MARKET DEMAND ANALYSIS

Proposed 392-Room Resort Hotel
to be Located within the Sand Canyon Country Club
Sand Canyon Road and Robinson Ranch Road
Santa Clarita, California

Client #18-487LA-0145

Mr. Kenneth Striplin
City of Santa Clarita
23920 Valencia Boulevard, Suite 300
Santa Clarita, California 91355

COMMERCIAL REAL ESTATE SERVICES

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March 12, 2019

Mr. Kenneth Striplin
City of Santa Clarita
23920 Valencia Boulevard, Suite 300
Santa Clarita, California 91355

Dear Mr. Striplin:

In accordance with our agreement, we have completed our analysis of potential market demand and prepared a statement of estimated annual operating results for the proposed 392-room Sand Canyon Resort & Spa to be located in Santa Clarita, California.

The conclusions reached are based on our knowledge of the competitive lodging market as of the completion of our fieldwork in October 2018 and this report during the period from December 2018 to February 2019. The following report summarizes our findings and reflects the conclusion of our analysis. As in all studies of this type, the estimated results are based upon competent and efficient management and presume no significant change in the competitive market from that as set forth in this report. Since our results are based on estimates and assumptions that are subject to uncertainty and variation, we do not represent them as results that will actually be achieved.

It is expressly understood that the scope of our study and report thereon do not include the possible impact of zoning or environmental regulations, licensing requirements or other restrictions concerning the project, except where such matters have been brought to our attention and are disclosed in the report.

The terms of this engagement are such that we have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of completion of our fieldwork; however, we are available to discuss the necessity for revision in view of changes in the economy or market factors which have a material effect on the proposed property.

This report was prepared for your internal use to assist you in analyzing the potential market position of the subject hotel. Neither our name nor the material submitted may be included in any prospectus or as part of any printed material or used in offerings or representations in connection with the sale of securities or participation interest to the public, without prior written consent. This report is subject to the Terms and Conditions presented in the Addenda, as well as to the assumptions presented herein.

We appreciate the opportunity of working on this assignment and look forward to answering any questions you may have regarding our findings and conclusions presented herein.

Sincerely,

Bruce Baltin
Managing Director
CBRE Hotels Advisory

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INTRODUCTION

INTRODUCTION

OVERVIEW OF THE MARKET STUDY

CBRE Hotels Advisory has been retained by The City of Santa Clarita to perform a study of the potential market demand for a proposed 392-room resort hotel to be located within the Sand Canyon Country Club located at the northeast of the intersection at Sand Canyon Road and Robinson Ranch Road in Santa Clarita, California. As a component of this analysis, after we have identified the potential market demand in the Santa Clarita lodging market and surrounding area, we have then provided our projections of the occupancy and average daily room rate the proposed subject could reasonably be expected to achieve for its first five years of operation. Given these projections, we have also estimated the subject's annual operating results including total operating revenues and expenses, net income from operations, and ratio to total revenues for approximately ten years of operation. For the purpose of our analysis, we have assumed the subject will be a 392-room independent resort hotel and that it would be open and available for occupancy by January 1, 2022. This report represents the culmination of our market research, analysis, and assessments relative to the potential market demand for the proposed hotel.

ASSUMPTIONS USED FOR PROJECTIONS

Our analysis was based on the following set of assumptions:

- The proposed hotel is to be located within the existing Sand Canyon Country Club located at 27734 Sand Canyon Road in Santa Clarita, California;
- The proposed hotel will contain 392 guestrooms;
- The subject will be an upscale independent resort hotel;
- The subject will offer facilities and services consistent with an upscale resort hotel; and,
- The hotel project will open on January 1, 2022.

METHODOLOGY

In conducting the study, we:

- Visited the subject site and had discussions with the City of Santa Clarita and the Sand Canyon Country Club manager;
- Assessed the impact of the proposed subject's accessibility, visibility, and location relative to demand generators and overall marketability;
- Analyzed the proposed subject's site, and prepared recommendations as to the optimal type of hotel to be developed on the site, including facilities and amenities that should be featured;
- Researched and analyzed current economic and demographic trends in Santa Clarita to determine the trends' impact on future lodging demand within the market;
- Identified the competitive supply of lodging facilities in Santa Clarita and other regional resort markets;

- Reviewed the historical performance levels for the competitive lodging supply on a composite basis;

- Estimated the anticipated growth in demand for, and supply of, lodging accommodations in the competitive market area;

- Determined the optimum positioning of a hotel to be located at the subject site within the competitive market and prepared a forecast of the potential annual occupancy and average daily rate for the first five years of operation of the proposed subject; and,

- Prepared a statement of estimated annual operating results for the subject hotel for approximately a ten-year period from January 1, 2022 through December 31, 2031.

Several sources were used in compiling the background information and preparing the analysis contained in this report. These resources included *Trends in the Hotel Industry*, published by CBRE Hotels; data on the local lodging market gathered through direct interviews with managers of the competitive properties; data provided by sources in the lodging chains with which the competitive properties are affiliated; and economic data on the region from various local governmental and planning entities.

AREA REVIEW

We gathered and analyzed relevant economic, demographic, and development data relative to the City of Santa Clarita and the Los Angeles County area. The purpose of this analysis was to ascertain the economic climate in which the proposed subject hotel will operate and create a basis for projecting future economic conditions as they relate to the proposed subject hotel.

MARKET RESEARCH

We have reviewed our database and conducted primary market research relative to the proposed hotel's competitive market and prepared a five-year history of occupancy and average daily rate trends. To obtain data on current conditions, market mix, and likely future results, we conducted primary research in the area including interviews with representatives of the competitive hotels and planning officials. Data on proposed projects was also researched and reviewed to determine the likelihood of future additions to supply.

PREPARATION OF MARKET SUPPLY AND DEMAND ESTIMATES

We analyzed historical growth and the characteristics of each of the principal segments of demand for lodging accommodations and researched the potential additions to supply. Then, using the information gathered in our research, we projected the growth in demand from 2018 to 2026 for the competitive market, and combined the estimated future supply and demand to reach our conclusions of the overall market potential.

SUBJECT OCCUPANCY AND AVERAGE DAILY RATE PROJECTIONS

After completing our estimates of the market area's supply and demand, we estimated the share of the market that the proposed subject hotel should reasonably be expected to capture for its first five years of operation. From this we derived its annual occupancy percentages. After considering the historical average daily rate trends in the market and the projected market position for the proposed hotel, the proposed property's average daily rate was projected from its estimated opening in 2022 through 2026.

ESTIMATED ANNUAL OPERATING RESULTS

Based on our analysis of market demand and the estimated occupancy and average daily room rates for the proposed hotel, we have estimated revenues and expenses for the hotel for its first ten years of operation. These estimates result in a "bottom line" of income before fixed charges of interest, depreciation, amortization, and income taxes.

SUMMARY OF CONCLUSIONS

Based on our existing knowledge of the Santa Clarita hotel market coupled with our research relative to this assignment, we are of the opinion that an opportunity exists for the development of a high quality, resort hotel at the subject site. The subject site is located in the City of Santa Clarita, California. As such, the subject hotel will be competing primarily within the Santa Clarita market for transient, corporate and leisure demand as well as group demand summarized as follows: 1) corporate/commercial transient demand generated from businesses located in Santa Clarita; 2) leisure transient demand generated by pleasure travelers visiting family, friends, and nearby attractions within the Greater Los Angeles area; and 3) group demand arising from business and SMERF meetings, and social events. We also recognize, however, that there is no high quality or destination resort property in Santa Clarita. Therefore, we have used an assortment of destination resorts, primarily in Southern California, of a similar finish-level and operating structure to compare to the projected results of the subject hotel. Due to the size of this resort in comparison to the existing product in the local market, we have also applied a two-phase opening: 1) a phase one opening on January 1, 2022 of the 244-room Main Hotel and the 78-room Spa Garden Inn, and 2) a phase two opening on January 1, 2025 of the 60-room Cliff Villas and the 10-room Golden Oak Family Villas. We anticipate that such a schedule this will allow the subject to establish a stable customer base and for the market to better absorb the new supply.

HISTORICAL MARKET PERFORMANCE AND MARKET SHARE ESTIMATES

We have analyzed the performance and mix of demand for the hotel properties with which the proposed subject is expected to compete. Considering economic and market indicators, we have estimated the market area's supply of and demand for hotel room nights and have estimated the share of the market that the proposed hotel should reasonably be expected to capture for its first five years of operation. Based upon an analysis of the sources of demand available to the subject property and its estimated competitive position, we have estimated the occupancy percentage and average daily rate that could potentially be achieved in a representative year, in current value dollars, and over the first five years of operation.

The following table outlines our estimates of occupancy, average daily rate, and the resulting revenue yield for the subject. It should be noted that figures are rounded to the nearest dollar amounts.

Projected Market Performance of the Subject Hotel											
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Average Daily Rate	Percent Change	REVPAR	Percent Change	Market Penetration	Revenue Yield
2022	117,530	N/A	74,200	N/A	60%	$320.00	3.0%	$192.00	N/A	86%	81%
2023	117,530	0.0%	80,300	8.2%	68	330.00	3.0	225.47	17.4%	98	92
2024	117,530	0.0	83,100	3.5	71	340.00	3.0	240.40	6.6	101	95
2025	143,080	21.7	99,100	19.3	69	380.00	12.0	263.20	9.5	99	101
2026	143,080	0.0	100,100	1.0	70	395.00	3.9	276.35	5.0	100	103
CAAG	6.8%		10.1%			5.9%		11.1%			

Source: CBRE Hotels; Subject Phase I opening date is assumed to be January 1, 2022 & Phase II opening date is assumed to be January 1, 2025

The estimates of revenues, costs, and expenses are based on the subject's specific facilities and services and their operational characteristics. As a basis for our projections, we have analyzed the operating results of lodging properties with similar characteristics that are believed to operate with efficient management and proper control of costs and expenses. The following table summarizes the estimated operating results for the first ten years of operation for the proposed 392-room resort hotel to be located in Santa Clarita, California.

Summary of Estimated Annual Operating Results			
Year	Total Revenue	Net Operating Income	Ratio to Total Revenues
2022	$39,519,000	$3,568,000	9%
2023	46,164,000	6,992,000	15
2024	49,655,000	8,155,000	16
2025	63,450,000	14,370,000	23
2026	66,662,000	15,806,000	24
2027	68,675,000	16,312,000	24
2028	70,715,000	16,805,000	24
2029	72,879,000	17,374,000	24
2030	75,070,000	17,923,000	24
2031	77,287,000	18,453,000	24

Note: Subject hotel assumed to open on January 1, 2022

Section II

ANALYSIS OF SITE LOCATION AND FACILITIES RECOMMENDATIONS

ANALYSIS OF SITE LOCATION

The subject site is located within the existing 27-hole golf course at Sand Canyon Country Club which is located at the northeast corner of Sand Canyon Road and Robinson Ranch Road in the City of Santa Clarita, California. The subject hotel will be located within the existing country club land in four components: the 244-room main hotel, 78-room Spa Garden Inn, 60-room Cliff Villas, and 10-room Golden Oak Family Villas. The project site's area is approximately 77.5 acres. The Robinson Ranch country club and golf course were built in 1999. After the Sand Canyon fire in July 2016, the club was purchased by Steve Kim and renamed the Sand Canyon Country Club.

The country club currently includes three nine-hole golf courses and an approximately 35,000-square foot clubhouse, including the Sycamore Bar & Grill.

Uses immediately surrounding the site include:

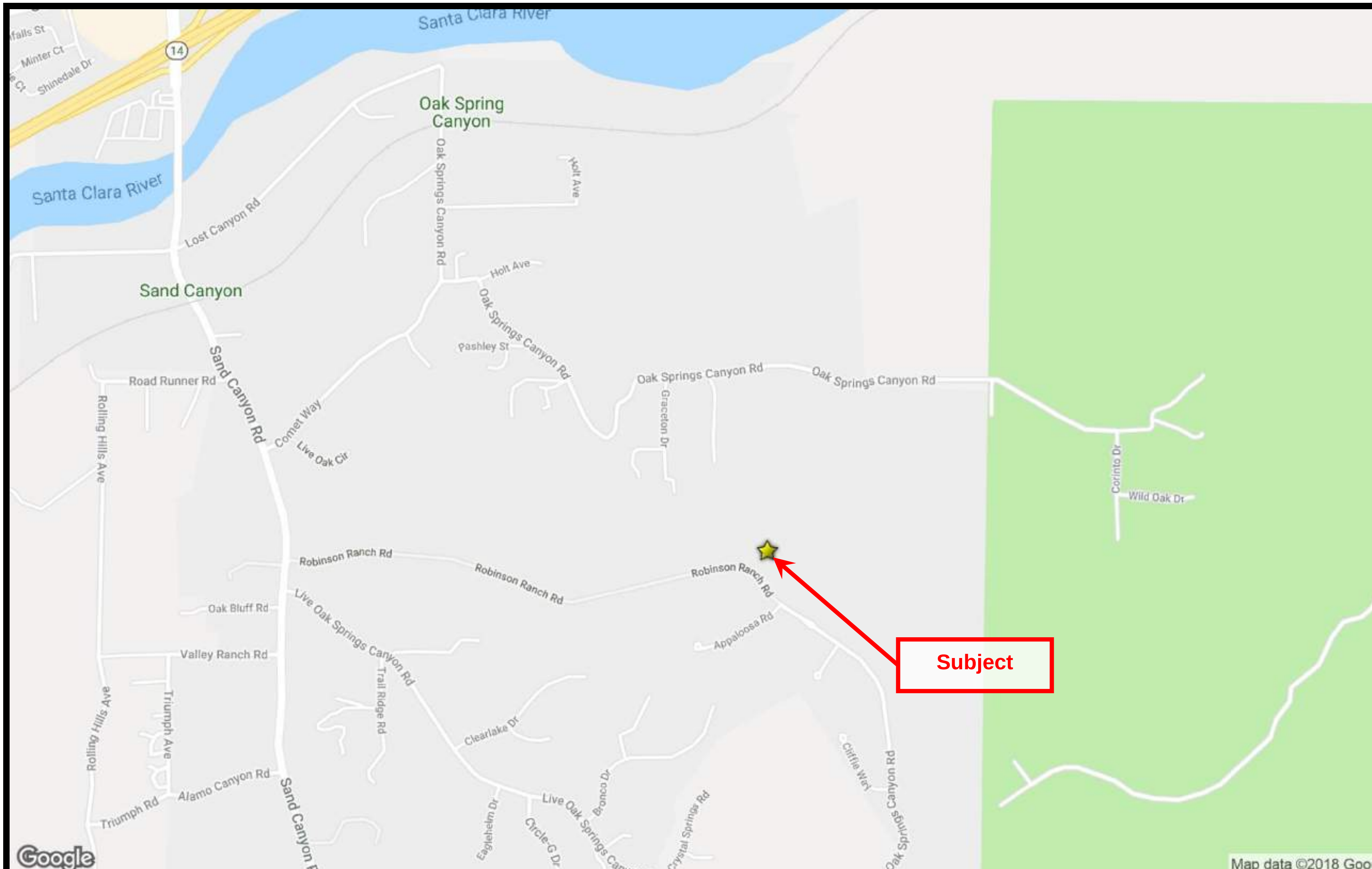
North: North of the subject is Oak Springs Canyon Road which is home to a few small industrial factories. The topography from the subject site heading north is mountainous and upward sloping such that there is practically no visibility of the subject. Further north is Oak Spring Canyon and Antelope Valley Freeway.

South: Directly south of the subject site is Robinson Ranch Road which is entirely residential and offers the direct access to the club. Further south of the area is one of the country club's golf courses and more residential housing.

East: The subject site is bounded to the east by the majority of the holes for the golf courses and the Sycamore Bar & Grill. Further east are the San Gabriel Mountains.

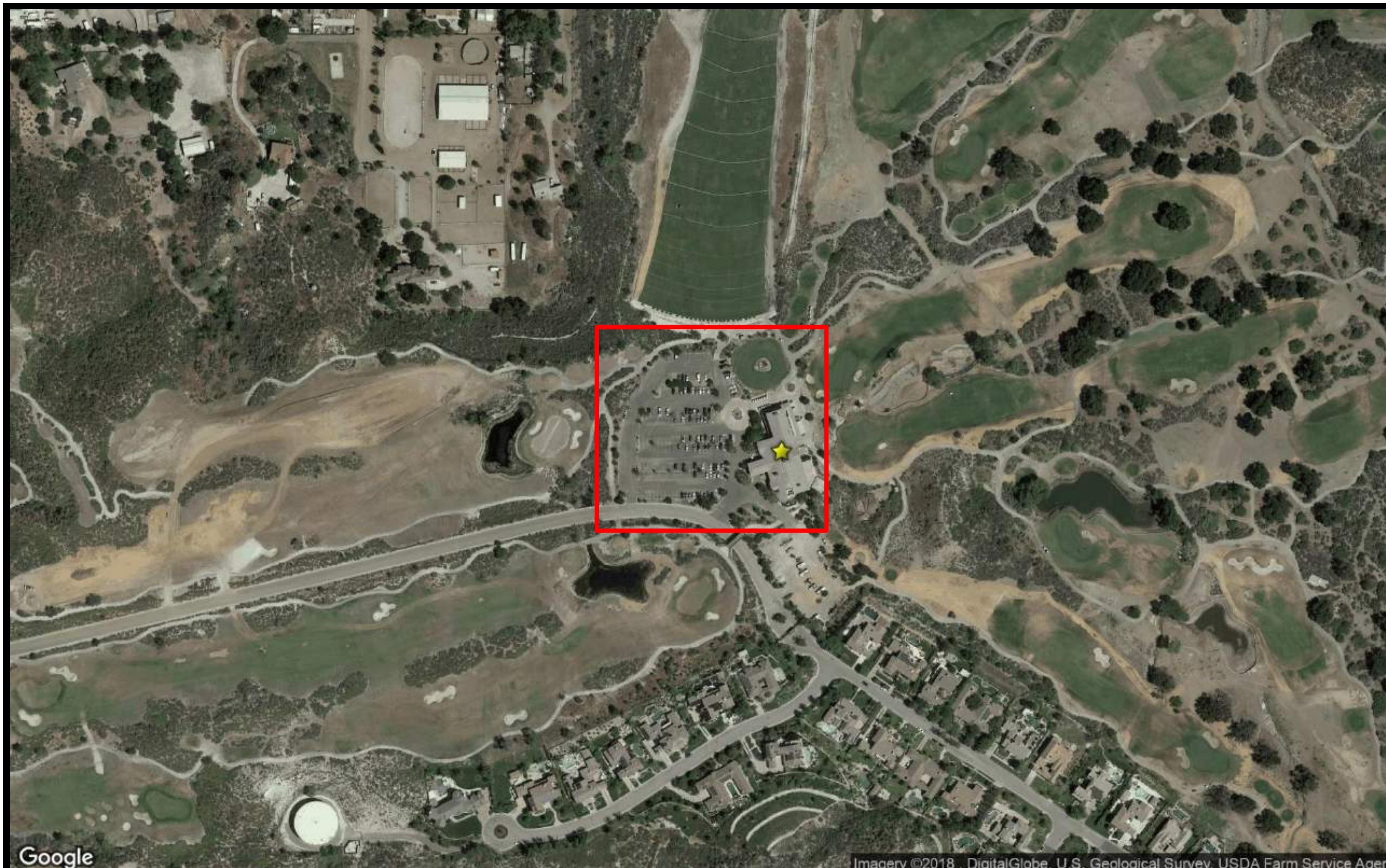
West: The subject site is bounded to the west by Sand Canyon Road followed by more residential areas. Further west the area is the small community of Humphreys.

