**TR Mandigo & Company**

*"Over 35 Years of Hospitality Consulting"*

# Market Feasibility Study

## Market Feasibility Study for a 140-Unit Upscale Full-Service Hotel Component at Lake Street & Forest Avenue in Oak Park, Illinois.

**Prepared by:**


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**Submitted to:**

Oak Park

Mr. Bob Clements
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SERTUS CAPITAL PARTNERS, LLC.
PROPERTY INVESTMENT & DEVELOPMENT

Michael Glazier
Sertus Capital Partners, LLC
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**Submitted on:**

December 2, 2008

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Tuesday, December 02, 2008

Mr. Bob Clements
Community Planning and Development Department
123 Madison Street
Oak Park, Illinois 60302

Michael Glazier
Sertus Capital Partners, LLC
225 West Hubbard Street
Chicago, Illinois 60654

Dear Gentlemen:

We have completed our market research to assess the potential market feasibility for the construction of a 140-room upscale full service property located at the intersection of Lake Street and Forest Avenue in Oak Park, Illinois. Plans call for the hotel to function as a component of a larger 20-story development at this location, which in addition to the hotel will also feature retail and residential components.

This analysis addresses the level of demand for business, leisure, and social event-based hotel accommodations for the proposed hotel property that emanates from the immediate market, age, condition and growth in room supply in the greater Oak Park Area, results of our research of local industry, market demand interviews, market trends and competitive properties and our conclusions on market feasibility of hotel development for the subject property.

Our analysis included identification of a competitive set of properties and determination of the performance of properties in the local market. The identification of a competitive set of properties and determination of performance of this competitive set was followed by interviews and research to identify these local sources of demand and other sources of business in the area.

We also analyzed the absorption rate for recently developed properties and other changes in the local hotel market, researched the performance statistics on the hotel industry in the Oak Park market; identified proposed projects under discussion within the immediate area; and prepared performance data for the property based on market trends, responses from the interviews and projections of overall market performance.

The preliminary study concludes with estimates of level of demand for the subject properties, determination of attainable occupancy and average daily rate and absorption period for the development. The results of this analysis are presented in this full narrative report showing the salient market information and our conclusions on market feasibility to assist you in analysis of the economics of the project.

Our analysis also includes telephone interviews conducted with demand generators in the area. Focusing on organizations with more than 50 employees, these interviews assisted in determining market position, scope of services, level of amenities, and overall demand and desirability for the proposed hotel project.

This study also includes a Statement of Estimated Operating Results outlining the first six years of operations. This provides a forecast of revenues and expenses for the property based on our market findings, including departmental, undistributed, and fixed expenses considering local market conditions and the results of operations of comparable properties. Both revenues and expenses are stated in conformance with the Uniform System of Accounts for Hotels, the industry's standard reporting format

Thank you for the opportunity to be of service to The Village of Oak Park and Sertus Capital Partners, LLC.

Sincerely,
TR MANDIGO & Co.

Theodore R. Mandigo, CPA, ISHC

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**Map of Site Location**

# Summary of Conclusions

This market study addresses the current and potential market for hotel accommodations given this level of area activity, identifies the type, size and market positioning of such a property and the market feasibility of the development. This report addresses the market demand and level of support for development of an upscale, full-service hotel property with a major flag affiliation to be located in the Village of Oak Park, Illinois, at the northwest corner of Lake Street and Forest Avenue in the heart of Oak Park's central business district.

The Village of Oak Park is one of the first suburbs located less than ten miles due west of the City of Chicago, and Lake Street (Route 20) is a major east-west thoroughfare that runs through the Village. Originating at Columbus Drive on the east side of Downtown Chicago, Lake Street crosses Michigan Avenue in the heart of the Chicago Loop and travels west through the Village of Oak Park and out to the western suburbs. Down town Oak Park is generally described as being the area extending from Ontario Street on the north to North Boulevard - Metra-Union Pacific West Line to the south, and extending from Harlem Avenue on the west along Lake Street corridor to Euclid Avenue on the east and encompassing the Oak Park Avenue shopping district.

The proposed hotel site is currently occupied by a single-story retail structure fronting on Lake Street and a four-story municipal garage, which is located to the north and east of the retail structure. The garage structure wraps around the retail structure and has frontage on both Lake Street east of the corner with the main entrance garage located on Forest Avenue north of the retail parcel.

The area surrounding the proposed site consists of a mix of retail, commercial and office uses immediately to the west along both sides of Lake Street, while on the south side Lake Street opposite the site there are several multi-story condominium properties. To the east of the site on the north side Lake Street is Grace Episcopal Church and to the north of the parking deck on Forest Avenue is the 19$^{th}$ Century Club. On the west side of Forest Avenue diagonally across from the parking deck is Austin Gardens, a beautifully wooded park and the home of the summer Festival Theatre in the Park. As one proceeds north along Forest Avenue you enter a heavily tree lined residential area of large stately homes including a number Frank Lloyd Wright designed homes, Prairie style homes, Victorians, late 19$^{th}$ Century and early 20$^{th}$ Century homes, A number of these homes are included in the annual spring "Housewalk" that attracts visitors from all over the country.

Our conclusions regarding the proposed hotel in Oak Park are as follows:

- There is adequate demand to support a 140-room hotel in the Oak Park Market, and a diverse source of demand generators in the market area.
- The subject property will have an advantageous location for area demand generators, as much of the current hotel room demand in the market area is being served by the Oak Brook area market to the west and the O'Hare/Rosemont market to the north. Several interviews conducted indicated large area employers utilizing nearby Marriott or Hilton products, while others explicitly stated Rosemont or Oak Brook markets.
- Major demand generators in the surrounding area consist of 8 hospitals (2,600+ beds) within a 4 mile driving distance, a significant concentration of local tourism, and two major colleges. Interviews with area businesses with more than 50 employees also showed some demand from area small and mid-sized business. Finally, there is significant demand for weddings in the area.

1. This includes Loyola Hospital, one of Illinois' largest employers with over 8,000 employees and the Edward J. Hines VA Hospital, which in the wake of the Afghanistan and Iraq wars has seen demand for its facilities rise significantly. Hospital facilities bring in demand from multiple sources: vendor sales, vendor support, patient families, support services, and specialists; this provides a diverse array of demand sources for each medical facility.
2. Oak Park saw 189,310 visitors in 2007. The biggest attraction, the Wright Home & Studio, saw over 75,000 visitors in 2007, with 79% of its patronage arriving from outside the Chicagoland area. This includes a significant increase in foreign visitors from Japan, Denmark, Spain, and Germany.
3. Two prominent colleges are also nearby: Concordia University and Dominican University, with a total enrollment of approximately 8,000 undergraduate students in the Oak Park area.
4. Interviews with demand generators indicated modest lodging demand, with most of this market currently being served by either the Carleton in downtown Oak Park, Oak Brook to the west, Rosemont area hotels near the O'Hare Aiport, or Downtown Chicago.
5. There is also significant wedding demand in the area, with the Carleton as the only hotel that can host them due to its room supply, food service, and banquet hall. Wedding demand has the added benefit of providing demand for banquet catering in addition to room nights, bolstering food service revenue. In Oak Park, wedding season lasts between March and November, with a peak period between May and October.

- To best serve the market, we recommend an upscale full-service hotel. Upscale market positioning best serves commercial demand generators in the area, who prefer somewhat larger rooms with amenities catering toward business travelers: larger rooms, upscale sleep sets, work desks with ergonomic chairs, wireless and wired internet, and on-site food service, particularly breakfast.
- The proposed hotel should feature a nationally recognized flag from a major hotel franchiser, such as Marriott, Hilton, Hyatt, IHG, etc. A branding product in this market is key for several reasons:
    1. Business travelers tend to prefer properties that offer a rewards program; hotel industry conventional wisdom that has been confirmed by telephone interviews conducted during our analysis.
    2. A flag provides the hotel consumer with an immediately recognizable level of services and amenities provided by the hotel.
    3. The hotel has the added advantage of drawing business from its franchise's reservation system, which typically accounts for 20-50% of total occupied rooms, depending on the market.
    4. Existing hotels in Oak Park are all independently operated, enabling the subject property to further take advantage of the three points mentioned above.
    5. Financing is much less difficult to obtain with a major brand behind the product.
- The current lodging supply in Oak Park features two independently operated hotels: The Carleton (154-rooms) and The Write Inn (65-rooms).
    1. The Write Inn, a midscale limited-service establishment, targets the cost-conscious leisure segment, drawing most of its business from area tourism.
    2. The Carleton, a full service operation, draws a mix of commercial and leisure business, and does a significant amount of wedding business. The adjacent motor-inn to the Carleton (included in the room count) was

previously operated as a low-end motel until it was purchased by the Carleton’s owners and rehabbed into additional rooms for the Carleton. The motor-inn portion of the property represents 25 of the Carleton's 154 total rooms.

**Northwest Corner Photograph**

**Southwest Corner Photograph**

## Northeast Rendering

## Southwest Rendering

# Description of Project

The project is envisioned to be a 20-story mixed-use project, which will include 140-room, upscale, chain affiliated hotel on floors 6-10, a contiguous residential tower with units on floors 5-20, approximately 13,775 square feet of ground floor retail space fronting on Lake Street, a four-story municipal garage with approximately 300 spaces, and additional parking spaces for the hotel and residential component. The residential tower and the hotel component will be situated in front of the parking deck along Forest Avenue as illustrated on the massing studies. The total project including the hotel, residential component, the retail and the parking garage will encompass over 430,000 square feet.

The proposed mixed-project will require that the property be rezoned to a Planned Development designation to permit the development of the project. Oak Park Village Development officials indicated that the proposed project has the general support of the Village Manager and the Village Board of Trustees. However, it should be noted that the proposed project is conditioned upon the developer securing the appropriate zoning and other governmental approvals to permit the development of the proposed mixed-use project.

Hotel guests would enter the proposed hotel through the first floor entrance opposite a porte-cochere area located on Forest Avenue or they would enter the hotel from the covered garage entrance further north on Forest Avenue. From the ground floor entry-elevator lobby guests would proceed by elevator to the third floor of the hotel. This level would contain the public space for the hotel including the reception desk, lobby area, and a lobby bar which would connect to a lounge area. A 3000-5000 square foot, casual dining restaurant serving three meals daily would provide service for in-house guests as well as business and casual dining from the Village. Additional food services should include a Starbucks or similar coffee shop operation with pastries during mornings. Finally, a snack service – deli area located adjacent to the front desk should be available throughout the day.

Additionally there will be 2,500 square feet of pre-function and flexible meeting space, which includes a mixture of boardroom style and multipurpose rooms. Banquet and catering service will be provided by the independently operated restaurant. Meeting and conference amenities should include wired and wireless Internet as well as state-of-the-art AV equipment including high definition projectors and surround sound audio.

The laundry and mechanical rooms would be located on the fourth floor of the hotel. The fifth floor will have access to a large deck area where the pool will be located. There is also square footage available on this floor for the hotel exercise facility, which should have modern exercise equipment, including treadmills, elliptical trainers, free weights, other exercise equipment. Ideally, the exercise facility would have views of the pool deck as well as access to the pool area.

# Recommendations as to Facilities and Branding

The proposed hotel operation should focus on the upscale segments of the commercial and leisure travel markets. Accordingly we suggest that the property offer guest rooms with a minimum of 350 square feet, including a three to four fixture bath and dressing area and a well furnished guest sleeping area. The bath should provide a large walk-in rain style shower, toilet, and vanity in the dressing area. Tubs may also be included in certain hotel rooms. Certain suites should also include a Jacuzzi or whirlpool.. The dressing area should provide quality furnishings with full length mirror and shelving for clothes as well as hanger space and luggage storage area. The dressing area may include the vanity and should have ample lighting including illuminated make-up mirror. Amenities should include a valet stand, hair dryer in the bath and an iron and ironing board in the dressing area.

Guest room furnishings should include luxury pillow top or similar sleep set, a variety of pillow types, a duvet or current practice bed spread with reading level lighting at the headboard. The furnishings should include flat screen TV adaptable for computer monitor use: wired and wireless internet service; a comfortable upholstered chair, working desk and desk chair and night stand. For double queen rooms furnishings should include two upholstered chairs in a conversation area arrangement. Rooms should be equipped with coffee maker and refrigerator. The mix of the planned 140 rooms should include 30 suites and 110 King or Double Queen rooms.

The chain affiliation of the proposed hotel is critical to the financial success of the property. We have had preliminary discussions concerning the proposed Oak Park hotel with several of the hotel companies, including Hyatt, Marriott International and Hilton Hotels. We believe the rate potential of the Oak Park warrants an upscale hotel brand rather than a select-service hotel and should choose a brand appropriate for its room count and market. The free standing restaurant will be a separate for profit entity or lease out to an independent operator, and will provide food service for the hotel facility.

There are other recommendations that the developer might want to consider. At the entrance to the parking deck, off Forest Avenue, a motor-lobby area with short-term parking near the entrance to the hotel. This motor lobby is particularly important during winter and other periods of inclement weather. Due to the relative long Chicago winters and the unpredictable spring weather the developer should consider reducing the size of the pool and moving it over near the hotel and enclosing the pool. There are a number of building systems for enclosing pools that are economical and provide such features as retractable roof section and rolling door that enable the pool to be opened up in warmer months, while permitting year-around use for the hotel guests. An indoor pool will give the proposed hotel a competitive advantage over other area hotels and draw additional weekend-family demand during the colder months.

# Area Demographics

Oak Park is a long established suburb of Chicago located 10 miles directly west of the Chicago Loop, downtown Chicago. Its first “boom period” followed the Chicago Fire of 1871 as former Chicago residents followed the railroad west. Its eastern border is the city of Chicago, along Austin Avenue. To the north its border is North Avenue, Roosevelt Road is its southern end, and on the west its border is Harlem Avenue. All are major thoroughfares and easily connect Oak Park to Chicago and near west suburbs.

The village is 4.7 sq. miles and is fairly densely populated. The nearly 51,000 residents have a distinctive urban/suburban lifestyle. When the village was incorporated in 1902, it was already well developed. There are stately Victorian homes, many architecturally significant residences including homes and a church designed by famous architect Frank Lloyd Wright. Tree shaded streets, expansive parks, a top-notch school system, and a responsive, forward looking village government and residential base add to Oak Park’s appeal.

There is a lively cultural life, a large downtown area, several other busy shopping and dining centers, and a variety of effective and widely used public transportation options. Two Chicago Transit Authority (CTA) elevated lines transverse Oak Park, providing fast connections to Chicago – including the Loop, O’Hare and Midway Airports. The Green and Blue elevated train lines run through Oak Park, with the Green Line just two blocks from the site location. The Metra (Union Pacific West Line) train, running through the heart of Oak Park, provides effective links to downtown Chicago and many western suburbs. The Oak Park Metra station is just one block south of the site location. The town is also served by 18 bus lines. Interstate I-290, the Eisenhower Expressway, runs through Oak Park and links it to major locations and highways in Chicago, the suburbs, and beyond. Driving distance to O’Hare is 10 miles and it is 8 miles to Midway Airport.

Oak Park has a mix of single family homes, townhomes, 2 and 3-flat residences, and larger apartment buildings that are a mix of rental and condominium. Houses vary from middle-class bungalows and post World War II homes, to expansive upper-class homes designed by famous architects. Of the approximately 23,000 household units, 13,000 are owned by families and individuals, and the remainder are rentals. There are three historic districts, 28 landmarks – some of them attracting worldwide interest. The median family income is almost $82,000 and the median age is 36. Of the population over 25 nearly 2/3rds have college degrees – about evenly split between those with Bachelor’s degrees and those with Master’s degrees or higher.

The village works to achieve a balance of historic preservation and economic development. Its ongoing (over 20 years) efforts to revitalize the downtown Oak Park business district won acclaim from both urban planners and preservationists throughout the region. Oak Park is a popular tourist destination within the Chicago metropolitan area. The largest collection of Frank Lloyd Wright designed homes in the world is in Oak Park. Many other Prairie School designed residences as well as lovely, massive Victorian homes draw visitors to the area. Other attractions include the Ernest Hemmingway Museum, his birthplace and childhood homes, three homes that Tarzan creator Edgar Rice Burroughs lived in, the Frank Lloyd Wright Home and Studio, Unity Temple and Pleasant Home – both on the National Register of Historic places, the Oak Park Conservatory, and more.

The largest employer in Oak Park is West Suburban Hospital and Medical Center. Rush Oak Park Center, Resurrection Health Care, and Marionjoy-Rush Oak Park Hospital are also large employers. Local governmental agencies and schools have large, stable work forces. Fifth

Third Banking Corporation has over 700 employees, Haphzibah Children's Association over 325, and Sterlite Software USA, Shaker Advertising, and S & N Partnership the next largest numbers of employees. There are many major organizations and businesses within five miles of Oak Park. Loyola University Medical Center in Maywood is the largest and employs 14,000. Other health care organizations in the area with large employee bases are MacNeal in Berwyn, Gottlieb and Westlake Hospitals in Melrose Park. Large nearby businesses are Alberto Culver, Borg Warner, Brookfield Zoo, Triton Community College, and Follett.

