RENAISSANCE CLEVELAND HOTEL

24 Public Square
Cleveland, Cuyahoga County, Ohio 44113

APPRAISAL REPORT

Date of Report: November 9, 2017
Colliers File #: MCO170015
Client ID: 101-23-007, 101-23-011B, 101-23-009, 101-23-010, 101-23-06B & 10-23-008



PREPARED FOR
Vadim Shub CPA, CA, MBA, Chief Financial Officer
Skyline Investments, Inc.
150 King Street West | Suite 2108
Toronto, Ontario M5H 1J9

PREPARED BY
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LETTER OF TRANSMITTAL

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November 9, 2017

Vadim Shub CPA, CA, MBA
Chief Financial Officer
Skyline Investments, Inc.
150 King Street West | Suite 2108
Toronto, Ontario, M5H 1J9

RE: Renaissance Cleveland Hotel
24 Public Square
Cleveland, Ohio 44113

Colliers File No.: MCO170015

Client File ID: 101-23-007, 101-23-011B, 101-23-009, 101-23-010, 101-23-06B & 10-23-008

Dear Mr. Shub:

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 Skyline Investments, Inc. and Colliers International Valuation & Advisory Services.

The appraisal is of the fee simple real estate and FF&E of the hotel owned by Skyline in compliance with IFRS ("International Financial Reporting Standards 13-fair value measurement). According to the IFRS Standard 13, Fair Value is defined as: "The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." That definition of fair value emphasis that fair value is a marker-based measurement, not an entity specific measurement. When measuring fair value, an entity uses the assumption that market participants would use when pricing the asset or liability under current market conditions, including assumptions and risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfill a liability is not relevant when measuring fair value. The IFRS explains that a fair value measurement requires an entity to determine the following:

- the particular asset or liability that is the subject of the measurement (consistently with its unit of account)
- for a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use
- the principal (or most advantageous) market for the asset or liability
- the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorized.

Colliers International Valuation & Advisory Services, and certain of its subsidiaries, is an independently owned and operated business and a member firm of Colliers International Property Consultants, an affiliation of independent companies with over 500+ offices throughout more than 63 countries worldwide.

The subject property, commonly known as Renaissance Cleveland Hotel, is a 15-story, 491-room, full-service lodging facility built in 1918. 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 restaurant, lounge, fitness facility, indoor swimming pool, business center, sundries shop, meeting space, vending and ice machines. The hotel also features concierge and valet services. The rooms are loaded off of interior corridors. The subject is located within the core of Central Business District (CBD) of Downtown Cleveland, and adjacent to the Public Square. The subject hotel is connected to the Tower City Center which has more than 100 stores and restaurants, a movie theater, Horseshoe Casino; and is also the hub for Cleveland's three rapid transit lines. On March 17, 1976, the tower was added to the National Register of Historic Places as the Union Terminal Group. A four-block area at the intersection of Superior Avenue and Ontario Street, the Public Square is within a walking distance of the Lake Erie waterfront, the Rock and Roll Hall of Fame and Museum, the Great Lakes Science Center and all of the city's major sports venues, including the Cleveland Browns Stadium, Progressive Field and Quicken Loans Arena. The subject's neighborhood primarily comprises of a variety of commercial, retail and leisure/entertainment uses.

The purpose of this appraisal is to develop certain opinions of value for the subject property in its Fee Simple interest. The following table conveys the final opinions of market value of the subject property that are developed within this appraisal report:

FINAL RECONCILED VALUES	
Conclusions	**As Is October 1, 2017**
Market Value	**$53,400,000**
Per Room	$108,758
ALLOCATION OF PROPERTY COMPONENTS	
Component	**As Is**
Real Property	$44,194,000
Furniture, Fixtures and Equipment	$9,206,000
Business	$0
Total	**$53,400,000**

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 urge 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

1. 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. 2. The subject property is slated to undergo renovations within the early part of the projection period. The buyer indicated that they are still negotiating the PIP's cost budget with Marriott and the PIP's cost budget listed in the report may change. We assume these upgrades are completed within the first two years of the projection period, they are completed in a very good workmanlike manner, and they are sufficient for the property to maintain its current brand affiliation throughout the holding period. Any change in the total PIP's cost budget may have a significant impact on our projections and opined values. 3. The subject property also includes the adjacent parking garage which operated by the hotel. For the purposes of this appraisal we have not provided a separate value for the garage at the request of the client. 4. The subject property was previously inspected on January 24, 2017 in connection with a valuation of the subject property for the same client. At the request of the client, an updated inspection was not completed. In the event that there have been

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material changes with the subject property, particularly in connection with the recently completed guestroom upgrades it might have an impact on value.

HYPOTHETICAL CONDITIONS

Although we acknowledge that the subject hotel is subject to a ground lease on a 13,200-square foot land; the fixed rent payment of $15,750 per year is very minor. The client also requested a fee simple interest in the overall subject. Hence, we have appraised the overall subject under the fee simple estate premise.

RELIANCE LANGUAGE

Per the engagement contract, there is no reliance language specific to the client's intended use.

The Appraisal is for the sole use of the Client; however, Client may provide only complete, final copies of the Appraisal report in its entirety (but not component parts) to third parties who shall review such reports if in connection with loan underwriting or securitization efforts. Colliers International Valuation & Advisory Services is not required to explain or testify as to appraisal results other than to respond to the Client for routine and customary questions. Please note that our consent to allow the Appraisal prepared by Colliers International Valuation & Advisory Services or portions of such Appraisal, to become part of or be referenced in any public offering, the granting of such consent will be at our sole and absolute discretion and, if given, will be on condition that Colliers International Valuation & Advisory Services will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to Colliers International Valuation & Advisory Services, by a party satisfactory to Colliers International Valuation & Advisory Services. Colliers International Valuation & Advisory Services does consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide Colliers International Valuation & Advisory Services with an Indemnification Agreement and/or Non-Reliance letter.

Colliers International Valuation & Advisory Services hereby expressly grants to Client the right to copy the Appraisal and distribute it to other parties in the transaction for which the Appraisal has been prepared, including employees of Client, other lenders in the transaction, and the borrower, if any.

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.

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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



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GENERAL INFORMATION

Name	Renaissance Cleveland Hotel
Address	24 Public Square Cleveland, Cuyahoga County, Ohio 44113
Assessor's Parcel #(s)	101-23-007, 101-23-011B, 101-23-009, 101-23-010, 101-23-06B & 10-23-008
Property Rights Appraised	The Fee Simple interest

PROPERTY DESCRIPTION

Site Description

Size	2.32 acres, or 101,059 square feet
Topography	Level at street grade
Access and Visibility	Given the hotel's proximity to a variety of demand generators and major roadways, as well as the hotel's position in Cleveland downtown CBD, access is considered to be good. Visibility is also considered to be good given the property's multi-level construction and position along multiple major downtown roadways.
Exposure	The subject enjoys good frontage.
Zoning	GR-E5 (General Retail Business 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. (Panel number 39035C0177E, dated December 3, 2010.)

Improvement Description

Year Built	1918
Number of Rooms	491
Quality	Good
Condition	Good
Economic Life	100 Years
Effective Age	35 Years
Remaining Useful Life	65 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.

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VALUATION SUMMARY

KEY VALUATION ASSUMPTIONS	
Category	**As Is**
Initial Projection Year:	
Occupancy	64.0%
Average Daily Rate	$160.51
RevPAR	$102.73
Investment Parameters:	
Discount Rate	10.50%
Terminal Capitalization Rate	8.50%
Implied Capitalization Rate, Prior to CapX	6.57%
Implied Capitalization Rate, After CapX	9.41%
Capital Deduction (PV)	$23,133,000
Other Valuation Considerations:	
Exposure Time	12 months or less
Marketing Time	12 months or less
Holding Period	10 Years
Inflation Rate	3.0%

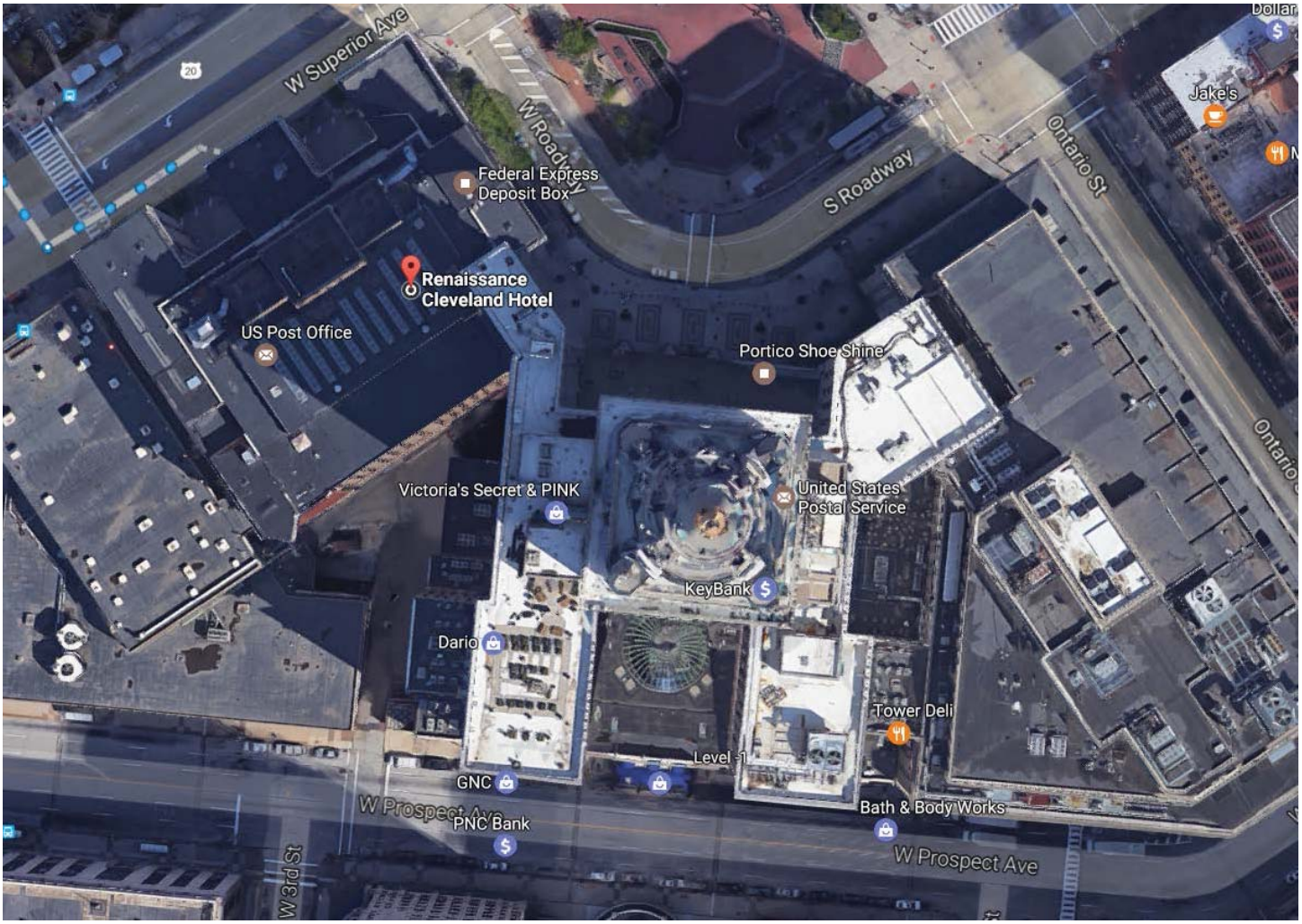
ANALYSIS OF VALUE CONCLUSIONS	
Methodology for Market Value Conclusions	**As Is October 1, 2017**
Sales Comparison Approach	
Adjusted Low End of Range	$12,000,000
Adjusted High End of Range	$54,600,000
Concluded Value	**$53,500,000**
Income Approach	
Discounted Cash Flow	$53,400,000
Direct Capitalization Approach	$53,900,000
Reconciled Value via Income Approach	**$53,400,000**
Reconciled Value Conclusion	**$53,400,000**
Per Room	**$108,758**

ALLOCATION OF PROPERTY COMPONENTS	
Component	**As Is**
Real Property	$44,194,000
Furniture, Fixtures and Equipment	$9,206,000
Business	$0
Total	**$53,400,000**

At the request of the client we have provided a land value for use solely in the allocation of components. The land allocation is based on the Cuyahoga County Auditor assessed values which is 35.0% of the auditor's market value for the land, detailed in the Real Property Tax section. The land value below was deducted from the overall real property value provided later in the report.

ALLOCATION OF PROPERTY COMPONENTS	
Component	**As-Is**
Real Property: Hotel	$33,603,457
Real Property: Retail	$2,600,000
Land	$7,990,543
Furniture, Fixtures and Equipment	$9,206,000
Business	$0
Total	**$53,400,000**

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AERIAL PHOTOGRAPH

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EXTERIOR



ENTRANCE



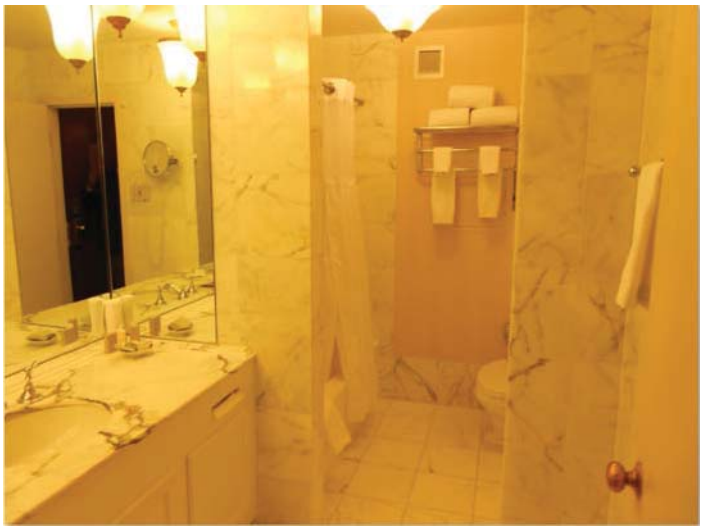
GUESTROOM



GUESTROOM



FRONT DESK



BATHROOM

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BUSINESS CENTER



CONCIERGE LEVEL



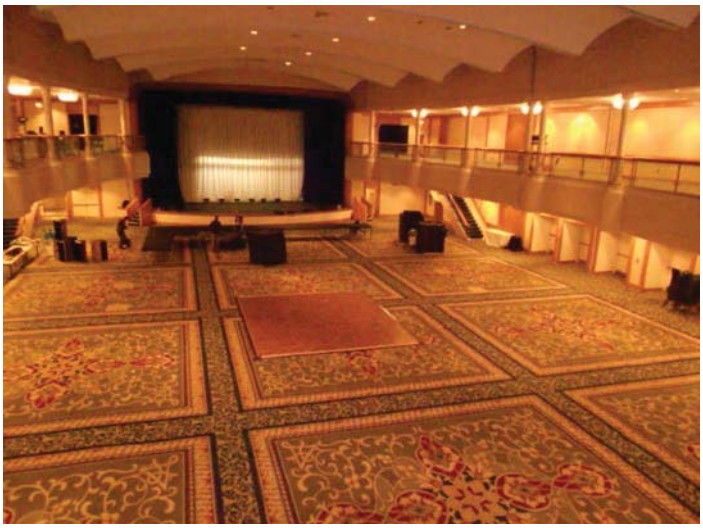
LOBBY



LOUNGE



BOARD ROOM



BALLROOM

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BALLROOM



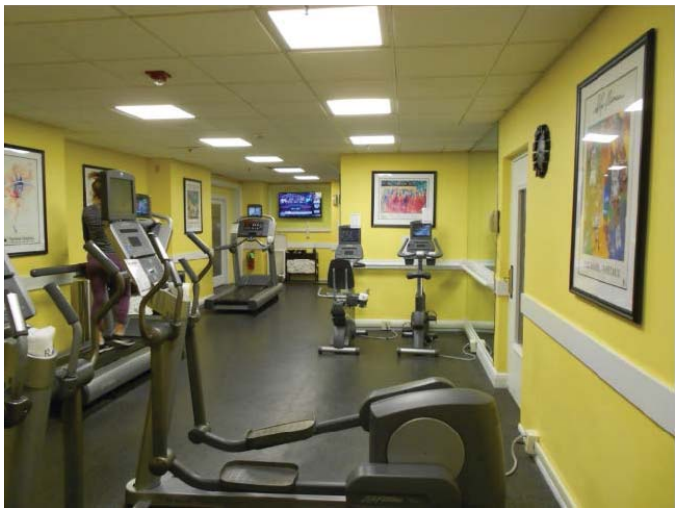
BALLROOM



LOBBY



MEETING ROOM



EXERCISE FACILITY



CORRIDOR

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LAUNDRY



POOL



MECHANICAL



KITCHEN



LAUNDRY



KITCHEN

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PROPERTY IDENTIFICATION

The subject property, commonly known as Renaissance Cleveland Hotel, is a 15-story, 491-room, full-service lodging facility built in 1918. 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 restaurant, lounge, fitness facility, indoor swimming pool, business center, sundries shop, meeting space, vending and ice machines. The hotel also features concierge and valet services. The rooms are loaded off of interior corridors. The subject is located within the core of Central Business District (CBD) of Downtown Cleveland, and adjacent to the Public Square. The subject hotel is connected to the Tower City Center which has more than 100 stores and restaurants, a movie theater, Horseshoe Casino; and is also the hub for Cleveland's three rapid transit lines. On March 17, 1976, the tower was added to the National Register of Historic Places as the Union Terminal Group. A four-block area at the intersection of Superior Avenue and Ontario Street, the Public Square is within a walking distance of the Lake Erie waterfront, the Rock and Roll Hall of Fame and Museum, the Great Lakes Science Center and all of the city's major sports venues, including the Cleveland Browns Stadium, Progressive Field and Quicken Loans Arena. The subject's neighborhood primarily comprises of a variety of commercial, retail and leisure/entertainment uses.

The subject leases about 8,968 square feet of office space on the 15th floor to MAC. The lease expire in March 2022. Summarized terms provided by the client indicted: Rent at $11/sf, growing by $0.50 every year to $13.00 for year 5. Base rent of $98,648 – year 1, growing to $116,584 year 5).

The subject leases about 3,000 square feet of office space on the ground floor to PNC. The lease expire in March 2027. Summarized terms provided by the client indicted: rent at $31/sf, Term 10 years + 2 5 year renewal options. Increases by 10% every 5 years. No free rent.

The arrangements of passive rental of Hotel from the owner to the operator are extremely rare in North America, explaining why, therefore it is not practical to look for a potential passive rental amount that a potential operator would be paying to the owners.

It is our understanding that the subject property includes ±37,000 sf of vacant space that is anticipated to be utilized for office or retail income. The owners indicated future plans call for a leasing plan for this space, but there currently are no active lease agreements in place with the exception of the above. In the event a plan is established, additional income is anticipated to be derived from the asset.

LEGAL DESCRIPTION

The legal description of the subject property was not provided.

CLIENT IDENTIFICATION

The client of this specific assignment is Skyline Investments, Inc..

INTENDED USE

The appraisal report will be prepared for the purpose of substantiation of fair market value for public financial statement preparation in accordance with IFRS purposes.

The appraisal is of the fee simple real estate and FF&E of the hotel owned by Skyline in compliance with IFRS (“International Financial Reporting Standards 13-fair value measurement). According to the IFRS Standard 13, Fair Value is defined as: “The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” That definition of fair value emphasis that fair value is a marker-based measurement, not an entity specific measurement. When measuring fair value, an entity uses the assumption that market participants would use when pricing the asset or liability under current market conditions, including assumptions and risk. As a result, an entity’s intention to hold an asset or to settle

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or otherwise fulfill a liability is not relevant when measuring fair value. The IFRS explains that a fair value measurement requires an entity to determine the following:

- the particular asset or liability that is the subject of the measurement (consistently with its unit of account)
- for a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use
- the principal (or most advantageous) market for the asset or liability

the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorized.

INTENDED USERS

The appraisal report is intended only for the use specified below. In addition, we understand the reports are to be distributed to, and used by Brightman Almagor Zohar & Co. Certified Professional Accountants, Member of Deloitte Touche Tohmatsu Limited, ("Deloitte") as part of their audit procedure.

We understand that the appraisal report will be included in the annual filings or any other required statutory filings with the securities authorities and stock exchanges in Israel and/or Canada by the client or by the client's public parent company. It may not be distributed to or relied upon by other persons or entities without prior written permission of Colliers International.

ASSIGNMENT DATES

Date of Report	October 21, 2017
Date of Inspection	January 24, 2017
Market Value As Is	October 1, 2017

SUBJECT PROPERTY INSPECTION

The subject property was inspected by Tim Simpson.

PROPERTY RIGHTS APPRAISED

The property rights appraised constitute the Fee Simple interest.

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
Skyline Cleveland Renaissance, LLC.

Three-Year Sales History
The property was purchased in 2015. The contract was signed on June 25, 2015 reflecting a purchase price of $20,150,000. The purchase price included that of both the hotel and the parking garage. The buyer did not disclose separate allocated price for the hotel and/or parking garage. It is our understanding that the subject was not widely marketed initially. We understand that the subject had been on the market for over two years. The listing was offered only to a select number of potential buyers. There were between five and eight bids with offer-price ranging between $15 million and $50 million. We were not provided with any further details on the bids offered. We also understand that the seller felt pressure either to sell the property or to invest a substantial

amount of money in renovation to continue operating under the current Renaissance flag. Due to major issues with the potential loss of the Renaissance flag and Marriott management at the time of the sale, the sale price was significantly diminished. Since the purchase the management team has been solidified, the brand remains in place and a significant PIP is planned which has led to the increase in value of the property.

Subject Sale Status

To the best of our knowledge, the subject is not currently listed for sale.

OPERATIONAL ASSUMPTIONS

Property Management

For purposes of this appraisal, we assume that the subject could be sold free and clear of any and all management contracts, and that future management expenses are market-oriented. Specifically, management fees are projected to equate to 3.00% percent of total revenue throughout the holding period.

Franchise and Licensing

The subject property is encumbered by a franchise and licensing agreement between current ownership and the franchisor of Renaissance hotels. According to information provided to the appraisers, this agreement commenced on October 27, 2015 and extends for a period of 20 years. There are also two options to extend the contract for an additional 5 years in each renewal period. Base royalty fees are stated to be equal to 5.00% of rooms revenue in each month. In addition, a marketing func payment equal to 1.5% of rooms revenue is charged. It is our understanding that the franchise and licensing agreement is terminable upon a sale of the subject property. Accordingly, we have projected there to be royalty fees equal to 5.00% of rooms revenue annually.

General Assumptions

For the purposes of this report, we assumed that the subject hotel will be full-service and chain-affiliated in nature, along with a centralized, national or regional reservation system that is fully-integrated with reputable third-party marketing engines (i.e. online travel agencies, reservation systems, etc.). We further assumed that the subject will be operated by competent and experienced management familiar with the operation of full-service hotels in the United States, and more specifically, in Cleveland, Ohio. In the event that any of the above conditions are not consistent with the subject's actual status, it could have an impact on the subject's overall marketability and underlying market value.

GROUND LEASE

The Renaissance Cleveland is subject to a ground lease on a parcel of land measuring approximately 13,200 square feet. The original 99-year ground lease, which commenced on January 2, 1913, referred to the premises as the plot of land measuring 100 feet by 100 feet with fixed annual rent of $15,000 per year, paid quarterly. On January 1, 1961, the lease was amended to refer to the premises as the plot of land measuring 132 feet by 100 feet, therefore increasing the fixed annual rental payments to $15,750 per year, paid on a quarterly basis. On August 30, 2010, the Hotel renewed the ground lease for another 99-year term, retaining the fixed rental payment of $15,750 per year, paid on a quarterly basis.

Half of the ground rent payments go to the Cleveland Foundation, while the other half of the rent payments are split amongst eleven individuals who have inherited a portion of the lease from the original lessors, Marie M. Ingersoll and Albert Y. Meriam. New ownership will have the latitude to explore buyout opportunities given that the lease encumbers such a small portion of the Hotel's total property.

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RETAIL LEASE

Mid-American Athletic Conference (MAC) has leased out 7,345 square feet of office space on the 15th floor of the Property until June 2022. The MAC pays $8,946 per month in the base year and grows by inflation.

Additionally, PNC Bank has leased 3,000 sf for a bank branch on the ground level of the hotel. The lease extends through June 2026 and has a rent payment of $31.00. We have calculated these rental payments as a below the line item in our cash flow.

It is our understanding that the subject property includes ±37,000 sf of vacant space that is anticipated to be utilized for office or retail income. The owners indicated future plans call for a leasing plan for this space, but there currently are no active lease agreements in place with the exception of the above. In the event a plan is established, additional income is anticipated to be derived from the asset.

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.

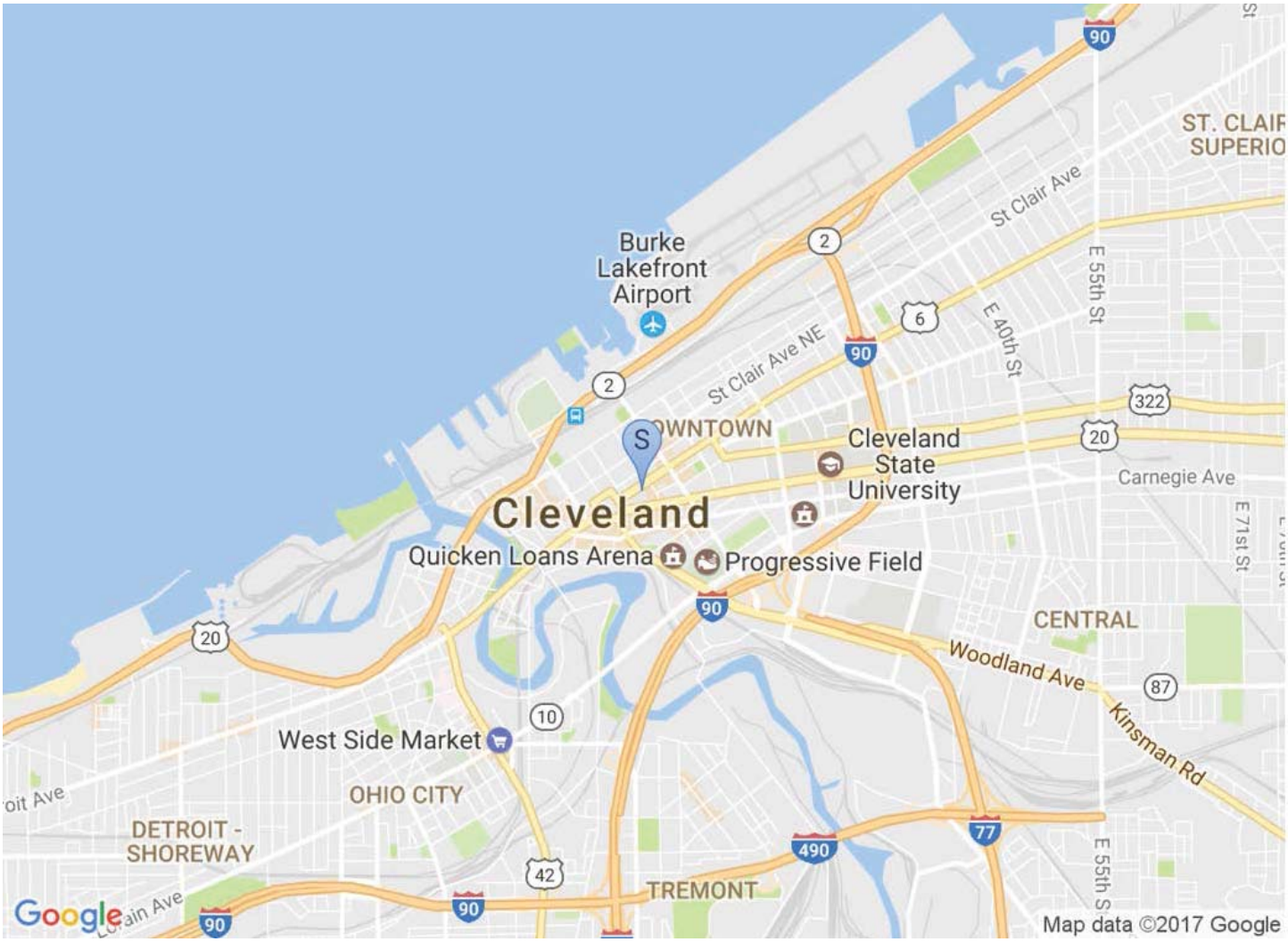
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INTRODUCTION

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.
- No one provided significant real property appraisal assistance to the appraisers signing the certification.

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Burke
Lakefront
Airport
St Clair Ave NE
St Clair Ave
E 55th St
E 40th St
322
20
Carnegie Ave
E 71st St
Cleveland
State
University
Cleveland
Quicken Loans Arena
Progressive Field
CENTRAL
Woodland Ave
Kinsman Rd
87
West Side Market
OHIO CITY
DETROIT -
SHOREWAY
TREMONT
490
77
42
10
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Map data ©2017 Google

INTRODUCTION

The Cleveland metropolitan area, or Greater Cleveland as it is more commonly known, is the metropolitan area of Northeast Ohio that contains Cleveland, Ohio, United States and its surrounding area. According to the 2010 Census, the five-county Cleveland-Elyria-Mentor Metropolitan Statistical Area (MSA) consists of Cuyahoga County, Geauga County, Lake County, Lorain County, and Medina County, and has a population of 2,077,240. Greater Cleveland is the 28th most populous metropolitan area in the United States and largest metro entirely in Ohio.

The following are notable points about the Cleveland-Akron CSA:

- The Cleveland combined statistical area (CSA) is the largest in Ohio with nearly 2.8 million residents.
- The region is served by two international airports, Cleveland Hopkins International Airport and Akron Fulton International Airport. There are nine other smaller, regional airports in the area as well.
- The CSA is home to seven Fortune 500 firms. These include Goodyear Tire and Rubber Company, Progressive Insurance, First Energy, Parker-Hannifin, Sherwin Williams, TravelCenters of America, Cliffs Natural Resources.
- Several of the area's largest employers are in the healthcare industry. The Cleveland Clinic is the area's largest employer and is a high-ranking hospital according to U.S. News & World Report. University Hospitals, another well recognized facility, is the second largest employer in the MSA. The two companies share a large complex in the University Circle area of downtown Cleveland.
- Cleveland is home to several notable landmarks: The Rock and Roll Hall of Fame, NASA's Glenn Research Center, and The Great Lakes Science Center.

STRENGTHS

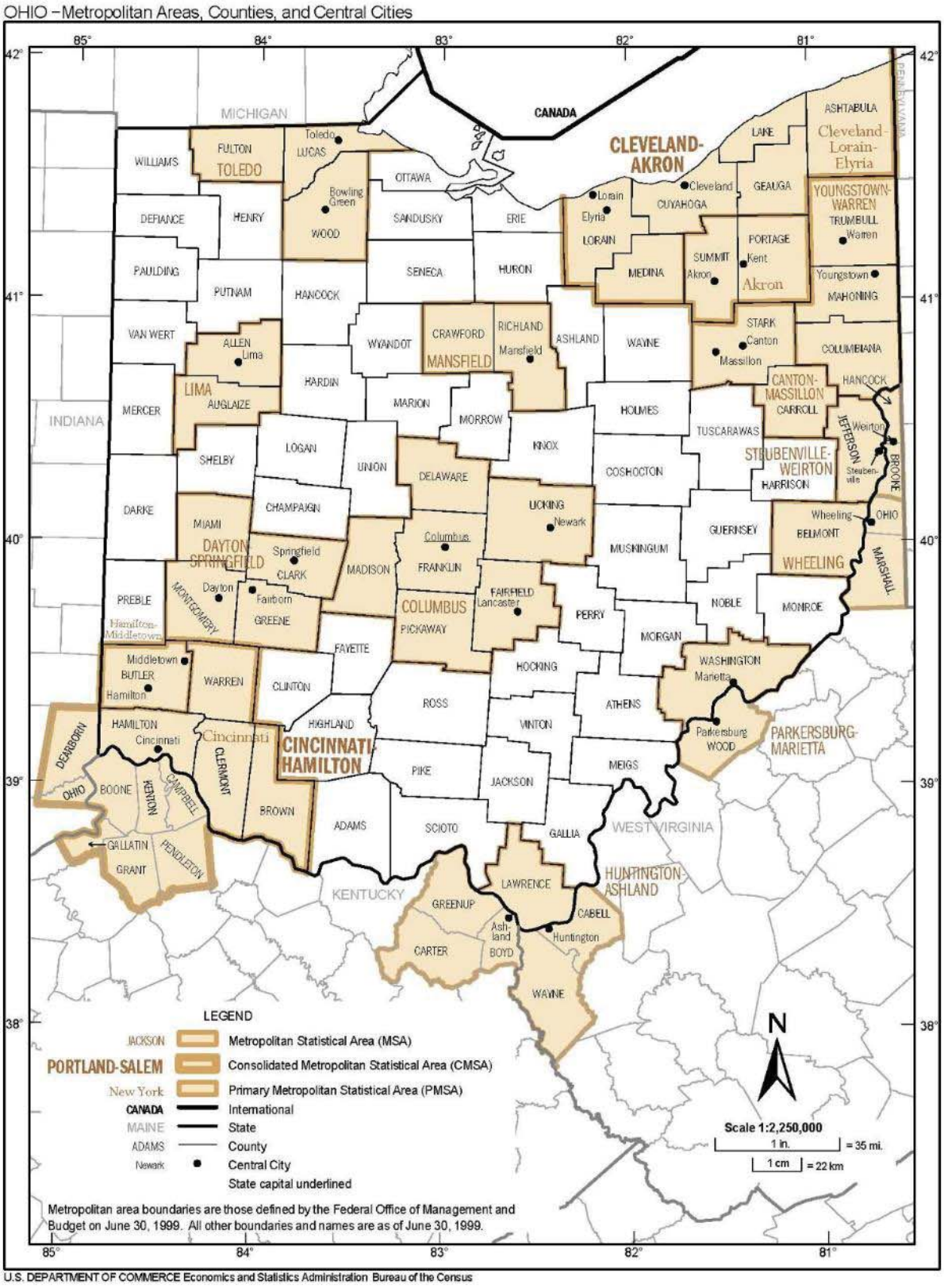
- Manufacturing infrastructure and specialized factory labor.
- Large healthcare concentration supports startups in emerging biomedical space.
- High per capita income, which boosts the services economy.

WEAKNESSES

- Above-average foreclosure inventory.
- Poor demographic trends, including persistent out-migration.

The map on the following page illustrates the regions location within the State of Ohio.

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Cleveland is showing signs of life. Although the Moody's Analytics business cycle index is up less for CLE than for the state and nation over the past year, it has surged in recent months. The labor force is up from its lows, injecting slack into a labor market that needs it to sustain robust hiring. More jobs in mid- and high-wage

healthcare and technical services are boosting average hourly earnings, which are up more than in Columbus or Cincinnati over the past year. The economy's health is far from rosy, however. The population is contracting, hurting consumer industries and housing, and the factory sector is slashing workers at a rapid rate with factory employment the lowest since early 2011.

Manufacturing's free fall will not persist; more job cuts are likely, just not as many. Key durable goods segments are sputtering, with fewer jobs in metals, machinery and transportation equipment manufacturing. U.S. vehicle sales have begun to slow from last year's breakneck pace. Automakers are using greater incentives to spark demand, but sales will drift toward their long-term equilibrium trend pace in 2017 and production at local plants will decline in tandem. Further, spending on machinery and robotics to automate production processes will limit the need for additional labor long term. Auto suppliers are investing in technologies such as multiflex assembly cells, flexible automation, and increasingly sophisticated machine tools. Elsewhere, the steel industry is in the midst of a protracted slump, with employment in primary metals slipping below the previous cycle low reached in mid-2009 as factories shutter operations. The cost of coking coal, a key input used for producing steel, has also doubled this year as the Chinese government has reduced output at its coal mines, hurting local steelmakers.

Cleveland's transition to a dynamic economy that relies more heavily on medical devices, pharmaceuticals, and healthcare information technology will accelerate over the next decade. Healthcare startups are already sprouting up across Northeast Ohio thanks to institutions such as the Cleveland Clinic, Global Center for Health Innovation, and University Hospitals. Securus Medical Group, a healthcare startup that develops thermal measurement devices used in medical applications, recently raised $10 million in venture capital to expand operations. More broadly, local biotechnology companies raised more than $100 million in venture capital in the first half of 2016 and are on track to raise approximately $200 million this year, repeating the stellar performance over the past several years.

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. Please note that our demographics provider sets forth income projections in constant dollars which, by definition, reflect projections after adjustment for inflation. We are aware of other prominent demographic data providers that project income in current dollars, which do not account for inflation. A simple comparison of projections for a similar market area made under the constant and current dollar methodologies can and likely will produce data points that vary, in some cases, widely. Further, all forecasts, regardless of demographer methodology (ies), are subjective in the sense that the reliability of the forecast is subject to modeling and definitional assumptions and procedures.

Population

According to Pitney Bowes/Gadberry Group - GroundView®, a Geographic Information System (GIS) Company, the Cleveland-Elyria metropolitan area had a 2016 total population of 2,058,821 and experienced an annual growth rate of -0.1%, which was lower than the Ohio annual growth rate of 0.1%. The metropolitan area accounted for 17.7% of the total Ohio population (11,635,388). Within the metropolitan area the population density was 1,022 people per square mile compared to the lower Ohio population density of 282 people per square mile and the lower United States population density of 90 people per square mile.

POPULATION			
YEAR	US	OH	CBSA
2010 Total Population	308,745,538	11,536,504	2,077,240
2016 Total Population	324,035,643	11,635,388	2,058,821
2021 Total Population	337,543,660	11,746,353	2,049,056
2010 - 2016 CAGR	0.8%	0.1%	(0.1%)
2016 - 2021 CAGR	0.8%	0.2%	(0.1%)

Source: Pitney Bowes/Gadberry Group - GroundView®

POPULATION DENSITY			
YEAR	US	OH	CBSA
2016 Per Square Mile	90	282	1,022
2021 Per Square Mile	94	285	1,018

Source: Pitney Bowes/Gadberry Group - GroundView®

The 2016 median age for the metropolitan area was 41.15, which was 8.34% older than the United States median age of 37.72 for 2016. The median age in the metropolitan area is anticipated to grow by 0.45% annually, increasing the median age to 42.08 by 2021.

MEDIAN AGE			
YEAR	US	OH	CBSA
2016	37.72	39.39	41.15
2021	38.74	40.40	42.08
CAGR	0.54%	0.51%	0.45%

Source: Pitney Bowes/Gadberry Group - GroundView®

Education

The Cleveland Plus region is home to 27 accredited colleges and universities such as Kent State, Case Western Reserve University, Cleveland State, the University of Akron and Youngstown State.

EDUCATION			
	US	OH	CBSA
Less than 9th Grade	6%	3%	3%
9-12th Grade/No Diploma	8%	9%	9%
High School Graduate	30%	36%	32%
Some College/No Degree	20%	20%	21%
Associate Degree	8%	8%	7%
Bachelor's Degree	18%	15%	17%
Grad/Professional Degree	10%	9%	11%

Source: Sites To Do Business (STDB) Online

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Cleveland Plus Region Institutions of Higher Learning

Name of Institution	Enrollment	Degrees Offered	Affiliation
Kent State University (all campuses)	±42,513	undergraduate and graduate degrees	Public
Cuyahoga Community College	±31,024	undergraduate	Public
University of Akron	±29,251	undergraduate and graduate degrees	Public
Cleveland State University	±17,204	undergraduate and graduate degrees	Public
Stark State College	±15,672	_	Public
Youngstown State University	±15,194	undergraduate and graduate degrees	_
Bryant and Stratton College (all campuses)	±13,803	undergraduate	Proprietary
Lakeland Community College	±12,000	undergraduate	Public
Case Western Reserve University	±9,685	undergraduate and graduate degrees	Private
John Carroll University	±7,418	undergraduate and graduate degrees	Private
Ashland University	±6,000	undergraduate	Private
Baldwin-Wallace College	±4,177	undergraduate and graduate degrees	Private
Walsh University	±2,982	undergraduate	Private
Oberlin College	±2,900	undergraduate and graduate degrees	Private
Malone College	±2,559	undergraduate and graduate degrees	Private
University of Mount Union	±2,209	undergraduate	Private
Notre Dame College	±2,120	undergraduate and graduate degrees	Private
The College of Wooster	±2,043	undergraduate	Private
Hiram College (all campuses)	±1,334	undergraduate	Private
Lake Erie College	±975	undergraduate and graduate degrees	Private
Northeast Ohio Medical University	±750	_	Public
Cleveland Institute of Music	±427	_	Private
Ursuline College	_	undergraduate and graduate degrees	Private
Cleveland Institute of Art	_	_	Private
+ITT Educational Services, Inc.		_	_
Lorain Community College	_	_	_
Ohio College of Podiatric Medicine	_	_	_
Remington College	_	_	_
Siegal College of Judaic Studies	_	_	_
Virginia Marti College of Art and Design	_	_	_

Source: Greater Cleveland Plus Region

Household Trends

The 2016 number of households in the metropolitan area was 865,033. The number of households in the metropolitan area is projected to retract by -0.1% annually, reducing the number of households to 861,861 by 2021. The 2016 average household size for the metropolitan area was 2.33, which was -11.27% smaller than the United States average household size of 2.63 for 2016. The average household size in the metropolitan area is anticipated to retract by 0.03% annually, reducing the average household size to 2.33 by 2021.

NUMBER OF HOUSEHOLDS

YEAR	US	OH	CBSA
2016	120,355,207	4,692,697	865,033
2021	124,475,498	4,743,075	861,861
CAGR	0.7%	0.2%	(0.1%)

Source: Pitney Bowes/Gadberry Group - GroundView®

AVERAGE HOUSEHOLD SIZE

YEAR	US	OH	CBSA
2016	2.63	2.41	2.33
2021	2.65	2.41	2.33
CAGR	0.16%	(0.02%)	(0.03%)

Source: Pitney Bowes/Gadberry Group - GroundView®

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The Cleveland-Elyria metropolitan area had a 287,386 renter occupied units, compared to the higher 1,523,581 in Ohio and the higher 41,906,547 in the United States.

HOUSING UNITS

	US	OH	CBSA
Owner Occupied	78,448,660	3,169,116	577,647
Renter Occupied	41,906,547	1,523,581	287,386

Source: Pitney Bowes/Gadberry Group - GroundView®

The 2016 median household income for the metropolitan area was $51,245, which was -7.7% lower than the United States median household income of $55,497. The median household income for the metropolitan area is projected to grow by 1.4% annually, increasing the median household income to $54,989 by 2021.

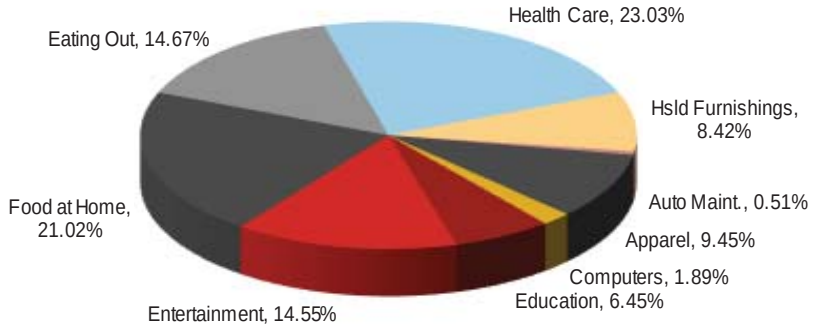
As is often the case when the median household income levels are similar to the national average, the cost of living index is also similar. According to the American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index, the Cleveland-Elyria-Mentor, OH MSA's cost of living is 98.7 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.

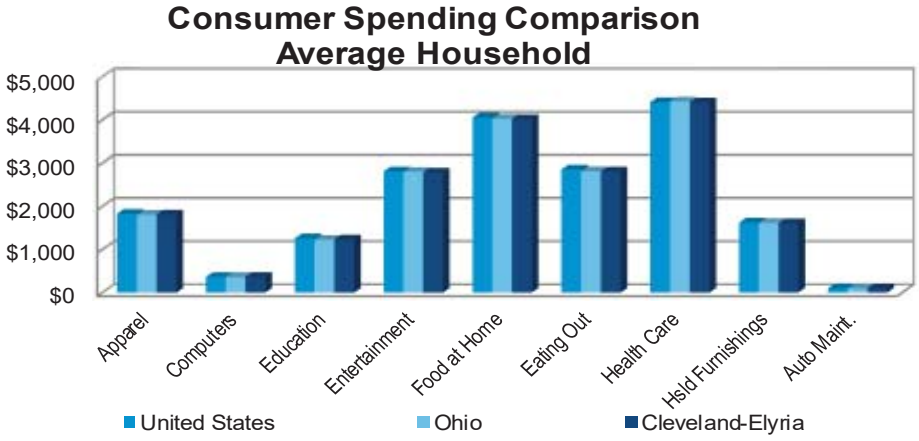
MEDIAN HOUSEHOLD INCOME

YEAR	US	OH	CBSA
2016	$55,497	$50,674	$51,245
2021	$59,208	$54,361	$54,989
CAGR	1.3%	1.4%	1.4%

Source: Pitney Bowes/Gadberry Group - GroundView®

Consumer Spending Cleveland-Elyria





EMPLOYMENT

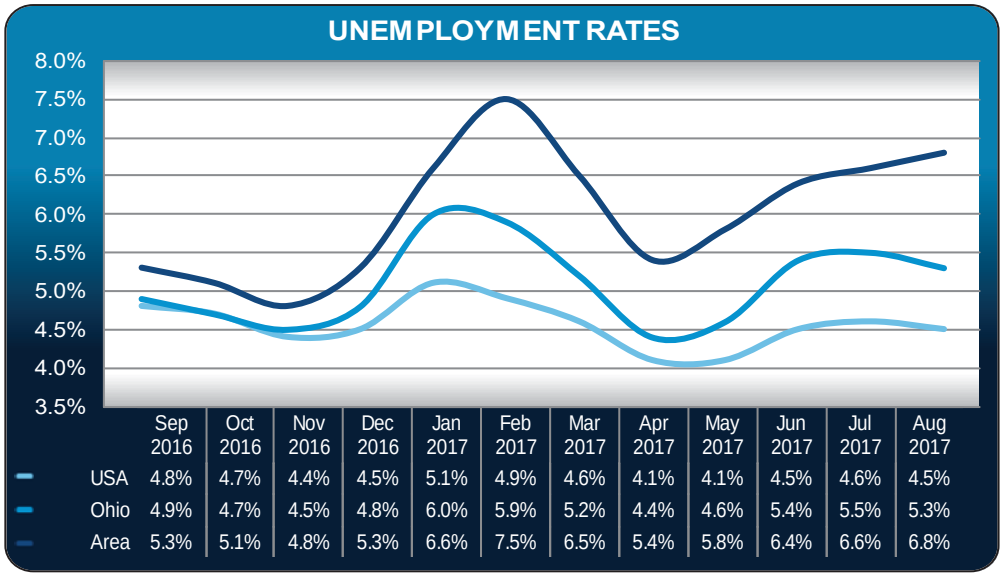
Total employment has decreased annually over the past decade in the state of Ohio by 0.5% and decreased annually by 0.7% in the area. From 2015 to 2016 unemployment decreased in Ohio by 0.0% and increased by 0.3% in the area. In the state of Ohio unemployment has decreased over the previous month by 0.2% and increased by 0.2% in the area.

Professional services will also help fill the gap left by old-line manufacturing. Employment in scientific, technical and professional services has risen about 15% this decade. Companies such as Lubrizol Corp. are hiring chemists, engineers, supply chain specialists, and statisticians, while Sherwin-Williams, another multinational firm based in Cleveland, is expanding in digital marketing, information technology, enterprise software and cybersecurity. Cleveland's ability to nurture growth in highervalue- added services will be helped by rising educational attainment. The percentage of the population age 25 and older with a bachelor's degree or higher is up more than 4 percentage points in the past decade.

EMPLOYMENT & UNEMPLOYMENT STATISTICS 2007 - 2016

	TOTAL EMPLOYMENT				UNEMPLOYMENT RATE		
	Ohio		Cleveland-Elyria, OH Metropolitan Statistical Area		United States*	Ohio	Cleveland-Elyria, OH Metropolitan Statistical Area
Year	Total	% Δ Yr Ago	Total	% Δ Yr Ago			
2007	5,657,718	0.6%	1,035,111	0.2%	4.6%	5.6%	5.5%
2008	5,580,843	(1.4%)	1,020,192	(1.4%)	5.8%	6.4%	6.0%
2009	5,297,098	(5.1%)	972,455	(4.7%)	9.3%	10.3%	8.6%
2010	5,247,050	(0.9%)	964,123	(0.9%)	9.6%	10.3%	8.4%
2011	5,261,238	0.3%	964,196	0.0%	8.9%	8.8%	7.3%
2012	5,284,001	0.4%	967,622	0.4%	8.1%	7.4%	6.5%
2013	5,288,320	0.1%	965,533	(0.2%)	7.4%	7.5%	6.8%
2014	5,367,282	1.5%	972,735	0.7%	6.2%	5.8%	6.0%
2015	5,412,759	0.8%	974,112	0.1%	5.3%	4.9%	5.0%
2016	5,430,790	0.3%	973,932	(0.0%)	4.9%	4.9%	5.3%
CAGR	**(0.5%)**	-	**(0.7%)**	-	-	-	-

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



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The Cleveland Clinic is, by far the largest employer, in the Cleveland area with 34,000 employees. Other large healthcare providers appear on the list of the ten largest employers in the metro area (University Hospitals and Summa Health System). Federal, state, and county governments all provide important employment to the area. The US Office of Personnel Management is the second largest employer (15,095 employees) and the US Postal Service claims the ninth spot (7,362 employees). Cuyahoga County is the seventh largest employer in the metro area with 7,859 employees; followed closely by the State of Ohio with 7,792 employees. Giant Eagle (10,311 employees) and Progressive Corp. (8,612 employees) are large private employers in the area.

AIRPORT STATISTICS

A key indicator to an area's economic vitality can be statistics provided by the airport that services that area. The frequency at which passengers are arriving and departing, especially arriving, can tell what kind of opportunity there might be for the local hotel market. When looking at arrivals it can be especially indicative because most arrivals will require hotel accommodations. Cleveland Hopkins International Airport is a public airport located 9 miles southwest of downtown Cleveland, in Cuyahoga County, Ohio, and is the largest airport in the state of Ohio. The airport lies just within the city limits of Cleveland. Cleveland Hopkins International Airport (CLE) was the 36th busiest airport in the nation.

The airport handled ±8.5 million passengers in 2016, representing a 7.6 percent decrease compared to 2015; the passenger decline at Hopkins was one of the steepest among the 50 largest airports in the USA in 2016. Passenger traffic has shown some resilience through February 2013 and traffic was up 7.6 percent.

The airport handles more than 325 daily nonstop flights to over 85 destinations. Following Continental's merger with United Airlines, the airport became the smallest of the combined airline's eight mainland U.S. hubs in terms of passenger boardings. Cleveland Hopkins International Airport, along with Cleveland Burke Lakefront Airport comprise the Cleveland Airport System operated by the city of Cleveland's Department of Port Control.

Cleveland Hopkins International Airport (CLE) has been notified that CLE will receive new service from Southwest Airlines. Southwest announced they will begin service to Atlanta (ATL) twice daily starting June 4th, 2017. They will also add a daily frequency to St. Louis, a route that has been highly successful for the airline since its launch in 2016.

The following chart summarizes the local airport statistics.

CLEVELAND-HOPKINS INTERNATIONAL AIRPORT (CLE)		
YEAR	ENPLANED PASSENGERS	% CHG
2006	5,447,482	-
2007	5,571,219	2.3%
2008	5,387,625	(3.3%)
2009	4,704,329	(12.7%)
2010	4,591,097	(2.4%)
2011	4,401,033	(4.1%)
2012	4,346,941	(1.2%)
2013	4,375,448	0.7%
2014	3,686,315	(15.7%)
2015	3,916,914	6.3%
2016	4,073,442	4.0%

Source: U.S. Department of Transportation

SUMMARY

The Cleveland-Elyria economy will strengthen appreciably in 2017, adding the most jobs since 2012 thanks to bigger gains in healthcare and professional services. The factory sector will power down, and Cleveland will underperform the state and the nation in key metrics in the long term because of subpar demographics.

UPSIDE

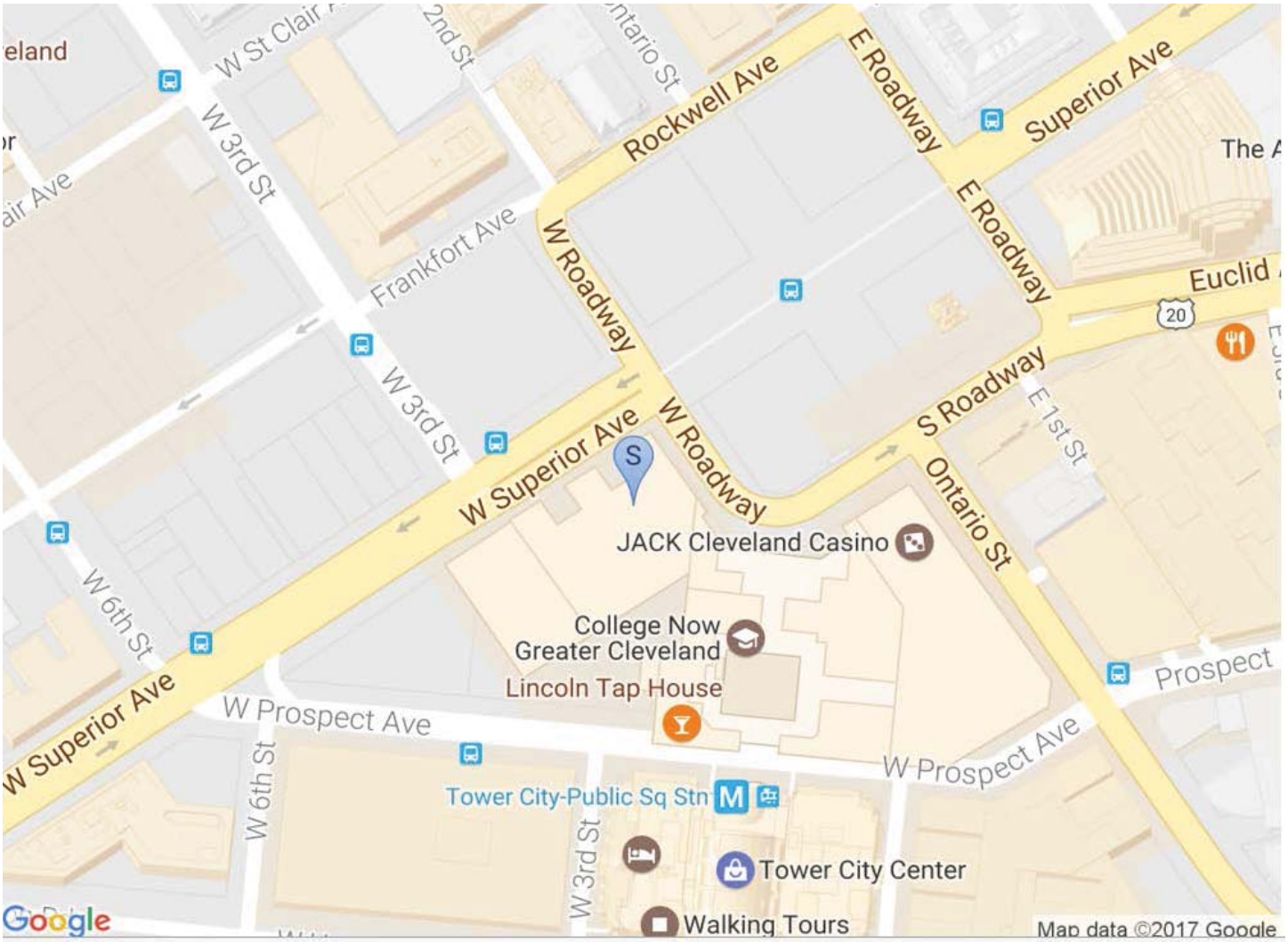
- Greater venture capital funding accelerates health services growth.

- An increasingly educated population attracts more high-paying service jobs.

DOWNSIDE

- Demographic trends worsen, undermining growth in consumer industries and housing.
- Steel manufacturers face pressure from foreign producers, resulting in more layoffs..

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Rockwell Ave
E Roadway
Superior Ave
W Roadway
Frankfort Ave
W 3rd St
W Superior Ave
S Roadway
Ontario St
E 1st St
Euclid
20
JACK Cleveland Casino
College Now
Greater Cleveland
Lincoln Tap House
W Prospect Ave
Prospect
W 6th St
Tower City-Public Sq Stn
Tower City Center
Walking Tours
Google
Map data ©2017 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 property is located in Cleveland, Ohio, within Cuyahoga County. The local area is urban in nature, as the subject is located in downtown Cleveland. The area has a mix of commercial uses, including retail, office, and as multi-family residential. The surrounding properties are predominantly mid-to- high-rise office and medical uses, as well as retail properties that are housed on ground floors of mid and high-rise buildings. The area is urban in nature and consists mostly of multi-family, office, and retail properties. Significant developments are discussed below.

The subject's local area is typical of the Cleveland CBD and is improved with a variety of uses, with the greatest concentration being multi-story office buildings, most of which have ground floor retail suites. The local area also is the home of the Quicken Loans Arena, which hosts many special events such as concerts and is also home to the Cleveland Cavaliers professional basketball team, and Progressive Field (formerly Jacobs Field), which houses the Cleveland Indians major league baseball team. Overall, the subject's immediate area is typical of the highly developed Cleveland CBD.

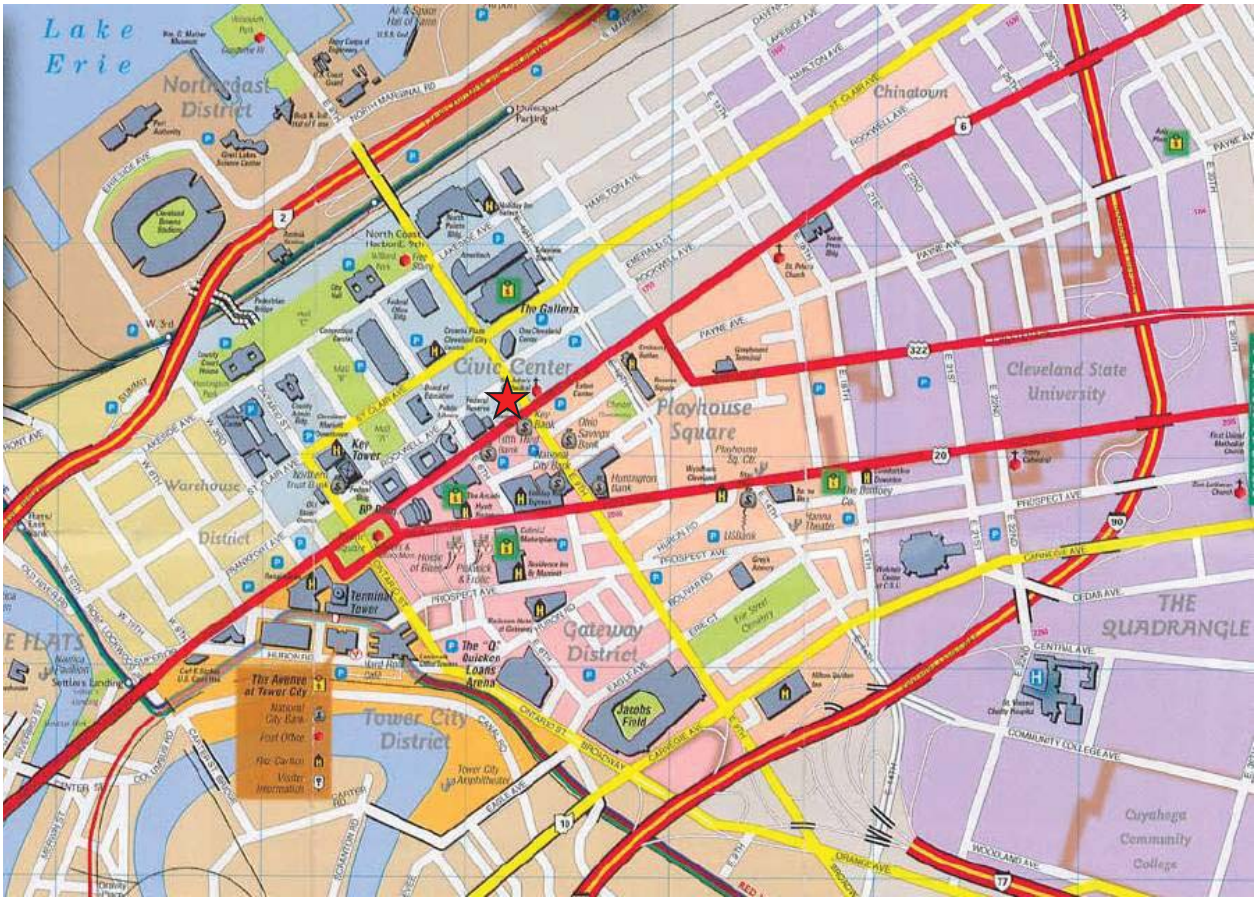
CENTRAL BUSINESS DISTRICT OVERVIEW

Since the subject property is part of Cleveland's Central Business District, the following section of this report is dedicated to analyzing the nuances of the various unique districts. We have utilized a culmination of sources to document the CBD environment. The most notable sources include CoStar Analytical software, the Downtown Cleveland Alliance, news publications, marketing brochures, interviews with owners and brokerage companies, appraisers, government officials, as well as our "in-house" database of property information collected over many years.

The below map includes various districts followed by a discussion of the most relevant districts to this appraisal report. In addition to the descriptions of the following districts, we have noted that various city organizations also describe various sub districts or planning areas throughout the CBD.

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CLEVELAND CBD MAP



CIVIC CENTER DISTRICT

The Civic Center District includes most of Cleveland and Cuyahoga County's public buildings and also contains Public Square which is considered the official center of Downtown Cleveland. One can find City Hall, the Justice Center Complex, City Police Headquarters, the Cuyahoga County and Cleveland Municipal Courts Tower, as well as the Correction Center and County Courthouse. Other notable buildings include the Cleveland Public Library main building, Federal Reserve Bank of Cleveland, the Howard M. Metzenbaum U.S. Courthouse and Cleveland Metropolitan School District administration building.

A fair amount of green space was reserved in the area in 1903 and is known as Public Malls A, B, and C, combined "The Malls". The dated convention center was previously located under Public Mall B, but recently underwent a massive renovation. The redevelopment of the convention center also spurred hotel development within the district, including a planned Drury Suites hotel within the former Cleveland School District Administration building.

Global Center for Health Innovation and Convention Center

The Global Center for Health Innovation and Convention Center is located on the corner of Mall Drive and St. Clair Avenue. The entire project cost approximately $465 million and opened in the summer of 2013. The building and its tenants are dedicated to showing off the latest medical technology. The center totals 95,000 square feet and has attracted tenants such as the Cleveland Clinic, GE Healthcare, Healthcare Information and Management Systems Society, University Hospitals, Johnson Controls and Philips Healthcare. Representatives from each of these tenants also sit on an advisory board for the building. Along with these tenant spaces there are two cafes and a junior ballroom within the building.

