

GSG **Market** **Feasibility Study**

Eagar/Springerville, AZ



TYPES OF ANALYSIS

AREA

SITE

ECONOMIC

DEMAND

SUPPLY

FINANCIAL

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I. INTRODUCTION

Scope and Purpose

The following Market Feasibility Study will review the proposed development of a hotel project in Eagar/Springerville, AZ. At the time of this report the size of the proposed hotel would be 44 guest rooms. The proposed site for the hotel is located on N Main St between 5th and 6th St in Eagar, AZ. This site is an ideal location to provide the best visibility for travelers entering into the community from the interstate or those attending events at The Dome.

Growth Services Group, LLC (GSG) was contracted to provide a Market Feasibility Study for the Eagar/Springerville, AZ market area. This Market Study provides a demographic and economic overview of the subject area to determine the overall feasibility of a new hotel development. The purpose of this Market Study is to estimate the perceived demand and to estimate financial performance of a new hotel in Eagar/Springerville, AZ.

GSG has analyzed market conditions, economic and demographic factors, and site conditions to determine their impact on the proposed project. GSG has utilized both primary and secondary data sources that are assumed to be correct to analyze the subject area's demand for additional rooms. Research also included local interviews with area representatives from a variety of public and private sector organizations. The Report includes primary data and input regarding the overall feasibility of the project today and analyzes the potential for future growth in demand in the subject area.

The GSG Market Feasibility Study Report addresses the estimated operating performance of the project and provides recommendations as to size and scope of the development. The study provides owners, investors, operators and lenders with a snapshot of the overall feasibility of the project based on market conditions at the time of the survey, and all data is provided for discussion purposes only. Future macroeconomic events affecting travel and the economy cannot be predicted and may impact the development and performance of this project. GSG makes no representations regarding the development or possible investments. Potential developers and investors should rely on their own due diligence when making investment decisions.

In addition, estimated financial performance projections have been prepared based on current operating performance in the market area as determined through a competitive analysis and review of industry data. Occupancy, average daily room rate, and sales revenue projections for the hotel were based upon a detailed review of comparable sales, field research data, and surveys. Recommendations as to the property type, property size, services, and amenities were included. These projections and recommendations were based upon the market demand research for the proposed facility at the time and are included as a suggestion only.

This Feasibility Study represents compiled data from the most up-to-date sources available to GSG at the time the report was completed and GSG cannot be held responsible for updates or changes to data that occurred after each data source was accessed.

II. DATA and ANALYSIS

Area Analysis

Proposed Location

The market area for this proposed hotel site is located in Eagar/Springerville, AZ, Apache County, in East Central Arizona. Eagar and Springerville, AZ are located between several major metropolitan areas. The closest city with a population greater than 50,000 is Flagstaff, AZ (176 miles, pop. 72,400). The closest city with an MSA population near 1,000,000 is Albuquerque, NM (199 miles, pop. 912,100).



Eagar, Arizona
Where roads hit the trails



Springerville
Arizona

About Eagar/Springerville

Situated at the midpoint between Phoenix and Albuquerque, on the northeast foothills of the White Mountains, the towns of Springerville and Eagar make up the place known as the Round Valley in the central-eastern part of Arizona near the New Mexico border. The towns sit at an elevation greater than 7,000 feet and experience all four seasons—temperatures range from the 20s to the 90s—creating a stark contrast to the arid landscape, thorned cacti, and intense heat for which Arizona is famously known.

The towns are a well-kept secret with unique cultural, educational, recreational, and economic opportunities stemming from the area's gold mine of resources, they offer a variety of stores and boutiques, along with many dining establishments with some of the best food on the mountain. The adjacent Apache-Sitgreaves National Forest offers a gamut of recreational activities with four rivers, 35 lakes and reservoirs, 680 miles of trout streams, and 18 miles of designated ATV trails. Just 20 miles from away, the Sunrise Ski Park offers skiing opportunities.

In 1964, Hollywood legend John Wayne purchased a ranch in Eagar that became the historic 26 Bar Ranch, or John Wayne's Ranch, which he kept until his death in 1979. The 26 Bar Ranch, a local landmark, is still a working ranch today, owned by the Hopi Tribe.

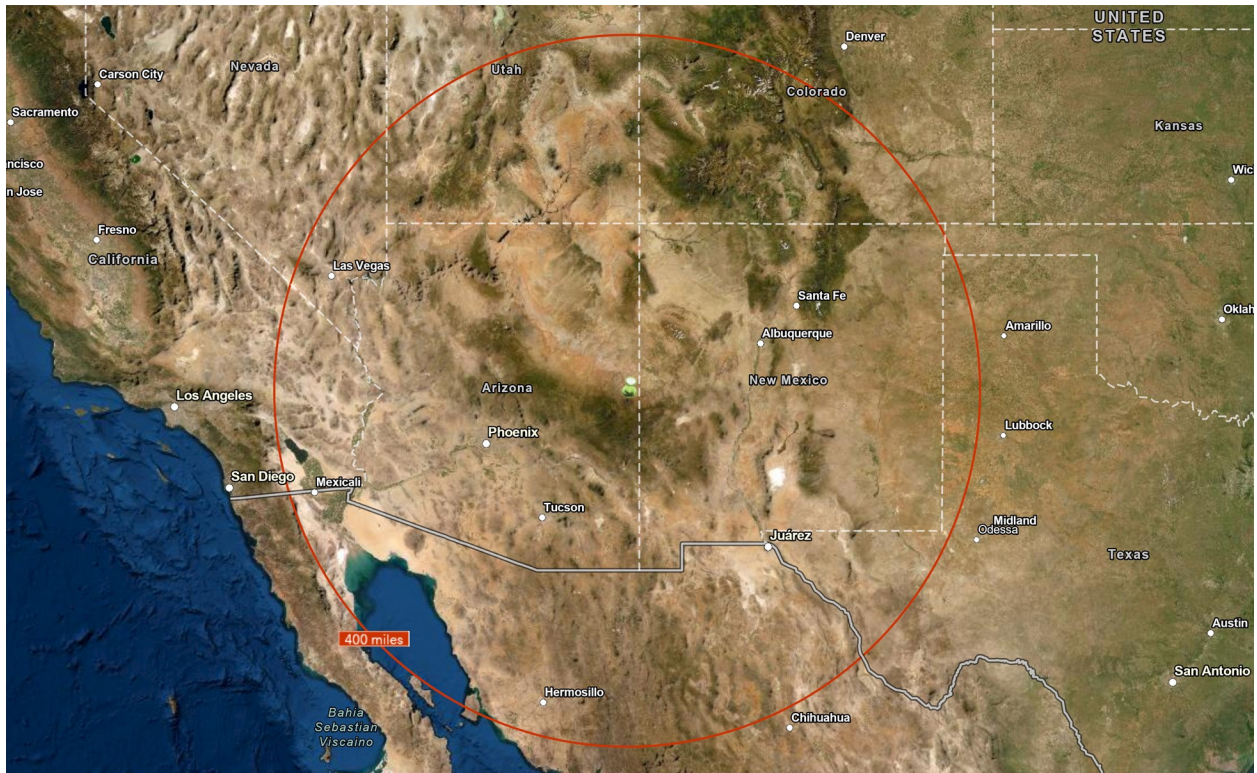
The community has a broad range of facilities, including the Round Valley Ensphere ("The Dome"), a sports facility that seats 5,000 and accommodates up to 10,000.

For many years, agriculture and trading were the focus of the area. While ranching is still important, the construction of two power plants, timber-related industries and the growing tourism/recreation trade have broadened the economic base. The community is the center of the White Mountain Recreation Area. Tourist activity brings approximately 100,000 people to the national forest, making the trade, services, and lodging sectors vital to the economy.