There are two well-respected colleges in the area offering undergrad and graduate degrees, as well as a large community college. Two high schools serve the area, one public and one private, and have long histories of academic and sports excellence. There are two community hospitals and several other large healthcare related organizations in Oak Park, with several major trauma-center and teaching hospitals within five miles of Oak Park. Community services include the Oak Park Visitors Bureau, Oak Park Development Corporation, OPRF Chamber of Commerce, OP Regional Housing Center, OP Area Arts Council, Great Neighborhoods Oak Park, local newspapers, and a strong library system.

## Market Demographics

The Chicago Metropolitan area is the nation's third most populous metropolitan area and an influential economic region between the East and West Coasts. Chicago's advantageous geographic location has fostered its development as an international center for banking, securities, insurance, air transportation, business services, wholesale and retail trade, and manufacturing. In addition, the area has long been known as a world-class center for higher education, health care, the arts, and popular culture.

**Table 1: Area Population**

| Area | 2002 Estimate | 2007 Estimate | 2012 Projection | CAG (02-07) | CAG (07-12) |
|---|---|---|---|---|---|
| Cook County | 5,383,400 | 5,278,200 | 5,187,700 | -0.3% | -0.3% |
| Chicago CBSA | 8,372,900 | 9,528,200 | 9,790,400 | 2.2% | 0.5% |
| Illinois | 12,512,700 | 12,852,500 | 13,109,800 | 0.4% | 0.3% |
| United States | 286,815,100 | 301,045,500 | 314,921,000 | 0.8% | 0.8% |

Source: Nielsen/Trade Dimensions Demographics USA 2002, 2007

The population of Cook County has effectively reached a plateau, a symptom of the county's maturity. Much of the growth is happening in the outlining counties in Kane, DuPage, Will, and Kendall.

**Table 2: Average Household EBI**

| Area | 2002 Estimate | 2007 Estimate | 2012 Projection | CAG (02-07) | CAG (07-12) |
|---|---|---|---|---|---|
| Cook County | 57,977 | 57,813 | 63,029 | 0.0% | 1.5% |
| Chicago CBSA | 61,051 | 62,195 | 67,809 | 0.3% | 1.5% |
| Illinois | 45,496 | 57,397 | 62,822 | 3.9% | 1.5% |
| United States | 49,219 | 53,727 | 59,186 | 1.5% | 1.6% |

Source: Nielsen/Trade Dimensions Demographics USA 2002, 2007

Average Household EBI is roughly in-line with Illinois, but below that of the Chicago CBSA primarily due to the economically depressed areas of Chicago and some struggling Cook County suburbs.

**Table 3: Total Retail Sales ($000)**

| Area | 2002 Estimate | 2007 Estimate | 2012 Projection | CAG (02-07) | CAG (07-12) |
|---|---|---|---|---|---|
| Cook County | 58,286,998 | 73,832,044 | 78,268,071 | 4.0% | 1.0% |
| Chicago CBSA | 105,777,233 | 149162115 | 163,221,468 | 7.5% | 1.5% |
| Illinois | 150,668,495 | 194,702,022 | 212,444,031 | 4.4% | 1.5% |
| United States | 3,627,218,024 | 4,806,237,609 | 5,554,075,503 | 4.8% | 2.4% |

Source: Nielsen/Trade Dimensions Demographics USA 2002, 2007

Retail Sales are strong in Cook County, with growth levels in-line with the state. Future growth is dampened by the maturity of the county, as there is a very limited amount of unused land available for new construction commercial development.

**Table 4: Employment Data for Cook County**

| Sector | Employees |
|---|---|
| Total Employed | 2,913,872 |
| White Collar | 1,756,175 |
| Blue Collar | 623,496 |
| Service | 534,201 |
| **Breakdown by Sector** | |
| Admin. Support | 504,203 |
| Operators, Fabricators & Laborers | 311,580 |
| Professional Specialty | 620,314 |
| Precision, Production, Craft & Repair | 311,916 |
| Marketing & Sales | 309,052 |
| Executive, Admin. & Managerial | 334,569 |
| Agricultural Service, Forestry, Fishing & Related | 9,119 |
| Federal Workers | 54,453 |
| State & Local Workers | 240,882 |

Source: Nielsen/Trade Dimensions Demographics USA 2007

Employment characteristics in Cook County are comprised primarily of white collar workers, with the bulk of the workforce spread across many sectors; Professional Specialty and Administrative Support being the largest.

Illinois is home to 33 Fortune 500 companies, 28 of which reside within the Chicagoland area. A table on the following page features a complete list of area employers.

**Table 5: Chicagoland Area Fortune 500 Companies**

| Company | Fortune 500 Rank | Location |
|---|---|---|
| Boeing | 27 | Chicago |
| Walgreen | 40 | Deerfield |
| Sears Holding | 45 | Hoffman Estates |
| Kraft Foods | 63 | Northfield |
| Allstate | 64 | Northbrook |
| Motorola | 65 | Schaumburg |
| Abbott Laboratories | 96 | Abbott Park |
| McDonalds | 106 | Oak Brook |
| UAL | 124 | Chicago |
| Exelon | 131 | Chicago |
| Illinois Tool Works | 155 | Glenview |
| Sara Lee | 203 | Downers Grove |
| R.R. Donnelley & Sons | 229 | Chicago |
| Baxter International | 236 | Deerfield |
| Integrys Energy Group | 254 | Chicago |
| Aon | 263 | Chicago |
| OfficeMax | 288 | Naperville |
| Fortune Brands | 311 | Deerfield |
| Smurfit-Stone Container | 334 | Chicago |
| W.W. Grainger | 377 | Lake Forest |
| Tenneco | 393 | Lake Forest |
| Anixter International | 418 | Glenview |
| Brunswick | 424 | Lake Forest |
| Northern Trust Corp. | 447 | Chicago |
| Wm. Wrigley Jr. | 448 | Chicago |
| USG | 460 | Chicago |
| Tribune | 467 | Chicago |
| Telephone & Data Systems | 478 | Chicago |
| United Stationers | 496 | Deerfield |

*Source: CNN Fortune 500 2008*

Over the last year, unemployment has been rising across Illinois. Driving unemployment is the recent economic downturn which impacted the financial sector the hardest. Illinois has a large financial industry concentrated in Chicago. As the economy softened, some area businesses began hiring freezes. Further, Motorola, a major employer located in Schaumburg, recently laid off 10,000 nationally this year alone, as it began spinning-off its mobile devices division. As the technology and financial segments downsize, jobs pertaining to support services are also lost, exacerbating unemployment. Employment is anticipated to recover as the economy improves and the financial sector heals from the mortgage lending crisis. Hiring will un-freeze at many institutions, and the business cycle will begin its upswing leading to overall employment growth.

**Table 6: Unemployment**

| | Unemployment | |
|---|---|---|
| **Area** | **Sep-07** | **Sep-08** |
| Chicago | 5.80% | 7.40% |
| Chicago CBSA | 4.80% | 6.40% |
| Illinois | 4.90% | 6.90% |
| National | 4.50% | 6.10% |

*Source: Illinois Department of Employment Security*

The Northern Illinois Planning Commission outlines its projections for Cook County below. We see growth in Households and Employment outpacing overall population growth, which is a modest 0.3% between 2000 and 2030. As mentioned earlier, Cook County is a mature county with little available land for new development, as it has a large established base of households and employers.

**Table 7: NIPC Estimates**

| | Population | | | Households | | | Employment | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2000** | **2030** | **CAG** | **2000** | **2030** | **CAG** | **2000** | **2030** | **CAG** |
| Cook County | 5,376,741 | 5,938,248 | 0.3% | 1,974,181 | 2,224,929 | 0.4% | 2,841,941 | 3,318,234 | 0.5% |

*Source: Northern Illinois Planning Commission*

## O'Hare Airport

O'Hare Airport is the Chicagoland area's largest airport and one of the busiest in the world, functioning as a national hub for air traffic. From 2001-2004, O'Hare carried the largest volume of passengers, however due to Airline industry cutbacks, rising fuel prices, noise abatement, issues pertaining to delays, and securities measures passenger throughput has declined somewhat over the last 4 years.

O'Hare airport features 6 primary air carrier runways, which in 2007 saw 926,973 aircraft operations. A table of aircraft operations is shown below:

**Table 8: O'Hare Airport Statistics**

| Year | Aircraft Operations | Passengers | Cargo Tonnage |
|---|---|---|---|
| 2004 | 992,427 | 75,534,692 | 1,689,304.30 |
| 2005 | 972,248 | 76,581,146 | 1,701,446.10 |
| 2006 | 958,643 | 76,282,212 | 1,718,011.00 |
| 2007 | 926,973 | 76,182,025 | 1,690,741.60 |
| 2007 YTD | 779,995 | 64,536,458 | 1,394,024.40 |
| 2008 YTD | 749,230 | 59,725,939 | 1,260,880.00 |

Source: Chicago Airport System. YTD: January through October

There are several factors contributing to the recent decline in air traffic at O'Hare over the recent years. First, rising fuel costs have forced airlines to cut back on the number of flights to maximize the yield of their fleet. Second, airline security procedures have been greatly enhanced since September 11th 2001, which has made airline travel a much greater hassle for individuals, and overall has resulted in an erosion of demand in some markets. Third, there have been significant runway congestion problems due to the volume of flights, new FAA regulations, and the layout of O'Hare's runways. Fourth, a flight cap has been in place since 2004. Finally, the recent economic slowdown caused by the subprime mortgage crisis has rippled through the economy, dropping consumer confidence, causing commercial and leisure travel budgets to be slashed.

Some of the factors listed above are temporary. The economy will likely begin its recovery in late 2009 or early 2010. A new government in 2008 is likely to make an effort to streamline security procedures to make them more consumer-friendly. Flight caps will expire on October 31st 2008. Further, O'Hare airport currently has extensive expansion and reconfiguration plans designed to increase capacity. During much of 2008, runways have been under construction o produce a more efficient configuration, facilitating greater capacity in the future, but reducing flight operations during construction periods.

The O'Hare modernization plan calls for a $6 billion dollar investment that would significantly increase flight capacity by 60% and is estimated to decrease flight delays by 79% (Source: Chicago Airport System). The number of runways would be increased from 6 to 8. Further, the runway orientation will be modified to minimize aircraft taxi congestion enabling higher throughput per runway. This will increase operations to over 3,800 per day, a significant increase from the 2007 daily average of 2,540. Modernization plans were approved by the FAA in October of 2005 and are currently underway; a new Air Traffic Control Tower will be commissioned on November 20, 2008.

## Transportation and Access

Several thoroughfares run through the Village of Oak Park providing excellent access to the market and subject site, including I-290 and route 64 (North Avenue) for east-west traffic and routes 43 (Harlem Avenue) and 50 for north-south traffic. The Metra Union Pacific West Line and the CTA Green Line and the CTA Blue Line are proximate to the subject site and provide easy access to Downtown Chicago, destinations like the Thompson Center, the Daley Center, and City Hall – Cook County Building are within a 25-minute ride by commuter rail. A free, half-hour shuttle service also operates seven days a week, covering downtown Oak Park, South Marion, and the Oak Park Arts district. This shuttle service puts all major Oak Park attractions within walking distance to its patrons.

Interviews with the management at The Write Inn indicate that many guests with business in downtown Chicago report using the nearby commuter rail to reach clients and meetings in the Chicago Loop. In addition to the Chicago Loop, large venues like the United Center and the McCormick Place are easily accessible by commuter rail from Oak Park. The proposed hotel should consider providing free shuttle service for its guests to and from the commuter rail stations during morning and afternoon commuter periods. The hotel could promote this service in print advertising and on the travel/lodging websites to attract this segment of the business traveler, the convention attendee and leisure traveler.

The subject site is conveniently located between both of Chicago's two major airports; O'Hare International Airport is located 11.2 miles to the northwest, approximately 24 minutes travel time from the proposed hotel, while Chicago Midway Airport is located 10.1 miles and 23 minutes due south.

The Green elevated train line, running through Oak Park into Chicago, is located just one block south of the site location. The Metra Union Pacific West Line is also located one block south and reaches from Elburn (western suburb approximately 45 miles west of Oak Park) right into Downtown Chicago.

## Area Medical Centers

There are two large medical centers and six hospitals totaling over 2,673 beds approximately four miles of the proposed Oak Park hotel. Collectively these medical facilities represent a significant source of potential room-night demand for the proposed Oak Park hotel. In many ways these large medical centers and their smaller counterparts have similar economic impact on market as a large corporate employer or a medium size business would have on a hotel market. These medical centers are large employers, they have substantial operating budgets, they are a consumer of goods and services from the surrounding community, and they tend to draw people from a larger geographical area than just the Chicago area and more often than not these medical centers have on-going capital improvement programs. Although the mix of demand may differ somewhat from a corporate generator, demand comes from a number of sources, some of which are similar to the corporate demand generator. In addition to family accompanying incoming patients or visiting existing hospital patients, there are outpatients coming in for procedures and treatment, visiting physicians, clinicians, researchers, healthcare administrators, equipment vendors, technical people, pharmaceutical representatives and other people doing business with the hospital or medical center.

**Table 9: Area Hospitals**

| Hospital | Number of Beds | Employees | Approximate Distance to Site |
|---|---|---|---|
| Loyola University Hospital | 570 | 2,100* | 3.19 mls. |
| Hines VA Hospital | 483 | 2,000 | 3.39 mls. |
| MacNeal Hospital | 427 | 1,667 | 4.21 mls. |
| Rush Oak Park Hospital | 296 | 590 | 0.88 mls. |
| West Suburban Hospital | 278 | 847 | 1.63 mls. |
| Gottlieb Memorial Hospital | 266 | 739 | 3.47 mls. |
| Westlake Hospital | 181 | 549 | 2.47 mls. |
| Lorretto Hospital | 172 | N/A | 3.44 mls. |
| Total | 2,673 | | |

The two largest medical facilities in the area are the Loyola University Hospital with 570 beds, the Edward Hines, Jr. VA Hospital with 483 beds. Both of these medical centers are located approximately 3.5 miles southwest of the proposed hotel. In addition to these two large medical centers, which are described in more detail below, there are five other hospitals in the area including the largest of the five, Rush Oak Park Hospital with 296 beds, which is located less than 7/10 of a mile from the hotel site.

Loyola University Health System, the largest of the medical centers in the market, is a quaternary care system situated on a 61-acre main campus located in Maywood, 3.5 miles south west of the proposed Oak Park hotel. At the heart of the medical center campus is Loyola University Hospital, a 570-licensed bed facility which includes a Level 1 Trauma Center, the Ronald McDonald® Children's Hospital, the Burn – Shock Trauma Center, the Cardinal Bernardin Cancer Center, Loyola Outpatient Center, Center for Heart & Vascular Medicine, Loyola Oral Health Center as well as the Stritch School of Medicine, the Marcella Niehoff center for ambulatory urgery and radiation oncology space and added space to diagnostic radiology and women's health services.

The Loyola Hospital website provides a list of thirty area hotels, which range from independent properties like the Travel Inn in Broadview and the Colony Hotel in Brookfield 2 – 3 miles away; to branded hotels like the Holiday Inn and Suites in Bolingbrook 38 miles away. The Carleton Hotel and a number of hotels in the Oak Park and Oak Park market are listed including several Marriott brands. Each hotel listed on the website has a fact sheet with room types, rate information, amenities and services. Of the thirty hotels listed only five hotels provide shuttle service to the Loyola Hospital; the Carleton Hotel does not.

The Edward Hines, Jr. VA Hospital, located immediately west of the Loyola University Medical Center, is situated on a 147-acre campus. The hospital serves as the VISN 12 southern tier hub for the VA Hospital system for Pathology, Radiology, Radiation Therapy, Human Resources and Fiscal services and provides medical services for a geographical area that encompasses northern Illinois and Southern Wisconsin. In addition to providing primary, extended and specialty care the Hines VA Hospital has specialized clinical programs in areas such as Blind Rehabilitation, Spinal Cord Injury, Cardiovascular Surgery, Level 2 Poly-Trauma Center and Residential Care. In fiscal year 2007 the Hines Hospital provided care to 54,830 veterans totaling over 546,450 patient visits.

According to interviews with Hospital personnel, an increased number of veterans from a larger geographical area are coming to Hines Hospital for treatment and rehabilitation at the specialty units for Poly-Trauma, Spinal Cord Injury and Blind Rehabilitation. The Hospital website states that Hines has negotiated a reduced rate at some of the local hotels for families and friends accompanying patients and provides a phone number for Social Work Services at the hospital. Interviews indicate that the Social Work Services of the individual specialty units typically help families locate lodging. The Hines Hospital is planning to build a Fisher House (lodging for families of injured veterans in the facilities) on the grounds of the hospital, which will provide accommodations for the patients and their families. This 20-room facility will be similar to the Ronald McDonald Houses that are located at children's hospital around the country and provide a home-like environment for patients seeking treatment at the hospital.

Hines Hospital is associated with approximately 70 colleges and universities for the education of undergraduate and graduate students in the associated health professions and occupations and professional students in medicine, nursing and dentistry. Hines is institutionally affiliated with Loyola University of Chicago, Stritch School of Medicine and maintains an affiliation with the University Of Illinois College Of Medicine, Chicago. Hines also has one of the largest and more diverse research programs in the VHA system, with approximately 550 projects, 160 investigators, and an estimated budget of $19.5 million (VA and non-VA). Major areas of research include the Health Services R&D center, the Cooperative Studies Coordinating Center, Rehabilitation Research and Development, Biomedical Research and a major clinical trials program, as well as areas of research are neuroscience and infectious diseases.