An area map and aerial view illustrating the subject's location are presented in the following pages.



CBRE

Neighborhood Map



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Aerial View – Country Club

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Site Plan

ACCESS AND VISIBILITY

While the subject site benefits from adequate access, passerby traffic is somewhat limited, as the subject site slopes downward from Oak Springs Canyon Road and only a few golf holes are visible from the street. However, as the subject is anticipated to be positioned as a destination resort, these attributes are in fact wholly appropriate and advantageous. The subject site is approximately one mile south of the Antelope Valley Freeway, one of the two major thoroughfares serving Santa Clarita. Additionally, the subject site is approximately 10 miles east of the Interstate-5, which connects Santa Clarita with Los Angeles, and runs north up to the Canadian-Washington border and south to the California-Tijuana border. While there is no visibility to the center along the surrounding streets, there is signage along Sand Canyon Road which identifies the subject site. Assuming adequate signage, we believe that guests will easily locate the hotel.

Airport access to the subject is provided by the following four main airports.

Airport	Distance from Subject (miles)
Camarillo	40
Burbank	16
LAX	32
Santa Barbara	81

RELATIONSHIP TO DEMAND GENERATORS

Transient

Transient demand in the Santa Clarita lodging market is comprised of commercial and leisure demand with commercial travel comprising by far the largest amount of this segment. Commercial or corporate demand is generated by the variety of businesses in Santa Clarita. Some of the major firms represented in Santa Clarita include Six Flags, Princess Cruises, Boston Scientific, Woodward HRT, Cal Arts, Quest Diagnostics, and Aerospace Dynamics. Six Flags Magic Mountain opened in 1971 and in 2017 welcomed 3.37 million visitors to the theme park. While not a major tourist destination, Santa Clarita is surrounded by outdoor recreation amenities including the Santa Clarita Woodlands Park, Placerita Canyon Nature Center, the Quigley Canyon Open Space, biking, hiking, equestrian trails, parks, and golf courses.

Group

Group demand in Santa Clarita is made up of traditional, self-contained group business consisting of corporate meetings and functions, social groups, weddings, and sports leagues. A large source of the group room demand that is captured in this market is SMERF (Social, Military, Educational, Religious, and Fraternal) business, and film/television studios utilizing local hotels for film crews. Santa Clarita attracts television and film productions which are attracted to the city's dramatic mountain landscapes, rocky cliffs and production facilities (including six ranches within the City's Movie Ranch Overlay Zone), as well as its proximity to the large studios in Los Angeles County. Santa Clarita and the surrounding area includes several venues popular for weddings or other private events which generate group demand on the weekends during peak periods during the year. Nonetheless, based on our research, we are of the opinion that the Santa Clarita area remains underserved in terms of high-quality meeting and event space that can accommodate large groups.

SITE CONCLUSIONS

The subject site is well located with respect to demand generators in the market, as well as a demand generator itself. While the subject does not have visibility along any major thoroughfare, we assume existing awareness of the country club and adequate signage along Sand Canyon Road will provide sufficient visibility for hotel guests and the general public. The subject's location within the existing Sand Canyon Country Club and proximity to the incoming Vista Canyon and Sand Canyon Plaza developments will provide the subject hotel with an environment pleasing to business, leisure and group travelers.

FACILITIES RECOMMENDATIONS

INTRODUCTION

We have reviewed the available development options and the developer's preliminary plans for the site relative to our analysis of the site and the overall Santa Clarita lodging market. Given its location and positioning within the competitive market, we are of the opinion that the construction of a resort hotel will achieve good efficiency for the site and operational profitability. As noted previously, the proposed hotel will be located within the existing Sand Canyon Country Club.

Our comments concerning facility programming for the subject hotel are based on our analysis of the competitive hotels and the intended positioning of the subject within the competitive market. Based on our analysis of the site and competitive lodging properties, we found support for a 392-room resort hotel.

DESTINATION RESORTS

A destination resort is by definition a facility which has the ability to attract demand to a market place which otherwise would not come to the market if the resort did not exist. This distinction is important to note because it sets the resort apart from other types of lodging facilities. Other types of lodging facilities exist to serve the guests whose primary motivation for selecting a particular property is driven by the market in which they want to stay. Guests of destination resorts, however, tend to come to a particular market because of the attributes of a particular property located therein. After an analysis of the existing resorts in the competitive market, properties in surrounding communities and the proposed subject's location, we believe that it is not necessary for this hotel to be a branded property in order to attract high demand. We do, however, recommend that an experienced resort hotel operator manage the proposed property.

Guestrooms

Based on our market research, we found support for 392 rooms. Given the hotel's intended positioning, we believe the existing plans for guestrooms mix is appropriate. A breakdown of the different guestroom types and the four components they are located in is summarized below.

Main Hotel

Room Type	# of Rooms	Sq. Ft.
King/Dbl Q	239	410
Suite	9	780
Pres. Suite	2	2200
Total	250	109,410

Spa Garden Inn

Room Type	# of Rooms	Sq. Ft.
King	36	410
Dbl Q	36	410
Total	72	29,520

Cliff Villas

Room Type	# of Rooms	Sq. Ft.
2 BD	30	1519
3 BD	30	1519
Total	60	91,140

Golden Oak Family Villas

Room Type	# of Rooms	Sq. Ft.
4 BD	10	3294
Total	10	32,940

Individual guest units will offer king-size beds or two queen beds in approximately 400 to 425 square feet of guestroom space. We recommend that the guestrooms contain a 42" or larger flat-screen, remote-controlled television with cable TV and on-command movie options, ample sized working desk and chair; telephone with two lines and voicemail; complimentary wireless internet access; coffee maker; hairdryer; in-room safe; refrigerator/mini-bar; iron and ironing board; complimentary toiletries; and other amenities consistent with a high quality, resort hotel. The suites will be larger in size, approximately 750 to 800 square feet, and offer separate sitting areas. Villas will offer a separate dining and gathering area, as these will all have between two and four bedrooms to accommodate larger groups of guests. We believe villas should span from approximately 1,500 to 3,300 square feet. With the guestroom mix, the property should be able to accommodate a mix of demand from the business and leisure transient segment as well as the group market segment.

Food and Beverage

As we understand it, the proposed subject hotel will feature four food and beverage outlets: an Italian restaurant, an Asian grill, a family grill, and a sports bar all located within the function building. As an upscale resort hotel, a three-meal restaurant will accommodate both hotel guests as well as local patrons within the community. The quality and décor of the restaurant should be in line with the high-quality positioning of the subject hotel. An upscale dining option would attract additional publicity for the subject hotel and would be well positioned to capture demand generated by the guests of the hotel, as well as by local residents. The proposed square footage of the outlets is detailed below, and each is appropriately sized. Back of the house production areas would service all food and beverage outlets, including meeting rooms. These food and beverage facilities will allow the subject to capture substantial additional revenue, as well as provide additional amenities to guests from each segment.

F&B Outlets

Type	Sq. Ft.
Italian Restaurant	4,500
Family Dining Casual	4,080
Sports Bar	4,400
Asian Restaurant	2,200
Total	15,180

Meeting Space

We recommend the subject provide adequate meeting space to accommodate functions for SMERF (social, military, education, religious, fraternal) and corporate groups. The following table summarizes the existing meeting space available in the Santa Clarita hotel market.

MEETING SPACE FOR SANTA CLARITA HOTELS			
Hotel	Rooms	Meeting Space	Meeting Space Per
Hilton Garden Inn Valencia	152	2,496	16
Hampton Inn Valencia	128	460	4
Hyatt Regency Valencia	244	10,778	44
Holiday Inn Express Santa Clarita	118	552	5
Residence Inn Stevenson Ranch	90	4,966	55
Fairfield Inn Stevenson Ranch	66	4,970	75
Marriott Courtyard Santa Clarita	140	960	7
Embassy Suites Valencia	156	9,412	60
Total/Average	1,094	34,594	22.54

Given the recommended room count for the subject, the primary demand generators in the market, and the subject's positioning as a high-quality resort property, the proposed hotel is expected to offer approximately 19,100 square feet of dedicated meeting space, or approximately 50 square feet per guestroom. The hotel additionally has access to the 10,000-square feet of existing meeting space within the Sand Canyon Country Club. We believe the current planned size of the property's grand ballroom at 9,600-square feet places the subject is in a unique position to capture significant demand from groups and businesses that hitherto were unable find adequately sized meeting space in the Santa Clarita area. Most of the hotels in Santa Clarita are limited or select service hotels with either minimal or no meeting space. Additionally, the planned offering of meeting space will potentially create a new stream of destination business that has not previously considered Santa Clarita as a destination for events. We find the current meeting space planned for the subject to be reasonable given the positioning of the proposed subject as a resort hotel. All available meeting space should be equipped with wireless internet access, independently controlled lighting, and a good quality sound system.

Spa Facilities

As we understand it, the proposed subject hotel will feature a 31,380-square foot spa building adjacent to the function building. Within the building will be a separate men's and women's spa with lockers, in addition to 32 individual treatment rooms and a full fitness center complete with a gym, cycling room, and yoga room. This feature will allow the subject to capture more destination resort business and guests that are looking for a getaway retreat and pampering.

Other Facilities and Amenities

Additional guest services and amenities should also include wireless high-speed Internet access in public areas and guestrooms, business services, as well as separate outdoor pools for families and adults. The resort will also have a recreation area that will include a 9-hole, par 3 miniature golf course, a tennis court, six pickle ball courts, and children's playgrounds. A nursery, kid's club, and teen arcade will also be on-site for families that require childcare and/or supervision. The proposed subject will have 694 spaces of surface parking throughout the resort's campus.

Facility Conclusions

The planned facilities and amenities are expected to optimize the market position and performance of the hotel at the subject site. The type, size, and positioning of the proposed hotel accurately reflect the preferences of many travelers to the region and should allow the proposed hotel to capture an appropriate mix of business. Our market projections for the proposed subject assume these facilities, amenities, and services. Preliminary plans for the proposed subject hotel are included on the following pages.

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Site Plan

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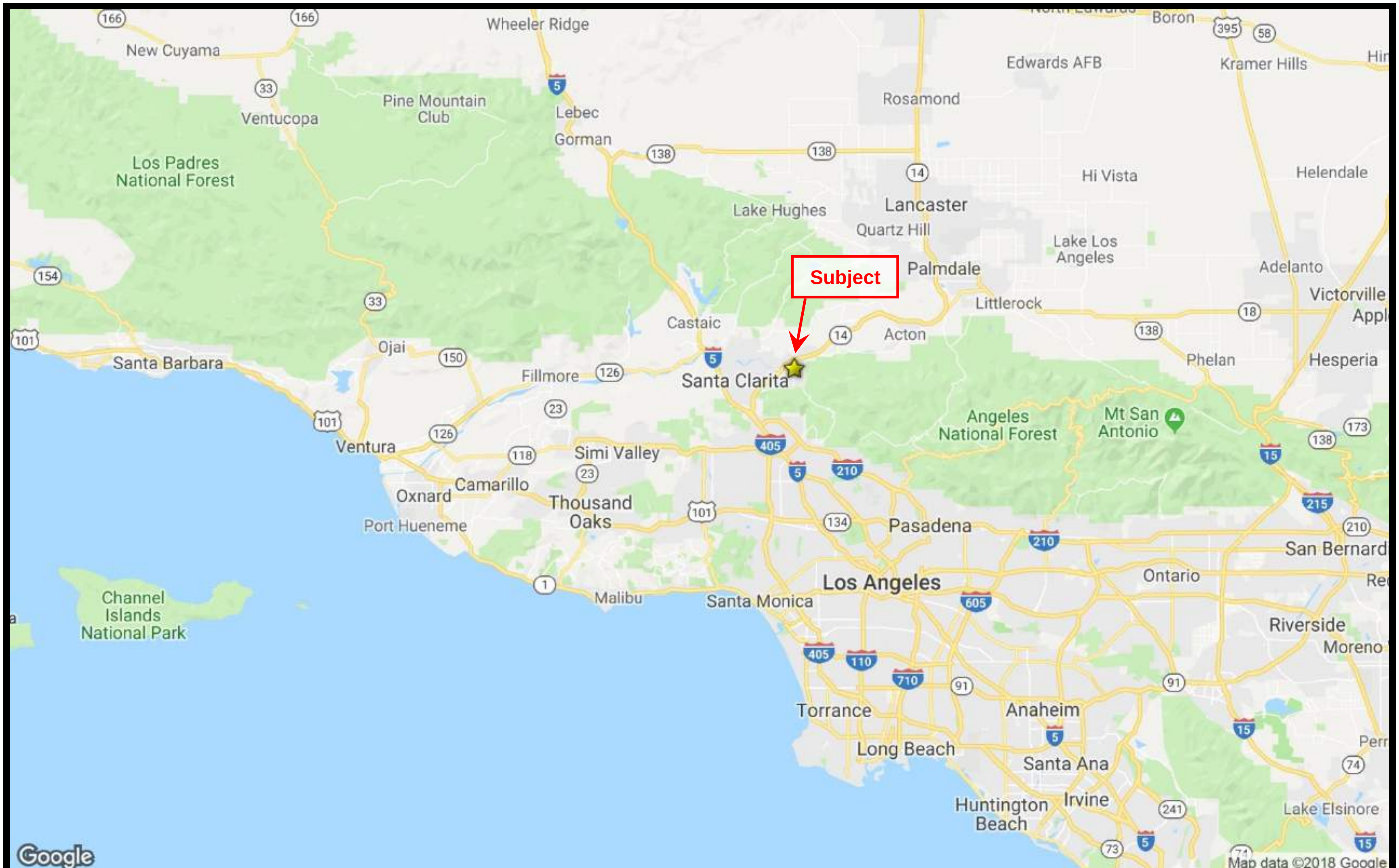
Main Entrance

Section III

AREA REVIEW



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Regional Map

AREA REVIEW

INTRODUCTION

The economic climate of the market area encompassing the subject property is an important consideration in forecasting hotel demand and income potential. Historical economic and demographic trends that highlight the amount of visitation or other travel-related indicators provide a basis for hotel demand projections. The subject site is located in the City of Santa Clarita, an incorporated city of Los Angeles County, California. The purpose of this section is to review available economic and demographic data to determine whether the subject site's regional and local market areas might experience future economic growth.

LOS ANGELES COUNTY OVERVIEW

Los Angeles County, otherwise referred to as the Los Angeles-Long Beach Metropolitan Statistical Area (MSA), includes 88 incorporated cities, covers an area of 4,752 square miles, and as of January 2018, had an estimated population of approximately 10.3 million people. In the past 80 years, the county has evolved into a large commercial/ industrial urban community and has become the business and financial center of California and the Western United States. The regional economy has become more diversified with a larger number of people employed in services, home-based businesses, motion picture production, computer software development, and other professional services. Recent growth in regional employment has been driven chiefly by gains in education and health services, construction, and government segments of the economy. Overall regional economic activity had increased significantly over the last year. By measure of GDP alone, L.A. County would be larger than Sweden, Norway, Poland, Belgium or Taiwan.

Los Angeles County typically acts as an excellent barometer for the performance of the greater Southern California lodging market. As the largest and most diverse of the major Southern California markets, individual hotel performance often greatly varies. However, when taken as a whole, the growing pains and opportunities of the Los Angeles County area often reflect those seen in other areas.

According to the Employment Development Department of California, Los Angeles County finished 2017 with a 4.7 percent unemployment rate, down from 5.0 percent in 2016, and nearly a third the peak rate of 12.5 percent reached in 2010. It is expected to decrease slowly over the next two years, falling to 4.3 percent in 2018 reaching 4.1 percent in 2019 as the county reaches full employment. As of December 2018, the unemployment rate in Los Angeles County was 4.8 percent, compared to 4.5 percent in December 2017.

County employment is projected to grow at an average annual rate of 1.5 percent over the next five years, adding 334,000 jobs across a range of industries. Employment in goods-producing industries is projected to grow at an average annual rate of 0.5 percent over the next five years. The growth of employment in construction will more than offset the decline in manufacturing. Service-providing industries will grow at an annual average rate of 1.9 percent from 2015 to 2020, driven in large part by growth in educational and health services, professional and business services, and leisure and hospitality. As the unemployment rate continues to fall, it is expected that the labor market will tighten, and wage growth will finally begin. In general, occupations requiring higher levels of educational attainment are those that will experience the largest wage increase.
Initially approved in July and formally adopted in September 2015, the Los Angeles County Board of Supervisors adopted an ordinance to raise the minimum wage to $15 per hour by 2020,

following Los Angeles City Council's and other U.S. cities' similar decisions to raise their minimum wages. It is uncertain what economic impact a minimum wage increase would have on the region's growth. Additionally, an insufficient supply of housing priced within reach of low and middle-income households may make it difficult for firms to attract an adequate number of workers to keep the economy growing.

Los Angeles International Airport (LAX), the busiest airport on the West Coast, is a bustling domestic stop and an important international hub. The airport has an enormous impact on tourism and travel in the greater Los Angeles area, as many international tourists use LAX as a gateway to the United States. The following table shows the history of passenger travel at Los Angeles International Airport.

