EMBASSY SUITES DFW INTERNATIONAL AIRPORT SOUTH

-and-

EMBASSY SUITES PHOENIX TEMPE

-in an-

AGGREGATED APPRAISAL REPORT

Date of Report: July 12, 2016

PREPARED FOR
American Hotel Income Properties REIT LP
1660-401 West Georgia Street
Vancouver, British Columbia, V6B 5A1 CANADA

PREPARED BY
COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES
HOSPITALITY & LEISURE GROUP

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July 12, 2016

American Hotel Income Properties REIT LP
1660-401 West Georgia Street
Vancouver, British Columbia, V6B 5A1, CANADA

RE: **Embassy Suites DFW International Airport South**
4650 West Airport Freeway
Irving, Texas 75062
-and-
Embassy Suites Phoenix Tempe
4400 South Rural Road
Tempe, Arizona 85282

Colliers File No.: ORD160384

To Whom it May Concern:

Pursuant with our engagement, the above captioned property was appraised utilizing best practice appraisal principles for this property type. This appraisal report satisfies the scope of work and requirements agreed upon by American Hotel Income Properties REIT LP and Colliers International Valuation & Advisory Services.

At the request of the client, this appraisal is presented in an Appraisal Report format as defined by *USPAP* Standards Rule 2-2(a). Our appraisal format provides a summarized description of the appraisal process, subject and market data and valuation analyses.

Overview of Embassy Suites DFW International Airport South ("DFW Property")

The subject property, commonly known as Embassy Suites DFW International Airport South, is a 10-story, 305-room, full-service lodging facility built in 1985. The property was in good condition at the time of inspection. The subject property features all basic services for a property of this type, and offers amenities including a leased restaurant, fitness room, indoor swimming pool, business center, sundries shop, meeting space, vending and ice machines. The rooms are loaded off of interior corridors. The subject is located in the southeast quadrant formed by the intersection of Highway 183 and Valley View Lane. The neighborhood is situated in the northwestern portion of the Dallas metropolitan statistical area, roughly two miles south of the Dallas/Fort Worth International Airport.

Overview of Embassy Suites Phoenix Tempe ("Tempe Property")

The subject property, commonly known as Embassy Suites Phoenix Tempe, is a 3-story, 224-room, full-service lodging facility built in 1984. The property was in fair to average condition at the time of inspection. The subject property features all basic services for a property of this type, and offers amenities including a restaurant, lounge, fitness room, outdoor swimming pool, business center, sundries shop, meeting space, vending and ice machines. The property is located in the southwest quadrant formed by the intersection of US Highway 60 and South Rural

Road. This neighborhood is considered to be within the southeast portion of the Phoenix metropolitan statistical area. The property is located proximate to Arizona Mills Shopping Center and Arizona State University.

The purpose of this appraisal is to develop certain opinions of value for the two properties in aggregate form (collectively, "subject property") in their Fee Simple interest. The following table conveys the aggregated opinions of market value of the subject property that are developed within this appraisal report:

FINAL RECONCILED AGGREGATE VALUE	
Conclusions	As Is June 1, 2016
Market Value	**$62,700,000**
Per Room	$118,526

The analyses, opinions and conclusions communicated within this appraisal report were developed based upon the requirements and guidelines of the current Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. The report is intended to conform to the appraisal guidelines of American Hotel Income Properties REIT LP.

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter. *USPAP* defines an Extraordinary Assumption as, "an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions". *USPAP* defines a Hypothetical Condition as, "that which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis".

The Extraordinary Assumptions and/or Hypothetical Conditions that were made during the appraisal process to arrive our opinions of value are fully discussed below. We the client to consider these issues carefully given the intended use of this appraisal, as their use might have affected the assignment results.

EXTRAORDINARY ASSUMPTIONS

The prospective market value estimates are based upon market participant attitudes and perceptions existing as of the effective date of our appraisal, and assumes the subject property achieves stabilization as of our prospective date. We assume no material change in the physical characteristics and condition of the subject property or in overall market conditions between the date of inspection and effective dates of value, except for those identified within the report.

HYPOTHETICAL CONDITIONS

This appraisal does not employ any hypothetical conditions.

RELIANCE LANGUAGE

Per the engagement contract with the Client pertaining to this assignment, there is no reliance language.

Our opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject's value.

The below-undersigned indicate our assurance to the client that the development process and extent of analysis for this assignment adhere to the scope requirements and intended use of the appraisal. If you have any specific questions or concerns regarding the attached appraisal report, or if Colliers International Valuation & Advisory Services can be of additional assistance, please contact the individuals listed below.

Sincerely,

COLLIERS INTERNATIONAL, VALUATION & ADVISORY SERVICES
HOSPITALITY & LEISURE GROUP

Bryan Younge, MAI, ASA
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Hospitality and Leisure Group
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GENERAL INFORMATION – DFW PROPERTY

Name	Embassy Suites DFW International Airport South
Address	4650 West Airport Freeway Irving, Dallas County, Texas 75062
Assessor's Parcel #(s)	32-54320-001-001-0000
Property Rights Appraised	The Fee Simple interest

PROPERTY DESCRIPTION

Site Description

Size	6.65 acres, or 289,674 square feet
Topography	Level at street grade
Access and Visibility	The subject enjoys good access due to its position along a major freeway and its proximity to several commercial and leisure demand generators. Visibility is also considered to be good due to its multi-level configuration, its signage and position along a major regional freeway.
Exposure	The subject enjoys good frontage along Valley View Lane and West Airport Freeway. Indirect frontage is offered along the south side of Highway 183.
Zoning	SP1 - Site Plan Detailed District
Flood Zone	X, described as areas determined to be outside of the 500-year flood zone; we assume that the subject has adequate flood insurance and that it was constructed in a way that will protect itself from flooding.
Seismic Zone	None

Improvement Description

Year Built	1985
Number of Rooms	305
Quality	Good
Condition	Good
Economic Life	50 Years
Effective Age	20 Years
Remaining Useful Life	30 Years

Highest & Best Use

As-Vacant	To hold as vacant until demand substantiates the development of a hotel or commercial structure.
As-Improved	A lodging facility as it is currently improved and upgraded in line with brand standards.

Exposure Time	12 months or less
Marketing Time	12 months or less

GENERAL INFORMATION – TEMPE PROPERTY

Name	Embassy Suites Phoenix Tempe
Address	4400 South Rural Road Tempe, Maricopa County, Arizona 85282
Assessor's Parcel #(s)	133-41-002X and 133-41-002Z
Property Rights Appraised	The Fee Simple interest

PROPERTY DESCRIPTION

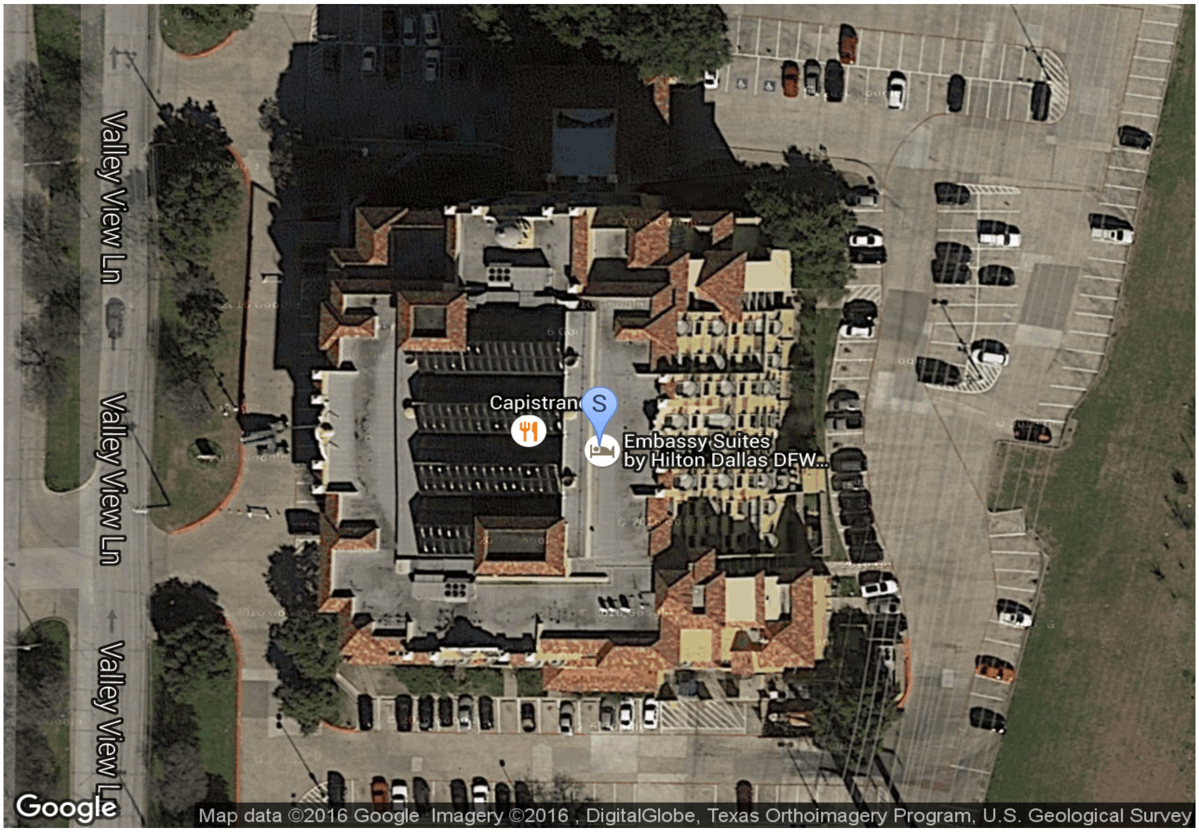
Site Description	
Size	8.1 acres, or 352,836 square feet
Topography	Level at street grade
Access and Visibility	The subject enjoys good access due to its position along a major regional freeway and its proximity to several commercial and leisure demand generators. Visibility is also considered to be good due to its multi-level configuration, its signage and position along a major regional freeway.
Exposure	The subject enjoys good frontage along South Rural Road and US Highway 60.
Zoning	PCC - 1
Flood Zone	X500, described as areas determined to be inundated of the 500-year flood zone. we assume that the subject has adequate flood insurance and that it was constructed in a way that will protect itself from flooding.
Seismic Zone	None
Improvement Description	
Year Built	1984
Number of Rooms	224
Quality	Good
Condition	Fair To Average
Economic Life	50 Years
Effective Age	18 Years
Remaining Useful Life	32 Years
Highest & Best Use	
As-Vacant	To hold as vacant until demand substantiates the development of a hotel or commercial structure.
As-Improved	A lodging facility as it is currently improved and upgraded in line with brand standards.
Exposure Time	12 months or less
Marketing Time	12 months or less

AGGREGATED VALUATION SUMMARY

ANALYSIS OF VALUE CONCLUSIONS - AGGREGATE	
Methology for Market Value Conclusions	**As Is June 1, 2016**
Cost Approach	
Concluded Value	**$63,000,000**
Sales Comparison Approach	
Adjusted Low End of Range	$63,904,000
Adjusted High End of Range	$69,113,000
Less: Near-term capital commitment (NPV)	-$3,475,846
Concluded Value	**$62,300,000**
Income Approach	
Discounted Cash Flow	$62,700,000
Direct Capitalization Approach	$63,600,000
Reconciled Value Conclusion	**$62,700,000**
Per Room	**$118,526**

FINAL RECONCILED AGGREGATE VALUE	
Conclusions	**As Is June 1, 2016**
Market Value	**$62,700,000**
Per Room	$118,526

KEY VALUATION ASSUMPTIONS	
Valuation Considerations:	
Exposure Time	12 months or less
Marketing Time	12 months or less
Holding Period	10 Years
Inflation Rate	3.0%

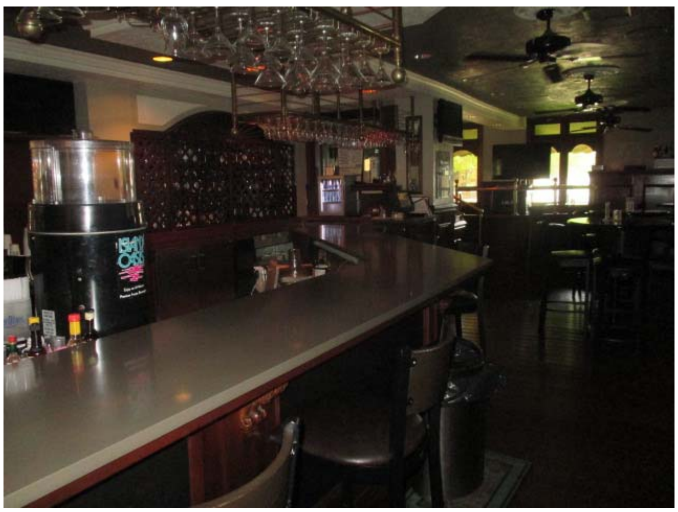


AERIAL PHOTOGRAPH OF DFW PROPERTY

AERIAL PHOTOGRAPH OF TEMPE PROPERTY

EXTERIOR VIEW OF SUBJECT

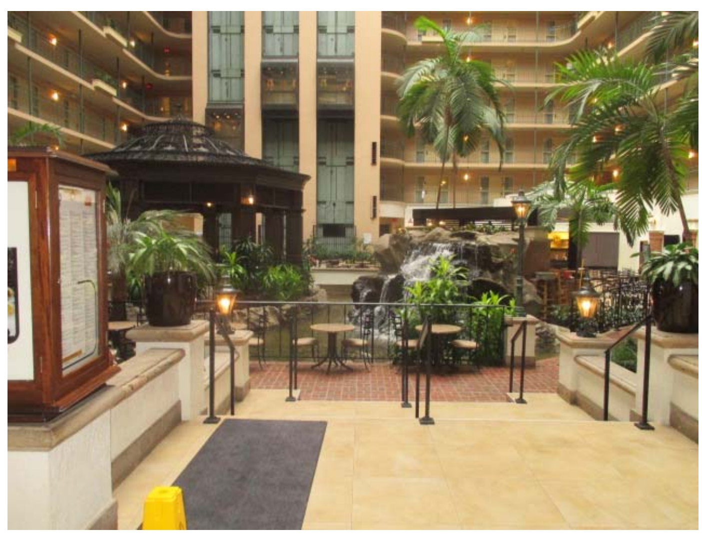
EXTERIOR VIEW OF SUBJECT



RESTAURANT AND BAR

GUEST UNIT

GUEST UNIT



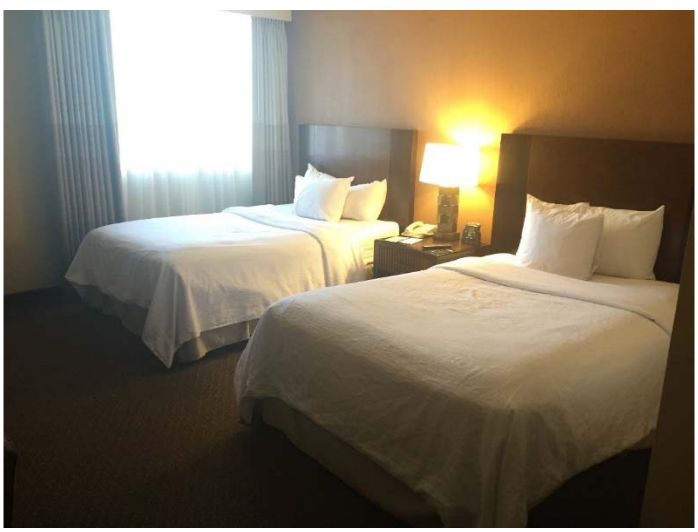
ATRIUM

EXTERIOR VIEW OF SUBJECT

EXTERIOR VIEW OF SUBJECT

LOBBY

POOL



GUEST UNIT

GUEST UNIT

PROPERTY IDENTIFICATION

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CLIENT IDENTIFICATION

The client of this specific assignment is American Hotel Income Properties REIT LP.

INTENDED USE

This report is to be used by Client in connection with investment decision-making, financing and/or financial reporting purposes.

INTENDED USERS

American Hotel Income Properties REIT LP is the only intended user of this report.

Use of this report by third parties and other unintended users is not permitted. This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by Colliers International Valuation & Advisory Services no portion of the report stands alone.

ASSIGNMENT DATES

Date of Report	July 11, 2016
Date of Inspection: DFW Property	May 31, 2016
Date of Inspection: Tempe Property	April 28, 2016
Market Value As Is	June 1, 2016
Prospective Market Value Upon Completion	June 1, 2017
Prospective Market Value Upon Stabilization	June 1, 2018

SUBJECT PROPERTY INSPECTION

The DFW property was inspected by Daniel J. Maher, MAI and the Tempe property was inspected by Chad Eschmeyer.

PROPERTY RIGHTS APPRAISED

The property rights appraised constitute the Fee Simple interest.

It should be noted that the subject's restaurant, Capistrano's Café, is leased to a third-party operator. The terms of this lease are below:

Landlord	ESD DFW SOUTH 2011 (et al)
Tenant	Capistrano's Café, Inc.
Commencement	January 1, 2005
Term	Expires December 31, 2017
Renewals	One 5-year renewal
Rent	Greater of (i) $16,000 per month (base rent), or (ii) 11% of Gross Revenues. If Gross Revenues exceed $2,500,000, an additional rent equal to 3% over this breakpoint will be due.
Adjustments	Landlord will pay tenant complimentary bar and breakfast fees based on occupied rooms, subject to change based on periodic negotiations. The tenant will be required to absorb certain operating and capital improvement costs as well.

COMPONENTS OF VALUE

The opinions of value include the fee simple interest in the land, the improvements thereto, and the contributory value of the furniture, fixtures and equipment. The appraisers assume that the hotel will be, and shall remain, open and operational throughout the holding period.

PROPERTY AND SALE HISTORY

Current Owner
DFW property: ESD DFW SOUTH 2011 (et al)

Tempe Property: EST 2011 (et al).

Three-Year Sales History
To the best of our knowledge, neither property has sold in the last three years.

Subject Sale Status
It is reported that both properties are under negotiations to be purchased by American Hotel Income Properties REIT LP for undisclosed amounts.

It is reported that the Tempe property is currently being negotiated to be purchased by O'Neill Hotels and Resorts for an undisclosed amount.

DEFINITION OF MARKET VALUE

Given the scope and intended use of this assignment, the following definition of market value is applicable in this assignment. A more comprehensive presentation of commonly-adopted definitions is presented in the *Addenda* of this report.

Market Value
The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming that the price

is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.[1]

[1] Office of Comptroller of the Currency (OCC), Title 12 of the Code of Federal Regulation, Part 34, Subpart C - Appraisals, 34.42 (g); Office of Thrift Supervision (OTS), 12 CFR 564.2 (g); This is also compatible with the FDIC, FRS and NCUA definitions of market value.

INTRODUCTION

The appraisal development and reporting processes requires gathering and analyzing information about those assignment elements necessary to properly identify the appraisal problem to be solved. The scope of work decision must include the research and analyses that are necessary to develop credible assignment results given the intended use of the appraisal. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. The scope of work for this appraisal assignment is outlined below:

› The appraisers analyzed the regional and local area economic profiles including employment, population, household income, and real estate trends. The local area was further studied to assess the general quality and condition, and emerging development trends for the real estate market. The immediate market area was inspected and examined to consider external influences on the subject.

› The appraisers verified and analyzed legal and physical features of the subject property including sizes of the site and improvements, flood plain data, seismic zone, zoning, easements and encumbrances, access and exposure of the site, and construction materials and condition of the improvements (as appropriate). This process also included estimating the remaining economic life of the improvements, analysis of the subject's site coverage and parking ratios compared to market standards, a process to identify deferred maintenance and a conclusion of the subject's overall functional utility.

› The appraisers completed market analyses that included national, regional, local and competitive market overviews. The competitive set overviews analyzed supply/demand conditions using vacancy, supply change and ADR statistics. Conclusions were drawn regarding the subject property's competitive position given its physical and locational characteristics, the prevailing economic conditions and external influences.

› The appraisers conducted a Highest and Best Use analysis, determining the highest and best use of the subject property As-Vacant and As-Improved. The analysis considered legal, locational, physical and financial feasibility characteristics of the subject property. Development of the Highest and Best Use As-Improved explored potential alternative treatments of the property including demolition, expansion, renovation, conversion, and continued use "as-is."

› The appraisers analyzed financial features of the subject property including historical and budgeted income/expense data, as provided. This information, as well as trends established by market indicators, was used to forecast performance of the subject property.

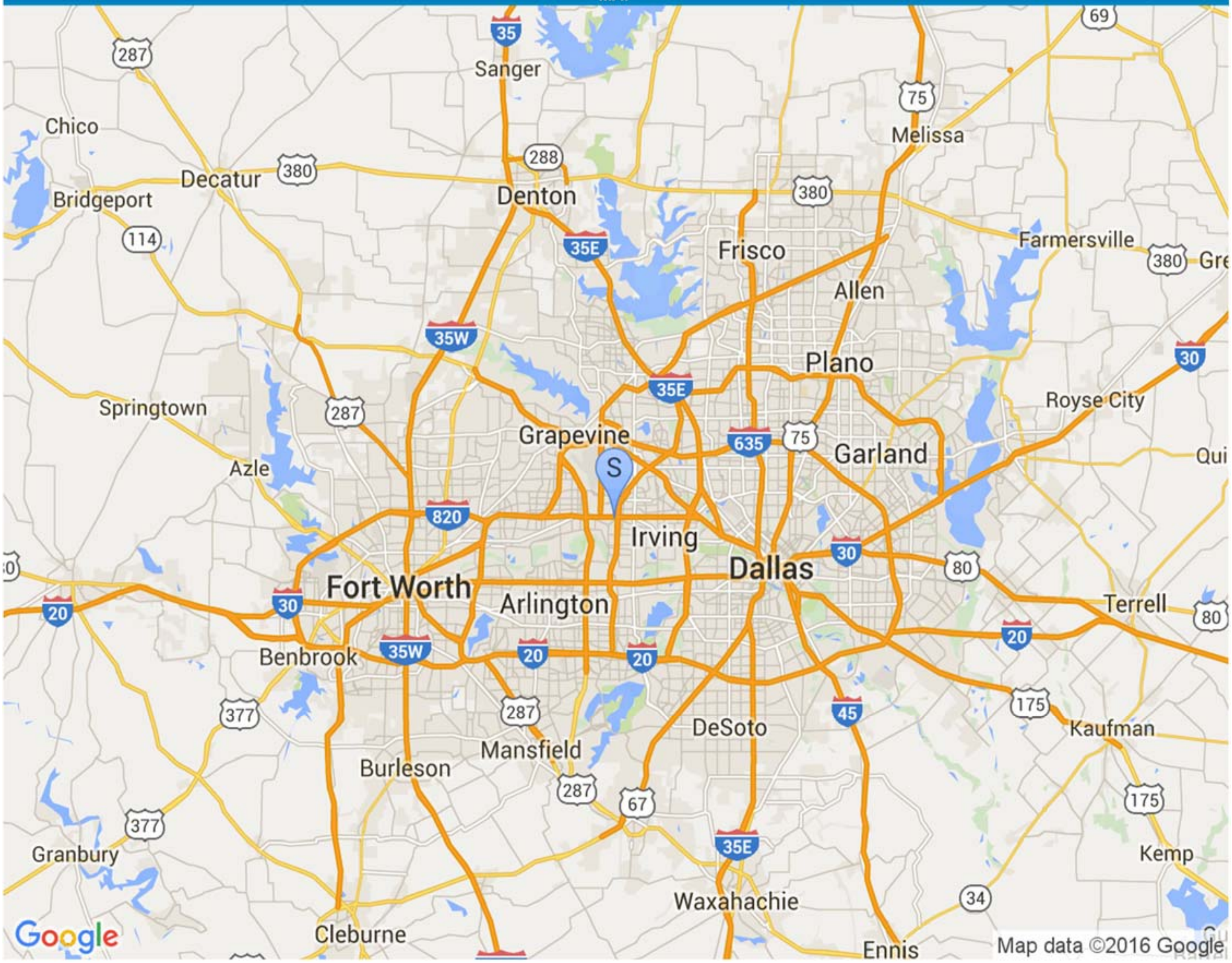
› The appraisal considered the three standard approaches to value: Income Capitalization, Sales Comparison, and Cost. Because lodging facilities are income-producing properties that are normally bought and sold on the basis of capitalization of their anticipated stabilized earning power, the greatest weight is given to the value indicated by the income capitalization approach. We find that most hotel investors employ a similar procedure in formulating their purchase decisions, and thus the Income Capitalization Approach most closely reflects the rational of typical buyers. When appropriate the Sales Comparison and Cost Approaches are used to test the reasonableness of the results indicated by the income capitalization approach. The reasoning for including or excluding traditional approaches to value is developed within the Valuation Methodology section.

› Reporting of this appraisal is in an Appraisal Report format as required in USPAP Standard 2. The appraiser's analysis and conclusions are summarized within this document.

› We understand the Competency Rule of USPAP and, at a minimum, the primary author of this report meets the standards.

› Daniel J. Maher, MAI and Chad Eschmeyer provided significant real property appraisal assistance to the appraisers signing the certification.

MAP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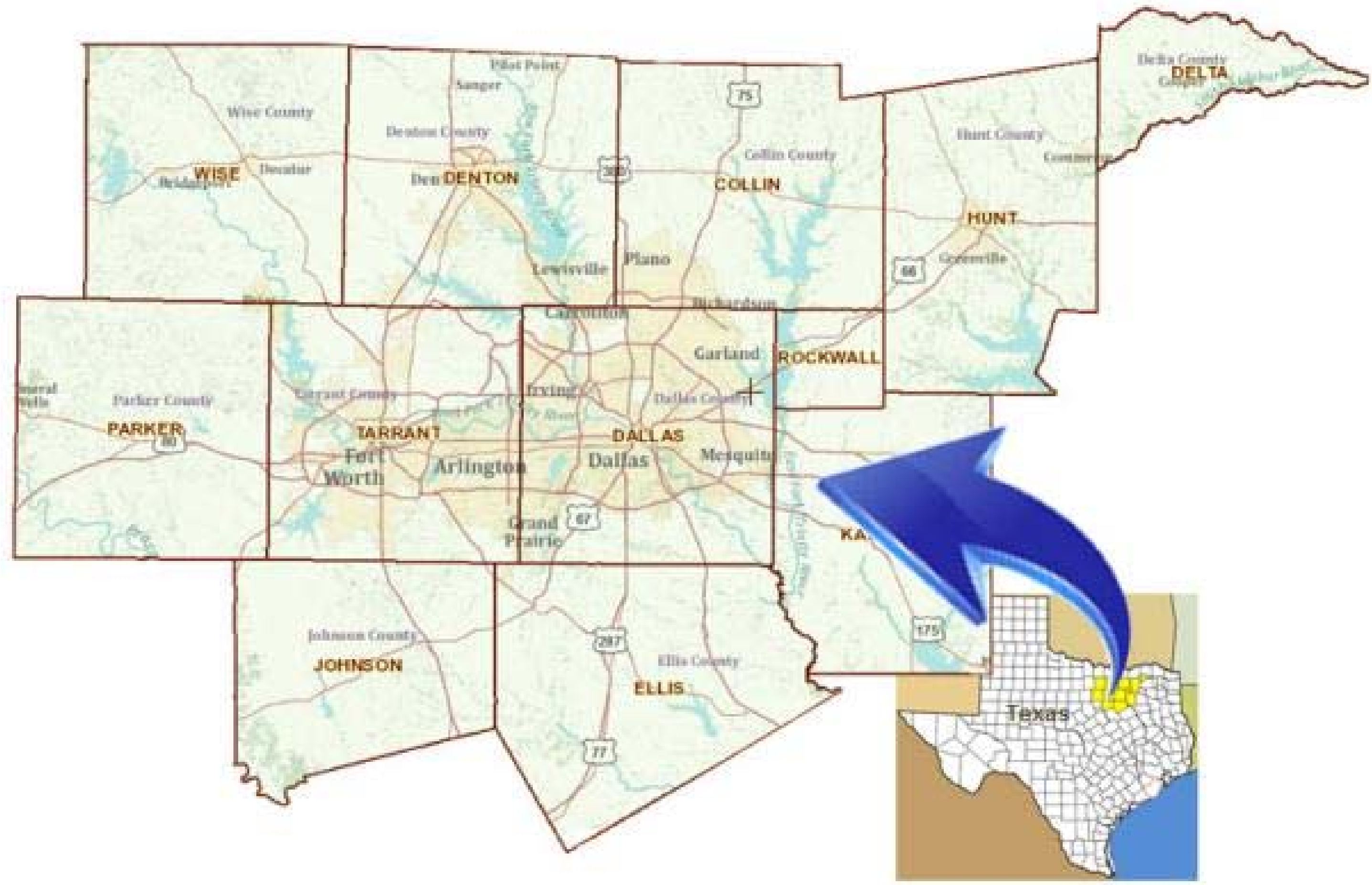
INTRODUCTION

The Dallas-Fort Worth-Arlington Metropolitan Statistical Area (MSA), colloquially known as the Dallas-Fort Worth Metroplex, is located in the north central section Texas, and is comprised of the counties of Collin, Dallas, Delta, Denton, Ellis, Hunt, Johnson, Kaufman, Parker, Rockwall, Tarrant and Wise. The Metroplex is primarily situated in prairie land with contrasting fertile to dry soil, to rolling hills that eventually merge into a line of rugged hills in the southern portion of the region. The region's location tends to receive hot, dry winds from the north and west in the summer, bringing temperatures well over 100 °F with heat-humidity indexes soaring to as high as 117 °F at times, giving the entire north central Texas region its reputation as one of the hottest locations in the United States during the summer months. Winters in Dallas are generally mild; however, strong cold fronts occasionally pass through plummeting temperatures to below 25° for several days at a time. Spring and autumn bring pleasant although sometimes quite volatile and unpredictable weather to the area.



With a population of approximately 7.1 million, the Dallas-Fort Worth-Arlington MSA is the 4th most populated CBSA (Core Based Statistical Area) in the U.S. - and the most populated MSA in the state of Texas, beating Houston's population by nearly a half million residents. The Metroplex also contains the largest Information Technology industry base in the state (often referred to as Silicon Prairie or the Telecom Corridor), owing to the large number of corporate IT projects and the presence of numerous electronics, computing and telecommunication firms such as Texas Instruments, HP Enterprise Services, Dell Services, i2, AT&T, Ericsson, CA and Verizon in and around Dallas. On the other end of the business spectrum, and on the other side of the Metroplex, the Texas farming and ranching industry is based in Fort Worth.

According to Forbes "Dallas has developed a strong industrial and financial sector, as well as becoming a major inland port, due largely to the presence of Dallas/Fort Worth International Airport, one of the largest and busiest airports in the world. The city is home to University of Texas Southwestern Medical School, Texas Woman's

University, University of North Texas at Dallas, Paul Quinn College as well as a number of religious affiliated and community colleges. The most notable event held in Dallas is the State Fair of Texas, which has been held annually at Fair Park since 1886, bringing an estimated $350 million to the city's economy annually. The Red River Shootout, which pits the football teams of University of Texas at Austin and University of Oklahoma against one another at the Cotton Bowl, also brings significant crowds to the city."

DEMOGRAPHIC ANALYSIS

The following is a demographic study of the region sourced by *Pitney Bowes/Gadberry Group - GroundView®*, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of geographical areas. Demographic changes are often highly correlated to changes in the underlying economic climate. Periods of economic uncertainty necessarily make demographic projections somewhat less reliable than projections in more stable periods. These projections are used as a starting point, but we also consider current and localized market knowledge in interpreting them within this analysis.

REGIONAL AREA DEMOGRAPHICS

YEAR	US	TX	CBSA	YEAR	US	TX	CBSA
POPULATION				**NUMBER OF HOUSEHOLDS**			
2010 Total Population	308,745,538	25,145,561	6,417,724	2015	119,867,648	9,469,332	2,458,308
2015 Total Population	321,223,644	27,412,744	7,073,896	2020	123,893,754	10,113,691	2,630,647
2020 Total Population	334,184,347	29,820,925	7,761,628	CAGR	0.7%	1.3%	1.4%
2010 - 2015 CAGR	0.8%	1.7%	2.0%	**AVERAGE HOUSEHOLD SIZE**			
2015 - 2020 CAGR	0.8%	1.7%	1.9%	2015	2.61	2.83	2.84
POPULATION DENSITY				2020	2.63	2.89	2.92
2015 Per Square Mile	89	103	749	CAGR	0.15%	0.39%	0.51%
2020 Per Square Mile	93	113	821	**HOUSING UNITS**			
MEDIAN AGE				Owner Occupied	78,345,253	6,104,857	1,537,239
2015	37.58	34.04	34.29	Renter Occupied	41,522,395	3,364,475	921,069
2020	38.18	34.54	35.02	**AVERAGE HOUSEHOLD INCOME**			
CAGR	0.32%	0.29%	0.42%	2015	$75,572	$75,398	$83,788
MEDIAN HOME VALUE				2020	$76,660	$77,344	$85,971
2015	$179,653	$133,258	$153,599	CAGR	0.3%	0.5%	0.5%
PER CAPITA INCOME				**MEDIAN HOUSEHOLD INCOME**			
2015	$28,926	$26,624	$29,461	2015	$53,608	$53,123	$59,502
2020	$29,130	$26,782	$29,475	2020	$53,764	$54,061	$60,197
CAGR	0.1%	0.1%	0.0%	CAGR	0.1%	0.4%	0.2%

Source: Pitney Bowes/Gadberry Group - GroundView®

Population

According to Pitney Bowes/Gadberry Group - GroundView®, a Geographic Information System (GIS) Company, the Dallas-Fort Worth-Arlington metropolitan area had a 2015 total population of 7,073,896 and experienced an annual growth rate of 2.0%, which was higher than the Texas annual growth rate of 1.7%. The metropolitan area accounted for 25.8% of the total Texas population (27,412,744). Within the metropolitan area the population density was 749 people per square mile compared to the lower Texas population density of 103 people per square mile and the lower United States population density of 89 people per square mile. The 2015 median age for the metropolitan area was 34.29, which was 9.58% younger than the United States median age of 37.58 for 2015. The median age in the metropolitan area is anticipated to grow by 0.42% annually, increasing the median age to 35.02 by 2020.

Education

Community College

South Texas College educates over 27,000 students spread across their 5 campuses in Hidalgo and Starr counties and the eSTC virtual campus. Main campus is located in McAllen.

Primary and Secondary Schools

McAllen Independent School District serves most of the city. Portions of the city extend into Edinburg Consolidated Independent School District and that district operates two elementary schools located in the City of McAllen. The Hidalgo Independent School District, La Joya Independent School District, Pharr-San Juan-Alamo Independent School District, Sharyland Independent School District, and Valley View Independent School District also serve the City of McAllen.

In addition, residents are allowed to apply to magnet schools operated by the South Texas Independent School District. IDEA Public Schools also has Quest Academy & College Preparatory in North McAllen (mile 17 &1/2 and Rooth road).

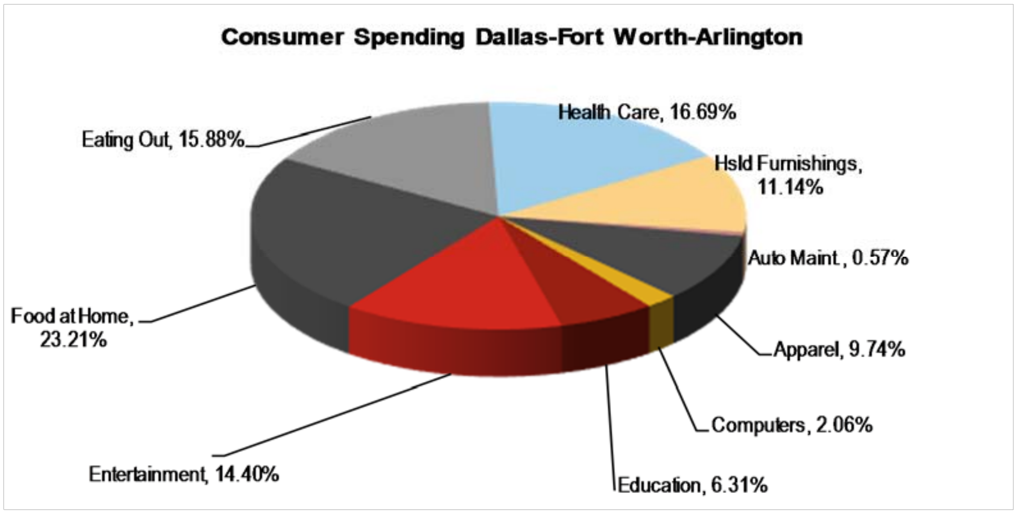
The Catholic Diocese of Brownsville operates Our Lady of Sorrows School, an elementary and middle school.

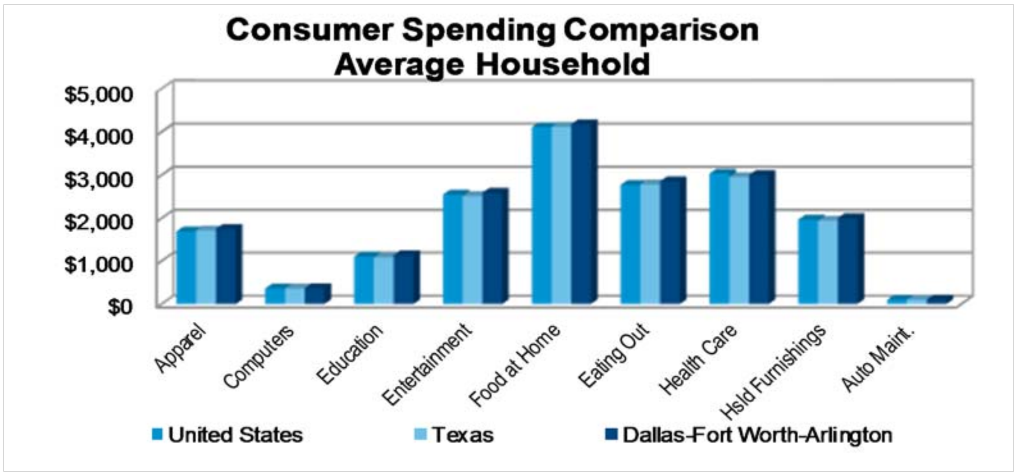
Household Trends

The 2015 number of households in the metropolitan area was 2,458,308. The number of households in the metropolitan area is projected to grow by 1.4% annually, increasing the number of households to 2,630,647 by 2020. The 2015 average household size for the metropolitan area was 2.84, which was 8.86% larger than the United States average household size of 2.61 for 2015. The average household size in the metropolitan area is anticipated to grow by 0.51% annually, raising the average household size to 2.92 by 2020. The Dallas-Fort Worth-Arlington metropolitan area had a 921,069 renter occupied units, compared to the higher 3,364,475 in Texas and the higher 41,522,395 in the United States.

Income Trends

The 2015 median household income for the metropolitan area was $59,502, which was 11.0% higher than the United States median household income of $53,608. The median household income for the metropolitan area is projected to grow by 0.2% annually, increasing the median household income to $60,197 by 2020. In contrast to what is often the case when the median household income levels are higher than the national average, the cost of living index is lower. According to the American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index, the Dallas-Fort Worth-Arlington MSA's cost of living is 97.8 compared to the national average score of 100. The ACCRA Cost of Living Index compares groceries, housing, utilities, transportation, health care and miscellaneous goods and services for over 300 urban areas.





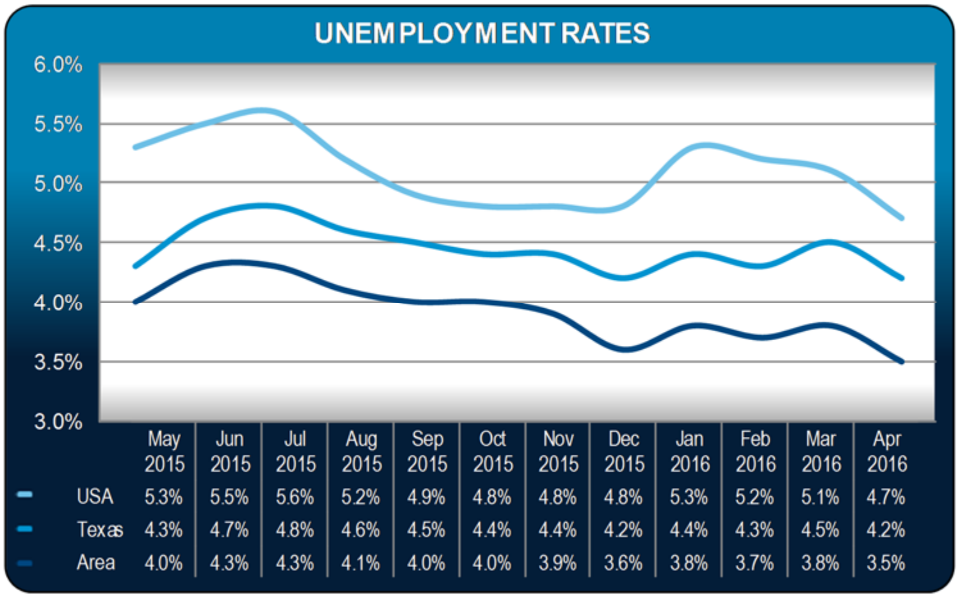
EMPLOYMENT

Total employment has increased annually over the past decade in the state of Texas by 1.7% and increased annually by 1.8% in the area. From 2014 to 2015 unemployment decreased in Texas by 0.6% and decreased by 0.9% in the area. In the state of Texas unemployment has increased over the previous month by 0.2% and increased by 0.1% in the area.

EMPLOYMENT & UNEMPLOYMENT STATISTICS 2006 - 2015

	TOTAL EMPLOYMENT				UNEMPLOYMENT RATE		
	Texas		Dallas-Fort Worth-Arlington, TX Metropolitan Statistical Area		United States*	Texas	Dallas-Fort Worth-Arlington, TX Metropolitan Statistical Area
Year	Total	% Δ Yr Ago	Total	% Δ Yr Ago			
2005	10,523,257	-	2,866,912	-	5.1%	5.4%	5.2%
2006	10,774,490	2.4%	2,936,864	2.4%	4.6%	4.9%	4.8%
2007	10,941,413	1.5%	2,974,884	1.3%	4.6%	4.3%	4.3%
2008	11,104,115	1.5%	2,992,924	0.6%	5.8%	4.8%	4.9%
2009	11,008,903	(0.9%)	2,938,618	(1.8%)	9.3%	7.6%	7.8%
2010	11,244,632	2.1%	3,034,168	3.3%	9.6%	8.1%	8.1%
2011	11,535,095	2.6%	3,119,143	2.8%	8.9%	7.8%	7.6%
2012	11,830,356	2.6%	3,198,330	2.5%	8.1%	6.7%	6.6%
2013	12,090,501	2.2%	3,272,454	2.3%	7.4%	6.2%	6.1%
2014	12,358,703	2.2%	3,357,272	2.6%	6.2%	5.1%	5.0%
2015	12,494,350	1.1%	3,438,520	2.4%	5.3%	4.5%	4.1%
CAGR	**1.7%**	-	**1.8%**	-	-	-	-

Source: U.S. Bureau of Labor Statistics *Unadjusted Non-Seasonal Rate



Home to the largest MSA in the state, the Dallas-Fort Worth Metroplex necessitates available and plentiful shopping locations. With over 100 stores encompassing 12 counties, Wal-Mart has become the region's largest employer with over 34,000 employees.

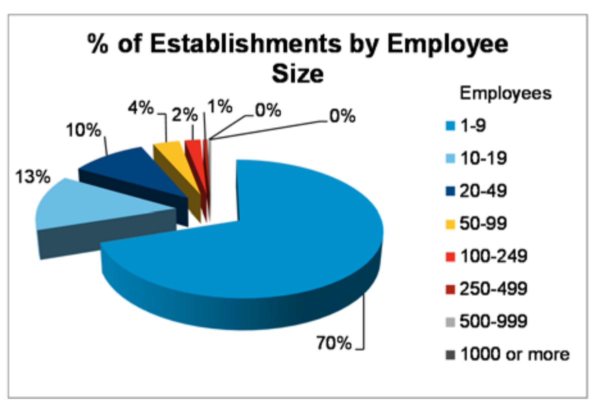
Two of the nation's top communications companies have strong presence in the region and contribute to the local economy with services and jobs. AT&T, a Fortune 500 Company headquartered in Dallas, employs approximately 17,482 employees. Verizon Communications, though headquartered in New York City, employs approximately 11,000 workers locally.

TOP EMPLOYERS

EMPLOYER NAME	EMPLOYEES	INDUSTRY
Wal-Mart Stores	34,698	Retail
American Airlines	20,684	Transportation
Bank of America	20,000	Financial
Baylor Health Care System	19,677	Healthcare
AT&T	17,482	Telecommunication
Lockheed Martin Aeronatuics Company	14,902	Aeronautical Manufacturing
JPMorgan Chase	13,000	Financial
UT-Southw estern Medical Center	12,671	Healthcare
HCA North Texas Division	12,300	Healthcare
Verizon Communications	11,000	Telecommunication

Source: Dallas Business Journal

Another major component of employment and the region's economy is the Dallas/Fort Worth International Airport. The airport is located within the four incorporated cities of Coppell, Euless, Grapevine, and Irving and sits between the cities of Dallas and Fort Worth. It is the busiest airport in the state of Texas, the third busiest airport in the world in terms of aircraft movements and the ninth busiest airport in the world transporting. As of January 2014, DFW had service to 205 destinations including 56 international and 258 US domestic destinations. It is also the primary hub for American Airlines, the areas 2nd largest employer in the MSA, and also the primary hub for American Eagle. Southwest Airlines is also headquartered in Dallas, at Love Field, the city's primary airport until the Dallas-Fort Worth International Airport opened in 1974.



Continental Express, Delta Connection, and United Express likewise offer service from Love Field.

As with many regional areas with large populations, major national league sports became a part of the culture and economy. In 1960, the national football league expansion team, the Dallas Cowboys, was introduced to the region. Since that time, the MLB (baseball), the NBA (basketball), MLS (soccer) and (NHL) hockey have all established teams in the MSA.

In addition to large corporations, universities, hospitals, and public sector employment located within the Dallas-Fort Worth Metroplex, smaller businesses make up most of the local employment picture. A 2011 report issued by the U.S. Census lists 139,977 established businesses in the MSA. Of these businesses 144 companies employed 1,000 people or more, whereas 97,859 businesses employed 1-9 people, representing 70% of all businesses listed. These figures reflect the impact and importance of small business in the

AIRPORT STATISTICS

The following chart summarizes the local airport statistics.

DALLAS/FORT WORTH INTERNATIONAL AIRPORT (DFW)

YEAR	ENPLANED PASSENGERS	% CHG
2004	28,063,035	-
2005	28,079,147	0.1%
2006	28,627,749	2.0%
2007	28,482,417	(0.5%)
2008	27,219,285	(4.4%)
2009	26,663,984	(2.0%)
2010	27,100,656	1.6%
2011	27,518,358	1.5%
2012	28,022,904	1.8%
2013	29,038,128	3.6%
2014	30,766,940	6.0%

Source: U.S. Department of Transportation

SUMMARY

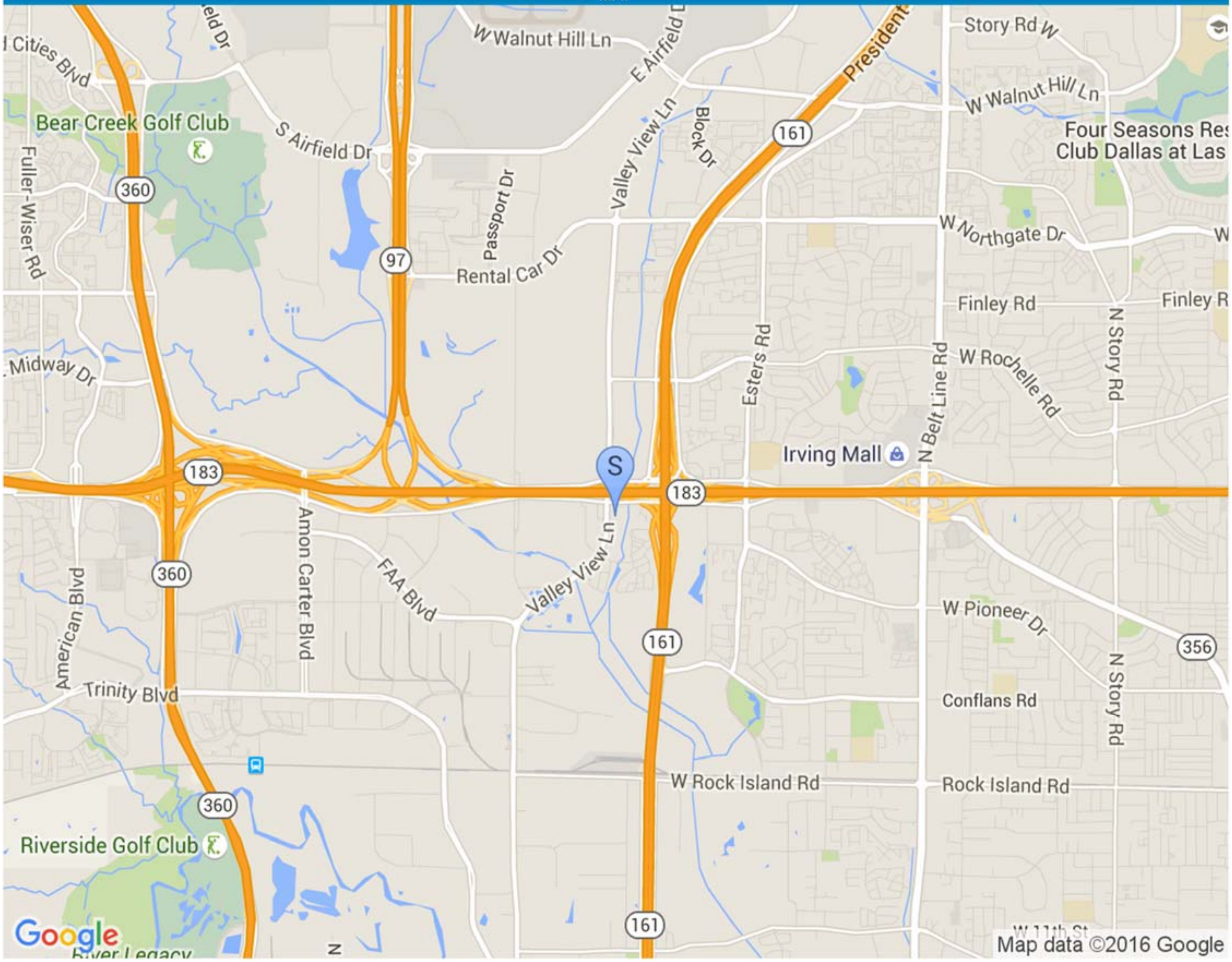
Dallas

In addition to its strong energy sector and broad economic base, Dallas's affordability for business and residents helps draw corporate expansion and relocation to the area. Population growth at roughly twice the national rate is an asset for both the economy and the local housing market. Despite the downturn in the energy sector throughout 2014 and 2015, the local economy should continue to shine.

