TR Mandigo & Company

"Over 40 Years of Hospitality Consulting"

Hotel Market Feasibility Analysis

Market study for the potential Development of a Limited-Service Hotel off I-55 located in Braidwood, IL

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Submitted to:

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Submitted on:
November 13, 2023

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Monday, November 13, 2023

Valerie Kretchmer
Valerie S. Kretchmer Associates, Inc. for the Chicago Metropolitan Agency for Planning
807 Davis Street
Evanston, IL 60201

Dear Ms. Kretchmer:

We have completed our market research to assess the potential market feasibility for a proposed limited-service hotel as part of an overall economic development program for the City of Braidwood, Illinois.

There are currently no hotel properties within a 10-mile radius of the site, though there are a few nonaffiliated motels. Generally, these are less competitive with branded hotels and given the age of the nearby motels, these have been excluded from our direct competitive analysis.

The site location of a potential hotel has not been determined at this time, though there are two intersections into which a property would be most feasible, exit 236 in the north, and the next exit to the south, exit 233. While we examine the benefits of both sites, ultimately the study is to address whether the local market will support the development of a hotel in the city overall.

This analysis addresses the existing and potential markets, taking into consideration; the age, condition, and growth in room supply in Grundy County and Will and Kendall Counties as they pertain to demand generators. Our conclusions are the results of our research of local industry, supplied analysis provided by the Chicago Metropolitan Agency for Planning, the city of Braidwood, general and regional hotel market trends and competitive property historic performance, with conclusions on market feasibility.

The secondary task was to make recommendations regarding the concept design, size, composition of the room mix, price and quality positioning of the property, amenities, and facilities as appropriate given market conditions.

The study estimates the likely performance of the competitive set of properties, and the estimated level of demand for the subject property, attainable occupancy, average daily rate, and absorption period for the development of the property showing the salient market information and our conclusions on market feasibility to assist in analysis of the economics of the project.

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

This market feasibility study and statements of estimated annual operating results will be used within the larger scope of economic development analysis and recommendations for the city of Braidwood, and is intended for discussion and presentations to lenders, management companies, investors, and other interested parties.

The market feasibility and statements of estimated annual operating results as presented do not constitute an economic feasibility study, which includes analysis of the debt stack and specific terms. It is intended only to represent the expected operating results of the property as described herein. The Statement of Estimated Operating Results and suggested values do not constitute an appraisal nor actual development costs. When the balance of debt and equity and terms thereof are negotiated, the economic feasibility of the project can be determined.

Pursuant to your authorization in August 2023, we submit herewith our market feasibility report and statements of estimated annual operating results for the referenced property. We have inspected the site and surrounding area, evaluated the lodging market conditions, and particularly the market in the immediate area and the central business district, and considered the local forces influencing hotel operations.

We certify that we have no undisclosed interest in the property and our employment and compensation are not contingent upon our findings and conclusions. The attached feasibility report is subject to the assumptions and limiting conditions made throughout the report, and those specifically stated in the limiting conditions presented as an addendum to this report.

As in all engagements of this type, the estimated results are based upon experienced competent and efficient management; assume affiliation with a reservation system organization; and

presume no significant change in the competitive position of the lodging industry in the immediate area from that as set forth in this report. The conclusions reached as to future performance are based upon our present knowledge of the competitive area as of the completion of our research as well as our forecast for recovery from the pandemic based on current trends.

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

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

This market feasibility study has been specifically designed to address the potential operation of the proposed property as a small, limited-service hotel competing in the regional market with appropriate service levels, amenities, and furnishings. It is intended for the use of the principals to the project, potential developers and/or investors, their advisors, and other principals in the analysis of the market and economic feasibility participating in providing equity and obtaining financing for this project and in the analysis of the economics of pursuing the development as described herein.

Neither our name nor the material submitted may be included in any public offerings or in any debt or equity prospectus in connection with the sale of securities or participation interest to the public without our express written permission.

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

Sincerely,

Richard S. Mandigo, CHA

TABLE OF CONTENTS

Table of Contents 1
Purpose and Function of the Engagement 2
Assumptions and Limiting Conditions 2
Summary of Conclusions 4
Map 1: Southern Exit along Kennedy Rd 5
Site Location 7
Description of Property 8
Hotel Amenities 9
NEIGHBORHOOD ANALYSIS 10
INTRODUCTION 10
IDENTIFICATION OF THE NEIGHBORHOOD 10
Transportation and Access 11
Hotel Market Analysis 12
Introduction 12
Chicago Metro Hotel Market Overview 12
Table 2: Chicago MSA Performance 13
Table 3: Historic and Projected Hotel Performance, USA 15
Chicagoland Regional Hotel Market Overview 16
DuPage Overview 16
SOUTH 17
SOUTHWEST 17
Table 4: YOY performance cHANGEs Outside Chicago 18
Monthly Performance 19
Competitive Set 19
COMPETITIVE SET PERFORMANCE 25
Table 5: Joliet Competitive Set History and Projections 27
MONTHLY PERFORMANCE 28
Table 6: Joliet Competitive Set Actual Increases aUG ytd 29
Table 7: Joliet Competitive Set Monthly Average 29
WEEKDAY/WEEKEND MARKET PERFORMANCE 30
Table 8: Average of Daily Performance of Competitive Set by day 2020-2023 32
Table 9: Joliet Competitive Set Day of Week Average 32
Pipeline 33
Subject Property Performance 34
Table 10: Subject property projected Performance 36
Statements of Estimated Annual Operating Results 38

PURPOSE AND FUNCTION OF THE ENGAGEMENT

The purpose of this engagement is to analyze the Braidwood market to determine what, if any, types of development would be best suited for the city of Braidwood, Illinois (Will County), and how to encourage such developments. Richard Mandigo was subcontracted to specifically address the potential for a hotel development within the city, and to provide recommendations for its facilities and location. Our findings and conclusions as to potential revenue, and specifically occupancy and average daily rate, assume an aggressive timeline to meet a potential opening in 2025. These include statements of estimated annual operating results for a typical year and for the first six years of operation.

This study is based on a non-specified franchised 45-room property with economy or lower midscale limited-service amenities. It is anticipated that the project will attract attention from a nationally recognized franchise organization and that it will benefit from their robust reservation system and guest loyalty program and will be managed by a competent management group or owner familiar with the market.

ASSUMPTIONS AND LIMITING CONDITIONS

The scope of this market study involved the systematic research and analysis necessary to reach a conclusion as to the performance of the proposed hotel concept based on historic data and market trends in the immediate area as well as larger trends. The assumptions included in our engagement are as follows:

- We assume that the property will be aggressively priced and marketed to compete against other surrounding hotel clusters in the region and will serve as a primary lodging of choice for local business in Braidwood, as well as Diamond and Coal City.

- The property will operate as a franchised hotel with a major national brand and operated by a competent management company.

- The property will initiate a reserve for replacement program at 5%. This is above the historic norm of 3% but is set higher to account for inflationary factors. By instituting a program, these future costs will be normalized and predictable and will sustain the property in a competitive condition throughout and beyond the projection period.

- The success or failure of the project may be contingent upon further development within the municipality; however, our conclusions do not account for any such projects that have not been granted permits and reasonably verified.

- In view of the lack of competitive properties coupled with the level of area development including distribution facilities and an expanding residential market, the property will adopt an aggressive local marketing and positioning program prior to and during the initial period of operation to achieve our projected results.

- We have assumed that any hotel development will be subject to real estate tax and sales tax, initially set at standard rates. It is common in projects of this type that the development may receive special district incentives such as from a TIF, enterprise zone, or other adjustments which may discount these numbers.

- It is our understanding that there are several other new developments both within Braidwood, as well as Diamond to the west and Wilmington to the North.

    - It is our understanding that a GC contract has been executed for the Jewel Osco on the southern plot indicated below and construction is expected to be finished in late 2024. It is located approximately ½ mile to the west of the intersection of I-55 and Division.

        - The "Diamond Point" commercial center, as proposed, would see the development of retail, restaurant, storage, and a pharmacy. The area is part of a TIF district and Economic Recovery Zone, along with the Jewel. As of yet, no specific brands have been announced beyond the already existing businesses. No hotel plans have been announced and are not being considered as far as we are aware.

    - The second area of active development is in Elion Logistics Park (55) at the next intersection off I-55 to the north of Braidwood in an annexed region of Wilmington located west of the Kankakee River. Currently it houses several large logistics warehouses with long-term tenants.

        - While this area is in active development, full buildout is likely to take place over a 10+ year period.
        - We do not include immediate growth in demand suggested by expansion of this logistics hub, as the area has been in continuous development for several years. Therefor, this demand is already included in the mix of both the competitive set and the proposed property.
        - Earlier plans called for the construction of a second exit route at the south of the complex, which would have relied on the construction of the Illiana expressway, which remains unbuilt. There is the possibility of this site generating business for the hotel, assuming a location along Division.

- Wilmington has supposedly been in talks with IHG to place a flag to the north of I-55 and Lorenzo on River Rd. Current plans under discussion include improving the Lorenzo Road interchange, which would allow for eliminate the frontage road and create additional space.
    - However, no permits or official documents have been filed for a hotel facility.
    - There remain outstanding issues around land use and ownership which suggest a proposed hotel faces several significant hurdles which would delay the construction of a hotel.

- Given surrounding municipal projects, a hotel project would necessitate an aggressive timeline in order to fill the niche in Braidwood rather than elsewhere. An announced project and permit would prevent surrounding municipalities from expanding their own development plans.

    - It is our stance that TIF districts do not *create* demand for businesses per se. However, they are effective tools for enticing developers who are interested in such projects to focus on and commit to a specific site.

    - In our opinion, the advantage of the Wilmington plan is that it is likely within a Tax Increment Financing district. It is likely that a persuasive incentive package including a TIF or other enticements will be needed to create greater interest in a Braidwood site.

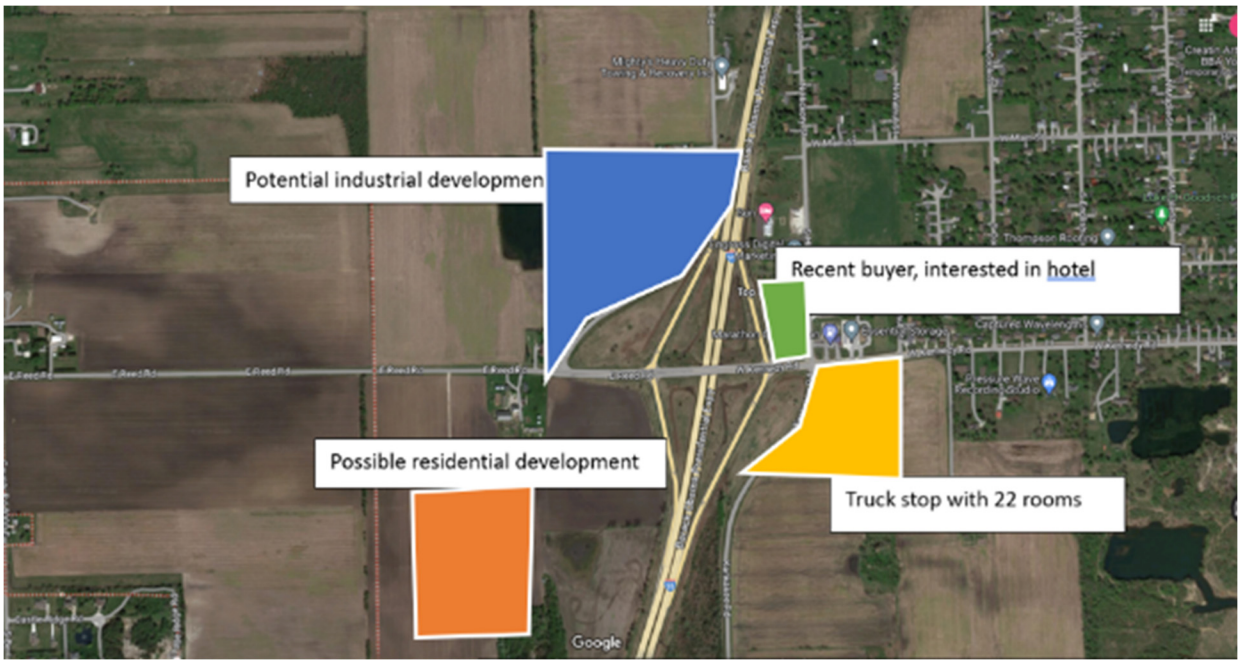
SUMMARY OF CONCLUSIONS

We have completed our market feasibility study, and our analysis indicates sufficient support for development of a 45-room limited-service hotel to be located along I-55 and Coal City Rd on either the northeast or southeast side. However, while we discuss factors that lead us to our conclusion that this exit provides more benefits, the southern interchange along Kennedy Rd should still be feasible.

In our discussions we have learned that the northeast corner of the I-55 exchange at Kennedy Rd. has been bought, with the owner expressing interest in a hotel. If this means a faster timeline (or less incentivizing), then we strongly suggest going with that site. However, its location directly next to residential, with a possible large truck stop across the road to the south, rumored to have up to 22 rooms for truckers to overnight, may present more complications. It would prove superior, however, if community integration is

important and other mixed-use developments create a stronger pull. As we note, this exit does receive more offramp traffic.

MAP 1: SOUTHERN EXIT ALONG KENNEDY RD



At either site, a hotel would have excellent visibility and accessibility for transient traffic. The property will be readily identifiable from I-55, and conveniently located within ½ mile of the exit for very good access. At the northern interchange, some clearing of some vegetation on the northeast corner may require removal, as the trees may obscure visibility. The area around I-55 consists of farmlands, with residences to the east. At the northern intersection, there are several developments under construction within the city and in the adjacent village of Diamond. As a standalone structure, without consideration of other development, placing the hotel outside of the bulk of Braidwood's residences would minimize disruption to its population, while also being easily accessible.

MAP 2: NORTHERN EXIT ALONG COAL CITY RD

We assume that the property will derive most of its business from the transient sector. This represents travelers that book alone and are not traveling for business, events, or other coordinated travel. This is typically broken into reservations and walk-ins, however given the ease of access afforded by the internet, it would be more appropriate to break the category into highway traffic and local demand. We estimate that on average, per 1000 residents, 1 room at a hotel will be booked per night. The surrounding communities within a three-mile radius, excluding Wilmington, house approximately 15,000 residents. In a 5-mile radius, this number increases to 21,000. This does not mean that every night, the hotel will receive 21 guests. There are guests whose preference may be for motels or other forms of shelter, and guests willing to travel a further distance, particularly along the interstate.

