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SECTIONS

1. Executive Summary

Property Address:	XR23+GMM, PR-301, Cabo Rojo 00623, Puerto Rico XR23+6X5, PR-301, Cabo Rojo 00622, Puerto Rico
Project Type:	Upscale
Date of Investigation:	May 23-26, 2022
Anticipated Opening:	15 Months Start-to-Finish Renovation, Q1 2024
Period to Stabilization:	Sixty months (60), 5 years

Property Description

Property Site Area:	Bahia Approx 88,000sf, 2ac Salinas Approx 82,000sf, 1.9ac
Zoning:	Commercial ~ Previous Operating Hotels
Gross Floor Space:	Bahia Approx 30,000 +/- square feet (7 buildings) Salinas Approx 18,000 +/- square feet (2 buildings)
Number of floors:	1, 2, 3 floors over 12 various buildings
Property Type:	Upper Midscale
Guest Rooms:	Bahia 28 existing Salinas 16 existing 44 Total
F&B Amenities:	Oceanview restaurant & bar, room service, pool service
Event Facilities:	4,912sf indoor via 4 meeting and event rooms 1,000 foot uninterrupted beach frontage 7,500sf usable existing clear space beach ~ banquet & events
Car Parking:	Adequate On-site surface parking
Brief Description:	The Boquerón Cabo Rojo area has limited quality hotel accommodations compared to demand. This study indicates filling a supply gap with a 44-unit upscale hotel and ocean view restaurant by combining the two adjacent and currently shuttered properties.

Table 1-1 Core Revenue Generation Summary

	Forecast				
	2024	2025	2026	2027	2028
Occupancy	56.9%	61.6%	69.8%	74.9%	76.4%
Average Rate	$220	$225	$230	$235	$240
Rooms Revenue	$2,009,714	$2,226,017	$2,577,216	$2,826,649	$2,940,845
Percentage of Total	41%	40%	41%	42%	42%
Meetings & Events	$32,250	$150,748	$162,808	$175,290	$178,795
Percentage of Total	1%	3%	3%	3%	3%
Food & Beverage	$2,589,791	$2,804,781	$3,176,699	$3,410,021	$3,478,221
Percentage of Total	53%	51%	51%	50%	50%
Other Revenue	273,750	314,813	346,294	380,923	419,015
Total Revenue	$4,905,505	$5,496,359	$6,263,017	$6,792,882	$7,016,878

Summary of Revenue Parameters	
First Full Operating Year	2024
Period to Stabilize	5 Years
Stabilized Year	2029
Annual Rate Inflation	2.00%
Annual Demand Increase	2.00%
Group Base Premium	$150
Group Night Mix	10%
Food & Beverage Base	$90
Food & Beverage Mix	90%
Local F&B	175%
Target TRevPAR	$384.49
Supply Pipeline	Balanced
Supply Absorption	Equal
Room Count	44

2. Nature of the Assignment

Subject of the Study

The basis of the Study is the ability and likelihood of revenue generation at the subject site (former Grand Bahia Ocean View Hotel & Salinas Beach Resort) for a potential New Hotel ("the Hotel") which would be a renovation project and subject to diligent ownership and competent hotel management. From our investigation of the location and discussions with members of the executive committee, we understand: (1) The Hotel would be a renovation of the existing buildings. And (2) The Hotel planning, designing, renovations, and construction works, could be completed within twenty-four (24) months and open by **Q1 of 2024**.

From the findings in our report, we've identified demand for and concur with a hotel style of **"Upscale"** Accommodations**.** The new property will provide good quality facilities and services with the capability to attract overnight leisure travelers as well as hosting group travel and social events. According to the industry chain scales provided by STR, the Hotel shall be rated as **Upscale**, and compete with the prevailing Upscale, Upper-Midscale, and Midscale hotels within the competitive set described in this report.

This Report and the Assumptions Analyzed and Contained Herein are Based on:

Existing Room count	44
Indoor event rooms, pavilions, outdoor beachfront space	0, 1,000sf, 9,000sf
Unbranded amenities	N/A
Restaurant F&B	2,000sf 80 seat restaurant
Pool Deck, Room Service, Beach Cabanas F&B service	2,000sf, 100pax TOT
Commercial business traveler, group, leisure traveler mix	1% / 10% / 84% market wide

Purpose of the Study

The objective of the Study is to evaluate the supply and demand factors affecting the market for transient accommodations in the Cabo Rojo, Puerto Rico area for the purpose of estimating the likely future revenue of a new Hotel. The determination of the estimations assumes that the Hotel will be managed by a competent hotel manager, who: (a) is typically found with professionally operated hotels, (b) possesses the acumen of managing the operations in a consistently seasonal demand market, and (c) experienced in hosting both leisure travelers, social groups, and group traveler needs. This study is also intended to provide general comments on design, layout, and market position of the Hotel to support the owner's serious contemplation of the property.

Property Influence

All FF&E are assumed to be a minimum of the Upscale brand standards and qualities. For the purposes of this report, we have assumed that the property is built in accordance with the STR industry classifications for hotel brand quality standards and that construction will be completed within the anticipated period. Furthermore, we have assumed that a competent hotel manager has achieved and sustained a performance record in their hotel management portfolio.

Pre-Marketing and Exposure Period

The pre-marketing and exposure period, referring to the amount of time necessary for the Hotel to have been marketed and exposed prior to opening, and to achieve the forecast, is estimated not to be less than six months and ideally twelve months or more.

Currency

All financial data, projections and opinions are expressed in United States dollars (USD$).

Pertinent Dates

The effective date of all figures is June 2022. All projections are expressed in USD$ as of this date, and the future estimates are in a constant value of USD$. The subject location was evaluated during May 23-26, 2022, and our analysis has been performed immediately thereafter.

Use of this Study

This Market Study and report has been prepared for **IP QOZB LLC** business associates**,** and to be used for internal purposes. The information presented in this report should not be disseminated to the public or third parties without the expressed written consent of Boutique Hotel Advisors LLC.

Scope of Study and Report

All information was collected and analyzed by the staff of Boutique Hotel Advisors. Information such as local data received may have been received confidentially from industry commercial sources such as STR Global, TravelClick i-Hotelier, as well as local hotel managers, corporate travel clients, the city's visitor bureau, the site location, and so forth, has been or will be discussed with the Owner. We have assumed that this information is accurate, and we have therefore relied upon it without undertaking additional independent verification.

We have investigated comparable hotels and their revenues in the market area and have spoken with a variety of owners, investors, public officials, operators, hotel personnel, and hotel guests. Unless otherwise noted, we have evaluated the competitor hotels mentioned in Section 6 - Competition, and have analyzed the hotel sales summarized in Section 9 - Revenues. Part of our conclusion has been based on this investigation and analysis.

Method of Study

The methodology used to develop this study and report has been based on the market research and techniques set out as standard practice within the hotel industry along with textbook case and market studies. **Cornell University** has published ***A Guide to Market Analysis*, *Investment Analysis*, and *Valuations for Hotels*,** of which certain methods have been used in this study. The author and professional hotel valuer is certified by **Glion University, Montreux, CH**, in hotel market studies and hotel valuations.

Our approach to completing this Study included but was not limited to the following:

1. The subject hotel property has been evaluated from the viewpoint of its potential physical utility for the operation of a hotel as well as access, security, privacy, visibility, and other relevant location factors.

2. The surrounding economic environment, on both an area and a neighborhood level, has been reviewed to identify specific hotel related economic and demographic trends that may have an impact on future demand for hotels.

3. Division of the market for transient accommodation into individual segments has defined specific market characteristics for the types of traveler expected to utilize the area's hotels. The factors investigated included purpose of visit, average length of stay, facilities and amenities required, seasonality, daily demand fluctuations and price sensitivity.

4. An analysis of existing and proposed competition has provided an indication of the current accommodated demand, along with market penetration and the degree of competitiveness.

5. Documentation for an occupancy and average rate projection has been derived from an analysis of market wide supply and demand, combined with a penetration analysis to derive the new Hotel's projected occupancy.

6. A projection of revenues has been made in accordance with our experience in the hotel industry and comparable markets. This projection sets out the anticipated economic benefits of the new Hotel and provides the basis for the future revenue expectation.

7. The report considers an outgoing realistic approach to revenue generation. Because hotels are income-producing properties that are normally valued on the basis of the capitalization of their anticipated stabilized earning power, a greater emphasis has been given to the revenue indications in order for the future manager to understand the hotel owner's expectations.

8. Feasibility analysis is the concluding economic value of a hotel. The value is calculated through a discounted cash flow analysis and a direct capitalization analysis. The terminal capitalization rate is applied to a future year's net income to calculate a potential sale price for the property. Projects may still be feasible if the hotel can attract tax incentives or alternative capital assistance or sources to the developer. This would allow for either improved financial projections or for lower development costs.

3. Market Area Analysis

The macroeconomic climate in which a hotel operates is an important consideration in forecasting hotel demand and revenue potential. Economic and demographic trends that reflect the amount of visitation provide a basis from which the demand for hotel accommodation can be projected.

The market area for a hotel encompasses not only its immediate surroundings but also the geographic regions from which demand for hotel accommodation originates.

With respect to the new Hotel, we have considered the Cabo Rojo area, the southwestern regional area, as well as Puerto Rico, southern Caribbean islands, and national U.S. economy. In addition, some of the Hotel's future demand will emanate from outside of these areas, including broader international visitors for business, leisure, group event participants, government, and educational purposes.

The purpose of the market area analysis is to review available economic and demographic data to determine where the defined market area will undergo economic growth, stability or decline. In addition to a prediction of the direction of the economy, the rate of change must be quantified. These trends are then correlated based on their propensity to reflect variations in hotel demand with the objective of forecasting the amount of growth or decline in transient visitation by individual market segment.

National Economic Overview

The overall economic condition of an area is reflected by the propensity of individuals to travel there. Key indicators of future hotel demand are those trends that reflect the relative health of the economy and the spending power of individuals. This section of the report presents a discussion of the primary domestic economic factors that are likely to have the greatest influence on hotel demand. Tables 3-1 to 3-5 below contain a summary of these indicators.

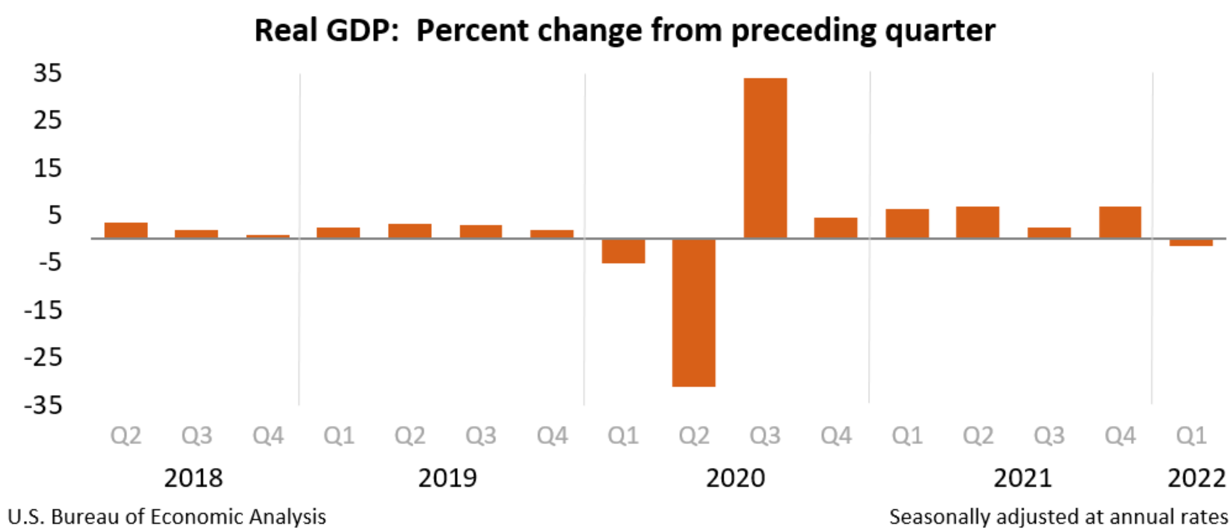
Long-Term Outlook US Economy

US growth will be strong for an industrialized economy over the long term, as labor productivity growth remains healthy. Technological progress will be an important driving force for growth, while the stimulus from increases in the labor force will decline. Although US growth will remain strong in comparison with other developed economies, emerging markets will close the gap and the biggest among them will come closer to the US in terms of GDP.

Table 3-1 The US GDP Indications

Long-term Outlook Summary	2010-20	2020-30	2030-40
Growth and productivity (% change; annual avg)			
Growth of real GDP per head	1.9	2.3	2.8
Growth of real GDP	2.0	2.3	2.7
Labor productivity growth	2.1	2.3	2.5

Source: Economist Intelligence Unit May 2022



Economic Structure Risk

The US is the third largest country in the world, in terms of both land area and population. As the world's largest economy, many of the world's key financial and economic institutions reside within the US. The US is home to the world's largest stock exchange, the world's largest gold depository and reserves, and 139 of the world's 500 largest companies, which is almost twice that of any other country.

Sovereign Risk

Stable. The US government is still running modest fiscal policy and its finances are sustainable in the long term. US Treasuries are still seen as the world's primary safe-haven asset, but their short to average maturity may expose the US if borrowing costs rise faster than forecasted.

Currency Risk

Stable. The combination of lax monetary policy and contractionary fiscal policy is negative for the dollar, but the currency will be supported by its safe-haven status until the euro zone debt crisis is resolved and sustained on a record of several forthcoming fiscal cycles.

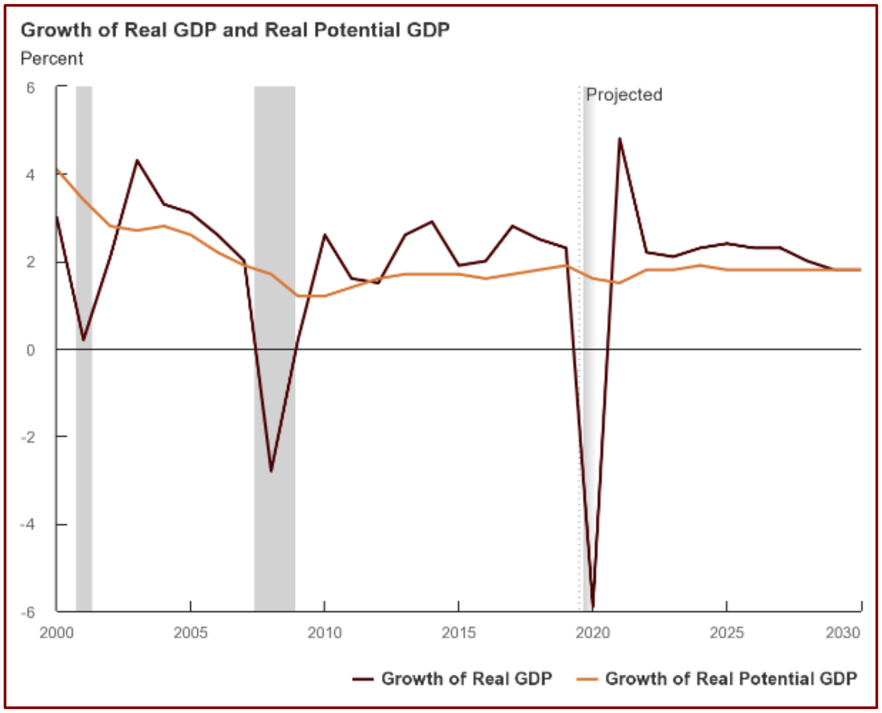
Banking Sector Risk

Stable. Large banks have stabilized and are consolidating their balance sheets as part of a multi-year ongoing deleveraging cycle. Average capital adequacy ratios are now higher than before the financial crisis. Bank shares have performed inconsistently in recent months.

Political Risk

The legislative process will continue to function predictably at least through the current four-year administration.

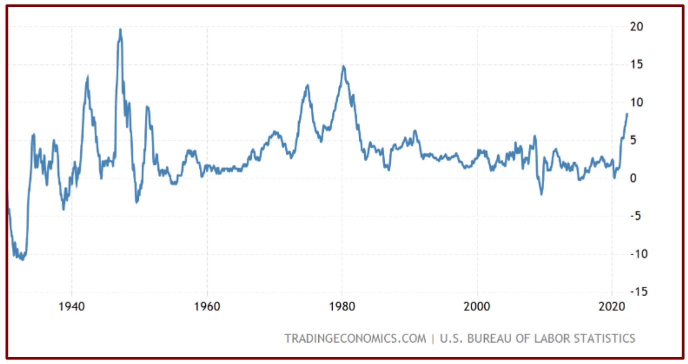
The Conference Board Economic Forecast for the U.S. Economy



Published June 15, 2022

The Conference Board forecasts that US Real GDP growth will rise to 2.1 percent (quarter-over-quarter, annualized rate) in Q2 2022, vs. -1.5 percent growth in Q1 2022. Annual growth in 2022 should come in at 2.3 percent (year-over-year) and we expect growth of 1.8 percent (year-over-year) in 2023. While our 2022 forecast remains largely unchanged, we downgraded our outlook for 2023.

US economic activity continues to expand despite headwinds from persistent inflation and rising interest rates. While consumer confidence has cooled, real consumer spending continues to grow. Furthermore, business activity also appears to be holding up despite continued input costs pressures and a tight labor market. Wages continue to rise rapidly, although when adjusted for inflation, consumer purchasing power is declining. Excess savings are helping to bridge the gap. Inflation readings continue to register 40-year highs as elevated demand collides with supply constraints. Conflict in Eastern Europe and other geopolitical developments are driving energy and agricultural commodity prices higher, although some relief may be on its way. Supply chain disruptions emanating from China should moderate as the country reopens from recent COVID-19 lockdowns. However, China's zero-COVID policies run the risk of introducing new supply constraints in the future.



US monetary policy has become more restrictive in recent months as the Federal reserve raises interest rates and reduces the size of its balance sheet. At present, we do not expect monetary policy to edge into restrictive territory in 2022 but that could change if progress on inflation is not seen soon. The Federal Reserve has said that it is ready to push the economy into recession to confront inflation if absolutely necessary, but it believes that a “soft” or “softish” landing is achievable.

Looking toward 2023, we do not currently forecast the US economy to enter a recession but instead anticipate a period of stagflation.* However, there is mounting downside risk to this outlook as numerous factors could slow US growth further. The top risks, in our view, include (1) economic weakness outside of the US hurting the domestic economy, (2) inflation rising higher than currently forecast, (3) more restrictive monetary policy than currently forecast, (4) a sharp correction in US housing prices, and (5) a delay in the deployment of government spending associated with the 2021 infrastructure bill.
* Stagflation is a period of very low growth and high inflation.

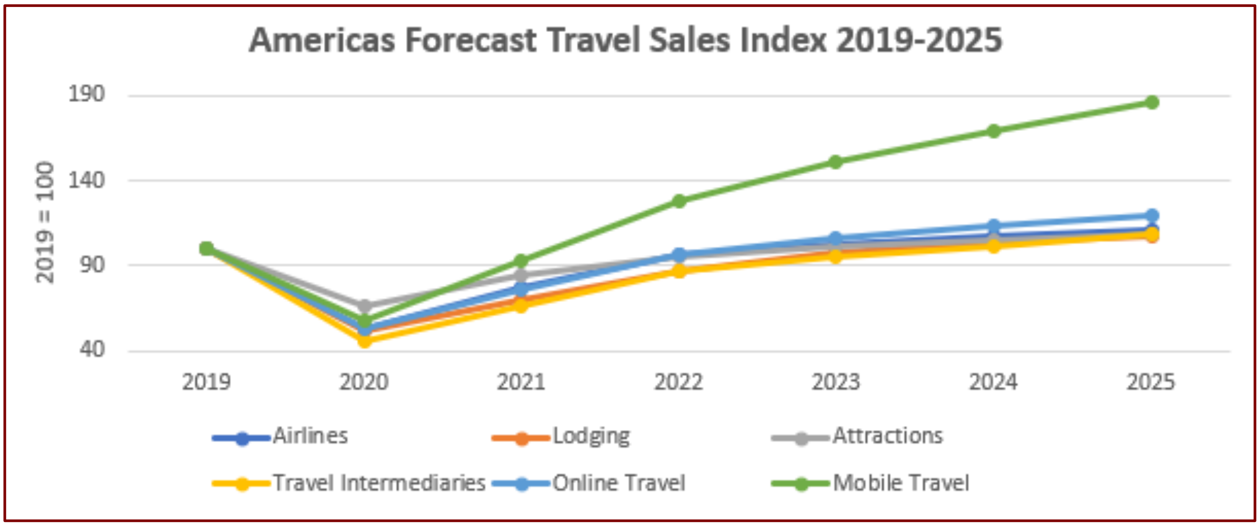
US Travel Forecast 2019 - 2025

THE CONFERENCE BOARD ECONOMIC OUTLOOK 2022-2023

Percentage Change, Seasonally Adjusted Annual Rates

	2020				2021				2022				2023				2019	2020	2021	2022	2023
	IQ*	IIQ*	IIIQ*	IVQ*	IQ*	IIQ*	IIIQ*	IVQ*	IQ*	IIQ	IIIQ	IVQ	IQ	IIQ	IIIQ	IVQ					
Real GDP	-5.1	-31.2	33.8	4.5	6.3	6.7	2.3	6.9	-1.4	2.1	1.1	2.1	2.3	2.3	2.2	2.2	2.3	-3.4	5.7	2.3	2.1
Real GDP (YoY)	0.6	-9.1	-2.9	-2.3	0.5	12.2	4.9	5.5	3.6	2.4	2.1	1.0	1.9	2.0	2.2	2.3	2.3	-3.4	5.7	2.3	2.1
Real disposable income	3.1	48.5	-16.6	-8.3	54.7	-29.1	-4.1	-5.6	-2.0	-2.0	-1.0	1.0	1.5	2.0	2.3	2.7	2.3	6.2	2.2	-4.7	1.1
Real consumer spending	-6.9	-33.4	41.4	3.4	11.4	12.0	2.0	2.5	2.7	1.9	1.1	1.6	1.7	1.8	1.8	1.8	2.2	-3.8	7.9	2.7	1.6
Residential investment	20.3	-30.8	60.0	34.4	13.3	-11.7	-7.7	2.1	2.1	2.0	0.5	1.0	1.0	1.0	1.5	1.5	-0.9	6.8	9.2	-0.4	1.1
Nonresidential investment	-8.1	-30.3	18.7	12.5	12.9	9.2	1.6	2.9	9.2	8.2	5.7	4.0	4.3	4.0	3.8	3.4	4.3	-5.3	7.4	6.1	4.4
Inventory change (bln chn '12$)	-30	-253	25	89	-88	-169	-67	193	159	120	60	45	45	45	30	20	75	-42	-33	96	35
Total gov't spending	3.7	3.9	-2.1	-0.5	4.2	-2.0	0.9	-2.6	-2.7	0.6	2.0	3.6	4.2	4.2	4.4	4.4	2.2	2.5	0.5	-0.6	3.6
Exports	-16.3	-59.9	54.5	22.5	-2.9	7.6	-5.3	22.4	-5.9	10.1	5.1	3.7	4.6	4.0	3.5	3.5	-0.1	-13.6	4.5	4.8	4.5
Imports	-13.1	-53.1	89.2	31.3	9.3	7.1	4.7	17.9	17.7	5.0	1.5	2.0	4.0	4.0	3.0	3.0	1.1	-8.9	14.0	9.8	3.2
Unemployment rate (%)	3.8	13.0	8.8	6.8	6.2	5.9	5.1	4.2	3.8	3.5	3.4	3.2	3.2	3.1	3.0	3.0	3.7	8.1	5.4	3.5	3.1
PCE Inflation (%Y/Y)	1.7	0.6	1.2	1.2	1.8	3.9	4.3	5.5	6.3	6.6	6.3	4.2	3.4	3.0	2.9	2.7	1.5	1.2	3.9	5.8	3.0
Core PCE Inflation (%Y/Y)	1.8	1.0	1.5	1.4	1.7	3.4	3.6	4.6	5.2	5.9	5.1	4.4	3.4	2.9	2.8	2.6	1.7	1.4	3.3	5.2	2.9

*Actual Data



Puerto Rico Economic Overview

Puerto Rico (Spanish for 'rich port'; abbreviated PR; officially the Commonwealth of Puerto Rico is a Caribbean island and unincorporated territory of the United States. It is located, approximately 1,000 miles southeast of Miami, Florida.

The Commonwealth has roughly 3.2 million residents, and its capital and most populous city is San Juan. Spanish and English are the official languages of the executive branch of government, though Spanish predominates.

Puerto Ricans have been U.S. citizens since 1917, and can move freely between the island and the mainland. However, as residents of an unincorporated territory, American citizens of Puerto Rico are disenfranchised at the national level, do not vote for the president or vice president, and generally do not pay federal income tax. In common with four other territories, Puerto Rico sends a nonvoting representative to the U.S. Congress, called a Resident Commissioner, and participates in presidential primaries; as it is not a state, Puerto Rico does not have a vote in Congress, which governs it under the Puerto Rico Federal Relations Act of 1950. Congress approved a local constitution in 1952, allowing U.S. citizens residing on the island to elect a governor. Puerto Rico's current and future political status has consistently been a matter of significant debate.

Beginning in the mid-20th century, the U.S. government, together with the Puerto Rico Industrial Development Company, launched a series of economic projects to develop Puerto Rico into an industrial high-income economy. It is classified by the International Monetary Fund as a developed jurisdiction with an advanced, high-income economy; it ranks 40th on the Human Development Index. The major sectors of Puerto Rico's economy are manufacturing (primarily pharmaceuticals, petrochemicals, and electronics) followed by services (namely tourism and hospitality).

Economic Overview

The economy of Puerto Rico is classified as a high-income economy by the World Bank and as the most competitive economy in Latin America by the World Economic Forum. The main drivers of Puerto Rico's economy are manufacturing, primarily pharmaceuticals, textiles, petrochemicals, and electronics; followed by the service industry, notably finance, insurance, real estate, and tourism. The geography of Puerto Rico and its political status are both determining factors on its economic prosperity, primarily due to its relatively small size as an island; its lack of natural resources used to produce raw materials, and, consequently, its dependence on imports; as well as its relationship with the United States federal government, which controls its foreign policies while exerting trading restrictions, particularly in its shipping industry.

At the macroeconomic level Puerto Rico has been experiencing an economic depression for 16 consecutive years, starting in 2006 after a series of negative cash flows and the expiration of the section 936 that applied to Puerto Rico of the U.S. Internal Revenue Code. This section was critical for the economy of the island as it established tax exemptions for U.S. corporations that settled in Puerto Rico and allowed its subsidiaries operating in the island to send their earnings to the parent corporation at any time, without paying federal tax on corporate income. Puerto Rico has, however, surprisingly been able to maintain a relatively low inflation in the past decade. Academically, most of Puerto Rico's economic woes stem from federal regulations that expired, have been repealed, or no longer apply to Puerto Rico; from its inability to become self-sufficient and self-sustainable throughout history; from its highly politicized public policy which tends to change whenever a political party gains power; as well as from its highly inefficient local government which has accrued a public debt equal to 66% of its gross domestic product over time, though despite these issues, the economy continues to gradually strive.

In comparison to the different states of the United States, Puerto Rico is poorer than the poorest state of the United States, with 45% of its population living below the poverty line. However, when compared to Latin America, Puerto Rico has the highest GDP per capita in the region. The Commonwealth has a massive bond debt that it is unable to service, $70 billion in early 2017, or $12,000 per capita.

The commonwealth has a modern infrastructure, a large public sector, and an institutional framework guided by the regulations of U.S. federal agencies, most of which have an active and continued presence in the island. Its main trading partners are the United States itself, Ireland, and Japan, with most products coming from East Asia, mainly from China, Hong Kong, and Taiwan. In 2016, additional trading partners were established, with Singapore, Switzerland and South

Korea commencing import trades with Puerto Rico. At a global scale, Puerto Rico's dependency on oil for transportation and electricity generation, as well as its dependency on food imports and raw materials, makes Puerto Rico volatile and highly reactive to changes in the world economy and climate.

Economic Highlights Puerto Rico & United States

Statistic	Puerto Rico	United States
Average after-tax monthly salary	**$1,703.52** Ranked 43th.	**$3,258.85** Ranked 12th. **91% more** than Puerto Rico
Crime levels	**81.9** Ranked 8th. **47% more** than United States	**55.84** Ranked 30th.
Economy > GDP	**$101.50 billion** Ranked 57th.	**$15.68 trillion** Ranked 2nd. **155 times more** than Puerto Rico
Economy > GDP per capita	**$27,677.53** Ranked 27th.	**$49,965.27** Ranked 10th. **81% more** than Puerto Rico
Economy > GNI	**$42.05 billion** Ranked 45th.	**$9.78 trillion** Ranked 1st. **233 times more** than Puerto Rico
Land area	**3,459 square miles** Ranked 77th.	**3.8 million square miles** Ranked 2nd. **1,099 times more** than Puerto Rico
Government type	**commonwealth**	**Constitution-based federal republic; strong democratic tradition**
Legal system	Civil law system based on the Spanish civil code and within the framework of the US federal system	Common law system based on English common law at the federal level; state legal systems based on common law, judicial review of legislative acts
Births and maternity	**0.0184** Ranked 133th.	**0.0199** Ranked 33th. **8% more** than Puerto Rico
Physicians > Per 1,000	**1.75 per 1,000 people** Ranked 53th.	**2.3 per 1,000 people** Ranked 31st. **31% more** than Puerto Rico
People > Age distribution	**0.1386** Ranked 177th.	**0.1671** Ranked 62nd. **21% more** than Puerto Rico
Population	**3.67 million** Ranked 129th.	**316.67 million** Ranked 3rd. **86 times more** than Puerto Rico

Puerto Rico is competitive in its economic conditions as a state of residence and business. Illustrated below are current figures and future outlook as stated by The Economist Intelligence Unit, June 2022.

