

1. Executive Summary

Subject of the Feasibility Study

The subject of the feasibility study is a site (estimated to measure approximately 87,120 square feet, or 2.00 acres) that is being reviewed for lodging facility. Our study recommends that the proposed subject property operate as a nationally-franchised, midscale, upper midscale, or upscale limited-service hotel with an enhanced food and beverage offering. The property, which is expected to open on September 1, 2024, is recommended to feature 100 rooms, a breakfast dining area and a lobby bar, approximately 1,000 square feet of meeting space, a fitness center, an outdoor patio, a lobby workstation or business center, a market pantry, and a guest laundry room. The hotel will also contain the appropriate parking capacity and all necessary back-of-the-house space.

The proposed hotel will be constructed on Rick Husband Amarillo International Airport grounds, to the south of the airport's primary facilities. In addition to standard services and amenities for a limited-service brand, we recommend the hotel offer a modest lobby bar, serving beverages and light fare. The hotel's new construction, national brand, and evening F&B option, coupled with a favorable location on airport grounds, will allow it to become a foremost choice for Rick Husband Amarillo International Airport users and business travelers. The subject site's location is southeast of Airport Boulevard at Rosenwald Drive in Amarillo, Texas, 79111.

Pertinent Dates

The effective date of the report is December 9, 2022. The subject site was inspected by Kathleen D. Donahue on September 20, 2022.

Global Considerations

The hospitality industry has been, and continues to be, affected by a variety of external factors that influence both the lodging and the investment markets. The following paragraphs outline the global factors that are the most impactful to the lodging industry as of the effective date of this report.

The COVID-19 pandemic began in early 2020 and had a significant impact throughout the world and on the respective economies. The onset of the pandemic resulted in decreased business activity, causing widespread economic hardships, including increases in unemployment. The hospitality industry was severely affected, as travel declined sharply and as restrictions on group sizes resulted in the cancellations of meetings, conventions, and events. The depth and duration of this impact was influenced by the course of the pandemic and the nature and extent of restrictions on business and travel activity; the period of greatest impact was 2020. With the availability of vaccines and lifting of restrictions, conditions generally

improved in 2021, although the Omicron variant slowed the recovery in the latter part of the year. Currently, the prevailing market outlook is that the peak impact of the pandemic on the travel industry is behind us. While group meetings and events have resumed, business travel remains below pre-pandemic levels given that office occupancy and work-related travel have been affected by more widespread remote work options. Travel patterns have shifted to include more leisure demand, anticipated to comprise a greater proportion of lodging demand in the future. While ADR and RevPAR have passed 2019 levels in most markets, our research reflects a general expectation that lagging occupancy levels will recover by 2024; the timing and pace of recovery for individual markets will vary based on market-specific characteristics and conditions.

Exacerbated by rising oil and gas prices in the wake of the Russia-Ukraine conflict, the inflationary trends that first emerged during the pandemic have continued. Driven by supply-chain disruptions and pent-up consumer demand during the pandemic, prices for most goods and services increased substantially. The Federal Reserve is combating inflation through successive interest rate hikes (five thus far this year), with some initial success, as the pace of inflation and job growth have decelerated. However, further increases are possible and expected through the first part of 2023. The risk of a recession has emerged as a concern, as well, affecting the stock market, debt availability, and consumer confidence. The ongoing international conflicts have also contributed to economic uncertainty, continued supply disruptions, and increased energy costs. As a result, the near-term outlook is unclear, and investors are taking an increasingly cautious approach, which, when combined with the recent increases in interest rates, has put downward pressure on real estate values. As of the fourth quarter of 2022, inflation levels are anticipated to remain elevated in the near term, albeit below peak levels. Over the longer term, inflation is expected to moderate back to more normalized levels as the economy moves through the current cycle.

By its nature, the hospitality industry is a major employer and thus heavily reliant on the cost and availability of labor. Following the onset of the pandemic, roughly 33.0% of jobs were lost across the hotel industry between February 2020 and January 2021, according to Tourism Economics. While many of these jobs have returned, the workforce has not kept pace with the increased employment opportunities, and many hotels continue to report labor shortages. The industry has responded to this issue through wage increases, additional benefits, flexible schedules, and the implementation of cross-training and job sharing, as well as increased use of technology. In response to the pandemic, many hotels revised, downsized, or eliminated some services, particularly in the food and beverage (F&B) and housekeeping departments. Given the ongoing labor shortages, operators are retaining some aspects of these solutions, which should somewhat

offset rising labor costs. Nevertheless, notable increases in labor costs are anticipated to continue in the near term.

