TR Mandigo & Company

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Market Feasibility Study

Market Feasibility Study for a
100-Unit Upscale Limited Service Hotel

To Be Located On:

Lockport St. and Van Dyke Rd.

Plainfield, IL 60544

Prepared by:
TR Mandigo & Company
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Submitted to:
Jake Melrose, AICP
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Submitted on:
April 16, 2018

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Monday, April 16, 2018

Jake Melrose, AICP
Economic Development Manager
Planning Department
24401 W. Lockport Street
Plainfield, IL 60544

By E-mail: Jmelrose@goplainfield.com
Dear Mr. Melrose:

We have completed our market research to assess the potential market feasibility for the construction of a proposed hotel to be developed in Plainfield Illinois. As part of this study, TR Mandigo & Co. was asked to form an opinion on site location, size, market scale of property, and potential branding of the proposed hotel. The conclusions formed for this study are intended to be taken a first step towards securing a developer or franchise group to pursue the project to its conclusion.

This analysis addresses the level of demand for business, leisure, and social event-based hotel accommodations for the proposed hotel property that emanates from the immediate market; results of our research of local industry, market trends and competitive properties; and our conclusions on market feasibility of hotel development for the subject property.

Our analysis included identification of a competitive set of properties and determination of the performance of properties in the local market. The identification of a competitive set of properties and determination of performance of this competitive set was followed by interviews and research to identify the local sources of demand and other sources of business in the area.

We also analyzed and projected the absorption rate for other new developments in the regional hotel market, researched the performance statistics on the hotel industry in the south and southwest suburban Chicago markets; identified proposed projects under discussion deemed as relevant or competitive; and prepared performance data for the property based on market trends, responses from the interviews and projections of overall market performance.

The study concludes with estimates of level of demand for the subject property and determination of attainable occupancy and average daily rate and absorption period for the development of the property showing the salient market information and our conclusions on market feasibility to assist you in analysis of the economics of the project.

This study also includes a Statement of Estimated Operating Results outlining the first six years of operations. These provide a forecast of revenues and expenses for the property based on our market findings, including departmental, undistributed, and fixed expenses considering local market conditions and the results of operations of comparable properties. Both revenues and expenses are stated in conformance with the Uniform System of Accounts for Hotels, the industry's standard reporting format.

This market feasibility study and statements of estimated annual operating results will be used in your analysis of the economic feasibility of the project, discussion and presentations to lenders, management companies, investors and other interested parties.

The market feasibility and statements of estimated annual operating results as presented do not constitute an economic feasibility study. They represent the expected operating results of the property as described herein. As development costs are prepared by you, your architects, contractors and design organizations, and when the balance of debt and equity and terms thereof are negotiated, the economic feasibility of the project can be determined.

Pursuant to your authorization in December 2017, we submit herewith our short form narrative market feasibility report and statements of estimated annual operating results for the referenced property. We have inspected the site and surrounding area, evaluated the lodging market conditions, and particularly the market in the immediate area and the central business district, and considered the local forces influencing hotel operations.

As in all engagements of this type, the estimated results are based upon experienced competent and efficient management; assume affiliation with a reservation system organization; and presume no significant change in the competitive position of the lodging industry in the immediate area from that as set forth in this report. The conclusions reached as to future performance are based upon our present knowledge of the competitive area as of the completion of our research.

The terms of our engagement are such that we have no obligation to revise this report or the estimated operating results to reflect events or conditions that occur subsequent to the date of completion of our fieldwork. However, we are available to discuss the necessity for revision should subsequent events significantly change the competitive or economic environment in which the proposed hotel will operate.

Since the operating results are based upon estimates and assumptions that are subject to uncertainty and variation, we do not represent them as results that will actually be achieved. This study and report do not include the possible impact of government restrictions or environmental regulations on the project except those set forth in this report.

This market feasibility study has been specifically designed to address the potential operation of the proposed property as a limited service hotel with appropriate service levels, amenities and furnishings. It is intended for the use of the principals of the project, its advisors and other principals in the analysis of the market and economic feasibility of providing equity and obtaining financing for this project and in the analysis of the economics of pursuing the development as described herein. Neither our name nor the material submitted may be included in any public offerings or in any debt or equity prospectus in connection with the sale of securities or participation interest to the public without our express written permission.

We would be pleased to hear from you if we can be of any further assistance in the interpretation and application of our findings and conclusions.

Sincerely,

Theodore R. Mandigo, CPA, ISHC

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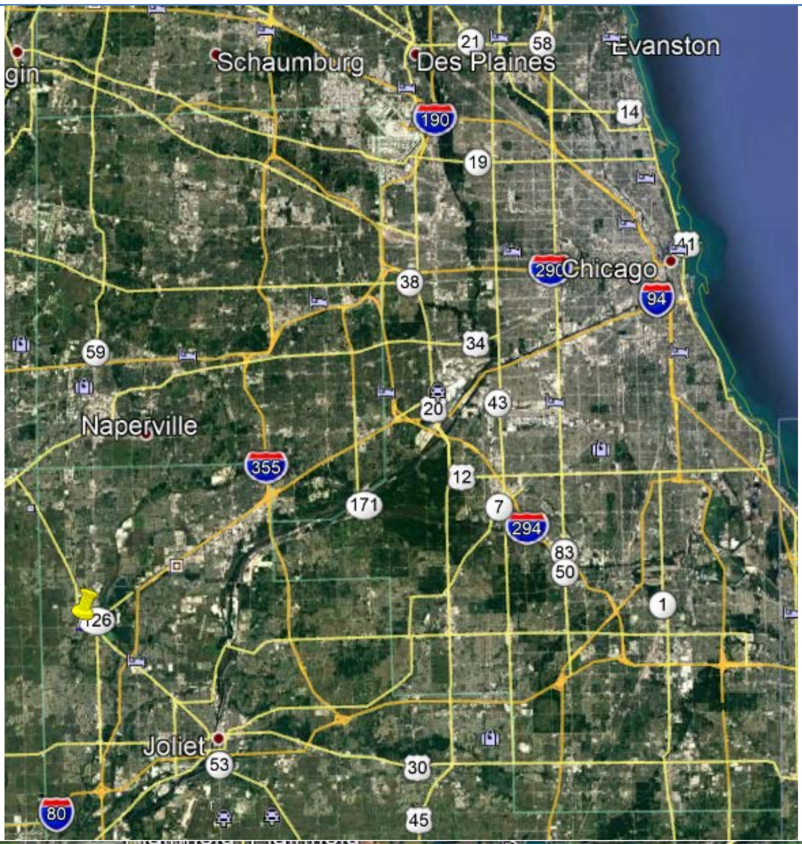
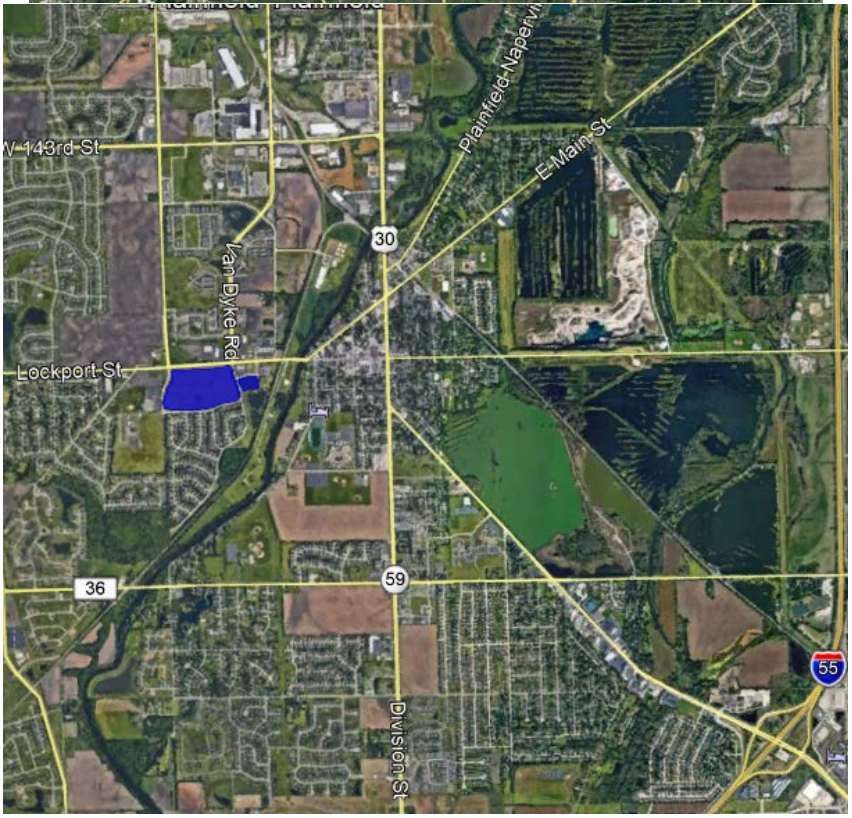




INTRODUCTION

PURPOSE AND FUNCTION OF THE ENGAGEMENT

The purpose of this engagement is to analyze the market for a proposed new construction hotel that would be developed on a site in Plainfield, Illinois. This includes our findings and conclusions as to potential occupancy and average daily rate that could be achieved by the hotel on completion and to prepare statements of estimated annual operating results for a typical year and for the first ten years of operation for the property, assuming a start of construction in 2018 with completion for opening in mid-2019. This study is based on preliminary development plans as discussed with the developer regarding concept, public space, and meeting facilities and other amenities and services.

SCOPE OF SERVICES

The scope of this market study involved the systematic research and analysis necessary to reach a conclusion as to the performance of a prototypical Upscale Limited Service Hotel and does not contemplate further development. The assumptions included in our engagement are as follows:

- The property will be developed as a limited service upscale hotel. The property should include typical focused service amenities and have around 1,800 sq/ft of meeting space, subdividable into breakout rooms.
- The property will initiate a reserve for replacement program that will sustain the property in a competitive condition throughout and beyond the projection period.
- The property will be built as a standalone facility, which does not require, but may benefit from, further economic development projects.
- In view of the lack of other nearby hotels, the property will adopt an appropriately aggressive marketing and positioning program, both pre-opening and during the initial period of operation to raise its profile.
- The property will receive appropriate zoning for operation as a transient lodging facility.

The initial step was to discuss the immediate site area to observe the existing infrastructure and surrounding businesses and residential development to determine the ambience of the area and appropriate positioning of a hotel property that would be consistent with the immediate neighborhood. This enabled us to develop the general concept for the project in terms of quality of product, market segments to be served, area amenities and services immediately available to guests of the property and other development activity that would have an impact on the positioning and operation of the property. We toured the existing hotels and conducted interviews with relevant personnel.

Inspection Date: December 2017

Local business and organizations were contacted about development and improvements in the neighborhood. Hotel information was drawn from interviews done over several days in the neighborhood and beyond, as well as our expert knowledge of the market. Information on the immediate competitive market was obtained from databases and available published sources.

The information collected during field research was supplemented by in-house data. TR Mandigo & Co. has completed market studies and has joint ventured appraisals of several Chicago hotels. The director, the primary consultant in this engagement, has over 40 years of experience in providing consulting services to the industry, both in Chicago and internationally.

The function of the report is to present a market study and statement of estimated annual operating results for the initial period of operation on the assumption that the site location is developed as a transient hotel with facilities as described, providing a limited service facility and appropriately priced for the market.