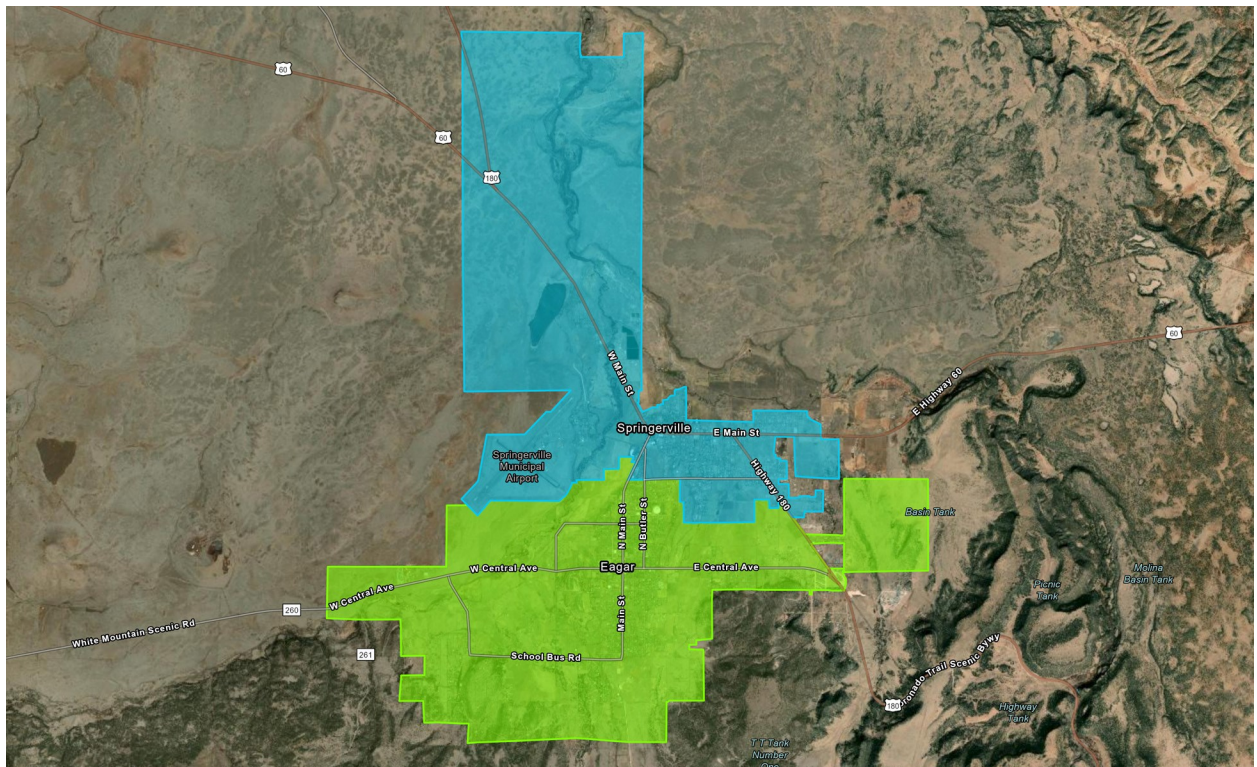


Market Maps

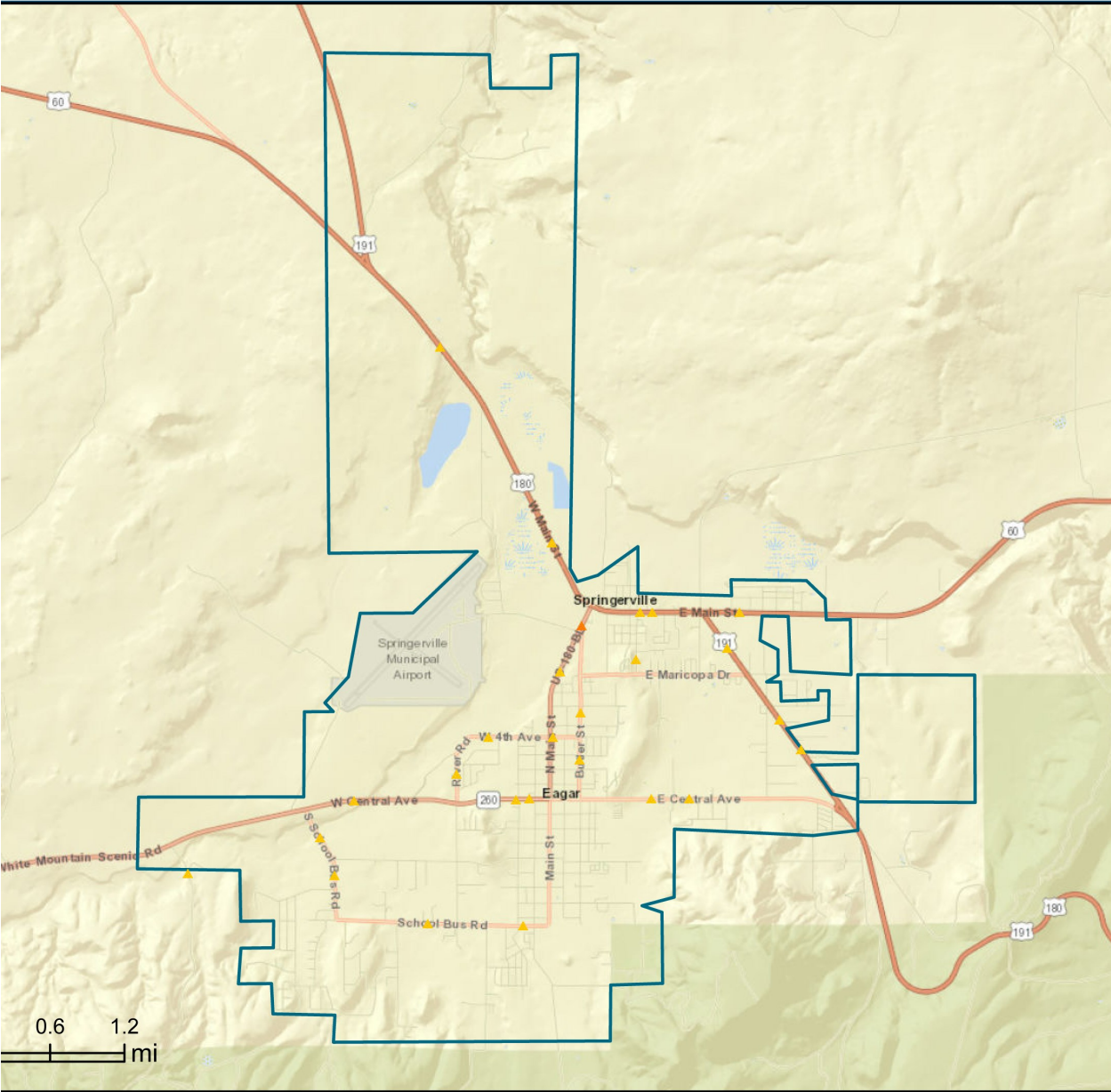
Eagar/Springerville, AZ—400 Mile Radius



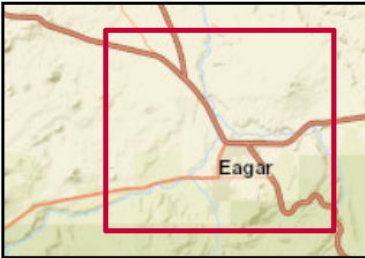
Eagar/Springerville, AZ—City Boundaries



Market Maps

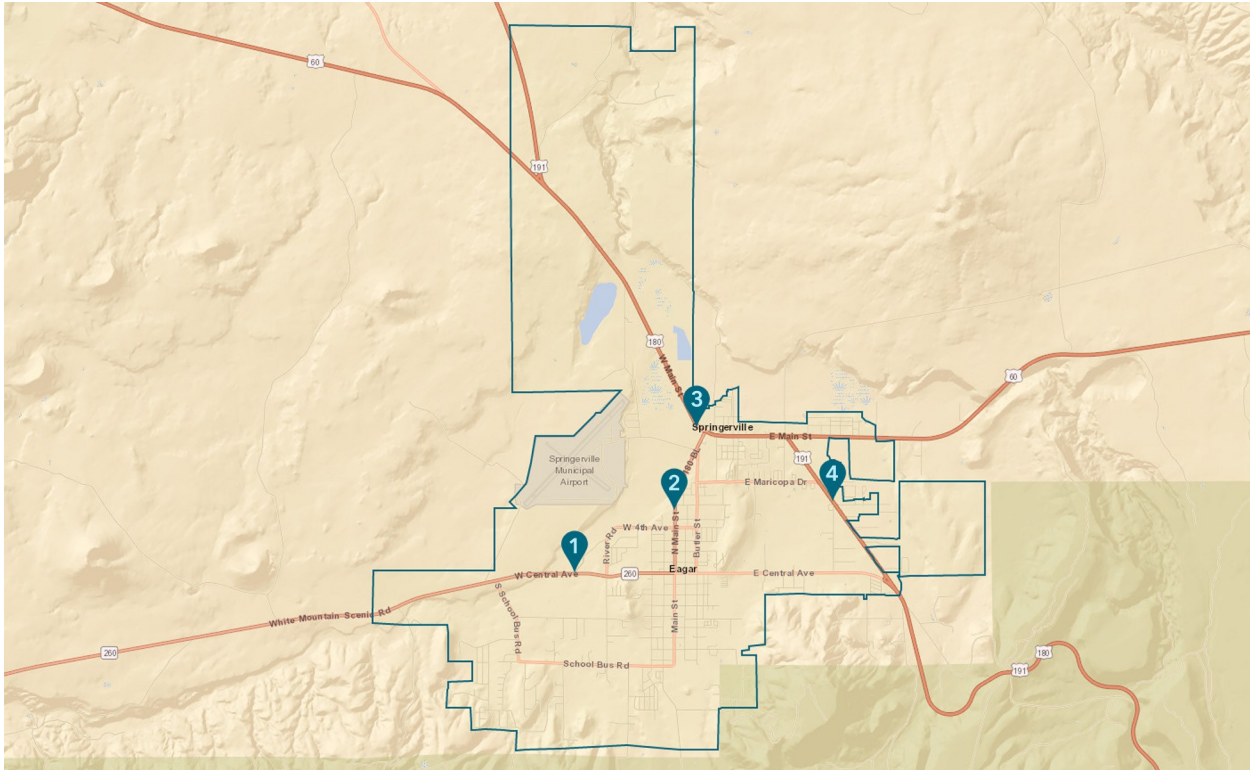


Average Daily Traffic Volume
▲ Up to 6,000 vehicles per day
▲ 6,001 - 15,000
▲ 15,001 - 30,000
▲ 30,001 - 50,000
▲ 50,001 - 100,000
▲ More than 100,000 per day



Site Analysis

Proposed Sites Summary



Eagar/Springerville has multiple potential locations available for a new hotel, shown on the map above.

Site 1: Hwy 260 & Old Gristmill Rd, Eagar, AZ

Site 1 has highway frontage and is divided into two tracts (2.75 acres & 10.42 acres).

Site 2: N Main St, Eagar, AZ

Site 2 is located on N Main St between 5th and 6th St in the Eagar Business District, near Round Valley High School and The Dome.

Site 3: 110 W Main St, Springerville, AZ

Site 3 has highway frontage and is one block east of America's Best Value Inn.

Site 4: Intersection of Hwy 191/4th St/Tumbling T Dr

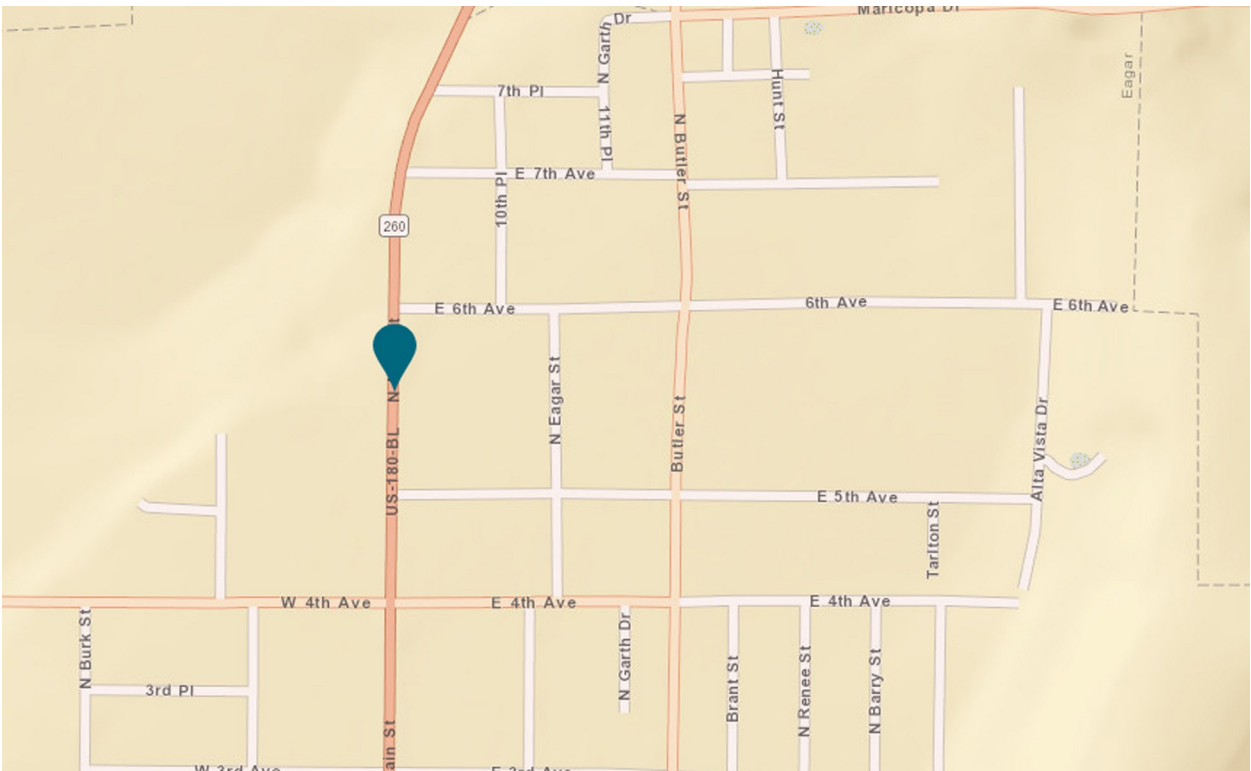
Site 4 is a level, triangle-shaped lot, with city/state roads on all sides and highway 191 frontage.

Site Analysis

Aerial View



Traffic Count



Proposed Site Evaluation

Site Evaluation

The proposed site, Site 2, is located on N Main St between 5th and 6th St in the Eagar Business District, near Round Valley High School and The Dome, immediately across from the municipal airport. This site offers the highest traffic count with frontage on Main St/AZ-260/Business Loop 180 traveling through the cities of Eagar and Springerville.

Site 2 has an Overall Location Rating of Excellent. This rating was determined due to excellent visibility and accessibility for potential customers, a growing business environment, and excellent development potential for this proposed hotel site. Alternative sites were reviewed as listed previously.