In preparing this report, we have considered the impact of these factors on the lodging and investment markets to the best of our ability, inclusive of the subject of this report. However, our analysis only considers what is known at the time of the effective date of the report, and there is a high degree of uncertainty currently influencing the market and the economy.

Ownership of the Subject Site

At the time of this report, a developer has not been determined. The subject site is currently owned by the City of Amarillo. No transfers of the property have occurred in the last three years. The site is neither listed nor under contract for sale, and we have no knowledge of any recent listings.

Management and Franchise Assumptions

Details pertaining to management terms were not yet determined at the time of this report; however, we assume that the proposed hotel will be managed by a professional hotel-operating company, with fees deducted at rates consistent with current market standards. Our projections reflect a total management fee of 3.0% of total revenues.

We recommend that the proposed subject property operate as a nationally-franchised, midscale, upper-midscale, or upscale limited-service hotel with an enhanced food and beverage offering. Following a review of several published franchise fees for brands that fall within the recommended product tiers, we have selected a total franchise fee of 8.5% of rooms revenue in order to estimate the cost of a national franchise.

Summary of Hotel Market Trends

RevPAR for this market contracted in 2017, as supply growth outpaced demand growth. Despite continued new supply in 2018, occupancy rebounded, supporting an increase in RevPAR. Continued improvement is shown in both occupancy and ADR metrics in 2019. In March 2020, the COVID-19 pandemic began to affect the market, resulting in stay-at-home orders, group cancellations, and decreased business travel; thus, 2020 data illustrate a nearly ten-point decline in occupancy and a roughly \$11 loss in ADR. General improvement has been registered since the low point that year. By year-end 2021, occupancy had recovered nearly all of its 2020 losses, while ADR recovery was swift; RevPAR reached a new high point by year-end 2021. Year-to-date 2022 data illustrate a slight softening in occupancy and a moderate improvement in ADR. While the pandemic will continue to affect business and larger-scale groups to some degree in the near term, the overall outlook is optimistic given the dynamics of this market, the return to office operations, and the increase in group demand.

The following table provides a historical perspective on the supply and demand trends for a selected set of hotels, as provided by STR.

FIGURE 1-1 HISTORICAL SUPPLY AND DEMAND TRENDS

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change	
2014	457	166,805	—	143,841	—	86.2 %	\$90.60	—	\$78.13	—	
2015	457	166,805	0.0 %	128,117	(10.9) %	76.8	103.66	14.4 %	79.61	1.9 %	
2016	468	170,742	2.4	128,330	0.2	75.2	108.91	5.1	81.86	2.8	
2017	719	262,537	53.8	175,831	37.0	67.0	107.36	(1.4)	71.90	(12.2)	
2018	899	328,135	25.0	235,106	33.7	71.6	108.24	0.8	77.55	7.9	
2019	927	338,395	3.1	244,870	4.2	72.4	111.62	3.1	80.77	4.1	
2020	902	329,305	(2.7)	206,991	(15.5)	62.9	100.31	(10.1)	63.05	(21.9)	
2021	1,086	396,291	20.3	286,171	38.3	72.2	124.22	23.8	89.70	42.3	
Year-to-Date Through August											
2019	935	227,253	—	168,086	—	74.0	\$112.90	—	\$83.51	—	
2020	898	218,163	(4.0) %	122,664	(27.0) %	56.2 %	101.19	(10.4) %	56.90	(31.9) %	
2021	950	230,859	5.8	174,573	42.3	75.6	125.62	24.1	95.00	67.0	
2022	1,356	329,508	42.7	229,450	31.4	69.6	130.65	4.0	90.98	(4.2)	
Average Annual Compounded Change:											
2014 – 2019			15.2 %	2014 – 2019			11.2 %	2014 – 2019			4.3 %
2014 – 2020			12.0	2014 – 2020			6.3	2014 – 2020			1.7
											0.7 %
											(3.5)