This assumption of locally generated demand consists of family and friend travel, move-in/move-outs, renovation and other demand from the local market. This property will fill a void where there are no competing properties within a four-mile radius. However, the next closest branded properties lie over 15 miles away by road (Minooka is just over 13 miles but lacks a direct route).

The property must rely on further sources of demand for year-round operations and profitability. We estimate that during planned maintenance at the nuclear facility, the hotel market operates at over 80% for between a week and two months. As we discuss later, the region has seen several large construction projects related to logistics and supporting businesses. These new construction projects generated significant room demand during the construction phase, along with some ongoing business from support as operations come online. In addition, we expect 20% of the demand to come from group meeting activity, primarily social gatherings, consisting of weddings, anniversaries, alumni groups, and other social functions as well as business activity.

The end of Covid as a limiting factor and the relative strength of 2022 and early 2023 revenue growth has led to numerous projects which may have been suspended once again moving forward. This represents further density and interest in the area, which should bring more jobs and financial support, while continuing to change the nature of the area from a rural community to something closer to an exurb. The proximity of municipalities in this area means that a hotel could draw from all of them. While there are no active hotel plans that we know of, several DuPage and Will County taxing bodies have expressed interest in bringing lodging to their areas.

Once one hotel is approved, it will likely discourage additional construction, as while there is support for a moderate sized 45 room hotel, multiple developments building hundreds of rooms will serve to dilute the market and may take a project from feasible to borderline.

The market area growth in population has changed the needs of the area dramatically. While a hotel would not have been feasible 20 years ago, the market area is now essentially underserved by the existing properties in the market.

SITE LOCATION

No specific addresses were given though potential sites were suggested. As such, we do not address which parcel should be selected to achieve the best results but will state the advantages and disadvantages of each interchange on the future performance of a new construction Hotel.

While other ventures, such as commercial and residential, could be located downtown or in a corridor, any hotel development should be, in our opinion, located off the highway. Exit ramps typically provide a relatively consistent source of business, while they don't tend to improve or drive main street traffic unless coupled with other factors, like size,

proximity to college or some other venue, or prominent leisure destinations. It is also easier to keep hotels to the edge of the municipality, because highway travelers are less inclined to travel far off the interstate, and because it is less disruptive if there is to be truck parking. The northern interstate location would further increase access to Coal City, Diamond, and Wilmington, as well as making it a more viable option for any traveler within a 15–20-mile radius.

With the exception of motels and camping grounds, the nearest properties to Braidwood are over 10 miles away. When examining traffic flow, traffic on I-55 reduces from 68,000 to 31,000 before the Coal City Rd,/Division St. exit, and 26,000 at the Kennedy Rd. exit ramp. Truck traffic hovers around 5,500 at both intersections, but there is a significant volume of commercial traffic between these intersections as well.

In estimating the size needs of a hotel, we used a rough estimate of approximately 300 sq/ft per key, which includes rooms, hallways, mechanical, back of the house areas, lobby, and exercise facilities. Assuming a 45-room hotel (about the minimum size for a franchised property of the quality discussed), a building footprint of around 13,000 square feet would be needed plus required parking based on zoning requirements. Our experience indicates that approximately 1.5 acres would be required for the building footprint, parking, circulation, outlying structures and amenities and landscaping.

DESCRIPTION OF PROPERTY

The property itself would be a prototypical limited-service lower-midscale or economy property with 45 rooms divided among 2 floors. The first floor would include the reception area upon entering the vestibule with the breakfast and preparation spaces located off to one side. The fitness room should be at least one room bay long, with bike, treadmill, or elliptical and weights. At this size a pool would be optional. Further, Laundry, Mechanical and Electrical, public restrooms, and Hotel Offices would all be located off the lobby. The rest of the first floor would consist of 15 guest rooms, laid out as needed, though frequently all king rooms cover one side, while double queens and queens with adjoining rooms cover the other side. The first floor ought to host the ADA compatible rooms, which typically adjoin and are larger than typical rooms.

The second floor would contain the remaining 30 rooms, including some suites over the first-floor common spaces for extra length. Room bays would typically be 14-15 feet wide by 17-22 feet long. The hotel should consist of 15 King rooms of 250 ft, which is typical. The 20 Double Queen rooms would be 290 ft, and 4 King Suites should be 300 ft. There

should be 2 accessible king rooms at 290 ft, 2 accessible double queens at 350 feet, and an accessible suite at around 400 feet. This will require around 12,500 feet of floor space, along with about 3,500 feet of public space and corridors. 2 room bays on the first floor could be converted into a 500 ft meeting room, or the floorplan could expand to accommodate such a space, if desired. Ingress would be from a main entrance with a porte-cochere or similar overhang depending on the specific requirements of the franchise. This entrance would open into the lobby area, which would include the check in desk or kiosks, seating arranged in the current generation trend of lobby design, including USB equipped tables, televisions and lighting, and would also function as the breakfast area.

While hotels in the US average 325 feet, new rooms are frequently built as small as 170 feet. We recommend guest rooms should start at around 250 square feet to accommodate the needs of a business/leisure mix. For the typical guest room, the corridor door should open into an entrance area with storage space for baggage and clothing, and the entrance to the bathroom. The guest room should feature a dresser or console with television and coffee maker. Opposite should be the guest bed or beds with bedside drawers and lights. Seating should include an office chair and desk arranged to provide the most open arrangement, while a chair or sofa and coffee table should be included in the suites.

Parking requirements for the property should accommodate some bus traffic and larger vehicles transporting teams and equipment.

HOTEL AMENITIES

As discussed above, the subject property will operate as a nationally recognized franchised limited-service hotel. While amenities may vary according to specific brand standards, we expect guest rooms, corridors, and public areas to be consistent with the latest generation styles. Specific details regarding styling, layout of furniture, and more would be up to the franchise.

The hotel should provide complimentary hot and cold food service for breakfast and should have free Wi-Fi. Further, we have suggested that the hotel create several suites with connecting rooms, which would be useful for family groups expected to be a significant segment of the market mix for the property.

NEIGHBORHOOD ANALYSIS

INTRODUCTION

A neighborhood is a group of complimentary land uses. All actual and potential influences on property values created by proximate land uses delineate the neighborhood boundaries. This section summarizes our investigation of the subject property's neighborhood and the pertinent locational factors that could affect its value. This report does not include detailed demographic analysis, as other components of the package are expected to cover this in detail. However, demographic trends are taken into account in our projections.

IDENTIFICATION OF THE NEIGHBORHOOD

This report covers a portion of a city, including downtown and nearby shops. This is done because typical owners will need to match the ambiance of a location. However, in this case there are two major points of distinction.

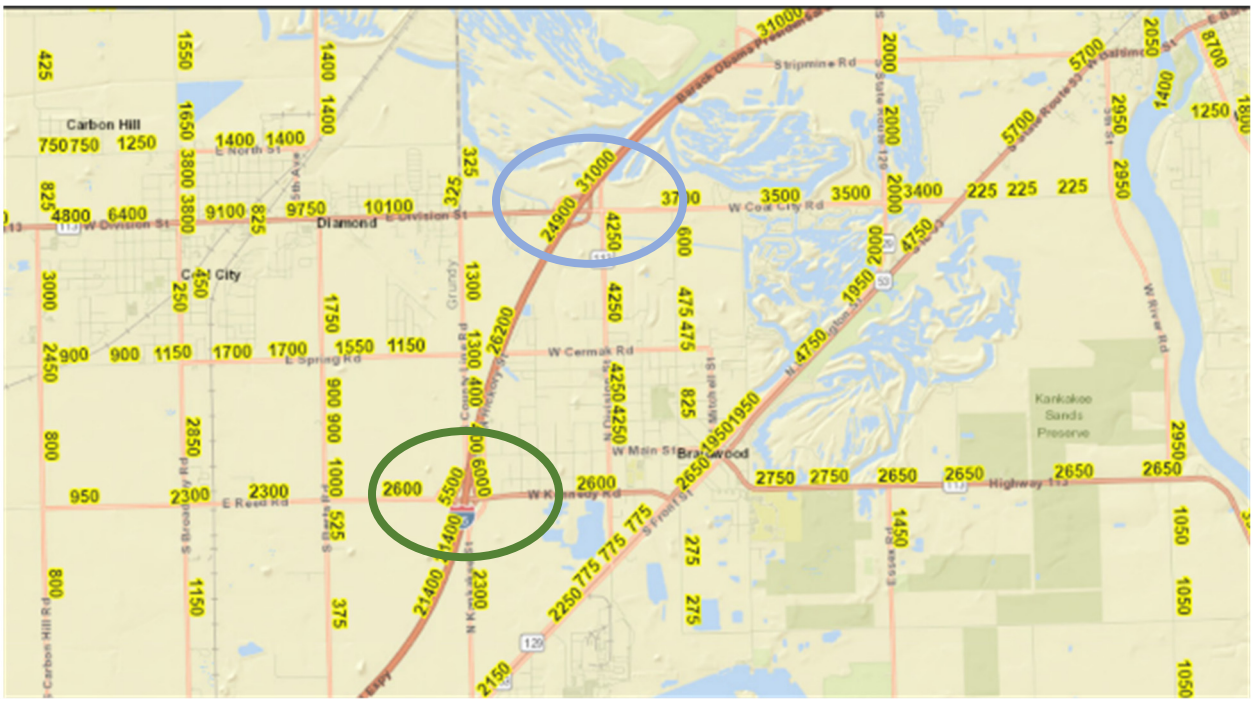
First, the property will be located a significant distance from any surrounding competitors. It is located south of Morris/Minooka/Joliet along I-55 and has direct access to the highway with two exits.

This places it in a superior position to the surrounding communities of Coal City, Diamond, and Wilmington. The next branded franchise hotel is located over 10 miles south in Dwight, IL. While there is industrial development along the Kankakee River to the north, it is in annexed land far removed from the center of Wilmington.

The city itself houses a major nuclear plant, which provides employment and should provide several fill weeks a year depending on downtime.

As it is covered in more detail elsewhere, we will not cover specific employers or demographics except to say that the city is small but slowly growing and is in the process of building economic development plans. Diamond and Wilmington are the two nearest municipalities with aggressive development plans of their own, albeit with different focuses. As stated earlier, Wilmington has the most ambitious long-term plans, but the grand park envisioned at the beginning of development should take at least 10 years to complete the full buildout of 20+ million sf.

MAP 3: TRAFFIC COUNT AT SITE LOCATIONS



Map from IDOT GettingAroundIllinois 2023

TRANSPORTATION AND ACCESS

With the exception of motels and camping grounds, the nearest properties to Braidwood are over 10 miles away. When examining traffic flow, traffic on I-55 reduces from 68,000 to 31,000 before the Coal City Rd./Division St. exit, and 26,000 at the Kennedy Rd. exit ramp. Truck traffic hovers around 5,500 at both intersections, but there is a significant volume of commercial traffic between these intersections as well.

Exits from I-55 at Division exceed entrances by 900 on the north at 3,500 to 2,600 with the south seeing only 600 entrances and 700 exits. At the Kennedy Road exit in the south, 6,000 cars enter I-55 north, and 4,800 go south. Traffic volume off I-55 shows 5,500 from the north, and 5,100 from the south.

In terms of trucking traffic, both exits are similar, though industrial and logistics businesses are largely to the north beginning at the Lorenzo exit off I-55 and continuing up through west Joliet. A rough average of the former shows around 4,000 vehicles a day exit from I-55 in each direction. Therefore, the northern intersection would provide a stronger appeal to regional truck traffic, being south of the cluster in Joliet.

Development near the northern exit includes several large structures and some commercial areas, though anything to the west is outside the municipality.

In this case, the southern exit has superior traffic flow to an offramp destination, however, Division St. between Diamond and Braidwood sees over 10,100 cars a day, and 3,700 to the east. This number may be slightly misleading as this represents a lot of commuter traffic; however, it is much closer to the communities of Diamond and Coal City. The go-by of 1 guest night per 1000 residents would allow for more direct access to a larger pool of residents.

HOTEL MARKET ANALYSIS

INTRODUCTION

The following analysis presents an overview of the supply and demand characteristics affecting the subject property. This includes an overview of the market segments comprising the various transient lodging users in the competitive market, and an analysis of the existing and potential future supply of hotels which compete with the subject for these various demand segments. Estimates of accommodated demand and resultant occupancy levels were projected based on historical and forecasted rates of demand growth, as well as an evaluation of the proposed hotel's competitive position. In addition, the past trends in occupancy, average daily rate and relationship of various departmental revenues and expenses and other operating expenses were reviewed, along with the history of the Chicago market area over the past 10 years.

CHICAGO METRO HOTEL MARKET OVERVIEW

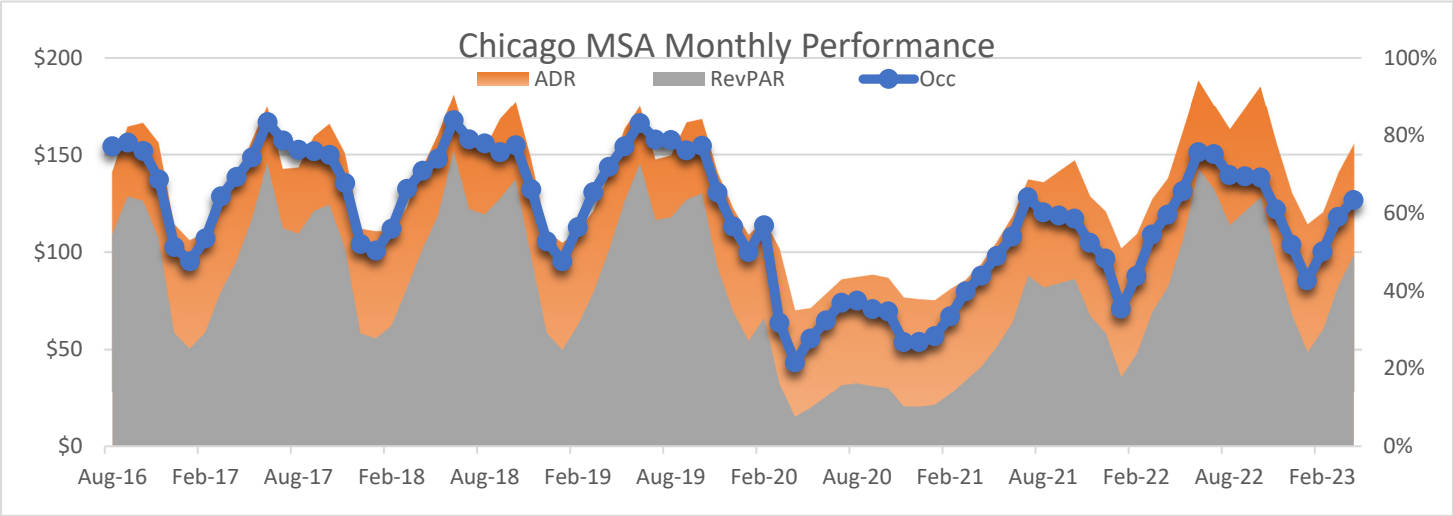
Chicago is the largest and most prominent hotel market in the Midwest with a total of 120,000 guest rooms in the metropolitan area (defined as the city itself and surrounding suburbs), which in total creates the third largest supply in the US. The position as a transportation and commercial hub has enhanced the development of the city as a major convention center, which could be counted on to create overflow on as many as 120 days a year. The expansions of the Orlando and Las Vegas convention centers have diminished the role of the convention market on Chicago's overall health. In the 1990's, the convention industry dominated the CBD market, accounting for over 60% of the total

business. Pre-pandemic, those markets, along with the increasing number of secondary cities with 100,000 + square feet of exhibition space, caused convention business to drop to less than 45% of rooms sold. However, the increase in small conventions resulted in the convention market growing. It is seen as less reliable than it was because new hotel construction and other sectors have increased much faster. The result was a market that could easily fill 27,000 rooms with plenty of offset rooms for regional hotels to being unable to fill the 45,000 rooms today.