SUMMARY OF CONCLUSIONS

We have completed our market feasibility study for the development of a 100-key upscale limited service hotel to be located in Plainfield, Illinois.

The subject property will target a wide variety of clientele ranging from hospital related corporate and transient business, and groups and SMERF meetings business. The new hotel will be geared toward more upscale leisure and groups business than the hotels at the nearby Joliet Mall cluster. Because it will be the only Upscale Limited Service Hotel in around a 8 mile radius, it should achieve a higher occupancy than those nearby hotels, and a slight premium in rate over the competitive set of upscale hotels.

This proposed hotel will be in an advantageous location within the Plainfield market. At the current time, there are two specific sites to choose from, though they are adjacent. For the purposes of this study, we make no specific recommendation to either one, rather the larger site would be superior for a mixed-use development while the smaller would be a better standalone hotel, owing to its location next to a very attractive park.

Based on our market analysis, demand interviews and competitive market analysis TR Mandigo & Company has determined that there is market support for the development of a 100-key select service hotel at the site location. We recommend that the project be developed with a range of room types and amenities featuring the latest brand standards of an upscale limited service hotel franchise. While we do not make a specific recommendation, the quality should be similar to a Home2 Suites or similar.

The hotel will contain a relatively large amount of meeting space, of at least to 1,800 sq/ft dividable into separate rooms. The hotel may provide coffee or soft drink service, while anything beyond would be done by outside catering.

We have assumed that the proposed property would start construction in early-2018 and would be open for operation in 2019 with an opening in early summer of that year.

The property should operate at a stabilized level of 67%. It should achieve an average daily rate (ADR) of $125.00 in 2018 value dollars over the life of the property, given competent and efficient management, a local marketing program and effective use of the yield management systems available through a reservation system and other resources.

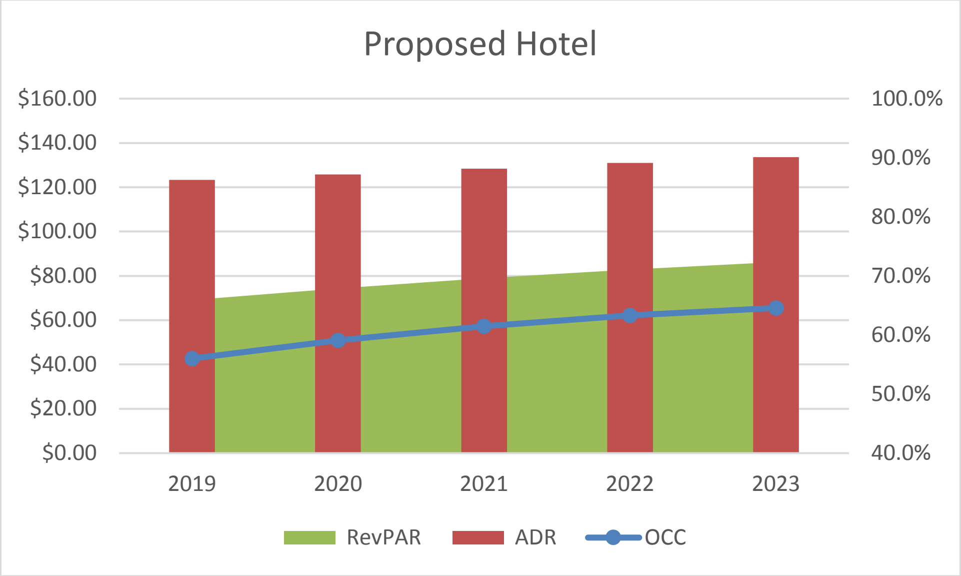
The pricing structure assumes some introductory discounting, internet marketing, and off-season packaging as well as group rates for the off-season events market. The pricing is above other nearby properties, owing to its new construction and limited service upscale quality. The rate average includes the typical spread between published rate structure and achieved ADR where discounting, package plans and other promotional pricing result in a significant difference from the published rack rates.

We expect the competitive market will be drawn mostly from the village and nearby communities, however hotels in Bolingbrook and Joliet and lack of direct interstate access will limit regional demand. The hotel is expected to achieve a lower than typical first year as it will be open for a limited time, and will be in a ramp-up period.

Our estimates of an occupancy and average daily rate for the first 6 full years of operation are set forth below. We have projected occupancy and average daily rate for the first year in 2019, assuming an opening in late spring, impacting the initial year occupancy and ADR performance for the property.

TABLE 1: PERFORMANCE OF SUBJECT PROPERTY VERSUS COMP SET

	Competitive Set Performance			**Subject Property Performance**		
	OCC	ADR	RevPAR	OCC	ADR	RevPAR
TYPICAL YEAR	56.61%	$120.96	$68.48			
2019	56.0%	$123.38	$69.11	56.0%	$126.08	$70.60
2020	59.1%	$125.85	$74.37	60.0%	$129.23	$77.54
2021	61.5%	$128.37	$78.89	62.0%	$132.46	$82.12
2022	63.3%	$130.93	$82.88	65.0%	$135.77	$88.25
2023	64.6%	$133.55	$86.23	66.0%	$139.16	$91.85
2024	65.9%	$136.22	$89.71	67.0%	$142.38	$95.39



It is expected that the primary source of rooms business will come from midweek corporate and commercial business, as well as transient leisure travelers and groups on the weekend. We expect meeting facility usage to be highest during the day on weekdays and evenings for the weekend. The business and corporate traveler will need an aggressive marketing campaign as it will require pushing rates somewhat higher than the existing properties, both to differentiate itself, and because it will be difficult to compete against the older, lower end properties based on solely rate. Word of mouth and direct sales will be critical components in achieving success within the corporate and meetings markets. Marketing and sales should consider focusing on local hunting and fishing clubs, as they are a strong local draw. The leisure business will be based off the untapped local market, internet sales, as well as brand loyalty Thus, it is crucial to secure a flag that is not overrepresented in the regional market, if possible.

When projecting the source of future business, we have considered stabilized sources of business in addition to the initial impact of construction on the subject.

CONCLUSIONS

There is sufficient market support for the proposed 100 key Upscale Limited Service Hotel at the planned site. The location is just to the west of the historic downtown district, and features easy access from numerous commercial developments, as well as retail and area leisure clubs.

The property will require the typical 18-month stabilization period assuming there are no other proximate developments under construction at the same time. Any mixed-use or nearby development will provide a short-term boost during the ramp up period as the hotel will benefit from contract and construction business.

We have prepared statements of estimated annual operating results for the proposed property based on the configuration and recommendations as stated above and further defined in this report. A summary of the operating results is set forth in the following table.

TABLE 2: SUMMARY OF OPERATING RESULTS

Year	Total Revenue	Income (1)	Ratio to Revenue
Typical Year	$2,833,000	$921,000	32.5%
2019	$1,750,000	$520,000	29.7%
2020	$2,877,000	$933,000	32.4%
2021	$3,042,000	$1,008,000	33.1%
2022	$3,285,000	$1,159,000	35.3%
2023	$3,408,000	$1,217,000	35.7%
2024	$3,534,000	$1,279,000	36.2%

(1) Income before other deductions such as interest, amortization, depreciation and income taxes.

Details of our market research, recommendations and conclusions are presented in the following sections.

DESCRIPTION OF PROJECT

The subject project entails the construction of a new generation Upscale Limited Service Hotel on a site in downtown Plainfield, Illinois. As of the time of this writing, there are two possible sites, described in the site section of this report.

Plainfield currently does not have any hotels, though there are several near the Joliet Mall to the southeast. The village features numerous amenities in the area to the east of the sites in the downtown area. To the west the land consists of single family homes in planned developments with farmland beyond.

BUILDING AMENITIES

The proposed plans for the subject property include 100 rooms spread among 4 stories in the prototypical Upscale Limited Service Hotel fashion:

- A 100 room upscale limited service property, such as a Home2 Suites or similar, which provides somewhat more flexibility than a typical limited service hotel, allowing limited access to the extended stay market.
- An open-concept lobby and great room space, allowing for easy circulation.
- A pool and fitness center for guest use.
- Standard complimentary hot breakfast.
- Meeting space totaling 1,800 sq/ft and dividable into smaller units. Banquet revenue will be limited to snack and drink service, and outside catering fee.

HOTEL AMENITIES

The subject property will be positioned as an upscale hybrid select service and extended-stay hotel, featuring generous room layouts in a suite-style design. Furnishings and style will be contemporary, including a built-in table with a pullout wheeled worktable, wall mounted TVs, a sofa that pulls out to a full bed, and a kitchenette with fridge, stove, microwave, and adequate silverware. Beds will feature comfortable modern mattresses, a choice of pillows, and comforter/duvets. The bathrooms will be bright, well lit, and include high pressure or adjustable setting showerheads.

The exterior of the hotel will feature the current generation flat roof design, with a porte-cochere entrance.

Guests will enter through the porte-cochere into a large, open lobby area, which will include a front desk, sundry grab-and-go stand, breakfast bar and common seating area, including a variety of seating choice and a business center with ample space for work and featuring printers for guest use.

Two elevators should be located past the check in stands, and past the elevators, the pool, fitness, and laundry rooms should be key locked for guest use. Amenities should include weights, elliptical and treadmills.

Immediately to the right of the lobby area should be the meeting rooms, which should de dividable into smaller rooms from their largest configuration as a single grand ballroom able to accommodate up to 100. Though the hotel will not provide catering, it should be able to provide drinks and light snacks.

The second through fourth floors should feature guest rooms. Sufficient handicapped-accessible rooms should be made available to meet ADA guidelines.

SITE LOCATION

TR Mandigo & Co was asked to gauge the depth of the hotel market in Plainfield and make a recommendation for suitable site locations within the village prior to the complete report. We found that most locations within the village would support a hotel and that the performance of the hotel would remain fairly consistent regardless of specific location. Due to the proposed orientation of the hotel (partially extended stay/ serving local businesses), proximity to regional thoroughfares was a lower concern than a typical suburban project. Overall, we favored hotel sites downtown over those near I-55, owing to both nearby hotel competition in Joliet and lack of surrounding amenities. Most sites downtown were easily accessible with a 5-minute drive or less. Our top picks were designated sites 1 and 2, both located near the village hall, and have provided details about our assessment regarding their suitability below.

1. Lockport St. & Wallin Dr., Village Center Property. A 36.25 acre site with mixed use potential. The site is currently the largest open farm lot in an otherwise developed area along Lockport St. To the northwest lie several hundred acres of farmland, but most of the other land around it has been developed as single family homes, parkland, or other complimentary uses.
   Positives:
   Located along Lockport Street west of the historic downtown area, this site features superior visibility of the two.
   There are talks to develop other parts of the site.
   It is close to downtown, though still easily accessible from industrial demand sources.
   It is relatively close the YMCA and may be able to utilize its facilities.
   Negatives
   The location requires a mixed use development and would struggle without it.
   As a standalone, it is slightly inferior to site 2 from a hotel perspective.

   This site is preferable if it is included in a mixed-use project, though without a large surrounding development to sustain it, it will be difficult.

2. Village Center Dr. & Van Dyke, Settler's Park Development Opportunity. A nearly 3 acre site located directly behind village hall, and east of site 1, and north of Settler's Park.
   Positives:
   This site is small enough that a hotel could be developed without necessitating a larger development.
   The park, pond and river are all highly attractive landscaping elements that would elevate the appearance of the property, and ensure that storm water is not a problem.
   It is close enough to site 1 that it would directly benefit from any development taking place in the area while not requiring it.
   Negatives:
   Worse visibility than site 1. Would require some signage to direct traffic towards its entrance.

