

**Market & Feasibility Study of  
Proposed Upper Midscale Hotel**  
Montgomery County, North Carolina

**Prepared For**

Ms. Savannah Heath MBA  
Economic Development Director  
Montgomery County  
102 East Spring Street  
Troy, NC 27371

**Date of Visit**

November 22, 2024

**Date of Report**

January 17, 2025

**Report Prepared By:**

Hotel and Club Associates, Inc.  
3717-D West Market Street  
Greensboro, NC 27403  
Phone: (336) 379-1400  
[www.hotelandclub.com](http://www.hotelandclub.com)



APPRAISAL AND CONSULTING SERVICE

January 17, 2025

Ms. Savannah Heath MBA  
Economic Development Director  
Montgomery County  
102 East Spring Street  
Troy, NC 27371

RE: ***Market & Feasibility Study for  
Proposed Upper Midscale Hotel***  
Montgomery County, North Carolina

Dear Ms. Heath:

At your request, we have prepared a market and feasibility study for a proposed hotel in Montgomery County, North Carolina. During the preparation of this study, we visited Montgomery County and interviewed various representatives from within the county. Demographic and economic indicators for the county have also been analyzed, as well as available data for local and surrounding lodging markets.

This study does not focus on a specific hotel franchise, though affiliation with a national brand provides the best opportunity for success. A limited service hotel in the “upper midscale” to “upscale” category appears to be the most appropriate for this market. Though there is room for some negotiation, most national franchises have a preference of at least 80 rooms. However, properties with less than 100 rooms are most common for smaller markets. Our analyses reflect two scenarios; one based on 80 rooms and a second based on 90 rooms.

The analyses and opinions concluded herein assume it would take two years for hotel construction and development from the date of the study. The assumption is that current economic trends in the county will continue into the foreseeable future and the study does not contemplate major disruptions in the local or national economy. The users of this study should understand that uncertainty of future events is a risk in hotel development.

There is a level of unaccommodated lodging demand in Montgomery County. Currently, there is only one franchised hotel in Biscoe, and it is common for visitors to the county to seek accommodation in Asheboro and other surrounding areas.

The challenge in the context of this study is the development of an opinion as to how many annual room nights a new lodging facility in Montgomery County can accommodate. Demand and occupancy levels for hotels in surrounding markets where there are franchised hotels are briefly analyzed and Hotel & Club Associates, Inc. has developed a correlation study between population and employment using data from other small communities that have modern lodging facilities.

Conclusions include projections of year-round occupancy, average daily rate (ADR), revenue per available room (RevPar), total room revenue, and shows the calculation of internal rates of return (IRR) using four scenarios. The strongest brands within this market segment are those affiliated with Hilton, Marriott, and InterContinental Hotel Group (IHG). As planning and development evolves, it may be necessary to re-examine these projections depending on brand availability, project costs, and other considerations. The following charts summarize the projections of the 80-room hotel and the 90-room hotel, each assumed to be upper midscale and within the limited service segment.

### Summary of Market/Feasibility Study Opinions - 90-Room Analysis

Property Type	Proposed Upper Midscale Hotel
# of Rooms	90
Opening Date (Year 1)	Q2 2027
Stabilized Date	Q2 2029
<b>Performance Projections</b>	
<b>Year 1</b>	
Occupancy	57.8%
ADR	\$135.00
RevPar	\$78.08
Room Revenue	\$2,565,000
<b>Year 2</b>	
Occupancy	60.9%
ADR	\$139.05
RevPar	\$84.66
Room Revenue	\$2,781,000
<b>Year 3 (Stabilized)</b>	
Occupancy	63.9%
ADR	\$143.22
RevPar	\$91.56
Room Revenue	\$3,007,652
<b>Internal Rate of Return Forecast</b>	
Unleveraged	7.15%
Leveraged - 55% LTV, 25 Yr Amort., 7.0% Interest	7.38%
Leveraged - 60% LTV, 25 Yr Amort., 7.0% Interest	7.43%
Leveraged - 65% LTV, 25 Yr Amort., 7.0% Interest	7.49%

<b>Summary of Market/Feasibility Study Opinions - 80-Room Analysis</b>	
Property Type	Proposed Upper Midscale Hotel
# of Rooms	80
Opening Date (Year 1)	Q2 2027
Stabilized Date	Q2 2029
<b>Performance Projections</b>	
<b>Year 1</b>	
Occupancy	65.1%
ADR	\$135.00
RevPar	\$87.84
Room Revenue	\$2,565,000
<b>Year 2</b>	
Occupancy	68.5%
ADR	\$139.05
RevPar	\$95.24
Room Revenue	\$2,781,000
<b>Year 3 (Stabilized)</b>	
Occupancy	71.9%
ADR	\$143.22
RevPar	\$103.00
Room Revenue	\$3,007,652
<b>Internal Rate of Return Forecast</b>	
Unleveraged	9.61%
Leveraged - 55% LTV, 25 Yr Amort., 7.0% Interest	12.33%
Leveraged - 60% LTV, 25 Yr Amort., 7.0% Interest	12.89%
Leveraged - 65% LTV, 25 Yr Amort., 7.0% Interest	13.57%

The feasibility portion of this study requires basic assumptions relative to project costs, financing terms and/or availability, and various other specific project inputs that are not fully defined as of this time. It may be appropriate to re-examine these inputs as planning and development progress.

**Conclusions of the Study:** The IRR conclusions for the proposed 80-room proposed hotel option are only a couple percentage points less than the typical threshold of around 15.0%. However, they are close enough to warrant attention from prospective hotel developers. The recent announcement of the Uwharrie Motorsports complex in adjacent Moore County could be a sufficient catalyst to push a developer forward. If this project proceeds as announced and is well-capitalized, prospective hotel developers would be more confident to move forward with the proposed hotel development.

Furthermore, if a developer were able to get approval from the franchise for a lower room count, around 65 to 75 rooms, it could enhance the feasibility of the project. However, this type of consideration tends to be determined by the franchisor on a case-by-case basis and this analysis does not speculate on this potential.

A prominent desire among market participants with a knowledge and/or experience in hotel development within tertiary markets is a local industry base that would allow the hotel to capture consistent weekday demand. This is an area in which Montgomery County is seemingly lacking compared to more developed markets across North Carolina. A survey was sent out to twelve different employers across the county and five responses were received (Mohawk, Samarcand, ACWR, Troy Lumber, Saputo). In total, these five companies require from 175 – 235 nights per year. Samarcand has around 250 beds on site but indicated that there is periodic need for further accommodations, though no specific number was revealed.

The study assumes that the hotel is the only one developed in Montgomery County over the next several years. Due to its location adjacent to I-74 and proximity to the future Uwharrie Motorsports Park, this study favors the Biscoe location as opposed to Troy or Candor. Multiple properties could dilute the demand and the potential of the proposed hotel to perform at the levels suggested. Please review the enclosed report, and if you have any questions or need additional information, please feel free to contact us. We appreciate the opportunity to be of service to Montgomery County.

Respectfully submitted,



---

David G. Pope, CRE, MAI, SRA, SGA



---

Spencer L. Brown, MAI, CHIA

---

## Table of Contents

Assumptions and Limiting Conditions .....	1
Extraordinary Assumptions and Limiting Conditions .....	2
Scope of the Market Study .....	4
Hotel Terminology – Sourced from STR Global .....	5
Potential Sites for Development.....	3
Montgomery County Overview.....	10
Lodging Trends and Market Analysis.....	20
Montgomery County Lodging Market Potential .....	29
Feasibility Analysis (90-Room Hotel) .....	43
Feasibility Analysis (80-Room Hotel) .....	53
Certification of Analysts.....	58

## Assumptions and Limiting Conditions

1. The analyst(s) named herein, by reason of this report, are not required to give public testimony relative to this study and results unless arrangements have been previously made.
2. Disclosure of the contents of this market study is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all, nor any part, of the contents of this report (especially any conclusions as to value, the identity of the analyst, or the firm with which he is connected, or any reference to the Appraisal Institute, or the MAI, or SRA Designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication, without the prior written consent and approval of the undersigned.
3. Certain information within this report was furnished from sources believed to be reliable. However, such information is not guaranteed to be correct, although it has been checked insofar as possible and is believed to be correct.
4. It is assumed the site discussed within this market study can be entitled for hotel development and there are no extraordinary costs or issues associated with developing them as such.
5. Full compliance with all applicable federal, state, and local environmental regulations is assumed, as well as all applicable zoning, use, and occupancy regulations and restrictions as stated and considered in this report.
6. This study does not address environmental hazards. Hotel & Club Associates, Inc. has no expertise regarding environmental issues. Qualified engineers should be consulted as a part of the development process.
7. Any projections, forecasts, etc., regarding future patterns of hotel operating metrics represent the analyst's general market expectations and economic trends that are known as of the date of this report. The study and opinions reported herein do not contemplate significant disruptions in the economy beyond those discussed in the accompanying study.
8. Economic trends can affect future behavior of income, expenses, values, etc. Changes in these areas caused by future occurrences could result in values different from those established within this study. We cannot accept responsibility for economic variables in the future, which could not have been known, or anticipated, as of the date of analysis (inflation rates, economic upswings or downturns, fiscal policy changes, etc.).



9. The estimated occupancy, ADR, and RevPar levels are based upon competent and efficient management, responsible ownership, as well as an aggressive marketing plan. It also presumes no significant change in the competitive supply in the area, other than as set forth in this market study.
  
10. The reported analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice, which include the Uniform Standards of Professional Appraisal Practice.

## **Extraordinary Assumptions and Limiting Conditions**

An **Extraordinary Assumption** is “directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinions or conclusions.” **Comment:** Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property.<sup>1</sup>

The use of this/these extraordinary assumptions might have affected the assignment results.

- 1.) The exact lodging product to be developed is to be determined. This study assumes the proposed hotel would conform to the standards of an upper midscale hotel within the limited service segment. The hotel is also assumed to have affiliation with a strong national hotel franchise and include either 80 or 90 rooms. The opening date of the hotel, for analysis purposes, is estimated to be Q2 2027.

A **Hypothetical Condition** is defined as “a condition directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.” **Comment:** Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.<sup>2</sup>

- 1.) This report is not subject to any hypothetical conditions.

---

<sup>1</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal 6th Edition*, (Chicago, 2015), 83-84.

<sup>2</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal 6th Edition*, (Chicago, 2015), 113.

**Client(s) and Intended User(s) of the Study**

*Client(s):* Montgomery County c/o Ms. Savannah Heath, MBA  
*Intended User(s):* Montgomery County  
*Disclaimer:* Any use of this report by third parties is prohibited with the written consent of the client and Hotel & Club Associates, Inc.

**Purpose and Intended Use of the Study**

*Purpose:* To develop an opinion of market demand and feasibility for an upper midscale hotel in Montgomery County.  
*Intended Use:* Montgomery County will use this study to assess hotel development potential within the county.

**Important Dates**

*Effective Date of Study:* September 2024 through January 2025  
*Date Report Published:* January 17, 2025  
*Development Timeline:* Two years – open in Q2 2027

Construction of “shovel ready” hotel projects typically require a build time of 12 – 16 months.

## Scope of the Market Study

In preparing this study, we focused on identifying, researching, and quantifying sources of lodging demand in Montgomery County. The accompanying report summarizes the data and analyses from which the opinions and projections are derived.

During the study period, the analysts visited Montgomery County and interviewed various representatives within the county. Population and demographic information have been provided from various sources identified in the accompanying report. Consideration is also given to lodging performance data for existing hotels in surrounding markets such as Asheboro, Albemarle, and Rockingham. There is one hotel in the county, the Days Inn in Biscoe.

The primary focus of the “market study” portion of this report is development of projections of occupancy, average daily rate (ADR), and revenue per available room (RevPar) for a proposed upper midscale hotel within the limited service segment.

The “feasibility analysis” developed in this study relies largely on the experience and internal work files of Hotel and Club Associates, Inc. (“HCA”). HCA specializes in valuation and market analyses related to lodging and completes numerous lodging assignments per year. HCA collects and analyzes construction costs and operating data on hundreds of hotel projects and retains information within internal work files. This data is relied upon in feasibility inputs such as operating expenses, construction costs, etc.

## Hotel Terminology – Sourced from STR Global

### **Rooms Available (Room Supply)**

The number of rooms in a hotel or a set of hotels multiplied by the number of days in a specific period. Example: 100 available rooms in a subject hotel x 31 days in the month = room supply of 3,100 for the month.

### **ADR – Average Daily Rate**

A measure of the average rate paid for rooms sold, calculated by dividing room revenue by rooms sold.

### **Occupancy**

The percentage of available rooms that were sold during a specified period of time. Occupancy is calculated by dividing the number of rooms sold by total rooms available.

### **RevPar (Revenue Per Available Room)**

The total guest rooms revenue is divided by the total number of available rooms. RevPar differs from ADR because RevPar is affected by the amount of unoccupied available rooms while ADR shows only the average rate of rooms sold.

Occupancy x ADR = RevPar

### **Market Class**

Class is an industry categorization which includes chain-affiliated and independent hotels. The class for a chain-affiliated hotel is the same as its chain scale. An independent hotel is assigned a class based on its ADR, relative to that of the chain-affiliated hotels in its geographic context. There are six class segments.

Luxury – Upper-Upscale – Upscale – Upper-Midscale – Midscale – Economy

### **Property Improvement Plan (PIP)**

A renovation or capital improvement plan that is required to bring a hotel into compliance with brand standards.

**Chain Scale Classifications by Smith Travel Research**



**STR Chain Scales - North America and Caribbean**

<b>Luxury</b>	Park Hyatt	Hard Rock	Wyndham Grand	Hyatt Place
21c Museum Hotel	Prestige Hotels & Resorts	Hilton		Iberostar Hotels & Resorts
AKA	Regent	Hilton Grand Vacations	<b>Upscale</b>	Innside by Melia
Aman	Ritz-Carlton	Hotel Indigo	AC Hotels by Marriott	Jolly
Andaz	RockResorts	Hotel Nikko	Allegro	Larkspur Landing
Banyan Tree	Rosewood	Hyatt	aloft Hotel	Legacy Vacation Club
Belmond Hotels	Royalton	Hyatt Centric	Alt Hotel	Mantra
Capella	Secrets Resorts & Spas	Hyatt Regency	Apa Hotel	Melia
COMO	Shangri-La	Instinct Hotels	Ascend Collection	Miyako
Conrad	Sixty Hotels	Jole De Vivre	Aston Hotel	NH
Destination Hotels	Sofitel	Kimpton	Atton	Nova Hotels
Dorchester Collection	St Regis	Le Meridien	Be Live	Novotel
Doyle Collection	Taj	Live Aqua	Best Western Premier	NYLO Hotel
Dreams Resorts & Spas	The Peninsula	Magnolia	BW Premier Collection	Occidental
Edition	The Unbound Collection	Marriott	Cambria hotel & suites	Palladium Hotel
Elegant	Thompson Hotels	Marriott Conference Center	Canad Inn	Prince Hotel
Fairmont	Trump Hotel Collection	Memories	Citadines	Radisson
Firmdale	Valencia Group	Millennium	citizenM	Residence Inn
Four Seasons	Viceroy	New Otani	Club Med	RIU Hotel
Grand Bahia Principe	W Hotel	NH Collection	Coast Hotels Canada	Room Mate
Grand Hyatt	Waldorf Astoria	Omni	Coast Hotels USA	Sandals
Hyatt Zilara	Zoetry Wellness & Spa Resorts	Outrigger Resorts	Courtyard	Sandman Signature
Hyatt Ziva		Pan Pacific	Crowne Plaza	Sawridge
Iberostar Grand Collection	<b>Upper Upscale</b>	Pestana	Dazzler	Shell Vacations Club
InterContinental	Ace Hotel	Pullman	Decameron	Sonesta Hotel
JW Marriott	Affinia Hotel	Quinta Real	Disney Hotels	Springhill Suites
Kempinski	Alila	Radisson Blu	DoubleTree	Staybridge Suites
Langham	Autograph Collection	Radisson RED	dusitD2	Stoney Creek
Loews	Bridgestreet	Red Carnation	Eaton	SuperClubs
Lotte Hotel	Accommodations	Renaissance	element	Tapestry Collection
Luxury Bahia Principe	Camino Real	Royal Hideaway	Eurostars Hotel	Travel Inn
Luxury Collection	Canopy by Hilton	Sheraton Hotel	EVEN Hotels	Vacation Condos by Outrigger
Mandarin Oriental	Club Quarters	Silver Cloud	Fiesta Americana	Westmark
ME	Curio Collection	Star Hotels	Four Points by Sheraton	Wyndham
Mokara	Delta Hotel	Sunscape Resorts & Spas	Graduate Hotel	Wyndham Vacation Resort
Montage	Dolce Hotels & Resorts	Swissotel	Grand America	
Nobu Hotels	Dream Hotels	Time Hotels	Great Wolf Lodge	<b>Upper Midscale</b>
NOW Resorts & Spas	Embassy Suites	Tribute Portfolio	H10	Aqua Hotels & Resorts
One & Only	Fireside Inn & Suites	Warwick Hotel	Hampshire	Ayres
Palace Resort	Gaylord	Westin	Hilton Garden Inn	Barcelo
Paradisus			Homewood Suites	
			Hotel RL	
			Hyatt House	

Brands/Chains are slotted by Chain Scale based on the previous year's annual system wide (global) Average Daily Rate and other factors. Rate ranges defining each Chain Scale are determined by STR. If you have questions about the Chain Scales, please email support@str.com (North America) or hotelinfo@str.com (Outside North America). Copyright 2018. STR, Inc. and STR Global, Ltd. trading as STR. Publishing or reproducing this information is strictly prohibited. Last updated 10 February 2018.



**STR Chain Scales - North America and Caribbean**

<b>Upper Midscale cont.</b>	Quality	Loyalty Inn	Great Western
Best Western Plus	Real Inn	Maeva	GreenTree Inn
Boarders Inn & Suites	Red Lion Hotel	MainStay Suites	Home Inn
Boulders Inn & Suites	Rodd Hotel	Oak Tree Inn	Home-Towne Suites
Canalta Hotels	Shilo Inn	Palace Inn	Hoteles Serena
Centerstone Hotels	Sonesta ES Suites	Quality Inn	Howard Johnson
Chase Suites	TownePlace Suites	Ramada	InTown Suites
City Express	Trademark Hotel	Real de Minas	Jameson Inn
City Express Plus	Collection	Red Lion Inn & Suites	Key West Inn
Clarion	Tryp by Wyndham	Rode Inn	Knights Inn
Cobblestone	Van der Valk	Sandman	Lite Hotels
Comfort Inn	Wyndham Garden Hotel	Settle Inn	Master Hosts Inns
Comfort Suites	Yotel	Sleep Inn	Masters Inn
Country Inn & Suites		Sol	Microtel Inn & Suites
DoubleTree Club	<b>Midscale</b>	SureStay Plus	by Wyndham
Drury Inn	3 Palms	SureStay Signature	Motel 6
Drury Inn & Suites	A Victory	Collection	National 9
Drury Plaza Hotel	AmericInn	Tru by Hilton	One Hoteles
Drury Suites	Aristos Hotel	Uptown Suites	Passport Inn
Exe Hotel	Baymont	Vagabond Inn	Pear Tree Inn
Fairfield Inn	Best Western	Vista	Red Carpet Inn
GrandStay Hotels	BlueBay	Wingate by Wyndham	Red Roof Inn
Hampton	Cabot Lodge		Rodeway Inn
Hampton	Canadas Best Value Inn	<b>Economy</b>	Savannah Suites
Holiday Inn	Candlewood Suites	Affordable Suites of	Scottish Inn
Holiday Inn Express	Catalonia	America	Select Inn
Holiday Inn Select	City Express Suites	America's Best Inn	Studio 6
Home2 Suites	ClubHouse	Americas Best Value Inn	Suburban Extended Stay
Hotel Des Gouverneurs	Crystal Inn	AmeriVu Inn & Suites	Sundowner
IFA	Delfin Hotel	Budget Host	Toyoko Inn
Inns North	FairBridge Inn	Budget Suites of	Tune Hotel
Isle of Capri	Fiesta	Budgetel	Vienna 3hao
Lexington	Fiesta Inn	City Express Junior	Z
Mama Shelter	Gamma by Fiesta Inn	Country Hearth Inn	Zest Hotel
Mercure	GuestHouse Inn	Crossland Economy	Zleep
Monte Carlo Inn	Hawthorn Suites by	Studios	
MOXY	Wyndham	Days Inn	
My Place	Hoteles Vista	Downtowner Inn	
OHANA	ibis	Econo Lodge	
Oxford Suites	ibis Styles	Extended Stay America	
Park Inn	InnSuites Hotel	E-Z 8	
Phoenix Inn	La Quinta Inns & Suites	Family Inn	
Princess	Lakeview	Good Nite Inn	

Brands/Chains are slotted by Chain Scale based on the previous year's annual system wide (global) Average Daily Rate and other factors. Rate ranges defining each Chain Scale are determined by STR. If you have questions about the Chain Scales, please email [support@str.com](mailto:support@str.com) (North America) or [hotelinfo@str.com](mailto:hotelinfo@str.com) (Outside North America). Copyright 2018. STR, Inc. and STR Global, Ltd. trading as STR. Publishing or reproducing this information is strictly prohibited. Last updated 10 February 2018.



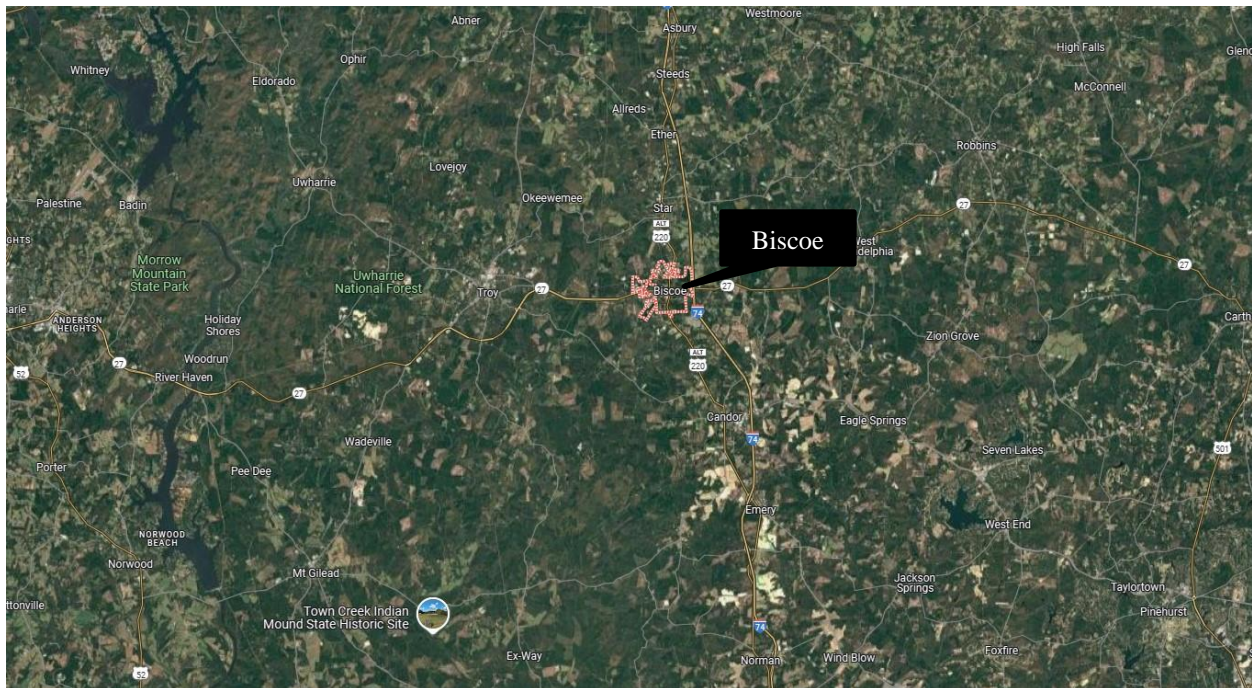
## Potential Sites for Development

### Identification of Potential Sites

A specific hotel site has not yet been determined. However, the county has submitted three potential locations for the study to analyze. Each is within Montgomery County, though they are in different towns. The locations are shown below and are analyzed based on potential pros and cons for each. A 90-room hotel project with surface parking would typically require around 1.5 to 2.5 acres (a density of around 40 to 60 rooms per acre).

