the Georgia World Congress Center.

FIGURE 6-3 COMMERCIAL SEGMENT ADJUSTED PENETRATION RATES

Hotel	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
DoubleTree By Hilton Hotel Atlanta Downtown	210 %	206 %	206 %	207 %	207 %	210 %	211 %	211 %	210 %	210 %
Embassy Suites Atlanta Centennial Olympic Park	183	180	179	181	181	183	184	184	184	184
Hilton Atlanta	131	128	128	129	129	131	131	131	131	131
Hilton Garden Inn Atlanta Downtown	269	264	264	266	265	269	270	270	270	270
Holiday Inn Atlanta Downtown Centennial Park	228	224	224	226	225	228	229	229	229	229
Hyatt Regency Atlanta	94	102	105	106	106	107	108	108	108	108
Marriott Marquis Atlanta	75	74	74	74	74	75	75	75	75	75
Omni Atlanta at CNN Center	71	69	69	70	70	71	71	71	71	71
Ritz-Carlton Atlanta	200	197	196	198	198	200	201	201	201	201
Sheraton Atlanta	123	121	121	122	122	123	124	124	124	124
W Atlanta Downtown	222	218	218	219	219	222	223	223	223	223
Westin Peachtree Plaza Atlanta	75	79	93	94	94	95	96	95	95	95
Secondary Competition	83	83	83	84	83	84	85	85	85	85
Proposed Hotel Georgia World Congress Center	—	—	—	—	—	70	74	76	77	77
Omni Nashville Hotel	—	74	77	81	82	83	83	83	83	83
Washington Marriott Marquis	—	—	69	73	74	76	76	76	76	76
McCormick Place Convention Hotel	—	—	—	54	59	63	64	64	64	64
Seattle Convention Hotel	—	—	—	—	—	60	65	68	69	69

Within the commercial segment, the proposed subject hotel’s penetration is positioned at an appropriate level by the stabilized period due to its location within Downtown Atlanta and the expected strength of an anticipated global brand in capturing commercial demand associated with corporate travelers. However, we do expect the proposed subject hotel to focus primarily on the group customer; therefore, our forecast penetration rate in the commercial segment is appropriately modest.

FIGURE 6-4 LEISURE SEGMENT ADJUSTED PENETRATION RATES

Hotel	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
DoubleTree By Hilton Hotel Atlanta Downtown	104 %	101 %	101 %	101 %	101 %	102 %	102 %	102 %	102 %	102 %
Embassy Suites Atlanta Centennial Olympic Park	129	126	126	126	126	127	128	127	127	127
Hilton Atlanta	86	84	84	84	84	85	85	85	85	85
Hilton Garden Inn Atlanta Downtown	133	130	129	130	130	131	131	131	131	131
Holiday Inn Atlanta Downtown Centennial Park	150	147	146	147	147	148	148	148	148	148
Hyatt Regency Atlanta	78	86	88	89	88	89	89	89	89	89
Marriott Marquis Atlanta	83	81	80	81	80	81	81	81	81	81
Omni Atlanta at CNN Center	78	76	75	76	76	76	77	76	76	76
Ritz-Carlton Atlanta	124	121	120	121	121	122	122	122	122	122
Sheraton Atlanta	122	119	119	119	119	120	120	120	120	120
W Atlanta Downtown	122	119	119	119	119	120	120	120	120	120
Westin Peachtree Plaza Atlanta	62	65	80	80	80	81	81	81	81	81
Secondary Competition	108	109	108	109	109	110	110	110	110	110
Proposed Hotel Georgia World Congress Center	—	—	—	—	—	76	83	86	87	87
Omni Nashville Hotel	—	78	85	88	89	90	90	90	90	90
Washington Marriott Marquis	—	—	68	73	76	78	78	78	78	78
McCormick Place Convention Hotel	—	—	—	68	75	78	79	79	79	79
Seattle Convention Hotel	—	—	—	—	—	74	81	85	86	86

The proposed subject property’s leisure penetration rate is positioned appropriately within the range of existing competitors and takes into consideration the primarily group focus of the hotel, as well as its convention center-adjacent location. The continued development of leisure amenities in Downtown Atlanta was considered, including the development of the new Atlanta Falcons stadium, which will be located proximate to the proposed hotel. We have also considered the potential development of complementary uses adjacent to the subject site and integrated with the proposed subject property, such as retail and entertainment venues and restaurants. Despite these anticipated leisure-venue developments, the hotel is expected to retain a convention group focus during most periods of the year.

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

FIGURE 6-5 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2017	2018	2019	2020	2021
Meeting and Group	76 %	76 %	76 %	77 %	77 %
Commercial	14	14	14	14	14
Leisure	10	10	10	10	10
Total	100 %	100 %	100 %	100 %	100 %

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

FIGURE 6-6 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY

Market Segment	2017	2018	2019	2020	2021
Meeting and Group					
Demand	3,328,440	3,434,547	3,499,943	3,565,422	3,581,938
Market Share	3.2 %	6.5 %	6.6 %	6.7 %	6.7 %
Capture	106,660	222,358	232,030	238,207	239,311
Penetration	106 %	111 %	113 %	114 %	114 %
Commercial					
Demand	923,108	927,724	932,362	937,024	941,622
Market Share	2.1 %	4.3 %	4.5 %	4.5 %	4.5 %
Capture	19,597	40,341	41,580	42,310	42,518
Penetration	70 %	74 %	76 %	77 %	77 %
Leisure					
Demand	591,233	597,145	600,131	603,132	606,091
Market Share	2.3 %	4.8 %	5.0 %	5.1 %	5.1 %
Capture	13,602	28,936	30,058	30,536	30,686
Penetration	76 %	83 %	86 %	87 %	87 %
Total Room Nights Captured	139,860	291,635	303,669	311,053	312,514
Available Room Nights	220,799	438,000	438,000	438,000	438,000
Subject Occupancy	63 %	67 %	69 %	71 %	71 %
Marketwide Available Room Nights	7,276,396	7,493,596	7,493,596	7,493,596	7,493,596
Fair Share	3 %	6 %	6 %	6 %	6 %
Marketwide Occupied Room Nights	4,842,781	4,959,416	5,032,436	5,105,578	5,129,651
Market Share	3 %	6 %	6 %	6 %	6 %
Marketwide Occupancy	67 %	66 %	67 %	68 %	68 %
Total Penetration	95 %	101 %	103 %	104 %	104 %

Based on our analysis of the proposed subject property and market area, we have selected a stabilized occupancy level of 71%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life, given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and

demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the subject property may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

Average Rate Analysis

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

Competitive Position

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

FIGURE 6-7 BASE-YEAR AVERAGE RATE AND REVPAR OF THE COMPETITORS

Property	Estimated 2012 Average Room Rate
DoubleTree By Hilton Hotel Atlanta Downtown	\$139 - 149
Embassy Suites Atlanta Centennial Olympic Park	164 - 174
Hilton Atlanta	117 - 127
Hilton Garden Inn Atlanta Downtown	146 - 156
Holiday Inn Atlanta Downtown Centennial Park	102 - 112
Hyatt Regency Atlanta	135 - 145
Marriott Marquis Atlanta	140 - 150
Omni Atlanta at CNN Center	159 - 169
Ritz-Carlton Atlanta	178 - 188
Sheraton Atlanta	119 - 129
W Atlanta Downtown	190 - 200
Westin Peachtree Plaza Atlanta	140 - 150
Average - Primary Competitors	\$144.58
Average - Secondary Competitors	179.54
Overall Average	\$162.89

The defined primarily competitive market realized an overall average rate of \$144.58 in the 2012 base year, improving from the 2011 level of \$138.62. The W Atlanta Downtown achieved the highest estimated average rate in the local competitive market, by a significant margin, because of its upscale, boutique product and popularity among individual leisure and corporate travelers due to its proximity to demand generators in both Downtown and Midtown Atlanta. Among the national competitors, the Marriott Marquis San Francisco achieved the highest estimated average rate due to its beneficial location among San Francisco's numerous leisure venues and attractions; the hotel's Marriott Marquis affiliation and popular Marriott Rewards program also contributed to its ability to command higher rates. The selected rate position for the proposed subject property, in base-year dollars, takes into consideration economic movement within the local market for upscale, group-focused hotels, as well as national convention trends. As a result, our rate position reflects the proposed hotel's ability to achieve rates in line with other hotels that commit significant room-nights to the GWCC. The proposed subject property's rate is positioned appropriately among the selected national competitors based upon location, facilities, and appeal of the city's attractions. We have selected the rate position of \$152.00, in base-year dollars, for the proposed subject.

As illustrated previously, the average rate for the primarily competitive market averaged \$138.62 in 2011, before reaching \$144.58 in 2012. Market-wide rates began to trend upward in early 2012, following a decline in 2011, as convention activity softened following a strong 2010 season. Year-to-date, market-wide average rates have declined slightly, as the positive effects of the NCAA Final Four tournament in April of 2013 have been offset by declines resulting from the budget sequestration and a subsequent weakening of market-wide demand. However, we expect this trend to dissipate in the near term, with market-wide average rates increasing modestly through the stabilized year, as the somewhat healthier national pace is anticipated to balance local rate growth.

Based on these considerations, the following table illustrates the projected average rate and the growth rates assumed. As a context for the average rate growth factors, note that we have applied underlying inflation rates of 2.5%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2012.

FIGURE 6-8 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

Year	Area-wide Market (Calendar Year)			Subject Property (Calendar Year)			
	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	67.7 %	—	\$162.89	—	—	\$152.00	93.3 %
2013	67.6	2.5 %	166.97	—	1.5 %	154.28	92.4
2014	66.5	4.0	173.65	—	2.5	158.14	91.1
2015	66.4	3.5	179.72	—	3.0	162.88	90.6
2016	67.4	3.5	186.01	—	3.5	168.58	90.6
2017	66.6	3.0	191.59	63.0 %	4.5	176.17	91.9
2018	66.2	3.0	197.34	67.0	3.5	182.33	92.4
2019	67.2	3.0	203.26	69.0	3.0	187.80	92.4
2020	68.1	3.0	209.36	71.0	3.0	193.44	92.4
2021	68.5	3.0	215.64	71.0	3.0	199.24	92.4

As illustrated above, a 1.5% rate of change is expected for the proposed subject property's positioned 2012 room rate in 2013. This is followed by growth rates of 2.5% and 3.0% in 2014 and 2015, respectively. The Downtown Atlanta market should enjoy positive rate growth through the near term. The proposed subject property's rate position should reflect growth superior to market trends because of the proposed hotel's new facility, anticipated brand affiliation and service level, and proximity to a strong demand base. The proposed subject property's penetration rate is forecast to reach 88.1% by the stabilized period.

The North American lodging market bottomed out in late 2009, at which time demand rebounded and the supply pipeline diminished. In 2010, occupancy rebounded strongly, and by 2011, average rates in most U.S. markets showed increases. In many urban markets, strong occupancy levels are allowing hotel operators to continue to make aggressive average rate gains in 2013, while in some less-robust markets, average rate growth is still constrained by weak demand levels. With demand largely recovered from the correction in 2009, and new supply remaining muted in 2013 and 2014, markets should be able to support healthy average rate gains in the near term.

A new property must establish its reputation and a client base in the market during its ramp-up period; as such, the proposed subject property’s average rates in the initial operating period have been discounted to reflect this likelihood. We forecast 3.0% and 1.0% discounts to the proposed subject property’s forecast room rates in the first two operating years, which would be typical for a new operation of this type.

The following occupancies and average rates will be used to project the subject property's rooms revenue; this forecast reflects years beginning on July 1, 2017, which correspond with our financial projections.

