



SUMMARY MARKET STUDY

Proposed Hampton by Hilton

1615 AMHERST MANOR DR
AMHERST, NEW YORK

SUBMITTED TO:

Ms. Kellena L.W. Kane
Uniland Development
100 Corporate Parkway, Buffalo | University
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PREPARED BY:

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January 17, 2017

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Re: Proposed Hampton by Hilton
Amherst, New York
HVS Reference: 2016020607

Dear Ms. Kane:

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

This report is intended for the addressee firm, and may not be distributed to or relied upon by other persons or entities. We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

Sincerely,
TS Worldwide, LLC

Preston K. Puleo, MAI, Vice President
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Table of Contents

SECTION	TITLE	PAGE
1.	Executive Summary	1
2.	Description of the Site and Neighborhood	11
3.	Market Area Analysis	19
4.	Supply and Demand Analysis	37
5.	Description of the Proposed Project	50
6.	Projection of Occupancy and Average Rate	56
7.	Projection of Income and Expense	62
8.	Statement of Assumptions and Limiting Conditions	73
9.	Certification	76
	Addenda	
	Qualifications	



1. Executive Summary

Subject of the Summary Market Study

The subject of the summary market study is a 128,502-square-foot (2.95-acre) parcel to be improved with a limited-service lodging facility; the hotel will be affiliated with the Hampton by Hilton brand. The property, which is expected to open on November 1, 2017, will feature 105 rooms, a breakfast dining area, an indoor pool, an indoor whirlpool, a fitness room, a business center, a market pantry, a guest laundry room, and vending areas. The hotel will also contain the appropriate parking capacity (105) and all necessary back-of-the-house space.

The proposed subject property will be located within the Audubon Recreation Center Complex, which consists of various multi-purpose fields and an 1,800-seat multi-purpose arena known as the Northtown Center. The Northtown Center is home to the University of Buffalo men's ice hockey team and the Buffalo Wings, a professional inline hockey team competing in Major League Roller Hockey. The southwestern portion of the complex, currently unimproved, will be subdivided from the parent parcel for development of the subject hotel. The subject site's location is 1615 Amherst Manor Dr, Amherst, New York, 14226.

Pertinent Dates

The effective date of the report is January 17, 2017. The subject site was inspected by Preston K. Puleo, MAI on January 21, 2015. In addition to the inspection, Preston K. Puleo, MAI participated in the research for this assignment and assisted in the report's preparation.

Ownership, Franchise, and Management Assumptions

The developer of the proposed subject hotel is Uniland Partnership of Delaware LP; the parent company of this ownership entity is Uniland, which is based in Amherst, New York. The Town of Amherst owns the parcel and Uniland Partnership of Delaware LP is bidding on the rights for a ground lease that allows for the development and operation of a limited-service hotel. The western portion of the Audubon Recreation Complex, currently unimproved, will be subdivided from the parent parcel to be improved with the proposed subject hotel.

It is assumed that the proposed hotel will be managed by Brookwood Hospitality. Details pertaining to management terms were not yet determined at the time of this report; therefore, our forecast fees represent an estimate of what would be expected on a base- and incentive-fee basis. We have assumed a market-appropriate total management fee of 3.0% of total revenues in our study.

The proposed subject hotel will reportedly operate under a franchise agreement with Hilton Worldwide as a Hampton by Hilton; the agreement is expected to span



20 years. Based on our review of the agreement's terms or expected terms, the Hampton by Hilton franchise is reflected in our forecasts with a royalty fee of 6% of rooms revenue, and a marketing assessment of 4% of rooms revenue.

Summary of Hotel Market Trends

Local businesses and entities in the area, highway travelers, and tourists represent the primary sources of demand for the selected set of competitive hotels in this Amherst market. Occupancy in this market has historically remained relatively stable in the high 60s to low 70s. The consistently strong demand levels fueled supply increases that started to materialize in the area in 2009 with the entrance of the Candlewood Suites Buffalo Amherst and the Staybridge Suites Buffalo Airport, which are outside the competitive set. The entrance of new supply combined with the economic downturn contributed to a decline in occupancy of roughly two percentage points in 2009. A recovery began in 2010, and this positive trend continued through 2012, with occupied room nights reaching new highs as local businesses and entities regained strength and new industries realized traction in the area. Occupancy began to decline mid-year 2013 as a surge of limited- and select-service hotels entered the market, briefly outpacing demand growth. This negative trend continued through 2015. Data for early 2016 illustrate a continuation of this trend, with occupancy falling nearly ten percentage points below the level achieved during the same period in 2015.

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

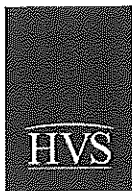


FIGURE 1-1 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)

Year	Average Daily Available Room			Occupied Room			Average		RevPAR	
	Room Count	Nights	Change	Nights	Change	Occupancy	Rate	Change	RevPAR	Change
2004	1,356	494,940	—	335,062	—	67.7 %	\$86.78	—	\$58.75	—
2005	1,411	514,842	4.0 %	335,202	0.0 %	65.1	93.17	7.4 %	60.66	3.3 %
2006	1,449	528,885	2.7	359,552	7.3	68.0	97.33	4.5	66.17	9.1
2007	1,449	528,885	0.0	358,327	(0.3)	67.8	106.18	9.1	71.94	8.7
2008	1,449	528,885	0.0	352,378	(1.7)	66.6	113.07	6.5	75.33	4.7
2009	1,449	528,885	0.0	341,916	(3.0)	64.6	107.01	(5.4)	69.18	(8.2)
2010	1,449	528,885	0.0	362,029	5.9	68.5	103.99	(2.8)	71.19	2.9
2011	1,449	528,885	0.0	376,138	3.9	71.1	105.21	1.2	74.82	5.1
2012	1,449	528,885	0.0	380,544	1.2	72.0	107.87	2.5	77.61	3.7
2013	1,516	553,467	4.6	393,230	3.3	71.0	113.66	5.4	80.75	4.0
2014	1,671	609,915	10.2	400,175	1.8	65.6	115.08	1.3	75.51	(6.5)
2015	1,728	630,876	3.4	403,390	0.8	63.9	115.03	(0.0)	73.55	(2.6)
Year-to-Date Through March										
2015	1,671	150,390	—	81,862	—	54.4 %	\$110.29	—	\$60.04	—
2016	1,808	162,720	8.2 %	72,032	(12.0) %	44.3	106.09	(3.8) %	46.97	(21.8) %
Average Annual Compounded Change:										
2004 - 2015			2.2 %		1.7 %			2.6 %		2.1 %
2004 - 2007			2.2		2.3			7.0		7.0
2007 - 2010			0.0		0.3			(0.7)		(0.4)
2010 - 2015			3.6		2.2			2.0		0.7
Hotels Included in Sample				Number	Year	Year				
				of Rooms	Affiliated	Opened				
Ramada Amherst Getzville Hotel & Conference Center				120	Apr 2006	Jun 1992				
Wyndham Garden Buffalo Williamsville				120	Aug 2013	Aug 2013				
Hampton Inn Buffalo Williamsville				80	Jul 2002	Jul 2002				
Courtyard Buffalo Amherst University				108	May 1999	May 1999				
Residence Inn Buffalo Amherst				112	Dec 1986	Dec 1986				
Marriott Buffalo Niagara				356	Mar 1981	Mar 1981				
Hyatt Place Buffalo Amherst				137	Aug 2015	Aug 2015				
Homewood Suites Buffalo Amherst				93	Jun 2005	Jun 2005				
Comfort inn University Amherst				102	Mar 2005	Jan 1986				
DoubleTree Buffalo Amherst				187	Jun 2012	May 1987				
Holiday Inn Buffalo Amherst				199	Apr 1967	Apr 1967				
Staybridge Suites Buffalo Amherst				102	Nov 2013	Nov 2013				
Sleep Inn Amherst				92	Aug 1998	Aug 1998				
Total				1,808						

Source: STR

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

FIGURE 1-2 PRIMARY COMPETITORS – OPERATING PERFORMANCE

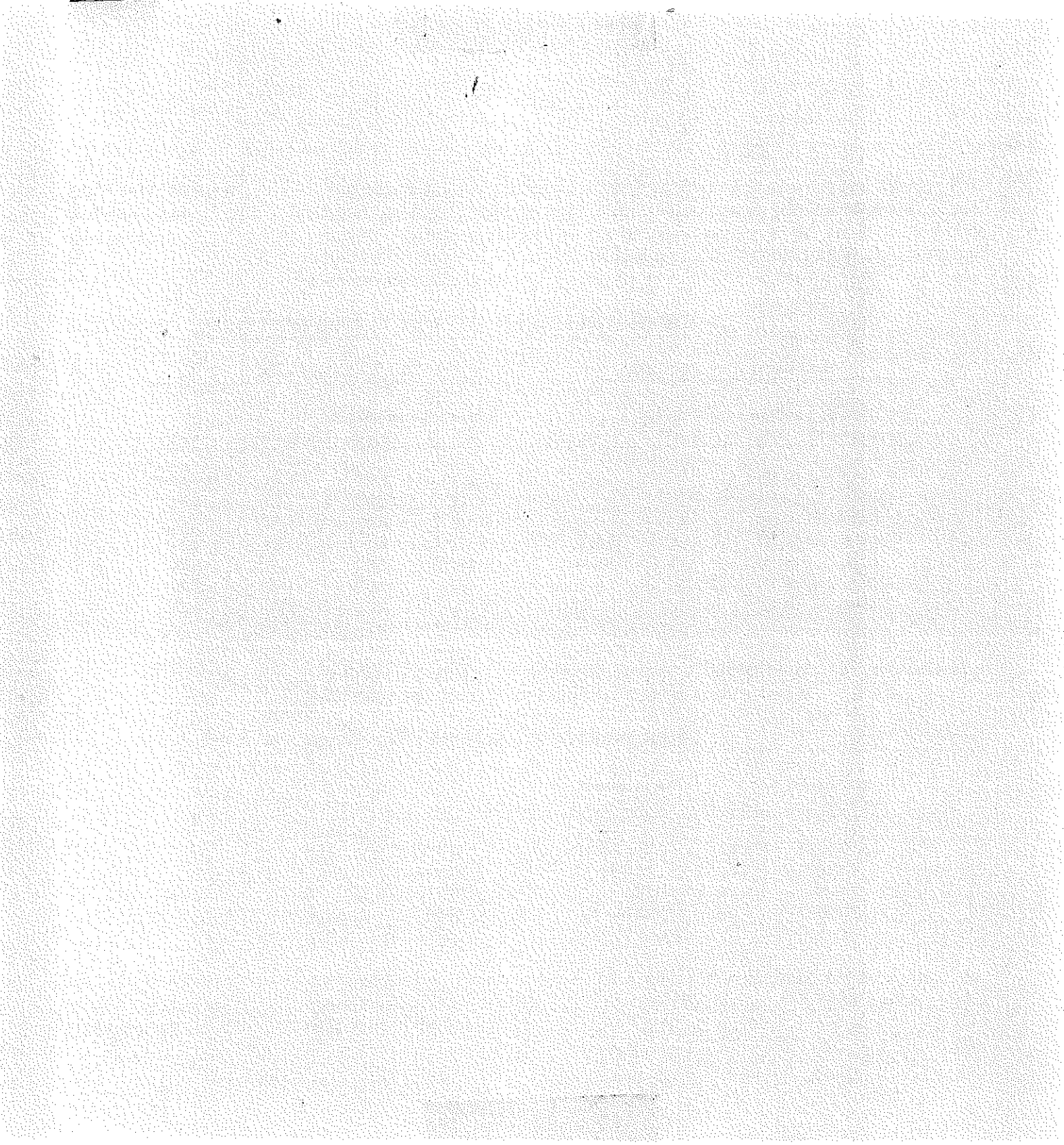
Property	Number of Rooms	Est. Segmentation		Estimated 2014				Estimated 2015						
		Commercial	Leisure	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration	
DoubleTree by Hilton Buffalo Amherst	187	65 %	20 %	15 %	187	60 - 65 %	\$115 - \$120	\$75 - \$80	187	55 - 60 %	\$120 - \$125	\$70 - \$75	85 - 90 %	90 - 95 %
Courtyard by Marriott Buffalo Amherst University	108	65	20	15	108	65 - 70	120 - 125	80 - 85	108	60 - 65	120 - 125	75 - 80	100 - 110	100 - 110
Holiday Inn Buffalo Amherst	199	65	25	10	199	55 - 60	100 - 105	55 - 60	199	50 - 55	100 - 105	55 - 60	80 - 85	70 - 75
Hampton Inn Buffalo Williamsville	80	65	10	25	80	75 - 80	130 - 140	100 - 105	80	70 - 75	140 - 150	95 - 100	100 - 110	130 - 140
Hyatt Place Buffalo Amherst	187	65	20	15	0	—	—	—	57	65 - 70	95 - 100	65 - 70	100 - 110	85 - 90
Wyndham Garden Buffalo Williamsville	120	65	20	15	120	60 - 65	110 - 115	65 - 70	120	60 - 65	110 - 115	70 - 75	100 - 110	90 - 95
Homewood Suites by Hilton Buffalo Amherst	93	80	5	15	93	80 - 85	130 - 140	105 - 110	93	75 - 80	130 - 140	105 - 110	120 - 130	140 - 150
Staybridge Suites Buffalo Amherst	102	85	5	10	102	70 - 75	110 - 115	80 - 85	102	75 - 80	110 - 115	85 - 90	110 - 120	110 - 120
Sub-Totals/Averages	1,076	69 %	16 %	14 %	889	66.6 %	\$117.63	\$78.38	946	65.0 %	\$117.59	\$76.47	100.4 %	101.5 %
Secondary Competitors	782	64 %	19 %	18 %	468	65.8 %	\$113.94	\$74.99	468	64.2 %	\$113.71	\$72.96	99.1 %	96.9 %
Totals/Averages	1,858	68 %	17 %	15 %	1,357	66.4 %	\$116.37	\$77.21	1,414	64.7 %	\$116.32	\$75.31	100.0 %	100.0 %

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

FIGURE 1-3 | SECONDARY COMPETITORS – OPERATING PERFORMANCE

Property	Est. Segmentation			Estimated 2014			Estimated 2015						
	Commercial	Leisure	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR		
Comfort Inn University Amherst	102	60 %	5 % 35 %	60 %	61	55 - 60 %	\$80 - \$85	\$45 - \$50	61	55 - 60 %	\$80 - \$85	\$45 - \$50	
Sleep Inn Amherst	92	60	5	35	60	55	55 - 60	70 - 75	40 - 45	55	55 - 60	70 - 75	40 - 45
Ramada Amherst Getzville Hotel & Conference Center	120	60	5	35	40	48	45 - 50	65 - 70	30 - 35	48	45 - 50	65 - 70	30 - 35
Residence Inn by Marriott Buffalo Amherst	112	85	5	10	80	90	80 - 85	110 - 115	90 - 95	90	75 - 80	110 - 115	90 - 95
Marriott Buffalo Niagara	356	55	35	10	60	214	65 - 70	140 - 150	90 - 95	214	60 - 65	140 - 150	85 - 90
Totals/Averages	782	64 %	19 %	18 %	60 %	468	65.8 %	\$113.94	\$74.99	468	64.2 %	\$113.71	\$72.96

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





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

Scope of Work

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

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

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

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

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

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

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



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



2. Description of the Site and Neighborhood

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

The subject site is located in southwestern Amherst, to the northeast of the intersection formed by Amherst Manor Drive and Maple Road. This site is in the city of Amherst, New York.

