



*Hotel, Tourism and Leisure*

## FEASIBILITY STUDY

PROPOSED HOTEL  
LOGANVILLE, GA

September 2, 2016

September 2, 2016

Mr. Bill Jones  
City Manager  
City of Loganville  
4385 Pecan St.  
Loganville, GA 30052

Dear Mr. Jones,

**Re: Feasibility Study for the Proposed Hotel in Loganville, GA**

In accordance with our proposal dated April 19, 2016, Horwath HTL prepared this Feasibility Study Report for the aforementioned project.

The analysis included discussions with professionals in the hospitality industry in the Loganville and surrounding areas. Furthermore, a review of tourism conditions and the status of the competitive hotel market was undertaken in order to estimate likely future demand and supply. The report includes the results of this research and analysis and our comments pertaining to a brief survey of the proposed site and surrounding areas. All information, estimates and assumptions contained in the report reflect what was available to us as of June 2016; the sources and basis of which are stated in the appropriate sections.

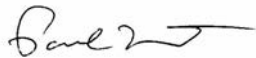
The projections of the market for the next ten years are based on estimates and assumptions developed in connection with the market study. The assumptions regarding projected utilization rates may not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our projections may vary from our estimates and the variations may be material. Further, we are not responsible for the effectiveness of management or the future marketing efforts and other management actions upon which actual results will depend.

Our engagement did not ascertain the impact of energy shortages and the legal and regulatory requirements applicable to the project, including zoning and other regulations, permits, immigration policies and licenses. Further, we did not determine the possible effect on the proposed Hotel development of present or future legislation or any environmental or ecological matters.

We will have no responsibility to update our report and / or projections for events and circumstances occurring subsequent to the date of issuance; however, we will be available to discuss the need for such revisions if and when you so require.

This report was prepared for your internal use and the information contained in the report is highly confidential. However, it may also be presented to lending institutions and sophisticated prospective investors whom you may wish to enlist in the financial structuring of the project. Otherwise, neither the report nor any of its content may be referred to or quoted in any registration statement, prospectus, property valuation, loan or other agreement or document unless presented in its entirety or you have received our prior written approval.

Yours Sincerely,  
For, and on behalf of Horwath HTL,



Paul Breslin, CHA, CHE, ISHC  
**Managing Director**

# TABLE OF CONTENTS

---

<b>I.</b>	<b>EXECUTIVE SUMMARY .....</b>	<b>6</b>
1.1	Assignment.....	6
1.2	Site Summary .....	7
1.3	Hotel Market Overview .....	9
1.4	Facility Recommendations.....	10
1.5	Operating Projections .....	10
1.6	Investment Analysis.....	12
<b>2.</b>	<b>COMPETITIVE HOTEL MARKET OVERVIEW .....</b>	<b>14</b>
2.1	Competitive Hotel Selection Methodology.....	14
2.2	Identified Competitive Set.....	14
2.3	Historical Performance of Competitive Hotels .....	20
2.4	Demand Segmentation .....	22
2.5	Seasonality.....	22
2.6	Additions to Supply.....	24
2.7	Occupancy and ADR Projections.....	24
<b>3.</b>	<b>SITE ANALYSIS .....</b>	<b>28</b>
3.1	Project Background.....	28
3.2	Site Surroundings.....	29
3.3	Views and Visibility.....	34
3.4	Access .....	34
3.5	Proximity To Demand Generators.....	36
3.6	SWOT Analysis.....	37
3.7	Conclusion .....	38
<b>4.</b>	<b>FACILITY RECOMMENDATIONS.....</b>	<b>40</b>
4.1	Market Positioning And Branding.....	40
4.2	Concept.....	40
4.3	General Planning.....	40
4.4	Guestrooms.....	40
4.5	Food and Beverage Facilities.....	43
4.6	Meeting and Function Facilities .....	45
4.7	Other Facilities.....	46
4.8	Design-Related Recommendations .....	46
<b>5.</b>	<b>ESTIMATED UTILIZATION &amp; PRICING .....</b>	<b>49</b>

5.1	Penetration Performance Introduction .....	49
5.2	Estimated Penetration for the Proposed Hotel .....	50
5.3	Estimated Proposed Hotel Performance .....	51
<b>6.</b>	<b>OPERATING CASH FLOW PROJECTIONS .....</b>	<b>54</b>
6.1	Fixed & Variable Analysis.....	54
6.2	Definitions .....	55
6.3	Operating Cash Flow Projection Assumptions .....	56
6.4	NOI Summary .....	58
<b>7.</b>	<b>INVESTMENT ANALYSIS.....</b>	<b>60</b>
7.1	Investment Outlay Assumptions.....	60
7.2	Investment Analysis.....	60
APPENDIX I: STATE OVERVIEW		
APPENDIX II: CITY OVERVIEW		
APPENDIX III: STATE OF GEORGIA AND LOGANVILLE SURROUNDING AREAS TOURISM OVERVIEW		
APPENDIX IV: COMPETITIVE HOTEL DESCRIPTIONS		
APPENDIX V: 10-YEAR OPERATING CASH FLOW PROJECTIONS		
APPENDIX VI: IRR CALCULATION		

## LIST OF ABBREVIATIONS, GLOSSARY

ADR	Average Daily Rate	Average rate per room after deduction of VAT, discounts, etc.
DOF	Double Occupancy Factor	Average number of guests per room occupied
EBITDA	Earnings before Interest, Income Tax, Depreciation & Amortization	Operational result after deduction of management fees and fixed charges
F&B	Food & Beverage	Facilities within a hotel which offer food and beverage for purchase or complimentary.
FF&E	Furniture, Fixtures & Equipment	Movable furniture, fixtures or other equipment which have no permanent connection to the structure of the building
GDP	Gross Domestic Product	Monetary value of all finished goods and services produced within a country's borders in a specific time period.
GOP	Gross Operating Profit	Operational result before management fees and fixed charges
MICE	Meetings, Incentives, Congresses, Events	Overall term to describe the meetings & congress market
Occ.	Occupancy Rate	Percentage of rooms occupied in relation to the number of available rooms in respect of the operating period.
OTA	Online Travel Agency	A branch of the Hospitality industry which provides services such as hotel bookings, packages, airline tickets, or train tickets.
RevPAR	Revenue per Available Room	Total room revenue divided by the number of total available room nights
RNA	Room nights available	The amount of room nights provided by either a single hotel property or group of hotel properties for a specified time frame.
RND	Room nights demand	Total amount of room nights in a specified market which have either been or will be used.
ROI	Return on Investment	The ratio of money gained or lost (whether realized or unrealized) on an investment relative to the amount of money invested.
VAT	Value Added Tax	A tax on the amount by which the value of an article has been increased at each stage of its production or distribution.





# I. EXECUTIVE SUMMARY

## I.1 ASSIGNMENT

### I.1.1 Objective of Study

The purpose of this study is three-fold: First, this study assesses the overall market conditions in the city of Loganville, Georgia. Secondly, this study recommends the appropriate brand and facilities for the proposed Hotel. Finally, the study estimates future utilization levels of the proposed Hotel (occupancy, average room rate, 10-year financial statement) as well as investment returns.

### I.1.2 Scope of Work

The scope of work included, although was not limited to, the following:

- An analysis of the subject site and the surrounding land uses to determine its suitability for a hotel development.
- An analysis of the tourism industry and economic characteristics pertaining to the present and likely future market potential of the proposed hotel.
- An analysis of the existing relevant hotels within 20-mile radius from Loganville including estimates of their occupancy levels average daily room rates and room demand segmentation.
- Facilities recommendations, including number, size and mix of rooms that are appropriate for the proposed hotel.
- An estimation of the anticipated utilization levels of the proposed hotel, based on the recommended facilities mix.
- The preparation of prospective financial analyses for the hotel's first ten full years of operation and investment returns analysis.
- Calculation of a net cash flow and IRR for the proposed hotel.

### I.1.3 Major Assumptions

The major findings, conclusions and recommendations are based, in part, on the following assumptions:

- Support infrastructure such as fresh water, sewage treatment, electricity and gas will be supplied / generated at a consistent and reliable level to maintain guest satisfaction.
- The subject site has existing access to public utilities.
- Our inflation rate assumption of two percent will materialize.
- The subject hotel's first full operating year will be 2019.
- The management team is expected to provide considerable investment in staffing and training to provide the level of service commensurate with the positioning of the proposed hotel and its guest expectations.



- The hotel will have access to the management company's reservation and marketing systems.
- Aggressive programs of advertising and sales promotion will be instituted prior to the opening of the hotel and be maintained throughout the projection period covered in our analysis.
- The physical plant and appointments of the proposed hotel will be of good quality, meeting the expectations of guests.
- Adequate programs of periodic maintenance and replacement of property and equipment will be instituted and maintained throughout the period of analysis to ensure the qualities of the properties are maintained.
- Future additions to the competitive markets will not vary significantly from those identified and estimated in this report.

## I.2 PROJECT SUMMARY

The subject site is located at the intersection of U.S. Highway 78 and Georgia Highway 20 in Loganville, Georgia. The proposed property is anticipated to be built and developed as a 75-125 rooms hotel. Some of the recommended brands for the proposed hotel are Best Western, Holiday Inn Express, Wyndham Garden Hotel or similar brands. The property is projected to open in January 2019 and is expected to feature an indoor lounge, breakfast area, fitness center, meeting room, snack shop, indoor pool, back of the house area, and other necessary facilities. The total development cost for the project is approximately \$7,446,009 or \$75,980 per key, not including the land cost.

## 1.3 SITE SUMMARY

### 1.3.1 Subject Site

#### Site Location Map



Source: Google Maps

#### Strengths/Opportunities

- Total area of site (2.72 acres) will be large enough to hold the proposed hotel.
- Favorable visibility and accessibility.
- Flat topography of site.
- No competitive hotels in close proximity.
- City support.

#### Weaknesses/Threats

- No major demand generators in the immediate area.
- Land is partially undeveloped and the O'Kelly Memorial Library will require demolition.
- Intersection road requires improvement.
- Not located close to a major Interstate.
- Rising construction costs.
- Growth of new demand is slowing.
- New supply in the state of Georgia is increasing.

## 1.4 HOTEL MARKET OVERVIEW

### 1.4.1 Identified Competitive Set

#### Competitive Properties

Primary Competitive Set	Opening Year	Room Count	Location	Distance from Site
Holiday Inn Express & Suites Atlanta Conyers	2008	99	Conyers, GA	17 miles
Country Inn & Suites Lawrenceville	1999	49	Lawrenceville, GA	13 miles
La Quinta Inns & Suites Snellville Stone Mountain	2002	58	Snellville, GA	9 miles
Quality Inn Winder	1996	42	Winder, GA	16 miles
<b>Total</b>	-	<b>248</b>	-	-
<b>Overall Average</b>	-	<b>62</b>	-	-

Source: STR Inc.

The following table shows supply, demand, occupancy, and average daily room rate movements for the identified competitive hotels from 2010 to 2015:

#### Historical Performance of Primary Competitive Hotels, 2010 to 2015

Year	RNA	% Δ	RND	% Δ	Occ	ADR (USD)	% Δ	RevPAR (USD)	% Δ
2010	90,520	-	46,128	-	51.0%	\$83.26	-	\$42.43	-
2011	90,520	0%	48,207	4.5%	53.3%	\$84.60	1.6%	\$45.06	6.19%
2012	90,520	0%	48,742	1.1%	53.8%	\$85.46	1.0%	\$46.02	2.13%
2013	90,520	0%	52,460	7.6%	58.0%	\$86.60	1.3%	\$50.19	9.06%
2014	90,520	0%	59,219	12.9%	65.4%	\$89.41	3.3%	\$58.50	16.55%
2015	90,520	0%	60,045	1.4%	66.3%	\$94.22	5.4%	\$62.50	6.84%
<b>Average</b>	<b>90,520</b>	<b>0%</b>	<b>52,467</b>	<b>5.5%</b>	<b>58.0%</b>	<b>\$87.26</b>	<b>2.5%</b>	<b>\$50.78</b>	<b>8.16%</b>

Source: STR Inc.

Note: RNA = Room Night Available; RND = Room Night Demand; ADR = Average Daily Rate; RevPAR = Revenue per Available Room; OCC = Occupancy

The following table shows supply, demand, occupancy, and average daily room rate movements for the identified competitive hotels from 2010 March YTD to 2016 April YTD.

#### Historical Performance of Primary Competitive Hotels, 2010 to 2016 April YTD

Year	RNA	% Δ	RND	% Δ	Occ	ADR (USD)	% Δ	RevPAR (USD)	% Δ
2010 YTD	29,760	-	14,759	-	49.6%	\$83.02	-	\$41.17	-
2011 YTD	29,760	0%	14,389	-2.5%	48.4%	\$84.56	1.9%	\$40.88	-0.7%
2012 YTD	29,760	0%	15,464	7.5%	52.0%	\$84.02	-0.6%	\$43.66	6.8%
2013 YTD	29,760	0%	16,172	4.6%	54.3%	\$85.40	1.6%	\$46.41	6.3%
2014 YTD	29,760	0%	19,548	20.9%	65.7%	\$87.68	2.7%	\$57.59	24.1%
2015 YTD	29,760	0%	19,905	1.8%	66.9%	\$90.75	3.5%	\$60.70	5.4%
2016 YTD	29,760	0%	18,925	-4.9%	63.6%	\$96.54	6.4%	\$61.39	1.1%
<b>Average</b>	<b>29,760</b>	<b>0%</b>	<b>17,023</b>	<b>4.6%</b>	<b>57.2%</b>	<b>\$87.43</b>	<b>2.6%</b>	<b>\$50.26</b>	<b>7.2%</b>

Source: STR Inc.

Note: RNA = Room Night Available; RND = Room Night Demand; ADR = Average Daily Rate; RevPAR = Revenue per Available Room; OCC = Occupancy

The following charts show competitive market demand segmentation for 2015:

#### Market Segmentation, Competitive Set, 2015

Competitive Set	Commercial	Leisure	Group
Holiday Inn Express & Suites Atlanta Conyers	60%	15%	25%
Country Inn & Suites Lawrenceville	60%	15%	25%
La Quinta Inns & Suites Snellville Stone Mountain	60%	10%	30%
Quality Inn Winder	70%	20%	10%
<b>Overall Average</b>	<b>63%</b>	<b>15%</b>	<b>23%</b>

Source: Hotels Interviews, Horwath HTL Estimate

The following table and graph present our estimated outlook on the competitive market's occupancy performance from 2015 to 2023. After 2023, the market is expected to reach a reasonable long-term stabilization level.

#### Competitive Market Supply and Demand Projections 2015 – 2023

Year	Daily RNA	% Change	Daily RND	% Change	Occupancy
2015 (actual)	248	0%	165	2%	67%
2016	248	0%	168	2%	68%
2017	248	0%	171	2%	69%
2018	348	40%	176	3%	50%
2019	441	27%	180	3%	41%
2020	441	0%	185	2%	42%
2021	441	0%	189	2%	43%
2022	441	0%	192	2%	44%
2023	441	0%	195	1%	44%
<b>CAAG ('16 - '23)</b>		<b>8%</b>		<b>2%</b>	

Source: Horwath HTL Projections

Note: RNA = room-nights available; RND = room-nights of demand

## 1.5 FACILITY RECOMMENDATIONS

#### Proposed Hotel Room Mix

Room Type	Count	% of Total	Indoor Size
King	19	19.4%	323
King 14'	22	22.4%	350
Queen / Queen	32	32.7%	366
King Mini Suite	12	12.2%	386
Queen / Queen Mini Suite	13	13.3%	435
<b>Total</b>	<b>98</b>	<b>100%</b>	<b>1,860</b>

Source: Best Western Development

### Recommended Food and Beverage Facilities

Outlet	Total Size (SF)
Breakfast Area	1,057
<b>Total</b>	<b>1,057</b>

Source: Best Western Development

### Proposed Hotel Function Space Mix

Room Type	Meeting Area (SF)
Net Meeting Space	350
Support	32
<b>Total</b>	<b>382</b>

Source: Best Western Development

### Proposed Hotel Function Other Facilities

Amenities	Area (SF)
Lobby / Vestibule	1,059
Elevator Lobby / Corridors	1,020
Media Center	272
Business Center	111
Public Guest Rooms	212
Fitness Center	371
Indoor Pool	1,515
<b>Total</b>	<b>4,560</b>

Source: Best Western Development

## 1.6 OPERATING PROJECTIONS

### Proposed Hotel Penetration Levels by Market Segment 2019 - 2023

Year	Commercial	Leisure	Group	Total
2019	0.85	0.70	0.95	0.86
2020	0.90	0.75	1.00	0.90
2021	0.95	0.80	1.00	0.93
2022	1.00	0.85	1.05	0.98
2023	1.05	0.90	1.05	0.97

Source: Horwath HTL Projections

### Proposed Hotel Performance Forecast 2019 – 2023

Year	Market Occupancy	Hotel Penetration	Hotel Occupancy
2019	58%	0.86	50%
2020	58%	0.90	52%
2021	59%	0.93	55%
2022	59%	0.98	58%
2023	60%	0.97	58%

Source: Horwath HTL projections

### Proposed Hotel Performance Projections

Year	Occupancy	ADR	Total Revenue*	GOP RTS	NOI*	NOI RTS
2019	50%	78	1,412	40%	351	25%
2020	52%	84	1,581	45%	448	28%
2021	55%	90	1,796	49%	573	32%
2022	58%	92	1,931	51%	628	33%
2023	58%	94	1,970	51%	621	32%
2024	58%	96	2,009	51%	634	32%
2025	58%	98	2,050	51%	646	32%
2026	58%	99	2,091	51%	659	32%
2027	58%	101	2,132	51%	672	32%
2028	58%	103	2,175	51%	686	32%

Source: Horwath HTL projections

\*Total Revenue and NOI are in thousands (000's)

## 1.7 INVESTMENT ANALYSIS

### Project Development Cost Assumptions

Item	Cost	Cost per Key
Land*	\$0	\$0
Building and Site Improvement	\$6,029,835	\$61,528.93
Soft Costs	\$482,387	\$4,922.31
FF&E	\$646,800	\$6,600.00
Pre-Opening and Working Capital	\$286,988	\$2,928.44
Total	\$7,446,009	\$75,979.69

Source: HVS Hotel Development Cost Survey 2014/2015; Horwath HTL

\*Land – no land cost was taken in the analysis on the investment.