FIGURE 6-9 FORECAST OF OCCUPANCY, AVERAGE RATE, AND REVPAR

Year	Occupancy	Average Rate		Average Rate After Discount	RevPAR
		Before Discount	Discount		
2017/18	65 %	\$179.23	3.0 %	\$173.85	\$113.00
2018/19	68	185.05	1.0	183.20	124.57
2019/20	70	190.60	0.0	190.60	133.42
2020/21	71	196.32	0.0	196.32	139.38

7. Projection of Income and Expense

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

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

Comparable Operating Statements

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

FIGURE 7-1 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2012	2012	2012	2011/12	2010/11	2012
Number of Rooms:	1080 to 1320	1270 to 1560	1460 to 1790	1110 to 1370	900 to 1100	1200
Days Open:	366	366	365	366	365	365
Occupancy:	68%	67%	77%	70%	54%	71%
Average Rate:	\$157	\$163	\$195	\$120	\$155	\$155
RevPAR:	\$108	\$109	\$151	\$84	\$83	\$110
REVENUE						
Rooms	54.9 %	62.3 %	59.8 %	69.4 %	57.2 %	61.0 %
Food & Beverage	37.7	32.4	29.3	28.6	37.5	33.6
Other Operated Departments	6.9	2.2	9.2	0.9	3.2	3.4
Rentals & Other Income	0.5	3.1	1.7	1.1	2.2	2.0
Total	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*						
Rooms	23.3	22.6	25.2	27.8	24.1	24.0
Food & Beverage	52.7	55.5	74.6	60.7	69.0	60.0
Other Operated Departments	60.0	96.3	19.1	107.5	58.1	92.0
Total	36.8	34.2	38.7	37.6	41.5	37.9
DEPARTMENTAL INCOME						
	63.2	65.8	61.3	62.4	58.5	62.1
OPERATING EXPENSES						
Administrative & General	6.2	6.4	6.8	9.1	8.1	6.5
Marketing	7.3	7.9	6.1	10.7	7.7	7.3
Property Operations & Maintenance	4.2	4.1	3.1	5.4	3.1	3.9
Utilities	2.9	3.7	2.8	7.3	5.1	4.3
Total	20.6	22.0	18.7	32.5	24.0	22.0
HOUSE PROFIT						
	42.6	43.8	42.6	29.9	34.5	40.1
Management Fee	2.7	1.5	2.0	3.0	3.4	3.0
INCOME BEFORE FIXED CHARGES						
	40.0	42.3	40.6	26.9	31.1	37.1

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

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

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2012	2012	2012	2011/12	2010/11	2012
Number of Rooms:	080 to 1320	.270 to 1560	.460 to 1790	.110 to 1370	900 to 1100	1200
Days Open:	366	366	365	366	365	365
Occupancy:	68%	67%	77%	70%	54%	71%
Average Rate:	\$157	\$163	\$195	\$120	\$155	\$155
RevPAR:	\$108	\$109	\$151	\$84	\$83	\$110
REVENUE						
Rooms	\$39,408	\$39,845	\$55,203	\$30,702	\$30,341	\$40,161
Food & Beverage	27,025	20,710	27,104	12,656	19,875	22,139
Other Operated Departments	4,988	1,430	8,489	399	1,681	2,214
Rentals & Other Income	346	2,000	1,566	477	1,144	1,302
Total	71,767	63,985	92,362	44,234	53,041	65,817
DEPARTMENTAL EXPENSES						
Rooms	9,171	9,005	13,888	8,532	7,305	9,639
Food & Beverage	14,238	11,502	20,213	7,676	13,710	13,284
Other Operated Departments	2,991	1,378	1,625	429	977	2,037
Total	26,399	21,885	35,726	16,638	21,992	24,959
DEPARTMENTAL INCOME						
	45,368	42,100	56,636	27,597	31,049	40,858
OPERATING EXPENSES						
Administrative & General	4,440	4,081	6,299	4,011	4,294	4,272
Marketing	5,218	5,028	5,606	4,748	4,099	4,824
Property Operations & Maintenance	2,991	2,613	2,828	2,387	1,655	2,563
Utilities	2,108	2,344	2,579	3,222	2,688	2,814
Total	14,756	14,066	17,313	14,369	12,736	14,473
HOUSE PROFIT						
	30,612	28,034	39,323	13,228	18,313	26,385
Management Fee	1,940	960	1,847	1,327	1,793	1,974
INCOME BEFORE FIXED CHARGES						
	28,672	27,075	37,476	11,901	16,520	24,410

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

	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Subject
						Stabilized \$
Year:	2012	2012	2012	2011/12	2010/11	2012
Number of Rooms:	080 to 1320	270 to 1560	460 to 1790	110 to 1370	900 to 1100	1200
Days Open:	366	366	365	366	365	365
Occupancy:	68%	67%	77%	70%	54%	71%
Average Rate:	\$157	\$163	\$195	\$120	\$155	\$155
RevPAR:	\$108	\$109	\$151	\$84	\$83	\$110
REVENUE						
Rooms	\$157.42	\$162.97	\$195.23	\$120.41	\$155.03	\$154.97
Food & Beverage	107.95	84.71	95.86	49.64	101.55	85.43
Other Operated Departments	19.92	5.85	30.02	1.57	8.59	8.54
Rentals & Other Income	1.38	8.18	5.54	1.87	5.85	5.03
Total	286.67	261.71	326.65	173.49	271.01	253.97
DEPARTMENTAL EXPENSES						
Rooms	36.63	36.83	49.12	33.46	37.32	37.19
Food & Beverage	56.87	47.05	71.48	30.11	70.05	51.26
Other Operated Departments	11.95	5.63	5.75	1.68	4.99	7.86
Total	105.45	89.51	126.35	65.25	112.37	96.31
DEPARTMENTAL INCOME						
	181.22	172.20	200.30	108.23	158.64	157.66
OPERATING EXPENSES						
Administrative & General	17.74	16.69	22.28	15.73	21.94	16.48
Marketing	20.84	20.57	19.83	18.62	20.94	18.62
Property Operations & Maintenance	11.95	10.69	10.00	9.36	8.46	9.89
Utilities	8.42	9.59	9.12	12.64	13.73	10.86
Total	58.94	57.53	61.23	56.35	65.07	55.85
HOUSE PROFIT						
	122.28	114.67	139.07	51.88	93.57	101.81
Management Fee	7.75	3.93	6.53	5.20	9.16	7.62
INCOME BEFORE FIXED CHARGES						
	114.53	110.74	132.54	46.68	84.41	94.19

The comparables' departmental income ranged from 58.5% to 65.8% of total revenue. The comparable properties achieved a house profit ranging from 29.9% to 43.8% of total revenue. We will refer to the comparable operating data in our discussion of each line item, which follows later in this section of the report.

**Fixed and Variable
Component Analysis**

HVS uses a fixed and variable component model to project a lodging facility's revenue and expense levels. This model is based on the premise that hotel revenues and expenses have one component that is fixed and another that varies directly with occupancy and facility usage. A projection can be made by taking a

known level of revenue or expense and calculating its fixed and variable components. The fixed component is then increased in tandem with the underlying rate of inflation, while the variable component is adjusted for a specific measure of volume such as total revenue.

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

Inflation Assumption

A general rate of inflation must be established that will be applied to most revenue and expense categories. The following table shows inflation estimates made by economists at some noted institutions and corporations.

FIGURE 7-4 INFLATION ESTIMATES

Name	Firm	Projected Increase in Consumer Price Index (Annualized Rate Versus 12 Months Earlier)					
		June	Dec.	June	Dec.	June	Dec.
		2013	2013	2014	2014	2015	2015
Paul Ashworth	Capital Economics	1.5 %	1.8 %	1.8 %	2.0 %	2.0 %	2.0 %
Ram Bhagavatula	Combinatorics Capital	1.6	2.2	2.6	2.8	2.8	3.0
Beth Ann Bovino	Standard and Poor's	1.3	1.2	2.0	1.9	1.9	1.9
Jay Brinkmann	Mortgage Bankers Association	1.8	2.0	2.1	2.0	2.1	2.1
Michael Carey	Credit Agricole CIB	1.5	1.5	1.7	1.6	1.7	1.7
Joseph Carson	AllianceBernstein	1.9	2.2	2.5	2.5	2.5	2.7
Julia Coronado	BNP Paribas	1.8	2.0	1.9	2.1	2.3	2.5
Mike Cosgrove	Econoclast	1.8	1.9	2.1	2.2	2.4	2.4
Lou Crandall	Wrightson ICAP	1.5	1.6	2.2	2.4	2.4	2.5
J. Dewey Daane	Vanderbilt University	1.2	2.0	2.0	2.0	2.0	2.0
Douglas Duncan	Fannie Mae	1.4	1.2	1.6	1.5	1.7	1.9
Maria Fiorini Ramirez/Joshua Shapiro	MFR, Inc.	1.2	1.0	1.6	1.8	—	—
Nigel Gault	IHS Global Insight	1.4	1.4	1.8	1.7	1.7	1.7
Ethan Harris	Bank of America Securities- Merrill Lynch	1.8	2.0	1.8	1.2	—	—
Maury Harris	UBS	1.3	1.2	2.0	2.3	—	—
Jan Hatzius	Goldman, Sachs & Co.	1.3	1.2	1.9	1.7	1.9	2.1
Tracy Herrick	Avidbank	2.8	2.7	2.9	3.0	3.5	4.0
Stuart Hoffman	PNC Financial Services Group	1.4	1.6	2.4	2.5	2.5	2.5
Gene Huang	FedEx Corp.	1.4	1.6	2.1	2.2	2.3	2.3
Joseph LaVorgna	Deutsche Bank Securities, Inc.	2.1	2.4	2.6	2.5	2.5	2.5
Edward Leamer/David Shulman	UCLA Anderson Forecast	1.4	1.4	2.0	2.2	2.3	2.2
John Lonski	Moody's Investors Service	1.6	1.6	2.0	2.1	2.2	1.8
Dean Maki	Barclays Capital	1.7	2.1	2.3	2.3	—	—
Jim Meil/Arun Raha	Eaton Corp.	1.2	1.8	2.0	2.0	2.1	2.2
Robert Mellman	JP Morgan Chase & Co.	1.3	1.5	1.7	1.7	1.8	1.8
Mark Nielson	MacroEcon Global Advisors	1.5	1.9	2.3	2.7	3.2	3.5
Michael P. Niemira	International Council of Shopping Centers	1.9	1.9	2.3	2.5	2.5	2.6
Jim O'Sullivan	High Frequency Economics	1.4	1.8	2.3	2.4	2.5	2.6
Dr. Joel Prakken/ Chris Varvares	Macroeconomic Advisers	1.3	1.2	1.6	1.4	1.5	1.6
Vincent Reinhart	Morgan Stanley	2.0	1.6	1.5	1.7	—	—
John Ryding/Conrad DeQuadros	RDQ Economics	1.5	1.7	2.1	2.3	—	—
Ian Shepherdson	Pantheon Macroeconomic Advisors	1.7	1.6	1.7	1.6	2.0	2.0
John Silvia	Wells Fargo & Co.	1.4	1.8	2.5	2.2	—	—
Allen Sinai	Decision Economics, Inc.	1.4	1.6	1.8	2.0	2.1	2.3
James F. Smith	Parsec Financial Management	1.1	1.0	0.8	1.0	1.1	1.0
Sean M. Snaith	University of Central Florida	1.3	1.0	1.7	1.7	1.6	1.7
Sung Won Sohn	California State University	1.7	1.8	1.5	1.8	1.7	1.7
Neal Soss	CSFB	1.4	1.3	1.4	1.8	—	—
Stephen Stanley	Pierpont Securities	1.7	1.9	2.5	2.9	3.0	3.2
Susan M. Sterne	Economic Analysis Associates Inc.	1.5	2.4	2.6	2.5	2.1	1.9
Diane Swonk	Mesirow Financial	1.5	1.4	1.5	1.7	1.7	1.8
Carl Tannenbaum	The Northern Trust	1.4	1.5	1.8	1.9	2.1	2.0
Bart van Ark	The Conference Board	1.6	1.5	1.5	1.6	1.7	1.8
Brian S. Wesbury/ Robert Stein	First Trust Advisors, L.P.	1.7	2.2	3.2	3.4	3.7	4.0
Lawrence Yun	National Association of Realtors	1.2	1.8	2.8	3.2	3.4	3.4
Ellen Zentner	Nomura Securities International	1.4	1.5	1.9	1.6	—	—
		1.5 %	1.7 %	2.0 %	2.1 %	2.2 %	2.3 %

Source: wsj.com, July 2, 2013

As the preceding table indicates, the financial analysts who were surveyed in June of 2013 anticipated inflation rates ranging from 1.1% to 2.8% (on an annualized basis) for June 2013; the average of these data points was 1.5%. The same group expects a slightly higher annualized 2.0% inflation rate for June 2014. These rates are lower than the inflation rate averages for December 2014 and June 2015, shown at 2.1% and 2.2%, respectively.