Hotels Included in Sample	Class	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
Courtyard Amarillo Downtown	Upscale Class	Secondary	107	May 2020	Dec 2010
Embassy Suites by Hilton Amarillo Downtown	Upper Upscale Class	Secondary	226	Sep 2017	Sep 2017
The Barfield, Autograph Collection	Upper Upscale Class	Secondary	112	Aug 2021	Aug 2021
Four Points by Sheraton Amarillo Downtown	Upscale Class	Secondary	128	Sep 2021	Jan 1970
Comfort Inn & Suites Amarillo	Upper Midscale Class	Secondary	94	Oct 2007	Oct 2007
Fairfield by Marriott Inn & Suites Amarillo Central	Upper Midscale Class	Secondary	108	Sep 2021	Sep 2021
Holiday Inn Express & Suites Amarillo East	Upper Midscale Class	Primary	69	Jan 2008	Jan 2008
Fairfield Inn & Suites Amarillo Airport	Upper Midscale Class	Primary	79	Jun 2012	Jun 2012
La Quinta Inns & Suites Amarillo Airport	Upper Midscale Class	Primary	89	May 2017	May 2017
Hampton by Hilton Inn & Suites Amarillo East	Upper Midscale Class	Primary	127	Dec 2016	Dec 2016
Holiday Inn Amarillo East	Upper Midscale Class	Primary	120	Mar 2019	Mar 2019
Home2 Suites by Hilton Amarillo East	Upper Midscale Class	Primary	97	Jul 2021	Jul 2021
			Total	1,356	

Source: STR

The following tables reflect our estimates of operating data for hotels on an individual basis. These trends are presented in detail in the Supply and Demand Analysis chapter of this report.

FIGURE 1-2 PRIMARY COMPETITORS – OPERATING PERFORMANCE

Property	Est. Segmentation			Estimated 2019				Estimated 2021						
	Number of Rooms	Commercial	Leisure	Group	Weighted Annual Room Count	Average Rate	RevPAR	Occ.	Average Rate	RevPAR	Occ.	Occupancy Penetration	Yield Penetration	
Fairfield by Marriott Amarillo Airport	79	65 %	25 %	10 %	79	80 - 85 %	\$110 - \$115	\$90 - \$95	79	75 - 80 %	\$110 - \$115	\$80 - \$85	110 - 120 %	100 - 110 %
Holiday Inn Express & Suites Amarillo East	69	60	25	15	69	80 - 85	110 - 115	90 - 95	69	70 - 75	120 - 125	85 - 90	100 - 110	100 - 110
La Quinta Inn and Suites Amarillo Airport	89	60	30	10	89	75 - 80	110 - 115	85 - 90	89	75 - 80	125 - 130	95 - 100	110 - 120	110 - 120
Hampton by Hilton Amarillo East	127	65	25	10	127	75 - 80	115 - 120	90 - 95	127	70 - 75	130 - 140	90 - 95	100 - 110	110 - 120
Holiday Inn Amarillo East	120	60	20	20	101	70 - 75	100 - 105	75 - 80	120	60 - 65	115 - 120	70 - 75	90 - 95	85 - 90
Home2 Suites by Hilton Amarillo East	97	65	25	10	Hotel Opened in July 2021				49	55 - 60	110 - 115	60 - 65	75 - 80	70 - 75
Sub-Totals/Averages	581	62 %	25 %	13 %	465	80.2 %	\$109.52	\$87.82	533	70.3 %	\$120.75	\$85	102 %	102.6 %
Secondary Competitors	913	55 %	24 %	21 %	402	64.8 %	\$105.61	\$68.39	389	67.6 %	\$118.15	\$80	98 %	96.5 %
Totals/Averages	1,494	59 %	25 %	16 %	867	73.0 %	\$107.91	\$78.80	921	69.1 %	\$119.68	\$83	100 %	100.0 %

* Specific occupancy and average rate data were utilized in our analysis, but are presented in ranges in the above table for the purposes of confidentiality.