### 10-Year IRR

Ten-Year Leveraged IRR	12.59%
Ten-Year Unleveraged IRR	7.99%

Source: Horwath HTL projections





## CHAPTER 2



# COMPETITIVE HOTEL MARKET OVERVIEW



## 2. COMPETITIVE HOTEL MARKET OVERVIEW

### 2.1 COMPETITIVE HOTEL SELECTION METHODOLOGY

Taking into consideration the likely target market for the proposed hotel, we have chosen to analyze a range of mid- to upper mid-tier properties in the Loganville and surrounding areas.

To determine the competitive hotel supply, we analyzed hotel demand sources and identified those characteristics upon which guests or others arranging for third party accommodation base their decisions of hotel selection. These characteristics were derived from information provided by executives knowledgeable in the local hotel markets (e.g. General Managers, Director of Sales and Marketing, CVB and city planning and development offices) and Horwath HTL's knowledge and experience in the hotel, tourism and leisure industries.

Characteristics considered included, in no particular order of importance, the following:

- Quality of physical asset and furnishings;
- Brand recognition;
- Quality of service;
- Pricing;
- Physical location;
- Quality, variety and service in food & beverage facilities;
- Quality and quantity of meeting and banquet facilities
- Aesthetics, surrounding area;
- Market positioning, and perceived status;

Further looking into the operations and management of hotels, we have considered:

- Demand source and mix;
- Apparent marketing strategies;
- Achieved average room rates.

### 2.2 IDENTIFIED COMPETITIVE SET

Based on the evaluation criteria above, we have identified several properties that are expected to be competitive with the proposed subject hotel. The following map show the locations of the proposed hotel and its competitors.

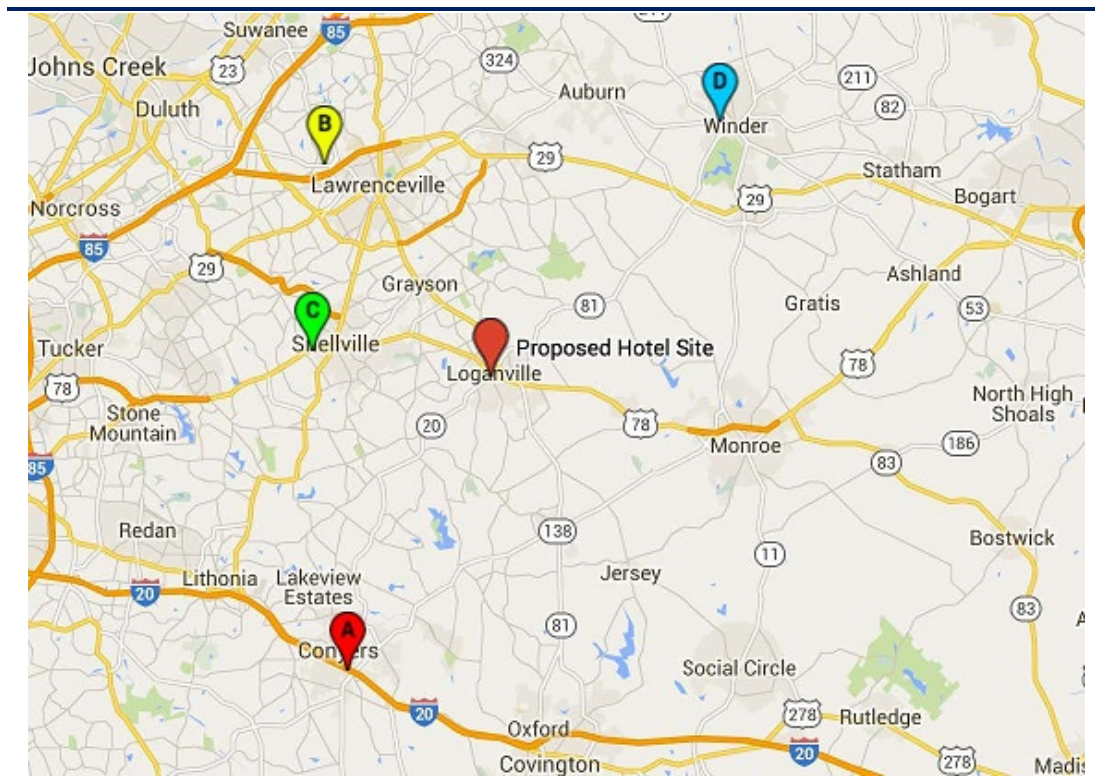
### Competitive Properties

Primary Competitive Set	Opening Year	Room Count	Location	Distance from Site
Holiday Inn Express & Suites Atlanta Conyers	2008	99	Conyers, GA	17 miles
Country Inn & Suites Lawrenceville	1999	49	Lawrenceville, GA	13 miles
La Quinta Inns & Suites Snellville Stone Mountain	2002	58	Snellville, GA	9 miles
Quality Inn Winder	1996	42	Winder, GA	16 miles
<b>Total</b>	-	<b>248</b>	-	-
<b>Overall Average</b>	-	<b>62</b>	-	-

Source: STR Inc.

The tables on the next few pages summarize the basic information for each individual hotel in the competitive set.

### Primary Competitive Set Map





Source: Google Maps

Property	Competitive Set
A Holiday Inn Express & Suites Atlanta Conyers	Primary
B Country Inn & Suites Lawrenceville	Primary
C La Quinta Inns & Suites Snellville Stone Mountain	Primary
D Quality Inn Winder	Primary



PRIMARY COMPETITOR A – HOLIDAY INN EXPRESS & SUITES ATLANTA CONYERS	
<b>Address</b>	1302 Green St SE, Conyers, GA 30012
<b>Brand Affiliation</b>	IHG
<b>Category</b>	Upper Midscale
<b>Customer Rating on Trip Advisor</b>	# 4 of 15 hotels in Conyers
	
<b>Food &amp; Beverage</b>	Complimentary breakfast
<b>Facilities</b>	Fitness Center with Gym/Workout Room, Indoor Swimming Pool, Complimentary Parking, Free Internet Access,, Meeting Room, Business Center, Convenience Store.
<b>Meeting Space</b>	1 meeting room
<b>No. Of Rooms (Suites)</b>	99 rooms and Suites
<b>Target Group</b>	Business & Leisure
<b>Remarks</b>	Opened in October 2008

**PRIMARY COMPETITOR B – COUNTRY INN & SUITES LAWRENCEVILLE**

<b>Address</b>	989 Duluth Hwy (SR120), Hwy 120, Lawrenceville, GA 30043
<b>Brand Affiliation</b>	Carlson Hotels
<b>Category</b>	Upper Midscale
<b>Customer Rating on Trip Advisor</b>	# 3 of 11 hotels in Lawrenceville
	
<b>Food &amp; Beverage</b>	Complimentary Breakfast.
<b>Facilities</b>	Fitness Center with Gym/Workout Room, Outdoor Swimming Pool, Complimentary Parking, Free Internet Access,, Meeting Room, Business Center, Convenience Store. Self-serve Laundry.
<b>Meeting Space</b>	1 meeting room
<b>No. Of Rooms (Suites)</b>	49 Rooms and Suites
<b>Target Group</b>	Business & Leisure
<b>Remarks</b>	Opened in June 1999

PRIMARY COMPETITOR C – LA QUINTA INNS & SUITES SNELLVILLE STONE MOUNTAIN	
<b>Address</b>	2971 Main St W, Snellville, GA 30078
<b>Brand Affiliation</b>	La Quinta Holdings Inc.
<b>Category</b>	Midscale
<b>Customer Rating on Trip Advisor</b>	# 1 of 2 hotels in Snellville
	
<b>Food &amp; Beverage</b>	Complimentary Breakfast
<b>Facilities</b>	Fitness Center with Gym/Workout Room, Indoor Swimming Pool, Complimentary Parking, Free Internet Access, Meeting Room, Business Center.
<b>Meeting Space</b>	1 meeting room
<b>No. Of Rooms (Suites)</b>	58 rooms and suites
<b>Target Group</b>	Business & Leisure
<b>Remarks</b>	Opened in May 2002, flag affiliation December 2008



PRIMARY COMPETITOR D – QUALITY INN WINDER	
<b>Address</b>	177 W Athens St, Winder, GA 30680
<b>Brand Affiliation</b>	Choice Hotels
<b>Category</b>	Midscale
<b>Customer Rating on Trip Advisor</b>	# 1 of 2 hotels in Winder
	
<b>Food &amp; Beverage</b>	Complimentary Breakfast
<b>Facilities</b>	Fitness Center with Gym/Workout Room, Outdoor Swimming Pool, Complimentary Parking, Free Internet Access, Business Center.
<b>Meeting Space</b>	1 meeting room
<b>No. Of Rooms (Suites)</b>	42 Rooms
<b>Target Group</b>	Business & Leisure
<b>Remarks</b>	Opened in July 1996, flag affiliation in October 2015 Pet Friendly

## 2.3 HISTORICAL PERFORMANCE OF COMPETITIVE HOTELS

The following section summarizes the aggregate performance of the competitive set hotels by presenting key indicators—Occupancy, Average Daily Rate (ADR) and Revenue per Available Room (RevPAR). The historical performance of the overall competitive market between 2010 and 2015 is summarized in the table below.

### Historical Performance of Primary Competitive Hotels, 2010 to 2015

Year	RNA	% Δ	RND	% Δ	OCC	ADR (USD)	% Δ	RevPAR (USD)	% Δ
2010	90,520	-	46,128	-	51.0%	\$ 83.26	-	\$ 42.43	-
2011	90,520	0%	48,207	4.5%	53.3%	\$ 84.60	1.6%	\$ 45.06	6.2%
2012	90,520	0%	48,742	1.1%	53.8%	\$ 85.46	1.0%	\$ 46.02	2.1%
2013	90,520	0%	52,460	7.6%	58.0%	\$ 86.60	1.3%	\$ 50.19	9.1%
2014	90,520	0%	59,219	12.9%	65.4%	\$ 89.41	3.3%	\$ 58.50	16.6%
2015	90,520	0%	60,045	1.4%	66.3%	\$ 94.22	5.4%	\$ 62.50	6.8%
<b>Average</b>	<b>90,520</b>	<b>0%</b>	<b>52,467</b>	<b>5.5%</b>	<b>58.0%</b>	<b>\$ 87.61</b>	<b>2.5%</b>	<b>\$ 50.78</b>	<b>8.2%</b>

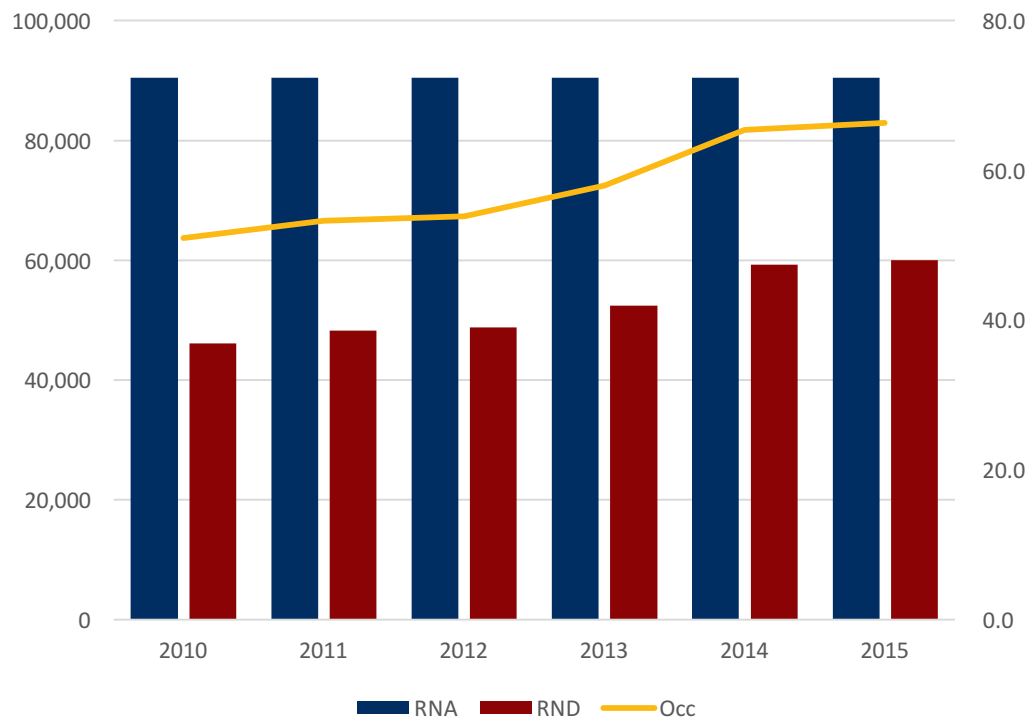
Source: STR Inc.

Note: RNA = Room Night Available; RND = Room Night Demand; ADR = Average Daily Rate; RevPAR = Revenue per Available Room; OCC = Occupancy

The competitive market Occupancy has been steadily growing since 2010. This can be expected with the recovery of the overall U.S. economy. The Occupancy has had a growth for the past five years with 5.5% average growth rate and achieved 66.3% occupancy in 2015. The competitive market ADR has experienced growth in each year with an ADR of \$94.22 in 2015. The Revenue Per Available Room (RevPAR) grows in correlation with the steady growth in Occupancy and ADR. This provides insight into the health of the hotel market in the chosen competitive set.

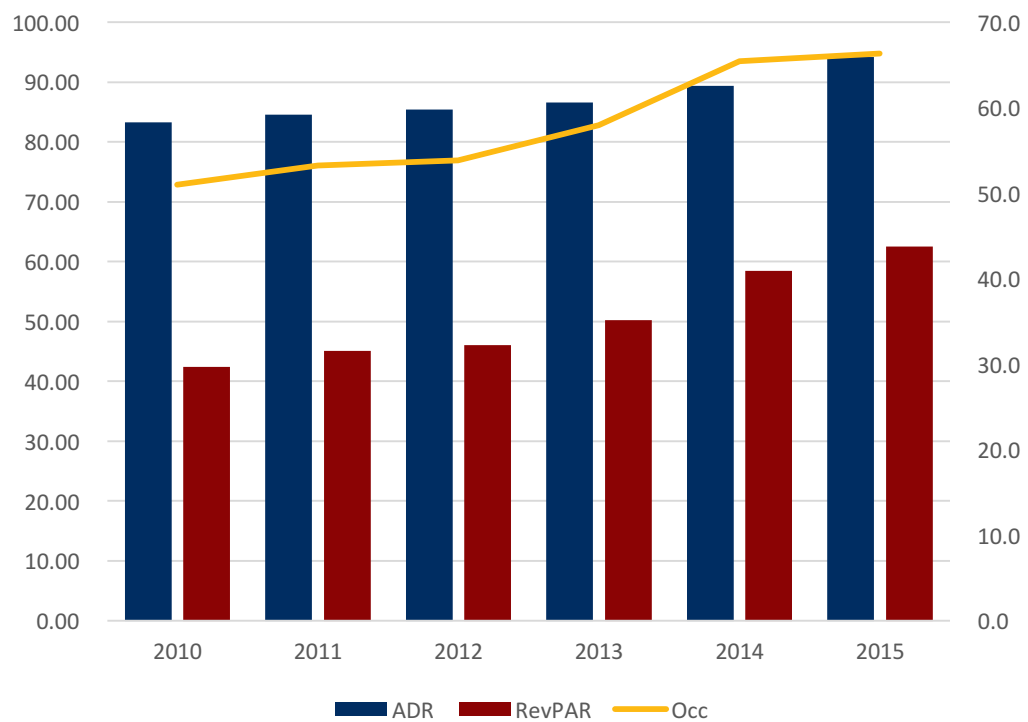


### Primary Competitive Set RNA and RND 2010 – 2015



Source: STR Inc.

### Primary Competitive Set Historical Performance 2010 - 2015



Source: STR Inc.

Since primary competitive set provided the study with the proper data, STR Host Almanac data and other industry data were used to estimate performance indicators.