Physical Characteristics

The subject site measures approximately 2.95 acres, or 128,502 square feet. The parcel's adjacent uses are set forth in the following table.

FIGURE 2-1 SUBJECT PARCEL'S ADJACENT USES

Direction	Adjacent Use
North	Amherst Manor Drive
South	Amherst Manor Apartments
East	Northtown Center at Amherst
West	Amherst Manor Drive

Vehicular access to the subject site is provided by Amherst Manor Drive. The topography of the parcel is generally flat. As illustrated in the following exhibit, the shape of the parcel should permit efficient use of the site for building and site improvements, including ingress and egress.



VIEW OF SUBJECT SITE

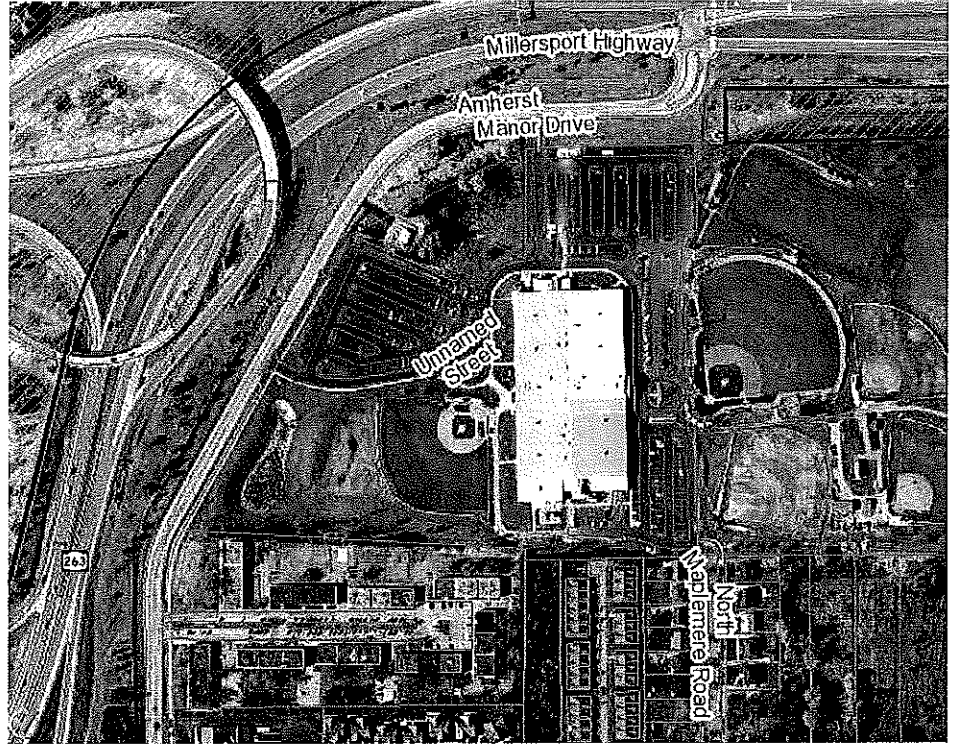


Site Utility

Upon completion of construction, the subject site will not contain any significant portion of undeveloped land that could be sold, entitled, and developed for alternate use. It is expected that the site will be developed fully with building and site improvements, thus contributing to the overall profitability of the hotel.



PLOT MAP





VIEW FROM SITE TO THE NORTH



VIEW FROM SITE TO THE SOUTH



VIEW FROM SITE TO THE EAST



VIEW FROM SITE TO THE WEST



Access and Visibility

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



MAP OF REGIONAL ACCESS ROUTES



Regional access to/from the town of Amherst, and the subject site in particular, is considered very good. The subject market is served by a variety of additional local highways, which are illustrated on the map.

The subject site is located near a busy intersection and is relatively simple to locate from Interstate 290, which is the nearest major highway. The proposed subject hotel is anticipated to have adequate signage at the street, as well as on its façade. Overall, the subject site benefits from very good accessibility, and the proposed hotel is expected to enjoy very good visibility from within its local neighborhood.

Airport Access

The proposed subject hotel will be served by the Buffalo Niagara International Airport, which is located approximately five miles to the southeast of the subject site.



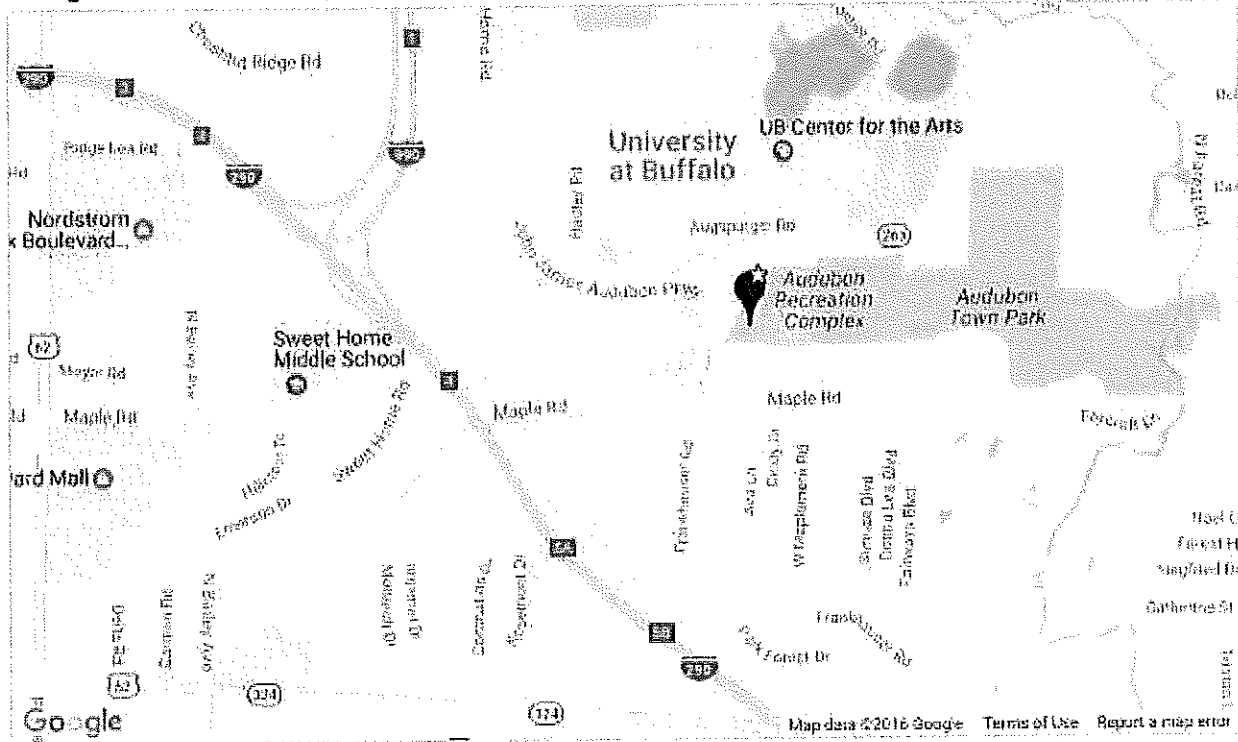
Neighborhood

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

This Amherst neighborhood is generally defined by Dodge Road to the north, State Route 263 to the east, State Route 324 to the south, and U.S. Highway 62 to the west. The neighborhood is characterized by academic buildings, office buildings, a regional mall, restaurants, and retail and service shops along the primary thoroughfares, with residential areas located along the secondary roads. Some specific businesses and entities in the area include Boulevard Consumer Square, Kaleida Health, and the University of Buffalo; nearby hotels include DoubleTree by Hilton, Marriott, and Motel 6. Restaurants located near the subject site include Friendly's, Joe's Crab Shack, and Olive Garden. This neighborhood is in the stable stage of its life cycle, with pockets of growth in the fields of consumer and educational services. The Boulevard Consumer Square completed a 35,000-square-foot expansion in September 2015 to house the first Nordstrom Rack in Upstate New York. Meanwhile, the University of Buffalo (UB) plans to renovate the existing facilities and expand the presence of the School of Architecture and Planning, the School of Education, the School of Law, and the School of Social Work on the South Campus and renovate the Cooke-Hochstetter complex on the North Campus. In addition, UB's School of Medicine and Biomedical Sciences is planned to relocate to the Downtown Campus by early 2017, while the School of Dental Medicine, the School of Nursing, the School of Pharmacy and Pharmaceuticals, and the School of Public Health and Health Professions are expected to relocate in subsequent phases. The proposed subject hotel's opening should be a positive influence on the area; the hotel will be in character with and will complement surrounding land uses.



MAP OF NEIGHBORHOOD



Utilities

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

Soil and Subsoil Conditions

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

Nuisances and Hazards

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

Flood Zone

According to the Federal Emergency Management Agency, the subject site is located in flood zone X. The flood zone definition for the X designation is as follows: areas outside the 500-year flood plain; areas of the 500-year flood; areas of the 100-year flood with average depths of less than one foot or with drainage



areas less than one square mile and areas protected by levees from the 100-year flood.

Zoning

According to the local planning office, the subject property is zoned as follows: RC - Recreation Conservation. This zoning designation allows for most civic uses. We note that the Recreation Conservation zoning designation does not allow for hotels and motels, and a variance must be secured from the Town of Amherst Zoning Department. Furthermore, we assume that all necessary permits and approvals will be secured and that the subject property will be constructed in accordance with local zoning ordinances, building codes, and all other applicable regulations. Our zoning analysis should be verified before any physical changes are made to the site.

Easements and Encroachments

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

Conclusion

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities. The subject site is favorably located proximate to the University of Buffalo, State University of New York North Campus. In general, the site should be well suited for future hotel use, with acceptable access, visibility, and topography for an effective operation.



3. Market Area Analysis

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

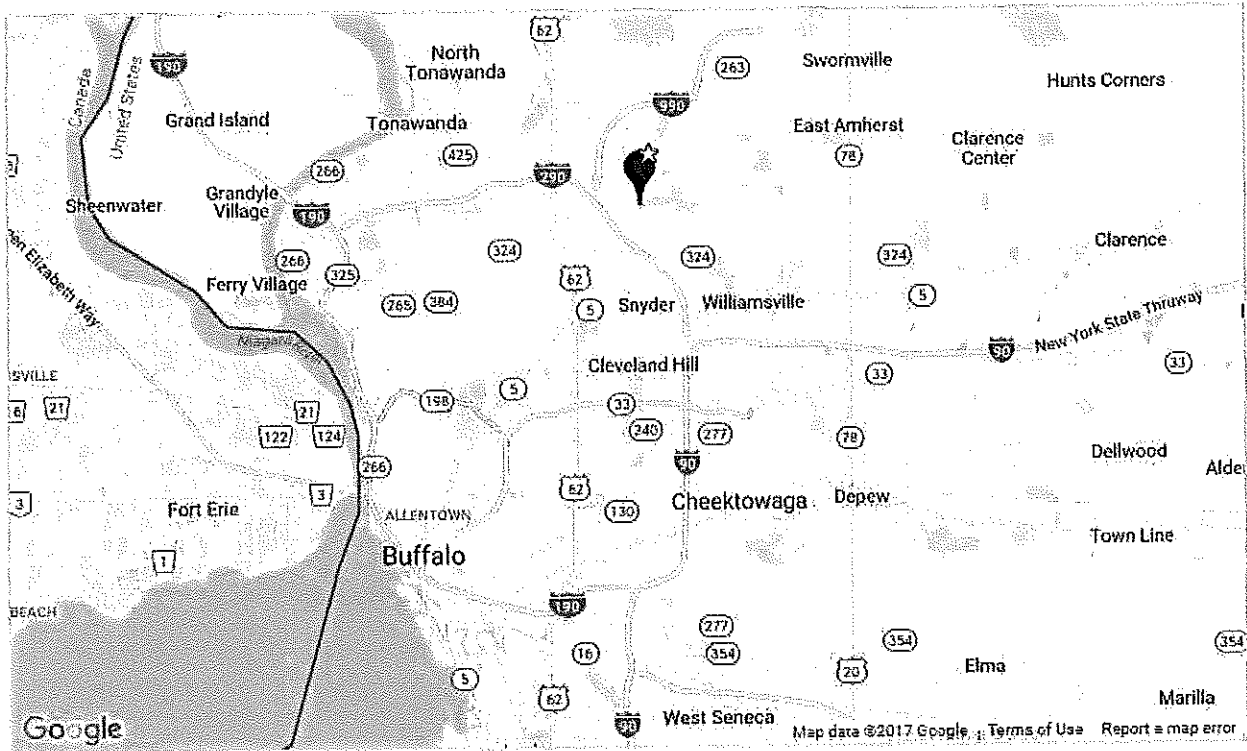
Market Area Definition

The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject site is located in the city of Amherst, the county of Erie, and the state of New York. The town of Amherst is the largest and most populous suburb of the city of Buffalo and is part of the Buffalo-Niagara Falls economic base. The city of Buffalo is located on the eastern end of Lake Erie and at the head of the Niagara River, about 25 miles south of Niagara Falls. Its location on the lake has made the city one of the nation's leading inland ports, while the hydroelectric power supplied by Niagara Falls has attracted a diverse array of industries. The second-largest city in the state of New York, Buffalo is the economic and cultural center of the Buffalo-Niagara region. Of increasing importance to the area's economy are the University of Buffalo's three campuses in Buffalo and Amherst, which support more than 50 research centers, some with global recognition.

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



MAP OF MARKET AREA



Economic and Demographic Review

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

These data are summarized in the following table.

FIGURE 3-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	2000	2010	2015	2020	Average Annual Compounded Change		
					2000-10	2010-15	2015-20
Resident Population (Thousands)							
Erie County	949.4	918.8	912.5	904.9	(0.3) %	(0.1) %	(0.2) %
Buffalo-Cheektowaga-Niagara Falls, NY MSA	1,169.1	1,135.3	1,128.3	1,120.2	(0.3)	(0.1)	(0.1)
Buffalo-Cheektowaga, NY CSA	1,253.0	1,215.5	1,208.9	1,201.7	(0.3)	(0.1)	(0.1)
State of New York	19,001.8	19,395.2	19,819.8	20,256.9	0.2	0.4	0.4
United States	282,162.4	309,330.2	324,186.9	340,554.3	0.9	0.9	1.0
Per-Capita Personal Income*							
Erie County	\$33,311	\$38,852	\$41,660	\$45,015	1.6	1.4	1.6
Buffalo-Cheektowaga-Niagara Falls, NY MSA	32,571	37,755	40,598	43,925	1.5	1.5	1.6
Buffalo-Cheektowaga, NY CSA	32,064	37,420	40,208	43,465	1.6	1.4	1.6
State of New York	41,650	48,320	51,080	54,689	1.5	1.1	1.4
United States	36,473	39,144	41,554	44,387	0.7	1.2	1.3
W&P Wealth Index							
Erie County	89.5	97.5	98.3	99.2	0.9	0.2	0.2
Buffalo-Cheektowaga-Niagara Falls, NY MSA	87.6	94.8	95.8	96.7	0.8	0.2	0.2
Buffalo-Cheektowaga, NY CSA	86.4	93.9	94.8	95.7	0.8	0.2	0.2
State of New York	109.4	118.6	118.1	118.3	0.8	(0.1)	0.0
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
Erie County	\$1,187	\$1,285	\$1,371	\$1,435	0.8	1.3	0.9
Buffalo-Cheektowaga-Niagara Falls, NY MSA	1,397	1,482	1,581	1,657	0.6	1.3	0.9
Buffalo-Cheektowaga, NY CSA	1,478	1,545	1,647	1,726	0.4	1.3	0.9
State of New York	23,877	29,077	31,734	33,764	2.0	1.8	1.2
United States	368,842	447,396	499,600	548,160	1.9	2.2	1.9
Total Retail Sales (Millions)*							
Erie County	\$12,624	\$11,585	\$12,480	\$13,016	(0.9)	1.5	0.8
Buffalo-Cheektowaga-Niagara Falls, NY MSA	15,012	13,706	14,772	15,421	(0.9)	1.5	0.9
Buffalo-Cheektowaga, NY CSA	15,944	14,696	15,851	16,568	(0.8)	1.5	0.9
State of New York	227,621	244,202	270,022	289,311	0.7	2.0	1.4
United States	3,902,969	4,149,070	4,707,800	5,187,469	0.6	2.6	2.0

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.



