

# MARKET STUDY

Proposed Brazoria Hotel  
Brazoria, Texas

16-484HO-0016

Ms. Teresa Borders  
City Manager  
City of Brazoria  
201 South Main  
Brazoria, Texas 77422

## CBRE HOTELS

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Dear Ms. Borders:

In accordance with our engagement letter dated March 30, 2016, we have completed a market study with estimates of prospective financial performance for the proposed Brazoria Hotel located in Brazoria, Texas. The conclusions reached are based upon our present knowledge of the competitive market resulting from our fieldwork completed April 8, 2016.

As in all studies of this type, the estimated results are based upon competent and efficient management and presume no significant change in the competitive position of the project from that as set forth in this report. The terms of our engagement are such that we have no obligation to revise this report to reflect events or conditions that occur subsequent to the date of the completion of our fieldwork. However, we are available to discuss the necessity for revision in view of changes in the economic or market factors affecting the proposed project. Although they have been conscientiously prepared using information obtained during the course of this study and our experience in the industry, the subject's future performance is based on estimates and assumptions, which are subject to uncertainty and variation, and we do not represent them as results that will actually be achieved. This report is subject to the Terms and Conditions presented in the Addenda.

We would be pleased to hear from you if we may be of further assistance in the interpretation of our findings and conclusions. We express our appreciation for the cooperation extended to us during the course of this assignment.

Respectfully submitted,

**CBRE Hotels**



G. Randle McCaslin, CRE  
Managing Director

**MARKET STUDY WITH  
PROSPECTIVE FINANCIAL ANALYSIS  
PROPOSED BRAZORIA HOTEL  
BRAZORIA, TEXAS**

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**ADDENDA**

Terms and Conditions  
Certification

## Area Overview

Brazoria, Texas is located approximately one hour south of Houston, Texas in Brazoria County. It is situated on State Highway 36 between the San Bernard River and the Brazos River. The City has a population of approximately 3,000. The area within 10 miles of Brazoria is ripe with the massive petrochemical expansions and benefits from direct access to the lodging demand generators in Lake Jackson, Clute, Angleton, Sweeney and the Port of Freeport. The following table reflects the demographic information from within a 10-mile radius of Brazoria.

<b>Brazoria Demographic Information</b>	
<b>10-mile radius</b>	
<b>Total Population</b>	
2010 Census	74,507
2016 Estimate	77,268
2021 Projection	80,472
CAC <sup>(1)</sup>	0.7%
<b>Number of Households</b>	
2010 Census	27,020
2016 Estimate	28,644
2021 Projection	30,205
<b>Income (2016 estimate)</b>	
Average Household	\$79,259
Median Household	\$62,220
Per Capita	\$29,382
<sup>(1)</sup> CAC = Compound Annual Change	
Source: Neilsen	

The population is projected to grow from 74,507 in 2010 to 80,472 by 2021, which is an average annual rate of 0.7% per year. An average household income of \$79,259 indicates the area is home to high-paying jobs and companies.

The area is home to many businesses with an emphasis on the petrochemical industry and criminal justice. The following table indicates the top employers in the area with over 200 employees.

<b>Largest Employers within a 10-mile Radius of Brazoria</b>		
<b>Company</b>	<b>Industry</b>	<b>Number of Employees</b>
Chevron Phillips Chemical Company	Oil and Gas	2,500
Phillips Petroleum Company	Oil and Gas	1,200
Buc-Ee's Ltd	Retail	1,001
Brazosport Regional Health	Healthcare	650
Walmart Supercenter	Retail	482
Texas Department Of Criminal Justice	Public	351
Brazosport Memorial Hospital	Healthcare	300
Criminal Justice Department - Institutional	Public	289
Brazosport College	Education	250
Brazoswood High School	Education	225
Lowe's Home Improvement	Retail	208

Source: Nielsen

The area has been supercharged recently with significant growth in the petrochemical industry and manufacturing. Since 2010, over \$25 billion have been invested in the area with expansions at Philips 66, Dow, Tenaris, Chevron and Freeport LNG. Over 3,000 jobs are estimated to have been added to the area as a result of these expansions. There are several additional projects in the final planning phases or currently under construction. The following is a list of the most notable projects:

#### **Dow**

- Ethylene cracker - \$1.7 billion plant opening in late 2017 and adding 1,000 construction jobs and 100 permanent positions upon completion.
- Ethylene glycol plant - \$1 billion project opening in 2019 and adding 1,400 construction jobs and 35 permanent positions.

#### **Tenaris**

- Steel pipe manufacturing plant - \$1.3 billion investment opening by late 2016 and adding 1,800 construction jobs and 600 permanent positions.

#### **Philips 66**

- Liquefied petroleum gas export terminal - \$2 billion investment coming online in late 2016 and adding 700 construction jobs and 24 permanent positions.

#### **Chevron**

- Polyethylene units and rail storage facility - a \$2.5 billion investment coming online in late 2017 and adding 1,000 construction jobs and 90 permanent positions.

#### **Freeport LNG**

- Natural gas liquefaction - overall \$15.5 billion project opening in four phases from 2018 to 2020. The total project will add 4,800 construction jobs and 180 permanent positions.

With relatively high income in the area and the influx of multibillion dollar plants, a large number of construction and permanent jobs as well as the resulting service companies, the area around Brazoria, Texas is experiencing major economic growth. Lodging demand should remain high for the foreseeable future as these projects open and additional corporate entities move in.

