COMMERCIAL REAL ESTATE SERVICES

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Mr. Nathan Freeman
Senior Project Manager
City of Riverside
Community & Economic Development Department
3900 Main Street, 5th Floor
Riverside, CA 92522

Dear Mr. Freeman:

In accordance with our agreement, CBRE Hotels has performed a study of historical and projected market demand relative to specific hotel additions outlined in the report. As such, we have presented the City of Riverside's historic lodging performance, as well as our market projections assuming the described supply additions enter the market.

The conclusions reached are based on our present knowledge of the competitive lodging market as of the completion of our fieldwork in Q3 2018. The following report summarizes our findings and reflects the conclusion of our analysis.

As in all studies of this type, the estimated results are based upon competent and efficient management and presume no significant change in the competitive market from that as set forth in this report. Since our results are based on estimates and assumptions that are subject to uncertainty and variation, we do not represent them as results that will actually be achieved.

It is expressly understood that the scope of our study and report thereon do not include the possible impact of zoning or environmental regulations, licensing requirements or other restrictions concerning the project, except where such matters have been brought to our attention and disclosed in the report.

The terms of this engagement are such that we have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of completion of our fieldwork; however, we are available to discuss the necessity for revision in view of changes in the economy or market factors which have a material effect on the proposed property.

This report has been prepared for the City of Riverside to assist in their hotel approval process. It is subject to the Statement of General Assumptions and Limiting Conditions presented in the Addenda, as well as to the assumptions presented herein.

Sincerely,

CBRE Hotels, Consulting

Jeff Lugosi, CRE, MAI, FRICS, ISHC
Managing Director

Section I

INTRODUCTION

INTRODUCTION

OVERVIEW OF THE MARKET STUDY

CBRE Hotels has been retained by the City of Riverside to perform a study of historical and projected market demand relative to specific hotel additions outlined below. As such, we have presented the City of Riverside's historic lodging performance, as well as our market projections assuming the described supply additions enter the market. A detailed explanation of our conclusion is presented in Section II of this report.

As a component of this analysis, we presented the market's existing and planned hotel additions and the projected market performance of the Riverside lodging market. This report represents the culmination of our market research, analysis, and assessments relative to the potential market demand in Riverside.

ASSUMPTIONS USED FOR PROJECTIONS

We have assumed the addition of five hotel projects in the City of Riverside, CA;

- 140-room Hampton Inn, estimated opening date: August 2019
- 119-room Home2 Suites, estimated opening date: January 2020
- 160-room R Hotel, estimated opening date: January 2021
- 126-Room unidentified extended-stay hotel, estimated opening date: January 2021
- 120-room La Quinta + 109-room unidentified hotel, estimated opening date: January 2022
- 200-room unidentified hotel at Lot 33, estimated opening date: January 2023

METHODOLOGY

In conducting this study, we:

- Focused on the downtown Riverside area hotel market;
- Considered and discussed hotel supply additions to the downtown Riverside area;
- Researched and analyzed current economic and demographic trends in Riverside County with a focus on Riverside and surrounding areas to determine the trends' impact on future lodging demand within the market;
- Identified the competitive supply of lodging facilities in the downtown Riverside area market;
- Reviewed the historical performance levels for the competitive lodging supply on a composite basis;

- Interviewed active developers and representatives of large employers in the area;
- Analyzed the proposed supply additions to the downtown Riverside area; and,
- Estimated the anticipated growth in demand for, and supply of, lodging accommodations in the competitive market area.

Several sources were used in compiling the background information and preparing the analysis contained in this report. These resources included *Hotel Horizons* published by CBRE Hotels; data on the local lodging market historically gathered through direct interviews with managers of the competitive properties; data provided by sources in the lodging chains with which the competitive properties are affiliated, as well as Smith Travel Research; and economic data on the region from various local governmental and planning entities.

AREA REVIEW

We gathered and analyzed relevant economic, demographic, and development data relative to Riverside County and the City of Riverside. The purpose of this analysis was to ascertain the economic climate in which the hotel market operates and create a basis for projecting future economic conditions.

MARKET RESEARCH

We have reviewed our database and conducted primary market research relative to the competitive market and prepared a seven-year history of occupancy and average daily rate trends. To obtain data on current conditions, market mix, and likely future results, we conducted primary research in the area including interviews with representatives of proposed competitive hotels and planning officials. Data on proposed non-hotel projects was also researched and reviewed to determine the likelihood of future additions to supply.

PREPARATION OF MARKET SUPPLY AND DEMAND ESTIMATES

We analyzed historical growth and the characteristics of each of the principal segments of demand for lodging accommodations and researched the potential additions to supply. Then, using the information gathered in our research, we projected the growth in demand from 2018 to 2026 for the competitive market, and combined the estimated future supply and demand to reach our conclusions of the overall market potential.

SUMMARY OF CONCLUSIONS

Riverside has evolved into a business-friendly municipality, as much of the development within the City has taken place in downtown Riverside, which has experienced significant growth over the previous few years and additionally features significant projects planned for the near and long term.

Notable proposed and under-construction projects include; California Air Resource Board, the Riverside downtown library, Riverside Food Lab, Cheech Marin Center, Chow Alley, Radnet Medical Building and several for-rent apartment/loft projects. These catalytic, high-profile projects will continue to spur the local economy. The downtown area is also home to cultural and artistic venues such as the historical Fox Performing Arts Center, Centennial Plaza, Riverside Metropolitan

Museum, Riverside Municipal Auditorium, and the historic Riverside County Courthouse. These commercial and public assets will continue to attract private investment and developer interest in the area. Overall, these projects are indicative of the growing appeal of downtown Riverside.

Within Riverside, the local lodging supply we were directed to focus on is comprised of two full-service hotels and two select-service hotels, all of which operate at very high occupancies. As will be discussed in Section III of this report, within Riverside, there is currently one proposed limited-service hotel (La Quinta at Orange Street & 60 Freeway), one proposed select-service hotel (Hampton Inn), two extended-stay hotels (Home2 Suites and the proposed hotel at University & Iowa Avenue near UCR), one full-service hotel (R Hotel), one undetermined hotel (at Orange Street & 60 Freeway) and one undetermined hotel (or possibly two hotels totaling 200 rooms) at Lot 33. The seven new hotel projects represent increases of 7.1 percent, 22.9 percent, 26.6 percent, 16.8 percent and 12.6 percent in years 2019 through 2023, respectively, in the Riverside market. The market is currently operating at above its long-term sustainable capacity. Based on our analysis of the existing supply and measurable demand for hotel room nights in the local market, we are of the opinion that the hotel room night demand within the market in the near future is strong enough to support the addition of the aforementioned guestrooms, assuming the Riverside Convention Center is able to continue to market itself successfully and downtown Riverside continues to develop as projected.

HISTORICAL AND PROJECTED MARKET PERFORMANCE

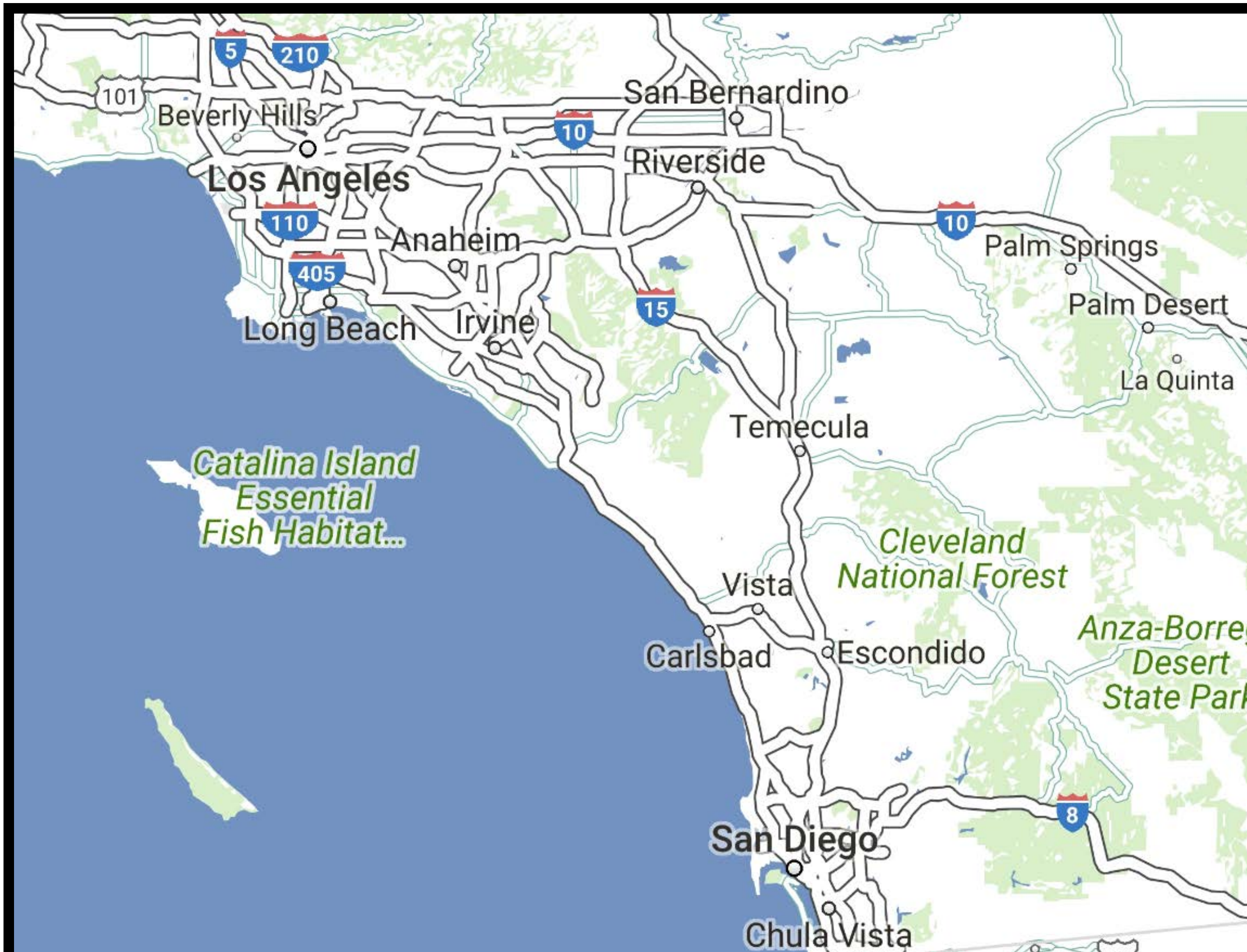
We have analyzed the performance and mix of demand for the hotel properties within Riverside. Considering economic and market indicators, we have estimated the market area's supply of and demand for hotel room nights.

The table on the following page outlines our estimates of occupancy, average daily rate, and the resulting revenue yield for the downtown Riverside area hotel market. It should be noted that figures are rounded to the nearest dollar amounts.

Historical and Projected Market Performance of the Riverside Market									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Average Daily Rate	Percent Change	REVPAR	Percent Change
Historical									
2011	252,945	N/A	167,490	N/A	66.2%	$111.78	N/A	$74.01	N/A
2012	283,362	12.0%	182,329	8.9%	64.3	113.46	1.5%	73.00	-1.4%
2013	298,570	5.4	199,432	9.4	66.8	113.64	0.2	75.91	4.0
2014	298,570	0.0	222,063	11.4	74.4	120.82	6.3	89.88	18.4
2015	298,570	0.0	235,922	6.2	79.0	133.35	10.4	105.37	17.3
2016	298,570	0.0	233,482	0.3	78.2	142.83	6.3	111.69	6.7
2017	298,570	0.0	238,259	2.1	79.8	149.01	4.3	118.91	6.5
CAAG	2.8%		6.0%			4.9%		8.2%	
5/17 ytd	298,570	N/A	236,169	N/A	79.1%	$146.15	N/A	$115.60	N/A
5/18 ytd	298,570	0.0%	234,676	-0.6%	78.6%	151.76	3.8%	119.28	3.2%
Projected									
2018	298,570	0.0%	238,900	0.3%	80.0%	$155.00	4.0%	$124.02	4.3%
2019	319,862	7.1	255,900	7.1	80.0	160.00	3.2	128.01	3.2
2020	393,105	22.9	292,900	14.5	75.0	164.00	2.5	122.20	-4.5
2021	497,495	26.6	353,700	20.8	71.0	169.00	3.0	120.15	-1.7
2022	581,080	16.8	401,800	13.6	69.0	174.00	3.0	120.32	0.1
2023	654,080	12.6	442,900	10.2	68.0	180.00	3.4	121.88	1.3
2024	654,080	0.0	456,200	3.0	70.0	185.00	2.8	129.03	5.9
2025	654,080	0.0	469,900	3.0	72.0	191.00	3.2	137.22	6.3
2026	654,080	0.0	484,000	3.0	74.0	196.00	2.6	145.03	5.7
2027	654,080	0.0	497,100	2.7	76.0	202.00	3.1	153.52	5.9
CAAG	9.1%		8.5%			3.0%		2.4%	
Source: CBRE Hotels									

Section II

AREA REVIEW AND NEIGHBORHOOD ANALYSIS



CBRE

Area Map

AREA REVIEW

INTRODUCTION

The economic climate of the market area is an important consideration in forecasting hotel demand and growth potential. Economic and demographic trends that highlight the amount of visitation provide a basis for hotel demand projections. The purpose of this section is to review available economic and demographic data to determine whether the local market area will experience future economic growth. Accordingly, presented in the following section is an overview of the Riverside-San Bernardino Area, followed by an analysis of the City of Riverside.

INLAND EMPIRE OVERVIEW

The "Inland Empire", comprised of Riverside and San Bernardino Counties, is bordered by Los Angeles and Orange County on the west, on the east by the states of Nevada and Arizona, and to the south by San Diego County. Riverside County covers 7,304 square miles while San Bernardino covers 20,106. The 2017 population of the area totals more than approximately 4.5 million people. The area's population count makes it larger than 24 states. Riverside, the center of the Inland Empire is located approximately 60 miles east of the center of Los Angeles, 110 miles northeast of San Diego, and 200 miles southwest of Las Vegas.

The Inland Empire is a major transportation hub for both rail and truck service, is home to the Ontario International Airport (a UPS hub, both small packages and air freight, and for service from Asia), and is a major distribution center for firms moving goods through Southern California's ports to the rest of the U.S. The Ontario International Airport, strategic freeway access, two rail lines, and service by Amtrak and MetroLink make the region a transportation hub. There are also three ex-military air fields that are being redeveloped for commercial use: George Air Force Base as the Southern California Logistics Airport, Norton AFB as the San Bernardino International Airport, and March AFB as the March Inland Port. Norton AFB completed the majority of its renovations in 2011. The airport is now used as a cargo and general aviation facility, with no commercial flights contracted to pass through the airport.