FIGURE 1-3 SECONDARY COMPETITORS – OPERATING PERFORMANCE

Property	Est. Segmentation					Estimated 2019			Estimated 2021		
	Number of Rooms	Commercial	Lesure	Group	Total Competitive Level	Weighted Annual Room Count	Average Rate	Occ.	Weighted Annual Room Count	Average Rate	RevPAR
Comfort Inn & Suites Amarillo	94	60 %	25 %	15 %	75 %	71	\$90 - \$95	75 - 80 %	71	\$95 - \$100	\$70 - \$75
Ashmore Inn & Suites Amarillo	138	45	35	20	50	69	75 - 80	45 - 50	69	75 - 80	35 - 40
Four Points by Sheraton Amarillo Central	128	60	20	20	75	40	75 - 80	75 - 80	32	100 - 105	60 - 65
Fairfield by Marriott Amarillo Central	108	60	25	15	75	Hotel Opened in September 2021			27	90 - 95	60 - 65
Courtyard by Marriott Amarillo Downtown	107	65	15	20	50	54	125 - 130	70 - 75	54	130 - 140	90 - 95
Embassy Suites by Hilton Amarillo Downtown	226	50	25	25	50	113	120 - 125	85 - 90	113	140 - 150	105 - 110
Barfield Autograph Collection	112	50	25	25	50	Hotel Opened in August 2021			23	170 - 180	70 - 75
Totals/Averages	913	55 %	24 %	21 %	59 %	402	\$105.61	64.8 %	389	\$118.15	\$79.82

* Specific occupancy and average rate data was utilized in our analysis, but is presented in ranges in the above table for the purposes of confidentiality.

**Summary of Forecast
Occupancy and
Average Rate**

Based on our analysis presented in the Projection of Occupancy and Average Rate chapter, we have chosen to use a stabilized occupancy level of 76% and a base-year rate position of \$120.00 for the proposed subject hotel. The following table reflects a summary of our proposed subject hotel occupancy and average rate projections.

FIGURE 1-4 FORECAST OF OCCUPANCY AND AVERAGE RATE

<u>Year</u>	<u>Occupancy</u>	<u>Average Rate Before Discount</u>	<u>Discount</u>	<u>Average Rate After Discount</u>
2024/25	67 %	\$133.75	3.0 %	\$129.73
2025/26	73	137.76	1.0	136.38
2026/27	75	141.89	0.0	141.89
2027/28	76	146.15	0.0	146.15

**Summary of Forecast
Income and Expense
Statement**

Our positioning of each revenue and expense level is supported by comparable operations or trends specific to this market. Our forecast of income and expense is presented in the following table.