The shift in markets included an increase in commercial business at 3 to 4 percent, about double that of conventions. The main reason that Chicago managed to increase its supply of rooms by 40% while maintaining mid-70's occupancies came from major tourism promotion, resulting a high of over 76% occupancy in a market that was lucky to hit 70% in the 2000's. Several waves of corporate closures and relocations further reoriented the market from its historical place as central hub with business along its closest spokes to one in which markets outside of Chicago itself had to actively seek their own demand generators. Outside of corporate stays, the leisure sector rose from 10% to 15% of total demand. Without the effects of the pandemic, it could have reached as much as 25%. Again, however, the tourist market is nearly exclusively limited to the city itself.

The Chicago CBD (Central Business District) comprises the nearly 45,000 hotel rooms that make up the Downtown Chicago market, in an area that roughly matches the city. Most of these properties are in the "The Loop", along with the River North, Michigan Avenue, and Streeterville markets, though it also includes the other neighborhoods of the city, with the largest concentration of hotels outside of downtown located in the McCormick Place, Midway, and West Loop markets. Tracking CBD performance shows broader trends in the core of the Chicago market and has historically been the leading indicator in overall Chicago hotel market performance.

TABLE 1: CHICAGO MSA PERFORMANCE



unprecedented effect that the pandemic had on business in general, most forecasts have been conservative, after disagreement on the impact of "revenge travel", or pent-up demand, and the long-term impacts of prioritizing tourism or public safety on future travel patterns.

In short, mitigation efforts and travel restrictions massively reduced the demand for hotels across the country, but specifically in major cities. Nearly overnight, every convention was cancelled, and most offices moved to remote work. Together, these two factors eliminated the typical must-travel inelastic demand, which had averaged between 30-50% of available rooms on any given day. This represents the biggest drop ever recorded, including the great depression. Most cities were even worse, with Chicago dropping 50 points (from 76% to 26%) and $70 between 2019-2020.

This impact was most pronounced in the upper-upscale through mid-service ranges, with luxury properties maintaining high rates (though low occupancies), and budget hotels reducing rates by a few dollars, but maintaining occupancies. These categories represent those who had no choice but to stay in a hotel, and those who could afford to spend enough to avoid exposure.

At the same time, it became clear that suburban counties had effectively decoupled from the central business districts. While they traditionally performed well below downtown areas, the increase in supply of the city over the last decade forced these areas to market locally. Thus, a much larger percentage of their demand no longer relied on major events from downtown. Most of the surrounding areas (excepting the lakeshore to the north) saw modest losses by comparison, at around 36-40%, and around $20 (from $105 to $85).

With vaccination possible, the first areas to recover were vacation destinations (those with outdoor activities) with government policies that actively downplayed pandemic concerns. Thus, areas such as Miami and Ft. Lauderdale, along with the national parks, and remote destinations such as Bozeman, took off. Because of this, it was possible to somewhat predict whether a destination would improve quickly by the typical risk-tolerance of the traveler. Thus, places like San Francisco, New York, and Chicago stayed down during 2021. This, along with a politically expedient labeling of the city as unsafe, kept recovery slow.

However, the major boost of destinations in deep-red states did not represent a permanent shift in preferred markets, indicated by a downturn in occupancies and lower rate of price increases in Miami and elsewhere.

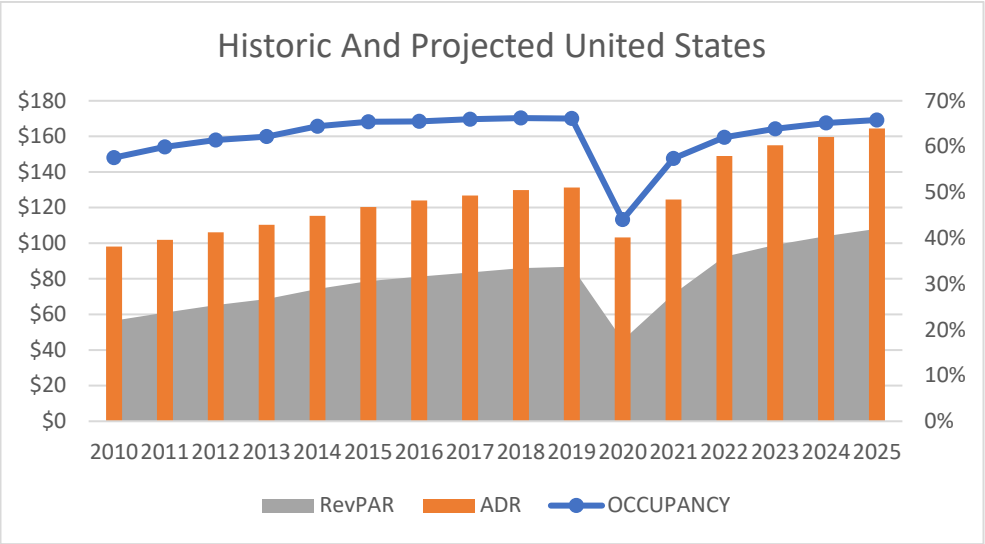
While nationally no part of the country exceeded their performance in 2019, several destinations did manage to boost rates in 2021. This is even seen in the Chicagoland area,

where suburban locations saw stronger recovery in occupancy than the city, and in some cases, exceeded their previous rates.

Our projections for the next several years show demand slowing after a 32% increase in 2021, and 17% in 2022. These numbers are exaggerated by the poor results of 2020, along with a smaller overall supply, as many hotels closed or reduced capacity during the pandemic.

2023 is expected to see demand increase by about 8.5%, though this is tempered by the relatively weak Q3 compared to 2022. While there are not as many projects in planning as before the pandemic, there are 34 projects in the pipeline, representing 4,500 rooms set for 2024 and beyond with relatively normal demand growth thereafter. This is why we do not anticipate the same highs in occupancy as we did in the 2010's.

TABLE 2: HISTORIC AND PROJECTED HOTEL PERFORMANCE, USA



We note that our models do not consider major black swan events other than the expected continued impact of fallout from the invasion of Ukraine and fuel price increases. The rapid increase in rates in 2021 and onwards came because of the erasure of the previous price-value assumption because of the long closures. Further, while we note that Chicagoland does have large Ukrainian and Jewish populations, the conflicts overseas have little impact on the hotel market.

Additionally, we expect little change on the impact of foreign travel as compared to coastal areas, Chicago still receives relatively few international visitors, and business and convention travel are not expected create a dramatic boost in occupancies as their presence was already considered pre-pandemic.

While some cities have made arrangements with hotels to house immigrants, this has been extremely limited in Chicago and has not had a measurably significant effect on the industry except insofar as being seen as liberal and unsafe. Those labels have been a consistent refrain since at least the mid 2000's, so they have already been taken into consideration as a part of the Chicagoland market in general.

CHICAGOLAND REGIONAL HOTEL MARKET OVERVIEW

The Chicago Metro region is divided into 6 submarkets in addition to the CBD. These markets were defined by Smith Travel Research for the purpose of tracking the overall health of the area and the boundaries are somewhat arbitrary. They consist of the Airport (O'Hare), DuPage County, North, Northwest, South, Southwest, and Lake County. Near western and far western suburbs do not have a distinct category and are traditionally grouped in with DuPage. The lines of delineation between the north/northwest suburbs and south/southwest are vague. Kankakee is considered south, while Joliet could be considered either. As Braidwood is on a direct highway route from Joliet, but is over 15 miles south, it shares characteristics of both.

DUPAGE OVERVIEW

While far too far north to be considered competitive, DuPage is an exemplar of mature suburban communities. Of the over 100 hotels in DuPage, about a third are motels or small independent properties. Hotels in suburban areas typically surround specific hubs, with highways hosting between 1-5 per major exit.

The hubs in DuPage feature a combination of limited service and full-service hotels, typically with banquet space. Many of these full-service hotels are "corporate" hotels, meaning that they generally have a higher percentage of stays from corporate, business, or contract than other hotels. Because of this, they tend to have higher rates during good times, and, historically, lower occupancies during downturns.

SOUTH

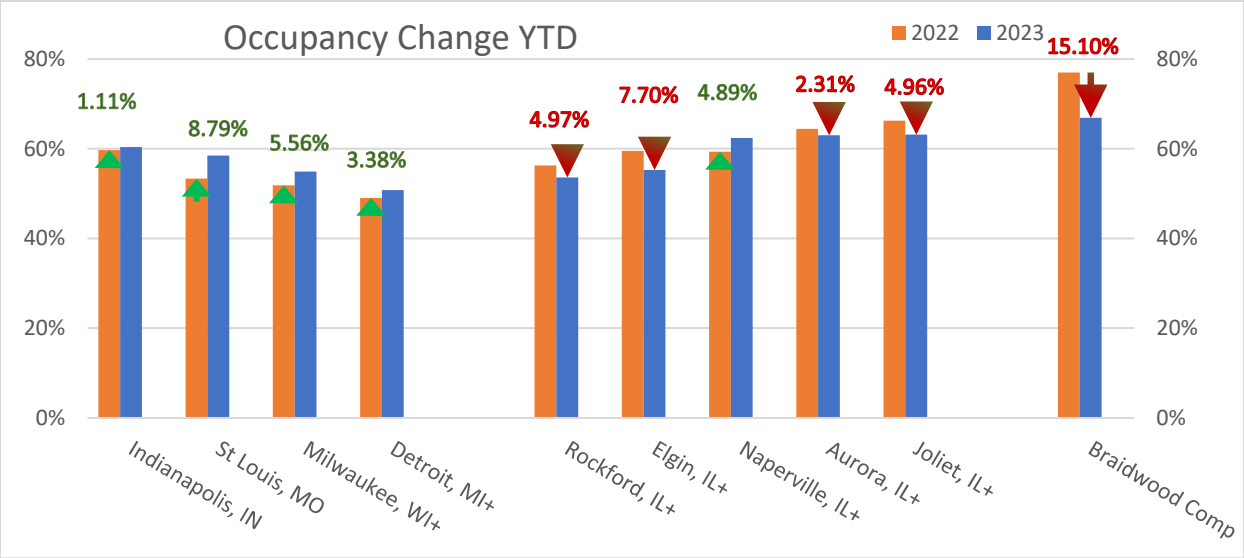
Since the housing market crash in 2008, the southern market, which had been weaker than the Southwest, began to improve rapidly. Most of this growth was borne out of the growth of the logistics and distribution industries, which combined with the closure of some very old properties saw occupancies and rates rise from 51% to 67.66% in 2019. The defining mark of this region has been its resilience during the pandemic. While downtown Chicago dropped below 30% and many regions were struggling in the mid 40% range, this market stayed at the relatively high occupancy of 55.4% in 2020. While rates were lower before COVID, the market is now $2 higher than the Southwest market next door. 2023 has seen a slight dip compared to the 2022, but out of the submarkets we examined, including Aurora, Fox Valley, Mokena, and Joliet, it remains strongest in the 3 key metrics of Occ%, ADR, and RevPAR. We note, however, that its occupancy has fluctuated more than most tracts, and that the overall size of the south and southwest markets is not very large, representing around 8,500 rooms each.