Proposed Site: Site 2 - N Main St, Eagar, AZ	Evaluation
Accessibility	Excellent
Availability of Utilities	Excellent
Land Cost	Excellent
Site Prep	Excellent
Visibility	Excellent
Zoning	Excellent
Overall Location Rating	Excellent

Evaluation Criteria

	Fair	Good	Excellent
Accessibility	Challenging to access	Accessible with minimal inconvenience	Readily accessible off of a major roadway
Availability of Utilities	Utilities not available nearby (or unknown)	Utilities available nearby	Utilities on site
Land Cost	Highest price point (or unknown)	Midrange price point	Lowest price point
Site Prep	Significant site prep required (or unknown)	Moderate site prep required	Minimal site prep required
Visibility	Not visible from highway/interstate	Can be seen from a highway/interstate	Easily visible from major highway/interstate
Zoning	Rezoning required (or unknown)	Rezoning required but confirmed possible	Zoned correctly

Utilities

Note: rates are estimates and may vary on project-by-project basis

Commercial Electric Rates, Navopache Electric:

Primary Service Standard

Service Availability Charge	\$275.00
Demand Charge (kVa)	\$10.185
Energy Charge First 300 kWh per kVa	\$0.07163
Energy Charge Over 300 kWh per kVa	\$0.05223

Water Rates:

Base Rate

2-inch	\$103.49
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Usage Rate

0-2,000 gal	minimum
2,001-20,000 gal	\$3.20
20,001-30,000 gal	\$3.44
30,001-50,000 gal	\$3.66
50,001 gal and up	\$4.16

Sewer Rates:

Per 1,000 gallons	\$5.37
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Water line tap fee >2"

Actual cost (\$1,400+)

Sewer line tap fee

\$1,200

Economic Analysis

HOTEL MARKET QUICK FACTS

Eagar/Springerville + 25 Mile Radius



EDUCATION



No High School Diploma



22%

High School Graduate



44%

Some College



25%

Bachelor's/Grad/Prof Degree

BUSINESS



336

Total Businesses



3,149

Total Employees

EMPLOYMENT



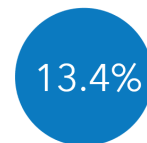
White Collar



Blue Collar



Services



Unemployment Rate

INTERNET ACCESS



63%

Use Computer



71%

Use Cell Phone

KEY FACTS

9,517

Population



Average Household Size

41.4

Median Age

\$50,594

Median Household Income

Extended summaries of Eagar and Springerville's population and retail expenditures are available in Appendices A through E.

© GSG 2020

Economic Analysis



Extended summaries of Eagar and Springerville’s population and retail expenditures are available in Appendices A through E.
© GSG 2020

Workforce Analysis

Business Summary

Refer to Appendix F for a more detailed Business Summary for Eagar/Springerville.

Top 5 Business Sectors in Eagar/Springerville (by number of businesses)

Business Sector (by NAICS codes)	Businesses	% of total	Employees	% of total
Retail Trade	33	14.5	265	13.4
Other Services (ex. Public Admin.)	33	14.5	140	7.1
Real Estate, Rental & Leasing	23	10.1	50	2.5
Accommodation & Food Services	22	9.7	209	10.6
Public Administration	22	9.7	249	12.6
Total	227	100	1,971	100


Source: ESRI

Top 5 Business Sectors in Eagar/Springerville (by number of employees)

Business Sector (by NAICS codes)	Employees	% of total	Businesses	% of total
Utilities	271	13.7	2	0.9
Retail Trade	265	13.4	33	14.5
Public Administration	249	12.6	22	9.7
Health Care & Social Assistance	246	12.5	18	7.9
Educational Services	215	10.9	7	3.1
Total	1,971	100	227	100

Source: ESRI

Top 10 Employers in Eagar/Springerville (by number of employees)

Business Name	Employees
Tucson Electric Power Co	265
Round Valley School District	141
White Mountain Regl Med Ctr	120
Jehovah's Witnesses 	63
Forest Service Apache	60
Safeway	50
Springerville Ranger District	67
Town of Springerville	45
Milton Melton Svc	40
Western United Drug-Gen Store	38

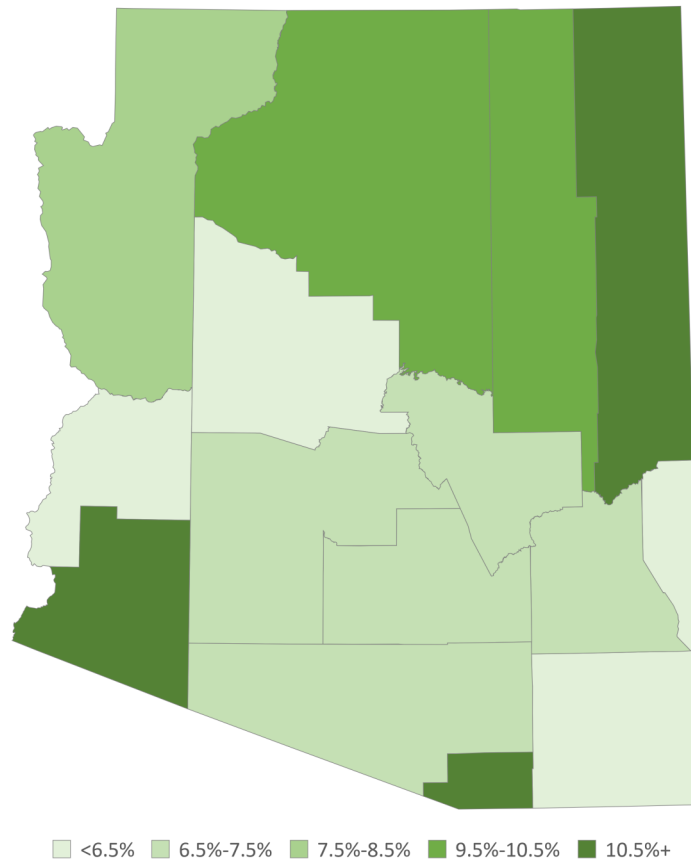
Source: Adapted from Reference USA

*Unemployment Rates (not seasonally adjusted)**

Month and year	Apache County	Arizona	USA
January 2020	11.0%	4.6%	4.0%
February 2020	10.2%	4.4%	3.8%
March 2020	13.9%	6.1%	4.5%
April 2020	15.7%	13.1%	14.4%
May 2020	11.2%	8.8%	13.0%
June 2020	16.3%	10.3%	11.2%
July 2020	18.1%	11.0%	10.5%
August 2020	10.3%	6.3%	8.5%
September 2020	11.0%	6.6%	7.7%
October 2020	12.5%	7.8%	6.6%
November 2020	12.7%	7.7%	6.4%
December 2020	12.6%	7.3%	6.5%

*Source—US Bureau of Labor Statistics

December 2020 Unemployment Rate



Education

Colleges/Universities near Eagar/Springerville

Northland Pioneer College Holbrook, AZ (about 47 miles)	Full-time Enrollment (Fall 2019): 591 Part-time Enrollment (Fall 2019): 2,417
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Public high schools in Eagar/Springerville

Round Valley High School 550 North Butler St. Eagar, AZ 85925	Grades: 9-12 Enrollment (2018-19): 366
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Public elementary/middle schools in Eagar/Springerville

Round Valley Middle School 150 west 2nd St. Eagar, AZ 85925	Grades: 5-8 Enrollment (2018-19): 413
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Round Valley Elementary School 165 S. Brown St. Eagar, AZ 85925	Grades: PK-4 Enrollment (2018-19): 519
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Demand Analysis

Domestic Travel Market Potential for Eagar/Springerville

Refer to Appendix G for a more detailed Retail Market Potential Summary for Eagar/Springerville.

Domestic Travel Market Potential for Eagar/Springerville

Travel by Adults	Expected Number (adults or households)	% of adults or households	MPI*
Domestic travel in last 12 months	2,558	48.9	93
Took 3+ domestic non-business trips in last 12 months	599	11.4	96
Used general travel website for domestic travel in last 12 months	256	4.9	74
Nights spent in hotel/motel in last 12 months	2,198	42.0	93
Member of any hotel rewards program	815	15.6	82
Spent on domestic vacations in last 12 months:			
<\$1,000	564	10.8	100
\$1,000-\$1,499	264	5.0	81
\$1,500-\$1,999	164	3.1	81
\$2,000-\$2,999	176	3.3	75
\$3,000+	304	5.8	91

*Market Potential Index—relative likelihood to exhibit certain consumer behavior/purchasing pattern compared to US, where 100 = US average

Eagar/Springerville Area Attractions (partial list)

Becker Lake/Becker Lake Wildlife Area



- Becker Lake is surrounded by the 622-acre Becker Lake Wildlife Area. The 107-acre lake offers trout fishing all year. The Wildlife Area offers hunting, hiking, and birdwatching.

Saffel Canyon OHV Trail



- Saffel Canyon OHV Trail includes some of the most spectacular views in the White Mountains. The trail begins at an elevation of 7,600 feet at Saffel Canyon and climbs to 9,400 feet at Pat Knoll.

Sunrise Ski Resort



- Owned and operated by the White Mountain Apache Tribe, Sunrise Park Resort is Arizona's largest ski resort and Summer outdoor adventure park. The park is made up of three mountains—Sunrise Peak, Cyclone Peak, and Apache Peak—and offers 65 trails across 800 skiable acres.

Apache-Sitgreaves National Forest



- The Apache-Sitgreaves National Forest, named for the tribes that settled in this area, encompasses over two million acres of magnificent mountain country in east-central Arizona.
- Major attractions for the visitors from the desert include the Mogollon Rim, 30 lakes and reservoirs, and more than 1,000 miles of rivers and streams, more than any other Southwestern National Forest.

Madonna on the Trail Statue



- The Madonna of the Trail monument is one of twelve identical monuments dedicated to the pioneer women who traveled west in the United States.

Eagar/Springerville Area Events (partial list)

April	<ul style="list-style-type: none">• Chrome in the Dome Car Show<ul style="list-style-type: none">* Car show benefiting the vocational programs at Round Valley High School* 100-150 including classic cars, street rods, rat rods, other custom cars and more – something for everyone
June	<ul style="list-style-type: none">• Junior Rodeo<ul style="list-style-type: none">* Starting in June with approximately 8 Rodeo days through September* Events for all ages including obstacle courses, barrel racing, poles, goat tying, team roping
July	<ul style="list-style-type: none">• Hummingbird Festival<ul style="list-style-type: none">* Arizona Game and Fish Department offers a unique opportunity to learn about Arizona's colorful forest hummingbirds* Event has been held for more than 16 years* Includes a capture and bird-banding event where participants are able to observe researchers up close as they handle, measure and band the birds• 4th of July<ul style="list-style-type: none">* Events include a parade, dances, Round Valley Rodeo, and fireworks* 2021 marks the 109th consecutive Round Valley Rodeo
August	<ul style="list-style-type: none">• White Mountain UTV Jamboree<ul style="list-style-type: none">* 17th annual White Mountain UTV Jamboree for adults and children who enjoy the outdoors through off-roading, camping and experiencing nature* Event offers several guided trail rides over 5 days including 2 night rides• Eagar Days<ul style="list-style-type: none">* Over 2,000 people attend Eagar Days* Events include an Archery Shoot, Soccer Tournament, Hunters Safety Field Day Courses, 5K and 1 mile Fun Run, Kids Foot Rodeo, Skateboard & Scooter Competition, Food, Arts and Craft Vendors, and more
September	<ul style="list-style-type: none">• Rib Burn Throwdown<ul style="list-style-type: none">* 3-day event starting on Thursday with the tri-tip dinner, an appetizer and dessert party on Friday, and the rib burn on Saturday
October	<ul style="list-style-type: none">• Color Fest Festival<ul style="list-style-type: none">* Annual festival in the White Mountains of Arizona* Attendees enjoy the beautiful changing colors of the landscape that come with the Fall season* Many vendors, community information booths, games, activities, kiddie train rides, pumpkin carving contest
November	<ul style="list-style-type: none">• Aviation Expo<ul style="list-style-type: none">* Annual fundraiser supporting Round Valley Animal Rescue* Event includes skydivers, vintage planes, public rides, silent auction, food, games, vendors, cakewalk, raffles, live music, classic cars and shelter animals
December	<ul style="list-style-type: none">• Light Parade<ul style="list-style-type: none">* Beginning in Eagar, the parade is held the first Saturday evening in December, and celebrates the joy of the season, culminating in a visit from Santa Claus