### Property Description

There are multiple sites, all within a mile of each other, located along State Highway 36 (SH 36) and State Highway 332 (SH 332) under consideration for the proposed Brazoria Hotel. The City of Brazoria is located along SH 36 and SH 332 between all of the major petrochemical expansions and each proposed site provides relatively similar access to all of the lodging demand generators in the area.

Access to the sites is directly from SH 332 and SH 36 and considered very good. SH 332 provides direct access to Lake Jackson and State Highway 288, the major corridor to Houston, Texas. SH 36 provides direct access to the activity at the Port of Freeport. Visibility of the hotel will be excellent on all sites as the area is primarily comprised of single story buildings.

The following presents the proposed facilities for the proposed 30-room Hotel Brazoria:

<b>Proposed Facilities Brazoria Hotel</b>	
Number of Guestrooms	30
Type of Hotel	Extended-Stay
Amenities	Complimentary Breakfast Guest Laundry Business Center Kitchenettes 30 RV Slots Picnic/BBQ Grill Area
Source: Hotel Developer	

There are no other hotels in the City of Brazoria and the addition of 30 rooms should not have a significant impact on the surrounding area hotels in Lake Jackson, Clute, Angleton and West Columbia. The extended-stay concept with kitchenettes is needed in the area due to the massive amount of contract and construction work from the petrochemical expansions. Additionally, the incorporation of 30 Recreational Vehicle slots should also provide the hotel with additional demand generated from travelling families that could utilize an extra room.

Overall, the proposed Brazoria Hotel will be centrally located with direct access to the Port of Freeport and most of the petrochemical expansions in the area. The Subject sites all benefit from ease of access and excellent visibility. The addition of a 30-room extended-stay hotel should be well received in the market.

### **Competitive Set**

Based upon our review of the area, we identified 23 hotels containing 1,502 rooms as being most competitive with the proposed Brazoria Hotel. These properties were included in the competitive set based on their locations, brand affiliations, services, facilities and amenities offered, and their rate positioning. The competitive set is listed in the following table.



<b>Proposed Brazoria Hotel Competitive Set</b>		
<b>Property</b>	<b>Year Built</b>	<b>Number of Rooms</b>
Western Inn West Columbia	--	30
The Executive Inn & Suites West Columbia	--	27
Lodge at the Columbia Lakes West Columbia	--	73
Super 8 Lake Jackson	1970	97
Motel 6 Clute	1970	70
Lakeview Hotel West Columbia	1975	62
La Quinta Inn Clute	1977	135
Clarion Inn Lake Jackson	1979	138
Amerca's Best Value Inn Angleton	1984	40
America's Best Value Inn Clute	1984	98
America's Best Value Inn West Columbia	1987	40
Quality Inn Clute	1995	60
Best Western Angleton	1996	45
Comfort Suites Lake Jackson	2000	59
TownPlace Suites Clute	2001	52
Baymont Inn & Suites Clute	2003	45
La Quinta Inn Angleton	2008	57
Hampton Inn & Suites Clute	2008	67
Candlewood Suites Lake Jackson	2009	86
Scottish Inn & Suites Angleton	2009	41
Texas Inn & Suites Clute	2009	47
Holiday Inn Express Clute	2010	82
Best Western Plus Lake Jackson	2015	51
<b>Total/Average</b>		<b>1,502</b>
*Meeting space does not include prefunction space.		
Source: CBRE Hotels		

There are no hotels in the City of Brazoria. The competitive set consists of properties in West Columbia, Lake Jackson, Clute and Angleton. These hotels are considered most competitive due to the Subject hotel's central location and proximity to the demand generators in the surrounding market area. Furthermore, we anticipate the proposed 30-room hotel should be absorbed into the market as it will attract demand that is generated in Brazoria as well as the Lake Jackson and Clute areas to the east, Angleton area to the northeast and West Columbia area to the north.

### Historical Market Performance

The table below presents the historical performance of the competitive sets of hotels.



<b>Historical Market Performance of the Competitive Supply</b>									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2011	509,540	N/A	251,089	N/A	49.3%	\$56.75	N/A	\$27.97	N/A
2012	520,125	2.1%	298,950	19.1%	57.5%	55.47	-2.3%	31.88	14.0%
2013	498,225	-4.2%	333,184	11.5%	66.9%	61.08	10.1%	40.85	28.1%
2014	480,340	-3.6%	347,144	4.2%	72.3%	66.57	9.0%	48.11	17.8%
2015	548,230	14.1%	384,922	10.9%	70.2%	78.43	17.8%	55.07	14.5%
CAAG	1.8%		11.3%			8.4%		18.5%	

Source: CBRE Hotels, Source Strategies

During the past five years, the competitive set has experienced significant growth in the market. Supply decreased in 2013 and 2014, then increased in 2015 due to the closing and reopening of the Lakeview Hotel in West Columbia, as well as the opening of the Best Western Plus in Lake Jackson. Occupied rooms for the competitive set have increased at an 11.3% average annual growth over the past five years. Average Daily Rates (ADR) grew 8.4% annually over the same period. RevPAR has shown an 18.5% average annual growth over the past five years.

The competitive set has maintained above 70% occupancy for the past two years, while ADR and RevPAR continued to grow significantly. This indicates a market that is at capacity and unable to accommodate additional demand. The addition of new supply will enable the market to absorb the demand that is currently being turned away.