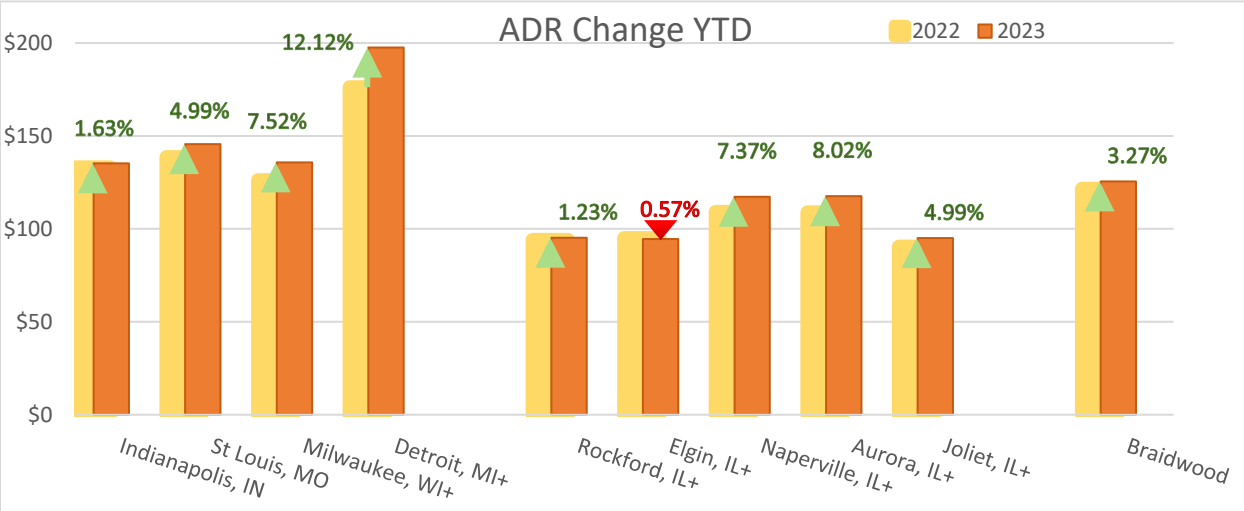
SOUTHWEST

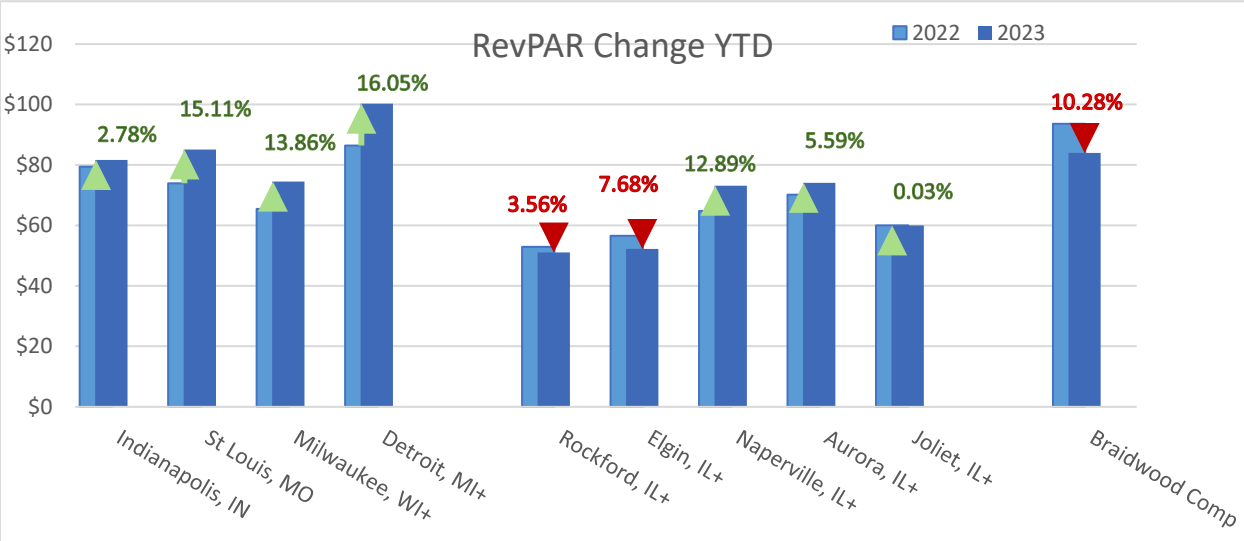
While the south market improved over the course of the last 10 years, the southwest market has lost ground. Although it improved to its previous highs of 65.85% in 2019, it remained around 5 points behind the south market until then. Coming out of the recovery, it has remained below the south market when taken in full. However, despite a slow recovery and an anemic early 2010's, the market has recovered in many spots. First, over time, the old supply suppressing the market has faded. In addition, logistics and warehouse construction have improved occupancies and even managed to somewhat insulate the area itself from Covid shutdowns. However, except for Plainfield, the performance of the comp set more closely resembles DuPage than the Southwest, with the south bank of the Fox River being the dividing line.

We have also compared the performance of the submarkets over the years 2022-2023 year to date through August, the most recent month available. In the following chart, the change in RevPAR is mostly positive. However, it is worth a reminder that this metric is the combination of changes in occupancy and of daily rate. In most areas, occupancy dropped by a few points compared to 2022, while rates increased enough to result in an overall positive trend.

TABLE 3: YOY PERFORMANCE CHANGES OUTSIDE CHICAGO







We will note in the competitive set section the effects of the recession on the market, but it is key to note that there is a substantial difference between shutting down and being unable to stretch reserves to follow typical scheduled renovations, and opening during a major downturn, in which there are no reserves built up.

We do not anticipate dramatic increases in occupancy in the near term as there is at current little notable change occurring as a leading indicator. However, they should reach typical historic levels by 2024. Rates saw a substantial jump following the pandemic, functionally resetting the price-value proposition. Current pricing likely will not see another double digit increase like in 2022. While YTD data shows a nearly 7% increase, we predict a return to the more typical 3-4% range.

MONTHLY PERFORMANCE

On a monthly basis the market behaves similarly across all tracts, though the double-peak pattern of early summer and fall is less pronounced outside of the city. Mid-winter months tend to represent the floor of inelastic demand, while spring begins to ramp through May. As the charts on previous pages show, Chicagoland has a two-peak season, first in June, then again in October. From our research, the competitive market follows this pattern but with greater variance between highs and lows.

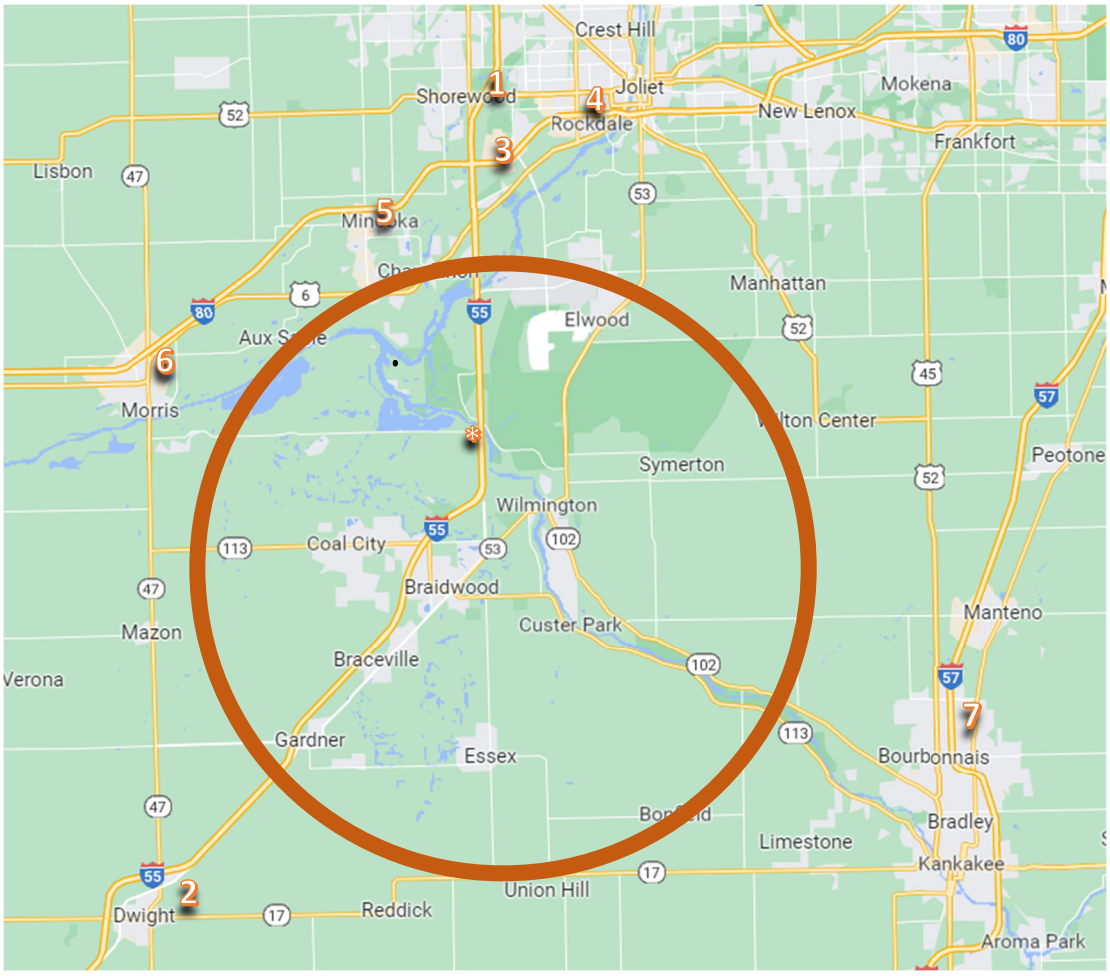
COMPETITIVE SET

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

For this study we relied on regional and national statistics for scale, type of market, and metro area. This was compared against a Custom Trend Report from STR on the competitive set ordered in September 2023, comprising the most up to date data available from 10-15 miles of the site location.

We note that there are several budget or independent properties located in the area that we have left out. This is deliberate as the properties in question are not considered competitive except insomuch as they can compete with major discounting. Further, we did not include the Knights Inn although it is a national flag, as the property closed permanently during the historic period. Our set of properties are all contained within the map below.

MAP 4: BRANDED PROPERTIES AROUND 10 MILE RADIUS



1. LA QUINTA INN & SUITES SHOREWOOD 19715 NE FRONTAGE RD, SHOREWOOD

At 4 floors and 80 rooms, the La Quinta falls into the midscale or economy segment. It opened in 2020, at the next intersection north of the interchange between I-55 and I-80. Reports online indicate a generally attentive staff, though there are persistent issues with water pressure and heating. Rates seemed aggressive. While Travel Weekly suggests a range of $65 for standard rooms up to $139 for suites, we did not find prices lower than $93 on slow days such as Sunday-Monday in January.

2. SUPER 8 BY WYNDHAM DWIGHT 14 E NORTHBROOK DR, DWIGHT

The 40-room economy property is the sole branded hotel south of Morris within 15 miles. It is also the only hotel located directly off of I-55 past Joliet. As such, though it was built in 1995 and renovated in 2016, it may be the closest thing the proposed hotel would have to a direct competitor. Rates were commensurate with an economy class property at $64, while the highest rate we found was under $80. Reviews were positive, stating that it was a good place to stop off highway, well maintained and friendly, though that is tempered by the refrain “for what it is”.

3.1 TOWNEPLACE SUITES JOLIET 1515 RIVERBOAT CENTER DR, JOLIET

The TownePlace Suites brand represents Marriott’s foray into the midscale extended stay market and is the oldest of the flags represented in the category, starting in 1997. Though Marriott also franchises Residence Inns and SpringHill Suites, those two brands are higher class operations, with the latter not being a true extended stay franchise. The TownePlace Suites Joliet South opened in 2008 and is located on the I-80 exit on Hollywood Rd, close to the casino, and surrounded by logistics, distribution, and warehouse buildings.

Although we do not possess occupancy data for individual properties, it is likely that this hotel is performing at or near capacity, as rates we found exceeded $155 for all periods, and the hotel did not offer typical long term extended stay discounting for long term stays. This indicates long booking windows and a high volume of contract and extended stay business, with few of the 113 rooms available for transient stays. Rates are higher than the surrounding properties at all periods, indicating its business is not price sensitive. On a typically low volume day, we found that the nearby Hollywood Casino hotel had rates for $40, while the TownePlace Suites ran at $180.

3.2 HOLIDAY INN & SUITES JOLIET SOUTHWEST 1471 ROCK CREEK BLVD, JOLIET

The sole full-service hotel on the list of competitive properties, the 120 room Holiday Inn is on the smaller side for a hotel with 10,000 sq/ft of meeting space with a capacity of over 700. Rates ranged between $120 and $150 depending on the date, though this is still lower than the other hotels in the cluster, which includes the Candlewood Suites and TownePlace Suites in the set, in addition to a Comfort Inn, Fairfield, and Hampton Inn.

Guest comments typically found the hotel in good condition, with staff generally receiving satisfactory reviews. However, reservation and cancellation issues all seemed to be addressed by corporate reps, rather than the hotel. The restaurant was frequently criticized as having poor food, and the paid breakfast buffet was underwhelming. Small hotels with large event spaces often have issues with favoring one type of client over others, and the multiple complaints of loud events going on long into the night, poor sound insulation, and smoke odor in the rooms despite being non-smoking are all typical examples of this issue.

3.3 CANDLEWOOD SUITES JOLIET SOUTHWEST 1461 ROCK CREEK BLVD, JOLIET

This hotel opened in June 2023, making it the newest hotel in the region. Its 86 rooms on 4 floors are priced slightly higher than the connecting Holiday Inn. At the point of this writing, the hotel is just beginning the ramp-up process, and issues of routine cleaning, guest interactions, and a lack of amenities beyond those of the Holiday Inn, have been frequent complaints. Rates ranged from $135 to $170 on the hotel website, which as of the date of issue, still includes several computer mockups rather than actual pictures.

4. QUALITY INN JOLIET 411 S LARKIN AVE, BUILDING B

The 104 room Quality Inn is half of a dual branded structure with 14,000 sq/ft of meeting space. The other half of the building is the Clarion Hotel & Convention Center, which is a rebrand of the former Holiday Inn Joliet. It lies at the Larkin exit off I-80 in a cluster of budget properties including a Super 8, Motel 6, Red Roof Inn, and Baymont. The main building was originally constructed in 1971 and renovated I 2007, while the Quality Inn is listed as being built in 2022, though this is not accurate.

Despite its recent opening it is evident that this was not a to the walls rebuild, as reviews average 2.2 stars on its own website. Issues of concern typically stated that the hotel was not clean, and that it did not appear renovated as claimed. Several guests mentioned water pressure issues and stated that the hotel felt run down and old, with earlier reviews stating they had to walk through construction areas. Rates were found at $90-112. Numerous sites such as TripAdvisor have little information on the property, which is ranked 28th of 30, with no reviews.

5.1 HAMPTON INN & SUITES MINOOKA 621 BOB BLAIR ROAD MINOOKA

The 83-room prototypical Hampton Inn & Suites Minooka lies off the next exit west from the I-55-80 interchange. A TownePlace Suite, built in 2018, is located immediately to the south. Residential and small commercial buildings are to the east, while there are 11 warehouse and distribution centers open or finishing construction to the west, with supporting businesses nearby. Minooka is also home to the Kendall Power Plant, so it has somewhat similar neighborhood dynamics to Braidwood. The warehouses and Power Plant are separate from the residential area, and the downtown area consists of a block of public buildings and small businesses. The municipality also boasts new and impressive school facilities, subsidized in part by the power plant and warehouses. This investment has led to a 500% growth in population from 1990, with most growth occurring between 2000-2010. The next cluster of properties is in Morris, IL and consists of economy and midscale limited-service hotels. The Hampton Inn charges less than the TownePlace Suites at around $120, which is not very far above many other competitive properties. However, due to the makeup of the area, it can exceed going over $225 during weekdays throughout summer.

5.2 TOWNEPLACE SUITES MINOOKA 630 BOB BLAIR RD, MINOOKA

The TownePlace Suites in Minooka represent Marriott's foray into the midscale extended stay market, with 87 rooms equipped with microwaves, kitchenettes, along with typical features of a mid-range hotel.

