



DOWNTOWN HOTEL MARKET ASSESSMENT

RIVERSIDE, CALIFORNIA

JUNE 12, 2018

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EXISTING DOWNTOWN HOTELS

Hotel	Room Count
Marriott at the Convention Center	291
Mission Inn Hotel & Spa	239
Hyatt Place Riverside	125
Total	655

Historical Hotel Market Performance

Year	Annual Rooms	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REV/PAR	Percent Change
2011	193,450	N/A	128,283	N/A	66.3%	\$121.30	N/A	\$80.44	N/A
2012	223,867	15.7%	143,776	12.1%	64.2	121.34	0.0%	77.93	-3.1%
2013	239,075	6.8	160,463	11.6	67.1	120.24	-0.9	80.71	3.6
2014	239,075	0.0	178,989	11.5	74.9	128.12	6.6	95.92	18.9
2015	239,075	0.0	189,516	5.9	79.3	140.59	9.7	111.44	16.2
2016	239,075	0.0	189,244	-0.1	79.2	149.26	6.2	118.15	6.0
2017	239,075	0.0	193,081	2.0	80.8	154.07	3.2	124.43	5.3
CAAG	3.1%		6.0%			3.5%		6.5%	
2/17 ytd	239,075	N/A	185,704	N/A	77.7%	\$150.58	N/A	\$116.97	N/A
2/18 ytd	239,075	0.0%	186,744	0.6%	78.1%	153.42	1.9%	119.84	2.5%

RevPAR (Revenue Per Available room) = Average Daily Rate (ADR) x Occupancy

CAAG (Compound Annual Growth Rate) = The mean annual growth rate over a specified period of time



APPROVED & PROPOSED NEW HOTELS

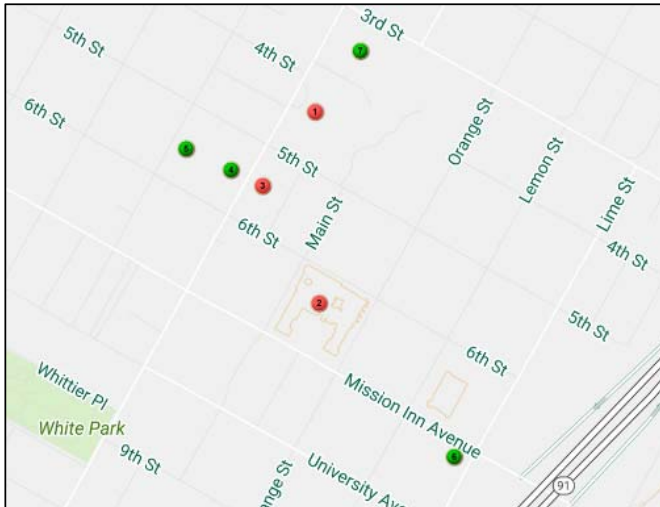
Downtown Riverside Hotel Market Proposed Additions	
Hotel	Room Count
Hampton Inn (Approved)	125
Home2 Suites (Approved)	119
R Hotel (Approved)	155
Residence Inn & Independent Hotel (Proposed)	130 & 30
Total	559
Source: CBRE Hotels	

- A 125-room Hampton Inn has been proposed in the southwest quadrant of the Fifth Street and Market Street intersection. The proposed hotel was approved in April 2016. The developer is currently applying for construction permits and construction is expected to begin in late Q2 2018. We have assumed the proposed Hampton Inn to open in August 2019 in our analysis.