### Additions to Supply

Based on our fieldwork, we have identified one addition to the competitive supply of guest rooms other than the Subject. The 110-room Courtyard Lake Jackson will open near the Brazos Mall in mid-2017.

### **Market Demand**

The following table summarizes the competitive market's mix of demand in 2015.

<b>Competitive Market 2015 Mix of Demand</b>		
Market Segment	Room Nights	Ratio
Corp Individual	269,400	70%
Leisure	96,200	25%
Group	19,200	5%
Total	385,000	100%

Source: CBRE Hotels

The majority of the lodging demand at the competitive set hotels is generated by the Corporate Individual at 70%, which consists of corporate, manufacturing, contract, construction, petrochemical plant and port operations that generate room nights in the market area. Leisure demand makes up 25% of the demand from the fairs, festivals and family visits to the area. Group demand consists of sports groups, trainings, meetings, galas and weddings and is only 5% of the market demand.

### **Estimated Market Performance**

The key assumptions related to future market growth are, as follows:

- The planned petrochemical expansions will continue.
- No major terrorist events or wars occur that have a material adverse impact on local travel volume or border security.
- No natural disasters, such as major hurricanes, disrupt the local economy during the projection period.
- There are no new additions to the competitive supply other than noted previously.

Based upon our understanding of the local hotel market and using our proprietary supply and demand models, we have projected future occupancy for the competitive set of hotels, as shown in the following table.

<b>Brazoria Hotel</b>					
<b>Competitive Market</b>					
<b>Estimated Future Growth in Lodging Supply and Demand</b>					
<b>2015 - 2019</b>					
	2015	2016	2017	2018	2019
<b>ROOMS SUPPLY</b>	1,316				
<b>Additions/(Deletions) to Supply</b>					
Brazoria Hotel			15	15	
SS Angleton					
SS Clute					
SS Lake Jackson	51				
SS West Columbia	135				
Courtyard Lake Jackson			55	55	
Addition - Hotel 22					
Cumulative Rooms Supply	1,502	1,502	1,572	1,642	1,642
Total Annual Rooms Supply	548,230	548,230	573,780	599,330	599,330
Growth Over the Prior Year	14.1%	0.0%	4.7%	4.5%	0.0%
<b>DEMONSTRATED DEMAND IN BASE YR</b>					
Corp Individual	269,445	70%			
Leisure	96,231	25%			
Group	19,246	5%			
<b>TOTAL DEMONSTRATED DEMAND</b>	384,922	100%			
<b>INDUCED/(UNSATISFIED) DEMAND</b>					
Corp Individual		0	3,000	3,000	0
Leisure		0	1,000	1,000	0
Group		0	500	500	0
<b>TOTAL INDUCED/(UNSATISFIED) DEMAND</b>		0	4,500	4,500	0
<b>GROWTH RATES</b>					
Corp Individual		1.0%	3.0%	3.0%	3.0%
Leisure		2.0%	2.0%	2.0%	2.0%
Group		1.0%	1.0%	1.0%	1.0%
<b>PROJECTED DEMAND</b>					
Corp Individual					
Demonstrated	269,445	272,140	280,304	291,803	303,647
Induced/(Unsatisfied)	0	0	3,000	3,000	0
<b>Total</b>	269,400	272,100	283,300	294,800	303,600
Growth Over Prior Year	N/A	1.0%	4.1%	4.1%	3.0%
Leisure					
Demonstrated	96,231	98,155	100,118	103,141	106,223
Induced/(Unsatisfied)	0	0	1,000	1,000	0
<b>Total</b>	96,200	98,200	101,100	104,100	106,200
Growth Over Prior Year	N/A	2.1%	3.0%	3.0%	2.0%
Group					
Demonstrated	19,246	19,439	19,633	20,334	21,043
Induced/(Unsatisfied)	0	0	500	500	0
<b>Total</b>	19,200	19,400	20,100	20,800	21,000
Growth Over Prior Year	N/A	1.0%	3.6%	3.5%	1.0%
<b>Total Market Demand</b>	384,800	389,700	404,500	419,700	430,800
Growth Over Prior Year	N/A	1.3%	3.8%	3.8%	2.6%
<b>Market Occupancy</b>	<b>70%</b>	<b>71%</b>	<b>70%</b>	<b>70%</b>	<b>72%</b>
Source: CBRE Hotels					

We have assumed that there will be limited demand growth in 2016 because the competitive set is currently at capacity. The market occupancy is projected to increase to 71% in 2016. With the addition of the 110-room Courtyard Lake Jackson and the proposed 30-room Brazoria Hotel midway through 2017, the market is expected to decrease to 70% in 2017 and remain flat in 2018. As the new supply is absorbed and the petrochemical expansions continue, the market is estimated to stabilize at 72% in 2019.

### **Estimated Subject Performance**

In formulating our estimates of the subject property's position in the competitive market, we considered its fair market share and potential ability to penetrate the market. Fair market share is defined as the percentage of demand allocated to a given property based on its ratio of available guestrooms to the total number of rooms in the competitive market. For example, the proposed Brazoria Hotel has 30 of the competitive market's 1,642 available rooms (including the subject), equating to a fair market share of 1.8% (30 divided by 1,642) in 2018, the subject's first full year.

Market penetration is based on the attributes of a hotel relative to the competitive market. It is defined as the percentage of fair market share demand allocated to a property on the basis of such competitive characteristics as location, appearance, management expertise, physical condition, marketing orientation, rate structure, age, brand affiliation, reputation, size, facilities and amenities. Factors indicating that a property will possess competitive advantages suggest a market penetration in excess of 100% of fair market share, while competitive disadvantages are reflected in penetration rates of less than 100%.