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The convention center is host to a 32,000 square foot ballroom which overlooks the lake and is complete with top-notch finishes. The underground exhibition hall has 30 foot tall ceilings and 17 underground loading docks. There are 30 smaller meeting rooms within the center. The Convention Center opened ahead of schedule in June of 2013 and hosted the National Senior Games as its first event in July 2013. The Convention Center combined with the Medical Innovation Center is an attempt to draw business traffic through Cleveland, specifically in the medical sector.

Adjacent to the Global Center for Health Innovation, the $272.0 Hilton Convention Center Hotel recently opened in May 2016 and has 32 stories and contain 600 rooms, banquet halls and amenities.

Playhouse Square District

This district is home to the nation's largest performing arts center outside of New York City. According to the Downtown Cleveland Alliance, over 1 million people visit the theaters and district every year drawn by Broadway shows, Shakespeare, Opera, plays, concerts and educational programming. The district is also known for its support of technology based companies with the Idea Center Building, Cleveland Public Broadcasting stations and the Hanna Tech Hotel being located within the district.

This neighborhood has had a tumultuous history since its birth in the 1920s. The most major periods of decline occurred in the 1950s and 1960s, when the theaters were almost closed and demolished. The Playhouse Square Association was formed in the 1970s to help preserve the neighborhood. Renovations to the theaters occurred for the next several years but continued to struggle as residents moved out of the area to the suburbs. Within the past several years the district has focused on renewing their public spaces resulting in a dramatic neighborhood transformation. This started with the makeover of Star Plaza in 2013 to provide outdoor gathering places. Other improvements made to the neighborhood include a 20 foot chandelier suspended over the East 14th Street and Euclid Avenue intersection, new and renovated signage, welcoming gateways and added outdoor lighting.

The district has also become home to several high-rise multifamily residential buildings within the past decade including Huron Square Apartments, Osborn Building, Reserve Square, and The Chesterfield. The Hanna building was converted to 102 apartment units by The K & D Group, which came online in the spring of 2013. There are also two large projects in the local area which converted significant vacant office inventories to residential developments.

As previously discussed the demand for residential units downtown has been growing and much of that is being met by the re-use of the vacant office space in the Playhouse Square District. This has made for a vibrant district which is attracting young professionals to the area.

NineTwelve District Overlay

The NineTwelve District is a new marketing term that has emerged in the past several years. This new district area captures a small part of the Civic Center District and the Playhouse Square District. Generally the boundaries of the area are East 9th Street, East 12th Street, Euclid Avenue and Lakeside Drive. Special attention is being paid to this area due to the influx of residential buildings found within its boundaries including several renovations of office buildings into multi-family properties. According to the Downtown Cleveland Alliance there are currently 3,200 residents in this neighborhood with 600 planned or under constructed and another 500 more in pre-planning. This mass of residential development was followed by jobs, restaurants and amenities that have helped to revitalize the area.

PUBLIC SQUARE DISTRICT

This quadrant of the Central Business District is regarded as the city's epicenter, symbolic heart, and has hosted presidents, vast congregations of people, as well as numerous functions over the decades. The area was first laid out by Moses Cleveland which consists of a large open space divided into four quadrants by Ontario Street and Superior Avenue. Public Square has remained largely unchanged since. Public Square is also home to the Soldiers' and Sailors' Monument commemorating residents of Cuyahoga County that served in the Civil War, a statue of Moses Cleveland, founder of the city, Tom L. Johnson, the city's most famous mayor, and a public fountain. The most notable buildings in the Public Square district are the Terminal Tower, which is home to Tower City Center, 200 Public Square (the former BP Building renamed in 2005), as well as Key Tower.

- Key Tower is the tallest building in Cleveland, as well as the tallest in Ohio, and one of the tallest buildings in the United States. The tower is visible from as far as twenty miles outside of downtown Cleveland. The tower, developed by the R.E. Jacobs Group, was originally built as the Society Center and renamed when KeyCorp acquired Society Bank. The building is mostly occupied by Key Corporation with other notable large tenants being Squire Sanders & Dempsey, Thompson Hine, and Deloitte & Touche.
- BP Tower (200 Public Square) was built as the headquarters for Standard Oil of Ohio (Sohio), and renamed the BP Tower when Sohio merged with British Petroleum. The name has changed to the building's address as British Petroleum moved out of Cleveland. BP Tower is the third tallest building in Cleveland and Ohio.
- The Terminal Tower is the "grande dame" of Cleveland skyscrapers and the most significant landmark of downtown Cleveland. When it was built as part of the Van Sweringen brothers' Union Terminal station, it was the tallest building outside of New York City until 1967, when the Prudential Center was built in Boston. The related earthmoving required for the Union Terminal complex was the second largest excavation in history after the Panama Canal. Terminal Tower remains the second tallest building in Cleveland and Ohio.

Public Square Redevelopment Project

A bold transformation of the 10 acres that make up public square has been in the works since 2009. The LAND Studio, of Cleveland, in partnership with James Corner Field, of New York and also responsible for New York's High Line, proposed a dramatic redesign of the public space in 2012. They have since continued to refine the design of the site. The most drastic change is that the new space will act as one unified space with an elongated bridge over Superior Avenue and the termination of Ontario Street on the north and south sides of the park. Traffic headed north/south will be redirected around the square which will change to a one way circle. The south side of the park will be mainly hardscaped with a pavilion in the southwest corner and the Civil War Soldiers' and Sailors' monument in the southeast corner. The park will elevate in the middle to bridge Superior Avenue. The north side contains a sizeable green lawn which will feature somewhat of a hill feel as it grades back to street level from the bridge. The entire park will be surrounded by trees.

The $32 million dollar project was funded through a mixture of public and private entities. LAND Studio is the financial steward of the project. To date they have received $30 million of the needed funds from the following sources: The Cleveland Foundation, $8 million; The Gund Foundation, $5 million; KeyBank Foundation, $4 million; Northeast Ohio Regional Sewer District, $3 million; Kent H. Smith Charitable Trust, $1 million; and $9 million which was redirected tax increment financing from the former Higbee Building.

HISTORIC WAREHOUSE DISTRICT

This was Cleveland's first neighborhood and was originally a residential area until it became a warehousing, distribution and shipping destination. Construction of many of the warehouses occurred between 1850 and the

early 1900s. In the 1920s, the second largest garment manufacturing concentration in the United States was in the Warehouse District. The area experienced a decline after World War II as many of the warehouses were vacated. The Warehouse District, as well as many of the individual buildings, is listed on the National Register of Historic Places.

The area has since morphed into an entertainment, dining, and downtown living focal point with the restoration and conversion of the existing warehouse buildings. In terms of population, the Warehouse District is the largest downtown neighborhood and continues to attract a wide variety of shops, clubs, bars, and loft condos and apartments. Discussions of future development within the district include adding more housing units and expansion of the district towards Lake Erie.

Apartment buildings at the edge of a Warehouse District parking lot, form the first corner of a project that eventually might grow to 1,200 residences spanning two city blocks. Members of the Asher family have owned a sea of parking lots just northwest of Public Square for years. Now their family-run real estate company, Weston, Inc., is teaming up with Daniel Walsh, a well-known local banking executive who launched an apartment-investment business last year, to pursue a residential vision for one of the center city's largest blank spots. Their initial plan: 352 apartments, ground-level retail and parking spread between an eight-story building and a 23-story tower at the southeast corner of St. Clair Avenue and West Sixth Street. Their ultimate vision: More than 3 million square feet of development, with green spaces and patios lining the streets and rooftop enclaves where apartment-dwellers could swim, cook, lounge and walk their dogs. The first phase of construction would eliminate more than 200 parking spaces, in lots that Weston says are rarely full. The first apartment buildings would include 390 parking spaces and 22,000 square feet of retail. The complete, four-part project would comprise 1,200 garage spaces, roughly 400 more than exist today.

GATEWAY DISTRICT

One of the first revitalized areas of downtown Cleveland was the Gateway District. This is largely due to the Gateway Project which included Progressive Field, formerly known as Jacobs Field, and Quicken Loans Arena, or “The Q” is it is commonly known. Progressive Field is home the Major League Baseball’s Cleveland Indians and Quicken Loans Arena is home to the National Basketball Association’s Cleveland Cavaliers. The area also includes East 4th Street which is a major night life center, offering restaurants, concerts, comedy shows and a bowling alley.

Progressive Field

Previously called “The Jake” or Jacobs Field, Progressive Field is part of the Gateways Sports and Entertainment complex which lead the revitalization of the Gateway District. Along with Quicken Loans Arena, it was built to replace Cleveland Stadium, opening in 1994. Progressive Field is home to the Cleveland Indians of the American League. The building and land is owned by Cuyahoga County and operated by the Gateway Economic Development Corp.

The Indians played their first game in the stadium on April 4, 1994 when then-president Bill Clinton threw the ceremonial first pitch. Subsequent to opening, the Indians tickets became the hottest in Cleveland by selling out 455 straight games, setting a major league record. Demand for tickets was so high that the team sold out all 81 homes games before opening day on three separate occasions. Progressive Field is still considered a state-of-the-art venue and continues to provide a large draw to the Cleveland Central Business District. The stadium originally cost $175 million to construct and 1,000 seats were added in 1997 bringing it to the current capacity of 43,345. We feel that it is highly unlikely that the Cleveland Indians would be sold and moved to another city.

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Quicken Loans Arena

The Quicken Loans Arena, also known as "The Q", was known as Gund Arena until August 2005. "The Q" is a multipurpose arena and the current home of the Cleveland Cavaliers and the Lake Erie Monsters. In addition to the professional sports teams, the Quicken Loans Arena has hosted the Mid-American Conference's men's and women's basketball tournaments since 2000. "MAC Madness" has provided an additional draw to the venue.

The $100.0 million arena opened in 1994 on the site, replacing the Coliseum at Richfield, with a concert by Billy Joel. The Cleveland Cavaliers then played their first game a few weeks thereafter. "The Q" has capacity for 20,562 for basketball games, including 2,000 in the club level seats, and 92 luxury suites. The venue is owned by the Gateway Economic Development Corp. and leased to the Cleveland Cavaliers.

Due to its recent construction and renovation, Quicken Loans Arena would still be considered a state-of-the-art arena with little likelihood of losing their anchor professional sports team, the Cleveland Cavaliers. In the summer of 2005, the Cavaliers majority owner Dan Gilbert (also the owner of Quicken Loans) renovated the arena by means of installing new seats, state-of-the-art scoreboards, video systems, sound systems, arena graphics, signage, security, locker rooms, and suite upgrades. "The Q" will continue to provide a large draw to Cleveland's Central Business District and remain a focal point of the city especially given LeBron James return to the Cleveland Cavaliers.

It is our understanding that Quicken Loans Arena hosts over 300 events annually including those activities discussed above. Both the baseball stadium and the basketball arena are connected to Tower City Center, and RTA's rail transit system, via an enclosed walkway.

Proposed nuCLEus Development

In November 2014 the Cleveland City Planning Commission approved a conceptual plan of a large mixed use project that could be a game changer for the Gateway District. The site of this project is adjacent to the Quicken Loans Arena on its northwest side, across Huron Road. It fills the block of East 4th Street between Prospect Avenue and Huron Road. This location provides a connection between the East 4th entertainment district on the north side of the site and the large format event and sports venues on the south side of the site.

NORTH COAST DISTRICT

The North Coast District is the tourist destination of Cleveland's Central Business District. The district is home to the Rock & Roll Hall of Fame and Museum, Great Lakes Science Center, Steamship William G. Mather Maritime Museum, Burke Lakefront Airport, the Goodtime III and the U.S.S. Cod Museum. The district is also home to the city's port, but there are plans to move the port west of the river to open up the area for housing and lakefront development. A new marina just north of the Rock & Roll Hall of Fame and Museum at North Coast Harbor opened over the summer for transient boaters, providing a flashy new transportation option for northeast Ohioans. One of the most notable attractions and destinations is Cleveland Browns Stadium.

Cleveland Browns Stadium

Home of the National Football League's Cleveland Browns franchise, this stadium was constructed at a cost of a reported $283.0 million and is situated at the location of the former Cleveland Municipal Stadium. The stadium is generally utilized only for football games but the playing surface was constructed so it will also allow international soccer games.

The city chose to not sell the naming rights to the stadium but instead sold the naming rights to each of the four entrance gates. The stadium is known for its "Dawg Pound," which is a special section of bleacher seats. The West Third Street station of Cleveland's Waterfront light rail line serves the stadium.

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The 73,200 seat stadium remains one of the most recent stadiums constructed in the nation and the reborn Cleveland Browns played their first game there in 1999 after Art Modell moved the former franchise to Baltimore to become the Ravens. The stadium would still be considered state-of-the-art and it is highly unlikely that the NFL franchise will be sold or moved in the near future.

Lakefront

The Cleveland City Planning Commission completed plans for revitalization along Lake Erie in an attempt to stimulate national interest in the City of Cleveland as a place to live and work.

Plans were developed to move the Port of Cleveland from its current location to another lakefront location at East 55th Street. That move of the port would free up approximately 100 acres for development. The move is anticipated to take place far into the future. Costs for the projected move vary widely, with estimates anywhere from $500 million to $1 billion. Given the timeline and cost, the completion of such a tremendous project is still speculative at best.

Also, the Port land has been the subject of discussion for years. For instance, prior to their 2009 decision to move to the eastern Cleveland suburbs, Eaton Corporation had proposed moving to a 9-acre portion of the Port of Cleveland's land and developing a headquarters office tower and campus. The site had been tentatively priced at $11.44 million for the development, but the proposed project fell through as there were numerous concerns on the move of key Port components and on development restrictions on the site.

In December 2012 a new railroad loop was completed allowing trains to get up near the edge of the water. This connects the port to nearby main rail lines which connect throughout the Midwest. This led to additional business for the Port.

LOCATION DESCRIPTION

The benefit of a well-organized transportation network is to provide area residents, businesses and visitors with an enhanced location, easy access, physical attractiveness, and functionality. The subject site is considered to have good accessibility from major thoroughfares.

The hotel maintains excellent vehicular and pedestrian access that is considered superior to some of its nearby competitors. The hotel is conveniently accessible from all points around Cleveland with highway access only a few blocks away via the East 9th exit on Interstate 90, which serves as the area's major east-west thoroughfare connecting suburbs with downtown Cleveland and is the exit most used by visitors traveling from the east to the Rock & Roll Hall of Fame, Cleveland Browns Stadium, and the Great Lakes Science Center. Visitors from the west or south access the downtown area from Interstates 71 and 77, while driving past Quicken Loans Arena, Progressive Field, and Playhouse Square. Additionally, the hotel and its signage are clearly visible from St. Clair Avenue, which is among the most heavily trafficked streets by both vehicles and pedestrians.

Given its location, the hotel maintains superior accessibly to pedestrian traffic from the city's north coast area's most popular attractions, relative to the majority of hotels in the area. The centralized location allows for visitors of the adjacent Convention Center to conveniently access downtown attractions without the need of a vehicle, including popular restaurants and bars in the Historic Warehouse District and the Flats, located less than a mile from the hotel.

The Port of Cleveland also has the best heavy lift capacity on the Great Lakes. Port facilities include nine berths and 6,500 linear feet of dock space. Docks are maintained at a full seaway depth, which is 27 feet, with excellent access to interstate highways and rail.

Local area accessibility is generally good, relying on the following arteries:

Local: Route 6 (Superior Avenue) follows the Cleveland Memorial Shoreway into Downtown Cleveland, entering Downtown by crossing the Detroit-Superior Bridge. US 6 follows Superior Avenue through Public Square and the East Side of Cleveland before turning east onto Euclid Avenue in East Cleveland and Chardon Road in the city of Euclid.

Main Avenue - Main Avenue runs in a northeast and south direction through the Flats District. Main Avenue runs under the State Route 2 highway before terminating at Old River Road. Main Avenue changes names to West Lakeside Avenue once passing West 9th Street.

Regional: State Route 2 (Cleveland Memorial Shoreway) - SR 2 travels in a northeast and southwest direction in proximity to the subject. This elevated roadway continues northeast and runs along the lakefront before merging with Interstate 90 by Burke Lakefront Airport. To the southwest, SR 2 crosses the Cuyahoga River, and follows the Lake Erie lakefront. The highway ends at Lake Avenue, where it turns into Clifton Boulevard.

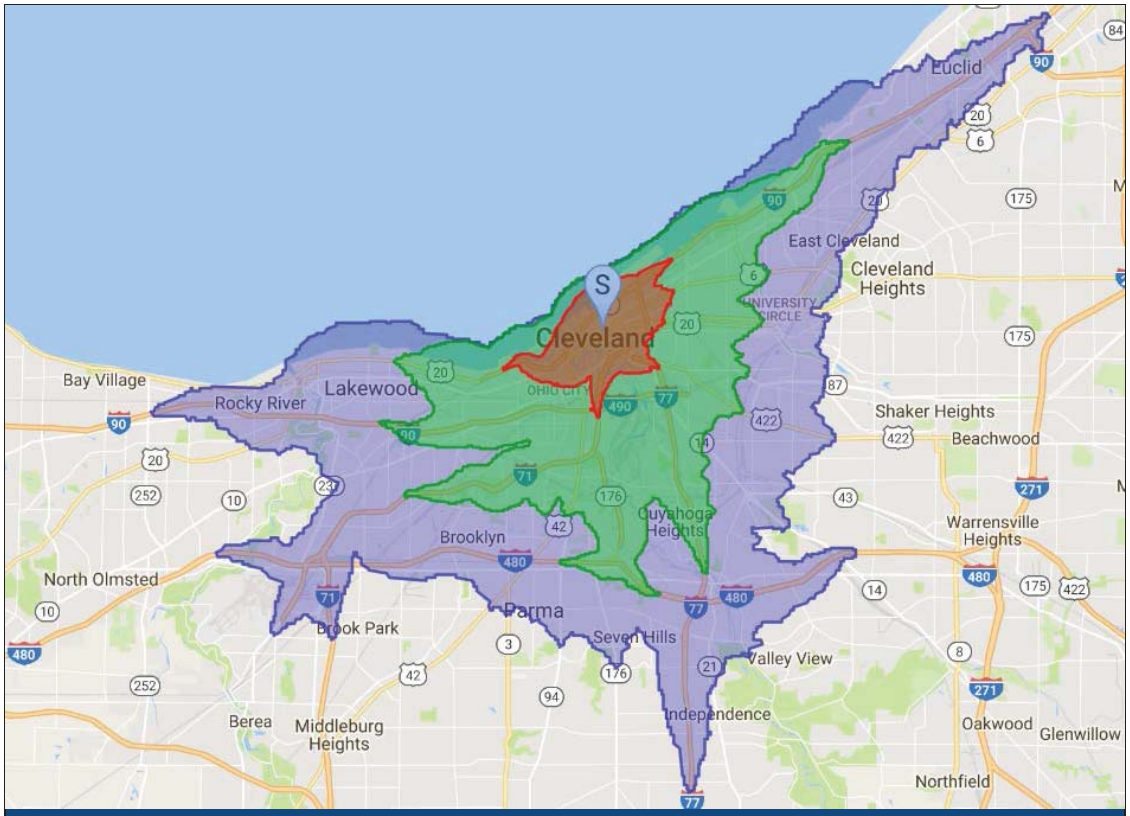
Interstate 90 - This regional roadway is located just east of the subject property, accessed via State Route 2. Interstate 90, near the subject, travels in a northeast and southwest direction. I-90 continues northeast through the eastern Cleveland suburbs. To the south/southwest, I-90 merges with Interstate 71 and then splits off and heads west at the I-90/I-71/I-490 interchange. I-90 then runs through the western Cleveland suburbs.

Air: The greater Cleveland area is serviced by the Cleveland Hopkins International Airport which is located approximately ±13.1 miles southwest of the subject site.

The subject is located within the core of Central Business District (CBD) of Downtown Cleveland, and adjacent to the Public Square. The subject hotel is connected to the Tower City Center which has more than 100 stores and restaurants, a movie theater, Horseshoe Casino; and is also the hub for Cleveland's three rapid transit lines. On March 17, 1976, the tower was added to the National Register of Historic Places as the Union Terminal Group. A four-block area at the intersection of Superior Avenue and Ontario Street, the Public Square is within a walking distance of the Lake Erie waterfront, the Rock and Roll Hall of Fame and Museum, the Great Lakes Science Center and all of the city's major sports venues, including the Cleveland Browns Stadium, Progressive Field and Quicken Loans Arena. The subject's neighborhood primarily comprises of a variety of commercial, retail and leisure/entertainment uses.

The following map summarizes driving times based on 5, 10 and 15-minute intervals from the subject's location:

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DRIVE TIMES FROM SUBJECT PROPERTY

IMMEDIATE AREA PROFILE

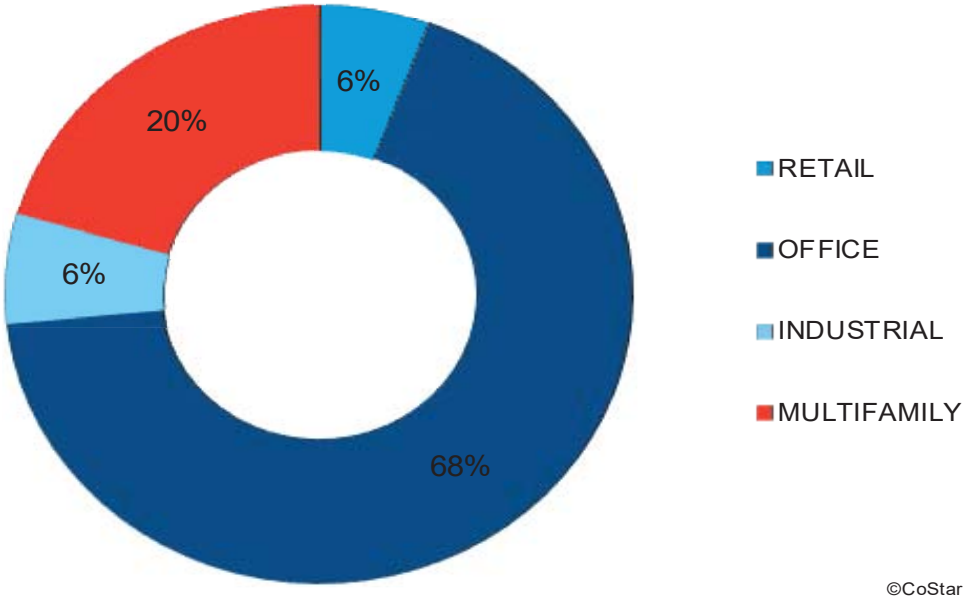
This section discusses uses and development trends in the immediate area that directly impact the performance and appeal of the subject property.

Predominant Land Uses

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

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COMMERCIAL AREA COMPOSITION



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. Please note that our demographics provider sets forth income projections in constant dollars which, by definition, reflect projections after adjustment for inflation. We are aware of other prominent demographic data providers that project income in current dollars, which do not account for inflation. A simple comparison of projections for a similar market area made under the constant and current dollar methodologies can and likely will produce data points that vary, in some cases, widely. Further, all forecasts, regardless of demographer methodology (ies), are subjective in the sense that the reliability of the forecast is subject to modeling and definitional assumptions and procedures.

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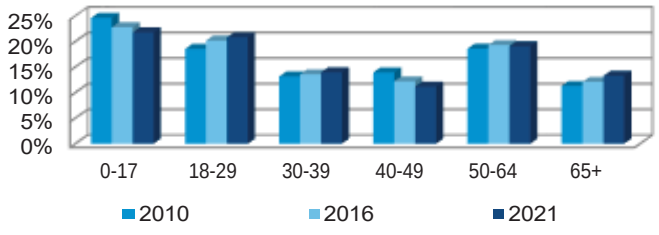
LOCAL AREA DEMOGRAPHICS

DESCRIPTION	5 MINUTES	10 MINUTES	15 MINUTES
POPULATION			
2000 Population	7,474	90,864	371,942
2010 Population	11,487	80,727	318,420
2016 Population	12,805	79,696	307,747
2021 Population	13,866	78,485	296,868
Change 2000-2010	53.69%	(11.16%)	(14.39%)
Change 2010-2016	11.47%	(1.28%)	(3.35%)
Change 2016-2021	8.29%	(1.52%)	(3.54%)
POPULATION 65+			
2010 Population	687	7,340	35,872
2016 Population	931	7,866	37,165
2021 Population	1,137	8,594	39,471
Change 2010-2016	35.52%	7.17%	3.60%
Change 2016-2021	22.13%	9.26%	6.20%
NUMBER OF HOUSEHOLDS			
2000 Households	3,389	36,426	151,556
2010 Households	5,636	35,053	135,972
2016 Households	6,807	36,002	135,660
2021 Households	7,563	35,735	131,121
Change 2000-2010	66.30%	(3.77%)	(10.28%)
Change 2010-2016	20.78%	2.71%	(0.23%)
Change 2016-2021	11.11%	(0.74%)	(3.35%)
HOUSING UNITS (2016)			
Owner Occupied	506	9,400	56,899
Renter Occupied	6,322	26,574	78,727
HOUSING UNITS BY YEAR BUILT			
Built 2010 or later	208	382	651
Built 2000 to 2009	640	2,500	5,168
Built 1990 to 1999	215	1,237	4,074
Built 1980 to 1989	282	996	3,774
Built 1970 to 1979	688	2,160	7,931
Built 1960 to 1969	615	2,302	11,165
Built 1950 to 1959	414	2,370	16,479
Built 1940 to 1949	280	2,337	13,859
Built 1939 or earlier	3,466	21,718	72,560

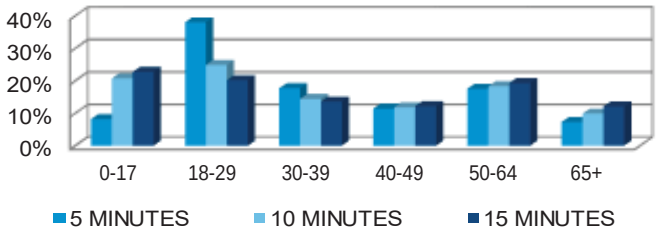
DESCRIPTION	5 MINUTES	10 MINUTES	15 MINUTES
AVERAGE HOUSEHOLD INCOME			
2016	$63,439	$43,737	$43,425
2021	$67,229	$47,034	$46,007
Change 2016-2021	5.98%	7.54%	5.95%
MEDIAN HOUSEHOLD INCOME			
2016	$33,595	$23,504	$28,027
2021	$38,732	$25,067	$29,805
Change 2016-2021	15.29%	6.65%	6.34%
PER CAPITA INCOME			
2016	$44,422	$21,708	$19,845
2021	$47,158	$23,629	$21,114
Change 2016-2021	6.16%	8.85%	6.39%
2016 HOUSEHOLDS BY INCOME			
<$15,000	37.0%	35.2%	28.7%
$15,000-$24,999	8.4%	17.0%	17.2%
$25,000-$34,999	5.6%	10.3%	12.1%
$35,000-$49,999	7.4%	11.1%	13.3%
$50,000-$74,999	14.5%	11.1%	13.7%
$75,000-$99,999	9.1%	5.8%	6.5%
$100,000-$149,999	8.2%	5.0%	5.4%
$150,000-$199,999	4.0%	1.9%	1.6%
$200,000 or greater	6.0%	2.5%	1.5%
MEDIAN HOME VALUE	$218,462	$74,164	$79,467
AVERAGE HOME VALUE	$229,886	$119,158	$102,127
HOUSING UNITS BY UNITS IN STRUCTURE			
1, detached	379	10,299	62,557
1, attached	157	2,396	8,974
2	206	5,584	20,302
3 or 4	216	2,778	8,243
5 to 9	368	1,999	5,627
10 to 19	241	1,690	5,966
20 to 49	886	2,521	5,658
50 or more	4,351	8,633	17,589
Mobile home	0	38	661
Boat, RV, van, etc.	25	36	50

Source: Pitney Bowes/Gadberry Group - GroundView®

POPULATION GROWTH BY AGE - 15 MINUTES



POPULATION BY AGE



Transportation Routes

Local transportation is provided by RTA (Greater Cleveland Regional Transit Authority). RTA services 59 municipalities including 38 cities, 19 villages and 2 townships. There are several stops in the subject property's immediate vicinity located along E. 9th Street and St. Clair Avenue.

Cuyahoga County Airport is a public use airport in northeastern Cuyahoga County, owned and operated by Cuyahoga County. The airport is located 10 miles east of downtown Cleveland and sits on the border of three cities: Highland Heights, Richmond Heights and Willoughby Hills. Cleveland Hopkins International is the city's major airport/international airport which has eight different airline carriers including United Airlines hub. Cleveland Hopkins International Airport is a public airport located nine miles southwest of the central business district of Cleveland, in Cuyahoga County. It is the largest airport in the state of Ohio. Located along the rolling shores of Lake Erie, Cleveland Burke Lakefront Airport is the region's business airport. It is operated by the City of Cleveland's Department of Port Control.

Community Services

Community services and facilities are readily available in the surrounding area. These include public services such as fire stations, hospitals, police stations, and schools (all ages). The subject property is located in the Loc.School.Dist School District. GreatSchools.org is an on-line tool that rates every school district on a scale of one to ten based on test scores. The chart details the subject's school district's rating, test scores, and graduation rate. It also compares the subject's rating to other area schools and the subject's graduation rate to state and national averages.

SCHOOL DISTRICTS

SCHOOL DISTRICT	GREATSCHOOLS RATING	NUMBER OF SCHOOLS					
		ELEMENTARY	MIDDLE	HIGH	PUBLIC	CHARTER	TOTAL
Cleveland Metropolitan School District	3	74	68	28	98	1	99

HIGH SCHOOLS

HIGH SCHOOLS	GREATSCHOOLS RATING	PARENT RATING	SCHOOL TYPE	GRADES SERVED	DISTANCE FROM SBJ.	CITY LOCATION	ENROLLMENT
Successtech Academy School	2	3	public	9-12	0.62 miles	Cleveland	200
Design Lab @ Jane Addams	2	-	public	9-12	1.49 miles	Cleveland	178
Jane Addams Business Careers High School	2	3	public	9-12	1.53 miles	Cleveland	364
Garrett Morgan School Of Science School	3	4	public	9-12	1.54 miles	Cleveland	325
New Technology West	2	-	public	9-11	1.55 miles	Cleveland	296
Max S Hayes High School	2	5	public	9-12	1.59 miles	Cleveland	633
New Technology Hs@East Tech	1	-	public	9-11	2.31 miles	Cleveland	175
East Technical High School	2	4	public	9-12	2.38 miles	Cleveland	495
Lincoln-West High School	2	3	public	9-12	2.40 miles	Cleveland	1,033
The School Of One	-	2	public	9-12	2.50 miles	Cleveland	268

Source: GreatSchools.com

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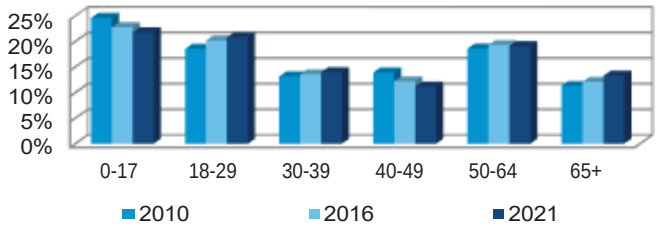
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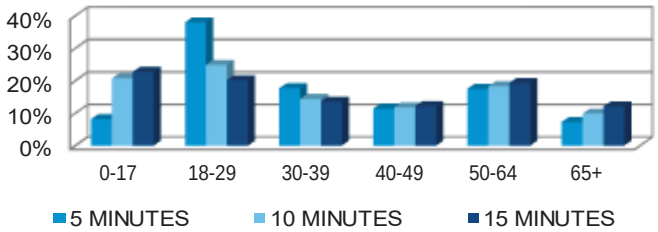
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POPULATION GROWTH BY AGE - 15 MINUTES

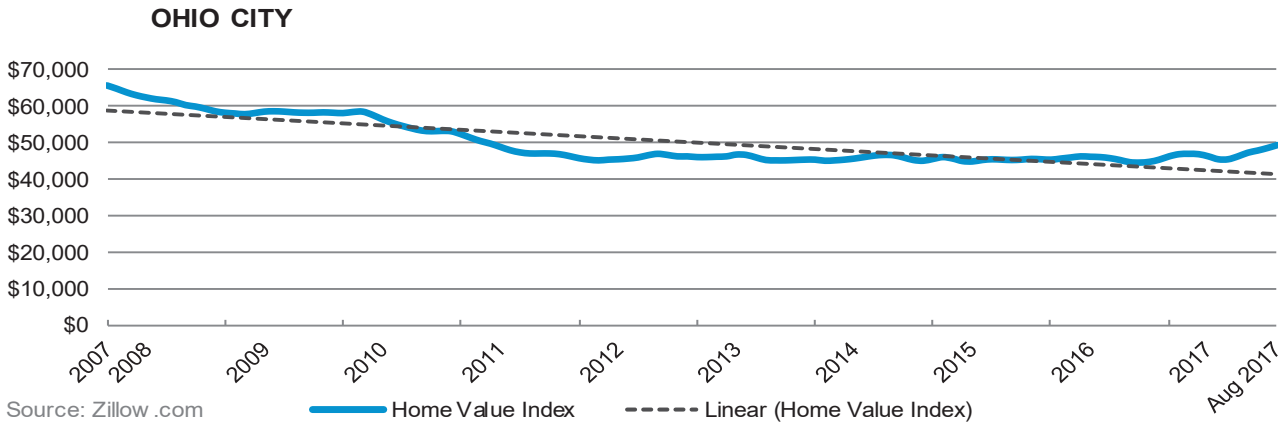


POPULATION BY AGE

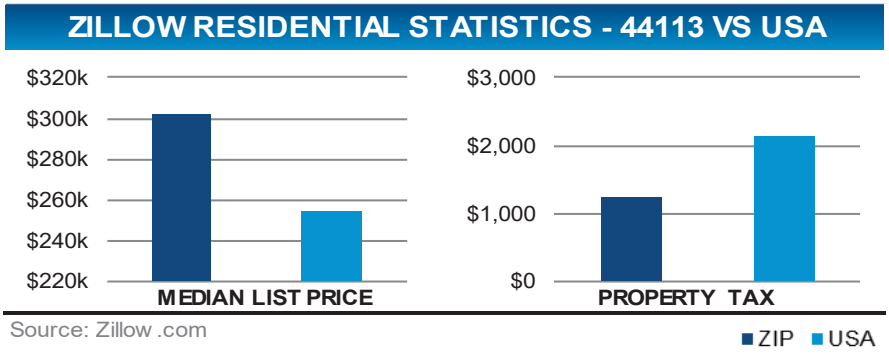


Residential Development

Residential users in the immediate area are primarily multi 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	9	1,923,533	1999
B	31	6,006,291	1955
C	19	1,862,852	1917
TOTAL	**59**	**9,792,676**	**1950**

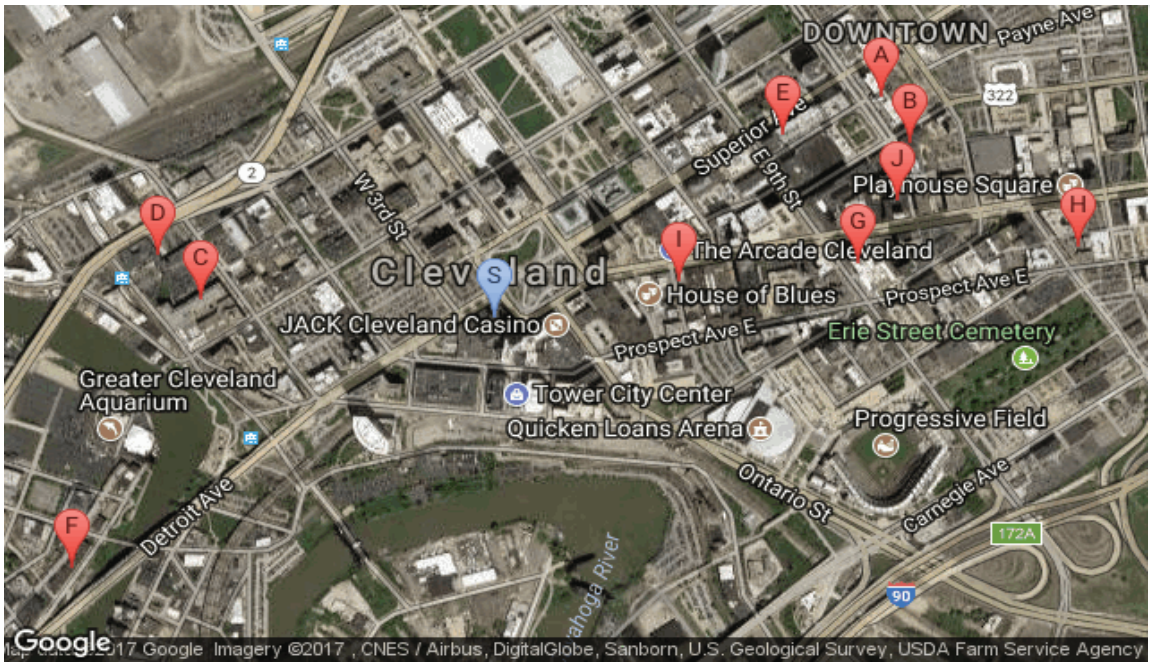
Source: CoStar

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

LARGEST MULTIFAMILY PROPERTIES

NAME	MAP PIN	CLASS	NRA (SF)	STORIES	YEAR BUILT
Reserve Square	A	B	1,267,139	23	1975
The Sphere	B	A	568,907	20	1968
The Bingham	C	B	536,070	10	1915
The Archer	D	B	371,789	11	1909
Residences at 1717	E	A	346,500	21	2015
Stonebridge Waterfront	F	B	341,992	7	2002
Iconic Living at The 9	G	B	323,706	29	2014
The Hanna Building Complex	H	B	319,688	8	2013
East 4th Street	I	B	314,703	9	1890
Statler Arms	J	C	310,043	13	1901

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
General Retail	101	2,705,542	1929	94.3	$15.49
TOTAL	**101**	**2,705,542**	**1929**	**94.3**	**$15.49**

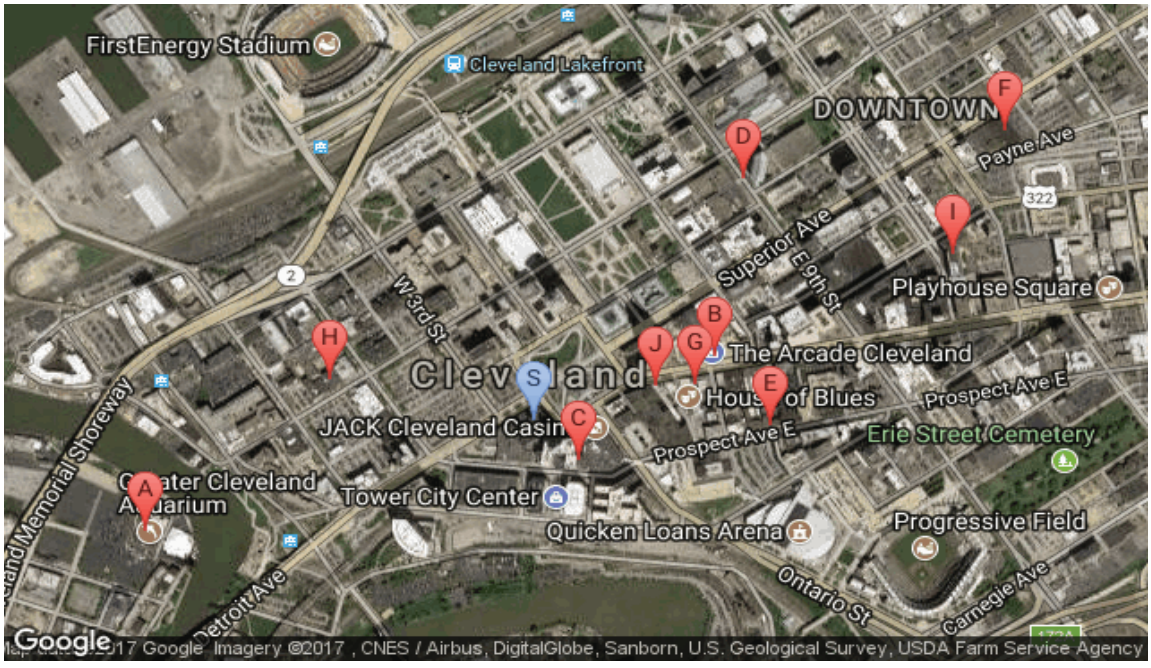
Source: CoStar

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 largest several retail properties in the immediate area from CoStar.

LARGEST SHOPPING CENTERS

NAME	MAP PIN	TYPE	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
First Energy Pow erhouse	A	General Retail	445,911	100.0	1890	N/Av
The Arcade	B	General Retail	383,589	97.1	1890	Withheld
Tow er City Center	C	General Retail	366,000	100.0	1990	N/Av
Cathedral Plaza	D	General Retail	187,500	100.0	1979	N/Av
Retail Building	E	General Retail	130,412	100.0	1887	N/Av
Ambassador Lanes	F	General Retail	96,095	100.0	1920	$20.50
Fw Woolw orth Co.	G	General Retail	88,000	100.0	1951	N/Av
Worthington Building	H	General Retail	54,773	61.6	1890	$16.09
The Sphere	I	General Retail	35,486	72.1	1968	$12.00
Retail Building	J	General Retail	34,204	100.0	1915	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	121	2,466,498	1933	98.3	$10.78
Flex	10	454,861	1933	85.9	$11.60
TOTAL	**131**	**2,921,359**	**1933**	**97.4**	**$10.84**

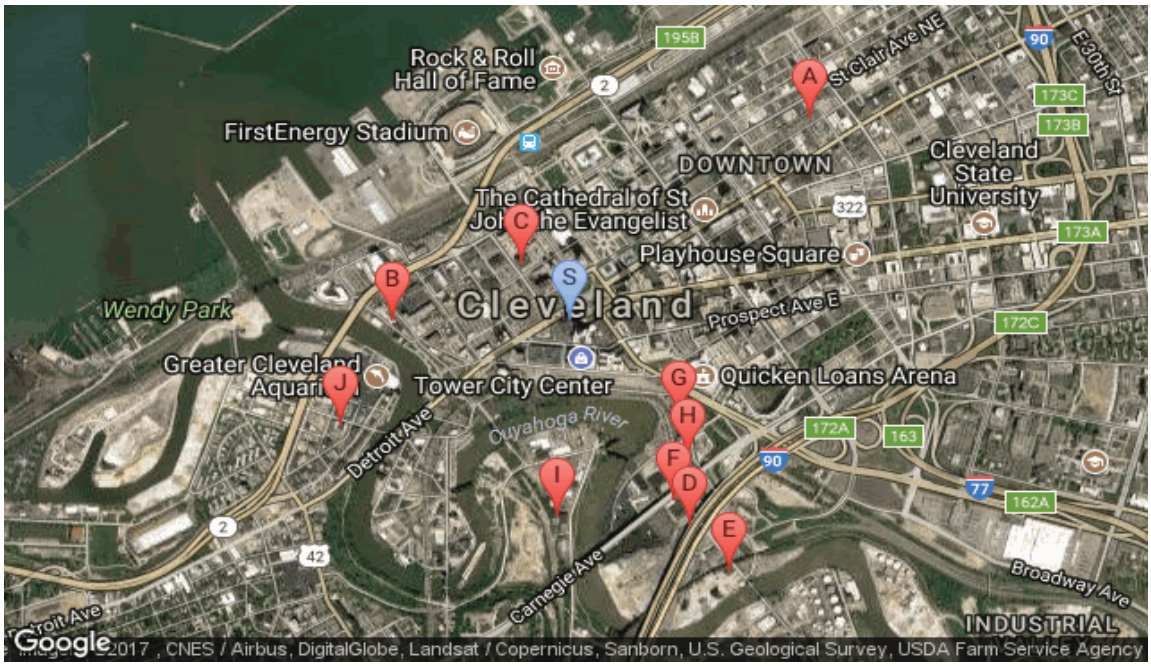
Source: CoStar

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

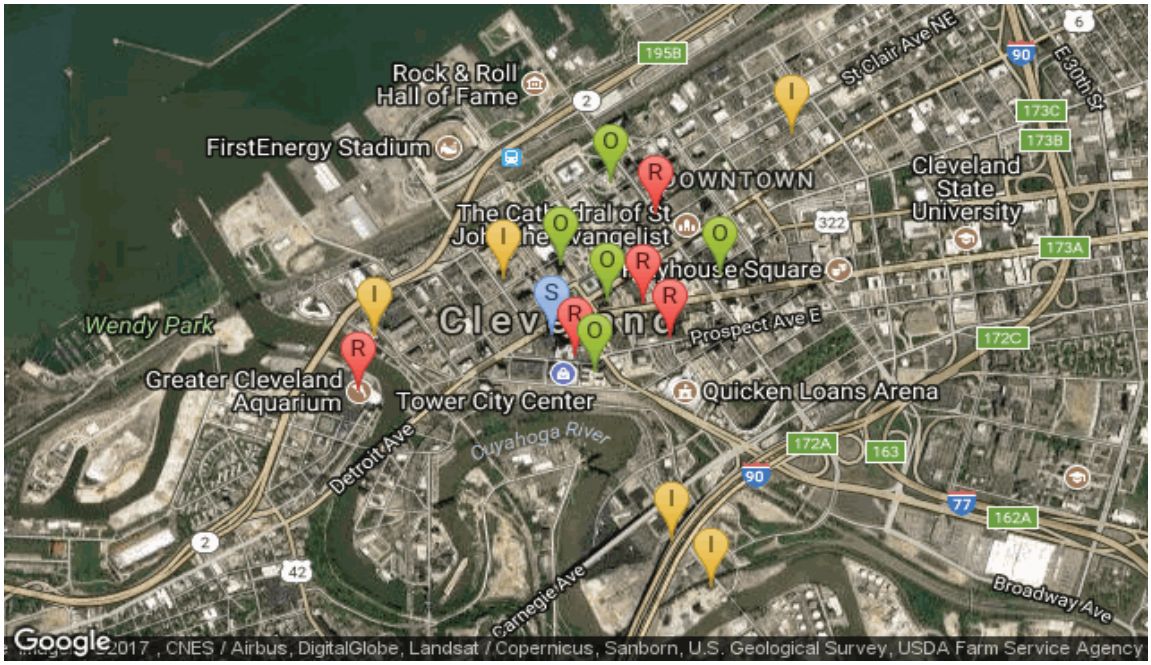
LARGEST INDUSTRIAL PROPERTIES

NAME	MAP PIN	TYPE	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
Cleveland Technology Center	A	Flex	333,215	100.0	1920	$3.00
Samsel Supply Co	B	Industrial	121,458	100.0	1900	N/Av
Port of Cleveland	C	Industrial	115,271	100.0	1995	N/Av
Chemstar Industries	D	Industrial	91,000	100.0	1909	N/Av
Cleveland Builders	E	Industrial	90,000	100.0	1957	N/Av
Industrial Building	F	Industrial	84,832	100.0	1980	Withheld
Industrial Building	G	Industrial	78,480	100.0	1900	N/Av
Industrial Building	H	Industrial	72,356	100.0	1912	N/Av
Industrial Building	I	Industrial	67,341	100.0	1880	N/Av
Tenk Machine & Tool	J	Office	60,000	100.0	1880	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.

Below is a list of the various sections covered in the following Office Market Analysis:

- Cleveland Office Market
- Cleveland CBD Office Submarket

CLEVELAND OFFICE MARKET

The following is an analysis of supply/demand trends in the Cleveland 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.

CLEVELAND HISTORICAL STATISTICS (LAST FIVE YEARS)

PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2012	150,689,340 SF	1,452,560 SF	1,045,264 SF	11.1%	$16.58/SF
2013	152,385,715 SF	1,696,375 SF	1,821,599 SF	11.0%	$16.48/SF
2014	152,972,909 SF	587,194 SF	594,553 SF	10.6%	$16.64/SF
2015	153,306,517 SF	333,608 SF	1,296,512 SF	10.2%	$16.65/SF
2016	154,280,177 SF	973,660 SF	2,070,678 SF	9.5%	$16.89/SF
CAGR	0.5%	-	-	-	0.4%

*Supply numbers based on information which is amended/updated on an on-going basis by Costar.
Source: Costar®

Over the past five years the Cleveland Office market was somewhat soft where there was slight imbalance in prevailing Office supply/demand conditions. Over this time period the market inventory increased by 3.3%. Further there was positive absorption (4.5% change), moderate decrease in the vacancy rate (-1.6% change) and minimal increase of the asking average rent (1.9% change).

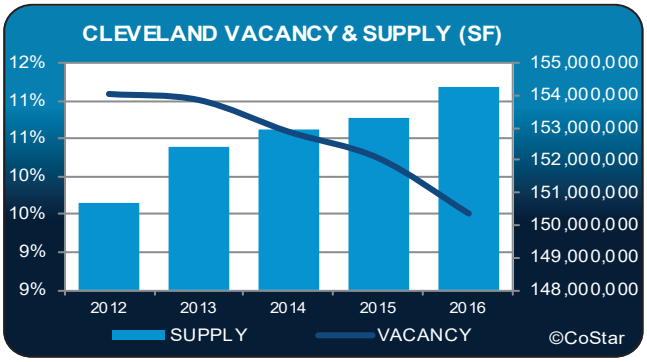
Analysis of the data indicates the Cleveland Office market has gone through two distinctive trends over the past five years.

FIVE YEAR HISTORICAL TREND ANALYSIS				
PERIOD	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2012-2016	5,043,397 SF	6,828,606 SF	11.1%→9.5%	$16.58→$16.89
5 Yrs	*3.3%*	*4.5%*	*-1.6%*	*1.9%*
2012-2016	5,043,397 SF	6,828,606 SF	11.1%→9.5%	$16.58→$16.89
5 Yrs	*3.3%*	*4.5%*	*-1.6%*	*1.9%*

-

The five year period from 2012 to 2016 was highlighted with increased supply, positive absorption, moderate decrease of vacancy rates and minimal increase of asking rent in the market. Market.SubTrend.2 Market.SubTrend.3

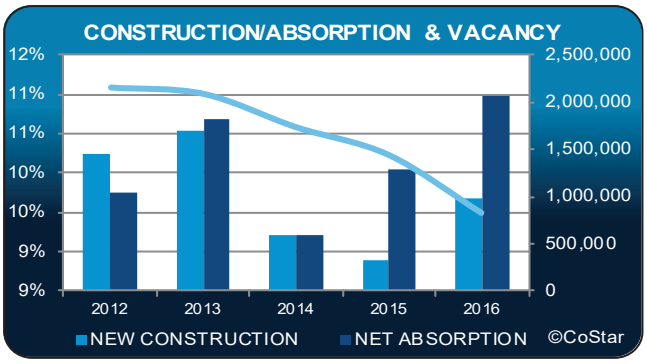
Over the past five years the market had a compound annual growth rate (CAGR) of 0.5% per year. Vacancy has ranged from 9.5% to 11.1% with an average of 10.5%. Vacancy decreased from 11.1% in 2012 to 9.5% in 2016, from in to in



Over the past five years asking rent has experienced a CAGR of 0.4%. Asking rent hit a low of $16.48/SF in 2013 and a high in 2016 at $16.89/SF.



In the past five years a total of 5,043,397 SF were added to the supply with 6,828,606 SF of net absorption achieved during the same period. Supply has outpaced demand over the past five years.



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

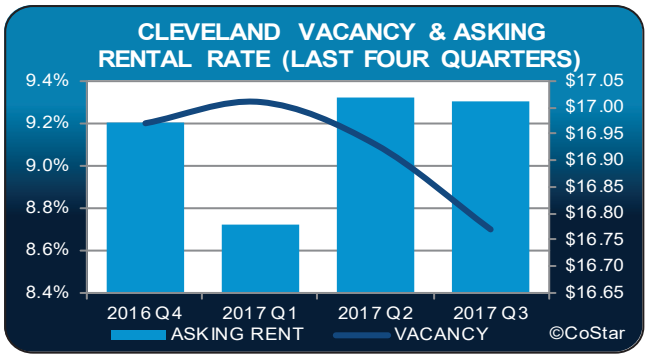
CLEVELAND TRAILING FOUR QUARTER PERFORMANCE

PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2016 Q4	154,280,177 SF	138,846 SF	382,709 SF	9.2%	$16.97/SF
2017 Q1	154,365,792 SF	85,615 SF	26,897 SF	9.3%	$16.78/SF
2017 Q2	154,440,040 SF	74,248 SF	319,982 SF	9.1%	$17.02/SF
2017 Q3	154,486,620 SF	46,580 SF	689,444 SF	8.7%	$17.01/SF

Source: Costar®

As of Q3 2017 the Cleveland market has a total Office inventory of 154,486,620 SF with 13,416,085 SF vacant indicating a current vacancy rate of 8.7%. There was 46,580 SF completed last quarter, whereas there was 345,289 SF added in the last year.

Over the past four quarters the Cleveland office market has experienced a moderate increase of supply. These key factors have resulted in positive net absorption, decrease of vacancy rates and nominal increase of asking rent in the marketplace.



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

CLEVELAND MARKET TREND ANALYSIS

	Q3 2017	2016	Last 5
Total SF	154,486,620	154,280,177	152,726,932
Vacant SF	13,416,085	14,656,617	16,002,728
Market Vacancy	8.7%	9.5%	10.5%
Construction Grow th Rate	0.0%	0.6%	0.5%
Absorption Rate	0.4%	1.3%	0.9%
Average Asking Rent/SF	$17.01	$16.89	$16.65

Source: Costar®

Vacancy

The Q3 2017 vacancy rate (8.7%) is slightly lower than last year (9.5%) and lower than the average vacancy over the past five years (10.5%). The historic vacancy trend indicates long-term demand for office space in the

Cleveland market. The most recent vacancy trends demonstrate market conditions in comparison to the historic trend and suggest moving forward.

Supply

The inventory grew by 0.0% during Q3 2017, whereas the growth rate was 0.6% last year. Over the past five years the Cleveland office market grew at a CAGR of 0.5%. The historic trend demonstrates a rate that was generally . The most recent trends show in comparison to the historic trend in reaction to the current economic conditions.

CLEVELAND OFFICE CONSTRUCTION ACTIVITY SUMMARY

STATUS	NO. OF PROJECTS	SIZE (SF)	% OF SUPPLY
Under Construction	1	47,000	0.0%

Source: Costar®

Absorption

During Q3 2017 net absorption was 0.4% and net absorption was 1.3% over the last year. The Cleveland office market has established an overall trend of absorption (0.9%) over the past five years. The historic absorption trend indicates long-term demand for office space in the Cleveland market. The most recent absorption trends demonstrate market conditions in comparison to the historic trend and suggest moving forward.

CLEVELAND CBD OFFICE SUBMARKET OVERVIEW

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

CLEVELAND CBD HISTORICAL STATISTICS (LAST FIVE YEARS)

PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2012	31,205,464 SF	0 SF	(365,564) SF	15.4%	$18.80/SF
2013	32,039,541 SF	834,077 SF	642,039 SF	16.4%	$18.77/SF
2014	32,259,973 SF	220,432 SF	(648,015) SF	16.5%	$18.93/SF
2015	32,259,973 SF	0 SF	266,045 SF	17.8%	$19.29/SF
2016	32,259,973 SF	0 SF	322,948 SF	16.9%	$19.39/SF
CAGR	0.7%	-	-	-	0.6%

*Supply numbers based on information w hich is amended/updated on an on-going basis by Costar.
Source: Costar®

Over the past five years the Cleveland CBD Office market was somewhat soft where there was slight imbalance in prevailing Office supply/demand conditions. Over this time period the market inventory increased by 3.4%. Further there was slight positive absorption (0.7% change), moderate increase in the vacancy rate (1.5% change) and increase of the asking average rent (3.1% change).

Analysis of the data indicates the Cleveland CBD Office market has gone through two distinctive trends over the past five years.

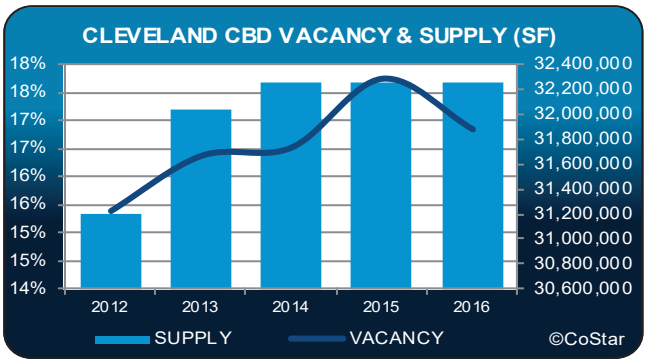
FIVE YEAR HISTORICAL TREND ANALYSIS

PERIOD	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT
2012-2016	1,054,509 SF	217,453 SF	15.4%→16.9%	$18.80→$19.39
5 Yrs	*3.4%*	*0.7%*	*1.5%*	*3.1%*
2012-2015	1,054,509 SF	(105,495) SF	15.4%→17.8%	$18.80→$19.29
4 Yrs	*3.4%*	*-0.3%*	*2.4%*	*2.6%*
2016-2016	0 SF	322,948 SF	16.9%→16.9%	$19.39→$19.39
1 Yrs	*0.0%*	*1.0%*	*0.0%*	*0.0%*

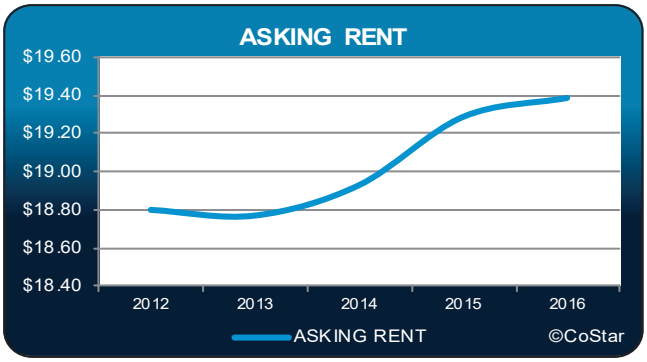
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The four year period from 2012 to 2015 was highlighted with increased supply, slight negative absorption, increase of vacancy rates and increase of asking rent in the market. The most recent one year period from 2016 to 2016 featured stable supply, significant positive absorption, stability of vacancy rates and stable of asking rent levels. S.Market.SubTrend.3

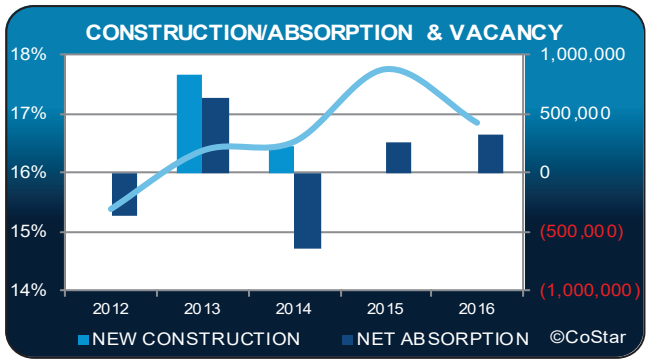
Over the past five years the market had a compound annual growth rate (CAGR) of 0.7% per year. Vacancy has ranged from 15.4% to 17.8% with an average of 16.6%. Vacancy increased from 15.4% in 2012 to 17.8% in 2015, decreased from 16.9% in 2016 to 16.9% in 2016



Over the past five years asking rent has experienced a CAGR of 0.6%. Asking rent hit a low of $18.77/SF in 2013 and a high in 2016 at $19.39/SF.



In the past five years a total of 1,054,509 SF were added to the supply with 217,453 SF of net absorption achieved during the same period. Supply has outpaced demand over the past five years.



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

CLEVELAND CBD TRAILING FOUR QUARTER PERFORMANCE

PERIOD	SUPPLY	NEW CONSTRUCTION	NET ABSORPTION	VACANCY	ASKING RENT
2016 Q4	32,259,973 SF	0 SF	133,055 SF	16.6%	$19.70/SF
2017 Q1	32,259,973 SF	0 SF	(32,148) SF	16.7%	$19.60/SF
2017 Q2	32,259,973 SF	0 SF	31,483 SF	16.6%	$19.43/SF
2017 Q3	32,259,973 SF	0 SF	426,292 SF	15.3%	$19.53/SF

Source: Costar®

As of Q3 2017 the Cleveland CBD market has a total Office inventory of 32,259,973 SF with 4,927,508 SF vacant indicating a current vacancy rate of 15.3%. There was no additional inventory delivered last quarter, nor were there any new deliveries in the last year.

Over the past four quarters the Cleveland CBD office market has experienced no growth of supply. There was also positive net absorption, decrease in vacancy rates and nominal decrease of asking rent in the marketplace.



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

CLEVELAND CBD MARKET TREND ANALYSIS

	Q3 2017	2016	Last 5
Total SF	32,259,973	32,259,973	32,004,985
Vacant SF	4,927,508	5,435,805	5,307,067
Market Vacancy	15.3%	16.9%	16.6%
Construction Grow th Rate	0.0%	0.0%	0.7%
Absorption Rate	1.3%	1.0%	0.1%
Average Asking Rent/SF	$19.53	$19.39	$19.04

Source: Costar®

Vacancy

The Q3 2017 vacancy rate (15.3%) is lower than last year (16.9%) and slightly lower than the average vacancy over the past five years (16.6%). The historic vacancy trend indicates long-term demand for office space in the Cleveland CBD market. The most recent vacancy trends demonstrate market conditions in comparison to the historic trend and suggest moving forward.

Supply

There was no new inventory added during Q3 2017, nor were there any new deliveries in the last year.

CLEVELAND CBD OFFICE CONSTRUCTION ACTIVITY SUMMARY

STATUS	NO. OF PROJECTS	SIZE (SF)	% OF SUPPLY
Under Construction	0	0	-

Source: Costar®

Absorption

During Q3 2017 net absorption was 1.3% and net absorption was 1.0% over the last year. The Cleveland CBD office market has established an overall trend of absorption (0.1%) over the past five years. The historic absorption trend indicates long-term demand for office space in the Cleveland CBD market. The most recent absorption trends demonstrate market conditions in comparison to the historic trend and suggest moving forward.