	<b>STR Host Almanac 2016</b>				<b>STR Trend Report</b>	
	<b>Limited-Service South Atlantic</b>	<b>Limited-Service Interstate</b>	<b>Limited-Service Small Town</b>	<b>Limited-Service Midscale</b>	<b>Comp Set</b>	<b>Average</b>
Occupancy	74.6%	68.0%	68.2%	66.9%	58.0%	67.14%
ADR	\$102.58	\$94.23	\$100.27	\$69.81	\$87.61	\$90.90
RevPAR	\$76.52	\$64.07	\$68.38	\$46.7	\$50.78	\$61.29

Source: STR Inc., Horwath HTL

## 2.4 DEMAND SEGMENTATION

The following chart shows the demand mix of the competitive market for 2015:

### Market Segmentation, Competitive Set, 2015

<b>Competitive Set</b>	<b>Commercial</b>	<b>Leisure</b>	<b>Group</b>
Holiday Inn Express & Suites Atlanta Conyers	60%	15%	25%
Country Inn & Suites Lawrenceville	60%	15%	25%
La Quinta Inns & Suites Snellville Stone Mountain	60%	10%	30%
Quality Inn Winder	70%	20%	10%

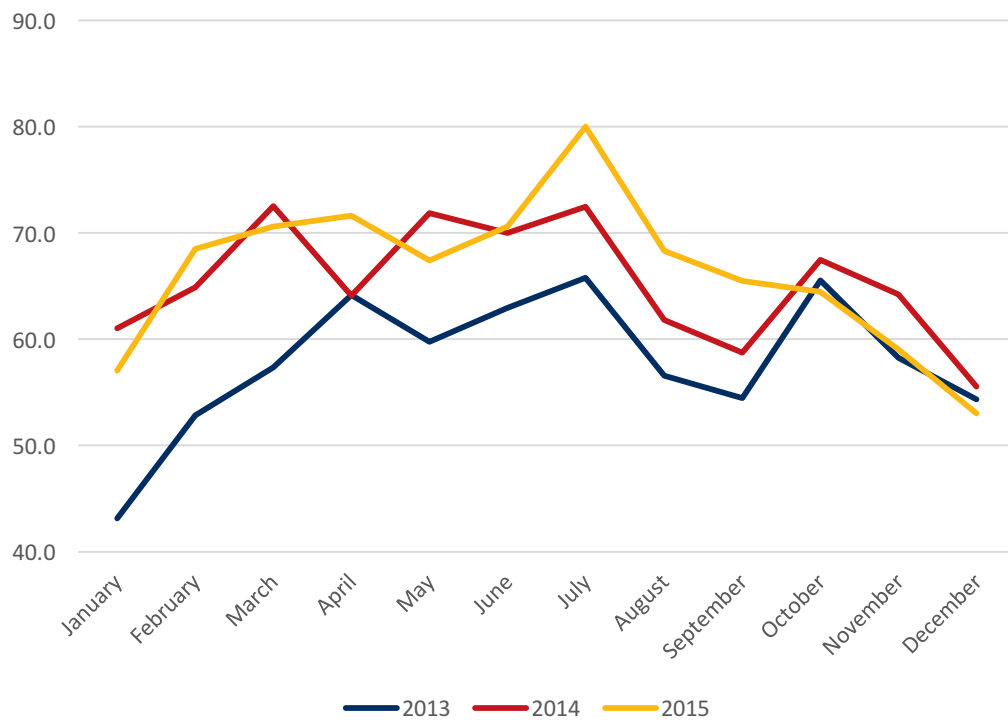
Source: Hotels Interviews, Horwath HTL Estimate

The large portion of demand comes from commercial and group business such as local companies, sport events. Very few of the hotels in the market have functional meeting space, therefore the hotels attract small group events. The second majority of business will come from the Commercial, or transient, guests either passing through or staying for business.

## 2.5 SEASONALITY

Monthly occupancy and ADR trends are shown as follows:

### Competitive Set Monthly Occupancy 2013 - 2015

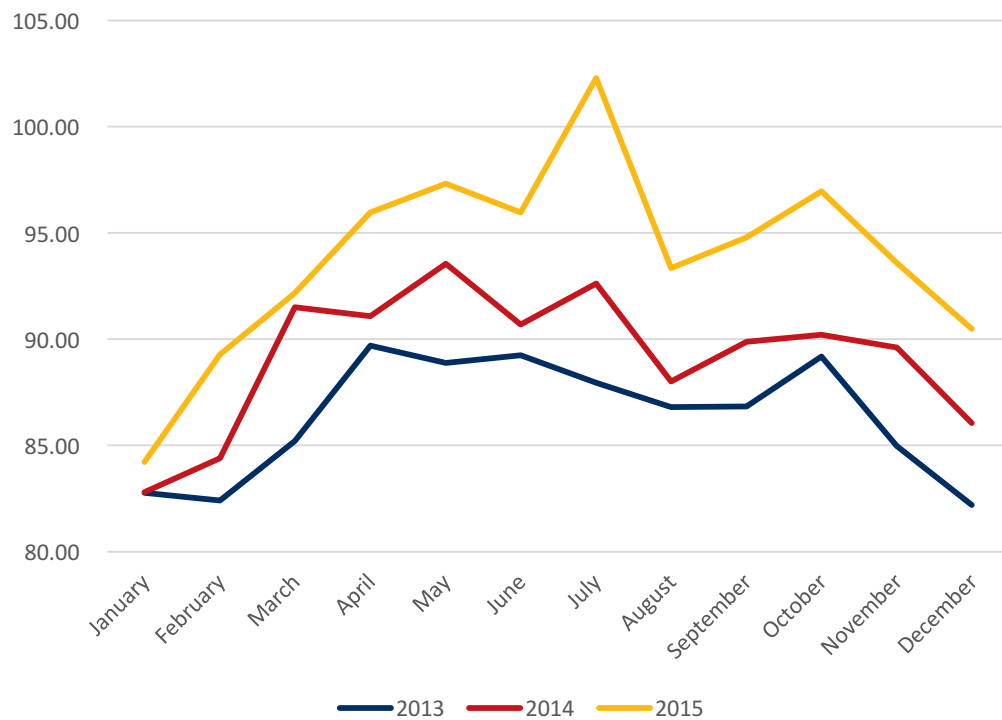


Source: STR Inc.

The competitive market has experienced similar occupancy patterns from 2013 to 2015 with a few outliers during 2013. The trend begins to steadily rise in February and peaks in July, while steadily declining from August until January. The lowest occupancy period appears to be during December and January, but quickly rises during March. During 2013, there were several months that deviated from the trend seen in 2014 and 2015.

The chart below shows monthly ADR of the competitive market for the last three years. The chart reflects the patterns in occupancy very closely. There are only slight deviations seen in 2013. There is a continuous growth of ADR for the last three years.

### Competitive Set Monthly ADR 2013 - 2015



Source: STR Inc.

## 2.6 ADDITIONS TO SUPPLY

### Pipeline Projects in Loganville and Surrounding Areas

Property	Opening Date	Rooms	Chain Scale	Stage
Hampton Inn Snellville	2018	100	Upper Midscale	Planning
<b>Total</b>		<b>100</b>		

Source: CVB, GM Interviews, Horwath HTL

The meetings with the CVB, Chamber of Commerce, and hoteliers of surrounding areas provided information about additional supply of only one hotel.

## 2.7 OCCUPANCY AND ADR PROJECTIONS

### 2.7.1 Critical Assumptions in Projecting Demand and Supply Growth

We have assumed the following in our estimation of the future demand and supply growth for rooms in Loganville area in the projection period:

- Assume 2% inflation for the market per WSJ.
- Assume the growth of demand will steadily continue.
- There is no major development that will disrupt or increase demand in the area.
- No catastrophic events will happen that will destroy either demand or supply of the market.

- Some demand may come from the surrounding areas and their demand generations in times of major events.
- Assume local sport events, that are currently being served by another property, will prefer the proposed hotel in the city.
- The expansion of the roadways will provide some demand for the proposed hotel.

## 2.7.2 Demand and Occupancy Projections

It is estimated that room night demand will grow by an annual average growth rate of approximately 1-2 percent throughout the projection period based on the following considerations:

- As employment continues to grow and the development of residential communities and office buildings, the commercial demand and group business demand will continue to grow.
- Since the proposed site is within proximity of the Monroe area, a portion of shared demand will grow as the demand for the downtown grows.
- As the roadways expand, additional demand may come from the construction of the roadways and additional traffic flow.

### Overall Occupancy Projections

Based on our analysis of the historical performance and the estimates of future supply additions, the following section outlines our projections of growth in market demand and the resultant room occupancy performance until 2025:

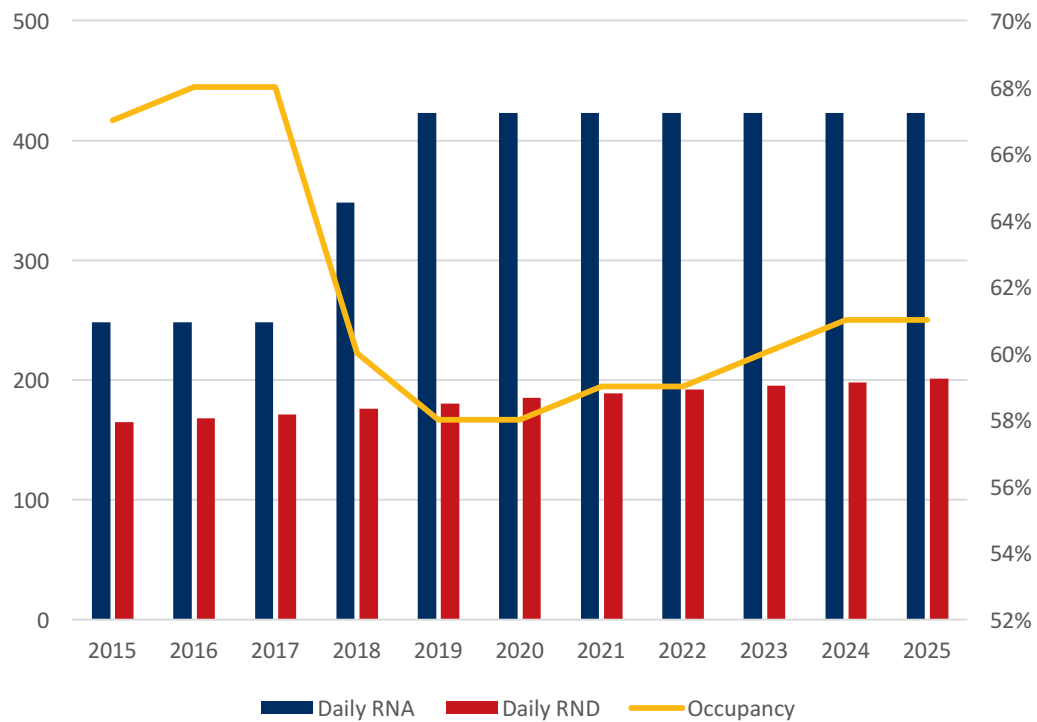
#### Competitive Market Supply and Demand Projections 2015 – 2025

Year	Daily RNA	% Change	Daily RND	% Change	Occupancy
2015 (actual)	248	0%	165	2%	67%
2016	248	0%	168	2%	68%
2017	248	0%	171	2%	68%
2018	348	40%	176	3%	60%
2019	423	22%	180	3%	58%
2020	423	0%	185	2%	58%
2021	423	0%	189	2%	59%
2022	423	0%	192	2%	59%
2023	423	0%	195	1%	60%
2024	423	0%	198	1%	61%
2025	423	0%	201	1%	61%
CAAG ('16 - '23)		6%		2%	

Source: STR Inc., Horwath HTL Estimate

Note: RNA = room-nights available; RND = room-nights of demand

### Competitive Market Supply and Demand 2015 – 2025



Source: STR Inc., Horwath HTL Estimate  
Note: RNA = room-nights available; RND = room-nights of demand

## 2.7.3 ADR and RevPAR Projections

### Competitive Market Projections 2015-2025

Year	Occupancy	ADR	RevPAR
2015	67%	94	63
2016	68%	96	65
2017	68%	99	67
2018	60%	101	67
2019	58%	103	66
2020	58%	106	68
2021	59%	108	70
2022	59%	111	72
2023	60%	113	75
2024	61%	116	77
2025	61%	119	79

Source: STR Inc., Horwath HTL

Based on the interviews with the CVB, city economic development, other industry professionals, STR analytics, and Horwath HTL analysis, we projected the competitive market ADR will continue to grow at the inflation rate of 2% due to regular demand and competitive growth.





## 3. SITE ANALYSIS

### 3.1 PROJECT BACKGROUND

This section documents the site inspection and evaluates the appropriateness of the subject site located at the intersection of U.S. Highway 78 and Georgia Highway 20 in Loganville, Georgia. The site covers approximately 2.71 acres across three parcels. The O'Kelly Memorial Library sits on one parcel covering 1.16 acres and the other two parcels covering a total of 1.55 acres are undeveloped. It is worth mentioning that the city has applied for a Tax Allocation District (TAD), which will provide state funding for improvements. This site was chosen among other sites based on the criteria of the surrounding area, visibility, accessibility, and proximity to demand generators.

#### Site Location



Source: Google Maps

## 3.2 SITE SURROUNDINGS

The accurate address of the subject site is 363 Conyers Rd, Loganville, GA, zip code 30052. Directly located across Georgia Highway 20 is a CVS Pharmacy and three small houses. There is also a Walgreens located across the intersection. Behind the Walgreens parking lot, is a road that leads to a small community of houses. Located on across U.S. 78 is the Tire Dock, a mechanic shop; Clock World, a store that sells clocks; and Auction 78, a warehouse that holds auctions throughout the year. Located along U.S 78 is Princeton Dental, a church, several fast-food restaurants further west. The subject site is located in a preliminary flood zone which means there is no flood data available.

### **North View of the Site**

---



---

Source: Site visit



### North East View from the Site



Source: Google Maps

### North West View from the Site



Source: Google Maps

### South View from the Site

---



---

Source: Site visit



### South East View from the Site



Source: Site visit

### South West View from the Site



Source: Site visit

### **View of the Undeveloped Parcel**

---



---

*Source: Site visit*

### **View of the Undeveloped Parcel**

---



---

*Source: Site visit*



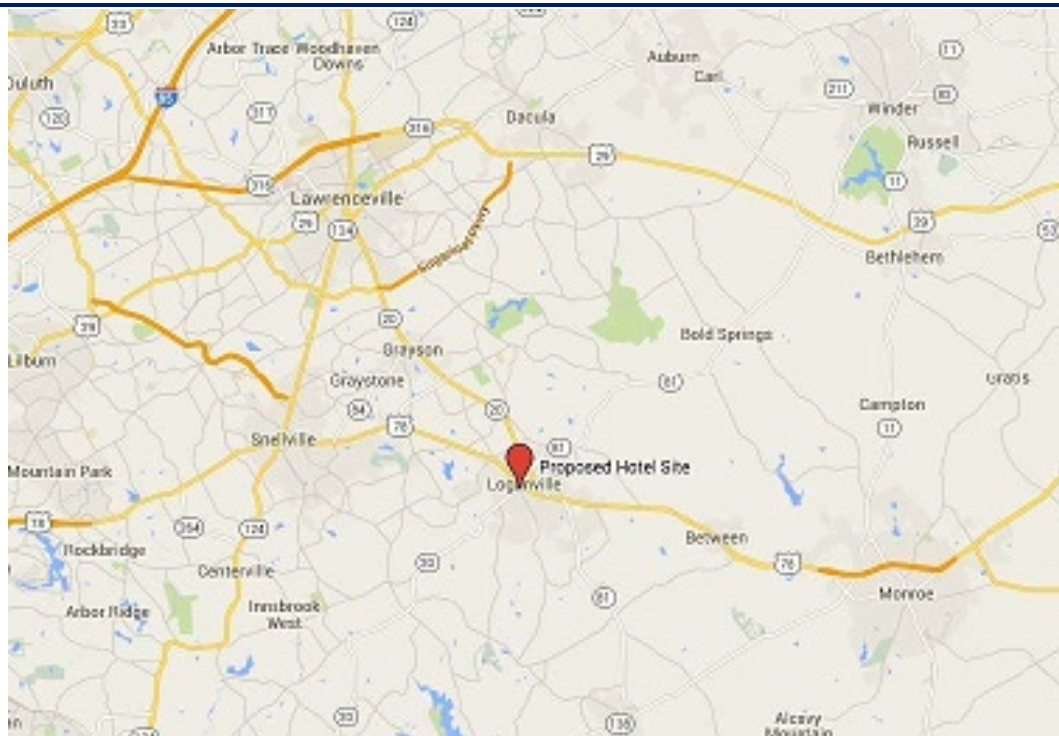
### 3.3 VIEWS AND VISIBILITY

The subject site is located on the Southwest corner at the intersection of Georgia Highway 20 and U.S. Highway 78. As it is currently, the subject site has superior visibility. There are several utility poles with an abundance of wires hanging over the intersection and sidewalks. Assuming a four-story hotel, there will be zero obstruction of view and will be in clear site for travelers traveling from all directions.

### 3.4 ACCESS

The primary access is U.S. Highway 78, which begins beyond the Georgia-Alabama state border and ends at the Georgia-South Carolina state border. Georgia State Route 20 is the intersecting road which originates at Alabama State Route 9 and ends at U.S. 19 in Hampton, Georgia. These major highways provide accessibility to the subject site from Interstate 85 and Interstate 20.

#### **Proposed Hotel Accessibility**



Source: Google Maps



According to the city, there are intentions to improve the roads and accessibility in proximity to the subject site. There is expected to be road easement along the sidewalk and along the driveways at the site. In addition, the city will be adding a two-lane road which will separate from Georgia SR 20 directly after Overlook Drive heading East. The new road will intersect U.S. 78 at the intersection where the Publix grocery is located and continue into the in Georgia SR 20 and U.S. 81 intersection. While the improvements may result in a more appealing intersection, the potential separation could reduce daily traffic through the intersection.

#### Site Accessibility 2016

Major Cities	Population (2015)*	Distance
Monroe, GA	27,103	12 miles
Stone Mountain, GA	6,109	19 miles
Atlanta, GA	463,878	36 miles
Athens, GA	122,604	38 miles
Macon, GA	153,515	84 miles
Augusta, GA	197,182	127 miles
Savannah, GA	145,674	236 miles

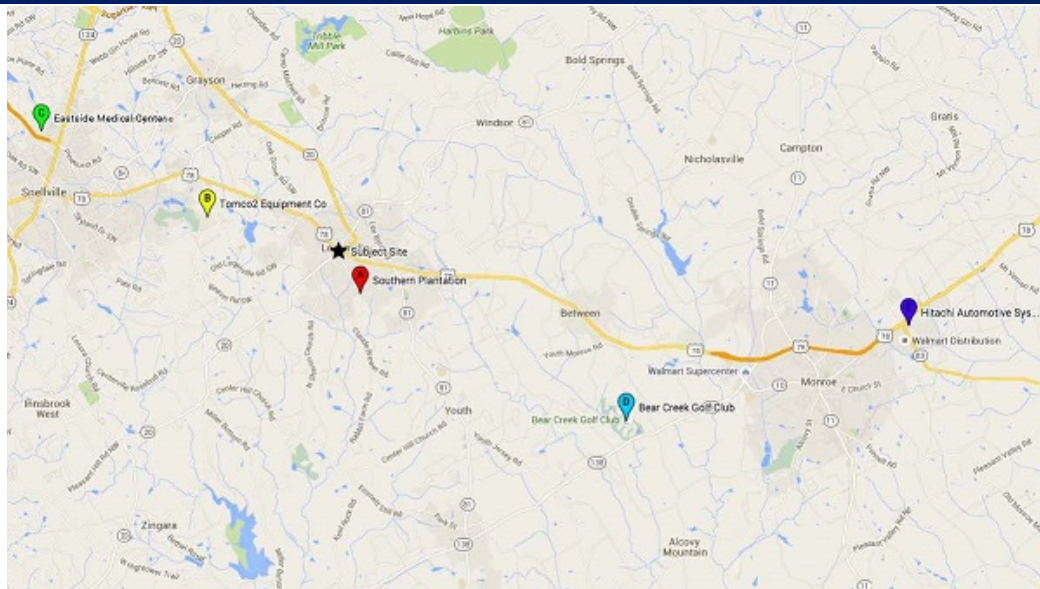
Source: Google Maps, Bureau of Labor Statistics

\*Population according to 2015 estimate.