Estimated future occupancy rates at the subject hotel are based upon an evaluation of its expected future advantages and/or disadvantages relative to the competitive hotels within the context of estimated levels of future supply and demand. The proposed Brazoria Hotel is expected to achieve a strong competitive position in the future competitive lodging market, as follows:

- The Subject will be well located in relation to demand generators within the Brazoria market area.
- The Subject will be the only hotel located in the City of Brazoria.
- The Hotel will be developed, designed and furnished with appropriate, quality facilities and amenities, as described in this report.
- The Hotel will be competently managed, aggressively marketed and will maintain high levels of service throughout the Hotel.

The performance for the proposed Brazoria Hotel is shown in the following table.

<b>Brazoria Hotel</b>			
<b>Market Penetration and Projected Occupancy</b>			
	2017	2018	2019
<b>TOTAL ROOMS AVAILABLE</b>			
<b>Brazoria Hotel</b>	<b>5,475</b>	<b>10,950</b>	<b>10,950</b>
Competitive Market	573,780	599,330	599,330
	=====	=====	=====
Fair Share of Supply	1.0%	1.8%	1.8%
	=====	=====	=====
<b>ESTIMATED TOTAL MARKET DEMAND</b>			
Corp Individual	283,300	294,800	303,600
Leisure	101,100	104,100	106,200
Group	20,100	20,800	21,000
	-----	-----	-----
TOTAL	404,500	419,700	430,800
	-----	-----	-----
<b>FAIR SHARE OF DEMAND</b>			
Corp Individual	2,700	5,400	5,500
Leisure	1,000	1,900	1,900
Group	200	400	400
	-----	-----	-----
TOTAL	3,900	7,700	7,800
	-----	-----	-----
<b>SUBJECT PENETRATION</b>			
Corp Individual	88%	93%	95%
Leisure	100%	100%	100%
Group	80%	80%	80%
	-----	-----	-----
<b>ROOM NIGHTS CAPTURED</b>			
Corp Individual	2,400	5,000	5,300
Leisure	1,000	1,900	1,900
Group	200	300	300
	-----	-----	-----
TOTAL CAPTURED DEMAND	3,600	7,200	7,500
	=====	=====	=====
MARKET SHARE CAPTURED	0.9%	1.7%	1.7%
<b>OVERALL MARKET PENETRATION</b>	<b>93%</b>	<b>94%</b>	<b>95%</b>
	-----	-----	-----
<b>SUBJECT OCCUPANCY</b>	<b>66%</b>	<b>66%</b>	<b>68%</b>
	-----	-----	-----
<b>MARKET MIX</b>			
Corp Individual	67%	69%	71%
Leisure	28%	26%	25%
Group	6%	4%	4%
	-----	-----	-----
TOTAL	100%	100%	100%
	=====	=====	=====
Source: CBRE Hotels			

The proposed Brazoria Hotel is estimated to achieve occupancy of 66% in 2017 and remain flat in 2018, the Subject's first full year of operation. Occupancy will increase and stabilize at 68% in 2019. Upon stabilization, the Subject is projected to penetrate the market at 95% of its fair share.

### Demand Segmentation

Upon stabilization in the third year of operation, the proposed Brazoria Hotel is projected to capture less its fair share of demand from the Corporate Individual and Group segments due to its location and lack of meeting space. The hotel is projected to receive its fair share of the Leisure segment due to the area festivals and activities. The following table shows the projected market mix for the proposed Brazoria Hotel.

<b>Brazoria Hotel</b>			
<b>2019 Mix of Demand and Market Penetration</b>			
Market Segment	Room Nights	Ratio	Penetration
Corp Individual	5,300	71%	95%
Leisure	1,900	25%	100%
Group	300	4%	80%
Total	7,500	100%	95%

Source: CBRE Hotels

### Average Daily Rate

We estimate that the proposed Brazoria Hotel would achieve an ADR of \$75 in 2016 dollars. The ADR for the property has been benchmarked on the local market and we have positioned the Subject to be rated below the Lake Jackson, Clute and Angleton but above the West Columbia hotels due to its location relative to the major demand generators. Estimates of occupancy, average daily rate and revenue per available room are shown in the following table.

<b>Estimated Occupancy and ADR</b>			
<b>Proposed Hotel &amp; Conference Center</b>			
Year	Annual Occupancy	Average Daily Rate*	Revenue Per Available Room
2017**	66%	\$77	\$51
2020	66%	\$80	\$53
2021	68%	\$82	\$56
2022	68%	\$84	\$57
2023	68%	\$87	\$59

\* Stated Year Dollars, rounded to the nearest dollar.  
Based on an ADR of \$75 in 2016 dollars.  
\*\* The subject hotel is estimated to open in mid-2017.

Source: CBRE Hotels



### **Schedule of Prospective Cash Flow Before Debt Service**

On the basis of our evaluation of market findings relative to the proposed 30-room Brazoria Hotel, we have prepared schedules of estimated operating results, which we believe could be generated by the operation of a facility of the type, size and caliber as described in the preceding sections of the report.

In estimating the future operating results, we analyzed historical 2014 operating statements of 5 comparable hotels. We have not identified them in order to protect the confidentiality of our sample. These properties ranged in size from 52 to 61 rooms with an average of 58. Occupancy rates ranged from 60% to 88% with an average of 71%. ADR ranged from \$67 to \$116 with an average of \$82.