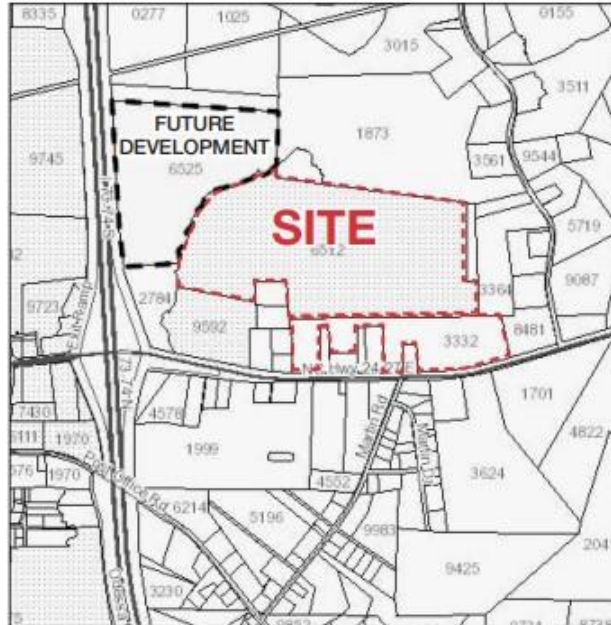
#### *Potential Location #1 – Biscoe, North Carolina*

#### **Biscoe, North Carolina**



The first potential location for the proposed hotel development is in Biscoe. Biscoe is in eastern Montgomery County, directly off I-74, the primary travel corridor providing access to the county. Ms. Heath mentioned two prospective locations in Biscoe. This includes a portion of the 210+ acre site at 3097 NC 24-27. This is in the northeast quadrant of its junction with I-74. This site is zoned in general industrial and is being marketed for sale by Mr. Bob Lewis and Mr. Jason Smith with NAI Piedmont Triad. Ms. Heath indicates that commercial sites could be made available within this broader site, which this study assumes. Approximately 5,000 cars daily exit I-74 onto NC 24-27. The 2023 NCDOT Interactive Traffic Map shows around 16,000 cars daily along I-74 around this site and 10,000 to 12,000 cars daily along NC 24-27 in the area of I-74.

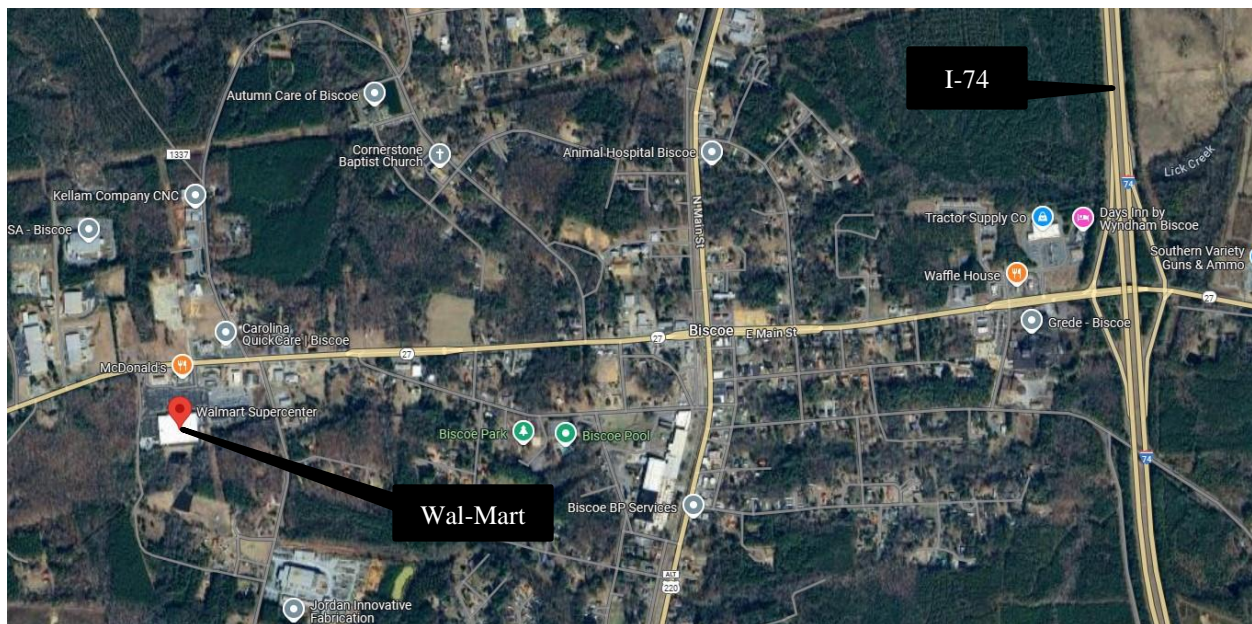
**3097 NC 24-27 Biscoe, North Carolina**



Source: NAI Piedmont Triad

Ms. Heath also mentioned the availability of several sites around the Wal-Mart Supercenter in Biscoe. This is approximately two miles west of the NC 24-27 junction with I-74 along NC 24-27. This location is closer to influences in the central portion of the county in Troy, as well as the primary attractions in Uwharrie National Forest including lakes, trails, etc. However, it is further from the interstate than the other potential site in Biscoe.

**Sites Surrounding Wal-Mart – Biscoe, North Carolina**

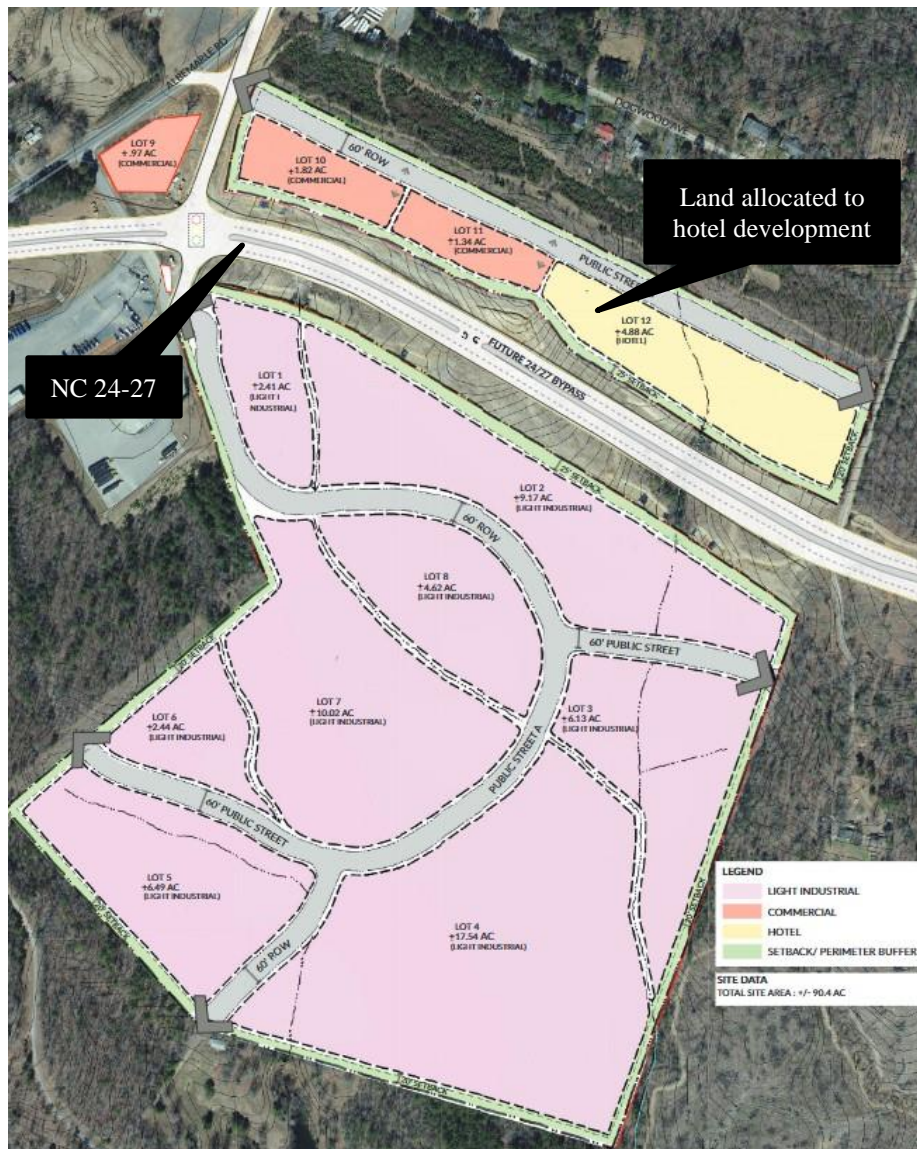




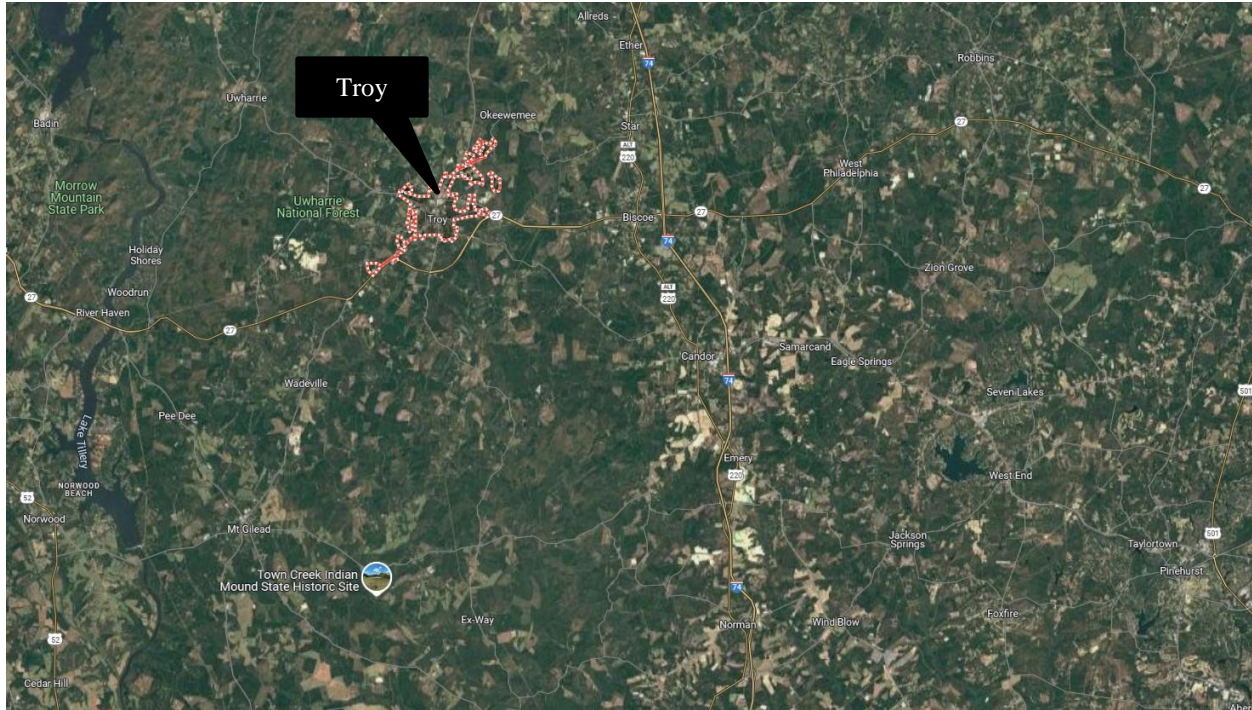
*Potential Location #2 – Troy, North Carolina*

The second prospective location of the proposed hotel is in Troy, North Carolina. Troy is in the central part of Montgomery County and is the county seat. It has relatively easy access from I-74 via NC 24-27 or NC 134. Its quickest access to I-74 is via NC 24-27, of which is it approximately 8 miles or a 12 – 15-minute drive. The primary site mentioned for potential development is a portion of the 90+ acre site listed for sale by Mr. Bob Lewis and Mr. Hal Johnson of NAI Piedmont Triad. Per the listing brochure, most of the sites are zoned for light industrial. However, around 9-acres on the north side of NC 24-27 is zoned commercial with around 4.88 acres of that allocated to potential hotel development. The proposed hotel site would be accessed via a public street to the north of the hotel site.

**Troy Hotel Site**



**Troy, North Carolina**



During the completion of this study, analysts have attempted to speak with representatives of each potential location. Mr. Greg Zephir, the town manager of Troy, was interviewed regarding the strengths of Troy as a potential hotel location. Zephir says, “one final factor that would emphasize my belief that a hotel would be better situated in the center of the county (Town of Troy) is the availability of property (which could be incentivized for development) on the NC 24-27 bypass and has both water and sewer available. The location of this property is situated so that it can capture all the traffic east and west on NC 24-27, from NC 109 (that leads directly to the Uwharries) and ease of access for those attending Montgomery Community College and the new law enforcement training center.”

Overall, Troy is near many of the county’s economic influences. The site mentioned above has a desirable location along NC 24-27, which is a plus. However, the biggest influence on hotel demand in the county is likely I-74, which is an important travel corridor and sees approximately 16,000 cars daily at its junction with NC 24-27. The site referenced above is in an area that sees approximately 6,500 cars daily according to the NCDOT 2023 interactive traffic count data. This site is around 10 miles west (13 – 15-minute drive) from I-74.

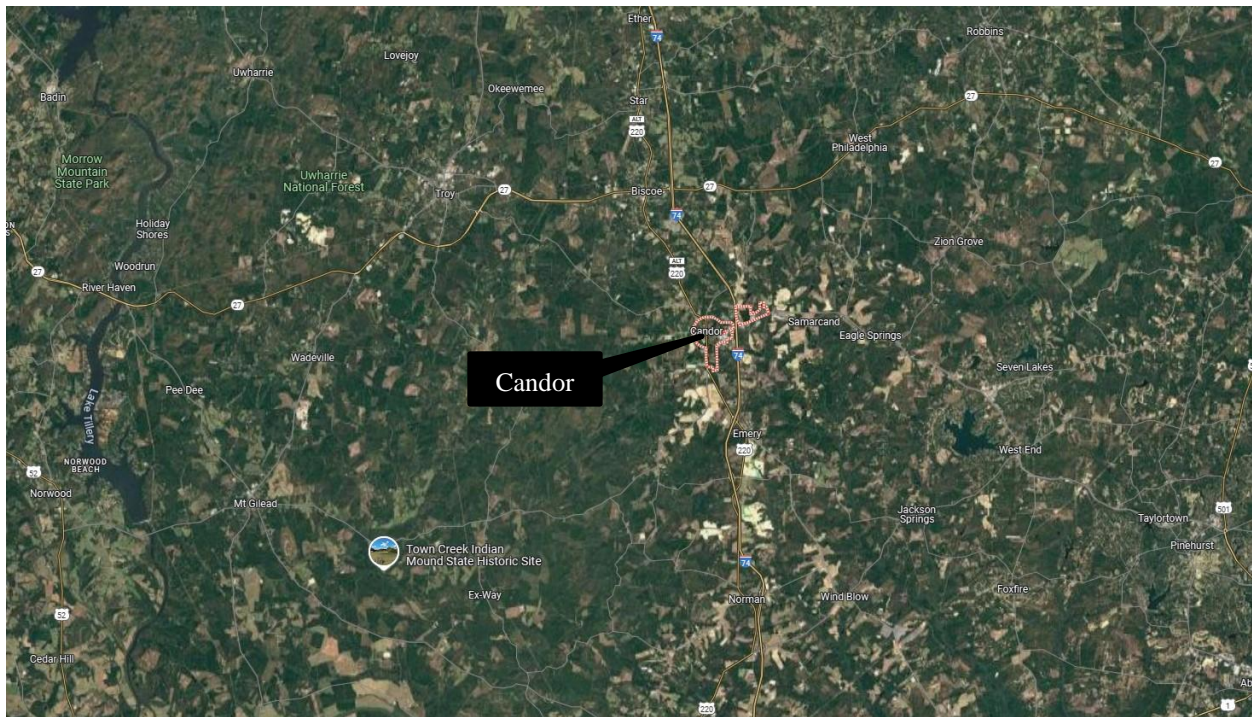


*Potential Location #3 – Candor, North Carolina*

The third, and final, prospective location for hotel development is in Candor, North Carolina. Candor is in the southeast portion of Montgomery County, directly off I-74. Ms. Heath indicated that there are four potential sites for hotel development in Candor. They are as follows:

- Near 591 E Main St – 12.26 acres
- 0 Hwy 211 – 4.25 acres
- 165 Farmers Market Rd – 3 acres
- 150 Myers Dr –

**Candor, North Carolina**



**Potential Parcels for Hotel Development in Candor**



During the research of Candor, Ms. Tammy Kellis, the clerk of the town was interviewed. Ms. Kellis says, “I believe the I-74 corridor, especially the Highway 211 (exit 44) corridor in Candor would be at a great advantage with proximity to the Pinehurst area and being the main thoroughfare for beach traffic.” Candor, much like Biscoe, benefits from its proximity to I-74, the primary travel corridor in the county. It is also along the primary corridor (Highway 211) from the county to Pinehurst, a popular golf destination in the region. Candor is approximately 6.5 miles (10-minute drive) south of Biscoe and 11 miles (15 -18-minute drive) southeast of Troy. The NCDOT traffic count data shows an average of 12,000 to 16,000 (south of Hwy 211 and north of Hwy 211, respectively) cars daily. Entrance and exit ramps from Hwy 211 to/from I-74 show 1,600 to 4,700 cars daily.

## **Conclusions**

Part of this analysis includes determining what is the most ideal location for hotel operation within the county. To be clear, each site has its individual pros and cons, and this process is simply to determine which location is best suited for development based on proximity to primary demand sources, among other things.

The most obvious source of room night demand within the county is the I-74 corridor. During peak seasons, primarily March through October, this is a heavily traveled corridor towards the Myrtle Beach area. Other sources include local industry, local outdoor attractions on the west side of the county (Uwharrie National Forest), Montgomery County Community College, Starworks, the future Uwharrie Motorsports Park and Resort, Pinehurst Resort (in Moore County but for many is accessed through I-74/Hwy 211 in Montgomery County), etc.

In considering hotel development in an area with minimal hotel supply, most developers will consider the location within the greatest exposure to capture the highest amount of demand possible. In this case, it is the analyst's opinion that Biscoe offers the most exposure and would be best positioned to capture the most demand. It has easy access to most of the local industry as it is within 15 minutes of Troy, Montgomery County Community College, and is positioned directly off NC 24-27 and I-74, the two primary corridors in the market. It is also the closest of the three locations to the future Uwharrie Motorsports Park and Resort. Though it is further from Uwharrie National Forest and many of the outdoor attractions on the west side of the county, it is likely that most of this demand is already captured via short-term rentals in this area.

The prospective site in Troy has traffic counts that are around 8,000 – 10,000 less cars daily than that of Biscoe at I-74. This number is much higher during peak seasons and slightly lower during the winter months. Surrounding markets in Asheboro and Rockingham indicate that the interstate demand, specifically during peak seasons, is a major influence on hotel demand, and it is reasonable to assume the same to be true for Montgomery County.



## Montgomery County Overview

Demand for lodging is a byproduct of population, government, industry, institutions, travel corridors, and tourism. This section provides an overview of demographic and economic variables within Montgomery County.

### *Location*

Located in central North Carolina, Montgomery County is approximately 60 miles northeast of Charlotte, 50 miles south of Greensboro, and 90 miles southwest of Raleigh/Durham.

### Regional Map



*Population Characteristics*

<b>Population Info</b>	<b>2010</b>	<b>2020</b>	<b>CAGR</b>	<b>2024</b>	<b>CAGR</b>	<b>2029 Proj</b>	<b>CAGR</b>
<b>Town of Troy</b>	<b>3,189</b>	<b>2,850</b>	<b>-1.1%</b>	<b>2,926</b>	<b>0.7%</b>	<b>2,898</b>	<b>-0.2%</b>
<b>Town of Biscoe</b>	<b>1,810</b>	<b>1,880</b>	<b>0.4%</b>	<b>1,914</b>	<b>0.5%</b>	<b>1,920</b>	<b>0.1%</b>
<b>Town of Candor</b>	<b>840</b>	<b>813</b>	<b>-0.3%</b>	<b>783</b>	<b>-0.9%</b>	<b>771</b>	<b>-0.3%</b>
Anson County	26,947	22,055	-1.8%	21,634	-0.5%	20,981	-0.6%
Davidson County	162,899	168,930	0.4%	173,878	0.7%	177,110	0.4%
<b>Montgomery County</b>	<b>27,798</b>	<b>25,751</b>	<b>-0.7%</b>	<b>25,711</b>	<b>0.0%</b>	<b>25,588</b>	<b>-0.1%</b>
Moore County	88,247	99,727	1.3%	107,568	2.0%	114,380	1.3%
Randolph County	141,752	144,171	0.2%	146,086	0.3%	147,005	0.1%
Richmond County	46,639	42,946	-0.8%	42,295	-0.4%	41,593	-0.3%
Stanly County	60,585	62,504	0.3%	64,578	0.8%	66,554	0.6%
<b>Greensboro / Winston-Salem / High Point MSA</b>	<b>1,739,747</b>	<b>1,838,258</b>	<b>0.6%</b>	<b>1,883,685</b>	<b>0.6%</b>	<b>1,918,086</b>	<b>0.4%</b>
<b>North Carolina</b>	<b>9,535,481</b>	<b>10,439,388</b>	<b>0.9%</b>	<b>10,910,469</b>	<b>1.1%</b>	<b>11,323,872</b>	<b>0.8%</b>

Source: CCIM. Site to Do Business

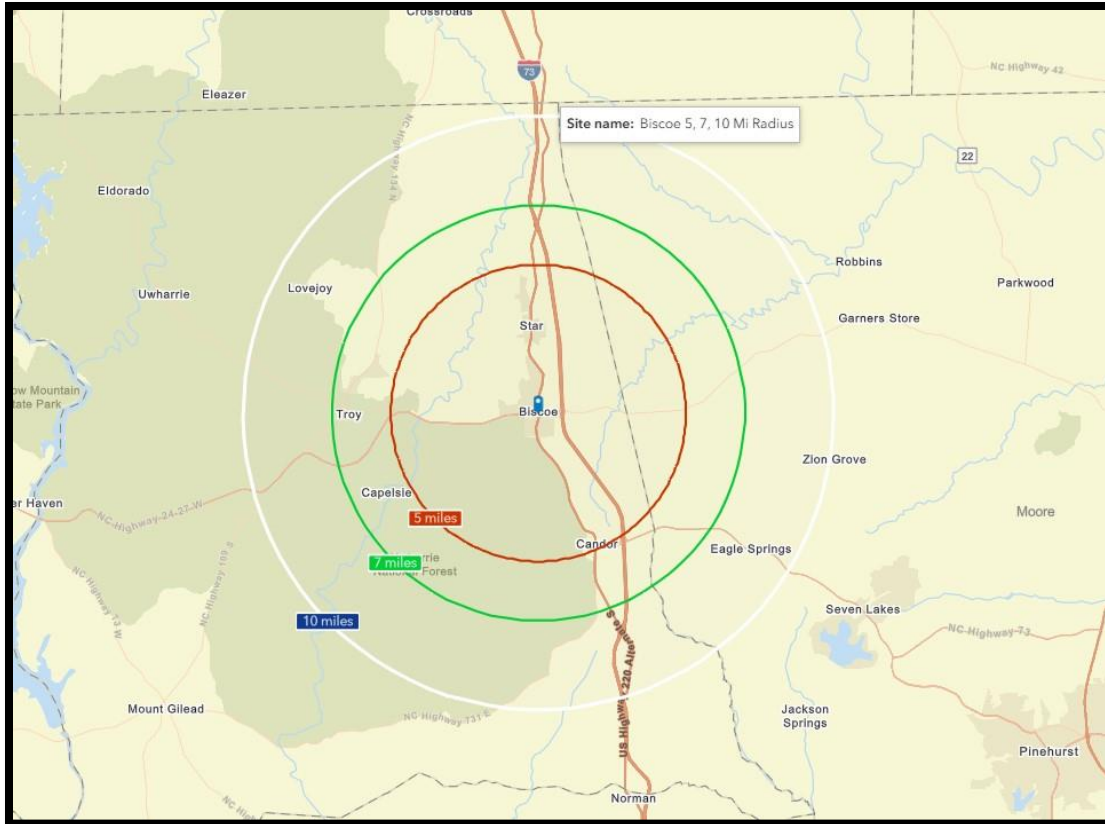
Population has been relatively consistent within Montgomery County in recent years, a trend that is expected to continue through the foreseeable future. Surrounding counties, except for Moore County, have reported similar trends. The population in Moore County is mostly centered in the eastern portion near Pinehurst. The western, specifically northwestern, portions of Moore County have a similar demographic makeup of Montgomery County.