### 3.5 PROXIMITY TO DEMAND GENERATORS

Currently, there are very few demand generators within a 10 miles radius of the subject site. Outlined in the picture and table below are what is believed to be significant demand generators in the vicinity. Other demand generators have been considered, but their contribution to market demand is minimal and possibly inconsistent.

#### Demand Generator Locations



Source: Google Maps

The following section identifies the major demand generators in the area that are expected to affect the proposed Hotel.

- **Southern Plantation Senior Living** – Located in Loganville, our Assisted Living community near Atlanta, Georgia, offers Independent Living, Personal Care and Memory Care lifestyle options all in a beautiful, rural location. Surrounded by lush greenery in a peaceful setting, our community is convenient to shopping, dining, cultural and healthcare locations. Southern Plantation will generate room nights from the families of residents at the facility.
- **Tomco2 Systems** – Delivering trusted CO2 solutions since 1970, TOMCO2 Systems has established itself as the world leader in CO2 products and services. While known throughout the industry for the legendary quality of our long-lasting tanks, we also take pride in providing exceptional engineering expertise to develop cutting-edge CO2 solutions from start to finish.
- **Eastside Medical Center**– Eastside Medical’s imaging services diagnose unknown illness and detect diseases like cancer and cardiac disorders early. Offering conventional x-ray, bone Densitometry, CT scans, Echocardiography, general Ultrasound. Mammography, 3D Mammography, MRI, Positron Emission Tomography, and vascular Ultrasounds.

- **Bear Creek Golf Club** – Located in the heart of Walton County, Bear Creek Golf Club blends an ideal mix of challenging design and beautiful scenery for a relaxing retreat from the hustle and bustle of nearby Atlanta. Take a stroll through the lush landscaping. Chat with the knowledgeable staff. Enjoy an afternoon in peace and tranquility. Facilities include an 18-hole golf course, snack shop, and meeting space for 50 people.
- **Hitachi Automotive Systems Americas, Inc.** – Hitachi Automotive Systems Americas, Inc. (HASA), is the Regional headquarters of the Hitachi Automotive Group for the Americas, is a Tier 1 supplier of world-class products to the global automotive market. The company operates one sales and research development office, one aftermarket sales office, and three manufacturing facilities in the U.S.

#### Proximity to Major Demand Generators

Demand Generators	Industry Sector	Distance (Miles)
Southern Plantation AssistedLiving	Assisted Living	1
Tomco2 Systems	Industrial Equipment	5
Eastside Digital Imaging Center	Medical	9
Bear Creek Golf Club	Golf/Leisure	9
Hitachi Automotive Systems Americas, Inc.	Automotive	14

Source: Google Earth

## 3.6 SWOT ANALYSIS

### 3.6.1 Strengths/Opportunities

- Superior visibility from the intersection of U.S. 78 and Georgia SR 20.
- Subject site is easily accessible from U.S. 78 and Georgia SR 20
- Planned road and sidewalk improvements will increase the appeal of the area by providing better aesthetics.
- Subject site is located within the proposed Tax Allocation District which will provide the city with funding to further improve the area.
- Little to no competition in a 10-mile radius.

### 3.6.2 Weaknesses/Threats

- Hotel market is pioneering, containing two unbranded hotels and two bed and breakfasts in the area.
- Few corporate demand generators within close proximity of the site.
- Available food and beverage options are limited to chain-restaurants.
- Two of the parcels are undeveloped land which will require greater investment to install utility infrastructure.

### 3.7 CONCLUSION

We have assessed the factors of the site characteristics, accessibility, visibility, and demand generators. The site benefits from its superior visibility and accessibility from the intersection of U.S. 78 and Georgia SR 20. The greatest strength is the lack of competition within the immediate market. It is beneficial to be cautious of that factor, since it reflects an unproven market. The lack of current demand generators means that demand within the first four years will need to be generated by the CVB or by the brand's reservation system. Assuming the developer attains all proper permits and licenses before construction, we believe this site meets the requirements to be an effective hotel.



## CHAPTER 4

# FACILITY RECOMMENDATIONS

## 4. FACILITY RECOMMENDATIONS

The following section analyzes the market position and facilities recommendations for the proposed hotel. Our recommendations are based on a thorough examination of the competitive hotels and the St. Augustine market environment and demand characteristics.

### 4.1 MARKET POSITIONING AND BRANDING

The Loganville and surrounding areas market has limited-service and extended-stay hotels with minimal meeting space that are within economy, midscale, and upper-midscale class. It is recommended to build a midscale or upper-midscale limited-service hotel that will feature a complimentary breakfast, meeting room, fitness center, pool, business center, and snack store such as Holiday Inn Express, Best Western, or Wyndham Garden Hotel. The recognizable brands of the industry of the top hotel companies such as Marriott, IHG, Hilton, Hyatt, Wyndham are present in the surrounding areas of Loganville. Therefore, midscale or upper-midscale limited-service hotel is the most fitting and feasible facility for the proposed hotel site.

### 4.2 CONCEPT

Midscale to Upper Midscale class hotels are concentrating on providing the amenities and features that matter most to guests – welcoming environment, comfortable room, great service, and the right amenities for travelers on a budget. The hotel is designed for business and leisure travelers to perform in tertiary and secondary highway markets.

### 4.3 GENERAL PLANNING

The hotels have amenities and characteristics for guests seeking more than satisfaction of basic travel needs. Properties have furnishings, fixtures, and amenities that are modestly enhanced and that are well coordinated in style and color. Guests can expect all of the essentials for a pleasant stay. Some of the hotel amenities are “Grab and Go” and customizable hot breakfast, free high-speed internet service, business center, fitness center, media center, and indoor pool.

### 4.4 GUESTROOMS

The following section identifies our recommendation for the guestroom mix of the proposed hotel based on our analysis of competitive market facilities and the market demand characteristics.

#### 4.4.1 Comparable Guestroom Facilities

##### Guest Room Mix & Sizes of Competitive Hotels

Competitive Set	Room Count
Holiday Inn Express & Suites Atlanta Conyers	99
Country Inn & Suites Lawrenceville	49
La Quinta Inns & Suites Snellville Stone Mountain	58
Quality Inn Winder	42
<b>Average</b>	<b>62</b>

Source: STR Inc.

#### 4.4.2 Recommended Room Count, Mix and Size

The following table details our recommended room mix for the proposed hotel:

##### Proposed Hotel Room Mix

Room Type	Count	% of Total	SF per Room
King	19	19.4%	323
King 14'	22	22.4%	350
Queen / Queen	32	32.7%	366
King Mini Suite	12	12.2%	386
Queen / Queen Mini Suite	13	13.3%	435
<b>Total</b>	<b>98</b>	<b>100%</b>	<b>1,860</b>

Source: Best Western Development.

#### 4.4.3 Recommended Guestroom Amenities

Key guestroom items that are most important to travelers include the quality and comfort of the bed, adequate work surface, a functional clean bathroom with reliable services, intuitive lighting / room controls, and good soundproofing.

Keeping in mind the importance of functionality, ease of use, comfort, and reliability, the following amenities are suggested for the standard guestrooms:

##### Bed / Living Areas

- As much as possible, rooms should feature large windows, to allow for natural light. High quality soundproofing is also necessary, both on the walls and the windows, to block out the noise of other guests and street traffic.
- The workstation should be well lit, with adequate space for a variety of personal items, and the phone should have quick-dial buttons for standard hotel services.
- All rooms should have an HDTV that connects directly to the guest's laptop. The TV should be mounted on a movable stand or panel so that it is viewable from the bed, couch, and work areas.



- Multiple power plugs should be readily available. They should be accessible by the work desk and the bed.
- Wireless, broadband internet access that is reliable and reasonably fast should be available. Quality internet connection is now expected as a standard amenity by all travelers.
- A chair or small sofa (if space allows) of modern design should be in the space with an emphasis on comfort.
- Light switches should be labeled to avoid confusion.
- Mini bar with a refrigerator, coffee a tea preparation area.
- A telephone should be placed by the bed and the desk.
- Rooms should include an electronic safe, large enough to hold a laptop with power plug in the safe for charging.
- For convenience, place a master power switch by the bed and the door.
- Include an easy to use iron, preferably with a steam function, and an ironing board.

#### **Examples of Best Western Guestroom**



*Source: Best Western Development*

Guestrooms are designed to provide contemporary and comfortable accommodations and to satisfy leisure and business travelers. Each room features dataports, coffee/tea maker, microwave, and refrigerator.

#### **Bathroom**

All fixtures in the bathroom need to be of high quality, intuitive to use, and most importantly, reliable. With regard to the bathroom design, the following key features should be taken into consideration, in addition to the basic, essential bathroom fixtures and amenities:

- Strong water pressure and a good quality showerhead are important in providing a high quality bathing experience.
- A three-fixture bathroom should be sufficient, considering the market mix, positioning and average length of stay. We recommend a stall shower, instead of a bathtub with shower. Modern guests rarely use a bathtub and consider the shower stall to be preferable.

- The basin should be deep enough to prevent water from splashing and be placed at a height convenient and comfortable for guest use.
- Counter space next to the basin area should have adequate surface, not only for hotel bathroom amenities, but also for personal items of the guest.
- The make-up/ magnifying mirrors should be collapsible to the wall when not in use, but, more importantly, must be at a reasonable height and easily adjustable.
- The vanity area should have power outlets for electric shavers, curling irons, hair dryers, and other personal care appliances. All power outlets that are close to water sources should have ground fault circuit interrupters (GFCI), for safety.

#### **Examples of Best Western Bathroom**



*Source: Best Western Development*

## **4.5 FOOD AND BEVERAGE FACILITIES**

The following section identifies our suggestions and recommendations for the F&B facilities for the proposed hotel, based on research of the F&B operations at comparable hotels.

#### 4.5.1 Comparable Food and Beverage Facilities

The following table shows the F&B offerings at the competitive set hotels:

**F&B Facilities Summary of Comparable Hotels**

Competitive Set	Room Count	Restaurant Bar	Breakfast Area
Holiday Inn Express & Suites Atlanta Conyers	99	1	1
Country Inn & Suites Lawrenceville	49	0	1
La Quinta Inns & Suites Snellville Stone Mountain	58	0	1
Quality Inn Winder	42	0	1
<b>Average</b>	<b>62</b>	<b>0.25</b>	<b>1</b>

Source: GM Interviews

#### 4.5.2 Recommended Food and Beverage Facilities

The food and beverage at Best Western Hotel is only the breakfast area. The hotel offers the “Grab and Go” breakfast as well as the hot breakfast selections, which are customizable.

**Examples of Hard Rock Restaurant**



Source : Best Western Development

**Examples of Best Western Lobby**



Source: Best Western Development

### Proposed Hotel Food and Beverage Facilities

Outlet	Total Size (SF)
Breakfast Area	1,057
<b>Total</b>	<b>1,057</b>

Source: Best Western Development

## 4.6 MEETING AND FUNCTION FACILITIES

### 4.6.1 Comparable Meeting and Function Space

The following table shows the meeting and function space allocation at the competitive set hotels:

#### Meeting Facilities Summary of Comparable Hotels

Primary Competitive Set	Room Count	Meeting Area (SF)	No. of Meeting Rooms
Holiday Inn Express & Suites Atlanta Conyers	99	400	1
Country Inn & Suites Lawrenceville	49	380	1
La Quinta Inns & Suites Snellville Stone Mountain	58	300	1
Quality Inn Winder	42	320	1
<b>Average</b>	<b>62</b>	<b>350</b>	<b>1</b>

Source: GM Interviews

### 4.6.2 Recommended Meeting and Function Facilities

The following table outlines our recommendations for the necessary meeting and function space at the proposed hotel:

#### Proposed Hotel Function Space Mix

Room Type	Meeting Area (SF)
Net Meeting Space	350
Support	32
<b>Total</b>	<b>382</b>

Source: Best Western Development

Meeting facility can accommodate small groups for business or social gatherings. AV equipment and other meeting needs provided by the hotel.

## 4.7 OTHER FACILITIES

The following table outlines the retail and other amenities in the proposed Hard Rock Hotel.

**Proposed Hotel Function Other Facilities**

Amenities	Area (SF)
Lobby / Vestibule	1,059
Elevator Lobby / Corridors	1,020
Media Center	272
Business Center	111
Public Guest Rooms	212
Fitness Center	371
Indoor Pool	1,515
<b>Total</b>	<b>4,560</b>

Source: Best Western Development

## 4.8 DESIGN-RELATED RECOMMENDATIONS

The following recommendations cover areas that primarily fall within the expertise of an experienced hotel designer. However, we include them at this stage as items to be considered carefully in the development process.

- Many hotels suffer from insufficient lighting in public areas, guest rooms, and bathrooms. To avoid this, we strongly recommend that a lighting consultant be used.
- Many hotels suffer from a lack of storage. The proposed hotel's design should incorporate generous storage for extra furniture, F&B equipment, and housekeeping supplies on each floor
- Materials that are difficult to clean or maintain should not be used for interior finishes.
- Color schemes chosen for walls, carpets and furniture should be bright and easily maintained.
- The employee entrance should be separate from guest entrances. This entrance should have a security check-point to control the flow of people in and out of the property and be separate from receiving and waste areas, to ensure employee safety.
- There must be at least one, but preferably two or three, dedicated service lifts that open directly into back-of-house spaces close to the laundry facilities. Without sufficient service lifts, housekeeping and room service will be almost impossible.
- Avoid parking or service areas being overlooked directly from guestrooms, dining areas, pre function terraces, etc. Also, unsightly equipment and views should be concealed from the arrival route and hotel entrance.

In conclusion, we strongly recommend that an architect with significant hotel experience be used to avoid problems that commonly occur with hotels in Loganville and surrounding areas. Even if such an architect may be more expensive, the benefits of a functional and efficient design would greatly boost the long-term profitability of the proposed hotel.





## Chapter 5



## 5. ESTIMATED UTILIZATION & PRICING

This section of the report presents estimates of the proposed hotel's occupancy performance, market segmentation, and estimated average daily room rate performance from January 1, 2019 to December 31, 2023. From 2024 until 2028, it is assumed that the occupancy performance of the hotel will remain at the same stabilized level as recorded in 2023. This is considered a reasonable long-term stabilized occupancy level, assuming that from 2023 onwards, any increases in room night demand would be matched by increases in supply.

### 5.1 PENETRATION PERFORMANCE INTRODUCTION

This section aims to explain the "Market Performance Index (MPI)", "Average Rate Index (ARI)" and "Revenue Generating Index (RGI)" used to indicate the performance of each identified competitor relative to the entire competitive set. These indices also provide reference points for us to project occupancy, average room rates, and revenue per available room (RevPAR) for the proposed hotel.

#### 5.1.1 Market Performance Index

Although area-wide occupancy is indicative of the overall strength of the accommodation market, individual properties within the market naturally perform both above and below the market average.

The penetration analysis facilitates the assumption of the proposed hotel's future performance relative to other properties within the competitive market. This analysis requires a thorough understanding of the underlying characteristics including accommodation choice. Understanding why one property is selected over another is a critical first step in projecting the relative performance of the proposed hotel.

The second step requires the quantification of those characteristics inherent to each property and comparison of them to those of the proposed hotel. It is through this comparison that the relative performance position for the subject property can be determined.

Fair share analysis is based on the premise that, all other things being equal, each hotel room in the market will attract the same number of room-nights of demand (RND). Any variance is the result of more or less favorable characteristics associated with a given hotel.

Fair share is defined as:

Fair-share = subject room-nights available (RNA)/market RNA

Fair-share RND = (total RND/total RNA) x RNA of subject

Market Penetration is then defined as:

Market Penetration Index (MPI) = actual captured RND/fair-share RND

Thus, a penetration of 1.0 (or 100%) = fair-share

Therefore, if Hotel A has 100 rooms in a market consisting of 1,000 rooms, its fair share of the market is 10 percent. If the hotel market captures a total of 250,000 room-nights, then Hotel A's fair share of room night demand is 10 percent, or 25,000 room-nights. The ability of Hotel A to capture these 25,000 room-nights will determine its "penetration" of its fair share. If Hotel A actually captures 20,000 room-nights, its penetration rate would be 80 percent (20,000 / 25,000). If Hotel A captures 30,000 room-nights, its penetration rate would be 120 percent (30,000 / 25,000).

### 5.1.2 Average Rate Index

ARI measures a hotel's average room rate performance against the average performance of the competitive market, including the proposed hotel. The ARI of a specific hotel is determined by simply dividing its average room rate by that of the total competitive market:

Average Rate Index (ARI) = actual ADR / Market ADR

As such, if Hotel A recorded an average room rate of \$100 compared to the total competitive market average of \$80, its ARI would be 1.25 (\$100/\$80).

### 5.1.3 Revenue Generating Index

The RGI measures a hotel's RevPAR performance compared to the RevPAR performance of the competitive market. As such, this index is a function of both the MPI and ARI. The RGI is calculated by simply multiplying the MPI of a hotel with its ARI:

Revenue Generating Index (RGI) = MPI \* ARI

Therefore, if Hotel A has an MPI of 0.80 and an ARI of 1.25, its RGI would be 1.00 (0.80 x 1.25). RGI is the best index to use as it takes into account both the MPI and the ARI.