The property was built in 2018 and is located south of I-80 along Ridge Rd, next to the above Hampton Inn. It is by far the weekday rate leader in the region until Naperville. During the same low volume day, the TownePlace Suites Minooka offered rooms for $225, contrasting the Quality Inn Morris at $80. On weekends, it is beaten by the two casino properties at $160 Friday-Saturday. We note that there is slightly more availability than in 2022, where there were frequent blackout periods for extended stays.

6.1 SUPER 8 MORRIS — 70 GREEN ACRES DRIVE, MORRIS

In contrast to the Minooka highway exit, the hotels at the I-80 Morris's exit are all budget properties constructed over 20 years ago with the exception of the Holiday Inn Express. The 1989 construction Super 8 is a typical motor inn with 59 rooms on two floors. It has remained the same brand since opening 34 years ago, and reviews of the hotel since have indicated that has typical issues of properties of that age. Complaints mentioned cleanliness as a main issue, with multiple mentions of mold, lack of cleaning, and bedbugs. We do not attest to the veracity of such claims, but reviews were similar across platforms. A search of internet rates indicated about $70-80 on average, though we noted several nights of rates near $110. Our continuing updates to the metropolitan market show that the economy scale of properties did not drop as severely during Covid, and began recovery in early 2021, but have flatlined since then, and are still not above 2019 numbers in most metrics.

6.2 HOLIDAY INN EXPRESS & SUITES MORRIS — 222 GORE RD, MORRIS

The 92-room Holiday Inn Express and Suites opened in 2008 and is the newest of the hotels at the Division intersection of 1-80. It is the only property in the upper-midscale class in Morris. The hotel was in good to very good condition despite being around 15 years old. It has a ranking of 4.5 on Google and TripAdvisor, with guests frequently citing excellent service. Negative reports were heavily weighted to 2008-2013, and the more recent complaints revolved around the cost. In our search of several dates, we noted that this property will occasionally have the highest ADR, though this is strictly on weekends.

The largest difference between a stay on Friday-Saturday and Sunday-Monday we found was over $50 with the weekend rate at $203. However, rates typically fall in the $130-$170 range. As may be expected, Morris has fewer distribution centers, and thus, weaker weekday business.

7. HAMPTON INN BOURBONNAIS KANKAKEE 64 KEN HAYES DR, BOURBONNAIS

The 97-room Hampton Inn was opened in 2018, at the east end of the cluster of hotels next to Northfield Square Mall. It is the newest hotel in the market, though the Magnusson Hotel is expected to finish its conversion to a Main Stay Extended Stay property.

As part of our research, we interviewed the property management and toured the building extensively. When we visited, the hotel appeared to be in good to very good condition. The property is currently the #1 ranked hotel in Bourbonnais via Google, TripAdvisor, and other sites. Opening timing was adequate before Covid to establish the hotel's base, but it attracted controversy after it refused to rent rooms to nearby residents during a flood and major power outage, citing a rule by ownership that locals from less than 30 miles away were prohibited from renting. Further, during its ramp up, numerous guest reviews complained that staff interactions indicated a need for more training, though this seems to be fixed as of this writing.

A search of internet rates showed rates average around $112, going up to $122 during the summer. A previous analysis of demand for hotels in the area indicated that around 25% of demand was from OTCs, while 35% came from CRS; with as much as 10% walk in transient. However, the market in the area has seen dramatic change, first dropping due to Covid, but rebounding strongly in 21-22 due to industrial construction in the area. That demand appears to have dwindled as the warehouse boom dissipates.

COMPETITIVE SET PERFORMANCE

The basis for future performance is a 60-year history of the performance of the Chicago metropolitan area hotel industry. In our analysis of the industry from 1960 through 2023, there is a distinctive cyclical pattern to occupancy performance. This pattern develops because of increasing performance of properties until the market economics support new development and upgrading of existing hotels. This, in turn, supports a higher average

daily rate, extending the development cycle past its peak, with overbuilding resulting in declining occupancies and an extended recovery period.

The competitive set does reflect two properties opening in Joliet, bringing the new property total to 961. Note that for tracking purposes, hotels closed temporarily during Covid are not considered additional rooms in the market, but hotels which changed brands are included. The Knights Inn, now closed, was excluded from the start due to lack of current monthly data.

This cycle had an extended peak compared to the average of 6-years seen from the 1990's onward. However, this cycle is not exact as crashes are caused by black swan events, but these shocks generally occur in a market already in slight decline. The slight dips in 2018 and early 2019 data, prior to the Covid 19 impact reflected the traditional pattern of new supply slightly outpacing increases in demand, leading to slow rate growth and a slight decline in overall occupancy while new rooms are absorbed by the economy.

The Covid 19 pandemic was significantly worse than other shocks and resulted in the biggest losses in the hotel industry since data was recorded, including the Great Depression. However, as the danger of travel abated, the market quickly rebounded. While on average in Chicagoland, occupancies are slightly lower than pre-pandemic, rates have increased dramatically. This is thought to derive from a reset in the price/value perception among consumers who had no comparison for several years.

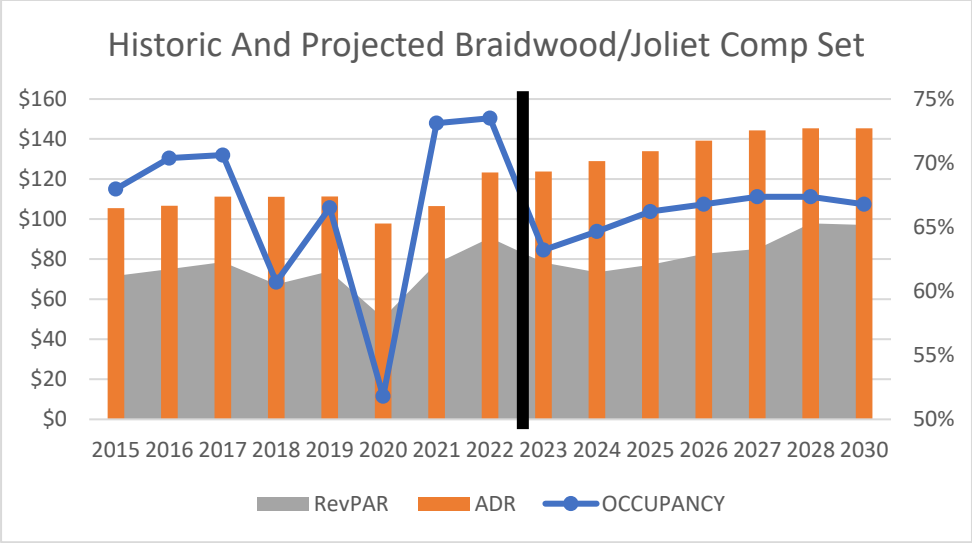
Further aiding this, numbers like $100 tend to be perceived as a hard line, but the recession allowed hotels to move well past it to the $125 range and even higher. As stated in the overall market section, it is generally thought that Chicago will see a protracted recovery, due to its heavy reliance on convention and trade show activity. The surrounding markets will recover faster because they have had practice building their own markets distinct from Chicago and no longer rely on spillover from the city. While travel in 2023 is somewhat down, this is likely caused by a surge in pent up demand and the postponing of weddings and other events that boosted 2022. Nationwide full recovery is estimated to extend into 2024.

It is our conclusion that the historic cyclical pattern will continue following recovery from the pandemic, resulting in a delayed surge in new development occurring in 2025 and later following a shake-out of the industry with the closure of zombie properties which are upside down on mortgages, other properties repositioned, and an extended renovation period as an ahistorical large number of properties rush to meet franchise demands all at once. This is what we see as a baseline scenario for the near future.

In fact, these dynamics have played out almost exactly in the competitive set. Some hotels have closed or moved to downmarket flags, while others remained open and have continuously struggled with little reserves for upkeep, resulting in customer complaints of dirty, or old and outdated properties. Occupancies exceeded 2019 levels in 2022, achieving record breaking 73.5% occupancy at $123.29. However, 2023 is expected to be well below this number, but with a higher RevPAR than any year since 2022. In other words, 2022 was an exceptional year for the competitive set and those factors are unlikely to line up as neatly as they did in 2021 and 22.

TABLE 4: JOLIET COMPETITIVE SET HISTORY AND PROJECTIONS

	Occupancy	ADR	RevPAR
2015	67.97%	$105.44	$71.66
2016	70.38%	$106.61	$75.03
2017	70.62%	$111.18	$78.52
2018	60.70%	$111.08	$67.43
2019	66.50%	$111.25	$73.98
2020	51.80%	$97.77	$50.64
2021	73.11%	$106.47	$77.84
2022	73.50%	$123.29	$90.62
2023	63.21%	$123.77	$78.23
2024	64.66%	$128.90	$73.41
2025	66.21%	$133.92	$77.12
2026	66.78%	$139.13	$82.60
2027	67.36%	$144.28	$85.07
2028	67.36%	$145.34	$97.90



MONTHLY PERFORMANCE

The surrounding competitive set shows the typical pattern for a Chicagoland market. Peak occupancy occurs in June and October, with a slight dip in between, and a dramatic falloff during the winter months, and a slow ramp up during the spring. We have observed a sharper fluctuation in the Braidwood area competitive set, which is more heavily influenced by Joliet than other tracts. What we have seen is that in the recovery period, demand remained very consistent over the period from May 2021, with a slight dip in seasonal variance, following a return to the previous peak in March 2022, and a dramatic increase from June-October, with a greater dip in winter. In other words, in 2021 occupancy was above 63% in December, while it dropped to 47% in January 2023.

However, in examining 2023 data, we observed that despite what appear to be wild fluctuations in occupancy in Braidwood and elsewhere, a significant part of the dip is attributable to new openings in very small market which returned to a normal demand pattern in winter. Even more notable is that nearly all the tracts observed were within about $10 in ADR with the gap growing as time went on.

There was little off-peak discounting through January 2023, though rates remained higher than during the entire year of 2021. The major difference is that in the competitive set, demand dipped in June-August, and hoteliers responded by dropping rates, resulting in a RevPAR drop of around $25 compared to the previous year. This does not necessarily indicate a major downshift in the market, as the Quality Inn opened in June ‘22, adding 84 rooms to the set, followed by the Candlewood Suites in 2023. This represents an increase of 20%. We typically expect lower occupancies and rates across the board during ramp up periods following openings, however there is one more source that must be taken into account.

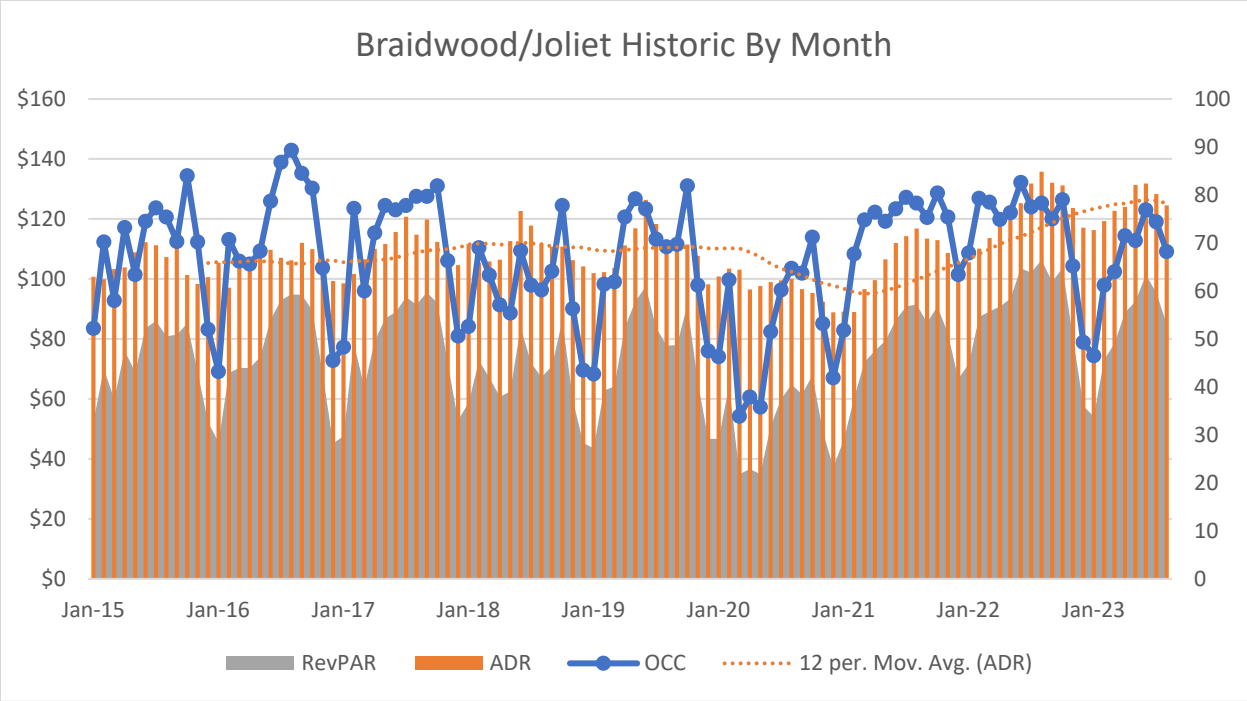
The Joliet market itself (and to a lesser extent Bourbonnais, Minooka and Morris submarkets) were buoyed by a major increase in construction projects from distribution to medical production which required an army of workers and specialists to complete. We directly attribute high winter 2021 figures to this, which then provided a new baseline of inelastic demand on top of which leisure, normal corporate, and other business could be set against. When projects finished, demand dropped, even though they were still significantly above where they were at the start of 2021, and far above the 8-year long term average. In fact, the only significant deviation occurred in August, which is 10 points down from the previous year. However, although it is somewhat unintuitive, August fluctuates dramatically from year to year, generally falling to +/-2 points of 70%. As of August 2023, demand is down by around 4000 rooms, while revenue is still up by $90 k.