The U.S. population has grown at an average annual compounded rate of 0.9% from 2010 through 2015. The county's population has declined slightly when compared to the nation's population; the average annual growth rate of -0.1% between 2010 and 2015 reflects a relatively stable area. Following this population trend, per-capita personal income increased slowly, at 1.4% on average annually for the county between 2010 and 2015. Local wealth indexes have remained stable in recent years, registering a relatively near average 98.3 level for the county in 2015.

Food and beverage sales totaled \$1,371 million in the county in 2015, versus \$1,285 million in 2010. This reflects a 1.3% average annual change, which is stronger than the 0.8% pace recorded in the prior decade, the latter years of which were adversely affected by the recession. Over the long term, the pace of growth is forecast to moderate to a more sustainable level of 0.9%, which is forecast through 2020. The retail sales sector demonstrated an annual decline of -0.9% registered in the decade 2000 to 2010, followed by an increase of 1.5% in the period 2010 to 2015. An increase of 0.8% average annual change is expected in county retail sales through 2020.

Workforce Characteristics

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

The following table sets forth the county workforce distribution by business sector in 2000, 2010, and 2015, as well as a forecast for 2020.

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

Industry	2000		2010		2015		2020		Average Annual Compounded Change			
	Employment	Percent of Total	Employment	Percent of Total	Employment	Percent of Total	Employment	Percent of Total	2000-2010	2010-2015	2015-2020	2000-2020
Farm	2.1	0.4 %	1.7	0.3 %	1.7	0.3 %	1.7	0.3 %	(2.2) %	0.6 %	0.3 %	(0.3) %
Forestry, Fishing, Related Activities And Other	0.3	0.1	0.3	0.1	0.3	0.1	0.3	0.1	(1.1)	(0.1)	1.0	0.0
Mining	0.5	0.1	0.7	0.1	0.8	0.1	0.9	0.1	4.1	2.9	0.5	0.5
Utilities	2.1	0.4	1.3	0.2	1.2	0.2	1.1	0.2	(4.5)	(2.1)	(1.8)	(1.8)
Construction	22.3	4.1	21.7	3.9	23.1	4.0	23.8	4.0	(0.3)	1.3	0.6	0.6
Manufacturing	66.7	12.2	42.7	7.7	42.7	7.5	41.0	7.0	(4.4)	0.0	(0.9)	(0.9)
Total Trade	89.0	16.2	80.8	14.7	82.9	14.5	84.2	14.3	(1.0)	0.5	0.3	0.3
Wholesale Trade	25.0	4.6	20.9	3.8	21.7	3.8	22.2	3.8	(1.8)	0.7	0.4	0.4
Retail Trade	64.0	11.7	59.9	10.9	61.2	10.7	62.0	10.5	(0.7)	0.4	0.3	0.3
Transportation And Warehousing	16.5	3.0	14.4	2.6	14.9	2.6	15.0	2.6	(1.3)	0.6	0.2	0.2
Information	11.0	2.0	8.2	1.5	8.4	1.5	8.8	1.5	(2.8)	0.4	0.8	0.8
Finance And Insurance	29.5	5.4	36.6	6.6	39.6	6.9	41.6	7.1	2.2	1.6	1.0	1.0
Real Estate And Rental And Lease	13.8	2.5	19.9	3.6	21.2	3.7	22.7	3.8	3.8	1.3	1.3	1.3
Total Services	217.6	39.7	245.1	44.4	258.3	45.2	272.0	46.2	1.2	1.1	1.0	1.0
Professional And Technical Services	32.0	5.8	37.0	6.7	38.1	6.7	40.5	6.9	1.5	0.6	1.2	1.2
Management Of Companies And Enterprises	6.6	1.2	11.3	2.0	12.0	2.1	12.8	2.2	5.5	1.3	1.2	1.2
Administrative And Waste Services	31.9	5.8	34.0	6.2	37.3	6.5	40.0	6.8	0.6	1.9	1.4	1.4
Educational Services	12.3	2.2	15.8	2.9	17.0	3.0	18.1	3.1	2.5	1.5	1.3	1.3
Health Care And Social Assistance	63.4	11.6	69.4	12.6	71.9	12.6	74.7	12.7	0.9	0.7	0.8	0.8
Arts, Entertainment, And Recreation	9.5	1.7	11.0	2.0	11.7	2.0	12.3	2.1	1.5	1.2	1.0	1.0
Accommodation And Food Services	36.0	6.6	41.4	7.5	43.8	7.7	45.9	7.8	1.4	1.1	1.0	1.0
Other Services, Except Public Administration	26.0	4.7	25.4	4.6	26.4	4.6	27.6	4.7	(0.2)	0.8	0.9	0.9
Total Government	76.9	14.0	78.1	14.2	76.0	13.3	75.5	12.8	0.2	(0.6)	(0.1)	(0.1)
Federal Civilian Government	9.5	1.7	9.4	1.7	8.9	1.6	8.9	1.5	(0.1)	(1.1)	0.1	0.1
Federal Military	2.2	0.4	1.7	0.3	1.8	0.3	1.8	0.3	(2.2)	0.5	0.1	0.1
State And Local Government	65.2	11.9	67.0	12.1	65.3	11.4	64.8	11.0	0.3	(0.5)	(0.1)	(0.1)
TOTAL	548.2	100.0 %	551.6	100.0 %	571.2	100.0 %	588.5	100.0 %	0.1 %	0.7 %	0.6 %	0.6 %
MSA	642.4	—	638.8	—	662.2	—	683.7	—	(0.1) %	0.7 %	0.6 %	0.6 %
U.S.	165,371.0	—	173,626.7	—	185,504.6	—	198,343.5	—	0.8	1.3	1.3	1.3

Source: Woods & Poole Economics, Inc.



Woods & Poole Economics, Inc. reports that during the period from 2000 to 2010, total employment in the county grew at an average annual rate of 0.1%. This trend was above the growth rate recorded by the MSA and also lagged the national average. More recently, the pace of total employment growth in the county accelerated to 0.7% on an annual average from 2010 to 2015, reflecting the initial years of the recovery.

Of the primary employment sectors, Total Services recorded the highest increase in number of employees during the period from 2010 to 2015, increasing by 13,214 people, or 5.4%, and rising from 44.4% to 45.2% of total employment. Of the various service sub-sectors, Health Care And Social Assistance and Accommodation And Food Services were the largest employers. Strong growth was also recorded in the Finance And Insurance sector, as well as the Total Trade sector, which expanded by 8.3% and 2.6%, respectively, in the period 2010 to 2015. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 0.6% on average annually through 2020. The trend is below the forecast rate of change for the U.S. as a whole during the same period.

**Radial Demographic
Snapshot**

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



FIGURE 3-3 DEMOGRAPHICS BY RADIUS

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
Population			
2021 Projection	7,452	110,527	307,449
2016 Estimate	7,324	109,631	305,809
2010 Census	7,193	109,248	306,493
2000 Census	6,825	109,380	316,142
Growth 2016 - 2021	1.7%	0.8%	0.5%
Growth 2010 - 2016	1.8%	0.4%	-0.2%
Growth 2000 - 2010	5.4%	-0.1%	-3.1%
Households			
2021 Projection	3,113	45,906	134,227
2016 Estimate	3,029	45,075	132,206
2010 Census	2,923	44,098	130,111
2000 Census	2,838	43,270	129,156
Growth 2016 - 2021	2.8%	1.8%	1.5%
Growth 2010 - 2016	3.7%	2.2%	1.6%
Growth 2000 - 2010	3.0%	1.9%	0.7%
Income			
2016 Est. Average Household Income	\$58,834	\$76,616	\$70,330
2016 Est. Median Household Income	48,229	60,680	53,578
2016 Est. Civ. Employed Pop 16+ by Occupation			
Architect/Engineer	45	859	1,942
Arts/Entertainment/Sports	63	969	2,478
Building Grounds Maintenance	128	1,322	4,361
Business/Financial Operations	58	2,843	7,734
Community/Social Services	55	1,127	3,312
Computer/Mathematical	209	1,606	3,902
Construction/Extraction	51	1,068	3,726
Education/Training/Library	268	5,609	13,189
Farming/Fishing/Forestry	2	42	138
Food Prep/Serving	311	3,149	9,422
Health Practitioner/Technician	355	4,648	11,139
Healthcare Support	98	1,394	4,835
Maintenance Repair	97	1,136	3,171
Legal	60	1,039	2,514
Life/Physical/Social Science	45	636	1,538
Management	174	4,820	13,337
Office/Admin. Support	435	8,225	23,192
Production	101	2,115	6,556
Protective Services	63	957	3,024
Sales/Related	420	6,303	16,456
Personal Care/Service	113	1,873	5,832
Transportation/Moving	107	2,064	7,209

Source: The Nielsen Company



This source reports a population of 305,809 within a five-mile radius of the subject site, and 132,206 households within this same radius. Average household income within a five-mile radius of the subject site is currently reported at \$70,330, while the median is \$53,578.

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

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

Year	Total		Office		Industrial		Households		Population		Household	
	Employment	% Chg	Employment	% Chg	Employment	% Chg	Households	% Chg	Population	% Chg	Avg. Income	% Chg
2003	545,130	—	163,587	—	96,291	—	470,160	—	1,158,480	—	\$76,084	—
2004	548,130	0.6 %	164,608	0.6 %	95,697	(0.6) %	469,410	(0.2) %	1,152,670	(0.5) %	79,231	4.1 %
2005	546,370	(0.3)	166,206	1.0	93,185	(2.6)	467,870	(0.3)	1,144,910	(0.7)	80,270	1.3
2006	543,530	(0.5)	166,386	0.1	91,346	(2.0)	467,450	(0.1)	1,139,160	(0.5)	85,430	6.4
2007	548,470	0.9	168,033	1.0	90,570	(0.8)	468,620	0.3	1,136,890	(0.2)	89,099	4.3
2008	549,470	0.2	169,003	0.6	86,885	(4.1)	470,260	0.3	1,135,800	(0.1)	91,563	2.8
2009	535,070	(2.6)	166,046	(1.7)	79,021	(9.1)	472,120	0.4	1,135,250	(0.0)	92,519	1.0
2010	539,600	0.8	166,482	0.3	79,537	0.7	472,880	0.2	1,135,450	0.0	95,934	3.7
2011	543,430	0.7	167,188	0.4	80,980	1.8	471,750	(0.2)	1,135,150	(0.0)	101,860	6.2
2012	545,800	0.4	167,898	0.4	81,302	0.4	470,800	(0.2)	1,135,500	0.0	106,941	5.0
2013	551,030	1.0	167,755	(0.1)	82,612	1.6	470,540	(0.1)	1,136,590	0.1	106,245	(0.7)
2014	556,570	1.0	168,202	0.3	83,727	1.3	469,080	(0.3)	1,135,820	(0.1)	111,248	4.7
2015	563,480	1.2	170,356	1.3	83,428	(0.4)	469,910	0.2	1,134,150	(0.1)	115,613	3.9
Forecasts												
2016	569,710	1.1 %	173,428	1.8 %	83,639	0.3 %	471,110	0.3 %	1,131,260	(0.3) %	\$121,099	4.7 %
2017	575,810	1.1	176,293	1.7	83,868	0.3	472,750	0.3	1,127,350	(0.3)	126,949	4.8
2018	581,340	1.0	178,638	1.3	84,052	0.2	473,560	0.2	1,123,220	(0.4)	131,207	3.4
2019	583,770	0.4	179,897	0.7	83,746	(0.4)	473,870	0.1	1,119,000	(0.4)	134,309	2.4
2020	584,060	0.0	180,451	0.3	83,051	(0.8)	473,150	(0.2)	1,114,700	(0.4)	137,678	2.5
Average Annual Compound Change												
2003 - 2015		0.3 %		0.3 %		(1.2) %		(0.0) %		(0.2) %		3.5 %
2003 - 2007		0.2		0.7		(1.5)		(0.1)		(0.5)		4.0
2007 - 2010		(0.5)		(0.3)		(4.2)		0.3		(0.0)		2.5
2010 - 2015		0.9		0.5		1.0		(0.1)		(0.0)		4.8
Forecast 2016 - 2020		0.6 %		1.0 %		(0.2) %		0.1 %		(0.4) %		3.3 %

Source: REIS Report, 4th Quarter, 2015



For the Buffalo market, of the roughly 600,000 persons employed, 30% are categorized as office employees, while 15% are categorized as industrial employees. Total employment decreased by an average annual compound rate of -0.5% during the recession of 2008 to 2011, followed by an increase of 0.9% from 2011 to 2015. By comparison, office employment reflected compound change rates of -0.3% and 0.5%, during the same respective periods. Total employment is expected to expand by 1.1% in 2016, while office employment is forecast to expand by 1.8% in 2016. From 2015 through 2020, REIS anticipates that total employment will expand at an average annual compound rate of 0.6%, while office employment will expand by 1.0% on average annually during the same period.

The number of households is forecast to expand by 0.1% on average annually between 2015 and 2020. Population is forecast to contract during this same period, at an average annual compounded rate of -0.4%. Household average income is forecast to grow by 3.3% on average annually from 2015 through 2020.

Unemployment Statistics

The following table presents historical unemployment rates for the proposed subject hotel's market area.

FIGURE 3-5 UNEMPLOYMENT STATISTICS

Year	City	MSA	State	U.S.
2005	4.1 %	5.3 %	5.0 %	5.1 %
2006	3.8	5.0	4.5	4.6
2007	3.7	4.8	4.6	4.6
2008	4.5	5.9	5.4	5.8
2009	6.4	8.3	8.3	9.3
2010	6.5	8.6	8.6	9.6
2011	6.3	8.2	8.3(d)	8.9
2012	6.5	8.5	8.5(d)	8.1
2013	5.7	7.6	7.7(d)	7.4
2014	4.6	6.2	6.3(d)	6.2
<i>Recent Month - February</i>				
2015	4.4 %	6.4 %	6.3 %	5.5 %
2016	3.9	5.5	5.4	4.9

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

**Year-end 2015 data were not available at the time of this report.

Source: U.S. Bureau of Labor Statistics



After the U.S. unemployment rate declined to an annual average of 4.6% in 2006 and 2007, the Great Recession, which spanned December 2007 through June 2009, resulted in heightened unemployment rates. The unemployment rate peaked at 10.0% in October 2009, after which job growth resumed; the national unemployment rate has steadily declined since 2010. Total nonfarm payroll employment increased by 242,000 and 215,000 jobs in February and March 2016, respectively, which was higher than the 151,000 additional jobs that were reported for January and similar to the monthly levels of the fourth quarter of 2015. The strongest gains in March employment were in the sectors related to retail trade, construction, and health care. The unemployment rate fell from 5.0% in December 2015 to 4.9% in both January and February 2016, and then returned to 5.0% in March 2016, similar to the levels of the first quarter of 2008, but below the 2006 and 2007 levels that bracketed the 4.5% to 5.0% range. The positive gains in employment reflect the strength and overall stability of the U.S. economy.