Population is an indicator of demand for lodging. Family events such as reunions, weddings, funerals, holidays, etc. generate some level of demand for hotel. Further, population trends are closely tied to jobs and economic growth, which are also notable indicators of potential lodging demand.

Due to the makeup of Montgomery County, most hotel demand is likely via the central and eastern portions of the county. Western Montgomery County is heavily influenced by Uwharrie National Forest, where much of the existing lodging demand is captured by local short-term rentals and/or campgrounds. Further, given Biscoe's location relative to the county line (Moore/Montgomery), it is reasonable that potential demand will also come via outside of the county line.

Given this, as well as the lack of available lodging properties in the area, the primary demand sources would likely range from within a 5-10- mile radius of Biscoe. The pages to follow provide a demographic overview of the 5, 7, and 10-mile radius.

**5, 7, and 10-Mile Radii of Biscoe**



Source: STDB

Summary		Census 2010	Census 2020	2024	2029
Population		7,692	7,040	7,147	7,210
Households		2,804	2,639	2,685	2,717
Families		1,917	1,777	1,787	1,803
Average Household Size		2.67	2.60	2.58	2.57
Owner Occupied Housing Units		1,922	1,810	1,879	1,940
Renter Occupied Housing Units		882	829	806	778
Median Age		35.2	38.4	38.7	39.4

Trends: 2024-2029 Annual Rate	Area	State	National
Population	0.18%	0.75%	0.38%
Households	0.24%	0.98%	0.64%
Families	0.18%	0.91%	0.56%
Owner HHs	0.64%	1.22%	0.97%
Median Household Income	3.57%	3.26%	2.95%


  

Households by Income	2024		2029	
	Number	Percent	Number	Percent
<\$15,000	390	14.5%	332	12.2%
\$15,000 - \$24,999	208	7.7%	188	6.9%
\$25,000 - \$34,999	258	9.6%	229	8.4%
\$35,000 - \$49,999	491	18.3%	442	16.3%
\$50,000 - \$74,999	366	13.6%	366	13.5%
\$75,000 - \$99,999	438	16.3%	491	18.1%
\$100,000 - \$149,999	363	13.5%	444	16.3%
\$150,000 - \$199,999	87	3.2%	120	4.4%
\$200,000+	83	3.1%	104	3.8%

Median Household Income	\$49,788	\$59,346
Average Household Income	\$69,459	\$80,227
Per Capita Income	\$25,714	\$29,800





### Demographic and Income Profile

Biscoe 5, 7, 10 Mi Radius  
Biscoe, North Carolina  
Ring: 7 mile radius


Prepared by Esri  
Latitude: 35.35988  
Longitude: -79.77984

Summary	Census 2010	Census 2020	2024	2029
Population	14,081	12,425	12,612	12,668
Households	4,962	4,622	4,663	4,704
Families	3,358	3,068	3,060	3,076
Average Household Size	2.63	2.57	2.57	2.56
Owner Occupied Housing Units	3,379	3,172	3,267	3,364
Renter Occupied Housing Units	1,583	1,450	1,396	1,339
Median Age	36.7	39.5	39.9	40.6

Trends: 2024-2029 Annual Rate	Area	State	National
Population	0.09%	0.75%	0.38%
Households	0.18%	0.98%	0.64%
Families	0.10%	0.91%	0.56%
Owner HHs	0.59%	1.22%	0.97%
Median Household Income	2.77%	3.26%	2.95%

Households by Income	2024		2029	
	Number	Percent	Number	Percent
<\$15,000	627	13.4%	533	11.3%
\$15,000 - \$24,999	384	8.2%	343	7.3%
\$25,000 - \$34,999	419	9.0%	373	7.9%
\$35,000 - \$49,999	775	16.6%	692	14.7%
\$50,000 - \$74,999	813	17.4%	804	17.1%
\$75,000 - \$99,999	669	14.3%	750	15.9%
\$100,000 - \$149,999	672	14.4%	811	17.2%
\$150,000 - \$199,999	166	3.6%	226	4.8%
\$200,000+	137	2.9%	171	3.6%

Median Household Income	\$52,728	\$60,440
Average Household Income	\$70,319	\$80,831
Per Capita Income	\$26,217	\$30,262



### Demographic and Income Profile

Biscoe 5, 7, 10 Mi Radius  
Biscoe, North Carolina  
Ring: 10 mile radius

Prepared by Esri  
Latitude: 35.35988  
Longitude: -79.77984

Summary	Census 2010	Census 2020	2024	2029
Population	21,592	19,024	19,222	19,339
Households	7,812	7,295	7,375	7,466
Families	5,425	4,882	4,877	4,919
Average Household Size	2.63	2.53	2.52	2.50
Owner Occupied Housing Units	5,458	5,147	5,309	5,491
Renter Occupied Housing Units	2,354	2,148	2,066	1,974
Median Age	36.9	40.3	40.7	41.2

Trends: 2024-2029 Annual Rate	Area	State	National
Population	0.12%	0.75%	0.38%
Households	0.25%	0.98%	0.64%
Families	0.17%	0.91%	0.56%
Owner HHs	0.68%	1.22%	0.97%
Median Household Income	2.79%	3.26%	2.95%

Households by Income	2024		2029	
	Number	Percent	Number	Percent
<\$15,000	1,002	13.6%	855	11.5%
\$15,000 - \$24,999	620	8.4%	546	7.3%
\$25,000 - \$34,999	596	8.1%	540	7.2%
\$35,000 - \$49,999	1,072	14.5%	944	12.6%
\$50,000 - \$74,999	1,360	18.4%	1,339	17.9%
\$75,000 - \$99,999	1,106	15.0%	1,247	16.7%
\$100,000 - \$149,999	1,112	15.1%	1,333	17.9%
\$150,000 - \$199,999	289	3.9%	397	5.3%
\$200,000+	217	2.9%	265	3.5%

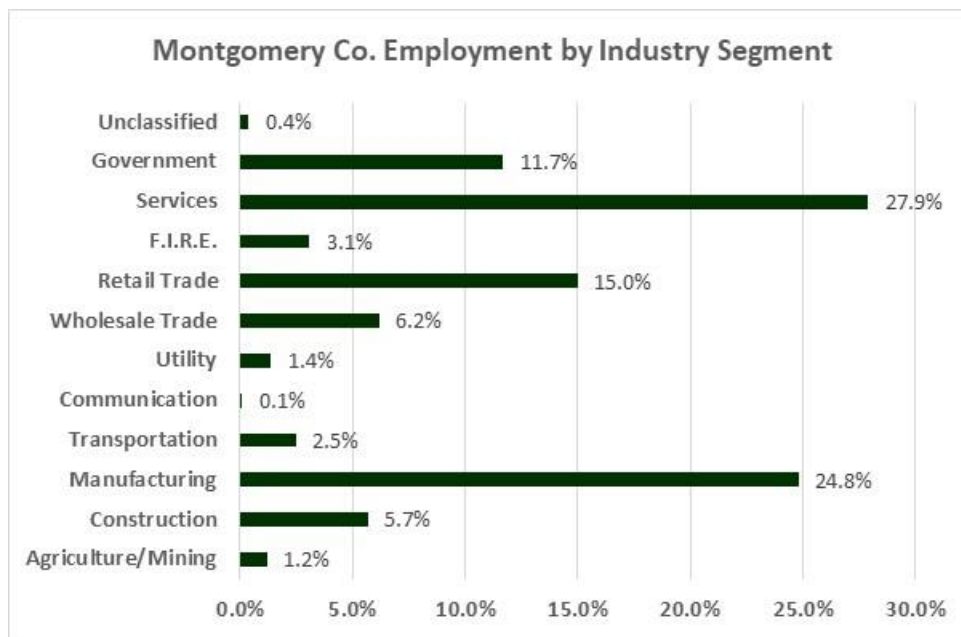
Median Household Income	\$55,391	\$63,567
Average Household Income	\$71,814	\$82,337
Per Capita Income	\$27,577	\$31,803

**Economic Characteristics**

Montgomery County’s economy is typical of rural/tertiary markets with few significant employers. The county depends heavily on the manufacturing sector. The chart below shows the ten largest employers in Montgomery County as of Q2 2024.

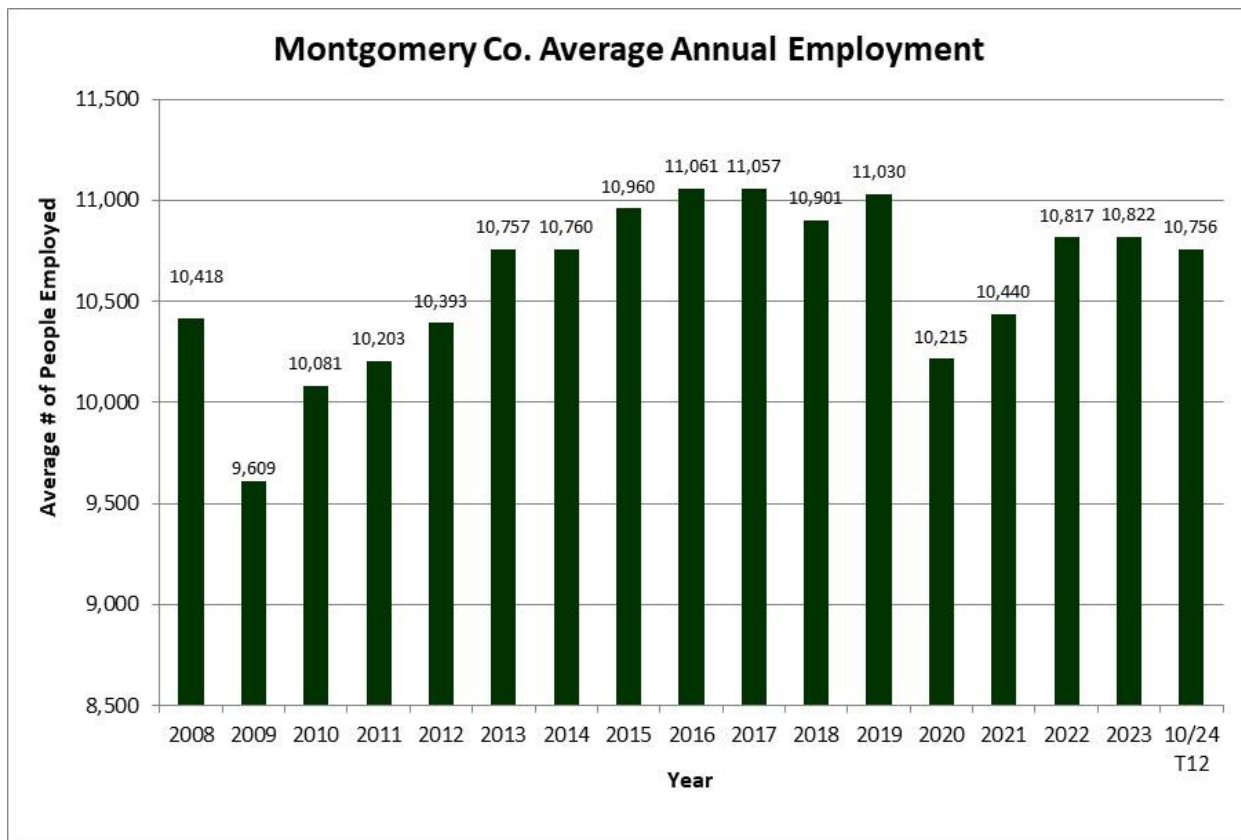
Employer	Industry	# of Employees
Montgomery Co. Bd of Education	Educational Services	500-999
Nipcam Services of North Carolina	Admin. & Support, Waste Management, & Remediation	250-499
Jordan Lumber & Supply, Inc.	Manufacturing	250-499
McRae Industries, Inc.	Manufacturing	250-499
Grede Li, LLC	Manufacturing	250-499
County of Montgomery	Public Administration	250-499
Saputo Cheese USA, Inc.	Manufacturing	250-499
Family First Home Care, LLC	Health Care & Social Assistance	250-499
First Health of the Carolinas, Inc.	Health Care & Social Assistance	100-249
SHG Therapy External, LLC	Health Care & Social Assistance	100-249

Source: NC Dept. of Commerce (Q2 2024)



Source: STDB

One of the more telling statistics relative to the vitality of the local real estate markets is the total number of employed people within a given area. The following chart shows employment trends across Montgomery County from 2008 through 10/24 T12.



Employment within Montgomery County has fluctuated notably over the last decade plus. The data showed a positive trend from 2009 through 2017 and has been relatively inconsistent since. The global pandemic in 2020 caused employment to decline to its lowest level since 2011. As of 10/24 T12, total employment is just under 10,800, which is slightly below 2023 and consistent with 2013 and 2014. The following chart shows the total employment within the three radii referenced earlier in this section of the study (5, 7, and 10-mile radius from Biscoe).

Employment Within Selected Radii	
Radius	Employment
5-mile	3,860
7-mile	7,306
10-mile	8,601

Source: STDB

## Tourism

In 2023 (the most recent data available), Montgomery County ranked 75<sup>th</sup> out of North Carolina's 100 counties in total tourism expenditures. The adjacent Moore County ranked 10<sup>th</sup>. Most of Moore County's tourism expenditures are attributable to the eastern portion of the county near Pinehurst. There are several hotels and a significant number of short-term rentals in the Pinehurst area which adequately capture the hotel demand present with the minor exception of major events around Pinehurst (U.S. Open golf tournament, etc.).

In Montgomery County, the primary tourism attraction is Uwharrie National Forest, the third-largest national forest in North Carolina. Uwharrie National Forest is a total of 51,850 acres in Montgomery County, Randolph County, and Davidson County. Much of the forest is within the western portion of Montgomery County. Though specific numbers are not available, most reports show the forest averages around 100,000 visitors annually. Outdoor activities across the county, primarily within the Uwharrie National Forest, include hiking, mountain biking, horseback riding, OHV/ATV/off-roading, Lake Tillery, Badin Lake, Uwharrie River, Local golf courses, Starworks, etc.

Starworks is the primary tourist destination on the eastern side of the county. Located in Star, just a few miles north of Biscoe, Starworks is, "a 501(c)(3) nonprofit organization that promotes community and economic development by providing outstanding artistic educational programs." Starworks hosts studios in glass, ceramics, and metal and brings in residents from around the world to showcase their talents. The facility is also home to an on-site ceramic shop, café/coffee shop, and public art galleries. Throughout the year, Starworks hosts workshops and events that are open to the public and draw visitors from out of town. This includes Fire Fest, which is held every April, and attracts 1,000+ visitors. According to management, Starworks attracts between 10,000 and 20,000 visitors annually.

Though in Moore County, Seagrove area potters attract in excess of 100,000 visitors annually. Much of the associated lodging demand is accommodated in Pinehurst and/or Asheboro given the lack of accommodations around the immediate area. This is the largest concentration of working potters in the country, as there are around 50 pottery shops within a 10-mile radius. Many of these also hold local workshops and events throughout the year.

Annual festivals in Moore County include the North Carolina Peach Festival (July), Troy Fest (4<sup>th</sup> of July Celebration), etc. The North Carolina Peach Festival draws over 10,000 visitors annually, many of which are from out of town.

The chart below shows the trends of tourism expenditures across the county from 2018 through 2023.

<b>County Level Tourism Expenditures (\$ Millions)</b>		
<u>Year</u>	<u>Expenditures</u>	<u>% Chg</u>
2018	\$31.25	4.2%
2019	\$33.87	8.4%
2020	\$41.70	23.1%
2021	\$51.23	22.9%
2022	\$52.81	3.1%
2023	\$55.05	4.2%

Source: Economic Development Partnership of North Carolina (EDPNC)

### **Montgomery County Community College**

With an enrollment of around 1,000 students, Montgomery County Community College is an important part of the local economy. A portion of the enrollment is comprised of high school students as part of the early college program. The college offers full time classes as well as short-term courses and training programs. This includes the gunsmithing program, which is one of the more unique offerings at the college. This is a 2-year full-time program that also offers 40 – 80 short-term courses annually. According to the college, there are around 250 total participants in these programs. Other unique offerings at the college include the MCCC Forestry program and the law enforcement training programs.

### **Samarcand Training Academy**

This is a 573-acre training academy located in both Moore and Montgomery counties. The academy provides training for a variety of state law enforcement officers and other local and federal agencies. There are 11 classrooms, adequate dorms to house 172 students and 14 instructors, and other facilities such as a dining hall, gym, fitness center, firearm training, etc.

The NCDPS purchased the old East Montgomery County High School in 2022, which is now the Center for Safer Schools. This focuses on training in emergency situations in order to promote a safe learning environment for students and staff. Between the two centers mentioned herein, there are numerous guests coming in on a weekly basis for training at Samarcand and the Center for Safer Schools. Most of this demand is housed on-site at Samarcand and does not often require other accommodations. However, there are graduations and other public functions at Samarcand that draw visitors who seek accommodations in the area.

**Uwharrie Motorsports Park and Resort**

According to an October 2024 Economic Impact Study, “Autoport announced plans to create a haven for automotive enthusiasts seeking a one-of-a-kind getaway nested in the breathtaking landscape of northwestern Moore County. This first of its kind driving resort in North Carolina will be a place where car lovers can showcase and permanently store their automobiles. Additionally, members can enjoy an upscale driving experience on a three-mile driving course in a safe and professionally monitored environment. The semi-private resort will offer 155 state-of-the-art luxury private car condos, nine corporate condos, nine opulent condos, 60 premium condos, and 85 garage condos. The resort will also feature 112 leasable single and double luxury garages that can store two to four vehicles. In total, Autoport will invest over \$100 million and create at least 32 full-time jobs and 100 part-time jobs at an average salary of \$48,000.”<sup>3</sup>

The following are the results of the Economic Impact Study for the recently approved track which is expected to open in 2027.

- **Direct, Indirect, and Induced Annual Economic Impact:** \$115,382,500
- **Construction Economic Impact (One Time Effect):** \$216,000,000
- **Direct, Indirect, and Induced Jobs:** 284
- **Total Annual Ad Valorem Taxes:** \$464,479
- **Total Annual Sales Tax:** \$450,975
- **Total Annual State and Local Fiscal Impact:** \$2,167,471
- **Toal Annual Economic and Fiscal Impact:** \$117,549,971

Though this resort is to be in Moore County, it is in northwestern Moore County and most travelers would access the resort via Montgomery County and I-74. Further, the proposed hotel would be the closest franchised accommodation to the new resort, as it is set to be within a few miles of Biscoe on a site on Leach Road, to the north of NC Hwy 24-27 and south of Spies Road. The same economic study referenced earlier anticipates annual attendance at the park of 35,500 and estimates that around 25% will require overnight accommodations. An assumption of two nights occupancy for each event would imply a total of 17,750 nights generated by the park annually (35,500 x .25 x 2). There is no simple projection for how much of this projected demand a local franchised hotel would capture, though it is an obvious positive for potential local hotel development.

<sup>3</sup> Autoport Racetrack Project – Sanford Holshouser Economic Development Consulting, LLC – 10/7/2024

**Summary**

In total, Montgomery County is a tertiary market with a dependence on the manufacturing sector and some healthcare influence as well. Over the last decade plus the county has grown and the traffic and annual visitors have increased. This is influenced by I-74 and NC Hwy 24-27. The forthcoming Uwharrie Motorsports Park and Resort will increase traffic as well. There are also multiple sites zoned for industrial development that are actively being marketed in Biscoe and Troy that if developed would be a significant positive for the local economy.

## Lodging Trends and Market Analysis

The purpose of this section is to provide an overview of the market in which the proposed subject would be competitive and to develop projections of occupancy, average daily rate (ADR), and revenue per available room (RevPar) for the subject. This “Trends” section is the foundation for cash flow projections used in the feasibility portion of this study. This study develops projections of occupancy, ADR, and RevPar over a period of several years based on what is known and generally anticipated as of the date of study. It is obviously not possible to accurately project future changes in supply and demand issues beyond what is known at the time of study.

### U.S. Lodging Trends

U.S. lodging fundamentals are strong with RevPar at historic highs. The market is now several years past the outbreak and disruption of the COVID-19 pandemic beginning in March of 2020. RevPar year-end 2024 was approximately \$13 (15.2%) higher than 2019.

