



*Real value in a changing world*

# GWCC – Lodging Market and Demand Study

Market Study | August 2013

Hotels & Hospitality



*Real value in a changing world*

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# Executive Summary

# ■ Executive Summary

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## Market Overview

- The Atlanta economy has somewhat lagged the nation in its recovery, but has shown steady improvement in GMP gains. In the near term, the MSA is expected to outpace in terms of growth and fundamentals should allow it to regain its forerunner status in the nation.
- Atlanta has strong Travel and Tourism infrastructure, including the world's largest airport, excellent road access, the nation's fourth largest convention center, robust lodging supply and numerous tourist attractions.
- The Atlanta lodging market lags the nation, as well as the top-25 lodging markets, in terms of RevPAR recovery. With the expected improvement in economic conditions and limited supply growth, however, the city's lodging establishments should see improvement in the near to medium term.
- Atlanta is home to over 20 Fortune 500 companies and has a robust office market. Recently, meaningful improvements have been seen in the market, indicating the beginnings of a shift from a Tenant-favorable market to a Landlord-favorable market. JLL has seen a trend of companies moving from the more distant suburbs to submarkets closer to the urban core. Buckhead, Midtown and Central Perimeter submarkets have primarily been the beneficiaries of this shift. Overall vacancies, however, remain above other large national markets.

## Conventions Market

- The past twelve years have seen significant increases in exhibition space supply, with nominal demand growth in the same period. Numerous facilities have increased the size of convention centers to become more competitive against stagnant demand, and other cities have jumped into the market.
- The outlook for the market, according to CEIR is one of continued, moderate demand growth. CEIR expects NSF Occupied to increase 5.8% over the next three years, with an 6.8% increase in Real Revenues.
- The GWCC has faced increased competition in the convention market amidst the increased supply. Although industry demand has increased between 2009 and 2012, exhibition attendance at the GWCC has remained flat, possibly indicating decreasing competitiveness.
- One possible cause of the GWCC's lower competitiveness, is the lack of a connected lodging facility. Surveys have shown that proximity of hotel rooms to the convention facility is of paramount importance to meeting planners. The GWCC ranks fourteenth in terms of hotel rooms with a ½ mile radius per 1,000 sf of exhibition space of fifteen competitive markets.
- The GWCC has lost over 1.1 million room blocks over the past ten years due to planners "preferring an in-house facility/hotel", according to the ACVB's lost business reports.

# Executive Summary

## Financial Analysis

- Based on our analysis of the market, the top-line performance of the competitive market (including the Subject), the Subject and the competitive market excluding the Subject can be found below.

Market Performance (Including Subject)											
	2007 (Peak)	2009 (Trough)	2013	2014	2015	2016	2017	2018	2019	2020	2021
Occupancy	68.0%	55.0%	63.2%	64.2%	65.0%	61.8%	64.6%	66.4%	67.6%	67.4%	67.6%
ADR	\$147.28	\$140.78	\$138.19	\$142.75	\$149.73	\$155.70	\$161.40	\$165.19	\$168.70	\$172.08	\$175.52
RevPAR	\$100.22	\$77.40	\$87.41	\$91.69	\$97.25	\$96.22	\$104.25	\$109.74	\$114.08	\$116.04	\$118.69

Subject Performance						
	2016	2017	2018	2019	2020	2021
Occupancy	52.2%	58.9%	64.5%	65.9%	65.8%	65.9%
Penetration	84%	91%	97%	98%	98%	98%
ADR	\$150.52	\$167.14	\$174.47	\$178.20	\$181.76	\$185.40
Penetration	97%	104%	106%	106%	106%	106%
RevPAR	\$78.56	\$98.38	\$112.56	\$117.51	\$119.53	\$122.26
Penetration	82%	94%	103%	103%	103%	103%

Competitive Market Results (Excluding Subject)											
	2007 (Peak)	2009 (Trough)	2013	2014	2015	2016	2017	2018	2019	2020	2021
Occupancy	68.0%	55.0%	63.2%	64.2%	65.0%	63.2%	65.4%	66.7%	67.9%	67.7%	67.9%
ADR	\$147.28	\$140.78	\$138.19	\$142.75	\$149.73	\$144.10	\$145.93	\$147.17	\$150.15	\$153.15	\$156.21
RevPAR	\$100.22	\$77.40	\$87.41	\$91.69	\$97.25	\$89.60	\$94.01	\$97.11	\$100.86	\$102.60	\$104.94

# ■ Executive Summary

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## Conclusions and Recommendations

- A robust (oversized) Retail / Dining Entertainment area is essential for the successful development of a Convention (Headquarter) Hotel connected to the Georgia World Congress Center in order to tie the complex to the Luckie-Marietta area as much as possible.
- A new 1,000-room Convention (Headquarter) Hotel connected to the Convention Center and offering a substantial room block to attendees is anticipated to eventually induce 150,000 new annual roomnights to Downtown Atlanta at a market ADR premium which would generate substantial positive economic impact in Downtown Atlanta.
- A new convention hotel would add group roomnights but divert transient demand from existing hotels currently operating in the market.
- A new convention hotel would have a negative short term (2-4 years) impact on the competitive hotel market but is anticipated to benefit the market over a 5-10 year period.
- A new convention (HQ) hotel will cost \$350,000 to \$400,000 per key to develop
- A new convention hotel would require significant subsidy and/or financial (equity/debt) incentives in order to be considered feasible on economic terms. While Group demand has remained weak, hoteliers have filled rooms with lower-rated transient demand, leaving overall ADR at trough levels.
- Economic Feasibility could be improved through the opportunity to “complex” with the existing Omni or develop a portion of the new hotel as a dual branded upper upscale full service and upscale select service hotels also attached to the Georgia World Congress Center.

# Market Overview

# Market Overview

## Atlanta Economic Environment

The Atlanta economy seems to be steadily regaining lost ground after three years of job losses.

- Atlanta is the ninth largest MSA in the US by population with the tenth largest GMP.
- Atlanta's economic recovery has been fueled by the business services and manufacturing sectors with leisure and hospitality also showing strong results. The construction and finance sectors currently lag Atlanta's general recovery.
- **Employment:** Although Atlanta's unemployment rate is 8.8%, the MSA is expected to outpace the country as a whole in adding jobs, though real wages will lag the nation as a whole.
- **High Tech:** Atlanta is a national hub for high-tech, and biotech innovation and employment; Atlanta is the headquarters for such organizations as the CDC, American Cancer Society and home to important research facilities at local universities.
- **Recent Developments:**
  - GM is opening an information technology center in Roswell – \$26 million investment.
  - Mando Corp, a South Korean auto-parts manufacturer to open a new casting facility in Meriwether county.
  - Georgia State University has begun a \$1 billion campus expansion, adding 1 million square feet of academic space.
- **Outlook:** Atlanta should continue to show growth and is expected by analysts to reclaim it's forerunner status in the nation.

### Strengths

Low cost of doing business; diversified economy; headquarters for over 20 Fortune 500 companies; central location / transportation hub; world's biggest airport (passengers); growing labor pool; strong education and health services sectors less susceptible to market downturns.

### Challenges

Large construction contribution to economy is very cyclical; overtaxed infrastructure; lagging housing market; lagging real income growth

Atlanta Economic Snapshot										
2008	2009	2010	2011	2012		2013	2014	2015	2016	2017
254,434	238,952	243,792	248,918	255,261	Real Gross Metro Product (Mil. 2005 \$)	260,100	268,290	279,404	289,903	299,707
-1.2%	-6.1%	2.0%	2.1%	2.5%	% Change	1.9%	3.1%	4.1%	3.8%	3.4%
2,427	2,291	2,271	2,307	2,350	Total Employment (Thous.)	2,403	2,458	2,526	2,594	2,649
-1.1%	-5.6%	-0.9%	1.6%	1.9%	% Change	2.3%	2.3%	2.8%	2.7%	2.1%
36.82	34.36	34.26	34.84	35.11	Real Per Capita Personal Income (Thous. 2005 \$)	35.33	36.26	37.12	37.99	38.83
-3.7%	-6.7%	-0.3%	1.7%	0.8%	% Change	0.6%	2.6%	2.4%	2.3%	2.2%

Source: IHS Global Insight



# Market Overview

## Atlanta Travel & Tourism

The Atlanta metro area hosts an estimated 37 million visitors each year who spend approximately \$12 billion.

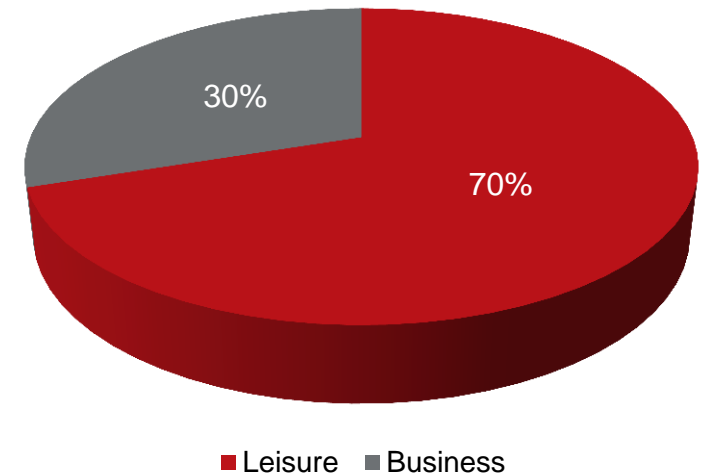
**Attractions:** Visitation to Atlanta has grown substantially as a tourism hub, thanks to its prominence in sports (Atlanta is home to six professional sports teams), and a growing number of restaurants, entertainment venues, and cultural attractions.

**International Tourism:** Atlanta's unique tourism offerings and excellent air access has made the city a top destination for international travelers. In 2010 the city was the twelfth most visited US city by international tourists<sup>†</sup>.

### Visitor Profile:

- Approximately 70% Business visitation and 30% Leisure
- Average party size was 1.9 people (2011)
- Average length of stay 2.4 days (2011)
- 2010 international visitation increased 25% from 2009, exceeding the national average of 11%. Conversations with market participants indicate this trends has continued through 2012 as well.

### Visitor Segmentation



### Atlanta Area Tourist Attractions

Attraction	Distance from Site (mi)
Centennial Olympic Park	0.33
Georgia Aquarium	0.38
World of Coca-Cola	1.16
CNN Center	0.24
Martin Luther King Jr. Historic Site	1.55
Atlanta Botanical Gardens	2.59
High Museum of Art	2.24
Zoo Atlanta	2.48
Fernbank Museum	4.22
Six Flags Over Georgia	8.74
Stone Mountain Park	14.91
Six Flags White Water	15.45

<sup>†</sup> US International Trade Administration

# Market Overview

## Tourism Infrastructure

Atlanta's location, prominence and infrastructure makes it one of the most accessible cities in the nation.

**Roadway:** Atlanta is one of the South's leading transportation hubs. With a comprehensive network of interstates that radiate out from the city center, Atlanta's interstate system offers easy access to cities throughout the region.

**Air:** Atlanta's airport is the world's biggest, and further expansion underway.

- Approximately 80 percent of the U.S. population is within a two-hour flight of Atlanta.
- Hartsfield-Jackson is the primary hub for Delta, the worlds' largest airline.
- Atlanta started a 6 billion Capital Improvement Plan in 2000, which has added a runway, upgraded the international terminal and brought a new car rental center. Further improvements are on the way to meet increasing demand.

Hartsfield-Jackson Atlanta International Airport		
Yaer	Passenger Traffic	% Change
2000	78,092,940	
2001	80,162,407	3%
2002	75,858,500	-5%
2003	76,876,128	1%
2004	79,087,928	3%
2005	83,606,583	6%
2006	85,907,423	3%
2007	84,846,639	-1%
2008	89,379,287	5%
2009	90,039,280	1%
2010	88,001,381	-2%
2011	92,389,023	5%
2012	95,513,828	3%
CAGR 2000-2012		1.6%



# Market Overview

## Atlanta Meetings and Conventions

Atlanta is a top-tier convention city, ranking among the top five convention destinations in the country. The Georgia World Congress Center (“GWCC”) is Atlanta’s primary convention facility. In addition to the GWCC, Atlanta is home to the Atlanta Convention Center and AmericasMart, Georgia International Convention Center, and numerous hotels with expansive meeting space for meetings.



### Georgia World Congress Center (GWCC)

The GWCC is Atlanta’s largest (and the country’s fourth largest) convention center, encompassing 1.4 million square feet of exhibit space, 106 meeting rooms, three auditoriums and two grand ballrooms.

The GWCC opened in 1976, and most recently added another 420,000 square feet of exhibit space as part of its Phase IV expansion, adding “Building C”.

Georgia World Congress Center (GWCC)			
Year	# Events	Total Attendance	% Chg
2005	333	1,052,040	
2006	352	1,380,617	31%
2007	333	1,570,639	14%
2008	312	1,312,453	-16%
2009	350	132,956	-90%
2010	331	1,098,328	726%
2011	259	1,134,442	3%
2012	258	985,257	-13%
CAGR	-3.1%	-0.8%	



### Georgia International Convention Center

The GICC is the city’s second largest convention center and is directly connected to Hartsfield-Jackson airport. The center has 150,000 square feet of exhibit space, a 40,000 square foot ballroom, 16,000 square feet of meeting space and over 400,000 square feet in all.

Georgia International Convention Center			
Year	# Events	Total Attendance	% Chg
2006/2007	4,951	380,159	
2007/2008	3,774	371,518	-2.3%
2008/2009	3,257	258,095	-30.5%
2009/2010	3,110	243,774	-5.5%
2010/2011	4,388	314,006	28.8%
CAGR	-2.4%	-3.8%	



### AmericasMart Atlanta

The AmericasMart facility brings together over 7.7 million square feet of trade center and wholesale trading space. The Mart hosts several trade shows every year including Market Wednesday, Atlanta Apparel, Atlanta Spring Immediate Delivery, and The Atlanta International Gift and Home Furnishings Market. The Mart brings tens of thousands of visitors to the city each year. The Atlanta Convention Center, within the Mart complex, has a total of 500,000 square feet of meeting space.