We anticipate that the Hines Hospital's status as not only a teaching hospital, but as a medical research and development facility will continue to generate additional room-night demand from visiting lecturers - physicians, clinicians, research participants, pharmaceutical companies, and other stakeholders. This demand is expected to grow over time as the new joint research facility between Hines Hospital and the Loyola University Hospital is developed.

One aspect of the VA hospital system that differs from Loyola University Hospital and the other area hospitals is that the procurement function for the VA is handled by the Great Lakes Center in Waukegan. Consequently some of the demand from sales people like the pharmaceutical representatives will not be calling to the Hines Hospital. However, support services pertaining to medical equipment and infrastructure technology will still be handled directly with the hospital facility.

RUSH Oak Park Hospital, located near the corner of Harlem Avenue and Madison Street in Oak Park is 7/10 miles from the proposed hotel. This 296-bed facility includes the Center for Rehabilitation; the Breast Center; state-of-the-art Interventional Radiology and Surgical suites; and a comprehensive Center for Diabetes and Endocrine Care with an American Diabetes Association-approved Education Program. The hospital is member of the RUSH System for Health and is backed by the services and programs of Rush University Medical Center, one of the nation's premier university medical centers. Illinois. Opened in 1907 by the Sisters of Misericordia, 2007 marks the hospital's 100-year anniversary of service to the community. The hospital is also affiliated with Wheaton Franciscan Healthcare, Inc. as an affiliate of this Catholic housing and healthcare ministry.

## Tourism and Entertainment

The proposed Oak Park hotel will be approximately three tenths of a mile south of the Frank Lloyd Wright Home & Studio, which is located just east of the intersection of Forest Avenue and Chicago Avenue in Oak Park. This unique complex served as Wright's Family residence and studio from 1889 to 1909 and also served as an architectural "test bench" for Wright's revolutionary design concepts. Twenty-five Wright designed buildings are in the neighborhoods surrounding the Home & Studio. For over 35 years Oak Park and Wright's work has attracted students, architects and millions of people from all over the world.

The Wright Home & Studio hosted over 75,329 visitors in 2007. The visitation data, compiled by the Frank Lloyd Wright Preservation Trust, confirms that annual visitors have ranged from approximately 70,000 to 80,000 visitors consistently over the years. Seventy-nine percent (79%) of these visitors come from 120 miles or further from Chicago. That means that more than likely, approximately 58,500 people who visited the Wright Home & Studio stayed overnight in the Chicago area for at least one night last year. Foreign visitors make up a growing number of the total visitors to the Home & Studio include Japanese, Dutch, Spanish and German visitors, as well as other nationalities. Approximately 80% of the visitors that tour the Home & Studio do so between the months of April through October, with the Fall months being the most popular season. Although tour volume is consistent throughout the seven month period, the Trust and the Oak Park Parks Department host a number of "Wright events" throughout the year. One of these events is the internationally renowned Wright Plus House Walk in May drawing the largest number of visitors for an single "Wright" event Between 2,500 to 3,000 people participate in the House Walk annually, of which approximately 2,000 of those participants are in addition to the Trust's annual visitor totals. The tour of homes is in its 35$^{th}$ year and not only includes number of Wright designed homes but also several Wright inspired, Prairie School homes, as well as number of the Victorian and late 19$^{th}$ Century and early 20$^{th}$ Century homes located in Oak Park Village. Guests staying at the proposed Oak Park hotel will be able to walk north of the hotel through the heavily tree-lined Forest Avenue to the Wright Home & Studio, which should prove to be a significant generator of demand for the hotel.

A percentage of the annual tours to the Wright Home and Studio are group tours and tour buses. According to the Trust, the Home and Studio hosted 405 group tours in 2007; the size of the groups average between 30 - 40 people per group. The tour bus business, although somewhat rate sensitive, should be a potential source of room-night demand for the proposed hotel. Although the Trust recommends the Carleton Hotel and the Write Inn, they indicate that the Carleton is often "at capacity" and according to the Wright Trust person interviewed, this happens "a lot." The guest experience with the Carleton appears to be good with few complaints according to the Trust people interviewed.

There are a number of other attractions that bring people to Oak Park; the Unity Temple, another famous Wright designed building located on Lake Street just east of the proposed site attracts approximately 28,679 visitors per year. Although not operated by the Wright Trust, the assumption is that many of the visitors that tour the Wright Home & Studio, also tour the Unity Temple. Other Oak Park attractions include the Earnest Hemingway Birthplace and Museum, the Oak Park Conservatory and the Oak Park Arts District, which has been a popular shopping and entertainment area for over a decade. Located southeast of the proposed hotel, this district is a rich, artistic and cultural shopping destination located on Harrison Street, between Ridgeland Avenue to Austin Boulevard. The area has a variety of shops, studios, galleries, boutiques and restaurants. The area hosts three events each year: What's Blooming on Harrison in May, Art on Harrison in September and Holiday Lights Shopping in

December. All of these locations are accessible via the Oak Part Shuttle Service, which operates a free van shuttle service on an hour-long looped route connecting major points of interest throughout the Village. The service operates seven days a week throughout the year.

**Table 10: Attraction Attendance Estimates**

| Oak Park Attractions | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|
| Earnest Hemmingway Museum & Birthplace | 7,697 | 8,605 | 7,630 | 7,493 |
| Frank Lloyd Wright Home & Studio | 75,329 | 72,518 | 69,267 | 68,557 |
| Frank Lloyd Wright's Unity Temple | 28,679 | 26,493 | 26,046 | 23,664 |
| Historic Pleasant Home & Historical Society | 1,953 | 2,119 | 1,889 | 1,903 |
| Oak Park Conservatory | 25,548 | 25,883 | 26,977 | 27,847 |
| Wonder Works | 50,104 | 51,547 | 53,293 | 45,000 |
| Total for Oak Park Attractions | 189,310 | 187,165 | 185,102 | 174,464 |
| **Area Attractions** | | | | |
| Cernan Earth & Space Center | 20,183 | 24,942 | 29,656 | 31,757 |
| Brookfield Zoo | 2,016,284 | 1,883,388 | 1,868,372 | 2,071,674 |
| Total for Area Attractions | 2,225,777 | 2,095,495 | 2,083,130 | 2,277,895 |

Several attractions in the surrounding area include the Brookfield Zoo, Hawthorne Race Track the Cernan Earth and Space Center and the Garfield Park Conservatory. One other entertainment venue, which we believe could be an excellent source of additional room-night demand, is the United Center located on Chicago's Near West side, less than 7.15 miles and 13 minutes travel time from Oak Park. For the commuter-rail savvy traveler, United Center is less than 15 minutes away on the Blue Line from the Oak Park station. Home to the Chicago Bulls NBA basketball team and the Black Hawks NHL hockey team, the United Center also hosts over 200 events per year including such events as the Big Ten Men's Basketball Tournament, the Men's NCAA Basketball Tournament (hosted seven times) and musical groups including Shania Twain, Pearl Jam, the Dave Matthews Band, Barbra Streisand, Madonna, Britney Spears, the Rolling Stones, Aerosmith, Bon Jovi, Celine Dion and many other well-known performers. Due to its location, if properly marketed in print advertising and on various travel-entertainment websites, the proposed Oak Park hotel should be able to capture room-night demand generated by the United Center.

## Educational Institutions

Concordia University Chicago is a liberal arts based university in the Lutheran tradition with a total enrollment of 4,126 students. The student body represents nearly 40 states and a dozen countries, with 33% of the students coming from states other than Illinois. Unlike many of Chicago's "commuter colleges," Concordia is a solid source of room-night demand. Interviews with the college personnel confirm that admissions functions, sporting events, homecoming, parent's weekends, alumni functions as well as conferences and symposiums generate room-night demand, which is currently being captured by hotels in Oakbrook, the O'Hare Airport area and hotels to the south in Brookfield. The college website lists published rates for these hotels in the $140 - $115 rate range with the lowest rate being a Comfort Inn near the airport. Concordia's annual Lectures in Church Music are one of the nation's longest-running church music symposiums attracting over 150-200 musicians and attendees from across the country. In addition to the concerts there is a three-day series of lectures and workshops.

Dominican University, located on a 40-acre campus five blocks west of Concordia, is a coeducational, 4-year, Catholic institution affiliated with the Sinsinawa Dominican Sisters. The university has a total enrollment of approximately 4,000 and offers fifty undergraduate majors, nine pre-professional programs and five graduate academic divisions including the Graduate School of Library and Information Science, the Brennan School of Business, the School of Education, Graduate School of Social Work, and School of Leadership and Continuing Studies. Interviews with college personnel provides a similar demand picture as Concordia; although the percentage of students from the Chicago area is somewhat higher, which may limit demand generated from visiting parents and friends from outside Chicago, it is anticipated that the university will generate demand from similar on-campus functions as outlined above.

Fifteen other colleges are located within ten miles of Oak Park, including such prestigious institutions as the University of Chicago and the University of Illinois.

## Conclusion

The surrounding neighborhood, roadways, public transportation infrastructure and airports provide excellent support for a hotel facility. Oak Park is taking the initiative enhancing its downtown, and the proximity to major tourist attractions and public transportation make it ideal location for an upscale hotel and banquet facility serving leisure, commercial, and group oriented market.

# Demand Generator Telephone Interviews

Telephone interviews with area businesses and organizations with over 50 employees were conducted to help determine potential demand for the proposed hotel. Contact was made with 65 organizations, with approximately 1/3rd being forthcoming with information regarding their usage of lodging facilities.

**Table 11: Organizations Contacted**

| | |
|---|---|
| Sun-Times News Group | Alpha Baking |
| A & B Wire Form Corp | Campagna - Turano Bakery, Inc. |
| Weinstein Wholesale Meats Inc | Chase Products Co. |
| Chicago Suburban Express Inc | Chicago Extruded Metals Company |
| Associated Tire & Battery Co | Cobra Electronics Corporation |
| Corus Bank | Ferrara Pan Candy Company |
| Dominican University | Loyola University Health System |
| Medstar Laboratory | MacNeal Hospital |
| American Courier Services | NorthStar Advisory Services, LLC |
| Banco Popular | Radio Flyer Inc. |
| Bazaar Inc | Rubschlager Baking Corp. |
| Community Programs | United Scrap Metal, Inc |
| Follett Corp. | Robinson BBQ Sauce Inc. |
| Follett Higher Education Group | Body-Solid |
| Genoa Construction | Classic Electric Supply |
| Purple Monkey Studios | Currie Motors |
| Rush Oak Park Hospital | Eck & Son |
| Shaker Recruitment Advertising & Communications | Forest Park National Bank |
| Siren Interactive Corp | Gammie Assoc Plumbing |
| U.S. Bank | H & R Block |
| West Town Refrigeration | Roosevelt Paper Co |
| Chase Bank(Lake St) | American Wilbert Vault |
| Chase Bank(Madison St) | Duraco |
| CHP International | Farmington Food |
| FBOP Corp | Ferrara Pan Candy |
| Fifth Third Bank | New Archery Products |
| Foley-Rice Cadillac | Ockerlund Wood Products |
| Coummunity Bank of Oak Park | Sievert Electric Service |
| Oak Park Arms Retirement Community. | United Air Filter MFG |
| Mohr & Sons Co | |

Overall, 12 organizations indicated some need for lodging. Of these 12, 5 indicated using lodging in Oak Park: either The Carleton or the Write Inn. The remaining seven indicated using hotels to the suburbs in the West, O'Hare/Rosemont to the North, or Downtown Chicago to the East. Those who did use area lodging preferred the proximity advantage and rate structure offered by the local hotels. Those who sought lodging outside of Oak Park listed proximity to the airport, quality of facilities, or a desire to use a nationally recognized franchise.

Notable respondents are listed below. Interviews with area hospitals are discussed in the ***Demographics – Area Medical Centers*** section.

**Bazaar Inc:** Wholesale merchandise seller, River Grove area, 4 big shows per year need 40-50 rooms per show, plus 10 smaller shows, uses Airport area hotels, River Road & Mannheim Rd hotels; Oak Park would be too far from their office/showrooms.

**Shaker Recruitment Advertising & Communications:** Books approximately 6 clients a year at the Oak Park Carleton, with a 2-3 night stay. They like it being close to office, dining area, walking distance to office. Indicated it would be desirable to have another option for a hotel. Would not likely use meeting space.

**Oak Park Arms Retirement Community:** Has rooms for guests on property but some families use Carleton and Write Inn. Not high volume; estimated 6-10 rooms per year.

**Robinson BBQ Sauce Inc:** Currently uses the Carleton for a 3-4 clients per year, with a 2 to 3 night stay. Primarily this organization is looking for service and comfort.

**Body-Solid:** Clients usually book their own stay at a Hilton or Marriott product in one of the nearby markets.

**Farmington Food**: Uses the Carleton for meetings and to host clients. Last year they had 40 clients for hotel stays, average stay is 2-3 days; looking for dining area and room availability. For meetings they are looking for audio/video equipment, Internet, PC access, projectors.

**Chase Products Co:** Need for hotel rooms is rare, use the Hampton Inn and the Comfort Inn near the airport, occasional sales meetings not every year, last time used the Drake in Oakbrook.

**Chicago Extruded Metals Company**: Located in Cicero, uses hotels at Midway Airport for guests and meetings.

**Cobra Electronics Corporation**: Uses hotels in Rosemont; like to be near good restaurants (Gibsons) for entertaining clients, sometimes use Carleton, an Oak Park hotel w/ upscale restaurant would be convenient to Cobra, no estimate of total room needs.

**NorthStar Advisory Services, LLC**: Small consulting firm, have clients in town occasionally for meetings has used the Carleton 4-5 people, 2 nights, 2-3 times per year. Some clients want to stay downtown; his parents also use Carleton when they come to town, always receive excellent service.

**Radio Flyer Inc**: Only use a limited number of rooms annually, usually stay downtown.

# Market Performance

Hotel room demand is categorized as “demonstrated” demand, or that demand which can be quantified by examining occupancies of existing hotels; “unsatisfied” demand, or that demand which is turned away or denied at existing hotels because of capacity limits and finding accommodations outside the defined competitive market; and “induced” demand, defined as that demand which does not now seek accommodations in the market but which would, given an acceptable quality hotel, the proper sales efforts and the availability of additional rooms supply.

The Oak Park lodging market is comprised primarily of older independently operated hotels like the Carleton of Oak Park and the Write Inn and small Bed and Breakfast hotels. While many of these properties are reasonably well maintained and have seen renovation, due to their age and lack of chain affiliation they are less competitive. Although these hotels capture a portion of the market’s current demand, interviews with the Wright Trust indicate that there are often times during their busiest months, from April through October, when the Carleton is full. Based upon these interviews and interviews with other demand generators, it is abundantly clear that the current lodging supply in the Oak Park market is not meeting the demand in the market and this “unsatisfied” demand that is finding accommodations outside the defined competitive market. It is our estimation that most unsatisfied demand is being filled by the O’Hare/Rosemont market to the North and the Oak Brook market to the West.

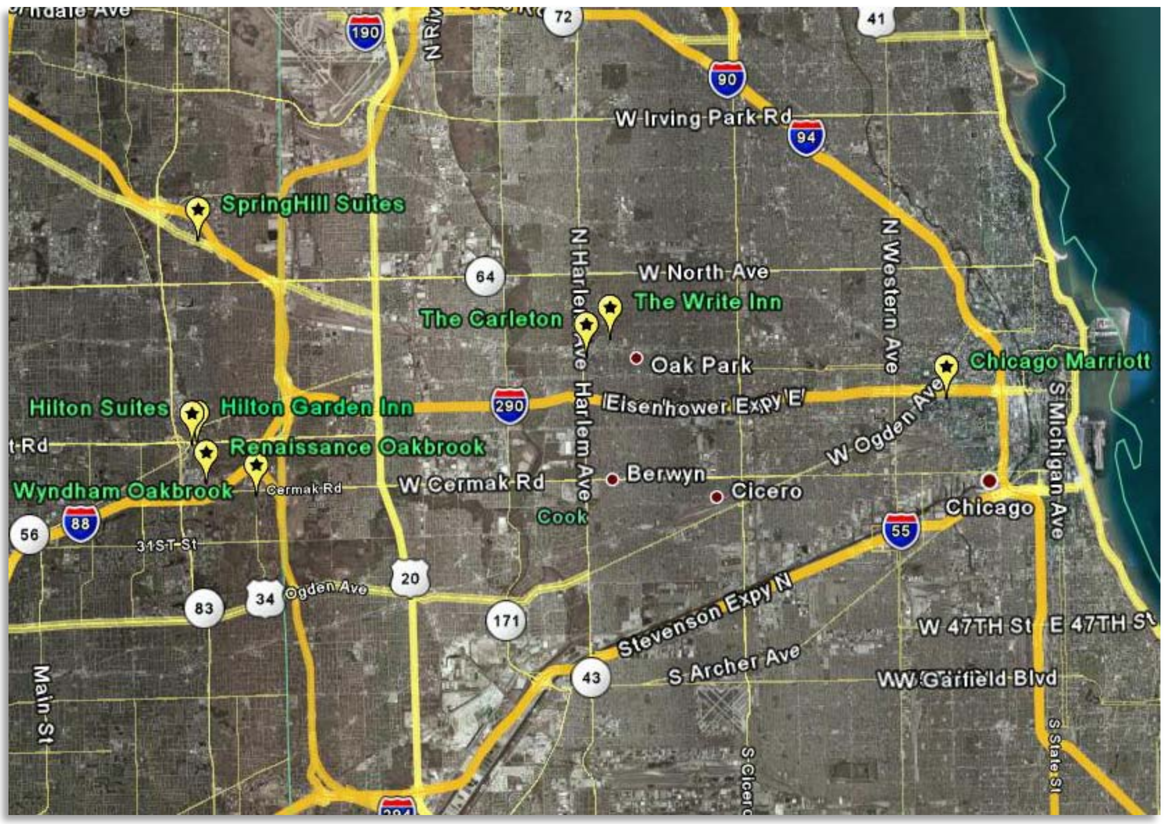
None of the hotels in the Oak Park market are included in the historical trend information available from Smith Travel Research making it difficult to accurately quantified “demonstrated demand” by examining occupancies of existing hotels. Consequently, we have identified a sample of branded lodging properties located in the surrounding suburban markets of Elmhurst, Oakbrook, Oakbrook Terrace, as well as the Chicago Marriott – Medical District located on the west side of Chicago. These properties are a representative sample of the brands, age, service levels and amenities that the proposed Oak Park hotel would typically compete against if these properties where all in the same primary market. These hotels are not necessarily direct competitors with the subject property; however, these hotels serve to illustrate the general market condition of upscale properties currently serving the western Chicago suburban market. Using these properties as a competitive sample, we have secured a customized historic trend report from Smith Travel Research that is basis for the demand and pricing strategies that follow. For the purposes of our review of the competitive environment in the Oak Park market we have include the Carleton of Oak Park and the Write Inn along with the properties in the competitive sample and we will hereinafter refer to this collection of properties as the “competitive set”.