Los Angeles International Airport Passenger Counts

Year	Domestic	International	Total
2009	41,400,000	15,100,000	56,500,000
2010	43,100,000	15,900,000	59,100,000
2011	45,100,000	16,700,000	61,800,000
2012	46,500,000	17,200,000	63,700,000
2013	48,800,000	17,900,000	66,700,000
2014	51,600,000	19,100,000	70,700,000
2015	54,200,000	20,700,000	74,900,000
2016	58,100,000	22,900,000	81,000,000
2017	59,700,000	24,800,000	84,500,000
2018	61,500,000	26,100,000	87,500,000
CAAG	4.0%	5.6%	4.5%
YTD Jan-18	4,607,046	2,080,061	6,687,107
YTD Jan-19	4,684,678	2,086,493	6,771,171

Source: Los Angeles World Airports and CBRE Hotels

Passenger travel at LAX has grown significantly during the observed period and surpassed pre-recession passenger counts. From 2009 to 2018, overall total passenger counts increased by an annual average of 4.5 percent, and recently reached a record level of over 87.5 million passengers. International passenger growth has increased at a higher rate than domestic with a 5.6 percent annual average.

LAX Modernization

Los Angeles World Airports (LAWA) is in the midst of a multi-billion-dollar development program for Los Angeles International Airport (LAX). The centerpiece of the program is the recently completed Tom Bradley International Terminal Modernization (TBIT) Project which includes new gate and concourse areas and a great hall for luxury dining and retail. LAWA also completed a $737 million renovation in 2010 of the existing TBIT that upgraded the facility with a new in-line baggage screening system and interior improvements to enhance service and convenience to the passengers and tenants who use LAX's premier international terminal. Additionally, there are several major airfield and facility projects underway that are in support of the development program. These include a new Central Utility Plant, new taxiways and taxi lanes, and renovations to other terminals.

The renovation to Tom Bradley International Terminal included nine new gates big enough to accommodate the Airbus A380, the world's largest passenger airliner. Furthermore, the waiting areas have been upgraded with new furniture, massive art displays, and more than 60 local and luxury restaurants and shops. With the latest expansion, the terminal nearly doubled in size from

1.2 million square feet to 2.2 million. Phase II of the renovation, which was completed in 2015, added nine more gates and included updates to the security and customs areas.

In addition, other planned renovations include the $270 million Elevator, Escalator, and Moving Walkway project that will replace or refurbish 212 outdated systems with new, modern units throughout the airport; the $613 million In-Line Baggage Handling & Screening System program will improve and automate the security screening of checked baggage at all LAX terminals and will make travel through LAX safer, faster and more convenient. The total scope of the program covers all nine LAX terminals. Terminal 1 is undergoing a $509 million renovation in collaboration with Southwest Airlines which will modernize the terminal's outdated equipment and infrastructure, double the amount of available concessions, create a brighter more open lobby, and introduce an automated system to handle checked bags. The project began in the summer of 2014 and was completed in November 2018. Other terminal renovations and updates include a $573 million renovation of Terminals 7 and 8 by United Airlines were completed in 2018; $1.6 billion of investment into Terminals 4 and 5 by American Airlines over the next 15 years; a new $1.6 billion 12-gate satellite terminal behind Tom Bradley International Terminal that is expected to be completed next year.

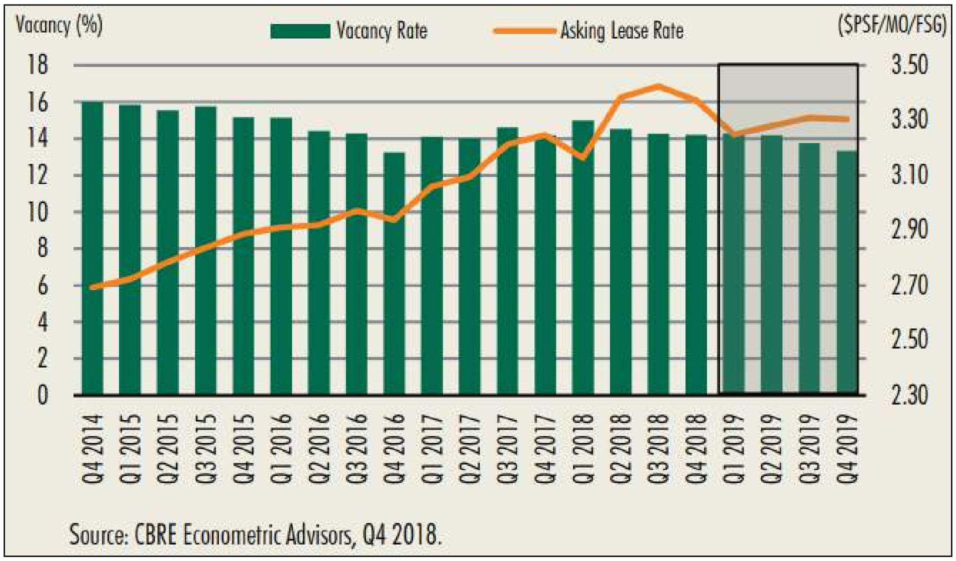
In addition, LAWA is developing a multi-billion-dollar, revolutionary update to the ground transportation system at LAX. The Landside Access Modernization Program (LAMP) includes several major elements, including a landside Automated People Mover (APM), a Consolidated Rent-A-Car (CONRAC) facility, multiple Intermodal Transportation Facilities (ITFs), and a comprehensive network of roadway improvements. At the centerpiece of the Project is the APM system, which would connect passengers to the airline terminals via six stations, the state-of-the-art CONRAC, new passenger pick-up and drop-off locations (Intermodal Transportation Facilities) with airport parking facilities, roadway improvements, and Metro's regional transit system. The APM would allow for a seamless connection to Metro's regional rail and bus system, including the proposed Airport Metro Connector transit station located at 96th Street/Aviation Boulevard. LAWA will also construct new roadways and improve freeway access to LAX. Construction is anticipated to commence in March of this year and be completed in phases from 2020 to 2023. Metro also has plans to extend the Green Line into the new Torrance transit center. The 4.6-mile extension of the light rail line, which currently ends at the northern border of Redondo Beach, would allow riders to connect to LAX via the future automated 96th Street Station.

Office Market

Office market activity is an excellent indicator of the county's economy. According to CBRE, the Los Angeles County office market consists of the Tri-Cities/Glendale, Los Angeles Downtown, Hollywood/Wilshire Corridor, San Fernando Valley, San Gabriel Valley, Mid-Counties, South Bay, and West Los Angeles submarkets. At the end of 2018, net absorption was approximately 2.4 million square feet, which marked eight straight years of positive net absorption.

Asking lease rates fluctuated across Greater Los Angeles (GLA) submarkets quarter over quarter, but the overall GLA asking lease rate increased 3.9 percent year-over-year supported by declining vacancy, a strong labor market and high levels of pre-leasing at projects under construction. The market's annual overall 2.4 million square feet of positive net absorption exceeded its five-year average. Tech and media companies grabbed big blocks, but a diverse group of industries including entertainment, health care, aerospace and education were also among the 14 deals signed in 2018 greater than 100,000 square feet.

The following table summarizes the Greater Los Angeles office market performance from the fourth quarter of 2014 to the fourth quarter of 2018, along with CBRE's 12-month forecast.



REGIONAL INFRASTRUCTURE

Los Angeles is located within 500 miles of several large metropolitan areas including San Francisco, San Diego, Sacramento, Phoenix, and Las Vegas. The transportation infrastructure of the region consists of a wide range of services and facilities including regional and international airports, the Ports of Los Angeles and Long Beach, an extensive freeway system, and numerous railroad and bus transit lines. Each component of the region's transportation system is reviewed in the following discussion.

Port of Los Angeles/Long Beach

The Port of Los Angeles is 25 miles south of Downtown Los Angeles and is one of the West Coast's gateways to international commerce. It ranks as the busiest port in the U.S. and nineteenth busiest in the world. The Port of Los Angeles is located in San Pedro Bay and encompasses 7,500 acres, 43 miles of waterfront and features two passenger terminals and 21 cargo terminals, including container, automobile, and dry and liquid bulk. In 2018, these 21 terminals handled 9.5 million TEUs (Twenty-foot equivalent units), a 1.2 percent increase over the amount handled in 2017. In 2018, the Port moved in excess of an estimated 200 million metric revenue tons—an increase of at least 1 percent. The port generates approximately 1 in 13 jobs in Los Angeles, 1.6 million jobs in the United States and $5.8 billion in local and state tax revenue.

The Port of Long Beach, directly next to the Port of Los Angeles, is the second busiest port in the U.S. only behind its sister Port of Los Angeles. With 3,200 acres of land and 4,600 acres of water, the port features 22 shipping terminals that handle nearly one-third of all loaded containers passing through California's ports. On an annual basis, the Port of Long Beach handled approximately 8.1 million TEUs in 2018. This is 7.2 percent more than from 2017, the Port's busiest year ever. The port generates 466,000 jobs in Southern California, and 1.2 million jobs throughout the U.S.

Rail and Bus

Amtrak and Greyhound serve Los Angeles and the Southern California region in providing nationwide passenger train and bus service.

Los Angeles continues to expand its passenger rail line capabilities with the Metropolitan Transportation Authority (MTA) opening up passenger rail lines, many of which are subterranean, that extend from Downtown Los Angeles to locations throughout Los Angeles County. Estimates from January 2019 place combined rail and bus ridership at average weekday boardings of approximately 1.1 million and average Saturday, Sunday, and Holiday boardings (combined) of approximately 1.2 million.

Metro Rail is the rapid transit rail system consisting of six separate lines (Red, Purple, Blue, Expo, Green, and Gold lines) serving more than 80 stations in the Los Angeles County, California area. It connects with the Metro transit-way bus rapid transit system (Orange line and Silver lines), as well as the Metrolink commuter rail systems. The system, which has an average daily weekday ridership of 349,572 as of January 2019, is owned and operated by the Los Angeles County Metropolitan Transportation Authority (MTA) and started service in 1990. It has been extended significantly since that time and several further extensions are either in the works or being considered.

The MTA is accelerating 12 new expansion projects of the MetroRail as part of their 30/10 initiative, which will use Measure R sales tax revenues to fund completion of 30 years' worth of construction in only ten years. The 30/10 initiative is projected to create 160,000 new jobs, and on an annual basis add 77 million boardings, decrease mobile source pollutions by 521,000 pounds and gasoline by 10.3 million gallons, and reduce vehicle miles traveled by 191 million. The map below shows current MTA rail lines and projected new lines from the 30/10 Initiative. Expansions to the first half of the Gold Line (F) reopened and the completion of the Expo Line (G) extension to Santa Monica began operating in May of 2016.

In addition to commuter rail, Union Pacific and other rail lines provide freight capability from extensive rail yards just east of Downtown Los Angeles.

TOURISM INDICATORS

According to the Los Angeles Tourism & Convention Board, Los Angeles reached a historic milestone in 2018, welcoming 50 million visitors for the first time ever and accomplishing the destination's ambitious tourism goal two years early. The new record is 1.5 million visitors higher than 2017's total – a 3.1 percent increase – marking the eighth-consecutive year of tourism growth for Los Angeles. In surpassing 50 million total visitors, Los Angeles set new tourism records for domestic and international visitation, hosting an estimated 42.5 million domestic visitors (3.0 percent increase) and 7.5 million international visitors (3.6 percent increase). After a slight decrease in 2017, visitation from Mexico in 2018 scored its highest total ever with 1.8 million visitors, a 4.0 percent increase. China recorded an all-time high 1.2 million visitors, making Los Angeles the number one ranked U.S. city for Chinese travelers (6.9 percent increase, the largest net gain among all international markets). Other international markets recording their highest visitation totals ever in 2018 include: Canada with 780,000 (4.5 percent increase); United Kingdom with 382,000 (3.0 percent increase); Japan with 349,000 (2.5 percent increase); Scandinavia with 180,000 (3.9 percent increase); and India with 130,000 (5.1 percent increase).

According to the most current economic data available, in 2017, direct tourism spending is estimated to have risen to $22.7 billion, a 9.1 percent increase over 2016. The tourism board notes that nearly one-third of the total was spent by foreign visitors since they tend to stay longer and spend more per person. These numbers represent an all-time high for both visitors and spending in the history of the county, although given the recent announcement of a record setting 50 million visitors to Los Angeles in 2018, expectations are that visitor expenditures will exceed 2017 records. The following table summarizes the number of overnight visitors to Los Angeles County and their direct spending between 2004 and 2017.

Overnight Visitor Volumes and Expenditures
Los Angeles County

Year	Overnight Visitation (Millions)	Percent Change	Direct Spending (Billions)	Percent Change
2004	24.3	-	$12.3	-
2005	25.0	2.9%	13.4	8.9%
2006	25.4	1.6	14.0	5.4
2007	25.9	2.0	15.8	4.4
2008	25.7	(0.8)	15.3	(2.8)
2009	23.8	(7.4)	13.1	(14.5)
2010	26.1	9.7	14.5	19.5
2011	27.0	3.4	15.5	7.8
2012	27.9	3.3	16.6	7.1
2013	28.5	2.2	17.5	6.1
2014	29.5	3.5	18.7	4.4
2015	30.3	2.7	19.6	10.8
2016	31.1	2.6	20.8	6.1
2017	31.9	2.9	22.7	9.1

Source: CIC Research and Los Angeles Tourism & Convention Board

L.A.'s tourism growth can be attributed to several factors including a 3.6 percent increase in international seat capacity at LAX; nearly 2,000 new rooms added to the destination's hotel inventory; L.A.'s growing reputation as a hot culinary and cultural destination; as well as L.A. Tourism's latest global campaign, 'L.A. Loves' which extended and amplified a message of welcome and hospitality following the acclaimed 'Everyone is Welcome' initiative.

Los Angeles Convention Center

The main demand generator for large convention and meeting activity in Los Angeles is the Los Angeles Convention Center (LACC), which contributes a large number of annual group room nights to the Los Angeles hotel market. The center offers approximately 720,000 square feet of exhibit hall space and 150,000 square feet of meeting space split between its two halls. Its enclosed space makes it one of the largest meeting and convention facilities in the country. The Los Angeles Convention Center is owned and historically has been operated by the City of Los Angeles. However, its operation has been privatized and AEG assumed management of the Center as of

December 8, 2013. The following table presents the actual and projected room nights generated by the Los Angeles Convention Center through 2021, based on definite convention bookings as of February 4, 2019.

Los Angeles Convention Center
Current and Projected Activity

Year	Definite[1]	Tentative[2]	Prospect[3]	Total Room Nights
2009	178,376			178,376
2010	207,320			207,320
2011	256,529			256,529
2012	290,528			290,528
2013	187,623			191,823
2014	212,586			212,586
2015	202,431			202,431
2016	244,303			244,303
2017	286,402			286,402
2018	286,019			286,019
2019	233,649	2,214	12,340	248,203
2020	178,710	107,843	85,002	371,555
2021	92,704	89,836	113,813	296,353

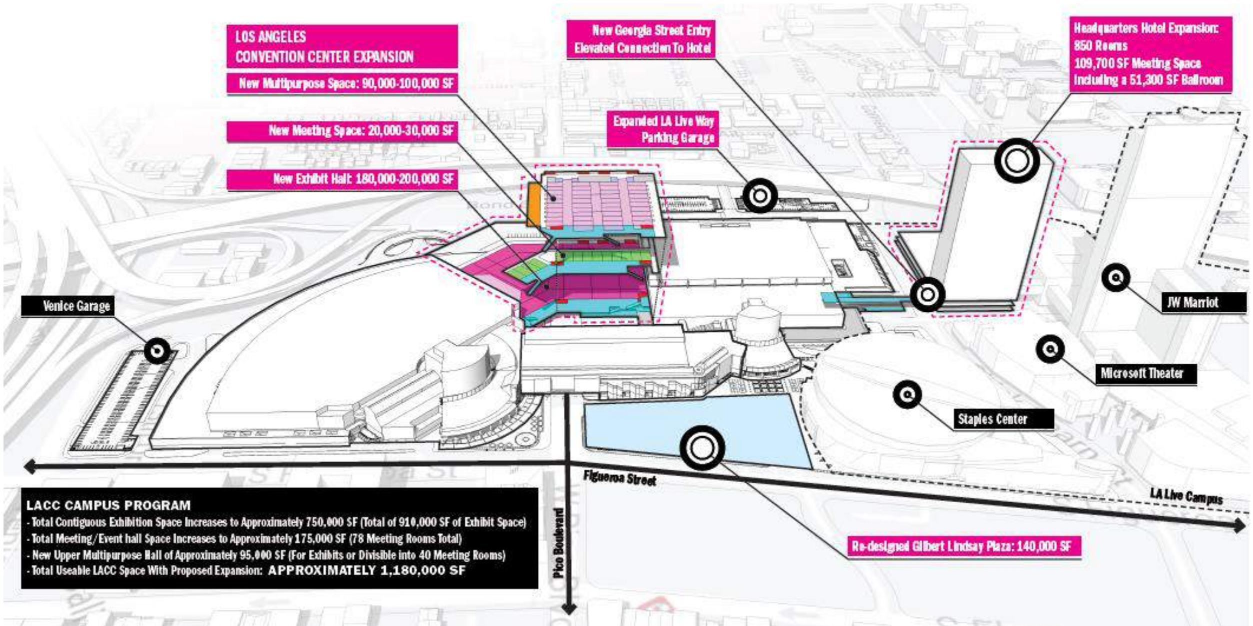
[1]Contracted peak and total rooms for executed LACC License Agreement.
[2]An executed Letter of Agreement.
[3]A group considering Los Angeles as a meeting destination for which a Sales Lead has been issued.
Source: Los Angeles Tourism & Convention Board and CBRE Hotels

Los Angeles Convention Center Renovation

The City of Los Angeles is committed to expanding and modernizing the LACC while improving the hotel room supply within walking distance. The realization of these two major goals, combined with capital improvements and enhancements the City has already invested in previous years, will result in the facility's performance and offerings exceeding its own recent record-breaking years. Currently, the Chief Legislative Analyst of the City of Los Angeles is nearing the end of an exploration effort to determine the best financing and development solutions appropriate for the project.

More recently in May of 2018, Anschutz Entertainment Group sent city officials a letter outlining the proposal, which would require city tax incentives and has already received preliminary support from Mayor Eric Garcetti and City Councilman Curren Price, whose district includes the convention center. The plan calls for adding as much as 350,000 square feet to the South Figueroa Street center, giving it more than 1.2 million square feet of space, including 250,000 square feet of meeting rooms. The $500-million addition would result in about 800,000 square feet of contiguous exhibition space, a key measure that would make it more competitive with other big convention venues in the country.

The proposal also calls for a $700-million addition to the JW Marriott Los Angeles L.A. Live hotel on Olympic Boulevard. A 40-story hotel tower with 850 rooms would be built just south of L.A. Live's Regal Cinemas complex and would be connected by pedestrian bridges to the existing JW Marriott and the West Hall of the convention center. The hotel project would add significantly more meeting space, including a 51,000-square-foot ballroom that AEG says would be the largest in Los Angeles. A visual representation of the proposed $1.2 billion hotel and convention center expansion is presented below.