Economic growth

(% unless otherwise indicated)

	2021	2022	2023
US GDP	5.7	2.5	1.9
OECD GDP	5.2	2.7	1.9
World GDP	5.7	3.0	2.9
World trade	10.5	4.2	4.8

Source: The Economist Intelligence Unit

Inflation indicators

(% unless otherwise indicated)

	2024	2025	2026
US CPI	2.1	2.1	2.1
OECD CPI	2.3	2.3	2.2
Manufactures (measured in US$)	2.6	2.4	1.9
Oil (Brent; US$/b)	76.5	70.5	66.5
Non-oil commodities (measured in US$)	-6.1	-4.9	-3.1

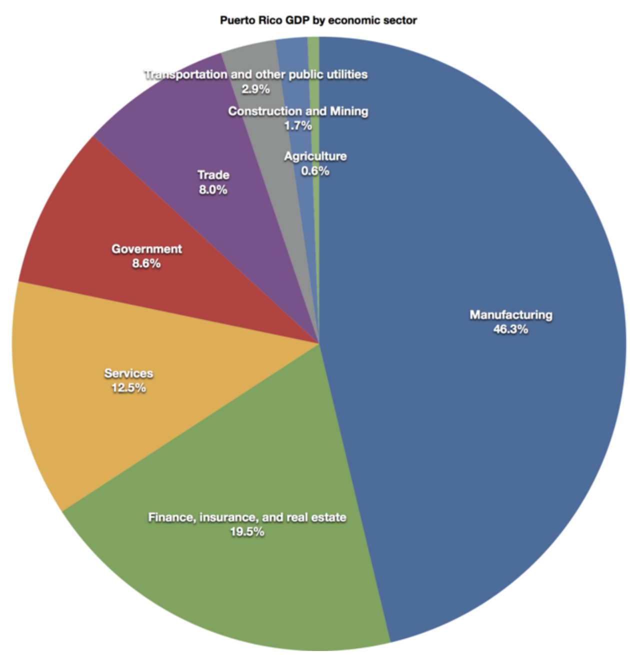
Source: The Economist Intelligence Unit

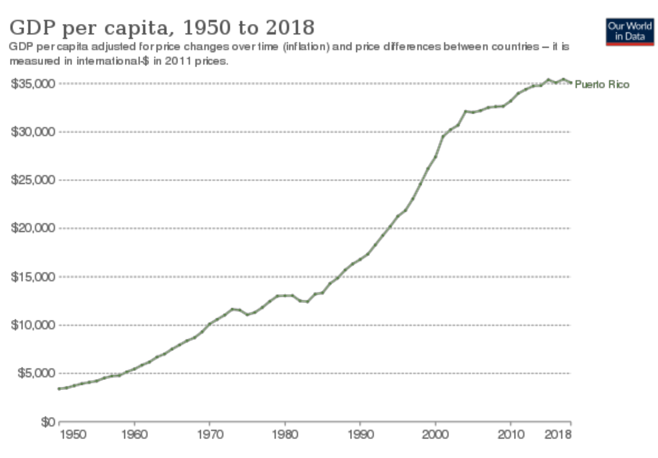
Financial variables

(% unless otherwise indicated)

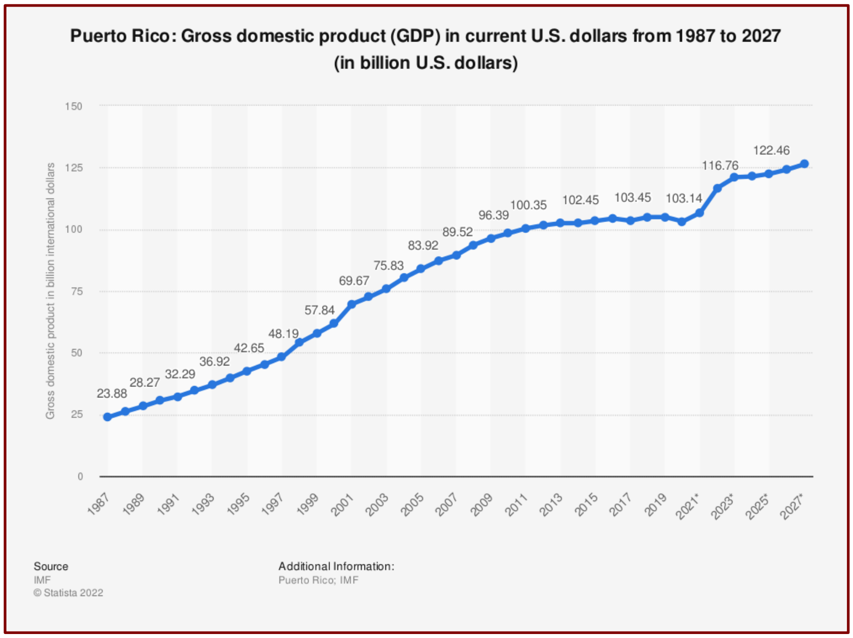
	2024	2025	2026
US$ 3-month commercial paper rate (av; %)	3.1	3.0	3.0
¥ 3-month money market rate (av; %)	0.1	0.1	0.1
¥:US$ (av)	124.9	119.5	117.8
Rmb:US$ (av)	6.48	6.42	6.39

Source: The Economist Intelligence Unit

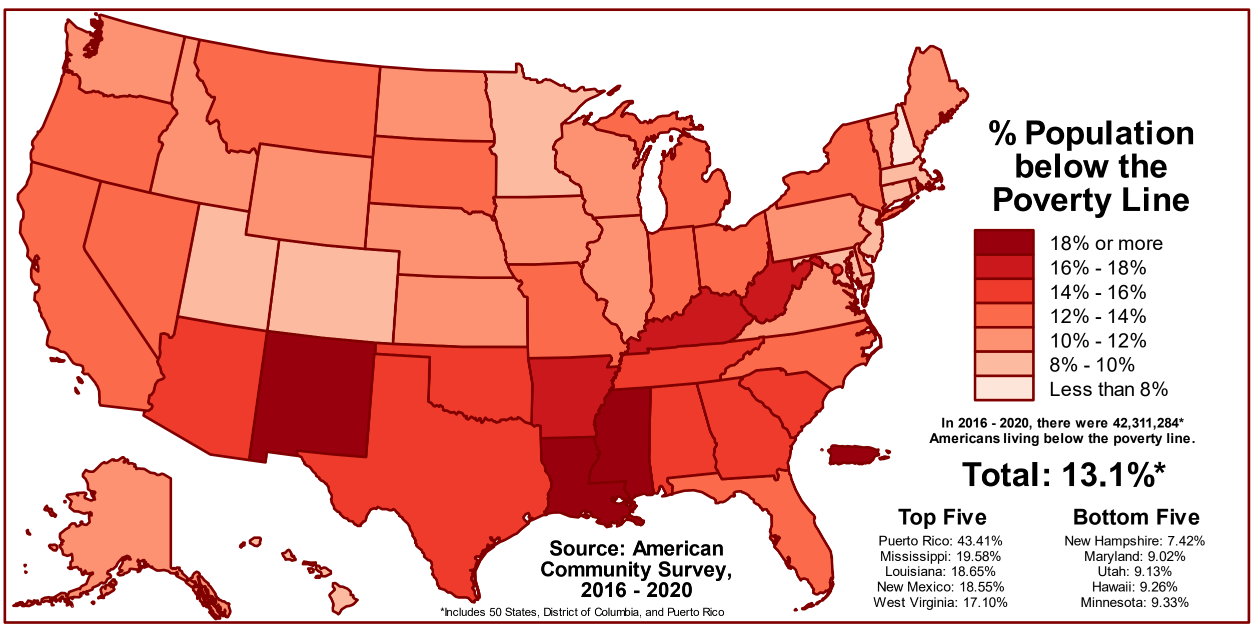




GDP on the Rise



Poverty Compared to U.S. States

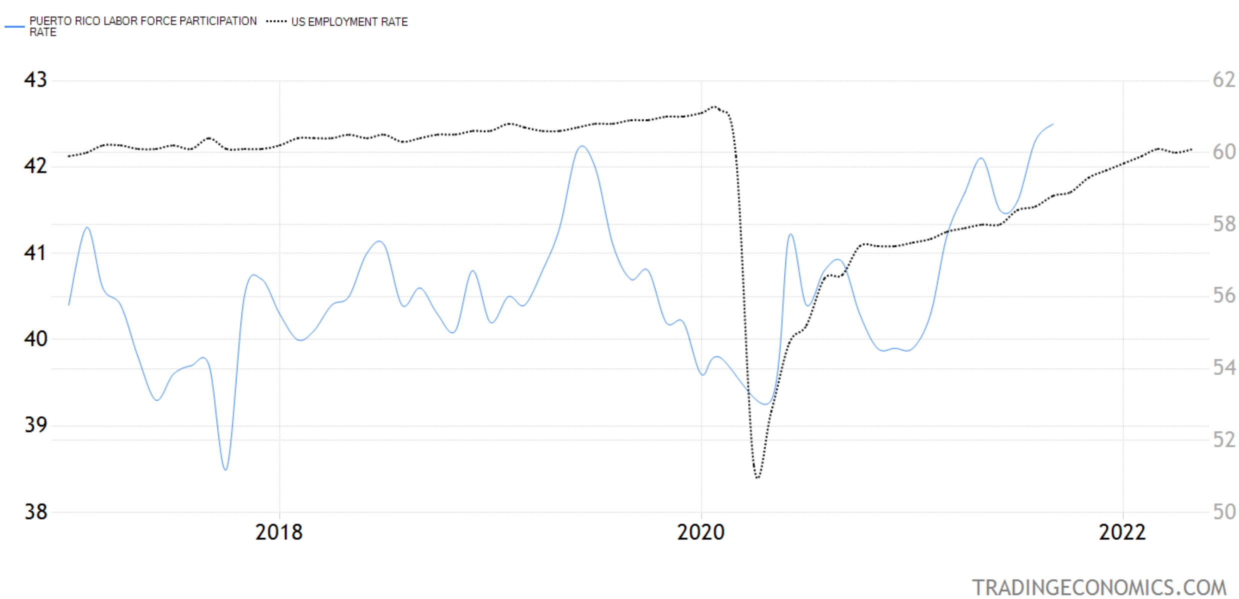


Puerto Rico Labor Market

The following data release includes Q1 2022 seasonally adjusted statewide labor force and both seasonally adjusted and not seasonally adjusted statewide nonfarm data. The full release of Q2 2022 labor force and not seasonally adjusted nonfarm wage and salaried worker data for all areas will be in July, 2022, with the publication of the July 2022 Puerto Rico Labor Bulletin.

We foresee available labor due to the area's hotels that have been close, the lack of local competing businesses, and an existing local unemployment rate higher than San Juan.

Puerto Rico Employment Rate Compared to the United States Average Rate



Data Series	Back Data	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022
Labor Force Data							
Civilian Labor Force(1)		(R) 1,204.4	1,209.9	1,215.1	1,216.6	1,215.2	1,209.5
Employment(1)		(R) 1,114.2	1,123.5	1,132.1	1,136.9	1,137.6	1,134.1
Unemployment(1)		(R) 90.2	86.4	83.1	79.7	77.6	75.4
Unemployment Rate(2)		(R) 7.5	7.1	6.8	6.5	6.4	6.2

The population of Puerto Rico according to the 2020 census is 3,285,874, an 11.8% decrease since the 2010 United States Census.[5] From 2000 to 2010, the population declined for the first time in census history for Puerto Rico, from 3,808,610 to 3,725,789.

Demand Generators

In addition to leisure tourism, business travel and events is generated via Puerto Rico's key business segment. Manufacturing is the largest economic sector of the island; composing almost half (about 46%) of its gross domestic product (GDP) through more than 2,000 manufacturing plants scattered throughout the island. All manufacturers in Puerto Rico are in some way interconnected with the Puerto Rico Industrial Development Company (PRIDCO) which provides substantial incentives for companies that manufacture in Puerto Rico. Manufacturers are also voluntarily interconnected through the Puerto Rico Manufacturers Association which serves as their primary trade association and their main lobby group upon the Legislative Assembly of Puerto Rico.

In terms of specialization, more than half of all manufacturing done in Puerto Rico is attributed to the pharmaceutical industry which generates more than 18,000 jobs, pays more than US$3 billion in taxes, comprise about half of total exports, and has generated more than 25% of the island's GDP for the past four decades. Comparatively, Puerto Rico is the fifth largest area in the world for pharmaceutical manufacturing with more than 80 plants, including:

Abbott	Biovail	Ivax	Pfizer
Amgen	Bristol Myers Squibb	Johnson & Johnson	Procter & Gamble
AstraZeneca	Cardinal Health	Merck & Co	Schering Plough
Baxter	CooperVision	Mylan	Warner Chilcott
BD	Eli Lilly	Novartis	Watson
	GlaxoSmithKline	Patheon	Wyeth

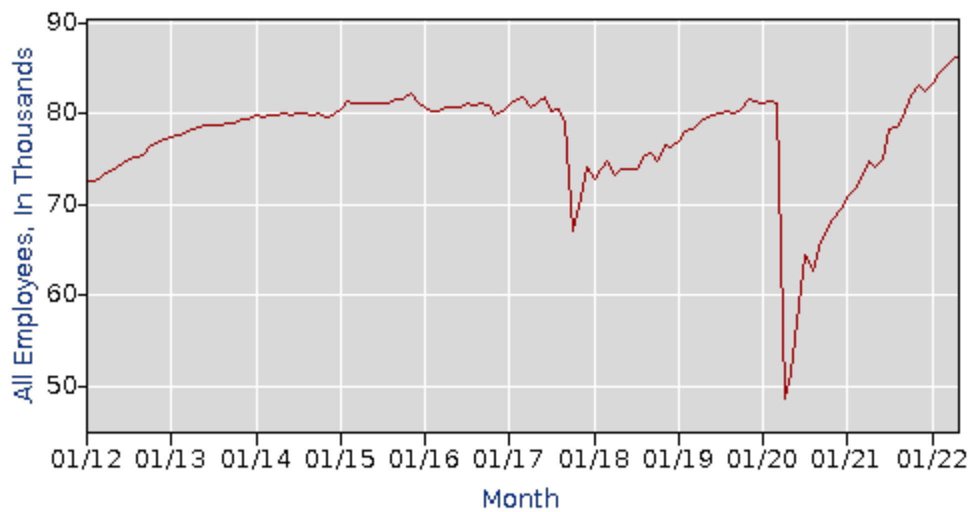
Puerto Rico is also the third-largest biotechnology manufacturer with more than two million square feet and the seventh-largest medical-device exporter with more than 50 plants. Pharmaceutical companies originally came to Puerto Rico in the late 1960s and 1970s to take advantage of the now-expired federal tax incentive known as Section 936. This incentive allowed U.S.-based manufacturers to send all profits from local plants to stateside parent plants without having to pay any federal taxes. However, expired patents, cheaper manufacturers (such as those in Brazil, China, India, and South Korea), the rise of generic drugs, and high production costs pose a challenge to the industry. As of 2014, Puerto Rico produces 16 of the top 20-selling drugs in the mainland United States.

Puerto Rico's Trade and Tourism

Tourism in Puerto Rico attracted 3.7 million visitors in 2019 and 1.0 million visitors in 2015, a notable increase from the average of 2010–2014 at 3.1 million. Tourism has been a very important source of revenue for Puerto Rico for a number of decades given it is host to diverse natural wonders, cultural and historical buildings, concerts, and sporting events. Visitors from the United States do not need a passport to enter Puerto Rico and the ease of travel attracts many tourists from the mainland United States each year.

In 2017, Hurricane Maria caused severe damage to the island and its infrastructure. The damage was estimated at $100 billion. An April 2019 report indicated that by that time, only a few hotels were still closed, that life for tourists in and around the capital had, for the most part, returned to normal. By October 2019, nearly all of the popular amenities for tourists, in the major destinations such as San Juan, Ponce and Arecibo, were in operation on the island and tourism was rebounding. This was important for the economy, since **tourism provides up 10% of Puerto Rico's GDP**, according to Discover Puerto Rico.

Puerto Rico Hospitality Employment Trend



Puerto Hospitality Employed – (Thousands)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022	83.4	84.5	85.1	86.0	86.5							
2021	70.8	71.7	73.0	74.8	74.2	75.1	78.3	78.6	79.7	82.0	83.0	82.4
2020	81.2	81.3	81.1	48.8	51.5	58.9	64.4	62.8	65.4	67.4	68.5	69.6
2019	76.9	78.0	78.3	79.0	79.7	79.9	80.0	80.2	80.1	80.5	81.5	81.4

Tourism makes up a large part of Puerto Rico's economy and employment. Tourism-related businesses employed an average of over 85,000 for the first five months of 2022, roughly nine percent more than the same five month period of 2019.

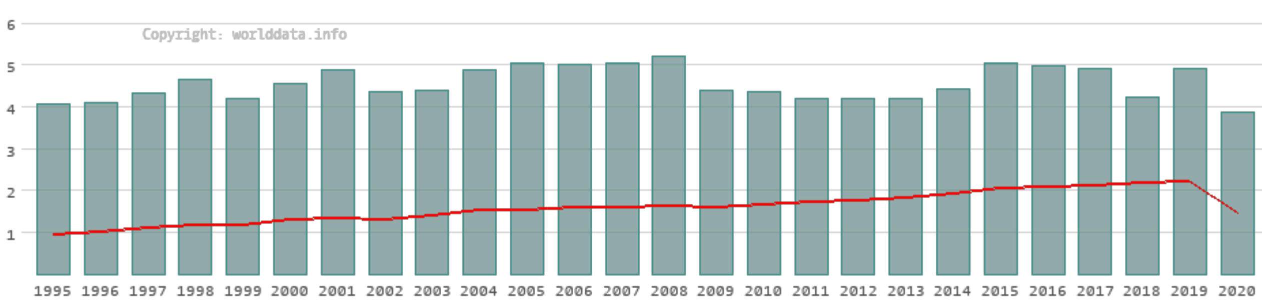
Puerto Rico Tourism Overview

Annual	Category
4.0	Million visitors traveled to PR in 2020
2.9	Billion dollars visitor spending per year
36%	Capture of all tourism to the Caribbean
98	Million dollars island-wide room tax collected
93%	Travelers from the United States
72%	Island-wide average hotel occupancy Pre-Covid '18 & '19
150+	Number of hotels in Puerto Rico
15	Thousand hotel rooms inventory islandwide

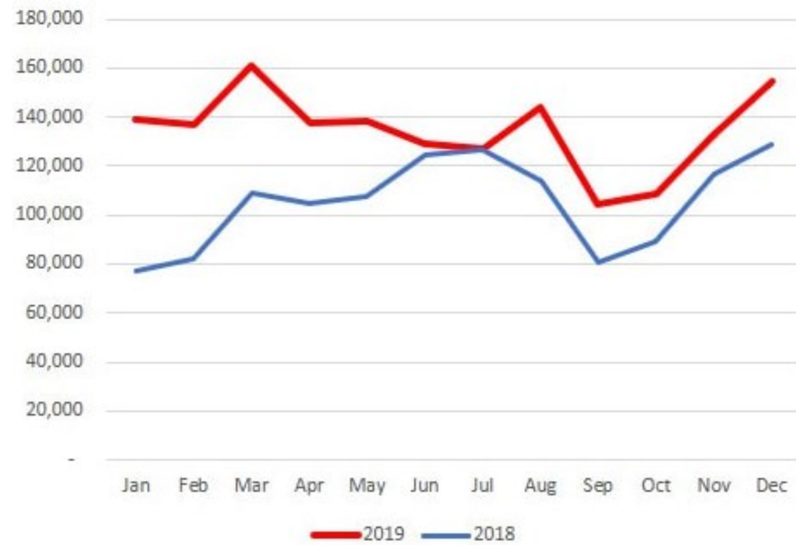
Puerto Rico Tourism Fast Facts

The following chart shows the number of tourist arrivals registered in Puerto Rico each year. Anyone who spends at least one night in the country but does not live there for more than 12 months is considered a tourist. Insofar as the survey included the purpose of the trip, business trips and other non-tourism travel purposes have already been excluded. The number of people passing through within the same day, and e.g. crew members of ships or flights are also not considered as tourists in most countries. If the same person travels in and out more than once within the same year, each visit counts again.

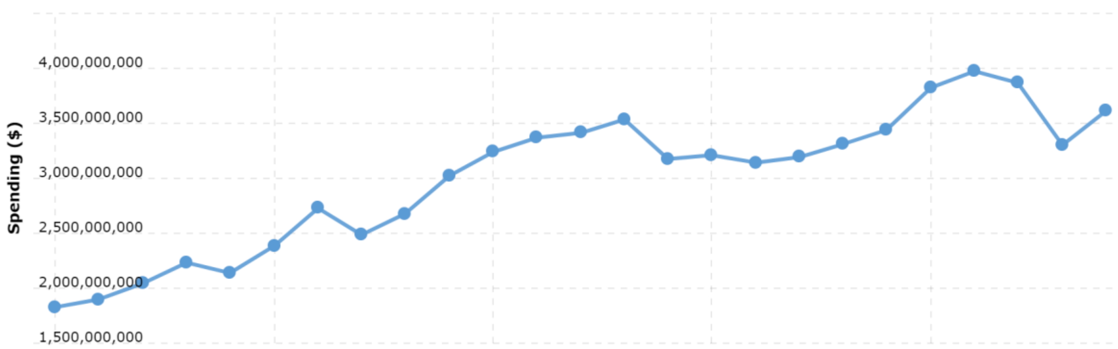
Data in the chart are given in millions of tourists. The red line represents the average of all 21 countries in Caribbean.



Monthly Arrivals & Seasonality View of Puerto Rico Tourism



Puerto Rico Visitation Annual Spending Levels



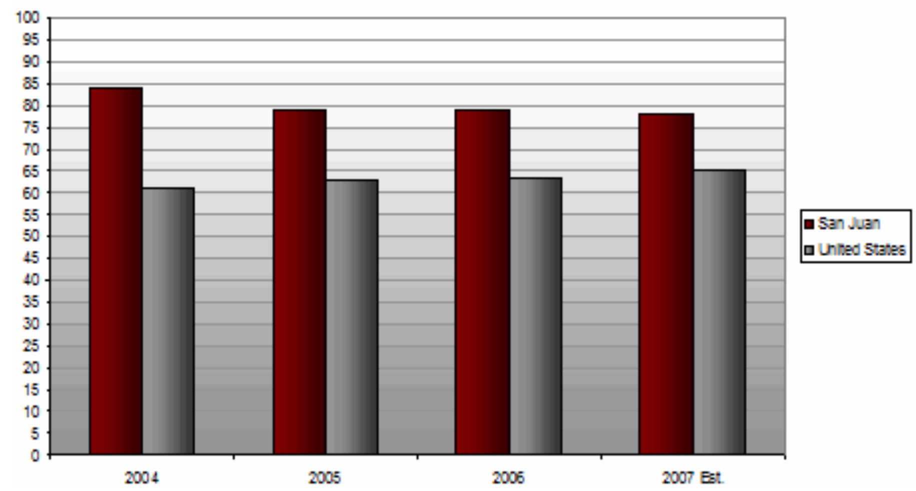
Years 1995 > > > 2020

Origination of Arriving Guests

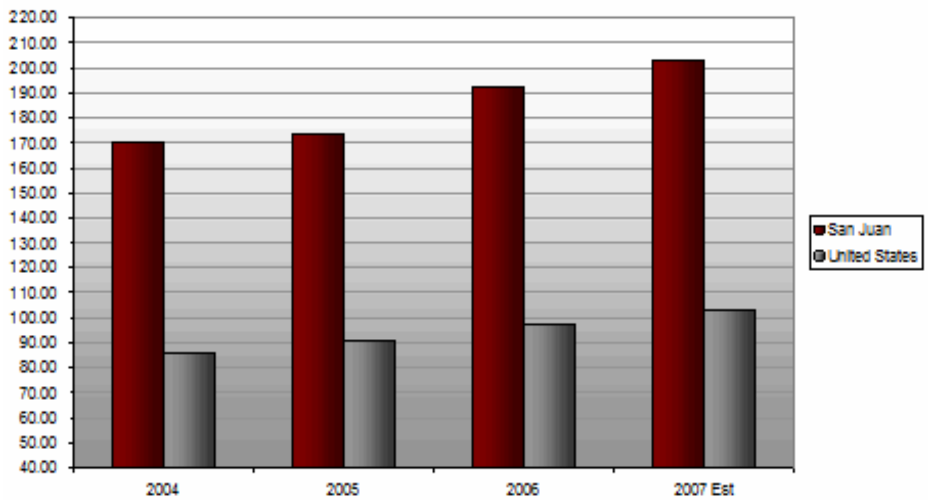
	2020		2019		
	Guests	% share	Guests	% share	% change
USA	742,739	93.0%	1,471,121	91.2%	-49.5%
Canada	10,765	1.3%	18,778	1.2%	-42.7%
Mexico	2,907	0.4%	9,282	0.6%	-68.7%
Central America	2,236	0.3%	6,530	0.4%	-65.8%
South America	4,258	0.5%	16,657	1.0%	-74.4%
Caribbean	5,826	0.7%	27,171	1.7%	-78.6%
Europe	14,927	1.9%	37,671	2.3%	-60.4%
Asia	9,410	1.2%	16,775	1.0%	-43.9%
Other Foreign Countries	3,637	0.5%	6,391	0.4%	-43.1%
Non-Specified Country	2,135	0.3%	2,687	0.2%	-20.5%
Total	**798,840**	**100.0%**	**1,613,066**	**100.0%**	**-50.5%**

Source: Tourism Analytics Puerto Rico

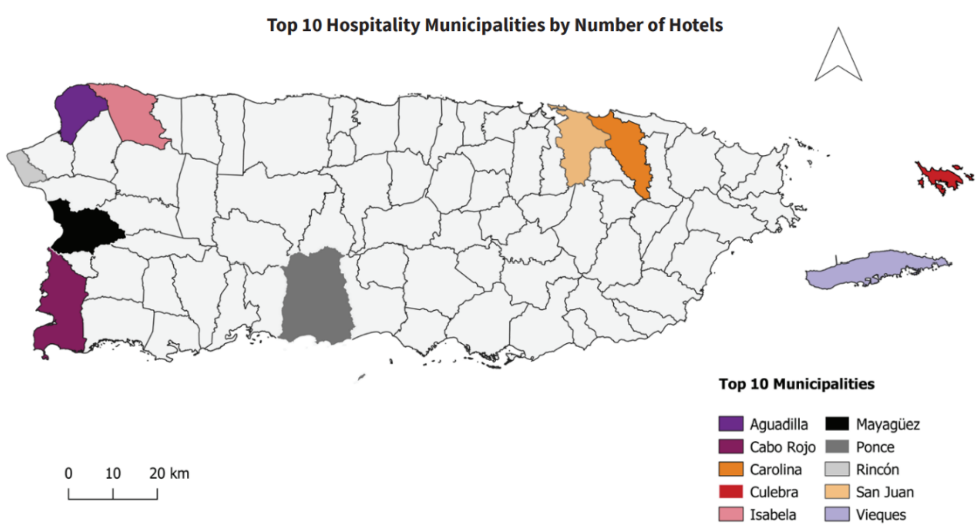
Historical Average Occupancy Trends



Historical Average Daily Rate Trends



Source: Tourism Analytics Puerto Rico



Hotel Performance 2022

Non-Resident Hotel Registrations by Month

	2022	2021	% chg 22/21	2020	2019	% change 21/19
Jan	108,177	74,013	46.2%	141,301	138,897	-22.1%
Feb	138,247	98,478	40.4%	148,354	136,784	1.1%
Mar	177,690	148,046	20.0%	82,191	160,757	10.5%
YTD	**424,647**	**320,537**	**32.5%**	**371,846**	**436,438**	**-2.7%**

Local Registrations by Month

	2022	2021	% chg 22/21	2020	2019	% change 21/19
Jan	39,586	39,643	-0.1%	33,788	35,881	10.3%
Feb	42,750	43,940	-2.7%	37,637	30,908	38.3%
Mar	48,925	53,953	-9.3%	23,150	39,613	23.5%
YTD	**131,625**	**137,536**	**-4.3%**	**94,575**	**106,402**	**23.7%**

Total Registrations by Month

	2022	2021	% chg 22/21	2020	2019	% change 21/19
Jan	147,763	113,656	30.0%	175,089	174,778	-15.5%
Feb	180,997	142,418	27.1%	185,991	167,692	7.9%
Mar	226,615	201,999	12.2%	105,341	200,370	13.1%
YTD	**556,272**	**458,073**	**21.4%**	**466,421**	**542,840**	**2.5%**

Available Room Nights

	2022	2021	% chg 22/21	2020	2019	% change 21/19
Jan	396,144	368,948	7.4%	402,413	364,478	8.7%
Feb	378,417	355,097	6.6%	384,807	336,109	12.6%
Mar	415,092	392,971	5.6%	384,172	373,641	11.1%
YTD	**1,192,995**	**1,117,016**	**6.8%**	**1,171,392**	**1,074,228**	**11.1%**

Occupied Room Nights

	2022	2021	% chg 22/21	2020	2019	% change 21/19
Jan	192,704	138,645	39.0%	253,275	239,802	-19.6%
Feb	244,614	175,607	39.3%	279,730	246,898	-0.9%
Mar	316,364	256,613	23.3%	150,872	281,976	12.2%
YTD	**754,753**	**570,865**	**32.2%**	**683,877**	**768,676**	**-1.8%**

Average Room Occupancy

	2022	2021	% pt chg 22/21	2020	2019	% pt change 21/19
Jan	47.3%	37.0%	10.3%	62.9%	65.8%	-18.5%
Feb	59.3%	48.1%	11.2%	72.7%	73.5%	-14.2%
Mar	67.9%	58.7%	9.2%	39.3%	75.5%	-7.6%
YTD	**58.0%**	**48.0%**	**10.0%**	**58.3%**	**71.6%**	**-13.6%**

ADR

	2022	2021	% chg 22/21	2020	2019	% change 21/19
Jan	$ 280.37	$ 192.79	45.4%	$ 177.41	$ 178.48	57.1%
Feb	$ 282.36	$ 218.06	29.5%	$ 173.94	$ 177.19	59.4%
Mar	$ 304.50	$ 246.20	23.7%	$ 174.32	$ 180.22	69.0%
YTD	**$ 290.93**	**$ 224.57**	**29.5%**	**$ 175.22**	**$ 178.63**	**62.9%**

Source: Tourism Analytics Puerto Rico

Cabo Rojo Municipality

Cabo Rojo is a city and municipality situated on the southwest coast of Puerto Rico and forms part of the San Germán–Cabo Rojo metropolitan area as well as the larger Mayagüez–San Germán–Cabo Rojo Combined Statistical Area. Approximately 3 hours from San Juan.

The area near Las Salinas (salt flats) has been inhabited since 30 BC and AD 120 according to archaeological evidence. Punta Ostiones, listed in the National Register of Historic Places as an archeological site, was home to a large group of Archaic Indians.

Hurricane Maria struck Puerto Rico on September 20, 2017, causing large-scale damage and destruction to infrastructure. In Cabo Rojo, around 400 homes lost their roof, and three thousand residents were left without drinking water as a result of Hurricane María. The coastal fishing village of Joyuda was the most impacted area of Cabo Rojo

Historical population		
Census	Pop.	%±
1900	16,154	—
1910	19,562	21.1%
1920	22,412	14.6%
1930	23,792	6.2%
1940	28,586	20.1%
1950	29,546	3.4%
1960	24,868	−15.8%
1970	26,060	4.8%
1980	34,045	30.6%
1990	38,521	13.1%
2000	46,911	21.8%
2010	50,917	8.5%
2020	47,158	−7.4%

As of the 2020 United States Census, there were 47,158 people, 19,052 households, and 13,56 9 families living in the Municipality.

Cabo Rojo has 28 miles of coastline – the most of any municipality on the island. There are 127 beaches in Cabo Rojo. Its tourism industry has flourished with the development of hotels and marinas, but local and international environmentalists are concerned that this development will endanger Cabo Rojo's rich and beautiful beaches, sunsets and natural resources. Cabo Rojo is also well known for its fishing, particularly the Puerto Real fishing village, and its many seafood restaurants, most of which are found in the fishing village of Joyuda.

The **Cabo Rojo National Wildlife Refuge** reserve is a subtropical dry forest in the coastal region covering 1,836 acres of land. The refuge, established in 1974 and one of nine reserves managed by the Caribbean Islands National Wildlife Refuge Complex (United States Fish and Wildlife Service), is a paradise for people who enjoy hiking and birdwatching. The refuge has been designated as the critical habitat of the yellow-shoulder blackbird and is the first place in the Caribbean to be designated as a site in the Western Hemisphere Shorebird Reserve Network.

Cabo Rojo

The municipality of Cabo Rojo lies on the southern-west corner of the island of Puerto Rico, on the Western Coastal Plains. Sierra Bermeja, Puerto Rico's geologically oldest mountain range, crosses the municipality from west to east towards Lajas. It is bordered by Mayagüez and Hormigueros to the north, San Germán and Lajas to the east, the Caribbean Sea to the south and the Mona Passage to the west. Cabo Rojo has a surface area of 72 square miles.

Cabo Rojo's terrain is flat, however, some notable peaks are Mariquita, Buena Vista, Cerro Vargas, and Peñones de Melones.

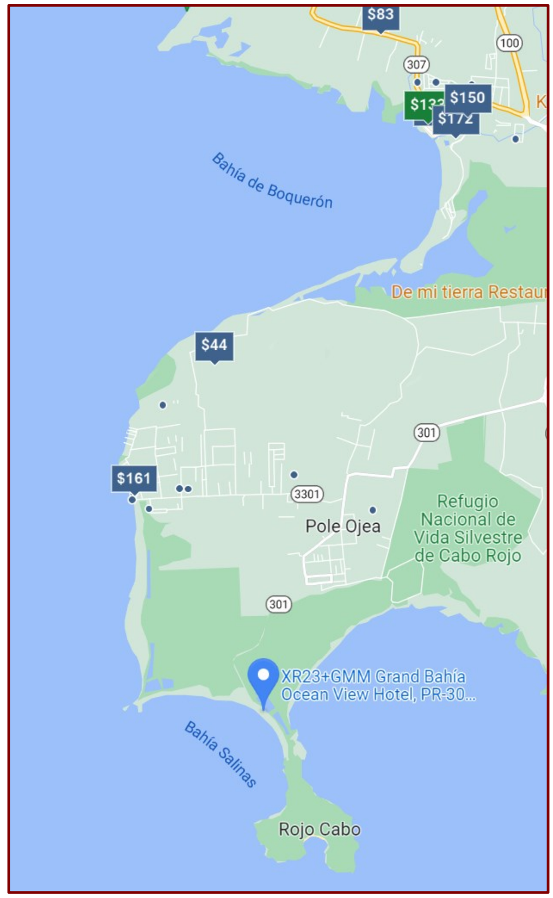
Cabo Rojo Landmarks & Places of Interest

The San Miguel Arcángel Church, in the main town square, was built between 1773 and 1783. The famous Cabo Rojo lighthouse, Los Morrillos Lighthouse, known by locals as El Faro, was built in 1881 over limestone cliffs that rise 200 feet above sea level. This old lighthouse was automated and electrically charged in 1967 and is considered to have some, if not, the most spectacular ocean views on Puerto Rico's west coast. The lighthouse has undergone recent renovations which has created controversy because of the quality of the work. According to locals and scholars, the internal structure was gutted leaving nothing of historical significance behind.

The lighthouse is located near the Salinas, or salt mines. These salt mines are reported to be the oldest industry in the New World. Salt has been mined in this site non-stop since the time of the Taínos. Near the Salinas, a local civic group Caborrojeños Pro Salud y Ambiente run a visitor center known as the Centro Interpretativo Las Salinas De Cabo Rojo don Efrén Pérez Rivera. They offer free guided tours of the local area, which is rich in flora and fauna.

Subject Location

The Subject location is in the neighborhood of Rojo Cabo and is one of the top 10 hotel destinations in Puerto Rico, according to Jones Lang Lasselle research report published in 2020. The area offers locals living here a spacious feel and most residents own their homes. Many families, and multi-generations of families, tend to have conservative political views. The subject property sites, Grand Bahia Ocean View Hotel and Salinas Beach Resort city runs along State Route 301, and its location allows visitors convenient access.



The two subject hotel resort site locations sit side-by-side on the pristine beachfront area known as Bahia Salinas Beach. Small inns and family operated lodging accommodations are nearby and offer a sense of privacy and safety for the conveniently remote location.

Climate

The year round daily temperatures don't fluctuate much more than 10 degrees. The summers and autumn welcome occasional rainfall. Generally, more than 329 days of sunshine are expected. Winter evenings offer the coolest temperatures of the year.

Based on the tourism score, the best time of year for Northern tourists to visit Cabo Rojo for warm-weather Winter activities is from October through April. Summers are peak period time for local Puerto Ricans to visit the southwest region of the island.

Climate data for CABO ROJO (Average and Records: 1910–2010)

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
Record high °F (°C)	91 (33)	92 (33)	95 (35)	95 (35)	95 (35)	99 (37)	99 (37)	97 (36)	98 (37)	97 (36)	98 (37)	98 (37)	96.2 (35.7)
Average high °F (°C)	87 (31)	87 (31)	88 (31)	89 (32)	90 (32)	91 (33)	92 (33)	92 (33)	91 (33)	90 (32)	89 (32)	88 (31)	89.5 (31.9)
Daily mean °F (°C)	75 (24)	75 (24)	76 (24)	78 (26)	80 (27)	81 (27)	81 (27)	81 (27)	81 (27)	80 (27)	78 (26)	76 (24)	78.5 (25.8)
Average low °F (°C)	62 (17)	62 (17)	64 (18)	66 (19)	69 (21)	71 (22)	70 (21)	70 (21)	70 (21)	69 (21)	67 (19)	63 (17)	66.9 (19.4)
Record low °F (°C)	44 (7)	51 (11)	50 (10)	50 (10)	56 (13)	58 (14)	53 (12)	58 (14)	60 (16)	56 (13)	53 (12)	49 (9)	53.2 (11.8)
Average rainfall inches (mm)	2.51 (64)	2.19 (56)	2.19 (56)	3.43 (87)	5.14 (131)	2.70 (69)	3.13 (80)	5.23 (133)	6.20 (157)	7.29 (185)	5.71 (145)	2.33 (59)	48.05 (1,220)

Source: **Weather.com**[18]

Historical Hotel Statistics – Cabo Rojo – Southwest Puerto Rico

Cabo Rojo area historical hotel statistics are not reported to STR by the local hoteliers. We have investigated, interviewed, and gathered data and have presented below. The area is relatively consistent with the greater Puerto Rico island reported to the tax department. Monthly occupancy peaks in the winter and summer months, year after year. 2022-23-24-25 forward are expected to yield similar ongoing demand as the previous 10 plus years of historical operations.