Fort Worth

Moody's Economy.com expects three years of very strong employment growth from 2014 to 2016, with gains of 27,000 to 30,800 per year (2.8% to 3.2%). Annual population growth is expected to be in the vicinity of 50,000 (2.1%) each year.

MAP



Bear Creek Golf Club
S Airfield Dr
W Walnut Hill Ln
E Airfield Dr
Valley View Ln
Block Dr
Story Rd W
W Walnut Hill Ln
Four Seasons Res
Club Dallas at Las
Fuller-Wiser Rd
360
97
161
Passport Dr
Rental Car Dr
W Northgate Dr
Finley Rd
Finley R
Esters Rd
W Rochelle Rd
N Story Rd
N Belt Line Rd
Midway Dr
Irving Mall
183
S
360
American Blvd
Amon Carter Blvd
FAA Blvd
Valley View Ln
161
W Pioneer Dr
356
Conflans Rd
Trinity Blvd
W Rock Island Rd
Rock Island Rd
360
Riverside Golf Club
161
Google
Map data ©2016 Google

INTRODUCTION

In this section of the report, we provide details about the local area and describe the influences that bear on the real estate market as well as the subject property. A map of the local area is presented on the prior page. Below are insights into the local area based on fieldwork, interviews, demographic data and experience working in this market.

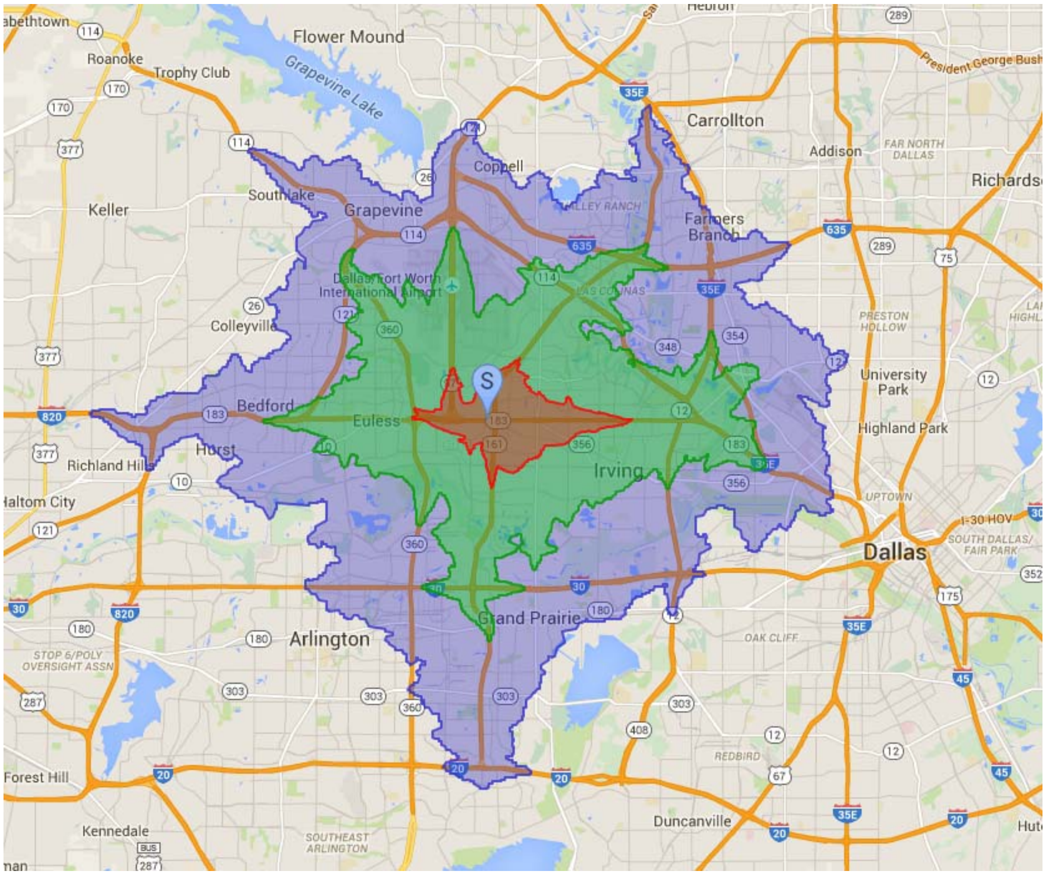
LOCAL AREA PROFILE

The subject is located in the southeast quadrant formed by the intersection of Highway 183 and Valley View Lane. The neighborhood is situated in the northwestern portion of the Dallas metropolitan statistical area, roughly two miles south of the Dallas/Fort Worth International Airport.

ACCESS AND VISIBILITY

The subject enjoys good access due to its position along a major freeway and its proximity to several commercial and leisure demand generators. Visibility is also considered to be good due to its multi-level configuration, its signage and position along a major regional freeway.

The following graphic details the subject's location and its access to and from the surrounding communities. The rings represent drive time in terms of minutes, with the area within red described as places accessible within a five-minute drive; green as places within a 10-minute drive, and blue as places within a 15 minute drive.



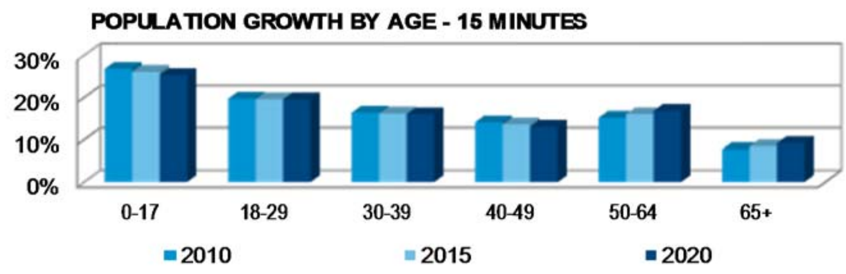
DEMOGRAPHIC PROFILE

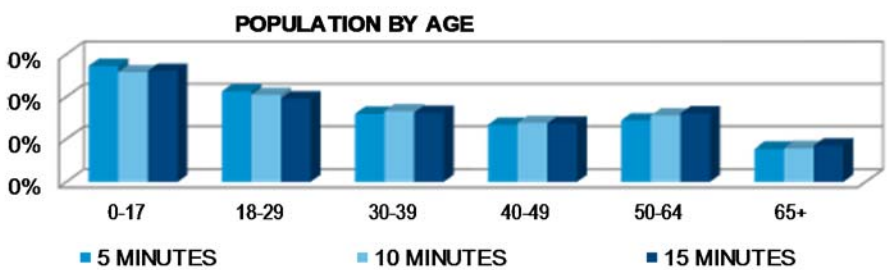
Below is a demographic study of the area, sourced by Pitney Bowes/Gadberry Group - GroundView®, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of properties and geographical areas, based on the aforementioned concentric distances.

LOCAL AREA DEMOGRAPHICS

DESCRIPTION	5 MINUTES	10 MINUTES	15 MINUTES	DESCRIPTION	5 MINUTES	10 MINUTES	15 MINUTES
POPULATION				**AVERAGE HOUSEHOLD INCOME**			
2000 Population	36,863	224,316	579,607	2015	$55,781	$66,785	$72,370
2010 Population	38,635	240,513	622,104	2020	$56,646	$68,197	$74,300
2015 Population	43,045	261,252	675,303	Change 2015-2020	1.55%	2.11%	2.67%
2020 Population	45,674	278,234	720,525	**MEDIAN HOUSEHOLD INCOME**			
Change 2000-2010	4.81%	7.22%	7.33%	2015	$43,395	$48,350	$49,860
Change 2010-2015	11.41%	8.62%	8.55%	2020	$43,932	$48,574	$50,077
Change 2015-2020	6.11%	6.50%	6.70%	Change 2015-2020	1.24%	0.46%	0.44%
POPULATION 65+				**PER CAPITA INCOME**			
2010 Population	2,851	17,644	48,333	2015	$20,278	$24,803	$26,607
2015 Population	3,333	20,601	57,103	2020	$19,910	$24,582	$26,523
2020 Population	3,717	23,663	66,309	Change 2015-2020	(1.81%)	(0.89%)	(0.31%)
Change 2010-2015	16.91%	16.76%	18.14%	**2015 HOUSEHOLDS BY INCOME**			
Change 2015-2020	11.52%	14.86%	16.12%	<$15,000	9.7%	9.9%	10.3%
NUMBER OF HOUSEHOLDS				$15,000-$24,999	13.0%	11.9%	11.7%
2000 Households	15,267	89,495	224,104	$25,000-$34,999	13.6%	12.6%	12.2%
2010 Households	14,822	92,769	237,460	$35,000-$49,999	23.1%	17.3%	15.9%
2015 Households	15,883	96,458	246,949	$50,000-$74,999	18.9%	19.4%	18.4%
2020 Households	16,307	99,670	255,744	$75,000-$99,999	10.0%	11.3%	11.0%
Change 2000-2010	(2.91%)	3.66%	5.96%	$100,000-$149,999	8.2%	10.6%	11.1%
Change 2010-2015	7.16%	3.98%	4.00%	$150,000-$199,999	2.2%	3.8%	4.8%
Change 2015-2020	2.67%	3.33%	3.56%	$200,000 or greauer	1.2%	3.2%	4.5%
HOUSING UNITS (2015)				**MEDIAN HOME VALUE**	$117,003	$130,212	$143,826
Owner Occupied	5,476	38,261	108,641	**AVERAGE HOME VALUE**	$129,674	$162,304	$189,945
Renter Occupied	10,452	58,212	138,797	**HOUSING UNITS BY UNITS IN STRUCTURE**			
HOUSING UNITS BY YEAR BUILT				1, detached	6,275	39,804	114,227
Built 2010 or later	35	538	1,753	1, attached	307	4,731	11,272
Built 2000 to 2009	868	13,334	36,938	2	89	1,343	3,467
Built 1990 to 1999	1,486	13,425	39,006	3 or 4	1,043	5,697	14,227
Built 1980 to 1989	5,344	26,429	64,527	5 to 9	2,621	11,679	28,200
Built 1970 to 1979	2,364	15,319	40,238	10 to 19	3,127	17,042	35,604
Built 1960 to 1969	3,821	15,608	33,244	20 to 49	1,074	6,610	15,670
Built 1950 to 1959	1,767	9,871	23,365	50 or more	977	6,925	19,148
Built 1940 to 1949	114	1,407	5,562	Mobile home	414	2,598	5,489
Built 1939 or earlier	84	527	2,318	Boat, RV, van, etc.	0	44	132

Source: Pitney Bowes/Gadberry Group - GroundView®



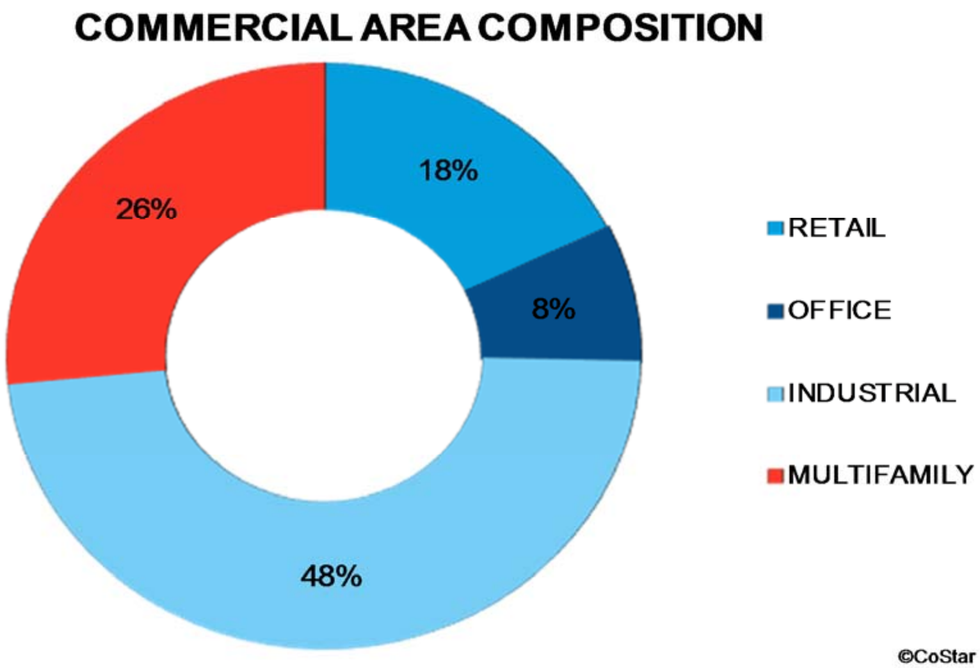


IMMEDIATE AREA PROFILE

This section discusses uses and development trends in the immediate area that directly impact the performance and appeal of the subject property.

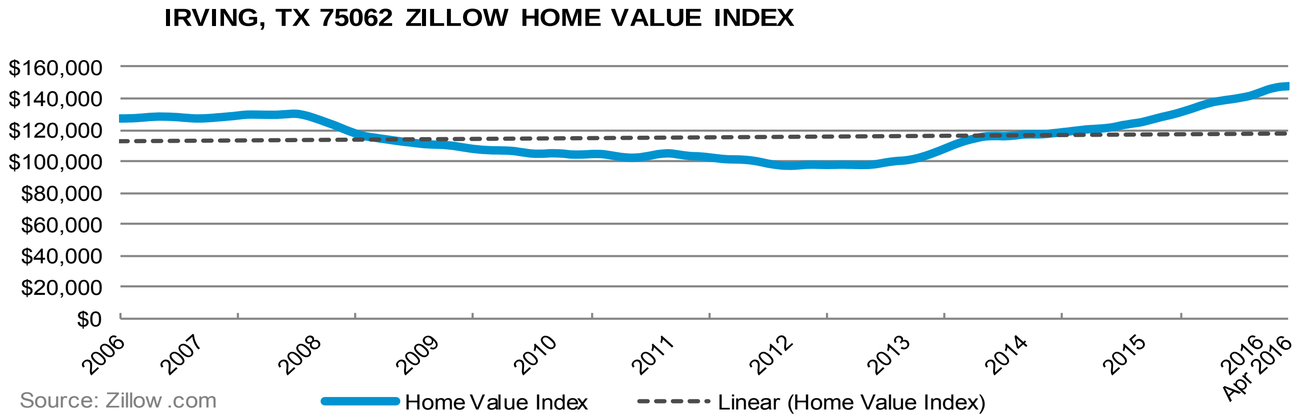
Predominant Land Uses

The local area is considered to be a commercial, medical, retail and airport support district. The local area has a mix of commercial uses nearby and the composition is shown in the following graph.

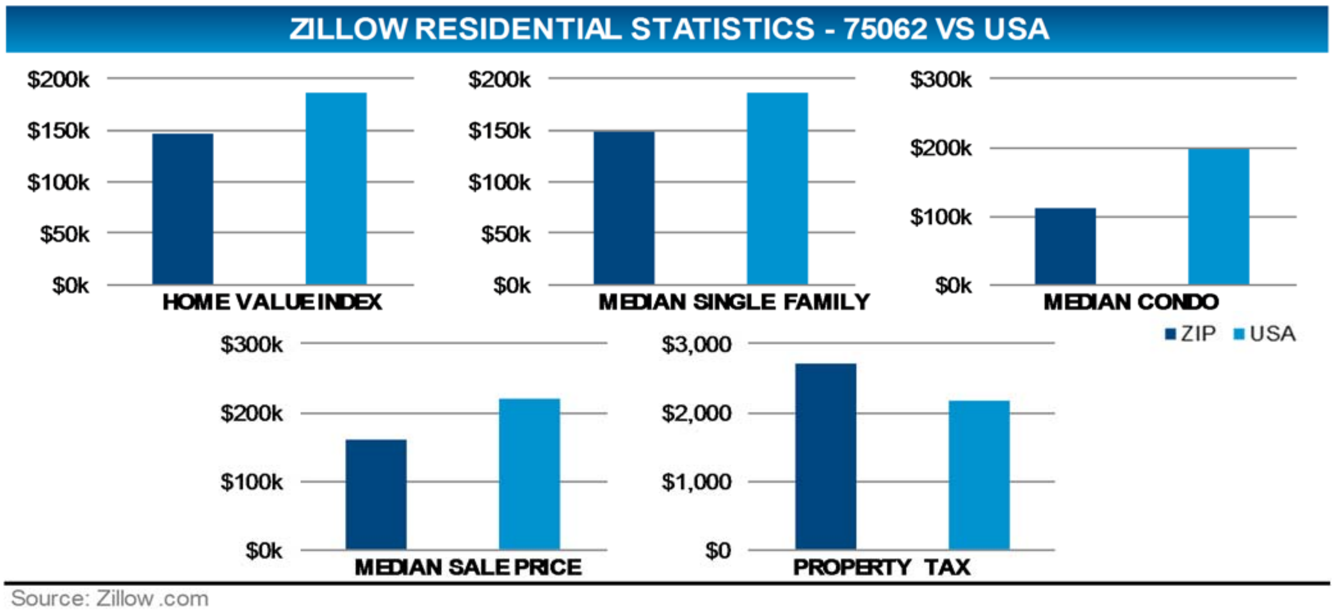


Residential Development

Residential users in the immediate area are primarily single family residential. We note that there are a variety of multi-family developments along the major arterials. The following graph shows the Zillow Home Value Index (ZHVI) for the subject zip code which is the mid-point of estimated home values for the area. Half the estimated home values are above this number and half are below.



The following chart shows residential statistics comparing the subject zip code to the United States.



Multi-Family Development

The following chart shows a summary of multi-family data by type in the immediate area from CoStar.

MULTIFAMILY SUMMARY

CLASS	PROPERTIES	NRA (SF)	AVG YR BLT
A	4	1,263,854	1999
B	24	6,421,147	1984
C	27	3,073,141	1979
TOTAL	**55**	**10,758,142**	**1982**

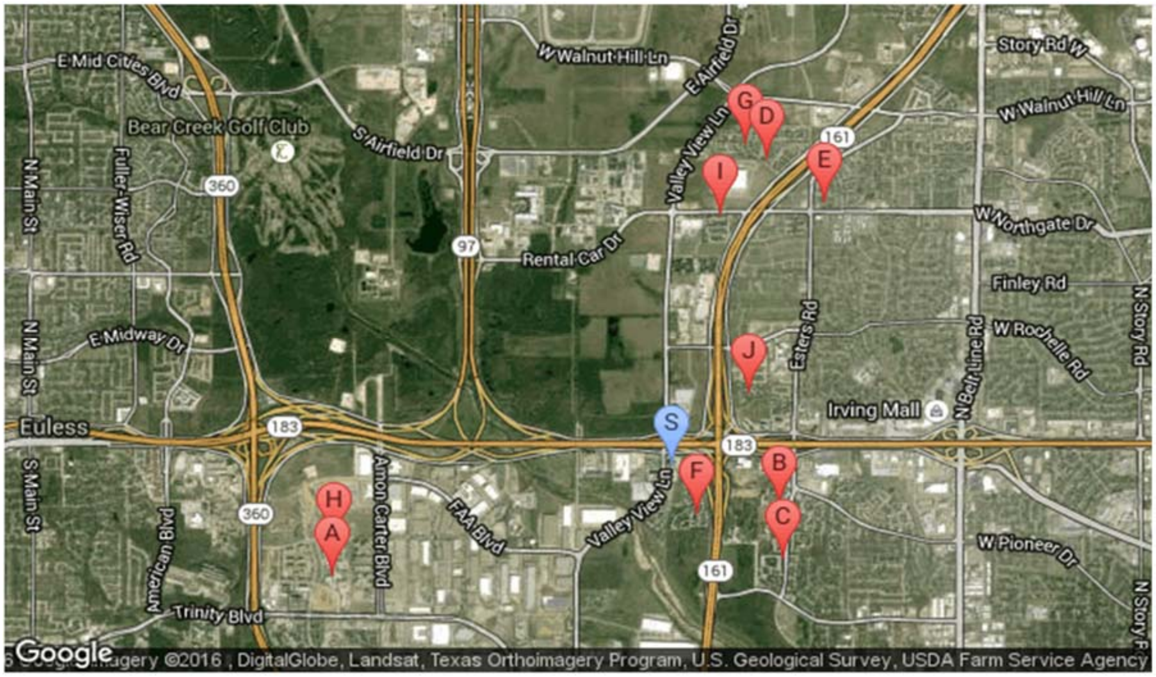
Source: CoStar

The following chart and map shows the subject property and the 10 largest multi-family properties in the immediate area from CoStar:

LARGEST MULTIFAMILY PROPERTIES

NAME	MAP PIN	CLASS	NRA (SF)	STORIES	YEAR BUILT
The Davis	A	A	595,701	3	2015
Meadow Wood	B	B	431,268	2	1985
The Trails of Town Lake	C	B	422,880	3	1984
Brookstone & Terrace	D	B	419,257	3	1983
Eagle Crest Apartments	E	B	415,520	3	1983
Water Ridge Apartment Homes	F	B	390,868	3	1985
Woodmeade	G	C	337,210	2	1983
Sevona Avion	H	B	334,000	3	2012
Promenade at Valley Creek Apartments	I	A	324,920	3	1984
Avalon Villas	J	B	315,736	2	1982

Source: CoStar



Retail Development

The following chart shows a summary of retail data by type in the immediate area from CoStar.

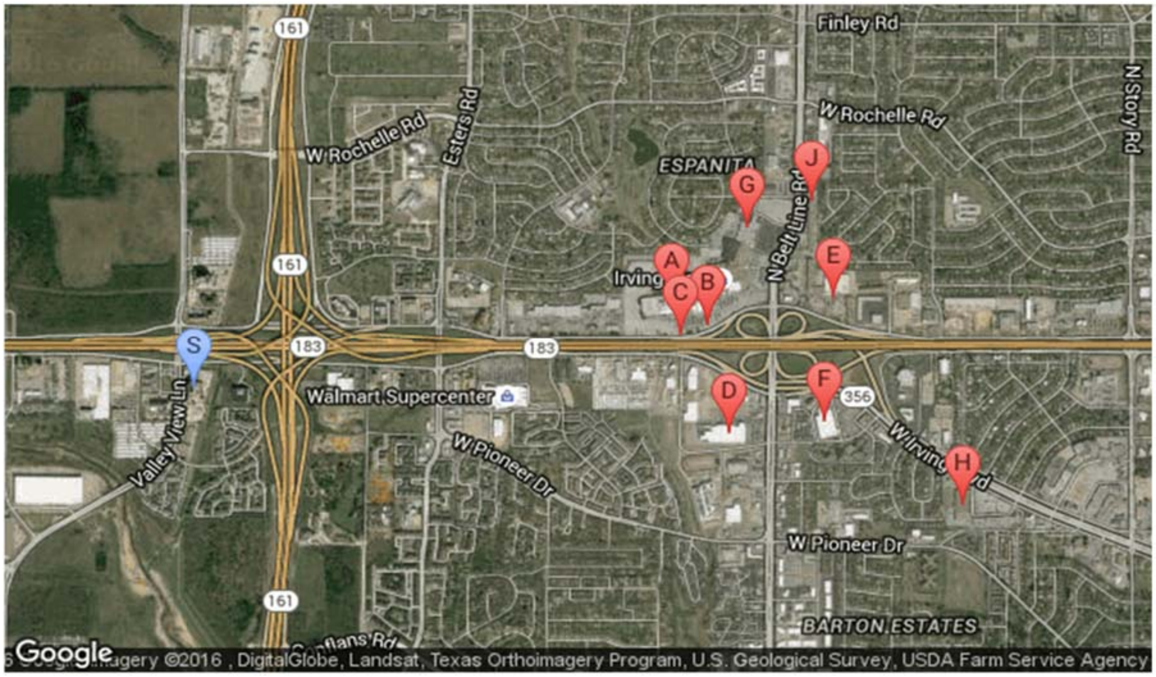
RETAIL SUMMARY					
TYPE	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
Strip Center	31	337,710	1976	97.2	$17.44
Community Center	8	322,029	1977	92.7	-
Neighborhood Center	12	591,218	1987	92.5	$12.39
Power Center	16	574,184	1992	93.6	$12.00
Super Regional Mall	5	1,277,637	1977	80.0	-
General Retail	181	4,082,977	1986	96.8	$13.17
TOTAL	**253**	**7,185,755**	**1985**	**96.0**	**$12.91**

Source: CoStar

Most of the retail properties are along major arterials. Users here tend to be stand-alone retail users such as restaurants, gas stations grocery stores, as well as a variety of outlots to larger community strip retail centers. The following chart and map shows the subject property and the 10 largest retail properties in the immediate area from CoStar.

LARGEST SHOPPING CENTERS						
NAME	MAP PIN	TYPE	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
Irving Mall	A	Super Regional Mall	837,184	100.0	1971	N/Av
Irving Mall	B	Super Regional Mall	252,291	100.0	1993	N/Av
Irving Market Center	C	Power Center	243,757	94.3	1987	Withheld
Irving Square	D	Power Center	124,325	100.0	2005	N/Av
Irving Towne Center	E	Community Center	110,000	100.0	1986	N/Av
Home Depot	F	General Retail	109,638	100.0	1998	N/Av
Irving Mall	G	Super Regional Mall	93,645	100.0	1970	N/Av
Plymouth Park West	H	Community Center	91,322	100.0	1961	N/Av
Irving Mall	I	Super Regional Mall	81,716	-	1983	Withheld
Grande Center	J	Neighborhood Center	78,394	96.7	1999	$14.00

Source: CoStar



Industrial Development

The following chart shows a summary of industrial data by type in the immediate area from CoStar.

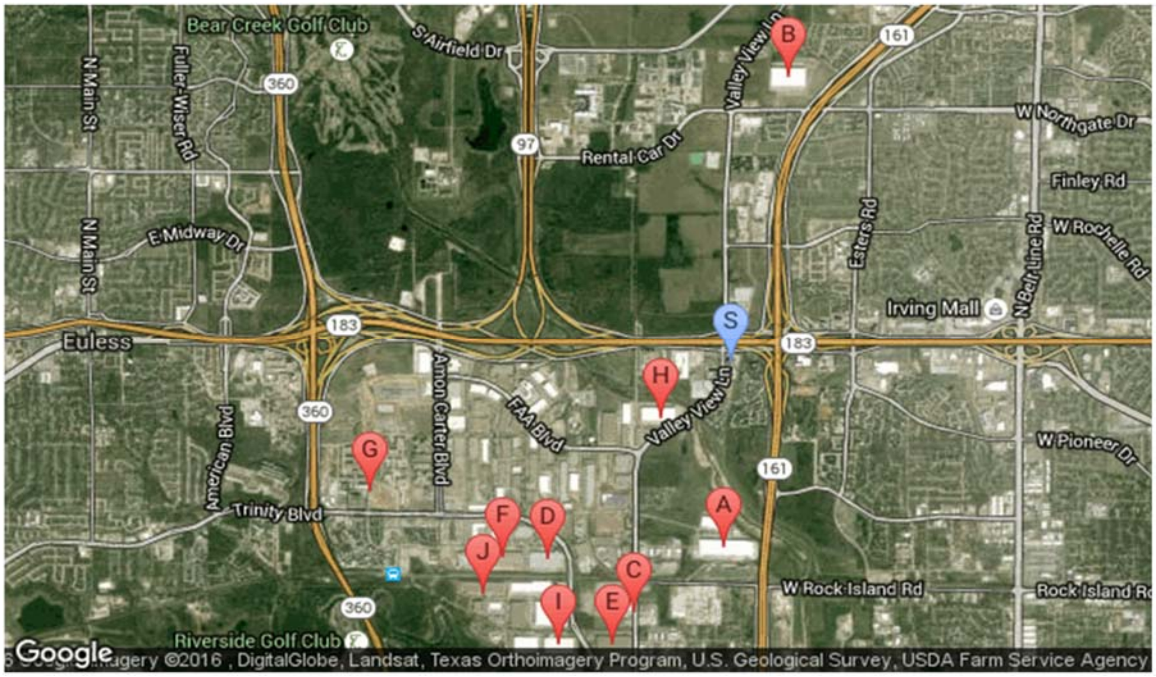
INDUSTRIAL SUMMARY					
TYPE	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
Industrial	153	17,189,577	1993	94.7	$4.85
Flex	65	2,282,436	1982	93.9	$8.91
TOTAL	**218**	**19,472,013**	**1989**	**94.4**	**$6.06**

Source: CoStar

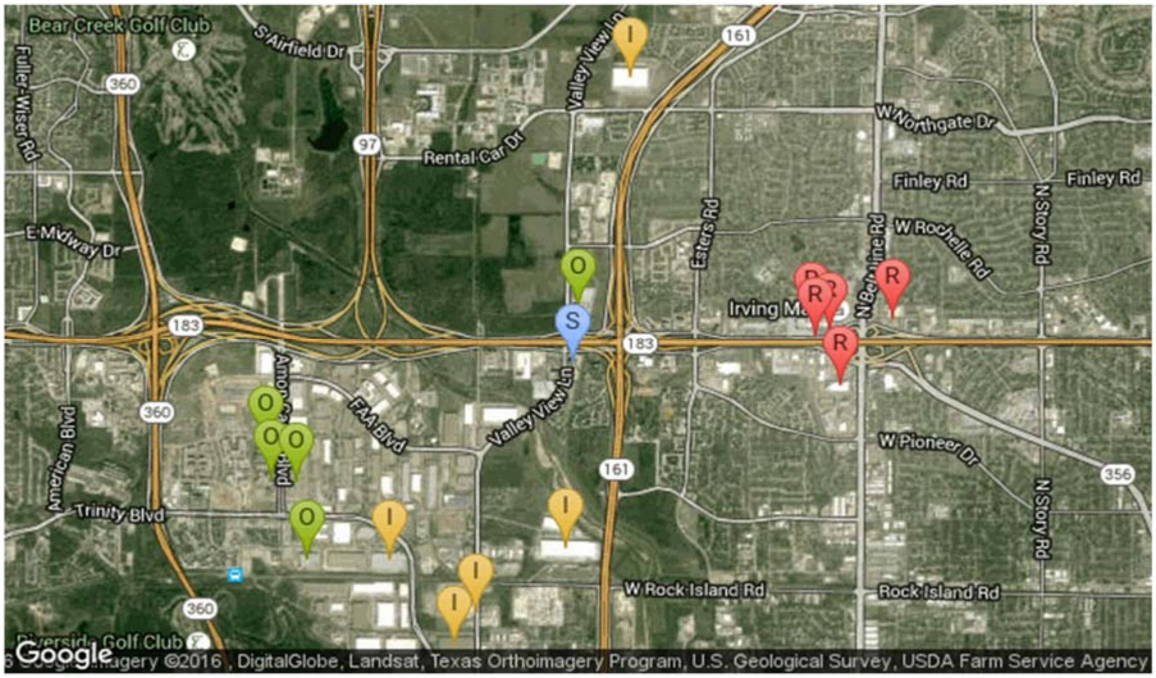
The subject is located in an area that has a relatively moderate to high density of industrial structures. The following chart and map shows the subject property and the 10 largest industrial properties in the immediate area from CoStar.

LARGEST INDUSTRIAL PROPERTIES						
NAME	MAP PIN	TYPE	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
Towne Lake Business Park	A	Industrial	728,520	100.0	2008	N/Av
Industrial Building	B	Industrial	700,000	100.0	2009	N/Av
DFW Southgate	C	Industrial	520,326	100.0	2014	N/Av
Centreport	D	Industrial	508,468	100.0	1985	N/Av
GSW Distribution Center	E	Industrial	507,984	100.0	2002	N/Av
Industrial Building	F	Industrial	494,990	100.0	2000	N/Av
CentrePort	G	Industrial	463,115	0.0	2016	$3.65
Valley View Business Center	H	Industrial	414,960	100.0	2009	N/Av
RiverPark	I	Industrial	406,746	100.0	2007	N/Av
RiverPark	J	Industrial	405,636	100.0	2004	N/Av

Source: CoStar



The following map shows the subject property and the five largest retail, office, and industrial properties in the immediate area from CoStar.



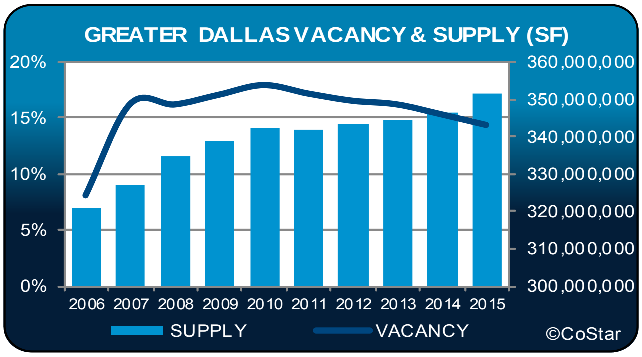
OFFICE MARKET ANALYSIS

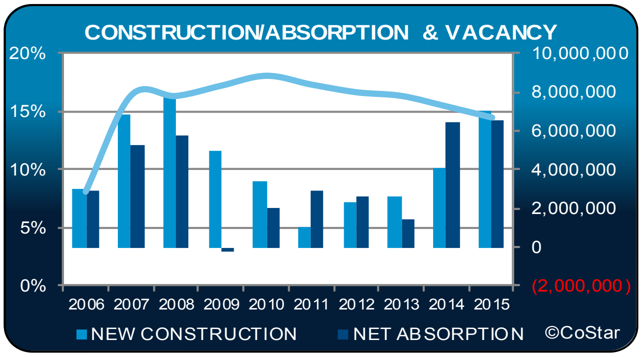
Because the subject property is expected to command a significant amount of its revenue from commercial-oriented market segments, there is a strong correlation between commercial lodging demand and performance of office real estate in the area. As such, we have analyzed the local office market in an effort to ascertain reasonable lodging demand growth rates for the subject and the competitive market.

The following is an analysis of supply/demand trends in the Greater Dallas Office Market using information provided by CoStar, widely recognized as a credible source for tracking market statistics. The table below presents historical data for key market indicators.

TEN YEAR HISTORICAL TREND ANALYSIS				
PERIOD	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2006-2015	43,050,627 SF	35,804,396 SF	8.2%→14.5%	$9.44→$22.54
10 Yrs	*13.4%*	*11.2%*	*6.3%*	*138.8%*
2006-2007	9,823,479 SF	8,163,633 SF	8.2%→16.3%	$9.44→$19.71
2 Yrs	*3.1%*	*2.5%*	*8.2%*	*108.8%*
2008-2008	7,821,586 SF	5,704,510 SF	16.3%→16.3%	$20.66→$20.66
1 Yrs	*2.3%*	*1.7%*	*0.0%*	*0.0%*
2009-2015	25,405,562 SF	21,936,253 SF	17.2%→14.5%	$20.03→$22.54
7 Yrs	*7.5%*	*6.5%*	*-2.7%*	*12.5%*

The following charts provide a visual illistration of apartment supply/demand trends in the Market.





The following table summarizes the trailing four quarter performance of the Greater Dallas market.

GREATER DALLAS TRAILING FOUR QUARTER PERFORMANCE					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2015 Q2	349,052,238 SF	931,867 SF	1,822,149 SF	14.3%	$22.15/SF
2015 Q3	350,519,876 SF	1,927,803 SF	1,007,283 SF	14.4%	$22.78/SF
2015 Q4	351,763,421 SF	1,487,460 SF	1,555,588 SF	14.3%	$23.36/SF
2016 Q1	353,437,484 SF	1,757,712 SF	686,052 SF	14.5%	$23.73/SF

Source: Costar®

Key supply/demand statistics for the most recent quarter, last year and historical averages are summarized below.

GREATER DALLAS MARKET TREND ANALYSIS			
	Q1 2016	2015	Last 10
Total SF	353,437,484	351,763,421	339,186,458
Vacant SF	51,142,835	50,829,814	52,858,818
Market Vacancy	14.5%	14.5%	15.6%
Construction Growth Rate	0.5%	2.0%	0.9%
Absorption Rate	0.2%	1.9%	1.0%
Average Asking Rent/SF	$23.73	$22.54	$19.16

Source: Costar®

The following chart shows a summary of office data by class in the immediate area from CoStar.

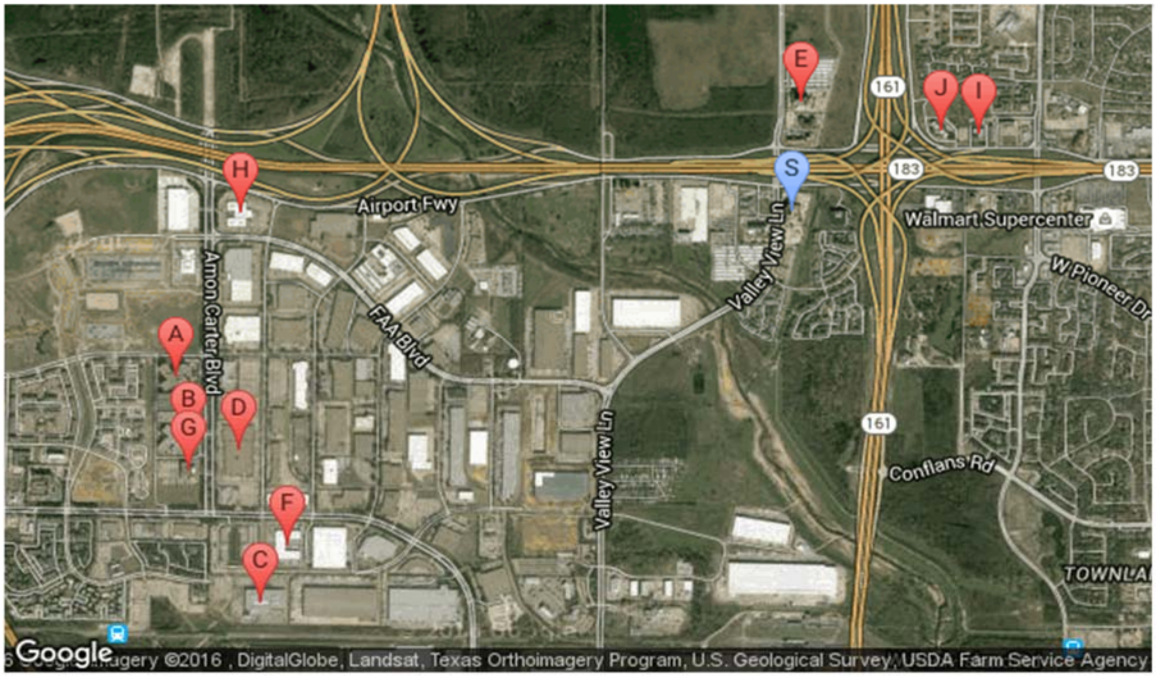
OFFICE SUMMARY					
CLASS	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
A	4	1,735,353	1995	100.0	-
B	19	1,257,795	1996	92.7	$15.84
C	9	83,212	1981	87.2	$8.50
TOTAL	**32**	**3,076,360**	**1991**	**92.1**	**$11.79**

Source: CoStar

The subject is located in an area that has a relatively moderate to high density of office structures. The following chart and map shows the subject property and the 10 largest office properties in the immediate area from CoStar.

LARGEST OFFICE BUILDINGS						
NAME	MAP PIN	CLASS	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
Centreport	A	A	639,353	100.0	1988	N/Av
Centreport	B	A	600,000	100.0	1988	N/Av
Centreport	C	A	386,000	100.0	2004	N/Av
Centreport	D	B	293,939	100.0	1987	N/Av
Metroport	E	B	148,981	95.2	1986	$16.84
Centreport	F	B	125,110	100.0	2001	N/Av
Office Building	G	-	110,000	100.0	1986	N/Av
Campus at CentrePort	H	B	108,000	100.0	2007	N/Av
DFW East	I	B	85,212	65.9	1982	$17.50
Office Building	J	B	76,556	0.0	1983	$17.00

Source: CoStar

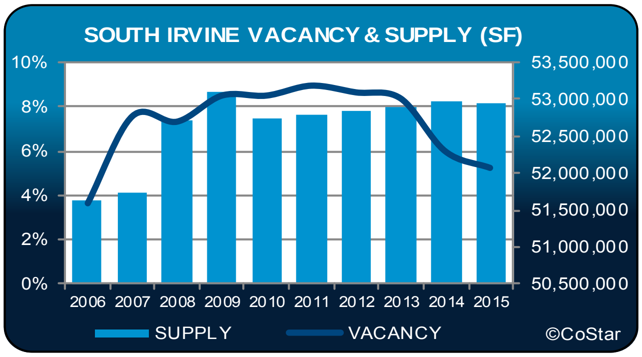


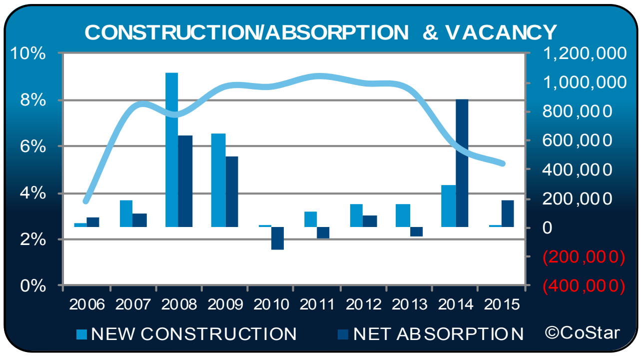
South Irvine Office Submarket Overview

The following is an analysis of supply/demand trends in the South Irvine Office Submarket using information provided by CoStar. The table below presents historical data for key market indicators.

TEN YEAR HISTORICAL TREND ANALYSIS				
PERIOD	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2006-2015	2,687,581 SF	2,153,579 SF	3.7%→5.3%	$8.36→$16.51
10 Yrs	*5.2%*	*4.2%*	*1.6%*	*97.5%*
2006-2007	224,253 SF	165,382 SF	3.7%→7.6%	$8.36→$15.90
2 Yrs	*0.4%*	*0.3%*	*4.0%*	*90.2%*
2008-2008	1,062,718 SF	638,505 SF	7.4%→7.4%	$16.89→$16.89
1 Yrs	*2.0%*	*1.2%*	*0.0%*	*0.0%*
2009-2015	1,400,610 SF	1,349,692 SF	8.5%→5.3%	$15.66→$16.51
7 Yrs	*2.6%*	*2.5%*	*-3.3%*	*5.4%*

The following charts provide a visual illistration of apartment supply/demand trends in the Submarket.





The following table summarizes the trailing four quarter performance of the South Irvine submarket.

SOUTH IRVINE TRAILING FOUR QUARTER PERFORMANCE					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2015 Q2	52,943,476 SF	0 SF	65,298 SF	5.0%	$16.54/SF
2015 Q3	52,943,476 SF	0 SF	(156,089) SF	5.6%	$16.82/SF
2015 Q4	52,943,476 SF	0 SF	124,033 SF	5.1%	$17.12/SF
2016 Q1	52,934,951 SF	8,920 SF	61,354 SF	4.9%	$18.95/SF

Source: Costar®

Key supply/demand statistics for the most recent quarter, last year and historical averages are summarized below.

SOUTH IRVINE MARKET TREND ANALYSIS	Q1 2016	2015	Last 10
Total SF	52,934,951	52,943,476	52,636,473
Vacant SF	1,487,978	2,779,532	3,840,883
Market Vacancy	4.9%	5.3%	7.3%
Construction Grow th Rate	0.0%	0.0%	0.2%
Absorption Rate	0.1%	0.3%	0.4%
Average Asking Rent/SF	$18.95	$16.51	$14.82

Source: Costar®

As illustrated in this section, the regional and local office markets have shown fluctuating trends in recent years. Overall, we believe that the market will continue to support the local hotel market with sufficient corporate demand. We have taken the office market trends in the area into consideration when concluding future commercial demand growth, which will be discussed in greater detail later in this report.

SPECIAL HAZARDS OR ADVERSE INFLUENCES

Generally, properties in the subject neighborhood appear to be functional for their intended use and they exhibit minimal deferred maintenance and sufficient occupancy. No special hazards or detrimental influences were identified that are expected to affect local value levels.

LOCAL AREA OUTLOOK

The subject's competitive market area is characterized as a commercial, medical, retail and airport support district; some new development (including ongoing road, infill and infrastructure improvement as well as a moderate amount of retail and multi-use development along major arterials) has induced a growth phase in the subject's market area, and significant growth is expected at and surrounding the subject's market in the next few years.

Between 2008 and 2013, many projects have failed to come to fruition due to economic conditions; however, in recent quarters, the market has exhibited some signs of strengthening and various new projects are making way for some economic improvement. As will be further discussed, the subject's location proximate to central Irving and a variety of demand generators, as well as good access to major roadways and highways should enable the subject to continue to be fully competitive in the market. In terms of real estate values, given the location of the subject proximate to the area's attractions, proximity to other office, tourism, technological and industrial nodes, as well as quick access to a variety of leisure demand generators, we believe the immediate area should experience stable values over the near term but with moderately accelerated growth over the longer term.

INTRODUCTION

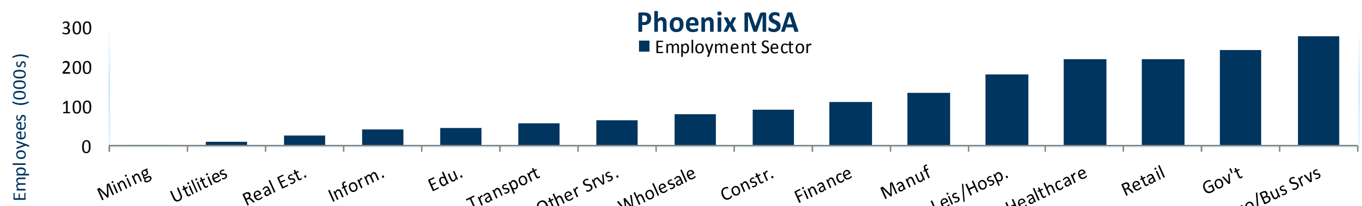
The Phoenix-Mesa-Scottsdale Metropolitan Statistical Area (MSA) is located in south central Arizona and consists of Maricopa and Pinal Counties. The Metro-Phoenix area, along with a large section of the state, is renowned for its extremely hot summers with temperatures reaching or exceeding 100°F on an average of 110 days during the year. Winter months are warm, with daily high temperatures ranging from the mid-60 to low 70's, making the MSA a top resort and outdoor recreation destination.

Economy

With an average of 330 sunny days per year, the MSA has over 200 golf courses, making it a top resort and outdoor recreation destination. The lure of the Sonora Desert, Tonto National Forest, local American Indian communities, and wilderness surrounding the region, continues to draw visitors adding to the region's economy. In the form of entertainment, Phoenix is home to several sports franchises, including all four major sports leagues in the U.S.: basketball (Suns), football (Cardinals), baseball (Diamondbacks), and hockey (Coyotes).

Historically, Phoenix was primarily agricultural, dependent on copper, cattle, cotton, and citrus. However, farmlands were turned into suburbs, while the economy branched out in a myriad of directions. High-tech and telecommunications companies relocated to the MSA. Honeywell's Aerospace division is headquartered in Phoenix, and Intel has one of their largest sites located in the metro, employing 11,900 employees. AMEX houses their financial transactions, customer information, and website in Phoenix. U-HAUL is headquartered in the city, as well as Best Western, the world's largest hotel chain. The military also has a large presence with Luke Air Force Base in the western suburbs.

Also, according to a U.S. Census Bureau report, the Phoenix-Mesa-Glendale MSA has listed 98,014 established private businesses working within its 2 counties. Included in these businesses are all 7 of the Fortune 500 Companies that have headquarters in the state of Arizona: Avnet, Freeport-McMoRan Copper and Gold, US Airways Group, Republic Services, PetSmart, Apollo Group, and Insight Enterprises. In addition to these major companies, 88 local businesses employed 1,000 people or more, and most importantly over 64,000 businesses employed 1-9 people which represents 72% of all businesses listed. These figures reflect the impact and importance of small business as well as major corporations inside the local economy.



Source: azstats.gov

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Key Market Indicators

MPF Research is a market data, news and research service with analytic reports for apartment properties in 100 of the largest primary and secondary metro areas at the floor-plan, transaction level. This is made possible through MPF's sister company relationship with RealPage, the developers of YieldStar and OneSite, the leading revenue management and property management platforms in the apartment industry. The following information provided includes key facts garnered from the most recent REIS data release, as well as research reports published by various brokerage firms.

DEMOGRAPHIC ANALYSIS

The following is a demographic study of the region sourced by Site To Do Business (STDB Online), an on-line resource center that provides information used to analyze and compare the past, present, and future trends of geographical areas. Demographic changes are often highly correlated to changes in the underlying economic climate. Periods of economic uncertainty necessarily make demographic projections somewhat less reliable than projections in more stable periods. These projections are used as a starting point, but we also consider current and localized market knowledge in interpreting them within this analysis.