Lodging Market Forecast

The following discussion is taken from CBRE Hotels' Americas Research *Hotel Horizons®, March 2019 – May 2019 Edition* for all hotels in the Los Angeles market. The historical data (2014 through 2018) is provided by STR Inc., while the projections were developed by CBRE Hotels' Americas Research.

In 2018, Los Angeles hotels finished the year with a RevPAR gain of 1.9 percent. This was the result of a minor decline in occupancy of 0.3 percent and a 2.2 percent gain in average daily room rate (ADR). Los Angeles' upper-priced properties finished 2018 ahead of its lower-priced properties in terms of RevPAR growth. The properties in this category attained a 0.6 percent gain in ADR and saw a 0.7 percent increase in occupancy. Lower-priced hotels experienced an ADR growth rate of 2.7 percent, along with a 1.6 percent loss in occupancy. Looking towards 2019, Los Angeles RevPAR is expected to grow 3.2 percent. Occupancy is forecast to rise 1.0 percent, while average room rates are projected to increase 2.1 percent. Revenue is expected to continue to climb in 2020.

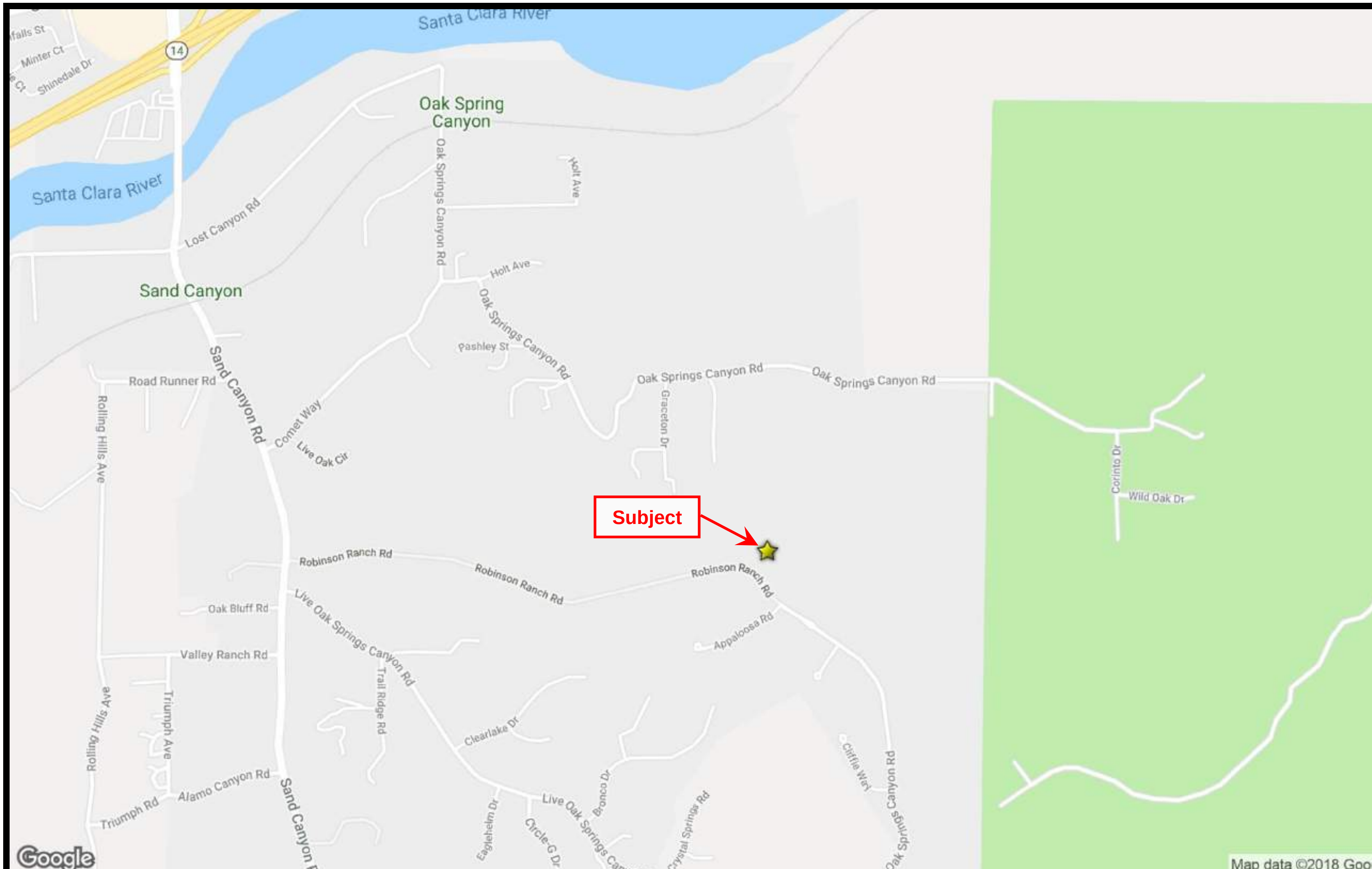
Los Angeles Forecast Summary

YEAR	OCC	△ OCC	ADR	△ ADR	REVPAR	△ REVPAR
2014	78.7%	2.6%	$147.40	7.5%	$115.95	10.4%
2015	79.4%	1.0%	$158.67	7.6%	$126.06	8.7%
2016	81.0%	2.0%	$172.67	8.8%	$139.95	11.0%
2017	79.9%	-1.5%	$176.28	2.1%	$140.76	0.6%
2018	79.6%	-0.3%	$180.15	2.2%	$143.47	1.9%
2019F	80.5%	1.0%	$183.94	2.1%	$148.00	3.2%
2020F	79.9%	-0.7%	$188.46	2.5%	$150.52	1.7%
2021F	78.7%	-1.4%	$188.82	0.2%	$148.66	-1.2%
2022F	79.1%	0.5%	$192.36	1.9%	$152.20	2.4%
2023F	79.7%	0.7%	$195.89	1.8%	$156.04	2.5%

Source: CBRE Hotels Americas Research, STR, Q4 2018

AREA CONCLUSIONS

Los Angeles County is one of the most populous counties in the nation and is home to some of the biggest entertainment and media companies. During the last five years, the county has experienced strong economic growth, with Los Angeles being one of the top cities in which to do business. Los Angeles' strong economy has attracted investment and makes the county a viable place to do business. The outlook remains positive as economic activity is expected to continue to increase the remainder of this year and beyond.



Neighborhood Map

NEIGHBORHOOD ANALYSIS

CITY OF SANTA CLARITA OVERVIEW

The City of Santa Clarita encompasses 52.8 square miles and is surrounded by the Santa Clara River to the north, the San Fernando Valley to the south, the San Gabriel Mountains to the east, and Stevenson Ranch to the west.

The city is located in the northwestern corner of Los Angeles County. Santa Clarita is considered a commuter bedroom community feeding the larger cities within Ventura County and Los Angeles County. The city's proximity to Los Angeles allows it to offer a unique blend of rural and urban lifestyles. Santa Clarita is home to more than 30 parks, several public and private golf courses, and state-of-the-arts performance venues at the California Institute of the Arts. Santa Clarita is consistently rated as one of the safest cities in the United States. The city also attracts feature film and television productions.

History

Santa Clarita was originally inhabited by the Tataviam Indians in 450 AD. When the Spaniards arrived on horseback in 1769, the city was named after the river that flowed to the north, St. Clare. When the river was later referred to as "little" Santa Clara, the surrounding area subsequently took on the name of Santa Clarita. This area has always been one of the most picturesque in the valley.

Employment and Labor Force Trends

The City's commercial and industrial base continues to be diverse. The main demand generators for hotels in the area are smaller firms located in light industrial parks throughout the city. Nevertheless, the following table outlines the major private employers in Santa Clarita.

Santa Clarita
Private Employers in 2017/18

Firm or Organization	Employees
Six Flags Magic Mountain	3,200
Princess Cruises	2,096
Henry Mayo Newhall Memorial Hospital	2,052
Boston Scientific	1,000
The Master's College	760
Wal-Mart	730
Cal Arts	700
Woodward HRT	680
Quest Diagnostics	648
Aerospace Dynamics	617

Source: Santa Clarita Comprehensive Annual Financial Report, FY 2017/18

According to California's Employment Development Department, as of December 2018 Santa Clarita's labor force comprised approximately 99,500 people and the unemployment rate was 4.6 percent. By comparison, during the same period the labor force for Los Angeles County is 5,188,700 people with an unemployment rate of 4.6 percent.

INDUSTRIAL MARKET

As noted previously, CBRE Econometric Advisors (CBRE EA) is an independent research firm owned by CBRE, which provides research, data and analytical tools for industrial real estate markets across the nation. According to CBRE EA, the subject is in the Santa Clarita industrial submarket. The following table shows industrial market history and forecast for the Santa Clarita submarket. The historical period covered is from 2007 through 2017. The forecast period is 2018 through 2022.

Industrial Market Statistics
Santa Clarita

Year	Total Sq. Ft. (Thousands)	Availability Rate	New (Sq. Ft.)	Net Abs. (Sq. Ft.)	Rent PSF/Yr
2007	11,227	9.9%	15	-601	$9.67
2008	11,330	16.1	103	-607	11.00
2009	11,470	19.2	140	-242	9.74
2010	11,470	18.0	0	133	9.04
2011	11,470	20.3	0	-254	9.09
2012	11,513	16.9	43	416	8.96
2013	11,513	17.7	0	-83	8.71
2014	11,513	10.8	0	791	9.42
2015	11,513	10.0	0	95	9.53
2016	11,513	8.5	0	169	9.88
2017	11,666	2.2	153	880	11.14
2018	11,734	2.5	68	21	11.64
2019	11,928	3.8	194	40	11.87
2020	12,099	5.1	171	3	11.91
2021	12,255	5.9	156	57	11.98
2022	12,407	5.8	152	154	12.26

Source: CBRE Econometric Advisors, 4Q 2017

As indicated in the table, this industrial submarket is comprised of approximately 11.7 million square feet of space as of year-end 2017. Note that Econometric Advisors' "availability rate" includes direct vacant space, sublease space, and occupied space which will become available within six months. The availability rate peaked at 20.3 percent in 2011 as the area was still recovering from the impact of the Great Recession. Net absorption, the net change in occupied space, was negative for three consecutive years from 2007 through 2009 and was negative again in 2011 and 2013, respectively. Net absorption has been positive for four consecutive years through year-end 2017. With minimal new deliveries during this period, the availability rate was driven to a very low 2.2 percent by year-end 2017. Net absorption was a robust 880,000 square feet in 2017. Rents for industrial space reached a low of $8.74 per square foot per year in 2013. Since that time rental rates have increased for four consecutive years with the year-end 2017 rate reaching $11.14 per square foot per year. By comparison, the overall Los Angeles County industrial market reported a year-end 2017 availability rate of 5.3 percent and a rental rate of $9.50 per square foot per year.

REGIONAL INFRASTRUCTURE

Santa Clarita offers a complete transportation infrastructure and a wide range of services and facilities including the nearby Los Angeles MetroLink Antelope Valley Line, and the Ronald Reagan Freeway (118), and connects to the 405 freeway, which provides access to all parts of California. There are two main thoroughfares serving Santa Clarita: Interstate 5 and the Antelope Valley Freeway. These allow guests easy access throughout Southern California and to employment centers, high-quality entertainment and shopping areas, local beaches, and downtown Los Angeles.

The City is also served by multiple bus transit lines, including the Santa Clarita Fixed Route Service, a public transport agency serving Santa Clarita and other communities within Los Angeles County. The MetroLink Antelope Valley Line runs through Santa Clarita and connects the downtown Los Angeles and Lancaster.

Demographic Overview

Population

The population of Santa Clarita has increased at an annual rate of 2.2 percent since 2010, increasing from a population count of 177,641 in 2010 to 216,589 in 2018. The following table illustrates the historical growth in population since 2010.

City of Santa Clarita
Population Estimates
2010 - 2018

Year	Population	% Change
2010	177,641	N/A
2011	176,971	-0.4%
2012	177,445	0.3
2013	204,951	15.5
2014	209,130	2.0
2015	213,231	2.0
2016	219,611	3.0
2017	216,350	-1.5
2018	216,589	0.1
CAAG	2.2%	

Source: Santa Clarita Comprehensive Annual Financial Report, FY 2017/18

TOURISM

While Santa Clarita is not a major draw for tourists, the Santa Clarita Tourism Marketing District was created in 2014 with the aim of increasing the awareness of the city as a destination for leisure visitors. Tourism marketing districts have been in California since 1992 when the first one was formed in West Hollywood. State law allows cities and counties to form such special benefit assessment districts. The transient occupancy tax paid by guests of participating hotels in Santa Clarita was increased by 2.0 percent to fund the district's promotional efforts.

Six Flags Magic Mountain

Located in the northwest area of the city, Six Flags Magic Mountain is one of the largest demand generators to the Santa Clarita area. Opened in 1971 as just *Magic Mountain,* Six Flags purchased the park in 1979 and began a period of rapid expansion in 1988, opening a new roller coaster approximately every one to two years. The park has a number of themed areas, including DC Universe, Bugs Bunny World, Cyclone Bay, and Full Throttle Plaza, and currently holds the record for most roller coasters in an amusement park with 19.

Being just 35 miles northwest of downtown Los Angeles, the park draws a lot of visitors from the Southern California area. In 2017, the park welcomed 3,365,000 visitors with attendance continuing to rise annually. At the beginning of 2018, the park also announced it would be increasing the number of days it's open from 250 to 365 starting in June 2018, which is anticipated to benefit the local hotel industry.

California Institute of the Arts

The California Institute of the Arts is a private university opened in 1961 as the first degree-granting institution of higher learning in the United States created specifically for students in the visual and performing arts. US News & World Report ranks it as one of the best fine arts programs in the country and the school touts world-renowned alumni from each of its programs.

Walt Disney was one of the school's early benefactors and his influence is still far-reaching within the community. Walt Disney Modular Theatre and the Roy and Edna Disney CalArts Theater at Walt Disney Concert Hall both provide a showcase for students and visiting artists in world-class professional performance venues. The school's facilities and student base only further promote the city of Santa Clarita as a desirable location to film and produce entertainment content.

TELEVISION AND FILM PRODUCTION

Santa Clarita is used for television and film productions given the city's dramatic mountain landscapes and rocky cliffs as well as its proximity to the large studios in Los Angeles County. Major television and film productions that were filmed in whole or in part in Santa Clarita include A Star Is Born, Bird Box, Captain Marvel, Coach Carter, Django Unchained, Holes, the Ironman Series, La La Land, Pearl Harbor, and Titanic. Most of these movies were filmed in the Movie Ranch Overlay Zone; a special zoning designation that supports filming at local movie ranches. Film companies can film at properties within the Zone with the benefit of reduced cost permits and expedited permit processing time. The City plans to annex additional properties into the Zone in the future.

LOCAL HOTEL MARKET ANALYSIS

Competitive Supply in Santa Clarita

In order to develop conclusions relative to the competitive environment in which the subject will compete, we have analyzed the Santa Clarita lodging market and have selected ten hotels by which the proposed subject hotel will compete with on the basis of location. The existing hotel supply in Santa Clarita is primarily limited and select service hotels. The Courtyard by Marriott built in 2005 is the most recent addition to the market, with most of the other properties having been built between the 1970s and 1980s. As a result, there are no resort hotels located in Santa Clarita. Since we primarily based our financial and demand models on the resort competitive market described later in this report, the Santa Clarita competitive set listed below is included to provide better insight into local area hotel market performance.

The following chart presents the local market competitive set for the proposed hotel.

Santa Clarita Local Market Supply		
Map Code	Property	Number of Rooms
1	Valencia Hilton Garden Inn	152
2	Hampton Inn Valencia	128
3	Comfort Suites Valencia	101
4	Hyatt Regency Valencia	244
5	Holiday Inn Express Santa Clarita	118
6	Residence Inn Stevenson Ranch	90
7	Fairfield Inn Stevenson Ranch	66
8	La Quinta Santa Clarita	112
9	Marriott Courtyard Santa Clarita	140
10	Embassy Suites Valencia	156
Total Competitive Supply		1,307

The aggregate average annual available and occupied rooms, resulting occupancy levels, average daily rate, and revenue per available room (RevPAR) for this sample set between 2013 and 2017, as well as year-to-date through September of 2017 and 2018, are presented in the following table.

Historical Market Performance of the Local Market Supply									
Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2013	477,055	N/A	369,610	N/A	77.5%	$108.49	N/A	$84.05	N/A
2014	477,055	0.0%	385,051	4.2%	80.7	116.57	7.4%	94.09	11.9%
2015	477,055	0.0	411,051	6.8	86.2	124.97	7.2	107.68	14.4
2016	477,055	0.0	431,289	4.9	90.4	145.32	16.3	131.38	22.0
2017	477,055	0.0	424,762	-1.5	89.0	136.66	-6.0	121.68	-7.4
CAAG	0.0%		3.5%			5.9%		9.7%	
Sep 17 ytd	477,055	N/A	410,543	N/A	86.1%	$145.77	N/A	$125.45	N/A
Sep 18 ytd	477,055	0.0%	416,458	1.4%	87.3%	151.20	3.7%	132.00	5.2%
Source: CBRE Hotels									

The market supply of available rooms has experienced no change in the past five years. Occupancy increased significantly, up by 11.5 percent in the five-year period, due primarily to the Porter Ranch gas leak which occurred between October 2015 and May 2016. This caused room rate growth to be artificially inflated during this period, and to decline by 6.0 percent in 2017, as the market readjusted to a more normalized level of supply and demand. Year to date through the first nine months of 2018, both average daily rate and occupied rooms have increased, which translates to a 5.2 RevPAR growth over the prior period in 2017.

CONCLUSIONS AND FUTURE ECONOMIC OUTLOOK

The city of Santa Clarita's economic base is supported by a variety of small businesses in a variety of industry segments including aerospace, commercial aircraft manufacturing, software/ technology, and warehouse and distribution. The city's population has exhibited stable growth and the industrial vacancy rate is below 3.0 percent. Overall, the general economy in Los Angeles County and the greater Los Angeles Basin are exhibiting positive trends. The long-term outlook for the city and region is positive.