This area also has an impressive array of higher educational institutions, including the University of California Riverside (UCR), California Baptist University, University of La Sierra, Cal State San Bernardino, University of Redlands, Loma Linda School of Medicine, and the University of La Verne College of Law, the Inland Empire's only ABA accredited law school. In 2013 UCR welcomed its charter class of medical students to the University of California, Riverside School of Medicine. Just to the west of the county line in Los Angeles are the Claremont College group and Cal Poly Pomona. There are also numerous community colleges serving the area, such as Riverside City College. The two-county area also has a diverse portfolio of quality of life elements. These include desert resorts with championship golf courses, mountain resorts that offer skiing in the winter and biking and hiking trails in the summer, Southern California's leading wine country, a natural hot springs spa destination, and relative proximity to internationally recognized destinations in Los Angeles and Orange Counties. There are also fine arts centers and performing arts venues. The Auto Club Speedway in Fontana is the largest auto racetrack in Southern California.

Affordable home ownership had historically been the primary motivating factor behind growth in the Inland Empire as homes in these communities are generally less expensive than comparable homes in Orange and Los Angeles Counties, and employees are willing to work for less to avoid long commutes. Although these trends reversed during the recession, with the Inland Empire being one of the local economies hit hardest, encouraging signs have emerged and the area is continuing to grow in a positive manner. As unemployment trends downwards, the region is anticipated to experience widespread growth, fueling the region's prosperity in coming years.

Economic and Demographic Overview

Employment

There is a diverse economic base in the Inland Empire. Using December 2017 employment as a measure, the leading private industries were: trade, transportation and utilities with 366,000 jobs, education and health services with 224,800 jobs, and leisure and hospitality with 165,700 jobs. Of all industries, the construction sector has seen the greatest increase recently in employment on a percentage basis, increasing by 10.6 percent over the past six years. The table below depicts the historical trend in employment, segmented by sector, from 2012 through 2017, in San Bernardino and Riverside Counties.

San Bernardino and Riverside Counties Employment History

Title	2012	2013	2014	2015	2016	2017	CAAG
Total Nonfarm Employment	1,185,200	1,233,300	1,289,300	1,347,400	1,400,800	1,451,600	4.3%
Construction	62,600	70,000	77,600	85,200	92,500	97,000	10.6
Manufacturing	86,700	87,300	91,300	95,600	98,900	98,700	3.3
Trade, Transportation, & Utilities	287,600	299,700	314,900	332,500	346,300	366,000	4.9
Information	11,700	11,500	11,300	11,300	11,600	11,300	-0.2
Financial Activities	40,200	41,300	42,300	43,200	45,300	44,500	3.0
Professional and Business Services	127,500	132,400	139,300	144,400	145,800	147,200	3.4
Education and Health Services	173,600	187,600	194,800	205,000	214,300	224,800	5.4
Leisure and Hospitality	129,400	135,900	144,800	151,500	159,700	165,700	5.4
Other Services	40,100	41,100	43,000	44,000	45,100	45,600	3.0
Government	224,600	225,200	228,800	233,400	240,500	250,000	1.8

Source: California Employment Development Department, Labor Market Information Division

Unemployment

The table on the following page presents a history of unemployment rates for the Riverside-San Bernardino County Metropolitan Services Area (MSA) and the State of California. The unemployment rate in the Riverside-San Bernardino-Ontario MSA was 5.1 percent in December 2017, down from a rate of 5.9 percent a year prior. This compares with an unadjusted unemployment rate of 4.8 percent for California and 4.4 percent for the nation during the same period.

Unemployment Rate Comparison Riverside County/San Bernardino MSA/State of California 2006 – 2017		
Year	Riverside/San Bernardino MSA	State of California
2006	4.9%	4.9%
2007	5.8	5.4
2008	8.3	7.2
2009	13.2	11.3
2010	14.3	12.4
2011	13.6	11.8
2012	11.5	10.4
2013	9.8	8.9
2014	8.1	7.5
2015	6.6	6.2
2016	5.9	5.4
2017	5.1	4.8

Source: State of California Employment Development Dept.

Industrial Office Market

The Inland Empire is comprised of 511.8 million square feet and represents more than 25 percent of the total industrial space in the Los Angeles basin for buildings 10,000 square feet and greater. Considered the premier big-box market in Southern California, approximately 88 percent of the space in this market is contained in buildings 100,000 square feet and greater. The vast majority (90 percent) of its space was built in the past 25 years. The Inland Empire continues to attract large distributors, warehousers and logistics firms seeking to consolidate their operations into large, state-of-the-art facilities. For descriptive and research purposes, the Inland Empire industrial market is comprised of East (Riverside, San Bernardino, and Corona) and West (Ontario, Rancho Cucamonga, and Fontana) submarkets.

Despite cyclical trends during the summary that normally prompt a slowdown in activity, in Q1 2018 gross activity soared. Strong activity can be traced back to the continuous migration of e-commerce and consumer goods users occupying larger big-box industrial facilities. As a result, logistics and transportation users leased smaller industrial facilities to aid in the movement of goods for big box tenants. Activity for product under 150,000 square feet benefited the most, followed by product 200,000 square feet to 500,000 square feet resulting in strong rental growth. Strong market fundamentals benefitted from industrial assets appreciation due to supply constraints. Overall, activity in the market remained steady and balanced setting the stage for another red letter year, with more big deals in the works.

After a strong Q1 2018, year-to-date occupancy gains reached 10.0 million square feet for the fourth consecutive quarter. At its current pace, the Inland Empire is on track for its fourth consecutive year of 40.0 million square feet of gross activity and over 17.0 million square feet of positive net absorption. The overall average asking lease rate ended Q1 2018 at $0.53 per square foot in the Inland Empire, unchanged since Q4 2017. Year-over-year average asking lease rates grew 3.9% due to strong activity across most size segments. Rents remained at peak pricing but the amount of new industrial big-box deliveries slowed rental growth. Over the last 9 to 12 months, rent growth was substantial for light industrial product when compared with its big box counterpart. Mirroring the prior quarter, the rental price elasticity between the Inland Empire - East and Inland Empire -

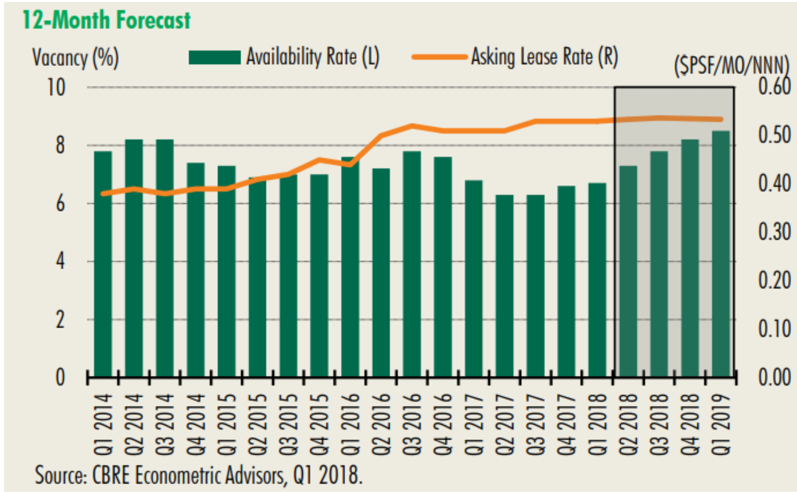
West shrank due to supply constraints in the Inland Empire - West pushing larger users eastward. Despite slower rental growth, increases in land value and construction costs are expected to be the main catalyst for future rental growth. CBRE-EA forecasts that rents will grow by 1.7% in 2018, despite new completions outpacing net absorption.

The overall vacancy rate in the Inland Empire at the end of Q1 2018 was 3.6%, down 10 basis points (bps) since Q4 2017 due to strong big-box industrial demand in the Inland Empire - East where available supply remained plentiful. Over the last seven quarters, the sub-4.0% vacancy prevailed despite the more than 36.0 million square feet of new product delivered. Availability trended in the opposite direction of vacancy ending Q1 2018 at 6.7%, up 10 bps since Q4 2017. Regardless of the slight increase in availability, strong activity kept available supply in check. CBRE-EA forecasts that availability will reach 8.4% by year end as new completions outpace occupancy gains.

As expected entering 2018, the need by many ecommerce related users to occupy big box industrial facilities pushed users eastward, resulting in strong occupancy gains in the Inland Empire - East. E-commerce, third-party logistics (3PLs) and consumer goods users dominated the quarter resulting in over 6.0 million square feet of net absorption. Activity from 3PLs illustrated the ever-growing presence of e-commerce and retail users expanding their industrial footprint. Key transactions contributing to occupancy gains included a major ecommerce giant and a multinational package delivery company occupying over 1.0 million square feet each in Riverside, while Always subleased over 886,000 square feet in Mira Loma.

Current under construction activity of 19.5 million square feet will increase in the coming weeks with the developments set to break ground. New completions during the quarter reached 6.9 million square feet with nearly 4.3 million square feet pre-leased. For example, a major e-commerce giant pre-leased over 2.0 million square feet of the 4.3 million square feet. Strong pre-leasing activity over the last two years boosted occupancy gains to record levels and kept vacancy in check. Risk of overbuilding remained low due to a balance between demand and development activity.

As one of most active industrial markets in the nation, the Inland Empire is a prime location benefiting from logistics advantages, remarkable demand, and solid rental growth. An ample amount of available land for future industrial developments makes the region perfect for big box industrial development. Steady construction activity over that last four years resulted in significant growth in the industrial base, which positively impacted the local economy. The strong occupancy gains over the last 36 months bodes well for the rest of 2018 and is expected to boost the overall average asking lease by 1.7%.



Commercial Office Market

The Inland Empire started the year with a slow first quarter as several leases expired and new activity did not offset the vacancies in some markets. Two major move-outs in Ontario led to negative net absorption for Inland Empire - West. In the broader context, however, the Inland Empire office market has produced positive net absorption for 24 of the past 25 quarters. A lack of development activity and increased tenant demand, combined with population growth, make the Inland Empire an attractive market for tenants.

The IE has one of the fastest growing populations in the country for the 12-month period ending June 30, according to recent estimates from an analysis by the U.S. Census Bureau. Riverside County ranked third among all counties nationwide for population growth last year with 36,744 more residents, up 1.5% from the prior year. San Bernardino County ranked 18th in the country. Combined, the Riverside-San Bernardino-Ontario metro area ranked seventh nationwide.

The Inland Empire's nonfarm workforce employment expanded year over year by 55,600 jobs, or 3.9%, in February from the prior year. The region's seasonally unadjusted unemployment rate decreased to 4.4%, which was in line with both the state (4.5%) and national (4.4%) rates. The Inland Empire's rate was 120 bps below the 5.6% year-ago estimate. Riverside County's rate was 4.6% while San Bernardino County was 4.3% in February. Transportation and warehousing led the region in year-over-year growth with a gain of 12,200 jobs. Other industries with significant gains were construction, education, health services, and business services. The only office using sector to report a year-over-year decline in employment was information, which had a decline of 100 jobs, or less than a 1.0% drop from a year ago.

The average asking lease rate in the Inland Empire increased to $1.93 per square foot per month. The 1.0% annual growth rate was in line with the past few quarters and indicated a flattening in growth rate compared with the peak reached in 2015. Asking lease rates in Inland Empire - West increased by $0.04 quarter over quarter to $2.03 per square foot. Ontario and Rancho Cucamonga increased from $1.96 per square foot in Q4 2017 to $2.00 and $2.07 per square foot, respectively, in Q1 2018.

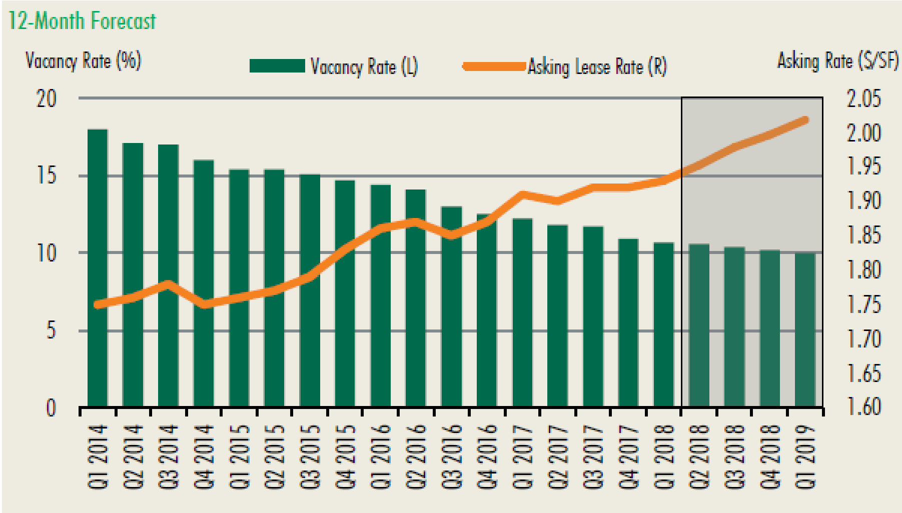
Asking lease rates narrowed for most markets greater than 1.0 million square feet in the Inland Empire - East and West. Monthly rates in Corona, Riverside, Ontario and Rancho Cucamonga ranged from $2.00 per square foot to $2.12 per square foot, with only San Bernardino and Redlands offering a discount. Rates continued to increase, albeit slowly, as landlords offset higher tenant improvement costs associated with those transactions to remain competitive as the Inland Empire total vacancy rate neared single digits.

The Inland Empire total vacancy rate declined 20 bps to 10.7% in Q1 2018 from 10.9% in Q4 2017. The Inland Empire – East's vacancy rate improved by 60 bps compared with the previous quarter as vacancy decreased in its largest cities. Riverside led the entire Inland Empire with a 90 bps quarter-over-quarter vacancy decrease and 180 bps year-over-year decrease. Although IE East was the key driver for gross leasing activity during the quarter, smaller areas such as Colton, Loma Linda, Norco and Grand Terrace had setbacks. Vacancy in the Inland Empire - West ticked up as strong activity in the Chino/Chino Hills area did not offset large move-outs from long-term leases that expired in Ontario and Fontana. Rancho Cucamonga's vacancy rate held steady at 6.7%. There are no new office buildings planned or currently under construction in the Inland Empire. High construction costs and abundant available space, combined with current trends for smaller office footprints, have stifled interest from developers and investors. A few speculative developments have been proposed, but no new buildings are expected to break ground within the next quarter.

Government occupiers and medical office remained the strongest industries in the region contributing to first quarter gains. Non-profit Buddhist organization SGI-USA was among the largest new leases signed during the quarter at 9,701 square feet in Riverside. Riverside's 62,464 square feet of positive net absorption outpaced the region's total of 59,165 square feet of positive net absorption. the Inland Empire - East totaled 90,051 square feet of positive net absorption, marking three out of the past four quarters with positive absorption of at least 90,000 square feet for Inland Empire - East. Although Redlands is a smaller market, it played a significant part of that trend emerging as an office market destination due to its thriving downtown and comparatively low lease rates. Its rolling four quarter total of 60,961 square feet of positive net absorption outpaced larger cities such as San Bernardino. Corona has always been a popular Inland Empire - East destination due to its proximity to Los Angeles and Orange County; this quarter continued with 8,390 square feet of positive net absorption.

The Inland Empire - West ended a run of nine quarters of positive net absorption. Ontario's 53,198 square feet of negative net absorption was attributed to two major moveouts resulting in the city's weakest quarter since Q4 2012. Chino/Chino Hills was the lone bright spot in the Inland Empire - West with 25,024 square feet positive net absorption.