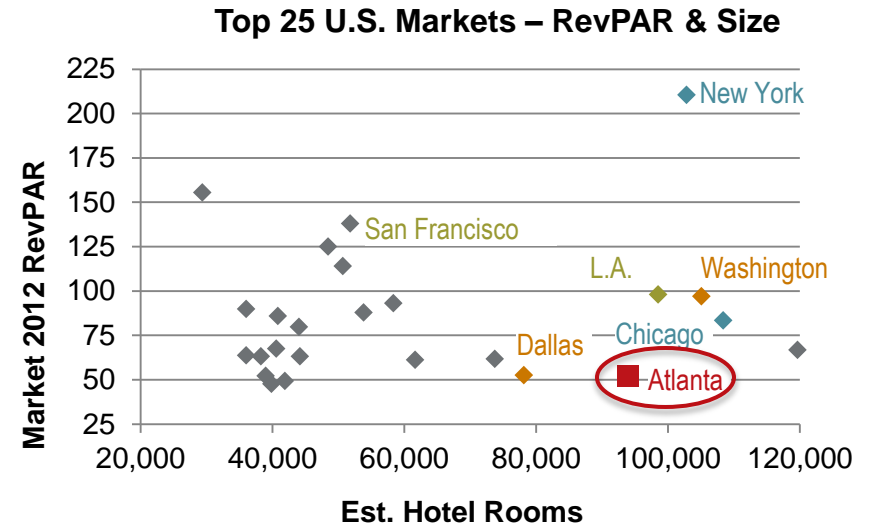
# Market Overview

## Atlanta Lodging Market

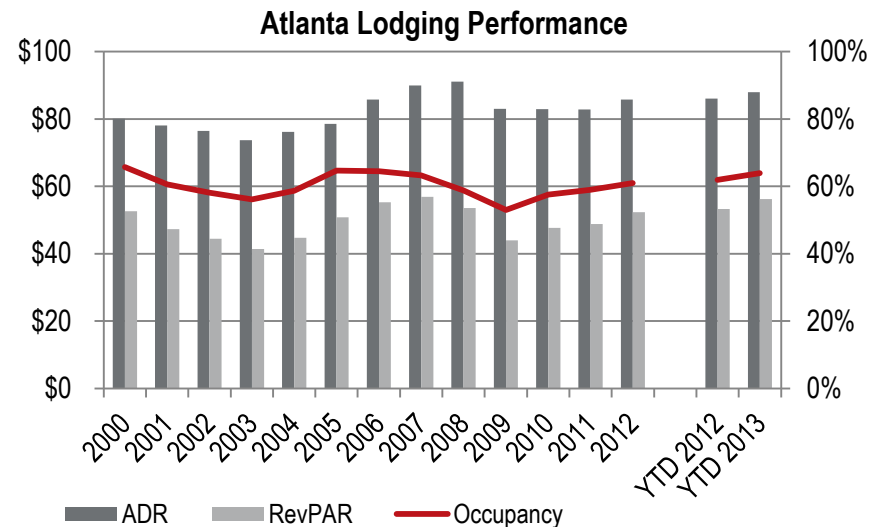
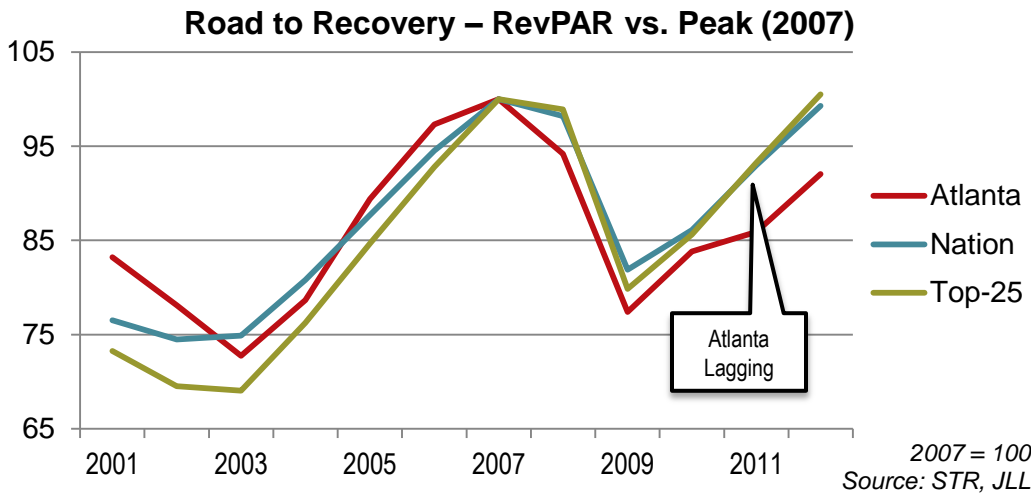
Atlanta's strong tourism draw, status as an economic hub and convention and meetings destination has made the city a top-tier travel destination.

**Top 25 Market:** The Atlanta market is one of the top 25 lodging markets in the U.S. as measured by RevPAR performance. The lodging market is the sixth largest in the nation registering 22<sup>nd</sup> in terms of RevPAR in 2012.

**Recent Performance:** The Atlanta lodging market saw contraction in terms of RevPAR in the early 2000s, before recovering between 2004 and 2007. The recent global economic recession led to a mild decline in 2008 before causing a 17.9% RevPAR decrease in 2009. Atlanta has begun rebounding slowly, trailing both the nation as a whole and an aggregate of the top 25 markets.



Source: STR, JLL



† TYD Figures as of June  
Source: STR, JLL

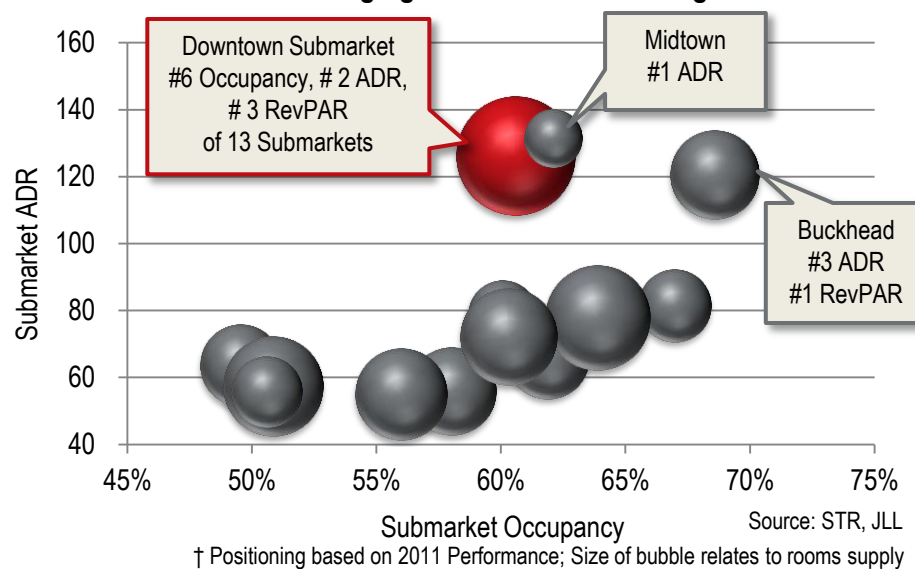
# Market Overview

## Atlanta Lodging Market (Cont'd)

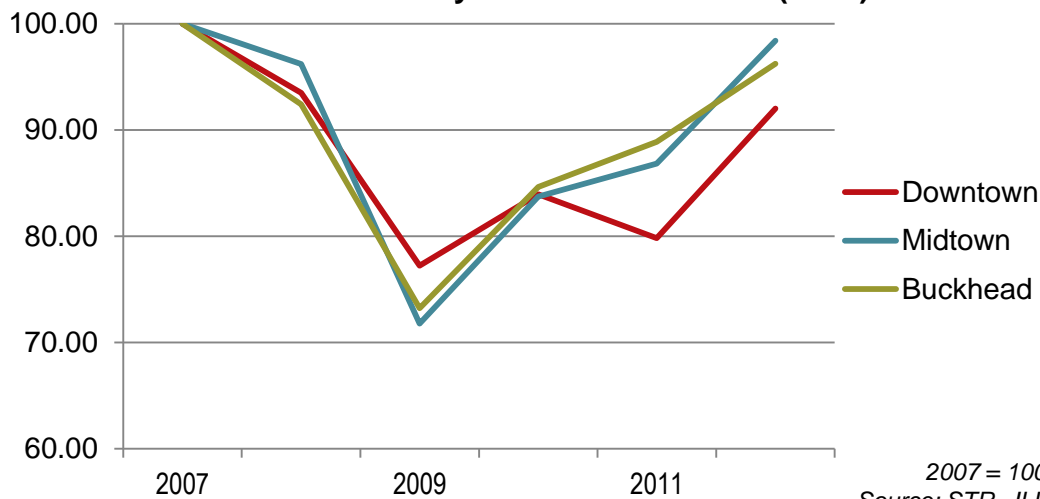
The Subject site is located within the Downtown lodging tract, which incorporates about 43 hotels totaling over 13,200 rooms.

- The Downtown tract has the second highest ADR in Atlanta, behind only Midtown. Part of this is due to these submarkets' concentration on Upper Upscale and Luxury hotels, which account for around 64% of the total room supply (compared to 45% for Buckhead and 55% in Midtown).
- Buckhead leads the market in RevPAR, due to high occupancies and a strong rate, followed by Midtown and Downtown. There is a sizeable gap between these three submarkets and the remaining markets.
- Similar to the Atlanta market overall, the Downtown submarket saw mild declines in RevPAR in 2008 at the onset of the financial recession, followed by a 17% RevPAR decline in 2009. Recovery has been somewhat tepid, with 2012 RevPAR still at an 8% discount to the 2007 peak (versus a 2% discount for Midtown and a 4% discount for Buckhead).

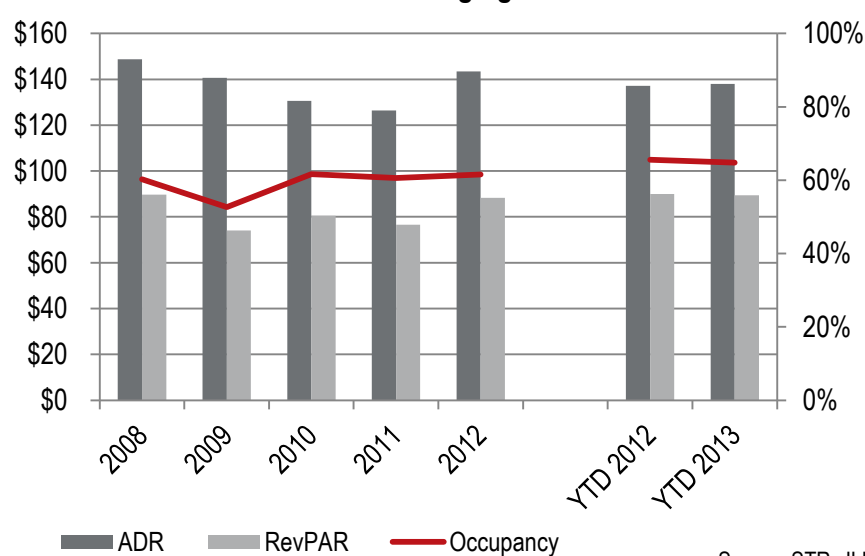
### Atlanta Lodging Submarket Positioning



### Road to Recovery – RevPAR vs. Peak (2007)



### Atlanta Downtown Lodging Tract Performance

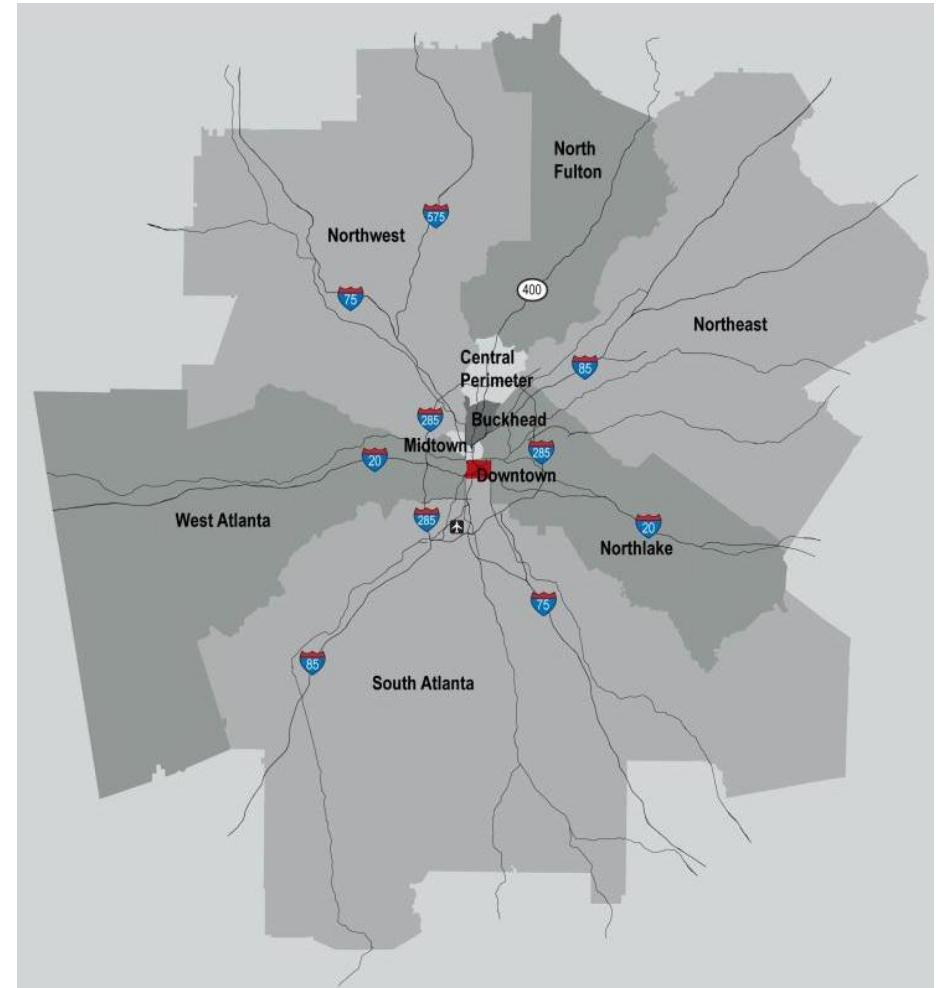


# Market Overview

## Atlanta Office Market

The Atlanta office market is comprised of three Urban markets (Buckhead, Downtown and Midtown), surrounded by seven Suburban markets.

- Local economic conditions have shifted from fledgling recovery to meaningful improvements. As companies add employees back to the payroll, they have shown more willingness to increase their real estate presence, especially in office-intensive sectors such as accounting, financial services and engineering.
- JLL's office professionals report increased touring and leasing activity in the first half of 2013, as well as an uptick in investment sales activity. Q2 2013 marked nine consecutive quarters of positive demand for Atlanta office space.
- A recent trend has emerged of tenant relocation from distant suburbs to the submarkets closer to in-town amenities. Buckhead, Midtown and Central Perimeter have shown particular pickup recently. This has mostly translated to fewer concessions for tenant improvements, with asking prices remaining relatively flat throughout the city.
- Though the office market is improving, overall vacancies are high compared to similar markets throughout the US. Atlanta has a relatively robust speculative construction market, due the availability of land sites, that keep long term occupancies higher than markets with higher barriers to entry and limited development sites.