Nearby Office Development

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	19	10,888,171	1987	89.2	$21.96
B	87	18,082,665	1928	86.5	$16.56
C	95	3,445,758	1918	90.4	$14.26
TOTAL	**201**	**32,416,594**	**1929**	**88.6**	**$15.98**

Source: CoStar

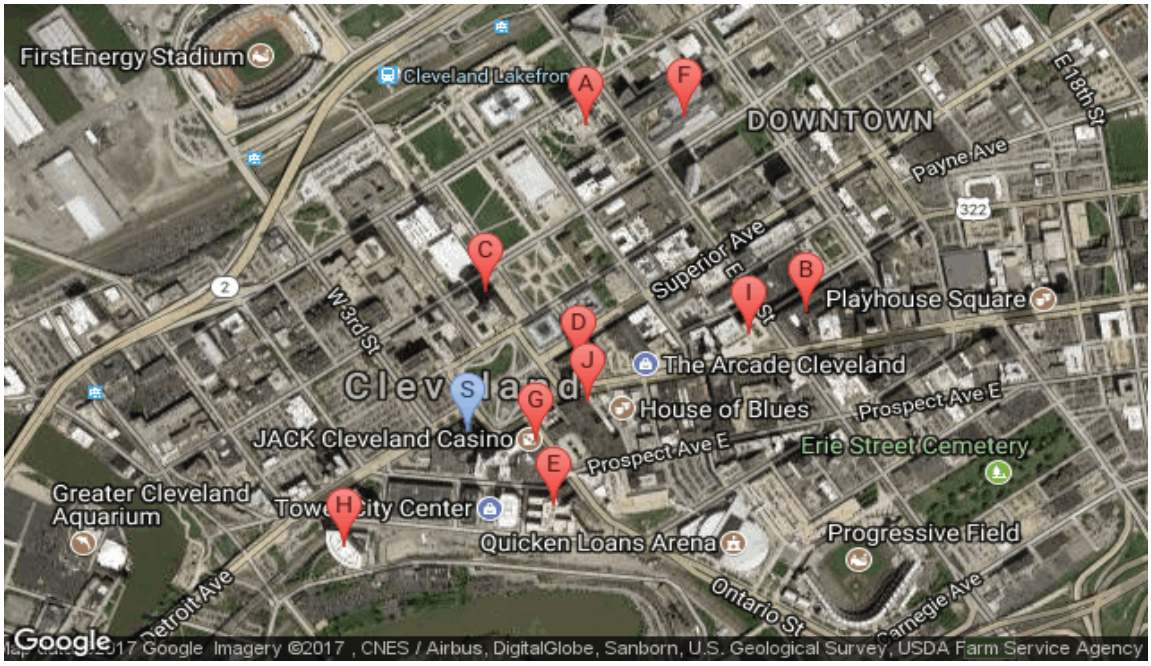
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The subject is located in an area that has a relatively moderate to high density of office structures. The following chart and map shows the subject property and the largest tracked office properties in the immediate area from CoStar.

LARGEST OFFICE BUILDINGS

NAME	MAP PIN	CLASS	NRA (SF)	% LEASED	YEAR BUILT	AVG RENT
Federal Bldg	A	B	1,462,628	100.0	1966	N/Av
Huntington Building	B	B	1,431,054	11.4	1924	Withheld
Key Center Tow er	C	A	1,425,000	93.5	1991	$31.86
200 Public Square	D	A	1,270,204	92.2	1985	$25.99
Landmark Office Tow ers	E	B	900,000	100.0	1930	N/Av
The Galleria At Erieview	F	A	830,250	64.1	1964	$20.00
Higbee Building	G	B	815,000	86.9	1931	$21.50
Carl B. Stokes U.S Courthouse	H	A	800,000	100.0	2002	N/Av
PNC Center	I	A	789,491	100.0	1980	$18.50
May Co. Office Building	J	B	741,505	90.7	1931	$24.74

Source: CoStar



Overall Office Market Summary and Commercial Hotel Demand Conclusion

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.

LOCAL LODGING DEMAND GENERATORS

Lodging demand in the area is largely comprised of commercial-oriented demand generators. Leisure demand is also a significant component of the local lodging industry.

Commercial/corporate travelers generally are not rate sensitive and represent a very desirable and lucrative market that provides a consistent level of demand at relatively high room rates. Commercial/corporate demand in the subject's market area is generated by a fairly diverse base of corporate tenants in the surrounding area. Some of the largest generators of commercial room night demand in the area reportedly include the following:

Commercial Demand Generators	
AT&T	IBM
American International Group (AIG)	IMG Sports Management
Case Western Reserve University	Kaiser Permanente
Charter One Bank	Key Bank
Chase Bank	Lesco Inc
Citizens Bank	Medical Mutual of Ohio
Cleveland Clinic	Merrill Lynch
Cliffs Natural Resources	Metro Health
Eaton Corporation	Ohio Savings Bank
Ernst & Young	PNC Bank
Federal Building	PNC Center
Federal Courthouse Tower	Penton Media
Federal Reserve Bank	Sherwin Williams
Fifth Third Bank	US Bank
Huntington Bank Building	University Hospitals

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 numerous recreational opportunities and tourist attractions available in and surrounding the area. These people may be traveling alone, or with families or tour groups. Leisure attractions in the area include the following:

Leisure Demand Generators	
Case Western Reserve University	House of Blues
Cedar Point Amusement Park	International Expo Center
City Center	Metropark Zoo & Rainforest
Cleveland Browns Football	Nautica Entertainment Complex
Cleveland Browns Stadium	Nautica Queen
Cleveland Cavaliers Basketball	PlayhouseSquare
Cleveland Indians Baseball	Pro Football Hall of Fame
Cleveland Lake Erie Monsters	Progressive Field
Cleveland Museum of Art	Quicken Loans Arena
Cleveland State University	Rock-N-Roll Hall of Fame
Galleria at Erieview	Tower City Center
Goodtime III Cruise Excursion	University Circle
Great Lakes Science Center	Warehouse District/ West 6th Street

LOCAL AREA OUTLOOK

Overall, the condition and appeal of the market area is generally good. There has been a significant amount of residential growth in the downtown market, as there has been a movement to renovate and convert older office buildings in the downtown area to multi-family residential. As a result, demand for parking has increased. Further growth is physically restricted by the lack of undeveloped sites, which has positive implications for the parking garage market. As demand continues to increase for these underdeveloped properties, property values are expected to appreciate in the subject's immediate market area

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General Description	The subject is located within the core of Central Business District (CBD) of Downtown Cleveland, and adjacent to the Public Square. The subject hotel is connected to the Tower City Center which has more than 100 stores and restaurants, a movie theater, Horseshoe Casino; and is also the hub for Cleveland's three rapid transit lines. On March 17, 1976, the tower was added to the National Register of Historic Places as the Union Terminal Group. A four-block area at the intersection of Superior Avenue and Ontario Street, the Public Square is within a walking distance of the Lake Erie waterfront, the Rock and Roll Hall of Fame and Museum, the Great Lakes Science Center and all of the city's major sports venues, including the Cleveland Browns Stadium, Progressive Field and Quicken Loans Arena. The subject's neighborhood primarily comprises of a variety of commercial, retail and leisure/entertainment uses. The subject site measures ±2.32, or ±101,059 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.
Seismic	The subject is in a low-risk seismic zone.
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.

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Parking Capacity	The subject has 304 parking spaces in the 127,000 square foot parking garage attached to the Hotel. The Hotel offers guests access to on-site self-parking or valet parking options. Managed by the Hotel, the parking operations have proven to be quite lucrative. Overnight self-parking is currently priced at $24, while valet parking is priced at $30 per night. 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	Garage
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.

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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.

Overview

The subject property, commonly known as Renaissance Cleveland Hotel, is a 15-story, 491-room, full-service lodging facility built in 1918. 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 restaurant, lounge, fitness facility, indoor swimming pool, business center, sundries shop, meeting space, vending and ice machines. The hotel also features concierge and valet services. The rooms are loaded off of interior corridors. The subject is located within the core of Central Business District (CBD) of Downtown Cleveland, and adjacent to the Public Square. The subject hotel is connected to the Tower City Center which has more than 100 stores and restaurants, a movie theater, Horseshoe Casino; and is also the hub for Cleveland's three rapid transit lines. On March 17, 1976, the tower was added to the National Register of Historic Places as the Union Terminal Group. A four-block area at the intersection of Superior Avenue and Ontario Street, the Public Square is within a walking distance of the Lake Erie waterfront, the Rock and Roll Hall of Fame and Museum, the Great Lakes Science Center and all of the city's major sports venues, including the Cleveland Browns Stadium, Progressive Field and Quicken Loans Arena. The subject's neighborhood primarily comprises of a variety of commercial, retail and leisure/entertainment uses.

Originally built in 1918 as the 1,000-room Hotel Cleveland, the iconic Cleveland Property has since been renovated and rebranded as the Renaissance Cleveland. Having been built prior to the construction of the adjacent Terminal Tower, the Renaissance Cleveland became an integral part of the Tower City Center as the original owners and developers of the Hotel, the Van Sweringer brothers, reinforced the structure and dug a tunnel underneath the Hotel in the 1920s, which would later become the United States' first rapid transit system that directly connects the downtown area to the airport. Since the Hotel's opening in 1918, the Renaissance Cleveland has been a timeless piece of real estate in downtown Cleveland and has been visited by many of America's famous icons over the years such as Eliot Ness, Charles Lindbergh, President Harry Truman and First Lady Eleanor Roosevelt. The Hotel has benefited from strong ownership as approximately $23.7 million has been invested into the Property over the past eight and a half years. Recent upgrades include a $7.1 million renovation that encompassed renovations to the guestrooms, guest corridors, suites and club lounge, in addition to approximately $4.6 million spent to improve the physical structure, façade and mechanical systems since 2010. Located in downtown Cleveland's Tower City District, the Renaissance Cleveland offers direct indoor access to retail shopping, a movie theater, the Regional Transit Authority's(RTA's)

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light rail system, the Jack Casino and indoor walkway access which connects to Quicken Loans Arena, home of the NBA Cleveland Cavaliers.

It is our understanding that the subject property includes ±37,000 sf of vacant space that is anticipated to be utilized for office or retail income. The owners indicated future plans call for a leasing plan for this space, but there currently are no active lease agreements in place with the exception of the above. In the event a plan is established, additional income is anticipated to be derived from the asset.

Size 873,000 square feet of gross building area

Age/Life Analysis

Actual Age	99 years
Effective Age	35 years
Economic Life	100 years
Remaining Life	65 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
Queen/queen	160
King	184
Queen	97
Hospitality suite	5
Executive suite	17
Deluxe suite	22
Whirlpool suite	5
Presidential suite	1
Total	**491**

The Renaissance Cleveland features a total of 491 guestrooms and suites across the 15-story iconic building. Occupying ten percent of the total room inventory, the Renaissance Cleveland offers 50 suites, including five suites with whirlpools and one Presidential Suite. The guestrooms were last renovated in May 2012; the $7.1 million renovation included upgrades to the carpet, wall vinyl, bedding package, and all case goods with the exception of the desk, while also addressing the guest corridors and club lounge. Guestroom drapes, mattresses and bedspreads, carpeting and case goods are in good overall condition and comparable in terms of marketability relative to the competition. The spacious and inviting two-level Club Lounge is situated on the thirteen and fourteenth floors offering spectacular views of Public Square. With two floors of club level guestrooms, the Hotel caters to the robust network of Marriott Rewards customers. The Club Lounge, which offers breakfast and evening snacks Monday through Thursday, is offered

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complimentary for Gold and Platinum Marriott Rewards members or for an additional charge for non-elite guests.

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**
Sans Souci	110
Lobby Court Bar	93

Located off of the lobby, San Souci is a critically acclaimed restaurant serving Mediterranean-style cuisine for breakfast, lunch and dinner. Surrounded by accents and murals of the Provençial countryside, San Souci offers an acclaimed dining experience while overlooking Public Square. Inspired by a wine cellar, the restaurant offers one private dining room, perfect for intimate and personalized meal functions.

The Lobby Court Bar is open daily for hand-crafted cocktails using locally produced Cleveland Whiskey. The Lobby Court Bar is a full-service bar offering eclectic cocktails and a lighter fare dining menu.

At the time of our inspection, this space was in good overall condition, and generally comparable 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 64,734 square feet of meeting space.

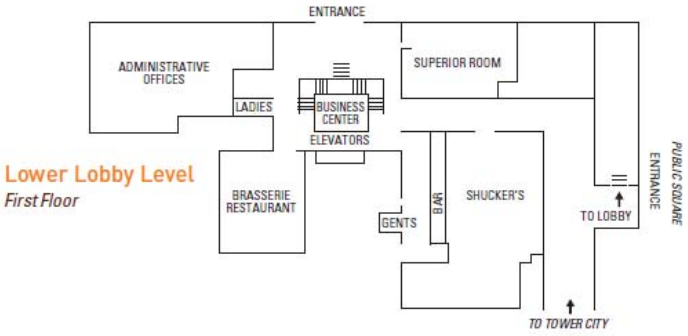
The Renaissance Cleveland boasts approximately 65,000 square feet of flexible meeting space across 34 rooms, located on the first, second, third and fourth floors of the Hotel. The Property's meeting facilities are equipped with the latest technology and allow for an array of AV requirements for groups' specific needs. The Renaissance Cleveland's abundance in meeting space positions the Property to be the premier large group Hotel in the CBD. Furthermore, the Hotel's strategic location just three blocks away the Cleveland Medical Mart and Convention Center will continue to enhance the Hotel's positioning in capturing group business and securing large room blocks from the Convention Center

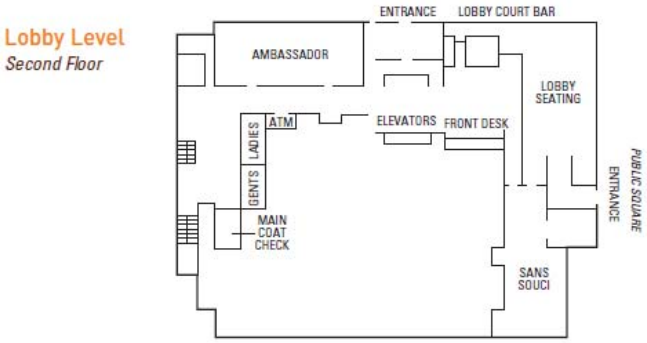
At the time of our inspection, the subject's meeting and banquet space was in good condition and generally comparable relative to the competition. The following graphic summarizes this space:

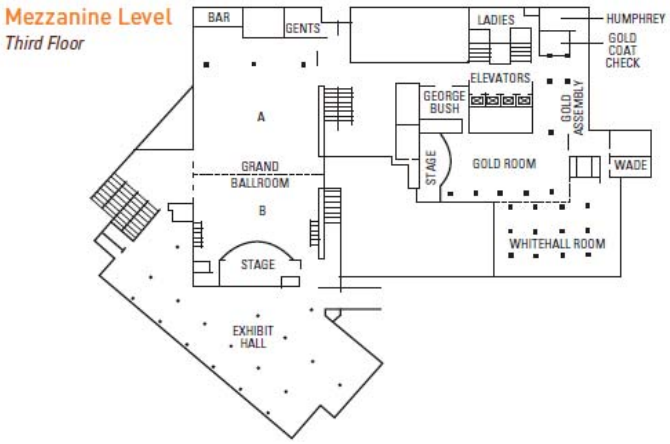
MEETING SPACE

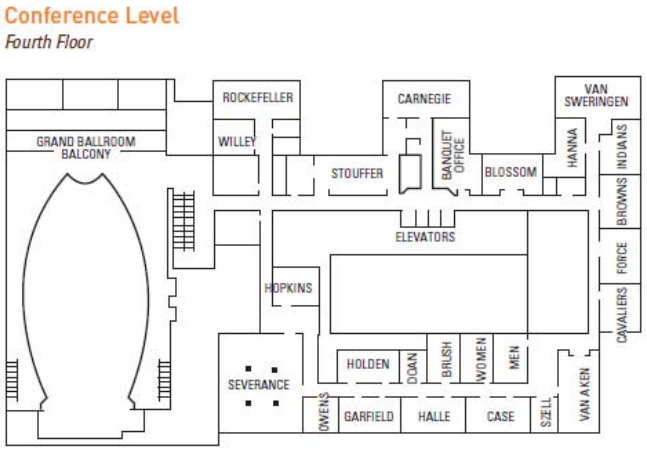
Room Name	Total SF
Ambassador Ballroom	3,293
Exhibit Hall	11,000
Gold	5,600
Whitehall Room	4,152
Grand Ballroom A & B	14,490
Grand Ballroom A - 9,090 sf	-
Grand Ballroom B - 5,400 sf	-
Grand Ballroom Balcony	8,100
Bush	1,050
Wade	494
Humphrey	666
Blossom	576
Brush	425
Carnegie Boardroom	828
Case, Garfield, or Hale	1,674
Doan	208
Holden	510
Hopkins	418
Owens	306
Rockefeller Boardroom	828
Severance	2,236
Stouffer Boardroom	846
Szell	252
Van Aken	760
Willey	320
Hanna	294
Van Sweringen	551
Indians	420
Browns	402
Force	390
Cavaliers	345
Superior Room	1,300
Shuckers	2,000
	64,734

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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. We note the above floor plan has several dated restaurant spaces which are not currently in operation.

Other

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

High-speed internet access	Sw imming pool
Fitness room	Vending and ice machines
Concierge service	Business center
Valet parking	Sundries shop

Capital Expenditures

The subject property's facilities have been adequately maintained in recent years and the property's overall condition is considered to be good. We note that the hotel has received upgrades within the past several years to various areas of the property namely the guest units, corridors, lobby and exterior.

Previous ownership has invested approximately $20.9 million since 2005. Despite these upgrades to modernize the Property, the Hotel has maintained its classical charm and grandeur; in particular, the grand staircase at the Superior Avenue entrance, which features ornate sculpted gray marble, looks much as it did in 1918. Upgrades included $7.1 million to the guestrooms, guestroom bathrooms, corridors and Club Lounge. Since 2005, ±$5.7 million has been allocated on upgrading the façade/exterior of the building, ± $1.9 million has been spent on renovations to the parking garage, ± $1.6 million was allocated towards mechanical systems at the Hotel, ± $1.3 million has been spent on upgrading the

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meeting spaces and ± $1.1 million was apportioned towards modernizing the elevators

The following table summarizes capital items that have recently been spent at the subject:

CAPITAL EXPENDITURES
Historical Capital Items

Item	Approx. Cost
2005 (Garage upgrades, façade, ballroom and other upgrades)	$3,172,646
2006 (Loading dock and other upgrades)	$397,267
2007 (Fire alarm system and other upgrades)	$1,055,531
2008 (Elevator modernization, façade, firm alarm, other upgrades)	$1,486,847
2009 (Façade, doors, elevator modernization, other upgrades)	$1,307,367
2010 (Façade, lobby/bar/promenade renovation, ballroom renovation, Brasserie renovation, porte cochere renovation, cooling tow er/escalator/chiller upgrades)	$3,196,367
2011 (Façade, LCD TVs, armoires, elevators, other upgrades)	$2,363,781
2012 (Guestrooms/corridors, bathroom upgrades, w ireless system, plumbing repairs, HVAC repairs, elevator, emergency generator, other upgrades)	$7,980,454
Total	**$20,960,260**
Per Room	$42,689

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 of disbursements, in excess of reserves) for the upgrades are estimated at $23,133,000, or $47,114 per room.

The subject property is slated to undergo renovations within the first year as part of a property improvement plan ("PIP"). The current owner indicated that they are still negotiating the PIP's cost budget with Marriott and the PIP's cost budget may change. We assume these upgrades are completed within the first 24 months of the projection period, they are completed in a very good workman like manner, and they are sufficient for the property to maintain its current brand affiliation throughout the holding period. The change is the total PIP's cost budget may have a significant impact on our projections and opined values.

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:

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CAPITAL EXPENDITURES Near-Term Commitments	
Item	**Approx. Cost**
Porte Cochere	$102,000
Public Area/Food & Beverage	$203,000
Function Areas	$3,984,000
Guest Room (491 keys)	$3,238,000
Pool & Fitness	$116,000
Exterior Envelope	$524,000
Parking Garage	$143,000
Kitchen/Laundry	$104,000
Adminstartion & Employe Areas	$215,000
Elevators & Escalators	$844,000
Mechanical & Plumbins Systems	$3,871,000
Fire & Life Safety	$2,055,000
Accessibility	$349,000
FF&E	$4,028,000
Soft Costs	$1,681,000
Contingency	$1,676,000
Total	**$23,133,000**
Per Room	$47,114

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

The following table summarizes the timing of the above capital commitments. The ultimate timing of the disbursements governs the amount of total capital that will be deducted from our value conclusions within this report.

CAPITAL EXPENDITURES Timing of Capital Disbursement	
Item	**Disbursement**
Year 0 (Immediate)	$23,133,000
Total	**$23,133,000**
Per Room	$47,114

A discussion of the capital deduction calculation (net present value over and above reserves) is provided later in this report.

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% 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.

Vertical Transportation Ten total elevators – six guest passenger and four service traction elevators. 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 Cast-in-place concrete foundation walls that include reinforced, concrete, column pads

Exterior Walls Architectural stone/brick and stone veneer

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Roof	Flat roofs fi nished with single-ply, elastomeric roofi ng membrane, insulated with rigid insulation boards
Insulation	Reported to be adequate
HVAC	Circulating pumps provide hot and chilled water to each temperaturecontrolled space by a two-pipe distribution system.
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, wood and metal
Floor Covering	Varies, generally carpet and tile
Fire Protection	100% 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.

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INTRODUCTION

Real estate taxes are the primary revenue sources of municipalities. Based on the concept that the tax burden should be distributed in proportion to the value of all the properties within a taxing jurisdiction, a system of assessments is established by the local tax assessor. Theoretically, the assessed value placed on each parcel bears a definite relationship to market value so that properties of equal market values will have similar assessments, and properties of higher and lower values will have proportionately larger and smaller assessments.

The subject property is located in the taxing jurisdiction of Cuyahoga County. According to the local assessor's office, taxes are current. Current year taxes are based on annual assessments that are established as of July 1. The assessed value ratio is reported to be 35.0 percent of market value. The Ohio revised code and Ohio administrative code mandate the appraisal department to conduct a reappraisal every six years, an update every three years and annual valuation of improvements based upon building permits received from each city annually. Total taxes for the property are $328,018 or $1,120 per room. Real property taxes are paid in arrears in Cuyahoga County and the tax year is defined as January 1 to December 31. Taxes are paid twice a year on January 20th and June 20th. It should be noted that the subject property received a reduction in its assessment for the 2012 tax year.

We note that government appraised values for lodging facilities across the United States are typically quite different from actual estimated market value. This disparity is due to the mass-appraisal techniques used by a jurisdiction to appraise a vast array of property within a very short period of time. Due to the high number of hotel properties in any given county, the appraiser can typically not dedicate any significant amount of time to any individual asset. For this reason, the government-appraised value should usually not be relied upon as an indication of actual market value.

The assessed value and property tax for the current year are summarized in the following table..

Property Assessment Information	
Assessor's Parcel Number(s):	101-23-007, 101-23-011B, 101-23-009, 101-23-010, 101-23-06B & 10-23-008
Street Address:	24 Public Square
Assessing Authority:	County of Cuyahoga
Current Tax Year:	2016
Are taxes current?	Taxes are current
Is there a grievance underway?	Not to our knowledge

Assessment Information	
Assessed Value	**Totals**
Land Value:	$2,796,690
Building Value:	$4,024,230
Total Real Property Assessment:	$6,820,920
Personal Property:	$0
Total Effective Taxable Assessment:	$6,820,920

Tax Liability	
Total Effective Tax Rate	10.16131%
Total Property Taxes	**$693,095**
Number of Units:	491
Property Taxes per Unit	$1,412
Building Area (SF)	$873,000
Property Taxes per Square Foot	$0.79

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ASSESSMENT & TAXATION DESCRIPTION

As part of the scope of work, we researched assessment and tax information related to the subject property. The following are key factors related to local assessment and taxation policy. Real property in Cuyahoga County is assessed at 100% of market value. The equalization rate for properties located within this municipality is 35% of market value, per State of Ohio law. Real property is reassessed every 6 years, with an update at the 3 year midpoint. The next scheduled reassessment date is 2018, as an update took place in 2015 for 2016 taxes. Properties in Cuyahoga County are not automatically reassessed upon sale, conversion, renovation or demolition, due to the reassessment schedule. According to the staff representative at the Cuyahoga County Auditor's Office, real estate taxes for the subject property are current as of the date of this report.

In the State of Ohio, each County government is responsible for real estate assessments and taxation. Real estate is assessed on a six year revaluation schedule with a tri-annual reassessment. Therefore, the subject's courthouse valuation may change every three years. The sale of an individual parcel does not trigger a new assessment as is present is some states. However, in many jurisdictions, local school districts are active in tracking the real estate market; and filing assessment complaints with the County. These petitioned assessments can result in 'new' courthouse valuations; often times 70% to 100% of the individual sales price.

These actions by the individual school boards have not been consistent over the course of time within Ohio and vary in their veracity across the state. Once an assessment complaint is filed by the school board; a board of revision case can be tied up in litigation/negotiation for 1 to 3 years; depending on the backlog in the local jurisdiction. Because of the process involved; many market participants view and account for potential increase in real estate taxes differently. One approach is to estimate real estate taxes assuming the courthouse value would be equal to an independent appraised value or transaction price. Other participants may assume a certain percentage increase; while some assume no increase.

An additional consideration in downtown Cleveland is the recent actions of Cuyahoga County. Cuyahoga County currently offers tax abatements to developers in certain Community Reinvestment Areas (CRA), of which downtown Cleveland is one. The abatement consists of a temporary elimination of increased property taxes that are offered to developers to build or rehabilitate properties in the City of Cleveland. Based on the typical rate schedule, the abatement for development (rehabilitation) is 100% of the improvement for a period of 15 years.

It is our understanding that taxes are current. However, we recommend performing a title and tax lien search to properly ascertain the situation of delinquent taxes, if any. If taxes are in fact delinquent, the marketability of the subject could be negatively impacted.

TAX COMPARABLES

In order to determine if the assessment and taxes on the subject property are reasonable, we considered historical information, as well as information from similar properties in the market. They are illustrated in the table below.

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Real Estate Tax Comparables			
Property	**Total Assm't**	**Rooms**	**Assm't per Room**
Radisson Hotel Cleveland Gateway	$3,175,420	142	$22,362
Doubletree Cleveland Downtown Lakeside	$7,000,010	379	$18,470
Westin Cleveland Downtown	$17,121,270	484	$35,375
Subject Property	$6,820,920	491	$13,892
The subject's assessment and taxes are:			Below market levels

TAX PROJECTION

As mentioned, the subject's overall tax expense during the most recent full tax year equated to $693,095. It has been determined that historical taxes are below market levels.

In order to ascertain the total tax burden on a going-forward basis, we have considered a variety of factors including the current condition of the property, the amount of capital that is expected to be committed to the physical plant and the FF&E in the short term, the assessment levels at comparable properties in the area and, most prominently, the expected operational performance of the property through the date of stabilization.

We observe that there is a fairly strong correlation between the trends of a hotel's certain operational metrics and those of its actual tax costs. This is because the value of the tangible components of a hotel are more elastic relative to other property types due to the seasonality and cyclical nature of its revenue sources, notwithstanding there is a higher propensity for intangible value to exist in a hotel which, in the subject's jurisdiction, is not taxed.

The most relevant line item of comparison, therefore, is house profit. It is at this level of the business activity of a hotel where all (or at least a substantial amount) of a property's intangible value has already been accounted for and stripped from the ownership position. (We call your attention to the reconciliation section of this document which describes the rationale behind the absence of any business value associated with this appraisal.) Any swings in operating activities by way of, for example, a renovation would have a commensurate impact on the property's market value. Therefore, there is an intuitive relationship between a hotel's taxable value and its operating characteristics.

Since the house profit line item calculation is dependent on a number of individual revenue and expense components—each of which possess the certain fixed and variable characteristics that will be discussed later in this report—it is logical to conclude that a portion of any of its dependent variables (tax expense in this case) will be variable. However, given the level of expenses that have already been deducted prior to the calculation of house profit, the majority of the tax expense as it relates to house profit will be fixed.

CONCLUSION

When properties transfer, assessments are often redone to reflect an assessment equal to 35% of the transfer price, particularly due to school board pressure. However, in our experience, buyers have successfully argued for an assessment that is some point below 35% of the transfer price through the allocation of a portion of the price to personal property.

The following table summarizes our tax projection as measured against house profit over the first five projection years. Please note that, since we have modeled there to be some degree of fixed behavior in the tax burden projection, the nominal percentage change in the tax projection (or, the growth rate’s disparity from the inflation rate of 3.0%) is tempered relative to the house profit line item.

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Tax Projection - First Five Years

Period	House Profit	Pct. Change	Tax Projection*	Pct. Change
Base Year - 2016**	$5,776,593	-	$693,095	-
Year 1 - 2017/18	$6,952,325	20.4%	$784,000	13.1%
Year 2 - 2018/19	$8,605,772	23.8%	$1,362,000	73.7%
Year 3 - 2019/20	$9,377,697	9.0%	$1,410,371	3.6%
Year 4 - 2020/21	$9,659,094	3.0%	$1,452,683	3.0%
Year 5 - 2021/22	$9,948,615	3.0%	$1,496,260	3.0%

**We have modeled the fixed/variable components of the tax expense line item to be 80% and 20% respectively.*

***Base Year House Profit has not yet been adjusted to account for market-oriented income and expenses.*

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INTRODUCTION

Zoning requirements typically establish permitted and prohibited uses, building height, lot coverage, setbacks, parking and other factors that control the size and location of improvements on a site.

The property is zoned **GRB - General Retail Business** by the City of Cleveland.

"General Retail Business" is defined an enterprise for profit for the convenience and service of, and dealing directly with, and accessible to, the ultimate consumer; neither injurious to adjacent premises or to the occupants thereof by reason of the emission of cinders, dust, fumes, noise, odors, refuse matter, smoke, vapor or vibrations; nor dangerous to life or property. It includes buildings or spaces necessary to a permitted use for making or storing articles to be sold at retail on the premises. Except as provided in division (b) of this section, it does not include any establishment which supplies a retail outlet other than that on the premises, or any building or use specifically mentioned as permitted only in a Semi-Industry or Industry District."

The zoning characteristics for the subject property are summarized below:

ZONING SUMMARY	
Zoning Municipality	City of Cleveland
Zoning Name	GR-E5 (General Retail Business District)
Permitted Uses	Permitted uses within this district include hotel, office, retail, light industrial and various commercial uses
Current Use	Hotel
Legally Permitted	Yes
Zoning Change	Not likely
Proposed Use	Hotel
Legally Permitted and/or Conforming Use	Yes

NOTES REGARDING CONFORMANCE

An existing or proposed use that conforms to zoning regulations implies that there is no legal risk and that the existing improvements could be replaced "as-of-right."

Pre-Existing, Non-Conforming Uses - In many areas, existing buildings pre-date the current zoning regulations. When this is the case, it is possible for an existing building that represents a non-conforming use to still be considered a legal use of the property. Whether or not the rights of continued use of the building exist depends on local laws. Local laws will also determine if the existing building may be replicated in the event of loss or damage.

Non-Conforming Uses - A proposed non-conforming use to an existing building might remain legal via variance or special use permit. When appraising a property that has such a non-conforming use, it is important to understand the local laws governing this use.

Other Restrictions - We know of no deed restrictions, private or public, that further limit the subject property's use. The research required to determine whether or not such restrictions exist is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by those qualified such as an attorney or title company can uncover such restrictive covenants. We recommend a title examination to determine if any such restrictions exist.

ZONING CONCLUSIONS

Detailed zoning studies are typically performed by a zoning or land use expert, including attorneys, land use planners, or architects. The depth of our analysis correlates directly with the scope of this assignment, and it considers all pertinent issues that have been discovered through our due diligence. Please note that this

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appraisal is not intended to be a detailed determination of compliance, as that determination is beyond the scope of this real estate appraisal assignment.

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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 STR, Inc.

NATIONAL LODGING HIGHLIGHTS

Following initially lower expectations, the U.S. lodging industry's performance was encouraging in the fourth quarter of 2016. Stronger demand, driven primarily by a surge in postelection consumer and business sentiment, contributed to a better-than expected RevPAR increase for the industry of 3.2% in 2016.

Independent hotels led the growth in RevPAR in 2016 with an annual increase of 4.6%. The economy chain scale segment was second with an annual increase of 3.1%, followed by the midscale chain-scale segment at 2.5% and the upper-midscale chain scale segment at 2.3%. At 1.3%, the luxury chain-scale segment posted the lowest RevPAR gain in 2016.

Looking ahead, earlier concerns related to economic and political uncertainty appear to have moderated since the end of the election cycle. Instead, the prospects of lower taxes, reduced regulations, and updated trade policies are forecast to contribute to improving U.S. economic conditions, surging capital markets, and increasing business and consumer confidence, which has already reached prerecession levels. These trends are expected to support growth in corporate transient demand, which was uneven in 2016.

Nevertheless, demand-side concerns continue to linger, including the strength of the U.S. dollar and its impact on inbound, international travel. In addition, an increase in long-term interest rates is anticipated to constrain domestic economic activity in the short- and medium-term, according to *IHS Markit*.

SUPPLY

Supply growth for the U.S. lodging industry is expected to accelerate to 1.9% in 2017 (up from 1.6% in 2016), approaching the long-term average of 2.0%, for the first time since 2009 when supply increased at a faster pace than the long-term average. For 2017, the upscale chain-scale segment is forecast to see the greatest increase in supply, growing at 5.5% (comparable to its growth in 2016). On the other hand, the economy segment is expected to see a 0.2% decrease in supply in 2017.

DEMAND

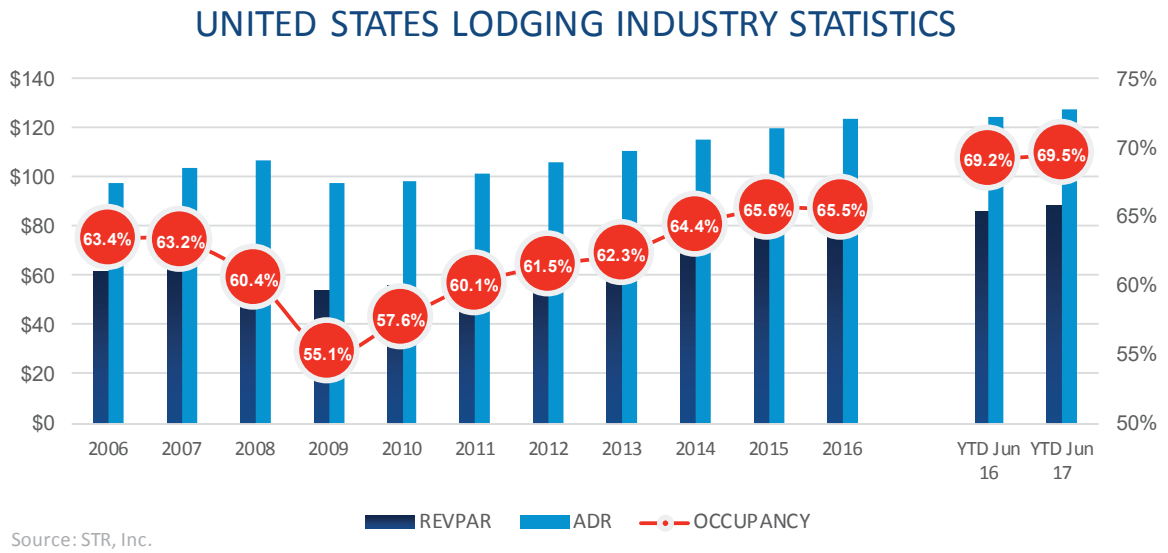
For 2017, PwC's lodging outlook anticipates moderating demand growth for the industry, as well as six of its seven chain-scale segments. As a whole, the industry's demand growth is forecast at 1.6% for 2017, just below 2016's level of 1.7%. In contrast, demand grew 2.7% in 2015 and 4.1% in 2014.

For the chain-scale segments, upscale lodging is forecast to lead demand growth in 2017 with an increase of 4.7%. Even though this is below its level in 2016 (+5.0%), it remains above the industry average of 1.6%. For 2017, the second highest demand growth forecast is for the upper-midscale segment at 3.9% – above its 2016 level of 1.9%.

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UNITED STATES LODGING INDUSTRY STATISTICS						
YEAR	OCCUPANCY	%CHG	ADR	%CHG	REVPAR	%CHG
2006	63.4%	0.5%	$97.31	7.0%	$61.69	7.5%
2007	63.2%	(0.3%)	$103.55	6.4%	$65.46	6.1%
2008	60.4%	(4.4%)	$106.48	2.8%	$64.34	(1.7%)
2009	55.1%	(8.8%)	$97.47	(8.5%)	$53.71	(16.5%)
2010	57.6%	4.5%	$97.95	0.5%	$56.40	5.0%
2011	60.1%	4.4%	$101.57	3.7%	$61.04	8.2%
2012	61.5%	2.3%	$106.05	4.4%	$65.17	6.8%
2013	62.3%	1.3%	$110.31	4.0%	$68.70	5.4%
2014	64.4%	3.4%	$115.39	4.6%	$74.32	8.2%
2015	65.6%	1.8%	$119.97	4.0%	$78.65	5.8%
2016	65.5%	(0.1%)	$123.90	3.3%	$81.17	3.2%
YTD Jun 16	69.2%	-	$124.69	-	$86.23	-
YTD Jun 17	69.5%	0.5%	$127.43	2.2%	$88.56	2.7%

Source: STR, Inc.

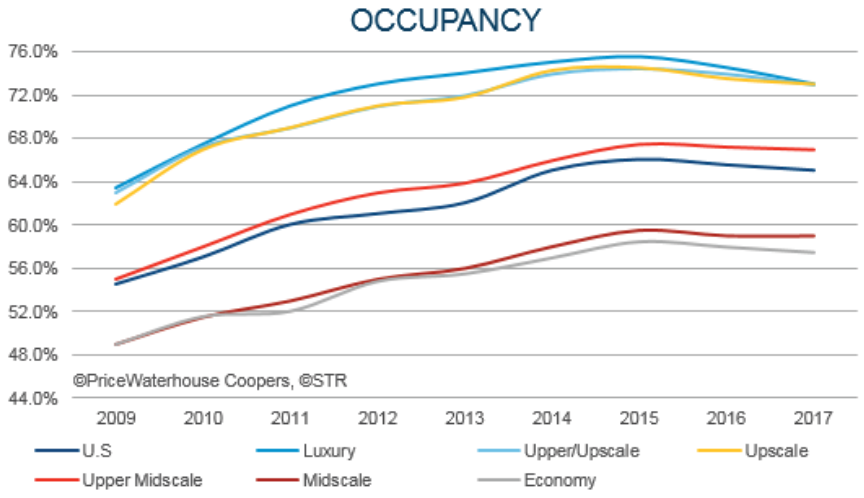


Source: STR, Inc.

OCCUPANCY

For 2017, acceleration of supply growth, paired with a continued deceleration in the rate of demand growth, is expected to result in a decline in the industry's occupancy for the first time in eight years. Specifically, PwC forecasts the industry's occupancy level to decrease to 65.3% in 2017, although this estimate was generated prior to YTD June results.

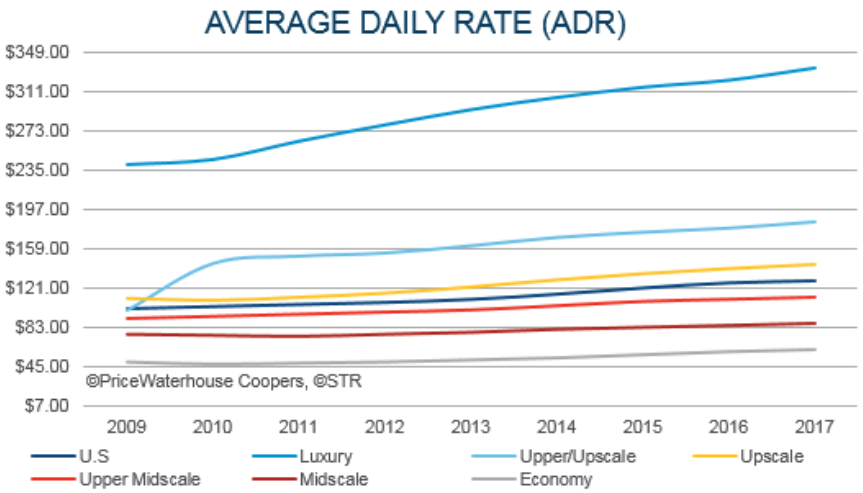
According to PwC, each of the five chain-scale segments included in the survey is forecast to see declines in annual occupancy in 2017, led by the luxury segment with a decline of 1.5%.



AVERAGE DAILY RATE

ADR for the U.S. lodging industry was $122.94 for the first half of 2016, a 3.1% increase from the same period in 2015, as per STR. ADR grew in each chain-scale segment over this time period with only the economy segment surpassing the U.S. average.

For 2016, ADR for the U.S. lodging industry is forecast to grow 4.7%, which represents the largest annual gain since 2007. ADR growth is forecast for each chain-scale segment in 2016.



INVESTMENT ACTIVITY

U.S. hotel sale transactions totaled $35.8 billion in 2016, a 29.0% year-over-year decline, as per Real Capital Analytics. Volume fell for both single asset sales and portfolio and entity level transactions – down 22.0% and 39.0% year over year, respectively.

The decline in sales activity in 2016 is more a story about the extremes of 2015. Single-asset deals in 2016, for instance, fell 22.0% but posted a volume of $23.0 billion – still considered a healthy year as the average annual pace of sales since 2005 is $17.0 billion. Furthermore, if you exclude the "mega sales" from 2015, the annual decline in sales volume for 2016 would have been a more modest 7.0%.

When looking at specific metros, volume was up in only seven of the top-25 markets in 2016 compared to 2017. These seven markets, including Honolulu and Nashville, moved up significantly in rank given how quickly other metros slipped in terms of deal flow.

EXPECTED VALUE CHANGE*

SEGMENT	RANGE	AVERAGE
Full Service	(5.0%) to 3.0%	0.0%
Limited-Service Midscale & Economy	(5.0%) to 5.0%	- 0.3%
Luxury/Upper Upscale	(3.0%) to 10.0%	+ 2.9%
Select Service	(10.0%) to 3.0%	- 1.4%

* Over the next 12 months
Source: ©PriceWaterhouse Coopers

IMPACT OF AIRBNB ON THE HOTEL INDUSTRY

Airbnb is an online marketplace and hospitality service, enabling people to list or rent short-term lodging including vacation rentals, apartment rentals, homestays, hostel beds, or hotel rooms. The company does not own any lodging; it is merely a broker and receives percentage service fees (commissions) from both guests and hosts in conjunction with every booking. It has over 3,000,000 lodging listings in 65,000 cities and 191 countries, and the cost of lodging is set by the host. Like all hospitality services, Airbnb is a form of collaborative consumption and sharing.

As of July 2011, the company had raised $119.8 million in venture funding from Y Combinator, Greylock Partners, Sequoia Capital, Andreessen Horowitz, Digital Sky Technologies, General Catalyst Partners and undisclosed amounts from Youniversity Ventures partners Jawed Karim, Keith Rabois, and Kevin Hartz, and from A Grade Investments partners Ashton Kutcher and Guy Oseary.

In April 2014, the company closed on an investment of $450 million by TPG Capital at a company valuation of approximately $10 billion. Additional funding was provided by Andreessen Horowtiz, Sequoia Capital, Dragoneer Investment Group, T. Rowe Price and Sherpa Capital.

In March 2015, Airbnb raised funding at a $20 billion company valuation. Later that year, Airbnb raised $1.5 billion in funding led by growth equity firm General Atlantic, and joined by Hillhouse Capital Group, Tiger Global Management, Kleiner Perkins Caufield & Byers, GGV Capital, China Broadband Capital, and Horizon Ventures. In September 2016, Airbnb raised at least $1.5 billion in new funding from Google Capital and Technology Crossover Ventures, valuing the company at $31 billion.

In 2016 guests at Airbnb units spent $2.4 billion in the US, but it is noted that 55% of this income was generated in only five US cities (New York, Los Angeles, San Francisco, Miami and Boston). Airbnb's strong growth has many people within the industry concerned about the impact it is having on the hotel market. Recent studies noted that based on an analysis of STR data, the average ADR in 2016 for an Airbnb unit was $148.42 which was roughly 25% higher than the average hotel rate of $119.11. This runs counter to popular opinion that Airbnb is always the least expensive option in the market.

It appears that many Airbnb units are rather opportunistic, with owners taking full advantage of bounced demand that is generated when all other rooms in the market have sold out. The implications from this are that Airbnb will put a damper on continued ADR growth, as much of this has historically been achieved by hotels charging premium prices during peak periods. The other major impact on the industry is that new development will likely be slowed, as Airbnb has significantly more scalability to add rooms during periods of peak demand, and remove rooms when demand is outpaced by supply.

LODGING FORECASTS

SEGMENT	2017	ANNUAL CHANGE
Upscale		
Occupancy	73.3%	- 0.8%
ADR	$141.22	+ 2.0%
RevPAR	$103.44	+ 1.2%
Upper Midscale		
Occupancy	67.1%	- 0.5%
ADR	$113.41	+ 1.8%
RevPAR	$76.13	+ 1.3%
Upper Upscale		
Occupancy	73.5%	- 0.8%
ADR	$182.70	+ 2.2%
RevPAR	$134.34	+ 1.3%
Luxury		
Occupancy	73.8%	- 1.5%
ADR	$331.08	+ 2.5%
RevPAR	$244.41	+ 1.1%

Source: ©PriceWaterhouse Coopers

Overall, the Airbnb business model is highly dynamic. Considering its current pace of growth and attention it receives by developers, investors and lenders, it is likely that the success of the home sharing industry could come at the expense of hotel performance in various markets throughout the U.S.

NATIONAL FULL-SERVICE LODGING SEGMENT

Shifts in the key cash flow assumptions used by the surveyed investors in the national full-service market suggest that they have grown a bit concerned about this lodging sector's near-term performance. First, the average overall cap rate increases 12 basis points to 7.90%.

Second, the average ADR change rate assumption for the first year of a cash flow forecast decreases to 2.83%. This represents the first time that the average for this assumption has fallen below 3.00% since the first quarter of 2011.

NATIONAL FULL-SERVICE LODGING SEGMENT					
	FIRST QUARTER 2017	THIRD QUARTER 2016	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	8.00% - 13.00%	8.00% - 12.75%	8.50% - 13.00%	9.00% - 12.00%	8.50% - 12.00%
Average	10.19%	10.40%	10.48%	10.71%	10.88%
Change (Basis Points)		- 21	- 29	- 52	- 69
OVERALL CAP RATE (OAR)[a]					
Range	6.00% - 10.00%	6.25% - 10.00%	6.00% - 10.00%	6.00% - 10.00%	6.00% - 10.00%
Average	7.90%	7.78%	7.75%	7.73%	8.04%
Change (Basis Points)		+ 12	+ 15	+ 17	- 14
RESIDUAL CAP RATE					
Range	7.00% - 10.00%	7.00% - 10.00%	7.00% - 10.00%	6.50% - 11.00%	6.00% - 12.00%
Average	8.40%	8.38%	8.38%	8.17%	8.68%
Change (Basis Points)		+ 2	+ 2	+ 23	- 28
AVERAGE DAILY RATE[b]					
Range	(2.00%) - 7.00%	0.00% - 5.00%	0.00% - 5.00%	0.00% - 6.00%	(1.00%) - 10.00%
Average	2.83%	3.10%	3.50%	3.88%	3.79%
Change (Basis Points)		- 27	- 67	- 105	- 96
OPERATING EXDPENSE[b]					
Range	1.00% - 4.00%	1.00% - 4.00%	1.00% - 4.00%	1.00% - 5.00%	1.00% - 5.00%
Average	2.92%	2.80%	2.70%	2.96%	2.82%
Change (Basis Points)		+ 12	+ 22	- 4	+ 10
MARKETING TIME[c]					
Range	3 - 9	3 - 9	3 - 9	3 - 12	3 - 24
Average	6.3	7.0	6.9	7.3	10.7
Change (▼, ▲, =)		▼	▼	▼	▼

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

Some of investors' concerns about this lodging sector stem from a decrease in demand at the same time that new supply is occurring. As net supply rises, travelers will have more booking options while owners will likely experience dips in occupancy and the inability to raise ADRs as aggressively as in the past.

Occupancy for both the upscale and uppermidscale segments that comprise this sector are forecast to decline in 2017. At the same time, ADR growth is expected to fall below 2016's levels this year.

NATIONAL LIMITED-SERVICE MIDSCALE & ECONOMY LODGING SEGMENT

The two chain-scale segments that comprise the limited-service midscale & economy lodging segment are ex pected to perform very differently in 2017. First, the midscale segment is expected to still see positive demand growth, albeit at a slower rate, while the economy segment is expected to see a decline in demand.

Second, supply is expected to grow 1.1% in the midscale segment, but decline 0.2% in the economy segment. Both, however, are forecast to realize ADR growth of 2.1% and 2.2%, respectively, just below the national average of 1.9%.

NATIONAL LIMITED-SERVICE MIDSCALE & ECONOMY LODGING SEGMENT

	FIRST QUARTER 2017	THIRD QUARTER 2016	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	8.50% - 13.00%	8.50% - 12.00%	8.50% - 12.00%	9.00% - 12.00%	9.50% - 13.00%
Average	11.00%	10.55%	10.70%	10.42%	11.13%
Change (Basis Points)		+ 45	+ 30	+ 58	- 13
OVERALL CAP RATE (OAR)[a]					
Range	7.50% - 11.00%	7.50% - 10.00%	7.50% - 10.25%	8.00% - 10.00%	8.00% - 12.00%
Average	9.66%	8.70%	8.88%	9.00%	9.75%
Change (Basis Points)		+ 36	+ 18	+ 6	- 69
RESIDUAL CAP RATE					
Range	7.75% - 11.00%	7.75% - 10.00%	7.75% - 10.50%	8.00% - 11.00%	8.50% - 12.00%
Average	9.66%	9.43%	9.48%	9.25%	9.95%
Change (Basis Points)		+ 23	+ 18	+ 41	- 29
AVERAGE DAILY RATE[b]					
Range	(2.50%) - 8.00%	0.00% - 4.00%	2.00% - 4.00%	2.00% - 6.00%	0.00% - 7.00%
Average	2.95%	2.65%	3.15%	3.40%	3.70%
Change (Basis Points)		+ 30	- 20	- 45	- 75
OPERATING EXDPENSE[b]					
Range	2.50% - 3.00%	2.50% - 3.00%	2.50% - 3.00%	1.00% - 3.00%	1.00% - 3.00%
Average	2.95%	2.95%	2.95%	2.75%	2.75%
Change (Basis Points)		0	0	+ 20	+ 20
MARKETING TIME[c]					
Range	2 - 12	2 - 12	2 - 12	2 - 12	2 - 12
Average	6.5	6.8	6.9	7.0	8.3
Change (▼, ▲, =)		▼	▼	▼	▼

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

Surveyed investors do not feel that the growing popularity of Airbnb is impacting the performance of this lodging segment “too much.” However, one Survey participant notes that “there is some impact in U.S. gateway markets.” Another adds that “a softening is occurring in select areas.”

A challenging operating environment is reflected in this market’s expected value change over the next 12 months, which has steadily declined over the past year, reaching an average of -0.3% this quarter.

NATIONAL LUXURY/UPPER-UPSCALE LODGING SEGMENT

Due to the addition of new supply and weakened demand, the surveyed investors are being a bit more conservative with regard to their cash flow assumptions. This quarter, the average ADR change rate slips to 3.10%. In addition, this market’s average overall cap rate moves up eight basis points to 7.00%, representing the highest average for this key assumption since the first quarter of 2015. Still, it remains the lowest average overall cap rate of the Survey’s four hotel segments.

NATIONAL LUXURY/UPPER-UPSCALE LODGING SEGMENT

	FIRST QUARTER 2017	THIRD QUARTER 2016	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	6.50% - 12.00%	6.50% - 12.00%	6.50 - 12.00%	9.00% - 12.00%	8.50% - 13.00%
Average	9.53%	9.60%	9.60%	10.11%	10.60%
Change (Basis Points)		- 7	- 7	- 58	- 107
OVERALL CAP RATE (OAR)[a]					
Range	4.00% - 9.00%	4.00% - 9.00%	4.00% - 9.00%	4.00% - 9.50%	6.00% - 10.00%
Average	7.00%	6.92%	6.90%	7.24%	8.05%
Change (Basis Points)		+ 8	- 9	- 24	- 105
RESIDUAL CAP RATE					
Range	5.50% - 9.50%	5.50% - 9.50%	5.50% - 10.00%	6.00 - 10.00%	6.00 - 12.00%
Average	7.18%	7.23%	7.27%	7.62%	8.66%
Change (Basis Points)		- 5	- 9	- 44	- 148
AVERAGE DAILY RATE[b]					
Range	0.00% - 6.00%	0.00% - 9.00%	0.00% - 9.00%	0.00% - 10.00%	(2.00%) - 15.00%
Average	3.10%	4.00%	3.83%	4.07%	4.46%
Change (Basis Points)		- 90	- 73	- 97	- 136
OPERATING EXDPENSE[b]					
Range	0.00% - 4.00%	0.00% - 5.00%	0.00% - 5.00%	0.00% - 5.00%	0.00% - 6.00%
Average	2.60%	2.75%	2.83%	2.71%	3.02%
Change (Basis Points)		- 15	- 23	- 11	- 42
MARKETING TIME[c]					
Range	3 -12	3 -12	3 -12	3 -20	2 -20
Average	6.8	6.3	5.8	7.8	8.0
Change (▼, ▲, =)		▲	▲	▼	▼

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

Surveyed investors feel that the growing popularity of Airbnb has either “not impacted this segment at all” or “has not affected it significantly.” As one investor remarks, “In the luxury lodging environment, guests are looking for the amenities versus just a room to stay in.”

Another, however, believes some cities lodging segments are being affected. “When New York City is at 80.0%-plus occupancy, Airbnb significantly impacts the ability of the city to fill rooms and particularly impacts its room rates.”

NATIONAL SELECT-SERVICE LODGING SEGMENT

Following the trend started for the national select-service lodging market in 2015, an average property value decline is expected for this market over the next 12 months. Specifically, surveyed investors see property values either increasing as much as 10.0% or decreasing as much as 3.0%. The average expected change is a decline of 1.4%.

NATIONAL SELECT-SERVICE LODGING SEGMENT					
	FIRST QUARTER 2017	THIRD QUARTER 2016	1 YEAR AGO	3 YEARS AGO	5 YEARS AGO
DISCOUNT RATE (IRR)[a]					
Range	8.00% - 11.00%	8.00% - 11.00%	9.00% - 12.00%	9.00% - 13.00%	10.00% - 15.00%
Average	9.90%	9.80%	10.80%	10.95%	11.65%
Change (Basis Points)		+ 10	- 90	- 105	- 175
OVERALL CAP RATE (OAR)[a]					
Range	6.50% - 10.00%	6.50% - 10.00%	6.50% - 10.75%	5.00% - 10.00%	5.00% - 12.00%
Average	8.60%	8.55%	8.43%	8.10%	8.50%
Change (Basis Points)		+ 5	+ 17	+ 50	+ 10
RESIDUAL CAP RATE					
Range	7.00% - 10.75%	7.00% - 10.75%	7.50% - 11.00%	5.00% - 10.00%	5.00% - 12.00%
Average	9.03%	9.03%	8.95%	8.34%	8.60%
Change (Basis Points)		0	+ 8	+ 69	+ 43
AVERAGE DAILY RATE[b]					
Range	0.00% - 5.00%	0.00% - 6.00%	2.00% - 5.00%	1.00% - 8.00%	0.00% - 8.00%
Average	3.00%	3.20%	3.40%	4.70%	4.80%
Change (Basis Points)		- 20	- 40	- 170	- 180
OPERATING EXDPENSE[b]					
Range	2.00% - 4.00%	2.00% - 4.00%	2.00% - 4.00%	2.00% - 4.00%	1.00% - 4.00%
Average	2.70%	2.70%	2.75%	2.95%	2.65%
Change (Basis Points)		0	- 5	- 25	+ 5
MARKETING TIME[c]					
Range	2 - 12	2 - 12	2 - 12	2 - 12	2 - 12
Average	6.0	5.9	6.0	6.8	7.1
Change (▼, ▲, =)		▲	=	▼	▼

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

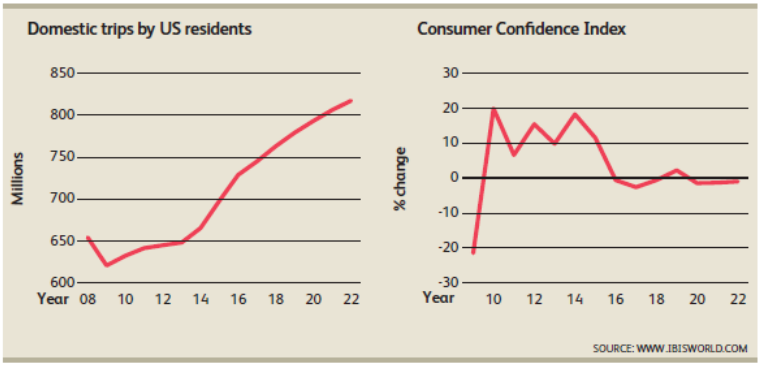
By comparison, surveyed investors in this lodging segment expected value growth of 11.7% in 2011; 5.2% in 2012%; 4.7% in 2013; 6.4% in 2014; and 3.7% in 2015.

A declining outlook for this lodging segment is also reflected in the cash flow assumptions reported by survey participants this quarter. First, this sector's average overall capitalization rate moves up five basis points to 8.60% – the highest average ever reported for the select-service lodging segment since its debut in 2011. Second, its average ADR change rate slips 20 basis points to 3.00% – the fifth consecutive semiannual decline for this key assumption and its lowest average since debuting in the PwC's Investor Survey in 2011.

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 2017, 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 in 2017; however, given the inherent volatility of the Consumer Confidence Index, it could become a potential threat to the industry.

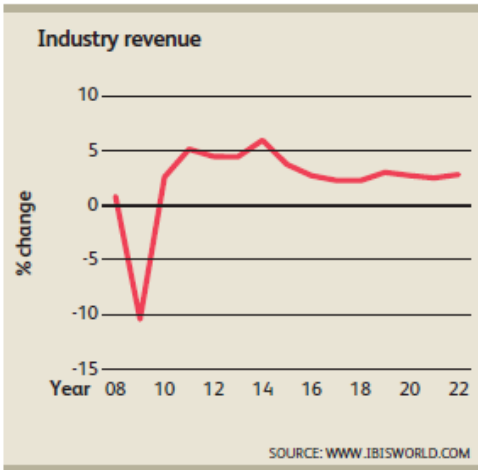
Consumer Spending

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 2017.

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 2017.

Current Performance

The Hotels and Motels industry has experienced robust growth over the five years to 2016. As per capita disposable income and consumer confidence have increased over the five-year period, 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 tourism, 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 5.9% in 2014, as international travel into the United States spiked by 7.0% over the same year. Consequently, revenue is expected to increase at an annualized rate of 4.2% to $169.2 billion over the five years to 2016. Over the five-year period, arrivals from abroad have spiked at an annualized rate of 5.4%, while domestic travel rates have increased an annualized 2.0% over the same five-year period. The infusion of tourist dollars is expected to continue into 2016, benefiting hotels and motels and enabling them to increase room rates, which will cause revenue to grow 2.4% in 2016 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% of all hotel bookings in 2015, according to research company TravelClick, compared with 34.7% of bookings made directly through a hotel's dedicated website (latest available data).

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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 2.5% 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 16.2% of industry revenue in 2016.

Meanwhile, the number of industry enterprises has remained relatively flat over the past five years, and is anticipated to grow at an annualized rate of 1.1% to 74,564 operators over the next five years.

Growth in hotel and motel locations has largely been confined to the industry's biggest players. For example, InterContinental Hotels Group opened 141 hotels in 2014 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, Marriot International Inc., Hilton Worldwide Holdings Inc. and InterContinental Hotels Group PLC, now controlling 40.6% 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 still-steady global economy, and tourism and business travel rates will increase as a result of improved consumer confidence. Over the five years to 2021, IBISWorld forecasts that revenue will increase at an annualized rate of 2.5% to $191.6 billion.

Nevertheless, as global markets are still experiencing significant volatility after recent events, particularly within China, resulting from their rapidly expanding economy experiencing a slowdown, demand from international travel could potentially wane somewhat for industry operators within specific regions.

Furthermore, recent volatility in commodity prices, coupled with alarming levels of household debt within Canada, as well as ongoing issues within the Eurozone, have also contributed to this recent uncertainty, and could potentially hamper demand from both international and domestic visitors over the next five years, as consumer confidence is expected to wane slightly over the same period. Families who otherwise would spend liberally on a trip overseas may postpone such plans, choose to travel domestically, or alter their trips abroad to curtail spending, resulting in tempered growth for international tourist arrivals. As a result, operators must remain vigilant, offering deals when possible and encouraging consumers to travel to their establishments over others to maximize revenue growth.

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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 remain low 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 2021 at an annualized rate of 2.4%. 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 1.5% over the next five years, reaching $2.2 trillion, which is expected to further benefit industry operators over the same period.

With consumers enjoying larger incomes and businesses replenishing their budgets, travel spending is projected to increase over the next five years. In 2017, international arrivals are anticipated to rise 4.2%, while domestic travel is expected to grow 1.8% 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 4.4% and 1.6%, 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

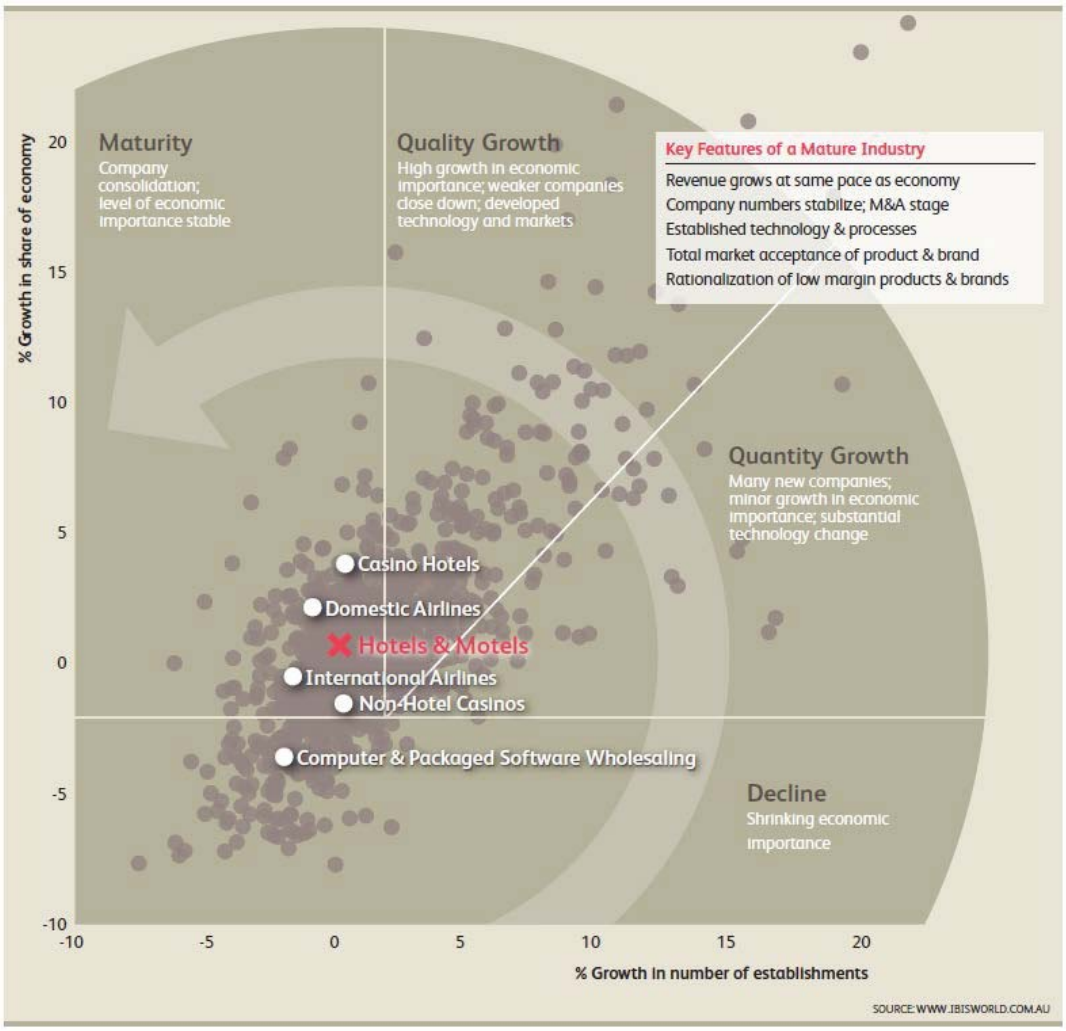
Average industry profit margins are also anticipated to grow over the next five years in response to increasing demand for travel accommodation. The continued growth of higher-margin specialty operators, such as extended-stay boutique hotels, spa and health retreats and resorts, are expected to drive 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, al-though 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. 0% to 1.8 million people.