We estimated revenues and expenses based on the market analysis described herein, the performance of comparable properties, typical industry parameters, premiums and efficiencies for a hotel of this type. In evaluating comparables, we considered expenses as a percent of revenue, as well as per occupied room (POR) and per available room (PAR). We then incorporated such estimates into the assumptions that we have made, regarding inflation (3% per year), start-up period and market penetration rates, in order to generate the estimated annual operating results, presented at the end of this section. Our estimates are for the years 2017 through 2026. All dollar financial POR and PAR are expressed in 2016 dollars.

The following schedules reflect the estimate of future operating performance of the proposed Brazoria Hotel. The schedules are presented in the stated year (inflated) dollars.

**Brazoria Hotel**  
 Projected Operating Results  
 Calendar Years

	2017		2018		2019		2020		2021	
Number of Units:	15		30		30		30		30	
Number of Annual Rooms Available:	5,475		10,950		10,950		10,950		10,950	
Number of Rooms Occupied:	3,610		7,230		7,450		7,450		7,450	
Annual Occupancy:	66%		66%		68%		68%		68%	
Average Daily Rate:	\$77.00		\$80.00		\$82.00		\$84.00		\$87.00	
Revenue Per Available Room:	\$50.82		\$52.80		\$55.76		\$57.12		\$59.16	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>Revenues</b>										
Rooms	\$278,000	97.9%	\$578,000	98.0%	\$611,000	98.1%	\$626,000	98.1%	\$648,000	98.0%
Other Operated Departments	4,000	1.4%	8,000	1.4%	8,000	1.3%	8,000	1.3%	9,000	1.4%
Rentals and Other Income	2,000	0.7%	4,000	0.7%	4,000	0.6%	4,000	0.6%	4,000	0.6%
<b>Total Revenues</b>	<b>284,000</b>	<b>100.0%</b>	<b>590,000</b>	<b>100.0%</b>	<b>623,000</b>	<b>100.0%</b>	<b>638,000</b>	<b>100.0%</b>	<b>661,000</b>	<b>100.0%</b>
<b>Departmental Expenses</b>										
Rooms	83,000	29.9%	171,000	29.6%	179,000	29.3%	184,000	29.4%	190,000	29.3%
Other Operated Departments	3,000	75.0%	7,000	87.5%	7,000	87.5%	7,000	87.5%	7,000	77.8%
<b>Total Departmental Expenses</b>	<b>86,000</b>	<b>30.3%</b>	<b>178,000</b>	<b>30.2%</b>	<b>186,000</b>	<b>29.9%</b>	<b>191,000</b>	<b>29.9%</b>	<b>197,000</b>	<b>29.8%</b>
<b>Departmental Profit</b>	<b>198,000</b>	<b>69.7%</b>	<b>412,000</b>	<b>69.8%</b>	<b>437,000</b>	<b>70.1%</b>	<b>447,000</b>	<b>70.1%</b>	<b>464,000</b>	<b>70.2%</b>
<b>Undistributed Expenses</b>										
Administrative & General	41,000	14.4%	84,000	14.2%	87,000	14.0%	90,000	14.1%	92,000	13.9%
Marketing	9,000	3.2%	19,000	3.2%	20,000	3.2%	20,000	3.1%	21,000	3.2%
Property Operation and Maintenance	20,000	7.0%	42,000	7.1%	43,000	6.9%	45,000	7.1%	46,000	7.0%
Utility Costs	17,000	6.0%	36,000	6.1%	37,000	5.9%	38,000	6.0%	39,000	5.9%
<b>Total Undistributed Operating Expenses</b>	<b>87,000</b>	<b>30.6%</b>	<b>181,000</b>	<b>30.7%</b>	<b>187,000</b>	<b>30.0%</b>	<b>193,000</b>	<b>30.3%</b>	<b>198,000</b>	<b>30.0%</b>
<b>Gross Operating Profit</b>	<b>111,000</b>	<b>39.1%</b>	<b>231,000</b>	<b>39.2%</b>	<b>250,000</b>	<b>40.1%</b>	<b>254,000</b>	<b>39.8%</b>	<b>266,000</b>	<b>40.2%</b>
<b>Fixed Expenses</b>										
Property Taxes	11,000	3.9%	22,000	3.7%	23,000	3.7%	24,000	3.8%	24,000	3.6%
Insurance	6,000	2.1%	13,000	2.2%	13,000	2.1%	14,000	2.2%	14,000	2.1%
<b>Total Fixed Expenses</b>	<b>17,000</b>	<b>6.0%</b>	<b>35,000</b>	<b>5.9%</b>	<b>36,000</b>	<b>5.8%</b>	<b>38,000</b>	<b>6.0%</b>	<b>38,000</b>	<b>5.7%</b>
<b>Net Operating Income</b>	<b>94,000</b>	<b>33.1%</b>	<b>196,000</b>	<b>33.2%</b>	<b>214,000</b>	<b>34.3%</b>	<b>216,000</b>	<b>33.9%</b>	<b>228,000</b>	<b>34.5%</b>
Source: CBRE Hotels	Six Months of Operation									