FIGURE 1-5 DETAILED FORECAST OF INCOME AND EXPENSE

	2024/25 Begins September			2025/26			2026/27			Stabilized			2028/29		
	100	%	PAR	100	%	PAR	100	%	PAR	100	%	PAR	100	%	PAR
Number of Rooms:	100			100			100			100			100		
Occupancy:	67%			73%			75%			76%			76%		
Average Rate:	\$129.73			\$136.38			\$141.89			\$146.15			\$150.53		
RevPAR:	\$86.92			\$99.56			\$106.42			\$111.07			\$114.40		
Days Open:	365			365			365			365			365		
Occupied Rooms:	24,455	%Gross	PAR	26,645	%Gross	PAR	27,375	%Gross	PAR	27,740	%Gross	PAR	27,740	%Gross	PAR
OPERATING REVENUE															
Rooms	\$3,173	91.4	\$31,730	\$3,634	91.8	\$36,340	\$3,884	91.9	\$38,840	\$4,054	91.9	\$40,540	\$4,176	91.9	\$41,760
Food	84	2.4	844	94	2.4	944	100	2.4	1,003	104	2.4	1,043	107	2.4	1,074
Beverage	113	3.2	1,127	126	3.2	1,259	134	3.2	1,340	139	3.2	1,391	143	3.2	1,432
Other Operated Departments	54	1.5	537	57	1.4	567	59	1.4	588	61	1.4	608	63	1.4	627
Miscellaneous Income	46	1.3	460	49	1.2	486	50	1.2	504	52	1.2	521	54	1.2	537
Total Operating Revenues	3,470	100.0	34,698	3,950	100.0	39,596	4,228	100.0	42,275	4,410	100.0	44,104	4,543	100.0	45,430
DEPARTMENTAL EXPENSES *															
Rooms	667	21.0	6,668	710	19.5	7,096	739	19.0	7,387	765	18.9	7,649	788	18.9	7,878
Food & Beverage	169	85.7	1,689	180	81.8	1,803	188	80.4	1,883	195	80.0	1,947	201	80.0	2,005
Other Operated Departments	28	51.3	275	29	50.4	286	29	50.1	295	30	50.0	304	31	50.0	313
Total Expenses	863	24.9	8,633	918	23.2	9,184	956	22.6	9,565	990	22.4	9,900	1,020	22.4	10,197
DEPARTMENTAL INCOME	2,607	75.1	26,065	3,041	76.8	30,412	3,271	77.4	32,711	3,420	77.6	34,204	3,523	77.6	35,234
UNDISTRIBUTED OPERATING EXPENSES															
Administrative & General	299	8.6	2,988	315	8.0	3,152	327	7.7	3,275	338	7.7	3,384	349	7.7	3,485
Info & Telecom Systems	44	1.3	443	47	1.2	467	49	1.1	485	50	1.1	501	52	1.1	516
Marketing	210	6.1	2,103	222	5.6	2,218	230	5.5	2,305	238	5.4	2,381	245	5.4	2,453
Franchise Fee	270	7.8	2,697	309	7.8	3,089	330	7.8	3,301	345	7.8	3,446	355	7.8	3,550
Prop. Operations & Maint.	93	2.7	930	119	3.0	1,191	146	3.4	1,455	150	3.4	1,504	155	3.4	1,549
Utilities	122	3.5	1,217	128	3.2	1,284	133	3.2	1,334	138	3.1	1,379	142	3.1	1,420
Total Expenses	1,038	30.0	10,378	1,140	28.8	11,400	1,216	28.7	12,156	1,259	28.5	12,595	1,297	28.5	12,973
GROSS OPERATING PROFIT	1,569	45.1	15,688	1,901	48.0	19,012	2,056	48.7	20,555	2,161	49.1	21,609	2,226	49.1	22,261
Management Fee	104	3.0	1,041	119	3.0	1,188	127	3.0	1,268	132	3.0	1,323	136	3.0	1,363
INCOME BEFORE NON-OPR. INC. & EXP.	1,465	42.1	14,647	1,782	45.0	17,824	1,929	45.7	19,287	2,029	46.1	20,286	2,090	46.1	20,898
NON-OPERATING INCOME & EXPENSE															
Property Taxes	182	5.3	1,824	188	4.7	1,878	193	4.6	1,935	199	4.5	1,993	205	4.5	2,052
Insurance	46	1.3	459	47	1.2	473	49	1.2	487	50	1.1	501	52	1.1	516
Ground Rent	23	0.7	226	24	0.6	242	25	0.6	253	26	0.6	262	27	0.6	270
Total Expenses	251	7.3	2,509	259	6.5	2,593	267	6.4	2,674	276	6.2	2,756	284	6.2	2,839
EBITDA	1,214	34.8	12,138	1,523	38.5	15,231	1,661	39.3	16,612	1,753	39.9	17,530	1,806	39.9	18,059
Reserve for Replacement	69	2.0	694	74	1.9	738	77	2.2	767	80	2.2	796	84	2.3	825
EBITDA LESS RESERVE	\$1,144	32.8	\$11,444	\$1,449	36.6	\$14,493	\$1,584	37.1	\$16,845	\$1,673	37.7	\$17,734	\$1,722	37.7	\$18,234

*Departmental expenses are expressed as a percentage of departmental revenues.