#### Post-COVID Market Trends

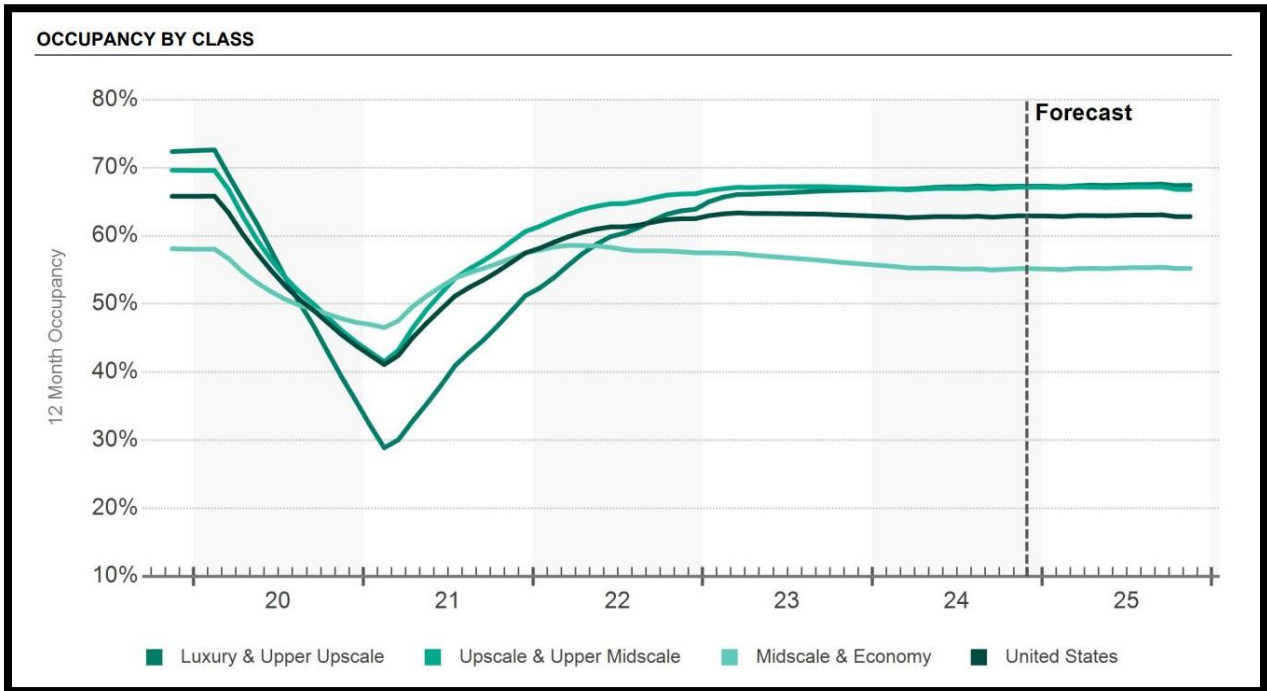
- “Revenge travel” - leisure travel fueled by government stimulus boomed in 2021/22
- 2023 - Leisure travel beginning to settle down/soften
- Corporate travel restrained by remote working, though trending up
- Group activities slower to recover, but trending upward
- International travel to gateway markets slower to recover
- Occupancy levels still below pre-COVID levels
- ADR higher than pre-COVID
- RevPar fueled by ADR higher than pre-COVID
- 2024 – pace of RevPar growth settling back towards longer term inflationary trends
- New room supply constrained by higher interest rates and limited credit availability
- Historic high RevPar for 2024 - \$99 vs. \$86 for 2019
- November 2024 – STR revises 2024/25 forecast downward after doing the same in August 2024.



**Projections by Smith Travel Research – November 2024 Update**

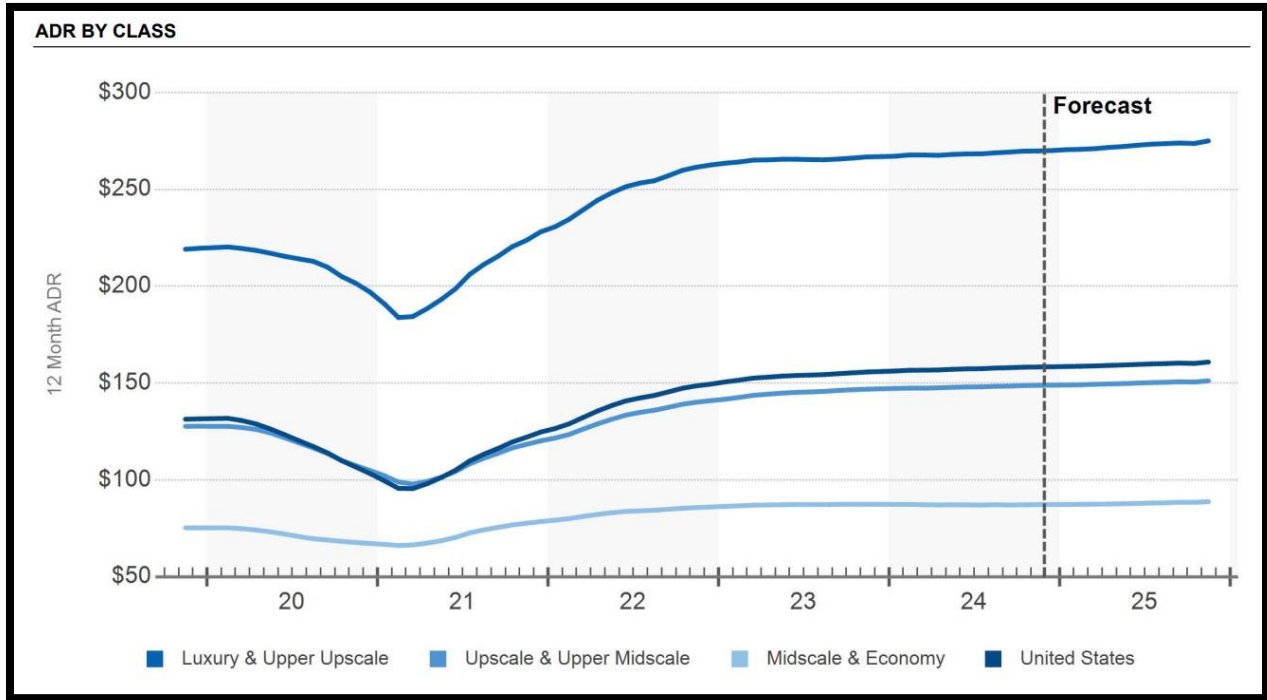
<b>U.S. Hotel Forecast</b>			
YoY – year over year (% change)			
	2023 (actual)	2024 (forecast)	2025 (forecast)
Supply (YoY)	+0.2%	+0.5%	+0.9%
Demand (YoY)	+0.9%	+0.3%	+1.1%
Occupancy	63.0%	62.9%	63.0%
ADR (YoY)	+4.3%	+1.5%	+1.6%
RevPAR (YoY)	+5.0%	+1.4%	+1.8%

**Historical Market Trends by Class**



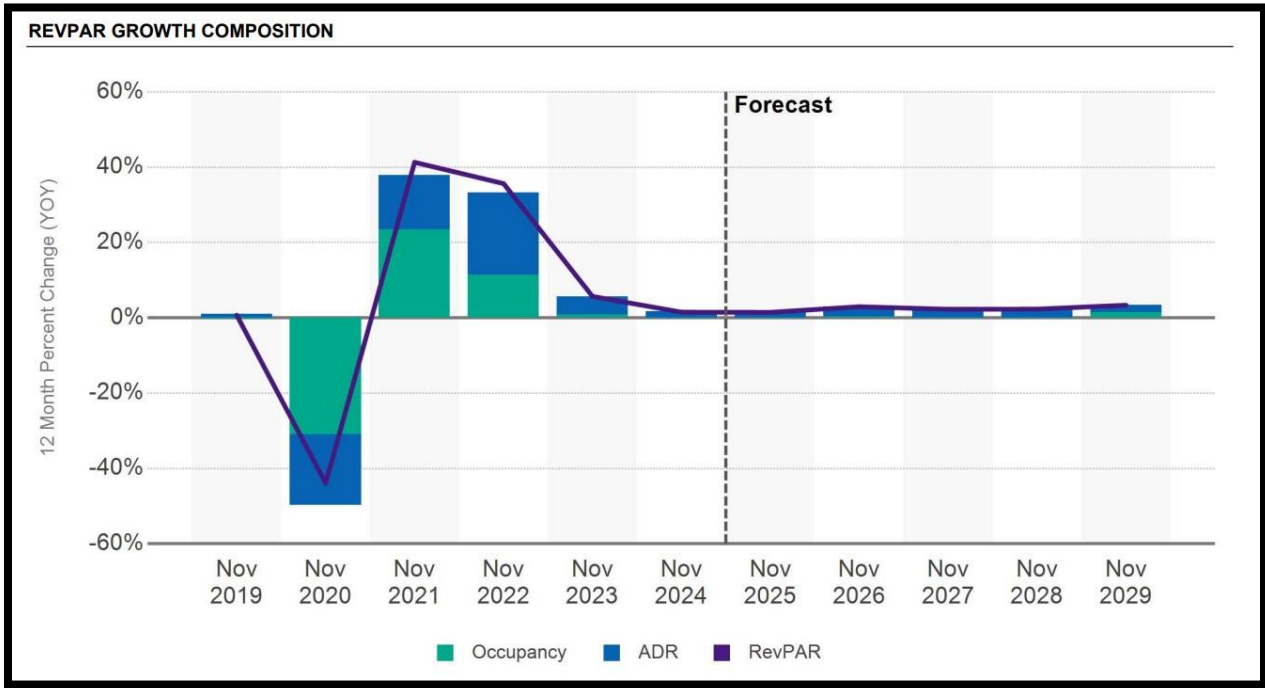
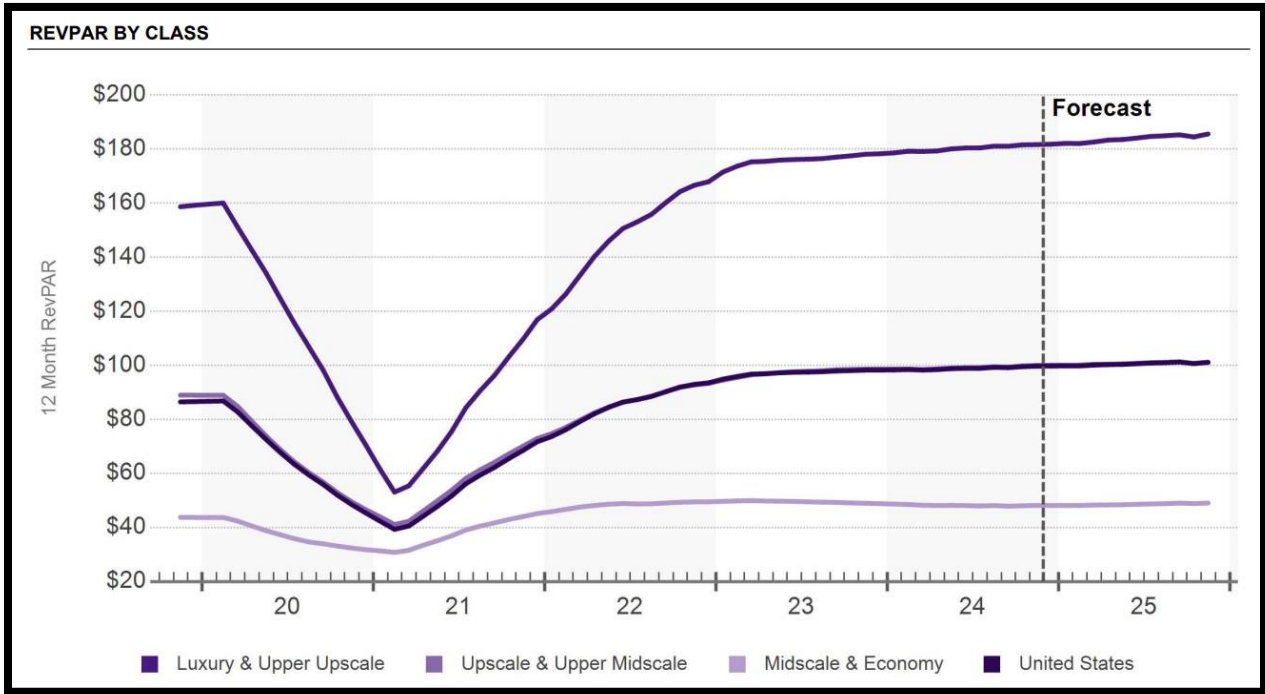
**Key Takeaway: Occupancy**

1. Recovered/stabilized occupancy lower than pre-COVID
2. Midscale and Economy driven by leisure rebounded 2021/22 and drifted lower 2023/24
3. Room night demand growth settling back towards long term market trends



**Key Takeaway: ADR**

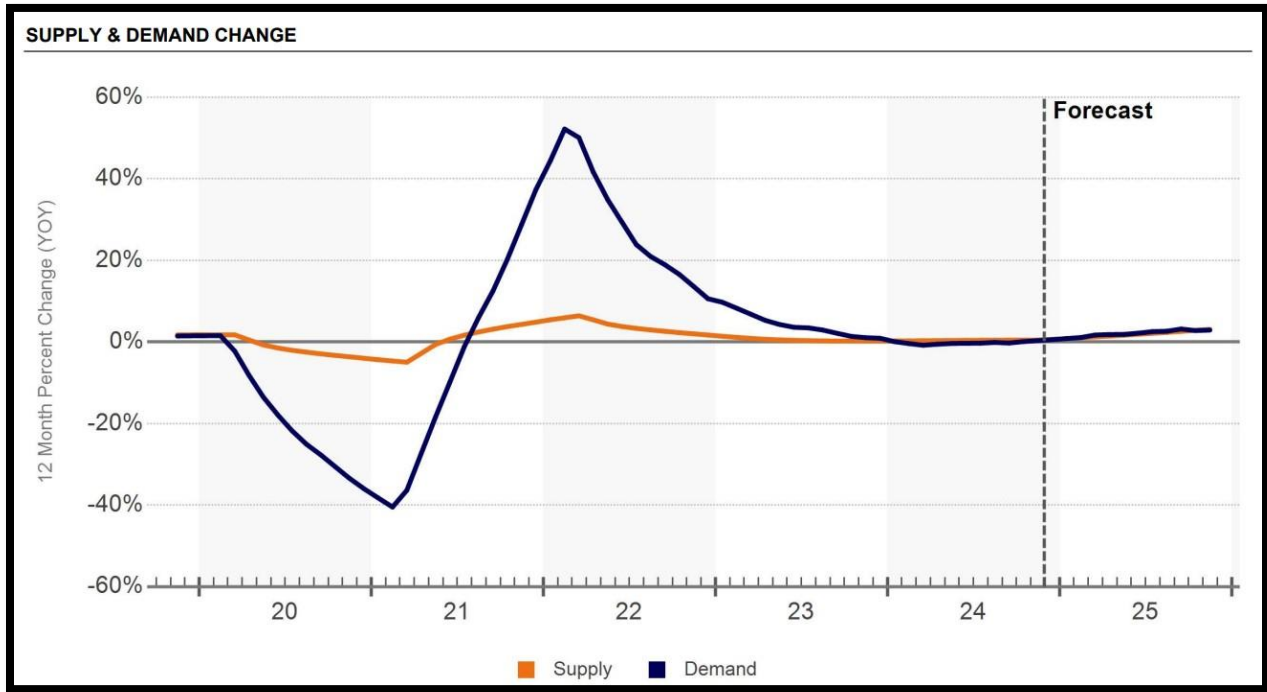
1. Post-COVID recovery led by ADR growth well above historical averages
2. ADR/pricing power supported by inflationary influences in the general economy
3. U.S. Federal Reserve is successfully attacking inflation
4. 2024 ADR grew at 1.6%, down from 4.3% in 2023
5. ADR still growing, but rate of growth trending down in 2023 and 2024



**Key Takeaway: RevPar**

1. RevPar = occupancy x ADR
2. Post-COVID RevPar growth driven by ADR
3. RevPar growth 1.5% in 2024 compared to 5.0% in 2023
4. STR forecasts an increase of 1.5% for 2025 and an additional 3.1% in 2026.
5. RevPar at historic high

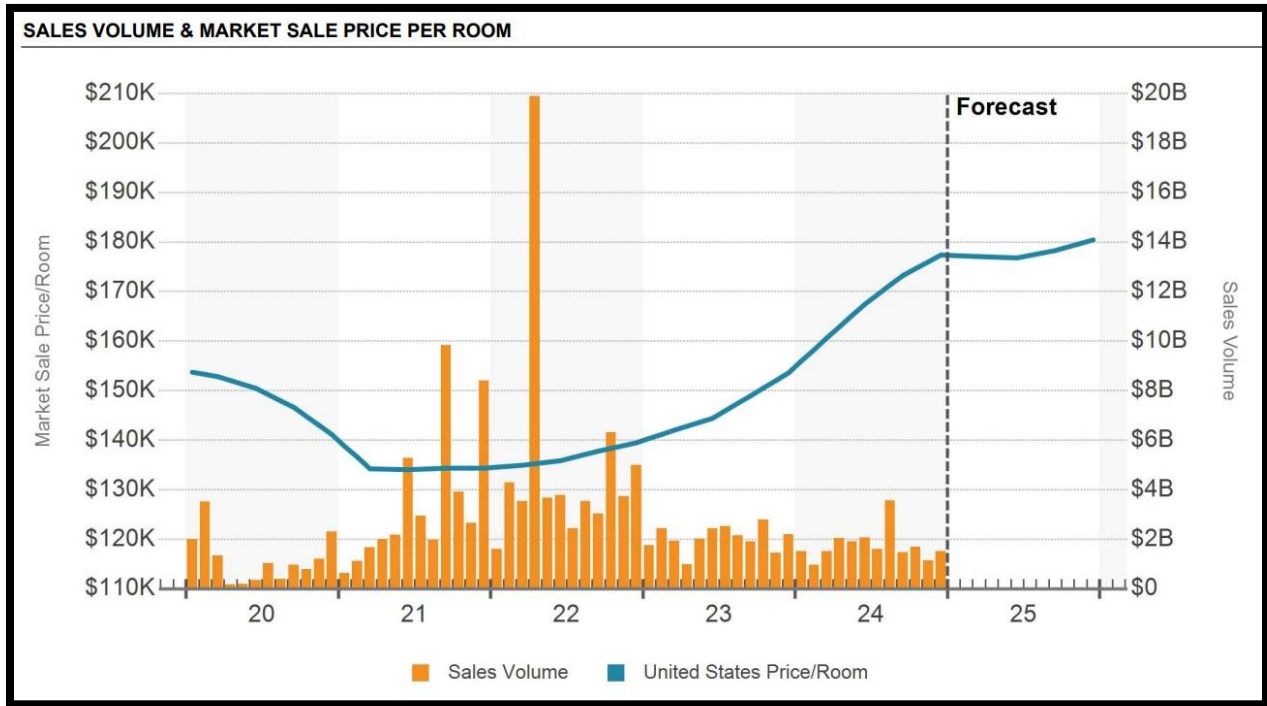
**Room Supply vs. Demand**



**Key Takeaway: Supply/Demand**

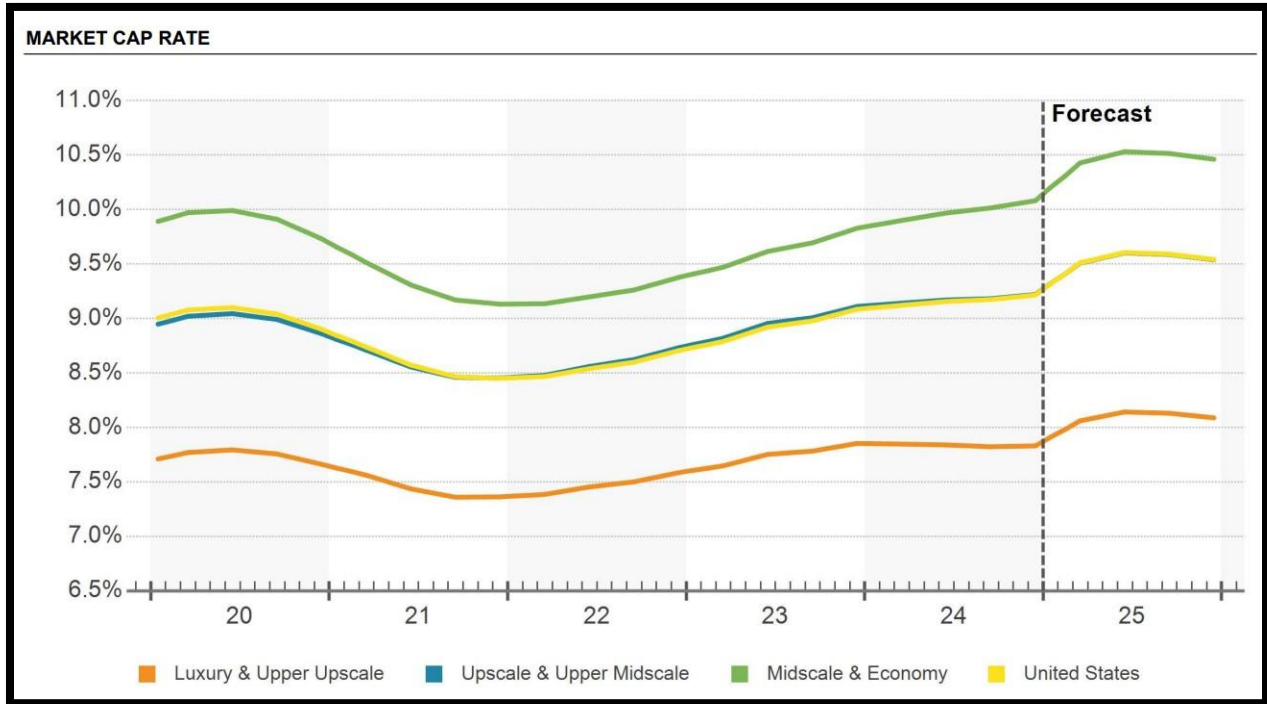
1. Long term supply and demand tend to return to equilibrium
2. Market settling back into equilibrium following COVID/demand disruption
3. Construction challenges due to high building costs, higher interest rates and tighter lending
4. Despite challenges, new development is proceeding

**Investment Market**



**Key Takeaway: Investor Market**

1. Higher interest rates and more restrictive lending resulted in diminished sale activity since Mid-2022
2. Sales are continuing to occur, albeit at lower levels
3. Wider spread in bid/ask results in fewer transactions
4. Regardless of challenges, brokers report multiple offers on quality properties
5. Seller price capitulation limited
6. Pricing buoyed by solid fundamentals and high replacement costs



**Key Takeaway: Overall Capitalization Rates**

1. Higher interest rates + Lower LTV = Upper Pressure on Cap Rates
2. Regardless of Point #1, hotel cap rates historically larger spread vs. safe rate
3. Hotels have been better positioned to absorb higher interest rates than other CRE
4. December 2024 – US average cap rate = 9.1%

**Big Picture**

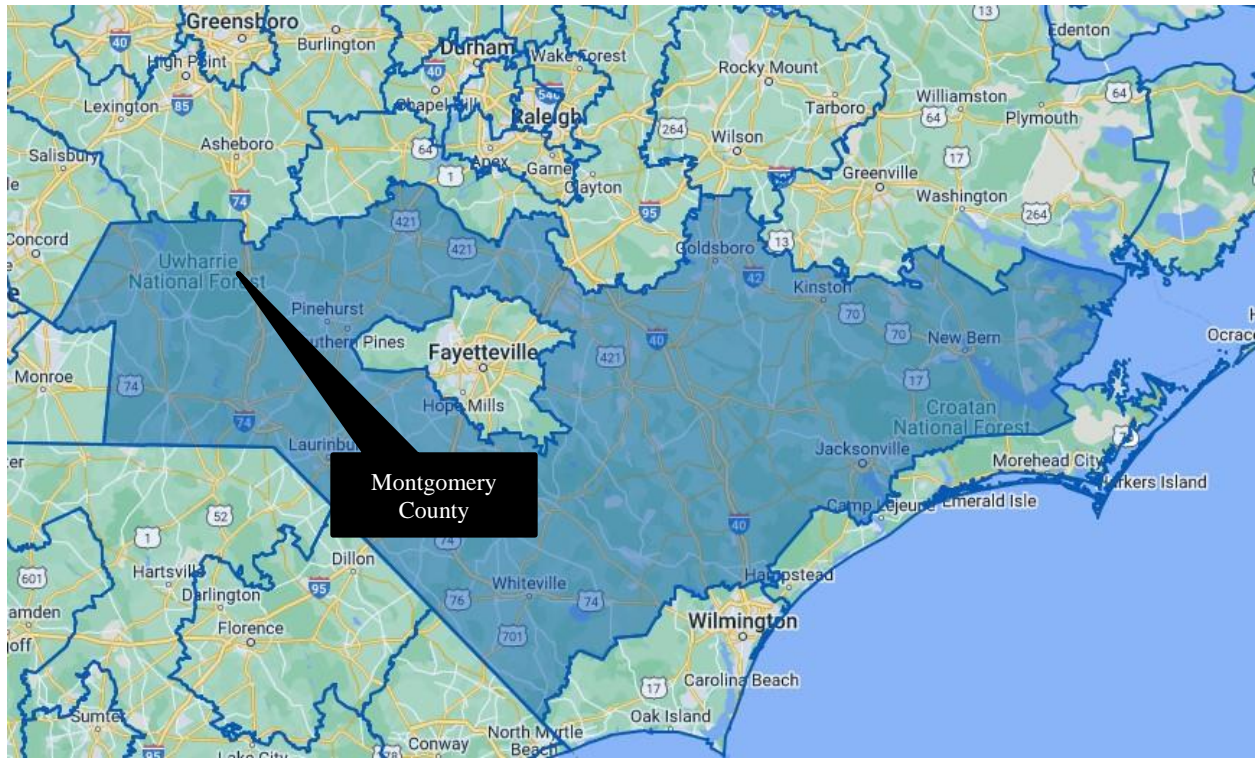
Overall lodging fundamentals are strong, though there are challenges in terms of interest rates, financing, and construction. Despite these challenges, there is capital available for investment because lodging offers higher current yields than most commercial real estate. Lodging is a local business, and not all markets are the same. The section to follow examines the local lodging market in relation to the subject property.