Local Restaurants/Dining (partial list, info source: x.com/dining)

Aliberto's Mexican Food

Mexican
11 N Main St
Eagar, AZ
(928) 333-4826

Avery's

American, Bar, Barbecue
262 E Main St
Springerville, AZ
(928) 333-1111

Bluebird Cafe

Cafe, Sandwiches
746 E Main St
Springerville, AZ
(928) 333-2203

Booga Red's Restaurant

Mexican
521 E Main St
Springerville, AZ
(928) 333-2640

China Garden Restaurant

Chinese
279 S Mountain Ave
Springerville, AZ
(928) 333-3222

Dairy Queen

Ice Cream, Burgers, Fast Food
367 N Main St
Eagar, AZ
(928) 333-2251

FireStone Pizza Express

Pizza, Bar, Buffet
411 E Main St
Springerville, AZ
(928) 333-5883

Goobs Pizza

Pizza
211 S Mountain Ave
Springerville, AZ
(928) 333-1502

McDonald's

Burgers, Breakfast, Fast Food
100 E Main St
Springerville, AZ
(928) 333-4504

Safire Restaurant & Lounge

American, Bar Food
411 E Main St
Springerville, AZ
(928) 333-4512

Sonic Drive-In of Eagar

American
640 N Main St
Eagar, AZ
(928) 333-3840

Subway Sandwiches & Salads

Subs, Wraps, Salads, Breakfast
830 E Main St
Springerville, AZ
(928) 333-5544

Tequila Red's Cocktail Lounge

Bar Food
521 E Main St
Springerville, AZ
(928) 333-5036

Trail Riders Restaurant

American, Brunch, Mexican
140 N Main St
Eagar, AZ
(928) 333-1446

Transportation

Highways and Interstates

The cities of Eagar and Springerville are located along US Route 60, US Route 191, and AZ-260.

Bus and Train Routes

The nearest Greyhound route departs daily from Phoenix.

The nearest Amtrak station is 117 miles northwest in Winslow, AZ.

Airport

Eagar and Springerville are served by the Springerville Municipal Airport for private flight. Located 175 miles northwest, Flagstaff Pulliam Airport (FLG) offers daily roundtrip flights to Phoenix Sky Harbor International Airport (PHX), Dallas/Fort Worth International Airport (DFW), and Denver International Airport (DEN).



Commuting Statistic	Eagar/ Springerville	Arizona	National
Average one way commute	19 min	25 min	26 min
Workers who carpool	17.0%	10.9%	9.3%
Workers taking public transportation	0.0%	2.0%	5.1%
Workers who walk to work	0.7%	2.0%	2.8%
Working from home	4.9%	5.7%	4.6%

Source: <https://www.areavibes.com/>

Community Interviews


Interview 1

The community has events such as Dome Days (sporting events), BBQ Events, ATV Jamboree and businesses such as the Power plant, Sun Rise, Greer and the Zoo Ranch which present lodging needs. Most events require 2-4 days of lodging for 80-100 people per event.

Breakfast and a pool would be desirable amenities. Respondent currently refers guests to Rode Inn. Extended stay rooms are needed as often as 50 times a year for a week at a time.

The community could utilize a banquet space 50-100 times per year with 100-200 guests each time. Currently, the lone option for large wedding receptions is the American Legion Hall. The X-Diamond Ranch wedding venue has had 5 weddings in the last two months, but none of the guests stayed in town.

Interview 2

Organization hosts 6-12 small events annually that each require 2-3 rooms for 1-2 nights and has potential for up to 4 events which would need 100 rooms. People tend to stay in Show Low or Pine  Lake due to the quality of accommodations.

Reliable internet and a pool for families are key accommodation requirements. Meeting and banquet space would be a welcome addition to the community. Those needing event space utilize the American Legion Hall, Fire Station, Council Chambers, Town Hall Conference Room or Police Station. A space that can hold up to 75 people and is open to the public is needed. Extended stay rooms would be utilized approximately 6 weeks a year for contractors.

Respondent is unsure if a new hotel development is needed, noting that current options are not booked to capacity. However, current options are not national brands and are not perceived as high quality.

Interview 3

Annual Camo Days event hosts 7-10 vendors for 2-3 nights. Vendor reps visit once a month and require a room for a night. Guests would appreciate breakfast, an exercise facility, and snacks/bar. Guests are currently referred to Rode Inn and Best Western in Eagar.

For larger events, respondent reports using the meeting room at the Rode Inn which accommodates 30-40 people, hosting a company Christmas party at a local restaurant, using the Legion Hall for larger events like the gun show, and the high school auditorium for the hunting expo. Does not have a need for extended stay options.

Interview 4

Respondent reports that two rodeos per year bring in 1,300 visitors; 4th of July week brings 20,000 – 30,000 people to the area. Rodeo stays are 2-3 nights and those coming for the 4th of July stay up to a week with rooms booked a year in advance.

Desirable amenities include breakfast, an exercise facility, and meeting rooms. Guests are currently referred to Best Western in Eagar. Extended stay rooms are needed 6 times a year for 1-2 weeks, as long as a month.

There is a need for event space and respondent reports that the City of Eagar is currently discussing plans to build a multi-purpose community center that would hold 50-75 people.

Interview 5

Multiple events bring in large numbers of people each year including a car show (3,000-4,000 people) and basketball tournament (5,000-6,000 people). The community has missed out on other opportunities due to a lack of accommodations such as The Antique Roadshow (16,000 people/day) and State Athletic Championship tournaments. Extended stay rooms would be utilized 6 times a year for up to a month.

Top accommodation needs are breakfast, an exercise facility, and a pool. Guests are currently referred to the Best Western in Eagar, but it is often full. Meeting space is needed for the regional coaches meeting (65 people), Arizona Game and Fish Dept regular meetings, Apache Forestry meetings, as well as National and State School Board Association meetings. The monthly Superintendents Association meeting draws 108 people (27 school districts – 4 from each school).

There are frequent inquiries about using The Dome for large events but they go elsewhere due to the lack of accommodations.

Interview 6

Organization's clients need accommodations 2-3 times per month, requiring 1-2 rooms for 2 nights each time.

Breakfast, an exercise facility, and meeting rooms would all be desirable amenities. Guests (24-36 rooms per year) are currently referred to the Best Western or Reed's Lodge; most guests prefer to stay in Pinetop for its updated offerings. Meeting space for up to 30 people would be welcome as organization is currently using the local library for meetings.

Respondent feel that a new hotel is needed "desperately" as local accommodations haven't been updated or modernized. The Dome could be utilized much more if the community had sufficient accommodations. Currently, most every room is booked all summer long. Although Eagar/Springerville are closest to the ski resort, skiers stay in Pinetop or Show Low and drive to ski, but would stay in town with the right option.

Interview 7

Organization needs accommodations to support basketball tournaments, car show, wrestling tournaments – anything that can be accommodated in the Dome – school/sporting events. Breakfast, pool, fitness center would be desirable accommodations for visiting school teams as well as a hot tub for skiers. Guests are currently referred to the Best Western. Meeting space for off-campus staff meetings of up to 25 people would be well received.

Respondent feels that community's "current stock is old." Rooms with an interior corridor are required to allow school athletic teams to stay. Notes that town has a lot of visitors, but not overnight guests. Eagar is the closest town to the ski resort—20 miles closer—but skiers stay elsewhere.

Interview 8

Respondent has lodging needs 4-5 times per year for up to 2 rooms for 2 nights. Has observed that tourists call and are looking for a pool and fitness center. People reserve rooms one year in advance for the 4th of July. There are times that every room in Apache County is full.

The town has a large need for meeting rooms. Respondent gets up to 4 calls per week asking about space to host events/weddings. The Arizona Rural Association meeting was recently hosted at the school due to lack of meeting space (150 people).

Interview 9

Respondent's guests need accommodations 4-5 times per year, 2-4 nights, 3-5 rooms each time. Quality internet and an exercise room are top needs of guests. Currently refers guests to Best Western. Visiting federal employees stay at Best Western for the per diem rate. Marketing events in the area is currently challenging due to the lack of accommodations.

Interview 10

Visiting clients need 1 room for 2-3 nights, 2-3 times per month. Pet friendly accommodations are a plus. Respondent estimates they annually refer 25-30 guests each to Rode Inn, El Jo, and Reed' Lodge. During the summer there is no vacancy anywhere. In addition, respondent has a need for extended stay options of 1 to 2 months, 3 times a year.

Interview 11

Respondent frequently has a need for accommodations for a variety of visitors, typically requiring 1-3 rooms for 2-3 days. These stays are currently referred to Best Western and Rode Inn—approximately 25 to 30 rooms per year. Business travelers require meeting space, reliable internet, and breakfast. Skiers want a hot tub. Organization has a need for event space for 50-100 people.

Interview 12

Respondent sees lodging needs for many events, including the Statewide AZ Rural Development Council, AZ Cattlemen's Association, Memorial Day Weekend – Round Valley Round Up, ATV Jamboree, fall hunting season, and AZ Range Riders. Guests are currently referred to Rode Inn, El Jo, or private cabins in the mountains.

Accommodation demands for these events are reported to be:

AZ Rural Development Council – 3 nights – 100 rooms, double occupancy

AZ Cattlemen's Association – 2 nights – 120 rooms

Round Valley Round Up – 100+

ATV Jamboree – 4 nights – 75 rooms

An ideal offering would be a higher end/reputable brand, offer an interior corridor, hot tub, pool, and room service. Additionally, event space for 250-300 people would be nice. Extended stay rooms would be helpful when the power plant brings in workers for 4-6 weeks, twice a year.

Current lodging/rooms are fairly priced but the community is missing travelers who want something higher priced with more amenities. The Dome misses out on hosting events because the community cannot accommodate all athletic teams.

Key Interview Takeaways:

- One of the community's main draws, The Dome, is underutilized due to a lack of sufficient accommodations to accompany the large events The Dome is capable of supporting
- Current offerings do not have interior corridors which are necessary to host athletic teams
- Multiple respondents noted that skiers stay further away to enjoy the nicer accommodations in Show Low and for a place with a hot tub
- During large events, all rooms in the community are sold out
- In addition to lodging, respondents identified a need for banquet and event space.
- Brand was seen as moderately important, with many respondents focusing more on the quality of the property than the brand.
- There is a common belief that large events are passing the community up due to lack of accommodations

Supply Analysis

Eagar/Springerville Area Market Hotel Trend Analysis

Appendix H offers a detailed Hotel Trend Analysis for the market around Eagar/Springerville.