**Brazoria Hotel**  
 Projected Operating Results  
 Calendar Years

	2022		2023		2024		2025		2026	
Number of Units:	30		30		30		30		30	
Number of Annual Rooms Available:	10,950		10,950		10,950		10,950		10,950	
Number of Rooms Occupied:	7,450		7,450		7,450		7,450		7,450	
Annual Occupancy:	68%		68%		68%		68%		68%	
Average Daily Rate:	\$90.00		\$92.00		\$95.00		\$98.00		\$101.00	
Revenue Per Available Room:	\$61.20		\$62.56		\$64.60		\$66.64		\$68.68	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>Revenues</b>										
Rooms	\$671,000	98.1%	\$685,000	98.0%	\$708,000	98.1%	\$730,000	98.0%	\$752,000	98.0%
Other Operated Departments	9,000	1.3%	9,000	1.3%	9,000	1.2%	10,000	1.3%	10,000	1.3%
Rentals and Other Income	4,000	0.6%	5,000	0.7%	5,000	0.7%	5,000	0.7%	5,000	0.7%
<b>Total Revenues</b>	<b>684,000</b>	<b>100.0%</b>	<b>699,000</b>	<b>100.0%</b>	<b>722,000</b>	<b>100.0%</b>	<b>745,000</b>	<b>100.0%</b>	<b>767,000</b>	<b>100.0%</b>
<b>Departmental Expenses</b>										
Rooms	196,000	29.2%	202,000	29.5%	208,000	29.4%	214,000	29.3%	220,000	29.3%
Other Operated Departments	8,000	88.9%	8,000	88.9%	8,000	88.9%	8,000	80.0%	9,000	90.0%
<b>Total Departmental Expenses</b>	<b>204,000</b>	<b>29.8%</b>	<b>210,000</b>	<b>30.0%</b>	<b>216,000</b>	<b>29.9%</b>	<b>222,000</b>	<b>29.8%</b>	<b>229,000</b>	<b>29.9%</b>
<b>Departmental Profit</b>	<b>480,000</b>	<b>70.2%</b>	<b>489,000</b>	<b>70.0%</b>	<b>506,000</b>	<b>70.1%</b>	<b>523,000</b>	<b>70.2%</b>	<b>538,000</b>	<b>70.1%</b>
<b>Undistributed Expenses</b>										
Administrative & General	95,000	13.9%	98,000	14.0%	101,000	14.0%	104,000	14.0%	107,000	14.0%
Marketing	21,000	3.1%	22,000	3.1%	23,000	3.2%	23,000	3.1%	24,000	3.1%
Property Operation and Maintenance	47,000	6.9%	49,000	7.0%	50,000	6.9%	52,000	7.0%	53,000	6.9%
Utility Costs	40,000	5.8%	42,000	6.0%	43,000	6.0%	44,000	5.9%	45,000	5.9%
<b>Total Undistributed Operating Expenses</b>	<b>203,000</b>	<b>29.7%</b>	<b>211,000</b>	<b>30.2%</b>	<b>217,000</b>	<b>30.1%</b>	<b>223,000</b>	<b>29.9%</b>	<b>229,000</b>	<b>29.9%</b>
<b>Gross Operating Profit</b>	<b>277,000</b>	<b>40.5%</b>	<b>278,000</b>	<b>39.8%</b>	<b>289,000</b>	<b>40.0%</b>	<b>300,000</b>	<b>40.3%</b>	<b>309,000</b>	<b>40.3%</b>
<b>Fixed Expenses</b>										
Property Taxes	25,000	3.7%	26,000	3.7%	27,000	3.7%	27,000	3.6%	28,000	3.7%
Insurance	14,000	2.0%	15,000	2.1%	15,000	2.1%	16,000	2.1%	16,000	2.1%
<b>Total Fixed Expenses</b>	<b>39,000</b>	<b>5.7%</b>	<b>41,000</b>	<b>5.9%</b>	<b>42,000</b>	<b>5.8%</b>	<b>43,000</b>	<b>5.8%</b>	<b>44,000</b>	<b>5.7%</b>
<b>Net Operating Income</b>	<b>238,000</b>	<b>34.8%</b>	<b>237,000</b>	<b>33.9%</b>	<b>247,000</b>	<b>34.2%</b>	<b>257,000</b>	<b>34.5%</b>	<b>265,000</b>	<b>34.6%</b>
Source: CBRE Hotels										

## ADDENDA

**CBRE HOTELS**

The World's Leading Hotel Experts.