Section IV

HOTEL MARKET ANALYSIS

HOTEL MARKET ANALYSIS

OVERVIEW

Competitive Resort Market Analysis

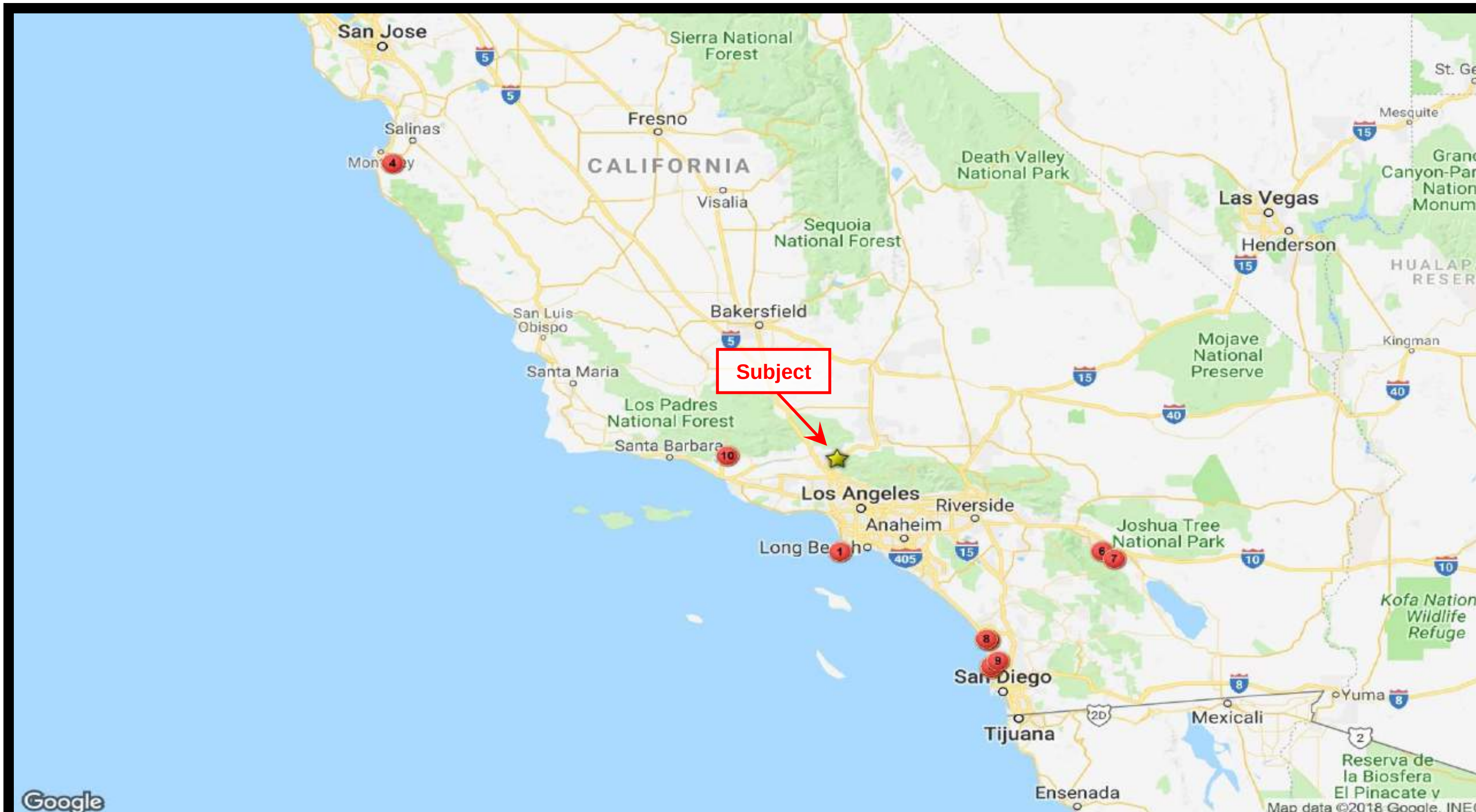
A destination resort is by definition a facility which has the ability to attract demand which otherwise would not come to the market if the resort did not exist. This distinction is important to note because it sets the resort apart from other types of lodging facilities. Other types of lodging facilities exist to serve the guests whose primary motivation for selecting a particular property is driven by the market in which they want to stay. Guests of destination resorts, however, tend to come to a particular market because of the attributes of a particular property located therein. Characteristics of a destination resort typically include:

- Location in a desirable climate (i.e., destination golf resorts are located in sunny climates; destination ski resorts are located in snowy climates)
- Availability of various food and beverage outlets
- Availability of a wide variety of recreational activities
- A unique range of services designed to pamper the guests
- Self-contained
- Tends to have a strong repeat business

The proposed Sand Canyon Resort, by virtue of its location and facilities, is best classified as a destination resort. As such, within the context of this report, the subject property will compete within the coastal resort market, rather than the local Santa Clarita market.

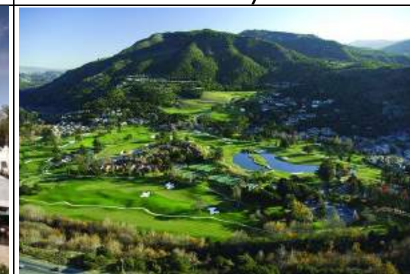
The following chart presents the competitive set for the proposed hotel. A map indicating their locations, a description of each of the competitive hotels and a discussion of the potential additions to the competitive supply are presented on the subsequent pages.

Competitive Supply		
Map Code	Property	Number of Rooms
1	Terranea Resort	582
2	Estancia La Jolla	210
3	Omni La Costa Resort & Spa	544
4	Carmel Valley Ranch	292
5	Hilton La Jolla Torrey Pines	394
6	Omni Rancho Las Palmas Resort	444
7	La Quinta Resort & Spa	763
8	Park Hyatt Aviara Resort	327
9	Fairmont Grand Del Mar	249
10	Ojai Valley Inn	303
Total Competitive Supply		4,108



Competitive Supply – Resort Market

Summary of the Competitive Market

Property	Terranea Resort	Estancia La Jolla	Omni La Costa Resort & Spa	Carmel Valley Ranch
Picture				
Address	100 Terranea Way Rancho Palos Verdes, California 90275	9700 North Torrey Pines Road La Jolla, California 92037	2100 Costa Del Mar Road Carlsbad, California 92009	1 Old Ranch Road Carmel-By-The-Sea, California 93923
Year Opened	2009	2004	1965	1987
Number of Rooms	582	210	544	292
Type of Hotel	Resort	Resort	Resort	Resort
Amenities/Services				
Restaurant/Bar	Yes	Yes	Yes	Yes
Pool/Whirlpool	Yes	Yes	Yes	Yes
Spa	Yes	Yes	Yes	Yes
Comp. Breakfast	No	No	No	No
Business Center	Yes	Yes	Yes	No
Exercise Room	Yes	Yes	Yes	Yes
Meeting Space (SF)	75,000	22,000	110,000	7,900
Renovation History	Since opening in 2009, Terranea has invested approximately $40 million in upgrades including the guestrooms, the addition of a fourth resort pool and a new poolside eatery. In late 2017, the resort completed an $8 million enhancement to the guestrooms with new décor and furnishings.	This property has not undergone any major renovation since its opening. Aesthetic upgrades and repair work are completed as needed.	This property underwent a comprehensive renovation in 2012. There is currently restoration work being completed on-site.	This property is currently undergoing a comprehensive soft goods renovation to be completed in May 2019.

Source: CBRE Hotels

Summary of the Competitive Market

Property	Hilton La Jolla Torrey Pines	Omni Rancho Las Palmas Resort	La Quinta Resort & Spa	Park Hyatt Aviara Resort
Picture				
Address	10950 North Torrey Pines Road La Jolla, California 92037	41000 Bob Hope Drive Rancho Mirage, California 92270	49499 Eisenhower Drive La Quinta, California 92253	7100 Aviara Resort Drive Carlsbad, California 92011
Year Opened	1989	1979	1926	1997
Number of Rooms	394	444	763	327
Type of Hotel	Resort	Resort	Resort	Resort
Amenities/Services				
Restaurant/Bar	Yes	Yes	Yes	Yes
Pool/Whirlpool	Yes	Yes	Yes	Yes
Spa	No	Yes	Yes	Yes
Comp. Breakfast	No	No	No	No
Business Center	Yes	Yes	Yes	Yes
Exercise Room	Yes	Yes	Yes	Yes
Meeting Space (SF)	23,800	30,000	44,000	28,700
Renovation History	This property last underwent a renovation in 2010.	This property last underwent a renovation in 2018 which upgraded the bedding, furniture, and carpet in the guestrooms.	This property last underwent a lobby and restaurant renovation in 2016. The rooms were last renovated in 2015.	This property last underwent a comprehensive renovation in 2013.

Source: CBRE Hotels

Summary of the Competitive Market		
Property	**Fairmont Grand Del Mar**	**Ojai Valley Inn**
Picture		
Address	5300 Grand Del Mar Court San Diego, California 92130	905 Country Club Road Ojai, California 93023
Year Opened	2007	1923
Number of Rooms	249	303
Type of Hotel	Resort	Resort
Amenities/Services		
Restaurant/Bar	Yes	Yes
Pool/Whirlpool	Yes	Yes
Spa	Yes	Yes
Comp. Breakfast	No	No
Business Center	Yes	Yes
Exercise Room	Yes	Yes
Meeting Space (SF)	17,000	16,000
Renovation History:	This property last underwent a spa renovation in 2017. General maintenance and aesthetic work has been completed as needed.	This property has been undergoing a renovation for the past few years, including upgrades to the public spaces, the restaurant, and currently, the guestrooms.
Source: CBRE Hotels		

Additions to Supply

In conducting our investigations regarding the potential for additions to supply in the subject's competitive market, we interviewed city planning officials in Santa Clarita, developers, as well as general managers from other properties in the area. The following is a summary of the hotels in the pipeline:

- **Luxen Hotel Newhall**: There is 42-room Luxen Hotel currently under construction that is located at 24219 Railroad Avenue. The site is approximately 7.0 miles southwest of the subject site and the projected opening date is June 2019. There are currently no hotels in Newhall. This property will add a boutique product to the Santa Clarita market, but is not a resort, and therefore is not anticipated to be competitive with the subject hotel, and therefore has not been included in our analysis.

- **Hampton Inn / Homewood Suites**: There is an approved 185-room dual-brand Hampton Inn/ Homewood Suites to be located between West Rye Canyon Road and Vanderbilt Way at the edge of the Valencia Industrial Center in Santa Clarita. City representatives cited the predicted opening for the hotel to be in March 2020.

- **Residence Inn / SpringHill Suites**: There is an approved 196-room dual-brand Residence Inn and SpringHill Suites to located at a site on Wayne Mills Place in Santa Clarita across from Magic Mountain. Until recently, the site was a Holiday Inn Express and a Best Western, but the former will be built on a different site further north and the latter was demolished in May 2018. The construction process for this project has already begun and current estimates from the city predict an opening date of March 2020. As this is also not a resort property, we have not included this project in our additions to supply.

- **Oliver/Element by Westin**: There is an approved 134-room Oliver/Element hotel located at McBean Parkway and Valencia Boulevard in Santa Clarita. The site is on land that was previously a miniature golf course and will be the second boutique hotel added to the market after the Luxen. The city approved the project in November 2017 after making design changes, and the hotel is currently in pre-construction.

It is important to note that we have identified additional hotel projects in the pipeline in the local area but have not specifically included these properties in our analysis due to the stage of development, financing issues, market positioning, location, and/or rate structure. While CBRE Hotels has made several attempts to determine the level of new hotel supply entering the marketplace, it is impossible to determine every hotel that will be developed in the future, when they will be completed, or their potential impact to the subject.

HOTEL ROOMS DEMAND

Demand for hotel rooms is categorized in three ways:

- <u>Demonstrated Demand</u>: the demand already captured at competitive hotels;

- <u>Induced Demand</u>: the demand that does not presently seek accommodations in the competitive market, but could be persuaded to do so through marketing efforts, room rates, facilities, services and amenities.

- **Unsatisfied Demand**: the demand that seeks accommodations in the market but is not satisfied due to one of a number of factors: sell-outs during peak season; lack of a particular type of accommodation; lack of meeting space; or high room rates.

Historical Performance of the Competitive Supply

The aggregate average annual available and occupied rooms, resulting occupancy levels, average daily rate, and revenue per available room (RevPAR) for this sample set between 2013 and 2017, as well as year-to-date through September of 2017 and 2018, are presented in the following table.

Historical Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2013	1,402,330	N/A	899,818	N/A	64.2%	$241.04	N/A	$154.67	N/A
2014	1,402,330	0.0%	930,923	3.5%	66.4	259.67	7.7%	172.38	11.5%
2015	1,493,215	6.5	972,428	4.5	65.1	274.68	5.8	178.88	3.8
2016	1,499,420	0.4	1,007,895	3.6	67.2	288.24	4.9	193.75	8.3
2017	1,499,420	0.0	1,010,920	0.3	67.4	296.24	2.8	199.72	3.1
CAAG	1.7%		3.0%			5.3%		6.6%	
Sep 17 ytd	1,124,565	N/A	768,004	N/A	68.3%	$301.06	N/A	$205.61	N/A
Sep 18 ytd	1,124,565	0.0%	786,600	2.4%	69.9%	307.03	2.0%	214.76	4.5%

Source: CBRE Hotels

Through the observed period, hotel room supply increased twice. In 2015, supply increased by 6.5 percent with the opening of the Fairmont Grand Del Mar. In 2016, supply increased by 0.4 percent with the expansion at the Terranea Resort when the property added an additional 17 guestrooms. Over the same period, demand for rooms, as demonstrated by occupied room nights, grew at a compound average annual growth (CAAG) rate of 3.0 percent. The competitive market achieved increases in occupied room nights for every year in the observed period with a peak occupancy of 67.4 percent in 2017. Demand for rooms increased 4.5 percent in 2015 with the market occupancy declining to 65.1 percent due to the aforementioned opening of the Fairmont Grand Del Mar. Note that both demand and ADR for some hotels in the competitive set were positively impacted by the Porter Ranch gas leak which occurred between October 2015 and May 2016. The Southern California Gas Company provided relocation assistance to the thousands of households that were displaced by the gas leak. Certain hotels in Southern California in the competitive set benefited greatly in 2016 from this event, which may help explain how quickly the market absorbed new supply.

The average daily room rate (ADR) of the competitive set increased by 5.3 percent on an average annual basis over the last five years. Similar to occupancy, the competitive market average daily rate achieved four consecutive years of growth due to strong increases in demand, as well as the aforementioned Porter Ranch Gas Leak incident, ending 2017 with an average daily rate of $296.24.

Year-to-date through September of this year, occupied rooms increased by 2.4 percent, which resulted in competitive market occupancy of 69.9 percent. Year-to-date through September ADR has increased by 2.0 percent to $307.03 compared to last year.

As a result of increases in both occupancy and average daily rate, revenue per available room (RevPAR), a combination of occupancy and average daily room rate, increased at an average rate of 6.6 percent annually over the five-year period. RevPAR year-to-date is $214.76, resulting in an increase of 4.5 percent compared to last year.

MIX OF DEMAND

The demand captured by the competitive supply is derived from the transient and group market segments. The following table summarizes the 2017 mix of demand for the competitive market.

Competitive Market
2017 Mix of Demand

Market Segment	Room Nights	Ratio
Transient	521,300	52%
Group	489,600	48%
Total	1,011,000	100%

Source: CBRE Hotels

Using the historical growth in the market as a base and taking into account the current demonstrated and future projected economic conditions, we have estimated future growth in overall market demand. Each market segment is discussed in the following paragraphs, followed by a discussion and summary table setting forth our estimated growth in supply and demand.

Transient Demand Segment

As outlined in the previous table, transient demand (commercial and leisure) represents the largest demand source for the competitive supply, equal to 52 percent of the total occupied rooms in 2017. This equates to approximately 521,300 room nights of captured demand for the competitive set. The leisure transient segment, which represents the majority of the transient demand, consists of pleasure travelers from Southern California, the Central Valley and the San Francisco area for mostly recreational reasons. This segment is comprised of both domestic weekend travelers as well as international travelers and generates the majority of tourist demand in the competitive set. Destination resorts attract leisure demand to areas that wouldn't normally be considered by tourists. From proximity to warm beaches, wineries, and other aforementioned tourist attractions, the properties in the competitive set offer access to a wide array of amenities and leisure activities that are distinctly Californian. As the subject would be the only hotel in the Santa Clarita area at or above the upscale level, it also stands to benefit greatly with local pleasure tourists from being the only option in town.

The corporate or commercial portion of the transient segment consists of individual business travelers, usually from California, who stay at hotels during the course of their business engagements. The area businesses and destination resort amenities also attract people for sales, training, workshops, and planning which leads to both individual corporate and group business. The commercial demand segment typically includes less price-sensitive individual business travelers and is busiest from Monday through Thursday nights. In 2018, we estimate that the transient market segment will grow at 3.0 percent and for each year thereafter for the remainder of the projection period.

Group Demand Segment

In 2017, the group segment accounted for approximately 489,600 room nights, or 48 percent of total demand. The group market segment consists of room nights associated with corporate meetings and social functions. Group demand is also generated from SMERF (Social, Military, Educational, Religious, and Fraternal) group functions, association meetings, sports teams, and businesses in the area holding meetings at the hotels in the competitive set. While the competitive hotels do not have as large of an amount of meeting space as its competitive set, the local area has very few options for meeting space. The hotel will add greatly needed space to the local area and should attract significant demand, especially with the added square footage to the grand ballroom we suggested earlier in this report.

We anticipate that this market segment will grow at 3.0 percent in 2018 and each year for the remainder of the projection period.

Summary of Demand Growth and Market Occupancies

We project market occupancy to increase to 69 percent in 2018. The following year in 2019 we project the competitive market occupancy to decrease to 70 percent and remain at this level for the remainder of the projected period. We believe 70 percent to be the competitive market's long term stabilized level of occupancy. While the market may fluctuate above and below this number, we are of the opinion that an occupancy rate of 70 percent is appropriate for this particular market considering the supply and demand patterns, seasonality, and mix of business within the competitive market. This stabilized occupancy is in line with the average historical occupancy of the competitive market and the current market dynamics. The projected future growth in supply and demand is presented in the following table.