**Table 12: Significant Hotel Operations**

| Property | City | Affiliation | Opened | Rooms |
|---|---|---|---|---|
| The Write Inn | Oak Park | NA | NA | 65 |
| Carleton Of Oak Park Hotel | Oak Park | Jun 1929 | Jun 1929 | 154 |
| Marriott Downtown @ Medical District | Chicago | Jul 2003 | Sep 1988 | 113 |
| Springhill Suites Chicago Elmhurst Oakbrook Area | Elmhurst | Oct 2004 | May 2000 | 128 |
| Renaissance Oak Brook Hotel | Oak Brook | May 1995 | Jun 1966 | 166 |
| Wyndham Hotels Oak Brook | Oak Brook | Apr 2000 | Jun 1962 | 160 |
| Hilton Oakbrook Terrace Suites | Oakbrook Terrace | Oct 1989 | Oct 1989 | 211 |
| Hilton Garden Inn Oakbrook Terrace | Oakbrook Terrace | May 1999 | May 1999 | 128 |
| | | | **Total** | 1,125 |

Source: 2008 Smith Travel Research

**Map 2: Map of Market Area Hotels**




Source: Google Earth

## Competitive Set

### The Write Inn

The Write Inn is located in a historic district near downtown Oak Park, close to public transportation. It offers a range of options, from economy lodging and family suites to period and signature suites. The 65 rooms and 15 longer-term units are in a multi-story brick building, remodeled in 2005, and decorated with antiques and accessories reflecting the 1920s. Guest rooms offer air-conditioning, daily maid service, coffee makers, cable TV, Wi-Fi capability, and kitchenettes. Each of the guest rooms is unique in layout and décor. There is complementary parking 1 ½ blocks away, as well as meeting rooms and convention facilities within several blocks of the hotel. Concierge service, laundry facilities, guest fax and photocopy service are offered. Pets are allowed. Public areas are wheelchair accessible. Hemmingway's Bistro is the on-site restaurant. It is approximately a 25-minute drive to either O'Hare or Midway Airports. The Chicago Loop and the Oak Park business and shopping areas can be reached in a similar length drive. Many guests with business in downtown Chicago report enjoying the lower rates here, simply using the nearby CTA Green Line or the Metra West Line trains to reach clients or meetings in the Chicago Loop. Guests have noted that it is a charming and quiet small hotel.

### Carleton of Oak Park Hotel

The Carleton of Oak Park Hotel and Inn is located in an historic district near downtown Oak Park in a four story, late 1920's brick building and more recent adjacent motor inn. The hotel itself is rated a modern first class property, with an old world, European boutique hotel feel. It was renovated in 2000. The 154 rooms and suites are unique in décor and layout, and have air-conditioning, daily maid service, free newspapers, Wi-Fi, and other amenities. The 25 rooms in the motor inn have outdoor entrances, complementary coffee, data ports, hairdryers, and irons, while most offer kitchenettes as well. Guests generally have rated the rooms in the main hotel as more attractive, quieter, and preferable. Wi-Fi service is free, but can be weak in some locations. Complementary coffee, guest facsimile service, and the elegant lobby are available for all patrons. The Carleton offers a variety of packages linked to local activities or tourist sites.

The Carleton Oak Park is conveniently located for a variety of transportation options. There is free parking, a quick walk to the CTA Green Line to take guests to downtown Chicago, O'Hare or Midway Airports, and it is one mile north of the Eisenhower Expressway (I-290) for driving to Chicago or the further western suburbs. Midway is 7 miles or 15 minutes away by car, and O'Hare Airport is 12 miles or 25 minutes away.

The on-site restaurant, Philanders, is well known in the community. It offers Continental dining and an upscale lounge. Live jazz is often offered in the lounge. Poor Phil's is a seafood bar and grill on the first floor of the hotel, also, and enjoys a solid reputation. There are four meeting rooms available in the Carleton of Oak Park on the lobby level with a total of 2500 sq. ft., though there is 6000 sq. ft. for assembly and circulation in all. The largest room seats 180 people, while the others seat 40 to 90 persons. The ballroom, integrated into teh hotel in 2000, was originally built in 1892 for the historic Columbian Exposition in Chicago.

## Springhill Suites Chicago Elmhurst Oakbrook Area

Photo: Expedia.com

The Springhill Suites by Marriott is a superior tourist class property built in west suburban Elmhurst in 2000, originally as an AmeriSuites. It is 6 stories and its 128 guest rooms are all suites. Located just off the I-290 Extension of the Eisenhower Expressway and near the I-294 (North/South) Tri-state Tollway, it offers easy access to O'Hare Airport (11 miles/15 minutes), Chicago (15 miles), Midway Airport (24 miles/30 minutes), and the nearby OakBrook business and shopping areas. It provides free transportation to the local area and O'Hare. There is well-lit, safe parking adjacent to the hotel.

The Springhill Suites has free continental breakfast, complementary coffee, a health club, an indoor pool, laundry room, and laundry and dry cleaning service. The suites are air-conditioned, have coffee makers, daily maid service, broadband, Wi-Fi, irons, microwaves, cable TV and DVDs. There is limited room service, pets are allowed, and an ATM. A drive-up bank is next door. There are a variety of restaurants in the area, though most are reached easiest by car. The business center offers AV rental, computer use, and guest facsimile and photocopying services. The meeting space is 800 sq. ft.

## Hilton Suites Oakbrook Terrace

Photo: Orbitz.com

The Hilton Suites Oakbrook Terrace is a contemporary all-suite hotel built in 1989 and renovated in 2002. The 10 story hotel has a large, canopied entrance where guests enter into a dramatic atrium that reaches the building's full height. It is in the heart of the East-West corporate corridor, and near a theater, restaurants, and shopping. It is approximately 15 miles from O'Hare, 18 miles from Midway, and convenient to Chicago by car.

The suites have air-conditioning, daily maid service, coffee makers, irons, free newspapers, kitchenettes with microwaves and refrigerators, broadband internet, Wi-Fi, voice mail, cable TV, DVDs, and some have balconies. The Hilton Suites provides a complementary full breakfast, coffee, fitness center, gift shop, car rental, transportation in the Oak Brook area, laundry and dry cleaning service, free on-site parking, guest FAX service, and an ATM. The health club has an indoor pool and hot tub. There is room service through the Great American Grill Restaurant. Both the restaurant and the lounge/bar have atrium settings. The business center has AV rentals, computer use, and photocopying and is located in the hotel's internet café, Wired. There are four meeting rooms with a 110 person capacity and 2761 sq. ft. total. The largest room is 1362 sq. ft. and seats 90 people. WI-FI service is provided throughout. The Hilton Suites Oakbrook Terrace is part of the Drury Lane Theatre, Conference Center, and Hotel Complex which has 40,000 sq. ft. of exhibit and meeting space. It is located in west suburban Oakbrook Terrace.

## Hilton Garden Inn Oakbrook Terrace

Photo: Orbitz.com

The Hilton Garden Inn Oakbrook Terrace is a 5 story, 128-room, limited-service first class hotel built in 1998 and renovated in 2005. It is also part of the Drury Lane Theatre, Conference Center, and Hotel Complex in west suburban Oakbrook Terrace (see above). It has a pavilion entryway, gift shop, health club with hot tub and pool, free on-site parking, laundry and dry cleaning service, laundry room, facsimile service for guests, room service, complementary coffee, and free full breakfast for all guests. The hotel promotes its closeness to the East-West Business Corridor, the Drury Lane Theatre, and extensive shopping and restaurants of the Oak Brook area. It offers shuttle service to nearby locations. It is roughly 15 miles to O'Hare, 18 miles to Midway Airport, and 11 miles to Chicago – about 20 miles to the Loop. It is located conveniently to several major tollways and the I-290 Expressway.

Guest rooms at the Hilton Garden Inn feature kitchenettes with microwaves and refrigerators, daily maid service, air-conditioning, irons and ironing boards, coffee makers, voice mail, cable TV, broadband internet and WI-FI. There are on-site meeting facilities, as well as the potential to use the Drury Lane Complex space. The 3 meeting rooms at the hotel have a 120 person capacity and total of 1800 sq. ft. meeting/exhibit space. They are located on the first floor. There is a business center within the hotel which offers AV rental, computer use, and photocopying service.

## Renaissance Oak Brook Hotel

Photo: Expedia.com

The Renaissance Oak Brook Hotel is a 9 story, 166-room, superior first class hotel built in 1966 and fully renovated in 1997. Smaller renovations have reportedly been made in the intervening years. It is located within, though on the outer edge of, the prestigious Oak Brook Mall, near shopping, restaurants, and the many businesses located in the area. It promotes its suitability for both business and leisure travel. It offers modern guest amenities, balconies for some guest rooms, air-conditioning, daily maid service, broadband internet, irons, mini bars, refrigerators, free news papers, cable TV and DVDs for its patrons. There is concierge service, complementary coffee, guest facsimile usage, babysitting available, a gift shop, car rental, room service, free on-site parking, and Wi-Fi. There is a health club with rooftop outdoor pool. The Club 2100 Blue restaurant features continental cuisine and dramatic views of the surrounding area.

The Renaissance Oak Brook has 12 meeting rooms with a 250 person capacity. There is 7500 sq. ft. of meeting space and 1000 sq. ft. of exhibit space. The business center provides AV rental, WI-FI computer usage, photocopy and administrative services. Hotel promotions note that it is 15 miles from Chicago, 12 miles from O'Hare, and 15 miles from Midway Airport. It is near several area tollways, and has convenient access to the I-290 Expressway and other major thoroughfares.

## Wyndham Drake Oak Brook

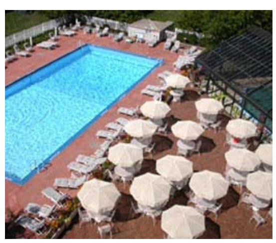


Photo: Wyndham Drake site

The Wyndham Drake Oak Brook is a moderate deluxe resort-style hotel in a semi-country setting. It has extensive grounds and is directly opposite the Butler National Golf Course. The main building has 4 stories, was built in 1962, and renovated in 1998. The 160 rooms have air-conditioning, daily maid service, coffee makers, broadband internet, cable TV, free newspapers, irons, and mini-bars. Rooms on the concierge/club floor are provided with additional perks. There is concierge service, a gift shop, laundry and dry cleaning service, ATM, free parking, and babysitting availability. The Wyndham Drake has a health club with indoor and outdoor pools and hot tub, indoor and outdoor tennis courts, jogging tracks, and bicycles. Room service and Wi-Fi are available. The Café Restaurant serves American fare with a historical twist along with a club/bar.

Business services include AV rental, computer usage, and photocopying and administrative services. There are 9 meeting rooms with 4180 sq. ft. total meeting space and a 400 person capacity. Exhibit space of 12,000 sq. ft. takes advantage of the hotel's large public spaces. The hotel's Oak Brook location places it conveniently near business corridors and major shopping areas while still having extensive green and wooded areas in the vicinity. It is about 5 minutes to the East-West Tollway, I-294 Tri-State Tollway, and I-290 Expressway which leads to Chicago or the northwest suburbs. It is roughly 20 miles to Chicago, 14 miles to O'Hare, and 19 miles to Midway. There are several bus routes in the area, but they are not particularly convenient for most guests' purposes. Guests report that they greatly enjoy the setting and the elegance the hotel has had, but it is currently becoming dated.

## Chicago Marriott @ Medical District

Photo: Expedia.com

The Chicago Marriott (Downtown) at the Medical District is a first class modern hotel built in 1988 and renovated in 1995. It has 4 floors and 113 rooms. The business and fitness centers have recently been renovated and guestrooms have received plush new bedding packages. It bills itself as a European style hotel in a unique position. It is one mile west of the Chicago Loop but removed from downtown Chicago's congestion. It is adjacent to the University of Illinois at Chicago and Rush Medical Centers, which can be reached by complementary shuttles or walking. It is one mile from the United Center, and just off the Eisenhower Expressway (I-290) and CTA Green Line elevated train service. It is 6 miles from Oak Park connects to it by the I-290 and CTA Green Line. It is about 10 miles/20 minutes from Midway Airport and 35 miles/50 minutes from O'Hare.

The Chicago Marriott @ Medical District has 8 meeting rooms with Wi-Fi and a 250 person capacity. There are 4300 sq. ft. of meeting and exhibit space, including two outdoor terraces. The renovated business center offers computer use, photocopying, and administrative services. Guest facsimile service is also available. Concierge service, valet parking ($28/day), room service, complementary transportation in the immediate area, ATMs, laundry and dry-cleaning, gift shop, and currency exchange are other features of the hotel. Rooks Restaurant provides American Bistro style dining and the Rooks Lounge is its bar. Guest rooms are provided with air-conditioning, daily maid service, coffee makers, irons, broadband internet, Wi-Fi (with daily usage fee), voice mail, cable TV, and DVDs.

## Competitive Set Performance

The historic performance of this competitive set reflects the recessionary period from 2001 through 2003, with the market slowly recovering from reduced commercial and leisure travel during that period. Growth in ADR has been fairly dramatic since 2005, showing big gains in 2005, 2006 and 2007. During the 2001-2003 recession operators were aggressively discounting their rates in an attempt to fill rooms as demand shrank. This ultimately proved to be an unwise strategy and dramatically impacted the bottom line of the hotel. Eventually the industry adapted and refocused on revenues, which largely drove the rate growth seen in 2005, 2006, and 2007. Further, while demand has dropped some years, rooms revenue stays strong due to ADR growth, with the current 2008 YTD figure being the only year to see a drop in rooms revenue for the competitive set post-2001-recession. This decline was likely brought on by the slowing economy and properties to the west slashing rates to remain competitive with new supply in their market which does not impact the subject property.