Sales volume slowed after volume topped $700 million in 2017. The largest office building transaction of the quarter was 4244 Riverwalk Parkway in Riverside. It was part of an 11-building portfolio sold by Heitman and Montecito Medical Real Estate for $13.6 million, or $363 per square foot. The buyer was HCP, Inc., a public REIT that primarily invests in medical real estate. The second largest was the sale of 8855 Haven Ave in Rancho Cucamonga. The transaction was an owner-user sale to another owner-user. Haven Building, Inc. purchased the property for $6.8 million from Chronoblue Investments with the intent of occupying the building.



Source: CBRE Econometric Advisors, Q1 2018.

Transportation

Air

Ontario International Airport is a medium-hub, full-service airport with direct service to major US cities and several international destinations. It is located approximately 38 miles east of downtown Los Angeles. Ontario International Airport's service area includes San Bernardino and Riverside Counties and portions of north Orange County and East Los Angeles County. The following table provides year-end data on Ontario International Airport passenger and cargo statistics from 2006 through 2017.

Volume of Air Traffic
Ontario International Airport

Year	Passengers	Cargo (Tons)
2006	7,049,904	544,600
2007	7,207,150	532,865
2008	6,232,761	481,284
2009	4,886,695	391,060
2010	4,808,241	392,427
2011	4,551,875	417,686
2012	4,305,426	454,880
2013	3,969,974	460,535
2014	4,127,280	474,502
2015	4,209,311	509,809
2016	4,251,903	567,295
2017	4,552,225	626,489
*CAAC 2006-2017	-5.7%	0.6%

*CAAC = Compound Annual Average Change
Source: Fly Ontario

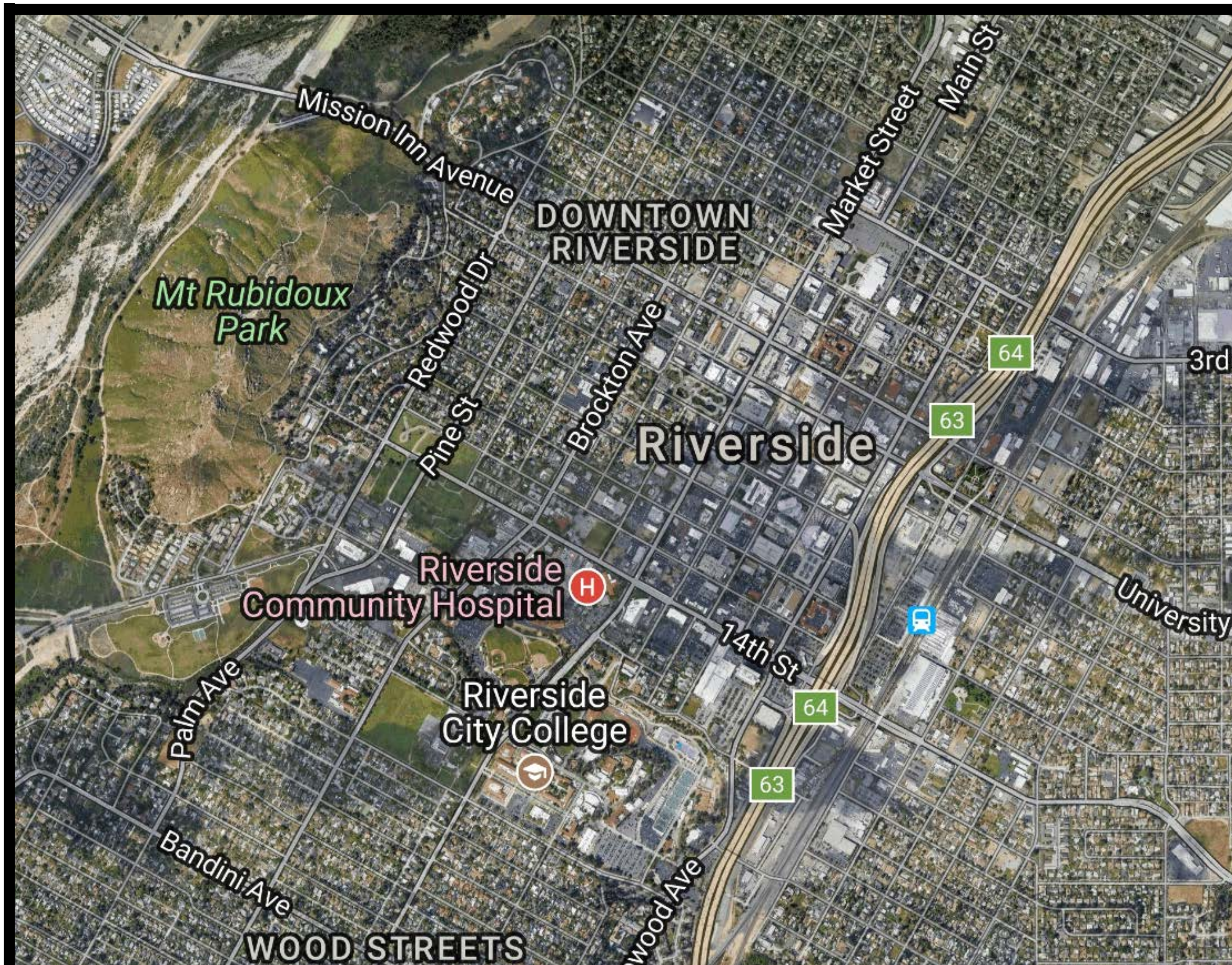
With the continued rising costs of fuel and airline cutbacks, Ontario International Airport lost nearly one third of its flights between 2008 and 2010, making the airport one of the nation's hardest hit by an industry-wide rush to cut flights amid difficult economic conditions. However, in the mid to long-term, healthy growth is still expected as many of the area's other airports are unable to expand to accommodate the anticipated increases in demand. It was estimated by the Southern California Association of Governments (SCAG) that Ontario International Airport could service as many as 20 million air passengers by 2025. Despite the steep declines during the recession this estimate may not be overly optimistic considering recent developments in the transfer of ownership. After a long legal process and negotiations, the city of Los Angeles has agreed to return local control of the Ontario International airport to the city of Ontario. The city of Ontario relinquished control of the Airport in 1985, but had been fighting to regain control of the airport since alleged mismanagement and apathy by the City of Los Angeles led to sharp passenger declines from 2007 to 2012. The city of Ontario had filed a lawsuit in order to regain control of operations with a court date in August 2015, but prior to this date, the city of Los Angeles agreed to return the airport to local control provided that roughly $250 million in reimbursement costs and debt be paid and assumed. This local ownership, which officially occurred on November 1, 2016, is anticipated to allow the Ontario International Airport to reduce its cost structure and increase marketing, advertising, and promotion of the airport. The change will allow Ontario to better compete with other Southern California destinations and ultimately benefit the local and regional hotel communities.

Highways

Because the primary mode of transportation in Southern California is the automobile, San Bernardino and Riverside Counties both benefit from an extensive transportation network, with major roadways traveling both north/south and east/west. Interstate 10 and State Routes 60 and 91 are the major east/west thoroughfares connecting the San Bernardino and Riverside County area with the Los Angeles basin to the west, and the Coachella Valley to the east. Interstates 15 and 215 and State Route 71 are the primary north/south thoroughfares in the area. While State Route 71 and Interstate 215 are used primarily as intraregional transportation, Interstate 15 connects the area with San Diego to the south and Las Vegas to the north.

AREA CONCLUSIONS

The Inland Empire and the surrounding area is home to a very large population base. Air access to the county is very good with the Ontario International Airport and LAX 70 miles away. The region continues to present a viable place to do business and is expected to continue to grow as economic signs continue to improve in the near-term.



CBRE Neighborhood Map

CITY OF RIVERSIDE OVERVIEW

INTRODUCTION

The City of Riverside is the most populous city in Riverside County and is the county seat. It is approximately 60 miles east of Los Angeles. To the west of Riverside, 15 minutes away, is the city of Corona, Moreno Valley to the east, and San Bernardino to the north. It is the 12th most populous city in California, and the 59th most populous in the United States.

Founded in 1870 by John North and a group of Easterners, Riverside was built on land that was once a Spanish Rancho. The first navel orange trees were planted in 1873 and within a few years the successful cultivation of navel oranges, which thrived in the Southern Californian climate, led to the establishment of the citrus industry. By 1882 there were more than half a million citrus trees in California, with almost half of them in Riverside. The development of refrigerated railroad cars and innovative irrigation systems made Riverside one of the wealthiest cities per capita by 1895. Riverside became popular with Easterners, who relocated to the warm, dry climate for health reasons and to escape eastern winters.

Population/Demographics

According to the City's 2017 Comprehensive Annual Financial Report, Riverside's population in 2016 was 326,792. The estimated per capita income in 2016 was $21,845. The following table illustrates the City's historical population, per capita income, and unemployment rate.

Demographic and Economic Statistics
City of Riverside

Year	Population	Per Capita Income	Unemployment Rate
2005	286,572	$20,261	5.4%
2006	289,045	21,501	5.1
2007	291,814	22,324	6.1
2008	296,038	22,514	8.6
2009	300,769	21,918	13.7
2010	304,051	21,783	14.8
2011	308,511	22,080	13.7
2012	311,955	22,193	9.7
2013	314,034	22,002	8.4
2014	314,221	21,824	7.9
2015	324,696	21,414	6.4
2016	326,792	21,845	5.8
CAAC	1.3%	0.6%	

Source: City of Riverside 2017 CAFR

As the county seat, Riverside is home to many state government offices as well as County, State and Federal Courts including the Riverside County Superior Court, U.S. Bankruptcy Court, U.S. District Court, Court of Appeal, Family Law Court, Hall of Justice, and the State of California Building. Major employers in the City of Riverside are presented in the following table.

Principal Employers		
Employer	Number of Employees	Distance From City Hall (Mi.)
County of Riverside	11,956	0.1
University of California	8,306	2.2
Kaiser Hospital	4,500	N/A
Riverside Unified School District	4,000	0.6
City of Riverside	2,507	0.1
Riverside Community Hospital	2,400	0.7
Riverside County of Education	1,765	0.5
Alvord Unified School District	1,445	5.7
Parkview Community Hospital	1,350	6.4
Riverside Community College District	1,061	0.6
Source: City of Riverside 2017 CAFR		

Transient Occupancy Tax

One method of tracking visitor trends is by analyzing the transient occupancy tax (TOT) revenue, also known as bed tax revenue. The TOT reflects taxes on room revenue for lodging facilities in the Riverside. The TOT rate in Riverside is currently 13.0 percent. This City TOT revenue has experienced a 6.1 percent compound annual growth rate from 2006/07 to 2016/17. Assuming that all hotels located within the City have been paying room tax on a regular basis, the following table highlights the increase in occupancy and/or average daily rate experienced by these hotels.

Transient Occupancy Tax Revenue City of Riverside 2006/07– 2016/17 (Fiscal)		
Year	Tax Revenue	Percent Change
2006/07	3,581,000	N/A
2007/08	3,795,000	6.0%
2008/09	2,912,000	-23.3
2009/10	2,488,000	-14.6
2010/11	2,731,000	9.8
2011/12	2,995,000	9.7
2012/13	3,703,000	23.6
2013/14	4,189,000	13.1
2014/15	5,280,000	26.0
2015/16	6,093,000	15.4
2016/17	6,622,000	8.0
CAAG	6.1%	
Source: Riverside City Administrative Office		

Transportation

The City of Riverside is served by a variety of transportation infrastructures and a wide range of services and facilities including Interstate 215, State Route 60, State Route 91, two MetroLink commuter rail stations (Riverside-Downtown and Riverside-La Sierra via the Inland Empire-Orange County and 91 Lines), and Ontario International Airport. Local bus service is provided by the Riverside Transit Agency (RTA).

Points of Interest

Riverside Convention Center

Located at 5th Street and Main Street, the Riverside Convention Center offers 65,000 square feet of indoor meeting space, with 22 meeting rooms and state-of-the-art audiovisual technology. The convention center also has 20,000 square feet of outdoor and pre-function space. The convention center underwent a ground-up $43 million renovation and rebuild in 2014, which added a 30,000-square foot exhibit hall, 4,000-square foot banquet room, breakout rooms, new foyer, and landscaped outdoor space. Since renovation, the convention center has done very well according to Convention and Visitor's Bureau officials. Originally the convention center primarily hosted SMERF events (Social, Military, Education, Religious, and Fraternal groups), but now attracts a greater level of national, regional, corporate, and association business.

University of California, Riverside

The University of California, Riverside (UCR) is a four-year university that is part of the University of California system located on 1,900 acres. Current enrollment at UCR totals 23,000 students, and approximately 852 ladder rank faculty members. Contingent on additional funding from the state, a master plan for the University calls for expansion to 30,000 students by 2025, with 500-700 students expected to be added this coming fall. Faculty expansion is already underway as the number has grown from 671 to 852 over the past three years and should be at 971 within the next two years. The campus continues to expand with a number of buildings under construction or being remodeled. UCR is embarking on a project to add approximately 5,000-7,000 additional on-campus beds to accommodate recent and potential growth. The master facilities plan includes additional academic settings such as laboratories, libraries, and performing arts studios, as well as housing and recreational facilities. Prominent features of the UCR campus include the 161-foot Carillon tower, the Botanic Gardens, and acres of citrus groves. UCR is one of the fastest growing campuses in the UC system. The school recently won approval and secured funding for an expansion plan that includes construction of a second research facility, engineering building, student health center, and an arena. In addition, the California Air Resources Board approved the relocation of a motor vehicle and engines emissions testing and research facility to the UCR campus.

Riverside City College

Riverside City College (RCC) is a community college that serves more than 19,000 students each semester. Founded in 1916, Riverside City College offers pre-college, transferrable, and career-technical courses. RCC recently completed the $80 million Centennial Plaza, which opened in spring of 2016 and features a four-level parking structure and two floors of office space for district employees. As part of the new development, the RCC Culinary Academy moved to the new building complete with a 116-seat dining room open to the public as of October of last year. The number of customers has tripled since the dining hall moved to its new downtown location.

Cal Baptist University, Riverside

California Baptist University (CBU) is a four-year university founded in 1950, located on 160 acres. Current enrollment at CBU totals over 9,000 students. The University offers 3 doctoral programs, 25 master degree programs, and 81 majors at the undergraduate level. The campus is comprised of 30 buildings, including the Lancer Aquatic Center, considered one of the finest aquatic centers in the Inland Empire, as well as the 270 seat Wallace Theater, and the 94,800 square foot Eugene and

Billie Yeager Center. A new 5,000 seat indoor arena to house the athletics teams, including the men's and women's basketball, wrestling, and volleyball teams recently opened in late 2017. In addition to the arena, CBU has broken ground on a 100,000 square foot facility to house the new College of Engineering that will expand enrollment and include classrooms, faculty and administrative spaces, and a large engineering hall.

