(image from Google Maps)

Appraisal Report of
Regency Inn & Suites

2701 North O'Henry Blvd.
Greensboro, North Carolina 27405

Prepared For
Mr. Kyle Oakley
City of Greensboro
300 W. Washington St.
Greensboro, NC 27402

Date of Value Opinions
April 8, 2021

Date of Report
April 17, 2021

Report Prepared By
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HOTEL &CLUB

APPRAISAL AND CONSULTING SERVICE

April 17, 2021

Mr. Kyle Oakley
City of Greensboro
300 W. Washington St.
Greensboro, NC 27402

Property Appraised: ***Regency Inn & Suites***
2701 North O'Henry Blvd.
Greensboro, North Carolina 27405

Dear Mr. Oakley:

At your request, I have prepared the accompanying appraisal report of the Regency Inn & Suites. In preparing this appraisal, I have interviewed and have been provided information by Mr. James Joseph, estate broker representing the property owners. Mr. Joseph and the property owners did not want to alert employees and customers at the hotel that the owners are considering selling the property and requested this appraisal be based on an exterior-only inspection. You and I have discussed the situation and agreed to proceed on this basis. I strongly suggest that should the City come to terms to buy the property, a detailed property inspection of all guest rooms and other portions of the hotel be made by a qualified person to confirm the condition of the property is consistent with the assumptions in this appraisal; see Extraordinary Assumptions and Limiting Conditions at the beginning of this report.

This appraisal is based on an extraordinary assumption that there are 66 guest rooms in addition to owner's apartment and that all are in rentable/habitable condition. Based on my brief exterior-only property inspection, the property appears to be in overall fair to average condition for a hotel built in the 1950s. I am not aware of any environmental hazards and/or structural or other problems associated with the property. The value opinions developed and expressed within this appraisal are based on this extraordinary assumption and would change if the assumption is not validated later by a more detailed inspection.

The property is a 66-room, limited service budget hotel that was built in 1956. I inspected the property early morning on April 8, 2021. The inspection consisted of driving around the parking lot and photographing/observing the exterior of the subject buildings. Based on my observations, much of the hotel's clientele consists of "locals" using the property for temporary housing as well as some contractors and, perhaps, some travelers.

My opinion of the market value of the fee simple interest in the going concern hotel as of April 8, 2021 is summarized as follows:

Final Value Opinion: Total Going Concern Hotel	
As-Is Value	$1,120,000

The preceding value opinion does NOT include the value of an un-improved excess land parcel (1.87 acres) that adjoins the hotel property to the north. This property could be subdivided from the improved hotel parcel and developed with a separate use. **It is my opinion, the market value for the fee simple interest in this excess land parcel is $240,000.** Adding this to the going concern hotel indicates a total value opinion as follows:

Total Value Opinion: Hotel + Excess Land	
Value Opinion for Going Concern Hotel	$1,120,000
Value Opinion for Excess Land	$240,000
Total Value Opinion: Hotel + Excess	**$1,360,000**

The property includes a billboard site that is leased to Fairway Outdoor Advertising for $3,500 per year. This lease is reflected in the going concern hotel valuation.

The value opinion for the going concern hotel includes real property, business personal property (FF&E), and intangible business enterprise value (BEV) used in the hotel operations. The allocation of the total going concern value between these various components is summarized below.

Allocation of Final Value Opinion: Going Concern Hotel	
Value of Total Going Concern	$1,120,000
Less: FF&E Allocation	$30,000
Less: Intangible BEV	$0
Real Property Allocation	**$1,090,000**

*The value opinion is subject to the Assumptions and Limiting Conditions presented at the beginning of this appraisal

As this appraisal is being prepared, the coronavirus has been disrupting financial markets as well as the travel industry. Much of the lodging industry has been severely challenged by the coronavirus pandemic. However, hotels like the subject cater largely to locals seeking short-term housing have not been impacted to the same degree as those that cater to corporate travelers and group functions. The market value opinions within this appraisal are reflective of market conditions as of the date of appraisal and what is known as of that date.

The attached report is subject to the assumptions and limiting conditions set forth. The report presents the most pertinent data assembled, valuation analyses, and conclusions. It is prepared in conformance with the requirements of the Uniform Standards of Professional Practice (USPAP).

Respectfully submitted,

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

Executive Summary

Property Name:	Regency Inn & Suites
***Owned By*:**	Ceezee, Inc.
***Property Location*:**	2701 North O'Henry Blvd., Greensboro, North Carolina 27405
***Property Type*:**	66-room, exterior-corridor hotel classified within the budget market segment. The property is not affiliated with the national franchise.
***Property Rights Appraised*:**	Fee simple plus leased fee interest associated with Fairway Outdoor Advertising lease for a billboard site.
***Land Size*:**	5.46 acres according to the survey. Of the total land size, there is approximately 1.87 acres of excess/undeveloped land adjoining the northern portion of the hotel site.
Main Improvements:	One-story building that was constructed in 1956 with 66 guest rooms, office/guest registration/lobby. In addition to guest rooms, the real estate agent indicates there is an owner's apartment.
***Highest and Best Use*:**	Continued use as a budget hotel.
***As-Is Valuation Date*:**	April 8, 2021
Zoning District:	CM - Commercial Medium District

***Value Opinions*:**

Summary of Value Opinions: Going Concern Hotel	
	As Is
Income Capitalization Approach	$1,120,000
Sales Comparison Approach	$1,020,000
Cost Approach	N/A

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ADDENDA

Appraiser Qualifications

Assumptions and Limiting Conditions

1. This property has been analyzed as though free of all liens and encumbrances, unless otherwise stated herein. No responsibility is assumed for matters legal in nature, nor is any opinion of title rendered herewith. Good title is assumed.

2. The appraiser herein, by reason of this report, is not required to give testimony in court, with reference to the property herein appraised, unless arrangements have been previously made therefore.

3. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.

   Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which he is connected, or any reference to the Appraisal Institute or the MAI or SRA Designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without the prior written consent and approval of the undersigned.

4. Certain information in this report was furnished from sources believed to be reliable; however, such information is not guaranteed to be correct, although it has been checked insofar as possible and is believed to be correct.

5. I am not familiar with any engineering or geological studies made to determine the bearing capacity of the land or that indicate any mineral contents of a significant nature. I am not qualified to detect these types of issues and assume that soil and subsoil conditions are stable.

6. Plats, maps, and other exhibits in this report are used merely to help the reader visualize the property and its surroundings. No responsibility is assumed for their cartographic accuracy.

7. The value opinions reported herein are under the purpose and land-use premise stated. They are not valid for any other purpose or premise and must not be used in conjunction with any other appraisal or intended use.

8. Full compliance with all applicable federal, state, and local environmental regulations is assumed, as well as all applicable zoning, use, and occupancy regulations and restrictions as stated and considered in this report.

9. In this assignment, the existence of any hazardous or potentially hazardous material possibly located on the site thereon, such as urea formaldehyde foam insulation, asbestos, or toxic waste, etc., was not observed by the inspecting appraiser(s) and has not been considered. The appraiser has no knowledge of any such materials on or in the property but is not qualified to detect such substances. The presence of such materials may influence the value or use of the property. It is assumed that there are no hazardous material spills, etc., resulting

from underground storage tanks or other causes associated with the subject property. Full compliance with all environmental laws is assumed. The client is urged to retain an expert in this field, if desired.

10. Any projections, forecasts, etc., regarding future patterns of income and/or expenses, prices/values, etc. represent the appraisers' best estimates of market participant's anticipation with respect to these items, based on information available at the date of appraisal or analysis. Such information includes forecasts/projections published by recognized sources such as economists, financial publications, investor surveys, etc.

    Economic trends can affect future behavior of income, expenses, values, etc. Changes in these items caused by future occurrences could result in values different from those established in this report. We cannot accept responsibility for economic variables in the future, which could not have been known or anticipated at the date of analysis (inflation rates, economic upswings or downturns, fiscal policy changes, etc.).

11. **All mechanical electrical and plumbing equipment along with structural/non-structural components of the building are assumed to be in good working order, unless otherwise stated and treated elsewhere in the report. I am not an expert in this area, and it is recommended that, if appropriate, the client obtain an inspection of the building improvements and equipment by a qualified professional**.

12. The Americans with Disabilities Act (ADA) became effective January 26, 1992 setting strict and specific standards for disabled access to and within most commercial and public buildings. I have not made a specific compliance survey and analysis of the property to determine whether it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property will not be in compliance with one or more of the requirements of the act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance with the requirements of the ADA in estimating the value of the property.

13. The estimated income and expense results are based upon competent, efficient management, responsible ownership, and presume no significant change in the competitive position of the competitive facilities (supply) in the area, other than as set forth in this appraisal report.

14. **My value opinions have been based on unaudited financial reports provided to me by the property owners' real estate broker. If these reports are found to be inaccurate, I reserve the right to revise my value opinions.**

15. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice, which include the Uniform Standards of Professional Appraisal Practice.

16. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

17. This appraisal is prepared for the exclusive use of City of Greensboro and their assigns for internal use, including but not limited to, rendering a decision relative to a financial transaction. The appraisal is not valid for any other party or use. The appraiser is not qualified to detect construction defects, environmental hazards, or title defects and assume no liability in these issues.

18. When and if I have used the word(s) "inspect, inspection or inspected" in this appraisal in regard to our site visit and observation, I have not intended to imply that I am an expert with respect to the structural and/or mechanical engineering aspects of the subject property or any potential environmental conditions. As referenced in other "assumptions and limiting conditions" herein, and not an expert in these areas.

Extraordinary and Hypothetical Assumptions and Limiting Conditions

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

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

1. This appraisal is based on the Extraordinary Assumption and Limiting Condition that there are 66 guest rooms and an owner's apartment that are in rentable/habitable condition and that there are no adverse structural and/or environmental conditions present. At the request of the property owners' real estate broker, an interior inspection was not completed. It is recommended that the City of Greensboro, as part of their due diligence, undertake a complete inspection by qualified inspector to confirm this extraordinary assumption.

[1] Appraisal Institute, *The Dictionary of Real Estate Appraisal 6th Edition,* (Chicago, 2015), 83-84.

2. Three years of profit and loss statements were requested, but the property owners only provided three years of gross revenues. It is assumed that these gross revenues do not include any sales or occupancy tax collected from hotel guests as these are normally excluded from the valuation process.

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

3. This report is not subject to any hypothetical conditions.

[2] Appraisal Institute, *The Dictionary of Real Estate Appraisal 6th Edition,* (Chicago, 2015), 113.

COVID – 19 Pandemic and Valuation Premises

As this appraisal is being prepared, the spread of the COVID-19 coronavirus pandemic is disrupting the travel industry. Discretionary travel, meetings, conferences, etc. have been cancelled and postponed. Airport and meeting/destination hotels have been most severely impacted. Budget properties like the subject that cater to more "local" clientele have been least impacted.

The pandemic's impact on hotels happened very swiftly as the level of panic/awareness ratcheted up dramatically beginning of March 2020. Hotels across the U.S. (and world) reported occupancy levels plummeting to single digits in late March/April of 2020. Occupancies, approximately one year later, have recovered to around over 50%nationally, but are still well below pre-Covid and "normalized" levels.

COVID-19 Hotel Investment Survey – Lodging Industry Investment Council

Hotel Business published an April 28, 2020 follow-up survey of members of the Lodging Industry Investment Council ("LIIC"). Members of the LIIC represent "direct acquisition and disposition control of well over $60 billion of lodging real estate." The follow-up survey of market makers concluded that "*hotel asset level NOI impact from COVID-19 will not normalize (a return to 2019 cash flow performance) for at least another year.*"

The survey further indicates 43% of the buyers are in a pause mode while 57% are moving forward with seeking acquisitions. Further, the bid/ask spread between buyers and sellers may widen and existing deals are likely to face delayed closings and/or re-pricing pressures. Much of the traditional debt financing is frozen and buyers/sellers are seeing an increase in creative financing with additional seller debt financing and hard money lenders bridging the gap. These are normal market reactions during periods of uncertainty. Interestingly, the survey also noted that 40% of investors believe a more than 30% drop in asset value has occurred, 25% believing a 20%-30% drop and 25% believing a decline of 10%-20%.

Value Implications of COVID

The LIIC survey indicated that "*hotel asset level NOI impact from COVID-19 will not normalize (a return to 2019 cash flow performance) for at least another year.*" A number of brokerage firms that specialize in the hotel sector (Hunter Hotel Advisors, Mumford Company, Avison Young) have speculated that a full RevPar recovery for many hotel properties will not occur until 2023-2024. Obviously, hotels will vary in their recovery time depending on a variety of factors including location, demand generators, market mix, etc. Many analysts have predicted that transient leisure demand will be the first to return and drive-to markets will outperform others. Large group hotels and markets that depend more heavily on air travel and international travel are expected to lag in the recovery. Further, the economy/midscale tier has been less impacted in terms of occupancy over the last 2-3 months versus higher end hotels.

There is obviously less certainty in market value opinions in the middle of a market crisis. Ultimately the length and depth of this pandemic will determine where hotel values settle. At this stage, it is too early to anticipate length/depth and what levels hotel values will reset to. The general sentiment is that large, full-service hotels in urban markets are faring worst and may have the largest negative impact in values; upwards of 30%+ decline in values. Extended stay hotels, economy/midscale hotels, and hotels in small markets have performed "less bad" and the negative impact on their values is anticipated to be less.

Post-COVID Lodging Sales									
			# of	Property		Post-COVID		Pre-COVID	COVID
Property Name	City	State	Rooms	Type	Sub-Type	Sale Date	Price	Value	Discount
Hutton Hotel	Nashville	TN	250	Full Service	Urban	Jun-20	$70,000,000	$95,000,000	**26.3%**
Renaissance Inner Harbor	Baltimore	MD	622	Full Service	Urban	Jul-20	$80,000,000	$100,000,000	**20.0%**
Hampton Inn Steele Creek	Charlotte	NC	132	Ltd Service	Suburban/Airport	Aug-20	$17,500,000	$23,100,000	**24.2%**
Holiday Inn Express	Fairmont	WV	71	Ltd Service	Small Market	Sep-20	$4,036,900	$4,650,000	**13.2%**
Hotel at Avalon	Alpharetta	GA	330	Full Service	Suburban	Sep-20	$157,000,000	$185,000,000	**15.1%**
Palmer House Hilton	Chicago	IL	1641	Full Service	Urban	Sep-20	$305,000,000	$560,000,000	**45.5%**
Holiday Inn Express	Southern Pines	NC	77	Ltd Service	Small Market	Sep-20	$7,300,000	$8,850,000	**17.5%**
Four Points	Pineville	NC	85	Select-Service	Suburban/Airport	Dec-20	$6,500,000	$7,700,000	**15.6%**
Holiday Inn Resort	Wrightsville Beach	NC	184	Full Service	Beach Resort	Dec-20	$30,250,000	$35,000,000	**13.6%**
Springhill Suites	Charlotte	NC	124	Select-Service	Suburban/Airport	Dec-20	$17,300,000	$21,000,000	**17.6%**
Hyatt Regency	Austin	TX	448	Full Service	Urban	Mar-21	$161,000,000	$200-$215m	**20%-25%**

Conclusion: Value Implications for Subject

The subject property owners report gross revenues for 2020 were $381,124 as compared to over $430,000 for 2018 and 2019, a decline of approximately 11%. Much of the decline is attributable to March, April, May, and October 2020 when the coronavirus impact was surging. The market in general is showing signs of recovery, though recovery may be 1 to 2 years away for those that cater to large group/convention business and corporate travelers. The value impact on the subject is muted by comparison.

Introduction to the Subject Property

IDENTIFICATION AND OWNERSHIP OF THE PROPERTY

Property Name:	Regency Inn & Suites
Address:	2701 North O'Henry Blvd., Greensboro, North Carolina 27405
Ownership:	Ceezee, Inc.
Property Type:	Limited Service Hotel
Legal Description:	Book 4323, Page 1135 (Guilford County)
Parcel ID Number:	27654

CLIENT(S) AND INTENDED USER(S)

Client(s):	City of Greensboro
Intended User(s):	City of Greensboro
Disclaimer:	Any use of this report by third parties is prohibited without the written consent of the client and Hotel and Club Associates, Incorporated.

PURPOSE AND INTENDED USE OF THE APPRAISAL

Purpose:	Develop an opinion of market value for the going-concern subject hotel in its "as-is" condition.
Intended Use:	The City of Greensboro is considering purchasing the subject property and this appraisal will be used to assist in this process.

TYPE OF APPRAISAL REPORT

Report Type:	Appraisal Report
Comment:	The accompanying appraisal report summarizes the most pertinent information and analyses upon which the opinions of value are based. The appraisal has been prepared and presented in conformance with USPAP.

PROPERTY RIGHTS APPRAISED

Property Interest:	Fee Simple plus a leased fee interest in a billboard site that is leased to Fairway Outdoor Advertising ($3,500 per year).
Title:	The property value opinions herein are based on a 100% interest and free and clear title.

IMPORTANT DATES

Inspection:	April 8, 2021
As Is Value Opinion:	April 8, 2021
Report Completed:	April 17, 2021

OWNERSHIP HISTORY OF THE PROPERTY

Most Recent Transaction

Current Ownership Name:	Ceezee, Inc.
Date Acquired:	7/20/1995
Acquired From (Grantor):	Chhotubhai N. Patel et. al.
Sale Price:	N/A
Deed of Record:	Book 4323, Page 1135
Jurisdictional Location:	Guilford County

Current Listing/Contract Information

The 1995 deed conveyed an undivided one third interest in the property. A correction deed (deed book 4323, page 1135) was recorded April 8, 1998. This deed corrected the ownership interests conveyed to "entire fee simple title."

The appraiser is not aware of any current listing to sell or pending contracts related to the subject property. The current owners have owned the property for more than 25 years.

Scope of Appraisal

- The scope of this appraisal includes the investigations necessary to gather sufficient data from which to derive an opinion of value and encompasses the necessary research and analysis to prepare a report in accordance with its intended use, the Standards of Professional Practice of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice, and the terms of engagement between the client and appraisers.

- Data has been gathered data from governmental records, including tax assessments, deeds, and zoning have been researched.

- The inspecting appraiser visited the subject property and surrounding market area, making observations about the various factors that could potentially impact the opinion value. The property visit included an "exterior only" inspection at the request of the property owner's representative (see Extraordinary Assumptions and Limiting Conditions). The appraiser consulted with the client who consented to the limited scope property inspection. The appraiser has advised the client to undertake a more detailed property inspection later as part of their due diligence process PRIOR to acquiring the property. The inspection should be used, in part, to confirm assumptions by this appraisal that there are 66 rentable rooms plus a habitable owner's apartment and no adverse environmental/structural/mechanical issues associated with the buildings.

- Three years of historical profit and loss statements were requested, but the property owner representative only provided three years of historical gross revenues. It is assumed that these revenues do not include any sales or occupancy taxes which are normally excluded from valuation purposes.

- Market data available to Smith Travel Research as well as other information has been used in the development of this appraisal and is presented in the company report.

- Revenues and expenses of competitive properties, supply/demand and property marketability issues, comparable sales, and pricing metrics including overall capitalization and discount rates, room revenue multipliers etc. have been researched and used in the development of this appraisal.

- The appraisal report develops the income and sales comparison approaches; the cost approach is not pertinent in valuing this property. The cost approach is not pertinent in the valuation of most hospitality facilities as buyers, sellers, and brokers making the market in these types of properties typically do not rely on replacement cost or other cost approach considerations in making pricing decisions.

Definitions

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

> Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
>
> 1. Buyer and seller are typically motivated;
> 2. Both parties are well informed or well advised, and acting in what they consider their best interests;
> 3. A reasonable time is allowed for exposure in the open market;
> 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and,
> 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."[3]

Market Value "As Is"

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Fee Simple Interest

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.[4]

Going Concern Value

The market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate...[5]

[3] FDIC Rule and Regulations, Authority Section 2000, Part 323.2 (g)
[4] Appraisal Institute, The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago, 2015), Page 90.
[5] Appraisal Institute, The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago, 2015), Page 102.

Hotel Terminology – Sourced from STR Global

Rooms Available (Room Supply)

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

ADR – Average Daily Rate

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

ADR = Room Revenue / Rooms Sold

Occupancy

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

Occupancy = Rooms Sold / Rooms Available

RevPAR (Revenue Per Available Room)

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

Occupancy x ADR = RevPAR

Market Class

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

Luxury • Upper-upscale • Upscale • Upper-midscale • Midscale • Economy

Property Improvement Plan – PIP

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

Greensboro/Guilford County Area Overview

The purpose of this section of the report is to summarize demographic and economic factors in the local market area, which may influence and/or create value for real estate.

General Description

Greensboro is in central North Carolina in Guilford County, an area that is commonly referred to as the Piedmont Triad. The Triad includes the cities of High Point, Greensboro, and Winston-Salem and comprises approximately one-fifth of the state's population. Greensboro is approximately 30 miles east of Winston-Salem, 70 miles west of Raleigh, and 93 miles northeast of Charlotte. The city is part of the Greensboro-High Point MSA (Metropolitan Statistical Area), which includes Guilford, Randolph, and Rockingham Counties.

Regional Map

Population Characteristics

Guilford County is the most populous county in the MSA. Likewise, the city of Greensboro is the largest city in the Piedmont Triad. The following chart includes population trends for the City of Greensboro, Guilford County, surrounding counties, and the state of North Carolina.