FIGURE 1-6 TEN-YEAR FORECAST OF INCOME AND EXPENSE

	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34
Number of Rooms:	100	100	100	100	100	100	100	100	100	100
Occupied Rooms:	24,455	26,645	27,375	27,740	27,740	27,740	27,740	27,740	27,740	27,740
Occupancy:	67%	73%	75%	76%	76%	76%	76%	76%	76%	76%
Average Rate:	\$129.73	\$136.38	\$141.89	\$146.15	\$150.53	\$155.05	\$159.70	\$164.49	\$169.43	\$174.51
RevPAR:	\$86.92	\$99.56	\$106.42	\$111.07	\$114.40	\$117.84	\$121.37	\$125.01	\$128.76	\$132.63
	% of Gross	% of Gross	% of Gross	% of Gross	% of Gross	% of Gross	% of Gross	% of Gross	% of Gross	% of Gross
OPERATING REVENUE										
Rooms	\$3,173	\$3,634	\$3,884	\$4,054	\$4,176	\$4,301	\$4,430	\$4,563	\$4,700	\$4,841
Food	84	94	100	104	107	111	114	117	121	125
Beverage	113	126	134	139	143	148	152	157	161	166
Other Operated Departments	54	57	59	61	63	65	66	68	71	73
Miscellaneous Income	46	49	50	52	54	55	57	59	60	62
Total Operating Revenues	3,470	3,960	4,228	4,410	4,543	4,679	4,819	4,964	5,113	5,267
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES *										
Rooms	667	710	739	765	788	811	836	861	887	913
Food & Beverage	169	180	188	195	201	207	213	219	226	232
Other Operated Departments	28	29	29	30	31	32	33	34	35	36
Total Expenses	863	918	956	990	1,020	1,050	1,082	1,114	1,148	1,182
	24.9	23.2	22.6	22.4	22.4	22.4	22.4	22.4	22.4	22.4
DEPARTMENTAL INCOME	2,607	3,041	3,271	3,420	3,523	3,629	3,738	3,850	3,965	4,084
	75.1	76.8	77.4	77.6	77.6	77.6	77.6	77.6	77.6	77.6
UNDISTRIBUTED OPERATING EXPENSES										
Administrative & General	299	315	327	338	349	359	370	381	392	404
Info & Telecom Systems	44	47	49	50	52	53	55	56	58	60
Marketing	210	222	230	238	245	253	260	268	276	284
Franchise Fee	270	309	330	345	355	366	377	388	400	411
Prop. Operations & Maint.	93	119	146	150	155	160	164	169	174	180
Utilities	122	128	133	138	142	146	151	155	160	165
Total Expenses	1,038	1,140	1,216	1,259	1,297	1,336	1,376	1,418	1,460	1,504
	30.0	28.8	28.7	28.5	28.5	28.5	28.5	28.5	28.5	28.5
GROSS OPERATING PROFIT	1,569	45.1	1,901	48.0	2,226	49.1	2,361	49.1	2,505	49.1
Management Fee	104	3.0	127	3.0	136	3.0	145	3.0	153	3.0
INCOME BEFORE NON-OPR. INC. & EXP.	1,465	42.1	1,782	45.0	2,090	46.1	2,217	46.1	2,352	46.1
	42.1	45.0	45.7	46.1	46.1	46.1	46.1	46.1	46.1	46.1
NON-OPERATING INCOME & EXPENSE										
Property Taxes	182	5.3	188	4.7	205	4.5	218	4.5	231	4.5
Insurance	46	1.3	47	1.2	52	1.1	55	1.1	58	1.1
Ground Rent	23	0.7	24	0.6	27	0.6	29	0.6	30	0.6
Total Expenses	251	7.3	259	6.5	284	6.2	301	6.2	320	6.2
	7.3	6.5	6.4	6.2	6.2	6.2	6.2	6.2	6.2	6.2
EBITDA	1,214	34.8	1,523	38.5	1,806	39.9	1,916	39.9	2,032	39.9
Reserve for Replacement	69	2.0	119	3.0	182	4.0	193	4.0	205	4.0
EBITDA LESS RESERVE	\$1,144	32.8	\$1,404	35.5	\$1,624	35.9	\$1,723	35.9	\$1,828	35.9
	32.8	35.5	35.3	35.9	35.9	35.9	35.9	35.9	35.9	35.9

*Departmental expenses are expressed as a percentage of departmental revenues.

As illustrated, the hotel is expected to stabilize at a profitable level. Please refer to the Forecast of Income and Expense chapter of our report for a detailed explanation of the methodology used in deriving this forecast.