Riverside Community Hospital Addition

Riverside Community Hospital, a general acute care hospital with basic emergency services and a level III trauma center, is currently undergoing a $400 million expansion which will include a new seven-story, 260,000-square foot tower, a three-story medical office building, and a five-story parking garage. Upon completion, the hospital will have a total capacity of 558 acute-hospital beds, including 135 new private patient rooms. The expansion is scheduled for completion in late 2018.

Historic Mission Inn Hotel and Spa

Built in 1876, the Glenwood, a two-story, 12-room boarding house was built and is now the historic Mission Inn Hotel & Spa. Designed in the mission revival style, the famous Mission Inn has played host to presidents, royalty, and movie stars including Presidents Roosevelt, Nixon, and Reagan. The Mission Inn has undergone several additions and an expansion, gone through several different ownerships, and spans an entire city block in downtown Riverside. One of the signature events held at the hotel is the annual Festival of Lights. In its 26th year, the Festival of Lights draws visitors from around the region to view the half a million lights and the live 19-foot noble fir Christmas tree in the hotel lobby. To decorate the tree takes staff approximately 100 man hours.

Fox Performing Arts Theater

The Fox Performing Arts Theater was built in 1929 in the design of the Spanish Colonial Revival style. The historic theater is best known for hosting the first showing of the 1939 film Gone with the Wind. The theater is the centerpiece of the City's Arts & Culture initiative. It underwent a major renovation in 2007 and was reopened in 2010. The theater was expanded to 1,600 seats and can accommodate Broadway-style productions. In December 2013, Live Nation, a leading concert promotion company, assumed operations of the Fox Performing Arts Theater. According to Live Nation's management, 120,000 visitors came to the Riverside Fox Theater and the Riverside Municipal Auditorium (RMA) in 2016, and about 25 percent of the audience was from Los Angeles and Orange counties. Live Nation officials said they expect to meet 2018's fiscal year projections, which features 90 shows at the Fox Performing Arts Theater and 56 events at the RMA.

Notable Proposed and Under-Construction Projects

The Riverside Downtown Library

Riverside's proposed main library would be a two-story, 35,000-square-foot, building that would be elevated on a 30-foot pedestal to create a plaza and pedestrian walkway underneath. The outer walls of the rectangular structure would be covered in white marble-look porcelain tile and plaster. An asymmetrical teardrop window would open horizontally onto the warm wood interior. The $40 million project includes an outdoor terrace at one corner that could be used for lectures and other small events. The ground-level plaza could host performances and public gatherings. The antipcated ground breaking is spring 2020.

Riverside Food Lab

Riverside Food Lab, which opened in late August of 2018, is a communal food hall featuring 14 artisanal eateries and bars - a culinary showcase that connects Riverside's agricultural roots with the latest trends in foodie culture. Established restaurateurs and food entrepreneurs now share a state-of-the-art communal space that celebrates the impressive range of Riverside's diverse cuisines.

Cheech Marin Center

The Cheech Marin Center for Chicano Art, Culture, and Industry of the Riverside Art Museum or, as it is affectionately nicknamed, "The Cheech", will explore Chicano culture from the barrio to the bay, cholos to Cesar Chavez, and pre-Columbian to modern murals. The Cheech will be located in downtown Riverside, next to the historic Mission Inn, in a 61,420-square-foot facility that was originally opened in 1964 as the Riverside Public Library. The Cheech is an ideal adaptive reuse of this mid-century building with the transformation from library to art center preserving many of its historic aspects. Anticipated opening is late 2020.

Chow Alley

This unique dining spot bordered roughly by Main, Market, 10th and 11th streets will create an innovative, fun and intriguing oasis of food and drink in an urban setting found nowhere else in Riverside or San Bernardino counties. It also will bring much-needed relief to jurors and people doing business at the downtown courts, who need more options for a quick and enjoyable meal in the immediate vicinity.

Innovation District

Riverside has embraced the concept of creating an innovation district as a way to continue to attract investment, retain local talent, create jobs and sustain the entrepreneurial spirit. The City's first innovation district is a 3-square mile area that includes part of downtown, portions of North Main Street, an industrial area north of Third Street (near the 60/91/215 interchanges), historic fruit packinghouses, the Eastside neighborhood, UCR and the future California Air Resource Board (ARB) lab and testing facility. The innovation district currently contains 1,700 businesses (including large employers like SolarMax, Luxfer and GAR Laboratories), underutilized industrial and business properties, the intellectual resources at UCR, RCC, the RUSD STEM School, the UCR Medical School, and the community heritage of the Eastside neighborhood.

California Air Resource Board Facility

The California Air Resources Board (ARB) broke ground on its new state-of-the-art Southern California headquarters in late 2017. The 380,000-square-foot building located on the campus of UCR, will be home to one of the largest and most advanced vehicle emissions testing and research facilities in the world. The headquarters will be LEED Platinum, the highest level awarded by the U.S. Green Building Council for the overall sustainability and energy efficiency of a building. The headquarters also will be the single largest net-zero energy structure in the nation in terms of square footage and load. The new headquarters will include light-, medium- and heavy-duty test cells, with additional space for creating new testing methods for future generations of vehicles. There also will be space for enhanced onboard diagnostics and portable emissions measurement system development and a separate chemistry laboratory.

Residential/Commercial Developments

Currently in various stages of development in the downtown Riverside area are numerous residential apartments and complexes, including, but not limited to;

- Imperial Hardware Lofts, which opened in August of 2018 and is located on the corner of Main Street and University Avenue, contains 91 residential units and approximately 8,000 square feet of retail space in downtown Riverside.

- The 212-unit Mission Lofts development at Mission Avenue and Commerce Street including 2,000 square feet of restaurant and retail, and immediate proximity to the MetroLink Riverside station.

- The CenterPointe Apartments located on Market Street and First Street, is a mixed-use development containing 125 units and 8,000 square feet of restaurant and retail space.

- The Stalder Plaza development located at Mission Inn Avenue and Market Street features 165 residential units, 22,000 square feet of retail space, and 393 parking spaces.

- The 36-unit Main+Nine apartment buildings will feature lofts over a ground floor café and creative offices. Main+Nine is located on Main Street at the intersection of arts and commerce, adjacent to the Civic Center and the University of California Riverside's ARTSblock.

- First and Main is a 85-unit proposed apartment building in downtown Riverside. The proposed project includes an on-site swimming pool, clubhouse fitness room, ground floor retail and 106 parking spaces, as well as a historic gas station that will be repositioned as a restaurant.

CONCLUSION

The Riverside County area economy has grown significantly over the past several years, a trend that is expected to continue into the future as Californians seek affordable housing and job availability. The intricate highway and interstate system is of significant importance to the area, linking this corridor with the counties of Los Angeles, Orange and San Diego. Overall economic indicators suggest that the area is healthy, with notable growth indicators, and we expect the region will continue to maintain a strong and stable economy, which will continue to support the lodging market. The proposed supply additions are anticipated to benefit the downtown Riverside area as the City is experiencing substantial growth in all areas, boding well for future development projects.

Section III

HOTEL MARKET ANALYSIS

HOTEL MARKET ANALYSIS

OVERVIEW

The ability of the market to accommodate new lodging product is directly related to the supply of and demand for hotel rooms within the subject market area. Accordingly, an analysis of Riverside's hotel market is a key component of the study. The following is a discussion of Riverside's competitive hotel market.

MARKET ANALYSIS

Competitive Supply

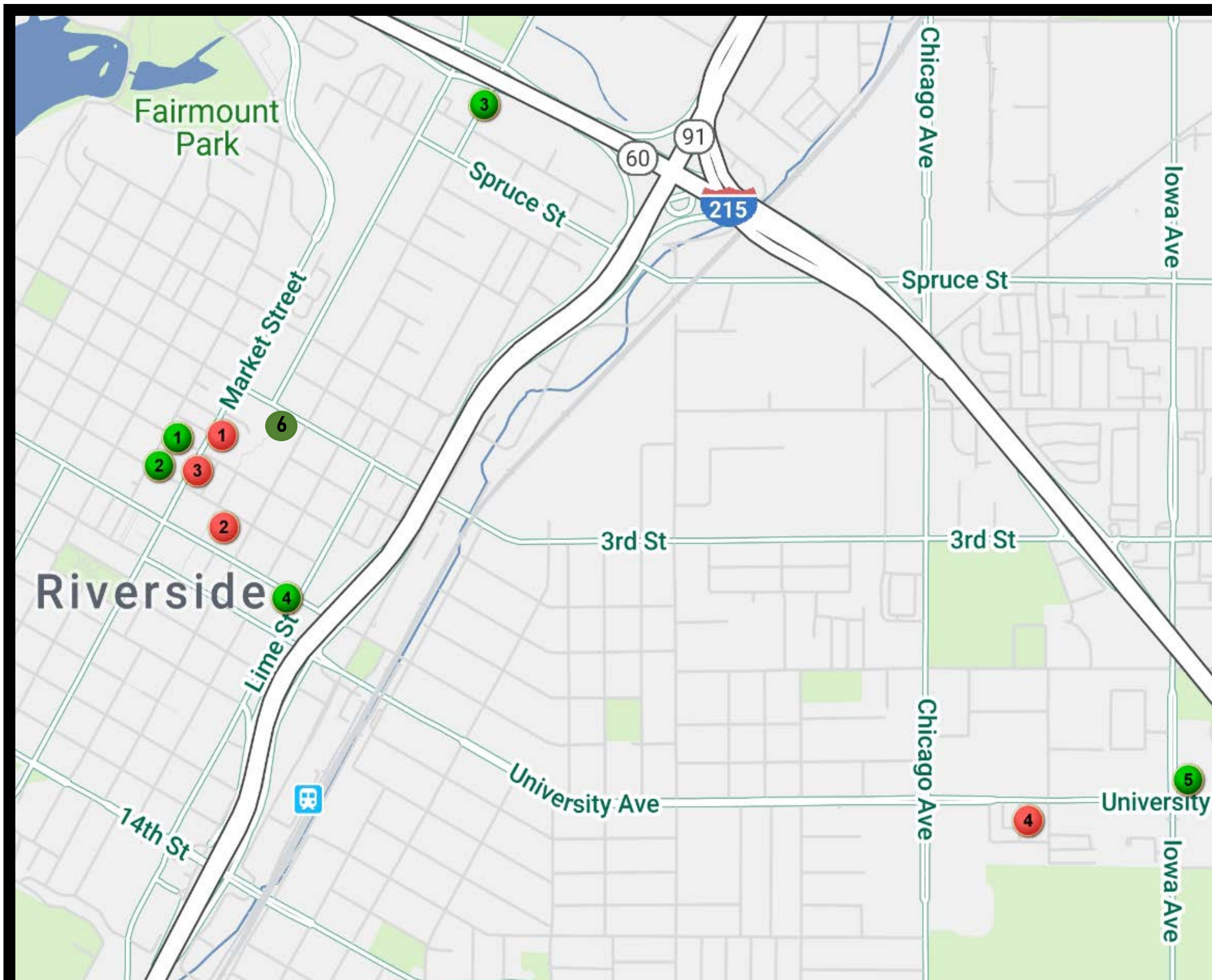
Based on discussion with City staff and stakeholders, we have focused on the downtown Riverside area market. In order to develop conclusions relative to the competitive environment, we have analyzed the Riverside lodging market which features four properties containing 818 rooms. Although there are a number of additional properties in Riverside and other surrounding areas, we have not included these for a number of reasons, including location, positioning, and rate structure. The four selected hotels share common characteristics as they're all proximate to the Riverside Convention Center and the City's other attractions and demand generators. The competitive supply offers a reasonable basis of historical demand and operating performance on which to base our projections.

The following chart presents the competitive set for the downtown Riverside area market. A map indicating their locations, a description of each of the competitive hotels and a discussion of the potential additions to the competitive supply are presented on the subsequent pages.

Riverside Hotel Market
Competitive Supply

Map Code (Red)	Hotel Name	Room Count
1	Marriott Riverside at Convention Center	291
2	Mission Inn Hotel & Spa	239
3	Hyatt Place Riverside	125
4	Courtyard by Marriott UCR	163
Total Competitive Supply		818

Source: CBRE Hotels



CBRE

Competitive Supply Map

Current Hotels (in **red**)

1. Marriott Riverside at Convention Center
2. Historic Mission Inn Hotel and Spa
3. Hyatt Place Riverside
4. Courtyard by Marriott Riverside

New Hotels (in **green**)

1. Hampton Inn
2. Home 2 Suites
3. La Quinta Inn and Undetermined Hotel Flag
4. R Hotel
5. Undetermined Hotel Flag (Pad K – University Village Shopping Center)
6. Undetermined Hotel Flag (Lot 33)

Competitive Property Number One
Marriott Riverside at Convention Center

Location	Description
Address: 3400 Market Street Riverside, CA 92501	Date Opened: 1987 Guestrooms: 291 Stories: 12 Configuration: Interior Corridor

Amenities

- Approx. 14,000 SF of meeting space
- C3 Restaurant and Bar, Starbucks Coffee
- Outdoor heated pool
- Fitness center
- Business services
- Concierge levels
- Room amenities:
  - 27" flat screen television
  - High-speed wireless internet access (fee applies)
  - Desk with ergonomic chair
  - In-room dining
  - Coffee maker
  - Iron and ironing board
  - Hair dryer
  - Cable/Satellite

Picture

Condition & Renovations

The Marriott Riverside completed a refresh of its food and beverage outlets and other public areas and is currently undergoing a rooms renovation as of April 2018.

Historical Performance

The Marriott Riverside ended 2017 below the market average in terms of occupancy and in terms of average daily rate.

Competitive Property Number Two
Mission Inn Hotel & Spa

Location

Address: 3649 Mission Inn Avenue
Riverside, CA 92501

Description

Date Opened:	1992 (Reopening)
Guestrooms:	238
Stories:	5
Configuration:	Interior Corridors on Lower Floors, Exterior on Top Floor

Amenities

- Approx. 12,000 SF of meeting space
- Eight food & beverage outlets
- 24-hour in-room dining
- Outdoor pool and spa
- Kelly's Spa
- Fitness center
- Spanish art gallery
- Business services
- Concierge
- Complimentary wireless internet access in public areas
- Room amenities:
  - 42" flat screen television
  - Kelly's Spa bath amenities
  - Mission Inn signature bathrobes
  - Work desk and chair
  - Sitting couch or chair
  - Mini bar
  - Keurig coffee maker

Picture

Condition & Renovations

The Mission Inn is a historic property and renovations have been made on an as needed basis to retain the period existence of the property. The property is in good condition.

Historical Performance

The Mission Inn ended 2017 above the market average in terms of average daily rate and below the market average in terms of occupancy.

Competitive Property Number Three
Hyatt Place Riverside

Location	Description
Address: 3500 Market Street Riverside, CA 92501	Date Opened: 2012 Guestrooms: 125 Configuration: Interior corridor

Facilities & Amenities

- 24/7 Gallery
- Kitchen Skillet
- Coffee to Cocktails Bar
- 1,800 SF of Meeting Space
- Outdoor Swimming Pool
- Fitness Center
- Business Center
- Room Amenities:
  - High Speed internet access
  - 42" Flat Screen Television
  - Microwave
  - Mini Refrigerator
  - Coffee Maker
  - Iron and ironing board
  - Hair dryer
  - Work desk and Ergonomic Chair
  - Complimentary Breakfast

Picture

Condition & Renovations

The Hyatt Place Riverside was built in 2012 and has been continuously maintained with minor improvements over the years. As a result the property in very good condition.