Population

According to Esri, a Geographic Information System (GIS) Company, the Phoenix-Mesa-Scottsdale, AZ metropolitan area had a 2014 total population of 4,386,002 and experienced an annual growth rate of 1.1%, which was higher than the Arizona annual growth rate of 0.9%. The metropolitan area accounted for 66.1% of the total Arizona population (6,636,256). Within the metropolitan area the population density was 301 people per square mile compared to the lower Arizona population density of 58 people per square mile and the lower United States population density of 90 people per square mile.

POPULATION

YEAR	US	AZ	CBSA
2010 Total Population	308,745,538	6,392,017	4,192,887
2014 Total Population	316,296,988	6,636,256	4,386,002
2019 Total Population	327,981,317	6,993,525	4,690,596
2010 - 2014 CAGR	0.6%	0.9%	1.1%
2014 - 2019 CAGR	0.7%	1.1%	1.4%

Source: Sites To Do Business (STDB) Online

POPULATION DENSITY

YEAR	US	AZ	CBSA
2014 Per Square Mile	90	58	301
2019 Per Square Mile	93	62	322

Source: Sites To Do Business (STDB) Online

The 2014 median age for the metropolitan area was 35.30, which was 6.80% younger than the United States median age of 37.70 for 2014. The median age in the metropolitan area is anticipated to grow by 0.23% annually, increasing the median age to 35.7 by 2019.

MEDIAN AGE

YEAR	US	AZ	CBSA
2014	37.70	36.50	35.30
2019	38.20	37.00	35.70
CAGR	0.26%	0.27%	0.23%

Source: Sites To Do Business (STDB) Online

Education

Of substantial importance to the Metro Phoenix area is the Arizona State University (ASU). The public research university is the largest university in the United States with a student enrollment of over 72,000. ASU offers programs in the liberal arts and sciences, engineering, journalism, business, law, nursing, and public policy. The university is spread across four campuses throughout the region. It is also the MSA's largest employer with over 12,000 personnel on the payroll.

The Maricopa County Community College District in Maricopa County, with more than 260,000 students, is one of the largest community college districts in the United States with 10 separate campuses and 2 skill centers that serve Maricopa County and the surrounding Phoenix region.

ARIZONA STATE UNIVERSITY	
Arizona State University - Tempe	58,371
Arizona State University - West	11,813
Arizona State University - Polytechnic	9,752
Arizona State University - Downtown Phx	13,567
Total Enrollment	93,503
Total Full-Time Enrollment	70,440
Highest Degree	Doctorate

Source: Greater Phoenix Economic Council

COMMUNITY COLLEGES IN PHOENIX MSA	
Mesa	26,408
Rio Salado	25,266
Glendale	21,373
Phoenix College	13,000
Chandler/Gilbert	12,296
Scottsdale	11,257
Paradise Valley	10,282
Gateway	7,346
Estrella Mountain	8,122
South Mountain	6,354
Total	141,704

PRIVATE UNIVERSITIES IN PHOENIX MSA	
Grand Canyon	37,440
University of Phoenix	6,010
Western International	3,084
Midwestern	2,450
Embry Riddle	1,698
DeVry	2,592
Thunderbird School of Mngmt	1,310
University of Advancing Tech.	1,037
Ottawa	1,054
Argosy	891
Phoenix School of Law	724
Total	58,290

A private, for-profit, Christian university that provides online and campus-based postsecondary education services focusing on graduate and undergraduate degree programs in education, liberal arts, business, and healthcare. The previous chart shows a selection of colleges and universities, with their corresponding enrollment, found in the greater metropolitan area. Another major student enrollment university in the Phoenix area is the Grand Canyon University. The chart shown above illustrates a selection of colleges and universities, with their corresponding enrollment, found in the greater metropolitan area

Household Trends

The 2014 number of households in the metropolitan area was 1,604,978. The number of households in the metropolitan area is projected to grow by 1.4% annually, increasing the number of households to 1,718,528 by 2019. The 2014 average household size for the metropolitan area was 2.68, which was 4.28% larger than the United States average household size of 2.57 for 2014. The average household size in the metropolitan area is anticipated to retract by 0.00% annually, reducing the average household size to 2.68 by 2019.

NUMBER OF HOUSEHOLDS

YEAR	US	AZ	CBSA
2014	119,862,927	2,469,679	1,604,978
2019	124,446,535	2,606,310	1,718,528
CAGR	0.8%	1.1%	1.4%

Source: Sites To Do Business (STDB) Online

AVERAGE HOUSEHOLD SIZE

YEAR	US	AZ	CBSA
2014	2.57	2.63	2.68
2019	2.57	2.63	2.68
CAGR	0.00%	0.00%	0.00%

Source: Sites To Do Business (STDB) Online

The Phoenix-Mesa-Scottsdale, AZ metropolitan area had a 32.3% renter occupied market, compared to the lower 31.0% in Arizona and the higher 32.4% in the United States.

HOUSING UNITS

	US	AZ	CBSA
Total Housing Units	135,571,143	2,941,742	1,866,938
Owner Occupied	56.0%	53.0%	53.7%
Renter Occupied	32.4%	31.0%	32.3%
Vacant Housing Units	11.6%	16.0%	14.0%

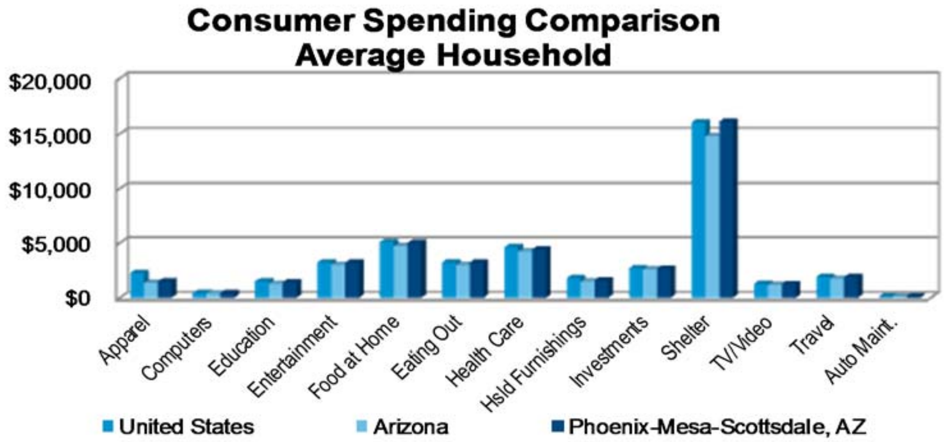
Source: Sites To Do Business (STDB) Online

The 2014 median household income for the metropolitan area was $52,166, which was 0.2% higher than the United States median household income of $52,076. The median household income for the metropolitan area is projected to grow by 3.0% annually, increasing the median household income to $60,363 by 2019.

The median household income levels are lower than the national average, and the cost of living index is also lower. According to the American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index, the Phoenix MSA's cost of living is 96.1 compared to the national average score of 100. The ACCRA Cost of Living Index compares groceries, housing, utilities, transportation, health care and miscellaneous goods and services for over 300 urban areas.

MEDIAN HOUSEHOLD INCOME			
YEAR	US	AZ	CBSA
2014	$52,076	$48,915	$52,166
2019	$59,599	$56,098	$60,363
CAGR	2.7%	2.8%	3.0%

Source: Sites To Do Business (STDB) Online



EMPLOYMENT

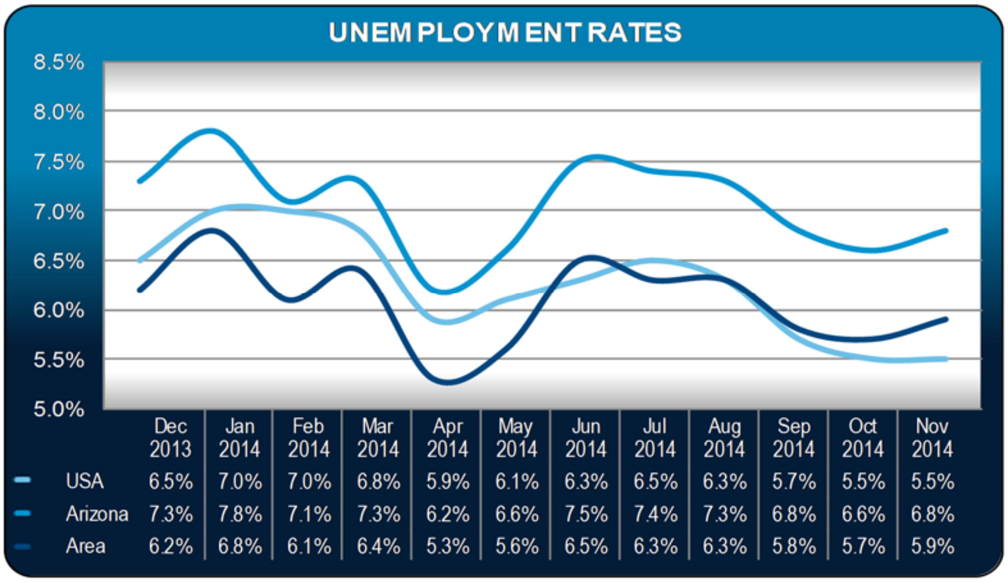
Total employment has increased annually over the past decade in the state of Arizona by 0.5% and increased annually by 0.7% in the area. From 2012 to 2013 unemployment decreased in Arizona by 0.3% and decreased by 0.5% in the area. In the state of Arizona unemployment has increased over the previous month by 0.2% and increased by 0.2% in the area.

From a historical perspective, economic downturns in the Phoenix MSA have been somewhat abbreviated, followed by strong recovery cycles that were catalyzed by a resurgent housing market and robust population growth. However, that favorable dynamic did not hold true during the latest recession given the severity of the national and local housing market crash. During the latest downturn, the metro area's housing market recorded steep and dramatic sales and price declines, contributing to broad-based job cuts, particularly in real estate driven sectors. This reality was exacerbated by a slowdown in in-migration trends, as many out-of-state homeowners were anchored by underwater mortgages and were unable to relocate to the metro. In all, 231,900 local jobs were lost through the latest downturn.

EMPLOYMENT & UNEMPLOYMENT STATISTICS 2004 - 2013

	TOTAL EMPLOYMENT				UNEMPLOYMENT RATE		
	Arizona		Phoenix-Mesa-Glendale, AZ Metropolitan Statistical Area		United States*	Arizona	Phoenix-Mesa-Glendale, AZ Metropolitan Statistical Area
Year	Total	% ∆ Yr Ago	Total	% ∆ Yr Ago			
2004	2,650,277	3.0%	1,783,726	3.2%	5.5%	5.0%	4.5%
2005	2,724,859	2.8%	1,847,545	3.6%	5.1%	4.7%	4.1%
2006	2,836,638	4.1%	1,930,609	4.5%	4.6%	4.1%	3.6%
2007	2,898,136	2.2%	1,975,503	2.3%	4.6%	3.7%	3.2%
2008	2,912,572	0.5%	1,976,979	0.1%	5.8%	6.0%	5.3%
2009	2,821,791	(3.1%)	1,901,401	(3.8%)	9.3%	9.8%	9.2%
2010	2,781,573	(1.4%)	1,876,111	(1.3%)	9.6%	10.4%	9.7%
2011	2,761,381	(0.7%)	1,872,747	(0.2%)	8.9%	9.4%	8.6%
2012	2,773,870	0.5%	1,889,346	0.9%	8.1%	8.3%	7.4%
2013	2,772,245	(0.1%)	1,903,173	0.7%	7.4%	8.0%	6.9%
CAGR	**0.5%**	-	**0.7%**	-	-	-	-

Source: U.S. Bureau of Labor Statistics *Unadjusted Non-Seasonal Rate



The Phoenix MSA has begun to pull out of the recession, with employment bottoming in the middle of 2010, which is relatively in-line with the onset of the national jobs recovery. The latest data reiterates the formation of a genuine recovery cycle. Since bottoming in mid-2010, for instance, employers have added back approximately 201,700 employees, or 87% of the local jobs lost during the recession. Further, local employers have added 48,800 positions in 2014, which is consist with the addition of 49,600 workers in 2013.

TOP EMPLOYERS

EMPLOYER NAME	EMPLOYEES	INDUSTRY
State of Arizona	49,800	Government
Wal-Mart Stores Inc.	30,634	Retail
Banner Health	24,825	Healthcare
City of Phoenix	15,100	Government
Wells Fargo	13,308	Finance
Bank of America	13,300	Finance
Maricopa County	12,792	Government
Intel Corp	11,900	Technology and Manufacturing
Arizona State University	11,185	Education
Apollo Group Inc.	11,000	Education

Source: Greater Phoenix Economic Council

Residential Market Overview

Home prices in the Phoenix MSA more than doubled from 2000 to 2006, with the median price for a single-family home eventually topping $260,000 in mid-2006. As the housing market crashed in 2007, metro-wide home prices eventually plummeted more than 40% from peak to trough, returning single-family home prices to early 2000 levels. Strengthened job creation and consumer confidence regarding the near- and long-term direction of the Phoenix MSA economy has catalyzed a local housing market recovery since bottoming in September 2011. These trends, together with limited residential building activity through the most recent recession have led to a shortage of for-sale inventory. With more prospective home buyers re-entering the Phoenix housing market to capitalize on favorable interest rates, this supply/demand imbalance resulted in substantial home value price growth over the last 2 years.

The most recent monthly *Greater Phoenix Housing Report* published by Arizona State University discusses Phoenix's housing market. According to the author, **Michael J. Orr, Director** of Real Estate at the **Arizona State University W.P. Carey School of Business**, *"Expect to see a stronger spring this year in the Phoenix housing market than we saw last year. January was the 'lull before the storm.' After the housing crash, Phoenix-area home prices quickly rose from September 2011 to summer 2013. Then, the median single-family home price went up about another 5.6 percent from last January to this January – from $197,000 to $208,000. Realtors will note the average price per square foot gained 5.1 percent."* Below are additional highlights from the report and a February 2014 article published on the website:

Demand: *"Overall, non-distressed listings under contract are up 26 percent. Luxury homes aren't seeing as much impact from recent changes in market conditions, but entry-level and mid-range homes are attracting far more buyer interest. The reasons for these increases include: 1) that lenders have started to relax their previously tight loan-underwriting guidelines and 2) that more people who went through foreclosure or short sale are now able to return to homeownership. These changes largely affect the lower and middle ranges of the market*."

The article further notes the following numbers for non-distressed homes under contract in Maricopa and Pinal Counties, on a typical day in late February 2015 versus the same day in 2014:

• under $150,000 – up 7 percent

• $150,000 to $250,000 – up 35 percent

• $250,000 to $400,000 – up 38 percent

• $400,000 to $600,000 – up 33 percent

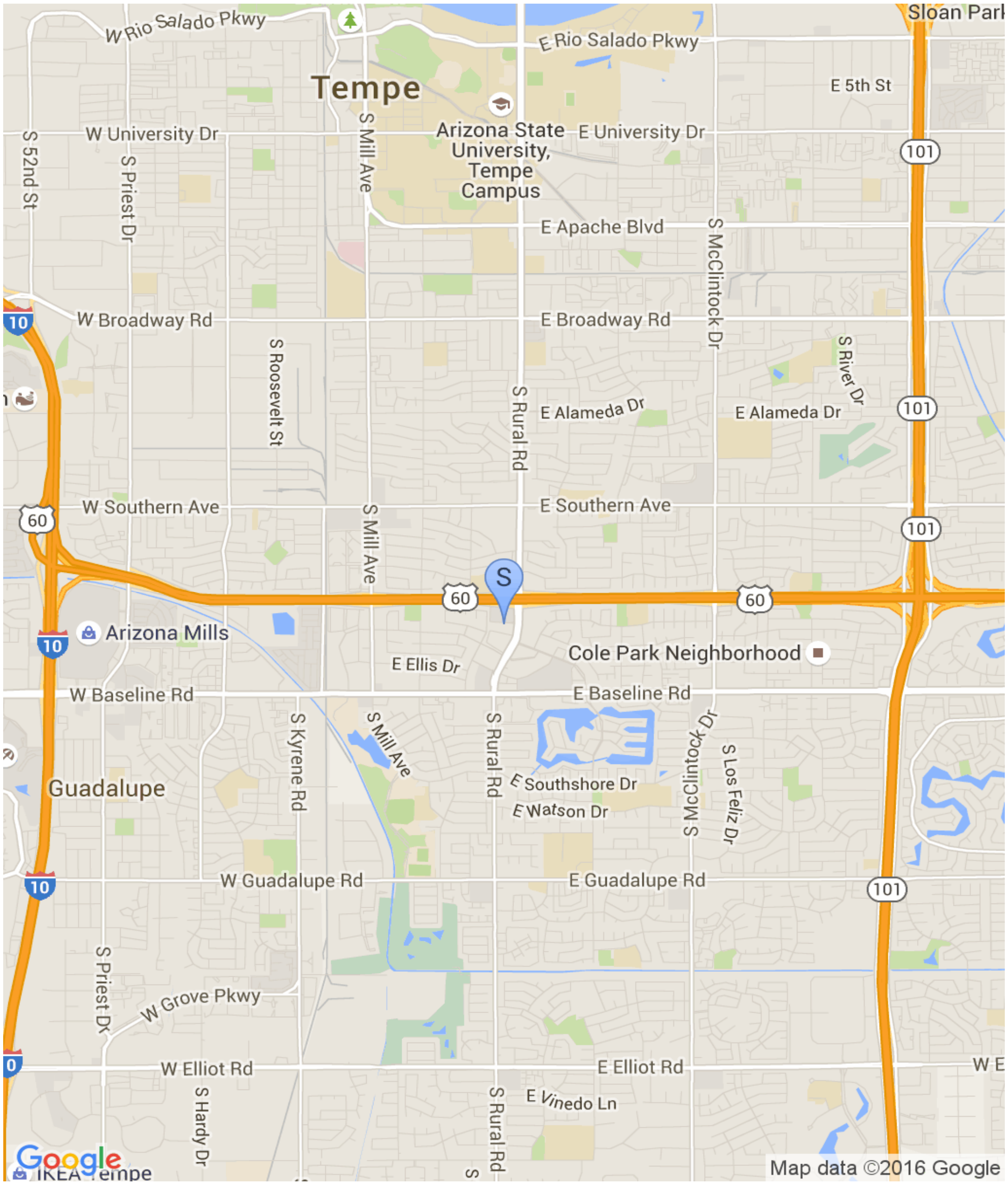
• $600,000 to $1.5 million – up 12 percent

• more than $1.5 million – down 10 percent

Supply: *"Supply remains relatively low except at the high end of the market," Orr said. "At the moment, we are seeing early signs that demand is likely to recover quite a bit faster than supply. It would only take a modest increase in first-time home buyer demand to overwhelm the current weak level of supply, making it tougher to find affordable homes for sale. Single-family home listings (excluding those under contract) were down 7 percent on Feb. 1 from the already depressed level at the same time last year. Don't expect more supply to come from foreclosures. Completed foreclosures were down 43 percent from last January to this January."*

SUMMARY

In summary, the Phoenix region is not typical of state capital MSAs. While public sector employment is prevalent and necessary for a state capital, it does not take the dominant role in the employment sector, falling behind Trade, Transportation and Utilities, Professional and Business Services, and Education and Health Services. Unemployment rates, though not reflecting a robust economy has still remained lower than the state and national levels for over a decade.


Tempe
Arizona State University, Tempe Campus
W Rio Salado Pkwy
E Rio Salado Pkwy
Sloan Park
E 5th St
W University Dr
E University Dr
S 52nd St
S Priest Dr
S Mill Ave
E Apache Blvd
S McClintock Dr
W Broadway Rd
E Broadway Rd
S Roosevelt St
S Rural Rd
S River Dr
E Alameda Dr
W Southern Ave
E Southern Ave
S
Arizona Mills
E Ellis Dr
Cole Park Neighborhood
W Baseline Rd
E Baseline Rd
S Kyrene Rd
S Los Feliz Dr
Guadalupe
E Southshore Dr
E Watson Dr
W Guadalupe Rd
E Guadalupe Rd
W Grove Pkwy
W Elliot Rd
E Elliot Rd
S Hardy Dr
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Google
IKEA Tempe
Map data ©2016 Google

INTRODUCTION

In this section of the report, we provide details about the local area and describe the influences that bear on the real estate market as well as the subject property. A map of the local area is presented on the prior page. Below are insights into the local area based on fieldwork, interviews, demographic data and experience working in this market.

LOCAL AREA PROFILE

The property is located in the southwest quadrant formed by the intersection of US Highway 60 and South Rural Road. This neighborhood is considered to be within the southeast portion of the Phoenix metropolitan statistical area. The property is located proximate to Arizona Mills Shopping Center and Arizona State University.

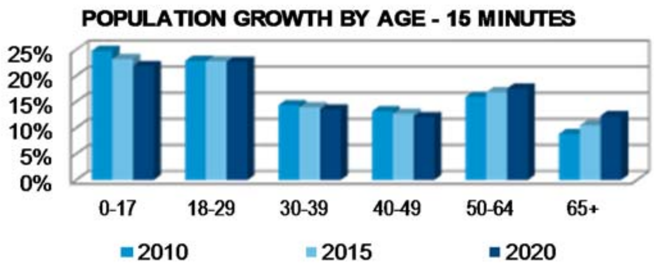
DEMOGRAPHIC PROFILE

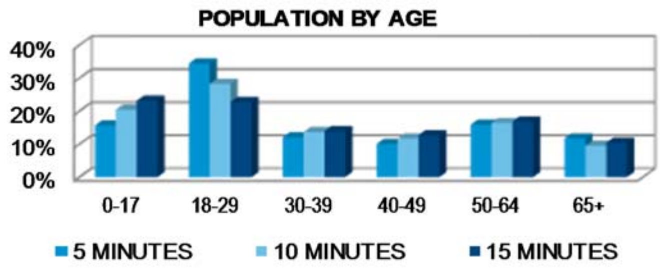
Below is a demographic study of the area, sourced by *Pitney Bowes/Gadberry Group - GroundView®*, an on-line resource center that provides information used to analyze and compare the past, present, and future trends of properties and geographical areas.

LOCAL AREA DEMOGRAPHICS

DESCRIPTION	5 MINUTES	0 MINUTES	5 MINUTES	DESCRIPTION	5 MINUTES	0 MINUTES	5 MINUTES
POPULATION				**AVERAGE HOUSEHOLD INCOME**			
2000 Population	90,509	390,158	943,665	2015	$65,955	$63,453	$66,280
2010 Population	91,841	386,477	930,447	2020	$64,552	$61,769	$64,696
2015 Population	97,675	412,119	993,694	Change 2015-2020	(2.13%)	(2.65%)	(2.39%)
2020 Population	101,964	433,434	1,049,075	**MEDIAN HOUSEHOLD INCOME**			
Change 2000-2010	1.47%	(0.94%)	(1.40%)	2015	$49,523	$45,979	$47,071
Change 2010-2015	6.35%	6.63%	6.80%	2020	$47,820	$43,808	$44,850
Change 2015-2020	4.39%	5.17%	5.57%	Change 2015-2020	(3.44%)	(4.72%)	(4.72%)
POPULATION 65+				**PER CAPITA INCOME**			
2010 Population	9,143	30,996	82,270	2015	$27,904	$25,697	$25,575
2015 Population	11,481	39,167	103,966	2020	$26,870	$24,662	$24,633
2020 Population	14,053	48,442	129,024	Change 2015-2020	(3.70%)	(4.03%)	(3.68%)
Change 2010-2015	25.57%	26.36%	26.37%	**2015 HOUSEHOLDS BY INCOME**			
Change 2015-2020	22.40%	23.68%	24.10%	<$15,000	14.3%	14.8%	14.1%
NUMBER OF HOUSEHOLDS				$15,000-$24,999	10.8%	12.0%	12.1%
2000 Households	36,454	150,947	346,851	$25,000-$34,999	11.0%	12.0%	11.7%
2010 Households	36,497	154,700	358,327	$35,000-$49,999	14.4%	15.3%	14.8%
2015 Households	38,239	162,042	376,314	$50,000-$74,999	18.7%	17.7%	17.3%
2020 Households	39,404	167,891	391,754	$75,000-$99,999	12.2%	10.9%	11.2%
Change 2000-2010	0.12%	2.49%	3.31%	$100,000-$149,999	11.7%	10.9%	11.5%
Change 2010-2015	4.77%	4.75%	5.02%	$150,000-$199,999	4.2%	3.7%	3.9%
Change 2015-2020	3.05%	3.61%	4.10%	$200,000 or greauer	2.7%	2.7%	3.3%
HOUSING UNITS (2015)				**MEDIAN HOME VALUE**	$183,527	$170,674	$173,779
Owner Occupied	18,892	77,388	196,156	**AVERAGE HOME VALUE**	$211,645	$205,035	$219,864
Renter Occupied	19,164	84,851	180,318	**HOUSING UNITS BY UNITS IN STRUCTURE**			
HOUSING UNITS BY YEAR BUILT				1, detached	19,712	78,885	204,751
Built 2010 or later	63	515	1,294	1, attached	2,888	10,072	23,888
Built 2000 to 2009	2,325	16,926	42,399	2	447	2,314	6,525
Built 1990 to 1999	3,860	26,812	73,019	3 or 4	2,331	10,471	22,092
Built 1980 to 1989	8,529	46,887	92,424	5 to 9	3,078	15,315	31,178
Built 1970 to 1979	16,815	47,244	82,931	10 to 19	4,366	19,660	35,925
Built 1960 to 1969	5,002	14,292	37,884	20 to 49	1,716	7,729	15,444
Built 1950 to 1959	1,196	7,260	32,324	50 or more	2,613	12,207	24,872
Built 1940 to 1949	322	1,247	8,525	Mobile home	903	5,424	11,391
Built 1939 or earlier	127	859	5,516	Boat, RV, van, etc.	2	161	409

Source: Pitney Bowes/Gadberry Group - GroundView®



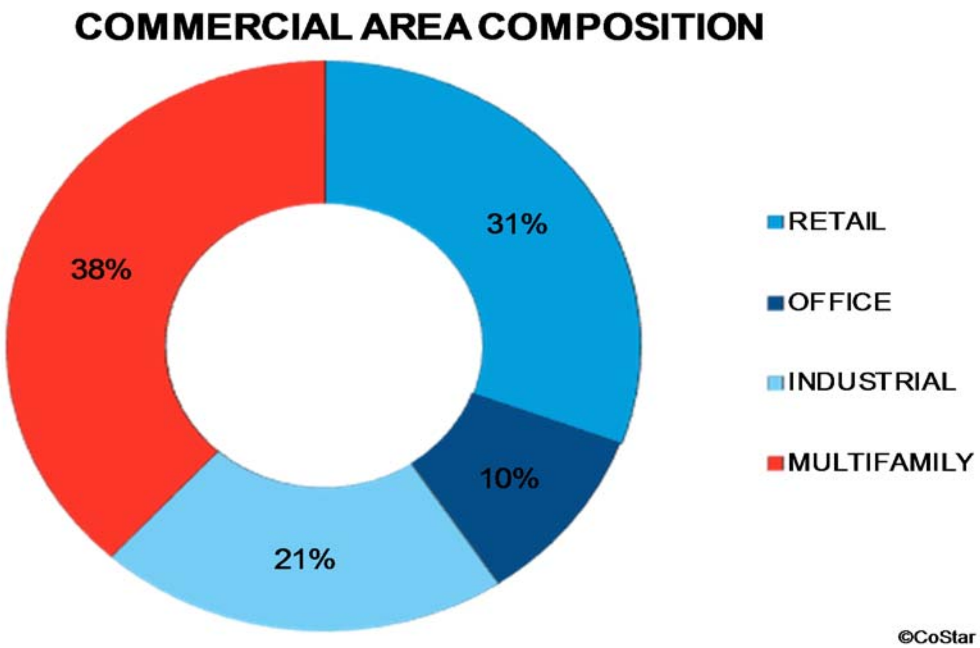


IMMEDIATE AREA PROFILE

This section discusses uses and development trends in the immediate area that directly impact the performance and appeal of the subject property.

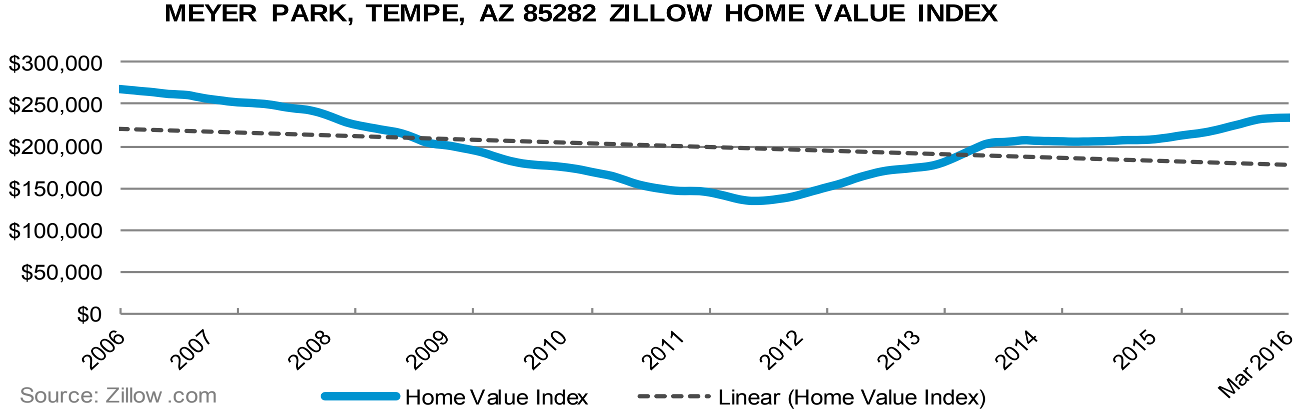
Predominant Land Uses

The local area is considered to be a commercial, industrial, university, residential and retail support district. The local area has a mix of commercial uses nearby and the composition is shown in the following graph.

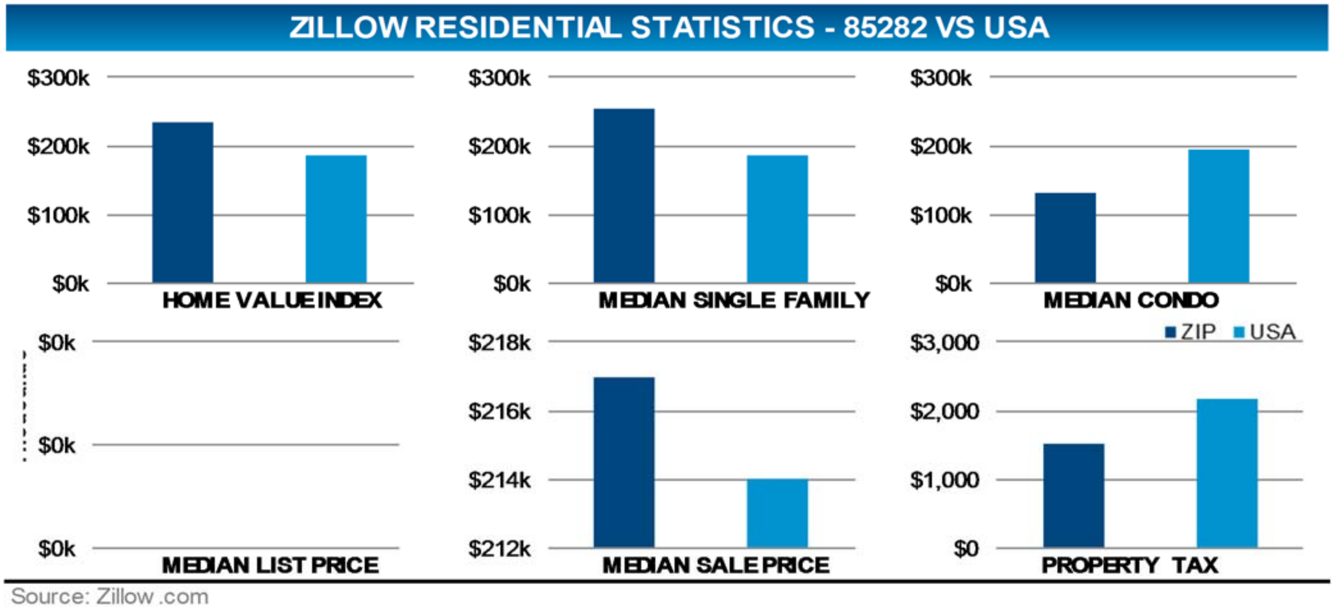


Residential Development

Residential users in the immediate area are primarily single family residential. We note that there are a variety of multi-family developments along the major arterials. The following graph shows the Zillow Home Value Index (ZHVI) for the subject zip code which is the mid-point of estimated home values for the area. Half the estimated home values are above this number and half are below.



The following chart shows residential statistics comparing the subject zip code to the United States.



Multi-Family Development

The following chart shows a summary of multi-family data by type in the immediate area from CoStar.

MULTIFAMILY SUMMARY

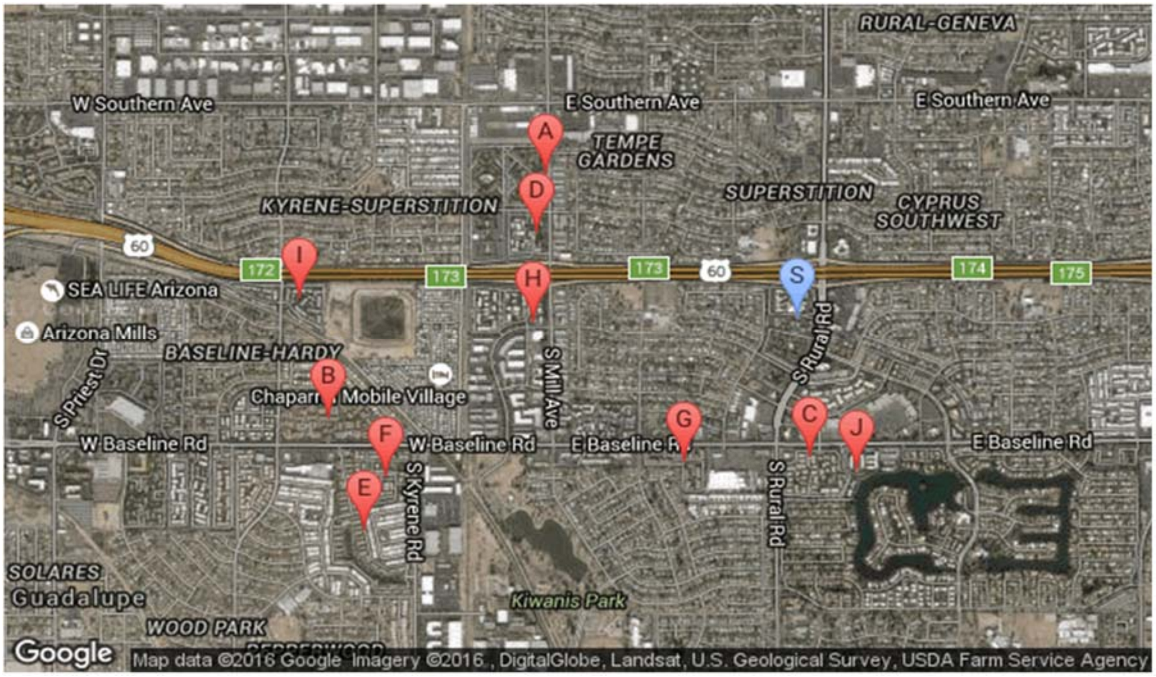
CLASS	PROPERTIES	NRA (SF)	AVG YR BLT
A	3	754,628	2004
B	15	3,841,839	1980
C	22	884,594	1969
TOTAL	**40**	**5,481,061**	**1975**

Source: CoStar

The following chart and map shows the subject property and the 10 largest multi-family properties in the immediate area from CoStar:

LARGEST MULTIFAMILY PROPERTIES					
NAME	**MAP PIN**	**CLASS**	**NRA (SF)**	**STORIES**	**YEAR BUILT**
Solara At Mill Avenue	A	B	548,798	2	1970
San Palmilla	B	B	510,162	2	1997
Lakeview at the Bay	C	B	386,702	3	1985
The Davenport	D	B	347,460	2	1973
Ravenw ood	E	A	305,088	2	2005
505 West Apartment Homes	F	B	286,168	2	1981
San Marquis	G	A	255,470	3	2012
Flagstone	H	B	240,845	2	1985
Ovation at Tempe	I	B	238,940	2	1984
The Nines Apartment Homes	J	B	232,406	5	1975

Source: CoStar



Retail Development

The following chart shows a summary of retail data by type in the immediate area from CoStar.

RETAIL SUMMARY

TYPE	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
Strip Center	10	148,410	1983	87.4	$10.72
Community Center	15	699,050	1989	90.6	$20.00
Neighborhood Center	41	1,012,566	1980	88.9	$17.24
General Retail	141	2,518,487	1984	94.2	$16.62
TOTAL	**207**	**4,378,513**	**1983**	**92.5**	**$16.70**

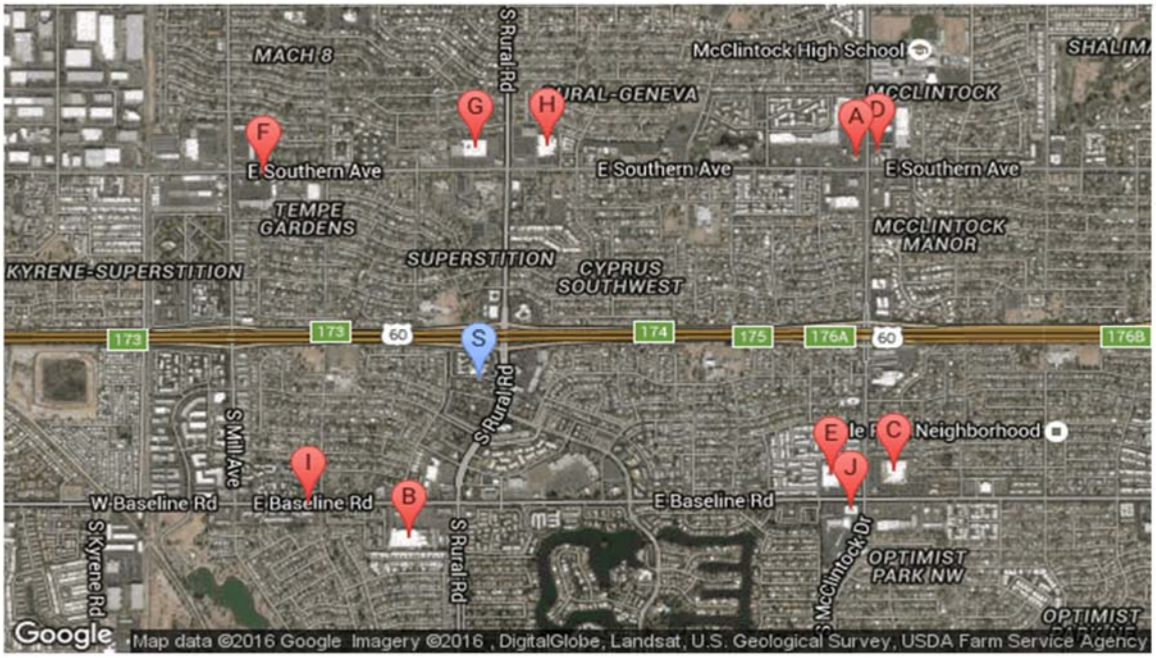
Source: CoStar

Most of the retail properties are along major arterials. Users here tend to be stand-alone retail users such as restaurants, gas stations grocery stores, as well as a variety of outlots to larger community strip retail centers. The following chart and map shows the subject property and the 10 largest retail properties in the immediate area from CoStar.

LARGEST SHOPPING CENTERS

NAME	MAP PIN	TYPE	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
Southern Palms Center	A	Community Center	246,088	80.1	1981	$14.00
Lakes Tow ne Center	B	Community Center	149,523	100.0	2009	N/Av
Target	C	General Retail	114,874	100.0	1977	N/Av
Valley Plaza	D	Community Center	104,514	100.0	1971	$24.00
Fry's Marketplace	E	Neighborhood Center	92,929	100.0	1987	N/Av
Valley Fair	F	Neighborhood Center	90,862	98.8	1963	$18.00
Southern Plaza	G	Community Center	87,525	100.0	1973	N/Av
Fry's Center	H	General Retail	84,008	100.0	1991	N/Av
Mill Tow ne Center	I	Neighborhood Center	80,511	95.7	1986	$19.79
Retail Building	J	General Retail	79,690	100.0	1976	N/Av

Source: CoStar



Industrial Development

The following chart shows a summary of industrial data by type in the immediate area from CoStar.

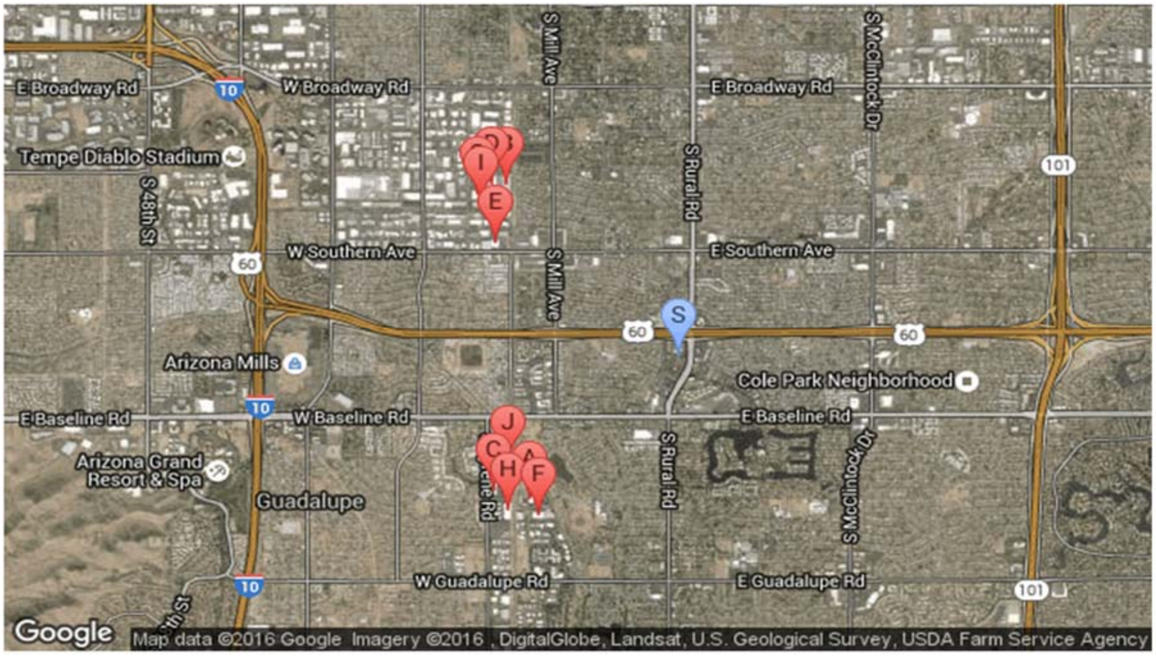
INDUSTRIAL SUMMARY					
TYPE	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
Industrial	75	2,643,290	1986	96.3	$7.75
Flex	16	363,623	1986	94.5	$9.70
TOTAL	**91**	**3,006,913**	**1986**	**96.0**	**$8.09**

Source: CoStar

The subject is located in an area that has a relatively moderate to high density of industrial structures. The following chart and map shows the subject property and the 10 largest industrial properties in the immediate area from CoStar.

LARGEST INDUSTRIAL PROPERTIES						
NAME	MAP PIN	TYPE	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
Industrial Building	A	Industrial	225,000	100.0	1953	N/Av
Alameda Distribution Center	B	Industrial	165,646	100.0	1990	N/Av
Southw est Gas Bldg	C	Industrial	140,000	100.0	1988	N/Av
Alameda Distribution Center	D	Industrial	133,291	100.0	1988	Withheld
Paramount Window s	E	Industrial	130,851	100.0	1979	N/Av
Industrial Building	F	Industrial	116,900	100.0	1989	N/Av
Broadw ay Industrial Park	G	Flex	101,601	100.0	1986	N/Av
Kyrene Commerce Center	H	Industrial	94,037	100.0	1985	$3.48
Fairmont Commerce Center	I	Industrial	83,280	100.0	1980	N/Av
Kyrene Distribution Center	J	Industrial	69,628	100.0	1981	N/Av

Source: CoStar



The following map shows the subject property and the five largest retail, office, and industrial properties in the immediate area from CoStar.

OFFICE MARKET ANALYSIS

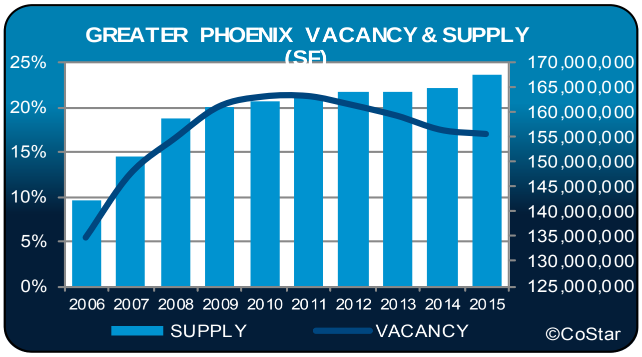
Because the subject property is expected to command a significant amount of its revenue from commercial-oriented market segments, there is a strong correlation between commercial lodging demand and performance of office real estate in the area. As such, we have analyzed the local office market in an effort to ascertain reasonable lodging demand growth rates for the subject and the competitive market.

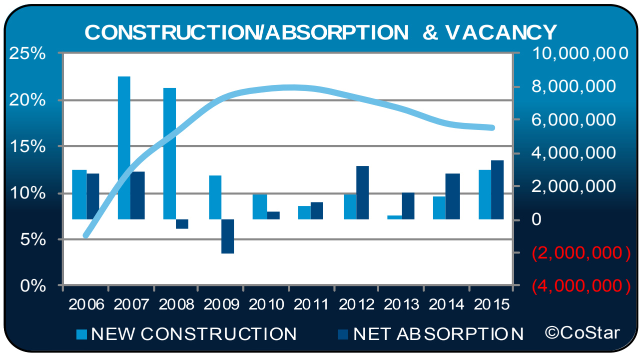
The following is an analysis of supply/demand trends in the Greater Phoenix Office Market using information provided by CoStar, widely recognized as a credible source for tracking market statistics. The table below presents historical data for key market indicators.

TEN YEAR HISTORICAL TREND ANALYSIS

PERIOD	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2006-2015	30,565,350 SF	15,784,173 SF	5.4%→17.0%	$11.98→$21.59
10 Yrs	*21.5%*	*11.1%*	*11.6%*	*80.2%*
2006-2011	24,407,047 SF	4,552,838 SF	5.4%→21.2%	$11.98→$20.55
6 Yrs	*17.1%*	*3.2%*	*15.8%*	*71.5%*
2012-2015	6,158,303 SF	11,231,335 SF	20.2%→17.0%	$19.86→$21.59
4 Yrs	*3.8%*	*6.8%*	*-3.2%*	*8.7%*

The following charts provide a visual illistration of apartment supply/demand trends in the Market.





The following table summarizes the trailing four quarter performance of the Greater Phoenix market.

GREATER PHOENIX TRAILING FOUR QUARTER PERFORMANCE					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2015 Q2	165,625,800 SF	625,335 SF	431,534 SF	17.4%	$21.41/SF
2015 Q3	166,099,244 SF	479,704 SF	1,060,147 SF	17.0%	$21.70/SF
2015 Q4	167,643,344 SF	1,559,392 SF	2,316,911 SF	16.3%	$22.05/SF
2016 Q1	168,516,152 SF	978,919 SF	648,615 SF	16.4%	$22.44/SF

Source: Costar®

Key supply/demand statistics for the most recent quarter, last year and historical averages are summarized below.

GREATER PHOENIX MARKET TREND ANALYSIS			
	Q1 2016	2015	Last 10
Total SF	168,516,152	167,643,344	159,874,513
Vacant SF	27,617,972	28,499,368	27,284,184
Market Vacancy	16.4%	17.0%	17.1%
Construction Grow th Rate	0.6%	1.8%	1.6%
Absorption Rate	0.4%	2.2%	0.9%
Average Asking Rent/SF	$22.44	$21.59	$21.04

Source: Costar®

The following chart shows a summary of office data by class in the immediate area from CoStar.