Population Info	2000	2010	CAGR	2020	CAGR	2025 Proj	CAGR
City of Greensboro	**241,364**	**269,437**	**1.2%**	**293,622**	**0.9%**	**305,902**	**0.8%**
Alamance County	130,800	151,131	1.6%	175,479	1.6%	186,818	1.3%
Davidson County	147,246	162,878	1.1%	173,692	0.7%	179,547	0.7%
Forsyth County	306,067	350,670	1.5%	387,274	1.0%	406,151	1.0%
Guilford County	**421,048**	**488,406**	**1.6%**	**535,822**	**1.0%**	**561,360**	**1.0%**
Randolph County	130,454	141,752	0.9%	147,875	0.4%	151,314	0.5%
Rockingham County	91,928	93,643	0.2%	93,568	0.0%	94,042	0.1%
Greensboro-High Point MSA	643,430	723,801	1.2%	777,265	0.7%	806,716	0.8%
North Carolina	8,049,313	9,535,483	1.8%	10,736,879	1.3%	11,357,303	1.2%

Source: CCIM Site to Do Business

Economic Characteristics

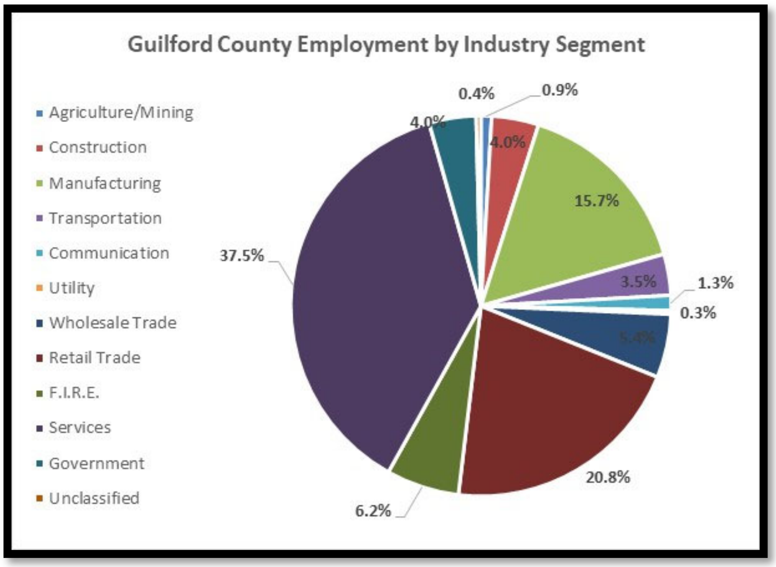
The traditional industries of Piedmont North Carolina and Guilford County were tobacco, furniture, apparel, and textiles. Greensboro and Guilford County experienced significant job losses in the traditional manufacturing jobs that were once the core of the area's economy. Global outsourcing and decline in core industries were the main factors for this employment loss. However, some of these jobs have been replaced with service jobs, and the economy has been spurred by growth in new industries like aviation, trade, finance, and education. A list of the major employers in Guilford County is shown below.

Employer	Industry	# of Employees
Cone Health	Education & Health Services	1000+
Guilford County Board of Education	Education & Health Services	1000+
City of Greensboro	Public Administration	1000+
UNC Greensboro	Education & Health Services	1000+
Wake Forest University Baptist Medical	Education & Health Services	1000+
US Postal Services	Trade, Transportation, & Utilities	1000+
Guilford County Government	Public Administration	1000+
Wal-Mart Associates	Trade, Transportation, & Utilities	1000+
United Parcel Service Inc	Trade, Transportation, & Utilities	1000+
Harris Teeter	Trade, Transportation, & Utilities	1000+

Source: NC Dept of Commerce (Q2 2019)

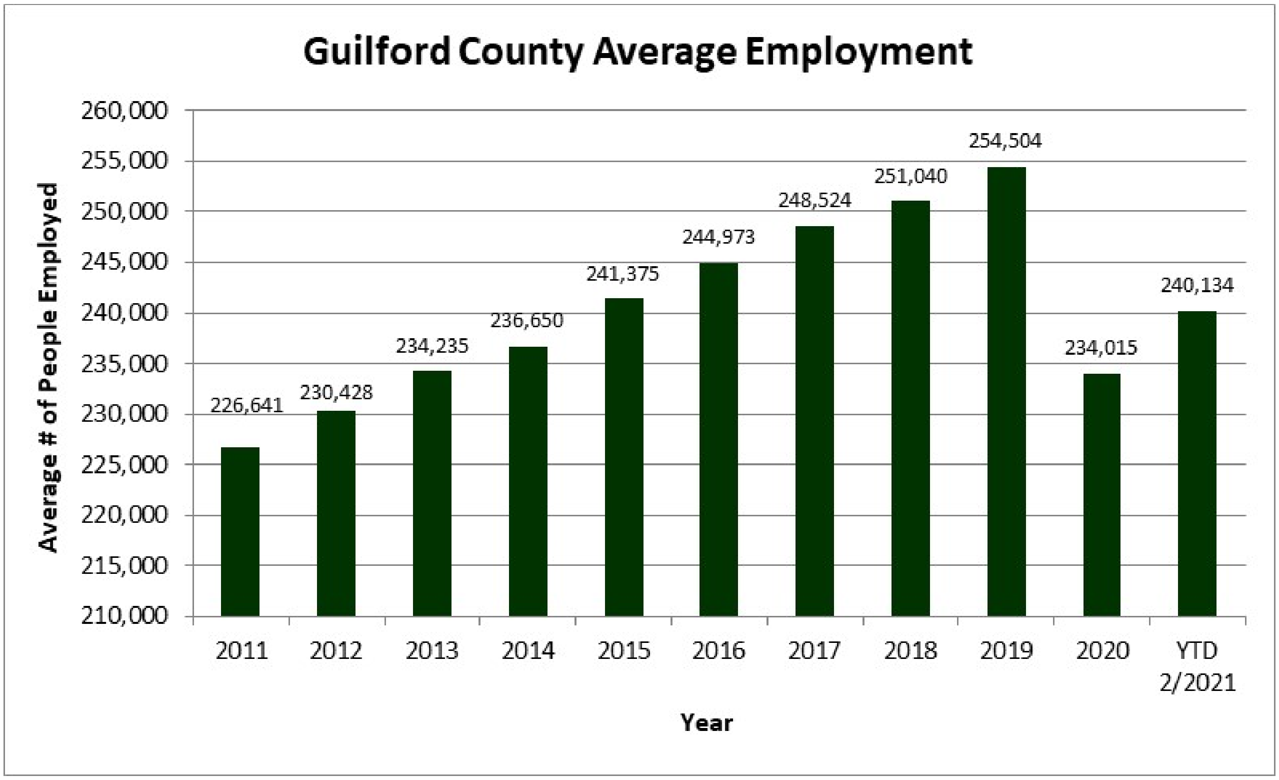
The Moses H. Cone Health System, one of the largest medical service providers in the state, along with various education providers like Guilford County Public Schools and the University of North

Carolina at Greensboro and NC A&T State University have significantly boosted employment in the education/healthcare industry segment. It is currently the largest employment sector in Guilford County according to the NC Department of Commerce. In the chart below, education/healthcare is a subset of the services industry. Overall, the employment by industry segment is widely distributed and includes manufacturing, retail and wholesale trade, administrative services, and entertainment/accommodation services. The following chart shows the percentage breakdown in employment based on industry segment for Guilford County.



Source: CCIM Site to Do Business

One of the more telling statistics relative to the vitality of local real estate markets is the total number of people employed within a given area. The following chart illustrates the average number of people employed in Guilford County over the last 10 years.



Source: U.S. Bureau of Labor Statistics

The chart illustrates the decline in employment levels during the 2020 pandemic – there was an 8% decrease between the 2019 and 2020 annual averages. During the first two months of 2021, employment numbers began to recover.

Education

Greensboro is home to several universities and colleges that have helped grow the economic and social base of the city. The students attending these education centers have an impact on the local economy as well as the schools' events like graduation, sporting, and cultural gatherings. In general, the universities have grown over the past few decades, and are projected to continue to grow in the future. The University of North Carolina at Greensboro is the largest university in Greensboro and is the fifth largest school in the University of North Carolina system. Its enrollment is around 20,000, with a wide range of degree programs available.

North Carolina Agricultural & Technical University, also known as NC A&T, is a public, historically black research university. It is the second largest university in the city of Greensboro, with an enrollment nearing 11,000.

Healthcare

The Moses H. Cone Health System is one of the largest health networks in the state of North Carolina. It comprises more than 100 locations, including six hospitals, three medical centers, four urgent care centers, and 95 physician practice sites. Most of these facilities are in the city of Greensboro, headlined by the Moses H. Cone Memorial Hospital. United Healthcare, a subsidiary of UnitedHealth Group, created 500 new jobs at its Greensboro facility, which is headquarters for the health insurance provider's Carolinas operations. The company already has 3,000 employees at this facility, which provides call center, claims processing and administrative support. UnitedHealth Group is the 22nd largest business on the Fortune 500 list and has been a part of the Greensboro economy for more than 20 years.

Tourism

Greensboro is the center for tourism activity in the county area and has shown growth over the past decade. The following chart shows the total economic impact of visitor spending in Guilford County, as provided by the most recent information available from Visit North Carolina, a unit of the Economic Development Partnership of North Carolina.

Guilford County statistics

Year	Expenditures $(millions)	Change from previous	Payroll $(millions)	Employment (thousands)	State Tax Receipts $(millions)	Local Tax Receipts $(millions)	Tax Savings Per Resident
2019	$1591.64	6.99%	$426.75	15.00	$81.39	$35.96	$217.44
2018	$1487.69	5.63%	$394.19	14.24	$76.51	$33.91	$204.92
2017	$1408.40	4.38%	$374.79	13.95	$73.08	$32.30	$201.11
2016	$1349.31	4.09%	$344.66	13.54	$70.55	$30.51	$193.84
2015	$1296.29	2.58%	$328.05	13.13	$67.39	$29.24	$186.86
2014	$1263.64	4.71%	$306.87	12.76	$63.24	$28.26	$178.60
2013	$1206.74	4.10%	$289.97	12.45	$61.20	$26.77	$173.38
2012	$1159.16	6.05%	$276.39	12.16	$58.61	$25.89	$168.26
2011	$1093.05	8.56%	$261.58	11.79	$57.55	$25.08	$166.84
2010	$1006.91	7.59%	$247.55	11.44	$56.60	$24.38	$165.14

Tourism spending in Guilford County has been increasing year over year since 2009 and had an economic impact of over $1.5 billion in 2019. However, the COVID pandemic has clearly impacted tourism in 2020 and, since the latest figures above are for 2019, the pandemic's impact is not shown in the chart above.

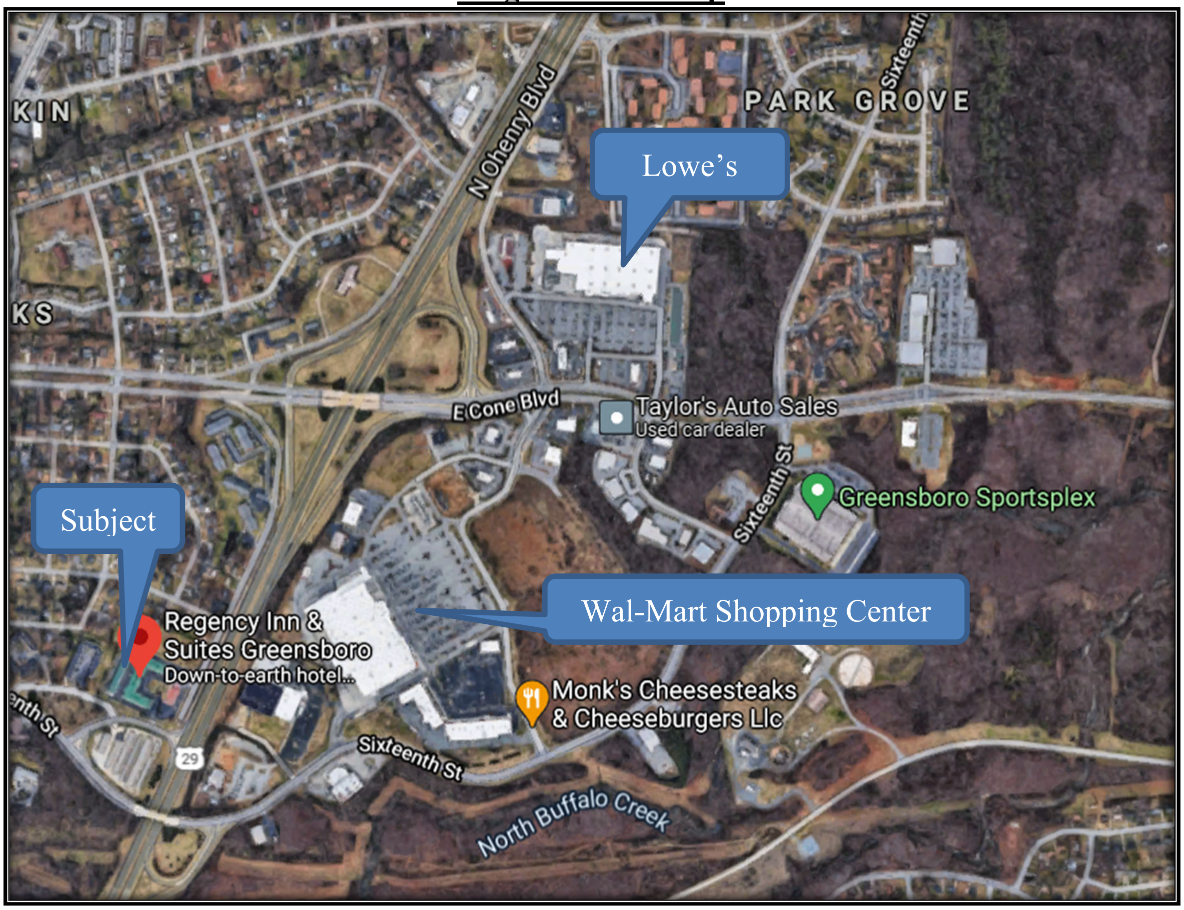
Summary

Despite the negative impacts of the COVID pandemic, Greensboro and Guilford County have generally been in a pattern of growth with numerous developments and corporate expansions occurring over the past few years. The diversity of the economy is attributed to its unique blend of trade, manufacturing, and service businesses as well as universities and colleges. The education system has provided an educated workforce to attract new firms to the area. Further, the city of Greensboro has committed itself to economic development and job creation as well as improvement of its infrastructure. While Greensboro is not a high-growth market, it has a history of steady economic growth despite the challenges associated with losing much of its traditional manufacturing base.

Description of the Subject Neighborhood

Real estate is an immobile asset greatly affected by its surrounding environment. Within a community, there is a marked tendency toward the grouping of land uses. The areas devoted to these uses are termed physical neighborhoods. Properties within a given neighborhood are affected by shifts or changes in the neighboring environment.

Neighborhood Map



Location

The subject is in the southwest quadrant of US 29 (N. O'Henry Blvd.) and East Cone Blvd. This area is in northeast Greensboro, approximately four miles north of downtown.

Major Traffic/Travel Corridors

US 29 (N. O'Henry Blvd.) and East Cone Blvd. are the two main traffic corridors through the subject neighborhood. US 29 is a divided, four-lane highway through the subject's neighborhood, and connects the area to Danville, Lynchburg, Charlottesville, and Washington, D.C. to the north, and Charlotte, Greenville, and Spartanburg to the south. Cone Blvd. connects US 29 and

Battleground Avenue/US 220, a major thoroughfare in Greensboro. Interstate 840, a ring road around the city has partially opened several miles north of the subject.

Neighborhood Land Uses

The eastern side of US Highway 29 at its intersection with Cone Boulevard is heavily developed with commercial properties. One of the largest developments is the Shops of Pyramids Village, a large retail shopping center that was developed on the former site of the Carolina Circle Mall. Pyramids Village is anchored by a Walmart Supercenter. Also at this interchange is a Lowes Home Improvement store and a variety of other commercial uses including several restaurants. The Greensboro Sportsplex is another significant development in this neighborhood. It is owned and operated by the city Greensboro and hosts a large number of basketball, volleyball, roller hockey, and various other tournaments.

The subject hotel is on the western margin of US 29. Properties immediately surrounding are primarily low to moderate income multifamily and single-family homes. There is also a mini-storage facility on the subject side of US 29.

Proximity to Room Night Demand Generators

The subject property caters to a mix of "locals," many of which are seeking short-term housing as well as contractors in town working on various construction projects and travelers along US Highway 29.

Other Hotels/Supporting Uses

The subject and the Relax Inn are the only hotels within the immediate subject neighborhood. Most of the newer hotels are in downtown, Wendover Avenue, airport area, and along Interstate 85.

Supporting property uses include various fast food and other restaurants on the opposite side of US 29 from the subject. US 29 provides good accessibility to various parts of the city.

Life Cycle of the Neighborhood

The subject neighborhood is a mature area. There has been some growth stimulated by the Pyramids Village shopping center as well as new residential growth several miles north along the US 29 corridor. There has been very limited growth in the area immediately surrounding the subject. The development and opening of Interstate 840, several miles to the north could stimulate additional growth.

Description of the Subject Property

Description of the Site

The site overview is based upon a physical inspection. In addition, maps and government records were used in preparing the site description.

Aerial Photo:

- ***Location:*** 2701 North O'Henry Blvd., Greensboro, North Carolina 27405

- ***Surrounding Properties:*** On the opposite side of the off-ramp, south of the subject, is a self-storage facility. Adjoining the subject to the west is an apartment building, and to the north are single-family homes.

- ***Site Size:*** 5.46 acres according to the survey. Approximately 1.87 acres of the total land area is considered excess land. The northern portion of the subject land, an area with approximately

160 feet of frontage on N. O'Henry Blvd running 509 feet deep is undeveloped. The remaining 3.59 acres is developed with the subject hotel buildings.

- ***Shape:*** Generally rectangular

- ***Frontage/Access:*** Frontage along North O'Henry Blvd., 16th Court and the US-29 off-ramp. Access is provided by one curb cut from North O'Henry Blvd. and one curb cut from the US-29 off-ramp. The property has good access to/from US 29 southbound, but requires a more circuitous route to access northbound US 29.

- ***Topography/Drainage:*** Level/ Drainage appeared adequate, but it was dry conditions during the property visit.

- ***Easements:*** Typical utility easements

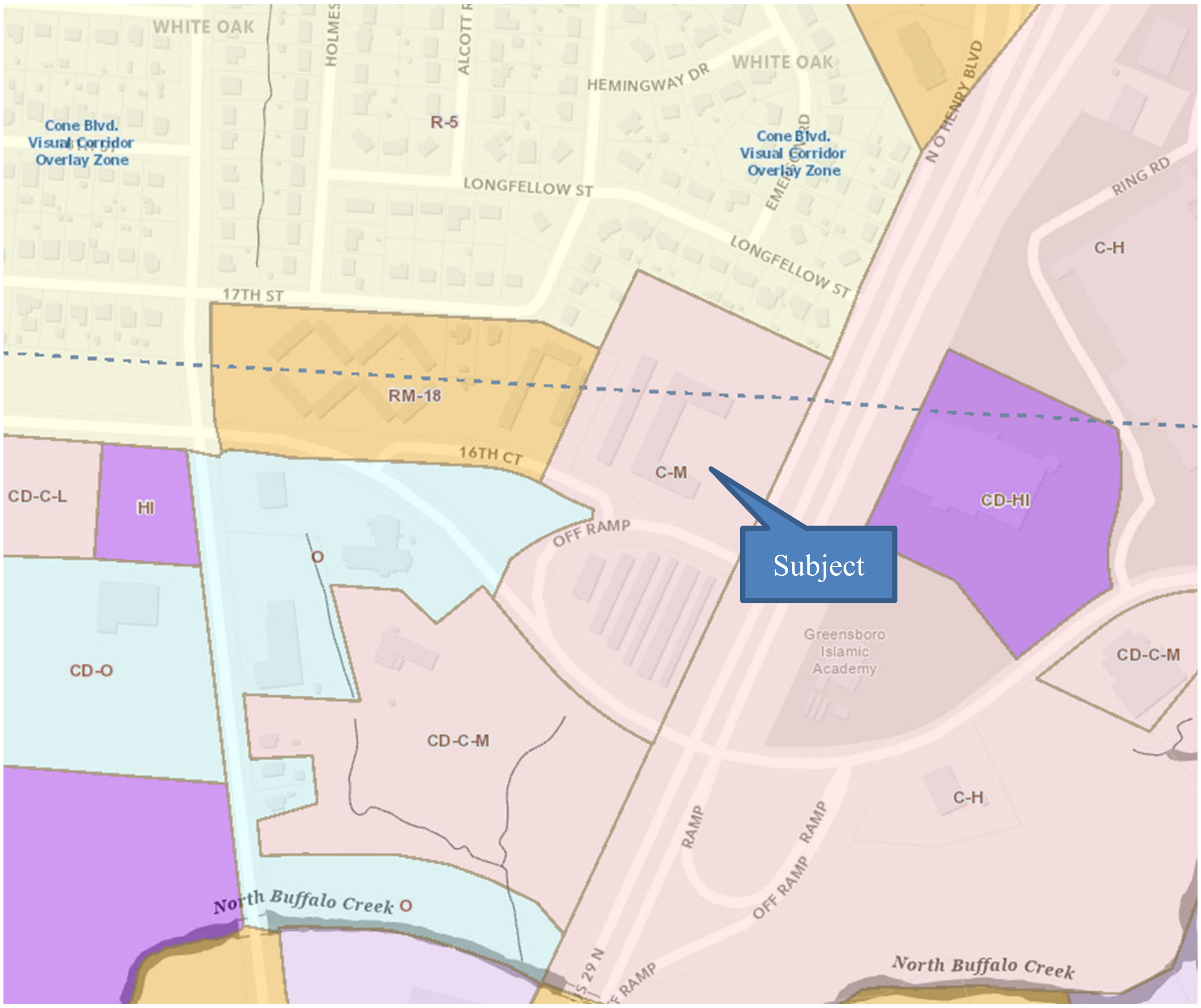
- ***Utilities:*** All public utilities

- ***Environmental Assessment:*** No adverse environmental conditions are known to exist, but the appraiser is not qualified to detect such conditions. The value opinions within this appraisal assume none are present.