Feasibility Conclusion

The conclusion of this analysis indicates that the property would generate a 12.8% return on an initial investment of \$14,000,000 (HVS estimated development cost). The proposed subject hotel has a unique opportunity to be the first property located on airport grounds and will also benefit from its status as a newly constructed hotel in the neighborhood. While the greater Amarillo market offers a wide complement of hotels, the immediate airport area remains underserved by lodging facilities. For limited- and select-service assets, the investor surveys indicate discount rates ranging from 7.5% to 14.3%; the averages of the surveys range from 10.4% to 11.2%. Based on these parameters, the calculated return of 12.8% on the project is above the average and within the range. Return requirements vary based on an individual investor's circumstances, including the cost and availability of both debt and equity capital. This analysis is intended to provide information to assist the developer in evaluating the feasibility of the proposed project. We note that the return is based on the HVS cost estimate of \$14,000,000.

Assignment Conditions

Per USPAP, an "Extraordinary Assumption" is defined as follows:

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis.¹

The analysis is based on the extraordinary assumption that the described improvements have been completed as of the stated date of opening. The reader should understand that the completed subject property does not yet exist as of the date of this report. Our feasibility study does not address unforeseeable events that could alter the proposed project, and/or the market conditions reflected in the analyses; we assume that no significant changes, other than those anticipated and explained in this report, shall take place between the date of inspection and stated date of opening. The use of this extraordinary assumption may have affected the assignment results. We have made no other extraordinary assumptions specific to this feasibility study. However, several important general assumptions have been made that apply to this feasibility study and our studies of proposed hotels in

¹The Appraisal Foundation, *Uniform Standards of Professional Appraisal Practice*, 2020–2021 ed.

general. These aspects are set forth in the Assumptions and Limiting Conditions chapter of this report.

Intended Use of the Feasibility Study

This feasibility report is being prepared for use in the development of the proposed subject hotel.

Identification of the Client and Intended User(s)

The client for this engagement is City of Amarillo. This report is addressed to City of Amarillo; its employees, agents, successors, and assigns may rely upon this report (including, without limitation, developers in connection with their respective consideration to develop the hotel property).

Scope of Work

The methodology used to develop this study is based on the market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled *The Valuation of Hotels and Motels*,² *Hotels, Motels and Restaurants: Valuations and Market Studies*,³ *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*,⁴ *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations*,⁵ and *Hotels and Motels – Valuations and Market Studies*.⁶

1. All information was collected and analyzed by the staff of TS Worldwide, LLC. Information was supplied by the client and/or the property's development team.
2. The subject site has been evaluated from the viewpoint of its physical utility for the future operation of a hotel, as well as access, visibility, and other relevant factors.
3. The subject property's proposed improvements have been reviewed for their expected quality of construction, design, and layout efficiency.

² Stephen Rushmore, *The Valuation of Hotels and Motels*. (Chicago: American Institute of Real Estate Appraisers, 1978).

³ Stephen Rushmore, *Hotels, Motels and Restaurants: Valuations and Market Studies*. (Chicago: American Institute of Real Estate Appraisers, 1983).

⁴ Stephen Rushmore, *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*. (Chicago: American Institute of Real Estate Appraisers, 1990).

⁵ Stephen Rushmore, *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations* (Chicago: Appraisal Institute, 1992).

⁶ Stephen Rushmore and Erich Baum, *Hotels and Motels – Valuations and Market Studies*. (Chicago: Appraisal Institute, 2001).

4. The surrounding economic environment, on both an area and neighborhood level, has been reviewed to identify specific hostelry-related economic and demographic trends that may have an impact on future demand for hotels.
5. Dividing the market for hotel accommodations into individual segments defines specific market characteristics for the types of travelers expected to utilize the area's hotels. The factors investigated include purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations, and price sensitivity.
6. An analysis of existing and proposed competition provides an indication of the current accommodated demand, along with market penetration and the degree of competitiveness. Unless noted otherwise, we have inspected the competitive lodging facilities summarized in this report.
7. Documentation for an occupancy and ADR projection is derived utilizing the build-up approach based on an analysis of lodging activity.
8. A detailed projection of income and expense made in accordance with the Uniform System of Accounts for the Lodging Industry (USALI) sets forth the anticipated economic benefits of the proposed subject property.
9. A feasibility analysis is performed, in which the total property yield that the project would generate is compared to the total property yields indicated by market surveys.