Locally, the unemployment rate was 4.6% in 2014; for this same area in 2016, the most recent month's unemployment rate was registered at 3.9%, versus 4.4% for the same month in 2015. After showing year-over-year improvement, unemployment began to rise in 2008 as the region entered an economic slowdown, and this trend continued in 2009 as the height of the national recession took hold. Following general stability from 2010 through 2012, unemployment levels began to improve in 2013, and this positive trend continued through 2014. The most recent comparative period illustrates further improvement, indicated by the lower unemployment rate in the latest available data for 2016. While a majority of the job growth experienced at a state level has been concentrated in the Greater New York City region, the Buffalo-Niagara Falls market represents the second-strongest metro area in New York. According to local economic development officials, local employment has been strong in Downtown Buffalo as the area continues its revitalization efforts aided by the Buffalo Billion initiative. Furthermore, several area universities and colleges and a variety of government entities and tourist attractions positively influence employment.

Major Business and Industry

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



FIGURE 3-6 MAJOR EMPLOYERS

Rank	Firm	Number of Employees
1	Kaleida Health	10,000
2	Catholic Health System	6,575
3	M&T Bank Corporation	6,500
4	Tops Markets, LLC	5,772
5	Seneca Gaming Corporation	4,000
6	Catholic Diocese of Buffalo	3,200
7	Moog Inc.	3,100
8	Wegmans Food Markets, Inc.	3,100
9	Roswell Park Cancer Institute	2,982
10	People, Inc.	2,935

Source: Buffalo Business First Book of Lists - Largest Employers in Buffalo, 2015

Office Space Statistics

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

FIGURE 3-7 OFFICE SPACE STATISTICS – MARKET OVERVIEW

Submarket	Inventory		Occupied Office Space	Vacancy Rate	Average Asking Lease Rate
	Buildings	Square Feet			
1 Buffalo	104	9,890,000	7,823,000	20.9 %	\$17.36
2 Niagara Falls	18	1,008,000	914,300	9.3	13.64
3 Amherst	76	3,457,000	3,083,600	10.8	16.70
4 Cheektowaga/South	39	1,851,000	1,604,800	13.3	16.82
5 Airport	95	4,509,000	3,873,200	14.1	17.51
Totals and Averages	332	20,715,000	17,298,900	16.5 %	\$17.05

Source: REIS Report, 4th Quarter, 2015



The greater Buffalo market comprises a total of 20.7 million square feet of office space. For the 4th Quarter of 2015, the market reported a vacancy rate of 16.5% and an average asking rent of \$17.05. The subject property is located in the Amherst submarket, which houses 3,457,000 square feet of office space. The submarket's vacancy rate of 10.8% is below the overall market average. The average asking lease rate of \$16.70 is on par with the average for the broader market.

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

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

Year	Buffalo Market						Amherst Submarket						
	Available Office Space	% Chg	Occupied Office Space	% Chg	Vacancy Rate	Asking Lease Rate	Available Office Space	% Chg	Occupied Office Space	% Chg	Vacancy Rate	Asking Lease Rate	% Chg
2003	19,327,000	—	15,927,000	—	17.6 %	\$15.90	2,970,000	—	2,459,000	—	17.2 %	\$15.09	—
2004	19,553,000	1.2 %	15,889,000	(0.2) %	18.7	15.93	3,044,000	0.2 %	2,542,000	2.5 %	16.5	14.76	(2.2) %
2005	20,097,000	2.8	16,837,000	6.0	16.2	16.32	3,185,000	2.4	2,621,000	4.6	17.7	14.98	1.5
2006	19,923,000	(0.9)	16,996,000	0.9	14.7	16.37	3,130,000	0.3	2,592,000	(1.7)	17.2	15.57	3.9
2007	20,236,000	1.6	17,599,000	3.5	13.0	16.83	3,144,000	0.4	2,779,000	0.4	11.6	15.90	2.1
2008	20,297,000	0.3	17,625,000	0.1	13.2	17.05	3,294,000	1.3	2,968,000	4.8	9.9	16.09	1.2
2009	20,520,000	1.1	17,625,000	0.0	14.1	16.89	3,268,000	(0.9)	2,958,000	(0.8)	9.5	15.92	(1.1)
2010	20,065,000	(2.2)	17,204,000	(2.4)	14.3	16.82	3,348,000	(0.4)	2,970,000	0.4	11.3	16.23	1.9
2011	20,180,000	0.6	17,305,000	0.6	14.2	16.93	3,438,000	0.7	3,084,000	2.7	10.3	16.47	1.5
2012	20,204,000	0.1	17,242,000	(0.4)	14.7	16.93	3,438,000	0.0	3,022,000	0.0	12.1	17.00	3.2
2013	20,289,000	0.4	17,419,000	1.0	14.1	17.05	3,438,000	0.7	3,080,000	0.0	10.4	16.82	(1.1)
2014	20,468,000	0.9	17,189,000	(1.3)	16.0	17.10	3,457,000	0.3	3,080,000	0.6	10.9	16.72	(0.6)
2015	20,715,000	1.2	17,301,000	0.7	16.5	17.05	3,457,000	(0.3)	3,084,000	0.0	10.8	16.70	(0.1)
Forecasts													
2016	20,906,000	0.9 %	17,475,000	1.0 %	16.4 %	\$17.24	3,457,000	1.1 %	3,084,000	0.0 %	10.8 %	\$16.87	1.0 %
2017	21,009,000	0.5	17,624,000	0.9	16.1	17.62	3,480,000	2.2	3,087,000	0.7	11.3	17.17	1.8
2018	21,152,000	0.7	17,793,000	1.0	15.9	18.12	3,512,000	2.8	3,084,000	0.9	12.2	17.55	2.2
2019	21,315,000	0.8	17,906,000	0.6	16.0	18.67	3,547,000	3.0	3,050,000	1.0	14.0	17.95	2.3
2020	21,494,000	0.8	17,980,000	0.4	16.3	19.32	3,586,000	3.5	3,019,000	1.1	15.8	18.35	2.2
Average Annual Compound Change													
2003 - 2015		0.6 %		0.7 %				0.6 %		1.3 %			0.8 %
2003 - 2007		1.2		2.5				1.4		1.4			1.3
2007 - 2010		(0.3)		(0.8)				(0.0)		2.1			0.7
2010 - 2015		0.6		0.1				0.3		0.6			93.6
Forecast 2016 - 2020		0.7 %		0.6 %				2.9 %		0.9 %			2.1 %

Source: REIS Report, 4th Quarter, 2015



The inventory of office space in the Buffalo market increased at an average annual compound rate of 0.6% from 2003 through 2015, while occupied office space expanded at an average annual rate of 0.7% over the same period. During the period of 2003 through 2008, occupied office space expanded at an average annual compound rate of 2.5%. From 2008 through 2011, occupied office space contracted at an average annual compound rate of -0.8%, reflecting the impact of the recession. The onset of the recovery is evident in the 0.1% average annual change in occupied office space from 2011 to 2015. From 2015 through 2020, the inventory of occupied office space is forecast to increase at an average annual compound rate of 0.6%, with available office space expected to increase 0.7%, thus resulting in an anticipated vacancy rate of 16.3% as of 2020.

Convention Activity

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

The following table illustrates recent use statistics for this facility.

FIGURE 3-9 CONVENTION CENTER STATISTICS

Year	Number of Conventions	Percent Change	Number of Delegates	Percent Change
2009	151	—	309,196	—
2010	108	(28.5) %	291,000	(5.9) %
2011	189	75.0	300,000	3.1
2012	217	14.8	309,196	3.1
2013	151	(30.4)	294,384	(4.8)
2014	161	6.6	300,071	1.9
2015	161	0.0	280,108	(6.7)

Source: Buffalo Niagara Convention Center

The Buffalo Niagara Convention Center contains over 107,000 square feet of meeting space. The exhibit hall comprises 64,410 square feet of space and can accommodate up to 366 booths. The center also features a ballroom, a registration lobby, a lounge, and 21 additional meeting rooms totaling 42,853 square feet of meeting space. The Buffalo Niagara Convention Center underwent a \$7-million renovation in 2010. Renovation projects included a new main entrance and state-



of-the-art electronic marquee, a top-to-bottom rejuvenation of the main exhibit hall, and a redesigned kitchen with new equipment and a new chef's table and tasting room. In 2014, the facility received minor cosmetic and electrical upgrades. Our interviews with tourism officials and convention center managers reflect that the convention center is highly utilized, mostly by regional professional associations and trade shows. Convention center officials indicate that the decrease in 2015 attendance is largely due to a loss of business to competing conference facilities in the region and attendance registration discrepancies at larger public events.

Airport Traffic

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

The Buffalo Niagara International Airport (BUF) serves the Buffalo, New York area and Southern Ontario, Canada. Many commercial and regional carriers service the airport. Since its opening, the airport has expanded both the east and west ends of the concourse facility. On February 1, 2016, JetBlue announced the launch of daily nonstop service to/from Los Angeles International Airport, with service beginning in June 2016.

The following table illustrates recent operating statistics for the Buffalo Niagara International Airport, which is the primary airport facility serving the proposed subject hotel's submarket.



FIGURE 3-10 AIRPORT STATISTICS - BUFFALO NIAGARA INTERNATIONAL AIRPORT

Year	Passenger Traffic	Percent Change*	Percent Change**
2006	5,044,616	—	—
2007	5,308,723	5.2 %	5.2 %
2008	5,526,301	4.1	4.7
2009	5,327,093	(3.6)	1.8
2010	5,203,104	(2.3)	0.8
2011	5,156,220	(0.9)	0.4
2012	5,177,913	0.4	0.4
2013	5,134,925	(0.8)	0.3
2014	5,020,675	(2.2)	(0.1)
2015	4,679,070	(6.8)	(0.8)
<i>Year-to-date, Feb</i>			
2015	609,445	—	—
2016	595,105	(2.4) %	—

*Annual average compounded percentage change from the previous year

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

Source: Buffalo Niagara International Airport

This facility recorded 4,679,070 passengers in 2015. The change in passenger traffic between 2014 and 2015 was -6.8%. The average annual change during the period shown was -0.8%.

Tourist Attractions

The subject market benefits from a variety of tourism and leisure attractions in the area. Leisure demand generators include the Buffalo and Erie County Botanical Gardens, the Buffalo Zoo, Lake Erie, Niagara Falls, and the Shea's Performing Arts Center, among others. Special events also play a role during key weekends, such as the Allentown Art Festival and the Taste of Buffalo festival, as well as games for the IL's Buffalo Bisons, the NFL's Buffalo Bills, and the NHL's Buffalo Sabers, among others. No major changes related to these attributes of the market are expected in the near future.

Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. Buffalo is experiencing a period of economic strength and expansion, led by the fields of health care, manufacturing, technology, and tourism and leisure. The continued development of Downtown Buffalo and the numerous projects associated with the Buffalo Billion initiative are positive factors for this



area. Collectively, 871 projects totaling approximately \$19.5 billion are in various stages of development and represent a mixture of privately and publicly funded projects throughout Greater Buffalo-Niagara. The outlook for the market area is positive.



4. Supply and Demand Analysis

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

Definition of Subject Hotel Market

The subject site is located in the greater Buffalo-Niagara lodging market. Within this greater market, the proposed subject hotel will compete with a smaller set of hotels based on various factors. These factors may include location, price point, product quality, length of stay (such as an extended-stay focus vs. non-extended-stay focus), room type (all-suite vs. standard), hotel age, or brand, among other factors. We have reviewed these pertinent attributes and established a competitive set based upon this review.

Historical Supply and Demand Data

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

FIGURE 4-1 HISTORICAL SUPPLY AND DEMAND TRENDS

Year	Average-Daily Available Room		Occupied Room		Change	Occupancy	Average Rate	Change	RevPAR	Change
	Room Count	Nights	Nights	Nights						
2004	1,356	494,940	—	335,062	—	67.7 %	\$86.78	—	\$58.75	—
2005	1,411	514,842	4.0 %	335,202	0.0 %	65.1	93.17	7.4 %	60.66	3.3 %
2006	1,449	528,885	2.7	359,552	7.3	68.0	97.33	4.5	66.17	9.1
2007	1,449	528,885	0.0	358,327	(0.3)	67.8	106.18	9.1	71.94	8.7
2008	1,449	528,885	0.0	352,378	(1.7)	66.6	113.07	6.5	75.33	4.7
2009	1,449	528,885	0.0	341,916	(3.0)	64.6	107.01	(5.4)	69.18	(8.2)
2010	1,449	528,885	0.0	362,029	5.9	68.5	103.99	(2.8)	71.19	2.9
2011	1,449	528,885	0.0	376,138	3.9	71.1	105.21	1.2	74.82	5.1
2012	1,449	528,885	0.0	380,544	1.2	72.0	107.87	2.5	77.61	3.7
2013	1,516	553,467	4.6	393,230	3.3	71.0	113.66	5.4	80.75	4.0
2014	1,671	609,915	10.2	400,175	1.8	65.6	115.08	1.3	75.51	(6.5)
2015	1,728	630,876	3.4	403,390	0.8	63.9	115.03	(0.0)	73.55	(2.6)
Year-to-Date Through March										
2015	1,671	150,390	—	81,862	—	54.4 %	\$110.29	—	\$60.04	—
2016	1,808	162,720	8.2 %	72,032	(12.0) %	44.3	106.09	(3.8) %	46.97	(21.8) %
Average Annual Compounded Change:										
2004 - 2015			2.2 %		1.7 %			2.6 %		2.1 %
2004 - 2007			2.2		2.3			7.0		7.0
2007 - 2010			0.0		0.3			(0.7)		(0.4)
2010 - 2015			3.6		2.2			2.0		0.7
Hotels Included in Sample										
Ramada Amherst Getzville Hotel & Conference Center			120			Apr 2006	Jun 1992			
Wyndham Garden Buffalo Williamsville			120			Aug 2013	Aug 2013			
Hampton Inn Buffalo Williamsville			80			Jul 2002	Jul 2002			
Courtyard Buffalo Amherst University			108			May 1999	May 1999			
Residence Inn Buffalo Amherst			112			Dec 1986	Dec 1986			
Marriott Buffalo Niagara			356			Mar 1981	Mar 1981			
Hyatt Place Buffalo Amherst			137			Aug 2015	Aug 2015			
Homewood Suites Buffalo Amherst			93			Jun 2005	Jun 2005			
Comfort Inn University Amherst			102			Mar 2005	Jan 1986			
DoubleTree Buffalo Amherst			187			Jun 2012	May 1987			
Holiday Inn Buffalo Amherst			199			Apr 1967	Apr 1967			
Staybridge Suites Buffalo Amherst			102			Nov 2013	Nov 2013			
Sleep Inn Amherst			92			Aug 1998	Aug 1998			
Total			1,808							

Source: STR



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

The STR data for the competitive set reflect a market-wide occupancy level of 63.9% in 2015, which compares to 65.6% for 2014. The overall average occupancy level for the calendar years presented equates to 68.5%. The STR data for the competitive set reflect a market-wide average rate level of \$115.03 in 2015, which compares to \$115.08 for 2014. The average across all calendar years presented for average rate equates to \$110.31. These occupancy and average rate trends resulted in a RevPAR level of \$73.55 in 2015.