- ***Zoning***:

Jurisdiction:	City of Greensboro
Zoning District:	CM-Commercial Medium District
Intention of District:	Primarily intended to accommodate a wide range of retail, service, office, and multi-family residential uses in a mixed use environment. The district is typically located along thoroughfares in areas which have developed with minimal setbacks.
Permitted Use:	Various commercial/retail including hotels and other commercial uses

Zoning Map


WHITE OAK
HOLMES
ALCOTT
HEMINGWAY DR
WHITE OAK
Cone Blvd. Visual Corridor Overlay Zone
R-5
Cone Blvd. Visual Corridor Overlay Zone
N O HENRY BLVD
LONGFELLOW ST
LONGFELLOW ST
RING RD
C-H
17TH ST
RM-18
16TH CT
C-M
CD-HI
CD-C-L
HI
OFF RAMP
Subject
O
CD-O
Greensboro Islamic Academy
CD-C-M
CD-C-M
C-H
RAMP
RAMP
OFF RAMP
North Buffalo Creek O
North Buffalo Creek
US 29 N

- ***Flood Zone:*** The subject is located in an area shown by FloodSource Flood Map. The subject is located in flood zone X, which is not classified as a flood hazard area.

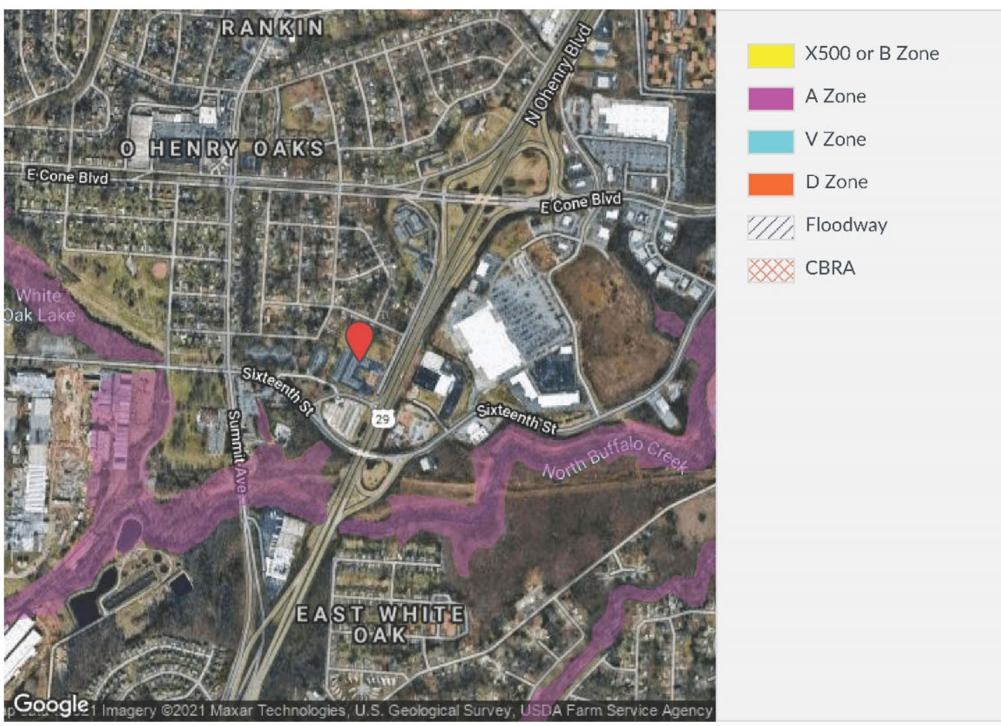
Map number:	37081C7875J
Map date:	06-18-2007

Flood Zone Map:

Flood Zone Determination Report

Flood Zone Determination: **OUT**

COMMUNITY	375351	PANEL	7875J
PANEL DATE	June 18, 2007	MAP NUMBER	37081C7875J



Improvement Analysis

The following summarizes some of the more pertinent information relative to the hotel buildings based on a brief exterior-only inspection. The property owner's broker has also provided some interior photos for our review.

Hotel Name:	Regency Inn & Suites
Year Built:	1956
# of Rooms:	66
Key Mix:	18 2-room suites and 48 regular rooms
Corridors:	Exterior
# of Floors:	One
Building Square Feet:	24,721 (375 square feet per room) – according to tax records
Elevator(s):	N/A
Market Segment:	Limited Service, Budget Hotel
Franchise:	The subject is not associated with a national franchise.
Construction:	
Building Structure:	Masonry and wood frame
Interior Walls:	Painted drywall
Exterior Walls:	Brick
Roof Structure:	Gable
Roof Covering:	Composition shingle
Interior:	
Guest Room Floors:	Carpet
Guest Room Bathroom Floor:	Ceramic tile
Public Area Floor:	Carpet and ceramic tile

Guest Room HVAC:	Window units
Public Area HVAC:	Forced air central system
Fire Protection:	Assume smoke detectors in each of the guest rooms
Recreational Amenities:	None
Public Spaces/Accessory Uses:	Office/guest registration/lobby
Parking Lot:	Asphalt paved parking lot
Recent Improvements:	Roof cover and carpeting have been replaced within recent years according to the broker.
Remaining Economic Life:	15-20 years

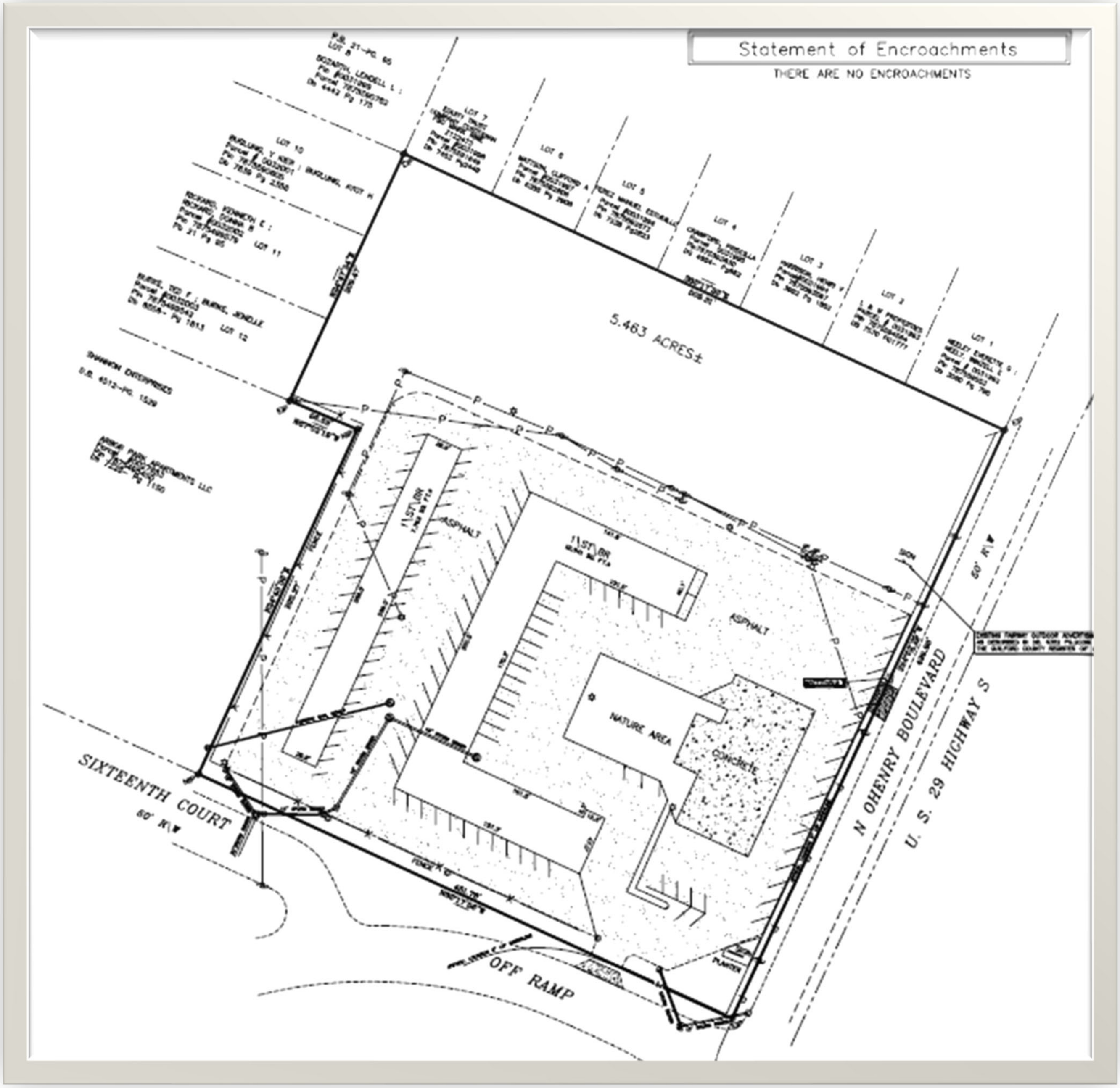
Property Improvement Plan (PIP)/Condition:

The subject is not affiliated with a national hotel franchise and does not undergo periodic Property Improvement Plan ("PIP") requirements that are common for franchised hotels. Based on the appraiser's brief exterior inspection and interior photographs provided by the owner's broker, the overall condition of the hotel appears to be fair to average for a property constructed in the 1950s.

Other Improvements

There is a billboard on the front portion of the property. The broker indicates the lease to the billboard company is $3,500 per year.

Property Survey:



Interior Photos Provided by Property Owner's Broker

Hotel Room

Hotel Room

Hotel Room

Hotel Room

Hotel Room

Hotel Room

Hotel Room

Hotel Room

Hotel Room

Hotel Room

Hotel Room

Exterior Photos Taken by Appraiser

Front View

Building Exterior

Excess Land

Building Exterior

Building Exterior

Office/ Guest Registration

Mini-Storage Units
Across the Street from Subject

Subject Images From Google Maps

Real Estate and Personal Property Tax Assessments

Jurisdiction(s):	Guilford County and City of Greensboro
Parcel #:	27654
Assessment Basis:	100% of market value
Tax Rate:	$1.393 per $100 of assessment value
Revaluation:	The last countywide revaluation in Guilford County was in 2017.

The subject's 2020 real and personal property taxes are shown below.

Real Property Tax Assessment		
	Market Value	**Assessment***
Land	$476,500	**$476,500**
Improvements	$532,900	**$532,900**
Total Real Estate	$1,009,400	**$1,009,400**
x Tax Rate (Per $100)		$1.3930
Total Real Property Taxes		**$14,061**
*Assessment basis:	100.0%	

Personal Property Tax Assessment		
	Market Value	**Assessment***
Total Personal Property	$73,219	**$73,219**
x Tax Rate (Per $100)		$1.3930
Personal Property Taxes		**$1,020**
*Assessment basis:	100.0%	

The following chart summarizes the total 2020 tax liability for the subject property.

Total Taxes	
Real Property	$14,061
Personal Property	$1,020
Total Taxes	**$15,081**

For purposes of analysis within the income capitalization approach, it is necessary to project the Year 1 tax liability. Based on the preceding information, Year 1 taxes are projected at $15,100.

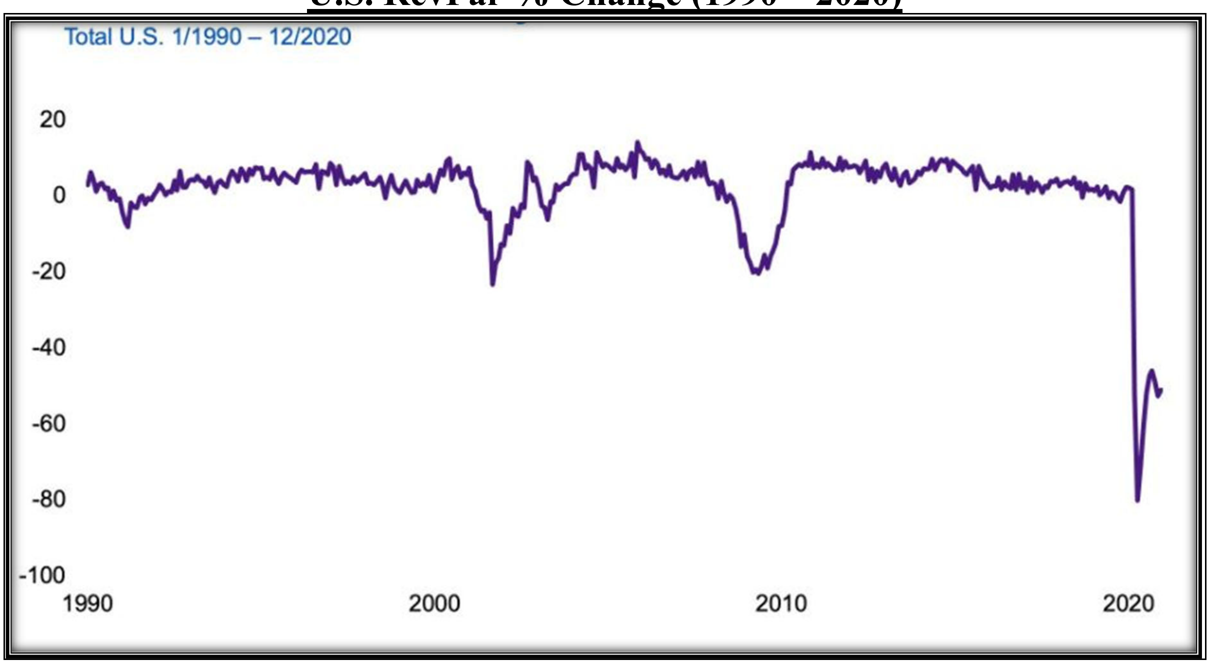
Lodging Trends and Market Analysis

The purpose of this section is to provide an overview of the market in which the subject competes and to develop projections of occupancy, average daily rate (ADR), and revenue per available room (RevPar) for the subject. This "Trends" section is the foundation for cash flow projections used in the income capitalization and sales comparison approaches later in this report. This appraisal develops projections of occupancy, ADR, and RevPar over a period of several years based on what is known and generally anticipated as of the date of appraisal. It is obviously not possible to accurately project future changes in supply and demand issues beyond what is known at the time of appraisal. However, for market valuation purposes, it is not important that these projections actually occur. Rather, it is more important that the projections reflect the general expectations of the marketplace at the time of the valuation analysis and reflect expectations that buyers/sellers in the market are currently using in making their pricing decisions.

U.S. Lodging Trends

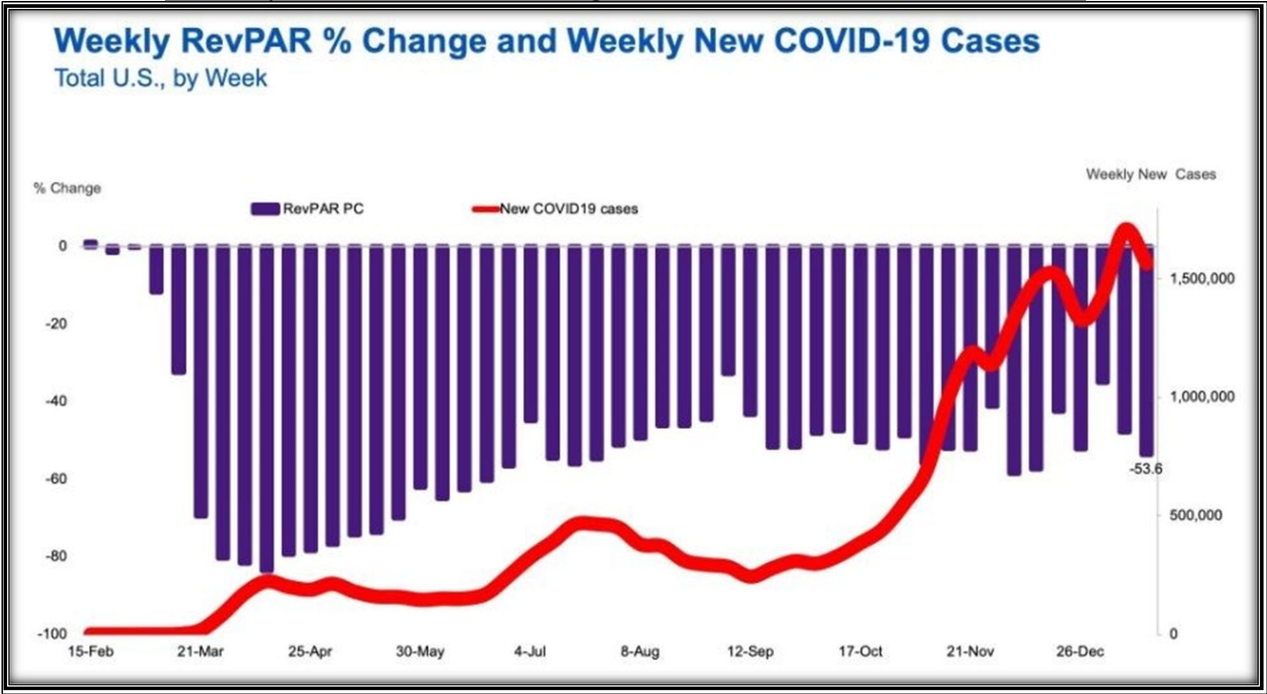
The hospitality sector, after operating at record levels for several years, recorded its worst year in 2020 with RevPar plunging nearly 50%. The decline began in early March and continued throughout 2020. The contraction in overall economic activity in the U.S. and the need for social distancing resulted in a historic decline in room demand for hotels. Many hotels have seen operational losses in cash flow and some hotels have closed temporarily. The lack of demand has also left hoteliers with limited pricing power and room rates/ADRs have declined.

U.S. RevPar % Change (1990 – 2020)



Source: Smith Travel Research

Weekly U.S. RevPar Change & New COVID Cases (2020)



Source: Smith Travel Research

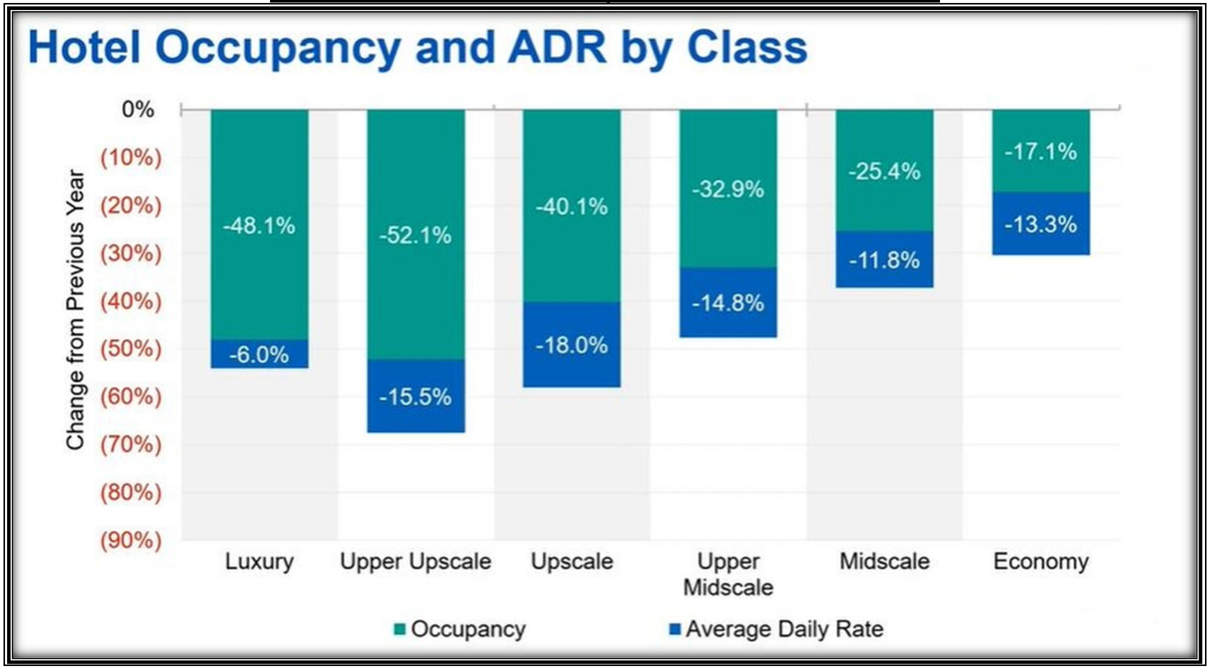
U.S. Hotel Performance: 2020						
Month	**Occupancy**	**% Change***	**ADR**	**% Change***	**RevPar**	**% Change***
January	55.1%	0.8%	$126.06	1.4%	$69.47	2.2%
February	62.2%	0.2%	$130.78	1.4%	$81.33	1.7%
March	39.4%	-42.3%	$110.66	-16.5%	$43.54	-51.9%
April	24.5%	-63.9%	$73.23	-44.4%	$17.93	-79.9%
May	33.1%	-51.7%	$79.57	-39.9%	$26.35	-71.0%
June	42.2%	-42.5%	$92.15	-31.5%	$38.88	-60.6%
July	47.0%	-36.1%	$101.76	-24.8%	$47.84	-52.0%
August	48.6%	-31.7%	$102.46	-22.8%	$49.83	-47.3%
September	48.3%	-28.2%	$99.12	-24.9%	$47.87	-46.1%
October	48.3%	-30.1%	$97.61	-26.8%	$47.13	-48.8%
November	40.3%	-34.5%	$90.92	-27.7%	$36.67	-52.6%
December	36.7%	-32.3%	$91.96	-27.6%	$33.76	-51.0%
2020	**44.0%**	**-33.3%**	**$103.00**	**-21.3%**	**$45.00**	**-49.4%**

*Change versus same month last year

Source: Smith Travel Research

Economy hotels have performed the best, particularly along interstates, in suburban areas, and in small towns. Hotels in beach and mountain destinations have also fared better. High-end, full service and urban hotels have performed the worst as large group meetings and corporate demand have declined significantly. RevPar for limited service hotels in 2020 was down 30% to 50% while upper-end hotels saw RevPar decline over 50%.