OFFICE SUMMARY					
CLASS	PROPERTIES	NRA (SF)	AVG YR BLT	OCCUPANCY	AVG RENT
A	1	133,871	1985	84.0	$22.50
B	41	744,908	1984	86.0	$15.54
C	97	565,090	1978	93.0	$14.42
TOTAL	**139**	**1,443,869**	**1980**	**90.9**	**$14.81**

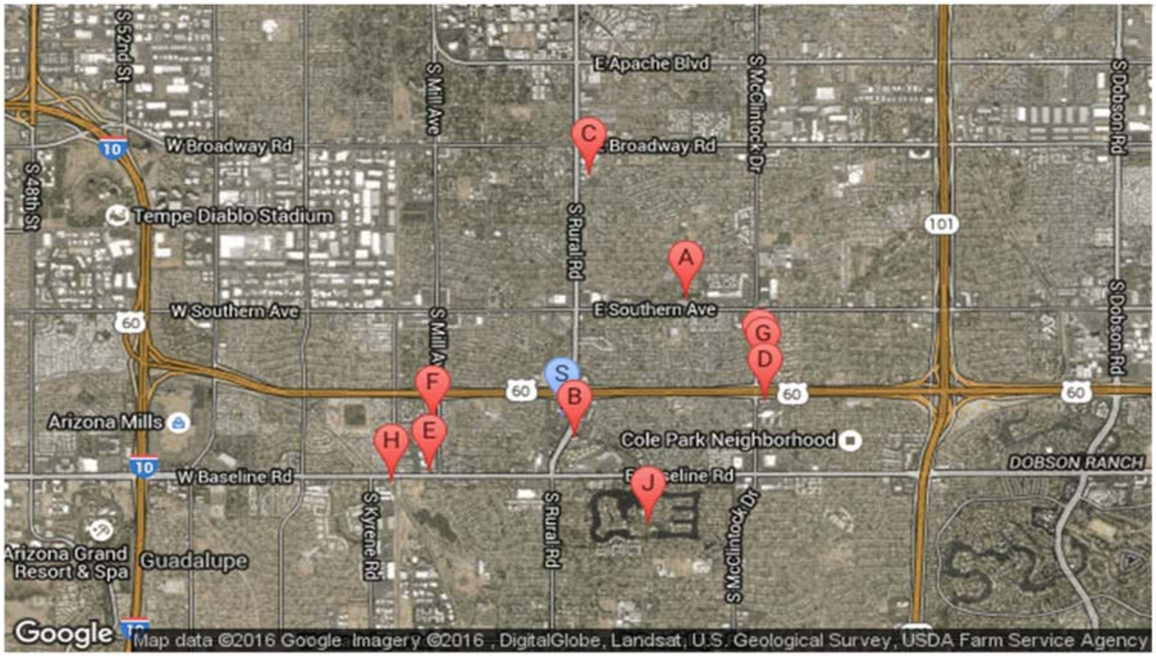
Source: CoStar

The subject is located in an area that has a relatively moderate to high density of office structures. The following chart and map shows the subject property and the 10 largest office properties in the immediate area from CoStar.

LARGEST OFFICE BUILDINGS

NAME	MAP PIN	CLASS	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
Tempe City Center	A	A	133,871	84.0	1985	$22.50
Southwest Business Center	B	B	100,670	99.4	1985	$21.00
Office Building	C	B	58,869	100.0	1958	N/Av
Tempe Corporate Center	D	B	50,768	85.2	1985	$18.51
Carleton Business Park I	E	B	38,448	78.1	1984	$14.85
Jackson Plaza	F	B	36,639	61.9	1986	$14.40
Superstition Office Plaza	G	B	30,720	48.0	1983	$15.37
The Meridian	H	B	30,408	91.3	1986	$14.21
Superstition Office Plaza	I	B	28,773	22.7	1983	$15.50
Lakeshore Village	J	C	27,600	91.4	1972	$13.83

Source: CoStar

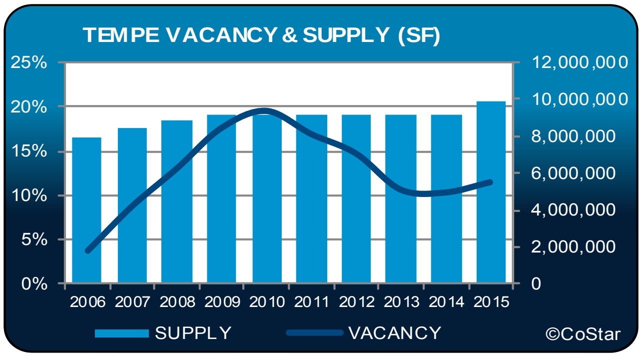


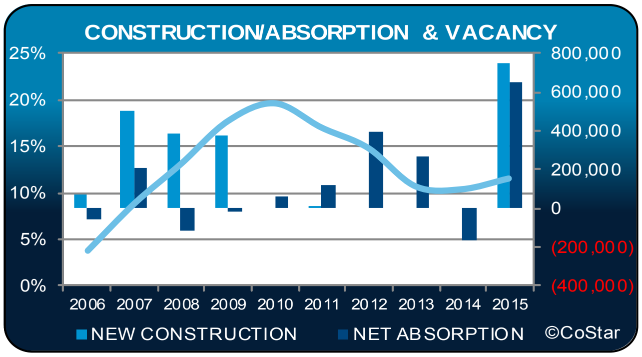
Tempe Office Submarket Overview

The following is an analysis of supply/demand trends in the Tempe Office Submarket using information provided by CoStar. The table below presents historical data for key market indicators.

TEN YEAR HISTORICAL TREND ANALYSIS				
PERIOD	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2006-2015	2,083,804 SF	1,332,626 SF	3.8%→11.5%	$12.51→$23.65
10 Yrs	*26.2%*	*16.7%*	*7.7%*	*89.0%*
2006-2010	1,332,369 SF	81,527 SF	3.8%→19.5%	$12.51→$22.75
5 Yrs	*16.7%*	*1.0%*	*15.8%*	*81.9%*
2011-2014	4,200 SF	603,617 SF	16.9%→10.4%	$20.96→$22.21
4 Yrs	*0.0%*	*6.6%*	*-6.6%*	*6.0%*
2015-2015	747,235 SF	647,482 SF	11.5%→11.5%	$23.65→$23.65
1 Yrs	*7.6%*	*6.6%*	*0.0%*	*0.0%*

The following charts provide a visual illistration of apartment supply/demand trends in the Submarket.





The following table summarizes the trailing four quarter performance of the Tempe submarket.

TEMPE TRAILING FOUR QUARTER PERFORMANCE					
PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2015 Q2	9,107,144 SF	0 SF	3,536 SF	11.4%	$24.43/SF
2015 Q3	9,107,144 SF	0 SF	(44,914) SF	11.9%	$23.01/SF
2015 Q4	9,848,725 SF	747,235 SF	714,224 SF	11.2%	$22.65/SF
2016 Q1	10,468,725 SF	620,000 SF	296,519 SF	13.7%	$24.82/SF

Source: Costar®

Key supply/demand statistics for the most recent quarter, last year and historical averages are summarized below.

TEMPE MARKET TREND ANALYSIS

	Q1 2016	2015	Last 10
Total SF	10,468,725	9,848,725	9,000,647
Vacant SF	1,430,402	1,132,603	1,143,802
Market Vacancy	13.7%	11.5%	12.7%
Construction Grow th Rate	5.9%	7.6%	2.2%
Absorption Rate	2.8%	6.6%	1.4%
Average Asking Rent/SF	$24.82	$23.65	$22.07

Source: Costar®

As illustrated in this section, the regional and local office markets have shown fluctuating trends in recent years. Overall, we believe that the market will continue to support the local hotel market with sufficient corporate demand. We have taken the office market trends in the area into consideration when concluding future commercial demand growth, which will be discussed in greater detail later in this report.

SPECIAL HAZARDS OR ADVERSE INFLUENCES

Generally, properties in the subject neighborhood appear to be functional for their intended use and they exhibit minimal deferred maintenance and sufficient occupancy. No special hazards or detrimental influences were identified that are expected to affect local value levels.

LOCAL AREA OUTLOOK

The subject's competitive market area is characterized as a commercial, industrial, university, residential and retail support district; some new development (including ongoing road, infill and infrastructure improvement as well as a moderate amount of retail and multi-use development along major arterials) has induced a growth phase in the subject's market area, and significant growth is expected at and surrounding the subject's market in the next few years.

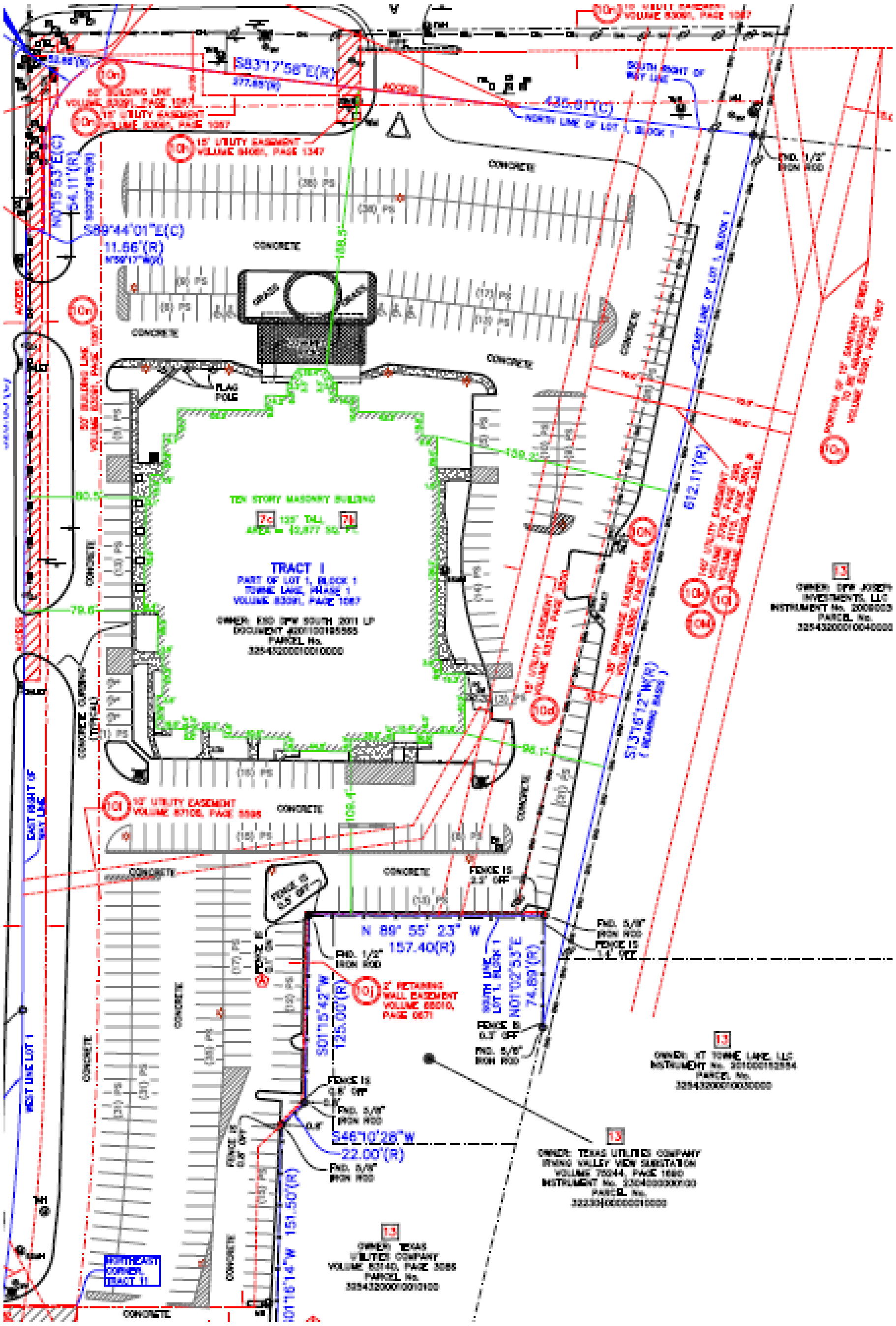
Between 2008 and 2013, many projects have failed to come to fruition due to economic conditions; however, in recent quarters, the market has exhibited some signs of strengthening and various new projects are making way for some economic improvement. As will be further discussed, the subject's location proximate to central Tempe and a variety of demand generators, as well as good access to major roadways and highways should enable the subject to continue to be fully competitive in the market. In terms of real estate values, given the location of the subject proximate to the area's attractions, proximity to other office, tourism, technological and industrial nodes, as well as quick access to a variety of leisure demand generators, we believe the immediate area should experience stable values over the near term but with moderately accelerated growth over the longer term

DFW PROPERTY

General Description	The subject is located in the southeast quadrant formed by the intersection of Highway 183 and Valley View Lane. The neighborhood is situated in the northwestern portion of the Dallas metropolitan statistical area, roughly two miles south of the Dallas/Fort Worth International Airport. The subject site measures ±6.65, or ±289,674 square feet.
Shape	Irregularly shaped
Topography	Level at street grade
Utilities	It is our understanding that all utilities are available to the site.
Site Improvements	The site improvements include landscaping, curbing, signage, lighting and drainage.
Landscaping	Landscaping includes a variety of trees, shrubbery and grass.
Exposure	The subject enjoys good frontage along Valley View Lane and West Airport Freeway. Indirect frontage is offered along the south side of Highway 183.
Flood Zone	X
Flood Zone Description	Areas determined to be outside of the 500-year flood zone; we assume that the subject has adequate flood insurance and that it was constructed in a way that will protect itself from flooding. A copy of a flood map is presented in the Addenda of this report.
Easements	During the on-site inspection, no adverse easements or encumbrances were noted. This appraisal assumes that there is no negative value impact on the subject improvements. If questions arise regarding easements, encroachments, or other encumbrances, further research is advised.
Soils	A detailed soils analysis was not available for review. Based on the development of the subject, it appears the soils are stable and suitable for the existing improvements.
Hazardous Waste	We not conducted an independent investigation to determine the presence or absence of toxins on the subject property. If questions arise, the reader is strongly cautioned to seek qualified professional assistance in this matter. Please see the Assumptions and Limiting Conditions for a full disclaimer.
Site Utility	Overall, it is our opinion that the subject site is adequate for the operation of the subject hotel.
Parking Capacity	435 spaces. To the best of our knowledge, the subject's parking requirements are adequate to conform to existing zoning requirements (including variances, etc.) as well as market requirements.
Parking Type	Surface
Access Rating	Good
Visibility Rating	Good
Location Rating	Good

Overall Site Rating Overall, it is our opinion that the subject site is considered to be good when measured against competing properties in the marketplace.

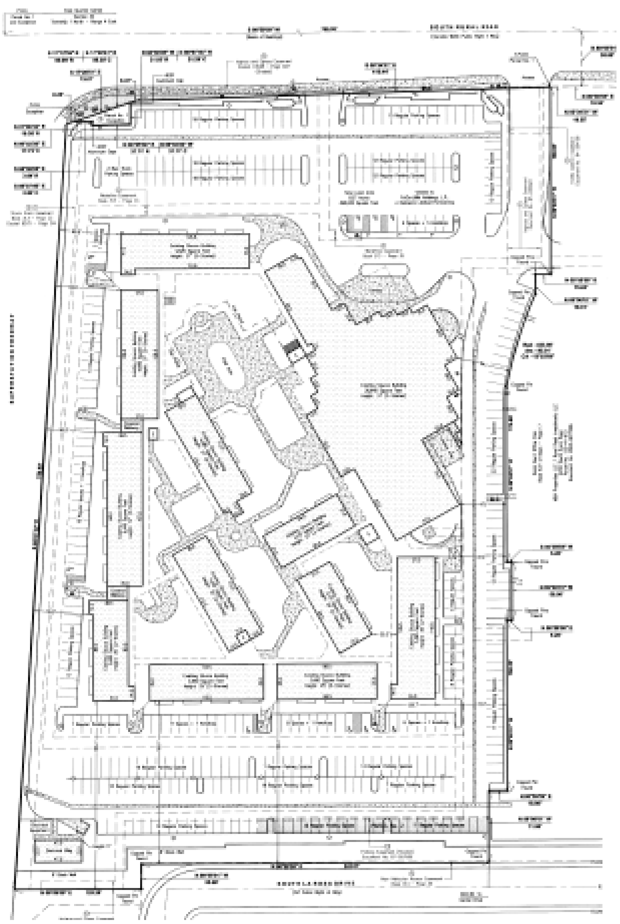
SITE SURVEY



TEMPE PROPERTY

General Description	The property is located in the southwest quadrant formed by the intersection of US Highway 60 and South Rural Road. This neighborhood is considered to be within the southeast portion of the Phoenix metropolitan statistical area. The property is located proximate to Arizona Mills Shopping Center and Arizona State University. The subject site measures ±8.1, or ±352,836 square feet.
Shape	Irregularly shaped
Topography	Level at street grade
Utilities	It is our understanding that all utilities are available to the site.
Site Improvements	The site improvements include landscaping, curbing, signage, lighting and drainage.
Landscaping	Landscaping includes a variety of trees, shrubbery and grass.
Exposure	The subject enjoys good frontage along South Rural Road and US Highway 60.
Flood Zone	X500
Flood Zone Description	Areas determined to be inundated of the 500-year flood zone. We assume that the subject has adequate flood insurance and that it was constructed in a way that will protect itself from flooding.
Easements	During the on-site inspection, no adverse easements or encumbrances were noted. This appraisal assumes that there is no negative value impact on the subject improvements. If questions arise regarding easements, encroachments, or other encumbrances, further research is advised.
Soils	A detailed soils analysis was not available for review. Based on the development of the subject, it appears the soils are stable and suitable for the existing improvements.
Hazardous Waste	We not conducted an independent investigation to determine the presence or absence of toxins on the subject property. If questions arise, the reader is strongly cautioned to seek qualified professional assistance in this matter. Please see the Assumptions and Limiting Conditions for a full disclaimer.
Site Utility	Overall, it is our opinion that the subject site is adequate for the operation of the subject hotel.
Parking Capacity	Adequate number of spaces. To the best of our knowledge, the subject's parking requirements are adequate to conform to existing zoning requirements (including variances, etc.) as well as market requirements.
Parking Type	Surface
Access Rating	Good
Visibility Rating	Good
Overall Site Rating	Overall, it is our opinion that the subject site is considered to be good when measured against competing properties in the marketplace

SITE SURVEY



INTRODUCTION

The information presented below is a basic description of the improvements. This information is used in the valuation of the property. Reliance has been placed upon information provided by sources deemed dependable for this analysis. It is assumed that there are no hidden defects, nor will there be in the future, and that all structural components are and will continue to be functional and operational, unless otherwise noted. If questions arise regarding the integrity of the improvements or their operational components, it may be necessary to consult additional professional resources.

DFW PROPERTY

Overview

The subject property, commonly known as Embassy Suites DFW International Airport South, is a 10-story, 305-room, full-service lodging facility built in 1985. The property was in good condition at the time of inspection. The subject property features all basic services for a property of this type, and offers amenities including a leased restaurant, fitness room, indoor swimming pool, business center, sundries shop, meeting space, vending and ice machines. The rooms are loaded off of interior corridors. The subject is located in the southeast quadrant formed by the intersection of Highway 183 and Valley View Lane. The neighborhood is situated in the northwestern portion of the Dallas metropolitan statistical area, roughly two miles south of the Dallas/Fort Worth International Airport.

Size

182,111 square feet of gross building area

Age/Life Analysis

Actual Age	31 years
Effective Age	20 years
Economic Life	50 years
Remaining Life	30 years

Quality & Condition

The subject property is of good quality and was in good condition at the time of inspection for the market area.

Guestrooms Detail

A representative sample of guestrooms was inspected for this appraisal and appeared to be in good condition. We assume that the physical condition of all other remaining guestrooms at the subject property is also good and similar to the units inspected. The following table summarizes the guest unit mix at the subject.

GUESTROOM MIX

Room Type	Number of Rooms
Double Queen	129
King	176
Total	**305**

Each of the guestrooms features a remote control flatscreen television with premium channel selection, telephone, desk with chair, dresser, nightstands, lamps and lounge chairs. Guestroom drapes, mattresses and bedspreads, carpeting and case goods are in good overall condition and comparable to superior in terms of marketability relative to the competition.

We believe that, following the proposed/assumed upgrades to the guest units (to be discussed), the rooms will offer a product that is superior relative to the competition.

Food and Beverage

The subject has one leased restaurant (with bar) and one atrium lounge area. The seating capacity of this space is presented in the following table:

FOOD AND BEVERAGE CAPACITY (APPROXIMATE)	
Facility	**Capacity**
Capistrano's Trattoria (leased)	116
Evening reception lounge	60

At the time of our inspection, this space was in good overall condition, and generally comparable to superior relative to the competitive properties.

We believe that, following the assumed upgrades to the restaurant and lounge areas, the restaurant and lounge will offer a product that is superior relative to the competition.

Meeting Space

The subject property contains approximately 9,000 square feet of meeting space. At the time of our inspection, the subject's meeting and banquet space was in good condition and generally comparable relative to the competition. The following graphic summarizes this space:

MEETING SPACE	
Room Name	**Total SF**
Ballroom (divisible)	5,965
Conference 301	304
Conference 302	304
Conference 303	304
Conference 304	304
Dallas Boardroom	570
Ft. Worth Boardroom	558
Prefunction and other	691
Total	**9,000**

We believe that, following the proposed upgrades to the meeting space (to be discussed), the subject will offer a meeting and group product that is superior relative to the competition.

Other

In addition to the above-mentioned characteristics, the subject offers the following features/amenities:

OTHER PROPERTY FEATURES	
Indoor swimming pool	Fitness center
Business center	Vending and ice machines
Sundries shop	

Capital Expenditures

The subject property's facilities have been well maintained in recent years and the property's overall condition is considered to be good. The subject property is slated to undergo significant capital improvements early in the projection period. Accordingly, we have applied a capital deduction from our final value conclusion of the amount which is in excess of reserves. Specifically, total capital costs (present value) for the upgrades are estimated at $555,153, or $1,820 per room, in excess of reserves.

In order to ensure that the subject property is maintained in a competitive position throughout the holding period, we deducted a reserve for replacement equal to 4.00 percent of total revenues per year. We believe our estimate of capital reserves should be adequate to account for all typical future capital expenditures throughout the holding period over and above the capital deduction indicated above.

The renovations will address the softgoods and casegoods in all guest units, corridors, public areas, meeting space, restaurant, back-of-the-house and exterior. A summary of the proposed upgrades is presented in the following table.

Please note that the cost of these upgrades are prior to any account for reserves, as well as the time value of the monies being committed. We will discuss these factors later in this report.

CAPITAL EXPENDITURES	
Item	**Estimated Cost**
Brand Requirements	$298,100
Safety Requirements	$152,000
Quality Assurance Deficiencies	$422,700
Operational Requirements	$284,000
Linen	$194,999
Total	**$1,351,799**
Timing of PIP	**Dispursement**
Year 0 (Immediate)	$800,450
Year 1	$333,583
Year 2	$184,433
Year 3 and later	$33,333
Total	**$1,351,799**

Based on our experience in the valuation of lodging facilities that are undergoing major property improvement plans (namely with Embassy Suites properties), we believe that the proposed upgrades will be sufficient to render the property fully competitive in the market. We call your attention to the *Extraordinary Assumptions* of this report.

Vertical Transportation The property features an elevator system providing vertical transportation. It is understood that this system is adequate for the subject's operations. In addition, there are multiple stairwells.

Foundation Reinforced concrete slab

Exterior Walls EIFS

Roof Flat with parapet walls

Insulation Reported to be adequate

HVAC Central HVAC

Plumbing The plumbing system is assumed to be adequate for existing use and in compliance with local law and building codes. The plumbing system is typical of other properties in the area with a combination of PVC, steel, copper and cast iron piping throughout the building.

Lighting Fluorescent and Incandescent

Electrical	The building has a master meter
Windows	Thermal windows in aluminum frames
Pedestrian Doors	Glass and metal
Floor Covering	Varies, generally carpet and tile
Fire Protection	100 percent sprinklered
Deferred Maintenance	Curable physical deterioration refers to those items that are economically feasible to cure as of the effective date of the appraisal. This element of depreciation is commonly referred to as deferred maintenance and is measured as the cost of repairing or restoring the item to new or reasonably new condition. Please refer to the *Capital Expenditures* section of this report.
Hazardous Materials	This appraisal assumes that the improvements are constructed free of all hazardous waste and toxic materials, including (but not limited to) asbestos. Please refer to the Assumptions and Limiting Conditions section regarding this issue.
ADA Comment	We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA; we did not consider possible non-compliance with the requirements of the ADA in developing an opinion of the value of the property.

TEMPE PROPERTY

Overview	The subject property, commonly known as Embassy Suites Phoenix Tempe, is a 3-story, 224-room, full-service lodging facility built in 1984. The property was in fair to average condition at the time of inspection. The subject property features all basic services for a property of this type, and offers amenities including a restaurant, lounge, fitness room, outdoor swimming pool, business center, sundries shop, meeting space, vending and ice machines. The property is located in the southwest quadrant formed by the intersection of US Highway 60 and South Rural Road. This neighborhood is considered to be within the southeast portion of the Phoenix metropolitan statistical area. The property is located proximate to Arizona Mills Shopping Center and Arizona State University.
Size	123,200 square feet of gross building area
Age/Life Analysis	
Actual Age	32 years
Effective Age	18 years
Economic Life	50 years
Remaining Life	32 years
Quality & Condition	The subject property is of good quality and was in fair to average condition at the time of inspection for the market area.

Guestrooms Detail

A representative sample of guestrooms was inspected for this appraisal and appeared to be in fair to average condition. We assume that the physical condition of all other remaining guestrooms at the subject property is also fair to average and similar to the units inspected. The following table summarizes the guest unit mix at the subject.

GUESTROOM MIX	
Room Type	Number of Rooms
Single king suite	139
Double double suite	85
Total	**224**

Each of the guestrooms features a remote control flatscreen television with premium channel selection, telephone, desk with chair, dresser, nightstands, lamps and lounge chairs. Guestroom drapes, mattresses and bedspreads, carpeting and case goods are in fair to average overall condition and comparable in terms of marketability relative to the competition.

We believe that, following the proposed/assumed upgrades to the guest units (to be discussed), the rooms will offer a product that is superior relative to the competition.

Food and Beverage

The subject has one restaurant and one lounge area. The seating capacity of this space is presented in the following table:

FOOD AND BEVERAGE CAPACITY (APPROXIMATE)	
Facility	Capacity
Evening Reception Lounge/Breakfast Room	112
Urban Craft Restaurant	60

At the time of our inspection, this space was in fair to average overall condition, and generally comparable to superior relative to the competitive properties.

We believe that, following the proposed/assumed upgrades to the restaurant and lounge areas, the restaurant and lounge will offer a product that is superior relative to the competition.

Meeting Space

The subject property contains approximately 9,900 square feet of meeting space. At the time of our inspection, the subject's meeting and banquet space was in Fair to average condition and generally comparable relative to the competition. The following graphic summarizes this space:

MEETING SPACE	
Room Name	Total SF
Boardooms	3,500
Grand Ballroom	4,000
Junior Ballroom	2,400
Total	**9,900**

We believe that, following the proposed upgrades to the meeting space (to be discussed), the subject will offer a meeting and group product that is superior relative to the competition.

Other

In addition to the above-mentioned characteristics, the subject offers the following features/amenities:

- High-speed internet access
- Fitness center
- Outdoor swimming pool
- Business center
- Vending and ice machines

Capital Expenditures

The subject property's facilities have been well maintained in recent years and the property's overall condition is considered to be fair to average. The subject property is slated to undergo significant capital improvements early in the projection period. Accordingly, we have applied a capital deduction from our final value conclusion of the amount which is in excess of reserves. Specifically, total capital costs (present value) for the upgrades are estimated at $2,675,396, or $11,944 per room.

In order to ensure that the subject property is maintained in a competitive position throughout the holding period, we deducted a reserve for replacement equal to 4.00 percent of total revenues per year. We believe our estimate of capital reserves should be adequate to account for all typical future capital expenditures throughout the holding period over and above the capital deduction indicated above.

The renovations will address the softgoods and casegoods in all guest units, corridors, public areas, meeting space, restaurant, back-of-the-house and exterior. A summary of the proposed upgrades is presented in the following table:

CAPITAL EXPENDITURES	
Item	**Estimated Cost**
Change of ownership PIP	$1,100,000
Franchise term PIP	$2,600,000
Total	**$3,700,000**
Timing of PIP	**Dispursement**
Year 0 (Immediate)	$1,100,000
Year 1	$0
Year 2	$0
Year 3 and later	$2,600,000
Total	**$3,700,000**

Based on our experience in the valuation of lodging facilities that are undergoing major property improvement plans (namely with Embassy Suites properties), we believe that the proposed upgrades will be sufficient to render the property fully competitive in the market. We call your attention to the *Extraordinary Assumptions* of this report.

Vertical Transportation

The property features an elevator system providing vertical transportation. It is understood that this system is adequate for the subject's operations. In addition, there are multiple stairwells.

Foundation Reinforced concrete slab

Exterior Walls EIFS

Roof Flat with parapet walls

Insulation Reported to be adequate

HVAC Central HVAC

Plumbing	The plumbing system is assumed to be adequate for existing use and in compliance with local law and building codes. The plumbing system is typical of other properties in the area with a combination of PVC, steel, copper and cast iron piping throughout the building.
Lighting	Fluorescent and Incandescent
Electrical	The building has a master meter
Windows	Thermal windows in aluminum frames
Pedestrian Doors	Glass and metal
Floor Covering	Varies
Fire Protection	100 percent sprinklered
Deferred Maintenance	Curable physical deterioration refers to those items that are economically feasible to cure as of the effective date of the appraisal. This element of depreciation is commonly referred to as deferred maintenance and is measured as the cost of repairing or restoring the item to new or reasonably new condition. Please refer to the *Capital Expenditures* section of this report.
Hazardous Materials	This appraisal assumes that the improvements are constructed free of all hazardous waste and toxic materials, including (but not limited to) asbestos. Please refer to the Assumptions and Limiting Conditions section regarding this issue.
ADA Comment	We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA; we did not consider possible non-compliance with the requirements of the ADA in developing an opinion of the value of the property.

NATIONAL LODGING MARKET ANALYSIS

In this section, market conditions that influence the subject property will be considered. The major factors requiring consideration are the supply and demand conditions, which affect the competitive position of the subject property.

Although lodging facilities are market specific, this section of the report provides an overview of national market trends that influence demand for hotels and motels in the subject's market area. Our analysis includes excerpts and information from IBISWorld Industry Report: *Hotels & Motels in the U.S.*, PricewaterhouseCoopers: *Hospitality Directions in the U.S.* and Smith Travel Research.

NATIONAL LODGING HIGHLIGHTS

The performance of the U.S. lodging sector was lackluster during the fourth quarter of 2015 with hotels struggling to meaningfully increase average daily rates (ADRs), even as occupancy levels continued to increase, albeit at a slower pace. The overarching question related to the lack of ADR growth, despite peak occupancy levels, raises concerns among industry participants. Overall, ADR for the industry was $118.95 in the fourth quarter of 2015 – down from $122.68 in the prior quarter. Within the industry, luxury hotels trailed other chain-scale segments in pricing power in the fourth quarter.

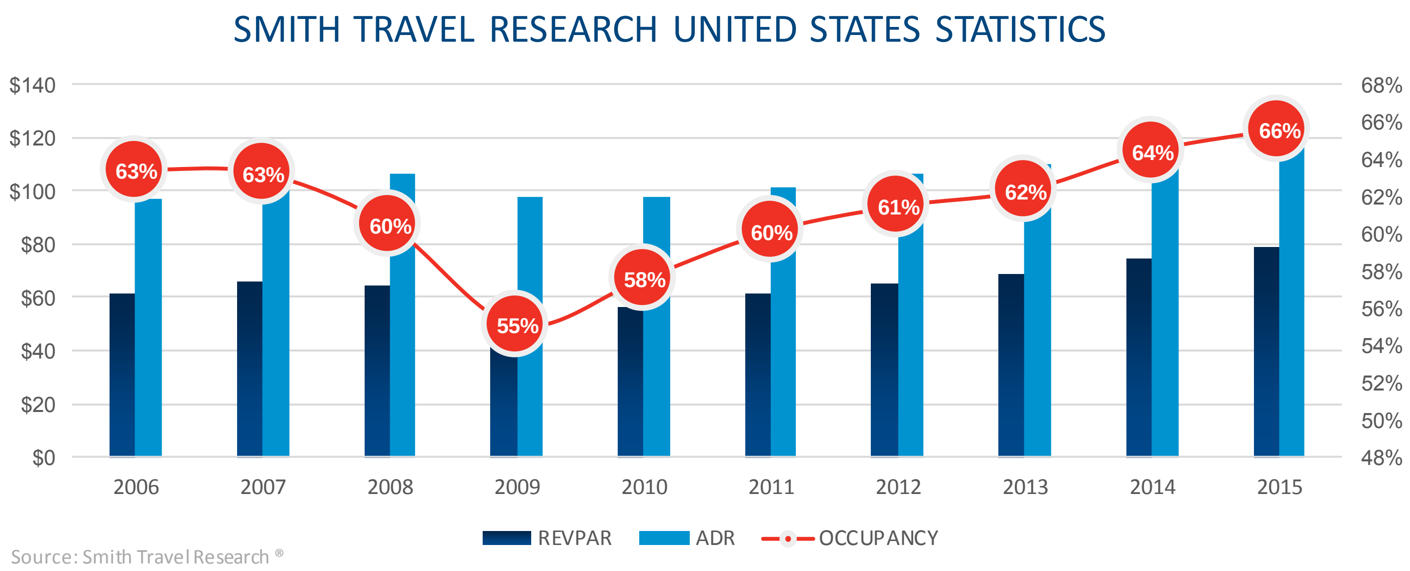
The U.S. economy's solid performance in the third quarter of 2015 has been overshadowed by a loss of momentum in the fourth quarter. Accor- ding to Macroeconomic Advisers, GDP is expected to have grown by only 0.5 percent during the fourth quarter of 2015, impacted by weak inventory investments and net exports, which appear to have been negatively affected by the strength of the U.S. dollar. Overall, GDP is now expected to in- crease at an annualized pace of about 2.4 percent in 2016 due to less economic momentum and less favorable financial conditions.

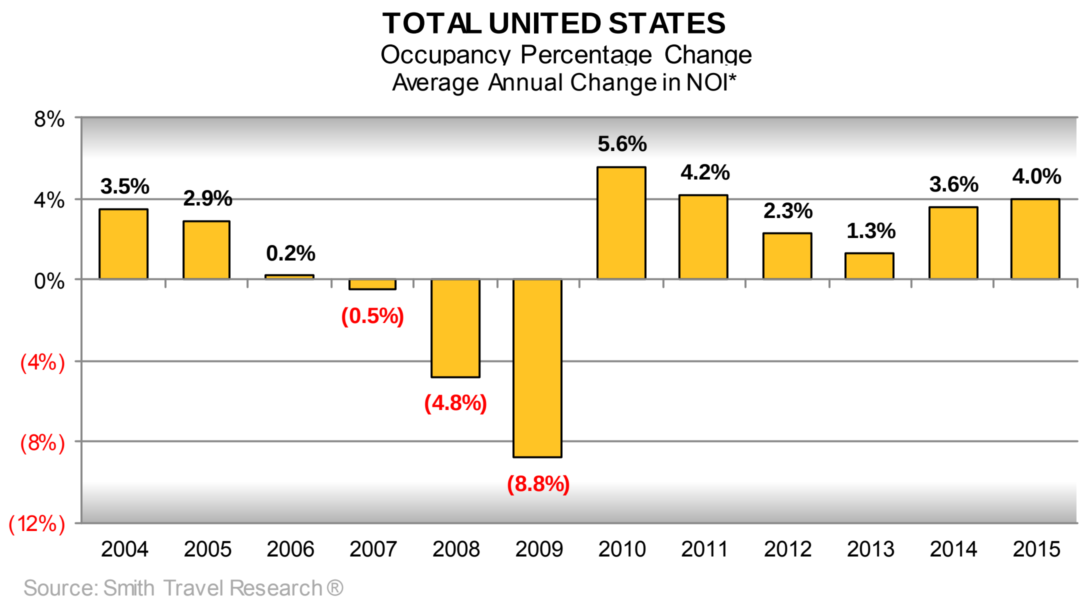
Helping to partially offset the lack of momentum in the U.S. economy and unfavorable financial conditions are strong fundamentals of employment, wages, and wealth – aided by solid housing price gains. At the same time, downside risks to the GDP fore- cast include sharper-than-expected slowing in China, a stronger-than-expected U.S. dollar, widening conflict in the Middle East, and a reduction in the pace of recovery in housing prices, among others.

STR UNITED STATES SUPPLY, DEMAND, OCCUPANCY, ADR & REVPAR

YEAR	ROOMS	SUPPLY	%CHG	DEMAND	%CHG	OCCUPANCY	%CHG	ADR	%CHG	REVPAR	%CHG
2006	53,273,708	1,620,521,609	0.6%	1,027,327,729	1.1%	63.4%	0.5%	$97.31	7.0%	$61.69	7.5%
2007	53,613,495	1,630,881,234	0.6%	1,030,858,746	0.3%	63.2%	(0.3%)	$103.55	6.4%	$65.46	6.1%
2008	55,028,245	1,673,991,040	2.6%	1,011,561,443	(1.9%)	60.4%	(4.4%)	$106.48	2.8%	$64.34	(1.7%)
2009	56,806,455	1,728,062,260	3.2%	952,266,656	(5.9%)	55.1%	(8.8%)	$97.47	(8.5%)	$53.71	(16.5%)
2010	57,926,963	1,762,020,903	2.0%	1,014,568,881	6.5%	57.6%	4.5%	$97.95	0.5%	$56.40	5.0%
2011	58,102,791	1,767,355,160	0.3%	1,062,135,606	4.7%	60.1%	4.4%	$101.57	3.7%	$61.04	8.2%
2012	58,175,230	1,769,610,554	0.1%	1,087,435,148	2.4%	61.5%	2.3%	$106.05	4.4%	$65.17	6.8%
2013	58,619,753	1,783,137,587	0.8%	1,110,527,243	2.1%	62.3%	1.3%	$110.31	4.0%	$68.70	5.4%
2014	59,072,041	1,796,907,059	0.8%	1,157,230,900	4.2%	64.4%	3.4%	$115.39	4.6%	$74.32	8.2%
2015	59,656,146	1,814,674,194	1.0%	1,189,614,896	2.8%	65.6%	1.8%	$119.97	4.0%	$78.65	5.8%

Source: Smith Travel Research ®





Demand

Lodging demand trends are expected to remain strong in 2016, driven by a number of factors, including continued economic growth and improving group demand. The pace of supply growth is expected to increase to 1.9 percent, reaching the industry's long- term average. As a result, PwC's out- look anticipates a marginal increase in U.S. occupancy to 65.7 percent; the highest since 1981.

With the industry's occupancy at a 35-year high, increased confidence among hotel operators and brands is expected to result in more meaningful ADR increases, albeit offset by the continued strength of the U.S. dollar, resulting in RevPAR growth of 5.5 percent.

Supply

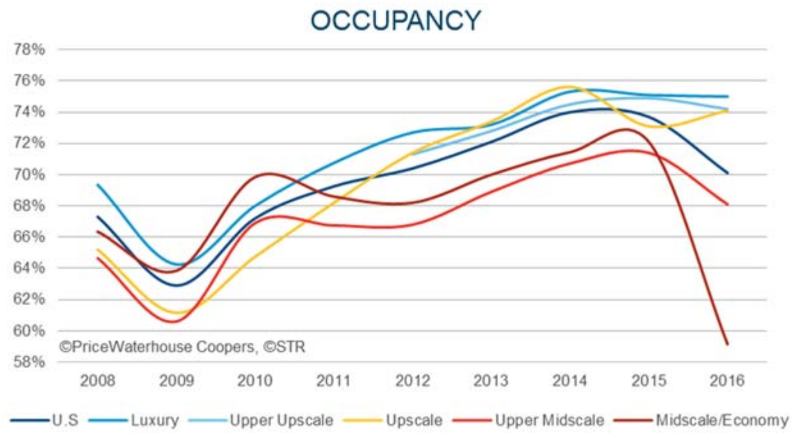
The supply pipeline continues to expand throughout the lodging industry with hotel additions for 2016 expected to be well above prior years. PwC's outlook forecasts lodging supply to increase 1.9 percent for the industry in 2016 – above the 1.1 percent growth recorded for 2015 and the highest annual change since 2009.

For 2016, the upscale chain-scale segment is forecast to see the greatest increase in supply, growing at 5.0 percent. On the other hand, the economy segment is expected to see a 0.4 percent de- crease in supply in 2016.

Occupancy

Occupancy for the U.S. lodging industry was 65.5 percent for 2015, a 1.7 percent in- crease from 2014, according to Smith Travel Research (STR). Occupancy improved in each chain-scale segment in 2015 with the midscale segment posting one of the largest gains at 2.1 percent.

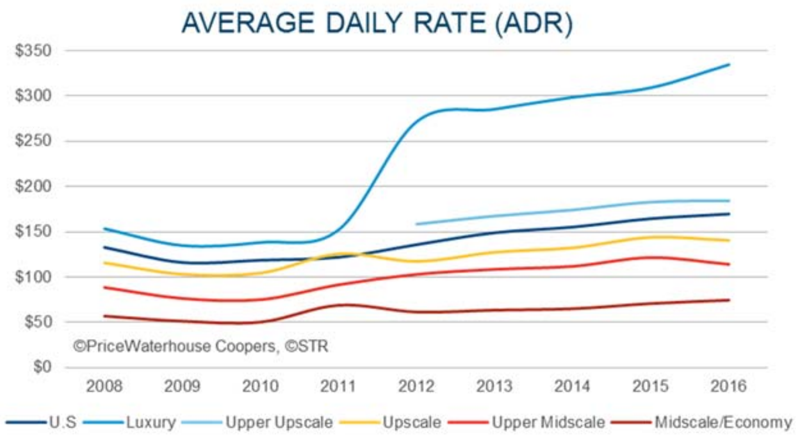
For 2016, the U.S. lodging industry's occupancy is forecast to increase 0.2 percent – the lowest annual gain since



Average Daily Rate (ADR)

ADR for the U.S. lodging industry was $120.04 for 2016, a 4.4 percent increase from 2015, as per STR. ADR grew in each chain-scale segment during 2015 with the economy (+5.0 percent) and upscale (+4.9 percent) chain-scale segments both surpassing the industry average.

For 2016, ADR for the U.S. lodging industry is forecast to grow 5.2 percent, which represents the largest annual gain since 2007. As shown in Exhibit L-2, ADR growth is forecast for each chain-scale segment in 2016.



Investment Activity

The U.S. hotel sector posted a 42.0 percent growth in investment activity for 2015 with sales totaling $49.0 billion, ac- cording to Real Capital Analytics. The only other year where deal volume was higher was 2007, which saw more portfolio and entity-level deal volume than the entire market in 2015.

Limited-service hotel deals ac- counted for $14.0 billion of the industry's sales volume in 2015 with full- service hotels accounting for the majority at $35.0 billion – up 56.0 percent from a year earlier. Blackstone's $6.0-billion buyout of Strategic Hotels in December contributed greatly to the sales volume for the full-service sector. Without it, however, volume would still be up, but only 13.0 percent from 2014.

Amid the industry's overall sales growth, a handful of markets posted declining volume in 2015. Houston, Hawaii, Philadelphia, Seattle, and Northern New Jersey each posted at least a 20.0 percent decline in annual sales.

LODGING FORECASTS

SEGMENT	2016	ANNUAL CHANGE
Upscale		
Occupancy	74.1%	- 0.3%
ADR	$140.46	+ 5.0%
RevPAR	$104.11	+ 4.7%
Upper Midscale		
Occupancy	68.1%	+ 0.7%
ADR	$113.97	+ 4.6%
RevPAR	$77.62	+ 5.4%

Source: ©PriceWaterhouse Coopers

The top-five markets in terms of sales volume for 2015 are Manhattan, San Francisco, Chicago, Orlando and Miami. While three of the five metros had the distinction of also being in the top ten for 2014, Chicago and Orlando have both made impressive leaps during the past year.

NATIONAL FULL-SERVICE LODGING SEGMENT

The two chain scales that comprise the national full-service lodging segment (upscale and upper midscale) are forecast to see the greatest increases in supply in 2016. With a projected increase of 5.0 percent, the up- scale chain-scale segment leads the U.S. lodging industry, which is expected to realize a supply increase of 1.9 percent. Supply growth for the upper-midscale segment is projected at 3.6 percent. “Supply increases, combined with declining foreign travel, are a concern,” remarks an investor.

Also of concern to some investors are oil pricing trends. “We will avoid locations with strong correlations to the energy sector and oil pricing,” shares an investor. In addition, investors continue to watch both U.S. and international economies. “As the first asset class negatively affected by a global slowdown, it’s important to see early signs of decline,” says another participant.

In the coming year, surveyed investors foresee property values in this segment appreciating an average of 1.6 percent – the lowest of the Survey’s four hotel segments.

NATIONAL FULL-SERVICE LODGING SEGMENT

	FIRST QUARTER 2016	THIRD QUARTER 2015	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	8.50% - 13.00%	8.50% - 13.00%	8.75% - 13.00%	9.50% - 13.00%	9.50% - 12.00%
Average	10.48%	10.48%	10.69%	11.00%	10.95%
Change (Basis Points)		0	- 21	- 52	- 47
OVERALL CAP RATE (OAR)[a]					
Range	6.00% - 10.00%	6.00% - 10.00%	6.00% - 10.00%	6.00% - 10.00%	7.50% - 10.00%
Average	7.75%	7.60%	7.71%	8.02%	8.79%
Change (Basis Points)		+ 15	+ 4	- 27	- 104
RESIDUAL CAP RATE					
Range	7.00% - 10.00%	6.50% - 10.00%	6.50% - 10.00%	6.00% - 12.00%	8.00% - 12.00%
Average	8.38%	8.18%	8.31%	8.71%	9.79%
Change (Basis Points)		+ 20	+ 7	- 33	- 141
AVERAGE DAILY RATE[b]					
Range	0.00% - 5.00%	0.00% - 7.00%	0.00% - 7.00%	0.00% - 8.00%	(1.00%) - 8.00%
Average	3.50%	4.00%	4.00%	4.00%	2.58%
Change (Basis Points)		- 50	- 50	- 50	+ 92
OPERATING EXDPENSE[b]					
Range	1.00% - 4.00%	1.00% - 4.00%	1.00% - 4.00%	1.00% - 4.00%	1.00% - 4.00%
Average	2.70%	2.80%	2.83%	2.96%	2.71%
Change (Basis Points)		- 10	- 13	- 26	- 1
MARKETING TIME[c]					
Range	3 - 9	3 - 9	3 - 9	3 - 24	2 - 24
Average	6.9	6.9	6.6	9.1	9.2
Change (▼, ▲, =)		=	▲	▼	▼

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months
Source: ©PriceWaterhouse Coopers

NATIONAL LIMITED-SERVICE MIDSCALE & ECONOMY LODGING SEGMENT

Semiannual shifts in this market’s key indicators suggest a guarded outlook among surveyed investors in the national limited-service midscale & economy lodging segment. First, its average overall cap rate moves up ten basis points to 8.88 percent as the high end of the range increases 25 basis points (see Table 35). Second, its initial-year average daily rent (ADR) change rate assumption decreases 35 basis points to reach 3.15 percent – the lowest average for this cash flow assumption since 2011.

As in the Survey’s other lodging segments, top concerns noted by investors for this segment include volatility in the financial markets, too much supply growth, and “a notice- able slowdown in the U.S. economy, which will likely cause underwriting to become more conservative.”

LODGING FORECASTS

SEGMENT	2016	ANNUAL CHANGE
Luxury		
Occupancy	75.0%	- 0.5%
ADR	$334.65	+ 5.3%
RevPAR	$251.04	+ 4.8%
Upper Upscale		
Occupancy	74.2%	0.0%
ADR	$184.27	+ 5.2%
RevPAR	$136.68	+ 5.2%

Source: ©PriceWaterhouse Coopers

In terms of supply growth, the midscale segment is forecast to see a 1.2 percent increase in 2016 – just above that of the U.S. average of 1.9 percent. The economy segment's supply growth estimate for 2016 is a decline of 0.4 percent.

NATIONAL LIMITED-SERVICE MIDSCALE & ECONOMY LODGING SEGMENT					
	FIRST QUARTER 2016	THIRD QUARTER 2015	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	8.50% - 12.00%	8.50% - 12.00%	8.50% - 12.00%	9.00% - 13.00%	10.00% - 14.00%
Average	10.70%	10.53%	10.55%	10.81%	11.94%
Change (Basis Points)		+ 17	+ 15	- 11	- 124
OVERALL CAP RATE (OAR)[a]					
Range	7.50% - 10.25%	7.50% - 10.00%	7.50% - 10.00%	8.00% - 12.00%	8.00% - 12.00%
Average	8.88%	8.78%	8.95%	9.70%	9.80%
Change (Basis Points)		+ 10	- 7	- 82	- 92
RESIDUAL CAP RATE					
Range	7.75% - 10.50%	7.75% - 10.50%	7.75% - 11.00%	8.00% - 11.00%	8.50% - 12.00%
Average	9.48%	9.50%	9.63%	9.65%	10.00%
Change (Basis Points)		- 2	- 15	- 17	- 52
AVERAGE DAILY RATE[b]					
Range	2.00% - 4.00%	2.00% - 5.00%	2.00% - 5.00%	2.00% - 7.00%	(3.00%) - 7.00%
Average	3.15%	3.50%	3.40%	3.80%	2.60%
Change (Basis Points)		- 35	- 25	- 65	+ 55
OPERATING EXDPENSE[b]					
Range	2.50% - 3.00%	2.50% - 3.00%	1.00% - 3.00%	1.00% - 3.00%	1.00% - 3.00%
Average	2.95%	2.95%	2.75%	2.75%	2.70%
Change (Basis Points)		0	+ 20	+ 20	+ 25
MARKETING TIME[c]					
Range	2 - 12	2 - 12	2 - 12	2 - 12	2 - 12
Average	6.9	7.0	7.0	7.7	7.9
Change (▼, ▲, =)		▼	▼	▼	▼

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months
Source: ©PriceWaterhouse Coopers

NATIONAL LUXURY/UPPER-UPSCALE LODGING SEGMENT

Survey results suggest that investors remain positive about the near- term performance of the national luxury/upper-upscale segment, but are closely watching both consumer sentiment and business growth trends. As one participant notes, "Any negative sentiment will adversely impact the lodging market." In addition, many continue to monitor global security issues due to their direct negative impact on inbound U.S. travel.

Investors' favorable expectations for this market are noted in its average overall cap rate, which slips eight basis points to 6.90 percent this quarter (see Table 36). At the same time, the low end of the range for this key cash flow assumption drops to 4.00 percent. In addition, this market's average daily rate (ADR) change rate assumption increases 25 basis points to 3.83 percent – its highest average in two years.

Over the next 12 months, surveyed investors foresee property values appreciating up to 10.0 percent in this market; the average expected value appreciation rate is 4.0 percent – the highest of the four hotel segments in our Survey.