Table 3-10 Competitive Hotels Historical Occupancy, ADR, and RevPAR – 50 Set

Occupancy (%)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Year	Ap YTD
2014	67.0	73.0	75.0	76.0	72.0	70.0	68.0	65.0	50.0	55.0	65.0	68.0	67.0	72.8
2015	67.0	73.0	75.0	76.0	72.0	70.0	68.0	65.0	50.0	55.0	65.0	68.0	67.0	72.8
2016	67.0	73.0	75.0	76.0	72.0	70.0	68.0	65.0	50.0	55.0	65.0	68.0	67.0	72.8
2017	67.0	73.0	75.0	76.0	72.0	70.0	68.0	65.0	50.0	55.0	65.0	68.0	67.0	72.8
2018	67.0	73.0	75.0	76.0	72.0	70.0	68.0	65.0	50.0	55.0	65.0	68.0	67.0	72.8
2019	67.0	73.0	75.0	76.0	72.0	70.0	68.0	65.0	50.0	55.0	65.0	68.0	67.0	72.8
2020	67.0	73.0	**39.0**	**6.0**	**10.0**	**20.0**	**20.0**	**22.0**	**24.0**	**30.0**	**42.0**	**50.0**	33.6	46.3
2021	**50.0**	**50.0**	**50.0**	**50.0**	**50.0**	**50.0**	**50.0**	50.0	50.0	55.0	60.0	60.0	52.1	50.0
2022*	**67.0**	**73.0**	**67.0**	**69.0**										**69.0**
*Avg	**67.0**	**73.0**	**75.0**	**76.0**	**72.0**	**70.0**	**68.0**	**65.0**	**50.0**	**55.0**	**65.0**	**68.0**	**67.0**	**72.8**

*actual this year 2022, *AVG = Not COVID 2020 and 2021

ADR ($)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Year	Ap YTD
2014	158.00	158.00	160.00	160.00	157.00	160.00	158.00	158.00	139.00	150.00	158.00	161.00	156.42	159.00
2015	161.00	161.00	165.00	165.00	163.00	164.00	158.00	158.00	139.00	150.00	159.00	162.00	158.75	163.00
2016	163.00	163.00	165.00	165.00	158.00	166.00	160.00	160.00	142.00	155.00	160.00	163.00	160.00	164.00
2017	165.00	165.00	165.00	165.00	158.00	168.00	162.00	162.00	142.00	155.00	162.00	168.00	161.42	165.00
2018	165.00	165.00	168.00	168.00	158.00	168.00	165.00	165.00	148.00	156.00	164.00	170.00	163.33	166.50
2019	167.00	167.00	170.00	170.00	160.00	169.00	166.00	166.00	149.00	157.00	166.00	172.00	164.92	168.50
2020	167.00	167.00	**130.00**	**130.00**	**125.00**	**126.00**	**124.00**	**123.00**	**115.00**	**117.00**	**130.00**	**141.00**	132.92	148.50
2021	**130.00**	**130.00**	**130.00**	**130.00**	**130.00**	**155.00**	**153.00**	**153.00**	**136.00**	**148.00**	160.00	165.00	143.33	130.00
2022	198.00	198.00	226.00	226.00										212.00
*Avg	**163.78**	**163.78**	**165.50**	**165.50**	**159.00**	**165.83**	**161.50**	**161.50**	**143.17**	**153.83**	**161.50**	**166.00**	160.81	**164.33**

RevPAR ($)

	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Year	Apr YTD
2014	105.86	115.34	120.00	121.60	113.04	112.00	107.44	102.70	69.50	82.50	102.70	109.48	104.80	115.67
2015	107.87	117.53	123.75	125.40	117.36	114.80	107.44	102.70	69.50	82.50	103.35	110.16	106.36	118.58
2016	109.21	118.99	123.75	125.40	113.76	116.20	108.80	104.00	71.00	85.25	104.00	110.84	107.20	119.31
2017	110.55	120.45	123.75	125.40	113.76	117.60	110.16	105.30	71.00	85.25	105.30	114.24	108.15	120.04
2018	110.55	120.45	126.00	127.68	113.76	117.60	112.20	107.25	74.00	85.80	106.60	115.60	109.43	121.13
2019	111.89	121.91	127.50	129.20	115.20	118.30	112.88	107.90	74.50	86.35	107.90	116.96	110.49	122.58
2020	111.89	121.91	50.70	7.80	12.50	25.20	24.80	27.06	27.60	35.10	54.60	70.50	44.64	68.68
2021	65.00	65.00	65.00	65.00	65.00	77.50	76.50	76.50	68.00	81.40	96.00	99.00	74.65	65.00
2022	132.66	144.54	151.42	155.94										146.28
Avg	109.73	119.56	124.13	125.78	114.48	116.08	109.82	104.98	71.58	84.61	104.98	112.88	107.74	119.55

Market Area Definition

The market area of a hotel encompasses the geographic regions from which demand for hotel accommodations originates. In certain locations, demand is generated almost exclusively from the regional market, which implies that the relevant market area would be the immediate local area itself. However, in cases where a significant proportion of the total hotel demand emanates from international countries, economic factors that influence travelers from these sources must also be evaluated.

Tourism Overview

Through June 11, 2022, results of room occupancy index and average daily rates index reported by STR shows continuous overall improvement compared to pre-covid 2019 year over year through April, the national ADR averages maintained 100% plus and the occupancy index pushed over 100% in May and climbing for the summer.

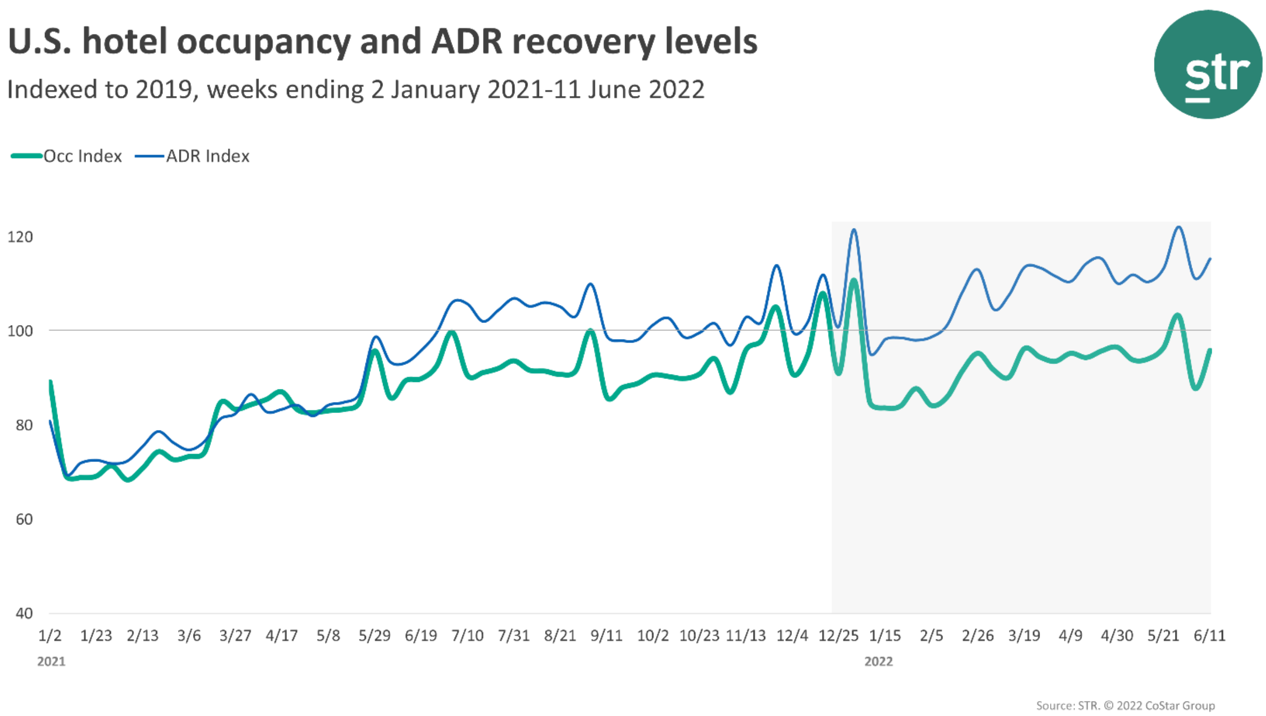


Table 3-11 Cabo Rojo Area Tourism Highlights 2019 – Pre-COVID

No. of hotels – 50 hotels w/in 39 miles of the site
No. of hotel rooms – 3,179
Percentage of business visitors – 2%
Percentage of leisure visitors – 90%
Percentage of visitors from the United States – 75%
Percentage of international visitors – 10%
Percentage of local Puerto Rico Visitors – 15%
Percentage driving to Cabo Rojo – 90%
Area 10-Set Hotel Average Occupancy - 67%
Area 10-Set Average Daily Rate - $180.00

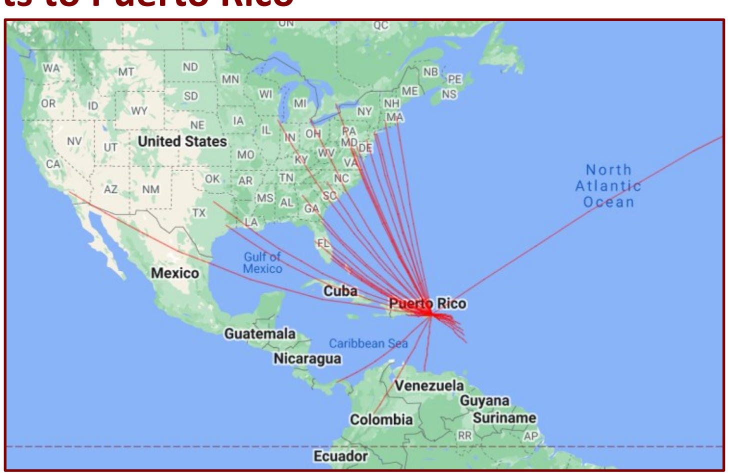
Winter season travelers generate the most room tax according to the Discover Puerto Rico and local residents generate significant occupancy during the summer months.

Puerto Rico Air Travel

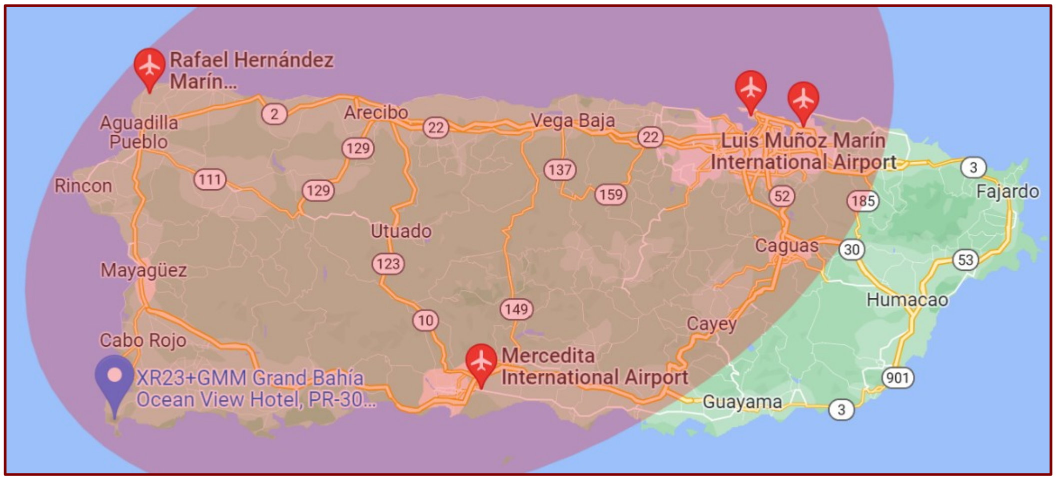
Luis Muñoz Marín International Airport in San Juan, Puerto Rico (IATA code: SJU), is the biggest and busiest airport in the Caribbean. It is the island's main point of entry and the home airport of many airlines. In 2021, the airport handled 9.7 million passengers, corresponding to around 90 percent of the total Puerto Rican passenger volume.

Total Air Traffic Passenger Movements - SJU						
	2022	2021	% chg 22/21	2020	2019	% chng 22/19
Jan	746,697	531,629	40.5%	888,012	796,878	-6.3%
Feb	725,786	481,270	50.8%	792,317	682,520	6.3%
Mar	918,236	751,974	22.1%	526,181	821,110	11.8%
Apr	888,029	765,561	16.0%	41,692	752,910	17.9%
May	943,866	896,041	5.3%	79,906	776,383	21.6%
YTD	**4,222,614**	**3,426,475**	**23.2%**	**2,328,108**	**3,829,801**	**10.3%**

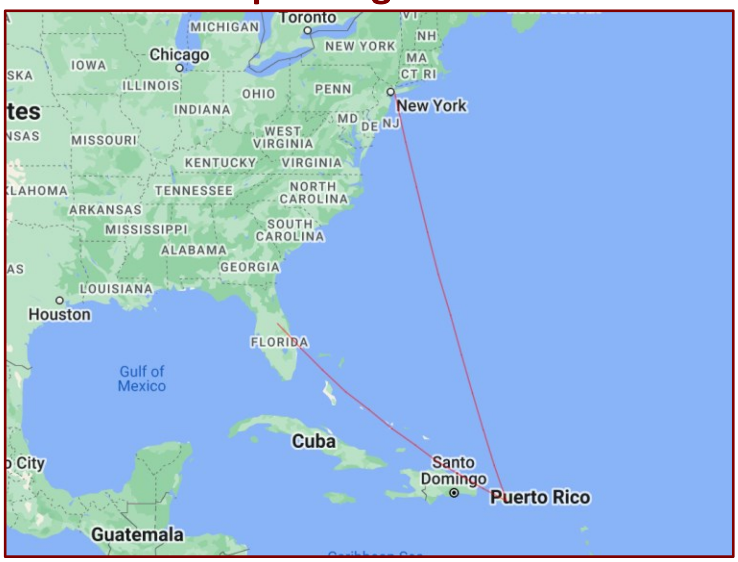
Non-Stop Flights to Puerto Rico



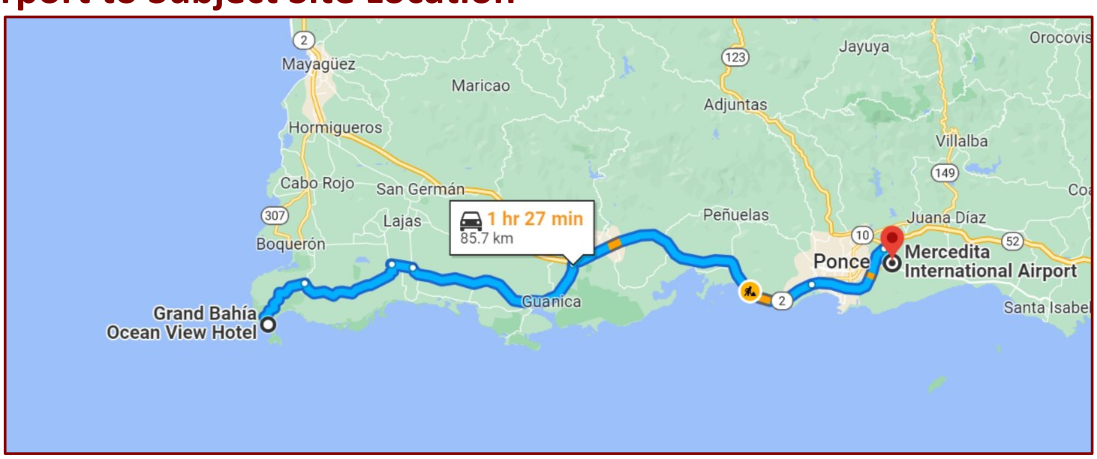
Puerto Rico's Main Airports ~ SJU = 3 Hour Drive to Cabo Rojo



Ponce Int'l Airport flights from FLL and JFK



Ponce Airport to Subject Site Location



4. Description of the Hotel Site & Location

Location

A hotel's site and its location within a specific neighborhood can have a direct impact upon the hotel's performance relative to a competitive market. The follow section describes the location of the hotel in relation to its immediate surroundings and its market area, as described in the previous section.

The neighborhood surrounding a hotel often has an impact on a hotel's status, image, class, style of operation, and sometimes, its ability to attract and properly serve a particular market segment. This section of the report investigates the Hotel's neighborhood and evaluates any pertinent location factors that could affect the Hotel's occupancy, average rate, and overall profitability.

The proposed Hotel's location offers many opportunities to capitalize on the local and regional attractions and on establishing partnerships and collaborations for joint or mutually supportive marketing and promotional strategies. Furthermore, the Hotel's location offers opportunities to capture a share of the travelers seeking resort accommodations within a 30-minute radius of competitive hotels in all directions.

Subject Property Location and Access

The subject property is located on the southwest corner of the island, about 12 miles from Cabo Rojo town center, 1 mile from the Cabo Rojo Lighthouse, and 52 miles from the Ponce International airport. The subject property has easy access for travelers from both the north and west bound Puerto Rico roadway system.

Access

The Hotel can benefit from its conveniently remote location. The subject site on has direct passage and convenient access from all directions, and sources of traffic. Given the factors analyzed, we consider the new Hotel can benefit strongly from its convenient distance accessibility from Ponce to the East and Mayaguez to the North.

Table 4-1 Subject Location to the most southwestern point of Puerto Rico

Subject Site Location SW Puerto Rico

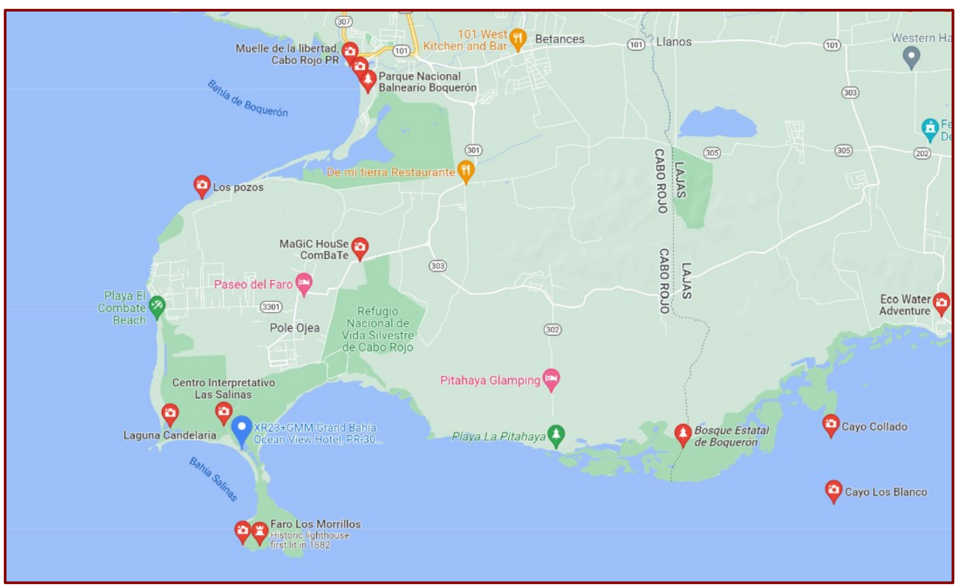
Puerto Rico Route 301 Direct Access

Proximity to Demand Generators

We make the following comments on the Hotel site's proximity to potential demand generators. We considered the Hotel's location will attract existing primary year-round demand from travelers, both inbound to Puerto Rico and local area residents from the key population centers, seeking upscale remote beachfront resorts throughout Puerto Rico. These demand generators are illustrated in the maps below.

Location Driven Demand Generation

Leisure Points of Interest Demand Generation



In addition to inbound selective beach resort seekers, throughout the year, travelers identify points of interest such as national parks, monuments, historic sites, and coastal preserves. The map above indicates a convenient location for the demand generated by these segments.

Fifty (50) Closest Competitive Hotels

The 50 nearest competitive hotels around the subject site are generally concentrated along the coastal area, scenic hillsides, town centers, and main road interchanges. Within a 39 miles radius of the subject location are more than 3,179 hotel rooms. Of which some are deemed more competitive to the subject location than other non-competitive hotels, motels, and inns.

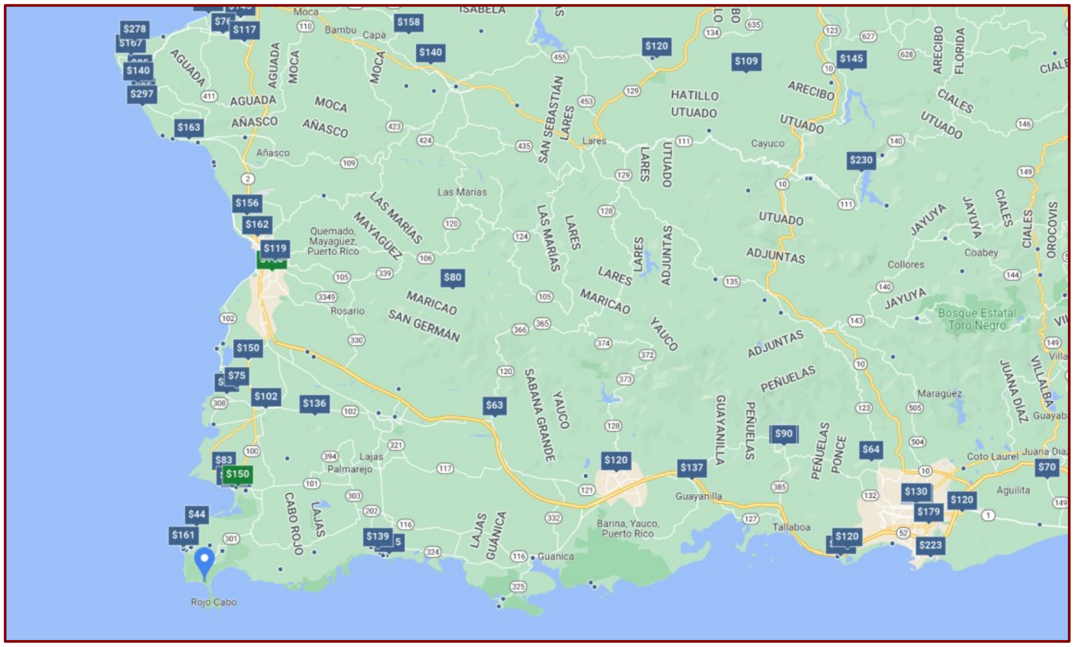
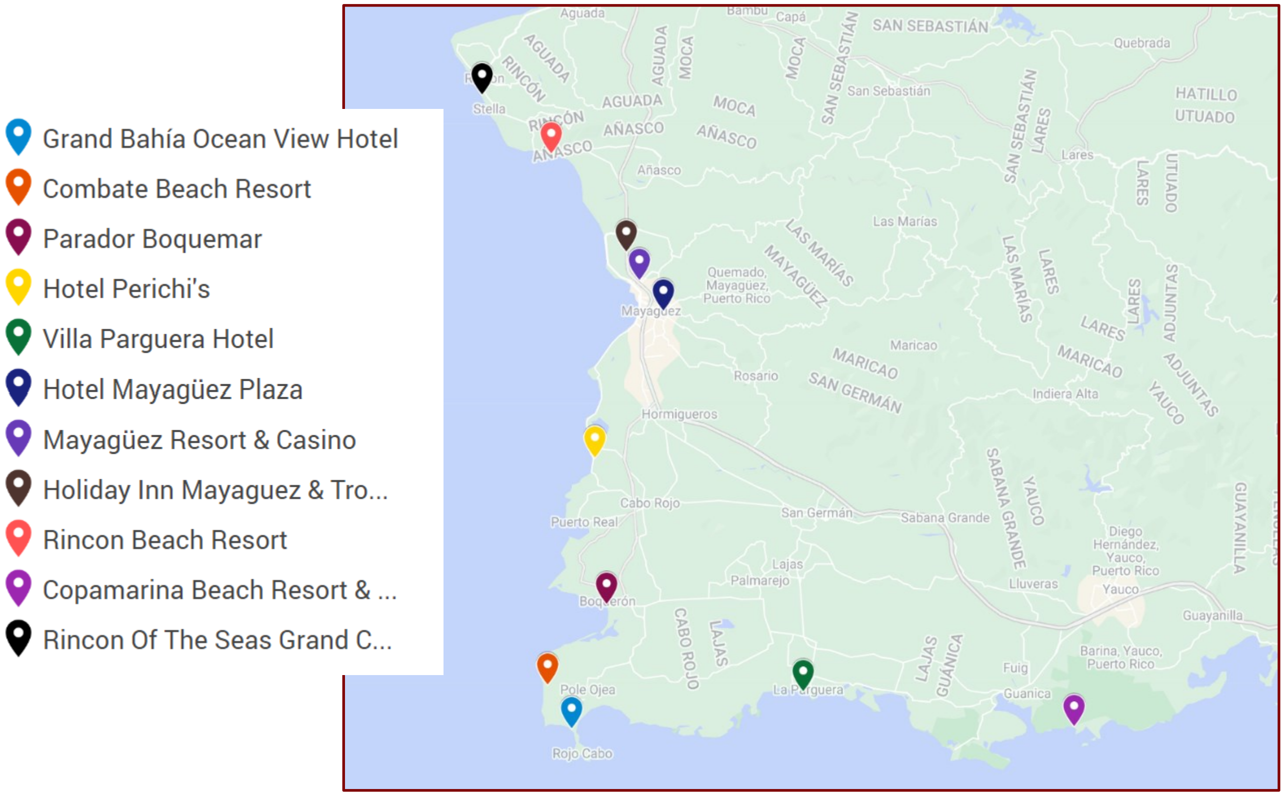


Table 4-2 Ten Nearest Primary & Secondary Competitive Hotels Represented

The 10 closest hotels, selected as the primary competitive hotels, represent 892 rooms and are located within 30 minute drive, alternative offering, of the subject site. The types and sizes of hotels range in size from 30-room midscale quality beachfront small resorts, to 100 room upscale beach resorts, and the 141 room commercial branded IHG Holiday Inn Express and Best Western Surestay Suites which are classified as upper-midscale properties in the competitive set.

These are the primary competitive hotels in terms of quality standards. The other hotels exist with lower quality standards, and most have lacked a consistent or limited ongoing property improvement plan and would therefore be considered less competitive to a new hotel.

Table 4-2 Location of Nearby Competitive Hotels



Conclusion of Location

The new Hotel is expected to benefit from its conveniently remote and secluded location, easy and consistent accessibility, and convenience to area attractions and leisure travel needs. The Subject Property is in a good position to capture demand from travelers visiting the Puerto Rico, whether for short or long term stays, for individual travel selections or attending social events such as destination weddings or business group occasions. We consider the location on the coast line and to the greater area of competitive hotels to be the key demand generator and advantageous for the operating of a hotel of quality & character that induces demand for (a) leisure guests during weekdays, weekends, winter, spring, summer, autumn, and holiday periods. The Subject Property will be a quality product within a hotel market with a high supply of outdated lower-quality offerings and commodity type chain accommodations that are also past their property improvement program due dates.

5. Hotel Facilities

Hotel Facilities

The quality of a hotel's physical facilities has a direct influence on its marketability and attainable occupancy and average rate. The design and functionality of the structure can also affect operating efficiency and overall profitability. The following paragraphs describe the Hotel's anticipated facilities in an effort to determine how they will contribute to its operation.

The Smith Travel Research (STR) Global classification system is the industry's primary source for rating the wide range of hotel property types, together with their array of amenities and service offerings. There are multiple considerations that are analyzed before a determination is made for a property's ranking among the six (6) tiers of the STR Global classification system. In addition to brand quality, an important note to make is distinguishing between the quality and upkeep of the various physical attributes of a given property, as this can change over time depending on the performance and effectiveness of management, from the degree of consumer-centric services expected to be delivered consistently at the property.

STR Index Classification System

Luxury – Luxury lodging has the following features: • Very high reputation and quality • Prime locations • Distinguished architecture, artwork and design (sometimes they are historic structures) • Superior service and staff • Numerous and luxurious facilities and amenities • Fine dining and 24–hour room service • Spacious, beautifully furnished rooms • Superior linens, finishes and materials	***Upper Midscale –*** Upper Midscale lodging has the following features: • Simple, pleasant accommodations and good value • Convenient, often roadside or suburban locations • Simple, nice appearance, frequently with similar look and design for most properties • Helpful staff with limited amenities and facilities • Dining usually limited, but often convenient to family dining and fast food • Standard–sized, nice rooms; but all–suite lodging in this category is spacious
Upper Upscale – Upper Upscale lodging has the following features: • Well–known, high–quality brands • Very convenient, often strategic locations • Attractive architecture, artwork, and sometimes dramatic design • Very professional service and staff • Many amenities and facilities • Quality dining • Large, comfortable rooms with top-of-the-line furnishings • High–quality linens, finishes and materials	***Midscale –*** The features of Midscale lodging are: • Simple, low–priced • Basic, sometimes older properties; often two– or three–story buildings • Adequately staffed • Few amenities, facilities and extras • Limited dining, perhaps simple breakfast included, family dining and fast food nearby • Adequate–sized rooms, with modest materials and furnishings, and average–quality linens
Upscale – Clients can expect the following from Upscale lodging: • Very good quality and value • Convenient locations • Pleasant, often homelike or stylish architecture • Friendly and attentive staff • Good range of amenities and facilities • Pleasant dining in and/or near the hotel • Standard–sized, comfortable rooms	***Economy –*** What clients can expect from Economy lodging: • Simple, clean, no–frill, low–priced • Limited staff and hours • Basic amenities and facilities • Rarely have on–site dining; some nearby • Very modest–sized rooms, with basic materials and linens • Limited bath fixtures and amenities

Examples of brand, physical and service attributes include: (a) reputation and quality, (b) location, (c) distinguishing architecture, artwork and design (sometimes they are historic structures), (d) service and staff, (e) number of and luxury class of facilities and amenities, (f) food and beverage services (i.e. fine dining and 24–hour room service, (g) number of rooms, (h) target markets, (i) Levels of service, and (j) ownership and affiliations.
The adjacent table is a summary, as compiled by Smith Trave Research(STR) of the different flags or brands organized according to the chain scales defined by them. Simply as a reference point, we have included Luxury, Upper Upscale and Upscale.

str

STR Chain Scales - North America and Caribbean

Luxury

- 21c Museum Hotel
- AKA
- Aman
- Andaz
- Banyan Tree
- Belmond Hotels
- Capella
- COMO
- Conrad
- Destination Hotels
- Dorchester Collection
- Doyle Collection
- Dreams Resorts & Spas
- Edition
- Elegant
- Fairmont
- Firmdale
- Four Seasons
- Grand Bahia Principe
- Grand Hyatt
- Hyatt Zilara
- Hyatt Ziva
- Iberostar Grand Collection
- InterContinental
- JW Marriott
- Kempinski
- Langham
- Loews
- Lotte Hotel
- Luxury Bahia Principe
- Luxury Collection
- Mandarin Oriental
- ME
- Mokara
- Montage
- Nobu Hotels
- NOW Resorts & Spas
- One & Only
- Palace Resort
- Paradisus
- Park Hyatt
- Prestige Hotels & Resorts
- Regent
- Ritz-Carlton
- RockResorts
- Rosewood
- Royalton
- Secrets Resorts & Spas
- Shangri-La
- Sixty Hotels
- Sofitel
- St Regis
- Taj
- The Peninsula
- The Unbound Collection
- Thompson Hotels
- Trump Hotel Collection
- Valencia Group
- Viceroy
- W Hotel
- Waldorf Astoria
- Zoetry Wellness & Spa Resorts

Upper Upscale

- Ace Hotel
- Affinia Hotel
- Alila
- Autograph Collection
- Bridgestreet Accommodations
- Camino Real
- Canopy by Hilton
- Club Quarters
- Curio Collection
- Delta Hotel
- Dolce Hotels & Resorts
- Dream Hotels
- Embassy Suites
- Fireside Inn & Suites
- Gaylord
- Hard Rock
- Hilton
- Hilton Grand Vacations
- Hotel Indigo
- Hotel Nikko
- Hyatt
- Hyatt Centric
- Hyatt Regency
- Instinct Hotels
- Joie De Vivre
- Kimpton
- Le Meridien
- Live Aqua
- Magnolia
- Marriott
- Marriott Conference Center
- Memories
- Millennium
- New Otani
- NH Collection
- Omni
- Outrigger Resorts
- Pan Pacific
- Pestana
- Pullman
- Quinta Real
- Radisson Blu
- Radisson RED
- Red Carnation
- Renaissance
- Royal Hideaway
- Sheraton Hotel
- Silver Cloud
- St. Giles Hotel
- Starhotels
- Sunscape Resorts & Spas
- Swissotel
- Time Hotels
- Tribute Portfolio
- Warwick Hotel
- Westin
- Wyndham Grand

Upscale

- AC Hotels by Marriott
- Allegro
- aloft Hotel
- Alt Hotel
- Apa Hotel
- Ascend Collection
- Aston Hotel
- Atton
- Be Live
- Best Western Premier
- BW Premier Collection
- Cambria hotel & suites
- Canad Inn
- Citadines
- citizenM
- Club Med
- Coast Hotels Canada
- Coast Hotels USA
- Courtyard
- Crowne Plaza
- Dazzler
- Decameron
- Disney Hotels
- DoubleTree
- dusitD2
- Eaton
- element
- Eurostars Hotel
- EVEN Hotels
- Fiesta Americana
- Four Points by Sheraton
- Graduate Hotel
- Grand America
- Great Wolf Lodge
- H10
- Hampshire
- Hilton Garden Inn
- Homewood Suites
- Hotel RL
- Hyatt House
- Hyatt Place
- Iberostar Hotels & Resorts
- Innside by Melia
- Jolly
- Larkspur Landing
- Legacy Vacation Club
- Mantra
- Melia
- Miyako
- NH
- Nova Hotels
- Novotel
- NYLO Hotel
- Occidental
- Palladium Hotel
- Prince Hotel
- Radisson
- Residence Inn
- RIU Hotel
- Room Mate
- Sandals
- Sandman Signature
- Sawridge
- Shell Vacations Club
- Sonesta Hotel
- Springhill Suites
- Staybridge Suites
- Stoney Creek
- SuperClubs
- Tapestry Collection
- Travel Inn
- Vacation Condos by Outrigger
- Westmark
- Wyndham
- Wyndham Vacation Resort

Upper Midscale

- Aqua Hotels & Resorts
- Ayres
- Barcelo

Property Overview

We have not provided nor designed any floor plans on this potential project. We have, however, discussed the preliminary concepts for the subject hotel and reviewed the available existing drawings of the proposed property with the developers.