Historical Performance

In 2017, the Hyatt Place Riverside performed above the market average in terms of occupancy and below the market in terms of average daily rate.

Competitive Property Number Four
Courtyard by Marriott Riverside

Location	Description
Address: 1510 University Avenue Riverside, California 92507	Date Opened: 1983 Guestrooms: 163 Stories: 6 Configuration: Interior Corridor

Facilities & Amenities

- Approx. 1,550 SF of meeting facilities
- The Bistro
- Convenience store
- Outdoor heated pool
- Fitness center
- Business services
- Guest laundry facility
- Complimentary wireless high-speed internet access in all public areas and guestrooms
- Complimentary parking
- Room amenities:
  - 32" flat screen television with premium channels
  - Desk with ergonomic chair
  - Chair with ottoman
  - Mini refrigerator, microwave
  - Iron and ironing board
  - Coffee maker

Picture

Condition & Renovations

The Courtyard completed a comprehensive renovation of its guestrooms including a complete guestroom redesign in 2015 and remains in good condition.

Historical Performance

In 2017, the Courtyard by Marriott Riverside underperformed the competitive market both in terms of average daily rate, and in terms of occupancy.

Additions to Supply

In discussion with City staff and stakeholders, the following hotels were identified, the additions to supply. In conducting our investigations regarding the potential for additions to supply in the local market, we interviewed hotel developers and government officials in Riverside. In doing so, we identified the following additions to supply which we deemed to be competitive and be found on the previous map (Page 111-2 in green):

1. A 140-room Hampton Inn recently broke ground in the southwest quadrant of the Fifth Street and Market Street intersection.. We have assumed the proposed Hampton Inn to open in August 2019 in our analysis.

2. 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 first before deciding to move ahead with the proposed Home2 Suites. The site of the proposed hotels is currently graded and unimproved. We have assumed the opening in January 2020.

3. A 120-room La Quinta and a 109-room undetermined hotel flag has been proposed at the intersection of Orange Street and the 60 Freeway, near downtown Riverside. As of the date of this report, entitlements were submitted with an EIR.

4. The 160-room R Hotel has been proposed at the intersection of Mission Inn Avenue and Lime Street. The proposed hotel is currently in the entitlement phase and will include a full-service restaurant and bar and limited meeting space. We have projected the hotel to open in December 2020.

5. An undetermined hotel has been approved near UCR within a retail strip center out parcel. The site is entitled for a 126-room extended-stay hotel.

6. An undetermined hotel (or hotels) has been proposed at Lot 33 near adjacent to the Riverside Convention Center. The proposed 200-room hotel(s) is a component of a larger mixed-use development, including a potential 100,000 square foot convention center expansion, residential units and commercial space which is currently part of an active Request for Proposals (RFP).

City staff and stakeholders provided CBRE Hotels with the previous supply addition details and additionally we made several attempts to determine the level of new hotel supply entering the marketplace above the given data. However, it is impossible to determine every hotel that will be developed in the future, when they will be completed, or their potential impact. The inherent risk of any future new hotel supply has been implicitly considered in the selection of a stabilized occupancy level for the market.

HOTEL ROOMS DEMAND

Demand for hotel rooms is categorized in three ways:

- **Demonstrated Demand**: the demand already captured at competitive hotels;
- **Induced Demand**: the demand that does not presently seek accommodations in the competitive market, but could be persuaded to do so through marketing efforts, room rates, facilities, services and amenities.
- **Unsatisfied Demand**: the demand that seeks accommodations in the market but is not satisfied due to one of a number of factors: sell-outs; lack of a particular type of accommodation; lack of meeting space; or high room rates.

Historical Performance of the Competitive Supply

The aggregate average annual available and occupied rooms, resulting occupancy levels, average daily rate, and revenue per available room (RevPAR) for this sample set between 2011 and 2017 and year-to-date through May 2017 and 2018 are presented in the following table.

Historical Downtown Riverside Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2011	252,945	N/A	167,490	N/A	66.2%	$111.78	N/A	$74.01	N/A
2012	283,362	12.0%	182,329	8.9%	64.3	113.46	1.5%	73.01	-1.4%
2013	298,570	5.4	199,432	9.4	66.8	113.64	0.2	75.91	4.0
2014	298,570	0.0	222,063	11.3	74.4	120.82	6.3	89.86	18.4
2015	298,570	0.0	235,922	6.2	79.0	133.35	10.4	105.37	17.3
2016	298,570	0.0	233,482	0.3	78.2	142.83	6.3	111.69	6.6
2017	298,570	0.0	238,259	2.0	79.8	149.01	4.3	118.91	6.5
CAAG	2.8%		6.0%			4.9%		8.2%	
5/17 ytd	298,570	N/A	236,169	N/A	79.1%	$146.15	N/A	$115.60	N/A
5/18 ytd	298,570	0.0%	234,676	-0.6%	78.6%	151.76	3.8%	119.28	3.2%

Source: CBRE Hotels

From 2011 to 2017, the annual rooms supply in the competitive market experienced an increase of 2.8 percent due to the Hyatt Place Riverside opening in April 2012. Over the same period, demand for rooms, as demonstrated by occupied room nights, grew at a compound average annual growth rate of 6.0 percent. Demand levels showed significant improvements starting in 2012 with strong increases over the previous year, following the opening of the Hyatt Place. The market finished 2017 at 79.8 percent, reflecting a nearly 2.0 percent growth over 2016. Year-to-date through May 2018, occupied rooms are slightly down 0.6 percent over the previous year.

The average daily room rate (ADR) of the competitive set increased by 4.9 percent on an annual basis from 2011 through 2017. This is above the average national average of approximately 3.0 percent over the same period. ADR experienced six consecutive year-over-year increases since 2011. Year-to-date through May 2018, ADR is up 3.8 percent over the previous year.

Revenue per available room (RevPAR), a combination of occupancy and average daily room rate, increased at an average rate of 8.2 percent annually over the seven-year period. An 18.4 percent increase in RevPAR was observed in 2014, driven by increases in both occupancy and average daily rate following the Hyatt Place's full absorption into the market. Year-to-date through May 2018, the competitive market's RevPAR increased 3.2 percent over the previous period.

MIX OF DEMAND

The demand captured by the market is derived primarily from the transient commercial and leisure demand segment, followed by group meeting attendees. The following table summarizes the 2017 mix of demand for the competitive set.

Competitive Market
2017 Mix of Demand

Market Segment	Room Nights	Ratio
Transient	169,200	71%
Group	69,100	29%
Total	238,000	100%

Source: CBRE Hotels

Transient Segment

Commercial

The commercial demand segment typically includes less price-sensitive individual business travelers as well as contract business with major corporations at negotiated room rates. Commercial travel is heaviest Monday through Thursday nights, with typical fill nights on Tuesdays and Wednesdays. These travelers have a preference for hotels that are located near where they are conducting business, offer services and amenities related to conducting business and are affiliated with a recognizable and reliable brand name. We expect this segment to continue its growth in downtown Riverside as the market's development attracts further employers.

Leisure

The leisure segment consists of individual leisure travelers who stay at area hotels for recreational or leisure purposes, as well as those who must seek temporary relocation due to home remodeling or natural events such as floods, mudslides, and fires. Leisure travelers are typically more price sensitive than other types of travelers and tend to use hotels on weekends and at certain times of the year. The properties in the competitive market attract a good amount of leisure business, which emanates primarily from travelers visiting downtown Riverside's tourist attractions, friends, and family. Leisure demand is also derived from drive-in markets, who view the downtown area as a convenient "home base" for an ideal weekend getaway. Further, the robust event calendar, university related friends and family visitors and hospital related travelers seeking out Riverside's growing medical industry and universities should continue and has a strong and predictable piece of business in Riverside.

Transient Conclusion

Notable new and under-construction projects include: the Riverside downtown library, Riverside Food Lab, Cheech Marin Center, Chow Alley, Radnet Medical Campus and several for-rent apartment/loft projects. These catalytic, high-profile projects will continue to spur the local economy, including downtown areas walkable, amenity rich district featuring dining and shopping. The downtown area is also home to cultural and artistic venues such as the historical Fox Preforming Arts Center, Centennial Plaza, Riverside Metropolitan Museum, Riverside Municipal Auditorium, Riverside Museum and the Riverside County Courthouse (to name a few). These commercial and public assets will continue to attract private investment and developer interest in the area. Overall, these projects are indicative of the growing appeal of downtown Riverside and should continue to attract a diverse segment of transient travelers.

As outlined in the table on the previous page, the transient segment represents 71 percent of the total occupied rooms in 2017, or 169,200 total nights. We project that a total of approximately 78,700 room nights of transient demand will be induced into the market between 2018 and 2023 to account for the additional demand that will be generated with the additions to supply and various developments, this equals 52.0 percent of total demand over this period. In other words, for every hotel room added over the projection period, an average of 0.20 rooms will be induced by the transient segment. Note, the proposed additions to supply represent (and are anticipated to represent) high-quality, internationally recognized brands that should greatly benefit the City. The hotels that will feature the largest transient demand types include the extended-stay hotel near UCR and the two proposed properties at Orange Street & 60 Freeway, primarily due to their location further from the Riverside Convention Center and the hotels' product type. We anticipate the hotels' newer facilities and anticipated positioning within the market will allow them to attract robust demand to the market and satisfy previously unsatisfied demand.

Group Segment

In 2017, the group segment (also outlined on the table on the previous page)accounted for approximately 69,100 room nights, or 29 percent of total demand. The group segment consists of self-contained groups that book hotel rooms in blocks of ten or greater. This segment is made up primarily of corporate retreats, company seminars, regional association meetings and SMERF. Corporate groups hold annual meetings for the purposes of educating their members, promoting their products, or discussing legislation that may affect the organization.

Convention Segment

As previously detailed, the Riverside Convention Center underwent an $43 million renovation, increasing its size to 65,000 square feet. Over the past three years, following the completion of the renovation, the facility has achieved occupancies of 42 percent, 48 percent, and 53 percent, respectively. According to management of the convention center, the total number of room blocks provided by the downtown hotel supply has decreased following the renovation, from approximately 500 daily room nights to approximately 220 daily room nights, or 34.0 percent of total rooms. This is due to the downtown hotel supply capturing higher-rated transient guests in lieu of convention groups. As such, the reduction in blockable room nights has reportedly limited growth at the Convention Center despite strong market occupancies. The addition of hotel room nights will allow the Riverside Convention Center to sell more room nights while the downtown hotels can continue to capture higher transient rates.

Case Studies

CBRE has conducted studies as well as gathered data on the impact of new hotels in and around nearby convention centers and the impact on the market. A summary of two relevant studies follows (the full studies can be found in the addendum):

Case Study 1: Convention Center Hotel Induced Demand (Summary)

CBRE Hotels | Research conducted a 2016 study analyzing the Music City Convention Center and expanded Omni Nashville Hotel's ability to induce positive changes to the downtown Nashville Hotel Market. The study can be found in the addendum, a summary follows.

The Music City Center and Nashville Omni projects attracted new, large group demand that is paying higher rates than the market previous accommodated. The expanded scale of the Nashville hotel market stimulated this growth in demand for national and international conventions, trade shows, and conferences that historically did not use Nashville as their meeting destination. As a result of the new demand, since the expanded hotel capacity and convention center opened, occupancy and ADRs have risen well above the previous averages in the submarket and sustained themselves at these higher levels—all good news for hotel market participants in the downtown Nashville market.

Case Study 2: Convention Center Hotel Market Impacts (Summary)

This case study includes is a series of 12 examples of cities adding their first or most recent convention center hotel. For each city, the study focused primarily on the impact to occupancy and how the new hotel rooms were absorbed.

The methodology to present our findings relative to the ability of new convention center hotels to induce new demand into the market examines the increase in supply and demand in the local marketplace soon after the opening of associated hotels. The table below presents these calculations in the year of opening, or first full year of operation. As shown, demand for the new convention center hotels exceeded, or nearly exceed the increase in supply in each case.

Proposed Convention Hotels
Summary of Additional Rooms Captured in Convention Markets

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

Source: CBRE Hotels

Hyatt Place Riverside Induced Demand

As previously described, the Hyatt Place Riverside is the most recent hotel addition to downtown Riverside. The 125-room property opened in late April 2012 and achieved a successful ramp-up period. As shown in the following table, the market experienced a 2012 increase in occupied rooms of 8.9 percent amid a 12.0 percent increase in available rooms, as the Hyatt Place was open approximately eight months of 2012. Further, the market experienced a 5.4 percent increase of available rooms in 2013 due to the annualizing of the Hyatt Place's remaining rooms. Over the same period, the market experienced an 9.4 percent increase in occupied rooms and further experienced an increase of 11.3 percent in 2014, evidence of the Hyatt Place's rooms being absorbed into the market. As such, the Hyatt Place's 83 rooms added to the market in 2012 induced 42 room nights, or 51%, and the Hyatt Place's 42 annualized rooms added to the market in 2013 induced 46 room nights, or 110%. Moreover, the Hyatt Place was absorbed and induced the aforementioned demand prior to the Riverside Convention Center's reopening in 2014, evidence of the strong demand for room nights in the market.

Additionally, following the Hyatt Place's successful absorption period, the market achieved an ADR increase of 6.3 percent and 10.4 percent in 2014 and 2015, respectively. These increases contribute to a Revenue Per Available Room (RevPAR) increase at an average rate of 8.2 percent annually over the seven-year period.

Historical Hotel Market Performance

Year	Annual Rooms	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2011	252,945	N/A	167,490	N/A	66.2%	$111.78	N/A	$74.01	N/A
2012	283,362	12.0%	182,329	8.9%	64.3	113.46	1.5%	73.01	-1.4%
2013	298,570	5.4	199,432	9.4	66.8	113.65	0.2	75.91	4.0
2014	298,570	0.0	222,063	11.3	74.4	120.82	6.3	89.86	18.4
2015	298,570	0.0	235,922	6.2	79.0	133.35	10.4	105.37	17.3
2016	298,570	0.0	233,482	0.3	78.2	142.83	6.3	111.69	6.6
2017	298,570	0.0	238,259	2.0	79.8	149.01	4.3	118.91	6.5
CAAG	2.8%		6.0%			4.9%		8.2%	
5/17 ytd	298,570	N/A	236,169	N/A	79.1%	$146.15	N/A	$115.60	N/A
5/18 ytd	298,570	0.0%	234,676	-0.6%	78.6%	151.76	3.8%	119.28	3.2%

Source: CBRE Hotels

Group Conclusion

As of 2017, the group segment represents 29.0 percent of the total occupied rooms, or 69,100 total nights. This segment is expected to grow at the same level as the overall economy, or three percent, in 2018 and beyond.

This area has been successful in attracting convention demand based on its quality of ample meeting space offered by the Riverside Convention Center, and area amenities downtown. The strength of convention center demand has contributed to the continued increase in room nights captured in this segment. Association and SMERF group functions also contribute to this market segment. We anticipate that this market segment will grow at 3.0 percent by year-end 2018 and for the remainder of our projection period. CBRE has tracked long term growth in demand and it roughly equates to 3.0 percent, and it should be noted this market experienced 6.0 growth 2011 to 2017. As such, we feel this growth rate of 3.0 percent is conservative.