Hotel Performance by Class: 2020 vs 2019



Performance by Class: December 2020

Class	Absolute Occupancy	Occ %	ADR %	RevPAR %
Luxury	25.5	-58.9	-8.4	-62.3
Upper Upscale	25.1	-58.9	-23.4	-68.5
Upscale	36.2	-38.8	-25.1	-54.2
Upper Midscale	38.6	-29.2	-18.8	-42.5
Midscale	37.4	-19.3	-13.7	-30.3
Economy	43.0	-11.9	-13.8	-24.1

Source: Smith Travel Research

Hotel performance in 2021 is expected to be defined by two halves with an acceleration expected to begin mid-year assuming U.S. vaccine distribution progresses as planned. STR has forecast group related U.S. business to begin coming back in Q3 2021. STR and CBRE Hotels Research anticipate occupancy driving the recovery with ADR lagging. RevPar for the U.S. is forecast to increase by 18%-22% in 2021 and 25%-34% in 2022. The lodging sector is expected to recover to 2019 RevPar levels by 2024.

STR U.S. Hotel Forecast: 2021/2022

U.S. Forecast

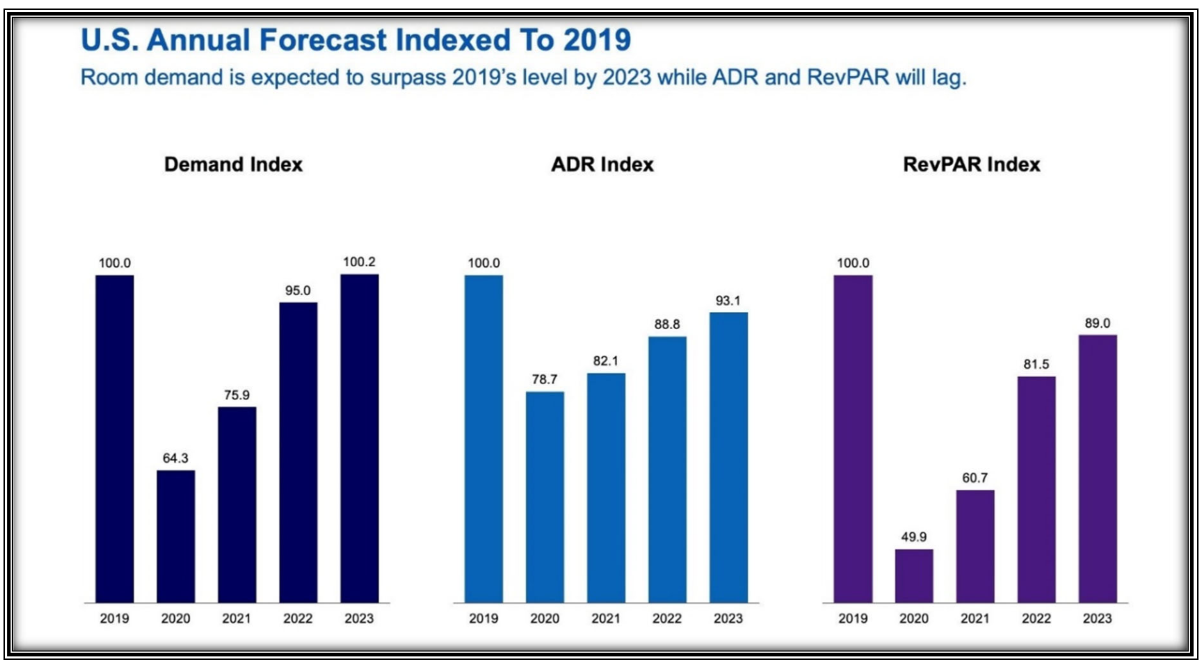
Key Performance Indicators (% Change vs. Prior Year)
2020 – 2021F – 2022F

Outlook			
Metric	2020 Actual	2021 Forecast	2022 Forecast
Supply	-3.6%	+5.4%	+2.4%
Supply (Total Room Inventory)*	+1.4%	+1.2%	+0.9%
Demand	-35.7%	+18.0%	+25.2%
Occupancy*	-36.6%	+16.6%	+24.1%
ADR	-21.3%	+4.3%	+8.2%
RevPAR*	-50.1%	+21.6%	+34.2%

*Reflects Total-Room-Inventory (TRI) methodology, which assumes no temporary hotel closures.

Source: Smith Travel Research (January 2021)

STR U.S. 2020-2023 Forecast, Indexed to 2019



Source: Smith Travel Research (January 2021)

CBRE U.S. Hotel Market Forecast

CBRE HOTELS – Q32020 U.S. LODGING FORECAST

Year	Occ	ΔOcc	ADR	ΔADR	RevPAR	ΔRevPAR	RevPAR % of 2019
2018	66.5%	-0.4%	$ 130.53	2.2%	$ 86.84	1.8%	
2019	66.8%	0.4%	$ 131.17	0.5%	$ 87.65	0.9%	100%
2020F	41.8%	-37.4%	$ 102.94	-21.5%	$ 43.06	-50.9%	49%
2021F	50.1%	19.7%	$ 101.65	-1.3%	$ 50.89	18.2%	58%
2022F	57.3%	14.4%	$ 111.06	9.3%	$ 63.60	25.0%	73%
2023F	63.8%	11.4%	$ 121.35	9.3%	$ 77.40	21.7%	88%
2024F	67.1%	5.3%	$ 134.07	10.5%	$ 90.01	16.3%	103%

Source: CBRE Hotels Research, Kalibri Labs, 11/19/2020 – https://pip.cbrehotels.com .

Source: CBRE Hotels Research (November 2020)

The following lodging report for North Carolina indicates a 38.9% decline in RevPar in August 2020 with room demand/occupancy down around 30% and rates down 14%.

N.C. Monthly Lodging Report: August 2020

Statewide

- NC hotel/motel **occupancy** decreased 29.0% statewide in August 2020 from August 2019 (two-year change, -28.0%).
  - US **occupancy** decreased 31.7% in August 2020 from August 2019 (two-year change, -31.9%.).
  - South Atlantic states **occupancy** decreased 32.2% in August 2020 from August 2019 (two-year change, -33.4%).
- August 2020 **room rates (ADR)** in North Carolina were down 14.0% (two-year change, -11.4%).
  - **Room rates** in the US decreased 22.8% from August 2019 (two-year change, -21.9%).
  - **Room rates** in the South Atlantic states decreased 15.7% from August 2019 (two-year change, -14.4%)
- Statewide, **RevPAR** was down 38.9% from August of 2019 (two-year change, -36.2%).
  - US **RevPAR** decreased 47.3% from August 2019 (two-year change, -46.8%).
  - South Atlantic **RevPAR** decreased 42.8% from August 2019 (two-year change, -42.9%).
- **Room Supply** increased by 2.0% in the state from August 2019 to August 2020 (two-year change +2.5%).
  - US **room supply** decreased 3.0% in August 2020 (two-year change, -1.2%).
  - South Atlantic **room supply** was down 2.5% from August 2019 to August 2020 (two-year change, -0.8%).
- **Room Demand** decreased 27.6% in the state from August 2019 to August 2020 (two-year change -26.2%).
  - **Room demand** in the US decreased 33.8% in August 2020 from August 2019 (two-year change, -32.7%).
  - **Room demand** in the South Atlantic decreased 33.9% in August 2020 from August 2019 (two-year change, -33.9%).
- North Carolina **room revenues** decreased 37.7% in August 2020 (two-year change -34.6%).
  - **Room revenues** in the US decreased 48.9% from August 2019 to August 2020 (two-year change, -47.4%).
  - **Room revenues** in the South Atlantic decreased 44.2% from August 2019 to August 2020 (two-year change, -43.4%).

Regional, August 2020

- **Occupancy**
  - Western Region -22.5% (-24.6%)
  - Northwest Region -21.8% (-24.4%)
  - Southwest Region -40.0% (-40.3%)
  - Piedmont Triad Region -33.4% (-29.7%)
  - North Central Region -38.7% (-35.1%)
  - Sandhills Region -12.0% (-12.5%)
  - Northeast Region -11.4% (-12.1%)
  - Southeast Region -12.8% (-10.1%)
- **ADR**
  - Western Region -13.7% (-11.5%)
  - Northwest Region -9.4% (-6.8%)
  - Southwest Region -25.2% (-24.5%)
  - Piedmont Triad Region -18.7% (-14.9%)
  - North Central Region -22.2% (-19.9%)
  - Sandhills Region -6.4% (-0.5%)
  - Northeast Region -0.8% (+1.9%)
  - Southeast Region -5.5% (+2.7%)
- **RevPAR**
  - Western Region -33.1% (-33.3%)
  - Northwest Region -29.2% (-29.6%)
  - Southwest Region -55.1% (-54.9%)
  - Piedmont Triad Region -45.9% (-40.2%)
  - North Central Region -52.3% (-48.0%)
  - Sandhills Region -17.7% (-13.0%)
  - Northeast Region -12.1% (-10.4%)
  - Southeast Region -17.6% (-7.6%)
- **Room Supply**
  - Western Region +2.6% (+2.4%)
  - Northwest Region -0.9% (+0.3%)
  - Southwest Region +3.5% (+5.7%)
  - Piedmont Triad Region +1.2% (+3.2%)
  - North Central Region +0.1% (+0.4%)
  - Sandhills Region +0.4% (+1.9%)
  - Northeast Region +0.7% (+2.1%)
  - Southeast Region +6.3% (-0.3%)
- **Room Demand**
  - Western Region -20.5% (-22.9%)
  - Northwest Region -22.6% (-24.2%)
  - Southwest Region -37.9% (-36.8%)
  - Piedmont Triad Region -32.6% (-27.4%)
  - North Central Region -38.7% (-34.9%)
  - Sandhills Region -11.7% (-10.9%)
  - Northeast Region -10.8% (-10.2%)
  - Southeast Region -7.3% (-10.3%)
- **Room Revenues**
  - Western Region -31.4% (-31.7%)
  - Northwest Region -29.9% (-29.4%)
  - Southwest Region -53.5% (-52.3%)
  - Piedmont Triad Region -45.2% (-38.3%)
  - North Central Region -52.3% (-47.8%)
  - Sandhills Region -17.3% (-11.3%)
  - Northeast Region -11.5% (-8.5%)
  - Southeast Region -12.4% (-7.9%)

Source: https://partners.visitnc.com/lodging-reports

Local Lodging Trends

Typically, the health of a lodging market is reflected in occupancy, ADR, and RevPar. Smith Travel Research (STR) is one of the leading suppliers of hotel data/operating metrics. They collect occupancy, ADR, and RevPar data on virtually all major franchised hotels in the US and are the leading source of information relative to trends in these areas. They track and report statistics for markets/submarkets as well as by chain scale.

The subject is not affiliated with a national franchise and does not participate in the STAR program. However, information is available from a December appraisal that Hotel and Club Associates, Inc. prepared for another local economy hotel.

Regional/Local Hotel Statistics from Smith Travel Research		
Supply/Demand	**Change in Room Night Supply**	**Change in Room Night Demand**
	12/20 T12	**12/20 T12**
Market: Greensboro/Winston Salem NC	1.1%	-32.4%
Market Class: Economy Class	-0.4%	-14.2%
Submarket: Burlington/High Point	0.0%	-27.8%
Submarket Scale: Economy	-1.8%	-17.8%
Occupancy	**Occupancy %**	**Change in Occupancy**
	12/20 T12	**12/20 T12**
Market: Greensboro/Winston Salem NC	40.0%	-33.1%
Market Class: Economy Class	49.5%	-13.9%
Submarket: Burlington/High Point	41.2%	-27.8%
Submarket Scale: Economy	42.2%	-16.3%
Average Daily Rate	**ADR**	**ADR Change**
	12/20 T12	**12/20 T12**
Market: Greensboro/Winston Salem NC	$77.03	-20.0%
Market Class: Economy Class	$50.90	-8.2%
Submarket: Burlington/High Point	$74.91	-12.1%
Submarket Scale: Economy	$52.79	-5.0%
RevPar	**RevPar**	**RevPar Change**
	12/20 T12	**12/20 T12**
Market: Greensboro/Winston Salem NC	$30.85	-46.5%
Market Class: Economy Class	$25.21	-20.9%
Submarket: Burlington/High Point	$30.87	-36.5%

Source: Smith Travel Research

The local market was down significantly in 2020 as compared with 2019. The best overall measure of performance is RevPar. It is interesting that Economy Class properties were down 20.9% in comparison to 46.5% for the overall market.

Analysis of Competitive Market

Often a good method of analyzing a property is to compare its performance against a competitive set of properties. The idea is to examine performance for properties that compete for the same types of business as the subject property. In the case of the subject, it is an older, non-franchised hotel that caters to a combination of locals, contractors, and some travelers along US 29.

Data on the competitive market can be generated using several methods. One is direct interview of similar/competitive hotels. In this situation, the subject owners/broker are sensitive to confidentiality about negotiations to sell and it is difficult to interview competitors and maintain confidentiality. The second method is using Smith Travel Research data. Often independent/non-franchised hotels like the subject do not report to STR. However, this appraisal introduces some STR data that the appraiser has collected from other assignments in the area. The third method is using internal file data developed during appraisals of similar properties. The primary reason for examining competitive data is to assist in the development of a reasonable projection of room revenue for the subject property. In this regard, the subject's historical room revenues as reported by the owners is the best source for this projection. The competitive data is used primarily as supporting data and a test of reasonableness of the subject's actual operating history.

Historical Room Revenue Regency Inn & Suites				
Month	**2018**	**2019**	**2020**	**3-Year Avg**
Jan	$39,082	$32,583	$32,573	$34,746
Feb	$37,514	$31,851	$32,587	$33,984
Mar	$45,174	$38,845	$30,105	$38,041
Apr	$42,774	$37,565	$31,412	$37,250
May	$30,785	$39,662	$34,675	$35,041
Jun	$31,061	$30,987	$31,565	$31,204
Jul	$42,568	$34,635	$37,455	$38,219
Aug	$34,889	$34,908	$32,368	$34,055
Sep	$38,675	$34,908	$31,565	$35,049
Oct	$35,767	$41,808	$28,900	$35,492
Nov	$28,810	$34,105	$30,639	$31,185
Dec	$27,705	$38,648	$27,280	$31,211
Total	**$434,804**	**$430,505**	**$381,124**	**$415,478**
RevPar*	$18.05	$17.87	$15.82	$17.25
*RevPar based on 66 rooms				
Source: Property owners				

The subject's 2020 room revenue was down nearly $50,000 over 2019 levels presumably because of COVID issues. Obviously, there was a lot of disruption in the market in 2020 from COVID as businesses and travel went into lock down. Events such as A&T Homecoming in October were cancelled in 2020. This could have been a factor in the subject's reduced revenues in October of last year. In general, the market is beginning to recover as more people are vaccinated and travel and events resume. Market analysts anticipate that 2021 will see improved lodging revenues over 2020 levels assuming COVID does not spiral out of control again.

The subject's historical revenue per available room (RevPar) has been $15.82 to $18.05 and has averaged $17.25. There is a chart on a previous page that provides an overview of the Greensboro/Winston Salem market from the STR data. This report indicates the 2020 average RevPar for "economy hotels" (51 properties sampled) was $25.21. Most of the properties included in the STR data would be newer, franchised economy hotels that would tend to generate a higher level of RevPar than the subject.

The chart follow provides a comparison of the subject with this set of properties along with a projection of stabilized/Year 1 room revenue.

RevPar Trends/Projection			
	12/19 T12	**12/20 T12**	**Year 1 Projection**
Subject Property	**$17.87**	**$15.82**	**$16.93**
Greensboro/WS Economy	$31.87	$25.21	
Subject RevPar Index vs. Comp Set	56.1%	62.8%	
Subject RevPar Rank vs. Comp Set			
Subject Annual Change %		-11.5%	**7.0%**
Comp Set Annual Change %		-20.9%	

Source: Smith Travel Research - STAR Report

The appraisal cash flow model used by Hotel and Club Associates, Inc. is set up to include inputs for occupancy and average daily rate with these inputs generating the RevPar projection. The specific occupancy and ADR inputs are less important to the overall valuation than the resulting RevPar and total/annual room revenue projection that results. Based on the appraiser's experience with these types of properties, occupancy is projected at 48.4% and ADR at $35 resulting in a RevPar projection of $16.93 (48.4% x $35). More importantly, the resulting annual room revenue projection is $407,960 which is considered reasonable in comparison to the actual reported revenues over the last 3 years (see preceding page).

Highest and Best Use Analysis

Highest and best use may be defined as *the reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.*[6]

Typically, highest and best use is a 3-step process; first, estimating the highest and best use of the property as though a vacant land tract, secondly estimating the highest and best use of the property as improved, and finally determining which use of the property (vacant vs. improved) results in the highest indication of value.

As Vacant

The subject land is 5.46 acres located on North O'Henry Blvd. at US Highway 29. The site is zoned for commercial development though much of the surrounding land is zoned residential (single and multi-family). The subject land at over 5 acres is large enough to support a wide variety of uses.

The site is accessible from southbound US 29 traffic via an off- and on-ramp at the property. There is also a bridge across US 29 at Sixteenth Street, just south of the subject location. N. O’Henry Boulevard is a frontage road paralleling the east margin of US 29; it provides access to Cone Blvd to the north.

The US 29 corridor includes a mixture of residential, commercial, and industrial land uses. The east side around Pyramids Village is heavily developed with commercial uses and there is land available for addition development. The west side of US 29 where the subject is located is mostly residential other than the subject and a mini-storage facility.

If the subject were vacant, the most likely use be for either some type of destination/low intensity commercial use or multi-family housing for low to moderate income residents.

6Appraisal Institute, The Dictionary of Real Estate Appraisal, Sixth Edition, (Chicago, 2015), Page 109.

As Improved

The subject property is improved with a single-story/exterior-corridor hotel that was constructed in the 1950s. While it is a relatively old building, it appears to have been maintained and is still actively used for lodging. The subject, like many old hotel properties, caters to locals seeking temporary housing, building contractors, and some travelers. While the hotel industry has transitioned away from exterior corridor/entry hotels, these older buildings continue to function. The highest and best use of the improved portion of the property is for continued use as a lodging property.

The hotel buildings do not fully occupy the subject land. There is an excess land parcel of approximately 1.87 acres to north of the improved property. It appears that this land could readily be subdivided from the parent tract and could be developed with housing and/or some low intensity/destination commercial use.

The highest and best use of the improved property is continued use as a budget hotel and subdivision of the excess land for residential and/or low intensity commercial use.

Conclusion of Highest and Best Use

The going concern hotel on 3.59 acres is valued in the accompanying appraisal at $1,120,000 plus excess land value of $240,000 for a total of $1,360,000. The underlying land value as though vacant would be approximately $710,000 based on the per acre valuation of the excess land. Therefore, the highest and best use is represented by the property based on continuation as a going concern hotel plus excess land (as improved).

Valuation Methodology

The traditional approaches to value are the income capitalization approach, sales comparison approach, and cost approach. This appraisal includes values for the property "as is" as of the date of inspection.

- The ***income capitalization approach*** is developed because most market participants consider this methodology very important since it examines revenue and expenses associated with operating a property. The discounted cash flow and direct capitalization methods are employed within this approach.

- The ***sales comparison approach*** is developed because this methodology bases its value opinion on actual sales transactions. Primary emphasis is given to the (RRM) room revenue multiplier, which reflects the relationship between room revenue and sale price. Secondary consideration is given to price per room.

- The ***cost approach*** is not developed, as it is generally not given much emphasis in the pricing of a hotel property regardless of its age. Hotels are generally priced based on economic considerations that are not reflected by the cost approach. Therefore, the cost approach is not developed in this appraisal.

- ***Excess land*** – the subject includes excess land that could be subdivided and developed with alternative uses. This appraisal uses the sales comparison approach to value the excess land. This analysis is presented after development of the hotel valuation.

Income Capitalization Approach – Hotel

The Dictionary of Real Estate Appraisal, 6th edition, 2015, published by the Appraisal Institute, defines the income capitalization approach as follows:

> *"Specific appraisal techniques applied to develop a value indication for a property based on its earning capability and calculated by the capitalization of property income."*

The beginning point of the income capitalization approach is making a projection of revenue and expenses for the property. The projection is typically based on a combination of actual operating history of the subject property (if available) and analysis market comparables. Market comparables include the "competitive set" analysis developed with the Trends section of the report and expense comparables to be presented within this section of the report. These analyses are used to develop a projection of revenues, expenses, and net operating income (NOI) for the subject property.

The income capitalization approach uses two methodologies to develop indications of value; a discounted cash flow analysis and direct capitalization.

Discounted Cash Flow Analysis

Discounted Cash Flow Analysis (DCF) is applied by projecting net operating income (NOI) over the holding period, 7 years in this case. The DCF analysis also incorporates a projection of resale or reversionary value for the property at the end of the 7-year holding period. The annual NOI and reversion estimates are discounted to present value based on anticipated yield requirements from investors in these types of properties.

The DCF analysis is based on projections made over a 7-year holding period. Obviously, it is not possible to accurately forecast market conditions 7 years into the future. However, for current market value opinions, it is not important whether these projections materialize. Rather, the most important consideration is whether the projections mirror how typical investors might model and analyze the property as of the date of value. Generally, the DCF analysis is developed primarily as a supporting technique in the analysis of a "stabilized" hotel property.