   As a hotel development without a larger project, this lot is ideal due to the size and location next to a well-designed park.

Both sites hold some potential for a hotel development, while the first would work best as a larger, planned mixed use development with a hotel component. The advantage of the second as a standalone site is that it would likely require less detailed planning and fewer moving parts, therefore it would likely be able to be constructed quicker.

NEIGHBORHOOD ANALYSIS

INTRODUCTION

A neighborhood is a group of complimentary land uses. All actual and potential influences on property values created by proximate land uses delineate the neighborhood boundaries. This section summarizes our investigation of the subject property's neighborhood and the pertinent locational factors that could affect its value.

IDENTIFICATION OF THE NEIGHBORHOOD

The subject property is located in Plainfield, Illinois, the oldest village in Will County, and covers 25 sq/mi. The site proper is located to the west of historic downtown Plainfield, which consists of a three block stretch of storefronts located east of the DuPage river. The village underwent massive expansion in the 1990's which increased its population tenfold, expanding the village from its core to the north, south, and west. The proposed site location is along Lockport Road in an area of expansion. Much of the area has been developed into single family homes, and support structures, such as a middle school have been built to accommodate this influx. There are still several remaining patches of farmland, including the ones on which the proposed hotel would be located.

NEIGHBORHOOD IMPROVEMENTS

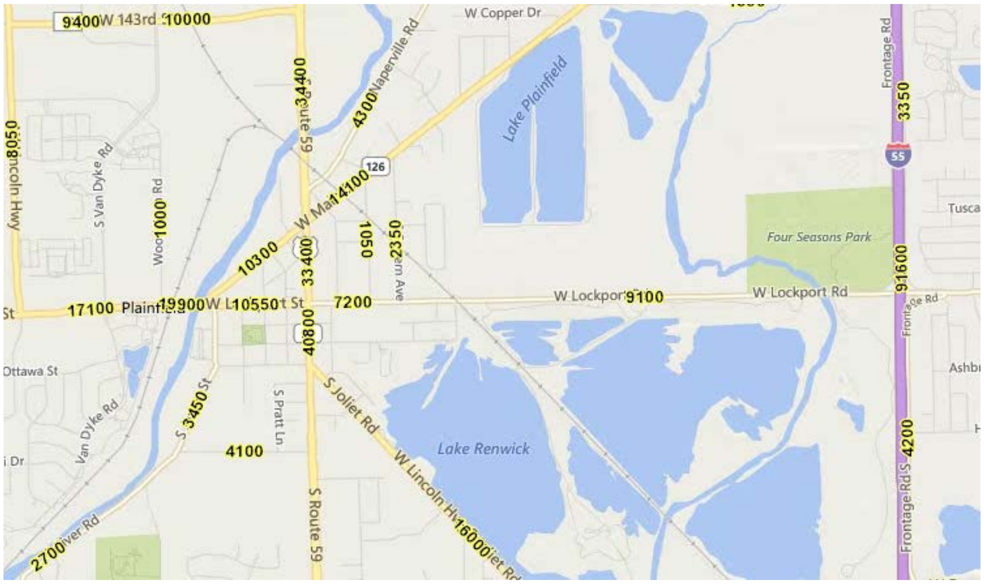
In addition to single family homes, a small downtown, and numerous chain stores along Route 59, Plainfield features numerous wetlands and waterways for fishing in the east of the village, while the western end of the village consists of a high amount of open farmland. Numerous planned developments of single family homes have been built on former farms, particularly starting in the 1990's, when the village's population was a mere 4,550. By 2000 it had increased to 13,000 and by 2010, to 39,500. As of 2016 it stands at 42,900, indicating that growth is slowing somewhat, but still much stronger than the Chicagoland region as a whole, which is largely negative. Estimates through 2030 indicate that the area is expected to grow to as large as 62,000 by that time.

Plainfield is an outer-suburban community, although it is around 35 miles from the city of Chicago, it is a fairly direct commute via I-55, while Route 66 provides local and regional access. It does not feature a Metra rail stop, but features regional bus transit. It is an upper-middle class village, with a median age of 33.8 years with a high median income of about $110,000. The demographic breakdown is 75% white, 11% Asian, 7% black, and 15% Latino. These do not add up to 100% due to how Hispanic origin is calculated.

The village features numerous parks and recreation facilities, both public and private, though some of these are located in unincorporated areas. Education is provided by Plainfield Community Consolidated School District 202, which features 4 High Schools, 3 of which were built after 2000, along with 26 middle, elementary, and alternative schools.

The largest employers in the village are the Consolidated School District, with 3,000 employees, Chicago Bridge & Ironworks with 440, Diageo North America (a spirits brewing company) with 300, Edwards-Elmhurst Health with 245, and Meijer, Wal-Mart, Jewel-Osco, and Target.

TRAFFIC COUNT AT SITE LOCATION



TRANSPORTATION AND ACCESS

Automobile access to the property will be required, and regionally would involve taking the I-55 exit at Lincoln Highway or Main Street, and driving along either road to where they intersect at Route 59, followed by heading west along Lockport Street, over the river to Van Dyke Rd, where a left turn at the light will lead to the site.

Immediate access to the new property should be easy, and the site should have sufficient space to provide parking.

CONCLUSION

The surrounding neighborhood is well suited to support an upscale hotel operation. The complimentary mix of area retail, restaurants, and recreation options will be very attractive to hotel guests, while the lack of nearby hotels of comparable orientation will reduce competition for demand.

HOTEL MARKET ANALYSIS

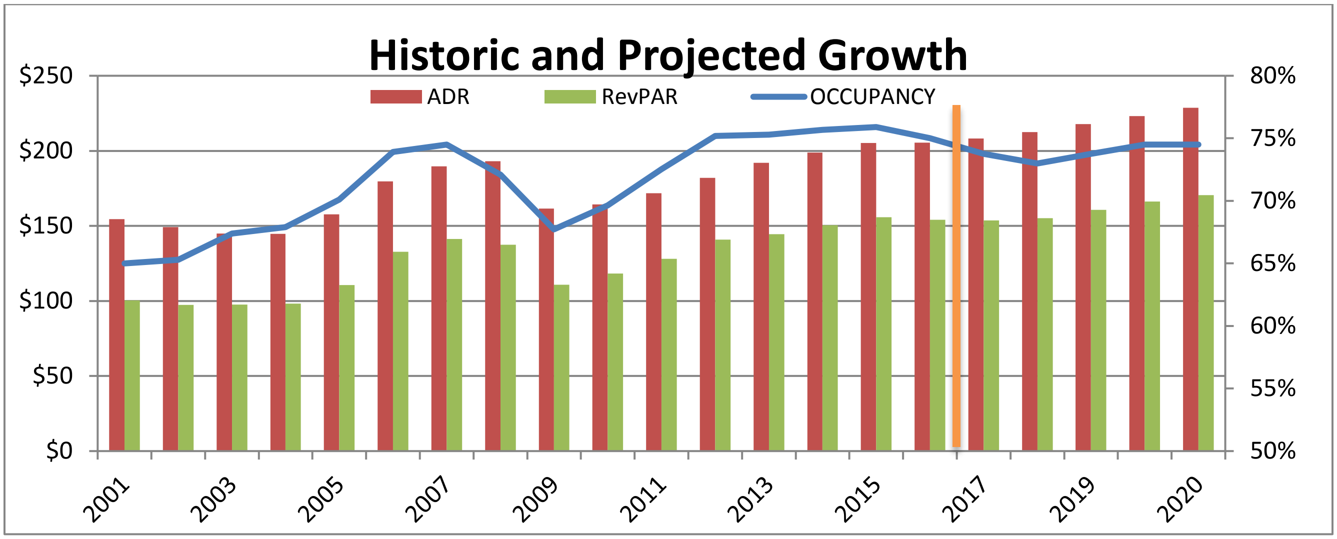
INTRODUCTION

Chicago is the largest and most prominent hotel market in the Midwest. The position as a transportation and commercial hub have enhanced the development the city as a major convention center, once the leading city in terms of attendance, square footage of exhibit usage and economic impact. The expansion of the Orlando and Las Vegas convention centers and aggressive predatory pricing practices have slightly diminished the importance of the convention market; however, it remains the dominant room demand generator in the downtown market and contributes heavily to room demand throughout the metropolitan area. The diverse manufacturing, healthcare, tourism financial industry and technology sectors all generate significant demand within the area, supporting the nearly 110,000 hotel rooms in the Chicago metropolitan market.

CHICAGO CBD HOTEL MARKET OVERVIEW

The heart and soul of the Chicago Metropolitan Statistical Area is the Chicago CBD (Central Business District), which comprises over 1/3rd of the total rooms in the region, and may be over 2/5ths by 2019. While the subject is far from downtown Chicago, tracking CBD performance shows broader trends in the core of the Chicago market, and has historically been the leading indicator in overall Chicago hotel market performance.

TABLE 3: CHICAGO CENTRAL BUSINESS DISTRICT HOTEL PERFORMANCE



The historic trends shown above illustrate the cyclical nature of the Chicagoland market. Typically, there's a 6-year cycle of performance gains before a drop – the result of a recession and/or an influx of new supply in the market driving down occupancies and rates. We saw a similar pattern in 1995 before falling in 2001. The chart above shows the recovery up to 2007, before dropping to new lows in 2009. From there, the economy recovered, with a sharp jump in occupancy, followed by slow growth of rate. We note that we anticipate a dip in occupancy over the short term, which we attribute to rapid hotel development downtown, rather than an external shock. As such, the dip is expected to be mild.

SURROUNDING HOTEL MARKET OVERVIEW

SOUTH

The south market, a tract that covers a large geographic area roughly south of the city recovered fairly quickly from the recession compared to other areas, going from a low occupancy of 51.6% in 2009 to the mid 60's by 2012. Rates in this market have improved over the same period, from around $75 at the worst point, to about $93 today. Because the market tract covers a large geographic territory, it is somewhat difficult to speak about the market in broad terms. However, generally, it can be said to consist of two distinct types of hotels; highway and industrial franchised properties built in a wave in the 1990's and beyond, and older properties. Many of the franchised properties are consequently near the end of their typical useful life, and are renovating, rebranding, or closing. Some of these properties are being replaced with newer hotels, which in general have been performing better than this set as a whole. This is most clearly seen in areas such as Tinley Park or Bloomingdale. Because of this shift, the market went from 9,350 rooms in 2008 to 8,363 currently.

Year to Date data for 2017 indicates that the market is gaining rate year over year, but is about flat in occupancy. Long term prospects indicate slow ADR growth with a near-term dip in occupancy as around 400 more rooms are added to the market.

SOUTHWEST

While the south market improved over the course of the last 10 years, the southwest market stayed essentially flat. Although it improved from the recessionary lows, it never succeeded in gaining ground over its historic averages. Year to date data for this year indicate it will likely lose occupancy compared to 2016, while long term RevPAR prospects remain essentially flat. While some of this stagnation is attributable to flooding in 2012 slowing recovery, the market is full of older supply than other areas.