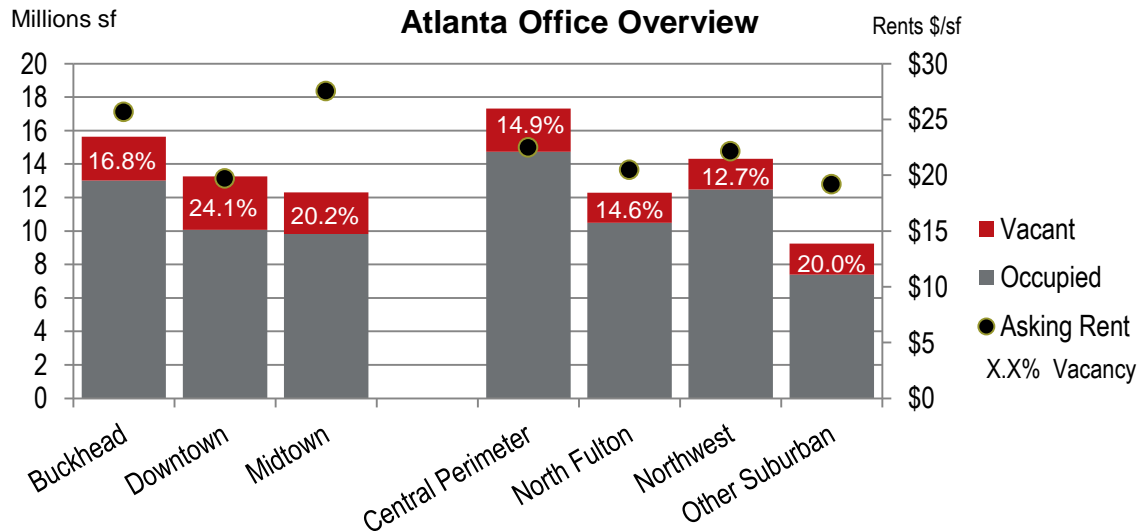


# Market Overview

## Atlanta Office Market (Cont'd)

The Downtown office submarket shows the highest vacancy and lowest asking rents of Atlanta's primary urban markets.

- The Downtown submarket has the fourth highest Class A office inventory in the Atlanta market, behind Central Perimeter, Buckhead and Northwest. It is the second largest of the three urban markets (Buckhead, Downtown and Midtown).
- Downtown office conditions have remained stagnant since before the recession, with vacancy stubbornly in the 20%+ range since mid-2004. Though it hosts some corporate giants, it is increasingly becoming dominated by government and non-profit organizations, as many services firms have departed for Midtown and Buckhead.
- Outside of Buckhead, Midtown and Central Perimeter, conditions are still relatively tenant friendly. The Downtown submarket remains the least expensive Class A tower space on a per square foot basis
- Notable developments in the Downtown market include Coca Cola's IT center consolidation (275,000 sf lease – Sun Trust Plaza Garden Offices) and Harland Clarke's relocation to a 33,500 sf space at Georgia-Pacific Center.

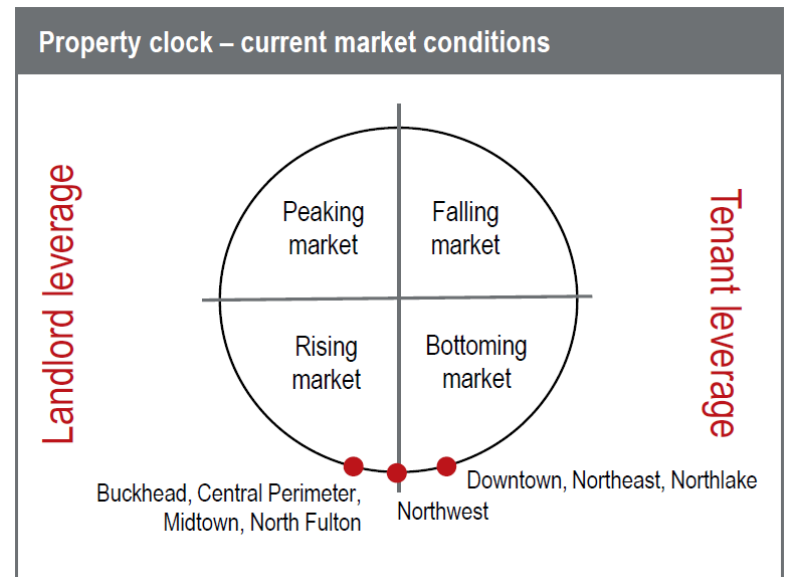


† at Q2, 2013; Class A space only

Source: JLL

Submarket leverage – market history and forecast					
Submarket	2012	2013	2014	2015	2016
Buckhead	Tenant-favorable	Balanced	Landlord-favorable	Landlord-favorable	Landlord-favorable
Downtown	Tenant-favorable	Tenant-favorable	Tenant-favorable	Tenant-favorable	Balanced
Midtown	Tenant-favorable	Tenant-favorable	Balanced	Landlord-favorable	Landlord-favorable
Central Perimeter	Tenant-favorable	Balanced	Landlord-favorable	Landlord-favorable	Landlord-favorable
North Fulton	Tenant-favorable	Tenant-favorable	Balanced	Balanced	Landlord-favorable
Northlake	Tenant-favorable	Tenant-favorable	Tenant-favorable	Balanced	Balanced
Northeast	Tenant-favorable	Tenant-favorable	Tenant-favorable	Tenant-favorable	Balanced
Northwest	Tenant-favorable	Tenant-favorable	Balanced	Balanced	Landlord-favorable

■ Landlord-favorable conditions   
 ■ Balanced conditions   
 ■ Tenant-favorable conditions



# Conventions Market



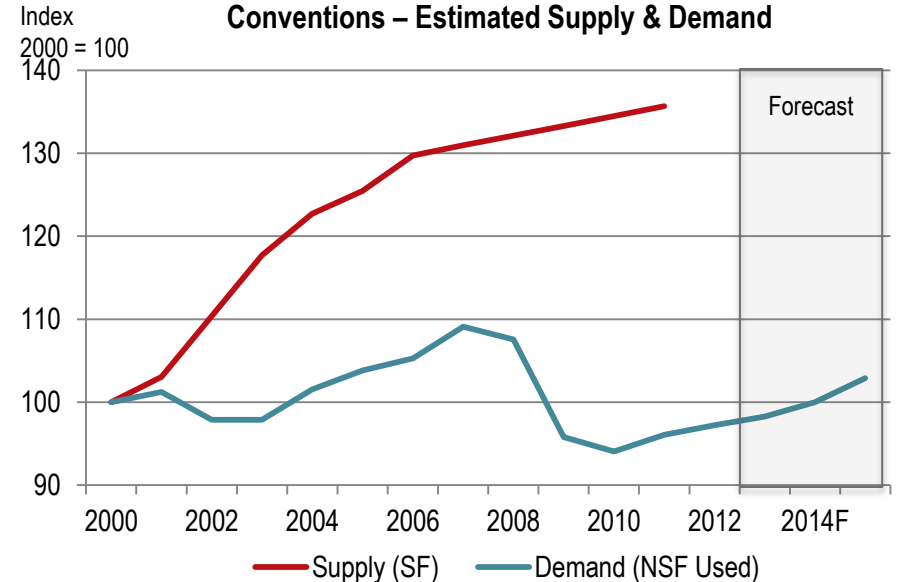
# Conventions Market

## Overall Exhibition Market

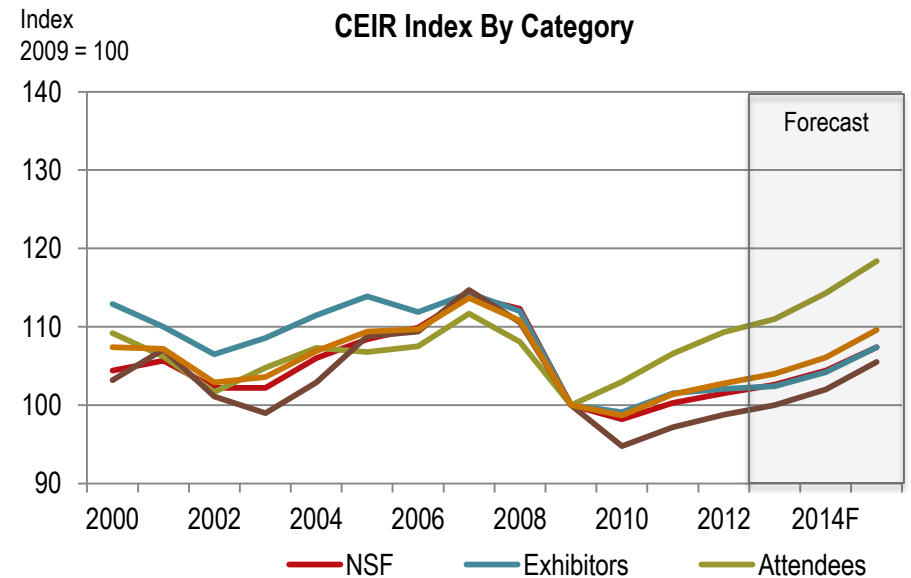
The exhibition business has grown steadily over the past few decades, with supply increasing at a CAGR of around 3.4% between 1986 and 2011. Demand has grown at nearly the same pace, at around 3.2% CAGR in the same period, roughly following patterns in the US economy.

- In the period from 2000 to the present, Demand for exhibition space has remained somewhat flat, showing a precipitous decline in 2009 and 2010 with the onset of the economic crisis. Supply, however, has continued to increase, as many cities saw attracting conventions and exhibitions as a panacea to economic troubles.
- From 2000-2011, the exhibition space in North America increased by an estimated 36%. Demand in the US, as measured by NSF used according to CEIR, decreased by 4% during the same period.
- Increased demand from about the mid-1990s through the early 2000s fueled increased supply, but even the worsening demand recently has led to more supply as more cities vie for exhibitions, and existing centers expand to become more competitive – hosting larger and/or simultaneous groups.
- The CEIR index for NSF used in 2012 was 101.5, just 3.3% above the trough in 2010, and 10.9% below the 2007 peak.
- Real Revenues (adjusted by the CPI) are just 4.2% above a trough in 2010 and remain 13.9% below the 2007 peak.
- Though the exhibition industry saw gains in 2012, the second half of the year was weak. The overall demand saw a 2.4% increase in the first half of the year, but a 0.1% decrease in the second half, according to CEIR, with notable weakness in the government vertical.

**Outlook:** CEIR expects the exhibition market to improve modestly in the coming years, along with an expected tepid macroeconomic improvement in the country. While the Financial/Legal/Real Estate and Building/Construction verticals are expected to outpace, Government and Education/Non-Profit verticals should show continued weakness. Supply increases are likely to also increase, based on the planned expansions and new development in the pipeline.



† Demand 2013+ forecast by CEIR Sources: Supply – Tradeshow Week, JLL; Demand CEIR



† 2013+ forecast by CEIR

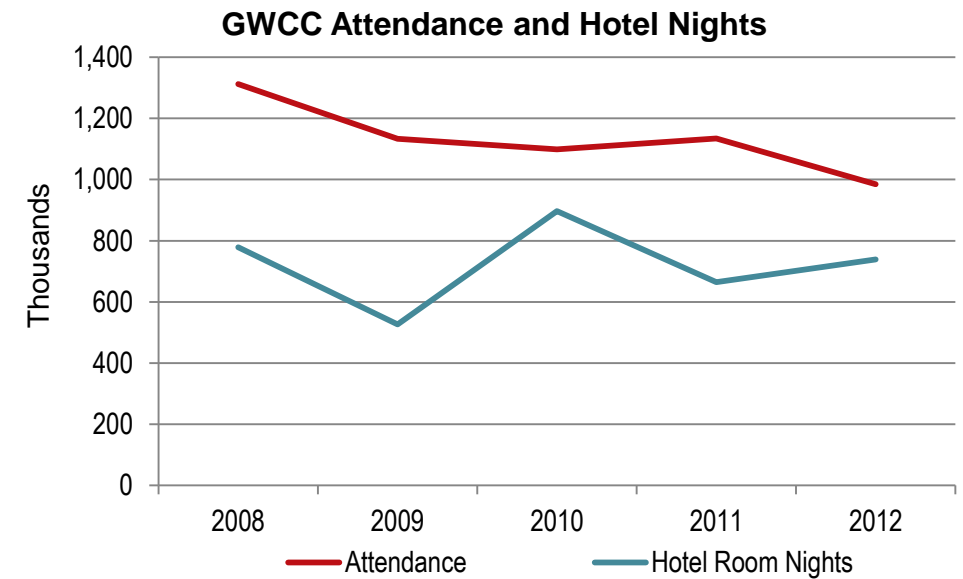
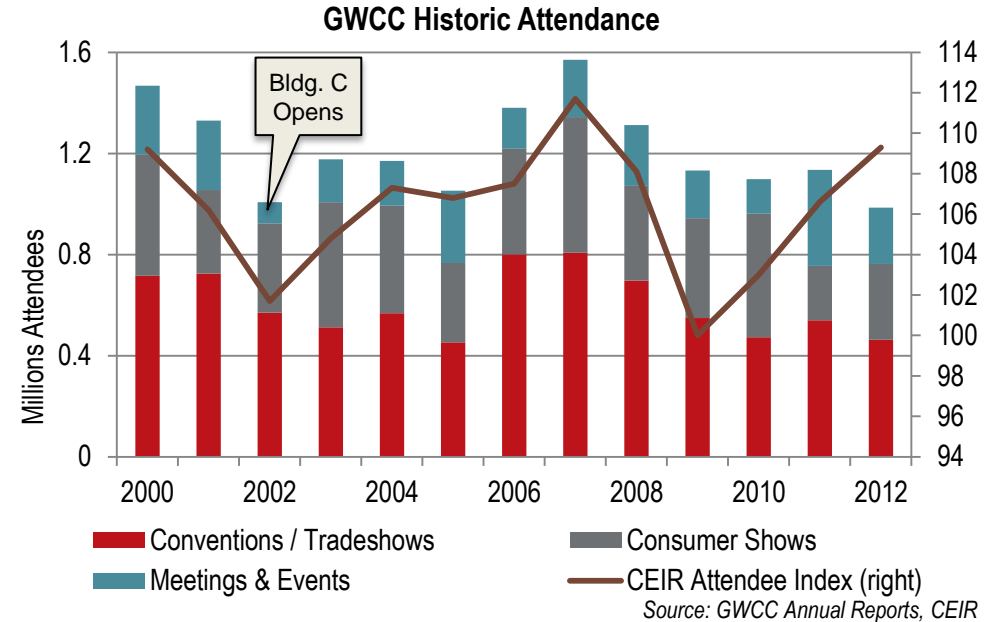
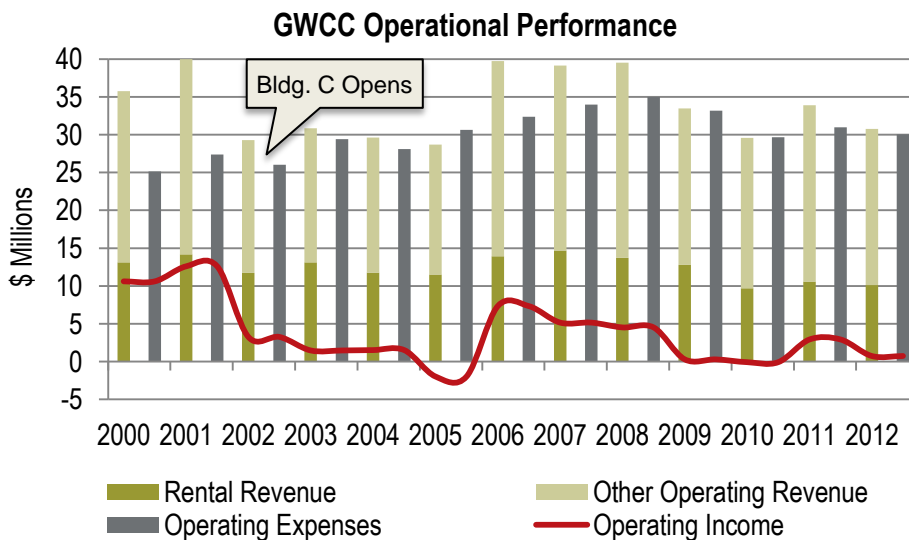
Source: CEIR

# Conventions Market

## GWCC Historic Performance

Attendance at the GWCC has generally followed the declining overall demand, as measured by the CEIR index, and increased supply.