As a further check on these inflation projections, we have reviewed historical increases in the Consumer Price Index (CPI-U). Because the value of real estate is predicated on cash flows over a relatively long period, inflation should be considered from a long-term perspective.

FIGURE 7-5 NATIONAL CONSUMER PRICE INDEX (ALL URBAN CONSUMERS)

Year	National Consumer Price Index	Percent Change from Previous Year
2002	179.9	—
2003	184.0	2.3 %
2004	188.9	2.7
2005	195.3	3.4
2006	201.6	3.2
2007	207.3	2.8
2008	215.3	3.8
2009	214.5	-0.4
2010	218.1	1.6
2011	224.9	3.1
2012	229.6	2.1
Average Annual Compounded Change		
	2002 - 2012:	2.5 %
	2007 - 2012:	2.1
Source: Bureau of Labor Statistics		

Between 2002 and 2012, the national CPI increased at an average annual compounded rate of 2.5%; from 2007 to 2012, the CPI rose by a slightly lower average annual compounded rate of 2.1%. In 2012, the CPI rose by 2.1%, a decrease from the level of 3.1% recorded in 2011.

In consideration of the most recent trends, the projections set forth previously, and our assessment of probable property appreciation levels, we have applied underlying inflation rates of 2.5%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2012. This stabilized inflation rate takes into account normal, recurring inflation cycles. Inflation is likely to fluctuate above and

below this level during the projection period. Any exceptions to the application of the assumed underlying inflation rate are discussed in our write-up of individual income and expense items.

Summary of Projections

Based on an analysis that will be detailed throughout this section, we have formulated a forecast of income and expense. The following table presents a detailed forecast through the fifth projection year, including amounts per available room and per occupied room. The second table illustrates our ten-year forecast of income and expense, presented with a lesser degree of detail. The forecasts pertain to years that begin on July 1, 2017, expressed in inflated dollars for each year.

FIGURE 7-6 DETAILED FORECAST OF INCOME AND EXPENSE

	2017/18 Begins July			2018/19			2019/20			Stabilized			2021/22							
Number of Rooms:	1200			1200			1200			1200			1200							
Occupancy:	65%			68%			70%			71%			71%							
Average Rate:	\$173.85			\$183.20			\$190.60			\$196.32			\$202.21							
RevPAR:	\$113.00			\$124.57			\$133.42			\$139.38			\$143.57							
Days Open:	365			365			365			365			365							
Occupied Rooms:	284,700	%Gross	PAR	POR	297,840	%Gross	PAR	POR	306,600	%Gross	PAR	POR	310,980	%Gross	PAR	POR	310,980	%Gross	PAR	POR
REVENUE																				
Rooms	\$49,495	59.5 %	\$41,246	\$173.85	\$54,563	60.4 %	\$45,469	\$183.20	\$58,437	60.9 %	\$48,698	\$190.60	\$61,050	61.0 %	\$50,875	\$196.31	\$62,882	61.0 %	\$52,402	\$202.21
Food	22,059	26.5	18,383	77.48	23,490	26.0	19,575	78.87	24,722	25.8	20,602	80.63	25,736	25.7	21,446	82.76	26,508	25.7	22,090	85.24
Beverage	6,902	8.3	5,752	24.24	7,287	8.1	6,072	24.47	7,627	7.9	6,356	24.88	7,919	7.9	6,599	25.46	8,156	7.9	6,797	26.23
Other Operated Departments	3,002	3.6	2,501	10.54	3,132	3.5	2,610	10.52	3,254	3.4	2,711	10.61	3,365	3.4	2,805	10.82	3,466	3.4	2,889	11.15
Rentals & Other Income	1,766	2.1	1,471	6.20	1,842	2.0	1,535	6.19	1,914	2.0	1,595	6.24	1,980	2.0	1,650	6.37	2,039	2.0	1,699	6.56
Total Revenues	83,224	100.0	69,353	292.32	90,314	100.0	75,261	303.23	95,954	100.0	79,961	312.96	100,049	100.0	83,375	321.72	103,051	100.0	85,876	331.38
DEPARTMENTAL EXPENSES *																				
Rooms	12,955	26.2	10,796	45.51	13,578	24.9	11,315	45.59	14,145	24.2	11,788	46.14	14,652	24.0	12,210	47.12	15,092	24.0	12,576	48.53
Food & Beverage	17,983	62.1	14,986	63.16	18,778	61.0	15,648	63.05	19,517	60.3	16,264	63.66	20,193	60.0	16,827	64.93	20,798	60.0	17,332	66.88
Other Operated Departments	2,812	93.7	2,343	9.88	2,907	92.8	2,423	9.76	3,002	92.3	2,502	9.79	3,096	92.0	2,580	9.96	3,189	92.0	2,658	10.25
Total	33,750	40.6	28,125	118.55	35,263	39.0	29,386	118.40	36,664	38.2	30,553	119.58	37,941	37.9	31,617	122.00	39,079	37.9	32,566	125.66
DEPARTMENTAL INCOME	49,473	59.4	41,228	173.77	55,051	61.0	45,876	184.83	59,290	61.8	49,408	193.38	62,109	62.1	51,757	199.72	63,972	62.1	53,310	205.71
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	5,807	7.0	4,839	20.40	6,056	6.7	5,046	20.33	6,285	6.5	5,237	20.50	6,493	6.5	5,411	20.88	6,688	6.5	5,573	21.51
Marketing	6,558	7.9	5,465	23.04	6,839	7.6	5,699	22.96	7,098	7.4	5,915	23.15	7,334	7.3	6,111	23.58	7,554	7.3	6,295	24.29
Prop. Operations & Maint.	2,787	3.3	2,323	9.79	3,270	3.6	2,725	10.98	3,771	3.9	3,142	12.30	3,896	3.9	3,247	12.53	4,013	3.9	3,344	12.90
Utilities	3,826	4.6	3,188	13.44	3,990	4.4	3,325	13.40	4,141	4.3	3,451	13.51	4,278	4.3	3,565	13.76	4,406	4.3	3,672	14.17
Total	18,979	22.8	15,815	66.66	20,155	22.3	16,796	67.67	21,295	22.1	17,746	69.45	22,001	22.0	18,334	70.75	22,661	22.0	18,884	72.87
HOUSE PROFIT	30,495	36.6	25,412	107.11	34,896	38.7	29,080	117.16	37,995	39.7	31,662	123.92	40,108	40.1	33,423	128.97	41,312	40.1	34,426	132.84
Management Fee	2,497	3.0	2,081	8.77	2,709	3.0	2,258	9.10	2,879	3.0	2,399	9.39	3,001	3.0	2,501	9.65	3,092	3.0	2,576	9.94
INCOME BEFORE FIXED CHARGES	27,998	33.6	23,332	98.34	32,187	35.7	26,822	108.07	35,116	36.7	29,264	114.53	37,107	37.1	30,922	119.32	38,220	37.1	31,850	122.90
FIXED EXPENSES																				
Property Taxes	2,455	2.9	2,046	8.62	2,516	2.8	2,097	8.45	2,592	2.7	2,160	8.45	2,670	2.7	2,225	8.58	2,750	2.7	2,291	8.84
Insurance	839	1.0	699	2.95	864	1.0	720	2.90	890	0.9	742	2.90	917	0.9	764	2.95	944	0.9	787	3.04
Reserve for Replacement	1,664	2.0	1,387	5.85	2,709	3.0	2,258	9.10	3,838	4.0	3,198	12.52	4,002	4.0	3,335	12.87	4,122	4.0	3,435	13.26
Total	4,958	5.9	4,132	17.42	6,090	6.8	5,075	20.45	7,320	7.6	6,100	23.87	7,588	7.6	6,324	24.40	7,816	7.6	6,513	25.13
NET INCOME	\$23,040	27.7 %	\$19,200	\$80.93	\$26,097	28.9 %	\$21,747	\$87.62	\$27,796	29.1 %	\$23,164	\$90.66	\$29,518	29.5 %	\$24,599	\$94.92	\$30,404	29.5 %	\$25,337	\$97.77

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

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

	2017/18		2018/19		2019/20		2020/21		2021/22		2022/23		2023/24		2024/25		2025/26		2026/27	
Number of Rooms:	1200		1200		1200		1200		1200		1200		1200		1200		1200		1200	
Occupied Rooms:	284,700		297,840		306,600		310,980		310,980		310,980		310,980		310,980		310,980		310,980	
Occupancy:	65%		68%		70%		71%		71%		71%		71%		71%		71%		71%	
Average Rate:	\$173.85	% of	\$183.20	% of	\$190.60	% of	\$196.32	% of	\$202.21	% of	\$208.27	% of	\$214.52	% of	\$220.96	% of	\$227.58	% of	\$234.41	% of
RevPAR:	\$113.00	Gross	\$124.57	Gross	\$133.42	Gross	\$139.38	Gross	\$143.57	Gross	\$147.87	Gross	\$152.31	Gross	\$156.88	Gross	\$161.58	Gross	\$166.43	Gross
REVENUE																				
Rooms	\$49,495	59.5 %	\$54,563	60.4 %	\$58,437	60.9 %	\$61,050	61.0 %	\$62,882	61.0 %	\$64,768	61.0 %	\$66,711	61.0 %	\$68,713	61.0 %	\$70,774	61.0 %	\$72,897	61.0 %
Food	22,059	26.5	23,490	26.0	24,722	25.8	25,736	25.7	26,508	25.7	27,303	25.7	28,122	25.7	28,966	25.7	29,835	25.7	30,730	25.7
Beverage	6,902	8.3	7,287	8.1	7,627	7.9	7,919	7.9	8,156	7.9	8,401	7.9	8,653	7.9	8,913	7.9	9,180	7.9	9,455	7.9
Other Operated Departments	3,002	3.6	3,132	3.5	3,254	3.4	3,365	3.4	3,466	3.4	3,570	3.4	3,678	3.4	3,788	3.4	3,901	3.4	4,019	3.4
Rentals & Other Income	1,766	2.1	1,842	2.0	1,914	2.0	1,980	2.0	2,039	2.0	2,100	2.0	2,163	2.0	2,228	2.0	2,295	2.0	2,364	2.0
Total	83,224	100.0	90,314	100.0	95,954	100.0	100,049	100.0	103,051	100.0	106,143	100.0	109,327	100.0	112,607	100.0	115,985	100.0	119,464	100.0
DEPARTMENTAL EXPENSES*																				
Rooms	12,955	26.2	13,578	24.9	14,145	24.2	14,652	24.0	15,092	24.0	15,544	24.0	16,011	24.0	16,491	24.0	16,986	24.0	17,495	24.0
Food & Beverage	17,983	62.1	18,778	61.0	19,517	60.3	20,193	60.0	20,798	60.0	21,422	60.0	22,065	60.0	22,727	60.0	23,409	60.0	24,111	60.0
Other Operated Departments	2,812	93.7	2,907	92.8	3,002	92.3	3,096	92.0	3,189	92.0	3,285	92.0	3,383	92.0	3,485	92.0	3,589	92.0	3,697	92.0
Total	33,750	40.6	35,263	39.0	36,664	38.2	37,941	37.9	39,079	37.9	40,251	37.9	41,459	37.9	42,703	37.9	43,984	37.9	45,303	37.9
DEPARTMENTAL INCOME	49,473	59.4	55,051	61.0	59,290	61.8	62,109	62.1	63,972	62.1	65,891	62.1	67,868	62.1	69,904	62.1	72,001	62.1	74,161	62.1
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	5,807	7.0	6,056	6.7	6,285	6.5	6,493	6.5	6,688	6.5	6,889	6.5	7,095	6.5	7,308	6.5	7,527	6.5	7,753	6.5
Marketing	6,558	7.9	6,839	7.6	7,098	7.4	7,334	7.3	7,554	7.3	7,780	7.3	8,014	7.3	8,254	7.3	8,502	7.3	8,757	7.3
Prop. Operations & Maint.	2,787	3.3	3,270	3.6	3,771	3.9	3,896	3.9	4,013	3.9	4,133	3.9	4,257	3.9	4,385	3.9	4,516	3.9	4,652	3.9
Utilities	3,826	4.6	3,990	4.4	4,141	4.3	4,278	4.3	4,406	4.3	4,538	4.3	4,675	4.3	4,815	4.3	4,959	4.3	5,108	4.3
Total	18,979	22.8	20,155	22.3	21,295	22.1	22,001	22.0	22,661	22.0	23,340	22.0	24,041	22.0	24,762	22.0	25,505	22.0	26,270	22.0
HOUSE PROFIT	30,495	36.6	34,896	38.7	37,995	39.7	40,108	40.1	41,312	40.1	42,551	40.1	43,827	40.1	45,143	40.1	46,497	40.1	47,891	40.1
Management Fee	2,497	3.0	2,709	3.0	2,879	3.0	3,001	3.0	3,092	3.0	3,184	3.0	3,280	3.0	3,378	3.0	3,480	3.0	3,584	3.0
INCOME BEFORE FIXED CHARGES	27,998	33.6	32,187	35.7	35,116	36.7	37,107	37.1	38,220	37.1	39,366	37.1	40,547	37.1	41,764	37.1	43,017	37.1	44,307	37.1
FIXED EXPENSES																				
Property Taxes	2,455	2.9	2,516	2.8	2,592	2.7	2,670	2.7	2,750	2.7	2,832	2.7	2,917	2.7	3,005	2.7	3,095	2.7	3,188	2.7
Insurance	839	1.0	864	1.0	890	0.9	917	0.9	944	0.9	973	0.9	1,002	0.9	1,032	0.9	1,063	0.9	1,095	0.9
Reserve for Replacement	1,664	2.0	2,709	3.0	3,838	4.0	4,002	4.0	4,122	4.0	4,246	4.0	4,373	4.0	4,504	4.0	4,639	4.0	4,779	4.0
Total	4,958	5.9	6,090	6.8	7,320	7.6	7,588	7.6	7,816	7.6	8,050	7.6	8,292	7.6	8,541	7.6	8,797	7.6	9,061	7.6
NET INCOME	\$23,040	27.7 %	\$26,097	28.9 %	\$27,796	29.1 %	\$29,518	29.5 %	\$30,404	29.5 %	\$31,316	29.5 %	\$32,255	29.5 %	\$33,224	29.5 %	\$34,220	29.5 %	\$35,247	29.5 %