## 5.2 ESTIMATED PENETRATION FOR THE PROPOSED HOTEL

In order to estimate the proposed hotel's market penetration performance, its likely competitiveness was considered relative to each market demand segment. The analysis considered several factors that influence a potential guest or third party's decision of accommodation selection, including the following:

- Accessibility and proximity to demand generators and external support facilities
- Location and quality of surroundings
- Market positioning and brand affiliation

- Room rate structure and discounting policies, as compared with competitive hotels
- Quality and variety of facilities offered
- Anticipated overall quality of physical product and finishing
- Age of competitive supply

The following table summarizes the estimated penetration levels for each market segment of the proposed hotel from 2019 to 2023:

**Penetration Levels by Market Segment, 2019 to 2023**

Year	Commercial	Leisure	Group	Total
2019	0.85	0.85	0.95	0.86
2020	0.90	0.75	1.00	0.90
2021	0.95	0.80	1.00	0.93
2022	1.00	0.85	1.05	0.98
2023	1.05	0.90	1.05	0.97

Source: Horwath HTL Projections

The proposed property is not expected to capture its full market share until 2021, in which it will penetrate the market beyond its fair share. Considering the lack of hotels in the immediate market, and the distance of competitors, the Commercial segment should be able to penetrate within the first full year of operation. The Leisure segment will not be able to fully penetrate the market since other hotels in the competitive set are located closer to all Leisure destinations. The Group market segment will be fully penetrated in the second full operating year due to the lack of competition in the market and the potential convention center in the area.

## 5.3 ESTIMATED PROPOSED HOTEL PERFORMANCE

### 5.3.1 Estimated Occupancy Performance

Based on the penetration levels, the following table shows the occupancy levels that the proposed hotel is expected to achieve compared to the overall projected occupancy of the competitive hotel market:

**Proposed Hotel Occupancy Performance**

Year	Market Occupancy	Hotel Penetration	Hotel Occupancy
2019	58%	0.86	50%
2020	58%	0.90	52%
2021	59%	0.93	55%
2022	59%	0.98	58%
2023	60%	0.97	58%

Source: Horwath HTL projections

### 5.3.2 Estimated Competitive Penetration Performance

	<b>MPI</b>	<b>ARI</b>	<b>RGI</b>
Proposed Hotel	1.06	0.83	0.88
Primary Competitive Set	1.00	1.00	1.00

Source: Horwath HTL projections

### 5.3.3 Estimated Overall Performance

The following table summarizes the projected occupancy, ADR and RevPAR levels from 2019 to 2023 for the proposed Hotel in constant 2015 USD value:

#### Overall Performance Forecast of Proposed Hotel

<b>Year</b>	<b>Occupancy</b>	<b>Constant ADR</b>	<b>ADR Discount</b>	<b>Inflated ADR</b>	<b>Inflated RevPAR</b>
2019	50%	72	10%	78	39
2020	52%	76	5%	84	44
2021	55%	80	0%	90	49
2022	58%	80	0%	92	53
2023	58%	80	0%	94	54

Source: Horwath HTL projections

The performance projections for the proposed hotel are based on the marker performance and Horwath HTL analysis of all the data available as of June 2016. The performance of the proposed hotel is expected to increase ADR every year at pace with inflation and stabilize in 2022. When the ADR and Occupancy stabilize, inflation pricing will drive real revenue growth.



## Chapter 6

# OPERATING CASH FLOW PROJECTIONS

## 6. OPERATING CASH FLOW PROJECTIONS

The following section presents the hotel's cash-flow projections. The 10-year cash-flow statements commence during the anticipated first full operating year of 2019. The prospective financial analyses are based on the operational performance of comparable existing properties in Georgia. The projections were calculated with a base year in constant 2016 values and then inflated to project operating results in stated year 2023 at a rate of 2% per year.

Horwath HTL cannot guarantee that the prospective operating and financial estimates presented in this report will materialize, nor is any warranty intended or implied. However, based on the proposed hotel's attributes, location and expected competitive positioning in the Loganville, Georgia area, and emphasizing the need for aggressive management and marketing with appropriate control over costs and expenses, the projections are considered to be reasonable.

The prospective financial analysis is explained in the following sections. Unless specifically identified otherwise, all of the figures referenced in the following text are presented in constant 2016 USD terms.

### 6.1 FIXED & VARIABLE ANALYSIS

The cash flow projections are based on the proposed hotel's following proportion of fixed and variable operating costs. As a result of the fixed costs, the subject property is expected to have lower profitability ratios during periods of lower occupancy. The following table presents respective fixed and variable ratios for each income statement expense line item.

#### FIXED & VARIABLE EXPENSE PERCENTAGES

Expenses	Fixed	Variable
Rooms - Payroll	60%	40%
Rooms - Other	25%	75%
F&B - Payroll	60%	40%
F&B - Other	60%	40%
O.O.D. Expenses - Payroll	40%	60%
O.O.D. Expenses - Other	40%	60%
Administrative & General - Payroll	90%	10%
Administrative & General - Other	60%	40%
Marketing - Payroll	90%	10%
Marketing - Other	90%	10%
Property Operation & Maintenance - Payroll	80%	20%
Property Operation & Maintenance - Other	60%	40%
Utilities	70%	30%

Source: STR Inc.



## 6.2 DEFINITIONS

The revenue and expense items detailed in the cash flow projections are defined as follows:

- Rooms payroll expenses include the cost of payroll and related benefits for housekeeping staff, front-desk and general service personnel.
- Rooms “other” expenses in the rooms department represent the cost of guest and paper supplies, commissions, laundry, linen, dry cleaning and other items required for the up-keep of guest rooms and public areas.
- Food and beverage expenses also includes in the rooms expenses because of no revenue from food and beverage department. These expenses are food cost, the cost of items such as china and glassware, silver, linen, supplies, uniforms, printing, stationary and other expenses
- Other operated department revenues include parking revenue, sales from telecommunications, in-room movies etc. Expenses for these departments include payroll and related costs, cost of sales, and other expenses.
- Rentals and other income include income from rental of space for business (restaurant) including concessions and any other income not included in any other departments.
- Administrative and general (A&G) expenses include A&G payroll cost, costs for credit card commissions, general liability insurance, data processing expenses, accounting and legal fees and other operating expenses.
- Marketing expenses include sales and marketing payroll costs for advertising, promotion, public relations and other expenses.
- Utilities costs include the cost of electricity, heating fuel, water and waste removal.
- Property, operations and maintenance other expenses include payroll, maintenance contract expenses, and supplies for maintaining the hotel.
- Reserves is an expense account held specifically for the replacement of FF&E and is estimated as a percentage of total revenue.

## 6.3 OPERATING CASH FLOW PROJECTION ASSUMPTIONS


The ranges and benchmarks used to determine the following measures of performance were derived from a selection of comparable properties in South Atlantic, Interstate, and Upscale properties. These properties are seen to be the most representative of the proposed hotel's future performance because they are of similar branding, positioning, structure and location:

### Cash Flow Projection Assumptions, Stabilized Year of Operation 2023

	Comparable Hotels	Proposed Hotel
<b>Rooms</b>		
Payroll Expenses Per Occupied Room (USD)	\$9-\$21	\$10
Other Expenses % Rooms Revenue	10% -12%	11%
<b>Food &amp; Beverage</b>		
Food Revenue % of Revenue	.10% - .40%	0%
Bev. Revenue % Food Revenue	.00% - .10%	0%
Other F&B Rev. % F&B Revenue	.10% - .20%	0%
Total Food & Beverage Costs % F&B Revenue	67% - 94%	0%
<b>Rentals &amp; Other Income</b>		
% Total Revenue	2% - 3%	2%
<b>Administrative &amp; General (A&amp;G)</b>		
% of Total Revenue	7% - 9%	8%
<b>Marketing</b>		
% of Total Revenue	4% - 7%	7%
<b>Property Operation &amp; Maintenance</b>		
% of Total Revenue	3% - 5%	5%
<b>Franchise Fee</b>		
% of Total Revenue	3% - 14%	7%
<b>Utility Charges</b>		
% of Total Revenue	3% - 7%	4%
<b>Fixed Charges</b>		
Taxes % Total Revenue	1% - 4%	4%
Insurance % Total Revenue	1% - 2%	2%
<b>Management Fee</b>		
Base % Total Revenue	2% - 4%	3%
<b>FF&amp;E</b>		
Reserves % Total Revenue	2% - 5%	2%-5%

Source: STR Inc.

A summary pro forma financial statement for the proposed hotel in 2016 dollar values is presented below:

<b>Best Western</b>		 <b>Horwath HTL</b>		
<b>Stabilised Pro-Forma Profit &amp; Loss Statement</b>				
<b>Expressed in 2012 USD Values (000's)</b>				
Rooms	98			
Room Nights Available	35,770			
Room Night Demand	20,747			
Room Occupancy %	58%			
Average Room Rate	80			
RevPAR				
<b>Revenues</b>	<b>Amount (000's)</b>	<b>PAR</b>	<b>POR</b>	<b>% Ratio</b>
Rooms	1,660	16,936	80	98.7%
Other Operated Departments	22	220	1	1.3%
<b>Total Revenue</b>	<b>1,681</b>	<b>17,156</b>	<b>81</b>	<b>100.0%</b>
<b>Departmental Expenses</b>	<b>Amount (000's)</b>	<b>PAR</b>	<b>POR</b>	<b>% Ratio</b>
Rooms Payroll	207	2,117	10	12.5%
Rooms Other	187	1,905	9	11.3%
<b>Total Rooms</b>	<b>394</b>	<b>4,022</b>	<b>19</b>	<b>23.8%</b>
OOD Other	17	176	1	80.0%
<b>Total OOD</b>	<b>17</b>	<b>176</b>	<b>1</b>	<b>80.0%</b>
<b>Total Departmental Expenses</b>	<b>411</b>	<b>4,199</b>	<b>20</b>	<b>24.5%</b>
<b>Total Departmental Income</b>	<b>1,270</b>	<b>12,958</b>	<b>61</b>	<b>75.5%</b>
<b>Undistributed Operating Expenses</b>	<b>Amount (000's)</b>	<b>PAR</b>	<b>POR</b>	<b>% Ratio</b>
Administration & General Payroll	50	515	2	3.0%
Administration & General Other	87	892	4	5.2%
<b>Total Administration &amp; General</b>	<b>138</b>	<b>1,407</b>	<b>7</b>	<b>8.2%</b>
Sales & Marketing Payroll	59	600	3	3.5%
Sales & Marketing Other	59	600	3	3.5%
<b>Total Sales &amp; Marketing</b>	<b>118</b>	<b>1,201</b>	<b>6</b>	<b>7.0%</b>
POM Payroll	39	395	2	2.3%
POM Other	49	498	2	2.9%
<b>Total POM</b>	<b>87</b>	<b>892</b>	<b>4</b>	<b>5.2%</b>
Utility Charges	74	755	4	4.4%
<b>Total Undistributed Expenses</b>	<b>417</b>	<b>4,255</b>	<b>20</b>	<b>24.8%</b>
<b>Gross Operating Profit</b>	<b>853</b>	<b>8,703</b>	<b>41</b>	<b>50.7%</b>
<b>Management Fees</b>	<b>Amount (000's)</b>	<b>PAR</b>	<b>POR</b>	<b>% Ratio</b>
Base Management Fees	50	515	2	3.0%
Incentive Management Fee	0	0	0	0.0%
<b>Total Management Fees</b>	<b>50</b>	<b>515</b>	<b>2</b>	<b>3.0%</b>
<b>IBFC</b>	<b>802</b>	<b>8,188</b>	<b>39</b>	<b>47.7%</b>
<b>Fixed Charges</b>	<b>Amount (000's)</b>	<b>PAR</b>	<b>POR</b>	<b>% Ratio</b>
Franchise Fees	121	1,235	6	7.2%
Insurance and Taxes	67	686	3	4.0%
FF&E Reserve	84	858	4	5.0%
<b>Total Fixed Charges</b>	<b>272</b>	<b>2,779</b>	<b>13</b>	<b>16.2%</b>
<b>EBITDA</b>	<b>530</b>	<b>5,409</b>	<b>26</b>	<b>31.5%</b>

Note: IBFC = Income Before Fixed Charges; EBITDA = Earnings Before Interest, Taxes, Depreciation & Amortisation

## 6.4 NOI SUMMARY

The proposed hotel's net operating income (NOI) from 2019 to 2028, are summarized in the table below, both as an amount (in thousands) and as a percentage of total revenue:

### NOI Projections Summary of the Proposed Hotel

Year	Occupancy	ADR	Total Revenue	GOP RTS	NOI	NOI RTS
2019	50%	78	1,412	40%	351	25%
2020	52%	84	1,581	45%	448	28%
2021	55%	90	1,796	49%	573	32%
2022	58%	92	1,931	51%	628	33%
2023	58%	94	1,970	51%	621	32%
2024	58%	96	2,009	51%	634	32%
2025	58%	98	2,050	51%	646	32%
2026	58%	99	2,091	51%	659	32%
2027	58%	101	2,132	51%	672	32%
2028	58%	103	2,175	51%	686	32%

Source: Horwath HTL projections

The projected 10-Year Cash Flow Statement for the proposed hotel in inflated USD is presented in Appendix V.



## Chapter 7



## 7. INVESTMENT ANALYSIS

The financial feasibility of the proposed hotel is assessed in the following section.

### 7.1 INVESTMENT OUTLAY ASSUMPTIONS

Since there was no budget established for the project, the Project Development Costs were based upon brand availability, brand prototype, and what the market could sustain. Development cost per key is at \$75,980 per key, which includes Building and Site Improvement, Soft Costs, FF&E, and Pre-Opening and Working Capital. Since a detailed development budget is not provided, we used HVS Hotel Development Cost Survey as a standard for the cost percentage for this project.

#### Project development Cost Assumptions

Item	Cost	Cost per Key
Land*	\$0	\$0
Building and Site Improvement	\$6,029,835	\$61,529
Soft Costs	\$482,387	\$4,922
FF&E	\$646,800	\$6,600
Pre-Opening and Working Capital	\$286,988	\$2,928
<b>Total</b>	<b>\$7,446,009</b>	<b>\$75,980</b>

Source: HVS Hotel Development Cost Survey 2014/2015; Horwath HTL

\*Land – the land cost was not used for investment analysis

It is important to note that these estimates will need to be refined by a certified quantity surveyor based on the final design and material specification of the proposed development, and do not form part of the current scope of work.

### 7.2 INVESTMENT ANALYSIS

Factors used in the International Rate of Return (IRR) calculations are as follows:

- A capitalization rate of 8.4%
- The exclusion of land costs
- The cash flows generated by the subject property are pre-tax
- The leveraged IRR is calculated based on 65% LTV ratio
- The unleveraged IRR is on an all equity basis
- 30% of the total estimated construction costs were allocated in 2018 and 70% in 2019.
- The interested rate for the construction cost is assumed at 5% and interest rate for the permanent loan is assumed at 4%.
- The loan term is assumed at 30 years.
- The inflation rate is assumed at 2% even.

According to Real Capital Analytics, the Capitalization Rate for full-service hotels are around 7% to 9%. In this study, we have assumed the Cap rate at 8.4%. According to Realtyrates.com the permanent financing interest rate for lodging properties in the 1<sup>st</sup> Quarter 2016 is between 3.46% to 13.26% with an average of 5.67%. The construction financing interest rate for lodging properties in the 1<sup>st</sup> Quarter 2016 is between 4.52% to 10.29% with an average of 7.44%. In this study, we have assumed a construction loan interest rate at 5% and permanent loan interest rate at 4%. The loan term for lodging properties is typically 30 years.

The 10-Year IRR and for the hotel is presented in the table below:

**10-Year IRR**

<b>Ten-Year Leveraged IRR</b>	<b>12.59%</b>
<b>Ten-Year Unleveraged IRR</b>	<b>7.99%</b>

*Source: Horwath HTL projections*

## Appendix I

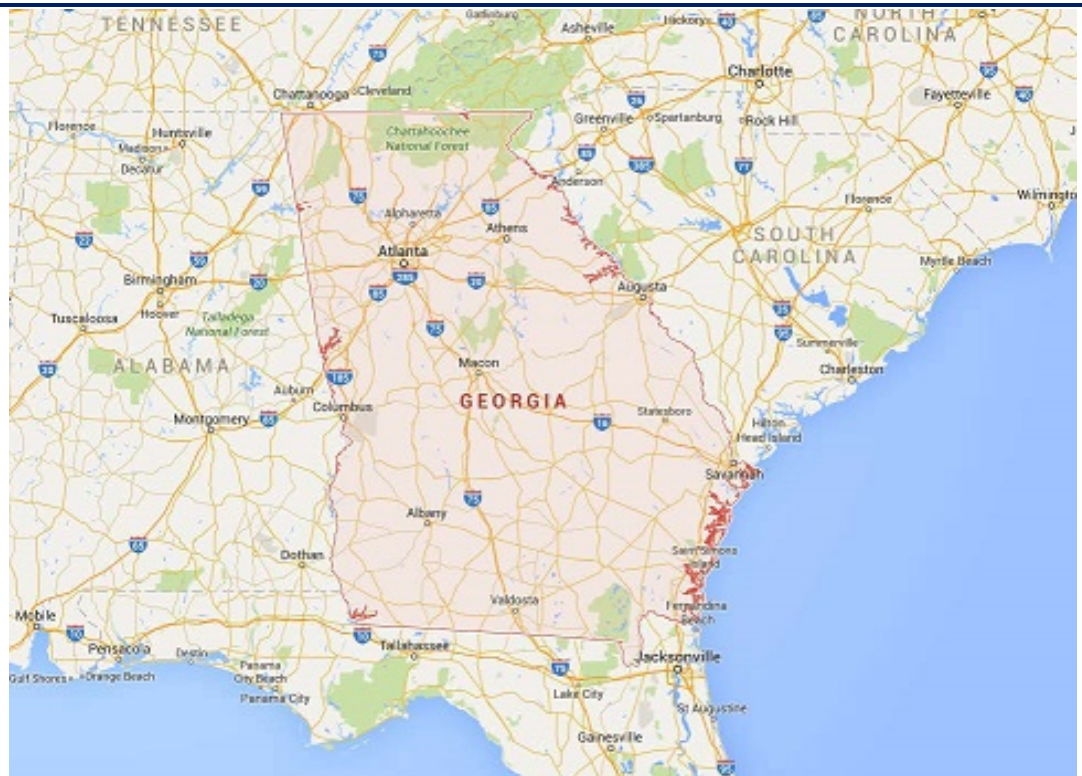
### State Overview

# I. Georgia Overview

## I.1 INTRODUCTION

The subject site is located in the state of Georgia, which is in the Southeastern region of the United States. With an area of approximately 59,425 square miles, Georgia is one of the largest states east of the Mississippi River. It is bordered by the Atlantic Ocean and South Carolina to the east, Florida to the south, Alabama to the west, and Tennessee and North Carolina to the north and northeast. According to the US Census Bureau, Georgia is the 9th most populous and the 18th most densely populated state in U.S. The state capital is Atlanta; the largest cities are Atlanta, Columbus, Augusta, Macon, and Savannah.