NATIONAL LUXURY/UPPER-UPSCALE LODGING SEGMENT	FIRST QUARTER 2016	THIRD QUARTER 2015	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	6.50% - 12.00%	7.25% - 12.00%	8.00 - 12.00%	9.00% - 13.00%	8.00% - 14.00%
Average	9.60%	9.69%	9.83%	10.50%	10.58%
Change (Basis Points)		- 9	- 23	-90	-98
OVERALL CAP RATE (OAR)[a]					
Range	4.00% - 9.00%	4.75% - 9.00%	4.75% - 9.00%	6.00% - 10.00%	5.00% - 11.00%
Average	6.90%	6.98%	7.10%	8.03%	8.28%
Change (Basis Points)		- 8	- 20	- 113	- 138
RESIDUAL CAP RATE					
Range	5.50% - 10.00%	6.00 - 10.00%	5.75% - 10.00%	6.00 - 12.00%	6.00 - 12.00%
Average	7.27%	7.35%	7.38%	8.72%	9.05%
Change (Basis Points)		- 8	- 11	- 145	- 178
AVERAGE DAILY RATE[b]					
Range	0.00% - 9.00%	0.00% - 9.00%	0.00% - 9.00%	0.00% - 7.00%	(2.00%) - 20.00%
Average	3.83%	3.58%	3.75%	3.31%	4.55%
Change (Basis Points)		+ 25	+ 8	+ 52	- 72
OPERATING EXDPENSE[b]					
Range	0.00% - 5.00%	0.00% - 5.00%	0.00% - 5.00%	0.00% - 4.00%	0.00% - 6.00%
Average	2.83%	2.83%	2.92%	2.63%	2.85%
Change (Basis Points)		0	- 9	+ 20	- 2
MARKETING TIME[c]					
Range	3 -12	3 -12	3 -12	2 -20	2 -20
Average	5.8	6.0	6.3	8.0	7.7
Change (▼, ▲, =)		▼	▼	▼	▼

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months
Source: ©PriceWaterhouse Coopers

NATIONAL SELECT-SERVICE LODGING SEGMENT

While properties in the national select-service lodging segment remain prime acquisition targets for many buyers, their expectations of value appreciation have waned recently due to volatility in the financial markets and concerns about global economic instability. As shown in Table SSL-1, our Survey results forecast a 2.2 percent average value appreciation rate for the U.S. select-service lodging segment – down from 3.7 percent six months ago.

The anticipation of less value appreciation is making it difficult for some sellers to achieve asking prices despite a still-competitive sales arena. “The capital markets have decided that this cycle has run its course, and the window is closing to sell at a high level despite a lack of evidence,” says an investor, who senses that this segment is slowly shifting in favor of buyers.

This quarter, 60.0 percent of surveyed investors believe market conditions favor sellers – down from 80.0 percent six months ago. The balance hold this market as equally favoring buyers and sellers.

EXPECTED VALUE CHANGE*

SEGMENT	RANGE	AVERAGE
Full Service	0.0% to 4.0%	+ 1.6%
Limited-Service Midscale & Economy	0.0% to 5.0%	+ 2.8%
Luxury/Upper Upscale	0.0% to 10.0%	+ 4.0%
Select Service	0.0% to 4.0%	+ 2.2%

* Over the next 12 months
Source: ©PriceWaterhouse Coopers

NATIONAL SELECT-SERVICE LODGING SEGMENT	FIRST QUARTER 2016	THIRD QUARTER 2015	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	9.00% - 12.00%	9.00% - 12.00%	9.00% - 13.00%	9.00% - 15.00%	10.00% - 15.00%
Average	10.80%	10.90%	10.90%	11.10%	11.55%
Change (Basis Points)		- 10	- 10	- 30	- 75
OVERALL CAP RATE (OAR)[a]					
Range	6.50% - 10.75%	6.50% - 11.00%	5.00% - 11.00%	5.00% - 12.00%	5.00% - 12.00%
Average	8.43%	8.45%	8.20%	8.30%	8.40%
Change (Basis Points)		- 2	+ 23	+ 13	+ 3
RESIDUAL CAP RATE					
Range	7.50% - 11.00%	7.00% - 11.00%	6.00% - 11.00%	5.00% - 12.00%	6.00% - 12.00%
Average	8.95%	8.95%	8.65%	8.50%	10.05%
Change (Basis Points)		0	+ 30	+ 45	- 110
AVERAGE DAILY RATE[b]					
Range	2.00% - 5.00%	2.00% - 7.00%	2.00% - 8.00%	1.00% - 8.00%	0.00% - 10.00%
Average	3.40%	3.70%	4.70%	4.80%	5.00%
Change (Basis Points)		- 30	- 130	- 140	- 160
OPERATING EXDPENSE[b]					
Range	2.00% - 4.00%	2.00% - 4.00%	2.00% - 4.00%	2.00% - 4.00%	1.00% - 3.00%
Average	2.75%	2.95%	2.95%	2.95%	2.50%
Change (Basis Points)		- 20	- 20	- 20	+ 25
MARKETING TIME[c]					
Range	2 - 12	2 - 12	2 - 12	2 - 12	2 - 12
Average	6.0	6.0	6.6	6.9	6.7
Change (▼, ▲, =)		=	▼	▼	▼

a. Rate on unleveraged, all-cash transactions b. Initial rate of change c. In months
Source: ©PriceWaterhouse Coopers

KEY EXTERNAL DRIVERS

Domestic Trips by US Residents

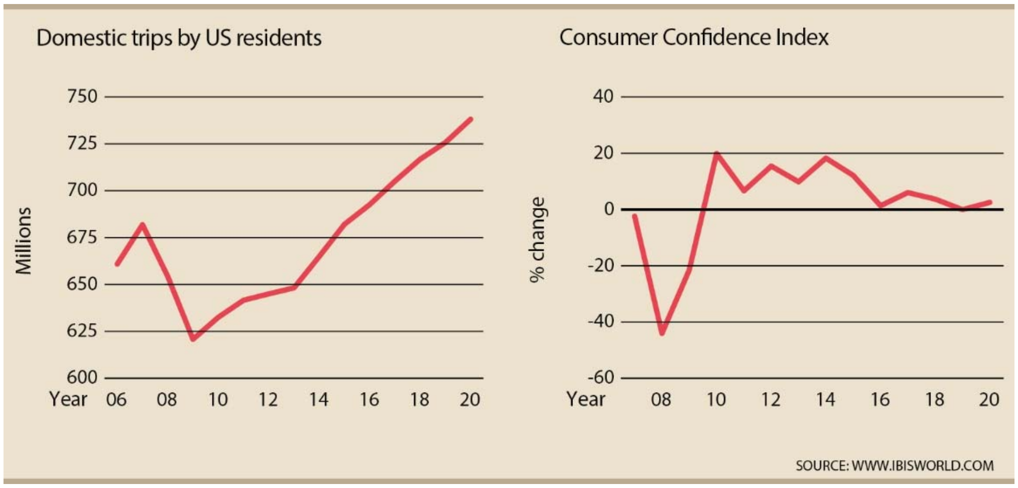
Trends in domestic travel, especially business travel, and the total nights spent away from home directly affect demand for accommodation. As the number of trips made by US citizens rises, demand for hotels and motels increases. The number of domestic trips is expected to increase in 2015, presenting a potential opportunity for the industry.

Consumer Confidence Index

Changes in consumer confidence influence decisions that individuals make concerning expenditure on entertainment and traveling, particularly during a recession. The consumer confidence index is expected to increase during 2015; however, given the inherent volatility of the Consumer Confidence Index, it could become a potential threat to the industry.

Consumer Spending

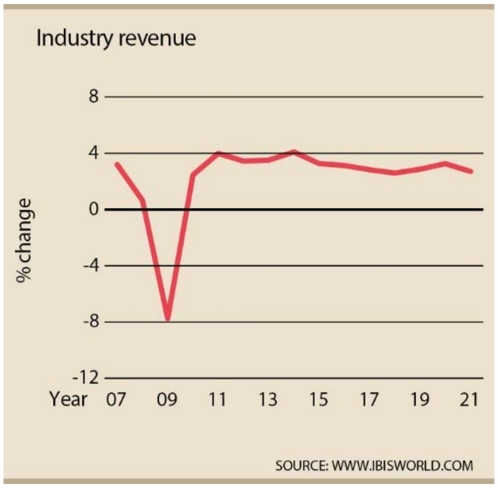
Consumer spending levels have a direct effect on travel demand. When consumers are spending more overall, they are more likely to spend some of their money on travel and accommodations. Therefore, a rise in consumer spending benefits demand for hotels and motels. Consumer spending is expected to slowly increase in 2015.



Inbound trips by non-US residents Trends in international visitor arrivals and their lengths of stay influence demand for accommodation. A rise in inbound trips positively affects demand for hotels and motels. The number of inbound trips by non- US residents is expected to increase during 2015.

Current Performance

The Hotels and Motels industry has experienced robust growth over the five years to 2015. As per capita disposable income and consumer confidence have increased, all forms of travel accommodation have experienced an increase in demand, as consumers increased spending on luxuries such as travel. Since destination hotels and motels rely heavily on domestic and foreign tourists, the increase in domestic and international travel over the five-year period has substantially contributed to the industry's bottom line. For example, industry revenue grew 3.4 percent in 2012, as international travel into the United States spiked by 7.1 percent over the same year.



Consequently, revenue is expected to increase at an annualized rate of 3.7 percent to $166.5 billion over the five years to 2015. Over the five-year period, arrivals from abroad have spiked at an annualized rate of 5.5 percent, while domestic travel rates have increased an annualized 1.5 percent over the same five-year period. The infusion of tourist dollars is expected to continue into 2015, benefiting hotels and motels and enabling them to increase room rates, which will cause revenue to grow 3.3 percent in 2015 alone.

Comeback Time

The industry is particularly sensitive to macroeconomic factors, geopolitical instability and actual or threatened terrorism, all of which negatively affects people's tendency to travel. However, as the economy has improved over the five-year period, in line with incomes, corporate profit, employment and consumer confidence, so have travel rates and, consequently, demand for hotels and motels has risen. The broader tourism sector has reestablished itself as one of the economy's fastest-growing sectors, and industries with exposure to tourism, such as the Hotels and Motels industry, have fared particularly well over the past five years, thanks to marked increases in consumer spending and travel.

Accommodating for Growth

Technological innovations have increased labor productivity, lowered labor costs and enhanced customer service within the Hotels and Motels industry over the past five years. The industry has especially benefited from the widespread proliferation of the internet, which enables operators to gather information, manage reservations and remotely purchase supplies, thereby lowering overall costs. The information gathered by operators using internet technology also allows them to send better-targeted promotions via e-mail, text message or social media. The internet has allowed major hotel chains to better and more frequently communicate with members of guest rewards programs, which helps them attract and retain frequent travelers as customers. Also, most operators now allocate a portion of their unsold rooms to websites, such as Lastminute.com and Priceline.com, which increases their occupancy rates and generates additional revenue. Bookings made through online travel agents accounted for 14.9 percent of all hotel bookings in 2014, according to research company TravelClick, compared with 23.8 percent of bookings made directly through a hotel's dedicated website (latest available data).

Major operators, such as Starwood Hotels and Resorts Worldwide, have also formed real estate investment trusts to raise funds. Additionally, major operators have restructured operations away from direct hotel property ownership over the past five years to solely provide specialist services in hotel management. While overall revenue from hotel management is lower, such services have provided an opportunity to generate higher profit margins due to the elimination of many property-related costs. Nevertheless, the industry is still largely property based.

Therefore, owners are subject to changes in general property value cycles and economic conditions, as well as to any localized imbalances in hotel room demand and supply influences.

Industry Structure
Profit margins have grown over the past five years, as hotels and motels have increased their room rates to supplement fewer new rooms on the market, thanks to an uptick in demand. Hotels have also been hiring with increasing intensity to meet guests' higher expectations for service. Industry employment has grown steadily by an annualized 2.8 percent to 1.6 million workers. A large proportion of industry employees work on a casual or part-time basis and this style of employment has increased over the past five years, as operators have sought to control costs. Casual employees can work split shifts to cover peak periods and special tourist events. Conversely, full-time employees add to operators' fixed costs. Due to resurgent demand and widespread cost cutting, profit margins have increased and are expected to account for an estimated 15.6 percent of industry revenue in 2015.

Meanwhile, the number of industry enterprises has remained relatively flat over the past five years, and are anticipated to grow at an annualized rate of 1.2 percent to 74,372 operators.

Growth in hotel and motel locations has largely been confined to the industry's biggest players. For example, InterContinental Hotels Group opened 148 hotels in 2012 alone, targeting the midscale market through its Holiday Inn brand. This has only added to the high level of industry concentration, with the top four operators in the industry, Hilton Worldwide, Marriott International, InterContinental Hotels Group and Starwood Hotels and Resorts, now controlling about 40.0 percent of industry revenue.

INDUSTRY OUTLOOK

The Hotels and Motels industry is expected to experience another five years of consistent growth. The industry will expand as a result of a strengthening global economy, and tourism and business travel rates will increase as a result of improved consumer confidence. Over the five years to 2020, IBISWorld forecasts that revenue will increase at an annualized rate of 2.9 percent to $192.4 billion.

Economic Growth to Boost Demand
Over the next five years, the industry will benefit from improvements in the domestic and global economy as unemployment rates decline and consumers begin to spend more freely, particularly on recreational activities such as vacations and traveling.

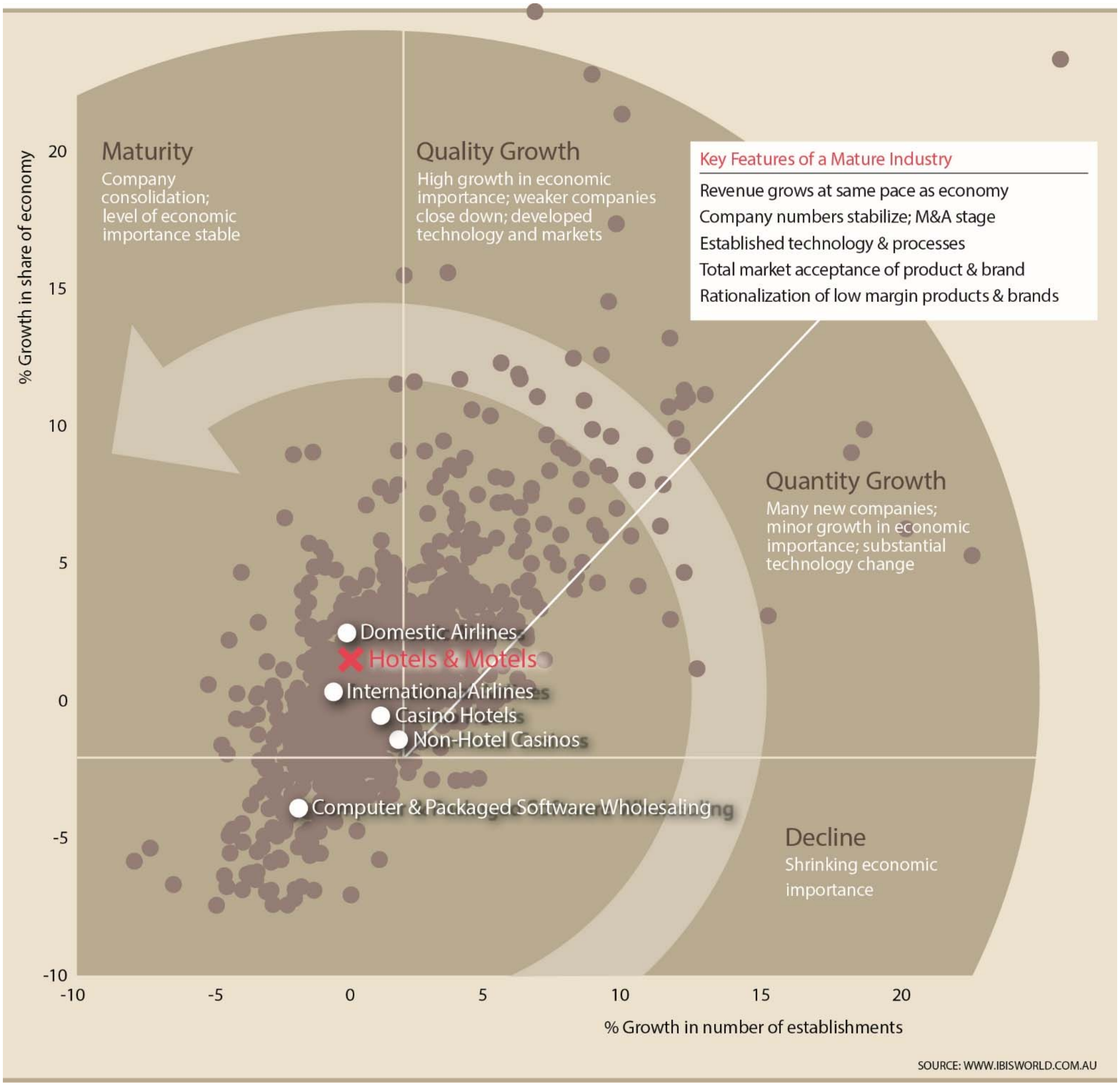
Consumer spending is expected to increase over the five years to 2020 at an annualized rate of 2.7 percent. Business spending is also forecast to increase in line with rising corporate profit, which will contribute to growth in demand for hotels and motels from the all-important corporate sector. Corporate profit is projected to rise an annualized 2.3 percent over the next five years, reaching $2.4 trillion, which is a historic high for corporate profit in the United States.

With consumers enjoying larger incomes and businesses replenishing their budgets, travel spending is projected to increase over the next five years. In 2015, international arrivals are anticipated to rise 4.7 percent, while domestic travel is expected to grow 2.6 percent in the same year. IBISWorld expects that these rates will remain steady over the next five years, with international arrivals and domestic travel growing at annualized rates of 4.2 percent and 1.6 percent, respectively. With a greater amount of tourists needing accommodation, hotels and motels are expected to benefit from an influx of tourist dollars and more business travel.

People and Profit
Average industry profit margins are also anticipated to grow over the next five years in response to increasing demand for travel accommodation. The continued growth of higher-margin specialty operators, such as

extended- stay boutique hotels, spa and health retreats and resorts, are expected to drive improvements in profitability.

Conversely, the low-cost hotel and motel segment is also anticipated to expand and grapple with more intense price competition on room rates. As a result, this factor may place some pressure on operators to reduce costs to remain competitive. Employment levels will rise over the next five years in response to increased demand for accommodation, although employment will grow at a slower rate than revenue. Operators will hire more workers to meet guests' service expectations, but will continue to monitor costs closely. Over the next five years, employment is forecast to grow at an annualized rate of 2.3 percent to 1.8 million people.



Industry Life Cycle

The Hotels and Motels industry in the United States is in the mature phase of its life cycle. As the industry is heavily dependent on tourism and aggregate consumption levels, overall increases in these drivers of demand have contributed to steady revenue growth over the long term. Over the 10 years to 2020, industry value added

(IVA), which measures an industry's contribution to GDP, is forecast to grow at an annualized rate of 3.5 percent, above GDP growth of 2.2 percent over the same period.

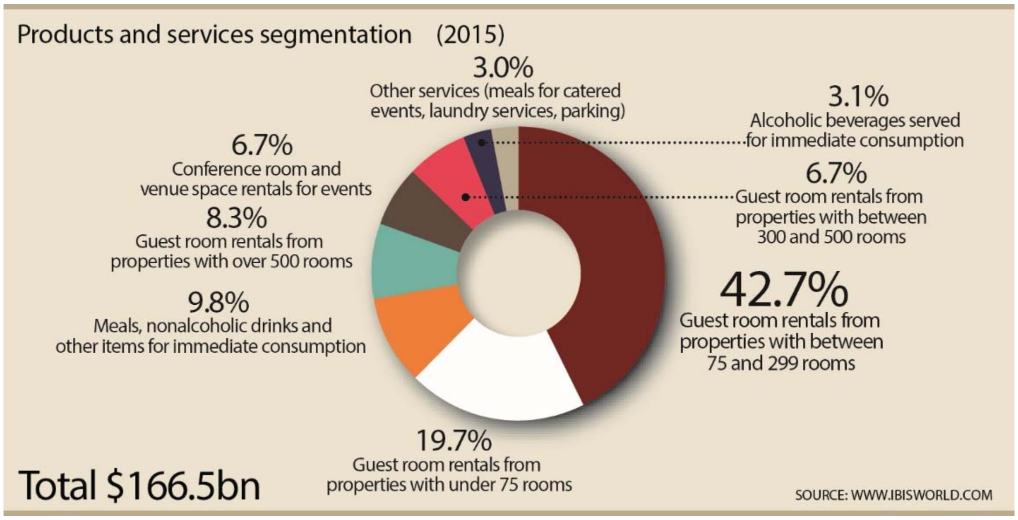
Domestic travel growth is expected to continue over the next five years, although at a slower rate than international tourism, due to businesses' travel needs and consumers' increased leisure time and income. The industry is also expected to increase investment in new hotels following a period of historically low development (a low was established in 2011 with only 346 new hotel openings, from a peak of 1,341 in 2008, according to Lodging Econometrics). However, many large operators are also seeking to expand their operations internationally into new growth markets, including countries and regions such as Latin America, Russia, Eastern Europe, China, India and the Middle East. With global operators focusing on emerging economies, this may tie up capital and restrict domestic investment.

Technology plays an increasingly important role in the industry and has contributed to the industry's growth. Direct bookings on the websites of major operators have increased rapidly over the past five years to represent the number one channel through which travelers book accommodation (27.9 percent of all bookings), according to TravelClick. According to TravelClick, bookings directly via hotel websites increased 6.9 percent in fiscal 2014. The other channels through which guests can book are calls to a hotel's 800-number (14.2 percent); the Global Distribution System used by travel agents (19.2 percent); calls right to the hotel property and walk-in customers (23.8 percent) and online travel agents (14.9 percent). It is also increasingly common for hotel groups to release their excess rooms at deep-discount prices and at short notice to other web-based hotel accommodation sellers. Web-based bookings in all forms are expected to continue to expand rapidly.

Products & Services

A hotel is an establishment that provides lodging and, often times, meals and other services for travelers and other paying guests. Conversely, a motel provides lodging for motorists in rooms that usually have direct access to an open parking area. A particular hotel or motel can be classified by a number of characteristics, including whether it provides full or limited service, whether or not it is located in a metropolitan area, the state or region in which it is located, its price or rate level, the number of rooms, and whether it is independent or part of a chain operation.

Hotels and motels can also be segmented by room price rates. The establishments within room rates in the highest 30 percentile that are located in local or metropolitan markets are classified as upscale or luxury. The middle 30 percentile is classified as mid-priced, and the lowest 40 percentile as either economy or budget.



Hotels and Motels

Overall, sales from hotels and motels are expected to account for 77.4 percent of industry revenue in 2015. Properties with more than 75 rooms in particular are forecast to account for 57.7 percent of revenue and 74.6 percent of industry establishments, according to data provided by the American Hotel and Lodging Association (AHLA) as well as IBISWorld estimates. Many of these properties are located primarily in small metropolitan areas, as well as in proximity to airports and within suburban areas. Many of these establishments are considered to accommodate business travelers and a smaller percentage of leisure travelers, particularly those who are either passing through or desire a streamlined experience. As a result, many of these locations include economy, select service and extended stay hotels, ranging from offering the most basic amenities, such as those provided by Marriott's Fairfield Inn and Suites, to hotels that offer a very specific range of amenities to appeal to a specific type of traveler, such as a short- stay business traveler. Hotels that cater to the business traveler also tend to fall on the larger end of the scale, as many companies and industries may use these properties to host events, conferences, as well as business-related retreats, in which only a small range of leisurely amenities are necessary. Many of these larger properties will consequently have conference rooms and event spaces to cater to this specific clientele. By location, these properties are expected to account for 61.9 percent of industry establishments in 2015, and have grown as a share of industry revenue, as corporate profit continues to increase alongside the number of businesses.

Properties with between 300 and 500 rooms are expected to account for 6.7 percent of revenue in 2015, while properties with more than 500 rooms are expected to account for 8.3 percent over the same period. Hotels of this size are typically considered to include full service hotels, such as the Marriott Marquis brand and Hyatt Regency. These properties typically service mid-to-upscale leisurely travelers looking for an all-inclusive experience. As a result, many hotels within this product segment offer both leisurely and business- related amenities, such as swimming pools and children's activities, as well as conference rooms and event spaces. Many individuals also seek the business of establishments within this product segment for special events, such as parties and weddings. Consequently, ball rooms and catering services are also typically offered at these properties. While some upscale luxury hotels fit within this product segment, many properties, such as the Four Seasons, split their properties into condominiums as well as hotels. As a result, while the amount of properties may suggest a larger hotel, the actual amount of guest rooms are smaller. Some smaller boutique hotels also fall within the range of a luxury hotel; however, because of their size, are not traditionally molded as such. Boutique hotels are typically located within urban areas, many of which are not branded and independent. Hotel Indigo, The NoMad hotel and the Ace Hotel, serve as examples of the many boutique offerings within urban areas.

Nevertheless, four-to-five diamond hotels typically offer many of the same amenities as full-service hotels, as well as highly personalized services and fine dining.

Guest room rentals from properties with under 75 rooms are expected to account for 19.7 percent of revenue and just 12.8 percent of establishments in 2015. The majority of properties within this segment are considered to be motels, which provide about 12.6 percent of industry revenue. The relative proportion of revenue from each of these segments has been relatively stable over the past five years, although motels experienced some growth at the expense of higher- priced hotels as consumer spending has picked up.

Additional Revenue Streams
Most hotel operators seek to diversify their revenue through ancillary services that complement accommodation tariffs. Most hotels have a full-service bar and restaurant that provides the average establishment with an estimated 13.0 percent of annual revenue. In an increasingly competitive industry, some hotels have sought to position their restaurant as the hotel's main attraction with the aim of attracting travelers that would otherwise stay elsewhere. Conference room spaces are a growing revenue stream and many hotels market their ability to hold lucrative business conventions or meetings. For conferences that attract hundreds or thousands of attendees, hotels will offer bulk discounts.

Consequently, conference rooms are expected to account for 6.7 percent of revenue in 2015, while other services, such as meals for catered events, laundry service and valet service, are expected to account for 3.0 percent of revenue in 2015.

Demand Determinants

Demand for hotel and motel accommodation is derived from both the domestic and international visitor market.

Domestic Travel

Demand for hotel and motel accommodation is dependent on factors that affect travel, such as changes in household disposable income (which is influenced by changes in general employment growth) as well as movements in interest and tax rates. Changes in disposable income affect the number of trips a household takes as well as its expenditures while traveling, which in turn affects the growth and economic impact of the tourism industry.

Also important is the price of fuel, which affects household disposable income, as well as general travel demand, flows and patterns. Changes in the availability of leisure time and the recent reluctance of people in the labor market to use their holiday leave (due to work and family commitments) are also impacting the Hotels and Motels industry. Holiday expenditure is also in competition with other leisure and recreational industries and competes for a share of household disposable income.

A longer-term influence on travel patterns is the cost of taking a domestic trip compared with an international one. The difference between the two is influenced by exchange rate movements, the availability of cheap airfares and holiday packages and the supply of airline seats.

Finally, tourism promotions by private operators and federal and state governments (e.g. through TV programs and special sporting events) also stimulates travel. However, individual state government promotions typically influence domestic travel patterns to favor only their state, rather than the entire industry.

Business Travel

Business travel is greatly influenced by changes in economic growth, business confidence and corporate profit. Economic conditions directly affect the number of business trips taken, the length of stay and budgeted travel spending. Increasingly, technologies such as teleconferencing and conference calling can take the place of business travel.

International Tourism

International tourism is one of the most competitive industries globally. International tourism is affected by factors similar to domestic travel as well as global economic conditions, especially changes in economic growth. Furthermore, particularly in major visitor-origin countries/regions, international tourism is affected by changes in the US dollar against other major currencies, which has an impact on the cost of travel, as well as the relative attractiveness of traveling to competing destinations.

Other factors, such as heightened geopolitical tensions including wars and terrorism (whether feared or actual), affect international travel plans. Promotional expenditures and activities, such as the holding of major or special events, on the part of governments and other organizations can raise awareness and interest in travel. Finally, supply factors are also of critical importance, including the availability of airline flights and seats at the times people want to travel, as well as accommodations to and at their selected destination.

Major Markets

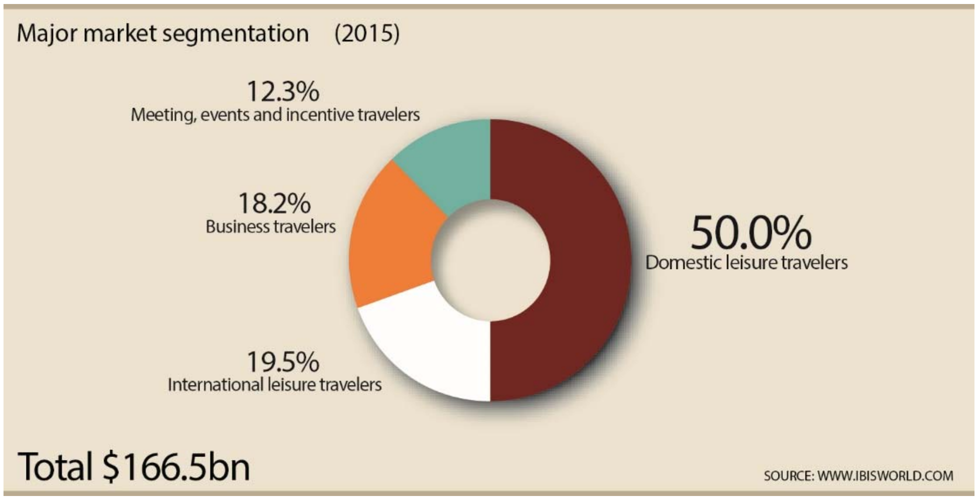
A number of factors, including age, income, purpose of travel and travel origin, can determine this industry's major markets.

Leisure Travel

An estimated 50.0 percent of revenue for the Hotels and Motels industry comes from domestic travelers, with about three out of every four trips taken for leisure purposes, according to the US Travel Association.

Most leisure travel is discretionary and therefore subject to broad economic trends, such as the onset of a recession or high fuel prices. For this reason, leisure travel declined significantly during the recession. However, vacation destinations and modes of transport can be easily substituted for less desirable alternatives when economic conditions are tough. The most common purposes for leisure travel by US domestic travelers are visiting relatives, shopping, visiting friends, fine dining and visiting beaches.

Business Travel



IBISWorld estimates that business travelers account for about 30.5 percent of spending on tourist accommodation. Of this spending, about two-thirds are related to general business spending and one-third is associated with meetings, conferences and events.

Business travelers typically spend more per night than leisure travelers, making them a lucrative market. In 2014 (the latest available data), US residents made 452 million person trips for business purposes.

International Visitor Arrivals

International visitors to the United States account for about 19.5 percent of total visitor expenditure in the United States. This includes spending on both leisure trips and business travel. In 2015, there will be an estimated 75.5 million international visitor arrivals (including those from Canada and Mexico). Major visitor origin countries include Canada and Mexico, and major overseas visitor origin countries include the United Kingdom, Japan and Germany. According to the US Travel Association, each overseas traveler on average spends about $4,300 when they spend more than 17 nights in the United States. The most common purposes for leisure travel to the United States are shopping; dining; city sightseeing; visiting historical places; and visiting amusement or theme parks.

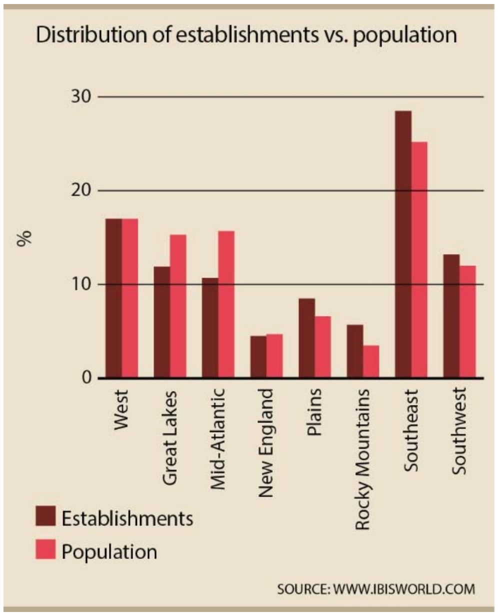
International Trade

As a service-based industry, the Hotels and Motels industry is not technically engaged in importing or exporting products, so international trade is not relevant to the industry. However, many hotels and motels derive a significant proportion of their revenue from international guests. The number of international visitors to the United States increased significantly until the period following the events of September 11, 2001, after which it declined until 2003. That number subsequently increased until 2008 as geopolitical tensions eased. The international recession in 2009 led to a fall in global travel, including to the United States, though it has rebounded since. Nevertheless, the United States is still second behind France in the list of most popular destinations among international visitors, though the United States is the top country in terms of tourism receipts in the world. In fact, the United States makes nearly twice as much as its nearest competitor. The main origins of visitors to the United States according to the Office of Travel and Tourism Industries are Canada (22.7 million trips in 2012) and Mexico (14.5 million trips), followed by the United Kingdom (3.8 million trips), Japan (3.7 million trips), Germany (1.9 million trips) and Brazil (1.8 million trips). The fastest growth is currently coming from China, which recorded 1.5 visitors in 2012, up 35.3 percent on 2011.

Business Locations

The industry is generally spread according to share of population and economic activity, but also according to a city's, region's or state's share of domestic and international visitor travel as a business or pleasure and holiday destination.

The proportion of hotel and motel establishments in a particular state or region is also driven by the attractions it offers, particularly those of international significance, or with international recognition, such as the Grand Canyon, Disneyland, Las Vegas, New York and Hollywood. Some states like New York attract business visitors because they have major commercial centers or are major industrial, financial and commercial centers for business or conference and convention travelers. Past migration patterns to the United States are also an important driver for travel and accommodations related to visiting friends and relatives.



When regional population percentages are compared with domestic tourism expenditure by region, there is a higher proportion of hotel and motel establishments in the Southeast region (which includes Florida), the Southwest region (which includes the Grand Canyon) the West region (which includes California and Las Vegas), and the Mid-Atlantic (which includes New York).

This trend closely mirrors the cities visited by the most international visitors, which are New York City, Los Angeles, Miami, Orlando, San Francisco, Las Vegas and Oahu/Honolulu. The geographic spread is also associated with the overall top 10 states for attracting domestic and international travelers, which include, in order, California, Florida, New York, Texas, Illinois, Nevada, New Jersey, Pennsylvania, Hawaii and Georgia. There has not been a significant change in this distribution over the five years to 2015.

COMPETITIVE LANDSCAPE

Market Share Concentration

In 2015, the four largest operators in the industry (Hilton Worldwide, Marriott International, InterContinental Hotels Group and Starwood Hotels and Resorts) account for an estimated 42.8 percent of industry revenue, providing this industry with a medium level of concentration.

Although industry concentration is moderate, it is increasing, as hotel buyouts and mergers become more frequent, and operators join franchise and chain operators. The market share of the top four players has increased over the past five years. Major companies in the hotel sector are also increasingly seeking to operate on a global scale. Operators with major international hotel companies are expected to continue merging.

Although the biggest players account for an increasing industry share, their expansion has been achieved through franchising. The franchise business model of the large hotel groups means they can grow with limited capital outlays and lower risk. The day-to-day running of the hotel is left to the franchisee who pays an annual marketing fee and royalties for access to the hotel's brand and marketing support.

According to the US Census, about 45.0 percent of establishments have nine or fewer employees, while 90.0 percent have fewer than 50 employees. There are, however, a significant number of larger establishments. Given the diversity of accommodation styles and standards, the industry has a large number of small and midsize operators, but only a small number of larger franchised or managed chain operators.

Industry Globalization

The industry is subject to a medium level of globalization. Most operators in the industry are US-owned and earn the majority of their revenue from domestic activity. However, globalization, particularly within the hotel segment, is increasing rapidly due to the presence of major international hotel chain owners and managers. All the major US-based hoteliers have international operators, most of which have expanded over the past five years. For example, Hilton Worldwide's (which changed its name from Hilton Hotels Corporation in 2009 to reflect its growing international portfolio) current development portfolio is heavily weighted to international markets. Likewise, Wyndham Worldwide now earns 25.0 percent of its revenue from its international properties, Starwood Hotels and Resorts Worldwide operates in over 100 countries and over 20.0 percent of Marriott International's revenue comes from hotels outside of the United States. There are also some significant foreign players in the domestic market, including Accor S.A. (based in France) and InterContinental (based in the United Kingdom).

This industry is expected to be subject to an increasing globalization over the next five years. This is the result of hotels seeking an international market presence for its travelers, the increased globalization of many major companies and business clients around the world, from the increasing of world-wide marketing and branding of hotels and resorts, as well as online booking and reservation systems.

MAJOR COMPANIES

Hilton Worldwide

Hilton Worldwide (formerly Hilton Hotels Corporation) is a McLean, VA- based lodging company that owns, manages or franchises about 4,000 hotels with approximately 660,000 rooms worldwide. About 77.5 percent of Hilton's rooms are based in the United States, a percentage that has declined over the past five years as the company's focus has shifted to emerging markets where hotel rates are growing quickly. Hilton employs 152,000 people worldwide at its managed, owned, leased and corporate locations, while another 162,000 individuals work in the company's franchised locations. Hilton has undergone a series of ownership changes over the past five years. The company was purchased by Blackstone Group, a private equity firm, in 2007 for $26.0 billion. Blackstone took Hilton public in late 2013, listing the company on the New York Stock Exchange and using the proceeds to pay down the substantial debt the group had taken on during the initial purchase of Hilton. During its ownership tenure, Blackstone increased the chain's room count by about one-third. This expansion was mainly achieved through franchised and managed hotels, which require limited capital investment.

Hilton owns 10 hotel brands, from luxury hotels to budget chains, such as Hilton, Hilton Garden Inn, Doubletree, Embassy Suites, Hampton, Homewood Suites by Hilton and Conrad. It also has a timeshare operation that trades under the name Hilton Grand Vacations. The majority of Hilton brands operate under franchise agreements with independent operators and companies, with only the company's flagship properties being managed by Hilton's corporation. According to a variety of industry sources, Hilton currently commands a RevPAR premium over its closest rivals of between 5.0 percent and 10.0 percent.

Hilton Hotels does not release revenue figures for its franchised and managed locations in its publicly available financials; however, IBISWorld has used RevPAR figures and the company's reported number of rooms to determine company market share. Based on these metrics, IBISWorld estimates that Hilton's total US system-wide sales have grown an annualized 8.6 percent over the five years to 2015 to $22.9 billion. During the five-year period, operating profit earned by the company's US hotels is estimated to have almost doubled to $5.6 billion. Hilton's system-wide RevPAR grew from $86.16 in 2010 to 105.63 in 2014 (latest available data), bolstered by greater travel rates and corporate spending. The company also added more than 100,000 rooms between 2010 and 2014, further increasing its global footprint over major competitors.

Hilton Worldwide (US industry-specific segment) - financial performance*

Year	Sales ($ million)	(% change)	Operating Income ($ million)	(% change)
2010	15,145.9	10.9	2,717.8	10.8
2011	16,456.5	8.7	2,891.9	6.4
2012	17,359.0	5.5	3,267.6	13.0
2013	18,575.8	7.0	4,127.5	26.3
2014	20,952.6	12.8	4,878.6	18.2
2015	22,851.4	9.1	5,607.4	14.9

*Estimates

SOURCE: IBISWORLD

Marriott International Inc.

Marriott International Inc. is a lodging company based in Bethesda, MD, with more than 4,200 properties globally in 80 countries and territories. The company is the second-largest hotel operator in the United States, trailing only Hilton Worldwide in terms of number of rooms. The United States is home to 78.5 percent of Marriott's rooms. Marriott operates and franchises its hotels under various brands including Marriott, The Ritz-Carlton, Renaissance, Courtyard, TownePlace Suites and Bulgari. It also develops and operates vacation ownership resorts under the Marriott Vacation Club, Horizons, The Ritz-Carlton Club and Grand Residences brands, while also running Marriott Executive Apartments. As of 2014, the company employs about 123,000 people worldwide.

Marriott International Inc. (US industry-specific segment) - financial performance*

Year	Sales ($ million)	(% change)	Operating Income ($ million)	(% change)
2010	14,822.1	10.8	881.1	N/C
2011	16,002.0	8.0	683.4	-22.4
2012	17,454.3	9.1	1,388.8	103.2
2013	18,583.5	6.5	1,436.2	3.4
2014	20,665.2	11.2	1,606.1	11.8
2015	22,458.9	8.7	1,683.2	4.8

*Estimates

SOURCE: ANNUAL REPORT

Marriott's operations extend over most segments of the accommodation market, including luxury, full service and limited service, to suit a variety of travelers and budgets. While such diversity typically provides some insulation from economic downturns, many of the company's hotels were forced to severely cut room rates to remain competitive and maintain a positive cash flow during the recession.

Over the past five years, Marriott has significantly expanded its US portfolio.

This expansion includes five properties from its May 2012 acquisition of the Gaylord Hotel brand. This strategic purchase expanded Marriott's convention business. Aside from this purchase, Marriott's recent growth in the United States has mainly been due to organic expansion rather than major acquisitions.

Due to the nature of Marriott's business structure, with its focus on management, franchising and licensing, IBISWorld projects the company's market share through estimated network sales rather than revenue earned. Over the five years to 2015, Marriott's US network sales are expected to grow at an annualized rate of 8.7 percent to $22.5 billion. It is estimated that the company's operating income will also increase steadily amid healthy rises in domestic and international tourism.

Marriott's sales growth has been encouraged by the expansion of its hotels network and a substantial increase in US system-wide RevPAR.

InterContinental Hotels Group PLC

InterContinental Hotels Group PLC (IHG) is a United Kingdom-based company and one of the biggest hotel chains in the world, measured by total number of rooms. IHG owns, manages and franchises more than 4,900 hotels across 100 countries under nine brands, including Holiday Inn, Crowne Plaza and InterContinental. IHG divides its hotels into segments based on their ownership and management structures. Hotels are either franchised, managed or owned. Consistent with IHG's low-asset business model, most of the company's hotels operate under a franchise agreement or are managed by IHG on behalf of the owner. Due to the low capital investment and minimal wage costs required for franchising, the company's franchise business is its most profitable segment. According to the company, IHG's network of hotels earned $22.8 billion in 2014.

InterContinental Hotel Group (US industry-specific segment) - financial performance*

Year	Sales ($ million)	(% change)	Operating Income ($ million)	(% change)
2010	10,283.7	9.8	2,673.8	5.7
2011	11,125.7	8.2	2,781.4	4.0
2012	11,562.7	3.9	2,775.0	-0.2
2013	11,828.1	2.3	2,779.6	0.2
2014	12,108.3	2.4	2,935.3	5.6
2015	12,465.0	2.9	2,970.7	1.2

*Estimates

SOURCE: IBISWORLD

IHG's portfolio of brands covers a wide range of key consumer segments active in the Hotels and Motels industry. High-end luxury travelers visiting major cities are catered to by IHG's five-star InterContinental locations, while its Holiday Inn brand accommodates midmarket consumers traveling for business or leisure. IHG's most recent project, Hotel Indigo, is a boutique hotel concept with 50 locations that targets travelers with a preference for edgy art and design. These locations are predominantly located in urban areas, and target well-to-do consumers between 20 and 50 years of age. RevPAR for all of IHG's brands has increased strongly over the five-year period, as travel across all major markets has increased. For example, in 2013, RevPAR of IHG- managed InterContinental hotels in the Americas grew 13.9 percent and 3.2 percent at its franchised locations.

IHG's asset-light business model means it owns just nine hotels, meaning most hotels operate under a franchise agreement or are managed by IHG on behalf of owners. Therefore, IBISWorld measures the company's market share by network sales, rather than revenue earned. IHG's total network sales in the United States (meaning sales garnered from owned, leased and managed hotels and sales earned by third party-owned franchised hotels) are estimated to grow at an annualized rate of 2.9 percent to $12.5 billion iover the five years to 2015. IHG's US network sales have experienced robust growth, as business and leisure travelers have increased their spending over the period. IHG's sales growth in the United States over the past five years has occurred due to an expanding network and rising RevPAR. In the United States, IHG's RevPAR climbed steadily when the company opened 148 hotels (latest available data). IHG has aggressively targeted the midscale market through its Holiday Inn brand.

Starwood Hotels & Resorts Worldwide Inc.

Starwood is a White Plains, NY-based lodging company. Starwood only operates in the luxury and upscale hotel segments. Its brands include St. Regis, the Luxury Collection, Sheraton, Westin, Le Meridien, W, Four Points by Sheraton, Aloft and Element. It also owns timeshare operation, Starwood Vacation Ownership Inc. Starwood owns, operates and franchises more than 1,000 hotels in about 100 countries, with a total of 346,800 rooms. The company's strategy has been to move from a cyclical real estate business to become a leading global lifestyle brand company. Its brands are leaders among upscale and luxury development hotels. Despite being only the seventh-ranked hotel chain in terms of number of rooms, Starwood brings in more revenue per room than any competitor due to its focus on luxury accommodation models.

Over the five years to 2015, US network sales are expected to grow at an average annual rate of 5.9 percent to about $7.3 billion. Domestic sales have increased over the past five years through strong RevPAR growth and higher occupancy rates, as represented by an increase from 67.4 percent in 2010 to 72.5 percent in 2013 in North America (latest available data). As corporate profit has continued to rise, sales from business travelers, which account for the majority of the company's sales, have led the recovery.

Wyndham Worldwide Corporation

Wyndham Worldwide Corporation, which is based in New York but operates globally, is one of the largest franchised- hotel operators in the United States. In 2006, parent company Cendant Corporation split into discrete companies operating in specific industries and its hotel operation was renamed Wyndham Worldwide. In the United States, Wyndham has about 5,700 properties with a total of 444,000 rooms. In 2013, Wyndham derived 75.0 percent of its revenue in the United States and 25.0 percent internationally (latest available data). Wyndham Worldwide's brands include Amerihost Inn, Days Inn, Knights Inn, Ramada, RCI, Fairfield Communities, Super 8 Motels, Travelodge, Villager, Howard Johnson and Wingate Inns. Its two largest brands, Super 8 and Days Inn, have about 2,000 locations each. Wyndham's brands mainly cater to the economy and midscale markets. It is also involved in the timeshare market via its RCI and Fairfield Communities brands. Wyndham earns one of the lowest RevPARs in the industry due to the budget-focused nature of its lodgings. Over the five years to 2015, US network sales are expected to grow an annualized 4.5 percent to $5.9 billion.

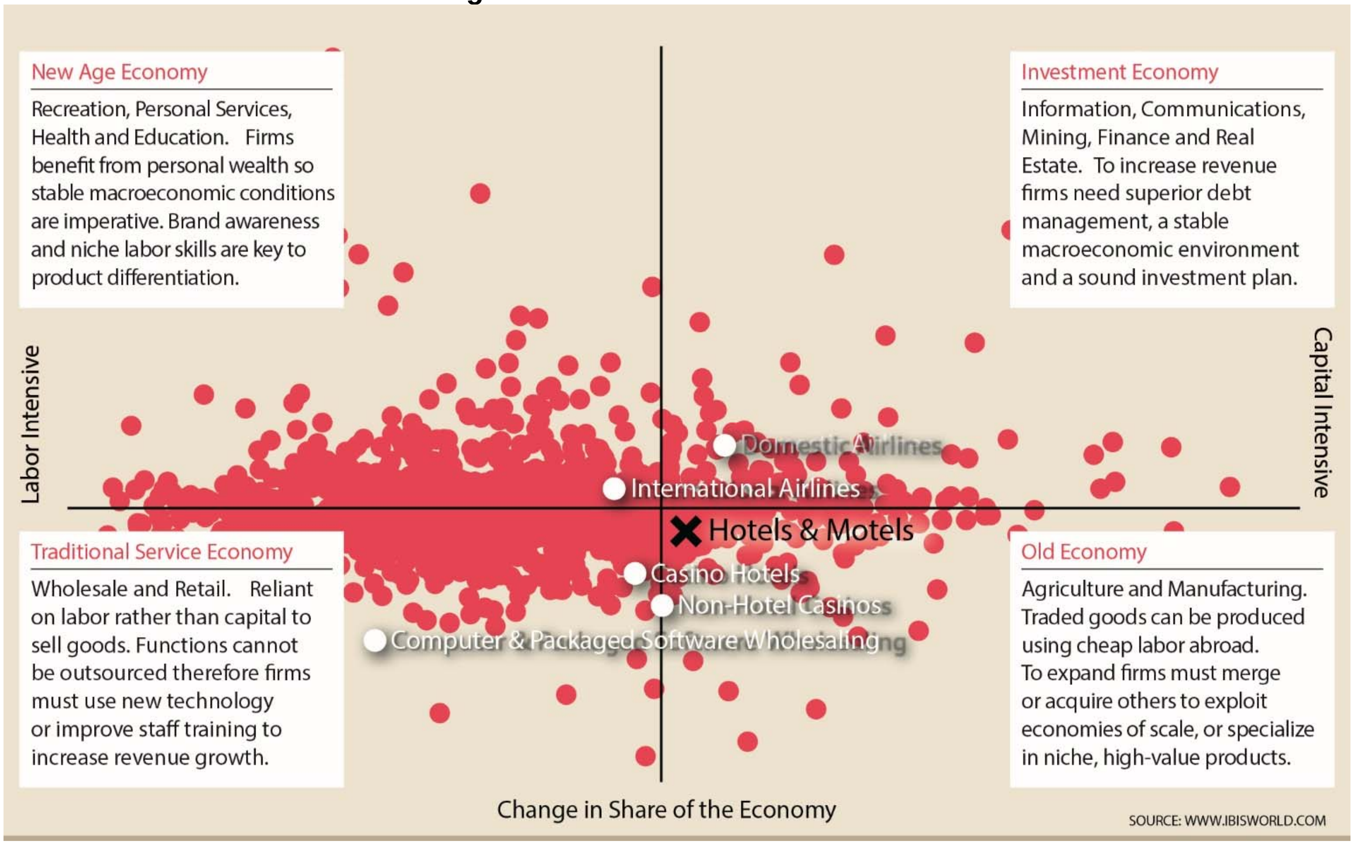
Operating Conditions

Capital Intensity

The Hotels & Motels industry is subject to a moderate-to-high level of capital intensity. For every $1.00 the average hotel in the industry spends on wages in 2015, it will spend an estimated $0.39 on the use and replacement of capital. Both labor and capital play an important role in the industry.