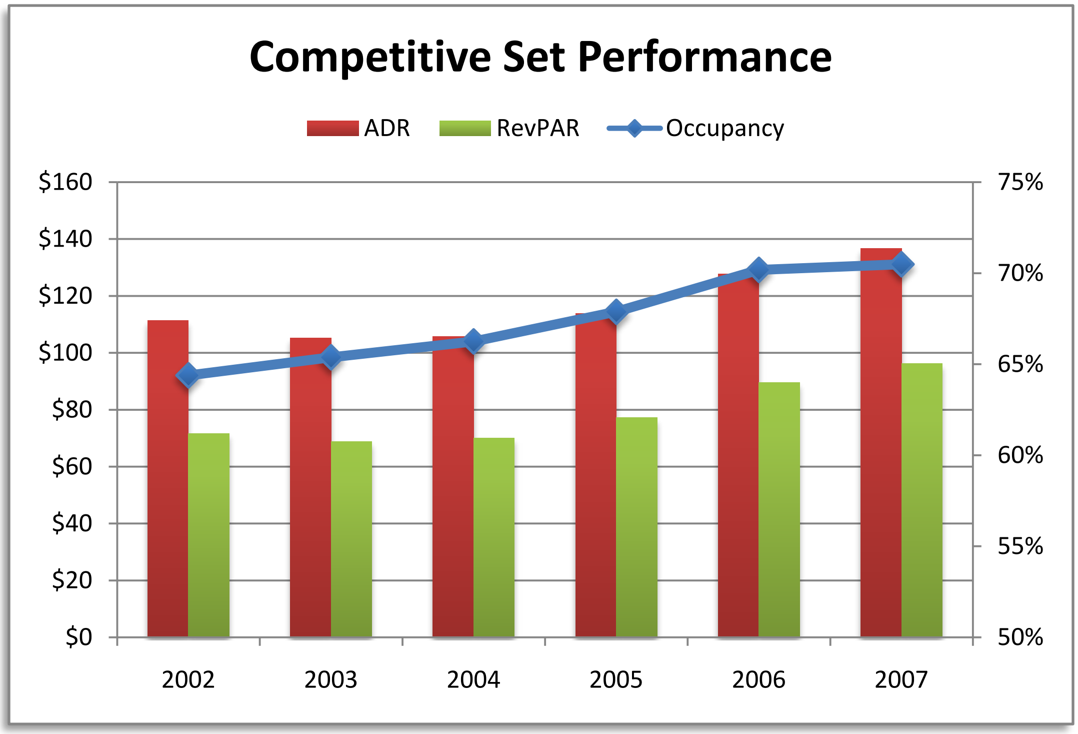
**Table 13: Competitive Set Performance**

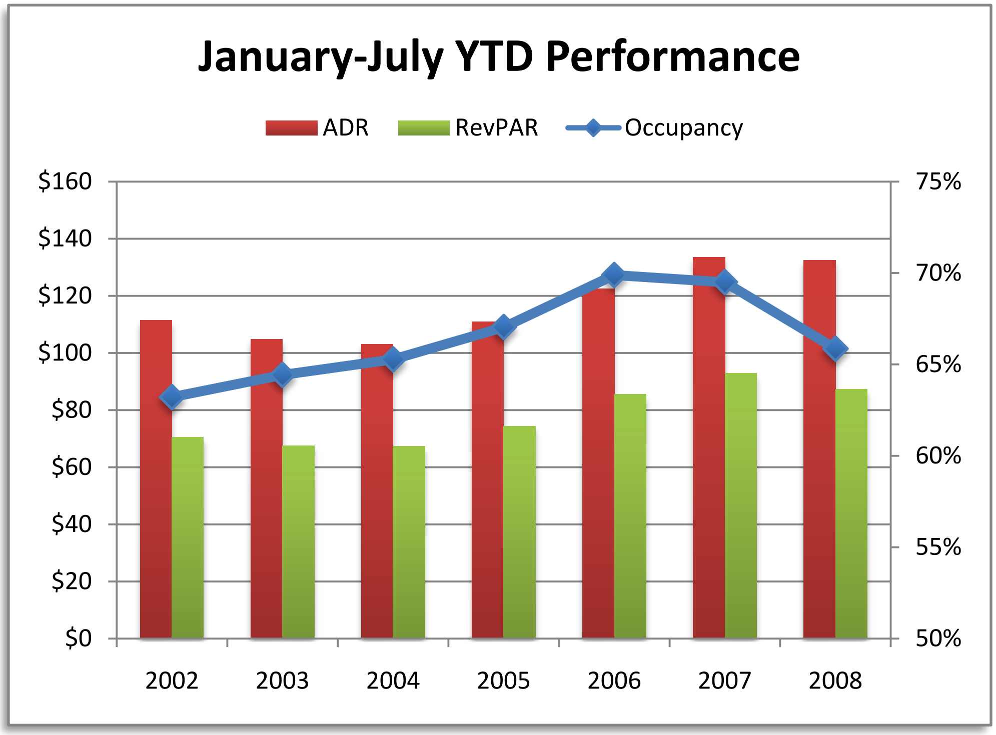
| Year | Occupancy | Growth | Supply | Growth | Demand | Growth | ADR | Growth |
|---|---|---|---|---|---|---|---|---|
| 2002 | 64.4% | | 410,625 | | 264,365 | | $111 | |
| 2003 | 65.4% | 1.6% | 410,625 | 0.0% | 268,465 | 1.6% | $105 | -5.5% |
| 2004 | 66.2% | 1.3% | 410,625 | 0.0% | 272,036 | 1.3% | $106 | 0.6% |
| 2005 | 67.9% | 2.5% | 410,625 | 0.0% | 278,727 | 2.5% | $114 | 7.5% |
| 2006 | 70.2% | 3.4% | 410,625 | 0.0% | 288,181 | 3.4% | $128 | 12.3% |
| 2007 | 70.5% | 0.4% | 410,625 | 0.0% | 289,439 | 0.4% | $137 | 7.0% |
| 2007 YTD[1] | 69.5% | -0.6% | | 0.0% | | | $134 | 9.1% |
| 2008 YTD[1] | 65.9% | -5.2% | 238,500 | 0.0% | 157,067 | -5.2% | $132 | -0.8% |
| CAG[2] | 1.5% | | 0.0% | | 1.5% | | 3.5% | |

1 – January through July

2 – Compound Annual Growth from 2002 through 2007

**Table 14: Competitive Set Performance Charts**



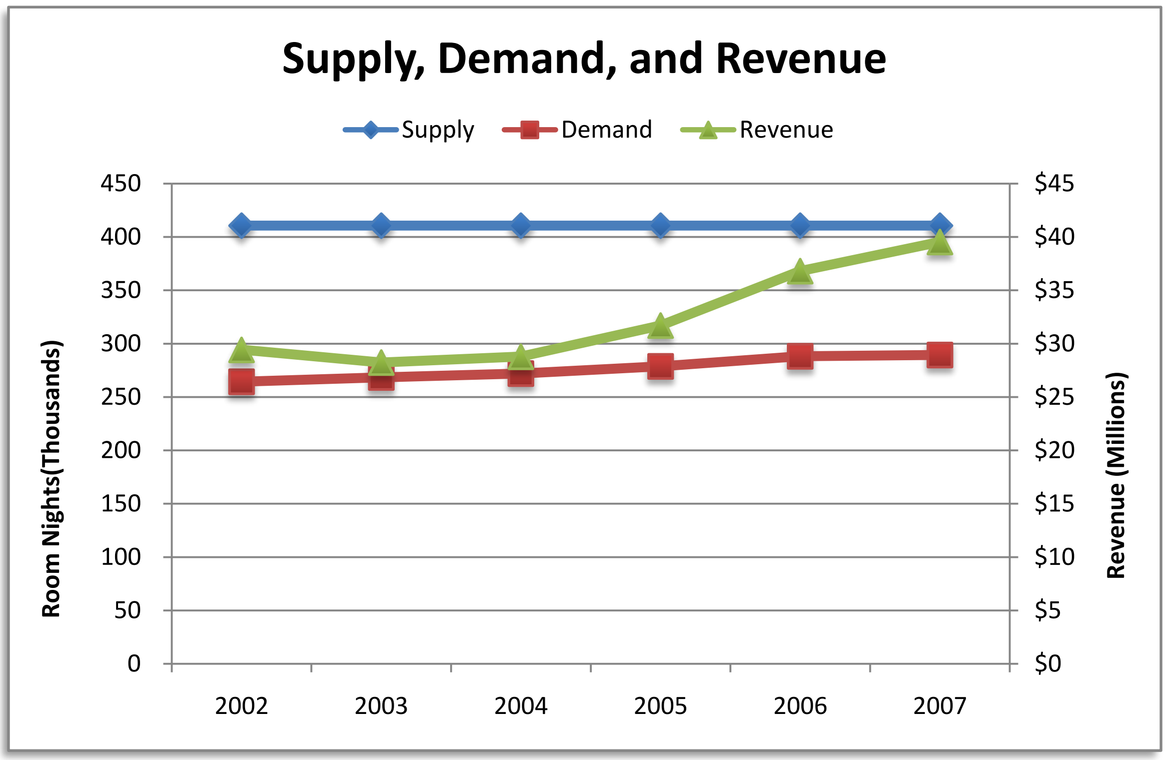




Source: 2008 Smith Travel Research

Rooms revenue grew significantly between 2005 and 2007 as operators began aggressively raising rates to drive revenue. Much of this was abnormal, as it was merely room rates recovering from a recession that drove them down significantly. Year to date, there has been a drop in rooms revenue caused by commercial demand dropping slightly, forcing operators to be more aggressive about persuing leisure demand that is much more rate concious than corporate clientele.

**Table 15: Room Supply, Demand and Revenue**

| Year | Supply | Demand | Revenue |
|---|---|---|---|
| 2002 | 410,625 | 264,365 | $29,426,795 |
| 2003 | 410,625 | 268,465 | $28,231,652 |
| 2004 | 410,625 | 272,036 | $28,781,014 |
| 2005 | 410,625 | 278,727 | $31,705,672 |
| 2006 | 410,625 | 288,181 | $36,802,369 |
| 2007 | 410,625 | 289,439 | $39,537,580 |




Source: 2008 Smith Travel Research

## Weekday/Weekend Market Performance

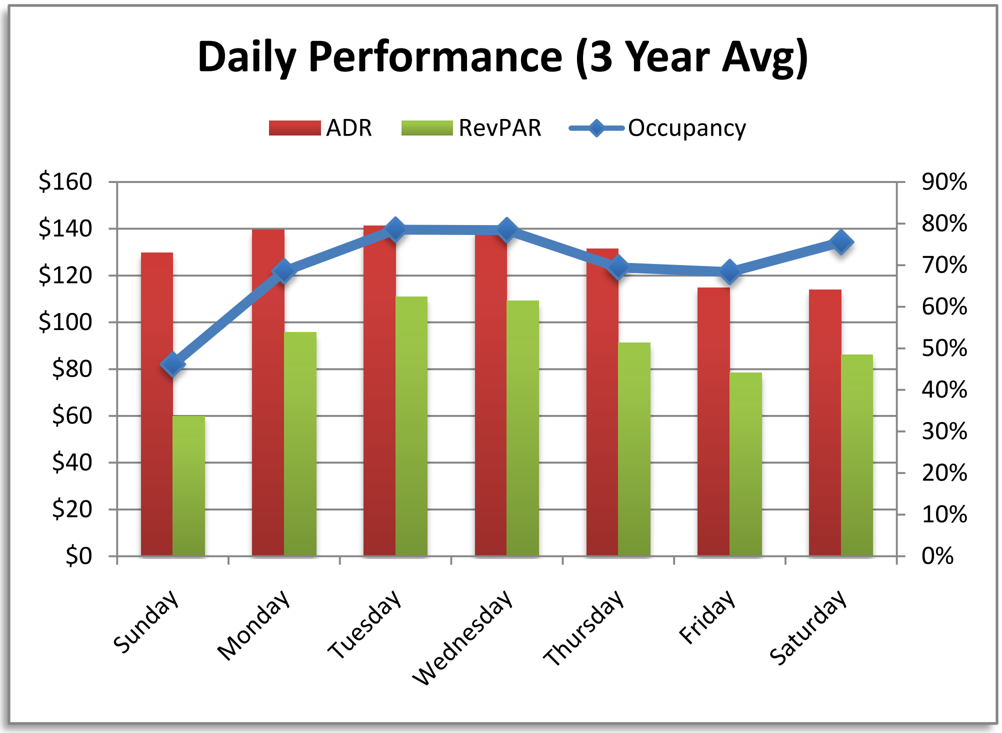
Weekday versus weekend market performance provides an indication of a strong commercial/group segment in the market, with an occupancy ramp-up beginning Monday, holding steady through Wednesday, and then dropping off Thursday and Friday before picking up again on Saturday. Commercial business ebbs during the second half of the week, while leisure and social business demand picks up. ADR generally parallels the occupancy performance, which indicates local operators are utilizing yield management strategies to maximize overall RevPAR. Leisure demand, which is primarily weddings and other group social gatherings, drives seasonal occupancies on weekend giving us a Saturday that is stronger than Friday.

A table and chart showing a three year average of occupancy, ADR, and RevPAR of the competitive set on a weekly basis is presented below.

**Table 16: Average of 2004-2007 Daily Performance of Competitive Set**

| | Sunday | Monday | Tuesday | Wednesday | Thursday | Friday | Saturday |
|---|---|---|---|---|---|---|---|
| Occupancy | 46.1% | 68.5% | 78.5% | 78.4% | 69.4% | 68.3% | 75.5% |
| ADR | $130 | $140 | $141 | $139 | $131 | $115 | $114 |
| RevPAR | $60 | $96 | $111 | $109 | $91 | $78 | $86 |

Source: Smith Travel Research 2008




Source: Smith Travel Research 2008

## Monthly Performance

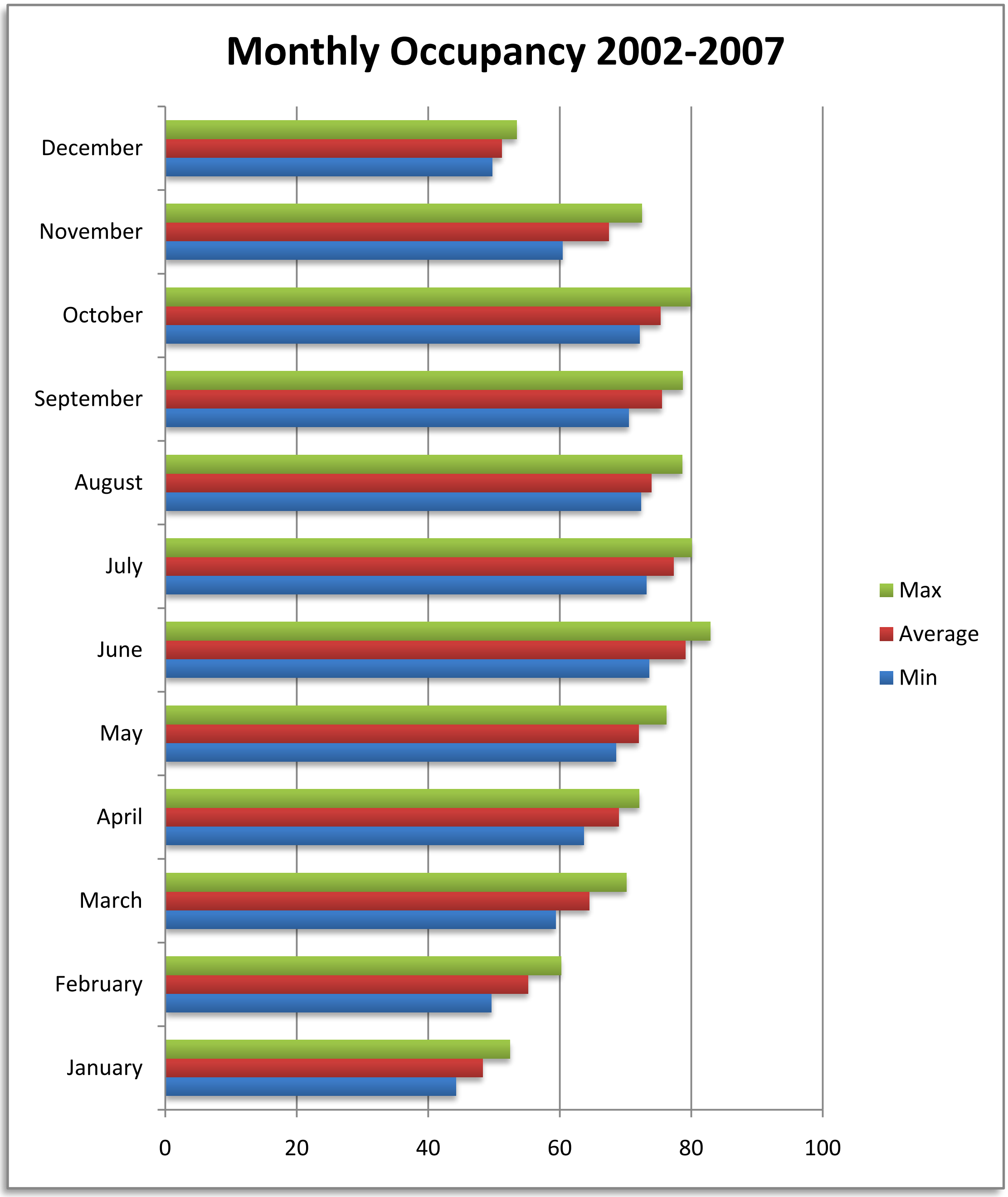
On a monthly basis the market also shows considerable variation with mid-winter months performing in the 40's and 50's, ramping up during the spring to their peak of mid-70's in June, and continuing strongly before finally dropping in November and December. Weather conditions and weddings make this market particularly seasonal.