## **TERMS AND CONDITIONS**

1. The Terms and Conditions herein are part of an agreement for consulting services (the "Agreement" ) between CBRE, Inc. (the "Consultant") and the client signing this Agreement, and for whom the consulting services will be performed (the "Client"), and shall be deemed a part of such Agreement as though set forth in full therein. The Agreement shall be governed by the laws of the state where the consulting office is located for the Consultant executing this Agreement.
2. Client shall be responsible for the payment of all fees stipulated in the Agreement. Payment of the consulting fee and preparation of an consulting report (the "Consulting Report, or the "report") are not contingent upon any predetermined value or on an action or event resulting from the analyses, opinions, conclusions, or use of the Consulting Report. Final payment is due as provided in the Proposal Specifications Section of this Agreement. If a draft report is requested, the fee is considered earned upon delivery of the draft report. It is understood that the Client may cancel this assignment in writing at any time prior to delivery of the completed report. In such event, the Client is obligated only for the prorated share of the fee based upon the work completed and expenses incurred (including travel expenses to and from the job site), with a minimum charge of \$500. Additional copies of the Consulting Reports are available at a cost of \$250 per original color copy and \$100 per photocopy (black and white), plus shipping fees of \$30 per report.
3. If Consultant is subpoenaed to give testimony or otherwise required or requested by Client or a third party to participate in meetings, phone calls, conferences, litigation or other legal proceedings (including preparation for such proceedings) because of, connected with or in any way pertaining to this engagement, the Consulting Report, the Consultant's expertise, or the Property, Client shall pay Consultant's additional costs and expenses based on Consultant's then-prevailing hourly rates and related fees. Such charges include and pertain to time spent in preparing for and providing court room testimony, depositions, travel time, mileage and related travel expenses, waiting time, document review and preparation time (excluding preparation of the Consulting Report), meeting participation, and Consultant's other related commitment of time and expertise. Hourly charges and other fees for such participation will be provided upon request. In the event Client requests additional consulting services beyond the scope and purpose stated in the Agreement, Client agrees to pay additional fees for such services and to reimburse related expenses, whether or not the completed report has been delivered to Client at the time of such request.
4. Consultant shall have the right to terminate this Agreement at any time for cause effective immediately upon written notice to Client on the occurrence of fraud or the willful misconduct of Client, its employees or agents.
5. In the event Client fails to make payments when due then, from the date due until paid, the amount due and payable shall bear interest at the maximum rate permitted in the state where the office is located for the Consultant executing the Agreement. In the event either party institutes legal action against the other to enforce its rights under this Agreement, the prevailing party shall be entitled to recover its reasonable attorney's fees and expenses. Each party waives the right to a trial by jury in any action arising under this Agreement.
6. Consultant assumes there are no major or significant items or issues affecting the Property that would require the expertise of a professional building contractor, engineer, or environmental consultant for Consultant to prepare a valid report. Client acknowledges that such additional expertise is not covered in the Consulting fee and agrees that, if such additional expertise is required, it shall be provided by others at the discretion and direction of the Client, and solely at Client's additional cost and expense.
7. In the event of any dispute between Client and Consultant relating to this Agreement, or Consultant's or Client's performance hereunder, Consultant and Client agree that such dispute shall be resolved by means of binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, and judgment upon the award rendered by an arbitrator may be entered in any court of competent jurisdiction. Depositions may be taken and other discovery obtained during such arbitration proceedings to the same extent as authorized in civil judicial proceedings in the state where the office of the Consultant executing this Agreement is located. The arbitrator shall be limited to awarding compensatory damages and shall have no authority to award punitive, exemplary or similar damages.

The prevailing party in the arbitration proceeding shall be entitled to recover its expenses from the losing party, including costs of the arbitration proceeding, and reasonable attorney's fees. Client acknowledges that Consultant is being retained hereunder as an independent contractor to perform the services described herein and nothing in this Agreement shall be deemed to create any other relationship between Client and Consultant. This engagement shall be deemed concluded and the services hereunder completed upon delivery to Client of the Consulting Report discussed herein.

8. All statements of fact in the report which are used as the basis of the Consultant's analyses, opinions, and conclusions will be true and correct to the best of the Consultant's knowledge and belief. Consultant does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the condition of the Property furnished to Consultant by Client or others.
9. Consultant shall have no responsibility for legal matters, including zoning, or questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The report will not constitute a survey of the Property analyzed.
10. Client shall provide Consultant with such materials with respect to the assignment as are requested by Consultant and in the possession or under the control of Client. Client shall provide Consultant with sufficient access to the Property to be analyzed, and hereby grants permission for entry unless discussed in advance to the contrary.
11. The data gathered in the course of the assignment (except data furnished by Client) and the report prepared pursuant to the Agreement are, and will remain, the property of Consultant. With respect to data provided by Client, Consultant shall not violate the confidential nature of the Consultant-Client relationship by improperly disclosing any proprietary information furnished to Consultant. Notwithstanding the foregoing, Consultant is authorized by Client to disclose all or any portion of the report and related data as may be required by statute, government regulation, legal process, or judicial decree, including to appropriate representatives of the Appraisal Institute if such disclosure is required to enable Consultant to comply with the Bylaws and Regulations of such Institute as now or hereafter in effect.
12. Unless specifically noted, in preparing the Consulting Report the Consultant will not be considering the possible existence of asbestos, PCB transformers, or other toxic, hazardous, or contaminated substances and/or underground storage tanks (collectively, "Hazardous Material") on or affecting the Property, or the cost of encapsulation or removal thereof. Further, Client represents that there is no major or significant deferred maintenance of the Property that would require the expertise of a professional cost estimator or contractor. If such repairs are needed, the estimates are to be prepared by others, at Client's discretion and direction, and are not covered as part of the Consulting fee.
13. In the event Client intends to use the Consulting Report in connection with a tax matter, Client acknowledges that Consultant provides no warranty, representation or prediction as to the outcome of such tax matter. Client understands and acknowledges that any relevant taxing authority (whether the Internal Revenue Service or any other federal, state or local taxing authority) may disagree with or reject the Consulting Report or otherwise disagree with Client's tax position, and further understands and acknowledges that the taxing authority may seek to collect additional taxes, interest, penalties or fees from Client beyond what may be suggested by the Consulting Report. Client agrees that Consultant shall have no responsibility or liability to Client or any other party for any such taxes, interest, penalties or fees and that Client will not seek damages or other compensation from Consultant relating to any such taxes, interest, penalties or fees imposed on Client, or for any attorneys' fees, costs or other expenses relating to Client's tax matters.
14. Consultant shall have no liability with respect to any loss, damage, claim or expense incurred by or asserted against Client arising out of, based upon or resulting from Client's failure to provide accurate or complete information or documentation pertaining to an assignment ordered under or in connection with this Agreement, including Client's failure, or the failure of any of Client's agents, to provide a complete copy of the Consulting Report to any third party.