Sand Canyon Resort

Competitive Market

Estimated Future Growth in Lodging Supply and Demand

2017 - 2026

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
ROOMS SUPPLY	4,108									
Additions/(Deletions) to Supply										
Sand Canyon Resort						322			70	
Cumulative Rooms Supply	4,108	4,108	4,108	4,108	4,108	4,430	4,430	4,430	4,500	4,500
Total Annual Rooms Supply	1,499,420	1,499,420	1,499,420	1,499,420	1,499,420	1,616,950	1,616,950	1,616,950	1,642,500	1,642,500
Growth Over the Prior Year	0.0%	0.0%	0.0%	0.0%	0.0%	7.8%	0.0%	0.0%	1.6%	0.0%
DEMONSTRATED DEMAND IN BASE YR										
Transient	521,315	52%								
Group	489,605	48%								
TOTAL DEMONSTRATED DEMAND	1,010,920	100%								
GROWTH RATES										
Transient		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Group		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
PROJECTED DEMAND										
Transient										
Demonstrated	521,315	536,955	553,063	569,655	586,745	604,347	622,477	641,152	660,386	680,198
Induced/(Unsatisfied)	0	0	(11,805)	(28,397)	(45,486)	(20,663)	(38,793)	(57,468)	(67,479)	(87,291)
Total	521,300	537,000	541,300	541,300	541,300	583,700	583,700	583,700	592,900	592,900
Growth Over Prior Year	N/A	3.0%	0.8%	0.0%	0.0%	7.8%	0.0%	0.0%	1.6%	0.0%
Group										
Demonstrated	489,605	504,294	519,422	535,005	551,055	567,587	584,614	602,153	620,217	638,824
Induced/(Unsatisfied)	0	0	(11,087)	(26,669)	(42,720)	(19,406)	(36,434)	(53,972)	(63,375)	(81,981)
Total	489,600	504,300	508,300	508,300	508,300	548,200	548,200	548,200	556,800	556,800
Growth Over Prior Year	N/A	3.0%	0.8%	0.0%	0.0%	7.8%	0.0%	0.0%	1.6%	0.0%
Total Market Demand	1,010,900	1,041,300	1,049,600	1,049,600	1,049,600	1,131,900	1,131,900	1,131,900	1,149,700	1,149,700
Growth Over Prior Year	N/A	3.0%	0.8%	0.0%	0.0%	7.8%	0.0%	0.0%	1.6%	0.0%
Market Occupancy	**67%**	**69%**	**70%**	**70%**	**70%**	**70%**	**70%**	**70%**	**70%**	**70%**

Source: CBRE Hotels

PROJECTED MARKET PERFORMANCE OF THE SUBJECT HOTEL

Penetration Analysis

Our estimates of occupancy are based on our survey of competitive hotels, an analysis of the segmentation of demand in the market area, and our assessment of the subject property's market position. The "penetration rate" of a hotel is the percentage of room nights captured relative to the property's "fair share." The hotel's "fair share" is determined by dividing the subject property's number of guestrooms by the total number of guestrooms in the competitive market (including the subject property). Factors indicating a hotel would possess competitive advantages suggest a market penetration in excess of 100 percent of fair market share, while competitive weaknesses are reflected in penetration rates of less than 100 percent. However, other factors besides competitive weaknesses could result in penetrations of less than 100 percent. The actual penetration of each market segment by the subject property may deviate from fair market share for the following reasons:

- The competitive advantages or disadvantages of the subject hotel versus the competition taking into consideration such factors as location, room rate structure, room size, quality and extent of amenities offered, chain affiliation, quality of management, marketing efforts and image;
- The characteristics, composition and needs of each market segment;
- The restraint on demand captured due to capacity constraints during certain periods of the week or season, or due to the accommodation of certain market segments; and,
- Management decisions concerning target markets.

Estimated occupancy levels for the subject hotel have been projected on the basis of a penetration analysis. Our projections are based on our knowledge of the market as of the completion of this study as well as interviews with hotel managers from the competitive properties and several large employers in the area.

Penetration of Subject

Our estimates of subject penetration by each segment of demand are presented in the paragraphs below. We have assumed a January 1, 2022 opening date. The following favorable factors have been considered to project the subject's penetration of the market:

- The subject's accessibility and proximity to Santa Clarita and the metropolitan Los Angeles area;
- The subject's lack of local competition in a market in need of additional meeting space and an upscale product; and,
- The subject's newer facilities and amenities as a good quality resort hotel relative to the Santa Clarita competitive set.

Transient Demand

As noted previously, transient demand is comprised of both commercial and leisure travelers with commercial/corporate demand representing the largest portion of this segment. Commercial travelers in this market select hotel accommodations based on location relative to their destination, room and overall hotel amenities, and area amenities. Due to its positioning as the only upscale or resort hotel in Santa Clarita, we anticipate that the subject property will obtain more than its fair share of the transient segment on a stabilized basis. The subject will feature amenities and facilities that will be pleasing to commercial travelers and is anticipated to be an attractive lodging option for travelers conducting business in the Santa Clarita area. However, for this report, as we used a diverse destination resort competitive set, our penetration estimates are based on the resort market competitive set. Upon opening in January 2022, we anticipate the subject to obtain a 95 percent penetration of the transient segment. Penetration of this segment is projected to increase to 100 percent in 2023 and to further increase to 102 percent in 2024. In 2025, with the phase two opening of the Golden Oak Family and Cliff Villas, we project the subject's penetration of this segment to decrease to 98 percent (although room nights are still projected to increase). We expect the subject's penetration to increase to 102 percent in 2026 and stabilize at this level for the remainder of the projection period.

Group Demand

Group demand consists of travelers who book blocks of rooms exceeding ten rooms per night. The purpose of the group traveler's visit is to meet with other members of a corporate, leisure, or association group to further the group's goals. These travelers often require meeting space at the hotels in which they are staying. When considering the subject's facilities, location, and the other hotels in the competitive market, we estimate that the subject will penetrate the group segment at 85 percent upon its opening in January 2022. Penetration of this segment is estimated to increase to 95 percent in 2023, then increase to 100 percent in 2024 where it will stabilize for the remainder of the projection period. Given the subject's adequate amount of meeting space available per guestroom when compared to the other competitive properties, we find it reasonable that the subject will obtain equal to its fair share of the group segment.

Overall Mix, Penetration, and Occupancy

We have estimated the overall penetration of the proposed subject hotel with regards to the competitive market given the property's location with respect to demand generators, its proposed facilities and amenities, and the level of patronage that is expected at the property. The estimated stabilized market mix and penetration for the subject hotel are presented in the following table.

Proposed Sand Canyon Resort
Stabilized Mix of Demand and Market Penetration

Market Segment	Room Nights	Ratio	Penetration
Transient	51,600	52%	100%
Group	48,500	48%	100%
Total	100,100	100%	100%

Source: CBRE Hotels

Combining our estimates of the penetration rates for the proposed hotel, we estimate that the subject property will achieve below its fair share of market demand upon its opening in January 2022. We project the penetration rate to be 90 percent, which equates to an occupancy level of 60 percent. In 2023, the subject's penetration rate is expected to increase to 98 percent of its fair share, equal to an occupancy of 68 percent. In 2024, the subject's penetration is projected to reach 101 percent, equal to an occupancy of 71 percent. In 2025, with the phase two opening of the Golden Oak Family and Cliff Villas, we expect total rooms sold to increase, but the occupancy to technically decrease as the market absorbs the new supply. This will result in a decreased market penetration of 99 percent, equal to an occupancy of 69 percent. In 2026, as the market continues to absorb the new room supply, we expect the hotel to penetrate the market at 100 percent, resulting in its stabilized occupancy of 70 percent.

The following table sets forth projected penetration for the subject from January 2022 through 2026.

Sand Canyon Resort

Market Penetration and Projected Occupancy

	2022	2023	2024	2025	2026
TOTAL ROOMS AVAILABLE					
Sand Canyon Resort	**117,530**	**117,530**	**117,530**	**143,080**	**143,080**
Competitive Market	1,616,950	1,616,950	1,616,950	1,642,500	1,642,500
	====	====	====	====	====
Fair Share of Supply	7.3%	7.3%	7.3%	8.7%	8.7%
	====	====	====	====	====
ESTIMATED TOTAL MARKET DEMAND					
Transient	583,700	583,700	583,700	592,900	592,900
Group	548,200	548,200	548,200	556,800	556,800
	-------	-------	-------	-------	-------
TOTAL	1,131,900	1,131,900	1,131,900	1,149,700	1,149,700
	-------	-------	-------	-------	-------
FAIR SHARE OF DEMAND					
Transient	42,400	42,400	42,400	51,600	51,600
Group	39,800	39,800	39,800	48,500	48,500
	-------	-------	-------	-------	-------
TOTAL	82,200	82,200	82,200	100,100	100,100
	-------	-------	-------	-------	-------
SUBJECT PENETRATION					
Transient	95%	100%	102%	98%	100%
Group	85%	95%	100%	100%	100%
	-------	-------	-------	-------	-------
ROOM NIGHTS CAPTURED					
Transient	40,300	42,400	43,300	50,600	51,600
Group	33,900	37,900	39,800	48,500	48,500
	-------	-------	-------	-------	-------
TOTAL CAPTURED DEMAND	74,200	80,300	83,100	99,100	100,100
	====	====	====	====	====
MARKET SHARE CAPTURED	6.6%	7.1%	7.3%	8.6%	8.7%
OVERALL MARKET PENETRATION	**90%**	**98%**	**101%**	**99%**	**100%**
	-------	-------	-------	-------	-------
SUBJECT OCCUPANCY	**60%**	**68%**	**71%**	**69%**	**70%**
	-------	-------	-------	-------	-------
MARKET MIX					
Transient	54%	53%	52%	51%	52%
Group	46%	47%	48%	49%	48%
	-------	-------	-------	-------	-------
TOTAL	100%	100%	100%	100%	100%
	====	====	====	====	====

Source: CBRE Hotels

AVERAGE DAILY RATE

Competitive Market

We have also estimated the average daily rate (ADR) of the competitive market based upon our analysis of the historical rates achieved, interviews with management of the competitive properties, the anticipated impact of the new supply entering the market, and the changing economic conditions.

Based on the foregoing analysis, the following table summarizes our estimates of future supply, accommodated demand, occupancy, average daily rate, and RevPAR for the competitive market from 2018 to 2026.

Projected Market Performance of the Competitive Supply

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Market Occupancy	Average Daily Rate	Percent Change	REVPAR	Percent Change
2018	1,499,420	0.0%	1,041,300	3.0%	69%	$303.00	2.3%	$210.42	5.4%
2019	1,499,420	0.0	1,049,600	0.8	70	312.00	3.0	218.40	3.8
2020	1,499,420	0.0	1,049,600	0.0	70	321.00	2.9	224.70	2.9
2021	1,499,420	0.0	1,049,600	0.0	70	331.00	3.1	231.70	3.1
2022	1,616,950	7.8	1,131,900	7.8	70	340.00	2.7	238.01	2.7
2023	1,616,950	0.0	1,131,900	0.0	70	350.00	2.9	245.01	2.9
2024	1,616,950	0.0	1,131,900	0.0	70	360.00	2.9	252.01	2.9
2025	1,642,500	1.6	1,149,700	1.6	70	374.00	3.9	261.79	3.9
2026	1,642,500	0.0	1,149,700	0.0	70	385.00	2.9	269.49	2.9
CAAG	1.9%		2.1%			2.9%		3.1%	

Source: CBRE Hotels

Average Daily Rate and Yield for the Subject

Our derivation of the average daily rate for the subject property in a stabilized year of operation is based on the historical average daily rates achieved by the market and information concerning the other hotel properties in the competitive supply. Considerations were also given to the comparison of the other competitive properties with the subject in terms of quality of facility, location, and mix of demand.

As discussed herein, the subject is anticipated to be a high quality, resort hotel. Further, the subject is anticipated to offer inviting and desirable facilities and amenities. Therefore, we have estimated that the subject will achieve an opening average daily rate of $320.00 in 2022. This opening rate equates to a stabilized average daily room rate of $321.00 stated in 2019 dollars, placing the subject approximately $20 higher than the competitive market average.

In consideration of the proposed amenities and facilities of the subject, as well as its expected positioning in the market and geographical location, we find this rate reasonable for the proposed subject. As noted previously, the proposed subject hotel will be positioned as an upscale resort hotel which is a hotel product that does not currently exist in the local market. As a result, the proposed subject will command a significant premium in the Santa Clarita market. Further, this rate is within the range of comparable upscale, resort hotel properties in other Southern California markets and throughout the nation. This rate is expected to increase at a compound average annual rate of 3.0 percent through the first three years of our projections. In 2025, with the phase two opening of the Golden Oak Family and Cliff Villas, we expect ADR to grow 12.0 percent due to the premium rate that will be achieved by the villas. In 2026, we expect the ADR to grow at 4.0

percent as the market continues to absorb the new supply. From 2027 until the end of our projections, we expect the ADR to grow at a stabilized 3.0 percent.

The following table outlines our estimates of average daily rate and the resulting revenue yield for the subject. It should be noted that figures are rounded to the nearest dollar amounts.

Projected Market Performance of the Subject Hotel

Year	Annual Supply	Percent Change	Occupied Rooms	Percent Change	Occupancy Percentage	Average Daily Rate	Percent Change	REVPAR	Percent Change	Market Penetration	Revenue Yield
2022	117,530	N/A	74,200	N/A	60%	$320.00	3.0%	$192.00	N/A	86%	81%
2023	117,530	0.0%	80,300	8.2%	68	330.00	3.0	225.47	17.4%	98	92
2024	117,530	0.0	83,100	3.5	71	340.00	3.0	240.40	6.6	101	95
2025*	143,080	21.7	99,100	19.3	69	380.00	12.0	263.20	9.5	99	101
2026	143,080	0.0	100,100	1.0	70	395.00	3.9	276.35	5.0	100	103
CAAG	6.8%		10.1%			5.9%		11.1%			

*Assumed Phase II opening
Source: CBRE Hotels

Although it is possible that the subject will experience growth in occupancy and ADRs above those estimated in this report, it is also possible that sudden economic downturns, unexpected additions to the room supply, or other external factors will force the property below the selected point of stability. Consequently, the estimated occupancy and ADR levels are representative of the most likely potential operations of the subject over the projected holding period based on our analysis of the market as of the date of this report.

Section V

STATEMENTS OF ESTIMATED ANNUAL OPERATING RESULTS

STATEMENTS OF ESTIMATED ANNUAL OPERATING RESULTS

BASIS OF PROJECTIONS

To prepare estimates of future operating results for the proposed subject as of January 1, 2022, the starting point or basis is the best estimate of results that could be achieved with good management in a representative year or stabilized market, calculated in calendar year 2019 dollars.

We estimate that during a representative year, the subject property could achieve a stabilized occupancy of 70 percent at an average daily room rate of $321.00, stated in calendar year 2019 dollars. From this base, we considered the effects of inflation, development, and occupancy levels for the projection period starting January 1, 2022 through December 31, 2031, reflecting approximately ten years of operation. The projections are presented on a calendar year basis and the underlying rationale and assumptions used in preparing these estimates are presented in this section.

The estimates of revenues, costs and expenses are based on the proposed facilities and services and the operational characteristics thereof. The subject hotel is believed to operate with efficient management and proper control over costs and expenses.

STATEMENT OF ESTIMATED ANNUAL OPERATING RESULTS

The *Uniform System of Accounts for Hotels*, recommended by the American Hotel and Motel Association and utilized throughout the industry, has been used in the classification of income and expenses for this report. In conformity with this system of account classifications, only direct operating expenses are charged to the operating departments of the subject. The general overhead items that are applicable to operations as a whole are classified as deductions from income and include administrative and general expenses, information and telecommunication systems, marketing expenses, property operations and maintenance, and utility costs. Additional costs for management fees, fixed charges, which include real estate taxes and insurance, and reserves for replacement are deducted to derive the net operating income.

Income and Expense Estimates

Data from the following sources have been used as a basis for the income and expense estimates.

- The market performance (average daily rate and occupancy levels) of the competitive hotels to the subject; and,
- Comparable data from five independent resort hotels located in California with similar average daily rate, occupancy, size, facilities, and market positioning from CBRE Hotel's *Trends in the Hotel Industry* survey (referred to as Comparables "A", "B", "C", "D", and "E").

Operating Statistics of Comparable Hotels

An analysis was performed on the operating results of five similarly sized upscale resort hotels all of which are located in California. All are considered to be comparable with the proposed subject property due to their size, and market orientation. The comparable properties range in size from 182 rooms to 259 rooms, with an average room count of 218 rooms. Occupancies for the comparable hotels ranged from 63.3 percent to 88.7 percent and the average daily rates ranged from $290.30 to $365.53. Together, these hotels had a composite occupancy of 75.6 percent and an average daily rate of $323.37. The statistical information is taken from actual financials for the comparable hotels for the 2017 calendar year. For reasons of confidentiality, we cannot disclose the identity of the comparable hotels.

The following pages contain the operating results of the comparable hotels as mentioned above.