We understand that the Hotel would combine the two previous resorts and could be made up of 12 various buildings with 1 to 3 floor each. The project would be an upscale resort featuring small, medium, large, single level, bi-level, ocean facing, and garden facing rooms ranging in size from 266sfsf to 720sf. Guest rooms that are suitable for vacation stays whether short weekends, lengthy weeklong or more.

Gathering spaces and interesting F&B facilities are typically expected by the current day leisure traveler, social event groups, or company group meetings and incentive trips, in this market and such facilities are included in the concept vision via indoor and outdoor spaces. The oceanfront restaurant and bar will also appeal to the local population as wells as guests from other nearby hotels and resort.

The Subject Property is envisioned to be an independent upscale hotel, servicing leisure guest, social group events, and small to medium size business groups for meetings and events, To best compete, the property should; (a) consist of quality design, construction, finish materials, and FF&E, and (b) consistently deliver personalized guest-experiences, with standards and operating principles at the level on par with nationally branded (published) hotel standards.

From our investigation, we have determined that a quality facility, with customer-centric and an experience-oriented service program, to be led by a manager with a good track record in business and leisure hotels, is viable. A minimum of 44 guest rooms are anticipated, with configurations up to 88 people, or more, for overnight accommodations is possible. Using the findings of the preceding analysis, we consider that factors, such as location and access, support a proposed positioning within the upscale segment.

Our analysis of other hotels in the area show that a competing hotel should have similar or better-quality guest rooms to compete for the targeted traveler market. Well described rooms and layout are sufficient guest interpretation of usage, given the fact the Hotel should be able to attract its share of the local and overall transient leisure market due to the described quality, amenities, and good access location.

From the research we did, we foresee at least a consistency in hotel room amenities and qualities to be important to the hotel guest. Since the hotel will be completely renovated throughout, each of the guest room floors may have a semblance of uniformity in order to increase efficiency, while differing in configuration from building to building. The well described and presented room types will add to the opportunity and subtract from inconsistencies experienced leisure travelers avoid. Conversely, modern day travelers seek the appeal and experience of unique locations and interestingly designed guest rooms and would anticipate such charm and allure typically found in destination hotel properties of this type.

From our industry experience and knowledge of comparable properties in the area, we consider the subject Hotel's renovation with various room types and sizes of broad price ranges to be very competitive. Furthermore, we recommend providing features appreciated by leisure travelers such full service breakfast options and later evening meal and cocktail bar availability that is convenient to arriving or stayover guests of the hotel.

According to our recent findings, knowledge of the market, and experience in the industry, room amenities should include the most modern central cooling and heating, high-speed internet access, lounge type seating area, modern television, minibar and/or wet bar area and coffee-making facilities, a safe, and other amenities that are usually found in a hotel of this caliber. We anticipate the interior design, quality of materials, furniture, and guest accessories to create modern and comfortable rooms for short weekend stays or week long vacations.

Leisure Facilities

It is envisioned that the Hotel's primary feature will be its beachfront amenity. The pool areas, children's recreation area, and a modest spa amenity are the primary onsite leisure facilities. However, the national forest and landmark lighthouse destination location will augment for leisure amenities within the hotel. The restaurant and bar with extensive patio seating are of high interest to resident and non-resident guests and are considered a leisure attraction.

Meeting and Event Rooms

We have investigated existing offerings in the competitive market and discovered an opportunity for the meeting and events areas to be perceived as unmatched amenities in the area. We consider these spaces and capacity to be underserved in the market, and an opportunity that the subject hotel may obtain. Our research into properties within the Hotel's competitive set show they are enjoying steady demand for small meetings and events from island-wide businesses, organizations, community, and social groups. <u>However, the area's peak occupancy periods and limited meeting and event facilities restrict availability for groups</u>.

Projections presented in this report include meeting groups attainable with meetings space requirements of one larger and two smaller event rooms. As the design plans proceed, we recommend that any meeting or gathering spaces incorporate the following features:

1. A well-trained desk staff to provide assistance to technology connections.
2. A/V capabilities such as 80" HD monitors, adjustable lighting, audio distribution systems, recordable writing boards, HDMI connections between meeting room, high speed Ethernet connectivity, Wi-Fi, and NFC.
3. Table and chairs of high quality and durability to appear new after multiple transformations. Tables must have hard solid writing surfaces and chairs should be of the type that allows twelve-hour comfortable seating with reclining, roller wheels, and swivel.
4. Sound dissemination should be below a STC-25 rating.
5. Cooling and heating for each room should be separate and adjustable digital technology.

Current drawings are subject to potential modifications and adjustments to match above.

Food and Beverage (F&B) Facilities

Initial plans for the Hotel's food and beverage facilities foresee renovating the restaurant and bar to attractive gathering places for hotel guests and local patrons. F&B outlets with extensive adjacent outdoor patios are within the current drawings. A restaurant and bar are expected to be in high demand and a leader in the local market. Consideration is also made to the guest type preferences in addition to the presumed F&B offerings within the local area of the hotel.

Given that we have assumed the Hotel has an opportunity location, we concur with the concept for F&B and space options with various seating configurations that are flexible on square footage and in conjunction with the patios. An essential feature of upscale facilities is the capability to provide a quality breakfast and family traveling groups generally require a quality buffet style setting. It is recommended the hotel operation take these factors into consideration when planning the staffing ratio as well as all food and beverage functions that coincide with late arriving and early departing travelers.

Summary of Anticipated Facilities

It is important to note that the layout and design are crucial to the success and profitability of any hotel development, and we assume that the Hotel will be constructed, furnished, and fitted to meet the standards typical of the targeted traveler. Furthermore, we assume that the Hotel's final outcome will allow for efficient operation and the provision of services in line with those expected of a quality upscale market hotel. For the purpose of this report, we have assumed that the proposed Hotel will be maintained in a competitive condition over its economic life. Furthermore, we assume that the related and necessary capital expenditure will be funded.

Summary of Facilities	Approx. Area	Location	Quantity	Notes
Total Land Area	4 AC			
Total Gross Building SF	48,266		10	
Spa	2,472 sf +/-	Level 1	1	
Guest Rooms	22,035 sf +/-	Levels 1-2	44	
Indoor Event Space	4,868 sf +/-	Level 1 & 2	4	
Bars & Restaurant	3,120 sf +/-	Level 3	3	To discuss re-config
Back of House -	1,830sf +/-	Level 1 & 3	1	Hksp, Kitch, Maint,HR
Pool & Pool Decks	4,000 sf +/-	Level 1	2	

Conclusion – Hotel Facilities

We have analyzed the site's potential and preliminary anticipated facilities linked to resident guests and to the non-resident local market opportunities. We are available to discuss potential adjustments and enhancements. We concur with the developer that the existing building renovations and its currently envisioned facilities will fill market needs and quality requirements as a 44 unit upscale property and with appeal to visiting travelers and local F&B attraction.

Building	# Rooms	SF	Footprint	Floors	Tot SF	PAX
1	6	286	858	1 & 2	1,716	12
2	Spa	552	912	1	1,539	
	1	361		2		2
	1	266		2		2
3	Spa	1,560	1,560	1	2,691	
	1	702		2		2
	2	429		2		4
4	6	390	3,540	1	3,540	12
	2	600		1		4
5	4	396	2,832	1	2,832	8
	4	312		1		8
Cottage	1	240	240	1	240	2
Rec	-	360	360	1	360	
Pool Bar	-	400	400	1	400	
Restaurant			2,880	3	8,640	
	Dinning Rm	1,300		1	1,300	87
	Kitchen 1	826		1	826	
	Kitchen 2	144		1	144	
	Conf Rm A	260		1	260	16
	Event Rm	2,880		2	2,880	144
	Conf Rm B	864		3	1,728	39
	Conf Rm C	864		3		39
	Patio Deck	710+2,241		1		200
	Patio Deck	710		2		45
Reception			1,060	1	1,060	
	Reception	460		1		
	Office	200		1		
	Laundry	400		1		
Sub Total	**28**		**14,642**		**30,156**	
Building Z	Salinas Beach Lodge					
Waterview	8	432	12,502	1&2	17,110	
2nd flr	-	288				
Streetside	8	432				
2nd flr	-	288				
		500				
Rec Rm		1,000	1,000		1,000	
Sub Total	**16**		**13,502**		**18,110**	
Grand Total	**44**		**28,144**		**48,266**	

6. Market for Lodging Accommodation

The analysis of demand by the use of individual market segments is important because each market segment often exhibits unique characteristics relating to factors such as growth potential, seasonality of demand, average length of stay, double occupancy, facility requirements, price sensitivity, and so forth. By quantifying the overall room night demand by market segment and defining the individual characteristics of each segment, the future potential for each market segment can be projected.

Accommodated Room Night Demand

Demand for transient accommodation in the defined market area is generated primarily by the following four market segments.

Segment 1	Business
Segment 2	Group & Event
Segment 3	Leisure
Segment 4	Airline – Not Used in the Report

From our field work, area analysis and knowledge of the local hotel market, we estimate that, in **2019 (normal year)** thru the 12-month period, the distribution of accommodated hotel room night demand for those hotels that we consider to be competitive with the Subject Hotel is as shown in Tables 6-1a and 6-1b. Further details of the competitive set hotels are given in the next section, Competition.

Table 6-1a

Accommodated Room Night Demand Greater Cabo Rojo 50-Set 2019

Market Segment	Demand	Percentage
Business	17,405	3.0%
Meeting & Event	29,008	5.0%
Leisure	533,754	92.0%
Total	580,168	100.0%

Table 6-1b

Accommodated Room Night Demand 10-Set 2019

Market Segment	Demand	Percentage
Business	7,835	3.6%
Group & Event	21,546	9.9%
Leisure	188,257	85.5%
Total	217,639	100.%

The aggregate market mix of leisure demand accounts for approximately **85-92%** of the total demand, and reflects that the subject area market as being a favorable destination for leisure-related accommodations with group and events related combined for 5-10%, and business travel only generating 3-5% of the overall demand in the Cabo Rojo area.

Leisure Segment

The Leisure segment comprises visitors and groups who have purchased their trip individually and generally through online sources. They generally prefer convenience to recreation, site-seeing, shopping, entertainment, hospitals, and universities, or as an overnight stop-over on the way to a distant destination. Weekend demand is generally leisure and benefiting from other special promotional packages including discounts. The hotel room rate is generally discounted in order to attract this segment during lower occupancy periods. This type of demand is generated mainly at weekends and on weekdays during holidays throughout the year. Our field work suggests that leisure demand for the select area position and available supply is more competitive by discounting rate than any other attraction.

Business Segment

As seen in Section 3, inbound travel continues to be steady and increasing on an overall basis. Business demand is strongest on Monday to Thursday nights during the non-summer months, declines significantly on Fridays and Saturdays and increases somewhat on Sundays. This demand in the market area is relatively constant throughout the year with some drop off in the period from late November to early January, and during July and August when travelers, especially business, take summer vacations to other destinations.

Future demand in this segment is tied, in part, to business and economic health, and its main source markets. As the country and area's economy continues to expand and the main source markets continue economic stability and growth, business travel and local business and retail activity should continue to increase.

Group & Event Segment

Demand in this segment is expected to be generated by companies and organizations holding sales meetings, management planning, executive management or board meetings, budgeting and training sessions, client conferences, and product announcements. All of these meetings are anticipated to be 10 to 100 pax at the hotels in the defined select hotel set. We have included in this segment room nights generated by corporate, association, government, and university meetings held at these hotels. Delegates attending conventions, exhibitions, or similar events at venues outside the select set, such as city convention centers and corporate office parks, are excluded from this segment and are instead taken into account as business traveler.

From our discussions with representatives of hotels within the market we understand that there is consistent demand for quality meeting space in the select market area. Those properties that we consider to be competitive with the new Hotel generally offer basic conference rooms within their hotels or none at all. Peak conference demand typically occurs in the spring and autumn; summer represents the slower meeting period and winter demand can be extremely high before and after the holidays. Typically, the average group size and length of stay for typical conference is eighteen (18) people for 2.50 nights. Most commercial groups require accommodations from Monday to Friday, but associations and social groups will generally use the weekends.

Future demand potential in the Meeting and Event segment is not necessarily related to the growth trend expected for the Business segment. Because most meetings have either a direct or indirect business purpose, the economic considerations that have an impact on business travel do not directly affect meeting and event demand. However, from our discussions with local hoteliers we note that meeting demand is accommodated from an unconventional process. Most of the conference business is from third party sources that supply those hotels, and the hotels rarely seek deeply related corporate conference clientele. We expect that a competent manager will have a sales agenda that directly seeks long term conference clients and yields the maximum rates for the period. For purposes of this study, subject property location, and the general business and industries within the primary market area, we have maintained a conservative forecast for the Meeting and Event Segment.

Table 6-2

Forecast Annual Growth Rates - Competitive 10-Set Market 2019-25

Market Segment	2019	Covid 2020	2021	2022	2023	Open 2024	2025
Business	2%	0%	0%	2%	2%	2%	2%
Meeting & Conference	2%	0%	0%	2%	2%	2%	2%
Leisure	2%	0%	0%	2%	2%	2%	2%
Airline	0	0	0	0	0	0	0
Total	2%	0%	0%	2%	2%	2%	2%

Conclusion

The purpose of segmenting hotel demand is to define each major type of demand, identify customer characteristics and estimate future growth trends. Starting with an analysis of the local area, three segments were defined as being representative of the Hotel's market. Various types of economic and demographic data were evaluated to determine their propensity to reflect future changes in hotel demand. We have forecasted a constant increase based on all criteria involved for the subject hotel and its competitive environment. The constant growth rates shown in Table 6-2 are used in subsequent sections of this study.

7. Competition

The Competitive Market

An integral component of a market area's supply and demand relationship that has a direct impact on performance is the current and anticipated supply of competitive hotel facilities. To evaluate an area's competitive environment, the following steps should be taken:

1. Identify the area facilities and determine which are directly and indirectly competitive.
2. Determine where additional hotel rooms (net of attrition) will enter the market in the future.
3. Quantify the number of existing and proposed hotel rooms available in the market.
4. Review the competitive rate structure, occupancy, market orientation, facilities and amenities.

We have analyzed the current market for accommodation and hotel supply. The area growth is primarily geared for the leisure and group market. A general type of upper-midscale hotel supply prevails in the overall area competitive market. The existing branded room supply is generally the same standard midscale affordable type and as expected from the traveler.

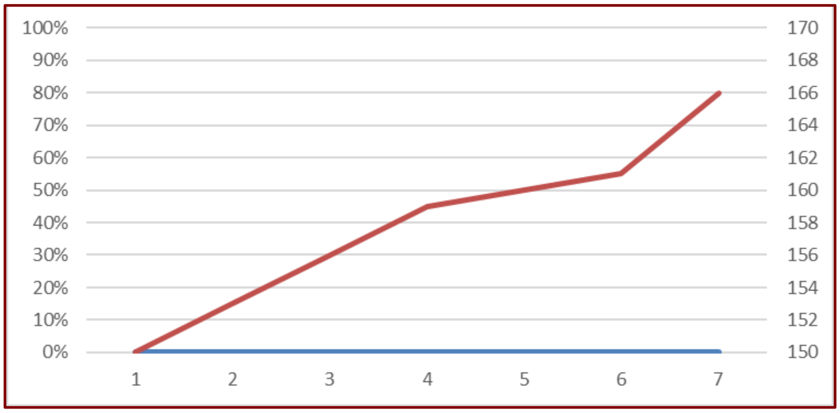
In our investigations and review of industry intelligence, we have not identified any other new hotels in the local competitive area. We have not factored periodic property renovations as this does not impact supply, which has not realized and new hotels or hotels under construction at the time of this report. The property list below represents the local area competitive market and the opening dates of each hotel which indicates additions to the supply.

FOLLOWING PAGE

Table 7-1 Primary & Secondary Competitive Hotel Set

Cabo Rojo Com Hotels ~ Primary & Secondary	Competitive	Distance	Rooms	Class	Opened
Parador Boquemar Hotel	**Primary**	0.9	75	Indep	Jan-72
Combate Beach Resort	**Primary**	4.6	47	Indep	Jun-09
Perichi's Hotel	**Primary**	5.3	30	Indep	Jan-78
Parador Villa Parguera	**Primary**	9.6	70	Indep	Jan-51
Mayaguez Plaza Hotel SureStay BW	**Primary**	11.7	61	Economy	Mar-05
Mayaguez Resort & Casino	**Primary**	12.8	140	Indep	Dec-96
Holiday Inn & Casino Mayaguez	**Primary**	13.8	141	Upper Mid	Jan-92
Rincon Beach Resort	**Primary**	17.9	112	Indep	Jun-99
Copamarina Beach Resort & Spa	**Primary**	20.6	104	Indep	Jun-61
Rincon Of The Seas Grand Caribbean	**Primary**	20.8	112	Indep	Feb-03
Lighthouse Tropical Inn	Secondary	4.1	60	Indep	Temp Closed
Cuestamar Hotel	Secondary	4.3	20	Indep	Temp Closed
Hotel Joyuda Plaza	Secondary	5.1	54	Indep	Temp Closed
Parador Joyuda Beach Hotel	Secondary	6.7	42	Indep	Aug-91
Parador Oasis	Secondary	9.5	52	Indep	Temp Closed
Posada Porlamar Guest House	Secondary	9.6	18	Indep	Jan-56
Hotel Villa Del Rey	Secondary	10.4	23	Indep	
La Palma Hotel	Secondary	11.6	47	Indep	
Parador Guanica 1929	Secondary	17.2	27	Indep	Mar-29
Horned Dorset Primavera Hotel	Secondary	18.4	24	Indep	Jan-88
Villa Cofresi Hotel	Secondary	20.7	55	Indep	Jan-70
Paradores Villa Antonio	Secondary	20.7	55	Indep	
Parador J B Hidden Village Hotel	Secondary	22.2	25	Indep	Jan-90
Lazy Parrot Inn & Restaurant	Secondary	22.9	11	Indep	
Casa Verde Hotel	Secondary	23.5	19	Indep	Jun-62
Costa Bahia Hotel	Secondary	25.2	136	Indep	Nov-09
Hotel Cielo Mar	Secondary	28.3	72	Indep	
Hotel Cielo Mar	Secondary	28.7	41	Indep	
Hotel Parador El Faro	Secondary	29.5	75	Indep	Nov-90
Parador Villas Sotomayor	Secondary	30.5	24	Indep	
Monte Rio Hotel	Secondary	31.2	23	Indep	
Courtyard Aguadilla	Secondary	32.2	145	Upscale	Apr-08
Faro Suites	Secondary	32.4	79	Indep	
Villa Montana Beach Resort	Secondary	33.2	40	Indep	
Villa Tropical	Secondary	33.4	26	Indep	
Ocean Front Hotel	Secondary	33.6	19	Indep	
Parador Villas De Mar Hau	Secondary	33.7	42	Indep	
Holiday Inn Ponce & Tropical Casino	Secondary	33.8	116	Upper Mid	Mar-75
Royal Isabela	Secondary	33.9	20	Indep	Oct-12
Costa Dorada Beach Resort	Secondary	34	52	Indep	
Parador Vistamar Ocean Club	Secondary	34.4	55	Indep	
Hotel El Guajataca	Secondary	34.5	38	Indep	Jan-30
Ponce Plaza Hotel & Casino	Secondary	37.2	69	Indep	May-09
Hotel Melia	Secondary	37.3	77	Indep	Jan-14
Avemarina Hotel	Secondary	37.3	10	Indep	
aloft Hotel Ponce	Secondary	38	152	Upscale	Apr-21
Hilton Ponce Golf & Casino Resort	Secondary	38.3	255	Upscale	Jan-92
Hotel Rosa Del Mar	Secondary	39.3	30	Indep	
Casa Grande Mountain Retreat	Secondary	39.6	20	Indep	Jun-88
			3,179		

Table 7-2 Cabo Rojo Area Supply & Rate Growth 2015 to 2022 (7 Years)



Hotel room supply in the area has nearly constant since the most recent opening of the Combate Beach Resort in June, 2009.

The local hoteliers indicate no new build supply. **We do anticipate the converting of lower-quality inns to improved grade hotels to occur with at least a few properties in the market.**

This upgrading of inns does not affect total supply. Our analysis shows that the hotel properties have no location driven occupancy advantages. For example, a cross section of all hotel brands have both the highest RevPar and lowest RevPar in the immediate area select set of the 10 most competitive quality hotels. Data derived from a set of properties which we consider to be the most potentially competitive properties suggest that these hotels recorded an average occupancy of approximately **67% and a combined average annualized rate of $165 during the full operating year 2019** and in comparison of **YTD April 2019/2022: 72.8%/69% and $168/$212.**

Table 7-3 Select Set of Primary Competitive Hotels

2021 Property	Rooms	*Est Occp	*Est ADR	*Est RevPAR	% of rooms
Parador Boquemar Hotel	75	65%	$124	$80.60	8.4%
Combate Beach Resort	47	65%	$122	$79.30	5.3%
Perichi's Hotel	30	60%	$118	$70.80	3.4%
Parador Villa Parguera	70	62%	$158	$97.96	7.8%
Mayaguez Plaza Hotel SureStay	61	67%	$144	$96.48	6.8%
Mayaguez Resort & Casino	140	67%	$158	$105.86	15.7%
Holiday Inn & Casino Mayaguez	141	74%	$182	$134.68	15.8%
Rincon Beach Resort	112	67%	$224	$105.86	12.6%
Copamarina Beach Resort & Spa	104	65%	$232	$150.80	11.7%
Rincon of the Seas Grand	112	66%	$222	$146.52	12.6%
	892	66.8%	$180.04	$120.35	100.0%

Table 7-3 above sets out the 2019 (pre-Covid) averages for the year. Note the averages reflect the overall year peak periods of high demand, summer and weekend, for occupancy and average daily rate. Please refer to section 3 for the historical data on supply and demand. The figures in the tables below of 7-3B&C illustrate the seasonal and monthly rate fluctuations.

Table 7-3A Average Daily Rate by Month and Year – Greater 50-Set

ADR ($)	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Year	Ap YTD
2014	158.00	158.00	160.00	160.00	157.00	160.00	158.00	158.00	139.00	150.00	158.00	161.00	156.42	159.00
2015	161.00	161.00	165.00	165.00	163.00	164.00	158.00	158.00	139.00	150.00	159.00	162.00	158.75	163.00
2016	163.00	163.00	165.00	165.00	158.00	166.00	160.00	160.00	142.00	155.00	160.00	163.00	160.00	164.00
2017	165.00	165.00	165.00	165.00	158.00	168.00	162.00	162.00	142.00	155.00	162.00	168.00	161.42	165.00
2018	165.00	165.00	168.00	168.00	158.00	168.00	165.00	165.00	148.00	156.00	164.00	170.00	163.33	166.50
2019	167.00	167.00	170.00	170.00	160.00	169.00	166.00	166.00	149.00	157.00	166.00	172.00	164.92	**168.50**
2020	167.00	167.00	**130.00**	**130.00**	**125.00**	**126.00**	**124.00**	**123.00**	**115.00**	**117.00**	**130.00**	**141.00**	132.92	148.50
2021	**130.00**	**130.00**	**130.00**	**130.00**	**130.00**	**155.00**	**153.00**	**153.00**	**136.00**	**148.00**	160.00	165.00	143.33	130.00
2022	198.00	198.00	226.00	226.00										**212.00**
Avg	**163.78**	**163.78**	**165.50**	**165.50**	**159.00**	**165.83**	**161.50**	**161.50**	**143.17**	**153.83**	**161.50**	**166.00**	160.81	**164.33**

Table 7-3B Average Occupancy by Month and Year – Greater 50-Set

Occupancy (%)	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Year	Ap YTD
2014	67.0	73.0	75.0	76.0	72.0	70.0	68.0	65.0	50.0	55.0	65.0	68.0	67.0	72.8
2015	67.0	73.0	75.0	76.0	72.0	70.0	68.0	65.0	50.0	55.0	65.0	68.0	67.0	72.8
2016	67.0	73.0	75.0	76.0	72.0	70.0	68.0	65.0	50.0	55.0	65.0	68.0	67.0	72.8
2017	67.0	73.0	75.0	76.0	72.0	70.0	68.0	65.0	50.0	55.0	65.0	68.0	67.0	72.8
2018	67.0	73.0	75.0	76.0	72.0	70.0	68.0	65.0	50.0	55.0	65.0	68.0	67.0	72.8
2019	67.0	73.0	75.0	76.0	72.0	70.0	68.0	65.0	50.0	55.0	65.0	68.0	67.0	**72.8**
2020	67.0	73.0	**39.0**	**6.0**	**10.0**	**20.0**	**20.0**	**22.0**	**24.0**	**30.0**	**42.0**	**50.0**	33.6	46.3
2021	**50.0**	**50.0**	**50.0**	**50.0**	**50.0**	**50.0**	**50.0**	50.0	50.0	55.0	60.0	60.0	52.1	50.0
2022*	**67.0**	**73.0**	**67.0**	**69.0**										**69.0**
Avg*	**67.0**	**73.0**	**75.0**	**76.0**	**72.0**	**70.0**	**68.0**	**65.0**	**50.0**	**55.0**	**65.0**	**68.0**	**67.0**	**72.8**

2022* actual this year Avg* = NOT COVID

From an evaluation of the occupancy, rate structure, market orientation, affiliation, location, facilities, amenities, reputation, and quality of the area's hotels, as well as the comments of management representatives, we have narrowed the broader Cabo Rojo area market of 50 hotels to 10 hotels in the vicinity of the subject location that are judged to be in a select competitive set to further derive figures for forecasting of revenue and expenses. Table 7-4 sets out the key characteristics of the select set of potential competitor hotels.

Table 7-4 Facilities of the 10 Primary Competitive Hotels – 892 Room Set

	Rooms	Est ADR	Free Breakfast	V2 F&B	Event Rms	Outdoor Spaces	Standout
Parador Boquemar Hotel	75	$124	no	no	2,000sf	pool	none
Combate Beach Resort	47	$122	no	no	800sf	gazebo	none
Perichi's Hotel	30	$118	no	no	1,500sf	yes	patio
Parador Villa Parguera	70	$158	no	yes	1,100sf	yes	patio
Mayaguez Plaza Hotel SureStay	61	$144	no	yes	5,000sf	yes	patio
Mayaguez Resort & Casino	140	$158	no	yes	none	no	casino
Holiday Inn & Casino Mayaguez	141	$182	no	yes	3,500sf	no	none
Rincon Beach Resort	112	$224	no	yes	3,550	weddings	beach
Copamarina Beach Resort & Spa	104	$232	no	yes	3,000	pavilions	beach
Rincon of the Seas	112	$222	no	yes	2,000	5,000sf	beach

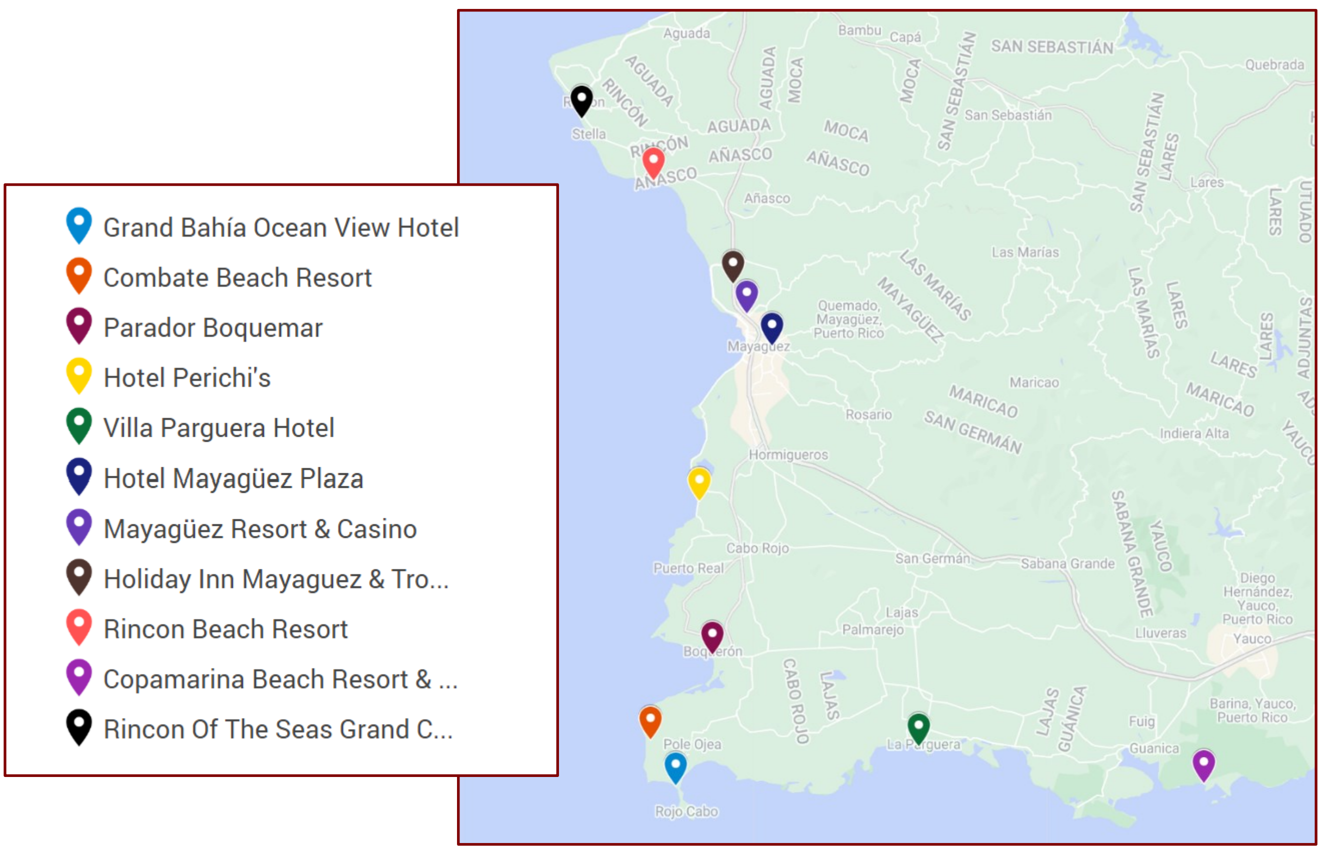
Changes in Market Dynamics

As the new Hotel and new supply become operational, we expect that a proportion of the current competitive supply is likely to lose its competitive positioning in relation to the introduction of new independent or branded rooms. We expect that some existing hotels in the area will suffer from part or all of the following types of deterioration.

1. Physical Deterioration. Local hotels with a poor maintenance record are likely to be less competitive with the new Hotel.

2. Functional Obsolescence. Many of the older existing hotels are dated and are not in keeping with the demands of the modern-day traveler. These hotels are able to continue operating only because of the current absence of a sufficient number of quality rooms during peak season and area-wide events. As new supply enters the market, some of the competitive properties will find it harder to compete and they are thus likely to be forced to undergo a major program of redevelopment, closing permanently, or focusing on a much lower segment of the market.

Image 7-4 Proximity of Competitive Local 10-Set Hotels



Conclusion

The greater Cabo Rojo area hotel market is recognizing (non-covid period) steady occupancy and RevPAR over the previous sixty months and considerable stability to increase over the past twelve (12) months of the COVID period. From our discussions and interviews with market participants, we understand that nearest select set hoteliers are optimistic of achieving average annual occupancy from 60-70% and rates in the $180 to $210 range for the forward going 12 months.

The outlying area room supply has not been increasing significantly over the past ten years and the most significant growth were 2009 with only 47 rooms and reflecting 5.2% increase to the overall supply and still maintaining consistent demand in the immediate area. Approximately 252 rooms have been added to the greater 50-set area rooms over the past ten years which totals 7.9% of the current 3,179 room supply inventory of the greater 50-set of hotels. The demand from the upscale and upper-midscale market segment, as evidenced from evolving market and economic conditions, creates a favorable opportunity for the Subject Hotel.

We expect market wide occupancy to maintain and increase from present levels with the ongoing leisure, group, and business travelers and regional business activity, which will sustain overall demand for the greater Cabo Rojo and West-Southwest coastal region set of competitive hotels.

8. Projecting of Hotel Demand, Occupancy, and Average Rate

Calculation of Accommodated Demand

From our field work and in-house collection of data, we have estimated the year-end 2021 (Base Year) occupancy of the Hotel's **select set** and thereby the total number of occupied rooms in the select competitive market.