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Industry Life Cycle

The Hotels and Motels industry 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 2021, industry value added (IVA), which measures an industry's contribution to GDP, is forecast to grow at an annualized rate of 3.1%, above GDP growth of 2.1% over the same period.



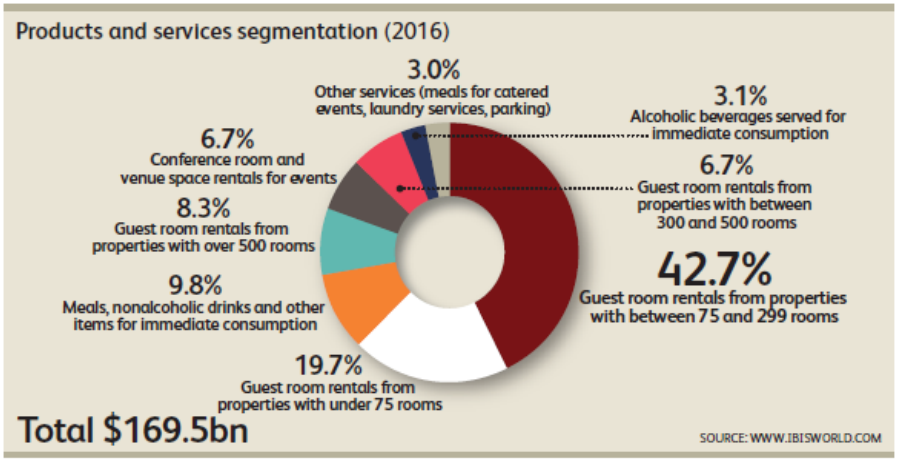
Domestic travel growth is expected to continue over the next five years, although at a slower rate than international tourism, due to businesses' travel needs and consumers' increased leisure time and income. The industry is also expected to increase investment in new hotels following a period of historically 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, emerging as the number one channel, through which travelers book accommodation (34.7% of all bookings), according to TravelClick.

According to TravelClick, bookings directly via hotel websites increased 4.3% in 2015. The other channels, through which guests can book are via calls to a hotel's 800-number (12.4%); the Global Distribution System used by travel agents (15.8%); calls right to the hotel property and walk-in customers (22.1%) and online travel agents (14.9%). 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.

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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% of industry revenue in 2016. Properties with more than 75 rooms in particular are forecast to account for 57.7% of revenue and 74.6% 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 shortstay 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% of industry establishments in 2016, 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% of revenue in 2016, while properties with more than 500 rooms are expected to account for 8.3% 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

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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% of revenue and just 12.8% of establishments in 2016. The majority of properties within this segment are considered to be motels, which provide about 12.6% 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% 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% of revenue in 2016, while other services, such as meals for catered events, laundry service and valet service, are expected to account for 3.0% of revenue in 2016.

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.

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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.

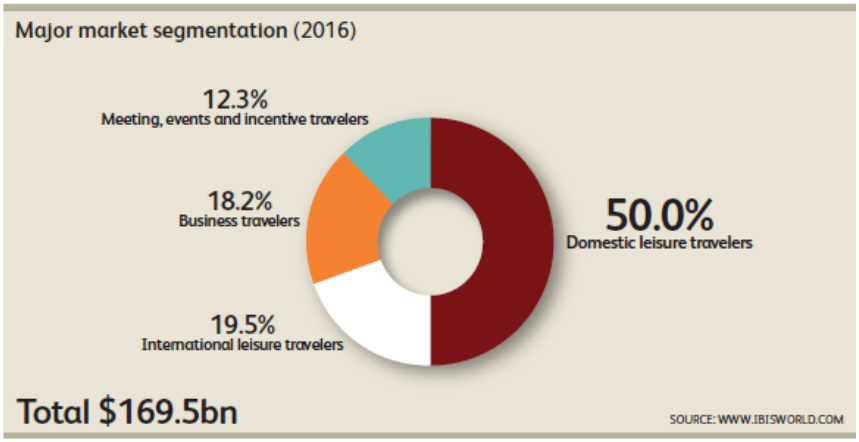
Major Markets

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% 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% 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

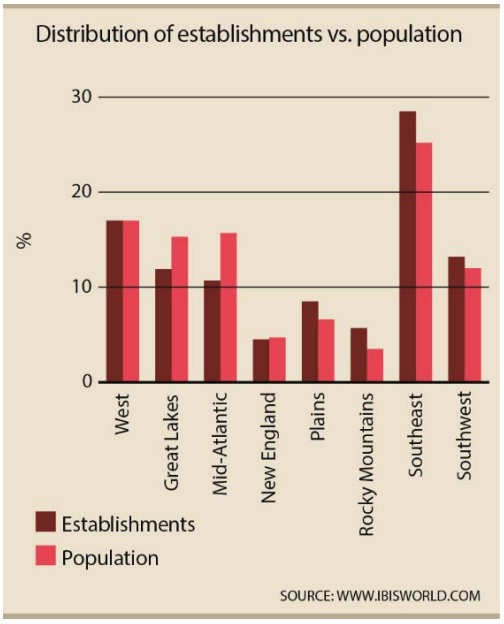
International visitors to the United States account for about 19.5% of total visitor expenditure in the United States. This includes spending on both leisure trips and business travel. In 2016, there will be an estimated 75.5 million international visitor arrivals (including those from Canada and Mexico). 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 (23.0 million trips in 2014) and Mexico (17.1 million trips), followed by the United Kingdom (4.1 million trips), Japan (3.6 million trips), Brazil (2.3 million trips) and China (2.2 million trips). The fastest growth is currently coming from China, which recorded growth of 35.3% between 2011 and 2012, as well as growth of 22.2% between 2013 and 2014, the most recent data available.

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 (28.5% of establishments), which includes Florida; the Southwest region (13.2% of establishments), which includes the Grand Canyon; the West region (17.0% of establishments), which includes California and Las Vegas; and the Mid-Atlantic region (10.7% of industry establishments), which includes New York, a state that comprises 4.1% of establishments. 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

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geographic spread is also associated with the overall top 10 states for attracting domestic and international travelers, which include, in order, California (10.9%), Florida (6.2%), New York, Texas (8.5%), Illinois, Nevada, New Jersey, Pennsylvania, Hawaii and Georgia (3.7%). There has not been a significant change in this distribution over the five years to 2016.

COMPETITIVE LANDSCAPE

Market Share Concentration

In 2016, the four largest operators in the industry were Hilton Worldwide, Marriott International, InterContinental Hotels Group and Starwood Hotels and Resorts (which is now part of Marriott); they accounted for an estimated 39.3% 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% of establishments have nine or fewer employees, while 90.0% 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.

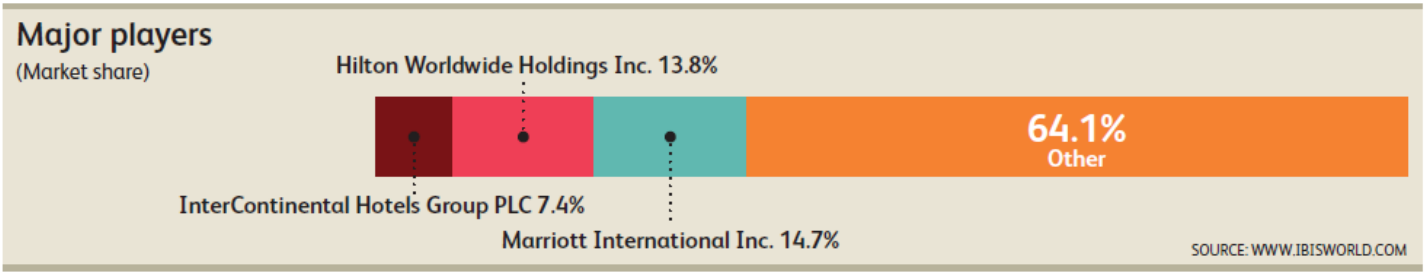
Industry Globalization

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% of its revenue from its international properties, Starwood Hotels and Resorts Worldwide operated in over 100 countries up to its acquisition by Marriott and over 20.0% 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.

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MAJOR COMPANIES



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 United States is home to 78.5% 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)
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	20,665.6	11.2	1,606.1	11.8
2015	21,898.8	6.0	1,683.2	4.8
2016	24,936.8	13.9	1,903.1	13.1

*Estimates

SOURCE: ANNUAL REPORT

The 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 are still susceptible to severely cut room rates to remain competitive and maintain a positive cash flow during difficult economic periods. As a result, Marriott has significantly expanded its US portfolio over the past five years to further inoculate itself from downturns, as well as better position itself to compete against not only its traditional competitors, but newer nontraditional competitors as well, such as Airbnb. 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. The company's Moxy Hotel brand, in partnership with IKEA, caters to young millennials looking for stylish accommodations at affordable prices. The company has also made a significant pivot into the boutique hotels segment with its EDITION brand of hotels. Defined as a lifestyle brand by the company, the hotel features high-end design, top tier nightlife accommodations, such as bars and restaurants, as well as other amenities that has put it in direct competition with boutique darlings, such as the Ace Hotel, the NoMad and Hilton's Curio Collection, which includes luxury boutique hotels, such as the London House.

On September 23, 2016, Marriott International acquired Starwood Hotels & Resorts Worldwide, Inc. The merger was formulated in an effort to increase the scale of Marriott's company's already-existing offerings, as well as create a better-rounded portfolio between the two companies that would effectively create the largest hotel company in the world. Together, the two companies franchise or operate about 5,500 hotels comprising more than 1.0 million rooms around the globe. Though the completion of the merger was scheduled to conclude over the summer of 2016, potential hurdles put the merger at risk of becoming derailed. The most prominent hurdle was in the form of a failed counter offer by Anbang Insurance, which recently also acquired Strategic Hotels and

Resorts from Blackstone, as well as the Waldorf Astoria New York from Hilton Worldwide Holdings in a bid to increase its market share both domestically and abroad.

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 2016, Marriott's US network sales grew at an annualized rate of 9.3% to $24.9 billion, excluding any Starwood contribution. 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.

Marriott's revenue will increase substantially over 2016 on account of the company's recent merger with Starwood. Prior to the merger, Starwood's US network sales over the five years to 2016 were expected to grow at an annualized rate of 5.4% to about $7.9 billion. Domestic sales have increased over the past five years through strong RevPAR growth and higher occupancy rates, as represented by an increase from 69.9% in 2011 to 73.7% in 2015 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.

Hilton Worldwide

Hilton Worldwide (formerly Hilton Hotels Corporation) is a McLean, VA based lodging company that owns, manages or franchises 4,610 hotels with 758,502 rooms worldwide. About 75.0% 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 quickly growing.

According to the company's latest annual report, Hilton currently has more than 1,600 hotels under development, comprising more than 260,000 rooms either under construction or in development within more than 80 countries. Hilton employs 164,000 people worldwide at its managed, owned, leased and corporate locations, while another 162,000 individuals work in the company's franchised locations.

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

Year	Sales ($ million)	(% change)	Operating Income ($ million)	(% change)
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	22,115.7	5.6	5,564.2	14.1
2016	23,334.4	5.5	6,431.8	15.6

*Estimates

SOURCE: IBISWORLD

Hilton has undergone a series of ownership changes over the past five years. The company was purchased by private equity firm Blackstone Group 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. In February 2016, the company announced plans to break into three separate entities to capitalize on growth opportunities, increase its competitiveness within the Hotels and Motels industry and create internal efficiencies that will allow its core segments to act on opportunities faster than before. The company plans to spin off its domestically owned and leased properties into a real estate investment trust, comprising about 35,000 rooms in total, while its timeshare segment will become its own separate entity as well. The company's global properties are expected to stay within the traditional company structure.

Hilton owns 13 hotel brands, from luxury hotels to budget chains, such as Hilton, Hilton Garden Inn, Doubletree, Embassy Suites, Hampton, Homewood Suites by Hilton and Conrad. Also included within these brands is a

timeshare operation that trades under the name Hilton Grand Vacations. The company has faced increasing competition over the past five years from nontraditional competitors, such as Airbnb, and other online-based services that have somewhat cut into the company's market share. In response, the company has begun researching the prospect of developing a new budget-friendly brand to cater to millennials who have increasingly shirked conventional brand concepts for more hostel-related aesthetics. The company's newest brand, Tru, is expected to compete within the midscale hotel market, which is also aimed at attracting younger millennials with stylish and budget-conscious offerings. 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% and 10.0%.

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 7.2% over the five years to 2016 to $23.3 billion.

During the five-year period, operating profit earned by the company's US hotels is estimated to have almost doubled to $6.4 billion. Hilton's system-wide RevPAR grew from $86.2 in 2011 to $106.5 in 2016 (latest available data), bolstered by greater travel rates and corporate spending. The company also added more than 145,000 rooms over the five years to 2016, further increasing its global footprint over major competitors.

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 5,032 hotels across 100 countries under major brands including Holiday Inn, Kimpton Hotels and Restaurants 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 $24. 0 billion in 2015.

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

Year	Sales ($ million)	(% change)	Operating Income ($ million)	(% change)
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	12,389.1	2.3	2,952.6	0.6
2016	12,571.7	1.5	2,961.8	0.3

*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 target travelers with a preference for edgy art and design. These locations are predominantly located in urban areas and target well-to-do consumers between the ages of 20 and 50. 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% and 3.2% at its franchised locations.

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IHG's industry-specific hotels are located within the company's Americas segment, which includes all properties located in North, South and Central America. The Americas segment, as a whole, represents 3,699 hotels and 460,017 rooms. Within the Americas segment, properties located within the United States represent an estimated 73.0% of total properties. While the United States still makes up the majority of revenue within the Americas segment, Canada, along with the Caribbean and Mexico, are also key players and contribute significantly to the company's overall profit margin. A primary reason for this is that, as of 2014, more than 90.0% of rooms within the Americas segment operate under a franchise business model.

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 2.5% to $12.6 billion over the five years to 2016. 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 141 hotels (latest available data). IHG has aggressively targeted the midscale market through its Holiday Inn brand; over 2015, RevPAR for the brand increased 4.6%.

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 2016, 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.

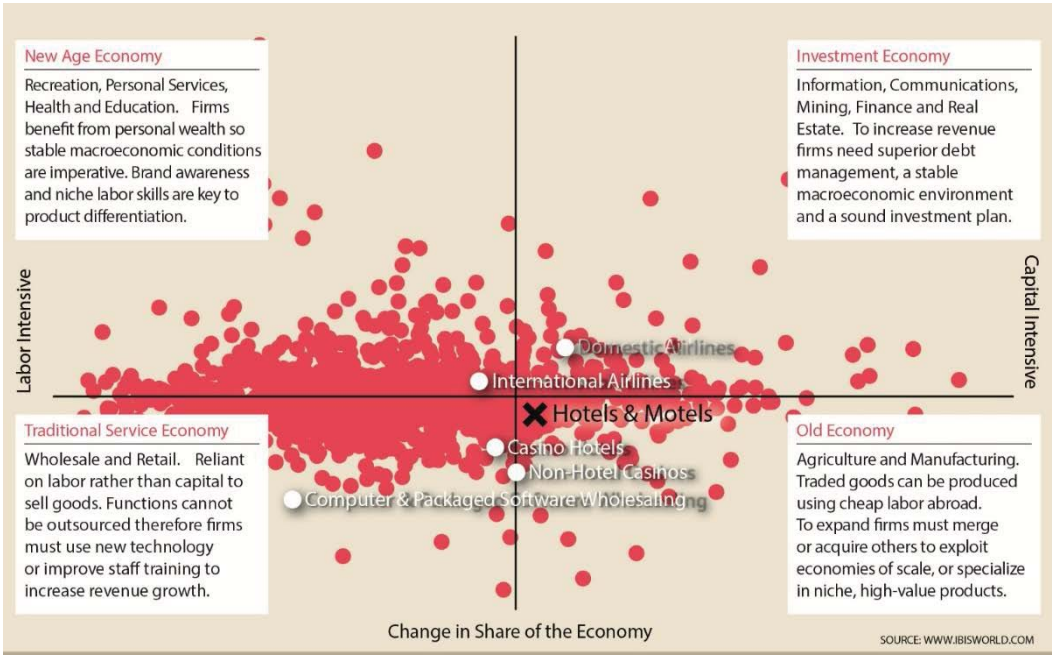
The table to the right summarizes this industry's position relative to other industries pertaining to growth strategies.

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.

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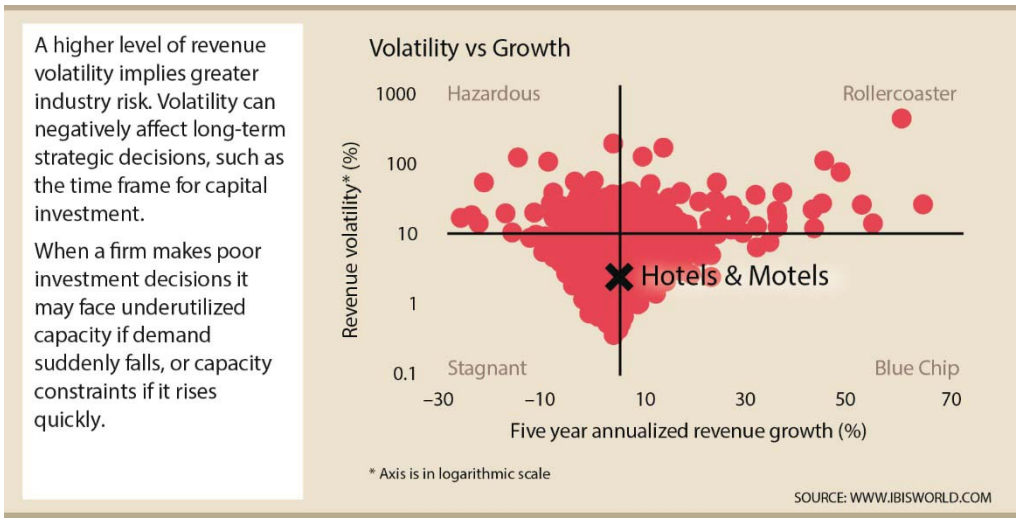
Internet Bookings



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% of all bookings), according to TravelClick. According to TravelClick, bookings directly via hotel websites increased 5.3% in 2013. The other channels through which guests can book are calls to a hotel's 800-number (15.0%); the Global Distribution System used by travel agents (18.4%); calls right to the hotel property and walk-in customers (24.7%) and online travel agents (14.9%). 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 fairly healthy growth over the past two years. 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. 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. In 2017, demand growth is not expected to keep up with further increases in supply. As a result, the general outlook is that occupancy levels will decline somewhat. While average daily rates (ADRs) are expected to continue to grow, it will be at a decelerated peace.

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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

The subject property consists of a 491-room full-service hotel affiliated with Renaissance. The hotel is located in Cleveland, Ohio. The competitive supply tables on the following pages illustrate salient operating statistics for the subject property and its 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 set, while the map depicts the location of the competitors in relation to the subject. Additional information on the competitors follows the map.

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COMPETITIVE PROPERTY FACILITIES OVERVIEW

General Property Information							Amenities and Other Characteristics					
Property Name / Address	Number of Rooms	Year Opened	Competitor Type	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
Renaissance Cleveland Hotel 24 Public Square, Cleveland, OH	**491**	**1918**	**-**	**64,734**	**131.8**	3.4	X	X	X	X	X	
Ritz-Carlton Cleveland 1515 West Third Street, Cleveland, OH	**206**	**1990**	**Primary**	**19,000**	**92.2**	3.1	X	X		X	X	
Hyatt Regency Cleveland @ The Arcade 420 Superior Avenue East, Cleveland, OH	**293**	**2001**	**Primary**	**7,073**	**24.1**	8.4	X	X		X	X	
Hilton Cleveland Downtown 100 Lakeside Avenue East, Cleveland, OH	**600**	**2016**	**Primary**	**50,000**	**83.3**	2.5	X	X		X	X	
Marriott Cleveland Downtown @ Key Center 127 Public Square, Cleveland, OH	**400**	**1991**	**Primary**	**17,078**	**42.7**	6.2	X	X	X	X	X	
Doubletree Cleveland Downtown Lakeside 1111 Lakeside Avenue East, Cleveland, OH	**379**	**1974**	**Primary**	**10,000**	**26.4**	7.5	X	X	X	X	X	Shuttle
Westin Cleveland Downtown 777 St Clair Avenue Northeast, Cleveland, OH	**484**	**1975**	**Primary**	**20,000**	**41.3**	6.6	X	X		X	X	
Kimpton The Schofield Hotel 2000 East Ninth Street, Cleveland, OH	**122**	**2016**	**Primary**	**3,800**	**31.1**	3.4	X	X		X	X	
Autograph Collection Metropolitan @ The 9 2017 East Ninth Street, Cleveland, OH	**156**	**2014**	**Primary**	**22,154**	**142.0**	2.3	X	X		X	X	
Wyndham Cleveland @ Playhouse Square 1260 Euclid Avenue, Cleveland, OH	**205**	**1995**	**Primary**	**13,200**	**64.4**	3.8	X	X	X	X	X	
Radisson Hotel Cleveland Gateway 651 Huron Road East, Cleveland, OH	**142**	**1998**	**Primary**	**5,400**	**38.0**	4.2	X	X		X	X	

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COMPETITIVE PROPERTIES - OPERATIONAL ANALYSIS

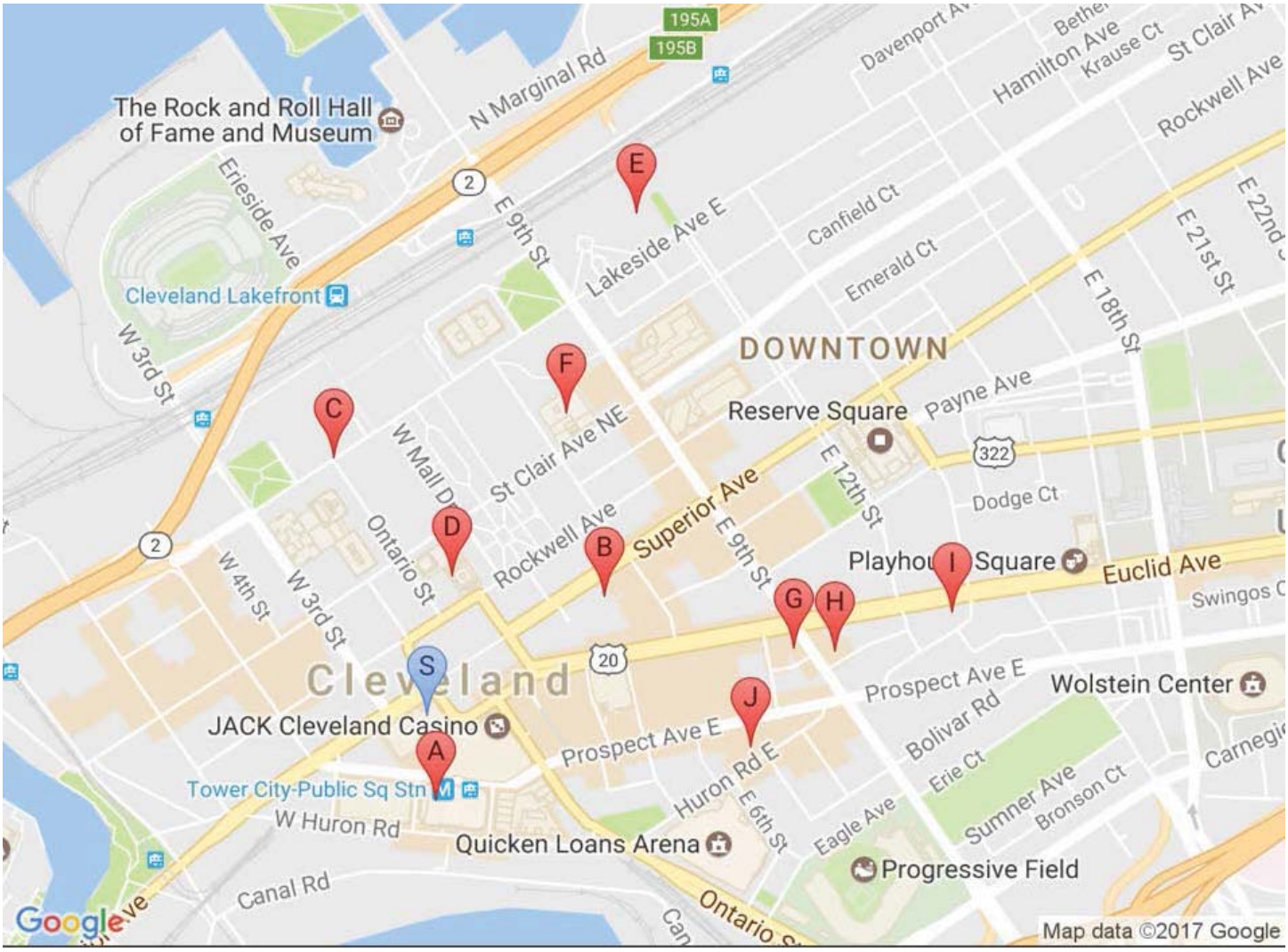
				Estimated Segmentation				Estimated 2014				Estimated 2015				Estimated 2016			
Property Name	Number of Rooms	Competitive Quotient	Primary/ Secondary	Commercial	Group	Leisure	Extended-Stay	Wtd. Room Count	Occ.	ADR	RevPAR	Wtd. Room Count	Occ.	ADR	RevPAR	Wtd. Room Count	Occ.	ADR	RevPAR
Renaissance Cleveland Hotel	491	100%	-	14%	70%	14%	2%	491	61.4%	$146.54	$89.99	491	61.2%	$151.16	$92.51	491	64.0%	$155.00	$99.20
Ritz-Carlton Cleveland	206	80%	Primary	25%	44%	27%	4%	165	66%	$160.00	$105.60	165	78%	$159.00	$124.02	165	66%	$208.00	$137.28
Hyatt Regency Cleveland @ The Arcade	293	75%	Primary	33%	26%	36%	5%	220	68%	$132.42	$90.46	220	76%	$140.42	$106.55	220	78%	$141.05	$109.55
Hilton Cleveland Downtown	600	90%	Primary	14%	70%	14%	2%	0	#DIV/0!	$0.00	#DIV/0!	0	#DIV/0!	$0.00	#DIV/0!	314	51%	$191.00	$97.41
Marriott Cleveland Downtown @ Key Center	400	85%	Primary	27%	41%	28%	4%	340	64%	$135.00	$86.40	340	70%	$160.00	$112.00	340	65%	$164.00	$106.60
Doubletree Cleveland Downtown Lakeside	379	80%	Primary	32%	30%	33%	5%	303	55%	$120.00	$66.00	303	66%	$121.00	$79.86	303	66%	$123.00	$81.18
Westin Cleveland Downtown	484	90%	Primary	27%	40%	29%	4%	436	64%	$139.00	$88.96	436	61%	$158.00	$96.38	436	68%	$157.00	$106.76
Kimpton The Schofield Hotel	122	75%	Primary	36%	21%	37%	6%	0	#DIV/0!	$0.00	#DIV/0!	0	#DIV/0!	$0.00	#DIV/0!	77	60%	$200.00	$120.00
Autograph Collection Metropolitan @ The 9	156	85%	Primary	23%	48%	25%	4%	133	67%	$135.00	$90.45	133	69%	$204.00	$140.76	133	68%	$221.00	$150.28
Wyndham Cleveland @ Playhouse Square	205	75%	Primary	29%	35%	31%	5%	154	60%	$132.00	$79.20	154	66%	$121.00	$79.86	154	70%	$117.00	$81.90
Radisson Hotel Cleveland Gateway	142	75%	Primary	35%	23%	37%	5%	107	50%	$128.00	$64.00	107	70%	$136.00	$95.20	107	70%	$136.00	$95.20
Total/Average Including Subject	3,478			25%	44%	27%	4%	2,349	62.1%	$137.59	$85.46	2,349	66.8%	$149.73	$99.97	2,740	62.6%	$157.98	$98.96
Total/Average Excluding Subject	2,987			28%	38%	30%	4%	1,858	62.3%	$135.26	$84.26	1,858	68.2%	$149.39	$101.94	2,249	62.3%	$158.65	$98.91

COMPETITIVE PROPERTIES - PENETRATION ANALYSIS

	Estimated Room Nights Sold			Segment Penetration Indices - 2016 Base Year Occupancy				Penetration Indices 2014				Penetration Indices 2015				Penetration Indices 2016			
Property Name	2014	2015	2016	Commercial	Group	Leisure	Extended-Stay	Wtd. Room Count	Occ.	ADR	RevPAR	Wtd. Room Count	Occ.	ADR	RevPAR	Wtd. Room Count	Occ.	ADR	RevPAR
Renaissance Cleveland Hotel	110,051	109,676	114,698	56.2%	163.0%	53.4%	52.5%	491	98.9%	106.5%	105.3%	491	91.7%	101.0%	92.5%	491	102.2%	98.1%	100.2%
Ritz-Carlton Cleveland	39,749	46,976	39,749	103.6%	105.7%	106.2%	108.3%	165	106.3%	116.3%	123.6%	165	116.8%	106.2%	124.1%	165	105.4%	131.7%	138.7%
Hyatt Regency Cleveland @ The Arcade	54,856	60,929	62,365	160.9%	73.5%	166.6%	159.2%	220	110.0%	96.2%	105.9%	220	113.6%	93.8%	106.6%	220	124.0%	89.3%	110.7%
Hilton Cleveland Downtown	0	0	33,950	44.8%	129.9%	42.5%	41.8%	0	#DIV/0!	0.0%	#DIV/0!	0	#DIV/0!	0.0%	#DIV/0!	314	81.4%	120.9%	98.4%
Marriott Cleveland Downtown @ Key Center	79,424	86,870	80,665	110.1%	97.0%	108.4%	106.6%	340	103.0%	98.1%	101.1%	340	104.8%	106.9%	112.0%	340	103.8%	103.8%	107.7%
Doubletree Cleveland Downtown Lakeside	60,827	72,993	72,993	132.6%	72.0%	129.8%	135.3%	303	88.6%	87.2%	77.2%	303	98.9%	80.8%	79.9%	303	105.4%	77.9%	82.0%
Westin Cleveland Downtown	101,850	97,075	108,215	115.2%	99.0%	117.5%	111.5%	436	103.0%	101.0%	104.1%	436	91.4%	105.5%	96.4%	436	108.6%	99.4%	107.9%
Kimpton The Schofield Hotel	0	0	14,137	135.6%	45.8%	132.3%	147.6%	0	#DIV/0!	0.0%	#DIV/0!	0	#DIV/0!	0.0%	#DIV/0!	77	95.8%	126.6%	121.3%
Autograph Collection Metropolitan @ The 9	32,525	33,496	33,011	98.2%	118.8%	101.3%	111.5%	133	107.9%	98.1%	105.8%	133	103.3%	136.2%	140.8%	133	108.6%	139.9%	151.9%
Wyndham Cleveland @ Playhouse Square	33,726	37,099	39,347	127.4%	89.1%	129.3%	143.5%	154	96.6%	95.9%	92.7%	154	98.9%	80.8%	79.9%	154	111.7%	74.1%	82.8%
Radisson Hotel Cleveland Gateway	19,528	27,339	27,339	153.8%	58.6%	154.3%	143.5%	107	80.5%	93.0%	74.9%	107	104.8%	90.8%	95.2%	107	111.7%	86.1%	96.2%
Total/Average Including Subject	532,535	572,451	626,467	100.0%	100.0%	100.0%	100.0%	2,349	100.0%	100.0%	100.0%	2,349	100.0%	100.0%	100.0%	2,740	100.0%	100.0%	100.0%

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COMPETITIVE HOTEL MAP



COMPETITION MAP KEY

Property Name	Location	Pin No.
Renaissance Cleveland Hotel	Cleveland, OH	S
Ritz-Carlton Cleveland	Cleveland, OH	A
Hyatt Regency Cleveland @ The Arcade	Cleveland, OH	B
Hilton Cleveland Downtown	Cleveland, OH	C
Marriott Cleveland Downtown @ Key Center	Cleveland, OH	D
Doubletree Cleveland Downtown Lakeside	Cleveland, OH	E
Westin Cleveland Downtown	Cleveland, OH	F
Kimpton The Schofield Hotel	Cleveland, OH	G
Autograph Collection Metropolitan @ The 9	Cleveland, OH	H
Wyndham Cleveland @ Playhouse Square	Cleveland, OH	I
Radisson Hotel Cleveland Gateway	Cleveland, OH	J

SUMMARY OF COMPETITION

Ritz-Carlton Cleveland

Ritz-Carlton Cleveland is a 206-room full-service property located at 1515 West Third Street in Cleveland, Ohio. We interviewed individuals who are familiar with the target markets of this hotel and researched the facilities and amenities that are offered at this property (namely with respect to the inventory of meeting facilities, suites, etc.) We also reviewed the actual segmentation results of hotels that have a similar brand and service orientation and estimated that the hotel's market mix is 25% Commercial, 44% Group and 27% Leisure. The remaining 4% of the property's overall demand is comprised of Extended-Stay patronage. Considering this property's overall market mix, location, service orientation, rate structure and overall condition, we believe this property has an overall competitive quotient of approximately 80%, which renders a weighted competitive unit count of 165 rooms. Overall, this property is considered to be a primary competitor. We note that this property's base year ADR of $208.00 was 34% higher than the subject's ADR during the base year. The overall occupancy and ADR penetration indices for Ritz-Carlton Cleveland during the base year was 105 and 132, respectively. With a segment index of 108%, this property competes most favorably within the Extended-Stay segment. The property is located approximately 6 blocks south of the Convention Center and is the City's only five-star lodging product. The hotel is connected to the Avenue at Tower City (retail, restaurant, and cinemas) and the indoor walkway to the Gateway Sports Complex. Based on its luxury accommodations the hotel is typically the hotel of choice for high end users such as traveling sports teams and government dignitaries. The hotel underwent a significant renovation which was completed in the first quarter of 2009. The Ritz-Carlton, Cleveland has added a limited number of two-bedroom executive suites featuring a master bedroom with parlor sitting area and connecting bedroom. It should be noted that the Ritz Carlton was historically the ADR market leader. However, the property has a direct connection and shared ownership with the Jack casino and the hotel drastically altered its strategy as well as calculation of room revenue. It is our understanding that the hotel offered a certain amount of comp rooms to the casino patrons and the accounting for the complimentary rooms had led to lower ADR. Our research has confirmed the property's ADR level; however it is not possible to segment the impact of comp rooms on that property.

PHOTOGRAPH



Hyatt Regency Cleveland @ The Arcade

Hyatt Regency Cleveland @ The Arcade is a 293-room full-service property located at 420 Superior Avenue East in Cleveland, Ohio. The property also includes ±47,574 square feet of retail space which is leased to individual tenants. The retail space will be discussed later in this section. The hotel occupies ±1.4 acres in Cleveland's Central Business District. The hotel is part of redevelopment which took place in 2001. In 2001, the Hyatt Corporation in conjunction with the Related Companies redeveloped the Arcade into Cleveland's first Hyatt Regency hotel. The Hyatt Regency occupies the two towers and the top three floors of the atrium area. The two lower floors of the atrium area remain open to the public with retail merchants and a food court. In addition, the Hyatt's lobby and offices are located near the Superior Avenue entrance. It was the ninth property in the United States placed on the National Historic Landmark Registry and is also part of the National Trust of Historic Hotels of America. the property is designed with two towers along Euclid Avenue and Superior Avenue and are connected by the arcade. The Euclid Tower contains 97 guestrooms, the Superior tower contains 83 guestrooms, and the Arcade contains 113 guestrooms with inward facing guestrooms. Despite the architectural significance of the building in terms of hotel design the property exhibits significant amounts of functional obsolescence. Due to the layout of the towers the guestrooms feature a variety of types not designed with modern configurations. Management indicated the average guestroom size for all guestrooms is approximately ±373 square feet. The property's market mix is estimated at 33% Commercial, 26% Group and 36% Leisure. The remaining 5% of the property's overall demand is comprised of Extended-Stay patronage. We have researched this property's operational characteristics (market mix, service orientation, rate structure, etc.) and determined that it has an overall competitive quotient of approximately 75%, rendering a weighted competitive unit count of 220 rooms. This property had a base year ADR of $141.05, which was about 9% lower than the subject's ADR at that time. The overall occupancy penetration index for Hyatt Regency Cleveland @ The Arcade during the base year was 124 and the ADR index was 89, respectively. This property achieved an occupancy penetration index of 167% in its most competitive segment, the Leisure segment.

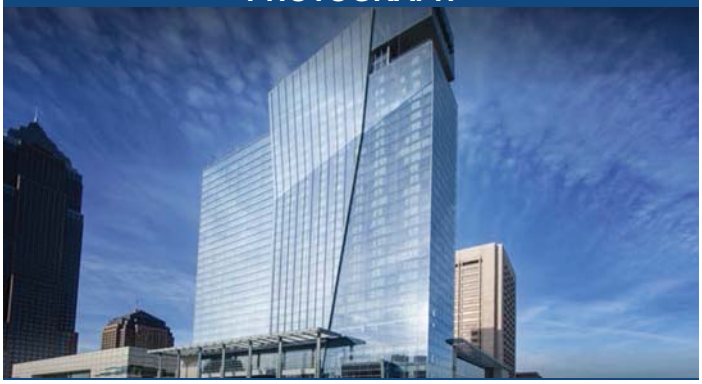
PHOTOGRAPH



Hilton Cleveland Downtown

Hilton Cleveland Downtown is a 600-room full-service property located at 100 Lakeside Avenue East in Cleveland, Ohio. The property's market mix is estimated at 14%, 70% and 14% within the Commercial, Group and Leisure segments, respectively. The remaining 2% of the property's overall demand is comprised of Extended-Stay patronage. Considering this property's operational and physical characteristics, namely with respect to its targeted market segments and rate structure, we believe this property has an overall competitive quotient of approximately 90%. The total number of competitive rooms is therefore estimated at 314 rooms. Overall, this property is considered to be a primary competitor. We note that this property's base year ADR of $191.00 was approximately 23% higher than the subject's ADR during that time. The overall occupancy penetration index for Hilton Cleveland Downtown during the base year was 81 and the ADR index was 121, respectively. This property competes most heavily within the Group segment with an occupancy penetration index of 75 during 2016. The building was constructed under a partnership between the city of Cleveland and Cuyahoga County for the purposes of attracting larger conventions to the city of Cleveland. The agreement was entered into under the first chief executive of Cuyahoga County, Ed Fitzgerald's administration and the three-term Cleveland mayor Frank G. Jackson. The hotel cost $272.0 million to construct. This is the first major hotel constructed in the city since the building of the Marriott at Key Center was erected in 1991.

PHOTOGRAPH



Marriott Cleveland Downtown @ Key Center

Marriott Cleveland Downtown @ Key Center is a 400-room full-service property located at 127 Public Square in Cleveland, Ohio. The 400 room hotel is part of a two-property development which also includes an adjacent office tower. The hotel and office are connected internally via a shared doorway. The property is reportedly owned by an entity known as Key Center Properties, LLC an affiliate of Wells Real Estate Funds. Both the hotel and the office were purchased in December 2005 and an allocated value of $35.0 million was placed on the hotel portion. An affiliate of the Jacobs Group retained a 50.0 percent interest in the property. It is our understanding that the property is under contrct for sale, but has not closed yet. Reportedly $19.0 million will be spent on hotel upgrades at the time of sale. The property's market mix is estimated at 27% Commercial, 41% Group and 28% Leisure. The remaining 4% of the property's overall demand is comprised of Extended-Stay patronage. Considering this property's overall market mix, location, service orientation, rate structure and overall condition, we believe this property has an overall competitive quotient of approximately 85%, which renders a weighted competitive unit count of 340 rooms. Overall, this property is considered to be a primary competitor. We note that this property's base year ADR of $164.00 was 6% higher than the subject's ADR during the base year. The overall occupancy and ADR penetration indices for Marriott Cleveland Downtown @ Key Center during the base year was 104 and 104, respectively. With a segment index of 110%, this property competes most favorably within the Leisure segment.

PHOTOGRAPH



Doubletree Cleveland Downtown Lakeside

Doubletree Cleveland Downtown Lakeside is a 379-room full-service property located at 1111 Lakeside Avenue East in Cleveland, Ohio. The property's market mix is estimated at 32% Commercial, 30% Group and 33% Leisure. The remaining 5% of the property's overall demand is comprised of Extended-Stay patronage. We have researched this property's operational characteristics (market mix, service orientation, rate structure, etc.) and determined that it has an overall competitive quotient of approximately 80%, rendering a weighted competitive unit count of 303 rooms. This property had a base year ADR of $123.00, which was about 21% lower than the subject's ADR at that time. The overall occupancy penetration index for Doubletree Cleveland Downtown Lakeside during the base year was 105 and the ADR index was 78, respectively. This property achieved an occupancy penetration index of 135% in its most competitive segment, the Extended-Stay segment. The hotel was previously operated as a Holiday Inn Select and was rebranded as a Doubletree in January 2009, following a lengthy, $20.0 million renovation. Cami Hotel Investments, an affiliate of The Hotel Group (Seattle, WA) purchased the property from Rock-Syl Associates for $11.2 million or $29,457 per room. The property is the closest hotel to the Rock and Roll Hall of Fame and the Great Lakes Science Center.

PHOTOGRAPH



Westin Cleveland Downtown

Westin Cleveland Downtown is a 484-room full-service property located at 777 St Clair Avenue Northeast in Cleveland, Ohio. The 484 room full service hotel that was formerly operated as a Crowne Plaza affiliate. The hotel was reportedly closed on November 13, 2011 and underwent a major renovation and rebranding which resulted in an affiliation as a Westin Hotel. The hotel is owned by a joint venture between Sage Hospitality and Optima Ventures. Subsequent to the redevelopment, the property offers a restaurant, lounge, meeting space, and a typical complement of back-of-the-house facilities. The hotel also includes a parking garage with a capacity of 284 cars located on floors 2-5. The hotel is designed as a 22-story structure in one building with ±509,630 square feet and is rectangular in shape with its primary entrance located on the north side Saint Claire Avenue adjacent to the Public Hall and secondary interior entrances from the east at the parking garage entrance as well as the Penton Building. A separate entrance into the parking garage is located just east of the main entrance. The hotel offers ±23,625 square feet of meeting space. The total redevelopment budget was estimated at $83.0 million. The property's market mix is estimated at 27%, 40% and 29% within the Commercial, Group and Leisure segments, respectively. The remaining 4% of the property's overall demand is comprised of Extended-Stay patronage. Considering this property's operational and physical characteristics, namely with respect to its targeted market segments and rate structure, we believe this property has an overall competitive quotient of approximately 90%. The total number of competitive rooms is therefore estimated at 436 rooms. Overall, this property is considered to be a primary competitor. We note that this property's base year ADR of $157.00 was approximately 1% higher than the subject's ADR during that time. The overall occupancy penetration index for Westin Cleveland Downtown during the base year was 109 and the ADR index was 99, respectively. This property competes most heavily within the Leisure segment with an occupancy penetration index of 118 during 2016.

PHOTOGRAPH



Kimpton The Schofield Hotel

Kimpton The Schofield Hotel is a 122-room full-service property located at 2000 East Ninth Street in Cleveland, Ohio. The property's market mix is estimated at 36% Commercial, 21% Group and 37% Leisure. The remaining 6% of the property's overall demand is comprised of Extended-Stay patronage. Considering this property's overall market mix, location, service orientation, rate structure and overall condition, we believe this property has an overall competitive quotient of approximately 75%, which renders a weighted competitive unit count of 77 rooms. Overall, this property is considered to be a primary competitor. We note that this property's base year ADR of $200.00 was 29% higher than the subject's ADR during the base year. The overall occupancy and ADR penetration indices for Kimpton The Schofield Hotel during the base year was 96 and 127, respectively. With a segment index of 124%, this property competes most favorably within the Extended-Stay segment.

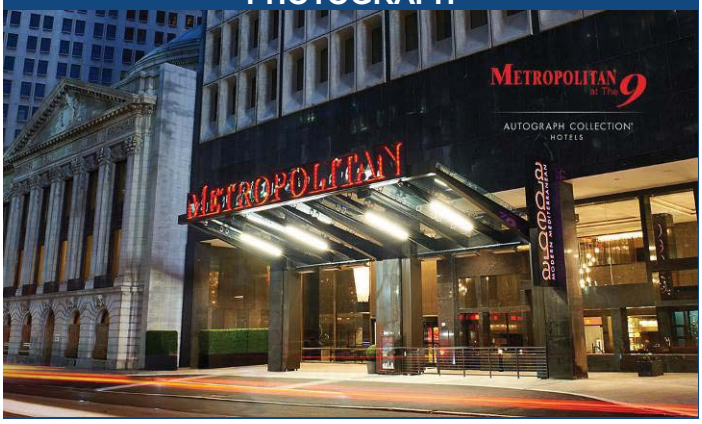
PHOTOGRAPH



Autograph Collection Metropolitan @ The 9

Autograph Collection Metropolitan @ The 9 is a 156-room full-service property located at 2017 East Ninth Street in Cleveland, Ohio. The hotel is part of a larger mixed-use complex known as The M on 9th which was developed by Geis Companies. The building involved the repositioning of a shell building into 104 apartment units on floors 14 through 28, a ±7,577 square foot restaurant on the ground floor, and the 156-room hotel which is branded as a Marriott Autograph Collection hotel on the 4th through 13th floors. Additional areas in the Tower include support service space for the hotel and apartments in the sub-basement level, meeting and banquet space in the basement, a lobby which services both the hotel and residential component on the ground floor, ancillary offices and a theater servicing the hotel and multi-family component on the 2nd floor, a spa and gym on the 3rd floor, a dog park, and mechanical equipment area on the 29th floor. The hotel is part of a larger mixed-use development inclusive of significant food and beverage, retail, commercial and residential uses. The development includes “The ROTUNDA at the M” public space (retail and food and beverage); “1010 at the M” retail, offices and apartments; “Tower at the M” apartments, subject hotel and offices; the new County headquarters, and “The M Garage”. The development includes a fitness facility and spa, rooftop dog park, and a theater which is part of the hotel's 14,241 square feet of meeting space. 14 to 15 suites are located on each of floors 4 through 6, with approximately 16 guestrooms located on each of floors 7 through 13, for a total of 156 guestrooms. A variety of guestroom types are offered ranging from standard to executive suites ranging in size from roughly 379 to 640 square feet. The hotel offers a fitness center, business center, sundry shop, fine dining three-meal restaurant and parking at The M Garage. Finishes are high end and a well-appointed, modern lobby/registration area is located on the ground level. Food and beverage facilities include: Adega - three-meal restaurant offering a Mediterranean menu; includes 195 seats and 44 private dining seats; Ledger Bar - lunch dinner outlet offering American fare featuring craft cocktails; Azure - a roof-top bar will be offered on top of the Rotunda; open May through October; Alex Theater - Live entertainment venue featuring American cuisine and cocktails; also available for private meetings and events; Vault - Social Lounge and Night Club open Thursday-Saturday; available for private events daytime and Sunday-Wednesday. The property's market mix is estimated at 23% Commercial, 48% Group and 25% Leisure. The remaining 4% of the property's overall demand is comprised of Extended-Stay patronage. We have researched this property's operational characteristics (market mix, service orientation, rate structure, etc.) and determined that it has an overall competitive quotient of approximately 85%, rendering a weighted competitive unit count of 133 rooms. This property had a base year ADR of $221.00, which was about 43% higher than the subject's ADR at that time. The overall occupancy penetration index for Autograph Collection Metropolitan @ The 9 during the base year was 109 and the ADR index was 140, respectively. This property achieved an occupancy penetration index of 119% in its most competitive segment, the Group segment.

PHOTOGRAPH



Wyndham Cleveland @ Playhouse Square

Wyndham Cleveland @ Playhouse Square is a 205-room full-service property located at 1260 Euclid Avenue in Cleveland, Ohio. The property's market mix is estimated at 29%, 35% and 31% within the Commercial, Group and Leisure segments, respectively. The remaining 5% of the property's overall demand is comprised of Extended-Stay patronage. Considering this property's operational and physical characteristics, namely with respect to its targeted market segments and rate structure, we believe this property has an overall competitive quotient of approximately 75%. The total number of competitive rooms is therefore estimated at 154 rooms. Overall, this property is considered to be a primary competitor. We note that this property's base year ADR of $117.00 was approximately 25% lower than the subject's ADR during that time. The overall occupancy penetration index for Wyndham Cleveland @ Playhouse Square during the base year was 112 and the ADR index was 74, respectively. This property competes most heavily within the Extended-Stay segment with an occupancy penetration index of 144 during 2016. This property is located directly across Euclid Avenue from Playhouse Square, one of the area's major leisure attractions. This property completed a soft-goods update in early 2016 in advance of the Republican National Convention, and is currently in good overall condition. It features a good array of amenities, but lags the market in terms of occupancy and ADR due to its relatively limited amount of public space and need for additional upgrades. The property is owned by an entity known as Playhouse Square Development Corporation an affiliate of the not-for-profit Playhouse Square Foundation and is managed by Wyndham Worldwide.

PHOTOGRAPH



Radisson Hotel Cleveland Gateway

Radisson Hotel Cleveland Gateway is a 142-room full-service property located at 651 Huron Road East in Cleveland, Ohio. The property's market mix is estimated at 35% Commercial, 23% Group and 37% Leisure. The remaining 5% of the property's overall demand is comprised of Extended-Stay patronage. Considering this property's overall market mix, location, service orientation, rate structure and overall condition, we believe this property has an overall competitive quotient of approximately 75%, which renders a weighted competitive unit count of 107 rooms. Overall, this property is considered to be a primary competitor. We note that this property's base year ADR of $136.00 was 12% lower than the subject's ADR during the base year. The overall occupancy and ADR penetration indices for Radisson Hotel Cleveland Gateway during the base year was 112 and 86, respectively. With a segment index of 154%, this property competes most favorably within the Leisure segment.

PHOTOGRAPH



SPACE UTILITY INDEX

As shown in the competition tables earlier in this section, we have calculated a *Space Utility Index*, or (SUI). This metric is essentially an analysis of the property's employment of its meeting space. It measures the number of group-oriented patrons that visit the property on an annual basis against the total square footage of meeting space offered at the property (per 1,000 square feet). The higher the index, the higher the concentration of group patronage there is relative to the amount of meeting space that is offered by the property.

Typically, the more meeting space a property has, the lower the SUI might be. This is because, as group events become larger, meeting planners will command more space per attendee. This would include not only the meeting and function space itself, but also the requisite prefunction and programming areas, if provided.

The index is expressed as the total number of square feet of meeting space that was available to each group-oriented guest during the base year, on a daily basis. For example, if 10,000 guests from the group demand segment visited a property during the base year, and the property features 20,000 square feet of meeting space, then the SUI would be 1.40 (per 1,000 square feet of meeting space).

This metric is useful in determining the level of concentration a property has on the group demand segment, as well as the propensity for the subject property to either accommodate additional group demand or generate compression within the meeting and banquets (food and beverage) line items.

The following table summarizes our estimate of SUI for each of the properties:

SPACE UTILITY INDEX

Property Name	Meeting Space SF	Total Group Nights	SUI
Renaissance Cleveland Hotel	**64,734**	**80,288**	**3.4**
Ritz-Carlton Cleveland	19,000	21,835	3.1
Hyatt Regency Cleveland @ The Arcade	7,073	21,595	8.4
Hilton Cleveland Downtown	50,000	45,410	2.5
Marriott Cleveland Downtown @ Key Center	17,078	38,909	6.2
Doubletree Cleveland Downtown Lakeside	10,000	27,390	7.5
Westin Cleveland Downtown	20,000	48,052	6.6
Kimpton The Schofield Hotel	3,800	4,704	3.4
Autograph Collection Metropolitan @ The 9	22,154	18,585	2.3
Wyndham Cleveland @ Playhouse Square	13,200	18,332	3.8
Radisson Hotel Cleveland Gateway	5,400	8,345	4.2
Total/Average	**232,439**	**333,446**	**3.9**

As illustrated, it is apparent that Hyatt Regency Cleveland @ The Arcade, which features 7,073 square feet of meeting space, operated at the highest SUI (8.4) during the base year relative to the other competitors. This property features the highest concentration of group-oriented guests in relationship to the amount of meeting space it offers. This property is generally effective in utilizing its meeting space and may have opportunity to displace some of its group demand with commercial demand. Since this segment is less price sensitive than group demand and with additional commercial-oriented patrons, the hotel generally has a better opportunity to grow its room rates. While doing this might come at the expense of occupancy, room revenue could still be positive and operating expenses (variable) could also be reduced.

The competitor that featured the lowest SUI during the base (excluding any competitor that does not feature meeting space) is Autograph Collection Metropolitan @ The 9, which features 22,154 square feet of meeting space and registering an SUI of 2.3. This property has the greatest upside with respect to group-related demand, thereby suggesting that occupancy levels could be enhanced with more focused marketing towards this

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segment. However, management of this property would need to accurately assess the amount of higher-rated guests that are already patronizing the property, and to make sure that these guests are not displaced in the event of such marketing efforts. This displacement could have a negative impact on rate potential, and that the additional variable operating expenses associated with higher occupancy levels could outweigh any revenue benefit.

The SUI for the market in aggregate was 3.9 during the base year. This figure is represented by the *total* number of group-related guests measured against the total square footage of meeting space offered by the competitive set. So, in markets where considerable group-related patronage exists and there is an undersupply of meeting space, the market's aggregate SUI will be even higher than most of the individual competitors. The subject's SUI was lower than this, and generally operates within the range of the competition. As a result, we recognize that the subject may have some upside in either occupancy or room rates. Should management opt to increase occupancy, it can do so by targeting group-related guests. In implementing this strategy, there would be some deceleration in ADR growth because the group demand would eventually displace some of the higher-rated guests during some periods of the year. The subject's SUI under this premise would increase. Alternatively, management could opt to increase and/or reposition room rates. In doing so, additional non-group room nights (namely commercial or high-rated leisure-related nights) could be accommodated but with some softening in group penetration levels. During a transition of this type, the subject's SUI would decrease. We have taken this upside into consideration in our projections and selection of investment parameters for the subject.

COMPETITIVE QUOTIENT

As illustrated on the previous pages, the subject property is currently competing with a number of existing hotels located in the area. We have analyzed the rate structure, service orientation, condition, location, meeting facilities, operational and other characteristics of each property in an effort to gauge its potential competitive level with the subject property.

In addition to our property-level research, we have reviewed considered the operational data of several similar assets and/or like-branded lodging facilities located throughout the United States. This research, along with our fieldwork results, was used to ascertain the likely percentage that each segment contributes to each individual property's overall market mix. An analysis of the segmentation at a particular competitor is essential in the determination of its competitive quotient (or, overall competitiveness) relative to the subject.

The following table reiterates the estimated segmentation percentages at the subject property and each of the competitors:

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COMPETITIVE PROPERTIES - OPERATIONAL ANALYSIS

Property Name	Number of Rooms	Competitive Quotient	Primary/ Secondary	Estimated Segmentation			
				Commercial	Group	Leisure	Extended-Stay
Renaissance Cleveland Hotel	491	100%	-	14%	70%	14%	2%
Ritz-Carlton Cleveland	206	80%	Primary	25%	44%	27%	4%
Hyatt Regency Cleveland @ The Arcade	293	75%	Primary	33%	26%	36%	5%
Hilton Cleveland Downtown	600	90%	Primary	14%	70%	14%	2%
Marriott Cleveland Downtown @ Key Center	400	85%	Primary	27%	41%	28%	4%
Doubletree Cleveland Downtown Lakeside	379	80%	Primary	32%	30%	33%	5%
Westin Cleveland Downtown	484	90%	Primary	27%	40%	29%	4%
Kimpton The Schofield Hotel	122	75%	Primary	36%	21%	37%	6%
Autograph Collection Metropolitan @ The 9	156	85%	Primary	23%	48%	25%	4%
Wyndham Cleveland @ Playhouse Square	205	75%	Primary	29%	35%	31%	5%
Radisson Hotel Cleveland Gateway	142	75%	Primary	35%	23%	37%	5%
Total/Average Including Subject	3,478			25%	44%	27%	4%
Total/Average Excluding Subject	2,987			28%	38%	30%	4%

The relationship in the segmentation between the subject and each competitor is used to determine the potential competitive overlap. In other words, a competitor that has a very similar demand mix as the subject would intuitively have a substantially higher competitive quotient relative to a property that accommodates a vastly different composition of demand. The greater the overlap, the higher the potential competitive quotient.

After these quantitative measurements are applied, we have also considered the rate differential between each of the competitors and the subject as well as the general price sensitivity of the local lodging market. This information was used to make additional qualitative adjustments to the competitive quotient. As an example, in markets where the price sensitivity is high, the competitive quotient between properties drops more rapidly as the differential in the average daily rate between these two hotels increases. Conversely, in markets where there is low price sensitivity, the competitive quotient will be less impacted by the differential in room rates. Overall, the subject's competitive market is deemed to have moderate price sensitivity, thereby commanding a fairly moderate adjustment to the potential competitive quotient.

The following table summarizes the estimated competitive overlap of each property within each segment measured against the subject's demand levels, along with an aggregated overlap potential amount, during the base year. In addition, the table details the rate differential between the subject and each of the competitors, followed by our overall competitive quotient conclusion for each property.

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COMPETITIVE QUOTIENT OVERVIEW

Property Name	Number of Rooms	Base Year ADR	Rate Differential	Segmentation Overlap: Commercial	Group	Leisure	Extended-Stay	TOTAL	Competitive Quotient Conclusion	Primary/ Secondary
Renaissance Cleveland Hotel	**491**	**$155.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Ritz-Carlton Cleveland	206	$208.00	34.2%	89%	74%	87%	98%	**82%**	**80.0%**	**Primary**
Hyatt Regency Cleveland @ The Arcade	293	$141.05	9.0%	81%	56%	78%	97%	**74%**	**75.0%**	**Primary**
Hilton Cleveland Downtown	600	$191.00	23.2%	100%	100%	100%	100%	**100%**	**90.0%**	**Primary**
Marriott Cleveland Downtown @ Key Center	400	$164.00	5.8%	87%	71%	86%	98%	**81%**	**85.0%**	**Primary**
Doubletree Cleveland Downtown Lakeside	379	$123.00	20.6%	82%	60%	81%	97%	**76%**	**80.0%**	**Primary**
Westin Cleveland Downtown	484	$157.00	1.3%	87%	70%	85%	98%	**80%**	**90.0%**	**Primary**
Kimpton The Schofield Hotel	122	$200.00	29.0%	78%	51%	77%	96%	**73%**	**75.0%**	**Primary**
Autograph Collection Metropolitan @ The 9	156	$221.00	42.6%	91%	78%	89%	98%	**85%**	**85.0%**	**Primary**
Wyndham Cleveland @ Playhouse Square	205	$117.00	24.5%	85%	65%	83%	97%	**78%**	**75.0%**	**Primary**
Radisson Hotel Cleveland Gateway	142	$136.00	12.3%	79%	53%	77%	97%	**73%**	**75.0%**	**Primary**
Total/Average Including Subject	**3,478**								**78.8%**	

As illustrated, the selected competitors offer a total guestroom inventory of 3,478 rooms, including the subject. After applying the competitive quotient to each property, the base number of competitive rooms recognized in this analysis is 2,740, illustrated previously. Accordingly, the selected competitive set is determined to be approximately 78.8% competitive on average with the subject property.

STR TREND REPORT

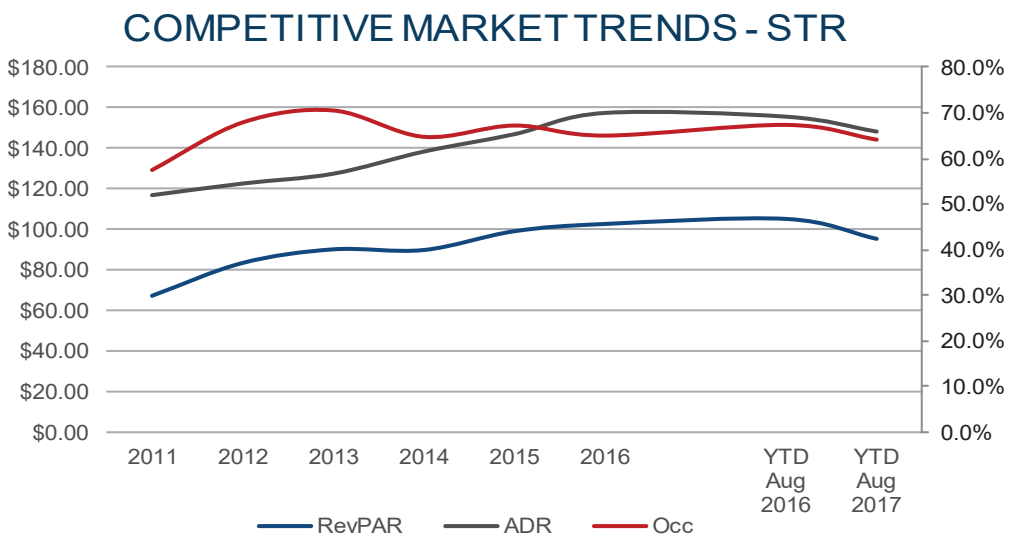
STR, Inc. is an independent research firm that is acknowledged by experts within the lodging industry as a primary and reliable source of hotel operating information. STR is an American company based in Hendersonville, Tennessee, that tracks supply and demand data for multiple market sectors, including 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.