**Table 17: Competitive Set Monthly Occupancy Trends (%)**

| Month | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|---|---|
| January | 48.4 | 47.6 | 44.2 | 47.0 | 52.4 | 49.8 | 45.7 |
| February | 49.6 | 53.3 | 53.2 | 56.9 | 57.9 | 60.2 | 53.5 |
| March | 59.4 | 60.0 | 63.9 | 66.7 | 70.1 | 66.7 | 61.3 |
| April | 69.0 | 63.7 | 65.3 | 72.1 | 71.8 | 71.8 | 75.0 |
| May | 68.6 | 69.8 | 71.6 | 70.2 | 76.2 | 75.5 | 74.2 |
| June | 73.6 | 79.2 | 78.7 | 80.5 | 79.8 | 82.9 | 74.4 |
| July | 73.1 | 76.7 | 79.3 | 75.5 | 80.1 | 79.2 | 76.3 |
| August | 72.3 | 73.1 | 72.6 | 72.4 | 74.4 | 78.6 | |
| September | 70.5 | 74.5 | 74.4 | 78.3 | 76.7 | 78.7 | |
| October | 72.3 | 72.2 | 72.1 | 76.6 | 79.9 | 78.9 | |
| November | 62.8 | 60.4 | 68.7 | 68.3 | 72.5 | 72.0 | |
| December | 52.2 | 53.4 | 50.5 | 49.8 | 49.8 | 51.3 | |

Source: Smith Travel Research 2008

**Table 18: Charted Data Monthly Occupancy Trends**




Source: Smith Travel Research 2008

## Projected Growth in Market

Based on historic growth in demand, patterns of business and anticipated capture of demand by the proposed property we anticipate a limited amount of demand growth in the Competitive market, largely driven by local economic factors including retail sales, office vacancies, and the general conditions of the area's major employers. As a result, we don't expect to see any major changes in demand, just slow, steady growth coming out of the recession before leveling off in 2013 as the market stabilizes and growth slows. This is normal for suburban markets, as growth cycles tend to be muted compared to Chicago which has a construction pipeline that dwarfs the surrounding communities in terms of retail, office, residential, and hotel. Shifts in demand will largely be driven by an improved economy, the completion of the O'Hare expansion, and additional room nights brought into the Oak Park market via a quality flagged hotel property.

**Table 19: Competitive Set Performance**

| Year | Occupancy | Supply | Demand | ADR | RevPAR |
|---|---|---|---|---|---|
| 2007 | 70.5% | 410,625 | 289,439 | $137 | $96 |
| 2008 | 65.9% | 410,625 | 270,625 | $141 | $93 |
| 2009 | 65.9% | 410,625 | 270,625 | $145 | $96 |
| 2010 | 67.9% | 410,625 | 278,744 | $149 | $101 |
| 2011[1] | 65.9% | 440,025 | 289,894 | $154 | $101 |
| 2012 | 67.2% | 461,725 | 310,187 | $158 | $106 |
| 2013 | 69.2% | 461,725 | 319,492 | $163 | $113 |
| 2014 | 69.2% | 461,725 | 319,492 | $168 | $116 |
| 2015 | 69.2% | 461,725 | 319,492 | $173 | $120 |
| 2016 | 69.2% | 461,725 | 319,492 | $178 | $123 |

1. 140-room Subject Property enters the market in June 2011

## Performance of Subject Property

We have projected the performance of the proposed property based on its ability to position itself in the market and penetrate the existing market with additional supply, attracting new demand, business from competitive properties, as well as displaced demand now electing to stay in properties other than those defined in the competitive set. The evaluation is based on competitive advantages of a new construction hotel with proximity to a large concentration of medical facilities, area tourist attractions, and area commercial businesses. The new construction nature of the property also helps capturing demand, as newer facilities add additional appeal to the consumer.

The table below indicates the property taking slightly less than its fair share of room night demand over its competitive set, as it does not share their base of commercial office space demand. However, the subject property will be bolstered by the area's medical facilities, area tourism, and wedding demand. It is anticipated to outperform existing hotels in Oak Park, while slightly underperforming its competitive set.

The subject property will see a soft opening in June 2011 and finish the year with an occupancy of 60%. During this period it will be discounting aggressively while it establishes itself in the market. This ramp-up period will continue through 2012, before stabilizing in 2013.

**Table 20: Performance of Competitive Set versus Subject Property**

| | Comp Set | | | Subject Property | | | |
|---|---|---|---|---|---|---|---|
| | Supply | Occupancy | Demand | Occupancy | Demand | Fair Share | % Fair Share |
| Typical | | | | 68% | | | |
| 2011 | 440,025 | 65.9% | 289,894 | 60% | 17,640 | 6.7% | 91.1% |
| 2012 | 461,725 | 67.2% | 310,187 | 65% | 33,215 | 11.1% | 96.8% |
| 2013 | 461,725 | 69.2% | 319,492 | 68% | 34,748 | 11.1% | 98.3% |
| 2014 | 461,725 | 69.2% | 319,492 | 68% | 34,748 | 11.1% | 98.3% |
| 2015 | 461,725 | 69.2% | 319,492 | 68% | 34,748 | 11.1% | 98.3% |
| 2016 | 461,725 | 69.2% | 319,492 | 68% | 34,748 | 11.1% | 98.3% |

Source: Projections – TR Mandigo & Co.

Average Daily Rate for the subject property is estimated at $160 for a typical year (2008 dollars). Driving the ADR beyond that of the competitive set is the new construction nature of the property, which enables the subject property to capture a premium due to its newer and more modern facilities. Further, the commercial business segment it will be tapping into is less rate conscious than leisure and group business. Other factors contributing to the rate premium include the subject's new construction and the fact it's the highest quality property in its immediate area.

**Table 21: ADR and RevPAR Performance of Subject Property**

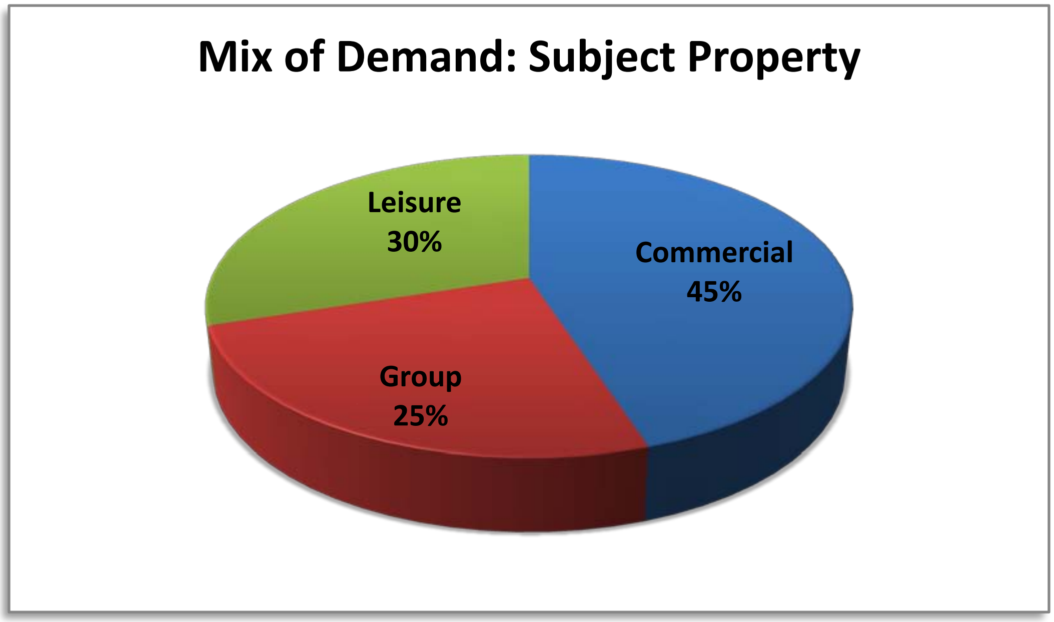
| | Competitive Set | | Subject | |
|---|---|---|---|---|
| | ADR | RevPAR | ADR | RevPAR |
| Typical | | | $160 | $109 |
| 2011 | $154 | $101 | $150 | $90 |
| 2012 | $158 | $106 | $161 | $104 |
| 2013 | $163 | $113 | $172 | $117 |
| 2014 | $168 | $116 | $180 | $123 |
| 2015 | $173 | $120 | $186 | $126 |
| 2016 | $178 | $123 | $191 | $130 |

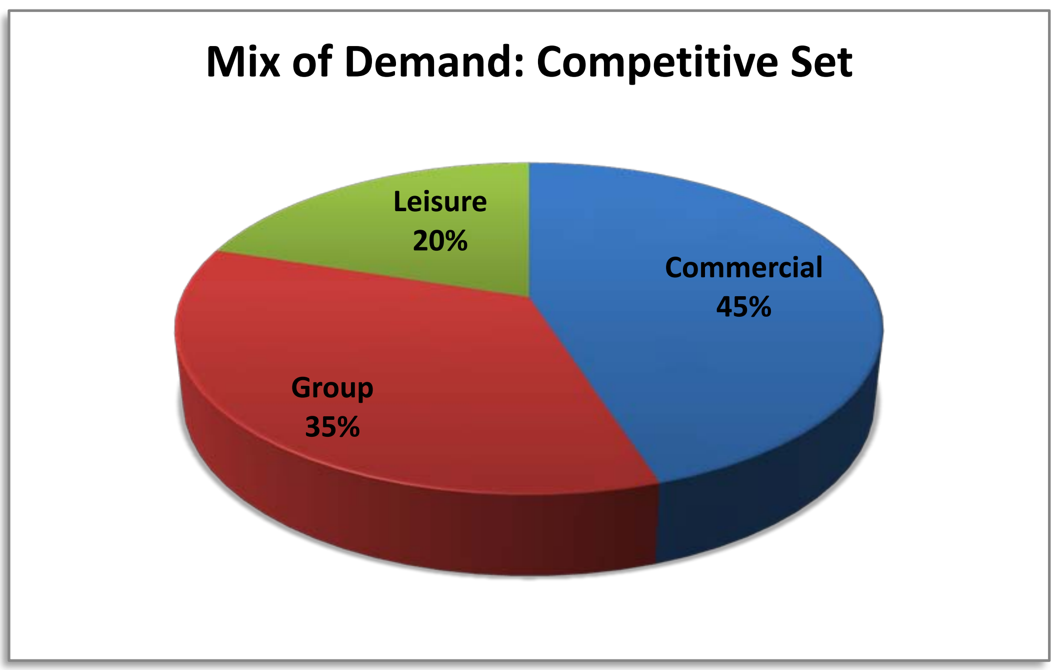
Source: Projections – TR Mandigo & Co.

## Market Segmentation

The subject property will see much less group business than the market overall due to its smaller room size. Leisure demand will be greater, as the subject property will draw from weekend tourism and wedding business during the spring, summer, and fall months.

**Table 22: Market Segmentation**



# Recently Completed and Proposed Projects

**Hyatt Place, Rush Medical Center:** Hyatt recently approved a franchise for a Hyatt Place to be built near Ogden and Damen in Chicago adjacent to Rush Medical center. Plans also call for a second Hyatt product, likely a Hyatt Summerfield Suites extended-stay hotel, assuming success of the Hyatt Place. Room count, financing status, and open date are currently unknown but this project is assumed to likely enter the market.

Overall, this project will be a secondary, rather than a primary competitor to the subject property. The west loop area around Rush has gentrified dramatically in recent years, giving this hotel a significant amount of low-hanging fruit right at its doorstep, leaving little reason to reach into the suburban markets to the west.

# Statements of Estimated Annual Operating Results

We have prepared a statement of estimated annual operating results for a typical year in 2008 dollars for the proposed 140 room Full Service Up-Scale hotel as if the property were open and operating in the market under expected market conditions and the competitive environment as set forth in the report. We then expanded this statement to present estimated annual operating results for the initial period of operation beginning with an opening in June 2011 and covering the partial year 2011 and the next five full years of operation thereafter. The following table summarizes the results of operation for the property over this period.

**Table 23: Summary of Operating Results**

| Proposed Upscale Hotel Property | | | |
|---|---|---|---|
| **Year** | **Total Revenue** | **Income (1)** | **Ratio to Revenue** |
| Typical Year | $6,166,000 | $1,650,000 | 26.8% |
| 2011* | $3,064,000 | $480,000 | 15.7% |
| 2012 | $6,022,000 | $1,323,000 | 22.0% |
| 2013 | $6,681,000 | $1,715,000 | 25.7% |
| 2014 | $6,979,000 | $1,832,000 | 26.3% |
| 2015 | $7,208,000 | $1,829,000 | 25.4% |
| 2016 | $7,405,000 | $1,864,000 | 25.2% |

(1) Income before other fixed charges such as interest, amortization, depreciation and income taxes.
(2) Initial start up in 2011 consists of a seven month operation.
* Partial year beginning in June

In the analysis that follows we present the basis for the estimate of the prospective cash flow from operations before debt service and income taxes for the proposed Full Service Up-Scale hotel opening in June 2011 for the first six years of operation. The estimates were based on the following assumptions:

- The property will be developed and ready for operation in June 2011.
- The property will be designed as an upscale property targeted to the three to four star market, consistent with the plans and concept as presented to us and as addressed in this study.
- The property will provide infrastructure in terms of a fitness center, additional meeting space, food and beverage facilities and service levels consistent with an upscale property and as outlined in the plans and concept provided.
- The developer will provide funds for upgrading the adjacent 19th Century Club meeting space in exchange for use of that facility as meeting and conference space for the hotel operation.
- The food and beverage facilities will be adjacent to the property, operated by an independent operator who will provide catering services to both the adjacent meeting space in the 19th Century Club as well as the needs of the hotel property, and will accommodate charges directly to guest rooms for hotel guests.
- The property will be competently managed by an experienced operator throughout the analysis period.
- The property will achieve the levels of utilization as set forth in this report.

- All amounts have been rounded to the nearest one thousand dollars and account classifications generally confirm to the definitions prescribed by the American Lodging Association in the Uniform System of Accounts for Hotels.
- All gross revenue amounts and the ratios presented on the Statements of Estimated Annual Operating Results were computed on the basis of the revenue and expenses expressed in constant 2008 dollars. They were then adjusted for the effect of inflation, the ramp up time required to develop the projected gross volumes as set forth and pricing and operations policy adjustments over time.
- A 3.5 percent per annum rate of inflation has been applied for revenues and expenses through the analysis period based on the current level of economic growth and inflation and as generally forecast by econometric analysis of the economy except that an introductory pricing policy and booking policy is assumed for the initial period of operation to achieve market penetration. Later levels of inflation have been increased to recover the Average Daily Rate (ADR) following a brief discounted introductory pricing structure during the initial year of operation, recovering to stabilized levels at the stated inflation rate by year two of the operation.

The statements of estimated annual operating results are based on the definition of the property and amenities as set forth in this report, our experience and knowledge of the operating characteristics of hotel properties of various types, trends in revenue and expense categories, examination and comparison of the operating results of properties of a similar size and type, the 2007 Host Study produce by Smith Travel Research on an annual basis, setting forth averages of hotel operations by size, type and category.

## Revenues

**Rooms Revenue** is calculated based upon the number of available rooms, the occupancy level and the average daily rate as set forth in this study. We have assumed an opening in June 2011.

**Food and Beverage Operations** are not included in the Statement of Estimated Operating Results for the property as they will be independently operated including catering operations in the hotel and the 19th Century Club building. However, we have included rooms rental for the 2,500 square feet of meeting space in the hotel component of the project. This revenue is included in the rentals and other income section of the financial statements and is based on $50,000 in revenue in the representative year.

**Telephone Revenue** is based on $1.25 per occupied room and is adjusted by the inflation amount on an annual basis. This assumes that customary charges for local and long distance services are implemented by the property. Advances in telecommunication and the competitive environment have steadily diminished the cost for local and long distance. This revenue level assumes that the property will charge rates consistent with operator assisted rates, and will obtain discounted services through a provider. It also takes into account the increased use of cellular technology by guests, off-set by DSL and other services for internet access that will generate revenues. The level of revenue has been steadily declining over the past three years and this is reflected in our estimates. A table of comparable revenue per occupied room follows:

**Telephone Revenue** is based on $1.25 per occupied room and is adjusted by the inflation amount on an annual basis. This assumes that customary charges for local and long distance services are implemented by the property. Advances in telecommunication and the competitive environment have steadily diminished the cost for local and long distance. This revenue level assumes that the property will charge rates consistent with operator assisted rates, and will obtain discounted services through a provider. It also takes into account the increased use of cellular technology by guests, off-set by DSL and other services for internet access that will generate revenues. The level of revenue has been steadily declining over the past three years and this is reflected in our estimates. A table of comparable revenue per occupied room follows:

### Table 24: Telephone Revenue per Occupied Room

| Full Service Hotels | |
|---|---|
| Average for All Properties | $1.94 |
| Chain Affiliated | $1.98 |
| Suburban Properties | $1.41 |
| Upscale Properties | $1.21 |
| Under 150 Rooms | $0.54 |
| **Projected for Subject Property** | **$1.25** |

**Rentals and Other Income** are based on $226,000 or $6.50 per occupied room in pay per view movies, vending income, commissions and other miscellaneous sources of revenue. A table of comparables for the rentals and other income follows:

### Table 25: Rentals and Other Income per Occupied Room

| Full Service Hotels | |
|---|---|
| Average for All Properties | $7.42 |
| Chain Affiliated | $7.35 |
| Suburban Properties | $8.11 |
| Upscale Properties | $11.77 |
| 150 to 300 Rooms | $2.69 |
| **Projected for Subject Property** | **$6.50** |

**Other Operated Departments** are based on estimated revenue derived from the operation of the gift/sundry shop sales, revenues from laundry and valet, meeting room rentals and other miscellaneous income. We based this on a $287,000 level in current value dollars, or $8.25 per occupied room. The comparables on which our estimate is based are presented below.