Occupancy and Rates (by month of year)

Month	Occupancy* (%)	% Change from Previous Year**	Average Daily Rate* (\$)	% Change from Previous Year**
January	40%	+3.3%	\$79.48	+0.5%
February	41%	-0.1%	\$78.88	+1.2%
March	48%	-2.0%	\$80.48	+1.1%
April	46%	-6.5%	\$82.39	-0.8%
May	55%	-2.8%	\$88.89	-0.1%
June	67%	-1.8%	\$94.93	+2.0%
July	68%	-0.6%	\$97.92	+3.1%
August	61%	-0.7%	\$95.93	+2.7%
September	61%	+0.3%	\$95.74	+2.6%
October	56%	+1.4%	\$86.64	+2.2%
November	43%	+2.5%	\$78.97	+1.9%
December	41%	+1.2%	\$79.72	+0.4%
TOTAL YEAR	52.3%	-0.9	\$88.07	+1.7

*Data averaged over January 2013 through January 2021

**Data averaged over January 2013 through January 2021

Source: STR

*Occupancy and Rates (by day of week)****

Day	Occupancy (%)	Average Daily Rate (\$)
Sunday	39%	\$86.17
Monday	51%	\$90.29
Tuesday	55%	\$91.56
Wednesday	55%	\$90.62
Thursday	52%	\$89.79
Friday	56%	\$94.83
Saturday	58%	\$96.69
TOTAL YEAR	52%	\$91.74

***Three-year averages February 2018 through January 2021; Source: STR

Local Competitors (partial list, info source: TripAdvisor.com)

Best Western Sunrise Inn
Eagar, AZ



40 rooms

Free High Speed Internet (WiFi)
Hot tub
Fitness Center
Breakfast Included
Business Center
Breakfast buffet
Spa
Steam room
Microwave
Refrigerator

Trip Advisor Traveler Rating
4.0/5.0

Excellent - 126
Very Good - 72
Average - 33
Poor - 15
Terrible - 2

\$90-\$145 (Based on Average
Rates for a Standard Room)

Rode Inn
Springerville, AZ



63 rooms

Free High Speed Internet (WiFi)
Breakfast Included
Meeting rooms
Dry cleaning
Refrigerator
Suites

Trip Advisor Traveler Rating
3.5/5.0

Excellent - 12
Very Good - 33
Average - 13
Poor - 3
Terrible - 4

\$102-\$120 (Based on Average
Rates for a Standard Room)

El Jo Motor Inn
Springerville, AZ



36 rooms

Free High Speed Internet (WiFi)
Laundry service

Trip Advisor Traveler Rating
4.0/5.0

Excellent - 10
Very Good - 12
Average - 5
Poor - 2
Terrible - 0

\$98-\$120 (Based on Average
Rates for a Standard Room)

Best Western Inn
Pinetop-Lakeside, AZ
(approx. 45 mi)



41 rooms

Free High Speed Internet (WiFi)
Hot tub
Breakfast Included
Breakfast buffet
Business Center
Laundry service
Self-serve laundry
Microwave
Refrigerator

Trip Advisor Traveler Rating
4.5/5.0

Excellent - 308
Very Good - 131
Average - 38
Poor - 9
Terrible - 11

\$82-\$161 (Based on Average
Rates for a Standard Room)

Comfort Inn & Suites
Pinetop-Lakeside, AZ
(approx. 45 mi)



55 rooms

Free High Speed Internet (WiFi)
Hot tub
Fitness Center
Breakfast Included
Business Center
Self-serve laundry
Microwave
Refrigerator
Suites

Trip Advisor Traveler Rating
4.5/5.0

Excellent - 71
Very Good - 9
Average - 5
Poor - 2
Terrible - 2

\$70-\$143 (Based on Average
Rates for a Standard Room)

GreenTree Inn & Suites
Pinetop-Lakeside, AZ
(approx. 45 mi)



73 rooms

Free High Speed Internet (WiFi)
Fitness Center
Breakfast Included
Business Center
Hot tub
Heated Indoor pool
Sauna
Breakfast buffet
Meeting rooms
Self-serve laundry
Microwave
Refrigerator
Suites

Trip Advisor Traveler Rating
4.0/5.0

Excellent - 145
Very Good - 74
Average - 33
Poor - 15
Terrible - 9

\$65-\$145 (Based on Average
Rates for a Standard Room)

Best Western Paint Pony Lodge
 Show Low, AZ
 (approx. 48 mi)



50 rooms

Free High Speed Internet (WiFi)
 Breakfast Included
 Business Center
 Meeting rooms
 Breakfast buffet
 Laundry service
 Self-serve laundry
 Microwave
 Refrigerator

Trip Advisor Traveler Rating
 4.5/5.0

Excellent - 328
 Very Good - 157
 Average - 36
 Poor - 12
 Terrible - 7

\$104-\$135 (Based on Average
 Rates for a Standard Room)

Hampton Inn & Suites
 Show Low, AZ
 (approx. 48 mi)



73 rooms

Free High Speed Internet (WiFi)
 Fitness Center
 Breakfast Included
 Business Center
 Conference Center
 Hot tub
 Heated Indoor pool
 Breakfast buffet
 Meeting rooms
 Dry cleaning
 Self-serve laundry
 Microwave
 Suites

Trip Advisor Traveler Rating
 4.5/5.0

Excellent - 674
 Very Good - 117
 Average - 28
 Poor - 12
 Terrible - 11

\$125-\$197 (Based on Average
 Rates for a Standard Room)

Holiday Inn Express
 Show Low, AZ
 (approx. 48 mi)



71 rooms

Free High Speed Internet (WiFi)
 Fitness Center
 Breakfast Included
 Business Center
 Hot tub
 Heated Indoor pool
 Breakfast buffet
 Meeting rooms
 Dry cleaning
 Self-serve laundry
 Microwave
 Refrigerator
 Suites

Trip Advisor Traveler Rating
 4.5/5.0

Excellent - 353
 Very Good - 147
 Average - 42
 Poor - 6
 Terrible - 1

\$119-\$208 (Based on Average
 Rates for a Standard Room)

Lodging Rate and Supply of Local Competitors

Competing Property/Distance	Number of Rooms	Average Daily Rate (ADR) Range	Midpoint
Best Western Sunrise Inn-Eagar, AZ (approx. 0 miles)	40	\$90 - \$145	\$117
Rode Inn-Springerville, AZ (approx. 0 miles)	63	\$102 - \$120	\$111
El Jo Motor Inn-Springerville, AZ (approx. 0 miles)	36	\$98 - \$120	\$109
Best Western Inn-Lakeside, AZ (approx. 45 miles)	41	\$82 - \$161	\$121
Comfort Inn & Suites-Lakeside, AZ (approx. 45 miles)	55	\$70 - \$143	\$106
GreenTree Inn & Suites-Lakeside, AZ (approx. 45 miles)	73	\$65 - \$145	\$105
Best Western Paint Pony Lodge-Show Low, AZ (approx. 48 miles)	50	\$104 - \$135	\$119
Hampton Inn & Suites-Show Low, AZ (approx. 48 miles)	73	\$125 - \$197	\$161
Holiday Inn Express-Show Low, AZ (approx. 48 miles)	71	\$119 - \$208	\$163
AVERAGES	–	\$96-\$157	\$126

Several of the above hotels offer corporate rates, which are not reflected in the above rates. In addition, the above rates will vary with day of week and month of year. However, with a high level of demand, the Average Daily Rate in the market remains strong. Based on local interviews, it is clear that unaccommodated lodging demand exist in the local market due to lack of adequate quality lodging options.

A new hotel in the market with the desired amenities could recognize a higher ADR similar to options regularly utilized in the surrounding market outside of Eagar/Springerville like some of those summarized above. Many interview respondents indicated the importance of location and their desire to house guests in the Eagar/Springerville market given an acceptable new quality alternative.

Reed's Lodge, White Mountain Motel, and Americas Best Value Inn are also located in Springerville but are economy class properties and not considered direct market competitors of a new midscale to upper midscale property.

Financial Analysis

Local Economic Development Incentives and Tax Assistance Programs

Generous incentives are available from local, state, and federal governments to encourage new investment in the region. Incentives are based on capital investment, new jobs created, and level of employee compensation. The following are incentive programs that may be available for **QUALIFYING PROJECTS**.

- I. Tax Relief
 - A. Property Tax Abatement–Real Property
 - B. Property Tax Abatement–Personal Property
 - C. Sales Tax/Use Tax Abatement
- II. Land Acquisition and Assembly
 - A. City (Village)/County Contribution/Subsidy
 - B. City/County Acquisition/Lease-Back
 - C. Tax Increment Financing (TIF)
 - D. Eminent Domain
 - E. Business District
- III. Building Construction (Build to Suit)/Financing
 - A. NID Bonds
 - B. Qualified Small Issue IDB
 - C. General Obligation Bonds
 - D. USDA/SBA Loan Guarantees
 - E. Business District
- IV. Infrastructure Assistance
 - A. Tax Increment Financing (TIF)
 - B. Amortized Utility Installation Costs
 - C. Business District

Financial Projections

Proposed Hotel Costs

Building specifications: 44 unit [standard (king & queen/queen) with four 2-room extended stay suites], 2-story, end load, with an expanded guest wine & beer bar, free hot breakfast for all guests, guest fitness room, guest laundry room, meeting room, a pool, and an elevator.

	<u>44 Rooms</u>	<u>Per room</u>
<u>Land & Site Prep</u>	\$350,000	\$7,955/room
Raw Land	\$35,000	
Permit & Community Fees	\$15,000	
Site Utility & Excavation	\$300,000	
<u>Building Construction</u>	\$3,100,000	\$70,455/room
<u>Fixtures, Furnishings, and Equipment</u>	\$650,000	\$14,773/room
<u>Indirect Costs</u>		
Appraisal	\$5,000	
Architectural/Engineering	\$80,000	
Franchise Fee	\$40,000	
Surveys	\$10,000	
Development Services	\$250,000	
Pre-opening Expenses	\$25,000	
Working Capital	\$150,000	
Legal and Accounting Fees	\$10,000	
Construction Period Interest/Loan Fees/Closing	\$100,000	
Insurance & Taxes During Construction	\$20,000	
Project Contingency	\$150,000	
<u>Total Indirect Costs</u>	\$840,000	\$19,091/room
<u>Total Projected Costs</u>	\$4,940,000	\$112,273/room

Note: all pricing noted above is estimated

Anticipated Loan Amount (60% Loan to Value):	\$2,964,000
Suggested Cash Injection (40% Equity Investment):	\$1,976,000

Estimated Loan Terms:	25 years @ 5.25%
Estimated Monthly Debt Service:	\$17,762
Estimated Yearly Debt Service:	\$213,140

Projected numbers compared to similar markets for a hotel with 44 rooms.