Local businesses and entities in the area, highway travelers, and tourists represent the primary sources of demand for the selected set of competitive hotels in this Amherst market. Occupancy in this market has historically remained relatively stable in the high 60s to low 70s. The consistently strong demand levels fueled supply increases that started to materialize in the area in 2009 with the entrance of the Candlewood Suites Buffalo Amherst and the Staybridge Suites Buffalo Airport, which are outside the competitive set. The entrance of new supply combined with the economic downturn contributed to a decline in occupancy of roughly two percentage points in 2009. A recovery began in 2010, and this positive trend continued through 2012, with occupied room nights reaching new highs as local businesses and entities regained strength and new industries realized traction in the area. Occupancy began to decline mid-year 2013 as a surge of limited- and select-service hotels entered the market, briefly outpacing demand growth. This negative trend continued through 2015. Data for early 2016 illustrate a continuation of this trend, with occupancy falling nearly ten percentage points below the level achieved during the same period in 2015.

Average rate in the local market registered growth from 2004 through 2008. The strength of the economy during that time, with little rate-resistance from corporate accounts such as HSBC and M&T Bank, allowed hotel operators to increase rates. The entrance of new high-quality hotels, such as the Homewood Suites by Hilton Buffalo Amherst, as well as renovations to existing hotels, also supported higher rates. Average rate growth began to slow in 2009, largely attributed to the Great Recession. This downward trend continued through 2010; however, average rates bottomed out in the low \$100s that year. Average rates



began to rebound mid-year 2011 given the strengthening economy. Average rate growth began to moderate in 2014 largely due to the surge of new competitive supply. Data for early 2016 illustrate a negative trend as the market continues to absorb the recent entrance of the Hyatt Place Buffalo Amherst and the SpringHill Suites by Marriott Buffalo Airport.

SUPPLY

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

FIGURE 4-2 COMPETITORS – OPERATING PERFORMANCE

Property	Est. Segmentation				Estimated 2014				Estimated 2015					
	Number of Rooms	Commercial	Group	Leisure	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield
DoubleTree by Hilton Buffalo Amherst	187	65 %	20 %	15 %	187	60 - 65 %	\$115 - \$120	\$75 - \$80	187	55 - 60 %	\$120 - \$125	\$70 - \$75	85 - 90 %	90 - 95 %
Courtyard by Marriott Buffalo Amherst University	108	65	20	15	108	65 - 70	120 - 125	80 - 85	108	60 - 65	120 - 125	75 - 80	100 - 110	100 - 110
Holiday Inn Buffalo Amherst	199	65	25	10	199	55 - 60	100 - 105	55 - 60	199	50 - 55	100 - 105	55 - 60	80 - 85	70 - 75
Hampton Inn Buffalo Williamsville	80	65	10	25	80	75 - 80	130 - 140	100 - 105	80	70 - 75	140 - 150	95 - 100	100 - 110	130 - 140
Hyatt Place Buffalo Amherst	187	65	20	15	0	—	—	—	57	65 - 70	95 - 100	65 - 70	100 - 110	85 - 90
Wyndham Garden Buffalo Williamsville	120	65	20	15	120	60 - 65	110 - 115	65 - 70	120	60 - 65	110 - 115	70 - 75	100 - 110	90 - 95
Homewood Suites by Hilton Buffalo Amherst	93	80	5	15	93	80 - 85	130 - 140	105 - 110	93	75 - 80	130 - 140	105 - 110	120 - 130	140 - 150
Staybridge Suites Buffalo Amherst	102	85	5	10	102	70 - 75	110 - 115	80 - 85	102	75 - 80	110 - 115	85 - 90	110 - 120	110 - 120
Sub-Totals/Averages	1,076	69 %	16 %	14 %	889	66.6 %	\$117.63	\$78.38	946	65.0 %	\$117.59	\$76.47	100.4 %	101.5 %
Secondary Competitors	782	64 %	19 %	18 %	468	65.8 %	\$113.94	\$74.99	468	64.2 %	\$113.71	\$72.96	99.1 %	96.9 %
Totals/Averages	1,858	68 %	17 %	15 %	1,357	66.4 %	\$116.37	\$77.21	1,414	64.7 %	\$116.32	\$75.31	100.0 %	100.0 %

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

FIGURE 4-3 SECONDARY COMPETITOR(S) – OPERATING PERFORMANCE

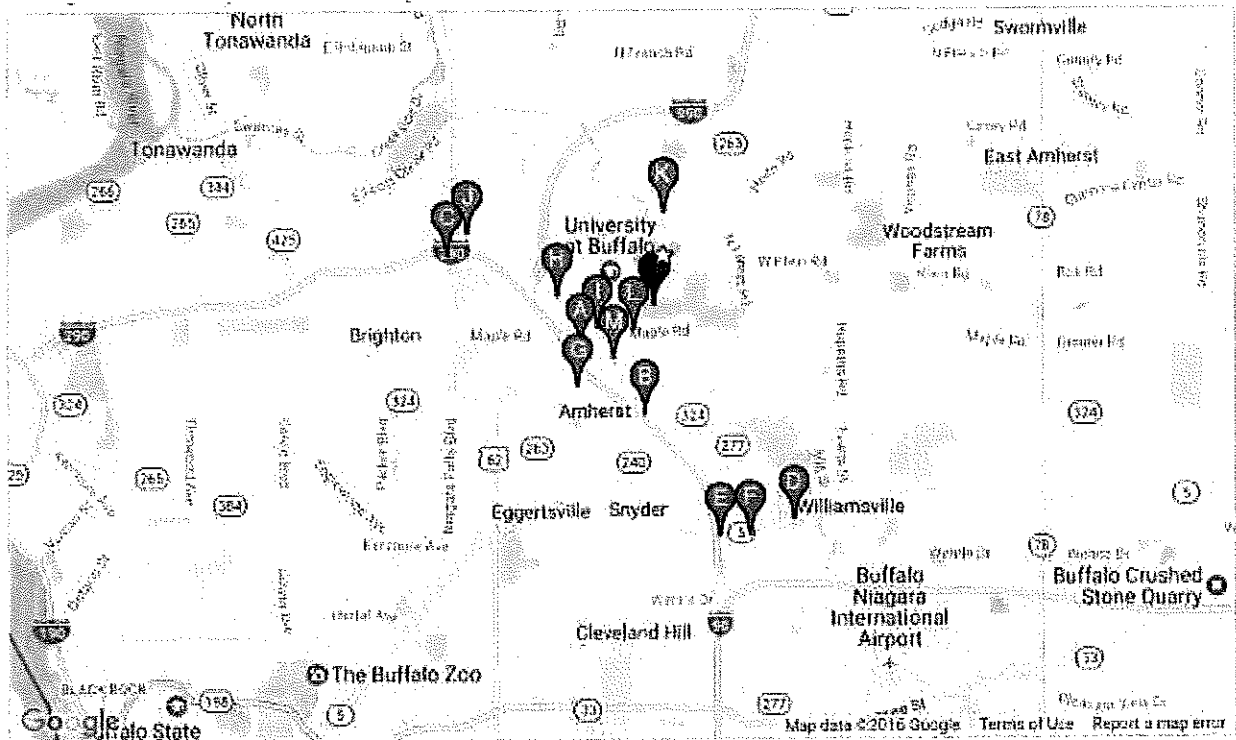
Property	Est. Segmentation				Estimated 2014				Estimated 2015			
	Commercial	Group	Leisure	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Comfort Inn University Amherst	60 %	5 %	35 %	60 %	61	55 - 60 %	\$80 - \$85	\$45 - \$50	61	55 - 60 %	\$80 - \$85	\$45 - \$50
Sleep Inn Amherst	60	5	35	60	55	55 - 60	70 - 75	40 - 45	55	55 - 60	70 - 75	40 - 45
Ramada Amherst Getzville Hotel & Conference Center	60	5	35	40	48	45 - 50	65 - 70	30 - 35	48	45 - 50	65 - 70	30 - 35
Residence Inn by Marriott Buffalo Amherst	85	5	10	80	90	80 - 85	110 - 115	90 - 95	90	75 - 80	110 - 115	90 - 95
Marriott Buffalo Niagara	55	35	10	60	214	65 - 70	140 - 150	90 - 95	214	60 - 65	140 - 150	85 - 90
Totals/Averages	64 %	19 %	18 %	60 %	468	65.8 %	\$113.94	\$74.99	468	64.2 %	\$113.71	\$72.96





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



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

MAP OF COMPETITION



- | | | | |
|---|---|---|---|
|  | Proposed Hampton by Hilton |  | Homewood Suites by Hilton Buffalo Amherst (Primary) |
|  | DoubleTree by Hilton Buffalo Amherst (Primary) |  | Staybridge Suites Buffalo Amherst (Primary) |
|  | Courtyard by Marriott Buffalo Amherst (Primary) |  | Comfort Inn University (Secondary) |
|  | Holiday Inn Buffalo Amherst (Primary) |  | Sleep Inn Amherst (Secondary) |
|  | Hampton Inn Buffalo Williamsville (Primary) |  | Ramada Amherst Hotel & Conference Center (Secondary) |
|  | Hyatt Place Buffalo (Primary) |  | Residence Inn by Marriott Buffalo Amherst (Secondary) |
|  | Wyndham Garden Buffalo Williamsville (Primary) |  | Marriott Buffalo Niagara (Secondary) |



Supply Changes

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

FIGURE 4-4 NEW SUPPLY

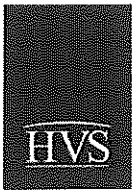
Proposed Property	Number of Rooms	Total Competitive Level	Weighted Room Count	Estimated Opening Date	Developer	Development Stage
Proposed Subject Property	105	100 %	105	November 1, 2017	Uniland Development	Early Development
Proposed Fairfield Inn & Suites by Marriott	107	100	107	November 1, 2017	Ellicott Development	Early Development
Proposed Home2 Suites by Hilton	112	100	112	January 1, 2018	Unknown	Early Development
Proposed Hyatt House	130	100	130	November 1, 2017	Pride Group Enterprises	Early Development
Proposed Westwood Hotel	130	—	—	November 1, 2019	Bobalew Ventures	Speculative
Totals/Averages	584		454			

The proposed Fairfield Inn by Marriott will be similar to the proposed subject hotel in terms of product offering and service level, located within one mile of the subject site; therefore, this hotel is expected to be fully competitive. Despite their focus on the extended-stay segment, the proposed Home2 Suites by Hilton and Hyatt House will offer a similar service level and will be located within one mile of the subject site; these hotels have also been weighted primarily competitive in our analysis. Our discussions with planning officials indicated that no concrete plans have been submitted for the 130-unit hotel anticipated for the Westwood mixed-use development. Furthermore, the proposed development requires a more stringent review process largely due to the environmental concerns surrounding the site. As such, we have only considered this development qualitatively in our positioning of the subject property’s occupancy level.

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

Supply Conclusion

We have identified various properties that are expected to be competitive to some degree with the proposed subject hotel. We have also investigated potential increases in competitive supply in this Amherst submarket. The Proposed Hampton by Hilton should enter a dynamic market of varying product types and



price points. Next, we will present our forecast for demand change, using the historical supply data presented as a starting point.

DEMAND

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

FIGURE 4-5 HISTORICAL MARKET TRENDS

Year	Accommodated		Room Nights		Market			Market	
	Room Nights	% Change	Available	% Change	Occupancy	Market ADR	% Change	RevPAR	% Change
Est. 2013	314,551	—	438,711	—	71.7 %	\$114.81	—	\$82.32	—
Est. 2014	328,542	4.4 %	495,159	12.9 %	66.4	116.37	1.4 %	77.21	(6.2) %
Est. 2015	334,147	1.7	516,103	4.2	64.7	116.32	(0.0)	75.31	(2.5)
Avg. Annual Compounded Chg., Est. 2013-Est. 2015:		3.1 %		8.5 %			0.7 %		(4.4) %

Demand Analysis Using Market Segmentation

For the purpose of demand analysis, the overall market is divided into individual segments based on the nature of travel. Based on our fieldwork, area analysis, and knowledge of the local lodging market, we estimate the 2015 distribution of accommodated-room-night demand as follows.

FIGURE 4-6 ACCOMMODATED ROOM-NIGHT DEMAND

Market Segment	Marketwide	
	Accommodated Demand	Percentage of Total
Commercial	225,573	68 %
Group	56,923	17
Leisure	51,651	15
Total	334,147	100 %

The market's demand mix comprises commercial demand, with this segment representing roughly 68% of the accommodated room nights in this Amherst submarket. The remaining portion comprises group at 17%, with the final portion leisure in nature, reflecting 15%.



The purpose of segmenting the lodging market is to define each major type of demand, identify customer characteristics, and estimate future growth trends. Starting with an analysis of the local area, three segments were defined as representing the proposed subject hotel's lodging market. Various types of economic and demographic data were then evaluated to determine their propensity to reflect changes in hotel demand. Based on this procedure, we forecast the following average annual compounded market-segment growth rates.

FIGURE 4-7 AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES

Market Segment	Annual Growth Rate					
	2016	2017	2018	2019	2020	2021
Commercial	2.5 %	1.5 %	19.0 %	7.5 %	3.0 %	1.5 %
Group	1.5	0.9	11.5	4.5	2.0	0.5
Leisure	2.0	1.2	15.0	6.0	2.5	1.0
Base Demand Growth	2.3 %	1.4 %	17.1 %	6.8 %	2.8 %	1.3 %

Latent Demand

A table presented earlier in this section illustrated the accommodated-room-night demand in the proposed subject hotel's competitive market. Because this estimate is based on historical occupancy levels, it includes only those hotel rooms that were used by guests. Latent demand reflects potential room-night demand that has not been realized by the existing competitive supply, further classified as either unaccommodated demand or induced demand.

Unaccommodated Demand

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

Unaccommodated demand is further indicated if the market is at all seasonal, with distinct high and low seasons; such seasonality indicates that although year-end occupancy may not average in excess of 70%, the market may sell out certain nights during the year. To evaluate the incidence of unaccommodated demand in the market, we have reviewed the average occupancy by the night of the week for



the past twelve months for the competitive set, as reflected in the STR data. This is set forth in the following table.

FIGURE 4-8 OCCUPANCY BY NIGHT OF THE WEEK

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Apr - 15	39.4 %	65.7 %	73.9 %	70.8 %	64.9 %	64.8 %	64.2 %	63.7 %
May - 15	55.0	61.7	73.9	71.9	63.9	75.3	81.0	69.1
Jun - 15	53.0	76.4	83.3	86.3	78.1	80.2	90.8	78.4
Jul - 15	65.8	83.5	87.2	82.5	77.9	95.0	98.0	84.3
Aug - 15	57.9	75.4	87.8	87.8	79.5	83.7	95.6	80.7
Sep - 15	55.4	58.3	67.6	69.0	64.7	72.8	91.5	68.5
Oct - 15	49.0	63.5	72.2	71.3	61.2	70.8	77.6	66.8
Nov - 15	31.4	49.3	54.1	57.7	55.5	54.8	55.7	50.5
Dec - 15	32.0	43.0	47.2	42.9	44.0	37.7	46.4	42.2
Jan - 16	23.0	39.3	47.3	48.0	45.6	36.6	38.0	39.0
Feb - 16	27.8	42.8	48.9	46.2	38.7	37.4	43.1	40.8
Mar - 16	27.6	49.2	55.7	56.5	56.0	62.3	59.0	52.7
Average	42.8 %	58.9 %	66.0 %	65.5 %	60.6 %	64.4 %	70.0 %	61.2 %

Source: STR

The following table presents our estimate of unaccommodated demand in the subject market.