As a service-based industry, hotel and resort operators are highly dependent on direct labor input across all areas of operation, from front-desk service, reservations, room service and cleaning, food preparation, liquor and beverage service, and back of house operational management. Due to the service nature of the industry, many of these labor- intensive functions cannot be substituted by technology or machinery. To meet customers' expectations and provide a hospitable stay, trained staff are required. Labor costs can be managed by bringing on an appropriate number of trained casual and part-time staff at peak guest periods. Capital costs are also high and operators are exposed to a high level of depreciation. Investment in buildings, fixtures and fittings, restaurant equipment and capital improvement expenditure all contribute to high capital costs. However, a greater percentage of hotel operators are choosing to rent rather than own the actual hotel property they manage, preferring to outsource the property-risk to investors, lowing their capital costs.

Tools of the Trade: Growth Strategies for Success



Technology & Systems

The industry has experienced a medium level of technological change over the past five years. Technology is utilized for communication, internally, for example buying supplies online and guest management software, and for providing visitors access to internet-based booking and reservation system. The booking and reservation system typically incorporates room management and a linked accounting and management information system package for operators as well as direct approval and payment from credit card and debit card facilities.

Internet Bookings

Direct bookings on the websites of major operators have increased rapidly over the past five years to represent the number one channel through which travelers book accommodation (27.0 percent of all bookings), according to TravelClick. According to TravelClick, bookings directly via hotel websites increased 5.3 percent in 2013. The other channels through which guests can book are calls to a hotel's 800-number (15.0 percent); the Global Distribution System used by travel agents (18.4 percent); calls right to the hotel property and walk-in customers (24.7 percent) and online travel agents (14.9 percent). It is also increasingly common for hotel groups to release their excess rooms at deep-discount prices and at short notice to other web-based hotel accommodation sellers. Web-based bookings in all forms are expected to continue to expand rapidly.

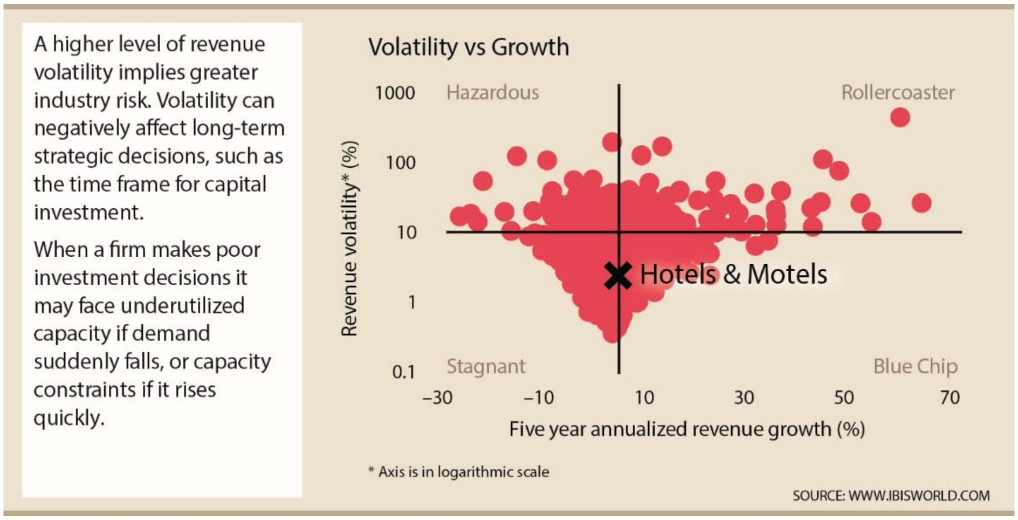
Many accommodation booking service websites are linked with Google Maps and other online maps to provide services where travelers can identify accommodation establishments by street location, star rating or proximity to their business, convention or holiday destination. There are also many user- generated online accommodation review and rating service websites to provide comments on travelers' actual experiences with individual hotel facilities and services.

In-Room Technology

The modern hotel includes high speed internet access via wired or Wi-Fi both in-room and throughout the building. Internet access is a must for any business traveler and is increasingly important for leisure travelers. The main challenge for hoteliers is offering guests the same level of internet services in a hotel room that they receive at home. For this reason, some hotels offer tiered bandwidth service, with pricing depending on the level of service. A high definition television with satellite pay-TV services is often the focal point of a hotel room. Other in-room technology includes MP3 docking stations, radio frequency identification for keyless entry, personalized lighting and climate control and convenient power sources. New hotel refurbishment projects often include integrated in-room technology that can be controlled by a single touch screen. Other technology incorporated into the modern hotel includes executive lounges, high-tech boardrooms and meeting rooms with ergonomic leather chairs, discreet projection facilities and wide-screen television sets, and other advanced technological features and equipment.

Some hotels are pioneering technology that allows guests the option of booking in and out of rooms without staff involvement through the use of mobile technology and smartphone applications. While the adoption of this technology can be expensive (room doors need to be fitted with new locks compatible with the systems) it shows how far the industry is willing to go to make a guest's stay seamless.

Ownership Structure



One of the most significant systems changes in this industry is the ongoing separation of builders and investors in hotels/motels/extended-stay facilities and the management and operation of these establishments. It has also extended toward recent floats of hotel property trusts, but with mixed results, and public floating of some major hotel management companies.

Over much of the past five years, industry revenue volatility has been low-to-moderate. However, industry revenue volatility has fallen over the past five years as inbound tourism continues to grow and economic conditions strengthen.

The industry is sensitive to trends in both domestic tourism and international arrivals, which themselves can be volatile. This is due to a number of reasons including the uncertainty of the exchange rate, volatile oil prices (which affect the number of miles holiday-makers travel) and general economic uncertainty. The Hotels and Motels industry is also sensitive to changes in real household discretionary income and fluctuations in the consumer and business sentiment. While the industry has suffered, and will continue to suffer, some volatility in revenue, profit margins have grown over the past five years as hotels and motels have cut costs and adapted pricing of room rates to suit demand.

Industry Assistance

In many states, some of the funds collected by lodging taxes are spent on promoting local tourism, which can directly and indirectly benefit this industry. Also, it is a direct beneficiary of any promotional tourism spending by governments, to which operators may or may not have contributed funds.

Trade groups such as the American Hotel & Lodging Association (AH&LA) also lobby on the industry's behalf. This is the sole national association that represents all components of the lodging industry. This association includes individual hotel property members, hotel companies, training organizations, students and suppliers. Its activities incorporate national advocacy, public relations and image management, education, and research and information. It also operates through 43 partner state associations to provide local representation to members.

CONCLUSION

Overall, the U.S. hotels industry enjoyed healthy growth in 2015 and it is expected that hotels will continue to perform strongly in 2016. We note that GDP growth will remain positive and disposable incomes in not only the U.S. but in key countries like China will further increase. This is expected to result in more travel into the U.S., generating more hotel stays and higher average daily room rates by way of compression in many core U.S. cities.

Challenges lie ahead, however, as certain regions in other areas of the globe remain volatile, and the continuing rise in private rentals is expected to increase competition for hotels. Nevertheless, hotels are expected to be a formidable investment option throughout the remainder of 2016 and demand levels will be healthy enough to absorb a substantial portion of the influx of supply.

In this section, market conditions that influence the subject are considered. The major factors requiring consideration are the supply and demand conditions that influence the competitive position of the property.

SUPPLY ANALYSIS

Existing Competitive Supply – DFW PROPERTY

The competitive supply tables on the following pages illustrate salient operating statistics for the subject properties and their competitors. (Please note that this information was provided by third-party sources and could not be positively verified.)

The following tables illustrate the physical and operating characteristics for the competitive sets, while the map depicts the location of the competitors in relation to the subjects. Additional information on the competitors follows the map.

COMPETITIVE PROPERTY FACILITIES OVERVIEW

General Property Information			Amenities and Other Characteristics								
Property Name / Address	**Number of Rooms**	**Year Opened**	Meeting Space (Total SF)	Meeting Space (per Room)	Space Utility Index (per 1,000 sf)	Restaurants	Bistro / Lounge / Breakfast Café	Swimming Pool	Business Center	Fitness Room	Other
Embassy Suites DFW International Airport South 4650 West Airport Freeway, Irving, TX	305	1985	9,000	29.5	7.9	X	X	X	X	X	Shuttle
Sheraton Hotel DFW Airport 4440 West John Carpenter Freeway, Irving, TX	302	1982	18,500	61.3	4.6	X	X	X	X	X	Shuttle
Hyatt Regency DFW Airport 2334 North International Pky, Dallas, TX	811	1986	92,000	113.4	3.0	X	X	X	X	X	Shuttle
Marriott Dallas Fort Worth Airport North 8440 Freeport Pky, Irving, TX	491	1982	21,044	42.9	6.9	X	X	X	X	X	Shuttle
Marriott Dallas Fort Worth Airport South 4151 Centreport Drive, Fort Worth, TX	295	2000	12,905	43.7	5.8	X	X	X	X	X	Shuttle
Hilton Garden Inn Dallas Fort Worth Airport South 2001 Valley View Lane, Irving, TX	151	2005	5,000	33.1	4.1		X	X	X	X	Shuttle

COMPETITIVE PROPERTIES - OPERATIONAL ANALYSIS

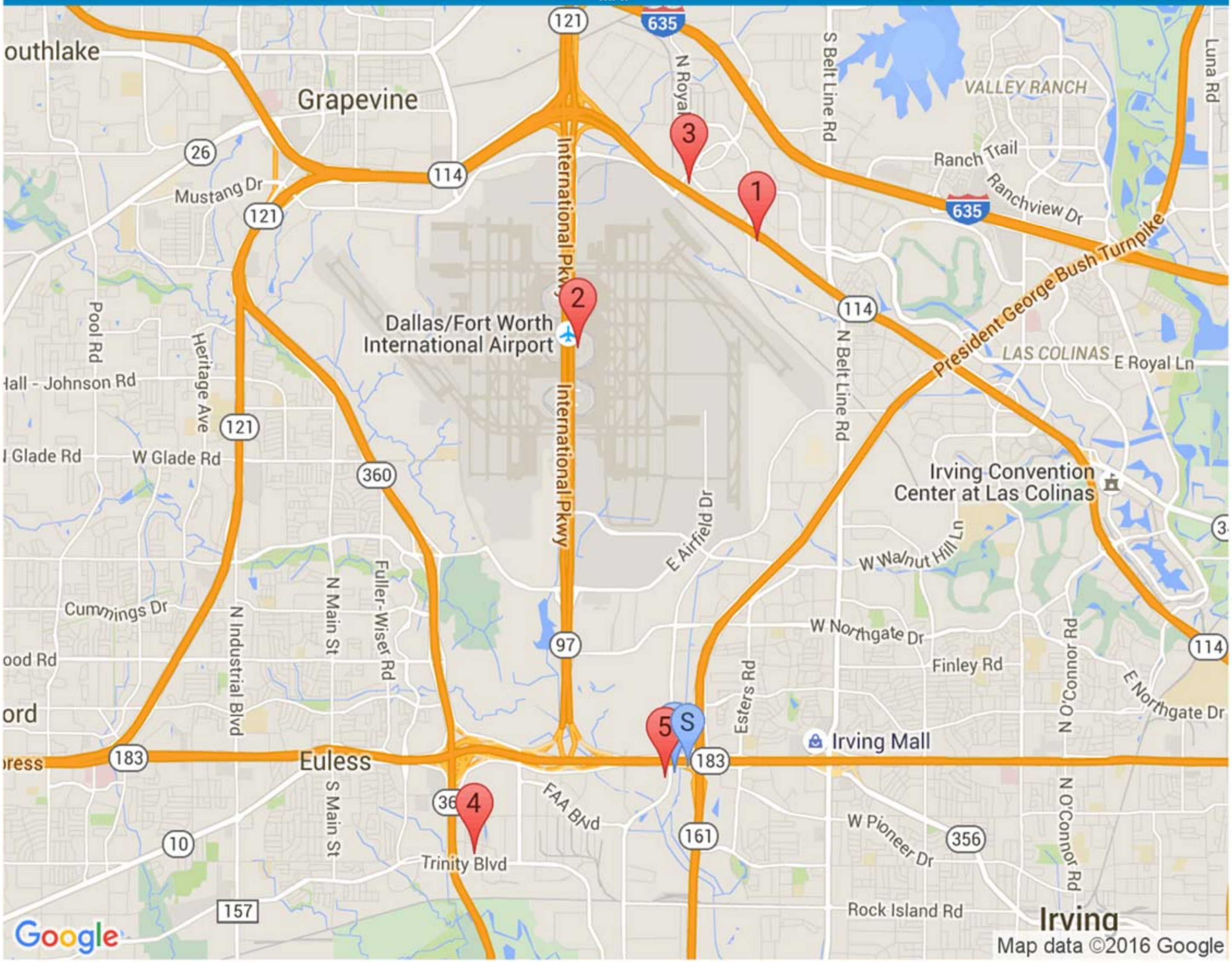
Property Name	Number of Rooms	Competitive Quotient	Primary/ Secondary	Estimated Segmentation: Commercial	Group	Leisure	Extended-Stay	Estimated 2013: Wtd. Room Count	Occ.	ADR	RevPAR	Estimated 2014: Wtd. Room Count	Occ.	ADR	RevPAR	Estimated 2015: Wtd. Room Count	Occ.	ADR	RevPAR
Embassy Suites DFW International Airport South	305	100%	-	32%	29%	29%	10%	305	74.1%	$129.11	$95.73	305	74.6%	$137.55	$102.66	305	80.7%	$138.95	$112.08
Sheraton Hotel DFW Airport	302	90%	Primary	26%	43%	27%	4%	272	68%	$117.00	$79.56	272	68%	$125.00	$85.00	272	73%	$132.00	$96.36
Hyatt Regency DFW Airport	811	65%	Secondary	14%	70%	14%	2%	527	71%	$112.00	$79.52	527	71%	$119.00	$84.49	527	76%	$126.00	$95.76
Marriott Dallas Fort Worth Airport North	491	85%	Primary	24%	47%	25%	4%	417	69%	$127.00	$87.63	417	69%	$135.00	$93.15	417	74%	$142.00	$105.08
Marriott Dallas Fort Worth Airport South	295	95%	Primary	30%	34%	31%	5%	280	74%	$132.00	$97.68	280	74%	$140.00	$103.60	280	79%	$148.00	$116.92
Hilton Garden Inn Dallas Fort Worth Airport South	151	85%	Primary	36%	21%	39%	4%	128	72%	$107.00	$77.04	128	72%	$114.00	$82.08	128	77%	$120.00	$92.40
Total/Average Including Subject	2,355			25%	46%	25%	5%	1,929	71.1%	$121.32	$86.31	1,929	71.2%	$129.06	$91.92	1,929	76.4%	$135.22	$103.29
Total/Average Excluding Subject	2,050			23%	49%	24%	4%	1,624	70.6%	$119.79	$84.54	1,624	70.6%	$127.38	$89.90	1,624	75.6%	$134.48	$101.64

COMPETITIVE PROPERTIES - PENETRATION ANALYSIS

Property Name	Estimated Room Nights Sold: 2013	2014	2015	Segment Penetration Indices - 2015 Base Year Occupancy: Commercial	Group	Leisure	Extended-Stay	Penetration Indices 2013: Wtd. Room Count	Occ.	ADR	RevPAR	Penetration Indices 2014: Wtd. Room Count	Occ.	ADR	RevPAR	Penetration Indices 2015: Wtd. Room Count	Occ.	ADR	RevPAR
Embassy Suites DFW International Airport South	82,544	83,088	89,799	137.5%	66.5%	123.6%	229.9%	305	104.2%	106.4%	110.9%	305	104.8%	106.6%	111.7%	305	105.6%	102.8%	108.5%
Sheraton Hotel DFW Airport	67,510	67,510	72,474	101.1%	89.2%	104.2%	83.2%	272	95.6%	96.4%	92.2%	272	95.5%	96.9%	92.5%	272	95.6%	97.6%	93.3%
Hyatt Regency DFW Airport	136,572	136,572	146,190	56.7%	151.2%	56.2%	43.3%	527	99.8%	92.3%	92.1%	527	99.7%	92.2%	91.9%	527	99.5%	93.2%	92.7%
Marriott Dallas Fort Worth Airport North	105,021	105,021	112,632	94.6%	98.9%	97.8%	84.3%	417	97.0%	104.7%	101.5%	417	96.9%	104.6%	101.3%	417	96.9%	105.0%	101.7%
Marriott Dallas Fort Worth Airport South	75,628	75,628	80,738	126.3%	76.4%	129.4%	112.6%	280	104.0%	108.8%	113.2%	280	103.9%	108.5%	112.7%	280	103.4%	109.4%	113.2%
Hilton Garden Inn Dallas Fort Worth Airport South	33,638	33,638	35,974	147.7%	46.0%	158.7%	87.8%	128	101.2%	88.2%	89.3%	128	101.1%	88.3%	89.3%	128	100.8%	88.7%	89.5%
Total/Average Including Subject	500,914	501,458	537,807	100.0%	100.0%	100.0%	100.0%	1,929	100.0%	100.0%	100.0%	1,929	100.0%	100.0%	100.0%	1,929	100.0%	100.0%	100.0%

COMPETITIVE HOTEL MAP

MAP



COMPETITION MAP KEY	
Property Name	**Pin No.**
Embassy Suites DFW International Airport South	S
Sheraton Hotel DFW Airport	2
Hyatt Regency DFW Airport	3
Marriott Dallas Fort Worth Airport North	4
Marriott Dallas Fort Worth Airport South	5
Hilton Garden Inn Dallas Fort Worth Airport South	6

Existing Competitive Supply – Tempe Property

The following tables illustrate the physical and operating characteristics for the competitive set, while the map depicts the location of the competitors in relation to the subject. Additional information on the competitors follows the map.

COMPETITIVE PROPERTY FACILITIES OVERVIEW

General Property Information			Amenities and Other Characteristics								
Property Name / Address	**Number of Rooms**	**Year Opened**	Meeting Space (Total SF)	Meeting Space (per Room)	Space Utility Index (per 1,000 sf)	Restaurants (no.)	Bistro / Lounge / Breakfast Café	Swimming Pool	Business Center	Fitness Room	Other
Embassy Suites Phoenix Tempe 4400 South Rural Road, Tempe, AZ	224	1984	9,900	44.2	5.4	X	X	X	X	X	
MOXY Phoenix Tempe 1333 South Rural Road, Tempe, AZ	105	1970	4,000	38.1	2.8	X	X	X	X	X	Spa
Sheraton Hotel Phoenix Airport Tempe 1600 South 52nd Street, Tempe, AZ	209	1984	10,000	47.8	3.9	X	X	X	X	X	Shuttle
Hilton Phoenix East Mesa 1101 West Holmes Avenue, Mesa, AZ	260	1985	25,000	96.2	3.0	X	X	X	X	X	
DoubleTree Phoenix Tempe 2100 South Priest Drive, Tempe, AZ	270	1975	30,000	111.1	2.7	X	X	X	X	X	
Courtyard Tempe Downtown 601 South Ash Avenue, Tempe, AZ	160	1997	1,623	10.1	6.5		X	X	X	X	
Hilton Phoenix Chandler 2929 West Frye Road, Chandler, AZ	197	2009	17,000	86.3	2.7	X	X	X	X	X	

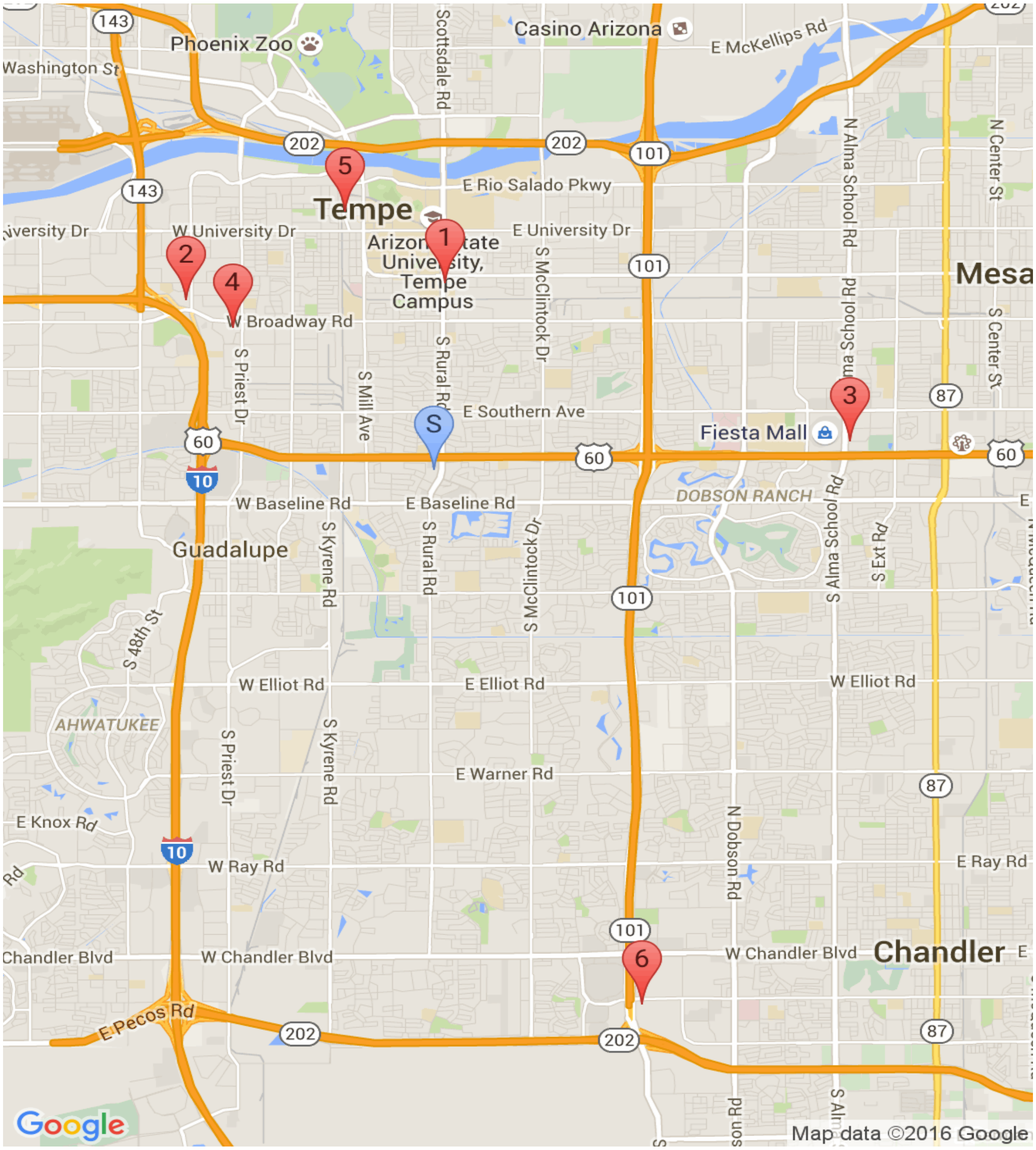
COMPETITIVE PROPERTIES - OPERATIONAL ANALYSIS

				Estimated Segmentation				Estimated 2013				Estimated 2014				Estimated 2015			
Property Name	Number of Rooms	Competitive Quotient	Primary/ Secondary	Commercial	Group	Leisure	Extended-Stay	Wtd. Room Count	Occ.	ADR	RevPAR	Wtd. Room Count	Occ.	ADR	RevPAR	Wtd. Room Count	Occ.	ADR	RevPAR
Embassy Suites Phoenix Tempe	224	100%	-	35%	30%	20%	15%	224	78.9%	$111.10	$87.62	224	83.2%	$112.09	$93.27	224	80.1%	$120.79	$96.81
MOXY Phoenix Tempe	105	80%	Primary	42%	18%	35%	5%	84	73%	$120.00	$87.60	84	74%	$129.00	$95.46	84	74%	$141.00	$104.34
Sheraton Hotel Phoenix Airport Tempe	209	95%	Primary	35%	30%	30%	5%	199	64%	$94.00	$60.16	199	65%	$101.00	$65.65	199	65%	$111.00	$72.15
Hilton Phoenix East Mesa	260	80%	Primary	24%	53%	20%	3%	208	68%	$96.00	$65.28	208	69%	$103.00	$71.07	208	69%	$113.00	$77.97
DoubleTree Phoenix Tempe	270	75%	Primary	20%	60%	17%	3%	203	65%	$105.00	$68.25	203	66%	$113.00	$74.58	203	66%	$124.00	$81.84
Courtyard Tempe Downtown	160	85%	Primary	46%	11%	38%	5%	136	70%	$103.00	$72.10	136	71%	$111.00	$78.81	136	71%	$122.00	$86.62
Hilton Phoenix Chandler	197	85%	Primary	30%	41%	25%	4%	167	66%	$115.00	$75.90	167	67%	$124.00	$83.08	167	67%	$136.00	$91.12
Total/Average Including Subject	1,425			32%	37%	25%	6%	1,221	69.1%	$105.28	$72.79	1,221	70.7%	$111.70	$79.03	1,221	70.2%	$122.10	$85.70
Total/Average Excluding Subject	1,201			31%	39%	26%	4%	997	66.9%	$103.74	$69.45	997	67.9%	$111.59	$75.83	997	67.9%	$122.44	$83.20

COMPETITIVE PROPERTIES - PENETRATION ANALYSIS

	Estimated Room Nights Sold			Segment Penetration Indices - 2015 Base Year Occupancy				Penetration Indices 2013				Penetration Indices 2014				Penetration Indices 2015			
Property Name	2013	2014	2015	Commercial	Group	Leisure	Extended-Stay	Wtd. Room Count	Occ.	ADR	RevPAR	Wtd. Room Count	Occ.	ADR	RevPAR	Wtd. Room Count	Occ.	ADR	RevPAR
Embassy Suites Phoenix Tempe	64,482	68,033	65,524	125.2%	92.7%	92.0%	271.2%	224	114.1%	105.5%	120.4%	224	117.6%	100.4%	118.0%	224	114.2%	98.9%	113.0%
MOXY Phoenix Tempe	22,382	22,688	22,688	138.8%	51.3%	148.7%	83.5%	84	105.6%	114.0%	120.4%	84	104.6%	115.5%	120.8%	84	105.4%	115.5%	121.8%
Sheraton Hotel Phoenix Airport Tempe	46,486	47,213	47,213	101.6%	75.2%	112.0%	73.3%	199	92.6%	89.3%	82.7%	199	91.9%	90.4%	83.1%	199	92.6%	90.9%	84.2%
Hilton Phoenix East Mesa	51,626	52,385	52,385	73.9%	141.0%	79.2%	46.7%	208	98.4%	91.2%	89.7%	208	97.5%	92.2%	89.9%	208	98.3%	92.5%	91.0%
DoubleTree Phoenix Tempe	48,162	48,903	48,903	58.9%	152.6%	64.4%	44.7%	203	94.0%	99.7%	93.8%	203	93.3%	101.2%	94.4%	203	94.0%	101.6%	95.5%
Courtyard Tempe Downtown	34,748	35,244	35,244	145.8%	30.1%	154.9%	80.1%	136	101.2%	97.8%	99.1%	136	100.4%	99.4%	99.7%	136	101.2%	99.9%	101.1%
Hilton Phoenix Chandler	40,230	40,840	40,840	89.8%	105.9%	96.2%	60.5%	167	95.5%	109.2%	104.3%	167	94.7%	111.0%	105.1%	167	95.5%	111.4%	106.3%
Total/Average Including Subject	308,116	315,306	312,797	100.0%	100.0%	100.0%	100.0%	1,221	100.0%	100.0%	100.0%	1,221	100.0%	100.0%	100.0%	1,221	100.0%	100.0%	100.0%

COMPETITIVE HOTEL MAP



COMPETITION MAP KEY	
Property Name	Pin No.
Embassy Suites Phoenix Tempe	S
MOXY Phoenix Tempe	1
Sheraton Hotel Phoenix Airport Tempe	2
Hilton Phoenix East Mesa	3
DoubleTree Phoenix Tempe	4
Courtyard Tempe Downtown	5
Hilton Phoenix Chandler	6

SMITH TRAVEL RESEARCH

Smith Travel Research, also known as STR, is an independent research firm that is acknowledged by experts within the lodging industry as a primary and reliable source of hotel operating information. STR is an American company based in Hendersonville, Tennessee, that tracks supply and demand data for multiple market sectors, including the global hotel industry. STR provides market share analysis for major hotel chains and brands in North America, Europe, Asia Pacific, Middle East and Africa. The company maintains a presence in 10 countries around the world with a corporate North American headquarters in Hendersonville, Tennessee, and an international headquarters in London, England. STR currently tracks more than 50,000 hotels with over 6.8 million rooms.

We have considered an STR trend report that was prepared using the subject property's competitors. The competitive properties are generally in-line with those reported by subject management. It should be noted that some of the hotels that are tracked by STR do not report data in a consistent and timely manner and, as such, the general credence of this information may be compromised somewhat. These variables can also skew the data for a particular market. Nevertheless, we find that STR data is very often relied upon by hotel investors and operators for forecasting and other purposes. Accordingly, the trend report has been relied upon in this assignment.

DFW Market

The table shown below illustrate the combined operating statistics for the primary competitive sets and excludes the subjects.

Market Supply, Demand, Occupancy, ADR and RevPAR

Year	Rooms	Supply	% Change	Demand	% Change	Occ	% Change	ADR	% Change	RevPAR	% Change
2012	2,050	748,250	----	499,525	----	66.8%	----	$116.05	----	$77.47	----
2013	2,050	748,250	0.0%	528,570	5.8%	70.6%	5.8%	$120.59	3.9%	$85.19	10.0%
2014	2,050	748,250	0.0%	525,614	-0.6%	70.2%	-0.6%	$128.35	6.4%	$90.16	5.8%
2015	2,050	748,250	0.0%	562,892	7.1%	75.2%	7.1%	$135.46	5.5%	$101.90	13.0%
CAGR:			0.0%		4.1%		4.1%		5.3%		9.6%
YTD Apr 2015	2,050	246,000	-----	191,815	-----	78.0%	-----	$141.77	-----	$110.55	-----
YTD Apr 2016	2,050	246,000	0.0%	196,222	2.3%	79.8%	2.3%	$138.94	-2.0%	$110.83	0.3%

As illustrated in the table above, occupancy generally increased over the trend history. In the most recent period (2015), occupancy improved by 7.1 percent. Year to date, the occupancy trend has grown by 2.3 percent to a level of 79.8 percent. During the same trend history, average rates generally increased over the trend history. In 2015, ADR improved by 5.5 percent to $135.46. Year to date, room rates have retracted by -2 percent to $138.94. Overall, rooms revenue within the competitive set posted positive growth over the trend period achieving a RevPAR metric of $101.9 during 2015. Year-to-date, rooms revenue has changed slightly with RevPAR changing by 0.3 percent.

Overall, it is apparent that the subject's market has posted healthy gains over the past few years in terms of RevPAR. The subject's South Irving market area has seen a number of infrastructure improvements, as well as growth in corporate activity, which have augmented demand to the area. We note that a few of the subject's competitors have completed upgrades recently, which have driven average rates through year-end 2015. In year-to-date 2016, RevPAR has remained relatively flat. Management indicated that this is due in part to new supply in the perimeter of the subject's market; while these properties are deemed to be non-competitive, they have siphoned some of the overflow demand in the subject's market area. Furthermore, weather conditions have been atypically poor in the earlier part of the year, which as deterred leisure business to some degree.

Tempe Market

The table shown below illustrates the combined operating statistics for the primary competitive set and excludes the subject.

Market Supply, Demand, Occupancy, ADR and RevPAR											
Year	Rooms	Supply	% Change	Demand	% Change	Occ	% Change	ADR	% Change	RevPAR	% Change
2012	1,201	438,365	----	284,931	----	65.0%	----	$101.58	----	$66.03	----
2013	1,201	438,365	0.0%	293,132	2.9%	66.9%	2.9%	$103.27	1.7%	$69.06	4.6%
2014	1,201	438,365	0.0%	298,121	1.7%	68.0%	1.7%	$111.18	7.7%	$75.61	9.5%
2015	1,201	438,365	0.0%	297,551	-0.2%	67.9%	-0.2%	$121.86	9.6%	$82.72	9.4%
CAGR:			0.0%		1.5%		1.5%		6.3%		7.8%
YTD Mar 2015	1,201	401,134	-----	273,339	-----	68.1%	-----	$118.14	-----	$80.50	-----
YTD Mar 2016	1,201	401,134	0.0%	268,613	-1.7%	67.0%	-1.7%	$120.94	2.4%	$80.99	0.6%

As illustrated in the table above, occupancy generally increased over the trend history. In the most recent period (2015), occupancy generally remained flat, changing by -0.2 percent. Year to date, the occupancy trend has retracted by -1.7 percent to a level of 67 percent. During the same trend history, average rates generally increased over the trend history. In 2015, ADR improved by 9.6 percent to $121.86. Year to date, room rates have grown by 2.4 percent to $120.94. Overall, rooms revenue within the competitive set posted positive growth over the trend period achieving a RevPAR metric of $82.72 during 2015. Year-to-date, rooms revenue has grown with RevPAR changing by 0.6 percent.

According to area representatives, the subject's market typically experiences occupancy levels in the mid to high 60-percent range. Seasonality of tourism is heavily weighted towards the late fall, winter and early spring months. There is some rate compression that exists among the competition during peak periods and major events (ASU sporting functions or MLB spring training). However, the supply of periphery hotels limits this compression to some degree. Nevertheless, rate growth has been healthy in the past two years, mostly as a result of new development in the area, a resilient economy and upgrades being completed at competitive properties.

ADDITIONS TO SUPPLY

We have identified additions to the guestroom supply that are proposed/under construction which will place competitive pressure on the subject property. The following list summarizes the identity, number of rooms, anticipated opening date and expected level of competitiveness of the new supply which has been identified during the course of this assignment.

DFW Market

NEW SUPPLY ANALYSIS

				Anticipated Segmentation				Competitive Analysis			
Property Name	Service Orientation	Proposed Rooms	Open Date	Commercial	Group	Leisure	Extended-Stay	Wtd. Room Count	ADR Index*	CQ**	Type
Westin	Full-Service	350	Feb-18	35%	30%	30%	5%	333	110.0%	95%	Primary
Total/Average		350						333		95.0%	

*Index measures approximate room rate of new competitor as if complete relative to subject's actual achieved room rate during the 2015 base year.
**Competitive Quotient

Tempe Market

NEW SUPPLY ANALYSIS

Property Name	Proposed Rooms	Competitive Quotient	Primary/ Secondary	Anticipated Segmentation: Commercial	Group	Leisure	Extended-Stay	Competitive Analysis: Wtd. Room Count	ADR Index*	Open Date
AC Hotel by Marriott	159	80%	Primary	45%	12%	38%	5%	127	110.0%	May-16
Hilton Garden Inn	149	80%	Primary	45%	12%	38%	5%	119	110.0%	Mar-18
Total/Average	**308**	**80.0%**						**246**		

Index measures approximate stabilized average room rate relative to subject's room rate upon completion.

It should be noted that, while we have considered the possibility of other new hotel development as part of our market research and that reasonable steps were taken to ascertain the potential of new supply within the market, it is neither possible to determine every property that will be developed in the future nor what their impact on the subject property or the existing competitors would be. It should be noted that the impact of new competitive supply could have a negative impact on the subject's market value.

We have considered the dynamics of the local area and the potential for additional unforeseen new supply to enter the market; these observations have been accounted for in our selection of a stabilized occupancy rate as well as the total property discount rate.

DEMAND ANALYSIS

In our analysis of demand for the subject property's market, we have researched the various types of travelers that utilize the lodging facilities in the area. The total number of rooms occupied by these patrons during a specific year represents a market's total room night demand. We note that operators within the subject's market recognize multiple demand segments. We have estimated the distribution of accommodated hotel room night demand for the market as a whole and organized them into the following market segments:

› Commercial
› Group
› Leisure
› Extended-Stay

The professionals within the Hospitality and Leisure Group at Colliers International has appraised, evaluated and/or researched several thousand hotel properties throughout the United States. During the course of our fieldwork, we have found that obtaining actual segmentation figures by management at the vast majority of competing properties is difficult; oftentimes, the information that is given by property representatives is, for one reason or another, unreliable. While we have made an effort to determine the demand profile at each of the competitors, we have augmented our research with data collected from the industry. Specifically, based on our observations my market respondents and actual operating data, we have identified a correlation in the demand segmentation of hotels and their respective service classes. From this information, we have estimated the base segmentation for each service class and made additional qualitative adjustments in accordance with the hotel's size, suite inventory, total inventory of meeting space, etc.

The following subsections describe each of these primary segments.

COMMERCIAL DEMAND

Commercial travelers are defined as business people attracted by businesses in the area. Most demand from the corporate segment is generated Sunday through Thursday nights, declines Friday and Saturday nights, and increases somewhat on Sundays. The typical duration of occupancy is one to three days and is characterized by single occupancy. Commercial travelers generally are not rate sensitive and provide a consistent level of demand at relatively high room rates. Commercial transient demand includes individuals visiting the companies in the immediate area or passing through town. Often, these types of travelers are influenced by quality of the hotel, brand loyalty, and location.

Corporate volume demand is generated by local firms and includes employees of the company or others doing business with the firm. Rates are often pre-negotiated with the hotel and are sometimes discounted in return for a high number of occupied rooms. These rates are called LNRs, or local negotiated rates.

Part of this segment in the DFW market includes Airline Contract demand. The airlines will contract rooms in nearby lodging facilities for extended periods to ensure the availability of accommodations. Because they are able to guarantee a specific level of usage on a daily basis, airlines can usually negotiate deeply discounted room rates. This type of demand is advantageous because it provides a base level of occupancy over a long period that normally includes weekends and slow seasons; however, the occupancy benefit is offset by low room rates. Skilled hotel operators use contract demand to fill in during periods of slow occupancy and quickly displace this demand when higher-rated market segments offer better potential

GROUP DEMAND

Group travelers are defined as any group—typically part of the trade show and conference planning industry—occupying five or more rooms on a given night. This segment includes demand from corporate groups, associations, SMERFE organizations, trade associations, governments, professional networks and nonprofits. Most revenue in the industry comes from two key sources: business-to-business (B2B) events and business-to-consumer (B2C) events. This demand segment tends to be somewhat price sensitive.

B2B events are directly affected by corporate marketing budgets, as companies with higher marketing budgets spend more on promotional events. Consequently, rising US corporate profit margins in recent years resulted in larger marketing budgets and demand for trade show and conference planning services for B2B events. B2C revenue comes from consumer attendance at events like electronics and car shows and is therefore correlated with employment and disposable income. During this period, growth in disposable personal income helped propel greater attendance and revenue for B2C events.

While, in-person events are still relevant forms of advertising in an increasingly digitized world, the trade show and conference planning industry continues to face increasing competition from internet networking sites like Facebook and LinkedIn. However, trade show and conference planners have embraced new technologies, which have helped reduce wage costs and improve industry margins over the past five years. Consequently, average profit in this industry margin is currently near 8.0 percent, up significantly from 1.7 percent in 2010, according to IBISWorld.

We note that industry revenue is expected to increase at a comparatively healthy rate and remain at or above the $16 billion mark for each of the next two or three years, at a minimum. Demand will likely improve as companies continue to expand their marketing budgets and disposable income levels increase. Industry profit is projected to rise as new technologies, such as automated registration, enable operators to spend less on labor. However, technology may also pose a threat to the industry; the rising popularity of video conferencing and online events will serve as a substitute for live conferences for some patrons. Successful hotel meeting operators must leverage new technology as an asset, not as a replacement, for event attendance.

We note that there are key external drivers to the health of the trade show and conference planning industry which are correlated to the success of the group hotel demand segment:

Corporate profit - A decline in corporate profit causes event attendance to fall as companies cut unnecessary expenses. Conversely, growth in corporate profit often boosts demand for trade shows and events as companies create new products and increase their marketing efforts.

Domestic trips by US residents - Attendees often make domestic trips to attend conferences or trade shows; therefore, the industry is sensitive to changes in domestic travel patterns. These factors can be economic (e.g. gas prices) or a result of other trends, such as rising geopolitical tensions and fears of contagious diseases.

Per capita disposable income - Low per capita disposable income can hamper attendance to certain trade shows or conferences (e.g. auto shows).

Inbound trips by non- US residents - Domestic conferences, trade shows and conventions attract foreign visitors for both business and pleasure. While foreign attendees represent a small market for the industry, rising inbound trips by non-US residents aid industry demand.

LEISURE DEMAND

The Leisure, or FIT (Free Independent Traveler) demand segment consists of individual tourists and families visiting the attractions of a local market and/or passing through to other destinations. Leisure demand is most prominent Friday and Saturday nights, holiday periods and during the summer months. These peak periods are often negatively correlated with commercial and meeting and group demand. The spring is also a prime period for weddings and other social activities.

The health of hotel leisure demand is mostly dependent on trends in domestic leisure, international tourism and vacation travel:

Domestic leisure travel - Demand for hotel and motel accommodation is dependent on factors that affect travel, such as changes in household disposable income (which is influenced by changes in general employment growth) as well as movements in interest and tax rates. Changes in disposable income affect the number of trips a household takes as well as its expenditures while traveling, which in turn affects the growth and economic impact of the tourism industry. Also important is the price of fuel, which affects household disposable income, as well as general travel demand, flows and patterns. Changes in the availability of leisure time and any reluctance of people in the labor market to use their holiday leave (due to work and family commitments) also impact domestic travel. Holiday expenditure is also in competition with other leisure and recreational industries and competes for a share of household disposable income.

A longer-term influence on travel patterns is the cost of taking a domestic trip compared with an international one. The difference between the two is influenced by exchange rate movements, the availability of cheap airfares and holiday packages and the supply of airline seats. Finally, tourism promotions by private operators and federal and state governments (e.g. through TV programs and special sporting events) also stimulates travel. However, individual state government promotions typically influence domestic travel patterns to favor only their state, rather than the entire industry.

International tourism - International tourism is one of the most competitive industries globally. Such tourism is affected by factors similar to domestic travel as well as global economic conditions, especially changes in economic growth. Furthermore, particularly in major visitor-origin countries/regions, international tourism is affected by changes in the US dollar against other major currencies, which has an impact on the cost of travel, as well as the relative attractiveness of traveling to competing destinations.

Other factors, such as heightened geopolitical tensions including wars and terrorism (whether feared or actual), affect international travel plans. Promotional expenditures and activities, such as the holding of major or special events, on the part of governments and other organizations can raise awareness and interest in travel. Finally, supply factors are also of critical importance, including the availability of airline flights and seats at the times people want to travel, as well as accommodations to and at their selected destination.

Vacation travel – Roughly half of revenue for the U.S. Lodging industry comes from domestic travelers, with about three out of every four trips taken for leisure purposes, according to the US Travel Association. Most leisure travel is discretionary and therefore subject to broad economic trends, such as the onset of a recession or high fuel prices. For this reason, leisure travel declines significantly during a recession. However, vacation destinations and modes of transport can be easily substituted for less desirable alternatives when economic conditions are tough. The most common purposes for leisure travel by U.S. domestic travelers are visiting relatives, shopping, visiting friends, fine dining and visiting beaches.

In the subject property's area, most leisure demand is generated by people who are visiting friends and relatives, or those who are taking advantage of the recreational opportunities and tourist attractions available in the Irving area. These people may be traveling alone, or with families or tour groups. Leisure attractions in the area include the following:

Leisure Demand Generators	
Bass Pro Outdoor World	Irving Mall
Dallas City Center	Lone Star Park - Horse Racing
Fort Worth Stockyards	Six Flags Hurricane Harbor
Globe Life Park (Rangers Ballpark)	Sixth Floor Museum - JFK
Grapevine Mills Mall	Texas Motor Speedway

EXTENDED-STAY DEMAND

Extended-stay properties are defined as hotels, which cater to guests requiring accommodations for five nights or longer. True extended stay hotels offer features that are often unavailable at standard hotels. These features are intended to provide more home-like amenities. There are currently 27 extended stay chains in North America with at least seven hotels, representing over 2,000 properties. There is substantial variation among extended stay hotels with respect to quality and the amenities available. Some of the economy chains attract clientele who use the hotels as semi-permanent lodging.

Even though extended-stay demand typically favors hotels that are dedicated to long-term stays, we note that most transient-style hotels—particularly those with large guestroom layouts or suites with kitchens—also benefit from extended-stay patronage. Extended-stay travelers typically require self-serve laundry facilities and command discounts for extended room contracts, as well as units with kitchens that feature a sink, a refrigerator (usually full size), a microwave oven, and a stovetop. Some hotel kitchens (and most upscale ones) also feature dishwashers and conventional ovens.

Extended stay hotels are aimed at business travelers on extended assignments, families in the midst of a relocation, and others in need of temporary housing. Reserving a stay in an extended-stay hotel specifically differs slightly from booking a room at a transient-style hotel. A more personal approach is needed, as guests staying for extended periods want to ensure that the unit is to their liking. Guests more often ask about view, floor plan, floor where the suite is located, etc. Another reason a reservation agent is required to assist a guest with booking long-term stays is due to simple business reasons. Unlike hotels, where bookings are generally short stays and check in and check out dates are confirmed at the time the reservation is made, extended-stay hotels often try to accommodate guests who do not know their checkout date. Such stays include guests who wait for their home to be built or renovated. Accordingly, it can be difficult for extended-stay hotels to list availability on most common booking websites in advance. Specialized booking companies allow the extended-stay hotels to accept or decline a request, rather than simply accepting a confirmed booking, and allow communication of details of the stay with the guest before the reservation is confirmed. It is for this reason that hotels that are not dedicated to extended-stay programming capture some degree of demand from this segment.

Extended stay hotels generally have higher operating margins, lower occupancy break-even thresholds, and higher returns on capital than traditional hotels. This is primarily a result of the typically longer length of stay, lower guest turnover, and lower operating expenses. In addition, the extended stay market is one of the fastest growing and under-served segments of the U.S. lodging industry, with demand for extended stay lodging significantly exceeding the current and anticipated near-term supply of dedicated extended stay rooms.

DORMANT DEMAND

The local market demand estimate is based on hotel occupancy levels; as such, it considers only those hotel rooms that were utilized by guests. Dormant demand accounts for guests who could not be accommodated by the existing competitive supply for a variety of reasons. Dormant demand can be divided into induced demand and bounced demand.

Induced Demand

Induced demand are room nights that are generated by the development of a new demand generator. This type of activity is considered to be an economic impact event, in that the presence of this new demand generator prompts certain business and property development to occur, thereby bolstering lodging demand into the area temporarily, for the long term, or permanently.

The following are examples of events which might induce new lodging demand to a hotel market:

› development of a convention or conference center
› opening of a new hotel
› expansion or development of a theme park
› implementation of a large-scale marketing consortium or a chamber of commerce
› expansion of an airport facility
› development of a major retail center
› completion of a public transportation facility

Because induced demand can be traced to one or more economic impact events, one can quantify these additional room nights by way of a build-up approach. The appraiser evaluates each generator to determine the number of room nights that will be introduced into the market, which is generally phased-in over time. The phasing-in of the induced demand often coincides with the opening of new hotel facilities which were prompted to be developed as a result of the economic impact event. In the case where induced demand is identified to be the direct result of a new supply addition, the demand phase-in would exactly match the timing of the opening of this property.

Bounced Demand

Displaced, or “bounced” demand refers to individuals who have attempted to secure accommodations in the market but, due to one reason or another, were unsuccessful and either settle for less desirable (non-competitive) lodging options, stay outside of the market area or defer the trip altogether. Since this type of demand is not evident in the local market, it is excluded from the room nights that were tracked in historical periods.

Bounced demand is opportunistic, in that it could potentially be enjoyed by the local market when demand cycles shift or new hotels are constructed. However, there are a number of periods throughout the year that the vast majority of the properties in the competitive set will approach 100 percent. Under these circumstances, it would not be possible to accommodate the guests and the room nights are therefore not absorbed. Depending on the seasonality and/or weekly cycles within a market, bounced demand can be fairly significant. We note that in most markets, commercial-oriented bounced demand occurs most often during spring and autumn months and on Monday through Thursday.

Under most circumstances, a market that achieves an annual occupancy level in excess of 68 percent on average will experience a noticeable amount of bounced demand. Hotels will fill to capacity in the competitive market often enough that the number of patrons that are turned down are usually tracked by hotel operators. The higher the occupancy level at a hotel over this threshold, the greater the number of room nights that are turned away.

This type of demand is particularly important in circumstances where new supply additions are entering the market. If this is the case, it is reasonable to assume that this bounced demand will be absorbed, and thus an estimate of the amount of bounced demand should be made. Bounced demand is generally estimated as a percentage of base-year accommodated demand.

MARKETWIDE OCCUPANCY PROJECTION

All of the issues discussed in this section are integral in our projection of marketwide occupancy. Given the dynamics of the local market, we have estimated future growth rates that are specific to each individual market segment.

The following table summarizes our projection of room night demand, supply, and resulting occupancy rates for the subject competitive markets.