TABLE 4: MARKET HISTORY AND PROJECTIONS

	South			Southwest			Chicago		
	Occ	ADR	RevPAR	Occ	ADR	RevPAR	Occ	ADR	RevPAR
2008	58.60%	$81.55	$47.79	59.00%	$84.92	$50.10	72.09%	$193.01	$137.42
2009	51.60%	$75.83	$39.13	50.00%	$78.23	$39.12	67.72%	$161.49	$110.75
2010	56.40%	$74.61	$42.08	53.70%	$75.54	$40.56	69.65%	$164.20	$118.19
2011	58.60%	$76.56	$44.86	55.70%	$77.17	$42.98	72.53%	$171.73	$128.06
2012	62.10%	$79.41	$49.31	58.60%	$78.77	$46.16	75.20%	$181.95	$140.86
2013	63.80%	$81.49	$51.99	57.65%	$79.81	$46.01	75.68%	$198.77	$150.42
2014	66.81%	$84.84	$56.68	58.65%	$82.39	$48.32	74.18%	$191.90	$142.35
2015	67.40%	91.04	$61.36	62.00%	87.02	$53.95	70.00%	142.50	$99.75
2016	66.40%	$92.71	$61.56	62.00%	$88.03	$54.58	69.10%	$144.45	$99.81
2017	65.50%	$93.00	$60.92	60.50%	$90.67	$54.86	68.50%	$144.00	$98.64
2018	66.81%	$96.26	$64.31	61.11%	$92.48	$56.51	71.50%	$213.30	$152.51
2019	65.14%	$99.62	$64.89	61.17%	$94.33	$57.70	73.00%	$217.04	$158.44
2020	63.51%	$103.11	$65.49	61.47%	$96.22	$59.15	74.50%	$217.04	$161.69

Source: TR Mandigo & Company

COMPETITIVE SET

Hotel room demand is categorized as "demonstrated" demand, or that demand which can be quantified by examining occupancies of existing hotels; "unsatisfied" demand, or that demand which is turned away or denied at existing hotels because of capacity limits and finding accommodations outside the defined competitive market; and "induced" demand, defined as that demand which does not now seek accommodations in the market but which would, given an acceptable quality hotel, the proper sales efforts and the availability of additional rooms supply prefer to stay within the local market or change travel plans to use local facilities.

The market that the Upscale Limited Service Hotel draws its competitive properties from is a fairly wide region, as discussed above. Though there is a local cluster of hotels in Joliet, it consists of several older, midrange properties. Because the area is large geographically, competition is drawn from up to 12 miles away, and includes mostly properties from Bolingbrook to the northeast, and Naperville, to the north. The set of selected hotels includes the hotels listed on the following page:

Holiday Inn & Suites Joliet Southwest	UNDER Const.	120
Hilton Garden Inn Bolingbrook I 55	Oct 2015	129
Residence Inn Chicago Bolingbrook	Jun 2017	103
Springhill Suites Chicago Bolingbrook	Sep 2000	82
Hampton Inn Suites Bolingbrook	Apr 2005	90
aloft Hotel Bolingbrook	Oct 2009	155
Homewood Suites Aurora Naperville	Jul 2017	146
Hotel Indigo Naperville Riverwalk	Nov 2016	158

COMPETITIVE SET PERFORMANCE

The basis for future performance in our report comes from historic data, including that of STAR reports, Trend reports, industry papers, and our own proprietary data, including a 57-year history of the performance of the Chicago metropolitan area hotel industry from 1960 through 2017. In our analysis of the industry, there is a distinctive cyclical pattern to occupancy performance. This pattern develops as a result of increasing performance of properties until the market economics support new development and upgrading of existing hotels. This, in turn, supports a higher average daily rate, extending the development cycle past its peak, with overbuilding resulting in declining occupancies and an extended recovery period.

We are currently in the late stage of the development cycle, as evidenced by the numerous projects opening in the city of Chicago itself. Typically, in this phase of the cycle, other markets become more appealing to investors, including the surrounding metro area. It is our conclusion that this cyclical pattern will continue, with strong performance engendering new construction and upgrading of existing properties, and that eventually new development will outpace increases in demand, leading to a decline in overall occupancy and a recovery period while new rooms are absorbed by the economy. This is what we see as a baseline scenario.

Although the historic data for this competitive set only begins in 2011, regional data going back to 2001 indicates that this cyclical pattern holds, with data from the competitive set doubly mirroring that of the region from 2011-current. Occupancies in the region overall hit their low point in 2009 and began to recover somewhat over the next two years, while rates bottomed out in 2010 before growing again. While the data for 2009 and 2010 is not present in the comp set, this pattern almost assuredly was repeated there as well. This shows a competitive set that was hit by the recession and recovered in occupancy first, followed by rate.

The results for the competitive market are somewhat mixed, but overall fairly strong. Occupancies in the market rose above 70% for 2013-2015 and then dropped somewhat in 2016-17. Rates were also higher than the region by around $10. These are both positive signs for the proposed hotel. We do caution that these results are extremely biased towards Bolingbrook and Naperville, and that nearby Joliet likely underperforms these results.

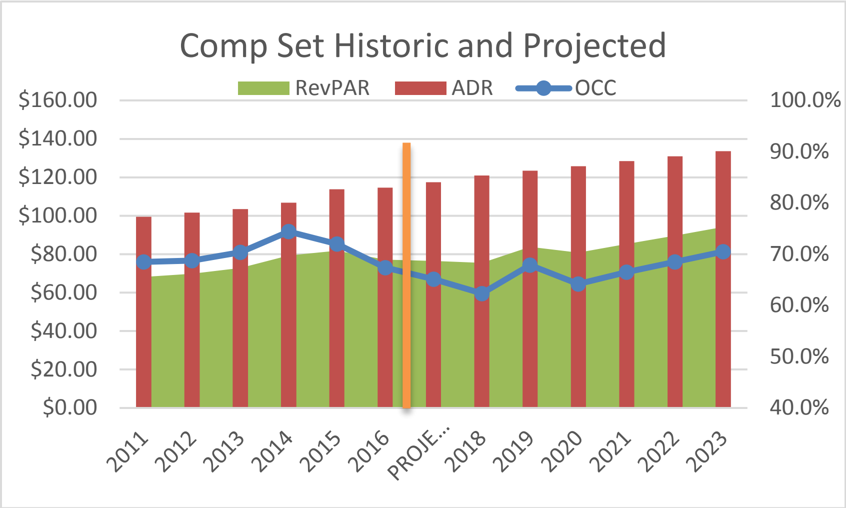
Although the results show a drop in occupancy, this is due entirely to a large increase in supply of new rooms between 2015 and 2017. Four new hotels opened during this time with a fifth scheduled for early 2018. This resulted in a change in supply of around 25% in two consecutive years, with demand increasing at a slower rate. Over the historic period this translated into a Year Over Year increase of 10.2% and 8.42% respectively. Typically, when a new hotel opens, occupancies will drop regionally, as the new hotel engages in its ramp up period, attempting to capture new and existing demand until it is firmly established in a process that takes around 18 months to 3 years. The number of new properties opening in quick succession has had a fairly strong impact on the comp set, but it still outperforms the overall region. In other words, although the impact is dramatic, the market also appears fairly resilient.

We anticipate a slight drop when the proposed property opens from increased supply. Regionally, there may be a sharper drop, particularly in Bolingbrook, Naperville, and areas such as Joliet, due to rapid supply growth.

It is expected with an additional hotel opening next year, that overall occupancies for the competitive set could reach a low of 62.3% in 2018, though ADR will continue to increase slowly during the same period. We note that this effect is magnified due to the relatively close proximity of the competitive hotels to each other in two distinct clusters in Naperville and Bolingbrook, leading to overbuilding in those two areas. Plainfield, being some distance away, is likely to be insulated from these concerns, but may have a slower ramp up period than these other markets as it is not an established hotel destination and is not along a major highway.

In our forecasts, we have included the positive effects of a strong reservation system on the new hotels, which will add a baseline of inelastic demand that other brands will be unable to capture. Further, we anticipate some induced demand will enter the area from surrounding markets, along with a slight uptick in demand previously unaccommodated due to occasional compression periods. Despite overall demand growth, it is most likely that supply will outpace it for several years.

TABLE 5: COMPETITIVE SET PERFORMANCE CHARTS



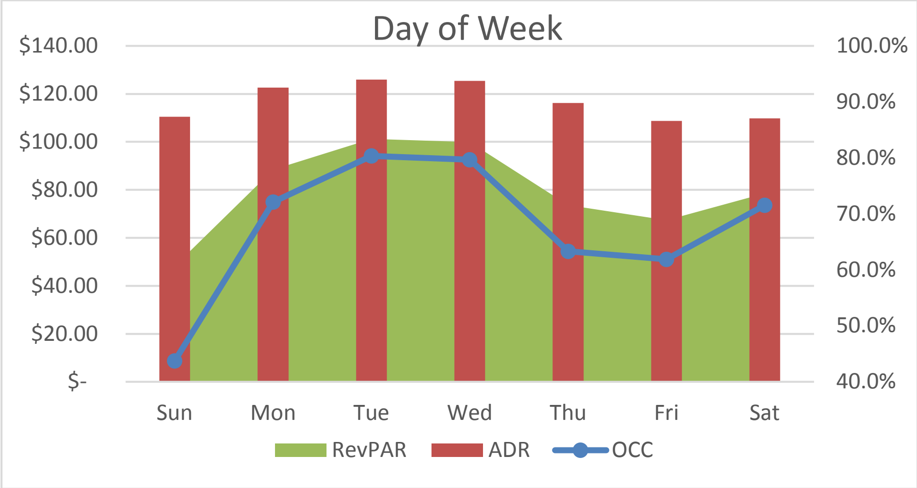
Source: 2017 STR Global

WEEKDAY/WEEKEND MARKET PERFORMANCE

In our interviews and through research, the market in the area was found to draw demand from a variety of sources, including group or other event, hospital contract, extended stay, OTC, and CRS. As discussed in the competitive set section, different hotels in the area attract these categories in different percentages, with the general rule being that weekday business tends to come from negotiated corporate, while weekends consist of groups and events. Of these, weekend demand tends to command the highest price.

Day of week performance indicates a strong mix of weekday commercial and secondary weekend leisure business. Given the variety of these properties, it can be hypothesized that some hotels may focus on commercial demand while others, such as the hotel Indigo, may receive a decent portion of their business from groups, particularly given the extreme difference between Saturday and Sunday. Notably, the low of around 40% occupancy on Sunday is the typical inelastic demand for properties in the region.