Direct Capitalization Analysis

Direct capitalization is used to convert a property's stabilized income expectancy into a value indication. In direct capitalization, an overall capitalization rate is applied to a single year's net operating income projection to provide a value indication.

Revenue and Expense Projections

The next steps of the income capitalization approach are to make projections of revenues and operating expenses for the property. These projections will be used in the discounted cash flow and direct capitalization methods. The projections give consideration of the actual operating history of the subject property as well as expense levels for similar hotel properties.

Subject Operating History

The property owners/broker was asked to provide historical profit and loss statements and this request was declined. However, they did provide a history of room revenues that is presented with the Hotel Market Trends section of this appraisal. Normally, the valuation of a going-concern hotel includes an analysis of the subject's actual operating history (revenues and expenses) benchmarked against "market" comparables. In this situation, the full operating history of the subject is not available, so the analysis will focus on the benchmark comparables only.

Revenue/Expense Comparables

Revenue and expense data has also been collected and analyzed on three similar hotels for use as "expense comparables." Further, information from the 2020 Host Study published by Smith Travel Research is used to help benchmark and project "market" expenses for the subject property. Due to the confidential nature of the operating statements from the "expense comparables," the individual identifications of the comparable hotels are kept in the appraisers' files. An overview of each property is included below.

Summary of Expense Comparables		
Comparable ID	# Rooms	Classification
2020 Host Study	110	Limited Service, Midscale/Economy
Expense Comparable A	57	Economy
Expense Comparable B	60	Economy
Expense Comparable C	48	Economy

The pages to follow include the on three comparable properties and The Host Report, followed by the Year 1 income projection for the subject.

COMPARABLE INCOME/EXPENSE DATA

	2020 Host Study Limited Service, Midscale/Economy			Expense Comparable A			Expense Comparable B			Expense Comparable C		
	%	(POR)	(PAR)	%	(POR)	(PAR)	%	(POR)	(PAR)	%	(POR)	(PAR)
Revenues (A)												
Rooms	97.3%	$79.68	$21,382	99.8%	$45.05	$10,398	96.9%	$58.00	$8,405	100.0%	$54.66	$8,566
Food & Beverage	0.0%	$0.00	$0	0.0%	$0.00	$0	0.0%	$0.00	$0	0.0%	$0.00	$0
Other Operated Departments	1.4%	$1.15	$308	0.2%	$0.09	$20	3.1%	$1.83	$265	0.0%	$0.00	$0
Rentals & Other Income	1.3%	$1.05	$283	0.0%	$0.00	$0	0.0%	$0.00	$0	0.0%	$0.00	$0
Total Revenue	**100.0%**	**$81.89**	**$21,973**	**100.0%**	**$45.14**	**$10,418**	**100.0%**	**$59.83**	**$8,669**	**100.0%**	**$54.66**	**$8,566**
Departmental Expenses (B)												
Rooms	23.6%	$18.84	$5,056	28.4%	$12.78	$2,949	24.2%	$14.06	$2,037	26.0%	$14.21	$2,227
Other Operated Departments	42.5%	$0.49	$131	0.0%	$0.00	$0	0.0%	$0.00	$0		$0.00	$0
Total Departmental Expenses	**23.6%**	**$19.33**	**$5,187**	**28.3%**	**$12.78**	**$2,949**	**23.5%**	**$14.06**	**$2,037**	**26.0%**	**$14.21**	**$2,227**
Total Departmental Income	76.4%	$62.55	$16,786	71.7%	$32.36	$7,468	76.5%	$45.77	$6,632	74.0%	$40.45	$6,339
Undistributed Expenses												
Administration & General	10.2%	$8.39	$2,252	10.2%	$4.58	$1,058	10.5%	$6.30	$913	11.5%	$6.29	$986
Information & Telecommunications	1.5%	$1.22	$327	0.8%	$0.38	$88	0.1%	$0.04	$6	1.4%	$0.77	$121
Marketing	5.9%	$4.79	$1,286	3.0%	$1.33	$307	0.0%	$0.01	$2	1.5%	$0.81	$127
Franchise (C)	1.2%	$0.97	$259	0.0%	$0.00	$0	9.8%	$5.68	$823	4.2%	$2.31	$362
Utilities	4.8%	$3.96	$1,063	9.7%	$4.38	$1,010	9.1%	$5.45	$790	6.3%	$3.46	$542
Property Operations & Maintenance	6.0%	$4.88	$1,311	11.5%	$5.18	$1,196	4.9%	$2.90	$421	8.3%	$4.52	$708
Total Undistributed Expenses	**29.6%**	**$24.21**	**$6,497**	**35.1%**	**$15.86**	**$3,660**	**34.1%**	**$20.38**	**$2,954**	**33.2%**	**$18.16**	**$2,846**
Gross Operating Profit	46.8%	$38.34	$10,289	36.6%	$16.50	$3,809	42.4%	$25.39	$3,679	40.8%	$22.29	$3,493
Management Fees	1.2%	$0.95	$255	0.0%	$0.00	$0	5.5%	$3.29	$477	0.0%	$0.00	$0
Income Before Fixed Expenses	45.7%	$37.39	$10,033	36.6%	$16.50	$3,809	36.9%	$22.10	$3,202	40.8%	$22.29	$3,493
Fixed Expenses												
Rent	0.0%	$0.00	$0	0.0%	$0.00	$0	0.0%	$0.00	$0	0.0%	$0.00	$0
Property and Other Taxes	5.9%	$4.80	$1,287	0.3%	$0.16	$36	3.7%	$2.20	$319	2.5%	$1.34	$210
Property Insurance	1.3%	$1.03	$277	2.6%	$1.18	$273	0.4%	$0.21	$31	3.7%	$2.02	$317
Total Fixed Charges	**7.1%**	**$5.83**	**$1,563**	**3.0%**	**$1.34**	**$308**	**4.0%**	**$2.41**	**$349**	**6.1%**	**$3.36**	**$527**
Replacement Reserves	1.6%	$1.29	$346	0.0%	$0.00	$0	0.0%	$0.00	$0	0.0%	$0.00	$0
Total Expenses	**63.0%**	**$51.61**	**$13,849**	**66.4%**	**$29.97**	**$6,918**	**67.1%**	**$40.14**	**$5,817**	**65.4%**	**$35.73**	**$5,599**
Net Operating Income (D)	**37.0%**	**$30.28**	**$8,124**	**33.6%**	**$15.17**	**$3,500**	**32.9%**	**$19.69**	**$2,853**	**34.6%**	**$18.93**	**$2,967**

NOTES:

(A) Rentals and other income may be reported as net income.
(B) Departmental expense ratios shown as % of related department's revenues.
(C) Franchise fees are based on % of Room Revenue
(D) Income before deducting depreciation, rent, interest, amortization and income taxes.

Year 1 Operating Projection
Regency Inn & Suites
Greensboro, North Carolina

Number of Rooms	66
Available Room Nights	24,090
Occupancy Rate	48.4%
Occupied Room Nights	11,656
Average Daily Rate {ADR}	$35.00
RevPar	$16.93

Revenues	**Total $**	**%**	**POR**	**PAR**
Rooms	**$407,960**	99.1%	$35.00	$6,181
Other Operated Departments	**$0**	0.0%	$0.00	$0
Rentals & Other Income (A)	**$3,500**	0.9%	$0.30	$53
Total Revenues	**$411,460**	100.0%	$35.30	$6,234
Department Expenses (B)				
Rooms	**$101,990**	25.0%	$8.75	$1,545
Other Operated Departments	**$0**		$0.00	$0
Total Department Expenses	**$101,990**	24.8%	$8.75	$1,545
Total Department Income	**$309,470**	75.2%	$26.55	$4,689
Undistributed Operating Expenses				
Administrative & General	**$45,261**	11.0%	$3.88	$686
Information & Telecommunications	**$9,900**	2.4%	$0.85	$150
Marketing	**$8,229**	2.0%	$0.71	$125
Franchise Fees (D)	**$0**	0.0%	$0.00	$0
Utilities	**$28,802**	7.0%	$2.47	$436
Property Operation & Maintenance	**$24,688**	6.0%	$2.12	$374
Total Undistributed Expenses	**$116,880**	28.4%	$10.03	$1,771
Gross Operating Profit	**$192,590**	46.8%	$16.52	$2,918
Management Fee	**$16,458**	4.0%	$1.41	$249
Income Before Fixed Expenses	**$176,132**	42.8%	$15.11	$2,669
Fixed Expenses				
Rent	**$0**	0.0%	$0.00	$0
Property & Other Taxes	**$15,100**	3.7%	$1.30	$229
Property Insurance	**$9,900**	2.4%	$0.85	$150
Total Fixed Expenses	**$25,000**	6.1%	$2.14	$379
Replacement Reserve	**$16,458**	4.0%	$1.41	$249
Total Expenses	**$276,786**	67.3%	$23.75	$4,194
Net Operating Income (C)	**$134,674**	**32.7%**	**$11.55**	**$2,041**

(A) Rentals and other income may be reported as net income.
(B) Departmental expense ratios shown as % of related department's revenues.
(C) Income before deducting depreciation, rent, interest, amortization and income taxes.
(D) Franchise fees are based on % of Room Revenue

Analysis of Revenue

Revenue sources for limited service hotels are typically driven by room sales and may also include a minimal amount of other departmental income.

Rooms Revenue

Room revenue results from the rental of guest rooms and is a function of occupancy, ADR, and RevPar. These metrics are discussed in "Lodging Trends and Market Analysis" section of this appraisal.

Occupancy Rate

The Lodging Trends and Market Analysis section of this report provides a subject occupancy projection for Year 1 at 48.4%.

Average Daily Rate

As discussed in the Trends section, and for projection purposes, we believe the subject property will be able to obtain an estimated average daily rate of $35.00 in Year 1 of the cash flow projections. Based on national trends for those hotels outlined in the market analysis section, we have projected an increase of 2.75% per year for the remainder of the holding period.

Other Operated Departmental Revenue

Other operated departmental revenue includes revenue from meeting room rentals and catering, sundry shop and other services provided by the hotel. The following table summarizes the other departmental income generated from comparable hotels and subject property. Other departmental revenue also tends to vary from property to property depending upon the market mix of guests and the nature of the individual property in terms of additional services. This appraisal does not project any "other" revenues.

Rentals and Other Income

The subject property includes a billboard lease at $3,500 per year. This is reflected in this category of revenues.

Rentals and Other Income	Host	Expense Comps.			Appraisal
	Study	A	B	C	Projection
$ POR	**$1.05**	$0.00	$0.00	$0.00	**$0.30**
$ PAR	**$283**	$0	$0	$0	**$53**

Total Revenue

The chart to follow provides a history of "total revenues" at the subject as well as the appraisal projection.

Subject Property Total Revenue			
	Appraisal Forecast		
	Year 1	Year 2	Year 3
Room Revenue	**$407,960**	**$419,179**	**$430,706**
Total Revenue	**$411,460**	**$422,775**	**$434,401**
% Change		**2.8%**	**2.8%**

Analysis of Operating Expenses

The following summarizes line-item expense projections for the subject.

Departmental Expenses

Departmental expenses consist of rooms and minor operated departments. Each applicable category will be analyzed below.

Rooms

Consistent with itemization of expenses in the HOST Study, room's department expenses will include front desk and housekeeping salaries/wages/benefits, satellite/cable television fees, cleaning supplies, guest supplies, linens and uniforms, front desk supplies/postage, reservations expenses, travel agent commissions and other expenses attributed to the rooms operation. These department costs are somewhat, but not totally, occupancy sensitive.

Rooms Expense	Host	Expense Comps.			Appraisal
	Study	A	B	C	Projection
$ POR	**$18.84**	$12.78	$14.06	$14.21	**$8.75**
% of Dept. Revenue	**23.6%**	28.4%	24.2%	26.0%	**25.0%**

Other Operated Departments

Expenses within this category typically are a function of department revenue, which is dependent upon the services offered at a given facility. No "other" revenues are projected, nor are any "other" expenses.

Undistributed Operating Expenses

Undistributed operating expenses consist of administrative and general, sales and marketing, property operation/maintenance and utilities. Each of these categories will be analyzed in the following paragraphs.

Administrative and General

Administrative and general (A&G) expenses include items such as the salaries/wages/benefits for the general manager and other administrative persons, accounting and legal expenses, bad debt and bank charges, credit card commissions, permits and licenses, office equipment/service/ supplies, postage, security charges and travel/entertainment.

Administrative & General	Host	Expense Comps.			Appraisal
	Study	A	B	C	Projection
$ POR	**$8.39**	$4.58	$6.30	$6.29	**$3.88**
$ PAR	**$2,252**	$1,058	$913	$986	**$686**
% of Total Revenue	**10.2%**	10.2%	10.5%	11.5%	**11.0%**

Information and Telecommunications

This category of expense includes the cost of providing phone, internet, cable TV, and other technology systems.

Information & Telecommunications	Host	Expense Comps.			Appraisal
	Study	A	B	C	Projection
$ POR	**$1.22**	$0.38	$0.04	$0.77	**$0.85**
$ PAR	**$327**	$88	$6	$121	**$150**
% of Total Revenue	**1.5%**	0.8%	0.1%	1.4%	**2.4%**

Marketing

Marketing expenses include salaries for the sales staff, marketing employee benefits, media advertising, outdoor advertising, promotional expenses, directories, travel and entertainment, printing and stationery, postage and other smaller items.

Marketing	Host	Expense Comps.			Appraisal
	Study	A	B	C	Projection
$ POR	**$4.79**	$1.33	$0.01	$0.81	**$0.71**
% of Total Revenue	**5.9%**	3.0%	0.0%	1.5%	**2.0%**

Franchise Fees

The subject property is not affiliated with a franchise and, consequently, there are not franchise fees projected.

Utilities

Energy expenses consist of electric, water and sewer service and other fuel charges.

Utilities	Host	Expense Comps.			Appraisal
	Study	A	B	C	Projection
$ POR	**$3.96**	$4.38	$5.45	$3.46	**$2.47**
$ PAR	**$1,063**	$1,010	$790	$542	**$436**
% of Total Revenue	**4.8%**	9.7%	9.1%	6.3%	**7.0%**

Property Operation and Maintenance

Portions of the costs within this category are fixed and represent salaries, wages and related expenses. They also include fixed maintenance costs related to the operations of public areas within the property. POM expenses relate to day-to-day expenses and routine repairs, exclusive of long-term capital projects that are reflected in a separate "Replacement Reserves" category. The property operations and maintenance expenses are projected at 6.0% of total revenue.

Property Operation &	Host	Expense Comps.			Appraisal
Maintenance	Study	A	B	C	Projection
$ POR	**$4.88**	$5.18	$2.90	$4.52	**$2.12**
% of Total Revenue	**6.0%**	11.5%	4.9%	8.3%	**6.0%**

Management Fees

In the hotel management industry, a management fee of 3.0% to 5.0% of total revenues is typical. Not all properties are managed by third party management companies and many do not report a management expense. However, "management" beyond the property level general manager is function hotel operations and is typically recognized in the valuation of hotel assets. Recognizing the size of the subject and the market in which the facility operates, this appraisal adopts a management expense of 4.0% of total revenue.

Management Fees	Host	Expense Comps.			Appraisal
	Study	A	B	C	Projection
$ POR	**$0.95**	$0.00	$3.29	$0.00	**$1.41**
% of Total Revenue	**1.2%**	0.0%	5.5%	0.0%	**4.0%**

Fixed Charges

The fixed expenses category includes rent, taxes (real and personal property) and insurance premiums.

Property and Other Taxes

Based on information in the Real Estate Assessment and Taxes section of this report, the subject's property tax expense is projected at $15,100 per year. The tax liability for the subsequent years is projected within the tax section of the report.

Insurance

Insurance expenses included under fixed charges represent insurance premiums paid for property and casualty insurance. Insurance expenses can vary from one community to the next and from one property to the next depending upon several factors. A projection of $150 per available room is used herein.

Property Insurance	**Host**	**Expense Comps.**			**Appraisal**
	Study	**A**	**B**	**C**	**Projection**
$ POR	**$1.03**	$1.18	$0.21	$2.02	**$0.85**
$ PAR	**$277**	$273	$31	$317	**$150**
% of Total Revenue	**1.3%**	2.6%	0.4%	3.7%	**2.4%**

Replacement Reserves

Hotel properties require periodic replacement of room and public area furnishings, meeting room equipment, parking lots, roofs, and other various other short-lived items. Many properties do not report replacements or reserves on their annual profit and loss statements as these are primarily balance sheet items.

Hotel investors tend to recognize some level of annual replacement reserves in their projections and some set aside a portion of each year's income in a dedicated reserves account. This appraisal uses a Replacement Reserve allowance of 4.0% of total revenues in Year 1.

Reserves for Replacements	**Host**	**Expense Comps.**			**Appraisal**
(Capital Improvements)	**Study**	**A**	**B**	**C**	**Projection**
$ POR	**$1.29**	$0.00	$0.00	$0.00	**$1.41**
% of Total Revenue	**1.6%**	0.0%	0.0%	0.0%	**4.0%**

Expense Reconciliation

The line-item expenses analyzed and discussed in the preceding sections are important to the valuation process only insofar as they produce a projection total expenses that is consistent with "market" expense levels. The chart to follow is presented as a test of reasonableness for the expense projections.

Expense Reconciliation	Host	Expense Comps.			Appraisal
	Study	A	B	C	Projection
$ POR	**$51.61**	$29.97	$40.14	$35.73	**$23.75**
$ PAR	**$13,849**	$6,918	$5,817	$5,599	**$4,194**
% of Total Revenue	**63.0%**	66.4%	67.1%	65.4%	**67.3%**

The Year 1 total expenses for the subject are projected at 67.3% of total revenue, which is within the range of the comparables and HOST Study. This is level of expenses is also consistent with the expense ratios for the comparable hotel sales that are used as the basis of the overall capitalization rate selection later within this income approach.

PIP Adjustment

The "as is" value analysis includes an adjustment for any known or anticipated Property Improvement Plan needed at the subject. This is discussed in more detail within the Description of the Improvements section of this report. Within the Discounted Cash Flow and Direct Capitalization sections of this report, there are adjustments (if necessary) to reflect the cost of near-term PIPs. The subject is not affiliated with a franchise and is not subject to a PIP requirement. **The appraiser is not aware of any near-term capital improvement requirements though this should be validated with a detailed property inspection by a qualified inspector.**

Growth Rates

A cash flow projection is made for an 8-year period. This facilitates a discounted cash flow analysis that assumes a 7-year holding period. The 8th year is included to assist in the reversion estimate within the DCF analysis. The cash flow projections also factor in anticipated growth rates for revenues and expenses. Information from investor surveys is used to provide insight into current investor thinking relative to growth rates used in modeling future cash flow projections.

Average Daily Rate Change PWC Real Estate Investor Survey	2017		2018		2019		2020		2021
	1st Qtr	3rd Qtr	1st Qtr	3rd Qtr	1st Qtr	3rd Qtr	1st Qtr	3rd Qtr	1st Qtr
Ltd Mid & Economy Service	2.95%	2.30%	2.20%	2.20%	1.70%	2.00%	2.10%	-0.10%	1.30%
Select Service	3.00%	2.80%	2.90%	2.90%	2.80%	2.90%	3.00%	4.60%	6.30%
Full Service	2.83%	2.75%	2.90%	3.10%	2.70%	2.00%	1.90%	0.70%	1.80%
Upper Upscale/Luxury	3.10%	3.00%	2.80%	2.80%	2.50%	2.40%	2.20%	-0.80%	0.90%

Source: PWC Real Estate Investor Survey published by PriceWaterhouseCoopers

Average Operating Expense Change Rate PWC Real Estate Investor Survey	2017		2018		2019		2020		2021
	1st Qtr	3rd Qtr	1st Qtr	3rd Qtr	1st Qtr	3rd Qtr	1st Qtr	3rd Qtr	1st Qtr
Ltd Mid & Economy Service	2.95%	2.95%	2.95%	2.95%	2.95%	3.05%	3.15%	2.95%	2.95%
Select Service	2.70%	2.70%	3.45%	3.45%	3.65%	3.85%	3.85%	6.45%	5.15%
Full Service	2.92%	2.92%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	3.40%
Upper Upscale/Luxury	2.60%	2.60%	2.60%	2.60%	2.60%	2.70%	2.70%	3.40%	3.40%

Source: PWC Real Estate Investor Survey published by PriceWaterhouseCoopers

The cash flow projections used in this appraisal assume 2.75% increase in revenue items beginning in the 2nd year and 2.75% increase in expense items.

Discount Rates

Discount rates are used to convert future projections of income to present value and they are a reflection of the risk characteristics of an asset class and specific property.

- Most investors believe hotels are risky because of inherent uncertainties relative to economic life.
- Hospitality properties are subject to constant changes in consumer tastes and require significant expenditures to continually update and remain relevant.
- Hospitality properties have higher expense ratios and lower profit margins than typical real estate investments and they are more management intensive.
- Required levels of return tend to be greater on hospitality properties in relation to other types of commercial/investment real estate.

Average Discount Rate* PWC Real Estate Investor Survey	2017		2018		2019		2020		2021
	1st Qtr	3rd Qtr	1st Qtr	3rd Qtr	1st Qtr	3rd Qtr	1st Qtr	3rd Qtr	1st Qtr
Ltd Mid & Economy Service	11.00%	11.00%	11.00%	10.50%	10.80%	10.55%	10.00%	9.80%	9.70%
Select Service	9.90%	10.20%	9.90%	9.55%	10.10%	10.30%	10.00%	10.10%	10.23%
Full Service	10.19%	10.19%	10.33%	10.20%	9.70%	9.90%	9.95%	9.93%	10.06%
Upper Upscale/Luxury	9.53%	9.53%	9.50%	9.45%	9.55%	9.55%	9.30%	9.63%	9.53%

*Rate on unleveraged, all cash transactions

Source: PWC Real Estate Investor Survey published by PriceWaterhouseCoopers

The most recent PWC Real Estate Investor Survey indicates the range of discount rates for limited service properties of 8.00% to 12.00%, averaging 9.70%. National investor surveys like the PWC generally indicate lower discount and cap rates than would be appropriate for an older property in a smaller market like the subject. Further, the subject is the type of property that would not appeal to many regional/national hotel investors. This appraisal adopts a discount rate of 14.00%.