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
2011	2,545	928,955	-	532,579	-	57.3%	-	$116.66	-	$66.88	-
2012	2,115	771,975	-16.9%	524,445	-1.5%	67.9%	18.5%	$122.47	5.0%	$83.20	24.4%
2013	2,115	771,975	0.0%	545,125	3.9%	70.6%	3.9%	$127.38	4.0%	$89.95	8.1%
2014	2,492	909,587	17.8%	588,807	8.0%	64.7%	-8.3%	$138.44	8.7%	$89.62	-0.4%
2015	2,755	1,005,575	10.6%	676,250	14.9%	67.3%	3.9%	$147.12	6.3%	$98.94	10.4%
2016	3,210	1,171,672	16.5%	761,652	12.6%	65.0%	-3.3%	$157.76	7.2%	$102.55	3.7%
CAGR:			4.8%		7.4%		2.5%		6.2%		8.9%
YTD Aug 2016	3,076	747,356	-	503,663	-	67.4%	-	$155.88	-	$105.05	-
YTD Aug 2017	3,478	845,154	13.1%	541,792	7.6%	64.1%	-4.9%	$148.44	-4.8%	$95.16	-9.4%



As illustrated in the table above, occupancy generally increased over the trend history. In the most recent period (2016), occupancy declined by -3.3%. Year to date, the occupancy trend has retracted by -4.9% to a level of 64.1%. During the same trend history, average rates generally increased. In 2016, ADR improved by 7.2% to $157.76. Year to date, room rates have retracted by -4.8% to $148.44. Overall, rooms revenue within the competitive set posted positive growth over the trend period achieving a RevPAR metric of $102.55 during 2016. Year-to-date, rooms revenue has retracted with RevPAR changing by -9.4%.

Operating performance in the market during the last several years has been fluctuating. Cleveland has been an integral part of Ohio's economic landscape for years. However, the local economy has struggled over time due to its reliance on volatile industries such as automotive and manufacturing. Consequently the lodging market has struggled to grow until recently. The MSA has created fewer jobs during periods of economic expansion and lost significantly more during periods of recession than the country as a whole, one reason being the struggling auto manufacturing industry. While the healthcare and service industries are expected to grow, Cleveland must diversify its industries to grow its economy. The Cleveland Metro area has two industries that are proportionally higher than the rest of the country by a large amount. Manufacturing, is disappearing while healthcare, is slated to revitalize economic growth for the area. Cleveland is looking to diversify its economy by growing its technology sector. Community projects such as OneCommunity have placed Cleveland on the map in the tech world. The Cleveland Clinic is now the largest employer in the market. Area representatives have indicated that there is a temporary stagnation due to new supply additions in the downtown and perimeter areas, namely with the addition of the Hilton Cleveland Downtown Hotel. This property is located adjacent to the Huntington Convention Center of Cleveland and serves as its flagship hotel. This property enabled the convention center to induce more convention demand immediately upon opening, which mitigated the impact on the existing supply in the downtown core. We note that other limited-service and select-service hotels also recently entered the market. While these hotels are not competitive with the subject, they have siphoned some overflow demand prompting a cutback in rates. In general, area representatives anticipate that the market will see stable ADR growth with occupancy levels in the low to mid 60-percent range for 2017. This accounts for the new supply additions which will now be on line for a full operating year. As was expected 2017 is shaping up to be a weak year for citywide conventions as the change in convention center management created a lull in the sales effort. Operators and city representatives believe 2018 and 2019 will be the bellwether year for groups. The local area has historically been diversified in its demand base and generates demand on a midweek basis and residential development which brings foot traffic and weekend demand. The market has a diversity of hotels with most segments represented (ex. extended stay, select service, full service, and limited service). This segmentation removes a

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portion of the overlap some properties would have in marketing to non-core guests. Our fieldwork indicated that most properties in the market experienced above inflationary increases in ADR in 2016, which has been aided by expanding economic activity. Operators in the market are less optimistic for additional ADR growth in 2017 as supply increses will retard rate growth. The Hilton, Drury PLaza, and Kimpton will be open for a full year in 2017 after having opened in early 2016. Events that made for a stellar 2016, such as the Republican National Convention, NBA Finals and World Series will not be available tot he market in 2017. When adjusted for inflation the market would have positive real ADR growth. The new supply has outpaced demand and will result in a downturn for a few years. The impact of the new supply was evident in months such as October and December which saw occupancy decline 8.8% and 13.1 percent respectively.

ADDITIONS TO SUPPLY

During the course of our research, we have not identified any proposed hotels or properties that are currently under development that would be directly competitive with the subject.

As illustrated, we have identified 0 new hotel rooms that will enter the market and, based on the expected segmentation, rate tier and other factors, we have applied an appropriate competitive quotient which renders a total new supply inventory of approximately 0 rooms.

The following table summarizes the other new supply additions in the market which are deemed to be non-competitive:

Summary of Potential Supply Additions

Property	Location	Number of Rooms	Construction Type	Completion Date	Orientation	Brand	Summary
Hilton Convention Center Hotel	At the site of the Cuyahoga County Administration building., Cleveland	600	New - Ground Up	6/2016	Upscale	Hilton	Plans call for construction of a 30-story Hilton hotel that will include 600 rooms, a ballroom, and a connection to the convention center. There will also be a two-story meeting room and a two-level underground parking garage. The hotel will also have a rooftop bar.

**Note: while the impact of this new supply is unknown, we have accounted for any such risk in our selection of a stabilized occupancy rate.*

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

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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 table summarizes the approximate distribution of demand to the subject property and its competitive market for the 2016 base year.

Distribution of Demand

Segment	Subject	Market
Commercial	14%	25%
Group	70%	44%
Leisure	14%	27%
Extended-Stay	2%	4%
Room Nights Accommodated	114,698	626,467

As shown, the subject's estimated market mix generally differs than that of the market. We note the following characteristics of the subject:

- The subject is affiliated with Renaissance, and it is understood to capture a fairly high percentage of commercial demand relative to the other segments. Given the subject's degree of focus on attracting demand from this segment, the subject's commercial mix percentage is understood to be lower than the average of the market.
- The subject property features a significant amount of meeting space relative to the other competitors totaling approximately 64,734 square feet. It is well poised to attract SMERFE (Social/Sport, Military, Educational, Religious, Fraternal, and Entertainment/Ethnic) and tour-and-travel patronage. Due to the level of focus by current management in attracting demand from this segment, the subject's meeting and group demand mix percentage is expected to be higher than the average of the market.
- As a result of management's marketing focus, it is apparent that the subject's leisure market mix was somewhat lower than the average of the competitive market, and is expected to continue to be lower than the average of the competitive properties on a going-forward basis.
- Given the subject's limited in-room living amenities and services catering to long-term patrons relative to many of the other properties in the competitive set (i.e. suites with kitchenettes, etc.) the subject's extended-stay mix percentage was lower than the average of the competitive set, and should continue to be lower than the average on a going-forward basis.

As will be further discussed, we believe the subject will improve its competitive position in all four market segments. As a result, the subject's market mix percentages will change somewhat, but still be generally similar to historical levels. The subject is expected to be most competitive in the Group segment upon stabilization.

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The following subsections describe each of these primary segments, along with our assumptions pertaining to future growth rates in each.

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.

Contract, or “Airline” demand as the name implies is demand generated via a fixed contract. In the case of hotels, this type of demand typically involves airline flight crews. 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.

Cleveland was once home to several large companies, such as Officemax, BP and TRW. Those companies have closed their headquarters, leaving a large amount of office space in the MSA. Top demand generators which remain include: Cleveland Clinic, University Hospitals Health System, Progressive Corporation, Ford Motor Company, Key Corporation, National City Corporation, Metro Health System, Case Western University, Giant Eagle, Inc. and Group Management Services.

Key to most lodging markets success is the presence of a viable office market which will tend to support the commercial segment of demand. There is a rather active office market in and around Cleveland including Downtown and the Central Business District. While the market does benefit from demand sources other than occupied office space (leisure travelers, convention attendees, group travel, etc.) the historical relationship between occupied office space and occupied hotel rooms is relevant. In addition, the Ernst & Young Tower (completed in 2013) in downtown Cleveland is now fully occupied. Stronger rents in Cleveland’s CBD have helped support the 18-story development. Other tenants in the 480,000-square-foot tower include Wells Fargo, Gilbane Building Co., Tucker Ellis, CBRE Group, Northwestern Mutual, and the OM Group. The tower is a part of the first phase of the $500.0 million Flats East Bank project. Major components of the redevelopment also include a 150-room aLoft brand hotel, restaurants, apartments, a parking garage, health club, and a 1,200-foot riverfront boardwalk. It was estimated that the new office space has the potential to add ±30,000 room nights to the market.

The Hilton is anticipated to generate enough convention-oriented room nights to fill itself to capacity during most convention periods, namely spring and fall months. According to the General Manager of the hotel (Teri Agosta), the goal of the hotel will be for it to be fully self-contained, and to not “move demand around” from the existing market. While this may be the case at some point, we believe that the development of this hotel will attract

convention and other demand that did not historically exist that would account for about 50% of its total available capacity, or about 70% to 75% of its total demand.

Some of the largest generators of commercial room night demand in the Cleveland area reportedly include:

Commercial Demand Generators	
AT&T	IBM
American International Group (AIG)	IMG Sports Management
Case Western Reserve University	Kaiser Permanente
Charter One Bank	Key Bank
Chase Bank	Lesco Inc
Citizens Bank	Medical Mutual of Ohio
Cleveland Clinic	Merrill Lynch
Cliffs Natural Resources	Metro Health
Eaton Corporation	Ohio Savings Bank
Ernst & Young	PNC Bank
Federal Building	PNC Center
Federal Courthouse Tower	Penton Media
Federal Reserve Bank	Sherwin Williams
Fifth Third Bank	US Bank
Huntington Bank Building	University Hospitals

Based on the latest growth trends in the local and national economies as well as our observations formed during the due diligence process, we have forecast commercial hotel demand in the subject market to grow in accordance with the table below.

Commercial Segment Growth Rates	2016	2017	2018	2019	2020
Annual Growth	-	3.5%	2.0%	1.0%	1.0%
Base Demand	*159,344*	164,921	168,219	169,901	171,600

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%, up significantly from 1.7% 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.

Located in Downtown Cleveland, the Huntington Convention Center of Cleveland and Global Center for Health Innovation offers 390,000 total sq. ft. of prime space. Connected to the 600-room Hilton Cleveland Downtown and within walking distance of nearly 5,000 hotel rooms, Cleveland's convention center campus is a convenient location to host small executive meetings or large industry tradeshows.

The Huntington Convention Center offers 225,000 sq. ft. of exhibit space, more than 140,000 sq. ft. of meeting and event space, 30 breakout rooms and a 32,000 sq. ft. Grand Ballroom divisible into three spaces.

The Global Center connects meeting planners with 45 of the world's leading healthcare brands including GE Healthcare, Siemens, Philips, Cisco Systems and Cardinal Health. In addition to providing meeting planners with access to industry resources, the Global Center features three breakout rooms, an Executive Boardroom and 20,000 sq. ft. of ballroom and atrium space.

SMG, the nation's largest and most experienced convention center and facility management firm, assumed management operations for the Cuyahoga County-owned Global Center for Health Innovation and the Huntington Convention Center of Cleveland in December, 2013.

The appraisers recognize there is a specific degree of speculation in regards to the level of demand which will be created by the convention center and medical mart. However based on the past success of convention centers in cities such as Columbus and Pittsburgh we believe the center will be a positive for the City of Cleveland.

Based on recent performance in the local, regional and national group-related market, we have forecast meeting and group hotel demand in the subject market to grow in accordance with the table below:

Group Segment Growth Rates

	2016	2017	2018	2019	2020
Annual Growth	-	5.0%	3.0%	2.0%	1.0%
Base Demand	*274,887*	288,631	297,290	303,236	306,268

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

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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 numerous recreational opportunities, and tourist attractions available in the Greater Cleveland area. These people may be traveling alone, or with families or tour groups. Leisure demand in the immediate area is evident due to available venues throughout Downtown. Despite the struggle of the City there are several venues and districts which lend to its viability as a leisure destinations. The Playhouse Theater District is one of the more prominent neighborhoods with restaurants and several theaters which perform traveling Broadway productions. The area is conveniently located near major leisure attractions such as Quicken Loans Area, Progressive Field, and Cleveland Browns Stadium, which are within walking distance of the subject property and many of the attractions are in proximity to a large portion of the local lodging market. Sports in the Cleveland area continue to have a major economic impact with over $200.0 million in revenue generates by the Cleveland Sports Commission. Annual sporting events outside the major teams include the Cleveland Marathon, Mid-American Conference college basketball tournament and the Firestone Golf Tournament. Major leisure attractions in the area include: Cleveland Art Museum, Rock and Roll Hall of Fame, Metropark Zoo & Rainforest, Playhouse Square Theater District, and Great Lakes Science Center.

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 Cleveland area. These people may be traveling alone, or with families or tour groups. Leisure attractions in the area include the following:

Leisure Demand Generators

Case Western Reserve University	House of Blues
Cedar Point Amusement Park	International Expo Center
City Center	Metropark Zoo & Rainforest
Cleveland Browns Football	Nautica Entertainment Complex
Cleveland Browns Stadium	Nautica Queen
Cleveland Cavaliers Basketball	PlayhouseSquare
Cleveland Indians Baseball	Pro Football Hall of Fame
Cleveland Lake Erie Monsters	Progressive Field
Cleveland Museum of Art	Quicken Loans Arena
Cleveland State University	Rock-N-Roll Hall of Fame
Galleria at Erieview	Tower City Center
Goodtime III Cruise Excursion	University Circle
Great Lakes Science Center	Warehouse District/ West 6th Street

Based on the Regional Analysis of the tourism in the Cleveland area, along with the economic fluctuations occurring locally and in the nation and recent performance in the market, we have forecast leisure demand to change in accordance of the table below:

Leisure Segment Growth Rates

	2016	2017	2018	2019	2020
Annual Growth	-	3.5%	1.0%	1.0%	1.0%
Base Demand	*167,846*	173,721	175,458	177,213	178,985

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.

Based on the fluctuating trends in the local and national economy, we have forecast extended-stay demand in the subject market to grow in accordance with the rates illustrated in the table below.

Extended-Stay Segment Growth Rates

	2016	2017	2018	2019	2020
Annual Growth	-	3.5%	1.0%	1.0%	1.0%
Base Demand	*24,389*	25,243	25,495	25,750	26,008

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.

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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.

Although we believe that there may be new development and/or economic impact events which could induce some amount of demand into the market in the future, we have accounted for this demand in our base demand growth rates. Therefore, we have modeled there to be no induced demand in the subject's market.

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%. 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% 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.

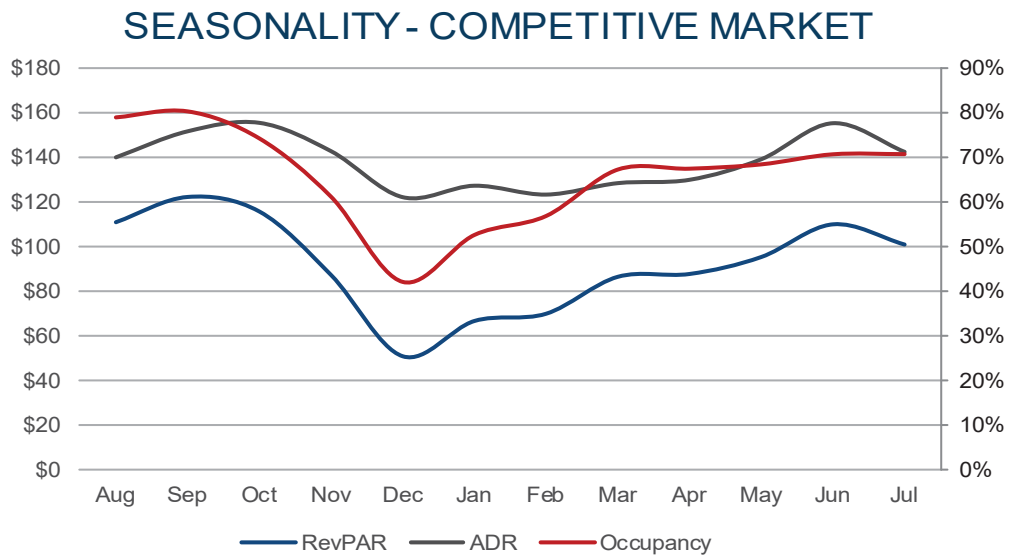
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Although we believe that there may be some degree of bounced demand in some of the market segments during peak periods, we have accounted for this demand in our base demand growth rates. Therefore, we have modeled there to be no bounced demand in the subject's market.

SEASONALITY

Generally, the demand for lodging accommodations in the Cleveland area is strongest from late spring through mid-autumn. Demand during these months often spike and drive occupancy levels to near-capacity levels. Under these circumstances, which is known as "compression," area managers employ more aggressive yield management strategies and position average room rates at higher levels.

The following graphic illustrates the seasonality of the subject's primary competitive set during the most recent months tracked in the market:



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.

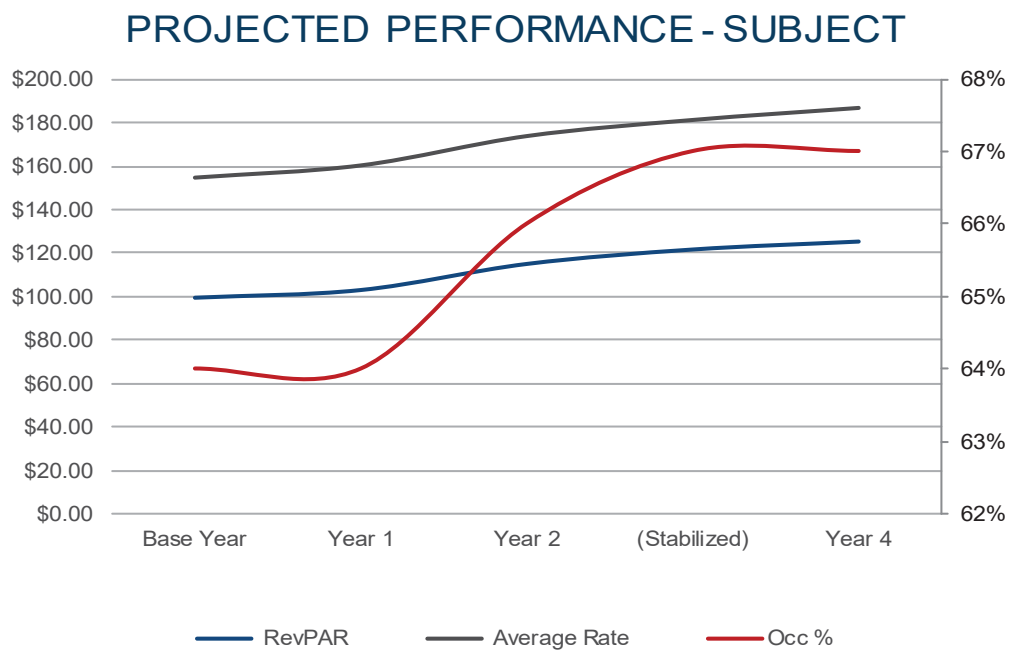
The following table summarizes our projection of room night demand, supply, and resulting occupancy rates for the subject property's competitive market.

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Projection of Base Room Night Demand and Annual Growth

Segment	*Base Year 2016*	2017	2018	2019	2020
Commercial					
Annual Growth	-	3.5%	2.0%	1.0%	1.0%
Base Demand	*159,344*	164,921	168,219	169,901	171,600
Induced Demand	-	0	0	0	0
Bounced	-	0	0	0	0
Total Market Segment Demand	*159,344*	164,921	168,219	169,901	171,600
Group					
Annual Growth	-	5.0%	3.0%	2.0%	1.0%
Base Demand	*274,887*	288,631	297,290	303,236	306,268
Induced Demand	-	0	0	0	0
Bounced	-	0	0	0	0
Total Market Segment Demand	*274,887*	288,631	297,290	303,236	306,268
Leisure					
Annual Growth	-	3.5%	1.0%	1.0%	1.0%
Base Demand	*167,846*	173,721	175,458	177,213	178,985
Induced Demand	-	0	0	0	0
Bounced	-	0	0	0	0
Total Market Segment Demand	*167,846*	173,721	175,458	177,213	178,985
Extended-Stay					
Annual Growth	-	3.5%	1.0%	1.0%	1.0%
Base Demand	*24,389*	25,243	25,495	25,750	26,008
Induced Demand	-	0	0	0	0
Bounced	-	0	0	0	0
Total Market Segment Demand	*24,389*	25,243	25,495	25,750	26,008
Total					
Annual Growth	-	3.5%	2.0%	1.0%	1.0%
Base Demand	*626,467*	652,516	666,462	676,100	682,861
Induced Demand	-	0	0	0	0
Bounced	-	0	0	0	0
Total Market Segment Demand	***626,467***	**652,516**	**666,462**	**676,100**	**682,861**
% Change	**-**	**4.2%**	**2.1%**	**1.4%**	**1.0%**
Market Statistics					
Total Rooms Supply	*2,740*	2,981	2,981	2,981	2,981
Total Available Room Nights	*1,000,100*	1,088,065	1,088,065	1,088,065	1,088,065
% Change	-	-	-	-	-
Marketwide Occupancy	***62.6%***	**60.0%**	**61.3%**	**62.1%**	**62.8%**

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PROJECTED PERFORMANCE - SUBJECT
$200.00
$180.00
$160.00
$140.00
$120.00
$100.00
$80.00
$60.00
$40.00
$20.00
$0.00
68%
67%
66%
65%
64%
63%
62%
Base Year
Year 1
Year 2
(Stabilized)
Year 4
RevPAR
Average Rate
Occ %

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.

SUBJECT PROPERTY'S OPERATING PERFORMANCE

The following table summarizes the subject property's historical occupancy, average daily room rate and corresponding RevPAR (occupancy multiplied by average rate) over the past few years.

Subject's Historical Operating Performance

Year	Occ %	% Change	ADR	% Change	RevPAR	% Change
2013	63.2%	-	$143.80	-	$90.92	-
2014	61.4%	-2.9%	$146.54	1.9%	$89.99	-1.0%
2015	61.2%	-0.3%	$151.16	3.2%	$92.51	2.8%
2016	63.9%	4.4%	$155.49	2.9%	$99.37	7.4%
CAGR:		0.4%		2.6%		3.0%
YTD July 2016	65.6%	-	$152.47	-	$100.03	-
YTD July 2017	61.4%	-6.4%	$144.27	-5.4%	$88.59	-11.4%

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.

A discussion of the trends that are shown in the table above, along with their relevance to market trends, are discussed later in this section.

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%. A penetration factor above or below 100% indicates a hotel's greater or lesser success in competing in the marketplace.

Historical Penetration Indices by Segment

The following table illustrates the estimated 2016 base year penetration factors by market segment for the subject property and its competitors:

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Commercial

Property	Type of Competitor	Estimated 2016 Occupancy	Market Segmentation	Weighted Room Count	Fair Share	Estimated 2016 Rooms Occupied	Market Share	Penetration Index
Renaissance Cleveland Hotel	-	64.0%	14.0%	491	17.9%	16,058	10.1%	56.2%
Ritz-Carlton Cleveland	Primary	66.0%	25.0%	165	6.0%	9,937	6.2%	103.6%
Hyatt Regency Cleveland @ The Arcade	Primary	77.7%	33.0%	220	8.0%	20,580	12.9%	160.9%
Hilton Cleveland Downtown	Primary	51.0%	14.0%	314	11.5%	4,753	3.0%	26.0%
Marriott Cleveland Downtown @ Key Center	Primary	65.0%	27.0%	340	12.4%	21,780	13.7%	110.1%
Doubletree Cleveland Downtown Lakeside	Primary	66.0%	32.0%	303	11.1%	23,358	14.7%	132.6%
Westin Cleveland Downtown	Primary	68.0%	27.0%	436	15.9%	29,218	18.3%	115.2%
Kimpton The Schofield Hotel	Primary	60.0%	36.0%	77	2.8%	5,089	3.2%	113.7%
Autograph Collection Metropolitan @ The 9	Primary	68.0%	23.0%	133	4.9%	7,592	4.8%	98.2%
Wyndham Cleveland @ Playhouse Square	Primary	70.0%	29.0%	154	5.6%	11,411	7.2%	127.4%
Radisson Hotel Cleveland Gateway	Primary	70.0%	35.0%	107	3.9%	9,568	6.0%	153.8%
Totals		**62.6%**	**25.4%**	**2,740**	**100.0%**	**159,344**	**100.0%**	**100.0%**

Group

Property	Type of Competitor	Estimated 2016 Occupancy	Market Segmentation	Weighted Room Count	Fair Share	Estimated 2016 Rooms Occupied	Market Share	Penetration Index
Renaissance Cleveland Hotel	-	64.0%	70.0%	491	17.9%	80,288	29.2%	163.0%
Ritz-Carlton Cleveland	Primary	66.0%	44.0%	165	6.0%	17,489	6.4%	105.7%
Hyatt Regency Cleveland @ The Arcade	Primary	77.7%	26.0%	220	8.0%	16,215	5.9%	73.5%
Hilton Cleveland Downtown	Primary	51.0%	70.0%	314	11.5%	23,765	8.6%	75.4%
Marriott Cleveland Downtown @ Key Center	Primary	65.0%	41.0%	340	12.4%	33,073	12.0%	97.0%
Doubletree Cleveland Downtown Lakeside	Primary	66.0%	30.0%	303	11.1%	21,898	8.0%	72.0%
Westin Cleveland Downtown	Primary	68.0%	40.0%	436	15.9%	43,286	15.7%	99.0%
Kimpton The Schofield Hotel	Primary	60.0%	21.0%	77	2.8%	2,969	1.1%	38.4%
Autograph Collection Metropolitan @ The 9	Primary	68.0%	48.0%	133	4.9%	15,845	5.8%	118.8%
Wyndham Cleveland @ Playhouse Square	Primary	70.0%	35.0%	154	5.6%	13,771	5.0%	89.1%
Radisson Hotel Cleveland Gateway	Primary	70.0%	23.0%	107	3.9%	6,288	2.3%	58.6%
Totals		**62.6%**	**43.9%**	**2,740**	**100.0%**	**274,887**	**100.0%**	**100.0%**

Leisure

Property	Type of Competitor	Estimated 2016 Occupancy	Market Segmentation	Weighted Room Count	Fair Share	Estimated 2016 Rooms Occupied	Market Share	Penetration Index
Renaissance Cleveland Hotel	-	64.0%	14.0%	491	17.9%	16,058	9.6%	53.4%
Ritz-Carlton Cleveland	Primary	66.0%	27.0%	165	6.0%	10,732	6.4%	106.2%
Hyatt Regency Cleveland @ The Arcade	Primary	77.7%	36.0%	220	8.0%	22,451	13.4%	166.6%
Hilton Cleveland Downtown	Primary	51.0%	14.0%	314	11.5%	4,753	2.8%	24.7%
Marriott Cleveland Downtown @ Key Center	Primary	65.0%	28.0%	340	12.4%	22,586	13.5%	108.4%
Doubletree Cleveland Downtown Lakeside	Primary	66.0%	33.0%	303	11.1%	24,088	14.4%	129.8%
Westin Cleveland Downtown	Primary	68.0%	29.0%	436	15.9%	31,382	18.7%	117.5%
Kimpton The Schofield Hotel	Primary	60.0%	37.0%	77	2.8%	5,231	3.1%	110.9%
Autograph Collection Metropolitan @ The 9	Primary	68.0%	25.0%	133	4.9%	8,253	4.9%	101.3%
Wyndham Cleveland @ Playhouse Square	Primary	70.0%	31.0%	154	5.6%	12,198	7.3%	129.3%
Radisson Hotel Cleveland Gateway	Primary	70.0%	37.0%	107	3.9%	10,115	6.0%	154.3%
Totals		**62.6%**	**26.8%**	**2,740**	**100.0%**	**167,846**	**100.0%**	**100.0%**

Extended-Stay

Property	Type of Competitor	Estimated 2016 Occupancy	Market Segmentation	Weighted Room Count	Fair Share	Estimated 2016 Rooms Occupied	Market Share	Penetration Index
Renaissance Cleveland Hotel	-	64.0%	2.0%	491	17.9%	2,294	9.4%	52.5%
Ritz-Carlton Cleveland	Primary	66.0%	4.0%	165	6.0%	1,590	6.5%	108.3%
Hyatt Regency Cleveland @ The Arcade	Primary	77.7%	5.0%	220	8.0%	3,118	12.8%	159.2%
Hilton Cleveland Downtown	Primary	51.0%	2.0%	314	11.5%	679	2.8%	24.3%
Marriott Cleveland Downtown @ Key Center	Primary	65.0%	4.0%	340	12.4%	3,227	13.2%	106.6%
Doubletree Cleveland Downtown Lakeside	Primary	66.0%	5.0%	303	11.1%	3,650	15.0%	135.3%
Westin Cleveland Downtown	Primary	68.0%	4.0%	436	15.9%	4,329	17.7%	111.5%
Kimpton The Schofield Hotel	Primary	60.0%	6.0%	77	2.8%	848	3.5%	123.8%
Autograph Collection Metropolitan @ The 9	Primary	68.0%	4.0%	133	4.9%	1,320	5.4%	111.5%
Wyndham Cleveland @ Playhouse Square	Primary	70.0%	5.0%	154	5.6%	1,967	8.1%	143.5%
Radisson Hotel Cleveland Gateway	Primary	70.0%	5.0%	107	3.9%	1,367	5.6%	143.5%
Totals		**62.6%**	**3.9%**	**2,740**	**100.0%**	**24,389**	**100.0%**	**100.0%**

Total

Property	Type of Competitor	Estimated 2016 Occupancy	Market Segmentation	Weighted Room Count	Fair Share	Estimated 2016 Rooms Occupied	Market Share	Penetration Index
Renaissance Cleveland Hotel	-	64.0%	100.0%	491	17.9%	114,698	18.3%	102.2%
Ritz-Carlton Cleveland	Primary	66.0%	100.0%	165	6.0%	39,749	6.3%	105.4%
Hyatt Regency Cleveland @ The Arcade	Primary	77.7%	100.0%	220	8.0%	62,365	10.0%	124.0%
Hilton Cleveland Downtown	Primary	51.0%	100.0%	314	11.5%	33,950	5.4%	47.3%
Marriott Cleveland Downtown @ Key Center	Primary	65.0%	100.0%	340	12.4%	80,665	12.9%	103.8%
Doubletree Cleveland Downtown Lakeside	Primary	66.0%	100.0%	303	11.1%	72,993	11.7%	105.4%
Westin Cleveland Downtown	Primary	68.0%	100.0%	436	15.9%	108,215	17.3%	108.6%
Kimpton The Schofield Hotel	Primary	60.0%	100.0%	77	2.8%	14,137	2.3%	80.3%
Autograph Collection Metropolitan @ The 9	Primary	68.0%	100.0%	133	4.9%	33,011	5.3%	108.6%
Wyndham Cleveland @ Playhouse Square	Primary	70.0%	100.0%	154	5.6%	39,347	6.3%	111.7%
Radisson Hotel Cleveland Gateway	Primary	70.0%	100.0%	107	3.9%	27,339	4.4%	111.7%
Totals		**62.6%**	**100.0%**	**2,740**	**100.0%**	**626,467**	**100.0%**	**100.0%**

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The previous tables illustrate the approximate existing room night demand in the various segments at each of the competitors. Future room night demand is calculated by multiplying by the subject property's fair share percentage with the projected penetration index. The room night demand projection figures are then divided by the total supply to arrive at the projected annual occupancy level for each projection year.

The following subsections summarize the assumptions associated with our penetration index projection in each market segment.

COMMERCIAL DEMAND PENETRATION

The subject hotel is affiliated with the Renaissance hotel chain, which is part of the portfolio of brands associated with Marriott Hotels and includes Marriott, Sheraton, JW Marriott, Courtyard by Marriott, aLoft, Element, and many others as a result of the Marriott-Starwood merger in 2016. The brand is recognized by business travelers throughout North America and other portions of the world for high-quality full service lodging accommodations, but does lack the overall distribution of Marriott, and Hilton, brands. The Marriott franchise is one of the most successful in the lodging industry.

The subject's competitive advantages includes its pending upgrades, good array of amenities, proximity to a variety of major demand generators, affiliation with Renaissance and good business services. Additionally a well appropriated concierge lounge is an operating advantage for the hotel.

Overall we have forecast the penetration index in the Commercial segment to increase to 65.0% into the stabilized year. Based on our estimated penetration levels, the stabilized commercial market mix will equate to roughly 15.2%.

GROUP DEMAND PENETRATION

The subject property offers a significant amount of meeting space totaling 64,734 square feet, and it is well poised to attract small conference, SMERFE and tour-and-travel patronage. Similar to the commercial segment, we forecast penetration levels for this segment to increase to a stabilized level of 167.0%. The group segment penetration index is projected to stabilize at 69.7% of the subject's business mix.

A renovation of the Hotel's meeting spaces will significantly enhance the profile of the Property and will enable the Renaissance Cleveland to further boost its booking pace in future years. With renovated meeting space, coupled with the recently updated guestrooms, corridors and Club Lounge, the Renaissance Cleveland will have the latitude to better compete with other downtown hotels, particularly in in terms of large corporate transient and group accounts.

With the most aggregate function space in downtown Cleveland at ±65,000 square feet as well as the most meeting space on a per guestroom basis at ±130 square feet per room, the Renaissance Cleveland is one of the market leaders within the group segment. The Cleveland Medical Mart and Convention Center recently opened in 2013, which includes the new 225,000 gross square foot Cleveland Convention Center and the adjacent Global Center for Health Innovation, which is the only facility in the world that displays the future of health and healthcare presented on four themed floors. The opening of this state-of-the-art facility will dramatically enhance group room night contribution from citywide events. The Renaissance Cleveland is the largest Hotel in downtown Cleveland, in terms of number of rooms and meeting space, which will ensure that the Property will continue as a leader in group room bookings in regards to the new convention complex.

LEISURE DEMAND PENETRATION

The leisure traveler segment of the market is somewhat rate sensitive relative to the other segments and the subject's rate structure was below average in the marketplace during the base year. Overall, leisure penetration

is expected to decrease to a stabilized level of 53.0%, resulting in market segmentation of approximately 12.9% of occupied room nights.

EXTENDED-STAY DEMAND PENETRATION

The extended-stay travel segment is noted to generally be a stable segment, but we believe its fluctuations and growth rates will still be correlated to the commercial segment but to a lesser degree of volatility. The extended-stay segment is projected to increase to a stabilized level of 60.0%, resulting in market segmentation of approximately 2.1% of occupied room nights.

The following tables illustrate our estimated penetration rates for each of the market segments over the projection period. 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.

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Subject's Projected Penetration, Market Share and Total Capture

	Base Year 2016	2017	2018	2019	2020
Subject Property Fair Share					
Market Room Supply	*2,740*	2,981	2,981	2,981	2,981
Subject Property Room Count	*491*	491	491	491	491
Fair Share	***17.9%***	**16.5%**	**16.5%**	**16.5%**	**16.5%**
Room Nights Captured by Subject					
Commercial					
Fair Share	*17.9%*	16.5%	16.5%	16.5%	16.5%
Penetration Index	*56.2%*	59.0%	60.0%	65.0%	65.0%
Market Share	*10.1%*	9.7%	9.9%	10.7%	10.7%
Market Segment Demand	*159,344*	164,921	168,219	169,901	171,600
Market Share	*10.1%*	9.7%	9.9%	10.7%	10.7%
Segment Room Nights Accommodated	*16,058*	16,027	16,624	18,190	18,372
Group					
Fair Share	*17.9%*	16.5%	16.5%	16.5%	16.5%
Penetration Index	*163.0%*	165.0%	166.0%	167.0%	167.0%
Market Share	*29.2%*	27.2%	27.3%	27.5%	27.5%
Market Segment Demand	*274,887*	288,631	297,290	303,236	306,268
Market Share	*29.2%*	27.2%	27.3%	27.5%	27.5%
Segment Room Nights Accommodated	*80,288*	78,442	81,285	83,410	84,244
Leisure					
Fair Share	*17.9%*	16.5%	16.5%	16.5%	16.5%
Penetration Index	*53.4%*	53.0%	53.0%	53.0%	53.0%
Market Share	*9.6%*	8.7%	8.7%	8.7%	8.7%
Market Segment Demand	*167,846*	173,721	175,458	177,213	178,985
Market Share	*9.6%*	8.7%	8.7%	8.7%	8.7%
Segment Room Nights Accommodated	*16,058*	15,165	15,317	15,470	15,625
Extended-Stay					
Fair Share	*17.9%*	16.5%	16.5%	16.5%	16.5%
Penetration Index	*52.5%*	58.0%	59.0%	60.0%	60.0%
Market Share	*9.4%*	9.6%	9.7%	9.9%	9.9%
Market Segment Demand	*24,389*	25,243	25,495	25,750	26,008
Market Share	*9.4%*	9.6%	9.7%	9.9%	9.9%
Segment Room Nights Accommodated	*2,294*	2,412	2,478	2,545	2,570
Total Capture	***114,698***	***112,045***	***115,703***	***119,614***	***120,810***
Overall Penetration Index	***102.2%***	***104.3%***	***105.4%***	***107.4%***	***107.4%***

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Subject Property Projected Occupancy

Calendar Years	*Base Year 2016*	2017	2018	2019	2020
Room Nights Accommodated	*114,698*	112,045	115,703	119,614	120,810
Available Room Nights	*179,215*	179,215	179,215	179,215	179,215
Occupancy	*64.0%*	62.5%	64.6%	66.7%	67.4%

Fiscal Year Adjustment	2017/18	2018/19	2019/20 (Stabilized)	2020/21
First Calendar Year %	24.93%	24.93%	24.93%	24.93%
Second Calendar Year %	75.07%	75.07%	75.07%	75.07%
Fiscalized Room Nights Accommodated	114,791	118,639	120,512	120,512
Fiscalized Room Nights Available	179,215	179,215	179,215	179,215
Occupancy	64.05%	66.20%	67.24%	67.24%
Rounded Occupancy	**64%**	**66%**	**67%**	**67%**
Overall Market Share	17.3%	17.6%	17.7%	17.7%
Overall Penetration Index	105.1%	106.9%	107.4%	107.4%

As illustrated in the table above, total capture at the subject is expected to continue to increase beyond the date of stabilization. However, since the stabilized occupancy level is intended to reflect the anticipated results of the property over its remaining economic life, we have selected 67.0% as the subject's stabilized occupancy as of October 1, 2019.

Overall, penetration levels for the subject property are estimated at 107.3% as of the stabilized value date, October 1, 2019. By comparison, the historical penetration level was approximately 102.2% during the 2016 base year.

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

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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. These are summarized in the following table.

Historical Competitive Average Daily Room Rates (Estimated)

Property	2014	2015	2016
Renaissance Cleveland Hotel	$146.54	$151.16	$155.00
Ritz-Carlton Cleveland	$160.00	$159.00	$208.00
Hyatt Regency Cleveland @ The Arcade	$132.42	$140.42	$141.05
Hilton Cleveland Downtown	$0.00	$0.00	$191.00
Marriott Cleveland Downtown @ Key Center	$135.00	$160.00	$164.00
Doubletree Cleveland Downtown Lakeside	$120.00	$121.00	$123.00
Westin Cleveland Downtown	$139.00	$158.00	$157.00
Kimpton The Schofield Hotel	$0.00	$0.00	$200.00
Autograph Collection Metropolitan @ The 9	$135.00	$204.00	$221.00
Wyndham Cleveland @ Playhouse Square	$132.00	$121.00	$117.00
Radisson Hotel Cleveland Gateway	$128.00	$136.00	$136.00
Average Including Subject	**$137.59**	**$149.73**	**$157.98**
Average Excluding Subject	**$135.26**	**$149.39**	**$158.65**
Smith Travel Research Trend Report	**$138.44**	**$147.12**	**$157.76**
Subject's Positioned ADR:			**$155.00**

As shown, the subject has achieved an average room rate of $155.49 during the base year. This is below the average of the competitive properties.

For additional context on rate potential, the following table illustrates the subject's recent ADR trends.

Subject's Historical ADR Growth		
Year	ADR	% Change
2013	$143.80	-
2014	$146.54	1.9%
2015	$151.16	3.2%
2016	$155.49	2.9%
CAGR:		2.6%
YTD July 2016	$152.47	-
YTD July 2017	$144.27	-5.4%

COMPARATIVE ANALYSIS: SUBJECT PROPERTY VS. COMPETITIVE MARKET

As discussed in this section, we have observed historical trends both within the competitive market and at the subject property. We have compared the subject's operating results (occupancy, ADR and RevPAR) with those of the market. The resulting penetration indices, together with the information we gathered during the due diligence period, are useful in predicting future trends and the ultimate competitive positioning of the subject property.

The following table summarizes these historical trends:

Comparative Analysis - Subject Property vs. Competitive Market							
Occupancy Penetration							
Year	Market (STR)	*Percent Change*	Subject Property	*Percent Change*	Penetration Index	*Point Change*	*Comment*
2013	70.6%	-	63.2%	-	89.5%	-	*Below market*
2014	64.7%	*-8.3%*	61.4%	*-2.9%*	94.9%	*5.3%*	*Below market*
2015	67.3%	*3.9%*	61.2%	*-0.3%*	91.0%	*-3.9%*	*Below market*
2016	65.0%	*-3.3%*	63.9%	*4.4%*	98.3%	*7.3%*	*Below market*
YTD 2016	67.4%	-	65.6%	-	97.3%	-	*Below market*
YTD 2017*	64.1%	*-4.9%*	61.4%	*-6.4%*	95.8%	*-1.6%*	*Below market*
ADR Penetration							
2013	$127.38	-	$143.80	-	112.9%	-	*Above market*
2014	$138.44	*8.7%*	$146.54	*1.9%*	105.9%	*-7.0%*	*Above market*
2015	$147.12	*6.3%*	$151.16	*3.2%*	102.7%	*-3.1%*	*Above market*
2016	$157.76	*7.2%*	$155.49	*2.9%*	98.6%	*-4.2%*	*Below market*
YTD 2016	$155.88	-	$152.47	-	97.8%	-	*Below market*
YTD 2017*	$148.44	*-4.8%*	$144.27	*-5.4%*	97.2%	*-0.6%*	*Below market*
RevPAR Penetration							
2013	$89.95	-	$90.92	-	101.1%	-	*Above market*
2014	$89.62	*-0.4%*	$89.99	*-1.0%*	100.4%	*-0.7%*	*Above market*
2015	$98.94	*10.4%*	$92.51	*2.8%*	93.5%	*-6.9%*	*Below market*
2016	$102.55	*3.7%*	$99.37	*7.4%*	96.9%	*3.4%*	*Below market*
YTD 2016	$105.05	-	$100.03	-	95.2%	-	*Below market*
YTD 2017*	$95.16	*-9.4%*	$88.59	*-11.4%*	93.1%	*-2.1%*	*Below market*

* Market is YTD through August, Subject is YTD through July

We have analyzed the STR data within the subject's competitive market, as previously discussed. Operating performance in the market during the last several years has been fluctuating. Cleveland has been an integral part of Ohio's economic landscape for years. However, the local economy has struggled over time due to its reliance on volatile industries such as automotive and manufacturing. Consequently the lodging market has struggled to grow until recently. The MSA has created fewer jobs during periods of economic expansion and lost significantly more during periods of recession than the country as a whole, one reason being the struggling auto manufacturing industry. While the healthcare and service industries are expected to grow, Cleveland must diversify its industries to grow its economy. The Cleveland Metro area has two industries that are proportionally

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higher than the rest of the country by a large amount. Manufacturing, is disappearing while healthcare, is slated to revitalize economic growth for the area. Cleveland is looking to diversify its economy by growing its technology sector. Community projects such as OneCommunity have placed Cleveland on the map in the tech world. The Cleveland Clinic is now the largest employer in the market. Area representatives have indicated that there is a temporary stagnation due to new supply additions in the downtown and perimeter areas, namely with the addition of the Hilton Cleveland Downtown Hotel. This property is located adjacent to the Huntington Convention Center of Cleveland and serves as its flagship hotel. This property enabled the convention center to induce more convention demand immediately upon opening, which mitigated the impact on the existing supply in the downtown core. We note that other limited-service and select-service hotels also recently entered the market. While these hotels are not competitive with the subject, they have siphoned some overflow demand prompting a cutback in rates. In general, area representatives anticipate that the market will see stable ADR growth with occupancy levels in the low to mid 60-percent range for 2017. This accounts for the new supply additions which will now be on line for a full operating year. As was expected 2017 is shaping up to be a weak year for citywide conventions as the change in convention center management created a lull in the sales effort. Operators and city representatives believe 2018 and 2019 will be the bellwether year for groups. The local area has historically been diversified in its demand base and generates demand on a midweek basis and residential development which brings foot traffic and weekend demand. The market has a diversity of hotels with most segments represented (ex. extended stay, select service, full service, and limited service). This segmentation removes a portion of the overlap some properties would have in marketing to non-core guests. Our fieldwork indicated that most properties in the market experienced above inflationary increases in ADR in 2016, which has been aided by expanding economic activity. Operators in the market are less optimistic for additional ADR growth in 2017 as supply increses will retard rate growth. The Hilton, Drury PLaza, and Kimpton will be open for a full year in 2017 after having opened in early 2016. Events that made for a stellar 2016, such as the Republican National Convention, NBA Finals and World Series will not be available tot he market in 2017. When adjusted for inflation the market would have positive real ADR growth. The new supply has outpaced demand and will result in a downturn for a few years. The impact of the new supply was evident in months such as October and December which saw occupancy decline 8.8% and 13.1 percent respectively. The Hotel's affiliation with Marriott International greatly benefits the property, as the Hotel is able to utilize Marriott's wide distribution network, strong reservation system and renowned Marriott Rewards program. The Marriott Rewards program allows guests to benefit from their brand loyalty across the globe. The Renaissance Cleveland benefits from Marriott's vast sales and marketing and reservation systems. The new ownership has the ability to capture strong future upside through a focused renovation of the meeting rooms and public spaces to significantly amplify meeting room utilization. Given the Property's prime location on Public Square, the Renaissance Cleveland has historically benefit ted from an ADR premium above its competitive set, averaging an ADR index of 1051 from 2013 through 2016.

In 2015, market occupancy changed by 3.9% while the subject's occupancy changed by -0.3%. As a result of this relationship, the subject's occupancy penetration index shifted by -3.9 points. During the same period, market room rates changed by 6.3% while the subject's ADR changed by 3.2%, accounting for an adjustment in the subject's penetration index of -3.1 points. Market RevPAR in this year changed by 10.4% while the subject's RevPAR shifted by 2.8% rendering a RevPAR penetration index adjustment of -6.9 points by the subject.

During 2016, market occupancy changed by -3.3% while the subject's occupancy adjusted by 4.4%. The subject's occupancy penetration index as a result of these trends changed by 7.3 points. In the same timeframe, market room rates shifted by 7.2% while the subject's ADR changed by 2.9%; the subject's penetration index changed -4.2 points. Market RevPAR in this year changed by 3.7% while the subject's RevPAR shifted by 7.4% rendering a RevPAR penetration index adjustment of 3.4 points by the subject. The market struggled in 2016 as the impact of the new supply hit the hotel harder than many other hotels. It was the first time in four years the

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ADR index fell below 100.0 percent. Additionally, the instability in the property's ownership, management, and brand affiliation has impacted the property. As the hotel enters 2017 ad begins an extensive PIP, we believe these issues will resolve themselves and the hotel will regain its place in the market. The hotel has a high number of advantages including its extensive meeting space, connection to the casino, and decor.

Looking forward, we believe the subject property will continue to benefit from its brand affiliation, and additional competitive advantages will be enjoyed following the planned upgrades. We note that many of the competitive properties have also completed upgrades in the past few years; however, the subject's planned PIP items are deemed to be high-impact (soft goods and case goods replacement in all guest units as well as within the public spaces), which should make way for improved operating conditions completion of the PIP, which we assume would take approximately 12 months for a prudent investor to complete.

ADR GROWTH PROJECTIONS

Based on recent performance figures reported at the subject and within the market, we have posted room rates to grow as indicated in the table below. Please note that we have illustrated our projections first on a calendar year basis, then on a fiscal year basis which reflects a projection commencing on October 1, 2017:

Subject's Projected ADR

Projection Year	Calendar Year	Assumed Growth Rate	ADR	Projection Year	Fiscally Adjusted ADR Projection	Resulting Growth Rate
Base Year Estimated	2016	-	$155.00	-	$151.51	-
1	2017	-3.0%	$150.35	2017/18	**$160.51**	5.9%
2	2018	9.0%	$163.88	2018/19	**$173.72**	8.2%
3	2019	8.0%	$176.99	2019/20 (Stabilized)	**$180.98**	4.2%
4	2020	3.0%	$182.30	2020/21	**$186.41**	3.0%

The operating performance of the subject hotel is projected in terms of annual guestroom occupancy and average daily room rate. We have cross-checked our ADR projections with historical levels in order to ascertain the risk characteristics of the anticipated economic benefits to the property. The following table compares historical ADR levels to projected levels, both on an actual basis, as well as an inflation-adjusted basis.

Subject's Inflation-Adjusted ADR

Year	Actual ADR	Inflation-Adjusted ADR
Historical:		
2013	$143.80	$161.85
2014	$146.54	$160.13
2015	$151.16	$160.37
2016	$155.49	$160.15
2016	$155.00	$155.00 (Base year)
Projected:		
2017/18	$160.51	$152.42
2018/19	$173.72	$160.16
2019/20	$180.98	$161.99 (Stabilized)
2020/21	$186.41	$161.99
2021/22	$192.00	$161.99
Difference between Stabilized and Peak ADR	**$180.98**	**16.4%**
(Inflation Adjusted)	**$161.99**	**4.2%**

As illustrated, the inflation-adjusted average room rate has ranged between $155.00 and $161.85 over the historical analysis period with the base year representing current dollars. Our projections indicate that the deflated stabilized average room rate represents a figure which is roughly 4.2% above the peak ADR level on an inflation-adjusted basis. We believe this difference is appropriate given the recent trends in the local market, improving health in area corporations, risk of new supply, recent and planned capital commitment, and the expected performance of the subject over the next several years following a hypothetical transaction on October 1, 2017.

Please note that, for illustrative purposes, inflation for all years (both historical and projected) is estimated at 3.0%. We note that inflation for general goods and services was lower than 3.0% in recent years, but the inflation figure of 3.0% is intended to represent local inflation for lodging rates only.

Based on the previously concluded occupancy and average room rate, the subject's room revenue is projected as illustrated below.

Projected Rooms Department Revenue

Projection Year	*Base Year 2016*	Year 1 2017/18	Year 2 2018/19	(Stabilized) 2019/20	Year 4 2020/21
Number of Days	*365*	365	365	365	365
Number of Rooms	*491*	491	491	491	491
Rounded Occupancy	*64%*	64%	66%	67%	67%
Occupied Rooms (Rounded)	*114,698*	114,698	118,282	120,074	120,074
Average Rate	*$155.00*	$160.51	$173.72	$180.98	$186.41
RevPAR	*$99.20*	$102.73	$114.66	$121.26	$124.89
Rooms Department Revenue	*$17,778,190*	$18,410,176	$20,547,949	$21,730,993	$22,382,994

TEST OF REASONABLENESS: PROJECTED PENETRATION INDEXES

We have considered the historical occupancy, average room rate and corresponding RevPAR for the subject property and compared those results to the competitive set. The preceding table illustrates our projection of the subject property based on the various market and other factors discussed earlier in this report. In order to ascertain the reasonableness of these projections, we have compared the metrics of the subject against the market and calculated penetration rates for each. The following table summarizes the subject's anticipated penetration rates during the first several years of our projection.

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Projected Penetration Analysis - Subject Property vs. Market

Projection Year	*Base Year 2016*	Year 1 2017/18	Year 2 2018/19	(Stabilized) 2019/20	Year 4 2020/21
Market					
Occupancy	62.6%	60.9%	61.9%	62.6%	63.2%
Assumed Growth	-	*-2.7%*	*1.6%*	*1.1%*	*1.0%*
ADR	$157.98	$153.24	$157.84	$162.57	$167.45
Assumed Growth	-	*-3.0%*	*3.0%*	*3.0%*	*3.0%*
RevPAR	$98.96	$93.37	$97.73	$101.78	$105.88
Assumed Growth	-	*-5.6%*	*4.7%*	*4.1%*	*4.0%*
Subject					
Occupancy	64%	64%	66%	67%	67%
Resulting Penetration Index	***102%***	***105%***	***107%***	***107%***	***106%***
ADR	$155.00	$160.51	$173.72	$180.98	$186.41
Resulting Penetration Index	***98%***	***105%***	***110%***	***111%***	***111%***
RevPAR	$99.20	$102.73	$114.66	$121.26	$124.89
Resulting Penetration Index	***100%***	***110%***	***117%***	***119%***	***118%***

Accordingly, we believe our projections for the subject property in terms of occupancy, ADR and RevPAR are reasonable and supported.

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INTRODUCTION

The highest and best use of an improved property is defined as that reasonable and most probable use that will support its highest present value. The highest and best use, or most probable use, must be legally permissible, physically possible, financially feasible, and maximally productive. The highest and best use concept is based upon traditional appraisal theory and reflects the attitudes of typical buyers and sellers who recognize that value is predicated on future benefits. This theory is based upon the wealth maximization of the owner, with consideration given to community goals. A use which does not meet the needs of the public will not meet the above highest and best use criteria.

In keeping with proper appraisal theory, the analysis will begin by analyzing the subject as though it is vacant without any consideration given to the existing improvements. Following this section, an analysis of the existing improvements will be considered.

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AS-VACANT ANALYSIS

The legal factors influencing the highest and best use of the subject property are primarily government regulations such as zoning ordinances. The subject site is zoned GR-E5 (General Retail Business District). Permitted uses within this district include hotel, office, retail, light industrial and various commercial uses. Prohibited uses within this district include heavy industrial, single-family dwelling residential and community facility uses.

The site is level at street grade with good access. The subject enjoys good frontage.. The subject is located within the core of Central Business District (CBD) of Downtown Cleveland, and adjacent to the Public Square. The subject hotel is connected to the Tower City Center which has more than 100 stores and restaurants, a movie theater, Horseshoe Casino; and is also the hub for Cleveland's three rapid transit lines. On March 17, 1976, the tower was added to the National Register of Historic Places as the Union Terminal Group. A four-block area at the intersection of Superior Avenue and Ontario Street, the Public Square is within a walking distance of the Lake Erie waterfront, the Rock and Roll Hall of Fame and Museum, the Great Lakes Science Center and all of the city's major sports venues, including the Cleveland Browns Stadium, Progressive Field and Quicken Loans Arena. The subject's neighborhood primarily comprises of a variety of commercial, retail and leisure/entertainment uses.

Financial feasibility, maximal productivity, marketability, legal, and physical factors have been considered and the highest and best use of the subject site as-vacant is to hold as vacant until demand substantiates the development of a hotel or commercial structure.

AS-IMPROVED ANALYSIS

The legal factors influencing the highest and best use of the subject property are primarily governmental regulations such as zoning and building codes. The subject’s improvements were constructed in 1918 and the subject site is zoned GR-E5 (General Retail Business District).

To the best of our knowledge, the subject is considered a legal, conforming use based on zoning requirements. The physical and locational characteristics of the property have been previously discussed in this report. The project is of good quality construction and in good condition, with adequate service amenities.

Legal, physical, locational and marketability factors support the existing use as the highest and best use of the subject site. Therefore, the property as improved, meets the physical and locational criteria as the highest and best use of the property.

In addition to legal, physical and locational considerations, analysis of the subject property "as improved" requires the treatment of alternative uses for the property. The five possible alternative treatments of the property are demolition, expansion, renovation, conversion, and continued use "as-is." Among the five alternative uses the Highest and Best Use of the subject property as improved is a lodging facility as it is currently improved and upgraded in line with brand standards.

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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.

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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.

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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
- Direct Capitalization Approach

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 October 1, 2017.

REVIEW OF OPERATING STATEMENTS

The appraisers were provided with income and expense statements of the subject property, the results of which are presented on the following pages. These statements were provided by the management of the subject property, and are unaudited. (We call your attention to the Assumptions and Limiting Conditions of this report.)

The income and expense statements summarize the subject’s operating statistics for the following periods:

- Calendar years: 2013 through 2016

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.