An average of the market mix of each competitive property has then been calculated to determine the overall market segmentation of the hotels within the subject Hotel's market. The area-wide estimate of room night demand, by segment, forms the historical base demand. The result of these calculations for the Hotel's competitive market area is shown in Table 8-1 below.

Base Demand Growth

In **Section 5, Market for Lodging Accommodation**, we set out our assumptions regarding the prospects for demand growth, by market segment, for the competitive market. These demand growth rates are applied in our analysis to the base level of accommodated demand, which has been estimated in **Table 8 -1**.

Table 8-1 Accommodated Demand – 10 Primary Set

Market Segment	Available	Demand	Percentage
Business		7,835	3.60%
Groups & Events		21,546	9.90%
Leisure		188,257	86.50%
Total	325,580	**217,639**	100.00%

Unaccommodated Demand

Unaccommodated demand refers to individuals who are unable to secure accommodation in the market because all of the competitive hotels are full. These visitors must defer their trips, settle for less desirable accommodation, or stay in hotels located outside the market area. *Because this demand did not yield occupied room nights within the competitive set, it is not included in the historical accommodated demand.*

Unaccommodated demand is often a form of excess demand resulting from the cyclical nature of the hotel business. For example, in commercial markets where demand is not equally spaced throughout the week, hotels often exhibit peaks and troughs in their daily occupancies. In general, commercial hotels enjoy strong occupancies from Monday to Thursday, when business travel is most frequent, and lower occupancies on Friday and Saturday. When hotels operating under these market conditions realize occupancies greater than 80-90%, or when weekly demand patterns fill area hotels to capacity on one or more nights a week, it can generally be assumed that excess weekday demand exists, and a certain amount of patronage must be turned away. If it is expected that additional hotels will be entering the market, it is reasonable to assume that this unaccommodated demand will be accommodated and thus an estimate of the amount of unaccommodated demand should be made. Unaccommodated demand is generally estimated as a percentage of accommodated demand.

The select 10-set of competitor hotels are estimated to achieve an aggregate occupancy of approximately **67% in 2019 (refer to Table 7-3b)** and the accommodated room night demand is focused on weekends when many of the competitor hotels achieve full or close to full occupancy at peak times during the year. It is therefore likely that there will be days when all of the primary hotels will be full and unaccommodated demand will exist.

From our field work and market analysis, we estimate that in base year **2010**, unaccommodated demand in the competitive market will likely have amounted to **10% of accommodated demand**. This equates to **30,328 room nights a year for the 10-hotel 892-room primary competitive set of hotels, or 303 rooms turned away during approximately 100 nights, 50 weekdays & 25 weekend nights in a year.** This level of unaccommodated demand has been allowed to justify the project's year by year growth in line with the base demand growth rates.

It should be noted that because of the consistent demand described earlier, a proportion of this unaccommodated demand could remain unaccommodated during the projection years. In our analysis, we have termed this Residual Unaccommodated Demand. In practice, the amount of unaccommodated demand which becomes accommodated (that is, that which is no longer residual) is dependent upon (a) market wide occupancy, (b) seasonality, and (c) the introduction of new supply.

Induced Demand

Induced demand represents the additional room nights that will be attracted to a market area as a result of the introduction of a new demand generator. Situations where induced demand can be created included the opening of a new business office park, the expansion of a convention center or the addition of a new hotel bringing a different chain affiliation or unique facilities for certain hotel accommodation segments for example a specialized golf resort destination or fashionable hotel style**. We have not added room nights or calculated induced demand.**

We consider that any newly introduced hotels in the area to be generators of induced demand. We expect that the introduction of these properties will generate additional room nights. However, we do not find it necessary to further calculate this factor due to the conservative forecast of the Hotel's rates and occupancy.

Total Potential Demand

Total potential demand is the sum of: (1) base demand, (2) unaccommodated demand, and (3) induced demand for the competitive market. As previously discussed, base demand and unaccommodated demand are assumed to grow in line with the growth rates explained.

As already discussed, some of the potential demand will continue to be unaccommodated in certain years as a result of market wide and individual hotel seasonality, and supply constraints. A certain amount of residual unaccommodated demand will result.

Total Usable Room Night Demand

Total usable room night demand is the combined total of accommodated room night demand and useable latent demand (that is, the latent demand that can be absorbed is based on the number of additional hotel rooms expected to enter the market). **Table 8-2** summarizes our projections of total usable demand, or occupied room nights, for the competitive market for the period of **2022-2027**. The amount of residual demand is also shown, as is the growth per annum of occupied room nights.

By applying the total projected occupied room nights to our estimates of total rooms supply for the select market, we can estimate market wide occupancy for each year. We have used the base year **2019** accommodated and unaccommodated room night demand as a base and projected levels of demand into the future, starting with 2022, using the growth rates.

Table 8-2 Total Usable Room Night Demand – 10 Primary Set

Market Segment	2019 & 2022	2023	2024	2025	2026	2027
Business						
Occupied Room Nights	7,835	7,992	8,152	8,315	8,481	8,650
Unaccommodated Demand 13%	1,019	1,039	1,060	1,081	1,103	1,125
Residual Demand -3%	-235	-240	-245	-249	-254	-260
Induced Demand	0	0	0	0	0	0
Accommodated Growth	2%	2%	2%	2%	2%	2%
Meeting & Event						
Occupied Room Nights	21,546	21,977	22,417	22,865	23,322	23,789
Unaccommodated Demand 13%	2,801	2,857	2,914	2,972	3,032	3,093
Residual Demand -3%	-646	-659	-673	-686	-700	-714
Induced Demand	0	0	0	0	0	0
Accommodated Growth	2%	2%	2%	2%	2%	2%
Leisure						
Occupied Room Nights	188,257	192,022	195,863	199,780	203,776	207,851
Unaccommodated Demand 13%	24,473	24,963	25,462	25,971	26,491	27,021
Residual Demand -3%	-5,648	-5,761	-5,876	-5,993	-6,113	-6,236
Induced Demand	0	0	0	0	0	0
Accommodated Growth	2%	2%	2%	2%	2%	2%
Total	**239,402**	**244,190**	**249,074**	**254,056**	**259,137**	**264,320**

Penetration Factor Analysis

The Hotel's forecasted market share and occupancy have been based on its anticipated competitive position within the market, as quantified by its penetration factor. The forecast market share of the Hotel is based upon a penetration factor analysis. The penetration factor is the ratio of a property's market share to its fair share. In the case of the Subject Hotel, the formula is as follows:

Subject Property Rooms	Select Set Area Rooms	Select Set Area Rooms Plus Subject Property	Subject Property Room Share 44 divided by 938	Select Set Area Occupancy	Subject Property Occupancy	Subject Property Penetration Factor
44	892	44 + 892 = 938	4.7%	67%	67%	100%

If a property's room share is 4.7%, 44 rooms divided by 938 which is the new total select set area rooms, is capturing 4.7% of the market in a given year, then its occupancy will equal the competitive set occupancy, and its penetration factor will equal 100% (4.7%/4.7% = 100%).

If the same property achieves a market share in excess of its fair share, then its occupancy will be greater than the competitive set occupancy, and its penetration factor will be greater than 100%. Penetration factors can be calculated for each market segment of a property, and for the property as a whole.

Our projections for market penetrations are as follows:

1. We consider the new Hotel will be competitive to the majority of the locally branded hotels in terms of inventory, style, quality product and quality of service, but not brand points. We expect the new Hotel to be operated by a competent manager, one providing strong identity, management services, and distribution channels equal to those of existing local hotels. We expect that the combination of these factors will enable the property to modestly penetrate the **Business segment** in the near term. We consider that the new Hotel will be highly attractive to the demand currently accommodated at local alternative hotels. We therefore expect the Hotel to achieve a relatively modest rate, with **25**% in year one of operation, and increase to **25**% in year two, and upward in the following years to obtain **25% +** penetration along with rate and meeting events.

2. Owing to is location and setting, at stabilization the Hotel will be superiorly competitive to penetrate the **Leisure segment**. We expect the new hotel to achieve a penetration of **80%** in year one, **85%** in year two, **95%** in year three and **100%** or greater thereafter, due to strong local and regional market conditions for beachfront hotels.

3. Given the Hotel's attractive, convenient setting, and attractive service values, we expect the Hotel to quickly penetrate the meeting and event segment and are forecasting a steady increase and an opportunity for induced demand. In its first year of operation we anticipate **80%** penetration, **85%** in year two, and **90%** in year three and increasing onwards.

4. Older hotels absorb the traditionally discounted or Airline segment. We consider that a manager will endeavor to secure higher-rated business from other segments than the highly discounted or Airline segment. This segment is not considered with this hotel.

Table 8-3 shows the specific penetration factors that we have assumed for the Hotel from the date of opening until it reaches stabilized level of performance relative to its competitive set. Penetration factors have been estimated for each market segment for each calendar year and reflect our view of how the subject Hotel is likely to perform relative to its fair share, or the aggregate of its competitive market.

Table 8-3 Market Penetration by Segment Year 1 – 5

Market Segment	Year 1	Year 2	Year 3	Year 4	Year 5
Business	25%	25%	25%	25%	25%
Leisure	80%	85%	90%	95%	95%
Group & Event	80%	85%	95%	100%	100%
Airline	0%	0%	0%	0%	0%

Because the supply and demand balance for the competitive market is dynamic, particularly in relation to proposed new hotel supply entering the competitive market, there is a circular relationship between the penetration factors of each hotel in the market.

The performance of individual new hotels has a direct effect upon the aggregate performance of the market, and consequently, upon the calculated penetration factor for each hotel in each market segment. The same is true when the performance of existing hotels change, either positively (following a refurbishment) or negatively (when an under-maintained hotel loses market share).

A hotel's penetration factor is calculated as its achieved market share of demand divided by its fair share of demand. Thus, if one hotel's penetration performance increases, thereby increasing its achieved market share, this leaves less demand available in the market for the other hotels to capture and the penetration performance of one or more of those other hotels consequently declines (other things remaining equal).

Our projections of penetration, demand capture and occupancy performance for the subject Hotel take into account these types of adjustments to market share within the defined competitive market. Consequently, the actual penetration factors applicable to the subject Hotel for each market segment in each projection year vary somewhat.

Table 8-4 Projected Penetration, Demand Capture, and Occupancy *Full Year 2024

Market Segment	2024	2025	2026	2027	2028
Business Demand	8,967	9,146	9,329	9,516	9,706
Market Share	4.70%	4.70%	4.70%	4.70%	4.70%
Capture	105	107	110	112	114
Penetration	25%	25%	25%	25%	25%
Group Demand	24,658	25,152	25,655	26,168	26,691
Market Share	4.70%	4.70%	4.70%	4.70%	4.70%
Capture	927	1,005	1,085	1,169	1,192
Penetration	80%	85%	90%	95%	95%
Leisure Demand	215,449	219,758	224,153	228,636	233,209
Market Share	4.70%	4.70%	4.70%	4.70%	4.70%
Capture	8,102	8,781	10,010	10,748	10,963
Penetration	80%	85%	95%	100%	100%
Total Captured	9,135	9,893	11,205	12,028	12,269
Available Room Nights	16,060	16,060	16,060	16,060	16,060
Hotel Occupancy	57%	62%	70%	75%	76%

This table sets out the result of these market share adjusted penetration factors by segment upon the subject Hotel's future demand capture and occupancy performance. These projections are in the current calendar years from **2024 to 2028**, by which time we consider that the Hotel will have reached a stabilized level of performance in penetration and occupancy.

The subject hotel five-year forecast is based on today's metrics in order to forecast the future.

Tables 8-5A & B sets out the resultant market mix, or total captured demand by market segment.

Table 8-5A Market Segment Mix

Market Segment	2024	2025	2026	2027	2028
Business	3.60%	3.60%	3.60%	3.60%	3.60%
Group	9.90%	9.90%	9.90%	9.90%	9.90%
Leisure	86.50%	86.50%	86.50%	86.50%	86.50%
Airline	0.00%	0.00%	0.00%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Table 8-5B Anticipated Room Revenue Per Segment

Room Nights	2024	2025	2026	2027	2028
Business	105	107	110	112	114
Group	927	1,005	1,085	1,169	1,192
Leisure	8,102	8,781	10,010	10,748	10,963
Total	9,135	9,893	11,205	12,028	12,269
Room Revenue					
Business	23,183	24,184	25,216	26,279	27,341
Group	204,011	226,122	249,638	274,620	285,715
Leisure	1,782,520	1,975,711	2,302,362	2,525,749	2,627,789
	2,009,714	2,226,017	2,577,216	2,826,649	2,940,845
Average Rate	**$220.00**	**$225.00**	**$230.00**	**$235.00**	**$239.70**

Conclusion – Overall Occupancy

We expect the Hotel to reach a stabilized level of penetration (occupancy performance relative to its competitive market) after three full years of operation. The stabilized occupancy is intended to reflect the anticipated results of the property over its economic life given any and all changes in the life cycle of the Hotel.

Forecast of Average Rate

The average rate forecast for the Hotel has been based on the consideration of projected market mix changes and rate increase projections relating to each demand segment.

In forecasting average rate growth, we have anticipated a base underlying inflation rate of **2%** for the US dollar. As stated in **Section 3, Market Area Analysis**, we have relied on inflation estimates supplied by **The Economist Intelligence Unit**. We have applied various market-specific and hotel-specific growth factors to the average rate of the respective demand segments. **Table 8-6** illustrates the estimated increase in average rate of **2%** for each market segment.

Hotel room rate inflation is not necessarily the same as the general economic rate of inflation experienced in the local community. It is impacted more by market conditions such as the relationship between supply and demand. When hotel room rate inflation is projected into the future, the movement in average rate up to the point where the hotel achieves its stabilized occupancy is generally attributed to property-specific and market-specific factors. After a hotel achieves occupancy stabilization, most forecasts assume that room rates will continue to increase at the anticipated general economic rate of inflation expected for the local market area.

In consideration of calculations, we evaluated the 3-Key Primary hotels and their index compared to the average overall rates of the 10 set of competitive hotels. We have anticipated the subject new hotel will achieve rates similar to the market leading hotels and not weighted by sub-par hotels lower averages.

Table 8-6A Projected Average Rate Growth by Segment & Select Set 3-Key Primary Hotels

	2022	2023	2024	2025	2026	2027
Rate Growth	2%	2%	2%	2%	2%	2%
Business	$200	$204	$208	$212	$216	$221
Group	$205	$209	$213	$218	$222	$226
Leisure	$215	$219	$224	$235	$247	$252
Average Rate Total Set	$180.04	$183.64	$187.31	$191.06	$194.88	$198.78
ADR Key-4 Primary	**$215**	**$219**	**$224**	**$228**	**$233**	**$237**
Subject Hotel ADR	$210	$215	$220	**$225**	**$230**	**$235**

When estimating the new Hotel's achievable rate position, we have considered net rates achieved by the previously described local competitive properties and the 4-key primary. We have then applied premiums and discounts to the various room category prices and benchmarked our results between rates to achieve our base rates for the previous base year 2019 and then forecasting for the market in 2022 and forward operating years to 2027.

Conclusion – Occupancy and Average Rate

Based on the preceding analysis, the Hotel's occupancy and average rate have been estimated as set in **Tables 8-5B and 8-6A**. It should be noted that we have allowed for rate comparisons to be in line with the area's four upscale properties in the broader Cabjo Rojo area as compared to the lower quality hotels and lower average daily rates that are outlined in the STR report attached hereto.

9. Projection of Revenue and Expense

From our preceding projection of occupancy and average rate, and our knowledge of comparable hotels' financial operating profiles, we have developed a five-year forecast of Revenues and Expense for full calendar years starting in **2024**. We have selected an annual room rate increase of **2.0%** based on previous results of the area and anticipated continued future demand.

The forecast of revenue and expense is expressed in current US dollars as of the date of each projection year. The stabilized year is intended to reflect the anticipated operating results of the Hotel over its economic life, given any or all applicable stages of build-up, plateau and decline in the life cycle of the Hotel. Thus, revenue and expense estimates, from the stabilized year forward, excluded from consideration any abnormal relationship between supply and demand, as well as any non-recurring conditions that may result in unusual revenues or expenses.

Forecast of Income and Expense

From our knowledge of the market for hotel accommodation in the greater Cabo Rojo area, as well as the Hotel's anticipated future market position, we have developed a forecast of revenue and expense. The forecast starts on January 1, 2024 and represents our opinion of how a competent manager would operate the Hotel.

In forecasting revenues and expenses for a hotel, we use a fixed and variable component model. This model is based on the premise that hotel revenues and expenses have one component that is fixed and another that varies directly with occupancy or facility usage. A projection can be made by taking a known level of revenue or expense and calculating the fixed and variable components. The fixed component is adjusted only for inflation, while the variable component is also adjusted for the percentage change between the projected occupancy and facility usage that produced the known level of revenue or expense.

Inflation

The base-year revenues and expenses reflect current projected US inflation rates for each projection year. Each category in each of the various revenue and expense lines can be affected by different types of inflation. For example, changes in average rate are often correlated to local supply and demand conditions, rather than to overall inflation assumptions. Energy costs are sensitive to inflation in the price of oil and other fuels. Although global inflation has in the past several years been quite unpredictable, it is important to note that our forecast from the proposed Hotel is in US dollars and is thus not tied exclusively to the underlying inflation rate.

Room Revenue

Room revenue is determined by two variables, occupancy, and average rate, as discussed in **Section 8, Projection of Hotel Demand, Occupancy, and Average Rate**.

Food and Beverage

The **Uniform System of Accounts for Hotels** defines food revenue as revenue derived from the sale of food and beverages, including coffee, milk, tea, and soft drinks. Food revenue also includes meeting room rental, cover charges, service charges and miscellaneous banqueting revenue. We have set apart a premium amount for the meeting and event business surcharge.

We expect the Hotel's food and beverage operation, as well as its signature restaurant & bar to become popular with in-house guests and locals. We have used the following in forecasting the food and beverage (F&B) demand.

1. Based on our analysis in the previous section, the total potential house count has been projected.
2. The demand from each Hotel guest for each F&B outlet and for each meal period has been based on a projected percentage of guests.
3. Out-of-house (local) demand has been projected. These projections should be further considered in our assumptions, which are in turn based on general market trends and performance of comparable boutique hotels F&B outlets.
4. The average F&B spend and revenue has been projected for each profit center. In our F&B covers projection we have considered the pricing differences between each venue. From the aforementioned analysis we forecast hotel food and beverage revenues to be separate than premium priced meetings and events revenues.
5. The projection of income and expense for the Subject Hotel rely on sample comparable operating statements from the BHA database of hotel statistics. The comparable financial statements were carefully selected based on similarities with the Subject Hotel including: room count, property type, location market, amount of function space, occupancy rates, and average daily room rates. These historical income and expense statements will be used as benchmarks in our forthcoming forecast of income and expense.

Other Revenue

The content of other income varies considerably between hotels, making a comparison of this department with other hotels invalid. Other income, in the case of the Subject Hotel, is composed primarily of gift shop, pay television, business center, transport services, and the modest sized spa amenity. We have accounted for **no amount of parking revenues.**

Undistributed Operating Expenses

Operating expenses that are not chargeable to a particular operating department are presented as undistributed operating expenses, in accordance with the **Uniform System of Accounts for Hotels**. These expenses were based on the operating results of comparable hotels.

Administrative and General

This expense category includes the salary and wages of the general manager's office staff, the accounting office staff, cash overages and shortages, credit card fees, bad debt expenses, data processing, executive office expenses, general and liability insurance, professional fees, and staff business travel. Administrative and general expenses presented are based on operating results of comparable hotel properties.

Marketing

BHA recommends a relatively aggressive marketing campaign and participation with the brand for the proposed hotel in its initial years to attempt to penetrate the market and generate new (induced) business. We have estimated a marketing expense at **$650** (first full year) per available room, per month, over the first three formative years an amount equal to **7% of revenues**.

Property Operation and Maintenance

Property operation and maintenance expenses have been estimated on the basis of actual operating expenses incurred by hotels of similar size and quality. We estimate a current value cost of **$350 per available room (per month) and 4 percent of total revenue** (2% typical) due to the resort layout, exterior exposures, oceanfront conditions.

Energy

The energy costs to operate the proposed Hotel have been estimated on the basis of the proposed facilities and current expenditures by similar hotel properties. For the first three years occupancy and public activities, energy costs are estimated to be an average of **$325 per month per room** of the restaurant's 3+ floors of guest activity and resort wide guestrooms, resulting in a 4% ratio to total revenue.

Management Fees

A base management fee of **3.0%** of total revenue has been deducted each year as the management company fee. Subject to a specific agreement that may accompany management by a third-party operator, this amount is subject to variation. NOTE: owner-operated and 3% fee expense to the owner's representative or asset manager to monitor and sustain performance.

Real Estate and Property Taxes

Real estate property taxes have been projected at **1.0% of the property's assessed value** at opening and forward going 2% inflation increase**.** This figure to be verified with the developer and against any local exemptions or incentives for the hotel industry in Puerto Rico or for the Hurricane recovery program.

Projection of Revenues and Expenses

Table 9-1 Forecast of Revenue and Expenses

	2024		2025		2026		2027		2028	
Occupancy	57%		62%		70%		75%		76%	
Average Rate (USD$)	$220.00		$225.00		$230.00		$235.00		$239.70	
REVENUES										
Rooms Revenue (USD$)	2,009,714	41%	2,226,017	40%	2,577,216	41%	2,826,649	42%	2,940,845	42%
Group Surcharge (USD$)	32,250	1%	150,748	3%	162,808	3%	175,290	3%	178,795	3%
Food & Beverage (USD$)	2,589,791	53%	2,804,781	51%	3,176,699	51%	3,410,021	50%	3,478,221	50%
Other revs - Spa	273,750	6%	314,813	6%	346,294	6%	380,923	6%	419,015	6%
Total Revenue (USD$)	**4,905,505**	100%	**5,496,359**	100%	**6,263,017**	100%	**6,792,882**	100%	**7,016,878**	100%
Department Operating Expenses										
Rooms	542,623	27%	556,504	25%	644,304	25%	678,396	24%	676,394	23%
F&B	1,022,596	39%	1,034,435	35%	1,068,642	32%	1,075,593	30%	1,097,105	30%
Other Expenses	104,025	38%	119,629	38%	135,055	39%	148,560	39%	163,416	39%
Total *	**1,669,244**	34%	1,710,568	31%	1,848,001	30%	1,902,549	28%	1,936,916	28%
Departmental Income	3,236,261	66%	3,785,790	69%	4,415,016	70%	4,890,334	72%	5,079,962	72%
Undistributed Operating Expenses										
A & G	441,495	9%	494,672	9%	563,672	9%	611,359	9%	631,519	9%
Marketing	343,385	7%	346,271	6%	363,255	6%	373,609	6%	385,928	6%
Property Ops & Maint	196,220	4%	219,854	4%	275,573	4%	298,887	4%	308,743	4%
Utilities	171,693	4%	192,373	4%	206,680	3%	196,994	3%	189,456	3%
Total *	**1,152,794**	24%	1,253,170	23%	1,409,179	23%	1,480,848	22%	1,515,646	22%
Gross Operating Profit	2,083,468	42%	2,532,621	46%	3,005,837	48%	3,409,485	50%	3,564,317	51%
SLH Brand Affiliation*	**60,291**	3%	66,781	3%	77,316	3%	84,799	3%	88,225	3%
Management Fees*	**147,165**	3%	164,891	3%	187,891	3%	203,786	3%	210,506	3%
AGOP	1,876,011	38%	2,300,949	42%	2,740,630	44%	3,120,899	46%	3,265,585	47%
Fixed Expenses										
Property Taxes*	**78,420**	1%	79,988	1%	81,588	1%	83,220	1%	84,884	1%
Insurance*	**32,000**	1%	32,640	1%	33,293	1%	33,959	1%	34,638	1%
Incentive Management Fee*	**49,055**	1%	54,964	1%	62,630	1%	67,929	1%	70,169	1%
Reserve for Replacement	196,220	4%	219,854	4%	250,521	4%	271,715	4%	280,675	4%
Total	355,695	7%	387,446	7%	428,032	7%	456,823	7%	470,366	7%
Net Operating Income	1,520,316	31%	1,913,503	35%	2,312,599	37%	2,664,077	39%	2,795,219	40%
***1st Year OPEX Incentive**	**3,188,969**									

10. Valuation

Approaches to Valuation

In evaluating property to estimate its likely future value, the professional valuer has two approaches from which to select: income capitalization and sales comparison. The more relevant of these two is the income capitalization approach. However, the prudent valuer would also consider and have regard to the sales comparison approach, which typically provides a range of values per room. Both approaches have some influence on operators' or investors' judgements.

The Income Capitalization Approach takes a property's forecast net operating income and allocates these future benefits to the mortgage and equity components, based on market rates of return and loan to value ratios. Through a discounted cash flow and income capitalization procedure, the value of each component is calculated. The total of the mortgage component and the equity component equals the value of the property. This approach is often selected as the preferred valuation method for income-producing properties because it most closely reflects the investment thinking of knowledgeable buyers.

Our international experience with numerous hotel buyers and sellers indicates that the procedures used in estimating the value by the income capitalization approach are comparable to those employed by the hotel investors who actually constitute the marketplace. For this reason, the income capitalization approach produces the more supportable value estimate, and it is generally given the greater weight in the hotel valuation process.

The Sales Comparison Approach estimates the value of a property by comparing it to similar properties recently sold on the open market and within the subject location. To obtain a supportable estimate of value, the sales price of a comparable property should be adjusted to reflect any dissimilarity between the comparable property and the Hotel.

The sales comparison approach may provide a useful value estimate for simple forms of property, such as vacant land and single-family homes, where the properties are homogeneous, and the adjustments are few in number and relatively simple to compute. However, in the case of more complex investments, such as shopping centers, office buildings, restaurants and hotels, where the adjustments are numerous and more difficult to quantify, the sales comparison approach loses much of its reliability.

Hotel investors typically do not rely upon the sales comparison approach in reaching their final purchase decisions. Various factors, such as the lack of timely comparable hotel sales data, the numerous unsupportable adjustments that are necessary and the general inability to determine the true financial terms and human motivations of comparable transactions, often make the results of the sales comparison approach questionable. Nevertheless, the sales comparison approach may provide a range of values to bracket and support the final estimate of value, and we use it to support any adjustments in our valuation conclusions.

Income Capitalization Approach

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, are net operating income, derived by a forecast of income and expense, and any expected reversionary proceeds from a sale. These future benefits can be converted into an indication of value through a capitalization process and discounted cash flow analysis.

Mortgage and Equity Components

The conversion of a property's forecast net operating income into an estimate of value is based on the premise that investors typically purchase real estate with equity cash (30-50%) and mortgage financing (50-70%). The amounts and terms of available mortgage financing and the rates of return that are required to attract sufficient equity capital form the basis for allocating the net operating income between the mortgage and equity components and deriving a value estimate.

Data for the Mortgage Component are developed from an analysis of the prevailing interest rates offered in the marketplace coupled with interviews with hotel investors, banks and other investment institutions.

To reflect the appropriate rates and investment yields required by international banks, we have reviewed the ten-year swap rate for the US dollar, which historically averages around 1.0 - 2.0%. A typical premium of 100 basis points is usually added to the yield for the risks associated with a project of this nature. Current hotel lending rate in the US is approximately 5.75%. **7.75%** used in this report.

Based on this information and the perceived risk of the Hotel's location, it is our opinion that a 10-year term interest only mortgage is appropriate for the Hotel. Furthermore, we consider that a national mortgage provider will lend up to 70% of the Hotel's value as determined by this valuation.

In order to estimate the value of the Hotel's Equity Component, we have assumed a loan to value ratio and taken into account the risk inherent in achieving the projected income stream, the anticipated market position of the Hotel, the freehold nature of the site, and the opportunities for competition to enter the market. It is our opinion that an equity investor is likely to **require an equity yield rate of 18.0%** for a hotel investment such as this.

Terminal Capitalization Rate

Inherent in this valuation process is the assumption of a sale at the end of an assumed ten-year holding period. The estimated reversionary sale price as of this date is calculated by capitalizing the projected eleventh year's net operating income by an overall terminal capitalization rate. From this sale price, a percentage is deducted for the seller's transaction costs and legal fees. The net proceeds to the equity interest are calculated by deducting the outstanding mortgage balance from the reversion. We have used a **terminal capitalization rate of 8.5%**

Mortgage-Equity Value

The sum of the equity and reversionary mortgage values is the total property value. The process of estimating the value of the mortgage and equity components is as follows.

1. The terms of typical hotel financing are established, including interest rate, amortization period and loan to value ratio.

2. An equity yield rate of return is established. Numerous hotel buyers base their investments on an equity yield rate projection that takes into account income growth and perceived risk.

3. The value of the equity component is calculated by first deducting the annual debt service from the forecast net operating income, leaving the net operating income to equity for each projection year. The net operating income of the eleventh year is capitalized into a reversionary value against the mortgage. After deducting the mortgage balance at the end of the tenth year and the typical brokerage and legal costs, the equity residual is discounted back to the date of value at the equity yield rate. The net operating income to equity for each of the projection years is also discounted to the present value. The sum of these discounted values equates to the value of the equity component. Adding the equity component to the initial mortgage balance yields the overall property value.

4. Because the mortgage and the debt service amounts are unknown but the loan to value ratio was determined in Step 1, the preceding calculation can be solved through an iterative process or by the use of a linear algebraic equation known as the Simultaneous Valuation Formula, which computes the total property value.

The value is proven by allocating the total property value between the mortgage and the equity components and verifying that the rates of return set forth in Steps 1 and 2 can be met from the forecast net operating income.

Using a simultaneous valuation formula to perform the necessary algebraic calculations results in the following estimate of value.

Total Property Value as Indicated by the
Income Capitalization Approach (Say)= **US$ 52,724,952**

Proof of Value

The value is proven by calculating the yields to the mortgage and equity components over the projection period. If the mortgage achieves its yield and the equity total yield achieves the require 18.0%, then US$ 39,213,230 before any capital deduction is the minimum anticipated value by the income capitalization approach that deems this hotel development project feasible.

Using the assumed financial structure set out previously, the value can be allocated between the debt and the equity components as follows.

Mortgage Component	(58%)	US $ 30,360,115
Equity Component	(42%)	US $ 22,364,837
	Total	US $ 52,724,952

The annual debt service is calculated by multiplying the mortgage component by the mortgage constant.

Mortgage Amount	US $	8,867,600	to	2,524,812
Mortgage Constant		0.0775	to	0.0775
Annual Debt Service IO	US $	687,239	to	195,673

The cash flow to equity is calculated by deducting the debt service from the projected net operating income before debt service.

	NOI	Debt Srvc	CF to Equity	IRR	DCR	-2% DCF
Year 1	1,520,316	687,239	833,077	21.92%	2.21	799,754
Year 2	1,913,503	441,456	1,472,047	38.73%	4.33	1,383,724
Year 3	2,312,599	318,564	1,994,034	52.47%	7.26	1,854,452
Year 4	2,664,077	195,673	2,468,404	64.95%	13.61	2,221,563
Year 5	2,795,219	195,673	2,599,546	68.40%	14.29	2,287,600
Year 6	2,795,219	195,673	2,599,546	68.40%	14.29	2,235,609
Year 7	2,795,219	195,673	2,599,546	68.40%	14.29	2,183,619
Year 8	2,795,219	195,673	2,599,546	68.40%	14.29	2,131,628
Year 9	2,795,219	195,673	2,599,546	68.40%	14.29	2,079,637
Year 10	2,795,219	195,673	2,599,546	68.40%	14.29	2,027,646
Total	25,181,807	2,816,970	**22,364,837**	588.49%		19,205,231
		Gross Sale	Mrtg Balance			
Terminal Cap	8.50%	32,884,927	2,524,812			
Exit IRR*		10 yr	**30,360,115**	798.87%	0.58	23,680,890
Total*			**52,724,952**	1387.35%		42,886,121
*before and after inflation adjusted cashflow						
			1,198,294		per rm	$974,685

Return Component

In evaluating the risk associated with an investment, it is useful to determine the portions of a property's value that are attributable to annual cash flow and reversionary proceeds upon sale. The larger the percentage of value attributable to reversionary proceeds, the greater the risk, because a property's sale price and resultant appreciation are uncertain.

Based on the previous analysis, 43% of the Hotel's estimated value is attributable to cash flow and 57% is attributable to property appreciation. These percentages, which fall within the typical range of 40-50% for cash flow and 50-60% for appreciation, are considered reasonable for a hotel of this type and location.

Debt Coverage Ratio

The projected net operating income, expressed as a percentage of debt service, provides for a debt coverage ratio that ranges from 1.75 in the first year of the forecast to 3.19 in the stabilized year of operation. Lenders active in hotel financing generally require debt coverage ratios from 1.50 to 2.25 in the stabilized year of operation. Although the debt coverage ratio fluctuates as a result of varying levels of net operating income, the Hotel's projected debt coverage ratio is above the required levels and provides a margin of cash flow to cover annual debt service.

Sales Approach Comparison

The sales comparison approach estimates the value of a property by comparing it to similar properties recently sold on the open market. Through an analysis of the comparable sales data, the valuer can develop an indication of value based upon the per room sales price paid for similar hotels. This approach in valuing hotels is used primarily as a check against the value indicated by the income capitalization approach.

The recent market trades for a comparable type of hotel in the Cabo Rojo area is very limited, and therefore there are no directly comparable transactions against which we have been able to benchmark our opinion of value.

Conclusion - Sales Comparison Approach

The sales comparison approach has some limited use in providing a range of values. Differences in location, facilities, property rights transferred, and many other variables make a precise comparison between the comparable sales and the subject Hotel difficult. Subjective adjustments used to lessen these differences are highly speculative. Moreover, there is no accurate way of determining whether the sales prices actually paid represent market values, because it is difficult to determine the exact motivations of the buyers and sellers, or what special conditions may have influenced the sale. We are of the opinion that although the sales comparison approach is generally unsuitable for indicating a specific final estimate of value, it may serve to establish a range that can test the reasonableness of the values indicated by the income capitalization and cost approaches. Our analysis of national upscale hotel (with full F&B) sales range of US$500k to US$900k per room, or US$22m to US$39m for the 44-unit Hotel.