TABLE 6: AVERAGE OF 2014-2017 DAILY PERFORMANCE OF COMPETITIVE SET

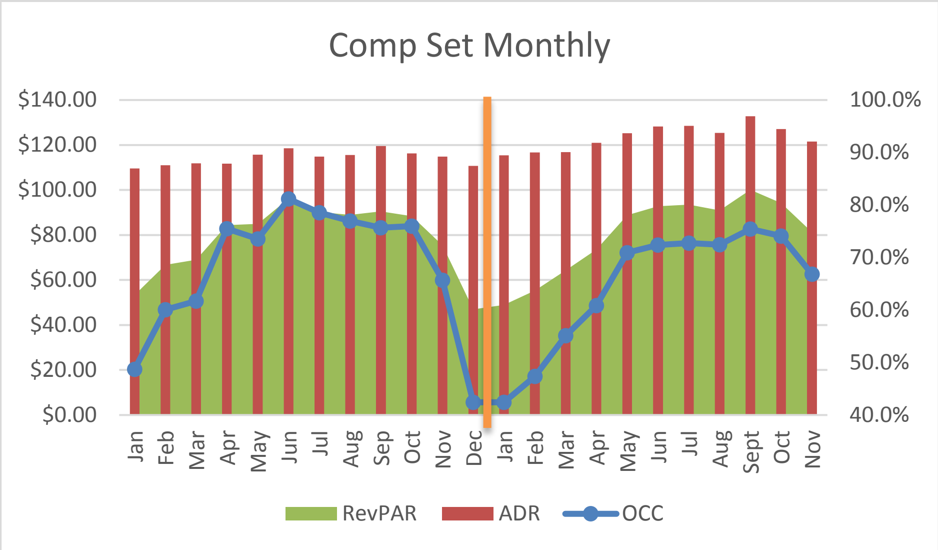


MONTHLY PERFORMANCE

Monthly the competitive set shows a typical “Chicago” pattern, with some exceptions. The monthly pattern of business indicates a strong summer season with a typical late summer bump. Additionally, spring ramp ups are somewhat stronger than other markets, while winter experience a typical midwestern drop to just above 40%.

The intervening months remain relatively high, indicating that the demand for other activities, such as business and leisure, overlap with this period. As seen in the months of February through April, there is a decent floor of inelastic demand, of around 45%. Additionally, ramp up hits around 70% in June, typical of the region

TABLE 7: CHARTED DATA MONTHLY OCCUPANCY TRENDS



Source: Smith Travel Research 2017

PROJECTED GROWTH IN MARKET

Based on historic growth in demand following recessions, patterns of business and anticipated capture of demand by the proposed property we anticipate continued stable demand in the competitive market with anticipated slow growth in demand.

An influx of rooms entering into the market will continue to surpass regional occupancy near term, but we continue to anticipate that overall demand will continue to grow. In particular, as there is a significant geographic distance between the proposed upscale property and other area properties, the reservation systems should provide a higher than typical increase in supply compared to other res systems. In addition, as discussed earlier, 2015 was a particularly strong year, while 2016 and YTD 2017 show slight declines. Calculations to year end show a dip to 64% in 2017, while the opening of f other western suburban projects will drive occupancies in the competitive set down to around 57% in 2018. However, despite the rapid supply increase which will nearly double from 2014 to 2019, demand is expected to continue to grow strongly as well. Because there are no other known potential new developments after 202 we are aware of at this time, we have projected occupancies as recovering in the next few years, though we have capped future performance at a lower level than the highs of 2015.

We anticipate that rates will climb upward in 2018 and beyond, though at a muted rate when compared to the nearly double-digit percentages seen in the recovery period following the 2008 recession.

TABLE 8: SUPPLY AND DEMAND GROWTH

Historic				**%CHG**						
	OCC	ADR	RevPAR	OCC	ADR	RevPAR	SUP	%CHG	DEM	%CHG
2011	68.5%	$99.52	$68.18				173375		118771	
2012	68.7%	$101.57	$69.81	0.3%	2.1%	2.4%	173375	0.0%	119163	0.3%
2013	70.4%	$103.38	$72.77	2.4%	1.8%	4.2%	173375	0.0%	122046	2.4%
2014	74.4%	$106.72	$79.40	5.7%	3.2%	9.1%	173375	0.0%	129001	5.7%
2015	72.0%	$113.74	$81.90	-3.2%	6.6%	3.1%	185243	6.8%	133396	3.4%
2016	67.4%	$114.58	$77.22	-6.4%	0.7%	-5.7%	230098	24.2%	155085	16.3%
2017	64.37%	$117.44	$75.59	-4.5%	2.5%	-2.1%	294013	26.0%	189246.1	22.0%
2018	56.6%	$120.96	$68.48	-12.0%	3.0%	-9.4%	365730	11.3%	207,051	9.4%
2019	56.0%	$123.38	$69.11	-1.1%	2.0%	0.9%	402230	9.1%	225,301	8.8%
2020	59.1%	$125.85	$74.37	5.5%	2.0%	7.6%	402230	0.0%	237,692	5.5%
2021	61.5%	$128.37	$78.89	4.0%	2.0%	6.1%	402230	0.0%	247,200	4.0%
2022	63.3%	$130.93	$82.88	3.0%	2.0%	5.1%	402230	0.0%	254,616	3.0%
2023	64.6%	$133.55	$86.23	2.0%	2.0%	4.0%	402230	0.0%	259,708	2.0%
2024	65.9%	$136.22	$89.71	2.0%	2.0%	4.0%	402230	0.0%	264,903	2.0%

PERFORMANCE OF SUBJECT PROPERTY

We have projected the performance of the proposed property based on its ability to position itself in the market and create and promote a new market, drawing demand to its location from existing competitive properties, a strong central reservation system, as well as capturing displaced demand which would prefer to stay in an upscale extended stay but currently electing to stay in properties other than those defined in the competitive set.

The hotel will be a prototypical select service upscale extended stay franchised hotel which would be the only hotel in the immediate area. It will provide a unique flag with strong amenities, including a large amount of meeting space.

A key factor in the proposed hotel's success will be in creating connections within the community and promoting the project regionally to attract guests to an untapped location, which should be eased somewhat by the upscale extended stay accommodations and strong reputation of Hyatt properties. When considering pre-opening campaigns, it will be important to analyze the sources of business within the community, as well as in a radius outside the village, and attempt to focus on which sources of business would be the most profitable. While corporate contract business will be necessary, careful consideration should be made so that rate is not set too low. While the hotel will be competitive with the hotels in Joliet due to its location, it should not attempt to compete directly against those properties, as they are somewhat older and will be difficult to beat on rate.

We have noted that there are several large employers in the area, which were surveyed to determine their hotel needs. In general, these businesses do not send their hotels to the closest Joliet properties, and frequently send them 20-25 minutes away to find properties of sufficient quality. The need for over 50 room nights per week was identified with 3 major employers, and local banquet facilities have had to contract out to Bolingbrook hotels for weekend events through 2019, resulting in displacement of over 100 guests.

The above constitute inelastic demand currently displaced outward, and do not capture smaller businesses, consultants, sales or contractors, nor do they account for latent demand generated by a large and growing residential population. Local populations tend to produce an average of 1 night per 1000 residents, but this is across the entire spectrum of service levels and brands. If we assume that the proposed hotel were to capture ½ of this demand, it would result in a baseline of 20 rooms per night, which is a conservative estimate which will grow along with the community.

Projections are based on competitive advantages of a "new construction" hotel with proximity to area attractions, commercial businesses, strong current reputation, and easy transportation.

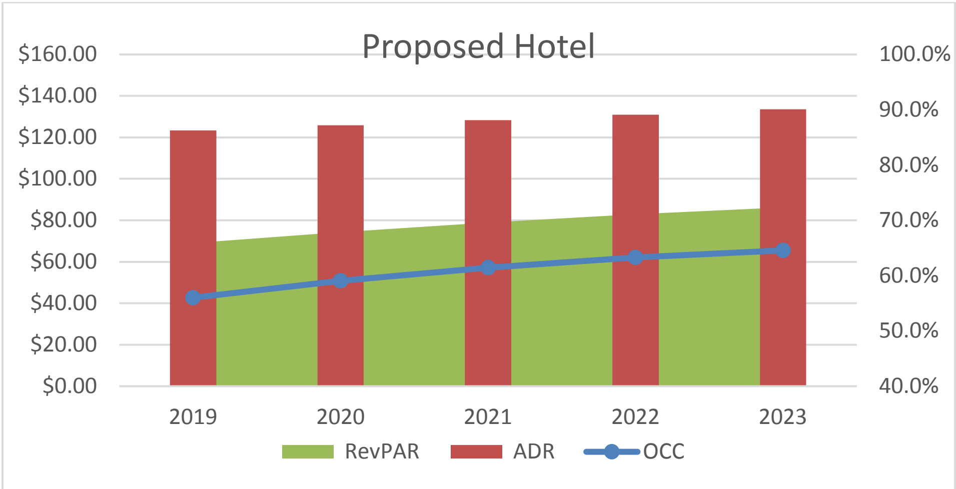
The subject property will see an opening in mid-2019,, skipping the slow months of January through April, and finish the year with occupancy of 56%. This should be around that of the competitive set, owing, as discussed earlier, to regional conditions. During this period it will be marketing aggressively while it establishes itself in the market. This ramp-up period will continue through 2023 before stabilizing.

It should be noted that other development construction business is not a requisite of hotel success. In the event that other projects are brought online, we anticipate the performance of the subject to be boosted to around 58% in its opening year, climbing up to around 69% in the stabilized period. These numbers are still highly indicative of a successful property and significantly higher than overall regional performance.

TABLE 9: PERFORMANCE OF SUBJECT PROPERTY

	Competitive Set Performance			**Subject Property Performance**		
	OCC	ADR	RevPAR	OCC	ADR	RevPAR
TYPICAL YEAR	56.61%	$120.96	$68.48			
2019	56.0%	$123.38	$69.11	56.0%	$126.08	$70.60

2020	59.1%	$125.85	$74.37	60.0%	$129.23	$77.54
2021	61.5%	$128.37	$78.89	62.0%	$132.46	$82.12
2022	63.3%	$130.93	$82.88	65.0%	$135.77	$88.25
2023	64.6%	$133.55	$86.23	66.0%	$139.16	$91.85
2024	65.9%	$136.22	$89.71	67.0%	$142.38	$95.39



Source: Projections – TR Mandigo & Co.

We the subject property capturing more than its fair-share of the market during its ramp up period, and achieving occupancy above the competitive set in the long term. Again, this is due to the strong proposed flag and new construction, with a disparate competitive set more susceptible to the influx or rooms.

As shown below, the hotel outperforms the competitive set in all periods in all metrics, owing to its newer construction, hybrid extended-stay nature allowing for a higher average occupancy, and its upscale class. Note that average ADR is not expected to be even across the year, meaning winter periods will likely see ADR in or around $120 while compression periods may be significantly higher.

TABLE 10: COMPARISON TO COMPETITVE SET

	Competitive Set			**Subject Property**			
	Supply	Occ	Demand	Occ	Demand	Fair Share	% Fair Share
2016	230,098	67.40%	155,085				
2017	294,013	64.37%	189,246				
2018	365,730	56.61%	207,051				
2019	402,230	56.01%	225,301	56%	20440	5.08%	99.98%
2020	402,230	59.09%	237,692	60%	21900	5.44%	101.53%
2021	402,230	61.46%	247,200	62%	22630	5.63%	100.88%
2022	402,230	63.30%	254,616	65%	23725	5.90%	102.68%
2023	402,230	64.57%	259,708	66%	24090	5.99%	102.22%

MARKET SEGMENTATION

In our projections, we have anticipated a relatively unique mix of business when compared to existing properties. While this targeting may wind up displacing some business from Joliet, it should target a higher rate, and thus, higher level employee, than existing contracts staying there, offering smaller discounts compared to nearby hotel's contract business. Conversely, it will not be able to compete against Naperville or Bolingbrook based business contracts. As this segment will be highly competitive, we are not suggesting or advising that no discounting should occur, rather, that rates in general should be higher overall to accommodate this discounting. In practice this means that although the projections anticipate a $125 typical year average rate, this should not suggest that the rack rate be that low. This is something that an established management company should be aware of and able to handle as part of their revenue management strategy, and it is our recommendation that such a company be hired to run the operations.