- Overall attendance at the GWCC has decreased 32.9% from 2000 to 2012. The composition of attendance has remained relatively stable, with conventions accounting for nearly 50% of the total, followed by consumer shows at around 30%.
- Although industry attendance has shown improvement from 2009 to 2012, attendance at the GWCC has remained flat, with a marked decrease in 2012. This is likely due in part to increased supply, but may also indicate declining competitiveness.
- Although attendance has declined between 2008 and 2012, the hotel room nights generated by the GWCC have remained relatively steady.
- From a financial perspective, GWCC's Revenue has varied in line with the facility's utilization. Operating expenses have been more fixed causing NOI to vary from a high of 12.6 million in 2001 to a loss of \$2 million in 2005.



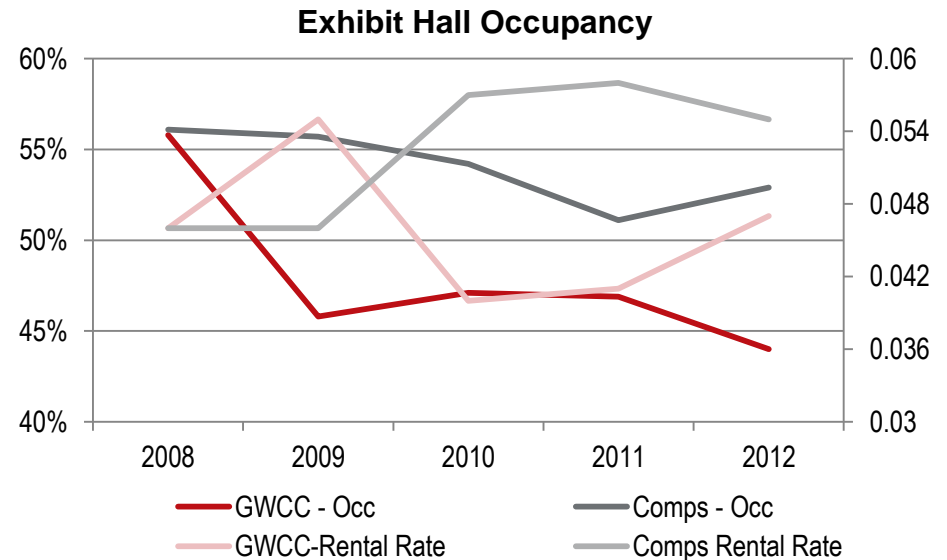
Room nights are for GWCC Convention center only

# Conventions Market

## Competitive Performance

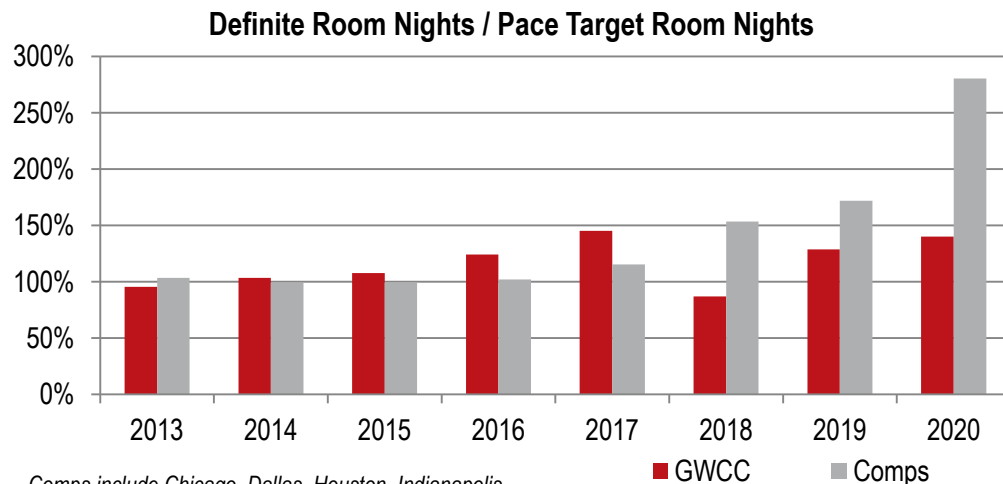
In order to assess the performance of the GWCC in relation to other competitive facilities, JLL analyzed competitive benchmark data compiled by Pricewaterhouse Coopers. The data compares the results of the GWCC with other centers with 500,000 square feet or more of exhibition space along various metrics.

- From 2008 to 2012, GWCC's occupancy has lagged that of other facilities. At the same time, the comps were able to increase effective rental rates from 4.6¢ to 5.5¢ / sf / day, while the GWCC remained relatively steady, increasing from 4.6¢ to 4.7¢.
- In terms of hotel room nights generated, the GWCC has fared better. Though the total room nights generated has declined slightly, hotel room nights per thousand attendees has shown improvement during the period. For the comps, there has been a deterioration in both total room nights generated, and room nights per thousand attendees.
- Looking at the GWCC's pace, definite room nights exceed targets every year except 2013 (slightly) and 2018, where pace is only 87% achieved. Compared to a comp set, GWCC looks strong for the 2014-2020 period, but weaker thereafter.



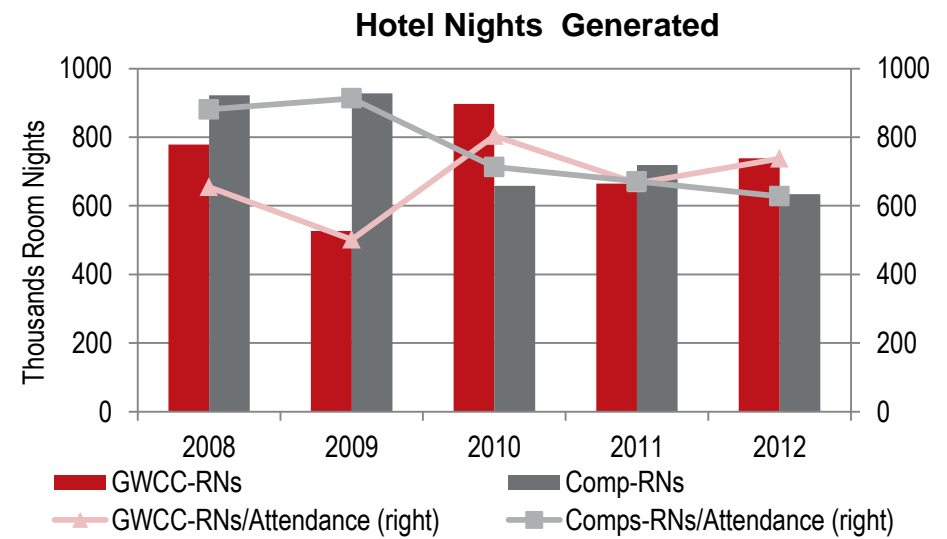
Comps include other Centers with 500,000 sf or more Exhibit Space  
Rental rates = \$ / sf / day

Source: PWC



Comps include Chicago, Dallas, Houston, Indianapolis, Orlando, San Antonio, Tampa Bay, Washington DC

Source: ACVB - TAP Report



RNs = Hotel room nights generated

RNs/ Attendance = Hotel room nights / 1,000 Exhibit Attendees Source: ACVB, PWC



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# Conventions Market

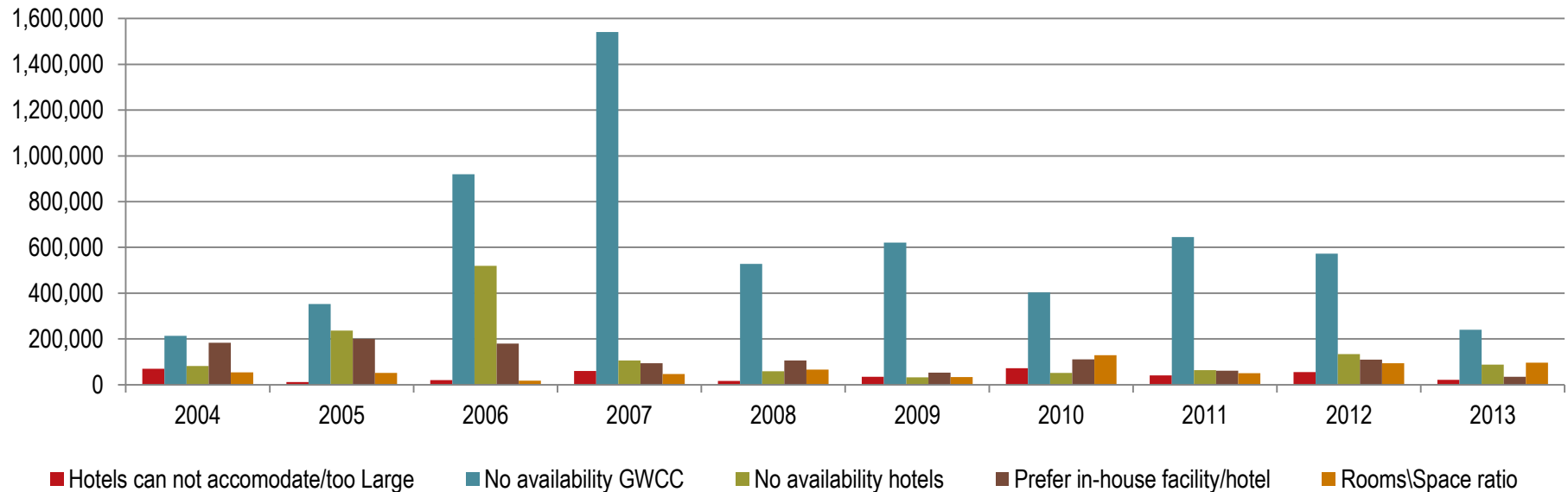
## GWCC Lost Business

In the face of increased exhibit competition, numerous convention center have added headquarter hotels to their facilities. Many of these facilities are direct competitors with the GWCC.

- In looking at the GWCC's lost business reports, the second and third most common reasons for events going elsewhere are "No availability hotels" and "Prefer in-house facility / hotel".
- Although GWCC space availability is the most significant reason for lost business, lack of hotel availability and "Prefer In-House Facility / Hotel" have accounted for over 26% of business lost.
- A new headquarter hotel at the GWCC would likely mitigate some of the "Prefer In-House Facility/Hotel" lost business and a small portion of the "No Availability Hotels" lost business.

Reason Lost	Avg. Room Blocks Lost 2004-2013
No Availability GWCC	603,938
No Availability Hotels	136,987
Prefer In-House Facility/Hotel	113,069
Rooms / Space Ratio	63,691
Hotels Can Not Accommodate – Too Large	40,235

**GWCC Room Blocks Lost by Reason**



Source: ACVB

# Conventions Market

## Competitive Room Stock Analysis

Competitive Set Hotel Stock Analysis									
Market	Center	SF Exhibition Space	Meeting Space	Rooms 1/2 mile	Per 1K sf Exhibit	Rank	Rooms 1 mile	Per sf Exhibit	Rank
Atlanta	GWCC	1,366,000	240,646	1,947	1.43	14	10,634	7.78	10
Chicago	McCormick Place	2,600,000	600,000	800	0.31	15	1,032	0.40	15
Dallas	Dallas Convention Center	929,726	143,429	3,607	3.88	10	6,715	7.22	11
Denver	Colorado Convention Center	584,000	185,000	6,445	11.04	5	7,854	13.45	7
Houston	George R. Brown Convention Center	862,000	185,000	2,178	2.53	11	5,053	5.86	12
Indianapolis	Indiana Convention Center	566,000	140,000	6,488	11.46	4	6,863	12.13	8
Nashville	Nashville Convention Center	118,675	91,500	3,003	25.30	2	3,823	32.21	2
New Orleans	Ernest N. Morial Convention Center	1,100,000	275,500	2,309	2.10	13	13,179	11.98	9
Orlando	Orange County Convention Center	2,053,800	479,200	4,482	2.18	12	11,685	5.69	13
Phoenix	Phoenix Convention Center	645,900	227,800	3,049	4.72	9	3,404	5.27	14
San Antonio	Henry B. Gonzalez Convention Center	440,000	203,000	8,321	18.91	3	12,578	28.59	3
San Diego	San Diego Convention Center	615,700	204,100	5,295	8.60	7	11,307	18.36	5
San Francisco	Moscone Convention Center	538,700	179,500	13,909	25.82	1	26,309	48.84	1
Tampa	Tampa Convention Center	200,000	379,646	2,176	10.88	6	2,791	13.96	6
Washington DC	Walter E Washington Convention Center	703,000	125,000	4,062	5.78	8	13,296	18.91	4

- In numerous surveys, meeting planners have consistently voiced the opinion that proximity of hotel rooms to the convention facility is of paramount importance, including a 2012 survey conducted by Watkins Research where 78.8% of respondents said “Proximity of overall hotel package to convention center” was Extremely Important (only “Best Overall Value” ranked higher).
- In looking at a competitive set of convention facilities, JLL notes that only Chicago has fewer hotels per 1,000 of exhibit space within a ½ mile and Atlanta ranked ten (of 15) for number of rooms / 1,000 sf exhibit space within a 1 mile radius of the convention center.
- A 920-room facility would be required for Atlanta to overtake New Orleans in the *Rooms w/in a ½ mile per 1,000 sf Exhibit Space* category, and over 5,700 to overtake that city in the 1-mile category.
- The addition of proximate room stock would likely improve Atlanta’s competitiveness in this important metric.