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

Forecast of Income and Expense

The following description sets forth the basis for the forecast of income and expense. We anticipate that it will take four years for the subject property to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the proposed subject property's operating budget and comparable income and expense statements. The forecast is based upon fiscal years beginning July 1, 2017, expressed in inflated dollars for each year.

Rooms Revenue

Rooms revenue is determined by two variables: occupancy and average rate. We projected occupancy and average rate in a previous section of this report. The proposed subject property is expected to stabilize at an occupancy level of 71% with an average rate of \$196.32 in 2020/21. Following the stabilized year, the subject property's average rate is projected to increase along with the underlying rate of inflation.

Food and Beverage Revenue

Food and beverage revenue is generated by a hotel's restaurants, lounges, coffee shops, snack bars, banquet rooms, and room service. In addition to providing a source of revenue, these outlets serve as an amenity that assists in the sale of guestrooms. With the exception of properties with active lounges or banquet facilities that draw local residents, in-house guests generally represent a substantial percentage of a hotel's food and beverage patrons. In the case of the Proposed Hotel Georgia World Congress Center, the food and beverage department will include two restaurants, two lounges, a café, and a coffee kiosk; moreover, banquet space is expected to span 110,000 square feet.

Although food and beverage revenue varies directly with changes in occupancy, the small portion generated by banquet sales and outside capture is relatively fixed. The comparable statements illustrated food and beverage revenue between 41.2% and 68.6% of rooms revenue, or \$49.64 and \$107.95 per occupied room.

The proposed subject property's food and beverage operation is expected to be an important component of the hotel. Therefore, based upon our review of comparable operating statements, we have positioned an appropriate revenue level given the hotel's planned facility and price point. We would expect future moderate growth to occur within this category after the hotel's opening. We project food and beverage revenue to be \$77.48 and \$24.24 per occupied room, respectively, in the first projection year, or respectively 44.6% and 13.9% of rooms revenue. These per-occupied-room amounts increase to \$82.76 and \$25.46 for respective food and beverage revenue categories by the stabilized year, or respectively 42.2% and 13.0% of rooms revenue. As a percentage of food revenue, beverage revenue is forecast at 31.3% in the first projection year, stabilizing at 30.8%.

Other Operated Departments Revenue

According to the Uniform System of Accounts, other operated departments include any major or minor operated department other than rooms and food and beverage. The proposed subject property's other operated departments revenue sources are expected to include the hotel's fitness center and spa, gift shop, telephone and Internet charges, valet services, business center services, and in-room movie and game charges. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject property.

The comparable operating statements illustrate other operated departments revenue ranging from 1.3% to 15.4% of rooms revenue and \$1.57 to \$30.02 per occupied room. We forecast the proposed subject property's other operated departments revenue to stabilize at 5.5% of rooms revenue or \$10.82 per occupied room by the stabilized year, 2020/21.

Rentals & Other Income

The rentals and other income sources comprise those other than guestrooms, food and beverage, and the other operated departments. The proposed subject property's rental revenue is expected to be generated primarily from retail leases on the lower levels of the hotel, as well as rent collected from the lease of rooftop antennas and other transmitting equipment. These income sources are shown net of expenses. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject property. Rentals and other income revenue for the comparables ranged 0.9% to 5.0% of rooms revenue or \$1.38 to \$8.18 on a per-occupied-room basis. Changes in this revenue item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy. We forecast the proposed subject property's rentals and other income to stabilize at \$6.37 per occupied room by the stabilized year, 2020/21.

Rooms Expense

Rooms expense consists of items related to the sale and upkeep of guestrooms and public space. Salaries, wages, and employee benefits account for a substantial portion of this category. Although payroll varies somewhat with occupancy and managers can generally scale the level of service staff on hand to meet an expected occupancy level, much of a hotel's payroll is fixed. A base level of front desk personnel, housekeepers, and supervisors must be maintained at all times. As a result, salaries, wages, and employee benefits are only moderately sensitive to changes in occupancy.

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

The comparables illustrated rooms expense ranging between 22.6% and 27.8% of rooms revenue; on a per-occupied-room basis, the range was between \$33.46 and \$49.12. We have projected rooms expense for the proposed subject property at 26.2% in the first year (or \$45.51 per occupied room), stabilizing at 24.0% in 2020/21 (or \$47.12 per occupied room). The proposed subject property's rooms department expense has been positioned based upon our review of the comparable operating data and our understanding of the hotel's future service level and price point.

Food and Beverage Expense

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

The comparables illustrate food and beverage expense ranging between 52.7% and 74.6% of food and beverage revenue. We have projected a stabilized expense ratio of 60.0% in 2020/21. The proposed subject property's food and beverage operation is expected to be efficiently managed and operate at an expense level that is in line with other comparable operations.

Other Operated Departments Expense

Other operated departments expense includes all expenses reflected in the summary statements for the divisions associated in these categories. This was previously discussed in this chapter. The comparables illustrated other operated departments expense ranging between \$1.68 and \$11.95 per occupied room. We have projected a stabilized expense ratio of 92.0% in 2020/21. The proposed subject property's other operated departments revenue sources are expected to include the hotel's fitness center and spa, gift shop, telephone and Internet charges, valet services, business center services, and in-room movie and game charges. Based on our review of operations with a similar extent of offerings, we have positioned an appropriate revenue level for the proposed subject property.

Administrative and General Expense

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

Most administrative and general expenses are relatively fixed. The exceptions are cash overages and shortages; commissions on credit card charges; provision for doubtful accounts, which are moderately affected by the number of transactions or

total revenue; and salaries, wages, and benefits, which are very slightly influenced by volume.

As a percentage of total revenue, the comparable operations indicate an administrative and general expense range from 6.2% to 9.1%, or \$4,011 to \$6,299 per available room. Based upon our review of the comparable operating data and the expected scope of facility for the proposed subject property, we have positioned the administrative and general expense level at a market- and property-supported level. In the first projection year, we have projected administrative and general expense for the proposed subject property to be \$4,839 per available room, or 7.0% of total revenue. By the 2020/21 stabilized year, these amounts change to \$5,411 per available room and 6.5% of total revenue.

Marketing Expense

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

The marketing category is unique in that all expense items, with the exception of fees and commissions, are totally controlled by management. Most hotel operators establish an annual marketing budget that sets forth all planned expenditures. If the budget is followed, total marketing expenses can be projected accurately.

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

As a percentage of total revenue, the comparable operations indicate a marketing expense range from 6.1% to 10.7%, or \$4,099 to \$5,606 per available room. Based upon our review of the comparable operating data and the expected scope of facility for the proposed subject property, we have positioned the marketing expense level at a market- and property-supported level. In the first projection year, we have projected marketing expense for the proposed subject property to be \$5,465 per available room, or 7.9% of total revenue. By the 2020/21 stabilized year, these amounts change to \$6,111 per available room and 7.3% of total revenue.

Franchise Fee

As previously discussed, the subject is expected to be brand operated; as such, no franchise agreement will exist and no franchise fees are expected to be required throughout the ten-year forecast period.

Property Operations and Maintenance

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

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

The age of a lodging facility has a strong influence on the required level of maintenance. A new or thoroughly renovated property is protected for several years by modern equipment and manufacturers' warranties. However, as a hospitality grows older, maintenance expenses escalate. A well-organized preventive maintenance system often helps delay deterioration, but most facilities face higher property operations and maintenance costs each year, regardless of the occupancy trend. The quality of initial construction can also have a direct impact on future maintenance requirements. The use of high-quality building materials and construction methods generally reduces the need for maintenance expenditures over the long term.

As a percentage of total revenue, the comparable operations indicate a property operations and maintenance expense range from 3.1% to 5.4%, or \$1,655 to \$2,991 per available room. We expect the proposed subject property's maintenance operation to be well managed, and expense levels should stabilize at a typical level for a property of this type. Changes in this expense item through the projection period result from the application of the underlying inflation rate and projected changes in occupancy. In the first projection year, we have projected property operations and maintenance expense for the proposed subject property to be \$2,323 per available room, or 3.3% of total revenue. By the 2020/21 stabilized year, these amounts change to \$3,247 per available room and 3.9% of total revenue.

Utilities Expense

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

Total energy cost depends on the source and quantity of fuel used. Electricity tends to be the most expensive source, followed by oil and gas. Although all hotels consume a sizable amount of electricity, many properties supplement their utility requirements with less expensive sources, such as gas and oil, for heating and cooking.

As a percentage of total revenue, the comparable operations indicate a utilities expense range from 2.8% to 7.3%, or \$2,108 to \$3,222 per available room. The changes in this utilities line item through the projection period are a result of the application of the underlying inflation rate and projected changes in occupancy. In the first projection year, we have projected utilities expense for the proposed subject property to be \$3,188 per available room, or 4.6% of total revenue. By the 2020/21 stabilized year, these amounts change to \$3,565 per available room and 4.3% of total revenue.