### State Overview



Source: Google Maps

### State of Georgia

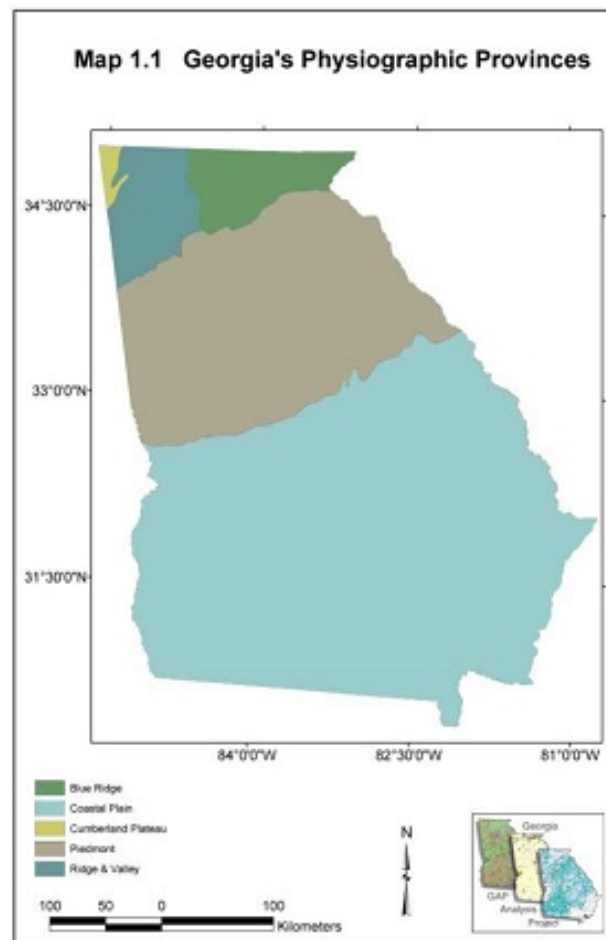
Capital	Atlanta
Population (as of 2015) Estimate	10,214,860 people
Population Density	168.4 per sq. mile
Area	59,425 sq. miles

Source: U.S. Census Bureau

## I.2 GEOGRAPHY

The state is divided into five physiographic provinces: the Cumberland Plateau (also known as the Appalachian Plateau), the Ridge and Valley, the Blue Ridge, the Piedmont, and the Coastal Plain. The vegetation varies within and among these provinces depending upon soil type, elevation, moisture, and disturbance regimes. The Georgia landscape runs from the mountains in the north and northeast to the Coastal Plain in the southeast. Georgia's highest point is Brasstown Bald at 4,784 feet above sea level and its lowest is sea level along the coast.

### Physiographic Map

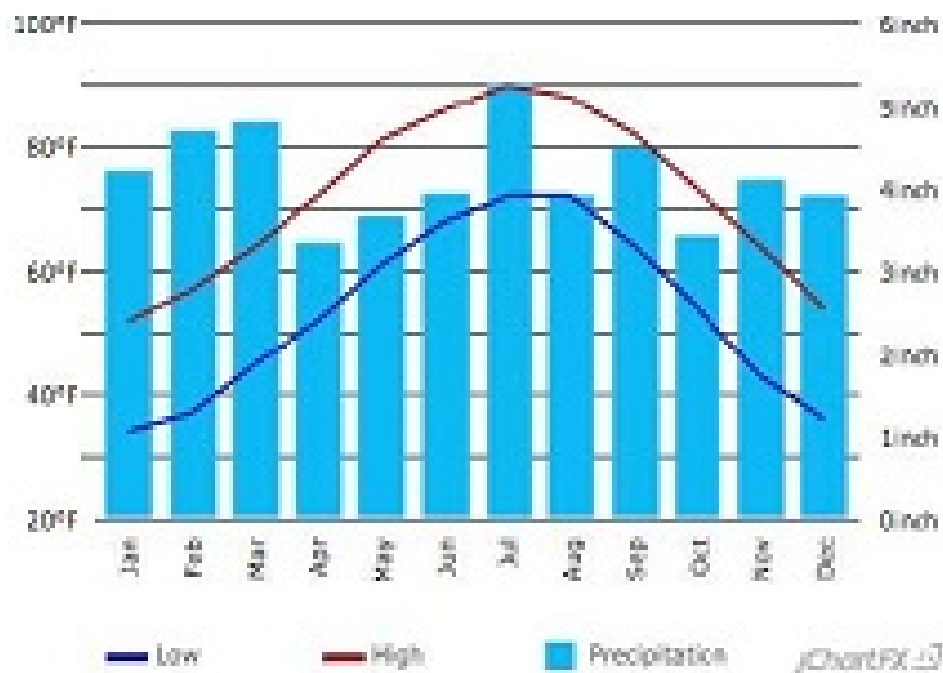


Source: Narsal.UGA.EDU

## 1.3 CLIMATE

Georgia experiences a humid and subtropical climate with fairly mild winters and hot moist summers. The annual precipitation varies from forty inches in central Georgia to more than seventy-four inches in northeast Georgia. While climate varies among the state's six land regions, all areas of the state are colored by four well-defined seasons: a warm summer with an average temperatures of 82 degrees Fahrenheit, brisk autumn with brilliant fall foliage throughout the state, brief winters with average temperatures in the low 40s and light snowfall several times a year in the north, and glorious springtime with Georgia's famous dogwoods, azaleas and other flora.

### State Climate Overview



Source: US Climate Data

## 1.4 HISTORICAL OVERVIEW

In many ways Georgia's history is integrally linked to that of the rest of the South and the rest of the nation. But as the largest state east of the Mississippi, the youngest and southernmost of the thirteen colonies, and by 1860, the most populous southern state, Georgia is in certain respects historically distinctive.



Georgia's economy experienced significant shifts in the first decade of the twenty-first century, as manufacturing jobs, particularly in the state's rural counties, moved overseas. Between 1997 and 2005 alone, rural counties bore the brunt of some 98,000-job losses in manufacturing, the bulk of them concentrated in the textile and apparel industries. Agricultural work, conversely, brought thousands of immigrants, particularly Latinos, to the state, many of whom also found employment in the service and construction industries, but with the beginning of a national economic recession in 2008, many left to seek jobs elsewhere. The recession also led to severe budget cuts in 2008 and 2009 that affected government services, including education, around the state.

Georgia experienced a significant drought mid-decade and engaged in protracted battles with neighboring states Florida and Alabama over access to water, much of which was being diverted to support the continually expanding Atlanta metropolitan area by adding nearly 900,000 residents between 2000 and 2006 alone. The city continues to generate a significant portion of the state's income but also deals with ongoing issues of poverty, exacerbated by the economic downturn.

Despite such challenges, Georgia continues to attract new opportunities for employment. Kia Motors Corporation, a Korean automobile manufacturer, opened a factory in Troup County in 2006; major employer Delta Airlines emerged successfully from bankruptcy in 2007; and new tax-incentive legislation for the entertainment industry, passed in 2008, has brought film projects to the state. Georgia's unique landscapes and culture support a thriving tourism industry as well.

## 1.5 ECONOMIC OVERVIEW

### 1.5.1 Employment

The following tables provide information about the state employment data:

#### Employment Statistics in Georgia

Unemployment Rate	December 2015	December 2014
United States	5.0%	5.6%
Georgia	5.5%	6.6%
Laurens County	6.7%	8.6%
Nonfarm Employment in Thousands	December 2015	December 2014
Georgia	4,341.3	4,249.2

Source: Georgia Department of Labor; CareerOneStop

## Top Employers in Georgia

Company	Industry	# of Employees in 2015
Fort Benning	Defense	32,000
Robins Air Force Base	Defense	19,000
Wellstar Health System	Health Care	16,856
Emory University	Financial Services	10,000
Emory University Hospital	Health Care	9,000
Lockheed Martin Corp.	Aerospace	8,200
Georgia Power Co.	Energy	8,000
Coca-Cola Refreshments USA Inc.	Manufacturing	6,000
Delta Air Lines Inc.	Airline	6,000
Northeast Georgia Medical Ctr.	Health Care	6,000

*Source: Georgia Department of Labor; CareerOneStop*

## I.6 INFRASTRUCTURE

### I.6.1 Highways

Georgia has an extensive interstate highway system facilitating the efficient movement of freight by truck. Georgia's six interstates connect to 80% of the U.S. population within a two-day truck drive. There are two major transcontinental interstate highways (I-95 and I-75), four additional interstates (I-20, I-85, I-16, I-59) connect Georgia to 15 states, 1,200 miles of interstate highway and 20,000 miles of federal and state highway, 5.9 million tons of freight on average transport via roads across the state weekly.

### I.6.2 Ports

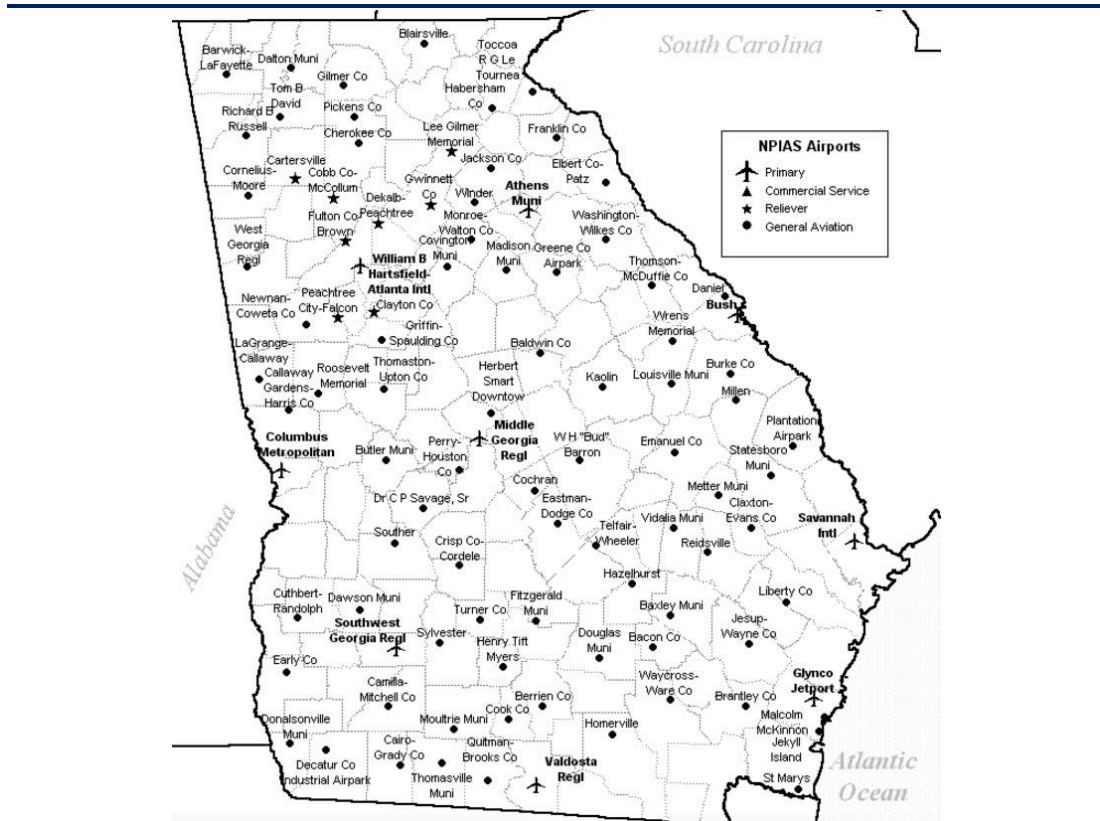
The Georgia Ports Authority (GPA) facilitates global trade through deep-water ports in Savannah and Brunswick, with inland operations in Bainbridge and Columbus. The port of Savannah is the fourth-largest and fastest growing U.S. container port, which moves 20% of the East Coast's overseas containers. The port of Brunswick is the nation's busiest seaport for automobile imports, second-largest grain facility on the East Coast.

### I.6.3 Airports

Georgia is an international center for air passenger travel, home to the world's busiest and most efficient passenger airport, Hartsfield-Jackson Atlanta International Airport. No other airport offers more scheduled flights than Atlanta's, with direct flights to 75 international destinations in 50 countries. The airport Provides access to 80% of the U.S. market within a two-hour flight. In addition to the three main cargo complexes that move more than 650,000 tons of cargo annually, the airport houses a U.S. Department of Agriculture approved Perishables Complex, the only one of its kind in the South-eastern U.S.

Georgia is home to a plethora of smaller airports as labelled in the picture below.

## State Airports



Source: Georgia.org

### I.6.4 Railways

Georgia has a longstanding history as a major railway hub. The state's capital city, Atlanta, was formed from a rail line's terminus. The tradition continues today with the most extensive rail system in the Southeast and two Class I railroads, CSX and Norfolk Southern.

### I.6.5 Transit

There are four major transit agencies in Georgia – Cobb Community Transit (CCT), Georgia Regional Transit Authority (GRTA), Metropolitan Atlanta Rapid Transit Authority (MARTA), and Chatham Area Transit (CAT). The CCT operates 80 full size buses which service 751 bus stops including 293 bus shelters. The GRTA encompasses 13 counties in north Georgia, provides both van-pools and bus transportation, and is focused on improving traffic conditions in the operating region. MARTA is the 9<sup>th</sup> largest transit system in the U.S. that provides bus, rail and paratransit services and the largest public transit system in the south. Their operations cover 338 rail cars servicing 38 stations, 505 full size buses on 91 bus routes covering approximately 1,000 miles per day, and 173 lift-vans for improved mobility. The Chatham Area Transit services the Savannah-Chatham area with buses, paratransit buses, and bike sharing.

## Appendix II

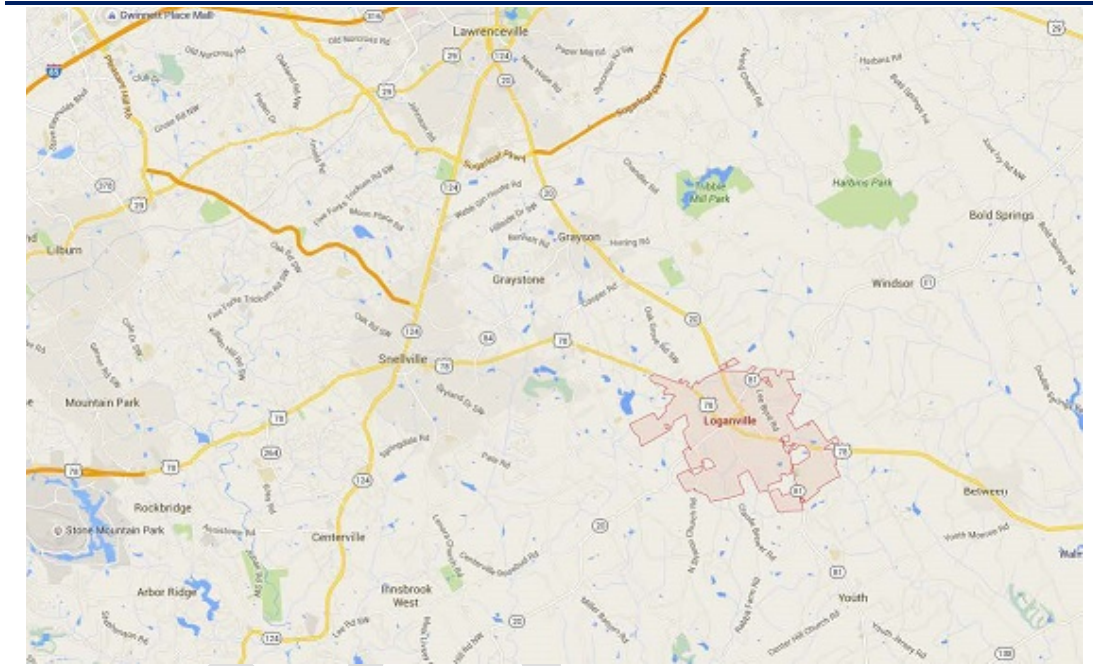
### City Overview

## 2. Loganville Overview

### 2.1 INTRODUCTION

Loganville is located in Walton County, Georgia and with a half portion of the city located in Gwinnet County, Georgia. The size of the city is approximately 7.3 square miles, with a population of 11,248 (U.S. Census Bureau, estimates of year 2015).

#### City Overview



Source: Google Maps

### 2.2 HISTORICAL OVERVIEW

James Harvie Logan, which the city took its name from, first moved to the Loganville area in 1842 and purchased 62.5 acres. The population swelled to 500 residents with the settlement of other families and in 1887, Loganville was first incorporated by extending a half mile of its original limits. As Loganville was on the Seaboard Airline Railroad connecting Atlanta to Lawrenceville, a depot for the Loganville & Lawrenceville railroad Company was built in the city in 1898 and was closed in 1932 due to the Depression. Despite that the city's cotton production was affected after a bout with the boll weevil, it grew significantly in the 1950s by establishing modern businesses and had been attracting home-seekers, manufacturers and businessmen since then.