Reconciliation of Value Indications

Reconciliation is the last step in the valuation process in which the final value is estimated from the indications developed by the income capitalization and sales comparison approaches. The relative significance, applicability and defensibility of each indicated value is analyzed, with the greater weight given to that approach deemed more appropriate for the property being valued. Based on the preceding data and analysis set out in this report, the following value indications were developed. **2% discount rate applied from June, 2022.**

Approach	Value Indication
Income Capitalization	US$ 52,724,952
Sales Comparison per room	US$ 1,198,294

Income Capitalization

The income capitalization approach took the Hotel's forecast net operating income and allocated this future benefit to the mortgage and equity components based on market rates of return and loan to value ratios. Through a discounted cash flow and income capitalization procedure the value of each component was calculated. The total of the mortgage and equity components equates to the value of the property.

Sales Comparison

The sales comparison approach was considered, and a range of sales were evaluated in an attempt to develop a range of value indications. Because a range of sales are only somewhat comparable to the Hotel, they require several adjustments and the reliability of any specific value estimate is, therefore, diminished. Furthermore, typical buyers and sellers of hotels generally employ a sales comparison procedure to establish broad value parameters only.

Conclusion

Our international experience with numerous hotel buyers and sellers indicates that the procedures used in estimating the value by the income capitalization approach are comparable to those employed by the hotel investors who constitute the marketplace. For this reason, we consider that the income capitalization approach produces the more supportable value estimate, and it is given the greater weight in our final estimate of the Hotel's likely future value.

Based on the preceding analysis and our specialist experience in valuing hotels, we have given primary weight to the income capitalization approach. It is our opinion that the estimated likely future value of the freehold interest in the Hotel described in this report, discounted by 2%, as of June 26, 2022 is:

USD $52,724,952

FIFTY-TWO MILLION SEVEN-HUNDRED TWENTY-FOUR THOUSAND UNITED STATES DOLLARS

Valuation Certainty

An opinion of value will always involve a degree of subjectivity and uncertainty that will affect the probability that the opinion of estimated likely future value would be the same as the price achieved by an actual sale at the valuation date. Therefore, it is our requirement in compliance with the hospitality industry professional consultants to comment upon our level of confidence in the opinion of value reported herein.

The methodology employed in valuing a hotel is dependent upon the level and accuracy of information available in the marketplace in order to determine the current market wide trading conditions, and to estimate the future trading potential of the proposed Hotel.

In respect of our estimate of the likely future value of the proposed Hotel there are many assumptions contained within this report that could have a material impact. Not the least of these is that pertaining to the worldwide economy and the resultant impact upon the supply and demand for transient accommodation. In the context of the information available as at the date of this report, we consider that if these assumptions are fulfilled then there is a low level of uncertainty attached to our opinion of value. However, if after the date of this report such economic conditions and the local trading conditions for the proposed Hotel should change, we would recommend that our opinion of value be reviewed.

However, the following should be specifically noted:

- There is limited published data in respect of the current trading performance of the market in which the proposed Hotel will operate.
- The investment market for upscale hotels in Cabo Rojo has been limited and limited comparable properties, and therefore the limited comparable transactions against which we have been able to benchmark our opinion of value.
- We have assumed that Subject site will not be disrupted by acts of God or natural disasters, or political turbulence and that the area will remain economically stable.
- We have assumed the Cobo Rojo area development will continue as the local and national economy prospers post COVID and will be a significant demand generators throughout each year of the Hotel's lifespan.
- We assume that the proposed Hotel's renovation-construction will be completed on time for the scheduled opening in Q1 2024.
- We have been provided only with limited drawings of the existing property. We assumed that all information received is reasonably accurate and we anticipate further refinement to improve efficiency and revenue producing space utilization.
- We have based our occupancy projections on the assumption that the Hotel will be managed by a competent operator and the layout and design of the proposed Hotel will fully meet the standards and requirements of its future operator.

Development Cost and Feasibility Tests

*Industry average per room estimate for Upscale Hotels with Full Service F&B

Test Feasibility Study

1. The first rule of thumb tests the cost of the land to determine whether it exceeds a supportable economic land value. The following formula calculates economic land value:
Occupancy x ADR x Rooms x 365 x .04 / .08 = Economic Land Value.

As example, a proposed hotel is being considered on a parcel of land that can be acquired for or valued at $2,000,000. Zoning permits the development of 70 rooms. Based on local market conditions, the proposed hotel should achieve a stabilized occupancy of 60% and an average room rate of $234. Using these inputs, the Economic Land Value would be calculated as follows:
60% Occupancy x $234 ADR x 70 Rooms x 365 x .04 / .08 = $2,989,350

<u>Various Land Site Valuation Methods, Hotel Industry Standards</u>

44 Room Upscale Hotel ~ Premium Location Averages ~

* $50,000 per room: 44 x $50,000	= $ 2,200,000
* 30% of stabilized gross hotel revenue: $7,016,878 x 30%	= $ 2,105,063
* 15% of projected total hotel development cost $16,668,000 x 15%	= $ 2,500,200
* 100% of stabilized income: $2,883,444 year 5	= $ 2,883,444

2. The second rule of thumb is the Average Rate Multiplier formula. This is a very simple way to approximate a hotel's pre-development economic value. The formula is as follows:
ADR x Rooms x 1,000 = Pre-Development Economic Value
Using the numbers from the example above produces the following Economic Value:
$240 x 44 x 1,000 = $10,560,000

If the hotel's construction cost is substantially over $10,560,000 ($8,668,000 forecasted), there could be a feasibility problem. In most cases where the construction cost is significantly higher than the economic value it is because the local market's average room rate is too low to support the contemplated improvements. In these situations, the proposed plans and specifications need to be scaled back in order to produce a lower total project cost, which might then create a feasible project.

3. One additional point of reference looks at the percentage relationship between the hotel's development cost and the stabilized economic value. Cabo Rojo developments are estimated to be on par of development cost averages of 50%. In this example, the development value would be 42.5% of the overall stabilized economic value ($16,668,000/$39,213,230 = 42.5%). The final development cost should be not be significantly more $19,606,616, 50%, if this approach is implemented by a developer.

The next step is to convert the projected NOI into an estimate of value covering debt service. The result is an estimate of economic value that can be compared to the total project cost. The development cost estimates are further detailed in the appendix of this report.

Cost Estimates 44 Rm Upscale Hotel		**Per Room**	**% of Total**
Hard Cost	3,300,000	75,000	26%
FF&E	2,640,000	60,000	21%
Pre-Open/Working capital	1,100,000	25,000	9%
Soft Costs	880,000	20,000	7%
Contingency	748,000	17,000	6%
Subtotal (without land)	8,668,000	197,000	68%
Acquisition Cost	4,000,000	90,909	32%
CPSF	$179.59	48,266	
Total	12,668,000	287,909	100%
Equity	3,800,400	30%	
Mortgage Component	8,867,600	70%	
Annual Debt Service	687,239	7.75%	

Dev Cost 40% Incentive	12,668,000	40%	5,067,200			
1st yr OPEX x 40%	3,188,969	40%	1,275,588	1/2 yr 2	1/4 yr 3	1/4 yr 4
Reduced Mortgage Yr 2, 3, 4			6,342,788	3,171,394	1,585,697	1,585,697
Revised IO Mortgage			IO Mortgage	441,456	318,564	195,673

	NOI	Debt Srvc	CF to Equity	IRR	DCR	-2% DCF
Year 1	1,520,316	687,239	833,077	21.92%	2.21	799,754
Year 2	1,913,503	441,456	1,472,047	38.73%	4.33	1,383,724
Year 3	2,312,599	318,564	1,994,034	52.47%	7.26	1,854,452
Year 4	2,664,077	195,673	2,468,404	64.95%	13.61	2,221,563
Year 5	2,795,219	195,673	2,599,546	68.40%	14.29	2,287,600
Year 6	2,795,219	195,673	2,599,546	68.40%	14.29	2,235,609
Year 7	2,795,219	195,673	2,599,546	68.40%	14.29	2,183,619
Year 8	2,795,219	195,673	2,599,546	68.40%	14.29	2,131,628
Year 9	2,795,219	195,673	2,599,546	68.40%	14.29	2,079,637
Year 10	2,795,219	195,673	2,599,546	68.40%	14.29	2,027,646
Total	25,181,807	2,816,970	**22,364,837**	588.49%		19,205,231
		Gross Sale	Mrtg Balance			
Terminal Cap	8.50%	32,884,927	2,524,812			
Exit IRR*		10 yr	**30,360,115**	798.87%	0.58	23,680,890
Total*			**52,724,952**	1387.35%		42,886,121

*before and after inflation adjusted cashflow

Development Cost Categories
Land
Hard Costs and Site Improvements
Building costs general contractor's bid
Building and monument signage
Building permits
Contractor overhead
Engineering costs
Hard costs contingency
Landscaping costs
Parking area parking garage
Site improvements
Subcontractor's bids (plumbing, electrical, finishes, etc.)
Soft Costs
Architectural fees
Consultants fees
Financing costs (construction period interest, interest reserves, closing costs, etc.)
Franchise application fees
Holding costs before aand during construction (taxes, insurance, etc.)
Interior Design fees
Land closing costs
Land entitlement costs
Professional fees including accounting, consulting, legal, etc.
Soft cost contingency
Surveyor fees
Furniture, Fixtures, and Equipment
Guestroom & guest bathroom furniture and fixtures
Kitchen and Laundry equipment
Public space and meeting room furniture and fixtures
Softgoods including flooring, drapery, room accessories
Technology aand telecommunication equipment
Pre-Opening and Working Capital
Operating reserves
Pre-opening recruiting, staffing, and training
Supply inventories (linen, operating supplies, initial purchases, etc.)
Technical services fees

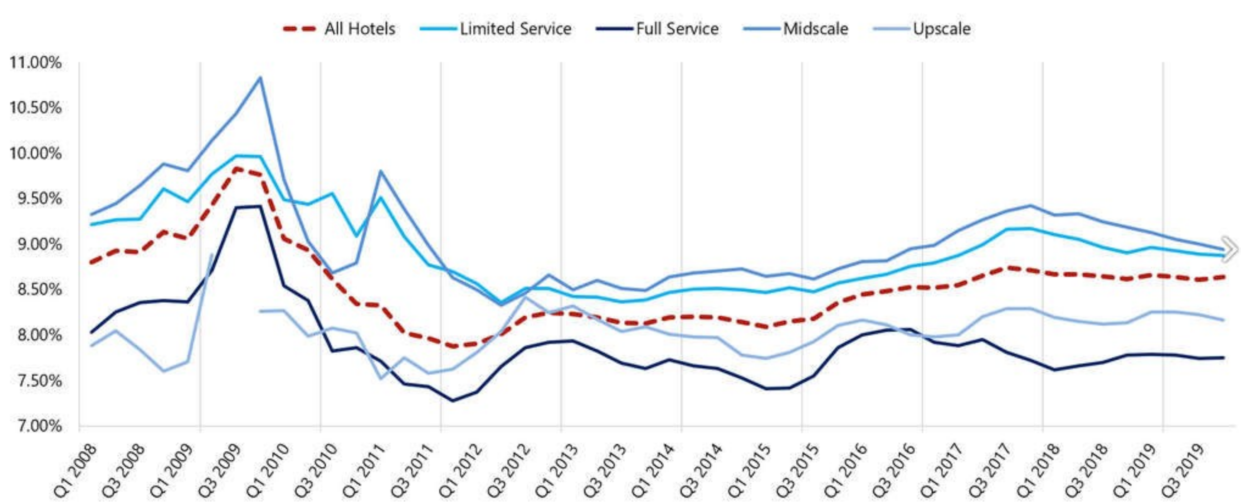
The categories are not meant to be all-encompassing but do reflect the typical items in a development budget. In construction accounting, development budgets are generally presented in far greater detail than for general investment analysis.

U.S. Full-Service Hotel Operating Leverage Analysis

Full-Service Hotels	2007	2009	2014	2017	'07-'09	CAGR '09-'14	'14-'17
Occupancy	70.0%	62.5%	73.9%	74.2%	-2%	3%	0%
Avg. No. Rooms	306	292	299	287			
Average Rate	$166.7	$146.74	$180.94	$193.8	-3%	4%	2%
RevPAR	$116.7	$91.7	$133.7	$143.8	**-5%**	**8%**	**2%**
% Change		**-21%**	**46%**	**7.5%**			
Revenue PAR	$67,301	52,650	74,975	$81,619	-5%	7%	3%
Expenses PAR	$50,298	43,143	55,911	$61,300	-3%	5%	3%
NOI PAR	$17,003	9,507	19,064	$20,319	**-11%**	**15%**	**2%**
% change		**-44%**	**101%**	**6.6%**			
NOI %	25.3%	18.1%	25.4%	24.9%			
Multiple of NOI Change to RevPAR Change:		**2.1 X**	**2.2 X**	**0.9 X**			

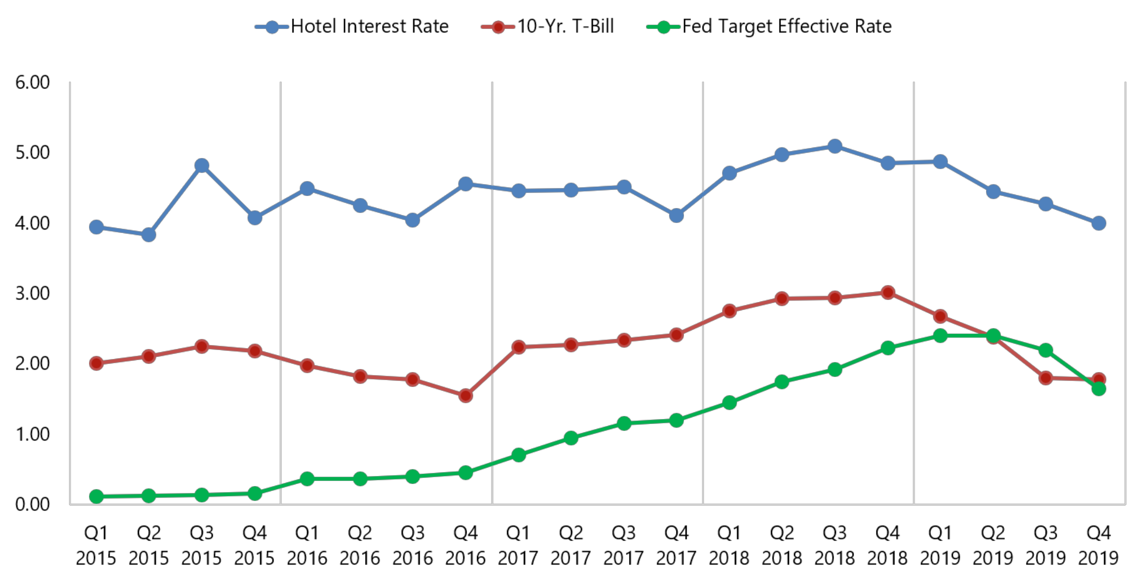
Capitalization Rate Trends: PWC Real Estate Investor Survey

The following chart sets forth average capitalization rates derived from sales based on trailing-twelve-month (TTM) net operating income (NOI) and projected first-year NOI at the time of sale. These rates are derived from hotels that PWC appraised at the time of sale; the derived capitalization rates are dependent upon the individual sales transactions that constitute the data set and reflect the wide range of cap rates for hotel transactions.

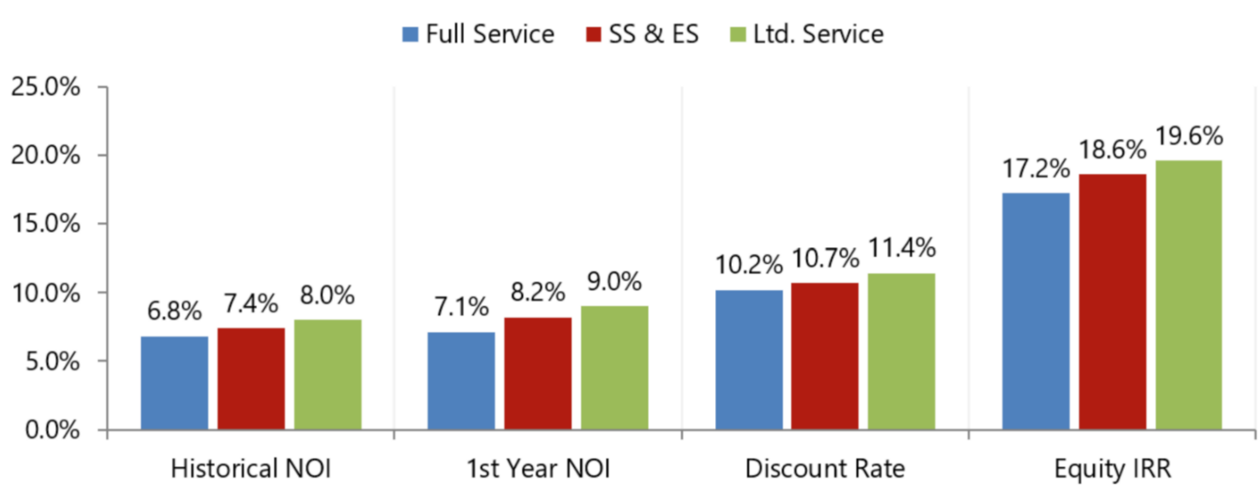


Hotel Mortgage Interest Rates Trends
Average Rates of Return From 2019 Sales Transaction (Pre-Covid)

Interest rates have a direct impact on capitalization rates and values. The following chart sets forth the trend in hotel mortgage interests as reported by the American Council of Life Insurers; these loans represent low LTV, high-quality loans made by insurance companies. The bottom line reflects the yield on the ten-year T-bill, while the top line reflects cap rates derived from the transaction of full-service hotels that HVS appraised at the time of sale.



Discount rates and equity internal rates of return (IRRs) are calculated based on the forward-looking projections and debt-service assumptions in the appraisal. The following data reflect the step-up in rates of return from full-service to select-service and limited-service lodging products. Discount rates and equity yield rates remained generally steady in 2019.



Assumptions to Economic Tests

Upon examination of the overall development costs, likely revenue generation of the hotel by a competent hotel manager of comparable hotels, anticipated changes in the economy, potential changes in the competitive market available hotel room supply, and valuations of the hotel's future net operating income, the indications are a guidance to the feasibility of the subject hotel.

The figures analyzed in this study are a mix of historic operating results of comparable properties and combine the data from construction budgets organized across a variety of hotel types. The forecasts also encompass unique hotel projects that cannot be replicated by the inherent nature of hotel development. As such, we would caution developers on relying on the information to estimate costs for a specific project, as a multitude of factors affect a hotel's development budget.

Thus, we recommend the developer of the subject hotel to consider the various cost as a general guide. Construction companies are the direct source for obtaining updated local costs, while design and procurement companies itemize actual FF&E costs for a specific hotel project. We also advise that developers consult more than one construction cost source and multiple design and procurement companies for estimates through the hotel development process to more accurately assess the updated and most accurate true cost of the overall development. Cost should be adjusted for inflation over the development timeline given that a hotel development process may last three to five years or more. We also recommend that the projected performance of the proposed hotel be revisited periodically during the development process.

Addendum 1 – Competitive Set Sample Hotel Images

Copamarina Resort

Copamarina Resort

*Exterior

*Pool Ocean View

*Guestroom

*Outdoor Event Space

Parador Villa Parguera

Parador Villa Parguera

*Exterior

*Guestroom

*Outdoor Event Space

*Oceanview Pool

Rincon Beach Resort

Rincon Beach Resort

*Exterior

*Guestroom

*Event Room

*Restaurant

Addendum 2 – Subject Property

Posed Hotel Preliminary Drawings and Renders

Subject Property – Existing Condition

Salinas Beach Guestroom Bldg

Salinas Beach Bi-Level Guestroom

Grand Bahia Guestroom Bldg

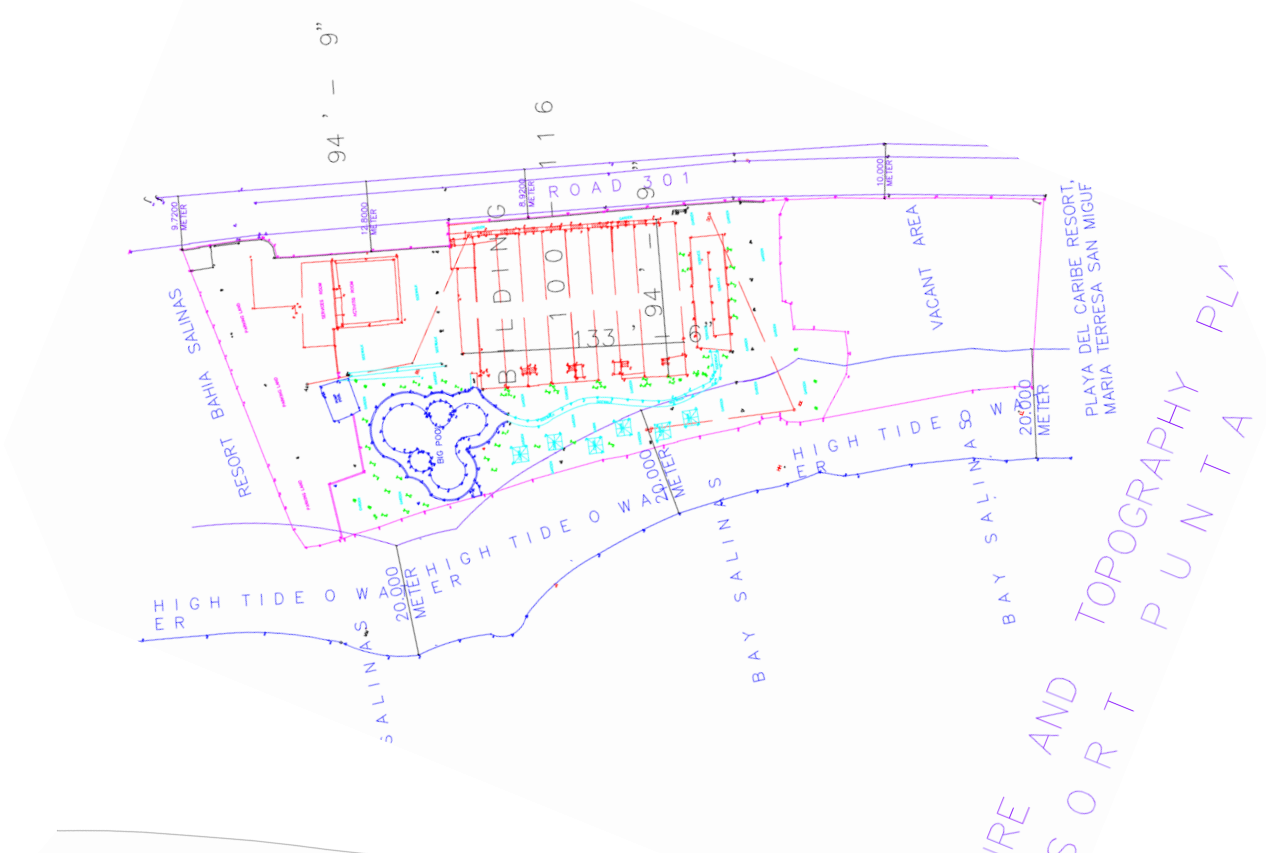
Grand Bahia Guestroom

Grand Bahia Restaurant Bldg

Grand Bahia Main Pool

Combined Property Layout

Salinas Beach property - 16 Rooms



Grand Bahia – 28 Rooms, Restaurant, Spa

Addendum 3 – Statement of Assumptions and Limiting Conditions

1. The report is to be used in whole and not in part. No responsibility is assumed for matters of legal nature, nor do we render any opinion as to title, which is assumed to be marketable and free of any deed restrictions and easements.
2. We are unaware of any hidden or unapparent conditions of the property, subsoil or structures that would render it more or less valuable. No responsibility is assumed for these conditions or any engineering that may be required to discover them
6. We have not considered the existence of potentially hazardous materials used in the construction or maintenance of the new Hotel, such as asbestos, urea formaldehyde foam insulation, or PCBs. We have not investigated whether the site is or has been in the past contaminated and are therefore unable to warrant that the proposed property may be free from any defect or risk in this respect. Our report is therefore based on the assumption that the land is not contaminated, and any specialist investigation would not disclose the presence of any adverse conditions on the site.
7. Sketches, pictures, maps and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the land and premises is within the boundaries of the property described and that there is no encroachment or trespass unless noted.
8. This Study and Report is not a structural survey, and we therefore make our projections on the assumption that the property will be of sound design and construction, and free from any inherent defect.
9. All information (including financial operating statements, estimates, and opinions) obtained from parties not employed by Boutique Hotel Advisors SA is assumed to be true and correct. No liability resulting from misinformation can be assumed by Boutique Hotel Advisors.
10. Unless noted, it is assumed that there are no encroachments or planning and building violations encumbering the proposed hotel.
11. It is assumed that the Hotel will be in full compliance with all applicable city, local and private codes, laws, consents, licenses, and regulations (including an alcohol license where appropriate) and that all licenses, permits, certificates, and so forth can be freely renewed and/or transferred.
12. This report may not be reproduced in whole or in part without the permission of Boutique Hotel Advisors, nor shall the report be distributed to the public through advertising, public relations, news, sales, or other media without our prior written consent.
13. We are not required to give testimony or attendance in court by reason of this study without previous arrangements and only when our standard per diem fees and travel costs are paid prior to the appearance.
14. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material contained in this report it is recommended that the reader contact Boutique Hotel Advisors.
15. We take no responsibility for any events, conditions or circumstances affecting the proposed property's financial forecasts that take place subsequent to the date of our report.
16. The quality of a hotel facility's on-site management has a direct effect on a property's economic viability. The financial forecasts presented in this study assume both responsible ownership and competent management. Any variance from this assumption may have a significant impact on the forecast operating results.
17. STR data has some limitations. Hotels are occasionally added to or removed from the sample and not every property reports data in a consistent and timely manner; these factors can influence the overall quality of the information by skewing the results. These inconsistencies may also cause the STR data to differ from the results of our competitive survey. Nonetheless, STR data provide the

best indication of aggregate growth or decline in existing supply and demand; thus, these trends have been considered in our analysis.

18. The estimated operating revenue presented in this report are based on an evaluation of the current overall economy of the area and neither take into account nor make provision for the effect of any sharp rise or decline in local or economic conditions. To the extent that wages and other operating expenses may advance during the economic life of the property, it is expected 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.
19. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based upon numbers carried out to three or more decimal places. In the interest of simplicity most numbers presented in this report have been rounded up. Thus, these figures may be subject to errors in some cases.
20. The relationship between US dollars and other major world currencies remains constant as of the date of our field work.
21. While the information contained herein is believed to be correct it is subject to change. Nothing contained herein is to be construed as representation or warranty of any kind.
22. We have made no allowance for the repayment of any grants, which might arise in the event of development or disposal, deemed or otherwise.
23. This report is set forth as a market study of the proposed subject project; this is not an appraisal report.
24. Certification: We certify that, to the best of our knowledge and belief:
    a. The statements of fact presented in this report are true and correct.
    b. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
    c. We have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved;
    d. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
    e. Our engagement in this assignment was not contingent upon developing or reporting predetermined results;
    f. Our 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.

Addendum 4 – About the Authors

Boutique Hotel Advisors is a specialized hospitality consulting firm that provides customized, partner-level services for owners, investors and operators of independent luxury hotels, resorts, and residences. Each advisor is industry known with more than fifteen years of front-line hands-on experience among the world's most recognized hotels. They have operated within the most competitive markets and demanding clientele. BHA's aspects of hotel sales, marketing and operations are founded on the experiences and key roles each advisor has played in developing, opening, sustaining, acquiring, and repositioning of international hotels and resorts.

We understand, from our first-hand direct experience, the ins-and-outs of development, acquisitions, management companies and marketing partners. We objectively reveal and assist to gather and verify qualifications, performance records, capabilities, contractual obligations, fees and performance criteria, and systems to oversee and measure their performance. On behalf of investors, we employ a systematic approach for overseeing the process that will maximize the long-term benefits of the hotel's performance.

As owners and managers in the independent boutique hotel market are generally more "attached" to their hotel, their decisions are often "emotional" or "personal". It takes discipline to step outside of the immediate nature and review true business alternatives that are better chosen with objective rational criteria. Popular matters include; design, development, management review, brand selection, marketing alliances, and partnerships. These subjects are thoroughly evaluated for the results, recognition, and resources actually provided and that can be measured and calculated as an undisputable return on cost.

John Sears is a partner with Boutique Hotel Advisors. A 25-year career hotelier, professional consultant and facilitator whose pedigree includes Mobil awarded five-star hotel management, nominated to the hospitality advisory board of Lynn University's School of Hospitality, Boca Raton, and authoring 'Five Star' the hoteliers guide to uncompromising service. John is certified by Switzerland's Glion University school of hospitality in hotel market studies and hotel valuations.

Prior to BHA, John served as vice president of marketing & development for Switzerland based Boutique Hotels & Resorts International S.A., where he led the company growth to one-hundred-four hotels in thirty-six countries and worked first-hand with hotel investor's and management teams.

John has been a featured speaker at major hotel industry events including The Lodging Conference Phoenix, ITB Berlin, International Luxury Travel Market Cannes, World Travel Market London, Arabian Travel Market Dubai, Asia Travel Market Shanghai, and Hotels World Sydney. John has worked with 500+ hotel projects in 100+ countries, visits over 100 hotels per year, and has a balanced background in operations, marketing, development, property evaluations, and acquisitions.

Jeff Lefkovich is a Project Manager with BHA**.** Jeff brings 30 years of experience in planning, strategy, design, and development of real estate projects that include mixed-use, residential, hospitality, senior living, wellness centers, commercial, and health care, totaling more than $1 billion in developed assets and more than two million square feet of space.

Jeff serves as a managing principal for two large-scale multi-generation, mixed-use, mixed-income, live/work community developments in Connecticut, which he designed (Heritage River Village and Collins Village) that have combined values of over $200 million with more than 680,000 of residential, hospitality, and commercial space. For 12 years, Jeff served as President for JB Commercial, Inc., a design/build, real estate development, owner's representation firm.

Addendum 5 – Independent Boutique & Lifestyle Hotel Performance

Over the past decade, independent smaller upscale hotels have made an impact on the worldwide lodging market. Several studies have been conducted to determine the advantages and/or disadvantages of major hotel chain brand affiliated hotels and independent unaffiliated boutique hotels of good quality. Depending on the number of reports one may read, the final conclusive evidence is, for either hotel type, at best debatable and specific market driven.

Our study and conclusion is focused on the consumer's response and our knowledge of advantages for the independent boutique hotel in various worldwide market segments and market types, including cosmopolitan cities and rural locations. The consumer's assessment of price preferences of a brand-affiliated property versus an unaffiliated hotel is evidence of ADR advantages for the independent unaffiliated properties.

Although we have learned that these advantages are sensitive to both market type and market segment, this does not rule out other advantages that may be more pervasive in certain markets. Our study and conclusion are limited in dimension to upmarket or best in market quality boutique hotels with destination F&B and extends into the NOI aspect. The advantages may provide additional information relevant to an investment decision of hotel owners and we have highlighted details in the following charts that may have been used in this report's concluding forecasts or will be discussed with the developer in detail.

Lifestyle boutique hotels tend to be between 40~100 rooms with just over 50% of the sample below 100 rooms.

Boutique HOST samples achieve higher RevPAR compared to chain branded urban and upper upscale hotels. F&B revenue and income deliveries from Independents are 20% higher than all top producing Luxury Hotels.

Comparison of Financial Performance (1)					
	REVPAR	Food & Beverage (2)	TRevPAR (3)	EBITDA (2)	Average Rooms
Limited Service Chain Affiliated	$112.09	$0.67	$84.25	$46.28	119
Lifestyle Upscale	$121.82	$8.71	$133.41	$61.44	144
Limited Service Urban	$171.50	$2.07	$140.03	$69.72	154
Full Service Upper Upscale	$182.40	$87.08	$215.60	$83.80	409
Full Service Urban	$208.79	$84.53	$234.87	$84.57	389
Indp Boutique Small Urban	$197.63	$109.16	$311.66	$92.77	71
Soft Brand & Indep Boutique w/ High F&B (4)	$227.32	$208.01	$345.69	$94.46	105
Soft Brand Collections	$174.26	$116.35	$284.29	$94.93	231
Soft Brand Collection w/ Spa	$177.31	$181.00	$330.56	$106.73	439
Lifestyle Luxury Upper Upscale	$270.71	$90.21	$363.61	$109.33	286
Small Lifestyle Urban	$224.93	$93.81	$313.37	$118.69	137
All US Luxury	$309.10	$176.13	$403.47	$132.28	298
Indp Boutique Luxury w/ Spa	$240.20	$212.15	$447.79	$149.67	158
Notes: (1) 2015 data, (2) Per occupied room night, (3) Per available room night, (4) 2016 data					
Sources: STR Host Reports and The Highland Group					

Total Revenue Per Available Room achieves 10% greater than the top-level chain branded hotels. EBITDA per occupied room night perform 20% better than the highest-level luxury chain branded hotels.

Luxury Independent Boutique Hotels Market Performance

	Occupancy	Change	Average Rate	Change	RevPar	Change
2011	68.5%		$267.29		$183.04	
2012	70.7%	3.2%	$278.64	4.2%	$196.94	7.6%
2013	72.1%	2.0%	$296.30	6.3%	$213.69	8.5%
2014	73.5%	1.9%	$310.57	4.8%	$228.20	6.8%
2015	72.7%	-1.0%	$321.16	3.4%	$233.64	2.4%
2016	72.8%	0.0%	$324.39	1.0%	$236.03	1.0%
Compound		1.2%		3.9%		5.2%

Note: Includes 304 hotels totaling 36,632 rooms
Source: STR

ADR increase of 3.9% annually as recorded through 2016 and strong occupancies at 73% while chain branded hotels recorded 2.0% ADR increases and 68% occupancy during the same period.