**North Carolina Southeast Area Submarket Lodging Trends**

Montgomery County is within the North Carolina Southeast Area Submarket as defined by STR. The information below shows the submarket on a map and two graphs detailing lodging trends from 2014 to present.

**North Carolina Southeast Area Submarket**



North Carolina Southeast Area Submarket Hotel Trends										
	Annual Supply	% Change	Demand	% Change	Occ %	% Change	ADR	% Change	RevPar	% Change
2014	4,834,038	-0.3%	2,649,062	3.4%	54.8%	3.7%	\$80.19	3.5%	\$43.94	7.3%
2015	4,872,325	0.8%	2,705,487	2.1%	55.5%	1.3%	\$80.12	-0.1%	\$44.49	1.3%
2016	4,969,818	2.0%	2,921,311	8.0%	58.8%	5.9%	\$82.23	2.6%	\$48.33	8.6%
2017	4,984,928	0.3%	2,876,684	-1.5%	57.7%	-1.8%	\$84.62	2.9%	\$48.83	1.0%
2018	4,986,093	0.0%	3,076,061	6.9%	61.7%	6.9%	\$88.26	4.3%	\$54.45	11.5%
2019	4,898,299	-1.8%	3,080,429	0.1%	62.9%	1.9%	\$92.91	5.3%	\$58.43	7.3%
2020	4,871,297	-0.6%	2,404,616	-21.9%	49.4%	-21.5%	\$85.60	-7.9%	\$42.25	-27.7%
2021	5,002,876	2.7%	3,029,326	26.0%	60.6%	22.7%	\$99.78	16.6%	\$60.42	43.0%
2022	5,060,600	1.2%	3,017,004	-0.4%	59.6%	-1.5%	\$106.47	6.7%	\$63.48	5.1%
2023	5,121,741	1.2%	3,050,554	1.1%	59.6%	-0.1%	\$109.95	3.3%	\$65.49	3.2%
2024	5,160,579	0.8%	2,942,841	-3.5%	57.0%	-4.3%	\$114.45	4.1%	\$65.26	-0.4%
2025 Proj	5,385,450	4.4%	3,042,093	3.4%	56.5%	-0.9%	\$122.24	6.8%	\$69.05	5.4%
2026 Proj	5,472,039	1.6%	3,056,414	0.5%	55.9%	-1.1%	\$125.85	3.0%	\$70.29	1.8%
2027 Proj.	5,477,138	0.1%	3,079,831	0.8%	56.2%	0.7%	\$129.25	2.7%	\$72.68	3.4%
2028 Proj.	5,506,144	0.5%	3,091,212	0.4%	56.1%	-0.2%	\$132.09	2.2%	\$74.16	2.0%

Source: CoStar North Carolina Southeast Area Hospitality Submarket Report

**Lodging Trends & Market Analysis**

<b>North Carolina Southeast Area Upscale &amp; Upper Midscale Submarket Hotel Trends</b>										
	<b>Annual Supply</b>	<b>% Change</b>	<b>Demand</b>	<b>% Change</b>	<b>Occ %</b>	<b>% Change</b>	<b>ADR</b>	<b>% Change</b>	<b>RevPar</b>	<b>% Change</b>
<b>2014</b>	1,556,166	1.5%	1,021,722	4.7%	65.7%	3.1%	\$94.01	3.3%	\$61.72	6.5%
<b>2015</b>	1,631,920	-0.4%	1,065,776	4.3%	65.3%	-0.5%	\$93.91	-0.1%	\$61.33	-0.6%
<b>2016</b>	1,731,753	6.1%	1,202,350	12.8%	69.4%	6.3%	\$95.21	1.4%	\$66.10	7.8%
<b>2017</b>	1,793,643	3.6%	1,257,359	4.6%	70.1%	1.0%	\$96.99	1.9%	\$67.99	2.9%
<b>2018</b>	1,811,148	1.0%	1,313,071	4.4%	72.5%	3.4%	\$101.72	4.9%	\$73.75	8.5%
<b>2019</b>	1,739,225	-4.0%	1,298,694	-1.1%	74.7%	3.0%	\$107.11	5.3%	\$79.98	8.4%
<b>2020</b>	1,792,475	3.1%	1,024,163	-21.1%	57.1%	-23.5%	\$97.69	-8.8%	\$55.82	-30.2%
<b>2021</b>	1,888,785	5.4%	1,341,536	31.0%	71.0%	24.3%	\$109.41	12.0%	\$77.71	39.2%
<b>2022</b>	1,964,622	4.0%	1,364,045	1.7%	69.4%	-2.2%	\$118.39	8.2%	\$82.20	5.8%
<b>2023</b>	1,990,345	1.3%	1,382,675	1.4%	69.5%	0.1%	\$122.51	3.5%	\$85.11	3.5%
<b>2024</b>	2,023,713	1.7%	1,364,698	-1.3%	67.4%	-2.9%	\$127.31	3.9%	\$85.85	0.9%
<b>2025 Proj.</b>	<b>2,183,509</b>	<b>7.9%</b>	<b>1,434,035</b>	<b>5.1%</b>	<b>65.7%</b>	<b>-2.6%</b>	<b>\$139.40</b>	<b>9.5%</b>	<b>\$91.55</b>	<b>6.6%</b>
<b>2026 Proj.</b>	<b>2,268,166</b>	<b>3.9%</b>	<b>1,500,883</b>	<b>4.7%</b>	<b>66.2%</b>	<b>0.8%</b>	<b>\$143.07</b>	<b>2.6%</b>	<b>\$94.67</b>	<b>3.4%</b>
<b>2027 Proj.</b>	<b>2,273,265</b>	<b>0.2%</b>	<b>1,509,013</b>	<b>0.5%</b>	<b>66.4%</b>	<b>0.3%</b>	<b>\$147.84</b>	<b>3.3%</b>	<b>\$98.14</b>	<b>3.7%</b>
<b>2028 Proj.</b>	<b>2,302,271</b>	<b>1.3%</b>	<b>1,523,367</b>	<b>1.0%</b>	<b>66.2%</b>	<b>-0.3%</b>	<b>\$151.08</b>	<b>2.2%</b>	<b>\$99.97</b>	<b>1.9%</b>

Source: CoStar North Carolina Southeast Area Hospitality Submarket Report



## Montgomery County Lodging Market Potential

This section of the study attempts to quantify demand for a new hotel to be constructed in Montgomery County. The analysis uses a six-step process discussed in Stephen Fanning's *Market Analysis for Real Estate, Second Edition*, published by the Appraisal Institute in 2014. The sections to follow identify each of the six steps along with the question to be answered by each step.

In most any community, there is some level of lodging demand via local industry and residents, though the challenge is whether there is enough demand to justify development of a hotel. For a smaller/tertiary market like Montgomery County, with no local lodging facilities or historical demand to analyze, it can be more challenging and subjective to quantify demand.

### **Step 1 – Property Productivity Analysis**

*What attributes does the subject property offer to the market?*

Productivity analysis measures physical, legal, and locational attributes of the property being studied, a prospective upper midscale hotel in this case. The preceding sections of this study provide an overview of the local and physical/legal attributes of the proposed site. The undetermined attribute is the site, type, and features of the proposed hotel to be constructed. This is discussed at the end of the six-step process. The market analysis is used to develop recommendations for appropriate lodging attributes for Montgomery County.

In terms of locational attributes, Montgomery County, specifically Biscoe, is located within a reasonable drive to three of the largest metropolitan areas of North Carolina in Charlotte, Greensboro, and Raleigh/Durham. The county has maintained a stable population and a relatively stable employment base in recent years. Furthermore, Interstate 74 runs through the east portion of the county and is a major travel corridor in central North Carolina that is heavily traversed by vacationers heading towards the North Carolina and South Carolina coastal markets. Often, these out-of-state beach travelers will overnight before and sometimes after check-in/check-out of beach accommodations. Hotels in nearby Rockingham have been a beneficiary of this trend.

There is only one franchised hotel in the county, the Days Inn in Biscoe. This is an older exterior corridor hotel that is not able to capture much of the demand that exists in Montgomery County except for some of the leisure travel and/or blue-collar industry demand. The basic assumption relative to this step is that the physical attributes of the site and proposed hotel will be attractive and consistent with modern lodging properties within the upper midscale tier.

## Step 2 – Delineate the Market

*Who are the most likely users of these attributes?*

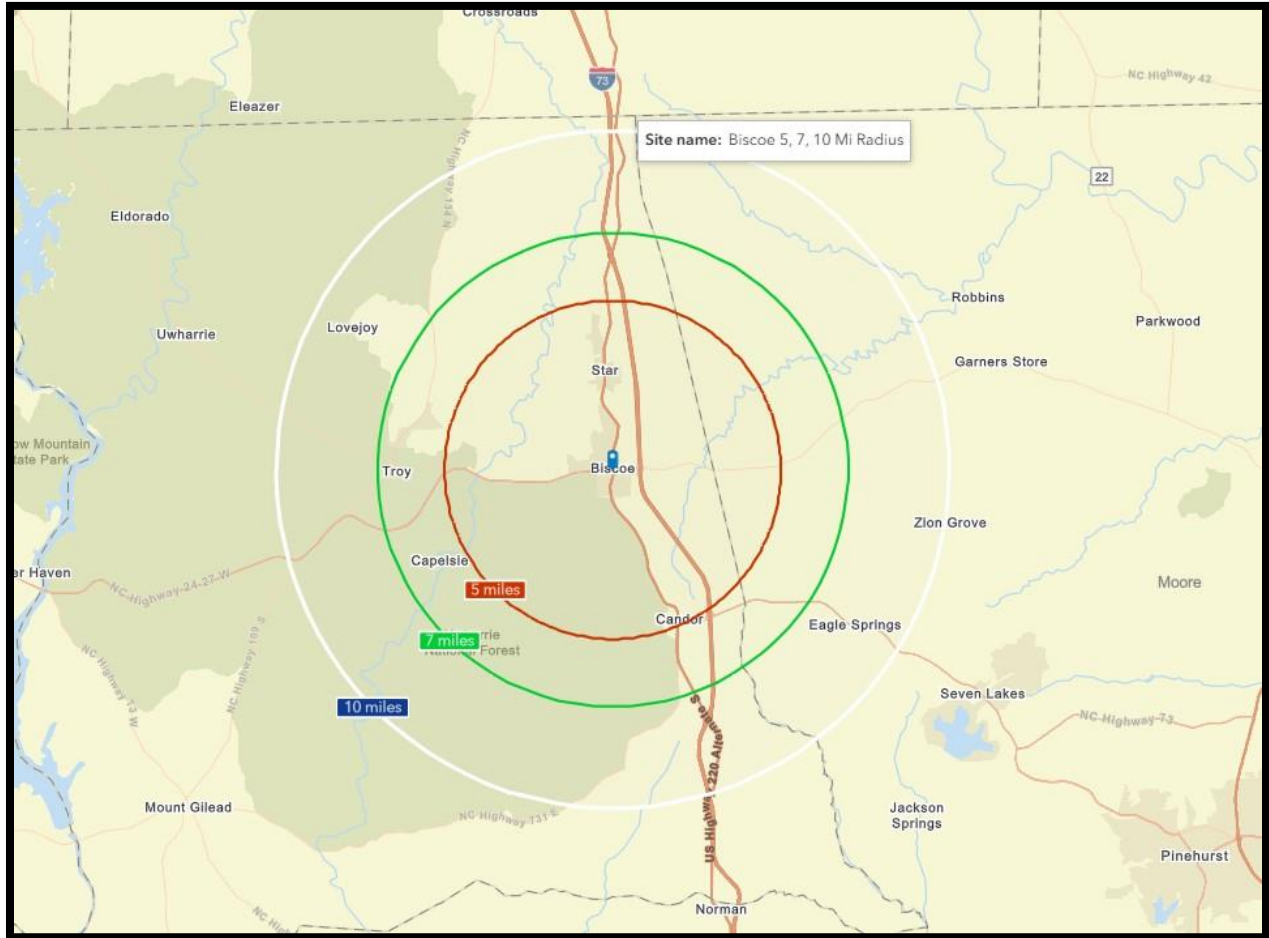
Montgomery County, specifically Biscoe, is a rural/tertiary market in central North Carolina. It is located along Interstate 74, an important travel corridor in the local market. This creates some outlier demand via interstate travelers year-round, specifically during peak season for beach travelers. Hotels in Asheboro and Rockingham reportedly depend on this demand significantly. Outside of the interstate, there are other demand generators within the county, though the lack of accommodations results in this demand being captured in surrounding markets (Asheboro, Albemarle, Rockingham, etc.). A partial list of these demand generators is shown below.

- Local Industry
  - Jordan Lumber
  - Saputo
  - Troy Lumber
  - Samarcand
  - Montgomery County Community College
  - McRae Industries
  - Mohawk
  - Mountaire
- Uwharrie National Forest
  - Hiking
  - Off-Roading
  - Badin Lake
  - Lake Tillery
  - Fishing Tournaments
- Starworks
- Seagrove Pottery
- North Carolina Zoo
- Local Events/Festivals
- Future Uwharrie Motorsports Park and Resort
- Pinehurst Golf (cheaper rates towards Asheboro, Rockingham, etc.)

Due to the locational attributes of Montgomery County and the lack of lodging facilities in the area that are available to capture demand from the previously mentioned sources, most of the lodging demand for a prospective hotel would likely come from within a 5 – 10-mile radius, as well as some demand from the interstate. Most of the demand within this radius is currently

captured in Asheboro, though some demand is also captured in Rockingham and Albemarle. The following includes maps from Site to Do Business (STDB) with five-, seven-, and ten-mile rings around Biscoe.

**Market Area Map**



**Step 3 – Demand Analysis**

*Is the property needed?*

This phase of the analysis attempts to quantify lodging demand from within the Montgomery County market area. As is shown above, most of this demand would come from within a 5 – 10-mile radius of Biscoe. The challenge in quantifying lodging demand in a rural/tertiary market like Biscoe/Montgomery County is that, aside from the old exterior corridor Days Inn, there is no further hotel supply that can be used as a benchmark.

In larger markets such as Charlotte or Raleigh/Durham, it is much easier to quantify demand using historical data from existing hotels. The level of unaccommodated demand can readily be measured, and the primary challenge is measuring demand that is not accommodated during sell-out periods or due to other factors. In Montgomery County, essentially all upper midscale hotel demand is captured in other markets as there is no suitable accommodation. The lower-tiered demand is captured at the Days Inn in Biscoe. Overall, projecting demand in a market such as Montgomery County is inherently more subjective than for larger markets that are served by existing hotels.

There are several methods by which to project demand within Montgomery County. For this study, a correlation analysis between other small towns and the radius rings around Biscoe are used. This correlates room night demand with population and employment census. Data is gathered from Hotel & Club Associates, Inc. internal work files on several other smaller/tertiary markets for which there is access to sufficient data to derive overall market demand (i.e., annual occupied room nights). This is further benchmarked against surrounding markets like Rockingham, Albemarle, and/or Asheboro.

These small market examples are those that have some type of mid-to-upscale hotel for which there is sufficient data to derive accommodated demand. Further, population and employment data is gathered for each respective market using both CoStar and the Site to Do Business demographic data. This is then used to develop a ratio of room night demand to the local population and the number of employed people. The ratios are then applied to the Montgomery County/Biscoe data to infer a market demand projection.

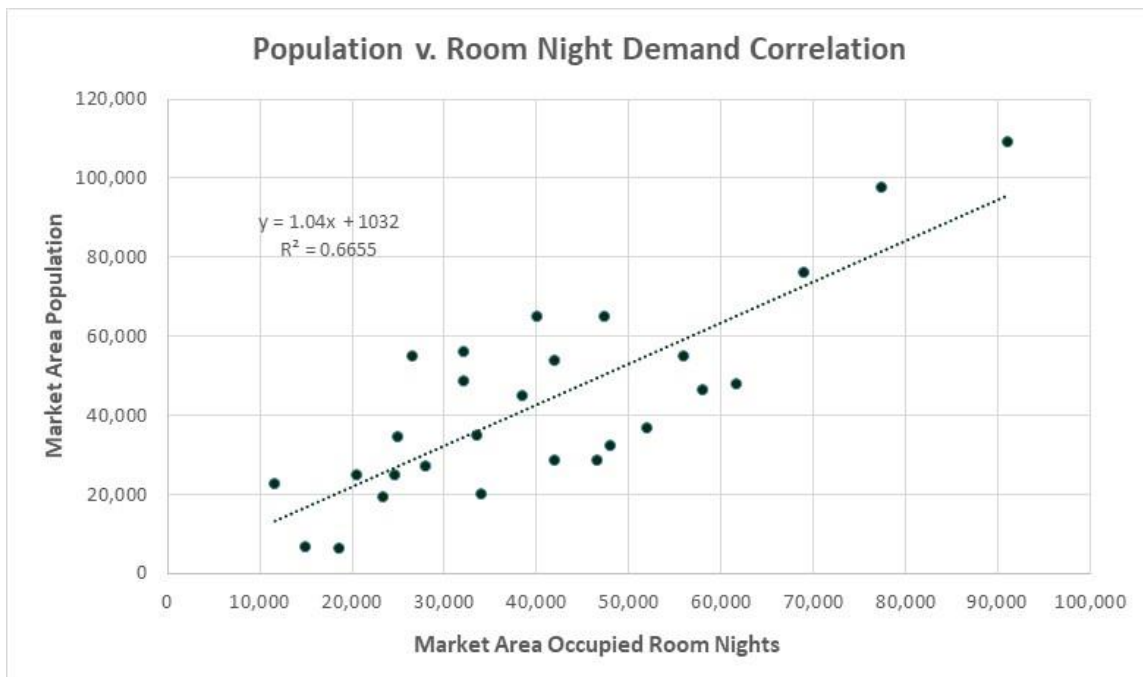
Obviously, every community has some unique attributes that contribute to hotel demand. Even if it is not a perfect analysis, it is a useful tool in this situation. The chart below summarizes data for the various markets included within the study. The highlighted markets are most applicable, in our opinion, to Montgomery County/Biscoe. The selected radius for each respective data point is a function of the specific market being studied and its relationship to surrounding demand influences.