In our day of the week section, we noted that the market has a mid-week occupancy in the near 80% range. The proposed property should perform strongly in this market, though it will take a concerted and aggressive marketing effort to develop a sufficient demand base from the commercial sector, in particular because it will be higher priced than other area properties. To achieve this mix, it will need to go after meetings, conferences, and higher level corporate functions. We note that these events have peaks in the spring and fall seasons, making the proposed property likely to perform similar to the regional demand patterns noted in the competitive set section.

Overall, we anticipate a strong Central Reservation System contribution of around 25%, with Online Travel Companies contributing about 25%. We anticipate around 20 rooms of business from local businesses, or around 17%, with group business, with other corporate making up to an additional 8% of stays. Groups, social, religious, educational, and fraternal events should account for 25% of the business. Extended stay leisure and corporate business will likely account for around 35% of business, lower than a fully dedicated extended stay property such as a Residence Inn, and will most likely come through central or outside reservation channels.

PIPELINE

At the current time, we are unaware of any additional properties planned for the immediate area, though the radius of around 15 miles will likely see the construction of around 400 rooms in the future. Regionally, development in the Chicagoland area will continue for a period of around 3 more years, with a likely lull in construction after that time.

CONCLUSION

We find there is ample support to indicate the success of a new development Upscale Limited Service Hotel. The demographics, amenities, and job base are able to support a new hotel, and will be boosted greatly by the development of other complimentary commercial businesses.

STATEMENTS OF ESTIMATED ANNUAL OPERATING RESULTS

We have prepared a statement of Estimated Annual Operating Results for a Typical Year in 2018 dollars for the subject property and for the first partial year of operation and the next five full years of operation thereafter. The following table summarizes the results of operation for the property over this period.

Table 11: Summary of Operating Results

Proposed Upscale Limited Service Hotel Property

Year	Total Revenue	Income (1)	Ratio to Revenue
Typical Year	$2,833,000	$921,000	32.5%
2019*	$1,750,000	$520,000	29.7%
2020	$2,877,000	$933,000	32.4%
2021	$3,042,000	$1,008,000	33.1%
2022	$3,285,000	$1,159,000	35.3%
2023	$3,408,000	$1,217,000	35.7%
2024	$3,534,000	$1,279,000	36.2%

(1) Income before other fixed charges such as interest, amortization, depreciation and income taxes.

***7 months of operation**

In the analysis that follows we present the basis for the estimate of the prospective cash flow from operations before debt service and income taxes for the proposed Upscale Limited Service Hotel for the first six years of operation from the year 2019 to 2024 (The 2019 operation reflects a 7-month period with an opening in June 2019). The estimates were based on the following assumptions:

- The property will be developed and ready for operation in June 2019.
- The property will be designed as the current proto-type of its selected brand, will be consistent with the quality of the surrounding office, retail and commercial and will carve a niche from the upper end of the extended stay market currently served by area hotels, establishing itself as the newest limited service product serving the university and the numerous manufacturing and commercial firms in the immediate area.
- The property will provide infrastructure in terms of meeting space (1,800 square feet), recreational facilities and service levels consistent with its prototypical franchise standard
- The property will be competently managed by an experienced operator throughout the analysis period.
- The property will achieve the levels of utilization as set forth in this report.
- All amounts have been rounded to the nearest one thousand dollars and account classifications generally confirm to the definitions prescribed by the American Lodging Association in the Uniform System of Accounts for Hotels.
- All gross revenue amounts and the ratios presented on the Statements of Estimated Annual Operating Results were computed on the basis of the revenue and expenses expressed in constant 2018 dollars. They were then adjusted for the effect of inflation, the ramp up time required to develop the projected gross volumes as set forth and pricing and operations policy adjustments over time.
- A 2.5 percent per annum rate of inflation has been applied for revenues and expenses through the analysis period based on the current level of economic growth and inflation and as generally forecast by econometric analysis of the economy except that a higher growth rate was used during the initial years to reflect pricing policy and booking policy following a brief introductory pricing structure during the initial year of operation, recovering to stabilized levels at the stated inflation rate by year three of the operation.
- The comparative data provided is drawn from STR's Host Almanac 2016 presenting year-end 2015 operating results. Data for telecommunication has been consolidated with Other Operated Department results as of 2015. We show food revenue consisting of commissions for food served in the meeting space for meals and breaks by outside services, and we list other f & b revenue as

reflecting the rental of the meeting space to area forms and organizations., so we used total US property results for that category. All other data is presented for Limited Service Hotels with the designations as stated.

REVENUES

Rooms Revenue is calculated based upon the number of available room the occupancy level and the average daily rate as set forth in this study.

Food and Beverage Revenue is comprised of three different revenue sources, Food Revenue; Beverage Revenue and Other Food and Beverage Department Revenue which is the rental charge for the meeting space for business and social occasions.

Food Revenue represents commission from food delivery to meetings, coffee breaks, and catering surcharges. This is estimated based on $.13 per occupied room or $8,000. Additional revenue is derived from providing coffee break service for meeting activity. This is based on 120 functions per year (each even using approximately 50% of the meeting space) with 50 persons in attendance on average.

Other Food and Beverage Revenue is the revenue from daily rental of the meeting space. We have estimated the achievable meeting room rental income from approximately 120 events per year at $150. An event can consist of a brief rental of from 2 to 4 hours up to full day or multiple day rentals for longer functions. Total Other Food and Beverage Department Revenue is estimated at $18,000 annually.

Rentals and Other Income are based on $11,498 or $.50 per occupied room in pay per view movies, vending income, commissions and other miscellaneous sources of revenue. We selected a revenue level consistent with the price point, anticipated amenities and services, and location of the property. A Table of comparables follows:

Table 12: Rentals and Other Income per Occupied Room

Limited Service Hotels

Average for All Properties	$1.17
Small Metro	$.49
Upper Midscale	$1.03
Projected for Subject Property	$.50

Other Operated Departments are based on estimated revenue derived from the operation of the gift/sundry shop sales, revenues from laundry and valet, and other miscellaneous income. We based this on a $34,493 level in current value dollars, or $1.50 per occupied room, assuming commission revenue from local service providers and the revenue from the gift shop/sundry operation. The rates are higher than the comparables because of the commercial market location and expected retail sales through a sundry operation for the extended stay guest.

Table 13: Other Operated Departments per Occupied Room

Limited Service Hotels

Average for All Properties	$1.68
Suburban	$1.01
Upscale	$2.62
Projected for Subject Property	$1.50

DEPARTMENTAL EXPENSES

Rooms Departmental Expenses are based on a per available room operating cost of $6,260, The operating ratio of 22.5 percent is comparable to that presented in industry averages and comparisons, but is driven by a higher cost to provide the continental breakfast service, off-set by the lower cost of housekeeping associated with smaller community hotel operations, and is also impacted by a higher average daily rate achievement than that of properties in the comparison. This expense category includes central reservation, frequent traveler incentive programs and other rooms related franchise charges. The comparable for both dollars per available room and percent of room revenues are presented below:

Table 14: Room Department Expenses

Limited Service Hotels	Per Room	Ratio
Average for All Properties	$7367	23.4%
Suburban	$5,822	21.7%
Upscale	$9,830	23.2%
Subject Property	$6,260	22.5%

Food and Beverage and Other F & B Expenses are based on 33.3% departmental operating costs.

Other Operated Departments expenses are estimated at 50 percent of revenues, consistent with the current concept for this type and scale of operation, running a small sundry operation through the front office, and collecting commissions as net of guest charges minus contracted costs for cleaning, valet and other services. Results of this department are property specific. The tabulated comparable results are presented below:

Table 15 Other Operated Departments

Limited Service Hotels	
Average for All Properties	64.8%
Suburban	62.7%
Upscale	65.1%
Projected for Subject Property	50%

UNDISTRIBUTED EXPENSES

Administrative and General expenses are based on a per available room operating cost of $2,250 in current value dollars. This is comparable to the operating results of luxury full service hotels in the upper rate category and in urban areas. We have included start-up inefficiencies for the first two years of operation to reflect a more intensive management team in getting the property open and stabilized.

Table 16: Administrative and General

Limited Service Hotels	
Average for All Properties	$2,846
Suburban	$2,454
Upscale	$3,546
Projected for Subject Property	$2,250

Marketing is based on a $2,200 per available room budget, providing $220,000 for marketing and promotion of the property. The more conservative amounts reflect the replacement of the existing property with a new construction Holiday Inn Express that already has a built-in market. Combined with an aggressive pre-opening budget, this should enable the property to adequately penetrate the local market and continue to develop its client base. We have included some additional start-up costs in the first-year numbers. This expense category includes chain wide assessments and local and regional marketing programs.

Table 17: Marketing

Limited Service Hotels

Average for All Properties	$1,592
Suburban	$1,323
Upscale	$2,220
Projected for Subject Property	$2,200

Franchise Fees were estimated at 4.4 percent of room revenues. This includes royalty payments and other franchise related fees. The costs of marketing and reservation system are included in the appropriate categories. The total franchise fees including these other costs would be approximately 7.5 to 9.5 percent of total revenues.

Property Operations and Maintenance costs are based on the industry averages for similar size and type properties, and are equal to $1,550 per available room. Our estimates include a reduced cost during the first three years when much of the equipment is under warranty and the property is new.

Table 18: Property Operations and Maintenance

Limited Service Hotels

Average for All Properties	$1,524
Suburban	$1,1368
Upscale	$1,852
Projected for Subject Property	$1,550

Energy costs are likewise based on comparable operations from industry databases. The estimated amount of $1,450 per available room assumes an energy efficient construction and operation that is consistent with the current “Green” movement.

Table 19: Energy Cost

Limited Service Hotels

Average for All Properties	$1,275
Suburban	$1,184
Upscale	$1,541
Projected for Subject Property	$1,450

FIXED CHARGES

Real Estate and Property Taxes have been estimated at 7.9 percent of total revenues, or a level of $225,000 for the property. Based on the location, type of property, and an aggressive appeal process, we believe the property can achieve this tax level. We have included in our forecast for the first six years of operation (five full years and the initial partial year) a reduced real estate tax level during the ramp up period, with full real estate taxes coming into play in year four. The result of this is a slight drop in profitability in year four, with continued “normalized” real estate tax levels.

Table 20: Real Estate Taxes

Limited Service Hotels

Average for All Properties	$1,542
Suburban	$1,146
Upscale	$2,734
Projected for Subject Property	$2,250

Building and Contents Insurance was estimated on the basis of $300 per available room, and should provide for customary coverage of building and contents as well as the liability for van service and swimming pool and recreation equipment. Other categories of insurance, such as business interruption, boiler, bonding, etc. have been included in the estimated Administrative and General category.

Table 21: Building and Contents Insurance

Limited Service Hotels	
Average for All Properties	$320
Suburban	$274
Upscale	$359
Projected for Subject Property	$300

Reserve for Replacement is budgeted at 5 percent of total revenues, taking into account the need to continuously refurbish the property. This amount is consistent with the results of the recent ISHC study on Capital Expenditure that determined this as a minimum amount to retain the competitive status of a property. The amount is phased in over the first three years beginning with 3 percent in 2019 and reaching 5 percent by year 3 (2021).