DFW MARKET

Projection of Base Room Night Demand and Annual Growth

Segment	Base Year 2015	2016	2017	2018	2019
Commercial					
Annual Growth	-	3.0%	4.0%	2.0%	1.0%
Base Demand	*132,249*	136,217	141,666	144,499	145,944
Induced Demand	-	0	0	0	0
Bounced	-	0	4,637	14,450	14,595
Total Market Segment Demand	*132,249*	136,217	146,303	158,949	160,539
Group					
Annual Growth	-	3.0%	4.0%	2.0%	1.0%
Base Demand	*247,481*	254,905	265,101	270,403	273,107
Induced Demand	-	0	0	0	0
Bounced	-	0	8,677	27,040	27,310
Total Market Segment Demand	*247,481*	254,905	273,778	297,443	300,417
Leisure					
Annual Growth	-	2.0%	3.0%	1.0%	0.5%
Base Demand	*133,293*	135,959	140,038	141,438	142,145
Induced Demand	-	0	0	0	0
Bounced	-	0	0	0	0
Total Market Segment Demand	*133,293*	135,959	140,038	141,438	142,145
Extended-Stay					
Annual Growth	-	1.0%	2.0%	1.0%	0.5%
Base Demand	*24,784*	25,032	25,533	25,788	25,917
Induced Demand	-	0	0	0	0
Bounced	-	0	0	0	0
Total Market Segment Demand	*24,784*	25,032	25,533	25,788	25,917
Total					
Annual Growth	-	3.0%	4.0%	2.0%	1.0%
Base Demand	*537,807*	552,113	572,338	582,128	587,113
Induced Demand	-	0	0	0	0
Bounced	-	0	13,314	41,490	41,905
Total Market Segment Demand	***537,807***	**552,113**	**585,652**	**623,618**	**629,018**
% Change	**-**	**2.7%**	**6.1%**	**6.5%**	**0.9%**
Market Statistics					
Total Rooms Supply	*1,929*	1,929	2,038	2,262	2,262
Total Available Room Nights	*704,085*	704,085	743,870	825,630	825,630
% Change	-	-	-	-	-
Marketwide Occupancy	***76.4%***	**78.4%**	**78.7%**	**75.5%**	**76.2%**

TEMPE MARKET

Projection of Base Room Night Demand and Annual Growth

Segment	*Base Year 2015*	2016	2017	2018	2019	2020	2021
Commercial							
Annual Growth	-	1.0%	2.0%	1.0%	0.5%	0.5%	0.5%
Base Demand	*99,804*	100,802	102,818	103,846	104,365	104,887	105,411
Induced Demand	-	2,581	2,988	5,000	5,000	5,000	5,000
Bounced	-	2,602	3,072	5,192	5,218	5,244	5,270
Total Market Segment Demand	*99,804*	105,985	108,878	114,038	114,583	115,131	115,681
Group							
Annual Growth	-	1.0%	2.0%	1.0%	0.5%	0.5%	0.5%
Base Demand	*115,632*	116,788	119,124	120,315	120,917	121,522	122,130
Induced Demand	-	5,163	5,976	10,000	10,000	10,000	10,000
Bounced	-	6,029	7,119	12,032	12,092	12,152	12,213
Total Market Segment Demand	*115,632*	127,980	132,219	142,347	143,009	143,674	144,343
Leisure							
Annual Growth	-	0.5%	1.0%	0.5%	0.5%	0.5%	0.5%
Base Demand	*77,603*	77,991	78,771	79,165	79,561	79,959	80,359
Induced Demand	-	7,744	8,963	15,000	15,000	15,000	15,000
Bounced	-	6,039	7,060	11,874	11,933	11,993	12,053
Total Market Segment Demand	*77,603*	91,774	94,794	106,039	106,494	106,952	107,412
Extended-Stay							
Annual Growth	-	0.5%	1.0%	0.5%	0.5%	0.5%	0.5%
Base Demand	*19,758*	19,857	20,056	20,156	20,257	20,358	20,460
Induced Demand	-	2,581	2,988	5,000	5,000	5,000	5,000
Bounced	-	2,051	2,397	4,032	4,052	4,072	4,092
Total Market Segment Demand	*19,758*	24,489	25,441	29,188	29,309	29,430	29,552
Total							
Annual Growth	-	1.0%	2.0%	1.0%	0.5%	0.5%	0.5%
Base Demand	*312,797*	315,438	320,769	323,482	325,100	326,726	328,360
Induced Demand	-	18,069	20,915	35,000	35,000	35,000	35,000
Bounced	-	16,721	19,648	33,130	33,295	33,461	33,628
Total Market Segment Demand	***312,797***	**350,228**	**361,332**	**391,612**	**393,395**	**395,187**	**396,988**
% Change	**-**	**12.0%**	**3.2%**	**8.4%**	**0.5%**	**0.5%**	**0.5%**
Market Statistics							
Total Rooms Supply	*1,221*	1,348	1,368	1,467	1,467	1,467	1,467
Total Available Room Nights	*445,665*	492,020	499,320	535,455	535,455	535,455	535,455
% Change	-	-	-	-	-	-	-
Marketwide Occupancy	***70.2%***	**71.2%**	**72.4%**	**73.1%**	**73.5%**	**73.8%**	**74.1%**

PROJECTION OF OCCUPANCY

Revenue within the Rooms department—which is typically the primary source of income for an operating hotel property—is calculated using two basic operating statistics: annual occupancy and average daily room rate. In this analysis, a room night analysis has been performed to quantify and forecast room night demand for the subject property. The occupancy of a given hotel may be projected based on its relative competitiveness with other hotels and its penetration in the various market segments discussed earlier.

Individual lodging facilities may operate above or below the occupancy or average rate averages of a particular market. Operating performance therefore depends heavily on the various dynamics of the property, particularly with respect to its strengths and weaknesses that impact its current competitiveness, as well as various threats and opportunities which could govern its future performance.

A commonly-employed method used by hotel valuation experts and involves the analysis of a hotel's penetration indices. Pertaining to occupancy, penetration indices show how well each property in a market competes. In this analysis, we have analyzed not only the overall occupancy index of the subject property, but we have also analyzed the indices in each market segment.

OCCUPANCY PENETRATION INDEX

The penetration index is the ratio between a property's market share (that portion of total demand accommodated by a given property) and its fair share (that portion of total supply accounted for by the same property). If a property were to capture its fair share of the room night demand in a particular segment, it would penetrate the market by 100 percent. A penetration factor above or below 100 percent indicates a hotel's greater or lesser success in competing in the marketplace. The culmination of these penetration rates with our base demand growth rates and all dormant demand results in an occupancy forecast for the subject property.

PROJECTION OF AVERAGE DAILY RATE (ADR)

After the subject's occupancy level has been forecast, it is necessary to estimate the average daily room rate in order to estimate a hotel's Rooms department revenue. Similar to occupancy, the projected market-oriented ADR is determined through a market analysis.

Most hotels have numerous rate categories that could vary widely. Depending on the characteristics of the room that is being rented (size, floor, view, amenities, access to club level, etc.), the reported room rate average will be directly impacted. Our ADR estimates reflect the blended rate of all categories across all demand segments, taking these characteristics into account. Examples of primary rate categories include the following:

› *Rack Rate* – An undiscounted room rate that is normally extended to a guest who does not qualify for a specific rate. This is typically assessed to walk-in guests or to patrons that are seeking accommodations during high-occupancy periods.

› *Published Rate* – The rate listed in websites and publications. It is typically expressed as a range and represents a general rate that would be charged for a room without a specific contracted price, and oftentimes increases as the time to arrival decreases. The published rate on the same date of requested accommodation might be as high as the rack rate.

- *Corporate Rate* – A discounted rate available to certain travelers that are members or agents of a specific company. This rate is often referred to as the LNR (Local Negotiated Rate) and, depending on the market mix, will often approximate the property's average annual room rate.
- *Contract Rate* – A discounted room rate available to specific travelers that are generally high in volume. These are most often part of the Group market segment, and might include airlines, convention groups or SMERFE-oriented travelers.

It is important to note that an appraiser's estimate of ADR is highly dependent on the occupancy projection, and vice versa. In other words, one factor cannot be held constant. Travelers almost always have some degree of price sensitivity, so if room rates are increased by management, it is reasonable to assume that the property's penetration level (and ultimately occupancy rate) will decrease. Factors impacting the rate potential of a lodging facility typically include supply and demand relationships, inflationary pressures, renovations at competitive properties and demand compression, among other factors.

The product of occupancy and ADR is RevPAR (Revenue per Available Room), which reflects a property's propensity to generate rooms revenue. We have examined the rate structure and the approximate average room rates for the competitive properties in an effort to ascertain the subject property's market-oriented average room rate. Our aggregate projection for rooms revenue is presented later in this document.

INTRODUCTION

The following presentation of the appraisal process deals directly with the valuation of the subject property. The following paragraphs describe the standard approaches to value that were considered for this analysis.

INCOME CAPITALIZATION APPROACH

The Income Capitalization Approach is based on the premise that properties are purchased for their income producing potential. It considers both the annual return on the invested principal and the return of the invested principal. This valuation technique entails careful consideration of contract rents currently in place, projected market rents, other income sources, vacancy allowances, and projected expenses associated with the efficient operation and management of the property. The relationship of these income estimates to property value, either as a single stream or a series of projected streams, is the essence of the income approach. The three fundamental methods of this valuation technique include Discounted Cash Flow, Direct Capitalization, and Room Revenue Multiplier (RRM).

› **Discounted Cash Flow (DCF)**
  The DCF analysis models a property's performance over a buyer's investment horizon from the date of acquisition through the projected sale of the property at the end of the holding period. Net cash flows from property operations and the reversion are discounted at a rate reflective of the property's economic and physical risk profile.

› **Direct Capitalization**
  This method analyzes the relationship of one year's stabilized net operating income to total property value. The stabilized net operating income is capitalized at a rate that implicitly considers expected growth in cash flow and growth in property value over a buyer's investment horizon. The implied value may be adjusted to account for non-stabilized conditions or required capital expenditures to reflect an as is value.

› **Room Revenue Multiplier (RRM)**
  The RRM method analyzes the relationship of the room revenue a property generates with its sale price to arrive at a room revenue multiplier. The multipliers are extracted from comparables and market participants and an appropriate multiplier is then applied to the subject's room revenue to arrive at the indicated value.

SALES COMPARISON APPROACH

The Sales Comparison Approach is based on the principle of substitution, which asserts that no one would pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying transactional and property adjustments in order to bracket the subject property on an appropriate unit value comparison. The sales comparison approach is applicable when sufficient data on recent market transactions is available. Alternatively, this approach may offer limited reliability because many properties have unique characteristics that cannot be accounted for in the adjustment process.

COST APPROACH

The Cost Approach is a set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a replacement for the existing structure, including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. For investment properties, this valuation technique is most often relied upon as a test of financial feasibility for proposed construction.

We find that knowledgeable hotel buyers base their purchase decisions on economic factors, such as projected net income and return on investment. Because the cost approach does not reflect these income-related considerations and requires a number of highly subjective depreciation estimates, this approach is given minimal weight in the hotel valuation process.

RECONCILIATION OF VALUE CONCLUSIONS

After each approach is considered in the valuation process, a reconciliation is performed and a final value conclusion is reached. Each approach is judged based on its applicability, reliability, and the quantity and quality of its data.

We continually interact with numerous hotel buyers and sellers and we note that these participants typically base their purchase decisions on economic factors, such as cash on cash return, projected net income and return on investment. The procedures used in developing an opinion of market value by the Income Capitalization Approach are comparable to those employed by the pool of investors who are present in the marketplace. Accordingly, the Income Capitalization Approach produces the most supportable value opinion, and it is given the greatest weight in the hotel valuation process.

It is our opinion that the Sales Comparison Approach might provide a useful value opinion in the case of simple forms of real estate such as vacant land and single-family homes where such investments can be easily compared to one another and the adjustments are relatively simple to apply. In the case of complex investments such as lodging facilities, operational characteristics are eccentric and labor intensive. Hotels are highly localized, in that operational characteristics are governed by their specific markets. As such, adjustments to comparable sales are numerous and more difficult to quantify, and as such, this approach loses a significant degree of reliability. We generally do not give the Sales Comparison Approach substantial consideration in the hotel valuation process beyond establishing a probable range of value.

Lastly, regarding the Cost Approach, it is our opinion that this approach does not reflect the aforementioned income-related considerations and requires a number of highly subjective estimates, such as depreciation, obsolescence and other factors. Even for newly-constructed hotel facilities, this approach is generally secondary, and as a determinant for market value, is given minimal or no weight. We do note, however, that this approach is a useful tool in determining the value of any intangible components in real property. We have addressed these components in the *Reconciliation* section of this report.

INTRODUCTION

Capitalization is defined as the process of converting a series of anticipated future periodic installments of net income into present value. The anticipated net income stream is converted into a value opinion by a rate that attracts capital to purchase investments with similar characteristics, such as risk, terms and liquidity. The capitalization process takes into consideration the quantity, quality and durability of the income stream in determining which rates are appropriate for valuing a hotel property.

The Income Capitalization Approach is based on the principle that the value of a property is indicated by the net return to the property, or what is also known as the present worth of future benefits. The future benefits of income-producing properties, such as hotels and motels, is net income before debt service and depreciation, derived by a projection of income and expense, along with any expected reversionary proceeds from a sale.

METHODOLOGY

The three most common methods of converting net income into value are the discounted cash flow, direct capitalization and room revenue multiplier. In direct capitalization, net operating income is divided by an overall rate extracted from the market to indicate a value. In the discounted cash flow method, anticipated future net income streams and a reversionary value are discounted to provide an opinion of net present value at a chosen yield rate (internal rate of return or discount rate). In room revenue multiplier, the multiplier is first calculated in the sales transactions by dividing the sales price by the room revenue for the hotel being analyzed. The room revenue multiplier expresses the relationship between a sales price and the property's effective room revenue.

Considering the physical and economic characteristics of the subject property, along with the likely highest and best use which would be considered by a potential investor, we have employed the following approaches:

- Discounted Cash Flow

Based on the market for transient accommodations in the subject's area, we have forecast future Rooms departmental revenue for the subject. In this section of the report, we also provide an analysis of the actual historical performance, the performance of comparable properties and various industry averages in order to forecast all other revenues and expenses through a 10-year holding period. The projection begins on June 1, 2016.

REVIEW OF OPERATING AGGREGATE OPERATING STATEMENT – BASE YEAR

The appraisers were provided with income and expense statements of the subject property, the aggregate of which are presented on the following page. These statements were provided by the management of the subject property, and are unaudited.

The statements are organized in accordance with the *Uniform System of Accounts for the Lodging Industry*, published by the Educational Institute of the American Hotel and Motel Association.

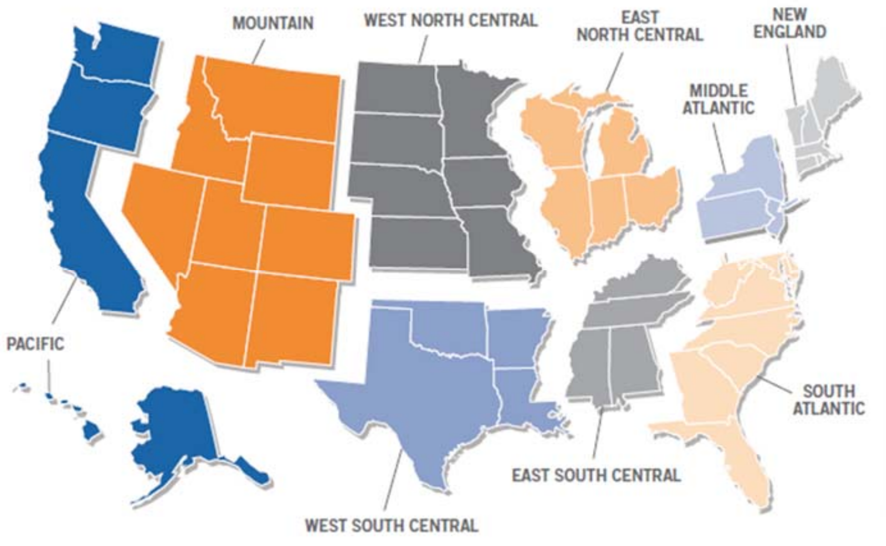
AGGREGATE BASE YEAR STATEMENT OF OPERATIONS				
Calendar Year:	2015			
Through Month:	December			
Days Open:	365			
Number of Rooms:	529			
Occupied Rooms:	155,323			
Occupancy Rate:	80.4%			
Average Daily Room Rate (ADR):	$131.29			
Revenue Per Available Room (RevPAR):	$105.61			
DEPARTMENTAL REVENUES	$	% Total	$ PAR	$ POR
Rooms	$20,392,568	90.7%	$38,549	$131.29
Food & Beverage	$1,590,004	7.1%	$3,006	$10.24
Space Lease & Other Income	$508,328	2.3%	$961	$3.27
Total Departmental Revenues	**$22,490,900**	**100.0%**	**$42,516**	**$144.80**
DEPARTMENTAL COSTS				
Rooms	$5,186,249	25.4%	$9,804	$33.39
Food & Beverage	$1,326,385	83.4%	$2,507	$8.54
Space Lease & Other Income	$162,117	31.9%	$306	$1.04
Total Departmental Costs	**$6,674,751**	**29.7%**	**$12,618**	**$42.97**
DEPARTMENTAL INCOME	**$15,816,149**	**70.3%**	**$29,898**	**$101.83**
UNDISTRIBUTED OPERATING EXPENSES				
Administrative & General	$1,958,187	8.7%	$3,702	$12.61
Marketing	$2,905,368	12.9%	$5,492	$18.71
Royalty/Franchise Fees	$1,082,017	4.8%	$2,045	$6.97
Property Operations & Maintenance	$1,073,871	4.8%	$2,030	$6.91
Utilities	$1,022,821	4.5%	$1,933	$6.59
Total Undist. Oper. Expenses	**$8,042,264**	**35.8%**	**$15,203**	**$51.78**
MANAGEMENT FEES				
Base Management Fee	$784,775	3.5%	$1,484	$5.05
HOUSE PROFIT	**$6,989,110**	**31.1%**	**$13,212**	**$45.00**
FIXED CHARGES				
Property Taxes	$85,599	0.4%	$162	$0.55
Insurance	$241,237	1.1%	$456	$1.55
Reserve for Replacement	$899,617	4.0%	$1,701	$5.79
Total Fixed Charges	**$1,226,453**	**5.5%**	**$2,318**	**$7.90**
NET OPERATING INCOME	**$5,762,657**	**25.6%**	**$10,893**	**$37.10**
OPERATING RATIOS				
Food & Beverage to Rooms	7.8%			
Space Lease & Other Income to Rooms	2.5%			
Royalty/Franchise Fees to Rooms	5.3%			

COMPARABLE OPERATING DATA AND INDUSTRY AVERAGES

In an effort to further support our forecast for the subject property, we have analyzed the operating performance of the subject against versus hotel industry averages and six comparable hotels. We have carefully analyzed all of the relevant ratios, and considered the data presented and in our files in order to prepare a well-supported forecast of income and expense for each line item.

The following page details averages for four selected property descriptive categories from the most recent HOST Report, published by Smith Travel Research. A map depicting the regions as defined by STR that were analyzed is below. Those comparative categories include:

SMITH TRAVEL RESEARCH CATEGORIES	
Orientation	Full Service Properties
Affiliation	Chain-Affiliated
Geographic Region	West South Central
Market Type	Airport
Price Category	Upscale Class



The second following page summarizes the operating results of six assets which are known to have similar physical and/or economic characteristics.

HOST REPORT - SMITH TRAVEL RESEARCH

Full Service Properties

Category:	Full Service Properties (All)	Chain-Affiliated	West South Central	Airport	Upscale Class
Days Open:	365	365	365	365	365
Number of Rooms:	299	309	313	299	181
Occupied Rooms:	80,646	83,864	81,082	84,826	48,676
Occupancy Rate:	73.9%	74.4%	71.0%	77.7%	73.6%
Average Daily Room Rate (ADR):	$180.94	$178.56	$156.80	$130.74	$130.26
Revenue Per Available Room (RevPAR):	$133.73	$132.93	$111.26	$101.65	$95.84

DEPARTMENTAL REVENUES	% Total	$ PAR	$ POR	% Total	$ PAR	$ POR	% Total	$ PAR	$ POR	% Total	$ PAR	$ POR	% Total	$ PAR	$ POR
Rooms	65.0%	$48,811	$180.94	65.9%	$48,519	$178.56	62.9%	$40,610	$156.80	68.8%	$37,101	$130.74	81.5%	$34,982	$130.26
Food & Beverage	28.4%	$21,360	$79.18	28.1%	$20,668	$76.06	30.2%	$19,502	$75.30	26.6%	$14,340	$50.53	15.2%	$6,532	$24.32
Other Income	6.5%	$4,917	$18.23	6.0%	$4,455	$16.40	7.0%	$4,490	$17.34	4.6%	$2,478	$8.73	3.3%	$1,429	$5.32
Total Departmental Revenues	100.0%	$75,088	$278.34	100.0%	$73,643	$271.02	100.0%	$64,602	$249.44	100.0%	$53,918	$190.01	100.0%	$42,943	$159.91
DEPARTMENTAL COSTS															
Rooms	26.5%	$12,935	$47.95	26.3%	$12,765	$46.98	22.8%	$9,271	$35.80	27.5%	$10,193	$35.92	24.1%	$8,446	$31.45
Food & Beverage	72.8%	$15,553	$57.65	72.4%	$14,958	$55.05	62.8%	$12,245	$47.28	67.6%	$9,697	$34.17	77.6%	$5,066	$18.87
Other Income	54.6%	$2,687	$9.96	54.7%	$2,436	$8.97	51.7%	$2,319	$8.96	49.0%	$1,214	$4.28	48.3%	$690	$2.57
Total Departmental Costs	41.5%	$31,175	$115.56	41.0%	$30,159	$110.99	36.9%	$23,835	$92.03	39.1%	$21,104	$74.37	33.1%	$14,202	$52.88
DEPARTMENTAL INCOME	58.5%	$43,914	$162.78	59.0%	$43,484	$160.03	63.1%	$40,767	$157.41	60.9%	$32,814	$115.64	66.9%	$28,740	$107.02
UNDISTRIBUTED OPERATING EXPENSES															
Administrative & General	8.2%	$6,151	$22.80	8.1%	$5,957	$21.92	8.1%	$5,215	$20.14	8.7%	$4,692	$16.53	8.7%	$3,728	$13.88
Marketing	6.7%	$5,009	$18.57	6.8%	$5,010	$18.44	7.2%	$4,624	$17.86	7.3%	$3,911	$13.78	6.7%	$2,882	$10.73
Royalty/Franchise Fees	1.2%	$903	$3.35	1.3%	$964	$3.55	1.5%	$966	$3.73	1.8%	$955	$3.37	3.3%	$1,402	$5.22
Property Operations & Maintenance	4.3%	$3,265	$12.10	4.3%	$3,158	$11.62	4.2%	$2,714	$10.48	4.5%	$2,414	$8.51	4.5%	$1,951	$7.27
Utilities	3.5%	$2,658	$9.85	3.5%	$2,604	$9.58	3.3%	$2,156	$8.32	3.5%	$1,884	$6.64	4.1%	$1,779	$6.63
Total Undist. Oper. Expenses	24.0%	$17,987	$66.67	24.0%	$17,693	$65.11	24.3%	$15,675	$60.53	25.7%	$13,856	$48.83	27.3%	$11,742	$43.73
MANAGEMENT FEES															
Base Management Fee	2.9%	$2,195	$8.14	3.0%	$2,176	$8.01	3.1%	$2,025	$7.82	3.3%	$1,789	$6.31	3.6%	$1,556	$5.79
HOUSE PROFIT	31.6%	$23,732	$87.97	32.1%	$23,615	$86.91	35.7%	$23,067	$89.07	31.8%	$17,169	$60.50	36.0%	$15,442	$57.50
FIXED CHARGES															
Property Taxes	3.2%	$2,411	$8.94	3.2%	$2,392	$8.80	3.3%	$2,111	$8.15	3.0%	$1,626	$5.73	3.5%	$1,504	$5.60
Insurance	1.1%	$828	$3.07	1.1%	$785	$2.89	1.0%	$657	$2.54	1.1%	$593	$2.09	1.1%	$464	$1.73
Reserve for Replacement	1.9%	$1,401	$5.19	1.9%	$1,405	$5.17	2.0%	$1,266	$4.89	2.2%	$1,198	$4.22	2.0%	$866	$3.23
Total Fixed Charges	6.2%	$4,640	$17.20	6.2%	$4,582	$16.86	6.2%	$4,034	$15.58	6.3%	$3,417	$12.04	6.6%	$2,835	$10.56
NET OPERATING INCOME	25.4%	$19,093	$70.77	25.8%	$19,033	$70.05	29.5%	$19,033	$73.49	25.5%	$13,751	$48.46	29.4%	$12,608	$46.95
OPERATING RATIOS	%			%			%			%			%		
Food & Beverage to Rooms	43.8%			42.6%			48.0%			38.7%			18.7%		
Other Income to Rooms	10.1%			9.2%			11.1%			6.7%			4.1%		
Royalty/Franchise Fees to Rooms	1.9%			2.0%			2.4%			2.6%			4.0%		

OPERATING COMPARABLES

Operating Comparables for Analysis of Embassy Suites DFW International Airport South

Property Number:	1	2	3	4	5	6
Property Type:	Full-Service	Full-Service	Full-Service	Full-Service	Full-Service	Full-Service
Days Open:	365	365	365	365	365	365
Number of Rooms:	262	304	222	174	472	184
Occupied Rooms:	70,878	76,191	60,977	42,694	73,174	46,928
Occupancy Rate:	74.1%	68.7%	75.3%	67.2%	42.5%	69.9%
Average Daily Room Rate (ADR):	$138.96	$142.01	$134.48	$111.82	$72.64	$148.31
Revenue Per Available Room (RevPAR):	$102.99	$97.51	$101.20	$75.17	$30.85	$103.63

DEPARTMENTAL REVENUES	% Total	$ PAR	$ POR	% Total	$ PAR	$ POR	% Total	$ PAR	$ POR	% Total	$ PAR	$ POR	% Total	$ PAR	$ POR	% Total	$ PAR	$ POR
Rooms	88.1%	$37,592	$138.96	68.4%	$35,592	$142.01	75.2%	$36,937	$134.48	56.9%	$27,437	$111.82	80.9%	$11,261	$72.64	68.5%	$37,824	$148.31
Food & Beverage	9.9%	$4,225	$15.62	25.8%	$13,431	$53.59	22.9%	$11,252	$40.97	42.7%	$20,569	$83.83	17.7%	$2,466	$15.91	30.4%	$16,780	$65.79
Other Income	2.0%	$863	$3.19	5.9%	$3,049	$12.17	2.0%	$959	$3.49	0.4%	$207	$0.84	1.3%	$184	$1.19	1.2%	$654	$2.56
Total Departmental Revenues	100.0%	$42,679	$157.76	100.0%	$52,072	$207.77	100.0%	$49,149	$178.94	100.0%	$48,213	$196.49	100.0%	$13,911	$89.73	100.0%	$55,258	$216.66
DEPARTMENTAL COSTS																		
Rooms	27.5%	$10,338	$38.21	22.9%	$8,151	$32.52	21.8%	$8,052	$29.32	29.7%	$8,149	$33.21	27.5%	$3,097	$19.97	20.0%	$7,565	$29.66
Food & Beverage	68.6%	$2,898	$10.71	77.6%	$10,422	$41.59	51.0%	$5,741	$20.90	70.0%	$14,398	$58.68	84.8%	$2,091	$13.49	67.0%	$11,242	$44.08
Other Income	42.0%	$362	$1.34	39.6%	$1,208	$4.82	81.7%	$784	$2.85	211.1%	$437	$1.78	5.7%	$11	$0.07	70.0%	$458	$1.79
Total Departmental Costs	31.9%	$13,598	$50.27	38.0%	$19,781	$78.92	29.7%	$14,577	$53.07	47.7%	$22,984	$93.67	37.4%	$5,198	$33.53	34.9%	$19,265	$75.54
DEPARTMENTAL INCOME	68.1%	$29,081	$107.50	62.0%	$32,292	$128.84	70.3%	$34,571	$125.86	52.3%	$25,229	$102.82	62.6%	$8,713	$56.20	65.1%	$35,993	$141.12
UNDISTRIBUTED OPERATING EXPENSES																		
Administrative & General	8.1%	$3,457	$12.78	8.5%	$4,426	$17.66	8.5%	$4,178	$15.21	9.0%	$4,339	$17.68	10.2%	$1,419	$9.15	7.8%	$4,310	$16.90
Marketing	10.7%	$4,567	$16.88	7.8%	$4,062	$16.21	7.0%	$3,440	$12.53	5.8%	$2,796	$11.40	7.3%	$1,016	$6.55	10.4%	$5,747	$22.53
Royalty/Franchise Fees	3.4%	$1,451	$5.36	0.0%	$0	$0.00	2.6%	$1,278	$4.65	4.6%	$2,218	$9.04	7.1%	$988	$6.37	5.0%	$2,763	$10.83
Property Operations & Maintenance	5.3%	$2,262	$8.36	3.6%	$1,875	$7.48	3.2%	$1,573	$5.73	5.3%	$2,555	$10.41	5.5%	$765	$4.94	4.2%	$2,321	$9.10
Utilities	5.1%	$2,177	$8.05	3.4%	$1,770	$7.06	5.4%	$2,654	$9.66	7.3%	$3,520	$14.34	7.9%	$1,099	$7.09	3.1%	$1,713	$6.72
Total Undist. Oper. Expenses	32.6%	$13,913	$51.43	23.3%	$12,133	$48.41	26.7%	$13,123	$47.78	32.0%	$15,428	$62.88	38.0%	$5,286	$34.10	30.5%	$16,854	$66.08
MANAGEMENT FEES																		
Base Management Fee	1.7%	$726	$2.68	3.0%	$1,562	$6.23	3.2%	$1,573	$5.73	2.8%	$1,350	$5.50	2.5%	$348	$2.24	2.5%	$1,381	$5.42
HOUSE PROFIT	33.8%	$14,442	$53.38	35.7%	$18,597	$74.20	40.4%	$19,876	$72.36	17.5%	$8,451	$34.44	22.1%	$3,079	$19.86	32.1%	$17,758	$69.63
FIXED CHARGES																		
Property Taxes	2.6%	$1,110	$4.10	5.2%	$2,708	$10.80	7.5%	$3,686	$13.42	4.3%	$2,073	$8.45	3.3%	$459	$2.96	5.4%	$2,984	$11.70
Insurance	0.6%	$256	$0.95	0.7%	$365	$1.45	0.5%	$246	$0.89	1.8%	$868	$3.54	2.5%	$348	$2.24	0.7%	$387	$1.52
Reserve for Replacement	4.8%	$2,049	$7.57	4.0%	$2,083	$8.31	2.7%	$1,327	$4.83	0.0%	$0	$0.00	0.0%	$0	$0.00	0.0%	$0	$0.00
Total Fixed Charges	8.0%	$3,414	$12.62	9.9%	$5,155	$20.57	10.7%	$5,259	$19.15	6.1%	$2,941	$11.99	5.8%	$807	$5.20	6.1%	$3,371	$13.22
NET OPERATING INCOME	25.8%	$11,028	$40.76	25.8%	$13,442	$53.63	29.7%	$14,617	$53.22	11.4%	$5,510	$22.46	16.3%	$2,272	$14.65	26.0%	$14,387	$56.41

OPERATING RATIOS	%	%	%	%	%	%
Food & Beverage to Rooms	11.2%	37.7%	30.5%	75.0%	21.9%	44.4%
Other Income to Rooms	2.3%	8.6%	2.6%	0.8%	1.6%	1.7%
Royalty/Franchise Fees to Rooms	3.9%	0.0%	3.5%	8.1%	8.8%	7.3%

FINANCIAL PROJECTIONS

Details regarding the underlying support and rational behind our assumptions is presented in the following paragraphs. It is important to note that the operating results presented herein rely on the hotel being efficiently and effectively managed by a competent operator. A hotel to successfully compete in the market requires a well-coordinated marketing plan and an appropriately-crafted yield management strategy. It is also assumed that management of the hotel will maintain all facilities in good working order and sufficient enough to render the property fully competitive in the relevant marketplace throughout the holding period.

UNDERLYING GROWTH ASSUMPTIONS

Our projections account for the integration of general price inflation based upon economic projections from various sources, including the Bureau of Labor Statistics and the U.S. Congressional Budget Office. We have also implemented our observations and various accounts derived from perspectives both locally and nationally.

To appropriately reflect potential price level changes, we have assumed that the consumer price index (CPI) will adequately account for inflation levels predicated to the hospitality industry, and that the rate will increase by 3.0 percent per year on average throughout the 10-year projection period.

PROJECTION OF INCOME AND EXPENSE

On the following pages we present our forecast of income and expense for the subject properties on an aggregate basis. The projection begins June 1, 2016. The statements are expressed in future values for each projection year.

Ten-Year Projection of Income and Expense

AGGREGATE STATEMENT

Period:	2016/17		2017/18		2018/19		2019/20		2020/21	
Projection Year:	1		2		3		4		5	
Days Open:	365		365		365		365		365	
Number of Rooms:	529		529		529		529		529	
Occupied Rooms:	154,763		154,468		153,355		153,355		153,355	
Occupancy Rate:	80.2%		80.0%		79.4%		79.4%		79.4%	
Average Daily Room Rate (ADR):	$140.12		$147.95		$154.13		$160.53		$165.76	
Revenue Per Available Room (RevPAR):	$112.31		$118.36		$122.41		$127.50		$131.65	
DEPARTMENTAL REVENUES	$	% Total	$	% Total	$	% Total	$	% Total	$	% Total
Rooms	$21,685,799	90.7%	$22,853,952	90.7%	$23,636,087	90.7%	$24,618,010	90.6%	$25,420,600	90.6%
Food & Beverage	$1,676,805	7.0%	$1,768,627	7.0%	$1,839,590	7.1%	$1,935,673	7.1%	$2,003,297	7.1%
Space Lease & Other Income	$555,891	2.3%	$578,281	2.3%	$595,863	2.3%	$615,161	2.3%	$633,943	2.3%
Total Departmental Revenues	$23,918,495	100.0%	$25,200,860	100.0%	$26,071,540	100.0%	$27,168,843	100.0%	$28,057,840	100.0%
DEPARTMENTAL COSTS										
Rooms	$5,486,617	25.3%	$5,703,509	25.0%	$5,884,088	24.9%	$6,087,310	24.7%	$6,276,092	24.7%
Food & Beverage	$1,379,491	82.3%	$1,443,646	81.6%	$1,496,698	81.4%	$1,563,781	80.8%	$1,615,840	80.7%
Space Lease & Other Income	$174,395	31.4%	$180,521	31.2%	$185,970	31.2%	$191,765	31.2%	$197,567	31.2%
Total Departmental Costs	$7,040,503	29.4%	$7,327,675	29.1%	$7,566,756	29.0%	$7,842,856	28.9%	$8,089,499	28.8%
DEPARTMENTAL INCOME	$16,877,993	70.6%	$17,873,185	70.9%	$18,504,783	71.0%	$19,325,987	71.1%	$19,968,341	71.2%
UNDISTRIBUTED OPERATING EXPENSES										
Administrative & General	$2,044,638	8.5%	$2,118,608	8.4%	$2,185,716	8.4%	$2,259,438	8.3%	$2,329,096	8.3%
Marketing	$2,603,583	10.9%	$2,706,671	10.7%	$2,794,184	10.7%	$2,892,954	10.6%	$2,983,194	10.6%
Royalty/Franchise Fees	$1,151,343	4.8%	$1,212,984	4.8%	$1,254,088	4.8%	$1,305,356	4.8%	$1,347,720	4.8%
Property Operations & Maintenance	$1,131,253	4.7%	$1,171,971	4.7%	$1,208,832	4.6%	$1,249,120	4.6%	$1,287,519	4.6%
Utilities	$1,052,738	4.4%	$1,090,687	4.3%	$1,125,064	4.3%	$1,162,693	4.3%	$1,198,466	4.3%
Total Undist. Oper. Expenses	$7,983,554	33.4%	$8,300,921	32.9%	$8,567,884	32.9%	$8,869,562	32.6%	$9,145,994	32.6%
MANAGEMENT FEES										
Base Management Fee	$717,555	3.0%	$756,026	3.0%	$782,795	3.0%	$816,204	3.0%	$843,021	3.0%
HOUSE PROFIT	$8,176,884	34.2%	$8,816,238	35.0%	$9,154,104	35.1%	$9,640,221	35.5%	$9,979,326	35.6%
FIXED CHARGES										
Property Taxes	$1,670,272	7.0%	$1,751,043	6.9%	$1,806,405	6.9%	$1,869,510	6.9%	$1,927,673	6.9%
Insurance	$241,618	1.0%	$248,866	1.0%	$256,332	1.0%	$264,022	1.0%	$271,943	1.0%
Reserve for Replacement	$956,740	4.0%	$1,008,035	4.0%	$1,043,727	4.0%	$1,088,273	4.0%	$1,124,029	4.0%
Total Fixed Charges	$2,868,630	12.0%	$3,007,944	11.9%	$3,106,464	11.9%	$3,221,805	11.9%	$3,323,645	11.8%
NET OPERATING INCOME	$5,308,254	22.2%	$5,808,294	23.0%	$6,047,641	23.2%	$6,418,416	23.6%	$6,655,681	23.7%
OPERATING RATIOS										
Food & Beverage to Rooms	7.7%		7.7%		7.8%		7.9%		7.9%	
Space Lease & Other Income to Rooms	2.6%		2.5%		2.5%		2.5%		2.5%	
Royalty/Franchise Fees to Rooms	5.3%		5.3%		5.3%		5.3%		5.3%	

Period:	2021/22		2022/23		2023/24		2024/25		2025/26	
Projection Year:	6		7		8		9		10	
Days Open:	365		365		365		365		365	
Number of Rooms:	529		529		529		529		529	
Occupied Rooms:	153,355		153,355		153,355		153,355		153,355	
Occupancy Rate:	79.4%		79.4%		79.4%		79.4%		79.4%	
Average Daily Room Rate (ADR):	$170.73		$175.86		$181.13		$186.56		$192.16	
Revenue Per Available Room (RevPAR):	$135.60		$139.67		$143.86		$148.17		$152.62	
DEPARTMENTAL REVENUES	$	% Total	$	% Total	$	% Total	$	% Total	$	% Total
Rooms	$26,182,748	90.6%	$26,968,778	90.6%	$27,777,383	90.6%	$28,609,871	90.6%	$29,468,655	90.6%
Food & Beverage	$2,063,352	7.1%	$2,125,320	7.1%	$2,189,019	7.1%	$2,254,659	7.1%	$2,322,350	7.1%
Space Lease & Other Income	$652,957	2.3%	$672,550	2.3%	$692,723	2.3%	$713,493	2.3%	$734,902	2.3%
Total Departmental Revenues	$28,899,057	100.0%	$29,766,648	100.0%	$30,659,126	100.0%	$31,578,023	100.0%	$32,525,907	100.0%
DEPARTMENTAL COSTS										
Rooms	$6,464,329	24.7%	$6,658,312	24.7%	$6,858,017	24.7%	$7,063,674	24.7%	$7,275,632	24.7%
Food & Beverage	$1,664,292	80.7%	$1,714,257	80.7%	$1,765,652	80.7%	$1,818,605	80.7%	$1,873,191	80.7%
Space Lease & Other Income	$203,494	31.2%	$209,599	31.2%	$215,887	31.2%	$222,361	31.2%	$229,033	31.2%
Total Departmental Costs	$8,332,114	28.8%	$8,582,167	28.8%	$8,839,555	28.8%	$9,104,640	28.8%	$9,377,855	28.8%
DEPARTMENTAL INCOME	$20,566,943	71.2%	$21,184,481	71.2%	$21,819,571	71.2%	$22,473,382	71.2%	$23,148,051	71.2%
UNDISTRIBUTED OPERATING EXPENSES										
Administrative & General	$2,398,957	8.3%	$2,470,940	8.3%	$2,545,056	8.3%	$2,621,390	8.3%	$2,700,044	8.3%
Marketing	$3,072,666	10.6%	$3,164,874	10.6%	$3,259,797	10.6%	$3,357,553	10.6%	$3,458,304	10.6%
Royalty/Franchise Fees	$1,388,127	4.8%	$1,429,799	4.8%	$1,472,669	4.8%	$1,516,805	4.8%	$1,562,334	4.8%
Property Operations & Maintenance	$1,326,138	4.6%	$1,365,930	4.6%	$1,406,902	4.6%	$1,449,098	4.6%	$1,492,578	4.6%
Utilities	$1,234,414	4.3%	$1,271,454	4.3%	$1,309,591	4.3%	$1,348,869	4.3%	$1,389,342	4.3%
Total Undist. Oper. Expenses	$9,420,302	32.6%	$9,702,997	32.6%	$9,994,015	32.6%	$10,293,715	32.6%	$10,602,602	32.6%
MANAGEMENT FEES										
Base Management Fee	$868,296	3.0%	$894,364	3.0%	$921,179	3.0%	$948,787	3.0%	$977,267	3.0%
HOUSE PROFIT	$10,278,345	35.6%	$10,587,119	35.6%	$10,904,377	35.6%	$11,230,880	35.6%	$11,568,182	35.6%
FIXED CHARGES										
Property Taxes	$1,985,478	6.9%	$2,045,065	6.9%	$2,106,399	6.9%	$2,169,527	6.9%	$2,234,637	6.9%
Insurance	$280,101	1.0%	$288,504	1.0%	$297,159	1.0%	$306,074	1.0%	$315,256	1.0%
Reserve for Replacement	$1,157,728	4.0%	$1,192,486	4.0%	$1,228,239	4.0%	$1,265,050	4.0%	$1,303,024	4.0%
Total Fixed Charges	$3,423,307	11.8%	$3,526,055	11.8%	$3,631,797	11.8%	$3,740,651	11.8%	$3,852,917	11.8%
NET OPERATING INCOME	$6,855,038	23.7%	$7,061,064	23.7%	$7,272,580	23.7%	$7,490,229	23.7%	$7,715,265	23.7%
OPERATING RATIOS										
Food & Beverage to Rooms	7.9%		7.9%		7.9%		7.9%		7.9%	
Space Lease & Other Income to Rooms	2.5%		2.5%		2.5%		2.5%		2.5%	
Royalty/Franchise Fees to Rooms	5.3%		5.3%		5.3%		5.3%		5.3%	

YIELD CAPITALIZATION

Yield capitalization is a method of converting future income from an investment into present value by discounting each year's income using an appropriate discount rate or by using one overall rate that reflects the investment. The anticipated economic benefits—which is typically the net operating income stream—is converted into a value opinion using investment rates that are applicable to investments with similar characteristics. The yield capitalization process takes into consideration the risk profile of the income stream in determining which rates are appropriate for arriving at a value conclusion for the subject hotel.

Our analysis refers to an all-cash purchase. The following paragraphs detail our analysis and assumptions.

Terminal Capitalization Rate

A terminal capitalization rate is a rate used to estimate the resale value of a property at the end of the holding period. The expected net operating income (NOI) per year is divided by the terminal cap rate (expressed as a percentage) to get the terminal value. Terminal capitalization rates are based on forecasts and estimates and changes based on the person doing the calculation. This rate is also known as the reversionary capitalization rate.

Investor surveys, discussions with market participants and the subject's investment characteristics were considered in developing our opinion of the terminal capitalization rate for the subject. The following table provides a historical illustration of terminal rate statistics as surveyed by PricewaterhouseCoopers that we believe are relevant to the subject property.

TERMINAL CAPITALIZATION RATE CONCLUSION

SOURCE	QUARTER	RANGE			AVG	LAST Q	LAST YR
PriceWaterhouse Coopers							
National Full-Service Lodging Segment	1Q 16	7.00%	to	10.00%	8.38%	8.18%	8.31%
Going-In Vs Terminal Spread					*63 bps*	*58 bps*	*60 bps*
National Ltd-Service Lodging Segment	1Q 16	7.75%	to	10.50%	9.48%	9.50%	9.63%
Going-In Vs Terminal Spread					*60 bps*	*72 bps*	*68 bps*
OVERALL AVERAGE		7.38%	to	10.25%	8.93%	8.84%	8.97%

Discount Rate

The discount rate, or internal rate of return, is the rate of discount on an investment that equates the present value of the investment's cash outflows with the present value of the investment's cash inflows. The rate is expressed as the real return anticipated in the hotel investment and considers any change in value as well as all associated risk premiums. It is the average annual rate of return necessary to attract capital based upon the overall investment characteristics.

We continually interact with investors and brokers of hotel properties throughout the world, and discuss the investment parameters and various rates with industry experts. Furthermore, we consider published rates, and those rates which are implied in actual transactions of lodging facilities.

The following graph provides a historical illustration of discount rate statistics as surveyed by PricewaterhouseCoopers that we believe are relevant to the subject property.

DISCOUNT RATE (IRR) CONCLUSIONS							
SOURCE	QUARTER	RANGE			AVG	LAST Q	LAST YR
PriceWaterhouse Coopers							
National Full-Service Lodging Segment	1Q 16	8.50%	to	13.00%	10.48%	10.48%	10.69%
Capitalization Vs Discount Spread					*273 bps*	*288 bps*	*298 bps*
National Ltd-Service Lodging Segment	1Q 16	8.50%	to	12.00%	10.70%	10.53%	10.55%
Capitalization Vs Discount Spread					*182 bps*	*175 bps*	*160 bps*
OVERALL AVERAGE		8.50%	to	12.50%	10.59%	10.51%	10.62%

CONSIDERATION OF INVESTMENT PARAMETERS

The potential investor pool for the subject asset includes national, regional and local investors. While all of these groups generally place emphasis on local capitalization rates, regional and national investors would also strongly consider national investment rate trends from investor surveys due to the potential to invest in other regions that are offering competitive rates of return. We have also considered the state of the hospitality industry overall within the U.S.

The following paragraphs summarize information that we believe is consistent with the observations held by the potential investor pool of commercial real estate assets, particularly with respect to the trends that influence demand for hotels and motels overall. Except where noted, the following section references the year-end 2015 *IBISWorld Industry Report: Hotels & Motels in the U.S.*

Salient Industry Observations

While the Hotels and Motels industry is highly susceptible to changes in the global economic environment, the industry has experienced robust growth over the five years through year-end 2015. Thanks to increases in travel spending, corporate profit and consumer spending, industry revenue has grown every year since 2010, as the economy improved and domestic and international travel rates increased. As a result, the Hotels and Motels industry has outperformed the broader economy over the past five years, driven by a combination of high demand from leisure and business travelers and international tourists. Over the five years through year-end 2015, industry revenue grew at an annualized rate of approximately 3.7 percent to reach $166.5 billion, as consumer confidence and spending spike, raising revenue 3.3 percent in 2015 alone.

Over the past five years, demand for hotel rooms has outpaced supply, leading to higher room rates (commonly referred to as RevPAR) and increasing industry revenue. According to Lodging Econometrics, a real estate intelligence company, the industry hit a low in terms of hotel development in 2011, with only 346 new openings occurring. The resulting undersupply of hotel rooms has since enabled industry establishments to charge more and operate with lower vacancy rates. As a result, average industry profit margins have improved in line with the long-term average. As establishment growth has been slow over the five-year period, higher RevPAR is expected to remain high, benefiting industry operators.

Over the five years to 2020, IBISWorld projects that the industry will continue expanding, with particularly strong growth in the extended-stay hotels, boutique hotels, spa and health retreats and resorts segments. As demand picks up, the number of industry employees is anticipated to rise at an annualized rate of 2.3 percent to 1.8 million workers over the five-year period. Industry players are also expected to continue expanding abroad into emerging economies, such as Asia, Eastern Europe and South America.

These foreign markets will somewhat detract from domestic investment, as they offer higher growth prospects for industry operators. Consequently, industry revenue is forecast to increase at an annualized rate of 2.9 percent to about $192.4 billion in the five years to 2020.

Domestic Investment

According to PricewaterhouseCoopers' *Hospitality Directions U.S.*, the national hotel sector posted a 42.0 percent growth in investment activity for 2015 with sales totaling $49.0 billion. The only other year where deal volume was higher was 2007, which saw more portfolio and entity-level deal volume than the entire market in 2015.

Limited-service hotel deals accounted for $14.0 billion of the industry's sales volume in 2015 with full- service hotels accounting for the majority at $35.0 billion – up 56.0 percent from a year earlier. Blackstone's $6.0-billion buyout of Strategic Hotels in December contributed greatly to the sales volume for the full-service sector. Without it, however, volume would still be up, but only 13.0 percent from 2014.

Investment Abroad

Over the next five years, investment in new hotel and motel rooms will gradually accelerate due to a sustained boost in demand for tourist accommodation.

Investment will likely be heavier in the early part of the five-year period, as operators compensate for the dramatic decline in investment that occurred in the years directly preceding and following the recession. Hotel development hit a low in 2011, and research company Lodging Econometrics expects both the number of new hotels and of new rooms to increase substantially in 2014 and 2015. Consequently, IBISWorld expects the number of industry establishments to increase at an annualized rate of 1.7 percent to 94,512 locations over the five years to 2020. This new supply of rooms will temper industry revenue growth to some degree, as existing operators will be hesitant to increase room rates for fear of losing their competitive edge.

Operators in the Hotels and Motels industry are expected to increasingly focus on opportunities abroad to satisfy demand in international travel markets, including Russia, Eastern Europe, the Middle East, Latin America, Asia, China and India. According to the United Nations World Tourism Organization's (UNWTO) Tourism Towards 2030, international tourist arrivals in emerging economies, such as Asia, Latin America, Central and Eastern Europe, Eastern Mediterranean Europe, the Middle East and Africa, will grow at double the pace of advanced-economy destinations. The most robust growth is expected in the Asia and Oceania market, where arrivals are forecast to increase at an annualized rate of 4.9 percent through 2030. The Middle East and Africa are also forecast to more than double their arrivals over the same period.