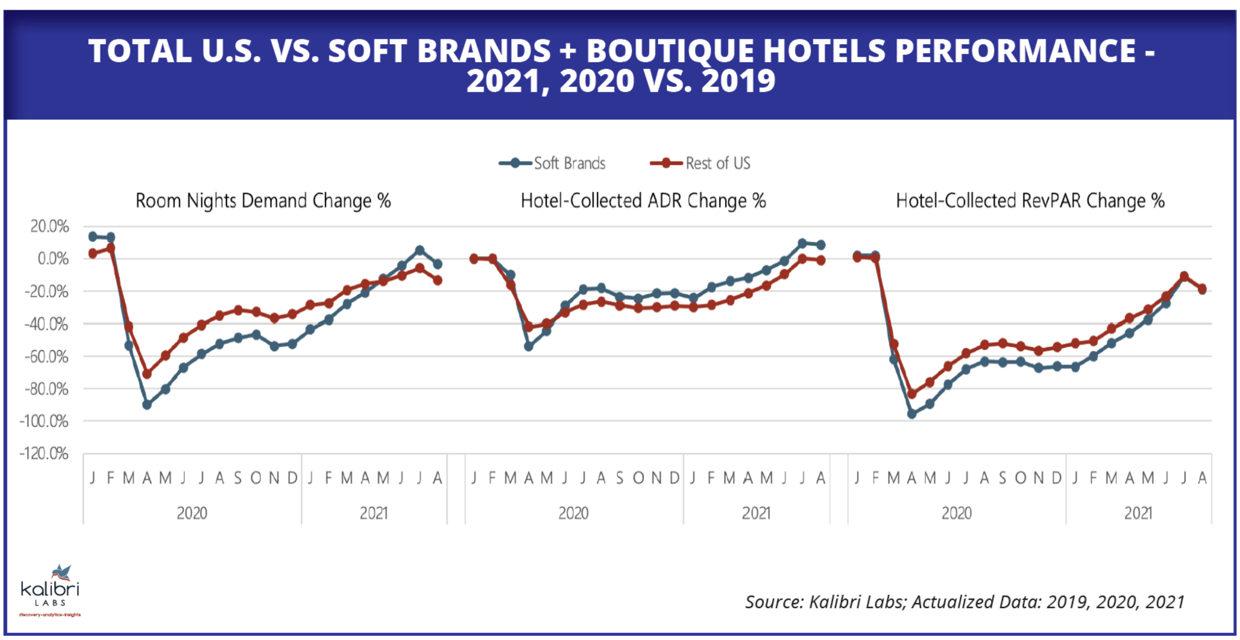
U.S. SOFT BRANDS + BOUTIQUE HOTELS - PERFORMANCE SUMMARY

Kalibri Labs reported on September 29, 2021 in their "Mind the Gap" series of recurring reports, published in conjunction with Hotel Business, highlights a segment of the U.S. Lodging Industry focusing on the "gap" in demand and revenue that currently exists compared to the reference year of 2019. The report focused on Soft Brands and Boutique hotels.

While Soft Brands and Boutique hotels are a relatively small part of the U.S. Lodging industry, in terms of room supply, they are growing at an exceptionally fast rate, and we believe they will continue to do so in the coming years.

Since the beginning days of the pandemic the demand for Soft Brands and Boutique hotels has somewhat lagged behind that of the rest of the industry. This is not surprising as most of these hotels are in the Upper & Middle Tier segments of the industry, which generally have not performed as well as Lower Tier properties.

However, beginning in June 2021, Soft Brands and Boutique hotels began to outperform the rest of the U.S. Hotel Industry, and currently continue to do so. Demand in this segment actually exceeded 2019 levels in July of this year. It will be interesting to see if this uptick in demand remains in place beginning this fall when, historically, demand is more business and group related than in the summer months.

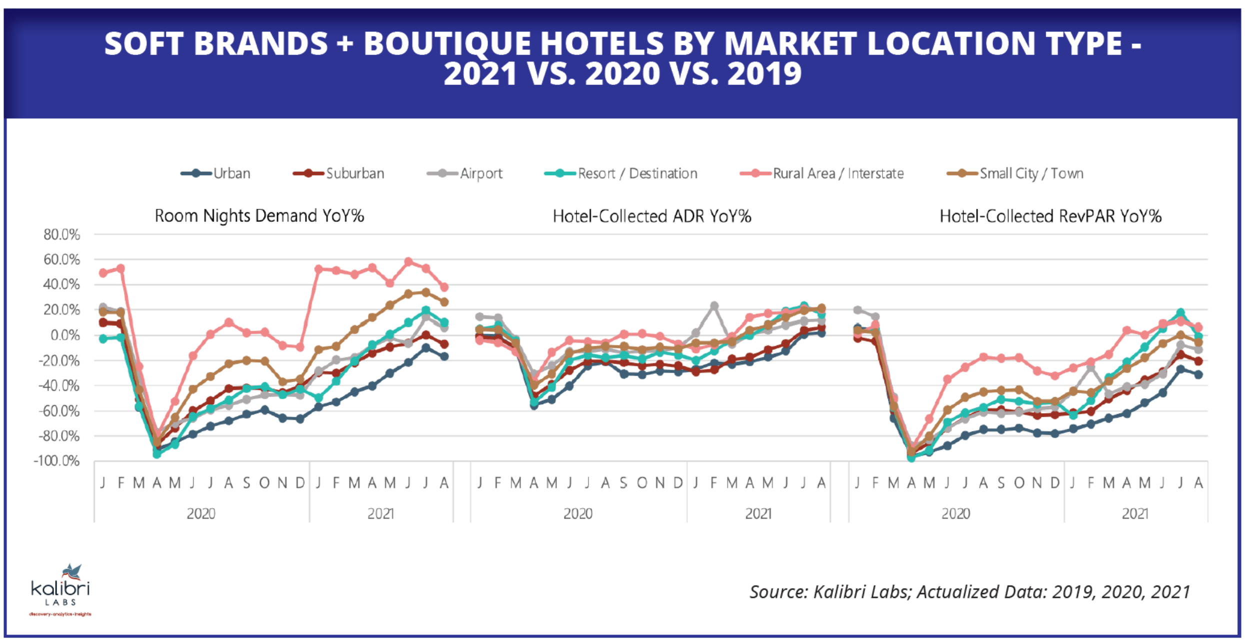


SOFT BRANDS + BOUTIQUE HOTELS - LOCATION TYPE ANALYSIS

As observed in other publications of Mind the Gap, Small City / Towns and Rural Areas have performed the strongest of all location types. Interestingly, this holds true for Soft Brands too. Also applying for Soft Brands, hotels located in both Urban and Suburban locations are performing the poorest and have a prolonged road to recovery.

From May through August, Resort/Destinations, Rural Areas, and Small City/Towns all performed similarly in ADR. Resort/Destinations peaked in July, up +23%. Rural Areas peaked in July, up +20.6%. Small City/Towns peaked in August, up 21.1%.

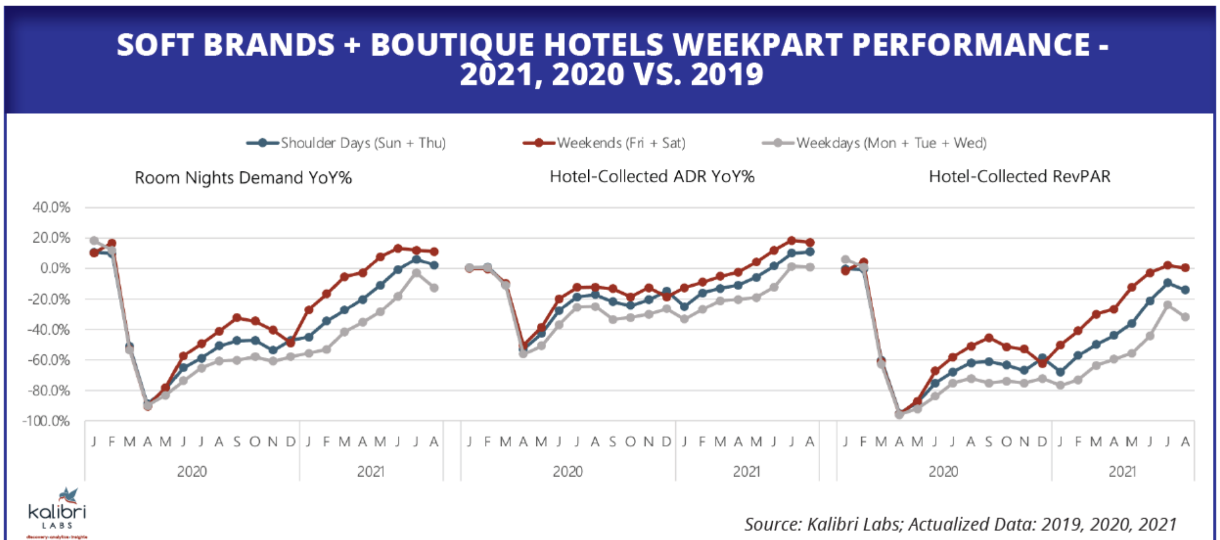
As discussed earlier, there was regression in August's performance for Soft Brands. Overall RevPAR for Resort/Destinations fell from a recovery high of +17.8% in July to -0.3% in August. Though not quite as severe, RevPAR for Rural Areas declined from +0.7% in July to -5.3% in August.

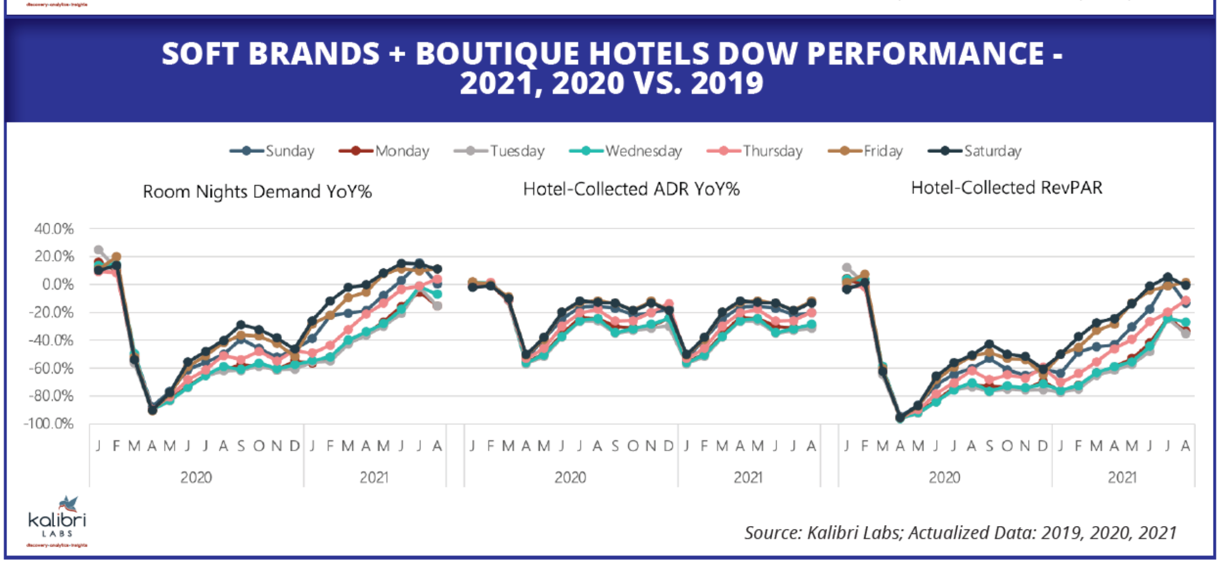


SOFT BRANDS + BOUTIQUE HOTELS - WEEKPART ANALYSIS

Similarly, to most types of U.S. hotels analyzed in this series, Soft Brand and Boutique hotels are performing better on leisure days (weekends) and shoulder days, than weekdays. It appears that this trend will likely continue thru the remainder of 2021 as demand on commercial days will lag behind the other week parts. Weekend and shoulder day (Thu-/Sun) demand has been above 2019 levels during the summer months, whereas weekday (Mon-Wed) demand while showing more resilience than other property types continue to lag, with August demand trending down for the first time in 2021.

The most interesting fact about DOW performance for Soft Brand and Boutique hotels is the fact that since the onset of the Pandemic in March of 2020, Sunday night has consistently been the highest occupancy day. Historically, Sundays have been the lowest occupancy days for all property types, further indication of changing consumer stay patterns.





NOTES:

COMBINED RESORT-WIDE FACILITIES

Building	# Rooms	SF	Footprint	Floors	Tot SF	PAX
1	6	286	858	1 & 2	1,716	12
2	Spa	552	912	1	1,539	
	1	361		2		2
	1	266		2		2
3	Spa	1,560	1,560	1	2,691	
	1	702		2		2
	2	429		2		4
4	6	390	3,540	1	3,540	12
	2	600		1		4
5	4	396	2,832	1	2,832	8
	4	312		1		8
Cottage	1	240	240	1	240	2
Rec	-	360	360	1	360	
Pool Bar	-	400	400	1	400	
Restaurant			2,880	3	8,640	
	Dinning	1,300		1	1,300	87
	Kitchen 1	826		1	826	
	Kitchen 2	144		1	144	
	Conf Rm A	260		1	260	16
	Event Rm	2,880		2	2,880	144
	Conf Rm B	864		3	1,728	39
	Conf Rm C	864		3		39
	Patio Deck	710+2,241		1		200
	Patio Deck	710		2		45
Reception			1,060	1	1,060	
	Reception	460		1		
	Office	200		1		
	Laundry	400		1		
Sub Total	**28**		**14,642**		**30,156**	
Building Z	Salinas Beach Lodge					
Waterview	8	432	12,502	1&2	17,110	
2nd flr	-	288				
Streetside	8	432				
2nd flr	-	288				
Rec Rm		1,000	1,000		1,000	
Sub Total	**16**		**13,502**		**18,110**	
Grand Total	**44**		**28,144**		**48,266**	

F&B + Event Capacity Analysis

	Seating	Target Day Occupancy	Annual Pax	Ave $$ Per Pers	Annual Revs	**35%** Target Usage
Restaurant & Patios						
Breakfast	100	100%	36,500	$20	$730,000	$255,500
Lunch	100	150%	54,750	$25	$1,368,750	$479,063
Dinner	100	200%	73,000	$45	$3,285,000	$1,149,750
Bars & Patios						
12-2pm	50	75%	13,688	$15	$205,313	$71,859
2-5pm	50	75%	13,688	$15	$205,313	$71,859
5-11pm	50	100%	18,250	$30	$547,500	$191,625
Pool Deck & Beach						
10-12pm	50	50%	9,125	$15	$136,875	$47,906
12pm-5pm	50	100%	18,250	$25	$456,250	$159,688
5pm-9pm	50	100%	18,250	$35	$638,750	$223,563
Private Events						
Beach	100	28.5%	10,403	$100	$1,040,250	$364,088
Large Event Room	144	28.5%	14,980	$100	$1,497,960	$524,286
Conf Room 1	16	28.5%	1,664	$100	$166,440	$58,254
Conf Room 2	39	28.5%	4,057	$100	$405,698	$141,994
Conf Room 3	39	28.5%	4,057	$100	$405,698	$141,994
Total	938		290,660	$52	$11,089,795	$3,881,428

GUIDE TO HOTEL RENOVATION COST ESTIMATING

Guestroom Softgoods Renovation					Est Pr	Totals
Assume approx 13' x 24' and 5' x 7' entry / closet (389 SF).						$44
	Range			Average		
Casegoods Installation	$597	to	$953	$789		
Bedsets (Box Spring, Mattress, and Frame)	$873	to	$1,135	$1,003		
Headboard	$1,047	to	$1,570	$1,309		
Nightstands	$440	to	$580	$510		
Dresser	$675	to	$877	$777		
Desk	$468	to	$608	$538		
Side Table	$239	to	$313	$276		
Coffee Table	$159	to	$204	$181		
Closet Shelf Unit	$1,285	to	$1,683	$1,489		
Refrigerator Cabinet / Welcome Center	$438	to	$589	$510		
Mini Refrigerator	$188	to	$204	$196		
Drapery Valance - Painted Wood	$210	to	$272	$245		
Entry Area Hard Surface Flooring	$207	to	$273	$241		
TV and Mount (HD LCD, including Prgm Allowance)	$877	to	$1,429	$1,138		
	$7,703	to	$10,689	**$9,202**	$9,202	**$404,903**

Guestroom Full Renovation Additional Cost Per Key						
Demolition	$213	to	$447	$376		
FF&E Installation	$197	to	$288	$239		
Artwork, Mirrors, and Accessories (Installed Package)	$549	to	$883	$705		
Full-height Framed Dressing Mirror	$193	to	$261	$227		
Bed Skirt or Box Spring Cover	$177	to	$210	$193		
Decorative Pillow	$79	to	$103	$91		
Carpet and Pad	$744	to	$886	$805		
Rigid Vinyl Base	$486	to	$531	$508		
Desk Lamp	$108	to	$139	$124		
Floor Lamp	$177	to	$225	$201		
End Table Lamp	$130	to	$165	$147		
Nightstand or Bracket Lamp (2)	$224	to	$285	$255		
Welcome Light (in Existing Location)	$165	to	$237	$201		
Desk Chair (including Fabric)	$297	to	$389	$343		
Lounge Chair (including Fabric)	$514	to	$673	$594		
Ottoman (including Fabric)	$144	to	$184	$164		
Sleeper Sofa (including Fabric; Assumes King Rms)	$479	to	$617	$548		
Paint Textured or Drywall Ceiling	$214	to	$555	$320		
Paint Entry Doors, Closet Doors, Frames, and Grilles	$130	to	$187	$164		
Vinyl Wallcovering (LY 54")	$702	to	$1,015	$852		
Window Trtms (Sheer, Blackout, Hardware, Installed)	$535	to	$799	$667		
Guestroom Softgoods Renovation Cost Per Key	$6,457	to	$9,079	**$7,724**	$7,724	**$339,875**

Guest Bathroom Softgoods Renovation						
Assume guest bathroom area of 6' x 8'. Ceilings 8'-6" AFF. Painted drywall.						
Demolition	$99	to	$189	$141		
Artwork (Installed)	$100	to	$152	$127		
Lighted Mirror	$494	to	$679	$581		
Makeup Mirror	$175	to	$242	$209		
Night Light	$72	to	$113	$97		
Paint Ceiling	$28	to	$71	$46		
Vinyl Wallcovering (LY 54")	$151	to	$242	$189		
Shower Curtain and Hooks	$56	to	$62	$59		
Paint Door and Trim	$65	to	$93	$82		
Regrout Floor Tile	$148	to	$216	$183		
Regrout Wall Tile	$157	to	$228	$193		
Guest Bathroom Softgoods Renovation Cost Per Key	$1,606	to	$2,446	**$2,006**	$2,006	**$88,257**

Guest Bathroom Add for Full Renovation						
Additional Demolition	$627	to	$806	$693		
Architectural Lighting	$182	to	$312	$250		
Replace Bathroom Door and Hardware	$622	to	$683	$651		
Electrical Upgrades (Add One GFI Outlet)	$83	to	$148	$103		
Tub-to-Shower Conv (Pan, Srnd, Valve, Shower Head)	$3,458	to	$4,213	$3,726		
Shower Valve and Head, Tub Diverter, Tub Drain	$421	to	$660	$529		
Tub Surround (Solid Panel)	$1,084	to	$1,405	$1,209		
Lavatory	$224	to	$322	$284		
Faucet (and Connections)	$431	to	$508	$470		
Vanity Top	$393	to	$599	$498		
Vanity Base	$339	to	$523	$432		
Toilet Accessories	$326	to	$495	$430		
Tile Flooring	$469	to	$566	$530		
Toilet and Seat	$479	to	$751	$627		
Guest Bathroom Full Reno Additional Cost Per Key	$9,137	to	$11,991	**$10,433**	$10,433	**$459,041**

Corridors						
Per room with each unit 13' long and half of a 6'-wide corridor; 34 rooms per floor.						
	RANGE			AVERAGE		
Demolition	$50	to	$109	$72		
Artwork (Installed)	$14	to	$22	$18		
Carpet and Pad	$199	to	$301	$247		
Rigid Vinyl Base	$93	to	$101	$97		
Ceiling-mounted Lighting	$60	to	$83	$72		
Sconces	$72	to	$102	$88		
Elevator Lobby Furniture (Allowance)	$58	to	$87	$72		
Vending Area Floor Tile	$20	to	$24	$23		
Ice Machine	$234	to	$259	$246		
Millwork (Allowance for Elevator Lobby)	$61	to	$101	$79		
Signage Package (Room Numbers, Wayfinding, Cm)	$210	to	$247	$227		
Vinyl Wallcovering (LY 54")	$140	to	$214	$171		
Window Treatments (with Hardware and Installation)	$25	to	$37	$31		
Corridors Renovation Cost Per Key	$1,259	to	$1,729	**$1,477**	$1,477	**$64,986**

Lobby Softgoods Renovation						
Assume a 3,500 SF area. Ceiling 12' AFF.	RANGE			AVERAGE		
Demolition	$5,542	to	$6,789	$6,204		
Artwork and Artifacts (Installed)	$10,425	to	$15,783	$13,131		
Millwork (Refinish)	$1,979	to	$2,355	$2,147		
Millwork Screen Walls (Refinish)	$1,319	to	$1,662	$1,480		
Paint Drywall Ceiling	$3,710	to	$7,201	$5,705		
Paint Doors and Trim	$652	to	$934	$821		
Vinyl Wallcovering (LY 54", 40% Openings)	$1,746	to	$2,659	$2,131		
Window Treatments (with Hardware and Installation)	$2,827	to	$4,241	$3,534		
Seating Groups	$12,800	to	$16,657	$14,731		
Lobby Softgoods Renovation Cost Subtotal	$41,000	to	$58,281	$49,884	$49,884	
Lobby Softgoods Renovation Cost Per SF	$12	to	$17	$14		**$50,000**

Lobby - Add for a Full Renovation	RANGE			AVERAGE
Additional Demolition	$27,708	to	$32,973	$30,054
Decorative Lighting	$24,081	to	$34,597	$29,288
Electrical	$45,739	to	$57,734	$51,525
Hard Surface Flooring	$66,675	to	$79,343	$73,974
HVAC	$20,781	to	$36,367	$28,747
Life Safety	$19,627	to	$25,457	$22,409
Architectural Lighting	$34,635	to	$48,489	$40,864
Front Desk (New Pods, in Existing Location)	$43,751	to	$62,865	$53,932
Front Desk Equipment	$10,556	to	$12,746	$11,548
Concierge Desk	$7,410	to	$11,176	$9,529
Bell Stand	$5,937	to	$7,066	$6,440
Millwork Running Trim	$9,525	to	$14,346	$11,745
Millwork Screen Walls (New)	$21,771	to	$31,172	$26,422
Articulated Drywall Ceiling (New)	$40,005	to	$54,305	$47,924
Sound System	$4,156	to	$9,455	$7,017
Drywall Partitions	$12,984	to	$19,512	$16,058
Business Center (Millwork / Finishes / Seating)	$15,959	to	$24,308	$20,070
Lobby Full Renovation Additional Cost Subtotal	$411,301	to	$561,911	$487,546
Lobby Full Renovation Additional Cost Per SF	$118	to	$161	$139

Marketplace / Sundries Shop				
205 SF space with display millwork, refri, coffee offer	RANGE			AVERAGE
Demolition	$2,058	to	$3,075	$2,615
Drywall Partitions	$3,066	to	$4,607	$3,791
Articulated Drywall Ceiling (New)	$2,343	to	$3,181	$2,755
Millwork - Display Millwork	$8,591	to	$24,546	$19,380
Millwork - Island Cabinets and Hard Surface Top	$2,692	to	$4,161	$3,433
Hard Surface Flooring and Base	$2,915	to	$3,514	$3,293
Paint	$212	to	$411	$326
Architectural Lighting	$2,734	to	$3,895	$3,396
Electrical	$3,970	to	$5,194	$4,621
Plumbing	$2,343	to	$3,239	$2,840
Life Safety	$1,150	to	$1,491	$1,313

HVAC	$572	to	$1,200	$933	
Nesting Tables	$641	to	$832	$737	
Refrigerator / Freezer	$9,000	to	$12,000	$10,467	
Refrigerated Merchandiser	$10,500	to	$15,750	$13,300	
Undercounter Ice Maker	$4,725	to	$6,300	$5,492	
Microwave Oven	$204	to	$259	$231	
Espresso Machine / Coffee	$13,400	to	$19,950	$16,717	
Signage	$358	to	$464	$411	
Marketplace / Sundries Renovation Cost Subtotal	$71,473	to	$114,070	$96,049	
Marketplace / Sundries Renovation Cost Per SF	$349	to	$556	$469	

Public Restrooms Softgoods Renovation					
Four restrooms tot 1,440 SF ea w/ 5 lavs; 7 fx	RANGE			AVERAGE	
Demolition	$998	to	$1,496	$1,147	
Artwork and Artifacts (Installed)	$9,220	to	$14,001	$11,551	
Framed Mirrors	$4,126	to	$5,547	$4,792	
Paint Drywall Ceiling	$1,670	to	$4,262	$2,770	
Paint Doors and Trim	$588	to	$753	$694	
Vinyl Wallcovering (LY 54")	$4,539	to	$6,173	$5,241	
Decorative Vanity Lighting	$4,385	to	$6,826	$5,608	
Public Restrooms Softgoods Renovation Cost Subtotal	$25,525	to	$39,059	$31,802	**$31,802**
Public Restrooms Softgoods Renovation Cost Per SF	$18	to	$27	$22	

Public Restrooms - Add for a Full Renovation	RANGE			AVERAGE	
Additional Demolition	$15,200	to	$19,950	$17,480	
Toilet Partitions	$27,708	to	$63,042	$42,704	
Toilet Accessories	$4,740	to	$8,379	$6,830	
Replace Doors	$7,466	to	$8,664	$7,950	
Toilets / Urinals	$14,861	to	$43,881	$24,877	
Architectural Lighting	$15,960	to	$19,950	$17,317	
Tile Flooring	$20,477	to	$24,682	$23,131	
Tile Walls	$10,238	to	$12,341	$11,565	
Motion-sensing Flush Valves	$16,352	to	$25,536	$20,022	
Motion-sensing Faucets	$8,500	to	$19,602	$14,154	
Vanity Top, Sinks	$15,740	to	$24,764	$19,866	
Public Restrooms Full Renovation Add	$157,242	to	$270,790	$205,894	**$205,894**
Public Restrooms Full Reno Additional Cost Per SF	$109	to	$188	$143	

Restaurant Softgoods Renovation					
140-seat restaurant apprx (3,000 SF). Ceiling 12'	RANGE			AVERAGE	
Demolition	$3,958	to	$5,819	$4,885	
Artwork (Installed)	$5,028	to	$7,548	$6,280	
Carpet and Pad (75% of Floor Area)	$13,879	to	$16,298	$14,994	
Millwork Buffet, Host Station (Refinish)	$5,937	to	$9,559	$7,770	
Millwork Screen Walls (Refinish)	$1,319	to	$2,217	$1,776	
Millwork Running Trim (Refinish)	$914	to	$1,369	$1,126	
Reupholster Banquettes	$11,894	to	$18,387	$15,130	
Paint Drywall Ceiling	$3,180	to	$6,172	$4,890	
Paint Doors and Trim	$441	to	$565	$520	
Vinyl Wallcovering (LY 54", 40% Openings)	$3,118	to	$4,241	$3,601	
Window Treatments (with Hardware and Installation)	$2,996	to	$4,494	$3,745	
Dining Chairs (With Arms, including Fabric)	$8,582	to	$11,214	$9,895	
Dining Chairs (No Arms, including Fabric)	$47,451	to	$60,940	$54,155	
Restaurant Softgoods Renovation Cost Subtotal	$108,697	to	$148,823	$128,766	**$128,766**
Restaurant Softgoods Renovation Cost Per SF	$36	to	$50	$43	
Restaurant Softgoods Renovation Cost Per Seat	$776	to	$1,063	$920	

Restaurant - Add for a Full Renovation	RANGE			AVERAGE	
Additional Demolition	$15,697	to	$20,643	$17,997	
Banquettes	$18,900	to	$26,100	$22,292	
Buffet Equipment	$32,986	to	$62,343	$48,094	
Decorative Lighting	$12,276	to	$18,898	$15,641	
Architectural Lighting	$37,406	to	$45,719	$41,978	
Electrical	$33,250	to	$41,562	$36,076	
Tile Flooring (25% of Floor Area)	$10,665	to	$12,855	$12,047	
HVAC	$12,469	to	$20,781	$16,791	
Life Safety	$16,823	to	$21,820	$19,208	
Millwork Buffet, Host Station (New, in Existing Loc)	$53,325	to	$71,774	$61,362	
Millwork Screen Walls (New)	$16,493	to	$20,920	$18,579	
Millwork Running Trim	$6,518	to	$9,017	$7,813	
Articulated Drywall Ceiling (New)	$35,814	to	$54,064	$45,858	
Sound System	$4,156	to	$9,455	$7,017	
Tables	$20,492	to	$26,963	$23,727	
Communal Dining Tables, Chef's Table (6 Seats)	$7,196	to	$11,062	$9,145	
Communal Table Stools	$5,241	to	$7,861	$6,551	
Drywall Partitions	$14,107	to	$21,463	$17,465	
Restaurant Full Renovation Additional Cost Subtotal	$353,813	to	$503,301	$427,641	**$427,641**
Restaurant Full Renovation Additional Cost Per SF	$118	to	$168	$143	
Restaurant Full Renovation Additional Cost Per Seat	$2,527	to	$3,595	$3,055	

Bar / Lounge Softgoods Renovation					
90-seat bar/lounge area of approx 40' x 40' (1,600 SF)	RANGE			AVERAGE	
Demolition	$2,111	to	$3,103	$2,605	
Artwork, Accessories, and Mirrors (Installed)	$8,320	to	$12,511	$10,408	
Bar / Back Bar (Refinish)	$1,979	to	$3,186	$2,590	
Carpet and Pad (55% of Floor Area)	$5,086	to	$5,998	$5,505	
Millwork Running Trim (Refinish)	$602	to	$831	$717	
Paint Drywall Ceiling	$848	to	$1,646	$1,304	
Paint Doors and Trim	$147	to	$188	$173	
Vinyl Wallcovering (LY 54")	$3,782	to	$5,145	$4,368	
Reupholster Banquettes	$7,929	to	$12,258	$10,086	
Dining Chairs (With Arms, including Fabric)	$2,145	to	$2,804	$2,474	
Dining Chairs (No Arms, including Fabric)	$25,759	to	$33,082	$29,399	
Bar Stools (including Fabric)	$6,121	to	$9,164	$7,643	
Seating Group	$10,236	to	$13,326	$11,784	
Bar / Lounge Softgoods Renovation Cost Subtotal	$75,066	to	$103,243	$89,056	**$89,056**
Bar / Lounge Softgoods Renovation Cost Per SF	$47	to	$65	$56	
Bar / Lounge Softgoods Renovation Cost Per Seat	$834	to	$1,147	$990	

Bar / Lounge - Add for a Full Renovation					
Select Kitchen Equipment	$88,900	to	$133,350	$108,458	
Kitchen Equipment Cost Subtotal	$88,900	to	$133,350	$108,458	**$108,458**
Kitchen Equipment Cost Per SF	$21	to	$32	$26	

Bar/Lounge Full Renovation Additional	RANGE			AVERAGE	
Additional Demolition	$12,192	to	$17,069	$14,691	
Bar Die and Top (New in Existing Location)	$24,981	to	$38,281	$29,915	
Back Bar (New in Existing Location)	$22,563	to	$40,986	$32,252	
Bar Equipment	$46,180	to	$63,036	$54,400	
Articulated Drywall Ceiling (New)	$19,101	to	$28,245	$23,656	
Banquettes	$9,450	to	$13,050	$11,146	
Communal Table	$7,194	to	$11,059	$9,142	
Communal Table Chairs	$5,507	to	$8,261	$6,884	
Decorative Lighting	$6,768	to	$10,636	$8,756	
Electrical	$17,733	to	$22,167	$19,241	
Tile Flooring (45% of Floor Area)	$10,238	to	$12,341	$11,565	
HVAC	$6,650	to	$11,083	$8,955	
Life Safety	$8,972	to	$11,637	$10,244	
Architectural Lighting	$19,950	to	$24,383	$22,388	
Millwork Running Trim	$4,740	to	$6,558	$5,682	
Other Seating and Tables (Allowance)	$2,917	to	$4,384	$3,650	
Sound System	$6,234	to	$14,183	$10,526	
TVs - 50" LCD HD	$4,253	to	$5,197	$4,569	
Tables	$9,406	to	$10,438	$9,925	
Drywall Partitions	$17,099	to	$26,016	$21,170	
Bar / Lounge Full Renovation Additional Cost Subtotal	$262,129	to	$379,010	$318,757	**$318,757**
Bar / Lounge Full Renovation Additional Cost Per SF	$164	to	$237	$199	
Bar / Lounge Full Renovation Additional Cost Per Seat	$2,913	to	$4,211	$3,542	

Kitchen					
Kitchen area approx 50' x 70' (3,500 SF), inc BQ prep	RANGE			AVERAGE	
Selective Demolition	$32,226	to	$36,871	$34,299	
Vinyl-coated Tile Ceiling (2' x 4' Tiles and New Grid)	$21,931	to	$35,560	$28,312	
Fluorescent Lighting (2' x 4')	$14,547	to	$24,245	$17,602	
Paint Door Frames and Trim	$735	to	$941	$867	
Paint Walls	$1,206	to	$3,078	$2,000	
Quarry Tile Flooring	$45,220	to	$59,063	$52,427	
Replace Doors	$8,576	to	$19,368	$14,885	
Kydex-paneled Walls	$1,898	to	$3,698	$2,641	
Kitchen Renovation Cost Subtotal	$126,340	to	$182,824	$153,032	**$153,032**
Kitchen Renovation Cost Per SF	$30	to	$44	$36	