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CALENDAR YEARS

Statement of Historical Operations: Renaissance Cleveland Hotel

Calendar Year	**2013**				**2014**			
Through Month:	**December**				**December**			
Days Open:	**365**				**365**			
Number of Rooms:	**491**				**491**			
Occupied Rooms:	**114,257**				**110,051**			
Occupancy Rate:	**63.2%**				**61.4%**			
Average Daily Room Rate (ADR):	**$143.80**				**$146.54**			
Revenue Per Available Room (RevPAR):	**$90.92**				**$89.99**			
DEPARTMENTAL REVENUES	**$**	**% Total**	**$ PAR**	**$ POR**	**$**	**% Total**	**$ PAR**	**$ POR**
Rooms	$16,293,625	55.5%	$33,185	$142.61	$16,126,874	58.5%	$32,845	$146.54
Food & Beverage	$11,277,000	38.4%	$22,967	$98.70	$9,774,000	35.5%	$19,906	$88.81
Parking	$1,327,000	4.5%	$2,703	$11.61	$1,285,000	4.7%	$2,617	$11.68
Other Income	$475,000	1.6%	$967	$4.16	$377,000	1.4%	$768	$3.43
Total Departmental Revenues	**$29,372,625**	**100.0%**	**$59,822**	**$257.08**	**$27,562,874**	**100.0%**	**$56,136**	**$250.46**
DEPARTMENTAL COSTS								
Rooms	$4,655,000	28.6%	$9,481	$40.74	$4,606,000	28.6%	$9,381	$41.85
Food & Beverage	$6,899,000	61.2%	$14,051	$60.38	$6,393,000	65.4%	$13,020	$58.09
Parking	$262,000	19.7%	$534	$2.29	$204,000	15.9%	$415	$1.85
Other Income	$174,000	36.6%	$354	$1.52	$151,000	40.1%	$308	$1.37
Total Departmental Costs	**$11,990,000**	**40.8%**	**$24,420**	**$104.94**	**$11,354,000**	**41.2%**	**$23,124**	**$103.17**
DEPARTMENTAL INCOME	**$17,382,625**	**59.2%**	**$35,402**	**$152.14**	**$16,208,874**	**58.8%**	**$33,012**	**$147.29**
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General	$2,867,000	9.8%	$5,839	$25.09	$2,728,000	9.9%	$5,556	$24.79
Marketing	$2,424,000	8.3%	$4,937	$21.22	$2,244,000	8.1%	$4,570	$20.39
Royalty/Franchise Fees	$0	0.0%	$0	$0.00	$0	0.0%	$0	$0.00
Property Operations & Maintenance	$1,989,000	6.8%	$4,051	$17.41	$1,981,000	7.2%	$4,035	$18.00
Utilities	$1,777,000	6.0%	$3,619	$15.55	$1,787,000	6.5%	$3,640	$16.24
Total Undist. Oper. Expenses	**$9,057,000**	**30.8%**	**$18,446**	**$79.27**	**$8,740,000**	**31.7%**	**$17,800**	**$79.42**
MANAGEMENT FEES								
Base Management Fee	$887,000	3.0%	$1,807	$7.76	$830,000	3.0%	$1,690	$7.54
Incentive Management Fee	$162,000	0.6%	$330	$1.42	$186,000	0.7%	$379	$1.69
Total Management Fees	**$1,049,000**	**3.6%**	**$2,136**	**$9.18**	**$1,016,000**	**3.7%**	**$2,069**	**$9.23**
HOUSE PROFIT	**$7,276,625**	**24.8%**	**$14,820**	**$63.69**	**$6,452,874**	**23.4%**	**$13,142**	**$58.64**
FIXED CHARGES								
Property Taxes	$1,871,000	6.4%	$3,811	$16.38	$1,703,000	6.2%	$3,468	$15.47
Insurance	$299,000	1.0%	$609	$2.62	$224,000	0.8%	$456	$2.04
Reserve for Replacement	$1,183,000	4.0%	$2,409	$10.35	$1,105,000	4.0%	$2,251	$10.04
Total Fixed Charges	**$3,353,000**	**11.4%**	**$6,829**	**$29.35**	**$3,032,000**	**11.0%**	**$6,175**	**$27.55**
Below-the-Line Add-Back (Income/Rebate)	$68,000	0.2%	$138	$0.60	$72,000	0.3%	$147	$0.65
NET OPERATING INCOME	**$3,991,625**	**13.6%**	**$8,130**	**$34.94**	**$3,492,874**	**12.7%**	**$7,114**	**$31.74**
OPERATING RATIOS								
Food & Beverage to Rooms	69.2%				60.6%			
Parking to Rooms	8.1%				8.0%			
Other Income to Rooms	2.9%				2.3%			
Royalty/Franchise Fees to Rooms	0.0%				0.0%			

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CALENDAR YEARS

Statement of Historical Operations: Renaissance Cleveland Hotel

Calendar Year	**2015**				**2016**			
Through Month:	**December**				**December**			
Days Open:	**365**				**365**			
Number of Rooms:	**491**				**491**			
Occupied Rooms:	**109,676**				**114,224**			
Occupancy Rate:	**61.2%**				**63.9%**			
Average Daily Room Rate (ADR):	**$151.16**				**$155.49**			
Revenue Per Available Room (RevPAR):	**$92.51**				**$99.37**			
DEPARTMENTAL REVENUES	**$**	**% Total**	**$ PAR**	**$ POR**	**$**	**% Total**	**$ PAR**	**$ POR**
Rooms	$16,578,624	58.8%	$33,765	$151.16	$17,809,358	64.3%	$36,272	$155.92
Food & Beverage	$10,167,000	36.0%	$20,707	$92.70	$8,478,000	30.6%	$17,267	$74.22
Parking	$1,098,000	3.9%	$2,236	$10.01	$1,097,000	4.0%	$2,234	$9.60
Other Income	$362,000	1.3%	$737	$3.30	$308,000	1.1%	$627	$2.70
Total Departmental Revenues	**$28,205,624**	**100.0%**	**$57,445**	**$257.17**	**$27,692,358**	**100.0%**	**$56,400**	**$242.44**
DEPARTMENTAL COSTS								
Rooms	$4,631,000	27.9%	$9,432	$42.22	$4,655,000	26.1%	$9,481	$40.75
Food & Beverage	$6,447,000	63.4%	$13,130	$58.78	$5,537,000	65.3%	$11,277	$48.47
Parking	$188,000	17.1%	$383	$1.71	$475,000	43.3%	$967	$4.16
Other Income	$0	0.0%	$0	$0.00	$27,000	8.8%	$55	$0.24
Total Departmental Costs	**$11,266,000**	**39.9%**	**$22,945**	**$102.72**	**$10,694,000**	**38.6%**	**$21,780**	**$93.62**
DEPARTMENTAL INCOME	**$16,939,624**	**60.1%**	**$34,500**	**$154.45**	**$16,998,358**	**61.4%**	**$34,620**	**$148.82**
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General	$3,129,000	11.1%	$6,373	$28.53	$2,544,000	9.2%	$5,181	$22.27
Marketing	$2,275,000	8.1%	$4,633	$20.74	$2,710,000	9.8%	$5,519	$23.73
Royalty/Franchise Fees	$437,000	1.5%	$890	$3.98	$889,000	3.2%	$1,811	$7.78
Property Operations & Maintenance	$1,904,000	6.8%	$3,878	$17.36	$1,742,000	6.3%	$3,548	$15.25
Utilities	$1,792,000	6.4%	$3,650	$16.34	$2,192,000	7.9%	$4,464	$19.19
Total Undist. Oper. Expenses	**$9,537,000**	**33.8%**	**$19,424**	**$86.96**	**$10,077,000**	**36.4%**	**$20,523**	**$88.22**
MANAGEMENT FEES								
Base Management Fee	$775,000	2.7%	$1,578	$7.07	$692,000	2.5%	$1,409	$6.06
Incentive Management Fee	$39,000	0.1%	$79	$0.36	$0	0.0%	$0	$0.00
Total Management Fees	**$814,000**	**2.9%**	**$1,658**	**$7.42**	**$692,000**	**2.5%**	**$1,409**	**$6.06**
HOUSE PROFIT	**$6,588,624**	**23.4%**	**$13,419**	**$60.07**	**$6,229,358**	**22.5%**	**$12,687**	**$54.54**
FIXED CHARGES								
Property Taxes	$1,396,000	4.9%	$2,843	$12.73	$724,000	2.6%	$1,475	$6.34
Insurance	$235,000	0.8%	$479	$2.14	$186,000	0.7%	$379	$1.63
Reserve for Replacement	$1,131,000	4.0%	$2,303	$10.31	$1,111,000	4.0%	$2,263	$9.73
Total Fixed Charges	**$2,762,000**	**9.8%**	**$5,625**	**$25.18**	**$2,021,000**	**7.3%**	**$4,116**	**$17.69**
Below-the-Line Add-Back (Income/Rebate)	$72,000	0.3%	$147	$0.66	$72,000	0.3%	$147	$0.63
NET OPERATING INCOME	**$3,898,624**	**13.8%**	**$7,940**	**$35.55**	**$4,280,358**	**15.5%**	**$8,718**	**$37.47**
OPERATING RATIOS								
Food & Beverage to Rooms	61.3%				47.6%			
Parking to Rooms	6.6%				6.2%			
Other Income to Rooms	2.2%				1.7%			
Royalty/Franchise Fees to Rooms	2.6%				5.0%			

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YEAR-TO-DATE

Statement of Historical Operations: Renaissance Cleveland Hotel

	2016				2017			
Calendar Year	**2016**				**2017**			
Through Month:	**July**				**July**			
Days Open:	**213**				**212**			
Number of Rooms:	**491**				**491**			
Occupied Rooms:	**68,613**				**63,920**			
Occupancy Rate:	**65.6%**				**61.4%**			
Average Daily Room Rate (ADR):	**$152.47**				**$144.27**			
Revenue Per Available Room (RevPAR):	**$100.03**				**$88.59**			
DEPARTMENTAL REVENUES	**$**	**% Total**	**$ PAR**	**$ POR**	**$**	**% Total**	**$ PAR**	**$ POR**
Rooms	$10,461,344	64.3%	$21,306	$152.47	$9,221,474	63.2%	$18,781	$144.27
Food & Beverage	$4,983,705	30.6%	$10,150	$72.63	$4,487,426	30.8%	$9,139	$70.20
Parking	$706,864	4.3%	$1,440	$10.30	$695,652	4.8%	$1,417	$10.88
Other Income	$128,018	0.8%	$261	$1.87	$176,335	1.2%	$359	$2.76
Total Departmental Revenues	**$16,279,931**	**100.0%**	**$33,157**	**$237.27**	**$14,580,887**	**100.0%**	**$29,696**	**$228.11**
Rooms	$2,679,534	25.6%	$5,457	$39.05	$2,664,970	28.9%	$5,428	$41.69
Food & Beverage	$3,235,149	64.9%	$6,589	$47.15	$2,949,291	65.7%	$6,007	$46.14
Parking	$289,383	40.9%	$589	$4.22	$291,437	41.9%	$594	$4.56
Other Income	$0	0.0%	$0	$0.00	$0	0.0%	$0	$0.00
Total Departmental Costs	**$6,204,066**	**38.1%**	**$12,636**	**$90.42**	**$5,905,698**	**40.5%**	**$12,028**	**$92.39**
DEPARTMENTAL INCOME	**$10,075,865**	**61.9%**	**$20,521**	**$146.85**	**$8,675,189**	**59.5%**	**$17,668**	**$135.72**
Administrative & General	$1,681,896	10.3%	$3,425	$24.51	$1,517,600	10.4%	$3,091	$23.74
Marketing	$1,494,088	9.2%	$3,043	$21.78	$1,671,293	11.5%	$3,404	$26.15
Royalty/Franchise Fees	$519,345	3.2%	$1,058	$7.57	$457,463	3.1%	$932	$7.16
Property Operations & Maintenance	$980,257	6.0%	$1,996	$14.29	$908,656	6.2%	$1,851	$14.22
Utilities	$1,206,446	7.4%	$2,457	$17.58	$1,070,552	7.3%	$2,180	$16.75
Total Undist. Oper. Expenses	**$5,882,032**	**36.1%**	**$11,980**	**$85.73**	**$5,625,564**	**38.6%**	**$11,457**	**$88.01**
Base Management Fee	$405,424	2.5%	$826	$5.91	$291,598	2.0%	$594	$4.56
Incentive Management Fee	$0	0.0%	$0	$0.00	$0	0.0%	$0	$0.00
Total Management Fees	**$405,424**	**2.5%**	**$826**	**$5.91**	**$291,598**	**2.0%**	**$594**	**$4.56**
HOUSE PROFIT	**$3,788,409**	**23.3%**	**$7,716**	**$55.21**	**$2,758,027**	**18.9%**	**$5,617**	**$43.15**
Property Taxes	$906,789	5.6%	$1,847	$13.22	$523,243	3.6%	$1,066	$8.19
Insurance	$110,798	0.7%	$226	$1.61	$102,790	0.7%	$209	$1.61
Reserve for Replacement	$651,313	4.0%	$1,327	$9.49	$583,142	4.0%	$1,188	$9.12
Total Fixed Charges	**$1,668,900**	**10.3%**	**$3,399**	**$24.32**	**$1,209,175**	**8.3%**	**$2,463**	**$18.92**
Below-the-Line Add-Back (Income/Rebate)	$0	0.0%	$0	$0.00	$0	0.0%	$0	$0.00
NET OPERATING INCOME	**$2,119,509**	**13.0%**	**$4,317**	**$30.89**	**$1,548,852**	**10.6%**	**$3,154**	**$24.23**
Food & Beverage to Rooms	47.6%				48.7%			
Parking to Rooms	6.8%				7.5%			
Other Income to Rooms	1.2%				1.9%			
Royalty/Franchise Fees to Rooms	5.0%				5.0%			

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TRAILING 12-MONTH

Statement of Historical Operations: Renaissance Cleveland Hotel

Fiscal Year:	**2017**
Through Month:	**July**
Days Open:	**364**
Number of Rooms:	**491**
Occupied Rooms:	**109,531**
Occupancy Rate:	**61.3%**
Average Daily Room Rate (ADR):	**$151.28**
Revenue Per Available Room (RevPAR):	**$92.71**

DEPARTMENTAL REVENUES	$	% Total	$ PAR	$ POR
Rooms	$16,569,488	63.7%	$33,746	$151.28
Food & Beverage	$7,981,721	30.7%	$16,256	$72.87
Parking	$1,085,788	4.2%	$2,211	$9.91
Other Income	$356,317	1.4%	$726	$3.25
Total Departmental Revenues	**$25,993,314**	**100.0%**	**$52,940**	**$237.31**
Rooms	$4,640,436	28.0%	$9,451	$42.37
Food & Beverage	$5,251,142	65.8%	$10,695	$47.94
Parking	$477,054	43.9%	$972	$4.36
Other Income	$27,000	7.6%	$55	$0.25
Total Departmental Costs	**$10,395,632**	**40.0%**	**$21,172**	**$94.91**
DEPARTMENTAL INCOME	**$15,597,682**	**60.0%**	**$31,767**	**$142.40**
Administrative & General	$2,379,704	9.2%	$4,847	$21.73
Marketing	$2,887,205	11.1%	$5,880	$26.36
Royalty/Franchise Fees	$827,118	3.2%	$1,685	$7.55
Property Operations & Maintenance	$1,670,399	6.4%	$3,402	$15.25
Utilities	$2,056,106	7.9%	$4,188	$18.77
Total Undist. Oper. Expenses	**$9,820,532**	**37.8%**	**$20,001**	**$89.66**
Base Management Fee	$578,174	2.2%	$1,178	$5.28
Incentive Management Fee	$0	0.0%	$0	$0.00
Total Management Fees	**$578,174**	**2.2%**	**$1,178**	**$5.28**
HOUSE PROFIT	**$5,198,976**	**20.0%**	**$10,589**	**$47.47**
Property Taxes	$340,454	1.3%	$693	$3.11
Insurance	$177,992	0.7%	$363	$1.63
Reserve for Replacement	$1,042,829	4.0%	$2,124	$9.52
Total Fixed Charges	**$1,561,275**	**6.0%**	**$3,180**	**$14.25**
Below-the-Line Add-Back (Income/Rebate)	$72,000	0.3%	$147	$0.66
NET OPERATING INCOME	**$3,709,701**	**14.3%**	**$7,555**	**$33.87**
Food & Beverage to Rooms	48.2%			
Parking to Rooms	6.6%			
Other Income to Rooms	2.2%			
Royalty/Franchise Fees to Rooms	5.0%			

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OPERATING BUDGET (PROFORMA)

In addition to the actual operating data, we have considered operating projections provided by management. As is true with the above-illustrated data, the projections are unaudited and in no way are certified by the appraisers as an accurate or inaccurate account of anticipated economic benefits.

The following figures represent management's forward-looking operating budget/proforma:

Statement of Budgeted Operations (Proforma)

Renaissance Cleveland Hotel

Calendar Year:	**2017**
Through Month:	**December**
Days Open:	**365**
Number of Rooms:	**491**
Occupied Rooms:	**116,855**
Occupancy Rate:	**65.2%**
Average Daily Room Rate (ADR):	**$154.29**
Revenue Per Available Room (RevPAR):	**$100.60**

DEPARTMENTAL REVENUES	$	% TOTAL	$ PAR	$ POR
Rooms	$18,029,558	62.3%	$36,720	$154.29
Food & Beverage	$9,258,385	32.0%	$18,856	$79.23
Parking	$1,300,000	4.5%	$2,648	$11.12
Other Income	$336,817	1.2%	$686	$2.88
Total Departmental Revenues	**$28,924,760**	**100.0%**	**$58,910**	**$247.53**
DEPARTMENTAL COSTS				
Rooms	$4,572,283	25.4%	$9,312	$39.13
Food & Beverage	$5,843,735	63.1%	$11,902	$50.01
Parking	$494,000	38.0%	$1,006	$4.23
Other Income	$20,762	6.2%	$42	$0.18
Total Departmental Costs	**$10,930,780**	**37.8%**	**$22,262**	**$93.54**
DEPARTMENTAL INCOME	**$17,993,980**	**62.2%**	**$36,648**	**$153.99**
UNDISTRIBUTED OPERATING EXPENSES				
Administrative & General	$2,617,596	9.0%	$5,331	$22.40
Marketing	$2,756,399	9.5%	$5,614	$23.59
Royalty/Franchise Fees	$893,744	3.1%	$1,820	$7.65
Property Operations & Maintenance	$1,669,004	5.8%	$3,399	$14.28
Utilities	$2,035,678	7.0%	$4,146	$17.42
Total Undist. Oper. Expenses	**$9,972,421**	**34.5%**	**$20,310**	**$85.34**
MANAGEMENT FEES				
Base Management Fee	$579,924	2.0%	$1,181	$4.96
HOUSE PROFIT	**$7,441,635**	**25.7%**	**$15,156**	**$63.68**
FIXED CHARGES				
Property Taxes	$847,999	2.9%	$1,727	$7.26
Insurance	$185,231	0.6%	$377	$1.59
Reserve for Replacement	$1,159,848	4.0%	$2,362	$9.93
Total Fixed Charges	**$2,193,078**	**7.6%**	**$4,467**	**$18.77**
Below-the-Line Add-Back (Income/Rebate)	$72,000	0.2%	$147	$0.62
NET OPERATING INCOME	**$5,320,557**	**18.4%**	**$10,836**	**$45.53**

OPERATING RATIOS	%
Food & Beverage to Rooms	51.4%
Parking to Rooms	7.2%
Other Income to Rooms	1.9%
Royalty/Franchise Fees to Rooms	5.0%

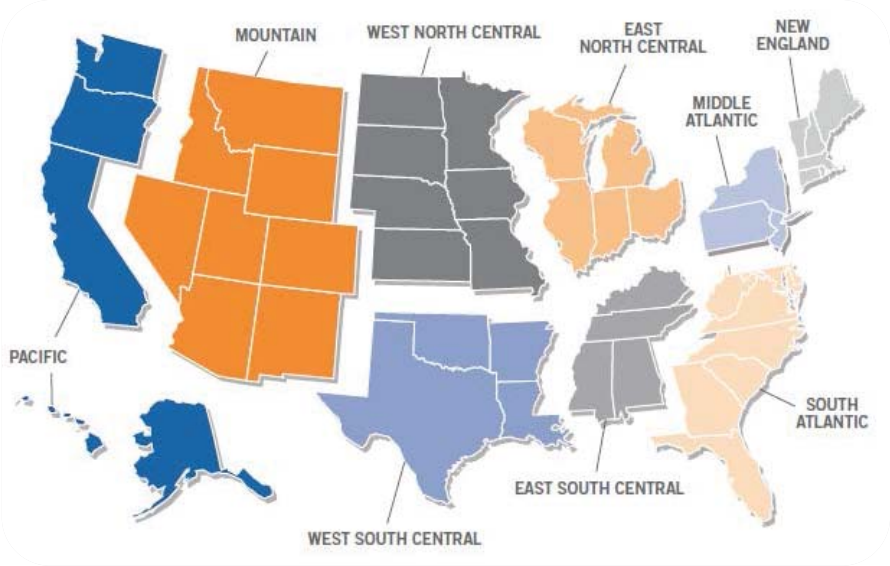
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COMPARABLE OPERATING DATA AND INDUSTRY AVERAGES

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 STR, Inc. 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	East North Central
Market Type	Suburban
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 (2016)

Full Service Properties

Category:	Full Service Properties (All)			Chain-Affiliated			East North Central			Suburban			Upscale Class		
Days Open:	365			365			365			365			365		
Number of Rooms:	298			308			301			213			181		
Occupied Rooms:	80,599			83,753			78,444			54,888			47,963		
Occupancy Rate:	74.1%			74.5%			71.4%			70.6%			72.6%		
Average Daily Room Rate (ADR):	$189.86			$188.55			$165.73			$155.25			$139.00		
Revenue Per Available Room (RevPAR):	$140.69			$140.47			$118.33			$109.61			$100.91		
DEPARTMENTAL REVENUES	**% Total**	**$ PAR**	**$ POR**	**% Total**	**$ PAR**	**$ POR**	**% Total**	**$ PAR**	**$ POR**	**% Total**	**$ PAR**	**$ POR**	**% Total**	**$ PAR**	**$ POR**
Rooms	64.2%	$51,350	$189.86	64.9%	$51,271	$188.55	65.4%	$43,191	$165.73	67.8%	$40,006	$155.25	81.3%	$36,834	$139.00
Food & Beverage	29.0%	$23,198	$85.77	28.8%	$22,711	$83.52	29.6%	$19,567	$75.08	27.6%	$16,278	$63.17	15.3%	$6,935	$26.17
Other Income	6.9%	$5,488	$20.29	6.3%	$5,009	$18.42	4.9%	$3,260	$12.51	4.6%	$2,695	$10.46	3.4%	$1,521	$5.74
Total Departmental Revenues	**100.0%**	**$80,036**	**$295.92**	**100.0%**	**$78,991**	**$290.49**	**100.0%**	**$66,018**	**$253.32**	**100.0%**	**$58,980**	**$228.88**	**100.0%**	**$45,289**	**$170.91**
DEPARTMENTAL COSTS															
Rooms	25.9%	$13,300	$49.17	25.7%	$13,177	$48.46	27.9%	$12,050	$46.24	24.1%	$9,642	$37.42	23.6%	$8,693	$32.80
Food & Beverage	71.4%	$16,563	$61.24	71.2%	$16,170	$59.47	70.9%	$13,873	$53.23	68.3%	$11,118	$43.15	76.7%	$5,319	$20.07
Other Income	67.8%	$3,721	$13.76	67.7%	$3,391	$12.47	69.4%	$2,263	$8.68	68.3%	$1,841	$7.14	58.5%	$890	$3.36
Total Departmental Costs	**42.0%**	**$33,584**	**$124.17**	**41.4%**	**$32,738**	**$120.39**	**42.7%**	**$28,186**	**$108.15**	**38.3%**	**$22,601**	**$87.70**	**32.9%**	**$14,902**	**$56.23**
DEPARTMENTAL INCOME	**58.0%**	**$46,452**	**$171.75**	**58.6%**	**$46,253**	**$170.10**	**57.3%**	**$37,832**	**$145.17**	**61.7%**	**$36,380**	**$141.18**	**67.1%**	**$30,388**	**$114.68**
UNDISTRIBUTED OPERATING EXPENSES															
Administrative & General	7.8%	$6,243	$23.08	7.7%	$6,082	$22.37	7.8%	$5,149	$19.76	8.3%	$4,895	$19.00	8.5%	$3,850	$14.53
Marketing	6.9%	$5,522	$20.42	7.0%	$5,529	$20.33	7.4%	$4,885	$18.75	7.2%	$4,247	$16.48	6.6%	$2,989	$11.28
Royalty/Franchise Fees	1.2%	$960	$3.55	1.3%	$1,027	$3.78	1.5%	$990	$3.80	2.4%	$1,416	$5.49	3.3%	$1,495	$5.64
Property Operations & Maintenance	4.2%	$3,362	$12.43	4.1%	$3,239	$11.91	4.6%	$3,037	$11.65	4.3%	$2,536	$9.84	4.4%	$1,993	$7.52
Utilities	3.2%	$2,561	$9.47	3.2%	$2,528	$9.30	3.0%	$1,981	$7.60	3.5%	$2,064	$8.01	3.8%	$1,721	$6.49
Total Undist. Oper. Expenses	**23.3%**	**$18,648**	**$68.95**	**23.3%**	**$18,405**	**$67.68**	**24.3%**	**$16,042**	**$61.56**	**25.7%**	**$15,158**	**$58.82**	**26.6%**	**$12,047**	**$45.46**
MANAGEMENT FEES															
Base Management Fee	3.0%	$2,401	$8.88	3.0%	$2,370	$8.71	3.1%	$2,047	$7.85	3.0%	$1,769	$6.87	3.3%	$1,495	$5.64
HOUSE PROFIT	**31.7%**	**$25,403**	**$93.92**	**32.3%**	**$25,479**	**$93.70**	**29.9%**	**$19,743**	**$75.76**	**33.0%**	**$19,452**	**$75.49**	**37.2%**	**$16,846**	**$63.57**
FIXED CHARGES															
Property Taxes	3.3%	$2,641	$9.77	3.3%	$2,607	$9.59	4.0%	$2,641	$10.13	2.9%	$1,710	$6.64	3.5%	$1,585	$5.98
Insurance	1.0%	$800	$2.96	1.0%	$790	$2.90	0.7%	$462	$1.77	0.8%	$472	$1.83	0.9%	$408	$1.54
Reserve for Replacement	2.1%	$1,681	$6.21	2.1%	$1,659	$6.10	1.7%	$1,122	$4.31	2.4%	$1,416	$5.49	2.4%	$1,087	$4.10
Total Fixed Charges	**6.4%**	**$5,122**	**$18.94**	**6.4%**	**$5,055**	**$18.59**	**6.4%**	**$4,225**	**$16.21**	**6.1%**	**$3,598**	**$13.96**	**6.8%**	**$3,080**	**$11.62**
NET OPERATING INCOME	**25.3%**	**$20,281**	**$74.98**	**25.9%**	**$20,423**	**$75.11**	**23.5%**	**$15,518**	**$59.55**	**26.9%**	**$15,854**	**$61.53**	**30.4%**	**$13,767**	**$51.95**
OPERATING RATIOS	**%**			**%**			**%**			**%**			**%**		
Food & Beverage to Rooms	45.2%			44.3%			45.3%			40.7%			18.8%		
Other Income to Rooms	10.7%			9.8%			7.5%			6.7%			4.1%		
Royalty/Franchise Fees to Rooms	1.9%			2.0%			2.3%			3.5%			4.1%		

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OPERATING COMPARABLES

Operating Comparables for Analysis of Renaissance Cleveland Hotel

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	0.0%	$0	$0.00	51.0%	$5,741	$20.90	70.0%	$14,398	$58.68	0.0%	$0	$0.00	0.0%	$0	$0.00
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**	**18.0%**	**$9,358**	**$37.34**	**29.7%**	**$14,577**	**$53.07**	**47.7%**	**$22,984**	**$93.67**	**22.3%**	**$3,107**	**$20.04**	**14.5%**	**$8,023**	**$31.46**
DEPARTMENTAL INCOME	**68.1%**	**$29,081**	**$107.50**	**82.0%**	**$42,714**	**$170.43**	**70.3%**	**$34,571**	**$125.86**	**52.3%**	**$25,229**	**$102.82**	**77.7%**	**$10,804**	**$69.69**	**85.5%**	**$47,235**	**$185.20**
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
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**	**55.7%**	**$29,019**	**$115.79**	**40.4%**	**$19,876**	**$72.36**	**17.5%**	**$8,451**	**$34.44**	**37.2%**	**$5,170**	**$33.35**	**52.5%**	**$29,000**	**$113.71**
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**	**45.8%**	**$23,864**	**$95.22**	**29.7%**	**$14,617**	**$53.22**	**11.4%**	**$5,510**	**$22.46**	**31.4%**	**$4,363**	**$28.14**	**46.4%**	**$25,629**	**$100.49**
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%		

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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% per year on average throughout the 10-year projection period.

FIXED AND VARIABLE COST COMPONENTS

The income and expense line items for the subject property throughout the holding period are generated using sophisticated modeling software developed by Colliers International's Hospitality and Leisure Group. The software takes into account the varying degrees of fixed and variable components that each individual line item possesses.

Specifically, *fixed cost components* are expenses or overheads that are not dependent on the level of goods or services produced by the business. They tend to be time-related, such as salaries or rents being paid. This is in contrast to *variable cost components*, which are costs that change in proportion to the good or service that a business produces. They can also be considered normal costs. Variable costs are sometimes called unit-level costs as they vary with the number of units produced. In this case, the units produced are room nights, and therefore the line item experiences future incremental changes based on occupancy and utilization levels.

After a thorough review of the subject property's historical operating data, hotel industry averages, and the performance of comparable hotels, we have developed a 10-year projection of income and expense. Our projection begins on October 1, 2017 and, considering the current state of the competitive hotel market, we believe that the subject property will achieve stabilization by October 1, 2019.

The projection of income and expense is, intuitively, a reflection of the expectations of a well-informed and prudent buyer pertaining to the subject property's operating results. Depending on the dynamics of the local market, anticipated economic benefits may be adjusted upward or downward relative to actual operating results. We have incorporated these factors into this analysis.

The following table summarizes our assumptions pertaining to the component behaviors for each line item:

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Summary of Fixed and Variable Components

DEPARTMENTAL REVENUES	% Fixed	% Variable	Dependent Variable
Rooms	0.0%	100.0%	Rooms
Food & Beverage	25.0%	75.0%	Rooms
Parking	50.0%	50.0%	Rooms
Other Income	50.0%	50.0%	Rooms
DEPARTMENTAL COSTS			
Rooms	60.0%	40.0%	Rooms
Food & Beverage	50.0%	50.0%	Food & Beverage
Parking	75.0%	25.0%	Parking
Other Income	75.0%	25.0%	Other Income
UNDISTRIBUTED OPERATING EXPENSES			
Administrative & General	75.0%	25.0%	Total Revenue
Marketing	60.0%	40.0%	Total Revenue
Royalty/Franchise Fees	0.0%	100.0%	Rooms, F&B
Property Operations & Maintenance	75.0%	25.0%	Total Revenue
Utilities	75.0%	25.0%	Total Revenue
MANAGEMENT FEES			
Base Management Fee	0.0%	100.0%	Total Revenue
FIXED CHARGES			
Property Taxes	80.0%	20.0%	House Profit
Insurance	100.0%	0.0%	Total Revenue
Reserve for Replacement	0.0%	100.0%	Total Revenue

DEPARTMENTAL REVENUES

Room Revenues

The subject's projected room revenues are based on the anticipated occupancy and average daily rate (ADR) analysis that was presented earlier in this report. To reiterate, the following table summarizes our conclusions. Please note that occupied room nights are expressed *after* the occupancy level has been rounded to the nearest full percentage point.

Projected Rooms Department Revenue

Projection Year	*Base Year 2016*	Year 1 2017/18	Year 2 2018/19	(Stabilized) 2019/20	Year 4 2020/21
Number of Days	*365*	365	365	365	365
Number of Rooms	*491*	491	491	491	491
Rounded Occupancy	*64%*	64%	66%	67%	67%
Occupied Rooms (Rounded)	*114,698*	114,698	118,282	120,074	120,074
Average Rate	*$155.00*	$160.51	$173.72	$180.98	$186.41
RevPAR	*$99.20*	$102.73	$114.66	$121.26	$124.89
Rooms Department Revenue	*$17,778,190*	$18,410,176	$20,547,949	$21,730,993	$22,382,994

Food and Beverage Revenues

Most hotel operators seek to diversify their revenue through ancillary services that complement the rooms department. Many hotels have a full-service bar and restaurant that provides the average establishment with a fairly substantial percentage of annual revenue relative to rooms (i.e. in excess of 10.0%). In an increasingly competitive industry, some hotel operators have sought to position their restaurant as the hotel's main attraction

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with the aim of attracting travelers that would otherwise stay elsewhere. Conference room spaces are a growing revenue stream in the U.S. when considering a long-term trend, 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 lower bulk room rates and, very often, more than offset this discount with enhanced sales within the food-and-beverage department.

A fairly substantial portion of a hotel's restaurant and banquet rooms is, in most cases, self-generating; however, depending on the market, hotel restaurants and lounges also attract significant demand from local residents. Furthermore, meeting and banquet areas can facilitate income from sources that would not patronize the facility for any other reason, including the rooms department. Overall, we have observed that there is a relatively high percentage of variable components within in this department which are dependent upon occupancy.

In the case of the subject hotel, food and beverage revenue represents income from the operation of the restaurant, lounge, and meeting and banquet space. After considering the property's recent performance as well as the performance of comparable hotels and industry averages, we believe that our assumptions of operating ratios within the Food & Beverage department are market-oriented and that its variable components will continue to correlate with fluctuations in the subject's occupancy level throughout the projection period.

The following table outlines pertinent trends and assumptions associated with our projection of the Food and Beverage line item:

Food & Beverage Revenues

Source	RATIO	PAR	POR
Operating Comparables			
Low	9.9%	$2,466	$15.62
High	42.7%	$20,569	$83.83
Average	24.9%	$11,454	$45.95
STR HOST Study			
All Full Service Properties	29.0%	$23,198	$85.77
Chain-Affiliated	28.8%	$22,711	$83.52
East North Central	29.6%	$19,567	$75.08
Suburban	27.6%	$16,278	$63.17
Upscale Class	15.3%	$6,935	$26.17
Subject Historicals			
2013	38.4%	$22,967	$98.70
2014	35.5%	$19,906	$88.81
2015	36.0%	$20,707	$92.70
2016	30.6%	$17,267	$74.22
TTM Ending July 2017	30.7%	$16,256	$72.87
2017 Budget/Proforma	32.0%	$18,856	$79.23
Base-Year Conclusion:	**30.5%**	**$16,256**	**$72.87**
First Projection Year (2017/18)	**30.3%**	**$17,826**	**$76.31**
Stabilized Year (2019/20)	**29.9%**	**$20,501**	**$83.83**

Miscellaneous Departmental Revenues

In addition to the primary sources of revenue that are commonplace in lodging facilities, we have analyzed and prepared projections on various miscellaneous revenue categories. The following tables summarize the historical trends as well as our assumptions for future growth for this area of the operating business.

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Parking Revenues			
Source	RATIO	PAR	POR
Subject Historicals			
2013	4.5%	$2,703	$11.61
2014	4.7%	$2,617	$11.68
2015	3.9%	$2,236	$10.01
2016	4.0%	$2,234	$9.60
TTM Ending July 2017	4.2%	$2,211	$9.91
2017 Budget/Proforma	4.5%	$2,648	$11.12
Base-Year Conclusion:	**4.2%**	**$2,211**	**$9.91**
First Projection Year (2017/18)	**4.1%**	**$2,393**	**$10.24**
Stabilized Year (2019/20)	**3.9%**	**$2,680**	**$10.96**

Other Income

Other income is inclusive of proceeds generated from sources other than the categories discussed above and typically include telecommunication, vending machines and other miscellaneous sources. Overall, we have observed that there is a moderate percentage of variable components in this department. After considering the performance of comparable hotels and industry averages, as well as what we believe would be expected by a potential investor of the subject property, we project the subject's revenue from the Other Income department will increase in the near term on a per-occupied-room basis, but then normalize with its variable components correlating to changes in the subject's future occupancy levels.

The following table outlines pertinent trends and assumptions associated with our projection of the Other Income line item:

Other Income Revenues			
Source	RATIO	PAR	POR
Operating Comparables			
Low	0.4%	$184	$0.84
High	5.9%	$3,049	$12.17
Average	2.1%	$986	$3.91
STR HOST Study			
All Full Service Properties	6.9%	$5,488	$20.29
Chain-Affiliated	6.3%	$5,009	$18.42
East North Central	4.9%	$3,260	$12.51
Suburban	4.6%	$2,695	$10.46
Upscale Class	3.4%	$1,521	$5.74
Subject Historicals			
2013	1.6%	$967	$4.16
2014	1.4%	$768	$3.43
2015	1.3%	$737	$3.30
2016	1.1%	$627	$2.70
TTM Ending July 2017	1.4%	$726	$3.25
2017 Budget/Proforma	1.2%	$686	$2.88
Base-Year Conclusion:	**1.9%**	**$1,004**	**$4.50**
First Projection Year (2017/18)	**1.8%**	**$1,086**	**$4.65**
Stabilized Year (2019/20)	**1.8%**	**$1,217**	**$4.98**

DEPARTMENTAL EXPENSES

Departmental expenses are based on expense items that are attributable to a specific profit center.

Rooms Expenses

Rooms department expenses, in general, are costs associated with the various guest services ranging from reservation/registration activities to the settlement of guest accounts upon checkout. This department typically

compromises a rooms division manager, assistant managers, registration clerks, cashiers, mail and information clerk, and uniform service personnel.

The various types of rooms departmental expenses include the following:

- *Commissions expenses*: This account includes payments by the hotel to authorized agents that bring room business to the hotel. Usually on a periodic basis, hotel managers and owners meet with these agents in order to reconcile monthly sales figures and authorize commission payment. This is usually transacted in the form of a percentage of room revenue.
- *Reservation expenses*: This expense account represents any payment to various agents contracting to bring potential room rental business to the hotel. These agents might have the form of central reservation offices (whether affiliate or non-affiliate) or online procuring entities such as Expedia, Travelocity or Egencia.
- *Contract cleaning expenses*: This expense account represents payment to contracting outside cleaning agencies. Some hotels (especially small and middle size hotels) might opt for contract cleaning because of its more efficient scale. If this is the case, these managers might not be prompted to have a housekeeping department, or it might keep housekeeping staff to minimum. Such expenses should be determined in light of the contract signed between both parties (i.e. the hotel from one side and the cleaning company from the other.)
- *Laundry and dry cleaning expenses*: This cost applies to outside laundry and dry cleaning costs for the Rooms department. In most of the cases, such contracts are signed to benefit more than one revenue generator. In this case, the Rooms department shall report the laundry and dry cleaning expenses related only to the Rooms Division department.
- *Guest transportation expenses*: These expenses include the cost of transporting guests from and to the hotel via various means of transportation (ex: Mini-buses, buses, limousines or Towncars). If the guest transportation volume costs are high and do not offer enough scale, then a separate department might be established.
- *Linen expenses*: This specific expense account includes the allocation of a portion of linen expenditure for a specific period of time.
- *Other expenses*: This account includes the various guest supplies provided free of charge to guests in their rooms. Some sub-accounts of guest supplies expenses might include newspaper, guest stationery, shoe cloth, coffee, writing supplies, toilet requisites, flowers, hangers, ice, complementary sundries, uniforms, cleaning supplies and items pertaining to the operation and maintenance of the business center, if any.

A number of components within this department—namely commissions—are dependent on occupancy alone, or occupancy *and* rate. Reservations is a similar expense and often accounts for the cost associated with a franchise reservation system; these systems typically bill hotel owners a percentage of rooms revenue. Many of the remaining items in the list above (such as operating supplies, uniforms or other operating expenses) are only slightly affected by changes in volume. Overall, we have observed that there is a relatively high percentage of variable components in this department and we have based our forecast accordingly.

After considering the performance of comparable hotels and industry averages, as well as what we believe would be expected by a potential investor of the subject property, we project the subject's expenses from the Rooms department will decrease in the near term on apercentage basis, but then normalize with its variable components correlating to changes in the subject's future occupancy levels.

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The following table outlines pertinent trends and assumptions associated with our projection of the Rooms Expense line item:

Rooms Expenses			
Source	**RATIO**	**PAR**	**POR**
Operating Comparables			
Low	20.0%	$3,097	$19.97
High	29.7%	$10,338	$38.21
Average	24.9%	$7,558	$30.48
STR HOST Study			
All Full Service Properties	25.9%	$13,300	$49.17
Chain-Affiliated	25.7%	$13,177	$48.46
East North Central	27.9%	$12,050	$46.24
Suburban	24.1%	$9,642	$37.42
Upscale Class	23.6%	$8,693	$32.80
Subject Historicals			
2013	28.6%	$9,481	$40.74
2014	28.6%	$9,381	$41.85
2015	27.9%	$9,432	$42.22
2016	26.1%	$9,481	$40.75
TTM Ending July 2017	28.0%	$9,451	$42.37
2017 Budget/Proforma	25.4%	$9,312	$39.13
Base-Year Conclusion:	**27.1%**	**$9,146**	**$41.00**
First Projection Year (2017/18)	**26.3%**	**$9,844**	**$42.14**
Stabilized Year (2019/20)	**24.6%**	**$10,908**	**$44.61**

Food and Beverage Expense

Food and beverage expenses consist of the items necessary for the operation of eating, drinking, and meeting facilities within the lodging facility. Major items of expense in the food and beverage department include payroll, flatware, glassware, uniforms, and the cost of goods sold pertaining to food and beverages. We observe that there is a relatively high degree of variability associated with this direct expense line item.

Based on recent performance as well as the performance of comparable hotels and industry averages, we believe that our assumptions of operating ratios within the Food & Beverage department are market-oriented and that its variable components will continue to correlate with fluctuations in the respective departmental line item figures throughout the projection period.

The following table outlines pertinent trends and assumptions associated with our projection of the Food and Beverage expense line item:

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Food & Beverage Expenses			
Source	**RATIO**	**PAR**	**POR**
Operating Comparables			
Low	0.0%	$0	$0.00
High	70.0%	$14,398	$58.68
Average	31.6%	$3,840	$15.05
STR HOST Study			
All Full Service Properties	71.4%	$16,563	$61.24
Chain-Affiliated	71.2%	$16,170	$59.47
East North Central	70.9%	$13,873	$53.23
Suburban	68.3%	$11,118	$43.15
Upscale Class	76.7%	$5,319	$20.07
Subject Historicals			
2013	61.2%	$14,051	$60.38
2014	65.4%	$13,020	$58.09
2015	63.4%	$13,130	$58.78
2016	65.3%	$11,277	$48.47
TTM Ending July 2017	65.8%	$10,695	$47.94
2017 Budget/Proforma	63.1%	$11,902	$50.01
Base-Year Conclusion:	**65.8%**	**$10,695**	**$47.94**
First Projection Year (2017/18)	**64.9%**	**$11,573**	**$49.54**
Stabilized Year (2019/20)	**63.2%**	**$12,962**	**$53.00**

Miscellaneous Expenses

This category considers those expenses incurred as a result of generating specific income items. Assuming a relatively even balance of fixed and variable components, our analysis of the various miscellaneous expenses for this area of the subject's business is outlined in the following table.

Parking Expenses			
Source	**RATIO**	**PAR**	**POR**
Subject Historicals			
2013	19.7%	$534	$2.29
2014	15.9%	$415	$1.85
2015	17.1%	$383	$1.71
2016	43.3%	$967	$4.16
TTM Ending July 2017	43.9%	$972	$4.36
2017 Budget/Proforma	38.0%	$1,006	$4.23
Base-Year Conclusion:	**43.9%**	**$972**	**$4.36**
First Projection Year (2017/18)	**43.3%**	**$1,037**	**$4.44**
Stabilized Year (2019/20)	**42.2%**	**$1,131**	**$4.62**

Other Expenses

This category considers those expenses incurred as a result of generating "Other Income". The telecommunications expenses associated with this line item includes telecommunications-related costs. Telecommunication expenses include the cost of local and long distance calls, salaries and wages for hotel operators, employee benefits, rental equipment, printing and stationary, the cost of house calls, and other operating costs.

Based on the performance of comparable hotels and industry averages, as well as what we believe would be expected by a potential investor of the subject property, we project the subject's expenses from the Other Income department will increase in the near term on apercentage basis, but then normalize with its variable components correlating to changes in the subject's future departmental income.

Our analysis of other expenses for the subject is outlined in the following table.

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Other Income Expenses			
Source	**RATIO**	**PAR**	**POR**
Operating Comparables			
Low	5.7%	$11	$0.07
High	211.1%	$1,208	$4.82
Average	75.0%	$543	$2.11
STR HOST Study			
All Full Service Properties	67.8%	$3,721	$13.76
Chain-Affiliated	67.7%	$3,391	$12.47
East North Central	69.4%	$2,263	$8.68
Suburban	68.3%	$1,841	$7.14
Upscale Class	58.5%	$890	$3.36
Subject Historicals			
2013	36.6%	$354	$1.52
2014	40.1%	$308	$1.37
2016	8.8%	$55	$0.24
TTM Ending July 2017	7.6%	$55	$0.25
2017 Budget/Proforma	6.2%	$42	$0.18
Base-Year Conclusion:	**7.6%**	**$76**	**$0.34**
First Projection Year (2017/18)	**7.5%**	**$81**	**$0.35**
Stabilized Year (2019/20)	**7.3%**	**$89**	**$0.36**

UNDISTRIBUTED OPERATING EXPENSES

Undistributed, or “non-direct” operating expenses are costs shouldered by the overall hotel operation and not attributable to any one specific department or profit center.

Administrative and General

The administrative and general expense line item consists of payroll and related benefits for employees in operations management, sales and marketing, finance, legal, human resources and other support services, as well as general corporate and public company expenses. Most administrative and general expenses are relatively fixed. The exceptions are cash overages and shortages; commissions on credit card charges; provision for doubtful accounts, which are moderately affected by the number of transactions or total revenue; and salaries, wages, and benefits, which are very slightly influenced by volume.

Based on the performance of comparable hotels and industry averages, as well as what we believe would be expected by a potential investor of the subject property, we project the subject's expenses from the Administrative & General department will decrease in the near term on a per-available-room basis, but then normalize with its variable components correlating to changes in the subject's future total revenues.

The following table outlines pertinent trends and assumptions associated with our projection of the Administrative and General line item:

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Administrative & General Expenses			
Source	**RATIO**	**PAR**	**POR**
Operating Comparables			
Low	7.8%	$1,419	$9.15
High	10.2%	$4,426	$17.68
Average	8.7%	$3,688	$14.90
STR HOST Study			
All Full Service Properties	7.8%	$6,243	$23.08
Chain-Affiliated	7.7%	$6,082	$22.37
East North Central	7.8%	$5,149	$19.76
Suburban	8.3%	$4,895	$19.00
Upscale Class	8.5%	$3,850	$14.53
Subject Historicals			
2013	9.8%	$5,839	$25.09
2014	9.9%	$5,556	$24.79
2015	11.1%	$6,373	$28.53
2016	9.2%	$5,181	$22.27
TTM Ending July 2017	9.2%	$4,847	$21.73
2017 Budget/Proforma	9.0%	$5,331	$22.40
Base-Year Conclusion:	**9.0%**	**$4,800**	**$21.52**
First Projection Year (2017/18)	**8.7%**	**$5,117**	**$21.90**
Stabilized Year (2019/20)	**8.1%**	**$5,567**	**$22.76**

Marketing Expenses

Marketing expenses reflect a hotels expenditures associated with advertising and promotion activities. Expenses include salaries and wages, employee benefits, dues and subscriptions, operating supplies, postage, telephone, trade shows, travel and entertainment, advertising and merchandising expenses, other marketing activities, and applicable fees and commissions.

After considering the recent performance as well as the performance of comparable hotels and industry averages, we believe that our assumptions of operating ratios within the Marketing department are market-oriented and that its variable components will continue to correlate with fluctuations in the total revenue figures throughout the projection period.

The following table outlines pertinent trends and assumptions associated with our projection of the Marketing line item:

Marketing Expenses			
Source	**RATIO**	**PAR**	**POR**
Operating Comparables			
Low	5.8%	$1,016	$6.55
High	10.7%	$5,747	$22.53
Average	8.2%	$3,605	$14.35
STR HOST Study			
All Full Service Properties	6.9%	$5,522	$20.42
Chain-Affiliated	7.0%	$5,529	$20.33
East North Central	7.4%	$4,885	$18.75
Suburban	7.2%	$4,247	$16.48
Upscale Class	6.6%	$2,989	$11.28
Subject Historicals			
2013	8.3%	$4,937	$21.22
2014	8.1%	$4,570	$20.39
2015	8.1%	$4,633	$20.74
2016	9.8%	$5,519	$23.73
TTM Ending July 2017	11.1%	$5,880	$26.36
2017 Budget/Proforma	9.5%	$5,614	$23.59
Base-Year Conclusion:	**11.0%**	**$5,880**	**$26.36**
First Projection Year (2017/18)	**10.7%**	**$6,314**	**$27.03**
Stabilized Year (2019/20)	**10.2%**	**$6,973**	**$28.51**

Franchise Fee

The presence of an appropriate hotel franchise affiliation is critical in a property's ability to compete in a market, secure profits, achieve a certain market orientation and benefit from repeat accommodations. Because the value of a hotel is most often based on the cash flow it generates (as previously discussed), and that franchise fees can be significant relative to other expense categories, owners must maximize the benefits and services that the franchise affiliation offers.

Fees charged for by a hotel franchise company typically include the following:

- *Royalty Fee*. Usually based on a percentage of rooms revenue, the royalty fee represents compensation for the use of the brand's trade name, service marks and associated logos, good will and other franchise services.
- *Advertising or Marketing Contribution Fee*. This fee covers the cost of brandwide advertising and marketing placed in various types of media, the development and distribution of a brand directory, and marketing geared toward specific groups and segments.
- *Reservation Fee*. If the franchise brand utilizes reservation systems, the reservation fee supports the cost of operating and paying for the central office, telephone, computers and reservation personnel.
- *Frequent Traveler Program*. Some franchisors maintain incentive programs that reward guests for frequent stays; these programs are designed to encourage loyalty to the brand. The cost of administrating the program is financed by a frequent traveler assessment.
- *Miscellaneous Fees*. Depending on the franchise agreement, the franchisor may provide a separately charge for additional services such as training programs, travel agent commissions, global distribution system fees, computer hardware and software and software maintenance.

The subject property is encumbered by a franchise and licensing agreement between current ownership and the franchisor of Renaissance hotels. According to information provided to the appraisers, this agreement commenced on October 27, 2015 and extends for a period of 20 years. There are also two options to extend the contract for an additional 5 years in each renewal period. Base royalty fees are stated to be equal to 5.00% of

rooms revenue in each month. In addition, a marketing func payment equal to 1.5% of rooms revenue is charged. It is our understanding that the franchise and licensing agreement is terminable upon a sale of the subject property. Accordingly, we have projected there to be royalty fees equal to 5.00% of rooms revenue annually.

Please note that these only include royalty fees; advertising/marketing contribution fees have been included in marketing expenses and reservation fees have been included in rooms expenses, respectively. All other fees, depending on the nature of their use and application, have been included in the rooms, marketing and/or administrative and general line items, as appropriate. *We call your attention to the Assumptions and Limiting Conditions* of this report.

Property Operations and Maintenance

Property operations and maintenance expenses are those costs that have been incurred for the administration, supervision, operation, maintenance, preservation, and protection of the hotel's physical plant. They include expenses normally incurred for such items as janitorial and on-site utility upkeep; repairs and ordinary or normal alterations of buildings, furniture and equipment, care of grounds; maintenance and operation of buildings and other plant facilities; security; earthquake and disaster preparedness; environmental safety; hazardous waste disposal; facility planning and management; and, central receiving. In our analysis, we have considered whether this cost level is adequate relative to the hotel's size, position in the market and service orientation. An inadequate amount of expenditures in this department could indicate that there are certain levels of deferred maintenance that need to be addressed.

Based on the performance of comparable hotels and industry averages, as well as what we believe would be expected by a potential investor of the subject property, we project the subject's expenses from the Property Operations & Maintenance department will decrease in the near term on a per-available-room basis, but then normalize with its variable components correlating to changes in the subject's future total revenues.

The following table outlines pertinent trends and assumptions associated with our projection of the Property Operations and Maintenance line item:

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Property Operations & Maintenance Expenses			
Source	**RATIO**	**PAR**	**POR**
Operating Comparables			
Low	3.2%	$765	$4.94
High	5.5%	$2,555	$10.41
Average	4.5%	$1,892	$7.67
STR HOST Study			
All Full Service Properties	4.2%	$3,362	$12.43
Chain-Affiliated	4.1%	$3,239	$11.91
East North Central	4.6%	$3,037	$11.65
Suburban	4.3%	$2,536	$9.84
Upscale Class	4.4%	$1,993	$7.52
Subject Historicals			
2013	6.8%	$4,051	$17.41
2014	7.2%	$4,035	$18.00
2015	6.8%	$3,878	$17.36
2016	6.3%	$3,548	$15.25
TTM Ending July 2017	6.4%	$3,402	$15.25
2017 Budget/Proforma	5.8%	$3,399	$14.28
Base-Year Conclusion:	**5.8%**	**$3,100**	**$13.90**
First Projection Year (2017/18)	**5.6%**	**$3,305**	**$14.15**
Stabilized Year (2019/20)	**5.2%**	**$3,595**	**$14.70**

Utilities

A hotel's utility costs generally include the cost of electricity, fuel, steam, and water. A large portion of a lodging facility's energy consumption is relatively fixed because public spaces receive constant lighting and climate control regardless of the utilization or occupancy of the property. The rooms themselves are highly variable in relationship to occupancy provide that the hotel operator implements sound energy-saving measures or, more importantly, the property is equipped with modern technology that better controls power usage.

After considering the performance of comparable hotels and industry averages, as well as what we believe would be expected by a potential investor of the subject property, we project the subject's expenses from the Utilities department will decrease in the near term on a per-available-room basis, but then normalize with its variable components correlating to changes in the subject's future total revenues.

The following table illustrates our analysis of the subject's utility expense.

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Utilities Expenses			
Source	RATIO	PAR	POR
Operating Comparables			
Low	3.1%	$1,099	$6.72
High	7.9%	$3,520	$14.34
Average	5.4%	$2,155	$8.82
STR HOST Study			
All Full Service Properties	3.2%	$2,561	$9.47
Chain-Affiliated	3.2%	$2,528	$9.30
East North Central	3.0%	$1,981	$7.60
Suburban	3.5%	$2,064	$8.01
Upscale Class	3.8%	$1,721	$6.49
Subject Historicals			
2013	6.0%	$3,619	$15.55
2014	6.5%	$3,640	$16.24
2015	6.4%	$3,650	$16.34
2016	7.9%	$4,464	$19.19
TTM Ending July 2017	7.9%	$4,188	$18.77
2017 Budget/Proforma	7.0%	$4,146	$17.42
Base-Year Conclusion:	**6.6%**	**$3,500**	**$15.69**
First Projection Year (2017/18)	**6.3%**	**$3,731**	**$15.97**
Stabilized Year (2019/20)	**5.9%**	**$4,059**	**$16.60**

Management Fees

A condition of this assignment is that the subject property is operated by a competent, third-party management company. We anticipate that upon a sale, a prudent investor would install a competent management company or, at a minimum, structure a management team that could operate the property to its maximum, albeit, practical level of profitability. Some companies provide management services alone, while others offer both management services and a brand name affiliation. When a management company has no brand identification, the property owner can often acquire a franchise that provides the appropriate recognition within the market. Management fees have typically equated to roughly 2.0 to 5.0% of total revenues.

For purposes of this appraisal, we assume that the subject could be sold free and clear of any and all management contracts, and that future management expenses are market-oriented. Specifically, management fees are projected to equate to 3.00% percent of total revenue throughout the holding period.

It is important to note that we have not been engaged to evaluate the effectiveness of management and we are not responsible for future marketing efforts and other management actions upon which actual results may depend.

The deduction of 3.00% management fee of the gross revenue, eliminates the business operation management component from the appraisal.

FIXED EXPENSES

Fixed expenses includes any expenses that relate to the ownership of the hotel, including property taxes, building and contents insurance, reserve for replacement and any applicable land, building, and equipment rent.

Property Taxes

A discussion of the subject's real estate tax burden was included in an earlier section of this report. Our forecast of the subject's property taxes per annum is as follows.

Property Taxes Expenses			
Source	**RATIO**	**PAR**	**POR**
Operating Comparables			
Low	2.6%	$459	$2.96
High	7.5%	$3,686	$13.42
Average	4.7%	$2,170	$8.57
STR HOST Study			
All Full Service Properties	3.3%	$2,641	$9.77
Chain-Affiliated	3.3%	$2,607	$9.59
East North Central	4.0%	$2,641	$10.13
Suburban	2.9%	$1,710	$6.64
Upscale Class	3.5%	$1,585	$5.98
Subject Historicals			
2013	6.4%	$3,811	$16.38
2014	6.2%	$3,468	$15.47
2015	4.9%	$2,843	$12.73
2016	2.6%	$1,475	$6.34
TTM Ending July 2017	1.3%	$693	$3.11
2017 Budget/Proforma	2.9%	$1,727	$7.26
Base-Year Conclusion:	**5.2%**	**$2,774**	**$12.43**
First Projection Year (2017/18)	**2.7%**	**$1,597**	**$6.84**
Stabilized Year (2019/20)	**4.2%**	**$2,872**	**$11.75**

Insurance

The insurance expense category consists of the cost of insuring the hotel and its contents against damage or destruction by fire, weather, flood, breakage, etc. Furthermore, general liability income costs are also included in this category. Over the past several years, insurance costs for many hotels have fluctuated dramatically.

Based on recent performance as well as the performance of comparable hotels and industry averages, we believe that our assumptions of operating ratios within the Insurance department are market-oriented and that its variable components will continue to correlate with fluctuations in the total revenue figures throughout the projection period.

We have projected the subject property's insurance expenses as follows.

Insurance Expenses			
Source	**RATIO**	**PAR**	**POR**
Operating Comparables			
Low	0.5%	$246	$0.89
High	2.5%	$868	$3.54
Average	1.1%	$411	$1.77
STR HOST Study			
All Full Service Properties	1.0%	$800	$2.96
Chain-Affiliated	1.0%	$790	$2.90
East North Central	0.7%	$462	$1.77
Suburban	0.8%	$472	$1.83
Upscale Class	0.9%	$408	$1.54
Subject Historicals			
2013	1.0%	$609	$2.62
2014	0.8%	$456	$2.04
2015	0.8%	$479	$2.14
2016	0.7%	$379	$1.63
TTM Ending July 2017	0.7%	$363	$1.63
2017 Budget/Proforma	0.6%	$377	$1.59
Base-Year Conclusion:	**0.7%**	**$363**	**$1.63**
First Projection Year (2017/18)	**0.6%**	**$382**	**$1.63**
Stabilized Year (2019/20)	**0.6%**	**$405**	**$1.66**

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Reserve for Replacement

Reserves for replacement are funds set aside that provide for the periodic replacement of building components that wear out more rapidly than the building itself and therefore must be replaced during the building's economic life. These components are largely inclusive of furniture, fixtures, and equipment (FF&E), the replacement of which is generally funded from a hotel's cash flow. In theory, a sufficient amount of money is available to replace FF&E at the end of its useful life. In the event that the replacement fund is insufficient, a capital deduction at the point of a transaction (i.e. a property improvement plan) might be assessed to address the shortfall.

The items a hotel's reserve account address are considered to be short-lived components, since the average economic life is predominantly less than ten years. These components typically include the replacement of the roof, heating, ventilation, and air conditioning (HVAC) systems, parking lot resurfacing, etc. Note that replacement reserves do not include minor repairs and maintenance such as broken doorknobs or lightbulbs. These minor expenses are considered routine property operation and maintenance expenses, not irregular capital expenditures

Industry data indicates that a reserve for replacement of 2.0% to 5.0% of total hotel revenue is generally sufficient to provide for the replacement or total repair of FF&E.

As discussed, the subject property's facilities have been well maintained in recent years and the property's overall condition is considered to be good. We note that the hotel has received upgrades within the past few years to various areas of the property namely the guest units, corridors, lobby and exterior. The following table summarizes capital items that have recently been spent at the subject:

CAPITAL EXPENDITURES
Historical Capital Items

Item	Approx. Cost
2005 (Garage upgrades, façade, ballroom and other upgrades)	$3,172,646
2006 (Loading dock and other upgrades)	$397,267
2007 (Fire alarm system and other upgrades)	$1,055,531
2008 (Elevator modernization, façade, firm alarm, other upgrades)	$1,486,847
2009 (Façade, doors, elevator modernization, other upgrades)	$1,307,367
2010 (Façade, lobby/bar/promenade renovation, ballroom renovation, Brasserie renovation, porte cochere renovation, cooling tow er/escalator/chiller upgrades)	$3,196,367
2011 (Façade, LCD TVs, armoires, elevators, other upgrades)	$2,363,781
2012 (Guestrooms/corridors, bathroom upgrades, w ireless system, plumbing repairs, HVAC repairs, elevator, emergency generator, other upgrades)	$7,980,454
Total	**$20,960,260**
Per Room	$42,689

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 of disbursements, in excess of reserves) for the upgrades are estimated at $23,133,000, or $47,114 per room.

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:

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CAPITAL EXPENDITURES Near-Term Commitments	
Item	**Approx. Cost**
Porte Cochere	$102,000
Public Area/Food & Beverage	$203,000
Function Areas	$3,984,000
Guest Room (491 keys)	$3,238,000
Pool & Fitness	$116,000
Exterior Envelope	$524,000
Parking Garage	$143,000
Kitchen/Laundry	$104,000
Adminstartion & Employe Areas	$215,000
Elevators & Escalators	$844,000
Mechanical & Plumbins Systems	$3,871,000
Fire & Life Safety	$2,055,000
Accessibility	$349,000
FF&E	$4,028,000
Soft Costs	$1,681,000
Contingency	$1,676,000
Total	**$23,133,000**
Per Room	$47,114

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

The following table summarizes the timing of the above capital commitments. The ultimate timing of the disbursements governs the amount of total capital that will be deducted from our value conclusions within this report.

CAPITAL EXPENDITURES Timing of Capital Disbursement	
Item	**Disbursement**
Year 0 (Immediate)	$23,133,000
Total	**$23,133,000**
Per Room	$47,114

A discussion of the capital deduction calculation (net present value over and above reserves) is provided later in this report.

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% 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.

RETAIL SPACE

It is our understanding that the subject property includes ±37,000 sf of vacant space that is anticipated to be utilized for office or retail income. The owners indicated future plans call for a leasing plan for this space, but there currently are no active lease agreements in place with the exception of the above. In the event a plan is established, additional income is anticipated to be derived from the asset.

A value of the retail space subject to lease was derived by deducting the rental stream from the hotel cash flow. The variance between the two valuations was deemed to be the representative value of the payments and is included in the addenda of the report as a cash flow and DCF without retail income. The variance represents a $2.6 million value for the retail.

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PROJECTION OF INCOME AND EXPENSE

On the following pages we present our forecast of income and expense for the subject property on a detailed basis for the first few years of operation, along with a summary presentation of the same line items over the entire 10-year holding period. The projection begins October 1, 2017. As discussed, stabilization is anticipated to occur on or about October 1, 2019. The statements are expressed in future values for each projection year.