Sand Canyon Resort
Operating Results of Comparable Hotels

	Hotel A			Hotel B			Hotel C		
	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.
Revenues									
Rooms	62.9%	$72,156	$312.44	63.6%	$79,158	$301.34	52.4%	$102,822	$351.38
Food & Beverage	24.9%	28,624	123.95	24.3%	30,244	115.13	36.7%	71,975	245.96
Other Operated Departments	12.2%	13,958	60.44	2.6%	3,201	12.18	10.9%	21,356	72.98
Misc Income	0.0%	0	0.00	9.5%	11,850	45.11	0.0%	41	0.14
Total Revenues	100.0%	114,738	496.83	100.0%	124,453	473.77	100.0%	196,195	670.46
Departmental Expenses									
Rooms	22.0%	15,894	68.82	20.3%	16,091	61.26	28.2%	29,026	99.19
Food & Beverage	85.0%	24,317	105.30	76.9%	23,272	88.59	82.1%	59,060	201.83
Other Operated Departments	45.9%	6,411	27.76	87.2%	2,791	10.62	52.3%	11,161	38.14
Total Departmental Expenses	40.6%	46,622	201.88	33.9%	42,154	160.47	50.6%	99,248	339.16
Departmental Profit	59.4%	68,116	294.95	66.1%	82,299	313.30	49.4%	96,947	331.30
Undistributed Expenses									
Administrative & General	9.2%	10,608	45.93	7.6%	9,491	36.13	8.4%	16,439	56.18
Information and Telecommunication Systems	2.5%	2,816	12.19	1.9%	2,414	9.19	1.8%	3,509	11.99
Marketing	9.0%	10,316	44.67	6.0%	7,438	28.31	6.9%	13,538	46.26
Property Operations and Maintenance	4.5%	5,164	22.36	3.8%	4,751	18.09	4.8%	9,486	32.42
Energy and Utility	1.7%	1,947	8.43	3.8%	4,721	17.97	2.7%	5,231	17.88
Total Undistributed Operating Expenses	26.9%	30,852	133.59	23.2%	28,815	109.69	24.6%	48,203	164.73
Gross Operating Profit	32.5%	37,264	161.36	43.0%	53,484	203.60	24.8%	48,744	166.57
Base Management Fee	3.0%	3,442	14.90	5.9%	7,314	27.84	3.0%	5,886	20.11
Fixed Expenses									
Property Taxes	2.5%	2,832	12.26	5.9%	7,329	27.90	2.8%	5,520	18.86
Insurance	0.8%	967	4.19	2.4%	2,955	11.25	0.8%	1,493	5.10
Total Fixed Expenses	3.3%	3,798	16.45	8.3%	10,283	39.15	3.6%	7,013	23.97
Net Operating Income Before Reserve	26.2%	30,024	130.01	28.8%	35,887	136.61	18.3%	35,845	122.49

Source: *CBRE Hotels*

Sand Canyon Resort
Operating Results of Comparable Hotels

	Hotel D			Hotel E			Weighted Average		
	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.	Ratio	Per Room	P.O.R.
Revenues									
Rooms	62.0%	$96,635	$365.53	65.6%	$93,947	$290.30	60.2%	$89,260	$323.37
Food & Beverage	22.0%	34,233	129.49	24.7%	35,456	109.56	27.7%	41,037	148.67
Other Operated Departments	13.5%	20,983	79.37	8.6%	12,329	38.10	9.5%	14,010	50.76
Misc Income	2.5%	3,957	14.97	1.1%	1,587	4.90	2.6%	4,614	16.19
Total Revenues	100.0%	155,808	589.35	100.0%	143,319	442.86	100.0%	148,151	536.72
Departmental Expenses									
Rooms	20.0%	19,296	72.99	23.6%	22,194	68.58	23.2%	20,699	74.99
Food & Beverage	83.7%	28,653	108.38	73.1%	25,924	80.11	80.3%	32,940	119.34
Other Operated Departments	84.7%	17,766	67.20	59.3%	7,310	22.59	63.0%	8,830	31.99
Total Departmental Expenses	42.2%	65,715	248.57	38.7%	55,428	171.28	42.2%	62,469	226.31
Departmental Profit	57.8%	90,094	340.78	61.3%	87,891	271.59	57.8%	85,682	310.41
Undistributed Expenses									
Administrative & General	10.6%	16,512	62.46	8.9%	12,823	39.62	8.9%	13,134	47.58
Information and Telecommunication Systems	0.0%	0	0.00	1.9%	2,726	8.42	1.6%	2,868	10.29
Marketing	10.8%	16,884	63.87	9.1%	13,094	40.46	8.1%	12,066	43.71
Property Operations and Maintenance	5.6%	8,652	32.73	5.1%	7,248	22.40	4.8%	7,060	25.58
Energy and Utility	4.0%	6,160	23.30	2.5%	3,622	11.19	3.0%	4,421	16.02
Total Undistributed Operating Expenses	30.9%	48,208	182.35	27.6%	39,512	122.09	26.3%	39,033	141.41
Gross Operating Profit	26.9%	41,886	158.43	33.8%	48,379	149.49	31.5%	46,649	169.00
Base Management Fee	5.7%	8,894	33.64	3.6%	5,147	15.90	4.2%	6,217	22.52
Fixed Expenses									
Property Taxes	0.4%	638	2.41	2.2%	3,214	9.93	2.8%	4,182	15.15
Insurance	2.2%	3,451	13.05	0.8%	1,179	3.64	1.4%	2,045	7.41
Total Fixed Expenses	2.6%	4,089	15.47	3.1%	4,393	13.58	4.2%	6,227	22.56
Net Operating Income Before Reserve	18.5%	28,902	109.32	27.1%	38,839	120.01	23.1%	34,204	123.91

Source: *CBRE Hotels*

REPRESENTATIVE YEAR ESTIMATE

Presented in the following text is a brief discussion of the basis used in developing our estimate of the Representative Year Operating Statement for the subject. A "representative year" illustrates the hotel's performance as if it were at a stabilized occupancy today, after the anticipated real growth in room rate, with all revenues and expenses expressed in current value dollars.

Departmental Revenues and Expenses

In the Uniform System of Accounts, revenue to the facility is categorized by the department from which it is derived. In the case of the subject, this includes income from rooms, food & beverage, and other operated departments. In the Uniform System of Accounts, only direct operating expenses associated with each department are charged to the operating departments. General overhead items which are applicable to the overall operation of the facility are classified as undistributed operating expenses.

Rooms Department

Rooms revenue is based on the number of occupied rooms multiplied by the average daily room rate for each of the subject's first ten years as presented in this report. As indicated in our previous analysis, we have estimated the stabilized average rate of the subject to be $321.00, stated in calendar year 2019 dollars. Stabilized occupancy is estimated at 70 percent; therefore, gross rooms revenue in a representative year is calculated as follows:

392 rooms x 365 days x 70% occupancy x $321.00/day = $32,150,000 (rounded)

The following table summarizes the average daily room rates, occupancies, and rooms revenues estimated for the projection period.

Estimated Rooms Revenue

Year	Average Daily Rate	Annual Occupancy	Rooms Revenue
2022	$320.00	60.0%	$22,566,000
2023	330.00	68.0	26,374,000
2024	340.00	71.0	28,372,000
2025	380.00	69.0	37,516,000
2026	395.00	70.0	39,562,000
2027	407.00	70.0	40,763,000
2028	419.00	70.0	41,965,000
2029	432.00	70.0	43,267,000
2030	445.00	70.0	44,569,000
2031	458.00	70.0	45,871,000

Rooms Expense

Rooms expense consists of salaries and wages, employee benefits, commissions, contract cleaning, guest transportation, laundry and dry cleaning, linen, operating supplies, reservation costs, uniforms, contract services, and other items related to the rooms department. The comparable hotels had rooms expenses ranging from $61.26 to $99.19 per occupied room (POR), with ratios to rooms revenue ranging from 20.0 percent to 28.2 percent. In a representative year, we estimate a rooms expense of approximately $68.00 per occupied room, or a ratio to rooms revenue of 21.2 percent. This incorporates the projected services and amenities at the property and is within the range of the comparables on a POR basis and on a ratio to total revenue basis.

Rooms Expense		
	Per Occupied Room	Ratio to Rms Revenue
Comparables		
A	$68.82	22.0%
B	61.26	20.3%
C	99.19	28.2%
D	72.99	20.0%
E	68.58	23.6%
Weighted Average	74.99	23.2%
Subject Stabilized Year	$68.00	21.2%

Food and Beverage Revenue and Expense

Food and beverage revenue is generated by the sale of meals to both hotel guests and also outside patrons in the food and beverage outlets, the sale of soft drinks, liquor, and wine in the restaurants and bars, and other associated revenues. Food and beverage revenue will vary depending on the offerings and opening hours of the food and beverage outlets, and the final amount of meeting space. The proposed subject hotel will feature a four food and beverage outlets within the function building and approximately 19,000-square feet of meeting space which will both contribute food and beverage revenue to the subject hotel.

We have estimated food and beverage revenues of approximately $150.00 per occupied room. This results in food and beverage revenues of approximately $15,023,000 in 2019 dollars in a representative year, which is within the range of the comparables on a per occupied room basis.

Food & Beverage Revenue		
	Total Amount	Per Occupied Room
Comparables		
A	$5,209,609	$123.95
B	7,833,128	115.13
C	17,561,963	245.96
D	6,709,752	129.49
E	7,374,885	109.56
Weighted Average	N/A	148.67
Subject Stabilized Year	$15,023,000	$150.00

Food and beverage expense includes the cost of food and beverage, payroll and related expenses, and other items such as laundry, linen, china, glassware, silverware, uniform costs, supplies, as well as other miscellaneous items. The food and beverage expense percentage to total food and beverage revenue for the comparable hotels ranged from 73.1 percent to 85.0 percent. Considering the financial comparables and the type of food and beverage operations proposed for the subject property, we believe a food and beverage expense percentage of approximately 76.0 percent of total food and beverage revenues is appropriate for the subject property. This estimate takes into account the anticipated operating nature of this type of facility, the select outlets supplied by the subject, and the meeting and function space.

Food & Beverage Expense	
	Ratio to F&B Rev.
Comparables	
A	85.0%
B	76.9%
C	82.1%
D	83.7%
E	73.1%
Weighted Average	80.3%
Subject Stabilized Year	76.0%

Other Revenue and Expense

Other Operated Departments can vary significantly among the comparable properties and the subject depending on the nature of the additional revenue generators. Other operated department revenue is typically generated from guest laundry, business center, health spa, parking, and/or other recreational amenities. The subject's significant spa component is anticipated to be the primary driver of O.O.D. revenues. Other operated departments at the subject property will also likely include business services, in-room entertainment, rentals, and other miscellaneous income.

Other operated departments revenue at the comparable hotels ranged from $12.18 to $79.37 per occupied room. Based upon the various components of this line item and the subject's anticipated facilities and amenities, we have estimated the income for the subject to be approximately $50.00 per occupied room in a representative year of operations.

Other Operated Departments Revenue	
	Per Occupied Room
Comparables	
A	$60.44
B	12.18
C	72.98
D	79.37
E	38.10
Weighted Average	50.76
Subject Stabilized Year	$50.00

Other Operated Departments expenses that are associated with these departments include payroll costs, employee benefits, and other operating supplies. The comparables' other operating expenses ranged from a 45.9 percent to an 87.2 percent expense ratio with a weighted average of 63.0 percent. For a representative year of operations, we have estimated expenses at approximately 65.0 percent of revenues, which is within the range of the comparable hotels as well as in line with industry averages of similar hotel products.

Other Operated Departments Expense	
	Ratio to O.O.D. Rev.
Comparables	
A	45.9%
B	87.2%
C	52.3%
D	84.7%
E	59.3%
Weighted Average	63.0%
Subject Stabilized Year	65.0%

Rentals & Other Income

Rentals & Other Income generated at the subject property will likely consist of revenue generated from operations such as guest parking, audio/video equipment rental, antenna rent, and resort fees. Rentals & Other Income revenue at the comparable hotels ranged from $0.00 to $45.11 per occupied room. Based upon the various components of this line item and the subject's anticipated facilities, amenities, and assumed resort fees, we have estimated the income for the subject to be approximately $20.00 per occupied room in a representative year of operations.

Rentals and Other Income		
	Per Available Room	Ratio to Total Rev.
Comparables		
A	$0.00	$0
B	45.11	8,409
C	0.14	27
D	14.97	2,125
E	4.90	904
Weighted Average	16.19	2,293
Subject Stabilized Year	$20.00	$5,488

Undistributed Operating Expenses

Operating expenses that are not chargeable to a particular operating department are presented as undistributed operating expenses, in accordance with the *Uniform System of Accounts for the Lodging Industry*. These expenses include administrative and general, information and telecommunication systems, marketing, property operations and maintenance, and utilities. These expenses are relatively unaffected by fluctuations in occupancies and ADR. Excluding management fees, which are a fixed percentage based on a contract agreement and market parameters, these expenses are analyzed primarily on a dollar amount per available room (PAR) basis.

Administrative and General

Expenses in this category include salaries and wages associated with the operation of the administrative function of the property, cash overages and shortages, credit card commissions, bad debt expense, information systems, donations, dues and subscriptions, human resources, loss and damage, security, executive office expenses, professional fees, travel reimbursements, and supplies. The administrative and general expense of the comparable hotels ranged from $9,491 to $16,512 per available room, or 7.6 to 10.6 percent of revenue. We have estimated an administrative and general expense of approximately $11,500 per available room for the subject in a representative year, or 8.3 percent of total revenues. This is within the range of comparables on a per available room basis.

Administrative and General		
	Per Available Room	Ratio to Total Rev.
Comparables		
A	$10,608	9.2%
B	9,491	7.6%
C	16,439	8.4%
D	16,512	10.6%
E	12,823	8.9%
Weighted Average	13,134	8.9%
Subject Stabilized Year	$11,500	8.3%

Information and Telecommunications Systems Expense

Per the 11th Revised Edition of the Uniform System of Accounts for the Lodging Industry, there has recently been a reorganization of operating expenses as they relate to telecommunications. Specifically, the (1) cost of cellular telephones, administrative phone calls and internet connectivity; (2) cost of complimentary phone calls and internet connectivity; and, (3) all other telecommunications related expenses (labor, maintenance, operating supplies, etc.) moved to the new Information and Telecommunications Systems department. Based on the expense data of the comparables, we estimate an expense of approximately $2,600 per available room, which is within the range of the comparables on a per available room and ratio to total revenue basis.

Information and Telecommunication Systems		
	Per Available Room	Ratio to Total Rev.
Comparables		
A	$2,816	2.5%
B	2,414	1.9%
C	3,509	1.8%
D	0	0.0%
E	2,726	1.9%
Weighted Average	2,868	1.6%
Subject Stabilized Year	$2,600	1.9%

Marketing

This account is charged with all costs incurred in the connection with the creation and maintenance of the image of the hotel and the development, promotion, and furtherance of business whether paid for in cash or in hotel trade. This includes the cost of print advertising, the printing of brochures, salaries, wages, and benefits associated with sales and marketing personnel, franchise fees (if appropriate), and other costs associated with sales and promotional programs. The comparable properties ranged from $7,438 to $16,884 per available room, with ratios to rooms revenue ranging from 6.0 percent to 10.8 percent. We estimate marketing costs of approximately $10,000 per available room in a representative year, or 7.2 percent of total revenues. We find this reasonable as it is within the range of the comparables on a per available room and ratio basis.

Marketing		
	Per Available Room	Ratio to Total Rev.
Comparables		
A	$10,316	9.0%
B	7,438	6.0%
C	13,538	6.9%
D	16,884	10.8%
E	13,094	9.1%
Weighted Average	12,066	8.1%
Subject Stabilized Year	$10,000	7.2%

Property Operations and Maintenance

This category includes the maintenance of the building, grounds and landscape, electrical and mechanical equipment, salaries, wages, and benefits of the engineering department staff, refrigeration, operating supplies, cleaning, waste removal and uniforms. The comparable properties ranged from $4,751 to $9,486 per available room. We estimate maintenance expenditures for the subject at approximately $6,500 per available room in a representative year.

We find this reasonable as it is within the range of the comparables on a per available room and ratio to total revenues basis.

Property Operations and Maintenance		
	Per Available Room	Ratio to Total Rev.
Comparables		
A	$5,164	4.5%
B	4,751	3.8%
C	9,486	4.8%
D	8,652	5.6%
E	7,248	5.1%
Weighted Average	7,060	4.8%
Subject Stabilized Year	$6,500	4.7%

Energy and Utility Costs

Energy and utility costs include electric, fuel, steam, water, and sewer charges. The cost of utilities at the comparable hotel properties ranged from $1,947 to $6,160 per available room. We estimate that energy costs to operate the subject will be approximately $4,500 per available room in a representative year of operation. We find this reasonable as it is within the range on a per available room basis.

Energy and Utility		
	Per Available Room	Ratio to Total Rev.
Comparables		
A	$1,947	1.7%
B	4,721	3.8%
C	5,231	2.7%
D	6,160	4.0%
E	3,622	2.5%
Weighted Average	4,421	3.0%
Subject Stabilized Year	$4,500	3.3%

Fixed Charges

Management Fees

A management fee is an expense item representing the value of the management services. It is a variable operating expense normally expressed as a percentage of total revenues. We have assumed the subject property will be third party managed by an experienced resort hotel operator. Based on comparable hotels and industry standards, we have utilized a management fee of 3.0 percent of total revenues. This equates to a representative year expense of approximately $1,626,000.

Property Taxes

The subject property is assessed by the Los Angeles County. The current method of taxation of real property in California is mandated by the Jarvis-Gann Property Tax Initiative, known as Proposition 13, under which real estate taxes were reduced to one percent of the property's full market value as of the 1975/76 fiscal year, plus any voter-approved bond indebtedness. Proposition 13 limits real estate taxes to a two-percent annual increase except upon sale or major alteration of the property. In either of these two events, the property is re-appraised to current market value, usually as evidenced by the sales price or the construction cost.

We have applied a base tax rate for the subject property of 1.1 percent, or approximately $1,976,000 in a representative year of operation based upon the prospective market value of the hotel. This figure has been inflated at two percent per year in accordance with the Jarvis-Gann Amendment.

Insurance

Insurance for liability and building and contents is estimated to be approximately $1,200 per available room in a representative year of operation, primarily based on our analysis of comparable hotel properties and the specific attributes of the proposed subject.

Insurance	
	Per Available Room
Comparables	
A	$967
B	2,955
C	1,493
D	3,451
E	1,179
Weighted Average	2,045
Subject Stabilized Year	$1,200

Reserves for Replacement

An additional item not typically listed on an owner's income statement is the amount required for the periodic replacement of certain short-lived items such as carpeting, draperies, and other furniture, fixtures and equipment. For a new hotel, reserves are often lower in the first few years, because very little capital improvements will be necessary. We have increased the reserves gradually over the first three full years of the projection period to build up reserves as the building ages. We have projected reserve for replacement of two percent for the first year of operation, three percent for the second year of operation, and four percent for the third year and thereafter.

REPRESENTATIVE YEAR OPERATING STATEMENT

The following presents our estimates of annual operating results for the subject property in a representative calendar year in calendar year 2019 dollars based on the aforementioned analysis. The representative year statement is presented on a calendar year basis.