APPROVED & PROPOSED NEW HOTELS

- A 119-room Home2 Suites has been proposed immediately west of the aforementioned proposed Hampton Inn. The proposed Home2 Suites is approved and entitled. The developer of both hotel projects is currently developing the Hampton Inn. We have assumed the opening in December 2019.
- The 155-room R Hotel has been proposed at the intersection of Mission Inn Avenue and Lime Street. The proposed hotel is approved and entitled and will include a full-service restaurant and bar and limited meeting space. We have projected the hotel to open in December 2020.
- A 130-room Residence Inn and 30-room Independent Hotel has been proposed on the parking lot just north of the Riverside Convention Center. The property will feature a combination of a 135-room Residence Inn by Marriott and a 30-room Independent hotel with a full-service restaurant. Additionally, we note the developer indicated they plan to build 21,000 square feet of meeting space adjoined to and operated by the Riverside Conference Center; however, we have not assumed this increase in conference center space in our analysis. We have projected the hotel to open in January of 2023.

EXISTING & PROPOSED DOWNTOWN HOTELS



Hotel

- 1 Marriott at the Convention Center
- 2 Mission Inn Hotel & Spa
- 3 Hyatt Place Riverside
- 4 Hampton Inn (Approved)
- 5 Home2 Suites (Approved)
- 6 RHotel (Approved)
- 7 Residence Inn & Independent Hotel (Proposed)

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DOWNTOWN DEVELOPMENTS



Map Code	New Development/ Cultural Attraction
1	Riverside Downtown Library
2	Riverside Food Lab
3	Hampton Inn/ Home2 Suites
4	Centerpoint Apartments
5	Stadler Building
6	Imperial Lofts
7	Main+ Nine
8	Chow Alley
9	Cheech Marin Center
10	RHotel
11	Mission Lofts
12	Radnet Medical Building
A	Fox Performing Arts Center
B	The Mission Inn Hotel
C	Riverside Convention Center
D	Centennial Plaza
E	Riverside Metropolitan Auditorium
F	Riverside Municipal Auditorium
G	Riverside Art Museum
H	Riverside County Courthouse

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RIVERSIDE AREA GROWTH

- The Riverside Convention Center has achieved occupancies of 42 percent, 48 percent, and 53 percent since completing its expansion.
- University of California Riverside featured a 2017 student enrollment of 23,278, an increase of 1.6 percent from 2016. Moreover, UCR's master plan calls for an expansion to 30,000 students by 2025, including significant international student growth.
- Growing hospital footprint including the 200,000 SF RUHS facility, Riverside Community Hospital expansion and the downtown Radnet building, in addition to the proposed Canyon Springs Healthcare Center.
- Passenger air traffic at Ontario International Airport has grown 14.7 percent as of year end 2017 from 2013.
- Inland Empire office vacancy has decreased from 17.0 percent in Q1 2014 to 12.0 percent in Q1 2018, while rental rates have increased from \$1.70/PSF to \$2.03/PSF over the same period.



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RIVERSIDE AREA GROWTH

- Riverside County's unemployment has decreased from 14.3 percent in 2010 to 5.1 percent as of year end 2017.
- Riverside County's construction employment has increased 10.6 percent from 2012 to 2017.
- Upon the Hyatt Place's opening, the market experienced demand increases of 12.1 percent and 11.6 percent amid supply increases of 15.7 percent and 6.8 percent in years 2012 and 2013, respectively.
- Downtown Riverside's cultural pipeline includes the Riverside Downtown Library, Riverside food Lab, Cheech Marin Center and Chow Alley, in addition to a growing food and beverage scene.
- Downtown Riverside's residential pipeline includes the Imperial Lofts, Mission Lofts, CenterPointe Apartments, the Stalder Plaza and Main + Nine; totaling 629 units, in addition to new retail and restaurant space.