Terminal Cap Rate

In addition to discounting the net income stream, the reversionary value of the end of the holding period is also discounted. By the 7th year, the property will have operated on a stabilized basis for several years. Consequently, capitalizing the estimated 8th year income at an appropriate overall capitalization rate can approximate its value.

Average Residual Cap Rate
PWC Real Estate Investor Survey

	2017		2018		2019		2020		2021
	1st Qtr	3rd Qtr	1st Qtr	3rd Qtr	1st Qtr	3rd Qtr	1st Qtr	3rd Qtr	1st Qtr
Ltd Mid & Economy Service	9.66%	9.83%	9.78%	9.38%	9.53%	9.48%	9.33%	9.50%	9.10%
Select Service	9.03%	9.08%	8.93%	8.75%	8.45%	8.45%	8.43%	8.68%	8.25%
Full Service	8.40%	8.44%	8.35%	8.35%	8.25%	8.25%	8.25%	8.50%	8.65%
Upper Upscale/Luxury	7.18%	7.18%	7.23%	7.33%	7.33%	7.33%	7.53%	7.83%	8.08%

Source: PWC Real Estate Investor Survey published by PriceWaterhouseCoopers

The preceding chart indicates an average terminal cap rate of 9.10%, with a range of 8.00% to 11.00%. Based on the investment surveys, market tier, franchising, etc. a terminal overall capitalization rate of 12.50% is adopted The calculation of the reversion is shown as at the bottom of the discounted cash analysis in the following charts.

Cash Flow Projection

The page to follow includes a cash flow projection for the subject based on the parameters discussed in the preceding sections. This page is followed by a discounted cash flow analysis, whereby the annual cash flows and estimated reversion are discounted to present value. Obviously, it is impossible to accurately project economic conditions and cash flows 8 years into the future as there will be inevitable cycles in the market. Generally, the DCF assumes that over time, the property will follow long-term inflationary influences. Relative to a current market value opinion, it is not important that the projections materialize. Rather, it is more important that they be reflective of how market participants might model the financial projections in making current pricing decisions. Generally, the DCF analysis is developed primarily as a supporting technique in the analysis of a "stabilized" hotel property.

Cash Flow Projection - As Is
Regency Inn & Suites
Greensboro, North Carolina

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Number of Rooms	66	66	66	66	66	66	66	66
Available Room Nights	24,090	24,090	24,090	24,090	24,090	24,090	24,090	24,090
Occupancy Rate	48.4%	48.4%	48.4%	48.4%	48.4%	48.4%	48.4%	48.4%
Occupied Room Nights	11,656	11,656	11,656	11,656	11,656	11,656	11,656	11,656
Average Daily Rate {ADR}	$35.00	$35.96	$36.95	$37.97	$39.01	$40.08	$41.19	$42.32
RevPar	$16.93	$17.40	$17.88	$18.37	$18.88	$19.40	$19.93	$20.48
Revenues								
Rooms	$407,960	$419,179	$430,706	$442,551	$454,721	$467,226	$480,074	$493,276
Other Operated Departments	0	0	0	0	0	0	0	0
Rentals & Other Income	3,500	3,596	3,695	3,797	3,901	4,008	4,119	4,232
Other Revenue	0	0	0	0	0	0	0	0
Total Revenues	**$411,460**	**$422,775**	**$434,401**	**$446,348**	**$458,622**	**$471,234**	**$484,193**	**$497,508**
Department Expenses (B)								
Rooms	$101,990	$104,795	$107,677	$110,638	$113,680	$116,806	$120,019	$123,319
Other Operated Departments	0	0	0	0	0	0	0	0
Total Department Expenses	$101,990	$104,795	$107,677	$110,638	$113,680	$116,806	$120,019	$123,319
Total Department Income	$309,470	$317,980	$326,725	$335,710	$344,942	$354,428	$364,175	$374,189
Undistributed Expenses								
Administrative & General	$45,261	$46,505	$47,784	$49,098	$50,448	$51,836	$53,261	$54,726
Information & Telecommunications	9,900	10,172	10,452	10,739	11,035	11,338	11,650	11,970
Marketing	8,229	8,456	8,688	8,927	9,172	9,425	9,684	9,950
Franchise Fees (D)	0	0	0	0	0	0	0	0
Utilities	28,802	29,594	30,408	31,244	32,104	32,986	33,894	34,826
Property Operation & Maintenance	24,688	25,367	26,064	26,781	27,517	28,274	29,052	29,851
Total Undistributed Expenses	$116,880	$120,094	$123,396	$126,790	$130,276	$133,859	$137,540	$141,323
Gross Operating Income	$192,590	$197,887	$203,329	$208,920	$214,665	$220,569	$226,634	$232,867
Management Fee	$16,458	$16,911	$17,376	$17,854	$18,345	$18,849	$19,368	$19,900
Income Before Fixed Charges	$176,132	$180,976	$185,952	$191,066	$196,320	$201,719	$207,267	$212,966
Fixed Expenses								
Rent	$0	$0	$0	$0	$0	$0	$0	$0
Property & Other Taxes	$15,100	$15,515	$15,942	$16,380	$16,831	$17,294	$17,769	$18,258
Property Insurance	9,900	10,172	10,452	10,739	11,035	11,338	11,650	11,970
Total Fixed Expenses	$25,000	$25,688	$26,394	$27,120	$27,866	$28,632	$29,419	$30,228
Replacement Reserve	$16,458	$16,911	$17,376	$17,854	$18,345	$18,849	$19,368	$19,900
Total Expenses	$276,786	$284,398	$292,219	$300,255	$308,512	$316,996	$325,713	$334,671
Net Operating Income	**$134,674**	**$138,377**	**$142,182**	**$146,093**	**$150,110**	**$154,238**	**$158,480**	**$162,838**
Total Expense Ratio	67.3%	67.3%	67.3%	67.3%	67.3%	67.3%	67.3%	67.3%

Discounted Cash Flow: As Is							
				PV Factor @		**Present Value**	
Year		**Cash Flows**		**14.00%**		**of Cash Flows**	
1	=	$134,674	x	0.877193	=	$118,135	
2	=	$138,377	x	0.769468	=	$106,477	
3	=	$142,182	x	0.674972	=	$95,969	
4	=	$146,093	x	0.592080	=	$86,498	
5	=	$150,110	x	0.519369	=	$77,962	
6	=	$154,238	x	0.455587	=	$70,269	
7	=	$158,480	x	0.399637	=	$63,334	
Present Value of Cash Flows							**$618,645**
Reversion Analysis							
Net Operating Income at Year 8						$162,838	
Terminal Capitalization Rate						12.50%	
Indicated Resale Price						$1,302,703	
Sale Costs		@		3.00%		$39,081	
Net Proceeds From Sale						$1,263,621	
Discounted @		14.00%				0.399637	
Present Value of Reversion							**$504,990**
Present Value of Cash Flows/Reversion							**$1,123,635**
Less: Property Improvement Plan (PIP)							**$0**
Indicated "As Is" Value							**$1,123,635**
Rounded "As Is" Value							**$1,120,000**

Direct Capitalization

Direct capitalization is a second application of the Income Capitalization Approach. Sales of other hotel properties are collected and analyzed to derive an appropriate overall capitalization rate for the subject property. In selecting sales for consideration, emphasis given to using properties with similar investment risk.

Hotel Sales Summary Chart															
Property Information			Sale Information										Sales Ratios		
Name	City	State	Date	# Rms	Year Built	Adjusted Price	Adj. Price/ Room	Room Rev.	Gross Rev.	RevPar	NOI		Expense Ratio	RRM	OAR
Oyo Hotel	Greensboro	NC	Dec-20	70	1979	$1,150,000	$16,429								
Quality Inn	Winston-Salem	NC	Sep-20	113	1987	$3,150,000	$27,876								
Rodeway Inn & Suites	Greensboro	NC	Aug-20	86	1974	$2,110,000	$24,535								
Quality Inn	Reidsville	NC	Jul-20	51	1993	$2,500,000	$49,020	$890,000		$47.81				2.81	
Red Roof Inn	Greensboro	NC	Feb-20	108	1983	$4,325,000	$40,046	$1,449,216	$1,474,124	$36.76	$469,102		68.2%	2.98	10.8%
Budget Inn	High Point	NC	Dec-19	83	1973	$1,100,000	$13,095	$575,000	$575,000	$18.98	$145,000		74.8%	1.91	13.2%
Super 6	Waynesville	NC	Oct-19	40	2004	$2,317,501	$57,938	$738,880	$739,804	$50.61	$266,259		64.0%	3.14	11.5%
Econo Lodge	Martinsville	VA	Jul-19	92	1963	$1,700,000	$18,478	$653,604	$658,604	$19.46	$197,581		70.0%	2.60	11.6%
Quality Suites	New Iberia	LA	May-19	78	2000	$1,990,000	$25,513	$672,450	$698,843	$23.62	-$209,654		130.0%	2.96	
Econo Lodge & Suites	Greensboro	NC	May-19	115	1970	$2,750,000	$23,913	$1,300,000		$30.97				2.12	
Econo Lodge	Eden	NC	Mar-19	60	1979	$1,830,000	$30,500	$562,380	$571,032	$25.68	$189,669		66.8%	3.25	10.4%
Red Roof Inn	Oxford	AL	Jan-19	62	1996	$2,650,000	$42,742	$892,374	$907,374	$39.43	$285,560		68.5%	2.97	10.8%
Super 8	Ripley	WV	Dec-18	43	1987	$2,400,000	$55,814	$911,573	$916,573	$58.08	$293,304		68.0%	2.63	12.2%
Econo Lodge	Columbus	GA	Feb-18	80	1986	$2,900,000	$36,250	$930,915	$930,915	$31.88	$254,063			3.12	8.8%
Motel 6	Gastonia	NC	Jan-18	59	1999	$2,700,000	$45,763	$883,273	$886,842	$41.02	$289,326		67.4%	3.06	10.7%
Average (Mean)			Aug-19	76	1985	$2,371,500	$33,861	$871,639	$835,911	$35.36	$218,021		75.3%	2.80	11.1%
Minimum			Jan-18	40	1963	$1,100,000	$13,095	$562,380	$571,032	$18.98	-$209,654		64.0%	1.91	8.8%
Maximum			Dec-20	115	2004	$4,325,000	$57,938	$1,449,216	$1,474,124	$58.08	$469,102		130.0%	3.25	13.2%

The sales generally indicate average overall rates of approximately 11.1%: they range from 8.8%-13.2%. The appraiser is of the opinion that a cap rate of 12.00% is reasonable for the subject given its age and location.

A second basis of comparison for the overall capitalization rate is the CBRE cap rate survey. The CBRE survey is a national survey in which considers tier I, II, and III markets as well as classes such as luxury, full service, select service, and economy. The study considers Charlotte a tier III city.

U.S. Hotel Suburban - Cap Rates for Stabilized Properties For Stabilized Properties								
Metro Tier	Class	H1 2017 (%)	H2 2017 (%)	H1 2018 (%)	H2 2018 (%)	H1 2019 (%)	H2 2019 (%)	Change (bps)
All	All	8.49	8.53	8.48	8.50	8.55	8.55	0
	Luxury	7.54	7.61	7.58	7.59	7.61	7.61	0
	Full-Service	8.21	8.23	8.17	8.18	8.26	8.28	2
	Select-Service	8.58	8.60	8.58	8.50	8.53	8.50	-2
	Economy	9.63	9.65	9.63	9.69	9.74	9.76	2
I	Luxury	7.30	7.33	7.31	7.32	7.38	7.38	0
	Full-Service	7.88	7.92	7.81	7.82	8.02	8.09	8
	Select-Service	8.50	8.49	8.32	8.31	8.40	8.42	2
	Economy	9.39	9.39	9.31	9.43	9.56	9.6	3
II	Luxury	7.58	7.70	7.53	7.62	7.60	7.60	0
	Full-Service	8.26	8.29	8.2	8.22	8.25	8.25	0
	Select-Service	8.59	8.67	8.53	8.60	8.60	8.55	-6
	Economy	9.73	9.78	9.67	9.74	9.77	9.77	0
III	Luxury	7.96	8.03	8.08	8.21	8.18	8.17	-1
	Full-Service	8.71	8.70	8.63	8.80	8.72	8.65	-6
	Select-Service	8.69	8.66	8.72	8.63	8.62	8.58	-4
	Economy	9.86	9.89	10.02	10.10	10.00	10.05	-0.5

Source: CBRE

The average cap rate in a tier III market for a suburban economy hotel in H2 2019 was 10.05%. The chart to follow illustrates the CBRE cap rate survey. After consideration of the comparable sales, investor surveys, and the previous discourse an overall capitalization rate of 12.00% is selected for the subject property.

As Is Value Opinion by Direct Capitalization

The value indications by direct capitalization are summarized below:

Value Indication - Direct Capitalization	
Year 1 NOI Projection	$134,674
Overall Capitalization Rate	12.00%
Indicated Value Prior to PIP	$1,122,280
Less PIP Deduction	$0
"As Is" Value	$1,122,280
Rounded to	**$1,120,000**

Reconciliation of Income Capitalization Approach

Summary of Values by Income Approach	
Discounted Cash Flow - As Is	$1,120,000
Direct Capitalization - As Is	$1,120,000
Reconciled Value - As Is	**$1,120,000**

Direct capitalization is given primary weight in the valuation of the subject because it is operating at a stabilized level of income. The DCF analysis is supportive of this indication.

Sales Comparison Approach - Hotel

The sales comparison approach involves a comparison of the subject property with other hospitality properties, which have recently sold. Traditional real estate appraisal methodology calls for a comparison of sold properties with the property being appraised using physical units of comparison such as price per square foot or price per room. Since each sale involves the transfer of a unique hospitality property, including a business, attempting to compare prices per room or other physical units of comparison does not necessarily provide the most reliable indication of value. It is particularly challenging to quantify and support adjustments used in a price per room analysis. It is our experience that room revenue (RevPar) is the most predictive characteristic of a property relative to its price per room. This appraisal presents a regression analysis demonstrating this relationship between RevPar and price per room.

Hotel buyers, sellers, and brokers commonly use a room revenue multiplier (RRM) analysis in the pricing of hotel properties. This indicator most closely simulates market behavior and takes into consideration the economic aspects of the going concern hotel, instead of just the physical property.

The selection of "comparable" sales gives consideration of date of sale, franchise affiliation, property age, and location. There are relatively few hotel properties in any given location and small number of these will sell within a relevant time period, so it is necessary to include sales from other areas in the analysis. The market for hotels, unlike say housing, is a regional in nature; many hotel owners have properties in multiple locations.

Buyers and sellers are extremely guarded in their statements concerning the details of sales. We have made a concentrated effort to gather as much information as possible about each sale, but some information could not be obtained. These sales establish ratios between revenues and sale prices and demonstrate the lack of consistency in physical units of comparison such as prices per room. Details of the comparable properties are summarized in the following chart.

Room Revenue Multiplier (RRM) Analysis

The primary unit of comparison considered in the sales comparison approach is the room revenue multiplier (RRM), which measures the relationship between room revenue and sales price. The RRM has been used as the primary unit of comparison because so much of the subject revenue is room income. Further, this is a very common unit of comparison used by buyers, sellers, and brokers of hotel properties. Since hotel revenues and hotel prices are adjusted in the marketplace by consumer and investor demands, room revenue multipliers do not require further adjustments.

Hotel Sales Summary Chart															
Property Information			Sale Information										Sales Ratios		
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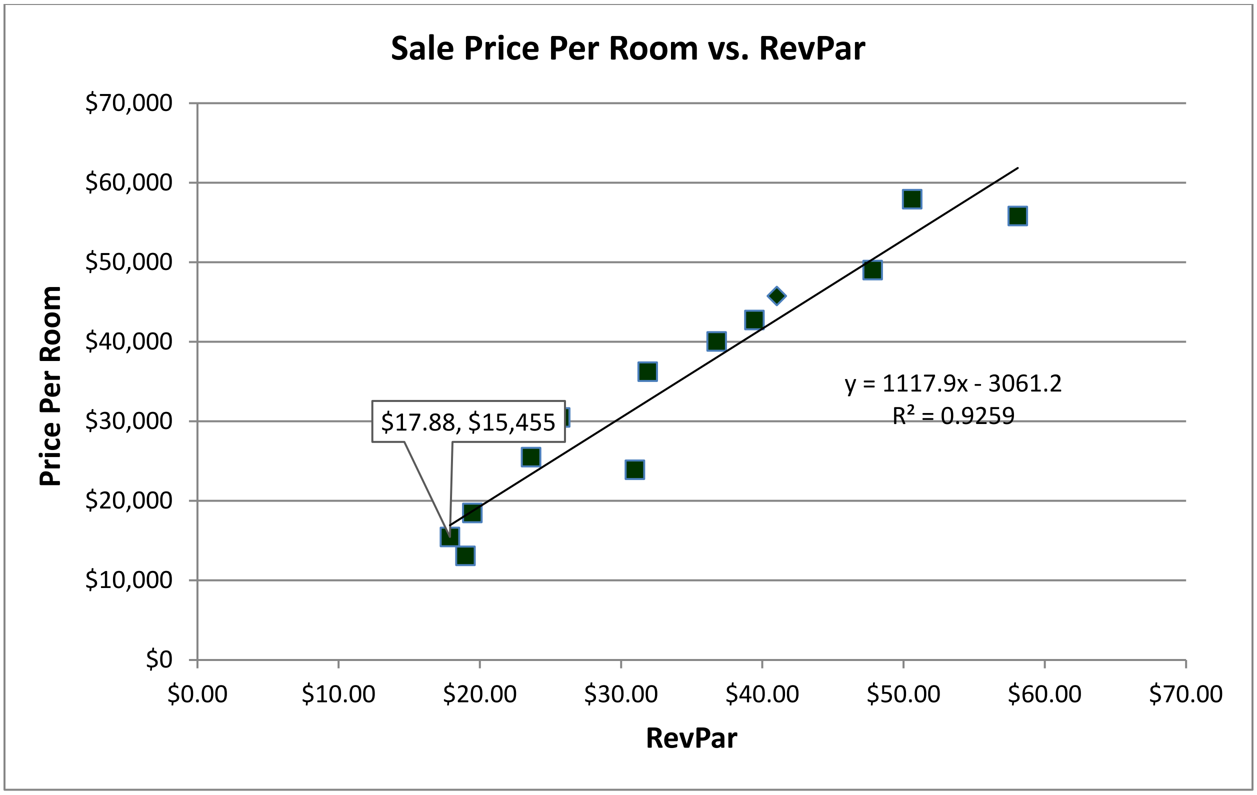
Rodeway Inn & Suites	Greensboro	NC	Aug-20	86	1974	$2,110,000	$24,535								
Quality Inn	Reidsville	NC	Jul-20	51	1993	$2,500,000	$49,020	$890,000		$47.81				2.81	
Red Roof Inn	Greensboro	NC	Feb-20	108	1983	$4,325,000	$40,046	$1,449,216	$1,474,124	$36.76	$469,102		68.2%	2.98	10.8%
Budget Inn	High Point	NC	Dec-19	83	1973	$1,100,000	$13,095	$575,000	$575,000	$18.98	$145,000		74.8%	1.91	13.2%
Super 6	Waynesville	NC	Oct-19	40	2004	$2,317,501	$57,938	$738,880	$739,804	$50.61	$266,259		64.0%	3.14	11.5%
Econo Lodge	Martinsville	VA	Jul-19	92	1963	$1,700,000	$18,478	$653,604	$658,604	$19.46	$197,581		70.0%	2.60	11.6%
Quality Suites	New Iberia	LA	May-19	78	2000	$1,990,000	$25,513	$672,450	$698,843	$23.62	-$209,654		130.0%	2.96	
Econo Lodge & Suites	Greensboro	NC	May-19	115	1970	$2,750,000	$23,913	$1,300,000		$30.97				2.12	
Econo Lodge	Eden	NC	Mar-19	60	1979	$1,830,000	$30,500	$562,380	$571,032	$25.68	$189,669		66.8%	3.25	10.4%
Red Roof Inn	Oxford	AL	Jan-19	62	1996	$2,650,000	$42,742	$892,374	$907,374	$39.43	$285,560		68.5%	2.97	10.8%
Super 8	Ripley	WV	Dec-18	43	1987	$2,400,000	$55,814	$911,573	$916,573	$58.08	$293,304		68.0%	2.63	12.2%
Econo Lodge	Columbus	GA	Feb-18	80	1986	$2,900,000	$36,250	$930,915	$930,915	$31.88	$254,063			3.12	8.8%
Motel 6	Gastonia	NC	Jan-18	59	1999	$2,700,000	$45,763	$883,273	$886,842	$41.02	$289,326		67.4%	3.06	10.7%
Average (Mean)			Aug-19	76	1985	$2,371,500	$33,861	$871,639	$835,911	$35.36	$218,021		75.3%	2.80	11.1%
Minimum			Jan-18	40	1963	$1,100,000	$13,095	$562,380	$571,032	$18.98	-$209,654		64.0%	1.91	8.8%
Maximum			Dec-20	115	2004	$4,325,000	$57,938	$1,449,216	$1,474,124	$58.08	$469,102		130.0%	3.25	13.2%

The preceding chart indicates RRMs ranging from 1.91 to 3.25 and averaging 2.80. Sales data for small, non-franchised hotels is scarcer. The sales data presented in the preceding chart is primarily franchised economy hotels from 2018-2020. Generally, better quality, budget/midscale hotels will tend to be priced at around 3x annual room revenue and older, less desirable properties should be much less than 3x. Given the location, age, and quality of the subject property, a 2.50 RRM is reasonable. The “as is” value opinion by the RRM analysis is summarized as follows**:**

Value Indication - RRM Analysis	
Projected Room Revenue for Subject	$407,960
x RRM	2.50
Indicated Value	$1,019,900
Less PIP Deduction	$0
"As Is" Value	$1,019,900
Round to	**$1,020,000**
Implied Value Per Room	$15,455

Value Per Room

The implied value per room in the preceding analysis is $15,455. Prices per room for the comparable sales range from $13,095 to $57,938 and average $33,861. Prices per room tend to be dictated by income per room, i.e. RevPar. Properties with higher RevPar tend to sell at higher prices per room. The comparable sales are presented on the graph to follow and are graphed by RevPar and sale price per room.