# Competitive Lodging Market

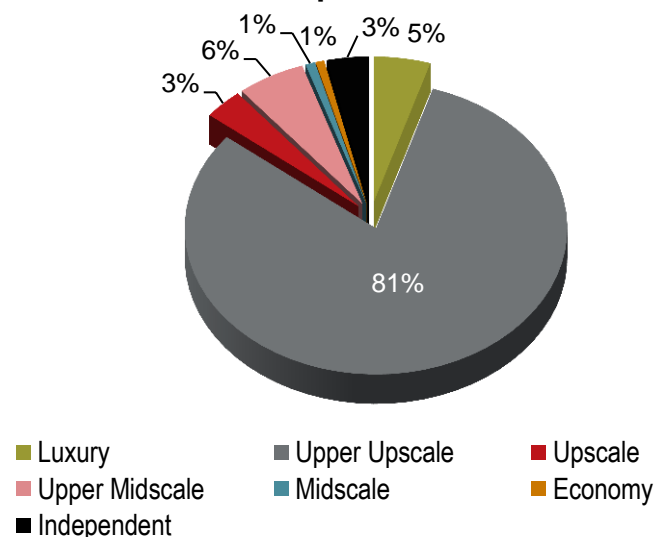
# Competitive Lodging Market

## Competitive Set

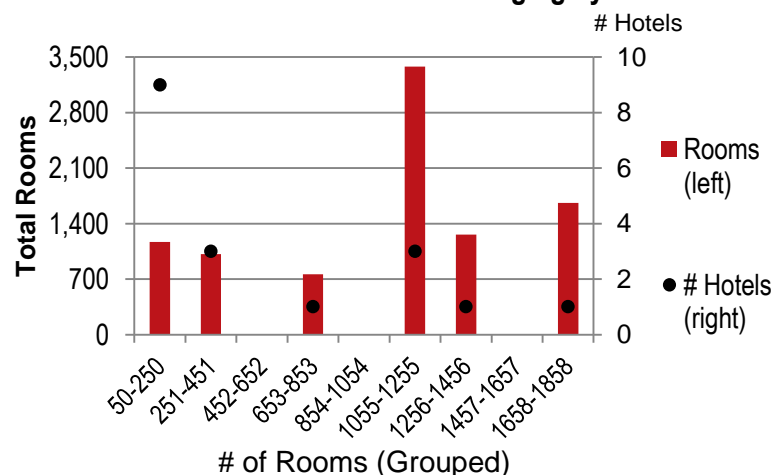
The current competitive lodging market in Downtown Atlanta is comprised of approximately 13,200 hotel rooms, around 9,250 of which are in the Downtown Core (30303 zip code). Based on the location of the project in Downtown Atlanta, and the anticipated quality and size of the Subject, JLL identified six hotels which form the Competitive Set. This group was selected based on the following criteria:

- **Location:** All hotels were located in the Downtown Core, which is expected to be the Subject's primary competitive market.
- **Positioning & Branding:** The hotels in the competitive set are positioned in the Upper Upscale chainscale†
- **Size & Facilities:** These six hotels are the largest in the competitive market and most represent the hotels that would compete with a HQ hotel for convention lodging demand, as well as downtown's transient demand. Additionally, these six hotels account for the majority of meeting space in the downtown market and have a group demand orientation. These six hotels account for 76% of the hotel rooms in Atlanta's Downtown Core.

**Atlanta Downtown Core Lodging Composition**



**Atlanta Downtown Core Lodging by Size**

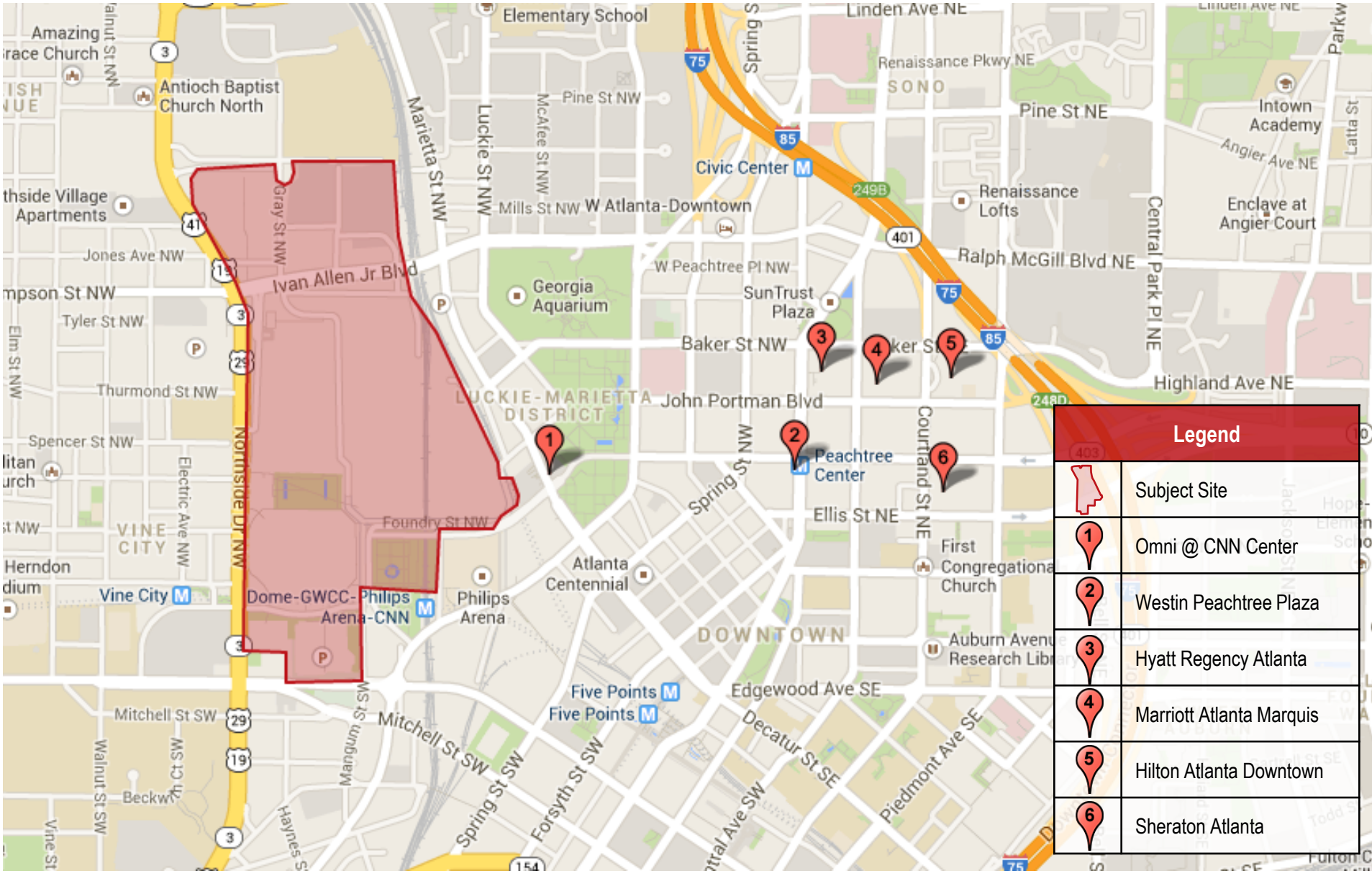


Competitive Set						
Map ID	Hotel Name	Positioning†	Open Date	Total Meeting Space	Meeting Space / Room	Rooms
1	Omni @ CNN Center	Upper Upscale	Jun-74	120,000 sf	112 sf	1,070
2	Westin Peachtree Plaza	Upper Upscale	Jun-76	80,000 sf	75 sf	1,068
3	Hyatt Regency Atlanta	Upper Upscale	Jun-67	180,000 sf	143 sf	1,260
4	Marriott Atlanta Marquis	Upper Upscale	Jul-85	160,000 sf	96 sf	1,663
5	Hilton Atlanta Downtown	Upper Upscale	Aug-76	119,000 sf	96 sf	1,242
6	Sheraton Atlanta	Upper Upscale	Jun-65	90,000 sf	118 sf	763
Total						7,066

† As defined by Smith Travel Research (STR)

# Competitive Lodging Market

## Competitive Set Location



Legend	
	Subject Site
	Omni @ CNN Center
	Westin Peachtree Plaza
	Hyatt Regency Atlanta
	Marriott Atlanta Marquis
	Hilton Atlanta Downtown
	Sheraton Atlanta



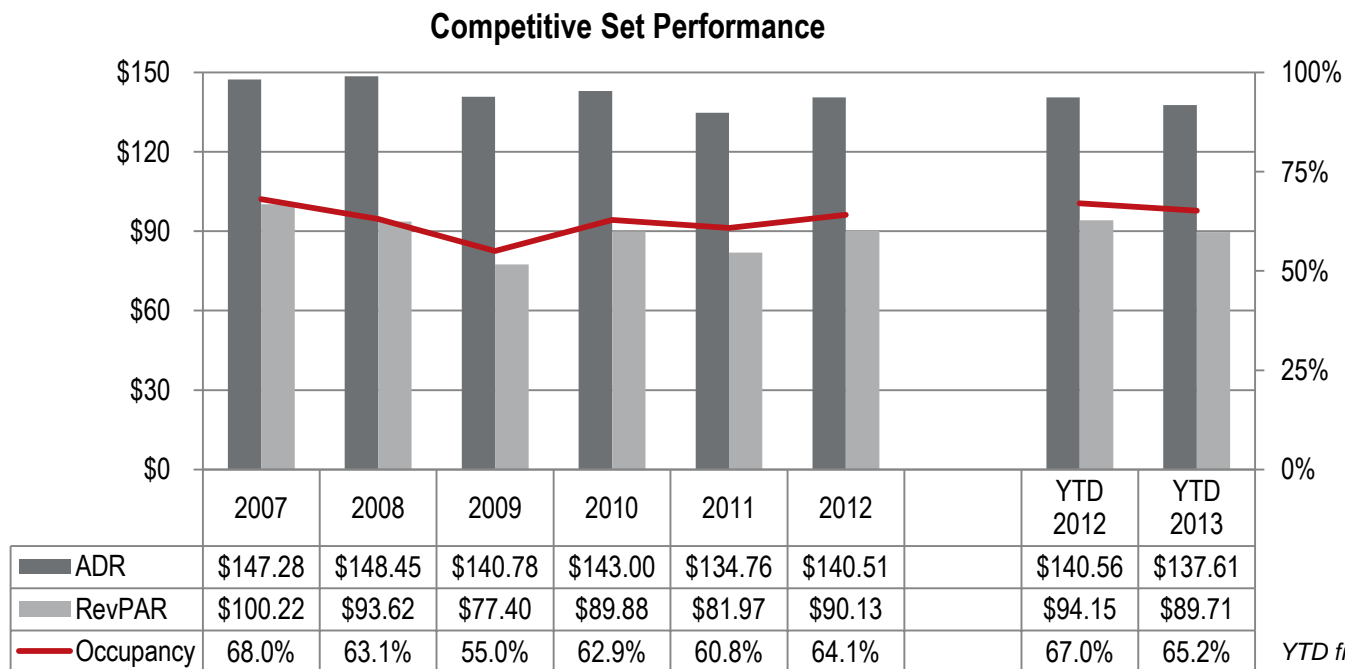
# Competitive Lodging Market

## Competitive Set Facilities Matrix

Competitive Set Facilities Matrix						
	Omni @ CNN Center	Westin Peachtree Plaza	Hyatt Regency Atlanta	Marriott Atlanta Marquis	Hilton Atlanta Downtown	Sheraton Atlanta
Year Opened	6/1/1974	6/1/1974	6/1/1967	7/1/1985	8/1/1976	6/1/1965
AAA Rating	◆◆◆◆	◆◆◆	◆◆◆	◆◆◆	◆◆◆	◆◆◆
Chainscale	Upper Upscale	Upper Upscale	Upper Upscale	Upper Upscale	Upper Upscale	Upper Upscale
Rack Rate	\$119 - \$999	\$209 - \$229	\$110 - \$270	\$189	\$209 - \$249	\$159 - \$299
Total Guest Room	1,070	1,068	1,260	1,663	1,242	763
Suites	58	40	58	94	25	13
Suite Ratio	5.4%	3.7%	4.6%	5.7%	2.0%	1.7%
Meeting Space	120,000	80,000	180,000	160,000	119,000	90,000
# Rooms	45	53	52	84	48	42
Largest Space	19,864	15,120	39,000	28,281	41,000	15,081
Total SF / Key	112	75	143	96	96	118
F&B	Prime Meridian (B,L,D) Latitudes Bistro (L,D) Morsel's Coffee Shop	Sunbar (L,D & bar) The Café (B,L,D) Lobby Bar Starbucks Coffee Bar	Sway (B,L,D) Twenty-Two Storys Market (24hr snacks) Plans to open revolving rest. on top floor	Sear (B,L,D) High Velocity (L,D) Pulse Bar M-Store (grab & go) Starbucks	Southern Elements (B,L,D) Nikolais Roof (D) AAA ◆◆◆◆ Trader Vic's (D) Marketplace (Grab&Go) Point of View Lounge Mai Tai Bar	The Deli (B,L) Collage (B,L) Fandangles Restaurant & Bar (D)

# Competitive Lodging Market

## Competitive Set Performance



YTD figures as of June  
Source: STR, JLL

Although the competitive set has improved from its 2009 lows, it remains below its peak 2007 performance.