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PROJECTED DOWNTOWN HOTEL PERFORMANCE

Year	Annual Rooms	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2018	239,075	0.0%	193,600	0.3%	81%	\$159.00	3.2%	\$128.76	3.5%
2019	261,705	9.5%	210,400	8.7%	80%	164.00	3.1%	131.85	2.4%
2020	332,850	27.2%	241,800	14.9%	73%	169.00	3.0%	122.77	-6.9%
2021	384,710	15.6%	272,000	12.5%	71%	174.00	3.0%	123.02	0.2%
2022	384,710	0.0%	280,200	3.0%	73%	179.00	2.9%	130.37	6.0%
2023	443,110	15.2%	314,600	12.3%	71%	184.00	2.8%	130.64	0.2%
2024	443,110	0.0%	324,000	3.0%	73%	190.00	3.3%	138.93	6.3%
2025	443,110	0.0%	333,700	3.0%	75%	196.00	3.2%	147.60	6.2%
2026	443,110	0.0%	343,700	3.0%	78%	201.00	2.6%	155.91	5.6%
CAAG	8.0%		7.4%			3.0%		2.4%	



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PROJECTED DOWNTOWN HOTEL PERFORMANCE

- Supply is expected to grow at a compound average annual rate of 8.0 percent from 2018 to 2026.
- Based on our analysis, supply is estimated to increase by 9.5 percent by year-end 2019 with the opening of the Hampton Inn and Home2 Suites.
- Supply is further estimated to increase by 27.2 percent in 2020 with the balance of rooms at the Hampton Inn and Home2 Suites and the opening of the R Hotel.
- Supply is projected to increase by 15.6 percent in 2021 due to the balance of the R Hotel's rooms. In 2023 supply is projected to increase 15.2 percent due to the opening of the proposed Residence Inn & Independence Hotel.
- With significant new supply entering the market over the next several years, the average daily rate of the competitive market is project to increase approximately 3.0 percent on an annual basis between 2018 and 2026.



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INDUCED/UNSATISFIED DEMAND ANALYSIS

The following is a series of 12 examples of cities adding their first or most recent convention center hotel. These include Atlanta, Georgia; San Antonio, Texas; San Diego, California; Philadelphia, Pennsylvania; Charlotte, North Carolina; Houston, Texas; Austin, Texas; Los Angeles, California; Indianapolis, Indiana; Dallas, Texas; and Nashville, Tennessee. For each, we have focused primarily on the impact to occupancy and how the new hotel rooms were absorbed.

Property Location	Open Date	Number of Rooms at Property	Period Under Consideration	Supply Increase	Demand Increase	Demand Increase Relative to Supply Increase
Atlanta	Jan-85	1,674	1985	36.2%	35.1%	97%
San Antonio	Nov-88	1,000	1989	13.5	12.0	89
San Diego (Hyatt)	Dec-92	875	1993	21.8	19.1	88
San Diego (Hyatt)	Aug-03	750	2003	11.6	14.2	122
Philadelphia	Jan-95	1,200	1995	18.9	21.2	112
Baltimore	Feb-01	750	2001	23.9	11.2	47
Sacramento	Apr-01	503	2001	17.1	3.9	23
Charlotte	May-03	700	2003	33.6	36.1	107
Houston	Dec-03	1,200	2004	45.0	60.5	134
Austin	Jan-04	800	2004	30.8	26.9	87
San Diego (Hilton)	Dec-08	1,190	2009	11.7	6.0	51
Los Angeles	Feb/Apr-10	1,001	2010	16.4	24.0	146
Indianapolis	Feb-11	1,005	2011	13.9	11.5	83
Dallas	Nov-11	1,001	2012	26.6	32.1	121
Nashville	Sep-13	800	2014	24.8	31.2	126



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INDUCED/UNSATISFIED DEMAND ANALYSIS

Perhaps the most straightforward methodology to present our findings relative to the ability of new convention center hotels to induce new demand into the market place is to examine the increase in supply and demand in the local marketplace soon after the opening of headquarters hotels. The table above presents these calculations in the year of opening, or first full year of operation.

As shown in the previous slide, demand for the new convention center hotels exceeded, or nearly exceed the increase in supply in each case. Additionally, upon the Hyatt Place's opening, the market experienced demand increases of 12.1 percent and 11.6 percent amid supply increases of 15.7 percent and 6.8 percent in years 2012 and 2013, respectively. This equals demand increases relative to supply increases of 77 percent and 170 percent, over the same periods.



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