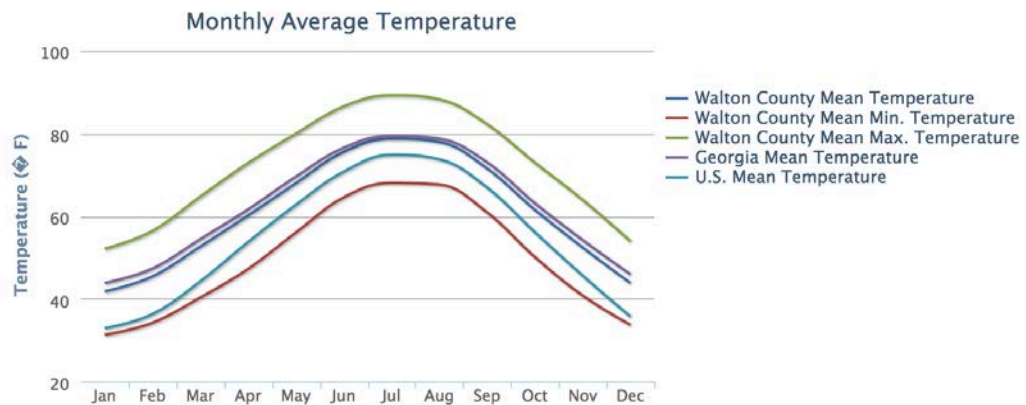
### 2.3 GEOGRAPHY

The city of Loganville is bordered by Monroe to the east, Winder to the north, Snellville and Lawrenceville to the west and Conyers to the south. As a part of the Atlanta metropolitan area, it is 28 miles east of Atlanta and Sandy Springs.

## 2.4 CLIMATE

Since Loganville's climate data is not available, we used Walton County to approximate the climate of Loganville. The county has an annual high temperature average around 89.2F and annual low temperature average around 31.3F. The average annual precipitation is 49.7 inches.

### County Climate Overview



Source: USA.com

Climate	Loganville, GA
Rainfall (in.)	49.7
Snowfall (in.)	0.6
Precipitation Days	91
Sunny Days	214
Average July High	89
Average January Low	31.2
Comfort Index (Higher=Better)	33
UV Index	5
Elevation (ft.)	997

Source: Sperling's Best Places

## 2.5 EMPLOYMENT

A summary of the employment statistics for Loganville is shown in the tables below.

### Loganville Employment

Economic Indicators	Loganville, GA
Unemployment Rate	6.10%
Income per capita	\$23,042
Median Household Income	\$55,928
Recent Job Growth	1.76%
Future Job Growth	37.40%

Source: Sperling's Best Places



According to Convention and Visitors Bureau of Gwinnett County, the top employers in Loganville are shown in the table below.

#### Loganville Top Employers

Company	Industry	# of Employees
Gwinnett County	Legislative Bodies	3,900
Eastside Medical Center	Hospital	940
Kroger	Retail	925
Anderson Merchandisers	Retail Service	500
Gwinnett County Water Resource	Legislative Bodies	499
Walmart Supercenter	Retail	400
Gwinnet County Dfacs	Administration	399
American Legion	Social Organization	380
Clearview Regional Medical Center	Hospital	350
Walmart Supercenter	Retail	350

Source: Gwinnett County CVB

## 2.6 INFRASTRUCTURE

### 2.6.1 Roads

The road network in Loganville consists of a system of urban principal arterials, urban minor arterials, collector streets and local streets. Three major roadways to the area are US 78/SR10 (Atlanta Highway), which provides east or west regional access, and SR20 (Main Street) and SR81 (Lawrenceville Road), which provide north or south regional access. Among them, US 78 carries three times the traffic of the other two. And the intersection of Mains street (connecting to the historic core of the city) and Lawrenceville Road is very busy during rush hours. Other major roads are Logan Drive (parallel with US 78), Tommy Lee Fuller Road and C.S. Floyd Road. The map of the roads in Loganville is shown in the following graph.

Roads in Loganville focusing on roadway access and pedestrian facilities are as follows:

### Loganville Roads Overview



Source: City of Loganville Town Center Initiative Study

## 2.6.2 Airports

According to the Federal Aviation Administration (FAA), there are 1 private and 3 public airports within 20 miles of Loganville. Located just 3 miles Southeast of Loganville, Spring Valley Farm Airport is a private-owned small airport. Walton County Airport, Gwinnett County Airport, and Covington Municipal Airport are located 11.6, 12.3 and 12.6 miles from Loganville. The major domestic and international airport is Atlanta's Hartsfield-Jackson International Airport, which is about 39 miles away.

### 2.6.3 Transit

According to the city of Loganville, it does not have transit downtown, so the major transportation facilities in Loganville are car, taxi, limousine and truck. For travelers, the most important public transportation services to the area are Gwinnett County Transit, Metropolitan Atlanta Rapid Transit Authority, Amtrak and Greyhound.

## 2.7 MAJOR DEVELOPMENT IN METRO ATLANTA AREA NEAR LOGANVILLE

Name	Location	Size	Description
Baxter International	Stanton Springs business park within Jasper, Morgan, Newton and Walton counties	\$1 billion cost; Roughly 20,000 SF	Build its new biopharmaceutical manufacturing and distribution center and plasma centers, and create over 1,500 jobs
Flexo Converters USA, Inc.	Monroe, Georgia	\$20 million cost	Open a new industrial facility to manufacture and distribute retail shopping bag, and create 100 jobs

Source: Walton County Development Authority



## Appendix III

### State of Georgia and Loganville Surrounding Areas Tourism Overview

### 3. State of Georgia Tourism Overview

According Tourism Economics in 2014, Georgia tourism demand generated 57.1 billion in business sales and was up by 6.7% from the previous year. The tourism supported nearly 427,000 jobs across numerous industry sectors. Meanwhile, tourism generated \$3 billion in state and local tax revenues. Also, on average, the tourism generated \$37,600 in income per employee, mostly in air transport, business services and food & beverage sectors.

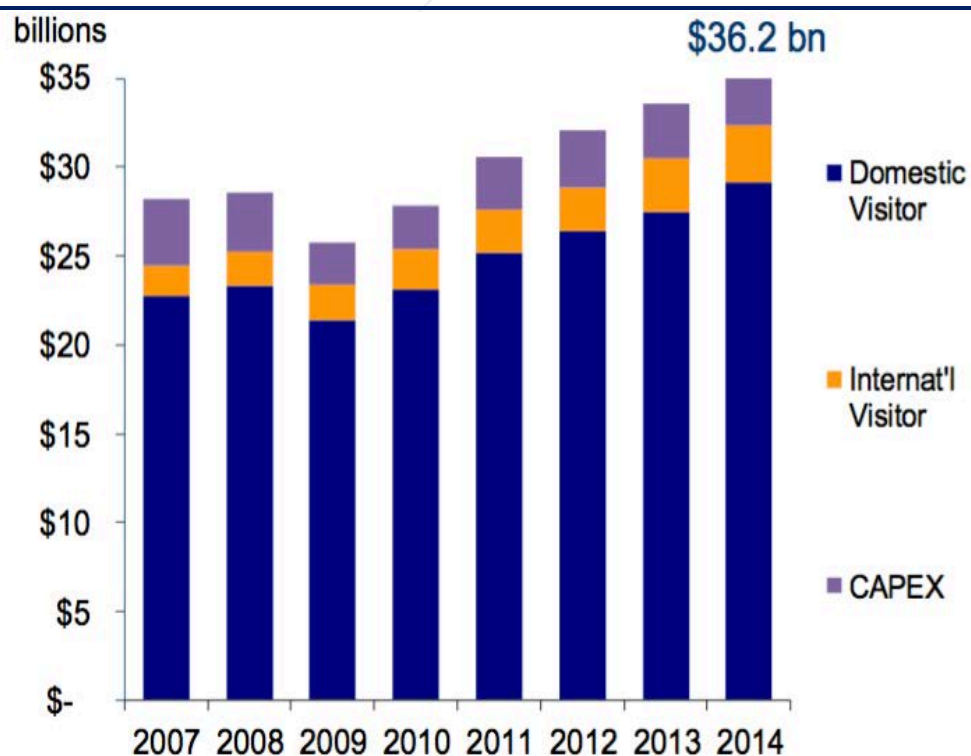
According to STR Global, the Georgia hotel average demand grew at 6.9%, which increased occupancy level by nearly 4% to 62.43%.

#### 3.1 GEORGIA VISITOR PROFILES

According to Georgia Tourism Portal, there are 98.7 domestic travelers in year 2014. Among them, leisure travel was up 4% and business travel was up 11% for the year. And the top domestic leisure markets to Georgia were Georgia, Florida, Alabama, Tennessee, South Carolina, and North Carolina.

International travelers had grown to 860,000 at 22% compared to year 2013. It is projected by US Travel Association that overseas travel will increase by 35% between 2014 and 2020.

#### Georgia Tourism Demand Trend Over Years



Source: Tourism Economics

### Visitor Profile Georgia -2014

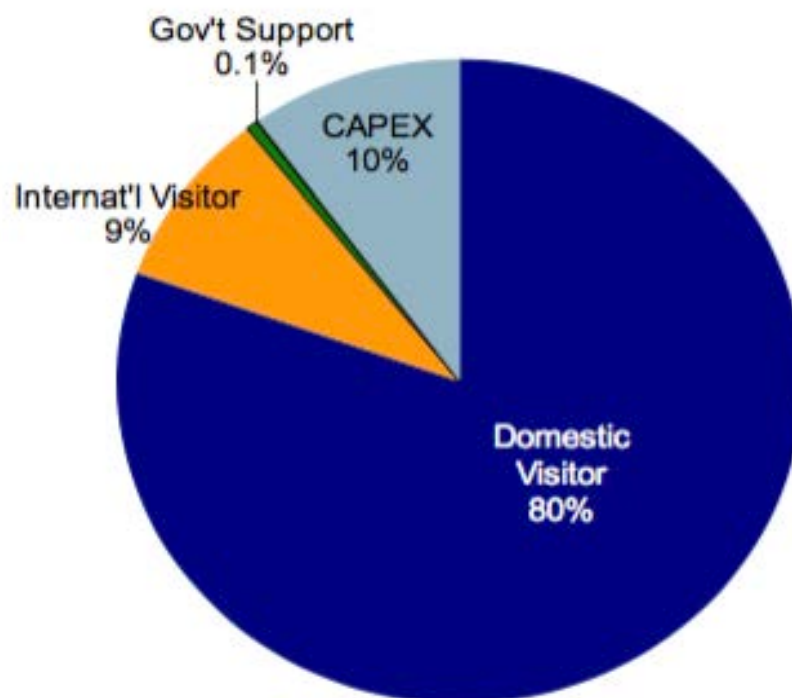
Category	Georgia
Average Age	45.9
Average Party Size	1.75
Average Length of Stay	2.07
Average Household Income	\$80,998
Average spending per day per person	\$119.90

Source: Georgia CVB

## 3.2 VISITOR SEGMENTATION

According Tourism Economics, the domestic visitors market comprises the majority at 80% of tourism sales in Georgia. Followed by demand coming from capital investment in tourism-related construction and machinery & equipment at \$3.6 billion. And international visitors contributed \$3.2 billion of tourism demand in Georgia in 2014.

### Georgia Tourism Demand by Source



Source: Tourism Economics

The following graph shows visitors' segmentation geographically. Majority of the visitors come from adjacent cities, and the top cities are listed as follows:



### Cities with the Highest Visitation to Loganville, Georgia

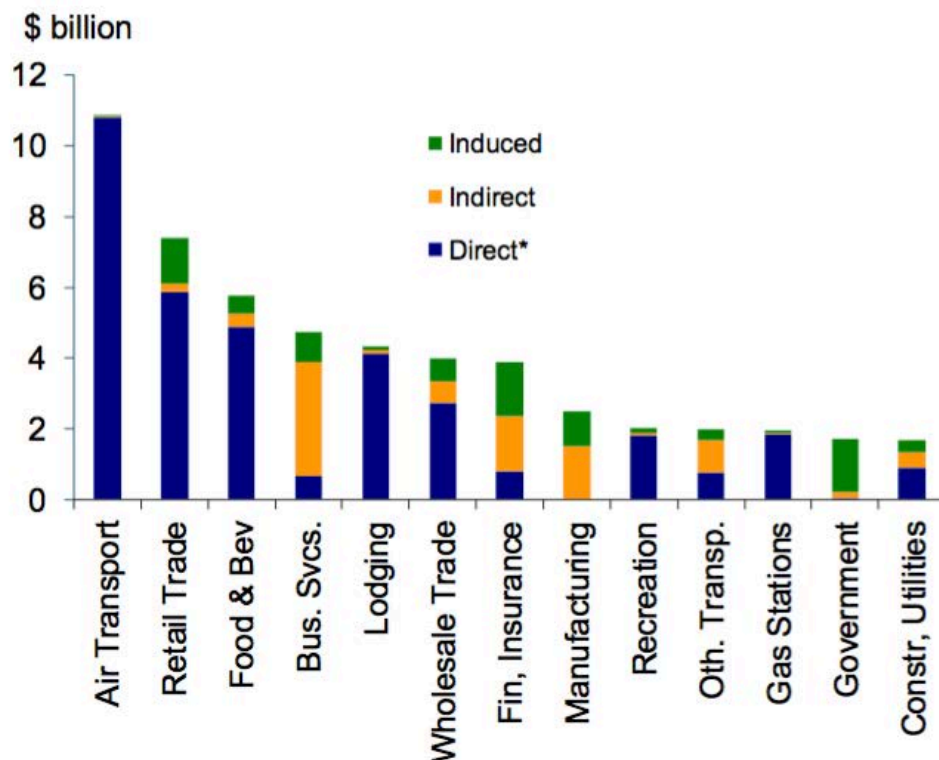
Top Cities	
Monroe, GA	Athens, GA
Conyers, GA	Lawrenceville, GA
Winder, GA	Stone Mountain, GA
Snellville, GA	

Source: Walton County Development of Authority

## 3.3 TOURISM INDUSTRY SALES BY SECTOR

According to Tourism Economics, Tourism demand of \$36.2 billion generated \$57.1 billion in business sales. Total tourism-generated industry sales expanded 6.7% in 2014. The graph below represents each industry sales, including induced, indirect, and direct impacts.

### Georgia Tourism Industry Sales by Sector for 2014

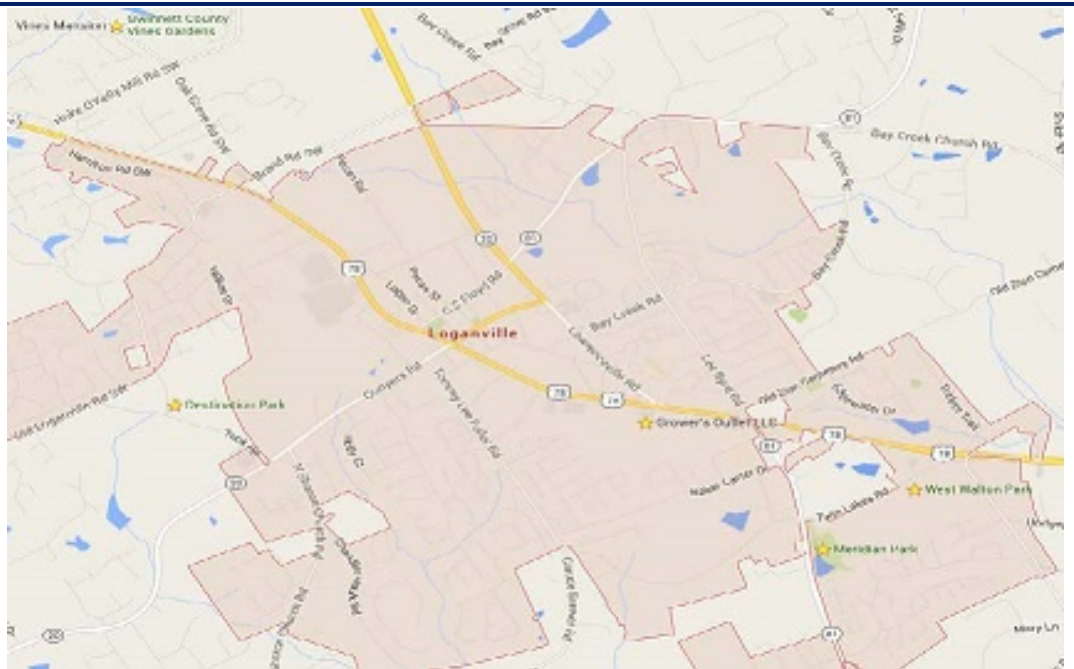


Source: Tourism Economics

## 3.4 TOURIST ATTRACTIONS

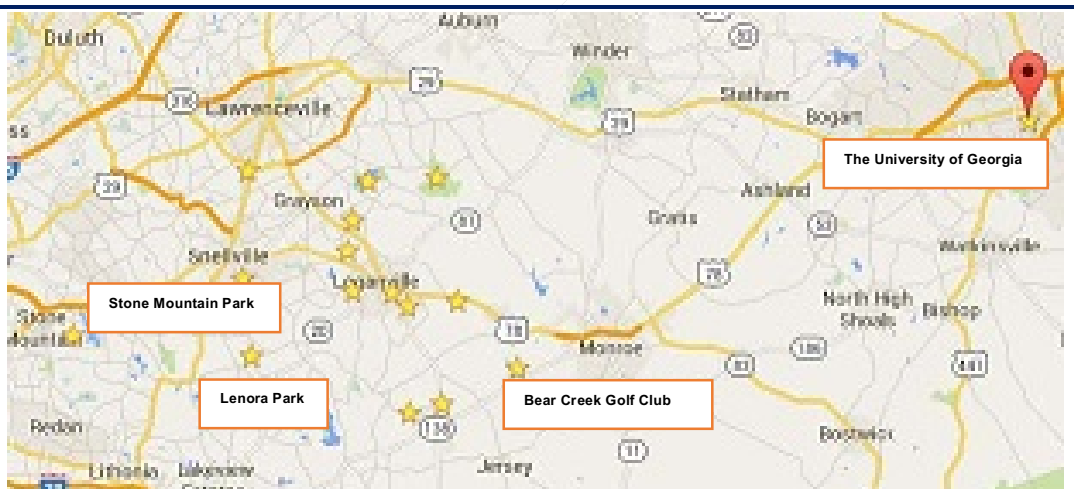
The map below shows points of interest such as state parks, sports facilities, university, and golf course in Loganville and in cities around Loganville.