- Occupancy:** During the peak years, the Competitive Set averaged occupancy rates in the high 60s. With the recent economic downturn, occupancy dropped to 55% in 2009 (after a 12.7% decrease in demand), before recovering to 64% by 2012, still below its prior peak. Year to date figures show a disappointing 2.6% deceleration in demand, bringing YTD occupancy to 65% from 67% during the same period in 2012.
- ADR:** From a rate perspective, ADR also peaked in 2007, at \$147. The recession brought steep discounts to rate as hoteliers competed on price to attract the limited market demand. ADR decreased 5.2% in 2009, flattened in 2010 before showing further decreases in 2011. Although rate showed some life in 2012, year to date figures show further weakness as citywide convention activity has continued to be stagnant in the first half of the year.
- RevPAR:** The competitive set's RevPAR performance reflect the general negative effects of the recession on the lodging industry in general; however, the Competitive Set's recovery has been unpromising. RevPAR in 2012 stood at 90% of its level in 2007, below the Downtown market as a whole (92%), Atlanta (92%), the nation (99%) and other Top-25 markets (100%). This is a reflection of the difficulty hoteliers having in gaining pricing power, due to their size, in slower convention years and when Group demand is generally weak.

# Competitive Lodging Market

## Seasonality & Day of the Week Analysis

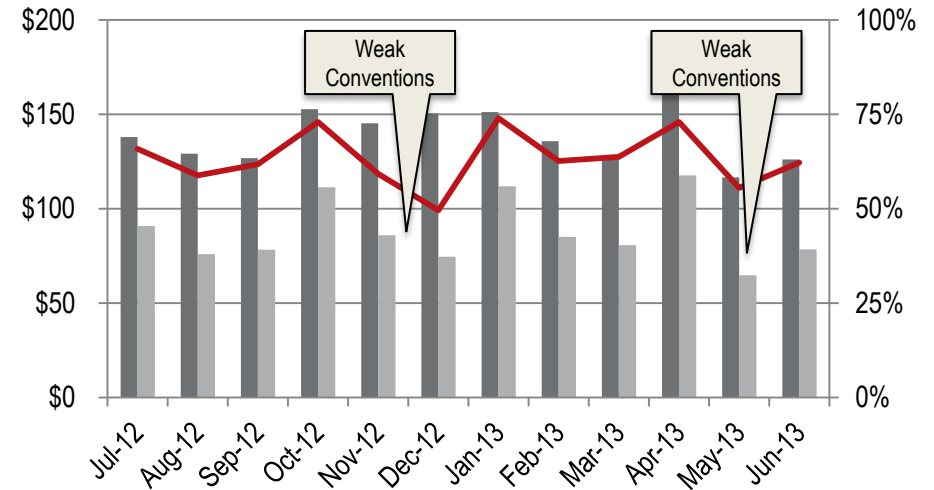
### Seasonality

- Seasonality in the Downtown submarket shows weak performance during typical slow periods for a primarily corporate and group market. Weak periods tend to cluster around holidays (as seen in December), typical school breaks (summertime) and “back to school” time.
- The seasonality of convention activity, with notable high periods in March and July and low periods in May, November and December, also impacts the seasonality of the Competitive Set.

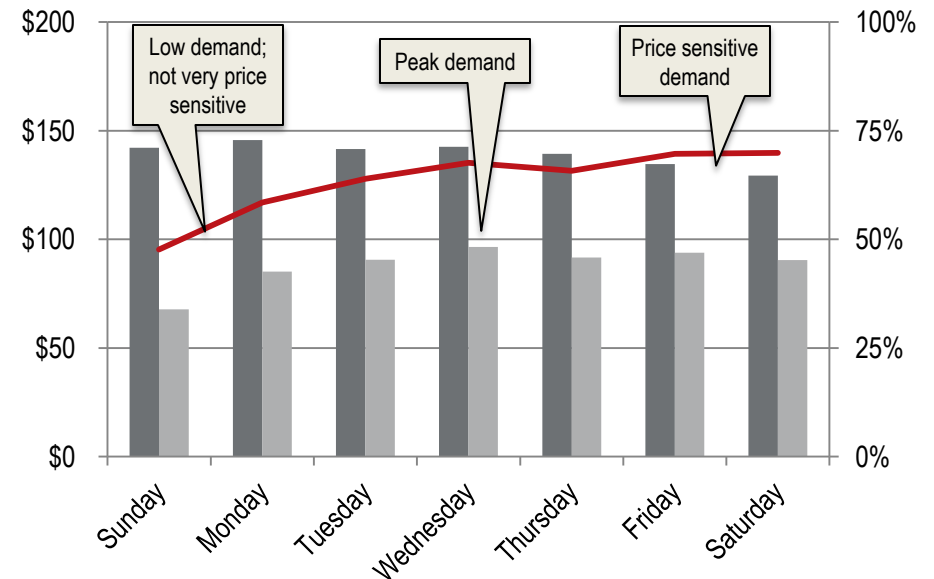
### Day of the Week

- Occupancy in the competitive set tends to be stronger during the middle to end of the weeks and weekends. Typically, in a strong group / corporate market such as the Downtown submarket, Sunday and Mondays nights show the lowest demand. Most group events and corporate meetings take place mid-week and transient leisure demand tends to cluster around the weekends - Friday and Saturday nights.
- As would be expected, ADR in the competitive market is higher during the week when these large hotels have higher demand from the group segment., and transient demand is primarily generated from the higher-ADR corporate segment. In order to attract demand during the weekends the Competitive set decreases its ADR to remain competitive. Over the trailing twelve months, the Competitive Set discounted rates by 6% on Fridays and 9% on Saturdays, compared to the average Wednesday ADR.

Competitive Set Seasonality



Competitive Set Day of the Week Analysis



# Competitive Lodging Market

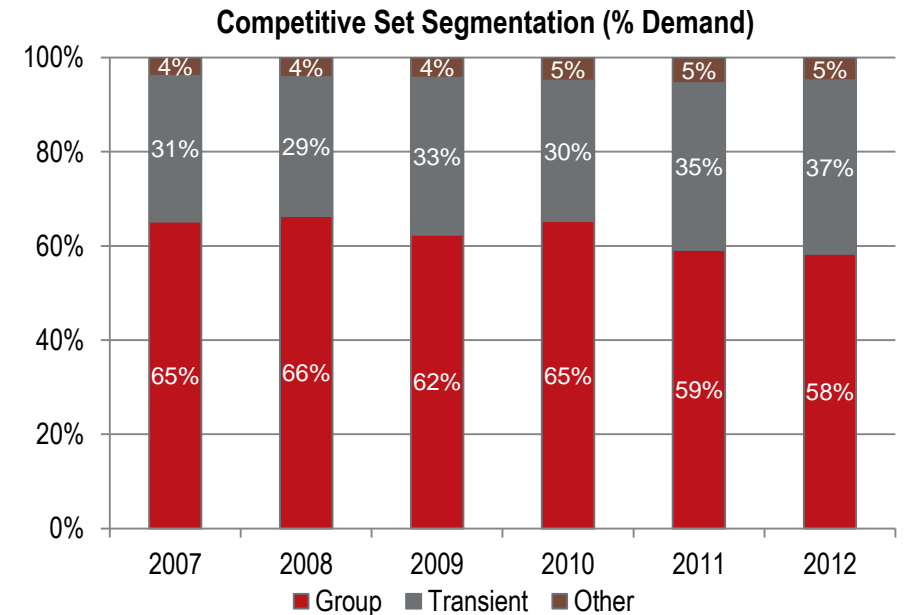
## Competitive Set Segmentation

Using segmentation data from the Competitive Set, we see how the demand profile of the market has changed since 2007, in response to changing economic conditions and convention activity.

- Group:** Group demand has decreased from around 65% of the total demand in 2007, to just 58% in 2012. The decrease is a result of a weakening convention calendar (2007 was a peak year in terms of Conventions and total attendance at the GWCC, and 2012 was one of the worst), as well as softening of non-convention group business among the Competitive Set (especially during the height of the economic crisis in 2009). From a rate perspective, however, the Group segment has shown surprising resilience with a 4.9% variation between the high and low for the period studied ( $[\text{High} - \text{Low}] / \text{Low}$ ).
- Transient:** The Competitive set is oriented toward attracting Group demand, given their facilities and location, and Transient demand is used primarily to fill remaining gaps. ADR for the segment is much more variable, at 18.2% variation between the high and low. This variation is due to operator's necessity to flex rates to attract the more limited transient demand. As the Group component accounts for a lesser percent of total demand (such as in 2011 & 2012), Leisure rates are forced lower. Contrary to many markets, where inventory is sold to the Group segment at a discount, leading to "compression" and higher transient rates, in Downtown the Transient segment sells at a discount to Group.
- Outlook:** The Group segment relies significantly on the convention market and the ability of the GWCC to attract a significant number of attendees. Hoteliers seem to be able to fill the remaining demand with their own groups at reasonable rates (though group demand remains tepid across the country).

Competitive Set Segmentation								
Group	2007	2008	2009	2010	2011	2012	YTD 2012	YTD 2013
Occupancy	44.4%	41.9%	34.3%	41.0%	36.0%	37.4%	40.7%	36.5%
ADR	152.13	155.01	151.53	153.96	147.71	154.68	153.43	151.81
RevPAR	67.52	64.91	52.01	63.20	53.13	57.89	62.50	55.43
Transient	2007	2008	2009	2010	2011	2012	YTD 2012	YTD 2013
Occupancy	21.0%	18.6%	18.3%	18.8%	21.6%	23.6%	23.0%	25.8%
ADR	148.40	146.36	130.88	133.24	125.56	129.12	129.68	126.64
RevPAR	31.24	27.20	23.96	24.99	27.08	30.53	29.87	32.63
Other	2007	2008	2009	2010	2011	2012	YTD 2012	YTD 2013
Occupancy	2.6%	2.6%	2.3%	3.1%	3.3%	3.1%	3.2%	2.9%
ADR	55.98	58.06	60.75	55.62	53.40	55.79	55.27	56.66
RevPAR	1.46	1.51	1.43	1.70	1.76	1.72	1.77	1.65
Total	2007	2008	2009	2010	2011	2012	YTD 2012	YTD 2013
Occupancy	68.0%	63.1%	55.0%	62.9%	60.8%	64.1%	67.0%	65.2%
ADR	147.28	148.45	140.78	143.00	134.76	140.51	140.56	137.61
RevPAR	100.22	93.62	77.40	89.88	81.97	90.13	94.15	89.71

Source: STR Analytics



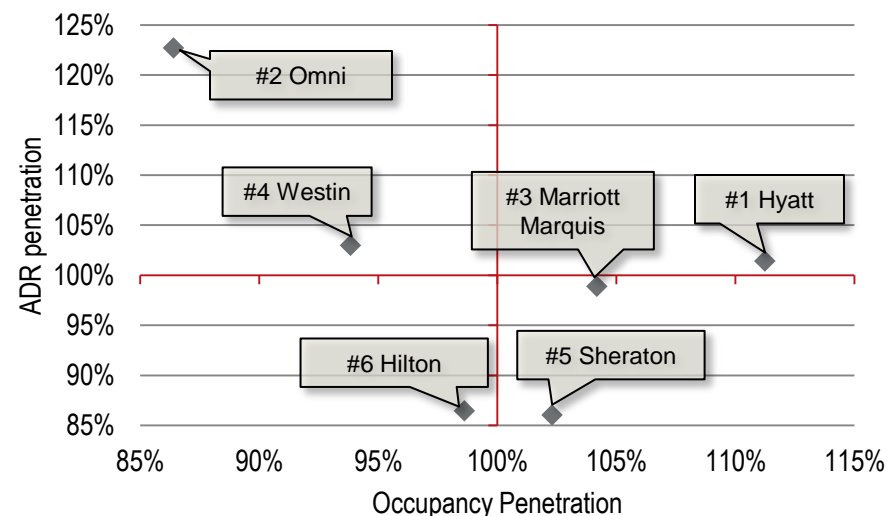
# Competitive Lodging Market

## Competitive Positioning

Based on the historic performance of the hotels in the Competitive Set, JLL estimated the positioning of each in terms of Occupancy and ADR penetration.

- Although the Hyatt is currently shown in the top RevPAR position, the ranking of the Omni is quite dependent on the convention calendar. In years with a strong convention schedule, the Omni is typically the top hotel in terms of RevPAR. The Omni historically over-penetrates the market in terms of ADR, while having the lowest Occupancy penetration. This is indicative of its ability to charge comparatively higher rates for GWCC events due to its proximity to the facility. The hotel maintains rate consistency when there is little to no convention activity, resulting in an under-penetration in Occupancy, as the hotel's location is subpar during non-convention times.
- The Hyatt, with 143 sf of meeting space per room typically fills its hotel with non-GWCC groups during weak convention years, due to its high quality and ample meeting space. Hyatt also enjoys the best location for transient corporate and non-convention group demand.
- The Westin also enjoys a privileged location proximate to Downtown's main Marta stop and along Peachtree St., as indicated by its over-penetration in rate. However, it has had difficulty attaining its fair share in terms of Occupancy.
- The Marriott Marquis enjoys above average occupancy penetration thanks to Marriott's strong distribution system and the hotel's excellent group facilities. However, due to its size, this comes at a slightly lower ADR.
- The Sheraton and Hilton have inferior locations, resulting in under-penetration in terms of RevPAR.

Competitive Set Estimated Positioning



† Positioning estimated based on hotels' historical penetration; # = RevPAR Rank

Source: JLL

# Site Analysis & Recommendations

# Site Analysis & Recommendations

## GWCC Facility

The GWCC campus is managed by the Georgia World Congress Center Authority, which is a state-owned entity. The facility includes three Components:

**GWCC Convention Center** The GWCC Convention Center (called GWCC in this report) is the fourth largest convention center in the US. The facility is comprised of a 1,726-seat auditorium, two ballrooms totaling 58,722 square feet, nearly 1.4 million square feet of exhibition space and over 240,000 square feet of meeting space.

Building	Exhibit Space	Meeting Space
Building A	340,000	66,112
Building B	607,500	113,173
Building C	418,500	61,391
<b>Total</b>	<b>1,366,000</b>	<b>240,676</b>

**Georgia Dome** The Georgia Dome is home to the Atlanta Falcons, the Georgia State NCAA football team, as well as numerous other sporting events, concerts and meetings. In 2012, the Georgia Dome had nearly 1.4 million event attendees. Roughly 25% of these attendees are from out of state, depending on the event calendar.

The GWCC is planning on developing a new Georgia Dome, which will relocate the facility within the GWCC Authority campus, either slightly to the south of it's currently location, or north of the GWCC convention center. The new Dome will be ready for 2017's football season.

**Centennial Olympic Park** This park is a 21-acre public park developed in 1996 for the Olympics held in the city that year. It is a popular venue for concerts, celebrations, as well as enjoying the green space and playing in the fountain.