FIGURE 4-9 UNACCOMMODATED DEMAND ESTIMATE

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand Percentage	Unaccommodated Room Night Demand
Commercial	225,573	4.3 %	9,703
Group	56,923	1.1	602
Leisure	51,651	0.8	437
Total	334,147	3.2 %	10,742

Accordingly, we have forecast unaccommodated demand equivalent to 3.2% of the base-year demand, resulting from our analysis of monthly and weekly peak demand and sell-out trends.



Induced Demand

Induced demand represents the additional room nights that are expected to be attracted to the market following the introduction of a new demand generator. Situations that can result in induced demand include the opening of a new manufacturing plant, the expansion of a convention center, or the addition of a new hotel with a distinct chain affiliation or unique facilities. Although increases in demand are expected in the local market, we have accounted for this growth in the determination of market-segment growth rates rather than induced demand.

Accommodated Demand and Market-wide Occupancy

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

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



FIGURE 4-10 FORECAST OF MARKET OCCUPANCY

	2016	2017	2018	2019	2020	2021
Commercial						
Base Demand	231,212	234,680	279,269	300,215	309,221	313,859
Unaccommodated Demand	9,946	10,095	12,013	12,914	13,302	13,501
Total Demand	241,158	244,775	291,283	313,129	322,523	327,361
Growth Rate	6.9 %	1.5 %	19.0 %	7.5 %	3.0 %	1.5 %
Group						
Base Demand	57,777	58,297	65,001	67,926	69,284	69,631
Unaccommodated Demand	611	617	688	719	733	737
Total Demand	58,388	58,913	65,688	68,644	70,017	70,367
Growth Rate	2.6 %	0.9 %	11.5 %	4.5 %	2.0 %	0.5 %
Leisure						
Base Demand	52,684	53,317	61,314	64,993	66,618	67,284
Unaccommodated Demand	445	451	518	549	563	569
Total Demand	53,130	53,767	61,832	65,542	67,181	67,853
Growth Rate	2.9 %	1.2 %	15.0 %	6.0 %	2.5 %	1.0 %
Totals						
Base Demand	341,673	346,293	405,584	433,133	445,123	450,774
Unaccommodated Demand	11,003	11,163	13,219	14,182	14,598	14,807
Total Demand	352,676	357,456	418,803	447,316	459,721	465,581
less: Residual Demand	8,559	7,590	0	0	0	0
Total Accommodated Demand	344,117	349,866	418,803	447,316	459,721	465,581
Overall Demand Growth	3.0 %	1.7 %	19.7 %	6.8 %	2.8 %	1.3 %
Market Mix						
Commercial	68.4 %	68.5 %	69.6 %	70.0 %	70.2 %	70.3 %
Group	16.6	16.5	15.7	15.3	15.2	15.1
Leisure	15.1	15.0	14.8	14.7	14.6	14.6
Existing Hotel Supply	1,544	1,544	1,544	1,544	1,544	1,544
Proposed Hotels						
Proposed Subject Property	¹	18	105	105	105	105
Proposed Fairfield Inn & Suites by Marriott	²	18	107	107	107	107
Proposed Home2 Suites by Hilton	³		112	112	112	112
Proposed Hyatt House	⁴	22	130	130	130	130
Proposed Westwood Hotel	⁵					
Available Rooms per Night	563,414	584,276	729,124	729,124	729,124	729,124
Nights per Year	365	365	365	365	365	365
Total Supply	1,544	1,601	1,998	1,998	1,998	1,998
Rooms Supply Growth	9.2 %	3.7 %	24.8 %	0.0 %	0.0 %	0.0 %
Marketwide Occupancy	61.1 %	59.9 %	57.4 %	61.3 %	63.1 %	63.9 %

¹ Opening in November 2017 of the 100% competitive, 105-room Proposed Subject Property

² Opening in November 2017 of the 100% competitive, 107-room Proposed Fairfield Inn & Suites by Marriott

³ Opening in January 2018 of the 100% competitive, 112-room Proposed Home2 Suites by Hilton

⁴ Opening in November 2017 of the 100% competitive, 130-room Proposed Hyatt House

⁵ Opening in November 2019 of the 0% competitive, 130-room Proposed Westwood Hotel

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



5. Description of the Proposed Improvements

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

Project Overview

The Proposed Hampton by Hilton will be a limited-service lodging facility containing 105 rentable units. The four-story property will open on November 1, 2017. The proposed subject property will be located within the Audubon Recreation Center Complex, which consists of various multi-purpose fields and an 1,800-seat multi-purpose arena known as the Northtown Center. The Northtown Center is home to the University of Buffalo men's ice hockey team and the Buffalo Wings, a professional inline hockey team competing in Major League Roller Hockey. The southwestern portion of the complex, currently unimproved, will be subdivided from the parent parcel for development of the subject hotel.

Hampton by Hilton (Hampton Hotels, Hampton Inn, and Hampton Inn & Suites) is part of the Hilton Worldwide brand. Hampton has celebrated over 20 years as an award-winning leader in the mid-priced hotel segment. Hampton hotels offer comfortable surroundings and a service pledge backed by the 100% Hampton Satisfaction Guarantee. High-quality accommodations and services, combined with a vast network of locations, competitive rates, and a strong reputation for quality control and product consistency have made Hampton a leader in its segment and one of the fastest-growing hotel brands. Guests enjoy a complimentary hot breakfast, free local calls, and free high-speed Internet access. In addition, most properties offer swimming pools and fitness rooms. As of year-end 2015, there were 1,978 hotels (193,251 rooms) operating under the Hampton by Hilton brand in the U.S. In 2015, the brand operated at an average occupancy level of 74.2%, with an average daily rate of \$118.52 and an average RevPAR of \$87.95 (worldwide).



TYPICAL HAMPTON BY HILTON EXTERIOR



Summary of the Facilities

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



FIGURE 5-1 PROPOSED FACILITIES SUMMARY

Guestroom Configuration		Number of Units
King		TBD
King Sofa		TBD
Queen/Queen		TBD
Total		105
Food & Beverage Facilities		Seating Capacity
Breakfast Dining Area		TBD
Indoor Meeting & Banquet Facilities		Square Footage
Meeting Room		TBD
Amenities & Services		
Indoor Swimming Pool	Market Pantry	
Indoor Whirlpool	Guest Laundry Area	
Fitness Room	Vending Area(s)	
Business Center		
Infrastructure		
Parking Spaces		105
Elevators		2 Guest
Life-Safety Systems	Sprinklers, Smoke Detectors	
Construction Details	Wood Framing, Poured Concrete	

The proposed hotel is expected to comprise one four-story building. Surface parking will likely be located around the building. Other site improvements should include freestanding signage, located at the main entrance to the site, as well as landscaping and sidewalks. Additional signage is expected to be placed on the exterior of the building. The hotel's main entrance should lead directly into the lobby, and the first (ground) floor will likely house the public areas and the back-of-the-house space. Guestrooms will likely be located on all levels of the building. The site and building components are expected to be normal for a hotel of this type and should meet the standards for this suburban market.



TYPICAL HAMPTON BY HILTON LOBBY



TYPICAL HAMPTON BY HILTON DINING AREA

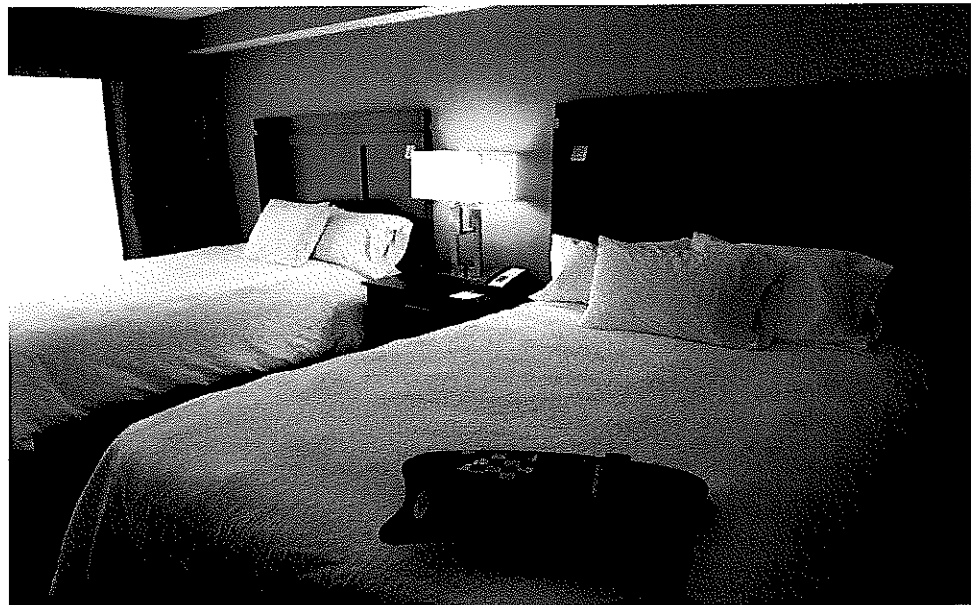




TYPICAL HAMPTON BY HILTON MEETING ROOM



TYPICAL HAMPTON BY HILTON GUESTROOM





ADA and Environmental

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

Capital Expenditures

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

Construction Budget

HVS has estimated construction costs for the 105-room proposed subject property. Our cost budget is based on building costs provided by the Marshall & Swift cost estimator, as well as FF&E, soft costs, and pre-opening costs supported by the HVS Development Cost Survey. The HVS Development Cost Survey is compiled annually utilizing data from actual construction budgets of previous assignments. We note, however, that we are not experts in estimating construction costs, and that these can vary widely based on location and specific attributes of the site.

FIGURE 5-2 SUBJECT PROPERTY CONSTRUCTION BUDGET – HVS ESTIMATE

Item	Cost per Room	Cost
Building	\$78,000	\$8,190,000
Furniture, Fixtures, & Equipment	12,000	1,260,000
Pre-Opening & Working Capital	6,000	630,000
Soft Costs	17,000	1,785,000
Land	11,429	1,200,000
Total	\$124,429	\$13,065,000
Plus Developer's Incentive	\$6,221	\$653,250
Total Cost New Estimate	\$130,650	\$13,718,250

Conclusion

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



6. Projection of Occupancy and Average Rate

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

Forecast of Subject Property's Occupancy

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



FIGURE 6-1 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY

Market Segment	2017	2018	2019	2020	2021
Commercial					
Demand	237,911	291,283	313,129	322,523	327,361
Market Share	0.9 %	5.3 %	5.4 %	5.5 %	5.5 %
Capture	2,223	15,337	17,022	17,826	18,069
Penetration	85 %	100 %	103 %	105 %	105 %
Group					
Demand	58,494	65,688	68,644	70,017	70,367
Market Share	0.5 %	3.4 %	3.6 %	3.8 %	3.8 %
Capture	288	2,254	2,505	2,633	2,643
Penetration	45 %	65 %	69 %	72 %	71 %
Leisure					
Demand	53,461	61,832	65,542	67,181	67,853
Market Share	1.7 %	7.7 %	7.8 %	7.9 %	7.9 %
Capture	889	4,783	5,143	5,315	5,362
Penetration	152 %	147 %	149 %	151 %	150 %
Total Room Nights Captured	3,400	22,373	24,670	25,774	26,073
Available Room Nights	6,405	38,325	38,325	38,325	38,325
Subject Occupancy	53 %	58 %	64 %	67 %	68 %
Marketwide Available Room Nights	584,276	729,124	729,124	729,124	729,124
Fair Share	1 %	5 %	5 %	5 %	5 %
Marketwide Occupied Room Nights	349,866	418,803	447,316	459,721	465,581
Market Share	1 %	5 %	6 %	6 %	6 %
Marketwide Occupancy	60 %	57 %	61 %	63 %	64 %
Total Penetration	89 %	102 %	105 %	107 %	107 %

Within the commercial segment, the proposed subject hotel's occupancy penetration is positioned above the market-average level, supported by its strong brand recognition among corporate travelers and its excellent location within a business park and near the University of Buffalo North Campus. Within the leisure segment, the proposed subject hotel's occupancy penetration is positioned above the market-average level, largely attributed to the hotel's proposed Amherst location, proximate to numerous upscale entertainment and retail venues. The proposed subject hotel's occupancy penetration within the group segment is positioned appropriately within the range of existing competitors given the proposed hotel's limited amount of meeting space. Nonetheless, the proposed



subject hotel is expected to capture some group demand from major corporations in the area and the University of Buffalo.

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

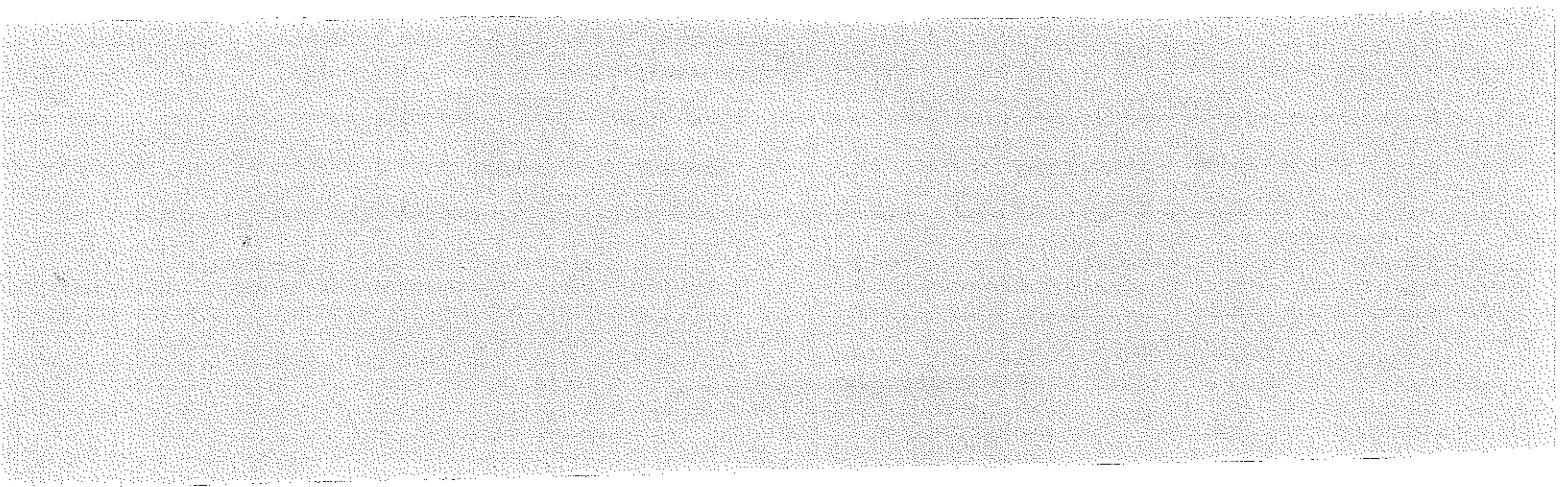
FIGURE 6-2 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2017	2018	2019	2020	2021
Commercial	65 %	69 %	69 %	69 %	69 %
Group	8	10	10	10	10
Leisure	26	21	21	21	21
Total	100 %	100 %	100 %	100 %	100 %

Based on our analysis of the proposed subject hotel and market area, we have selected a stabilized occupancy level of 68%. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life, given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the proposed subject hotel may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

Average Rate Analysis

The following table illustrates the projected average rate and the growth rates assumed. As a context for the average rate growth factors, note that we have applied underlying inflation rates of 2.0%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2015.