We've assumed the supply additions will induce between 15.0 and 25.0 percent of their rooms for convention center blocks though 2023. Note, we estimate this ratio to be conservative based on conversations with the respective hotel developers and the convention center operator, as well as the fact that the Hyatt Place Riverside induced approximately 110 percent of rooms during its first full year of operation. However, given the market's history we feel this assumption is reasonable.

Hotel	Hotel Additions					Total Room Additions to the Market	Induced Group Rooms
	2019	2020	2021	2022	2023		
Hampton Inn	58	82				140	24
Home 2 Suites		119				119	30
R Hotel			160			160	32
University & Iowa Avenue				126		126	19
Orange Street & 60 Freeway			229			229	46
Lot 33					200	200	50
Total						**974**	**201**
Induced Group Demand as a % of Rooms Added	15%	25%	20%	15%	25%		
Source: CBRE Hotels							

Accordingly, we project that a total of approximately 72,700 room nights of group demand (48.0 percent of total induced demand), or 199 daily room nights of group demand will be induced into the market between 2018 and 2023 to account for the additional demand that will be generated by the Riverside Convention Center and the additions to supply. Furthermore, in years 2019, 2020, 2021, 2022 and 2023 we project every room addition will induce 0.15, 0.25, 0.20, 0.15 and 0.25 rooms, respectively, or an average of 0.20 percent. The hotels that will feature the largest group demand type includes the Hampton Inn and Home2 Suites, as well as the Lot 33 development, primarily due to their location adjacent to the Riverside Convention Center and the hotels' product type. We anticipate that the addition's newer facilities, superior globally recognized branding and anticipated positioning within the market will be able to attract additional demand to the market and satisfy previously unsatisfied demand that may be staying outside of Riverside. Following the addition of the new supply, the group market mix will increase by 7.0 percent, equaling a 2025 group market mix of 36%, an increase from the 2017 group market mix of 29%.

PROJECTED MARKET DEMAND

Based on the foregoing analysis, future demand growth is projected to be driven by increases in group and transient room nights. We estimate the market occupancy will remain at 80.0 percent by year-end 2018 based on year-to-date information. We also estimate that the market occupancy will remain at 80 percent in 2019 due to current demand in the market, despite the opening of the Hampton Inn in August 2019. We further estimate the market will decrease to 75 percent in 2020 as the Hampton Inn's rooms are annualized and the opening of the Home2 Suites in December 2020. Moreover, in 2021 we estimate the market to decrease to 71.0 percent due to the opening of the R Hotel and the proposed University & Iowa Avenue hotel project near UCR. Further, we expect the market to decrease to 69.0 percent due to the opening of the proposed two hotel project at Orange Street and the 60 Freeway. Lastly, we expect the market to decrease to 68.0 percent in 2023 as the 200-room Lot 33 project opens. As the market absorbs the new supply, we anticipate the market to increase to 70.0 percent in 2024. With the impact of the new supply tapering off and being absorbed, we project that market occupancy will increase to 72.0 percent in 2025 and 76.0 percent in 2027, reaching its stabilized level of occupancy. Note, following the additions to supply, we anticipate the downtown market mix change from 71.0 percent transient and 29.0 percent group, to 64.0 percent transient and 36.0 percent group.

While the market may fluctuate above and below this number, we are of the opinion that an occupancy of 76.0 percent (anticipated in 2027) is appropriate for this particular market considering the supply and demand patterns, seasonality, and mix of business within the competitive market. This stabilized occupancy is in line with the average historical occupancy of the competitive market and the current market dynamics. The projected future growth in supply and demand is presented in the following table.

Riverside Hotel Market
Competitive Market
Estimated Future Growing in Lodging Supply and Demand
2017-2025

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Rooms Supply	818										
Additions/Deletions to Supply											
Hampton Inn			58	82							
Home 2 Suites				119							
University & Iowa Avenue					126						
Orange Street & 60 Freeway						229					
R Hotel					160						
Lot 33							200				
Cumulative Rooms Supply	818	818	876	1,077	1,363	1,592	1,792	1,792	1,792	1,792	1,792
Total Annual Rooms Supply	298,570	298,570	319,862	393,105	497,495	581,080	654,080	654,080	654,080	654,080	654,080
Growth Over the Prior Year	0.0%	0.0%	7.1%	22.9%	26.6%	16.8%	12.6%	0.0%	0.0%	0.0%	0.0%
DEONSTRATED DEMAND IN BASE YR											
Transient	169,164	71%									
Group	69,095	29%									
TOTAL DEMONSTRATED DEMAND	238,259	100%									
INDUCED (UNSATISFIED) DEMAND											
Transient		0	3,200	8,000	31,000	25,000	11	0	0	0	0
Group		0	3,200	18,000	21,000	12,500	18,000	0	0	0	0
TOTAL INDUCED/(UNSATISFIED) DEMAND		0	6,400	26,000	52,000	37,500	29,000	0	0	0	0
GROWTH RATES											
Transient		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Group		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
PROJECTED DEMAND											
Transient											
Demonstrated	169,164	174,239	179,466	188,146	202,030	240,021	272,972	292,491	301,266	310,304	319,613
Induced/(Unsatisfied)	0	-4,651	872	8,000	31,000	25,000	11,000	0	0	0	-889
Total	169,200	169,600	180,300	196,100	233,000	265,000	284,000	292,500	301,300	310,300	318,700
Growth Over Prior Year	NA	0.2%	6.3%	8.8%	18.8%	13.7%	7.2%	3.0%	3.0%	3.0%	2.7%
Group											
Demonstrated	69,095	71,168	73,303	78,798	99,702	124,323	140,928	163,696	168,606	173,665	178,875
Induced/(Unsatisfied)	0	-1,900	2,249	18,000	21,000	12,500	18,000	0	0	0	-498
Total	69,100	69,300	75,600	96,800	120,700	136,800	158,900	163,700	168,600	173,700	178,400
Growth Over Prior Year	NA	0.3%	9.1%	28.0%	24.7%	13.3%	16.2%	3.0%	3.0%	3.0%	2.7%
Total Market Demand	238,300	238,900	255,900	292,900	353,700	401,800	442,900	456,200	469,900	484,000	497,100
Growth Over Prior Year	NA	0.3%	7.1%	14.5%	20.8%	13.6%	10.2%	3.0%	3.0%	3.0%	2.7%
Market Occupancy	**80%**	**80%**	**80%**	**75%**	**71%**	**69%**	**68%**	**70%**	**72%**	**74%**	**76%**
Source: CBRE Hotels											

Projected Performance of the Competitive Supply

In addition to occupancy, we have also estimated the average daily rate (ADR) of the competitive market based upon our analysis of the historical rates achieved, interviews with management of the competitive properties, the anticipated impact of the new supply entering the market, and the changing economic conditions.

Projected Riverside Hotel Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2018	298,570	0.0%	238,900	0.3%	80%	$155.00	4.0%	$124.02	4.3%
2019	319,862	7.1	255,900	7.1	80	160.00	3.2	128.01	3.2
2020	393,105	22.9	292,900	14.5	75	164.00	2.5	122.20	-4.5
2021	497,495	26.6	353,700	20.8	71	169.00	3.0	120.15	-1.7
2022	581,080	16.8	401,800	13.6	69	174.00	3.0	120.32	0.1
2023	654,080	12.6	442,900	10.2	68	180.00	3.4	121.88	1.3
2024	654,080	0.0	456,200	3.0	70	185.00	2.8	129.03	5.9
2025	654,080	0.0	469,900	3.0	72	191.00	3.2	137.22	6.3
2026	654,080	0.0	484,000	3.0	74	196.00	2.6	145.03	5.7
2027	654,080	0.0	497,100	2.7	76	202.00	3.1	153.52	5.9
CAAG	9.1%		8.5%			3.0%		2.4%	

Source: CBRE Hotels

As can be seen in the table above, supply is expected to grow at a compound average annual rate of 9.1 percent from 2018 to 2027. Based on our analysis, supply is estimated to increase by 7.1 percent by year-end 2019 with the opening of the Hampton Inn. Supply is further estimated to increase by 22.9 percent in 2020 with the annualizing of rooms at the Hampton Inn and the opening of the Home2 Suites. Annual supply is expected to increase by 26.6 percent due to the opening of the R Hotel and the University & Iowa Avenue Hotel Project near UCR. Further, supply is projected to increase by 16.8 percent in 2022 due to the opening of the two hotel project at Orange Street and 60 Freeway. Lastly, supply is expected to increase 12.6 percent due to the opening of the proposed 200-room Lot 33 hotel project.

With hotel occupancies in the competitive supply averaging above 78.0 percent over the past three years (2015 through 2017), as well as YTD through May, area hotel managers have achieved above inflationary growth in average daily rates over the same time period. In 2018, the average daily rate of the competitive hotels is projected to increase by 4.0 percent to $155.00. With significant new supply entering the market over the next several years the average daily rate of the competitive market is projected to increase by approximately 3.0 percent on an annual basis between 2018 and 2027.

CONCLUSION

The downtown Riverside area hotel market has shown significant growth since 2011, with the addition of the Hyatt Place in 2012, to an occupancy of 79.8 percent in 2017, well above long term historical averages. The downtown Riverside area has been able to attract developers and major hotel brands to the market. The proposed hotels represent high-quality brands with an international presence. As such, we expect these hotels will induce strong demand year-round. The hotel projects discussed will work together with proposed leisure, residential, cultural, medical and educational projects in the pipeline, creating a true synergy downtown. Therefore, we believe the market can absorb the discussed hotel projects during the projection period and reach a stabilized level of 76.0 percent (in 2027) with 3.0 ADR growth. Assuming a successful ramp-up and absorption period through 2027, the market will command more rooms in the long-term. Note, our projected stabilized occupancy of 76.0 percent is well above the 2017 national average occupancy of 65.9 percent.

Addendum A

Terms and Limiting Conditions

TERMS AND CONDITIONS

1. The Terms and Conditions herein are part of an agreement for consulting services (the "Agreement") between CBRE, Inc. (the "Consultant") and the client signing this Agreement, and for whom the consulting services will be performed (the "Client"), and shall be deemed a part of such Agreement as though set forth in full therein. The Agreement shall be governed by the laws of the state where the consulting services office is located for the Consultant executing this Agreement.
2. Client shall be responsible for the payment of all fees stipulated in the Agreement. Payment of the consulting services fee and preparation of a consulting report (the "Consulting Report, or the "report") are not contingent upon any predetermined value or on an action or event resulting from the analyses, opinions, conclusions, or use of the Consulting Report. Final payment is due as provided in the Proposal Specifications Section of this Agreement. If a draft report is requested, the fee is considered earned upon delivery of the draft report. It is understood that the Client may cancel this assignment in writing at any time prior to delivery of the completed report. In such event, the Client is obligated only for the prorated share of the fee based upon the work completed and expenses incurred (including travel expenses to and from the job site), with a minimum charge of $500. Additional copies of the Consulting Reports are available at a cost of $250 per original color copy and $100 per photocopy (black and white), plus shipping fees of $30 per report.
3. If Consultant is subpoenaed or ordered to give testimony, produce documents or information, or otherwise required or requested by Client or a third party to participate in meetings, phone calls, conferences, litigation or other legal proceedings (including preparation for such proceedings) because of, connected with or in any way pertaining to this engagement, the Consulting Report, the Consultant's expertise, or the Property, Client shall pay Consultant's additional costs and expenses, including but not limited to Consultant's attorneys' fees, and additional time incurred by Consultant based on Consultant's then-prevailing hourly rates and related fees. Such charges include and pertain to, but are not limited to, time spent in preparing for and providing court room testimony, depositions, travel time, mileage and related travel expenses, waiting time, document review and production, and preparation time (excluding preparation of the Consulting Report), meeting participation, and Consultant's other related commitment of time and expertise. Hourly charges and other fees for such participation will be provided upon request. In the event Client requests additional consulting services beyond the scope and purpose stated in the Agreement, Client agrees to pay additional fees for such services and to reimburse related expenses, whether or not the completed report has been delivered to Client at the time of such request.
4. Consultant shall have the right to terminate this Agreement at any time for cause effective immediately upon written notice to Client on the occurrence of fraud or the willful misconduct of Client, its employees or agents, or without cause upon 30 days written notice.
5. In the event Client fails to make payments when due then, from the date due until paid, the amount due and payable shall bear interest at the maximum rate permitted in the state where the office is located for the Consultant executing the Agreement. In the event either party institutes legal action against the other to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its reasonable attorney's fees and expenses. Each party waives the right to a trial by jury in any action arising under this Agreement.
6. Consultant assumes there are no major or significant items or issues affecting the Property that would require the expertise of a professional building contractor, engineer, or environmental consultant for Consultant to prepare a valid report. Client acknowledges that such additional expertise is not covered in the Consulting Services fee and agrees that, if such additional expertise is required, it shall be provided by others at the discretion and direction of the Client, and solely at Client's additional cost and expense.
7. In the event of any dispute between Client and Consultant relating to this Agreement, or Consultant's or Client's performance hereunder, Consultant and Client agree that such dispute shall be resolved by means of binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by an arbitrator may be entered in any court of competent jurisdiction. Depositions may be taken and other discovery obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings in the state where the office of the Consultant executing this Agreement is located. The arbitrator shall be limited to awarding compensatory damages and shall have no authority to award punitive, exemplary or similar damages. The prevailing party in the arbitration proceeding shall be entitled to recover its expenses from the losing party, including costs of the arbitration proceeding, and reasonable attorney's fees. Client acknowledges that Consultant is being retained hereunder as an independent contractor to perform the services described herein and nothing in this Agreement shall be deemed to create any other relationship between Client and Consultant. This engagement shall be deemed concluded and the services hereunder completed upon delivery to Client of the Consulting Report discussed herein.
8. All statements of fact in the report which are used as the basis of the Consultant's analyses, opinions, and conclusions will be true and correct to Consultant's actual knowledge and belief. Consultant does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the condition of the Property furnished to Consultant by Client or others. The conclusions and any permitted reliance on

and use of the Consulting Report shall be subject to the assumptions, limitations, and qualifying statements contained in the report.

9. Consultant shall have no responsibility for legal matters, including zoning, or questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The report will not constitute a survey of the Property analyzed.

10. Client shall provide Consultant with such materials with respect to the assignment as are requested by Consultant and in the possession or under the control of Client. Client shall provide Consultant with sufficient access to the Property to be analyzed, and hereby grants permission for entry unless discussed in advance to the contrary.

11. The data gathered in the course of the assignment (except data furnished by Client) and the report prepared pursuant to the Agreement are, and will remain, the property of Consultant. With respect to data provided by Client, Consultant shall not violate the confidential nature of the Consultant-Client relationship by improperly disclosing any proprietary information furnished to Consultant. Notwithstanding the foregoing, Consultant is authorized by Client to disclose all or any portion of the report and related data as may be required by statute, government regulation, legal process, or judicial decree, including to appropriate representatives of the Appraisal Institute if such disclosure is required to enable Consultant to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.