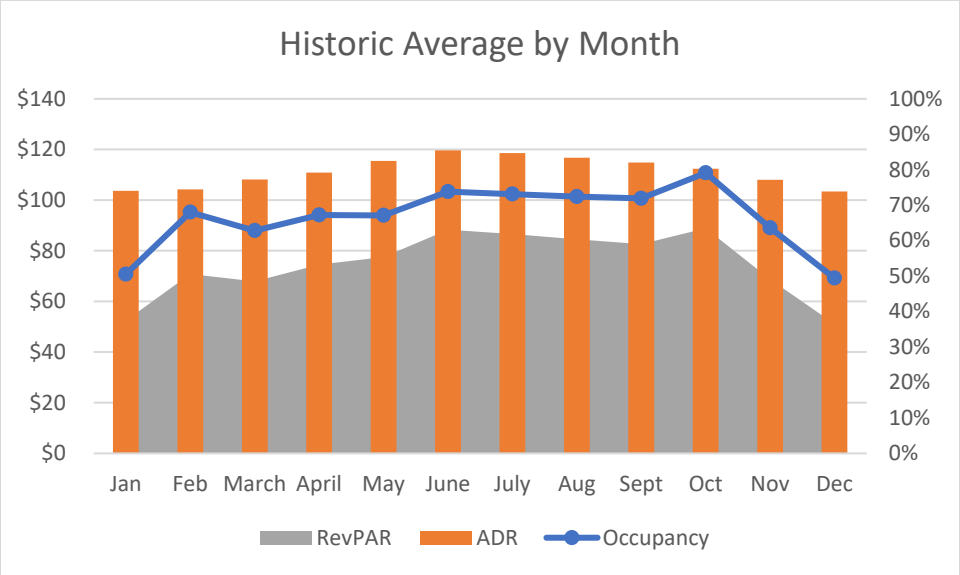
TABLE 5: JOLIET COMPETITIVE SET ACTUAL INCREASES AUG YTD

	Start	2016	2017	2018	2019	2020	2021	2022	2023	END
Supply	73,872	27.3%	0.0%	34.7%	32.5%	0.0%	7.3%	9.3%	12.0%	220,537
Demand	50,196	33.2%	0.1%	15.4%	46.3%	-27.2%	59.7%	15.5%	-2.7%	147,495
Revenue	5,334,628	32.9%	4.5%	17.5%	46.2%	-35.3%	66.6%	34.4%	0.5%	18,516,086

TABLE 6: JOLIET COMPETITIVE SET MONTHLY AVERAGE 2015-2023

	Occupancy	ADR	RevPAR
Jan	50.5%	$103.64	$52.37
Feb	68.0%	$104.22	$70.82
March	62.8%	$108.16	$67.88
April	67.2%	$110.84	$74.53
May	67.1%	$115.44	$77.47
June	73.8%	$119.64	$88.32
July	73.1%	$118.55	$86.60
Aug	72.4%	$116.74	$84.51
Sept	71.9%	$114.84	$82.61
Oct	79.1%	$112.35	$88.86
Nov	63.6%	$108.03	$68.73
Dec	49.4%	$103.41	$51.09





WEEKDAY/WEEKEND MARKET PERFORMANCE

Weekday versus weekend market shows a market reliant on both business and leisure. During the historic period, Sunday performed the lowest in all metrics. This is typical as Sunday travel represents inelastic demand, or the low point of demand. Over the recovery period, occupancies peaked on Monday-Wednesday, representing corporate or business travel. There

is a slight dip before rising up again on Friday and Saturday. These numbers tend to represent a mix of leisure and SMERF (social, military, educational, religious, and fraternal) groups. The shape of this pattern did not change over time, but during 2022 remained 10 points higher.

Rates show a similar pattern, with a double peak on Tuesday and Saturday, and a low on Sunday. While this pattern persists, contrary to occupancy, it is around $10 higher than average each day. Notably, 2021 had not regained rate strength, which was actually higher pre-Covid.

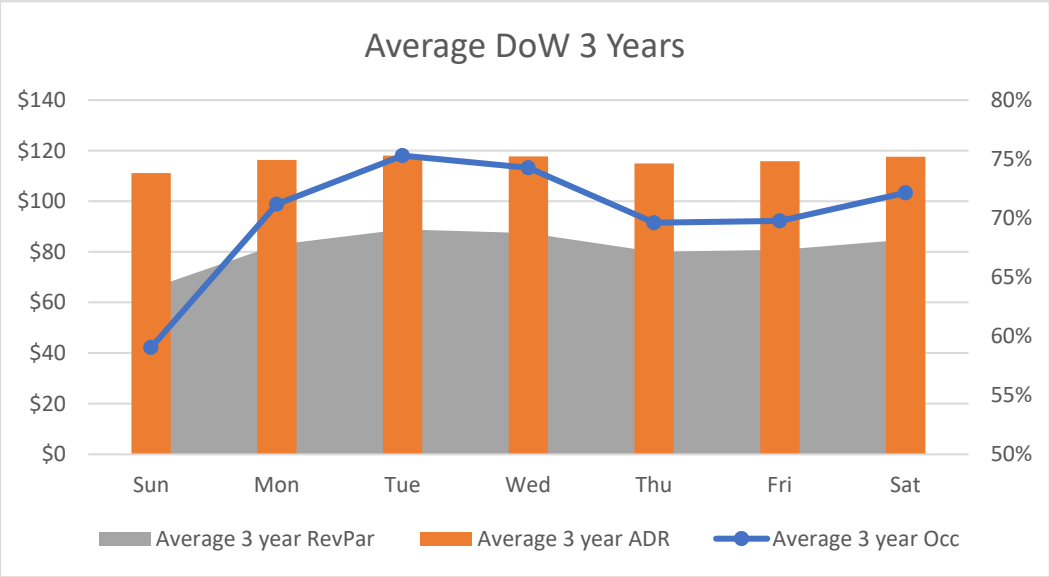
Consequently, RevPAR in 2022 is around $2-5 higher than 2023 depending on the day, with Sunday and Friday having the most variance. This is entirely occupancy driven. While this may represent some rate resistance among travelers, we feel that there are other factors to consider.

First, 2023 in most markets is lower than 2022 starting in the 3rd quarter. Second, one of the strongest drivers in the rapid recovery and strong 2022 was the increase in construction and operation of logistics hubs. While this still plays a strong role, it is down from the peak of the construction wave. Third, in general, 2022 numbers are theorized to be bolstered by "revenge" travel, in which weddings, vacations, construction, etc. could not take place earlier, and as soon as they were able, all hit the market at once. With that pressure gone, the patterns both nationally and in the competitive set began to fall into typical pre-recession patterns of travel.

The graphs on the following page illustrate how leisure rebounded quickly, followed thereafter by business demand. It is currently unknown to what extent corporate travel will recover in the long term, but that problem is somewhat confined to downtown destination headquarters travel. Sales, management visits, construction, and maintenance are expected to stay at their current levels. This represents the likely neutral scenario in our forecasts. As such our model does not contemplate major change in this sector, the result of which would be a boost to rates and occupancies, further increasing the feasibility of the project. We note that the competitive set has done a good job at maintaining rate versus previous down periods in most cases. Revenue managers at most properties have lessened weekday rate discounting to attract additional travelers, as a tradeoff with higher rates tends to create stronger revenue per available room.

Charts showing the three-year change in daily occupancy, ADR, and RevPAR follow.

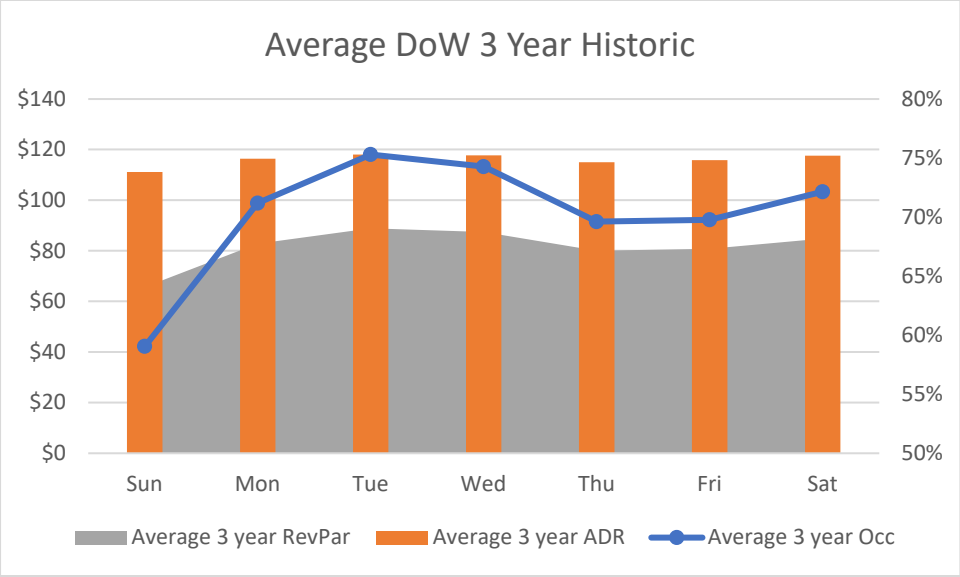
TABLE 7: AVERAGE OF DAILY PERFORMANCE OF COMPETITIVE SET BY DAY 2020-2023



Day of week business for the competitive set indicates a strong corporate market, with midweek occupancies higher than weekends. Saturday night business is still fairly strong, with Sunday being the one fairly weak night, with around a 50% occupancy.

TABLE 8: JOLIET COMPETITIVE SET DAY OF WEEK AVERAGE

	Sun	Mon	Tue	Wed	Thu	Fri	Sat
Occupancy	59.0%	71.2%	75.3%	74.3%	69.6%	69.8%	72.1%
ADR	$111.13	$116.33	$118.04	$117.69	$114.94	$115.78	$117.54
RevPAR	$65.62	$82.81	$88.87	$87.40	$80.01	$80.77	$84.79



PIPELINE

In our research and interviews, we encountered several municipally incentivized development locations, including the Jewel lot to the west of the northern highway exit.

However, both the Jewel site and the Wilmington logistics hub do not include plans for a hotel as part of their commercial plans. There have been discussions at an aspirational level to include a hotel as part of the logistics hub expansion, but as yet, no applications or permits have been filed. We are aware that there have been direct discussions with the mayor's office between Wilmington and the Local 150 training center on the subject, as well as on-again off-again developer discussions. As noted elsewhere, the hub has a long development timeline of 10+ years, which makes the demand generated by construction a continuing factor in the market which will grow over the next decade.

A Wilmington hotel would feed primarily off of commercial and group demand generated by the logistics hub, training, and the same local and highway demand of a Braidwood property, though it would be less for lei

As a result, if Wilmington manages to fast track permitting for a hotel within the complex, a hotel at the logistics complex would reduce the feasibility of a hotel in Braidwood. However, any new construction would have its start in 2024 at the earliest, with 2025 as the earliest possibility for new rooms. If Braidwood were to announce a firm timeline for a hotel, it would likely dissuade Wilmington from pursuing this venture. We do not anticipate a significant influx of other rooms into the market in the immediate future.

Because the rapid growth of the 2010's has slowed, developers are likely to seek out deals and incentives wherever they may be found before considering any specific site.

Increases in demand in the proposed region will be based on an improved economy, general business growth, preference for closer stays over larger accommodation some distance away, and development of additional infrastructure and homes in the area. Despite moderate headwinds, we anticipate an eventual increase in the tourist and group sectors.

SUBJECT PROPERTY PERFORMANCE

Our forecast for a potential property in Braidwood is based on local business demand, limited group events, local transient and highway travel, and planned large-scale events.

Because Joliet and Minooka feature hotel clusters of mid to upscale properties, we anticipate that little business will be generated from areas to the north, or to the east of Kankakee. The nearest hotel to the south is in Dwight, while the next cluster is located in Pontiac.

Because of this, we anticipate a significant local transient element. As mentioned in our summary, we estimate that on average, per 1000 residents, 1 room at a hotel will be booked per night. The surrounding communities within a three-mile radius, excluding Wilmington, house approximately 15,000 residents. In a 5-mile radius, this number increases to 21,000.

This assumption of locally generated demand consists of family and friend travel, move-in/move-outs, renovation and other demand from the local market. This property will fill a void where there are no competing properties within a four-mile radius. However, the next closest branded properties lie over 15 miles away by road (Minooka is just over 13 miles but lacks a direct route).

Highway demand is harder to quantify and is not mostly made up of spontaneous decision making by drivers in the evening as in decades past. Rather, it is also typically reserved ahead of time. There is still some value to having a recognizable brand, in which customer loyalty and branding has some sway and may drive walk-in or last-minute reservations.

The property must rely on further sources of demand for year-round operations and profitability. We estimate that during planned maintenance at the nuclear facility, the hotel market operates at over 80% for between a week and two months. While this fluctuates and is highly seasonal, it represents between 4-11% occupancy for the year on its own.

Further, we note that Local 150 Operating Engineers has a large training facility that attracts apprentices from a large region from Iowa through northeast Indiana. Training sessions typically see up to 250 individuals. Any trainees from over 30 miles away are given hotel rooms

from Monday-Friday at properties ranging from Bourbonnais to Manteno and south Joliet during the months of November to April. They typically use 30 rooms a night, or 150 a week. They also see use year-round but at a reduced rate the rest of the year.

While it is not likely that the proposed subject would capture every night, and the nights captured would be negotiated rates, the potential is there to capture 16% occupancy for the entire year on its own. In the best-case scenario, that would be over 27% occupancy from just two sources with no transient demand.

As we discussed, the region has seen several large construction projects related to logistics and supporting businesses. These new construction projects generated significant room demand during the construction phase, along with some ongoing business from support. In addition, we expect weekend demand to come from group meeting activities, primarily social gatherings, consisting of weddings, anniversaries, alumni groups, and other social functions as well as business activity.

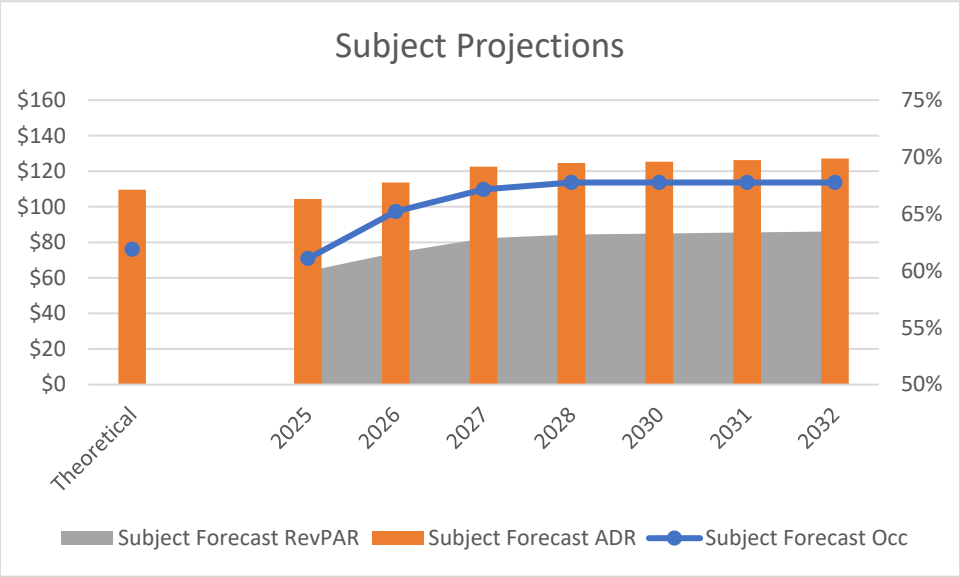
The end of Covid as a limiting factor and the relative strength of 2022 and early 2023 revenue growth has led to numerous projects which may have been suspended once again moving forward. Further economic development projects in the area will contribute to the success of the proposed property insofar as they need construction work, regional visits, employee training, etc. As we noted, this market is relatively small and would likely need incentivizing, because although it is feasible, smaller hotel projects generally attract less attention. In our estimates, such a deal would still be profitable for both entities, though in some cases municipalities choose to incentivize less feasible projects to create an amenity to attract further development.