# Site Analysis & Recommendations

## GWCC Authority Campus Map

GWCC Convention Center

Centennial Park

Georgia Dome



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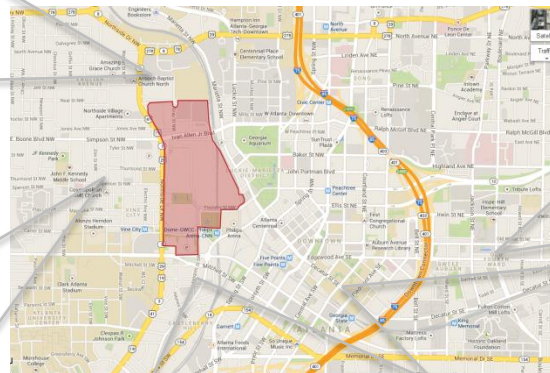


# Site Analysis & Recommendations

## Site Analysis

The GWCC is located in the western portion of the Downtown submarket, bound by Marietta St NW to the East, John St NW to the North, Northside Drive NW to the West and Phillips Arena and Martin Luther King Blvd to the South.

- **Access:** The GWCC has good access along Northside Drive on the west. This access point is key for arrival and departure of buses, away from the traffic of downtown. There is also an entry along Andrew Young International Boulevard for cars and pedestrians. Directly to the south of the site is a Marta (Atlanta's mass transit train) station, however it is on the East/West Blue line, one stop west of the Five Points Station, which connects the East/West line with the more populous North/South line, necessitating a train change for those coming from the airport, or the upscale submarkets to the north (such as Buckhead and Midtown).
- **Visibility:** Visibility at the site is fair. As it is located at the western side of Downtown, it is less visible by visitors to the CBD or the Luckie-Marietta district. Generally, the facility is visible to those who pass along Marietta St. NW, though most demand drivers remain east of Marietta St..
- **Proximity to Demand Drivers:** The Site is proximate to the demand drivers in the Luckie-Marietta district, including Centennial Olympic Park, The Georgia Aquarium, World of Coca Cola, the under-construction College Football Hall of Fame and the Imagine It! museum. However, Atlanta's CBD core is centered along Peachtree Street, which is several blocks from the Subject site, with numerous proximate hotels. Therefore JLL opines that it would be somewhat difficult for the Subject hotel to compete for corporate (non convention) groups and transient corporate demand.
- **Surrounding Area:** The GWCC campus is bordered by the Luckie Marietta district to the east, a primarily industrial area to the north, a primarily lower-income housing area to the west, and low-rise residential and undeveloped land to the south.





# Site Analysis & Recommendations

## Neighborhood Analysis

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Atlanta's downtown has been transformed over the past twenty years, beginning with the hosting of the Olympics in 1996, which brought massive development to the city, including hotels, parks and venues. Downtown saw a significant improvement in walkability, the addition of one of the city's nicest and most popular parks, and improvement of lower-income housing (such as Techwood homes).

Subsequent to the Olympics, numerous attractants to Downtown have been developed, including:

- Centennial Park West (2000)
- Georgia Aquarium (2005)
- World of Coca-Cola (2007)
- Expansion of the AmericasMart (2008)
- National Center for Civil and Human Rights (U/C)
- College Football Hall of Fame (U/C)

Despite the improvements, Downtown still lacks a vibrant city life. The downtown core has a limited amount of residential uses, most of which is centered proximate to Georgia State in the eastern part of the market. Additionally, beyond the downtown core to the west there is an area of lower income residential, and to the north a primarily industrial area until you reach the western part of Midtown and Georgia Tech. This has led to limited life after dark, except for the Luckie Marietta district and along Peachtree St.

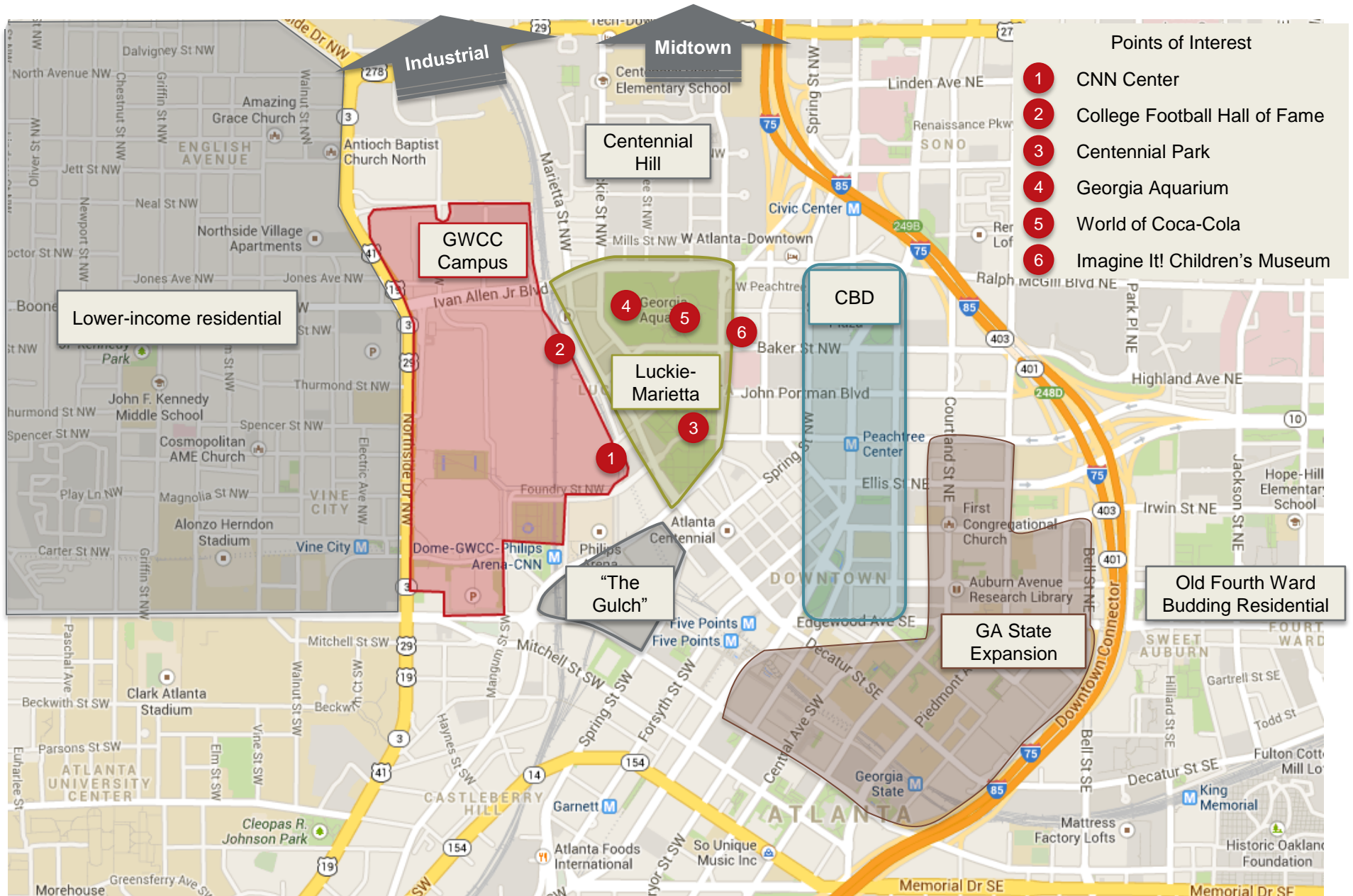
### Recent Neighborhood Developments:

In addition the College Football Hall of Fame and National Center for Civil and Human Rights being developed, there are several notable Real Estate movements:

- **Office:** Coca-Cola's IT center will consolidate from multiple locations, bringing 2,000 jobs Downtown as the hometown company has signed a 275,000-square-foot lease for a 10-year term at SunTrust Plaza's Garden Offices.
- **Ga. State:** The College is expanding with a billion dollars to be spent on Real estate. Some speculate that the Sheraton Hotel, which is in the Competitive Set, could be a target for the school. The expansion of dorm space in the area should allow for more urban "life", and retail, dining and entertainment (RD&E) is sure to follow. Unfortunately this area is removed from downtown's fledgling RD&E region of Luckie-Marietta, with the CBD splitting the city's two entertainment cores.
- **Hotel:** Possible 150-room hotel (possibly a Hyatt House) development announced proximate to Ga. Aquarium. Additionally, the former Days Inn in downtown is to become an Aloft after a \$25 million renovation.
- **Ga. Dome:** As mentioned earlier, the Ga. Dome is due to be relocated either to the North of the GWCC or just South of it's current location.

# Site Analysis & Recommendations

## Neighborhood Map



# Site Analysis & Recommendations

## Strategic Recommendations

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**Size:** There are two opposing inclinations affecting the sizing of the hotel. On one hand, a larger facility would allow the GWCC to control a larger dedicated block of rooms as well as provide superior NOI margins. On the other hand, the downtown lodging submarket is currently amply supplied with hotels, as evidenced by relatively low RevPAR. Additionally, while not controlled by the GWCC, the 1,070-room Omni hotel is adjacent to the GWCC convention center and essentially serves as the headquarter hotel. JLL therefore recommends a hotel from 800-1,200 keys. We have modeled our analysis on a 1,000 room property.

- Allows for strong NOI margins and ROI.
- Establishes critical mass.
- Combined with the Omni, allows for 2,070 hotel rooms connected to the GWCC convention facility.

**Omni Hotel:** The 1,070-room Omni is adjacent to the GWCC facility, proximate to the A Building. It is generally considered the “headquarter hotel” by most meeting planners. One strategic disadvantage for the GWCC is that it does not directly control the room block. It may make sense to inquire about the purchase of the Omni. Although this would not increase the proximate room stock, it would have a less drastic effect on the local lodging market, is already built and would give GWCC control over the room block. Additions to the hotel could be considered after any such purchase. Based on recent activity in the market, hotel transactions have happened below replacement cost, connoting that it may be more cost-effective to buy rather than build.

**Financial Structure:** Based on the dynamics of the market, the development of the Subject hotel would likely require some type of incentive or subsidy from public coffers. Although JLL did not analyze the financial feasibility of the Subject hotel, its development is unlikely to prove feasible without this assistance. Additionally, JLL believes it may be difficult to attract a third-party Joint-Venture investor, while leaving the room block in the control of the GWCC, as a third-party investor may believe this to be a conflict of interest.

**Next Steps:** In accordance with our consulting agreement, JLL has considered the top-line performance of a new HQ Hotel. However, GWCC will need to consider the operating performance of the property, as well as the cost to construct such a facility before it makes a final determination.

# Site Analysis & Recommendations

## Location Recommendation

JLL recommends that the Subject hotel be located above the International parking deck, possibly taking up part of the existing Ga. Dome space.

- A continuation of the existing activity of western Downtown (continuation of Luckie-Marietta - Centennial Park corridor).
- Proximate to all three GWCC convention center buildings (A, B and C)
- Nearby the Georgia Dome southern site
- Adjacent to Philips Arena & CNN Center
- Relatively near Marta stop

Alternate locations between the C building and the Georgia Dome South Site or North of the GWCC convention facilities (Georgia Dome North Site) add distance to the budding activity in Luckie-Marietta and are not as equidistant to the three convention facilities.



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# Site Analysis & Recommendations

## Programming Recommendations

### Rooms:

- Depending on branding, JLL recommends a 325-350 nsf standard guestroom. As Downtown Atlanta is a very price-sensitive market, room size should be minimized to the extent possible.
- Just 6% of the room stock is recommended to be suites, as demand will be convention dominated, which typically requires standard room sizes.
- JLL expects the Subject to fill some non-convention / weekend periods with leisure travelers, many of whom will be families visiting the aquarium / World of Coca-Cola, etc. Therefore 20%-25% of the room stock should have connecting rooms.

### F&B:

- JLL recommends two three-meal restaurants, a casual coffee bar and Grab & Go as well as an active lobby lounge with flexible seating and service options.

### Meeting Space:

- Although the Subject would be attached to the GWCC, JLL recommends over 53,500 sf of meeting space to allow the hotel operator to attract non-GWCC demand. This would come in form of groups generated by the brand/operator and the hotels' sales team.
- At 53.5 sf / room, the meeting space proposed is smaller than many of the hotels in the area and "group houses" in general. This is due to the fact that JLL has assumed that the Subject hotel would have easy access to the existing GWCC meeting space.

GWCC Hotel Complex Programming			
Hotel Rooms	Units	Net SF / Unit	Net SF
Standard rooms (King)	374	350	130,900
Standard rooms (Queen-Queen)	566	350	198,100
Suites	60	700	42,000
<b>Total Rooms</b>	<b>1,000</b>		<b>371,000</b>
Food & Beverage	Seats	Net SF / Seat	Net SF
Three Meal Restaurant (B,L,D)	350	29	10,150
Second 3-meal Restaurant (B,L,D)	150	29	4,350
Coffee Bar w/ Grab & Go	90	25	2,250
Active Lobby Lounge	125	25	3,125
<b>Total F&amp;B</b>	<b>715</b>		<b>19,875</b>
Meeting Space	Rooms	Net SF / Room	Net SF
Ballroom	1	15,000	15,000
Jr. Ballroom	2	6,000	12,000
Meeting Rooms	18	900	16,200
Boardroom	2	700	1,400
Prefunction Space			8,920
<b>Total Meeting Space</b>			<b>53,520</b>
Other Amenities / Services			
Fitness Center w/ Indoor Pool		Concierge	
24-hour Business Center		In-Room Dining	
Direct Connectivity to GWCC		Mini-bar	
Easy Access to Georgia Dome		Laundry Service	
Retail Area			

Source: Jones Lang LaSalle Hotels

# Site Analysis & Recommendations

## Branding

In considering a brand concept for the Subject, JLL looked at major international brand families to determine the branding possibilities for the Subject. JLL believes the brands boxed in red would provide the most value for the Subject and be the best fit for the concept.

- JLL always recommends a competitive process when determining the branding and operation of a hotel. We would therefore recommend including at least four of the brands below in such a process.
- Though the brands with an X indicate the brand is in the market, Client would be best served ensuring these brands are protected by an "Area of Protection" before discarding them as possibilities.