While the correlation between RevPar and price per room is not perfect, the general pattern is higher prices per room are generally associated with higher RevPar and vice versa. The correlation is not perfect because there are other factors that can disrupt the correlation; however, the general trend is the higher the RevPar, the higher the price per room. The subject represented by the callout fits the general pattern of RevPar and price per room.

Direct Comparison - Adjustment Grid

An alternative, more traditional application of the Sales Comparison Approach is a direct comparison analysis whereby a select few sales are compared directly with the subject property using an adjustment grid. In this analysis, four of the most comparable hotels are selected for comparison.

Sale No. 1

Rodeway Inn - Greensboro, NC

Transaction

Name	Rodeway Inn & Suites	**Date of Sale**	08-25-2020
Address	3117 Cedar Park Road	**Book/Page**	8326/2978
Location	Greensboro, North Carolina	**Sale Price**	$2,110,000
Sale Status	Closed	**Adjusted Sale Price**	$2,110,000
Seller	RVD Group, LLC	**Property Rights**	Fee Simple
Buyer	SAI Ganesh Hospitality, Inc.		

Site

Land Acres	4.59000	**Utilities**	All public utilities
Frontage	Cedar Park Road	**Zoning**	HB Highway Business
Shape	Irregular	**In Flood Plain?**	No

Improvements

Room Entrance	Exterior	**Franchise**	Choice Hotels International
Chain Scale	Economy	**Stories**	Two
No. of Rooms	86	**Building SF**	52,787
Year Built	1974	**Public Spaces**	Meeting/banquet that is beside the hotel is under separate ownership.
		Amenities	Outdoor pool

Financial Data

Price per Room	$24,535
Adj. Price/Room	$24,535

The buyer and seller confirmed the sales price, but would not provide information relative to historical revenues. Both indicated the buyer's PIP would be very minimal. The property includes 3 rooms buildings with 130 total room bays; however, it has operated 86 rentable rooms for a number of years and the additional rooms are of no value. Legal description Lot 1, PB 187, Page 104.

Sale No. 2

Econo Lodge - Greensboro, NC

Transaction

Name	Econo Lodge & Suites	**Date of Sale**	05-10-2019
Address	120 Seneca Road	**Book/Page**	8152/2099
Location	Greensboro, North Carolina	**Sale Price**	$2,350,000
Sale Status	Closed	**Adjusted Sale Price**	$2,750,000
Seller	Super Hospitality, LLC	**Comments**	Renovation
Buyer	Khan Hospitality Hotels, LLC	**Property Rights**	Fee Simple

Site

Land Acres	5.61000		
Shape	Roughly rectangular	**Zoning**	LI Light Industrial

Improvements

Room Entrance	Interior/Exterior	**Year Built**	1970
Hotel Sub-Type	Limited Service	**Franchise**	Choice Hotels International
Chain Scale	Economy	**Stories**	One
No. of Rooms	115	**Building SF**	21,825

Financial Data

Occupancy	50%	**Adj. Price/Room**	$23,913
ADR	$62.00	**Room Revenue**	$1,300,000
RevPar	$31.00		
Price per Room	$20,435		

The buyer intends to complete $300,000-$500,000 in renovations, including adding a pool. $200,000 has been spent as of 01-28-2020.

Sale No. 3

DSCN1112

Transaction

Name	Budget Inn	**Date of Sale**	12-04-2019
Address	200 Ardale Drive	**Book/Page**	8225/1844
Location	High Point, North Carolina	**Sale Price**	$850,000
Sale Status	Closed	**Adjusted Sale Price**	$1,100,000
Seller	Krishna of High Point, Inc.	**Comments**	renovations
Buyer	Khan & Khan Hotels, LLC	**Property Rights**	Fee Simple

Site

Land Acres	2.49000	**Utilities**	Access to all public utilities
Frontage	Ardale Drive	**Zoning**	HB Highway Business
Shape	Irregular	**In Flood Plain?**	No

Improvements

Room Entrance	Exterior	**Stories**	Two
Hotel Sub-Type	Limited Service	**Building SF**	23,626
Chain Scale	Economy	**Public Spaces**	Small lobby with breakfast area and guest registration area.
No. of Rooms	83		
Year Built	1973	**Amenities**	None

Financial Data

Price per Room	$10,119	**Expenses**	$430,000
Adj. Price/Room	$13,095	**NOI**	$145,000
Room Revenue	$575,000	**Expense Ratio**	74.78%
		OAR	13.18%
		RRM	1.913

This property includes 84 guest rooms, though only 58 were in service at the time of sale. The buyer planned to spend $250,000 on renovations and planned to put all 84 rooms back into service.

Sale No. 4

Oyo Hotel - Greensboro, NC

Transaction

Name	Oyo Hotel	**Date of Sale**	12-22-2020
Address	2600 Preddy Blvd	**Book/Page**	8381/2672
Location	Greensboro, North Carolina	**Sale Price**	$1,150,000
Sale Status	Closed	**Adjusted Sale Price**	$1,150,000
Seller	Extended Stay Greensboro, LLC	**Property Rights**	Fee Simple
Buyer	Bravo Hospitality, LLC		

Site

Land Acres	3.84000
Shape	Irregular
No. of Rooms	70
Year Built	1979

Improvements

Stories	Two
Building SF	34,464

Financial Data

Price per Room	$16,429
Adj. Price/Room	$16,429

Comparable Sales Adjustment Grid					
Sale #		**1**	**2**	**3**	**4**
Property Name	**Regency Inn**	**Rodeway Inn**	**EconoLodge**	**Budget Inn**	**Oyo Hotel**
City	Greensboro	Greensboro	Greensboro	High Point	Greensboro
State	NC	NC	NC	NC	NC
Sale Date	N/A	Aug-20	May-19	Dec-19	Dec-20
Sale Price	N/A	$2,110,000	$2,350,000	$850,000	$1,150,000
# Rooms	66	86	115	58	70
Year Built	1956	1974	1970	1973	1979
Other Features	Exterior corridors	Exterior corridors	Exterior corridors	Exterior corridors	Exterior corridors
Condition	Fair/Average	Average	Fair/Average	Poor	Fair/Average
Land Size (acre)	3.59	4.59	5.61	2.49	3.84
Rooms/Acre	18	19	20	23	18
Sale Price Per Room		**$24,535**	**$20,435**	**$14,655**	**$16,429**
Adjustments					
Property Rights		0	0.0%	0.0%	0.0%
Adjusted price		$24,535	$20,435	$14,655	$16,429
Market Conditions		0%	3%	0%	0%
Adjusted Price		$24,535	$21,048	$14,655	$16,429
Financing		0%	0%	0%	0%
Adjusted Price		$24,535	$21,048	$14,655	$16,429
Other Adjustments					
Location		-15%	-15%	0%	0%
Quality		-5%	0%	0%	0%
Age/Condition		-10%	-10%	15%	0%
Amenities		0%	0%	0%	0%
Other		0%	0%	0%	0%
Net Adjustment		-30%	-25%	15%	0%
Adjusted Price/ Room		**$17,174**	**$15,786**	**$16,853**	**$16,429**

Comparable Hotel Sales Map

Sale #1, the Rodeway Inn, is a recent sale from Greensboro; it is at the intersection of Business 85 and Lee Street. This property has exterior corridors and has undergone some level of renovations in recent years. It operates with 86 guest rooms though it has some unused rooms that contribute nothing to its value. The price per room is calculated based on 86 rooms.

This location on Cedar Park Drive at I-85 is better than the subject location. There is a newer Holiday Inn Express hotel at this interchange. This property is also newer and superior to the subject in terms of age/condition and quality. Downward adjustments are made accordingly. After adjustments, it indicates a subject value of just over $17,000 per room.

Sale #2, the Econo Lodge is an older, exterior-corridor in Greensboro at the interchange of Business 85 and South Elm Eugene. This property sold for $2.350 million, and the buyer planned to spend between $300,000 and $500,000 on renovations after the sale. In the sales summary charts of this appraisal, the "adjusted sale price" of this property is listed at $2.750 million reflecting the buyer's anticipated renovations. In the adjustment chart by this approach, the un-adjusted price per room is used.

Sale #2 is superior to the subject in terms of location and age/condition. After adjustments, it indicates a value for the subject of just under $16,000 per room.

Sale #3 is a Budget Inn property in High Point. This property, at the time of sale, was operating with 58 guest rooms, though there were an additional 26 rooms that were out-of-service. The buyer planned to spend $250,000 to put the additional rooms back into service. It is analyzed in this appraisal based on 58 rooms. The condition of this property was poor at the time of sale. This is the only adjustment made to Sale #3 for property condition.

Sale #4 is the Oyo Hotel on Business 85 and Holden Road, south of Greensboro. No adjustments are made to this property.

After adjustments, the comparable sales indicate a range of values for the subject of approximately $15,800 to $17,200 per room. A value of $16,500 per room is adopted based on the adjustment grid analysis. Therefore, the total subject value by the comparative approach is calculated as follows:

Subject Value	
Subject Value Per Room	$16,500
# Rooms	66
Total Value	$1,089,000
Rounded	$1,090,000

Reconciliation of Sales Comparison Approach – "As Is"

The sales comparison approach gives primary emphasis to the RRM analysis and a final value opinion of $1,020,000 is adopted for the subject property. The other methods are supportive of this value indication.

Exposure Time

The definition of market value, in this report, assumes a property is exposed on the open market for a reasonable amount of time, and both buyer and seller are acting prudently. The term "market exposure" in the context of an appraisal is the theoretical period of time that the property would have been exposed prior to the date of appraisal in order to achieve the appraised value.

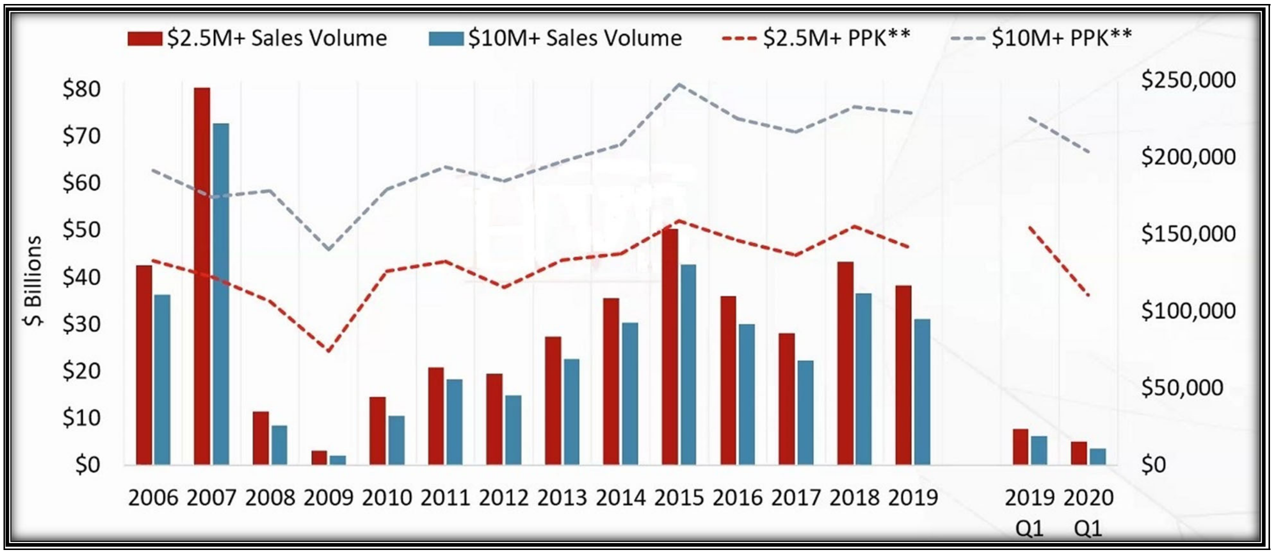
Individual hotel transaction volume in 2020 was down to its lowest levels since 2009 after strong transactions volume in 2018/2019. The transaction market began to freeze in March 2020 due to the pandemic. The lack of available debt financing and uncertainty with regards to recovery have contributed to the decline. The economy hotel segment has generally fared best during the pandemic and its segment saw the least decline in deal volume in 2020. Transactions in the upper tier of the market saw the largest decline with deal volume, plummeting 70%-80% in 2020.

The hotel market is segregated among several market segments, including institutional investors such as REITs and private equity as well as owner operators. Institutional investors have specific criteria: buyers participating in the upper-midscale and upscale, select-service market are generally targeting properties with Hilton and Marriot franchise affiliations. Other institutional buyers are targeting upper-upscale and luxury properties in the top 25 markets with high barriers to entry. Typically, the larger and corporate buyers prefer Hilton, Marriott, Hyatt, and IHG brands while Best Western, Choice, and Wyndham are more in demand for individual and smaller portfolio buyers.

The market for midscale and economy properties in secondary and tertiary markets is a different scenario. We recently reviewed a list of forty sales of primarily midscale and economy-oriented hotels that occurred in 2019. The average days on market of these sales were 237 days, or approximately 8 months. The market exposure time for better quality properties with good franchise affiliations should be less while lesser quality properties with lower tier or no franchise affiliations would be expected to be closer to 10 to 12 months.

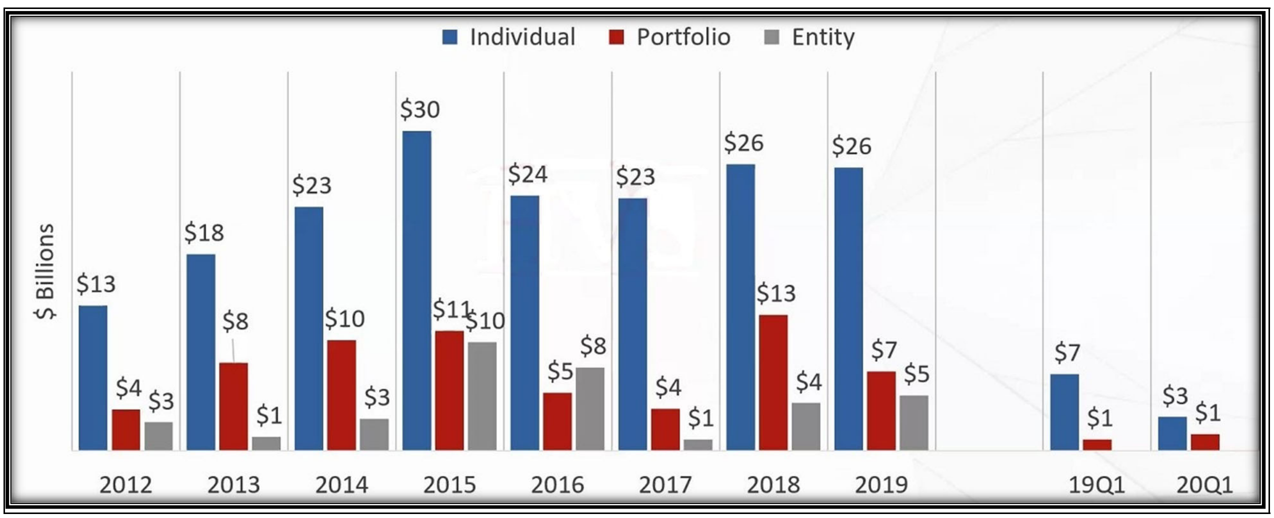
Relative to market exposure, the "off market deals" had little or no exposure. However, in general terms, we would anticipate that an institutional quality hotel property would have theoretically required an exposure period of 1 to 3 months. The following charts summarize U.S. hotel transaction volume as provided by Real Capital Analytics and Smith Travel Research, Inc.

U.S. Hotel Transaction Volume



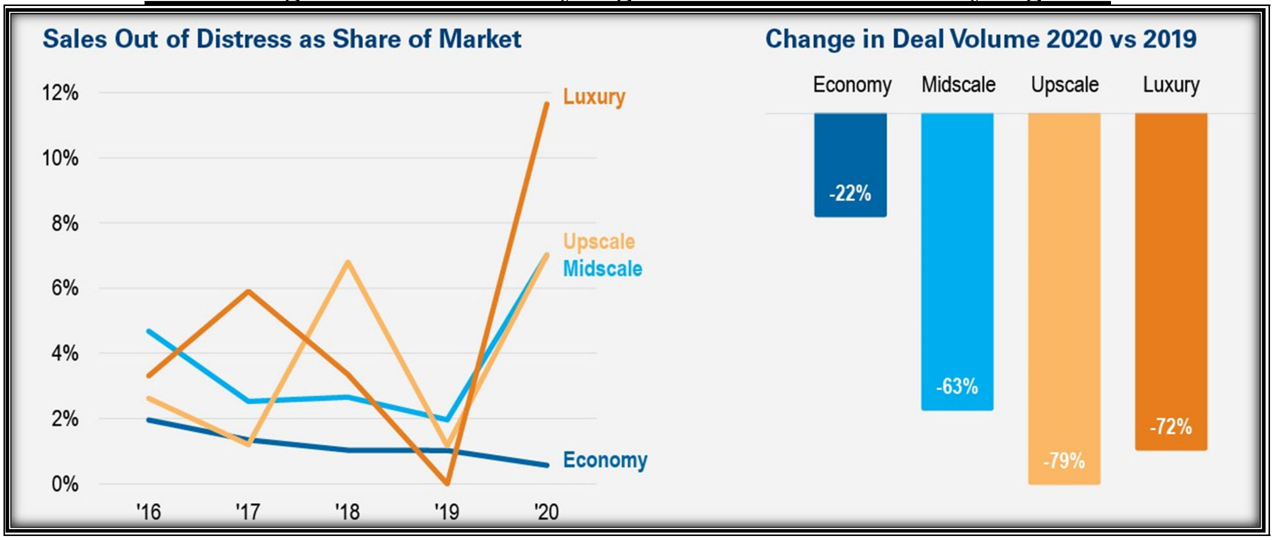
Source: Real Capital Analytics

U.S. Quarterly Hotel Transaction Volume

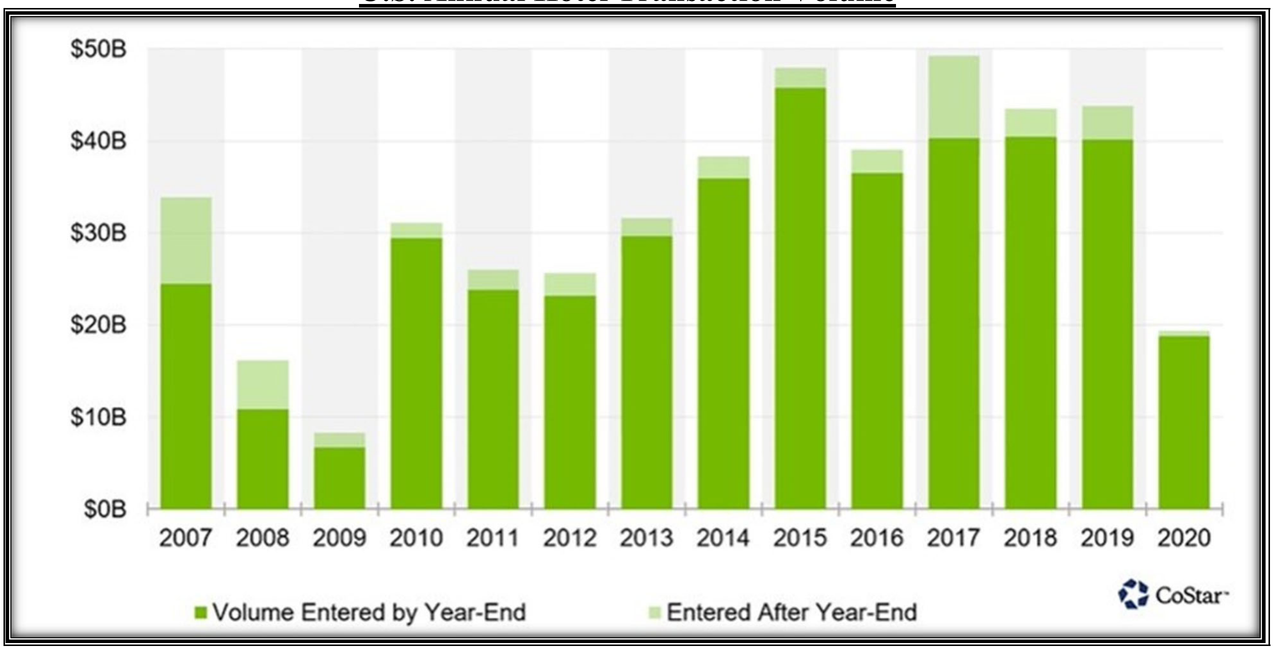


Source: Real Capital Analytics

U.S. Change in Deal Volume by Segment / Distressed Sales by Segment



U.S. Annual Hotel Transaction Volume



The subject property built in 1956 and is in fair to average condition. It is not affiliated a national franchise and is has exterior corridor; it would tend to be purchased by an owner operator. It is located in struggling neighborhood of Greensboro and has limited appeal from an investor's perspective. Therefore, we estimate a market exposure time at approximately 7 – 8 months.