12. Unless specifically noted, in preparing the Consulting Report the Consultant will not be considering the possible existence of asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (collectively, "Hazardous Material) on or affecting the Property, or the cost of encapsulation or removal thereof. Further, Client represents that there is no major or significant deferred maintenance of the Property that would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, at Client's discretion and direction, and are not covered as part of the Consulting fee.

13. In the event Client intends to use the Consulting Report in connection with a tax matter, Client acknowledges that Consultant provides no warranty, representation or prediction as to the outcome of such tax matter. Client understands and acknowledges that any relevant taxing authority (whether the Internal Revenue Service or any other federal, state or local taxing authority) may disagree with or reject the Consulting Report or otherwise disagree with Client's tax position, and further understands and acknowledges that the taxing authority may seek to collect additional taxes, interest, penalties or fees from Client beyond what may be suggested by the Consulting Report. Client agrees that Consultant shall have no responsibility or liability to Client or any other party for any such taxes, interest, penalties or fees and that Client will not seek damages or other compensation from Consultant relating to any such taxes, interest, penalties or fees imposed on Client, or for any attorneys' fees, costs or other expenses relating to Client's tax matters.

14. Consultant shall have no liability with respect to any loss, damage, claim or expense incurred by or asserted against Client arising out of, based upon or resulting from Client's failure to provide accurate or complete information or documentation pertaining to an assignment ordered under or in connection with this Agreement, including Client's failure, or the failure of any of Client's agents, to provide a complete copy of the Consulting Report to any third party.

15. LIMITATION OF LIABILITY. EXCEPT TO THE EXTENT ARISING FROM SECTION 16 BELOW, OR SECTION 17 IF APPLICABLE, IN NO EVENT SHALL EITHER PARTY OR ANY OF ITS AFFILIATE, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, OR CONTRACTORS BE LIABLE TO THE OTHER, WHETHER BASED IN CONTRACT, WARRANTY, INDEMNITY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT OR OTHERWISE, FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, INCIDENTAL OR INDIRECT DAMAGES, AND AGGREGATE DAMAGES IN CONNECTION WITH THIS AGREEMENT FOR EITHER PARTY (EXCLUDING THE OBLIGATION TO PAY THE FEES REQUIRED HEREUNDER) SHALL NOT EXCEED THE GREATER OF THE TOTAL FEES PAYABLE TO CONSULTANT UNDER THIS AGREEMENT OR TEN THOUSAND DOLLARS ($10,000). THIS LIABILITY LIMITATION SHALL NOT APPLY IN THE EVENT OF A FINAL FINDING BY AN ARBITRATOR OR A COURT OF COMPETENT JURISDICTION THAT SUCH LIABILITY IS THE RESULT OF A PARTY'S FRAUD OR WILLFUL MISCONDUCT.

16. Client shall not disseminate, distribute, make available or otherwise provide any Consulting Report prepared hereunder to any third party (including without limitation, incorporating or referencing the Consulting Report , in whole or in part, in any offering or other material intended for review by other parties) except to (i) any third party expressly acknowledged in a signed writing by Consultant as an "Intended User" of the Consulting Report provided that either Consultant has received an acceptable release from such third party with respect to such Consulting Report or Client provides acceptable indemnity protections to Consultant against any claims resulting from the distribution of the Consulting Report to such third party, (ii) any third party service provider (including rating agencies and Client's auditors) using the Consulting Report in the course of providing services for the sole benefit of Client, or (iii) as required by statute, government regulation, legal process, or judicial decree. In the event Consultant consents, in writing, to Client incorporating or referencing the Consulting Report in any offering or other materials intended for review by other parties, Client shall not distribute, file, or otherwise make such materials available to

any such parties unless and until Client has provided Consultant with complete copies of such materials and Consultant has approved all such materials in writing. Client shall not modify any such materials once approved by Consultant. In the absence of satisfying the conditions of this paragraph with respect to a party who is not designated as an Intended User, in no event shall the receipt of an Consulting Report by such party extend any right to the party to use and rely on such report, and Consultant shall have no liability for such unauthorized use and reliance on any Consulting Report. In the event Client breaches the provisions of this paragraph, Client shall indemnify, defend and hold Consultant, and its affiliates and their officers, directors, employees, contractors, agents and other representatives (Consultant and each of the foregoing an "Indemnified Party" and collectively the "Indemnified Parties"), fully harmless from and against all losses, liabilities, damages and expenses (collectively, "Damages") claimed against, sustained or incurred by any Indemnified Party arising out of or in connection with such breach, regardless of any negligence on the part of any Indemnified Party in preparing the Consulting Report.

17. In the event Client incorporates or references the Consulting Report, in whole or in part, in any offering or other material intended for review by other parties, Client shall indemnify, defend and hold each of the Indemnified Parties harmless from and against any Damages in connection with (i) any transaction contemplated by this Agreement or in connection with the consulting report or the engagement of or performance of services by any Indemnified Party hereunder, (ii) any actual or alleged untrue statement of a material fact, or the actual or alleged failure to state a material fact necessary to make a statement not misleading in light of the circumstances under which it was made with respect to all information furnished to any Indemnified Party or made available to a prospective party to a transaction, or (iii) an actual or alleged violation of applicable law by Client (including, without limitation, securities laws) or the negligent or intentional acts or omissions of Client (including the failure to perform any duty imposed by law); and will reimburse each Indemnified Party for all reasonable fees and expenses (including fees and expenses of counsel) (collectively, "Expenses") as incurred in connection with investigating, preparing, pursuing or defending any threatened or pending claim, action, proceeding or investigation (collectively, "Proceedings") arising therefrom, and regardless of whether such Indemnified Party is a formal party to such Proceeding. Client agrees not to enter into any waiver, release or settlement of any Proceeding (whether or not any Indemnified Party is a formal party to such Proceeding) without the prior written consent of Consultant (which consent will not be unreasonably withheld or delayed) unless such waiver, release or settlement includes an unconditional release of each Indemnified Party from all liability arising out of such Proceeding.

18. Time Period for Legal Action. Unless the time period is shorter under applicable law, except in connection with paragraphs 16 and 17 above, Consultant and Client agree that any legal action or lawsuit by one party against the other party or its affiliates, officers, directors, employees, contractors, agents, or other representatives, whether based in contract, warranty, indemnity, negligence, strict liability or other tort or otherwise, relating to (a) this Agreement or the Consulting Report, (b) any services or consulting reports under this Agreement or (c) any acts or conduct relating to such services or consulting reports, shall be filed within two (2) years from the date of delivery to Client of the Consulting Report to which the claims or causes of action in the legal action or lawsuit relate. The time period stated in this section shall not be extended by any incapacity of a party or any delay in the discovery or accrual of the underlying claims, causes of action or damages.

Addendum B

Case Studies

CASE STUDY 1: CONVENTION CENTER HOTEL INDUCED DEMAND (NASHVILLE, TN)

CBRE Hotels | Research conducted a 2016 study analyzing the Music City Convention Center and expanded Omni Nashville Hotel's ability to induce positive changes to the downtown Nashville Hotel Market.

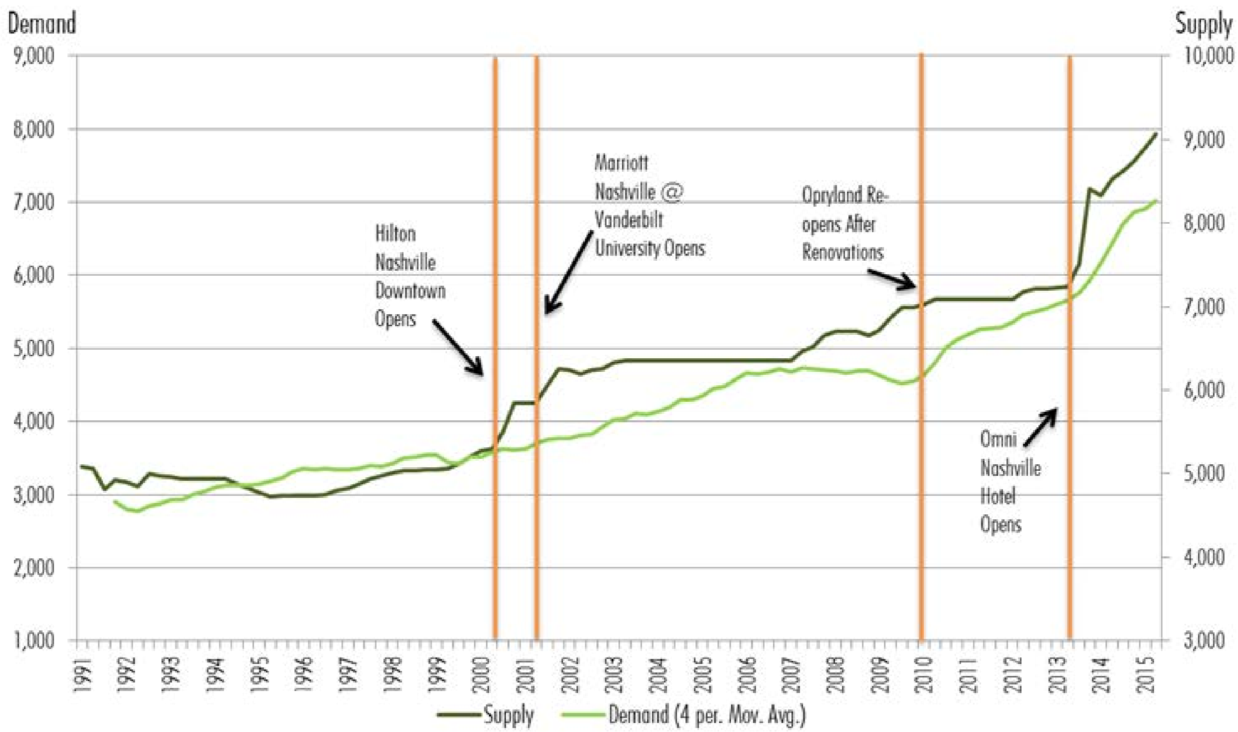
The economics of hotels typically suggests that supply growth negatively affects industry performance by spreading existing demand over more suppliers. The study presents the opposite case. It focuses on how convention centers and hotels can attract additional demand, improving industry performance rather than detracting from it. The study examines hotel market data from Nashville, Tennessee, where a new convention center and Omni Nashville Hotel opened in 2013. Following the expansion to supply, the market has seen substantial rate increases as well as greater levels of demand, which has resulted in higher occupancy levels.

By increasing supply levels enough to support large national conventions that would have overwhelmed the previous hotel capacity, the city can now attract more convention business. Our results show that demand in downtown Nashville rose by approximately 700 rooms per day because of the convention hotel addition. Furthermore, the induced demand has increased rates by almost $7 per night since the fourth quarter of 2013.

Supply Creating Demand

The health of the Nashville economy has helped bring about an expansion of the hotel industry in Nashville. Over the past two decades, hotel supply and demand levels have grown at a steady but moderate pace. Large additions to supply occurred in 2000 and 2001 when the Hilton Nashville Downtown and the Marriott Nashville @ Vanderbilt University opened, each adding over 300 rooms to the market. Since 2013, lodging supply in the downtown submarket has expanded by almost 1,500 rooms, a 20 percent gain by year-end 2014. This spike in inventory was fully absorbed as lodging demand increased by approximately 26 percent from 2012 to 2014. By comparison, national hotel supply grew by about only 1 percent over this period while national demand increased by less than 4 percent.

The Omni Nashville Hotel, a convention center property, opened in September 2013 in downtown Nashville. The 800-room facility includes 80,000 square feet of conference space, 21 meeting rooms, and two ballrooms. Additionally, the Omni is integrated with the Music City Center; a large modern convention center that opened in May 2013 offering one million square feet of exhibition and meeting space. The graph on the following page shows the sharp expansion in supply as well as the lift in demand for the downtown Nashville submarket coinciding with the opening of the convention center and hotel. The Omni alone represents a large portion of the surge in supply since 2013.



The dramatic growth in demand seen since 2013 in Nashville can be explained in part by the economic concept of induced demand. For new supply in Nashville to have induced demand, the supply must offer higher levels of utility for potential hotel guests compared to what previously existed in downtown Nashville. One way a convention center hotel provides better utility is by creating a greater scale to both the hotel market (i.e. guest room capacity) and the meetings market (i.e. the of space available for convention and conference use).

The economic theory of induced demand examined in the study and supported by the data analyzed provides a robust explanation for how the recent additions to supply in the Nashville CBD, most notably the Omni Nashville Hotel, positively influenced the overall performance of the Nashville hotel market. The Omni changed the downtown Nashville hotel market by significantly increasing guest room and conference capacity, which induced a significant volume of new travel to the City. The long-term impacts may become less substantial as other factors develop which influence the hotel business cycle in Nashville, but the nearer-term prospects are strong given the changed landscape of the market with the opening of the Omni.

YEAR	2013	2014	2014	2014	2014	2015
Quarter	4	1	2	3	4	1
Induced Average Daily Room Nights:	438	621	772	827	785	693
Induced Demand as a Percent of Rooms Added	54.8%	77.7%	96.5%	103.4%	98.2%	86.6%
Impact on Average Daily Rate	$8.18	$7.11	$6.53	$6.21	$6.54	$6.95

Higher rates in the downtown Nashville submarket have contributed to a strong growth in RevPAR. Downtown upper price hotels' RevPAR growth rates outperformed the overall market. Since opening, the induced demand as a percent of rooms added by the Omni has averaged 86 percent over the six-quarter period while the ADR impact of the new demand has increased rates by an average of $6.92 per quarter. This performance premium also supports that the Omni positively affected performance by attracting additional demand to downtown Nashville allowing those hotels most likely to accommodate convention demand to increase rates while absorbing the new supply.

While occupancy rates have remained high following the swell in demand, one might be concerned that rates have fallen to maintain occupancy levels. The results of this analysis show this concern to be unfounded.

The Omni improved the hotel market in Nashville and, on an annualized basis, did not increase rate competition among existing hotels. Since the new hotel opened in 2013, ADRs have averaged $192 per night and have exceeded the national rate of growth, increasing by double digits on a year-over-year basis.

CONCLUSION

Overall, the Music City Center and Nashville Omni projects attracted new, large group demand that is paying higher rates than the market previous accommodated. The expanded scale of the Nashville hotel market stimulated this growth in demand for national and international conventions, trade shows, and conferences that historically did not use Nashville as their meeting destination. As a result of the new demand since the expanded hotel capacity and convention center opened, occupancy and ADRs have risen well above the previous averages in the submarket and sustained themselves at these higher levels—all good news for hotel market participants in the downtown Nashville market.

CASE STUDY 2: CONVENTION CENTER HOTEL MARKET IMPACTS

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.

- In January 1985, the 1,674-room Atlanta Marriott Marquis was opened adjacent to the convention center in that city. The following table shows the number of occupied room nights in the years surrounding the property's opening for the center city competitive supply.