	Y1 M1	Y1 M2	Y1 M3	Y1 M4	Y1 M5	Y1 M6	Y1 M7	Y1 M8	Y1 M9	Y1 M10	Y1 M11	Y1 M12	Total/Avg
Days in Month	31	28	31	30	31	30	31	31	30	31	30	31	365
Lodging Rooms Available	1,364	1,232	1,364	1,320	1,364	1,320	1,364	1,364	1,320	1,364	1,320	1,364	16,060
Lodging Occupancy %	38.9%	40.1%	46.5%	45.3%	54.0%	66.1%	66.4%	59.6%	59.9%	55.3%	41.7%	40.1%	51.2%
Total Occupied Rooms	531	494	634	599	737	873	906	813	791	754	551	546	8,228
Average Daily Rate (ADR)	\$ 96.48	\$ 95.88	\$ 97.48	\$ 99.39	\$ 105.89	\$ 111.93	\$ 114.92	\$ 112.93	\$ 112.74	\$ 103.64	\$ 95.97	\$ 96.72	\$ 105.07
RevPAR	\$ 37.53	\$ 38.45	\$ 45.32	\$ 45.07	\$ 57.20	\$ 74.01	\$ 76.36	\$ 67.30	\$ 67.56	\$ 57.27	\$ 40.03	\$ 38.74	\$ 53.83

Hotel Revenue by Source	Y1 M1	Y1 M2	Y1 M3	Y1 M4	Y1 M5	Y1 M6	Y1 M7	Y1 M8	Y1 M9	Y1 M10	Y1 M11	Y1 M12	Total
Room Revenue	\$ 51,187	\$ 47,371	\$ 61,821	\$ 59,489	\$ 78,021	\$ 97,690	\$ 104,152	\$ 91,801	\$ 89,183	\$ 78,111	\$ 52,837	\$ 52,843	\$ 864,507
Telephone/Misc.	\$ 196	\$ 183	\$ 235	\$ 221	\$ 273	\$ 323	\$ 335	\$ 301	\$ 293	\$ 279	\$ 204	\$ 202	\$ 3,044
Vending/Bar Sales	\$ 768	\$ 711	\$ 927	\$ 892	\$ 1,170	\$ 1,465	\$ 1,562	\$ 1,377	\$ 1,338	\$ 1,172	\$ 793	\$ 793	\$ 12,968
Total Revenue	\$ 52,151	\$ 48,265	\$ 62,983	\$ 60,602	\$ 79,464	\$ 99,478	\$ 106,050	\$ 93,479	\$ 90,813	\$ 79,562	\$ 53,833	\$ 53,838	\$ 880,519

Payroll Expense Year 1 by Month	Y1 M1	Y1 M2	Y1 M3	Y1 M4	Y1 M5	Y1 M6	Y1 M7	Y1 M8	Y1 M9	Y1 M10	Y1 M11	Y1 M12	Total
Manager	\$ 5,267	\$ 5,267	\$ 5,267	\$ 5,267	\$ 5,267	\$ 5,267	\$ 5,267	\$ 5,267	\$ 5,267	\$ 5,267	\$ 5,267	\$ 5,267	\$ 63,200
Housekeeping	\$ 3,400	\$ 3,400	\$ 3,400	\$ 3,400	\$ 3,400	\$ 3,400	\$ 3,400	\$ 3,400	\$ 3,400	\$ 3,400	\$ 3,400	\$ 3,400	\$ 40,800
Maintenance	\$ 2,725	\$ 2,725	\$ 2,725	\$ 2,725	\$ 2,725	\$ 2,725	\$ 2,725	\$ 2,725	\$ 2,725	\$ 2,725	\$ 2,725	\$ 2,725	\$ 32,700
Front Desk	\$ 5,767	\$ 5,767	\$ 5,767	\$ 5,767	\$ 5,767	\$ 5,767	\$ 5,767	\$ 5,767	\$ 5,767	\$ 5,767	\$ 5,767	\$ 5,767	\$ 69,200
Total	\$ 17,158	\$ 17,158	\$ 17,158	\$ 17,158	\$ 17,158	\$ 17,158	\$ 17,158	\$ 17,158	\$ 17,158	\$ 17,158	\$ 17,158	\$ 17,158	\$ 205,900

Operating Expenses Year 1 by Month	Y1 M1	Y1 M2	Y1 M3	Y1 M4	Y1 M5	Y1 M6	Y1 M7	Y1 M8	Y1 M9	Y1 M10	Y1 M11	Y1 M12	Total
Salary	\$ 17,158	\$ 17,158	\$ 17,158	\$ 17,158	\$ 17,158	\$ 17,158	\$ 17,158	\$ 17,158	\$ 17,158	\$ 17,158	\$ 17,158	\$ 17,158	\$ 205,900
Employee Related Expenses	\$ 5,148	\$ 5,148	\$ 5,148	\$ 5,148	\$ 5,148	\$ 5,148	\$ 5,148	\$ 5,148	\$ 5,148	\$ 5,148	\$ 5,148	\$ 5,148	\$ 61,770
Marketing & Promotions	\$ 235	\$ 217	\$ 283	\$ 273	\$ 358	\$ 448	\$ 477	\$ 421	\$ 409	\$ 358	\$ 242	\$ 242	\$ 3,962
Laundry	\$ 261	\$ 241	\$ 315	\$ 303	\$ 397	\$ 497	\$ 530	\$ 467	\$ 454	\$ 398	\$ 269	\$ 269	\$ 4,403
Utilities	\$ 2,608	\$ 2,413	\$ 3,149	\$ 3,030	\$ 3,973	\$ 4,974	\$ 5,302	\$ 4,674	\$ 4,541	\$ 3,978	\$ 2,692	\$ 2,692	\$ 44,026
Cleaning Supplies	\$ 156	\$ 145	\$ 189	\$ 182	\$ 238	\$ 298	\$ 318	\$ 280	\$ 272	\$ 239	\$ 161	\$ 162	\$ 2,642
Linens	\$ 375	\$ 348	\$ 453	\$ 436	\$ 572	\$ 716	\$ 764	\$ 673	\$ 654	\$ 573	\$ 388	\$ 388	\$ 6,340
Guest Supplies	\$ 365	\$ 338	\$ 441	\$ 424	\$ 556	\$ 696	\$ 742	\$ 654	\$ 636	\$ 557	\$ 377	\$ 377	\$ 6,164
Operating Supplies	\$ 219	\$ 203	\$ 265	\$ 255	\$ 334	\$ 418	\$ 445	\$ 393	\$ 381	\$ 334	\$ 226	\$ 226	\$ 3,698
Repairs and Maintenance	\$ 318	\$ 294	\$ 384	\$ 370	\$ 485	\$ 607	\$ 647	\$ 570	\$ 554	\$ 485	\$ 328	\$ 328	\$ 5,371
Groundskeeping	\$ 297	\$ 275	\$ 359	\$ 345	\$ 453	\$ 567	\$ 604	\$ 533	\$ 518	\$ 454	\$ 307	\$ 307	\$ 5,019
Property Management System	\$ 47	\$ 43	\$ 57	\$ 55	\$ 72	\$ 90	\$ 95	\$ 84	\$ 82	\$ 72	\$ 48	\$ 48	\$ 792
Complimentary Breakfast	\$ 1,326	\$ 1,235	\$ 1,585	\$ 1,496	\$ 1,842	\$ 2,182	\$ 2,266	\$ 2,032	\$ 1,978	\$ 1,884	\$ 1,376	\$ 1,366	\$ 20,569
Travel Agent Fees	\$ 162	\$ 150	\$ 195	\$ 188	\$ 246	\$ 308	\$ 329	\$ 290	\$ 282	\$ 247	\$ 167	\$ 167	\$ 2,730
Reservations	\$ 282	\$ 261	\$ 340	\$ 327	\$ 429	\$ 537	\$ 573	\$ 505	\$ 490	\$ 430	\$ 291	\$ 291	\$ 4,755
Vending / Bar	\$ 653	\$ 604	\$ 788	\$ 758	\$ 995	\$ 1,246	\$ 1,328	\$ 1,170	\$ 1,137	\$ 996	\$ 674	\$ 674	\$ 11,022
Office Supplies	\$ 209	\$ 193	\$ 252	\$ 242	\$ 318	\$ 398	\$ 424	\$ 374	\$ 363	\$ 318	\$ 215	\$ 215	\$ 3,522
Swimming Pool	\$ 313	\$ 290	\$ 378	\$ 364	\$ 477	\$ 597	\$ 636	\$ 561	\$ 545	\$ 477	\$ 323	\$ 323	\$ 5,283
Telephone	\$ 209	\$ 193	\$ 252	\$ 242	\$ 318	\$ 398	\$ 424	\$ 374	\$ 363	\$ 318	\$ 215	\$ 215	\$ 3,522
Cable / Internet	\$ 339	\$ 314	\$ 409	\$ 394	\$ 517	\$ 647	\$ 689	\$ 608	\$ 590	\$ 517	\$ 350	\$ 350	\$ 5,723
Waste Removal	\$ 245	\$ 227	\$ 296	\$ 285	\$ 373	\$ 468	\$ 498	\$ 439	\$ 427	\$ 374	\$ 253	\$ 253	\$ 4,138
Dues / Subscriptions	\$ 37	\$ 34	\$ 44	\$ 42	\$ 56	\$ 70	\$ 74	\$ 65	\$ 64	\$ 56	\$ 38	\$ 38	\$ 616
Licenses / Permits	\$ 68	\$ 63	\$ 82	\$ 79	\$ 103	\$ 129	\$ 138	\$ 122	\$ 118	\$ 103	\$ 70	\$ 70	\$ 1,145
Credit Card Fees	\$ 1,304	\$ 1,207	\$ 1,575	\$ 1,515	\$ 1,987	\$ 2,487	\$ 2,651	\$ 2,337	\$ 2,270	\$ 1,989	\$ 1,346	\$ 1,346	\$ 22,013
Franchise Fee (per day/room)	\$ 3,410	\$ 3,080	\$ 3,410	\$ 3,300	\$ 3,410	\$ 3,300	\$ 3,410	\$ 3,410	\$ 3,300	\$ 3,410	\$ 3,300	\$ 3,410	\$ 40,150
Miscellaneous	\$ 130	\$ 121	\$ 157	\$ 152	\$ 199	\$ 249	\$ 265	\$ 234	\$ 227	\$ 199	\$ 135	\$ 135	\$ 2,201
Accounting Fees	\$ 235	\$ 217	\$ 283	\$ 273	\$ 358	\$ 448	\$ 477	\$ 421	\$ 409	\$ 358	\$ 242	\$ 242	\$ 3,962
Professional Services Fees	\$ 130	\$ 121	\$ 157	\$ 152	\$ 199	\$ 249	\$ 265	\$ 234	\$ 227	\$ 199	\$ 135	\$ 135	\$ 2,201
Other Expense	\$ 2,555	\$ 2,365	\$ 3,086	\$ 2,970	\$ 3,894	\$ 4,874	\$ 5,196	\$ 4,580	\$ 4,450	\$ 3,899	\$ 2,638	\$ 2,638	\$ 43,145
R.E./P.P. Taxes	\$ 1,982	\$ 1,834	\$ 2,393	\$ 2,303	\$ 3,020	\$ 3,780	\$ 4,030	\$ 3,552	\$ 3,451	\$ 3,023	\$ 2,046	\$ 2,046	\$ 33,460
Management Fee (% of total revenue):	\$ 3,129	\$ 2,896	\$ 3,779	\$ 3,636	\$ 4,768	\$ 5,969	\$ 6,363	\$ 5,609	\$ 5,449	\$ 4,774	\$ 3,230	\$ 3,230	\$ 52,831
Debt Service	\$ -	\$ 17,762	\$ 17,762	\$ 17,762	\$ 17,762	\$ 17,762	\$ 17,762	\$ 17,762	\$ 17,762	\$ 17,762	\$ 17,762	\$ 17,762	\$ 195,379
Reserves for Replacement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	\$ 43,903	\$ 59,987	\$ 65,426	\$ 64,458	\$ 71,012	\$ 77,713	\$ 80,032	\$ 75,734	\$ 74,707	\$ 71,085	\$ 62,149	\$ 62,250	\$ 808,456
Operating Income	\$ 8,248	\$ (11,723)	\$ (2,443)	\$ (3,855)	\$ 8,452	\$ 21,765	\$ 26,018	\$ 17,745	\$ 16,106	\$ 8,476	\$ (8,316)	\$ (8,412)	\$ 72,063
Income Taxes	\$ 1,650	\$ (2,345)	\$ (489)	\$ (771)	\$ 1,690	\$ 4,353	\$ 5,204	\$ 3,549	\$ 3,221	\$ 1,695	\$ (1,663)	\$ (1,682)	\$ 14,413
Total Expenses	\$ 45,553	\$ 57,643	\$ 64,938	\$ 63,687	\$ 72,702	\$ 82,066	\$ 85,235	\$ 79,283	\$ 77,928	\$ 72,781	\$ 60,486	\$ 60,568	\$ 822,868
Net Profit	\$ 6,598	\$ (9,378)	\$ (1,955)	\$ (3,084)	\$ 6,762	\$ 17,412	\$ 20,815	\$ 14,196	\$ 12,885	\$ 6,781	\$ (6,653)	\$ (6,729)	\$ 57,651
Net Profit / Sales	12.7%	-19.4%	-3.1%	-5.1%	8.5%	17.5%	19.6%	15.2%	14.2%	8.5%	-12.4%	-12.5%	6.5%