Hotel Room Night Demand Study														
City	State	County	Type of Location	Town Population	Market Area	Market Population	Market Employment	# of Hotels	# of Rooms	# People Per Room	Overall Occupancy	Occupied Room Nights	Occupied Rooms	
													per Person	per Job
Mt. Olive	NC	Wayne	Small College Town	4,670	5 mile radius	11,731	5,680	1	88	133	70.8%	22,741	1.94	4.00
Gretna	VA	Pittsylvania	Rural/US Hwy	1,434	10 mile radius	15,000	4,400	1	81	185	22.2%	6,563	0.44	1.49
Buckhannon	WV	Upshur	Small College Town	5,473	10 mile radius	23,441	9,847	2	125	188	42.1%	19,200	0.82	1.95
West Jefferson	NC	Ashe	Rural, Mountain Tourist	1,767	10 mile radius	24,689	8,394	2	106	233	64.4%	24,929	1.01	2.97
Hillsville	VA	Carroll	Rural-Interstate	2,679	10 mile radius	26,571	12,600	4	294	90	51.1%	54,811	2.06	4.35
Tarboro	NC	Edgecombe	Small Town	10,806	10 mile radius	28,062	12,717	2	126	223	58.8%	27,053	0.96	2.13
Lenoir	NC	Caldwell	Small Town	17,909	5 mile radius	32,089	16,122	2	151	213	53.8%	48,527	1.51	3.01
Clinton	SC	Laurens	Rural - Interstate	8,347	10 mile radius	32,220	28,600	6	452	71	56.5%	55,973	1.74	1.96
Roxboro	NC	Person	Rural	8,323	10 mile radius	34,029	11,029	3	123	277	44.9%	20,179	0.59	1.83
Roanoke Rapids	NC	Halifax	Small Town/Interstate	14,562	10 mile radius	40,170	17,442	8	926	43	64.8%	65,000	1.62	3.73
Rockingham	NC	Richmond	Small Town/US Hwy	9,000	10 mile radius	38,571	14,163	3	187	206	65.5%	44,715	1.16	3.16
Creedmoor	NC	Granville	Small Town/Interstate	4,539	5 mile radius	42,000	13,483	3	172	244	45.8%	28,726	0.68	2.13
Albemarle	NC	Stanley	Small Town	16,073	5 mile radius	47,373	18,212	4	252	188	70.6%	64,930	1.37	3.57
Reidsville	NC	Rockingham	Small Town/ US Hwy	13,928	10 mile radius	48,000	14,553	3	160	300	55.1%	32,175	0.67	2.21
Garner	NC	Johnston	Interstate	35,862	5 mile radius	61,765	12,273	5	344	180	58.7%	47,892	0.78	3.90
Forest City	NC	Rutherford	Small Town	7,150	10 mile radius	56,000	21,000	4	249	225	60.4%	54,867	0.98	2.61
Eden	NC	Rockingham	Small Town	14,986	10 mile radius	52,000	15,739	3	173	301	58.3%	36,829	0.71	2.34
Martinsville	VA	Henry	Small Town	13,360	10 mile radius	58,097	25,706	3	207	281	61.4%	46,419	0.80	1.81
Morganton	NC	Burke	Small Town/Interstate	16,517	10 mile radius	69,000	28,000	5	396	174	52.6%	75,988	1.10	2.71
Morristown	TN	Hamblen	Interstate/Industrial	30,428	10 mile radius	91,101	37,177	6	496	184	67.0%	109,197	1.20	2.94
Midlothian	VA	Chesterfield	Suburb	-	3 mile radius	46,626	11,653	2	122	382	64.0%	28,499	0.61	2.45
Whiteville	NC	Columbus	Small Town/US Hwy	4,657	10 mile radius	24,939	11,166	2	152	164	62.1%	34,452	1.38	3.09
Asheboro	NC	Randolph	Small Town/Interstate	25,877	10 mile radius	77,418	65,300	6	392	197	68.1%	97,463	1.26	1.49
Bardstown	KY	Nelson	Small Town/Bourbon	13,944	10 mile radius	41,945	17,734	5	406	103	36.4%	53,885	1.28	3.04
Rocky Mount	VA	Franklin	Small Town	5,000	10 mile radius	33,528	12,211	2	124	270	77.1%	34,914	1.04	2.86
Cheraw	SC	Chesterfield	Small Town	5,000	10 mile radius	20,589	7,883	1	102	202	67.2%	25,000	1.21	3.17
Wallace	NC	Duplin	Small Town/Interstate	3,500	10 mile radius	18,634	10,496	1	70	266	24.8%	6,336	0.34	0.60
<b>Average</b>				<b>11,377</b>		<b>38,990</b>	<b>15,261</b>	<b>3</b>	<b>243</b>	<b>205</b>	<b>56.5%</b>	<b>43,232</b>	<b>1.08</b>	<b>2.65</b>
<b>Low Indication</b>				<b>1,434</b>		<b>11,731</b>	<b>4,400</b>	<b>1</b>	<b>81</b>	<b>43</b>	<b>22.2%</b>	<b>6,336</b>	<b>0.34</b>	<b>0.60</b>
<b>High Indication</b>				<b>35,862</b>		<b>91,101</b>	<b>65,300</b>	<b>8</b>	<b>926</b>	<b>382</b>	<b>77.1%</b>	<b>109,197</b>	<b>2.06</b>	<b>4.35</b>

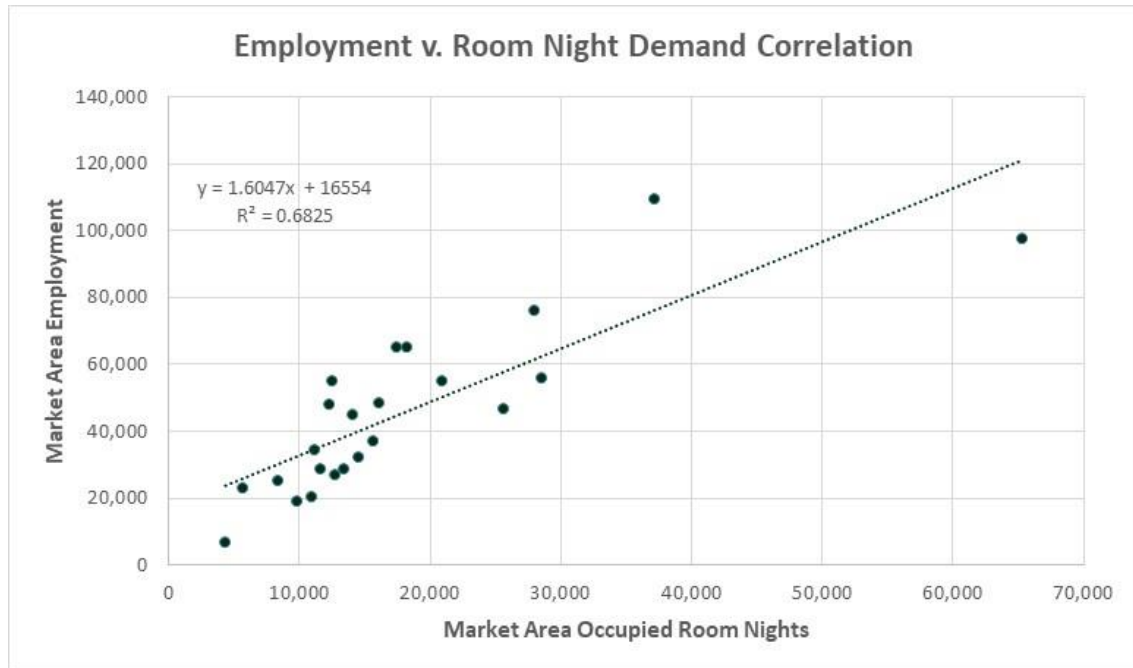
There is some correlation between market population/employment and total room nights. The correlation can be skewed significantly by notably strong interstate and/or tourist markets. For example, Roanoke Rapids is situated on I-95 and is a very popular stop-over destination for interstate travelers. The interstate, and not local business and population, is the primary driver of room night demand in Roanoke Rapids. More than 80% of room night demand is contributable to I-95 travelers. Though Biscoe is situated along an interstate corridor, it reports significantly less daily traffic than that of I-95.

To adjust for this and keep the sample from being too skewed, the analysis extracts interstate demand out of the total. Hotels in Roanoke Rapids report that around 80% of their demand is via I-95 travel, meaning around 20% is attributable to local influences. Given Biscoe's proximity to I-74, it is reasonable that some of the interstate demand remain within the analysis. This leaves approximately 30% of the total demand within the analysis herein.

The first graph is market area population and its correlation with occupied room nights. Biscoe has a seven-mile radius population of around 12,600, which would imply an annual demand of around 14,100 room nights. Biscoe has a ten-mile radius population of just over 19,200. This would imply total annual demand of around 21,000 within the ten-mile radius.



The second graph shows the correlation between employment and annual room nights.



The seven-mile radius employment is around 7,300. This would imply total annual room night demand of around 26,800. The ten-mile radius employment is just over 8,600, which implies a total room night demand of around 28,900.

Another method of analysis is to pick ratios of population to demand and jobs to demand based on the analyst’s knowledge of the various markets included in the demand analysis relative to Biscoe. For all markets within the analysis, the average occupied rooms per person is 1.08 while the average rooms occupied per job is 2.65. Furthermore, the average ratio of occupied rooms per person within the highlighted markets is 1.30 while the average ratio of occupied rooms per job within the same markets is 3.14.

Obviously, not all markets are similar in every respect and this process is admittedly somewhat subjective. For example, a market area with a similar population could have significantly differing per capita income. The ten-miler radius per capita income for Biscoe is \$27,577 while the ten-mile radius per capita income around Rocky Mount, Virginia was \$34,930 in 2024. This is approximately 26% higher than Biscoe. The per capita income within the ten-mile radius around Cheraw, South Carolina in 2024 was \$23,267, slightly below Biscoe. This information is presented to show data that the ratio and correlation methods do not consider.

In the following analysis, the average of all markets and the average of the most comparable markets are both shown for occupied rooms per person and per job.

<b>Biscoe Room Night Demand Projection (Seven-Mile Radius)</b>						
	<b>Seven-Mile Radius</b>	<b>Total Average</b>	<b>Comp. Market Average</b>	<b>Demand Nights</b>		<b>Average</b>
				<b>All Mkts</b>	<b>Comparable Mkt</b>	
Population	12,612	1.08	1.30	13,621	16,396	15,008
Employment	7,306	2.65	3.14	19,361	22,941	21,151

<b>Biscoe Room Night Demand Projection (Ten-Mile Radius)</b>						
	<b>Ten-Mile Radius</b>	<b>Total Average</b>	<b>Comp. Market Average</b>	<b>Demand Nights</b>		<b>Average</b>
				<b>All Mkts</b>	<b>Comparable Mkt</b>	
Population	19,222	1.08	1.30	20,760	24,989	22,874
Employment	8,601	2.65	3.14	22,793	27,007	24,900

**Reconciliation of Demand Projections**

Projecting room night demand in a market such as Biscoe/Montgomery County is inherently more subjective than in larger market, such as Charlotte or Raleigh. Potential users of this report, and the analysis/conclusions herein, should be aware of the subjectivity in this process. There is innately some demand for lodging in Biscoe due to the industry and households that are present within the area. However, due to the lack of lodging availability, this demand is currently captured in surrounding markets.

<b>Biscoe Demand Projections by Method</b>				
	<b>Seven-Mile Radius</b>		<b>Ten-Mile Radius</b>	
	<b>Population</b>	<b>Employment</b>	<b>Population</b>	<b>Employment</b>
Ratio Method	15,008	21,151	22,874	24,900
Correlation Method	14,100	21,000	26,800	28,900

This analysis places the most emphasis on the ratio method. The average of the four ratio method scenarios is just under 21,000 and ranges from approximately 15,000 to 25,000. The reason for the wider range is due to the difference in population from within the seven-mile radius to the ten-mile radius. The population is 52.4% higher from within the ten-mile radius than the seven-mile while the employment is more centered within the seven-mile radius as the ten-mile radius employment is only 17.7% higher. For reference, the average of the four scenarios within the correlation method is 22,700, ranging from 14,100 to 28,900.



There are multiple considerations that will further influence the demand that a prospective hotel in Biscoe would be able to capture including hotel branding. A well-branded hotel in new condition could reasonably capture some demand that is currently captured towards Rockingham, Albemarle, and/or Asheboro, specifically within the interstate demand segment.

Within the completion of this study, the future Uwharrie Motorsports Park and Resort was considered in addition to the demand within the previous analysis. The analysts have reviewed the economic impact study and interviewed hotels in other markets with similar tracks (Virginia International Raceway (Danville, Virginia) and Michelin Raceway Road Atlanta (Braselton, Georgia)). Hotels within each market indicated that events at the racetrack induce noteworthy demand. The Uwharrie Motorsports Park and Resort is expected to open in 2027, the same year as the proposed hotel. As such, this study assumes the hotel captures some of this demand and projects a slightly higher annual demand than would be shown in the absence of the racetrack.

Within this study, emphasis is given to the ratio method within a seven-mile radius and a total demand projection for an upper midscale hotel of 19,000 to 21,000 room nights annually is reasonable.

#### **Step 4 – Supply Analysis**

*What is the competition?*

The preceding sections focus on developing a room night demand projections for the Montgomery County market, specifically within a ten-mile radius of Biscoe. Step four is to quantify and project the supply of rooms within the market area. There is one franchised hotel in Montgomery County and that is the old exterior corridor Days Inn in Biscoe. The surrounding counties (Randolph, Moore, Stanly, and Richmond) each have multiple franchised hotels, and each have further hotels proposed and/or under construction within the upper midscale and higher segments. These markets represent the primary competition for Biscoe and Montgomery County as they are where lodging demand within the market area is currently captured.

### **Step 5 – Market Conditions Analysis**

*What is the condition of the market?*

Smith Travel Research (STR) data for the North Carolina Southeast submarket indicates an overall upscale/upper midscale occupancy of 67.4% in 2024. This is down from 69.5% in 2023 and 69.4% in 2022. In 2019, the occupancy was 74.7%. However, from 2019 to 2024, total supply increased by 16.4%. This has outpaced the demand growth since 2019, resulting in a lower occupancy. It should be noted that given the broadness of this submarket, it is likely particularly influenced by I-95 and Jacksonville, North Carolina. These markets benefit from the interstate and Camp Lejeune, which inflates its occupancy relative to other individual markets within this submarket.

In step three, lodging demand is estimated using the correlation and ratio methods, with emphasis on the ratio method. Currently, the concluded demand is captured within the surrounding markets due to the lack of accommodations in Montgomery County. The population and employment data in the county are anticipated to continue to remain relatively stable moving forward.

### **Step 6 – Subject Marketability Analysis**

*How much of this market can the subject property capture?*

The analysis concluded a range of 18,000 to 20,000 annual room nights of upper midscale demand that is leaving Montgomery County and captured within the surrounding markets. If a good quality and well-branded asset was to be constructed, this demand could be captured locally. Because the proposed subject would be the only upper midscale franchised hotel within the identified market, it would have the potential to capture all the demand concluded herein. However, some of the demand would still leak out to surrounding markets based on brand loyalty programs, which still motivates some travelers to drive further to collect and/or use these points.

**Conclusions of the Six-Step Process**

Occupancy is a common metric utilized in the analysis of hotel properties. Occupancy reflects room night demand as a percentage of room night supply. Occupancy as discussed within this study is based on an annual rate. With hotels, there is generally a level of seasonality in occupancy, as it changes daily. In many markets, occupancy peaks on weekends while in corporate reliant markets, it tends to peak on weekdays. In surrounding markets, occupancy tends to be relatively consistent between weekday and weekends year-round while weekends are typically higher during peak travel seasons.

Hotel occupancy is calculated by dividing the number of potential room nights by the available supply of rooms. In the context of this study, occupancy is calculated on an annual basis (365 nights per year). For example, a 100-room hotel has an annual room supply of 36,500 nights (100 rooms x 365 nights). Given the size of the local market, it is reasonable to assume a hotel of 80 to 90 guest rooms within this analysis.

<b>Proposed Hotel: Occupancy Scenarios (90-Room Hotel)</b>			
<b>Scenario</b>	<b>Demand</b>	<b>Annual Nights Available</b>	<b>Annual Occupancy</b>
Low	19,000	32,850	57.8%
High	21,000	32,850	63.9%
<b>Average</b>	<b>20,000</b>	<b>32,850</b>	<b>60.9%</b>

<b>Proposed Hotel: Occupancy Scenarios (80-Room Hotel)</b>			
<b>Scenario</b>	<b>Demand</b>	<b>Annual Nights Available</b>	<b>Annual Occupancy</b>
Low	19,000	29,200	65.1%
High	21,000	29,200	71.9%
<b>Average</b>	<b>20,000</b>	<b>29,200</b>	<b>68.5%</b>

As is mentioned earlier, the North Carolina Southeast Area submarket reported an occupancy of 67.4% in 2024 within the upscale/upper midscale submarket. The previous two years were both around 69.5%. Given the lesser local industry base compared to surrounding markets, it is reasonable that a proposed upper midscale hotel in Biscoe would report occupancies below that of the submarket. An 80-room hotel would reasonably report a higher occupancy rate than that of the 90-room asset.

As a test of reasonableness, occupancy percentages at a couple of hotels in surrounding markets are shown below. It is worth noting that the two Rockingham hotels have a room count well below the proposed 80- or 90-room hotel assumed herein for Biscoe, reasonably inflating their respective occupancies.

- 50-room Quality Inn Rockingham, North Carolina 67.0% - 70.0%
- 64-room Fairfield Inn & Suites Rockingham, North Carolina 71.0% to 76.0%
- 111-room Hampton Inn Asheboro, North Carolina 73% - 77% (2018-2019)

For the sake of this study, the Year 1 occupancy is the “low” scenario, Year 2 occupancy is the “average” scenario, and Year 3 is the “high” scenario.

*Average Daily Rate (ADR)*

To project ADR for the proposed hotel, the CoStar North Carolina Southeast Submarket Hospitality Report is utilized. Hotel revenue managers use dynamic pricing models where rates are adjusted based on booking and demand. During busy periods such as holidays, special events, etc., rates tend to be adjusted upward. Other the other hand, rates are typically adjusted down during less busy days to capture more demand. It is also common for businesses and groups to use discounts such as AARP, AAA, military, etc. As such, annual ADR tends to be lower than posted rates.

**North Carolina Southeast Submarket ADR Trends (Upscale/Upper Midscale)**

- 2018: \$101.72
- 2019: \$107.11
- 2020: \$97.69
- 2021: \$109.41
- 2022: \$118.39
- 2023: \$122.51
- 2024: \$127.31

STR is forecasting a 1.6% ADR increase in 2024 across the entire country. Within the submarket upscale and upper midscale hotel rates, an increase of 2.0% to 3.0% annually over the next couple of years would imply an ADR in the \$132 - \$135 range by the presumed opening of the proposed hotel in Biscoe. There are several hotels under construction and/or in the pipeline in surrounding markets, which are listed below. These hotels are all in the upper midscale or higher tiers, and although they could impact occupancy in some manner, they may allow local hotels to push rates slightly moving forward.

- **Randolph County:**
  - 36-room The Bank Hotel Ascend Collection (under construction)
  - 89-room TownePlace Suites (proposed)
  
- **Moore County:**
  - 100-room Courtyard by Marriott (under construction)
  - 128-room Residence Inn by Marriott (proposed)
  - 92-room Tapestry by Hilton (proposed)
  
- **Stanly County:**
  - 88-room Hampton Inn & Suites (under construction)
  
- **Richmond County:**
  - 85-room Hampton Inn & Suites (under construction)

All said, the study projects an ADR of \$135 in Year 1, increasing by 3.0% annually.

*RevPar – Revenue Per Available Room*

RevPar is the average revenue per available room, expressed daily. Mathematically, it is the product of the occupancy and ADR (occupancy x ADR). The following are the projections for the proposed hotel within both the 80-room and 90-room scenarios.

**80-Room Proposed Hotel RevPar**

<b>Year 1:</b>	\$87.84
<b>Year 2:</b>	\$95.24
<b>Year 3:</b>	\$103.00

**90-Room Proposed Hotel RevPar**

<b>Year 1:</b>	\$78.08
<b>Year 2:</b>	\$84.66
<b>Year 3:</b>	\$91.56

Conclusions

**80-Room Conclusion**

<b>Summary of Market Study Opinions - 80-Room Analysis</b>	
Property Type	Proposed Upper Midscale Hotel
# of Rooms	80
Opening Date (Year 1)	Q2 2027
Stabilized Date	Q2 2029
<b><u>Performance Projections</u></b>	
<b>Year 1</b>	
Occupancy	65.1%
ADR	\$135.00
RevPar	\$87.84
Room Revenue	\$2,565,000
<b>Year 2</b>	
Occupancy	68.5%
ADR	\$139.05
RevPar	\$95.24
Room Revenue	\$2,781,000
<b>Year 3 (Stabilized)</b>	
Occupancy	71.9%
ADR	\$143.22
RevPar	\$103.00
Room Revenue	\$3,007,652

**90-Room Conclusion**

<b>Summary of Market Study Opinions - 90-Room Analysis</b>	
Property Type	Proposed Upper Midscale Hotel
# of Rooms	90
Opening Date (Year 1)	Q2 2027
Stabilized Date	Q2 2029
<b><u>Performance Projections</u></b>	
<b>Year 1</b>	
Occupancy	57.8%
ADR	\$135.00
RevPar	\$78.08
Room Revenue	\$2,565,000
<b>Year 2</b>	
Occupancy	60.9%
ADR	\$139.05
RevPar	\$84.66
Room Revenue	\$2,781,000
<b>Year 3 (Stabilized)</b>	
Occupancy	63.9%
ADR	\$143.22
RevPar	\$91.56
Room Revenue	\$3,007,652

## Feasibility Analysis (90-Room Hotel)

The market study in the preceding section is the precursor to the feasibility analysis developed within this section of the report. The Dictionary of Real Estate Appraisal (6<sup>th</sup> edition) defines economic feasibility as, “*a condition that exists when prospective earning power is sufficient to pay a requisite rate of return on the completion costs.*” The focus of this section of the report is projecting an internal rate of return or return on investment for the proposed project. In this section, the focus is on the 90-room hotel analysis. The 80-room analysis will follow.

The basic assumption is that the hotel would be at least an upper midscale property. This market segment includes brands under the Hilton, Marriott, IHG, Choice Hotels, and Best Western umbrellas, among others. Typical upper midscale hotels include amenities such as complimentary breakfast, fitness center, pool, guest laundry, business center, and a small amount of meeting space (300 to 1,000 sf).

As this project progresses, it would be advisable to revisit some of the basic assumptions developed in this study and adjust accordingly. The scope and nature of these types of projects often change as they go through the design and implementation process. The projections and conclusions about feasibility are based on generic assumptions and may need refinement as the process unfolds.

Projections of operating expenses are based on our experience and actual historical operating expenses with other hotels. The key metrics of the feasibility analysis are as follows:

- Project Development Costs
- Net Income Forecasts (“NOI”)
- Loan Parameters/Debt Service
- Cash Flow Projections
- Return on Investment (“ROI”)

As a word of caution, the analysis in the section to follow assumes a construction of a typical upper midscale hotel property. The building size is based on a review of comparable included in Hotel & Club Associates, Inc’s internal work file. The analysis is based on a 90-room upper midscale hotel. Anyone relying on this data should confirm the basis assumptions, building costs, etc. after the hotel has been designed and bid to contractors.



*Project Development Cost*

The following presents a cost projection for the proposed 90-room upper midscale hotel. These projections should be revisited as the project and building plans evolve. There have been rather significant inflationary pressures in the construction market, and these should be monitored throughout the project.

This analysis assumes the hotel is around 550 square feet per room, which is typical for an upper midscale property. This implies a total square footage of 49,500 for a 90-room hotel. The study also assumes the hotel is a wood frame construction. Also included is a \$500,000 (\$5,556 per room – 90 rooms) land allocation. This price per room is typical, though there is some fluctuation depending on the market and/or the size of the site.