Atlanta Marriott Marquis
Yearly Rooms Occupied

Year	Daily Available	Yearly Available	Yearly Occupied	Supply Increase	Demand Increase
1984	5,442	1,986,330	1,213,648	-	-
1985*	7,411	2,705,015	1,639,239	36.2%	35.1%
1986	7,411	2,705,015	1,590,549	-	-
1987	7,411	2,705,015	1,598,664	-	-

*Marriott Marquis opened in January
Source: CBRE Hotels

As can be seen in the table above, the year after the Atlanta Marriott Marquis opened, the number of rooms occupied in the competitive supply increased by 425,591 rooms, or approximately 57.4 percent of the new rooms that were injected into the market were induced into the competitive supply. Alternatively, 254 room nights per hotel room constructed were induced into the market.

- In November 1988, the 1,000-room San Antonio Riverwalk Marriott was opened in the development down the street from the convention center. This property was part of a larger, tourism-based development meant to attract convention delegates to the city of San Antonio. The following table shows the number of occupied room nights in the years surrounding the property's opening for the center city competitive supply.

San Antonio Riverwalk Marriott San Antonio CBD Competitive Hotel Market					
Year	Daily Available	Yearly Available	Yearly Occupied	Supply Increase	Demand Increase
1985	5,713	2,085,245	1,403,370	-	-
1986	5,713	2,085,245	1,353,324	-	-
1987	6,026	2,199,490	1,381,280	-	-
1988*	6,193	2,260,445	1,546,144	2.8%	11.9%
1989	7,026	2,564,490	1,731,031	13.5%	12.0%
1990	7,175	2,618,875	1,841,069	-	-

*Riverwalk Marriott opened in November
Source: CBRE Hotels

As can be seen in the table above, in 1989, the first full year of operation for the San Antonio Marriott, occupied rooms in the competitive market increased by 184,887 rooms, or 60.8 percent of the new rooms that came on-line were induced into the marketplace. Alternatively, 185 room nights were induced into the market per hotel room constructed.

- In December 1992, the San Diego Convention Center saw the opening of their second convention headquarters hotel, the 875-room Hyatt Regency San Diego. In 2003, it completed the addition of 750 additional rooms. The following table shows the number of occupied room nights in the years surrounding the property's opening and addition for the center city competitive supply.

Manchester Grand Hyatt, San Diego San Diego Convention Hotel Competitive Market					
Year	Daily Available	Yearly Available	Yearly Occupied	Supply Increase	Demand Increase
1991	3,570	1,303,050	903,500	-	-
1992*	3,998	1,463,265	1,012,700	12.3%	12.1%
1993	4,882	1,781,930	1,205,700	21.8%	19.1%

*Hyatt Regency opened in December
Source: CBRE Hotels

Manchester Grand Hyatt, San Diego San Diego Convention Hotel Competitive Market					
Year	Daily Available	Yearly Available	Yearly Occupied	Supply Increase	Demand Increase
2001	4,734	1,727,910	1,276,925	-	-
2002	4,773	1,742,145	1,317,062	-	-
2003*	5,325	1,943,625	1,504,366	11.6%	14.2%
2004	5,762	2,103,130	1,586,972	-	-

*Hyatt Regency expanded by 750 rooms to 1,625 total rooms
Source: CBRE Hotels

As can be seen in the table above, in the first year of the Hyatt's operation, 1993, the competitive market saw an increase in occupied rooms of 193,000 rooms, or almost 60.6 percent of the rooms available at the Hyatt were induced into the market.

The additional rooms came online in August 2003. In 2003, the first partial year of operation for the Manchester Grand Hyatt San Diego, the competitive market saw an increase in occupied rooms of 187,304 room nights. In 2004, the hotel's first full year of operation, another 82,606 room nights were induced into the market. Over the two-year period, 273 room nights of demand were induced annually per available hotel room introduced into the market.

- In January 1995, a 1,200-room Marriott was opened in Philadelphia directly adjacent to the convention center. The following table shows the number of occupied room nights in the years surrounding the property's opening for the center city competitive supply.

Philadelphia Marriott Center City Competitive Hotel Market					
Year	Daily Available	Yearly Available	Yearly Occupied	Supply Increase	Demand Increase
1992	5,603	2,045,095	1,290,455	-	-
1993	5,603	2,045,095	1,323,176	-	-
1994	5,483	2,001,295	1,350,874	-	-
1995*	6,521	2,380,165	1,637,554	18.9%	21.2%
1996	6,617	2,415,205	1,811,404	-	-
1997	6,601	2,409,365	1,778,111	-	-
1998	6,748	2,463,020	1,785,690	-	-

*Philadelphia Marriott opened in January
Source: CBRE Hotels

As can be seen in the table above, in the first full year of the Philadelphia Marriott's operation, the competitive market saw an increase in occupied rooms of 286,679 rooms, or approximately 75.7 percent of the rooms available at the Marriott were induced into the market. This equates to 224 room nights induced per hotel room constructed.

- In May 2003, a 700-room Westin opened for operation in Charlotte, North Carolina. The property is located proximate to the Charlotte Convention Center and to the Bank of America Stadium, home of the Carolina Panthers. The table on the following page shows the number of occupied room nights in the years surrounding the property's opening for the competitive supply.

Westin – Charlotte, NC Westin Charlotte Competitive Hotel Market					
Year	Daily Available	Yearly Available	Yearly Occupied	Supply Increase	Demand Increase
2000	1,215	443,475	309,546	-	-
2001	1,215	443,475	202,537	-	-
2002	1,215	443,475	264,311	-	-
2003*	1,623	592,517	359,658	33.6%	36.1%
2004	1,915	698,975	453,746	18.0%	26.2%

*Westin opened in May
Source: CBRE Hotels

The first partial year of operation for the Westin Charlotte was 2003. In 2003, the competitive market was an increase in occupied rooms of 95,347. The first full year of operation for the Westin Charlotte was 2004. In 2004, available rooms increased by 106,458 rooms, or 18.0 percent. Occupied rooms increased 94,088 or 26.2 percent from 2003. Over the two-year period, 270 room nights of demand was induced per available hotel room introduced into the market.

- In December 2003, the 1,200-room Hilton Americas Hotel opened in Houston, Texas. This property is connected to the George R. Brown Convention Center via skywalks. The Toyota Center (home of the Rockets, Comets and Aeros) is located one block from this property and Minute Maid Park (home of the Houston Astros) is located two blocks from this property. The following table shows the number of occupied room nights in the years surrounding the property's opening for the center city competitive supply.

Hilton Americas Hotel – Houston, TX Hilton Austin Competitive Hotel Market					
Year	Daily Available	Yearly Available	Yearly Occupied	Supply Increase	Demand Increase
1999	1,824	665,760	448,200	-	-
2000	1,824	665,760	467,200	-	-
2001	1,983	723,795	481,200	-	-
2002	2,104	767,960	456,700	-	-
2003*	2,779	1,014,335	476,200	-	-
2004	4,030	1,470,950	764,115	45.0%	60.5%

*Hilton Americas Hotel opened in December
Source: CBRE Hotels

In 2004, the competitive set experienced an increase of approximately 582,175 available rooms. This represents a 45.0 percent increase in available rooms. Occupied rooms increased by 287,915 rooms, or 60.5 percent. This increase represents 230 room nights of induced demand into the market per hotel room constructed.

- In January 2004, the 800-room Hilton Austin opened in Austin, Texas. This property is located across the street from the Austin Convention Center. The table on the following page shows the number of occupied room nights in the years surrounding the property's opening for the center city competitive supply.

Hilton – Austin, TX Hilton Austin Competitive Hotel Market					
Year	Daily Available	Yearly Available	Yearly Occupied	Supply Increase	Demand Increase
2000	2,243	818,695	646,000	-	-
2001	2,305	841,325	550,300	-	-
2002	2,305	841,325	574,300	-	-
2003	2,373	866,145	620,000	-	-
2004*	3,105	1,133,325	786,600	30.8%	26.9%

*Hilton Austin opened in January
Source: CBRE Hotels

The Hilton Austin was operational for 11 months in 2004. Available rooms increased by 267,180 or 30.8 percent. Also in 2004, occupied rooms in the competitive market increased by 166,600 rooms or 26.9 percent. Alternatively, 208 room nights were induced into the market per hotel room constructed.

- The 1,001-room Convention Center Headquarters Hotel at L.A. LIVE (JW Marriott/Ritz-Carlton) was extremely well received by visitors to downtown Los Angeles and induced a significant amount of demand as shown in the following table.

JW Marriott/Ritz-Carlton – Los Angeles, CA Downtown Los Angeles Competitive Hotel Market					
Year	Daily Available	Yearly Available	Yearly Occupied	Supply Increase	Demand Increase
2006	5,169	1,886,685	1,385,862	-	-
2007	5,186	1,892,890	1,418,390	-	-
2008	5,237	1,911,505	1,341,190	-	-
2009	5,237	1,911,505	1,154,941	-	-
2010*	6,097	2,225,405	1,431,992	16.4%	24.0%
2011	6,238	2,276,870	1,548,272	2.3%	8.1%

* JW Marriott/Ritz-Carlton opened in February/April
Source: CBRE Hotels

The first partial year of operation for the LACC Headquarters Hotel was 2010. The JW Marriott opened in February and the Ritz-Carlton later that year in April. In 2010, the competitive market experienced an increase in occupied rooms of 277,051, in a partial year of operation. In 2010, the total number of available rooms increased by 116,279, or 8.1 percent. Therefore, the total number of room nights occupied from 2009 to 2011 increased by 393,331. Over the two-year period, the total number of available rooms increased by 313,900. Alternatively, 277 room nights were induced into the market per hotel room constructed.

- In February 2011, the 1,005-room JW Marriott Hotel opened in Indianapolis directly adjacent to the Indiana Convention Center. The table on the following page shows the number of occupied room nights in the years surrounding the property's opening for the center city competitive supply.

JW Marriott Indianapolis Indiana Convention Hotel Competitive Market					
Year	Daily Available	Yearly Available	Yearly Occupied	Supply Increase	Demand Increase
2010	2,509	915,785	632,308	-	-
2011*	2,857	1,042,896	705,074	13.9%	11.5%
2012	2,941	1,073,465	772,027	-	-

*JW Marriott Indianapolis opened in February
Source: CBRE Hotels

As can be seen in the table above, in the first nearly full year of operations the JW Marriott Indianapolis's competitive market saw an increase in occupied rooms of 72,766 rooms, or approximately 21.6 percent of the rooms available at the JW Marriott were induced into the market. This equates to 79 room nights induced per hotel room constructed.

- In November 2011, the 1,001-room Omni Hotel opened in Dallas directly adjacent to the Dallas Convention Center. The following table shows the number of occupied room nights in the years surrounding the property's opening for the center city competitive supply.

Omni Dallas Convention Center Dallas Convention Hotel Competitive Market					
Year	Daily Available	Yearly Available	Yearly Occupied	Supply Increase	Demand Increase
2010	2,987	1,090,073	681,295	-	-
2011*	3,153	1,150,788	724,343	5.6%	6.3%
2012	3,992	1,456,930	957,194	26.6%	32.1%
2013	4,000	1,459,912	978,154	-	-

*Omni Dallas Convention Center opened in November
Source: CBRE Hotels

As can be seen in the table above, in its first full year of operations (2012) the Omni Dallas's competitive market saw an increase in occupied rooms of 232,851 rooms, or approximately 63.7 percent of the rooms available at the Omni Dallas Convention Center were induced into the market. This equates to 233 room nights induced per hotel room constructed.

- The 800-room Omni Nashville Hotel opened in September 2013 just east of the Music City Center, which opened four months earlier. The Omni serves as the headquarters hotel and features over 80,000 square feet of its own meeting and event space. The $600 million Music City Center features approximately 1.2 million square feet of space, including a 350,000-square-foot exhibit hall. table on the following page shows the number of occupied room nights in the years surrounding the property's opening for the center city competitive supply.

Omni Nashville Hotel Nashville Convention Hotel Competitive Market					
Year	Daily Available	Yearly Available	Yearly Occupied	Supply Increase	Demand Increase
2011	2,570	938,050	697,517	-	-
2012	2,570	938,050	720,569	-	-
2013*	2,882	1,051,755	805,393	12.1%	11.8%
2014	3,595	1,312,179	1,056,378	24.8%	31.2%

*Omni Nashville Hotel opened in September
Source: CBRE Hotels

As can be seen in the table above, in 2014 (the first full year of operations) the competitive market saw an increase in occupied rooms of 250,985 rooms, or approximately 86 percent of the rooms available at the Omni Hotel were induced into the market. This equates to 314 room nights induced per hotel room constructed.

The following table summarizes the growth in demand as measured in occupied room nights that entered the above-mentioned markets upon the opening of their respective hotels. It should be noted that for properties that opened in the middle of the calendar year, two years of data has been analyzed. For these properties, the number of room nights captured over the two-year period is added together and then divided in half to reflect the annualized number of room nights captured by the market. We have also presented the number of room nights induced per hotel rooms introduced into the competitive market in each of the respective convention destinations surveyed.

Proposed Convention Hotels Summary of Additional Rooms Captured in Convention Markets					
Property Location	Open Date	Number of Rooms at Property	Period Under Consideration	Number of Room Nights Captured	Room nights Induced per Hotel Rooms Introduced into the Competitive Market
Atlanta	Jan-85	1,674	1985	425,591	254
San Antonio	Nov-88	1,000	1989	184,887	185
San Diego (Hyatt)	Dec-92	875	1993	193,000	221
San Diego (Hyatt)	Aug-03	750	2003-2004	134,955 [1]	273
Philadelphia	Jan-95	1,200	1995	286,680	276
Charlotte	May-03	700	2003-2004	94,718 [1]	270
Houston	Dec-03	1,200	2004	287,915	230
Austin	Jan-04	800	2004	166,600	208
Los Angeles	Feb/Apr-10	1,001	2010	277,052 [1]	277
Indianapolis	Feb-11	1,005	2011	72,766	79
Dallas	Nov-11	1,001	2012	232,851	233
Nashville	Sep-13	800	2014	250,985	314
Average				*217,333*	*235*

[1]Annualized due to mid-year opening
Source: CBRE Hotels

In analyzing the market impact of a newly introduced headquarters convention hotel we have also calculated the number of room nights induced into a market. To ensure meaningful comparisons, the total number of room nights induced are divided by the room count of the newly introduced hotel. For example, the 1,001-room JW Marriott and Ritz-Carlton in downtown Los Angeles, was responsible for an increase in 277,052 room nights (calculated as the difference between the number of occupied rooms in 2010 versus 2009) or 277 room nights per room. To put it another way, the 1,001-room hotel effectively opened into the market with an approximately 76 percent occupancy level without any detriment to the local competitive market as shown in the table below.

JW Marriott/Ritz-Carlton – Downtown Los Angeles, CA	
Room Nights Induced	277,052
JW Marriott/Ritz-Carlton room count	1,001
Room Nights per Room Induced	277
Days per year	365
Equivalent Occupancy of the New Hotel	75.8%

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 below presents these calculations in the year of opening, or first full year of operation. As shown, demand for the new convention center hotels exceeded, or nearly exceed the increase in supply in each case.

Proposed Convention Hotels
Summary of Additional Rooms Captured in Convention Markets

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

Source: CBRE Hotels