Prefunction Softgoods Renovation	RANGE			AVERAGE
Assume prefunction approx 20' to 25'-wide (7,250 SF)				
Demolition	$9,566	to	$14,062	$11,804
Paint Articulated Drywall Ceiling	$8,410	to	$21,460	$13,945
Carpet and Pad	$45,322	to	$53,780	$49,191
Paint Doors and Trim (Service Doors and Exits)	$441	to	$565	$520
Millwork Running Trim (Refinish)	$3,152	to	$4,255	$3,699
Protect / Remove / Reinstall All Light Fixtures	$1,979	to	$3,464	$2,738
Vinyl Wallcovering (LY 54")	$18,865	to	$25,658	$21,785
Window Treatments (with Hardware and Installation)	$2,974	to	$4,470	$3,722
Seating Groups	$25,589	to	$33,316	$29,460
Prefunction Softgoods Renovation Cost Subtotal	$116,298	to	$161,031	$136,864
Prefunction Softgoods Renovation Cost Per SF	$16	to	$22	$19

Prefunction - Add for a Full Renovation	RANGE			AVERAGE
Additional Demolition	$36,830	to	$48,339	$43,275
Artwork, Accessories, Mirrors (Allowance, Installed)	$29,805	to	$44,695	$37,250
Articulated Drywall Ceiling (New)	$86,551	to	$112,490	$100,008
Decorative Lighting	$84,690	to	$127,595	$106,543
Electrical	$71,744	to	$95,420	$83,176
HVAC	$43,047	to	$75,332	$59,548
Life Safety	$40,655	to	$52,732	$46,419
Architectural Lighting	$71,744	to	$115,509	$93,890
Millwork Running Trim	$23,641	to	$32,707	$28,341
Portable Bars	$22,854	to	$34,308	$28,580
Prefunction Full Renovation Additional Cost Subtotal	$511,561	to	$739,126	$627,029
Prefunction Full Renovation Additional Cost Per SF	$71	to	$102	$86

Ballroom Softgoods Renovation						
Assume ballroom approx 75' x 114' (8,550 SF) with 3 divisions. Ceiling 18' AFF, coffered.						
	RANGE			AVERAGE		
Demolition	$11,281	to	$16,583	$13,921		
Paint Articulated Drywall Ceiling	$9,918	to	$25,329	$16,071		
Carpet and Pad	$45,226	to	$53,666	$49,086		
Paint Doors and Trim	$3,000	to	$3,990	$3,302		
Millwork Running Trim (Refinish)	$1,493	to	$2,722	$1,982		
Protect / Remove / Reinstall All Light Fixtures	$10,795	to	$14,669	$12,865		
Vinyl Wallcovering (LY 54")	$13,404	to	$18,231	$15,479		
Operable Partition Wallcovering	$3,619	to	$4,645	$4,065		
Ballroom Softgoods Renovation Cost Subtotal	$98,735	to	$139,835	$116,771		
Ballroom Softgoods Renovation Cost Per SF	$12	to	$16	$14	2,880sf	**$39,341**

Ballroom - Add for a Full Renovation	RANGE			AVERAGE		
Additional Demolition	$67,687	to	$80,548	$73,418		
Artwork, Accessories, and Mirrors (Allowance, Installed)	$3,970	to	$5,955	$4,962		
Banquet Chairs	$81,002	to	$113,048	**$97,072**		
Articulated Drywall Ceiling (New)	$119,910	to	$211,399	$151,872		
Decorative Lighting	$169,969	to	$254,199	**$212,249**		
Electrical	$84,609	to	$112,530	**$98,090**		
HVAC	$50,765	to	$88,839	**$70,225**		
Life Safety	$47,945	to	$62,188	**$54,742**		
Architectural Lighting	$84,609	to	$136,220	**$110,725**		
Millwork Running Trim	$11,198	to	$15,493	**$13,425**		
Operable Partitions (New, Manual)	$91,800	to	$165,857	$123,823		
Portable Bars	$22,854	to	$34,308	$28,580		
Tables (14" x 72", including Meeting Rooms)	$36,224	to	$39,502	**$37,863**		
Tables (72" rounds, including Meeting Rooms)	$20,718	to	$23,341	**$22,029**		
AV Infrastructure Portable equipment by others.	$88,935	to	$155,637	**$133,403**		
Ballroom Full Renovation Additional Cost Subtotal	$982,196	to	$1,499,064	$1,232,478		
Ballroom Full Renovation Additional Cost Per SF	$115	to	$175	$144	2,880sf	**$415,152**

Meeting Rooms Softgoods Renovation						
Per meeting rm apprx 34' x 50' each (1,700 each)						
	RANGE			AVERAGE		
Demolition	$2,243	to	$3,297	$2,770		
Carpet and Pad	$8,992	to	$10,670	$9,831		
Paint Articulated Drywall Ceiling	$1,972	to	$5,036	$3,504		
Paint Doors and Trim	$450	to	$598	$524		
Millwork Running Trim (Refinish)	$698	to	$1,045	$872		
Protect / Remove / Reinstall All Light Fixtures	$508	to	$800	$654		
Vinyl Wallcovering (LY 54")	$3,972	to	$5,402	$4,687		
Window Treatments (with Hardware and Installation)	$5,966	to	$8,944	$7,455		
Meeting Rooms Softgoods Renovation Cost Subtotal	$24,801	to	$35,793	$30,297	$3	**$90,892**
Meeting Rooms Softgoods Renovation Cost Per SF	$15	to	$21	$18		

Meeting Rooms - Add for a Full Renovation	RANGE			AVERAGE		
Additional Demolition	$94,208	to	$112,107	$102,184		
Banquet Chairs	$139,137	to	$185,949	$162,110		
Artwork, Accessories, and Mirrors (Installed)	$24,589	to	$37,027	$30,754		
Articulated Drywall Ceiling (New)	$142,062	to	$210,071	$175,939		
Decorative Lighting	$26,134	to	$39,594	$32,943		
Electrical	$131,891	to	$164,864	$143,102		
HVAC	$49,459	to	$82,432	$66,605		
Life Safety	$66,731	to	$86,554	$76,191		
Architectural Lighting	$148,377	to	$181,350	$166,512		
Millwork Running Trim	$34,839	to	$48,200	$41,766		
Millwork Serving Stations	$40,005	to	$65,342	$54,851		
AV Infrastructure	$55,165	to	$96,539	$82,748		
Meeting Rooms Full Reno Additional Cost Subtotal	$952,598	to	$1,310,028	$1,135,704		
Meeting Rooms Full Renovation Additional Cost PSF	$80	to	$110	$95	$1,728	**$164,920**

Board Room Softgoods Renovation				
Assume a single, 2-bay board room, approx 26' x 28' (728 SF). Ceiling 12' AFF, coffered.				
	RANGE			AVERAGE
Demolition	$961	to	$1,412	$1,185
Carpet and Pad	$3,851	to	$4,569	$4,180
Paint Articulated Drywall Ceiling	$844	to	$2,155	$1,377
Paint Doors and Trim	$300	to	$399	$328
Millwork Running Trim (Refinish)	$427	to	$778	$566
Protect / Remove / Reinstall All Light Fixtures	$127	to	$267	$206
Vinyl Wallcovering (LY 54")	$2,553	to	$3,473	$2,948
Window Treatments (with Hardware and Installation)	$1,498	to	$2,247	$1,873
Executive Chairs	$8,208	to	$10,629	$9,415
Board Room Softgoods Renovation Cost Subtotal	$18,768	to	$25,928	$22,078
Board Room Softgoods Renovation Cost Per SF	$26	to	$36	$30

Board Room - Add for a Full Renovation	RANGE			AVERAGE
Additional Demolition	$5,763	to	$6,858	$6,251
Artwork, Accessories, and Mirrors (Installed)	$1,040	to	$1,582	$1,304
Articulated Drywall Ceiling (New)	$8,691	to	$12,851	$10,763
Decorative Lighting	$2,899	to	$4,844	$3,888
Electrical	$16,642	to	$20,872	$18,782
HVAC	$3,026	to	$5,043	$4,075
Life Safety	$4,082	to	$5,295	$4,661
Architectural Lighting	$12,254	to	$14,977	$13,752
Millwork Running Trim (Hardwood Crown, Chair, Base)	$3,200	to	$4,426	$3,836
Millwork Serving Stations	$5,715	to	$9,335	$7,836
Board Room Conference Table	$3,894	to	$5,842	$4,868
AV Infrastructure	$12,865	to	$22,513	$19,297
Board Room Full Renovation Additional Cost Subtotal	$80,071	to	$114,439	$99,313
Board Room Full Renovation Additional Cost Per SF	$110	to	$157	$136

Exercise Facility Softgoods Renovation				
Assume a three-bays of approx 28' x 39' (1,092 SF)	RANGE			AVERAGE
Demolition	$1,441	to	$2,118	$1,778
Artwork (Installed)	$628	to	$963	$789
Clock	$64	to	$94	$82
Hamper	$369	to	$475	$422
Towel Caddy	$406	to	$522	$464
Sport Flooring	$15,452	to	$22,823	$18,758
Mirrors	$3,200	to	$4,419	$3,857
Paint Drywall Ceiling	$633	to	$1,616	$1,050
Paint Doors and Trim	$294	to	$377	$347
Remove and Reinstall Exercise Equipment	$2,309	to	$4,918	$3,662
Vinyl Wallcovering (LY 54")	$2,490	to	$3,564	$2,947
Window Treatments (with Hardware and Installation)	$502	to	$762	$632
Exercise Facility Softgoods Renovation Cost Subtotal	$27,789	to	$42,651	$34,787
Exercise Facility Softgoods Renovation Cost Per SF	$25	to	$39	$32

Exercise Facility - Add for a Full Renovation	RANGE			AVERAGE
Additional Demolition	$8,645	to	$10,288	$9,377
Articulated Drywall Ceiling (New)	$15,315	to	$16,943	$16,048
Exercise Equipment (Installed)	$78,658	to	$102,264	$90,461
Electrical	$12,103	to	$15,129	$13,132
HVAC	$4,539	to	$7,564	$6,112
Life Safety	$6,124	to	$7,943	$6,992
Architectural Lighting	$13,616	to	$16,642	$15,280
Millwork Lockers	$9,896	to	$12,607	$11,177
TVs and Mounts (42", including Program)	$4,717	to	$5,480	$5,020
Water Fountain	$1,583	to	$2,494	$2,042
Sound System	$2,078	to	$4,728	$3,509
Exercise Facility Full Reno Additional Cost Subtotal	$157,273	to	$202,081	$179,149
Exercise Facility Full Renovation Additional Cost Per SF	$144	to	$185	$164

Outdoor Pool						
20' x 40' (800 SF) w/ 15'-wide deck, approx 2,700 SF	RANGE			AVERAGE		
ADA Lift	$8,890	to	$18,669	$13,640		
Pool Furniture	$49,169	to	$73,762	$61,465		
Pool Equipment	$13,194	to	$22,167	$17,760		
Resurface Pool Bottom	$6,616	to	$10,915	$8,632		
Resurface Pool Deck (Kool Deck)	$16,605	to	$28,215	$21,906		
Signage (Life Safety, Pool Rules)	$1,270	to	$3,334	$2,381		
Outdoor Pool Renovation Cost Subtotal	$95,744	to	$157,061	$125,784		
Outdoor Pool Renovation Cost Per SF	$27	to	$45	$36	$5,400	**$194,076**

Indoor Pool						
20' x 40' (800 SF) w/12'-wide deck, approx 2,016 SF	RANGE			AVERAGE		
ADA Lift	$8,890	to	$18,669	$13,640		
Architectural Lighting	$37,705	to	$46,084	$42,314		
Drywall Ceiling (New, from Scaffolding)	$17,794	to	$21,672	$19,369		
Paint Doors and Trim	$450	to	$599	$492		
Pool Deck Tile	$24,067	to	$32,009	$27,901		
Pool Equipment	$13,194	to	$22,167	$17,760		
Pool Furniture	$9,930	to	$14,904	$12,417		
Pool Pak HVAC	$84,491	to	$102,157	$92,888		
Replace Doors (Storefront)	$2,013	to	$2,850	$2,493		
Resurface Pool Bottom	$6,616	to	$10,915	$8,632		
Wall Tile	$15,699	to	$18,923	$17,734		
Signage (Life Safety, Pool Rules)	$1,270	to	$3,334	$2,381		
Indoor Pool Renovation Cost Subtotal	$222,118	to	$294,280	$258,020		
Indoor Pool Renovation Cost Per SF	$79	to	$105	$92		

Outdoor Amenities	RANGE			AVERAGE		
Stamped Concrete at Arrivals	$35,550	to	$57,750	$43,599		
Outdoor Furniture	$55,319	to	$82,988	$69,153		
Fire Pit	$10,795	to	$16,086	$13,510		
Outdoor Lighting	$12,535	to	$40,870	$27,438		
Patio Landscaping	$15,174	to	$27,016	$21,236		
Outdoor Amenities Renovation Cost Subtotal	$129,372	to	$224,709	$174,936		**$174,936**

Outdoor Parking						
Assume 486 spaces, 9' x 19', and 25'-wide aisles						
(1.6 spaces per rm to accom added attendance)	RANGE			AVERAGE		
Clean and Seal Asphalt	$31,394	to	$81,646	$57,305		
Stripe Spaces	$8,019	to	$17,496	$12,540		
Pavement Resurfacing	$116,622	to	$305,087	$217,035		
Outdoor Parking Renovation Cost Subtotal	$156,035	to	$404,229	$286,880		
Outdoor Parking Renovation Cost Per Space	$321	to	$832	$590	$100	**$59,029**

Landscaping 2ac Ave Lot	RANGE			AVERAGE		
Landscaping Allowance	$52,778	to	$83,125	$68,083		
Landscaping Renovation Cost Subtotal	$52,778	to	$83,125	$68,083		**$68,083**

Common Additives	RANGE			AVERAGE		
New RFID Key System	$381	to	$533	**$469**	$44	**$20,620**
Elevator Cab Finishes	$16,493	to	$23,413	$19,909		
Elevator Modernization	$262,436	to	$330,670	$294,454		
Traction, per Cab						
Electronic Signage Boards	$19,792	to	$28,539	$24,127		
Additional Lobby / Prefunction Screens	$6,597	to	$9,513	$8,042		
Additional Meeting Room Door Screen (18" diag.)	$6,406	to	$9,312	$7,849		
Two-Pipe Horizontal Fan Coil Unit Direct Rplc	$1,798	to	$4,354	$2,921		
Four-Pipe Verti Fan Coil Unit Dir Rplc w/Drywall Repair	$2,287	to	$5,674	$3,851		
Laundry Equipment - New						
75# Washer	$26,389	to	$36,021	**$31,086**	$1	**$31,086**
125# Dryer	$39,583	to	$49,875	**$44,412**	$1	**$44,412**
Ironer / Folder	$131,944	to	$149,624	**$139,174**	$1	**$139,174**
Porte Cochere - Re-image: Demolish and Replace	$32,986	to	$76,198	**$55,482**	$1	**$55,482**
Guestroom ADA Modifications	$16,982	to	$25,800	**$19,642**	$1	**$19,642**
Roll-in Shower Room	$20,055	to	$37,500	$27,762		
Exterior Signage - Monument	$19,792	to	$26,323	**$22,945**	$1	**$22,945**
Exterior Signage - New	$52,778	to	$63,729	$57,739		
Power-operated, Bi-parting Entrance Doors	$33,693	to	$40,986	$37,726		
Fireplace - Natural Gas with Stone Hearth	$7,703	to	$18,852	$13,671		
Add Screening for Buffet in Restaurant	$13,335	to	$63,500	$30,817		
Replace Guestroom Entry Door and Hardware	$756	to	$1,059	**$923**	$44	**$40,601**
Replace Guestroom Connecting Doors and Hardware	$1,912	to	$2,060	$1,984		
Replace Corridor Service Doors and Hardware	$1,524	to	$2,000	**$1,753**	$10	**$17,526**
Replace GR Closet Door with Pair of Swing Doors +HW	$740	to	$1,025	$858		
Replace GR Bath Door with Barn Door and Hardware	$1,255	to	$1,438	**$1,355**	$44	**$59,606**
Incremental Add for LVT in GR Instead of Carpet	$962	to	$1,684	**$1,346**	$44	**$59,209**
Est Total - inside walls & grounds. NOT BUILDING STRUCTURES, ROOFS, PLANT MEP INFRA						**$4,587,202**

We have added a 20% premium to the current conditions and transport to SW Puerto Rico.

Hotel Renovation Cost Estimating Guide

The 2020 Hotel Cost Estimating Guide is the twelfth edition of this comprehensive planning tool. JN+A and HVS Design developed the Guide to examine construction and FF&E costs for renovations in each hotel tier. The Guide is intended to help provide approximate costs for soft goods or full renovation with flexibility to customize your preliminary budget to fit your scope. As with any generic budgeting tool, the final costs for a specific project should be developed on a case-specific basis. Below are some tips to get the most out of this helpful tool.

		Upscale	Upper Upscale	Luxury
Guestrooms & Corridors				
Guestroom	Softgoods Renovation	$7,022 to $9,757 Per Guestroom	$9,061 to $12,424 Per Guestroom	$15,049 to $20,832 Per Guestroom
	Add for Full Renovation	$8,929 to $11,624 Per Guestroom	$14,072 to $18,454 Per Guestroom	$23,644 to $31,830 Per Guestroom
Bathroom	Softgoods Renovation (1)	$1,528 to $2,379 Per Guestroom	$1,812 to $2,842 Per Guestroom	$3,307 to $4,913 Per Guestroom
	Add for Full Renovation (2)	$8,208 to $11,623 Per Guestroom	$11,192 to $16,300 Per Guestroom	$19,394 to $28,627 Per Guestroom
Guestroom Corridors (3,4)		$1,259 to $1,718 Per Guestroom	$1,719 to $2,236 Per Guestroom	$1,918 to $2,649 Per Guestroom
Public Spaces				
Reception Area	Softgoods Renovation (5)	$14 to $20 Per SF (3500)	$20 to $27 Per SF (4800)	$33 to $45 Per SF (4000)
	Add for Full Renovation	$104 to $146 Per SF (3500)	$107 to $150 Per SF (4800)	$164 to $234 Per SF (4000)
Marketplace / Sundries	Full Renovation	$296 to $437 Per SF (205)	$307 to $442 Per SF (205)	N/A
Public Restrooms	Softgoods Renovation	$17 to $25 Per SF (1440)	$20 to $30 Per SF (1440)	$18 to $26 Per SF (1920)
	Add for Full Renovation	$101 to $158 Per SF (1440)	$118 to $184 Per SF (1440)	$142 to $203 Per SF (1920)
Food & Beverage Facilities				
Restaurant (Economy: Breakfast Bar Only)	Softgoods Renovation	$39 to $52 Per SF (3000)	$38 to $51 Per SF (4560)	$47 to $63 Per SF (3200)
		$827 to $1,121 Per Seat (140)	$883 to $1,194 Per Seat (195)	$1,240 to $1,684 Per Seat (120)
	Add for Full Renovation	$101 to $142 Per SF (3000)	$102 to $142 Per SF (4560)	$100 to $138 Per SF (3200)
		$2,167 to $3,039 Per Seat (140)	$2,395 to $3,330 Per Seat (195)	$2,676 to $3,687 Per Seat (120)
Bar & Lounge	Softgoods Renovation	$50 to $69 Per SF (1600)	$72 to $99 Per SF (1200)	$81 to $110 Per SF (1200)
		$893 to $1,225 Per Seat (90)	$1,232 to $1,691 Per Seat (70)	$1,865 to $2,536 Per Seat (52)
	Add for Full Renovation	$142 to $205 Per SF (1600)	$209 to $298 Per SF (1200)	$275 to $421 Per SF (1200)
		$2,529 to $3,652 Per Seat (90)	$3,576 to $5,111 Per Seat (70)	$6,357 to $9,726 Per Seat (52)
Kitchen (6) (Economy: Storage Pantry Only)	Excl. Equipment	$26 to $39 Per SF (3500)	$19 to $28 Per SF (4200)	$19 to $29 Per SF (4200)
	Select Kitchen Equipment	$19 to $28 Per SF (3500)	$21 to $27 Per SF (4200)	$23 to $30 Per SF (4200)
Function Spaces				
Prefunction	Softgoods Renovation	$19 to $25 Per SF (7250)	$23 to $30 Per SF (6250)	$38 to $49 Per SF (3100)
	Add for Full Renovation	$64 to $92 Per SF (7250)	$74 to $110 Per SF (6250)	$131 to $191 Per SF (3100)
Ballroom	Softgoods Renovation	$11 to $14 Per SF (8550)	$13 to $18 Per SF (4500)	$15 to $19 Per SF (4800)
	Add for Full Renovation	$109 to $157 Per SF (8550)	$204 to $305 Per SF (4500)	$250 to $370 Per SF (4800)
Meeting Rooms	Softgoods Renovation	$14 to $19 Per SF (11900)	$21 to $28 Per SF (8400)	$38 to $53 Per SF (3000)
	Add for Full Renovation	$72 to $97 Per SF (11900)	$108 to $151 Per SF (8400)	$174 to $247 Per SF (3000)
Board Rooms	Softgoods Renovation	$24 to $33 Per SF (728)	$28 to $38 Per SF (1456)	$37 to $48 Per SF (1456)
	Add for Full Renovation	$99 to $140 Per SF (728)	$107 to $156 Per SF (1456)	$142 to $197 Per SF (1456)
Guest Amenities				
Exercise Facility	Softgoods Renovation	$25 to $37 Per SF (1092)	$26 to $36 Per SF (1456)	$28 to $38 Per SF (1820)
	Add for Full Renovation (7)	$130 to $169 Per SF (1092)	$127 to $167 Per SF (1456)	$129 to $167 Per SF (1820)
Outdoor Swimming Pool (8)		$28 to $46 Per SF (2700)	$24 to $40 Per SF (3300)	$17 to $28 Per SF (6600)
Indoor Swimming Pool (8,9)		$70 to $96 Per SF (2016)	$81 to $113 Per SF (2496)	$90 to $127 Per SF (3576)
Outdoor Amenities		$125,146 to $204,956 Allowance	$228,824 to $335,464 Allowance	$292,284 to $445,714 Allowance
Infrastructure				
Outdoor Parking (Seal Lot & Stripe Spaces)		$394 to $997 Per Space (486)	N/A	N/A
Structured Parking		N/A	$1,265 to $1,859 Per Space (347)	$1,359 to $1,998 Per Space (352)
Landscaping (10)		$46,960 to $73,961 Allowance	$70,439 to $98,615 Allowance	$105,659 to $147,923 Allowance
Common Additives (11)				
New Electronic Key System		N/A	N/A	N/A
New RFID Key System (Nested WiFi)		$339 to $475 Per Key	$339 to $475 Per Key	$339 to $475 Per Key
Elevator Cab Finishes		$14,675 to $20,832 Per Cab	$20,545 to $29,954 Per Cab	$29,350 to $38,213 Per Cab
Elevator Modernization				
Hydraulic, per Cab		N/A	N/A	N/A
Traction, per Cab		$233,506 to $294,218 Per Cab (9 Stops)	$192,299 to $240,054 Per Cab (7 Stops)	$173,985 to $215,375 Per Cab (6 Stops)
Escalator Modernization		N/A	$352,197 to $517,729 Per Flight	$352,197 to $517,729 Per Flight
Electronic Signage Boards				
Basic System - One Lobby Screen (42" diag.)		$17,610 to $25,393 Per Screen	$17,610 to $25,393 Per Screen	$29,350 to $48,075 Per Screen
Additional Lobby / Prefunction Screens		$5,870 to $8,464 Per Screen	$5,870 to $8,464 Per Screen	$9,783 to $16,025 Per Screen
Additional Meeting Room Door Screen (18" diag.)		$5,700 to $8,286 Per Screen	$8,805 to $10,971 Per Screen	$8,805 to $10,971 Per Screen
PTAC Unit Direct Replacement, NIC Finishes		N/A	N/A	N/A
Two-Pipe Horizontal Fan Coil Unit Direct Replacement , NIC Finishes		$1,800 to $3,874 Each	N/A	N/A
Four-Pipe Vertical Fan Coil Unit Direct Replacement with Drywall Repair		$2,599 to $5,800 Each	$2,599 to $5,800 Each	$2,599 to $5,800 Each
Laundry Equipment (Direct Equipment Replacement with Access)				
75# Washer		$23,480 to $32,050 Each	$23,480 to $32,050 Each	$23,480 to $32,050 Each
125# Dryer		$35,220 to $44,377 Each	$35,220 to $44,377 Each	$35,220 to $44,377 Each
Ironer / Folder		$117,399 to $133,130 Each	$117,399 to $133,130 Each	$117,399 to $133,130 Each
Porte Cochere - Re-image: Demolish and Replace		$29,350 to $67,798 Allowance	$41,090 to $80,125 Allowance	$58,699 to $130,665 Allowance
Guestroom ADA Modifications				
Bathtub Room		$18,460 to $27,120 Per Key	$22,035 to $39,387 Per Key	$36,276 to $48,486 Per Key
Roll-in Shower Room		$21,375 to $29,380 Per Key	$23,730 to $45,200 Per Key	$42,375 to $54,240 Per Key
Exterior Signage - Monument		$17,610 to $23,421 Each	$17,610 to $23,421 Each	$17,610 to $23,421 Each
Exterior Signage - Highway		N/A	N/A	N/A
Exterior Signage - New Exterior Brand Sign in Existing Location		$46,960 to $56,704 Each	$46,960 to $56,704 Each	$46,960 to $56,704 Each
Dumpster Enclosure (CMU Walls, Wood Gate, Bollards, Concrete Pad)		N/A	N/A	N/A
Power-operated Bi-parting Entrance Doors (Inner and Outer at a Vestibule)		$27,500 to $35,640 Per Pair	$27,500 to $35,640 Per Pair	$27,500 to $35,640 Per Pair
Fireplace - Natural Gas with Stone Hearth and Surrounding Wall (Public Area)		$11,865 to $19,500 Allowance	$16,950 to $28,250 Allowance	$19,775 to $29,663 Allowance
Add Screening for Buffet in Restaurant		$11,865 to $56,500 Allowance	$11,865 to $56,500 Allowance	N/A
Replace Guestroom Entry Door and Hardware		$748 to $950 Each	$883 to $1,243 Each	$1,130 to $1,720 Each
Replace Guestroom Connecting Doors and Hardware		$1,630 to $2,240 Each	$1,630 to $2,486 Each	$1,900 to $3,277 Each
Replace Corridor Service Doors and Hardware		$1,356 to $1,780 Each	$1,469 to $1,898 Each	$1,582 to $2,195 Each
Replace Guestroom Closet Door with Pair of Swing Doors and Hardware		$790 to $891 Per Pair	$790 to $891 Per Pair	$790 to $891 Per Pair
Replace Guestroom Bath Door with Barn Door and Hardware		$1,105 to $1,310 Each	$1,105 to $1,310 Each	$1,105 to $1,310 Each
Incremental Add for LVT in Guestroom Instead of Carpet		$941 to $1,537 Per Key	$985 to $1,673 Per Key	N/A

Renovation Cost Estimating Overview

	Land	Hard Construction & Site Improvements	Soft Costs	FF&E	Pre-Opening & Working Capital	Total
Economy Hotels	$7,308 - $43,165	$66,959 - $136,073	$3,284 - $14,958	$5,500 - $14,892	$885 - $7,432	$107,595 - $199,642
Midscale Hotels	$5,851 - $57,509	$85,542 - $303,947	$1,016 - $37,013	$1,788 - $28,429	$357 - $110,509	$115,663 - $382,463
Extended-Stay Hotels	$9,364 - $20,832	$97,858 - $168,317	$3,673 - $26,458	$12,619 - $29,703	$109 - $6,262	$136,496 - $225,248
Upscale Hotels	$5,056 - $48,052	$87,825 - $154,507	$4,209 - $59,191	$2,087 - $39,345	$2,274 - $3,125	$145,281 - $215,091
Full-Service Hotels	$19,397 - $201,422	$201,149 - $421,120	$17,241 - $61,517	$45,977 - $65,052	$8,267 - $51,701	$321,839 - $750,759

Addendum 6 – Add 20 Guest Rooms to 64 Total

	2024		2025		2026		2027		2028	
Occupancy	57%		62%		70%		75%		76%	
Average Rate (USD$)	$220.00		$225.00		$230.00		$235.00		$239.70	
REVENUES										
Rooms Revenue (USD$)	2,924,205	42%	3,237,696	42%	3,750,214	42%	4,111,710	43%	4,277,935	43%
Group Surcharge (USD$)	32,250	0%	150,748	2%	162,808	2%	175,290	2%	178,795	2%
Food & Beverage (USD$)	3,768,237	54%	4,079,497	52%	4,622,547	52%	4,960,297	52%	5,059,636	51%
Other revs - Spa	273,750	4%	314,813	4%	346,294	4%	380,923	4%	419,015	4%
Total Revenue (USD$)	**6,998,441**	100%	**7,782,753**	100%	**8,881,863**	100%	**9,628,221**	100%	**9,935,382**	100%
Department Operating Expenses										
Rooms	789,535	27%	809,424	25%	937,554	25%	986,810	24%	983,925	23%
F&B	1,482,190	39%	1,480,586	35%	1,531,313	32%	1,540,676	30%	1,571,529	30%
Other Expenses	104,025	38%	119,629	38%	135,055	39%	148,560	39%	163,416	39%
Total *	**2,375,750**	34%	2,409,638	31%	2,603,922	29%	2,676,047	28%	2,718,871	27%
Departmental Income	4,622,691	66%	5,373,115	69%	6,277,941	71%	6,952,174	72%	7,216,512	73%
Undistributed Operating Expenses										
A & G	629,860	9%	700,448	9%	799,368	9%	866,540	9%	894,184	9%
Marketing	489,891	7%	490,313	6%	515,148	6%	529,552	6%	546,446	6%
Property Ops & Maint	279,938	4%	311,310	4%	390,802	4%	423,642	4%	437,157	4%
Utilities	244,945	4%	272,396	4%	293,101	3%	279,218	3%	268,255	3%
Total *	**1,644,634**	24%	1,774,468	23%	1,998,419	23%	2,098,952	22%	2,146,043	22%
Gross Operating Profit	2,978,058	43%	3,598,647	46%	4,279,522	48%	4,853,222	50%	5,070,469	51%
SLH Brand Affiliation*	**87,726**	3%	97,131	3%	112,506	3%	123,351	3%	128,338	3%
Management Fees*	**209,953**	3%	233,483	3%	266,456	3%	288,847	3%	298,061	3%
AGOP	2,680,378	38%	3,268,034	42%	3,900,560	44%	4,441,024	46%	4,644,070	47%
Fixed Expenses										
Property Taxes*	**78,420**	1%	79,988	1%	81,588	1%	83,220	1%	84,884	1%
Insurance*	**32,000**	1%	32,640	1%	33,293	1%	33,959	1%	34,638	1%
Incentive Management Fee*	**69,984**	1%	77,828	1%	88,819	1%	96,282	1%	99,354	1%
Reserve for Replacement	279,938	4%	311,310	4%	355,275	4%	385,129	4%	397,415	4%
Total	460,342	7%	501,766	6%	558,974	6%	598,590	6%	616,291	6%
Net Operating Income	2,220,036	32%	2,766,268	36%	3,341,586	38%	3,842,434	40%	4,027,778	41%
***1st Year OPEX Incentive**	**4,498,468**									

Cost Estimates 64 Rm Upscale Hotel		**Per Room**	**% of Total**
Hard Cost Reno	4,800,000	75,000	25%
Hard Cost Add 20 Rooms	2,000,000	100,000	
FF&E	3,840,000	60,000	20%
Pre-Open/Working capital	1,600,000	25,000	8%
Soft Costs	1,600,000	25,000	8%
Contingency	1,088,000	17,000	6%
Subtotal (without land)	14,928,000	233,250	79%
Acquisition Cost	4,000,000	62,500	21%
CPSF	$309.29	48,266	
Total	18,928,000	295,750	100%
Equity	5,678,400	30%	
Mortgage Component	13,249,600	70%	
Annual Debt Service	1,026,844	7.75%	

Dev Cost 40% Incentive	18,928,000	40%	7,571,200			
1st yr OPEX x 40%	4,498,468	40%	1,799,387	1/2 yr 2	1/4 yr 3	1/4 yr 4
Reduced Mortgage Yr 2, 3, 4			9,370,587	4,685,294	2,342,647	2,342,647
Revised IO Mortgage			IO Mortgage	663,734	482,179	300,624

	NOI	Debt Srvc	CF to Equity	IRR	DCR	-2% DCF
Year 1	2,220,036	1,026,844	1,193,192	21.01%	2.16	1,145,464
Year 2	2,766,268	663,734	2,102,534	37.03%	4.17	1,976,382
Year 3	3,341,586	482,179	2,859,407	50.36%	6.93	2,659,248
Year 4	3,842,434	300,624	3,541,811	62.37%	12.78	3,187,630
Year 5	4,027,778	300,624	3,727,155	65.64%	13.40	3,279,896
Year 6	4,027,778	300,624	3,727,155	65.64%	13.40	3,205,353
Year 7	4,027,778	300,624	3,727,155	65.64%	13.40	3,130,810
Year 8	4,027,778	300,624	3,727,155	65.64%	13.40	3,056,267
Year 9	4,027,778	300,624	3,727,155	65.64%	13.40	2,981,724
Year 10	4,027,778	300,624	3,727,155	65.64%	13.40	2,907,181
Total	36,336,993	4,277,121	**32,059,872**	564.59%		27,529,955

		Gross Sale	Mrtg Balance			
Terminal Cap	8.50%	47,385,627	3,879,013			
Exit IRR*		10 yr	**43,506,614**	766.18%	0.58	33,935,159
Total*			**75,566,486**	1330.77%		61,465,114

*before and after inflation adjusted cashflow