**Hotel Construction Cost Comps**

FRANCHISE	Proposed Tru by Hilton	Proposed Home2 Suites	Proposed Hampton Inn	Proposed Holiday Inn Express & Suites	Proposed Home2 Suites - Tru by Hilton	Proposed Fairfield Inn & Suites	Proposed Tru by Hilton	Proposed TownePlace Sutes	Proposed Tru by Hilton
Construction Style	Wood frame EIFS	Wood Frame	Wood Frame EIFS	Wood Frame Stone/Concrete	Wood Frame EIFS/Stone Veneer	Wood frame EIFS/Stone Veneer	Wood frame EIFS	Wood Frame Stucco	Wood Frame EIFS/Brick Veneer
<b>BUILT IN</b>	<b>2022/2023</b>	<b>2022/23</b>	<b>2022/2023</b>	<b>2023/2024</b>	<b>2023/2024</b>	<b>2023/2024</b>	<b>2024</b>	<b>2024/2025</b>	<b>2024/2025</b>
Square Feet	44,590	58,085	48,000	58,015	105,009	46,566	45,324	59,997	54,870
Total Rooms	90	106	80	95	184	86	98	103	106
Average Room Size(s) Incl. Common Area	495	548	600	611	571	541	462	582	518
<b>TOTAL HARD COSTS:</b>	<b>\$9,342,000</b>	<b>\$11,779,000</b>	<b>\$8,219,000</b>	<b>\$10,860,000</b>	<b>\$21,990,556</b>	<b>\$7,897,594</b>	<b>\$11,500,000</b>	<b>\$10,400,000</b>	<b>\$9,850,000</b>
Hard Costs/SF	\$209.51	\$202.79	\$171.23	\$187.19	\$209.42	\$169.60	\$253.73	\$173.34	\$179.52
Hard Costs/Room	\$103,800	\$111,123	\$102,738	\$114,316	\$119,514	\$91,832	\$117,347	\$100,971	\$92,925
% of Total Cost	71.3%	78.1%	83.2%	84.5%	75.5%	73.3%	78.8%	74.6%	76.7%
<b>TOTAL SOFT COSTS:</b>	<b>\$2,076,000</b>	<b>\$1,288,830</b>	<b>\$620,000</b>	<b>\$1,043,250</b>	<b>\$3,024,339</b>	<b>\$1,778,000</b>	<b>\$1,054,500</b>	<b>\$2,343,571</b>	<b>\$1,500,000</b>
Soft Costs/SF	\$46.56	\$22.19	\$12.92	\$17.98	\$28.80	\$38.18	\$23.27	\$39.06	\$27.34
Soft Costs/Room	\$23,067	\$12,159	\$7,750	\$10,982	\$16,437	\$20,674	\$10,760	\$22,753	\$14,151
% of Total Cost	15.8%	8.5%	6.3%	8.1%	10.4%	16.5%	7.2%	16.8%	11.7%
<b>TOTAL HARD &amp; SOFT COSTS:</b>									
H&S Costs/SF	\$256.07	\$224.98	\$184.15	\$205.18	\$238.22	\$207.78	\$276.99	\$212.40	\$206.85
H&S Costs/Room	\$126,867	\$123,281	\$110,488	\$125,297	\$135,951	\$112,507	\$128,107	\$123,724	\$107,075
<b>TOTAL FF&amp;E</b>	<b>\$1,687,500</b>	<b>\$2,019,992</b>	<b>\$1,035,071</b>	<b>\$950,000</b>	<b>\$4,115,105</b>	<b>\$1,100,000</b>	<b>\$2,047,000</b>	<b>\$1,198,795</b>	<b>\$1,500,000</b>
FF&E Costs/SF	\$37.84	\$34.78	\$21.56	\$16.38	\$39.19	\$23.62	\$45.16	\$19.98	\$27.34
FF&E Costs/Room	\$18,750	\$19,057	\$16,999	\$10,000	\$22,365	\$12,791	\$20,888	\$11,639	\$14,151
% of Total Cost	12.9%	13.4%	10.5%	7.4%	14.1%	10.2%	14.0%	8.6%	11.7%
<b>TOTAL COSTS</b>	<b>\$13,105,500</b>	<b>\$15,087,822</b>	<b>\$9,874,071</b>	<b>\$12,853,250</b>	<b>\$29,130,000</b>	<b>\$10,775,594</b>	<b>\$14,601,500</b>	<b>\$13,942,366</b>	<b>\$12,850,000</b>
<b>TOTAL COSTS/SF</b>	<b>\$293.91</b>	<b>\$259.75</b>	<b>\$205.71</b>	<b>\$221.55</b>	<b>\$277.40</b>	<b>\$231.40</b>	<b>\$322.16</b>	<b>\$232.38</b>	<b>\$234.19</b>
<b>TOTAL COSTS/ROOM</b>	<b>\$145,617</b>	<b>\$142,338</b>	<b>\$123,426</b>	<b>\$135,297</b>	<b>\$158,315</b>	<b>\$125,298</b>	<b>\$148,995</b>	<b>\$135,363</b>	<b>\$121,226</b>

<b>Project Cost Projection - 90-Room Proposed Upper Midscale Hotel</b>			
<b>Building Costs</b>	<b>Feasibility Study Projection</b>		
	<b>\$/Sq. Ft.</b>	<b>\$/Room</b>	<b>Projection</b>
Hard Costs	\$200.00	\$110,000	\$9,900,000
Soft Costs	\$30.00	\$16,500	\$1,485,000
Sub-Total	\$230.00	\$126,500	\$11,385,000
Developer's Incentive		4%	\$455,400
<b>Total Building Cost New</b>	<b>\$239.20</b>	<b>\$131,560</b>	<b>\$11,840,400</b>
<b>Land Value</b>		<b>\$5,556</b>	<b>\$500,000</b>
<b>Real Property Total</b>		<b>\$137,116</b>	<b>\$12,340,400</b>
<b>FF&amp;E/Intangible</b>			
Furniture, Fixture, Equip.		\$18,000	\$1,620,000
Intangible Business Value			\$0
Total Project Cost	\$282.03	\$155,116	\$13,960,400
<b>Rounded Project Cost</b>	<b>\$282.83</b>	<b>\$155,556</b>	<b>\$14,000,000</b>

### *Net Operating Income Projection*

Net Operating Income (“NOI”) is income after payment of operating expenses that is available to pay debt service and dividends to the equity investors. The NOI estimates begin at the projected opening of the proposed hotel in Q2 2027.

- Room revenue projections are based on the market study conclusions.
- Benchmarked income/expense data from comparable hotels at the STR Profitability Review. Benchmarked hotels are not specifically identified for purposes of confidentiality.

The pages to follow provide summary data and projections of NOI for the subject hotel upon completion and opening, running for a 7-year holding period.

<b>COMPARABLE INCOME/EXPENSE DATA</b>												
	<b>2023 Hotel Profitability Review Limited Service, Upper Midscale Class</b>			<b>Expense Comparable A</b>			<b>Expense Comparable B</b>			<b>Expense Comparable C</b>		
	<b>%</b>	<b>(POR)</b>	<b>(PAR)</b>	<b>%</b>	<b>(POR)</b>	<b>(PAR)</b>	<b>%</b>	<b>(POR)</b>	<b>(PAR)</b>	<b>%</b>	<b>(POR)</b>	<b>(PAR)</b>
<b>Revenues (A)</b>												
Rooms	96.4%	\$133.87	\$34,633	98.1%	\$136.09	\$29,295	98.1%	\$140.69	\$30,692	97.4%	\$121.47	\$26,575
Other Operated Departments	3.6%	\$5.01	\$1,297	1.9%	\$2.70	\$581	1.9%	\$2.66	\$579	2.6%	\$3.28	\$717
<b>Total Revenue</b>	<b>100.0%</b>	<b>\$138.88</b>	<b>\$35,931</b>	<b>100.0%</b>	<b>\$138.78</b>	<b>\$29,876</b>	<b>100.0%</b>	<b>\$143.34</b>	<b>\$31,272</b>	<b>100.0%</b>	<b>\$124.75</b>	<b>\$27,293</b>
<b>Departmental Expenses (B)</b>												
Rooms	28.0%	\$37.52	\$9,707	25.1%	\$34.13	\$7,346	27.2%	\$38.31	\$8,357	23.4%	\$28.40	\$6,212
Other Operated Departments	52.7%	\$2.64	\$683	44.3%	\$1.20	\$258	0.0%	\$0.00	\$0	1.4%	\$0.05	\$10
<b>Total Departmental Expenses</b>	<b>28.9%</b>	<b>\$40.16</b>	<b>\$10,390</b>	<b>25.5%</b>	<b>\$35.32</b>	<b>\$7,604</b>	<b>26.7%</b>	<b>\$38.31</b>	<b>\$8,357</b>	<b>22.8%</b>	<b>\$28.44</b>	<b>\$6,223</b>
<b>Total Departmental Income</b>	<b>71.1%</b>	<b>\$98.72</b>	<b>\$25,540</b>	<b>74.5%</b>	<b>\$103.46</b>	<b>\$22,272</b>	<b>73.3%</b>	<b>\$105.04</b>	<b>\$22,915</b>	<b>77.2%</b>	<b>\$96.31</b>	<b>\$21,070</b>
<b>Undistributed Expenses</b>												
Administration & General	10.7%	\$14.86	\$3,846	7.0%	\$9.78	\$2,105	11.3%	\$16.16	\$3,525	6.0%	\$7.54	\$1,651
Information & Telecommunications	0.7%	\$0.96	\$249	2.0%	\$2.80	\$602	1.0%	\$1.37	\$299	2.0%	\$2.52	\$552
Marketing	6.1%	\$8.48	\$2,194	1.8%	\$2.51	\$541	1.1%	\$1.64	\$358	2.7%	\$3.36	\$735
Franchise (C)	7.4%	\$9.87	\$2,554	9.2%	\$12.52	\$2,695	9.0%	\$12.66	\$2,762	10.0%	\$12.11	\$2,649
Utilities	3.8%	\$5.21	\$1,348	2.7%	\$3.69	\$794	5.8%	\$8.26	\$1,801	3.1%	\$3.81	\$834
Property Operations & Maintenance	5.1%	\$7.10	\$1,837	4.3%	\$6.01	\$1,294	3.9%	\$5.59	\$1,218	2.7%	\$3.34	\$732
<b>Total Undistributed Expenses</b>	<b>33.5%</b>	<b>\$46.49</b>	<b>\$12,026</b>	<b>26.9%</b>	<b>\$37.31</b>	<b>\$8,031</b>	<b>31.9%</b>	<b>\$45.67</b>	<b>\$9,964</b>	<b>26.2%</b>	<b>\$32.69</b>	<b>\$7,152</b>
Gross Operating Profit	37.6%	\$52.23	\$13,514	47.7%	\$66.16	\$14,241	41.4%	\$59.36	\$12,951	51.0%	\$63.62	\$13,918
<b>Management Fees</b>	<b>3.5%</b>	<b>\$4.83</b>	<b>\$1,250</b>	<b>3.4%</b>	<b>\$4.76</b>	<b>\$1,025</b>	<b>4.1%</b>	<b>\$5.84</b>	<b>\$1,274</b>	<b>3.0%</b>	<b>\$3.74</b>	<b>\$819</b>
<b>Income Before Fixed Expenses</b>	<b>34.1%</b>	<b>\$47.40</b>	<b>\$12,263</b>	<b>44.2%</b>	<b>\$61.39</b>	<b>\$13,216</b>	<b>37.3%</b>	<b>\$53.53</b>	<b>\$11,678</b>	<b>48.0%</b>	<b>\$59.87</b>	<b>\$13,099</b>
<b>Fixed Expenses</b>												
Rent	0.0%	\$0.00	\$0	0.0%	\$0.00	\$0	0.0%	\$0.00	\$0	0.0%	\$0.00	\$0
Property and Other Taxes	3.6%	\$5.05	\$1,305	2.4%	\$3.39	\$729	4.2%	\$6.09	\$1,328	5.0%	\$6.23	\$1,363
Property Insurance	1.5%	\$2.07	\$534	0.9%	\$1.18	\$254	1.2%	\$1.76	\$385	0.7%	\$0.88	\$193
<b>Total Fixed Charges</b>	<b>5.1%</b>	<b>\$7.11</b>	<b>\$1,840</b>	<b>3.3%</b>	<b>\$4.57</b>	<b>\$983</b>	<b>5.5%</b>	<b>\$7.85</b>	<b>\$1,712</b>	<b>5.7%</b>	<b>\$7.11</b>	<b>\$1,556</b>
Replacement Reserves	0.4%	\$0.59	\$152	0.0%	\$0.00	\$0	0.0%	\$0.00	\$0	3.9%	\$4.86	\$1,063
<b>Total Expenses</b>	<b>71.4%</b>	<b>\$99.18</b>	<b>\$25,659</b>	<b>59.1%</b>	<b>\$81.96</b>	<b>\$17,643</b>	<b>68.1%</b>	<b>\$97.66</b>	<b>\$21,307</b>	<b>61.6%</b>	<b>\$76.85</b>	<b>\$16,812</b>
<b>Net Operating Income (D)</b>	<b>28.6%</b>	<b>\$39.70</b>	<b>\$10,272</b>	<b>40.9%</b>	<b>\$56.82</b>	<b>\$12,232</b>	<b>31.9%</b>	<b>\$45.68</b>	<b>\$9,965</b>	<b>38.4%</b>	<b>\$47.90</b>	<b>\$10,480</b>

<b>Cash Flow Projection - 90-Room Hotel Proposed Upper Midscale Hotel Biscoe, North Carolina</b>								
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>
Number of Rooms	90	90	90	90	90	90	90	90
Available Room Nights	32,850	32,850	32,850	32,850	32,850	32,850	32,850	32,850
Occupancy Rate	57.8%	60.9%	63.9%	63.9%	63.9%	63.9%	63.9%	63.9%
Occupied Room Nights	19,000	20,000	21,000	21,000	21,000	21,000	21,000	21,000
Average Daily Rate {ADR}	\$135.00	\$139.05	\$143.22	\$147.52	\$151.94	\$156.50	\$161.20	\$166.03
RevPar	\$78.08	\$84.66	\$91.56	\$94.30	\$97.13	\$100.05	\$103.05	\$106.14
<b>Revenues</b>								
Rooms	\$2,565,000	\$2,781,000	\$3,007,652	\$3,097,881	\$3,190,817	\$3,286,542	\$3,385,138	\$3,486,692
Other Operated Departments	28,500	30,900	33,418	34,421	35,454	36,517	37,613	38,741
<b>Total Revenues</b>	<b>\$2,593,500</b>	<b>\$2,811,900</b>	<b>\$3,041,070</b>	<b>\$3,132,302</b>	<b>\$3,226,271</b>	<b>\$3,323,059</b>	<b>\$3,422,751</b>	<b>\$3,525,433</b>
<b>Department Expenses (B)</b>								
Rooms	\$665,000	\$721,000	\$779,762	\$803,154	\$827,249	\$852,066	\$877,628	\$903,957
<b>Total Department Expenses</b>	<b>\$665,000</b>	<b>\$721,000</b>	<b>\$779,762</b>	<b>\$803,154</b>	<b>\$827,249</b>	<b>\$852,066</b>	<b>\$877,628</b>	<b>\$903,957</b>
<b>Total Department Income</b>	<b>\$1,928,500</b>	<b>\$2,090,900</b>	<b>\$2,261,308</b>	<b>\$2,329,148</b>	<b>\$2,399,022</b>	<b>\$2,470,993</b>	<b>\$2,545,122</b>	<b>\$2,621,476</b>
<b>Undistributed Expenses</b>								
Administrative & General	\$207,480	\$224,952	\$243,286	\$250,584	\$258,102	\$265,845	\$273,820	\$282,035
Information & Telecommunications	36,000	37,080	38,192	39,338	40,518	41,734	42,986	44,275
Marketing	64,838	70,298	76,027	78,308	80,657	83,076	85,569	88,136
Franchise Fees (D)	205,200	222,480	240,612	247,830	255,265	262,923	270,811	278,935
Utilities	95,000	103,000	111,395	114,736	118,178	121,724	125,375	129,137
Property Operation & Maintenance	103,740	112,476	121,643	125,292	129,051	132,922	136,910	141,017
<b>Total Undistributed Expenses</b>	<b>\$712,258</b>	<b>\$770,286</b>	<b>\$831,154</b>	<b>\$856,089</b>	<b>\$881,771</b>	<b>\$908,225</b>	<b>\$935,471</b>	<b>\$963,535</b>
<b>Gross Operating Income</b>	<b>\$1,216,243</b>	<b>\$1,320,615</b>	<b>\$1,430,154</b>	<b>\$1,473,059</b>	<b>\$1,517,251</b>	<b>\$1,562,768</b>	<b>\$1,609,651</b>	<b>\$1,657,941</b>
<b>Management Fee</b>	<b>\$77,805</b>	<b>\$84,357</b>	<b>\$91,232</b>	<b>\$93,969</b>	<b>\$96,788</b>	<b>\$99,692</b>	<b>\$102,683</b>	<b>\$105,763</b>
<b>Income Before Fixed Charges</b>	<b>\$1,138,438</b>	<b>\$1,236,258</b>	<b>\$1,338,922</b>	<b>\$1,379,090</b>	<b>\$1,420,462</b>	<b>\$1,463,076</b>	<b>\$1,506,969</b>	<b>\$1,552,178</b>
<b>Fixed Expenses</b>								
Rent	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Property & Other Taxes	\$100,000	\$103,000	\$106,090	\$109,273	\$112,551	\$115,927	\$119,405	\$122,987
Property Insurance	36,000	37,080	38,192	39,338	40,518	41,734	42,986	44,275
<b>Total Fixed Expenses</b>	<b>\$136,000</b>	<b>\$140,080</b>	<b>\$144,282</b>	<b>\$148,611</b>	<b>\$153,069</b>	<b>\$157,661</b>	<b>\$162,391</b>	<b>\$167,263</b>
<b>Replacement Reserve</b>	<b>\$103,740</b>	<b>\$112,476</b>	<b>\$121,643</b>	<b>\$125,292</b>	<b>\$129,051</b>	<b>\$132,922</b>	<b>\$136,910</b>	<b>\$141,017</b>
<b>Total Expenses</b>	<b>\$1,694,803</b>	<b>\$1,828,199</b>	<b>\$1,968,073</b>	<b>\$2,027,115</b>	<b>\$2,087,929</b>	<b>\$2,150,566</b>	<b>\$2,215,083</b>	<b>\$2,281,536</b>
<b>Net Operating Income</b>	<b>\$898,698</b>	<b>\$983,702</b>	<b>\$1,072,997</b>	<b>\$1,105,187</b>	<b>\$1,138,342</b>	<b>\$1,172,493</b>	<b>\$1,207,667</b>	<b>\$1,243,898</b>
<b>Total Expense Ratio</b>	<b>65.3%</b>	<b>65.0%</b>	<b>64.7%</b>	<b>64.7%</b>	<b>64.7%</b>	<b>64.7%</b>	<b>64.7%</b>	<b>64.7%</b>

**Calculation of Reversion/Resale Value at End of Holding Period**

In addition to receiving cash flow from operations, the ownership position will benefit from the eventual sale of the property at the end of the holding period. When a 7-year holding period is utilized, the reversion is estimated by capitalizing the 8<sup>th</sup> year net income. The Q4 2024 Korpacz Real Estate Investor Survey published by PriceWaterhouseCoopers concludes that typical select-service hotel investors are considering residual cap rate ranging from 7.00% to 11.00%, with an average of 9.06%.

Average Residual Cap Rate PWC Real Estate Investor Survey												
	2020		2021		2022			2023		2024		
	1st Qtr	3rd Qtr	1st Qtr	3rd Qtr	1st Qtr	3rd Qtr	4th Qtr	1st Qtr	3rd Qtr	1st Qtr	3rd Qtr	4th Qtr
Ltd Mid & Economy Service	9.33%	9.50%	9.10%	9.15%	9.05%	9.85%	10.10%	10.10%	10.67%	10.88%	10.00%	9.38%
Select Service	8.43%	8.68%	8.25%	8.00%	7.95%	8.95%	9.05%	9.25%	9.15%	9.56%	9.56%	9.06%
Full Service	8.25%	8.50%	8.65%	8.50%	8.20%	8.05%	8.05%	8.15%	8.40%	8.68%	8.70%	8.38%
Upper Upscale/Luxury	7.53%	7.83%	8.08%	7.41%	7.34%	7.38%	7.67%	7.80%	7.94%	8.09%	8.13%	8.00%

Source: PWC Real Estate Investor Survey published by PriceWaterhouseCoopers

The residual cap rate is estimated at 9.00%, and it applied to Year 8 NOI to derive a reversion value. The reversion is discounted by 3.0% to reflect selling costs.

Reversionary Value	
NOI Year 8	\$1,243,898
÷ Terminal Cap Rate	9.00%
Reversion Sale Price	\$13,821,083
Less Selling Expense @ 3.0%	\$414,633
<b>Net Proceeds from Sale</b>	<b>\$13,406,451</b>

**Internal Rate of Return Analysis**

The final step in the feasibility is determining whether the cash flows from operations and resale provide a sufficient return on investment. Typical investors/developers will use a combination of debt and equity to finance a project. This analysis includes four financing scenarios: an unleveraged (100% equity) rate of return and three scenarios with varying levels of debt.

*Unleveraged IRR*

Unleveraged Internal Rate of Return - All Cash								
	Begin	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Net Operating Income		\$898,698	\$983,702	\$1,072,997	\$1,105,187	\$1,138,342	\$1,172,493	\$1,207,667
Equity Investment/Reversion	-\$14,000,000							\$13,406,451
Net Cash Flows	-\$14,000,000	\$898,698	\$983,702	\$1,072,997	\$1,105,187	\$1,138,342	\$1,172,493	\$14,614,118
<b>Internal Rate of Return</b>	<b>7.15%</b>							

For benchmarking purposes, the Q4 2024 Korpacz Real Estate Investor Survey by PWC is provided below. Discount rates for select service properties range from 8.0% to 12.5%, with an average of 10.56%. It is noted that a discount rate is not the same as IRR. However, it is reasonable to benchmark the IRR.

Average Discount Rate*												
PWC Real Estate Investor Survey												
	2020		2021		2022			2023		2024		
	1st Qtr	3rd Qtr	1st Qtr	3rd Qtr	1st Qtr	3rd Qtr	4th Qtr	1st Qtr	3rd Qtr	1st Qtr	3rd Qtr	4th Qtr
Ltd Mid & Economy Service	10.00%	9.80%	9.70%	9.60%	9.35%	10.70%	11.40%	11.50%	12.50%	12.50%	11.75%	10.63%
Select Service	10.00%	10.10%	10.23%	10.15%	10.05%	11.00%	11.40%	11.60%	11.75%	11.44%	11.50%	10.56%
Full Service	9.95%	9.93%	10.06%	10.23%	10.05%	9.98%	9.98%	10.10%	10.05%	9.95%	10.55%	9.98%
Upper Upscale/Luxury	9.30%	9.63%	9.53%	9.27%	9.27%	9.33%	9.33%	9.45%	9.59%	9.69%	9.81%	9.63%

\*Rate on unleveraged, all cash transactions  
 Source: PWC Real Estate Investor Survey published by PriceWaterhouseCoopers

*Leveraged Analysis*

The section to follow provides an analysis assuming typical debt financing. Based on conversations with market participants, we would expect a lender to finance the project at around a 55% to 65% loan to value (cost) basis using an amortization period of approximately 25 years, though this is somewhat of a moving target in the current economic climate. Interest rates have been trending upwards over the last 24+ months. However, in September 2024, the Federal Reserve began to soften rates gradually. As of this study, the typical interest rate for a hotel project is around 6.5%-7.5%, dependent upon the funding source and relationship and strength of the borrower. The accompanying analysis uses three loan-to-value scenarios: 55%, 60%, and 65%, all at a 7.0% interest rate amortized over 25 years.



<b>Financing Options</b>			
	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>
LTV	55.0%	60.0%	65.0%
Total Project Cost	\$14,000,000	\$14,000,000	\$14,000,000
Loan Amount	\$7,700,000	\$8,400,000	\$9,100,000
Equity	\$6,300,000	\$5,600,000	\$4,900,000
Interest Rate	7.00%	7.00%	7.00%
Amortization (yrs)	25	25	25
Debt Service/Mo.	\$54,422	\$59,369	\$64,317
Debt Service/Year	\$653,064	\$712,433	\$771,803
Balance at Reversion	\$6,673,434	\$7,280,110	\$7,886,785

The tables that follow use the projections of net operating income from the previous section over a 7-year holding period and an initial equity investment based on the construction cost and the LVT ratio. The cash flow is adjusted to reflect the monthly mortgage payments and the final mortgage payoff. The 7<sup>th</sup> year of the holding period also includes the reversion calculated earlier.