The Statements of Estimated Annual Operating Results for a typical year, expressed in 2018 dollars and for the period 2019 through 2024, expressed in inflation adjusted dollars are presented on the following pages.

Table 22: Typical Year of Operations

Proposed 100 Room Hotel
Plainfield, Illinois
STATEMENT OF ESTIMATED ANNUAL OPERATING RESULTS
FOR A TYPICAL YEAR OF OPERATION IN 2018 DOLLARS
BASED ON 100 AVAILABLE ROOMS. GENERATED 25-JAN-18; REVISED 25-JAN-18 2:21 PM

PERCENTAGE OF OCCUPANCY		63%			
AVERAGE DAILY RATE		$121.00			
REVENUES:		AMOUNT	RATIO		AMOUNT\ROOM
ROOMS	$	2,782,000	98.2%	$	27,820
OTHER F & B		6,000	0.2%		60
RENTALS & OTHER INCOME		11,000	0.4%		110
OTHER OPERATED DEPTS		34,000	1.2%		340
TOTAL REVENUE	$	2,833,000	100.0%	$	28,330
DEPARTMENTAL EXPENSES (1):					
ROOMS	$	626,000	22.5%	$	6,260
OTHER F & B		2,000	33.3%		20
OTHER OPERATED DEPTS		17,000	50.0%		170
TOTAL	$	645,000	22.8%		$6,450
TOTAL OPERATED INCOME	$	2,188,000	77.2%	$	21,880
UNDISTRIBUTED EXPENSES:					
ADMINISTRATIVE & GENERAL	$	225,000	7.9%	$	2,250
MANAGEMENT FEE (2)		0	0.0%		0
MARKETING		220,000	7.8%		2,200
FRANCHISE FEES (3)		125,000	4.4%		1,250
PROPERTY OPERATION & MAINT.		155,000	5.5%		1,550
ENERGY		145,000	5.1%		1,450
TOTAL	$	870,000	30.7%	$	8,700
INCOME BEFORE FIXED CHARGES	$	1,318,000	46.5%	$	13,180
FIXED CHARGES:					
REAL ESTATE & PROPERTY TAXES	$	225,000	7.9%	$	2,250
BUILDING & CONTENTS INSURANCE		30,000	1.1%		300
TOTAL	$	255,000	9.0%	$	2,550
INCOME BEFORE RESERVE	$	1,063,000	37.5%	$	10,630
RESERVE FOR REPLACEMENT	$	142,000	5.0%	$	1,420
INCOME BEFORE OTHER DEDUCTIONS (5)	$	921,000	32.5%	$	9,210

NOTES:(1) Each departmental expense ratio is based on the department's estimated revenue and does not add to the total departmental expense ratio.
(2) The basic management fee is normally classified as an administrative and general expense.
(3) Royalties only; franchise fees are normally classified as marketing expenses.
(4) Rent may be at base rate, percentage rate, or a base + percentage.
(5) Income before other fixed charges such as interest, amortization, depreciation and income taxes.
* Totals may not add due to rounding.

THIS STATEMENT SHOULD BE READ SUBJECT TO THE COMMENTS CONTAINED IN THE ATTACHED REPORT

Table 23: First 6 Years of Operation

Proposed 100 Room Hotel
Plainfield, Illinois
STATEMENT OF ESTIMATED ANNUAL OPERATING RESULTS
BASED ON 100 AVAILABLE ROOMS. GENERATED 25-JAN-18; REVISED 25-JAN-18 2:22 PM

YEAR #:	0.667			1.667			2.667		
PERIOD:	JUN-DEC 2019			JAN-DEC 2020			JAN-DEC 2021		
OCCUPANCY AND ADR:	56%	at	$126.00	60%	at	$129.00	62%	at	$132.00
REVENUES:	AMOUNT	RATIO	AMT\ROOM	AMOUNT	RATIO	AMT\ROOM	AMOUNT	RATIO	AMT\ROOM
ROOMS	$ 1,717,000	98.1%	$ 17,170	$ 2,825,000	98.2%	$ 28,250	$ 2,987,000	98.2%	$ 29,870
OTHER F & B	**3,000**	0.2%	**30**	**5,000**	0.2%	**50**	**6,000**	0.2%	**60**
RENTALS & OTHER INCOME	**8,000**	0.5%	**80**	**12,000**	0.4%	**120**	**12,000**	0.4%	**120**
OTHER OPERATED DEPTS	**22,000**	1.3%	**220**	**35,000**	1.2%	**350**	**37,000**	1.2%	**370**
TOTAL REVENUE	$ 1,750,000	100.0%	$ 17,500	$ 2,877,000	100.0%	$ 28,770	$ 3,042,000	100.0%	$ 30,420
DEPARTMENTAL EXPENSES (1):									
ROOMS	$ 424,000	24.7%	$ 4,240	$ 656,000	23.2%	$ 6,560	$ 673,000	22.5%	$ 6,730
FOOD & BEVERAGE	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
OTHER F & B	**1,000**	33.3%	**10**	**2,000**	40.0%	**20**	**2,000**	33.3%	**20**
OTHER OPERATED DEPTS	**12,000**	54.5%	**120**	**18,000**	51.4%	**180**	**18,000**	48.6%	**180**
TOTAL	$ 437,000	25.0%	$ 4,370	$ 676,000	23.5%	$ 6,760	$ 693,000	22.8%	$ 6,930
TOTAL OPERATED INCOME	$ 1,313,000	75.0%	$ 13,130	$ 2,201,000	76.5%	$ 22,010	$ 2,349,000	77.2%	$ 23,490
UNDISTRIBUTED EXPENSES:									
ADMINISTRATIVE & GENERAL	$ 166,000	9.5%	$ 1,660	$ 234,000	8.1%	$ 2,340	$ 241,000	7.9%	$ 2,410
MANAGEMENT FEE (2)	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
MARKETING	**163,000**	9.3%	**1,630**	**252,000**	8.8%	**2,520**	**236,000**	7.8%	**2,360**
FRANCHISE FEES (3)	**77,000**	4.4%	**770**	**127,000**	4.4%	**1,270**	**134,000**	4.4%	**1,340**
PROPERTY OPERATION & MAINT.	**91,000**	5.2%	**910**	**148,000**	5.1%	**1,480**	**159,000**	5.2%	**1,590**
ENERGY	**94,000**	5.4%	**940**	**149,000**	5.2%	**1,490**	**155,000**	5.1%	**1,550**
TOTAL	$ 591,000	33.8%	$ 5,910	$ 910,000	31.6%	$ 9,100	$ 925,000	30.4%	$ 9,250
INCOME BEFORE FIXED CHARGES	$ 722,000	41.3%	$ 7,220	$ 1,291,000	44.9%	$ 12,910	$ 1,424,000	46.8%	$ 14,240
FIXED CHARGES:									
REAL ESTATE & PROPERTY TAXES	$ 128,000	7.3%	$1,280	$ 211,000	7.3%	$2,110	$ 232,000	7.6%	$2,320
BUILDING & CONTENTS INSURANCE	**21,000**	1.2%	**210**	**32,000**	1.1%	**320**	**32,000**	1.1%	**320**
TOTAL	$ 149,000	8.5%	$ 1,490	$ 243,000	8.4%	$ 2,430	$ 264,000	8.7%	$ 2,640
INCOME BEFORE RESERVE	$ 573,000	32.7%	$ 5,730	$ 1,048,000	36.4%	$ 10,480	$ 1,160,000	38.1%	$ 11,600
RESERVE FOR REPLACEMENT	$ 53,000	3.0%	$ 530	$ 115,000	4.0%	$ 1,150	$ 152,000	5.0%	$ 1,520
INCOME BEFORE OTHER DEDUCTIONS (5)	$ 520,000	29.7%	$ 5,200	$ 933,000	32.4%	$ 9,330	$ 1,008,000	33.1%	$ 10,080

NOTES: (1) Each departmental expense ratio is based on the department's estimated revenue and does not add to the total departmental expense ratio.
(2) The basic management fee is normally classified as an administrative and general expense. (3) Franchise fees are normally classified as marketing expenses.
(4) Rent may be at base rate, percentage rate, or a base + percentage. (5) Income before other fixed charges such as interest, amortization, depreciation, and income taxes.
*Totals may not add due to rounding.

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Proposed 100 Room Hotel
Plainfield, Illinois
STATEMENT OF ESTIMATED ANNUAL OPERATING RESULTS
BASED ON 100 AVAILABLE ROOMS. GENERATED 25-JAN-18; REVISED 25-JAN-18 2:22 PM

YEAR #:	3.667			4.667			5.667		
PERIOD:	JAN-DEC 2022			JAN-DEC 2023			JAN-DEC 2024		
OCCUPANCY AND ADR:	65%	at	$136.00	66%	at	$139.00	67%	at	$142.00
REVENUES:	AMOUNT	RATIO	AMOUNT\ROOM	AMOUNT	RATIO	AMOUNT\ROOM	AMOUNT	RATIO	AMOUNT\ROOM
ROOMS	$ 3,227,000	98.2%	$ 32,270	$ 3,349,000	98.3%	$ 33,490	$ 3,473,000	98.3%	$ 34,730
OTHER F & B	**7,000**	0.2%	**70**	**7,000**	0.2%	**70**	**7,000**	0.2%	**70**
RENTALS & OTHER INCOME	**12,000**	0.4%	**120**	**12,000**	0.4%	**120**	**13,000**	0.4%	**130**
OTHER OPERATED DEPTS	**39,000**	1.2%	**390**	**40,000**	1.2%	**400**	**41,000**	1.2%	**410**
TOTAL REVENUE	$ 3,285,000	100.0%	$ 32,850	$ 3,408,000	100.0%	$ 34,080	$ 3,534,000	100.0%	$ 35,340
DEPARTMENTAL EXPENSES (1):									
ROOMS	$ 692,000	21.4%	$ 6,920	$ 711,000	21.2%	$ 7,110	$ 729,000	21.0%	$ 7,290
FOOD & BEVERAGE	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
OTHER F & B	**2,000**	28.6%	**20**	**2,000**	28.6%	**20**	**2,000**	28.6%	**20**
OTHER OPERATED DEPTS	**19,000**	48.7%	**190**	**19,000**	47.5%	**190**	**20,000**	48.8%	**200**
TOTAL	$ 713,000	21.7%	$ 7,130	$ 732,000	21.5%	$ 7,320	$ 751,000	21.3%	$ 7,510
TOTAL OPERATED INCOME	$ 2,572,000	78.3%	$ 25,720	$ 2,676,000	78.5%	$ 26,760	$ 2,783,000	78.7%	$ 27,830
UNDISTRIBUTED EXPENSES:									
ADMINISTRATIVE & GENERAL	$ 249,000	7.6%	$ 2,490	$ 257,000	7.5%	$ 2,570	$ 263,000	7.4%	$ 2,630
MANAGEMENT FEE (2)	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
MARKETING	**244,000**	7.4%	**2,440**	**251,000**	7.4%	**2,510**	**257,000**	7.3%	**2,570**
FRANCHISE FEES (3)	**145,000**	4.4%	**1,450**	**151,000**	4.4%	**1,510**	**156,000**	4.4%	**1,560**
PROPERTY OPERATION & MAINT.	**172,000**	5.2%	**1,720**	**176,000**	5.2%	**1,760**	**182,000**	5.1%	**1,820**
ENERGY	**162,000**	4.9%	**1,620**	**167,000**	4.9%	**1,670**	**173,000**	4.9%	**1,730**
TOTAL	$ 972,000	29.6%	$ 9,720	$ 1,002,000	29.4%	$ 10,020	$ 1,031,000	29.2%	$ 10,310
INCOME BEFORE FIXED CHARGES	$ 1,600,000	48.7%	$ 16,000	$ 1,674,000	49.1%	$ 16,740	$ 1,752,000	49.6%	$ 17,520
FIXED CHARGES:									
REAL ESTATE & PROPERTY TAXES	$ 244,000	7.4%	$2,440	$ 253,000	7.4%	$2,530	$ 261,000	7.4%	$2,610
BUILDING & CONTENTS INSURANCE	**33,000**	1.0%	**330**	**34,000**	1.0%	**340**	**35,000**	1.0%	**350**
TOTAL	$ 277,000	8.4%	$ 2,770	$ 287,000	8.4%	$ 2,870	$ 296,000	8.4%	$ 2,960
INCOME BEFORE RESERVE	$ 1,323,000	40.3%	$ 13,230	$ 1,387,000	40.7%	$ 13,870	$ 1,456,000	41.2%	$ 14,560
RESERVE FOR REPLACEMENT	$ 164,000	5.0%	$ 1,640	$ 170,000	5.0%	$ 1,700	$ 177,000	5.0%	$ 1,770
INCOME BEFORE OTHER DEDUCTIONS (5)	$ 1,159,000	35.3%	$ 11,590	$ 1,217,000	35.7%	$ 12,170	$ 1,279,000	36.2%	$ 12,790

NOTES: (1) Each departmental expense ratio is based on the department's estimated revenue and does not add to the total departmental expense ratio.