As illustrated above, a -2.5% rate of change is expected for the proposed subject hotel's positioned 2015 room rate in 2016. This is followed by growth rates of 1.5% and 2.5% in 2017 and 2018, respectively. The competitive submarket should experience rate growth through the near term. The proposed subject hotel's rate position should reflect growth similar to market trends because of the proposed hotel's new facility, strong brand affiliation, and service level. The proposed subject hotel's penetration rate is forecast to reach 116.1% by the stabilized period.

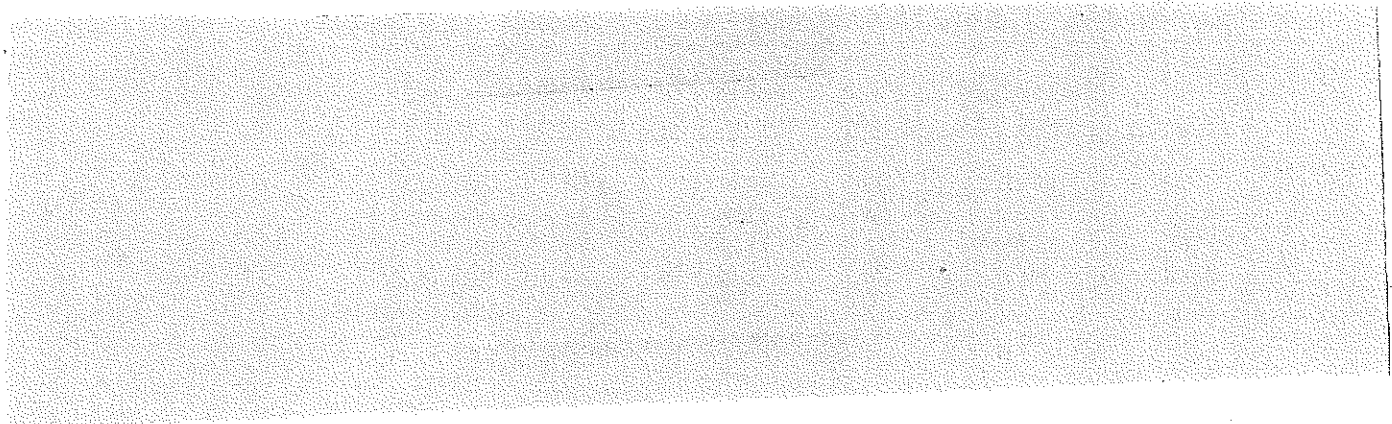
The following table provides a comparison of the historical performance and forecasts for the competitive set, as well as the forecasts for the proposed subject property.



The North American lodging market bottomed out in late 2009, at which time demand rebounded and the supply pipeline diminished. In 2010, occupancy rebounded strongly, and by 2011, average rates in most U.S. markets showed increases. By year-end 2015, occupancy reached an all-time high of 65.6%, and average rate surpassed \$120.00. In many primary markets, strong occupancy levels and a lack of new supply are allowing hotel operators to make continued, aggressive average rate gains in 2016. While RevPAR is strong in some secondary and tertiary markets, it may be limited in the near term by the entrance of new supply. With new supply gaining traction in recent years, markets should be able to maintain already strong occupancy levels, likely to realize modest to strong gains in RevPAR driven by average rate growth.

A new property must establish its reputation and a client base in the market during its ramp-up period; as such, the proposed subject hotel's average rates in the initial operating period have been discounted to reflect this likelihood. We forecast 1.0% and 0.0% discounts to the proposed subject hotel's forecast room rates in the first two operating years, which would be typical for a new operation of this type.

The following occupancies and average rates will be used to project the proposed subject hotel's rooms revenue. This forecast reflects years beginning on November 1, 2017 and corresponds with our financial projections.



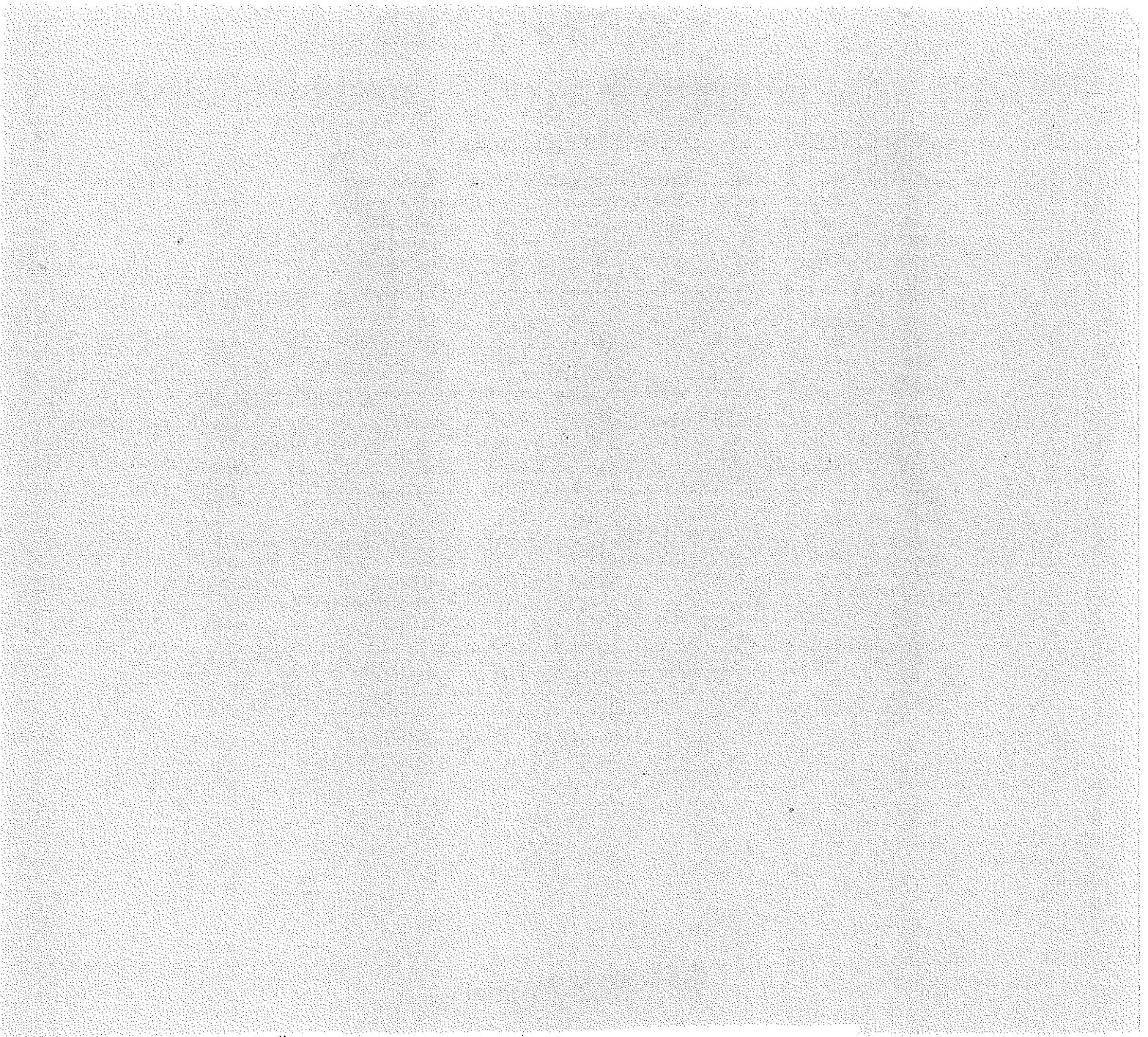


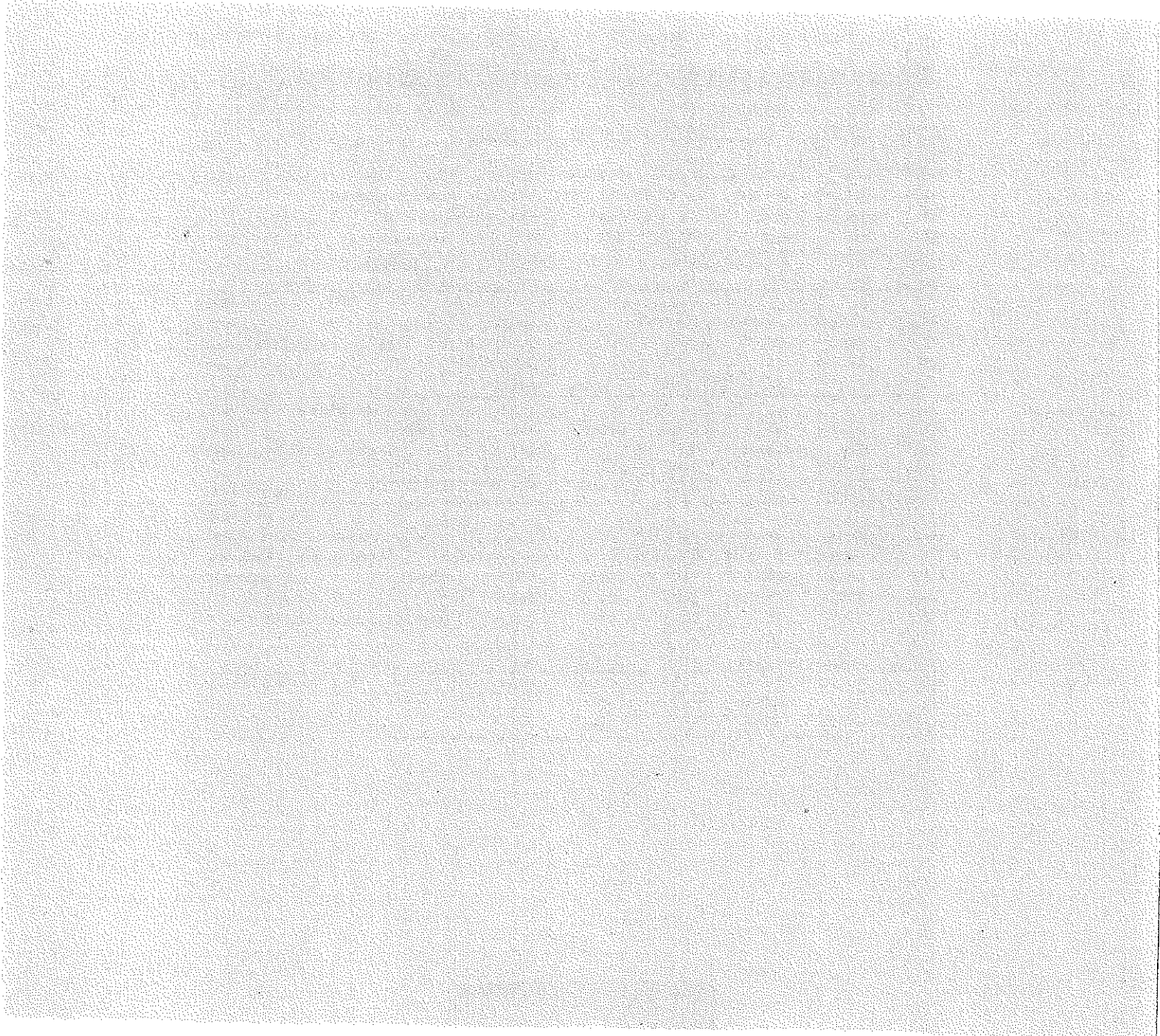
7. Projection of Income and Expense

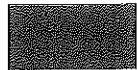
In this chapter of our report, we have compiled a forecast of income and expense for the proposed subject hotel. This forecast is based on the facilities program set forth previously, as well as the occupancy and average rate forecast discussed previously.

Comparable Operating Statements

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







Inflation Assumption

In consideration of the most recent trends, the projections set forth previously, and our assessment of probable property appreciation levels, we have applied underlying inflation rates of 2.0%, 2.5%, and 3.0% thereafter for each respective year following the base year of 2015. This stabilized inflation rate takes into account normal, recurring inflation cycles. Inflation is likely to fluctuate above and below this level during the projection period. Any exceptions to the application of



the assumed underlying inflation rate are discussed in our write-up of individual income and expense items.

Summary of Projections

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



Forecast of Income and Expense

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

Revenues associated with the proposed subject hotel's other operated departments and miscellaneous income category have been forecast to reflect the hotel's planned facilities and amenities. Expense levels fall within a range of reasonableness given the provided comparable operating statements; furthermore, franchise and management fees are set forth in accordance with our assumptions provided in the Nature of the Assignment chapter.

Property Taxes

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

FIGURE 7-6 HISTORIC SUBJECT PROPERTY TAX BURDEN (BASE YEAR)

Year	Real Property			
	Assessed Value		Real Property Total	Percent Change
	Land	Improvements		
2012	\$0	\$0	\$0	—
2013	0	0	0	— %
2014	0	0	0	—
2015	0	0	0	—
2016	0	0	0	—

Source: Erie County Assessor's Office

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



FIGURE 7-7 COUNTY-ASSESSED VALUE OF COMPARABLE HOTELS

Hotel	Year Open	Land	Improvements	Total
Subject Property	2017	\$0	\$0	\$0
DoubleTree by Hilton Buffalo Amherst	1987	\$1,226,800	\$7,500,000	\$8,726,800
Courtyard by Marriott Buffalo Amherst University	1999	502,900	5,500,000	6,002,900
Holiday Inn Buffalo Amherst	1967	1,505,400	4,500,000	6,005,400
Hampton Inn Buffalo Williamsville	2002	448,100	6,000,000	6,448,100
Hyatt Place Buffalo Amherst	2015	910,000	1,290,000	2,200,000
Wyndham Garden Buffalo Williamsville	2013	3,700,000	11,440,000	15,140,000
Homewood Suites by Hilton Buffalo Amherst	2005	1,047,500	3,720,000	4,767,500
Staybridge Suites Buffalo Amherst	2013	232,500	8,240,000	8,472,500
Comfort Inn University Amherst	1986	613,300	3,432,000	4,045,300
Sleep Inn Amherst	1998	429,300	2,760,000	3,189,300
Ramada Amherst Getzville Hotel & Conference Center	1992	1,168,800	3,000,000	4,168,800
Residence Inn by Marriott Buffalo Amherst	1986	1,218,000	6,720,000	7,938,000
Marriott Buffalo Niagara	1981	1,908,700	25,000,000	26,908,700
<i>Assessments per Room</i>	<i># of Rms</i>			
DoubleTree by Hilton Buffalo Amherst	187	\$6,560	\$40,107	\$46,667
Courtyard by Marriott Buffalo Amherst University	108	4,656	50,926	55,582
Holiday Inn Buffalo Amherst	199	7,565	22,613	30,178
Hampton Inn Buffalo Williamsville	80	5,601	75,000	80,601
Hyatt Place Buffalo Amherst	187	4,866	6,898	11,765
Wyndham Garden Buffalo Williamsville	120	30,833	95,333	126,167
Homewood Suites by Hilton Buffalo Amherst	93	11,263	40,000	51,263
Staybridge Suites Buffalo Amherst	102	2,279	80,784	83,064
Comfort Inn University Amherst	102	6,013	33,647	39,660
Sleep Inn Amherst	92	4,666	30,000	34,666
Ramada Amherst Getzville Hotel & Conference Center	120	9,740	25,000	34,740
Residence Inn by Marriott Buffalo Amherst	112	10,875	60,000	70,875
Marriott Buffalo Niagara	356	5,362	70,225	75,586
Positioned Subject - Per Room	105	\$8,500	\$50,000	\$58,500
Positioned Subject - Total		\$892,500	\$5,250,000	\$6,142,500

Source: Erie County Assessor's Office

We have positioned the future assessment levels of the subject site and proposed improvements, as well as the planned personal property, based upon the illustrated comparable data. We have positioned these assessments closest to the Comfort Inn, Courtyard by Marriott, DoubleTree by Hilton, Holiday Inn, and Sleep Inn because of the similarities, including product type; overall, the positioned assessments are well supported by the market data.