	Marriott	Starwood	Hilton	Hyatt	IHG	Other
Luxury						
Upper Upscale						 
						 
Upscale						



# Site Analysis

## Project SWOT

### Strengths

- Location connected to GWCC, the nation's fourth largest convention center as well as proximity to the Georgia Dome and Phillips Arena
- Controllable, guaranteed room block for the GWCC
- Increase proximate room stock for the GWCC convention center, a strategic weakness of the GWCC
- Increasing leisure demand in the downtown market, burgeoning Luckie-Marietta district
- Newest product in a competitive market of relatively aged hotels

### Weaknesses

- Difficult location within the Downtown submarket - lack of entertainment and life surrounding the site
- Low barriers to entry in Atlanta market – availability of alternate sites
- Low ADR lodging market
- Recent property trades have been below replacement cost
- Likely negative impact on the Downtown lodging market in the near term

### Opportunities

- Possible purchase of existing Omni hotel, which could be expanded if necessary
- Use the hotel development to also enhance the entertainment venues in the area, including retail, F&B and other entertainment into the design

### Threats

- Continued economic malaise leaves convention industry and the lodging market stagnant
- Group demand does not rebound to pre-recession levels
- Additional supply increases in the Downtown submarket



# Financial Analysis

# Financial Analysis

## Major Assumptions

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### General

- We assumed a 2.0% inflation rate throughout our forecast period.
- The opening date for the Subject was estimated to be January 1, 2016.
- JLL performed its financial analysis based on a 1,000 room, branded hotel in the Upper Upscale segment. We have assumed that the brand / operator has the capability to attract both group and transient demand.
- JLL performed its forecast based on the economic situation as of the date of this study. In general, we assumed a gradual improvement in the economy of the nation, with a slight outperformance by the Atlanta MSA.

### Lodging Market

- Although there is a new Hyatt House planned for the market area, and an existing Days Inn will be reflagged as an Aloft, we have not considered the competitive impact of these two changes in the lodging market, due to the low competitiveness of these two projects.
- JLL assumed that, other than the Subject, there are no other major supply changes in the market, as our research indicated no new supply, other than that mentioned above. We also assumed that the Sheraton continues to operate as a competitive hotel, and is not purchased by Ga. State.
- Although demand in the group segment has been slow to recover, JLL believes the group segment will return to its former prominence in lodging demand nationwide.

### Competitive Market (including the Subject)

- JLL forecasts a mild RevPAR decline for 2013, based on tear-to-date figures and comments from hoteliers in the market.
- Group demand gradually returns to the market, and hoteliers are generally expected to pare transient business to accommodate the higher-rated group business.
- JLL estimates that the Subject will induce 150,000 room nights by year three. This induced demand is based on an estimate of new demand generated by:
  - Having the Subject, a 1,000-room hotel controlled by the GWCC as the headquarter hotel for the convention center, which would allow the GWCC to be more competitive against comparable convention markets and capture some of the lost business detailed in this report.
  - A new hotel brand / operator will be able to attract both transient and group demand to the market, that would otherwise go elsewhere.
- From a rate perspective, JLL forecasts a general improvement in ADR. Much of the market ADR gains come from a changing mix, with a higher proportion of demand being generated by the Group segment (compared to the past several years).

# Financial Analysis

## Competitive Market Historic Performance

Market Performance Analysis						
Supply	2007	2008	2009	2010	2011	2012
ARN	2,572,155	2,572,431	2,576,194	2,579,090	2,579,090	2,579,550
% Change		0%	0%	0%	0%	0%
Demand	2007	2008	2009	2010	2011	2012
ORN - Group - Market Demand	1,141,567	1,077,205	884,295	1,058,634	927,670	965,369
% Change - Market Demand		-5.6%	-17.9%	19.7%	-12.4%	4.1%
ORN - Induced Group Demand						
Total ORNs - Group	1,141,567	1,077,205	884,295	1,058,634	927,670	965,369
% Change		-5.6%	-17.9%	19.7%	-12.4%	4.1%
ORN - Transient & Other	608,716	545,123	532,121	562,383	641,069	689,356
% Change		-10.4%	-2.4%	5.7%	14.0%	7.5%
Total ORNs	1,750,283	1,622,328	1,416,416	1,621,017	1,568,739	1,654,725
% Change		-7.3%	-12.7%	14.4%	-3.2%	5.5%
Occupancy	68.0%	63.1%	55.0%	62.9%	60.8%	64.1%
ADR	2007	2008	2009	2010	2011	2012
ADR - Group	\$152.13	\$155.01	\$151.53	\$153.96	\$147.71	\$154.68
% Change		1.9%	-2.2%	1.6%	-4.1%	4.7%
ADR - Transient & Other	\$138.18	\$135.49	\$122.91	\$122.37	\$116.01	\$120.67
% Change		-1.9%	-9.3%	-0.4%	-5.2%	4.0%
Total ADR	\$147.28	\$148.45	\$140.78	\$143.00	\$134.76	\$140.51
% Change		0.8%	-5.2%	1.6%	-5.8%	4.3%
Total RevPAR	\$100.22	\$93.62	\$77.40	\$89.88	\$81.97	\$90.13
% Change		-6.6%	-17.3%	16.1%	-8.8%	10.0%

# Financial Analysis

## Competitive Market Forecast

Market Performance Analysis									
Supply	2013	2014	2015	2016	2017	2018	2019	2020	2021
ARN	2,579,090	2,579,090	2,579,090	2,952,156	2,944,090	2,944,090	2,944,090	2,952,156	2,944,090
% Change	0%	0%	0%	14%	0%	0%	0%	0%	0%
Demand	2013	2014	2015	2016	2017	2018	2019	2020	2021
ORN - Group - Market Demand	907,447	925,596	944,108	1,019,636	1,121,600	1,166,464	1,201,458	1,201,458	1,201,458
% Change - Market Demand	<b>-6.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>8.0%</b>	<b>10.0%</b>	<b>4.0%</b>	<b>3.0%</b>	<b>0.0%</b>	<b>0.0%</b>
ORN - Induced Group Demand				<b>95,625</b>	<b>127,500</b>	<b>150,000</b>	150,000	150,000	150,000
Total ORNs - Group	907,447	925,596	944,108	1,115,261	1,249,100	1,316,464	1,351,458	1,351,458	1,351,458
% Change	-6.0%	2.0%	2.0%	18.1%	12.0%	5.4%	2.7%	0.0%	0.0%
ORN - Transient & Other	723,824	731,062	731,062	709,130	652,400	639,352	639,352	639,352	639,352
% Change	<b>5.0%</b>	<b>1.0%</b>	<b>0.0%</b>	<b>-3.0%</b>	<b>-8.0%</b>	<b>-2.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Total ORNs	1,631,271	1,656,658	1,675,170	1,824,392	1,901,500	1,955,816	1,990,810	1,990,810	1,990,810
% Change	-1.4%	1.6%	1.1%	8.9%	4.2%	2.9%	1.8%	0.0%	0.0%
Occupancy	63.2%	64.2%	65.0%	61.8%	64.6%	66.4%	67.6%	67.4%	67.6%
ADR	2013	2014	2015	2016	2017	2018	2019	2020	2021
ADR - Group	\$153.13	\$159.26	\$168.02	\$169.70	\$173.09	\$176.55	\$180.08	\$183.68	\$187.36
% Change	<b>-1.0%</b>	<b>4.0%</b>	<b>5.5%</b>	<b>1.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>
ADR - Transient & Other	\$119.46	\$121.85	\$126.11	\$133.68	\$139.03	\$141.81	\$144.64	\$147.54	\$150.49
% Change	<b>-1.0%</b>	<b>2.0%</b>	<b>3.5%</b>	<b>6.0%</b>	<b>4.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>
Total ADR	\$138.19	\$142.75	\$149.73	\$155.70	\$161.40	\$165.19	\$168.70	\$172.08	\$175.52
% Change	-1.6%	3.3%	4.9%	4.0%	3.7%	2.3%	2.1%	2.0%	2.0%
Total RevPAR	\$87.41	\$91.69	\$97.25	\$96.22	\$104.25	\$109.74	\$114.08	\$116.04	\$118.69
% Change	-3.0%	4.9%	6.1%	-1.1%	8.3%	5.3%	4.0%	1.7%	2.3%

# Financial Analysis

## Subject Performance

### Subject Performance Assumptions

- JLL Expects the Subject to penetrate the Competitive Set's Group Occupancy by a factor of 1.10x based on its strategic location proximate to the GWCC.
- Although the Subject is likely to keep rates attractive in order for the GWCC to provide a competitive package, it is likely to still garner a premium in terms of Group ADR. JLL anticipates this premium to be 1.20x
- For the Transient and Other segment, the Subject is likely to lag significantly, as it's location is disadvantageous compared to other comparable properties. JLL therefore forecast the Subject's Transient occupancy to penetrate at a factor of 0.60x initially declining to .50x and Transient ADR to penetrate at 0.85x.
- The results of our analysis, show the Subject penetrating the Competitive Set at 1.03x in terms of RevPAR, with a stabilized Occupancy of 65.9% and ADR of \$178.20 by 2019.

Subject Penetration Analysis									
Subject Penetration	2013	2014	2015	2016	2017	2018	2019	2020	2021
Group Occupancy Penetration				<b>100%</b>	<b>110%</b>	<b>120%</b>	<b>120%</b>	<b>120%</b>	<b>120%</b>
Group Occupancy				37.8%	46.7%	53.7%	55.1%	54.9%	55.1%
Transient Occupancy Penetration				<b>60%</b>	<b>55%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>
Transient Occupancy				14.4%	12.2%	10.9%	10.9%	10.8%	10.9%
<b>Projected Occupancy</b>				<b>52.2%</b>	<b>58.9%</b>	<b>64.5%</b>	<b>65.9%</b>	<b>65.8%</b>	<b>65.9%</b>
Overall Penetration				84%	91%	97%	98%	98%	98%
Estimated Group ADR Penetration				<b>100%</b>	<b>105%</b>	<b>105%</b>	<b>105%</b>	<b>105%</b>	<b>105%</b>
Group ADR				\$169.70	\$181.74	\$185.38	\$189.09	\$192.87	\$196.73
Estimated Transient ADR Penetration				<b>75%</b>	<b>80%</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>	<b>85%</b>
Transient ADR				\$100.26	\$111.22	\$120.54	\$122.95	\$125.41	\$127.91
<b>Estimated ADR</b>				<b>\$150.52</b>	<b>\$167.14</b>	<b>\$174.47</b>	<b>\$178.20</b>	<b>\$181.76</b>	<b>\$185.40</b>
Overall Penetration				97%	104%	106%	106%	106%	106%
<b>Estimated RevPAR</b>				<b>\$78.56</b>	<b>\$98.38</b>	<b>\$112.56</b>	<b>\$117.51</b>	<b>\$119.53</b>	<b>\$122.26</b>
Overall Penetration				82%	94%	103%	103%	103%	103%

# Financial Analysis

## Competitive Market Results

As a result of our market forecast, and the assumed performance of the Subject, the results of the competitive market, excluding the Subject, can be found below:

- Occupancy for the market improves slightly with an expected return of group demand. The entrance of the Subject in 2016, has a near-term effect on the market occupancy, but the overall market should recover within a few years, reaching long-term stabilized occupancy of 67.9% by 2019.
- The competitive market should get an ADR boost with the attraction of more group business, which is higher rated than the market's transient demand. The additional convention room nights will allow hoteliers to better yield manage the remaining inventory.
- Overall, RevPAR is expected to experience improvement slightly above inflation, at 2.4% CAGR.

Competitive Market Results (Excluding Subject)									
Group	2013	2014	2015	2016	2017	2018	2019	2020	2021
Occupancy	35.2%	35.9%	36.6%	37.8%	41.8%	43.4%	44.6%	44.5%	44.6%
ADR	\$153.13	\$159.26	\$168.02	\$169.70	\$171.72	\$175.01	\$178.51	\$182.08	\$185.72
% Change	-1.0%	4.0%	5.5%	1.0%	1.2%	1.9%	2.0%	2.0%	2.0%
Transient & Other	2013	2014	2015	2016	2017	2018	2019	2020	2021
Occupancy	28.1%	28.3%	28.3%	25.4%	23.6%	23.3%	23.3%	23.2%	23.3%
ADR	\$119.46	\$121.85	\$126.11	\$136.37	\$141.06	\$143.21	\$146.08	\$149.00	\$151.98
% Change	-1.0%	2.0%	3.5%	8.1%	3.4%	1.5%	2.0%	2.0%	2.0%
Total	2013	2014	2015	2016	2017	2018	2019	2020	2021
Occupancy	63.2%	64.2%	65.0%	63.2%	65.4%	66.7%	67.9%	67.7%	67.9%
ADR	\$138.19	\$142.75	\$149.73	\$144.10	\$145.93	\$147.17	\$150.15	\$153.15	\$156.21
% Change	-1.6%	3.3%	4.9%	-3.8%	1.3%	0.8%	2.0%	2.0%	2.0%
RevPAR	\$87.41	\$91.69	\$97.25	\$91.01	\$95.44	\$98.17	\$101.89	\$103.64	\$106.00
% Change	-3.0%	4.9%	6.1%	-6.4%	4.9%	2.9%	3.8%	1.7%	2.3%

# ■ Conclusions and Recommendations

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- A new 1,000-room Convention (Headquarter) Hotel connected to the Convention Center and offering a substantial room block to attendees is anticipated to eventually induce 150,000 new annual roomnights to Downtown Atlanta at a market ADR premium which would generate substantial positive economic impact in Downtown Atlanta.
- A new convention hotel would add group roomnights but divert transient demand from existing hotels currently operating in the market.
- A new convention hotel would have a negative short term (2-4 years) impact on the competitive hotel market but is anticipated to benefit the market over a 5-10 year period.
- A new convention (HQ) hotel will cost \$350,000 to \$400,000 per key to develop
- A new convention hotel would require significant subsidy and/or financial (equity/debt) incentives in order to be considered feasible on economic terms. While Group demand has remained weak, hoteliers have filled rooms with lower-rated transient demand, leaving overall ADR at trough levels.
- Economic Feasibility could be improved through the opportunity to “complex” with the existing Omni or develop a portion of the new hotel as a dual branded upper upscale full service and upscale select service hotels also attached to the Georgia World Congress Center.

# Statement of Assumptions & Limiting Conditions



# ■ Statement of Assumptions & Limiting Conditions

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- As in all studies of this type, the estimated results are based upon competent and efficient management and presume no significant changes in the economic environment from that as set forth in this report. Since our forecasts are based on estimates and assumptions which are subject to uncertainty and variation, we do not represent them as results which will actually be achieved.
- The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that render them more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
- It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated.
- It is assumed that the property conforms to all applicable zoning and use regulations and restrictions.
- It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained.
- The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the success of the property. The projections are predicated on the assumption that there is no such material on or in the property unless noted in an Environmental study prepared by a qualified third party.
- Possession of this report, or copies thereof, does not carry with it the right of publication.
- The consultant, by reason of this report, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.
- Neither all nor any part of the contents of this report (especially any conclusions, the identity of the consultant, or the firm with which the consultant is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the consultant.