DETAILED FORECAST OF INCOME AND EXPENSE - FIRST FIVE PROJECTION YEARS

Renaissance Cleveland Hotel

Period:	2017/18	2018/19	2019/20 (Stabilized)	2020/21	2021/22
Projection Year:	1	2	3	4	5
Days Open:	365	365	365	365	365
Number of Rooms:	491	491	491	491	491
Occupied Rooms:	114,698	118,282	120,074	120,074	120,074
Occupancy Rate:	64.0%	66.0%	67.0%	67.0%	67.0%
Average Daily Room Rate (ADR):	$160.51	$173.72	$180.98	$186.41	$192.00
Revenue Per Available Room (RevPAR):	$102.73	$114.66	$121.26	$124.89	$128.64

DEPARTMENTAL REVENUES	$	% Total	$ PAR	$ POR	$	% Total	$ PAR	$ POR	$	% Total	$ PAR	$ POR	$	% Total	$ PAR	$ POR	$	% Total	$ PAR	$ POR
Rooms	$18,410,176	63.8%	$37,495	$160.51	$20,547,949	64.3%	$41,849	$173.72	$21,730,993	64.5%	$44,259	$180.98	$22,382,994	64.5%	$45,587	$186.41	$23,054,208	64.5%	$46,954	$192.00
Food & Beverage	$8,752,668	30.3%	$17,826	$76.31	$9,580,577	30.0%	$19,512	$81.00	$10,066,131	29.9%	$20,501	$83.83	$10,368,140	29.9%	$21,116	$86.35	$10,679,088	29.9%	$21,750	$88.94
Parking	$1,174,919	4.1%	$2,393	$10.24	$1,260,758	3.9%	$2,568	$10.66	$1,315,964	3.9%	$2,680	$10.96	$1,355,445	3.9%	$2,761	$11.29	$1,396,100	3.9%	$2,843	$11.63
Other Income	$533,351	1.8%	$1,086	$4.65	$572,317	1.8%	$1,166	$4.84	$597,377	1.8%	$1,217	$4.98	$615,300	1.8%	$1,253	$5.12	$633,755	1.8%	$1,291	$5.28
Total Departmental Revenues	**$28,871,114**	**100.0%**	**$58,801**	**$251.71**	**$31,961,601**	**100.0%**	**$65,095**	**$270.22**	**$33,710,464**	**100.0%**	**$68,657**	**$280.75**	**$34,721,878**	**100.0%**	**$70,717**	**$289.17**	**$35,763,150**	**100.0%**	**$72,837**	**$297.84**
DEPARTMENTAL COSTS																				
Rooms	$4,833,370	26.3%	$9,844	$42.14	$5,144,870	25.0%	$10,478	$43.50	$5,355,963	24.6%	$10,908	$44.61	$5,516,649	24.6%	$11,236	$45.94	$5,682,121	24.6%	$11,573	$47.32
Food & Beverage	$5,682,203	64.9%	$11,573	$49.54	$6,097,343	63.6%	$12,418	$51.55	$6,364,329	63.2%	$12,962	$53.00	$6,555,270	63.2%	$13,351	$54.59	$6,751,887	63.2%	$13,751	$56.23
Parking	$509,298	43.3%	$1,037	$4.44	$535,542	42.5%	$1,091	$4.53	$555,300	42.2%	$1,131	$4.62	$571,959	42.2%	$1,165	$4.76	$589,116	42.2%	$1,200	$4.91
Other Income	$39,873	7.5%	$81	$0.35	$41,928	7.3%	$85	$0.35	$43,475	7.3%	$89	$0.36	$44,779	7.3%	$91	$0.37	$46,122	7.3%	$94	$0.38
Total Departmental Costs	**$11,064,745**	**38.3%**	**$22,535**	**$96.47**	**$11,819,682**	**37.0%**	**$24,073**	**$99.93**	**$12,319,067**	**36.5%**	**$25,090**	**$102.60**	**$12,688,657**	**36.5%**	**$25,842**	**$105.67**	**$13,069,247**	**36.5%**	**$26,618**	**$108.84**
DEPARTMENTAL INCOME	**$17,806,369**	**61.7%**	**$36,266**	**$155.25**	**$20,141,919**	**63.0%**	**$41,022**	**$170.29**	**$21,391,397**	**63.5%**	**$43,567**	**$178.15**	**$22,033,221**	**63.5%**	**$44,874**	**$183.50**	**$22,693,903**	**63.5%**	**$46,220**	**$189.00**
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	$2,512,452	8.7%	$5,117	$21.90	$2,636,218	8.2%	$5,369	$22.29	$2,733,478	8.1%	$5,567	$22.76	$2,815,485	8.1%	$5,734	$23.45	$2,899,940	8.1%	$5,906	$24.15
Marketing	$3,100,329	10.7%	$6,314	$27.03	$3,288,883	10.3%	$6,698	$27.81	$3,423,826	10.2%	$6,973	$28.51	$3,526,545	10.2%	$7,182	$29.37	$3,632,324	10.2%	$7,398	$30.25
Royalty/Franchise Fees	$920,509	3.2%	$1,875	$8.03	$1,027,397	3.2%	$2,092	$8.69	$1,086,550	3.2%	$2,213	$9.05	$1,119,150	3.2%	$2,279	$9.32	$1,152,710	3.2%	$2,348	$9.60
Property Operations & Maintenance	$1,622,625	5.6%	$3,305	$14.15	$1,702,558	5.3%	$3,468	$14.39	$1,765,371	5.2%	$3,595	$14.70	$1,818,334	5.2%	$3,703	$15.14	$1,872,878	5.2%	$3,814	$15.60
Utilities	$1,831,996	6.3%	$3,731	$15.97	$1,922,242	6.0%	$3,915	$16.25	$1,993,161	5.9%	$4,059	$16.60	$2,052,957	5.9%	$4,181	$17.10	$2,114,540	5.9%	$4,307	$17.61
Total Undist. Oper. Expenses	**$9,987,911**	**34.6%**	**$20,342**	**$87.08**	**$10,577,299**	**33.1%**	**$21,542**	**$89.42**	**$11,002,386**	**32.6%**	**$22,408**	**$91.63**	**$11,332,471**	**32.6%**	**$23,080**	**$94.38**	**$11,672,393**	**32.6%**	**$23,773**	**$97.21**
MANAGEMENT FEES																				
Base Management Fee	$866,133	3.0%	$1,764	$7.55	$958,848	3.0%	$1,953	$8.11	$1,011,314	3.0%	$2,060	$8.42	$1,041,656	3.0%	$2,121	$8.68	$1,072,895	3.0%	$2,185	$8.94
HOUSE PROFIT	**$6,952,325**	**24.1%**	**$14,160**	**$60.61**	**$8,605,772**	**26.9%**	**$17,527**	**$72.76**	**$9,377,697**	**27.8%**	**$19,099**	**$78.10**	**$9,659,094**	**27.8%**	**$19,672**	**$80.44**	**$9,948,615**	**27.8%**	**$20,262**	**$82.85**
FIXED CHARGES																				
Property Taxes	$784,000	2.7%	$1,597	$6.84	$1,362,000	4.3%	$2,774	$11.51	$1,410,371	4.2%	$2,872	$11.75	$1,452,683	4.2%	$2,959	$12.10	$1,496,260	4.2%	$3,047	$12.46
Insurance	$187,441	0.6%	$382	$1.63	$193,065	0.6%	$393	$1.63	$198,857	0.6%	$405	$1.66	$204,822	0.6%	$417	$1.71	$210,967	0.6%	$430	$1.76
Reserve for Replacement	$1,154,845	4.0%	$2,352	$10.07	$1,278,464	4.0%	$2,604	$10.81	$1,348,419	4.0%	$2,746	$11.23	$1,388,875	4.0%	$2,829	$11.57	$1,430,526	4.0%	$2,913	$11.91
Total Fixed Charges	**$2,126,286**	**7.4%**	**$4,331**	**$18.54**	**$2,833,529**	**8.9%**	**$5,771**	**$23.96**	**$2,957,647**	**8.8%**	**$6,024**	**$24.63**	**$3,046,381**	**8.8%**	**$6,204**	**$25.37**	**$3,137,753**	**8.8%**	**$6,391**	**$26.13**
Below-the-Line Add-Back (Income/Rebate	$199,988	0.7%	$407	$1.74	$221,396	0.7%	$451	$1.87	$234,143	0.7%	$477	$1.95	$241,168	0.7%	$491	$2.01	$248,400	0.7%	$506	$2.07
NET OPERATING INCOME	**$5,026,027**	**17.4%**	**$10,236**	**$43.82**	**$5,993,639**	**18.8%**	**$12,207**	**$50.67**	**$6,654,194**	**19.7%**	**$13,552**	**$55.42**	**$6,853,881**	**19.7%**	**$13,959**	**$57.08**	**$7,059,262**	**19.7%**	**$14,377**	**$58.79**
OPERATING RATIOS																				
Food & Beverage to Rooms	47.5%				46.6%				46.3%				46.3%				46.3%			
Parking to Rooms	6.4%				6.1%				6.1%				6.1%				6.1%			
Other Income to Rooms	2.9%				2.8%				2.7%				2.7%				2.7%			
Royalty/Franchise Fees to Rooms	5.0%				5.0%				5.0%				5.0%				5.0%			

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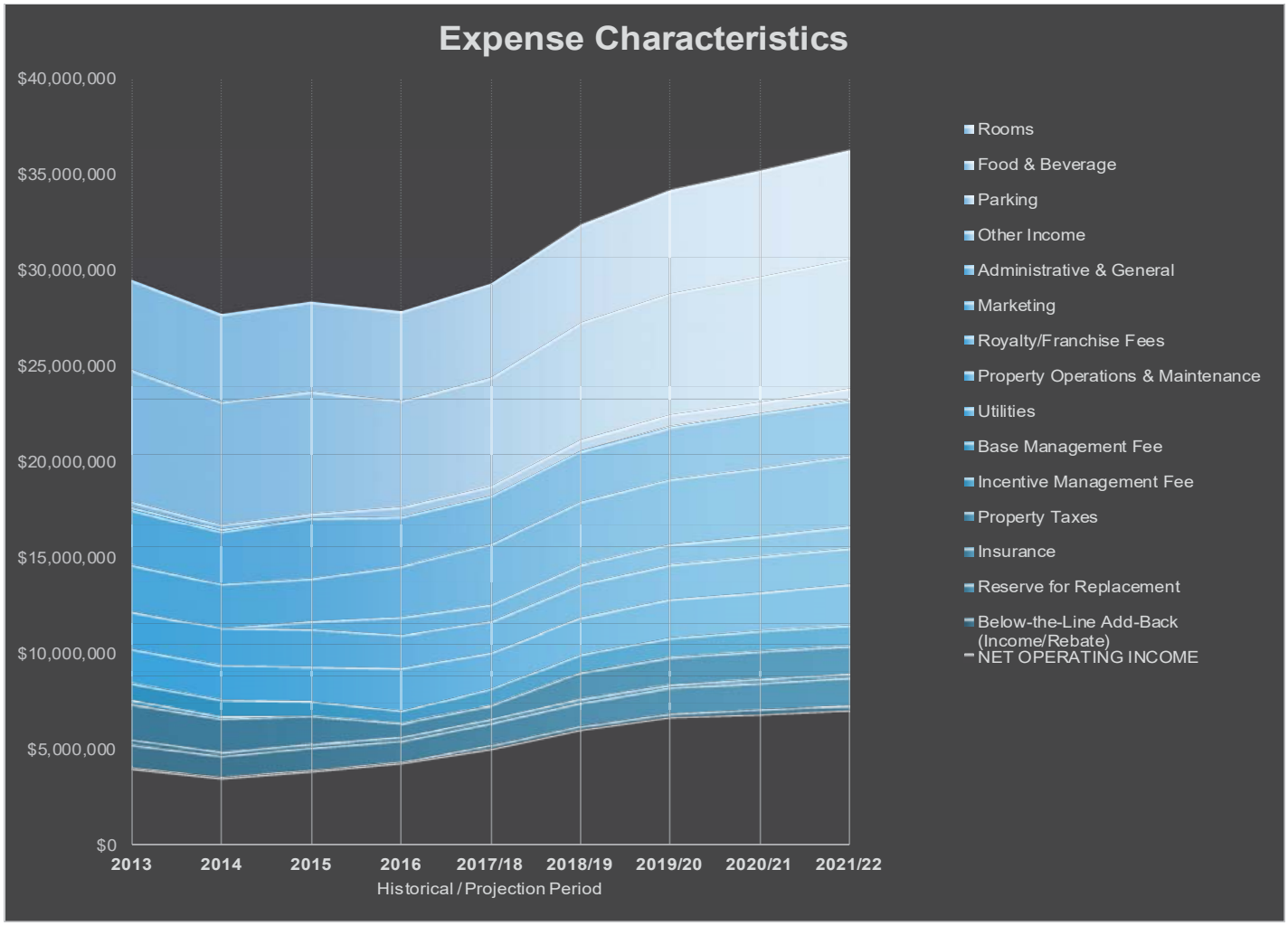
Ten-Year Projection of Income and Expense

Renaissance Cleveland Hotel

Period:	2017/18		2018/19		2019/20 (Stabilized)		2020/21		2021/22		2022/23		2023/24		2024/25		2025/26		2026/27	
Projection Year:	1		2		3		4		5		6		7		8		9		10	
Days Open:	365		365		365		365		365		365		365		365		365		365	
Number of Rooms:	491		491		491		491		491		491		491		491		491		491	
Occupied Rooms:	114,698		118,282		120,074		120,074		120,074		120,074		120,074		120,074		120,074		120,074	
Occupancy Rate:	64.0%		66.0%		67.0%		67.0%		67.0%		67.0%		67.0%		67.0%		67.0%		67.0%	
Average Daily Room Rate (ADR):	$160.51		$173.72		$180.98		$186.41		$192.00		$197.76		$203.69		$209.80		$216.10		$222.58	
Revenue Per Available Room (RevPAR):	$102.73		$114.66		$121.26		$124.89		$128.64		$132.50		$136.47		$140.57		$144.79		$149.13	
DEPARTMENTAL REVENUES	$	% Total	$	% Total	$	% Total	$	% Total	$	% Total	$	% Total	$	% Total	$	% Total	$	% Total	$	% Total
Rooms	$18,410,176	63.8%	$20,547,949	64.3%	$21,730,993	64.5%	$22,382,994	64.5%	$23,054,208	64.5%	$23,745,834	64.5%	$24,457,873	64.5%	$25,191,525	64.5%	$25,947,991	64.5%	$26,726,071	64.5%
Food & Beverage	$8,752,668	30.3%	$9,580,577	30.0%	$10,066,131	29.9%	$10,368,140	29.9%	$10,679,088	29.9%	$10,999,460	29.9%	$11,329,328	29.9%	$11,669,178	29.9%	$12,019,504	29.9%	$12,379,964	29.9%
Parking	$1,174,919	4.1%	$1,260,758	3.9%	$1,315,964	3.9%	$1,355,445	3.9%	$1,396,100	3.9%	$1,437,983	3.9%	$1,481,112	3.9%	$1,525,543	3.9%	$1,571,331	3.9%	$1,618,460	3.9%
Other Income	$533,351	1.8%	$572,317	1.8%	$597,377	1.8%	$615,300	1.8%	$633,755	1.8%	$652,767	1.8%	$672,346	1.8%	$692,515	1.8%	$713,300	1.8%	$734,694	1.8%
Total Departmental Revenues	**$28,871,114**	**100.0%**	**$31,961,601**	**100.0%**	**$33,710,464**	**100.0%**	**$34,721,878**	**100.0%**	**$35,763,150**	**100.0%**	**$36,836,045**	**100.0%**	**$37,940,658**	**100.0%**	**$39,078,761**	**100.0%**	**$40,252,127**	**100.0%**	**$41,459,189**	**100.0%**
DEPARTMENTAL COSTS																				
Rooms	$4,833,370	26.3%	$5,144,870	25.0%	$5,355,963	24.6%	$5,516,649	24.6%	$5,682,121	24.6%	$5,852,585	24.6%	$6,028,130	24.6%	$6,208,965	24.6%	$6,395,305	24.6%	$6,587,129	24.6%
Food & Beverage	$5,682,203	64.9%	$6,097,343	63.6%	$6,364,329	63.2%	$6,555,270	63.2%	$6,751,887	63.2%	$6,954,444	63.2%	$7,163,028	63.2%	$7,377,907	63.2%	$7,599,349	63.2%	$7,827,277	63.2%
Parking	$509,298	43.3%	$535,542	42.5%	$555,300	42.2%	$571,959	42.2%	$589,116	42.2%	$606,790	42.2%	$624,991	42.2%	$643,740	42.2%	$663,057	42.2%	$682,947	42.2%
Other Income	$39,873	7.5%	$41,928	7.3%	$43,475	7.3%	$44,779	7.3%	$46,122	7.3%	$47,506	7.3%	$48,931	7.3%	$50,399	7.3%	$51,911	7.3%	$53,468	7.3%
Total Departmental Costs	**$11,064,745**	**38.3%**	**$11,819,682**	**37.0%**	**$12,319,067**	**36.5%**	**$12,688,657**	**36.5%**	**$13,069,247**	**36.5%**	**$13,461,325**	**36.5%**	**$13,865,080**	**36.5%**	**$14,281,011**	**36.5%**	**$14,709,623**	**36.5%**	**$15,150,821**	**36.5%**
DEPARTMENTAL INCOME	**$17,806,369**	**61.7%**	**$20,141,919**	**63.0%**	**$21,391,397**	**63.5%**	**$22,033,221**	**63.5%**	**$22,693,903**	**63.5%**	**$23,374,720**	**63.5%**	**$24,075,579**	**63.5%**	**$24,797,750**	**63.5%**	**$25,542,504**	**63.5%**	**$26,308,368**	**63.5%**
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	$2,512,452	8.7%	$2,636,218	8.2%	$2,733,478	8.1%	$2,815,485	8.1%	$2,899,940	8.1%	$2,986,939	8.1%	$3,076,536	8.1%	$3,168,830	8.1%	$3,263,917	8.1%	$3,361,823	8.1%
Marketing	$3,100,329	10.7%	$3,288,883	10.3%	$3,423,826	10.2%	$3,526,545	10.2%	$3,632,324	10.2%	$3,741,294	10.2%	$3,853,512	10.2%	$3,969,112	10.2%	$4,088,231	10.2%	$4,210,855	10.2%
Royalty/Franchise Fees	$920,509	3.2%	$1,027,397	3.2%	$1,086,550	3.2%	$1,119,150	3.2%	$1,152,710	3.2%	$1,187,292	3.2%	$1,222,894	3.2%	$1,259,576	3.2%	$1,297,400	3.2%	$1,336,304	3.2%
Property Operations & Maintenance	$1,622,625	5.6%	$1,702,558	5.3%	$1,765,371	5.2%	$1,818,334	5.2%	$1,872,878	5.2%	$1,929,065	5.2%	$1,986,930	5.2%	$2,046,536	5.2%	$2,107,947	5.2%	$2,171,178	5.2%
Utilities	$1,831,996	6.3%	$1,922,242	6.0%	$1,993,161	5.9%	$2,052,957	5.9%	$2,114,540	5.9%	$2,177,976	5.9%	$2,243,308	5.9%	$2,310,605	5.9%	$2,379,940	5.9%	$2,451,330	5.9%
Total Undist. Oper. Expenses	**$9,987,911**	**34.6%**	**$10,577,299**	**33.1%**	**$11,002,386**	**32.6%**	**$11,332,471**	**32.6%**	**$11,672,393**	**32.6%**	**$12,022,565**	**32.6%**	**$12,383,179**	**32.6%**	**$12,754,658**	**32.6%**	**$13,137,433**	**32.6%**	**$13,531,489**	**32.6%**
MANAGEMENT FEES																				
Base Management Fee	$866,133	3.0%	$958,848	3.0%	$1,011,314	3.0%	$1,041,656	3.0%	$1,072,895	3.0%	$1,105,081	3.0%	$1,138,220	3.0%	$1,172,363	3.0%	$1,207,564	3.0%	$1,243,776	3.0%
HOUSE PROFIT	**$6,952,325**	**24.1%**	**$8,605,772**	**26.9%**	**$9,377,697**	**27.8%**	**$9,659,094**	**27.8%**	**$9,948,615**	**27.8%**	**$10,247,074**	**27.8%**	**$10,554,180**	**27.8%**	**$10,870,729**	**27.8%**	**$11,197,506**	**27.8%**	**$11,533,104**	**27.8%**
FIXED CHARGES																				
Property Taxes	$784,000	2.7%	$1,362,000	4.3%	$1,410,371	4.2%	$1,452,683	4.2%	$1,496,260	4.2%	$1,541,148	4.2%	$1,587,378	4.2%	$1,634,999	4.2%	$1,684,058	4.2%	$1,734,575	4.2%
Insurance	$187,441	0.6%	$193,065	0.6%	$198,857	0.6%	$204,822	0.6%	$210,967	0.6%	$217,296	0.6%	$223,815	0.6%	$230,529	0.6%	$237,445	0.6%	$244,569	0.6%
Reserve for Replacement	$1,154,845	4.0%	$1,278,464	4.0%	$1,348,419	4.0%	$1,388,875	4.0%	$1,430,526	4.0%	$1,473,442	4.0%	$1,517,626	4.0%	$1,563,150	4.0%	$1,610,085	4.0%	$1,658,368	4.0%
Total Fixed Charges	**$2,126,286**	**7.4%**	**$2,833,529**	**8.9%**	**$2,957,647**	**8.8%**	**$3,046,381**	**8.8%**	**$3,137,753**	**8.8%**	**$3,231,886**	**8.8%**	**$3,328,819**	**8.8%**	**$3,428,678**	**8.8%**	**$3,531,588**	**8.8%**	**$3,637,511**	**8.8%**
Below-the-Line Add-Back (Income/Rebate)	$199,988	0.7%	$221,396	0.7%	$234,143	0.7%	$241,168	0.7%	$248,400	0.7%	$255,852	0.7%	$263,524	0.7%	$271,429	0.7%	$279,579	0.7%	$287,963	0.7%
NET OPERATING INCOME	**$5,026,027**	**17.4%**	**$5,993,639**	**18.8%**	**$6,654,194**	**19.7%**	**$6,853,881**	**19.7%**	**$7,059,262**	**19.7%**	**$7,271,040**	**19.7%**	**$7,488,884**	**19.7%**	**$7,713,479**	**19.7%**	**$7,945,498**	**19.7%**	**$8,183,556**	**19.7%**

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The following is a graphical analysis of the subject property's historical and projected expense characteristics. The top of the graph represents total revenue, while the bottom represents net operating income.



As illustrated, there are generally moderate modifications that have been applied to the subject's expense line items. As discussed earlier in this report, we have compared the subject's actual operating levels with comparable operating statements and industry averages. In instances where these line items were not consistent with industry norms, or were omitted altogether, we have applied the adjustments in our projections.

The following sections discuss how this cash flow (net operating income) projection is converted into market value for the subject property.

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.

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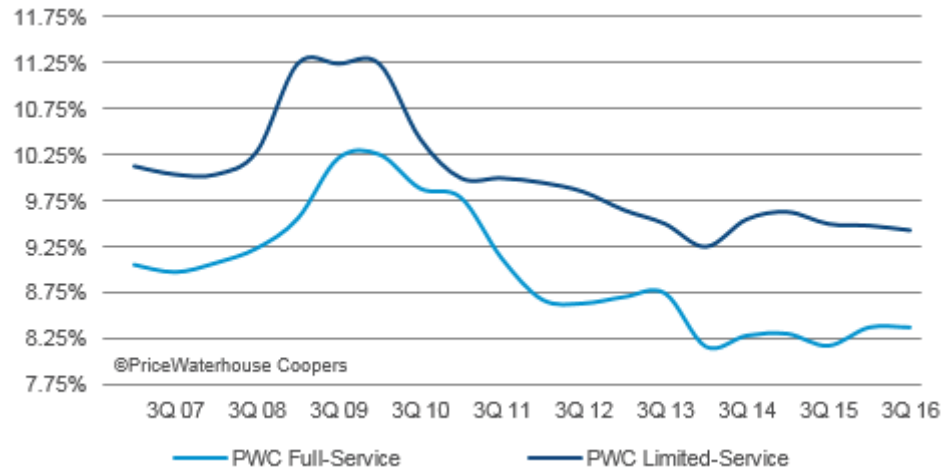
Terminal Capitalization Rate

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					
Full-Service	3Q 16	7.00% to 10.00%	8.38%	8.38%	8.18%
Going-In Vs Terminal Spread			*60 bps*	*63 bps*	*58 bps*
Limited-Service	3Q 16	7.75% to 10.00%	9.43%	9.48%	9.50%
Going-In Vs Terminal Spread			*73 bps*	*60 bps*	*72 bps*



Discount Rate

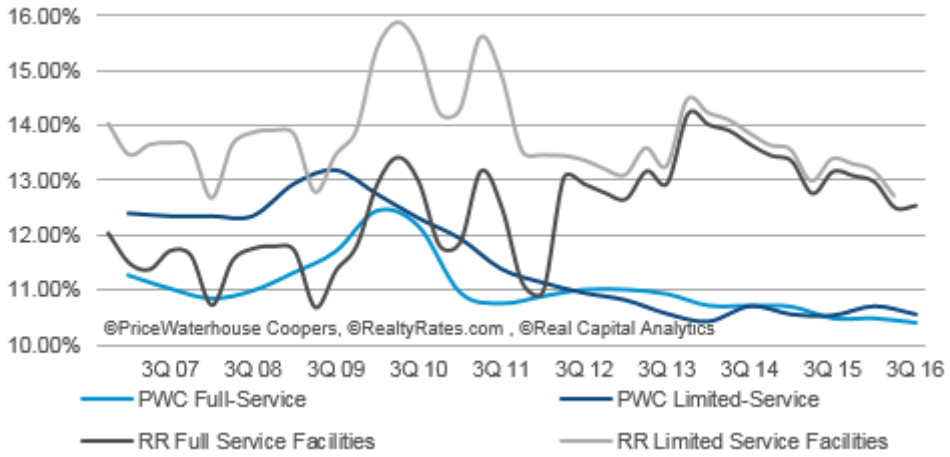
The discount rate, or internal rate of return, is the rate of discount on an investment that equates the present value of the investment's cash outflows with the present value of the investment's cash inflows. The rate is expressed as the real return anticipated in the hotel investment and considers 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.

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DISCOUNT RATE (IRR) CONCLUSIONS					
SOURCE	QUARTER	RANGE	AVG	LAST Q	LAST YR
PriceWaterhouse Coopers					
Full-Service	3Q 16	8.00% to 12.75%	10.40%	10.48%	10.48%
Capitalization Vs Discount Spread			*262 bps*	*273 bps*	*288 bps*
Limited-Service	3Q 16	8.50% to 12.00%	10.55%	10.70%	10.53%
Capitalization Vs Discount Spread			*185 bps*	*182 bps*	*175 bps*
RealtyRates.com					
Full Service Facilities	3Q 16	6.20% to 15.00%	12.53%	12.49%	13.15%
Capitalization Vs Discount Spread			*171 bps*	*168 bps*	*211 bps*
Limited Service Facilities	3Q 16	7.25% to 17.71%	12.77%	12.73%	13.40%
Capitalization Vs Discount Spread			*155 bps*	*151 bps*	*194 bps*



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% to reach $166.5 billion, as consumer confidence and spending spike, raising revenue 3.3% 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% 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% to about $192.4 billion in the five years to 2020.

Investment Activity

U.S. hotel sales volume totaled $12.7 billion for the first half of 2016 – a 55.0% year-over-year decrease, as per Real Capital Analytics. In part, the decline is due to the immense sales volume tabulated in the first half of 2015, which included various hotel "megadeals."

Specifically, megadeals in the first half of 2016 totaled only $625.0 million, down 88.0% year over year. Plus, portfolio and entity-level transactions totaled $11.8 billion in the first half of 2015, but only totaled $1.6 billion in the first half of 2016 – an 86.0% year-over-year drop. Despite the decline in year-over-year sales volume, there is evidence that prices have started to stabilize.

When looking at specific metros, volume was up in only seven of the top 25 markets in the first half of 2016 compared to the same period last year. These seven markets moved up significantly in rank given how quickly other markets slipped in terms of deal flow.

EXPECTED VALUE CHANGE*

SEGMENT	RANGE	AVERAGE
Full Service	(5.0%) to 4.0%	+ 0.1%
Limited-Service Midscale & Economy	(5.0%) to 5.0%	+ 0.5%
Luxury/Upper Upscale	0.0% to 10.0%	+ 4.0%
Select Service	(10.0%) to 3.0%	- 1.7%

* Over the next 12 months
Source: ©PriceWaterhouse Coopers

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 expected 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 1.5% to 93,583 locations over the five years to 2021. 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% 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 consistently surpass arrivals in advanced economies over the coming years. In 2030, 57.0% of international arrivals will be in emerging economy destinations, as opposed to 30.0% in 1980, and 43.0% in advanced economy destinations, as opposed to 70.0% 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.

Subject Property Considerations

Other observations about the subject property which had a bearing on our selection of investment parameters include the following:

› The subject's room rate structure is below average in the marketplace. In recent quarters, the market and the subject have experienced healthy gains due to improved strength in the local corporations. We believe the subject will be able to post increases in ADR prior to the date of stabilization, with gains approximately representative of inflation each year thereafter.

› The subject property is currently owned on a Fee Simple basis with no known encumbering characteristics which would negatively impact its marketability.

› As previously discussed, the subject is expected to post improving operating performance over the next few years. While we believe this improvement is supported, it is still considered to be speculative and possess a certain degree of uncertainty. Such uncertainty plays a direct role in the return requirements a potential investor would command from the subject property. Over the assumed 10-year holding period, more volatile changes are noted early in the projection as the subject is expected to post improvement. Following the stabilized year, growth rates are expected to moderate and represent growth indicative of inflation. The following table illustrates growth rates for various departmental income and expense line items, measured in increments that are relevant to the stabilization period and the 10-year holding period.

GROWTH RATE ANALYSIS				
DEPARTMENTAL REVENUES	**Base Year to Year 1**	**Year 1 to Stabilized Year**	**Year 1 to Year 10**	**Stabilized Year to Year 10**
Rooms	6.2%	8.6%	4.2%	3.0%
Food & Beverage	5.4%	7.2%	3.9%	3.0%
Parking	4.6%	5.8%	3.6%	3.0%
Other Income	25.9%	5.8%	3.6%	3.0%
Total Departmental Revenues	**6.2%**	**8.1%**	**4.1%**	**3.0%**
DEPARTMENTAL COSTS				
Rooms	2.4%	5.3%	3.5%	3.0%
Food & Beverage	4.6%	5.8%	3.6%	3.0%
Parking	3.8%	4.4%	3.3%	3.0%
Other Income	25.0%	4.4%	3.3%	3.0%
Total Departmental Costs	**3.6%**	**5.5%**	**3.6%**	**3.0%**
DEPARTMENTAL INCOME	**7.9%**	**9.6%**	**4.4%**	**3.0%**
UNDISTRIBUTED OPERATING EXPENSES				
Administrative & General	3.2%	4.3%	3.3%	3.0%
Marketing	4.2%	5.1%	3.5%	3.0%
Royalty/Franchise Fees	6.3%	8.6%	4.2%	3.0%
Property Operations & Maintenance	-1.6%	4.3%	3.3%	3.0%
Utilities	-6.4%	4.3%	3.3%	3.0%
Total Undist. Oper. Expenses	**1.0%**	**5.0%**	**3.4%**	**3.0%**
MANAGEMENT FEES				
Base Management Fee	26.0%	8.1%	4.1%	3.0%
HOUSE PROFIT	**18.1%**	**16.1%**	**5.8%**	**3.0%**

› Part of the reason hotel assets command higher returns relative to other asset classes is the fact that a sizable portion of the asset's overall value is comprised by furniture, fixtures and equipment. Based on our

review of the subject, we have concluded that the value of the FF&E as new is approximately $37,500 per unit, or a total replacement cost of $18,412,500. Although hotel FF&E typically have a useful life of five to ten years, depreciation of these assets occurs at a much faster rate than straight-line and depreciate immediately upon being placed into service. As will be further discussed, we conclude that the contributory value of the subject's FF&E is considerably depreciated relative to its installation cost and has an effective age of 4.0 years with an economic life of 7.0 years. Such velocity in the depreciation of this component, along with the human labor required to maintain not only the FF&E but most public areas of the property, causes prudent investors to require higher rates of return.

› As will be further discussed, we have researched various hotel transactions in the region. Based on information which was revealed during our verification process of these hotel sales, capitalization rates ranged from 6.20% to 8.20% with an average of 7.33%. The following table summarizes this transaction information:

Transactional Summary - Improved Sales

Range Level	Sale Date	Sale Price	$/Unit	OAR
Low	Feb-14	$18,069,316	$102,278	6.20%
Average	Jan-15	$39,446,902	$141,007	7.33%
High	Jan-16	$70,500,000	$200,385	8.20%

IMPLIED DIRECT CAPITALIZATION METRIC

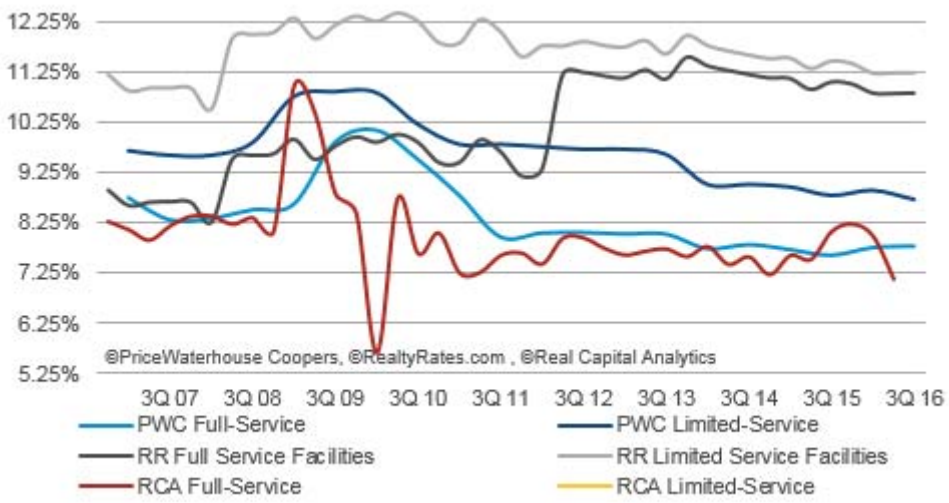
After considering all of the physical characteristics of the subject and the risk profile associated with its anticipated economic benefits, we have concluded that this property has an overall rating that is good when measured against other properties in this marketplace. In general, we believe that the subject investment would command a discount rate of 10.50% and a terminal capitalization rate of 8.50%.

As will be illustrated in greater detail later in this section, the calculated implied overall capitalization rate of the subject (measured against the year-one net operating income after the application of all capital costs over and above reserves) is 9.4%. We have cross-checked this going-in rate with the PwC surveys for full-service hotels and limited-service hotels. The results of the survey are below.

CAPITALIZATION RATE SURVEYS (OAR)

SOURCE	QUARTER	RANGE	AVG	LAST Q	LAST YR
PriceWaterhouse Coopers					
Full-Service	3Q 16	6.25% to 10.00%	7.78%	7.75%	7.60%
Limited-Service	3Q 16	7.50% to 10.00%	8.70%	8.88%	8.78%
RealtyRates.com					
Full Service Facilities	3Q 16	4.85% to 14.22%	10.82%	10.81%	11.04%
Limited Service Facilities	3Q 16	6.01% to 16.87%	11.22%	11.22%	11.46%
Real Capital Analytics					
Full-Service	2Q 16	- -	7.14%	8.00%	7.53%
Limited-Service	2Q 16	- -	-	-	-
AVERAGE		**6.15% to 12.77%**	**9.63%**	**9.33%**	**9.28%**

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Considering the subject's Fee Simple ownership interest, overall condition, quality, expected operational performance and all of the aforementioned risk characteristics of the subject and the local market, we believe that the implied overall capitalization rate, as well as our selected investment parameters, is supported.

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:	10.50% (annually)
Terminal Capitalization Rate:	8.50% (applied to the 11th year NOI)
Holding Period:	10 years
Closing Costs:	2.00% (deducted from the projected sale price)
Projection Commencement:	October 1, 2017
Date of Stabilization:	October 1, 2019 (Year 3)
Reversion Year:	2026/27 (Year 10)

Discounted Cash Flow Analysis

Calculation of Market Value, As Is
Renaissance Cleveland Hotel

Projection Period	Projection Year	Net Operating Income (NOI)		Discount Factor	Present Value of NOI	Cash on Cash Return	Composition of Value
				10.50%			
1	2017/18	$5,026,027	x	0.90498	$4,548,441	9.41%	8.52%
2	2018/19	$5,993,639	x	0.81898	$4,908,695	11.22%	9.20%
3	2019/20 (Stabilized)	$6,654,194	x	0.74116	$4,931,836	12.46%	9.24%
4	2020/21	$6,853,881	x	0.67073	$4,597,137	12.83%	8.61%
5	2021/22	$7,059,262	x	0.60700	$4,284,971	13.22%	8.03%
6	2022/23	$7,271,040	x	0.54932	$3,994,136	13.62%	7.48%
7	2023/24	$7,488,884	x	0.49712	$3,722,898	14.02%	6.97%
8	2024/25	$7,713,479	x	0.44989	$3,470,181	14.44%	6.50%
9	2025/26	$7,945,498	x	0.40714	$3,234,898	14.88%	6.06%
10	2026/27	$8,183,556	x	0.36845	$3,015,222	15.33%	5.65%
Total/Net Present Value of NOI:		**$70,189,459**			**$40,708,414**	**13.14%**	**76.26%**

Reversion Analysis

Proj. Period	Projection Year	NOI (EBITDA)		Concluded Terminal Rate	Reversion Value
11	2027/28	$8,429,062	÷	8.50%	$99,165,437
Less: Transactional Costs			x	2.00%	-$1,983,309
Net Reversion					$97,182,129
Discount Factor				0.36845	
Total Present Value of Reversion					$35,806,645
Composition of Value					67.08%
Value Prior to Capital Deductions					$76,515,059

Capital Deductions

Projection Period	Projection Year	Capital Expenditures	Reserves for Replacement	CapX Over Reserves	Discount Factor	PV of CapX Over Reserves
0	Immediate	$23,133,000	$0	$23,133,000	1.00000	$23,133,000
1	2017/18	$0	$1,154,845	$0	0.90498	$0
2	2018/19	$0	$1,278,464	$0	0.81898	$0
3	2019/20	$0	$1,348,419	$0	0.74116	$0
				Total PV Capital Deduction		-$23,133,000
				Composition of Value		-43.33%
Plus: One-Time Adjustment						$0
Indicated Calculation of Market Value, As Is						$53,382,059
Rounded						$53,400,000
Per Room						$108,758

Valuation Analysis

Renaissance Cleveland Hotel

Indicated Calculation of Market Value, As Is	$53,382,059
Rounded	**$53,400,000**
Number of Rooms	491
Value Estimate Per Room	$108,758

Analysis Period:	Historical Trailing-12 Month	First 2017/18	Stabilized 2019/20	Stabilized Deflated to 2017/18
Projection Period:	-	1	3	
Room Revenue Multiplier	3.22	2.90	2.46	2.61
Gross Revenue Multiplier	2.04	1.85	1.58	1.68
Net Operating Income*	$3,147,615	$5,026,027	$6,654,194	$6,272,216
Implied Capitalization Rate, Prior to CapX	4.11%	6.57%	8.70%	8.20%
Implied Capitalization Rate, After CapX	5.89%	9.41%	12.46%	11.75%

** Historical year data expressed to reflect market-oriented franchise fees, management fees and reserves for replacement.*

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DIRECT CAPITALIZATION METHOD

Direct capitalization is a method used to convert an opinion of a single year's income expectancy into an indication of value. The single year's income is typically designed to reflect a hotel's stabilized level of operation and revenue potential. The conversion into a value indication is accomplished in one direct step by dividing the income by an appropriate capitalization rate. The direct capitalization rate is also known as the going-in rate and the overall rate (OAR).

Development of Capitalization Rate

The OAR can be determined using several sources and methods. In developing our opinion of OAR, the following techniques were used:

- Comparable Sales (Sales Comparison Approach)
- Investor Surveys
- Mortgage Equity Technique

Comparable Sales

The following table presents a summary of the overall rates that were observed from the comparable sales used in the Sales Comparison Approach, which will be detailed later in this report:

Transactional Summary - Improved Sales

Range Level	Sale Date	Sale Price	$/Unit	OAR
Low	Feb-14	$18,069,316	$102,278	6.20%
Average	Jan-15	$39,446,902	$141,007	7.33%
High	Jan-16	$70,500,000	$200,385	8.20%

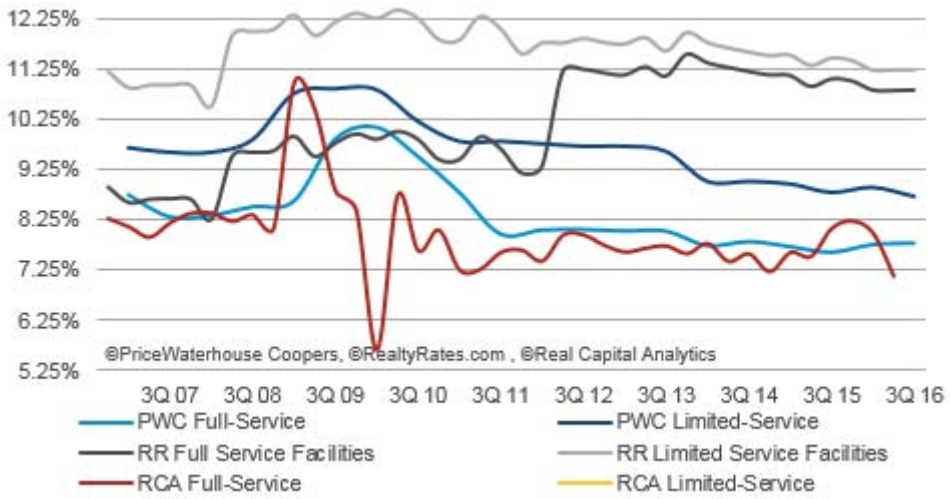
Investor Surveys

The potential investor pool for the subject asset includes national, regional and local investors. While all of these groups place emphasis on local cap rates, regional and national investors would also strongly consider national cap rate trends from investor surveys due to the potential to invest in other regions that are offering competitive rates of return.

The following table provides a historical illustration of capitalization rate statistics as surveyed by PricewaterhouseCoopers, which is regarded by industry participants and investors as relevant to assets like the subject property.

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CAPITALIZATION RATE SURVEYS (OAR)						
SOURCE	QUARTER	RANGE		AVG	LAST Q	LAST YR
PriceWaterhouse Coopers						
Full-Service	3Q 16	6.25%	to 10.00%	7.78%	7.75%	7.60%
Limited-Service	3Q 16	7.50%	to 10.00%	8.70%	8.88%	8.78%
RealtyRates.com						
Full Service Facilities	3Q 16	4.85%	to 14.22%	10.82%	10.81%	11.04%
Limited Service Facilities	3Q 16	6.01%	to 16.87%	11.22%	11.22%	11.46%
Real Capital Analytics						
Full-Service	2Q 16	-	-	7.14%	8.00%	7.53%
Limited-Service	2Q 16	-	-	-	-	-
AVERAGE		**6.15%**	**to 12.77%**	**9.63%**	**9.33%**	**9.28%**



Mortgage Equity Technique

Most properties are purchased with debt and equity capital; therefore, the overall capitalization rate must satisfy the market return requirements of both investment positions. The lender/mortgagee must anticipate a rate of return that is appropriate for the investment's perceived risk in order to make the loan; the loan principal is typically repaid through periodic amortization payments. The equity investor/mortgagor must also anticipate a rate of return that is commensurate with the investment's perceived risk or they opt for an alternative investment.

Mortgage-equity analysis is defined by The Dictionary of Real Estate Appraisal as:

> *Capitalization and investment analysis procedures that recognize how mortgage terms and equity requirements affect the value of income-producing property*.

This analysis is also known as the Ellwood Formula, which is defined as a "yield capitalization method that provides a formulaic solution for developing a capitalization rate for various combinations of equity yields and mortgage terms. The formula is applicable only to properties with stable or stabilized income streams and properties with income streams expected to change according to the J- or K-factor pattern." Thus, rates of return for debt and equity are analyzed as well as anticipated changes in both income and value.

The mortgage-equity procedure developed by Charles B. Akerson substitutes an arithmetic format for the algebraic equation in the Ellwood formula. This format is applicable to level income situations; when modified with the J or K factors, it can also be applied to changing income situations.

In the following sections, we discuss the various components used in the Akerson formula, which are then followed by a calculation of the overall capitalization rate.

Mortgage Rate

The following mortgage interest rate is based on periodic conversations with representatives of lending institutions providing local mortgage financing. Thus, given the physical and economic characteristics of the subject property, and on the basis of our research, the market terms for conventional loans made on properties similar to the subject are as follows:

MORTGAGE COMPONENT	
Market-Oriented Loan Terms	
Mortgage Rate	4.25%
Amortization Term (Years)	25
Number of Payments	300
Loan-to-Value Ratio	75.00%
Equity Ratio	25.00%
Mortgage Constant (RM)	0.06501

The preceding data are used in the development of an overall capitalization rate for the subject property.

The capitalization rate for debt (indicated in the preceding table) is known as the mortgage constant; it is the ratio of annual debt service to the principal amount of the mortgage loan. The Present Value Factor can be obtained from financial tables that show the six functions of a dollar.

Equity Yield Rate

The Appraisal Institute defines equity yield rate as a rate of return on equity capital over the investment period. It is the equity investor's internal rate of return. The equity yield rate that will be employed in this analysis is a reflection of current rates of return sought by equity investors.

The following table summarizes the equity yield rate that is employed in this analysis:

EQUITY COMPONENT	
Equity Ratio	25.00%
Equity Yield Rate	21.50%

Projection Assumptions

Projection assumptions are as follows:

PROJECTION ASSUMPTIONS	
Projection Period	10 Years
Annual Appreciation/Depreciation	4.00% per Year
Total Appreciation/Depreciation	48.02%

The projection period represents a typical holding period for commercial real estate; this projected holding period is also consistent with the typical discounted cash flow projections. The annual appreciation/depreciation is projected based on our view of current market conditions as well as future conditions anticipated during the holding period. Both assumptions are considered reasonable for the subject property. The Sinking Fund Factor that is employed in this analysis is calculated based on the estimated Equity Yield Rate and the Projection Period. The portion of the loan that is paid off during the projection period is calculated based on the mortgage rate, mortgage amortization term and the length of the projection period.

The sinking fund factor and the percentage of the loan paid off during the projection period, which are calculated based on the foregoing assumptions, are as follows:

SINKING FUND FACTOR PERCENTAGE PAID OFF	
Sinking Fund Factor	3.58%
Percentage of Loan Paid Off	27.99%

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Calculation of Overall Capitalization Rate

The calculation of the overall capitalization rate (Ro) using the mortgage-equity technique is as follows:

MORTGAGE AND EQUITY ANALYSIS								
Loan-to-Value Ratio x Mortgage Constant	=			75.00%	x	6.50%	=	4.88%
Equity Ratio x Equity Yield Rate	=			25.00%	x	21.50%	=	5.38%
Weighted Average								10.25%
Less Credit for Equity Build-up								
Loan-to-Value Ratio x % of Loan Paid off x Sinking Fund Factor	=	75.00%	x	27.99%	x	3.58%	=	0.75%
Basic Rate								9.50%
Less Appreciation/Depreciation								
Appreciation/Depreciation x Sinking Fund Factor	=			48.02%	x	3.58%	=	1.72%
Indicated Overall Capitalization Rate								**7.78%**

As previously discussed, we have determined that a terminal capitalization rate of 8.50% is appropriate and supportable for the subject asset. In determining the overall, or "going in" rate, we have considered all of the risk characteristics of the subject property and its local market. Based on our analysis, we believe that a going-in capitalization rate that would be recognized by a prudent investor would have a spread of 75 bps from the terminal capitalization rate. A spread is normally accounted for and intended to reflect the difference in uncertainty in market conditions between the two time periods, as well as the overall expected condition of the subject property and its competitive position in the market.

As will be further discussed, we have researched various hotel transactions in the region. Based on information which was revealed during our verification process of these hotel sales, capitalization rates ranged from 6.20% to 8.20% with an average of 7.33%. In addition, we routinely conduct participant interviews regarding capitalization rates and investment parameters for assets such as the subject. Responses seem to be in-line with our conclusions, although we have not relied on these responses given the respondents' lack of knowledge of the subject's economics.

We have considered all aspects of the subject property that would influence the overall rate. Our analysis suggests that a "going-in" capitalization rate (Ro) of **7.75%** represents reasonable investor criteria under market conditions which are expected to exist in the stabilized year. This selected rate is supported by both the PwC survey and the Mortgage-Equity analysis presented earlier in this section.

Direct Capitalization – Consideration of the Stabilized Year

In an effort to employ the Direct Capitalization Method, we first developed an opinion of prospective market value upon stabilization by dividing the stabilized year's net operating income by our selected overall capitalization rate. The following table illustrates the projected operating performance for the subject upon stabilization.

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Stabilized Year Statement of Operations

Period:	**2019/20** (Stabilized)			
Projection Year:	**3**			
Days Open:	**365**			
Number of Rooms:	**491**			
Occupied Rooms:	**120,074**			
Occupancy Rate:	**67.0%**			
Average Daily Room Rate (ADR):	**$180.98**			
Revenue Per Available Room (RevPAR):	**$121.26**			
DEPARTMENTAL REVENUES	**$**	**% Total**	**$ PAR**	**$ POR**
Rooms	$21,730,993	64.5%	$44,259	$180.98
Food & Beverage	$10,066,131	29.9%	$20,501	$83.83
Parking	$1,315,964	3.9%	$2,680	$10.96
Other Income	$597,377	1.8%	$1,217	$4.98
Total Departmental Revenues	**$33,710,464**	**100.0%**	**$68,657**	**$280.75**
DEPARTMENTAL COSTS				
Rooms	$5,355,963	24.6%	$10,908	$44.61
Food & Beverage	$6,364,329	63.2%	$12,962	$53.00
Parking	$555,300	42.2%	$1,131	$4.62
Other Income	$43,475	7.3%	$89	$0.36
Total Departmental Costs	**$12,319,067**	**36.5%**	**$25,090**	**$102.60**
DEPARTMENTAL INCOME	**$21,391,397**	**63.5%**	**$43,567**	**$178.15**
UNDISTRIBUTED OPERATING EXPENSES				
Administrative & General	$2,733,478	8.1%	$5,567	$22.76
Marketing	$3,423,826	10.2%	$6,973	$28.51
Royalty/Franchise Fees	$1,086,550	3.2%	$2,213	$9.05
Property Operations & Maintenance	$1,765,371	5.2%	$3,595	$14.70
Utilities	$1,993,161	5.9%	$4,059	$16.60
Total Undist. Oper. Expenses	**$11,002,386**	**32.6%**	**$22,408**	**$91.63**
MANAGEMENT FEES				
Base Management Fee	$1,011,314	3.0%	$2,060	$8.42
HOUSE PROFIT	**$9,377,697**	**27.8%**	**$19,099**	**$78.10**
FIXED CHARGES				
Property Taxes	$1,410,371	4.2%	$2,872	$11.75
Insurance	$198,857	0.6%	$405	$1.66
Reserve for Replacement	$1,348,419	4.0%	$2,746	$11.23
Total Fixed Charges	**$2,957,647**	**8.8%**	**$6,024**	**$24.63**
			$0	$0.00
NET OPERATING INCOME	**$6,654,194**	**19.7%**	**$13,552**	**$55.42**
Food & Beverage to Rooms	46.3%			
Parking to Rooms	6.1%			
Other Income to Rooms	2.7%			
Royalty/Franchise Fees to Rooms	5.0%			

To recap, we have considered all aspects of the subject property that would influence the overall rate. Our analysis suggests that a capitalization rate of 7.75% during this projection year represents reasonable investor criteria under market conditions anticipated to exist during the selected stabilized year of operations.

Our conclusion using the Direct Capitalization Method on a stabilized basis is as follows.

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DIRECT CAPITALIZATION METHOD		
Calculation of Prospective Market Value, Upon Stabilization		
Net Operating Income	**$6,654,194**	
Sensitivity Analysis (0.25% OAR Spread)	**Value**	**Per Room**
Based on Low Range of 7.25%	$91,781,980	$186,929
Based on Reduced Rate of 7.50%	$88,722,580	$180,698
Based on Most Probable Range of 7.75%	$85,860,562	$174,869
Based on Elevated Rate of 8.00%	$83,177,419	$169,404
Based on High Range of 8.25%	$80,656,891	$164,271
Indicated Prospective Market Value	**$85,860,562**	**$174,869**
ROUNDED PROSPECTIVE MARKET VALUE	**$85,900,000**	**$174,949**

To account for the interim cash flows that occur between the present and the future date of property stabilization, we have made adjustments to the stabilized value estimate in order to arrive at the market value of the subject property as-is. It is important to note that the interim discount rate employed in this analysis is higher than the discount rate used in the 10-year DCF. This is due to the notion that a higher degree of risk, as reflected in the revenue growth rates, being taken on during this interim period. Lastly, deductions for capital expenditures are also applied, as appropriate.

PRESENT VALUE CALCULATION		
Prospective Stabilized Market Value	**Value**	**Per Room**
Conclusion	**$85,900,000**	**$174,949**
Stabilization Year	3	
Resulting Holding Period	2	
Spread over Primary Discount Rate	200 bps	
Interim Discount Rate	12.50%	
Calculation of As Is Market Value		
Year 1 Cash Flow	$5,026,027	
Year 2 Cash Flow	$5,993,639	
Year 3 Cash Flow	$0	
Year 4 Cash Flow	$0	
Year 5 Cash Flow	$0	
Present Value of Interim Cash Flows at 12.5% IRR	$9,203,295	$18,744
Present Value of Stabilized Market Value at 12.5% IRR	$67,871,605	$138,231
Subtotal	**$77,074,900**	**$156,975**
Less: Near-term capital commitment (NPV)	-$23,133,000	-$47,114
Plus: One-Time Adjustment	$0	$0
Indicated Market Value As Is	$53,941,900	$109,861
ROUNDED MARKET VALUE AS IS	**$53,900,000**	**$109,776**

Test of Reasonableness

Based on the selected discount rate or overall property yield, we have performed an analysis that assumes a leverage structure whereby, based on an assumed market yield rate for a mortgage position in the subject hotel, a yield to the equity position can be tested for reasonableness. The following table illustrates that, based upon the assumed debt structure of the subject hotel's market value as concluded by the discounted cash flow method, an equity investor would yield roughly 21.5% over a ten-year holding period. Based upon a review of the previously described hotel investor surveys, and our continuous discussions with active hotel equity and debt investors, the derived equity yield rate over a ten year holding period appears to be reasonable, and provides further support for our selected overall yield rate of 10.50%.

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Internal Rate of Return Calculations

Year	NOI	Debt Service	Cash Flow To Equity	Debt Coverage Ratio	Cash on Cash Return
Initial Investment (Prior to CapX)	($76,515,059)	($57,386,294)	(19,128,765)		
2017/18	$5,026,027	$3,730,601	$1,295,426	1.35	6.8%
2018/19	$5,993,639	$3,730,601	$2,263,038	1.61	11.8%
2019/20	$6,654,194	$3,730,601	$2,923,592	1.78	15.3%
2020/21	$6,853,881	$3,730,601	$3,123,280	1.84	16.3%
2021/22	$7,059,262	$3,730,601	$3,328,661	1.89	17.4%
2022/23	$7,271,040	$3,730,601	$3,540,439	1.95	18.5%
2023/24	$7,488,884	$3,730,601	$3,758,283	2.01	19.6%
2024/25	$7,713,479	$3,730,601	$3,982,878	2.07	20.8%
2025/26	$7,945,498	$3,730,601	$4,214,897	2.13	22.0%
2026/27	$105,611,191 [1]	$45,056,181 [2]	$60,555,009 [3]		
IRR	**10.52%**	**4.19%**	**21.55%**		
ROUNDED[4]	**10.50%**	**4.25%**	**21.50%**		

1 10th year's NOI plus net sale proceeds
2 10th year's debt service payment plus mortgage balance
3 10th year's NOI to equity plus net sale proceeds less mortgage balance
4 Rounded to the nearest 25 bps

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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.

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SALES COMPARABLE SUMMATION TABLE

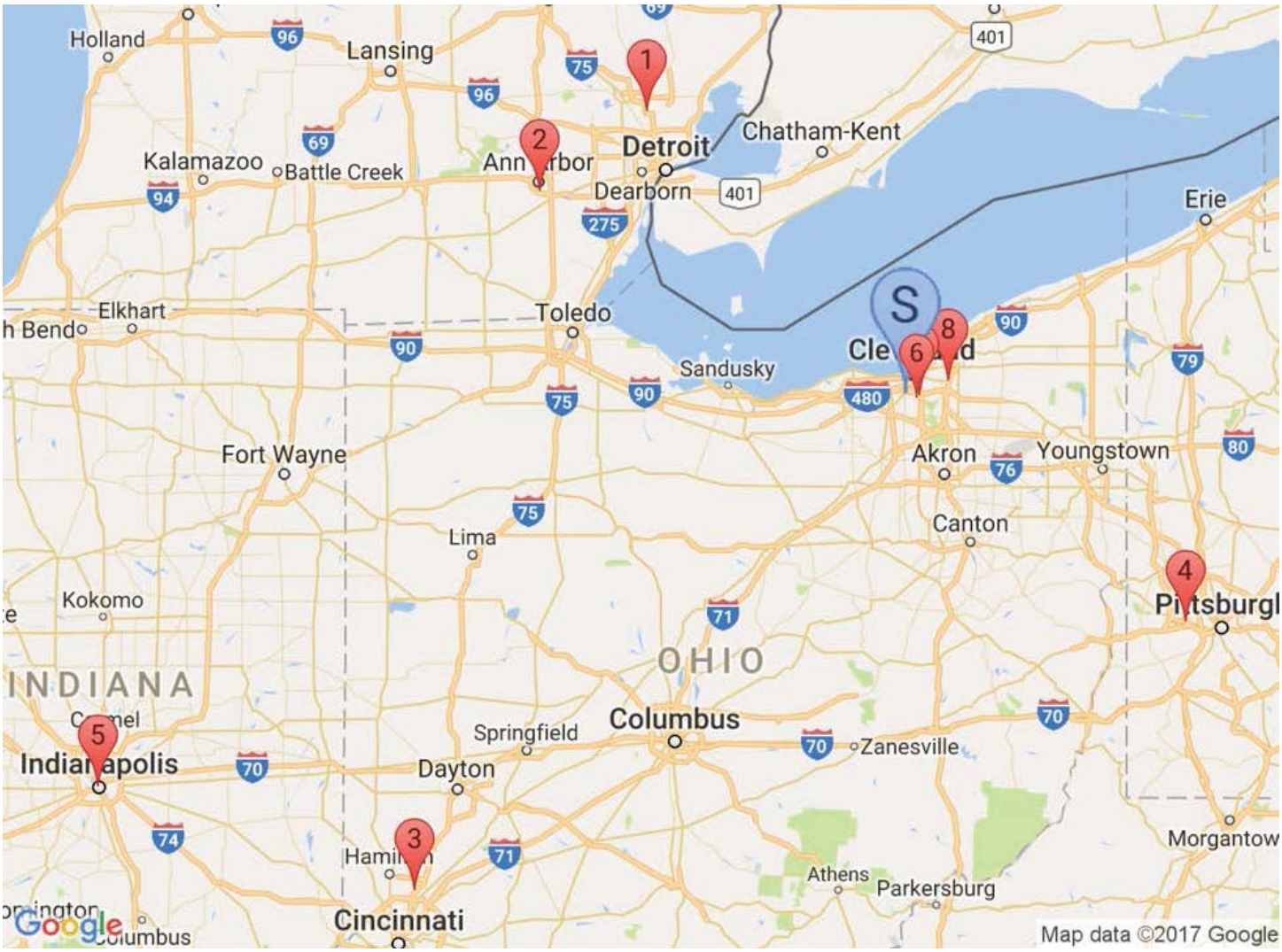
Property Information						Transaction Information					
No.	Property Name Address, City, State	Umbrella Co.	Orientation	Number of Units	Year Built	Grantor	Grantee	Sale Date	Sale Price	$/Unit	OAR
S	**SUBJECT PROPERTY - 24 Public Square Cleveland, OH**	**Renaissance**	**Full-Service**	**491**	**1918**	-	-	-	-	-	-
1	Marriott Troy - 200 West Big Beaver Road Troy, MI	Marriott	Full-Service	350	1989	Wheelock Street Capital, LLC	Select Commercial Assets, LLC	Jan-16	$68,000,000	$194,286	8.20%
2	Sheraton Ann Arbor - 3200 Boardwalk Drive Ann Arbor, MI	Sheraton	Full-Service	197	1981	Rockbridge Capital LLC	Ashford Hospitality Trust, Inc.	Jun-15	$39,475,895	$200,385	7.80%
3	Cincinnati Marriott North - 6189 Muhlhauser Road West Chester, OH	Marriott	Full-Service	295	Not disclosed	Winegardner & Hammons, Inc.	Lone Star Funds	May-15	$35,342,873	$119,806	6.30%
4	Pittsburgh Airport Marriott - 777 Aten Road Coraopolis, PA	Marriott	Full-Service	318	Not disclosed	Fulcrum Hospitality LLC	Platinum Equity LLC	Feb-15	$45,000,000	$141,509	8.00%
5	Hyatt Regency Indianapolis - 1 South Capitol Avenue Indianapolis, IN	Hyatt Regency	Full-Service	499	1990	Hyatt Hotels Corporation	REPE Capital Partners (USA) LLC	Jan-15	$70,500,000	$141,283	6.20%
6	Courtyard Cleveland Independence - 5051 West Creek Road Independence, OH	Courtyard by Marriott	Select Service	154	1997	CrossHarbor Capital Partners LLC	Aimbridge Hospitality	Sep-14	$18,069,316	$117,333	7.50%
7	Hampton Inn - 1460 East 9th Street Cleveland, OH	Hampton Inn	Limited Service	194	1997	Concord Hospitality Enterprises Company	Abu Dhabi Investment Authority	Apr-14	$19,842,000	$102,278	7.40%
8	Residence Inn by Marriott - 3626 Park East Drive Beachwood, OH	Residence Inn by Marriott	Extended Stay	174	1976	Moreland Management Company	Noble Investment Group	Feb-14	$19,345,134	$111,179	7.20%

Transactional Summary - Improved Sales

Range Level	Sale Date	Sale Price	$/Unit	OAR
Low	Feb-14	$18,069,316	$102,278	6.20%
Average	Jan-15	$39,446,902	$141,007	7.33%
High	Jan-16	$70,500,000	$200,385	8.20%

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SALES LOCATION MAP



IMPROVED SALES MAP KEY

Property Name	City, ST	Pin No.
Renaissance Cleveland Hotel	Cleveland, OH	S
Sheraton Ann Arbor	Ann Arbor, MI	2
Cincinnati Marriott North	West Chester, OH	3
Pittsburgh Airport Marriott	Coraopolis, PA	4
Hyatt Regency Indianapolis	Indianapolis, IN	5
Courtyard Cleveland Independence	Independence, OH	6
Hampton Inn	Cleveland, OH	7
Residence Inn by Marriott	Beachwood, OH	8

OVERVIEW

Lodging investments are considered to be relatively eccentric when compared to other types of commercial real estate. Due to this implicit characteristic, any adjustments that are applied are highly subjective in nature and greatly diminish the reliability of the conclusions. As observers of hotel transactions, we note it is difficult to ascertain the actual motivation behind the buyer and/or seller. This is information that is crucial for determining the relevance of the transactions in an open-market environment.

Because an appraiser has no way of measuring these influences, it is impossible to determine with any degree of certainty whether the purchase price paid reflects an arm's-length transaction or, ultimately, market value. The level of comparability between the subject property and those in the selected set is usually so vague that any adjustments that are actually applied are heavily subjective in nature. Due to the potential for error in these adjustments, the reliability of this approach is limited. As such, it is our opinion that the use of the Sales Comparison Approach in valuing hotels is generally useful in establishing a range of value indicated by the Income Capitalization Approach.

Nevertheless, we have employed the Percentage Adjustment Method in an effort to ascertain a potential range in market value for the subject property. The following text summarizes our observations and assumptions.

IMPROVED SALE TRANSACTION NOTES

Sale No. 1

Marriott Troy was acquired by Select Commercial Assets, LLC in January 2016 from Wheelock Street Capital, LLC for a total consideration of $68,000,000. This amounts to an acquisition price of $194,286 per room. This sale involved a single-asset transaction. The overall capitalization rate at the time of sale is reported to be approximately 8.20%. This sale, which is located at 200 West Big Beaver Road in Troy, is a full-service hotel that features 350 guest units. This property was constructed in 1989. The hotel was affiliated with the Marriott brand at the time of transaction. The interest conveyed was reported to be fee simple and the conditions of sale are understood to be arms-length. Financing terms are reported to be market-oriented and market conditions, after accounting for a 3.0 annual adjustment factor into the date of stabilization, has been increased by a total of about 11%. When considering the property adjustments, it is our opinion that this particular sale had locational characteristics that are superior relative to that of the subject (demographic characteristics, market size, etc.) and that its age, quality and condition collectively is similar. Qualitative adjustments were applied to each of the sales for these factors, as appropriate. This property's guestroom inventory renders it smaller in size relative to the subject, thereby requiring a downward adjustment. Utility for this sale (access, visibility, parking, site shape, etc.) is understood to be similar, thereby warranting no adjustment. Other adjustments, if applicable, were also applied. After making all quantitative and qualitative adjustments, it is our opinion that this sale was generally superior relative to the subject.

Sale No. 2

Sheraton Ann Arbor was acquired by Ashford Hospitality Trust, Inc. in June 2015 from Rockbridge Capital LLC for a total consideration of $39,475,895. This amounts to an acquisition price of $200,385 per room. This property sold as part of a portfolio; the price reportedly represents the market-oriented, arm's-length purchase price. The interest conveyed was reported to be fee simple and the conditions of sale are understood to be arms-length. Financing terms are reported to be market-oriented and market conditions, after accounting for a 3.0 annual adjustment factor into the date of stabilization, has been increased by a total of about 12.9%. Regarding property adjustments, it is our opinion that this particular sale had locational characteristics that are similar relative to that of the subject and that its age, quality and condition collectively is superior. Qualitative adjustments were applied to each of the sales for these factors, as appropriate. This property's guestroom inventory renders it similar in size relative to the subject, thereby requiring no adjustment. Utility for this sale is understood to be similar, thereby warranting no adjustment. Other adjustments, if applicable, were also applied. The overall capitalization rate at

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the time of sale is reported to be approximately 7.80%. This sale, which is located at 3200 Boardwalk Drive in Ann Arbor, is a full-service hotel that features 197 guest units. This property was constructed in 1981. This sale involved a hotel that was affiliated with the Sheraton brand at the time of transaction. After making all quantitative and qualitative adjustments, it is our opinion that this sale was generally superior relative to the subject.

Sale No. 3

Cincinnati Marriott North was acquired by Lone Star Funds in May 2015 from Winegardner & Hammons, Inc. for a total consideration of $35,342,873. This amounts to an acquisition price of $119,806 per room. This property sold as part of a portfolio; the price reportedly represents the market-oriented, arm's-length purchase price. The overall capitalization rate at the time of sale is reported to be approximately 6.30%. This sale, which is located at 6189 Muhlhauser Road in West Chester, is a full-service hotel that features 295 guest units. The property's original construction date was not available at the time of research. The hotel was affiliated with the Marriott brand at the time of transaction. The interest conveyed was reported to be fee simple and the conditions of sale are understood to be arms-length. Financing terms are reported to be market-oriented and market conditions, after accounting for a 3.0 annual adjustment factor into the date of stabilization, has been increased by a total of about 13.1%. When considering the property adjustments, it is our opinion that this particular sale had locational characteristics that are inferior relative to that of the subject and that its age, quality and condition collectively is inferior. Qualitative adjustments were applied to each of the sales for these factors, as appropriate. This property's guestroom inventory renders it smaller in size relative to the subject, thereby requiring a downward adjustment. Utility for this sale is understood to be similar, thereby warranting no adjustment. Other adjustments, if applicable, were also applied. After making all quantitative and qualitative adjustments, it is our opinion that this sale was generally inferior relative to the subject.

Sale No. 4

Pittsburgh Airport Marriott was acquired by Platinum Equity LLC in February 2015 from Fulcrum Hospitality LLC for a total consideration of $45,000,000. This amounts to an acquisition price of $141,509 per room. This sale involved a single-asset transaction. The overall capitalization rate at the time of sale is reported to be approximately 8.00%. This sale, which is located at 777 Aten Road in Coraopolis, is a full-service hotel that features 318 guest units. The property's original construction date was not available at the time of research. This sale involved a hotel that was affiliated with the Marriott brand at the time of transaction. The interest conveyed was reported to be fee simple and the conditions of sale are understood to be arms-length. Financing terms are reported to be market-oriented and market conditions, after accounting for a 3.0 annual adjustment factor into the date of stabilization, has been increased by a total of about 13.8%. Regarding property adjustments, it is our opinion that this particular sale had locational characteristics that are similar relative to that of the subject and that its age, quality and condition collectively is superior. Qualitative adjustments were applied to each of the sales for these factors, as appropriate. This property's guestroom inventory renders it similar in size relative to the subject, thereby requiring no adjustment. Utility for this sale is understood to be similar, thereby warranting no adjustment. Other adjustments, if applicable, were also applied. After making all quantitative and qualitative adjustments, it is our opinion that this sale was generally superior relative to the subject.