Management Fee

Management expense consists of the fees paid to the managing agent contracted to operate the property. Some companies provide management services and a brand-name affiliation (first-tier management company), while others provide management services alone (second-tier management company). Some management contracts specify only a base fee (usually a percentage of total revenue), while others call for both a base fee and an incentive fee (usually a percentage of defined profit). Basic hotel management fees are often based on a percentage of total revenue, which means they have no fixed component. While base fees typically range from 2% to 4% of total revenue, incentive fees are deal-specific and often are calculated as a percentage of income available after debt service and, in some cases, after a preferred return on equity. Total management fees for the proposed subject property have been forecast at 3.0% of total revenue.

Property Taxes

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

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

FIGURE 7-8 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS

Hotel	Number of Rooms	Total Assessment			
		Land	Improvements	Personal	Total
Hyatt Regency Atlanta	1260	\$3,990,760	\$44,409,240	\$9,285,340	\$57,685,340
Marriott Marquis Atlanta	1663	5,995,400	51,004,600	4,195,350	61,195,350
Westin Peachtree Plaza Atlanta	1073	2,585,120	30,114,880	5,668,520	38,368,520
<i>Assessments per Room</i>					
Hyatt Regency Atlanta		\$3,167	\$35,245	\$7,369	\$45,782
Marriott Marquis Atlanta		3,605	30,670	2,523	36,798
Westin Peachtree Plaza Atlanta		2,409	28,066	5,283	35,758
Positioned Subject - Per Room	1200	\$3,000	\$35,000	\$6,500	\$44,500
Positioned Subject - Total		\$3,600,000	\$42,000,000	\$7,800,000	\$53,400,000

Source: Type in tax office name on fieldwork form

We have positioned the proposed subject property's future assessment levels based upon the illustrated comparable data. We have positioned the assessment near the high end of the range indicated by comparable assessments given the proposed hotel's new construction and beneficial location adjacent to the GWCC and proximate to other venues and attractions; overall, the positioned assessment is well supported by the market data.

Tax rates are based on the city and county budgets, which change annually. The most recent tax rate in this jurisdiction was reported at 4.91210%. The following table shows changes in the tax rate during the last several years.

FIGURE 7-9 COUNTY TAX RATES

Year	Personal Property	Real Property
	Tax Rate	Tax Rate
2011	4.94350	4.44350
2012	4.94310	4.65910
2013	4.91210	4.41210

Source: Fulton County Tax Commissioner

Based on comparable assessments and the tax rate information, the proposed subject property's projected property tax expense levels are calculated as follows.

FIGURE 7-10 PROJECTED PROPERTY TAX EXPENSE

Year	Assessed Value			Total	Pers. Prop. Tax Rate	Property Tax Rate	Tax Forecast
	Land	Improvements	Personal				
Positioned	\$3,600,000	\$42,000,000	\$7,800,000	\$53,400,000	4.91	4.41	\$2,395,061
2017/18	\$3,600,000	\$42,000,000	\$7,800,000	\$53,400,000	5.03	4.52	\$2,454,938
2018/19	3,600,000	42,000,000	7,800,000	53,400,000	5.16	4.64	2,516,311
2019/20	3,600,000	42,000,000	7,800,000	53,400,000	5.32	4.77	2,591,801

Insurance Expense

The insurance expense category consists of the cost of insuring the hotel and its contents against damage or destruction by fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, and so forth. General insurance costs also include premiums relating to liability, fidelity, and theft coverage. Insurance rates are based on many factors, including building design and construction, fire detection and extinguishing equipment, fire district, distance from the firehouse, and the area's fire experience. Insurance expenses do not vary with occupancy.

Based on comparable data and the structural attributes of the proposed project, we have forecast the proposed subject property's insurance expense at \$764 per available room by the stabilized year (positioned at \$600 on a per-available-room basis in base-year dollars). This forecast equates to 0.9% of total revenue on a stabilized basis. In subsequent years, this amount is assumed to increase in tandem with inflation.

Reserve for Replacement

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

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

The International Society of Hospitality Consultants (ISHC) undertook a major industry-sponsored study of the capital expenditure requirements for full-service/luxury, select-service, and extended-stay hotels. The most recent findings

of the study were published in a report in 2007.⁶ Historical capital expenditures of well-maintained hotels were investigated through the compilation of data provided by most of the major hotel companies in the United States. A prospective analysis of future capital expenditure requirements was also performed based upon the cost to replace short- and long-lived building components over a hotel's economic life. The study showed that the capital expenditure requirements for hotels vary significantly from year to year and depend upon both the actual and effective ages of a property. The results of this study showed that hotel lenders and investors are requiring reserves for replacement ranging from 4% to 5% of total revenue.

Based on the results of this study, our review of the subject asset and comparable lodging facilities, and our industry expertise, we estimate that a reserve for replacement of 4% of total revenues is sufficient to provide for the timely and periodic replacement of the subject property's furniture, fixtures, and equipment. This amount is ramped up during the initial projection period.

Conclusion

Our report assumes that the pre-selling of the hotel will begin no later than early 2015 and that a certain pre-booking pace will be maintained between this time and the opening of the hotel. Additionally, our projections assume that management will sell the guestrooms of the hotel at a price point commensurate with a first-class, full-service hotel, at the rate levels set forth in the average rate subsection of this report. Should a strategy of considerable rate discounting be employed, our operating projections would be impacted.

Finally, we assume that the relationship between the hotel, the Georgia World Congress Center, and the Atlanta Convention and Visitors Bureau will be a positive and effective one, as the GWCC would serve as the hotel's primary demand generator. In conclusion, our analysis reflects a profitable operation, with net income expected to total 29.5% of total revenue by the stabilized year. The stabilized total revenue comprises primarily rooms and food and beverage revenue, with a secondary portion derived from other income sources. On the cost side, departmental expenses total 37.9% of revenue by the stabilized year, while undistributed operating expenses total 22.0% of total revenues; this assumes that the property will be operated competently by a well-known hotel operator. After a 3.0% of total revenues management fee, and 7.6% of total revenues in fixed expenses, a net income ratio of 29.5% is forecast by the stabilized year.

⁶ The International Society of Hotel Consultants, *CapEx 2007, A Study of Capital Expenditure in the U.S. Hotel Industry*.

8. Discussion of Similar Projects

Dallas

After examining the potential development of a headquarters hotel attached to the Dallas Convention Center for several years, the City of Dallas formally announced plans to move forward with the project in late 2008. In December of that year, Mayor Tom Leppert requested \$386 million of Federal Development Block Grant funds from the Obama administration to finance the project. Although this request was formally rejected, the City began seeking alternative forms of financing in early 2009. In February of that year, Omni Hotels & Resorts was selected to operate the planned hotel, and in May, the Dallas City Council officially approved the purchase of a \$42-million developmental site. That approval was followed quickly in June by the City Council's approval of the sale and delivery of an estimated \$514-million municipal bond package for the project.

Construction of the hotel began in September of 2009, with an estimated completion date in early 2012. However, the project was completed early and under budget, with the Omni Dallas Hotel officially opening to guests on November 11, 2011 at a final estimated cost of \$338 million, \$12 million below the original estimate. As of the hotel's opening, Dallas CVB officials announced that 115,778 room nights had been booked for 2012, with an additional 78,928 for 2013, and Omni representatives noted that the hotel was on track to meet its initial debt payments. One year after opening, the Omni's revenues reportedly exceeded budgeted figures by 24.0%. Although the hotel's room rate of \$157.94 was somewhat lower than the budgeted figure of \$160.04, the average occupancy of 67.9% was significantly higher than the budgeted 59.8%. Furthermore, the influx of 365,365 room nights was reportedly fully absorbed by the Downtown Dallas market, with market-wide occupancy increasing slightly according to Smith Travel Research (STR) figures cited by hotel officials.

The success of the Omni Dallas Hotel after its first year of operation was attributed to two primary factors by hotel and city officials. Firstly, revenues from departments outside of rooms far exceeded the expectations of hotel representatives, with the hotel's food and beverage outlets gaining popularity with non-hotel-guests. Secondly, the Omni induced a significant amount of convention demand. In 2009, without the certainty of a headquarters hotel, the Dallas CVB reportedly booked 12 future citywide events. In 2012, following the Omni's opening, that figure increased to 28. In the same year, the hotel accommodated 14 citywide events occupying 39,800 room nights. As of November 2012, the Omni was expected to host an additional 13 citywide events in 2013, which would occupy 42,000 room nights.

Baltimore

The Hilton Baltimore was the product of several years of development created by the Baltimore Convention Center's reported need for a headquarters hotel. In late 2002, the Baltimore Development Corporation (BDC) received an unsolicited bid from RLJ Development LLC and Quadrangle Development Corp. to build a 750-room Hilton adjacent to the convention center; the submission of this bid spurred the solicitation by the City of two additional bids for headquarters hotels. These proposals included a 755-room Westin and an 869-room, full-service hotel with no specific brand affiliation. In October of 2003, the Hilton plan was approved by the BDC with an initial estimated cost of \$200 million.

By early 2005, the project had evolved into a planned city-owned development, and in May of that year, the Baltimore Planning Commission authorized the issuance of \$305 million of municipal bonds and the creation of a special tax district to fund construction, despite the reservations of certain members of the Baltimore City Council in undertaking a headquarters hotel development with no private financing. In February of 2006, the Baltimore Hotel Corp. officially broke ground on the project, and construction was completed in August of 2008.

According to the Baltimore Hotel Corp., the Hilton Baltimore has operated at a loss each year since opening, with a \$14.2 million deficit in 2009, \$9.8 million in 2010, \$11.5 million in 2011, and \$11.2 million in 2012. According to a report issued by the City's Board of Estimates in June of 2013, the Hilton Baltimore had lost a total of \$65.1 million since opening, prompting the City to withdraw \$1 million from a reserve account and \$1.5 million from a hotel occupancy tax (HOT) account in February of 2013 in order to make the hotel's bond payments. In December of 2012, Moody's issued a report affirming its ratings of the Baltimore Convention Center Hotel Revenue Bonds and its corresponding negative outlook on \$289.9 million of outstanding debt, noting that while the hotel weathered the unexpected economic downturn relatively well and generally outperforms its local competitive set, its performance remains well below that which was forecast during the initial bond financing.

Despite the Hilton Baltimore's struggles, *The Baltimore Business Journal* quoted Visit Baltimore CEO Tom Noonan in an article in March of 2013 as stating that the hotel has helped Baltimore to book roughly twice as many room nights as the city's pre-2008 levels and has allowed the Baltimore Convention Center to host citywide events requiring 4,000 to 5,000 peak room nights. The same article stated that Visit Baltimore had booked its largest amounts of room nights in 2009 and 2010, following the Hilton's opening, with the group's third-largest booking occurring in 2012.

9. Statement of Assumptions and Limiting Conditions

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

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

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

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

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

10. Certification

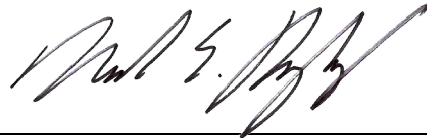
The undersigned hereby certify that, to the best of our knowledge and belief:

1. the statements of fact presented 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 (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved;
4. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
6. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined result or direction in performance that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this study;
7. our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
8. Adam R. Lair and Michael E. Brophy personally inspected the property described in this report;
9. no one provided significant assistance to Adam R. Lair and Michael E. Brophy, and that no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this report; Adam R. Lair and Michael E. Brophy have not performed appraisal or consulting work on this property within the past three years;
10. 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 the Standards of Professional Appraisal Practice of the Appraisal Institute;

11. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and
12. as of the date of this report, Adam R. Lair and Michael E. Brophy have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.



Adam R. Lair
Senior Vice President, Partner
TS Worldwide, LLC



Michael E. Brophy
Senior Vice President, Partner
TS Worldwide, LLC

Penetration Explanation

Let us illustrate the penetration adjustment with an example.