### Table 26: Other Operated Departments per Occupied Room

| Full Service Hotels | |
|---|---|
| Average for All Properties | $10.91 |
| Chain Affiliated | $9.26 |
| Suburban Properties | $5.48 |
| Upscale Properties | $8.04 |
| Under 150 Rooms | $8.13 |
| **Projected for Subject Property** | **$8.25** |

## Departmental Expenses

**Rooms Departmental Expenses** are based on a per available room operating cost of $9,136, comparable to the operating costs for hotel properties in the upscale rate category, and consistent with the costs of operation for chain properties. Per available room forecast is well above the comparable for other categories of properties. This level included the operation of an appropriate transportation service for the property, providing both airport transportation and shuttle service to area businesses and attractions. The operating ratio of 23 percent is below that presented in industry averages and comparisons because of a stronger rate performance than those categories. This expense category includes central reservation, frequent traveler incentive programs and other rooms related franchise charges. The comparable for both dollars per available room and percent of room revenues are presented below:

**Table 27: Rooms Department Expenses**

| Full Service Hotels | | |
|---|---|---|
| **Property type** | **Per Room** | **Ratio** |
| Average for All Properties | $9,840 | 25.4% |
| Chain Affiliated | $9,788 | 25.1% |
| Suburban Properties | $7,444 | 24.4% |
| Upscale Properties | $8,324 | 25.7% |
| Under 150 Rooms | $6,971 | 24.6% |
| **Projected for Subject Property** | **$9,136** | **23.0%** |

**Food and Beverage Departmental Expenses** are based on the operation of the restaurant as well as the proposed banquet facilities as provided in the property description. We have forecast the departmental operating cost at 72 percent of revenues, taking into consideration the banquet volume as well as the beverage revenue mix in the departmental expenses. The comparables follow:

**Table 28: Food and Beverage Department Expenses**

| Full Service Hotels | |
|---|---|
| **Property type** | **Ratio** |

| | |
|---|---|
| Average for All Properties | 73.2% |
| Chain Affiliated | 72.8% |
| Suburban Properties | 70.8% |
| Upscale Properties | 75.7% |
| Under 150 Rooms | 80.5% |
| **Projected for Subject Property** | **72.0%** |

**Telephone Departmental Expenses are** based on an OAR system and current call accounting technology. The costs for long distance and local calls has continually been declining, and the ability to charge operator assisted rates enables the property to cover the costs of the investment in communication and call accounting systems. The costs are estimated at 125 percent of revenues. Costs in this department in general have been increasing over time. The current experience factors are presented in the following table:

**Table 29: Telephone Department Expenses**

| Full Service Hotels | |
|---|---|
| **Property Type** | **Ratio to Dept. Revenue** |
| Average for All Properties | 112.7% |
| Chain Affiliated | 110.9% |
| Suburban Properties | 118.8% |
| Upscale Properties | 132.2% |
| Under 150 Rooms | 169.5% |
| **Projected for Subject Property** | **125.0%** |

**Other Operated Departments** expenses are estimated at 75 percent of revenues, consistent with the type and scale of operation. Results of this department are property specific. The tabulated comparable results are presented below:

**Table 30: Other Operated Departments**

| Full Service Hotels | |
|---|---|
| **Property Type** | **Ratio to Dept. Revenue** |
| Average for All Properties | 78.03% |
| Chain Affiliated | 78.01% |
| Suburban Properties | 81.50% |
| Upscale Properties | 75.06% |
| Under 150 Rooms | 77.04% |
| **Projected for Subject Property** | **75.00%** |

## Undistributed Expenses

**Administrative and General** expenses are based on a per available room operating cost of $4,000 in current value dollars. This is slightly below the operating results of the average for all hotels and for chain operations but is consistent with the size, geographic location and price positioning of the property. We have included start-up inefficiencies for the first two years of operation to reflect a more intensive management team in getting the property open and stabilized.

**Table 31: Administrative and General**

| Full Service Hotels | |
|---|---|
| **Property Type** | **Per Available Room** |
| Average for All Properties | $5,055 |
| Chain Affiliated | $4,899 |
| Suburban Properties | $4,050 |
| Upscale Properties | $4,207 |
| 150 to 300 Rooms | $3,653 |
| **Projected for Subject Property** | **$4,000** |

**Management Fee** expenses were estimated based on 3.5 percent of total revenues, consistent with the base fee typically assessed for the size and type property. We have not included any incentive fees in our calculations under the assumption that such fees would be subordinated to debt service and paid only from available cash flow to provide a significant incentive to the operator based on a positive cash flow performance of the property.

**Marketing** is based on a $3,500 per available room budget, providing $490,000 for marketing and promotion of the property. This is below the comparables and recognizes the level of pass through costs and fees associated with the franchise brand as well as an aggressive local marketing campaign and the brand recognition associated with a nationally recognized brand and/or referral organization. Combined with an aggressive pre-opening budget, this should enable the property to adequately penetrate the local market and continue to develop its client base. We have included some additional start up costs in the first year numbers. This expense category includes chain wide assessments and local and regional marketing programs.

**Table 32: Marketing**

| Full Service Hotels | |
|---|---|
| **Property Type** | **Per Available Room** |
| Average for All Properties | $4,181 |
| Chain Affiliated | $4,134 |
| Suburban Properties | $3,438 |
| Upscale Properties | $3,407 |
| Under 150 Rooms | $2,575 |
| **Projected for Subject Property** | **$3,500** |

**Franchise Fees** were estimated at 4.5 percent of room revenues. This includes royalty payments and other franchise related fees. The costs of marketing and reservation system are included in the appropriate categories. The total franchise fees including these other costs would be approximately 7.5 to 9.5 percent of total revenues.

**Property Operations and Maintenance** costs are based on the industry averages for similar size and type properties with an adjustment for the larger public space including the meeting space, and are equal to $2,000 per available room. Our estimates include a reduced cost during the first three years when much of the equipment is under warranty and the property is new.

**Table 33: Property Operations and Maintenance**

| Full Service Hotels | |
|---|---|
| **Property Type** | **Per Available Room** |
| Average for All Properties | $2,890 |
| Chain Affiliated | $2,818 |
| Suburban Properties | $2,241 |
| Upscale Properties | $2,412 |
| Under 150 Rooms | $1,972 |
| **Projected for Subject Property** | **$2,000** |

**Energy costs** are likewise based on comparable operations from industry databases. The estimated amount of $1,900 per available room assumes an energy efficient construction and operation that is consistent with the current "Green" movement, but takes into account the rapidly rising energy costs.

**Table 34: Energy Costs**

| Full Service Hotels | |
|---|---|
| **Property Type** | **Per Available Room** |
| Average for All Properties | $2,485 |
| Chain Affiliated | $2,453 |
| Suburban Properties | $2,082 |
| Upscale Properties | $2,188 |
| Under 150 Rooms | $1,805 |
| **Projected for Subject Property** | **$1,900** |

## Fixed Charges

**Real Estate and Property Taxes** have been estimated at 5.6 percent of total revenues, or a level of $500,000 for the property. Based on the location, type of property, and an aggressive appeal process, we believe the property can achieve this tax level. Cook and DuPage Counties remain among the highest real estate tax markets for hotels in the nation, and accordingly we have forecast a level significantly above the averages for all comparable categories of properties. We have included in our forecast for the first six years of operation (five full years and the initial start-up year) a reduced real estate tax level during the ramp up period, reflecting the billing of real estate taxes in arrears.

**Table 35: Real Estate Taxes**

| Full Service Hotels | |
|---|---|
| Property Type | Per Available Room |
| Average for All Properties | $1,905 |
| Chain Affiliated | $1,916 |
| Suburban Properties | $1,328 |
| Upscale Properties | $1,357 |
| Under 150 Rooms | $1,101 |
| **Projected for Subject Property** | **$3,571** |

**Building and Contents Insurance** was estimated on the basis of $700 per available room, and should provide for customary coverage of building and contents. Other categories of insurance, such as business interruption, boiler, bonding, etc. have been included in the estimated Administrative and General category. These costs have risen recently reflecting the liability from natural disasters as well as significant premium adjustments to rebuild reserves.

**Table 36: Building and Contents Insurance**

| Full Service Hotels | |
|---|---|
| Property Type | Per Available Room |
| Average for All Properties | $829 |
| Chain Affiliated | $808 |
| Suburban Properties | $584 |
| Upscale Properties | $623 |
| Under 150 Rooms | $449 |
| **Projected for Subject Property** | **$700** |

**Reserve for Replacement** is budgeted at 5 percent of total revenues, taking into account the need to continuously refurbish the property. This amount is consistent with the results of the recent ISHC study on Capital Expenditure that determined this as a minimum amount to retain the competitive status of a property. The amount is phased in over the first three years beginning with 3 percent in 2011 and reaching 5 percent by year 3 (2013).

The Statements of Estimated Annual Operating Results for a typical year, expressed in 2008 dollars and for the period 2011 through 2016, expressed in inflation adjusted dollars are presented on the following pages.

## Table 37: Typical Year

02-Dec-08 09:11 AM Full Service Upscale Hotel
Oak Park, Illinois
STATEMENT OF ESTIMATED ANNUAL OPERATING RESULTS
FOR A TYPICAL YEAR OF OPERATION IN 2008 DOLLARS)
Based on 140 Available Rooms

| | | | |
|---|---|---|---|
| PERCENTAGE OF OCCUPANCY | 68% | at | $160.00 |
| AVERAGE DAILY ROOM RATE | | | |

| | AMOUNT | RATIO | AMOUNT\ROOM |
|---|---|---|---|
| REVENUES: | | | |
| ROOMS | $5,560,000 | 90.2% | $39,714 |
| FOOD | 0 | 0.0% | 0 |
| BEVERAGE | 0 | 0.0% | 0 |
| TELEPHONE | 43,000 | 0.7% | 307 |
| RENTALS & OTHER INCOME | 276,000 | 4.5% | 1,971 |
| OTHER OPERATED DEPTS | 287,000 | 4.7% | 2,050 |
| TOTAL REVENUE | $6,166,000 | 100.0% | 44,043 |
| DEPARTMENTAL EXPENSES: :(1) | | | |
| ROOMS | $1,279,000 | 23.0% | 9,136 |
| FOOD & BEVERAGE | 0 | 0.0% | 0 |
| TELEPHONE | 54,000 | 125.6% | 386 |
| OTHER OPERATED DEPTS | 215,000 | 74.9% | 1,536 |
| TOTAL | $1,548,000 | 25.1% | $11,057 |
| TOTAL OPERATED INCOME | $4,618,000 | 74.9% | $32,986 |
| UNDISTRIBUTED EXPENSES: | | | |
| ADMINISTRATIVE & GENERAL | $560,000 | 9.1% | 4,000 |
| MANAGEMENT FEE (2) | 216,000 | 3.5% | 1,543 |
| MARKETING | 490,000 | 7.9% | 3,500 |
| FRANCHISE FEES (3) | 250,000 | 4.1% | 1,786 |
| PROPERTY OPERATION & MAINT. | 280,000 | 4.5% | 2,000 |
| ENERGY | 266,000 | 4.3% | 1,900 |
| TOTAL | $2,062,000 | 33.4% | $14,729 |
| INCOME BEFORE FIXED CHARGES | $2,556,000 | 41.5% | $18,257 |
| FIXED CHARGES: | | | |
| REAL ESTATE & PROPERTY TAXES | $500,000 | 8.1% | 3,571 |
| BUILDING & CONTENTS INSURANCE | 98,000 | 1.6% | 700 |
| TOTAL | $598,000 | 9.7% | 4,271 |
| INCOME BEFORE RESERVE | $1,958,000 | 31.8% | 13,986 |
| RESERVE FOR REPLACEMENT | $308,000 | 5.0% | 2,200 |
| INCOME BEFORE OTHER DEDUCTIONS(4) | $1,650,000 | 26.8% | $11,786 |

NOTES:
(1) Each departmental expense ratio is based on the department's estimated revenue and does not add to the total departmental expense ratio.
(2) The basic management fee is normally classified as an administrative and general expense.
(3) Franchise fees are normally classified as marketing expenses.
(4) Income before other fixed charges such as interest, amortization, depreciation and income taxes.
(5) Totals may not add due to rounding.

THIS STATEMENT SHOULD BE READ SUBJECT TO THE COMMENTS CONTAINED IN THE ATTACHED REPORT

## Table 38: First Six Years of Operations

02-Dec-08 09:16 AM

Full Service Upscale Hotel
Oak Park, Illinois
STATEMENT OF ESTIMATED ANNUAL OPERATING RESULTS
Based on 140 Available rooms

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| YEAR #: | 0.583 year, or | 82.00 rooms | | 1.583 | | | 2.583 | | |
| PERIOD: | JUN-DEC | | 2011 | Jan - Dec: | | 2012 | Jan - Dec: | | 2013 |
| PERCENTAGE OF OCCUPANCY | 60% | at | $150.00 | 65% | at | $161.00 | 68% | at | $172.00 |
| AVERAGE DAILY ROOM RATE | | | | | | | | | |
| | AMOUNT | RATIO | AMOUNT\ROOM | AMOUNT | RATIO | AMOUNT\ROOM | AMOUNT | RATIO | AMOUNT\ROOM |
| REVENUES: | | | | | | | | | |
| ROOMS | $2,694,000 | 87.9% | $19,243 | $5,348,000 | 88.8% | $38,200 | $5,977,000 | 89.5% | $42,693 |
| FOOD | 0 | 0.0% | $0 | 0 | 0.0% | $0 | 0 | 0.0% | $0 |
| BEVERAGE | 0 | 0.0% | $0 | 0 | 0.0% | $0 | 0 | 0.0% | $0 |
| TELEPHONE | 24,000 | 0.8% | $171 | 47,000 | 0.8% | $336 | 50,000 | 0.7% | $357 |
| RENTALS & OTHER INCOME | 176,000 | 5.7% | $1,257 | 311,000 | 5.2% | $2,221 | 320,000 | 4.8% | $2,286 |
| OTHER OPERATED DEPTS | 170,000 | 5.5% | $1,214 | 316,000 | 5.2% | $2,257 | 334,000 | 5.0% | $2,386 |
| TOTAL REVENUE | 3,064,000 | 100.0% | 21,886 | 6,022,000 | 100.0% | 43,014 | 6,681,000 | 100.0% | 47,721 |
| DEPARTMENTAL EXPENSES: :(1) | | | | | | | | | |
| ROOMS | 808,000 | 30.0% | $5,771 | 1,435,000 | 26.8% | $10,250 | 1,483,000 | 24.8% | $10,593 |
| FOOD & BEVERAGE | 0 | 0.0% | $0 | 0 | 0.0% | $0 | 0 | 0.0% | $0 |
| TELEPHONE | 33,000 | 137.5% | $236 | 60,000 | 127.7% | $429 | 63,000 | 126.0% | $450 |
| OTHER OPERATED DEPTS | 137,000 | 80.6% | $979 | 242,000 | 76.6% | $1,729 | 249,000 | 74.6% | $1,779 |
| TOTAL | 978,000 | 31.9% | $6,986 | 1,737,000 | 28.8% | $12,407 | 1,795,000 | 26.9% | $12,821 |
| TOTAL OPERATED INCOME | 2,086,000 | 68.1% | $14,900 | 4,285,000 | 71.2% | $30,607 | 4,886,000 | 73.1% | $34,900 |
| UNDISTRIBUTED EXPENSES: | | | | | | | | | |
| ADMINISTRATIVE & GENERAL | 386,000 | 12.6% | $2,757 | 627,000 | 10.4% | $4,479 | 649,000 | 9.7% | $4,636 |
| MANAGEMENT FEE (2)** | 107,000 | 3.5% | $764 | 211,000 | 3.5% | $1,507 | 234,000 | 3.5% | $1,671 |
| MARKETING | 337,000 | 11.0% | $2,407 | 602,000 | 10.0% | $4,300 | 568,000 | 8.5% | $4,057 |
| FRANCHISE FEES (3) | 121,000 | 3.9% | $864 | 241,000 | 4.0% | $1,721 | 269,000 | 4.0% | $1,921 |
| PROPERTY OPERATION & MAINT. | 153,000 | 5.0% | $1,093 | 287,000 | 4.8% | $2,050 | 312,000 | 4.7% | $2,229 |
| ENERGY | 161,000 | 5.3% | $1,150 | 294,000 | 4.9% | $2,100 | 308,000 | 4.6% | $2,200 |
| TOTAL | 1,265,000 | 41.3% | 9,036 | 2,262,000 | 37.6% | 16,157 | 2,340,000 | 35.0% | 16,714 |
| INCOME BEFORE FIXED CHARGES | 821,000 | 26.8% | 5,864 | 2,023,000 | 33.6% | 14,450 | 2,546,000 | 38.1% | 18,186 |
| FIXED CHARGES: | | | | | | | | | |
| REAL ESTATE & PROPERTY TAXES | 248,000 | 8.1% | $1,771 | 470,000 | 7.8% | $3,357 | 517,000 | 7.7% | $3,693 |
| BUILDING & CONTENTS INSURANCE | 62,000 | 2.0% | $443 | 110,000 | 1.8% | $786 | 114,000 | 1.7% | $814 |
| TOTAL | 310,000 | 0.0% | 2,214 | 580,000 | 9.6% | 4,143 | 631,000 | 9.4% | 4,507 |
| INCOME BEFORE RESERVE | 511,000 | 16.7% | 3,650 | 1,443,000 | 24.0% | 10,307 | 1,915,000 | 28.7% | 13,679 |
| RESERVE FOR REPLACEMENT | 31,000 | 1.0% | 221 | 120,000 | 2.0% | $857 | 200,000 | 3.0% | $1,429 |
| INCOME BEFORE OTHER DEDUCTIONS(4) | 480,000 | 15.7% | 3,429 | 1,323,000 | 22.0% | 9,450 | 1,715,000 | 25.7% | 12,250 |

NOTES:
(1) Each departmental expense ratio is based on the department's estimated revenue and does not add to the total departmental expense ratio.
(2) The basic management fee is normally classified as an administrative and general expense.
(3) Franchise fees are normally classified as marketing expenses.
(4) Income before other fixed charges such as interest, amortization, depreciation, and income taxes.
(5) Totals may not add due to rounding.