<b>Leveraged</b>	LTV	55.0% Amort.		25		Inter. Rate		7.00%
	<b>Begin</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>
Net Operating Income		\$898,698	\$983,702	\$1,072,997	\$1,105,187	\$1,138,342	\$1,172,493	\$1,207,667
Equity Investment/Reversion	-\$6,300,000							\$13,406,451
Mortgage Payments/ Year		-\$653,064	-\$653,064	-\$653,064	-\$653,064	-\$653,064	-\$653,064	-\$653,064
Mortgage Balance at Reversion								-\$6,673,434
Net Cash Flow	-\$6,300,000	\$245,634	\$330,638	\$419,933	\$452,123	\$485,278	\$519,429	\$7,287,620
Debt Coverage Ratio		1.38	1.51	1.64	1.69	1.74	1.80	
Internal Rate of Return		7.38%						

<b>Leveraged</b>	LTV	60.0% Amort.		25		Inter. Rate		7.00%
	<b>Begin</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>
Net Operating Income		\$898,698	\$983,702	\$1,072,997	\$1,105,187	\$1,138,342	\$1,172,493	\$1,207,667
Equity Investment/Reversion	-\$5,600,000							\$13,406,451
Mortgage Payments/ Year		-\$712,433	-\$712,433	-\$712,433	-\$712,433	-\$712,433	-\$712,433	-\$712,433
Mortgage Balance at Reversion								-\$7,280,110
Net Cash Flow	-\$5,600,000	\$186,264	\$271,268	\$360,563	\$392,753	\$425,909	\$460,059	\$6,621,575
Debt Coverage Ratio		1.26	1.38	1.51	1.55	1.60	1.65	
Internal Rate of Return		7.43%						

<b>Leveraged</b>	LTV	65.0% Amort.		25		Inter. Rate		7.00%
	<b>Begin</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>
Net Operating Income		\$898,698	\$983,702	\$1,072,997	\$1,105,187	\$1,138,342	\$1,172,493	\$1,207,667
Equity Investment/Reversion	-\$4,900,000							\$13,406,451
Mortgage Payments/ Year		-\$771,803	-\$771,803	-\$771,803	-\$771,803	-\$771,803	-\$771,803	-\$771,803
Mortgage Balance at Reversion								-\$7,886,785
Net Cash Flow	-\$4,900,000	\$126,895	\$211,899	\$301,194	\$333,384	\$366,540	\$400,690	\$5,955,530
Debt Coverage Ratio		1.16	1.27	1.39	1.43	1.47	1.52	1.56
Internal Rate of Return		7.49%						

**90-Room Hotel Conclusion**

<b>Summary of Market/Feasibility Study Opinions - 90-Room Analysis</b>	
Property Type	Proposed Upper Midscale Hotel
# of Rooms	90
Opening Date (Year 1)	Q2 2027
Stabilized Date	Q2 2029
<b><u>Performance Projections</u></b>	
<b>Year 1</b>	
Occupancy	57.8%
ADR	\$135.00
RevPar	\$78.08
Room Revenue	\$2,565,000
<b>Year 2</b>	
Occupancy	60.9%
ADR	\$139.05
RevPar	\$84.66
Room Revenue	\$2,781,000
<b>Year 3 (Stabilized)</b>	
Occupancy	63.9%
ADR	\$143.22
RevPar	\$91.56
Room Revenue	\$3,007,652
<b>Internal Rate of Return Forecast</b>	
Unleveraged	7.15%
Leveraged - 55% LTV, 25 Yr Amort., 7.0% Interest	7.38%
Leveraged - 60% LTV, 25 Yr Amort., 7.0% Interest	7.43%
Leveraged - 65% LTV, 25 Yr Amort., 7.0% Interest	7.49%

## Feasibility Analysis (80-Room Hotel)

This section of the study uses some of the same data from the 90-room analysis.

<b>Project Cost Projection - 80-Room Proposed Upper Midscale Hotel</b>			
<b><u>Building Costs</u></b>	<b>Feasibility Projection</b>		
	<b>\$/Sq. Ft.</b>	<b>\$/Room</b>	<b>Projection</b>
Hard Costs	\$200.00	\$110,000	\$8,800,000
Soft Costs	\$30.00	\$16,500	\$1,320,000
Sub-Total	\$230.00	\$126,500	\$10,120,000
Developer's Incentive		4%	\$404,800
<b>Total Building Cost New</b>	<b>\$239.20</b>	<b>\$131,560</b>	<b>\$10,524,800</b>
<b>Land Value</b>		<b>\$5,625</b>	<b>\$450,000</b>
<b>Real Property Total</b>		<b>\$137,185</b>	<b>\$10,974,800</b>
<b><u>FF&amp;E/Intangible</u></b>			
Furniture, Fixture, Equip.		\$18,000	\$1,440,000
Intangible Business Value			\$0
Total Project Cost	\$282.15	\$155,185	\$12,414,800
<b>Rounded Project Cost</b>	<b>\$281.82</b>	<b>\$155,000</b>	<b>\$12,400,000</b>

<b>Cash Flow Projection - 80-Room Hotel Proposed Upper Midscale Hotel Biscoe, North Carolina</b>								
	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	<b>Year 6</b>	<b>Year 7</b>	<b>Year 8</b>
Number of Rooms	80	80	80	80	80	80	80	80
Available Room Nights	29,200	29,200	29,200	29,200	29,200	29,200	29,200	29,200
Occupancy Rate	65.1%	68.5%	71.9%	71.9%	71.9%	71.9%	71.9%	71.9%
Occupied Room Nights	19,000	20,000	21,000	21,000	21,000	21,000	21,000	21,000
Average Daily Rate {ADR}	\$135.00	\$139.05	\$143.22	\$147.52	\$151.94	\$156.50	\$161.20	\$166.03
RevPar	\$87.84	\$95.24	\$103.00	\$106.09	\$109.27	\$112.55	\$115.93	\$119.41
<b>Revenues</b>								
Rooms	\$2,565,000	\$2,781,000	\$3,007,652	\$3,097,881	\$3,190,817	\$3,286,542	\$3,385,138	\$3,486,692
Other Operated Departments	28,500	30,900	33,418	34,421	35,454	36,517	37,613	38,741
<b>Total Revenues</b>	<b>\$2,593,500</b>	<b>\$2,811,900</b>	<b>\$3,041,070</b>	<b>\$3,132,302</b>	<b>\$3,226,271</b>	<b>\$3,323,059</b>	<b>\$3,422,751</b>	<b>\$3,525,433</b>
<b>Department Expenses (B)</b>								
Rooms	\$665,000	\$721,000	\$779,762	\$803,154	\$827,249	\$852,066	\$877,628	\$903,957
<b>Total Department Expenses</b>	<b>\$665,000</b>	<b>\$721,000</b>	<b>\$779,762</b>	<b>\$803,154</b>	<b>\$827,249</b>	<b>\$852,066</b>	<b>\$877,628</b>	<b>\$903,957</b>
<b>Total Department Income</b>	<b>\$1,928,500</b>	<b>\$2,090,900</b>	<b>\$2,261,308</b>	<b>\$2,329,148</b>	<b>\$2,399,022</b>	<b>\$2,470,993</b>	<b>\$2,545,122</b>	<b>\$2,621,476</b>
<b>Undistributed Expenses</b>								
Administrative & General	\$207,480	\$224,952	\$243,286	\$250,584	\$258,102	\$265,845	\$273,820	\$282,035
Information & Telecommunications	32,000	32,960	33,949	34,967	36,016	37,097	38,210	39,356
Marketing	64,838	70,298	76,027	78,308	80,657	83,076	85,569	88,136
Franchise Fees (D)	205,200	222,480	240,612	247,830	255,265	262,923	270,811	278,935
Utilities	95,000	103,000	111,395	114,736	118,178	121,724	125,375	129,137
Property Operation & Maintenance	103,740	112,476	121,643	125,292	129,051	132,922	136,910	141,017
<b>Total Undistributed Expenses</b>	<b>\$708,258</b>	<b>\$766,166</b>	<b>\$826,911</b>	<b>\$851,718</b>	<b>\$877,269</b>	<b>\$903,587</b>	<b>\$930,695</b>	<b>\$958,616</b>
<b>Gross Operating Income</b>	<b>\$1,220,243</b>	<b>\$1,324,735</b>	<b>\$1,434,398</b>	<b>\$1,477,430</b>	<b>\$1,521,753</b>	<b>\$1,567,405</b>	<b>\$1,614,427</b>	<b>\$1,662,860</b>
<b>Management Fee</b>	<b>\$77,805</b>	<b>\$84,357</b>	<b>\$91,232</b>	<b>\$93,969</b>	<b>\$96,788</b>	<b>\$99,692</b>	<b>\$102,683</b>	<b>\$105,763</b>
<b>Income Before Fixed Charges</b>	<b>\$1,142,438</b>	<b>\$1,240,378</b>	<b>\$1,343,166</b>	<b>\$1,383,461</b>	<b>\$1,424,964</b>	<b>\$1,467,713</b>	<b>\$1,511,745</b>	<b>\$1,557,097</b>
<b>Fixed Expenses</b>								
Rent	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Property & Other Taxes	\$100,000	\$103,000	\$106,090	\$109,273	\$112,551	\$115,927	\$119,405	\$122,987
Property Insurance	32,000	32,960	33,949	34,967	36,016	37,097	38,210	39,356
<b>Total Fixed Expenses</b>	<b>\$132,000</b>	<b>\$135,960</b>	<b>\$140,039</b>	<b>\$144,240</b>	<b>\$148,567</b>	<b>\$153,024</b>	<b>\$157,615</b>	<b>\$162,343</b>
<b>Replacement Reserve</b>	<b>\$103,740</b>	<b>\$112,476</b>	<b>\$121,643</b>	<b>\$125,292</b>	<b>\$129,051</b>	<b>\$132,922</b>	<b>\$136,910</b>	<b>\$141,017</b>
<b>Total Expenses</b>	<b>\$1,686,803</b>	<b>\$1,819,959</b>	<b>\$1,959,586</b>	<b>\$2,018,373</b>	<b>\$2,078,925</b>	<b>\$2,141,292</b>	<b>\$2,205,531</b>	<b>\$2,271,697</b>
<b>Net Operating Income</b>	<b>\$906,698</b>	<b>\$991,942</b>	<b>\$1,081,484</b>	<b>\$1,113,929</b>	<b>\$1,147,346</b>	<b>\$1,181,767</b>	<b>\$1,217,220</b>	<b>\$1,253,736</b>
<b>Total Expense Ratio</b>	<b>65.0%</b>	<b>64.7%</b>	<b>64.4%</b>	<b>64.4%</b>	<b>64.4%</b>	<b>64.4%</b>	<b>64.4%</b>	<b>64.4%</b>

<b>Reversionary Value</b>	
NOI Year 8	\$1,253,736
÷ Terminal Cap Rate	9.00%
Reversion Sale Price	\$13,930,405
Less Selling Expense @ 3.0%	\$417,912
<b>Net Proceeds from Sale</b>	<b>\$13,512,493</b>

Unleveraged Internal Rate of Return - All Cash								
	Begin	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Net Operating Income		\$906,698	\$991,942	\$1,081,484	\$1,113,929	\$1,147,346	\$1,181,767	\$1,217,220
Equity Investment/Reversion	-\$12,400,000							\$13,512,493
Net Cash Flows	-\$12,400,000	\$906,698	\$991,942	\$1,081,484	\$1,113,929	\$1,147,346	\$1,181,767	\$14,729,713
Internal Rate of Return	9.61%							

<b>Financing Options</b>			
	Option 1	Option 2	Option 3
LTV	55.0%	60.0%	65.0%
Total Project Cost	\$12,400,000	\$12,400,000	\$12,400,000
Loan Amount	\$6,820,000	\$7,440,000	\$8,060,000
Equity	\$5,580,000	\$4,960,000	\$4,340,000
Interest Rate	7.00%	7.00%	7.00%
Amortization (yrs)	25	25	25
Debt Service/Mo.	\$48,202	\$52,584	\$56,966
Debt Service/Year	\$578,428	\$631,012	\$683,597
Balance at Reversion	\$5,910,756	\$6,448,097	\$6,985,439



Leveraged	LTV	55.0% Amort.			25		Inter. Rate		7.00%
	Begin	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	
Net Operating Income		\$906,698	\$991,942	\$1,081,484	\$1,113,929	\$1,147,346	\$1,181,767	\$1,217,220	
Equity Investment/Reversion	-\$5,580,000							\$13,512,493	
Mortgage Payments/ Year		-\$578,428	-\$578,428	-\$578,428	-\$578,428	-\$578,428	-\$578,428	-\$578,428	
Mortgage Balance at Reversion								-\$5,910,756	
Net Cash Flow	-\$5,580,000	\$328,269	\$413,513	\$503,056	\$535,501	\$568,918	\$603,339	\$8,240,529	
Debt Coverage Ratio		1.57	1.71	1.87	1.93	1.98	2.04		
Internal Rate of Return	12.33%								

Leveraged	LTV	60.0% Amort.			25		Inter. Rate		7.00%
	Begin	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	
Net Operating Income		\$906,698	\$991,942	\$1,081,484	\$1,113,929	\$1,147,346	\$1,181,767	\$1,217,220	
Equity Investment/Reversion	-\$4,960,000							\$13,512,493	
Mortgage Payments/ Year		-\$631,012	-\$631,012	-\$631,012	-\$631,012	-\$631,012	-\$631,012	-\$631,012	
Mortgage Balance at Reversion								-\$6,448,097	
Net Cash Flow	-\$4,960,000	\$275,685	\$360,929	\$450,472	\$482,916	\$516,334	\$550,754	\$7,650,604	
Debt Coverage Ratio		1.44	1.57	1.71	1.77	1.82	1.87		
Internal Rate of Return	12.89%								

Leveraged	LTV	65.0% Amort.			25		Inter. Rate		7.00%
	Begin	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	
Net Operating Income		\$906,698	\$991,942	\$1,081,484	\$1,113,929	\$1,147,346	\$1,181,767	\$1,217,220	
Equity Investment/Reversion	-\$4,340,000							\$13,512,493	
Mortgage Payments/ Year		-\$683,597	-\$683,597	-\$683,597	-\$683,597	-\$683,597	-\$683,597	-\$683,597	
Mortgage Balance at Reversion								-\$6,985,439	
Net Cash Flow	-\$4,340,000	\$223,101	\$308,345	\$397,887	\$430,332	\$463,750	\$498,170	\$7,060,678	
Debt Coverage Ratio		1.33	1.45	1.58	1.63	1.68	1.73	1.78	
Internal Rate of Return	13.57%								

**80-Room Hotel Conclusion**

<b>Summary of Market/Feasibility Study Opinions - 80-Room Analysis</b>	
Property Type	Proposed Upper Midscale Hotel
# of Rooms	80
Opening Date (Year 1)	Q2 2027
Stabilized Date	Q2 2029
<b><u>Performance Projections</u></b>	
<b>Year 1</b>	
Occupancy	65.1%
ADR	\$135.00
RevPar	\$87.84
Room Revenue	\$2,565,000
<b>Year 2</b>	
Occupancy	68.5%
ADR	\$139.05
RevPar	\$95.24
Room Revenue	\$2,781,000
<b>Year 3 (Stabilized)</b>	
Occupancy	71.9%
ADR	\$143.22
RevPar	\$103.00
Room Revenue	\$3,007,652
<b>Internal Rate of Return Forecast</b>	
Unleveraged	9.61%
Leveraged - 55% LTV, 25 Yr Amort., 7.0% Interest	12.33%
Leveraged - 60% LTV, 25 Yr Amort., 7.0% Interest	12.89%
Leveraged - 65% LTV, 25 Yr Amort., 7.0% Interest	13.57%

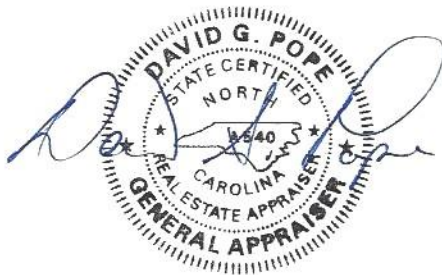
**Conclusion of Hotel Feasibility Study**

The IRR conclusions for the proposed 80-room upper midscale hotel option are only a couple percentage points less than the typical threshold of around 15.0%. However, they are close enough to warrant attention from prospective hotel developers. The recent announcement of the Uwharrie Motorsports complex in adjacent Moore County could be a sufficient catalyst to push a developer forward. If this project proceeds as announced and is well-capitalized, prospective hotel developers would be more confident to move forward with the proposed hotel development.

## Certification of Analysts

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

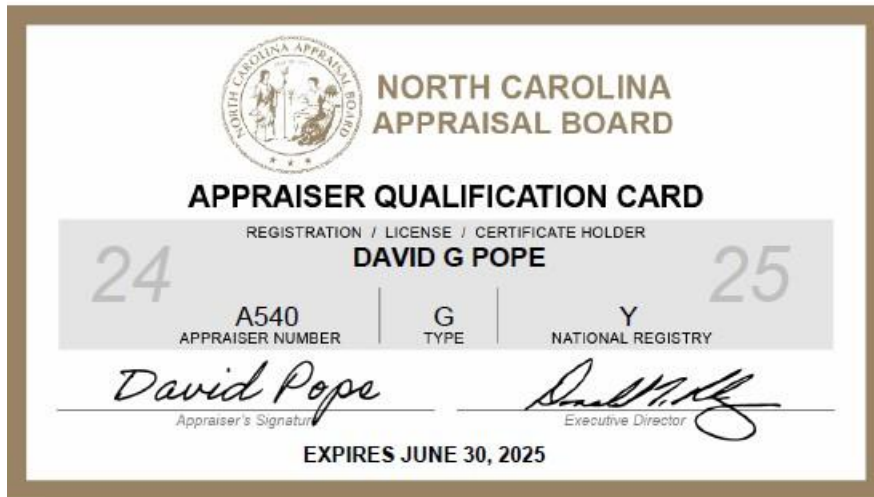
1. The statements of fact contained in this report are true and accurate.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is our personal, unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved in this assignment.
5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Compensation for completing this assignment is not contingent upon the development or reporting of a predetermined result 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 market study.
7. The opinions expressed within this study are those of the undersigned. No one other than the undersigned provided significant input in the analysis and opinions.
8. The analysts have performed within the context of the competency provision of the Uniform Standards of Professional Appraisal Practice.
9. This assignment was not predicated on the condition that we report a pre-determined result.



David G. Pope, CRE, MAI, SRA, SGA  
Certified General Real Estate Appraiser  
North Carolina #A-540



Spencer L. Brown, MAI, CHIA  
Certified General Real Estate Appraiser  
North Carolina #A-8651



**ADDENDA**

## **Qualifications of the Consultants**



## Consultant Qualifications

**David G. Pope, CRE, MAI, SRA, SGA®**

dpope@hotelandclub.com

### **PROFESSIONAL DESIGNATION:**

CRE (Counselors of Real Estate)  
 MAI (Member, The Appraisal Institute)  
 SRA (Residential Member - The Appraisal Institute)  
 Conservation Valuation Easement Certificate from the Appraisal Institute  
 SGA (Member of the Society of Golf Appraisers)

### **STATE CERTIFICATIONS/LICENSES:**

North Carolina Certified General Appraiser – A540  
 South Carolina Certified General Appraiser – CG 5353  
 West Virginia Certified General Appraiser - #217  
 Virginia Certified General Appraiser – 4001-004890  
 Georgia Certified General Appraiser – 251912  
 Tennessee Certified General Appraiser – 4436  
 Alabama Certified General Appraiser – G01009  
 Maryland Certified General Appraiser – 32513  
 Pennsylvania Certified General Appraiser – GA004244  
 NC Licensed Real Estate Broker - #75605

### **EMPLOYMENT:**

May 2002 – Present:	Hotel and Club Associates, Inc. (Principal)
January 2005 – January 2006:	Taylor Pope & Herring, Inc. (Principal)
October 2001 – January 2005:	Pope & Herring Appraisals, Inc. (Principal)
June, 1983, to October 2001:	John McCracken & Associates, Inc.

### **ARTICLES PUBLISHED**

“Understanding the Challenges of Golf Club Land Valuation & Allocation” SGA’s *The Drive* Newsletter, Spring 2014

### **EDUCATION:**

Appalachian State University - BS in Business Administration with majors in Real Estate and Finance (May, 1983).

### **GENERAL APPRAISAL EXPERIENCE:**

Appraisal experience includes single family residences, hotels, multi-tenant office buildings, shopping centers, industrial properties, and apartments as well as several years of concentration in eminent domain appraisals for various governmental agencies and individual property owners.

**HOTEL APPRAISAL AND CONSULTING EXPERIENCE:**

Hotel appraisals and market studies completed across the country and the U.S Virgin Islands for various lending institutions, developers, and property owners. Markets include resort areas, urban markets, and various secondary markets with full service resort hotels, limited, select and full service properties, and small independent hotels.

**GOLF COURSE APPRAISAL EXPERIENCE:**

Public daily fee, semi-private, and private country clubs in resort and non-resort settings appraised in various states. Member of the Society of Golf Appraisers, a group of MAI designated appraisers from across the U.S. that specialize in the appraisal of golf properties.

**RESORT RESIDENTIAL APPRAISAL EXPERIENCE:**

Appraisals and market studies of residential developments in golf and non-golf communities including mountain, lake properties, and typical suburban locations.

**PROFESSIONAL ACTIVITIES:**

President – Society of Golf Appraisers – 2018-2020  
President - NC Chapter of the Appraisal Institute - 2012  
President Elect – NC Chapter of the Appraisal Institute - 2011  
Vice President – NC Chapter of the Appraisal Institute – 2010  
Treasurer – NC Chapter of the Appraisal Institute – 2009  
Chairman of Membership Development and Retention – NC Appraisal Institute  
Regional Ethics and Counseling Panel – Appraisal Institute

## **APPRAISER QUALIFICATIONS**

**Spencer L. Brown, MAI, CHIA**

sbrown@hotelandclub.com

### **STATE CERTIFICATIONS/LICENSES:**

North Carolina Certified General Appraiser – A-8651  
South Carolina Certified General Appraiser – 8172  
Virginia Certified General Appraiser - 4001018118  
Georgia Certified General Appraiser – 416634

### **PROFESSIONAL DESIGNATIONS**

MAI (Member, The Appraisal Institute)  
CHIA (Certification in Hotel Industry Analytics, American Hotel & Lodging Educational Institute and Smith Travel Research)

### **EMPLOYMENT:**

June 2018 – Present: Hotel and Club Associates, Inc.

### **EDUCATION:**

University of North Carolina at Greensboro – BA in Mathematics (2018)

### **HOTEL APPRAISAL EXPERIENCE:**

Hotel appraisals and market studies have been completed in a number of markets throughout the United States. Clients have included various lending institutions, developers, and property owners. Work has been completed in a variety of markets including resort areas, urban markets, and various secondary markets. Hotel assignments have included full service resort hotels, limited, select and full service properties, and small independent hotels.

### **APPRAISAL COURSES:**

General Appraiser Income Approach, Part 1 (2018)  
General Appraiser Income Approach, Part 2 (2019)  
Basic Appraisal Principles (2018)  
Basic Appraisal Procedures (2018)  
Residential Market Analysis Highest and Best Use (2018)  
Supervisory Appraiser/Trainee Appraiser (2018)  
15-Hour National USPAP Course (2018)  
Real Estate Finance, Statistics, and Valuation Modeling (2019)  
General Appraiser Site Valuation and Cost Approach (2019)  
Quantitative Analysis (2020)  
General Appraiser Report Writing and Case Studies (2020)  
General Appraiser Sales Comparison Approach (2020)  
Advanced Income Capitalization (2023)  
Advanced Concepts & Case Studies (2023)  
Advanced Market Analysis and Highest & Best Use (2023)

### **APPRAISAL SEMINARS:**

USPAP Update (2018, 2020, 2022, 2024)