A market has three existing hotels with the following operating statistics:

BASE-YEAR OCCUPANCY AND PENETRATION LEVELS

Property	Number of Rooms	Fair Share	Commercial	Meeting and Group	Leisure	Occupancy	Penetration
Hotel A	100	23.5 %	60 %	20 %	20 %	75.0 %	100.8 %
Hotel B	125	29.4	70	10	20	65.0	87.4
Hotel C	200	47.1	30	60	10	80.0	107.5
Totals/Average	425	100.0 %	47 %	38 %	15 %	74.4 %	100.0 %

Based upon each hotel's room count, market segmentation, and annual occupancy, the annual number of room nights accommodated in the market from each market segment can be quantified, as set forth below.

MARKET-WIDE ROOM NIGHT DEMAND

Market Segment	Annual Room Night Demand	Percentage of Total
Commercial	54,704	47.4 %
Meeting and Group	43,481	37.7
Leisure	17,246	14.9
Total	115,431	100.0 %

The following discussion will be based upon an analysis of the commercial market segment. The same methodology is applied for each market segment to derive an estimate of a hotel's overall occupancy. The table below sets forth the commercial demand accommodated by each hotel. Each hotel's commercial penetration factor is computed by:

- 1) calculating the hotel's market share % of commercial demand (commercial room nights accommodated by subject hotel divided by total commercial room nights accommodated by all hotels) and
- 2) dividing the hotel's commercial market share % by the hotel's fair share %.

The following table sets forth each hotel's fair share, commercial market share, and commercial penetration factor.

COMMERCIAL SEGMENT PENETRATION FACTORS					
Property	Number of Rooms	Fair Share	Commercial Capture	Commercial Market Share	Commercial Penetration
Hotel A	100	23.5 %	16,425	30.0 %	127.6 %
Hotel B	125	29.4	20,759	37.9	129.0
Hotel C	200	47.1	17,520	32.0	68.1
Totals/Average	425	100.0 %	54,704	100.0 %	100.0 %

If a new 100-room hotel enters the market, the fair share of each hotel changes because of the new denominator, which has increased by the 100 rooms that have been added to the market.

COMMERCIAL SEGMENT FAIR SHARE		
Property	Number of Rooms	Fair Share
Hotel A	100	19.0 %
Hotel B	125	23.8
Hotel C	200	38.1
New Hotel	100	19.0
Total	525	100.0 %

The new hotel's penetration factor is projected for its first year of operation. It is estimated that the hotel will capture (penetrate) only 85% of its fair share as it establishes itself in the market. The new hotel's market share and room night capture can be calculated based upon the hotel's estimated penetration factor. When the market share of the existing hotels and that of the new hotel are added up, they no longer equal 100% because of the new hotel's entry into the market. The market share of each hotel must be adjusted to reflect the change in the denominator that comprises the sum of each hotel's market share.

This adjustment can be mathematically calculated by dividing each hotel's market share percentages by the new denominator of 97.1%. The resulting calculations reflect each hotel's new adjusted market share. The sum of the adjusted market shares equals 100%, indicating that the adjustment has been successfully completed. Once the market shares have been calculated, the penetration factors can be recalculated (adjusted market share divided by fair share) to derive the adjusted penetration factors based upon the new hotel's entry into the market. Note that each existing hotel's penetration factor actually increases because the new hotel is capturing (penetrating) less than its fair share of demand.

COMMERCIAL SEGMENT PROJECTIONS (YEAR 1)

Property	Number of Rooms	Fair Share	Hist./Proj. Penetration Factor	Hist./Proj. Market Share	Adjusted Market Share	Adjusted Penetration Factor	Projected Capture
Hotel A	100	19.0 %	127.6 %	24.3 %	25.0 %	131.4 %	13,688
Hotel B	125	23.8	129.0	30.7	31.6	132.8	17,299
Hotel C	200	38.1	68.1	25.9	26.7	70.1	14,600
New Hotel	100	19.0	85.0	16.2	16.7	87.5	9,117
Totals/Average	525	100.0 %		97.1 %	100.0 %		54,704

In its second year of operation, the new hotel is projected to penetrate above its fair share of demand. A penetration rate of 130% has been chosen, as the new hotel is expected to perform at a level commensurate with Hotel A and Hotel B in this market segment. The same calculations are performed to adjust market share and penetration factors. Note that now the penetration factors of the existing hotels decline below their original penetration rates because of the new hotel's above-market penetration. Also, note that after the market share adjustment, the new hotel retains a penetration rate commensurate with Hotel A and Hotel B, though the penetration rates of all three hotels have declined by approximately nine percentage points because of the reapportionment of demand.

Once the market shares of each hotel have been adjusted to reflect the entry of the new hotel into the market, the commercial room nights captured by each hotel may be projected by multiplying the hotel's market share percentage by the total commercial room-night demand. This calculation is shown below.

COMMERCIAL SEGMENT PROJECTIONS (YEAR 2)

Property	Number of Rooms	Fair Share	Hist./Proj. Penetration Factor	Hist./Proj. Market Share	Adjusted Market Share	Adjusted Penetration Factor	Projected Capture
Hotel A	100	19.0 %	131.4 %	25.0 %	23.1 %	121.5 %	12,662
Hotel B	125	23.8	132.8	31.6	29.3	122.9	16,004
Hotel C	200	38.1	70.1	26.7	24.7	64.8	13,507
New Hotel	100	19.0	130.0	24.8	22.9	120.3	12,531
Totals/Average	525	100.0 %		108.1 %	100.0 %		54,704

Adam Lair

EMPLOYMENT

2011 to present

HVS CONSULTING AND VALUATION SERVICES
Atlanta, Georgia

2007 – 2011

AXIA VALUATION
New Orleans, Louisiana

EDUCATION AND OTHER TRAINING

BA – Louisiana State University

Other Specialized Training Classes Completed:

National USPAP Course – 15 hours

National USPAP Course Update – 7 hours

Basic Appraisal Principles – 30 hours

Basic Appraisal Procedures – 30 hours

Real Estate Finance, Statistics, Valuation Modeling – 15 hours

General Appraiser Market Analysis and Highest & Best Use – 30 hours

General Appraiser Sales Comparison Approach – 30 hours

General Appraiser Site Valuation and Cost Approach – 30 hours

General Appraiser Income Approach – 60 hours

General Appraiser Report Writing and Case Studies – 30 hours

Advanced Sales Comparison and Cost Approaches – 40 hours

Business Practices and Ethics – 7 hours

Advanced Concepts and Case Studies – 40 hours

Advanced Income Capitalization – 40 hours

Florida Law Class – 3 hours

STATE CERTIFICATIONS

Alabama, Florida, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, Texas

**PROFESSIONAL
AFFILIATIONS**

Appraisal Institute – Associate Member

PUBLISHED ARTICLES

HVS Journal

“HVS Hotel Market Intelligence Report: New Orleans, Louisiana,” January 2012

EXAMPLES OF CORPORATE AND INSTITUTIONAL CLIENTS SERVED

Adams and Reese LLP
 Archetype Mortgage Capital
 Bancorp South
 BB&T
 Biltmore Company
 BNA Associates
 Borrego Springs Bank
 Business First Bank
 Cantor Commercial Real Estate Lending LLC
 Capital Bank
 Capital One
 Capsule Group
 Citi
 Citizens National Bank of Meridien
 Citizens National Bank
 Clarion Partners
 Cornerstone Commercial Mortgages, LLC
 Cushman & Wakefield
 CWB Bank
 CW Capital
 Deutsche Bank
 DRDC-Citymarket LLC
 Eastern Capital
 EKS&H
 Fidelity Bank
 Fine Hospitality Group
 First Jackson Bank
 First NBC Bank
 First National Bank of Talladega
 First NBC Bank
 Foxhall Event & Sporting Club
 Gainesville Stimulus Fund
 Glacier Club
 Greenspoon Marder
 Hana Small Business Lending
 HDG Mansur
 The HUB Mixed Use LLC
 International Bank of Commerce
 JPMorgan Chase
 Kennebunk Savings
 Legence Bank
 Merrill Trust Communities & Resorts

Metro City Bank
 Midfirst Bank
 Mountain 1st Bank & Trust
 NBT Bank
 Noah Bank
 Northern Riverfront Marina & Hotel LLLP
 NXT Capital, LLC
 Oxbox Ventures
 Patriot Group
 PCCP, LLC
 Prudential
 Quadrant Financial
 Ram Hotel Development
 Redwood Commercial Mortgage
 Regions Bank
 Robinson McFadden Attorney
 Simon Properties
 Summit Hotel Properties
 Susquehanna
 Total Bank
 UrbanAmerica
 USB
 US Bank
 Valuation Management Group, LLC
 Vieste Development
 Wells Fargo
 Wilshire Bank
 WPM Construction

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED

ALABAMA

Holiday Inn Express, Auburn
 Comfort Inn & Suites, Birmingham
 Hilton, Birmingham
 Best Western Daphne
 City Lodge, Florence
 Best Western, Gadsden
 Country Inn & Suites, Homewood
 Homewood Suites, Huntsville
 Comfort Inn, Mobile
 Homewood Suites, Mobile
 Best Western, Montgomery
 Proposed Courtyard, Phenix City
 Quality Inn, Phenix City
 Days Inn, Saraland

ARIZONA

Palm Inn, Yuma

CALIFORNIA

Proposed Hilton Garden Inn, Burbank
 Residence Inn by Marriott
 Days Inn & Suites, Palmdale

COLORADO

Proposed Hotel Glacier Club, Durango
 The Peaks Resort and Spa, Telluride

DISTRICT OF COLUMBIA

Proposed Cambria Suites

FLORIDA

Proposed Select-Service Hotel, Boca Raton
 Hampton Inn, Clermont
 Daytona Beach Resort, Daytona Beach
 Comfort Inn, Jupiter
 Hilton Garden Inn, Lake Mary
 Proposed Courtyard by Marriott, Marathon
 Candlewood Suites, Melbourne
 Proposed Hotel Dadeland Mall, Miami
 DoubleTree Orlando at SeaWorld, Orlando
 Fairfield Inn, Orlando

GEORGIA

Clermont Hotel, Atlanta
 Comfort Inn, Atlanta
 Country Inn, Atlanta
 Crowne Plaza Ravinia, Atlanta
 Quality Inn, Atlanta
 Ritz-Carlton Downtown, Atlanta
 Westin Perimeter North, Atlanta
 Hilton Garden Inn, College Park
 Quality Inn & Suites, College Park
 Proposed Boutique Hotel, Douglas County
 Proposed Westin, Douglas County
 Quality Inn, Savannah
 Proposed Fairfield Inn & Suites, Stockbridge
 Fairfield Inn & Suites, Valdosta

ILLINOIS

Allegro, Chicago

INDIANA

Hampton Inn, Warsaw

LOUISIANA

Holiday Inn, Baton Rouge
 Country Inn & Suites, Covington
 Travelodge, Harvey
 Courtyard by Marriott, Houma
 Crowne Plaza, Kenner
 Super 8, Lake Charles
 Courtyard, Metairie
 Residence Inn, Metairie
 Courtyard Convention Center, New Orleans
 Courtyard French Quarter, New Orleans
 InterContinental, New Orleans
 Proposed Hyatt House, New Orleans
 SpringHill Suites Convention Center, New Orleans

MAINE

Econo Lodge, Freeport

MARYLAND

Ramada Inn, Perryville
 Quality Inn Econo Lodge, Takoma Park

MISSISSIPPI

Proposed Hampton Inn & Suites, Gulfport
 Proposed Hotel University of Mississippi Medical Center, Jackson
 Comfort Inn, Laurel
 Super 8, Moss Point
 America's Best Inns & Suites, Tupelo

NEVADA

Holiday Inn Express Nellis, Las Vegas

NEW HAMPSHIRE

Country Inn & Suites, New Bedford

NEW JERSEY

Comfort Inn, Princeton

NORTH CAROLINA

Proposed Hotel – Biltmore Estate,
Asheville
Proposed Wyndham, Greensboro
Courtyard by Marriott, Raleigh
Proposed Indigo, Wilmington