Sand Canyon Resort
Representative Year of Operation

	Stated in 2019 Dollars			
Number of Units:	392			
Number of Annual Rooms Available:	143,080			
Number of Rooms Occupied:	100,156			
Annual Occupancy:	70.0%			
Average Daily Rate:	$321.00			
Revenue Per Available Room:	$224.70			
	Amount	Ratio	Per Room	P.O.R.
Revenues				
Rooms	$32,150,000	59.3%	$82,015	$321.00
Food & Beverage	15,023,000	27.7%	38,324	150.00
Other Operated Departments	5,008,000	9.2%	12,776	50.00
Misc Income	2,003,000	3.7%	5,110	20.00
Total Revenues	54,184,000	100.0%	138,224	541.00
Departmental Expenses				
Rooms	6,811,000	21.2%	17,375	68.00
Food & Beverage	11,418,000	76.0%	29,128	114.00
Other Operated Departments	3,255,000	65.0%	8,304	32.50
Total Departmental Expenses	21,484,000	39.7%	54,806	214.51
Departmental Profit	32,700,000	60.3%	83,418	326.49
Undistributed Expenses				
Administrative & General	4,508,000	8.3%	11,500	45.01
Information and Telecommunication Systems	1,019,000	1.9%	2,599	10.17
Marketing	3,920,000	7.2%	10,000	39.14
Property Operations and Maintenance	2,548,000	4.7%	6,500	25.44
Energy and Utility	1,764,000	3.3%	4,500	17.61
Total Undistributed Operating Expenses	13,759,000	25.4%	35,099	137.38
Gross Operating Profit	18,941,000	35.0%	48,319	189.11
Base Management Fee	1,626,000	3.0%	4,148	16.23
Fixed Expenses				
Property Taxes	1,976,000	3.6%	5,041	19.73
Insurance	470,000	0.9%	1,199	4.69
Total Fixed Expenses	2,446,000	4.5%	6,240	24.42
Net Operating Income Before Reserve	14,869,000	27.4%	37,931	148.46
FF&E Reserve	2,167,000	4.0%	5,528	21.64
Net Operating Income After Reserve	$12,702,000	23.4%	$32,403	$126.82

Source: *CBRE Hotels*

ESTIMATED ANNUAL OPERATING RESULTS

The previous analysis provided for the income and expenses incurred in the operation of the subject in a stabilized year. In the following analysis, we provide estimated income and expenses for the subject during each year of the 10-year holding period anticipated for a typical investor. Our estimate of the performance for the subject in the stabilized year is used as a basis for our analysis, considering the effects of inflation, business development, and varying occupancy.

Inflation

To portray price level changes during the holding period, we have assumed an inflation rate of 3.0 percent annually throughout the projection period. This rate reflects the consensus of several well-recognized economists for the current long-term outlook for the future movement of prices and is consistent with historical inflation rates. All expenses, save for property taxes, are projected to increase at 3.0 percent per year throughout the holding period. Property taxes are assumed to inflate at 2.0 percent annually in accordance with California’s Proposition 13.

It should be noted that inflation is caused by many factors and unanticipated events and circumstances can affect the forecasted rate. Therefore, the estimated operating results computed over the projection period can vary from the actual operating results, and the variations may be material.

The following table summarizes the ten-year statement of operating income and ratio to total revenue of income.

Summary of Estimated Annual Operating Results

Year	Total Revenue	Net Operating Income	Ratio to Total Revenues
2022	$39,519,000	$3,568,000	9%
2023	46,164,000	6,992,000	15
2024	49,655,000	8,155,000	16
2025	63,450,000	14,370,000	23
2026	66,662,000	15,806,000	24
2027	68,675,000	16,312,000	24
2028	70,715,000	16,805,000	24
2029	72,879,000	17,374,000	24
2030	75,070,000	17,923,000	24
2031	77,287,000	18,453,000	24

Statement of Estimated Annual Operating Results

Presented on the following pages are the subject property's estimated annual operating results for the fiscal years of 2022 through 2031. This time period reflects the first ten years of operation.

Sand Canyon Resort
Projected Operating Results
Calendar Years

	2022		2023		2024		2025		2026	
Number of Units:	322		322		322		392		392	
Number of Annual Rooms Available:	117,530		117,530		117,530		143,080		143,080	
Number of Rooms Occupied:	70,518		79,920		83,446		98,725		100,156	
Annual Occupancy:	60.0%		68.0%		71.0%		69.0%		70.0%	
Average Daily Rate:	$320.00		$330.00		$340.00		$380.00		$395.00	
Revenue Per Available Room:	$192.00		$224.40		$241.40		$262.20		$276.50	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	$22,566,000	57.1%	$26,374,000	57.1%	$28,372,000	57.1%	$37,516,000	59.1%	$39,562,000	59.3%
Food & Beverage	11,559,000	29.2%	13,493,000	29.2%	14,511,000	29.2%	17,682,000	27.9%	18,477,000	27.7%
Other Operated Departments	3,853,000	9.7%	4,498,000	9.7%	4,837,000	9.7%	5,894,000	9.3%	6,159,000	9.2%
Misc Income	1,541,000	3.9%	1,799,000	3.9%	1,935,000	3.9%	2,358,000	3.7%	2,464,000	3.7%
Total Revenues	39,519,000	100.0%	46,164,000	100.0%	49,655,000	100.0%	63,450,000	100.0%	66,662,000	100.0%
Departmental Expenses										
Rooms	6,341,000	28.1%	6,891,000	26.1%	7,237,000	25.5%	8,074,000	21.5%	8,376,000	21.2%
Food & Beverage	10,261,000	88.8%	11,293,000	83.7%	11,911,000	82.1%	13,517,000	76.4%	14,042,000	76.0%
Other Operated Departments	2,504,000	65.0%	2,923,000	65.0%	3,144,000	65.0%	3,831,000	65.0%	4,003,000	65.0%
Total Departmental Expenses	19,106,000	48.3%	21,107,000	45.7%	22,292,000	44.9%	25,422,000	40.1%	26,421,000	39.6%
Departmental Profit	20,413,000	51.7%	25,057,000	54.3%	27,363,000	55.1%	38,028,000	59.9%	40,241,000	60.4%
Undistributed Expenses										
Administrative & General	4,046,000	10.2%	4,168,000	9.0%	4,293,000	8.6%	5,383,000	8.5%	5,544,000	8.3%
Information and Telecommunication Systems	915,000	2.3%	942,000	2.0%	971,000	2.0%	1,217,000	1.9%	1,253,000	1.9%
Marketing	3,519,000	8.9%	3,624,000	7.9%	3,733,000	7.5%	4,681,000	7.4%	4,821,000	7.2%
Property Operations and Maintenance	2,287,000	5.8%	2,356,000	5.1%	2,426,000	4.9%	3,042,000	4.8%	3,134,000	4.7%
Energy and Utility	1,583,000	4.0%	1,631,000	3.5%	1,680,000	3.4%	2,106,000	3.3%	2,169,000	3.3%
Total Undistributed Operating Expenses	12,350,000	31.3%	12,721,000	27.6%	13,103,000	26.4%	16,429,000	25.9%	16,921,000	25.4%
Gross Operating Profit	8,063,000	20.4%	12,336,000	26.7%	14,260,000	28.7%	21,599,000	34.0%	23,320,000	35.0%
Base Management Fee	1,186,000	3.0%	1,385,000	3.0%	1,490,000	3.0%	1,904,000	3.0%	2,000,000	3.0%
Fixed Expenses										
Property Taxes	2,097,000	5.3%	2,139,000	4.6%	2,181,000	4.4%	2,225,000	3.5%	2,269,000	3.4%
Insurance	422,000	1.1%	435,000	0.9%	448,000	0.9%	562,000	0.9%	579,000	0.9%
Total Fixed Expenses	2,519,000	6.4%	2,574,000	5.6%	2,629,000	5.3%	2,787,000	4.4%	2,848,000	4.3%
Net Operating Income Before Reserve	4,358,000	11.0%	8,377,000	18.1%	10,141,000	20.4%	16,908,000	26.6%	18,472,000	27.7%
FF&E Reserve	790,000	2.0%	1,385,000	3.0%	1,986,000	4.0%	2,538,000	4.0%	2,666,000	4.0%
Net Operating Income After Reserve	$3,568,000	9.0%	$6,992,000	15.1%	$8,155,000	16.4%	$14,370,000	22.6%	$15,806,000	23.7%
Source: *CBRE Hotels*	Full Year of Operation									

Sand Canyon Resort
Projected Operating Results
Calendar Years

	2027		2028		2029		2030		2031	
Number of Units:	392		392		392		392		392	
Number of Annual Rooms Available:	143,080		143,080		143,080		143,080		143,080	
Number of Rooms Occupied:	100,156		100,156		100,156		100,156		100,156	
Annual Occupancy:	70.0%		70.0%		70.0%		70.0%		70.0%	
Average Daily Rate:	$407.00		$419.00		$432.00		$445.00		$458.00	
Revenue Per Available Room:	$284.90		$293.30		$302.40		$311.50		$320.60	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues										
Rooms	$40,763,000	59.4%	$41,965,000	59.3%	$43,267,000	59.4%	$44,569,000	59.4%	$45,871,000	59.4%
Food & Beverage	19,031,000	27.7%	19,602,000	27.7%	20,190,000	27.7%	20,796,000	27.7%	21,420,000	27.7%
Other Operated Departments	6,344,000	9.2%	6,534,000	9.2%	6,730,000	9.2%	6,932,000	9.2%	7,140,000	9.2%
Misc Income	2,537,000	3.7%	2,614,000	3.7%	2,692,000	3.7%	2,773,000	3.7%	2,856,000	3.7%
Total Revenues	68,675,000	100.0%	70,715,000	100.0%	72,879,000	100.0%	75,070,000	100.0%	77,287,000	100.0%
Departmental Expenses										
Rooms	8,627,000	21.2%	8,886,000	21.2%	9,153,000	21.2%	9,427,000	21.2%	9,710,000	21.2%
Food & Beverage	14,464,000	76.0%	14,898,000	76.0%	15,345,000	76.0%	15,805,000	76.0%	16,279,000	76.0%
Other Operated Departments	4,123,000	65.0%	4,247,000	65.0%	4,375,000	65.0%	4,506,000	65.0%	4,641,000	65.0%
Total Departmental Expenses	27,214,000	39.6%	28,031,000	39.6%	28,873,000	39.6%	29,738,000	39.6%	30,630,000	39.6%
Departmental Profit	41,461,000	60.4%	42,684,000	60.4%	44,006,000	60.4%	45,332,000	60.4%	46,657,000	60.4%
Undistributed Expenses										
Administrative & General	5,711,000	8.3%	5,882,000	8.3%	6,058,000	8.3%	6,240,000	8.3%	6,427,000	8.3%
Information and Telecommunication Systems	1,291,000	1.9%	1,330,000	1.9%	1,370,000	1.9%	1,411,000	1.9%	1,453,000	1.9%
Marketing	4,966,000	7.2%	5,115,000	7.2%	5,268,000	7.2%	5,426,000	7.2%	5,589,000	7.2%
Property Operations and Maintenance	3,228,000	4.7%	3,325,000	4.7%	3,424,000	4.7%	3,527,000	4.7%	3,633,000	4.7%
Energy and Utility	2,235,000	3.3%	2,302,000	3.3%	2,371,000	3.3%	2,442,000	3.3%	2,515,000	3.3%
Total Undistributed Operating Expenses	17,431,000	25.4%	17,954,000	25.4%	18,491,000	25.4%	19,046,000	25.4%	19,617,000	25.4%
Gross Operating Profit	24,030,000	35.0%	24,730,000	35.0%	25,515,000	35.0%	26,286,000	35.0%	27,040,000	35.0%
Base Management Fee	2,060,000	3.0%	2,121,000	3.0%	2,186,000	3.0%	2,252,000	3.0%	2,319,000	3.0%
Fixed Expenses										
Property Taxes	2,315,000	3.4%	2,361,000	3.3%	2,408,000	3.3%	2,457,000	3.3%	2,506,000	3.2%
Insurance	596,000	0.9%	614,000	0.9%	632,000	0.9%	651,000	0.9%	671,000	0.9%
Total Fixed Expenses	2,911,000	4.2%	2,975,000	4.2%	3,040,000	4.2%	3,108,000	4.1%	3,177,000	4.1%
Net Operating Income Before Reserve	19,059,000	27.8%	19,634,000	27.8%	20,289,000	27.8%	20,926,000	27.9%	21,544,000	27.9%
FF&E Reserve	2,747,000	4.0%	2,829,000	4.0%	2,915,000	4.0%	3,003,000	4.0%	3,091,000	4.0%
Net Operating Income After Reserve	$16,312,000	23.8%	$16,805,000	23.8%	$17,374,000	23.8%	$17,923,000	23.9%	$18,453,000	23.9%

Source: *CBRE Hotels*

Addendum

Terms and Conditions

TERMS AND CONDITIONS

1. CBRE, Inc. through its advisor (collectively, "CBRE") has inspected through reasonable observation the subject property. However, it is not possible or reasonably practicable to personally inspect conditions beneath the soil and the entire interior and exterior of the improvements on the subject property. Therefore, no representation is made as to such matters.
2. The report, including its conclusions and any portion of such report (the "Report"), is as of the date set forth in the letter of transmittal and based upon the information, market, economic, and property conditions and projected levels of operation existing as of such date. The dollar amount of any conclusion as to value in the Report is based upon the purchasing power of the U.S. Dollar on such date. The Report is subject to change as a result of fluctuations in any of the foregoing. CBRE has no obligation to revise the Report to reflect any such fluctuations or other events or conditions which occur subsequent to such date.
3. Unless otherwise expressly noted in the Report, CBRE has assumed that:
   (i) Title to the subject property is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE has not examined title records (including without limitation liens, encumbrances, easements, deed restrictions, and other conditions that may affect the title or use of the subject property) and makes no representations regarding title or its limitations on the use of the subject property. Insurance against financial loss that may arise out of defects in title should be sought from a qualified title insurance company.

   (ii) If any, existing improvements on the subject property conform to applicable local, state, and federal building codes and ordinances, are structurally sound and seismically safe, and have been built and repaired in a workmanlike manner according to standard practices; all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; and the roof and exterior are in good condition and free from intrusion by the elements. CBRE has not retained independent structural, mechanical, electrical, or civil engineers in connection with this report and, therefore, makes no representations relative to the condition of improvements. CBRE advisors are not engineers and are not qualified to judge matters of an engineering nature, and furthermore structural problems or building system problems may not be visible. It is expressly assumed that any purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems.

   (iii) Any proposed improvements, on or off-site, as well as any alterations or repairs considered will be completed in a workmanlike manner according to standard practices.

   (iv) Hazardous materials are not present on the subject property. CBRE is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater, mold, or other potentially hazardous materials may affect the value of the property.

   (v) No mineral deposit or subsurface rights of value exist with respect to the subject property, whether gas, liquid, or solid, and no air or development rights of value may be transferred. CBRE has not considered any rights associated with extraction or exploration of any resources, unless otherwise expressly noted in the Report.

   (vi) There are no contemplated public initiatives, governmental development controls, rent controls, or changes in the present zoning ordinances or regulations governing use, density, or shape that would significantly affect the value of the subject property.

   (vii) All required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, nor national government or private entity or organization have been or can be readily obtained or renewed for any use on which the Report is based.

   (viii) The subject property is managed and operated in a prudent and competent manner, neither inefficiently or super-efficiently.

   (ix) The subject property and its use, management, and operation are in full compliance with all applicable federal, state, and local regulations, laws, and restrictions, including without limitation environmental laws, seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, and licenses.

   (x) The subject property is in full compliance with the Americans with Disabilities Act (ADA). CBRE is not qualified to assess the subject property's compliance with the ADA, notwithstanding any discussion of possible readily achievable barrier removal construction items in the Report.

   (xi) All information regarding the areas and dimensions of the subject property furnished to CBRE are correct, and no encroachments exist. CBRE has neither undertaken any survey of the boundaries of the subject property nor reviewed or confirmed the accuracy of any legal description of the subject property.

   Unless otherwise expressly noted in the Report, no issues regarding the foregoing were brought to CBRE's attention, and CBRE has no knowledge of any such facts affecting the subject property. If any information inconsistent with any of the foregoing assumptions is discovered, such information could have a substantial negative impact on the

Report. Accordingly, if any such information is subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. CBRE assumes no responsibility for any conditions regarding the foregoing, or for any expertise or knowledge required to discover them. Any user of the Report is urged to retain an expert in the applicable field(s) for information regarding such conditions.

4. CBRE has assumed that all documents, data and information furnished by or behalf of the client, property owner, or owner's representative are accurate and correct, unless otherwise expressly noted in the Report. Such data and information include, without limitation, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any error in any of the above could have a substantial impact on the Report. Accordingly, if any such errors are subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. The client and intended user should carefully review all assumptions, data, relevant calculations, and conclusions of the Report and should immediately notify CBRE of any questions or errors within 30 days after the date of delivery of the Report.
5. CBRE assumes no responsibility (including any obligation to procure the same) for any documents, data or information not provided to CBRE, including without limitation any termite inspection, survey or occupancy permit.
6. Any cash flows included in the analysis are forecasts of estimated future operating characteristics based upon the information and assumptions contained within the Report. Any projections of income, expenses and economic conditions utilized in the Report, including such cash flows, should be considered as only estimates of the expectations of future income and expenses as of the date of the Report and not predictions of the future. Actual results are affected by a number of factors outside the control of CBRE, including without limitation fluctuating economic, market, and property conditions. Actual results may ultimately differ from these projections, and CBRE does not warrant any such projections.
7. The Report contains professional opinions and is expressly not intended to serve as any warranty, assurance or guarantee of the performance of the subject property. Accordingly, CBRE shall not be liable for any losses that arise from any investment or lending decisions based upon the Report that the client, intended user, or any buyer, seller, investor, or lending institution may undertake related to the subject property, and CBRE has not been compensated to assume any of these risks. Nothing contained in the Report shall be construed as any direct or indirect recommendation of CBRE to buy, sell, hold, or finance the subject property.
8. No opinion is expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by the advisors. Any user of the Report is advised to retain experts in areas that fall outside the scope of the advisor for such matters.
9. CBRE assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance. An agent for the Federal Flood Insurance Program should be contacted to determine the actual need for Flood Hazard Insurance.
10. Acceptance or use of the Report constitutes full acceptance of these Assumptions and Limiting Conditions and any special assumptions set forth in the Report. It is the responsibility of the user of the Report to read in full, comprehend and thus become aware of all such assumptions and limiting conditions. CBRE assumes no responsibility for any situation arising out of the user's failure to become familiar with and understand the same.
11. The Report applies to the property as a whole only, and any pro ration or division of the title into fractional interests will invalidate such conclusions, unless the Report expressly assumes such pro ration or division of interests.
12. The maps, plats, sketches, graphs, photographs, and exhibits included in this Report are for illustration purposes only and shall be utilized only to assist in visualizing matters discussed in the Report. No such items shall be removed, reproduced, or used apart from the Report.
13. The Report shall not be duplicated or provided to any unintended users in whole or in part without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Exempt from this restriction is duplication for the internal use of the intended user and its attorneys, accountants, or advisors for the sole benefit of the intended user. Also exempt from this restriction is transmission of the Report pursuant to any requirement of any court, governmental authority, or regulatory agency having jurisdiction over the intended user, provided that the Report and its contents shall not be published, in whole or in part, in any public document without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Finally, the Report shall not be made available to the public or otherwise used in any offering of the property or any security, as defined by applicable law. Any unintended user who may possess the Report is advised that it shall not rely upon the Report or its conclusions and that it should rely on its own consultants and advisors for any decision in connection with the subject property. CBRE shall have no liability or responsibility to any such unintended user.