Once one hotel is approved, it will likely discourage additional projects, as there is a moderate need for a hotel, which a 45-room property could profit from, multiple developments building hundreds of rooms would dilute the market and reduce overall occupancy to the point of unprofitability.

The market area growth in population has changed the needs of the area dramatically. While a hotel would not have been feasible 20 years ago, the market area is now essentially underserved by the existing properties in the market.

Further, any plan for a hotel project would need to be pursued quickly and aggressively, on both the development side and the sales side, to secure whatever local business it could to open strong, rather than to slowly build market share over a prolonged period.

TABLE 9: SUBJECT PROPERTY PROJECTED PERFORMANCE



	Subject Forecast				
	Occ	ADR	RevPAR	Penetration	Revenue
Theoretical	*62%*	*$109.57*	*$67.79*	*97%*	*$1,321,000*
2025	61%	$104.35	$63.74	94%	$1,321,000
2026	65%	$113.62	$74.09	98%	$1,011,000
2027	67%	$122.47	$82.23	101%	$1,175,000
2028	68%	$124.58	$84.41	101%	$1,332,000
2030	68%	$125.31	$84.91	101%	$1,389,000
2031	68%	$126.21	$85.52	101%	$1,445,000
2032	68%	$127.11	$86.13	101%	$1,478,000

The major contributing factors which contribute to overall feasibility are:

• **Distance:** The subject property is located 10 miles from any competitive hotel. As such, locally generated transient demand would likely first seek out the subject over other hotels.

• **Route**: The subject at either site lies along I-55. Daily traffic on I-55 ranges between 25-45 thousand cars daily. In general, travel increases as it approaches Chicago, suggesting it is less likely to attract customers coming from the north. Therefore, it is important to maximize regional travel, specifically southbound. Both contemplated sites lie on the eastern half of the exit area, and so at least clear interstate signage would be required, while the intersections themselves may need timing configuration changes. However, both sites are 5 minutes or less by interstate and so the difference between them is not significant. The logistics hub is discussing reconfiguring its northern exit, but still needs major development work to create a hotel with interstate access, and currently has no plans to do so.

Essentially, the proposed is in a position to capture business from the surrounding communities, while also benefiting from ease of transit.

• **Price Positioning**: We do not have a full picture of the planned strategy of the subject, but we note competitors in the area range from $70 for out-of-date economy properties, all the way through $225 for upper-midscale flags. The subject would open in a market that has undergone major price increases in properties in better shape, while older hotels have not been able to move up. As such, the subject would not require competing directly against the older economy segment in price.

• **Location – Access / Visibility**: The subject hotel will have visibility from I-55 and should be straightforward to get to. Signage will also be prominent owing to the proximity to the highway, and even the sites with the longest path from the intersection are still easy to navigate.

• **Sources of Business**: The subject is anticipated to rely on a similar source of business to the competitive set. However, while it won't be competing directly for logistics traffic, it will be closer and more direct to the nuclear plant and Local 150 training center. Unlike a potential Wilmington development, Braidwood does not have to solve the issue of crossing the Kankakee River.

We note that in our projections, we have used a moderate scenario leaning closer to worst-case than best-case, as we wish to illustrate the level at which the project would be both stable and reasonably feasible. There are other scenarios in which feasibility would be likely, but not as assured. These include:

- **A larger room count**: The 45 rooms used represent the smallest number many brands will accept, although this may go up to 65. We would suggest that the size be under 80 rooms in any circumstance.

- **An Extended Stay Property:** Changing the concept to an extended stay product could potentially make the project more feasible. The extended stay hotels in the area are actually on the higher end of the market, and such a change may make it more enticing for the longer-term guests from Local 150 or power plant maintenance. However, we find that municipalities often resist these hotels because of the implication of long-term residences. This is not as big a problem as advertised and can be addressed by good management.

- **Inclusion within a mixed-use development:** While this study contemplates the hotel as a stand-alone development, hotels are frequently included in mixed use development projects and can add value to the surrounding development. We note that any such property needs to be feasible on its own, or it will become a subsidized amenity.

STATEMENTS OF ESTIMATED ANNUAL OPERATING RESULTS

We have prepared Statements of Estimated Annual Operating Results for the Proposed 45-Unit Limited-Service Hotel as recommended in this study. Our statements cover the time from 2025 through 2030 reflecting the expected development program for the property and assuming the property will be planned for opening with the beginning of 2025, allowing for a soft opening after the winter downturn in hotel activity. The statements are based on a "Typical Year" statement as set forth in 2023 dollars on the assumption that the property was open and operating during that calendar year. This enables us to forecast operating revenues and expenses based upon reliable data for the year 2023 from Smith Travel Research reflecting composite information from over 4,427 hotel properties.

We have recommended a proposed property of 45 rooms, operating as a limited-service property. This size should enable an affiliation with a well-recognized national franchise organization, giving it a broader exposure in the market and the benefits of a strong national reservation system and guest rewards program, and accounts for a slightly stronger occupancy forecast than that experienced by area properties in the competitive set. The facility should include standard amenities for a midscale franchised operation. These would include a lobby with seating and an adjacent exercise room, provisions for at least 500 square feet of multi-purpose activity and meeting space (approximately two guest room bays). The property should offer standard in-room guest amenities. These may include but are not limited to an in-room refrigerator; coffee maker; adequate power points for electronics; microwave in suite units; and proto-typical design standards based on the brand selected.

The Statements of Estimated Annual Operating Results as presented in the following tables represent the expected performance of the operation based on the above configuration and timing of the development of the property. As is customary in a market feasibility analysis our Statements include the expected revenues from operation of all the facilities offered by the property and estimates the related expenses to derive the departmental revenues and expenses, the undistributed operating costs, and the direct fixed costs of operation of the property.

We also included in our pro-format statements a Reserve for Renewals or Capital Expenditure in the amount of 5% of annual revenues, an amount that is considered necessary to maintain the quality and condition of an operating property and to keep pace with innovations and concept changes to maintain the competitive position on an ongoing basis. This Reserve amount is phased in over the initial three years of operation, beginning at 3% for the first 10-month partial year of operation, adjusted to 4 percent for the first full year of operation and to 5% thereafter.

Income Before Other Deductions, or bottom line of the Statements as presented is the estimated cash flow available for debt service and return on equity investment for the property. This format of presentation enables a lender or investor to review the ability of the property to cover debt service payments, any major capital lease obligations, and the funds available for return on equity or re-investment in the operation on a "cash basis."

The value of an operating business can be estimated using current ROI and debt service coverage ratios, reflected in a Capitalization Rate (Cap Rate) to reflect the ability of the property to both carry its debt service and provide an adequate return on investment for the equity contribution. The current Cap Rate for hotel properties of this nature is conservatively estimated at 8.5% for proposed properties, the current interest rate for lending for hotel properties and expected return on equity. Following the Statements of Estimated Annual Operating Results, we have presented a (DCF) Discounted Cash Flow estimate of the value of the earning stream of the property based on the stabilized earnings after completion of the renovation program.

The following table presents the results of operation for the property covering the period from 2025 to 2030.

TABLE 20: SUMMARY OF OPERATING RESULTS PROPOSED HOTEL

Year	Total Revenue	Income (1)	Ratio to Revenue
Theoretical	$1,321,000	$450,000	34.1%
2025	$1,011,000	$160,000.00	15.8%
2026	$1,175,000	$256,000.00	21.8%
2027	$1,332,000	$379,000.00	28.5%
2028	$1,389,000	$412,000.00	29.7%
2029	$1,445,000	$441,000.00	30.5%
2030	$1,478,000	$449,000.00	30.4%

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

In the analysis that follows we present the basis for the estimate of the prospective cash flow from operations before debt service and income taxes for the proposed property for the next six years of operation from the year 2025 to 2030.

The estimates were based on the assumptions outlined in our report.

Proposed 45 Room Limited Service
Braidwood IL
STATEMENT OF ESTIMATED ANNUAL OPERATING RESULTS
FOR A TYPICAL YEAR OF OPERATION IN 2023 DOLLARS
BASED ON 45 AVAILABLE ROOMS. GENERATED 08-NOV-23; REVISED 08-NOV-23 9:39 AM

PERCENTAGE OF OCCUPANCY		62%			
AVERAGE DAILY RATE		$128.90			
REVENUES:	AMOUNT		RATIO	AMOUNT\ROOM	
ROOMS	$ 1,313,000		99.4%	$ 29,178	
FOOD		0	0.0%		0
BEVERAGE		0	0.0%		0
OTHER F & B		8,000	0.6%		178
RENTALS & OTHER INCOME		0	0.0%		0
OTHER OPERATED DEPTS		0	0.0%		0
TOTAL REVENUE	$ 1,321,000		100.0%	$ 29,356	
DEPARTMENTAL EXPENSES (1):					
ROOMS	$ 341,000		26.0%	$ 7,578	
FOOD & BEVERAGE		0	0.0%		0
OTHER F & B		10,000	125.0%		222
OTHER OPERATED DEPTS		0	0.0%		0
TOTAL	$ 351,000		26.6%		$7,800
TOTAL OPERATED INCOME	$ 970,000		73.4%	$ 21,556	
UNDISTRIBUTED EXPENSES:					
ADMINISTRATIVE & GENERAL	$ 101,000		7.6%	$ 2,244	
MANAGEMENT FEE (2)		46,000	3.5%		1,022
MARKETING		50,000	3.8%		1,111
FRANCHISE FEES (3)		59,000	4.5%		1,311
PROPERTY OPERATION & MAINT.		50,000	3.8%		1,111
ENERGY		72,000	5.5%		1,600
TOTAL	$ 378,000		28.6%	$ 8,400	
INCOME BEFORE FIXED CHARGES	$ 592,000		44.8%	$ 13,156	
FIXED CHARGES:					
REAL ESTATE & PROPERTY TAXES	$ 45,943		3.5%	$ 1,021	
BUILDING & CONTENTS INSURANCE		18,000	1.4%		400
INCENTIVE MANAGEMENT FEE		12,000	0.9%		267
TOTAL	$ 76,000		5.8%	$ 1,688	
INCOME BEFORE RESERVE	$ 516,000		39.1%	$ 11,468	
RESERVE FOR REPLACEMENT	$ 66,000		5.0%	$ 1,467	
INCOME BEFORE OTHER DEDUCTIONS (5)	$ 450,000		34.1%	$ 10,001	

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

(2) The basic management fee is normally classified as an administrative and general expense.

(3) Royalties only; franchise fees are normally classified as marketing expenses.

Proposed 45 Room Limited Service

Braidwood IL

STATEMENT OF ESTIMATED ANNUAL OPERATING RESULTS

BASED ON 45 AVAILABLE ROOMS. GENERATED 13-NOV-23; REVISED 13-NOV-23 12:43 PM

YEAR #:	1.000			2.000			3.000		
PERIOD:	Jan-Dec 2025			JAN-DEC 2026			JAN-DEC 2027		
OCCUPANCY AND ADR:	61% at		$100.00	65% at		$109.00	67% at		$120.00
REVENUES:	AMOUNT	RATIO	AMT\ROOM	AMOUNT	RATIO	AMT\ROOM	AMOUNT	RATIO	AMT\ROOM
ROOMS	$ 1,003,000	99.2%	$ 22,289	$ 1,167,000	99.3%	$ 25,933	$ 1,323,000	99.3%	$ 29,400
FOOD	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
BEVERAGE	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
OTHER F & B	**8,000**	0.8%	**178**	**8,000**	0.7%	**178**	**9,000**	0.7%	**200**
RENTALS & OTHER INCOME	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
OTHER OPERATED DEPTS	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
TOTAL REVENUE	$ 1,011,000	100.0%	$ 22,467	$ 1,175,000	100.0%	$ 26,111	$ 1,332,000	100.0%	$ 29,600
DEPARTMENTAL EXPENSES (1):									
ROOMS	$ 350,000	34.9%	$ 7,778	$ 359,000	30.8%	$ 7,978	$ 369,000	27.9%	$ 8,200
FOOD & BEVERAGE	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
OTHER F & B	**10,000**	125.0%	**222**	**11,000**	137.5%	**244**	**11,000**	122.2%	**244**
OTHER OPERATED DEPTS	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
TOTAL	$ 360,000	35.6%	$ 8,000	$ 370,000	31.5%	$ 8,222	$ 380,000	28.5%	$ 8,444
TOTAL OPERATED INCOME	$ 651,000	64.4%	$ 14,467	$ 805,000	68.5%	$ 17,889	$ 952,000	71.5%	$ 21,156
UNDISTRIBUTED EXPENSES:									
ADMINISTRATIVE & GENERAL	$ 114,000	11.3%	$ 2,533	$ 107,000	9.1%	$ 2,378	$ 110,000	8.3%	$ 2,444
MANAGEMENT FEE (2)	**35,000**	3.5%	**778**	**41,000**	3.5%	**911**	**47,000**	3.5%	**1,044**
MARKETING	**58,000**	5.7%	**1,289**	**61,000**	5.2%	**1,356**	**55,000**	4.1%	**1,222**
FRANCHISE FEES (3)	**45,000**	4.5%	**1,000**	**53,000**	4.5%	**1,178**	**60,000**	4.5%	**1,333**
PROPERTY OPERATION & MAINT.	**60,000**	5.9%	**1,333**	**67,000**	5.7%	**1,489**	**69,000**	5.2%	**1,533**
ENERGY	**73,000**	7.2%	**1,622**	**78,000**	6.6%	**1,733**	**82,000**	6.2%	**1,822**
TOTAL	$ 385,000	38.1%	$ 8,556	$ 407,000	34.6%	$ 9,044	$ 423,000	31.8%	$ 9,400
INCOME BEFORE FIXED CHARGES	$ 266,000	26.3%	$ 5,911	$ 398,000	33.9%	$ 8,844	$ 529,000	39.7%	$ 11,756
FIXED CHARGES:									
REAL ESTATE & PROPERTY TAXES	$ 47,000	4.6%	$1,044	$ 48,000	4.1%	$1,067	$ 50,000	3.8%	$1,111
BUILDING & CONTENTS INSURANCE	**18,000**	1.8%	**400**	**19,000**	1.6%	**422**	**19,000**	1.4%	**422**
INCENTIVE MANAGEMENT FEE	**11,000**	1.1%	**244**	**14,000**	1.2%	**311**	**14,000**	1.1%	**311**
RENT: (4) BASE RENT	**0**	0.0%	**0**	**14,000**	1.2%	**311**	**0**	0.0%	**0**
PERCENTAGE RENT	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
TOTAL	$ 76,000	7.5%	$ 1,689	$ 95,000	8.1%	$ 2,111	$ 83,000	6.2%	$ 1,844
INCOME BEFORE RESERVE	$ 190,000	18.8%	$ 4,222	$ 303,000	25.8%	$ 6,733	$ 446,000	33.5%	$ 9,911
RESERVE FOR REPLACEMENT	$ 30,000	3.0%	$ 667	$ 47,000	4.0%	$ 1,044	$ 67,000	5.0%	$ 1,489
INCOME BEFORE OTHER DEDUCTIONS (5)	$ 160,000	15.8%	$ 3,556	$ 256,000	21.8%	$ 5,689	$ 379,000	28.5%	$ 8,422

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

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

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

*Totals may not add due to rounding.