(2) The basic management fee is normally classified as an administrative and general expense. (3) Franchise fees are normally classified as marketing expenses.

(4) Rent may be at base rate, percentage rate, or a base + percentage. (5) Income before other fixed charges such as interest, amortization, depreciation, and income taxes.

*Totals may not add due to rounding.

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Table 24: DCF Valuation

VALUATION ANALYSIS
For the Proposed 100 Room Hotel in Plainfield, Illinois
GENERATED 25-JAN-18; REVISED 25-JAN-18 2:23 PM

ASSUMPTIONS:			
38. Discount Rate:	11.5%	40. Costs of Sale:	3.0%
	11.0%		
	10.5%	41. Avg Annual Inflation Rate:	2.5% / year, or
39. Overall Rates:			0.20598% monthly
A. Current, Hi Value-	8.0%	42. CRITICAL DATES:	
B. Current, Low Value-	8.5%	1st Forecast Year Open Date:	01-Jun-19
C. Reversion-	9.0%	Appr's'l "As Of" Date:	25-Jan-18
		Months- "As Of" Date to Opening:	14

43. Renovation Costs:

	Item	Quantity	Units	Unit Value		Total Value
(1)		-	systems	$ -	per system	$ -
(2)		-	systems	$ -	per system	$ -
(3)		-	rooms	$ -	per room	$ -
(4)		-	rooms	$ -	per room	$ -
(5)		-	rooms	$ -	per room	$ -
			Total Conversion Costs:			$ -

44. PIP Cost: $ -

DISCOUNTED CASH FLOW ANALYSIS

Year Number	Year	Income Before Other Deductions	P.V. @ 11.5% P.V. Factor	P.V. @ 11.5% Present Value	P.V. @ 11.0% P.V. Factor	P.V. @ 11.0% Present Value	P.V. @ 10.5% P.V. Factor	P.V. @ 10.5% Present Value
0.667	2019	520,000	0.9300	483,601	0.9328	485,052	0.9356	486,514
1.667	2020	933,000	0.8341	778,198	0.8404	784,049	0.8467	789,971
2.667	2021	1,008,000	0.7481	754,040	0.7571	763,131	0.7662	772,374
3.667	2022	1,159,000	0.6709	777,575	0.6820	790,495	0.6934	803,690
4.667	2023	1,217,000	0.6017	732,276	0.6145	747,796	0.6275	763,718
5.667	2024	-	0.5396	-	0.5536	-	0.5679	-
6.667	2025	-	0.4840	-	0.4987	-	0.5139	-
7.667	2026	-	0.4341	-	0.4493	-	0.4651	-
8.667	2027	-	0.3893	-	0.4048	-	0.4209	-
9.667	2028	-	0.3491	-	0.3647	-	0.3809	-
10.667	2029	-	0.3131	-	0.3285	-	0.3447	-
11.667	2030	-	0.2808	-	0.2960	-	0.3120	-
Subtotal PV From Cash Flow				$3,525,689		$3,570,524		$3,616,267
Reversion	2023	13,784,778	0.6017	8,294,376	0.6145	8,470,178	0.6275	8,650,525
Total PV As Of:		01-Jun-19		$11,820,065		$12,040,702		$12,266,792
Deflated to Appraisal Date @:			2.50%					
Months to Appraisal Date:			14	0.9716		0.9716		0.9716
Present Value As Of:		25-Jan-18		$11,484,410		$11,698,781		$11,918,452
Less Renovation Costs				0		0		0
Less PIP				-		-		-
Adjusted Present Value				$11,484,410		$11,698,781		$11,918,452
			Rounded:	**$11,500,000**		**$11,700,000**		**$11,900,000**
			Per Room	$120,888.53		$123,145.07		$125,457.39

DIRECT CAPITALIZATION ANALYSIS

	Low Value	High Value
Typical Year NOI	$921,000	$921,000
Divided by OAR	0.085	0.080
Indicated Value	$10,835,294	$11,512,500
Less Renovation Costs	0	0
Less PIP	0	0
Net Value	$10,835,294	$11,512,500
Rounded	$10,800,000	$11,500,000
Price per Room	$108,000	$115,000

REVERSION CALCULATION:

Net Income for Year:	2024	$1,279,000
Divided by Reversion OAR		0.09
Gross Reversion		$14,211,111
Less Costs of Sale @:	3.0%	426,333
Net Reversion		$13,784,778
Indices:	$137,848	per hotel unit

Table 25: Direct Cap Valuation

VALUATION INDICES			
Indice	11.5%	11.0%	10.5%
Appraised Value:	$11,500,000	$11,700,000	$11,900,000
Price Per Hotel Room:	$115,000	$117,000	$119,000
OVERALL RATE (OAR)			
OAR- 1st Yr:	4.52%	4.44%	4.37%
OAR- 2nd Yr:	8.11%	7.97%	7.84%
OAR- 3rd Yr:	8.77%	8.62%	8.47%
OAR- 4th Yr:	10.08%	9.91%	9.74%
OAR- Typ Year:	8.01%	7.87%	7.74%
GROSS ROOM RENT MULTIPLIER (GRRM)			
GRRM- 1st Yr:	6.698	6.814	6.931
GRRM- 2nd Yr:	4.071	4.142	4.212
GRRM- 3rd Yr:	3.850	3.917	3.984
GRRM- 4th Yr:	3.564	3.626	3.688
GRRM- Typ Year:	4.134	4.206	4.277
% of PV from CF:	30.66%	30.52%	30.39%

COMPARISON OF DIRECT CAPITALIZATION ANALYSIS WITH DISCOUNTED CASH FLOW APPROACH

CALCULATION OF INCOME DIFFERENCE

Year Number	Year	DCF Income Before Other Deductions	Inflated Rep Year Income	Difference	Times PV Factor @ 11.0%	PV of Difference
0.667	2019	520,000	614,000	(94,000)	0.9328	(87,682)
1.667	2020	933,000	967,626	(34,626)	0.8404	(29,098)
2.667	2021	1,008,000	1,042,027	(34,027)	0.7571	(25,761)
3.667	2022	1,159,000	1,150,203	8,797	0.6820	6,000
4.667	2023	1,217,000	1,301,349	(84,349)	0.6145	(51,829)
5.667	2024	0	0	0	0.0000	0
6.667	2025	0	0	0	0.0000	0
7.667	2026	0	0	0	0.0000	0
8.667	2027	0	0	0	0.0000	0
9.667	2028	0	0	0	0.0000	0
10.667	2029	0	0	0	0.0000	0
11.667	2030	0	0	0	0.0000	0
				Total PV of Difference		($188,370)
					Rounded:	($190,000)

COMPARISON OF TWO APPROACHES

Direct Capitalization Value		$11,500,000
Less PV of Difference		(190,000)
Adjusted Direct Capitalization Value		11,690,000
Less DCF Value @	11.0%	11,700,000
Difference		(10,000)
Percent Difference		-0.09%

ASSUMPTIONS AND LIMITING CONDITIONS

The report has been made with, and subject to, the following general limiting conditions and includes the following general assumptions:

- No responsibility is accepted by the consultant for considerations requiring expertise in other fields. Included in this category are ownership legal description and other legal matters, survey of property boundaries, geologic considerations including soils and seismic stability, civil, structural or other engineering, and identification of hazardous or toxic substances. Data furnished or obtained from public sources relative to these matters has been adopted and is assumed to be correct.
- Under the operating projection the property is assumed to be under responsible ownership and management.
- The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and in this section and are to be part of these general assumptions as if included here in their entirety.
- The information furnished us by others and contained in this report is considered to be from reliable sources and, where feasible, has been verified; however, no responsibility is assumed for its accuracy. We reserve the right to modify the estimates of operating results should more reliable information become available subsequent to delivery of this report.
- The sketches, plot plans and drawings included in this report are included only to assist the reader in visualizing the property.
- There are no hidden or unapparent conditions in the property, soil, subsoil, or structures, which would render the site unsuitable for its intended use or would constrain the continued operation of the property. No responsibility is assumed for such conditions or for arranging for engineering studies, which would be required to discover them. The consultants are not construction, engineering, environmental, or legal experts, and any statement given on these matters in this report should be considered preliminary in nature.
- It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws, that all applicable zoning and use regulations and restrictions have been complied with or can and will be complied with, unless a nonconformity has been stated, defined and considered in the report, and that all required licenses, certificates of occupancy, legislated or administrative consents from any local, state or national government or private entity or organization have been or can be obtained for any use on which the estimates of future operating results contained in this report are based.
- The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of the property to determine whether or not it is in conformity or can be brought into conformity with the various detailed requirements of the ADA. It is likely that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have an effect upon the capital spending plans for the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of ADA in estimating the results of future operations of the property.

- All estimates shown in the report are projections based on our analysis as of the date of the study. These estimates may not be valid in other time periods or as conditions change. We take no responsibility for events, conditions, or circumstances affecting the property's operation that take place subsequent to either the date of this report or the date of our field inspection, whichever occurs first.

- By reason of this report, we are not required to give further consultation, testimony or to be in attendance in court or at any governmental or other hearing with reference to the property without prior arrangements having been made relative to such additional employment.

- Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of TR Mandigo & Co. and in any event only with properly written qualifications and only in its entirety.

- The party for whom this report was prepared may distribute copies of this report only in its entirety to such third parties as may be selected by the party for whom this report was prepared; however, portions of this report shall not be given to third parties without our written consent. Liability to third parties will not be accepted.

- Neither all nor any part of the contents of this report shall be disseminated to the general public through advertising or sales media, public relations media, news media, or other public means of communication without prior written consent and approval of the consultant.

- In any case, this report is not intended for use in registered or unregistered security offering documents without consultation and an opportunity for a complete review of the use of the report and a review of all related documents.