### Tourist Attractions (Inside Loganville)



Source: Google Maps

### Tourist Attractions (Outside Loganville)



Source: Google Maps

DRAFT

## Appendix IV

### Competitive Hotel Descriptions

## 4. COMPETITIVE HOTEL DESCRIPTIONS

The following section provides a brief description of each property in the competitive set.

### 4.1 COUNTRY INN & SUITES LAWRENCEVILLE

The Country Inn & Suites is a 49-key modern hotel 3.5 miles east of I-85. Surrounded by area attractions, it is 1.9 miles from the Arena at Gwinnett Center, 2 miles from Georgia Gwinnett College, and 3 miles from Sugarloaf Mills' mall.

#### Advantages

- Conveniently located from I-85
- Free Parking
- Complimentary buffet breakfast

#### Disadvantages

- Some area needs renovation
- Right next to an old car care center
- Limited meeting space

#### Country Inn & Suites Lawrenceville



Clockwise from top left: Lobby, King Room, Meeting Room, Dining Room  
Source: Country Inn & Suites

## 4.2 LA QUINTA INN & SUITES SNELLVILLE STONE MOUNTAIN

The La Quinta Inns & Suites is a contemporary 58-key hotel that was recently renovated. It is 6.7 miles from Stone Mountain Park and 23.4 miles from downtown Atlanta.

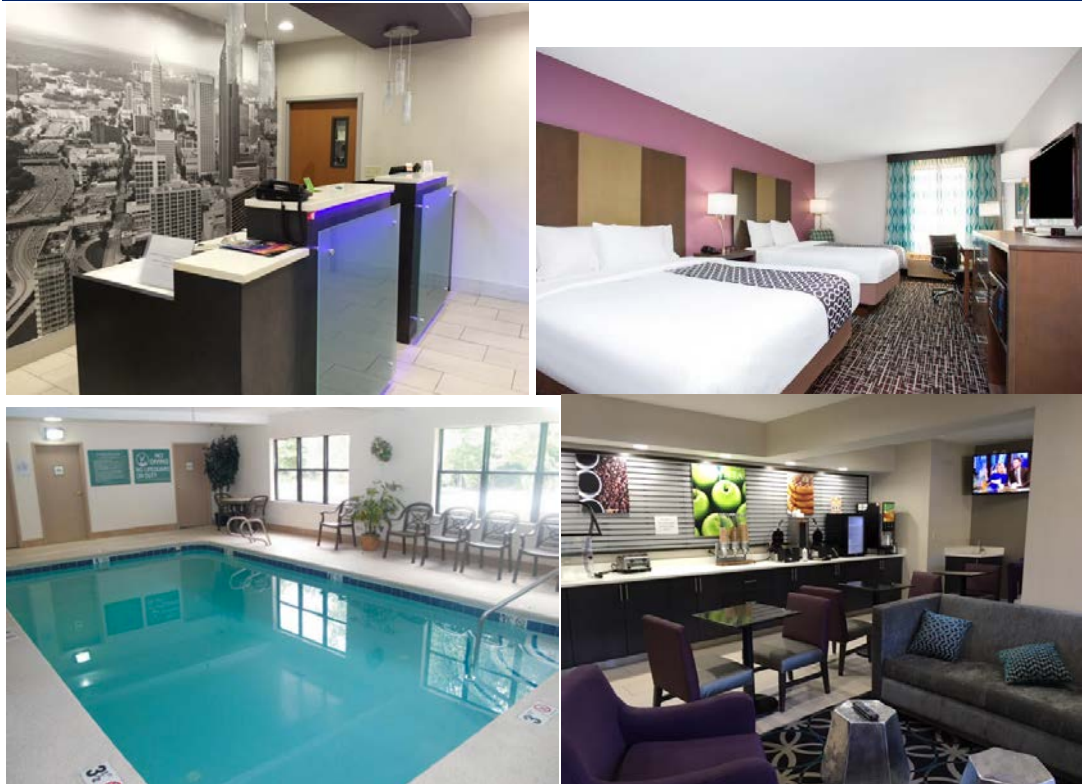
### Advantages

- Complimentary breakfast
- Close to the main road
- Newly renovated bedrooms

### Disadvantages

- Facilities still need renovation
- Poor air quality

### La Quinta Inns & Suites Snellville Stone Mountain



Clockwise from top left: Lobby, Queen-Queen Room, Pool, Dining  
Source: La Quinta Inn & Suites



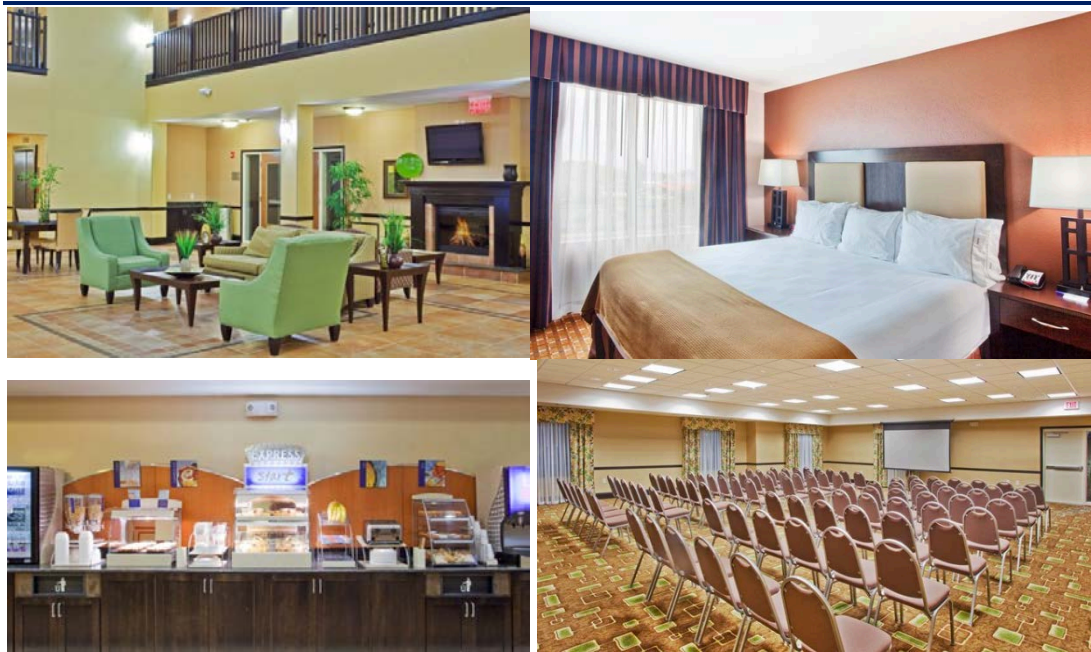
### 4.3 HOLIDAY INN EXPRESS & SUITES ATLANTA CONYERS

The Holiday Inn Express & Suites is ideally located next to I-20 with easy access to Hartsfield Airport (ATL). It is 99-key modern hotel located 1.7 miles from Sherwood Forest Family Fun Park and 25 miles from many downtown Atlanta attractions.

#### **Advantages**

- Conveniently located from I-20
- Close to local attractions, airport, and universities
- Huge Parking Space
- Complimentary breakfast bar with rotating menu

#### **Holiday Inn Express & Suites Atlanta Conyers**



Clockwise from top left: Lobby, King Room, Dining Room, Meeting Room  
Source: Holiday Inn Express & Suites



## 4.4 QUALITY INN WINDER

Quality Inn Winder is a 42-key hotel in downtown Winder. It is very close to Barrow County Museum and Lanier Technology College.

### Advantages

- Complimentary breakfast
- Free parking
- Close to Fort Yargo State Park

### Disadvantages

- No direct access from the main road
- Noise from the train nearby
- Some Facilities are dated

### Quality Inn Winder



Clockwise from top left: Outside, Lobby, Queen-Queen Room, Breakfast room  
Source: Quality Inn Winder

## Appendix V

### 10-Year Cash Flow

**Best Western**  
**Statement Of Estimated Cash Flow From Operations Before Debt Service & Taxes**  
**(Expressed In Thousands Of Current USD)**

	2019		2020		2021		2022		2023		2024	2025	2026	2027	2028
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	AMOUNT	AMOUNT	AMOUNT	AMOUNT
Rooms	98		98		98		98		98		98	98	98	98	98
Occupancy %	50%		52%		55%		58%		58%		58%	58%	58%	58%	58%
Average Room Rate	78		84		90		92		94		96	98	99	101	103
RevPAR	39		44		50		53		54		55	57	58	59	60
<b>REVENUES</b>															
ROOMS	1,394	98.7%	1,561	98.7%	1,772	98.7%	1,907	98.7%	1,945	98.7%	1,984	2,023	2,064	2,105	2,147
OTHER OPERATED DEPARTMENTS	18	1.3%	20	1.3%	23	1.3%	25	1.3%	25	1.3%	26	26	27	27	28
<b>TOTAL</b>	<b>1,412</b>	<b>100%</b>	<b>1,581</b>	<b>100%</b>	<b>1,796</b>	<b>100%</b>	<b>1,931</b>	<b>100%</b>	<b>1,970</b>	<b>100%</b>	<b>2,009</b>	<b>2,050</b>	<b>2,091</b>	<b>2,132</b>	<b>2,175</b>
<b>DEPARTMENTAL COSTS AND EXPENSES</b>															
ROOMS	393	28.2%	410	26.3%	431	24.3%	453	23.8%	462	23.8%	471	481	490	500	510
OTHER OPERATED DEPARTMENTS	17	94.6%	18	88.1%	19	81.7%	20	80.0%	20	80.0%	21	21	21	22	22
<b>TOTAL</b>	<b>411</b>	<b>29.1%</b>	<b>428</b>	<b>27.0%</b>	<b>450</b>	<b>25.0%</b>	<b>473</b>	<b>24.5%</b>	<b>482</b>	<b>24.5%</b>	<b>492</b>	<b>502</b>	<b>512</b>	<b>522</b>	<b>532</b>
<b>TOTAL DEPARTMENTAL PROFIT (LOSS)</b>	<b>1,001</b>	<b>70.9%</b>	<b>1,153</b>	<b>73.0%</b>	<b>1,346</b>	<b>75.0%</b>	<b>1,459</b>	<b>75.5%</b>	<b>1,488</b>	<b>75.5%</b>	<b>1,518</b>	<b>1,548</b>	<b>1,579</b>	<b>1,611</b>	<b>1,643</b>
<b>UNDISTRIBUTED OPER. EXPENSES</b>															
ADMINISTRATIVE AND GENERAL	143	10.1%	148	9.3%	153	8.5%	158	8.2%	162	8.2%	165	168	171	175	178
MARKETING	126	8.9%	129	8.1%	132	7.3%	135	7.0%	138	7.0%	141	143	146	149	152
PROPERTY OPER. & MAINTENANCE	91	6.4%	93	5.9%	97	5.4%	100	5.2%	102	5.2%	104	107	109	111	113
UTILITY CHARGES	77	5.4%	79	5.0%	82	4.6%	85	4.4%	87	4.4%	88	90	92	94	96
<b>TOTAL</b>	<b>436</b>	<b>30.9%</b>	<b>449</b>	<b>28.4%</b>	<b>464</b>	<b>25.8%</b>	<b>479</b>	<b>24.8%</b>	<b>489</b>	<b>24.8%</b>	<b>498</b>	<b>508</b>	<b>518</b>	<b>529</b>	<b>539</b>
<b>GROSS OPERATING PROFIT (LOSS)</b>	<b>565</b>	<b>40.0%</b>	<b>705</b>	<b>44.6%</b>	<b>882</b>	<b>49.1%</b>	<b>980</b>	<b>50.7%</b>	<b>999</b>	<b>50.7%</b>	<b>1,019</b>	<b>1,040</b>	<b>1,060</b>	<b>1,082</b>	<b>1,103</b>
<b>MANAGEMENT FEES</b>															
BASE MANAGEMENT FEE	42	3.0%	47	3.0%	54	3.0%	58	3.0%	59	3.0%	60	61	63	64	65
INCENTIVE FEE	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0	0	0	0
<b>TOTAL</b>	<b>42</b>	<b>3.0%</b>	<b>47</b>	<b>3.0%</b>	<b>54</b>	<b>3.0%</b>	<b>58</b>	<b>3.0%</b>	<b>59</b>	<b>3.0%</b>	<b>60</b>	<b>61</b>	<b>63</b>	<b>64</b>	<b>65</b>
<b>INCOME BEFORE FIXED CHARGES</b>	<b>523</b>	<b>37.0%</b>	<b>657</b>	<b>41.6%</b>	<b>828</b>	<b>46.1%</b>	<b>922</b>	<b>47.7%</b>	<b>940</b>	<b>47.7%</b>	<b>959</b>	<b>978</b>	<b>998</b>	<b>1,018</b>	<b>1,038</b>
<b>FIXED CHARGES</b>															
FRANCHISE FEE	102	7.2%	114	7.2%	129	7.2%	139	7.2%	142	7.2%	145	148	151	154	157
INSURANCE AND TAXES	56	4.0%	63	4.0%	72	4.0%	77	4.0%	79	4.0%	80	82	84	85	87
FF&E RESERVE	14	1.0%	32	2.0%	54	3.0%	77	4.0%	98	5.0%	100	102	105	107	109
<b>TOTAL</b>	<b>172</b>	<b>12.2%</b>	<b>209</b>	<b>13.2%</b>	<b>255</b>	<b>14.2%</b>	<b>294</b>	<b>15.2%</b>	<b>319</b>	<b>16.2%</b>	<b>326</b>	<b>332</b>	<b>339</b>	<b>345</b>	<b>352</b>
<b>EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION &amp; AMORTISATION</b>	<b>351</b>	<b>24.8%</b>	<b>448</b>	<b>28.4%</b>	<b>573</b>	<b>31.9%</b>	<b>628</b>	<b>32.5%</b>	<b>621</b>	<b>31.5%</b>	<b>634</b>	<b>646</b>	<b>659</b>	<b>672</b>	<b>686</b>

**NOTES:**

1. PERCENTAGES OF DEPARTMENTAL EXPENSES ARE TO DEPARTMENTAL REVENUES; ALL OTHER PERCENTAGES ARE TO TOTAL REVENUE.
2. THE COMMENTS AND ASSUMPTIONS CONTAINED IN THIS REPORT ARE AN INTEGRAL PART OF THIS ESTIMATED STATEMENT.
3. TOTALS MAY NOT ADD DUE TO ROUNDING.

## Appendix VI

### IRR Calculations

**Best Western**  
**Investment Analysis (Excluding Land Cost)**  
**(Expressed In Thousands Of Inflated USD)**  
**Rooms 98**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Equity Investment	-	-	759	-	1,847	-	-	-	-	-	-	-	-
Income Before Debt Service & Taxes	-	-	-	351	448	573	628	621	634	646	659	672	686
Loan Interest				206	203	199	195	191	186	182	177	172	167
Depreciation/Amortisation				1,088	223	223	223	223	223	223	223	223	223
Total				1,294	426	422	418	414	410	405	401	396	391
Income After Deductions			-	944	23	151	210	207	224	241	259	277	295
Unused Loss Carry Forward				-	-	944	-	921	-	770	-	353	-
Taxable Income			-	944	-	921	-	770	-	560	-	353	-
Profits Tax	0.0%			-	-	-	-	-	-	-	-	-	-
Debt Service				298	298	298	298	298	298	298	298	298	298
Reversion	8.4%												8,163
Less Outstanding Debt													4,052
<b>Net Cash Flow Year 10 Reversion</b>	-	-	759	-	1,847	52	150	275	330	323	335	348	361
<b>Cumulative Cash Flow To Year 10</b>	-	-	759	-	2,606	-2,554	-2,403	-2,128	-1,798	-1,475	-1,140	-792	-431
<b>Cumulative Cash Flow To Year 10</b>	-	-	759	-	2,606	-2,554	-2,403	-2,128	-1,798	-1,475	-1,140	-792	-431

ESTIMATED IRR 12.59%  
PAYBACK YEAR 2037  
PAYBACK PERIOD 19 Years

**Best Western**  
**Investment Analysis (Excluding Land Cost)**  
**(Expressed In Thousands Of Inflated USD)**  
**Rooms 98**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028		
Equity Investment	-	-	2,168	-	5,278	-	-	-	-	-	-	-	-		
Income Before Debt Service & Taxes	-	-	-	351	448	573	628	621	634	646	659	672	686		
Loan Interest				-	-	-	-	-	-	-	-	-	-		
Depreciation/Amortisation				1,088	223	223	223	223	223	223	223	223	223		
Total				1,088	223	223	223	223	223	223	223	223	223		
Income After Deductions			-	737	225	350	405	398	410	423	436	449	462		
Unused Loss Carry Forward				-	-	737	-	512	-	162	-	-	-		
Taxable Income			-	737	-	512	-	162	242	398	410	423	462		
Profits Tax	0.0%			-	-	-	-	-	-	-	-	-	-		
Debt Service				-	-	-	-	-	-	-	-	-	-		
Reversion	8.4%												8,163		
Less Outstanding Debt													-		
Net Cash Flow Year 10 Reversion	-	-	2,168	-	5,278	351	448	573	628	621	634	646	659	672	8,849
Cumulative Cash Flow To Year 10	-	-	2,168	-	7,446	-7,095	-6,647	-6,074	-5,445	-4,824	-4,191	-3,545	-2,886	-2,213	-1,528
Cumulative Cash Flow To Year 10	-	-	2,168	-	7,446	-7,095	-6,647	-6,074	-5,445	-4,824	-4,191	-3,545	-2,886	-2,213	6,636

ESTIMATED IRR 7.99%  
PAYBACK YEAR 2031  
PAYBACK PERIOD 13 Years