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

Proposed 45 Room Limited Service

Braidwood IL

STATEMENT OF ESTIMATED ANNUAL OPERATING RESULTS

BASED ON 45 AVAILABLE ROOMS. GENERATED 08-NOV-23; REVISED 08-NOV-23 9:44 AM

YEAR #:	4.000			5.000			6.000		
PERIOD:	JAN-DEC 2028			JAN-DEC 2029			JAN-DEC 2030		
OCCUPANCY AND ADR:	68% at		$124.00	68% at		$129.00	68% at		$132.00
REVENUES:	AMOUNT	RATIO	AMOUNT\ROOM	AMOUNT	RATIO	AMOUNT\ROOM	AMOUNT	RATIO	AMOUNT\ROOM
ROOMS	$ 1,380,000	99.4%	$ 30,667	$ 1,436,000	99.4%	$ 31,911	$ 1,469,000	99.4%	$ 32,644
FOOD	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
BEVERAGE	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
OTHER F & B	**9,000**	0.6%	**200**	**9,000**	0.6%	**200**	**9,000**	0.6%	**200**
RENTALS & OTHER INCOME	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
OTHER OPERATED DEPTS	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
TOTAL REVENUE	$ 1,389,000	100.0%	$ 30,867	$ 1,445,000	100.0%	$ 32,111	$ 1,478,000	100.0%	$ 32,844
DEPARTMENTAL EXPENSES (1):									
ROOMS	$ 379,000	27.5%	$ 8,422	$ 388,000	27.0%	$ 8,622	$ 398,000	27.1%	$ 8,844
FOOD & BEVERAGE	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
OTHER F & B	**11,000**	122.2%	**244**	**11,000**	122.2%	**244**	**12,000**	133.3%	**267**
OTHER OPERATED DEPTS	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
TOTAL	$ 390,000	28.1%	$ 8,667	$ 399,000	27.6%	$ 8,867	$ 410,000	27.7%	$ 9,111
TOTAL OPERATED INCOME	$ 999,000	71.9%	$ 22,200	$ 1,046,000	72.4%	$ 23,244	$ 1,068,000	72.3%	$ 23,733
UNDISTRIBUTED EXPENSES:									
ADMINISTRATIVE & GENERAL	$ 113,000	8.1%	$ 2,511	$ 115,000	8.0%	$ 2,556	$ 118,000	8.0%	$ 2,622
MANAGEMENT FEE (2)	**49,000**	3.5%	**1,089**	**51,000**	3.5%	**1,133**	**52,000**	3.5%	**1,156**
MARKETING	**56,000**	4.0%	**1,244**	**58,000**	4.0%	**1,289**	**59,000**	4.0%	**1,311**
FRANCHISE FEES (3)	**62,000**	4.5%	**1,378**	**65,000**	4.5%	**1,444**	**66,000**	4.5%	**1,467**
PROPERTY OPERATION & MAINT.	**68,000**	4.9%	**1,511**	**70,000**	4.8%	**1,556**	**72,000**	4.9%	**1,600**
ENERGY	**84,000**	6.0%	**1,867**	**86,000**	6.0%	**1,911**	**88,000**	6.0%	**1,956**
TOTAL	$ 432,000	31.1%	$ 9,600	$ 445,000	30.8%	$ 9,889	$ 455,000	30.8%	$ 10,111
INCOME BEFORE FIXED CHARGES	$ 567,000	40.8%	$ 12,600	$ 601,000	41.6%	$ 13,356	$ 613,000	41.5%	$ 13,622
FIXED CHARGES:									
REAL ESTATE & PROPERTY TAXES	$ 51,000	3.7%	$1,133	$ 52,000	3.6%	$1,156	$ 53,000	3.6%	$1,178
BUILDING & CONTENTS INSURANCE	**20,000**	1.4%	**444**	**20,000**	1.4%	**444**	**21,000**	1.4%	**467**
INCENTIVE MANAGEMENT FEE	**15,000**	1.1%	**333**	**16,000**	1.1%	**356**	**16,000**	1.1%	**356**
RENT: (4) BASE RENT	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
PERCENTAGE RENT	**0**	0.0%	**0**	**0**	0.0%	**0**	**0**	0.0%	**0**
TOTAL	$ 86,000	6.2%	$ 1,911	$ 88,000	6.1%	$ 1,956	$ 90,000	6.1%	$ 2,000
INCOME BEFORE RESERVE	$ 481,000	34.6%	$ 10,689	$ 513,000	35.5%	$ 11,400	$ 523,000	35.4%	$ 11,622
RESERVE FOR REPLACEMENT	$ 69,000	5.0%	$ 1,533	$ 72,000	5.0%	$ 1,600	$ 74,000	5.0%	$ 1,644
INCOME BEFORE OTHER DEDUCTIONS (5)	$ 412,000	29.7%	$ 9,156	$ 441,000	30.5%	$ 9,800	$ 449,000	30.4%	$ 9,978

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

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

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

*Totals may not add due to rounding.

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

VALUATION ANALYSIS

For the Proposed 45 Room Limited Service in Braidwood IL

GENERATED 13-NOV-23; REVISED 13-NOV-23 12:42 PM

ASSUMPTIONS:				
38. Discount Rate:	11.5%	40. Costs of Sale:	3.0%	
	11.0%			
	10.5%	41. Avg Annual Inflation Rate:	2.5%	/ year, or
39. Overall Rates:			0.20598%	monthly
A. Current, Hi Value-	8.5%	42. CRITICAL DATES:		
B. Current, Low Value-	9.0%	1st Forecast Year Open Date:	01-Jan-25	
C. Reversion-	9.5%	Apprs'l "As Of" Date:	13-Nov-23	
		Months- "As Of" Date to Opening:	15	

43. Renovation Costs:

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

44. PIP Cost: $ -

DISCOUNTED CASH FLOW ANALYSIS

Year Number	Year	Income Before Other Deductions	P.V. @ 11.5% P.V. Factor	P.V. @ 11.5% Present Value	P.V. @ 11.0% P.V. Factor	P.V. @ 11.0% Present Value	P.V. @ 10.5% P.V. Factor	P.V. @ 10.5% Present Value
1.000	2025	160,000	0.8969	143,498	0.9009	144,144	0.9050	144,796
2.000	2026	256,000	0.8044	205,916	0.8116	207,775	0.8190	209,660
3.000	2027	379,000	0.7214	273,410	0.7312	277,122	0.7412	280,900
4.000	2028	412,000	0.6470	266,562	0.6587	271,397	0.6707	276,343
5.000	2029	441,000	0.5803	255,896	0.5935	261,712	0.6070	267,687
6.000	2030	-	0.5204	-	0.5346	-	0.5493	-
7.000	2031	-	0.4667	-	0.4817	-	0.4971	-
8.000	2032	-	0.4186	-	0.4339	-	0.4499	-
9.000	2033	-	0.3754	-	0.3909	-	0.4071	-
10.000	2034	-	0.3367	-	0.3522	-	0.3684	-
11.000	2035	-	0.3020	-	0.3173	-	0.3334	-
12.000	2036	-	0.2708	-	0.2858	-	0.3018	-
Subtotal PV From Cash Flow				$1,145,282		$1,162,150		$1,179,386
Reversion	2029	4,584,526	0.5803	2,660,236	0.5935	2,720,693	0.6070	2,782,807
Total PV As Of:		01-Jan-25		$3,805,518		$3,882,843		$3,962,193
Deflated to Appraisal Date @:			2.50%					
Months to Appraisal Date:			15	0.9696		0.9696		0.9696
Present Value As Of:		13-Nov-23		$3,689,852		$3,764,827		$3,841,765
Less Renovation Costs				0		0		0
Less PIP				-		-		-
Adjusted Present Value				$3,689,852		$3,764,827		$3,841,765
			Rounded:	**$3,700,000**		**$3,800,000**		**$3,800,000**
			Per Room	$38,840.55		$39,629.76		$40,439.64

DIRECT CAPITALIZATION ANALYSIS

	Low Value	High Value
Typical Year NOI	$450,000	$450,000
Divided by OAR	0.090	0.085
Indicated Value	$5,000,000	$5,294,118
Less Renovation Costs	0	0
Less PIP	0	0
Net Value	$5,000,000	$5,294,118
Rounded	$ 5,000,000	$ 5,300,000
Price per Room	$111,111	$117,778

REVERSION CALCULATION:

Net Income for Year:	2030	$449,000
Divided by Reversion OAR		0.095
Gross Reversion		$4,726,316
Less Costs of Sale @:	3.0%	141,789
Net Reversion		$4,584,526
Indices:	$101,878	per hotel unit

VALUATION INDICES			
Indice	11.5%	11.0%	10.5%
Appraised Value:	$3,700,000	$3,800,000	$3,800,000
Price Per Hotel Room:	$82,222	$84,444	$84,444
OVERALL RATE (OAR)			
OAR- 1st Yr:	4.32%	4.21%	4.21%
OAR- 2nd Yr:	6.92%	6.74%	6.74%
OAR- 3rd Yr:	10.24%	9.97%	9.97%
OAR- 4th Yr:	11.14%	10.84%	10.84%
OAR- Typ Year:	12.16%	11.84%	11.84%
GROSS ROOM RENT MULTIPLIER (GRRM)			
GRRM- 1st Yr:	3.689	3.789	3.789
GRRM- 2nd Yr:	3.171	3.256	3.256
GRRM- 3rd Yr:	2.797	2.872	2.872
GRRM- 4th Yr:	2.681	2.754	2.754
GRRM- Typ Year:	2.818	2.894	2.894
% of PV from CF:	30.95%	30.58%	31.04%

COMPARISON OF DIRECT CAPITALIZATION ANALYSIS WITH DISCOUNTED CASH FLOW APPROACH

CALCULATION OF INCOME DIFFERENCE

Year Number	Year	DCF Income Before Other Deductions	Inflated Rep Year Income	Difference	Times PV Factor @ 11.0%	PV of Difference
1.000	2025	160,000	450,000	(290,000)	0.9009	(261,261)
2.000	2026	256,000	472,781	(216,781)	0.8116	(175,945)
3.000	2027	379,000	509,134	(130,134)	0.7312	(95,153)
4.000	2028	412,000	561,988	(149,988)	0.6587	(98,802)
5.000	2029	441,000	635,838	(194,838)	0.5935	(115,627)
6.000	2030	0	0	0	0.0000	0
7.000	2031	0	0	0	0.0000	0
8.000	2032	0	0	0	0.0000	0
9.000	2033	0	0	0	0.0000	0
10.000	2034	0	0	0	0.0000	0
11.000	2035	0	0	0	0.0000	0
12.000	2036	0	0	0	0.0000	0
				Total PV of Difference		($746,787)
					Rounded:	($750,000)

COMPARISON OF TWO APPROACHES

Direct Capitalization Value		$5,300,000
Less PV of Difference		(750,000)
Adjusted Direct Capitalization Value		6,050,000
Less DCF Value @	11.0%	3,800,000
Difference		2,250,000
Percent Difference		37.19%

ASSUMPTIONS AND LIMITING CONDITIONS

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

- No responsibility is accepted by the consultant for considerations requiring expertise in other fields. Included in this category are ownership legal description and other legal matters, survey of property boundaries, geologic considerations including soils and seismic stability, civil, structural, or other engineering, and identification of hazardous or toxic substances. Data furnished or obtained from public sources relative to these matters has been adopted and is assumed to be correct.

- Under the operating projection the property is assumed to be under responsible ownership and management.

- The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and in this section and are to be part of these general assumptions as if included here in their entirety.

- The information furnished us by others and contained in this report is considered to be from reliable sources and, where feasible, has been verified; however, no responsibility is assumed for its accuracy. We reserve the right to modify the estimates of operating results should more reliable information become available subsequent to delivery of this report.

- The sketches, plot plans and drawings included in this report are included only to assist the reader in visualizing the property.

- There are no hidden or unapparent conditions in the property, soil, subsoil, or structures, which would render the site unsuitable for its intended use or would constrain the continued operation of the property. No responsibility is assumed for such conditions or for arranging for engineering studies, which would be required to discover them. The consultants are not construction, engineering, environmental, or legal experts, and any statement given on these matters in this report should be considered preliminary in nature.

- It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws, that all applicable zoning and use regulations and restrictions have been complied with or can and will be complied with, unless a nonconformity has been stated, defined and considered in the report, and that all required licenses, certificates of occupancy, legislated or administrative consents from any local, state or national government or private entity or organization have been or can be obtained for any use on which the estimates of future operating results contained in this report are based.

- The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of the property to determine whether or not it is in conformity or can be brought into conformity with the various detailed requirements of the ADA. It is likely that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have an effect upon the capital spending plans for the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of ADA in estimating the results of future operations of the property.

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

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

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

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

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

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