Total Projected Building Costs:	\$4,940,000
Equity Investment:	\$1,976,000
Interest Rate:	5.25%
Loan Term (months):	300
Monthly Debt Service:	\$ 17,762

5 Year Revenue Projections									
	Year 1		Year 2		Year 3		Year 4		Year 5
Lodging Rooms Available	16,060		16,060		16,060		16,060		16,060
Lodging Occupancy %	51.2%		51.9%		52.5%		53.2%		53.8%
Total Occupied Rooms	8,228		8,331		8,435		8,540		8,647
Average Daily Rate	\$ 105.07		\$ 108.22		\$ 111.47		\$ 114.82		\$ 118.26
RevPAR	\$ 53.83		\$ 56.14		\$ 58.54		\$ 61.05		\$ 63.67

Revenue	Year 1	% of Total Revenue	Year 2	% of Total Revenue	Year 3	% of Total Revenue	Year 4	% of Total Revenue	Year 5	% of Total Revenue
Guest Rooms	\$ 864,507	98.2%	\$ 901,573	98.2%	\$ 940,228	98.2%	\$ 980,540	98.2%	\$1,022,581	98.2%
Telephone/Misc	\$ 3,044	0.3%	\$ 3,082	0.3%	\$ 3,121	0.3%	\$ 3,160	0.3%	\$ 3,199	0.3%
Vending/Bar Sales	\$ 12,968	1.5%	\$ 13,524	1.5%	\$ 14,103	1.5%	\$ 14,708	1.5%	\$ 15,339	1.5%
Total	\$ 880,519	100.0%	\$ 918,179	100.0%	\$ 957,452	100.0%	\$ 998,408	100.0%	\$ 1,041,119	100.0%

Hotel Payroll Expense	Year 1	% of Total Revenue	Year 2	% of Total Revenue	Year 3	% of Total Revenue	Year 4	% of Total Revenue	Year 5	% of Total Revenue
Manager	\$ 63,200	7.2%	\$ 64,464	7.0%	\$ 65,753	6.9%	\$ 67,068	6.7%	\$ 68,410	6.6%
Housekeeping	\$ 40,800	4.6%	\$ 41,330	4.5%	\$ 41,868	4.4%	\$ 42,412	4.2%	\$ 42,963	4.1%
Maintenance	\$ 32,700	3.7%	\$ 33,518	3.7%	\$ 34,355	3.6%	\$ 35,214	3.5%	\$ 36,095	3.5%
Front Desk	\$ 69,200	7.9%	\$ 70,100	7.6%	\$ 71,011	7.4%	\$ 71,934	7.2%	\$ 72,869	7.0%
Total Payroll Expense	\$ 205,900	23.4%	\$ 209,412	22.8%	\$ 212,987	22.2%	\$ 216,629	21.7%	\$ 220,337	21.2%

Operating Expenses	Year 1	% of Total Revenue	Year 2	% of Total Revenue	Year 3	% of Total Revenue	Year 4	% of Total Revenue	Year 5	% of Total Revenue
Salary	\$ 205,900	23.4%	\$ 209,412	22.8%	\$ 212,987	22.2%	\$ 216,629	21.7%	\$ 220,337	21.2%
Employee Related Expenses	\$ 61,770	7.0%	\$ 62,823	6.8%	\$ 63,896	6.7%	\$ 64,989	6.5%	\$ 66,101	6.3%
Marketing & Promotions	\$ 3,962	0.5%	\$ 4,132	0.5%	\$ 4,309	0.5%	\$ 4,493	0.5%	\$ 4,685	0.5%
Laundry	\$ 4,403	0.5%	\$ 4,591	0.5%	\$ 4,787	0.5%	\$ 4,992	0.5%	\$ 5,206	0.5%
Utilities	\$ 44,026	5.0%	\$ 45,909	5.0%	\$ 47,873	5.0%	\$ 49,920	5.0%	\$ 52,056	5.0%
Cleaning Supplies	\$ 2,642	0.3%	\$ 2,755	0.3%	\$ 2,872	0.3%	\$ 2,995	0.3%	\$ 3,123	0.3%
Linens	\$ 6,340	0.7%	\$ 6,611	0.7%	\$ 6,894	0.7%	\$ 7,189	0.7%	\$ 7,496	0.7%
Guest Supplies	\$ 6,164	0.7%	\$ 6,427	0.7%	\$ 6,702	0.7%	\$ 6,989	0.7%	\$ 7,288	0.7%
Operating Supplies	\$ 3,698	0.4%	\$ 3,856	0.4%	\$ 4,021	0.4%	\$ 4,193	0.4%	\$ 4,373	0.4%
Repairs and Maintenance	\$ 5,371	0.6%	\$ 5,601	0.6%	\$ 5,840	0.6%	\$ 6,090	0.6%	\$ 6,351	0.6%
Groundskeeping	\$ 5,019	0.6%	\$ 5,234	0.6%	\$ 5,457	0.6%	\$ 5,691	0.6%	\$ 5,934	0.6%
Property Management	\$ 792	0.1%	\$ 826	0.1%	\$ 862	0.1%	\$ 899	0.1%	\$ 937	0.1%
Complimentary Breakfast	\$ 20,569	2.3%	\$ 20,826	2.3%	\$ 21,087	2.2%	\$ 21,350	2.1%	\$ 21,617	2.1%
Travel Agent Fees	\$ 2,730	0.3%	\$ 2,846	0.3%	\$ 2,968	0.3%	\$ 3,095	0.3%	\$ 3,227	0.3%
Reservations	\$ 4,755	0.5%	\$ 4,958	0.5%	\$ 5,170	0.5%	\$ 5,391	0.5%	\$ 5,622	0.5%
Vending / Bar	\$ 11,022	1.3%	\$ 11,495	1.3%	\$ 11,988	1.3%	\$ 12,502	1.3%	\$ 13,038	1.3%
Office Supplies	\$ 3,522	0.4%	\$ 3,673	0.4%	\$ 3,830	0.4%	\$ 3,994	0.4%	\$ 4,164	0.4%
Swimming Pool	\$ 5,283	0.6%	\$ 5,509	0.6%	\$ 5,745	0.6%	\$ 5,990	0.6%	\$ 6,247	0.6%
Telephone	\$ 3,522	0.4%	\$ 3,673	0.4%	\$ 3,830	0.4%	\$ 3,994	0.4%	\$ 4,164	0.4%
Cable / Internet	\$ 5,723	0.7%	\$ 5,968	0.7%	\$ 6,223	0.7%	\$ 6,490	0.7%	\$ 6,767	0.7%
Waste Removal	\$ 4,138	0.5%	\$ 4,315	0.5%	\$ 4,500	0.5%	\$ 4,693	0.5%	\$ 4,893	0.5%
Dues / Subscriptions	\$ 616	0.1%	\$ 643	0.1%	\$ 670	0.1%	\$ 699	0.1%	\$ 729	0.1%
Licenses / Permits	\$ 1,145	0.1%	\$ 1,194	0.1%	\$ 1,245	0.1%	\$ 1,298	0.1%	\$ 1,353	0.1%
Credit Card Fees	\$ 22,013	2.5%	\$ 22,954	2.5%	\$ 23,936	2.5%	\$ 24,960	2.5%	\$ 26,028	2.5%
Franchise Fee	\$ 40,150	4.6%	\$ 40,150	4.4%	\$ 40,150	4.2%	\$ 40,150	4.0%	\$ 40,150	3.9%
Miscellaneous	\$ 2,201	0.3%	\$ 2,295	0.3%	\$ 2,394	0.3%	\$ 2,496	0.3%	\$ 2,603	0.3%
Accounting Fees	\$ 3,962	0.5%	\$ 4,132	0.5%	\$ 4,309	0.5%	\$ 4,493	0.5%	\$ 4,685	0.5%
Professional Services Fees	\$ 2,201	0.3%	\$ 2,295	0.3%	\$ 2,394	0.3%	\$ 2,496	0.3%	\$ 2,603	0.3%
Other Expense	\$ 43,145	4.9%	\$ 44,991	4.9%	\$ 46,915	4.9%	\$ 48,922	4.9%	\$ 51,015	4.9%
R.E./P.P. Taxes	\$ 33,460	3.8%	\$ 34,891	3.8%	\$ 36,383	3.8%	\$ 37,940	3.8%	\$ 39,563	3.8%
Management Fee	\$ 52,831	6.0%	\$ 55,091	6.0%	\$ 57,447	6.0%	\$ 59,904	6.0%	\$ 62,467	6.0%
Debt Service	\$ 195,379	22.2%	\$ 213,140	23.2%	\$ 213,140	22.3%	\$ 213,140	21.3%	\$ 213,140	20.5%
Reserves for Replacement	\$ -	0.0%	\$ 32,136	3.5%	\$ 33,511	3.5%	\$ 34,944	3.5%	\$ 36,439	3.5%
Total Operating Expenses	\$ 808,456	91.8%	\$ 875,353	95.3%	\$ 894,336	93.4%	\$ 914,009	91.5%	\$ 934,402	89.7%
Operating Income	\$ 72,063	8.2%	\$ 42,826	4.7%	\$ 63,117	6.6%	\$ 84,399	8.5%	\$ 106,716	10.3%
Income Taxes	\$ 14,413	1.6%	\$ 8,565	0.9%	\$ 12,623	1.3%	\$ 16,880	1.7%	\$ 21,343	2.1%
Total Expenses	\$ 822,868	93.5%	\$ 883,918	96.3%	\$ 906,959	94.7%	\$ 930,889	93.2%	\$ 955,746	91.8%
Net Profit	\$ 57,651	6.5%	\$ 34,261	3.7%	\$ 50,493	5.3%	\$ 67,519	6.8%	\$ 85,373	8.2%
Cash on Cash Return	3.65%		2.17%		3.19%		4.27%		5.40%	

5 Year Break Even Analysis									
	Year 1		Year 2		Year 3		Year 4		Year 5
Lodging Rooms Available	16,060		16,060		16,060		16,060		16,060
Lodging Occupancy %	44.8%		48.0%		46.9%		45.9%		45.0%
Total Occupied Rooms	7,197		7,703		7,537		7,376		7,219
Average Daily Rate	\$ 105.07		\$ 108.22		\$ 111.47		\$ 114.82		\$ 118.26
RevPAR	\$ 47.09		\$ 51.91		\$ 52.32		\$ 52.73		\$ 53.16

Revenue	Year 1	% of Total Revenue	Year 2	% of Total Revenue	Year 3	% of Total Revenue	Year 4	% of Total Revenue	Year 5	% of Total Revenue
Guest Rooms	\$ 756,210	98.2%	\$ 833,638	98.2%	\$ 840,202	98.2%	\$ 846,913	98.2%	\$ 853,772	98.2%
Telephone/Misc	\$ 2,663	0.3%	\$ 2,850	0.3%	\$ 2,789	0.3%	\$ 2,729	0.3%	\$ 2,671	0.3%
Vending/Bar Sales	\$ 11,343	1.5%	\$ 12,505	1.5%	\$ 12,603	1.5%	\$ 12,704	1.5%	\$ 12,807	1.5%
Total	\$ 770,216	100.0%	\$ 848,993	100.0%	\$ 855,594	100.0%	\$ 862,346	100.0%	\$ 869,249	100.0%