OHIO

Econo Lodge, Columbus

PENNSYLVANIA

Crowne Plaza, Trevoese

SOUTH CAROLINA

Comfort Inn, Charleston
Proposed Radisson Hotel, Charleston
Comfort Suites, Lexington
Crown Reef Resort, Myrtle Beach

TENNESSEE

Sheraton Road House, Chattanooga

TEXAS

Proposed Holiday Inn Express,
Baytown
Ramada, Dallas
Days Inn, Decatur

Candlewood Suites DFW Airport
South, Fort Worth
Holiday Inn DFW Airport South, Fort
Worth
Staybridge Suites Plano, Plano

VIRGINIA

Alexandria Monaco, Alexandria
Morrison House, Alexandria
Comfort Suites, Manassas
Quality Inn West End, Richmond

WISCONSIN

Ramada, Fond du Lac

Michael Brophy

EMPLOYMENT

2004 to present

HVS CONSULTING AND VALUATION SERVICES
Atlanta, Georgia

2001 – 2003

TWO RIVERS CONVENTION CENTER/AVALON THEATRE
Grand Junction, Colorado

1998 – 2001

SOUTHFORK RANCH EVENT AND CONFERENCE CENTER
Dallas, Texas

1995 – 1998

WYNDHAM INTERNATIONAL
San Rafael, California; Commerce, California; Dallas, Texas

EDUCATION AND OTHER TRAINING

BS – East Stroudsburg State University

Certified General Appraiser Classes Completed:

Basic Real Estate Appraisal – 60 hours

Uniform Residential Appraisal Report – 15 hours

Uniform Standards of Professional Appraisal Practice – 15 hours

Basic Income Capitalization – 39 hours

Apartment Appraisal – 15 hours

Residential Report Writing and Case Studies – 15 hours

General Appraiser Market Analysis and HBU – 30 hours

General Appraiser Site Valuation and Cost Approach – 30 hours

General Appraiser Sales Comparison Approach – 30 hours

Real Estate Finance, Statistics, and Valuation Modeling – 15 hours

General Appraiser Report Writing and Case Studies – 30 hours

General Appraiser Income Approach, Part II – 30 hours

Advanced Income Capitalization – 40 hours

EDUCATION AND OTHER TRAINING (CON'T)

General Demonstration Appraisal Report Writing Report Seminar – 7 hours
 Advanced Sales & Cost – 40 hours
 Report Writing and Valuation Analysis – 40 hours
 Business Practices and Ethics – 7 hours
 Fundamentals of Separating Real, Personal Property, and Intangible Business Assets – 15 hours
 Advanced Applications – 40 hours
 Forecasting Revenue – 7 hours
 PA Law Class – 2 hours
 USPAP Update – 2008, 2011, 2012

STATE CERTIFICATIONS

Alabama, Georgia, Florida, Illinois, Mississippi, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee

PUBLISHED ARTICLES

HVS Journal “Market Intelligence Report 2013: Atlanta,” June 2013

HVS Journal “Hotel Performance, Transactions, and Values: News from the 25th Annual Hunter Hotel Conference,” April 2013

HVS Journal “HVS Hotel Market Snapshot: Atlanta,” April 2011

HVS Journal “HVS Reflections on the 2010 Hunter Hotel Conference,” co-authored with Janet Snyder, May 2010

HVS Journal “What You Need to Consider Before Buying a Distressed Property,” co-authored with Li Chen, August 2009

HVS Journal “Brand Power: InterContinental Hotels Group,” March 2009

PROFESSIONAL AFFILIATIONS

Flower Mound Chamber of Commerce
 American Hotel & Lodging Association

EXAMPLES OF CORPORATE AND INSTITUTIONAL CLIENTS SERVED

AEW
 Aldridge, Inc.
 American Hotel Development Partners
 American Property Management
 Archon Hospitality
 Ardmore Tourism Authority
 Arnall Golden Gregory LLP
 Ascent Hospitality LLC
 Assent Capital LLC
 Avista
 Aztec Group, Inc.
 B&H Hospitality
 Baha Mar Development Company
 Bankers Bank
 Bank MidWest
 Bank of America
 Bank of Hampton Roads
 Bank of Jackson Hole
 Barclays
 Bear Stearns
 Behringer Harvard
 Benchmark Development
 Berkshire Hotels Group
 Blanchard & Calhoun
 BNA Associates
 Branch Banking & Trust Co.
 Brotherhood Bank & Trust
 Buena Vista Hospitality Group
 Cabi Developers
 Camden National Bank
 Capital Funding Group
 Cathay Bank
 Cava Construction
 CB Richard Ellis
 Centerline Capital Group
 Cheeca Holdings, LLC
 CIBC World Markets
 CIT
 Citigroup
 City of Acworth
 City of Chattanooga
 Clarion Partners
 Columbus Bank & Trust
 Column Financial

Commerce National Bank
 Cornerstone Bank
 Countrywide
 Credit Suisse
 CS First Boston
 CU Business Capital
 CWCcapital
 Delco Development
 Deutsche Bank
 Dillon Read
 Dimension Development
 Eastside Commercial Bank
 Elm Street Center, LLC
 Falor Companies
 Fidelity Bank
 First Hartford Realty
 Foxhall Resort and Sporting Club
 Galleria Ventures
 Ganesh Ventures LLC
 GE Capital
 Gencom
 Goldman Sachs
 GS Development LLC
 Guy Mitchell
 Hall Financial
 Harrell Hospitality
 Holland Development Group
 Holloway Lodging REIT
 HomePlace Developers
 The HUB Mixed Use LLC
 iCAP Realty Advisors
 Impact Properties
 ING Investment Management
 Investcorp
 Jackson State Bank & Trust
 JER Partners
 Johnson Resort Properties
 Jones Lang LaSalle
 JPMorgan Chase
 Kent State University
 KMW Real Estate
 Lake Real Estate
 Latitude Hospitality, Inc.
 Laureate Capital
 Lehman Brothers
 Lennar
 Lexden Capital

Love Funding
 LRP
 Manchester Texas Financial Group
 MainSource Bank
 Mellon Bank
 Merrill Lynch
 MetLife
 MetroFund Group
 Midland Loan Services
 MMA Realty, Inc.
 Mockingbird Properties
 Moody National Companies
 Morgan Stanley
 Mutual Bank
 Natixis Real Estate Capital
 Neptune Hospitality
 Nock Investments, Inc.
 Nomura
 North Ocean Management Group
 Northview Hotel Group
 NRF Capital
 NXT Capital, LLC
 Oakworth Capital Bank
 O'Connor Capital
 Palmetto Bank
 Paragon Hotel Company
 Park Hospitality Group
 Park National Bank
 PB Capital Corporation
 Peachtree Hotel Group
 Peoples Bank Biloxi
 Pleasant Hill Partners
 Potomac Business Services
 Prescient Capital
 Principal Real Estate Investors
 ProHomes, LLC
 Prudential
 Purdue University
 Quarterage Hotel
 Quincy Investments
 Ranger Properties
 RBS
 Remington
 Resort Management Group LLC
 Rialto Capital
 Rilea Group
 River Hall Partnership

Robinson McFadden Attorney
 Rolarco Services
 Sabra Enterprises
 Self-Help Bank
 Shore Land Ventures, LLC
 Silverton Bank
 Site Realty
 Smith, Gambrell & Russell, LLP
 Somerock University Mall Holdings,
 LLC
 SouthCity Bank
 Specialty Finance Group
 State Bank of Texas
 Steiner
 Summit Financial
 Summit Hotel Group
 Textron Financial
 The Blackstone Group
 Third Ward Park Holding LLC
 TIB Bank
 TJ, LLC
 Torgerson Properties
 Tramz Hotels
 TriState Bank
 True North Development Group
 TVO North America
 UBS Investment Bank
 University of West Florida
 Upscale Companies
 US Bank
 Valuation Management Group
 Vieste Development
 Vintage Companies
 Vision Hospitality Group
 WG Yates and Sons Construction
 Windmill Development
 Winslow Homes, LLC
 WPM Construction LLC

**EXAMPLES OF PROPERTIES APPRAISED
OR EVALUATED**

PORTFOLIO ANALYSIS

Quarterly Portfolio of 57 Clarion-
Owned Properties, Various
Locations

ALABAMA

Hampton Inn & Suites, Athens
 Hampton Inn, Bessemer
 Hampton Inn, Birmingham
 Hilton, Birmingham
 Proposed aloft, Birmingham
 Residence Inn by Marriott,
 Birmingham
 Proposed Fairfield Inn by Marriott,
 Greenville
 Embassy Suites, Hoover
 Hilton Garden Inn, Huntsville
 Hampton Inn, Montgomery
 Proposed Hilton Garden Inn,
 Montgomery
 Baymont Inn & Suites, Oxford

ARIZONA

Phoenix Highland Hotel, Phoenix
 Phoenix Inn, Phoenix
 Phoenix Place Hotel and Suites
 (DoubleTree Conversion), Phoenix
 Radisson, Phoenix
 Proposed Summerfield Suites, Tempe
 DoubleTree, Tucson

ARKANSAS

Radisson, Fayetteville
 Embassy Suites, Little Rock
 La Quinta, Little Rock
 Proposed Embassy Suites, Little Rock
 Proposed Sheraton, Rogers
 Hampton Inn & Suites, Springdale
 Holiday Inn, Springdale

CALIFORNIA

Ventana Inn & Spa, Big Sur
 DoubleTree, Commerce
 Homewood Suites by Hilton, La Quinta
 Sheraton Four Points, Los Angeles
 Westin Century Plaza, Los Angeles
 Embassy Suites, Monterey Bay
 Best Western, Poway
 Proposed Hyatt Summerfield Suites,
 Roseville
 La Quinta, San Diego
 Casa Madrona, Sausalito
 Embassy Suites Monterey Bay, Seaside
 Fairmont Mission Inn, Sonoma

COLORADO

Homewood Suites, Boulder
 Sheraton, Colorado Springs

CONNECTICUT

Sheraton, Stamford
 Mayflower Inn & Spa, Washington
 Courtyard by Marriott, Waterbury

DELAWARE

Courtyard by Marriott, Wilmington
 McIntosh Hotel, Wilmington

DISTRICT OF COLUMBIA

Capitol Hill Suites
 Courtyard by Marriott Navy Yard
 DoubleTree

FLORIDA

South Seas Resort, Captiva Island
 Hilton, Clearwater Beach
 Hilton, Cocoa Beach

Mayfair Hotel & Spa, Coconut Grove
 Omni, Coral Gables
 Holiday Inn, Daytona Beach
 Hawk's Cay, Duck Key
 Red Roof Inn, Fort Lauderdale
 Fairfield Inn & Suites, Gainesville
 Ramada Inn, Hialeah
 Proposed Hotel, Indian Rocks Beach
 Cheeca Lodge & Spa, Islamorada
 Sheraton, Key Largo
 Crowne Plaza, Key West
 Inn at Key West, Key West
 Proposed Hotel, Key West
 Proposed Hampton Inn & Suites,
 Lake Buena Vista
 Hilton, Melbourne
 Quality Suites, Melbourne
 Mayfair, Miami
 Hacienda Hotel, New Port Richey
 Proposed Hampton Inn, New Smyrna
 Beach
 Best Western, Ocala
 Hilton Garden Inn, Orange Park
 DoubleTree, Orlando
 International Plaza Resort, Orlando
 Proposed Condo Hotel, Orlando
 Coral Sands Hotel, Ormond Beach
 Hilton, Palm Beach
 Ocean Club Beach Resort, Palm Beach
 Proposed Hotel – UWF, Pensacola
 Proposed Hyatt Place & Conference
 Center, Pensacola
 Days Inn, Port Charlotte
 Hampton Inn, Port Charlotte
 SpringHill Suites, Port St. Lucie
 Sanibel Inn, Sanibel Island
 Seaside Inn, Sanibel Island
 Song of the Sea, Sanibel Island
 Sundial Beach Resort, Sanibel Island
 Sunset Beach Resort, Sanibel Island
 Tradewinds Resort, St. Petersburg
 Holiday Inn, Tallahassee
 Proposed element, Tampa
 Proposed Holiday Inn, Tampa