Marketing Time

Marketing time is the estimated period of time it would take to sell the property going forward from the date of appraisal. Sales volume for hotels is expected to be active over the next 12 months. Quality properties with strong franchise affiliations and good locations will continue to be in highest demand. Marketing times for economy and midscale properties with lesser locations would tend to be longer. Continued interest rates increases by the Federal Reserve in 2019 and 2020 have the potential to negatively impact the pace of deal activity to some degree.

PriceWaterhouseCoopers publishes a hotel investment report in the 1st and 3rd quarter of each year as part of their Real Estate Investor Survey. Within these bi-annual reports, marketing times for various segments of the hotel market are tracked. The chart to follow summarizes this data.

Average Marketing Times (Months)				
Quarter	Ltd Mid & Economy Service	Select Service	Full Service	Upper Upscale/Luxury
1st Qtr 2014	7.0	6.8	7.3	7.8
3rd Qtr 2014	7.0	6.8	6.7	6.0
1st Qtr 2015	7.0	6.6	6.6	6.3
3rd Qtr 2015	7.0	6.0	6.9	6.0
1st Qtr 2016	6.9	6.0	6.9	5.8
3rd Qtr 2016	6.8	5.9	7.0	6.3
1st Qtr 2017	6.5	6.0	6.3	6.8
3rd Qtr 2017	6.9	6.0	6.3	6.8
1st Qtr 2018	6.7	6.6	6.0	6.8
3rd Qtr 2018	6.1	6.9	6.2	6.8
1st Qtr 2019	6.2	4.9	6.0	6.7
3rd Qtr 2019	6.2	4.9	6.0	6.7
1st Qtr 2020	6.6	4.9	6.3	6.7
3rd Qtr 2020	6.6	5.2	6.3	7.5
1st Qtr 2021	6.6	5.2	6.9	7.9
Source: PWC Real Estate Investor Survey published by PricewaterhouseCoopers				

The preceding data indicates the average marketing times for all segments of hotels ranges from approximately 5 to 8 months. In the preceding section, we discussed market exposure time of 7-8 months. It is reasonable to anticipate a similar marketing period of 7-8 months.

Reconciliation and Final Value Opinion - Hotel

The values of the going concern hotel property derived through the accompanying appraisal are summarized as follows:

Summary of Value Opinions: Going Concern Hotel	
	As Is
Income Capitalization Approach	$1,120,000
Sales Comparison Approach	$1,020,000
Cost Approach	N/A

This appraisal develops value opinions for the subject within the context of the income capitalization and sales comparison approaches. Within each approach, there are two methodologies used; i.e. in the income approach discounted cash flow analysis and direct capitalization are used and within the sales comparison approach, an RRM and price per room analysis is used. The appraisal does not develop a value opinion using the cost approach given the property's age and that buyers/sellers of existing hotel properties are more focused on the economics of ownership that are not addressed by the cost approach. Therefore, this methodology is not developed within this appraisal.

The value indications by the income capitalization and sales comparison approaches are both based on economic units of comparison and are considered good indicators of value. Primary emphasis is given to the income approach. Based on the data presented, my opinion of market value for the going concern subject hotel as of April 8, 2021 is as follows:

Final Value Opinion: Total Going Concern Hotel	
As-Is Value	$1,120,000

*subject to the Assumptions and Limiting Conditions at the beginning of the report

Allocation of Going Concern Hotel Value Opinion

The value opinion for the total going concern hotel developed in the preceding sections of this report potentially consists of three components. The primary component of value is real property, but personal property and business value components also exist. It is difficult to separate business value from the total value. The real property clearly consists of the land and improvements. The personal property consists of hotel furniture, fixtures, and equipment.

Tangible Business Personal Property

Tangible business personal property for hotels includes furniture and fixtures typically found in the guest rooms (bedding, furniture, televisions), common areas, kitchens, banquet/meeting spaces, administrative offices etc. Tangible business property could also include working capital, inventory, and supplies. However, it has been our experience that typical hospitality properties do not transfer with working capital (cash and receivables). Rather, the buyers provide their own working capital. Further, it is not uncommon for sellers to deplete inventories of supplies in anticipation of selling a property. Therefore, the inherent values of working capital and inventory are considered negligible.

The primary tangible business personal property to be considered in the case of the subject is furniture, fixtures, and equipment (FF&E). The FF&E in the case of the subject includes guest room furnishings, linens, furnishings for the common spaces, any equipment associated with food preparation, laundry areas, and “back of the house” operations. The value allocation for FF&E developed within this appraisal is for these items “in place” and is based on their contribution to the total value of the going concern hotel. The value opinions are not for liquidation separate from the going concern hotel. To the extent that there may be external obsolescence associated with the total going concern hotel, we would anticipate the same being factors in the value allocation for the FF&E.

The following chart summarizes new FF&E costs for a cross section of several hospitality properties. We have not specifically identified the individual properties because some of this data was provided to Hotel and Club Associates, Inc. by confidential sources.

Cost for Business Personal Property: FF&E					
Hotel	**Type**	**Age**	**Year**	**# Rooms**	**FF&E $/Room**
Value Place	Economy, Extended Stay	New Build	2009	124	$3,158
Value Place	Economy, Extended Stay	New Build	2011	121	$3,690
Mainstay Suites	Midscale, Extended Stay	New Build	2011	97	$9,381
Comfort Inn	Upper Midscale, Limited Service	New Build	2017	83	$10,000
Tru	Midscale, Limited Service	New Build	2018	106	$10,094
Avid Hotel	Midscale, Limited Service	New Build	2018	87	$11,000
Tru	Midscale, Limited Service	New Build	2017	82	$11,090
TownePlace Suites	Upper Midscale, Extended Stay	New Build	2017	96	$11,123
Hampton Inn	Upper Midscale, Limited Service	New Build	2019	82	$11,431
Avid Hotel	Midscale, Limited Service	New Build	2018	87	$11,500
Tru	Midscale, Limited Service	New Build	2018	97	$12,518
Hyatt House	Upscale, Extended Stay	New Build	2018	128	$12,559
Hampton Inn & Suites	Upper Midscale, Limited Service	New Build	2018	86	$12,598
Tru	Midscale, Limited Service	New Build	2018	86	$12,729
Best Western Plus	Midscale, Limited Service	New Build	2018	78	$12,821
Tru	Midscale, Limited Service	New Build	2018	120	$12,898
Hampton Inn	Upper Midscale, Limited Service	New Build	2017	94	$12,957
Tru / Hampton Inn & Suites	Midscale/Upper Midscale, Limited Service	New Build	2017	219	$13,966
Holiday Inn Express	Upper Midscale, Limited Service	New Build	2017	93	$14,000
TownePlace Suites	Upper Midscale, Extended Stay	New Build	2018	83	$14,538
Courtyard	Upscale, Select Service	New Build	2018	112	$14,732
Holiday Inn Express & Suites	Upper Midscale, Limited Service	New Build	2019	85	$15,294
TownePlace Suites	Upper Midscale, Extended Stay	New Build	2018	112	$15,314
Residence Inn	Upscale, Extended Stay	New Build	2018	100	$15,450
Fairfield Inn & Suites	Upper Midscale, Limited Service	New Build	2017	104	$16,096
TownePlace/SpringHill Suites	Upper Midscale, Ext. Stay / Upscale, Select Service	New Build	2017	191	$16,314
Fairfield Inn & Suites	Upper Midscale, Limited Service	New Build	2018	82	$16,342
Hyatt House	Upscale, Extended Stay	New Build	2017	130	$16,346
Avid Hotel	Midscale, Limited Service	New Build	2019	87	$16,379
Hampton Inn & Suites	Upper Midscale, Limited Service	New Build	2018	120	$16,538
Candlewood Suites	Midscale, Extended Stay	New Build	2018	103	$17,442
Home2 Suites	Upper Midscale, Extended Stay	New Build	2018	90	$17,500
Hilton Garden Inn	Upscale, Select Service	New Build	2017	119	$17,647
Candlewood Suites	Midscale, Extended Stay	New Build	2018	86	$18,287
Aloft	Upscale, Select Service	New Build	2017	135	$18,626
Home2 Suites	Upper Midscale, Extended Stay	New Build	2018	93	$19,204
Residence Inn	Upscale, Extended Stay	New Build	2017	111	$20,000
Hampton Inn	Upper Midscale, Limited Service	New Build	2018	112	$20,893
Home2 Suites	Upper Midscale, Extended Stay	New Build	2018	112	$21,339
Home2 Suites	Upper Midscale, Extended Stay	New Build	2017	89	$21,348
Courtyard	Upscale, Select Service	New Build	2018	138	$22,000
Residence Inn	Upscale, Extended Stay	New Build	2017	139	$22,500
Boutique Hotel	Luxury	New Build	2018	61	$24,590

The data indicates typical FF&E costs ranging from approximately $3,000 to $25,000 per room with most in the $10,000 to $15,000 range. The subject is an budget property and the cost new for FF&E would be approximately $5,000 per room.

FF&E at hotel properties is typically replaced every 5 to 7 years so that it depreciates rapidly. In this analysis, the value allocation for the FF&E is based on the value in place (its contributing value to the going concern) as opposed to some type of salvage or auction value. To the extent that there may be any functional or external depreciation associated with the building improvements, the same should be true of the FF&E. We do not have specific ages for the subject furnishings, but based on our observations at the inspection, it is our opinion that the FF&E is approximately 90.0% depreciated (inclusive of physical and external obsolescence).

Valuation Allocation to FF&E	
Cost New Per Room	$5,000
Depreciation %	90.0%
x % Remaining Life	10.0%
Depreciated Value/Room	$500
x # Rooms	66
Total Value of FF&E	$33,000
Rounded to	**$30,000**

Intangible Business Enterprise Value

Business Enterprise Value is defined in The Dictionary of Real Estate Appraisal, 6th Edition, published by the Appraisal Institute (2015) as *"The value contribution of the total intangible assets of a continuing business enterprise such as marketing and management skill, an assembled workforce, working capital, trade names, franchises, patents, trademarks, contracts, leases, customer base, and operating agreements."*

There is considerable debate around the topic of intangible BEV and appropriate methodologies for measuring it. With a hotel property, there are clearly elements of BEV. Generally, there is an assembled work force, trade names, contracts, franchise agreements, etc.

In the case of an older property operating independently of a franchise, there would be less debate about whether there is intangible value. None is recognized in this appraisal. Therefore, the allocation of values is summarized as follows:

Allocation of Final Value Opinion: Going Concern Hotel	
Value of Total Going Concern	$1,120,000
Less: FF&E Allocation	$30,000
Less: Intangible BEV	$0
Real Property Allocation	**$1,090,000**

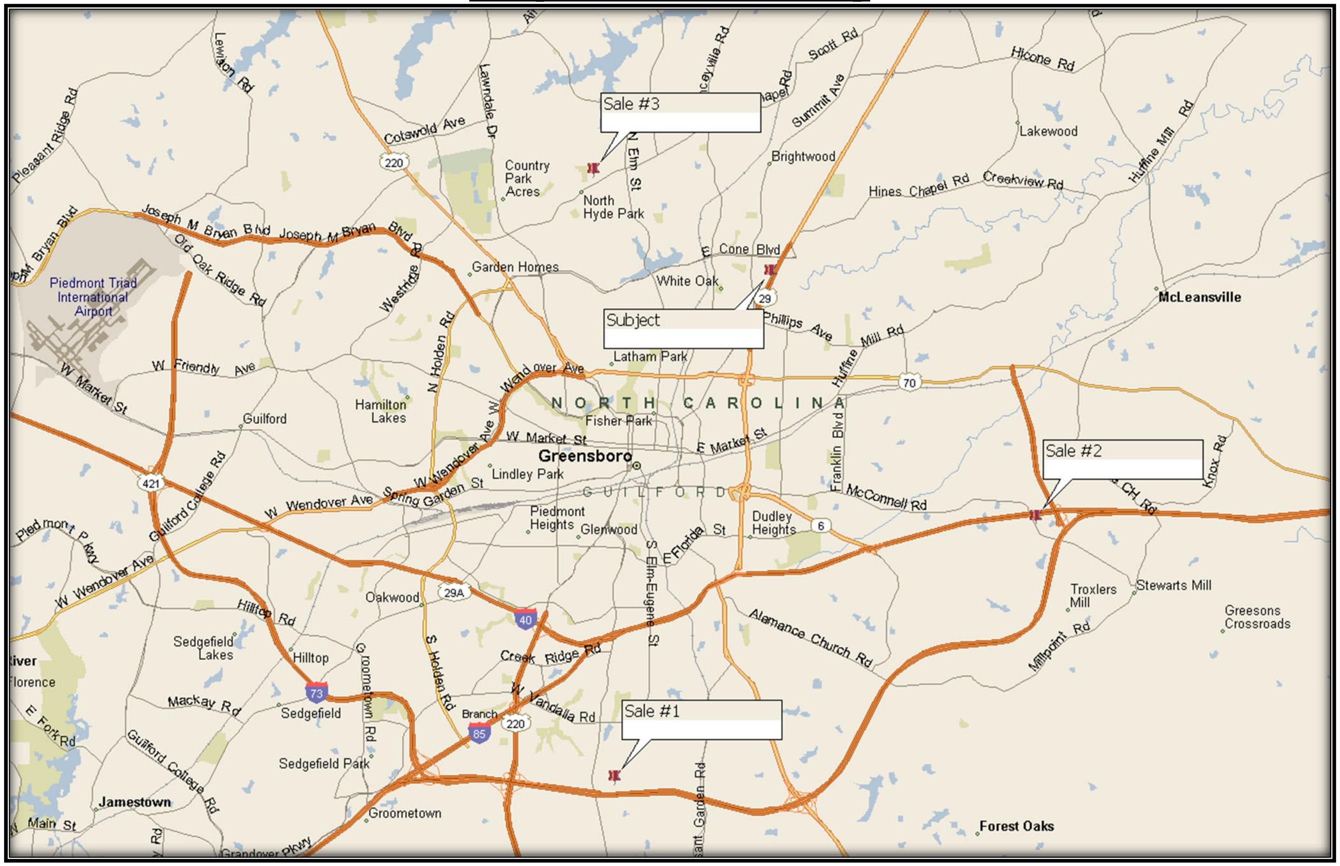
Excess Land Valuation

As described in previous sections of this appraisal, the subject includes approximately 1.87 acres of excess land. The highest and best use of the land is for either low-income multi-family or some type of lower intensity commercial use. Demand for land in the subject area appears to be limited based on observed levels of new development and sales activity. A variety of land sale types have been reviewed and the following are selected for direct comparison.

Land Sale Adjustment Chart

Sale #	Subject	One	Two	Three
Identification	Subject	Elmsley Trail	C-Store	Residential
Location	N. O'Henry Blvd	518 & 522 Kallamdale Dr	3819-25 McConnell Road	4008 Primrose Ave
Sub-Market	NE Greensboro	SE Greensboro	East Greensboro	NE Greensboro
Tax ID #	Part of 27654	142633	115501, 115491, 15485	56504, 56503 223807 223808
Seller	N/A	Sheperd	Windsor Commercial	Habitat for Humanity
Buyer	N/A	Elmsley Trail	Shiv Sumangala, LLC	Ralph Holdings, Inc.
Deed Book/Page	N/A	8043/533 & 556	8055/3014	8251/2098
Sale Date	N/A	4/30/2018	6/8/2018	2/27/2020
Sale Price	N/A	$588,500	$575,000	$120,000
Size (Acres)	1.87	3.749	4.28	0.92
Size (SF)	81,457	163,306	186,437	40,075
Intended Use	Commercial/Residential	MF Residential	C-Store	MF Residential
Price per Acre		**$156,975**	**$134,346**	**$130,435**
Transactional Adjustments				
Property Rights Conveyed		0%	0%	0%
Adjusted Price		$156,975	$134,346	$130,434.78
Conditions of Sale		0%	0%	0%
Adjusted Price		$156,975	$134,346	$130,434.78
Market Conditions		10%	10%	0%
Adjusted Price		$172,673	$147,780	$130,435
Property Adjustments				
Location		-20%	-15%	0%
Demolition		0%	0%	0%
Size		0%	0%	0%
Access/Visibility		0%	0%	0%
Utilities		0%	0%	0%
Shape/Frontage		0%	0%	0%
Other		0%	0%	0%
Net Adjustment		-20%	-15%	0%
Adjusted Value/Ac Indication		**$138,138**	**$125,613**	**$130,435**

Comparable Land Sales Map



Overall real estate market conditions were strong leading up to the COVID outbreak. Sales #1 and #2 occurred in 2018 and are adjusted upward for date of sale/market conditions. Sale #1 is near the interchange of Interstate 85 and Elm Street in a developing area. This property was purchased for development with 60 multi-family units (16 units per acre). Overall, this location has seen more recent development activity spurred in large part by construction of the I-85 bypass some years ago. A downward adjustment is made for location.

Sale #2 was purchased for a convenience store development. It was rezoned from agricultural to commercial prior to selling. It is located at McConnell Road and I-85 east of Greensboro. This area has seen recent development of several large distribution facilities and land values in this location are higher than in the subject area. This is reflected in the downward location adjustment.

Sale #3 is a small residential tract on Primrose Avenue, north of Pisgah Church Road. It is in a single-family residential setting that includes some moderately priced homes, not unlike the subject location. No adjustments are made to this sale.

After adjustments, the sales indicate a range of value for the subject of $125,000 to $138,000 per acre or $2.87 to $3.17 per square foot. It is the appraiser’s opinion that market value of the subject’s excess land is $130,000 per acre. The total contributing value for the subject’s excess land is calculated as follows:

Value Opinion for Excess Land	
Subject Size (acres)	1.87
x $/Ac	$130,000
Total Value	$243,100
Value Rounded to	$240,000

Appraiser’s Certification

I certify that, to the best of my knowledge and belief,

1. The statements contained in this appraisal, subject to the limiting conditions set forth below are true and correct; and that this appraisal has been made in conformity with the accepted practices of the Appraisal Institute.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is our personal, unbiased professional analyses, opinions, and conclusions.

3. I have no present or prospective interest in the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.

4. I have no bias with respect to the property that is the subject of this report or to the parties involved in this assignment.

5. The engagement in this assignment was not contingent upon developing or reporting predetermined results.

6. Compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7. Analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).

8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

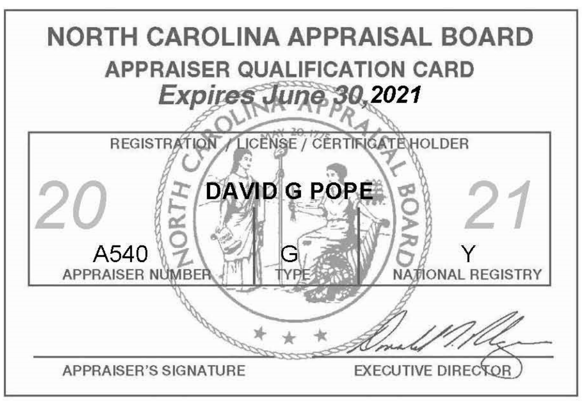
10. No one provided significant real property appraisal assistance to the undersigned in the preparation of this report and the analysis herein.

11. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.

12. I made an exterior-only inspection of the subject building improvements (see Extraordinary Assumptions and Limiting Conditions).

13. Appraisal Disclosure: I have not previously provided appraisal or value consulting services related to the subject property.

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



NORTH CAROLINA APPRAISAL BOARD
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A540	G	Y
APPRAISER NUMBER	TYPE	NATIONAL REGISTRY

APPRAISER'S SIGNATURE EXECUTIVE DIRECTOR

ADDENDA

Appraiser Qualifications

Appraiser Qualifications

David G. Pope, CRE, MAI, SRA, SGA®
dpope@hotelandclub.com

PROFESSIONAL DESIGNATION:

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

STATE CERTIFICATIONS/LICENSES:

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

EMPLOYMENT:

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

ARTICLES PUBLISHED

"Understanding the Challenges of Golf Club Land Valuation & Allocation" SGA's *The Drive* Newsletter, Spring 2014

EDUCATION:

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

GENERAL APPRAISAL EXPERIENCE:

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

HOTEL APPRAISAL EXPERIENCE:

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

GOLF COURSE APPRAISAL EXPERIENCE:

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

RESORT RESIDENTIAL APPRAISAL EXPERIENCE:

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

PROFESSIONAL ACTIVITIES:

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

APPRAISAL INSTITUTE COURSES:

Advanced Concepts and Case Studies (2014)
USPAP Update (2014)
Complex Litigation Appraisal Case Studies (2013)
Marketability Studies (2012)
Fundamentals of Separating Real, Personal Property, and Intangible Business Assets (2011)
Appraising Distressed Commercial Real Estate (2009)
Valuation of Conservation Easements (2008)
Standards and Ethics for Professionals, Course 400, September 2003.
Business Practices and Ethics, Course 420, September 2003.
Condemnation Appraising: Basic Principles and Applications, Greensboro, NC, August 2003.
Standards of Professional Practice, Part C, Greensboro, North Carolina, November 1997.
Standards of Professional Practice, Part B, Greensboro, North Carolina, November 1993.
Report Writing and Valuation Analysis, Chapel Hill, North Carolina, July 1989.
Case Studies in Real Estate Valuation, Chapel Hill, NC, July 1987.
Standards of Professional Practice, Chapel Hill, NC, July 1986.
Capitalization Theory and Techniques, Part B - Atlanta, Georgia, March 1986.
Capitalization Theory and Techniques, Part A - Cocoa, Florida, October 1985.
Residential Valuation, Chapel Hill, NC, July 1984.
Passed exam for "Real Estate Appraisal Principles" course (Exam #1A - 118-1).