Sale No. 5

Hyatt Regency Indianapolis was acquired by REPE Capital Partners (USA) LLC in January 2015 from Hyatt Hotels Corporation for a total consideration of $70,500,000. This amounts to an acquisition price of $141,283 per room. This sale involved a single-asset transaction. The overall capitalization rate at the time of sale is reported to be approximately 6.20%. This sale, which is located at 1 South Capitol Avenue in Indianapolis, is a full-service hotel that features 499 guest units. This property was constructed in 1990. The hotel was affiliated with the Hyatt Regency brand at the time of transaction. The interest conveyed was reported to be fee simple and the conditions of sale are understood to be arms-length. Financing terms are reported to be market-oriented

and market conditions, after accounting for a 3.0 annual adjustment factor into the date of stabilization, has been increased by a total of about 14%. When considering the property adjustments, it is our opinion that this particular sale had locational characteristics that are similar relative to that of the subject and that its age, quality and condition collectively is superior. Qualitative adjustments were applied to each of the sales for these factors, as appropriate. This property's guestroom inventory renders it similar in size relative to the subject, thereby requiring no adjustment. Utility for this sale is understood to be similar, thereby warranting no adjustment. Other adjustments, if applicable, were also applied. After making all quantitative and qualitative adjustments, it is our opinion that this sale was generally superior relative to the subject.

Sale No. 6

Courtyard Cleveland Independence was acquired by Aimbridge Hospitality in September 2014 from CrossHarbor Capital Partners LLC for a total consideration of $18,069,316. This amounts to an acquisition price of $117,333 per room. This property sold as part of a portfolio; the price reportedly represents the market-oriented, arm's-length purchase price. The overall capitalization rate at the time of sale is reported to be approximately 7.50%. This sale, which is located at 5051 West Creek Road in Independence, is a select service hotel that features 154 guest units. This property was constructed in 1997. This sale involved a hotel that was affiliated with the Courtyard by Marriott brand at the time of transaction. The interest conveyed was reported to be fee simple and the conditions of sale are understood to be arms-length. Financing terms are reported to be market-oriented and market conditions, after accounting for a 3.0 annual adjustment factor into the date of stabilization, has been increased by a total of about 15.2%. Regarding property adjustments, it is our opinion that this particular sale had locational characteristics that are similar relative to that of the subject and that its age, quality and condition collectively is superior. Qualitative adjustments were applied to each of the sales for these factors, as appropriate. This property's guestroom inventory renders it similar in size relative to the subject, thereby requiring no adjustment. Utility for this sale is understood to be similar, thereby warranting no adjustment. Other adjustments, if applicable, were also applied. After making all quantitative and qualitative adjustments, it is our opinion that this sale was generally superior relative to the subject.

Sale No. 7

Hampton Inn was acquired by Abu Dhabi Investment Authority in April 2014 from Concord Hospitality Enterprises Company for a total consideration of $19,842,000. This amounts to an acquisition price of $102,278 per room. This property sold as part of a portfolio; the price reportedly represents the market-oriented, arm's-length purchase price. The overall capitalization rate at the time of sale is reported to be approximately 7.40%. This sale, which is located at 1460 East 9th Street in Cleveland, is a limited service hotel that features 194 guest units. This property was constructed in 1997. The hotel was affiliated with the Hampton Inn brand at the time of transaction. The interest conveyed was reported to be fee simple and the conditions of sale are understood to be arms-length. Financing terms are reported to be market-oriented and market conditions, after accounting for a 3.0 annual adjustment factor into the date of stabilization, has been increased by a total of about 16.5%. When considering the property adjustments, it is our opinion that this particular sale had locational characteristics that are similar relative to that of the subject and that its age, quality and condition collectively is superior. Qualitative adjustments were applied to each of the sales for these factors, as appropriate. This property's guestroom inventory renders it similar in size relative to the subject, thereby requiring no adjustment. Utility for this sale is understood to be similar, thereby warranting no adjustment. Other adjustments, if applicable, were also applied. After making all quantitative and qualitative adjustments, it is our opinion that this sale was generally superior relative to the subject.

Sale No. 8

Residence Inn by Marriott was acquired by Noble Investment Group in February 2014 from Moreland Management Company for a total consideration of $19,345,134. This amounts to an acquisition price of $111,179

per room. This property sold as part of a portfolio; the price reportedly represents the market-oriented, arm's-length purchase price. The overall capitalization rate at the time of sale is reported to be approximately 7.20%. This sale, which is located at 3626 Park East Drive in Beachwood, is a extended stay hotel that features 174 guest units. This property was constructed in 1976. This sale involved a hotel that was affiliated with the Residence Inn by Marriott brand at the time of transaction. The interest conveyed was reported to be fee simple and the conditions of sale are understood to be arms-length. Financing terms are reported to be market-oriented and market conditions, after accounting for a 3.0 annual adjustment factor into the date of stabilization, has been increased by a total of about 16.9%. When considering the property adjustments, it is our opinion that this particular sale had locational characteristics that are similar relative to that of the subject and that its age, quality and condition collectively is superior. Qualitative adjustments were applied to each of the sales for these factors, as appropriate. This property's guestroom inventory renders it similar in size relative to the subject, thereby requiring no adjustment. Utility for this sale is understood to be similar, thereby warranting no adjustment. Other adjustments, if applicable, were also applied. After making all quantitative and qualitative adjustments, it is our opinion that this sale was generally superior relative to the subject.

ADJUSTMENT PROCESS

The sales we have used were the best available comparables to the subject property. The major points of comparison for this type of analysis include the property rights conveyed, the financial terms incorporated into the transaction, the conditions or motivations surrounding the sale, changes in market conditions since the sale, the location of the real estate, its physical traits and the economic characteristics of the property.

Transactional Adjustments

Our initial adjustment made to the market data takes into account differences between the subject property and the comparable sale with regard to the legal interest transferred. Beneficial financing terms or atypical conditions of sale are then adjusted to reflect a normal market transaction. Next, changes in market conditions are accounted for, creating a time adjusted price.

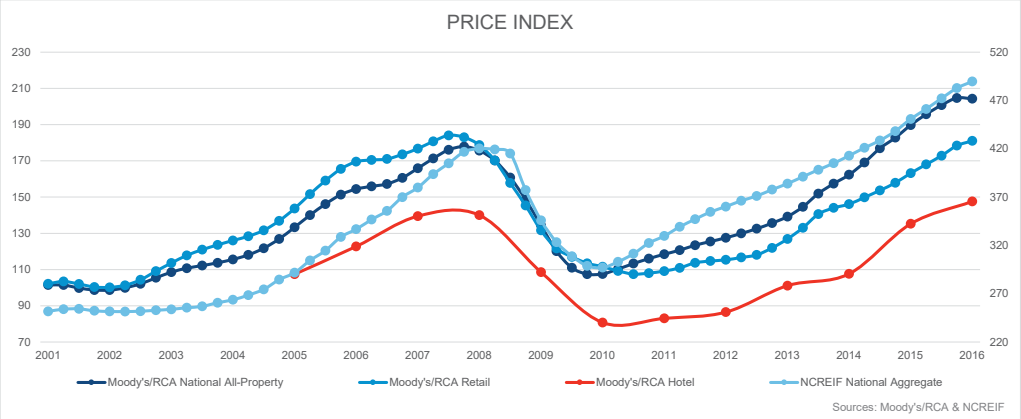
As discussed earlier, certain qualitative adjustments to the comparable sales were considered and made when warranted. The sequence for transactional adjustments is reviewed below:

Property Rights Transferred	The valuation of the subject property was completed on a Fee Simple basis. If warranted, leased fee, leasehold and/or partial interest sales were adjusted accordingly.
Conditions of Sale	This adjustment accounts for extraordinary motivation on the part of the buyer or seller often associated with distressed sales. Adjustments are applied as appropriate.
Financing Terms	The subject property was valued on a cash equivalent basis. Adjustments were made to the comparables involving financing terms atypical of the marketplace.
Market Conditions	The appraisers considered making an adjustment for market conditions (a time adjustment). The time adjustment is an average estimate between the date of transaction and the prospective date of value upon stabilization. We have considered local, regional and national trends for property price indexes, including the Moody's/RCA Commercial Property Price Index (CPPI) and National Council of Real Estate Investment Fiduciaries (NCREIF). CPPI is a periodic same price change index of U.S. commercial investment properties. The CPPI uses advanced repeat-sale regression analytics to measure price changes in U.S. commercial real estate. Similarly, NCREIF also compiles a

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property price index based on a large pool of individual commercial real estate properties. The NCREIF Property Price Index is a quarterly time series composite total rate of return measure of investment performance of said commercial real estate properties acquired in the private market for investment purposes only. We have compared these trends with the CPPI trendline for hotels.

The following graph displays the CPPI and NCREIF indexes between 2001 and 2016.



As indicated, the market has changed over the time period on a national scale for all commercial property, as well as for hotel properties. In addition, we note that market conditions have also changed as evidenced by the selected comparable sales. Accordingly, an annual adjustment factor of 3.0 was applied to all sales.

The following table summarizes the previously-discussed transactional adjustments applied in this portion of the analysis:

Transactional Adjustments

No.	Unit Price	Property Rights Conveyed	Conditions of Sale	Financing Terms	Market Conditions*	Subtotal
1	**$194,286**	Fee Simple	Arms-Length	Market	Inferior	**$215,741**
	Jan-16	0.0%	0.0%	0.0%	11.0%	11.0%
2	**$200,385**	Fee Simple	Arms-Length	Market	Inferior	**$226,184**
	Jun-15	0.0%	0.0%	0.0%	12.9%	12.9%
3	**$119,806**	Fee Simple	Arms-Length	Market	Inferior	**$135,497**
4	**$141,509**	Fee Simple	Arms-Length	Market	Inferior	**$161,053**
	Feb-15	0.0%	0.0%	0.0%	13.8%	13.8%
5	**$141,283**	Fee Simple	Arms-Length	Market	Inferior	**$161,120**
	Jan-15	0.0%	0.0%	0.0%	14.0%	14.0%
6	**$117,333**	Fee Simple	Arms-Length	Market	Inferior	**$135,138**
	Sep-14	0.0%	0.0%	0.0%	15.2%	15.2%
7	**$102,278**	Fee Simple	Arms-Length	Market	Inferior	**$119,151**
	Apr-14	0.0%	0.0%	0.0%	16.5%	16.5%
8	**$111,179**	Fee Simple	Arms-Length	Market	Inferior	**$129,913**
	Feb-14	0.0%	0.0%	0.0%	16.9%	16.9%

*Market Conditions Adjustment Factor (annual): 3.0%
Date of Value for Sales Adjustment Purposes: October 1, 2019

Property Adjustments

Qualitative adjustments are also made for location and physical characteristics such as size, age, quality, condition, utility (site ratios, parking ratios, access, exposure, etc.), as well as any other applicable elements of comparison. It should be stressed that the adjustments are subjective in nature and are meant to illustrate our logic in deriving a value opinion for the subject property.

We have discussed the factors and rationale for the property adjustments earlier in this section. For graphical purposes, he following table summarizes the property adjustments applied in this portion of the analysis:

Property Adjustments

No.	Subtotal Value /Room	Location	Size	Age, Quality & Condition	Utility	Other	Adjusted Unit Price
1	**$215,741**	**Superior**	**Smaller**	**Similar**	**Similar**	**Similar**	**$172,593**
	Jan-16	-10.0%	-10.0%	0.0%	0.0%	0.0%	-20.0%
2	**$226,184**	**Similar**	**Similar**	**Superior**	**Similar**	**Similar**	**$169,638**
	Jun-15	0.0%	0.0%	-25.0%	0.0%	0.0%	-25.0%
3	**$135,497**	**Inferior**	**Smaller**	**Inferior**	**Similar**	**Similar**	**$176,146**
4	**$161,053**	**Similar**	**Similar**	**Superior**	**Similar**	**Similar**	**$120,790**
	Feb-15	0.0%	0.0%	-25.0%	0.0%	0.0%	-25.0%
5	**$161,120**	**Similar**	**Similar**	**Superior**	**Similar**	**Similar**	**$120,840**
	Jan-15	0.0%	0.0%	-25.0%	0.0%	0.0%	-25.0%
6	**$135,138**	**Similar**	**Similar**	**Superior**	**Similar**	**Similar**	**$101,354**
	Sep-14	0.0%	0.0%	-25.0%	0.0%	0.0%	-25.0%
7	**$119,151**	**Similar**	**Similar**	**Superior**	**Similar**	**Similar**	**$89,363**
	Apr-14	0.0%	0.0%	-25.0%	0.0%	0.0%	-25.0%
8	**$129,913**	**Similar**	**Similar**	**Superior**	**Similar**	**Similar**	**$97,435**
	Feb-14	0.0%	0.0%	-25.0%	0.0%	0.0%	-25.0%

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

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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.

Conclusion

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

Percent Adjustment Method Summary			
Unadjusted Unit Rage	$102,278	to	$200,385
Adjusted Unit Rage	$89,363	to	$176,146
Rounded Adjusted Unit Range	**$89,000**	**to**	**$176,000**

Market Value Upon Stabilization		
Indicated Value per Unit		**$174,000**
Number of Units		491
Indicated Prospective Value		$85,434,000
Rounded to nearest	**$100,000**	**$85,400,000**
Per unit		**$173,931**

To account for the interim cash flows that occur between the present and the future date of property stabilization, we have made adjustments to the stabilized value estimate in order to arrive at the market value of the subject property as-is. It is important to note that the interim discount rate employed in this analysis is higher than the discount rate used in the 10-year DCF. This is due to the notion that a higher degree of risk, as reflected in the revenue growth rates, being taken on during this interim period. Lastly, deductions for capital expenditures are also applied, as appropriate.

PRESENT VALUE CALCULATION		
Prospective Stabilized Market Value	**Value**	**Per Room**
Conclusion	**$85,400,000**	**$173,931**
Stabilization Year	3	
Resulting Holding Period	2	
Spread over Primary Discount Rate	200 bps	
Interim Discount Rate	12.50%	
Calculation of As Is Market Value		
Year 1 Cash Flow	$5,026,027	
Year 2 Cash Flow	$5,993,639	
PV of Interim Cash Flows at 12.5% IRR	$9,203,295	$18,744
PV of Stabilized Market Value at 12.5% IRR	$67,476,543	$137,427
Subtotal	**$76,679,838**	**$156,171**
Less: Near-term capital commitment (NPV)	-$23,133,000	-$47,114
Indicated Market Value As Is	$53,546,838	$109,057
ROUNDED MARKET VALUE AS IS	**$53,500,000**	**$108,961**

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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.[2]

We find that well-informed buyers of lodging facilities base their purchase decisions on the anticipated economic benefits of the property. Because the cost approach does not capture income-related considerations and requires multiple highly-subjective depreciation estimates for a subject hotel, this approach is generally given minimal weight, if any.

[2] The Dictionary of Real Estate Appraisal, Fifth Edition, Appraisal Institute, Chicago, Illinois, 2010

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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:

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ANALYSIS OF VALUE CONCLUSIONS	
Methodology for Market Value Conclusions	**As Is October 1, 2017**
Sales Comparison Approach	
Adjusted Low End of Range	$12,000,000
Adjusted High End of Range	$54,600,000
Concluded Value	**$53,500,000**
Income Approach	
Discounted Cash Flow	$53,400,000
Direct Capitalization Approach	$53,900,000
Reconciled Value via Income Approach	**$53,400,000**
Reconciled Value Conclusion	**$53,400,000**
Per Room	**$108,758**

CONTRIBUTORY VALUE OF THE FURNITURE, FIXTURES AND EQUIPMENT

Fixtures, furniture, and equipment (FF&E) are considered integral components of a hotel that contribute to its value. This includes all of the furniture and equipment in the subject's guest rooms, common areas and the related maintenance equipment. FF&E is recognized as part of a hotel's operations because it is typically sold with the real estate.

Reference is given to the HVS *Hotel Development Cost Survey 2014/15* in estimating the value of FF&E. The following table shows the average and median range of cost new for FF&E for different types of motel/hotels:

FF&E Cost New by Property Type	
Property Type	**Estimated Cost**
Budget Economy	$5,400-$17,900
Midscale w/o F&B	$6,600-$28,200
Extended-Stay	$8,300-$25,800
Midscale with F&B	$10,900-$39,200
Full-Service	$23,200-$57,900
Luxury and Resort	$37,900-$129,300

Part of the reason hotel assets command higher returns relative to other asset classes is the fact that a sizable portion of the asset's overall value is comprised by furniture, fixtures and equipment. Based on our review of the subject, we have concluded that the value of the FF&E as new is approximately $37,500 per unit, or a total replacement cost of $18,412,500. Although hotel FF&E typically have a useful life of five to ten years, depreciation of these assets occurs at a much faster rate than straight-line and depreciate immediately upon being placed into service. As illustrated in the following table, we conclude that the contributory value of the subject's FF&E is considerably depreciated relative to its installation cost and has an effective age of 4.0 years with an economic life of seven years. Such velocity in the depreciation of this component, along with the human labor required to maintain not only the FF&E but most public areas of the property, causes prudent investors to require higher rates of return.

The following table summarizes our value and depreciation estimates for the FF&E components that are employed in this appraisal.

FF&E: VALUE AND DEPRECIATION	
Summary	**As Is**
Replacement Cost New	$18,412,500
Per Room	$37,500
Elapsed Time (years)	0.0
Effective Age (years)	5.0
Useful Life (years)	10.0
Percent Depreciated	50.0%
Estimated Value	$9,206,000

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Please note that future FF&E contributory values consider immediate capital plans as well as the level of reserves being deducted from the cash flow. As such, the effective ages of the FF&E tend to fluctuate depending on the timing of the analysis.

CONTRIBUTORY VALUE OF BUSINESS AND OTHER INTANGIBLE COMPONENTS (GOING CONCERN)

Going Concern Overview

A going concern is a business that functions without the threat of liquidation for the foreseeable future, usually regarded as at least within 12 months. It implies for the business the basic declaration of intention to keep running its activities at least for the next year, which is a basic assumption to prepare financial statements considering the conceptual framework of the IFRS. Hence, the declaration of going concern means that the entity has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

Definition

The going concern assumption is universally understood and accepted by accounting professionals; however, it has never been formally incorporated into U.S GAAP. In October 2008, FASB issued an Exposure Draft called, going concern. It discusses the following possible pronouncements for the going concern:

- Reconsideration of defining and incorporating the terms going concern and substantial doubt into U.S. GAAP;
- The time horizon over which management would evaluate the entity's ability to meet its obligations;
- The type of information that management should consider in evaluating the entity's ability to meet its obligations;
- The effect of subsequent events on management's evaluation of the entity's ability to meet its obligations;
- Whether to provide guidance on the liquidation basis of accounting

A current definition of the going concern assumption can be found in the AICPA Statement on Auditing Standards No.1 Codification of Auditing Standards and Procedures, Section 341, " The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern" (AU Section 341) The 'going concern' concept assumes that the business will remain in existence long enough for all the assets of the business to be fully utilized. Utilized assets means obtaining the complete benefit from their earning potential. (i.e. if you recently purchased equipment costing $5,000 that had 5 years of productive/useful life, then under the going concern assumption, the accountant would only write off one year's value $1,000 (1/5th) this year, leaving $4,000 to be treated as a fixed asset with future economic value for the business)

Accounting

This accounting principle assumes that, a company will continue to exist long enough to carry out its objectives and commitments and will not liquidate in the foreseeable future. If the company's financial situation is such that the accountant believes the company will not be able to continue on, the accountant is required to disclose this assessment.

The going concern principle allows the company to defer some of its prepaid expenses until future accounting periods. The going concern assumption is a fundamental principle in the preparation of financial statements. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations. Accordingly, unless the going concern assumption is inappropriate in the circumstances of the entity, assets and liabilities are recorded on the basis that the entity will be able to realize its assets, discharge its liabilities, and obtain refinancing (if necessary) in the normal course of business.

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An entity is assumed to be a going concern in the absence of significant information to the contrary. An example of such contrary information is an entity's inability to meet its obligations as they come due without substantial asset sales or debt restructurings. If such were not the case, an entity would essentially be acquiring assets with the intention of closing its operations and reselling the assets to another party.

If the accountant believes that an entity may no longer be a going concern, then this brings up the issue of whether its assets are impaired, which may call for the write-down of their carrying amount to their liquidation value. Thus, the value of an entity that is assumed to be a going concern is higher than its breakup value, since a going concern can potentially continue to earn profits.

The going concern concept is not clearly defined anywhere in generally accepted accounting principles, and so is subject to a considerable amount of interpretation regarding when an entity should report it. However, generally accepted auditing standards (GAAS) do instruct an auditor regarding the consideration of an entity's ability to continue as a going concern.

The auditor evaluates an entity's ability to continue as a going concern for a period not greater than one year following the date of the financial statements being audited. The auditor considers such items as negative trends in operating results, loan defaults, denial of trade credit from suppliers uneconomical long-term commitments, and legal proceedings in deciding if there is a substantial doubt about an entity's ability to continue as a going concern. If so, the auditor must qualify the audit report with a statement about the problem. This Guidance provides a framework to assist directors, audit committees and finance teams in determining whether it is appropriate to adopt the going concern basis for preparing financial statements and in making balanced, proportionate and clear disclosures. Separate standards and guidance have been issued by the Auditing Practices Board to address the work of auditors in relation to going concern.

Assumption

Under the going concern assumption, an entity is viewed as continuing in business for the foreseeable future. General purpose financial statements are prepared on a going concern basis, unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Special purpose financial statements may or may not be prepared in accordance with a financial reporting framework for which the going concern basis is relevant (for example, the going concern basis is not relevant for some financial statements prepared on a tax basis in particular jurisdictions). When the use of the going concern assumption is appropriate, assets and liabilities are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business.

Auditing

Continuation of an entity as a going concern is assumed in financial reporting in the absence of significant information to the contrary. Ordinarily, information that significantly contradicts the going concern assumption relates to the entity's inability to continue to meet its obligations as they become due without substantial disposition of assets outside the ordinary course of business, restructuring of debt, externally forced revisions of its operations, or similar actions.

Responsibilities

The auditor has a responsibility to evaluate whether there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, not to exceed one year beyond the date of the financial statements being audited (hereinafter referred to as a reasonable period of time). The auditor's evaluation is based on his or her knowledge of relevant conditions and events that exist at or have occurred prior to the date of the auditor's report. Information about such conditions or events is obtained from the application of auditing

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procedures planned and performed to achieve audit objectives that are related to management's assertions embodied in the financial statements being audited, as described in Auditing Standard No. 15, Audit Evidence.

The auditor should evaluate whether there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time in the following manner:

The auditor considers whether the results of his procedures performed in planning, gathering evidential matter relative to the various audit objectives, and completing the audit identify conditions and events that, when considered in the aggregate, indicate there could be substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. It may be necessary to obtain additional information about such conditions and events, as well as the appropriate evidential matter to support information that mitigates the auditor's doubt.

If the auditor believes there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, he should obtain information about management's plans that are intended to mitigate the effect of such conditions or events, and assess the likelihood that such plans can be effectively implemented.

After the auditor has evaluated management's plans, he concludes whether he has substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. If the auditor concludes there is substantial doubt, he should consider the adequacy of disclosure about the entity's possible inability to continue as a going concern for a reasonable period of time, and include an explanatory paragraph (following the opinion paragraph) in his audit report to reflect his conclusion. If the auditor concludes that substantial doubt does not exist, he should consider the need for disclosure.

The auditor is not responsible for predicting future conditions or events. The fact that the entity may cease to exist as a going concern subsequent to receiving a report from the auditor that does not refer to substantial doubt, even within one year following the date of the financial statements, does not, in itself, indicate inadequate performance by the auditor. Accordingly, the absence of reference to substantial doubt in an auditor's report should not be viewed as providing assurance as to an entity's ability to continue as a going concern.

Procedures

It is not necessary to design audit procedures solely to identify conditions and events that, when considered in the aggregate, indicate there could be substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. The results of auditing procedures designed and performed to achieve other audit objectives should be sufficient for that purpose. The following are examples of procedures that may identify such conditions and events:

- Analytical procedures
- Review of subsequent events
- Review of compliance with the terms of debt and loan agreements
- Reading of minutes of meetings of stockholders, board of directors, and important committees of the board
- Inquiry of an entity's legal counsel about litigation, claims, and assessments
- Confirmation with related and third parties of the details of arrangements to provide or maintain financial support

Conditions and Events

In performing audit procedures such as those presented in paragraph .05, the auditor may identify information about certain conditions or events that, when considered in the aggregate, indicate there could be substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time. The significance

of such conditions and events will depend on the circumstances, and some may have significance only when viewed in conjunction with others. The following are examples of such conditions and events:

Negative trends—for example, recurring operating losses, working capital deficiencies, negative cash flows from operating activities, adverse key financial ratios

Other indications of possible financial difficulties—for example, default on loan or similar agreements, arrearages in dividends, denial of usual trade credit from suppliers, restructuring of debt, noncompliance with statutory capital requirements, need to seek new sources or methods of financing or to dispose of substantial assets

Internal matters—for example, work stoppages or other labor difficulties, substantial dependence on the success of a particular project, uneconomic long-term commitments, need to significantly revise operations

External matters that have occurred—for example, legal proceedings, legislation, or similar matters that might jeopardize an entity's ability to operate; loss of a key franchise, license, or patent; loss of a principal customer or supplier; uninsured or underinsured catastrophe such as a drought, earthquake, or flood.

Management's Plans

If, after considering the identified conditions and events in the aggregate, the auditor believes there is substantial doubt about the ability of the entity to continue as a going concern for a reasonable period of time, he should consider management's plans for dealing with the adverse effects of the conditions and events. The auditor should obtain information about the plans and consider whether it is likely the adverse effects will be mitigated for a reasonable period of time and that such plans can be effectively implemented. The auditor's considerations relating to management plans may include the following:

Plans to dispose of assets

- Restrictions on disposal of assets, such as covenants limiting such transactions in loan or similar agreements or encumbrances against assets
- Apparent marketability of assets that management plans to sell
- Possible direct or indirect effects of disposal of assets
- Plans to borrow money or restructure debt
- Availability of debt financing, including existing or committed credit arrangements, such as lines of credit or arrangements for factoring receivables or sale-leaseback of assets
- Existing or committed arrangements to restructure or subordinate debt or to guarantee loans to the entity
- Possible effects on management's borrowing plans of existing restrictions on additional borrowing or the sufficiency of available collateral
- Plans to reduce or delay expenditures
- Apparent feasibility of plans to reduce overhead or administrative expenditures, to postpone maintenance or research and development projects, or to lease rather than purchase assets
- Possible direct or indirect effects of reduced or delayed expenditures
- Plans to increase ownership equity
- Apparent feasibility of plans to increase ownership equity, including existing or committed arrangements to raise additional capital
- Existing or committed arrangements to reduce current dividend requirements or to accelerate cash distributions from affiliates or other investors

When evaluating management's plans, the auditor should identify those elements that are particularly significant to overcoming the adverse effects of the conditions and events and should plan and perform auditing procedures

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to obtain evidential matter about them. For example, the auditor should consider the adequacy of support regarding the ability to obtain additional financing or the planned disposal of assets.

When prospective financial information is particularly significant to management's plans, the auditor should request management to provide that information and should consider the adequacy of support for significant assumptions underlying that information. The auditor should give particular attention to assumptions that are—

- Material to the prospective financial information.
- Especially sensitive or susceptible to change.
- Inconsistent with historical trends.

The auditor's consideration should be based on knowledge of the entity, its business, and its management and should include (a) reading of the prospective financial information and the underlying assumptions and (b) comparing prospective financial information in prior periods with actual results and comparing prospective information for the current period with results achieved to date. If the auditor becomes aware of factors, the effects of which are not reflected in such prospective financial information, he should discuss those factors with management and, if necessary, request revision of the prospective financial information.

Financial Statement Effects

When, after considering management's plans, the auditor concludes there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time, the auditor should consider the possible effects on the financial statements and the adequacy of the related disclosure. Some of the information that might be disclosed include:

- Pertinent conditions and events giving rise to the assessment of substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.
- The possible effects of such conditions and events.
- Management's evaluation of the significance of those conditions and events and any mitigating factors.
- Possible discontinuance of operations.
- Management's plans (including relevant prospective financial information).
- Information about the recoverability or classification of recorded asset amounts or the amounts or classification of liabilities.

When, primarily because of the auditor's consideration of management's plans, he concludes that substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time is alleviated, he should consider the need for disclosure of the principal conditions and events that initially caused him to believe there was substantial doubt. The auditor's consideration of disclosure should include the possible effects of such conditions and events, and any mitigating factors, including management's plans.

Use in Risk Management

If a public company and a private company reports that its auditors have doubts about its ability to continue as a going concern, investors may take that as a sign of increased risk, although an emphasis of matter paragraph in an audit report does not necessarily indicate that a company is on the verge of insolvency. Despite this, some fund managers may be required to sell the stock to maintain an appropriate level of risk in their portfolios. A negative judgment may also result in the breach of bank loan covenants or lead a debt rating firm to lower the rating on the company's debt, making the cost of existing debt increase and/or preventing the company from obtaining additional debt financing. Because of such responses to expressed concerns by auditors, in the 1970s, the American Institute of Certified Public Accountants' Cohen commission concluded that an auditor's expression of uncertainty about the entity's ability to continue as a going concern "tends to be a self-fulfilling prophecy. The

auditor's expression of uncertainty about the company's ability to continue may contribute to making its failure a certainty." Businesses should also communicate with business advisors as well as their auditors in the time of trouble. Communication can let advisors and auditors help when needed. They can help business review their internal risk management along with other internal controls.

Applicability to Hotels

The ownership of hotels involves the bundling of rights that can be a combination of tangible and intangible real estate. One must analyze the level of operational efficiencies and effectiveness, as an example, to assess the business over and above the real estate value. There are a number of publications and theories that have been promulgated in an effort to systematically isolate and quantify the intangible (business) component of a hotel.

Typical practice in underwriting and determining the value of a hotel is to consider, and account for, the cost of third-party managing agents to operate a property in return for a management fee. The management fee is paid to the operator as a normal operating expense. Below this line is identified net income available for debt service and a metric that can be used to calculate the equity ownership's position. With a competent hotel management company operating the property, the hotel owner does not need to be involved in the day-to-day operation of the asset.

The market value of a property's going concern is typically determined by capitalizing its anticipated cash flow while implementing certain in-place strategies. Although we attempt to make adjustments to the profit-and-loss assumptions so the projections are market-oriented, we are relying on in-place controls which suggest that the market-oriented cash flow could render a capitalization result that includes certain value components that are not part of "market value" as defined by Interagency Appraisal and Evaluation Guidelines.

We note the following:

- The tangible real and personal property components of the subject property have been valued in this appraisal using the aforementioned techniques. These valuation methods account for—and extract—intangible value by the deduction of a market-oriented management fee and all applicable franchise and/or licensing costs.
- The subject property is located in a market with competitive pressure from other hotels. The feasibility in adding supply of hotel rooms to the market is somewhat limited; nevertheless, the barrier to entry is not significant. The subject is not considered an asset that currently has, or is expected to have at any point in the holding period, a sustainable competitive advantage that would generate excess rent or revenue to any of its departments. Furthermore, the subject property does not enjoy a sustained competitive advantage that would insulate it from an equilibrium environment.
- The market value of the subject property is deemed to be well below its replacement cost, including consideration for entrepreneurial profit.
- The application of the discount rate used in this appraisal reflects a relatively risky commercial real estate investment. The resulting market value when applying this discount rate (and other investment parameters) is not considerably in excess of comparable sales of similar asset types in the area.
- The subject's projected stabilized net operating income ratio is well within the range of comparable properties and is generally reflective of industry performance.

By accounting for these factors, there is no business value included in our conclusion of market value. Furthermore, since it has been determined that there is no value to any component other than those to be recognized as part of "market value" in this appraisal, the going concern value in this document is concluded to be the same as market value.

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ALLOCATION OF PROPERTY COMPONENTS

After considering the contributory value of the subject's FF&E as well as any intangible components, we have concluded to the following allocation of property components under the various scenario. The land allocation is based on the Cuyahoga County Auditor market values.

ALLOCATION OF PROPERTY COMPONENTS	
Component	**As Is**
Real Property	$44,194,000
Furniture, Fixtures and Equipment	$9,206,000
Business	$0
Total	**$53,400,000**

ALLOCATION OF PROPERTY COMPONENTS	
Component	**As-Is**
Real Property: Hotel	$33,603,457
Real Property: Retail	$2,600,000
Land	$7,990,543
Furniture, Fixtures and Equipment	$9,206,000
Business	$0
Total	**$53,400,000**

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INSURABLE REPLACEMENT COST

At the client's request, we have included an estimate of the insurable replacement cost estimate of the subject improvements, which represents the replacement cost new of the subject improvements and FF&E but exclusive of entrepreneurial profit, land value, and the costs associated with excavation, site work, foundations and architects fees. Insurance coverage is usually specific to a given project. We have not been provided with the specific policy requirements, which limit the reliability of the conclusion. Insurable replacement cost is a matter of underwriting as opposed to valuation. Users of this report should not construe the conclusion of insurable value to be an indication of market value.

The insurable estimate is made using base costs and multiplier adjustments for market conditions and location from *Marshall Valuation Service,* which is assumed to accurately reflect replacement cost of the subject. We assume no liability as to the subject's insurable replacement cost and recommend that an estimate from a reputable insurance company be obtained if further assurance is required.

The following chart summarizes the insurable replacement cost estimate:

INSURABLE REPLACEMENT COST TABLE

Component		Hotel
Class Description		A
Marshall Valuation Service Sec/Page/Class		11/25
Quality Rating		Excellent
Gross Building Area		873,000 SF
Base Cost (per SF)		**$240.00**
	Square Foot Refinements	
Heating and Cooling		$2.75
Fire Sprinklers		$2.25
Elevators		$0.00
Subtotal		**$245.00**
	Height and Size Refinements	
Number of Stories Multiplier		1.000
Height Per Story Multiplier		1.000
Area/Perimeter Multiplier		1.000
Subtotal		**$245.00**
	Cost Multipliers	
Current Cost Multiplier		1.040
Local Multiplier		1.050
Final Square Foot Cost		**$267.54**
Base Improvement Cost		**$233,562,420**
Insurable Value Exclusions	11.0% of Total Replacement Cost	**($25,691,866)**
Plus FF&E		**$18,412,500**
Insurable Value Conclusion		**$226,283,054**
Rounded		**$226,300,000**
Value per Room		$460,896
Value per SF		$259.22

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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.
- 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.
- Tim A. Simpson inspected the property that is the subject of this report in connection with a prior assignment. Bryan Younge, MAI, ASA, FRICCS did not inspect the property but participated in the analysis and performed certain quality assurance measures within the report. At the request of the client an updated inspection was not required.
- Tim Simpson provided significant real property appraisal assistance (general market research) to the appraisers signing the certification.
- As of the date of this report, Bryan Younge, MAI, ASA, FRICS has completed the continuing education requirements of the Appraisal Institute.
- 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, FRICS
Managing Director, National Practice Leader
Certified General Real Estate Appraiser
State of Ohio License #2017000670
Expires 5/18/2019

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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

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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.
- For purposes of this appraisal, we assume that the subject could be sold free and clear of any and all management contracts, and that future management expenses are market-oriented. Specifically, management fees are projected to equate to 3.00% percent of total revenue throughout the holding period.
- The subject property is encumbered by a franchise and licensing agreement between current ownership and the franchisor of Renaissance hotels. According to information provided to the appraisers, this agreement commenced on October 27, 2015 and extends for a period of 20 years. There are also two options to extend the contract for an additional 5 years in each renewal period. Base royalty fees are stated to be equal to 5.00% of rooms revenue in each month. In addition, a marketing func payment equal to 1.5% of rooms revenue is charged. It is our understanding that the franchise and licensing agreement is terminable upon a sale of the subject property. Accordingly, we have projected there to be royalty fees equal to 5.00% of rooms revenue annually.

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- For the purposes of this report, we assumed that the subject hotel will be full-service and chain-affiliated in nature, along with a centralized, national or regional reservation system that is fully-integrated with reputable third-party marketing engines (i.e. online travel agencies, reservation systems, etc.). We further assumed that the subject will be operated by competent and experienced management familiar with the operation of full-service hotels in the United States, and more specifically, in Cleveland, Ohio. In the event that any of the above conditions are not consistent with the subject's actual status, it could have an impact on the subject's overall marketability and underlying market value.
- It is assumed that the subject would secure all licenses to operate all departments of the property, including liquor licenses (if applicable).
- 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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Flood Map
Engagement Letter
Valuation Glossary
Qualifications & State Licenses of Appraisers
Qualifications of the CIVAS Hospitality & Leisure Specialty Practice

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Bryan Younge, MAI, ASA, FRICS

MANAGING DIRECTOR | NATIONAL PRACTICE LEADER
HOSPITALITY AND LEISURE GROUP
Valuation & Advisory Services

bryan.younge@colliers.com

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	Missouri
Arizona	Montana
California	North Dakota
Colorado	Ohio
Idaho	Oregon
Illinois	Texas
Indiana	Utah
Iowa	Washington
Michigan	Wisconsin
Minnesota	Wyoming

CONTACT DETAILS

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www.colliers.com

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

Member, Royal Institute of Chartered Surveyors

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

Bryan Younge, MAI, ASA, FRICS

MANAGING DIRECTOR | NATIONAL PRACTICE LEADER
HOSPITALITY AND LEISURE GROUP
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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.

PROFESSIONAL SERVICE AGREEMENT

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October 9, 2017

Tim A. Simpson
Colliers International
Valuation Services Director
Valuation & Advisory Services
Phone +1 845 825 1025
tim.simpson@colliers.com

Vadim Shub CPA, CA, MBA
Chief Financial Officer
Skyline Investments Inc.
150 King Street West, Suite 2108
Toronto, Ontario M5H 1J9

RE: Appraisal of Renaissance Cleveland Hotel

Dear Mr. Shub:

Thank you for considering Colliers International Valuation & Advisory Services, LLC for the assignment identified in the attached Professional Service Agreement. Please sign one copy of the agreement and return it to me, thereby indicating your authorization for us to proceed with this assignment and your acceptance of the attached Terms and Conditions.

PROFESSIONAL SERVICE AGREEMENT **("Agreement")**	
Project	Renaissance Cleveland Hotel ("Property")
Location	24 Public Square, Cleveland, OH 44113
Project Description	Renaissance Cleveland Ohio Hotel.
Parties	Colliers International Valuation & Advisory Services, LLC ("CIVAS") and Skyline Investments Inc. (herein at times referred to as "Client").
Intended User	The appraisal will be prepared for Skyline Investments Inc. The appraisal report is intended only for the use specified below. In addition, we understand the reports are to be distributed to, and used by Schwartz Levistky Feldman LLP, and Gai Goffer Yahav Guilman Udem & Co., Certified Public Accountants as part of their audit procedure. We understand that the appraisal report will be included in the annual filings or any other required statutory filings with the securities authorities and stock exchanges in Israel and/or Canada by the client or by the client's public parent company. It may not be distributed to or relied upon by other persons or entities without prior written permission of Cushman & Wakefield Ltd. It may not be distributed to or relied upon by other persons or entities. **It should be noted that if this engagement is directly with the owner of the Property, typically the Appraisal may not be accepted by many federally insured lenders due to FIRREA Compliance, limiting the use of this report for many potential lenders. Should this potentially impact your source of lenders, we recommend engagement be directed by a Federally Insured Lender.**
Intended Use	The appraisal report will be prepared for the purpose of substantiation of fair market value for public financial statement preparation in accordance with IFRS purposes.
Purpose	Market Value
Type of Appraisal	CIVAS will produce an Appraisal Report in which the appraiser's analysis and conclusions will be fully described within this document.
Rights Appraised	Fee Simple

Colliers International Valuation & Advisory Services, and certain of its subsidiaries, is an independently owned and operated business and a member firm of Colliers International Property Consultants, an affiliation of independent companies with over 500+ offices throughout more than 63 countries worldwide.

Date of Value	Date of inspection
Scope of Work	CIVAS and/or its designated affiliate will provide the Appraisal in accordance with USPAP, FIRREA, and the Code of Ethics and Certifications Standards of the Appraisal Institute and State Licensing Laws. CIVAS will inspect the property, research relevant market data, and perform analysis to the extent necessary to produce credible appraisal results. Based on our discussions with the Client, the Client has requested the following valuation scenarios: As Is, Upon Stabilization. CIVAS anticipates developing the following valuation approaches: › Sales Comparison Approach › Income Capitalization Approach **Please note if it's a requirement per your underwriting or guidelines to have all approaches to value, although some approaches may be limited in application.** The scope of work will be included in the Appraisal. A copy of the Assumptions and Limiting Conditions, which appear in the Appraisal, is available upon request.
Delivery	Draft Appraisal: Delivered three (3) weeks from the date of authorization and receipt of property specific information. Final Appraisal: Delivered three (3) days after completion of client review and authorization to deliver final report(s).
Professional Fee	$4,000
Expenses	Fee includes all associated expenses.
No. of Reports	One (1) Electronic Final Appraisal and Two (2) printed Color Final Appraisal (at the request of Client)
Retainer	No retainer is required.
Payment Terms	CIVAS will invoice Client for the Appraisal in its entirety at the completion of the assignment. Final payment is due and payable within five (5) business days upon delivery of the electronic copy of the Final Appraisal or within thirty (30) days of your receipt of our Draft Appraisal, whichever is sooner. If a Draft Appraisal is requested, the fee is considered earned upon delivery of our Draft Appraisal.
Acceptance Date	These specifications are subject to modification if this Agreement is not accepted within 3 business days from the date of this letter.

Terms and Conditions
The attached Terms and Conditions and Specific Property Data Request are deemed a part of this Agreement as though set forth in full herein. The following is a list of information we will need to begin our analysis. Please forward with the Agreement or as soon as possible.

- Survey with Legal Description & Site Size
- Title Report
- Wetland Delineation Map (if applicable)
- Engineering studies, soil tests or environmental assessments
- Ground lease (if applicable)
- Existing Building or Improvement Plans
- Individual Floor or Unit Plans
- Current County Property Tax Bill
- Details on any Sale, Contract, or listing of the property in the past 3 years
- Construction Cost/Budget (within past 3 years)
- Detailed list of personal property items
- Property Condition Report
- Details regarding the historical and future replacement schedule (i.e., carpets, appliances, cabinetry, laundry facilities, HVAC, etc.)
- Capital improvements history (2 years) & budget
- Three year & YTD Income & Expenses (EXCEL is preferred)
- Current Budget/Proforma
- Detailed occupancy report for the past 3 years and YTD
- Aged Accounts/Delinquency Report
- Marketing plan and/or local competitive study, if available
- Copy of recent Appraisals or Market Studies
- December 2015 and most recent 2016 Monthly Smith Travel Research reports (EXCEL is preferred)
- Management contracts and franchise agreements
- Breakdown of room types and food and beverage capacity (number of seats)
- Name and telephone number of property contact for physical inspection and additional information needed during the appraisal process
- Property Contact _____

In addition to the items requested above, please forward any additional materials you would consider relevant in the analysis of the subject property.

Terms and Conditions
The attached Terms and Conditions and Specific Property Data Request are deemed a part of this Agreement as though set forth in full herein. Attached is a list of information we will need to begin our analysis. Please forward with the Agreement or as soon as possible.

The Appraisal is for the sole use of the Client; however, Client may provide only complete, final copies of the Appraisal report in its entirety (but not component parts) to third parties who shall review such reports in connection with loan underwriting or securitization efforts. CIVAS is not required to explain or testify as to appraisal results other than to respond to the Client for routine and customary questions. Please note that our consent to allow the Appraisal prepared by CIVAS or portions of such Appraisal, to become part of or be referenced in any public offering, the granting of such consent will be at our sole and absolute discretion and, if given, will be on condition that CIVAS will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to CIVAS, by a party satisfactory to CIVAS. CIVAS does consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide CIVAS with an Indemnification Agreement and/or Non-Reliance letter.

CIVAS hereby expressly grants to Client the right to copy the Appraisal and distribute it to other parties in the transaction for which the Appraisal has been prepared, including employees of Client, other lenders in the transaction, and the borrower, if any.

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Our ability to honor the terms of this Agreement will require Client's response within three (3) business days. If you have questions regarding the enclosed, please feel free to contact me. CIVAS appreciates this opportunity to be of service to you on this assignment and looks forward to serving you. If you have additional questions, please contact us.

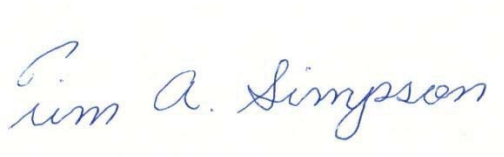
I, Vadim Shub, agree to the above stated terms and authorize Colliers International Valuation & Advisory Services, LLC to prepare the above referenced appraisal.

_____ Date: Oct 9, 2017

Vadim Shub
Chief Financial Officer
Skyline Investments Inc

Respectfully,

Colliers International Valuation & Advisory Services, LLC



Tim A. Simpson
Colliers International
Valuation Services Director
Valuation & Advisory Services
Phone +1 845 825 1025
tim.simpson@colliers.com

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TERMS AND CONDITIONS

"T&C"

1) The Appraisal will be subject to Colliers International Valuation & Advisory Services, LLC's ("CIVAS") Assumptions and Limiting Conditions that are incorporated into each appraisal, and any Extraordinary Assumptions and Hypothetical Conditions that may be incorporated into each appraisal.

2) Any capitalized, non-defined words shall have the same meaning as defined in the Agreement to which these T&Cs are attached.

3) Client is defined as the party signing the Agreement and shall be responsible for payment of the fees stipulated in the Agreement. Payment of the fee for the Appraisal is not contingent on the appraised value(s) or the outcome of the report(s). Additional fees will be charged on an hourly basis for any work that may exceed the scope of this proposal, including performing additional valuation scenarios, additional research, and conference calls, meetings, deposition preparation, deposition, trial testimony or travel that may exceed the time allotted by CIVAS for an assignment of this nature. If CIVAS is requested to cease working on the Appraisal for any reason prior to the completion of the appraisal(s), CIVAS will be entitled to bill the Client for the time spent to date at CIVAS' hourly rates for the personnel involved. The Client will be billed a minimum $500 or at a rate of $250 per hour for associate time, $300 per hour for valuation services director, $400 per hour for managing director, and $450 per hour for executive managing director. If the Client delays completion of the assignment beyond ninety (90) days, the fee may be renegotiated. This may result in the total fee exceeding the original agreed fee agreed upon cost.

4) The fees and expenses shall be due CIVAS as agreed to in the Agreement and these T&Cs. Client agrees to pay all fees and expenses, including attorney's fees, incurred by CIVAS in connection with the collection or attempted collection of the fees and expenses. In the event Client fails to make payments when due and payable, then from the date due and payable until paid the amount due and payable, shall bear interest at 1.5% per month or the maximum rate permitted in the state in which the CIVAS office executing the Agreement is located, whichever is greater.

5) The fee is due upon delivery of the final report or within thirty (30) days of your receipt of the draft report, whichever is sooner. If a draft is requested, the fee is considered earned upon delivery of our draft report.

6) In the event that either party commences any legal action relating to the provisions of the Agreement, including collection, the prevailing party shall be entitled to its actual attorneys' fees and costs, including those incurred upon appeal. The Agreement shall be governed by and construed in accordance with the laws of the state where the CIVAS office executing the Agreement is located. The venue of any action arising out of the Agreement shall be the county where the CIVAS office executing the Agreement is located. Client will have up to fourteen (14) days from receipt of the Draft Appraisal to review and communicate its review to CIVAS. CIVAS reserves the right to bill Client for additional appraisal efforts that may arise from the Client not responding within with this time period.

7) All statements of fact in the Appraisal which are used as the basis of the CIVAS' analyses, opinions, and conclusions will be true and correct to the best of the CIVAS' knowledge and belief. CIVAS does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the state of affairs of the Property furnished to CIVAS by Client.

8) CIVAS shall have no responsibility for legal matters, questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The Appraisal will not constitute a survey of the Property analyzed.

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

10) The data gathered in the course of the Appraisal (except data furnished by Client) and the Appraisal prepared pursuant to the Agreement are, and will remain, the property of CIVAS. With respect to data provided by Client, such data shall be confidential, and CIVAS shall not disclose any information identified as confidential furnished to CIVAS. Notwithstanding the foregoing, CIVAS is authorized by Client to disclose all or any portion of the Appraisal and the related data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable CIVAS to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.

11) Unless specifically noted, CIVAS does not assume any duty to analyze or examine the Property or adjacent property for the possible presence of toxic and/or hazardous substances or materials (including but not exclusive to asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (hazardous material), or the cost of encapsulation or removal thereof) and accepts no liability regarding the issue. If such materials exist, CIVAS defers to the expertise of professionals specifically trained in analyzing the cost to remediate, which will not be a part of the appraisal fee proposal. The Appraisal will contain a comprehensive disclaimer to this effect.

12) CIVAS understands that there is no major or significant deferred maintenance in the Property which would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, and are not a part of the fee contemplated in the Agreement.

13) Client acknowledges that CIVAS is being retained hereunder as an independent contractor to perform the services described herein and nothing in the Agreement shall be deemed to create any other relationship between Client and CIVAS. The Agreement shall be deemed concluded and the services hereunder completed upon delivery to Client of the Appraisal discussed herein.

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14) In the event of any dispute between Client and CIVAS relating to this Agreement, or CIVAS' or Client's performance hereunder, CIVAS and Client agree that such dispute shall be resolved by means of binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered in any court of competent jurisdiction. Depositions may be taken and other discovery obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings in the state where the CIVAS office executing this Agreement is located. The arbitrator(s) shall be limited to awarding compensatory damages and shall have no authority to award punitive, exemplary or similar type damages. The prevailing party in the arbitration proceeding shall be entitled to recover from the losing party its reasonable expenses, including the costs of arbitration proceeding, and reasonable attorneys' fees.

15) Client agrees that its only remedy for losses or damages relating to the Agreement shall be limited to the amount of the appraisal fee paid by the Client. Should the Client, or any other entitled party, make a claim against CIVAS, its directors, officers, employees and other affiliates and shareholders, relating to this engagement or the appraisal(s), the maximum damages recoverable from CIVAS, its directors, officers, employees and other affiliates and shareholders, shall be the amount of funds actually collected by CIVAS under the Agreement, and no claim shall be made for any consequential or punitive damages.

16) If CIVAS or any of its employees receives a subpoena or other judicial notification to produce documents or provide testimony involving the Appraisal in connection with a lawsuit or related proceeding, CIVAS will notify the Client of receipt of the subpoena or notification. However, if CIVAS is not part of the lawsuit or proceedings, Client agrees to compensate CIVAS for the professional time required and to reimburse CIVAS for the expenses incurred in responding to any such subpoena or judicial notification, including any attorneys' fees, as they are incurred. CIVAS is to be compensated at the prevailing hourly rates of the personnel responding to the subpoena or command for testimony.

17) If expert witness testimony is required in connection with the Appraisal, the following hourly rates will apply. The Client will be billed at the rate of $250 per hour for associate time, $350 per hour for valuation services director, $400 per hour for managing director, and $450 per hour for executive managing director. The hourly billings pertain to court preparation, waiting and travel time, document review and preparation (excludes appraisal report) and all meetings related to court testimony.

18) Client shall indemnify and hold CIVAS, its parent, subsidiaries, affiliates, its officers, directors, employees and agents ("CIVAS Indemnities"), fully harmless against all losses, damages, claims, and expenses of any kind whatsoever (including costs and reasonable attorneys' fees), sustained or incurred by a third party as a result of the negligence or intentional acts or omissions of Client (including any failure to perform any duty imposed by law), any misrepresentation, distortion or if Client fails to provide complete and accurate information to CIVAS, for which recovery is sought against the CIVAS Indemnities by that third party; however, such obligation to defend and indemnify shall not apply to the extent caused by the negligent act or willful misconduct of CIVAS. Client shall indemnify and hold CIVAS Indemnities harmless from any claims, expenses, judgments or other items or costs arising as a result of the Client's failure or the failure of any of the Client's agents to provide a complete copy of the Appraisal to any third party. LIMITATION OF LIABILITY. EXCEPT FOR THE INDEMNIFICATION PROVISION ABOVE, ANYTHING IN THE AGREEMENT TO THE CONTRARY NOTWITHSTANDING, UNDER NO CIRCUMSTANCES WHATSOEVER SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, OR INCIDENTAL DAMAGES OF ANY KIND WHATSOEVER. EXCEPT FOR IN NO EVENT WHATSOEVER SHALL CIVAS' TOTAL LIABILITY TO CLIENT FOR DIRECT DAMAGES UNDER THE AGREEMENT OR ANY OTHER DAMAGES WHATSOEVER EXCEED IN THE AGGREGATE THE TOTAL SUM OF FUNDS RECEIVED BY CIVAS FROM CLIENT.

19) The Appraisal and the name Colliers International Valuation & Advisory Services may not be used in any marketing or investment material or offering memoranda without CIVAS' prior written consent. CIVAS, its employees and appraisers have no liability to any recipients of any prepared material, and disclaim all liability to any party other than the Client.

20) Unless CIVAS consents in writing, the Appraisal cannot be used by any party or for any purpose other than the Client for the purposes specified in the Agreement. Should the Client provide a copy of this Appraisal to any person or entity not authorized by CIVAS in writing, Client hereby agrees to hold CIVAS, its directors, officers, employees and other affiliates and shareholders, harmless from all damages, expenses, claims and costs, including any attorney's fees. The Client acknowledges that any opinions and conclusions expressed by the professionals of CIVAS pursuant to the Agreement are made as employees and not as individuals. CIVAS' responsibility is limited to the Client, and the use of the Appraisal or related product by third parties shall be solely at the risk of the Client and/or third parties.

21) CIVAS agrees to maintain Professional Liability Insurance in the amount of $1,000,000 and General Liability insurance in the amount of $2,000,000, as well as workers compensation per local regulatory requirements. General Liability and Workers Compensation policies shall contain a full waiver of subrogation clause, but only to the extent of loss arising from or attributable to CIVAS gross negligence. Within ten (10) days of the execution of the Agreement, CIVAS will provide Client with certificates of insurance naming Client as an additional insured on the General Liability policy. CIVAS will endeavor to provide Client with written notice regarding any cancellation of any such insurance.

22) The use of this appraisal shall be used only for the purpose set forth by the Client. The client has specified that these appraisals will be utilized in conjunction with their financing. In the event that the client wishes to use this report or portions of this report for any other purpose such as, to become part of or be referenced in, any offering or other material intended for the review of others, or to be submitted to others, will be at the Client's sole and absolute discretion and, if given, will be on condition that CIVAS will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to CIVAS and the Client, by a party satisfactory to CIVAS and the Client. CIVAS does consent to Client submission of the complete Appraisal to rating agencies, loan participants or your auditors without the need to provide us with an Indemnification Agreement and/or Non-Reliance letter.

23) Client and its affiliates, rating agencies and a limited number of investors involved in the securitization, may use and rely upon CIVAS report in connection with a planned loan securitization involving the Property including, without limitation, utilizing selected information in the Appraisal in the offering documents relating to the securitization and CIVAS agrees to cooperate in answering reasonable questions by any of the above parties in connection with the securitization.

Client agrees that it will not file, use, or permit or cause to be used in any offering documents or any other document any portion or extract of the Appraisal, or any reference to the Appraisal, without first (i) having provided the portion or portions of an offering

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document or other document to CIVAS for review and (ii) having obtained the prior written consent of CIVAS to any such filing, use, amendment or modification, which consent shall not be unreasonably withheld. CIVAS shall have the right to require Client to include in any offering document or other document disclosure concerning the conditions, qualifications and assumptions of the appraisal and such other disclosure concerning the Appraisal as CIVAS shall reasonably require.

Client can use the appraised value without attribution to the Appraisal, and selected information in the Appraisal, provided Client agrees that it has complied and at all times will comply, and will use Client's best efforts to cause any underwriters to comply, with all applicable Federal and state securities laws in connection with any offering, and offering document and any use of the Appraisal. Client further agrees that neither any offering document nor any other document used in connection with any offering will contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein not misleading regarding the Appraisal, or any portion or extract thereof, or any reference to the Appraisal.

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Valuation Glossary

Valuation & Advisory Services

CONTACT DETAILS

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Unless specified otherwise, 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)*.

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 land being considered vacant when an adequate supply of comparable sales is available. *(Dictionary)*

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

Neighborhood Shopping Center: 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.

Community Shopping Center: 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.

Regional Shopping Center: 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)*



Hospitality and Leisure Group

Colliers International Valuation & Advisory Services

Core Disciplines

- Portfolio Analytics
- Litigation and Dispute Analysis
- Financial Reporting
- Economic Impact
- Tax
- Feasibility

Colliers Advantage

- On-Time Delivery
- Specialty Driven
- Local Market Expertise
- Senior Leadership Oversight
- 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. Considering the complexities of the various asset types within the hospitality and leisure industries, senior leadership oversight will be administered on all assignments.

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 service lines 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 CORE DISCIPLINES

- Portfolio valuation and detailed analytics, including large-scale transactions (100+ properties)
- Purchase price allocation (i.e. ASC805) to real estate, personal property and other tangibles and intangibles for purchase accounting
- Economic impact analyses with full evaluation of direct, indirect, induced and dynamic impacts using proprietary economic simulation model
- Feasibility studies, including return on investment analysis, prospective valuations and comprehensive highest and best use analyses
- Real property tax appeals and expert testimony (i.e. certiorari proceedings)
- Expert testimony for dispute resolution, arbitration, foreclosure, bankruptcy and/ or receivership proceedings

ADDITIONAL SERVICES

- Value-related advisory
- Going-concern (business enterprise/intangible asset) valuation
- Investment, fractional, partial and other special interest studies
- Market studies
- Highest and best use studies



HOTEL

- Convention Center Hotels
- Condominium Hotels
- Extended Stay Hotels
- Fractional Properties
- Full Service Hotels
- Limited and Select Service Hotels
- Lodging Related Mixed Use Projects
- Luxury Resorts
- Timeshare Properties

SPORTS & ENTERTAINMENT

- Amphitheaters
- Amusement Parks
- Aquariums
- Arenas
- Bowling Alleys
- Conference, Expo and Convention Centers
- Equestrian Centers
- Fairgrounds
- Flexible Event Complexes
- Golf Courses
- Health and Fitness Centers
- Hunt Clubs
- Marinas
- Mega Sportsplexes
- Motorsport Tracks and Facilities
- Movie, Concert and Live Performance Theaters
- Performing Arts Centers
- Professional Sporting Stadiums
- Skating Rinks
- Ski Resorts
- University Sport Facilities
- Waterpark Resorts

PROPERTIES APPRAISED BY H&L TEAM MEMBERS



The Ritz-Carlton
Kapalua, Hawaii



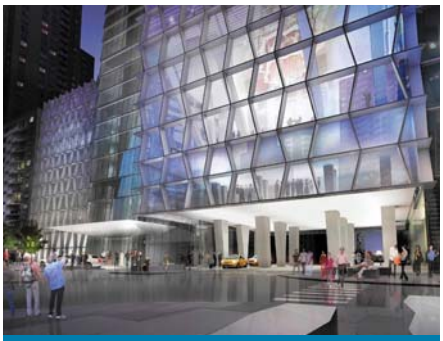
Waldorf Boca Resort
Boca Raton, Florida



Trump International Hotel & Tower
Chicago, Illinois



Melia's Costa Hollywood Beach Resort
Hollywood, Florida



Proposed Wanda Vista Tower
Chicago, Illinois



Palmer House A Hilton Hotel
Chicago, Illinois



JW Marriott Chicago
Chicago, Illinois



Westin Grand Cayman
Cayman Islands



Château on the Lake
Branson, Missouri



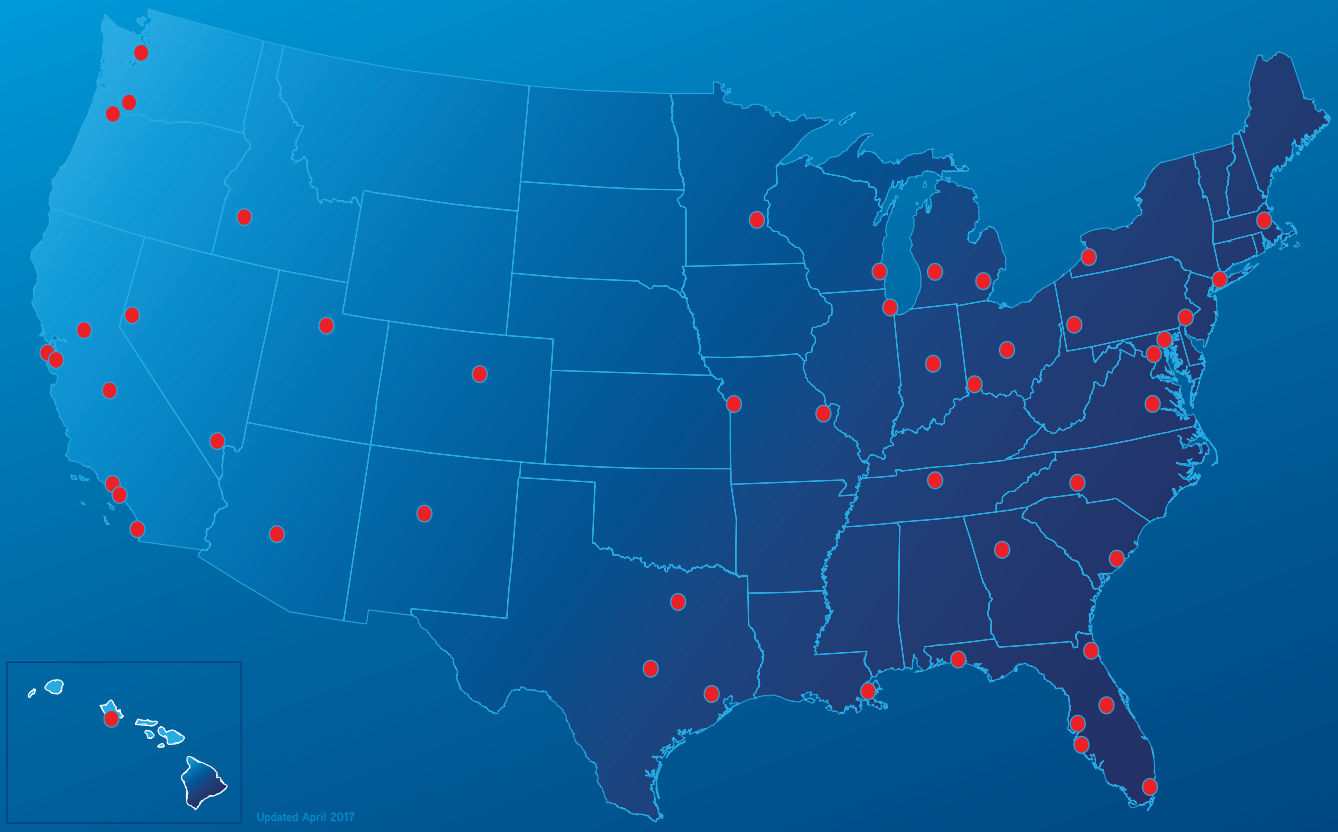
Camden on the Lake
Lake Ozark, Missouri



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



Proposed Marriott Marquis Chicago
Chicago, Illinois



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