Tax rates are based on the city and county budgets, which change annually. The most recent tax rate in this jurisdiction was reported at 34.74274%. The following table shows changes in the tax rate during the last several years.

FIGURE 7-8 COUNTY TAX RATES

Year	Real Property Millage Rate
2012	33.99000
2013	32.29852
2014	32.78197
2015	34.74274

Source: Erie County Assessor's Office

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

FIGURE 7-9 PROJECTED PROPERTY TAX BURDEN (BASE YEAR)

	Real Property		
	Land	Real Property	Total
Positioned (Assessed Value)	\$892,500	\$5,250,000	\$6,142,500
Equalization Rate			1.00000
Millage Rate			34.74274
Tax Burden as of Base Year			\$213,407

FIGURE 7-10 PROJECTED PROPERTY TAX EXPENSE

Year	Total Tax Burden (Previous Year)	Real Property		Taxes Payable
		Base Rate of Tax Burden Increase	% Complete	
Positioned	\$213,407	—		\$213,407
2017/18	\$213,407	4.5 %	100 %	\$223,117
2018/19	223,117	2.5	100	228,695
2019/20	228,695	3.0	100	235,556
2020/21	235,556	3.0	100	242,623



Conclusion

In conclusion, our analysis reflects a profitable operation, with net income expected to total 32.1% of total revenue by the stabilized year. The stabilized total revenue comprises primarily rooms and food and beverage revenue, with a secondary portion derived from other income sources. On the cost side, departmental expenses total 22.5% of revenue by the stabilized year, while undistributed operating expenses total 31.1% of total revenues; this assumes that the property will be operated competently by a well-known hotel operator. After a 3.0% of total revenues management fee, and 11.3% of total revenues in fixed expenses, a net income ratio of 32.1% is forecast by the stabilized year.

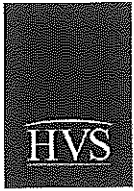


8. Statement of Assumptions and Limiting Conditions

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



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



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



9. Certification

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

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;
4. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
6. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined result or direction in performance that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this study;
7. our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
8. Preston K. Puleo, MAI personally inspected the property described in this report;
9. and that no one other than those listed above and the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this report; Preston K. Puleo, MAI has performed one market study on the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment;
10. the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute;



11. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives; and
12. as of the date of this report, Preston K. Puleo, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.

A handwritten signature in black ink, appearing to read 'P. Puleo'.

Preston K. Puleo, MAI
Vice President
TS Worldwide, LLC



Preston Puleo, MAI

EMPLOYMENT

2011 to present	HVS CONSULTING AND VALUATION SERVICES Boston, Massachusetts
2010 – 2011	HOTEL ASSET VALUE ENHANCEMENT Providence, Rhode Island
2009	CLUB CORP Stockbridge, Georgia
2008	PINEHURST RESORT & COUNTRY CLUB Pinehurst, North Carolina
2007	PINE NEEDLES LODGE & GOLF CLUB Southern Pines, North Carolina

EDUCATION AND OTHER TRAINING

BS – School of Hotel Administration, Cornell University

Other Specialized Training Classes Completed:

Uniform Standards of Professional Appraisal Practice – 15 hours
Basic Appraisal Procedures – 30 hours
Basic Appraisal Principles – 30 hours
General Appraiser Income Approach (Parts I and II) – 60 hours
General Appraiser Market Analysis and HBU – 30 hours
General Appraiser Site Valuation and Cost Approach – 30 hours
General Appraiser Sales Comparison Approach – 30 hours
General Appraiser Report Writing and Case Studies – 30 hours
Statistics, Modeling and Finance – 15 hours
Advanced Income – 30 hours
Advanced Concepts and Case Studies – 40 hours
Quantitative Analysis – 40 hours
Advanced Highest and Best Use – 35 hours
General Demonstration Report Writing – 7 hours
MI Law Class – 2 hours



EDUCATION (CON'T)

General Demonstration – Capstone
CT Law Update with Supervisor/Provisional Education – 3 hours
USPAP Update – 2013, 2014, 2016

STATE CERTIFICATIONS

Connecticut, Maine, Massachusetts, Michigan, New Hampshire, New York, Rhode Island,
Vermont

**PROFESSIONAL
AFFILIATIONS**

Appraisal Institute – Designated Member (MAI)

PUBLISHED ARTICLES

HVS Journal

“Access HVS Boston Key Takeaways,” co-authored with Erich Baum and Brian Bisema,
April 2016

HVS Journal

“In Focus – Boston,” co-authored with Brian Bisema, 2015

HVS Journal

“Three Key Takeaways: 2015 HELP - Hotel Equity & Lender Perspectives Conference,” co-
authored with Brian Bisema and Anne Lloyd-Jones, April 2015

HVS Journal

“Trends and Opportunities: New England Hotel Market,” September 2014

HVS Journal

“In Focus: Buffalo, New York,” co-authored with Patrick Bursey, July 2014

HVS Journal

“Market Intelligence Report 2013: Boston,” co-authored with Nicole Ortiz, August 2013

HVS Journal

“Market Intelligence Report 2013: Detroit,” May 2013

HVS Journal

“Boston’s Waterfront District: Harboring Potential for Hotels,” co-authored with Brian
Bisema, April 2012



**EXAMPLES OF PROPERTIES APPRAISED
OR EVALUATED**

ALABAMA

Hampton Inn, Alexander City
Hampton Inn, Birmingham

ARKANSAS

Embassy Suites Northwest Arkansas
Hotel Spa & Convention Center,
Rogers

CALIFORNIA

Proposed Homewood Suites by Hilton,
Redondo Beach

COLORADO

Silverleaf Suites, Eagle

CONNECTICUT

Residence Inn by Marriott Hartford
Avon, Avon
Holiday Inn Express, Branford
Baymont Inn & Suites, East Windsor
Courtyard by Marriott, Farmington
Homewood Suites Farmington-
Hartford, Farmington
J House Hotel Greenwich, Greenwich
Comfort Inn & Suites, Meriden
Quality Inn & Suites, Meriden
Fairfield Inn Conversion to Days Inn,
Milford
Howard Johnson Inn, Mystic
Hyatt Place, Mystic
La Quinta Inn & Suites New Britain
Farmington, New Britain
Premiere Hotel & Suites, New Haven
Holiday Inn Express, Newington
Fairfield Inn & Suites by Marriott,
Plainville
Residence Inn by Marriott, Rocky Hill
Hampton Inn, Shelton

Hilton Garden Inn, Shelton
Hyatt House, Shelton
Hilton & Executive Meeting Center,
Stamford
Marriott, Stamford
Motel 6, Vernon
Proposed SpringHill Suites by
Marriott, Vernon
Homewood Suites by Hilton,
Wallingford
Hampton Inn, Waterbury
The Delamar, West Hartford
Hampton Inn, West Haven
Comfort Inn & Suites, Wethersfield
Candlewood Suites Windsor Locks
Bradley Airport, Windsor Locks
Econo Lodge, Windsor Locks
Ramada Inn, Windsor Locks

DISTRICT OF COLUMBIA

Comfort Inn

FLORIDA

Residence Inn, Daytona
Candlewood Suites, Fort Myers
SpringHill Suites by Marriott,
Gainesville
DoubleTree by Hilton Universal
Orlando, Orlando
Econo Lodge, Orlando
Quality Inn & Suites, Orlando
Hilton Garden Inn Tampa Southeast,
Riverview
Holiday Inn Express, Spring Hill

GEORGIA

Holiday Inn Express (Choice Suites
Conversion), Atlanta
Proposed Hampton Inn, Augusta
Sheraton Gateway Hotel Atlanta
Airport, Atlanta
Horizon Inn, Norcross

ILLINOIS

Proposed Home2 Suites by Hilton,
Chicago
Proposed Westin, Chicago
Embassy Suites East Peoria Hotel &
Riverfront Conference Center, East
Peoria

INDIANA

Holiday Inn Express, Brownsburg
Relax Inn, Fort Wayne
Holiday Inn Express, Kokomo
Proposed Hampton Inn, Michigan City
Motel 6, Mishawaka
Best Western, Portage
Baymont Inn, Plainfield

KENTUCKY

Holiday Inn Express, Lexington
Motel 6, Louisville
Sleep Inn, Owensboro

MAINE

Hilton Garden Inn Auburn Riverwatch,
Auburn
Proposed Homewood Suites by Hilton,
Augusta
Hampton Inn, Freeport
Proposed Hampton Inn, Kennebunk
Proposed Hotel, Oxford
Proposed Hotel, South Portland
Hampton Inn, Waterville

MARYLAND

Comfort Suites, Chestertown
Comfort Suites Elkridge
Quality Inn/Econo Lodge, Takoma
Park
Harrison House Country Inn, Tilghman
Island

MASSACHUSETTS



Proposed Hampton Inn, Amesbury
Courtyard by Marriott, Andover
DoubleTree by Hilton Bedford Glen,
Bedford
Homewood Suites Billerica-Boston,
Billerica
Embassy Suites Boston @ Logan
Airport, Boston
Hampton Inn, Boston
Hilton Boston Logan Airport, Boston
Homewood Suites by Hilton, Boston
Proposed Limited-Service Hotel,
Boston
Westin Boston Waterfront, Boston
Hilton Garden Inn, Burlington
Hyatt House, Burlington
Marriott Boston Burlington,
Burlington
Quality Inn, Chicopee
Cape Cod Resort, Hyannis
Super 8, Leominster
Hampton Inn, Norwood
Wesley Hotel, Oak Bluffs
Mirbeau Inn & Spa at the Pinehills,
Plymouth
Proposed Holiday Inn Express,
Springfield
Proposed Home2 Suites by Hilton,
Watertown
Courtyard by Marriott Boston
Westborough, Westborough
Hotel Worchester (former Hampton
Inn), Worchester

MICHIGAN

Holiday Inn Express Hotel & Suites
Ann Arbor West, Ann Arbor
Comfort Suites, Auburn Hills
Hilton Garden Inn, Detroit
Proposed Boutique Hotel, Detroit
AmeriHost Inn & Suites, DeWitt
Proposed Hotel East 1st Street, Flint
Proposed Hotel Saginaw Street, Flint
Proposed Grosse Pointe Hotel, Grosse
Pointe

Holiday Inn Kalamazoo West,
Kalamazoo
Hampton Inn, Lenox
Redwood Inn, Lewiston
Ramada, Ludington
Hawthorn Suites, North Chelmsford
Comfort Suites, Southgate
Holiday Inn, Southgate
Surfari Joe's Conversion (inspection
only), Watervliet

MINNESOTA

Proposed Home2 Suites, Bloomington
Proposed Select-Service Hotel,
Minneapolis

NEW HAMPSHIRE

Proposed Comfort Inn, Berlin
Rodeway Inn, Claremont
Proposed Hotel, Hampton
Proposed Lilac Center at Granite Hills,
Hooksett
Eastgate Inn, Littleton
Fairfield Inn Conversion to Red Roof
Inn, Manchester
Super 8, Manchester
Residence Inn by Marriott, Merrimack

NEW JERSEY

Marriott, Bridgewater
Comfort Suites, East Brunswick
Red Roof Inn, Edison
Hotel Park East, Elizabeth
Ramada, Flemington
Days Inn, Iselin
Proposed Granite Woods Hotel,
Merrimack
Hilton Garden Inn, Ridgefield Park
La Quinta Inn & Suites, Somerset
Hampton Inn Cherry Hill Voorhees,
Voorhees
Hilton, Woodbridge

NEW YORK

Holiday Inn, Albany
Marriott, Albany
Proposed Hampton Inn, Amherst
Fairfield Inn & Suites by Marriott New
York Brooklyn, Brooklyn
Hotel Bliss, Brooklyn
Kings Motel, Brooklyn
Proposed Hotel, Brooklyn
Proposed TownePlace Suites by
Marriott, Brooklyn
Sleep Inn, Brooklyn
Tru by Hilton, Camillus
Holiday Inn Buffalo Airport,
Cheektowaga
Red Roof Inn, Clifton Park
Marriott LaGuardia Airport, East
Elmhurst
Country Inn & Suites, Ithaca
Econo Lodge, Ithaca
Best Western Kennedy Airport,
Jamaica
Days Inn Jamaica JFK Airport, Jamaica
Holiday Inn Express JFK Airport,
Jamaica
Best Western, Liverpool
Budget Inn, Massapequa
Proposed Holiday Inn Express,
Peekskill
Comfort Inn, Rochester
Hyatt Regency, Rochester
Hilton Garden Inn Rochester
Downtown, Rochester
Proposed Lake Ontario Place,
Rochester
Claremont Hotel, Roslyn
Proposed Homewood Suites by Hilton,
Saratoga Springs
Comfort Inn, Staten Island
Holiday Inn Express, Staten Island
Proposed Holiday Inn, Staten Island
Proposed Limited-Service Hotel,
Staten Island
Best Western, Syracuse
Holiday Inn Express Rochester
Webster, Webster
Tuckahoe Motor Inn, Yonkers



NORTH CAROLINA

Red Roof Inn, Greensboro
Super 8 (Conversion to Hawthorn
Suites), Kinston
Hampton Inn Fort Bragg, Spring Lake
Hilton Garden Inn Winston-Salem
Hanes Mall, Winston-Salem

OHIO

Hilton Garden Inn, Cleveland
All American Inn & Suites, Norwalk
Best Western, Norwalk

PENNSYLVANIA

Homewood Suites by Hilton,
Canonsburg
Proposed Candlewood Suites,
Harrisburg
Hampton Inn & Suites, Homestead
Hampton Inn & Suites, Washington

RHODE ISLAND

Proposed Holiday Inn Express,
Providence
Proposed WoodSpring Suites
Signature, Providence
Hampton Inn, Smithfield
Residence Inn by Marriott Providence
Warwick, Warwick

TENNESSEE

Courtyard Nashville Brentwood,
Brentwood
Courtyard Memphis East Park Avenue,
Memphis

VERMONT

Colonial Motel and Spa, Brattleboro
Super 8, Brattleboro

La Quinta Inn & Suites, South
Burlington
Proposed Hampton Inn, St. Albans

VIRGINIA

Quality Inn, Christiansburg
Days Inn, Petersburg
Courtyard by Marriott North, Virginia
Beach
Courtyard by Marriott South, Virginia
Beach

WEST VIRGINIA

Proposed Holiday Inn Express, Cross
Lanes
Quality Inn, Morgantown