15. LIMITATION OF LIABILITY. EXCEPT TO THE EXTENT ARISING FROM SECTION 16 BELOW, OR SECTION 17 IF APPLICABLE, IN NO EVENT SHALL EITHER PARTY OR ANY OF THEIR OFFICERS, DIRECTORS, EMPLOYEES OR CONTRACTORS BE LIABLE TO THE OTHER, WHETHER BASED IN CONTRACT, WARRANTY, INDEMNITY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT OR OTHERWISE, FOR (I) ANY SPECIAL, CONSEQUENTIAL, PUNITIVE, INCIDENTAL OR INDIRECT DAMAGES AND (II) AGGREGATE DAMAGES IN CONNECTION WITH THIS AGREEMENT (EXCLUDING THE OBLIGATION TO PAY THE FEES REQUIRED HEREUNDER) IN EXCESS OF THE GREATER OF THE AMOUNT OF THE TOTAL FEES PAID TO CONSULTANT UNDER THIS AGREEMENT OR TEN THOUSAND DOLLARS (\$10,000). THIS LIABILITY LIMITATION SHALL NOT APPLY IN THE EVENT OF A FINAL FINDING BY AN ARBITRATOR OR A COURT OF COMPETENT JURISDICTION THAT SUCH LIABILITY IS THE RESULT OF A PARTY'S GROSS NEGLIGENCE, FRAUD OR WILLFUL MISCONDUCT.
16. Client shall not disseminate, distribute, make available or otherwise provide any Consulting Report prepared hereunder to any third party (including without limitation, incorporating or referencing the Consulting Report , in whole or in part, in any offering or other material intended for review by other parties) except to (i) any third party approved in writing by Consultant and identified herein as an "Intended User" of the Consulting Report, (ii) any third party service provider (including rating agencies and Client's auditors) using the Consulting Report in the course of providing services for the sole benefit of Client, or (iii) as required by statute, government regulation, legal process, or judicial decree. In the event Consultant consents, in writing, to Client incorporating or referencing the Consulting Report in any offering or other materials intended for review by other parties, Client shall not distribute, file, or otherwise make such materials available to any such parties unless and until Client has provided Consultant with complete copies of such materials and Consultant has approved all such materials in writing. Client shall not modify any such materials once approved by Consultant. In the absence of satisfying the conditions of this paragraph with respect to a party who is not designated as an Intended User, in no event shall the receipt of an Consulting Report by such party extend any right to the party to use and rely on such report, and Consultant shall have no liability for such unauthorized use and reliance on any Consulting Report. In the event Client breaches the provisions of this paragraph, Client shall indemnify, defend and hold Consultant, and its affiliates and their officers, directors, employees, contractors, agents and other representatives (Consultant and each of the foregoing an "Indemnified Party" and collectively the "Indemnified Parties"), fully harmless from and against all losses, liabilities, damages and expenses (collectively, "Damages") claimed, sustained or incurred by any party arising out of or in connection with such breach, regardless of any negligence on the part of any Indemnified Party in preparing the Consulting Report.
17. In the event Client incorporates or references the Consulting Report, in whole or in part, in any offering or other material intended for review by other parties, Client shall indemnify, defend and hold each of the Indemnified Parties harmless from and against any Damages in connection with (i) any transaction contemplated by this Agreement or in connection with the consulting assignment or the engagement of or performance of services by any Indemnified Party hereunder, (ii) any actual or alleged untrue statement of a material fact, or the actual or alleged failure to state a material fact necessary to make a statement not misleading in light of the circumstances under which it was made with respect to all information furnished to any Indemnified Party or made available to a prospective party to a transaction, or (iii) an actual or alleged violation of applicable law by Client (including, without limitation, securities laws) or the negligent or intentional acts or omissions of Client (including the failure to perform any duty imposed by law); and will reimburse each Indemnified Party for all reasonable fees and expenses (including fees and expenses of counsel) (collectively, "Expenses") as incurred in connection with investigating, preparing, pursuing or defending any threatened or pending claim, action, proceeding or investigation (collectively, "Proceedings") arising there from, and regardless of whether such Indemnified Party is a formal party to such Proceeding. Client agrees not to enter into any waiver, release or settlement of any Proceeding (whether or not any Indemnified Party is a formal party to such Proceeding) without the prior written consent of Consultant (which consent will not be unreasonably withheld or delayed) unless such waiver, release or settlement includes an unconditional release of each Indemnified Party from all liability arising out of such Proceeding.



## CERTIFICATION

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is our personal, unbiased professional analyses, opinions and conclusions.
- We have no present or prospective interest in the project that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon the developing or reporting of predetermined results.
- Our compensation is not contingent upon the development or reporting of predetermined results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this report.
- We have made a personal inspection of the proposed site that is the subject of this report.
- No one provided significant professional assistance to the persons signing below except as sourced within the body of this report.

### CBRE Hotels

  
G. Randle McCaslin, CRE  
Managing Director

  
Patrick McCaslin  
Director

  
Andrew Hartley  
Senior Consultant