Overall, international arrivals in emerging economies are expected to surpass arrivals in advanced economies by 2015. In 2030, 57.0 percent of international arrivals will be in emerging economy destinations, as opposed to 30.0 percent in 1980, and 43.0 percent in advanced economy destinations, as opposed to 70.0 percent in 1980. As a result, international hotel chains are anticipated to experience the majority of their revenue growth through emerging economies, meaning investment will shift from the United States toward these new regions. This trend will also have ramifications for operators in the domestic tourism sector, as they will experience greater competition in an increasingly competitive global tourism market, putting pressure on industry revenue growth.

DISCOUNTED CASH FLOW CONCLUSION

The projection of net operating income and the resulting discounted cash flow are presented on the following tables. The following are key inputs to the valuation:

Discount Rate:	11.00 to 11.50 percent
Terminal Capitalization Rate:	9.00 to 9.50 percent
Holding Period:	10 years
Closing Costs:	2.00 percent (deducted from the projected sale price)
Projection Commencement:	June 1, 2016
Reversion Year:	2025/26 (Year 10)

FINAL RECONCILED AGGREGATE VALUE	
Conclusions	**As Is June 1, 2016**
Market Value	**$62,700,000**
Per Room	$118,526

INTRODUCTION

The Sales Comparison Approach is based on the principle of substitution, which asserts that a buyer would not pay more for a property than the value of similar properties in the market. This approach analyzes comparable sales by applying transactional and property adjustments to bracket the subject property within an appropriate unit value comparison.

UNIT OF COMPARISON

The most relevant unit of comparison is the price per room. This indicator best reflects the analysis used by buyers and sellers in this market for improved properties with similar design and utility.

COMPARABLE SELECTION

We performed a thorough search for similar improved sales in terms of property type, location, physical characteristics, and date of sale. In selecting comparables, emphasis was placed on confirming recent improved sales of properties that match the highest and best use, and buyer/seller profile of the subject property. Overall, the sales selected represent the best comparables available for this analysis.

PRESENTATION

The following table summarizes the improved sales data. Following these items, the comparable sales are adjusted for applicable elements of comparison and the opinion of value by the Sales Comparison Approach is concluded.

DFW SALES

SALES COMPARABLE SUMMATION TABLE

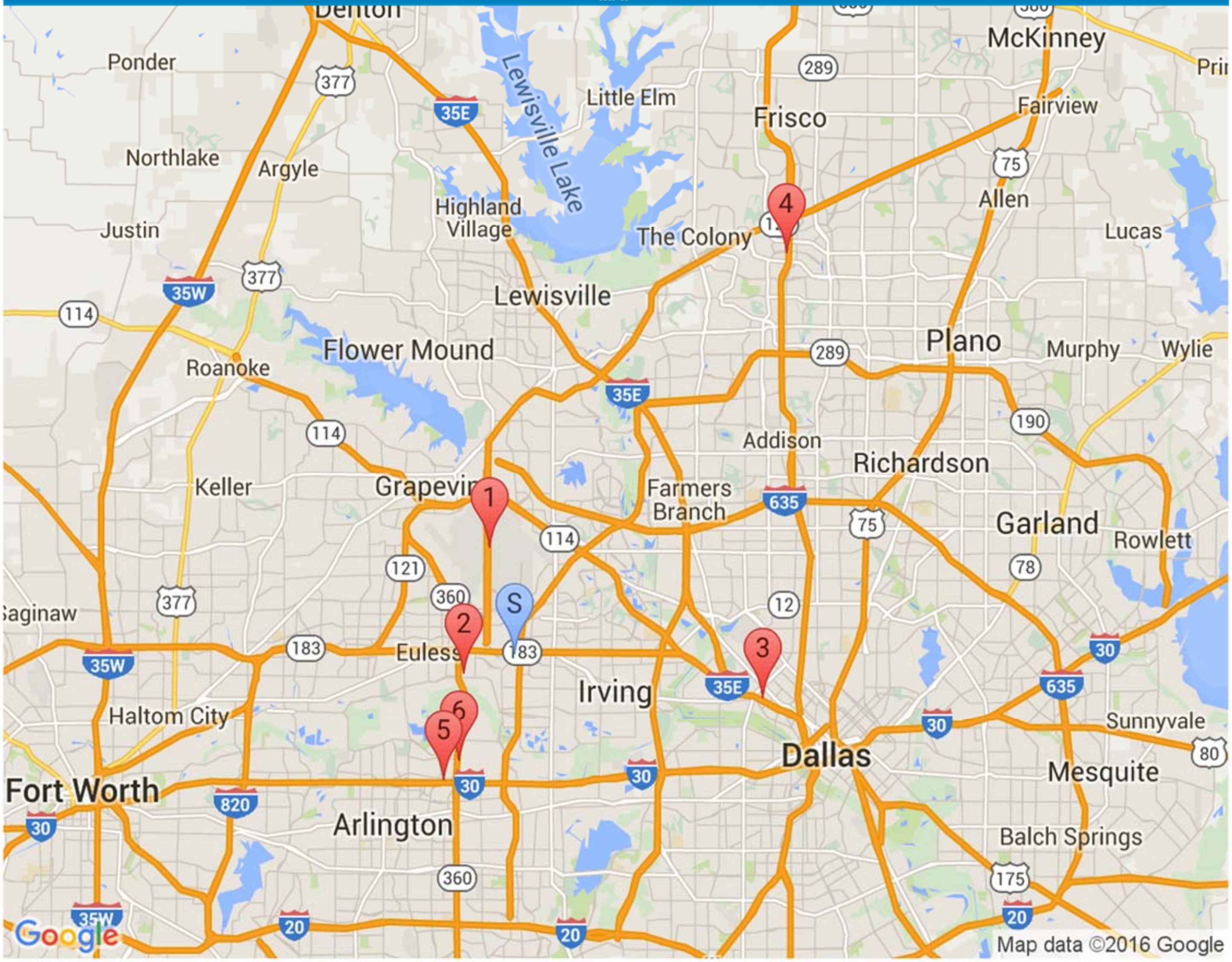
Property Information						Transaction Information					
No.	Property Name Address, City, State	Umbrella Co.	Orientation	Number of Units	Year Built	Grantor	Grantee	Sale Date	Sale Price	$/Unit	OAR
S	**SUBJECT PROPERTY - 4650 West Airport Freeway Irving, TX**	**Embassy Suites**	**Full-Service**	**305**	**1985**	**-**	**-**	**-**	**-**	**-**	**-**
1	Hyatt Regency - 2334 North International Parkway Dallas, TX	Hyatt Regency	Full-Service	811	1980	Hunt Realty Research, LLC	Alliance Bernstein L.P.	Sep-14	$92,000,000	$113,440	8.90%
2	DFW Airport Marriott South - 4151 Centreport Drive Fort Worth, TX	Marriott	Full-Service	295	1999	Winegardner & Hammons, Inc.	Lone Star Funds	May-15	$38,397,325	$130,160	9.00%
3	Embassy Suites Hotel Dallas-Market Center - 2727 North Stemmons Fwy Dallas, TX	Embassy Suites	Full-Service	244	1981	Five Star Realty Partners	2727 Stemmons Freeway LP	Mar-15	$31,000,000	$127,049	7.10%
4	Aloft Plano - 6853 North Dallas Parkway Plano, TX	Aloft	Select-Service	136	2008	Aimbridge Hospitality	AIG Global Real Estate	Apr-15	$20,740,312	$152,502	7.00%
5	Hilton Garden Inn Dallas/Arlington - 2190 East Lamar Boulevard Arlington, TX	Hilton Garden Inn	Select-Service	132	2009	Concord Hospitality Enterprises Company	Abu Dhabi Investment Authority	Apr-14	$18,610,547	$140,989	7.80%
6	Hyatt Place - 1542 North State Highway 360 Grand Prairie, TX	Hyatt Place	Select-Service	134	1998	FFC Capital Corporation	BV LCP Dallas Investment Group, LLC	Sep-15	$17,588,246	$131,256	8.00%

Transactional Summary - Improved Sales

Range Level	Sale Date	Sale Price	$/Unit	OAR
Low	Apr-14	$17,588,246	$113,440	7.00%
Average	Feb-15	$36,389,405	$132,566	7.97%
High	Sep-15	$92,000,000	$152,502	9.00%

SALES LOCATION MAP

MAP



IMPROVED SALES MAP KEY	
Property Name	**Pin No.**
Embassy Suites DFW International Airport South	S
Hyatt Regency	1
DFW Airport Marriott South	2
Embassy Suites Hotel Dallas-Market Center	3
Aloft Plano	4
Hilton Garden Inn Dallas/Arlington	5
Hyatt Place	6

TEMPE SALES

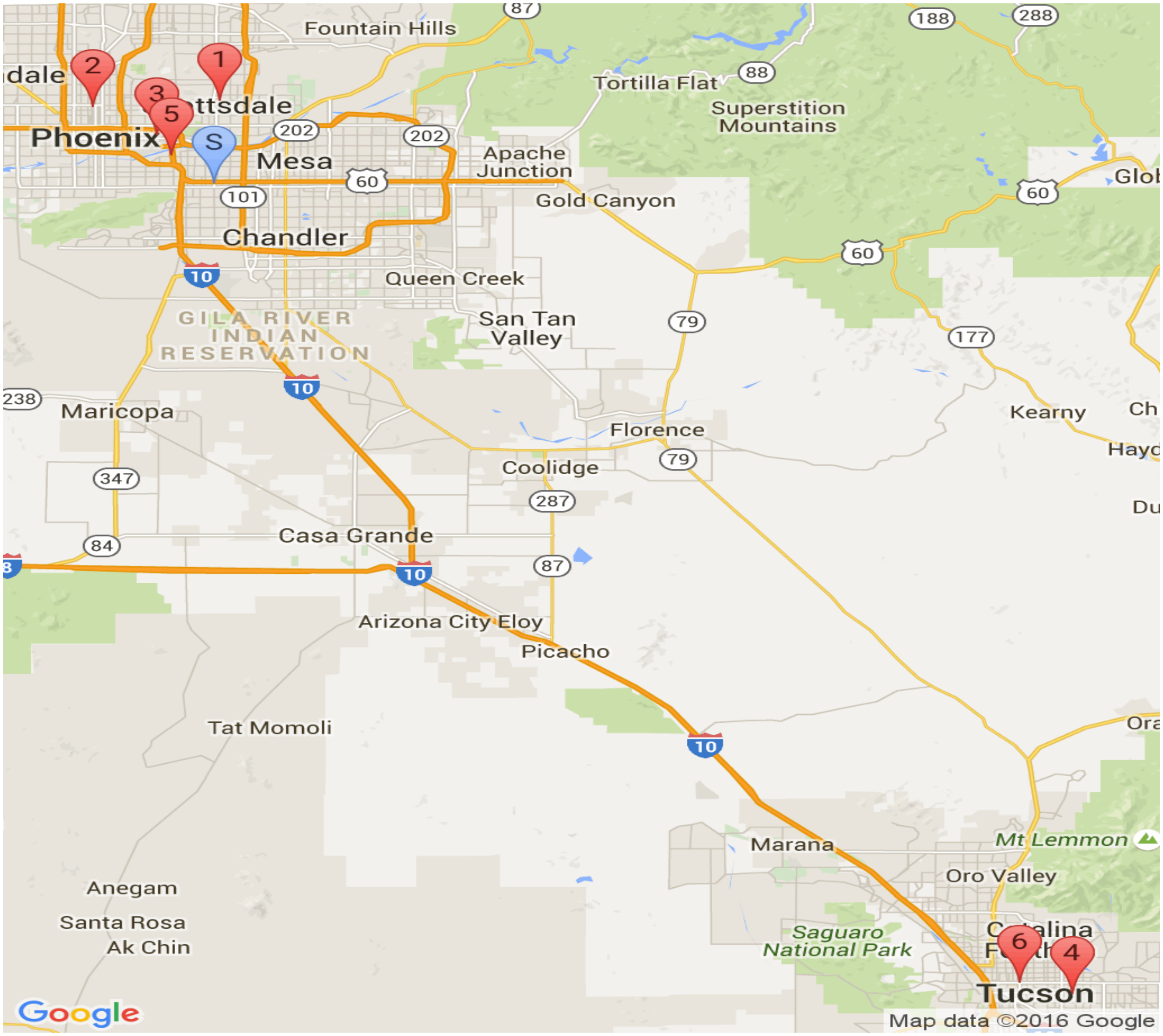
SALES COMPARABLE SUMMATION TABLE

Property Information						Transaction Information					
No.	Property Name Address, City, State	Umbrella Co.	Orientation	Number of Units	Year Built	Grantor	Grantee	Sale Date	Sale Price	$/Unit	OAR
S	**SUBJECT PROPERTY - 4400 South Rural Road Tempe, AZ**	**Embassy Suites**	**Full-Service**	**224**	**1984**	-	-	-	-	-	-
1	Hotel Indigo - 4415 North Civic Center Plaza Scottsdale, AZ	Indigo	Select-Service	126	1996	AEW Capital Management	Triyar Companies, LLC	Oct-15	$17,600,000	$139,683	6.00%
2	Hilton Garden Inn - 4000 North Central Avenue Phoenix, AZ	Hilton Garden Inn	Select-Service	156	1964	Castlelake, LP	Euston Development Corporation	May-15	$14,800,000	$94,872	8.50%
3	Hilton Garden Inn Phoenix Airport North - 3838 East Van Buren Street Phoenix, AZ	Hilton Garden Inn	Select-Service	192	2008	Square Mile Capital Management LLC	Pyramid Hotel Group	May-15	$20,200,000	$105,208	10.87%
4	Courtyard Tucson Williams Centre - 201 South Williams Boulevard Tucson, AZ	Courtyard by Marriott	Select-Service	153	1996	InvenTrust Properties Corp.	NorthStar Realty Finance Corp	Nov-14	$18,657,763	$121,946	N/A
5	Courtyard Marriott - 2621 South 47th Place Phoenix, AZ	Courtyard by Marriott	Select-Service	145	1987	Clarion Partners	NorthStar Healthcare Income, Inc	Sep-14	$17,744,214	$122,374	7.70%
6	Aloft Tucson University - 1900 East Speedway Boulevard Tucson, AZ	aloft	Select-Service	154	1972	Starwood Hotels and Resorts Worldwide, Inc.	Lightstone Value Plus REIT II	Apr-14	$19,000,000	$123,377	8.30%

Transactional Summary - Improved Sales

Range Level	Sale Date	Sale Price	$/Unit	OAR
Low	Apr-14	$14,800,000	$94,872	6.00%
Average	Jan-15	$18,000,330	$117,910	8.27%
High	Oct-15	$20,200,000	$139,683	10.87%

SALES LOCATION MAP



IMPROVED SALES MAP KEY	
Property Name	**Pin No.**
Embassy Suites Phoenix Tempe	S
Hotel Indigo	1
Hilton Garden Inn	2
Hilton Garden Inn Phoenix Airport North	3
Courtyard Tucson Williams Centre	4
Courtyard Marriott	5
Aloft Tucson University	6

AGGREGATE CONCLUSION

It should be noted that, in addition to these factors, some of the differences between the comparable sales and the subject property can also include market conditions, chain affiliation, market orientation, management, room rate structure, the highest and best use of the land and the anticipated profitability of the operation. Circumstances surrounding a sale, including financing terms, tax considerations, income guarantees, sales of partial interests, duress on the part of the buyer or seller, or a particular deal structure, result in disparities between the actual sales price and pure market value. Additionally, it is usually very difficult to obtain the marketing period, and an accurate capitalization rate, for the comparable sales. In practice, it is virtually impossible to quantify the appropriate adjustment factors accurately because of their number and complexity, as well as the difficulty in obtaining specific, detailed information.

The following table illustrates a summary of our adjusted value ranges, overall adjustments and value conclusion applied in the Sales Comparison Approach:

Market Value As Is		
Indicated Value per Unit		**$120,000**
Number of Units		529
Indicated Value		$63,480,000
Rounded to nearest	**$100,000**	**$63,500,000**
Per unit		**$120,038**

INTRODUCTION

The Reconciliation of Value Conclusions is the final step in the appraisal process and involves the weighing of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property. Understanding the profiles of potential buyers and their typical reliance on each approach to value strongly influences the weighting process.

As addressed earlier in this report, the cost approach has limited reliability in the valuation of existing hotels. We find there is considerable difficulty in accurately quantifying physical deterioration, and it is our experience that experienced purchasers of complex hotel properties are more concerned with the economics of the investment. Hence, we have not placed any emphasis on the Cost Approach.

The price per room method has been presented in the Sales Comparison Approach. The subject would sell at a price point where market participants typically put minimal emphasis on this approach. Recognizing the shifting market conditions, investors would typically give limited weight to the Sales Comparison Approach in determining value. Therefore, minimal weight is given to the Sales Comparison Approach in this analysis but rather was employed in estimating a range in value for the subject property and as a test of reasonableness for our conclusion via the Income Capitalization Approach.

The Income Approach to value is generally considered to be the best and most accurate measure of the value of income-producing properties. In this analysis, the Discounted Cash Flow was developed and relied most heavily upon in arriving at final determination of value. The value estimate by this approach best reflects the analysis that knowledgeable buyers and sellers carry out in their decision-making processes regarding this type of property. Sufficient market data was available to reliably estimate gross income, vacancy, expenses and capitalization and discount rates for the subject property. We have also considered the inclusion of the Direct Capitalization approach and the Room Revenue Multiplier methods and, depending on the subject's operating characteristics (number of years to stabilization, etc.), may have some degree of reliability. The Discounted Cash Flow is generally given primary emphasis within the Income Capitalization Approach.

Our opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject's value.

RECONCILIATION OF VALUE CONCLUSIONS

We have placed primary emphasis on the Income Capitalization Approach and, more specifically, the Discounted Cash Flow method as this mirrors the methodology of purchasers of this type of property. After considering all factors relevant to the valuation of the subject property, the subject's value conclusions and final reconciliation are presented in the following table:

ANALYSIS OF VALUE CONCLUSIONS - AGGREGATE	
Methology for	**As Is**
Market Value Conclusions	**June 1, 2016**
Cost Approach	
Concluded Value	**$63,000,000**
Sales Comparison Approach	
Adjusted Low End of Range	$63,904,000
Adjusted High End of Range	$69,113,000
Less: Near-term capital commitment (NPV)	-$3,475,846
Concluded Value	**$62,300,000**
Income Approach	
Discounted Cash Flow	$62,700,000
Direct Capitalization Approach	$63,600,000
Reconciled Value Conclusion	**$62,700,000**
Per Room	**$118,526**

FINAL RECONCILED AGGREGATE VALUE	
	As Is
Conclusions	**June 1, 2016**
Market Value	**$62,700,000**
Per Room	$118,526

KEY VALUATION ASSUMPTIONS	
Valuation Considerations:	
Exposure Time	12 months or less
Marketing Time	12 months or less
Holding Period	10 Years
Inflation Rate	3.0%

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions of the signer(s) are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- The signer(s) of this report have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- None of the undersigned have performed services, as an appraiser or in any other capacity regarding the property that is the subject of this report, within the three-year period immediately preceding acceptance of this assignment.
- The undersigned are not biased with respect to the property that is the subject of this report or to the parties involved with this assignment.
- The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute.
- Bryan Younge, MAI, ASA did not inspect the properties that are the subject of this report.
- Daniel J. Maher, MAI and Chad Eschmeyer provided significant real property appraisal assistance to the appraisers signing the certification.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

Bryan Younge, MAI, ASA
Managing Director, National Practice Leader
Hospitality and Leisure Group
Certified General Real Estate Appraiser
State of Texas License #TX1380506G, expires 12/31/2017
State of Arizona License # 31549, expires 7/31/2017

This appraisal is subject to the following assumptions and limiting conditions:

- The appraisers may or may not have been provided with a survey of the subject property. If further verification is required, a survey by a registered surveyor is advised.
- We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.
- The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.
- Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- The appraisers assume no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein.
- Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.
- This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.
- The appraiser may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made therefore.
- The statements of value and all conclusions shall apply as of the dates shown herein.
- There is no present or contemplated future interest in the property by the appraiser which is not specifically disclosed in this report.
- Without the written consent or approval of the authors neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media. This applies particularly to value conclusions and to the identity of the appraiser and the firm with which the appraisers are connected.
- This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.
- The valuation stated herein assumes professional management and operation of the buildings throughout the lifetime of the improvements, with an adequate maintenance and repair program.
- The liability of Colliers International Valuation & Advisory Services, its principals, agents, and employees is limited to the client. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiency in the property.
- The appraisers are not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. Colliers International Valuation & Advisory Services and its principals, agents, employees, shall not be liable for any costs, expenses, assessments, or penalties, or diminution in value, property damage, or personal

injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids or gasses, waste materials or other irritants, contaminants or pollutants.

› The appraisers assume no responsibility for determining if the subject property complies with the *Americans with Disabilities Act* (*ADA*). Colliers International Valuation & Advisory Services, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with *ADA* standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.

› No evidence of asbestos materials on-site was noted or reported. This analysis assumes that no asbestos or other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occurs, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.

› A detailed soils study was not reviewed for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.

› The estimated operating results presented in this report are based on an evaluation of the overall economy, and neither take into account nor make provision for the effect of any sharp rise or decline in local or national economic conditions. To the extent that wages and other operating expenses may advance during the economic life of the property, we expect that the prices of rooms, food, beverages, and services will be adjusted to at least offset these advances. We do not warrant that the estimates will be attained, but they have been prepared on the basis of information obtained during the course of this study and are intended to reflect the expectations of typical investors.

› Appraising hotels is both a science and an art. Although this analysis employs various mathematical calculations to provide value indications, the final estimate is subjective and may be influenced by our experience and other factors not specifically set forth in this report.

› Any distribution of the total value between the land and improvements or between partial ownership interests applies only under the stated use. Moreover, separate allocations between components are not valid if this report is used in conjunction with any other analysis.

› This report assumes that the subject will be affiliated with Embassy Suites. If the subject does not maintain a similar affiliation, it could have a negative impact on the subject's market value.

› Our financial analyses are based on estimates and assumptions which were developed in connection with this appraisal engagement. It is, however, inevitable that some assumptions will not materialize and that unanticipated events may occur which will cause actual achieved operating results to differ from the financial analyses contained in this report, and these differences may be material. It should be further noted that we are not responsible for the effectiveness of future management and marketing efforts upon which the projected results contained in this report may depend.

› This analysis assumes that the financial information provided for this appraisal, including historical income and expense statements; accurately reflect the current and historical operations of the subject property.

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Qualifications & State Licenses of Appraisers
Qualifications of the CIVAS Hospitality & Leisure Specialty Practice

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These definitions were extracted from the following sources or publications:

The Dictionary of Real Estate Appraisal, Sixth Edition, Appraisal Institute, Chicago, Illinois, 2015 *(Dictionary).*

Uniform Standards of Professional Appraisal Practice, 2016-2017 Edition (USPAP).

The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, Chicago, Illinois, 2013 *(14th Edition)*.

Marshall Valuation Service, Marshall & Swift, Los Angeles, California *(MVS)*.

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. *(Dictionary)*

Ad Valorem Tax

A real estate tax based on the assessed value of the property, which is not necessarily equivalent to its market value. *(14th Edition)*

Aggregate of Retail Values (ARV)

The sum of the separate and distinct market value opinions for each of the units in a condominium; subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called *sum of the retail values*. *(Dictionary)*

Arm's-length Transaction

A transaction between unrelated parties who are each acting in his or her own best interest. *(Dictionary)*

As-Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. *(Dictionary)*

Assessed Value

The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value. *(14th Edition)*

Average Daily Room Rate (ADR)

In the lodging industry, the net rooms revenue derived from the sale of guest rooms divided by the number of paid occupied rooms. *(Dictionary)*

Band of Investment

A technique in which the capitalization rates attributable to components of an investment are weighted and combined to derive a weighted-average rate attributable to the total investment. *(Dictionary)*

Cash-Equivalent Price

The price of a property with nonmarket financing expressed as the price that would have been paid in an all-cash sale. *(Dictionary)*

Common Area

The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities. *(Dictionary)*

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Contract Rent

The actual rental income specified in a lease. *(14th Edition)*

Cost Approach

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. *(14th Edition)*

Curable Functional Obsolescence

An element of depreciation; a curable defect caused by a flaw in the structure, materials, or design, which can be practically and economically corrected. *(Dictionary)*

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service, which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. *(Dictionary)*

Deferred Maintenance

Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of a property. *(Dictionary)*

Depreciation

In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date. *(Dictionary)*

Direct Costs

Expenditures for the labor and materials used in the construction of improvements; also called *hard costs*. *(Dictionary)*

Discounted Cash Flow (DCF) Analysis

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams and the quantity and timing of the reversion, and discounts each to its present value at a specified yield rate. *(Dictionary)*

Discount Rate

A rate of return on capital used to convert future payments or receipts into present value; usually considered to be a synonym for *yield rate*. *(Dictionary)*

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider their best interests.
7. An adequate marketing effort will be made during the exposure time.

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8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.

9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms. *(Dictionary)*

Easement

The right to use another's land for a stated purpose. Access or right-of-way easements may be acquired by private parties or public utilities. Governments may be the beneficiaries of easements placed on privately owned land that is dedicated to conservation, open space, or preservation. *(14th Edition)*

Economic Life

The period over which improvements to real property contribute to property value. *(Dictionary)*

Effective Age

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. *(Dictionary)*

Effective Date

The date on which the appraisal or review opinion applies (SVP) *(Dictionary)*

Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. *(Dictionary)*

Effective Gross Income Multiplier (EGIM)

The ratio between the sale price (or value) of a property and its effective gross income. *(Dictionary)*

Effective Rent

The rental rate net of financial concessions such as periods of free rent during the lease term and above or below-market tenant improvements (TIs). *(14th Edition)*

Eminent Domain

The right of government to take private property for public use upon the payment of just compensation. The Fifth Amendment of the U.S. Constitution, also known as the *takings clause*, guarantees payment of just compensation upon appropriation of private property. *(Dictionary)*

Entrepreneurial Incentive

The amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit (often called *developer's profit*) in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement. *(Dictionary)*

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Entrepreneurial Profit

A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. An entrepreneur is motivated by the prospect of future value enhancement (i.e., the entrepreneurial incentive). An entrepreneur who successfully creates value through new development, expansion, renovation, or an innovative change of use is rewarded by entrepreneurial profit. Entrepreneurs may also fail and suffer losses. *(Dictionary)*

Excess Land

Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. *(Dictionary)*

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. Due to the higher risk inherent in the receipt of excess rent, it may be calculated separately and capitalized or discounted at a higher rate in the income capitalization approach. *(14th Edition)*

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any operating expenses above a stated level or amount. *(Dictionary)*

Exposure Time

The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. *(Dictionary)*

External Obsolescence

A type of depreciation; a diminution in value caused by negative external influences and generally incurable on the part of the owner, landlord, or tenant. The external influence may be temporary or permanent. *(Dictionary)*

Extraordinary Assumption

An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. An extraordinary assumption may be used in an assignment only if:

- It is required to properly develop credible opinions and conclusions;
- The appraiser has a reasonable basis for the extraordinary assumption;
- Use of the extraordinary assumption results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions. (USPAP)

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Fair Market Value

In nontechnical usage, a term that is equivalent to the contemporary usage of *market value*.

As used in condemnation, litigation, income tax, and property tax situations, a term that is similar in concept to market value but may be defined explicitly by the relevant agency. (*Dictionary*)

Feasibility Analysis

A study of the cost-benefit relationship of an economic endeavor. *(USPAP)*

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat. *(Dictionary)*

Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. *(Dictionary)*

Functional Obsolescence

The impairment of functional capacity of improvements according to market tastes and standards. *(Dictionary)*

Functional Utility

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of architectural style, design and layout, traffic patterns, and the size and type of rooms. (*Dictionary*)

Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. *(Dictionary)*

Going-concern

An established and operating business having an indefinite future life. *(Dictionary)*

Going-concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern or market value of the total assets of the business. (Dictionary)*

Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved. *(Dictionary)*

Gross Leasable Area (GLA) - Commercial

Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. *(Dictionary)*

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Gross Living Area (GLA) - Residential

Total area of finished, above-grade residential area; calculated by measuring the outside perimeter of the structure and includes only finished, habitable, above-grade living space. (Finished basements and attic areas are not generally included in total gross living area. Local practices, however, may differ.) *(Dictionary)*

Highest & Best Use

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for that asset when formulating the price that it would be willing to bid (IVS). *(Dictionary)*

Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. *(USPAP)*

Income Capitalization Approach

In the income capitalization approach, an appraiser analyzes a property's capacity to generate future benefits and capitalizes the income into an indication of present value. The principle of anticipation is fundamental to this approach. Techniques and procedures from this approach are used to analyze comparable sales data and to measure obsolescence in the cost approach. (*14th Edition)*

Incurable Functional Obsolescence

An element of depreciation; a defect caused by a deficiency or superadequacy in the structure, materials, or design that cannot be practically or economically corrected as of the effective date of the appraisal. *(Dictionary)*

Indirect Costs

Expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs, professional fees, financing costs and the interest paid on construction loans, taxes and the builder's or developer's all-risk insurance during construction, and marketing, sales, and lease-up costs incurred to achieve occupancy or sale. Also called *soft costs*. *(Dictionary)*

Insurable Replacement Cost

The cost estimate, at current prices as of the effective date of valuation, of a substitute for the building being valued, using modern materials and current standards, design and layout for insurance coverage purposes guaranteeing that damaged property is replaced with a new property (i.e., depreciation is not deducted). *(Dictionary)*

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Interim Use

The temporary use to which a site or improved property is put until a different use becomes maximally productive. *(Dictionary)*

Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. *(Dictionary)*

Liquidation Value

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms. *(Dictionary)*

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversion right when the lease expires. *(Dictionary)*

Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. *(Dictionary)*

Legally Nonconforming Use

A use that was lawfully established and maintained, but no longer conforms to the use regulations of its current zoning; also known as a *grandfathered use*. *(Dictionary)*

Market Area

The geographic region from which a majority of demand comes and in which the majority of competition is located. Depending on the market, a market area may be further subdivided into components such as primary, secondary, and tertiary market areas. *(Dictionary)*

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). *(14th Edition)*

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Market Study

An analysis of the market conditions of supply, demand, and pricing for a specific property type in a specific area. (*Dictionary)*

Market Value (Interagency Guidelines)

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

(Interagency Appraisal and Evaluation Guidelines, December 10, 2010, Federal Register, Volume 75 Number 237, Page 77472)

Marketability Analysis

The study of how a specific property is expected to perform in a specific market. A marketability analysis expands on a market analysis by addressing a specific property.*(Dictionary)*

Neighborhood Analysis

The objective analysis of observable or quantifiable data indicating discernible patterns of urban growth, structure, and change that may detract from or enhance property values; focuses on four sets of considerations that influence value: social, economic, governmental, and environmental factors. *(Dictionary)*

Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. Note: This definition mirrors the convention used in corporate finance and business valuation for EBITDA (earnings before interest, taxes, depreciation, and amortization). *(14th Edition)*

Obsolescence

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. *(Dictionary)*

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Off-site Costs

Costs incurred in the development of a project, excluding on-site costs such as grading and construction of the building and other improvements; also called *common costs* or *off-site improvement costs*. *(Dictionary)*

On-site Costs

Costs incurred for the actual construction of buildings and improvements on a particular site. *(Dictionary)*

Overage Rent

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakeven sales volume. *(14th Edition)*

Overall Capitalization Rate (OAR)

The relationship between a single year's net operating income expectancy and the total property price or value. *(Dictionary)*

Parking Ratio

The ratio of parking area or parking spaces to an economic or physical unit of comparison. Minimum required parking ratios for various land uses are often stated in zoning ordinances.*(Dictionary)*

Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. *(Dictionary)*

Potential Gross Income Multiplier (PGIM)

The ratio between the sale price (or value) of a property and its annual potential gross income. *(Dictionary)*

Present Value (PV)

The value of a future payment or series of future payments discounted to the current date or to time period zero. *(Dictionary)*

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy. *(Dictionary)*

Qualitative Adjustment

An indication that one property is superior, inferior, or the same as another property. Note that the common usage of the term is a misnomer in that an adjustment to the sale price of a comparable property is not made. Rather, the indication of a property's superiority or inferiority to another is used in relative comparison analysis, bracketing, and other forms of qualitative analysis. *(Dictionary)*

Quantitative Adjustment

A numerical (dollar or percentage) adjustment to the indicated value of the comparable property to account for the effect of a difference between two properties on value. *(Dictionary)*

Rentable Area

The amount of space on which the rent is based; calculated according to local practice. *(Dictionary)*

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Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. *(Dictionary)*

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building. *(Dictionary)*

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." *(Dictionary)*

Sales Comparison Approach

The process of deriving a value indication for the subject property by comparing sales of similar properties to the property being appraised, identifying appropriate units of comparison, and making adjustments to the sale prices (or unit prices, as appropriate) of the comparable properties based on relevant, market-derived elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or

Scope of Work

The type and extent of research and analysis in an appraisal or appraisal review assignment. Scope of work includes, but is not limited to:

The extent to which the property is identified;

The extent to which tangible property is inspected;

The type and extent of data researched; and

The type and extent of analysis applied to arrive at opinions or conclusions. *(USPAP)*

Shopping Center Types

<u>Neighborhood Shopping Center</u>: The smallest type of shopping center, generally with a gross leasable area of between 30,000 and 100,000 square feet. Typical anchors include supermarkets. Neighborhood shopping centers offer convenience goods and personal services and usually depend on a market population support of 3,000 to 40,000 people.

<u>Community Shopping Center</u>: A shopping center of 100,000 to 400,000 square feet that usually contains one junior department store, a variety store, discount or department store. A community shopping center generally has between 20 and 70 retail tenants and a market population support of 40,000 to 150,000 people.

<u>Regional Shopping Center</u>: A shopping center of 300,000 to 900,000 square feet that is built around one or two full-line department stores of approximately 200,000 square feet each plus small tenant spaces. This type of center is typically supported by a minimum population of 150,000 people.

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Shopping Center Types (cont.)

Super-Regional Center: A large center of 600,000 to 2.0 million square feet anchored by three or more full-line department stores. This type of center is typically supported by a population area of 300,000 people. *(14th Edition)*

Superadequacy

An excess in the capacity or quality of a structure or structural component; determined by market standards. *(Dictionary)*

Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. *(Dictionary)*

Tenant Improvements (TIs)

1. Fixed improvements to the land or structures installed for use by a lessee.

2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. *(Dictionary)*

Triple Net Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management. Also called *NNN*, *triple net lease*, or *fully net lease*. *(Dictionary)*

Usable Area

The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas. *(Dictionary)*

Useful Life

The period of time over which a structure or a component of a property may reasonably be expected to perform the function for which it was designed. *(Dictionary)*

Vacancy and Collection Loss

A deduction from potential gross income (PGI) made to reflect income deductions due to vacancies, tenant turnover, and non-payment of rent; also called *vacancy and credit loss* or *vacancy and contingency loss*. *(Dictionary)*

Yield Capitalization

A method used to convert future benefits into present value by 1) discounting each future benefit at an appropriate yield rate, or 2) developing an overall rate that explicitly reflects the investment's income pattern, holding period, value change, and yield rate. *(Dictionary)*

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HOSPITALITY AND LEISURE GROUP
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EDUCATION AND QUALIFICATIONS

Northwestern University, Kellogg School of Management
Masters in Business Administration (MBA) – concentrations in Real Estate Finance and Business Law

Cornell University
Bachelor of Science – concentration in Hospitality Real Estate Finance and Investments

University of California at Berkeley
Post-graduate level courses in Corporate Valuation

STATE CERTIFICATION

Alaska	Minnesota
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California	Montana
Colorado	Oregon
Idaho	Texas
Illinois	Utah
Indiana	Washington
Iowa	Wisconsin
Michigan	Wyoming

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Bryan Younge is a Managing Director with Colliers International Valuation & Advisory Services and is the National Practice Leader of the Hospitality and Leisure specialty group. He has been active in real estate valuation and consulting since 1998. Mr. Younge has completed appraisal, financial reporting, litigation support and consulting assignments on a wide range of asset types throughout North America, Latin America, South America, Europe, and the Pacific Rim. His real estate valuation experience includes the analysis of luxury resorts, sportsplexes, stadiums, golf courses, condotels, water parks, fairgrounds, amusement parks, commercial and convention hotels, office buildings (CBD skyscraper & suburban), industrial complexes, community and regional shopping centers, condominium and multifamily developments, airport facilities, and special land use projects. Mr. Younge currently supervises all valuation efforts within the hospitality and leisure industries for financial reporting purposes which includes studies assisting REIT and other institutional clients in the application of FASB/ASC statements. In doing so, Mr. Younge has consulted clients in identifying and measuring tangible and intangible components of real property acquisitions. Recent engagements have also involved a wide spectrum of consulting and litigation support related to bankruptcy, special servicing, condemnation, estate planning, receivership and other court-administered issues.

EXPERIENCE

Prior to his employment with Colliers, Mr. Younge was Managing Director at Cushman & Wakefield where he was the national head for the Sports and Entertainment group and a senior member of the Hospitality and Gaming group. He also worked at Arthur Andersen/Deloitte & Touche in the Valuation Services group in Chicago as a Managing Senior Consultant administering several high-profile hospitality real estate valuation assignments. At PricewaterhouseCoopers, Mr. Younge worked with the Hospitality and Leisure Consulting group in Los Angeles performing valuation, consulting, feasibility, and litigation assignments for hotel and leisure-related assets. Mr. Younge has also performed numerous appraisals on hotels and casino facilities with HVS International in the San Francisco and Boulder offices, and was an interim acquisition, development and investment analyst for Sage Hospitality Resources in Denver.

PROFESSIONAL AFFILIATIONS AND ACCREDITATIONS

Designated Member, Appraisal Institute (MAI)

Accredited Senior Appraiser (ASA), American Society of Appraisers

Associate Member of the Urban Land Institute

Real Estate Club – Northwestern University, Kellogg School of Management

The National Dean's List

National Ski Areas Association

The National Scholars Honor Society

Affiliations in the Cornell Hotel Society and the Cornell International Hotelier Association

Accelerating success.

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SPEAKING ENGAGEMENTS AND PUBLICATIONS

"Valuing Land In Dispute Resolution: Using Coefficient Of Variation To Determine Unit Of Measure," ASA Real Property E-Journal 8th Edition, April 29, 2015.

"Sportsplexes, Hospitality and Critical Mass: Investors of sportsplexes count on hotels for successful real-estate venture-going formulae," Hotel News Resource, January 28, 2014.

"Rebuilding Value: Hotel Investors and Operators are Shifting Attitudes from Value Preservation to Value Enhancement," Hotel-Online, July 2010. This article was chosen for syndicate publication on Hsyndicate.org.

Panelist and Speaker of General Session "What is Your Hotel Worth Today?" Midwest Lodging Investment Summit; Chicago, Illinois; June 2009. Quoted from this panel discussion in Hotel News Now, a publication by Smith Travel Research.

"Hotel Transactions: Investors are Feeling the Heat at the Prospect of a Lodging Economy Turnaround," Hotel-Online, June 2009.

"The Role of Brands in the War of Survival," Hotel-Online, May 2009. This article is also referenced in the acclaimed educational textbook: Hotel Front Office Management, Fifth Edition by James Bardi.

"Chicago's Hotel Sales Lead U.S. in Hottest Market for Investors," Bloomberg, (Subject interviewee of wire article) February 2006.

"Hotel Investing: Deal Seekers See the Light at the End of a Long and Familiar Tunnel," Hotel News Resource and Hotel Online (Cornell Center for Hospitality Research), April 2003.

"Historic Redevelopment: Not Just Beneficial for its Creators," Lodging Real Estate Magazine, November 2000.

"Convention Centers: More than a Matter of Civic Pride," Ehospitality Publishing, November 2000.

"Feature Cover Article: Renovating Historic Hotels," Hotel News Resource, December 2000.

STATE OF ARIZONA

Department of Financial Institutions
Real Estate Appraisal

BE IT KNOWN THAT

BRYAN E. YOUNGE

HAS MET ALL THE REQUIREMENTS AS A

Certified General Real Estate Appraiser

This certificate shall remain evidence thereof unless or until the same is suspended, revoked or expires in accordance with provisions of law.

CERTIFICATE NUMBER

31549

EXPIRATION DATE

July 31, 2017

Signed in the Superintendent's office at 2910 North 44th Street, Suite 310, in the City of Phoenix, State of Arizona, this 27th day of October, 2015.

Lauren W. Kingry
Superintendent
Department of Financial Institutions

You may wish to laminate the pocket identification card to preserve it.

The person named on the reverse is licensed by the Texas Appraiser Licensing and Certification Board.

Inquiry as to the status of this license may be made to:

Texas Appraiser Licensing and Certification Board
P.O. Box 12188
Austin, Tx 78711-2188
www.talcb.texas.gov
(512) 936-3001
Fax:(512) 936-3899

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Texas Appraiser Licensing and Certification Board
P.O. Box 12188 Austin, Texas 78711-2188
Certified General Real Estate Appraiser

Number#: **TX 1380506 G**

Issued: **12/23/2015** Expires: **12/31/2017**

Appraiser: **BRYAN ERIC YOUNGE**

Having provided satisfactory evidence of the qualifications required by the Texas Appraiser Licensing and Certification Act, Texas Occupations Code, Chapter 1103, is authorized to use this title, Certified General Real Estate Appraiser.

Douglas E. Oldmixon
Commissioner

Texas Appraiser Licensing and Certification Board

P.O. Box 12188 Austin, Texas 78711-2188

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Douglas E. Oldmixon
Commissioner

Hospitality and Leisure Group

Colliers International Valuation & Advisory Services

Specializing In:

- Asset valuation and feasibility analysis
- Large scale portfolio valuation
- Financial reporting
- Litigation support
- Economic impact
- Tax
- Consulting

Colliers Advantage:

- On-Time Delivery
- Unmatched Quality
- Local Market Expertise
- Internal MAI Review
- National Database

Local Expertise Leveraging International Presence

The Hospitality and Leisure specialty practice at Colliers International offers a full range of valuation and advisory services pertaining to a wide variety of property types within this sector, with particular focus on hotel assets and sports and entertainment operations. The discipline combines acute industry expertise with global resources to provide valuation opinions and intuitive solutions for our clients. Our team is comprised of industry-leading professionals, each with constant and extensive exposure to investors, property owners, financial institutions, developers and public entities throughout the world.

The foundation of our success continues to be our sharp focus on client needs, as well as our ability to unlock and apply talent. Our fluid and frequent collaboration with other Colliers servicelines allows us to offer an unparalleled product for our clients; this is of particular importance within the hospitality and leisure industries given the complexity and eccentricity of these types of assets.

Our mission statement: To continually develop and cultivate an environment where lodging, sports, entertainment, and leisure challenges are met with focused determination, dynamic collaboration and, ultimately, dependable solutions.

OUR SPECIALTY WITHIN THE H&L GROUP

- Purchase price allocations (i.e. ASC805) to real estate, personal property, and other tangibles and intangibles for purchase accounting
- Real property tax appeals and expert testimony (i.e. certiorari proceedings)
- Appraisals for condemnation and related court proceedings
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- Valuation for public offering or flotation

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- Motorsport Tracks and Facilities
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- Performing Arts Centers
- Professional Sporting Stadiums
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- University Sport Facilities
- Waterpark Resorts

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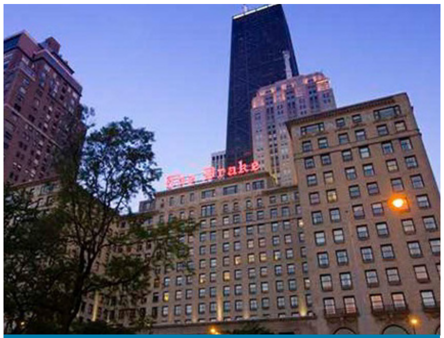
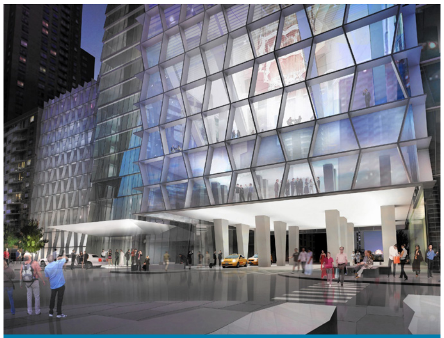
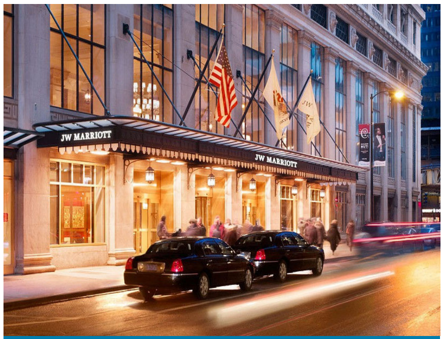

The Drake Hotel
Chicago, Illinois


Proposed Wanda Vista Tower
Chicago, Illinois


Palmer House A Hilton Hotel
Chicago, Illinois



JW Marriott Chicago
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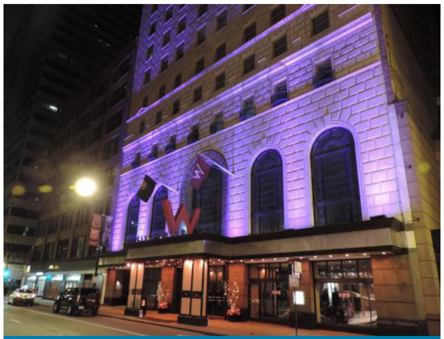
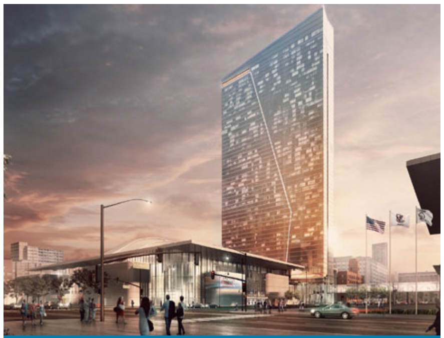
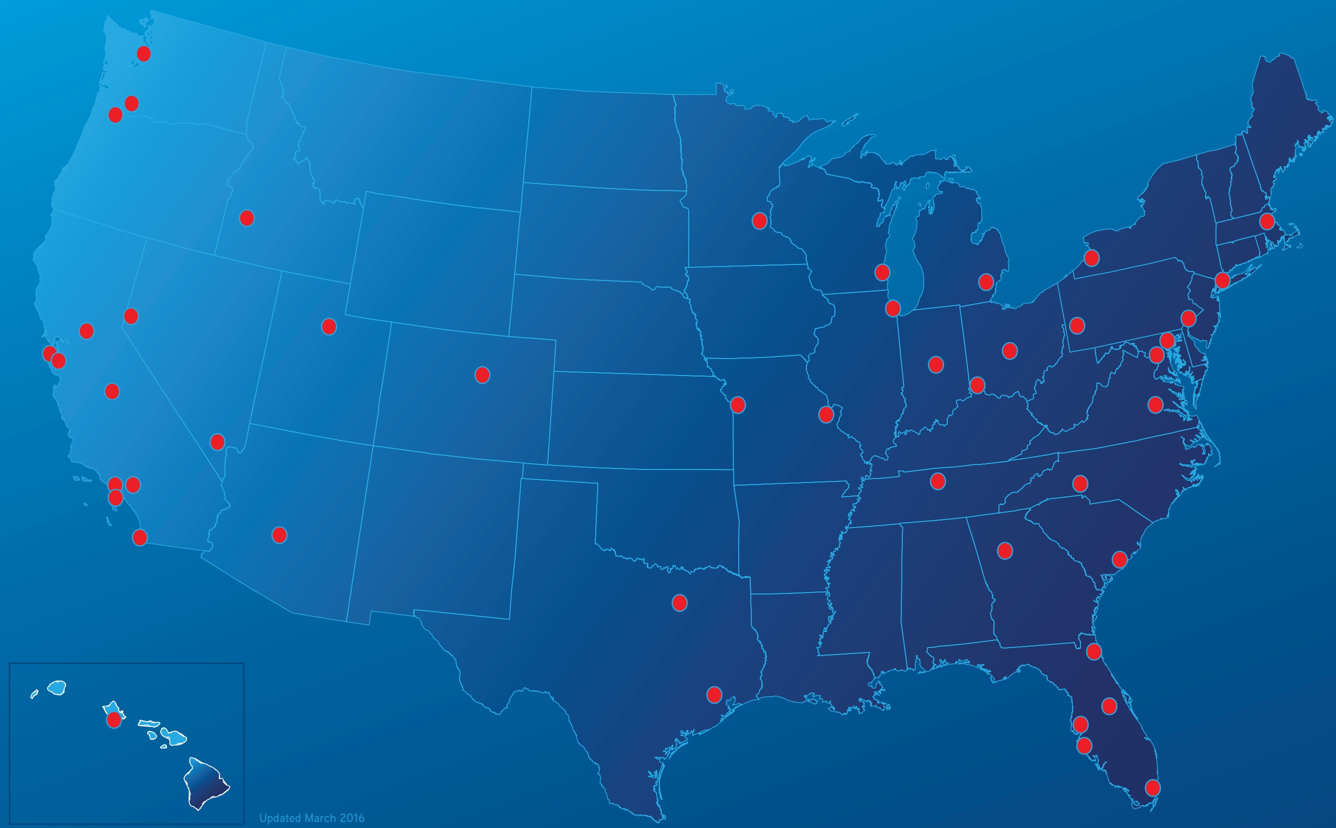

W Chicago - City Center
Chicago, Illinois


Château on the Lake
Branson, Missouri


Camden on the Lake
Lake Ozark, Missouri


Marriott Kauai Lagoons - Kalanipu'u
Lihue - Kauai, Hawaii


Proposed Marriott Marquis Chicago
Chicago, Illinois



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