THIS STATEMENT SHOULD BE READ SUBJECT TO THE COMMENTS CONTAINED IN THE ATTACHED REPORT

**Full Service Upscale Hotel**
Oak Park, Illinois
STATEMENT OF ESTIMATED ANNUAL OPERATING RESULTS
Based on 140 Available rooms

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| YEAR #: | | 3.583 | | | 4.583 | | | 5.583 | |
| YEAR: | Jan - Dec: | | 2014 | Jan - Dec: | | 2015 | Jan - Dec: | | 2016 |
| PERCENTAGE OF OCCUPANCY | 68% | at | $180.00 | 68% | at | $186.00 | 68% | at | $191.00 |
| AVERAGE DAILY ROOM RATE | | | | | | | | | |
| | AMOUNT | RATIO | AMOUNT\ROOM | AMOUNT | RATIO | AMOUNT\ROOM | AMOUNT | RATIO | AMOUNT\ROOM |
| REVENUES: | | | | | | | | | |
| ROOMS | $6,255,000 | 89.6% | $44,679 | $6,463,000 | 89.7% | $46,164 | $6,637,000 | 89.6% | $47,407 |
| FOOD | 0 | 0.0% | $0 | 0 | 0.0% | $0 | 0 | 0.0% | $0 |
| BEVERAGE | 0 | 0.0% | $0 | 0 | 0.0% | $0 | 0 | 0.0% | $0 |
| TELEPHONE | 51,000 | 0.7% | $364 | 53,000 | 0.7% | $379 | 54,000 | 0.7% | $386 |
| RENTALS & OTHER INCOME | 330,000 | 4.7% | $2,357 | 339,000 | 4.7% | $2,421 | 350,000 | 4.7% | $2,500 |
| OTHER OPERATED DEPTS | 343,000 | 4.9% | $2,450 | 353,000 | 4.9% | $2,521 | 364,000 | 4.9% | $2,600 |
| TOTAL REVENUE | 6,979,000 | 100.0% | 49,850 | 7,208,000 | 100.0% | 51,486 | 7,405,000 | 100.0% | 52,893 |
| DEPARTMENTAL EXPENSES: :(1) | | | | | | | | | |
| ROOMS | 1,527,000 | 24.4% | $10,907 | 1,573,000 | 24.3% | $11,236 | 1,620,000 | 24.4% | $11,571 |
| FOOD & BEVERAGE | 0 | 0.0% | $0 | 0 | 0.0% | $0 | 0 | 0.0% | $0 |
| TELEPHONE | 64,000 | 125.5% | $457 | 66,000 | 124.5% | $471 | 68,000 | 125.9% | $486 |
| OTHER OPERATED DEPTS | 257,000 | 74.9% | $1,836 | 264,000 | 74.8% | $1,886 | 272,000 | 74.7% | $1,943 |
| TOTAL | 1,848,000 | 26.5% | $13,200 | 1,903,000 | 26.4% | $13,593 | 1,960,000 | 26.5% | $14,000 |
| TOTAL OPERATED INCOME | 5,131,000 | 73.5% | $36,650 | 5,305,000 | 73.6% | $37,893 | 5,445,000 | 73.5% | $38,893 |
| UNDISTRIBUTED EXPENSES: | | | | | | | | | |
| ADMINISTRATIVE & GENERAL | 669,000 | 9.6% | $4,779 | 689,000 | 9.6% | $4,921 | 709,000 | 9.6% | $5,064 |
| PROPERTY OPERATION & MAINT. | 334,000 | 4.8% | $2,386 | 344,000 | 4.8% | $2,457 | 355,000 | 4.8% | $2,536 |
| ENERGY | 318,000 | 4.6% | $2,271 | 327,000 | 4.5% | $2,336 | 337,000 | 4.6% | $2,407 |
| TOTAL | 2,431,000 | 34.8% | 17,364 | 2,506,000 | 34.8% | 17,900 | 2,580,000 | 34.8% | 18,429 |
| INCOME BEFORE FIXED CHARGES | 2,700,000 | 38.7% | 19,286 | 2,799,000 | 38.8% | 19,993 | 2,865,000 | 38.7% | 20,464 |
| FIXED CHARGES: | | | | | | | | | |
| REAL ESTATE & PROPERTY TAXES | 542,000 | 7.8% | $3,871 | 561,000 | 7.8% | $4,007 | 581,000 | 7.8% | $4,150 |
| BUILDING & CONTENTS INSURANCE | 117,000 | 1.7% | $836 | 121,000 | 1.7% | $864 | 124,000 | 1.7% | $886 |
| TOTAL | 659,000 | 9.4% | 4,707 | 682,000 | 9.5% | 4,871 | 705,000 | 9.5% | 5,036 |
| INCOME BEFORE RESERVE | 2,041,000 | 29.2% | 14,579 | 2,117,000 | 29.4% | 15,121 | 2,160,000 | 29.2% | 15,429 |
| RESERVE FOR REPLACEMENT | 209,000 | 3.0% | 1,493 | 288,000 | 4.0% | $2,057 | 296,000 | 4.0% | $2,114 |
| INCOME BEFORE OTHER DEDUCTIONS(4) | 1,832,000 | 26.3% | 13,086 | 1,829,000 | 25.4% | 13,064 | 1,864,000 | 25.2% | 13,314 |

NOTES:
(1) Each departmental expense ratio is based on the department's estimated revenue and does not add to the total departmental expense ratio.
(2) The basic management fee is normally classified as an administrative and general expense.
(3) Franchise fees are normally classified as marketing expenses.
(4) Income before other fixed charges such as interest, amortization, depreciation, and income taxes.
(5) Totals may not add due to rounding.

THIS STATEMENT SHOULD BE READ SUBJECT TO THE COMMENTS CONTAINED IN THE ATTACHED REPORT

# Table 39: Valuation Information (Not Included in Final Report)

02-Dec-08 09:19 AM Full Service Upscale Hotel
Oak Park, Illinois
VALUATION ANALYSIS

ASSUMPTIONS:

| | | | | | |
|---|---|---|---|---|---|
| 38. Discount Rate: | 11.0% | 40. Costs of Sale: | 3.0% | | |
| | 10.5% | | | | |
| | 10.0% | 41. Avg Annual Inflation Rate: | 3.50% | / year, or | |
| 39. Overall Rates: | | | 0.28709% | monthly | |
| A. Current, Hi Value- | 7.5% | 42. CRITICAL DATES: | | | |
| B. Current, Low Value- | 8.0% | 1st Forecast Year Open Date: | 01-Jun-11 | | |
| C. Reversion- | 8.5% | Apprs'l "As Of" Date: | 02-Dec-08 | | |
| | | Months- "As Of" Date to Opening: | 31 | | |

>>>NOTE: CHECK ASSUMPTIONS TO THE RIGHT!!<<<

43. Renovation Costs:

| | Item | Quantity | Units | Unit Value | | Total Value |
|---|---|---|---|---|---|---|
| (1) | | 0 | system @ | $0 | | $0 |
| (2) | | 0 | rooms @ | $0.00 | per unit = | $0 |
| (3) | | 0 | rooms @ | $0 | per room = | $0 |
| (4) | | 0 | units @ | $0 | per unit = | $0 |
| Total Conversion Costs: | | | | | | $0 |

DISCOUNTED CASH FLOW ANALYSIS

| Year Number | Year | Before Other Deductions | P.V. Factor | Present Value | P.V. Factor | Present Value | P.V. Factor | Present Value |
|---|---|---|---|---|---|---|---|---|
| 0.583 | 2011 | 480,000 | 0.9409 | 451,651 | 0.9434 | 452,842 | 0.9459 | 454,041 |
| 1.583 | 2012 | 1,323,000 | 0.8477 | 1,121,498 | 0.8538 | 1,129,543 | 0.8599 | 1,137,683 |
| 2.583 | 2013 | 1,715,000 | 0.7637 | 1,309,724 | 0.7726 | 1,325,089 | 0.7818 | 1,340,704 |
| 3.583 | 2014 | 1,832,000 | 0.6880 | 1,260,428 | 0.6992 | 1,280,985 | 0.7107 | 1,301,972 |
| 4.583 | 2015 | 1,829,000 | 0.6198 | 1,133,661 | 0.6328 | 1,157,364 | 0.6461 | 1,181,673 |
| 5.583 | 2016 | 0 | 0.5584 | 0 | 0.5727 | 0 | 0.5873 | 0 |
| 6.583 | 2017 | 0 | 0.5031 | 0 | 0.5182 | 0 | 0.5339 | 0 |
| 7.583 | 2018 | 0 | 0.4532 | 0 | 0.4690 | 0 | 0.4854 | 0 |
| 8.583 | 2019 | 0 | 0.4083 | 0 | 0.4244 | 0 | 0.4413 | 0 |
| 9.583 | 2020 | 0 | 0.3678 | 0 | 0.3841 | 0 | 0.4012 | 0 |
| 10.583 | 2021 | 0 | 0.3314 | 0 | 0.3476 | 0 | 0.3647 | 0 |
| Subtotal PV From Cash Flow | | | | $5,276,962 | | $5,345,822 | | $5,416,074 |
| Reversion | 2015 | 21,271,529 | 0.6198 | 13,184,644 | 0.6328 | 13,460,306 | 0.6461 | 13,743,022 |
| Total PV As Of: | | 01-Jun-11 | | $18,461,606 | | $18,806,129 | | $19,159,096 |
| Deflated to Appraisal Date @: | | | 3.50% | | | | | |
| Months to Appraisal Date: | | | 31 | 0.9150 | | 0.9150 | | 0.9150 |
| Present Value As Of: | | 02-Dec-08 | | $16,891,708 | | $17,206,934 | | $17,529,887 |
| Less Renovation Costs (see ASSUMPTIONS) | | | | 0 | | 0 | | 0 |
| Adjusted Present Value | | | | $16,891,708 | | $17,206,934 | | $17,529,887 |
| | | | Rounded: | $16,900,000 | | $17,200,000 | | $17,500,000 |

DIRECT CAPITALIZATION ANALYSIS

| | | |
|---|---|---|
| Typical Year NOI | $1,650,000 | $1,650,000 |
| Divided by OAR | 0.080 | 0.075 |
| Indicated Value | $20,625,000 | $22,000,000 |
| Rounded: | $20,600,000 | $22,000,000 |
| Less Renovation Costs | 0 | 0 |
| Net Value | $20,600,000 | $22,000,000 |
| Price per Room | $147,143 | $157,143 |

REVERSION CALCULATION:

| | | |
|---|---|---|
| Net Income for Year: | 2016 | $1,864,000 |
| Divided by Reversion OAR | | 0.085 |
| Gross Reversion | | $21,929,412 |
| Less Costs @: | 3.0% | 657,882 |
| Net Reversion | | $21,271,529 |
| Indices: | $151,939 | per hotel unit |

## VALUATION INDICES

| Indice | 11.0% | 10.5% | 10.0% |
|---|---|---|---|
| Appraised Value: | $16,900,000 | $17,200,000 | $17,500,000 |
| Price Per Hotel Room: | $120,714 | $122,857 | $125,000 |
| OVERALL RATE (OAR) | | | |
| OAR- 1st Yr: | 2.84% | 2.79% | 2.74% |
| OAR- 2nd Yr: | 7.83% | 7.69% | 7.56% |
| OAR- 3rd Yr: | 10.15% | 9.97% | 9.80% |
| OAR- 4th Yr: | 10.84% | 10.65% | 10.47% |
| OAR- Typ Year: | 9.76% | 9.59% | 9.43% |
| GROSS ROOM RENT MULTIPLIER (GRRM) | | | |
| GRRM- 1st Yr: | 6.273 | 6.385 | 6.496 |
| GRRM- 2nd Yr: | 3.160 | 3.216 | 3.272 |
| GRRM- 3rd Yr: | 2.828 | 2.878 | 2.928 |
| GRRM- 4th Yr: | 2.702 | 2.750 | 2.798 |
| GRRM- Typ Year: | 3.040 | 3.094 | 3.147 |
| % of PV from CF: | 31.22% | 31.08% | 30.95% |

## COMPARISON OF DIRECT CAPITALIZATION ANALYSIS WITH DISCOUNTED CASH FLOW APPROACH (DCF)

### A. CALCULATION OF INCOME DIFFERENCE

| Year Number | Year | DCF Income Before Other Deductions | Inflated Rep Year Income | Difference | Times PV Factor @ 10.0% | PV of Difference |
|---|---|---|---|---|---|---|
| 0.583 | 2011 | 480,000 | 962,500 | (482,500) | 0.9459 | (456,406) |
| 1.583 | 2012 | 1,323,000 | 1,699,500 | (376,500) | 0.8599 | (323,763) |
| 2.583 | 2013 | 1,715,000 | 1,750,485 | (35,485) | 0.7818 | (27,740) |
| 3.583 | 2014 | 1,832,000 | 1,803,000 | 29,000 | 0.7107 | 20,610 |
| 4.583 | 2015 | 1,829,000 | 1,857,090 | (28,090) | 0.6461 | (18,148) |
| 5.583 | 2016 | 0 | 0 | 0 | 0.0000 | 0 |
| 6.583 | 2017 | 0 | 0 | 0 | 0.0000 | 0 |
| 7.583 | 2018 | 0 | 0 | 0 | 0.0000 | 0 |
| | | | | Total PV of Difference | | ($805,447) |
| | | | | | Rounded: | $810,000 |

### A. COMPARISON OF TWO APPROACHES

| | | |
|---|---|---|
| Direct Capitalization Value | | $22,000,000 |
| Plus (Minus) PV of Difference | | (810,000) |
| Adjusted Direct Capitalization Value | | 21,190,000 |
| Less DCF Value @ | 10.0% | 17,500,000 |
| Difference | | 3,690,000 |
| Percent Difference | | 17.41% |

Source: TR Mandigo & Co.

# Assumptions and Limiting Conditions

The report has been made with, and subject to, the following general limiting conditions and includes the following general assumptions:

- No responsibility is accepted by the consultant for considerations requiring expertise in other fields. Included in this category are ownership legal description and other legal matters, survey of property boundaries, geologic considerations including soils and seismic stability, civil, structural or other engineering, and identification of hazardous or toxic substances. Data furnished or obtained from public sources relative to these matters has been adopted and is assumed to be correct.

- Under the operating projection the property is assumed to be under responsible ownership and management.

- The definitions and assumptions upon which our analyses, opinions and conclusions are based are set forth in appropriate sections of this report and in this section and are to be part of these general assumptions as if included here in their entirety.

- The information furnished us by others and contained in this report is considered to be from reliable sources and, where feasible, has been verified; however, no responsibility is assumed for its accuracy. We reserve the right to modify the estimates of operating results should more reliable information become available subsequent to delivery of this report.

- The sketches, plot plans and drawings included in this report are included only to assist the reader in visualizing the property.

- There are no hidden or unapparent conditions in the property, soil, subsoil, or structures, which would render the site unsuitable for its intended use or would constrain the continued operation of the property. No responsibility is assumed for such conditions or for arranging for engineering studies, which would be required to discover them. The consultants are not construction, engineering, environmental, or legal experts, and any statement given on these matters in this report should be considered preliminary in nature.

- It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws, that all applicable zoning and use regulations and restrictions have been complied with or can and will be complied with, unless a nonconformity has been stated, defined and considered in the report, and that all required licenses, certificates of occupancy, legislated or administrative consents from any local, state or national government or private entity or organization have been or can be obtained for any use on which the estimates of future operating results contained in this report are based.

- The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey and analysis of the property to determine whether or not it is in conformity or can be brought into conformity with the various detailed requirements of the ADA. It is likely that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have an effect upon the capital spending plans for the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of ADA in estimating the results of future operations of the property.

- All estimates shown in the report are projections based on our analysis as of the date of the study. These estimates may not be valid in other time periods or as conditions change. We take no responsibility for events, conditions, or circumstances affecting the property's operation that take place subsequent to either the date of this report or the date of our field inspection, whichever occurs first.

- By reason of this report, we are not required to give further consultation, testimony or to be in attendance in court or at any governmental or other hearing with reference to the property without prior arrangements having been made relative to such additional employment.

- Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of TR Mandigo & Co. and in any event only with properly written qualifications and only in its entirety.

- The party for whom this report was prepared may distribute copies of this report only in its entirety to such third parties as may be selected by the party for whom this report was prepared; however, portions of this report shall not be given to third parties without our written consent. Liability to third parties will not be accepted.

- Neither all nor any part of the contents of this report shall be disseminated to the general public through advertising or sales media, public relations media, news media, or other public means of communication without prior written consent and approval of the consultant.

- In any case, this report is not intended for use in registered or unregistered security offering documents without consultation and an opportunity for a complete review of the use of the report and a review of all related documents.