Hotel Payroll Expense	Year 1	% of Total Revenue	Year 2	% of Total Revenue	Year 3	% of Total Revenue	Year 4	% of Total Revenue	Year 5	% of Total Revenue
Manager	\$ 63,200	8.2%	\$ 64,464	7.6%	\$ 65,753	7.7%	\$ 67,068	7.8%	\$ 68,410	7.9%
Housekeeping	\$ 40,800	5.3%	\$ 41,330	4.9%	\$ 41,868	4.9%	\$ 42,412	4.9%	\$ 42,963	4.9%
Maintenance	\$ 32,700	4.2%	\$ 33,518	3.9%	\$ 34,355	4.0%	\$ 35,214	4.1%	\$ 36,095	4.2%
Front Desk	\$ 69,200	9.0%	\$ 70,100	8.3%	\$ 71,011	8.3%	\$ 71,934	8.3%	\$ 72,869	8.4%
Total Payroll Expense	\$ 205,900	26.7%	\$ 209,412	24.7%	\$ 212,987	24.9%	\$ 216,629	25.1%	\$ 220,337	25.3%

Operating Expenses	Year 1	% of Total Revenue	Year 2	% of Total Revenue	Year 3	% of Total Revenue	Year 4	% of Total Revenue	Year 5	% of Total Revenue
Salary	\$ 205,900	26.7%	\$ 209,412	24.7%	\$ 212,987	24.9%	\$ 216,629	25.1%	\$ 220,337	25.3%
Employee Related Expenses	\$ 61,770	8.0%	\$ 62,823	7.4%	\$ 63,896	7.5%	\$ 64,989	7.5%	\$ 66,101	7.6%
Marketing & Promotions	\$ 3,466	0.5%	\$ 3,820	0.5%	\$ 3,850	0.5%	\$ 3,881	0.5%	\$ 3,912	0.5%
Laundry	\$ 3,851	0.5%	\$ 4,245	0.5%	\$ 4,278	0.5%	\$ 4,312	0.5%	\$ 4,346	0.5%
Utilities	\$ 38,511	5.0%	\$ 42,450	5.0%	\$ 42,780	5.0%	\$ 43,117	5.0%	\$ 43,462	5.0%
Cleaning Supplies	\$ 2,311	0.3%	\$ 2,547	0.3%	\$ 2,567	0.3%	\$ 2,587	0.3%	\$ 2,608	0.3%
Linens	\$ 5,546	0.7%	\$ 6,113	0.7%	\$ 6,160	0.7%	\$ 6,209	0.7%	\$ 6,259	0.7%
Guest Supplies	\$ 5,392	0.7%	\$ 5,943	0.7%	\$ 5,989	0.7%	\$ 6,036	0.7%	\$ 6,085	0.7%
Operating Supplies	\$ 3,235	0.4%	\$ 3,566	0.4%	\$ 3,593	0.4%	\$ 3,622	0.4%	\$ 3,651	0.4%
Repairs and Maintenance	\$ 4,698	0.6%	\$ 5,179	0.6%	\$ 5,219	0.6%	\$ 5,260	0.6%	\$ 5,302	0.6%
Groundskeeping	\$ 4,390	0.6%	\$ 4,839	0.6%	\$ 4,877	0.6%	\$ 4,915	0.6%	\$ 4,955	0.6%
Property Management	\$ 693	0.1%	\$ 764	0.1%	\$ 770	0.1%	\$ 776	0.1%	\$ 782	0.1%
Complimentary Breakfast	\$ 17,993	2.3%	\$ 19,257	2.3%	\$ 18,843	2.2%	\$ 18,441	2.1%	\$ 18,049	2.1%
Travel Agent Fees	\$ 2,388	0.3%	\$ 2,632	0.3%	\$ 2,652	0.3%	\$ 2,673	0.3%	\$ 2,695	0.3%
Reservations	\$ 4,159	0.5%	\$ 4,585	0.5%	\$ 4,620	0.5%	\$ 4,657	0.5%	\$ 4,694	0.5%
Vending / Bar	\$ 9,642	1.3%	\$ 10,629	1.3%	\$ 10,713	1.3%	\$ 10,798	1.3%	\$ 10,886	1.3%
Office Supplies	\$ 3,081	0.4%	\$ 3,396	0.4%	\$ 3,422	0.4%	\$ 3,449	0.4%	\$ 3,477	0.4%
Swimming Pool	\$ 4,621	0.6%	\$ 5,094	0.6%	\$ 5,134	0.6%	\$ 5,174	0.6%	\$ 5,215	0.6%
Telephone	\$ 3,081	0.4%	\$ 3,396	0.4%	\$ 3,422	0.4%	\$ 3,449	0.4%	\$ 3,477	0.4%
Cable / Internet	\$ 5,006	0.7%	\$ 5,518	0.7%	\$ 5,561	0.7%	\$ 5,605	0.7%	\$ 5,650	0.7%
Waste Removal	\$ 3,620	0.5%	\$ 3,990	0.5%	\$ 4,021	0.5%	\$ 4,053	0.5%	\$ 4,085	0.5%
Dues / Subscriptions	\$ 539	0.1%	\$ 594	0.1%	\$ 599	0.1%	\$ 604	0.1%	\$ 608	0.1%
Licenses / Permits	\$ 1,001	0.1%	\$ 1,104	0.1%	\$ 1,112	0.1%	\$ 1,121	0.1%	\$ 1,130	0.1%
Credit Card Fees	\$ 19,255	2.5%	\$ 21,225	2.5%	\$ 21,390	2.5%	\$ 21,559	2.5%	\$ 21,731	2.5%
Franchise Fee	\$ 40,150	5.2%	\$ 40,150	4.7%	\$ 40,150	4.7%	\$ 40,150	4.7%	\$ 40,150	4.6%
Miscellaneous	\$ 1,926	0.3%	\$ 2,122	0.3%	\$ 2,139	0.3%	\$ 2,156	0.3%	\$ 2,173	0.3%
Accounting Fees	\$ 3,466	0.5%	\$ 3,820	0.5%	\$ 3,850	0.5%	\$ 3,881	0.5%	\$ 3,912	0.5%
Professional Services Fees	\$ 1,926	0.3%	\$ 2,122	0.3%	\$ 2,139	0.3%	\$ 2,156	0.3%	\$ 2,173	0.3%
Other Expense	\$ 37,741	4.9%	\$ 41,601	4.9%	\$ 41,924	4.9%	\$ 42,255	4.9%	\$ 42,593	4.9%
R.E./P.P. Taxes	\$ 29,268	3.8%	\$ 32,262	3.8%	\$ 32,513	3.8%	\$ 32,769	3.8%	\$ 33,031	3.8%
Management Fee	\$ 46,213	6.0%	\$ 50,940	6.0%	\$ 51,336	6.0%	\$ 51,741	6.0%	\$ 52,155	6.0%
Debt Service	\$ 195,379	25.4%	\$ 213,140	25.1%	\$ 213,140	24.9%	\$ 213,140	24.7%	\$ 213,140	24.5%
Reserves for Replacement	\$ -	0.0%	\$ 29,715	3.5%	\$ 29,946	3.5%	\$ 30,182	3.5%	\$ 30,424	3.5%
Total Operating Expenses	\$ 770,216	100.0%	\$ 848,993	100.0%	\$ 855,594	100.0%	\$ 862,346	100.0%	\$ 869,249	100.0%
Operating Income	\$ 0	0.0%	\$ 0	0.0%	\$ 0	0.0%	\$ 0	0.0%	\$ 0	0.0%
Income Taxes	\$ 0	0.0%	\$ 0	0.0%	\$ 0	0.0%	\$ 0	0.0%	\$ 0	0.0%
Total Expenses	\$ 770,216	100.0%	\$ 848,993	100.0%	\$ 855,594	100.0%	\$ 862,346	100.0%	\$ 869,249	100.0%
Net Profit	\$ 0	0.0%	\$ 0	0.0%	\$ 0	0.0%	\$ 0	0.0%	\$ 0	0.0%
Cash on Cash Return	0.00%		0.00%		0.00%		0.00%		0.00%	

III. CONCLUSION

Recommendations

After extensive research it is GSG's conclusion that a hotel project would be ideally located on N Main St between 5th and 6th St in Eagar, AZ. This site has all needed utilities, offers the best visibility, best proximity to event space, and would provide the best ROI (return on investment). Review of demographics and community interviews suggest that a mid-level hotel would be ideal and provide the amenities to meet the community's needs. This type of hotel would be well received and provide a new tier to effectively draw guests back to Eagar/Springerville from the nearby outlying markets.

The community, as well as surrounding communities in the region, offer a number of hotel demand generators including industry, high school athletics, hospitals, and tourism related opportunities. A new hotel development would assist the cities, local merchants and restaurateurs with recapturing lost hotel stays and subsequent guest spending by redirecting that economic impact back to the community. Sunrise Park Resort visitors currently lost to the more distant cities of Pinetop-Lakeside and Show Low pose a unique opportunity to draw in winter guests with higher discretionary budgets.

Property Recommendations:

Size:	44 rooms
Amenities:	Pool with Hot Tub, Elevator, Business Center, Banquet space to accommodate >25, Hot Breakfast, Bar/Lounge area, and Fitness Room
Rate:	Within 20% of ADR midpoint of \$126 Recommended rate range: \$105-\$135

Specific brand affiliation did not appear to be important, but branding of some sort appeared to be somewhat important during the community interviews. It is suggested that any hotel development should include a quality regional or national brand name.

It is GSG's conclusion that a hotel project could be successful using the aforementioned recommendation as a starting point. GSG prepared these recommendations using the most up-to-date information at the time this study was conducted and all information is assumed to be accurate. GSG assumes no liability in the accuracy of publicly available data, or the recommendation to move forward with a proposed hotel project at this site. The information contained in this report is for discussion purposes only. Potential developers and investors should rely on their own due diligence regarding the project.



Disclaimer

Thank you for the opportunity to provide this GSG Market Feasibility Study for the proposed hotel development project in Eagar/Springerville, AZ. This Market Study provides a demographic and economic overview of the subject area to determine the overall feasibility of a new hotel development. The written report is provided based on research and analysis of the variables that may impact the new development project.

GSG has analyzed market conditions, economic and demographic factors, and site conditions to determine their impact on the proposed project. GSG has utilized both primary and secondary data sources that are assumed to be correct to analyze the subject area's demand for additional rooms. Research also included local interviews with area representatives from a variety of public and private sector organizations. The report includes primary data and input regarding the overall feasibility of the project as the data existed at the time of the analysis. It also analyzes the same data and projects the potential for future growth in demand in the subject area based on that data.

The GSG Market Feasibility Study Report addresses the estimated operating performance of the project and provides recommendations as to size and scope of the development. The report provides owners, investors, operators and lenders with a snapshot of the overall feasibility of the project based on market conditions at the time of the survey. Future macroeconomic events affecting travel, the economy, and other unknown factors cannot be predicted and may impact the development and performance of this project. GSG makes no representations regarding the success of any development or possible investments. Potential developers and investors should rely on their own due diligence when making investment decisions.

GSG hereby certifies that we have no undisclosed interest in the property nor is our compensation dependent upon the report's findings. As with all studies of this type, the results are based on data analysis alone and cannot account for management differences after any project is operational. The results also assume no material change in the lodging industry in the immediate area from those set forth at the time of this report. GSG cannot predict, nor has control over construction costs or timing of construction and opening.

GSG makes no express representations or warranty that the contents of this report are accurate, reasonable or free from errors, omissions or other defects of any kind or nature. Those who rely on this report do so solely at their own risk and agrees to hold GSG harmless of any and all liability, damages or loss with respect to such reliance.

While the terms of this engagement do not require GSG to revise this report to reflect changing conditions in the market subsequent to the date of completion of our fieldwork, we are available to discuss the need to revisit the report due to changing market conditions in the future upon request only.