GEORGIA

Proposed Hotel, Acworth
 Proposed Hampton Inn & Suites,
 Adairsville
 Courtyard Atlanta Executive Park,
 Atlanta
 Courtyard Atlanta
 Glenridge/Perimeter, Atlanta
 Courtyard Buckhead, Atlanta
 Crowne Plaza Ravinia, Atlanta
 The Glenn Hotel, Atlanta
 Homewood Suites, Atlanta
 Mansion on Peachtree, Atlanta – *expert
 testimony*
 Red Roof Inn, Atlanta
 Renaissance Concourse, Atlanta
 Residence Inn, Atlanta
 Ritz-Carlton Downtown, Atlanta
 Westin Airport, Atlanta
 W Hotel, Atlanta
 W Midtown, Atlanta
 Candlewood Suites, Athens
 Proposed Candlewood Suites, Athens
 Proposed Hotel Condo Conversion,
 Athens
 Proposed Select-Service Hotel,
 Augusta
 Proposed TownePlace Suites, Augusta
 Quality Inn & Suites, Bremen
 SpringHill Suites, Buckhead
 Proposed Courtyard by Marriott,
 Buford
 Proposed Cambria Suites, College Park
 Proposed Foxhall Resort, Douglas
 County
 Hilton Garden Inn, Duluth
 Holiday Inn Gwinnett Center, Duluth
 Residence Inn, Hapeville
 Embassy Suites, Kennesaw
 Proposed Four Points, Kennesaw
 Proposed Hotel, Lake Oconee
 Proposed Full-Service Hotel,
 Lawrenceville
 Proposed Hotel, Macon
 Hilton Atlanta Northeast, Norcross
 Proposed aloft, Perimeter

Proposed Luxury Collection, Rising
 Fawn
 Proposed Cambria Suites, Savannah
 Proposed Extended-Stay Hotel,
 Savannah
 Proposed Indigo Hotel, Savannah
 Fairfield Inn & Suites, Valdosta
 Wingate Inn, Valdosta

ILLINOIS

Proposed Hotel & Conference Center,
 Alton
 Hotel Allegro, Chicago
 Lenox Suites, Chicago
 Proposed Renaissance, Chicago
 Proposed Wyndham, Chicago
 Radisson, Chicago
 Wyndham Downtown, Chicago
 Wyndham O'Hare, Chicago
 Residence Inn, Deerfield
 Wyndham Northwest, Itasca
 Crowne Plaza Chicago O'Hare,
 Rosemont

INDIANA

Marriott, Evansville
 Proposed Hotel/Impact Study, West
 Lafayette
 Proposed Union Club Hotel, West
 Lafayette

IOWA

Proposed Hilton Garden Inn &
 Conference Center, Amana
 Marriott (Collins Plaza), Cedar Rapids
 Proposed Sheraton, Davenport
 Radisson, Davenport

LOUISIANA

Proposed Candlewood Suites, Baton Rouge
 Holiday Inn Westbank, Gretna
 Proposed Candlewood Suites, Lafayette
 Proposed Homewood Suites, Lafayette
 Proposed Holiday Inn, New Orleans

MAINE

Econo Lodge Inn & Suites, Augusta
 Hilton Garden Inn, Portland

MARYLAND

Proposed Staybridge Suites, Baltimore
 Proposed Select-Service Hotel & Conference Center, Queen Anne’s County

MASSACHUSETTS

Nine Zero, Boston
 Proposed Courtyard, Pittsfield
 Sierra Suites, Waltham
 DoubleTree, Westborough
 Sierra Suites, Westborough
 Sierra Suites, Woburn

MICHIGAN

Residence Inn, Kalamazoo

MINNESOTA

DoubleTree Park Place, Minneapolis
 Proposed Homewood Suites, New Brighton
 Proposed Homewood Suites, St. Louis Park

MISSISSIPPI

Holiday Inn, Biloxi
 Proposed Four Points, Biloxi
 Proposed Hilton Garden Inn, Biloxi
 Proposed Hilton Hotel, Biloxi
 Proposed Independent Hotel, Biloxi
 Dancing Rabbit Inn, Philadelphia

MISSOURI

Colonnade Hotel, Branson
 Proposed Indigo Hotel, Clayton
 Hotel President, Kansas City
 Proposed Full-Service Hotel, Kansas City
 Proposed Indigo Hotel, Kansas City
 Quarterage Hotel, Kansas City
 Courtyard by Marriott, Springfield
 Holiday Inn Airport West, St. Louis
 Holiday Inn Riverport, St. Louis

NEBRASKA

Country Inn & Suites, Omaha

NEW HAMPSHIRE

Hampton Inn & Suites, Tilton

NEW JERSEY

Clarion Hotel Conversion, Cherry Hill
 Fairfield Inn, East Rutherford
 Proposed SpringHill Suites, East Rutherford
 Sheraton, Eatontown
 DoubleTree Newark Airport, Elizabeth
 Four Points Newark Airport, Elizabeth
 Proposed Sheraton Hotel, Elmwood Park
 Crowne Plaza, Jamesburg
 Proposed Hampton Inn, Jersey City

Proposed Homewood Suites, Jersey City
 Proposed Hotel, Mt. Laurel
 Proposed Hotel, Lakewood
 Courtyard by Marriott, Lyndhurst
 Proposed Fairfield Inn, Millville
 Proposed Hotel, Millville
 Proposed TownePlace Suites, Millville
 Hilton, Newark
 Renaissance, Rutherford
 Crowne Plaza, Somerset
 Hampton Inn, Woodbridge

NEW MEXICO

Albuquerque Grand Airport Hotel, Albuquerque
 SpringHill Suites, Las Cruces
 Hilton, Santa Fe

NEW YORK

DoubleTree, East Syracuse
 Proposed Hotel, Ithaca
 Holiday Inn, Jamaica
 Barton Hill, Lewiston
 Proposed Hotel, New York City
 Land Appraisal, Ronkonkoma
 Proposed Homewood Suites, Ronkonkoma
 Staten Island Hotel, Staten Island
 Proposed Courtyard by Marriott, Syracuse
 Proposed Residence Inn by Marriott, Syracuse
 Proposed Homewood Suites, Vestal

NORTH CAROLINA

Hampton Inn, Aberdeen
 Proposed Homewood Suites by Hilton, Asheville
 Sheraton, Atlantic Beach

Proposed Tweetsie Railroad Hotel,
Blowing Rock
Hampton Inn, Boone
Proposed Hilton Garden Inn, Carolina
Beach
Proposed Hilton Garden Inn, Cary
Proposed SpringHill Suites, Charlotte
Proposed Hyatt Place, Concord
Proposed 21c Hotel, Durham
Proposed Hotel Indigo, Greensboro
Comfort Suites, Huntersville
Sea Ranch Hotel, Kill Devil Hills
SpringHill Suites, Pinehurst
Proposed element, Raleigh-Durham
Residence Inn by Marriott, Southern
Pines
Hilton Garden Inn, Winston-Salem

NORTH DAKOTA

Hilton Garden Inn, Grand Forks

OHIO

InnPlace Suites, Akron
Proposed Hotel, Akron
Residence Inn, Akron
Proposed Conference Center Hotel,
Canton
Residence Inn, Cincinnati
Proposed Cambria Suites, Columbus
Proposed Hyatt Place, Columbus
Proposed Hotel Developments,
Rockside

OKLAHOMA

Proposed Lake Murray Resort,
Ardmore
Holiday Inn Express, Jenks
Courtyard by Marriott, Oklahoma City
Four Points, Oklahoma City
Sheraton, Oklahoma City
Staybridge Suites, Tulsa

OREGON

Embassy Suites, Portland

PENNSYLVANIA

Marriott Pittsburgh Airport,
Coraopolis
Proposed Embassy Suites, Erie
Comfort Inn, Langhorne
Crowne Plaza Airport, Pittsburgh
Residence Inn by Marriott, Pittsburgh
SpringHill Suites, Pittsburgh
Proposed Staybridge Suites,
Royersford
Shawnee Resort, Shawnee on the
Delaware

SOUTH CAROLINA

Hampton Inn & Suites, Bluffton
Proposed Radisson Hotel, Charleston
Hilton Garden Inn, Columbia
InnPlace Suites, Columbia
Holiday Inn Express, Fort Mill
Holiday Inn Express, Greenville
Quality Inn, Greenville
Wild Dunes, Isle of Palms
Holiday Inn Express, Murrells Inlet
Crowne Reef Resort Conversion,
Myrtle Beach
Springmaid Beach Resort, Myrtle
Beach
Proposed Courtyard by Marriott,
Summerville

TENNESSEE

Proposed Full-Service Hotel,
Chattanooga
Embassy Suites, Franklin
Hilton Hotel, Knoxville
Marriott Vanderbilt, Nashville

Sheraton Music City, Nashville

TEXAS

Crowne Plaza, Addison
InterContinental Dallas, Addison
Residence Inn, Addison
Summerfield Suites, Addison
Residence Inn, Arlington
Bradford Suites, Austin
DoubleTree Club, Austin
Holiday Inn Express, Austin
Park Plaza (old Hilton), Austin
Proposed Convention Center Hotel,
Austin
Proposed Galleria Hotel, Dallas
Radisson Love Field, Dallas
Radisson, Dallas
The Stoneleigh, Dallas
Wyndham Market Center, Dallas
Proposed Hotel, Edinburg
Proposed Hilton Garden Inn, El Paso
Residence Inn, Fort Worth
Proposed Hilton Garden Inn, Frisco
Proposed Sheraton, Frisco
Westin Stonebriar, Frisco
Proposed Hotel, Georgetown
Hyatt Place, Grand Prairie
AmeriSuites, Grapevine
Embassy Suites, Grapevine
Courtyard by Marriott, Irving
Proposed element, Irving
SpringHill Suites Las Colinas, Irving
Summerfield Suites Las Colinas, Irving
Holiday Inn Express, Plainview
Courtyard by Marriott Riverwalk, San
Antonio
Hawthorn Suites, San Antonio
Homewood Suites, San Antonio
Proposed element, San Antonio
Proposed Embassy Suites, San Antonio
Proposed Four Points, San Antonio
Proposed Hilton Garden Inn, San
Antonio
Proposed Omni, San Antonio

Proposed Starwood Luxury Collection,
San Antonio
Sheraton Gunter, San Antonio
Wyndham St. Anthony, San Antonio
Proposed Hotel, Waco
Holiday Inn Express, Weatherford

Best Western The Lodge at Jackson
Hole, Jackson Hole
The Rustic Inn, Jackson Hole

INTERNATIONAL

UTAH

Homewood Suites, Midvale
Best Western Capitol Reef, Torrey

THE BAHAMAS

The Villas at Grand Isle Resort & Spa,
Emerald Bay
Grand Isles Condos, Great Exuma

VIRGINIA

Alexandria Monaco, Alexandria
Morrison House, Alexandria
Proposed Beacon Hotel, Charlottesville
Best Western, Exmore
Homewood Suites, Glen Allen
Monaco, Alexandria
Morrison House, Alexandria
Proposed Courtyard by Marriott,
Newport News
Residence Inn, Norfolk
DoubleTree Airport, Richmond
Residence Inn by Marriott, Tysons
Corner
Proposed Hotel, Virginia Beach
Lexington George Washington Inn,
Williamsburg

MEXICO

Park Royal, Acapulco
Hyatt Cancun Caribe, Cancun
Park Royal Piramides, Cancun
Park Royal, Cozumel
Radisson Resort, Ixtapa
Park Royal, Los Cabos
Proposed Hotel, Playa del Carmen

WASHINGTON

Hilton Garden Inn, Seattle

WISCONSIN

Cambria Suites, Appleton

WYOMING

Best Western, Jackson